

## PT Bank Amar Indonesia Tbk (AMAR)

### Revitalizing, Thriving, and Unleashing Growth

#### Senyumku exponential growth brought lower interest expenses

The company successfully reported a net profit of Rp34.4 billion in 1Q23 (vs net loss of Rp8.8 billion in 1Q22), it represents a 40.5% run rate compared to our net profit projection for FY23F to Rp84.9 billion. The robust result in 1Q23 was primarily supported by lower interest expenses (-61.4% YoY in 1Q23), additionally the company recorded higher deposits from third parties while reducing deposits from other banks and lower leverage with liquidity came from equity instead of funding (after right issue). This combination led to lower interest expenses alongside higher BI 7DRR. Hence, better interest expenses supported by exponential growth of deposits from digital savings platform "Senyumku" which offering competitive interest rate.

#### Tunaiku igniting and revitalizing growth

AMAR successfully disbursed net loans amounting to Rp2.2 trillion in 1Q23, indicating a 5.2% increase compared to loans of Rp2.1 trillion in 4Q22. The growth in loans was supported by the digital lending platform "Tunaiku," which contributed 71.7% to the total loans in 1Q23. We expect a loan growth of 18.2% in FY23F, driven by the significant potential of loan distribution through the digital lending platform "Tunaiku" and the collaborative ecosystem with Investree, which facilitates easier lending for MSME.

#### Asset quality and capital

The company showed improvement NPL in 1Q23 of 1.8% compared to 1Q22 of 2.3%, its improvement can be attributed to the strong economic recovery in Indonesia. AMAR increased its paid-up capital through a right issue in 2022, resulting in a total capital of 3.2tn and entering AMAR at KBMI 1 category. Following the increase in total capital, the company's CAR in 1Q23 hover to 125.4%, compared to 52.2% in 3Q22 prior to the right issue along with Investree acquired AMAR shares and become significant minority shareholder.

#### Valuation

We recommend a Buy rating and set a target price of Rp418. Our valuation approach is based on the residual income valuation model. We expect a moderate growth in AMAR's loan disbursement, projecting a 18.2% YoY in FY23F, following the penetration of AMAR's digital banking and ecosystem with Investree and another potential setting its foot on MSME and retail consumer. Key risks: change of regulatory, macroeconomic downturn, slower than expected customer base growth, lack of technology awarness, the provision expenses are higher than expected.

### Key Metrics

At price Rp310/share	2021	2022	2023F	2024F	2025F
Net interest income (IDRbn)	482.2	655.7	918.3	1,069.9	1,205.1
PPOP (IDRbn)	308.0	430.1	747.8	871.2	999.4
Net profit (IDRbn)	4.1	(155.4)	85.0	133.0	180.3
EPS (IDR)	0.2	(8.5)	4.6	7.2	9.8
BVPS (IDR)	58.0	172.8	175.2	182.4	192.2
P/E Ratio (x)	1,384.7	NA	67.1	42.8	31.6
P/B Ratio (x)	5.3	1.8	1.8	1.7	1.6
CIR (%)	55.0%	53.4%	40.2%	39.8%	38.9%
NIM (%)	11.8%	15.9%	21.5%	23.1%	23.6%
NPL (%)	1.7%	1.7%	1.2%	1.2%	0.6%
ROA (%)	0.1%	NA	1.8%	2.5%	3.2%
ROE (%)	0.4%	NA	2.6%	4.0%	5.1%

Source: AMAR, Reli Research

# BUY

**Target Price: Rp418**  
Upside : 35.0%

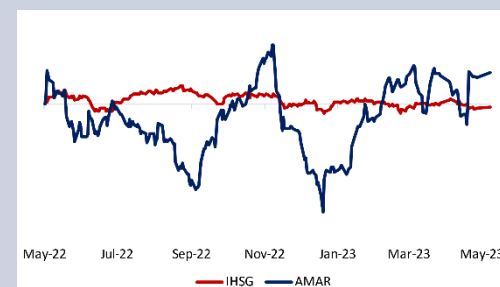
Tuesday, 30 May 2023

<b>Last Price:</b>	310
<b>Ticker Code:</b>	AMAR
<b>Sector:</b>	Financials
<b>Sub Sector:</b>	Banks
<b>Shares:</b>	18.4bn
<b>Market Cap:</b>	Rp 5.7tn
<b>1Y Low - High:</b>	198 - 386

#### Major Shareholders:

Tolaram Group Inc	71.8%
Investree Singapore Pte Ltd.	13.8%

#### Relative performance vs IHSG:



#### Brief Company Profile:

PT Bank Amar Indonesia Tbk (AMAR), also known as Bank Amar, was founded in 1991 in Surabaya under the name PT Anglomas International Bank. It changed its name in 2014. The bank position itself as a digital bank focusing on the retail sector and micro, small, and medium enterprises. They launched the app Tunaiku as a superior product. It is a fintech app that offers non-collateral loans fast and conveniently. Besides that, the bank also offers other banking services, such as savings account, current accounts, deposit accounts, and business loans. Clients can also do all these services through the app Senyumku.

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## Financial summary

Income Statement (IDRbn)	2020	2021	2022	2023F	2024F	2025F
Interest income	652	702	775	1,017	1,207	1,374
Interest expenses	(189)	(220)	(119)	(99)	(137)	(169)
<b>Net interest income</b>	<b>463</b>	<b>482</b>	<b>656</b>	<b>918</b>	<b>1,070</b>	<b>1,205</b>
Non-interest income	173	202	266	331	378	431
<b>Total operating income</b>	<b>636</b>	<b>684</b>	<b>922</b>	<b>1,250</b>	<b>1,448</b>	<b>1,636</b>
Operating expenses	(268)	(376)	(492)	(502)	(577)	(637)
<b>PPOP</b>	<b>368</b>	<b>308</b>	<b>430</b>	<b>748</b>	<b>871</b>	<b>999</b>
Provision expenses	(339)	(301)	(632)	(638)	(699)	(766)
<b>Operating profit</b>	<b>29</b>	<b>7</b>	<b>(202)</b>	<b>110</b>	<b>172</b>	<b>233</b>
Non operating income	(3)	(6)	(1)	(1)	(2)	(2)
<b>Pretax profit</b>	<b>26</b>	<b>1</b>	<b>(203)</b>	<b>109</b>	<b>171</b>	<b>231</b>
Taxation	(18)	3	47	(24)	(38)	(51)
<b>Net profit</b>	<b>9</b>	<b>4</b>	<b>(155)</b>	<b>85</b>	<b>133</b>	<b>180</b>

Balance Sheet (IDRbn)	2020	2021	2022	2023F	2024F	2025F
Cash	3	5	7	11	18	17
Current acc. With BI	67	77	127	111	145	170
Interbank placement	1,649	1,808	1,324	1,195	1,400	1,471
Marketable securities	557	760	720	684	554	474
<b>Loans</b>	<b>1,624</b>	<b>2,243</b>	<b>2,110</b>	<b>2,493</b>	<b>2,940</b>	<b>3,354</b>
Fixed Assets	26	28	24	30	35	42
Other assets	131	282	194	184	123	129
<b>Total assets</b>	<b>4,058</b>	<b>5,203</b>	<b>4,505</b>	<b>4,709</b>	<b>5,216</b>	<b>5,656</b>
Deposits from customer	2,294	2,178	1,004	1,184	1,555	1,812
Others deposit	634	1,842	261	233	225	219
Borrowings	-	-	-	-	-	-
Others liabilities	63	117	63	72	83	92
<b>Total liabilities</b>	<b>2,991</b>	<b>4,136</b>	<b>1,329</b>	<b>1,489</b>	<b>1,863</b>	<b>2,123</b>
Capital stock	804	804	1,382	1,382	1,382	1,382
Add paid-in capital	226	226	1,916	1,870	1,870	1,870
Retained earnings	32	36	(119)	(34)	99	279
Others equity	6	1	(3)	2	2	2
<b>Total equity</b>	<b>1,067</b>	<b>1,067</b>	<b>3,176</b>	<b>3,220</b>	<b>3,353</b>	<b>3,533</b>

Growth (%)	2020	2021	2022	2023F	2024F	2025F
Net Interest income	-8.5%	4.2%	36.0%	40.0%	16.5%	12.6%
PPOP	-13.1%	-16.4%	39.6%	73.9%	16.5%	14.7%
Net profit	-86.0%	-52.1%	-3876.0%	154.7%	56.5%	35.6%
Loans	-14.1%	38.1%	-5.9%	18.2%	18.0%	14.1%
Total assets	17.5%	28.2%	-13.4%	4.5%	10.8%	8.4%
Deposits	27.9%	37.3%	-68.5%	11.9%	25.7%	14.1%
Total liabilities	26.0%	38.3%	-67.9%	12.0%	25.1%	14.0%
Total equity	-1.1%	0.0%	197.8%	1.4%	4.1%	5.4%

Source: AMAR, Reli Research

## Business background

### Targeting digital banking to MSME and retail

AMAR has been a part of Tolaram since 2014, and Investree joined in 2022, bringing innovation and strengthening the digital ecosystem by integrating Tunaiku and Senyumku as flagship applications that help customers achieve their financial goals. The collaboration with Investree, a leading digital P2P platform in the Indonesian MSME lending space, enables AMAR to better serve MSMEs through an expanded digital ecosystem, thereby driving rapid loan portfolio growth.

The success achieved through collaboration with Investree will be replicated in collaborations with other P2P lending companies. These collaborations will be further extended to serve vendors and suppliers, specifically in the area of supply chain financing.

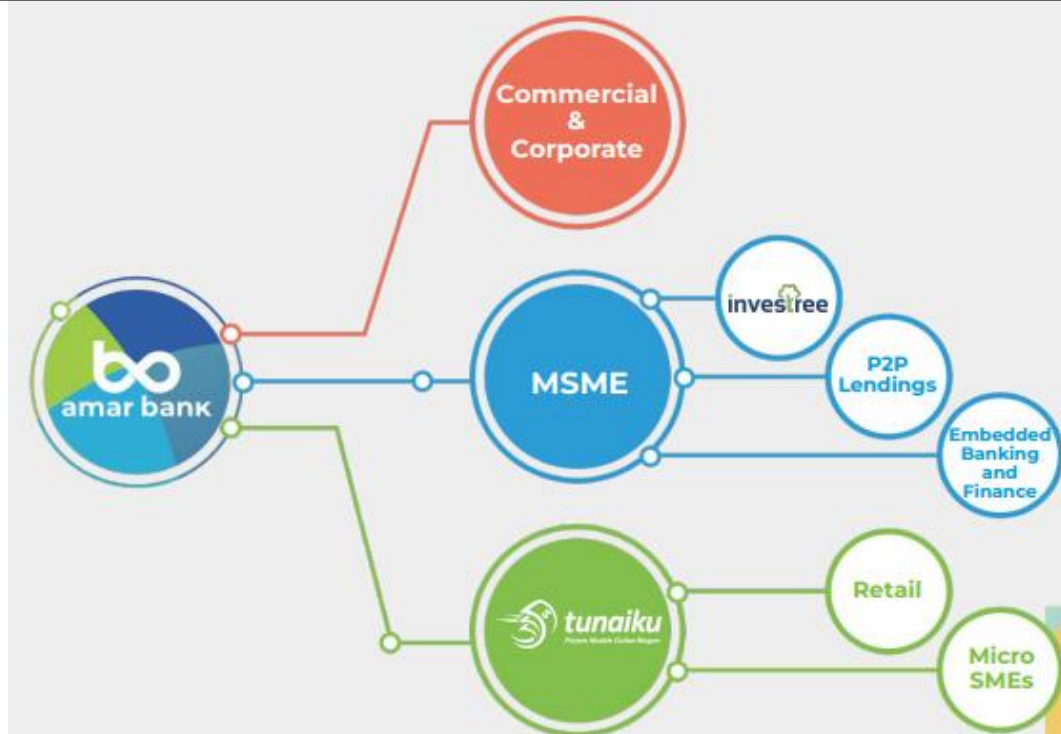
### What to expect from AMAR digital bank?

**Tunaiku:** The Digital Lending product that provides online-based unsecured loans in an easy and fast way. Tunaiku disburses loans at competitive interest rates compared to its competitors. With its technological capabilities, Tunaiku is expected to experience significant growth in the coming years, particularly in serving individuals and micro businesses (MSME), with over 400k MSMEs and more than 10 million installers already served.

**Senyumku:** The Digital Savings product allows customers to open accounts online and enjoy a wide range of banking features, including savings, deposits, interbank transactions, payments, and daily financial records. Senyumku experienced significant user growth in the last twelve months, hovering around 200% YoY.

The synergy between the platforms allows customers to apply for Tunaiku loans through Senyumku. In addition, Tunaiku customers can take advantage of Senyumku's features, including interbank transfers, top-ups, and bill payments. AMAR competitive business model, compared to its peers, focuses on serving MSMEs and retail consumers. This focus is further supported by Investree to enhance its banking capabilities and expand its customer base.

Figure 1: AMAR's multiple cores strategy



Source: AMAR

## Collaboration through embedded banking and financing has potential growth

AMAR has planned a new strategy for customer acquisition and expanding its value proposition through partnerships in embedded banking and financing. We see this strategy as having potential for growth and being essential for AMAR. Embedded finance is considered one of the most exciting and rapidly growing segments in fintech, providing easier access to financial services for both consumers and businesses

AMAR offers a seamless experience for users, fast and easy to implement into partner's apps. Provides banking capabilities through embedded banking and financing. AMAR collaborates with third parties to make financial products and services more accessible, enhancing the value proposition. It offers a variety of complementary products and services to strengthen customer retention. Additionally, AMAR utilizes innovative technology to connect financial platforms and provide added value for both companies and users.

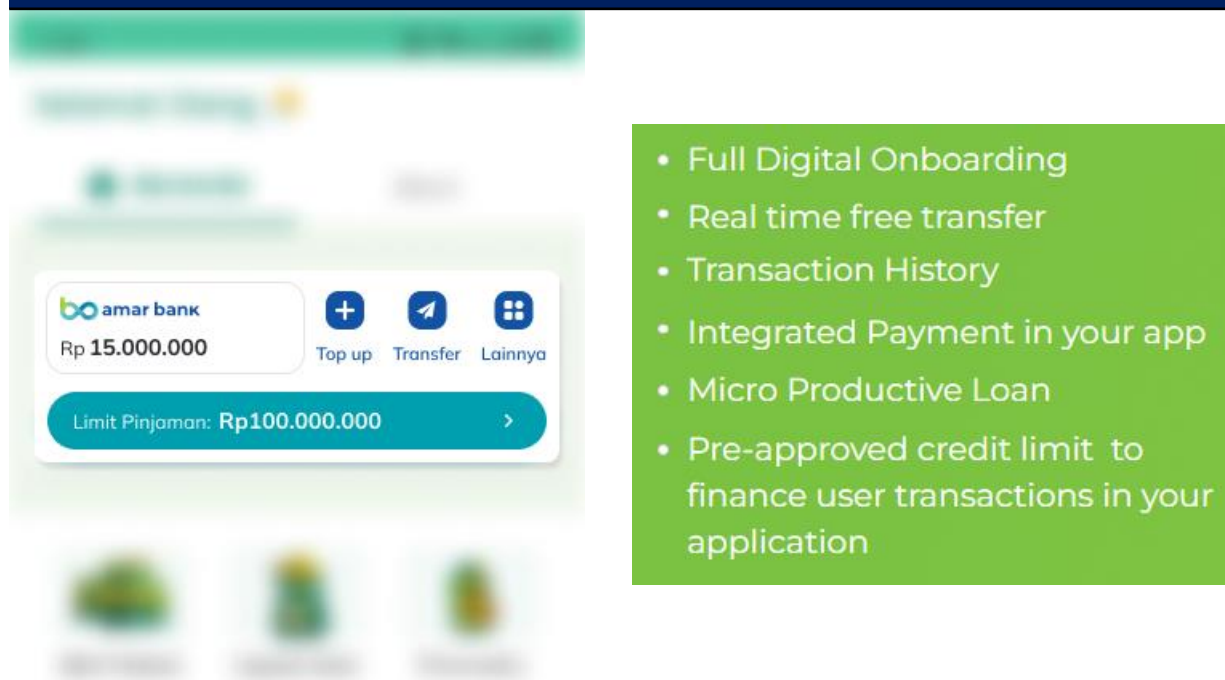
Embedded banking and financing product offerings:

- Built-in Banking Features: Account opening, transfers and transaction at partner's app. Full secured banking standard and 24/7 support for partner's customers.
- Built-in Configurable properties: Customise to suits partner's app brand guideline.
- Built-in Banking Standard Security: Using security standard from AMAR ensuring customer transactions and information is safe.
- Pre-approved Credit Limit for Platform Users: Using security standard from AMAR ensuring customer transactions and information is safe.

AMAR's embedded banking and financing serves the following industries:

- P2P
- Agriculture
- Logistic
- E-commerce
- Others

**Figure 2: Embedded banking widget**



Source: AMAR

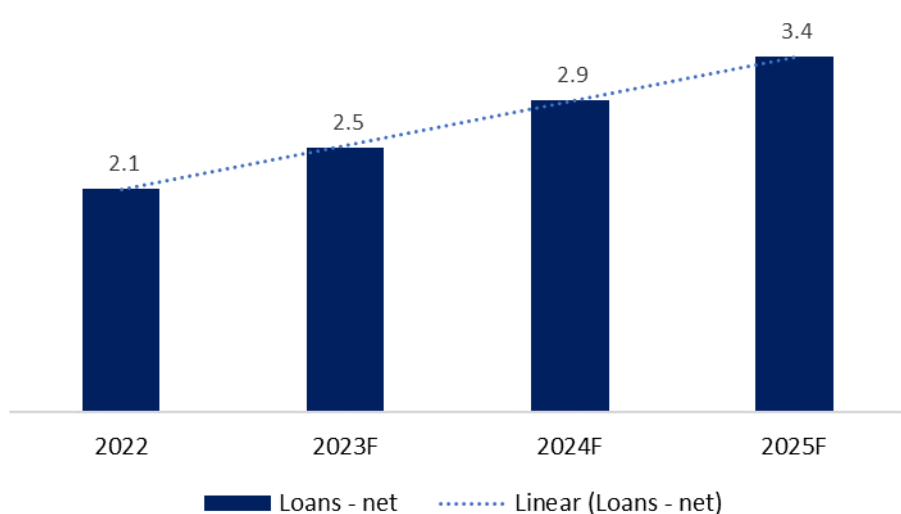
## Financial analysis and forecast

### Digital banking change cost structure and deposits composition

We expect AMAR loans to continue expanding from AMAR digital ecosystem and investree channeling through Tunaiku as flagship digital lending platform, especially with more significant growth on MSME and consumer loans as the bank is currently setting its foot on MSME and consumer loans. We project moderate loans growth would grow by CAGR 16.7% in 2022-2025F.

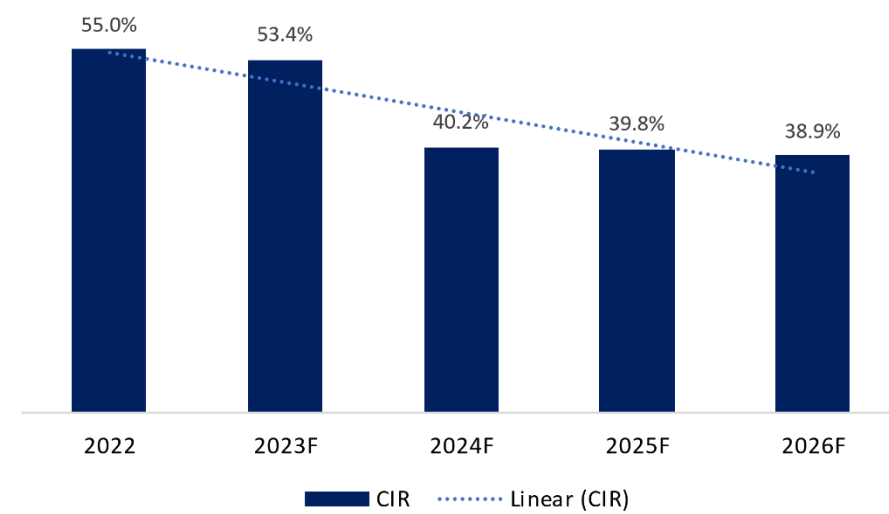
We believe that digital transformation helps in reducing operating costs and making the monetization of digital loans easier, while also making customer acquisition costs more manageable. This is one of the decisive factors for reducing the cost-to-income ratio (CIR). We expect AMAR's cost-to-income ratio to improve significantly in the coming years.

Figure 3: Loans trend (IDRtn)



Source: AMAR, Reli Research

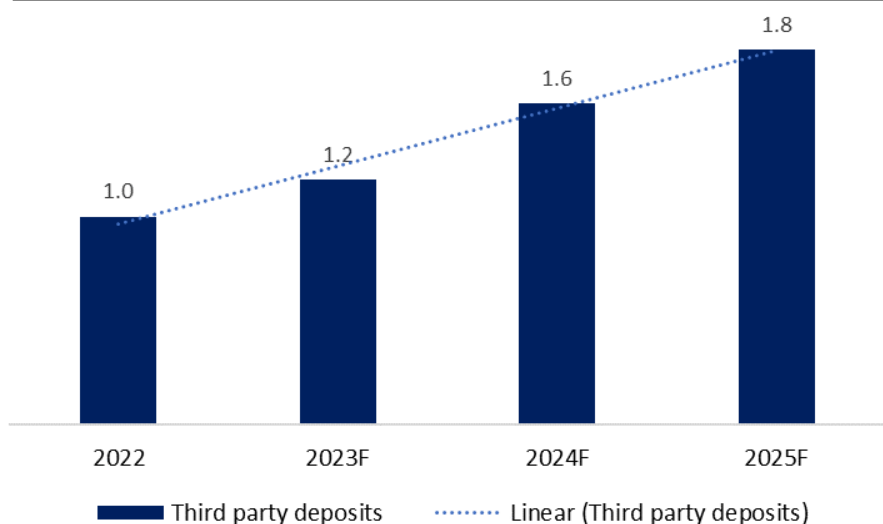
Figure 4: Cost to income ratio (%)



Source: AMAR, Reli Research

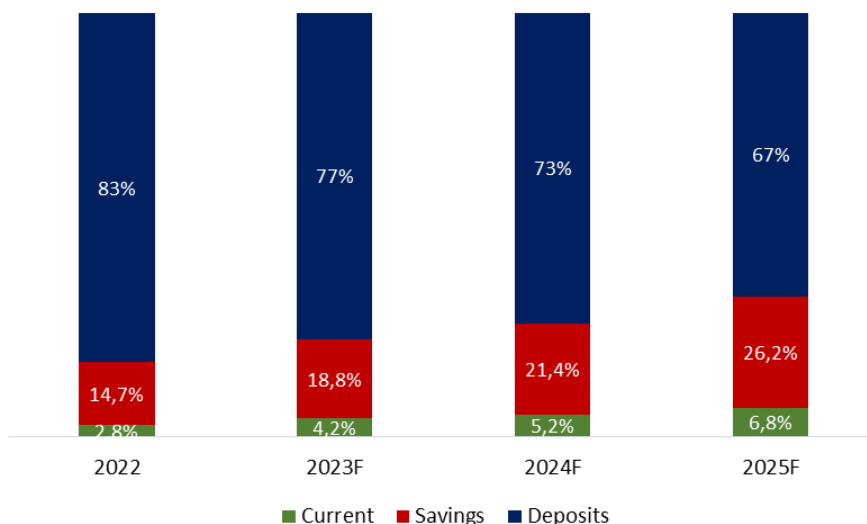
The company has improved the composition of low-cost deposits from third parties, which is a result of AMAR offering competitive deposit rates of up to 9% per annum through its platform Senyumku. Additionally, AMAR has lower leverage with liquidity came from equity instead of funding (after right issue) which total asset-to-total equity of 1.48x in 1Q23 (vs 1.42x in 4Q22 and before right issue of 1.69x in 3Q22). Hence, We project the cost of funds to be in the 7.0% - 7.7% range by next year.

Figure 5: Third party deposits (IDRtn)



Source: AMAR, Reli Research

Figure 6: Third party deposits composition (%)

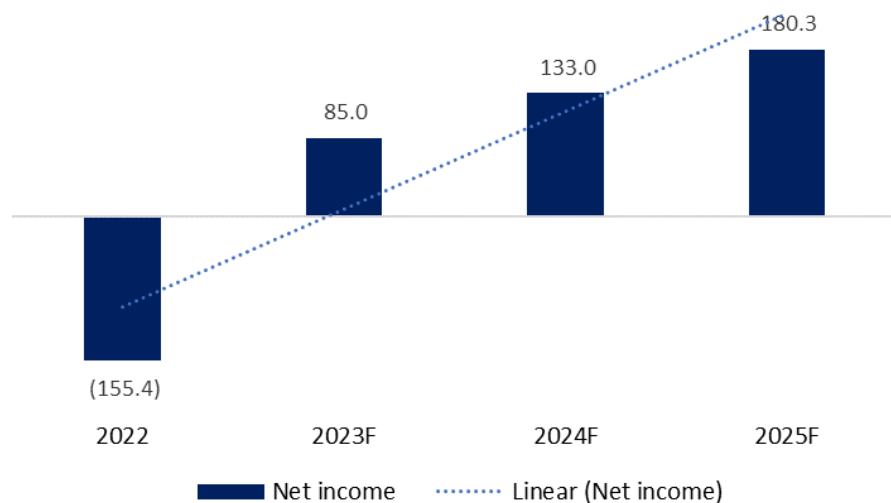


Source: AMAR, Reli Research

### Earnings outlook

We expect AMAR to regain its strength and achieve profitability in 2023, building upon its positive performance in 1Q23. The low interest expenses contribute to maintaining higher net interest income. Additionally, we expect AMAR to sustain a double-digit NIM in the coming years, primarily driven by MSME lending through its flagship application Tunaiku and the collaboration with Investree. Hence, we project a net profit growth CAGR of 45.7% from 2023 to 2025.

**Figure 7: Net income trends (IDRbn)**



Source: AMAR, Reli Research

### Valuation

We moderately forecast AMAR, which is beginning to revitalize its performance after the right issue. We believe that AMAR will sustain its growth through its innovative digital banking and financing solutions, leveraging the potential collaboration with Investree to enhance fee-based income and support MSME in Indonesia. In terms of valuation of AMAR, we use the residual income valuation model to arrive at a target price of Rp418 per share (see figure 8). This target price implies a PE ratio of 90.4x for FY23F and a PBV ratio of 2.4x for FY23F.

**Figure 8: Residual income valuation**

Residual income valuation	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	2036F	2037F
BVPS - Beginning of year	175	182	192	201	213	227	244	262	281	299	320	347	385	452	591
EPS	5	7	10	13	17	21	25	28	30	30	34	40	53	89	175
DPS	0	0	0	4	5	7	8	10	11	12	12	13	16	21	35
ROE	2.6%	4.0%	5.1%	6.5%	7.8%	9.3%	10.4%	10.8%	10.5%	10.1%	10.5%	11.6%	13.9%	19.6%	29.6%
Required Return	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
ROE - R (%)	-4.6%	-3.3%	-2.1%	-0.8%	0.5%	2.1%	3.1%	3.5%	3.3%	2.9%	3.3%	4.3%	6.6%	12.4%	22.3%
Residual income (ROE - R (%) x BVPS)	(8)	(6)	(4)	(2)	1	5	8	9	9	9	10	15	26	56	132
PV discount factor	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.4
PV of [(ROE - R)% x BVPS]	(8)	(5)	(3)	(1)	1	3	5	5	5	4	5	7	10	21	46
Beginning BVPS	175														
Sum of PV of residual income	95														
PV of terminal value	148														
<b>Target price</b>	<b>418</b>														

Source: Reli Research

**Figure 9: Residual income terminal year calculation**

Terminal year residual income	
Terminal year BVPS	731
Terminal ROE	30%
Excess return (terminal)	22%
Terminal year residual income	163
Residual income terminal persistence	7%
Terminal value	423
Time discount factor	0.4
<b>Residual income terminal value</b>	<b>148</b>

Source: Reli Research

**Figure 10: 3-Year P/B bands – currently trading at 1.8x**



Source: Reli Research

**Figure 11: Peers comparison**

Name	Ticker Code	Market Cap (Tn IDR)	Current P/B(x)
PT Bank Raya Indonesia Tbk	AGRO	17.7	5.2
PT Bank MNC Internasional Tbk	BABP	2.6	1.0
PT Bank Capital Indone Tbk	BACA	2.6	0.8
PT Bank Aladin Syariah Tbk	BANK	18.8	6.1
PT Krom Bank Indonesia Tbk	BBSI	13.2	4.3
PT Bank Neo Commerce Tbk	BBYB	5.8	1.6
PT Bank Jtrust Indonesia Tbk	BCIC	1.8	0.5
PT Bank Ina Perdana Tbk	BINA	24.4	7.2
PT Bank Bumi Arta Tbk	BNBA	1.9	0.4
PT Bank Victoria International Tbk	BVIC	1.5	0.4
PT Bank Oke Indonesia Tbk	DNAR	2.3	0.6
<b>Mean</b>		<b>8.4</b>	<b>2.6</b>
<b>PT Bank Amar Indonesia Tbk</b>	<b>AMAR</b>	<b>5.7</b>	<b>1.8</b>

Source: Reli Research

AMAR is currently trading at a P/B ratio of 1.8x which is below the mean or average P/B ratio of 2.2x. This is described as undervalued or trading at a discount. The market price of the company's stock is lower relative to its book value, indicating a potential opportunity for investors to acquire the stock at a relatively lower price.

AMAR is currently trading at a P/B ratio of 1.8x, which is relatively undervalued compared to the average P/B ratio of its peers at 2.6x.

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### Analyst Rating

**BUY** : Expected return of 2x Risk Free or more within a 12-month period  
**NEUTRAL** : Expected return between -1.9x and 1.9x Risk Free  
**SELL** : Expected return of -2x Risk Free or more within a 12-month period  
**NON-RATED** : Analysts do not express any trading recommendation

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