



PT Bank Pembangunan Daerah Jawa Timur Tbk

29 August 2014

Recommendation: BUY

Company Information:

JCI (28/08/2014)	:	IDR 5,184.48
Last Price	:	IDR 447
Target Price	:	IDR 580
Stock Code	:	BJTM
Sector	:	Banking
52wk Low	:	IDR 295
52wk High	:	IDR 498
Market Cap [IDR bil.]	:	6,653
Shares outstanding [mil.]	:	14,918

Outlook:

- **Maintaining CASA Ratio.** For the past 5 years Bank Jatim has been able to maintain its CASA Ratio above 75% respectively. In order to maintain its CASA ratio in the future, Bank Jatim keep improving its services to its customer. In the year of 2014 Bank Jatim introduce new features of Internet Banking, Mobile Banking and Bank Jatim flazz card to its customer. Bank Jatim also allocated IDR 120bn for the development of its IT infrastructure to sustain the performance of the new products. The implementation of these new products are expected to increase the interest of customers in savings and customer loyalty to Bank Jatim. We believe that in the future, Bank Jatim will be able to maintain its CASA Ratio above 75%.
- **Treasury Development.** The treasury segmentation of Bank Jatim has contribute about 11% from its Total Income since 2012. The income of treasury has increased significantly, from IDR 291bn in 2012 to IDR 463bn in 2013 increased by 58.95%. In order to maintain the growth Bank Jatim develop Dealing Room Treasury as part of the expansion of its treasury segmentation. The dealing room will include 4 types of Dealer which are *Dealer Capital Market & Fixed Income Group, Dealer Liquidity & Money market Group, Dealer Foreign Exchange Group, and Dealer Treasury Marketing & Sales Group*. It is expected that by 2015 the contribution of treasury will reach 15% to its Total Income.
- **Sustainable Income Growth.** Up to the first half of 2014 Bank Jatim booked a profit amounted to 26.76 percent to IDR 543.28bn, compared to the previous year IDR 428.58bn. The total of interest income per June 2014 increased to IDR 1.95tn compared to the previous year IDR 1.56tn. The launch of the new products of Bank Jatim are expected to boost the income. We expect that in 2015F Bank Jatim will booked its Net Income amounted to IDR 1.251bn or equal to 51.82% increase from its Net Income on 2013FY.

Shareholders Information:

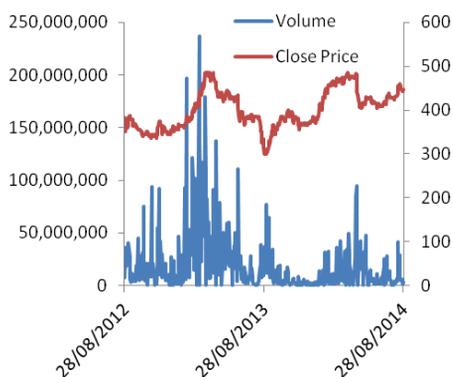
Serie A

Government of East Java Province	:	51.46%
Government City / County of East Java	:	28.54%

Serie B

Employee	:	2.00%
Public (<5%)	:	18.00%

Share Performance



Valuation and Recommendation: BUY with 29.75% potential upside

- We believe that Bank Jatim will be able to maintain its performance and growth. By using PBV Valuation Bank Jatim is currently traded at 1.18x 2014F PBV, we are targeting Bank Jatim to trade at 1.51x 2015F PBV. We estimate that within a year Bank Jatim will be traded at IDR 580, representing 29.75% potential upside.

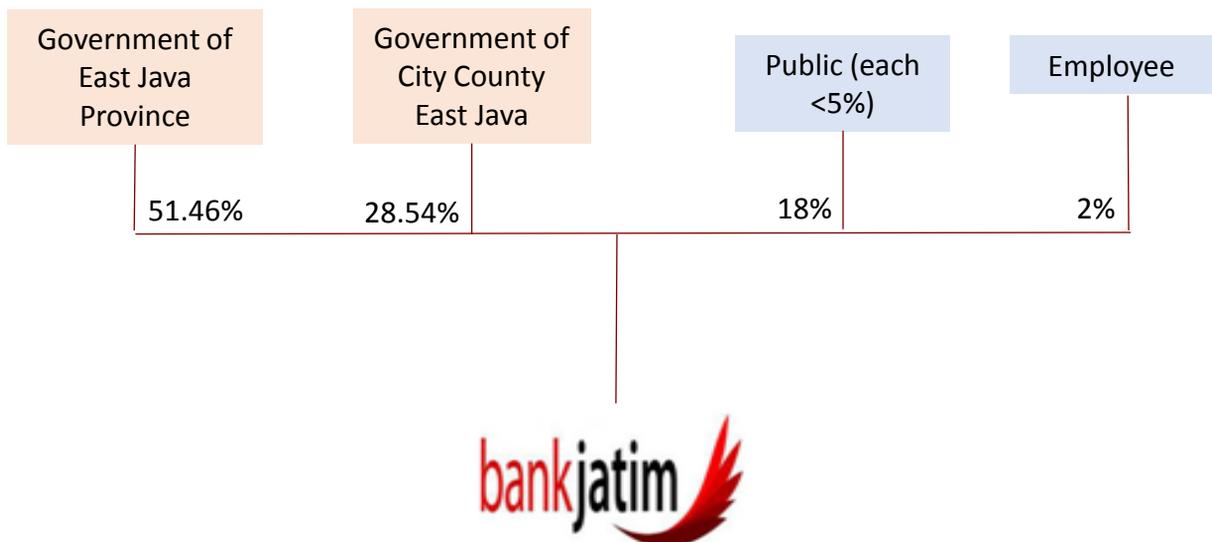
SUMMARY	1Q13	1Q14	Growth	1H13	1H14	Growth
(In Millions of IDR)						
Total Assets	33,046,537	35,464,167	7.32%	33,046,537	42,147,291	27.54%
Total Liabilities	27,327,874	30,047,421	9.95%	27,327,874	36,499,459	33.56%
Total Equity	5,718,663	5,416,746	-5.28%	5,718,663	5,647,832	-1.24%
Total Interest Income	746,522	961,587	28.81%	1,558,380	1,945,691	24.85%
Net Interest Income	562,083	728,212	29.56%	1,134,446	1,413,613	24.61%
Income From Operations	297,774	417,913	40.35%	593,463	745,197	25.57%
Net Income After Taxes	218,181	312,195	43.09%	428,578	543,281	26.76%

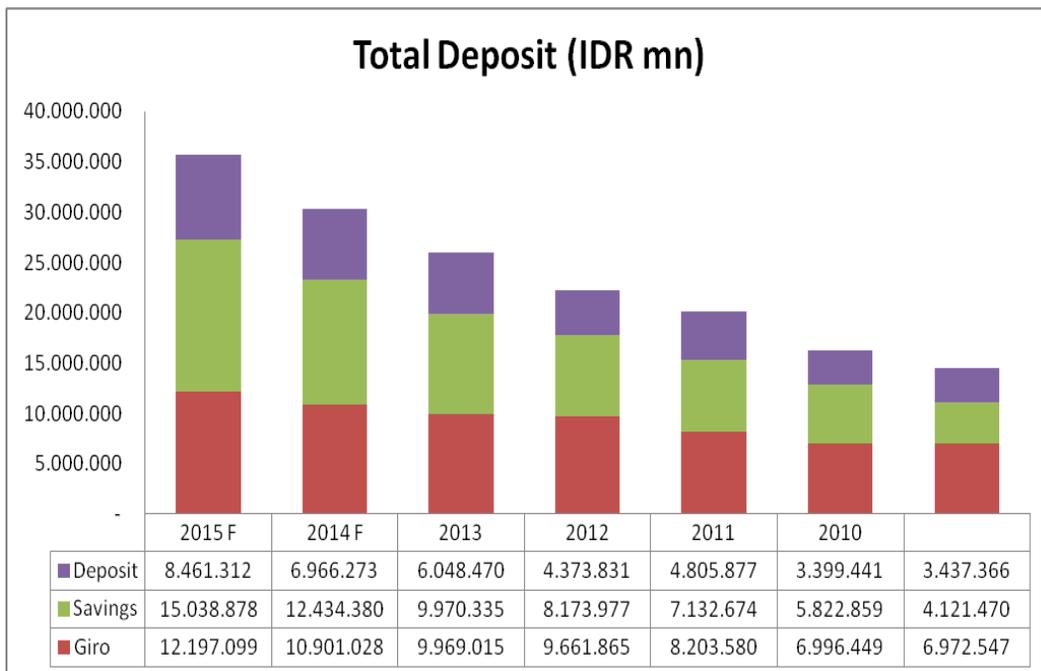
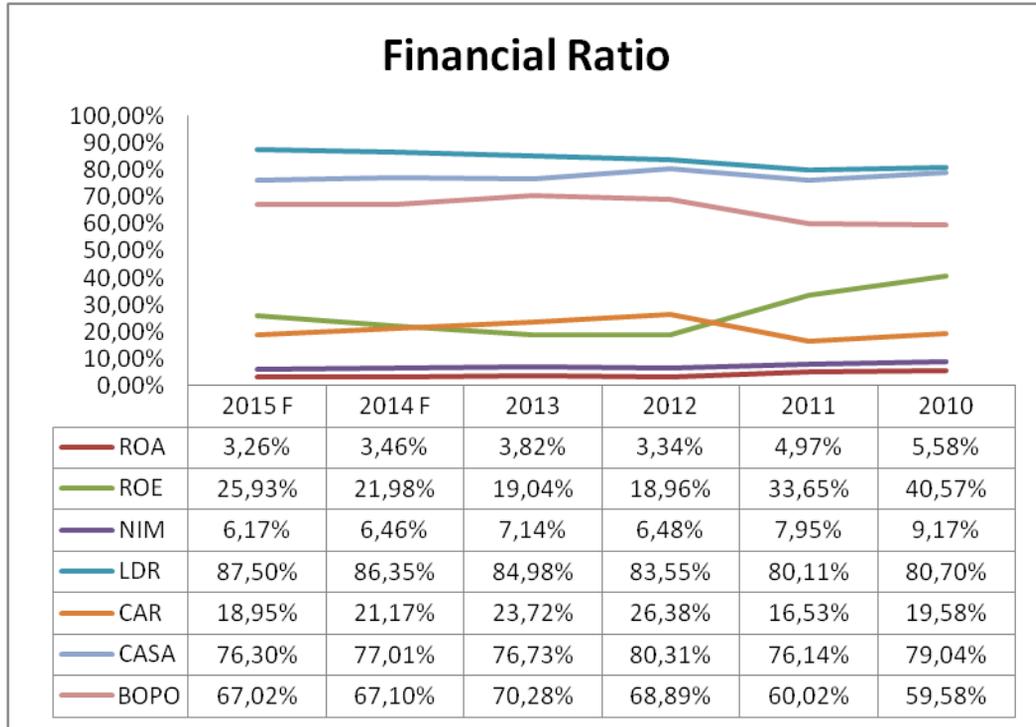
Company Profile

PT Bank Pembangunan Daerah Jawa Timur, which is also known as Bank Jatim, was established on August 17, 1961 in Surabaya. On 1976 there is a change in the name that was based on Regional Government of East Java issued No. 2 Regional Regulations on year 1976, the name of PT Bank Pembangunan Daerah Djawa Timur was converted into PT Bank Pembangunan Daerah Jawa Timur Tbk. The Bank started its operations on August 15, 1961 following the decision of Finance Minister Decree No. BUM 9-4-5. Then Bank Jatim formed an Islamic Business Unit Sharia (UUS) and started its operations on August 21, 2007. Later on July 12, 2012, PT. Bank Pembangunan Daerah Jawa Timur recorded 20% of its shares on the Indonesia Stock Exchange and changed its name to PT. Bank Pembangunan Daerah Jawa Timur, Tbk.

The Bank scope activities are running the business activities in the fields of banking, including Sharia banking and other banking activities that are prevalent in accordance with the applicable legislation law. The Bank main task is to encourage the growth of a local economy by participating in developing small and medium business credit sectors in order to obtain the optimal profit. Its main activity is to collect and distribute funds and provide other banking services. Up to December 2013 Bank Jatim has 40 main branch office, 1 Sharia main branch office, 104 sub-branch office, 3 Sharia sub-branch office, 176 Cash Office, 47 Sharia support office, 155 Payment Point, 59 Mobile Cash Services, 479 ATM location, 6 Mobile ATM and 1 CDM.

Company Structure





Peer Comparison	Mkt. Cap. (IDR bn)	Current BVPS	Current PBV
BJTM	6,653	378.60	1.18
BJBR	8,255	695.46	1.24
BBKP	6,521	763.07	0.95

BALANCE SHEET	2015 F	2014 F	2013	2012	2011	2010
Total Assets	49,443,639	42,147,291	33,046,537	29,112,193	24,846,516	19,986,474
Total Liabilities	43,711,614	36,499,459	27,013,377	23,232,972	21,340,161	16,986,437
Total Equity	5,732,025	5,647,832	5,718,663	5,487,106	3,260,119	2,755,725
Total Liabilities & Equity	48,973,094	41,746,184	32,732,040	28,720,078	24,600,280	19,742,162

INCOME STATEMENT	2015 F	2014 F	2013	2012	2011	2010
Total Interest Income	4,304,008	3,810,896	3,385,537	2,883,065	2,755,461	2,698,293
Total Interest Expense	(1,253,468)	(1,086,856)	(913,320)	(904,646)	(816,121)	(704,403)
Net Interest Income	3,050,540	2,724,039	2,472,217	1,978,419	1,939,340	1,993,890
Operating Income	730,075	512,964	361,218	279,639	185,947	120,046
Operating Expense	(2,120,170)	(1,814,652)	(1,723,348)	(1,278,112)	(954,495)	(966,611)
Income From Operations	1,660,446	1,422,350	1,110,087	979,946	1,170,792	1,147,325
Non Operating Income	41,650	33,474	43,423	21,395	16,821	13,181
Income Before Taxes	1,702,095	1,455,825	1,153,510	1,001,341	1,187,613	1,160,506
Income Taxes	(450,589)	(406,771)	(329,198)	(276,702)	(327,380)	(310,124)
Net Income After Taxes	1,251,507	1,049,053	824,312	724,639	860,233	850,382

Growth (% YoY)	2015 F	2014 F	2013	2012	2011	2010
Total Interest Income	12.94%	12.56%	17.43%	4.63%	2.12%	27.96%
Interest Expense	15.33%	19.00%	0.96%	10.85%	15.86%	-2.20%
Net Interest Income	11.99%	10.19%	24.96%	2.02%	-2.74%	43.60%
Net Income	19.30%	27.26%	13.75%	-15.76%	1.16%	64.54%

Ratio (%)	2015 F	2014 F	2013	2012	2011	2010
ROA	3.26%	3.46%	3.82%	3.34%	4.97%	5.58%
ROE	25.93%	21.98%	19.04%	18.96%	33.65%	40.57%
NIM	6.17%	6.46%	7.14%	6.48%	7.95%	9.17%
LDR	87.50%	86.35%	84.98%	83.55%	80.11%	80.70%
CAR	18.95%	21.17%	23.72%	26.38%	16.53%	19.58%
CASA	76.30%	77.01%	76.73%	80.31%	76.14%	79.04%
CER	67.02%	67.10%	70.28%	68.89%	60.02%	59.58%

Stability (x)	2015 F	2014 F	2013	2012	2011	2010
Total debt/ Total equity (x)	7.63	6.46	4.72	4.23	6.55	6.16
Debt Ratio (x)	0.88	0.87	0.82	0.80	0.86	0.85

Per Share data (IDR)	2015 F	2014 F	2013	2012	2011	2010
EPS	83.89	70.32	55.26	56.01	1,018,412.89	1,182,320.98
BVPS	384.24	378.60	383.35	424.10	3,859,590.61	3,831,397.52
DPS	2,930.19	2,446.72	1,810.83	1,795.67	25,264,195.91	23,616,940.19

Equity Research Team, Indosurya Securities

William Surya Wijaya	Technical Analyst	william.suryawijaya@indosurya.net
Anindita Suboko	Fundamental Analyst	anindita.suboko@indosurya.net
Iman Rahmanel Abdinni	Research Associate	iman.rahmanel@indosurya.net

Branch Office

Jakarta

Grha Surya Lt. 7
Jl. Setiabudi Selatan I Kav.9
Jakarta Selatan, 12920
Fax: +6221 - 5790 4898
Telp: +6221 - 5790 5068

Surabaya

Indosurya Tower Lt. 2
Jl. Basuki Rahmat 75
Surabaya, 60271
Telp: +6231 - 535 3333/ 532 5531
Fax: +6231 - 546 5281/ 535 1428

Medan

West Plaza Lt. 5
Jl. Diponegoro No.16
Medan, 20152
Telp: +6261 - 455 8545
Fax: +6261 - 457 5548

Jakarta

Ruko Graha Mas Blok C-3A
Jl. Raya Perjuangan No.1
Kebon Jeruk, Jakarta Barat
11530
Fax: +6221 - 5366 1831
Telp: +6221 - 530 0006

Bandung

Grha Indosurya Lt. 5
Jl. Asia Afrika No. 129
Bandung, 40112
Telp: +622 - 4208181

Palembang

Jl. Jend. Sudirman Km 3,5
(Depan Pengadilan Tinggi Agama)
Palembang, 30126
Telp: +6277 - 318962
Fax: +6277 - 318960

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