RAM RATINGS

Media Release

RAM Ratings affirms AMMB Group's ratings at AA_2/P1

RAM Ratings has affirmed AMMB Holdings Berhad's (AMMB or the Group) corporate credit ratings and the financial institution ratings of its banking subsidiaries at AA_2/P1. All long-term ratings carry a stable outlook.

The affirmations reflect our expectation that the Group's credit metrics will stay in line with its current ratings even as it pursues a more aggressive growth strategy under a new five-year strategic plan from FY Mar 2024 to FY Mar 2029, led by newly appointed Group Chief Executive Officer Jamie Ling. Under the new leadership and strategic plan, AMMB aims to strengthen its market position in business banking and small and medium enterprise (SME) lending, enhance its wealth management franchise and digital proposition, as well as optimise operational efficiencies. These are geared towards achieving a sustainable after-tax return on assets (ROA) of above 1%.

We believe AMMB's underwriting standards and risk controls are sufficient to manage emerging credit stresses. As at end-December 2023, overlay reserves amounted to a notable RM569 mil, including an unexpected RM328 mil additional overlay in 3Q FY Mar 2024, which was largely set aside for the consumer lending book. These should provide strong loss absorption buffers for potential credit slippages that may emerge from certain pockets of its mortgage and retail SME portfolios.

The Group's gross impaired loan ratio was a healthy 1.6% as at end-December 2023 while the reported annualised credit cost ratio for 9M FY Mar 2024 was 67 bps (34 bps excluding additional overlay). AMMB's common equity tier-1 improved further to 13.4% as at end-December 2023. The Group's capitalisation has always trended below industry average but is viewed to be adequate, considering its relatively well-contained risk profile.

AMMB's deposit-funding capability is sound, with individual deposits and current and savings account deposits making up a respective 40% and 34% of total customer deposits as at end-December 2023. While the net loans to funds ratio has typically hovered near 100%, a large loan repayment in 3Q FY Mar 2024 lowered the ratio to 95%, a level which the Group aims to maintain. The Group's liquidity coverage and net stable funding ratios as at end-December 2023 were a respective 184% and 111%.

Profitability is deemed moderate, with the three-year average pre-tax ROA and return on risk-weighted assets at 1.1% and 1.6%, respectively, in fiscal 2024. Anticipated growth in the business banking and SME segments should gradually improve AMMB's profitability, provided the Group is able to contain incremental credit risks from these segments. Management aims to bring the cost-to-income ratio down to 40% (end-December 2023: 45%) over the next five years, which would also be positive for the Group's bottom line.

Table 1: Issuer and issue ratings of AMMB and banking entities

	Ratings
AMMB Holdings Berhad	
i. Corporate Credit Ratings	AA_2/Stable/P1
AmBank (M) Berhad	
i. Financial Institution Ratings	AA_2/Stable/P1
ii. RM7 billion Senior Notes Issuance Programme (2010/2040)	AA_2/Stable
iii. RM4 billion Tier-2 Subordinated Notes Programme (2013/2043)	AA_3/Stable
iv. RM8 billion Subordinated Notes Programme (2023/-)	
- RM8 billion Tier-2 Subordinated Notes Programme^	AA_3/Stable
- RM8 billion Additional Tier-1 Notes Programme^	A_2/Stable
(^ combined limit of RM8 billion)	
AmBank Islamic Berhad	
i. Financial Institution Ratings	AA_2/Stable/P1
ii. RM3 billion Senior Sukuk Musyarakah Programme (2010/2040)	AA_2/Stable
iii. RM3 billion Subordinated Sukuk Murabahah Programme (2014/2044)	AA_3/Stable
AmInvestment Bank Berhad	
i. Financial Institution Ratings	AA_2/Stable/P1

Analytical contacts

Chan Yin Huei
(603) 3385 2498
yinhuei@ram.com.my

Wong Yin Ching, CFA
(603) 3385 2555
yinching@ram.com.my

Media contact

Sakinah Ariffin
(603) 3385 2500
sakinah@ram.com.my

Date of release: 24 May 2024

Media Release

The credit rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment on the security's market price or its suitability for a particular investor, nor does it involve any audit by RAM Ratings. The credit rating also does not reflect the legality and enforceability of financial obligations.

RAM Ratings receives compensation for its rating services, normally paid by the issuers of such securities or the rated entity, and sometimes third parties participating in marketing the securities, insurers, guarantors, other obligors, underwriters, etc. The receipt of this compensation has no influence on RAM Ratings' credit opinions or other analytical processes. In all instances, RAM Ratings is committed to preserving the objectivity, integrity and independence of its ratings. Rating fees are communicated to clients prior to the issuance of rating opinions. While RAM Ratings reserves the right to disseminate the ratings, it receives no payment for doing so, except for subscriptions to its publications.

Similarly, the disclaimers above also apply to RAM Ratings' credit-related analyses and commentaries, where relevant.

Published by RAM Rating Services Berhad

RAM Rating Services Berhad
(763588-T)

Level 8, Mercu 2
KL Eco City
No. 3, Jalan Bangsar
59200 Kuala Lumpur
Malaysia

T + 603 3385 2488
F + 603 3385 2582
E ramratings@ram.com.my
www.ram.com.my