

December 1st, 2023
Banking, Equity

Price IDR 625
Target Price IDR 740
JKSE Index IDR 7,059.91



Stock Code BJTJ
Bloomberg code BJTJ IJ
Market cap (IDR Tn) 9.38
52-Week High (IDR) 755
52-Week Low (IDR) 600
6-m Avg Daily, Val (IDR) 638
Free Float (%) 20.46

Major Shareholders (%)

Jatim Province Government 51.13
Jatim City&Municipal 28.35
Others 20.52

USD/IDR-YE

2022A 14,871
2023F 14,866

Key Indicators

Non-Performing Loan (%) 2.69
Net Interest Margin (x) 5.44

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Investment Consideration

Negative Net Income Growth

In 9M-2023, BJTM was still able to generate a profit, but it experienced a decline in net income growth by -9.02% YoY, reaching IDR 1.095 trillion. This decline was caused by a significant increase in interest expenses, which were 19.67% higher than in 9M-22. The interest income also only grew by 3.80%. Despite these conditions, BJTM's Net Interest Margin (NIM) ratio remained stable quarterly at 5.38%, which is also 21 basis points higher than in 9M-22. We forecast that BJTM will be able to generate more profit for the FY23 period, reaching IDR 1.519 trillion, although this is still lower by -1.53% compared to FY22.

Tremendous Loan Growth

As of September 2023, BJTM's loan portfolio grew by an impressive 12.61% YoY. The highest growth came from the Commercial & SME segment, which increased by 25.43% annually, while the consumer segment grew by 4.75%. From an economic sector perspective, the highest portion came from Wholesale and Retail Trade, accounting for 32.73%. This also led to an increase in the Loan-to-Deposit Ratio (LDR) by 6.09% YoY, reaching a level of 61.49%. We forecast that BJTM will continue to expand its loan portfolio with annual growth of 14.88% by December 2023.

Better NPL Ratio

BJTM experienced a significant improvement in its NPL ratio, which declined by 97 basis points (bps) to reach 2.75%. All segments performed well, with the Consumer segment being the healthiest, as its NPL stood at 1.00%, a decrease of -0.2%. The NPL ratio for the Commercial & SME segment also decreased by 4 bps to 1.74%. The coverage ratio also decreased by 2.69% to 97.20%, attributed to write-offs and the reduction of NPLs. We forecast that BJTM will maintain its asset quality by further lowering its NPL ratio to 2.69%.

Breathtaking Digital Banking Growth

As of September 2023, BJTM's digital innovation, "JConnect," performed impressively. The JConnect Mobile application users experienced a high growth of 30% YoY, reaching 606,239. The transaction amount reached IDR 3.3 trillion, representing a 35% YoY increase. QRIS users also grew by 106% YoY, reaching 111,651, with transactions amounting to IDR 51 billion, reflecting a 137% YoY growth.

KUB Progress

BJTM's corporate action project, forming KUB (Kelompok Usaha Bank), with Bank NTB Syariah as a member of the group, is still ongoing. As of Q3, BJTM was still conducting due diligence before injecting 15% of the total existing equity, amounting to IDR 100 billion. Currently, BJTM is also preparing for BPD Lampung to become the new member of BJTM's KUB.

Valuation: 18% Upside, Hold

Based on our DDM Valuation, we have a target price within one year of IDR 740 or trading at 0.91x PBV, which gives a 18% potential upside. We recommend a Hold.

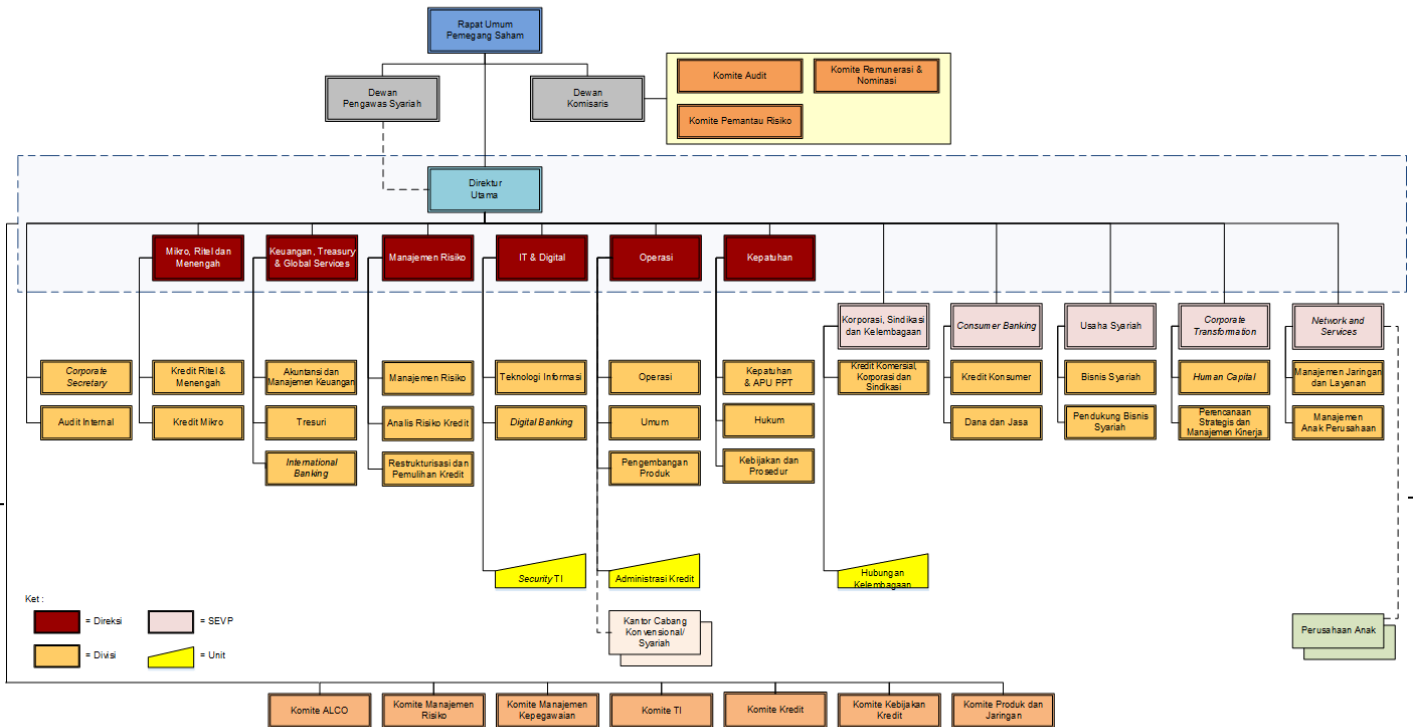
Financial Highlight	2019A	2020A	2021A	2022A	2023F
Net Interest Income (IDR bn)	4,000	4,057	4,678	4,917	5,043
Net Income (IDR Bn)	1,377	1,489	1,523	1,543	1,519
EPS (IDR)	91.9	99.2	101.4	102.7	101.17
NIM (%)	6.11%	5.55%	5.11%	5.11%	5.44%
ROA (%)	2.73%	1.95%	2.05%	1.95%	1.47%
ROE (%)	18.00%	18.77%	17.26%	16.24%	12.88%

Company Profile

PT Bank Pembangunan Daerah Jawa Timur Tbk ("Bank Jatim") was established on August 17, 1961, originally named PT Bank Pembangunan Daerah Djawa Timur. The name was later changed to Bank Pembangunan Daerah Jawa Timur in accordance with Regional Regulation No. 2 of 1976. The legal status transformation from a Regional Company to a Limited Liability Company was finalized on May 1, 1999. To meet the criteria as a Regional Champion Regional Development Bank (BPD), including strengthening capital, the company's Articles of Association were amended on April 25, 2012. This change was approved by the Ministry of Law and Human Rights on April 30, 2012, and officially registered under the Limited Liability Company Law on April 30, 2012. The effective date of the registration and the change of name to PT Bank Pembangunan Daerah Jawa Timur Tbk was confirmed by the Capital Market and Financial Institution Supervisory Agency on June 29, 2012. The bank began its operational activities on August 15, 1961, and its Sharia Business Unit (UUS) commenced operations on August 21, 2007. As of August 2, 1990, the bank obtained permission from Bank Indonesia to operate as a Foreign Exchange Bank. Under Article 3 of the bank's Articles of Association, its scope of activities includes conventional and Sharia banking, as well as other banking activities in accordance with applicable regulations. The bank's main task is to stimulate local economic growth by actively participating in the development of small and medium-sized credit sectors to achieve optimal profits. Its core activities involve fund mobilization, fund allocation, and providing various banking services.

Company Structure

SK DIREKSI NO : 061/ 218 /DIR/PRS/KEP TGL : 07 DESEMBER 2022	BAGAN STRUKTUR STRUKTUR ORGANISASI Hal 2	ORGANISASI DAN TATA KERJA	
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Organisasi dan Tata Kerja Edisi ke - 3 Revisi ke -	Berlaku sejak tanggal : 30 APRIL 2023 Tanggal yang digantikan : 14 JULI 2021	Diverifikasi oleh:	SEVP VP AVP SO O JO
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Source: Company

Chart: Gross Loan (IDR Bn) YoY

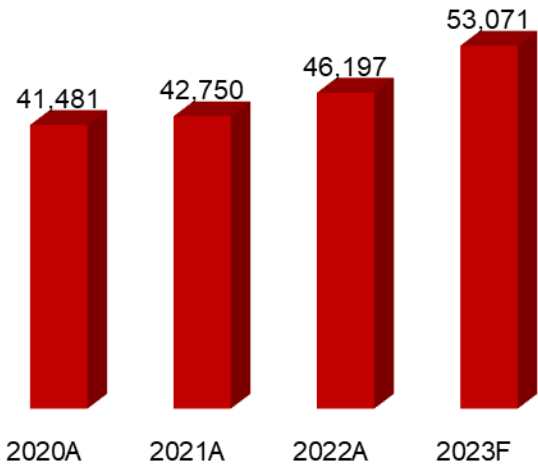


Chart: Customer Deposit (IDR Bn) YoY

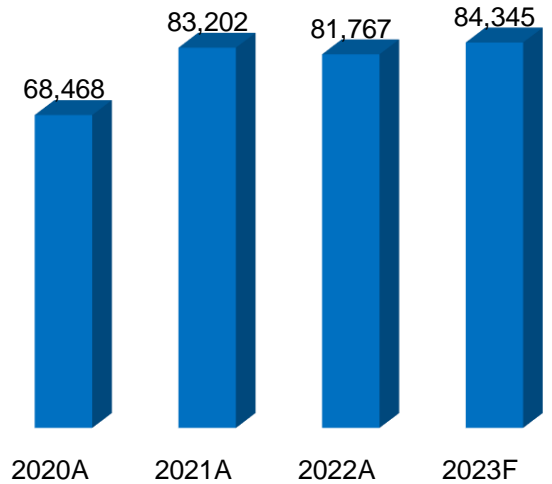


Chart: Profitability YoY

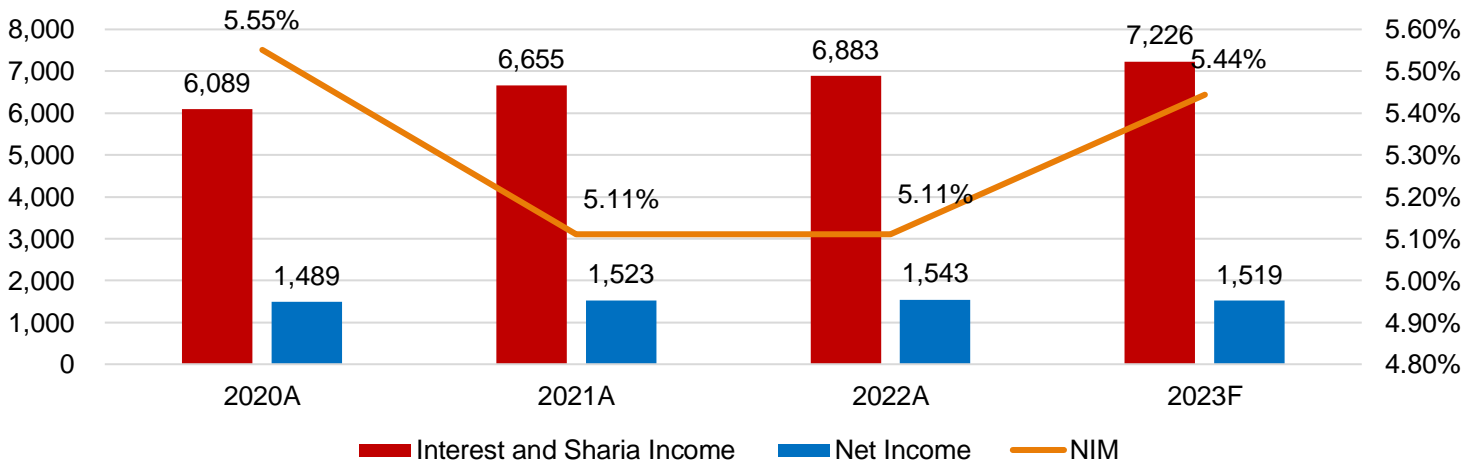


Chart: Non-Performing Loan YoY

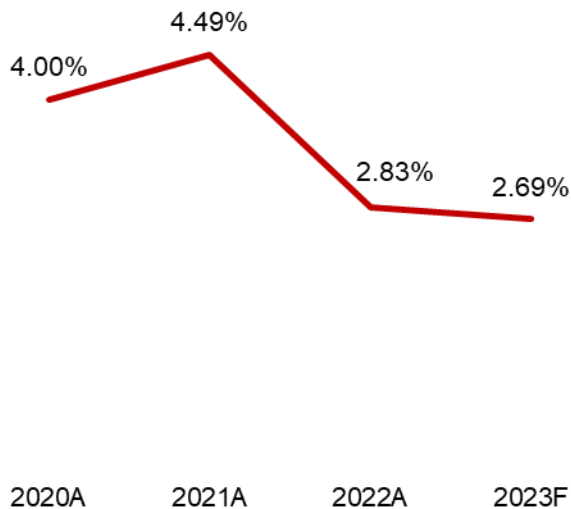


Chart: Capital Adequacy Ratio YoY

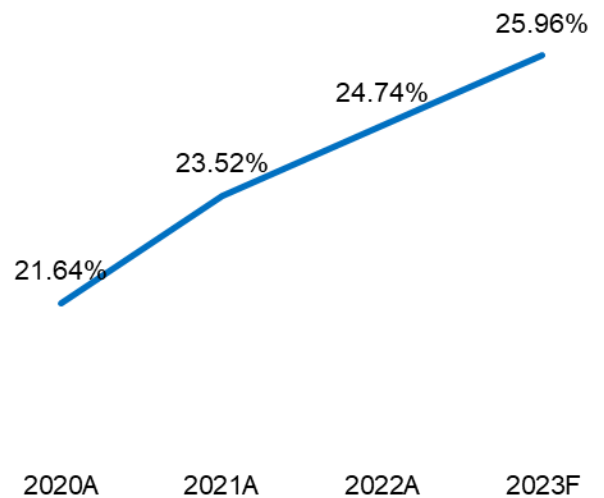


Chart: Gross Loan (IDR Bn) QoQ

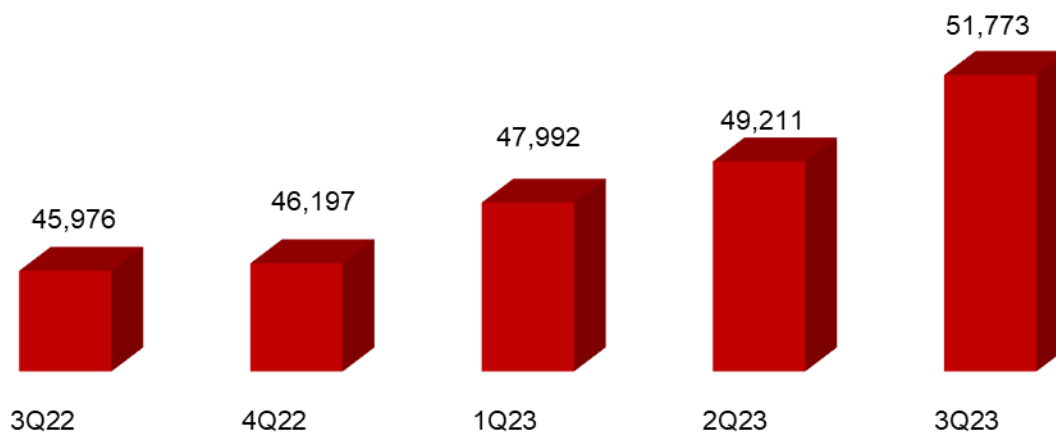


Chart: Customer Deposit (IDR Bn) QoQ

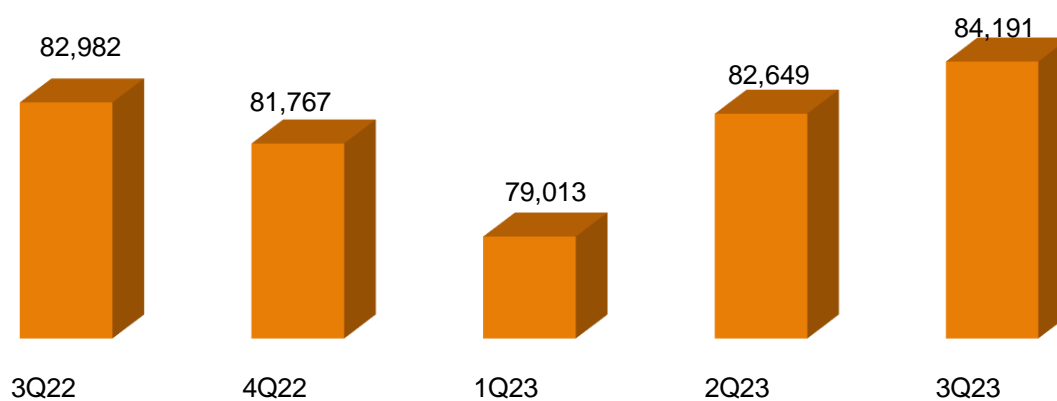
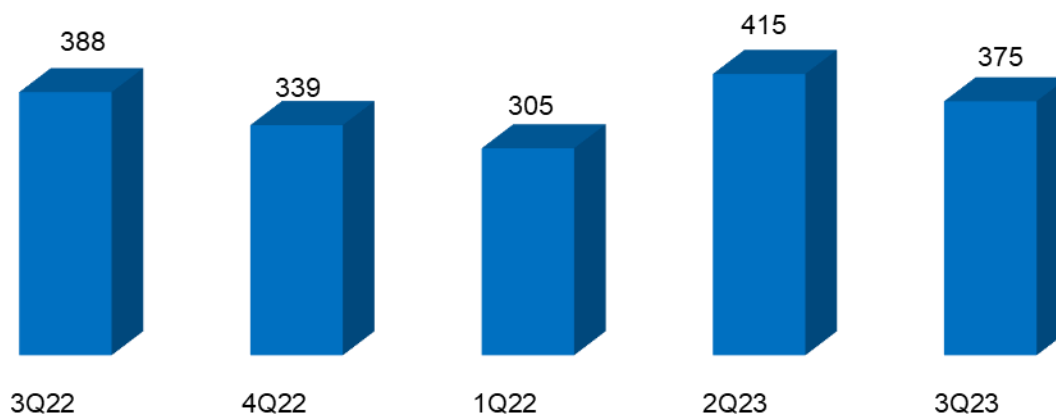


Chart: Net Income (IDR Bn) QoQ



Balance Sheet (IDR,bn)

Balance sheet (IDR bn)	2020A	2021A	2022A	2023F
Cash and CA with BI	6,172	10,828	12,775	10,676
Interbank Placement	6,884	9,916	6,913	3,894
Marketable Securities	27,232	35,804	31,040	35,147
Gross Loan	41,481	42,750	46,197	53,071
Allowance for Loans	(1,455)	(1,831)	(1,319)	(1,093)
Loans(net)	40,026	40,918	44,878	51,979
Other Earning Asset	35,040	46,955	43,284	42,752
Non-Earning Asset	2,382	2,022	2,095	2,516
Total Assets	83,619	100,723	103,031	107,923
Deposit:				
Current Account	21,129	25,976	23,635	21,310
Saving Account	22,874	24,899	26,344	27,164
Time Deposits	24,465	32,327	31,789	35,872
Other Interest-Bearing Liabilities	3,340	4,782	8,103	9,653
Non-Interest-Bearing Liabilities	1,806	1,829	1,715	1,748
Total Liabilities	73,615	89,813	91,586	95,747
Total Shareholder's Equity	10,005	10,911	11,446	12,176

Income Statement (IDR,bn)

Income Statement (IDR bn)	2020A	2021A	2022A	2023F
Interest Income	6,089	6,655	6,883	7,226
Interest Expense	(2,031)	(1,977)	(1,966)	(2,182)
Net Interest Income	4,057	4,678	4,917	5,043
Net Operating Income	418	806	534	692
Operating Expense	(2,391)	(2,874)	(3,105)	(3,126)
PPOP	2,084	2,610	2,345	2,610
Provision Expense	(568)	(819)	(405)	(632)
Operating Profit	1,516	1,791	1,941	1,978
Non-Operating Income	(9)	147	89	(18)
Profit Before Tax	1,507	1,938	2,030	1,960
Tax Expense	18	415	487	441
Net Profit	1,489	1,523	1,543	1,519
EPS (Rp/Share)	99.2	101.4	102.7	101.2

Ratio Highlights

Ratio Analysis	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	5.55%	5.11%	5.11%	5.44%
Cost-to-Income Ratio	36.91%	38.83%	38.41%	39.48%
ROE	18.77%	17.26%	16.24%	12.88%
ROA	1.95%	2.05%	1.95%	1.47%
BOPO	77.76%	75.95%	76.15%	75.02%
Cost of Credit	1.37%	1.01%	0.84%	1.19%
Liquidity				
LDR	60.58%	51.38%	56.50%	62.92%
CASA	64.27%	61.15%	61.12%	57.47%
Asset Quality				
Gross NPL	4.00%	4.49%	2.83%	2.69%
Provision Coverage	131.12%	117.64%	119.74%	76.49%
Capital				
CAR	21.64%	23.52%	24.74%	25.96%
Growth				
Loan Growth	8.16%	3.06%	8.06%	14.88%
Deposit Growth	13.08%	21.52%	-1.72%	3.15%
Net Income Growth	8.17%	2.29%	1.30%	-1.53%

BJTM QoQ Result

Balance Sheet	3Q22	4Q22	1Q23	2Q23	3Q23	%QoQ	%YoY
Loan	45,976	46,197	47,992	49,211	51,773	5.21%	12.61%
Loan Loss Reserves	(1,709)	(1,319)	(1,474)	(1,345)	(1,362)	1.22%	-20.30%
NPL	1,710	1,307	1,459	1,378	1,419	2.95%	-17.06%
Deposit							
Demand	24,926	23,635	22,059	22,632	21,386	-5.50%	-14.20%
Savings	24,151	26,344	23,721	24,905	24,979	0.30%	3.43%
Time Deposit	33,905	31,789	33,234	35,111	37,826	7.73%	11.56%
Total Asset	98,477	103,031	96,620	103,005	107,038	3.92%	8.69%
Shareholder Equity	10,908	11,446	11,756	11,497	11,748	2.18%	7.70%
Income Statement	3Q22	4Q22	1Q23	2Q23	3Q23	%QoQ	%YoY
Interest Income	1,749	1,724	1,766	1,753	1,845	5.25%	5.47%
Interest Expense	(454)	(541)	(578)	(525)	(602)	14.64%	32.69%
Net Interest Income	1,296	1,183	1,188	1,228	1,243	1.23%	-4.07%
Net Operating Income	198	(532)	154	155	158	1.66%	-20.26%
Operating Expense	(804)	(906)	(754)	(729)	(793)	8.73%	-1.45%
PPOP	689	(256)	588	654	608	-7.03%	-11.77%
Provision Expense	(143)	597	(183)	(107)	(143)	33.73%	-0.31%
Operating Profit	545	341	405	547	465	-15.00%	-14.78%
Non-Operating Income	(46)	114	(6)	(9)	11	-224.21%	-123.22%
Tax Expense	(111)	(115)	(94)	(123)	(101)	-18.07%	-9.04%
Net Profit	388	339	305	415	375	-9.71%	-3.44%
Ratio	3Q22	4Q22	1Q23	2Q23	3Q23	QoQ	YoY
Profitability							
NIM	5.17%	5.11%	5.30%	5.38%	5.38%	-	0.21
Cost-to-Income Ratio	35.33%	38.41%	37.99%	38.82%	39.11%	0.29	3.78
ROE	15.85%	16.24%	11.46%	13.80%	13.95%	0.15	(1.90)
ROA	2.92%	1.95%	1.62%	1.91%	1.87%	(0.04)	(1.05)
BOPO	74.24%	76.15%	79.02%	75.85%	76.23%	0.38	1.99
Cost of Credit	0.92%	0.84%	1.51%	1.41%	1.11%	(0.30)	0.19
Liquidity							
LDR	55.40%	56.50%	60.74%	59.54%	61.49%	1.95	6.09
CASA	59.14%	61.12%	57.94%	57.52%	55.07%	(2.45)	(4.07)
Asset Quality							
Gross NPL	3.72%	2.83%	3.03%	2.80%	2.75%	(0.05)	(0.97)
Provision Coverage	99.89%	100.72%	101.55%	97.70%	97.20%	(0.50)	(2.69)
Capital							
CAR	22.65%	24.74%	28.47%	26.03%	25.80%	(0.23)	3.15

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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