

Thursday, 13 December 2018

BUY Maintain

Last price (IDR)	700
Target Price (IDR)	850
Upside/Downside	+21.4%
Previous Target Price (IDR)	830

Stock Statistics

Sector	Banking
Bloomberg Ticker	BJTM JJ
No of Shrs (mn)	14,975
Mkt. Cap (IDRbn/USDmn)	10,482/718
Avg. daily T/O (IDRbn/USDmn)	3.5/0.2

Major shareholders (%)

East Java provincial government	51.4
East Java regencies government	28.5
Estimated free float	20.2

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	84.3	90.4	98.4
Consensus	93.1	101.7	113.8
Danareksa/Cons	(9.4)	(11.1)	(13.6)

BJTM relative to JCI Index



Source : Bloomberg



Eka Savitri

(62-21) 2955 5888 ext 3506
eka.savitri@danareksa.co.id

BPD Jatim (BJTM JJ)

A sound dividend play

We maintain our BUY call on BJTM with a higher GGM-derived TP of IDR850 (implying 1.4x 2019F P/BV) as we roll over the valuation to next year. We like the bank for its strong foothold in East Java's civil servants salary-based lending segment with a lower risk weight. CAR will remain high at 24.2% with 9.3% loans growth expected next year. Yet, NIM is expected to dip to 7.6% on the back of lower asset yields coming from lower rates on salary-based loans. The dividend payout ratio will remain enticing, however, especially in view of its status as a regional bank and its ample capital. We assume a 55% payout ratio, resulting to a 7.2% dividend yield next year.

Consumer lending will continue to be the driver. While salary-based loans will continue to account for most of BJTM's loans, the bank can also leverage its strong customer-base covering regional civil servants to boost its mortgage lending. On the other hand, commercial lending may only be driven by the syndicated loans scheme (along with other big SOE banks) for certain infrastructure projects such as the toll roads. Next year, we estimate 10.4% yoy growth in consumer loans, thus pushing up the contribution from consumer loans to total loans to 71.6% by December 2019F.

Lower projected NIM. Amid tight competition in salary-based lending, BJTM recently cut its lending rate in this segment by 200bps to 11-12%. Yet, we still expect the bank's funding structure to remain secure thanks to strong support from the local government, both institutional and retail customer-based. Taking these factors into account, we project a NIM compression to 7.6% given a lower assets yield of 11.2% in 2019.

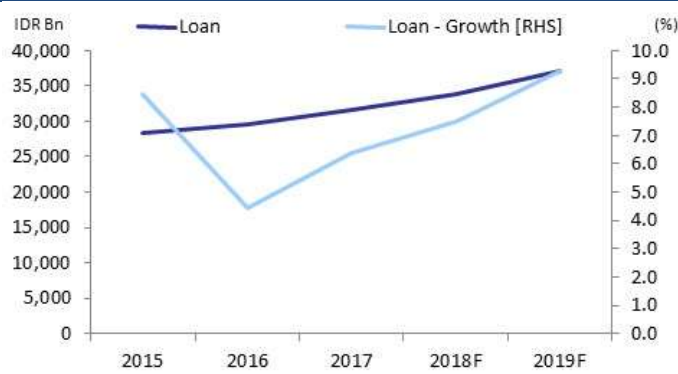
Good dividend yield. Given its status as a regional bank, we believe that BJTM will maintain its attractive dividend payout ratio. Additionally, with estimated loans growth of 9.3%, CAR will remain high at 24.2% by the end of next year. Note that historically, the dividend payout ratio has ranged from 52% to 73.5% in the past five years. As such, with the expectation of a 55% payout ratio over the next three years, the dividend yield looks attractive within our banking universe at 7.2% for next year.

BUY with a new TP of IDR850. We maintain our BUY call on BJTM with a GGM-derived TP of IDR850 assuming 11.3% CoE, 14.7% sustainable ROAE and 3% long-term growth. Our TP implies 1.4x 2018F P/BV. The main downside risks are political risks in relation to its shareholders (regional governments), lower-than-expected loans growth, higher-than-expected blended CoF and slower progress on improving its assets quality.

Key Financials

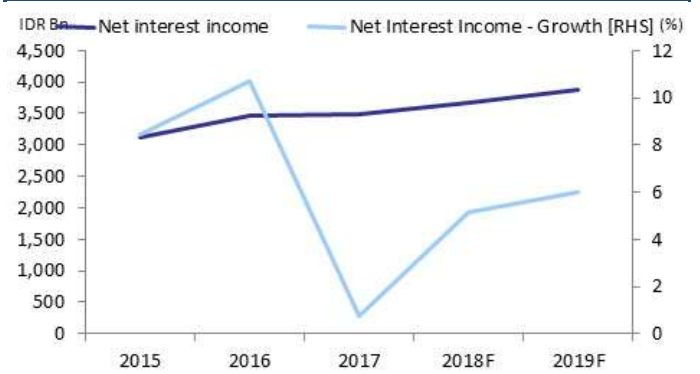
Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
PPOP (IDRbn)	1,961	1,860	1,983	2,121	2,290
Net profit (IDRbn)	1,028	1,159	1,259	1,350	1,469
EPS (IDR)	68.9	77.7	84.3	90.4	98.4
EPS growth (%)	16.2	12.8	8.6	7.2	8.8
BVPS (IDR)	483.0	523.6	561.5	602.2	646.5
PER (x)	10.1	8.9	8.2	7.7	7.1
PBV (x)	1.4	1.3	1.2	1.2	1.1
Dividend yield (%)	6.3	5.8	6.7	7.2	7.8
ROAE (%)	15.2	15.4	15.5	15.5	15.8

Exhibit 1. Loans and Growth



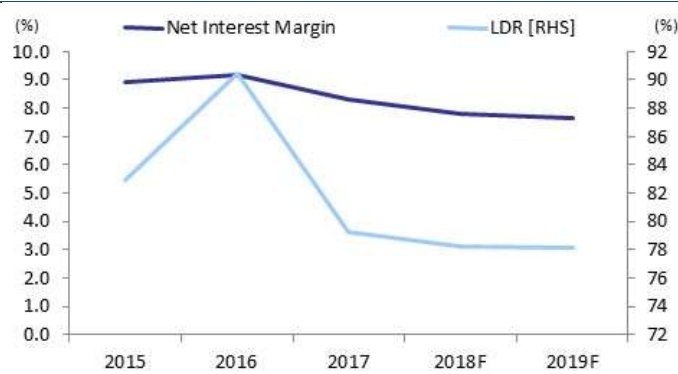
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Interest Income and Growth



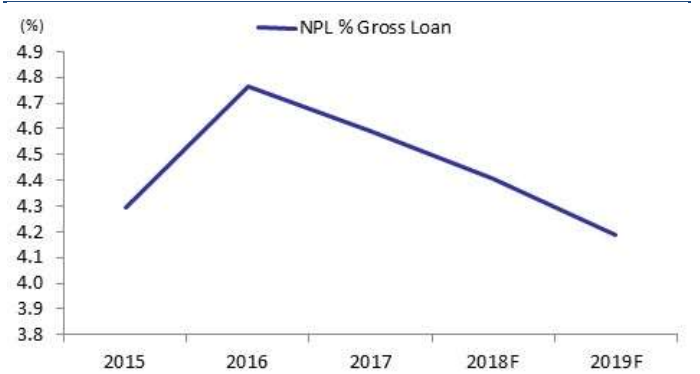
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. NIM and LDR



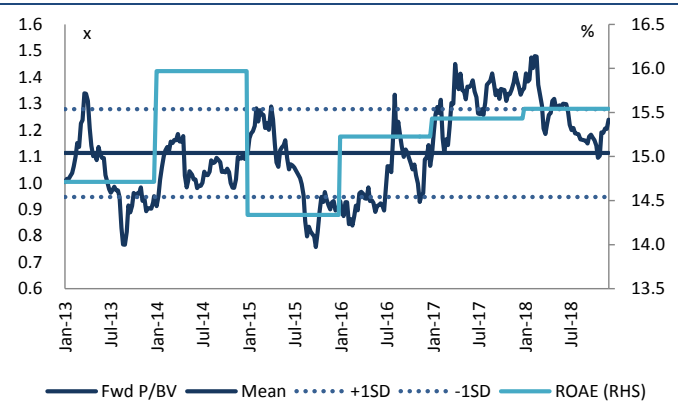
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. NPLs



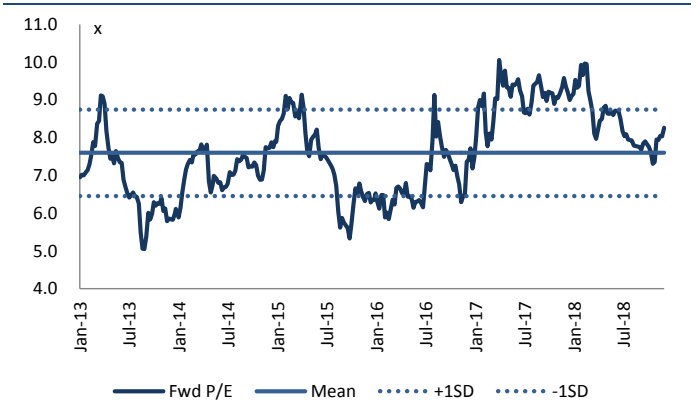
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PBV ROAE BAND CHART



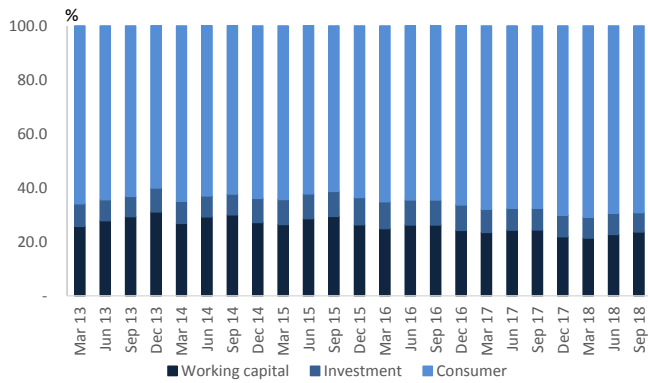
Source: Company, Danareksa Sekuritas estimates

Exhibit 6. PE BAND CHART



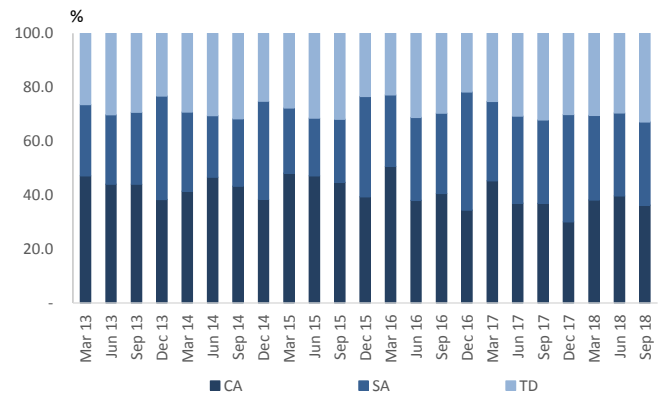
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. BJTM's loans portfolio



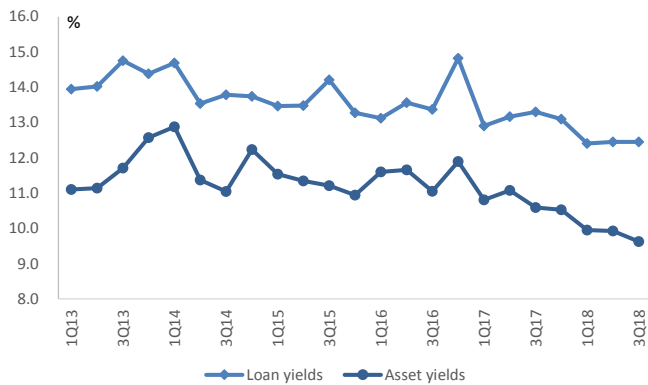
Source: Company, Danareksa Sekuritas estimates

Exhibit 8. BJTM's customer deposits mix



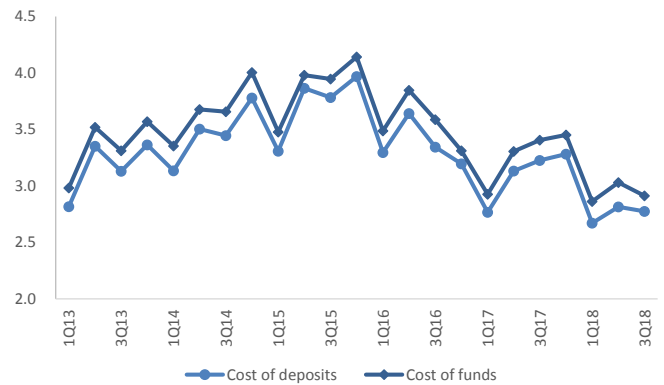
Source: Company, Danareksa Sekuritas estimates

Exhibit 9. Quarterly loans and assets yields



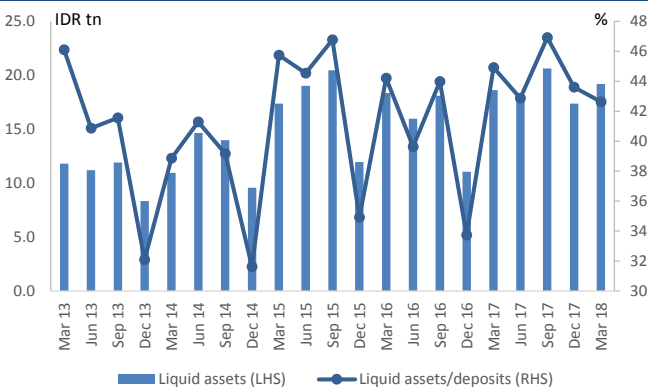
Source: Company, Danareksa Sekuritas estimates

Exhibit 10. Quarterly cost of deposits and cost of funds



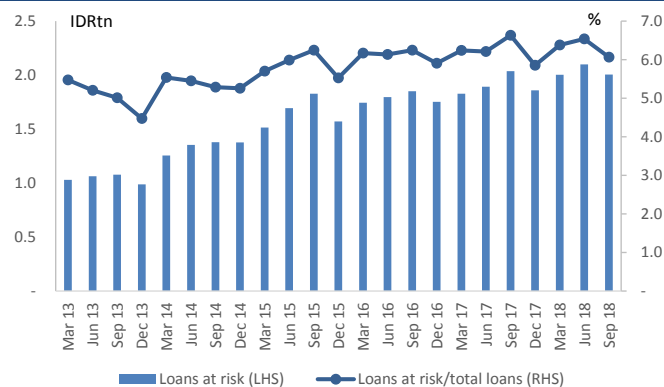
Source: Company, Danareksa Sekuritas estimates

Exhibit 11. Ample liquidity



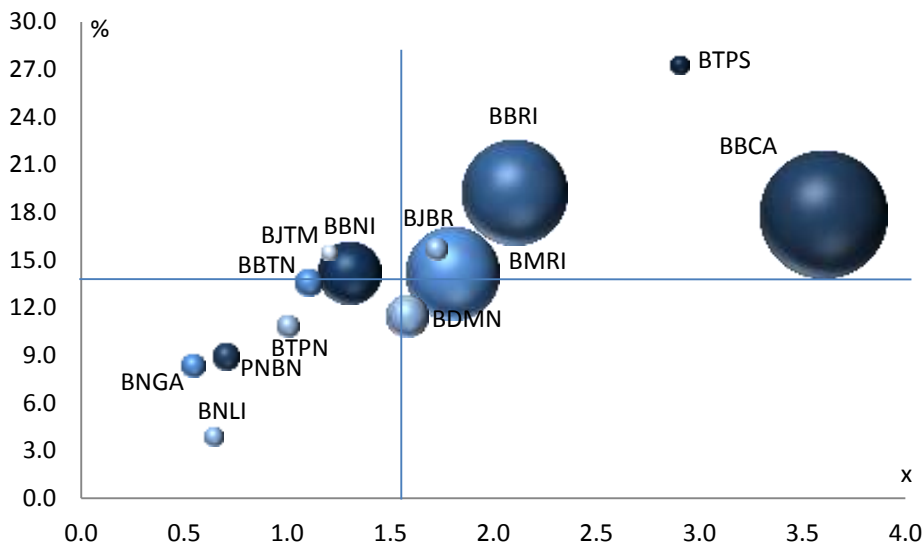
Source: Company, Danareksa Sekuritas estimates

Exhibit 12. Loans at risk were fairly flat



Source: Company, Danareksa Sekuritas estimates

Exhibit 13. 2019F PBV ROAE Matrix



Source : Bloomberg as of 12 December 2018, Danareksa Sekuritas estimates

Exhibit 14. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Interest Income	4,904	4,890	5,385	5,697	6,277
Interest Expense	(1,446)	(1,405)	(1,721)	(1,814)	(2,011)
Net Interest Income	3,458	3,485	3,664	3,884	4,266
Non-Interest Income (NII)	350	371	414	461	522
Oper. Income	3,808	3,856	4,078	4,345	4,787
Oper. Expenses	(1,846)	(1,996)	(2,095)	(2,224)	(2,497)
Pre-provisions profit	1,961	1,860	1,983	2,121	2,290
Provisions & Allowances	(510)	(217)	(254)	(266)	(271)
Operating Profits	1,452	1,643	1,728	1,855	2,019
Non-Operating Income	1	(6)	20	7	7
Exceptionals	0	0	0	0	0
Pre-tax Profit	1,452	1,637	1,748	1,862	2,026
Income Tax	(424)	(478)	(489)	(512)	(557)
Minorities	0	0	0	0	0
Net Profit	1,028	1,159	1,259	1,350	1,469

Exhibit 15. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Gross Loans	29,675	31,565	33,938	37,093	41,002
Provisions	(1,322)	(1,394)	(1,460)	(1,532)	(1,566)
Net Loans	28,353	30,171	32,478	35,562	39,436
Govt. Bonds	0	0	0	0	0
Securities	3,528	4,742	4,505	5,167	4,909
Other Earnings Assets	0	0	0	0	0
Total Earnings Assets	38,301	45,361	48,399	53,212	57,957
Fixed Assets	1,281	1,425	1,460	1,495	1,532
Non-Earnings Assets	780	689	412	392	402
Total Assets	43,033	51,330	54,603	59,896	66,046
Customer Deposits	32,799	39,845	43,373	47,455	52,300
Banks Deposits	1,218	1,449	662	675	689
Int. Bearing Liab. - Others	35,312	43,002	46,291	50,989	56,641
Total Liabilities	35,823	43,703	46,424	51,128	56,641
Share capital & Reserves	4,766	4,839	4,839	4,839	4,839
Retained Earnings	2,443	2,978	3,544	4,151	4,812
Shareholders' Funds	7,210	7,816	8,382	8,990	9,651
Minority interests	0	0	0	0	0
Total Equity & Liabilities	43,033	51,519	54,806	60,118	66,292

Exhibit 16. Ratios

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Yield on Earning Assets	13.0	11.7	11.5	11.2	11.3
Cost of funds	4.1	3.6	3.9	3.7	3.7
Interest Spread	9.0	8.1	7.6	7.5	7.6
Net Interest Margin	9.2	8.3	7.8	7.6	7.7
Cost/Income Ratio	48.5	51.8	51.4	51.2	52.2
Oper. Exp./Oper. Gross Inc.	72.4	68.8	70.2	69.9	70.3
Gross NPL Ratio	4.8	4.6	4.4	4.2	3.9
LLP/Gross NPL	93.5	95.6	97.0	98.0	98.0
Cost of Credit	1.8	0.7	0.8	0.7	0.7
Loan to Deposit Ratio	90.5	79.2	78.2	78.2	78.4
Loan to Funding Ratio	90.5	79.2	78.2	78.2	78.4
CASA Mix	75.4	67.4	69.7	70.4	71.6
ROAE	15.2	15.4	15.5	15.5	15.8
ROAA	2.4	2.5	2.4	2.4	2.3
CAR	24.3	24.7	24.4	24.2	24.2

Exhibit 17. Dupont and growth

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Dupont					
Pre-Tax ROAA	3.4	3.5	3.3	3.3	3.2
Tax Retention rate	70.8	70.8	72.0	72.5	72.5
Post-Tax ROAA	2.4	2.5	2.4	2.4	2.3
Goodwil, Assoc& Min	0.0	0.0	0.0	0.0	0.0
Leverage	6.4	6.3	6.5	6.6	6.8
ROAE	15.2	15.4	15.5	15.5	15.8
Growth (%)					
Interest income	4.3	(0.3)	10.1	5.8	10.2
Net Interest Income	10.7	0.8	5.1	6.0	9.8
Other Oper. Expenses	10.8	8.1	5.0	6.2	12.3
Fee Based Income	25.8	25.9	20.0	17.5	16.5
Pre-Provision Oper. Profit	9.2	(5.2)	6.6	7.0	8.0
Net Profit	16.2	12.8	8.6	7.2	8.8
Shareholders' Equity	14.5	8.4	7.2	7.2	7.4
Loan	4.4	6.4	7.5	9.3	10.5
Earnings Asset	3.3	18.4	6.7	9.9	8.9
Deposit	(3.1)	21.4	6.6	9.3	10.1
Int. Bearing Liab.	(2.1)	21.8	7.6	10.1	11.1
CASA	(2.3)	8.6	10.3	10.3	11.9
Total Asset	0.5	19.3	6.4	9.7	10.3

Source : BJTM, Danareksa Estimates

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