Corporate Update

Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Main | Financial Services

3 Stars

FTSE4Good

Maintain **NEUTRAL**

Revised Target Price **RM4.74** (from RM4.64)

3QFY25 Results Review
Good Results Priced In

Maintain NEUTRAL call: Revised GGM-TP of RM 4.74 (from RM4.64). Alliance Bank Malaysia Bhd (ABMB) saw earnings momentum continued driven by strong loans growth. Despite the lower NIMs, this led to solid NII expansion. Furthermore, asset quality continues to improve. However, we opine that all the positives have been priced in. Hence, we maintain our NEUTRAL call. We tweak our TP as we tweak P/BV slightly higher given the solid performance. The TP is based on a revised FY26F P/BV of 0.90x. (GGM assumptions: FY26F ROE of 9.8%, LTG of 5.0% & COE of 10.5%)

Within expectations. ABMB's 9MFY25 core net profit (NP) of RM553m came within/within our/street forecasts at 76%/75% of full-year forecasts.

9MFY25's core NP up by +8%yoy. Main contributors were the higher NII (+13.9%yoy) and NOII (+11.0%yoy). This was moderated by +10.1%yoy rise in OPEX and higher provisions (+79.9%yoy). NII growth was driven by strong gross loans growth while NOII expansion came from growth in wealth management (+10.4%yoy) and FX sales & trade fees (+16.2%yoy).

3QFY25's core NP of RM187m down by -2%qoq. The lower quarterly NP was due to lower NOII (-42%qoq) which led to decline in net income (-7%qoq). This resulted in decrease in PPOP despite lower OPEX. The decline in NOII was due to lower treasury and investment income.

Gross loans grew by +3.2%qoq, coming up to +14.2%yoy. This was due to strong growth in all segments. SME loans grew +14.1%yoy to RM15.9b (mainly Term Loans), commercial loans expanded +16.8%yoy to RM8.3b and corporate loans grew +13.5%yoy (RM6.6b). Meanwhile, consumer banking loans rose +13.8%yoy to RM30.1b led by mortgage (+13.3%yoy) and personal financing (+13.1%yoy).

Deposits grew by +4.6%qoq, coming up to +13.3%yoy. However, this was led by FD which expanded +26.1%yoy to RM32.8b. Meanwhile, CASA contracted -1.0%yoy to RM24.3b.

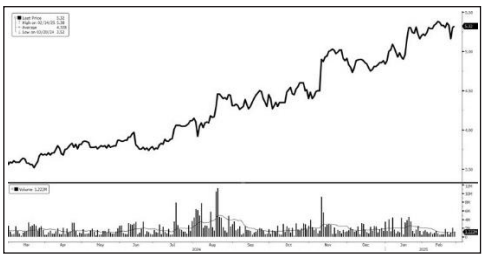
GIL moved by -5bps qoq to 1.97%, LLC currently at 104%. Improvements in commercial & corporate segment (-1bps qoq to 1.8%) and consumer (-1bps qoq to 2.1%).

No change in earnings estimates. We are maintaining our earnings estimates as results were within our expectation.

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

RETURN STATISTICS	
Price @ 27th Feb 2025 (RM)	5.32
Expected share price return (%)	-10.9
Expected dividend yield (%)	+4.3
Expected total return (%)	-6.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.3	0.4
3months	9.9	8.9
12 months	49.4	46.1

INVESTMENT STATISTICS

FYE Mar	2025F	2026F	2027F
Core NP (RM m)	**732**	**781**	**822**
CNP growth (%)	6	7	5
Div yield (%)	**4.0**	**4.3**	**4.5**
Gross DPS (sen)	21.3	22.7	23.9
P/BV (x)	**1.1**	**1.0**	**1.0**
BVPS (RM)	5.0	5.3	5.6
ROE (%)	**9.8**	**9.8**	**9.8**

KEY STATISTICS

FBM KLCI	1,586.60
Issue shares (m)	1,548.11
Estimated free float (%)	69.63
Market Capitalisation (RM'm)	8,235.92
52-wk price range	RM3.51 – RM5.40
3-mth average daily volume (m)	1.72
3-mth average daily value (RM'm)	8.63
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.1
EPF	8.3
Global Success Network	5.0

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3QFY25 RESULTS SUMMARY

FYE Mar (RM m)	3Q FY25	2Q FY25	3Q FY24	Yoy (%)	Qoq (%)	9M FY25	9M FY24	Yoy (%)
Net interest inc.	369	364	334	11	1	1,080	967	12
Islamic banking inc.	138	137	116	19	0	406	326	25
Non-interest inc.	54	104	61	-11	-48	221	212	4
Net income	**561**	**606**	**510**	**10**	**-7**	**1,707**	**1,504**	**13**
OPEX	(265)	(274)	(248)	7	-3	(798)	(725)	10
PPOP	**296**	**332**	**262**	**13**	**-11**	**909**	**780**	**17**
Loan provisions	(38)	(94)	(25)	56	-59	(178)	(99)	80
Other provisions	0	(1)	(0)	n.m.	n.m.	(1)	(0)	n.m.
JV & Associates	0	0	0	n.m.	n.m.	0	0	n.m.
PBT	**258**	**238**	**237**	**9**	**9**	**730**	**680**	**7**
Tax	(71)	(48)	(61)	17	49	(177)	(168)	5
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**187**	**190**	**177**	**6**	**-2**	**553**	**513**	**8**
Core NP	**187**	**190**	**177**	**6**	**-2**	**553**	**513**	**8**
Total NII	495	491	442	12	1	1,451	1,274	13.9
Total NOII	67	114	68	-1	-42	256	231	11.0
Gross DPS (sen)	**-**	**9.5**	**-**	**n.m.**	**n.m.**	**9.5**	**10.9**	**n.m.**
Core EPS (sen)	12.1	12.3	11.4	6	-2	35.7	33.1	8
Gross loans	60,956	59,074	53,356	14.2	3.2			
Gross impaired loans	1,203	1,192	1,246	-3.5	0.9			
Customer deposits	61,659	58,966	54,410	13.3	4.6			
CASA	24,285	24,102	24,530	-1.0	0.8			

Ratios (%)	3Q FY25	2Q FY25	3Q FY24	Yoy (ppts)	Qoq (ppts)	9M FY25	9M FY24	Yoy (ppts)
ROE (Ann.)	**10.1**	**10.3**	**10.1**	**-0.1**	**-0.2**	**9.9**	**9.8**	**0.1**
NIM (Reported)	**2.45**	**2.49**	**2.49**	**-0.04**	**-0.04**	**2.46**	**2.48**	**-0.02**
NOII/Net income	11.9	18.9	13.3	-1.4	-7.0	15.0	15.3	-0.3
Cost/Income	47.2	45.2	48.6	-1.3	2.1	46.8	48.2	-1.4
NCC (Ann.) (bps)	27	68	20	7	-41	42	26	15
GIL ratio	1.97	2.02	2.33	-0.36	-0.05			
Loan loss coverage	104	106	96	7	-2			
CASA ratio	39.4	40.9	45.1	-5.7	-1.5			
L/D ratio	97.2	98.4	96.2	1.0	-1.2			
CET-1	12.4	12.4	12.8	-0.4	0.0			

Source: Company, 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)	12.2	11.9	11.3	10.6	10.0
Dividend yield (%)	**4.1**	**4.2**	**4.0**	**4.3**	**4.5**
P/BV (x)	1.2	1.1	1.1	1.0	1.0

Source: Bloomberg, 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	

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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