Corporate Update

AMMB Holdings Berhad

(1015 | AMM MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **NEUTRAL**

Revised Target Price **RM5.73** (from RM5.60)

Pre-Results 4QFY25
Dividends Creep Upward

To Conclude	**Expect 4QFY25's to come in within expectations. Dividends may be higher than 40% guidance.** **Also note: Some WT29 targets have been tweaked.**
Justifying our Call	**AMMB is mostly priced in by now, given its present ~10% ROE level.**
Yays	1. We are optimistic about asset quality and NCC outlook. 2. Excellent investment banking franchise should keep fee income strong. AMMB's IB franchise punching above its weight helps with cross-selling – IB remains the top-end value add for customers. 3. The Group is excellent at managing costs – hence it is unlikely that CIR will underperform dramatically. 4. Dividend payout to increase gradually.
Nays	1. Loan growth is not the Group's priority – hence weaker growth in subsequent years is possible. 2. Our projections show declining ROEs in subsequent years – we question if WT29's 11% target is possible.
Okays	1. The Group's ability to grow deposits (as opposed to buy) is crucial in achieving its targets – especially since deposit capture is vital to build the wealth management base. 2. NIM outlook seems fairly neutral.

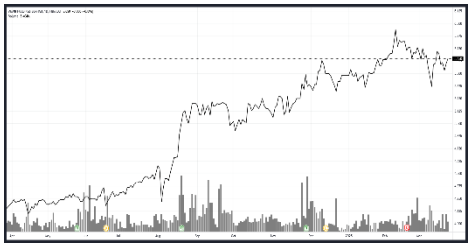
▲ **Possible upside to large O&G company impairment.** AMMB's exposure to a notable company that recently saw capital injection is fully provided for. The exposure is ~RM480m. This caps downside risk – management believes there could be a possible upside, but this will not manifest so soon. (Also, recall that AMMB has one of the largest management-overlay-to-earnings ratio within the industry.)

▲▼ **Some Winning Together 2029 (WT29) targets have changed.** Firstly, AMMB has reduced its FY29 ROE target to 11% (from 11-12% set earlier) and has set a higher dividend payout ratio of 60% (from >50%). We previously guided possible upside on the dividend front, saying the 50% baseline was overly conservative.

RETURN STATISTICS

Price @ 26 March 2025 (RM)	5.65
Expected share price return (%)	+1.4
Expected dividend yield (%)	+4.9
Expected total return (%)	**+6.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.2	4.4
3 months	4.6	9.9
12 months	29.9	27.9

INVESTMENT STATISTICS

FYE Mar	FY25F	FY26F	FY27F
Core NP (RM m)	**1,951**	**2,035**	**2,108**
CNP growth (%)	14	4	4
Div yield (%)	**4.4**	**4.9**	**5.1**
Gross DPS (sen)	24.8	27.7	28.8
P/BV (x)	**0.9**	**0.9**	**0.8**
BVPS (RM)	6.2	6.5	6.8
ROE (%)	**9.8**	**9.7**	**9.5**

KEY STATISTICS

FBM KLCI	1,518.05
Issue shares (m)	3299.84
Estimated free float (%)	77.35
Market Capitalisation (RM'm)	18,950.64
52-wk price range	RM3.92-RM5.94
3-mth average daily volume (m)	6.20
3-mth average daily value (RM'm)	33.91
Top Shareholders (%)	
ANZ Funds Pty Ltd	13.30
OSK Holdings Bhd	9.10
Amanah Saham Nasional Bhd	8.40

Analyst

Research team

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▲ **4QFY25 should see no surprises.** Management guides for:

1. **Full-year PATMI should come in close to consensus expectations.** This implies that 4QFY25 should see roughly RM450m in quarterly earnings, bringing the full-year total close to RM1.94b. As a result, FY25's ROE should close to the 10.0% level (similar to FY24).
2. **Quarterly NIM should remain flattish.** The Group does note that deposit competition has become irrational as of late.
3. **Recall that 3QFY25 saw higher quarterly costs due to bonus accruals.** As a result, 4QFY25's costs should come in lower – bringing FY25's cumulative CIR closer to the 44% guidance (from 9MFY25's 44.5%).
4. **Loan growth to pick up in 4QFY25 – while deposit growth may remain weak.** YTD loan growth figure: 2.2%. YTD deposit growth figure: -2.8%. We opine L/D ratio will blow past the current 99% level – management is willing to let this pass 100%. Management believes that the slower deposit growth is due to more liquidity being directed in the stock market – but this should normalise in time.
5. **Some regularisations in asset quality.** Recall that last quarter saw an uptick in both business banking and wholesale banking stage 2 loans – this should come down.
6. **Full-year NCC to come in higher than 9MFY25.** Expect a more normalised level of provisions in 4QFY25, following larger writebacks/recoveries in the first nine months (9MFY25: 12bps).
7. **Dividend payout to be slightly higher than 40% guidance.** As the Group gradually builds towards its FY29 target.

Forecasts revised: FY25/26/27 Core NP adjusted by +2%/+2%/+6%. To reflect better NOII and NCC prospects in subsequent years – and to come closer to management's guidance.

Key downside risks. *(1) Weaker-than-expected loan growth, (2) Unfavourable conditions for NOII, (3) NIM compression.*

Maintain NEUTRAL call: Revised GGM-TP of RM 5.73 ***(from RM5.60)***. The TP is based on a revised FY26F P/BV of 0.88x *(formerly 0.86x)*, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 9.7%, LTG of 3.5% & COE of 10.5)*

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**2,281**	**2,137**	**2,535**	**2,638**	**2,707**
Islamic banking inc.	1,301	1,316	1,194	1,242	1,275
Other operating inc.	956	1,103	1,116	1,311	1,402
Net income	**4,538**	**4,555**	**4,845**	**5,192**	**5,384**
OPEX	(1,999)	(2,052)	(2,132)	(2,284)	(2,369)
PPOP	**2,539**	**2,504**	**2,713**	**2,907**	**3,015**
Loan allowances	(422)	(696)	(248)	(320)	(337)
Other allowances	68	(153)	25	9	12
JV & Associates	44	40	43	47	48
PBT	**2,229**	**1,694**	**2,534**	**2,643**	**2,738**
Tax & zakat	(513)	148	(583)	(608)	(630)
NCI	59	(25)	-	-	-
Discontinued ops	(66)	51	-	-	-
Reported NP	**1,709**	**1,868**	**1,951**	**2,035**	**2,108**
Core NP	**1,709**	**1,707**	**1,951**	**2,035**	**2,108**
Total NII	3,498	3,304	3,621	3,769	3,867
Total NOII	1,083	1,291	1,223	1,423	1,516

BALANCE SHEET

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	8,699	6,493	9,125	9,345	9,450
Investment securities	51,851	47,717	44,246	41,161	38,425
Net loans	128,243	132,102	139,523	147,141	155,233
Other IEAs	-	-	-	-	-
Non-IEAs	8,639	10,452	10,137	11,818	12,008
Total assets	**197,432**	**196,764**	**203,031**	**209,464**	**215,116**
Customer deposits	130,315	142,381	139,534	146,510	153,836
Other IBLs	34,513	22,089	20,706	18,912	17,913
Non-IBLs	14,577	12,851	22,304	22,502	20,720
Total liabilities	**179,405**	**177,322**	**182,544**	**187,924**	**192,469**
Share capital	6,376	6,376	6,376	6,376	6,376
Reserves	11,650	13,065	14,111	15,164	16,271
Shareholders' funds	**18,026**	**19,441**	**20,487**	**21,540**	**22,647**
NCI	1	1	-	-	-
Total equity	**18,027**	**19,442**	**20,487**	**21,540**	**22,647**
Total L&E	**197,432**	**196,764**	**203,031**	**209,464**	**215,116**
Total IEAs	188,792	186,312	192,894	197,647	203,108
Total IBLs	164,828	164,471	160,240	165,422	171,749
Gross loans	130,227	134,130	141,507	149,290	157,501
CASA	48,800	52,767	44,651	46,883	49,227

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	3.05
Cost of funds	1.76	2.39	1.98	2.09	2.02
Net interest spread	1.03	0.85	1.05	1.00	1.03
Profitability (%)					
ROE	**9.8**	**9.1**	**9.8**	**9.7**	**9.5**
ROA	0.9	0.9	1.0	1.0	1.0
NOII/Net income	22.9	27.5	25.3	27.4	28.2
Effective tax rate	23.0	-8.8	23.0	23.0	23.0
Cost/Income	44.0	45.0	44.0	44.0	44.0
Liquidity (%)					
Loan/Deposit	98.4	92.8	100.0	100.4	100.9
CASA ratio	37.4	37.1	32.0	32.0	32.0
Asset Quality (%)					
GIL ratio	1.46	1.67	1.65	1.60	1.60
LLC ratio	105	91	85	90	90
LLC (w. reserves)	116	102	93	98	98
Net CC (bps)	34	53	18	22	22
Capital (%)					
CET 1	12.4	13.0	13.7	13.6	13.7
Tier 1 capital	12.4	13.0	13.7	13.6	13.7
Total capital	15.8	16.3	16.8	16.8	16.9
Growth (%)					
Total NII	16.1	-5.5	9.6	4.1	2.6
Total NOII	14.0	19.2	-5.2	16.3	6.6
Net income	11.9	0.4	6.4	7.2	3.7
OPEX	11.7	2.6	3.9	7.2	3.7
Core NP	13.7	-0.1	14.3	4.3	3.6
Gross loans	8.5	3.0	5.5	5.5	5.5
Customer deposits	6.3	9.3	-2.0	5.0	5.0
CASA	13.2	8.1	-15.4	5.0	5.0
Valuation metrics					
Core EPS (sen)	51.7	51.6	59.0	61.5	63.7
Gross DPS (sen)	18.3	22.6	24.8	27.7	28.8
Div payout (%)	35	44	42	45	45
BVPS (RM)	5.5	5.9	6.2	6.5	6.8
Core P/E (x)	10.9	10.9	9.6	9.2	8.9
Div yield (%)	**3.2**	**4.0**	**4.4**	**4.9**	**5.1**
P/BV (x)	1.0	1.0	0.9	0.9	0.8

Source: Company, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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