

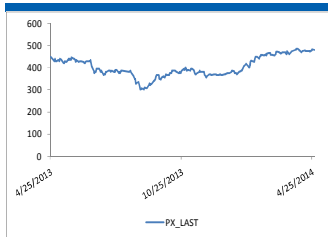
# BJTM - 1Q14 Earnings Results

**TP: 600 - CP: 483**

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**BJTM BUY**  
 Price ( 28 April 14') Rp 481  
 Market Cap in b Rp 7,175

## Maintaining solid performance



Bank Jatim posted strong 1Q14 earnings, which were much better than all analysts had been expecting. Net earnings surged 43% YoY (95% QoQ) to Rp312bio, beating consensus' and our estimates as it accounted for 33% of consensus and our Full year forecast. We maintain our positive view on the stock and reiterate our Buy call with target price of Rp600, based on higher loan growth than our previous expectations.

The robust results were primarily driven by strong loan growth and increased Interest income as well as non interest income and despite higher provisions for credit losses. However, the increase in NPL ratio and cost of funds were the only downside to our expectations.

### Share Ownership Composition:

- G.O.I.—80%
- Public—20%

Bank Jatim's strong results reinforced our view that the bank would continue to log robust earnings growth as loan growth picks up and NIM expands. Our current target price suggests an upside of 24% from current share price and a target valuation of 1.4x forward P/B. Based on the bank's performance we believe the bank deserves a slight re-rating to reflect improving fundamentals.

We think the market's tepid reaction to the 1Q14 results stemmed from investors' reservations over: i) the sustainability of the bank's high NIM, and ii) the bank's ability of maintaining low cost deposit portion.

We think the reservations are overdone for the following reasons. Firstly, we believe the bank can maintain its NIM in the 7% range for this year as the Multiguna loan growth remains strong. Further, the bank believes that its recently launched new series of products will help its CASA accounts. We share the market's reservation on the higher cost of funds as the bank seems willingly to take more of Time deposits (seen by strong growth in Time deposits over the last few quarters. That said, the bank can still make some margin from the time deposits by lending to higher-yield loan segments.

We have revised our earnings forecast higher by 21%/26%/32% in 14/15/16F, to reflect the bank's improving outlook and raise our target price to Rp600, reflecting a target valuation of 1.4x or 30% discount to the sector's forward P/B.

**Figure 1. Financial Summary**

Key Financials	2012	2013	2014F	2015F	2016F
<b>Year to Dec 31 (in Rp b)</b>					
Interest Income	2,883	3,386	3,897	4,460	5,074
PPOP	1,286	1,706	2,079	2,487	2,925
Operating Profit	980	1,110	1,488	1,702	2,067
Net Profit	725	824	1,149	1,379	1,667
Loan growth, %	15.0%	19.0%	20.4%	18.1%	16.4%
Price/book (x)	1.31	1.25	1.15	1.04	0.92
Book Value/Share	368	383	420	462	520
EPS	49	55	77	92	112
EPS growth, %	-15.8%	13.8%	39.3%	20.1%	20.9%
NPL ratio	2.95%	3.44%	2.65%	2.45%	2.18%
Consensus EPS			64	76	-
BCASekuritas/Consensus			1.20	1.21	

**Financial Highlights 1st Quarter 2014**

in b Rp, unless otherwise :	FY 2012	FY 2013	%YoY	1Q13	2Q13	3Q13	4Q13	1Q14	%YoY	%QoQ	14F	% of F
<b>Total Assets</b>	29,112	33,047	13.5%	32,578	33,753	35,509	33,047	35,464	9%	7.3%	37,944	49%
<b>Total Loans</b>	18,556	22,084	19.0%	18,805	20,431	21,527	22,084	22,683	21%	2.7%	26,585	13%
<b>Total Deposits</b>	22,210	25,988	17.0%	25,639	27,416	28,669	25,988	28,204	10%	8.5%	29,886	57%
<b>Interest Income</b>	2,883	3,386	17.4%	747	1,558	2,450	3,386	931	25%	-72.5%	3,897	24%
<b>Net Interest Income</b>	1,978	2,472	25.0%	562	1,134	1,788	2,472	713	27%	-71.2%	2,924	24%
<b>Operating Profit</b>	980	1,110	13.3%	299	593	937	1,110	419	40%	-62.3%	1,488	28%
<b>Provision</b>	(307)	(596)	94.4%	(83)	(217)	(315)	(596)	(107)	28%	-82.0%	(591)	18%
<b>PPOP</b>	1,286	1,706	32.6%	382	811	1,251	1,706	526	38%	-69.2%	2,079	25%
<b>Net Profit</b>	725	824	13.8%	218	429	681	824	312	43%	-62.1%	1,149	27%

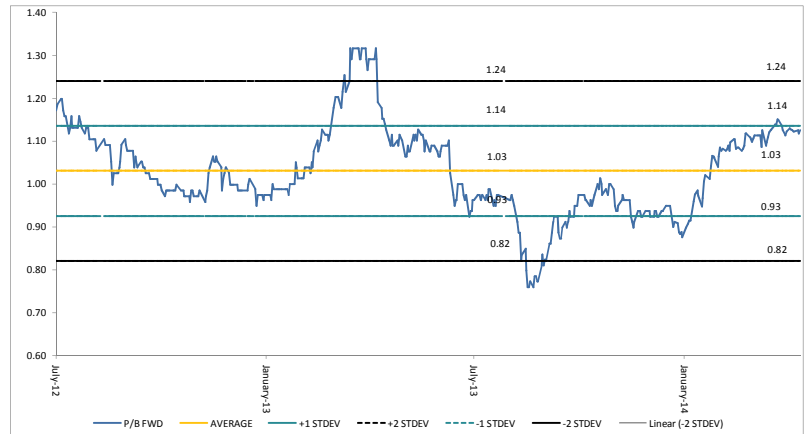
<b>Ratios</b>	<b>1Q13</b>	<b>1Q14</b>
<b>NPL (gross)</b>	3.2%	3.6%
<b>LDR</b>	73.7%	80.4%
<b>NIM</b>	6.8%	7.7%
<b>ROE</b>	18.5%	24.3%

<b>Valuation</b>	<b>2014</b>	<b>2015</b>
<b>P/B</b>	1.15	1.04
<b>P/E</b>	6.25	5.20
<b>BVPS</b>	420	462
<b>EPS</b>	77	92

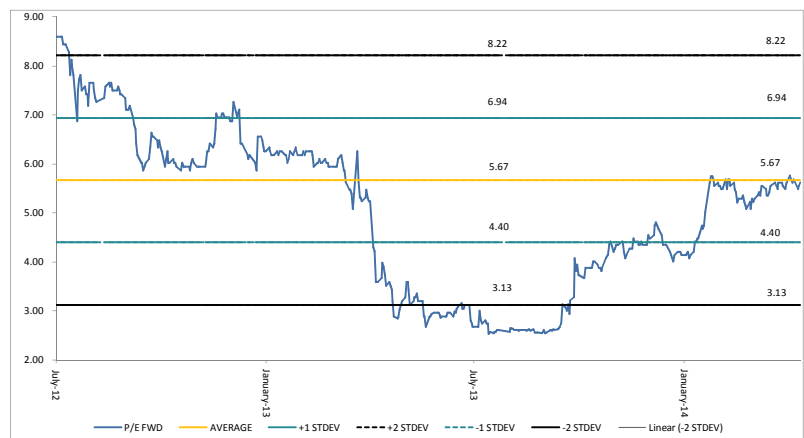
**The Quarter in Details**

- Net Income in 3M14 amounted to Rp312.2 bio (43% YoY growth and 95% QoQ), that accounted for 33% of consensus and our Full year forecast. Hence, ROE was up to 24.3% in 1Q14 from 19% in the previous quarter and ROA also significantly up to 4.87% from 3.82%. NIM heads up to a notable 7.72% in 1Q14 from 7.14% in 4Q13.
- 1Q14 loans of Rp 22.6t represented 20.6% growth YoY. All segments recorded good loan growth with Consumer loan segment remaining the main driver behind the strong loan growth with 18.8% growth YoY. Commercial also grew by 50.9% YoY reaching also the 20% benchmark in overall loan composition. However, Micro and Small loan growth lost some steam as the bank has probably decided to stem the segment's rising NPL.
- Total deposits grew by 10% YoY with savings and Time deposit going strong on a YoY basis which maintains loan to deposit ratio at a liquid 80.4%.
- Credit quality slide slightly further to 3.55% in 1Q14 from 3.44% in 4Q13. Provisions for credit losses increased 28.2% YoY to Rp107bio. Despite that, pre-provision operating profit growth rate remained strong at 37.6%.

**Figure 2. P/B Forward BJTM**



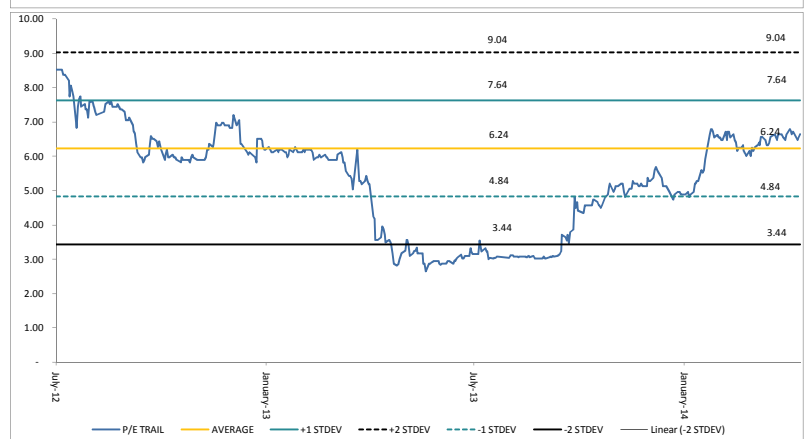
**Figure 3. P/E Forward BJTM**



**Figure 4. P/B Trailing BJTM**



**Figure 5. P/E Trailing BJTM**



**Appendix. 1**

<b>Income Statement YTD Dec 31</b>	<b>2012</b>	<b>2013</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
<b>in Rp b, unless otherwise stated</b>					
<b>Interest Income</b>	2,883	3,386	3,897	4,460	5,074
Interest Expenses	(905)	(913)	(973)	(1,022)	(1,066)
Net Interest Income	1,978	2,472	2,924	3,438	4,008
<b>Pre-Provision Operating Profit</b>	1,286	1,706	2,079	2,487	2,925
<b>Provisions</b>	(307)	(596)	(591)	(785)	(858)
<b>Operating Income</b>	980	1,110	1,488	1,702	2,067
Taxation	(277)	(329)	(383)	(367)	(443)
<b>Net Profit</b>	725	824	1,149	1,379	1,667
<b>Earnings per Share</b>	664	780	899	1,073	1,252
Earnings per Share, %	-15.8%	13.8%	39.3%	20.1%	20.9%
Earnings per Share, CAGR 2014F/6F					<b>20%</b>

<b>Balance Sheet YTD Dec 31</b>	<b>2012</b>	<b>2013</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
<b>in Rp b, unless otherwise stated</b>					
<b>Assets</b>					
Cash	1,961	2,320	2,436	2,557	2,685
Current Accounts with B.I. and other banks	2,009	2,364	2,482	2,606	2,736
Marketable Securities	976	2,907	3,053	3,205	3,366
Gross Loans	18,556	22,084	26,585	31,406	36,558
yoy % growth	14%	19%	20%	18%	16%
Allowance for Loan Losses	(256)	(526)	(703)	(1,250)	(1,956)
Net Loans	18,301	21,559	25,882	30,156	34,603
Fixed Assets	204	263	276	289	304
<b>Total Assets</b>	29,112	33,047	37,944	42,821	47,901
<b>Liabilities</b>					
Obligations due Immediately					
3rd Party Deposits	22,210	25,988	29,886	34,369	39,524
Taxes Payable	21	95	100	106	113
Fund Borrowings	319	316	332	348	366
Total Liabilities	23,625	27,328	31,234	35,172	39,387
Shareholder's Equity	5,487	5,719	6,261	6,894	7,761
<b>Total Liabilities and Equity</b>	29,112	33,047	37,495	42,066	47,148

**Ratios**

ROAA		2.7%	3.2%	3.4%	3.7%
ROAE		14.7%	19.2%	21.0%	22.8%
Loan to Deposit Ratio		85.0%	89.0%	91.4%	92.5%
Loan to Funding Ratio		83.0%	87.0%	89.6%	90.8%
Shareholders equity to total assets		17.3%	16.5%	16.1%	16.2%
Gross NPL		759	705	770	798
Allowance for possible loan losses to gross NPL		596	741	885	958
Coverage Ratio		78%	105%	115%	120%
Write off (Rp billion)		(326)	(413)	(239)	(152)

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