



Company Report

Kelvin Ong, CFA

kelvin-ong@ambankgroup.com

DL: 2036 2294

ALLIANCE BANK MALAYSIA

(ABMB MK EQUITY, ALLI.KL)

26 Nov 2025

*Earnings on Track; Credit Costs Still Elevated***HOLD**

(Maintained)

Rationale for report: Company Result

Price	RM4.63
Target Price	RM4.80
52-week High/Low	RM5.26/RM3.83

Key Changes

Target Price	↔
EPS	↔

YE to March	FY25	FY26F	FY27F	FY28F
Total income (RM mil)	2,269.9	2,424.5	2,592.5	2,864.0
Core net profit (RM mil)	750.7	775.5	834.4	962.4
FD Core EPS (sen)	48.5	44.8	48.2	55.6
FD Core EPS growth (%)	8.7	(7.6)	7.6	15.3
Consensus Net Profit (RM mil)	-	788.7	845.6	905.5
DPS (sen)	19.4	17.9	19.3	27.8
BV/share (RM)	4.95	5.07	5.28	5.61
PE (x)	9.5	10.3	9.6	8.3
Div yield (%)	4.2	3.9	4.2	6.1
P/BV (x)	0.9	0.9	0.9	0.8
ROE (%)	10.1	9.4	9.3	10.2

Stock and Financial Data

Shares Outstanding (million)	1,548.1
Market Cap (RMmil)	7,167.7
Book Value (RM/Share)	4.95
P/BV (x)	0.9
ROE (%)	10.1
Major Shareholders	Vertical Theme (29.1%) Employees Provident Fund (8.9%)
Free Float	62.1
Avg Daily Value (RMmil)	9.2
Price performance	3mth 6mth 12mth
Absolute (%)	1.8 9.2 (5.3)
Relative (%)	1.2 4.1 (6.2)

**Investment Highlights**

6MFY26 earnings rose 10.6% YoY, in line with expectations, driven by stronger NII and 30.7% NOII growth from treasury gains and banking fees. Positive JAW (+0.3%) kept CTI at 46.4%. Loan growth slowed to 8.1% YoY, with management remaining cautious on certain SME and corporate segments due to rising business costs, as well as unsecured consumer lending. NIM fell 10bps QoQ to 2.32%, while CASA ratio dropped to 39.1% on higher FD mix. Credit cost eased to 46bps, still above guidance but likely to decline in 2H. GIL ratio improved to 1.91% vs industry's 1.4%. Maintain HOLD; valuation fair at 0.9x CY26 P/BV with ROE of 9.3%.

- **Recommendation and valuation.** Maintain HOLD on ABMB, with an unchanged target price of RM4.80/share, based on CY26 P/BV of 0.9x and a blended ROE of 9.3%. Earnings forecast and 3-star ESG rating remain unchanged.
- **6MFY26 earnings were broadly in line with expectations.** The group posted a net profit of RM405 million, representing 52.2% of our full-year forecast and 51.4% of consensus estimates. Net profit grew 10.6% YoY, supported by a 4.0% YoY increase in NII from loan expansion, which helped offset NIM compression. Meanwhile, NOII surged 30.7% YoY, driven by higher trade fees, FX sales, treasury and investment income, as well as banking service fees. Treasury gains from FVOCI and banking service fees were key NOII contributors. 6MFY26 recorded a positive JAW of 0.3% YoY, with revenue growth slightly ahead of costs, keeping CTI at 46.4% within guidance. The group remains broadly on track for FY26 targets. QoQ, earnings rose 4%, supported by modest income growth and lower provisions, partly offset by higher operating expenses. Declared first interim dividend of 9.37 sen with a 40% payout, in line with expectations.
- **Loan growth continued to moderate to 8.1% YoY.** Focus remained on quality lending with reasonable yields. Loan growth continued to outpace the industry's 5.5%, staying within the FY26 target of 8–10%. NIM slipped 10bps QoQ to 2.32% due to the July OPR cut (-25bps), higher FD mix, and prefunding ahead of year-end deposit competition. YTD margin eased 8bps to 2.37% but remains within guidance (2.37%–2.43%). CASA ratio fell to 39.1% as FDs grew faster than CASA.
- **GIL ratio and annualized credit cost stayed elevated but showed some improvement in 2QFY26.** Group GIL ratio eased to 1.91% in 2QFY26 from 1.96%, higher than the industry's 1.4%. Net credit cost fell to 46bps annualised from 57bps in 1QFY26 but remains above the 30–35bps guidance; expected to decline in 2H with slower loan growth and focus on quality credit, recoveries, and collections. Management overlays remain at RM130.5mil. QoQ, consumer delinquencies rose mainly from classic mortgages and Alliance One Account, while SME loans held steady. Commercial and corporate delinquencies declined on corporate loan repayments. Management remains cautious on loan growth, focusing on selective expansion in corporate and SME sectors amid rising business costs, and on unsecured consumer loans.

Company profile

Alliance Bank, along with its subsidiary Alliance Islamic Bank Berhad, operates as an integrated financial services group, providing a range of banking and financial solutions across consumer, SME, corporate, and commercial banking sectors.

With 100% domestic operations, the bank initiated its 4-year Acceler8 strategy in January 2023, focusing on expanding beyond SMEs. As part of its growth plans, Alliance Bank aims to establish itself as the regional champion in key economic corridors, including Penang, Sabah, and Sarawak.

Investment thesis and catalysts

HOLD rating with a limited upside potential. Fair valuation at 0.9x CY26 P/BV based on blended ROE of 9.3%.

Valuation methodology

The stock is assessed based on CY26 using a Gordon Growth Model-derived P/BV of 0.9x. This valuation is underpinned by a 10.9% cost of equity, incorporating a beta of 1.1, a market risk premium of 6.5%, a risk-free rate of 3.5%, and a long-term growth rate of 3%.

Risk factors

Potential risks to our projections:

- Slower-than-expected global economic growth could dampen loan expansion.
- Unexpected rise in funding costs—a sluggish CASA growth may heighten deposit competition.
- Prolonged high interest rates in developed markets

EXHIBIT 1: VALUATION

COE	10.9%
Beta	1.1
Market risk premium	6.5%
Risk free rate	3.5%
Long term growth	
rate	3%
P/BV	0.9x
CY26 BVPS	RM5.34
TP	RM4.80
ESG Premium	0
Adjusted TP	RM4.80

EXHIBIT 2: RESULTS SUMMARY

Income Statement (RM Mil, FYE 31 Mar)	2Q25	1Q26	2Q26	% QoQ	% YoY	6M25	6M26	% YoY
Interest income	715	747	736	-1.5	2.8	1,396	1,482	6.2
Interest expense	-351	-377	-370	-2.0	5.3	-685	-747	9.0
Net interest income	364	370	366	-1.1	0.4	710	735	3.5
Islamic banking income	137	144	144	0.2	4.6	268	287	7.4
Non-interest income	104	102	117	14.4	12.3	167	219	30.5
Total income	606	615	626	1.8	3.4	1,145	1,242	8.4
Overhead expenses	-274	-278	-299	7.6	9.2	-533	-576	8.1
Pre-provision profit	332	338	328	-3.0	-1.4	613	665	8.6
Loan impairment allowances	-94	-90	-58	-35.8	-38.7	-140	-147	5.4
Other allowances	-1	0	1	>-100	>-100	-1	1	>-100
Associates and JV income	12	13	0	-46.2	-41.7	0	0	-16.7
Pretax profit	238	248	271	9.4	14.1	472	519	9.9
Income tax	-48	-49	-64	31.3	35.2	-106	-113	7.5
Minority interest								
Net profit	190	199	207	4.0	8.8	367	405	10.6
Core net profit	190	199	207	4.0	8.8	367	405	10.6
Core EPS (sen)	12.3	12.8	12.1	-5.5	-1.6	23.7	24.9	5.1
Profit by segments (RM Mil)								
Consumer banking	24	20	36	77.8	47.9	26	56	118.2
Business banking	110	139	122	-12.7	10.7	270	261	-3.5
Financial markets	126	89	109	22.2	-13.0	203	199	-2.1
Investment banking	0	0	0	n.m.	n.m.	0	0	n.m.
Others	-24	6	0	-108.3	-97.9	-18	6	-130.9
Inter-segmental elimination	2	-7	5	-166.5	188.1	-9	-2	-73.9
Group profit before tax (excluding associate and JV income)	238	248	271	9.4	14.1	472	519	9.9
Balance Sheet (RM Mil, FYE 31 Mar)	2Q25	1Q26	2Q26	% QoQ	% YoY	6M25	6M26	% YoY
Gross loans and advances	59,074	62,728	63,882	1.8	8.1	59,074	63,882	8.1
Net loans and advances	58,001	61,651	62,774	1.8	8.2	58,001	62,774	8.2
Customer deposits	58,966	65,021	66,337	2.0	12.5	58,966	66,337	12.5
Gross impaired loans	1,192	1,227	1,222	-0.4	2.5	1,192	1,222	2.5
Average shareholders' funds	7,290	7,732	8,202	6.1	12.5	7,292	8,139	11.6
Ratios (%)								
Net LD	98.4%	93.3%	94.6%			98.4%	94.6%	
CASA	40.9%	41.0%	39.1%			40.9%	39.1%	
Cost to income	45.2%	45.1%	47.7%			46.5%	46.4%	
Annualised Credit cost	0.64%	0.57%	0.36%			0.47%	0.46%	
GIL/Gross NPL	2.02%	1.96%	1.91%			2.02%	1.91%	
Loan loss coverage	105.6%	103.8%	107.1%			105.6%	107.1%	
Loan loss coverage (inclusive of regulatory reserves)	112.1%	113.3%	116.7%			112.1%	116.7%	
Liquidity coverage ratio	149.5%	162.6%	160.2%			149.5%	160.2%	
NIM	2.49%	2.42%	2.32%			2.47%	2.37%	
ROE	10.4%	10.3%	10.1%			10.1%	10.0%	
CET1 capital	12.4%	12.4%	13.6%			12.4%	13.6%	
Tier 1 capital	13.6%	13.6%	14.7%			13.6%	14.7%	
Total capital	17.1%	16.9%	18.2%			17.1%	18.2%	

Source: Company, Amlnvestment Bank

EXHIBIT 3: ESG SCORE

	Assessment	Parameters	Weightage	Rating			Rationale
1	Exposure to sustainable financing out of total loans	% of loan book	30%	*	*	*	4.3% vs. sector average of 7.1%
2	% of financing to high risk ESG sectors out of total loans	% of loan book	30%	*	*	*	RM16bil loans to high risk ESG sector
3	Scope 1 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*	
4	Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*		
5	Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*		
6	Electricity consumption to total income	Electricity consumption to total income	5%	*			
7	Water consumption to total income	m3/RM'Mil	5%	*			
Weighted score for environmental assessment			100%	*	*	*	
1	Corporate Social Responsibility investments or spend	% of total income	35%	*	*	*	0.07% close to sector average of 0.08%
2	Investments in training	% of total income	20%	*	*		0.27% below sector average of 0.35%
3	Workforce diversity - women in senior management and above (excluding Board Directors)	% of total workforce	10%	*	*		
4	Average training hours per employee	hours	25%	*	*	*	
5	Financial literacy programs	No of participants educated through programs	10%	*	*	*	>500 participants educated
Weighted score for social assessment			100%	*	*	*	
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*	*	
2	Board women representation	% of total board directors	10%	*	*		22.2% below sector average of 33.5%
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	20%	*	*	*	
4	Independent board directors	% of total board directors	20%	*	*	*	77.8% higher than sector average of 70.7%
5	Remuneration to directors	% of total operating expenses	10%	*			
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*	
Weighted score for governance assessment			100%	*	*	*	
	Environmental score		40%	*	*	*	
	Social score		25%	*	*	*	
	Governance score		35%	*	*	*	
	Overall ESG Score		100%	*	*	*	

Source: AmlInvestment Bank Bhd, Company

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	1,309.6	1,451.1	1,528.8	1,615.6	1,742.5
Non-interest income	270.8	271.7	287.9	307.0	352.0
Islamic banking income	440.1	547.1	607.9	669.9	769.6
Total income	2,020.5	2,269.9	2,424.5	2,592.5	2,864.0
Overhead expenses	(973.7)	(1,088.5)	(1,163.8)	(1,231.4)	(1,346.1)
Pre-provision profit	1,046.7	1,181.4	1,260.8	1,361.1	1,517.9
Loan loss provisions	(134.9)	(187.9)	(240.4)	(264.5)	(251.6)
Impairment & others	(0.5)	(0.6)	-	-	-
Associates	-	-	-	-	-
Pretax profit	911.3	992.9	1,020.4	1,096.6	1,266.3
Tax	(220.8)	(242.2)	(244.9)	(263.2)	(303.9)
Minority interests	-	-	-	1.0	-
Core net profit	690.4	750.7	775.5	834.4	962.4
Balance Sheet (RMmil, YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Cash & deposits with FIs	4,596.7	4,588.9	1,684.3	1,019.6	922.0
Marketable securities	14,436.0	16,333.9	17,652.7	19,438.8	21,568.0
Total current assets	19,032.7	20,922.8	19,337.0	20,458.4	22,490.0
Net loans & advances	54,720.8	61,418.5	67,434.5	74,051.6	82,124.8
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	1,125.4	1,276.2	731.4	803.2	886.2
Fixed assets	234.1	491.6	717.7	628.3	355.2
Intangible assets	462.4	517.0	517.0	517.0	517.0
Other long-term assets	1,370.8	591.1	540.5	482.3	413.0
Total LT assets	57,913.4	64,294.5	69,941.2	76,482.5	84,296.3
Total assets	76,946.1	85,217.3	89,278.2	96,940.9	106,786.3
Customer deposits	57,397.5	65,835.0	72,418.4	79,660.3	88,422.9
Deposits of other FIs	2,055.1	2,054.9	2,246.5	2,348.9	2,511.3
Subordinated debts	1,571.9	1,872.3	1,571.9	1,571.9	1,571.9
Hybrid capital securities	5,465.6	4,761.2	4,183.2	4,086.1	4,476.8
Other liabilities	3,280.9	3,025.5	88.5	139.0	106.7
Total liabilities	69,771.0	77,548.9	80,508.6	87,806.2	97,089.6
Shareholders' funds	7,175.1	7,668.4	8,769.6	9,134.7	9,696.8
Minority interests	-	-	-	-	-
Key Ratios (YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Total income growth (%)	5.2	12.3	6.8	6.9	10.5
Pre-provision profit growth (%)	0.8	12.9	6.7	8.0	11.5
Core net profit growth (%)	1.9	8.7	3.3	7.6	15.3
Net interest margin (%)	2.5	2.6	2.5	2.5	2.5
Cost-to-income ratio (%)	48.2	48.0	48.0	47.5	47.0
Effective tax rate (%)	24.2	24.4	24.0	24.0	24.0
Dividend payout (%)	50.0	40.0	40.0	40.0	50.0
Key Assumptions (YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Loan growth (%)	13.6	12.0	10.0	10.0	11.0
Deposit growth (%)	12.9	14.7	10.0	10.0	11.0
Loan-deposit ratio (%)	95.3	93.3	93.1	93.0	92.9
Gross NPL (%)	2.1	1.8	2.0	2.0	1.9
Net NPL (%)	1.2	1.0	1.1	1.1	1.1
Credit charge-off rate (%)	0.3	0.3	0.4	0.4	0.3
Loan loss reserve (%)	113.8	116.8	106.4	114.2	124.1

Source: Company, AmlInvestment Bank Bhd estimates

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