

# Bank Amar Indonesia Tbk. (AMAR)

## Getting Ready for the Next Battle

AMAR is one of the digital banks in Indonesia with a unique business strategy and segmentation. Although the performance in 2022 was less than optimal due to economic uncertainties both in Indonesia and globally, as well as the influence of a cautious and non-aggressive management policies, which helped AMAR to improve and strengthen its business lines. At the beginning of 2023, AMAR managed to turn around its loss in 1Q22 into profit in 1Q23, the Company managed to increase its Net Profit by +96.89% QoQ, bringing its profit in 1Q23 to IDR 34,429 B (1Q22: IDR -8,798 B; 4Q22: IDR 17,486 B).

### Improvements in AMAR's Performance and Assets Bring Favorable Results to Begin 2023

- AMAR's strategy in 2022, which is quite cautious and not too aggressive in executing digital bank growth, deserves an appreciation. AMAR is more focused on efficiency, especially on improving performance, enhancing product quality, slowing down and holding back the growth rate of lending through TUNAIKU. This improvement is reflected in the company's performance that managed to turn around in 1Q23.
- Significant efficiency is shown by the declining interest expense, especially interest expense from time deposits, which was quite suppressing AMAR's interest income year-on-year. Interest expense was successfully reduced to IDR 18,544B in 1Q23 (1Q22: IDR 48,037B). In addition, this efficiency can be seen from the improved operating income which grew 61.8% YoY to IDR 93,092B (1Q22: IDR 57,533B).

### TUNAIKU Still Has Wide Potential to Grow

- TUNAIKU is AMAR's flagship digital lending platform. As Amar Bank's main weapon on the loan and credit side, TUNAIKU's loan disbursement recorded a CAGR growth of 84% from 2015 to 2022. Although lending through TUNAIKU has been slowing down, it is a wise strategy for AMAR to improve its efficiency.

### SENYUMKU, Amar Bank's Weapon to Strengthen Funding Segment

- SENYUMKU is AMAR's main digital savings platform (Funding Segment). One interesting point to note about SENYUMKU is the competitive interest rate offered compared to other players. The future growth of SENYUMKU is interesting to observe, as the growth of CASA contributed by SENYUMKU is significant and exponential. It is expected that with SENYUMKU, AMAR will be able to obtain more low-cost funds and improve liquidity.

### Buy Recommendation with TP at IDR 392 (Upside Potential +39.01%)

- NHKS Research recommends BUY rating for AMAR, with target price of IDR 392 (+39.01% upside potential), where the valuation approach we use here is residual income valuation model. The things that support this call and recommendation are the better execution of Embedded Banking & Financing and growing loan growth. The risks of this call include macroeconomic instability, the number of loans disbursed is less than expected, cost increases and slow user growth as well as increasingly aggressive and competitive funding and lending competition in the financial industry, especially Loan Fintech and Digital Banks.

### Bank Amar Indonesia Tbk | Summary (IDR bn)

	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	775	1,137	1,423	1,679
Interest Income growth	10.3%	46.8%	25.1%	18.0%
Operating Revenue	922	1310	1564	1840
Net profit	(155)	110	177	242
EPS (IDR)	(12)	6	10	13
EPS growth	-	265.0%	60.6%	37.1%
BVPS (IDR)	236	179	183	187
Loan/Deposits	220%	202%	195%	185%
NPL	0.91%	0.95%	0.80%	0.70%
ROE	-4.9%	3.3%	5.3%	7.1%
ROA	-3.4%	2.2%	3.3%	4.2%
P/E	-24.9x	65.4x	62.4x	53.1x
P/BV	1.2x	2.2x	3.3x	3.8x
P/Op Revenue	4.2x	5.5x	7.1x	7.0x

Source: AMAR, Company Data, NHKSI Research

Source: Company Data, Bloomberg, NHKSI Research  
Please consider the rating criteria & important disclaimer

Initiation Report | 6 July 2023

## Buy

Target Price (IDR)	392
Consensus Price (IDR)	-
TP to Consensus Price	-
Potential Upside	+39.01%

### Shares data

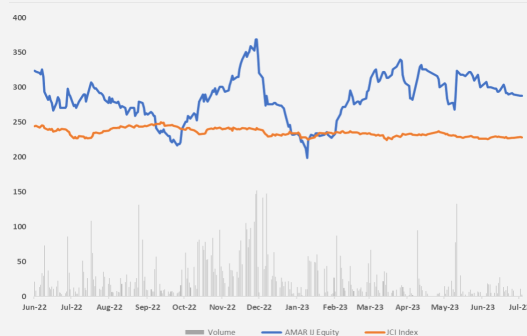
Last Price (IDR)	282
Price date as of	Jul. 5, 2023
52 wk range (Hi/Lo)	371 / 198
Free float (%)	27.43
Outstanding sh.(mn)	18,381
Market Cap (IDR bn)	5,514
Market Cap (USD mn)	367
Avg. Trd Vol - 3M (mn)	11.44
Avg. Trd Val - 3M (bn)	3.48
Foreign Ownership	82.14%

### Financial Services

#### Banking

Bloomberg	AMAR.IJ
Reuters	AMAR.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	23.1%	-11.1%	-10.6%	2.1%
Rel. Ret.	25.5%	-10.8%	-11.2%	6.6%

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**Brief History of Bank Amar Indonesia**

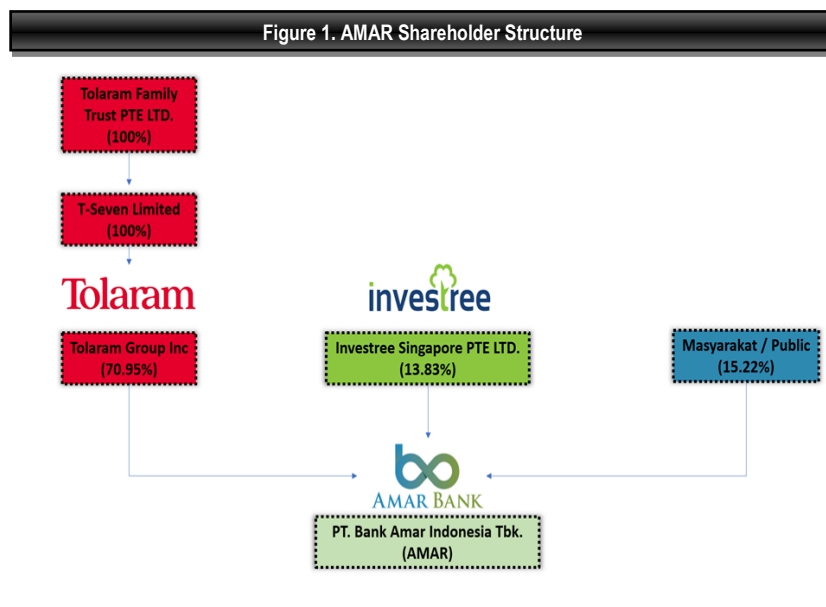
PT Bank Amar Indonesia formerly known as "PT Anglomas International Bank" was established on March 15, 1991. The Bank began its commercial operations on January 2, 1992. In 2014, the Bank changed its name to PT Bank Amar Indonesia.

On December 30, 2019, the Bank obtained an effective statement from the Chairman of the Financial Services Authority ("OJK") to conduct an IPO of 1,206,068,500 shares of the Bank to the public. The shares offered were derived from the existing shares of Tolaram Group, Inc. prior to the public offering. On January 9, 2020, Amar Bank effectively and legally became PT Bank Amar Indonesia Tbk and was listed on IDX with AMAR as its ticker.

On June 7, 2022, there was a sale of shares owned by Tolaram Group Inc. to Investree Singapore Pte. Ltd. with a total of 1,507,234,162 shares or 8.2% of the total issued and fully paid shares of the Bank. As for August 24, 2022, there was a sale of shares owned by Tolaram Group Inc. to Investree Singapore Pte. Ltd. with a total of 1,035,714,286 shares or 5.6% of the Bank's issued and fully paid shares. The Bank has successfully met the minimum core capital of IDR 3.1 trillion through the Right Issue / Limited Public Offering for Capital Increase by Issuing Pre-emptive Rights I & II ("PMHMETD I & II") which has been completed in the First and Fourth Quarter - 2022, where the funds will be used to strengthen the Bank's capital and liquidity position.

Currently, Amar Bank is part of the Tolaram Group with Tolaram Family Trust as the ultimate parent entity. The entry of Investree Group also makes Investree a significant minority shareholder in AMAR.

The following is the shareholder structure of AMAR:



*Source: AMAR, NHKSI Research*

Currently, AMAR positions itself as a digital bank that focuses on the retail, MSME and SME sectors with a technological approach. Amar Bank is a bank that uses a technology and application-based approach (FinTech Bank) in reaching its target market which has a mission to empower individuals and SMEs, especially those in need, particularly those in the underserved social economic class (underbanked) while at the same time providing security and trust like a bank in general. This is what makes Amar unique, as it dares to take steps to enter the underbanked-unbanked segment.

**Tolaram Group at A Glance:**

Tolaram Group is a Singapore-based multinational holding company founded in 1948.

The company, which began as a textile shop in Malang, East Java, is well known in various fields of endeavor and has a diversified business portfolio, including food and beverages, as well as industrial infrastructure and finance. In the food and beverage industry, Tolaram Group is known for its joint venture with Salim Group, to develop the Indomie market in West Africa. Tolaram also has a Joint Venture with Kellogg to develop the cereal industry in Africa. In addition, Tolaram Group also has a portfolio in the infrastructure and paper mill industries in Estonia.

As for finance, Tolaram Group has a significant portfolio in the banking and financial services sector. Apart from Amar Bank, Tolaram has also invested in Click Cash, a digital lending platform in Brazil and a P2P Loans platform called Income in Estonia.

**Unlocking Growth Potential by Focusing on Micro and SME Business Segments (MSME) with Embedded Banking & Financing**

It is interesting to talk about the digital bank business model and AMAR's position on it. Some of the better known digital banks in Indonesia mostly focus on the integration of the digital ecosystem, such as Jago (ARTO) with GOTO, Bank Neo Commerce (BBYB) with Akulaku, Seabank with Shopee. Other better known digital banks focus on service development and product innovation and lifestyle segment, such as OCBC NISP with Nyala, TMRW by UOB, Jenius by BTPN, Digibank by DBS. However, AMAR is pursuing a different strategy by taking a different pie and market share from other players, where it caters to the unbanked and focuses on the micro and SME segments. The new digital bank player that seems to be focused and dominant in this sector is Bank Raya (AGRO).

**Figure 2. Digital Banking Business Model and Rivalry Map**



Source: Finantier, NHKSI Research

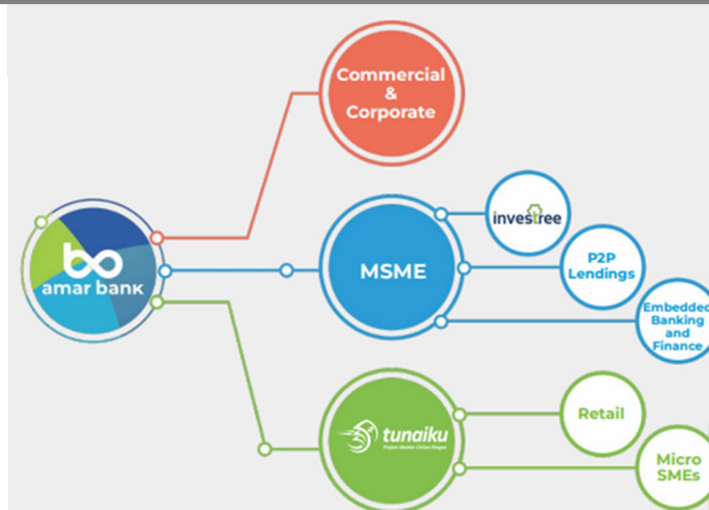
One of the strategies used by AMAR and will be the focus of AMAR in the future to expand its value proposition while opening up the potential for acquisition of new customers (NTB) is a collaboration and partnership strategy through Embedded Banking & Financing.

This collaboration strategy has been quite successful with the inclusion of Investree as a minority shareholder and strategic partner with a significant portion, where in the future it is expected that AMAR's penetration through Investree will open a new segment cake as well as increase growth to the SME segment and increase massive credit growth in this segment. In the future, it is hoped that similar collaborations can occur and be established with other P2P industries to open up new potential segments to develop Amar Bank.

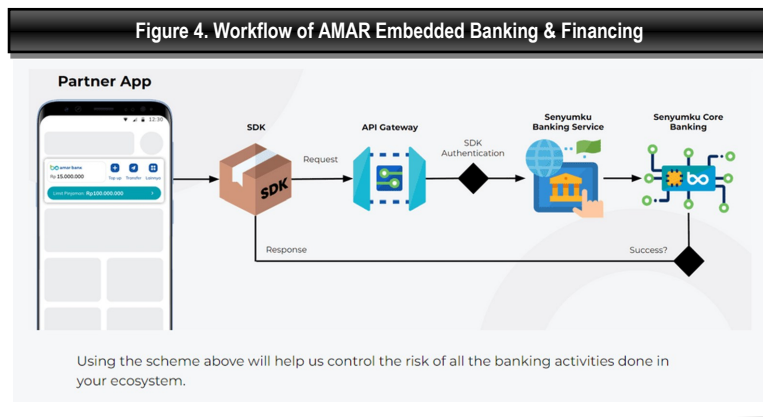
Amar Bank will focus on becoming one of the first digital banks to dedicate its business to serving the Micro and SME industry segments. This can be seen from the implementation of the Embedded Banking & Financing strategy going forward. Embedded Banking & Financing here refers to the implementation, injection and incorporation of banking services (such as savings, deposits and loans etc.) into platforms, other third-party applications such as online marketplaces, e-commerce or ride-hailing and even other types of application business models. This strategy has been implemented by many other fintechs. In an increasingly digitally connected world, Embedded Banking & Financing allows users to access banking services and conduct financial transactions without having to leave the app or platform they are currently using.

With this strategy, it is expected to enable the experience of users whose applications are connected to Embedded Banking & Financing to manage their finances more efficiently, as well as convenience and ease of access for users. They no longer need to switch between different applications or platforms to conduct financial transactions. In addition, Embedded Banking & Financing also enables the creation of a personalized user experience, where data and information from non-bank applications can be used to offer banking products or services that suit users' individual needs and preferences. With the Embedded Banking & Financing concept, it is expected to increase customer acquisition and increase added value for AMAR.

**Figure 3. AMAR Strategy (Multiple Cores Focusing on MSMEs)**



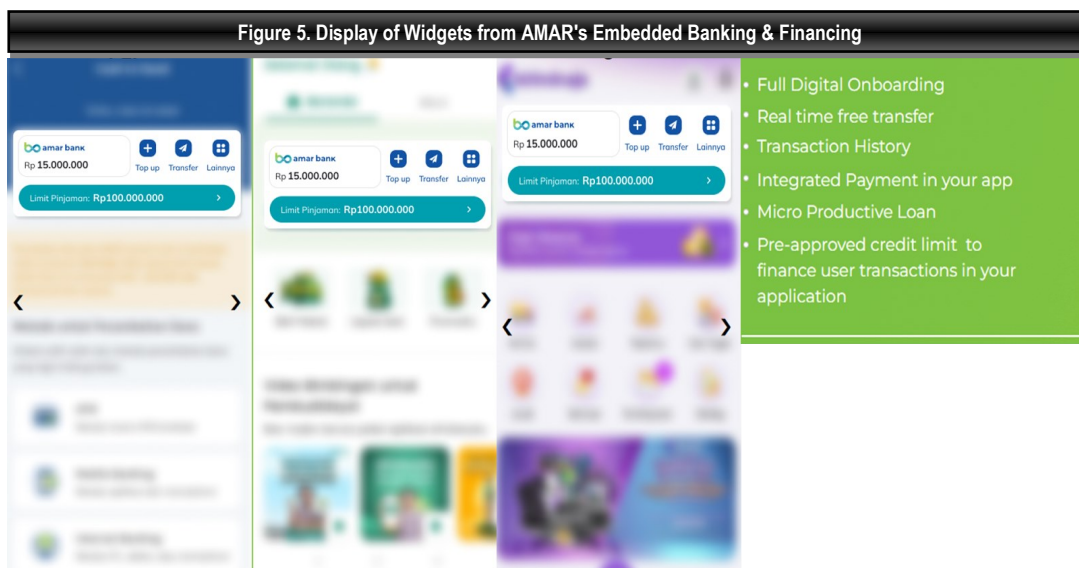
Source: AMAR, NHKSI Research



Source: AMAR, NHKSI Research

Embedded banking and financing currently developed by Amar Bank offers the following services:

- A. 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.)
- B. Built-in Configurable properties (Customise to suits partner's app brand guideline.)
- C. Built-in Banking Standard Security (Using security standard from AMAR ensuring customer transactions and information is safe.)
- D. Pre-approved Credit Limit for Platform Users (Using security standard from AMAR ensuring customer transactions and information is safe.)



Source: AMAR, NHKSI Research

The Embedded Banking and Financing feature has now been entered and launched into one of AMAR's partners, **Investree**. As for current developments, AMAR is exploring a partnership and Embedded Banking & Financing with one of the startups engaged in the **Aqua-Tech** industry.

In addition to Embedded Banking and Financing aimed at the SME industry, AMAR will still focus on working in the retail segment where AMAR's position is to enter the retail segment, especially targeting the unbanked-unbankable and the micro industry through AMAR's flagship product, **TUNAIKU**, which is the main growth driver of Amar Bank.

**Partnership with Investree and the SME Segment Potential**

Investree is one of the financial technology companies in Indonesia with a simple mission to act as an online marketplace that brings people and businesses who have funding needs together, with those who are willing to lend their funds. Investree's role is not only to increase the revenue and earnings of lenders, but also to make loans more affordable and accessible for borrowers.

As of June-August 2022, Investree is one of the minority shareholders and strategic partners of AMAR. This is an interesting collaboration, where Investree is one of the P2P lending platforms that holds quite a market share for P2P to the SME industry in Indonesia.

The collaboration and partnership with Investree is expected to open a new business segmentation from AMAR. Although these two financial institutions have similarities, in that they rely on digital platforms as the main component in their business to serve customers, these two industries have different segmentations regarding the focus of the loan objectives to be channeled. AMAR previously focused more through TUNAIKU to provide loans to the micro sector, as well as retail/individuals who fall into the unbankable and unbanked categories. Meanwhile, Investree is one of the players with lending aimed at the small and medium industry (SME) business sector. With the collaboration of Investree as a minority shareholder, it is expected to increase added value for Amar Bank while opening up expansion opportunities to work on the SME sector, expand the ecosystem and increase lending more massively and drastically. Currently, in the Investree application, the Embedded Banking & Financing feature has been integrated and launched in the application.

From 2016 to 2017, loans from the institutional/corporate segment still dominated AMAR's total loans. As of 2016-2017, AMAR was in its early stages of building TUNAIKU. Looking at the current position, 49.38% of AMAR's total loans disbursed during 2022 were loans disbursed to the Micro sector. The Small and Medium Enterprise (SME) segments account for 0.04% & 4.44% of total loans disbursed, respectively. This is quite an interesting thing to note, where based on these figures, the opportunity to develop business, especially lending / credit distribution to the SME segment is still broad.

The MSME (Micro, Small-Medium Enterprise) industry segment in Indonesia is recorded at 65.5 million units, based on data from the ASEAN Investment Report. Unfortunately, the exposure to credit is still quite limited, where only 18% received credit distribution and services. It is predicted that the amount of credit or financial services to MSMEs in increasing their business expansion will be predicted to grow up to 30% in 2024.

Figure 6. Investree Logo and Business Model



Source: Investree, NHKSI Research

**TUNAIKU and SENYUMKU, the Key Weapons for Amar’s Digital Bank**

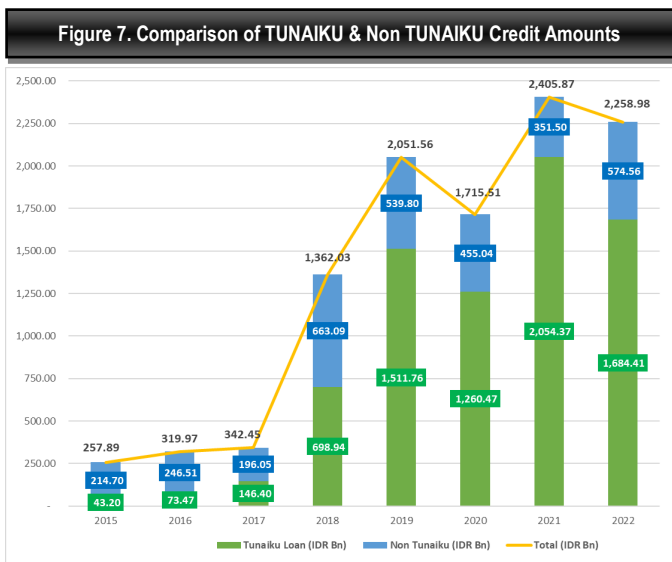
Amar Bank's position as one of the digital bank players in Indonesia is quite unique, where the focus of their segment besides individuals is on underbank-unbanked customers as well as the micro and SME business industry. Interestingly, the position in this segment is only occupied by Bank Raya (AGRO) and several other digital banks have not really focused on this segment. Talking about digital banks, it would be incomplete if we haven't discussed Amar Bank's main weapons and engines in penetrating the Indonesian market. The two main digital products from Amar Bank are as follows:

**A. TUNAIKU, a Digital Platform for Digital Lending and Lending segment**

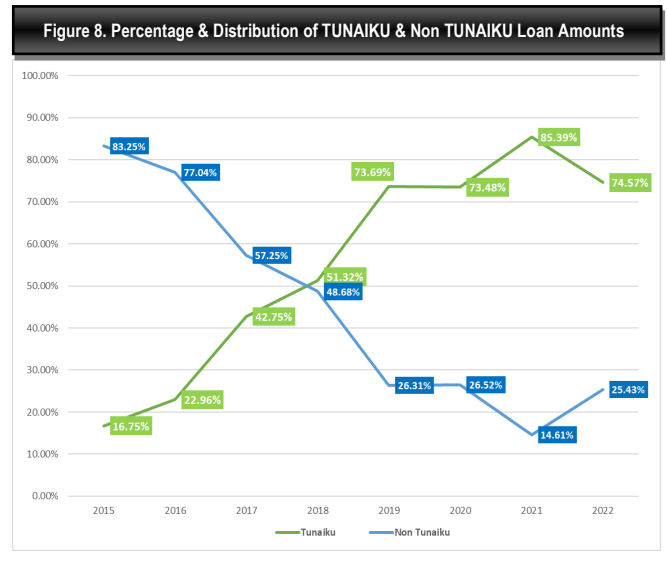
TUNAIKU is the main flagship product of Amar Bank, a digital platform engaged in the digital lending segment (Online Lending) where TUNAIKU provides online loans without collateral or more commonly known as KTA (Unsecured Loans). TUNAIKU has been operating since 2014 and is one of the pioneers in Online KTA. The segment focus of TUNAIKU is individuals, especially those who fall into the unbankable/unbanked category and micro businesses, where as of now, TUNAIKU has served credit distribution to 400K MSMEs with the number of application downloaders exceeding 10 million users. The amount of credit disbursed through TUNAIKU since its launch until now has been more than IDR 9T.

Regarding loans disbursed by TUNAIKU, the nominal value is in the range of IDR 2 million-IDR 20 million, with an interest rate in the range of 2-5% flat per month, along with an administration fee of IDR 540,000 and tenor payments in the range of 6-20 months (Fixed Installments).

As of 2022, Amar Bank's loan disbursement was mostly done through the TUNAIKU platform, which accounted for 74.57%. With the tagline "Pinjam Mudah Cicilan Ringan" (Easy Loans, Low Installments), and the support of technology and data analytics, the lending process through TUNAIKU is quite easy and fast. Along with fairly easy requirements, where creditors can get quite competitive interest rates when compared to competitors.



Source: AMAR, NHKSI Research



Source: AMAR, NHKSI Research

It can be seen that the amount of credit disbursed by TUNAIKU is very aggressive.

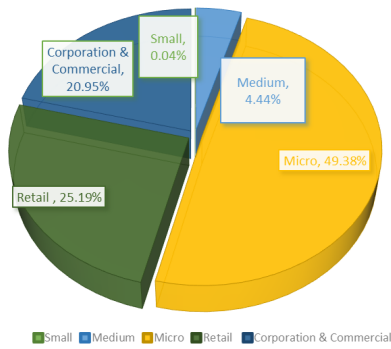
It is also interesting to note that the amount of credit disbursed through the TUNAIKU platform covers 70-80% of the credit disbursed by Amar Bank from 2019 to 2022. With such an interesting number, TUNAIKU is the main growth engine of Amar Bank to increase profitability in the future, as well as the main income generator of Amar Bank.

From the amount of credit disbursed by TUNAIKU, especially in 2022, there was a decrease in lending, which is the overall total credit and TUNAIKU. Overall loans disbursed decreased by -6.11% YoY to IDR 2,258T (FY2021: IDR 2,405T). Nominal loans disbursed through TUNAIKU also decreased by -18.01% YoY to IDR 1,684T in 2022 (FY2021: IDR 2,054T). This was due to the unstable geopolitical situation in 2022 as well as the economic condition in Indonesia, Amar Bank decided to take a very cautious and non-aggressive approach. This led to a decrease in lending, which led to a decrease in revenue as well as maintaining the cost base.

During 2022, AMAR focused on improving and enhancing the service of TUNAIKU and other products. Despite the braking and curbing of lending by Amar Bank, this strategy was a wise one as Amar successfully focused on efficiency. This approach seems to be working and has been quite successful with the turn-around of AMAR's Net Profit results in 1Q23, while starting 2023 with growth that is expected to be sustainable and stable.

If we refer to the segment of AMAR's loan target, the micro segment still occupies the largest portion of the distribution, where 49.38% of the total loans disbursed are contributed by this segment. TUNAIKU's room for growth is still quite expansive, as well as the Small and Medium Enterprise segment, which is still below 5%.

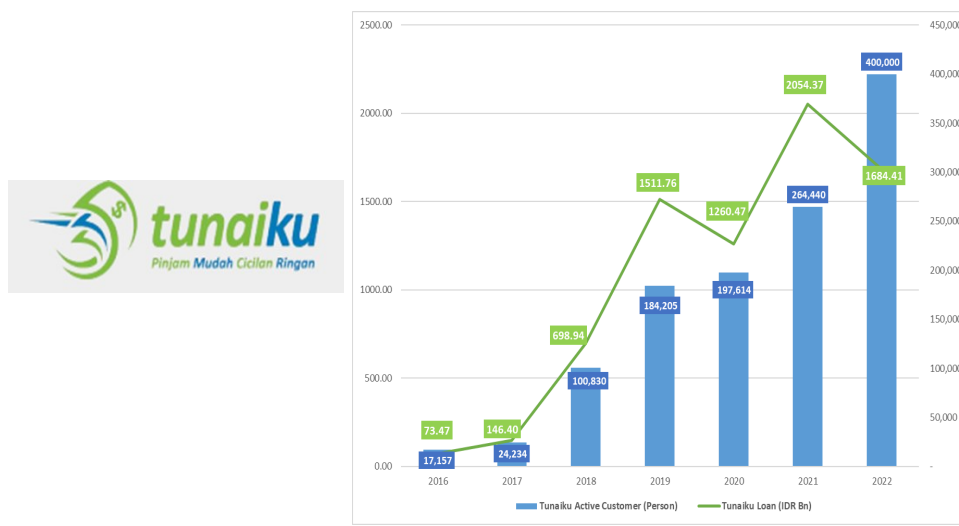
Figure 9. Segment Distribution of AMAR Debtors (As of Dec-22)



Source: AMAR, NHKSI Research

The amount of TUNAIKU loan disbursement has experienced an average annual growth of 84% from 2015-2022. This growth can still continue, considering TUNAIKU's product is quite user-friendly and friendly to users. It is important to note that the retail and micro segmentation has the potential for growth in Indonesia that can still be worked on more broadly.

Figure 10. Logo & Number of Active Users vs TUNAIKU Credit



Source: AMAR, NHKSI Research

**B. SENYUMKU, Digital Platform for Digital Savings Segment (Rebranded as Amar Bank as of June 2023)**

SENYUMKU is Amar Bank's flagship product, which is a digital/online savings account where users can enjoy other banking features such as Savings, Deposits, Interbank Transactions, Payments, and Daily Financial Records to manage finances easily and in detail within one application. The mission of SENYUMKU is to help customers build the habit of saving and managing finances easily and in detail within one application.

One of SENYUMKU's flagship features is the Celengan savings account, which helps to shape customers' saving habits by facilitating the financial goal posts that users want to achieve. At the same time, as with most digital banks, customers can also enjoy the benefit of 5.5% interest per year, which is disbursed daily and can be withdrawn at any time. The SENYUMKU App also launches features that are quite popular in the banking world such as QRIS payments, debit cards, in addition to the previously launched transaction fee-free and e-wallet top-up features.

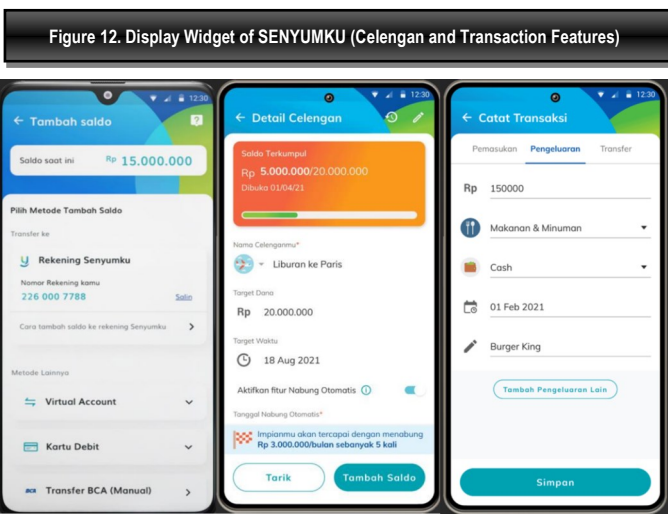
In addition to Celengan, another interesting SENYUMKU product is SENYUMKU Deposit, where customers can receive an interest rate of up to 9% per annum. SENYUMKU Deposit has a low initial deposit, starting from IDR 100,000 with a choice of 1-36 months period, so this can be an option for customers to diversify their portfolio in investing with the unique features offered.

The following is a comparison of interest rates, product types from several digital banks in Indonesia.

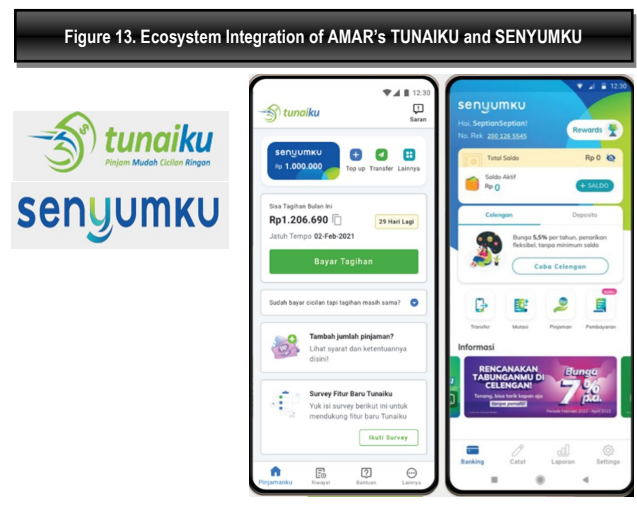
**Figure 11. Comparison of Deposit Interest Rates of Other Several Digital Banks**

Bank Name	Product Type	Saving Rate (p.a)	Remarks
Amar Bank (Senyumku)	Celengan	5.50%	
	Deposito Senyumku	9.00%	
Neo Commerce (BBYB)	Neo NOW	5.00%	Saving Rate
	Neo NOW Deposito	5.5%-8.00%	Mulai dari 7 hari hingga 1 tahun, minimal top-up IDR 100K
Bank Jago (ARTO)	Saving Pocket	3.75%	Minimum Balance IDR 100K
TMRW by UOB	TMRW Saving Account	4.00%	Saving Account, Sewaktu-waktu bisa diambil
	TMRW Power Saver	4.00%	Term Deposit
SeaBank	Saving Rate	4.00%	Saving Rate
	Term Deposit	6.00%	Term Deposit
LINE Bank by Hana Bank	Term Deposit	6.00%	Min Balance IDR 1 mio - IDR 500 mio
	Term Deposit	5.00%	Above IDR 500 mio
Blu By BCA	bluSaving / bluGether	3.00%	-
	bluDeposit	3.50%	Minimum Balance IDR 1 mio
		3.75%	Minimum Balance IDR 10 mio
		4.00%	Minimum Balance IDR 100 mio

Source: Various Respective Companies, NHKSI Research



Source: AMAR, NHKSI Research



Source: AMAR, NHKSI Research

As of December 31, 2022, the number of active users for SENYUMKU grew by 513%, the number of SENYUMKU downloaders also increased significantly by 317% and the amount of third-party funds raised by digital channels from customers increased by 89% compared to 2021. Up to this point, the number of SENYUMKU users has increased by 221% and third-party funds have increased by 40% since its launch.

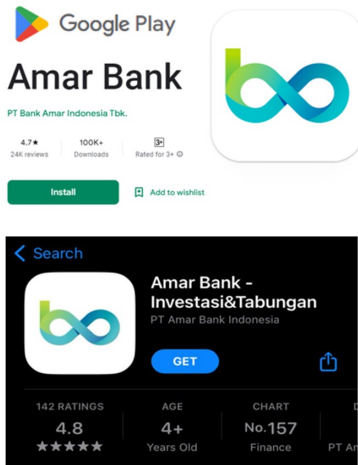
Currently, Amar Bank will focus on liquidity management and growth of digital Third Party Funds (DPK) collection through SENYUMKU application to reduce the cost of fund. At the same time, most customers also prefer to use digital platforms for banking services that are faster, easier, more practical, with affordable costs, and easy access anywhere and anytime. The presence of SENYUMKU is one of Amar Bank's answers to create funding products that are competitive in the digital bank market, as well as feasible to compete with other banks.

How is the synergy between the ecosystems in Amar Bank? This, of course, becomes a question. SENYUMKU and TUNAIKU are integrated with each other. Through SENYUMKU, customers can apply for a TUNAIKU Loan using the SENYUMKU application. TUNAIKU customers/users who use the SENYUMKU App can take advantage of SENYUMKU features such as interbank transfers, top-ups and bill payments (SENYUMKU Widget). TUNAIKU loan disbursement can also be disbursed in real time and linked to the SENYUMKU account.

Going forward, AMAR will expand its TUNAIKU and SENYUMKU services outside of Java, and it is expected that this organic growth will drive AMAR's performance even further.

As of early June 2023, the SENYUMKU app has been rebranded as Amar Bank on both the App Store and Google Play.

Figure 14. Rebranding SENYUMKU into Amar Bank



Source: AMAR, NHKSI Research

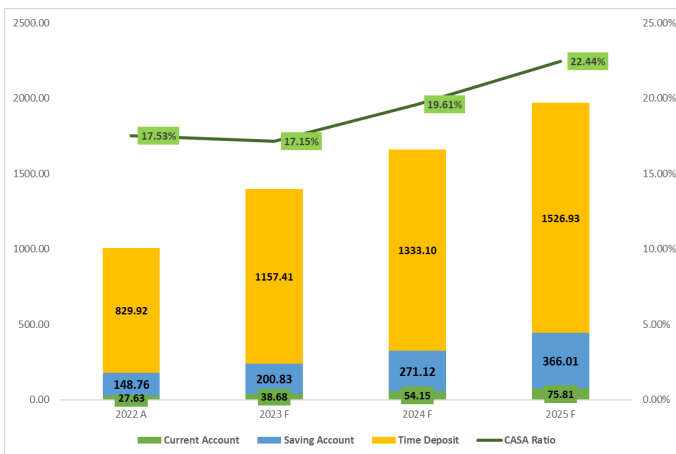
Figure 15. TUNAIKU, SENYUMKU and AMAR Office Network Service Coverage Area



Source: AMAR, NHKSI Research

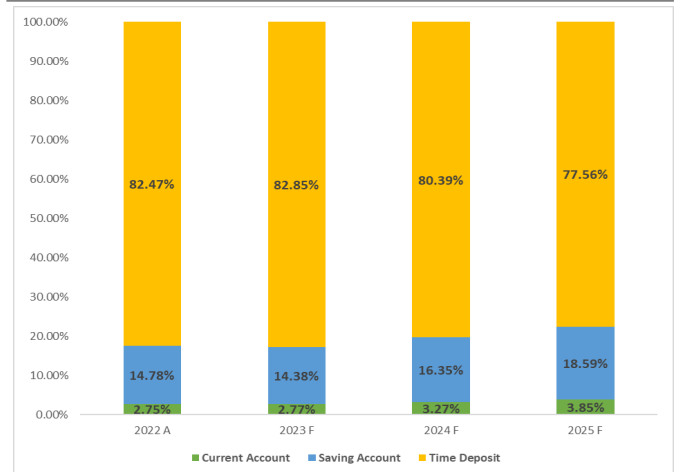
One of the benefits of Amar Bank's SENYUMKU is to increase the proportion of CASA (low-cost funds) to total deposits. AMAR's DPK structure is dominated by time deposits. With the presence of SENYUMKU, it is expected that the increase in low-cost funds will increase AMAR's deposits as well as increase AMAR's CASA ratio, so that the increase in low-cost funds through SENYUMKU will increase the liquidity of Amar Bank. We project the growth of CASA Ratio as well as the development and growth of AMAR's deposits until 2025 in the chart below.

Figure 16. Amar Bank's deposits, CASA and CASA Ratio (deposits in IDR Bio)



Source: AMAR, NHKSI Research

Figure 17. Structure and Composition of Third Party Funds from AMAR



Source: AMAR, NHKSI Research

## Valuation of AMAR

### Residual Income Valuation Model

We do not use the Gordon Growth Model (GGM) here, as there is no certainty in the future regarding the amount of dividends that will be paid by AMAR. However, we calculate AMAR's valuation using the residual income valuation model. The assumptions and forecasts that we use are not aggressive, but rather focus on stable and moderate growth. Based on this valuation, AMAR has a target price obtained from the residual income model of **IDR 392 which implies 2.18x 2023F P/B** in this position, with an upside potential of 39.01% from the current price.

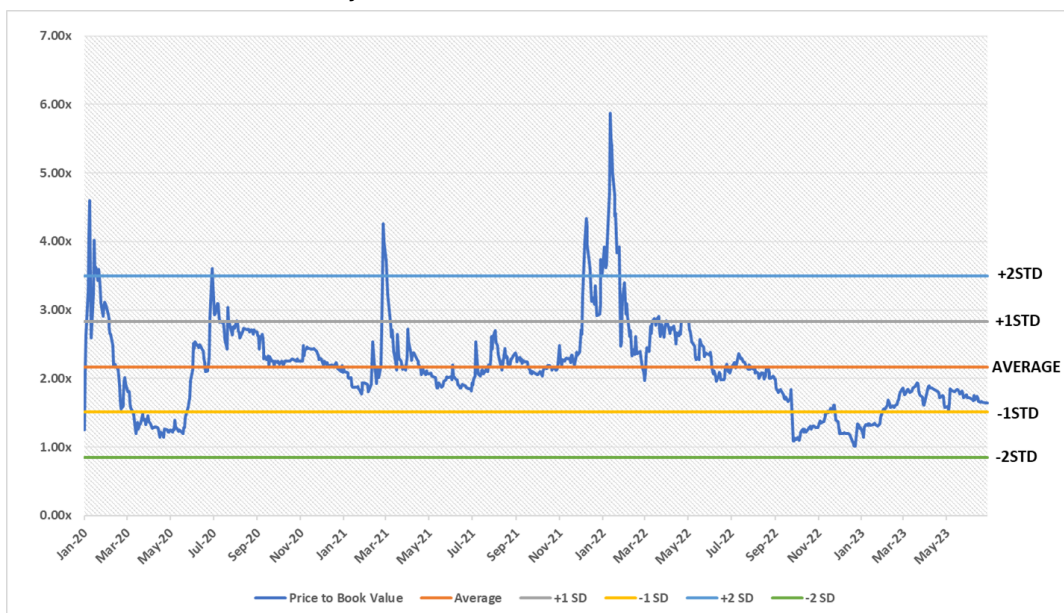
	2023 F	2024 F	2025 F	2026 F	2027 F	2028 F	2029 F	2030 F	2031 F	2032 F	2033 F	2034 F	2035 F	2036 F	2037 F
BVPS Beginning Year	179	183	187	191	199	202	210	216	221	235	246	251	262	278	300
EPS	6	10	13	18	25	29	37	42	48	62	72	78	88	105	127
DPS	0	0	0	0	8	10	12	14	16	21	24	26	29	35	42
ROE beginning BV[ROE]	3.3%	5.2%	7.0%	9.3%	12.8%	14.3%	17.5%	19.5%	21.6%	26.3%	29.4%	30.9%	33.7%	37.6%	42.2%
Required Return [R]	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%	13%
ROE - R	-9.2%	-7.3%	-5.5%	-3.2%	0.3%	1.8%	5.0%	7.0%	9.1%	13.8%	16.9%	18.4%	21.2%	25.1%	29.7%
Residual Income (ROE - R% x BVPS)	(16.5)	(13.4)	(10.3)	(6.2)	0.6	3.6	10.5	15.1	20.2	32.5	41.4	46.1	55.5	70.0	89.4
Discount Rate	1	0.9	0.9	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4
PV of ROE - R x BVPS	(16.5)	(12.0)	(9.3)	(5.0)	0.5	2.8	7.3	10.6	12.1	19.5	20.7	23.1	27.8	28.0	35.8

### Terminal Value

Terminal Value BVPS	385
Terminal ROE	30%
Required Return	13%
Terminal Year Residual Income	67
Residual Income Persistence	18%
Present Value of RI Terminal Value	67
Beginning BVPS	179
Sum of PV Residual Income	145
PV of Terminal Value	67
Total	392

Source: NHKSI Research

### P/BV Historical Standard Band Analysis



When referring to Historical PBV, AMAR's current valuation is below the average PBV of the last 3 years, where AMAR is currently trading at a fairly attractive valuation which is in the range between its AVERAGE to -1 STD and therefore AMAR is fairly discounted.

## Valuation of AMAR

### Valuation Comparison and Peer to Peer Analysis

We attempt to pick a few Banks in Indonesia that are in the KBMI I category in Indonesia as some samples to compare with AMAR.

The peers can be seen in the data below:

#### Indonesia Bank KBMI I

Ticker Name	Market Cap (IDR Bn)	Total Asset (IDR Bn)	Gross Loan (IDR Bn)	Int. Income LTM (IDR Bn)	Net Profit LTM (IDR Bn )	Net Profit Growth LTM	ROE (LTM)	P/E LTM	P/BV
BACA	2,673,705	20,628,501	2,885,539	336,834	32,639	-6.1%	1.2%	48.7x	0.8x
BABP	2,700,733	16,862,363	10,199,866	1,043,911	66,131	266.6%	2.2%	38.8x	0.8x
BBSI	12,567,554	3,313,590	828,249	166,647	79,403	-0.6%	3.1%	145.8x	3.7x
BCIC	1,919,652	33,617,390	19,531,947	1,517,907	160,580	-	5.0%	11.5x	0.5x
BINA	24,232,131	20,552,736	9,749,245	1,003,727	207,929	502.2%	7.3%	113.5x	7.2x
BNBA	2,964,500	8,211,292	3,845,625	515,349	28,850	-36.6%	1.1%	87.3x	1.0x
BVIC	1,521,363	25,932,001	15,824,611	1,479,466	250,802	-	7.4%	5.1x	0.4x
DNAR	2,163,800	10,183,411	8,064,123	776,036	15,300	21.5%	0.5%	124.5x	0.6x
<b>AVERAGE</b>								71.9x	1.9x

Sources: Bloomberg, NHKSI Research

If we refer to its peers in KBMI Category I against several Banks, AMAR's valuation on a PBV basis is slightly more expensive (1.2x P/BV). However, despite being slightly more expensive, AMAR has a unique strength, where there is an added value in the form of ecosystem exposure from digital lending, especially TUNAIKU. With sustainable and stable growth, execution from Tunaiku and Amar Bank as well as Embedded Banking and Financing, AMAR's target price valuation can be justified.

# Management Profile

## Board of Directors



**Vishan Tulsian**

**President Director**

Indian citizen, 50 years old, graduated as General Management Program - Harvard Business School, USA (2015). Currently serves as President Director of the company as well as several internal committees at PT Bank Amar Indonesia Tbk.

**Work Experience**

- Member of Corporate Finance Group - AV Birla Group (1996 – 2000)
- Senior Analyst - Standard & Poor's, India (2000 – 2003)
- Finance Manager - Tolaram Investment AS, Estonia (2003 – 2005)
- CFO - Horizon Pulp and Paper Ltd, Estonia (2006) • CEO - Horizon Tissue, Estonia (2006 -2011)
- Corporate Finance Head - Tolaram Group, Estonia (2011 – 2012)
- Corporate Finance - Tolaram Group, Singapore (2012 – 2013)
- Group Head, Business Development - Tolaram Group, Singapore (2013)
- Director - PT TG Indonesia (2013 – 2015)
- Managing Director - PT Bank Amar Indonesia ( 2015 – 2019)

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*Source: AMAR, NHKSI Research*



**Bellarminus Budijanto Jahja**

**Compliance Director**

Indonesian citizen, 62 years old, graduated as Bachelor of Economics from Atmajaya Catholic University, Jakarta (1985). Currently serves as Compliance Director of the company as well as several internal committees in PT Bank Amar Indonesia Tbk.

**Work Experience**

- Credit Analyst – Bank Umum Nasional (1983 – 1986)
- Manajer Divisi Kredit dan Pemasaran – Bank Dagang Nasional Indonesia (1986 – 1988)
- Head of Region – Bank Surya (1988 – 1995)
- Compliance Director – Bank Woori Indonesia (1995 – 2008)
- President Director – Anglomas International Bank (2008 – 2015)
- Director – Bank Resona Perdania (2015 – 2022)

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*Source: AMAR, NHKSI Research*



**R. Eka Banyuaji**

**Director of SME, Corporate & Operations**

Indonesian citizen, 45 years old, graduated as Bachelor of Economics from Padjajaran University (2000). Currently serves as Director of SME, Corporate & Operations of the company as well as several internal committees at PT Bank Amar Indonesia Tbk.

**Work Experience**

- Marketing Officer – Bank NISP (2002 – 2005)
- Branch Manager Citifinancial - Citibank NA (2005 – 2008) • Micro Business Manager - Bank OCBC NISP (2007 – 2008)
- Micro Business Area Head - Bank OCBC NISP (2008 – 2009)
- Micro Banking Dept Head - Bank OCBC NISP (2009 – 2010)
- Head Of Commercial Express (SME) – China Construction Bank (Bank Windhu Kentjana) (2010 – 2013)
- Commercial Express (SME) Division Head – China Construction Bank (2013 – 2017)
- Business Banking Function Head - Bank Amar Indonesia Tbk (2017 – 2020)

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*Source: AMAR, NHKSI Research*

# Management Profile

## Board of Commissioners



**Navin Nahata**

**President Commissioner**

Indian citizen, 47 years old, graduated as Chartered Accountant - The Institute of Chartered Accountant of India in 1998. Currently serves as President Commissioner of the company as well as Managing Director of Fintech & Infrastructure - Tolaram Group Inc and as Member of Nomination and Remuneration Committee - PT Bank Amar Indonesia Tbk.

**Work Experience**

- Treasury, ICICI Ltd, India (1999 – 2000)
- Relationship Manager, Corporate Banking, ICICI Ltd, India (2000 – 2004)
- CFO, Tolaram Group – Nigeria (2004 – 2008)
- COO, Panabiz International – Tolaram Group (2007 – 2008)
- CFO, Tolaram Group – Singapore (2009 – 2015)

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*Source: AMAR, NHKSI Research*



**Ir. Zainal Abidin Hasni, MA**

**Independent Commissioner**

Indonesian citizen, 72 years old, with a Master of Art degree - University of Nebraska Lincoln, USA (1985). Currently serves as Independent Commissioner of the company as well as concurrently serves as Chairman of the Remuneration & Nomination Committee and Chairman of the Risk Monitoring Committee of PT Bank Amar Indonesia Tbk.

**Work Experience**

- System Engineer - Widya Pertiwi Engineering Consultant (1977)
- Production Engineer - Indonesia Republic Motor Co. (1977 – 1979)
- Credit Analyst - Bank Indonesia (1979 – 1983)
- Researcher - Money Market Department di Bank Indonesia (1985 – 1992)
- Deputy Manager - Foreign Exchange Department di Bank Indonesia (1992 – 1998)
- Executive Bank Supervision - Bank Indonesia (1998 – 2001) • Deputy Director - Bank Indonesia (2001 – 2006)
- Executive Researcher - Bank Indonesia (2006 – 2007)
- Regional Director - Bank Indonesia (2007 – 2009)
- Director of Post Graduate Program - Universitas Bina Darma ( 2009)
- Independent Commissioner - Bank DKI (2010 – 2013)

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*Source: AMAR, NHKSI Research*



**Ratna Heimawaty Zain**

**Independent Commissioner**

Indonesian citizen, 68 years old, with a Master in Business Administration - La Troube University, Melbourne, Australia (2000). Currently serves as Independent Commissioner of the company as well as concurrently serves as Chairman of the Audit Committee of PT Bank Amar Indonesia Tbk.

**Work Experience**

- Investment Staff - Yayasan Dana Pensiun dan Tunjangan Hari Tua Bank Indonesia (YDPTHT-BI) (1992 – 1993)
- Junior Employee Candidate Training XVI - Bank Indonesia (1993 – 1994)
- Junior Analyst - Bank Indonesia (1994 – 2003)
- Section Head in Transformation Program Work Unit - Bank Indonesia (2003 - 2005)
- Associate Bank Supervisor - Bank Indonesia (2005 – 2010)
- Audit Committee Member - Bank DKI (2010 – 2016)

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*Source: AMAR, NHKSI Research*

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income	775	1,137	1,423	1,679
Interest Expenses	(119)	(105)	(242)	(343)
<b>Net Interest Income</b>	<b>656</b>	<b>1,032</b>	<b>1,180</b>	<b>1,336</b>
Non Interest Income	266	278	384	504
<b>Operating Revenue</b>	<b>922</b>	<b>1,310</b>	<b>1,564</b>	<b>1,840</b>
Operating Expenses	(492)	(518)	(623)	(674)
<b>Pre-provisioning OP</b>	<b>430</b>	<b>792</b>	<b>941</b>	<b>1,165</b>
Provision for Impairment	(632)	(645)	(706)	(843)
<b>EBT</b>	<b>(202)</b>	<b>146</b>	<b>235</b>	<b>322</b>
Income Tax	47	(36)	(58)	(80)
<b>Net Profit</b>	<b>(155)</b>	<b>110</b>	<b>177</b>	<b>242</b>

### BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	7	7	11	18
Current Acc. In BI	127	135	163	182
Interbank Placement	1,324	1,354	1,469	1,563
Net Loans	2,110	2,602	2,976	3,344
Securities	720	643	438	312
Other Assets	218	264	280	297
<b>Total Assets</b>	<b>4,505</b>	<b>5,005</b>	<b>5,337</b>	<b>5,716</b>
Customer Deposit	1,006	1,397	1,658	1,969
Deposit from Other Banks	259	190	193	196
Other liabilities	63	119	120	122
<b>Total Liabilities</b>	<b>1,329</b>	<b>1,706</b>	<b>1,972</b>	<b>2,287</b>
<b>Shareholders' Equity</b>	<b>3,176</b>	<b>3,299</b>	<b>3,365</b>	<b>3,429</b>

### GROWTH

	2022/12A	2023/12F	2024/12F	2025/12F
Interest Income Growth	10.32%	46.82%	25.09%	17.98%
Net Interest Income Growth	35.97%	57.44%	14.35%	13.18%
PPOP Growth	34.79%	84.06%	18.85%	23.84%
EPS Growth	-	265.00%	60.61%	37.09%
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	-4.9%	3.3%	5.3%	7.1%
ROA	-3.4%	2.2%	3.3%	4.2%
Non-Int. Inc. /Op. Rev	28.9%	21.2%	24.5%	27.4%
Cost/Income	53.4%	39.6%	39.8%	36.7%
Loan/Deposits	220.0%	202.5%	195.0%	184.6%
Loan/Assets	50.1%	56.5%	60.6%	63.6%
NPL Gross	0.91%	0.95%	0.80%	0.70%
CASA/Deposits	17.5%	17.1%	19.6%	22.4%
Time Deposits/Deposits	82.5%	82.9%	80.4%	77.6%
Total Shares (mn)	13,457	18,381	18,381	18,381
Share Price (IDR)	282	392	600	700
Market Cap (IDR tn)	3.795	7.205	11.029	12.867

### VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price /Earnings	-24.42x	65.44x	62.37x	53.08x
Price /Book Value	1.19x	2.18x	3.28x	3.75x
Price/Op. Revenue	4.1x	5.5x	7.1x	7.0x
EV/Operating Revenue	4.1x	5.4x	7.0x	6.9x
EV/PPOP	8.7x	9.0x	11.6x	11.0x
EV (IDR bn)	3,738	7,094	10,920	12,763
EPS	(12)	6.0	9.6	13.2
BVPS (IDR)	236	179	183	187
Op. Revenue PS (IDR)	69	71	85	100

### OWNERSHIP

Shareholders	%
Tolaram Group	70.95
Investree Singapore	13.83
Public	15.22

## 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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