

# AMMB Holdings Berhad

(1015 | AMM MK) Financial Services | Finance

## Strong PPOP growth

### KEY INVESTMENT HIGHLIGHTS

- **Result was in line with expectations**
- **Higher earnings as a result of strong PPOP expansion**
- **Resilient NII growth from stable NIM and robust loans growth**
- **Trading income led NOII expansion**
- **Deposits decline but this was due to the release of retail FDs; CASA showed solid uptick**
- **No change to FY20 and FY21 earnings forecast**
- **Maintain TRADING BUY**

**Results in line.** The Group registered its 9MFY20 which was in line with expectations. It came in at 78% of ours and consensus' full year estimates respectively.

**Higher earnings from PPOP growth.** Net profit grew +4.5%yoy in 9MFY20. This was due to the PPOP expansion of +13.5%yoy which moderated the normalisation credit cost. The higher net income was the driver for the PPOP growth.

**Resilient NII growth from robust loans growth and stable NIM.** The Group saw its NII (inclusive of Islamic banking net fund based income) rising by +6%yoy to RM2.07b in 9MFY20. This was due to robust gross loans growth which grew +4.2%yoy to RM104.5b. Also, NIM was stable at 1.93% despite the fact that there were an OPR cut in May-19. We understand that the Group had managed to reprice its deposits and released fixed deposits (FD).

**Strong NOII growth.** NOII (inclusive from Islamic banking) grew +15%yoy to RM1.17b. Main driver was the sustained strong trading gains, higher investment banking fees and general insurance income.

**Housing and business banking led loans growth.** Mortgages continued to lead gross loans growth. It grew +8.1%yoy to RM32.2b. Business banking also made a key contribution. This segment loans book expanded +11.6%yoy to RM45.5b as at 3QFY20.

**Deposits declined but due to release of more expensive deposits.** Deposits declined -1.0%yoy to RM105.7b. However, this was due to the release of FDs, where total FD contracted -4.4%yoy to RM81.0b. The contraction in FD came from the retail segment which fell -15.0%yoy to RM34.0b. Meanwhile, CASA grew +11.8%yoy to RM24.7b. This was attributable to the +20.2%yoy increase in non-retail CASA, to RM12.5b.

**No change in earnings forecast.** We are maintaining our earnings forecast for FY20 and FY21 as the result were within expectations.

## Maintain TRADING BUY

**Unchanged Target Price: RM4.20**

### RETURN STATISTICS

Price @ 27 <sup>th</sup> Feb. 2020 (RM)	3.77
Expected share price return (%)	+11.4
Expected dividend yield (%)	+5.3
<b>Expected total return (%)</b>	<b>+16.7</b>

### SHARE PRICE CHART




Share price performance (%)	Absolute	Relative
1 month	-1.6	2.8
3 months	-3.6	-2.8
12 months	-17.7	-6.3

### KEY STATISTICS

FBM KLCI	1,505.59
Syariah compliant	No
Issue shares (m)	3014.19
Estimated free float (%)	30.05
Market Capitalisation (RM'm)	11,355.64
52-wk price range	RM3.66 - RM4.64
Beta vs FBM KLCI (x)	1.15
Monthly velocity (%)	23.84
Monthly volatility (%)	11.73
3-mth average daily volume (m)	2.32
3-mth average daily value (RM'm)	9.04
Top Shareholders (%)	
ANZ Funds Pty Ltd	23.80
Clear Goal Sdn Bhd	12.98
Employees Provident Fund Board	8.57

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**Valuation and recommendation.** We continue to be pleasantly surprised by the Group's resilience in light of the challenging environment. Most surprising was the robustness of its income. Meanwhile there were some traction in gross loans growth. Taking all into consideration, we maintain our **TRADING BUY** recommendation. In addition, the guidance of higher dividends should provide an added incentive for investors. We should note that we expect a dividend yield of circa 5% given its current share price. Our **TP** remains unchanged at **RM4.20** based on PBV of 0.68x. 

## INVESTMENT STATISTICS

Financial year ending 31 March (in RM'm, unless otherwise stated)	2018A	2019A	2020E	2021F	2022F
Net interest income (RM'm)	1,664.3	1,724.3	1,803.0	1,907.5	2,012.2
Islamic banking income (RM'm)	941.0	951.9	1,107.7	1,196.3	1,292.0
Non-interest income (RM'm)	1,373.9	1,246.1	1,495.0	1,578.0	1,653.3
Total income (RM'm)	3,979.2	3,922.4	4,405.7	4,681.7	4,957.6
Pretax profit (RM'm)	1,542.7	2,095.4	1,910.6	1,991.0	2,114.5
Net profit	1,132.1	1,505.3	1,400.9	1,459.8	1,550.4
Core Net profit (RM'm)	1,289.0	1,505.3	1,400.9	1,459.8	1,550.4
Core EPS (sen)	42.8	50.0	46.6	48.5	51.5
PER (x)	8.8	7.5	8.1	7.8	7.3
Net Dividend (sen)	15.0	20.0	22.0	24.0	26.0
Net Dividend Yield (%)	4.0	5.3	5.8	6.4	6.9
Book value per share (sen)	5.48	5.87	6.04	6.14	6.34
PBV (x)	0.7	0.6	0.6	0.6	0.6
ROE (%)	7.0	8.1	8.0	8.0	8.2

### Some banking abbreviations used in this report:

CI = Cost to Income  
 CET1 = Common Equity Tier 1  
 GIL = Gross Impaired Loan  
 LD = Loan-Deposit  
 NII = Net Interest Income  
 NOII = Non-interest income  
 NIM = Net Interest margin  
 CASA = Current and Savings Accounts  
 COF = Cost of Funds  
 IB = Investment Banking  
 LLC = Loan Loss Coverage  
 PPOP = Pre-Provisioning Operating Profit  
 FVTPL = Fair Value Through Profit Or Loss  
 OPEX = Operating Expenses  
 OPR = Overnight Policy Rate

Source: Company, MIDFR

**Table 2: Quarterly & Cumulative results (base on reported financials)**

FYE March (RM m)	Quarterly results					Cumulative results		
	3QFY20	2QFY20	3QFY19	Yoy (+/- %)	Qoq (+/- %)	9MFY20	9MFY19	Yoy (+/- %)
Net Interest Income	504.9	472.9	438.8	15.1%	6.8%	1,446.1	1,301.5	11.1%
Net Islamic Banking Income	213.3	246.1	242.1	-11.9%	-13.3%	689.4	714.4	-3.5%
Non-interest income	386.3	349.9	266.1	45.2%	10.4%	1,102.5	951.9	15.8%
Net/Total income	1,104.6	1,068.9	947.0	16.6%	3.3%	3,238.1	2,967.8	9.1%
OPEX	(552.3)	(526.2)	(512.6)	7.7%	4.9%	(1,607.1)	(1,530.9)	5.0%
PPOP	552.3	542.7	434.5	27.1%	1.8%	1,631.0	1,436.9	13.5%
Writeback/(Provision)	(56.9)	(109.1)	51.3	<-100%	-47.8%	(133.5)	33.4	<-100%
PBT	495.4	433.6	485.8	2.0%	14.3%	1,497.5	1,470.3	1.8%
Taxation	(93.7)	(80.5)	(120.2)	-22.1%	16.4%	(311.0)	(343.0)	-9.3%
Net Profit	382.1	319.6	349.9	9.2%	19.6%	1,093.2	1,045.6	4.5%
EPS (sen)	12.7	10.6	11.6	9.3%	19.7%	36.4	34.8	4.6%

**Table 3: Financial Ratios**

Financial Ratios (%)	3QFY20	2QFY20	3QFY19	Yoy (+/-ppts)	Qoq (+/-ppts)	9MFY20	9MFY19	Yoy (+/-ppts)
CET-1 <sup>^</sup>	12.2	12.6	11.3	0.9	-0.4	12.2	11.3	0.9
Tier 1 Capital <sup>^</sup>	12.2	12.6	12.2	0.0	-0.4	12.2	12.2	0.0
Total Capital <sup>^</sup>	15.6	16.1	16.1	-0.5	-0.5	15.6	16.1	-0.5
GIL	1.71	1.77	1.62	0.09	-0.06	1.71	1.62	0.09
Credit charge-off	0.22	0.43	-0.21	0.43	-0.21	0.16	-0.04	0.20
Loan loss Coverage	105.2	105.8	116.8	-11.6	-0.6	105.2	116.8	-11.6
Cost to income	50.0	49.2	54.1	-4.1	0.8	49.6	51.6	-2.0
Unadjusted Net LDR	97.8	98.1	92.7	5.1	-0.3	97.8	92.7	5.1
NIM	2.02	1.91	1.88	0.14	0.11	1.93	1.93	0.00
ROEA	8.3	7.0	8.1	0.2	1.3	8.1	8.2	-0.1

<sup>^</sup>Group level ratios

**Table 4: PBT by key segments (based on reported financials)**

PBT (RM m)	9MFY20	9MFY19	Yoy (+/- %)
Retail Banking	248.8	287.0	-13.3%
Wholesale Banking	611.0	598.6	2.1%
Business Banking	75.9	98.5	-23.0%
General Insurance, Group Funding and other segments	250.8	143.2	75.2%

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.