Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Financial Services | Finance

2QFY25 Results: Strong Momentum but Priced In

***Maintain* NEUTRAL**

***Unchanged* Target Price: RM4.64**

KEY INVESTMENT HIGHLIGHTS

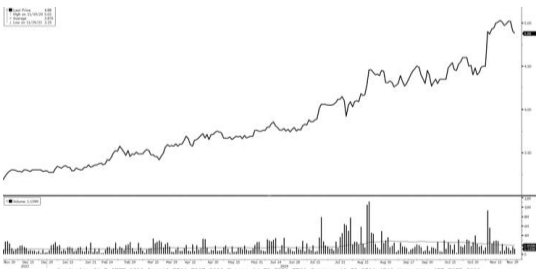
- **6MFY25's Core NP of RM367m was *Within/Within* our/street forecasts: *50%/50%* of full-year forecasts**
- **Management's tone: Optimistic**
- **Core themes: (a) strong NOII growth, (b) strong gross loans growth, (c) higher FD growth and NIM compression**
- **Forecasts unchanged**
- **Maintain NEUTRAL | Unchanged TP of RM4.64 | based on an unchanged FY26F P/BV of 0.88x**

RETURN STATISTICS	
Price @ 28 November 2024 (RM)	4.88
Expected share price return (%)	-5.0
Expected dividend yield (%)	+4.6
Expected total return (%)	**-0.4**

Verdict: Hitting all its targets with strong momentum. NIM compression was minor but need to be monitored. However, all the positives have been priced in.

Yays	1. Strong net income growth driven by NII and NOII. 2. Robust momentum in gross loans growth. 3. Asset quality improvements.
Nays	1. Deposits growth was led by FD growth. 2. Lower dividend payout (40%) vs. past years (50%).
OKs	1. Minor NIM compression

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.4	9.3
3 months	9.7	15.0
12 months	42.7	29.3

INVESTMENT STATISTICS

FYE Mar	FY25F	FY26F	FY27F
Core NP (RM m)	**732**	**781**	**822**
CNP growth (%)	6	7	5
Div yield (%)	**4.4**	**4.6**	**4.9**
Gross DPS (sen)	21.3	22.7	23.9
P/BV (x)	**1.0**	**0.9**	**0.9**
BVPS (RM)	5.0	5.3	5.6
ROE (%)	**9.8**	**9.8**	**9.8**
MIDF/Street CNP (%)	**99**	**100**	**97**

KEY STATISTICS

FBM KLCI	1,597.49
Issue shares (m)	1548.11
Estimated free float (%)	70.38
Market Capitalisation (RM'm)	7,554.76
52-wk price range	RM3.36 - RM5.05
3-mth avg daily volume (m)	1.95
3-mth avg daily value (RM'm)	8.88
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.06
EPF Board	7.66
Global Success Network	4.98

Results in a nutshell:

▲ **6MFY25's Core net profit (NP) of RM367m up by +9%yoy.** Main contributors were higher net income (+15.2%yoy) and lower provisions (-88.4%yoy).

▲ **2QFY25's Core NP of RM190m up by +8%qoq.** Supported by net income growth of +12.2%qoq. Meanwhile OPEX grew at a slower pace than income growth (+5.5%qoq). Moderated by higher provisions.

▲ **Gross loans grew by +3.5%qoq, coming up to +6.0%YTD.** Gross loans grew +14.8%yoy with strong growth in all segments. SME, Commercial, Corporate and Consumer banking loans expanded +16.4%yoy to RM15.6b, +16.2%yoy to RM7.9b, +11.6%yoy to RM6.3b and +14.3%yoy to RM29.3b respectively.

► **Deposits grew by +2.0%qoq, coming up to +2.7%YTD.** Customer deposits grew +13.8%yoy. However, this was led by FD which expanded +27.4%yoy to RM32.2b. Meanwhile, CASA grew +53%yoy to RM24.1b.

▲ **GIL moved by -15bps qoq to 2.02%, LLC currently at 106%.** Improvements in all segments. GIL ratio for SMEs, and Commercial & Corporate improved -10bps to 1.8% and 1.9% respectively. Consumer GIL ratio was better by -20bps to 2.2%.

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Have a look at:

► **NII growth was driven by higher loans rather than NIM.** NII increased +15.0%yoy to RM955.9m. However, this was supported by the strong loans' growth rather than NIM expansion. In fact, NIM compressed by -1bps in 1HFY25. This could possibly be due to the higher FD growth vs. CASA. We will be monitoring this closely as NIM may come under pressure in 3QFY25 due to year-end seasonal deposits competition.

▲**Strong NOII growth. NOII drove ROE as it grew +16.1%yoy.** Main drivers were wealth management (+13.3%yoy), FX sales/trade fees (+19.0%yoy) and treasury & investment income (+RM28.5m).

▲ **Traction with regional and SME strategy.** Strong regional growth in both loans (+16%yoy) and deposits (+20%yoy) across Sarawak, Penang and Johor. Meanwhile, SME continued to gain loan market share and outgrow industry growth (ABMB: +14% vs industry: +9%). As a result, SME loan market share continued to expand to 5.32% from 5.19% (Mar'24).

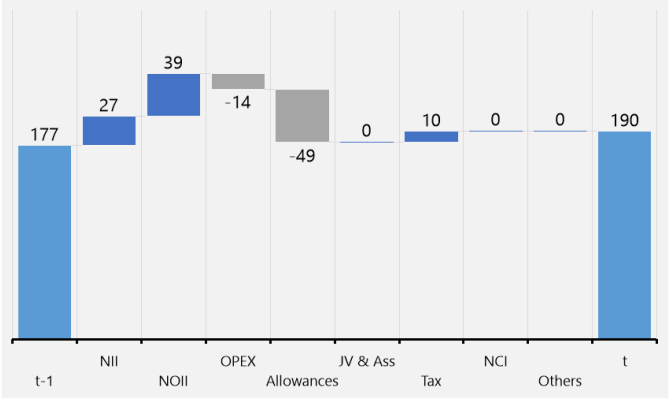
Forecasts unchanged.

Key downside risks. *(1) NIM compression higher than expected, (2) Reversal in NOII, (3) Asset quality deterioration*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 4.64 ***(from RM4.64).*** The TP is based on an unchanged FY26F P/BV of 0.88x.

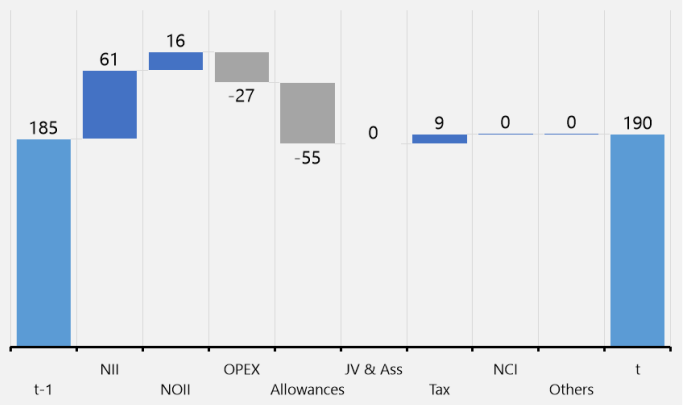
(GGM assumptions: *FY26F ROE of 9.8%, LTG of 5.0% & COE of 10.5%)*

Fig 1: QoQ P/L walk (Quarterly results)



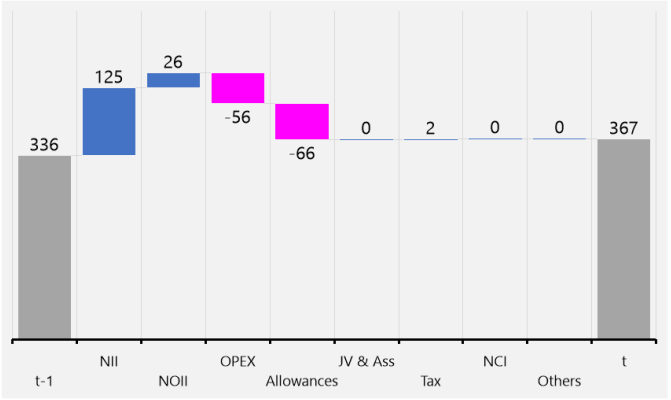
Source: ABMB, MIDFR

Fig 2: YoY P/L walk (Quarterly results)



Source: ABMB, MIDFR

Fig 3: YoY P/L walk (Cumulative results)



Source: ABMB, MIDFR

Fig 4: Quarterly results

FYE Mar (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Net interest inc.	364	346	328	*11.1*	*5.3*	710	633	*12.2*
Islamic banking inc.	137	130	110	*25.2*	*5.7*	268	210	*27.3*
Non-interest inc.	104	64	90	*14.9*	*63.2*	167	151	*10.7*
Net income	**606**	**540**	**528**	***14.7***	***12.2***	**1,145**	**994**	***15.2***
OPEX	(274)	(259)	(247)	*10.9*	*5.5*	(533)	(477)	*11.8*
PPOP	**332**	**280**	**281**	***18.0***	***18.4***	**613**	**518**	***18.4***
Loan provisions	(94)	(46)	(40)	*136.8*	*105.1*	(140)	(74)	*87.9*
Other provisions	(1)	(0)	(0)	*n.m.*	*n.m.*	(1)	(0)	*n.m.*
JV & Associates	0	0	0	*n.m.*	*n.m.*	0	0	*n.m.*
PBT	**238**	**235**	**242**	***-1.7***	***1.3***	**472**	**443**	***6.6***
Tax	(48)	(58)	(56)	*-15.4*	*-17.7*	(106)	(107)	*-1.5*
NCI	-	-	-	*n.m.*	*n.m.*	-	-	*n.m.*
Reported NP	**190**	**177**	**185**	***2.5***	***7.5***	**367**	**336**	***9.1***
Core NP	**190**	**177**	**185**	***2.5***	***7.5***	**367**	**336**	***9.1***
Total NII	491	465	430	*14.3*	*5.7*	956	831	*15.0*
Total NOII	114	75	98	*16.4*	*52.4*	190	163	*16.2*
Gross DPS (sen)	**9.5**	**-**	**10.9**	***n.m.***	***n.m.***	**9.5**	**10.9**	***n.m.***
Core EPS (sen)	12.3	11.4	12.0	*2.5*	*7.5*	23.7	21.7	*9.1*
Gross loans	59,074	57,088	51,460	*14.8*	*3.5*			
Gross impaired loans	1,192	1,239	1,291	*-7.6*	*-3.8*			
Customer deposits	58,966	57,818	51,838	*13.8*	*2.0*			
CASA	24,102	24,004	22,898	*5.3*	*0.4*			

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**10.3**	**9.9**	**10.7**	***-0.5***	***0.4***	**9.9**	**9.7**	***0.2***
NIM (Reported)	**2.49**	**2.45**	**2.53**	***-0.04***	***0.04***	**2.47**	**2.48**	***-0.01***
NOII/Net income	18.9	13.9	18.6	*0.3*	*5.0*	16.5	16.4	*0.1*
Cost/Income	45.2	48.0	46.7	*-1.6*	*-2.9*	46.5	48.0	*-1.4*
NCC (Ann.) (bps)	68	34	32	*36*	*34*	51	30	*20*
GIL ratio	2.02	2.17	2.51	*-0.49*	*-0.15*			
Loan loss coverage	106	97	94	*11*	*8*			
CASA ratio	40.9	41.5	44.2	*-3.3*	*-0.6*			
L/D ratio	98.4	97.0	97.2	*1.2*	*1.4*			
CET-1	12.4	12.2	12.9	*-0.5*	*0.2*			

Source: ABMB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**1,230**	**1,310**	**1,389**	**1,501**	**1,557**
Islamic banking inc.	453	440	498	538	558
Other operating inc.	237	271	301	302	314
Net income	**1,920**	**2,020**	**2,187**	**2,341**	**2,429**
OPEX	(881)	(974)	(1,050)	(1,124)	(1,141)
PPOP	**1,038**	**1,047**	**1,137**	**1,217**	**1,287**
Loan allowances	(152)	(135)	(175)	(190)	(205)
Other allowances	0	(1)	3	2	2
JV & Associates	0	0	0	0	0
PBT	**887**	**911**	**965**	**1,030**	**1,084**
Tax & zakat	(209)	(221)	(234)	(249)	(262)
NCI	-	-	-	-	-
Reported NP	**678**	**690**	**732**	**781**	**822**
Core NP	**678**	**690**	**732**	**781**	**822**
Total NII	1,653	1,720	1,852	2,001	2,075
Total NOII	267	300	336	340	353

BALANCE SHEET

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	3,659	4,597	3,759	3,810	3,910
Investment securities	12,148	14,253	12,814	11,734	10,908
Net loans	47,926	54,721	59,797	64,598	69,753
Other IEAs	0	0	0	0	0
Non-IEAs	2,577	3,376	6,104	7,848	9,399
Total assets	**66,311**	**76,946**	**82,473**	**87,990**	**93,970**
Customer deposits	50,849	57,397	62,276	67,383	72,908
Other IBLs	3,966	5,650	5,544	5,359	5,193
Non-IBLs	4,748	6,724	6,956	7,094	7,235
Total liabilities	**59,564**	**69,771**	**74,777**	**79,836**	**85,336**
Share capital	1,548	1,548	1,548	1,548	1,548
Reserves	5,199	5,627	6,148	6,606	7,086
Shareholders' funds	**6,747**	**7,175**	**7,696**	**8,154**	**8,634**
NCI	0	0	0	0	0
Total equity	**6,747**	**7,175**	**7,696**	**8,154**	**8,634**
Total L&E	**66,311**	**76,946**	**82,473**	**87,990**	**93,970**
Total IEAs	63,733	73,570	76,369	80,142	84,571
Total IBLs	54,815	63,047	67,820	72,742	78,101
Gross loans	49,068	55,740	60,757	65,617	70,867
CASA	21,295	23,864	23,042	23,584	25,518

FINANCIAL RATIOS

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.66	2.51	2.47	2.49	2.52
Return on IEAs	3.19	3.59	3.27	3.27	3.18
Cost of funds	1.40	1.96	1.62	1.51	1.41
Net interest spread	1.78	1.63	1.65	1.76	1.77
Profitability (%)					
ROE	**10.3**	**9.9**	**9.8**	**9.8**	**9.8**
ROA	1.1	1.0	0.9	0.9	0.9
NOII/Net income	13.9	14.9	15.3	14.5	14.5
Effective tax rate	23.5	24.2	24.2	24.2	24.2
Cost/Income	45.9	48.2	48.0	48.0	47.0
Liquidity (%)					
Loan/Deposit	94.3	95.3	96.0	95.9	95.7
CASA ratio	41.9	41.6	37.0	35.0	35.0
Asset Quality (%)					
GIL ratio	2.51	2.11	1.95	1.90	1.90
LLC ratio	103	101	95	95	95
LLC (w. reserves)	124	114	116	115	113
Net CC (bps)	32	26	30	30	30
Capital (%)					
CET 1	13.8	12.5	12.9	12.4	12.0
Tier 1 capital	14.6	13.2	13.6	13.1	12.6
Total capital	18.7	16.8	17.0	16.4	15.7
Growth (%)					
Total NII	11.7	4.1	7.7	8.1	3.7
Total NOII	-31.1	12.4	11.7	1.4	3.8
Net income	2.8	5.2	8.3	7.0	3.7
OPEX	7.1	10.5	7.8	7.0	1.6
Core NP	18.3	1.9	6.0	6.7	5.3
Gross loans	6.2	13.6	9.0	8.0	8.0
Customer deposits	5.5	12.9	8.5	8.2	8.2
CASA	-9.7	12.1	-3.4	2.4	8.2
Valuation metrics					
Core EPS (sen)	43.8	44.6	47.3	50.4	53.1
Gross DPS (sen)	22.0	22.3	21.3	22.7	23.9
Div payout ratio (%)	50	50	45	45	45
BVPS (RM)	4.4	4.6	5.0	5.3	5.6
Core P/E (x)	11.1	10.9	10.3	9.7	9.2
Dividend yield (%)	**4.5**	**4.6**	**4.4**	**4.6**	**4.9**
P/BV (x)	1.1	1.1	1.0	0.9	0.9

Source: ABMB, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology