BANK AMAR INDONESIA

EARNINGS MOMENTUM INTACT, OUTLOOK CLEARER

Investment thesis:

- **High-Yield Model Continues to Pay Off –** AMAR delivered a strong set of results with NPAT rising 20.7% YoY to IDR 118bn, accounting for 45% of our FY25F. Earnings momentum was supported by resilient NII growth of 18.2% YoY, coupled with robust non-II, which surged 39.5% YoY, primarily driven by a 76.3% YoY increase in recovery income. This strength offset the sharp 36.4% YoY rise in provisions, reflecting AMAR's higher-risk business model centered on the MSME segment. While this strategy supports superior NIM, with 2Q25 at 23.6% (vs 22.9% in 2Q24) and the bank's 2025F guidance to remain above 18%, it also brings structurally higher provisioning costs due to weaker asset quality relative to peers, but positioning AMAR as the only digital bank actively targeting this segment.
- **Diversification Supports Loan Expansion –** The loan grew strongly by 11.5% QoQ / 26.5% YoY as of Jun-25, driven primarily by working capital loans, which rose 27.7% YoY, followed by consumer loans at 22.1% YoY. Following the meeting with the bank, the portion of Tunaiku loans, which accounted for ~90% two years ago, has declined to about ~30% in 1H25, reflecting the bank's diversification into the corporate segment (contributing roughly 40%), while the overall MSME segment remains to be the primary loan segment that will be held at 60% of the overall portfolio. The new corporate initiative includes exposure to the creative industry, particularly the film sector, with AMAR becoming the main partner of JAFF Market 2025, aiming to expand its loan further in 2H25F. On the funding side, corporate inflows have also lifted deposits, with current accounts surging 122.9% QoQ / 544.0% YoY as of Jun-25, while time deposits expanded 13.9% QoQ / 68.8% YoY.
- **Structurally Higher NPLs Embedded in MSME Strategy –** AMAR's asset quality remains under pressure, with gross NPL reaching above the 10% level. Nevertheless, net NPL stood at 1.6%, with management guiding to be at ~1% for 2025F. The bank primarily extends short-term MSME loans through Tunaiku, ranging from IDR 2mn to IDR 30mn with a tenor from 6 to 30 months. In addition, AMAR offers Tunaiku Express, a revolving credit facility that enables eligible customers with strong credit scores to access additional liquidity directly into their accounts, even while servicing existing loans. Overall, these dynamics underscore AMAR's fast loan-cycle model with a lower ticket size, where elevated write-offs and NPLs are inherent to the strategy but balanced by strong yields.
- **First Digital Bank with Commitment to Dividends –** AMAR initiated dividend distributions from FY23 earnings and has since committed to three annual payouts, comprising two interim dividends and one main dividend in 2Q. Each distribution has generated yields in the 1–4% range, translating into an annualized yield close to 5%. Looking ahead, the yield could surpass 5% in 2026F, supported by FY25 earnings if the bank sustains its current trajectory, under the assumption of a 70–80% payout ratio. In 2024, AMAR distributed dividends at a DPR of 71.9% from FY23 earnings, while dividends sourced from FY24 earnings imply a higher DPR, estimated at above 75% for this year, with one more expected interim dividend.
- **No Material Impact from Investree Fallout –** From the latest news, Investree's fallout does not affect AMAR operationally, as Investree acted solely as a shareholder. On July 16, 2025, PT Jagat Raya Investasi acquired 6.6% of AMAR's shares from Investree, indicating that Investree's shares remain tradable and could attract new investors.

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3M/12M Rating	**NEUTRAL/BUY**
3M/12M TP	**IDR230/IDR250**

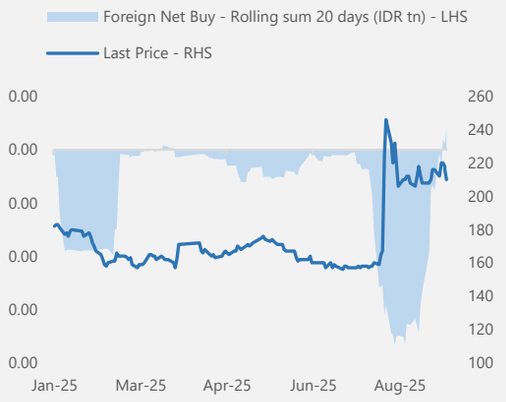
Stock Information

Ticker	AMAR
Share price	204
52-week range.	150-280
Share Out. (bn)	18.4
Market Cap. (IDR tn)	3.7
Daily turnover (bn)	1.0
Free Float (%)	8.0

Key Shareholders (%)

Tolaram Pte. Ltd.	75.3

Foreign Flow Tracker



Source: Bloomberg

Key Financial Highlights

IDR bn	2024	2025F	2026F
Interest income	1,226	1,400	1,580
Interest expense	65	93	134
Net int. income	1,161	1,307	1,446
PPOP	1,108	1,270	1,425
Provision	833	933	1,026
Net profit	215	263	312
Growth	21%	22%	18%

Source: Bloomberg, SimInvest Research

Share Price Performance

	3M	6M	12M
Absolute	25%	22%	-9%
Relative to JCI	17%	6%	-8%

Source: Bloomberg, SimInvest Research

Bloomberg ESG Rating

Environmental	N/A
Social	N/A
Governance	N/A

Valuation & recommendation:

- **Unique MSME and Dividens Positioning, Outlook Clearer; Maintain BUY with 12M TP of IDR 250 –** AMAR earnings remain resilient, following the strong growth trend among digital banks, with impressive net profit gains in 1H25 relative to most top-tier banks. During our meeting with the bank, management clarified the high NPLs and addressed any concerns related to the Investree fallout. They emphasized that AMAR is the only digital bank focused on MSME, a higher-risk segment offset by elevated yields, as reflected in 1H25 results. Regarding Investree, management confirmed that the issue has no operational impact on the bank. Beyond this, AMAR is pursuing partnerships through embedded banking, currently collaborating with Julo to enable QRIS services for its customers, while exploring additional partners focused on serving the MSME segment. With clear visibility on these matters and a defined strategic outlook, bolstered by its unique position as the only digital bank primarily serving MSMEs and maintaining dividend payments, we upgraded our rating to **BUY**, with a GGM-based TP of **IDR 250** (22.5% upside potential), based on 1.2x P/B 2026F. The key risk remains NPL control, but management highlighted robust multi-layer mitigation and thorough loan checks prior to disbursement.

2Q25 | 1H25 Earnings Preview

IDR bn	2Q24	1Q25	2Q25	QoQ	YoY	1H24	1H25	YoY	2025F	%SIM
Interest Income	289	340	342	0.5%	18.4%	573	682	19.0%	1,400	49%
Interest Expense	17	20	23	14.2%	33.7%	32	42	31.9%	93	45%
Net interest income	**272**	**320**	**319**	**-0.3%**	**17.4%**	**541**	**640**	**18.2%**	**1,307**	**49%**
NIM	*22.9%*	*24.9%*	*23.6%*			*22.9%*	*23.6%*		*23.4%*	
Non-Interest Income	109	143	160	11.8%	46.6%	218	304	39.5%	644	47%
Operating revenue	**381**	**464**	**480**	**3.4%**	**25.8%**	**759**	**943**	**24.4%**	**1,951**	**48%**
Operating expenses	152	162	163	1.2%	7.7%	292	325	11.4%	681	48%
PPOP	**230**	**302**	**316**	**4.7%**	**37.8%**	**467**	**618**	**32.4%**	**1,270**	**49%**
Provisions	166	214	250	16.7%	50.3%	340	464	36.4%	933	50%
Net profit	**49**	**67**	**51**	**-25.2%**	**3.2%**	**98**	**118**	**20.7%**	**263**	**45%**

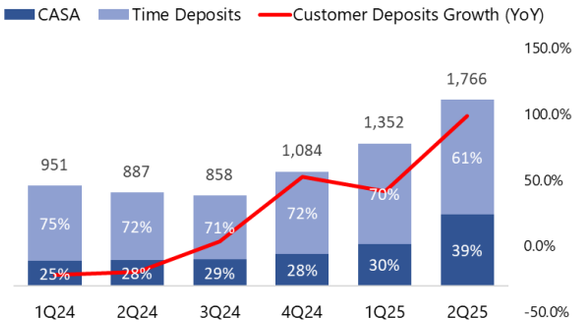
Source: Company, SimInvest Research

P/B Band



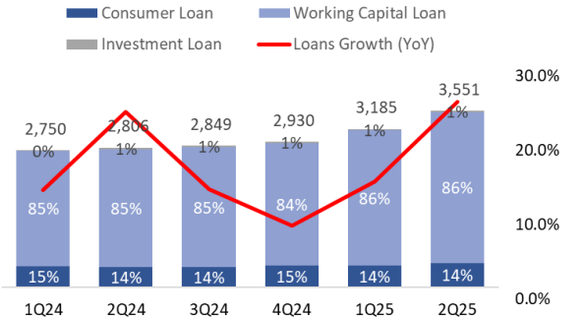
Source: Bloomberg, SimInvest Research

Customer Deposits Composition & Growths



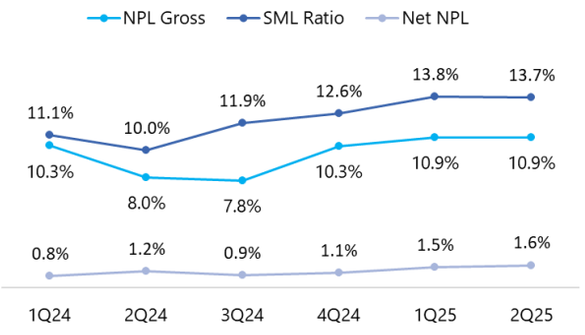
Source: Company, SimInvest Research

Loan Composition & Growths



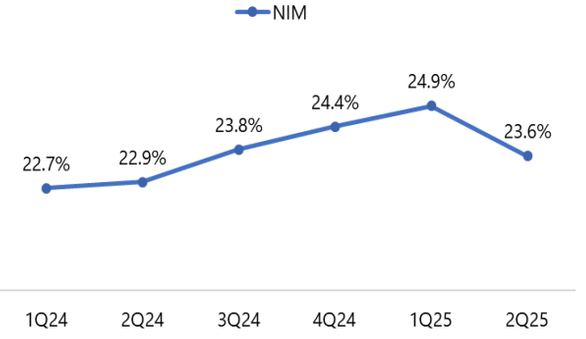
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Gross NPL & SML Ratio trends



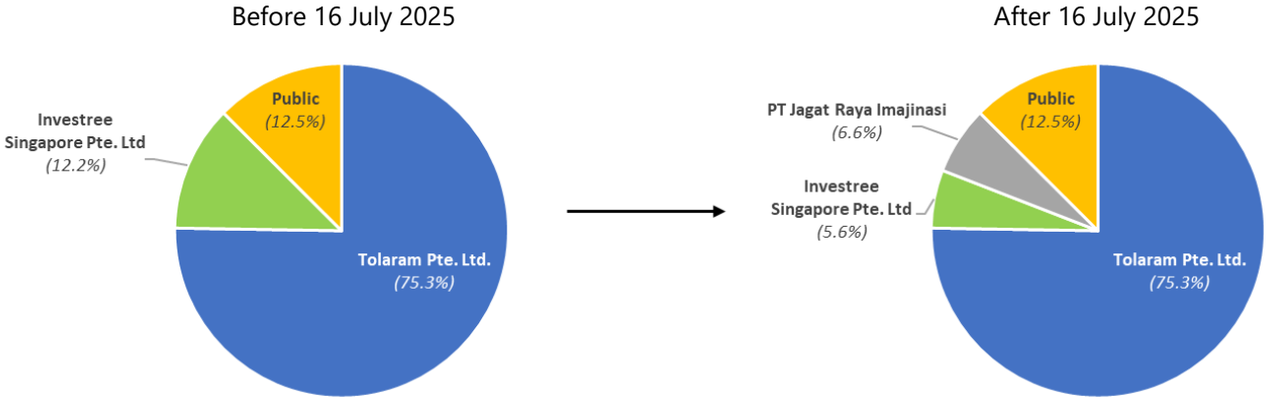
Source: Company, SimInvest Research

NIM Trends



Source: Company, SimInvest Research

AMAR Shareholders' Composition



Source: Company, SimInvest Research

Financial Highlights

Income Statement (Rp bn)	2023	2024	2025F	2026F	2027F
Interest Income	987	1,226	1,400	1,580	1,743
Interest Expense	65	65	93	134	170
Net Interest Income	**921**	**1,161**	**1,307**	**1,446**	**1,574**
Fee-Other Operating Income	396	511	644	785	938
Gross Operating Income	**1,317**	**1,672**	**1,951**	**2,231**	**2,511**
Operating Expenses	473	563	681	806	927
Pre Provision Operating Profit	**844**	**1,108**	**1,270**	**1,425**	**1,584**
Provision	652	833	933	1,026	1,129
Net Operating Income	**193**	**276**	**337**	**399**	**456**
Non-Operating Net	-27	1	1	1	1
EBT	**220**	**275**	**337**	**399**	**455**
Net Profit	**178**	**215**	**263**	**312**	**356**

Balance Sheet (Rp bn)	2023	2024	2025F	2026F	2027F
Cash & Cash Equivalents	73	67	109	114	125
Gross Loans	2,666	2,930	3,650	4,197	4,721
- Provision	321	384	468	538	645
Other Earnings Asset	1,747	2,024	2,302	2,638	2,916
Non Earning Asset	215	230	283	273	305
Total Asset	**4,379**	**4,868**	**5,876**	**6,684**	**7,422**
Demand Deposits	58	98	467	701	911
Saving Deposits	132	204	244	330	396
Time Deposits	519	782	1,135	1,475	1,770
Customer Deposits	709	1,084	1,846	2,506	3,077
Other Interest Bear. Liabilities	218	261	287	330	363
Non Interest Bear. Liabilities	157	183	201	211	238
Total Liabilities	**1,084**	**1,528**	**2,334**	**3,047**	**3,678**
Total Equity	**3,295**	**3,339**	**3,541**	**3,637**	**3,744**

Financial Ratios	2023	2024	2025F	2026F	2027F
NIM	20.3%	24.4%	23.4%	22.0%	21.1%
LFR	287.6%	217.8%	171.1%	148.0%	137.2%
Gross NPL	9.2%	10.3%	10.5%	9.8%	9.6%
Net NPL	1.3%	1.1%	1.5%	1.2%	1.1%
Cost of Credit	26.5%	29.8%	28.4%	26.2%	25.3%
Provision Coverage	130.6%	127.7%	122.3%	130.3%	142.2%
LDR	376%	270%	198%	167%	153%
CAR Total	119.2%	126.3%	104.9%	94.5%	87.0%
CASA	3.6%	35.9%	38.5%	41.1%	42.5%
Cost-to-Income Ratio	35.9%	33.7%	34.9%	36.1%	36.9%
ROE	5.5%	6.5%	7.7%	8.7%	9.6%
ROA	4.0%	4.6%	4.9%	5.0%	5.0%
DPR	0.0%	71.9%	77.5%	82.5%	80.0%
Loan Growth	18.0%	9.9%	24.6%	15.0%	12.5%
Deposit Growth	-29.6%	53.0%	70.2%	35.7%	22.8%
Earning Asset Growth	2.6%	12.3%	20.2%	14.8%	11.7%
NII Growth	40.5%	26.0%	12.6%	10.7%	8.8%
PPOP Growth	96.3%	31.3%	14.6%	12.2%	11.2%
Net Income Growth	-214.5%	20.8%	22.5%	18.3%	14.2%

Source: Company, SimInvest Research

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