

AMMB Holdings Berhad

(1015 | AMM MK) Financial Services | Finance

4QFY24 Results: Excellent Dividend Payout Outlook

KEY INVESTMENT HIGHLIGHTS

- FY24's Core NP of RM1,705m was *Within/Within* our/street forecasts: **100%/101%** of full-year forecasts
- Management's tone: **Optimistic**
- Core themes: (a) **Recovery in loan growth**, (b) **Optimistic loan growth outlook**, (c) **Room for dividend payout increase**
- Forecasts revised: **FY25/26 Core NP adjusted by -7%/-6%**.
- **Upgrade to BUY | Revised TP of RM4.75 | based on a revised FY25F P/BV of 0.77x**

Verdict: Improving dividend payout outlook could provide valuation boost.

Yays	1. High likelihood of further increase in dividend payouts. 2. Loan growth will likely recover in FY24. 3. Fee income has solid outlook.
Nays	1. ROE target of 10% slightly questionable, without one-off events. 2. GIL ratio has yet to peaked.
OKs	1. Further RWA optimisation possible – but expect to be on a smaller scale.

Results in a nutshell:

▼ **FY24's Core net profit (NP) of RM1,705m down by -2%yoy.** The main cause was largely due to weaknesses in NII offsetting NOII improvements. While OPEX saw a minimal increase, a huge provision was taken last quarter (the same quarter also saw a massive tax writeback).

▲ **4QFY24's Core NP of RM476m up by +17%qoq.** There were improvements in NOII, but the strong growth was largely due to the large provision taken by last quarter.

► **Gross loans grew by +2.1%qoq, coming up to +3.0%YTD.** Overall, FY24's loan growth was disappointing – a large corporate repayment contributed to weaker results.

▲ **Deposits grew by +4.8%qoq, coming up to +9.3%YTD.** This was a seasonal effect – but unlike recent years' retail CASA influx, this was primarily driven by non-retail CASA.

▼ **GIL moved by +7bps to 1.67%, LLC currently at 91%.** Due to one large construction impairment (fully provisioned), and some creep up from residential mortgages.

Have a look at:

▲ **Very optimistic about liquidity.** This is driven by: (1) A decision from BNM to pull back corporate profits from overseas, (2) Additional liquidity injections from initiatives such as EPF 3 and minimum wage plans, (3) Sourcing liquidity from debt (given cheaper rates than deposits), which the Group has already started doing.

Upgrade to BUY

(Previously NEUTRAL)

Revised Target Price: RM4.75

(Previously RM4.23)

RETURN STATISTICS

Price @ 27 May 2024 (RM)	4.27
Expected share price return (%)	+11.2
Expected dividend yield (%)	+5.0
Expected total return (%)	+16.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.4	-1.7
3 months	2.4	-7.0
12 months	21.2	6.4

INVESTMENT STATISTICS

FYE Mar	FY25F	FY26F	FY27F
Core NP (RM m)	1,776	1,869	1,922
CNP growth (%)	(4)	5	3
Div yield (%)	5.0	6.0	6.1
Gross DPS (sen)	21.5	25.5	26.2
P/BV (x)	0.7	0.7	0.6
BVPS (RM)	6.2	6.5	6.8
ROE (%)	8.9	8.9	8.8
MIDF/Street CNP (%)	101	100	-

KEY STATISTICS

FBM KLCI	1,618.27
Issue shares (m)	3,296.2
Estimated free float (%)	58.3
Market Capitalisation (RM'm)	14,186.4
52-wk price range	RM3.42 - RM4.45
3-mth avg daily volume (m)	8.8
3-mth avg daily value (RM'm)	36.3
Top Shareholders (%)	
ANZ Funds Pty Ltd	14.4
Clear Goal Sdn Bhd	10.9
EPF Board	7.7

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► **Seasonal effects may be a little different this time.** AMMB reported sharp sequential quarter growth in CASA. This was a seasonal effect – and the retail deposits involved will usually fully normalise by the following quarter. This time, however, non-retail balances led to the spike. It was split between pricier corporate deposits (solely for higher yields) and operational accounts. Operational accounts should be stickier than retail deposits, while corporate deposits, when released in the following quarters, will release downward pressure on NIMs.

► **Better liquidity improves loan growth outlook.** AMMB is vying for loan growth 1.25x-1.5x GDP values. While stronger lending should come through in 2HFY24, we might see residential mortgages losing steam – management has reduced approvals in this segment to maintain a decent yield.

▲ **Expecting further improvement in NIMs.** AMMB seems confident it can reduce COF, claiming that Apr-24 has already shown improvement. Some levers include: (1) L/D ratio can be further increased by 2%, to the ~94% range, (2) The solid liquidity outlook (as elaborated upon above) offers room for further downward repricing in the retail FD segment.

▲ **Room for dividend payout increase, but further RWA optimisation may be more muted.** The Group has exhausted “low-hanging fruit” for RWA optimisation but believes further opportunities remain. This is backed by AmMetLife’s disposal to GE, which will net RM500-600m (translating to +50bps to CET 1 ratio). With the target of 40% for dividend payout already achieved in FY24, the Group alludes that further increase is very likely – if it does not hinder growth plans.

Forecasts revised: FY25/26 Core NP adjusted by -7%/-6%. We make changes based on the latest earnings guidance given.

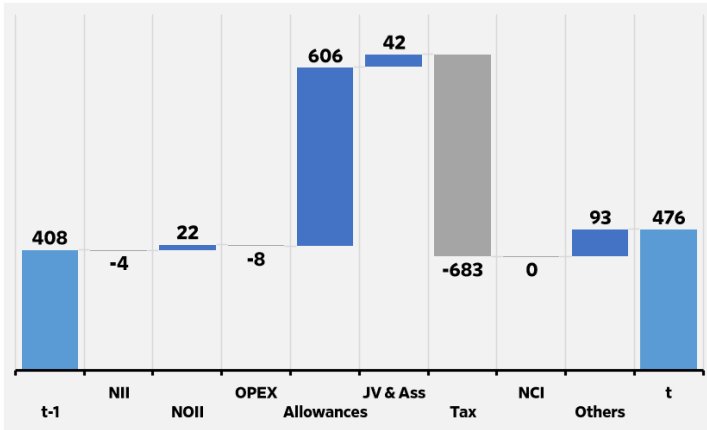
Key downside risks. (1) Loan growth disappoints, (2) Lackluster NOII result, (3) Further steep deterioration of asset quality.

Upgrade to BUY call: Revised GGM-TP of RM 4.75 (from RM4.23). The TP is based on a revised FY25F P/BV of 0.77x (formerly 0.84x), to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: FY25F ROE of 8.9%, LTG of 3.5% & COE of 10.5%)

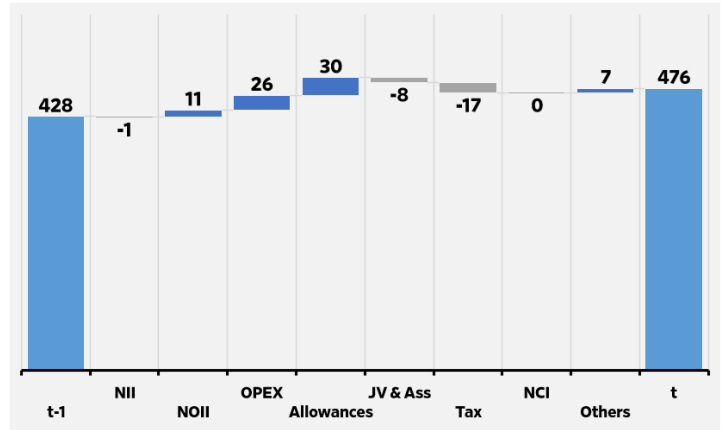


Fig 1: QoQ P/L walk (Quarterly results)



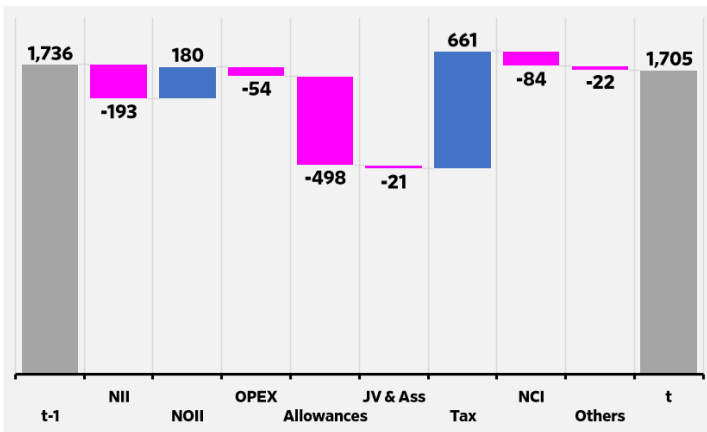
Source: AMMB, MIDFR

Fig 2: YoY P/L walk (Quarterly results)



Source: AMMB, MIDFR

Fig 3: YoY P/L walk (Cumulative results)



Source: AMMB, MIDFR

Fig 4: Quarterly results

FYE Mar (RM m)	4Q FY24	3Q FY24	4Q FY23	Yoy (%)	Qoq (%)	FY24	FY23	Yoy (%)
Net interest inc.	519	537	522	-1	-3	2,137	2,281	-6
Islamic banking inc.	356	286	316	13	24	1,316	1,301	1
Non-interest inc.	268	343	287	-7	-22	1,103	958	15
Net income	1,142	1,166	1,125	2	-2	4,555	4,540	0
OPEX	(530)	(522)	(556)	-5	2	(2,052)	(1,998)	3
PPOP	613	645	569	8	-5	(2,052)	(1,998)	3
Loan provisions	(40)	(435)	(84)	-53	-91	(697)	(422)	65
Other provisions	19	(192)	34	-44	-110	(154)	68	-326
JV & Associates	27	(15)	35	-22	-280	40	61	-34
PBT	619	3	554	12	21,294	1,692	2,249	-25
Tax	(143)	540	(126)	14	-127	148	(513)	-129
Discontinued ops	-	-	-	n.m.	n.m.	51	(69)	n.m.
NCI	(0)	-	(0)	n.m.	n.m.	(25)	59	n.m.
Reported NP	476	543	428	11	-12	1,866	1,726	8
Core NP	476	408	428	11	17	1,705	1,736	-2
Total NII*	823	827	824	-0	-0	3,305	3,498	-6
Total NOII*	347	325	336	3	7	1,292	1,112	16
Gross DPS (sen)	16.6	-	12.3	n.m.	n.m.	22.6	18.3	n.m.
Core EPS (sen)	14.4	12.3	12.9	11	17	51.6	52.4	-2
Gross loans	134,130	131,329	130,227	3.0	2.1			
Gross impaired loans	2,236	2,103	1,896	17.9	6.3			
Customer deposits	142,381	135,924	130,315	9.3	4.8			
CASA	52,767	45,804	48,800	8.1	15.2			

*Contains contributions from JV & Associates

Ratios (%)	4Q FY24	3Q FY24	4Q FY23	Yoy (ppts)	Qoq (ppts)	FY24	FY23	Yoy (ppts)
ROE (Ann.)	9.8	8.5	9.5	0.3	1.3	8.8	9.6	-0.9
NIM (Reported)	1.79	1.79	1.84	-0.05	0.00	1.79	2.07	-0.28
NOII/Net income	29.7	28.2	29.0	0.7	1.4	28.1	24.1	4.0
Cost/Income	46.4	44.7	49.4	-3.0	1.6	45.0	44.0	1.0
NCC (Ann.) (bps)	12	135	27	-15	-123	53	34	19
GIL ratio	1.67	1.60	1.46	0.21	0.07			
Loan loss coverage	91	102	105	-14	-11			
CASA ratio	37.1	33.7	37.4	-0.4	3.4			
L/D ratio	92.8	95.0	98.4	-5.6	-2.3			
CET-1	13.0	13.4	12.1	0.9	-0.3			

Source: AMMB, MIDFR

Fig 5: Retrospective performance (Income Statement)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	476	Qtrly ROE	Qtr value	9.8%
	28% of FY CNP				
	Qoq	17%		t-1	8.5%
	Yoy	11%		t-4	9.5%
Cum Core NP	RM mil	1,705	Cum ROE	Cum value	8.8%
	Within our forecast				
	100% of FY CNP				
	Within consensus				
	Yoy	-2%		t-1	9.6%
NII	As expected		NIM	As expected	
				Qtr value	1.79
				Cum value	1.79
	Qtr (Qoq)	-0%		Qtr (Qoq)	+0bps
	Qtr (Yoy)	-0%		Qtr (Yoy)	-5bps
		Cum (Yoy)	-28bps		
NOII	As expected		Qtr	% NII	70%
	Qtr (Qoq)	7%		% NOII	30%
	Qtr (Yoy)	3%	Cum	% NII	72%
	Cum (Yoy)	16%		% NOII	28%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	46.4%
				Cum value	45.0%
	Qtr (Qoq)	2%		Qtr (Qoq)	+1.6%
	Qtr (Yoy)	-5%		Qtr (Yoy)	-3.0%
		Cum (Yoy)	+1.0%		

Source: AMMB, MIDFR

Notes (Cum = Cumulative, Qtr = Quarterly)

Fig 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy		Notes (Cum = Cumulative, Qtr = Quarterly)
Loans	As expected					
	Qoq	2.1%				
	Yoy	3.0%				
	YTD (FY)	3.0%				
Depo. grwth	As expected		CASA grwth	As expected		
	Qoq	4.8%		Qoq	15.2%	
	Yoy	9.3%		Yoy	8.1%	
	YTD (FY)	9.3%		YTD (FY)	8.1%	
CASA ratio	As expected		L/D ratio	As expected		
	Value now	37.1%		Value now	92.8%	
	Qoq	+3.4%		Qoq	-2.3%	
	Yoy	-0.4%		Yoy	-5.6%	
GIL ratio	As expected		LLC ratio	As expected		
	Value now	1.67%		Value now	91%	
	Qoq	+7bps		Qoq	-11%	
	Yoy	+21bps		Yoy	-14%	
Qtrly Net CC	As expected		Cum Net CC	As expected		
	Small provision			Decent provision		
	Value now	12bps		Value now	53bps	
	t-1	135bps				
	t-4	27bps		t-4	34bps	
CET 1	Healthy level		Div payout	Div announced		
	As expected			+ve surprise		
	Value now	13.0%		Payout	40%	
	Qoq	-0.3%				

AMMB achieved its target of 13.0% CET 1 while successfully hitting the 40% dividend payout level.

Others:

Source: AMMB, MIDFR

Fig 7: Targets, Achievements, and Outlook

Targets	FY25F	FY24F	FY24	Notes (Red: New guidance, Strikethrough: Guidance is no longer pertinent)
ROE	10	9-10	8.8	
CIR			45.0	
NIM			1.79	NIM to keep improving – management is guiding for further alleviation of COF. Management believes ~1.9% level is achievable.
NOII			16% (yoy)	
Loans		4-5	3.0 (YTD)	1.25-1.5x GDP growth.
Deposits			9.3 (YTD)	
% CASA		30 (Unofficial)	37.1	
Loan/Depo			92.8	
GIL ratio			1.67	Retail PHRA loans to keep GIL ratio creeping up – unless offset by corporate recoveries/writebacks.
NCC (bps)	30-35	35	53	But management believes that it will likely come <30bps.
LLC			91	
CET 1			13.0	
Div payout	40		40	

Source: AMMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	2,281	2,137	2,537	2,648	2,727
Islamic banking inc.	1,301	1,316	1,195	1,247	1,285
Other operating inc.	956	1,103	1,078	1,166	1,212
Net income	4,538	4,555	4,810	5,061	5,224
OPEX	(1,999)	(2,052)	(2,164)	(2,277)	(2,351)
PPOP	2,539	2,504	2,645	2,783	2,873
Loan allowances	(422)	(696)	(387)	(410)	(435)
Other allowances	68	(153)	5	9	12
JV & Associates	44	40	42	45	46
PBT	2,229	1,694	2,306	2,427	2,496
Tax & zakat	(513)	291	(530)	(558)	(574)
NCI	59	(25)	-	-	-
Discontinued ops	(66)	51	-	-	-
Reported NP	1,709	2,011	1,776	1,869	1,922
Core NP	1,709	1,850	1,776	1,869	1,922
Total NII	3,498	3,304	3,624	3,782	3,896
Total NOII	1,083	1,291	1,186	1,279	1,328

BALANCE SHEET

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	8,699	6,493	9,125	9,345	9,345
Investment securities	51,851	47,717	44,246	41,161	38,425
Net loans	128,243	132,102	139,761	148,297	157,195
Other IEAs	0	0	0	0	0
Non-IEAs	8,639	10,452	10,308	12,154	13,959
Total assets	197,432	196,764	203,440	210,958	218,924
Customer deposits	130,315	142,381	150,924	159,980	169,578
Other IBLs	34,513	22,089	20,706	18,912	17,913
Non-IBLs	14,577	12,851	11,398	10,700	9,068
Total liabilities	179,405	177,322	183,029	189,591	196,559
Share capital	6,376	6,376	6,376	6,376	6,376
Reserves	11,650	13,065	14,035	14,991	15,988
Shareholders' funds	18,026	19,441	20,411	21,367	22,365
NCI	1	1	0	0	0
Total equity	18,027	19,442	20,411	21,367	22,365
Total L&E	197,432	196,764	203,440	210,958	218,924
Total IEAs	188,792	186,312	193,132	198,803	204,965
Total IBLs	164,828	164,471	171,631	178,891	187,491
Gross loans	130,227	134,130	142,178	150,709	159,751
CASA	48,800	52,767	54,333	57,593	61,048

FINANCIAL RATIOS

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	1.96	1.76	1.91	1.93	1.93
Return on IEAs	2.79	3.24	3.03	3.09	3.04
Cost of funds	1.76	2.39	1.91	1.94	1.86
Net interest spread	1.03	0.85	1.12	1.15	1.18
Profitability (%)					
ROE	9.8	9.9	8.9	8.9	8.8
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	22.9	27.5	24.7	25.3	25.4
Effective tax rate	23.0	-17.2	23.0	23.0	23.0
Cost/Income	44.0	45.0	45.0	45.0	45.0
Liquidity (%)					
Loan/Deposit	98.4	92.8	92.6	92.7	92.7
CASA ratio	37.4	37.1	36.0	36.0	36.0
Asset Quality (%)					
GIL ratio	1.46	1.67	1.70	1.60	1.60
LLC ratio	105	91	100	100	100
LLC (w. reserves)	116	102	108	108	107
Net CC (bps)	34	53	28	28	28
Capital (%)					
CET 1	12.4	13.0	0.0	0.0	0.0
Tier 1 capital	12.4	13.0	0.0	0.0	0.0
Total capital	15.8	16.3	0.0	0.0	0.0
Growth (%)					
Total NII	16.1	-5.5	9.7	4.4	3.0
Total NOII	14.0	19.2	-8.1	7.8	3.8
Net income	11.9	0.4	5.6	5.2	3.2
OPEX	11.7	2.6	5.5	5.2	3.2
Core NP	13.7	8.3	-4.0	5.2	2.9
Gross loans	8.5	3.0	6.0	6.0	6.0
Customer deposits	6.3	9.3	6.0	6.0	6.0
CASA	13.2	8.1	3.0	6.0	6.0
Valuation metrics					
Core EPS (sen)	51.7	55.9	53.7	56.5	58.1
Gross DPS (sen)	18.3	22.6	21.5	25.5	26.2
Div payout (%)	35	40	40	45	45
BVPS (RM)	5.5	5.9	6.2	6.5	6.8
Core P/E (x)	8.3	7.6	8.0	7.6	7.3
Div yield (%)	4.3	5.3	5.0	6.0	6.1
P/BV (x)	0.8	0.7	0.7	0.7	0.6

Source: AMMB, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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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 <i>rise</i> 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 <i>fall</i> 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