

28 May 2024

# AMMB Holdings

## Saved by Lower Provisions

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AMMBANK's FY24 results and dividends were above expectations as 4QFY24 earnings uplift came from lower-than-expected provisions. The group's near-term target appears conservative but is in line to reflect modest growth as economic prospects improve. We raise our FY25F forecast by 8% on lower provisioning and raise our GGM-derived PBV TP by 8% to RM5.20 as we roll over our valuation base year. Maintain OP.

**FY24 beat expectations.** AMMBANK's FY24 core net profit of RM1.55b exceeded our full-year forecast and consensus' adjusted full-year estimates by 8%. The positive deviation from our end was attributed to lower-than-expected provisions following 3QFY24 heavy bookings. A final dividend of 16.6 sen (total FY24: 22.6 sen) also beat our anticipated 19 sen from its stronger reporting and reversion to pre-pandemic payout of 40%.

**YoY,** FY24 total revenue was flattish with net interest income seeing a 4% decline on the back of moderate loans growth (+3%) against continued NIM compression (1.83%, -17 ppt). However, this was offset by supportive non-interest income (+15%) from better trading results. Adjusting for one-off impairments, restructuring expenses and tax gains, core net profit declined 11% mostly due to a heftier credit cost at 51 bps (+17 bps) following conscious effort to build buffers.

**QoQ,** 4QFY24 total income dipped slightly (-2%) as although net interest income saw some recovery (+6%), there was a softer comparable performance in trading results. On the flipside, 4QFY24 core net profit was substantially stronger (+142%) as it lacks the frontloaded provisions booked during 3QFY24's reporting.

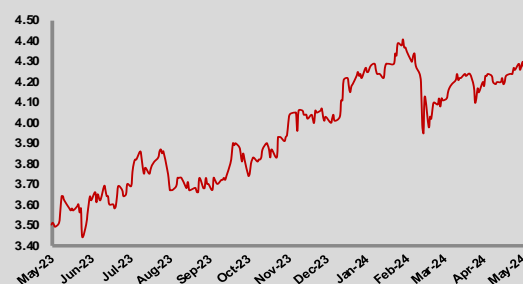
**Briefing highlights.** With capital building being a priority in FY24, the group looks to reap better fundamental earnings with its new headline guidances.

1. AMMBANK targets for loans growth to be at least in line with its GDP forecast of 4%-5%. This could be supported by further gains in the SME space with appetite for mortgages still appearing stable. On the back of greater economic activities, sectors like construction are likely to add to its growth while steadying the quality of its books.
2. GIL is hopeful to remain stable at the very least (FY24: 1.67%) as repayability becomes a less pressing concern. The group has accumulated a sizeable overlay of RM502m which could help to better manage its credit cost for the year, which it target to keep within 30-35 bps.
3. The landscape for funding cost continue to appear stretched for the group, albeit with measures to offset looking to show results with the dependence of senior unsecured bonds amongst others. While the group is abstaining from offering guidance on NIMs, it opines that sequential improvements are likely due.
4. Absent one-off adjustments, AMMBANK looks to land a ROE of 10% in FY25 from the pillars above. Structurally, this target will likely be unaffected by ANZ's exit as a major shareholder given that there are no fundamental changes to the group's operations. Meanwhile, its collaborative partnership with BonusLink is not likely to be immediately affected by Shell Malaysia's planned exit from the country as we believe a successful sale to Saudi Aramco would subsequently require an extended transitional phase.

# OUTPERFORM ↔

Price : RM4.27  
Target Price : RM5.20 ↑

### Share Price Performance



KLCI	1,618.27
YTD KLCI chg	11.2%
YTD stock price chg	6.5%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	AMM MK Equity
Market Cap (RM m)	14,120.2
Shares Outstanding	3,306.8
52-week range (H)	4.41
52-week range (L)	3.44
3-mth avg daily vol	9,047,092
Free Float	58%
Beta	0.7

### Major Shareholders

Employees Provident Fund	14.3%
Clear Goal Sdn Bhd	10.9%
Amanah Saham Nasional	7.7%

### Summary Earnings Table

FY Mar (RM m)	2024A	2025F	2026F
Net interest Income	3,453	3,699	3,679
Non-interest Income	1,103	1,377	1,275
<b>Total Income</b>	<b>4,555</b>	<b>5,076</b>	<b>4,954</b>
Operating Expenses	-2,052	-2,072	-2,102
<b>Loan Impairment</b>	<b>-850</b>	<b>-613</b>	<b>-449</b>
Pre-tax Profit	1,694	2,431	2,443
<b>Net Profit</b>	<b>1,868</b>	<b>1,829</b>	<b>1,863</b>
<b>Core Net Profit</b>	<b>1,556</b>	<b>1,829</b>	<b>1,863</b>
Consensus NP	-	1,755	1,860
Earnings Revision	-	+8.1%	NEW
Core EPS (RM)	0.47	0.55	0.56
EPS Growth (%)	-8.9	17.5	1.8
NDPS (RM)	22.6	22.0	23.0
BV/Share (RM)	5.88	6.21	6.54
NTA/Share (RM)	5.75	6.08	6.41
ROE (%)	8.3	9.1	8.8
PER (x)	9.2	7.8	7.7
P/BV (x)	0.73	0.69	0.66
Net Div. Yield (%)	5.2	5.1	5.3

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**Forecasts.** Post results, we raise our FY25F earnings by 8% as we lower our provisioning assumptions and slightly more bullish loans growth for the group. Meanwhile, we also introduce our FY26F earnings.

**Maintain OUTPERFORM with a higher TP of RM5.20 (from RM4.80).** Against an unchanged GGM-derived PBV of 0.80x (COE: 10.2%, TG: 4.25%, ROE: 9.0%), we roll over our valuation base year to CY25 estimated BVPS of RM6.46. We continue to believe our thesis that AMBANK is still in a better shape for consolidation. On top of securing sustainable ROEs of c.9% (since FY19 of <9%), the group may now be in a better position to deliver better dividend payouts of c.40% (from 35%) which we are anticipating. The group is also one of the leaders in terms of SME profile, which is touted as a high-growth segment that could accelerate market share growth for the group should we anticipate better economic prospects in the medium-term. 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)	FY24	FY24	Chg	FY23	Chg	FY24	FY23	Chg
Net interest income	874	823	6.2%	838	4.3%	3,453	3,582	-3.6%
Non-interest income	268	343	-21.9%	287	-6.6%	1,103	956	15.3%
<b>Total income</b>	<b>1,142</b>	<b>1,166</b>	<b>-2.1%</b>	<b>1,125</b>	<b>1.5%</b>	<b>4,555</b>	<b>4,538</b>	<b>0.4%</b>
Operating expenses	-530	-522	1.5%	-556	-4.7%	-2,052	-1,999	2.6%
<b>Pre-impairment profit</b>	<b>613</b>	<b>645</b>	<b>-5.0%</b>	<b>569</b>	<b>7.6%</b>	<b>2,504</b>	<b>2,539</b>	<b>-1.4%</b>
(Allowances)/ write-backs	-39	-435	-91.0%	-84	-53.8%	-675	-422	60.1%
(Allowances)/ write-backs on other assets	19	1	1311.2%	34	-44.3%	130	68	90.0%
<b>Operating profit</b>	<b>592</b>	<b>211</b>	<b>181.0%</b>	<b>519</b>	<b>14.2%</b>	<b>1,958</b>	<b>2,186</b>	<b>-10.4%</b>
Non-operating gains / (losses)	27	-15	-280.4%	35	-22.5%	40	44	-9.2%
Extraordinary Items	0	-192	-100.0%	0	N.M.	-192	0	N.M
<b>Profit before tax</b>	<b>620</b>	<b>4</b>	<b>N.M.</b>	<b>554</b>	<b>11.9%</b>	<b>1,806</b>	<b>2,230</b>	<b>-19.0%</b>
Taxation	-143	540	-126.5%	-126	13.8%	148	-513	-128.9%
<b>Profit from Continuing Operations</b>	<b>477</b>	<b>543</b>	<b>-12.3%</b>	<b>428</b>	<b>11.4%</b>	<b>1,842</b>	<b>1,717</b>	<b>7.3%</b>
Profit from Discont'd Operations	0	0	N.M	0	N.M.	51	-66	-177.4%
Minority interest	0	0	156.4%	0	5.3%	-25	59	-143.2%
Non-core adjustments	0	-346	-100.0%	0	N.M.	-346	0	N.M
<b>Core Net Profit</b>	<b>477</b>	<b>197</b>	<b>141.5%</b>	<b>428</b>	<b>11.4%</b>	<b>1,522</b>	<b>1,709</b>	<b>-11.0%</b>
Gross loans	134,130	131,329	2.1%	130,227	3.0%	134,130	130,227	3.0%
Gross impaired loans	2,236	2,103	6.3%	1,896	17.9%	2,236	1,896	17.9%
Customer deposits	142,381	135,924	4.8%	130,315	9.3%	142,381	130,315	9.3%
Current and savings account (CASA)	52,767	45,804	15.2%	48,800	8.1%	52,767	48,800	8.1%
Total assets	196,764	193,974	1.4%	197,432	-0.3%	196,764	197,432	-0.3%
Shareholders' equity	19,441	19,152	1.5%	18,026	7.8%	19,441	18,026	7.8%
Est. annualised NIM	1.88%	1.77%		1.83%		1.83%	2.00%	
Cost-to-income ratio*	46.4%	44.7%		49.4%		45.0%	44.0%	
Annualised credit cost (bps)*	11.7	132.8		26.3		51.1	33.7	
Effective tax rate	23.1%	-14261.8%		22.7%		-8.2%	23.0%	
Annualised ROA	1.0%	1.1%		0.9%		0.8%	0.9%	
Annualised ROE	9.9%	11.5%		9.6%		8.1%	9.8%	
Gross impaired loans ratio	1.7%	1.6%		1.5%		1.7%	1.5%	
Loan loss coverage ratio (LLC)	90.7%	102.0%		104.6%		90.7%	104.6%	
LLC plus regulatory reserves	92.6%	103.6%		110.4%		92.6%	110.4%	
Loan-to-deposit ratio	98.0%	102.2%		99.9%		98.0%	99.9%	
CASA-to-deposit ratio	37.1%	33.7%		37.4%		37.1%	37.4%	
CET-1 capital (Group level)	13.3%	12.5%		12.5%		13.3%	12.5%	

Source: Company, Kenanga Research

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**Management Guidance**

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	<b>FY25 Targets</b>	<b>FY24 Performance</b>
Loans growth	>4%	+3.0%
NIM	Stable	1.83%
Credit cost	30-35 bps	51 bps
ROE	10% without one-offs	8.1%

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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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
AFFIN BANK BHD	UP	2.46	1.80	-26.8%	5,772	N	12/2024	21.0	27.7	20.4%	31.9%	11.7	8.9	0.5	4.3%	8.0	3.3%
ALLIANCE BANK MALAYSIA BHD	OP	3.79	4.30	13.5%	5,867	N	03/2024	45.5	50.9	4.0%	11.8%	8.3	7.4	0.8	10.2%	24.5	6.5%
AMMB HOLDINGS BHD	OP	4.27	5.20	21.8%	14,120	N	03/2025	55.3	56.3	17.5%	1.8%	7.7	7.6	0.7	9.1%	22.0	5.2%
BANK ISLAM MALAYSIA BHD	MP	2.45	2.25	-8.2%	5,553	Y	12/2024	25.2	29.0	3.3%	14.9%	9.7	8.5	0.7	7.6%	17.0	6.9%
CIMB GROUP HOLDINGS BHD	MP	6.90	6.60	-4.3%	73,698	N	12/2024	67.1	69.8	2.6%	3.9%	10.3	9.9	1.0	10.3%	44.0	6.4%
HONG LEONG BANK BHD	OP	19.40	24.20	24.7%	42,054	N	06/2024	196.0	213.1	5.2%	8.7%	9.9	9.1	1.1	11.3%	60.0	3.1%
MALAYAN BANKING BHD	OP	9.99	11.00	10.1%	120,549	N	12/2024	80.0	83.6	3.2%	4.5%	12.5	11.9	1.2	10.1%	62.0	6.2%
MALAYSIA BUILDING SOCIETY	UP	0.910	0.590	-35.2%	7,482	Y	12/2024	3.4	6.3	79.3%	82.1%	26.5	14.6	0.7	2.5%	2.0	2.2%
PUBLIC BANK BHD	OP	4.13	5.10	23.5%	80,166	N	12/2024	37.3	39.3	9.0%	5.4%	11.1	10.5	1.4	12.9%	21.0	5.1%
RHB BANK BHD	OP	5.51	7.25	31.6%	24,021	N	12/2024	71.3	74.7	9.1%	4.8%	7.7	7.4	0.7	9.7%	43.0	7.8%
<b>SECTOR AGGREGATE</b>					<b>379,282</b>					<b>6.2%</b>	<b>6.2%</b>	<b>10.8</b>	<b>10.2</b>	<b>1.1</b>	<b>10.0%</b>		<b>5.3%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

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