Corporate Update

AMMB Holdings Berhad

(1015 | AMM MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **NEUTRAL**

Unchanged Target Price **RM5.30**

Investor Day
NIM Compression Ahead

Our Verdict	**AMMB is priced in. There are promising signs: Increasing dividend payouts, improved loan and NOII growth, and large recoveries. However, there are also headwinds: Asset quality issues, drag from its slower-growing retail segment, and ROE dipping below the current 10% level in future years (a consequence of fast asset growth rate).**
Valuations	**Mostly priced in: Currently trading at forward FY26F P/BV of 0.79x (which is close to our P/BV valuation of 0.81x) with a +5.2% dividend yield.**
Yays	1. Conscious decision to improve dividend payout. 2. Potential for large recoveries and writebacks in the future.
Nays	1. AMMB expects ROE to dip below 10% with a larger capital base and high loan growth.
Okays	1. NIM should see compression in the near term, but overall, AMMB is confident in long-term prospects. 2. Loan growth should recover after a weak couple of years, led by the non-retail segment.

Some Investor Day Highlights:

▲ **This quarter is on track to achieve FY26's RM2.0b consensus net profit figure.** This implies that this quarter should see a result close to RM500m. If AMMB follows a similar trend to its peers, we could be looking at potential weakness in NIM and fee income, which should be offset by a windfall in non-fee NOII.

► **Expect ROE to dip below 10% in some years before the FY29 target of 11% is achieved.** This is due to rapid loan growth weighing down on capital before revenue can properly build up. There's also a chance that OPEX comes in higher than expected (despite the Group already replacing 180 employees with AI and intending to rationalize 200 more in the next 3-5 years), as management repeatedly stresses that the FY29 CIR target of 40% is the hardest to achieve.

RETURN STATISTICS

Price @ 25 July 2025 (RM)	5.14
Expected share price return (%)	+3.1
Expected dividend yield (%)	+5.2
Expected total return (%)	**+8.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.2	1.8
3 months	0.8	1.8
12 months	15.5	21.5

INVESTMENT STATISTICS

FYE Mar	FY26F	FY27F	FY28F
Core NP (RM m)	**1,961**	**2,051**	**2,091**
CNP growth (%)	(2)	5	2
Div yield (%)	**5.2**	**5.4**	**5.6**
Gross DPS (sen)	26.7	28.0	28.5
P/BV (x)	**0.8**	**0.7**	**0.7**
BVPS (RM)	6.5	6.9	7.2
ROE (%)	**9.3**	**9.3**	**9.0**
% Street CNP (%)	**97**	**97**	**93**

KEY STATISTICS

FBM KLCI	1,533.76
Issue shares (m)	3,295.7
Estimated free float (%)	74.6
Market Capitalisation (RM'm)	17,005.2
52-wk price range	RM4.19 – RM5.94
3-mth average daily volume (m)	7.7
3-mth average daily value (RM'm)	40.0
Top Shareholders (%)	
ANZ Funds Pty Ltd	12.9
OSK Holdings Bhd	11.8
Amanah Saham Nasional Bhd	8.4

Analyst
Samuel Woo
samuelwoo.cy@midf.com.my
03-2173 8461

▼ **Expect NIM compression in the next two quarters, before deposit repricing.** Compression stems from the OPR cut, before FD repricing catches up in 3QFY26. Going forward, the Group acknowledges that asset yields see limited space for improvement in the short term, especially in the retail banking space, where the focus is now on preserving asset quality. Hence, ongoing NIM improvements will be from the COF side.

► **NIM is still moving in the right direction.** On a longer-scale basis, management does not sound overly confident on initial plans to achieve FY29 NIM targets (>2.00%, from FY24's 1.79%). This is due to the OPR cut throwing a wrench into plans, though management believes that NIM is generally moving in the right direction due to a more SME-centric product mix.

▲ **Loan growth remains buoyed by non-retail segments; offsetting drag from the retail side.** SME prospects are a lot brighter, with the integration for RSME (previously underperforming) and enterprise banking (EB) segments complete – the focus now is on SME loan growth acceleration. The Group will be leveraging on RSME deposits and better underwriting standards from the EB segment. However, we do not expect overly strong growth figures from the underperforming RSME segment, as the focus remains on improving overall asset quality. Demand from overseas companies remains very strong, even after tariff announcements – the main potential limiter to growth will be credit quality constraints.

While the micro-SME segment is a sought-after segment by other banks, AMMB still lags on this front (micro-SME requires a more digital outreach, as opposed to a relationship manager outreach type model). Management does not seem overly worried, due to the higher risk associated with this segment.

Retail segment growth will remain sluggish, as asset quality remains the top priority. Plans include switching from higher-yielding affordable housing mortgages in favour of higher-value mortgages and closing off unsecured lending opportunities from new-to-bank customers. Plans to breach the two-wheel financing space have been scrapped, due to heavy competition from established players.

► **Group Wealth Management to remain a vanguard for growth, despite some setbacks following tariff announcements.** Due to a lacklustre stock market performance, 1QFY26 unit trust and private banking results showed weaker results. There has been some recovery in June, and the Group is more positive on prospects for the remaining nine months in FY26.

The wealth management has so far overperformed in FY25, against the projected figures initially provided by the bank. Notable improvement initiatives include: (1) Prioritising the "underserved" segment, primarily based in smaller townships such as Muar or Batu Pahat, (2) Increasing the wealth management sales team from 10 to 30 full-time employees to reduce reliance on institutional unit trust agents (IUTAs).

► **Various strategies to breach the consumer market.** (1) An intention to go into the used foreign car segment (stronger margins), prioritising salary deduction – the goal is for the hire purchase portfolio to be evenly split between new foreign, used national and used foreign segments, (2) the rollout of AmOnline 3.0 in 1HFY26, which should help with retail CASA accumulation, (3) mass segment reach out via partnership with Bask Bear Coffee, to partner with other F&B brands down in future.

► **Breaking into the East Coast for deposits.** The Group believes that the East Coast remains underpenetrated, especially with the completion of the ECRL expected to provide multiple prospects. AMMB's ongoing branch restructuring exercises will have a stronger East Coast focus. The intention is to build up deposits via the Ambank Islamic arm, which is preferred by Bumiputera high-net-worth individuals and public bodies/GLCs that have a preference for Islamic banking.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weak loan growth, (2) Severe asset quality deterioration, (3) Lacklustre deposit growth.*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 5.30 ***(from RM5.30).*** The TP is based on an unchanged FY26F P/BV of 0.81x.
(GGM assumptions: *FY26F ROE of 9.3%, LTG of 4.0% & COE of 10.5%)*

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	**2,137**	**2,358**	**2,406**	**2,477**	**2,533**
Islamic banking inc.	1,316	1,351	1,378	1,419	1,451
Other operating inc.	1,103	1,112	1,166	1,233	1,258
Net income	**4,555**	**4,821**	**4,950**	**5,129**	**5,242**
OPEX	(2,052)	(2,198)	(2,203)	(2,257)	(2,306)
PPOP	**2,504**	**2,623**	**2,747**	**2,872**	**2,935**
Loan allowances	(696)	(224)	(327)	(344)	(361)
Other allowances	(153)	80	3	7	10
JV & Associates	40	108	110	115	117
PBT	**1,694**	**2,587**	**2,533**	**2,650**	**2,702**
Tax & zakat	148	(586)	(573)	(599)	(611)
NCI	(25)	(0)	-	-	-
Discontinued ops	51	-	-	-	-
Reported NP	**1,868**	**2,001**	**1,961**	**2,051**	**2,091**
Core NP	**1,707**	**2,001**	**1,961**	**2,051**	**2,091**
Total NII	3,304	3,570	3,643	3,750	3,835
Total NOII	1,291	1,359	1,307	1,379	1,407

BALANCE SHEET

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	6,493	6,759	6,759	6,759	6,759
Investment securities	47,717	45,308	41,793	38,661	35,873
Net loans	132,102	137,130	143,728	150,914	158,460
Other IEAs	-	-	-	-	-
Non-IEAs	10,452	9,847	11,229	16,360	21,268
Total assets	**196,764**	**199,044**	**203,509**	**212,694**	**222,360**
Customer deposits	142,381	141,547	148,624	156,056	163,858
Other IBLs	22,089	25,481	25,926	26,433	27,009
Non-IBLs	12,851	11,394	7,336	7,515	7,701
Total liabilities	**177,322**	**178,422**	**181,886**	**190,003**	**198,568**
Share capital	6,376	6,376	6,376	6,376	6,376
Reserves	13,065	14,245	15,247	16,314	17,416
Shareholders' funds	**19,441**	**20,621**	**21,623**	**22,691**	**23,792**
NCI	1	1	-	-	-
Total equity	**19,442**	**20,622**	**21,623**	**22,691**	**23,792**
Total L&E	**196,764**	**199,044**	**203,509**	**212,694**	**222,360**
Total IEAs	186,312	189,197	192,280	196,334	201,092
Total IBLs	164,471	167,028	174,550	182,489	190,867
Gross loans	134,130	138,883	145,828	153,119	160,775
CASA	52,767	51,006	47,560	49,938	52,435

FINANCIAL RATIOS

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest (%)					
NIM	1.76	1.90	1.91	1.93	1.93
Return on IEAs	3.24	3.28	3.25	3.23	3.18
Cost of funds	2.39	2.29	2.22	2.12	2.03
Net interest spread	0.85	0.99	1.03	1.10	1.15
Profitability (%)					
ROE	**9.1**	**10.0**	**9.3**	**9.3**	**9.0**
ROA	0.9	1.0	1.0	1.0	1.0
NOII/Net income	27.5	26.0	26.4	26.9	26.8
Effective tax rate	-8.8	22.6	22.6	22.6	22.6
Cost/Income	45.0	45.6	44.5	44.0	44.0
Liquidity (%)					
Loan/Deposit	92.8	96.9	96.7	96.7	96.7
CASA ratio	37.1	36.0	32.0	32.0	32.0
Asset Quality (%)					
GIL ratio	1.67	1.54	1.60	1.60	1.60
LLC ratio	91	82	90	90	90
LLC (w. reserves)	102	99	98	98	97
Net CC (bps)	53	16	23	23	23
Capital (%)					
CET 1	13.0	14.8	14.9	14.4	14.2
Tier 1 capital	13.0	14.8	14.9	14.4	14.2
Total capital	16.3	17.5	17.6	17.1	16.9
Growth (%)					
Total NII	-5.5	8.1	2.0	2.9	2.3
Total NOII	19.2	5.3	-3.8	5.5	2.0
Net income	0.4	5.8	2.7	3.6	2.2
OPEX	2.6	7.1	0.2	2.4	2.2
Core NP	-0.1	17.2	-2.0	4.6	2.0
Gross loans	3.0	3.5	5.0	5.0	5.0
Customer deposits	9.3	-0.6	5.0	5.0	5.0
CASA	8.1	-3.3	-6.8	5.0	5.0
Valuation metrics					
Core EPS (sen)	51.7	60.6	59.4	62.1	63.3
Gross DPS (sen)	22.6	30.2	26.7	28.0	28.5
Div payout (%)	44	50	45	45	45
BVPS (RM)	5.9	6.2	6.5	6.9	7.2
Core P/E (x)	9.9	8.5	8.7	8.3	8.1
Div yield (%)	**4.4**	**5.9**	**5.2**	**5.4**	**5.6**
P/BV (x)	0.9	0.8	0.8	0.7	0.7

Source: Company, MIDFR

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MBSB INVESTMENT BANK (formerly known MIDF 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