

February 2nd, 2024
Banking, Equity

Price IDR 655
Target Price IDR 740
JKSE Index IDR 7,238.78

Investment Consideration

Decrease in Net Income

In 2023, BJTM reported a net profit of IDR 1.47 trillion, reflecting a 4.71% YoY decline. This decline was driven by a substantial surge in provision expenses, which increased by 71.54% YoY. Additionally, interest expenses rose by 17.84%. Despite these challenges, BJTM's NIM ratio showed improvement, rising by 0.46% YoY to 5.57%. This rise was attributed to a 6.90% YoY growth in interest income, surpassing the 2023 target range of 5.3%-5.4%. Looking ahead to 2024, we anticipate a recovery for BJTM, with a projected profit increase of 3.72% YoY, reaching IDR 1.53 trillion. The NIM ratio is expected to further improve, reaching 5.77%, aligning with BJTM's targets and reflecting continued growth and effective financial management.

Enormous Loan Growth

As of December 2023, BJTM's loans grew robustly, expanding by 18.54% YoY. This outpaced the target of 12%-13% and also surpassed the loan growth in Indonesia, which was 10.38% YoY. Consumer loans were the top contributor with growth of 8.91% YoY, while the Commercial & SME segment also experienced a significant surge, growing by 34.26%, notably driven by the growth of 133.15% in SME loans. By economic sector, Wholesale and Retail Trade emerged as the top contributor at 32.35%. The sector with the highest growth was Agriculture, Hunting, and Forestry, experiencing a solid 77.47% YoY growth. Looking forward to 2024, we anticipate BJTM's loans to grow by 16.49%, aligning with BJTM's focus on seizing opportunities and expanding its business by strengthening MSME loans while also maintaining its ecosystem.

Better NPL Ratio

BJTM's NPL ratio improved significantly, decreasing by 0.34% to 2.49% in 2023. The Consumer segment not only emerged as the top contributor but also exhibited the best performance, with an NPL ratio of 0.96%, reflecting a 7-bps decrease. In the Commercial SME segment, the ratio stood at 1.53%, marking a reduction of 0.27%. Looking ahead, we anticipate BJTM to further enhance its NPL ratio, decreasing by 0.30% YoY to 2.19% in 2024.

Solvency Enhancement

BJTM's solvency has improved compared to 2022. This improvement is evident in its Capital Adequacy Ratio (CAR), which increased by 0.97% YoY to reach 25.71%. The positive shift can be attributed to a substantial 54.59% YoY decrease in Risk-Weighted Assets for market risk. This notable enhancement in solvency has also paved the way for dividends that BJTM plans to allocate to investors. According to its annual report, BJTM is forecasted to pay 54.39% of the Net Profit. Looking ahead, we anticipate that in 2024, BJTM will continue to bolster its solvency, targeting a level of 26.75%. Moreover, the bank is projected to distribute dividends at the rates of 54.27% and 55.31% in 2024 and 2025, respectively.

Valuation: 13% Upside, Hold

Based on our DDM Valuation, we have a target price within one year of IDR 740 or trading at 0.86x PBV, which gives a 13% potential upside. We recommend a Hold.

Financial Highlight	2020A	2021A	2022A	2023A	2024F
Net Income (IDR Bn.)	1,489	1,523	1,543	1,470	1,525
NIM	5.55%	5.11%	5.11%	5.57%	5.77%
EPS (IDR/Share)	99.16	101.43	102.75	97.91	101.54



Stock Code BJTM IJ
Bloomberg code 9,835.2
Market cap (IDR Bn) 755
52-Week High (IDR) 600
52-Week Low (IDR) 635
6-m Avg Daily, Val (IDR) 20.46
Free Float (%)

Major Shareholders (%)

Jatim Province Government 51.13
Jatim City&Municipal 28.35
Others 20.52

USD/IDR-YE (JISDOR)

2023A 15,439
2024F (APBN 2024) 15,000

Key Indicators

Non-Performing Loan (%) 2.19
Net Interest Margin (x) 5.77

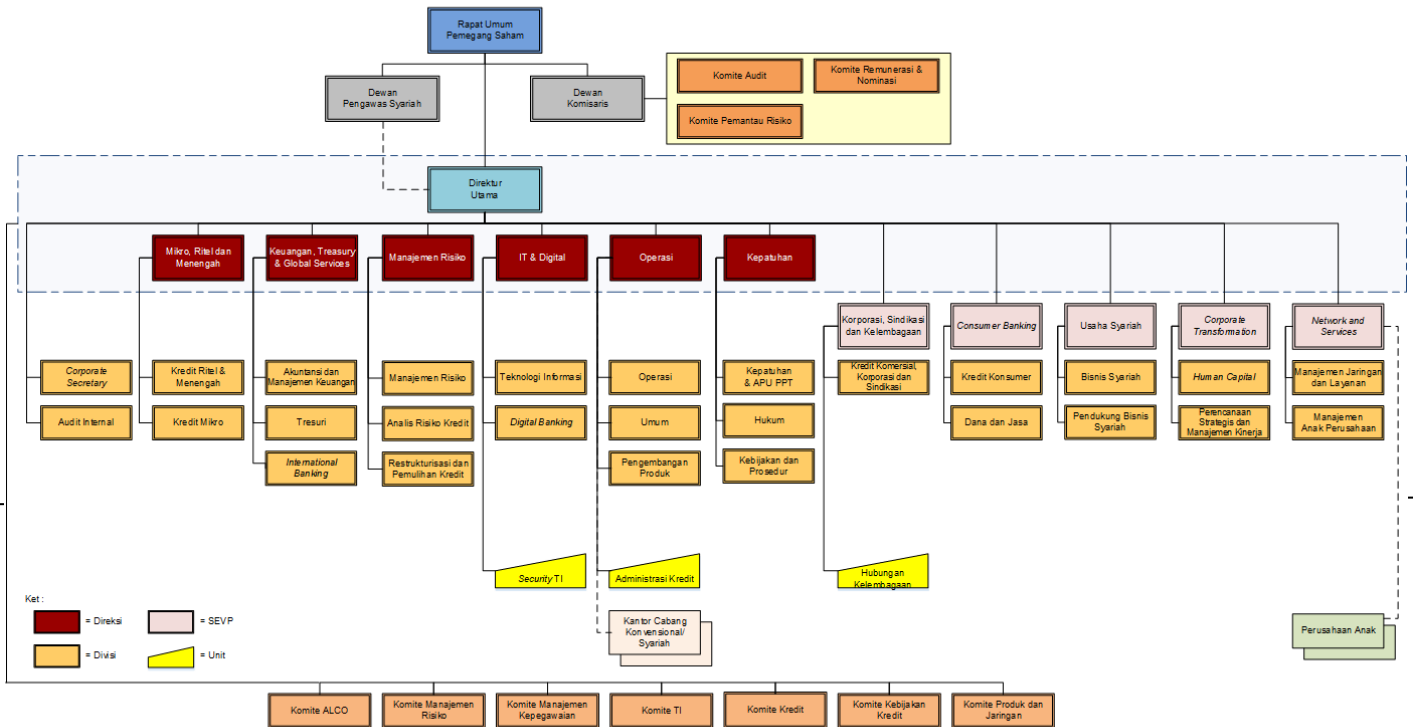
Analyst: Achmadi Hangradhika
achmadi.hangradhika@binaartha.com

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	
--	---	---------------------------	--



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
--	---	--------------------	-------------------------------

Source: Company

Chart: Gross Loan (IDR Bn) YoY

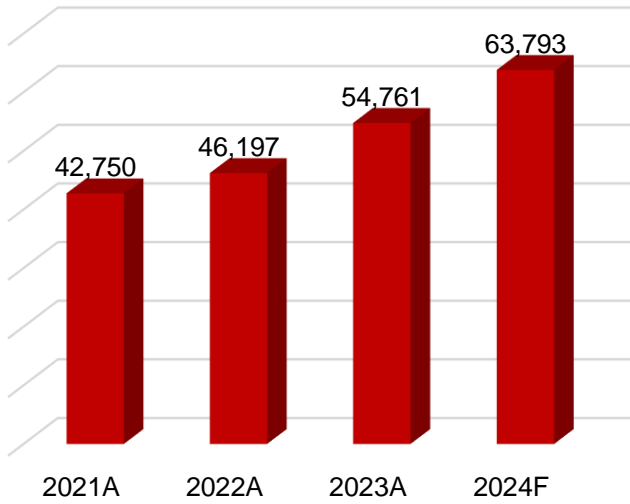


Chart: Customer Deposit (IDR Bn) YoY

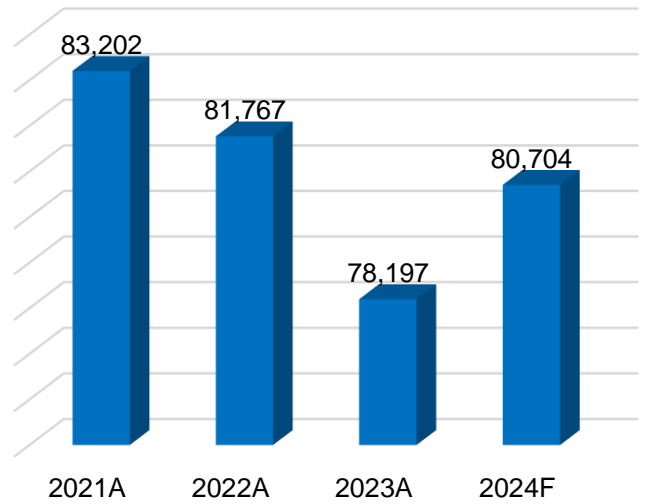


Chart: Profitability YoY

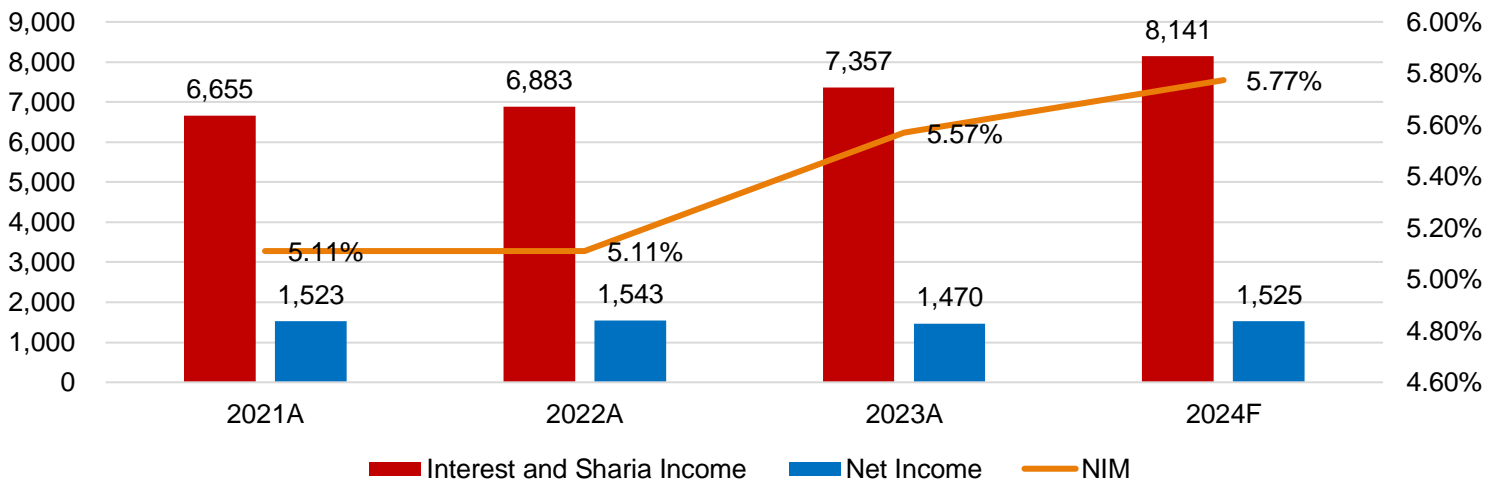


Chart: Non-Performing Loan YoY

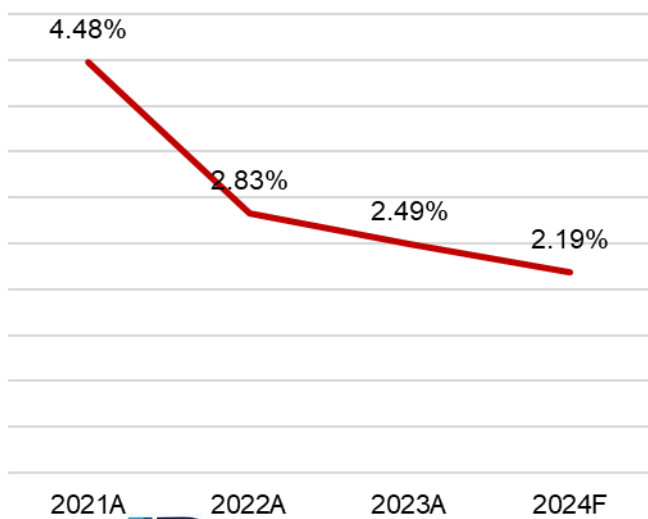


Chart: Capital Adequacy Ratio YoY

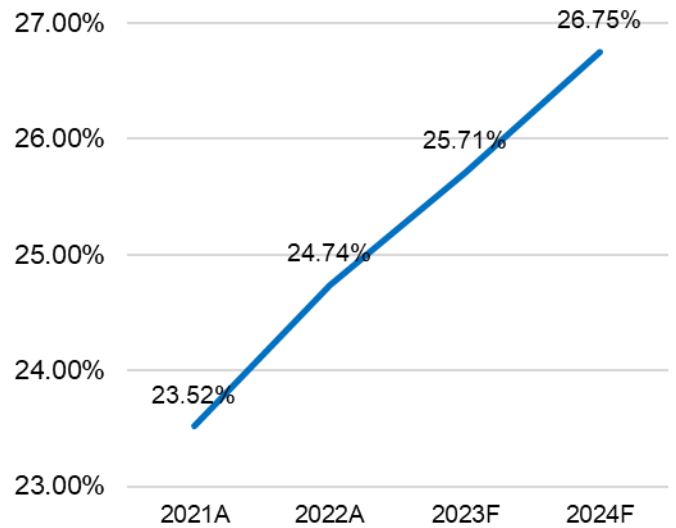


Chart: Gross Loan (IDR Bn) QoQ

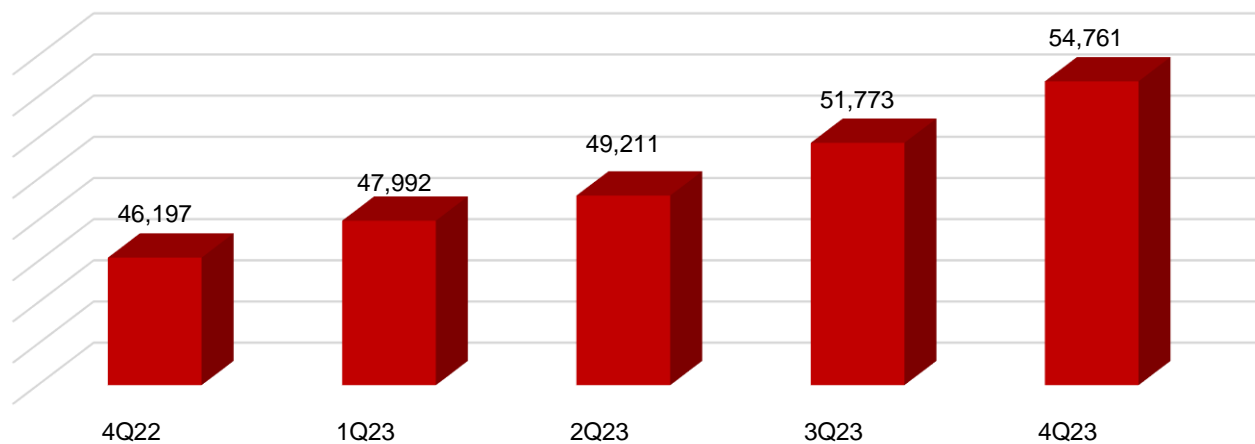


Chart: Customer Deposit (IDR Bn) QoQ

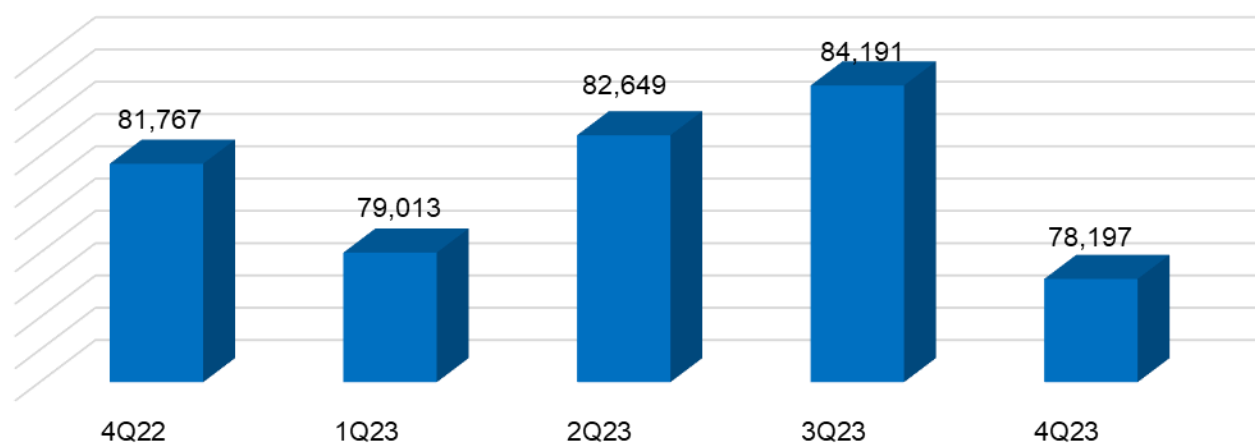
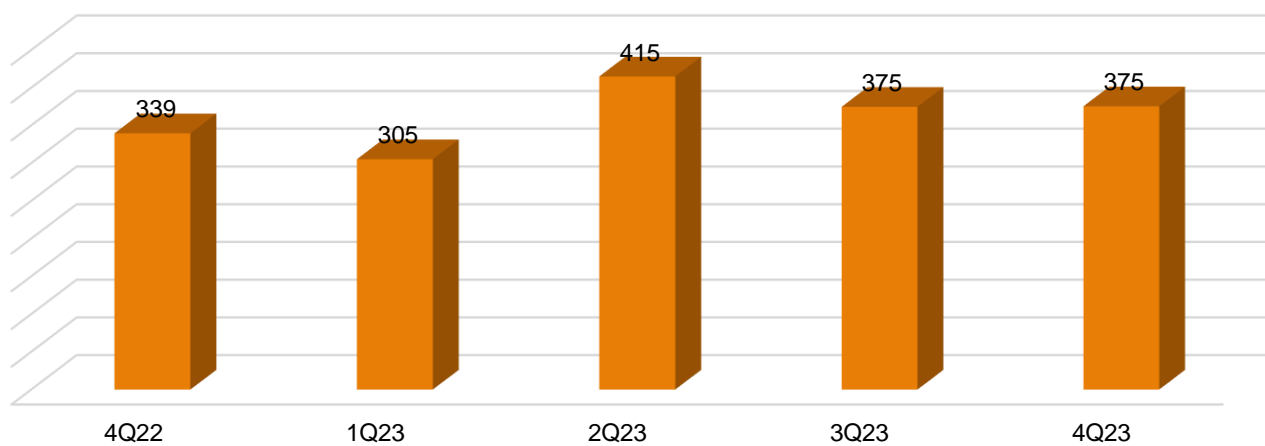


Chart: Net Income (IDR Bn) QoQ



Balance Sheet (IDR,bn)

Balance sheet (IDR bn)	2021A	2022A	2023A	2024F
Cash and CA with BI	10,828	12,775	10,624	10,565
Interbank Placement	9,916	6,913	5,230	5,351
Marketable Securities	35,804	31,040	22,571	21,241
Gross Loan	42,750	46,197	54,761	63,793
Allowance for Loans	(1,831)	(1,319)	(1,365)	(1,367)
Loans(net)	40,918	44,878	53,396	62,427
Other Earning Asset	46,955	43,284	37,503	33,296
Non-Earning Asset	2,022	2,095	2,331	2,404
Total Assets	100,723	103,031	103,855	108,692
Deposit:				
Current Account	25,976	23,635	20,926	21,992
Saving Account	24,899	26,344	28,816	30,202
Time Deposits	32,327	31,789	28,455	28,510
Other Interest-Bearing Liabilities	4,782	8,103	11,483	12,744
Non-Interest-Bearing Liabilities	1,829	1,715	2,024	2,343
Total Liabilities	89,813	91,586	91,704	95,790
Total Shareholder's Equity	10,911	11,446	12,151	12,901

Income Statement (IDR,bn)

Income Statement (IDR bn)	2021A	2022A	2023A	2024F
Interest Income	6,655	6,883	7,357	8,141
Interest Expense	(1,977)	(1,966)	(2,316)	(2,678)
Net Interest Income	4,678	4,917	5,041	5,463
Net Operating Income	806	534	648	797
Operating Expense	(2,874)	(3,105)	(3,140)	(3,344)
PPOP	2,610	2,345	2,549	2,916
Provision Expense	(819)	(405)	(694)	(987)
Operating Profit	1,791	1,941	1,855	1,929
Non-Operating Income	147	89	38	39
Profit Before Tax	1,938	2,030	1,893	1,967
Tax Expense	415	487	423	443
Net Profit	1,523	1,543	1,470	1,525
EPS (Rp/Share)	101.43	102.75	97.91	101.54

Ratio Highlights

Ratio Analysis	2021A	2022A	2023A	2024F
Profitability & Efficiency				
NIM	5.11%	5.11%	5.57%	5.77%
ROE	17.26%	16.24%	13.96%	12.73%
ROA	2.05%	1.95%	1.87%	1.43%
BOPO	75.95%	76.15%	77.27%	78.39%
Cost of Credit	1.01%	0.84%	1.23%	1.54%
Liquidity				
LDR	51.38%	56.50%	70.03%	79.05%
CASA	61.15%	61.12%	63.61%	64.67%
Asset Quality				
Gross NPL	4.48%	2.83%	2.49%	2.19%
Provision Coverage	95.57%	100.72%	100.08%	97.96%
Capital				
CAR	23.52%	24.74%	25.71%	26.75%
Growth				
Loan Growth	3.06%	8.06%	18.54%	16.49%
Deposit Growth	21.52%	-1.72%	-4.37%	3.21%
Net Income Growth	2.29%	1.30%	-4.71%	3.72%

BJTM QoQ Result

Balance Sheet	4Q22	1Q23	2Q23	3Q23	4Q23	%QoQ	%YoY
Loan	46,197	47,992	49,211	51,773	54,761	5.77%	18.54%
Loan Loss Reserves	(1,319)	(1,474)	(1,345)	(1,362)	(1,365)	0.23%	3.51%
NPL	1,307	1,459	1,378	1,419	1,364	-3.88%	4.30%
Deposit							
Demand	23,635	22,059	22,632	21,386	20,926	-2.15%	-11.46%
Savings	26,344	23,721	24,905	24,979	28,816	15.36%	9.38%
Time Deposit	31,789	33,234	35,111	37,826	28,455	-24.77%	-10.49%
Total Asset	103,031	96,620	103,005	107,038	103,855	-2.97%	0.80%
Shareholder Equity	11,446	11,756	11,497	11,748	12,151	3.43%	6.16%
Income Statement	4Q22	1Q23	2Q23	3Q23	4Q23	%QoQ	%YoY
Interest Income	1,724	1,766	1,753	1,845	1,994	8.08%	15.65%
Interest Expense	(541)	(578)	(525)	(602)	(611)	1.54%	12.95%
Net Interest Income	1,183	1,188	1,228	1,243	1,383	11.25%	16.88%
Net Operating Income	(532)	154	155	158	182	15.25%	-134.13%
Operating Expense	(906)	(754)	(729)	(793)	(865)	9.08%	-4.58%
PPOP	(256)	588	654	608	700	15.13%	-373.58%
Provision Expense	597	(183)	(107)	(143)	(261)	82.77%	-143.82%
Operating Profit	341	405	547	465	438	-5.68%	28.64%
Non-Operating Income	114	(6)	(9)	11	42	287.49%	-63.40%
Tax Expense	(115)	(94)	(123)	(101)	(105)	3.86%	-9.22%
Net Profit	339	305	415	375	375	0.19%	10.56%
Ratio	4Q22	1Q23	2Q23	3Q23	4Q23	QoQ	YoY
Profitability							
NIM	5.11%	5.30%	5.38%	5.38%	5.57%	0.19	0.46
ROE	16.24%	11.46%	13.80%	13.95%	13.96%	0.01	(2.28)
ROA	1.95%	1.62%	1.91%	1.87%	1.87%	-	(0.08)
BOPO	76.15%	79.02%	75.85%	76.23%	77.27%	1.04	1.12
Cost of Credit	0.84%	1.51%	1.41%	1.11%	1.23%	0.12	0.39
Liquidity							
LDR	56.50%	60.74%	59.54%	61.49%	70.03%	8.54	13.53
CASA	61.12%	57.94%	57.52%	55.07%	63.61%	8.54	2.49
Asset Quality							
Gross NPL	2.83%	3.03%	2.80%	2.75%	2.49%	(0.26)	(0.34)
Provision Coverage	100.72%	101.55%	97.70%	97.20%	100.08%	2.88	(0.64)
Capital							
CAR	24.74%	28.47%	26.03%	25.80%	25.71%	(0.09)	0.97

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
(62-21) 520-6678 ext.612**

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.