

6 Februari 2020
Banking, Equity

Price **IDR. 640**
Target Price **IDR. 930**
JKSE Index **5978.510**



Stock Code BJTM IJ
Bloomberg code BJTM IJ
Market cap (IDR.bn) 9601.5B
52-Week High (IDR) 755
52-Week Low (IDR) 580
6-m Avg Daily. Val (IDR) 657
Free Float (%) 79.69

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

USD/IDR-YE
2019A 13866
2020F (6M Avg) 13690

Key Indicators
Non Performing Loan (x)
Net Interest Margin (x)

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Investment Consideration

Loans above estimate

In 2019, loans grew by 13.16% from 6.74% in 2018, more than our estimate of 6.62%. Loan growth was supported by the Commercial segment which grew 24.06%, SME loans grew 18, 85%, and Consumer loans 7.12%. Going forward commercial lending is focused on strengthening the system, and targeting 10 key sectors which have been tested in each region. For the Consumer segment, the focus is still on payroll loans. Loan growth in 2020, is still the main focus of BJTM's strategy, with a large estimated market potential from the development of projects carried out by BJTM worth IDR 262 trillion. We estimate loan growth in 2020 will be a higher 14.31%

Lower Coverage Ratio

BJTM Coverage Ratio decreased to 92.40% in FY2019 from 94.22% in FY2018, due to the formation of CKPN from November 2018. In 2019, the NPL ratio was at 2.77% from 3.75% in 2018, and our estimate for 2020 is there will be less additional provisioning required. This means lower Credit Costs and we estimate the Coverage Ratio will be down to 86%

Lower Cost Funds

In FY19 third party funds growth was intentionally slower at 18.91% from 27.78% in FY2019. The focus of BJTM is both to increase the loan to deposit ratio and to utilize low-cost funding, to increase profits in 2020. Key to this is getting corporate customers to pay payroll to employees using BJTM accounts. We estimate Third Party Fund growth in 2020 will be lower again at 9.85%

Valuation: 45% Upside, BUY.

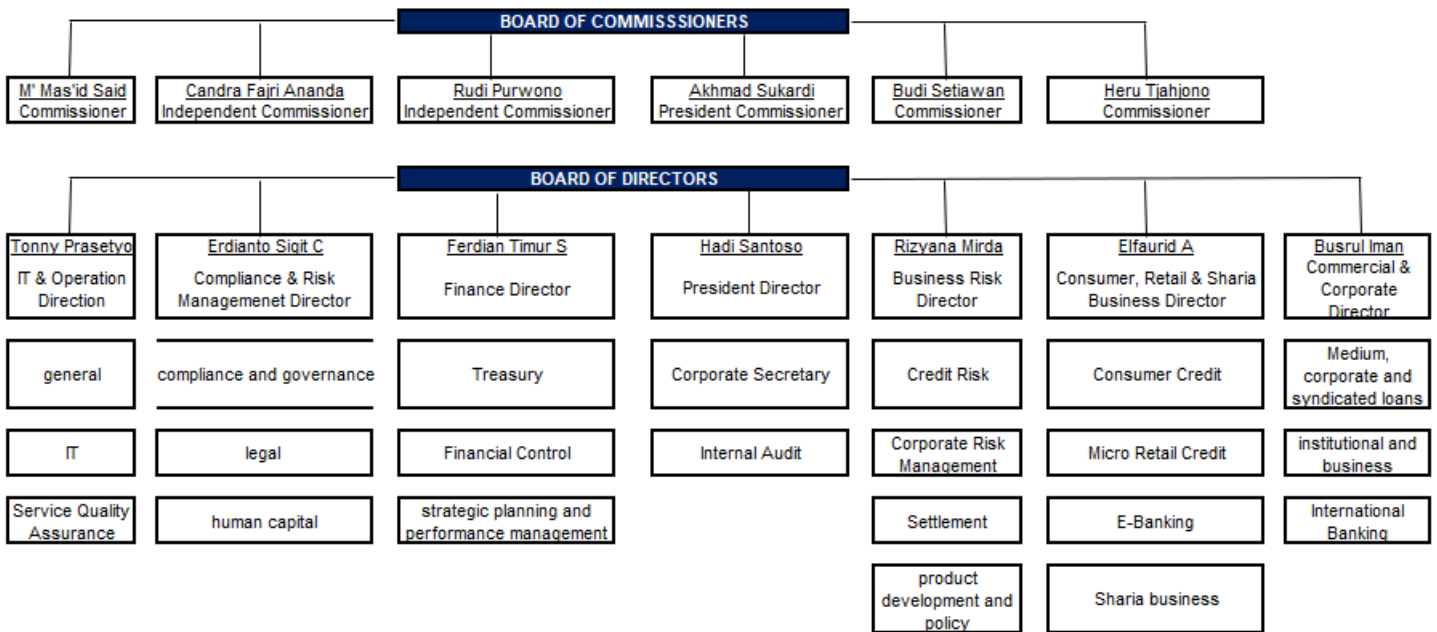
Based on our DDM Valuation, we have a target price within one year of IDR. 930 or trading at 0.9x PBV which gives 45% potential upside, BUY.

Income Statement (Idr bn)	2017A	2018A	2019F	2020F	2021F	2022F
Interest Income	4.890	5.201	5.766	6.661	7.351	8.069
Interest Expense	1.405	1.513	1.723	2.077	2.282	2.440
Net Interest Income	3.485	3.688	4.043	4.585	5.069	5.629
Net Operating Income	371	413	560	587	656	716
Operating Expense	1.996	2.262	2.424	3.274	3.692	4.013
Pre Provision Operating Profit	1.860	1.840	2.179	1.897	2.033	2.331
Provision Expense	217	134	370	-202	-311	-382
Operating Profit	1.643	1.974	2.549	1.695	1.721	1.950
Profit Before Tax	1.637	1.754	1.864	2.155	2.400	2.769
Tax Expense	478	493	488	612	685	788
Net Profit	1.159	1.260	1.376	1.543	1.716	1.981
EPS (Rp/Share)	77,4	84,2	91,9	103,0	114,6	132,3

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 the year 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

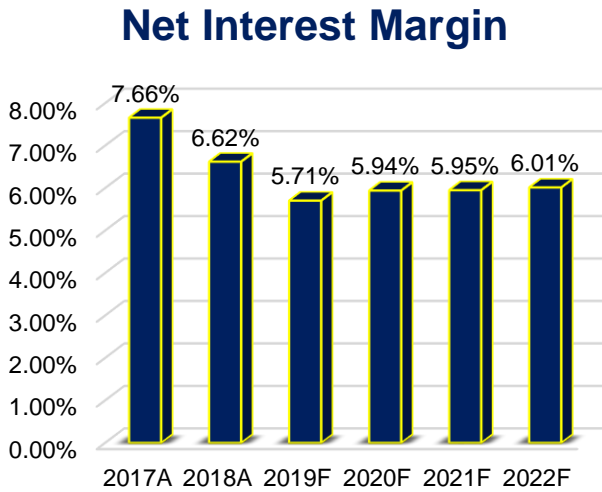


Chart: Loan to Deposit Ratio (x) YoY

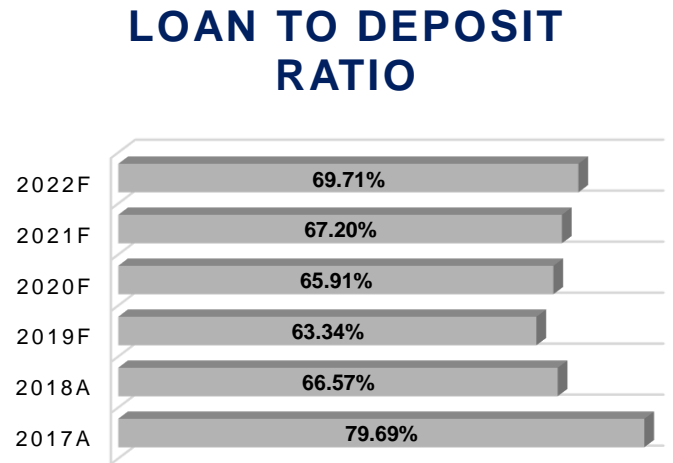
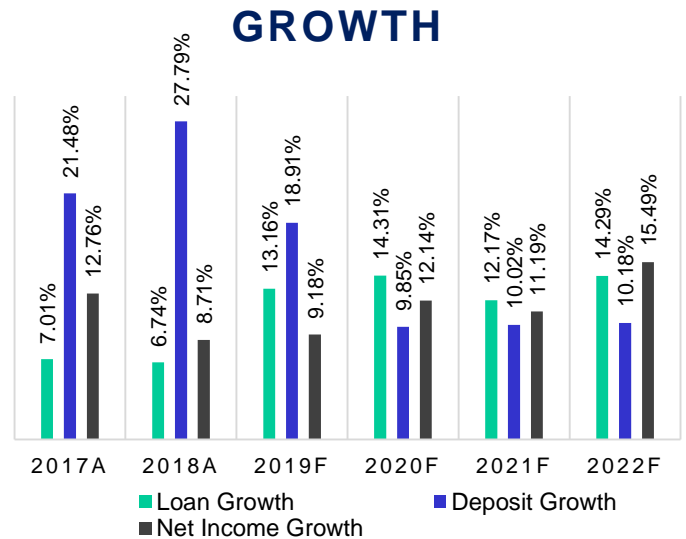


Chart: Profitability Ratio (x) YoY



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	3.792	4.978	5.084	6.071
Interbank Placement	8.946	13.347	17.836	20.118	21.176	21.684
Marketable Securities	4.742	8.358	15.406	13.351	15.096	16.119
Gross Loan	31.754	33.893	38.352	43.841	49.176	56.203
Allowance for Loans	-1.394	-1.199	-988	-1.194	-1.401	-1.676
Loans-net	30.360	32.695	37.364	42.646	47.775	54.527
Other Earning Asset	13.755	21.803	32.514	33.324	36.004	37.377
Non Earning Asset	2.112	2.202	3.045	3.183	3.587	3.900
Total Asset	51.519	62.689	76.715	84.132	92.450	101.875
Deposit:						
Current Account	12.002	19.286	23.826	27.400	31.510	36.236
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	5.455	5.946	6.482	7.066
Non Interest Bearing Liabilities	1.998	1.485	1.528	1.573	1.619	1.666
Total Liabilities	43.703	54.217	67.529	74.031	81.275	89.358
Total Shareholder's Equity	7.816	8.472	9.186	10.101	11.175	12.518

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EPS (Rp/Share)	77,4	84,2	91,9	103,0	114,6	132,3

Ratio Analysis	2017A	2018A	2019F	2020F	2021F	2022F
NIM	7,66%	6,62%	5,71%	5,94%	5,95%	6,01%
LDR	79,69%	66,57%	63,34%	65,91%	67,20%	69,71%
Gross NPL	4,59%	3,75%	2,77%	2,70%	2,88%	3,09%
Cost of Credit	0,68%	0,39%	0,96%	-0,46%	-0,63%	-0,68%
Provision Coverage	88,32%	85,21%	86,76%	85,99%	86,37%	86,18%
CAR	24,65%	24,21%	21,77%	23,54%	23,17%	22,83%
CASA	69,89%	75,41%	76,06%	77,12%	78,16%	79,19%
Cost-to-Income Ratio	51,77%	55,14%	52,66%	63,31%	64,49%	63,26%
ROE	14,83%	14,88%	14,98%	15,28%	15,35%	15,83%
ROA	2,25%	2,01%	1,79%	1,83%	1,86%	1,94%
ROAE		14,85%	14,93%	15,13%	15,31%	15,59%
BOPO	68,77%	69,61%	71,40%	71,04%	70,72%	69,12%
Loan Growth	7,01%	6,74%	13,16%	14,31%	12,17%	14,29%
Deposit Growth	21,48%	27,79%	18,91%	9,85%	10,02%	10,18%
Net Income Growth	12,76%	8,71%	9,18%	12,14%	11,19%	15,49%

BJTM QoQ Result

Balance Sheet	4Q18	3Q19	4Q19	%QoQ	%YoY
Loan	33.893	37.728	38.352	1,65%	13,16%
Loan Loss Reserves	-1.199	-1.047	-988	-5,66%	-17,57%
NPL	1.271	1.092	1.062	-2,78%	-16,50%
Deposit					
Demand	19.286	22.703	23.826	4,95%	23,54%
Savings	19.112	17.628	22.224	26,07%	16,28%
Time Deposit	12.518	17.603	14.496	-17,65%	15,80%
Total Asset	62.689	72.128	76.715	6,36%	22,37%
Shareholder Equity	8.472	8.943	9.186	2,72%	8,43%

Income Statement	4Q18	3Q19	4Q19	%QoQ	%YoY
Interest Income	1.403	1.495	1.527	2,15%	8,84%
Interest Expense	434	495	470	-5,10%	8,31%
Net Interest Income	969	1.000	1.057	5,74%	9,08%
Net Operating Income	113	126	135	6,79%	19,72%
Operating Expense	750	589	860	45,95%	14,70%
PPOP	332	537	332	-38,15%	0,01%
Provision Expense	60	90	83	-7,45%	38,44%
Operating Profit	19	7	42	461,80%	122,22%
Profit Before Tax	291	455	291	-35,99%	0,03%
Tax Expense	90	130	55	-57,79%	-39,17%
Net Profit	200	324	236	-27,22%	17,71%

Ratio	4Q18	3Q19	4Q19	QoQ	YoY
NIM	2,52%	2,36%	3,98%	1,63	1,46
LDR	66,57%	65,12%	63,34%	(1,78)	(3,22)
Gross NPL (Bank only)					-
Cost of Credit	0,82%	0,80%	0,78%	(0,02)	(0,05)
Provision Coverage	85%	81%	78%	(2,95)	(6,88)
CAR	24,21%	21,79%	21,77%	(0,02)	(2,44)
CASA	75,41%	69,62%	76,06%	6,44	0,64
Cost-to-Income Ratio	69,31%	52,33%	72,15%	19,82	2,84
ROE	2,37%	3,63%	2,57%	(1,06)	0,20
ROA	0,32%	0,45%	0,31%	(0,14)	(0,01)
BOPO	74,14%	61,36%	75,03%	13,67	0,89

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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