Corporate Update

Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **NEUTRAL**

Revised Target Price **RM5.02** (from RM4.74)

Renounceable Rights Issue to Raise RM600m

ABMB proposes renounceable rights issue of shares to raise RM600m. The proceeds will be used for working capital purposes. The Entitlement Date, Entitlement Basis, and Issue Price are yet to be determined.

Regardless, we did scenario testing based on the following assumptions: (1) Given issue price of RM4.20 (20% discount), (2) 3:32 share entitlement basis. The newer TP is RM4.55 (-10.6% from current share price), which, when added with dividend yields, puts ABMB barely in the "NEUTRAL" range. Further details are listed below.

ABMB is capital-stretched, given its rapid growth. ABMB's CET 1 ratio stood at a low 12.4% in Dec-24. A capital-raising exercise is needed to ensure dividend certainty while maintaining a high level of loan growth. Points to note:

1. ABMB's L/D ratio is at a high 97.2%. Its loans grow faster than deposits (as with most of its peers).
2. Loan growth targets tend to be high (FY24: 8-10%), given ABMB's small size. ABMB's ACCELER8 multi-year plan calls for rapid loan growth to rebalance and derisk its loan book.
3. Management has consistently assured investors of the certainty of dividend payments. However, we forecast that dividend payout will come in at the lower bound of FY25's 40-50% guidance (much like FY24).

Forecasts unchanged. We increase our FY25F/26F/27F forecasts by +2.5%/+4.0%/+3.8% respectively, as we increase our NOII and loans growth forecasts. We make no changes pertaining to the proposed renounceable rights issue as of now.

Key downside risks. *(1) Further NIM compression, (2) Weaker-than-expected loan growth, (3) Poor NOII performance.*

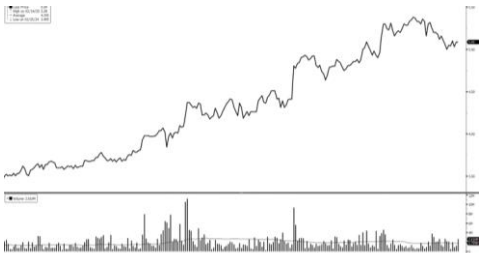
Maintain NEUTRAL call: Revised GGM-TP of RM 5.02 *(from RM4.74).* The TP is based on a revised FY26F P/BV of 0.94x *(formerly 0.90x),* to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 10.2%, LTG of 5.0% & COE of 10.5)*

RETURN STATISTICS

Price @ 21 March 2025 (RM)	5.09
Expected share price return (%)	-1.5
Expected dividend yield (%)	+4.1
Expected total return (%)	**+2.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.5	0.5
3 months	5.2	12.2
12 months	41.4	44.9

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**750**	**812**	**853**
CNP growth (%)	9	8	5
Div yield (%)	**3.8**	**4.1**	**4.3**
Gross DPS (sen)	19.4	21.0	22.0
P/BV (x)	**1.0**	**1.0**	**0.9**
BVPS (RM)	5.0	5.3	5.7
ROE (%)	**10.1**	**10.2**	**10.0**

KEY STATISTICS

FBM KLCI	1,505.45
Issue shares (m)	1548.11
Estimated free float (%)	69.63
Market Capitalisation (RM'm)	7,879.86
52-wk price range	RM3.59 - RM5.4
3-mth average daily volume (m)	1.79
3-mth average daily value (RM'm)	9.14
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.06
EPF Board	8.89
Global Success Network	4.98

Analyst

Research Team

03-2173 8461

FIG 1: Scenario Testing

	Current Figures		Given Scenario: Issue price of RM4.20 (20% discount) + 3:32 entitlement basis	
Final Share Base (mil)	1,548		1,693	
P/BV Valuation Basis (x)	0.94		0.87	
Target Price (RM)	**5.02**		**4.55**	
CET 1 ratio (%)	**12.4**		**13.5**	
	FY26	**FY27**	**FY26**	**FY27**
EPS (sen)	52.5	55.1	48.0	50.4
BVPS (RM)	10.2	10.0	9.8	9.3
DPS (sen)	21.0	22.0	19.2	20.2
ROE (%)	10.2	10.0	9.8	9.3

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**1,230**	**1,310**	**1,393**	**1,528**	**1,581**
Islamic banking inc.	453	440	499	548	567
Other operating inc.	237	271	348	355	373
Net income	**1,920**	**2,020**	**2,240**	**2,431**	**2,521**
OPEX	(881)	(974)	(1,075)	(1,167)	(1,185)
PPOP	**1,038**	**1,047**	**1,165**	**1,264**	**1,336**
Loan allowances	(152)	(135)	(176)	(193)	(211)
Other allowances	0	(1)	-	-	-
JV & Associates	0	0	0	0	0
PBT	**887**	**911**	**990**	**1,072**	**1,125**
Tax & zakat	(209)	(221)	(239)	(259)	(272)
NCI	-	-	-	-	-
Reported NP	**678**	**690**	**750**	**812**	**853**
Core NP	**678**	**690**	**750**	**812**	**853**
Total NII	1,653	1,720	1,858	2,038	2,108
Total NOII	267	300	383	393	412

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	60,284	66,029	72,286
Other IEAs	-	-	-	-	-
Non-IEAs	2,577	3,376	5,665	7,146	8,385
Total assets	**66,311**	**76,946**	**82,521**	**88,718**	**95,489**
Customer deposits	50,849	57,397	62,276	68,006	74,262
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**	**80,458**	**86,690**
Share capital	1,548	1,548	1,548	1,548	1,548
Reserves	5,199	5,627	6,196	6,712	7,252
Shareholders' funds	**6,747**	**7,175**	**7,744**	**8,260**	**8,800**
NCI	-	-	-	-	-
Total equity	**6,747**	**7,175**	**7,744**	**8,260**	**8,800**
Total L&E	**66,311**	**76,946**	**82,521**	**88,718**	**95,489**
Total IEAs	63,733	73,570	76,856	81,573	87,104
Total IBLs	54,815	63,047	67,820	73,365	79,455
Gross loans	49,068	55,740	61,314	67,139	73,517
CASA	21,295	23,864	24,288	25,162	27,477

FINANCIAL RATIOS

FYE Mar (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.66	2.51	2.47	2.49	2.50
Return on IEAs	3.19	3.59	3.26	3.27	3.13
Cost of funds	1.40	1.96	1.62	1.50	1.39
Net interest spread	1.78	1.63	1.64	1.77	1.74
Profitability (%)					
ROE	**10.3**	**9.9**	**10.1**	**10.2**	**10.0**
ROA	1.1	1.0	0.9	0.9	0.9
NOII/Net income	13.9	14.9	17.1	16.2	16.4
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	96.8	97.1	97.3
CASA ratio	41.9	41.6	39.0	37.0	37.0
Asset Quality (%)					
GIL ratio	2.51	2.11	1.95	1.90	1.90
LLC ratio	103	101	100	100	100
LLC (w. reserves)	124	114	121	119	118
Net CC (bps)	32	26	30	30	30
Capital (%)					
CET 1	13.8	12.5	12.9	12.3	12.1
Tier 1 capital	14.6	13.2	13.6	13.0	12.7
Total capital	18.7	16.8	17.0	16.2	15.8
Growth (%)					
Total NII	11.7	4.1	8.0	9.7	3.5
Total NOII	-31.1	12.4	27.4	2.8	4.8
Net income	2.8	5.2	10.9	8.5	3.7
OPEX	7.1	10.5	10.4	8.5	1.5
Core NP	18.3	1.9	8.6	8.3	5.0
Gross loans	6.2	13.6	10.0	9.5	9.5
Customer deposits	5.5	12.9	8.5	9.2	9.2
CASA	-9.7	12.1	1.8	3.6	9.2
Valuation metrics					
Core EPS (sen)	43.8	44.6	48.5	52.5	55.1
Gross DPS (sen)	22.0	22.3	19.4	21.0	22.0
Div payout ratio (%)	50	50	40	40	40
BVPS (RM)	4.4	4.6	5.0	5.3	5.7
Core P/E (x)	11.6	11.4	10.5	9.7	9.2
Dividend yield (%)	**4.3**	**4.4**	**3.8**	**4.1**	**4.3**
P/BV (x)	1.2	1.1	1.0	1.0	0.9

Source: Company, MIDFR

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