AMMB Holdings

Mindful of Headwinds

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OUTPERFORM ↔

Price : RM6.25

Target Price : RM7.45 ↔

We maintain our OUTPERFORM call and GGM-derived PBV TP of RM7.45 (COE: 9.4%, TG: 3.0%, ROE: 10.0%). AMBANK expects to close FY26 with sustained earnings growth, which we anticipate at +6% YoY. The group is cognizant of inflationary pressures which could undermine growth strategies, particularly on its business banking segment. That said, its impact will likely only become clearer over the coming quarters, especially in terms of target segment performance and asset quality trends.

Key takeaways from our recent meeting with AMBANK are as follows:

- **Emerging headwinds, but near-term impact limited.** Despite concerns over geopolitical tensions and oil-driven inflation, the group does not expect a material impact on 4QFY26 asset quality or delinquencies. Uptake for the recently announced repayment assistance programme remains minimal with the group expecting its full-year credit cost guidance of 20-30 bps to be achieved. On that note, **there may be no immediate need to top up its RM484m management overlay,** supported by encouraging recovery trends, particularly within its RSME portfolio, which may even allow for potential writebacks**.**
- **FY27 optics for growth more cautious.** The group acknowledges that a prolonged period of elevated oil prices and persistent cost inflation could necessitate a reassessment of its growth strategy, particularly within its business banking portfolio. Sectors such as real estate and consumer-related industries are seen as more vulnerable to a potential slowdown. To preserve earnings sustainability, the group intends to further limit exposure to smaller-sized mortgages and focus more on SMEs with guarantees, while enhancing monitoring of portfolio sensitivity to inflation risks.
- **NOII still supportive to earnings sustainability.** On the positive side, NOII is expected to remain supportive, with trading income benefiting from ongoing market volatility. The group is also looking to increase client-driven fee income, particularly in FX and syndication, which are more sustainable over the longer term. This should help **cushion potential NIM compression**, especially as funding costs rise amid increasing competition for shorter-tenure deposits across the market.

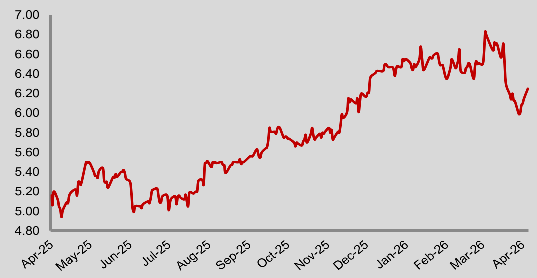
4QFY26 results preview. We anticipate AMBANK to report between RM520m-RM560m for its 4QFY26 earnings, arriving close to our full-year forecast of RM2.12b (9MFY26: RM1.58b).

Though our NIM projection (c.2%) could potentially disappoint, this could be supported by better-than-expected treasury and investment performances during the 1QCY26 period. As the group still anticipates credit cost to fall within the guided range of 20-30 bps, our 26 bps assumption for the year remains valid.

Forecasts. Unchanged. Despite the near-term challenges highlighted, we have not made any changes to our FY27F earnings for now, pending the unveiling for its targets during AMBANK's 4QFY26 earnings release on 28 May 2026.

Maintain OUTPERFORM and TP of RM7.45. Our TP is based on an unchanged GGM-derived PBV of 1.1x (COE: 9.4%, TG: 3%, ROE: 10.0%) against a CY26F BVPS of RM6.75. AMBANK still looks to maintain its 10% ROE as it continues to balance higher margin SME accounts supported by the rebalancing into cheaper funding sources. Assuming AMBANK is to pay out its aspired 45.0 sen dividend at current price points, a yield of c.7% could be expected, making it the highest yield provider amongst the banks.

Share Price Performance



KLCI	1,702.30
YTD KLCI chg	1.3%
YTD stock price chg	-3.8%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	AMM MK Equity
Market Cap (RM m)	20,667.1
Shares Outstanding	3,306.7
52-week range (H)	6.83
52-week range (L)	4.94
3-mth avg. Daily Vol.	9,039,352
Free Float	75%
Beta	1.14

Major Shareholders

Employees Provident Fund	17.1%
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	3,821	3,904
Non-interest Income	1,112	1,332	1,372
Total Income	**4,821**	**5,153**	**5,276**
Operating Expenses	-2,198	-2,102	-2,136
Loan Impairment	**-144**	**-388**	**-353**
Pre-tax Profit	2,587	2,783	2,908
Net Profit	**2,001**	**2,122**	**2,217**
Core Net Profit	**2,001**	**2,122**	**2,217**
Consensus NP		2,094	2,186
Earnings Revision		-	-
Core EPS (RM)	0.61	0.64	0.67
EPS Growth (%)	28.6	6.0	4.5
NDPS (RM)	30.2	34.0	38.0
BV/share (RM)	6.24	6.54	6.83
NTA/share (RM)	6.10	6.40	6.69
ROE (%)	10.0	10.0	10.0
PER (x)	10.3	9.7	9.3
P/BV (x)	1.00	0.96	0.92
Net Div. Yield (%)	4.8	5.4	6.1

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.105 sen.

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	3,821	3,904
Non-interest income	956	1,103	1,112	1,332	1,372
Total income	**4,538**	**4,555**	**4,821**	**5,153**	**5,276**
Operating expenses	-1,999	-2,052	-2,198	-2,102	-2,136
PPOP	**2,539**	**2,504**	**2,623**	**3,051**	**3,141**
Loan impairments	-422	-696	-224	-378	-333
Other impairments	68	-153	80	-10	-20
Associates	44	40	108	120	120
Pre-tax profit	**2,229**	**1,694**	**2,587**	**2,783**	**2,908**
Tax and zakat	-513	148	-586	-640	-669
Minority interest	59	-25	0	-21	-22
PATAMI	**1,709**	**1,868**	**2,001**	**2,122**	**2,217**
Core PATAMI	**1,709**	**1,556**	**2,001**	**2,122**	**2,217**

Balance Sheet

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Cash & ST funds	8,699	6,493	6,759	6,125	6,186
Investment securities	40,002	38,724	38,141	41,556	41,973
Loans and financing	128,243	132,102	137,130	143,762	148,123
Other assets	19,979	19,013	16,554	10,282	11,778
Intangible assets	511	431	459	459	459
Total Assets	**197,432**	**196,764**	**199,044**	**202,183**	**208,519**
Customer deposits	130,315	142,381	141,547	145,126	151,019
Deposit, placements	11,462	8,902	7,579	7,766	8,082
Borrowings	17,447	15,347	19,101	20,909	21,408
Other liabilities	20,181	10,692	10,194	6,762	5,431
Total liabilities	**179,405**	**177,322**	**178,422**	**180,563**	**185,940**
Share capital	6,376	6,376	6,376	6,376	6,376
Retained earnings	10,884	11,992	12,989	13,987	14,947
Regulatory reserves	212	245	353	353	353
Other reserves	554	827	903	903	903
S.holders' funds	**18,026**	**19,441**	**20,621**	**21,619**	**22,579**
Minority interest	1	1	1	1	1
Total liabilities and equity	**197,432**	**196,764**	**199,044**	**202,183**	**208,519**

Financial Data & Ratios

FY Mar	2023A	2024A	2025A	2026F	2027F
Growth					
Net interest income	10.8%	-3.6%	7.4%	3.0%	2.2%
Non-interest income	-27.4%	15.3%	0.9%	19.8%	3.0%
Total income	-0.3%	0.4%	5.8%	6.9%	2.4%
Operating expenses	11.7%	2.6%	7.1%	-4.4%	1.6%
PPOP	-8.1%	-1.4%	4.8%	16.3%	2.9%
Loan impairment	34.3%	65.1%	-67.8%	68.8%	-12.1%
Pre-tax profit	44.4%	-24.0%	52.7%	7.6%	4.5%
Net Profit	13.7%	9.3%	7.1%	6.0%	4.5%
Core Net Profit	13.7%	-8.9%	28.6%	6.0%	4.5%
Gross loans	8.6%	3.0%	3.8%	4.8%	3.0%
Customer deposits	6.3%	9.3%	-0.6%	2.5%	4.1%
Operating metrics					
Est avg asset yield	4.21%	4.77%	4.77%	4.68%	4.70%
Est avg funding cost	2.32%	3.21%	3.05%	2.93%	2.84%
Est NIM	2.12%	1.89%	1.97%	2.00%	2.01%
Cost-to-Income ratio	44.0%	45.0%	45.6%	40.8%	40.5%
Credit cost (bps)	34.3	53.5	16.6	26.9	22.8
Loan-to-deposit ratio	98.4%	92.8%	96.9%	99.1%	98.1%
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%	101.2%	100.7%
ROA	0.9%	0.8%	1.0%	1.1%	1.1%
ROE	9.8%	8.3%	10.0%	10.0%	10.0%
Valuations					
EPS (RM)	0.52	0.47	0.61	0.64	0.67
PER (x)	12.1	13.28	10.33	9.74	9.32
Div yield (%)	2.9	3.6	4.8	5.4	6.1
BV/share (RM)	5.45	5.88	6.24	6.54	6.83
P/BV (x)	1.15	1.06	1.00	0.96	0.92

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	MP	2.42	2.50	3.3%	6,131.9	N	12/2026	22.4	24.0	4.9%	7.1%	10.8	10.1	0.5	4.6%	9.0	3.7%
Alliance Bank Malaysia Bhd	MP	4.69	5.20	10.9%	8,114.7	N	03/2026	48.0	50.3	10.7%	4.6%	9.8	9.3	1.0	10.5%	19.5	4.2%
AMMB Holdings Bhd	OP	6.25	7.45	19.2%	20,667.1	N	03/2026	64.2	67.0	6.0%	4.5%	9.7	9.3	1.0	10.0%	34.0	5.4%
Bank Islam Malaysia Bhd	OP	2.39	2.55	6.7%	5,416.9	Y	12/2026	26.5	28.5	7.9%	7.5%	9.0	8.4	0.7	7.5%	16.0	6.7%
CIMB Group Holdings Bhd	OP	7.59	8.45	11.3%	81,996.1	N	12/2026	78.6	83.9	6.9%	6.8%	9.7	9.0	1.1	11.4%	50.0	6.6%
Hong Leong Bank Bhd	OP	22.40	25.95	15.8%	48,556.9	N	06/2026	227.1	236.0	-0.6%	3.9%	9.9	9.5	1.1	11.5%	105.0	4.7%
Malayan Banking Bhd	OP	11.34	12.30	8.5%	137,161.0	N	12/2026	89.0	90.4	2.1%	1.6%	12.7	12.5	1.3	11.0%	64.0	5.6%
MBSB Bhd	OP	0.670	0.730	9.0%	5,508.9	Y	12/2026	5.7	7.7	45.4%	36.4%	11.8	8.7	0.5	4.1%	4.5	6.7%
Public Bank Bhd	OP	4.69	5.75	22.6%	91,036.1	N	12/2026	38.6	40.0	3.7%	3.6%	12.1	11.7	1.4	12.2%	23.5	5.0%
RHB Bank Bhd	MP	8.18	8.40	2.7%	35,680.5	N	12/2026	75.5	79.9	-2.7%	5.8%	10.8	10.2	1.0	9.5%	47.0	5.7%
SECTOR AGGREGATE					**440,270**					**3.5%**	**4.5%**	**11.3**	**10.8**	**1.2**	**10.3%**		**5.4%**

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.20	MP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	OP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	OP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	OP	
Public Bank Bhd	4.00	13.0	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	MP	

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.***

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