

5 June 2020  
Banking, Equity

Price **IDR. 510**  
Target Price **IDR. 600**  
JKSE Index **4947.782**



**Stock Code** BJTM IJ  
**Bloomberg code** 7958.2B  
**Market cap (IDR.bn)** 710  
**52-Week High (IDR)** 378  
**52-Week Low (IDR)** 581  
**6-m Avg Daily. Val (IDR)** 79.69  
**Free Float (%)**

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

**USD/IDR-YE**  
**2019A** 13866  
**2020F (6M Avg)** 14880

**Key Indicators**  
**Non Performing Loan (x)** 2.88  
**Net Interest Margin (x)** 5.68

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### Investment Consideration

#### Focus on growing Consumer loans

1Q20 loan growth was still quite good at 14.02% YoY, dominated by Commercial loan growth of 21.76%. With several Government project budgets temporarily suspended or diverted to handle Covid-19, it is estimated that there will be slower growth in commercial and SME loans, so BJTM will focus instead on growing consumer credit. Payment sources will come from payrolls that are relatively unaffected by Covid-19. We are still targeting Loans to grow around 14% in 2020.

#### NPLs increased 3.35%

In 1Q20, Non-Performing loans rose 3.35%, Commercial 10.02%, SME 5.42%, and Consumer 0.32%. Commercial NPLs grew significantly due to insurance claims for deaths and termination of employment. Government project construction credits were relatively stable with no impact yet from COVID-19 in 1Q20. As of 2 June 2020, loans that had been restructured amounted to Rp 171.5 billion from 744 debtors. The potential loans to be affected by Covid-19 is Rp 1.02 trillion.

#### Time Deposit growth

Third-Party Funds grew by 11.48% YoY with Time Deposits up by 30.37%, Saving Accounts 15.18%, and Current Accounts -6.24%. In this pandemic condition there is potential for a decrease in Current Accounts. Management can offset the impact of this by investing idle funds in money market marketable securities, to still create net interest income.

#### Valuation: 18% Upside, HOLD.

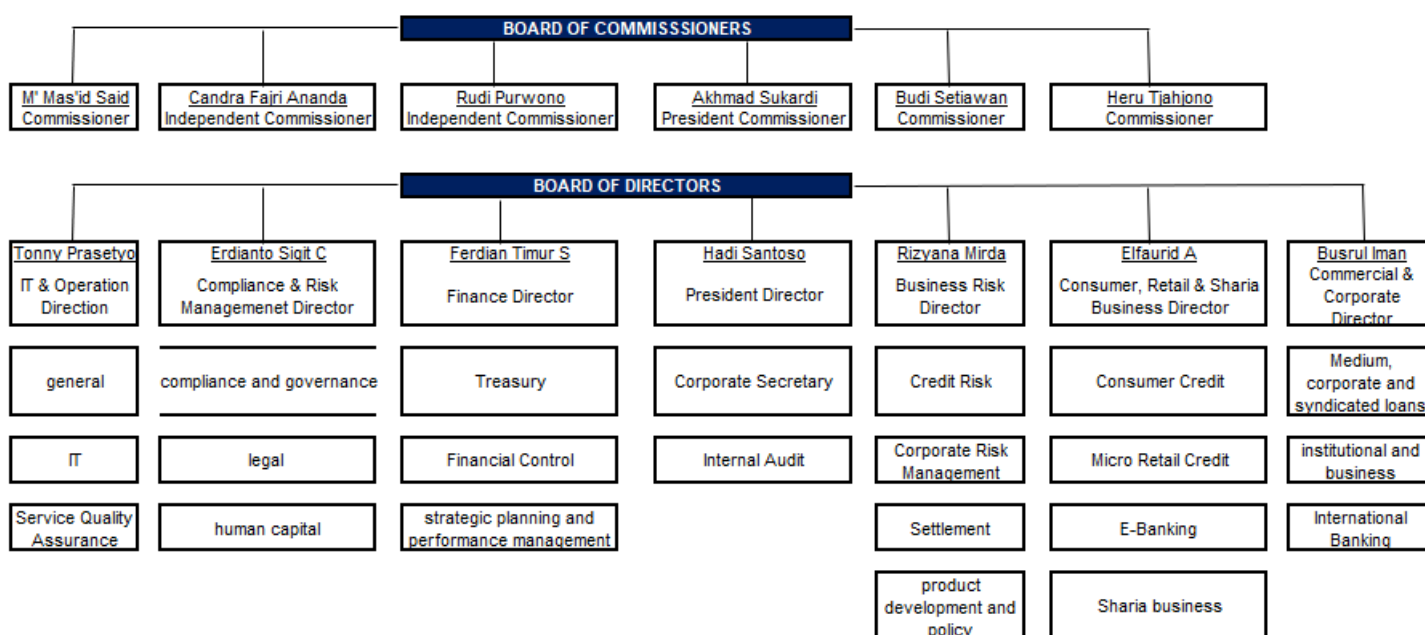
Based on our DDM Valuation, we have a target price within one year of IDR. 600 or trading at 0.7x PBV which gives 18% potential upside, HOLD.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Interest Income	4.890	5.201	5.839	6.336	6.893	7.310
Interest Expense	1.405	1.513	1.839	2.032	2.214	2.348
<b>Net Interest Income</b>	<b>3.485</b>	<b>3.688</b>	<b>4.000</b>	<b>4.304</b>	<b>4.678</b>	<b>4.962</b>
Net Operating Income	371	413	474	572	634	686
Operating Expense	1.996	2.262	2.307	3.191	3.569	3.846
<b>Pre Provision Operating Profit</b>	<b>1.860</b>	<b>1.840</b>	<b>2.167</b>	<b>1.685</b>	<b>1.743</b>	<b>1.802</b>
Provision Expense	217	134	370	-202	-311	-382
Operating Profit	1.643	1.974	2.537	1.483	1.432	1.421
<b>Profit Before Tax</b>	<b>1.637</b>	<b>1.754</b>	<b>1.864</b>	<b>1.955</b>	<b>2.124</b>	<b>2.254</b>
Tax Expense	478	493	488	555	606	641
<b>Net Profit</b>	<b>1.159</b>	<b>1.260</b>	<b>1.377</b>	<b>1.400</b>	<b>1.518</b>	<b>1.612</b>
<b>EPS (Rp/Share)</b>	<b>77,4</b>	<b>84,2</b>	<b>91,9</b>	<b>93,5</b>	<b>101,4</b>	<b>107,7</b>

**Company Profile**

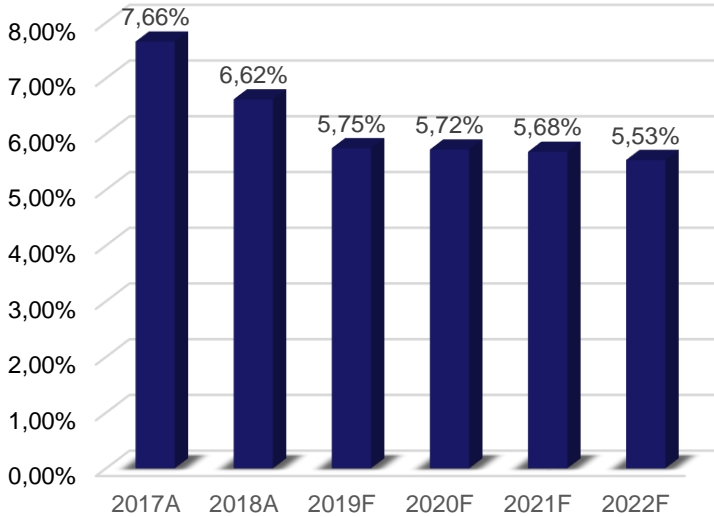
PT Bank Pembangunan Daerah Jawa Timur Tbk (the “Bank”) was established under the name of PT Bank Pembangunan Daerah Djawa Timur based on the notarial deed No.91 dated August 17, 1961 of Anwar Mahajudin. Pursuant to Law No.13 year 1962 regarding the Basic Terms for Regional Development Banks, which require 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**

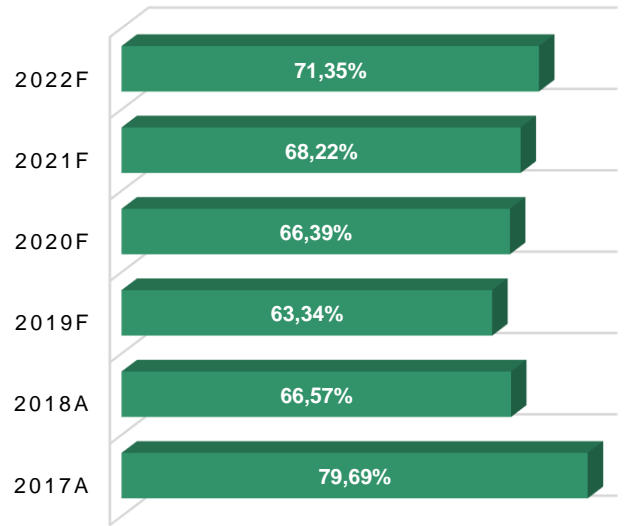


Source: Company

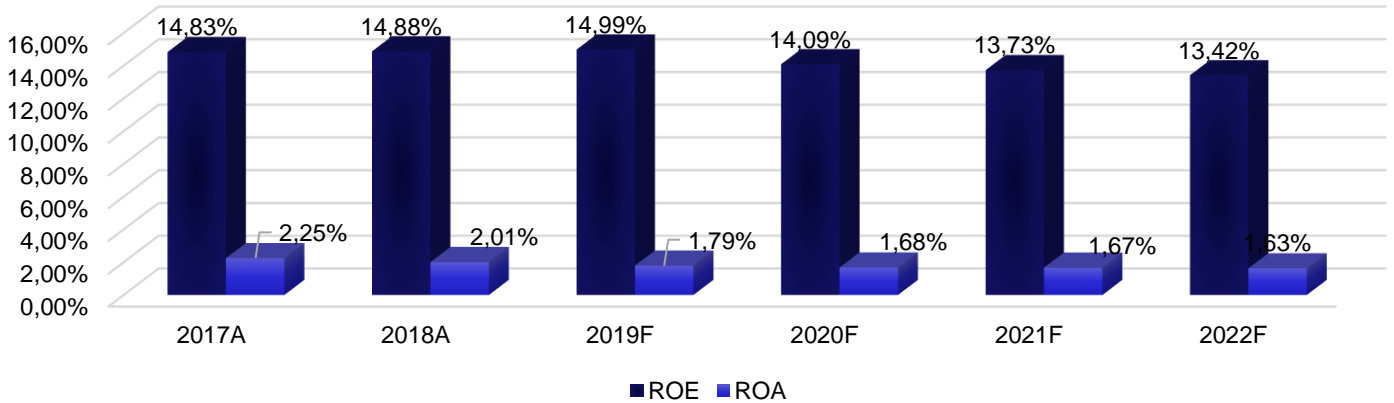
**Chart: Net Interest Margin (x) YoY**



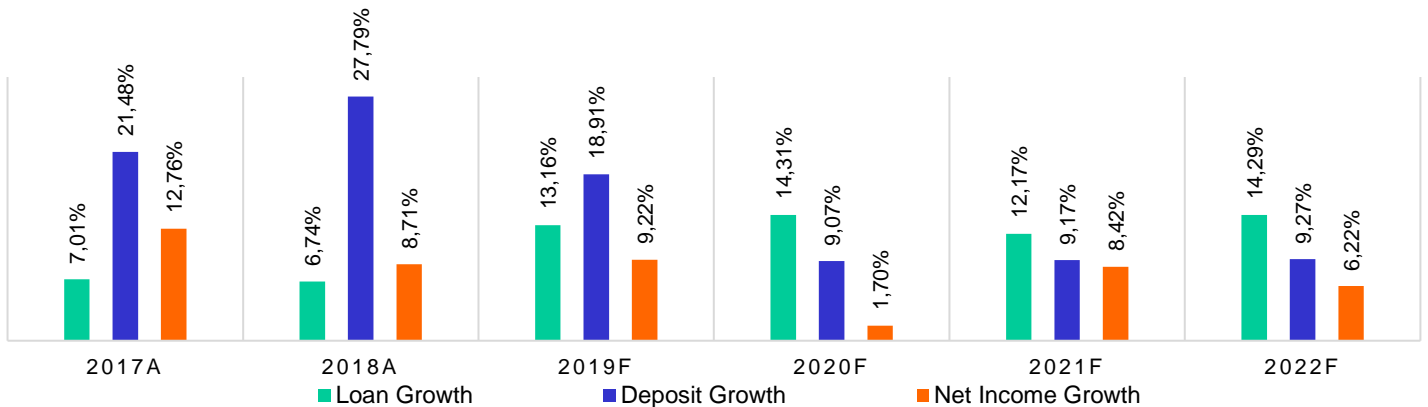
**Chart: Loan to Deposit Ratio (x) YoY**



**Chart: Profitability Ratio (x) YoY**



**Chart: Growth (x) YoY**



## Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Cash and CA with BI	5.291	5.990	8.464	6.219	6.511	7.254
Interbank Placement	8.946	13.347	11.987	17.593	17.610	16.866
Marketable Securities	4.742	8.358	15.401	13.256	14.874	15.737
Gross Loan	31.754	33.893	38.352	43.841	49.176	56.203
Allowance for Loans	-1.394	-1.199	-980	-1.194	-1.401	-1.676
Loans-net	30.360	32.695	37.372	42.646	47.775	54.527
Other Earning Asset	13.755	21.803	28.538	31.368	33.161	33.465
Non Earning Asset	2.112	2.202	2.341	3.102	3.467	3.737
<b>Total Asset</b>	<b>51.519</b>	<b>62.689</b>	<b>76.715</b>	<b>83.336</b>	<b>90.915</b>	<b>98.983</b>
Deposit:						
Current Account	12.002	19.286	23.826	26.923	30.423	34.378
Saving Account	15.847	19.112	22.224	23.891	25.683	27.609
Time Deposits	11.996	12.518	14.496	15.221	15.982	16.781
Other Interest Bearing Liabilities	1.860	1.816	4.283	4.586	4.910	5.258
Non Interest Bearing Liabilities	1.998	1.485	2.701	2.779	2.860	2.944
<b>Total Liabilities</b>	<b>43.703</b>	<b>54.217</b>	<b>67.530</b>	<b>73.400</b>	<b>79.859</b>	<b>86.970</b>
<b>Total Shareholder's Equity</b>	<b>7.816</b>	<b>8.472</b>	<b>9.186</b>	<b>9.936</b>	<b>11.056</b>	<b>12.014</b>

## Income Statement (IDR.bn)

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## Ratio Highlights

Ratio Analysis	2017A	2018A	2019F	2020F	2021F	2022F
<b>Profitability &amp; Efficiency</b>						
NIM	7,66%	6,62%	5,75%	5,72%	5,68%	5,53%
Cost-to-Income Ratio	51,77%	55,14%	51,56%	65,45%	67,18%	68,09%
ROE	14,83%	14,88%	14,99%	14,09%	13,73%	13,42%
ROA	2,25%	2,01%	1,79%	1,68%	1,67%	1,63%
ROAE		14,85%	14,93%	14,54%	13,91%	13,57%
BOPO	68,77%	69,61%	71,54%	72,68%	72,70%	72,69%
Cost of Credit	0,68%	0,39%	0,97%	-0,46%	-0,63%	-0,68%
<b>Liquidity</b>						
LDR	79,69%	66,57%	63,34%	66,39%	68,22%	71,35%
CASA	69,89%	75,41%	76,06%	76,95%	77,83%	78,70%
<b>Asset Quality</b>						
Gross NPL	4,59%	3,75%	2,77%	2,70%	2,88%	3,09%
Provision Coverage	88,32%	85,21%	86,76%	85,99%	86,37%	86,18%
<b>Capital</b>						
CAR	24,65%	24,21%	21,77%	20,05%	21,00%	20,94%
<b>Growth</b>						
Loan Growth	7,01%	6,74%	13,16%	14,31%	12,17%	14,29%
Deposit Growth	21,48%	27,79%	18,91%	9,07%	9,17%	9,27%
Net Income Growth	12,76%	8,71%	9,22%	1,70%	8,42%	6,22%

**BJTM QoQ Result**

Balance Sheet	1Q19	4Q19	1Q20	%QoQ	%YoY
Loan	33.692	38.352	37.001	-3,52%	9,82%
Loan Loss Reserves	-1.067	-980	-1.022	4,30%	-4,18%
NPL	1.166	1.062	1.286	21,15%	10,26%
Deposit					
Demand	20.005	23.826	23.826	0,00%	19,10%
Savings	16.114	22.224	23.891	7,50%	48,26%
Time Deposit	15.648	14.496	15.221	5,00%	-2,73%
<b>Total Asset</b>	<b>63.091</b>	<b>76.715</b>	<b>69.721</b>	<b>-9,12%</b>	<b>10,51%</b>
<b>Shareholder Equity</b>	<b>8.887</b>	<b>9.186</b>	<b>9.560</b>	<b>4,08%</b>	<b>7,58%</b>

Income Statement	1Q19	4Q19	1Q20	%QoQ	%YoY
Interest Income	1.361	1.532	1.481	-3,35%	8,80%
Interest Expense	385	504	465	-7,75%	20,70%
<b>Net Interest Income</b>	<b>976</b>	<b>1.028</b>	<b>1.016</b>	<b>-1,19%</b>	<b>4,10%</b>
Net Operating Income	111	125	113	-9,69%	1,89%
Operating Expense	431	826	446	-46,07%	3,48%
<b>PPOP</b>	<b>656</b>	<b>327</b>	<b>683</b>	<b>109,08%</b>	<b>4,14%</b>
Provision Expense	108	83	126	51,09%	16,56%
Operating Profit	5	48	5	-88,60%	0,70%
<b>Profit Before Tax</b>	<b>553</b>	<b>291</b>	<b>563</b>	<b>93,29%</b>	<b>1,68%</b>
Tax Expense	148	55	123	124,20%	-16,55%
<b>Net Profit</b>	<b>406</b>	<b>236</b>	<b>439</b>	<b>86,08%</b>	<b>8,33%</b>

Ratio	1Q19	4Q19	1Q20	QoQ	YoY
NIM	2,41%	2,29%	2,39%	0,10	(0,02)
LDR	65,08%	63,34%	58,79%	(4,55)	(6,29)
Gross NPL (Bank only)					-
Cost of Credit	0,73%	0,78%	0,79%	0,01	0,06
Provision Coverage	91%	78%	79%	1,79	(11,98)
CAR	24,14%	21,77%	22,91%	1,14	(1,23)
CASA	69,77%	76,06%	75,82%	(0,24)	6,04
Cost-to-Income Ratio	39,64%	71,67%	39,48%	(32,18)	(0,15)
ROE	4,56%	2,57%	4,59%	2,03	0,03
ROA	0,64%	0,31%	0,63%	0,32	(0,01)
BOPO	48,09%	75,25%	49,24%	(26,02)	1,14

**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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