

August 29<sup>th</sup>, 2022  
Banking, Equity

Price IDR 720  
Target Price IDR 850  
JKSE Index IDR 7,135.09



Stock Code  
Bloomberg code BJTM IJ  
Market cap (IDR, bn) 10,811.2 B  
52-Week High (IDR) 830  
52-Week Low (IDR) 700  
6-m Avg Daily, Val (IDR) 757  
Free Float (%) 20.50

Major Shareholders (%)

Jatim Government 51.13  
Public 20.50  
Others 28.37

USD/IDR(YE)

2021A 14,291  
2022F (6M Avg) 14,666

Key Indicators

Non-Performing Loan (%) 2.98  
Net Interest Margin (x) 5.28

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### Investment Consideration Decrease in NIM

In 1H22, BJTM's NIM fell 14 bps from 5.06% to 4.92%. With a lower NIM, BJTM recorded a net profit of IDR 0.82 trillion, growing only +1.49% compared to the first semester of 2021. The net profit growth was also supported by Customer Deposits, which grew by +16.41%. We estimate that BJTM will increase its net income by +18.15% from IDR 1.52 trillion in 2021 to IDR 1.80 trillion in 2022.

### Total Assets grew +14.08%

BJTM's total assets grew significantly up by +14.08% yoy from IDR 95.48 trillion to IDR 108.93 trillion. The growth was driven by SME loans which increased +12.40% yoy. Other segments grew too. Consumer lending grew +1.21% yoy, while commercial loans grew +0.26%. We forecast BJTM's total assets and total gross loans will grow by +17.68% and +10.24% in FY2022.

### Better NPL Ratio

Although BJTM didn't grow its net profit significantly, its NPL ratio improved compared to last year. In the first semester, BJTM's NPL was 4.12%, down 30 bps from 4.42% in 1H2021. Of the three segments that are served by BJTM, only SME NPLs increased. Even though NPL from SME increased from 0.62% to 0.63%, SME has the smallest NPL compared to the other two segments. NPLs from commercial and consumer were 2.33% and 1.16% respectively. We project BJTM will continue to improve its NPL ratio, decreasing from 4.48% in FY2021 to 2.98% in FY2022.

### Valuation: 18% Upside, Hold

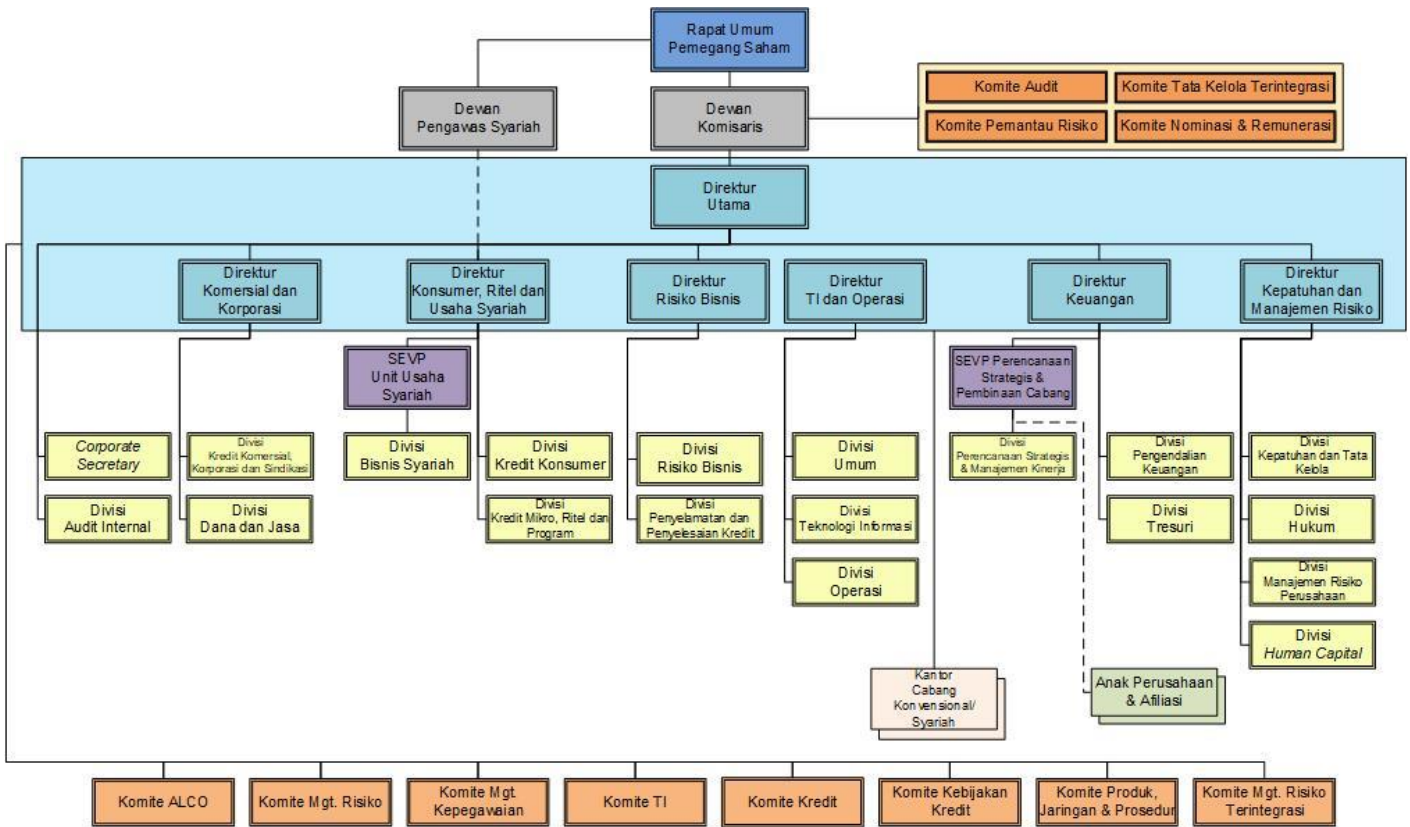
Based on our DDM Valuation, we have a target price within one year of IDR 850 or trading at 1.1x PBV which gives 18% potential upside, Hold.

Income Statement (IDR bn)	2019A	2020A	2021A	2022F
Interest Income	5,839	6,089	6,655	8,222
Interest Expense	(1,839)	(2,031)	(1,977)	(2,463)
<b>Net Interest Income</b>	<b>4,000</b>	<b>4,057</b>	<b>4,678</b>	<b>5,758</b>
Net Operating Income	474	418	806	763
Operating Expense	(2,307)	(2,391)	(2,874)	(3,651)
<b>PPOP</b>	<b>2,167</b>	<b>2,084</b>	<b>2,610</b>	<b>2,870</b>
Provision Expense	(370)	(568)	(819)	(619)
<b>Operating Profit</b>	<b>2,537</b>	<b>2,652</b>	<b>3,430</b>	<b>3,490</b>
Non Operating Income	68	(9)	147	148
<b>Profit Before Tax</b>	<b>1,864</b>	<b>1,507</b>	<b>1,938</b>	<b>2,399</b>
Tax Expense	488	18	415	600
<b>Net Profit</b>	<b>1,377</b>	<b>1,489</b>	<b>1,523</b>	<b>1,800</b>
<b>EPS (Rp/Share)</b>	<b>91.9</b>	<b>99.2</b>	<b>101.4</b>	<b>119.8</b>

**Company Profile**

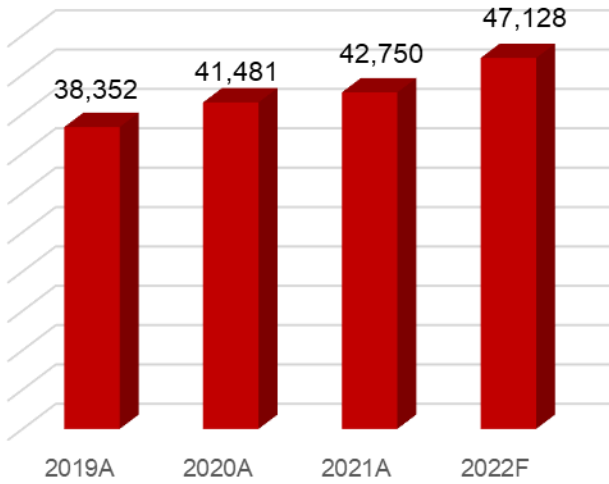
PT Bank Pembangunan Daerah Jawa Timur Tbk (the “Bank”) was established under the name of PT Bank Pembangunan Daerah Djawa Timur based on the notarial deed No.91 dated August 17, 1961 of Anwar Mahajudin. Pursuant to Law No.13 year 1962 regarding the Basic Terms for Regional Development Banks, which require that the establishment of Regional Development Banks be based on Municipal District Regulations, therefore the Municipal District I of East Java issued Municipal District Regulation No.2 in 1976. Based on this Municipal District Regulation, the name of PT Bank Pembangunan Daerah Djawa Timur was changed to Bank Pembangunan Daerah Jawa Timur. The main role of the Bank is to participate in developing regional economic growth by providing financial services to small and medium sized businesses to achieve appropriate profit levels. The bank’s main activities involve collecting and lending funds and other banking services.

**Company Structure**

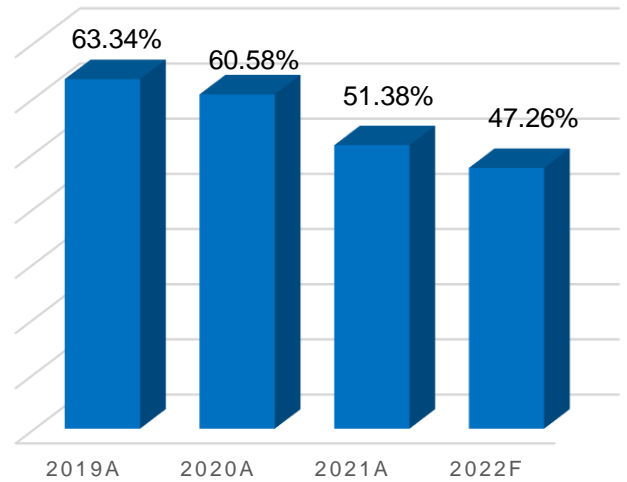


Source: Company

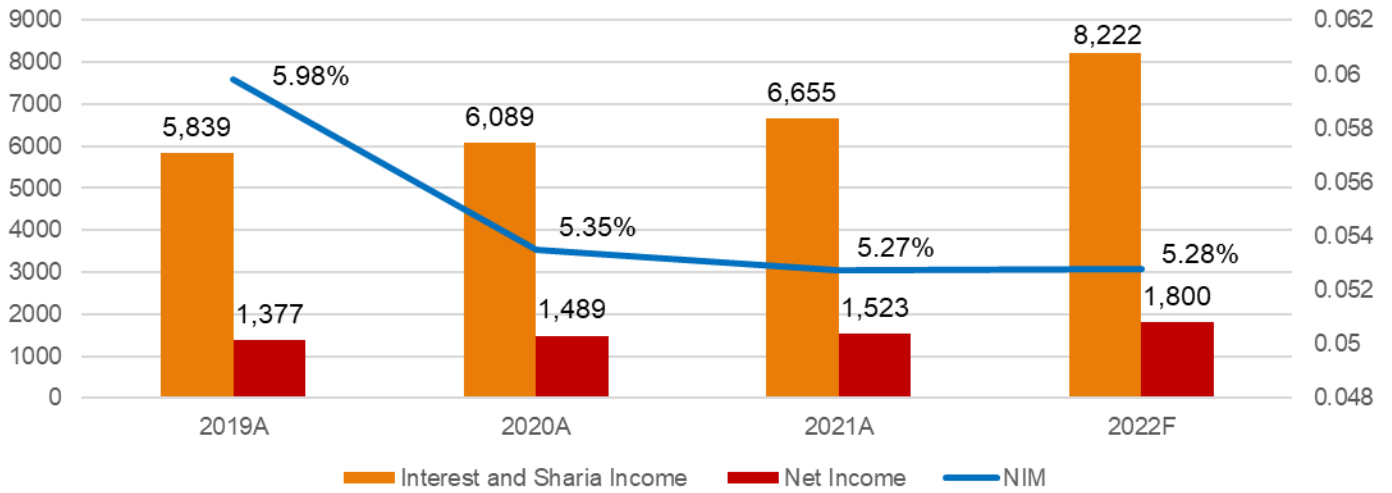
**Chart: Gross Loan (x) YoY**



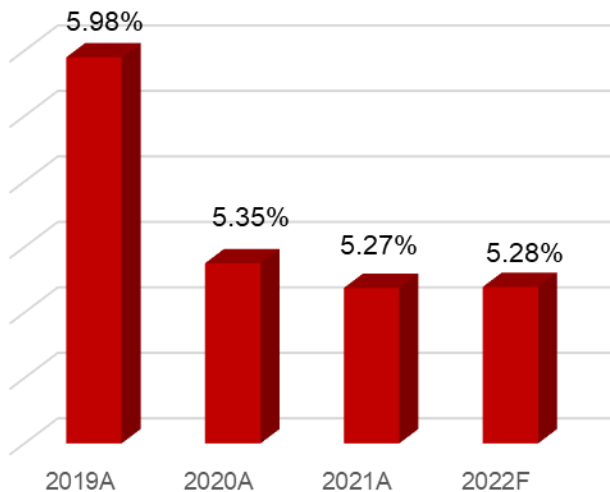
**Chart: Loan to Deposit Ratio (x) YoY**



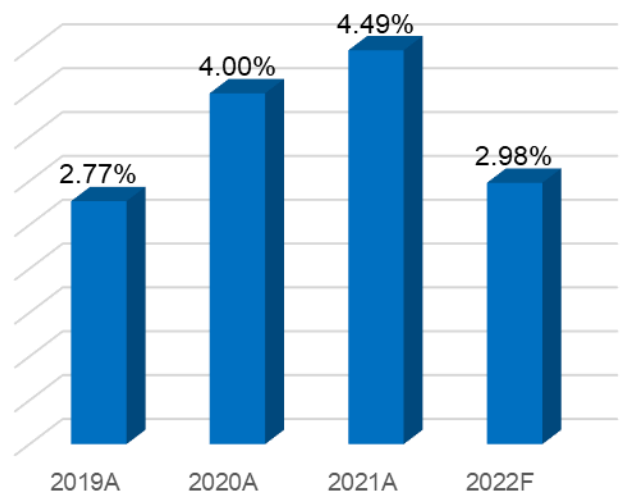
**Chart: Profitability (x) YoY**



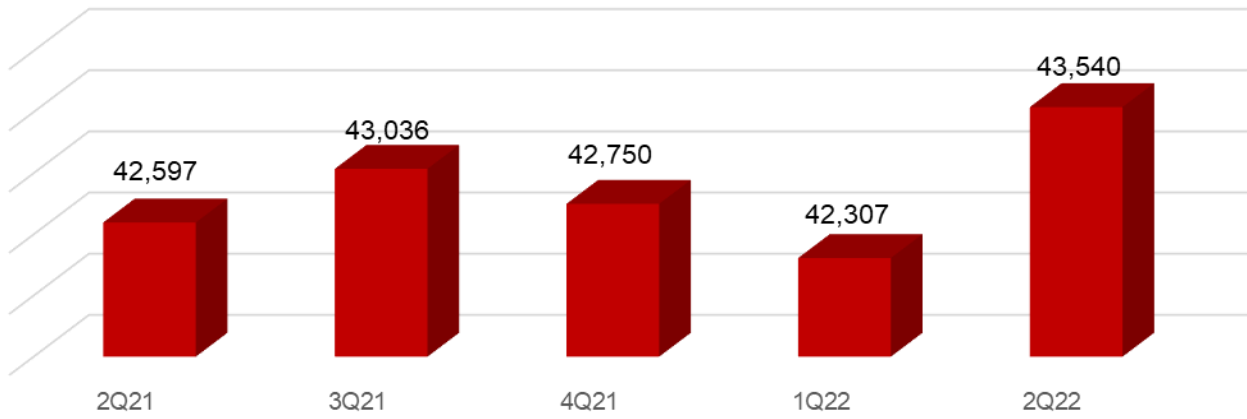
**Chart: Net Interest Margin (x) YoY**



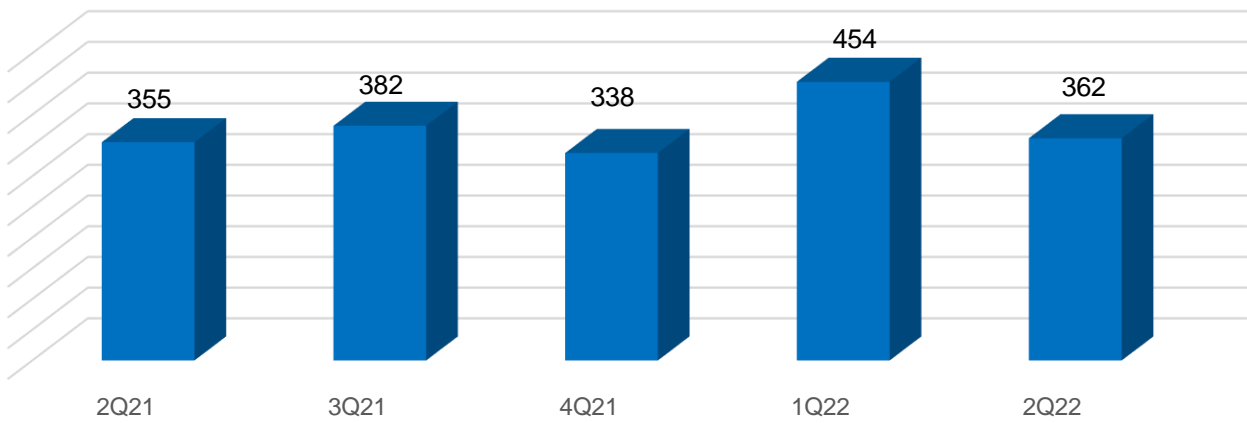
**Chart: Non Performing Loan (x) YoY**



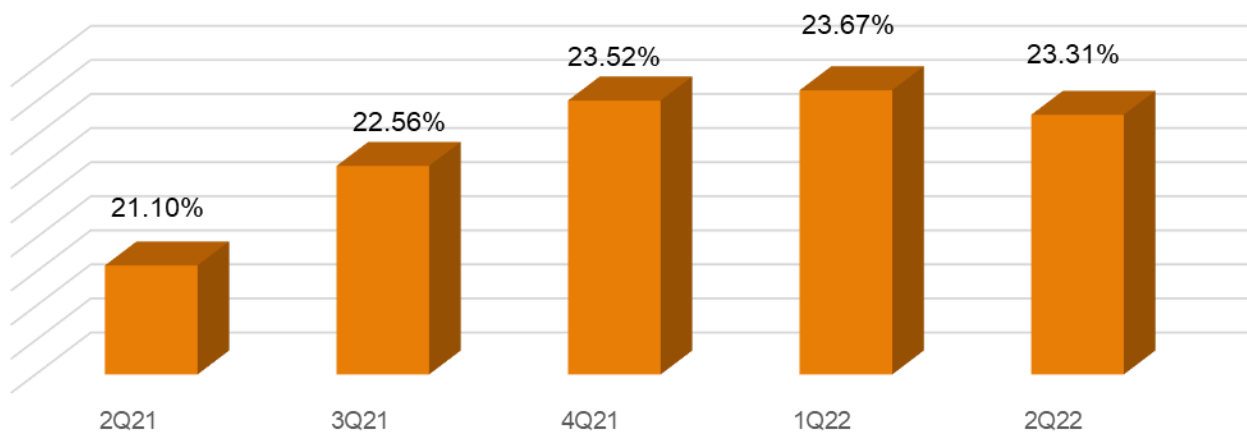
**Chart: Gross Loan (x) QoQ**



**Chart: Net Income (x) QoQ**



**Chart: CAR (x) QoQ**



## Balance Sheet (IDR,bn)

Balance sheet (IDR bn)	2019A	2020A	2021A	2022F
Cash and CA with BI	8,464	6,172	10,828	6,924
Interbank Placement	11,987	6,884	9,916	17,277
Marketable Securities	16,439	27,232	35,804	44,379
Gross Loan	38,352	41,481	42,750	47,128
Allowance for Loans	(980)	(1,455)	(1,831)	(1,609)
Loans(net)	37,372	40,026	40,918	45,519
Other Earning Asset	28,538	34,353	45,931	61,975
Non Earning Asset	2,341	3,069	3,046	4,117
<b>Total Assets</b>	<b>76,715</b>	<b>83,619</b>	<b>100,723</b>	<b>118,534</b>
Deposit:				
Current Account	23,826	21,129	25,976	28,765
Saving Account	22,224	22,874	24,899	26,830
Time Deposits	14,496	24,465	32,327	44,130
Other Interest Bearing Liabilities	4,283	3,340	4,782	5,064
Non Interest Bearing Liabilities	2,701	1,806	1,829	1,886
<b>Total Liabilities</b>	<b>67,530</b>	<b>73,615</b>	<b>89,813</b>	<b>106,675</b>
<b>Total Shareholder's Equity</b>	<b>9,186</b>	<b>10,005</b>	<b>10,911</b>	<b>11,860</b>

## Income Statement (IDR,bn)

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**Ratio Highlights**

Ratio Analysis	2019A	2020A	2021A	2022F
<b>Profitability &amp; Efficiency</b>				
NIM	5.98%	5.35%	5.27%	5.28%
Cost-to-Income Ratio	51.56%	53.43%	52.40%	55.99%
ROE	14.99%	14.88%	13.96%	15.17%
ROA	1.79%	1.78%	1.51%	1.52%
ROAE		15.52%	14.56%	15.81%
BOPO	71.54%	76.70%	76.00%	74.95%
Cost of Credit	0.97%	1.37%	1.92%	1.31%
<b>Liquidity</b>				
LDR	63.34%	60.58%	51.38%	47.26%
CASA	76.06%	64.27%	61.15%	55.75%
<b>Asset Quality</b>				
Gross NPL	2.77%	4.00%	4.49%	2.98%
Provision Coverage	129%	131%	118%	98%
<b>Capital</b>				
CAR	21.77%	21.64%	23.52%	27.60%
<b>Growth</b>				
Loan Growth		8.16%	3.06%	10.24%
Deposit Growth		13.08%	21.52%	19.86%
Net Income Growth		8.17%	2.29%	18.15%

**BJTM QoQ Result**

Balance Sheet	2Q21	3Q21	4Q21	1Q22	2Q22	%QoQ	%YoY
Loan	42,597	43,036	42,750	42,307	43,540	1.03%	2.21%
Loan Loss Reserves	(1,640)	(1,781)	(1,831)	(1,942)	(1,784)	8.58%	8.78%
NPL	1,887	1,894	1,919	2,018	1,794	0.35%	-4.94%
Deposit							
Demand	22,961	23,352	25,976	27,532	28,055	1.70%	22.18%
Savings	22,205	22,223	24,899	22,747	23,060	0.08%	3.85%
Time Deposit	36,357	40,551	32,327	41,076	43,787	11.54%	20.44%
Total Asset	95,479	101,003	100,723	105,654	108,925	5.79%	14.08%
Shareholder Equity	10,090	10,556	10,911	10,471	10,675	4.62%	5.80%

Income Statement	2Q21	3Q21	4Q21	1Q22	2Q22	%QoQ	%YoY
Interest Income	1,637	1,685	1,731	1,703	1,707	0.24%	4.24%
Interest Expense	(534)	(536)	(376)	(467)	(504)	8.01%	-5.53%
<b>Net Interest Income</b>	<b>1,104</b>	<b>1,148</b>	<b>1,355</b>	<b>1,236</b>	<b>1,203</b>	<b>-2.69%</b>	<b>8.97%</b>
Net Operating Income	108	101	500	187	682	264.87%	533.74%
Operating Expense	(650)	(607)	(1,156)	(634)	(761)	20.03%	17.03%
<b>PPOP</b>	<b>561</b>	<b>643</b>	<b>699</b>	<b>789</b>	<b>1,123</b>	<b>42.40%</b>	<b>100.18%</b>
Provision Expense	(88)	(139)	(463)	(203)	(654)	221.59%	639.73%
<b>Operating Profit</b>	<b>473</b>	<b>503</b>	<b>235</b>	<b>586</b>	<b>469</b>	<b>-19.86%</b>	<b>-0.75%</b>
Non Operating Income	(12)	(7)	170	7	14	90.86%	-215.77%
Tax Expense	(105)	(115)	(68)	(139)	(122)	-12.72%	15.39%
<b>Net Profit</b>	<b>355</b>	<b>382</b>	<b>338</b>	<b>454</b>	<b>362</b>	<b>-20.25%</b>	<b>1.83%</b>

Ratio	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY
<b>Profitability &amp; Efficiency</b>							
NIM	5.06%	5.09%	5.11%	5.08%	4.92%	(0.16)	(0.14)
Cost-to-Income Ratio	48.71%	49.37%	55.02%	47.21%	52.03%	4.82	3.32
ROE	18.54%	18.17%	17.26%	22.07%	17.58%	(4.49)	(0.96)
ROA	2.31%	2.22%	2.05%	2.31%	2.05%	(0.26)	(0.26)
BOPO	69.83%	71.29%	75.95%	68.43%	74.70%	6.27	4.87
Cost of Credit	1.02%	1.10%	1.01%	1.10%	0.97%	(0.13)	(0.05)
<b>Liquidity</b>							
LDR	52.25%	49.97%	51.38%	46.31%	45.88%	(0.43)	(6.37)
CASA	55.40%	52.92%	61.15%	55.04%	53.86%	(1.18)	(1.54)
<b>Asset Quality</b>							
Gross NPL	4.42%	4.40%	4.48%	4.76%	4.12%	(0.64)	(0.30)
Provision Coverage	87.07%	94.01%	95.57%	96.43%	99.39%	2.96	12.32
<b>Capital</b>							
CAR	21.10%	22.56%	23.52%	23.67%	23.31%	(0.36)	2.21

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater.

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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