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# BPD Jawa Timur

## Company Focus

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## Our Favorite Among Small Banks

### Too cheap to ignore

Currently, BJTM trades at 0.95x 2015E PBV and 5.2x 2015E PE. For a stock that offers 9-10% dividend yield and 38% potential upside, we think that BJTM is attractively cheap. Hence, this stock is highly recommended and become our favorite among small banks under our coverage.

### Expect 27/17/14% EPS growth in 2014/15/16

In our recent meeting with BJTM's executives, the company revealed that net profit as at 10M14 already reached Rp 832bn (~79% of our FY14 estimates). We are quite satisfied with the net profit realization and remain optimistic that BJTM will book 27/17/14% EPS growth in 2014/15/16. Additionally, we assume 20-21% loan growth for 2014-16 as align with the company's micro segment expansion plan—BJTM will add 315 micro loan officers starting next year.

### Slight Earnings Adjustments in 2014-16

Our EPS estimates are revised down by 3/5/3% for 2014/15/16 respectively on the back of: 1) 4/1% correction in NII for 2014/15 due to lower NII realization in 3Q14, 2) higher salary expenses resulting from adding more micro loan officers starting next year, and 3) higher provisioning caused by higher NPL outlook—55% of BJTM's loans come from multipurpose loans, which are sensitive to fuel price hike.

### Reiterate BUY with higher TP Rp 590

As we roll over our valuation to 2015, our new GGM-based TP is higher at Rp 590 (38% upside), assuming 17.1% sustainable ROAE, 6% growth rate, and 14.5% cost of equity. The new TP implies 1.3x 2015E PBV and 7.2x 2015E PE. Our BUY stance is therefore reiterated. Risks to our stance are lower-than-expected loan growth and adverse rise in NPL.



PT Bank Pembangunan Daerah Jawa Timur Tbk is a full service bank in Indonesia based in Surabaya, East Java.

**BUY**

**Rp590**

### Company Update

Share Price	Rp426
Sector	Bank
Price Target	RP590 (38%)

### Stock Data

Reuters Code	BJTM.JK
Bloomberg Code	BJTM.IJ
Issued Shares (m)	14.918
Mkt Cap (Rpbn)	6,355
Average Daily T/O (m)	3.0
52-Wk range	Rp498 / Rp355

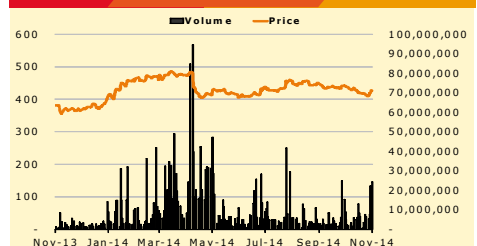
### Major Shareholders

Government of Province Jawa Timur	51.5%
Government of City/Regents	28.5%
Public	20.0%

### Consensus

EPS	14F	15F
Consensus (Rp)	71	79
TRIM vs Cons. (%)	(1.41)	(3.66)

### Stock Price



### Company Data

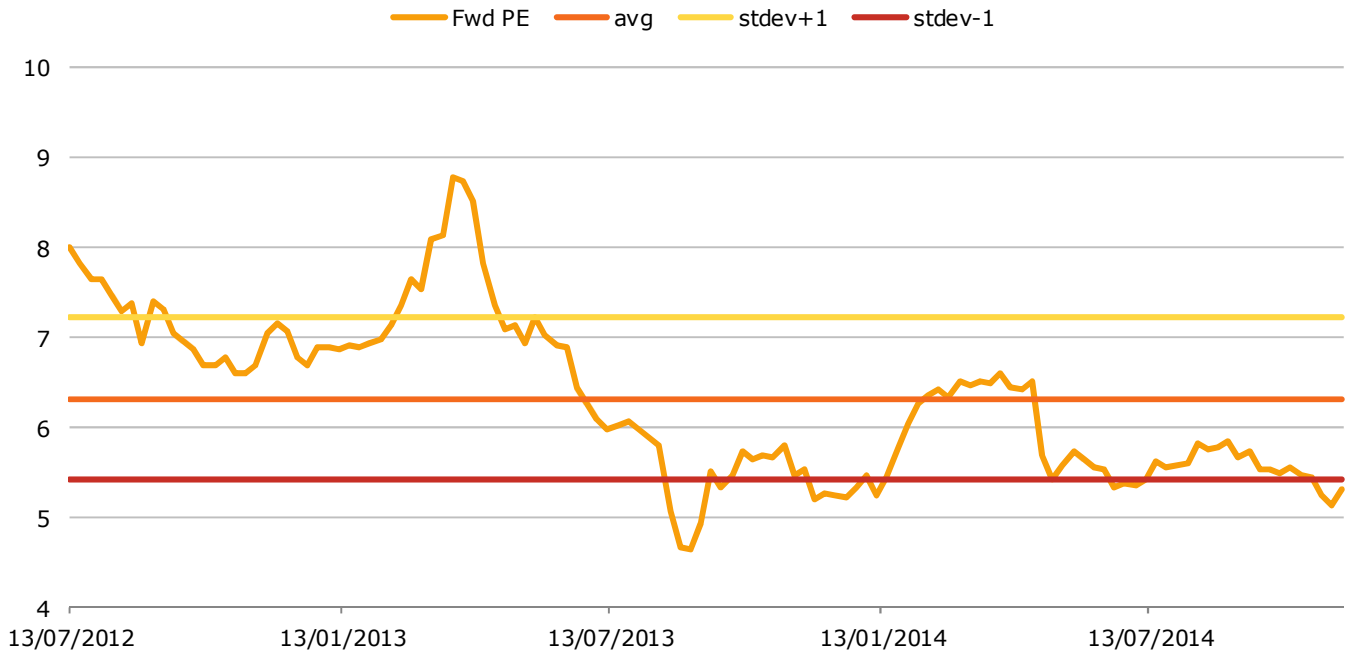
Year end Dec	2012	2013	2014F	2015F	2016F
Net Profit (Rpbn)	725	824	1,049	1,222	1,393
EPS (Rp)	56	55	70	82	93
EPS Growth (%)	-94.5	-1.3	27.3	16.5	14.0
DPS (Rp)	37	40	41	46	53
BVPS (Rp)	424	383	413	449	489
P/E (x)	7.6	7.7	6.1	5.2	4.6
P/BV (x)	1.00	1.11	1.03	0.95	0.87
Div Yield (%)	8.8	9.3	9.5	10.7	12.5

**Figure 1. Impact to changes in our estimates**

	Old			New			Change		
	2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E
% Loan Growth	20.0%	18.0%	18.0%	20.0%	20.5%	21.0%	0.0%	2.5%	3.0%
% TPF Deposit Growth	19.7%	17.4%	18.2%	25.4%	21.8%	21.3%	5.8%	4.4%	3.1%
<b>in Rp bn</b>									
Gross Loans	26,501	31,271	36,900	26,501	31,934	38,640	0%	2%	5%
TPF Deposits	31,096	36,512	43,156	32,591	39,696	48,167	5%	9%	12%
Total Assets	38,246	44,233	51,407	38,486	45,396	54,025	1%	3%	5%
Net interest income	2,985	3,436	3,980	2,851	3,394	3,982	-4%	-1%	0%
Salary Expenses	669	770	885	669	803	964	0%	4%	9%
PPOP	2,064	2,308	2,600	1,951	2,271	2,613	-5%	-2%	1%
Provisioning	610	564	636	517	593	694	-15%	5%	9%
Operating Profit	1,454	1,743	1,964	1,434	1,678	1,919	-1%	-4%	-2%
Net income	1,077	1,285	1,444	1,049	1,222	1,393	-3%	-5%	-3%
NIM (%)	7.48%	7.46%	7.48%	7.14%	7.29%	7.25%	-0.3%	-0.2%	-0.2%
ROE (%)	18.1%	19.8%	20.3%	17.0%	18.2%	19.1%	-1.1%	-1.6%	-1.2%
LDR (%)	85.2%	85.6%	85.5%	81.3%	80.4%	80.2%	-3.9%	-5.2%	-5.3%
NPL (%)	3.42%	3.21%	3.09%	3.05%	3.17%	3.22%	-0.4%	0.0%	0.1%
CASA (%)	73.7%	73.2%	72.8%	74.9%	73.3%	72.5%	1.2%	0.1%	-0.3%
EPS	72	86	97	70	82	93	-3%	-5%	-3%
DPS	41	47	52	41	46	53	0%	-3%	3%
BVPS	415	454	499	413	449	489	0%	-1%	-2%
PE (x)	5.9	4.9	4.4	6.1	5.2	4.6			
PBV (x)	1.0	0.9	0.9	1.0	0.9	0.9			

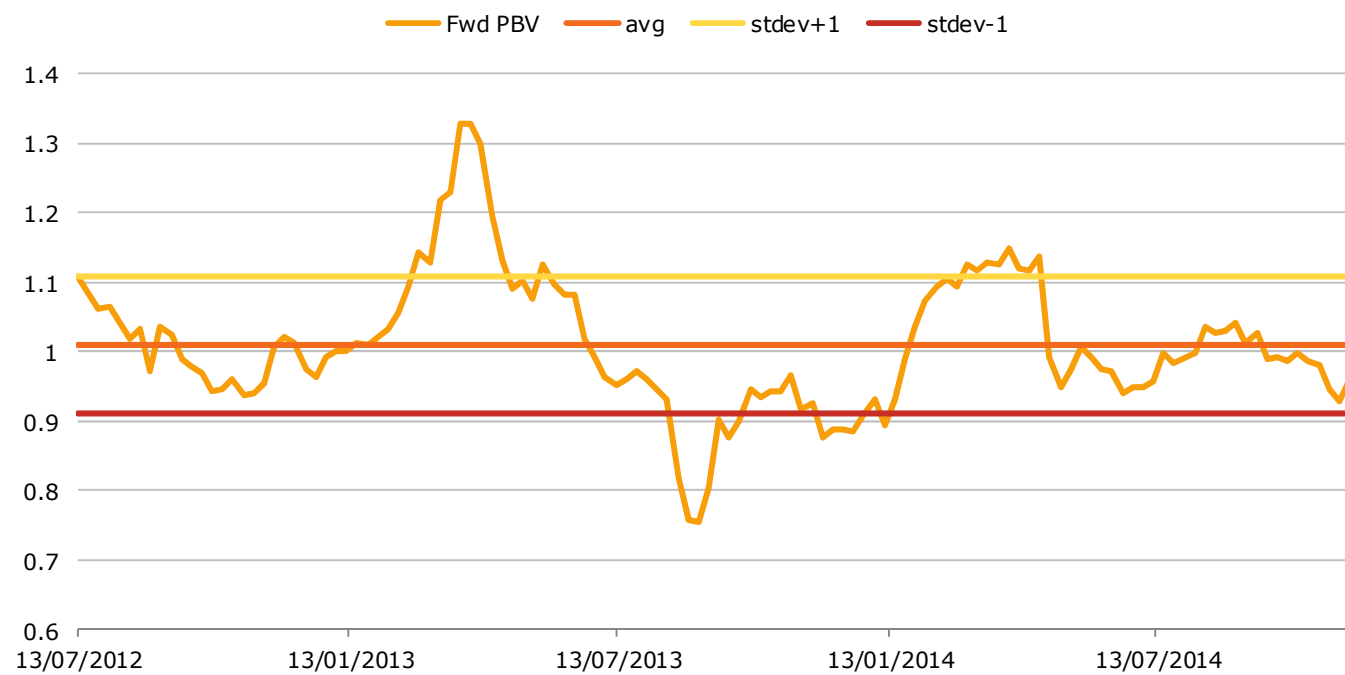
Source: TRIM Research

**Figure 2. BJTM Forward PE Band**



Source: Bloomberg, TRIM Research

**Figure 3. BJTM Forward PBV Band**



Source: Bloomberg, TRIM Research

### Income Statement (Rpbn)

Year end Dec	2012	2013	2014F	2015F	2016F
Interest Income	2,883	3,386	4,031	4,903	5,843
Interest Expense	-905	-913	-1,180	-1,509	-1,861
NII	1,978	2,472	2,851	3,394	3,982
Non Interest Income	280	361	398	437	508
Operating Expense	-972	-1,127	-1,298	-1,560	-1,877
PPOP	1,286	1,706	1,951	2,271	2,613
Loan Loss Provision	-307	-596	-517	-593	-694
Operating Profit	980	1,110	1,434	1,678	1,919
Profit Before Tax	1,001	1,154	1,478	1,722	1,962
Tax Expense	-277	-329	-429	-499	-569
Net Profit	725	824	1,049	1,222	1,393
EPS (Rp)	56	55	70	82	93
EPS Growth (%)	-94.5	-1.3	27.3	16.5	14.0
Dividend Per Share	37	40	41	46	53
Dividend Growth (%)	-93.4	6.2	2.2	12.6	16.5

### Balance Sheet (Rpbn)

Year end Dec	2012	2013	2014F	2015F	2016F
Cash and CA with BI	1,961	2,320	2,732	3,271	3,954
Interbank Placement	5,136	3,069	3,069	3,069	3,069
Marketable Securities	976	2,907	2,891	3,202	3,656
Government Bonds	25	25	25	25	25
Loans-net	18,301	21,559	25,894	31,168	37,713
Net Fixed Assets	204	263	328	410	513
Other Assets	2,509	2,904	3,547	4,250	5,095
Total Assets	29,112	33,047	38,486	45,396	54,025
Total Earning Assets	24,796	27,938	32,257	37,841	44,840
Deposit	22,210	25,988	32,591	39,696	48,167
Borrowings	319	316	316	316	316
Other Liabilities	1,096	1,024	-582	-1,319	-1,758
Total Liabilities	23,625	27,328	32,325	38,693	46,724
Total Shareholder's Equity	5,487	5,719	6,162	6,702	7,301
BVPS (Rp/Share)	424	383	413	449	489

### Key Ratio Analysis

Year end Dec	2012	2013	2014F	2015F	2016F
Earning Asset Yield (%)	12.6	12.8	13.4	14.0	14.1
Cost of Funds (%)	4.1	3.7	4.1	4.3	4.4
NIM (%)	6.5	7.1	7.1	7.3	7.2
ROE (%)	16.6	14.7	17.7	19.0	19.9
ROA (%)	2.7	2.7	2.9	2.9	2.8
Cost to Income Ratio (%)	43.0	39.8	39.9	40.7	41.8
Loan Growth (%)	15.0	19.0	20.0	20.5	21.0
Deposit Growth (%)	10.3	17.0	25.4	21.8	21.3
LDR (%)	83.6	85.0	81.3	80.4	80.2
RRR (%)	8.7	8.7	8.7	8.7	8.7
CAR (%)	26.6	23.7	22.8	20.0	17.3
Asset/Equity (x)	5.3	5.8	6.2	6.8	7.4
Gross NPL (%)	3.0	3.4	3.1	3.2	3.2
Loan Loss Coverage (%)	46.6	69.2	75.0	75.0	80.0

### Interim Result (Rpbn)

	3Q13	4Q13	1Q14	2Q14	3Q14
Total Loans	21,164	21,559	22,101	24,166	26,087
Total Deposit	28,669	25,988	28,205	35,480	35,704
Total Asset	35,509	33,047	35,464	42,147	42,694
Net Interest Income	653	684	728	685	717
Net revenue	738	771	817	778	802
Operating profit	343	174	418	327	281
Net Profit	252	143	312	231	200

### Capital History

Date	
17-Dec-09	IPO @ Rp800

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