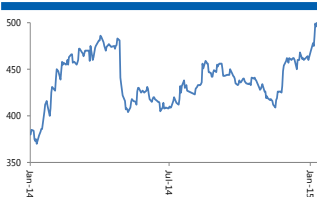


**BJTM - Year-End Results based on Unaudited Financials**
**TP: 600 - CP: 510**

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**BUY**

Price ( 15 Jan 15) Rp 510  
 Market Cap in b Rp 7,608


**Robust Results / NP 16% YoY up / NPL down to 3%**

Unaudited results of Bank Jatim are significantly upbeat considering the difficult FY14 for the majority of the banks. Unaudited results accounts for 91.7% and 95% of consensus and our FY14 forecast, respectively as our loan growth estimate was 2ppts higher. In overall, loan growth remained strong at 18.6% YoY while NPL ratio came down to 3% from 3.4%. Net profit grew by 16.2% YoY or 34.5% YoY in 4Q14 and NIM remained high at 7.14%

**Remains our Top pick among small cap banks.** The overall results are affirmative of our preference for Bank Jatim among small cap banks for its continuous good financial performance and positive outlook. As the regional champion bank in East Java, it places the bank as main beneficiary of the much expected infrastructure spending in the next 5 years. Our target price of Rp600 implies target 1.4x forward P/B 2015 or c.40% discount to sector's average.

**Share Ownership Composition:**

- G.O.I.— 80.00%
- Public—20.00%

**Prudent action to press brakes on loan growth in 4Q14.** We find it positive and prudent that the bank aggressively pressed the brakes on loan growth in 4Q14 (-80.6% YoY and -91.5% QoQ). To our view, this implies that the bank is saving growth for next year and prudently taking a defensive stance against potential NPL pressures in this high interest rate environment.

**NPL ratio continues to improve steadily but pressures remain.** NPL ratio came better than our expectations to 3% from our 3.4% estimate. NPL ratio in Commercial and SME segment (20%/16.5% of overall composition respectively) came down significantly to 6% and 9% in 2014 from 7%/12.5% respectively last year. NPL ratio in its main segment Consumer starts receiving slight pressures as NPL ratio slightly moved up to 0.6% from 0.13% though remains insignificantly low.

**Strong funding and liquid position.** Overall deposit growth remained satisfactory with 16.5% YoY growth. Moreover CASA remained among the highest in the industry with 75% composition.

**Financial Highlights Year-End 2014\***

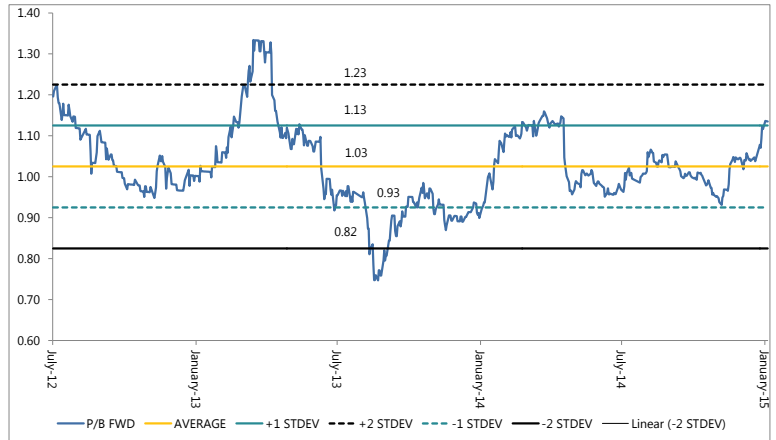
in b Rp, unless otherwise stated	FY 2013	FY2014*	%YoY	4Q13	1Q14	2Q14	3Q14	4Q14*	%YoY	%QoQ	14F	% of F
<b>Total Assets</b>	33,047	38,041	15.1%	(2,462)	2,418	6,683	547	(4,653)	89%	-951.0%	37,381	98.3%
<b>Total Loans</b>	22,084	26,195	18.6%	558	599	2,137	1,266	108	-81%	-91.5%	26,619	101.6%
<b>Total Deposits</b>	25,988	30,270	16.5%	(2,682)	2,217	7,276	224	(5,434)	103%	-2527.9%	29,886	98.7%
<b>Interest Income</b>	3,386	4,047	19.5%	929	931	960	1,044	1,113	20%	6.6%	4,032	99.6%
<b>Net Interest Income</b>	2,472	2,912	17.8%	693	713	675	730	795	15%	8.9%	2,885	99.1%
<b>Operating Profit</b>	1,110	1,386	24.8%	178	419	329	281	357	100%	26.9%	1,342	96.9%
<b>Net Profit</b>	824	958	16.2%	160	312	231	200	215	35%	7.8%	1,012	105.6%

\*based on Unaudited results

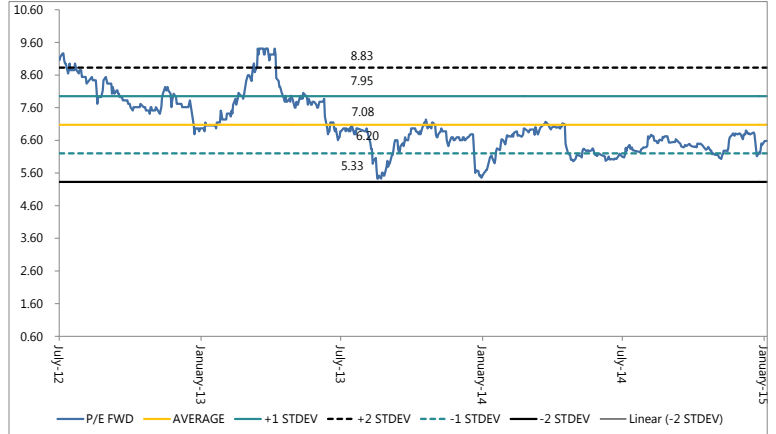
<b>Ratios</b>	12M13	3M14	6M14	9M14	12M14
<b>NPL (gross)</b>	3.4%	3.6%	3.5%	3.3%	3.1%
<b>LDR</b>	85.0%	27.0%	69.9%	565.7%	86.5%
<b>NIM</b>	7.1%	7.7%	7.0%	7.1%	7.1%
<b>ROE</b>	19.0%	24.3%	22.1%	20.1%	19.4%

<b>Valuation</b>	2014	2015	2016
<b>P/B</b>	1.23	1.14	1.04
<b>P/E</b>	7.45	6.58	5.73
<b>BVPS</b>	411	443	487
<b>EPS</b>	68	77	88

**Figure 4. Sector P/B Forward**



**Figure 5. Sector P/E Forward**



**Figure 6. Sector P/B Trailing**



**Figure 7. Sector P/E Trailing**



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