

29 November 2021

AMMB Holdings Bhd

1HFY22 Within Expectations

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1HFY22 core PATAMI of RM707.6m (+18% YoY) is within expectations with 2HFY22 anticipated to be slightly slower. Management believes its earnings target is on track for FY22 but remain cautious of potential bumps from further provisioning on specific accounts and prosperity tax. Maintain MP and our GGM-derived PBV TP of RM3.15.

1HFY22 broadly within. 1HFY22 PATAMI of RM707.6m is deemed to be broadly within expectations. It made up 58%/56% of our/consensus full-year estimate. 2HFY22 could be softer no thanks to further specific allowances and tax provisions. No dividends were declared, as expected.

YoY, 1HFY22 total income improved by 5% to RM2.33b on the back of stronger NII (+18%) fuelled by 5% loans growth and NIMs of 2.04% (+27bps) while NOII decreased (-18%) mainly on lower treasury performance. CIR narrowed to 43.3% (-4.4ppt) against more optimised operating cost (-5%). Concurrently, we saw credit cost easing to 61bps (-14bps) as pre-emptive measures softened provisioning needs. All in, 1HFY22 PATAMI reported at RM707.6m (+18%).

QoQ, 2QFY22 total income reduced by 8% as both NII (-6%) and NOII (-13%) declined from normalising NIMs (2.0%, -9bps) and fewer fees and trading income. Operating expenses rose by 4% but was offset by less impairment booked (-14%). Overall, the weaker top-line led 2QFY22 PATAMI to RM321.0m (-17%).

Key briefing's highlights. With the current progress of our economic recovery, management believes that the group is on track to achieve its RM350m PATAMI per quarter ambitions. The impact from URUS is expected to be immaterial looking at the slow application inflows. On the flipside, management is selectively guarded in the oil & gas segment on certain accounts which may be at risk. Additionally, the impact of prosperity tax may be more proportionate towards FY22 than FY23 owing to the group's financial period. Recall that management expects a net impact of RM130m-RM140m from this one-off tax. This may affect the group's decision on dividends in the near-term. Other FY22 guidances remain unchanged.

Post results, we make some minor earnings model updates.

Maintain MARKET PERFORM and TP of RM3.15. Our TP is based on an unchanged CY22E GGM-derived PBV of 0.62x (1.0SD below 5-year mean). At current price points, we believe the risk-to-reward for AMBANK is well balanced. As the group moves past the Global Settlement and kitchen sinking saga, investors may relook the stock as it regains fundamental stability. That said, it currently offers less comparable returns in relation to its large-cap peers but could be well appreciated if it builds on its strong asset quality (GIL <2%) and registers strong recovery traction.

Risks to our call include: (i) higher/lower-than-expected margin squeeze, (ii) higher/lower-than-expected loans growth, (iii) better/worse-than-expected deterioration in asset quality, (iv) improvement/slowdown in capital market activities, (v) favourable/unfavourable currency fluctuations, and (vi) changes to OPR.

MARKET PERFORM ↔

Price : RM3.15
Target Price : RM3.15 ↔

Share Price Performance



KLCI	1,512.22
YTD KLCI chg	-7.1%
YTD stock price chg	-13.7%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	AMM MK Equity
Market Cap (RM m)	10,435.7
Shares Outstanding	3,312.9
52-week range (H)	3.71
52-week range (L)	2.80
3-mth avg daily vol	3,737,032
Free Float	45%
Beta	1.1

Major Shareholders

ANZ Funds Pty Ltd	21.6%
Clear Goal Sdn Bhd	11.8%
Employees Provident Fund	9.3%

Summary Earnings Table

FY Mar (RM m)	2021A	2022E	2023E
Net interest income	3,022	3,224	3,222
Non-interest income	1,433	1,392	1,441
Total income	4,455	4,616	4,663
Operating expenses	-4,962	-2,173	-2,216
Loan impairment	-3,074	-684	-364
Pre-tax profit	-3,483	1,774	2,108
PATAMI	-3,826	1,225	1,366
Core PATAMI	941	1,225	1,366
Consensus NP		1,264	1,461
Earnings revision		0.2%	-0.4%
Core EPS (RM)	0.31	0.37	0.41
EPS growth	-30%	18%	11%
NDPS (RM)	-	0.09	0.10
BV/share (RM)	4.86	4.70	5.02
NTA/share (RM)	4.38	4.26	4.58
ROE (%)	5.7	8.1	8.5
PER (x)	10.3	8.7	7.8
P/BV (x)	0.66	0.69	0.64
Net Div. Yield (%)	0.0	2.7	3.0

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Results Highlights

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Mar (RM m)	FY22	FY22	Chg	FY21	Chg	FY22	FY21	Chg
Net interest income	799	849	-5.9%	775	3.1%	1,648	1,400	17.8%
Non-interest income	316	362	-12.6%	381	-17.0%	679	826	-17.9%
Total income	1,115	1,212	-7.9%	1,156	-3.5%	2,327	2,226	4.5%
Operating expenses	-514	-495	3.8%	-524	-1.9%	-1,008	-1,062	-5.1%
Pre-impairment profit	602	717	-16.1%	632	-4.9%	1,319	1,163	13.4%
(Allowances)/ write-backs	-163	-189	-13.5%	-361	-54.7%	-352	-409	-13.8%
(Allowances)/ write-backs on other assets	6	6	0.2%	10	-44.8%	11	12	-5.8%
Operating profit	444	534	-16.8%	281	57.7%	978	767	27.5%
Non-operating gains / (losses)	6	22	-74.3%	27	-79.6%	27	48	-43.1%
Profit before tax	449	555	-19.0%	309	45.7%	1,005	814	23.4%
Taxation	-95	-118	-19.1%	-26	267.3%	-213	-128	66.6%
Minority interest	-17	-36	-52.3%	-35	-51.8%	-53	-72	-27.0%
Net PATAMI	321	387	-17.0%	237	35.3%	708	602	17.5%
Core PATAMI	321	387	-17.0%	237	35.3%	708	602	17.5%
Gross loans	115,553	115,567	0.0%	110,553	4.5%	115,553	110,553	4.5%
Gross impaired loans	1,668	1,808	-7.8%	1,738	-4.0%	1,668	1,738	-4.0%
Customer deposits	115,871	114,114	1.5%	114,784	0.9%	115,871	114,784	0.9%
Current and savings account (CASA)	35,605	34,106	4.4%	34,089	4.4%	35,605	34,089	4.4%
Total assets	163,568	166,758	-1.9%	162,995	0.4%	163,568	162,995	0.4%
Shareholders' equity	16,125	15,893	1.5%	19,335	-16.6%	16,125	19,335	-16.6%
Est. annualised NIM	2.00%	2.09%		2.00%		2.04%	1.77%	
Cost-to-income ratio	46.0%	40.8%		45.3%		43.3%	47.7%	
Annualised credit cost (bps)	56.6	65.6		133.9		61.2	75.0	
Effective tax rate	21.2%	21.2%		8.4%		21.2%	15.7%	
Annualised ROA	0.8%	0.9%		0.6%		0.8%	0.7%	
Annualised ROE	8.0%	10.1%		4.9%		9.2%	6.4%	
Gross impaired loans ratio	1.4%	1.6%		1.6%		1.4%	1.6%	
Loan loss coverage ratio (LLC)	150.5%	131.1%		96.1%		150.5%	96.1%	
LLC plus regulatory reserves	150.5%	131.1%		96.1%		150.5%	96.1%	
Loan-to-deposit ratio	105.0%	106.7%		97.7%		105.0%	97.7%	
CASA-to-deposit ratio	30.7%	29.9%		29.7%		30.7%	29.7%	
CET-1 capital (Group level)	11.6%	11.3%		12.4%		11.6%	12.4%	

Source: Company, Kenanga Research

Management Guidance

	FY22 Targets	FY21 Performance
Loans growth	In line with GDP	7.0%
NIM	~2.06%	1.86%
Credit cost	65 bps	105 bps
ROE	~9%	-23%
Cost-to-income ratio	~48%	47.3%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
Stocks Under Coverage																		
AFFIN BANK BHD	1.68	3,568.4	N	12/2021	-13.1%	5.5%	80.4%	6.5%	15.2	8.4	7.9	0.4	0.4	4.3%	3.0%	1.55	MP	
ALLIANCE BANK MALAYSIA BHD	2.76	4,272.8	N	03/2022	-7.2%	1.4%	53.0%	4.8%	11.9	7.8	7.4	0.7	0.6	8.5%	5.1%	2.65	MP	
AMMB HOLDINGS BHD	3.15	10,435.7	N	03/2022	-3.6%	1.4%	30.2%	11.5%	10.1	8.5	7.6	0.6	0.7	8.1%	2.8%	3.15	MP	
BIMB HOLDINGS BHD	2.97	6,165.3	Y	12/2021	7.0%	1.9%	6.6%	2.6%	7.7	7.2	7.0	0.9	0.7	11.0%	4.7%	3.55	OP	
CIMB GROUP HOLDINGS BHD	5.10	52,129.4	N	12/2021	-1.0%	2.1%	257.5%	8.1%	42.5	11.9	11.0	0.9	0.9	7.4%	4.1%	4.75	MP	
HONG LEONG BANK BHD	18.30	39,669.2	N	06/2022	4.4%	2.2%	-3.6%	10.6%	13.1	13.6	12.3	1.3	1.2	9.1%	3.1%	18.20	MP	
MALAYAN BANKING BHD	8.10	96,172.5	N	12/2021	-8.5%	3.2%	19.4%	2.2%	14.0	11.8	11.6	1.1	1.1	9.1%	6.9%	10.55	OP	
MALAYSIA BUILDING SOCIETY BHD	0.620	4,446.3	N	12/2021	60.2%	5.9%	156.8%	3.3%	15.7	6.1	5.9	0.5	0.5	7.6%	4.8%	0.605	MP	
PUBLIC BANK BHD	4.00	77,642.8	N	12/2021	-3.1%	3.1%	14.3%	-4.3%	15.9	13.9	14.6	1.6	1.5	11.4%	3.5%	3.80	MP	
RHB BANK BHD	5.26	21,791.8	N	12/2021	-6.4%	7.2%	14.2%	0.7%	10.4	9.1	9.0	0.8	0.7	8.4%	5.7%	6.10	OP	
Simple Average					2.9%	3.4%	62.9%	4.6%	15.7	9.8	9.4	0.9	0.8	8.5%	4.4%			

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

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