

1 August 2020  
Banking, Equity

Price IDR. 935  
Target Price IDR. 1,210  
JKSE Index 5,149,63

Bank Pembangunan Barat Dan Banten, Indonesia, Jakarta:BJBR, D



Stock Code BJBR IJ  
Bloomberg code 9199.3B  
Market cap (IDR.bn) 1905  
52-Week High (IDR) 625  
52-Week Low (IDR) 853  
6-m Avg Daily. Val (IDR)

Major Shareholders  
Jawa Barat 38.18%  
Bandung 7.24%  
Banten 5.29%  
Public 49.29%

USD/IDR-YE  
2018A 14,375  
2019F (6M Avg) 14,222

Key Indicators  
Non Performing Loan (x) 1.55  
Net Interest Margin (x) 4.51

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## Investment Consideration

### Loans still growing

Loans grew 9.15% YoY driven by Commercial which grew 23.7% and came mainly from state-owned pharmaceutical and medical device companies. Consumer loans grew 7.8%, Micro 4.9%, and Mortgages 6.2%. BJBR has received a deposit from the government of IDR. 2.5 trillion at an interest rate of 3.2% which will be allocated for both micro and commercial financing. We estimate loan growth will be 5.3%

### NIM dropped slightly

Net Interest Margin decreased by only 10Bps to 5.60% compared to 5.5% in 1Q20. The decline was lower than other banks, due to a relatively small loan restructuring of IDR. 1.9 Trillion comprising 6,500 borrowers, 20% from the Commercial Segment, Mortgages 8.3%, Consumer 0.2%, and Micro 14%. BJBR still has IDR. 4 trillion or 4.8% of total loans which needs to be restructured by the end of this year, these loans are from commercial ,20%, micro 14%, MSME 14% and consumer only 0,2%. They come from areas which have seen a very limited impact from the virus and most are civil servant loans with a fixed interest rate.

### BEKS merger option

The potential merger of BEKS and BJBR is still in process and due diligence will be completed in July, with ratification at the RUPS on September 1, 2020, through approval by shareholders. BEKS is still in the process of trying to improve its capital, with merger as the last option.

### Valuation: 29% Upside potential, Buy.

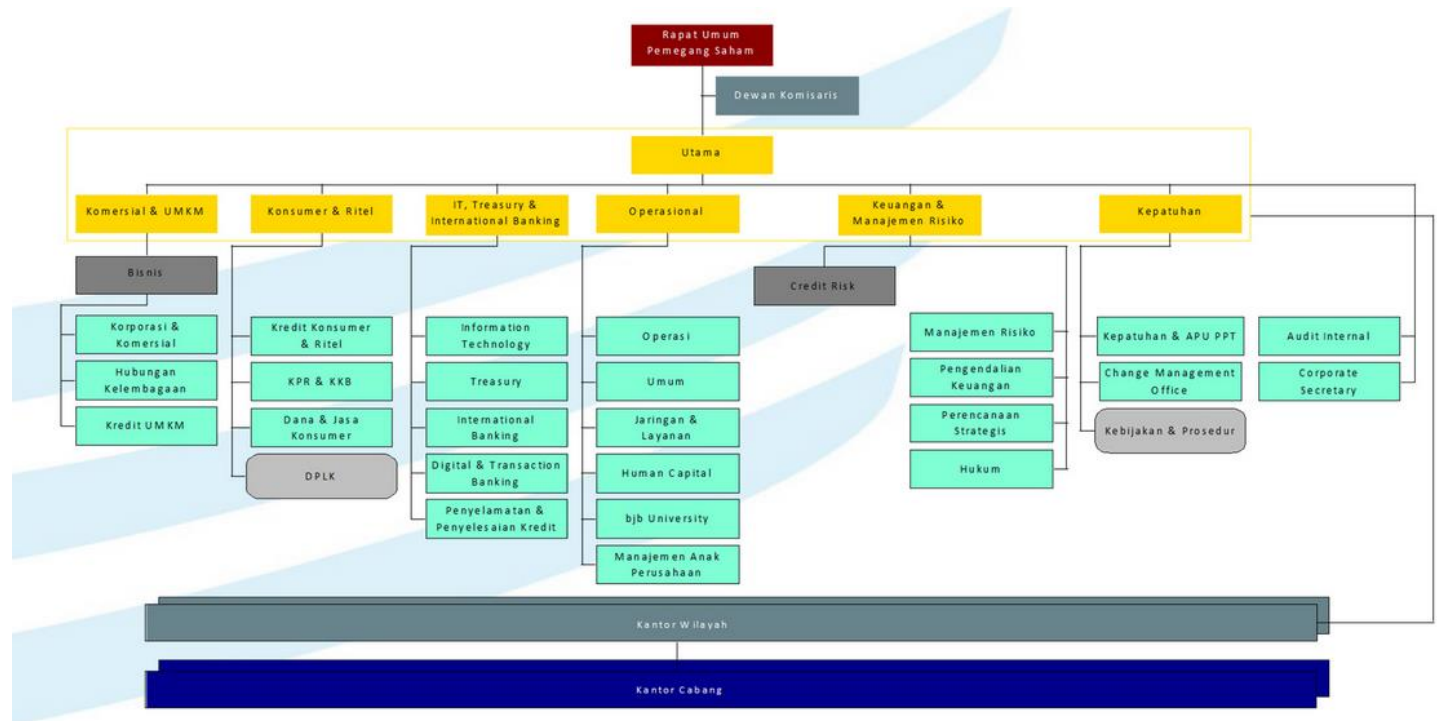
Based on our DDM Valuation, we have a target price within one year of IDR 1,210, which would mean the shares trading at 0.6x PBV and gives 29% upside potential. Buy..

Income Statement (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Interest Income	11.558	11.923	12.175	10.954	12.543	13.491
Interest Expense	5.195	5.415	6.009	5.741	6.414	6.970
<b>Net Interest Income</b>	<b>6.364</b>	<b>6.508</b>	<b>6.166</b>	<b>5.214</b>	<b>6.129</b>	<b>6.520</b>
Net Operating Income	807	926	931	939	1.054	1.162
Operating Expense	4.689	4.858	4.716	3.734	4.670	5.072
<b>Pre Provision Operating Profit</b>	<b>2.482</b>	<b>2.576</b>	<b>2.381</b>	<b>2.418</b>	<b>2.513</b>	<b>2.610</b>
Provision Expense	782	518	322	-320	-320	-320
Operating Profit	1.701	2.058	2.059	2.098	2.193	2.290
<b>Profit Before Tax</b>	<b>1.632</b>	<b>1.937</b>	<b>1.978</b>	<b>2.016</b>	<b>2.109</b>	<b>2.206</b>
Tax Expense	421	385	413	430	466	479
<b>Net Profit</b>	<b>1.211</b>	<b>1.552</b>	<b>1.564</b>	<b>1.586</b>	<b>1.644</b>	<b>1.728</b>
<b>EPS (Rp/Share)</b>	<b>124,9</b>	<b>157,8</b>	<b>159,0</b>	<b>161,2</b>	<b>167,1</b>	<b>175,6</b>

**Company Profile**

On September 12, 2007, the name of the Bank was changed to PT Bank Pembangunan Daerah Jawa Barat dan Banten based on the approval of the Minister of Justice and Human Rights in its letter No. W8-02673HT.01.04-TH.2007. Based on the Bank's Board of Directors' Decision Letter No. 1065/SK/DIR - PPN/2007 dated November 29, 2007, the Bank changed its name to "Bank Jabar Banten". Based on the letter of Bank Indonesia No.12/78/APBU/Bd dated June 30, 2010 regarding the Amendment Plan of the Bank's logo, as well as Board of Directors' Decision Letter No.1337/SK/DIR-PPN/2010 dated July 5, 2010 regarding the Amendment of name and Logo enforcement of Brand Identity Guidelines on August 2, 2010, the change in the name of "Bank Jabar Banten to "bank bjb" was made official. The Articles of Association of PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk as stated in the Deed of Establishment No. 4 dated April 8, 1999 and Establishment Deed Amendment No. 8 dated April 15, 1999, have been amended several times with the latest update based on the Minutes of the Shareholders' Extraordinary General Meeting of PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk as covered in the Notarial Deed No. 139 dated March 29, 2017. According to article 3 of the Bank's Articles of Association, the Bank's objective is to engage in the banking business.

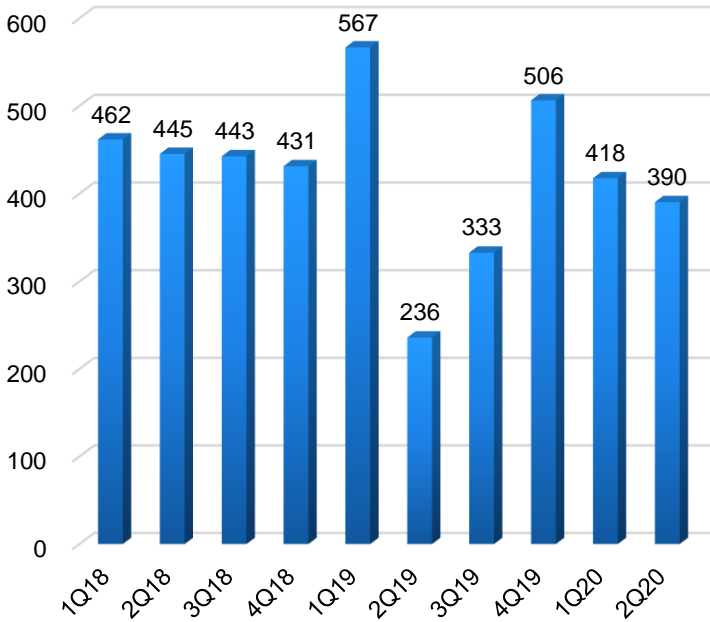
**Company Structure**



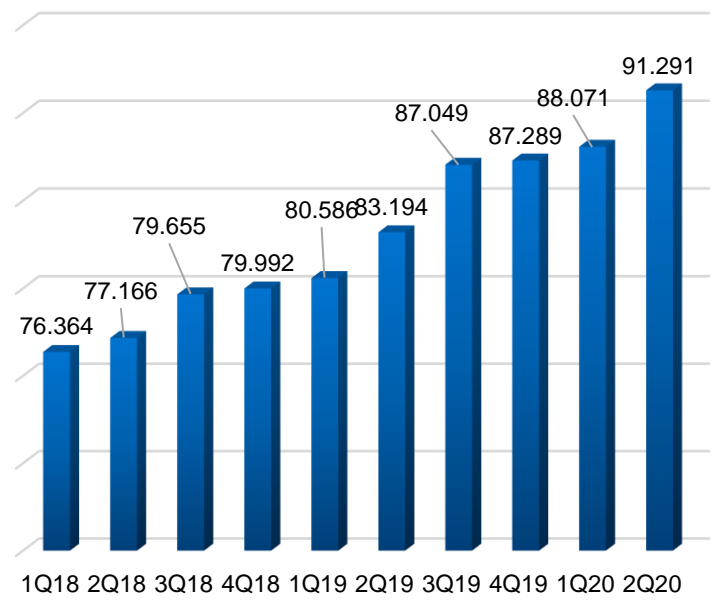
\* BAGAN STRUKTUR ORGANISASI KANTOR PUSAT (AFTER) SK Direksi Nomor 0859/SK/DIR-PS/2019

Source: Company

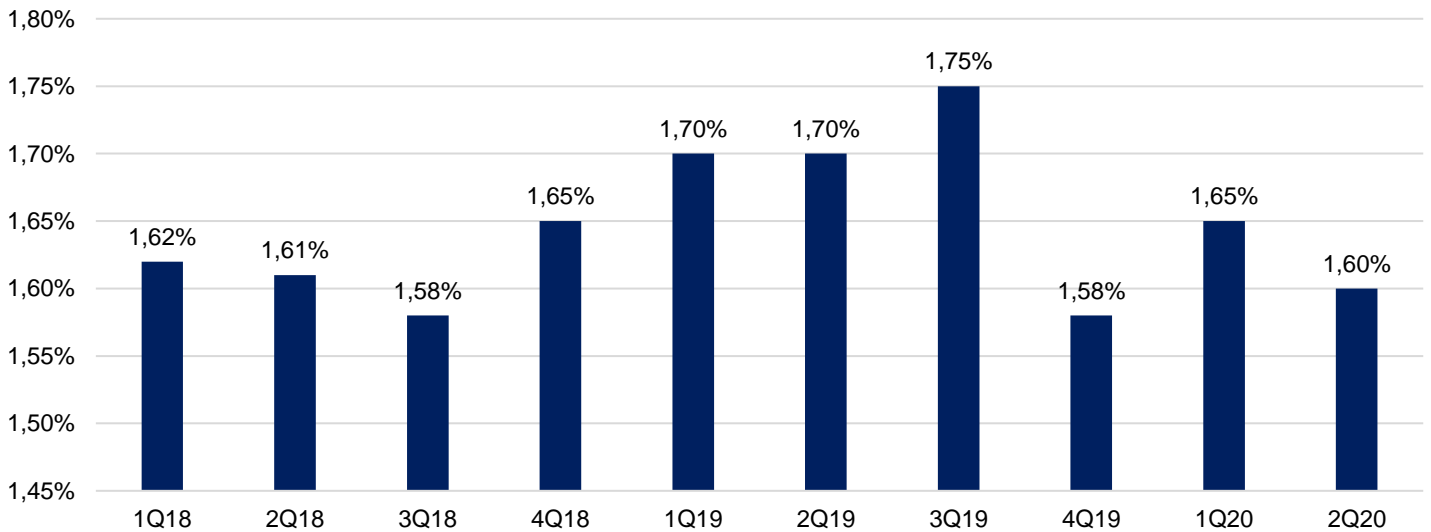
**Chart: Net Income (x) QoQ**



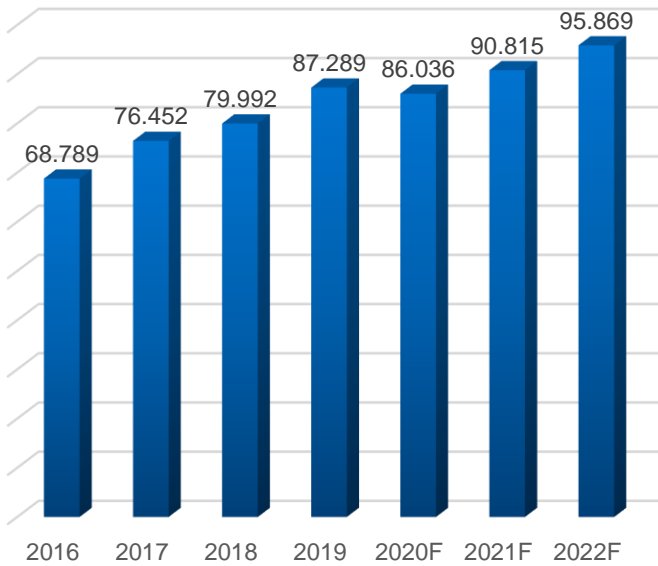
**Chart: Gross Loan (x) QoQ**



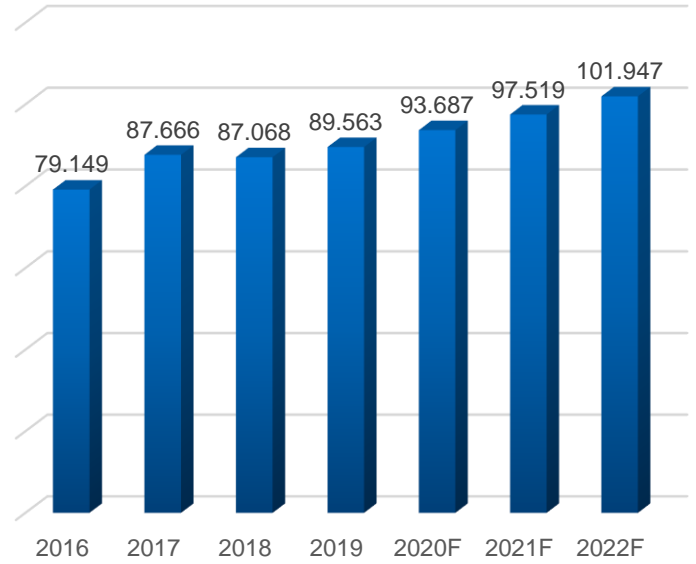
**Chart: Non Performing Loan (x) QoQ**



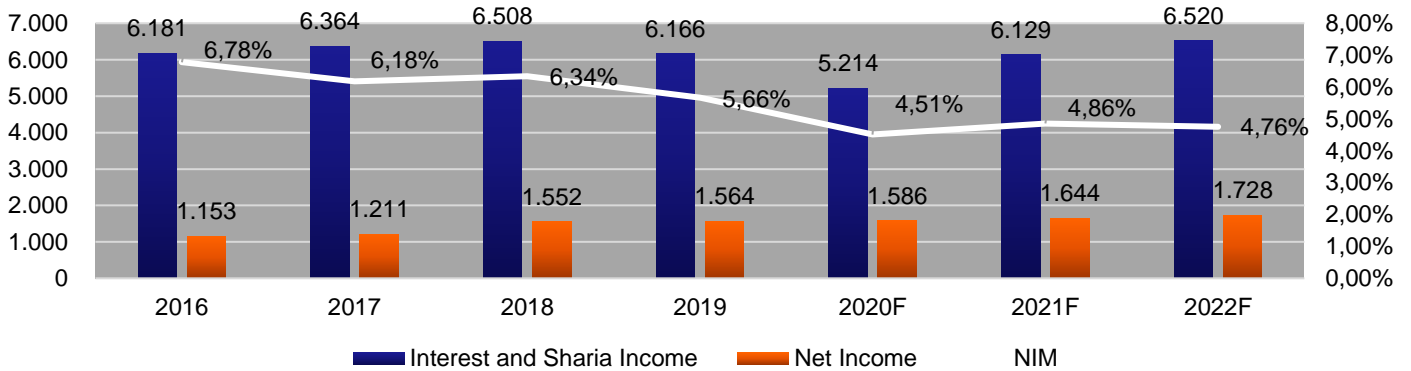
**Chart: Gross Loan (x) YoY**



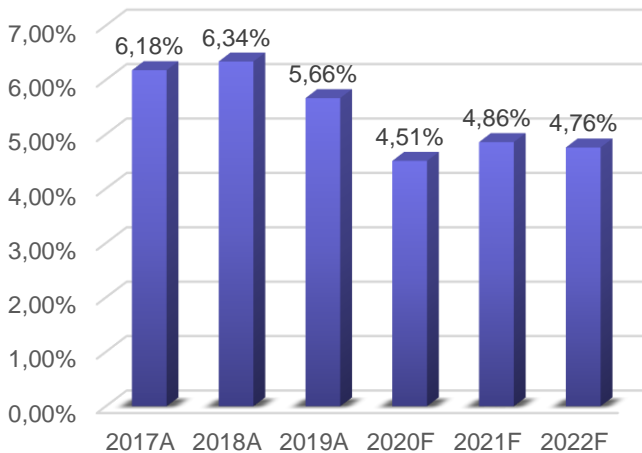
**Chart: Customer Deposit (x) YoY**



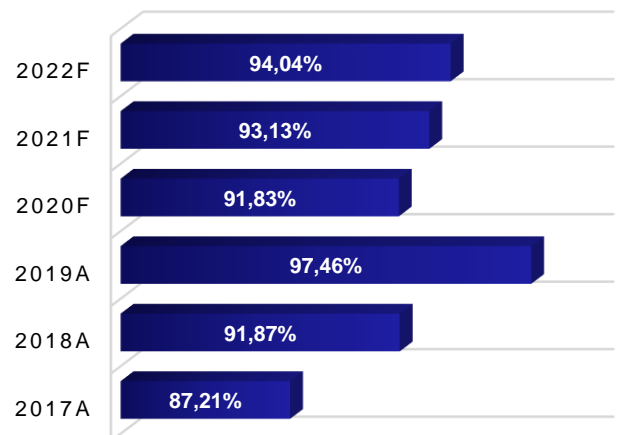
**Chart: Profitability (x) YoY**



**Chart: Net Interest Margin (x) YoY**



**Chart: Loan to Deposit Ratio (x) YoY**



## Balance Sheet (IDR.bn)

Balance sheet (Idr bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and CA with BI	8.359	12.911	9.673	12.480	11.819	12.772
Interbank Placement	17.689	9.727	7.918	14.405	15.131	17.604
Marketable Securities	7.713	8.617	8.855	10.651	13.569	15.851
Gross Loan	76.452	79.992	87.289	86.036	90.815	95.869
Allowance for Loans	-1.636	-786	-836	-516	-196	124
Loans-net	74.815	79.206	86.453	85.520	90.619	95.992
Other Earning Asset	26.578	22.693	21.575	29.576	35.390	41.208
Non Earning Asset	5.228	5.382	5.835	6.128	6.727	7.286
<b>Total Asset</b>	<b>114.980</b>	<b>120.191</b>	<b>123.536</b>	<b>133.703</b>	<b>144.555</b>	<b>157.258</b>
Deposit:						
Current Account	20.313	18.455	21.113	22.493	23.377	25.315
Saving Account	18.631	21.611	22.004	23.658	25.656	27.176
Time Deposits	48.722	47.002	46.446	47.535	48.486	49.456
Other Interest Bearing Liabilities	16.092	20.814	20.776	25.596	31.534	38.849
Non Interest Bearing Liabilities	1.117	1.024	1.155	1.208	1.257	1.315
<b>Total Liabilities</b>	<b>104.875</b>	<b>108.906</b>	<b>111.494</b>	<b>120.491</b>	<b>130.310</b>	<b>142.110</b>
<b>Total Shareholder's Equity</b>	<b>10.105</b>	<b>11.285</b>	<b>12.043</b>	<b>13.213</b>	<b>14.245</b>	<b>15.148</b>

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## Ratio Highlights (IDR.bn)

Ratio Analysis	2017A	2018A	2019A	2020F	2021F	2022F
<b>Profitability</b>						
NIM	6,18%	6,34%	5,66%	4,51%	4,86%	4,76%
Cost-to-Income Ratio	65,38%	65,35%	66,45%	60,69%	65,02%	66,02%
ROE	12,04%	13,82%	13,05%	12,05%	11,58%	11,44%
ROA	1,05%	1,29%	1,27%	1,19%	1,14%	1,10%
ROAE		12,93%	13,43%	12,55%	11,81%	11,51%
BOPO	86,25%	83,98%	84,29%	76,98%	79,17%	80,00%
Cost of Credit	1,02%	0,65%	0,37%	0,37%	0,35%	0,33%
<b>Liquidity</b>						
LDR	87,21%	91,87%	97,46%	91,83%	93,13%	94,04%
CASA	44,42%	46,02%	48,14%	49,26%	50,28%	51,49%
<b>Asset Quality</b>						
Gross NPL	1,48%	1,66%	1,56%	1,55%	1,61%	1,61%
Provision Coverage	105,93%	42,82%	44,34%	44,34%	44,34%	44,34%
<b>Capital</b>						
CAR	18,80%	18,60%	17,70%	16,50%	16,25%	16,82%
<b>Growth</b>						
Loan Growth	10,99%	5,87%	9,15%	5,35%	5,36%	5,37%
Deposit Growth	10,76%	-0,68%	2,87%	4,60%	4,09%	4,54%
Net Income Growth	5,04%	28,15%	0,78%	1,36%	3,66%	5,10%

**QoQ Result**

Balance Sheet	2Q19	1Q20	2Q20	%QoQ	%YoY
Loan	83.194	88.071	91.291	3,7%	9,7%
Loan Loss Reserves	-1.445	-2.058	-1.957	-4,9%	35,5%
NPL	1.341	1.349	1.361	0,9%	1,5%
Deposit					
Demand	27.492	25.101	26.978	7,5%	-1,9%
Savings	19.885	19.482	21.214	8,9%	6,7%
Time Deposit	47.794	49.415	47.913	-3,0%	0,2%
<b>Total Asset</b>	<b>120.700</b>	<b>123.026</b>	<b>125.320</b>	<b>1,9%</b>	<b>3,8%</b>
<b>Shareholder Equity</b>	<b>10.504</b>	<b>10.962</b>	<b>10.648</b>	<b>-2,9%</b>	<b>1,4%</b>

Income Statement	2Q19	1Q20	2Q20	%QoQ	%YoY
Interest Income	2.994	2.988	3.137	5,0%	4,8%
Interest Expense	1.493	1.474	1.498	1,6%	0,3%
<b>Net Interest Income</b>	<b>1.501</b>	<b>1.514</b>	<b>1.639</b>	<b>8,3%</b>	<b>9,2%</b>
Net Operating Income	79	269	214	-20,4%	169,9%
Operating Expense	-1.147	-1.182	-1.391	17,7%	21,3%
<b>PPOP</b>	<b>433</b>	<b>601</b>	<b>463</b>	<b>-23,0%</b>	<b>6,8%</b>
Provision Expense	62	55	-9	-116,4%	-114,5%
<b>Operating Profit</b>	<b>-24</b>	<b>-7</b>	<b>-13</b>	<b>87,1%</b>	<b>-46,3%</b>
Profit Before Tax	347	539	459	-14,9%	32,2%
Tax Expense	111	121	68	-43,6%	-38,4%
<b>Net Profit</b>	<b>236</b>	<b>418</b>	<b>390</b>	<b>-6,5%</b>	<b>65,4%</b>

Ratio	2Q19	1Q20	2Q20	QoQ	YoY
<b>Profitability &amp; Efficiency</b>					
NIM	5,70%	5,50%	5,60%	0,10	(0,10)
Cost-to-Income Ratio	72,57%	66,29%	75,03%	8,74	2,46
ROE	12,20%	12,40%	12,30%	(0,10)	0,10
ROA	1,40%	1,40%	1,30%	(0,10)	(0,10)
BOPO	46,56%	43,57%	44,95%	1,38	(1,61)
Cost of Credit	0,08%	0,07%	-0,01%	(0,08)	(0,09)
<b>Liquidity</b>					
LDR	87,42%	93,69%	94,99%	1,30	7,58
CASA	49,78%	47,43%	50,15%	2,71	0,36
<b>Asset Quality</b>					
Gross NPL (Bank only)	1,70%	1,65%	1,60%	(0,05)	(0,10)
Provision Coverage	66%	101%	92%	(9,23)	25,98
<b>Capital</b>					
CAR	16,90%	17,10%	16,70%	(0,40)	(0,20)

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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