Corporate Update

AMMB Holdings Berhad

(1015 | AMM MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **NEUTRAL**

Unchanged Target Price **RM5.30**

1QFY26 Results Review
Asset Quality Concerns

To Conclude	**Decent set of earnings, as guided.** **Management's tone: Neutral** **Expect: Asset quality and loan growth issues to be the primary subjects of concern.**
Our Verdict	**Asset quality and loan growth concerns plague AMMB's outlook. Despite multiple levers to ensure its FY26 ROE target is being met, valuations are rather expensive.**
Valuations	**Current P/BV of 0.88x is expensive, trading near +1SD of the 10-year P/BV mean of 0.74x.** **The company is currently trading at a forward FY26F P/BV of 0.83x with a 4.9% dividend yield.**
Yays	1. Dividend yield is expected to grow stronger over time. 2. Expect large recoveries and writebacks in the future. 3. NOII is expected to perform well in subsequent quarters.
Nays	1. Asset quality concerns, particularly in AMMB's RSME and unsecured loan portfolio.
Okays	1. NIM to remain fairly stable or show slight improvement from FY25's figure. 2. Mild loan growth to persist.

Results in a nutshell:

► **3MFY26's Core NP of RM516m was *Within*/*Within* our/street forecasts: *26%*/*26%* of full-year forecasts.**

► **No dividend announcement.**

▲ **3MFY26's Core net profit (NP) of RM516m up by 3%yoy.** The growth was driven by increased NII and NOII, which offset higher OPEX and provisions.

► **1QFY26's Core NP of RM516m remained flattish, growing 0%qoq.** Stronger NII and lower OPEX offset weakness in NOII and higher provisions.

RETURN STATISTICS

Price @ 18 August 2025 (RM)	5.45
Expected share price return (%)	-2.8
Expected dividend yield (%)	+4.9
Expected total return (%)	**+2.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.6	3.3
3 months	7.6	-0.3
12 months	17.8	20.7

INVESTMENT STATISTICS

FYE Mar	FY26F	FY27F	FY28F
Core NP (RM m)	**1,961**	**2,051**	**2,091**
CNP growth (%)	(2)	5	2
Div yield (%)	**4.9**	**5.1**	**5.2**
Gross DPS (sen)	26.7	28.0	28.5
P/BV (x)	**0.8**	**0.8**	**0.8**
BVPS (RM)	6.5	6.9	7.2
ROE (%)	**9.3**	**9.3**	**9.0**
% Street CNP (%)	**97**	**97**	**92**

KEY STATISTICS

FBM KLCI	1,584.96
Issue shares (m)	3,295.7
Estimated free float (%)	74.6
Market Capitalisation (RM'm)	18,163.1
52-wk price range	RM4.58 – RM5.94
3-mth average daily volume (m)	6.4
3-mth average daily value (RM'm)	33.4
Top Shareholders (%)	
ANZ Funds Pty Ltd	12.9
OSK Holdings Bhd	11.8
Amanah Saham Nasional Bhd	8.4

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Have a look at:

▲ **High certainty that AMMB achieves its >RM1.0b target by 1HFY26.** This certainty is provided by bond-related NOII upside and a recovery from a large O&G corporate exposure.

► **NOII in subsequent quarters may not be a strong as current figures, but different business groups may step up.** Fee income this time around was buoyed by higher securities-related gains from treasury, which offset weaker wealth management and investment banking deal flow. Management is expecting the weaker-performing segments to show strong recovery by 2QFY26, with a back-up of utilising further realised gains to secure its 1HFY26 earnings target.

► **NIM has peaked this quarter and will decline.** This quarter's NIM performed better than expected, rising +5bps qoq to 2.01%, largely driven by COF improvements. The OPR cut will fall in 2QFY26 (management thinks by -5bps in the next quarter), before clawing its way back up by 2-3bps in 2HFY26 (from FD repricing and loan mix changes), which would allow FY26's full-year NIM to fall roughly 2-3bps above FY25's 1.94% figure.

▼ **Seasonal effects bolster a concerning trend in asset quality deterioration.** GIL ratio increased by a steep +18bps on a sequential quarter basis. This was driven largely by retail and business banking segments, while the corporate segment saw little change. Management isn't overly concerned about the uptick of impairments in the residential mortgage and hire purchase loan segments – these are seasonal effects that showed normalisation in Jul-26 and Aug-26. More concerning is the asset quality deterioration in the unsecured and RSME segments, which the Group will be watching and likely setting aside larger overlays for.

▲ **Large recoveries expected by next quarter – and also larger overlay/forward-looking provisions.** Management guides for larger recoveries in its corporate segment, particularly that of a large O&G exposure, as early as Sep-26 or Oct-26. Given the likelihood of a windfall recovery, management will instead be setting aside larger provisions for its problematic unsecured and RSME loan segments. The Group guides that FY26's actual NCC will come close to the 20bps level (factoring in recoveries).

► **Mild loan growth to persist – more concerns on the retail loan portfolio.** So far, loan growth has continued to underperform, with the group experiencing negative loan growth due to large repayments in the corporate segment. Currently, the wholesale and business banking segment loan pipeline remains solid – the Group seems confident it can weed out the undesirable SME loans by FY26, and thus regrow its RSME segment.

More concerning is the retail loan portfolio. So far, retail loan growth has been weak, ending up flattish this year so far. Management is trying to jumpstart it again by 2HFY26. For mortgages, the goal is end-financing in higher-quality projects. The Group is regrowing its hire purchase loans portfolio after having undergone rebalancing, and more positive signs should come around by 2QFY26. On the other hand, the Group remains concerned about its unsecured loans portfolio and has stopped onboarding new-to-bank customers a few quarters back.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Persistent asset quality issues, (2) Steeper-than-expected NIM compression, (3) Weak loan growth.*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 5.30. 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%)*

FIG 1: Quarterly results

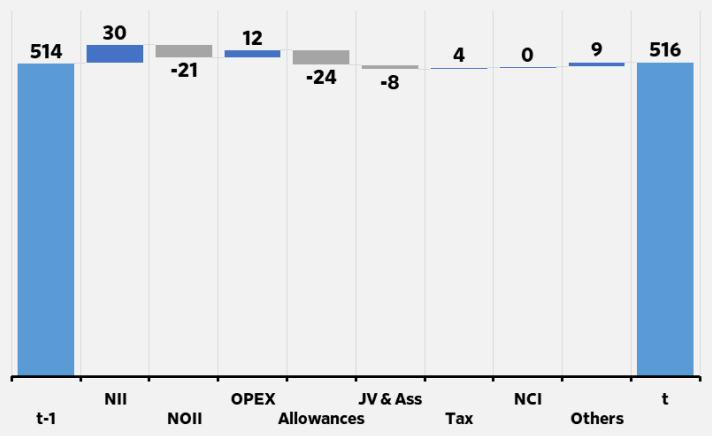
FYE Mar (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Net interest inc.	610	584	571	7	4	610	571	7
Islamic banking inc.	358	360	304	18	-1	358	304	18
Non-interest inc.	293	298	271	8	-2	293	271	8
Net income	**1,260**	**1,242**	**1,146**	**10**	**1**	**1,260**	**1,146**	**10**
OPEX	(564)	(576)	(521)	8	-2	(564)	(521)	8
PPOP	**696**	**666**	**626**	**11**	**5**	**(564)**	**(521)**	**8**
Loan provisions	(87)	(56)	(36)	139	55	(87)	(36)	139
Other provisions	15	7	24	-40	102	15	24	-40
JV & Associates	31	39	32	-5	-21	31	32	-5
PBT	**654**	**656**	**646**	**1**	**-0**	**654**	**646**	**1**
Tax	(138)	(142)	(146)	-5	-3	(138)	(146)	-5
Discontinued ops	-	-	-	n.m.	n.m.	-	-	n.m.
NCI	0	(0)	0	n.m.	n.m.	0	0	n.m.
Reported NP	**516**	**514**	**500**	**3**	**0**	**516**	**500**	**3**
Core NP	**516**	**514**	**500**	**3**	**0**	**516**	**500**	**3**
Total NII*	925	895	861	7	3	925	861	7
Total NOII*	366	387	318	15	-5	366	318	15
Gross DPS (sen)	**-**	**19.9**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	15.6	15.5	15.1	3	1	15.6	15.1	3
Gross loans	138,181	138,883	132,672	4.2	-0.5			
Gross impaired loans	2,367	2,132	2,253	5.1	11.0			
Customer deposits	137,987	141,547	135,479	1.9	-2.5			
CASA	46,892	51,006	45,767	2.5	-8.1			

**Contains contributions from JV & Associates*

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**10.0**	**10.0**	**10.0**	**0.0**	**0.1**	**10.0**	**10.0**	**0.0**
NIM (Reported)	**2.01**	**1.96**	**1.89**	**0.12**	**0.05**	**2.01**	**1.89**	**0.12**
NOII/Net income	28.4	30.2	27.0	1.4	-1.8	28.4	27.0	1.4
Cost/Income	44.8	46.4	45.4	-0.7	-1.6	44.8	45.4	-0.7
NCC (Ann.) (bps)	26	16	11	15	9	26	11	15
GIL ratio	1.71	1.54	1.70	0.01	0.18			
Loan loss coverage	78	82	89	-12	-5			
CASA ratio	34.0	36.0	33.8	0.2	-2.1			
L/D ratio	98.8	96.9	96.4	2.4	1.9			
CET-1	14.9	14.8	13.2	1.7	0.1			

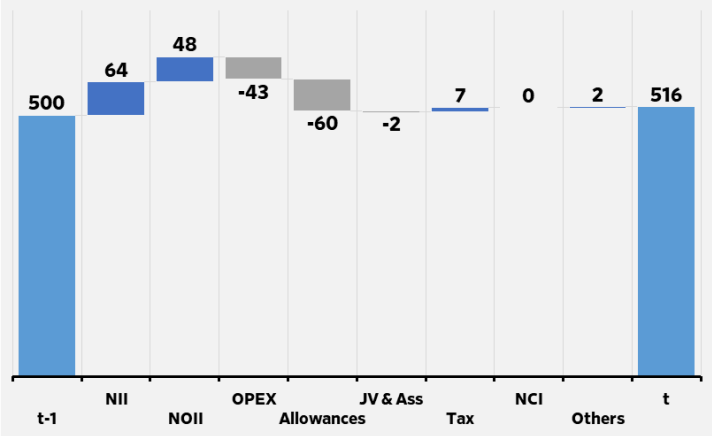
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly results)



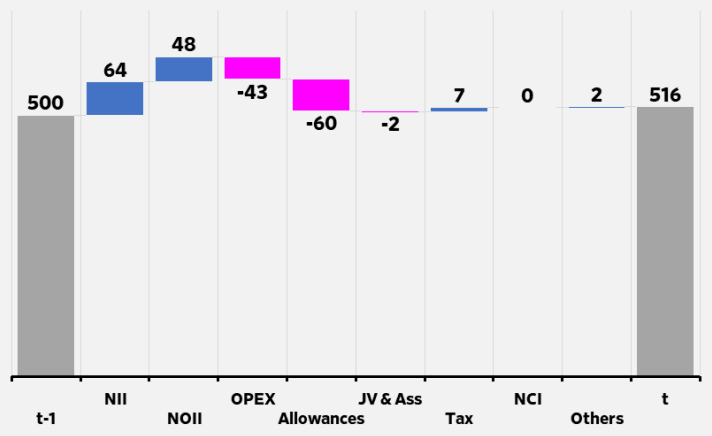
Source: Company, MBSBR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MBSBR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

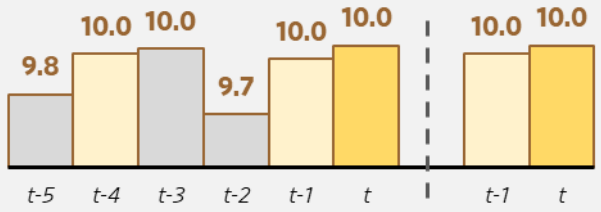
1QFY26 / 3MFY26 results

Earnings: Within/Within our/street forecasts

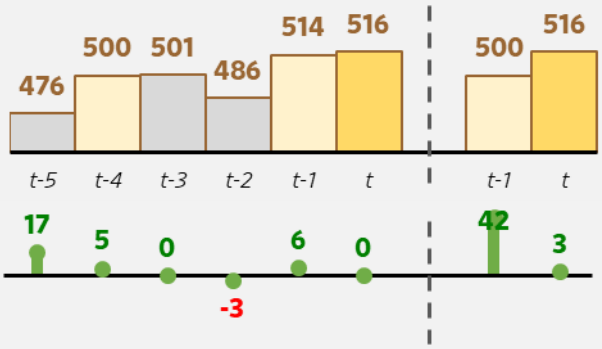
26%/26% of full-year estimates

Dividend: NO

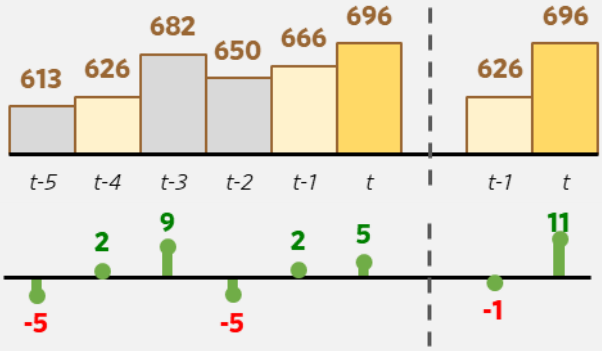
ROE (%)



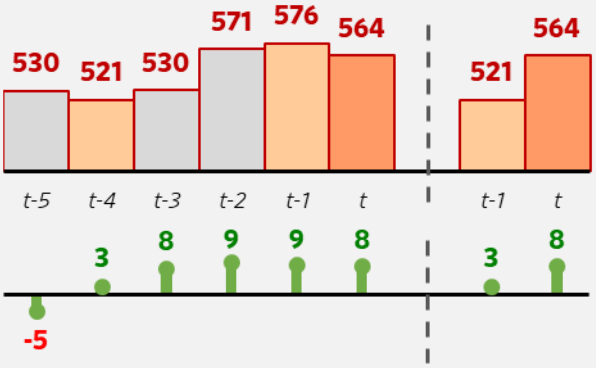
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



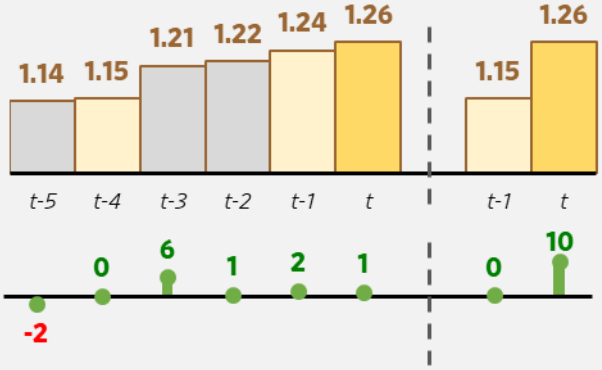
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



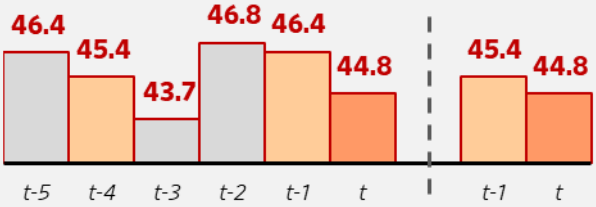
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



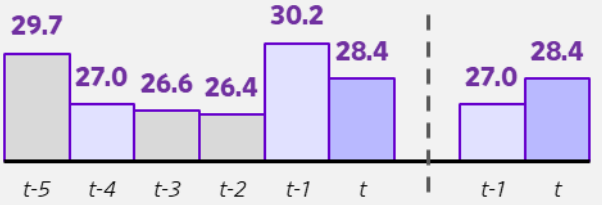
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



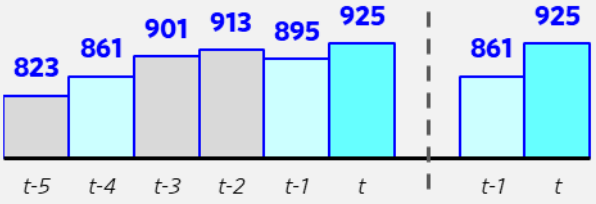
Cost/Income ratio (%)



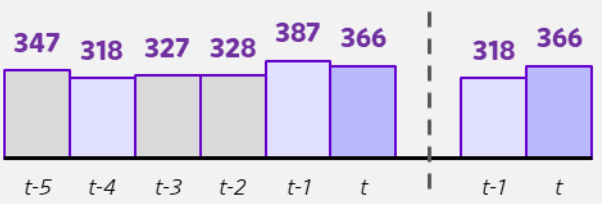
% NOII as topline (%)



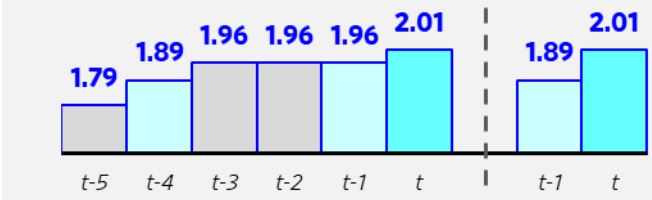
Net interest income (RM b)



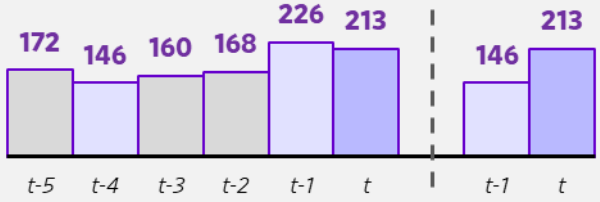
Non-interest income (RM b)



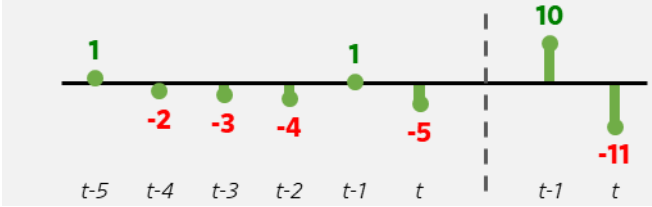
NIM (%)



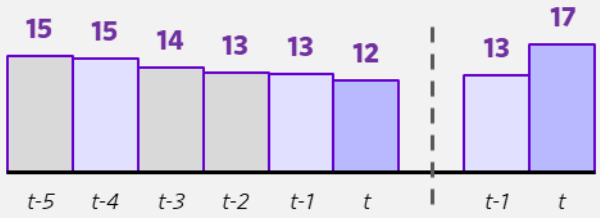
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

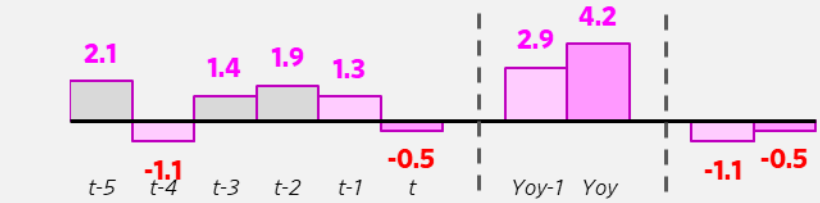


% Non-fee income as NOII (%)

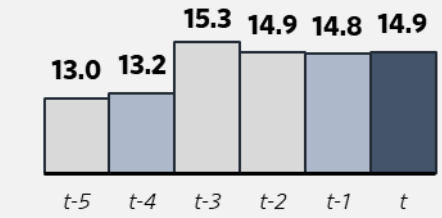


BALANCE SHEET

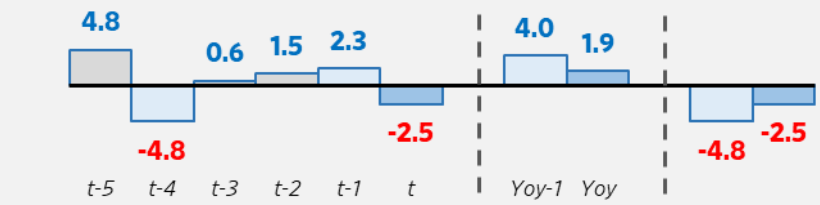
Loan growth – qoq, yoy, FYTD (%)



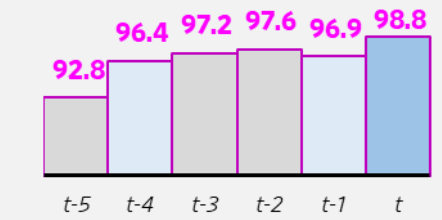
CET 1 ratio (%)



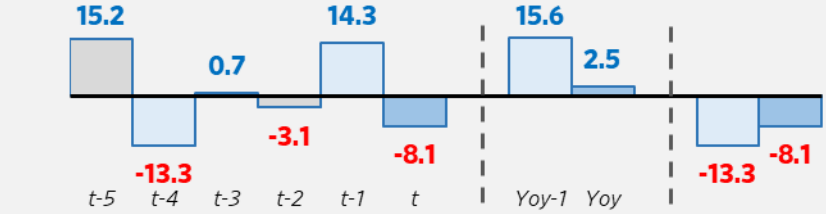
Deposit growth – qoq, yoy, FYTD (%)



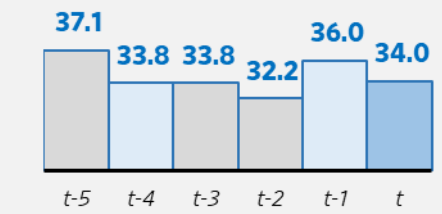
Loan/Deposit ratio (%)



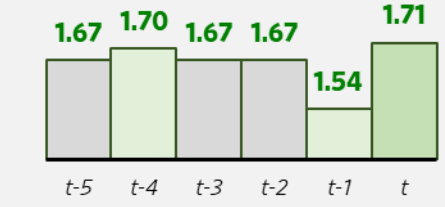
CASA growth – qoq, yoy, FYTD (%)



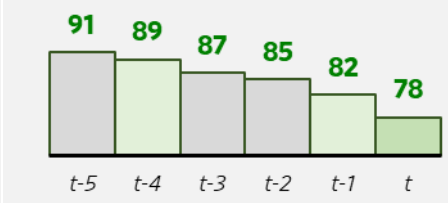
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

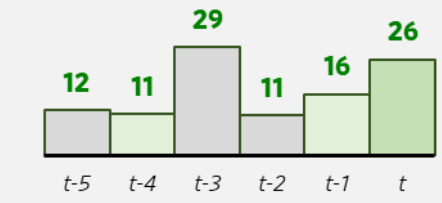


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***516***	**Qtrly ROE**	Qtr value	***10.0%***	
	26% of FY CNP					
	Qoq	*0%*		t-1	*10.0%*	
	Yoy	*3%*		t-4	*10.0%*	
Cum Core NP	RM mil	***516***	**Cum ROE**	Cum value	***10.0%***	
	Within our forecast					
	26% of FY CNP					
	Within consensus					
	26% of FY CNP					
	Yoy	*3%*		t-1	*10.0%*	
NII	As expected		**NIM**	+ve surprise		
				Qtr value	***2.01***	
				Cum value	***2.01***	
	Qtr (Qoq)	*3%*		Qtr (Qoq)	*+5bps*	
	Qtr (Yoy)	*7%*		Qtr (Yoy)	*+12bps*	
	Cum (Yoy)	*7%*		Cum (Yoy)	*+12bps*	
NOII	As expected		**Qtr**	% NII	***72%***	
	Qtr (Qoq)	*-5%*		% NOII	***28%***	
	Qtr (Yoy)	*15%*	**Cum**	% NII	***72%***	
	Cum (Yoy)	*15%*		% NOII	***28%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***44.8%***	
				Cum value	***44.8%***	
	Qtr (Qoq)	*-2%*		Qtr (Qoq)	*-1.6%*	
	Qtr (Yoy)	*8%*		Qtr (Yoy)	*-0.7%*	
	Cum (Yoy)	*8%*		Cum (Yoy)	*-0.7%*	

Source: Company, MBSBR

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

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	-ve surprise					
	Qoq	*-0.5%*				
	Yoy	*4.2%*				
	YTD (FY)	*-0.5%*				
Depo. grwth	As expected		**CASA grwth**	As expected		
	Qoq	*-2.5%*		Qoq	*-8.1%*	
	Yoy	*1.9%*		Yoy	*2.5%*	
	YTD (FY)	*-2.5%*		YTD (FY)	*-8.1%*	
CASA ratio	As expected		**L/D ratio**	As expected		
	Value now	***34.0%***		Value now	***98.8%***	
	Qoq	*-2.1%*		Qoq	*+1.9%*	
	Yoy	*+0.2%*		Yoy	*+2.4%*	
GIL ratio	-ve surprise		**LLC ratio**	-ve surprise		
	Value now	***1.71%***		Value now	***78%***	
	Qoq	*+18bps*		Qoq	*-5%*	
	Yoy	*+1bps*		Yoy	*-12%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Decent provision			Decent provision		
	Value now	***26bps***		Value now	***26bps***	
	t-1	*16bps*				
	t-4	*11bps*		t-4	*11bps*	
CET 1	Healthy level		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***14.9%***		**Payout**		
	Qoq	*0.1%*				
Others:						

Source: Company, MBSBR

FIG 7: Targets, Achievements, and Outlook

Targets	FY26	3M FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10 (Unofficial)	10.0	Management is intent on achieving >RM1.0b in 1HFY25.
CIR		44.8	
NIM	2-3bps above 1.94 ~~Flat~~	2.01	Management believes FY26 NIM will have peaked at 2.01%. It expects OPR impact to reduce NIM by -5bps in 2QFY26. Management expects NIM to lift by 2-3bps in 2HFY26, as FDs reprice.
NOII		15% (yoy)	
Loans	Mid-single-digit	-0.5 (YTD)	
Deposits		-2.5 (YTD)	
% CASA		34.0	
Loan/Depo		98.8	
GIL ratio		1.71	
NCC (bps)	16 - 30	26	Management expects figures to come closer to the 20bps level, skewed towards the upper bound of guidance. Expect to see recoveries of a large O&G exposure as early as next quarter.
LLC		78	
CET 1		14.9	
Div payout	50	50	

Source: Company, MBSBR

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)	10.5	9.0	9.2	8.8	8.6
Div yield (%)	**4.1**	**5.5**	**4.9**	**5.1**	**5.2**
P/BV (x)	0.9	0.9	0.8	0.8	0.8

Source: Company, MBSBR

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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