AMMB Holdings Berhad

(1015 | AMM MK) Financial Services | Finance

4QFY23 Results

***Maintain* BUY**

***Revised* Target Price: RM4.03**

(Previously RM5.24)

KEY INVESTMENT HIGHLIGHTS

- **FY23's Core NP of RM1,754m was *Within*/*Within* our/street forecasts: *99%*/*104%* of full-year forecasts**
- **Core themes: (a) Strong CASA growth, (b) Good NOII recovery, (c) Excellent loan growth**
- **FY24F/25F Core NP adjusted by -6%/-9%**
- **Maintain BUY | Revised TP of RM4.03 | based on a revised FY24F P/BV of 0.87x *(formerly 0.92x)***

Decent quarter, despite NIM issues. Core net profit (NP) fell by -5% on a quarter-on-quarter basis, with weaker NII (-12%qoq) and higher end-year costs (+12%yoy) dragging improvements in provisions and NOII (+12%qoq).

Cumulatively, a much stronger year in most respects. FY23 CNP rose +56%yoy, with stronger NII and NOII contributing to topline improvement (+12%yoy) as well as much lower provisions. This offset increased OPEX and tax.

Have a look at:

Huge CASA uptake in 4QFY22 – if retained, could bode well for NIM outlook. AMMB's NIM decline was -31bps qoq to 1.82%. It expects NIM to remain around this range in the following quarter, buoyed by OPR hike effects.

AMMB ran a unique FD promotion that involved customers also contributing CASA – with a series of incentive systems to encourage stickiness. The overall intention is to convert some of these to priority customers and to shift the balances into wealth management. As a result, in contrast to peers, AMMB's CASA rose by +5.3%qoq, boasting a CASA ratio of 37.4% (from 32.2% in the last quarter).

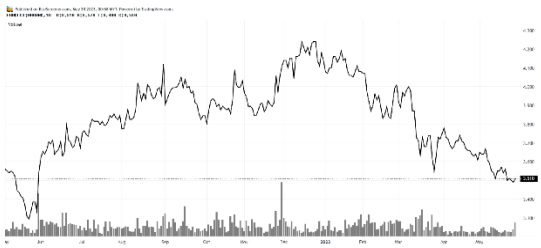
AMMB's ability to maintain these CASA balances could provide upside to loan growth and NIM – but do note that (1) there was a fair amount of seasonality in 4Q deposit spikes and (2) Management is also unsure of the stickiness of such deposits.

Verdict: +ve risk-reward – Huge CASA uptake provides upside if able to be retained.

Yays	1. Dividend payments have resumed, target of 35%. 2. RWA optimisation to continue, nearing FIRB regime. 3. As with peers, sizeable writebacks are expected.
Nays	1. No official FY24F guidance for key metrics given yet. 2. Negative pricing pressure from MACC-BERSATU case.
OKs	1. Excess CASA balances could provide upside to loan growth and NIM – but uncertain if they can be retained. 2. AMMB rebalanced its SME and retail deposits – stickier and granular than its previous corporate skew.

RETURN STATISTICS	
Price @ 29 May 2023 (RM)	3.51
Expected share price return (%)	+14.9
Expected dividend yield (%)	+14.9
Expected total return (%)	**+20.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.8	-3.4
3 months	-6.1	-5.4
12 months	3.5	12.8

INVESTMENT STATISTICS

FYE Mar	FY24F	FY25F	FY26F
Core NP (RM m)	**1,810**	**1,912**	**1,984**
CNP growth (%)	4	6	4
Div yield (%)	**5.4**	**5.7**	**5.9**
Gross DPS (sen)	19.1	20.1	20.8
P/BV (x)	**0.8**	**0.7**	**0.7**
BVPS (RM)	4.6	5.0	5.3
ROE (%)	**9.6**	**9.5**	**9.2**
MIDF/Street CNP (%)	**103**	**102**	**-**

KEY STATISTICS	
FBM KLCI	1,404.93
Issue shares (m)	3,308.0
Estimated free float (%)	43.9
Market Capitalisation (RM'm)	11,641.0
52-wk price range	RM3.38 - RM4.25
3-mth avg daily volume (m)	3.4
3-mth avg daily value (RM'm)	12.8
Top Shareholders (%)	
ANZ Funds Pty Ltd	21.7
Clear Goal Sdn Bhd	11.8
EPF Board	9.6

Analyst
Samuel Woo
samuel.woo@midf.com.my

Forecasts revised: FY24F/25F Core NP adjusted by -6%/-9%. To reflect a poorer NIM outlook, higher OPEX, as well as weaker NOII balances going forward.

Key downside risks. *(1) Lacklustre NOII recovery, (2) Sharp NIM compression due to inability to maintain CASA, (3) Higher-than-anticipated OPEX.*

Maintain BUY call: Revised GGM-TP of RM 4.03 ***(from RM5.24).*** The TP is based on a revised FY24F P/BV of 0.87x *(formerly 0.92x)*, to reflect altered earnings prospects and ROE-based valuations. We offer a discount for negative share price pressure coming from MACC-BERSATU allegations. ***(GGM assumptions:*** *FY24F ROE of 9.6%, LTG of 3.5% & COE of 10.6%)*

Fig 1: Quarterly results

FYE Mar (RM m)	4Q FY23	3Q FY23	4Q FY22	Yoy (%)	Qoq (%)	FY23	FY22	Yoy (%)
Net interest inc.	522	592	534	-2	-12	2,281	2,172	5
Islamic banking inc.	316	339	278	14	-7	1,301	1,062	23
Non-interest inc.	287	280	164	75	3	963	834	15
Net income	**1,125**	**1,211**	**977**	**15**	**-7**	**4,545**	**4,068**	**12**
OPEX	(556)	(497)	(478)	16	12	(1,994)	(1,779)	12
PPOP	**569**	**714**	**499**	**14**	**-20**	**(1,994)**	**(1,779)**	**12**
Loan provisions	(84)	(204)	244	-135	-59	(422)	(314)	34
Other provisions	34	54	(297)	-111	-38	68	(454)	-115
JV & Associates	35	20	9	281	76	70	44	58
PBT	**554**	**585**	**454**	**22**	**-5**	**2,267**	**1,565**	**45**
Tax	(126)	(132)	(96)	31	-5	(513)	(177)	189
Discontinued ops	-	-	59	n.m.	n.m.	(77)	207	n.m.
NCI	(0)	-	(26)	n.m.	n.m.	59	(92)	n.m.
Reported NP	**428**	**453**	**392**	**9**	**-5**	**1,735**	**1,503**	**15**
Core NP	**428**	**453**	**354**	**21**	**-5**	**1,754**	**1,127**	**56**
Total NII*	815	930	757	8	-12	3,489	3,127	12
Total NOII*	336	301	205	64	12	1,116	961	16
Gross DPS (sen)	**12.3**	**-**	**5.0**	**n.m.**	**n.m.**	**18.3**	**5.0**	**n.m.**
Core EPS (sen)	12.9	13.7	10.7	21	-5	53.0	34.1	55
Gross loans	130,227	126,338	119,993	8.5	3.1			
Gross impaired loans	1,896	2,041	1,676	13.2	-7.1			
Customer deposits	130,315	124,337	122,593	6.3	4.8			
CASA	48,800	39,982	43,107	13.2	22.1			

**Contains contributions from JV & Associates*

Ratios (%)	4Q FY23	3Q FY23	4Q FY22	Yoy (ppts)	Qoq (ppts)	FY23	FY22	Yoy (ppts)
ROE (Ann.)	**9.4**	**10.3**	**8.4**	**1.0**	**-0.8**	**9.7**	**6.7**	**2.9**
NIM (Reported)	**1.82**	**2.13**	**2.00**	**-0.18**	**-0.31**	**2.07**	**2.05**	**0.02**
NOII/Net income	29.2	24.5	21.3	7.9	4.7	24.2	23.5	0.7
Cost/Income	49.4	41.1	49.0	0.4	8.3	43.9	43.7	0.2
NCC (Ann.) (bps)	27	66	(83)	110	-39	34	27	7
GIL ratio	1.46	1.62	1.40	0.06	-0.16			
Loan loss coverage	105	95	115	-10	9			
CASA ratio	37.4	32.2	35.2	2.3	5.3			
L/D ratio	98.4	100.0	96.3	2.1	-1.6			
CET-1	12.5	12.3	12.2	0.3	0.2			

Source: AMMB, MIDFR

Fig 2: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***428***	**Qtrly ROE**	Qtr value	***9.4%***	**A weak quarter was expected.**
	24% of FY CNP					
	Qoq	*-5%*		t-1	*10.3%*	
	Yoy	*21%*		t-4	*8.4%*	
Cum. Core NP	RM mil	***1,754***	**Cum. ROE**	Cum value	***9.7%***	**Great year – ROE is at its highest since 2017.**
	Within our forecast					
	99% of FY CNP					
	Within consensus					
	104% of FY CNP					
	Yoy	*56%*		t-1	*6.7%*	
NII	As expected		**NIM**	As expected		**Not that bad, in comparison to peers.** NIM was largely maintained by a huge CASA campaign in 4QFY22. Going forward, management guides for NIM to remain stable in the next few quarters.
				Qtr value	***1.82***	
				Cum value	***2.07***	
	Qtr (Qoq)	*-12%*		Qtr (Qoq)	*-31bps*	
	Qtr (Yoy)	*8%*		Qtr (Yoy)	*-18bps*	
	Cum (Yoy)	*12%*		Cum (Yoy)	*+2bps*	
NOII	As expected		**Qtr**	% NII	***71%***	**Good recovery, though already guided for – outlook should be positive too.**
	Qtr (Qoq)	*12%*		% NOII	***29%***	
	Qtr (Yoy)	*64%*	**Cum**	% NII	***76%***	
	Cum (Yoy)	*16%*		% NOII	***24%***	
OPEX	As expected		**Cost/ Inc.**	As expected		**OPEX is usually elevated in 4Q.** OPEX to rise +5%yoy.
				Qtr value	***49.4%***	
				Cum value	***43.9%***	
	Qtr (Qoq)	*12%*		Qtr (Qoq)	*+8.3%*	
	Qtr (Yoy)	*16%*		Qtr (Yoy)	*+0.4%*	
	Cum (Yoy)	*12%*		Cum (Yoy)	*+0.2%*	

Source: AMMB, MIDFR

Fig 3: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	As expected					**Strong loan growth – still expected to be slightly above market growth in FY24F at 5-6%.**
	Qoq	*3.1%*				
	Yoy	*8.5%*				
	YTD (FY)	*8.5%*				
Depo. grwth	+ve surprise		**CASA grwth**	+ve surprise		**Huge CASA campaign was very successful.**
	Qoq	*4.8%*		Qoq	*22.1%*	More important is whether AMMB can retain a fair chunk of the CASA in the following quarters – doing so could drive loan growth and keep NIMs manageable.
	Yoy	*6.3%*		Yoy	*13.2%*	
	YTD (FY)	*6.3%*		YTD (FY)	*13.2%*	AMMB continues to rebalance its portfolio, favouring stickier retail and SME deposits.
CASA ratio	+ve surprise		**L/D ratio**	As expected		
	Value now	***37.4%***		Value now	***98.4%***	
	Qoq	*+5.3%*		Qoq	*-1.6%*	
	Yoy	*+2.3%*		Yoy	*+2.1%*	
GIL ratio	As expected		**LLC ratio**	As expected		**Asset quality seems to have stabilised – soft provision this quarter, after net writebacks in t-1.**
	Value now	***1.46%***		Value now	***105%***	FY23's NCC came in at the lower end of guidance.
	Qoq	*-16bps*		Qoq	*+9%*	
	Yoy	*+6bps*		Yoy	*-10%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Decent provision			Decent provision		
	Value now	***27bps***		Value now	***34bps***	
	t-1	*66bps*				
	t-4	*-83bps*		t-4	*27bps*	
CET 1	Healthy level		**Div payout**	Div announced		**Managment guides for further CET1 improvements as it continues RWA optimisation. Dividend payout to be maintained.**
	As expected			As expected		
	Value now	***12.5%***		**Payout**	***35.0%***	
	Qoq	*0.2%*				

Others: Current LCR is at 149% -- mgmt's ideal range is >140% -- hence not much headroom for NIM optimisation on this front.

Source: AMMB, MIDFR

Fig 4: Targets, Achievements, and Outlook

Targets	FY24F	FY23F	FY23	**Notes** (Red: New guidance, ~~Strikethrough: former guidance is no longer pertinent~~)
ROE		10.0	9.7	
CIR		~42	43.9	Unofficial: OPEX +5%yoy
NIM			2.07	Likely to remain stable, thanks to the OPR hikes.
NOII			16% (yoy)	
Loans	5-6% (Unofficial)	6-7	8.5 (YTD)	Above market loan growth.
Deposits			6.3 (YTD)	
CASA			37.4	There was an aggressive CASA campaign in 4QFY22 -- remains to be seen how much can be retained.
Loan/Depo			98.4	
GIL ratio			1.46	
NCC (bps)		35-40	34	Overlay balance: RM461m (+RM41m qoq).
LLC			105	
CET 1			12.5	
Div payout			35	Normalised goal: 35%.

Source: AMMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY22	FY23F	FY24F	FY25F	FY26F
Interest income	3,942	4,976	5,381	5,805	6,044
Interest expense	(1,770)	(2,695)	(2,950)	(3,218)	(3,400)
Net interest income	**2,172**	**2,281**	**2,431**	**2,587**	**2,644**
Islamic banking inc.	1,062	1,301	1,271	1,219	1,245
Other operating inc.	822	956	1,049	1,151	1,251
Net income	**4,056**	**4,538**	**4,752**	**4,957**	**5,140**
OPEX	(1,789)	(1,999)	(2,138)	(2,181)	(2,262)
PPOP	**2,267**	**2,539**	**2,614**	**2,776**	**2,878**
Loan allowances	(314)	(422)	(335)	(368)	(386)
Other allowances	(454)	68	(13)	(29)	(24)
JV & Associates	44	70	91	111	115
PBT	**1,544**	**2,255**	**2,356**	**2,490**	**2,583**
Tax & zakat	(177)	(513)	(547)	(578)	(599)
NCI	(92)	59	-	-	-
Reported NP	**1,503**	**1,735**	**1,810**	**1,912**	**1,984**
Core NP	**1,503**	**1,735**	**1,810**	**1,912**	**1,984**
Total NII	3,012	3,436	3,576	3,696	3,777
Total NOII	950	1,110	1,176	1,261	1,363

BALANCE SHEET

FYE Mar (RM m)	FY22	FY23F	FY24F	FY25F	FY26F
Cash & ST funds	14,523	8,699	9,185	9,320	9,551
Investment securities	35,011	51,851	48,326	45,204	42,445
Net loans	118,066	128,243	136,113	143,001	150,165
Other IEAs	0	0	0	0	0
Non-IEAs	7,260	8,748	8,657	8,723	10,495
Total assets	**174,859**	**197,541**	**202,281**	**206,247**	**212,657**
Customer deposits	122,593	130,315	138,264	145,454	153,018
Other IBLs	18,130	34,513	25,136	20,712	18,455
Non-IBLs	16,177	14,577	19,480	19,345	19,001
Total liabilities	**156,900**	**179,405**	**182,881**	**185,511**	**190,474**
Share capital	6,776	6,376	6,376	6,376	6,376
Reserves	9,984	11,759	13,024	14,360	15,807
Shareholders' funds	**16,760**	**18,135**	**19,401**	**20,736**	**22,183**
NCI	1,199	1	0	0	0
Total equity	**17,959**	**18,136**	**19,401**	**20,736**	**22,183**
Total L&E	**174,859**	**197,541**	**202,281**	**206,247**	**212,657**
Total IEAs	167,599	188,792	193,625	197,524	202,162
Total IBLs	140,723	164,828	163,401	166,166	171,473
Gross loans	119,993	130,227	138,040	144,942	152,190
CASA	43,107	48,800	47,010	46,545	47,435

FINANCIAL RATIOS

FYE Mar (RM m)	FY22	FY23F	FY24F	FY25F	FY26F
Interest (%)					
NIM	1.82	1.93	1.87	1.89	1.89
Return on IEAs	2.39	2.79	2.81	2.97	3.02
Cost of funds	1.27	1.76	1.80	1.95	2.01
Net interest spread	1.11	1.03	1.02	1.02	1.01
Profitability (%)					
ROE	**9.6**	**9.9**	**9.6**	**9.5**	**9.2**
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	25.7	24.3	24.8	25.4	26.5
Effective tax rate	11.5	22.7	23.2	23.2	23.2
Cost/Income	44.1	44.0	45.0	44.0	44.0
Liquidity (%)					
Loan/Deposit	96.3	98.4	98.4	98.3	98.1
CASA ratio	35.2	37.4	34.0	32.0	31.0
Asset Quality (%)					
GIL ratio	1.40	1.46	1.47	1.41	1.40
LLC ratio	115	105	95	95	95
LLC (w. reserves)	121	116	104	104	104
Net CC (bps)	27	34	25	26	26
Capital (%)					
CET 1	12.3	12.1	12.9	13.1	13.0
Tier 1 capital	12.3	12.1	12.9	13.1	13.0
Total capital	15.4	15.5	16.1	16.4	16.3
Growth (%)					
Total NII	2.6	14.1	4.1	3.4	2.2
Total NOII	-39.6	16.8	6.0	7.2	8.1
Net income	-10.0	11.9	4.7	4.3	3.7
OPEX	-16.1	11.7	7.0	2.0	3.7
Core NP	56.2	15.5	4.3	5.7	3.7
Gross loans	6.5	8.5	6.0	5.0	5.0
Customer deposits	1.7	6.3	6.1	5.2	5.2
CASA	20.6	13.2	-3.7	-1.0	1.9
Valuation metrics					
Core EPS (sen)	35.9	41.5	43.2	45.7	47.4
Gross DPS (sen)	5.0	18.3	19.1	20.1	20.8
Div payout (%)	11	35	35	35	35
BVPS (RM)	4.0	4.3	4.6	5.0	5.3
Core P/E (x)	9.8	8.5	8.1	7.7	7.4
Div yield (%)	**1.4**	**5.2**	**5.4**	**5.7**	**5.9**
P/BV (x)	0.9	0.8	0.8	0.7	0.7

Source: AMMB, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology