

# AMMB Holdings

## Good Showing but Cautious with Outlook

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**FY23 net profit of RM1.74b (+16%) is within expectations.** However, a final dividend of 12.3 sen was a positive surprise, returning to historical payout average of 35%. The group opines to benefit from a growing SME base with better contributions from its associate stake in the enlarged Liberty Insurance. However, the group is cautious that developing global conditions may undermine its efforts and growth. Maintain OP with a slightly higher GGM-derived PBV TP of RM5.05 (from RM5.00).

**FY23 within expectations.** FY23 net earnings of RM1.74b made up 103% each of both our full-year forecast and consensus full-year estimates. A final dividend of 12.3 sen was declared, amounting to a full-year payment of 18.3 sen (at a c.35% payout ratio). This is above our anticipated 16.0 sen full-year payment as we had expected payouts to linger closer to 30%.

**YoY, FY23 total income grew by 12% driven by strong net interest income as loans base grew 9% while net interest margin (NIM) saw a 6 bps expansion.** However, owing to deposits competition creeping up in recent periods, NIMs contracted 29 bps QoQ. Meanwhile, non-interest income gained 17% from recovering treasury performances. Cost-income ratio was mostly stable at 43.9% (-0.2ppt) as operating expense growth was mostly contained. Credit costs improved significantly to 28 bps (-39 bps) as asset quality staging was more favourable. All in, continuing operations reported a 28% increase in earnings but after excluding discontinued operations in AmGeneral and minority interest, FY23 net profit reported at RM1.74b (+16%).

**Briefing's highlights.** Although the group registered a commendable close to its FY23 earnings, it reserves from providing more detailed guidances for FY24 in lieu of developing macro landscapes.

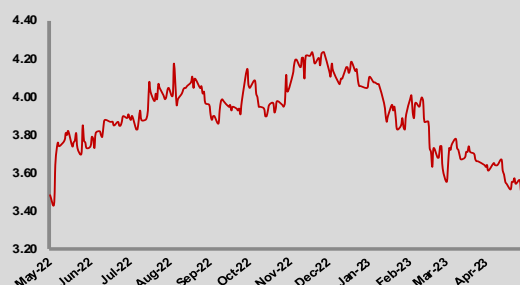
1. Though it outperformed its FY23 loans growth target of 6%-7% with a 9% delivery, the group opines that a more moderate pacing could be experienced in the coming year, indicating a likely 5%-6% benchmark, akin to industry.
2. The timing of writebacks continue to be an uncertainty as staging conditions may evolve, inclining the group to withhold guidance on credit cost for now. At present, the group sits on an overlay of RM461m, which it had topped up from FY22's RM394m against selected corporate exposures.
3. The group looks to focus on CASA strategies to uplift its NIMs, having seen the wide above-mentioned QoQ erosion. It opines that it may be able to achieve a relatively stable rate, though we believe it is more inclined to see some strain.
4. The divested AmGen-Liberty insurance group looks to contribute more in terms of associate earnings going forward. The entity has recently concluded its integration of business and is poised to reap from more expansionary strategies in due course.

**Forecasts.** Post results, we raise our FY24F earnings slightly as we incorporate FY23's full-year numbers. Its 7% EPS growth is backed by modest improvements across the board, but with NIMs possibly coming off. Meanwhile, we also introduce our FY25F numbers.

## OUTPERFORM ↔

Price : RM3.51  
Target Price : RM5.05 ↑

### Share Price Performance



KLCI 1,404.93  
YTD KLCI chg -6.1%  
YTD stock price chg -15.2%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	AMM MK Equity
Market Cap (RM m)	11,607.9
Shares Outstanding	3,307.1
52-week range (H)	4.24
52-week range (L)	3.43
3-mth avg daily vol	3,215,606
Free Float	44%
Beta	0.7

### Major Shareholders

ANZ Funds Pty Ltd	21.7%
Clear Goal Sdn Bhd	11.8%
Employees Provident Fund	9.6%

### Summary Earnings Table

FY Mar (RM m)	2023A	2024F	2025F
Net interest income	3,582	3,708	4,101
Non-interest income	956	973	1,002
<b>Total income</b>	<b>4,538</b>	<b>4,682</b>	<b>5,103</b>
Operating expenses	-1,999	-2,019	-2,046
<b>Loan impairment</b>	<b>-354</b>	<b>-330</b>	<b>-329</b>
Pre-tax profit	2,255	2,432	2,837
<b>Net Profit</b>	<b>1,735</b>	<b>1,863</b>	<b>2,054</b>
<b>Core Net Profit</b>	<b>1,735</b>	<b>1,863</b>	<b>2,054</b>
Consensus NP	-	1,749	1,856
Earnings revision	-	+3.1%	NEW
Core EPS (RM)	0.52	0.56	0.62
EPS growth (%)	15.1	7.4	10.2
NDPS (RM)	0.18	0.20	0.22
BV/share (RM)	5.48	5.85	6.25
NTA/share (RM)	5.32	5.69	6.10
ROE (%)	9.9	9.9	10.3
PER (x)	6.7	6.2	5.7
P/BV (x)	0.64	0.60	0.56
Net Div. Yield (%)	5.2	5.6	6.1

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**Maintain OUTPERFORM with a slightly higher TP of RM5.05 (from RM5.00, previously).** Our TP is based on an unchanged GGM-derived CY24F PBV of 0.82x (COE: 10.7%, TG: 4%, ROE: 9.5%). We believe the group could be a key beneficiary of the ongoing economic recovery from its notable SME loans profile (21%) - asset quality concerns on household sectors aside. The group also seeks to enjoy a better long-term growth trajectory from the abovementioned more aggressive partnerships against its peers. 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.

### Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Mar (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Net interest income	838	931	-10.0%	812	3.2%	3,582	3,234	10.8%
Non-interest income	287	280	2.6%	164	74.5%	963	822	17.1%
<b>Total income</b>	<b>1,125</b>	<b>1,211</b>	<b>-7.1%</b>	<b>977</b>	<b>15.2%</b>	<b>4,545</b>	<b>4,056</b>	<b>12.0%</b>
Operating expenses	-556	-497	11.7%	-478	16.2%	-1,994	-1,789	11.5%
<b>Pre-impairment profit</b>	<b>569</b>	<b>714</b>	<b>-20.2%</b>	<b>499</b>	<b>14.2%</b>	<b>2,551</b>	<b>2,267</b>	<b>12.5%</b>
(Allowances)/ write-backs	-51	-149	-65.9%	-53	-4.6%	-353	-782	-54.8%
(Allowances)/ write-backs on other assets	-7	16	-144.2%	168	-104.3%	10	183	-94.4%
<b>Operating profit</b>	<b>511</b>	<b>581</b>	<b>-12.0%</b>	<b>614</b>	<b>-16.7%</b>	<b>2,208</b>	<b>1,668</b>	<b>32.3%</b>
Non-operating gains / (losses)	35	20	75.7%	9	280.8%	70	44	58.4%
<b>Profit before tax</b>	<b>547</b>	<b>601</b>	<b>-9.0%</b>	<b>623</b>	<b>-12.3%</b>	<b>2,277</b>	<b>1,712</b>	<b>33.0%</b>
Taxation	-126	-132	-4.7%	-96	30.9%	-513	-177	189.4%
<b>Profit from Continuing Operations</b>	<b>428</b>	<b>453</b>	<b>-5.5%</b>	<b>358</b>	<b>19.4%</b>	<b>1,754</b>	<b>1,366</b>	<b>28.3%</b>
Profit from Discontinued Operations	0	0	N.M	59	-100.0%	-77	229	-133.9%
Minority interest	0	0	6.7%	-26	-99.6%	59	-92	-163.8%
<b>Net Profit</b>	<b>428</b>	<b>453</b>	<b>-5.5%</b>	<b>392</b>	<b>9.2%</b>	<b>1,735</b>	<b>1,503</b>	<b>15.5%</b>
Gross loans	130,227	126,338	3.1%	119,993	8.5%	130,227	119,993	8.5%
Gross impaired loans	1,896	2,041	-7.1%	1,676	13.2%	1,896	1,676	13.2%
Customer deposits	130,315	124,337	4.8%	122,593	6.3%	130,315	122,593	6.3%
Current and savings account (CASA)	48,800	39,982	22.1%	43,107	13.2%	48,800	43,107	13.2%
Total assets	197,541	185,205	6.7%	174,859	13.0%	197,541	174,859	13.0%
Shareholders' equity	18,135	17,601	3.0%	16,760	8.2%	18,135	16,760	8.2%
Est. annualised NIM	1.83%	2.12%		1.90%		2.00%	1.94%	
Cost-to-income ratio	49.4%	41.1%		49.0%		43.9%	44.1%	
Annualised credit cost (bps)	26.3	65.0		-81.5		28.2	66.6	
Effective tax rate	23.0%	22.0%		15.4%		22.5%	10.4%	
Annualised ROA	0.9%	1.0%		0.9%		0.9%	0.9%	
Annualised ROE	9.6%	10.4%		9.4%		9.9%	9.6%	
Gross impaired loans ratio	1.5%	1.6%		1.4%		1.5%	1.4%	
Loan loss coverage ratio (LLC)	104.7%	95.3%		115.0%		104.7%	115.0%	
LLC plus regulatory reserves	110.4%	99.4%		121.1%		110.4%	121.1%	
Loan-to-deposit ratio	106.0%	107.5%		103.1%		106.0%	103.1%	
CASA-to-deposit ratio	37.4%	32.2%		35.2%		37.4%	35.2%	
CET-1 capital (Group level)	12.5%	12.2%		12.2%		12.5%	12.2%	

Source: Company, Kenanga Research

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## 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.				
Stocks Under Coverage																	
ALLIANCE BANK MALAYSIA BHD	OP	3.33	4.40	32.1%	5,155	N	03/2023	44.7	50.0	20.9%	11.8%	7.4	6.7	0.8	10.5%	22.0	6.6%
AMMB HOLDINGS BHD	OP	3.51	5.05	43.9%	11,608	N	03/2024	56.3	62.0	7.4%	10.2%	6.2	5.7	0.6	9.9%	19.5	5.6%
BANK ISLAM MALAYSIA BHD	MP	1.85	2.30	24.3%	4,193	Y	12/2023	26.3	27.4	14.9%	4.2%	7.0	6.8	0.6	8.2%	15.5	8.4%
CIMB GROUP HOLDINGS BHD	OP	4.89	6.55	33.9%	52,152	N	12/2023	59.9	68.8	14.8%	15.0%	8.2	7.1	0.8	9.7%	30.0	6.1%
HONG LEONG BANK BHD	OP	19.50	23.35	19.7%	42,271	N	06/2023	197.3	201.2	22.9%	2.0%	9.9	9.7	1.2	12.5%	70.0	3.6%
MALAYAN BANKING BHD	OP	8.60	10.10	17.4%	103,665	N	12/2023	80.3	80.0	16.8%	-0.5%	10.7	10.8	1.2	11.1%	68.0	7.9%
PUBLIC BANK BHD	OP	3.89	4.90	26.0%	75,508	N	12/2023	36.0	37.2	14.1%	3.3%	10.8	10.5	1.4	13.5%	18.0	4.6%
RHB BANK BHD	OP	5.44	7.10	30.5%	23,318	N	12/2023	77.5	77.7	15.9%	0.3%	7.0	7.0	0.7	10.7%	43.0	7.9%
SECTOR AGGREGATE					317,870					15.9%	4.5%	9.6	9.2	1.0	10.9%		6.3%

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	☆		
	Financial Inclusion	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★		
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★		

☆ 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.**

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