

Investment Consideration

Higher profit with strong net interest income

In 9M21, BJTM recorded a net profit of 1.8 Trillion, up 7.81% YoY. Net interest income rose 10.22% YoY. Provision Expenses increased by 14.26% YoY due to the recording of provision fees that are still in the NPL, but the collectibility has increased to the current category. LDR and CASA are quite low but can still be supported by interest income with 70% coming from loan interest and 40% from treasury proceeds. In October 2021, there will be a syndicated repayment of 500bn so that the LDR will be 47.82%, then there will be a repayment at the end of the year or next year of around 250bio so it is estimated that the LDR will be in the range of 47-48% in 2021F.

Loan and Time Deposit growth is quite strong

Loan growth was 6.57% YoY due to SME loans which increased by 13.32% YoY due to the increase in fin tech (Amartha) by around IDR 600 billion. Commercial loans were up 10.83% YoY from a stronger construction sector (government projects). Consumer loan growth was slower at 2.97% YoY. Third Party Funds increased by 23.45% YoY with deposit growth of 58% YoY, but interest costs were still controlled with a 3Q21 COF of 2.39% from 2.93% in 3Q20.

Asset quality and restructuring progress

Gross NPLs were flat at 4.40% from 4.42% in 1H21. As of September, write-offs amounted to IDR 36.5 billion, and at the end of the year NPL is estimated to at a maximum of 4% in 2021F. Bad debts of around IDR 1.1 trillion are almost all in commercial construction. Loan restructuring has increased to IDR 43 billion from IDR 39 billion in June 2021 or 6.5% of total loans and consists of 20.68% from commercial, 5.12% from SME segment, 0.51% from Consumer segment. NPLs which have been restructured are 2.27%.

Valuation: 25% Upside, Buy.

Based on our DDM Valuation, we have a target price within one year of IDR 940 or trading at 1x PBV which gives 25% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Interest Income	4.890	5.201	5.839	6.089	6.392	7.151	8.068
Interest Expense	1.405	1.513	1.839	2.031	2.248	2.252	2.552
Net Interest Income	3.485	3.688	4.000	4.057	4.144	4.898	5.516
Net Operating Income	371	413	474	418	582	448	580
Operating Expense	1.996	2.262	2.307	2.391	1.911	2.417	2.611
PPOP	1.860	1.840	2.167	2.084	2.815	2.929	3.485
Provision Expense	217	134	370	568	124	164	217
Operating Profit	1.643	1.974	2.537	2.652	2.938	3.093	3.702
Profit Before Tax	1.637	1.754	1.864	1.507	2.682	2.755	3.259
Tax Expense	478	493	488	18	765	784	929
Net Profit	1.159	1.260	1.377	1.489	1.917	1.971	2.331
EPS (Rp/Share)	77,4	84,2	91,9	99,4	128,0	131,6	155,6

30 November 2021
Banking, Equity

Price **IDR. 750**
Target Price **IDR. 940**
JKSE Index **6699.35**



Stock Code
Bloomberg code **BJTM IJ**
Market cap (IDR.bn) **11,406.9B**
52-Week High (IDR) **970**
52-Week Low (IDR) **610**
6-m Avg Daily. Val (IDR) **730**
Free Float (%) **20.31**

Major Shareholders (%)
Government RI **79.69%**
Public **20.31%**

USD/IDR-YE
2020A **14050**
2021F (6M Avg) **14332**

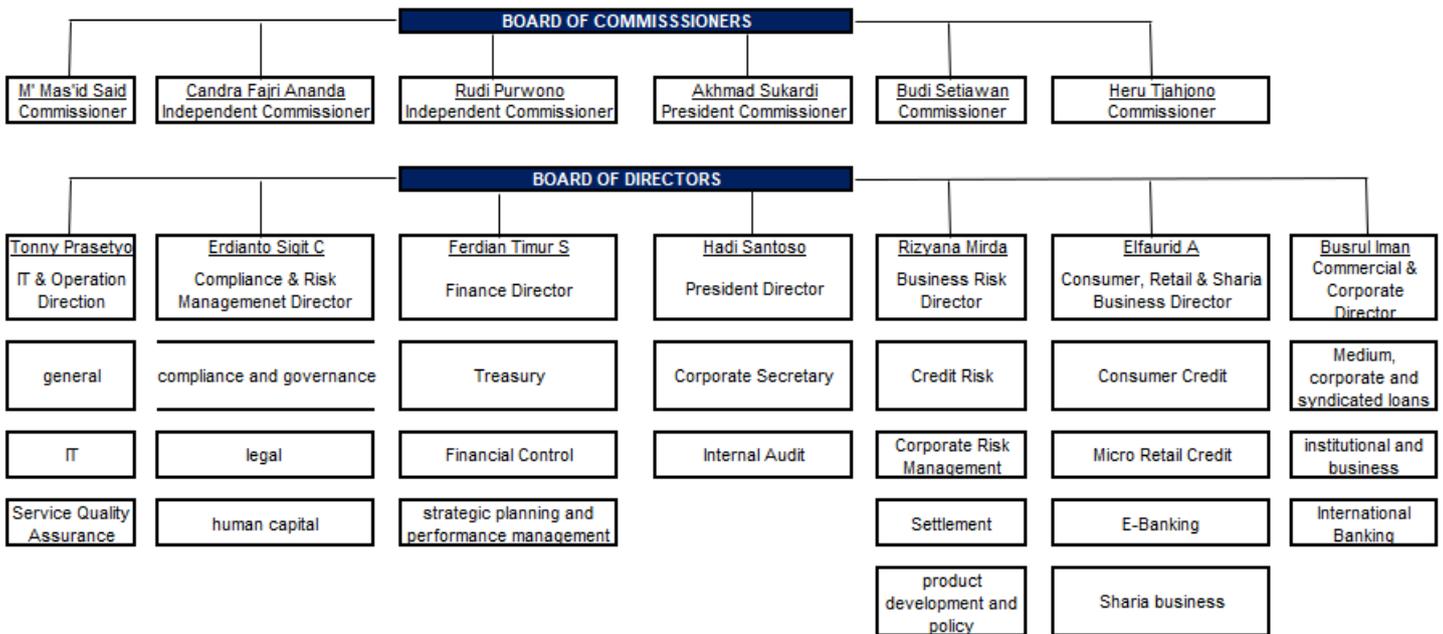
Key Indicators
Non Performing Loan (x) **3.29**
Net Interest Margin (x) **5.17**

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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

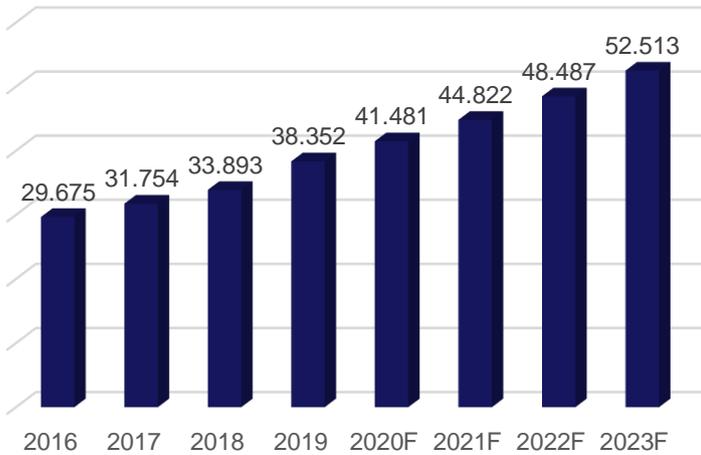


Chart: Loan to Deposit Ratio (x) YoY

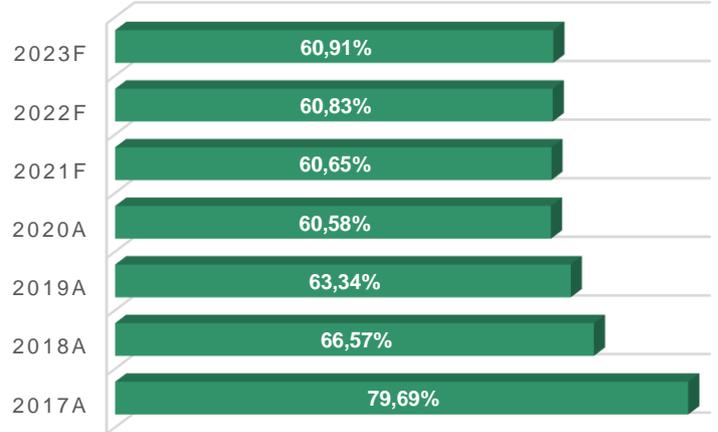


Chart: Profitability (x) YoY

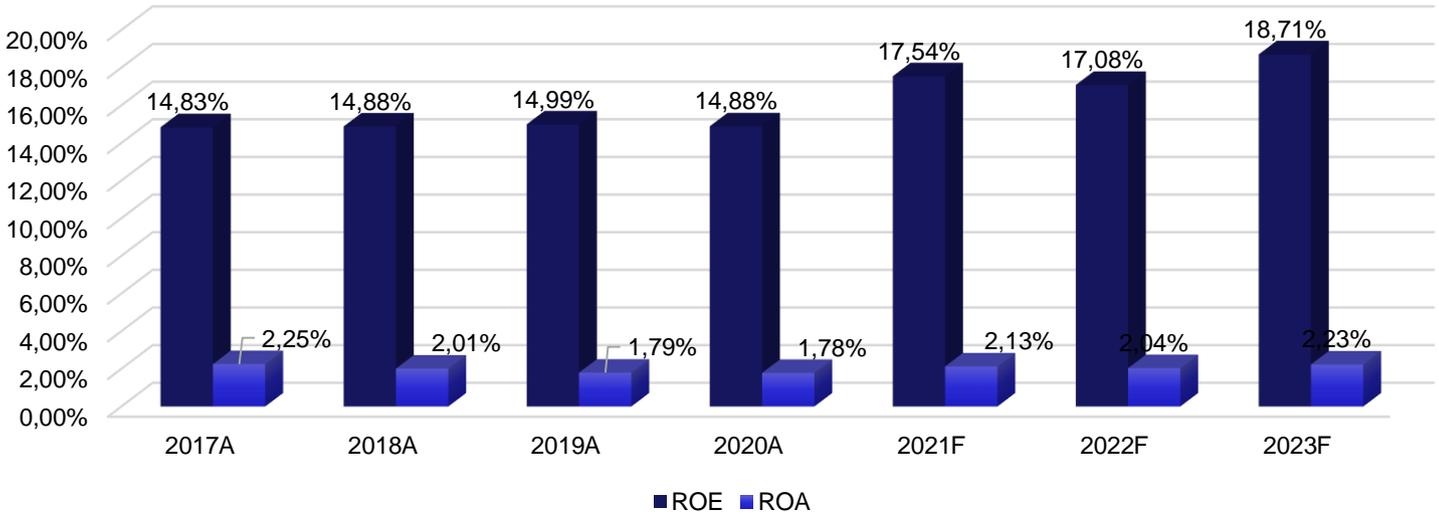


Chart: Net Interest Margin (x) YoY



Chart: Non Performing Loan (x) YoY

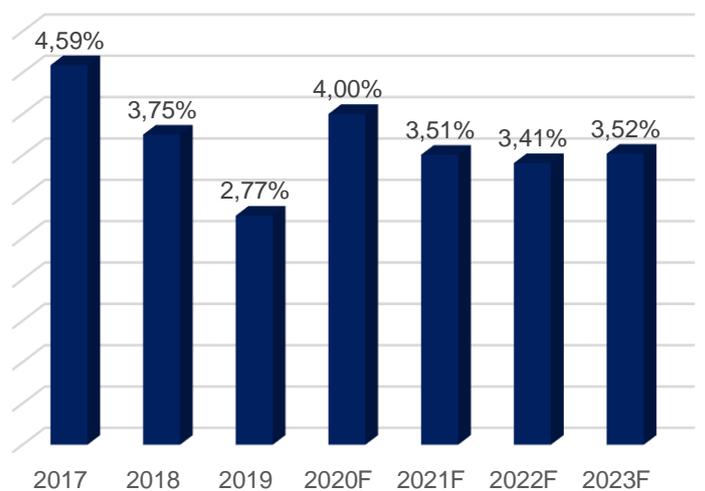


Chart: Gross Loan (x) QoQ

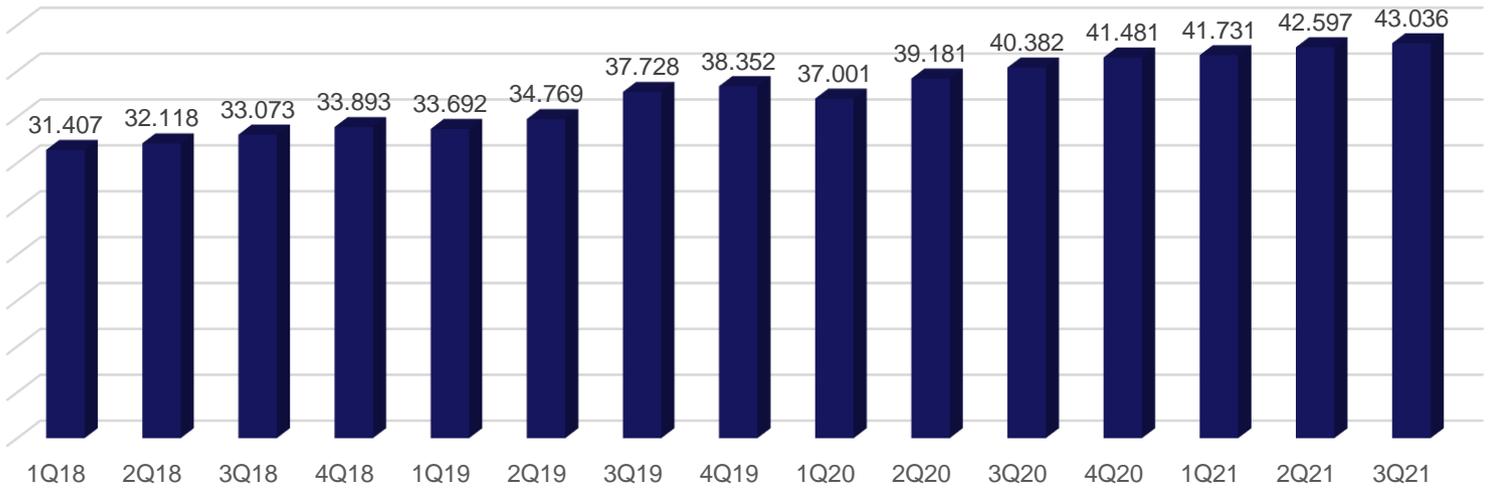


Chart: Net Income (x) QoQ

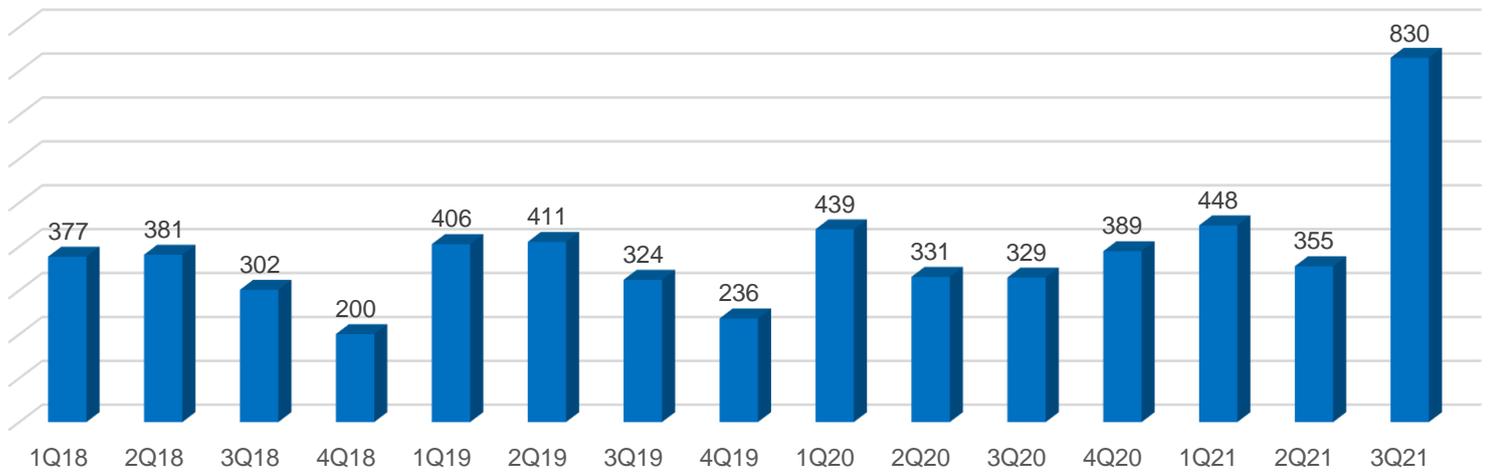
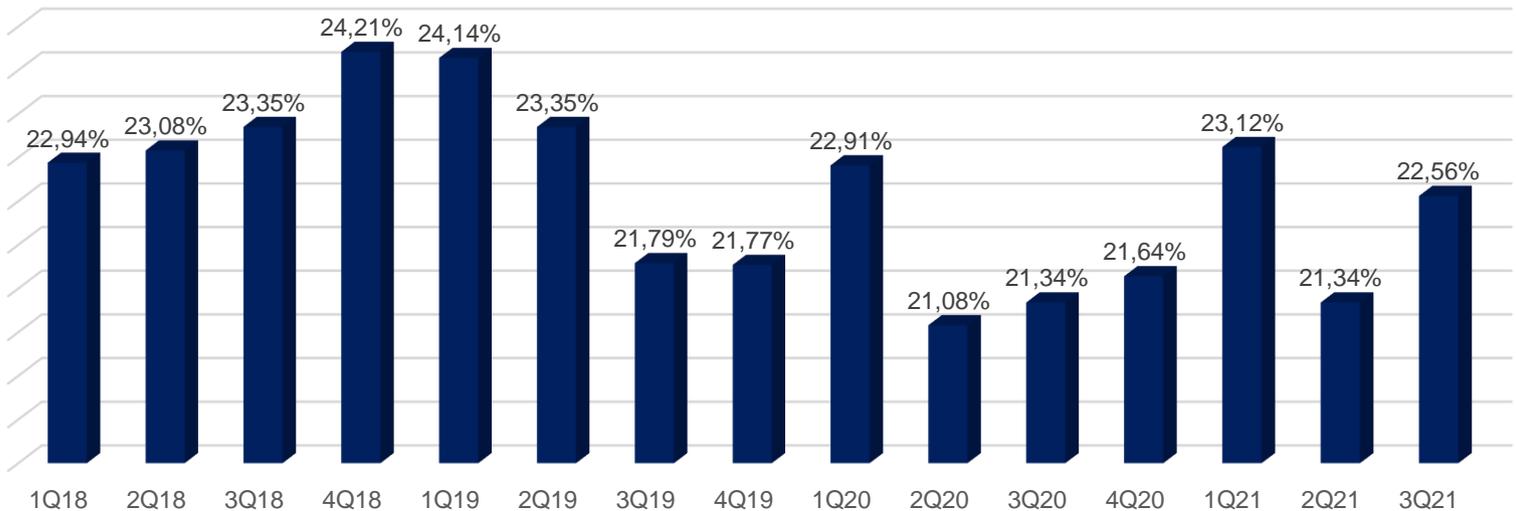


Chart: CAR (x) QoQ



Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Cash and CA with BI	5.291	5.990	8.464	6.172	5.577	5.564	6.032
Interbank Placement	8.946	13.347	11.987	6.884	15.730	14.110	14.069
Marketable Securities	4.742	8.358	15.401	27.232	21.896	26.053	29.453
Gross Loan	31.754	33.893	38.352	41.481	44.822	48.487	52.513
Allowance for Loans	-1.394	-1.199	-980	-1.455	-1.554	-1.694	-1.885
Loans-net	30.360	32.695	37.372	40.026	43.268	46.794	50.628
Other Earning Asset	13.755	21.803	28.538	34.353	38.285	41.045	44.193
Non Earning Asset	2.112	2.202	2.341	3.069	3.051	3.425	3.625
Total Asset	51.519	62.689	76.715	83.619	90.181	96.828	104.479
Deposit:							
Current Account	12.002	19.286	23.826	21.129	21.974	22.853	23.767
Saving Account	15.847	19.112	22.224	22.874	23.789	24.503	25.238
Time Deposits	11.996	12.518	14.496	24.465	28.135	32.355	37.208
Other Interest Bearing Liabilities	1.860	1.816	4.283	3.341	3.504	3.675	3.854
Non Interest Bearing Liabilities	1.998	1.485	2.701	1.806	1.853	1.902	1.952
Total Liabilities	43.703	54.217	67.530	73.615	79.255	85.288	92.020
Total Shareholder's Equity	7.816	8.472	9.186	10.005	10.926	11.540	12.459

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Net Operating Income	371	413	474	418	582	448	580
Operating Expense	1.996	2.262	2.307	2.391	1.911	2.417	2.611
Pre Provision Operating Profit	1.860	1.840	2.167	2.084	2.815	2.929	3.485
Provision Expense	217	134	370	568	124	164	217
Operating Profit	1.643	1.974	2.537	2.652	2.938	3.093	3.702
Profit Before Tax	1.637	1.754	1.864	1.507	2.682	2.755	3.259
Tax Expense	478	493	488	18	765	784	929
Net Profit	1.159	1.260	1.377	1.489	1.917	1.971	2.331
EPS (Rp/Share)	77,4	84,2	91,9	99,4	128,0	131,6	155,6

Ratio Highlights

Ratio Analysis	2017A	2018A	2019A	2020A	2021F	2022F	2023F
Profitability & Efficiency							
NIM	6,68%	6,37%	6,38%	5,53%	5,17%	5,67%	5,92%
Cost-to-Income Ratio	51,77%	55,14%	51,56%	53,43%	40,44%	45,22%	42,83%
ROE	14,83%	14,88%	14,99%	14,88%	17,54%	17,08%	18,71%
ROA	2,25%	2,01%	1,79%	1,78%	2,13%	2,04%	2,23%
ROAE		14,85%	14,93%	14,93%	16,21%	17,31%	17,89%
BOPO	68,77%	69,61%	71,54%	76,70%	61,42%	63,62%	62,21%
Cost of Credit	0,68%	0,39%	0,97%	1,37%	1,50%	2,00%	1,60%
Liquidity							
LDR	79,69%	66,57%	63,34%	60,58%	60,65%	60,83%	60,91%
CASA	69,89%	75,41%	76,06%	64,27%	61,93%	59,41%	56,84%
Asset Quality							
Gross NPL	4,59%	3,75%	2,77%	2,90%	3,29%	3,41%	3,52%
Provision Coverage	88,32%	85,21%	92,40%	87,69%	90,05%	88,87%	89,46%
Capital							
CAR	24,65%	24,21%	21,77%	21,64%	23,07%	22,67%	22,29%
Growth							
Loan Growth	7,01%	6,74%	13,16%	8,16%	8,05%	8,18%	8,30%
Deposit Growth	21,48%	27,79%	18,91%	13,08%	7,93%	7,87%	8,16%
Net Income Growth	12,76%	8,71%	9,22%	8,17%	28,74%	2,83%	18,23%

BJTM QoQ Result

Balance Sheet	3Q20	2Q21	3Q21	%QoQ	%YoY
Loan	38.352	40.382	41.481	2,72%	8,16%
Loan Loss Reserves	-980	-1.231	-1.455	18,17%	48,42%
NPL	259	436	407	-6,65%	57,40%
Deposit					
Demand	23.825	23.529	21.129	-10,20%	-11,32%
Savings	22.223	20.596	22.874	11,06%	2,93%
Time Deposit	14.496	19.883	24.465	23,04%	68,77%
Total Asset	76.715	82.081	83.619	1,87%	9,00%
Shareholder Equity	9.186	9.644	10.005	3,74%	8,92%

Income Statement	3Q20	2Q21	3Q21	%QoQ	%YoY
Interest Income	1.532	1.532	1.590	3,79%	3,76%
Interest Expense	504	492	573	16,49%	13,69%
Net Interest Income	1.028	1.040	1.017	-2,22%	-1,11%
Net Operating Income	125	101	108	6,42%	-13,71%
Operating Expense	826	673	779	15,78%	-5,77%
PPOP	327	469	346	-26,19%	5,87%
Provision Expense	83	25	256	941,32%	207,41%
Operating Profit	48	5	-12	-353,41%	-124,36%
Profit Before Tax	291	449	78	-82,59%	-73,16%
Tax Expense	55	119	-311	-361,09%	-665,80%
Net Profit	236	329	389	18,24%	64,98%

Ratio	3Q20	2Q21	3Q21	QoQ	YoY
Profitability & Efficiency					
NIM	5,70%	5,79%	5,09%	(0,70)	(0,61)
Cost-to-Income Ratio	49,51%	44,19%	49,37%	5,18	(0,14)
ROE	18,63%	19,41%	18,17%	(1,24)	(0,46)
ROA	2,57%	2,73%	2,22%	(0,51)	(0,35)
BOPO	70,25%	68,96%	71,29%	2,33	1,04
Cost of Credit	1,03%	1,46%	1,10%	(0,36)	0,07
Liquidity					
LDR	57,88%	61,21%	49,97%	(11,24)	(7,91)
CASA	63,14%	68,94%	52,92%	(16,02)	(10,22)
Asset Quality					
Gross NPL	4,49%	4,27%	4,40%	0,13	(0,09)
Provision Coverage	67,87%	73,02%	94,00%	20,98	26,13
Capital					
CAR	21,34%	21,08%	22,56%	1,48	1,22

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.

**RESEARCH TEAM
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