



Company Report

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ALLIANCE BANK MALAYSIA

(ABMB MK EQUITY, ALLI.KL)

15 Jul 2025

Loan growth is easing but still outperforms the industry

HOLD

(Maintained)

Rationale for report: Company Update

Price RM4.56
Fair Value RM4.70
52-week High/Low RM5.26/RM3.75

Key Changes

Fair value
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)	-	791.2	842.2	896.0
DPS (sen)	19.4	17.9	19.3	27.8
BV/share (RM)	4.95	5.07	5.28	5.61
PE (x)	9.3	10.1	9.4	8.1
Div yield (%)	4.3	4.0	4.3	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)	7,012.9
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)	8.3

Price performance	3mth	6mth	12mth
Absolute (%)	8.1	(6.6)	20.4
Relative (%)	4.2	(4.2)	26.9



— ABMB MK — FBMKLCI Index

Investment Highlights

ABMB is likely to report a decent 1Q26 earnings despite slower loan growth and slight NIM pressure from shifts in loan-deposit mix. Temporary credit cost upticks may occur due to rising delinquencies amid economic challenges. The RM600m rights issue at a 20.1% discount is already factored in. Key areas to watch include the progress on loan recoveries, wealth management, and investment income to mitigate credit risks and support NOII. With a 9.3% ROE and trading at 0.9x CY26 P/BV, the stock appears fairly valued, backing our HOLD stance.

- Recommendation and valuation.** We maintain our HOLD recommendation on ABMB, with a revised target price of RM4.70 (previously RM4.80), reflecting a slightly lower book value per share (BVPS) estimate. Our FY26/27 earnings per share (EPS) and BVPS forecasts have been adjusted downward by 2.0–2.1% to account for a higher number of new rights shares to be issued than previously estimated. The new target price is derived from a 0.9x price-to-book value (P/BV) multiple for calendar year 2026, based on a return on equity (ROE) of 9.3%. The impact of the RM600 million rights issue, involving 182.1 million new shares, has already been factored into the valuation.
- 1Q26 earnings expected to be in line with expectations, with softer loan growth and slight NIM pressure.** ABMB will release 1Q26 results on 27 August, a day earlier than scheduled. Loan growth is expected to ease to 10% in FY26 from 12% in FY25 due to selective loan expansion, though SME loans should outperform the industry. NIM may dip QoQ in 1Q26, pressured by higher funding costs and a shift toward lower-yielding mortgages. We forecast a 3bps NIM decline in FY26, factoring in loan and deposit mix changes and a 25bps OPR cut.
- NOII is likely to rise quarter-on-quarter in 1Q26 driven by the fall in MGS yield.** Expect a stronger investment and trading gains from lower 10-year MGS yields by 30bps QoQ to 3.47%, along with higher fee and commission income in 1Q26. Operating expenses should stay stable, with no major surprises. A sharp rise in personnel costs is unlikely in FY26, as salary adjustments have been gradually factored in.
- Credit costs could increase in the short term as uptick in loan delinquencies coincide with slower economic growth.** Malaysia's growth outlook remains uncertain due to external risks from tariffs and geopolitical tensions. This may lead to higher credit costs and rising delinquencies in consumer and SME loans in the near term. However, potential resolution of certain loan accounts could offset the impact, keeping net credit cost in the FY26 guided range of 30–35bps. Management has retained RM154 million in overlays to protect asset quality.

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

With a projected 4.3% FY26 dividend yield, trading at 0.9x CY26 P/BV and 9.3% ROE, the stock looks fairly valued supporting our HOLD call. A stronger than expected loan recoveries, performance in wealth management, and gains from investment and trading activities could support a potential stock rerating.

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 6.3%, a risk-free rate of 3.7%, 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% (from 10.1%)
Beta	1.1
Market risk premium	6.3%
Risk free rate	3.7%
Long term growth rate	3%
P/BV	0.9x
CY26 BVPS	RM5.23 (from RM5.34)
TP	RM4.70 (from RM4.80)
ESG Premium	0
Adjusted TP	RM4.70 (from RM4.80)

EXHIBIT 2: CHANGE IN ESTIMATE

			FY26F			FY27F	
	RMm	Previous	Revised	Chg	Previous	Revised	Chg
	Earnings per share	45.8	44.8	-2.1%	49.2	48.2	-2.0%
	Book value per share	5.17	5.07	-2.0%	5.39	5.28	-2.0%

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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