

Company Visit Note

BJTM: East Java Deposit Franchise

We hosted the management of BJTM at our recent Financials Forum. BJTM is a regional development bank owned by East Java Provincial Government. They have strong deposit franchise, and have been a leading provider of consumer loan to civil servants in East Java. The stock trades at 0.94x consensus FY13E PBV, and has depreciated 10.5% since its IPO in July 2012.

- **Strong deposit Franchise:** The Development Bank of East Java's (BJTM) affiliation with East Java provincial government provides it with a source of deposits. The Bank has maintained a Current and Savings account (CASA) ratio at over 70% since FY07. BJTM's CASA ratio as of Dec-12 was 80%, on a par with BBCA.
- **Market leader in providing multipurpose loans to civil servants in East Java.** BJTM has exclusive agreement with East Java Provincial Government to provide multipurpose loans to civil servants. As of Dec-12, multipurpose loans accounted for 57% of total loans and 90% of consumer loans. BJTM reports a 52% market share in this segment. The multipurpose loans are payroll loans where payment is directly deducted from monthly salary and yield 16-18%. NPL's were 0.19% (Dec-12).
- **Strong loan growth driven by KUR and commercial loans.** BJTM's total loans grew 23.6%p.a. during FY09-FY12. During the period, multipurpose loans grew 11.8% while KUR (low end micro credit) grew 22.2%. BJTM also began providing commercial and corporate loans in FY10, which have grown 50% annually. As of Dec-12, KUR and commercial loans were 9.8% and 18.3% of total loans, respectively.
- **Valuation.** Since listing, the stock has depreciated 10.5% and is currently trading at 12m fwd consensus PBV of 0.94x. Consensus estimates RoE of 18% over FY12-14E. Based on consensus estimates dividend yield stands at 9% (FY13E) and 7.7% (FY12E).

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PT Bank Pembangunan Daerah Jawa Timur, Tbk (Bloomberg: BJTM IJ, Reuters: BJTM.JK)

year-end Dec	FY09	FY10	FY11	FY12E	FY13E	FY14E
Operating Income (Rp bn)	746	1,147	1,171	1,143	1,319	1,596
Net profit (Rp bn)	517	850	860	836	1,034	1,199
EPS (Rp)	NA	NA	NA	72	70	81
DPS (Rp)	NA	NA	-	30	35	43
Op.Inc. growth (Y/Y %)	NA	53.7	2.0	(2.4)	15.4	21.0
EPS growth (Y/Y %)	NA	NA	NA	NA	(2.8)	15.8
ROCE (%)	NA	4.5	3.8	3.1	3.0	3.2
ROE (%)	NA	35.3	28.6	17.9	18.4	18.3
P/Sales (x)	NA	NA	NA	2.5	2.3	1.9
P/E (x)	NA	NA	NA	5.5	5.6	4.8
P/B (x)	NA	NA	NA	0.9	0.9	0.8
Dividend yield (%)	NA	NA	NA	7.7	9.0	11.0

Source: Company data, Bloomberg consensus

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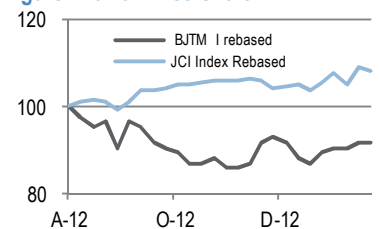
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Figure 1: 6mth Price Chart



Source: Bloomberg.

Table 1: Price performance

	1M	3M	6M
Abs	2.6	4.0	(8.2)
Rel. (vs JCI)	0.9	2.8	(15.7)

Source: Bloomberg.

Stock data	
Shares O/S (mn)	14,918
Market Cap (Rp bn)	5,818
Market Cap (\$ mn)	598
Price (Rp)	390
Date of Price	28-Jan-13
Free float(%)	18.00
Avg Daily Volume (mn)	16.71
Avg Daily Value (Rp bn)	6.33
Avg Daily Value (\$ mn)	0.65
JCI	4,390
Exchange Rate	9,790
Fiscal Year End	Dec

Fueled by CASA, growing SMEs and commercial loan

Table 2: Selected Banks' CASA Ratio %

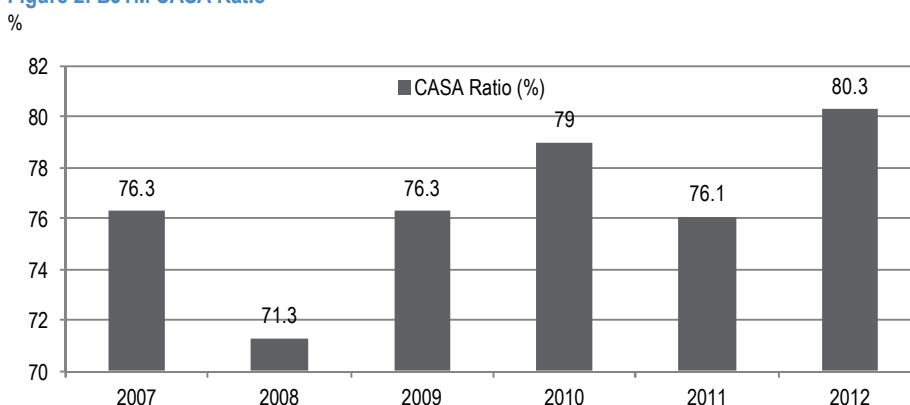
	Dec-11	9M12
BBCA	77.0	79.5
BBNI	63.7	64.2
BJTM*	76.1	80.3
BMRI	58.8	59.0
BTPN	16.9	16.5
BJBR	46.3	43.6

Source: Company data, Bloomberg

*) as of Dec-11 and Dec-12

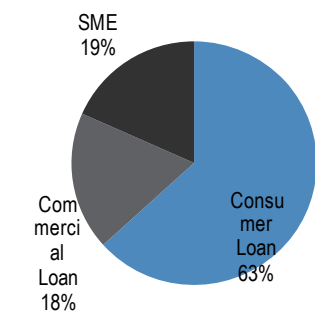
Strong CASA account. BJTM has historically been able to maintain a strong CASA ratio above 70% since FY07. BJTM's saving products: *Simpeda*, *Siklus*, *TabunganKu* and *Tabungan Haji*, are marketed to customers in the East Java region. As of FY12, their saving deposits accounted for 36% of their total third party funds. In addition, their position as the payment bank of East Java Provincial Government, enable them to capture regional government cash accounts, and maintain demand deposits at 44% of total deposits.

Figure 2: BJTM CASA Ratio %



Source: Company data.

Figure 3: Loan Breakdown (2012)



Source: Company data.

Strong in consumer, growth with KUR and commercial loan.

Traditionally, BJTM's core lending product has been its multipurpose loan; accounting for 90% of consumer loans and 57% of total loans as of Dec-12. This product loan is exclusively offered to the civil servants of East Java Provincial Govt. It is a high-yielding loan (interest 16-18% p.a.) with a low risk as the payment is directly deducted from civil servant's monthly salary. As of Dec-12, NPL for this type of loan is 0.19%.

Currently BJTM serves 52% of 471,814 civil servants in East Java. BJTM expects growth from an increase in the number of civil servants (14%/8% p.a. in FY11/FY12), increase in market share and in the average size of loan (FY12 avg at Rp41.1mn – 12% annual increase of FY09 avg at Rp29.2mn). Going forward, BJTM aims to target retirees and employees of private companies.

Total Loan CAGR in FY09-FY12 was 23.6%. However, multipurpose loans grew 11.8% annually, while KUR (small business microcredit) grew 22.2%pa over the last 3 years. BJTM also started providing medium and corporate loans in 2010, growing 49.7% in FY10-FY12. The company has stated they will focus on growing SMEs and commercial loans as well.

Table 3: Loan Growth

Rp trillion, %

	FY08	FY09	FY10	FY11	FY12	CAGR FY09-FY12
Total Loan	7.4	10	12.9	16.1	18.9	23.6%
Multipurpose Loan		7.18	8.28	8.87	10.02	11.8%
KUR		1.99	2.32	3.17	3.64	22.2%
Medium&Corp			0.77	1.71	1.72	49.7%*)

Source: Company data.
*) CAGR 2010-2012

Table 4: Shareholder composition

Shareholder	% own
East Java Provincial Govt	51.46%
Country Municipal	28.54%
Government of East Java	
Public	20.00%

Source: Company data, per Jan-13

Business Profile

Established in 1961, BJTM is a regional development bank owned by the provincial government of East Java. In 1990, BJTM obtained a license to operate as a foreign exchange bank.

As of December 2012, BJTM operates 41 branches, 89 sub-branches and 211 cash/service offices, almost all of them are concentrated in East Java.

Table 5: BJTM Financial Summary

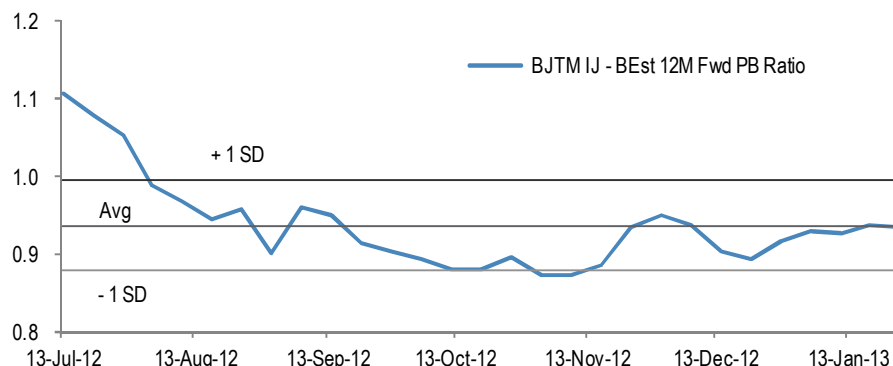
Rp in billion	2010	2011	2012	Y/y
Ratio				
ROA	5.58	4.97	3.41	
ROE	35.32	28.6	17.45	
Gross NPL	0.65	0.97	2.95	
Eff. Ratio	59.58	60.02	68.2	
LDR	79.8%	79.9%	85.1%	
NIM	NA	NA	6.55%	
CAR	19.19	16.53	NA	
Cost of Fund	4.3	4.1	3.3	
Balance Sheet				
Customer Deposits	16,218	20,143	22,209	10%
Demand	6,996	8,204	9,662	18%
Saving	5,823	7,133	8,174	15%
Time	3,399	4,806	4,373	-9%
Lending	12,945	16,100	18,900	17%
Impairment loss	NA	(100)	(255)	153%
Income Statement				
Net Interest Income		1,924	1,962	2%
Operational Profit		1,181	1,008	-15%
Net Profit		860	768	-11%

Source: Company Presentation, January 2013.

Valuation

BJTM's PBV has been de-rated to 0.9x PBV from its initial 1.1x at IPO.

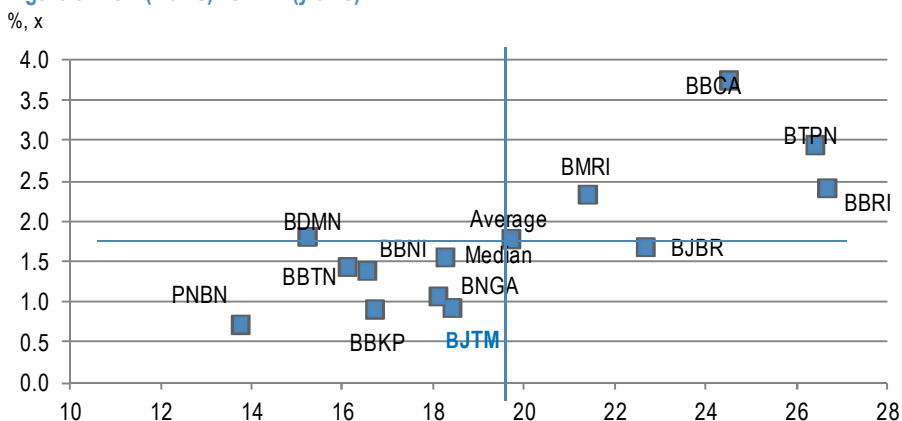
Figure 4: BJTM IJ - 12m Fwd PBV



Source: Bloomberg.

BJTM's consensus 12M fwd ROE of 18% is in line with sector median level, but PB valuation is at discount to the sector at less than 1x.

Figure 5: ROE (x-axis) vs PBV (y-axis)



Source: Bloomberg, as of 29 Jan 2013

Table 6: Peers Comparison

	Mcap US\$mm	Asset Rp trn	Deposit Rp trn	Loan Rp trn	LDR %	NIM %	NPL %	CAR %	Eff.Ratio %	PBV FY13E	Div.Yield FY13E	ROA(%) FY13E	ROE(%) FY13E
BBCA	23.67	427	358	242	67.8%	5.53	0.42	14.81	42.9	3.83	1.55	2.8	24.6
BMRI	20.97	588	431	370	85.7%	5.35	2.02	16.08	38.3	2.39	1.96	2.6	21.3
BBRI	19.53	483	385	326	84.6%	8.37	1.83	15.95	46.7	2.46	2.01	3.4	26.8
BBNI	7.33	310	239	187	78.4%	5.91	1.75	17.05	53.5	1.41	2.45	2.2	16.5
BTPN	3.04	56	43	37	87.1%	12.98	0.65	21.59	52.2	3.01	0.87	3.7	26.5
BDMN	5.97	150	87	113	130.3%	9.84	2.23	18.75	51.8	1.84	2.35	2.7	15.1
BBKP	0.54	61	50	42	83.6%	4.85	3.27	16.25	60.5	0.91	4.67	1.3	16.6
BNGA	2.95	191	146	139	95.3%	5.99	2.35	15.46	48.1	1.10	5.23	2.1	18.0
PNBN	1.53	141	100	95	94.1%	4.64	1.50	17.25	42.8	0.75	1.6	1.6	13.7
BBTN	1.70	99	69	77	110.6%	5.52	3.05	15.22	56.3	1.47	2.21	1.4	16.2
BJBR	1.17	68	51	35	69.6%	6.73	1.58	23.22	51.9	1.71	6.18	2.0	22.5
BJTM	0.59	33	26	19	70.7%	6.55	2.72	25.4	44.9	0.93	9.09	3.0	18.4

Source: Bloomberg, Priced as of 28-Jan-13, fundamental data as of Q3-12

BANK PEMBANGUNAN DAERAH JAWA

Profit and loss statement				Balance sheet			
Rp billion, Year-end Dec.	FY09	FY10	FY11	Rp billion, Year-end Dec.	FY09	FY10	FY11
Net Revenues	1,477	2,114	2,125	Cash and cash equivalents	2,479	3,000	3,618
% change Y/Y		43.1%	0.5%	Marketable Sec.	2,711	3,058	3,632
Net Revenue After Provisions	14	20	21	Accounts receivable	NA	NA	NA
Operating Income	746.3	1,147.3	1,170.8	Gross Loan	10,124	13,088	16,135
% change Y/Y		53.7%	2.0%	Loan Loss Reserve	(188)	(181)	(101)
Op.Inc. margin (%)	50.5%	54.3%	55.1%	Long Term Investment	1,891	521	749
Pretax Income	738.2	1,160.5	1,187.6	Net fixed assets	101	155	176
% change Y/Y		57.2%	2.3%	Other Assets	311	345	637
Net income	516.8	850.4	860.2	Customer Acceptance Liab.	NA	NA	NA
% change Y/Y		64.5%	1.2%	Total assets	17,429	19,986	24,847
Shares outstanding (bn)	NA	NA	NA	Total Deposit	14,531	16,219	20,142
EPS	NA	NA	NA	Demand Deposit	6,973	6,996	8,204
% change Y/Y				Saving Deposit	4,121	5,823	7,133
				Time Deposit	3,437	3,399	4,806
				Other Deposit	NA	NA	NA
				ST Borrowing & Repos	118	250	330
				Other ST Liabilities	407	540	781
				LT Borrowing	113	112	231
				Other LT liabilities	201	110	102
				Shareholders' equity	2,059	2,756	3,260
				Total Liabilities & Equity	17,429	19,986	24,847
				BVPS (Rp)	NA	NA	NA
Credit Quality	FY09	FY10	FY11	Growth Ratio			
Prov Loan Losses/ Total Loan	NA	0.92	-	Loan Growth (%)	NA	29.27	23.28
Loan Loss Coverage	NA	NA	NA	Deposit Growth (%)	NA	11.61	24.19
Non Perf Asset / Tot. Assets	0.61	0.42	0.63	Assets Growth (%)	NA	14.67	24.32
Non Perf Loan / Tot. Loans	1.05	0.65	0.97				
				Operational Statistics			
Profitability Ratio	FY09	FY10	FY11	Number of employees	2,136	2,065	2,346
Return on Assets (%)	NA	4.55	3.84	Number of outlet & branches	NA	NA	NA
Return on Common Equity (%)	NA	35.32	28.60				
Net Interest Margin (%)	NA	NA	NA				
Net Interest Spread (%)	NA	NA	NA				
Efficiency Ratio (%)	46.27	40.70	44.91				
Effective Tax Rate (%)	29.98	26.72	27.57				
Capital Ratio							
Tier 1 (%)	NA	NA	NA				
Total Capital (%)	21.32	19.19	16.53				

Source: Company reports, Bloomberg

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