

PT Bank Amar Indonesia Tbk (AMAR)

Exemplary Performance and Strategic Initiatives

Reliance
Sekuritas Indonesia

Surpassing Estimates and Sustained Growth

Bank Amar Indonesia reported a net profit of Rp77.1 billion in 3Q23 (+52.4% QoQ and +191.0% YoY), translating to a 9M23 net profit of Rp162.2 billion, beating our estimate by a 191% run rate compared to our net profit projection for FY23F at Rp84.9 billion. Net Interest Income (NII) reached Rp243.4 billion in 3Q23 (+16.1% QoQ and +47.9% YoY), translating into 9M23 NII of Rp643.8 billion (+10.6% QoQ and +28.3% YoY), supported by robust loan growth of 15.6% YoY and lower interest expenses of Rp52.9 billion in 9M23 (-48.9% YoY). However, AMAR as digital bank book significant fee-based income growth especially from administration and penalty of Rp191.9 billion (+106.0% YoY).

Navigating CASA Growth in 3Q23

AMAR achieved a solid Net Interest Margin (NIM) of 18.8% in 3Q23 following a decrease in deposits (-38.3% YoY) to Rp828.3 billion, primarily due to a reduction in time deposits (-18.7% YoY) to Rp626.3 billion. The reduction in time deposits translated to lower interest expenses and boosted Net Interest Income (NII) by 28.3% YoY. However, we observe that time deposits remain a core funding source while CASA is growing, driven by AMAR's focus on increasing CASA through Amar Bank digital banking, which has reached 500,000 installations for cost-effective funding. We moderately estimate that CASA will grow at a 9.0% CAGR from 2023 to 2027.

Noteworthy Loan Growth and Prudent Lending Practices

Loan growth accelerated to Rp2.5 trillion in 3Q23 (+10.6% QoQ and +15.6% YoY), marking a significant improvement from -0.8% YoY in 2Q23 and aligning with our estimate of 14.9% YoY for FY23F, coinciding with a higher central bank rate. The drivers of loan growth in 3Q23 include productive loans and prudent lending, leading to AMAR's experience in the growth of MSME and corporate loans, constituting 87% in 3Q23 compared to 75% in 2022. Meanwhile, 'Tunaiku,' as the flagship online lending application, delivers a solid footprint for lending contributions, accounting for 57.9% in 3Q23—an equal footing compared to 81.5% in 3Q22. Our 5-year assumption for loan growth is set at 11.0% CAGR, driven by MSME and corporate loans.

Maintain Buy with TP at 418

We maintain Buy recommendation for AMAR with target price (TP) of Rp418/share, implying a 2024F PBV of 2.2x. Overall AMAR 9M2023 results were better than our expectation. We fine tuning our estimate FY23F-FY28F interest expenses as AMAR slimming funding structure especially time deposits and increase in CASA and reflecting our revised expectation for lower interest expenses following prudent loans. Key downside risks: change of regulatory, lack of technology awareness, lower/higher than expected.

Key Metrics

At price Rp320/share	2021	2022	2023F	2024F	2025F
Net interest income (IDRbn)	482.2	655.7	867.8	992.1	1,117.3
PPOP (IDRbn)	308.0	430.1	789.0	915.4	1,046.6
Net profit (IDRbn)	4.1	(155.4)	147.3	167.2	217.6
EPS (IDR)	0.2	(8.5)	8.0	9.1	11.8
BVPS (IDR)	58.0	172.8	180.7	189.8	201.6
P/E Ratio (x)	1,429.4	NA	39.9	35.2	27.0
P/B Ratio (x)	5.5	1.9	1.8	1.7	1.6
CIR (%)	55.0%	53.4%	37.3%	36.1%	35.1%
NIM (%)	11.8%	15.9%	21.5%	24.8%	26.3%
NPL (%)	1.7%	1.7%	-0.7%	-0.5%	-0.9%
ROA (%)	0.1%	NA	3.2%	3.6%	4.4%
ROE (%)	0.4%	NA	4.4%	4.8%	5.9%

Source: AMAR, Reli Research

BUY

(Maintain)

Target Price: IDR418

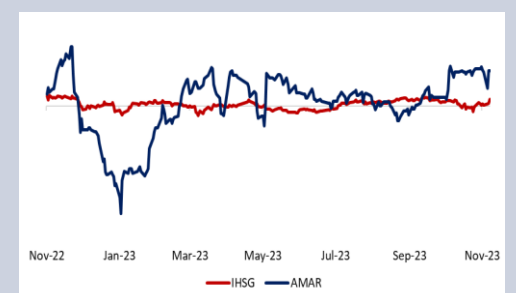
Upside : 30.6%

Last Price:	320
Ticker Code:	AMAR
Sector:	Financials
Sub Sector:	Banks
Shares:	18.4 bn
Market Cap:	Rp5.9 tn
1Y Low - High:	198 - 365

Major Shareholders (31 oct 23):

Tolaram Pte. Ltd	71.0%
Investree Singapore Pte Ltd	13.1%

Relative performance vs IHSG:



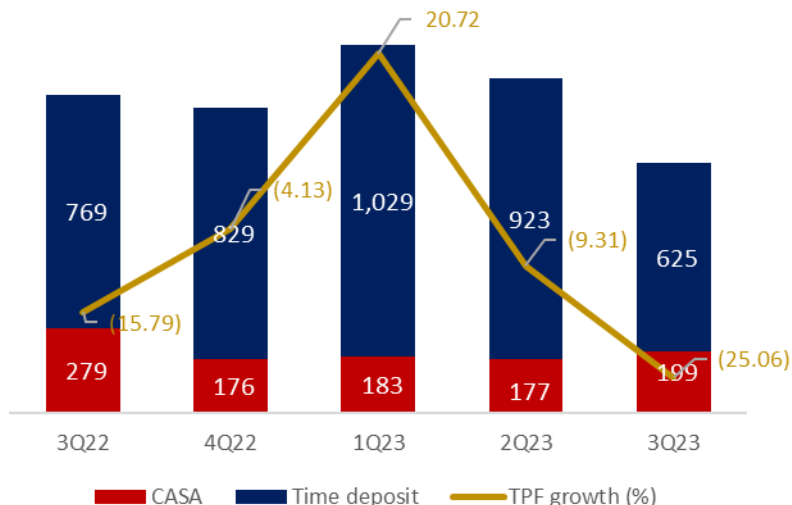
Brief Company Profile:

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 Amar Bank.

Lukman Hakim

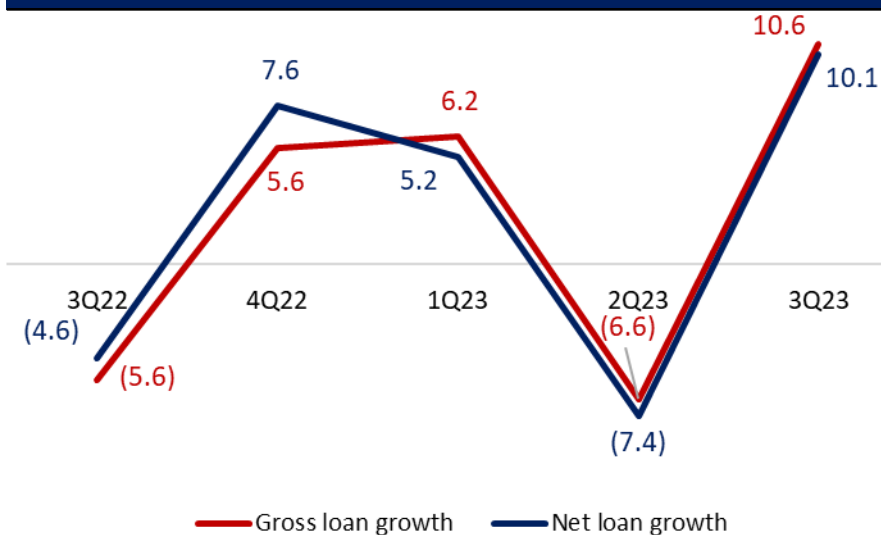
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Figure 1: TPF Breakdown (IDRbn)



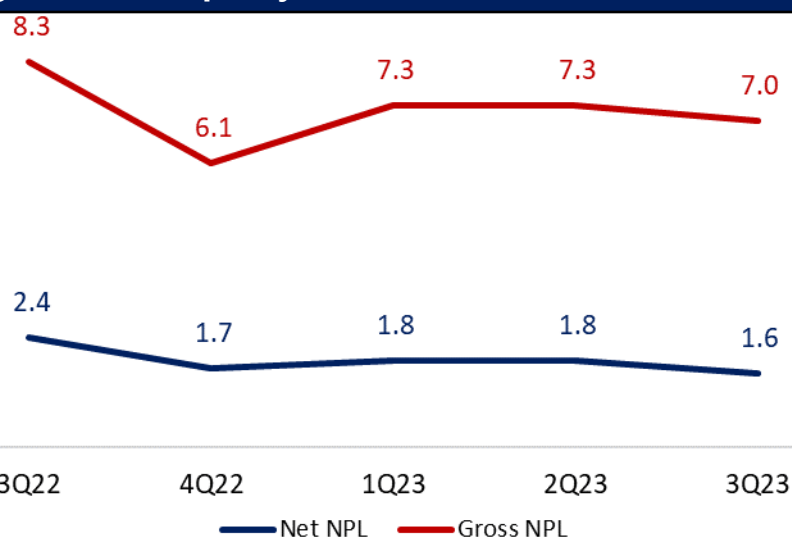
Source: AMAR, Reli Research

Figure 2: Loan growth (%)



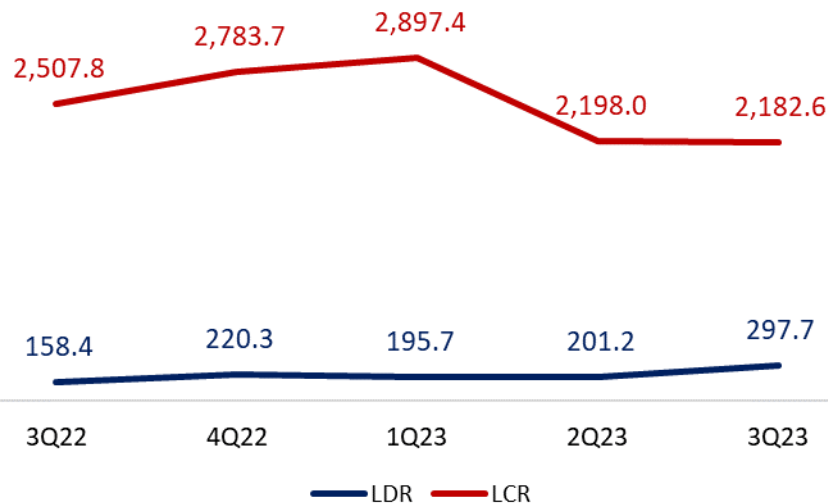
Sumber: AMAR, Reli Research

Figure 3: Asset quality (%)



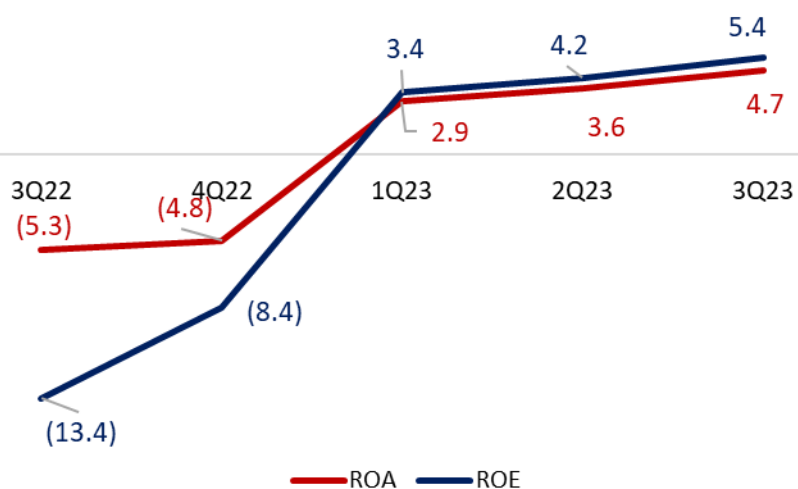
Source: AMAR, Reli Research

Figure 4: LDR and LCR (%)



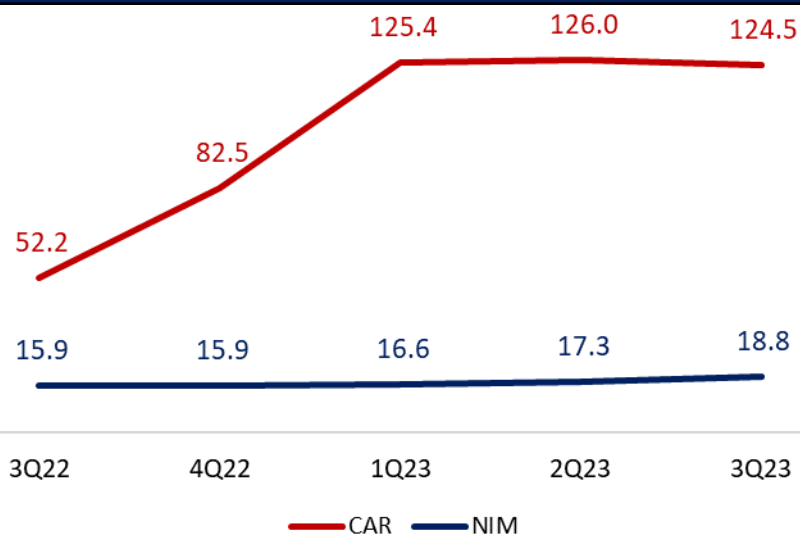
Sumber: AMAR, Reli Research

Figure 5: ROA and ROE (%)



Source: AMAR, Reli Research

Figure 4: NIM and CAR (%)



Sumber: AMAR, Reli Research

Figure 7: 3Q23 results

(IDRmn)	9M22	9M23	YoY (%)	3Q22	2Q23	3Q23	QoQ (%)	YoY (%)
Interest income	605,457	696,761	15.1%	189,166	228,992	258,581	12.9%	36.7%
Interest expenses	(103,614)	(52,923)	-48.9%	(24,622)	(19,234)	(15,145)	-21.3%	-38.5%
Net interest income	501,843	643,838	28.3%	164,544	209,758	243,435	16.1%	47.9%
Non-interest operating income	180,750	288,780	59.8%	59,360	71,277	124,411	74.5%	109.6%
Non-interest operating expense	(375,784)	(347,760)	-7.5%	(129,005)	(115,921)	(118,361)	2.1%	-8.3%
PPOP	306,809	584,858	90.6%	94,898	165,114	249,485	51.1%	162.9%
Provision expenses	(478,480)	(422,544)	-11.7%	152,605	114,430	172,573	50.8%	13.1%
Operating profit	(171,671)	162,314	194.5%	(57,707)	50,684	76,913	51.7%	233.3%
Net Profit	(172,867)	162,175	-193.8%	(84,775)	50,607	77,139	52.4%	191.0%

Source: AMAR, Reli Research

Figure 8: Summary of forecast changes

IDRbn	Previous			Current			Changes		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
Net interest income	918	1,070	1,205	868	992	1,117	-5.5%	-7.3%	-7.3%
PPOP	748	871	999	789	915	1,047	5.5%	5.1%	4.7%
Net Profit	85	133	180	147	167	218	73.3%	25.7%	20.7%

Source: Reli Research

Figure 9 : Peers comparison

Name	Ticker Code	Market Cap(Tn IDR)	Current P/B(x)
PT Bank Raya Indonesia Tbk	AGRO	13.1	1.9
PT Bank MNC Internasional Tbk	BABP	2.1	0.6
PT Bank Capital Indonesia Tbk	BACA	2.6	0.8
PT Bank Aladin Syariah Tbk	BANK	14.9	4.9
PT Krom Bank Indonesia Tbk	BBSI	13.4	4.2
PT Bank Neo Commerce Tbk	BBYB	3.3	1.0
PT Bank Jtrust Indonesia Tbk	BCIC	2.4	0.6
PT Bank Ina Perdana Tbk	BINA	25.6	7.3
PT Bank Bumi Arta Tbk	BNBA	2.5	0.8
PT Bank Victoria International Tbk	BVIC	1.4	0.4
PT Bank Oke Indonesia Tbk	DNAR	2.0	0.6
Mean		7.6	2.1
PT Bank Amar Indonesia Tbk	AMAR	5.9	1.8

Source: Reli Research

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 2.1x.

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



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 2.0x. This described as undervalued or trading at a discount..

Figure 11: 3Q23 results

Income Statement (IDRbn)	2020	2021	2022	2023F	2024F	2025F
Interest income	652	702	775	950	1,081	1,220
Interest expenses	(189)	(220)	(119)	(82)	(89)	(103)
Net interest income	463	482	656	868	992	1,117
Non-interest income	173	202	266	390	440	495
Total operating income	636	684	922	1,258	1,433	1,612
Operating expenses	(268)	(376)	(492)	(469)	(517)	(565)
PPOP	368	308	430	789	915	1,047
Provision expenses	(339)	(301)	(632)	(599)	(700)	(766)
Operating profit	29	7	(202)	190	216	281
Non operating income	(3)	(6)	(1)	(1)	(1)	(2)
Pretax profit	26	1	(203)	189	214	279
Taxation	(18)	3	47	(42)	(47)	(61)
Net profit	9	4	(155)	147	167	218

Balance Sheet (IDRbn)	2020	2021	2022	2023F	2024F	2025F
Cash	3	5	7	360	362	319
Current acc. With BI	67	77	127	72	85	91
Interbank placement	1,649	1,808	1,324	784	658	624
Marketable securities	557	760	720	684	554	474
Loans	1,624	2,243	2,110	2,444	2,891	3,304
Fixed Assets	26	28	24	29	34	41
Other assets	131	282	194	178	118	123
Total assets	4,058	5,203	4,505	4,550	4,702	4,975
Deposits	2,295	3,180	1,006	930	917	973
Others deposit	633	840	259	230	221	213
Borrowings	-	-	-	-	-	-
Others liabilities	63	117	63	68	75	83
Total liabilities	2,991	4,136	1,329	1,229	1,214	1,269
Capital stock	804	804	1,382	1,838	1,838	1,838
Add paid-in capital	226	226	1,916	1,457	1,457	1,457
Retained earnings	32	36	(119)	28	195	413
Others equity	6	1	(3)	(2)	(2)	(2)
Total equity	1,067	1,067	3,176	3,321	3,488	3,706

Growth (%)	2020	2021	2022	2023F	2024F	2025F
Net Interest income	-8.5%	4.2%	36.0%	32.4%	14.3%	12.6%
PPOP	-13.1%	-16.4%	39.6%	83.4%	16.0%	14.3%
Net profit	-86.0%	-52.1%	-3876.0%	194.8%	13.5%	30.1%
Loans	-14.1%	38.1%	-5.9%	15.8%	18.3%	14.3%
Total assets	17.5%	28.2%	-13.4%	1.0%	3.4%	5.8%
Deposits	27.9%	37.3%	-68.5%	-8.3%	-1.9%	4.2%
Total liabilities	26.0%	38.3%	-67.9%	-7.5%	-1.2%	4.6%
Total equity	-1.1%	0.0%	197.8%	4.6%	5.0%	6.2%

Source: AMAR, Reli Research

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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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