

# AMMB Holdings

## Near-and-Long-Term Excitement Ahead

By Clement Chua | [clement.chua@kenanga.com.my](mailto:clement.chua@kenanga.com.my)

1HFY23 earnings of RM854.6m (+21%) and interim dividend of 6.0 sen are within expectations. The group's position in the market appears to be expanding thank to efforts in loans acquisition whilst keeping asset quality in check. The completion of the group's general insurance partial divesture should pave way for better returns in the space. Also, possible re-entry into the FBM KLCI may trigger kneejerk interest in the stock on portfolio recalibration. Maintain OP and GGM-derived PBV TP of RM4.75.

**1HFY23 within expectations.** 1HFY23 PATAMI of RM854.6m made up 51% of our full-year forecast and 54% of consensus full-year estimate. This includes contributions from its partially divested general insurance operations (losses of RM77.5m) and lumpier minority interests gains from its transition as a subsidiary to an associate company (51% to 30% holdings). Meanwhile, an interim dividend of 6.0 sen is also deemed in line with our full-year expectation of 16.0 sen (c.30% payout).

**YoY,** 1HFY23 total income grew by 9% arising from wider interest income supported by higher loans (+8%) and OPR-led net interest margin expansion (2.12%, +15bps). This was mitigated by an 11% drop in non-interest income, mainly owing to weaker investment income as well as the exclusion of general insurance business. Cost-income ratio saw a slightly bump (+0.5ppt) from a broad-based increase in operating expenses. Meanwhile, credit cost tapered down to 25 bps (-42 bps) as loan staging improved from the ongoing economic recovery. All-in, this led to continuing operations to come in 35% stronger. Including the results from discontinued operations in AmGeneral and minority interest, 1HFY23 PATAMI only grew by 21% to RM854.6m.

**Briefing's highlights.** Post-AmGeneral's partial divestiture, integration costs could possibly overrun any associate contributions from the newly enlarged Liberty General Insurance operations. That said, the group would benefit from a 20-year bancassurance tie-up which may in the long run, net stronger returns. Meanwhile, there appears to be a broad-based loans growth across most segments with better headway in the wholesale space. The group is well below its credit cost guidance of 35-40 bps, which would provide room should further overlays be required in the coming quarters. Concerns would mainly arise from interest rate stress, as delinquency risks may arise from graduated repayment assistance accounts. With regards to interest rates, margins are likely to see downside pressure as well on a more competitive CASA landscape, leading to earlier guidance to be unchanged.

**Forecasts.** Post results, our FY23F/FY24F earnings are lowered by 1%/2% from model updates and to incorporate lower returns from its discontinued operations.

**Maintain OUTPERFORM and TP of RM4.75.** Our TP is based on an unchanged GGM-derived PBV of 0.84x (COE: 10.7%, TG: 3.5%, ROE: 9.5%) on an applied CY23F BVPS of RM5.69. We believe the group could be a key beneficiary of the ongoing economic recovery from its notable SME loans profile (21%). The group also seeks to enjoy a better long-term growth trajectory from its more aggressive partnerships against its peers. On the flipside, a possible re-entry into the FBM KLCI would likely spur buying interest as investors seek to recalibrate their portfolio. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

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

# OUTPERFORM ↔

Price : RM4.17  
Target Price : RM4.75 ↔

### Share Price Performance



### Stock Information

Shariah Compliant	No
Bloomberg Ticker	AMM MK Equity
Market Cap (RM m)	13,810.0
Shares Outstanding	3,311.7
52-week range (H)	4.18
52-week range (L)	3.09
3-mth avg daily vol	4,536,621
Free Float	44%
Beta	0.9

### Major Shareholders

ANZ Funds Pty Ltd	21.7%
Clear Goal Sdn Bhd	11.8%
Employees Provident Fund	9.9%

### Summary Earnings Table

FY Mar (RM m)	2022A	2023F	2024F
Net interest income	3,358	3,542	3,709
Non-interest income	1,280	1,340	1,375
<b>Total income</b>	<b>4,639</b>	<b>4,882</b>	<b>5,084</b>
Operating expenses	-2,094	-2,136	-2,157
<b>Loan impairment</b>	<b>-766</b>	<b>-474</b>	<b>-485</b>
Pre-tax profit	1,805	2,301	2,476
<b>PATAMI</b>	<b>1,503</b>	<b>1,648</b>	<b>1,792</b>
<b>Core PATAMI</b>	<b>1,503</b>	<b>1,648</b>	<b>1,792</b>
Consensus NP		1,597	1,725
Earnings revision		-1.2%	-2.0%
Core EPS (RM)	0.46	0.50	0.54
EPS growth (%)	60%	10%	9%
NDPS (RM)	0.05	0.16	0.18
BV/share (RM)	5.08	5.42	5.78
NTA/share (RM)	4.65	4.99	5.36
ROE (%)	9.6	9.5	9.7
PER (x)	9.2	8.3	7.7
P/BV (x)	0.82	0.77	0.72
Net Div. Yield (%)	1.2	3.8	4.3

01 December 2022

Results Highlights

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Mar (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Net interest income	963	849	13.5%	768	25.4%	1,813	1,586	14.3%
Non-interest income	199	196	1.5%	219	-9.1%	396	446	-11.3%
<b>Total income</b>	<b>1,163</b>	<b>1,046</b>	<b>11.2%</b>	<b>987</b>	<b>17.8%</b>	<b>2,208</b>	<b>2,032</b>	<b>8.7%</b>
Operating expenses	-476	-465	2.5%	-434	9.9%	-941	-854	10.1%
<b>Pre-impairment profit</b>	<b>686</b>	<b>581</b>	<b>18.2%</b>	<b>554</b>	<b>24.0%</b>	<b>1,267</b>	<b>1,177</b>	<b>7.7%</b>
(Allowances)/ write-backs	-88	-65	34.1%	-178	-50.8%	-153	-387	-60.4%
(Allowances)/ write-backs on other assets	0	0	-117.7%	6	-98.5%	0	11	-103.6%
<b>Operating profit</b>	<b>599</b>	<b>515</b>	<b>16.3%</b>	<b>381</b>	<b>57.2%</b>	<b>1,114</b>	<b>801</b>	<b>39.0%</b>
Non-operating gains / (losses)	12	3	315.7%	6	114.3%	15	32	-53.6%
<b>Profit before tax</b>	<b>611</b>	<b>518</b>	<b>17.9%</b>	<b>387</b>	<b>58.0%</b>	<b>1,129</b>	<b>833</b>	<b>35.5%</b>
Taxation	-141	-114	24.1%	-87	62.6%	-255	-188	35.8%
<b>Profit from Continuing Operations</b>	<b>469</b>	<b>404</b>	<b>16.1%</b>	<b>299</b>	<b>56.6%</b>	<b>873</b>	<b>645</b>	<b>35.4%</b>
Profit from Discontinued Operations	-107	30	-458.1%	39	-379.0%	-77	115	-167.1%
Minority interest	74	-15	-600.3%	-17	-534.3%	59	-53	-212.3%
<b>PATAMI</b>	<b>435</b>	<b>419</b>	<b>3.9%</b>	<b>321</b>	<b>35.6%</b>	<b>855</b>	<b>708</b>	<b>20.8%</b>
Gross loans	124,351	120,126	3.5%	115,553	7.6%	124,351	115,553	7.6%
Gross impaired loans	1,892	1,864	1.5%	1,668	13.4%	1,892	1,668	13.4%
Customer deposits	120,995	121,393	-0.3%	115,871	4.4%	120,995	115,871	4.4%
Current and savings account (CASA)	39,825	39,554	0.7%	35,605	11.9%	39,825	35,605	11.9%
Total assets	180,232	178,553	0.9%	163,568	10.2%	180,232	163,568	10.2%
Shareholders' equity	17,267	17,017	1.5%	16,125	7.1%	17,267	16,125	7.1%
Est. annualised NIM	2.23%	2.00%		1.92%		2.12%	1.97%	
Cost-to-income ratio	41.0%	44.4%		43.9%		42.6%	42.1%	
Annualised credit cost (bps)	24.1	20.0		56.6		25.1	67.3	
Effective tax rate	23.2%	22.0%		22.5%		22.6%	22.6%	
Annualised ROA	1.0%	0.9%		0.8%		1.0%	0.8%	
Annualised ROE	10.2%	9.9%		8.0%		10.0%	9.2%	
Gross impaired loans ratio	1.5%	1.6%		1.4%		1.5%	1.4%	
Loan loss coverage ratio (LLC)	97.1%	99.7%		150.5%		97.1%	150.5%	
LLC plus regulatory reserves	105.5%	99.7%		150.5%		105.5%	150.5%	
Loan-to-deposit ratio	109.4%	103.7%		105.0%		109.4%	105.0%	
CASA-to-deposit ratio	32.9%	32.6%		30.7%		32.9%	30.7%	
CET-1 capital (Group level)	12.1%	12.0%		12.7%		12.1%	12.7%	

Source: Company, Kenanga Research

Management Guidance

	FY23 Targets	FY22 Performance
Loans growth	+7%	4.6%
NIM	2.05-2.10%	2.02%
Credit cost	35-40 bps	66 bps
ROE	>10%	9.6%

Source: Company, Kenanga Research

01 December 2022

## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
AFFIN BANK BHD	MP	2.15	2.25	4.7%	4,756.5	N	12/2022	12.9	25.1	-48.3%	94.6%	16.7	8.6	0.5	2.8%	29.1	13.5%
ALLIANCE BANK MALAYSIA BHD	OP	3.87	4.20	8.5%	5,991.2	N	03/2023	45.5	52.1	22.9%	14.6%	8.5	7.4	0.9	10.7%	22.0	5.7%
AMMB HOLDINGS BHD	OP	4.17	4.75	13.9%	13,810.0	N	03/2023	49.9	54.3	9.7%	8.7%	8.3	7.7	0.8	9.5%	16.0	3.8%
BANK ISLAM MALAYSIA BHD	MP	2.56	2.45	-4.3%	5,517.5	Y	12/2022	19.7	24.5	-10.1%	24.5%	13.0	10.5	0.9	7.4%	10.0	3.9%
CIMB GROUP HOLDINGS BHD	OP	5.80	6.40	10.3%	61,857.6	N	12/2022	52.2	66.4	12.6%	27.1%	11.1	8.7	0.9	8.7%	26.0	4.5%
HONG LEONG BANK BHD	OP	20.86	23.35	11.9%	45,218.6	N	06/2023	197.2	201.4	22.8%	2.1%	10.6	10.4	1.3	12.5%	70.0	3.4%
MALAYAN BANKING BHD	OP	8.63	10.40	20.5%	104,027.1	N	12/2022	73.5	87.5	5.5%	19.1%	11.7	9.9	1.1	9.9%	60.0	7.0%
PUBLIC BANK BHD	MP	4.50	4.70	4.4%	87,348.1	N	12/2022	29.6	38.0	1.6%	28.4%	15.2	11.8	1.7	11.6%	15.5	3.4%
RHB BANK BHD	OP	5.62	7.00	24.6%	23,870.2	N	12/2022	66.0	80.5	-4.6%	21.9%	8.5	7.0	0.8	9.3%	32.0	5.7%
<b>Simple Average</b>										<b>3.0%</b>	<b>28.2%</b>	<b>11.2</b>	<b>8.8</b>	<b>0.9</b>	<b>8.8%</b>		<b>5.7%</b>

Source: Kenanga Research

This section is intentionally left blank

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★	☆	
	Accessibility & Transparency	★	★	★	★	
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
<b>SPECIFIC</b>	Green Financing	★	★	☆		
	Cybersecurity/Data Privacy	★	★	★		
	Digital Transformation	★	★	★		
	Staff Welfare & Training	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

