Corporate Update

## AMMB Holdings Berhad

(1015 | AMM MK) Main | Financial Services

FTSE4Good ESG 4 Stars

# Investor Day 2026 Dividends and More

Maintain **BUY**

Revised Target Price **RM7.67**
(from RM7.63)

| RETURN STATISTICS | |
|---|---|
| Price @ 31 July 2026 (RM) | 6.76 |
| Expected share price return (%) | +13.5 |
| Expected dividend yield (%) | +5.6 |
| **Expected total return (%)** | **+19.1** |

### Our Verdict

**While AMMB's increase in dividend payout (and sizeable room for further improvement) makes it an attractive prospect, do note that fundamentally the Group could see slightly lower earnings growth in the coming years, with elevated OPEX costs the main culprit. Despite having faced a challenging couple of years, management still believes that it is on track to meet WT29 ROE targets with the main means of ROE improvement will be via capital optimisation and more effective allocation of assets.**

### Valuations

**A revised FY27F P/BV of 1.13x *(formerly 1.12x)***

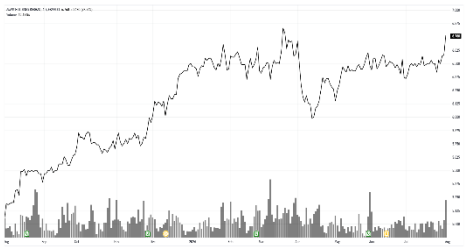
Current P/BV of 1.03x is trading near +2SD of the 10-year P/BV mean of 0.75x. However, we think this is warranted given the bank's improved dividend and profitability prospects.

The company is currently trading at a forward FY27F P/BV of 1.00x with a +5.6% dividend yield.

### Themes

1. ▲ Dividend payout ratios have been increased gradually over time. The prospective RM2.1b Basel capital release by FY28 makes the likelihood of further increases very possible.
2. ▲ Improvements in market performance should benefit fee income significantly, given the Group's heavy focus on asset management.
3. ► NIM has performed well over the last 12 months, but as with other banks compression is likely in the coming quarter. The Group had great success with its ongoing asset/liability optimisation activity. The Group's steady progress in growing its retail CASA-heavy deposit mix and Investment Account products is promising.
4. ► Cost discipline is very strict, which provides tremendous certainty to earnings. Its CIR is among the lowest in the industry. Regardless, mounting cost pressure and elevated tech spend in the coming years could pose an issue.
5. ► Loan growth remains moderate, but at least they've made good progress in restructuring the RSME portfolio – which gives them options.
6. ► AMMB is a bit less optimistic about asset quality than its peers. We should see further GIL ratio uptick.

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | -0.5 | -0.7 |
| 3 months | 1.7 | 1.7 |
| 12 months | 25.8 | 11.8 |

| INVESTMENT STATISTICS | | | |
|---|---|---|---|
| **FYE Mar** | **FY27F** | **FY28F** | **FY29F** |
| **Core NP (RM m)** | **2,098** | **2,144** | **2,186** |
| CNP growth (%) | (0) | 2 | 2 |
| **Div yield (%)** | **5.6** | **5.7** | **5.9** |
| Gross DPS (sen) | 38.0 | 38.8 | 39.6 |
| **P/BV (x)** | **1.0** | **1.0** | **0.9** |
| BVPS (RM) | 6.8 | 7.0 | 7.3 |
| **ROE (%)** | **9.5** | **9.4** | **9.2** |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,724.90 |
| Issue shares (m) | 3,301.8 |
| Estimated free float (%) | 74.8 |
| Market Capitalisation (RM'm) | 21,470.6 |
| 52-wk price range | RM5.04 – RM6.85 |
| 3-mth average daily volume (m) | 5.0 |
| 3-mth average daily value (RM'm) | 32.0 |
| **Top Shareholders (%)** | |
| Employees Provident Fund Board | 12.9 |
| Clear Goal Sdn Bhd | 11.8 |
| Amanah Saham Nasional Bhd | 8.4 |

**Analyst**
**Samuel** Woo
samuelwoo.cy@mbsb.com
03-2173 8461

**Here are some highlights from AMMB's recent Strategy Day 2026:**

► **Slower earnings growth expected – capital optimisation and release to achieve ROE targets instead.** Elevated tech spend in the next couple of years should slow down profit growth – but to lift its ROE targets, the Group will be optimising its capital via a combination of capital release and optimising its leverage multiplier by doubling down on its deleveraged loan segments (primarily the higher-yielding business book, post-restructuring).

▼ **Acceleration of tech spend expected, which has led to a negative revision in CIR target.** The main source of earnings pressure comes from higher tech spend in the coming years. In the last three years, the Group has only utilised RM365m of the RM700m allocated for the 5 years. This, alongside salary and insurance premium inflation, is the reason why the Group is downgrading its WT29 CIR target from <40% to "toward 40%".

▲ **Dividend payout increased to 60% by FY27, with room for further upside.** Overall, RM2.1b of excess capital (+200bps) is expected from all Basel implementation procedures all the way to FY28. A significant source of release will be the implementation of FIRB credit risk changes on 1 January 2028 – hence expect the brunt of capital release plans to only be decided after 3QFY28. More than half of this release will come from LGD tweaks, while another 25% will be from credit conversion factor – while the remainder will come from the scaling factor. The introduction of the capital floor will not bring any impact.

The Group will be increasing steady dividend payout to 60% by FY27. There is an intention to increase it further and if everything goes within its plan, the Group certainly has enough capital to release. Note that the Group expects DPS to outstrip EPS. The Group will be aiming for a DPS of >40 sen this year alone – which puts them in a position to achieve its WT29 DPS target of 45 sen a lot earlier than scheduled.

▲ **Loan focus remains on the SME segment – much room for growth.** Particularly the mid-sized SMEs – there is no interest in sole proprietorship and micro-SMEs. The higher-margined business banking segment remains underleveraged, due to fears of higher asset quality risk last year. Hence, the intention is to increase the leverage multiplier back to 11x (from the current 9.6x) to improve ROEs, implying a fair room for growth in this segment. Some bond book deployment will be done to assist the increasing of the leverage multiplier.

► **Retail segment is less attractive… but gradually built up to be the net funder for the Group.** Another positive note is that the retail segment is finally yielding positive ROA returns, as opposed to barely breaking even a few years ago. A change in strategy is the Group doubling down on affluent segment mortgages, as opposed to having a much broader focus previously. This segment has thinner profitability margins, so the intention is to ramp up deposits instead. The intention is to reduce the segment's L/D ratio by having faster deposit growth than loan growth.

**Forecasts unchanged.** We make no changes to our earnings forecast – however we do increase our FY27F/FY28F/FY29F dividend payout forecasts to 60% (from 55%).
***Key downside risks.*** *(1) Steeper-than-expected NIM compression, (2) Rapid cost inflation, (3) Lingering asset quality concerns.*

**Maintain BUY call: Revised GGM-TP of RM 7.67** ***(from RM7.63).*** The TP is based on a revised FY27F P/BV of 1.13x *(formerly 1.12x),* to reflect higher dividend payout levels.

***(GGM assumptions:*** *FY27F ROE of 9.5%, LTG of 4.0% & COE of 8.9%)*

## FIG 1: WT29 Guidance (including revisions)

**ROE: 11 – 12%**
**ROA: 1.1%**
**CIR: ~~40%~~ "Towards 40%"**
**GIL: <1.6%**
**DPS: 45 sen (Double from FY24's 22.5 sen)**
**Dividend Payout: ~~50%~~ 60%**

**Previously mentioned, but likely no longer as relevant**
**Reported Net Profit: 8.0% (CAGR)**
**NIM: >2.00%**
**Loans: 6.0% (CAGR)**
- **SME: 12%**
- **Corporate (Incl. Unrated Bonds): 5.3%**
- **Retail: Not given (but definitely <6%).**

**Deposits: 6.0% (CAGR)**
**NCC: 20 – 25bps**
**CET 1: 12.8%**

*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) | 11.2 | 10.6 | 10.6 | 10.4 | 10.2 |
| **Div yield (%)** | **4.5** | **5.2** | **5.6** | **5.7** | **5.9** |
| P/BV (x) | 1.1 | 1.0 | 1.0 | 1.0 | 0.9 |

*Source: Company, MBSBR*

**MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)**

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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