

October 19th, 2023
Banking, Equity

Price IDR 1,150
Target Price IDR 1,400
JKSE Index IDR 6,846.427



Stock Code

Bloomberg code BJBR IJ
Market cap (IDR Bn) 12,204.9 B
52-Week High (IDR) 1,410
52-Week Low (IDR) 1,140
6-m Avg Daily. Val (IDR) 1,186
Free Float (%) 19.38

Major Shareholders

Local Government 75.55%
Other 24.45%

USD/IDR-YE

2022A 14,871
2023F 15,245.97

Key Indicators

Non-Performing Loan (%) 1.14
Net Interest Margin (%) 5.12

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Investment Consideration

Negative growth of Net Income

In the first semester of 2023, BJBR recorded a net income of IDR 0.91 trillion, marking a significant decrease of -24.13% compared to the previous year due to a massive increase in interest expenses, which surged by 42.97% YoY. This also led to a decrease in the Net Interest Margin (NIM) by 90 basis points (bps) YoY, reaching a level of 4.83%. Annually, the Return on Assets (ROA) and Return on Equity (ROE) ratios also decreased 6.41% and 0.55% respectively, reaching levels of 1.33% and 14.09%. We forecast that BJBR will improve its performance in FY23, with a projected growth in its Net Income of 10.27% YoY, reaching a level of IDR 2.54 trillion.

Strong Growth in Loans

As of June 2023, BJBR's consolidated loans grew significantly by 11.98% YoY, while the bank-only loans increased by 9.76% YoY. All segments experienced significant growth, with Commercial emerging as the best-performing segment, increasing by 25.76% YoY. Other segments such as Mortgage, Corporate, Micro, and Consumer grew by 15.91%, 14.50%, 10.41%, and 5.56% respectively. From an economic sector perspective, Trade and Construction were the major contributors, accounting for 26.6% and 20.8% respectively. We forecast that BJBR will continue to expand its loan portfolio, with an expected growth of 9.80% for consolidated loans and 9.85% for bank-only loans.

Deteriorating Asset Quality

Although still compliant with OJK regulations, BJBR's Non-Performing Loan (NPL) ratio increased by 12 basis points (bps) YoY, reaching a level of 1.22%, due to an increase in NPL across all segments. The Micro segment saw the highest NPL change, rising by 28 bps to 2.05%, while the Commercial & Corporate segment experienced the highest NPL with a figure of 2.76%. The special mention loans (bank-only) also increased by 0.3% to 2.4%. We forecast that BJBR will improve its asset quality with a 6-bps decrease in NPL, reaching 1.14% YoY.

Dedication to ESG Initiatives

BJBR's dedication to implementing ESG initiatives is evident. This can be seen in its sustainable portfolio, which grew robustly by 79.76% annually and 11.03% quarterly, reaching IDR 15.1 trillion. Most of the portfolio is channelled into other environmentally friendly business activities, such as financing for residential construction, accounting for 45.55%.

Valuation: 22% Upside potential, Buy.

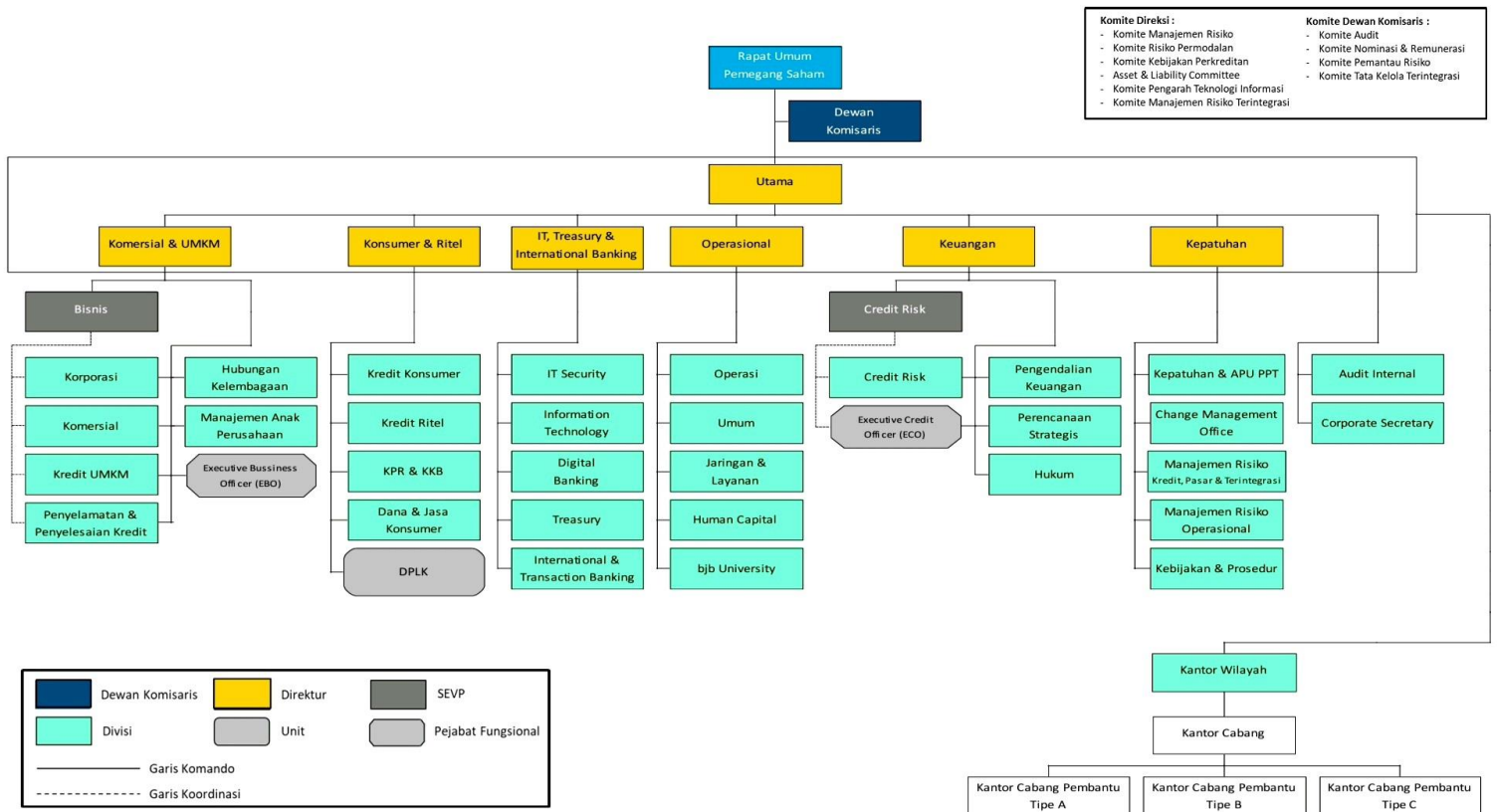
Based on our DDM valuation, we have set a target price of IDR 1,400 within a year, representing a valuation of 0.90x PBV and a potential upside of 22%. Therefore, we have a "Buy" rating on this stock.

Financial Highlight	2019A	2020A	2021A	2022A	2023F
Net Interest Income (IDR bn)	6,083	6,497	7,901	8,408	8,216
Net Income (IDR Bn)	1,559	1,687	2,032	2,304	2,541
EPS (IDR)	158.42	171.49	206.52	219.02	241.51
NIM (%)	5.75%	5.39%	5.84%	5.86%	5.12%
NPL Ratio (bank-only)	1.58%	1.40%	1.24%	1.20%	1.14%
CAR	17.41%	17.78%	17.98%	19.40%	20.61%

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 the 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



Source: Company

Chart: Net Income (IDR Bn) QoQ

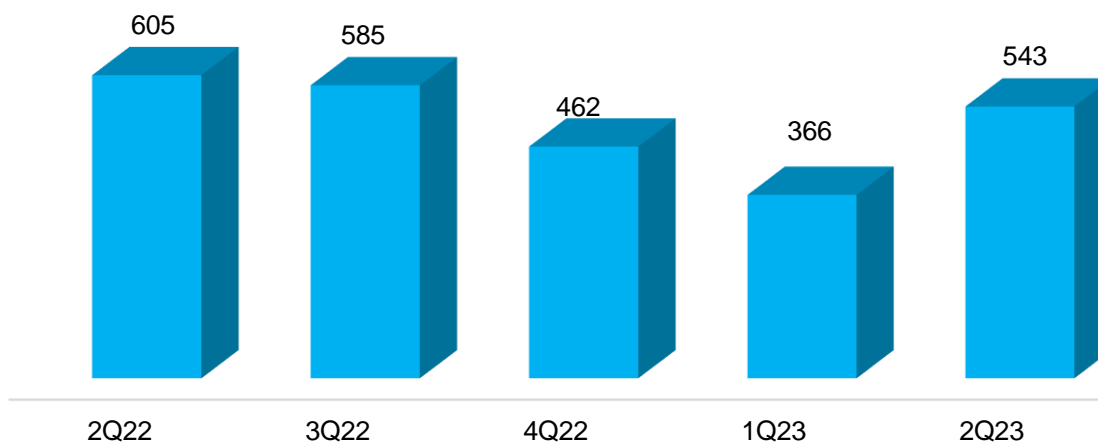


Chart: Gross Loan (x) QoQ

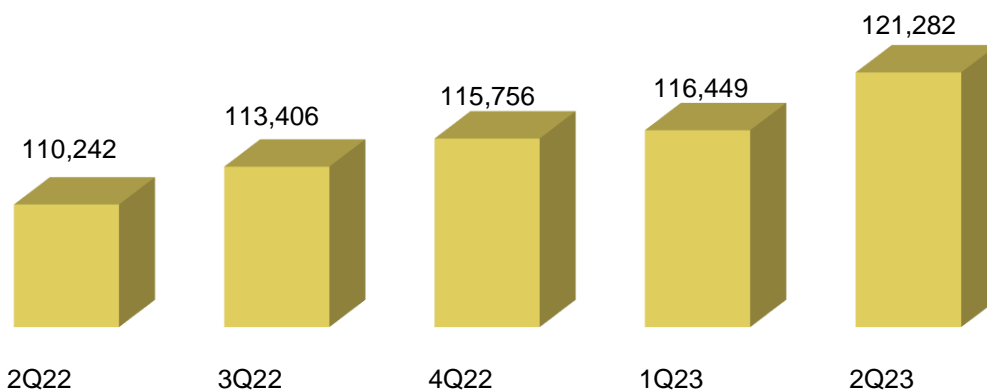


Chart: Non-Performing Loan (x) QoQ

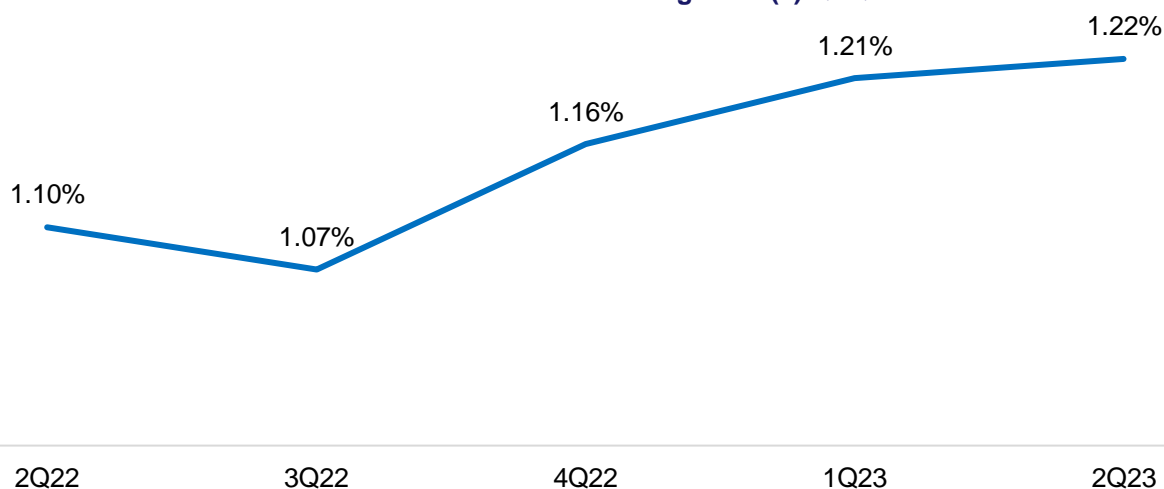


Chart: Gross Loan YoY

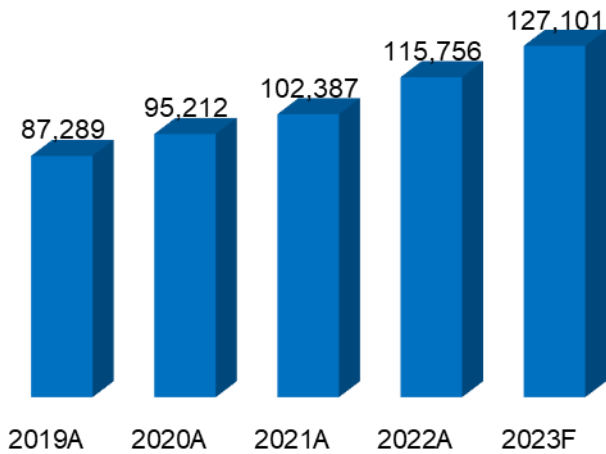


Chart: Customer Deposit YoY

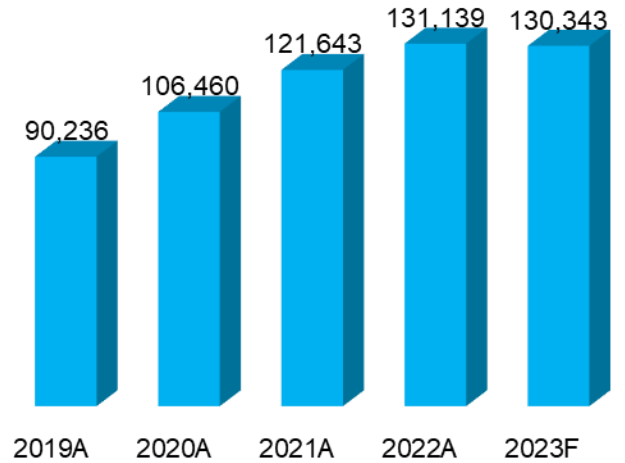


Chart: Profitability YoY

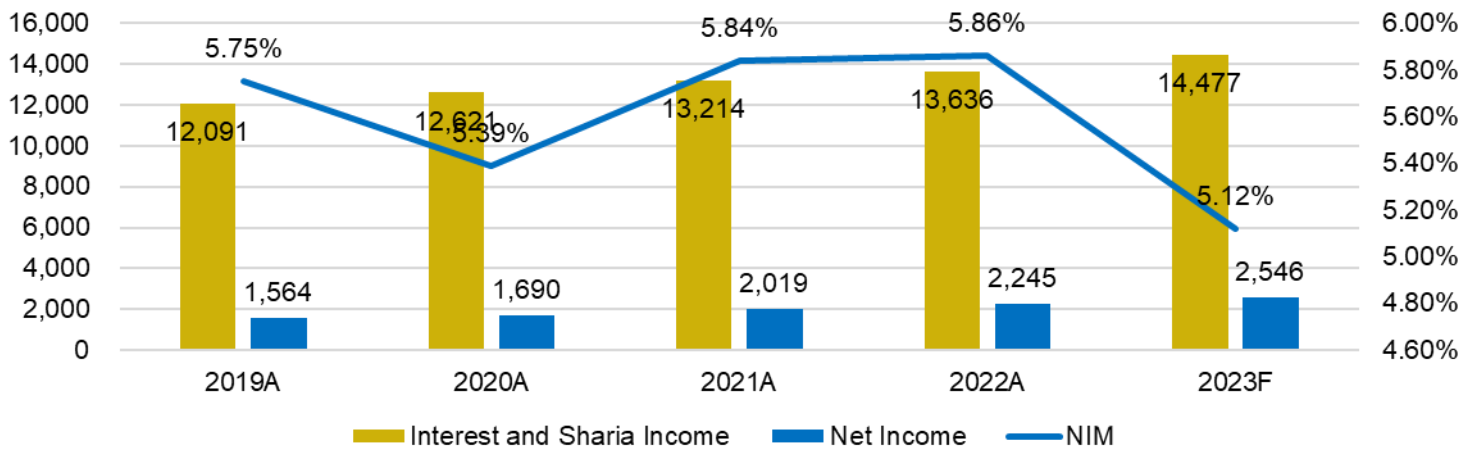
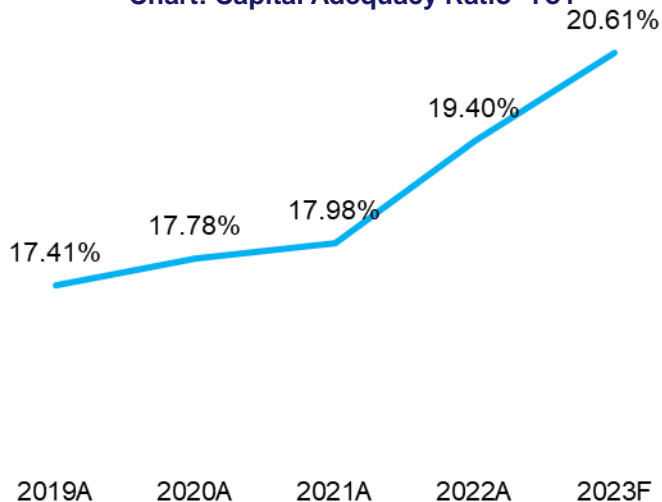
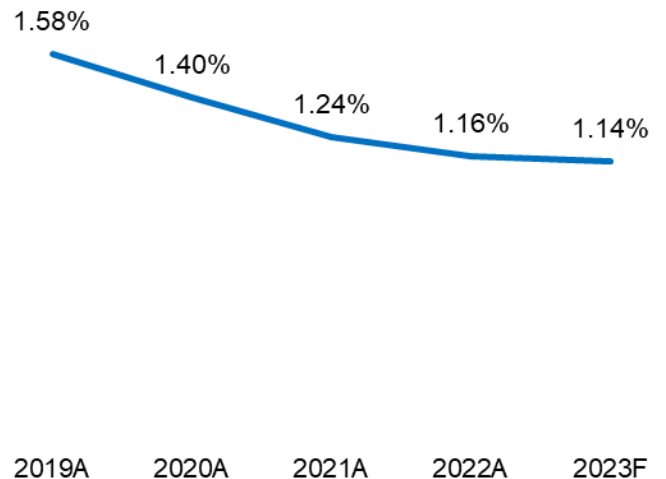


Chart: Capital Adequacy Ratio YoY



Gross NPL Ratio (Bank-Only) YoY



Balance Sheet (IDR Bn)

Balance sheet (IDR Bn)	2019A	2020A	2021 A	2022A	2023F
Cash and CA with BI	9,673	11,735	15,648	16,333	12,166
Interbank Placement	7,920	5,819	11,429	7,157	4,562
Marketable Securities	8,855	11,501	16,979	27,388	29,945
Gross Loan	87,289	95,212	102,387	115,756	127,101
Allowance for Loans	(836)	(1,913)	(1,939)	(1,792)	(1,620)
Loans-net	86,453	93,300	100,448	113,964	125,481
Other Earning Asset	21,575	29,133	34,915	42,477	35,576
Non-Earning Asset	5,835	6,766	7,345	8,468	8,700
Total Asset	123,536	140,934	158,356	181,241	181,923
Deposit:					
Current Account	21,992	19,664	26,819	25,699	27,950
Saving Account	21,992	23,739	26,742	29,005	28,424
Time Deposits	46,251	63,057	68,082	76,435	73,969
Other Interest- bearing Liabilities	8,934	7,618	8,708	15,509	14,282
Non-Interest-Bearing Liabilities	12,324	14,850	14,922	19,847	20,925
Total Liabilities	111,494	128,928	145,272	166,495	165,551
Total Shareholder's Equity	12,043	12,006	13,084	14,746	16,372

Income Statement (IDR Bn)

Income Statement (IDR Bn)	2019A	2020A	2021 A	2022A	2023F
Interest Income	12,091	12,621	13,214	13,636	14,477
Interest Expense	(6,009)	(6,123)	(5,314)	(5,228)	(6,261)
Net Interest Income	6,083	6,497	7,901	8,408	8,216
Other Income	1,015	1,458	1,718	1,640	1,720
Gross Operating Income	7,097	7,955	9,619	10,048	9,937
Operating Expense	(4,716)	(5,604)	(6,400)	(6,988)	(6,200)
Pre-Provision Operating Profit	2,381	2,351	3,219	3,060	3,737
Provision Expense	(322)	(139)	(620)	(211)	(407)
Operating Profit	2,059	2,212	2,599	2,849	3,329
Non-Operating Income - net	(82)	(44)	(11)	(13)	(44)
Profit Before Tax	1,978	2,168	2,588	2,836	3,285
Tax Expense	(413)	(478)	(569)	(590)	(739)
Net Income	1,564	1,690	2,019	2,245	2,546
EPS (Rp/Share)	158.4	171.5	206.5	219.0	241.5

Ratio Highlights

Ratio Analysis	2019A	2020A	2021 A	2022A	2023F
Profitability					
NIM	5.75%	5.39%	5.84%	5.86%	5.12%
Cost-to-Income Ratio	68.43%	76.70%	67.00%	70.04%	62.39%
ROE	16.51%	16.95%	19.01%	18.63%	15.55%
ROA	1.68%	1.66%	1.73%	1.75%	1.40%
BOPO	84.22%	83.95%	80.35%	81.94%	79.45%
Liquidity					
LDR	96.07%	83.62%	81.68%	85.03%	91.02%
CASA	47.10%	41.60%	44.70%	42.10%	43.25%
Asset Quality					
Gross NPL (Bank Only)	1.58%	1.40%	1.24%	1.20%	1.14%
Provision Coverage	52.80%	139.40%	150.80%	124.30%	93.87%
Capital					
CAR	17.70%	17.30%	17.80%	19.20%	20.61%
Growth					
Loan Growth	9.12%	9.08%	7.54%	13.06%	9.80%
Deposit Growth	3.72%	17.98%	14.26%	7.81%	-0.61%
Net Income Growth	0.78%	8.02%	19.45%	11.23%	13.40%

QoQ Result

Balance Sheet	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Loan	110,242	113,406	115,756	116,449	121,282	4.2%	10.0%
Loan Loss Reserves	(1,920)	(1,923)	(1,792)	(1,831)	(1,880)	2.7%	-2.1%
NPL	1,135	1,134	1,252	1,306	1,378	5.5%	21.4%
Deposit							
Demand	35,099	34,560	25,699	31,413	28,952	-7.8%	-17.5%
Savings	26,448	25,342	29,005	26,017	26,099	0.3%	-1.3%
Time Deposit	71,680	65,123	76,435	72,365	74,029	2.3%	3.3%
Total Asset	172,373	170,207	181,241	175,862	177,694	1.0%	3.1%
Shareholder Equity	13,589	13,963	14,759	15,217	14,904	-2.1%	9.7%
Income Statement	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Interest Income	3,326	3,361	3,757	3,427	3,490	1.8%	4.9%
Interest Expense	1,246	1,268	1,539	1,728	1,734	0.3%	39.2%
Net Interest Income	2,080	2,093	2,218	1,699	1,756	3.4%	-15.6%
Other Income	385	428	414	437	422	-3.4%	9.6%
Gross Operating Income	2,465	2,522	2,631	2,136	2,179	2.0%	-11.6%
Operating Expense	(1,661)	(1,683)	(2,107)	(1,585)	(1,431)	-9.7%	-13.9%
Pre-Provision Operating Profit	804	838	524	552	748	35.5%	-7.0%
Provision Expense	(43)	(107)	90	(100)	(90)	-10.2%	109.3%
Operating Profit	761	731	615	452	658	45.6%	-13.6%
Non-Operating Income - net	(7)	(3)	0	(5)	(0)	-91.4%	-93.1%
Profit Before Tax	755	728	615	446	657	47.3%	-12.9%
Tax Expense	(149)	(143)	(152)	(80)	(115)	43.2%	-23.3%
Net Income	605	585	462	366	543	48.2%	-10.3%
EPS (Rp/Share)	60.31	57.27	44.77	35.32	52.13	47.6%	-13.6%
Ratio (Bank Only)	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY
Profitability & Efficiency							
NIM	5.73%	5.83%	5.86%	4.77%	4.83%	0.10	0.02
Cost-to-Income Ratio	66.16%	66.76%	70.04%	75.42%	70.95%	0.60	3.04
ROE	20.50%	20.26%	18.63%	11.06%	14.09%	(0.24)	(0.38)
ROA	1.88%	1.88%	1.75%	1.07%	1.33%	-	0.02
Liquidity							
LDR	80.16%	88.16%	85.03%	86.01%	90.40%	4.39	10.24
CASA	46.70%	48.70%	42.10%	45.00%	43.20%	(1.80)	(3.50)
Asset Quality							
Gross NPL	1.10%	1.07%	1.16%	1.21%	1.22%	0.01	0.12
Coverage Ratio	152.90%	148.90%	124.30%	121.90%	152.90%	31.00	-
Capital							
CAR	18.03%	17.74%	19.19%	21.10%	20.06%	(1.04)	2.03

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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