

Bank Amar Indonesia Tbk. (AMAR)

AMAR's Adventure with the Shiny Performance

AMAR is one of the digital banks in Indonesia that focuses on the retail & MSME segment, which aims to serve and provide digital financial services to the underserved & unbanked. As of 9M23, AMAR managed to score a brilliant performance as shown by the reversal of loss to profit in this period, where it scored Net Profit Growth of +193.81% YoY to IDR 162.17B (9M22: - IDR 172.87B) and +52.43% QoQ to IDR 77.14B in 3Q23 (2Q23: IDR 50.61B). AMAR's shining performance in this period was also supported by solid performance, consistent Net Interest Income (NII) growth, Operating Income growth, as well as better and healthier asset quality. Currently, AMAR's lending growth is quite stable in terms of lending and has begun to expand exposure from the MSME- Business Banking segmentation to developing technology-based product innovations.

Efficient and Sustainable Performance Drives a Very Positive Bottom Line

- AMAR's NII increased +15.08% YoY to IDR 643.84 billion in 9M23 (9M22: IDR 501.84B) and +16.06% QoQ to IDR 243.43 billion (2Q23: IDR 209.76B). This was driven by a significant decrease in AMAR's interest expense, where interest expense decreased by -48.92% YoY to IDR 52.92B (9M22: IDR 106.61B). Even on a quarterly basis, interest expense from AMAR decreased by -21.26% to IDR 15.14 billion in 3Q23 (2Q23: IDR 19.23B). Despite the high-interest rate era, AMAR managed to keep its interest expense not too aggressive and even decreased. AMAR's Net Interest Margin (NIM) level as of this period was 18.78% in 3Q23, an increase of 145 Bps QoQ.
- Besides interest income-driven performance, AMAR's non-interest income also contributed to its performance, where non-interest income grew 59.77% YoY to IDR 288.78B (9M22: IDR 180.75B) and 74.55% QoQ growth in 3Q23 to IDR 124.41B (2Q23: 71.28B). Operating Expenses on year-on-year basis managed to be quite suppressed and there seems to be efficiency where it decreased -7.46% YoY to IDR 347.76B as of 9M23 (9M22: IDR 375.78B), thus driving Operating Profit to IDR 162.31B in 9M23 (9M22: - IDR 171.67B +194.55YoY & 2Q23: IDR 50.68B, 3Q23: IDR 76.92, +51.77%QoQ). As a result of efficiency and solid performance, AMAR posted a positive bottom line, with a year-on-year turnaround from -IDR 172.87B to IDR 162.17B (+YoY Growth +193.81%) and Net Profit growth of +52.43% QoQ to IDR 77.14B in 3Q23 (2Q: IDR 50.61B).

Expanding Lending Segmentation

- AMAR's loan growth during this period remained stable. Although not experiencing massive loan growth, AMAR still focuses on prudent strategies and principles. This can also be seen from the NPL level which slid 28 Bps QoQ to 1.56% in 3Q23 (2Q23: 1.84%). AMAR is also currently increasing the contribution of its lending segment to business banking. In the last 2 quarters, AMAR has been trying to boost and balance the growth and contribution of its business banking segment with exposure from AMAR's lending product, TUNAIKU.

AMAR's CASA Begins to Grow Steadily

- AMAR's strategy to reduce the composition of high-cost funds (Deposits) is quite interesting to watch. This is reflected in the Amar Bank App (SENYUMKU rebranding) which has helped increase AMAR's CASA composition. The Amar Bank App currently has more than 500,000 downloads. In addition, the development of CASA from AMAR can be seen from the quarterly CASA ratio which grew +8.13% QoQ as of 9M23 to 24.21% (2Q23: 16.08%). With the consistent growth in CASA, it is expected that AMAR's Cost of Funds (CoF) will flatten.
- One of the product and development innovations carried out by AMAR is the release of Brankas, with the tagline "Play Safe with Amar". The Amar Bank's Brankas product is a digital savings account equipped with AI-driven multi-layered protection from Amar Bank. This innovation was made in response to customer and consumer complaints related to financial cybercrime as well as confirming AMAR's presence in the Indonesian digital-banking world.

Buy recommendation with TP at IDR 400 (Upside potential +29.9%)

- NHKS Research recommends a BUY rating for AMAR, with a target price of IDR 400 (+29.9% upside potential, implying 2.3 F-PBV +0.5 s/d), where the valuation approach used is the Forward PBV Ratio. Currently, AMAR is trading at the average F-PBV band for the past 3 years. The things that support this call and recommendation are the development of better Embedded Banking & Financing execution and growing loan growth. The risks of this call are macroeconomic instability, less than expected loan growth, rising costs, slow user growth, as well as more aggressive and competitive funding and lending rivalry in the financial industry, especially Loan Fintech and Digital Banks.

Bank Amar Indonesia Tbk. (AMAR) | In IDR Bio

	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	775	1,139	1,430	1,692
Interest Income growth	10.3%	47.0%	25.6%	18.3%
Operating Revenue	922	1348	1630	1903
Net profit	(155)	224	299	355
EPS (IDR)	(8)	12	16	19
EPS growth	-	244.4%	33.2%	18.8%
BVPS (IDR)	173	186	190	193
Loan/Deposits	220%	198%	191%	180%
NPL	6.09%	5.55%	5.06%	4.87%
ROE	-8.4%	6.6%	8.6%	10.0%
ROA	-4.7%	4.4%	5.5%	6.1%
P/E	-27.4x	32.8x	28.3x	31.1x
P/BV	1.3x	2.2x	2.4x	3.1x
P/Op Revenue	4.6x	5.5x	5.2x	5.8x

Source: AMAR, Company Data, NHKS Research

Please consider the rating criteria & important disclaimer



Company Report | November 13, 2023

Buy

Target Price (IDR)	400
Consensus Price (IDR)	-
TP to Consensus Price	-
Potential Upside	+29.9%

Shares data

Last Price (IDR)	308
Price date as of	November 13, 2023
52 wk range (Hi/Lo)	371 / 198
Free float (%)	27.43
Outstanding sh.(mn)	18,381
Market Cap (IDR bn)	5,661
Market Cap (USD mn)	360
Avg. Trd Vol - 3M (mn)	5.44
Avg. Trd Val - 3M (bn)	1.60

Financial Services

Banking

Bloomberg	AMAR.IJ
Reuters	AMAR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	31.6%	-6.1%	6.9%	-2.2%
Rel. Ret.	31.8%	-4.9%	7.7%	0.3%

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Bank Amar Indonesia Tbk. (AMAR) 3Q23 / 9M23 Results Recap

(In IDR Mio)	9M22	9M23	YoY	3Q22	2Q23	3Q23	QoQ	YoY
AMAR Income Statement								
Net Interest Income	IDR 501,843	IDR 643,838	28.29%	IDR 164,544	IDR 209,758	IDR 243,435	16.06%	47.95%
Non Interest Income	IDR 180,750	IDR 288,780	59.77%	IDR 59,360	IDR 71,277	IDR 124,411	74.55%	109.59%
Total Revenue	IDR 682,593	IDR 932,618	36.63%	IDR 223,904	IDR 281,035	IDR 367,846	30.89%	64.29%
Operating Expense	IDR (375,784)	IDR (347,760)	-7.46%	IDR (129,005)	IDR (115,921)	IDR (118,361)	2.10%	-8.25%
Pre - Provision Operating Profit (PPOP)	IDR 306,809	IDR 584,858	90.63%	IDR 94,899	IDR 165,114	IDR 249,485	51.10%	162.90%
Provision	IDR (478,480)	IDR (422,544)	-11.69%	IDR (152,605)	IDR (114,430)	IDR (172,572)	50.81%	13.08%
Net Profit	IDR (172,867)	IDR 162,175	-193.81%	IDR (84,775)	IDR 50,607	IDR 77,138	52.43%	-190.99%
AMAR Balance Sheet								
AMAR Total Deposits	IDR 1,339,265	IDR 826,280	-38.30%	IDR 1,339,265	IDR 1,101,804	IDR 826,280	-25.01%	-38.30%
AMAR Total Gross Loan	IDR 2,144,788	IDR 1,105,082	-48.48%	IDR 2,144,788	IDR 2,240,447	IDR 1,105,082	-50.68%	-48.48%

Source: AMAR, NHKSI Research

Change in Forecast for AMAR

Based on AMAR's performance from 9M23, we changed our Forecast for AMAR's performance in 2023, 2024, and 2025 given AMAR's very solid performance and efficiency.

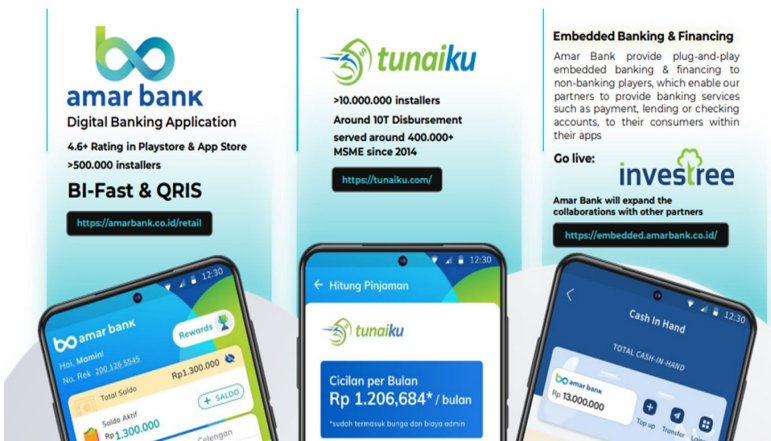
(In IDR Mio)	Old FY 23		New FY 23		Change
AMAR Income Statement					(%)
Net Interest Income	IDR 1,032	IDR 1,034	IDR 1,034	IDR 1,034	0%
Non Interest Income	IDR 278	IDR 314	IDR 314	IDR 314	13%
Total Revenue	IDR 1,310	IDR 1,348	IDR 1,348	IDR 1,348	3%
Operating Expense	IDR (518)	IDR (491)	IDR (491)	IDR (491)	-5%
Pre - Provision Operating Profit (PPOP)	IDR 792	IDR 857	IDR 857	IDR 857	8%
Provision	IDR (645)	IDR (558)	IDR (558)	IDR (558)	-14%
Net Profit	IDR 110	IDR 224	IDR 224	IDR 224	104%

(In IDR Mio)	Old FY 24		New FY 24		Change
AMAR Income Statement					(%)
Net Interest Income	IDR 1,180	IDR 1,188	IDR 1,188	IDR 1,188	1%
Non Interest Income	IDR 384	IDR 442	IDR 442	IDR 442	15%
Total Revenue	IDR 1,564	IDR 1,630	IDR 1,630	IDR 1,630	4%
Operating Expense	IDR (623)	IDR (614)	IDR (614)	IDR (614)	-1%
Pre - Provision Operating Profit (PPOP)	IDR 941	IDR 1,016	IDR 1,016	IDR 1,016	8%
Provision	IDR (706)	IDR (618)	IDR (618)	IDR (618)	-12%
Net Profit	IDR 177	IDR 299	IDR 299	IDR 299	69%

(In IDR Mio)	Old FY 25		New FY 25		Change
AMAR Income Statement					(%)
Net Interest Income	IDR 1,336	IDR 1,349	IDR 1,349	IDR 1,349	0.99%
Non Interest Income	IDR 504	IDR 554	IDR 554	IDR 554	9.98%
Total Revenue	IDR 1,840	IDR 1,903	IDR 1,903	IDR 1,903	3.45%
Operating Expense	IDR (674)	IDR (675)	IDR (675)	IDR (675)	0.12%
Pre - Provision Operating Profit (PPOP)	IDR 1,165	IDR 1,228	IDR 1,228	IDR 1,228	5.38%
Provision	IDR (843)	IDR (756)	IDR (756)	IDR (756)	-10.36%
Net Profit	IDR 242	IDR 355	IDR 355	IDR 355	46.42%

Source: AMAR, NHKSI Research

Image 1. Amar Bank Products



Source: AMAR, NHKSI Research

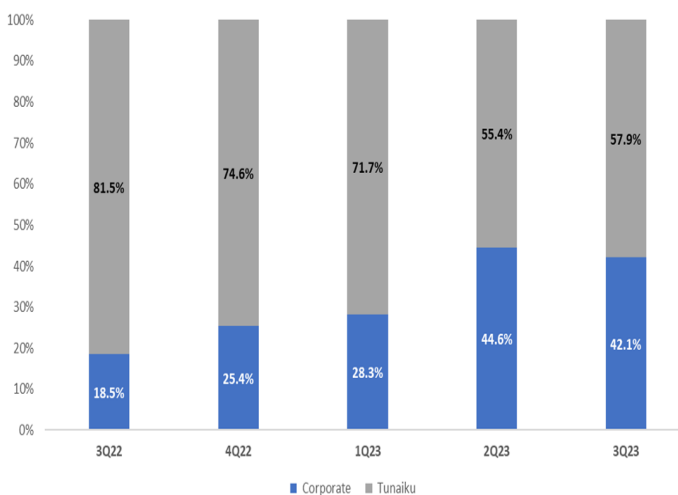
TUNAIKU, a Digital Platform for Digital Lending and Loans Segment

TUNAIKU is the main flagship product of Amar Bank, a digital platform engaged in the digital lending segment (Online Lending) in which TUNAIKU provides unsecured online loans, commonly known as Unsecured Loans (KTA).

TUNAIKU has been operating since 2014 and is one of the pioneers in Online KTA. The segment focus of TUNAIKU is individuals, especially those in the unbankable/unbanked category and micro businesses. As of now, TUNAIKU has served credit distribution to more than 400K MSMEs with the number of application downloaders exceeding 10 million downloaders. The amount of loan disbursed through TUNAIKU since its launch until now as of 9M2023 has been more than IDR 10 Trillion.

The loans disbursed by TUNAIKU are in the nominal range of IDR 2 million to 20 million, with a flat interest rate in the range of 2-5% per month, along with a current administration fee of IDR 550,000 and tenor payments within the range of 6-20 months (Fixed Installments).

Image 2. TUNAIKU & Non TUNAIKU Credit Amounts Comparison



Source: AMAR, NHKSI Research

Gambar 3. AMAR Embedded Banking

Source: AMAR, NHKSI Research

Image 4. AMAR Embedded Banking & Financing Widget Details

Source: AMAR, NHKSI Research

Image 5. New Products Innovation, BRANKAS: Play It Safe with AMAR

Source: AMAR, NHKSI Research

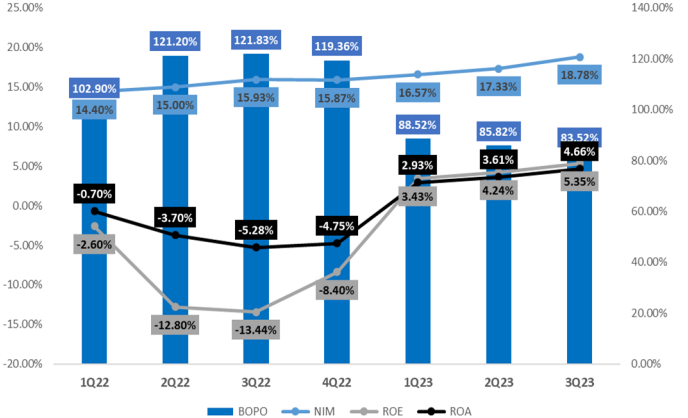
Performance Highlights

NII & Net Profit Growth (Quarterly and In IDR Billion)



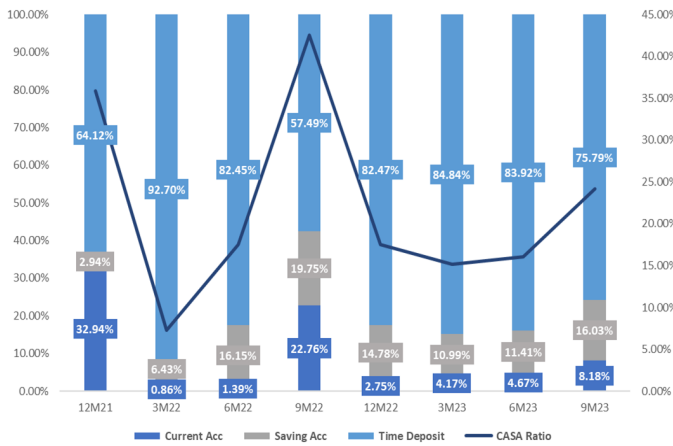
Source: Company, NHKSI Research

Profitability Ratio



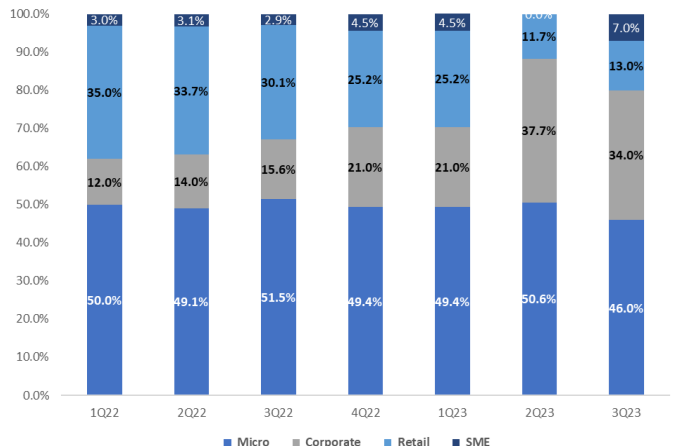
Source: Company, NHKSI Research

AMAR Deposits Composition and CASA Ratio



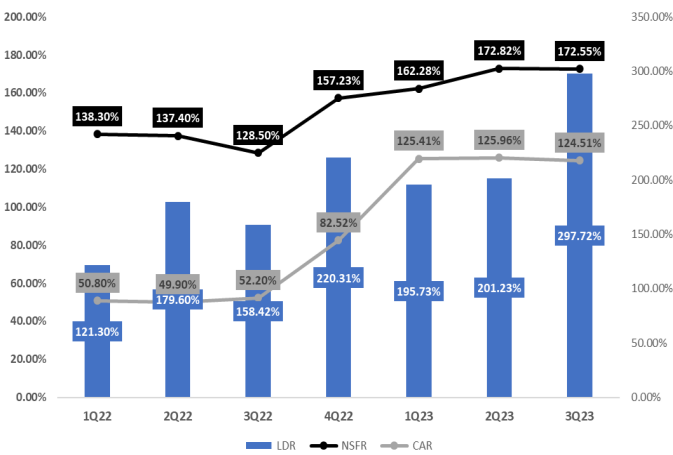
Source: Company, NHKSI Research

Loan Composition (Segmentation)



Source: Company, NHKSI Research

Liquidity Ratio



Source: Company, NHKSI Research

F-PBV AMAR (Last 3 Years)



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	775	1,139	1,430	1,692
Interest Expenses	(119)	(105)	(242)	(343)
Net Interest Income	656	1,034	1,188	1,349
Non Interest Income	266	314	442	554
Operating Revenue	922	1,348	1,630	1,903
Operating Expenses	(492)	(491)	(614)	(675)
Pre-provisioning OP	430	857	1,016	1,228
Provision for Impairment	(632)	(558)	(618)	(756)
EBT	(202)	299	398	472
Income Tax	47	(74)	(99)	(117)
Net Profit	(155)	224	299	355

BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	7	7	11	18
Current Acc. In BI	127	143	172	192
Interbank Placement	1,324	1,426	1,556	1,649
Net Loans	2,110	2,602	2,976	3,344
Securities	720	677	464	329
Other Assets	218	264	280	297
Total Assets	4,505	5,120	5,459	5,829
Customer Deposit	1,006	1,397	1,658	1,969
Deposit from Other Banks	259	190	193	196
Other liabilities	63	119	120	122
Total Liabilities	1,329	1,706	1,972	2,287
Shareholders' Equity	3,176	3,413	3,487	3,542

GROWTH

	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income Growth	10.32%	47.02%	25.57%	18.29%
Net Interest Income Growth	35.97%	57.67%	14.89%	13.59%
PPOP Growth	34.79%	99.18%	18.61%	20.83%
EPS Growth	-	244.42%	33.16%	18.79%
Deposit Growth	-68.35%	25.42%	16.65%	16.92%
Loan Growth	-5.94%	23.35%	14.35%	12.37%

Source: Company Data, Bloomberg, NHKSI Research

PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	-8.40%	6.57%	8.57%	10.02%
ROA	-4.75%	4.38%	5.47%	6.09%
Non-Int. Inc. /Op. Rev	28.9%	23.3%	27.1%	29.1%
Cost/Income	53.4%	36.4%	37.7%	35.5%
Loan/Deposits	220.3%	198.3%	190.8%	180.4%
Loan/Assets	50.1%	55.2%	59.2%	62.4%
NPL Gross	6.09%	5.55%	5.06%	4.87%
CASA/Deposits	17.5%	17.1%	19.6%	22.4%
Time Deposits/Deposits	82.5%	82.9%	80.4%	77.6%
Total Shares (mn)	18,381	18,381	18,381	18,381
Share Price (IDR)	232	400	460	600
Market Cap (IDR tn)	4.264	7.352	8.455	11.029

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price /Earnings	-27.44x	32.77x	28.30x	31.07x
Price /Book Value	1.34x	2.15x	2.42x	3.11x
Price/Op. Revenue	4.6x	5.5x	5.2x	5.8x
EV/Operating Revenue	4.6x	5.4x	5.1x	5.7x
EV/PPOP	9.8x	8.5x	8.2x	8.9x
EV (IDR bn)	4,208	7,241	8,346	10,925
EPS	(8)	12.2	16.3	19.3
BVPS (IDR)	173	186	190	193
Op. Revenue PS (IDR)	50	73	89	104

OWNERSHIP

Shareholders	%
Tolaram Group	70.95
Investree Singapore	13.06
Public	15.99

Position Per 9 November 2023

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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