BANK AMAR INDONESIA (AMAR)

GROWING AT FULL MOMENTUM

Investment thesis:

- **Accelerating profit growth, keeping the expenses in check –** AMAR saw an outstanding performance with the growth of PPOP and net profit by 90.6% YoY and 193.8% YoY in 9M23. This achievement is steered by a massive drop in interest expense by -48.9% YoY, followed by a fairly strong decline in operating expenses and provision expenses by -7.5% YoY and -11.7 YoY respectively. The much lower promotion expense by -49.8% YoY tends to press the operating expense. Additionally, interest income and fee-other operating income managed to get a resilient growth of 15.1% YoY and 59.8% YoY. As per the quarterly perspective, the bank also saw a massive improvement with the PPOP growth of 162.9% YoY / 51.1% QoQ and net profit growth of 191.0% YoY / 52.4% QoQ, which is supported by the NII growth of 16.1% QoQ and fee-other operating income by 74.5% QoQ in 3Q23. These results pushed the NIM upwards as well to 18.8% (2.9 ppt YoY / 1.5 ppt QoQ) as the loan growth also maintained robust.
- **Resilient loan growth, business banking catching up with Tunaiku –** The bank managed to secure a strong loan growth of 15.6% YoY / 10.6% QoQ, pushed by much stronger productive loans with the growth of 44.0% YoY / 8.8% QoQ as this loan has 86.3% proportion in loans composition in 9M23. Meanwhile, consumptive loans have a higher proportion compared to last quarter, reaching 13.7% from 12.3% as it has notably more robust growth of 23.4% QoQ. As of 3Q23, Tunaiku is still contributing the most in lending with 57.9% out of overall loans from 81.5% in 3Q22 and then followed by business banking by 42.1% from 18.5% in 3Q22, which shows the bank accelerating in business banking as well. The asset quality managed to improve with the NPL dropping to 7.0% (-127 bps YoY / -34 bps QoQ). The LDR on the other side jumped significantly to around 300% from around 150%-225% in the recent quarters as the fundings side also declined in 3Q23, as well as the CAR offsetting on 124.5%, which tells that mostly using another source of funds for its lending as the LDR is very high.
- **Brankas, building up and reinforcing the savings –** The customer deposit dropped significantly by -38.3% YoY / -25.0% QoQ due to the massive downturn on time deposit by -18.7% YoY / -32.3% QoQ. The bank tends to adjust its funding composition with this by boosting its CASA as well in the higher for longer phase to mostly press the CoF, reflected on the current account and savings account with a growth of 31.2% QoQ and 5.4% QoQ reflectively, which then pushed the CASA ratio to 24.2% or raised by around 8 ppt QoQ. The approach to boost the CASA ratio also could be seen in the latest product launched recently in August, namely "Brankas", secured digital savings utilizing advanced AI-driven multi-layered security that offers interest of 4.25% p.a.

Valuation & recommendation:

- **Exceeding expectation, maintained BUY –** The bank managed to perform far above our expectations, adjusting the forecast fairly significantly positively. Based on these results, we maintained our **BUY** rating with 12M TP of IDR 410 (28.1% upside potential), derived from 1.5 P/B 2024F (between 3-y mean and -1 sd.) as it is worth being valued on that point assuming growth and improvement keep going amidst challenges, as the digital banking competitiveness getting more tight and uncertain overall economic condition recently.

SIMINVEST
Team Coverage
research@sinarmassekuritas.co.id

3M/12M Rating	**NEUTRAL/BUY**
3M/12M TP	**IDR350/IDR410**

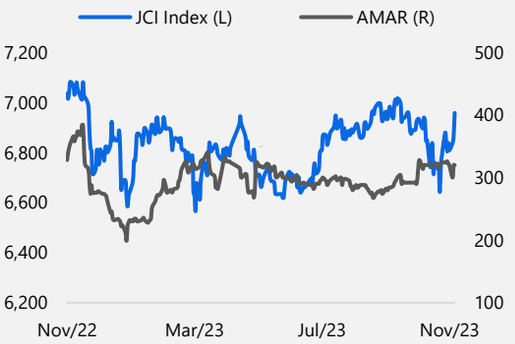
Stock Information

Ticker	AMAR
Share price	320
52-week range.	198 – 378
Share Out. (bn)	18.3
Market Cap. (IDR tn)	5.8
Daily turnover (bn)	1.6
Free Float (%)	12.4

Key Shareholders (%)

Tolaram Pte. Ltd.	71.0

Price Performance



Source: Bloomberg

Key Financial Highlights

IDR bn	2022	2023F	2024F
Interest income	775	983	1,091
Interest expense	119	78	104
Net int. income	656	905	987
NIM	15.8%	19.6%	16.7%
PPOP	430	862	965
Provision	632	600	575
Net profit	-155	248	370
Growth	-3,876%	260%	49%

Source: Bloomberg, SimInvest Research

Bloomberg ESG Rating

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

Current Quarter Earnings Review

IDR bn	3Q22	3Q23	YoY	9M22	9M23	YoY	2023F	% of 2023F
Interest income	189	259	36.7%	605	697	15.1%	983	71%
Interest expense	25	15	-38.5%	104	53	-48.9%	78	68%
Net interest income	**165**	**243**	**47.9%**	**502**	**644**	**28.3%**	**905**	**71%**
NIM	15.9%	18.7%		15.9%	18.7%		19.6%	
Operating revenue	**224**	**368**	**64.3%**	**683**	**933**	**36.6%**	**1,335**	**70%**
Operating expenses	129	118	-8.3%	376	348	-7.5%	473	74%
PPOP	**95**	**249**	**162.9%**	**307**	**585**	**90.6%**	**862**	**68%**
Provisions	153	173	13.1%	478	423	-11.7%	600	71%
Net profit	**-85**	**77**	**191.0%**	**-173**	**162**	**193.8%**	**248**	**65%**

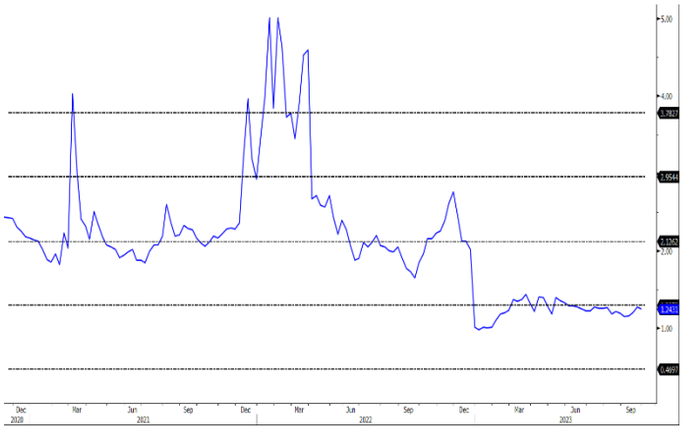
Source: Bloomberg, Company, SimInvest Research

Changes in forecasts

	2023F			2024F		
IDR bn	Old	New	Chg.	Old	New	Chg.
Interest Income	805	983	22%	892	1,091	22%
Interest Expense	60	78	30%	76	104	37%
Net interest income	**745**	**905**	**21%**	**815**	**987**	**21%**
NIM	15.1%	19.6%		12.8%	16.7%	
Operating revenue	**1,051**	**1,335**	**27%**	**1,177**	**1,496**	**27%**
Operating expense	505	473	-6%	566	530	-6%
PPOP	**546**	**862**	**58%**	**611**	**965**	**58%**
Provisions	400	600	50%	375	575	53%
Net profit	**111**	**248**	**123%**	**181**	**370**	**104%**

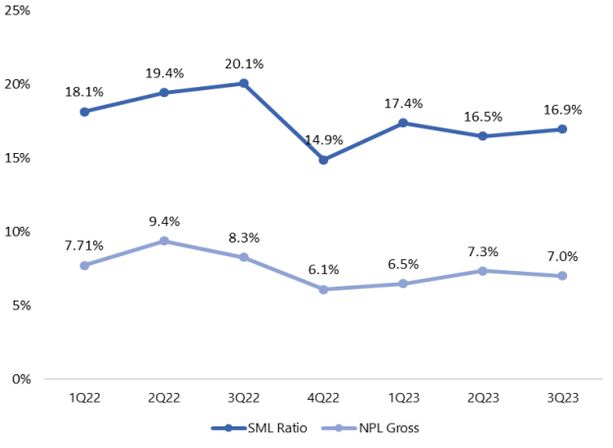
Source: Bloomberg, Company, SimInvest Research

P/B Band



Source: Bloomberg, SimInvest Research

SML & NPL ratio trends



Source: Company, SimInvest Research

SIMINVEST RATING GUIDE

BUY : Share price may rise by more than 15% over the next 12 months.
ADD : Share price may range between 10% to 15% over the next 12 months.
NEUTRAL : Share price may range between –10% to +10% over the next 12 months.
REDUCE : Share price may range between –10% to –15% over the next 12 months.
SELL : Share price may fall by more than 15% over the next 12 months.

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PT Sinarmas Sekuritas
Sinarmas Land Plaza Tower 3, 6th Fl. Jl. M.H. Thamrin no.51, Jakarta, Indonesia
Phone: +62 21 392 5550
Email: research@sinarmassekuritas.co.id