

May 22nd, 2024
Banking, Equity

Price IDR 570
Target Price IDR 670
JKSE Index IDR 7,222.38

Investment Consideration

Small Increase in Net Income

In Q1-2024, BJTM's net income increased slightly by 1.52% YoY compared to FY-23, which saw a decrease of -4.71% YoY, reaching IDR 310 billion. This increase occurred despite the growth in Other Operating Expenses and Provision Expenses by 12.57% YoY and 25.29% YoY, respectively. The bank still maintained growth in its Interest and Shariah Income, contributing to a 13-bps increase in the NIM ratio to 5.43%, and Other Operating Income increased by 7.36% and 25.29% YoY. We forecast that by December 2024, BJTM's net income will experience a modest increase of 1.79% to IDR 1.5 trillion, with the NIM ratio reaching 5.86%.

Strong Loan Growth

As of March 2024, BJTM's loan portfolio stood at IDR 57 trillion, marking an 18.76% YoY expansion. The most significant growth, 58.40%, was observed in the Small and Medium Enterprises (SMEs) within the Commercial & SME loan segment, leading to a 36.34% YoY increase in this category. Consumer loans also grew by 7.40% YoY. The highest contributions came from the Wholesale and Retail Trade sector, accounting for 33.89%, while the most substantial growth was in Agriculture, Hunting, and Forestry, which surged by 85.76% YoY. We predict BJTM will continue to expand its loan portfolio by another 14.56% YoY.

Improved NPL Ratio Compared to Last Year

BJTM's NPL ratio improved significantly, decreasing by 22 bps to 2.82% compared to Q1-23, despite being higher than FY23's 3.04%. This improvement was particularly notable in the Commercial & SME segment, which decreased by 31 bps to 1.84%, and the Consumer Segment, which increased slightly by 2 bps to 0.98%. We anticipate that BJTM's NPL ratio will decrease further to 2.38% in 2024.

Strong Liquidity

BJTM's liquidity strengthened, as evidenced by a 2.65% YoY increase in the CASA ratio to 60.59%. This increase resulted from a significant 13.06% YoY growth in Savings Accounts. The LDR ratio also rose dramatically by 9.75% YoY to 70.49% due to substantial loan growth in Q1-2024. We forecast that in 2024, BJTM's CASA Ratio and LDR will stabilize at 59.00% and 72.54%, respectively.

Valuation: 18% Upside, Hold

Based on our DDM Valuation, we have a target price of IDR 670 within one year, trading at 0.78x PBV, which offers 18% potential upside. We recommend HOLD.

Financial Highlight	2020A	2021A	2022A	2023A	2024F
Total Loan (IDR Bn)	41,481	42,750	46,197	54,761	62,738
Total Deposit (IDR Bn)	68,468	83,202	81,767	78,197	86,482
Net Interest Income (IDR Bn)	6,089	6,655	6,883	7,357	7,940
Net Income (IDR Bn)	1,489	1,523	1,543	1,470	1,496
NIM	5.55%	5.11%	5.11%	5.57%	5.86%
EPS (IDR/Share)	99.16	101.43	102.75	97.91	99.66
Gross NPL (%)	4.00%	4.48%	2.83%	2.49%	2.38%



Stock Code BJTM IJ
Bloomberg code BJTM IJ
Market cap (IDR Bn) 8,558.8
52-Week High (IDR) 695
52-Week Low (IDR) 565
6-m Avg Daily, Val (IDR) 618
Free Float (%) 20.47

Major Shareholders (%)

Jatim Province Government 51.13
Jatim City&Municipal 28.35
Others 20.52

USD/IDR-YE (JISDOR)

2023A 15,439
2024F 15,548

Key Indicators

Non-Performing Loan (%) 2.38
Net Interest Margin (x) 5.86

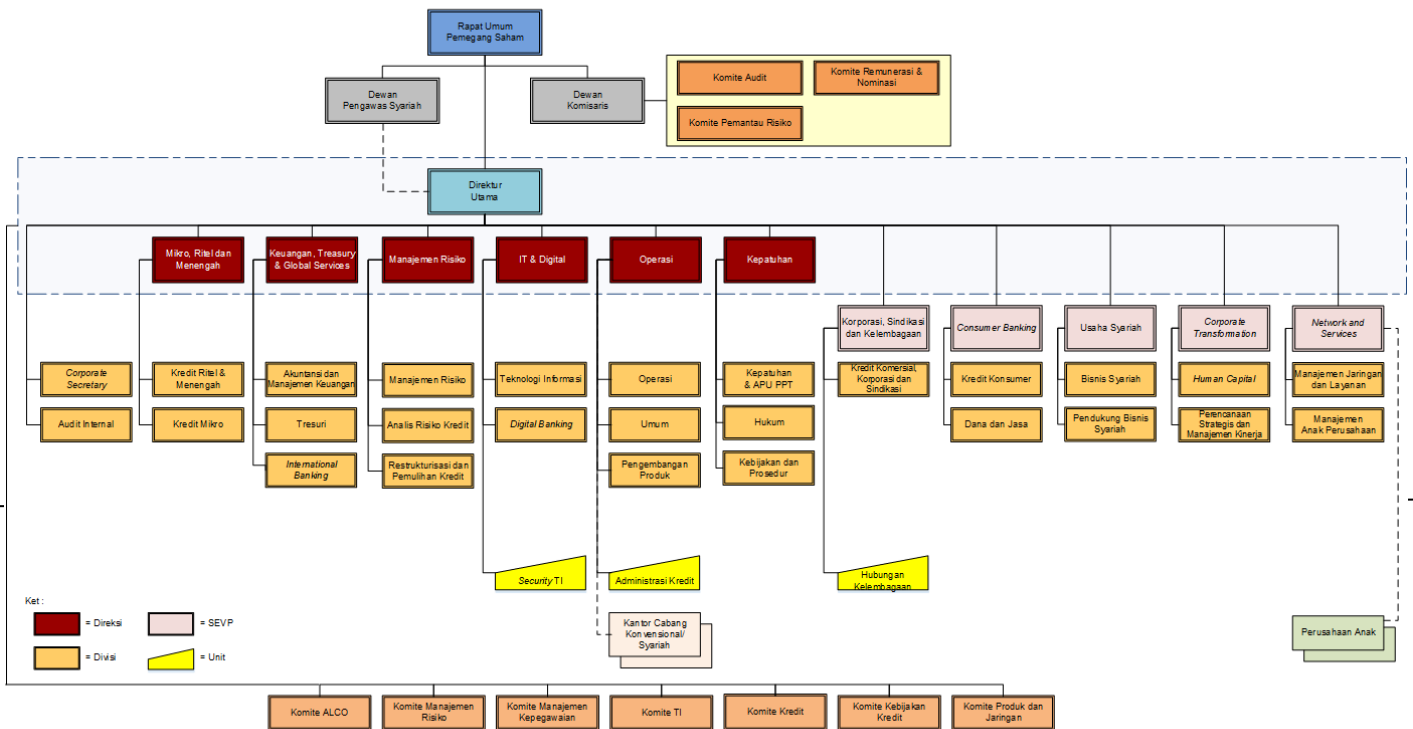
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Company Profile

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

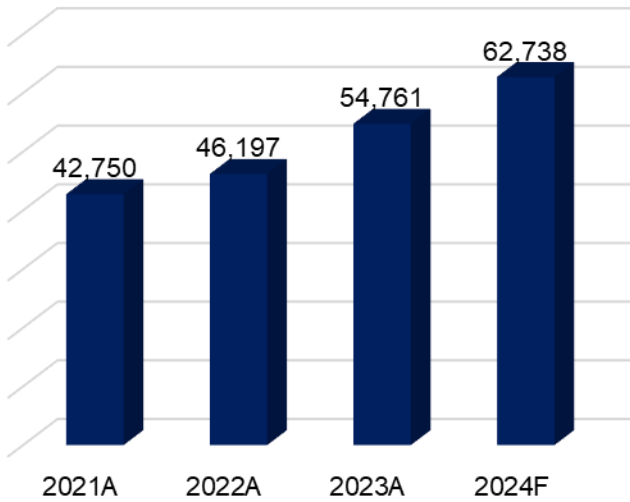


Chart: Customer Deposit (IDR Bn) YoY

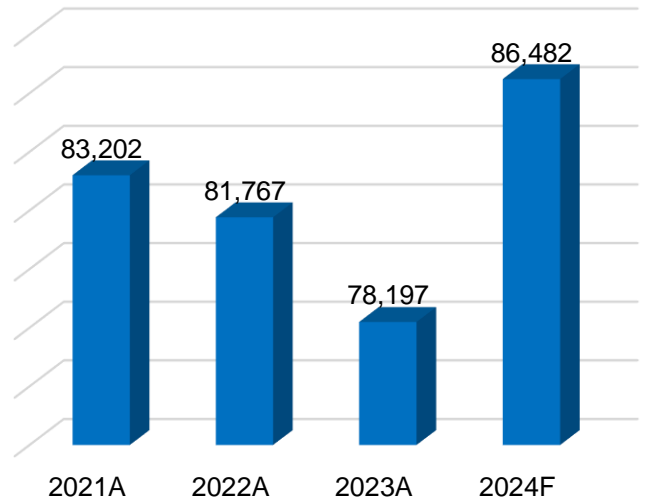


Chart: Profitability YoY

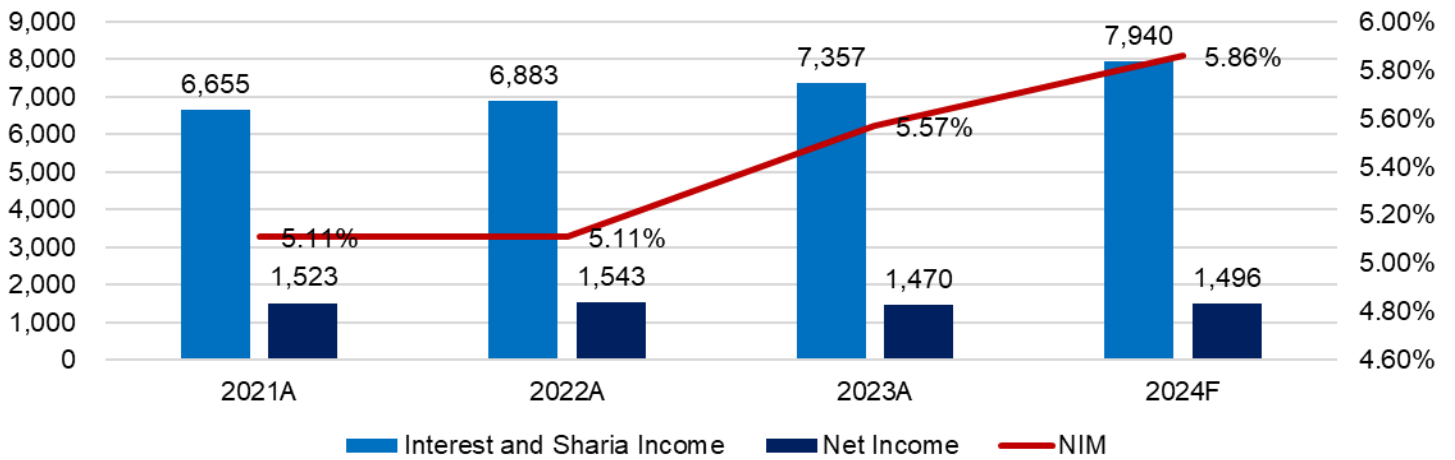


Chart: Non-Performing Loan YoY

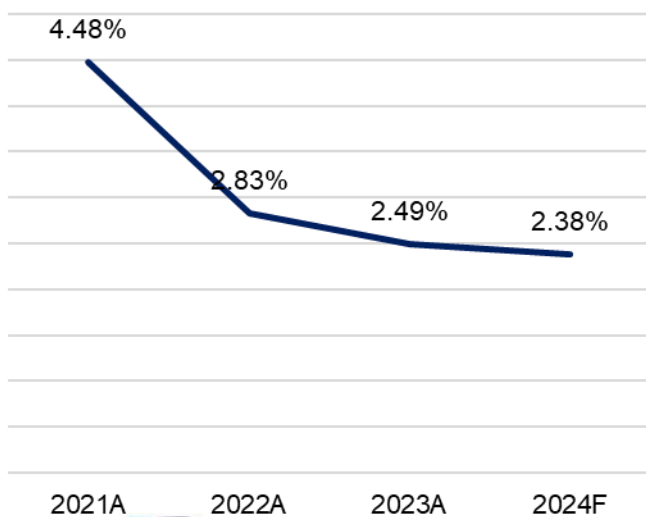


Chart: Capital Adequacy Ratio YoY

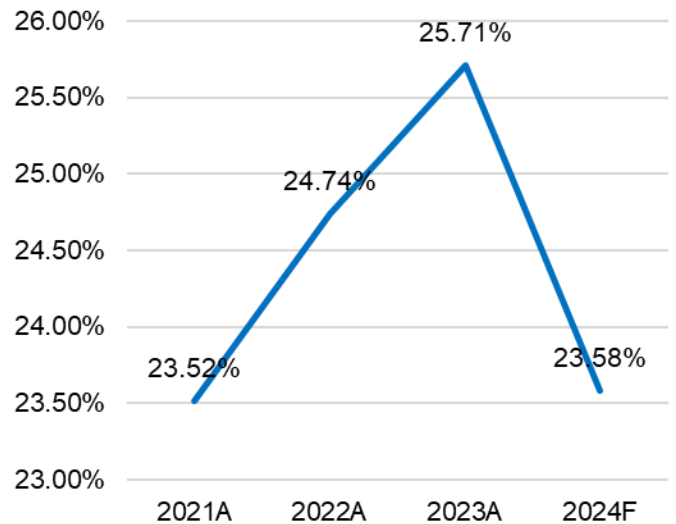


Chart: Gross Loan (IDR Bn) QoQ

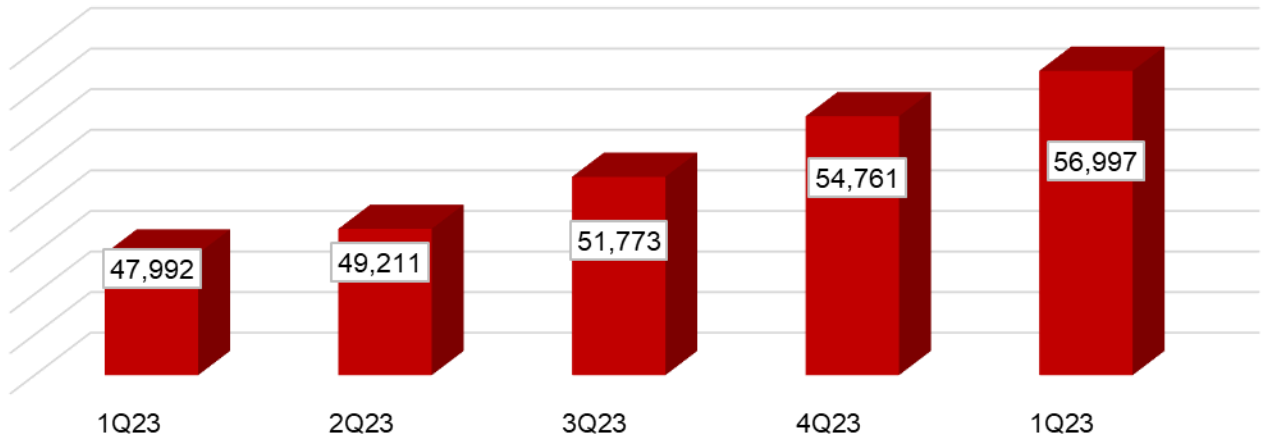


Chart: Customer Deposit (IDR Bn) QoQ

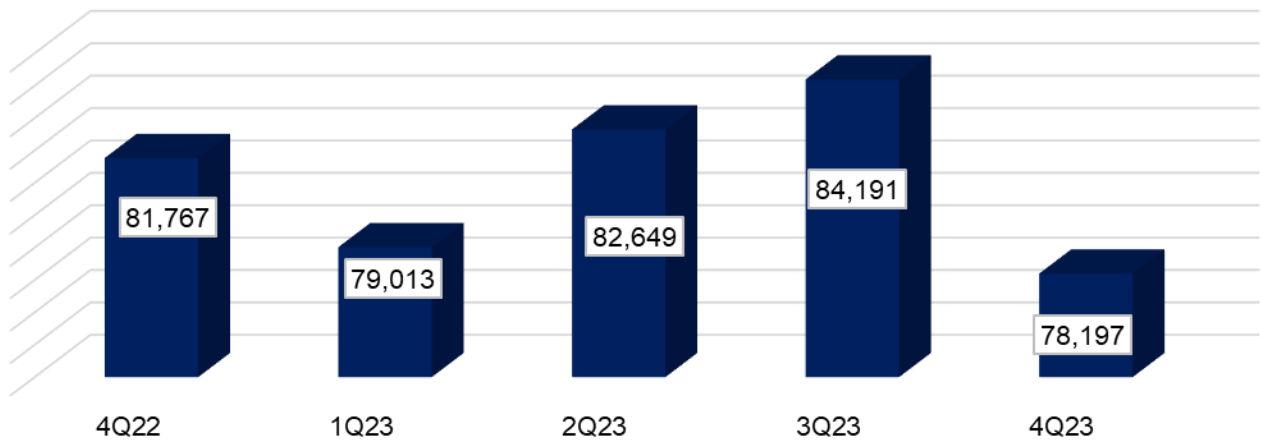
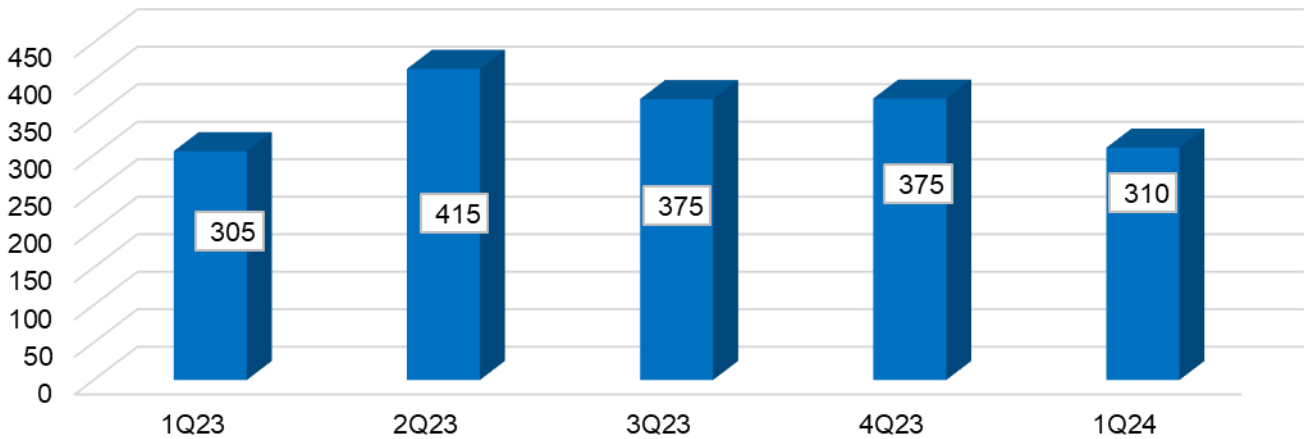


Chart: Net Income (IDR Bn) QoQ



Financial Position

Statements of Financial Position (IDR Bn)	2021A	2022A	2023A	2024F
Cash and CA with BI	10,828	12,775	10,624	12,891
Interbank Placement	9,916	6,913	5,230	4,084
Marketable Securities	35,804	31,040	22,571	23,107
Gross Loan	42,750	46,197	54,761	62,738
Allowance for Loans	(1,831)	(1,319)	(1,365)	(1,150)
Loans(net)	40,918	44,878	53,396	61,588
Other Earning Asset	46,955	43,284	37,503	34,055
Non-Earning Asset	2,022	2,095	2,331	2,522
Total Assets	100,723	103,031	103,855	111,057
Deposit:				
Current Account	25,976	23,635	20,926	22,229
Saving Account	24,899	26,344	28,816	28,793
Time Deposits	32,327	31,789	28,455	35,460
Other Interest-Bearing Liabilities	4,782	8,103	11,483	10,062
Non-Interest-Bearing Liabilities	1,829	1,715	2,024	1,652
Total Liabilities	89,813	91,586	91,704	98,196
Total Shareholder's Equity	10,911	11,446	12,151	12,861

Profit or Loss

Statements of Profit or Loss (IDR Bn)	2021A	2022A	2023A	2024F
Interest Income	6,655	6,883	7,357	7,940
Interest Expense	(1,977)	(1,966)	(2,316)	(2,445)
Net Interest Income	4,678	4,917	5,041	5,495
Net Operating Income	806	534	648	780
Operating Expense	(2,874)	(3,105)	(3,140)	(3,485)
PPOP	2,610	2,345	2,549	2,790
Provision Expense	(819)	(405)	(694)	(899)
Operating Profit	1,791	1,941	1,855	1,891
Non-Operating Income	147	89	38	40
Profit Before Tax	1,938	2,030	1,893	1,931
Tax Expense	415	487	423	434
Net Profit	1,523	1,543	1,470	1,496
EPS (Rp/Share)	101.43	102.75	97.91	99.66

Ratio Highlights

Ratio Analysis	2021A	2022A	2023A	2024F
Profitability & Efficiency				
NIM	5.11%	5.11%	5.57%	5.86%
ROE	17.26%	16.24%	13.96%	12.51%
ROA	2.05%	1.95%	1.87%	1.39%
BOPO	75.95%	76.15%	77.27%	78.31%
Cost of Credit	1.01%	0.84%	1.23%	1.43%
Liquidity				
LDR	51.38%	56.50%	70.03%	72.54%
CASA	61.15%	61.12%	63.61%	59.00%
Asset Quality				
Gross NPL	4.48%	2.83%	2.49%	2.38%
Provision Coverage	95.57%	100.72%	100.08%	77.18%
Capital				
CAR	23.52%	24.74%	25.71%	23.58%
Growth				
Loan Growth	3.06%	8.06%	18.54%	14.56%
Deposit Growth	21.52%	-1.72%	-4.37%	10.60%
Net Income Growth	2.29%	1.30%	-4.71%	1.79%

BJTM QoQ Result

Statements of Financial Position (IDR Bn)	1Q23	2Q23	3Q23	4Q23	1Q24	%QoQ	%YoY
Loan	47,992	49,211	51,773	54,761	56,997	4.08%	18.76%
Loan Loss Reserves	(1,474)	(1,345)	(1,362)	(1,365)	(1,549)	13.52%	5.09%
NPL	1,459	1,378	1,419	1,364	1,607	17.88%	10.17%
Deposit							
Demand	22,059	22,632	21,386	20,926	22,175	5.97%	0.53%
Savings	23,721	24,905	24,979	28,816	26,818	-6.93%	13.06%
Time Deposit	33,234	35,111	37,826	28,455	31,869	12.00%	-4.11%
Total Asset	96,620	103,005	107,038	103,855	100,842	-2.90%	4.37%
Shareholder Equity	11,756	11,497	11,748	12,151	11,632	-4.27%	-1.05%

Statements of Profit or Loss (IDR Bn)	1Q23	2Q23	3Q23	4Q23	1Q24	%QoQ	%YoY
Interest Income	1,766	1,753	1,845	1,994	1,896	-4.93%	7.36%
Interest Expense	(578)	(525)	(602)	(611)	(621)	1.57%	7.44%
Net Interest Income	1,188	1,228	1,243	1,383	1,275	-7.81%	7.33%
Net Operating Income	154	155	158	182	193	6.07%	25.29%
Operating Expense	(754)	(729)	(793)	(865)	(848)	-1.89%	12.57%
PPOP	588	654	608	700	619	-11.51%	5.31%
Provision Expense	(183)	(107)	(143)	(261)	(221)	-15.40%	20.96%
Operating Profit	405	547	465	438	398	-9.19%	-1.76%
Non-Operating Income	(6)	(9)	11	42	5	-89.09%	-173.58%
Tax Expense	(94)	(123)	(101)	(105)	(93)	-11.45%	-1.05%
Net Profit	305	415	375	375	310	-17.45%	1.52%

Ratio	1Q23	2Q23	3Q23	4Q23	1Q24	QoQ	YoY
Profitability							
NIM	5.30%	5.38%	5.38%	5.57%	5.43%	(0.14)	0.13
ROE	11.46%	13.80%	13.95%	13.96%	11.24%	(2.72)	(0.22)
ROA	1.62%	1.91%	1.87%	1.87%	1.59%	(0.28)	(0.03)
BOPO	79.02%	75.85%	76.23%	77.27%	81.20%	3.93	2.18
Cost of Credit	1.51%	1.41%	1.11%	1.23%	1.55%	0.32	0.04
Liquidity							
LDR	60.74%	59.54%	61.49%	70.03%	70.49%	0.46	9.75
CASA	57.94%	57.52%	55.07%	63.61%	60.59%	(3.02)	2.65
Asset Quality							
Gross NPL	3.03%	2.80%	2.75%	2.49%	2.82%	0.33	(0.21)
Provision Coverage	101.55%	97.70%	97.20%	100.08%	96.46%	(3.62)	(5.09)
Capital							
CAR	28.47%	26.03%	25.80%	25.71%	23.12%	(2.59)	(5.35)

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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