

6 August 2020  
Banking, Equity

Price **IDR. 555**  
Target Price **IDR. 680**  
JKSE Index **5178.27**



**Stock Code** BJTM IJ  
**Bloomberg code** BJTM IJ  
**Market cap (IDR.bn)** 8258.5B  
**52-Week High (IDR)** 710  
**52-Week Low (IDR)** 378  
**6-m Avg Daily. Val (IDR)** 538  
**Free Float (%)** 79.69

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

**USD/IDR-YE**  
**2019A** 14390  
**2020F (6M Avg)** 14732

**Key Indicators**  
**Non Performing Loan (x)** 2.70  
**Net Interest Margin (x)** 5.72

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### Investment Consideration

#### Consumer credit focus

In 1H20, BJTM posted rapid credit growth of 12.69% YoY supported by growth of commercial loans of 18.0% YoY, SME loans, 16.12%, and Consumer loans, 9.86%. Growth was helped by some infrastructure projects in East Java restarting. BJTM is focused on growing its consumer credit business this year due to lower risk compared to other segments. We estimate growth in fixed loans to be 14% by the end of this year.

#### CASA going up

The CASA ratio rose to 68.94% from 64.68% in 1Q20. CASA Current Accounts grew by 3.64% and Savings Accounts by 16.84%. Payment of East Java civil servant grants and partnership with the Regional Education Department is helping to support BJTM's growth of CASA. We expect CASA deposits to be up further to 76% by the end of the year.

#### NPL rose on restructuring

Non Performing Loans surged to 4.27% from 3.35% in 1Q20 led by commercial segment at 11.57%, SME at 7.86%, and Consumer at 0.4%. Restructured loans account for 3.12% of total loans of IDR. 1222.5tn with 1,890 Debtors, mostly SMEs, having restructured so far.

#### Valuation: 23% Upside, Buy.

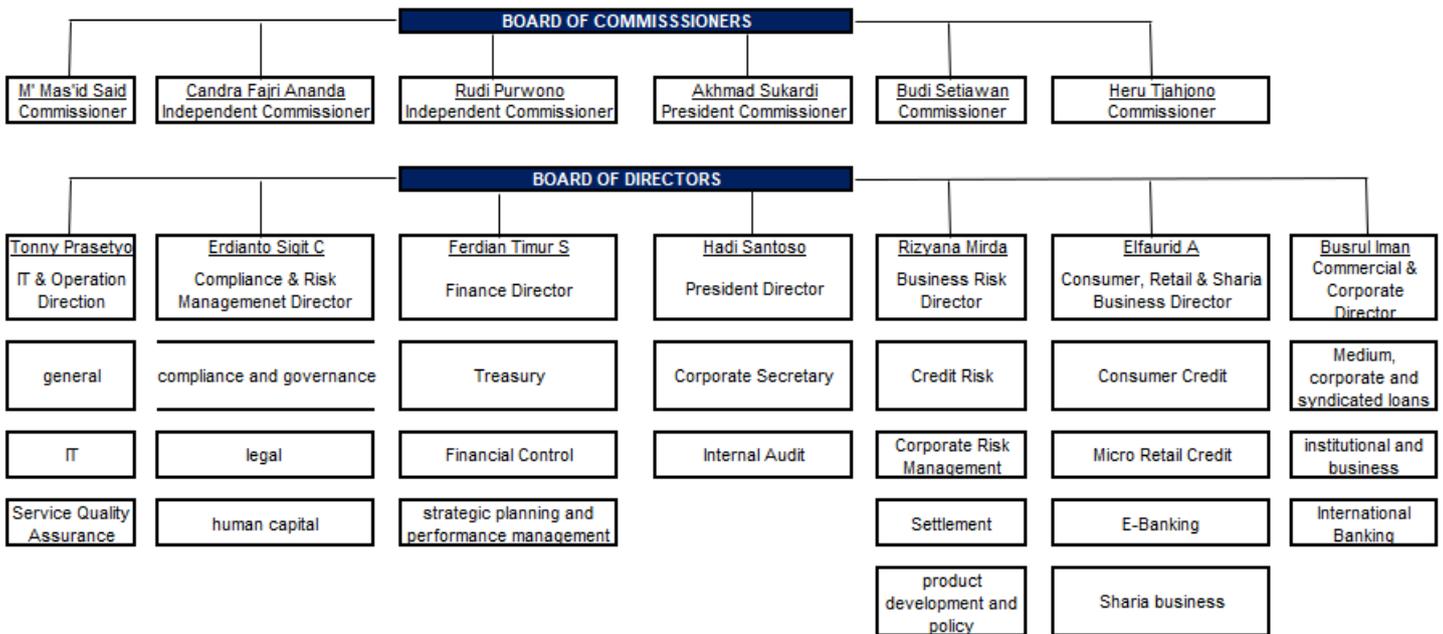
Based on our DDM Valuation, we have a target price within one year of IDR. 680 or trading at 0.7x PBV which gives 23% potential upside, Buy.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Interest Income	4.890	5.201	5.839	6.432	7.163	7.729
Interest Expense	1.405	1.513	1.839	2.051	2.275	2.454
<b>Net Interest Income</b>	<b>3.485</b>	<b>3.688</b>	<b>4.000</b>	<b>4.381</b>	<b>4.888</b>	<b>5.275</b>
Net Operating Income	371	413	474	582	656	723
Operating Expense	1.996	2.262	2.307	3.249	3.697	4.051
<b>Pre Provision Operating Profit</b>	<b>1.860</b>	<b>1.840</b>	<b>2.167</b>	<b>1.714</b>	<b>1.847</b>	<b>1.947</b>
Provision Expense	217	134	370	-270	-264	-334
<b>Operating Profit</b>	<b>1.643</b>	<b>1.974</b>	<b>2.537</b>	<b>1.444</b>	<b>1.583</b>	<b>1.613</b>
Profit Before Tax	1.637	1.754	1.864	2.053	2.180	2.350
Tax Expense	478	493	488	583	622	669
<b>Net Profit</b>	<b>1.159</b>	<b>1.260</b>	<b>1.377</b>	<b>1.470</b>	<b>1.558</b>	<b>1.681</b>
<b>EPS (Rp/Share)</b>	<b>77,4</b>	<b>84,2</b>	<b>91,9</b>	<b>98,1</b>	<b>104,1</b>	<b>112,3</b>

**Company Profile**

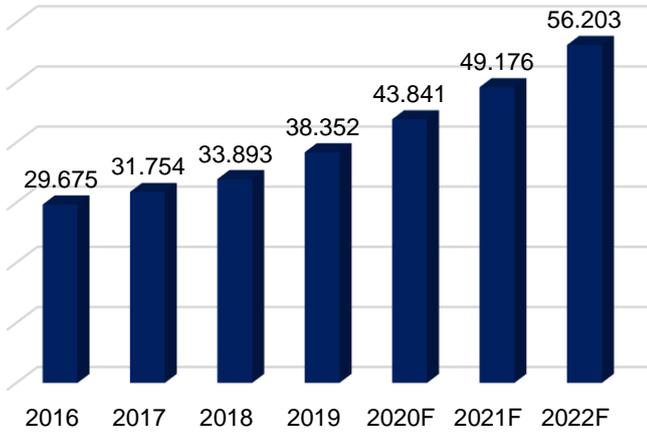
PT Bank Pembangunan Daerah Jawa Timur Tbk (the “Bank”) was established under the name of PT Bank Pembangunan Daerah Djawa Timur based on the notarial deed No.91 dated August 17, 1961 of Anwar Mahajudin. Pursuant to Law No.13 year 1962 regarding the Basic Terms for Regional Development Banks, which require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

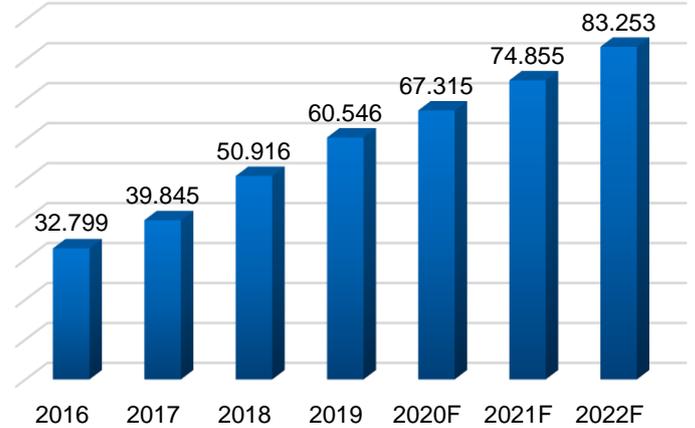


Source: Company

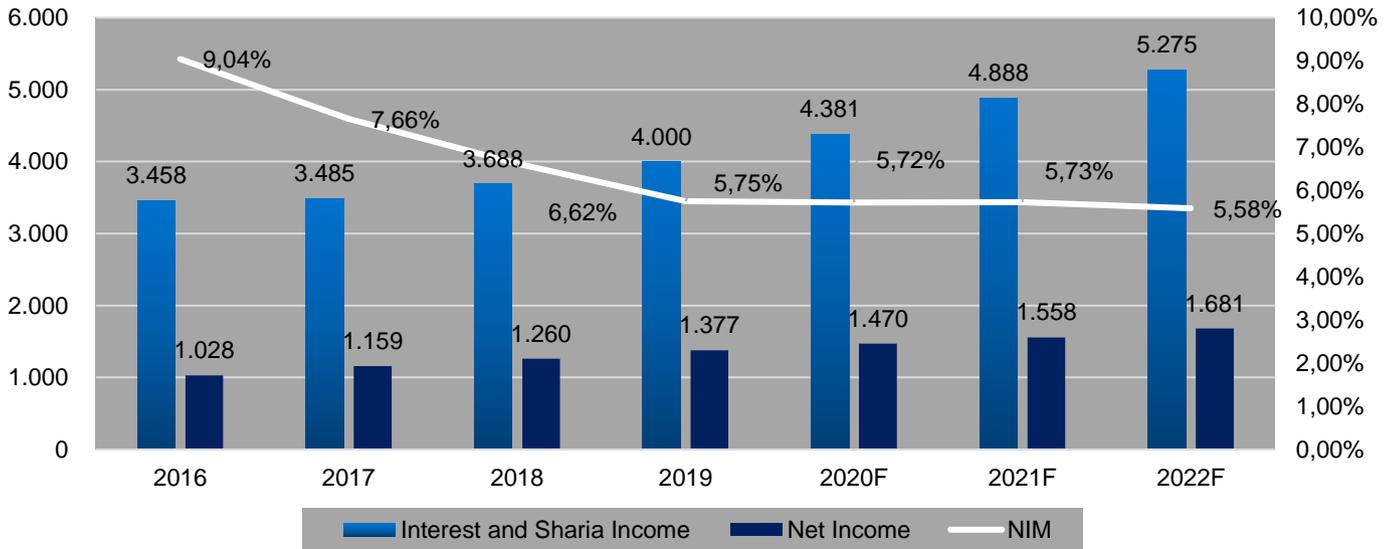
**Chart: Gross Loan (x) YoY**



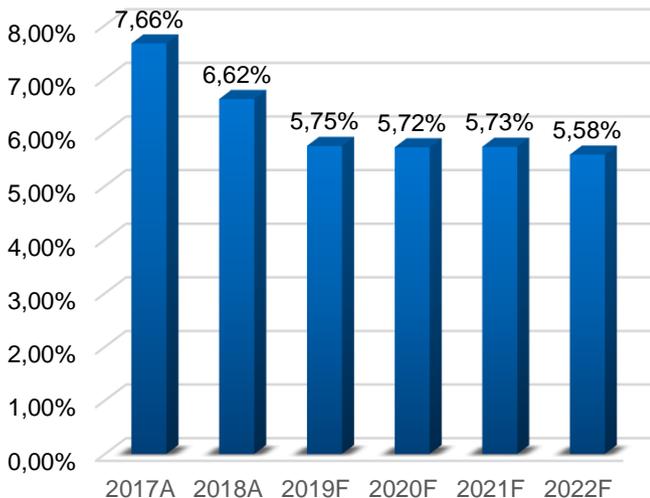
**Chart: Loan to Deposit Ratio (x) YoY**



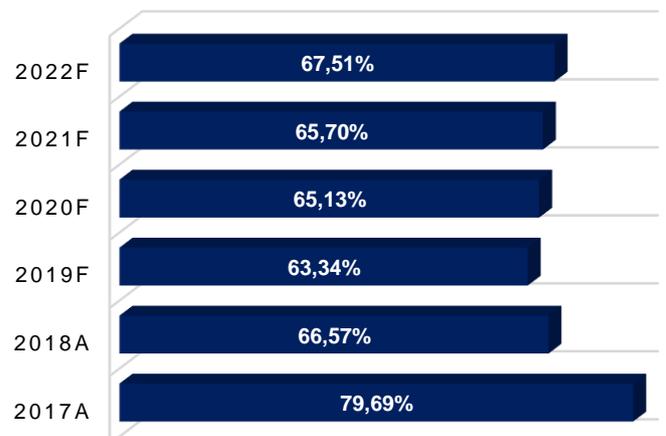
**Chart: Profitability (x) YoY**



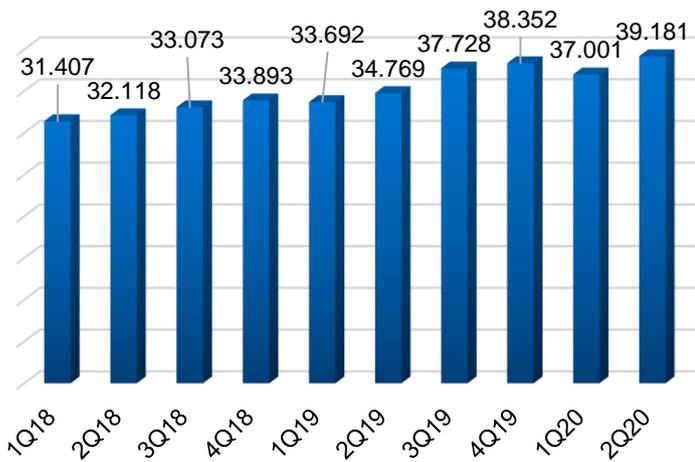
**Chart: Net Interest Margin (x) YoY**



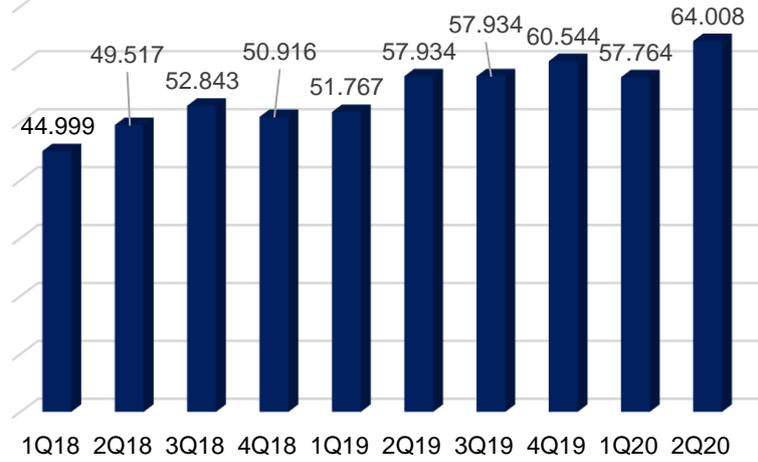
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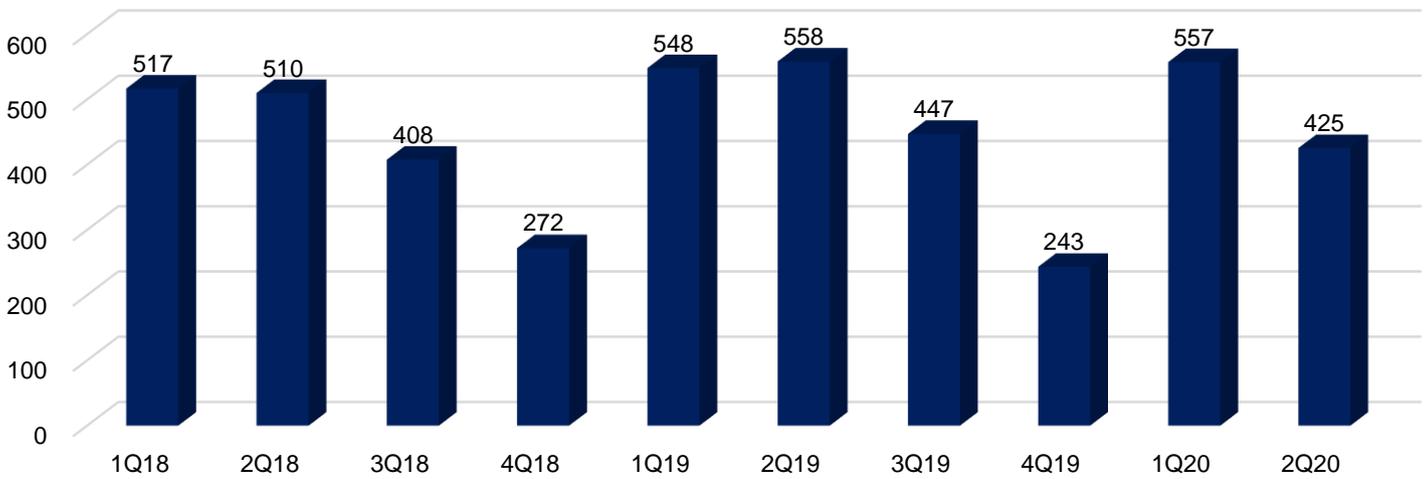
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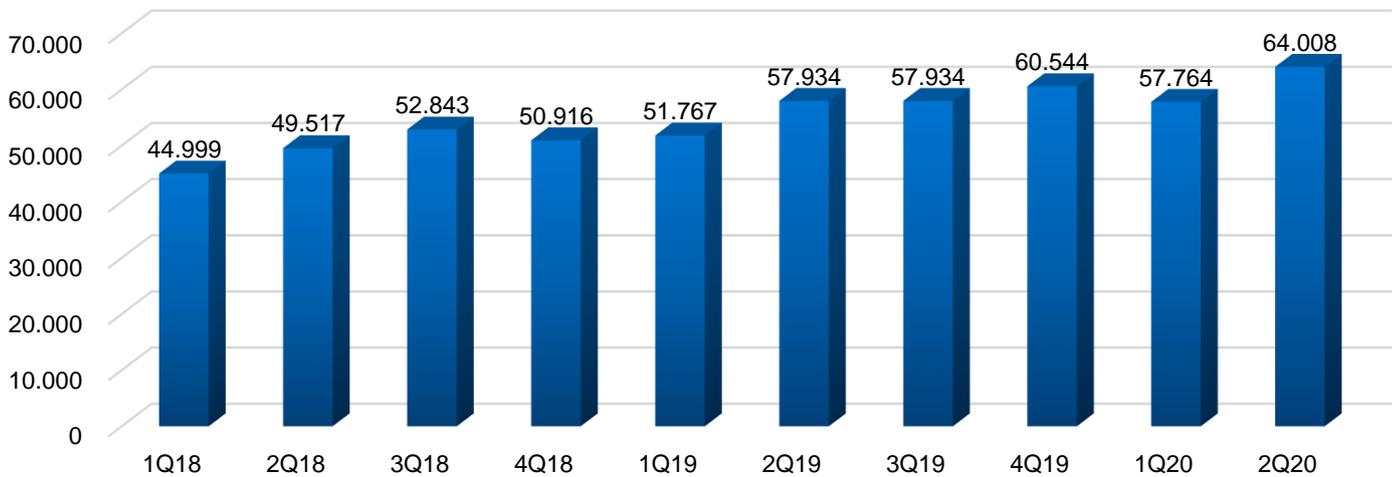
**Chart: Loan to Deposit Ratio (x) YoY**



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



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



## 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	6.448	6.509	7.265
Interbank Placement	8.946	13.347	11.987	18.358	19.181	19.278
Marketable Securities	4.742	8.358	15.401	13.832	16.201	17.988
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	32.731	36.120	38.250
Non Earning Asset	2.112	2.202	2.341	3.159	3.592	3.937
<b>Total Asset</b>	<b>51.519</b>	<b>62.689</b>	<b>76.715</b>	<b>84.985</b>	<b>93.996</b>	<b>103.979</b>
Deposit:						
Current Account	12.002	19.286	23.826	26.923	30.423	34.378
Saving Account	15.847	19.112	22.224	24.446	26.891	29.580
Time Deposits	11.996	12.518	14.496	15.946	17.540	19.294
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>74.681</b>	<b>82.625</b>	<b>91.454</b>
<b>Total Shareholder's Equity</b>	<b>7.816</b>	<b>8.472</b>	<b>9.186</b>	<b>10.304</b>	<b>11.371</b>	<b>12.525</b>

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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%	5,73%	5,58%
Cost-to-Income Ratio	51,77%	55,14%	51,56%	65,46%	66,68%	67,54%
ROE	14,83%	14,88%	14,99%	14,26%	13,71%	13,42%
ROA	2,25%	2,01%	1,79%	1,73%	1,66%	1,62%
ROAE		14,85%	14,93%	14,63%	13,99%	13,56%
BOPO	68,77%	69,61%	71,54%	71,71%	73,00%	73,02%
Cost of Credit	0,68%	0,39%	0,97%	-0,62%	-0,54%	-0,59%
<b>Liquidity</b>						
LDR	79,69%	66,57%	63,34%	65,13%	65,70%	67,51%
CASA	69,89%	75,41%	76,06%	76,31%	76,57%	76,82%
<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%	11,18%	11,20%	11,22%
Net Income Growth	12,76%	8,71%	9,22%	6,78%	6,02%	7,89%

## BJTM QoQ Result

Balance Sheet	2Q19	1Q20	2Q20	%QoQ	%YoY
Loan	34.769	37.001	39.181	5,89%	12,69%
Loan Loss Reserves	-1.015	-1.022	-1.222	19,51%	20,37%
NPL	1.098	1.286	1.674	30,13%	52,43%
Deposit					
Demand	22.703	18.803	23.529	25,13%	3,64%
Savings	17.628	18.561	20.596	10,96%	16,84%
Time Deposit	17.603	20.400	19.883	-2,53%	12,95%
<b>Total Asset</b>	<b>68.952</b>	<b>69.721</b>	<b>75.240</b>	<b>7,92%</b>	<b>9,12%</b>
<b>Shareholder Equity</b>	<b>8.614</b>	<b>9.560</b>	<b>9.171</b>	<b>-4,06%</b>	<b>6,48%</b>

Income Statement	2Q19	1Q20	2Q20	%QoQ	%YoY
Interest Income	1.451	1.481	1.486	0,32%	2,43%
Interest Expense	455	465	502	7,96%	10,28%
<b>Net Interest Income</b>	<b>995</b>	<b>1.016</b>	<b>984</b>	<b>-3,18%</b>	<b>-1,16%</b>
Net Operating Income	112	113	97	-14,32%	-14,06%
Operating Expense	460	446	494	10,84%	7,32%
<b>PPOP</b>	<b>647</b>	<b>683</b>	<b>586</b>	<b>-14,16%</b>	<b>-9,42%</b>
Provision Expense	89	126	161	27,92%	80,50%
<b>Operating Profit</b>	<b>7</b>	<b>5</b>	<b>-7</b>	<b>-234,45%</b>	<b>-204,70%</b>
Profit Before Tax	565	563	418	-25,71%	-26,03%
Tax Expense	154	123	87	-29,38%	-43,59%
<b>Net Profit</b>	<b>411</b>	<b>439</b>	<b>331</b>	<b>-24,68%</b>	<b>-19,43%</b>

Ratio	2Q19	1Q20	2Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	6,30%	6,05%	5,79%	(0,26)	(0,51)
Cost-to-Income Ratio	41,77%	40,96%	44,19%	3,23	2,42
ROE	21,30%	21,76%	19,41%	(2,35)	(1,89)
ROA	3,50%	3,23%	2,73%	(0,50)	(0,77)
BOPO	63,46%	64,95%	68,96%	4,01	5,50
Cost of Credit	1,13%	1,31%	1,46%	0,15	0,33
<b>Liquidity</b>					
LDR	60,02%	66,50%	61,21%	(5,29)	1,19
CASA	69,62%	64,68%	68,94%	4,26	(0,68)
<b>Asset Quality</b>					
Gross NPL	3,16%	3,35%	4,27%	0,92	1,11
Provision Coverage	74%	78%	67%	(10,87)	(7,45)
<b>Capital</b>					
CAR	23,22%	22,91%	21,08%	(1,83)	(2,14)

**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.

**RESEARCH TEAM  
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