AMMB Holdings

Strategy Intact

OUTPERFORM ↔

Price : RM5.14

Target Price : RM6.90 ↔

By Clement Chua / clement.chua@kenanga.com.my

We maintain our OUTPERFORM call and GGM-derived PBV TP of RM6.90 (COE: 9.9%, TG: 3.0%, ROE: 10.0%). AMBANK reinforces its FY29 strategies to drive long-term earnings resiliency via optimisation of key business segments, though we take note of new initiatives such as potentially offering salary deduction schemes to drive stickiness and safeguard collections in the future. We opine that AMBANK could be a preferred stock pick by investors in an environment where industry could experience headwinds to market size growth while being a potential high-yielding name (7%-8%) in the medium term. AMBANK is one of our 3QCY25 Top Picks.

AMBANK hosted its 2025 Strategy Day and reiterated its unchanged FY29 targets for FY29. Our key takeaways as follows:

FY29 Aspirations	FY24A	FY25A	FY29F 5-year CAGR
PATAMI	RM1.87b	RM2.00b	+8%
ROA	0.97%	1.02%	>1.10%
Loans Growth	RM134.1b	RM138.9b	+6%
Deposits	RM142.4b	RM141.5b	+5%
CET-1	13.04%	14.82%	FY29: 14.40%
CIR	45%	46%	40%

- **Net funded by retail.** The group looks towards optimizing its existing 169 branches, enhancing outreach through digital propositions with key partners (i.e. Bask Bear Coffee, Bonuslink). This could lead to a more optimised deployment of client relationship managers and a more efficient ATM footprint.

  In further securing the aspired target customer group in mass affluent and affluent segments, AMBANK narrows its focus on mortgages of medium-to-high ticket sized homes (>RM500k). The group also mulls on penetrating the untapped used foreign car segment and salary deduction propositions to widen outreach while defending asset quality.

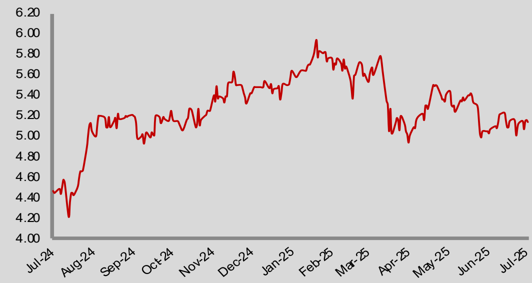
- **Accelerating business banking.** To strengthen its presence in the SME space, the group looks towards deploying more relationship managers for the division to push program lending solutions. With regards to commercial and mid-sized corporates, AMBANK will undertake a targeted expansion across the country, notably with Penang and Johor being mentioned to be of importance.

  We gather the group is also being selective with its target markets, preferring to engage with clients that may require capital market access and engaged in economic sectors such as industrial parks, manufacturing, logistics, warehousing and supply chain.

- **Recalibrating wholesale perspective.** As AMBANK works towards optimising its client portfolio, attention is given to its “next 20” largest clients to reduce its reliance on its existing “T20”. The group notes that upcoming sectors could include telcos benefiting from the 5G roll-out and auto manufacturing from the developing EV market. Efforts include leveraging on the group’s investment banking advisory capabilities to improve offerings and being competitive in ESG transitional financing.

Forecasts. Unchanged. Against the presented growth strategies, we opine that near-term growth would continue to be modest but sustained, where we do not anticipate AMBANK to grow its loans books faster than industry (our FY26 assumptions of 4.4% in behind CY25’s system loans growth expectations of 5.5%).

Share Price Performance



KLCI	1,533.76
YTD KLCI chg	-6.6%
YTD stock price chg	-6.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	AMM MK Equity
Market Cap (RM m)	17,005.2
Shares Outstanding	3,295.7
52-week range (H)	5.94
52-week range (L)	4.19
3-mth avg. Daily Vol.	7,670,475
Free Float	75%
Beta	1.13

Major Shareholders

Employees Provident Fund	13.0%
Clear Goal Sdn Bhd	11.8%
Amanah Saham Nasional	8.4%

Summary Earnings Table

FY Mar (RM m)	2025A	2026F	2027F
Net Interest Income	3,709	3,788	3,848
Non-interest Income	1,112	1,332	1,372
Total Income	**4,821**	**5,120**	**5,220**
Operating Expenses	-2,198	-2,102	-2,136
Loan Impairment	**-144**	**-380**	**-352**
Pre-tax Profit	2,587	2,758	2,852
Net Profit	**2,001**	**2,103**	**2,174**
Core Net Profit	**2,001**	**2,103**	**2,174**
Consensus NP	-	2,014	2,119
Earnings Revision	-	-	-
Core EPS (RM)	0.61	0.64	0.66
EPS Growth (%)	28.6	5.1	3.4
NDPS (RM)	30.2	31.5	33.0
BV/share (RM)	6.24	6.53	6.79
NTA/share (RM)	6.10	6.39	6.65
ROE (%)	10.0	10.0	9.9
PER (x)	8.5	8.1	7.8
P/BV (x)	0.82	0.79	0.76
Net Div. Yield (%)	5.9	6.1	6.4

Maintain OUTPERFORM and TP of RM6.90. Our TP is based on an unchanged GGM-derived PBV (COE: 9.9%, TG: 3%, ROE: 10.0%) of 1.02x against a CY26F BVPS of RM6.73. We believe a 10% ROE for AMBANK could be realisable in FY26 as it progressively builds a larger portfolio of SME accounts supported by the rebalancing into cheaper funding sources along the way. While our applied dividend pay-out remains modest at 50%, assuming the group is to immediately reflect an aspired pay-out of 60%, prospective dividend yields of 7%-8% would make them the top payer as of the date of this report.

While we are still conservative with our inputs in our GGM (behind AMBANK's long term 11% ROE target), every additional 1% ROE adjustment would raise our TP by c.100 sen. **AMBANK is one of our Top Picks for 3QCY25.**

Risks to our call include: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) slowdown in capital market activities, (v) unfavourable currency fluctuations, and (vi) changes to OPR.

Income Statement

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Net interest income	3,582	3,453	3,709	3,788	3,848
Non-interest income	956	1,103	1,112	1,332	1,372
Total income	**4,538**	**4,555**	**4,821**	**5,120**	**5,220**
Operating expenses	-1,999	-2,052	-2,198	-2,102	-2,136
PPOP	**2,539**	**2,504**	**2,623**	**3,018**	**3,084**
Loan impairments	-422	-696	-224	-370	-332
Other impairments	68	-153	80	-10	-20
Associates	44	40	108	120	120
Pre-tax profit	**2,229**	**1,694**	**2,587**	**2,758**	**2,852**
Tax and zakat	-513	148	-586	-634	-656
Minority interest	59	-25	0	-20	-22
PATAMI	**1,709**	**1,868**	**2,001**	**2,103**	**2,174**
Core PATAMI	**1,709**	**1,556**	**2,001**	**2,103**	**2,174**

Balance Sheet

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Cash & ST funds	8,699	6,493	6,759	6,827	6,895
Investment securities	40,002	38,724	38,141	38,524	38,911
Loans and financing	128,243	132,102	137,130	143,097	147,438
Other assets	19,979	19,013	16,554	13,009	14,539
Intangible assets	511	431	459	459	459
Total Assets	**197,432**	**196,764**	**199,044**	**201,916**	**208,242**
Customer deposits	130,315	142,381	141,547	147,294	153,275
Deposit, placements	11,462	8,902	7,579	7,732	8,046
Borrowings	17,447	15,347	19,101	19,265	19,697
Other liabilities	20,181	10,692	10,194	6,041	4,759
Total liabilities	**179,405**	**177,322**	**178,422**	**180,333**	**185,776**
Share capital	6,376	6,376	6,376	6,376	6,376
Retained earnings	10,884	11,992	12,989	14,051	15,133
Regulatory reserves	212	245	353	353	353
Other reserves	554	827	903	803	603
S.holders' funds	**18,026**	**19,441**	**20,621**	**21,582**	**22,465**
Minority interest	1	1	1	1	1
Total liabilities and equity	**197,432**	**196,764**	**199,044**	**201,916**	**208,242**

Financial Data & Ratios

FY Mar	2023A	2024A	2025A	2026F	2027F
Growth					
Net interest income	10.8%	-3.6%	7.4%	2.1%	1.6%
Non-interest income	-27.4%	15.3%	0.9%	19.8%	3.0%
Total income	-0.3%	0.4%	5.8%	6.2%	1.9%
Operating expenses	11.7%	2.6%	7.1%	-4.4%	1.6%
PPOP	-8.1%	-1.4%	4.8%	15.0%	2.2%
Loan impairment	34.3%	65.1%	-67.8%	65.2%	-10.2%
Pre-tax profit	44.4%	-24.0%	52.7%	6.6%	3.4%
Net Profit	13.7%	9.3%	7.1%	5.1%	3.4%
Core Net Profit	13.7%	-8.9%	28.6%	5.1%	3.4%
Gross loans	8.6%	3.0%	3.8%	4.4%	3.0%
Customer deposits	6.3%	9.3%	-0.6%	4.1%	4.1%
Operating metrics					
Est avg asset yield	4.21%	4.77%	4.77%	4.65%	4.84%
Est avg funding cost	2.32%	3.21%	3.05%	2.86%	2.85%
Est NIM	2.12%	1.89%	1.97%	2.00%	2.02%
Cost-to-Income ratio	44.0%	45.0%	45.6%	41.1%	40.9%
Credit cost (bps)	34.3	53.5	16.6	26.4	22.9
Loan-to-deposit ratio	98.4%	92.8%	96.9%	97.2%	96.2%
GIL ratio	1.4%	1.6%	1.5%	1.5%	1.5%
LLC Ratio	104.6%	90.7%	82.2%	85.0%	85.0%
LLC Ratio (+ reg)	115.8%	101.7%	98.8%	101.3%	100.8%
ROA	0.9%	0.8%	1.0%	1.0%	1.1%
ROE	9.8%	8.3%	10.0%	10.0%	9.9%
Valuations					
EPS (RM)	0.52	0.47	0.61	0.64	0.66
PER (x)	9.9	10.92	8.49	8.08	7.82
Div yield (%)	3.6	4.4	5.9	6.1	6.4
BV/share (RM)	5.45	5.88	6.24	6.53	6.79
P/BV (x)	0.94	0.87	0.82	0.79	0.76

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.45	2.30	-6.1%	6,208	N	12/2025	23.4	24.9	16.2%	6.4%	10.5	9.9	0.52	5.0%	10.0	4.1%
ALLIANCE BANK MALAYSIA BHD	OP	4.50	4.85	7.8%	6,891.8	N	03/2026	43.9	49.4	1.1%	12.6%	10.3	9.1	1.0	9.6%	18.0	4.0%
AMMB HOLDINGS BHD	OP	5.14	6.90	34.2%	16,966	N	03/2026	63.6	65.7	5.1%	3.4%	8.1	7.8	0.79	10.0%	31.5	6.1%
BANK ISLAM MALAYSIA BHD	MP	2.25	2.40	6.7%	5,100	Y	12/2025	24.9	28.2	-1.4%	13.6%	9.1	8.0	0.65	7.3%	15.0	6.7%
CIMB GROUP HOLDINGS BHD	OP	6.75	7.90	17.0%	72,584	N	12/2025	75.1	77.9	4.0%	3.7%	9.0	8.7	0.99	11.3%	42.0	6.2%
HONG LEONG BANK BHD	OP	19.36	24.50	26.5%	41,967	N	06/2025	221.2	219.3	8.1%	-0.9%	8.8	8.8	0.99	10.7%	71.0	3.7%
MALAYAN BANKING BHD	OP	9.54	12.00	25.8%	115,254	N	12/2025	85.7	88.5	2.4%	3.4%	11.1	10.8	1.17	10.7%	65.0	6.8%
MBSB BHD	MP	0.690	0.720	4.3%	5,673	Y	12/2025	7.3	7.5	29.5%	1.5%	9.4	9.3	0.48	5.3%	3.5	5.1%
PUBLIC BANK BHD	OP	4.29	5.25	22.4%	83,272	N	12/2025	37.6	38.3	2.1%	1.9%	11.4	11.2	1.40	12.5%	23.0	5.4%
RHB BANK BHD	OP	6.22	7.80	25.4%	27,116	N	12/2025	71.7	74.4	-0.4%	3.7%	8.7	8.4	0.81	9.4%	44.5	7.2%
SECTOR AGGREGATE					**381,032**					**3.6%**	**3.0%**	**10.1**	**9.8**	**1.05**	**10.4%**		**5.5%**

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
AFFIN BANK BHD	3.0	6.25	9.9	0.47	2.30	UP	
ALLIANCE BANK MALAYSIA BHD	3.0	10.0	10.5	0.93	4.85	OP	+5% ESG Premium
AMMB HOLDINGS BHD	3.0	10.0	9.9	1.02	6.90	OP	
BANK ISLAM MALAYSIA BHD	3.5	8.0	10.2	0.67	2.45	MP	
CIMB GROUP HOLDINGS BHD	3.5	11.5	11.2	1.05	7.90	OP	+5% ESG Premium
HONG LEONG BANK BHD	-	-	-	-	24.50	OP	Sum-of-Parts
MALAYAN BANKING BHD	3.5	12.0	9.5	1.41	12.00	OP	
MBSB BHD	3.0	6.0	9.2	0.48	0.720	MP	
PUBLIC BANK BHD	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB BANK BHD	2.5	10.0	10.2	0.98	7.80	OP	

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	☆		
	Financial Inclusion	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★		
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my