

### COMPANY RESULTS

#### AMMB Holdings (AMM MK)

2QFY25: Positive NIM Trajectory

AMMB's 2QFY25 slightly exceeded estimates, driven by stronger-than-expected NIM recovery. Maintain HOLD with a revised target price of RM5.74 (0.90x FY25F P/B, 9.8% ROE), up from RM4.77, reflecting earnings adjustments and a FY26 valuation. The new target price implies a P/B +1SD above its historical mean, justified by the group's stronger capital position and improved dividend potential.

#### RESULTS

- **Marginally above.** AMMB Holdings (AMMB) reported 2QFY25 earnings of RM500.5m (+6.6% yoy, flat qoq), bringing 1HFY25 earnings to RM1,000.7m (+17.9% yoy). The 1HFY25 performance slightly exceeded expectations, accounting for 53% of both our and consensus' full-year forecasts, driven by stronger-than-expected NIM improvement.
- **1HFY25 earnings grew 17.9% yoy**, primarily driven by a 41% yoy decline in net credit cost to 20bp and higher contingency writebacks. Pre-provision operating profit saw a more moderate increase of 6.4% yoy, as a 13bp NIM improvement was partially offset by a 4% yoy decline in non-interest income and flat loan growth.
- **2QFY25 yoy trend.** 2QFY25 earnings grew 6.6% yoy, supported by a 14bp NIM expansion and positive operating jaws of 2ppt. However, overall growth was partially constrained by a 23% yoy drop in non-interest income, driven by an 87% decline in treasury income, and a 72% yoy increase in net credit cost to 30bp.
- **2QFY25 qoq trend.** 2QFY25 earnings were flat qoq as a rise in net credit cost to 30bp (from 11bp in 1QFY25) offset positive operating jaws of 2ppt and a 7bp qoq NIM expansion. Pre-provision operating profit delivered a commendable 6% qoq growth, driven by the NIM improvement and a 3% qoq increase in non-interest income.
- **NIM surprises on the upside.** 2QFY25 NIM rose 7bp qoq to 1.96%, driven by improved liability management and a higher loan-to-deposit ratio (LDR) of 99% (1QFY25: 96%). This lifted 1HFY25 NIM to 1.93% (FY24: 1.79%), exceeding our full-year assumption of +5bp and management's +10bp guidance. With room for further liability optimisation, NIM is expected to stay stable, leading us to revise our full-year expansion estimate to +8bp. Liquidity remains comfortable, with a coverage ratio of 143%, in line with the sector average.

#### KEY FINANCIALS

Year to 31 Mar (RMm)	2023	2024	2025F	2026F	2027F
Net interest income	2,281	2,137	2,378	2,685	3,006
Non-interest income	956	1,103	1,170	1,232	1,283
Net profit (rep./act.)	1,709	1,868	1,942	2,092	2,283
Net profit (adj.)	1,709	1,468	1,942	2,092	2,283
EPS (sen)	56.6	61.9	58.6	63.1	68.8
PE (x)	9.7	11.3	9.4	8.7	8.0
P/B (x)	0.9	0.9	0.9	0.9	0.8
Dividend yield (%)	3.3	4.1	5.9	6.9	7.6
Net int margin (%)	2.00	1.83	1.91	1.94	0.00
Cost/income (%)	44.1	45.0	43.7	42.7	41.9
Loan loss cover (%)	104.6	90.7	82.6	80.5	78.9
Consensus net profit	-	-	1,848	1,949	2,099
UOBKH/Consensus (x)	-	-	1.05	1.07	1.09

Source: AMMB Holdings, Bloomberg, UOB Kay Hian

### HOLD

(Maintained)

Share Price	RM5.49
Target Price	RM5.74
Upside	4.6%
(Previous TP)	RM4.77)

#### COMPANY DESCRIPTION

Malaysia's sixth largest domestic bank by assets with the second largest market share in auto financing.

#### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	AMM MK
Shares issued (m):	3,310.5
Market cap (RMm):	18,174.5
Market cap (US\$m):	4,090.4
3-mth avg daily t'over (US\$m):	6.8

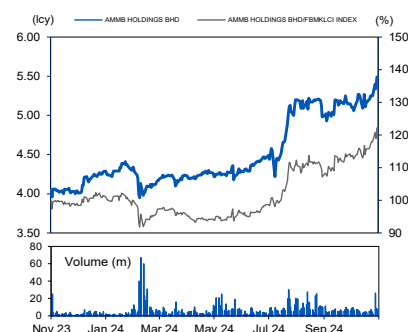
#### Price Performance (%)

52-week high/low	RM5.49/RM3.75			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
6.6	7.6	28.9	35.6	36.2

#### Major Shareholders

Employees Provident Fund Board	13.9
Clear Goal Snd Bhd	9.1
Amanah Saham	8.4
FY25 NAV/Share (RM)	6.21
FY25 CAR Tier-1 (%)	12.60

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**Keith Wee Teck Keong**  
+603 2147 1981  
keithwee@uobkayhian.com

### STOCK IMPACT

- **Credit cost normalises upwards.** 2QFY25 net credit cost increased to 30bp, up from 11bp in 1QFY25, which had benefited from management overlay writebacks. This brings 1HFY25 net credit cost to 20bp, aligning with both our and management's full-year guidance.
- **GIL ratio edges down.** The gross impaired loan (GIL) ratio improved by 3bp qoq to 1.67%, driven by better recoveries in business banking. The loan-loss coverage ratio increased slightly to 91%, up from 89% in 1QFY25, remaining above its pre-pandemic average of 70%.
- **Loans growth trailing expectations but expected to improve.** Loan growth gained momentum, rising 1% yoy (1QFY25: -1% qoq), driven by a pickup in business banking loans, which grew at an annualised 14% in 1H24. This was partly offset by contractions in corporate loans due to large repayments and auto loans. We maintain our FY25 loan growth forecast of 6.0%, supported by management's plans to accelerate growth.
- **Higher CET1 paves the way for improved capital management.** The group's CET1 ratio improved to 15.3% in 2QFY25 (1QFY25: 13.2%), driven by its adoption of the internal ratings-based (IRB) approach for credit risk assessment. Reflecting its stronger capital position, the interim dividend payout ratio was raised to 34% (1HFY24: 23%) with an interim DPS of 10.3 sen. Management targets an optimal CET1 ratio of 14%, suggesting room for gradual dividend increases. We have accordingly revised our payout assumptions for FY25/26/27 to 50%/55%/55%, implying yields of 5.8-6.9%.

### EARNINGS REVISION/RISK

- We raised our FY25-27 earnings by 3%/4%/4% respectively after pencilling in higher NIM assumptions.

### VALUATION/RECOMMENDATION

- **Maintain HOLD with a revised target price of RM5.74** (0.90x FY25F P/B, 9.8% ROE), up from RM4.77, reflecting earnings adjustments and rolling forward our valuation to FY26. The new target price implies a P/B close to +1SD above its historical mean, justified by the group's stronger capital position and enhanced dividend payout potential.

### 2QFY25 RESULTS

Profit & Loss (RMm)	2QFY25	2QFY24	yoy % chg	1HFY25	yoy % chg
Net Interest Income	598.7	560.7	6.8	2,136.8	(6.3)
Islamic Banking	427.7	302.8	41.3	731.5	8.5
Fees & Commissions	166.9	149.2	11.8	338.6	11.0
Net Trading Income	10.7	83.8	(87.3)	102.6	(38.6)
Other Operating Income	7.7	9.1	(16.0)	15.0	(23.0)
Total Income	1,211.6	1,105.6	9.6	2,357.8	5.0
Operating Expenses	(529.9)	(492.6)	7.6	(1,050.6)	5.0
PPOP	681.7	613.0	11.2	1,307.3	4.9
Provision	(44.9)	(13.1)	243.9	(57.2)	(71.9)
PBT	653.5	618.0	5.8	1,299.2	21.4
Net Profit	500.7	469.8	6.6	1,000.8	18.0
EPS (sen)	15.1	14.2	6.6	30.2	18.0
DPS (sen)	10.3	6.0	71.7	10.3	71.7
BVPS (RM)	6.03	560.7	7.7	6.03	7.7
Financial Ratios	2QFY25 (%)	2QFY24 (%)	yoy chg (ppt)	1QFY25 (%)	qoq chg (ppt)
NIM	1.96	1.83	0.13	1.89	0.07
Loan Growth	1.4	1.4	(0.1)	(1.1)	2.5
Deposit Growth	0.6	3.9	(3.3)	(4.8)	5.5
Loan/Deposit Ratio	97.2	95.3	2.0	96.4	0.8
Cost/Income Ratio	43.7	44.6	(0.8)	45.4	(1.7)
ROE	10.8	10.5	0.3	10.5	0.3
Gross Impaired Loans Ratio	1.7	1.7	0.0	1.7	(0.0)
Credit Costs (bp)	28.5	17.1	11.4	11.0	17.5
CET-1 CAR	13.4	12.5	0.9	13.3	0.1

Source: AMMB, UOB Kay Hian

### KEY ASSUMPTIONS

(%)	2025F	2026F	2027F
Gross Loan Growth	6.0	6.5	6.5
Credit Cost (bp)	20.0	24.0	24.0
ROE	9.5	9.8	10.2

Source: UOB Kay Hian

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

- **Environmental**
  - **Green loan commitment.** The bank's credit policy prohibits lending to illegal business activities that cause environmental harm.
  - **Reducing carbon footprint.** Installed eco-friendly materials in all its office renovations and digitalisation initiatives helped reduce the use of paper in offices.
- **Social**
  - **Gender diversity.** In pursuit of diverse and equal gender participation, 61% of the workforce are women, of which 79% hold management positions (senior executives and above) while 18% are part of senior management (senior vice president and above).
  - **Staff welfare.** Conducts an annual employee engagement survey, the Voice of Employee ("VOE"), to gather constructive feedback from employees at all levels of the organisation. The feedback helps to design specific employee engagement initiatives to meet their needs.
- **Governance**
  - **Non-independent board of directors composition.** Composition of Independent Non-Executive Directors (INED) – 40%.

Source: AMMB, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
Interest income	6,071	5,134	5,557	5,998
Interest expense	(3,934)	(2,756)	(2,872)	(2,992)
Net interest income	2,137	2,378	2,685	3,006
Fees & commissions	653	686	720	756
Other income	450	484	512	527
Non-interest income	1,103	1,170	1,232	1,283
Income from islamic banking	1,316	1,329	1,342	1,356
<b>Total income</b>	<b>4,555</b>	<b>4,877</b>	<b>5,259</b>	<b>5,645</b>
Staff costs	(1,340)	(1,407)	(1,506)	(1,611)
Other operating expense	(712)	(725)	(738)	(751)
Pre-provision profit	2,504	2,745	3,015	3,282
Loan loss provision	(738)	(284)	(363)	(387)
Other provisions	(112)	0	0	0
Associated companies	40	42	43	45
Other non-operating income	51	0	0	0
Pre-tax profit	1,745	2,502	2,695	2,940
Tax	148	(561)	(604)	(659)
Minorities	(25)	0	0	1
<b>Net profit</b>	<b>1,868</b>	<b>1,942</b>	<b>2,092</b>	<b>2,283</b>
Net profit (adj.)	1,468	1,942	2,092	2,283

### OPERATING RATIOS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
<b>Capital Adequacy</b>				
Tier-1 CAR	13.3	15.2	15.1	15.0
Total CAR	16.5	19.2	18.8	18.5
Total assets/equity (x)	10.1	10.3	10.5	10.7
Tangible assets/tangible common equity (x)	10.3	10.5	10.7	10.9
<b>Asset Quality</b>				
NPL ratio	1.7	1.6	1.6	1.5
Loan loss coverage	90.7	82.6	80.5	78.9
Loan loss reserve/gross loans	1.5	1.3	1.3	1.2
Increase in NPLs	17.9	3.7	1.7	5.5
Credit cost (bp)	55.0	20.0	24.0	24.0
<b>Liquidity</b>				
Loan/deposit ratio	92.8	92.9	93.5	93.9
Liquid assets/short-term liabilities	2.9	2.7	2.6	2.5
Liquid assets/total assets	2.2	2.1	2.0	1.9

### BALANCE SHEET

Year to 31 Mar (RMm)	2024	2025F	2026F	2027F
Cash with central bank	2,613	2,639	2,665	2,692
Govt treasury bills & securities	1,736	1,771	1,806	1,843
Interbank loans	0	0	0	0
Customer loans	132,102	140,264	149,523	159,299
Investment securities	45,981	50,241	54,886	59,952
Derivative receivables	1,012	1,134	1,270	1,422
Associates & JVs	1,440	1,440	1,440	1,440
Fixed assets (incl. prop.)	325	374	430	495
Other assets	11,554	11,925	12,349	12,846
<b>Total assets</b>	<b>196,764</b>	<b>209,787</b>	<b>224,370</b>	<b>239,988</b>
Interbank deposits	8,902	9,436	10,002	10,602
Customer deposits	142,395	150,939	159,995	169,595
Derivative payables	1,022	1,022	1,022	1,022
Debt equivalents	4,395	4,395	4,395	4,395
Other liabilities	20,608	23,582	27,601	31,993
<b>Total liabilities</b>	<b>177,322</b>	<b>189,374</b>	<b>203,016</b>	<b>217,607</b>
Shareholders' funds	19,441	20,412	21,353	22,380
Minority interest - accumulated	1	1	1	0
<b>Total equity &amp; liabilities</b>	<b>196,764</b>	<b>209,787</b>	<b>224,370</b>	<b>239,987</b>

### KEY METRICS

Year to 31 Mar (%)	2024	2025F	2026F	2027F
<b>Growth</b>				
Net interest income, yoy chg	(6.3)	11.3	12.9	12.0
Fees & commissions, yoy chg	9.4	5.0	5.0	5.0
Pre-provision profit, yoy chg	(1.4)	9.6	9.9	8.9
Net profit, yoy chg	9.3	3.9	7.7	9.1
Net profit (adj.), yoy chg	(14.1)	32.3	7.7	9.1
Customer loans, yoy chg	3.0	6.2	6.6	6.5
Customer deposits, yoy chg	9.3	6.0	6.0	6.0
<b>Profitability</b>				
Net interest margin	1.83	1.91	1.94	0.00
Cost/income ratio	45.0	43.7	42.7	41.9
Adjusted ROA	0.7	1.0	1.0	1.0
Reported ROE	10.0	9.5	9.8	10.2
Adjusted ROE	7.6	9.5	9.8	10.2
<b>Valuation</b>				
P/BV (x)	0.9	0.9	0.9	0.8
P/NTA (x)	0.9	0.9	0.9	0.8
Adjusted P/E (x)	11.3	9.4	8.7	8.0
Dividend Yield	4.1	5.9	6.9	7.6
Payout ratio	36.5	55.0	60.5	60.5

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W