Corporate Update

AMMB Holdings Berhad

(1015 | AMM MK) Main | Financial Services

FTSE4Good ESG 4 Stars

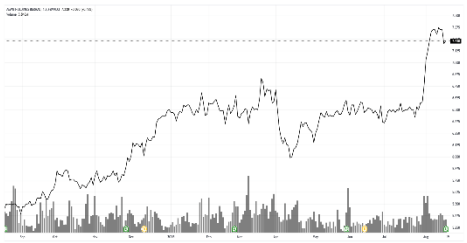
Maintain **BUY**

Revised Target Price **RM8.09**
(from RM7.67)

1QFY27 Results Review
In Prime Position

RETURN STATISTICS	
Price @ 18 August 2026 (RM)	7.23
Expected share price return (%)	+11.9
Expected dividend yield (%)	+5.4
Expected total return (%)	**+17.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.9	11.1
3 months	15.4	15.1
12 months	33.9	22.3

INVESTMENT STATISTICS			
FYE Mar	**FY27F**	**FY28F**	**FY29F**
Core NP (RM m)	**2,098**	**2,144**	**2,186**
CNP growth (%)	(0)	2	2
Div yield (%)	**5.3**	**5.4**	**5.5**
Gross DPS (sen)	38.0	38.8	39.6
P/BV (x)	**1.1**	**1.0**	**1.0**
BVPS (RM)	6.8	7.0	7.3
ROE (%)	**9.5**	**9.4**	**9.2**
% Street CNP (%)	**97**	**94**	**90**

KEY STATISTICS	
FBM KLCI	1,733.4
Issue shares (m)	3,308.4
Estimated free float (%)	74.8
Market Capitalisation (RM'm)	24,352.3
52-wk price range	RM5.38 – RM7.37
3-mth average daily volume (m)	5.8
3-mth average daily value (RM'm)	38.4
Top Shareholders (%)	
Employees Provident Fund Board	12.9
Clear Goal Sdn Bhd	11.8
Amanah Saham Nasional Bhd	8.4

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Neutral

Expect: Fewer surprises – AMMB's earnings are extremely well-controlled.

Our Verdict

AMMB does not have any major worries, though asset quality deterioration and topline uncertainty provide minor ones. Overall, AMMB seems to be headed in the right direction, backed by significant room for asset growth opportunities, solid cost discipline and stacks of capital ripe for distribution.

Valuations

A revised FY28F P/BV of 1.15x *(formerly 1.13x)*

Current P/BV of 1.12x is trading nearly +3SD above the 10-year P/BV mean of 0.75x. However, this is warranted given the Group's improved fundamentals and dividend outlook. Previously, a share price overhang plagued the Group's valuations – this is no longer the case.

The company is currently trading at a forward FY28F P/BV of 1.03x with a 5.4% dividend yield.

Themes

1. ▲ Dividend payout ratios have increased gradually. The prospective RM2.1b Basel capital release by FY28 increases the likelihood of further increases.
2. ▲ With room to increase its equity leverage multiplier, the Group is in a good position to acquire interest-earning assets during a period of strong economic growth. It can aggressively acquire loans, particularly higher-yielding mid-corp and wholesale loan segments. This should benefit longer-term NII growth.
3. ▲ Improving market performance should benefit fee income significantly, given the Group's heavy focus on asset and wealth management.
4. ▲ Expect some NIM expansion in the coming quarter. The Group's steady progress in growing its retail CASA-heavy deposit mix and Investment Account products is promising. It seems more optimistic on loan yields.
5. ► Cost discipline is very strict, which provides certainty to earnings. Its CIR is among the lowest in the industry. Regardless, mounting cost pressure and elevated tech spend could pose an issue.
6. ► AMMB does not seem overly worried about asset quality outlook, while provisioning levels remain moderate.

Results in a nutshell:

► **3MFY27's Core NP of RM520m is *Within*/*Within* our/street forecasts: *25%*/*24%* of full-year forecasts.**

► **No dividend announcement.**

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► **3MFY27's Core net profit (NP) of RM520m up by 1%yoy.** The increase was driven by improved NII performance, which offset higher OPEX and tax charges, as well as weaker Associate income.

► **1QFY27's Core NP of RM520m remained flattish, growing at 0%qoq.** The increase was driven by NII and OPEX improvements, which offset higher provisioning charges.

Have a look at:

► **A lack of FY27 CIR guidance: Topline uncertainties were evident.** Management does not want to commit to a <44% guidance for FY27 (the standard level they give every year). This was even though 1QFY27's CIR ended at a superb 43.4% – and 1HFY27 is expected to close with that figure (Neutral JAWS). Management attributes this uncertainty to potential tech investments and volatility faced by both components of the topline. It seems more confident in being able to control OPEX than its topline growth. A reminder: the Group mentioned that WT29's previous CIR target of <40% was the hardest to achieve.

▲ **NIM should see slight improvement next quarter.** NIM compressed by -4bps qoq: -3bps were from lower asset yields, while the remaining -1bps was from COF (though liability management initiatives offset it slightly). Going forward, the Group expects a slight NIM expansion driven by both asset yields and COF improvements. The Group does mention that there is little space for further liability management initiatives. They seem excited about the prospect of stronger loan growth (particularly in the mid-corp and corporate segment) lifting asset yields, with economic growth coming in better than expected.

▲ **Better deployment of capital should lead to better topline returns.** So far, the Group has increased its equity leverage multiplier to 10x (from 9.6x last quarter), on track to achieve its 11x goal. There is a more conscious effort to deploy more capital for a better RaRoC, with more investment securities acquired this quarter. In subsequent quarters, expect to see more in higher-yielding loan growth segments, as loan growth ramps up.

► **All mild on the asset quality front.** The Group sees some stage 2 loans increase in the business banking segment (these accounts are Middle East-related). However, it believes that half of them will fall back into stage 1 eventually, as a lot of these accounts were downgraded for technical reasons, rather than actual fears of becoming impaired.

The Group gives marginally better NCC guidance – it thinks FY27's full-year NCC will fall close to 1QFY27's 19bps level, as compared to the implied ~21bps figure given last quarter. The remaining overlays have a 58% business banking and 42% retail split. Management mentions there is no real need to continue holding so many retail overlays and is deciding whether to do a full writeback or reallocate a large chunk.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weak NOII performance, (2) Steeper-than-expected NIM compression, (3) Higher-than-expected NCC.*

Maintain BUY call: Revised GGM-TP of RM 8.09 ***(from RM7.67).*** The TP is based on a revised FY28F P/BV of 1.15x *(formerly 1.13x, rolled on from FY26F),* to reflect altered earnings prospects and ROE-based valuations. We lower our COE base (which in turn increases our P/BV valuation base) to account for the Group's significant capital release potential as well as to better reflect the sector's brighter outlook, premised largely on better-than-expected economic growth indicators.

(GGM assumptions: *FY28F ROE of 9.4%, LTG of 4.0% & COE of 8.7%)*

FIG 1: Quarterly results

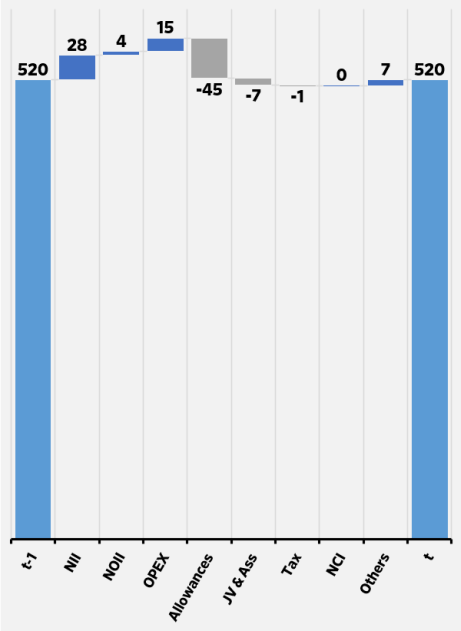
FYE Mar (RM m)	1Q FY27	4Q FY26	1Q FY26	Yoy (%)	Qoq (%)	3M FY27	3M FY26	Yoy (%)
Net interest inc.	644	614	610	6	5	644	610	6
Islamic banking inc.	396	363	358	11	9	396	358	11
Non-interest inc.	277	302	293	-5	-8	277	293	-5
Net income	**1,317**	**1,278**	**1,260**	**5**	**3**	**1,317**	**1,260**	**5**
OPEX	(576)	(591)	(564)	2	-3	(576)	(564)	2
PPOP	**742**	**688**	**696**	**7**	**8**	**(576)**	**(564)**	**2**
Loan provisions	(69)	(2)	(87)	-20	3,243	(69)	(87)	-20
Other provisions	(1)	(22)	15	-103	-98	(1)	15	-103
JV & Associates	10	18	31	-66	-42	10	31	-66
PBT	**682**	**681**	**654**	**4**	**0**	**682**	**654**	**4**
Tax	(162)	(161)	(138)	17	1	(162)	(138)	17
Discontinued ops	-	-	-	n.m.	n.m.	-	-	n.m.
NCI	0	(0)	0	n.m.	n.m.	0	0	n.m.
Reported NP	**520**	**520**	**516**	**1**	**0**	**520**	**516**	**1**
Core NP	**520**	**520**	**516**	**1**	**0**	**520**	**516**	**1**
Total NII*	965	937	925	4	3	965	925	4
Total NOII*	363	359	366	-1	1	363	366	-1
Gross DPS (sen)	**-**	**22.5**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	15.7	15.7	15.6	1	0	15.7	15.6	1
Gross loans	147,830	146,687	138,181	7.0	0.8			
Gross impaired loans	2,395	2,331	2,367	1.2	2.7			
Customer deposits	144,074	147,000	137,987	4.4	-2.0			
CASA	46,861	52,077	46,892	-0.1	-10.0			

**Contains contributions from JV & Associates*

Ratios (%)	1Q FY27	4Q FY26	1Q FY26	Yoy (ppts)	Qoq (ppts)	3M FY27	3M FY26	Yoy (ppts)
ROE (Ann.)	**9.7**	**9.6**	**10.0**	**-0.3**	**0.1**	**9.7**	**10.0**	**-0.3**
NIM (Reported)	**1.93**	**1.97**	**2.01**	**-0.08**	**-0.04**	**1.93**	**2.01**	**-0.08**
NOII/Net income	27.3	27.7	28.4	-1.0	-0.4	27.3	28.4	-1.0
Cost/Income	43.7	46.2	44.8	-1.1	-2.5	43.7	44.8	-1.1
NCC (Ann.) (bps)	19	1	26	-6	19	19	26	-6
GIL ratio	1.62	1.59	1.71	-0.09	0.03			
Loan loss coverage	67	68	78	-11	-1			
CASA ratio	32.5	35.4	34.0	-1.5	-2.9			
L/D ratio	101.5	98.7	98.8	2.7	2.8			
CET-1	14.4	14.8	14.9	-0.5	-0.4			

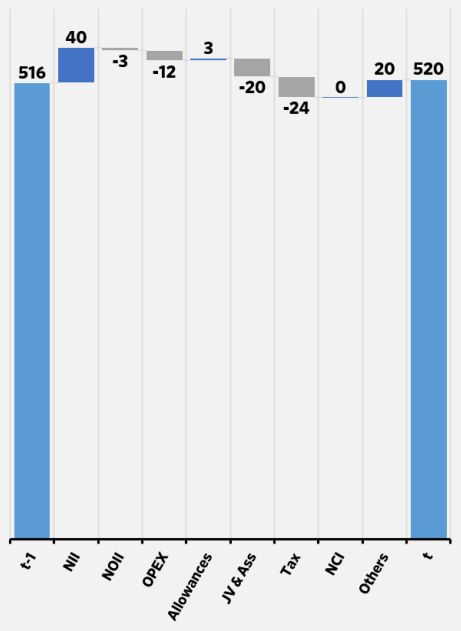
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



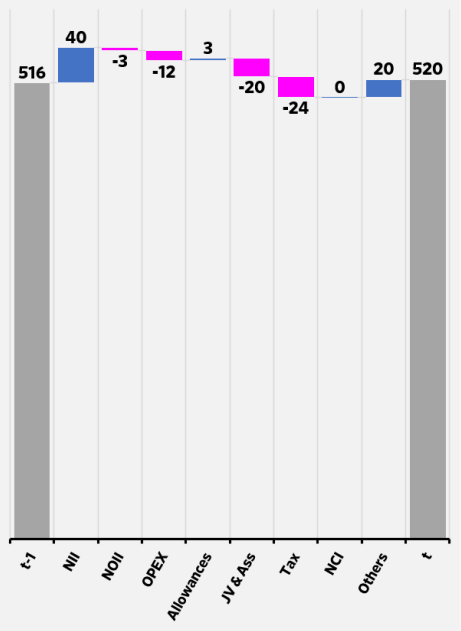
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY27F	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>10	
CIR		Management refrains from giving its standard <44% guidance considering possible tech investment and topline uncertainties.
NIM	Stable for now (from 1.98)	
NOII		
Loans	To match GDP	
Deposits		
% CASA		
Loan/Depo		
GIL ratio		
NCC (bps)	~19 ~~<21~~	
CET 1		
Div payout	60	

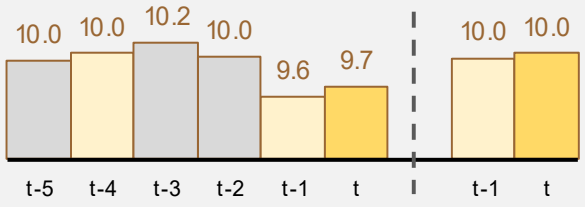
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

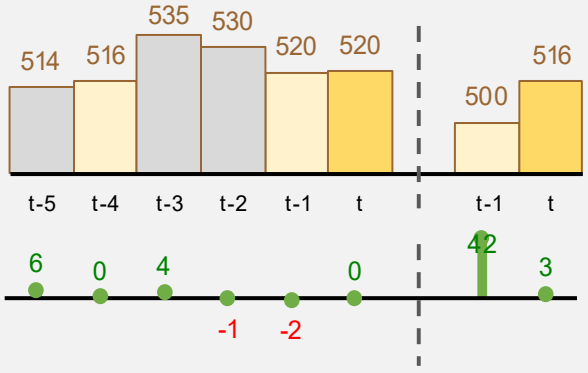
1QFY27 / 3MFY27 results

Earnings:	**Within our full-year forecasts**	**(25%)**
	Within street full-year forecasts	(24%)
Dividend:	**NO**	
YTD payout:	-	

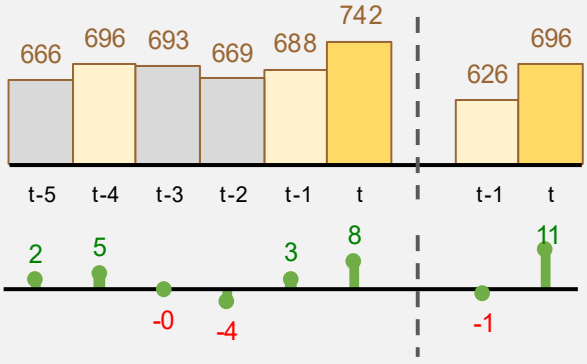
ROE (%)



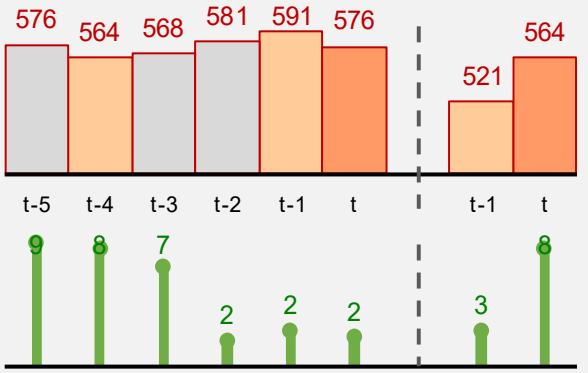
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



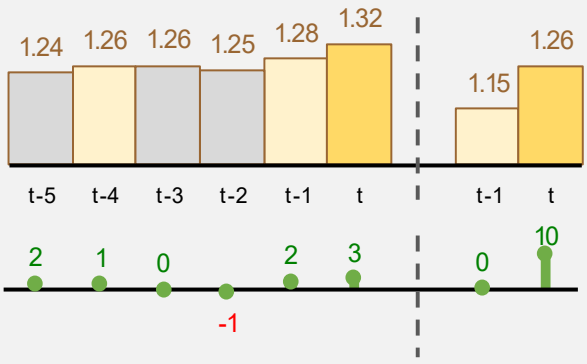
Pre-Provisioning Operating Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



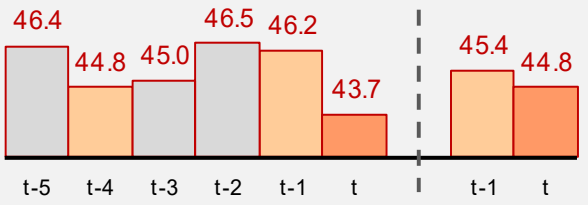
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



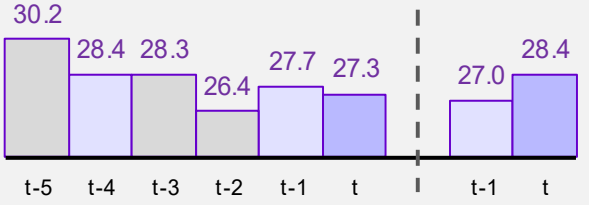
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



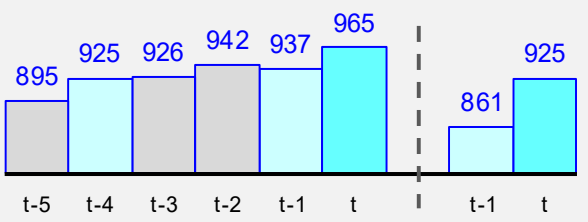
Cost/Income ratio (%)



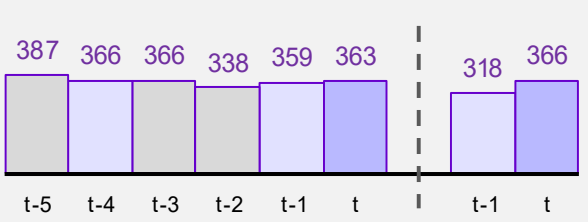
% NOII as topline (%)



Net interest income (RM m)

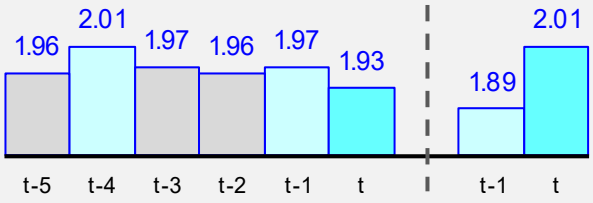


Non-interest income (RM m)

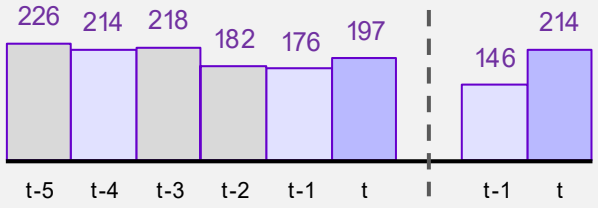


Source: Company, MBSBR

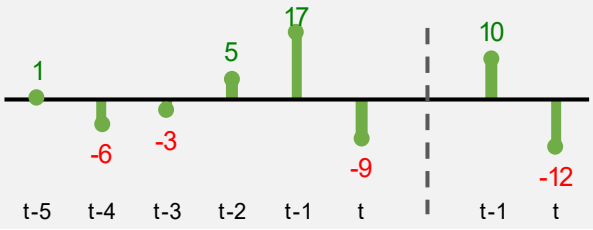
NIM (%)



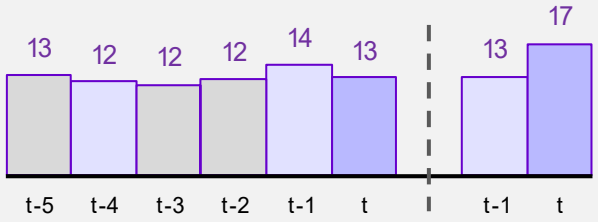
Non-fee NOII (RM m)



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

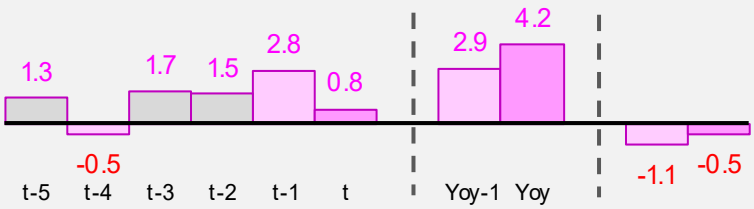


% Non-fee income as NOII (%)

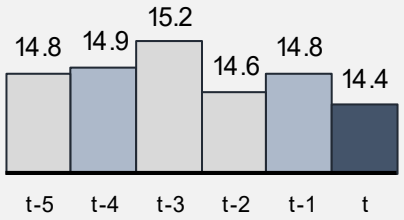


BALANCE SHEET

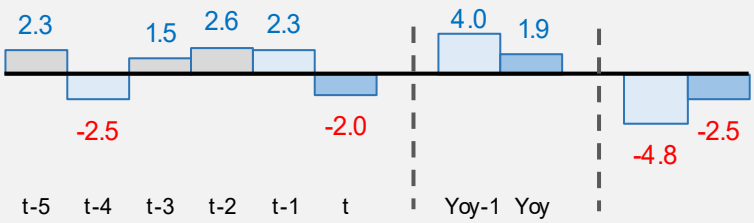
Loan growth -- qoq, yoy, FYTD (%)



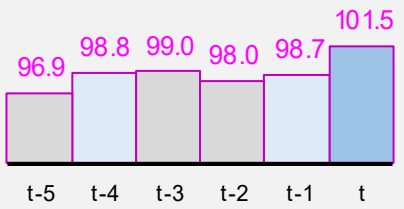
CET 1 ratio (%)



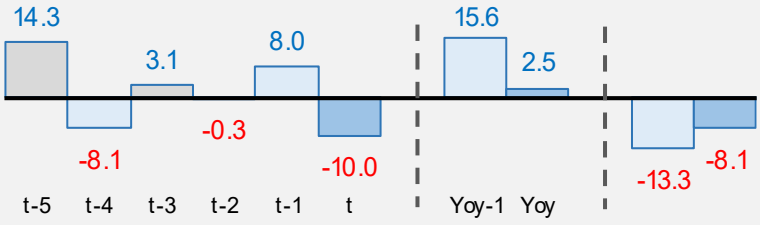
Deposit growth -- qoq, yoy, FYTD (%)



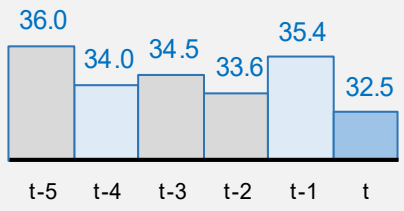
Loan/Deposit ratio (%)



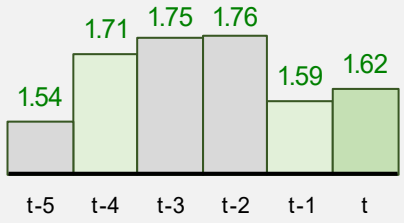
CASA growth -- qoq, yoy, FYTD (%)



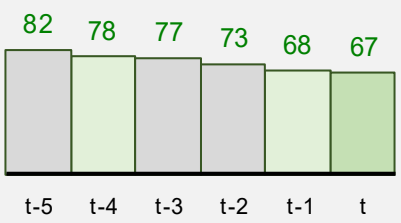
CASA ratio (%)



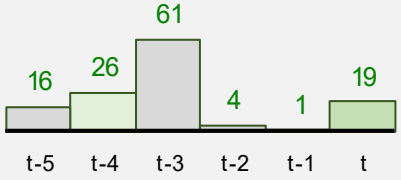
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	520	Qtrly ROE	Qtr value	9.7%
	25% of FY CNP				
	Qoq	0%		t-1	9.6%
	Yoy	1%		t-4	10.0%
Cum Core NP	RM mil	520	Cum ROE	Cum value	9.7%
	Within our forecast				
	25% of FY CNP				
	Within consensus				
	24% of FY CNP				
	Yoy	1%		t-1	10.0%
NII	As expected		NIM	-ve surprise	
				Qtr value	1.93
				Cum value	1.93
	Qtr (Qoq)	3%		Qtr (Qoq)	-4bps
	Qtr (Yoy)	4%		Qtr (Yoy)	-8bps
	Cum (Yoy)	4%		Cum (Yoy)	-8bps
NOII	As expected		Qtr	% NII	73%
	Qtr (Qoq)	1%		% NOII	27%
	Qtr (Yoy)	-1%	Cum	% NII	73%
	Cum (Yoy)	-1%		% NOII	27%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	43.7%
				Cum value	43.7%
	Qtr (Qoq)	-3%		Qtr (Qoq)	-2.5%
	Qtr (Yoy)	2%		Qtr (Yoy)	-1.1%
	Cum (Yoy)	2%		Cum (Yoy)	-1.1%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	0.8%			
	Yoy	7.0%			
	YTD (FY)	0.8%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	-2.0%		Qoq	-10.0%
	Yoy	4.4%		Yoy	-0.1%
	YTD (FY)	-2.0%		YTD (FY)	-10.0%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	32.5%		Value now	101.5%
	Qoq	-2.9%		Qoq	+2.8%
	Yoy	-1.5%		Yoy	+2.7%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.62%		Value now	67%
	Qoq	+3bps		Qoq	-1%
	Yoy	-9bps		Yoy	-11%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	19bps		Value now	19bps
	t-1	1bps			
	t-4	26bps		t-4	26bps
CET 1	Healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	14.4%		Payout	
	Qoq	-0.4%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Net interest income	**2,358**	**2,449**	**2,569**	**2,599**	**2,638**
Islamic banking inc.	1,351	1,444	1,515	1,533	1,555
Other operating inc.	1,112	1,157	1,189	1,233	1,283
Net income	**4,821**	**5,049**	**5,273**	**5,365**	**5,476**
OPEX	(2,198)	(2,304)	(2,373)	(2,414)	(2,464)
PPOP	**2,623**	**2,746**	**2,900**	**2,951**	**3,012**
Loan allowances	(224)	(313)	(299)	(296)	(307)
Other allowances	80	179	(7)	(3)	(0)
JV & Associates	108	109	116	118	120
PBT	**2,587**	**2,721**	**2,710**	**2,770**	**2,824**
Tax & zakat	(586)	(620)	(612)	(626)	(638)
NCI	(0)	(0)	-	-	-
Discontinued ops	-	-	-	-	-
Reported NP	**2,001**	**2,101**	**2,098**	**2,144**	**2,186**
Core NP	**2,001**	**2,101**	**2,098**	**2,144**	**2,186**
Total NII	3,570	3,730	3,913	3,959	4,018
Total NOII	1,359	1,429	1,360	1,406	1,458

BALANCE SHEET

FYE Mar (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Cash & ST funds	6,759	6,819	6,819	6,819	6,819
Investment securities	45,308	47,746	44,017	40,693	37,733
Net loans	137,130	145,092	150,846	156,880	163,155
Other IEAs	-	-	-	-	-
Non-IEAs	9,847	8,052	8,681	13,642	18,349
Total assets	**199,044**	**207,709**	**210,363**	**218,033**	**226,056**
Customer deposits	141,547	147,000	152,880	158,995	165,355
Other IBLs	25,481	26,286	26,792	27,360	27,995
Non-IBLs	11,394	12,797	8,285	8,454	8,632
Total liabilities	**178,422**	**186,084**	**187,957**	**194,809**	**201,983**
Share capital	6,376	6,376	6,376	6,376	6,376
Reserves	14,245	15,248	16,030	16,847	17,697
Shareholders' funds	**20,621**	**21,624**	**22,406**	**23,224**	**24,073**
NCI	1	1	-	-	-
Total equity	**20,622**	**21,625**	**22,406**	**23,224**	**24,073**
Total L&E	**199,044**	**207,709**	**210,363**	**218,033**	**226,056**
Total IEAs	189,197	199,656	201,682	204,391	207,707
Total IBLs	167,028	173,286	179,672	186,355	193,350
Gross loans	138,883	146,687	152,555	158,657	165,003
CASA	51,006	52,077	48,922	50,878	52,914

FINANCIAL RATIOS

FYE Mar (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Interest (%)					
NIM	1.90	1.92	1.95	1.95	1.95
Return on IEAs	3.28	3.11	3.07	3.05	3.02
Cost of funds	2.29	2.11	2.04	1.96	1.89
Net interest spread	0.99	1.00	1.03	1.09	1.13
Profitability (%)					
ROE	**10.0**	**9.9**	**9.5**	**9.4**	**9.2**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	26.0	26.1	25.8	26.2	26.6
Effective tax rate	22.6	22.8	22.6	22.6	22.6
Cost/Income	45.6	45.6	45.0	45.0	45.0
Liquidity (%)					
Loan/Deposit	96.9	98.7	98.7	98.7	98.7
CASA ratio	36.0	35.4	32.0	32.0	32.0
Asset Quality (%)					
GIL ratio	1.54	1.59	1.60	1.60	1.60
LLC ratio	82	68	70	70	70
LLC (w. reserves)	99	98	78	78	77
Net CC (bps)	16	22	20	19	19
Capital (%)					
CET 1	14.8	14.8	15.9	15.8	15.7
Tier 1 capital	14.8	14.8	15.9	15.8	15.7
Total capital	17.5	17.2	18.3	18.2	18.1
Growth (%)					
Total NII	8.1	4.5	4.9	1.2	1.5
Total NOII	5.3	5.2	-4.8	3.4	3.7
Net income	5.8	4.7	4.4	1.7	2.1
OPEX	7.1	4.8	3.0	1.7	2.1
Core NP	17.2	5.0	-0.2	2.2	2.0
Gross loans	3.5	5.6	4.0	4.0	4.0
Customer deposits	-0.6	3.9	4.0	4.0	4.0
CASA	-3.3	2.1	-6.1	4.0	4.0
Valuation metrics					
Core EPS (sen)	60.6	63.6	63.5	64.9	66.2
Gross DPS (sen)	30.2	35.0	38.0	38.8	39.6
Div payout (%)	50	55	60	60	60
BVPS (RM)	6.2	6.5	6.8	7.0	7.3
Core P/E (x)	11.9	11.4	11.4	11.1	10.9
Div yield (%)	**4.2**	**4.8**	**5.3**	**5.4**	**5.5**
P/BV (x)	1.2	1.1	1.1	1.0	1.0

Source: Company, MBSBR

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MBSB 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