AmInvestment Bank

Company Report

27 Aug 2026

ALLIANCE BANK MALAYSIA

(ABMB MK EQUITY, ALLI.KL)

BUY (MAINTAINED)	Price: RM4.93 Target Price (% return): RM5.50 (16%) 52-week High/Low: RM5.59/RM4.27	**Financial Services** Rationale for report: Company Result

A dream start

We remain bullish on Alliance, which kicked off FY27 on a strong footing with earnings up 25% YoY and 21% QoQ. While the boost from corporate recoveries is non-recurring, the standout was fee income that ballooned 69% YoY and 50% QoQ. Another positive surprise was the 60-70bp CET1 uplift from final Basel III reforms; this raises prospect of higher dividends ahead. Furthermore, valuation is compelling at <0.9x P/B and the confirmed expansion of FBMKLCI to 50 constituents provides another catalyst, paving way for Alliance's inclusion. Maintain BUY and TP of RM5.50.

- **BUY with unchanged TP of RM5.50,** based on 0.99x CY27 P/B; the valuation is at -0.5SD to its 5-year pre-Covid mean and broadly in line with sector's 0.95x. Also, it is on par to the valuations of RHB and HLFG (0.98-1.04x) given similar ROE generation (9.8-10.0%). All in all, we continue to like Alliance for its strong execution team, tight management-shareholder alignment, and a balance sheet coiled for growth.
- **Largely in-line.** Alliance posted 1QFY27 earnings of RM248mil (+25% YoY, +21% QoQ), making up 28-29% of full-year forecasts. The strong showing was driven by recoveries from a corporate client in the construction sector, which are non-recurring. Hence, we expect loan loss provisions to normalize higher in the coming quarters and our FY27-29 estimates are kept. Also, management retained its 10-10.5% FY27 ROE guidance.
- **More capital upside.** The final Basel III reforms is now seen to lift CET1 by 60-70bp, well above the earlier 30-37bp guidance; this is equivalent to 21-24sen/share, which if fully distributed, could add 4-5ppt to yield. That said, management views this as optionality, with any payout increase likely to be phased to ensure sustainability and avoid a future dividend cliff. Even so, there is room to move above the past 2 years DPR of 40% and its 40-50% guidance still beneath sector average of 60-65%.
- **AQ weakness manageable.** GIL ratio inched up 10bp QoQ, mainly from the consumer book. However, we are not overly worried as the slippage was largely mortgage-related, where collateral coverage is elevated at c.92%. Also, pre-emptive provision provides a robust buffer, with overlays totalling to 24bp of NCC. Besides, balance sheet protection remains solid, with LLC at 102% vs 73% pre-Covid and 74% of GILs are secured.

YE to March	FY26	FY27F	FY28F	FY29F
Total income (RM mil)	2,466.2	2,623.5	2,711.6	2,835.0
Core net profit (RM mil)	826.5	886.8	903.2	946.6
FD Core EPS (sen)	47.8	51.3	52.2	54.7
FD Core EPS growth (%)	10.1	7.3	1.9	4.8
Consensus Net Profit (RM mil)	-	866.1	919.9	987.9
DPS (sen)	19.1	21.0	22.0	24.1
BV/share (RM)	5.10	5.34	5.65	5.97
PE (x)	10.3	9.6	9.4	9.0
Div yield (%)	3.9	4.3	4.5	4.9
P/BV (x)	1.0	0.9	0.9	0.8
ROE (%)	10.0	9.8	9.5	9.4

Source: Alliance Bank Malaysia , AmInvestment Bank Bhd.

Analyst (s)

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Key Changes

Target Price:	⇔
EPS:	⇔

Stock and Financial Data

Shares Outstanding (million)	1,730.2
Market Cap (RMmil)	8,530.0
Book Value (RM/Share)	5.10
P/BV (x)	1.0
ROE (%)	10.0
Free Float	60.2
Avg Daily Value (RMmil)	9.4

Major Shareholders

Vertical Theme	(29.1%)
EPF	(7.6%)
Global Success	(5.0%)

Price performance	3mth	6mth	12mth
Absolute(%)	3.1	(4.3)	7.9
Relative(%)	0.2	(4.7)	(2.4)

Source: Alliance Bank Malaysia , AmInvestment Bank Bhd.

Price Chart

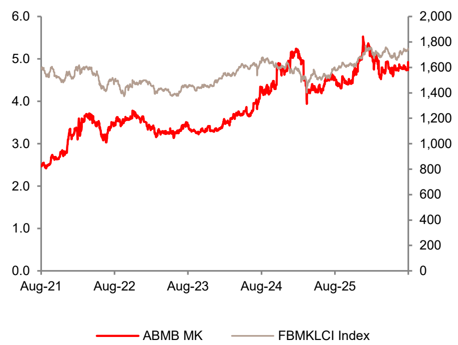


EXHIBIT 1. 1Q27 Results Summary

FYE Mar (RMmil)	1Q27	1Q26	YoY (%)	4Q26	QoQ (%)
Net interest income	381.8	369.7	3.3	371.4	2.8
Islamic banking	142.2	143.6	-1.0	148.4	-4.1
Non-interest income	107.0	102.0	4.9	73.3	45.9
Total income	**630.9**	**615.3**	**2.5**	**593.1**	**6.4**
Operating expenses	-299.3	-277.6	7.8	-307.0	-2.5
Pre-provision profit	**331.7**	**337.7**	**-1.8**	**286.1**	**15.9**
Loan loss provisions	-1.2	-89.7	-98.6	-19.7	-93.7
Operating profit	**330.4**	**248.0**	**33.3**	**266.4**	**24.0**
Others	-0.7	-0.2	n.m.	-0.1	n.m.
Pre-tax profit	**329.8**	**247.7**	**33.1**	**266.4**	**23.8**
Tax & minority interest	-81.5	-49.0	66.1	-60.3	35.0
Net Profit	**248.3**	**198.7**	**25.0**	**206.0**	**20.5**
EPS (sen)	**14.4**	**12.8**	**11.8**	**11.9**	**20.5**
DPS (sen)	**0.0**	**0.0**	**n.m.**	**9.7**	**n.m.**
BVPS (RM)	**5.14**	**5.04**	**2.2**	**5.26**	**-2.2**

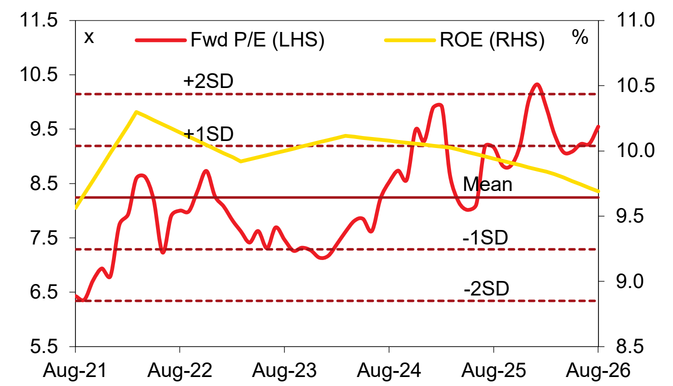
Source: Alliance, AmInvestment Bank Bhd.

EXHIBIT 2. Financial ratios

FYE Mar (%)	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Net interest margin	2.49	2.45	2.43	2.42	2.32	2.34	2.31	2.26
Cost / income ratio	45.2	47.2	51.6	45.1	47.7	47.2	51.8	47.4
Return on equity	10.6	10.2	10.6	10.5	10.5	10.5	9.7	11.4
Loans growth, yoy	14.8	14.2	12.0	9.9	8.1	7.9	7.5	8.1
Deposits growth, yoy	13.8	13.3	14.7	12.5	12.5	10.4	8.8	8.4
Loan / deposit ratio	100.2	98.9	94.9	96.5	96.3	96.6	93.8	96.2
Gross impaired loans ratio	2.02	1.97	1.83	1.96	1.91	1.89	1.73	1.83
Loan loss coverage	105.6	103.6	106.6	103.8	107.1	109.0	113.1	102.3
Net credit cost (bp)	66.8	26.4	6.5	58.6	36.9	31.6	12.2	0.7
CET1 ratio	12.7	12.4	12.5	12.4	13.9	13.1	13.4	13.0

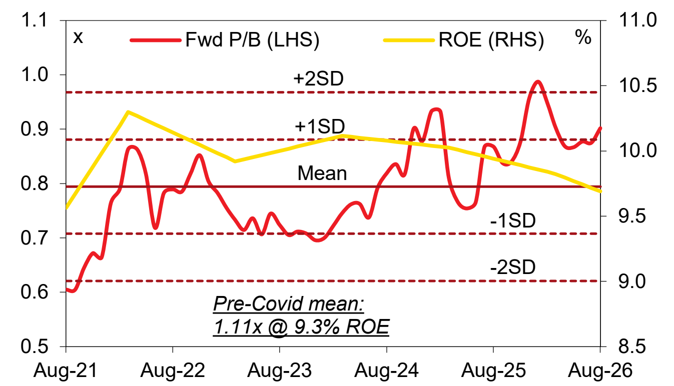
Source: Alliance, AmInvestment Bank Bhd.

EXHIBIT 3. 5-YR FORWARD P/E BAND



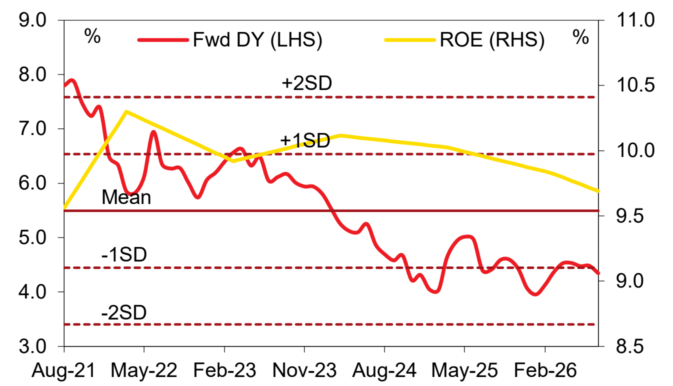
Source: AmInvestment Bank, Bloomberg

EXHIBIT 4. 5-YR FORWARD P/B BAND



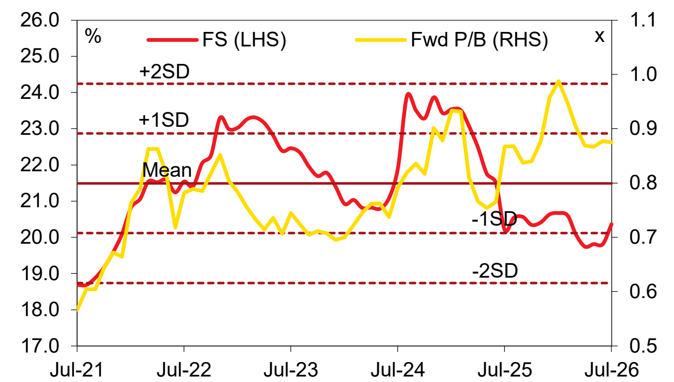
Source: AmInvestment Bank, Bloomberg

EXHIBIT 5. 5-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 6. ALLIANCE'S FOREIGN SHAREHOLDING



Source: AmInvestment Bank, Alliance

EXHIBIT 7. VALUATIONS

Return on equity (ROE)	9.6%
Cost of equity (COE)	9.7%
Long-term growth rate (LTG)	3.0%
Target P/B	0.99x
CY27 BVPS	RM5.57
ESG premium	-
12-month target price	RM5.50

Source: AmInvestment Bank

Company profile

Alliance is the 9th smallest banking outfit by assets under our coverage, offering financial solutions through its consumer, SME, commercial, and Islamic banking businesses.

Malaysia is Alliance's sole operating market, where it maintains a nationwide network of nearly 80 branches.

Investment thesis and catalysts

We are now less worried on Alliance's large SME/PF exposure (35%/9% vs sector: 16%/5%) given that Brent is currently <USD90/bbl. Also, management has done its part, prudently increasing pre-emptive provisions (overlays totalling to 24bp of NCC). Besides, the balance sheet cushion adds further comfort (LLC at 102% vs pre-Covid: 73%; 74% of GIL secured).

Furthermore, our bullish stance hinges on management's strong execution track record. The Acceler8 strategy has largely unfolded to script, with the bank wrestling loans market share from peers (+40bp since FY23). Plus, it still has scope for balance sheet optimization move (LDR/LFR at 96%/88%), coupled with a budding and robust NOII engine.

LTIP strengthens the bull case, given tighter management-shareholder alignment over the next 10 years. Last year's cash call and the upcoming 60-70bp CET1 uplift from final Basel III reforms have equipped Alliance with fresh ammunition to accelerate growth. Dividends remain secondary for now but will naturally track earnings, with optionality for a step-up towards 50% DPR in due course. Cherry on top: a beneficiary of FBMKLCI expansion to 50 constituents (c.1% weight).

Valuation methodology

We value Alliance using the Gordon Growth Model (GGM), since it incorporates both P/B and ROE into a single formula; notably, ROE plays an important role to the valuation of banking stocks as it has a strong correlation to P/B (87%).

We derived a TP of RM5.50 for Alliance and it is based on 0.99x CY27 P/B with assumptions of 9.6% ROE, 9.7% COE, and 3.0% LTG. The valuation is at -0.5SD to its 5-yr pre-Covid mean and broadly in line with sector's 0.95x. Moreover, it is on par to the valuations of RHB and HLFG (0.98-1.04x) given similar ROE generation (9.8-10.0%).

Risk factors

Key downside risks include:

i) Sharp slowdown in global economic growth, giving rise to a spike in NPL formation; this could weigh on NCC and earnings.

ii) Intense competition for both loans and deposits may exert downward pressure on NIM.

iii) Subdued performance from its treasury operations.

Financial Summary

Income Statement (RMmil)

YE to March	FY25	FY26	FY27F	FY28F	FY29F
Net interest income	1,451.1	1,484.2	1,575.4	1,638.8	1,728.6
Non-interest income	271.7	399.6	421.7	425.4	429.2
Islamic banking income	547.1	582.4	626.4	647.4	677.1
Total income	**2,269.9**	**2,466.2**	**2,623.5**	**2,711.6**	**2,835.0**
Overhead expenses	(1,088.5)	(1,181.4)	(1,250.7)	(1,290.0)	(1,330.4)
Pre-provision profit	1,181.4	1,284.8	1,372.8	1,421.6	1,504.6
Loan loss provisions	(187.9)	(217.3)	(221.1)	(248.6)	(275.3)
Impairment & others	(0.6)	0.5	-	-	-
Associates	-	0.1	-	-	-
Pretax profit	**992.9**	**1,068.1**	**1,151.7**	**1,173.0**	**1,229.3**
Tax	(242.2)	(241.6)	(264.9)	(269.8)	(282.7)
Minority interests	-	-	-	-	-
Net profit	**750.7**	**826.5**	**886.8**	**903.2**	**946.6**
Core net profit	750.7	826.5	886.8	903.2	946.6

Balance Sheet (RMmil)

YE to March	FY25	FY26	FY27F	FY28F	FY29F
Cash & deposits with FIs	4,588.9	3,139.8	2,338.8	2,008.4	1,628.5
Marketable securities	13,545.1	15,634.0	16,768.9	17,142.6	17,527.3
Total current assets	**18,134.0**	**18,773.8**	**19,107.7**	**19,150.9**	**19,155.9**
Net loans & advances	61,418.5	66,040.5	71,177.3	76,183.0	81,524.1
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	4,065.0	5,473.5	5,582.9	5,694.6	5,808.5
Fixed assets	491.6	603.0	461.8	446.0	429.6
Intangible assets	517.0	522.8	510.6	501.5	488.5
Other long-term assets	591.1	742.5	742.5	742.5	742.5
Total LT assets	**67,083.3**	**73,382.2**	**78,475.1**	**83,567.6**	**88,993.2**
Total assets	**85,217.3**	**92,156.0**	**97,582.8**	**102,718.5**	**108,149.0**
Customer deposits	65,835.0	71,611.8	76,624.6	81,222.1	86,095.4
Deposits of other FIs	3,779.4	3,470.6	3,470.6	3,470.6	3,470.6
Subordinated debts	5,411.7	5,545.0	5,545.0	5,545.0	5,545.0
Hybrid capital securities	-	-	-	-	-
Other liabilities	2,522.8	2,707.7	2,707.7	2,707.7	2,707.7
Total liabilities	**77,548.9**	**83,335.1**	**88,348.0**	**92,945.5**	**97,818.8**
Shareholders' funds	7,668.4	8,820.9	9,234.9	9,773.1	10,330.3
Minority interests	-	-	-	-	-

Key Ratios

YE to March	FY25	FY26	FY27F	FY28F	FY29F
Total income growth (%)	12.3	8.6	6.4	3.4	4.5
Pre-provision profit growth (%)	12.9	8.7	6.8	3.6	5.8
Core net profit growth (%)	8.7	10.1	7.3	1.9	4.8
Net interest margin (%)	2.5	2.3	2.3	2.3	2.3
Cost-to-income ratio (%)	48.0	47.9	47.7	47.6	46.9
Effective tax rate (%)	24.4	22.6	23.0	23.0	23.0
Dividend payout (%)	40.0	40.0	41.0	42.1	44.1

Key Assumptions

YE to March	FY25	FY26	FY27F	FY28F	FY29F
Loan growth (%)	12.0	7.5	8.0	7.0	7.0
Deposit growth (%)	14.7	8.8	7.0	6.0	6.0
Loan-deposit ratio (%)	94.9	93.8	94.7	95.5	96.4
Gross NPL (%)	1.8	1.7	1.8	1.8	1.8
Net NPL (%)	1.4	1.4	1.4	1.4	1.4
Credit charge-off rate (%)	0.3	0.3	0.3	0.3	0.3
Loan loss reserve (%)	106.6	113.1	104.7	101.7	100.1

Source: Company, AmInvestment Bank Bhd.

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