21 February 2025

Financial Services | Banks

AMMB (AMM MK)

Buy (Maintained)

Portfolio Rebalancing Taking Shape; Keep BUY

Target Price (Return):	MYR6.50 (+13%)
Price (Market Cap):	MYR5.73 (USD4,265m)
ESG score:	3.2 (out of 4)
Avg Daily Turnover (MYR/USD)	31.6m/7.08m

- **Maintain BUY and MYR6.50 TP, 13% upside and c.5% FY26F (Mar) yield.** AMMB's 9MFY25 results were in line. Nine months into its Winning Together strategic plan, the group looks to be progressing well in its key objectives, particularly from a portfolio rebalancing perspective. While upside to our TP has narrowed recently, continued strong execution of the key objectives – and the subsequent follow-through impact to earnings – offers further room for earnings and TP upgrades.
- **Results review.** AMMB's 3QFY25 net profit of MYR486m (-10% YoY, -3% QoQ) brought the 9MFY25 sum to MYR1.49bn, up 9% YoY on a continuing operations basis. Headline YoY comparisons were skewed by the group's one-off expenses (-MYR520m) and tax credit receipt (+MYR538m) in 3QFY24 – stripping these off, 3Q/9M PBT was up 21% and 17% YoY. Total income for 9M grew 5% YoY mainly from NII (up 8% from strong NIM expansion), while non-II took a backseat amid chunky trading and forex losses. Meanwhile, management also booked bonus provisions in 3Q, leading to a higher CIR of 47% (2QFY25: 44%). This was cushioned by lower impairment allowances, with credit costs moderating to 11bps from 29bps in the previous quarter. All in, 9MFY25 ROA and ROE of 1.0% and 10.0% is firmly on track to meeting FY29 targets of 1.1% and 11-12%.
- **Potential NIM pressure in 4Q?** While NIM held up well in 3Q (stable QoQ at 1.96%) despite the seasonal deposit competition, the group still saw an influx of high-cost deposits in 2HFY25. While these are short-term and should roll off the books in 4Q or just after, we think this could negatively impact 4Q NIM. Management tweaked its full-year NIM guidance to 1.94% (flat vs 9MFY25 NIM) from 1.96% previously, implying some QoQ compression.
- **9MFY25 credit costs have held up well**, beating management's earlier guidance of <20bps. This is thanks to improving delinquency trends and strong recoveries especially in 3Q. Management thinks there is room for further recoveries in 4Q, and hopes to keep full-year credit costs at around the mid-teens level. Further out, the group's emphasis on growing the business banking segment could come with higher asset quality risk, but this should be mitigated by a more targeted approach to its retail banking segment, focusing on higher quality mass-affluent and affluent customers.
- **Other highlights.** Post-adoption of the foundation internal ratings-based approach to capital calculation, AMMB's CET-1 ratio now stands at a strong 14.9% (15.3% including 3QFY25 profits). Management's capital return plans (ie double DPS by FY29) are not impacted by the termination of the sale agreement of its life insurance arm to Great Eastern Malaysia.
- **Forecasts and TP remain unchanged** as results were in line. Our MYR6.50 TP includes an unchanged 4% ESG premium.

Analysts



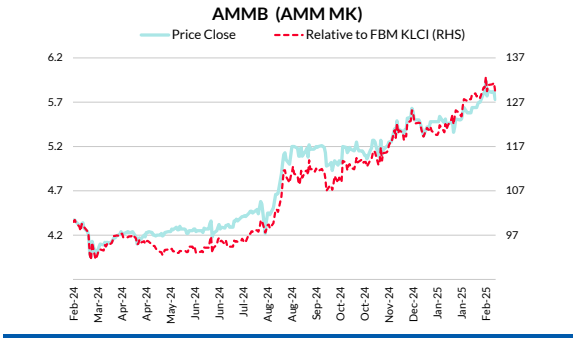
Nabil Thoo
+603 2302 8123
nabil.thoo@rhbgroup.com



David Chong CFA
+603 2302 8106
david.chongvc@rhbgroup.com

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	4.6	4.2	9.1	14.4	29.9
Relative	8.5	3.9	10.4	18.4	28.5
52-wk Price low/high (MYR)					3.95 –5.94



Source: Bloomberg

Forecasts and Valuation	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Reported net profit (MYRm)	1,801	1,868	1,933	2,017	2,131
Net profit growth (%)	19.9	3.7	3.5	4.3	5.7
Recurring net profit (MYRm)	1,735	1,733	1,933	2,017	2,131
Recurring EPS (MYR)	0.52	0.52	0.58	0.61	0.64
BVPS (MYR)	5.47	5.87	6.18	6.54	6.93
DPS (MYR)	0.18	0.23	0.25	0.26	0.28
Recurring P/E (x)	10.93	10.93	9.80	9.39	8.89
P/B (x)	1.05	0.98	0.93	0.88	0.83
Dividend Yield (%)	3.2	3.9	4.3	4.6	4.8
Return on average equity (%)	10.3	9.9	9.7	9.6	9.5

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 2.8 (GOOD)
S Score: 3.8 (EXCELLENT)
G Score: 3.5 (EXCELLENT)
Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis
AMMB's FY24 (Mar) emissions were a 36% decline against its FY19 baseline.

Emissions (tCO2e)	Mar-22	Mar-23	Mar-24	Mar-25
Scope 1	41	70	65	na
Scope 2	16,013	16,806	17,368	na
Scope 3	34	877	1,231	na
Total emissions	16,088	17,753	18,664	na

Source: Company data, RHB

Latest ESG-Related Developments

Offers flood relief assistance: AMMB announced several relief initiatives for customers affected by recent floods in East Malaysia - these include a moratorium period of up to six months, as well as certain waivers.

Ramping up financing of green property: AMMB recently announced partnerships with several developers of green-certified development projects - including a MYR450m facility to Eastern & Oriental (EAST MK, BUY, TP: MYR1.38) as well as a MYR130m facility to Avaland (AVALAND MK, NR).

GVC Programme: AMMB is the official banker for Kossan Rubber's (KRI MK, BUY, TP: MYR2.36) Greening Value Chain (GVC) programme, which assists SMEs in implementing ESG-related changes to their operations, including helping out in climate reporting.

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: 21 February 2025

E Score: 2.8 (GOOD)

AMMB's operational emissions declined 36% in FY24 vs its baseline year of FY19. The group has also identified six high-climate risk sectors to prioritise engagements with, based on its Scope 3 financed emissions data. Its commitment and disclosures on sustainable financing initiatives, however, are sparse.

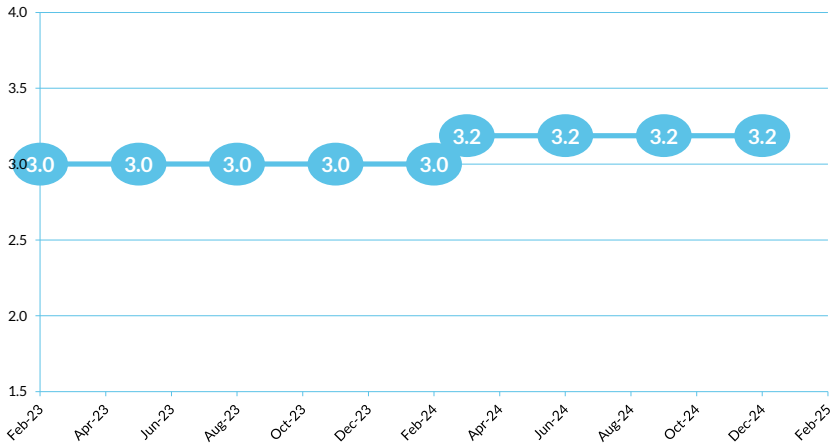
S Score: 3.8 (EXCELLENT)

AMMB is engaged in numerous programmes to assist MSMEs with capacity building and digitalisation. The bank's employees are decently diverse (62% are women) and well-trained (average of >100 training hours pa).

G Score: 3.5 (EXCELLENT)

AMMB has 86% independence at the Board level, with its sustainability direction overseen by a dedicated Group Sustainability Council. The Group CEO and his direct reportees are also assessed on sustainability-linked performance indicators, among others.

ESG Rating History



Source: RHB

Financial Exhibits

Asia
Malaysia
Financial Services
AMMB
AMM MK
Buy

Valuation basis

GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:

i. COE of 10.0%;
ii. ROE assumption of 9.8%; and
iii. 3.5% long-term growth.

Key drivers

Our FY25F earnings are most sensitive to changes in:

i. NIM;
ii. Loan impairment allowances;
iii. Non-interest income.

Key risks

The downside risks include:

i. Weaker-than-expected NIM;
ii. Lower-than-expected non-II;
iii. Higher-than-expected credit costs.

Company Profile

AMMB provides a wide range of financial products and services. Its business divisions and associates cover retail banking, business banking, transaction banking, corporate and institutional banking, investment banking including fund management and stockbroking, equity markets, general insurance, life assurance and takaful. These business divisions offer both conventional and Islamic financial services.

Financial summary (MYR)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
EPS	0.54	0.56	0.58	0.61	0.64
Recurring EPS	0.52	0.52	0.58	0.61	0.64
DPS	0.18	0.23	0.25	0.26	0.28
BVPS	5.47	5.87	6.18	6.54	6.93

Valuation metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Recurring P/E (x)	10.93	10.93	9.80	9.39	8.89
P/B (x)	1.0	1.0	0.9	0.9	0.8
Dividend Yield (%)	3.2	3.9	4.3	4.6	4.8

Income statement (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Interest income	7,424	9,051	9,144	9,665	10,222
Interest expense	(3,926)	(5,747)	(5,591)	(5,859)	(6,202)
Net interest income	**3,498**	**3,304**	**3,553**	**3,807**	**4,020**
Non interest income	1,040	1,116	1,401	1,450	1,523
Total operating income	**4,538**	**4,420**	**4,954**	**5,257**	**5,544**
Overheads	(1,999)	(2,052)	(2,198)	(2,301)	(2,409)
Pre-provision operating profit	**2,539**	**2,369**	**2,756**	**2,956**	**3,135**
Loan impairment allowances	(344)	(642)	(254)	(347)	(379)
Other impairment allowances	(10)	(207)	(17)	(18)	(18)
Income from associates	70	91	43	45	48
Other exceptional items		135			
Pre-tax profit	**2,255**	**1,745**	**2,527**	**2,637**	**2,786**
Taxation	(513)	148	(594)	(620)	(655)
Minority interests	59	(25)	-	-	-
Reported net profit	**1,801**	**1,868**	**1,933**	**2,017**	**2,131**
Recurring net profit	**1,735**	**1,733**	**1,933**	**2,017**	**2,131**

Profitability ratios	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Return on average assets (%)	1.0	0.9	1.0	0.9	1.0
Return on average equity (%)	10.3	9.9	9.7	9.6	9.5
Return on IEAs (%)	4.1	4.8	4.7	4.8	4.8
Cost of funds (%)	2.4	3.3	3.1	3.1	3.1
Net interest spread (%)	1.7	1.5	1.6	1.6	1.6
Net interest margin (%)	1.9	1.7	1.8	1.9	1.9
Non-interest income / total income (%)	22.9	25.3	28.3	27.6	27.5
Cost to income ratio (%)	44.0	46.4	44.4	43.8	43.5
Credit cost (bps)	27.5	48.6	18.6	24.2	25.0

Balance sheet (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Total gross loans	130,227	134,130	139,237	147,513	156,281
Other interest earning assets	61,471	55,222	58,085	61,097	64,266
Total gross IEAs	191,698	189,353	197,322	208,610	220,547
Total provisions	(1,984)	(2,028)	(1,986)	(2,012)	(2,071)
Net loans to customers	128,243	132,102	137,251	145,501	154,211
Total net IEAs	189,714	187,324	195,336	206,598	218,477
Total non-IEAs	7,827	9,439	11,738	11,504	11,343
Total assets	197,541	196,764	207,074	218,102	229,820
Customer deposits	130,332	142,395	150,939	159,996	169,596
Other interest-bearing liabilities	45,376	30,577	31,505	32,491	33,536
Total IBLs	175,707	172,972	182,445	192,487	203,132
Total non-IBLs	3,698	4,350	4,132	3,926	3,729
Total liabilities	179,405	177,322	186,577	196,412	206,861
Share capital	6,376	6,376	6,376	6,376	6,376
Shareholders' equity	18,135	19,441	20,496	21,689	22,957
Minority interests	1	1	1	1	1

Asset quality and capital	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Reported NPLs / gross cust loans (%)	1.5	1.7	1.7	1.6	1.6
Total provisions / reported NPLs (%)	104.6	90.7	86.4	85.3	85.5
CET-1 ratio (%)	12.8	13.7	13.1	13.3	13.5
Tier-1 ratio (%)	12.8	13.7	13.1	13.3	13.5
Total capital ratio (%)	16.0	16.9	15.8	15.8	15.7

Source: Company data, RHB

Results At a Glance

Figure 1: AMMB – Summary of 3QFY25 and 9MFY25 results

FYE Mar (MYRm)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)	Comments
Net interest income	827	901	913	*1*	*10*	2,481	2,675	*8*	Largely driven by 15bps NIM expansion, while loan growth has also started to pick up
NIM – reported	*1.79*	*1.96*	*1.96*			*1.79*	*1.94*		
Non-interest income	340	310	308	*(1)*	*(9)*	932	904	*(3)*	Core fees were up 14% YoY in 9MFY25, offsetting the lower treasury and markets income, which was dragged by trading and forex losses
Non-II/Total income (%)	*29.1*	*25.6*	*25.2*			*27.3*	*25.3*		
Operating Income	**1,166**	**1,212**	**1,221**	*1*	*5*	**3,413**	**3,579**	*5*	
Overheads	(522)	(530)	(571)	*8*	*9*	(1,522)	(1,621)	*7*	3QFY25 opex includes provisions for bonuses
CIR (%)	*44.7*	*43.7*	*46.8*			*44.6*	*45.3*		
PIOP	**645**	**682**	**650**	*(5)*	*1*	**1,891**	**1,957**	*4*	
Impairments on financial assets	(191)	51	(2)	*>100*	*(99)*	(172)	73	*>100*	
Impairment losses on loans	(435)	(96)	(36)	*(63)*	*(92)*	(657)	(168)	*(74)*	
Annualised credit cost (bps)	*133*	*29*	*11*			*70*	*17*		Management aims to keep credit costs below 20bps in FY25F
Operating profit	**19**	**637**	**612**	*(4)*	*>100*	**1,062**	**1,862**	*75*	
Associates	(15)	17	20	*18*	*>100*	13	69	*>100*	
Pretax profit	**4**	**654**	**632**	*(3)*	*>100*	**1,074**	**1,931**	*80*	Excluding one-off charges, 9MFY25 PBT was up 17% YoY
Tax	540	(153)	(145)	*(5)*	*>100*	291	(444)	*>100*	One-off tax credit receipt of MYR538m in 3QFY24
ETR (%)	*n.m.*	*23.4*	*23.0*			*(27.1)*	*23.0*		
Minority interest	(0)	(0)	0	*>100*	*>100*	26	0	*(100)*	
Net profit	**543**	**501**	**486**	*(3)*	*(10)*	**1,392**	**1,487**	*7*	Forms 77%/74% of our/consensus full-year estimates
Net profit – excluding discontinued operations	543	501	486	*(3)*	*(10)*	1,365	1,487	*9*	Excludes gains on disposal of general insurance subsidiary to Liberty Insurance
Other key data and ratios									
Gross loans	131,329	134,491	137,059	*1.9*	*4.4*				YTD loans growth was driven by business banking (+10%), while retail banking loans declined 1%
Customer deposits	135,924	136,314	138,416	*1.5*	*1.8*				Fixed deposits gained 4% YoY, while CASA reduced 3%. CASA ratio stood at 32% (Dec 23: 34%)
Gross impaired loans	2,103	2,239	2,284	*2.0*	*8.6*				
Total assets	193,974	196,946	197,512	*0.3*	*1.8*				
Shareholders' funds	19,152	19,970	20,071	*0.5*	*4.8*				
ROAA (%) – derived	1.18	1.06	1.02			1.00	1.04		
ROAE (%) – derived	11.5	10.0	9.7			10.0	10.0		
LDR (%) – derived	95.0	97.2	97.6						
GIL (%)	1.60	1.67	1.67						
LLC (%) – derived	102.0	86.7	85.3						Management is comfortable with this level given that most NPLs are collateralised
CET-1 ratio (%)	12.5%	15.3%	14.9%						CET-1 including 3QFY25 profits would have been 15.3%

Source: Company data, RHB

Management guidance

Figure 2: AMMB – management guidance and financial targets for FY25F

FYE Dec	FY24 actual	FY25 targets	9M25 achieved	Comments
Loans growth	3.0%	3-6%	+4.4%	9MFY25 loans growth was driven by the business banking segment (+10% YTD), while retail banking growth declined by 1%. This trend is deliberate to a large extent, and forms part of management's longer-term strategy to rebalance its loan portfolio towards higher-yielding segments
Reported CIR	45.3%	c.44%	44.5%	Income from associates included in reported figures. 3QFY25 opex includes provisions for bonuses, which are typically incurred in 4Q. Management expects some income weakness (NIM, treasury and investments) in 4Q, but this should be cushioned by lower opex then
Reported credit costs	52bps	Mid-teens bps *(from c.20bps)*	16bps	
Dividend payout	40%	>40%	34% (of 1HFY25)	AMMB historically pays out a larger percentage in 4Q. 2QFY25 interim DPS of 10.3 sen was a 72% YoY increase

Source: Company data, RHB

Valuation and TP

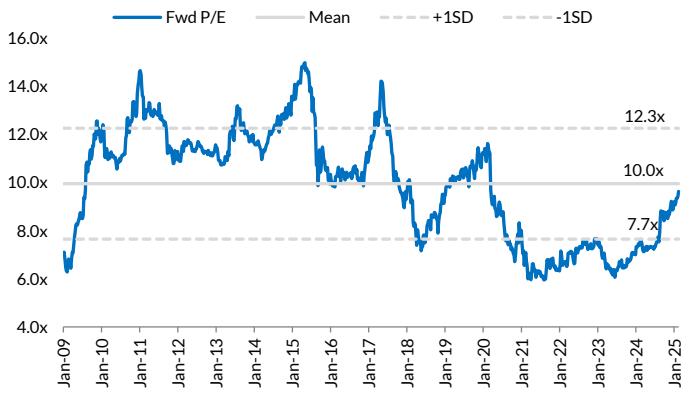
Our TP is maintained at MYR6.50, and based on a GGM-derived P/BV of 0.96x (near the long-term mean). While the share price has performed well in the past year (+30%), we think it still has legs, especially with management's continued strong execution of its strategies. Additionally, AMMB is a key capital management play given management's commitment to doubling absolute DPS by FY29 – in view of the progress that has already been made nine months into the new strategic plan (eg funding cost diversification, loan portfolio rebalancing), we think AMMB is likely to achieve, and could even exceed, this target.

Figure 3: AMMB – GGM valuation with ESG overlay

Cost of equity (COE) computation:		Sustainable ROE (%)	9.8
Risk free rate (%)	4.0	COE (%)	10.0
Equity premium (%)	5.4	Long-term growth (g)	3.5
Beta (x)	1.1	Implied P/BV (x)	0.96
Cost of equity - CAPM (%)	10.0	BVPS – CY25F	MYR6.44
		Intrinsic value	MYR6.20
ESG premium/(discount) (%)	4.0	ESG premium/(discount)	**MYR0.25**
		TP (rounded)	**MYR6.50**

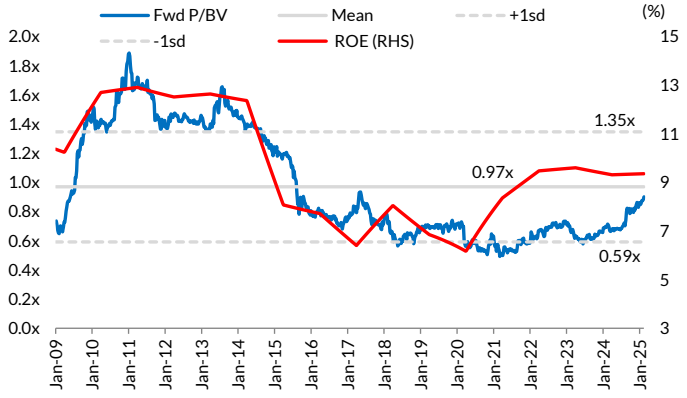
Source: Company data, RHB

Figure 4: AMMB's 12-month forward consensus P/E



Source: Bloomberg, RHB

Figure 5: AMMB's 12-month forward consensus P/BV



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-28	Buy	6.50	5.37
2024-08-21	Buy	5.90	5.11
2024-06-20	Buy	5.50	4.18
2024-05-27	Buy	4.90	4.27
2024-03-21	Buy	5.00	4.12
2024-02-27	Buy	4.80	4.30
2023-11-23	Buy	4.70	4.00
2023-08-22	Buy	4.20	3.73
2023-05-30	Buy	4.50	3.57
2023-02-24	Buy	4.60	3.91
2022-12-01	Buy	4.80	4.20
2022-08-18	Buy	4.60	4.07
2022-06-01	Buy	4.40	3.72
2022-02-27	Buy	4.00	3.43
2021-11-28	Buy	3.90	3.15

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470