Corporate Update

Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **NEUTRAL**

Revised Target Price **RM4.20** (from RM4.57)

4QFY25 Results Review
Solid Fundamentals

To Conclude	**Solid set of earnings, as forecasted.** **Management's tone: Cautiously optimistic.** **Expect: While ABMB is expected to maintain its exceptional level of earnings and asset growth, the lingering threat of capital constraints prevents improvements in dividend yields and is accompanied by fears of further dilutive effects.**
Our Verdict	**When factoring in the dilutive impact of the upcoming share issuance, ABMB is priced in, with dividend yields that are far from the industry's best. Otherwise, ABMB seems to be going through a solid growth trajectory, boasting impressive topline and asset growth figures, while simultaneously improving asset quality.**
Valuations	**Current P/BV of 0.88x is expensive, trading above the 5-year P/BV mean of 0.78x (though not yet at +1SD level).** **The company is currently trading at a forward FY26F P/BV of 0.91x with a +4.2% dividend yield.**
Yays	1. High loan growth and aggressive market share capture. 2. Improving asset quality.
Nays	1. Capital constraints prevent dividend yields from improving. ABMB also faces the threat of further share issuances, should capital levels plummet once more. 2. NIM to compress (though NII growth is very strong). 3. Expect elevated OPEX inflation to persist.
Okays	1. Management seems optimistic about fee and treasury income prospects.

Results in a nutshell:

▲ **12MFY25's Core NP of RM751m was *Within/Within* our/street forecasts: *100%/102%* of full-year forecasts.**

► **Dividends announced.** DPS of 19.4 sen translates to a payout of 40% for 12MFY25. This comes at the lower end of FY25's 40-50% guidance. This was expected, given the Group's need to preserve capital.

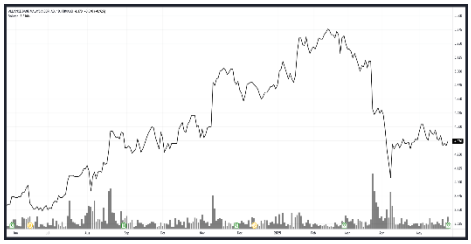
▲ **12MFY25's Core net profit (NP) of RM751m up by +9%yoy.** This was largely driven by a sharp improvement in NII, which offset higher OPEX, provisioning, and tax expenses.

▲ **4QFY25's Core NP of RM197m up by +6%qoq.** This was due to lower provisioning charges offsetting higher OPEX.

RETURN STATISTICS

Price @ 27 May 2025 (RM)	4.39
Expected share price return (%)	-4.3
Expected dividend yield (%)	+4.2
Expected total return (%)	**-0.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.2	-3.1
3 months	-6.1	-15.9
12 months	15.1	22.0

INVESTMENT STATISTICS

FYE Mar	FY26F	FY27F	FY28F
Core NP (RM m)	**787**	**828**	**852**
CNP growth (%)	5	5	3
Div yield (%)	**4.2**	**4.5**	**4.6**
Gross DPS (sen)	18.6	19.6	20.1
P/BV (x)	**0.9**	**0.9**	**0.8**
BVPS (RM)	4.8	5.1	5.5
ROE (%)	**9.9**	**9.8**	**9.5**
% Street CNP (%)	**100**	**99**	**91**

KEY STATISTICS

FBM KLCI	1,526.16
Issue shares (m)	1,548.1
Estimated free float (%)	69.6
Market Capitalisation (RM'm)	6,718.8
52-wk price range	RM3.73 – RM5.40
3-mth average daily volume (m)	2.6
3-mth average daily value (RM'm)	12.1
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.1
EPF Board	9.3
Global Success Network	5.0

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Have a look at:

▼ **NIMs to compress, but NII to continue exceptional growth regardless.** The change in asset mix (a large influx of lower-yielding consumer loans) and liability mix (FD growth is outstripping CASA growth) is expected to impact NIMs negatively. Management's guidance of 0 – 5 bps worth of compression does not factor in possible OPR cuts, which ABMB is very sensitive to. Regardless, management does not seem overly concerned, as their high loan growth in previous years is expected to preserve the high level of NII growth.

▲ **Loan growth may not be as high as FY25's but can still reach impressive heights.** Management expects FY26's loan growth to fall within the guidance of 8 – 10%, though it will likely hit the upper limit of 10%. A repeat of FY25's result (where the actual growth figure of 12% completely blew through the initial 8 – 10% guidance) is unlikely. Management mentions that loan demand is not as strong as the previous year, with demand for residential mortgages and commercial & corporate segments already slowing.

▲ **Asset quality to further improve; current NCC guidance is conservative.** With +30bps trends improving across all loan sectors, ABMB's GIL ratio is expected to continue improving, with no major pockets of stress seen so far (apart from the unsecured loan portfolio, but management chalks this up to seasonal effects).

As for provisioning, management does acknowledge that FY26's 30 – 35bps guidance may be a bit conservative (given its high LLC ratio). The concern seems to be on the potential impact of tariffs, which is said to impact 3.5 – 4.0% of total portfolio.

Forecasts revised: FY26F/27F Core NP adjusted by +3%/+4%. To reflect new FY26 targets provided by management, we have lowered our NCC and CIR forecasts, while increasing NOII expectations. We also incorporate the RM600m renounceable rights issue proposal into our forecasts (target completion: July-25), which has resulted in some earnings dilution.
Key downside risks. *(1) Higher-than-expected NCC, (2) Weak loan growth, (3) Weak NOII result.*

Maintain NEUTRAL call: Revised GGM-TP of RM 4.20 ***(from RM4.57).*** The TP is based on a revised FY26F P/BV of 0.87x *(formerly 0.86x),* to reflect altered earnings prospects and ROE-based valuations, as well as the impact of the upcoming rights issue.
(GGM assumptions: *FY26F ROE of 9.9%, LTG of 5.0% & COE of 10.7%)*

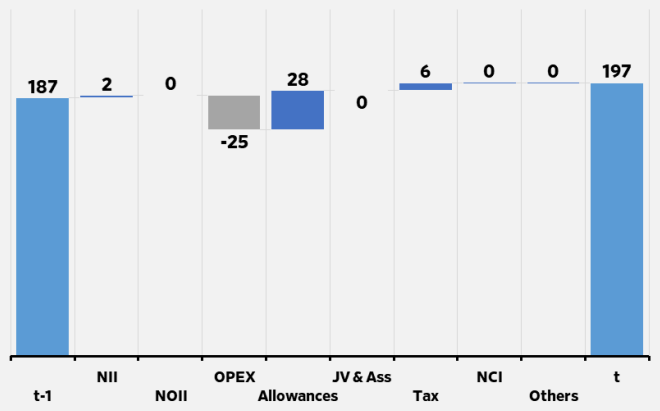
FIG 1: Quarterly results

FYE Mar (RM m)	4Q FY25	3Q FY25	4Q FY24	Yoy (%)	Qoq (%)	FY25	FY24	Yoy (%)
Net interest inc.	371	369	343	8	1	1,451	1,310	11
Islamic banking inc.	141	138	114	24	2	547	440	24
Non-interest inc.	50	54	59	-14	-6	272	271	0
Net income	**563**	**561**	**516**	**9**	**0**	**2,270**	**2,020**	**12**
OPEX	(290)	(265)	(249)	17	10	(1,088)	(974)	12
PPOP	**273**	**296**	**267**	**2**	**-8**	**1,181**	**1,047**	**13**
Loan provisions	(10)	(38)	(36)	-73	-75	(188)	(135)	39
Other provisions	(0)	0	(0)	n.m.	n.m.	(1)	(1)	n.m.
JV & Associates	0	0	0	n.m.	n.m.	0	0	n.m.
PBT	**263**	**258**	**231**	**14**	**2**	**993**	**911**	**9**
Tax	(65)	(71)	(53)	23	-8	(242)	(221)	10
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**197**	**187**	**178**	**11**	**6**	**751**	**690**	**9**
Core NP	**197**	**187**	**178**	**11**	**6**	**751**	**690**	**9**
Total NII	496	495	447	11	0	1,947	1,720	13
Total NOII	67	67	69	-3	0	323	300	8
Gross DPS (sen)	**9.9**	**-**	**11.5**	**n.m.**	**n.m.**	**19.4**	**22.3**	**n.m.**
Core EPS (sen)	12.8	12.1	11.5	11	6	48.5	44.6	9
Gross loans	62,445	60,956	55,740	12.0	2.4			
Gross impaired loans	1,145	1,203	1,178	-2.8	-4.8			
Customer deposits	65,835	61,659	57,397	14.7	6.8			
CASA	26,981	24,285	23,864	13.1	11.1			

Ratios (%)	4Q FY25	3Q FY25	4Q FY24	Yoy (ppts)	Qoq (ppts)	FY25	FY24	Yoy (ppts)
ROE (Ann.)	**10.3**	**10.1**	**9.9**	**0.4**	**0.2**	**9.8**	**9.6**	**0.2**
NIM (Reported)	**2.43**	**2.45**	**2.45**	**-0.02**	**-0.02**	**2.45**	**2.48**	**-0.03**
NOII/Net income	11.9	11.9	13.5	-1.6	0.0	14.2	14.9	-0.6
Cost/Income	51.6	47.2	48.3	3.3	4.3	48.0	48.2	-0.2
NCC (Ann.) (bps)	7	27	27	-21	-20	32	26	6
GIL ratio	1.83	1.97	2.11	-0.28	-0.14			
Loan loss coverage	107	104	101	6	3			
CASA ratio	41.0	39.4	41.6	-0.6	1.6			
L/D ratio	93.3	97.2	95.3	-2.0	-3.9			
CET-1	12.2	12.4	12.5	-0.3	-0.2			

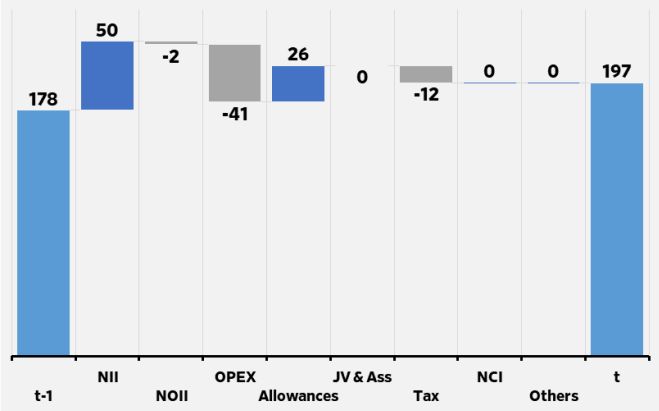
Source: Company, MIDFR

FIG 2: QoQ P/L walk (Quarterly results)



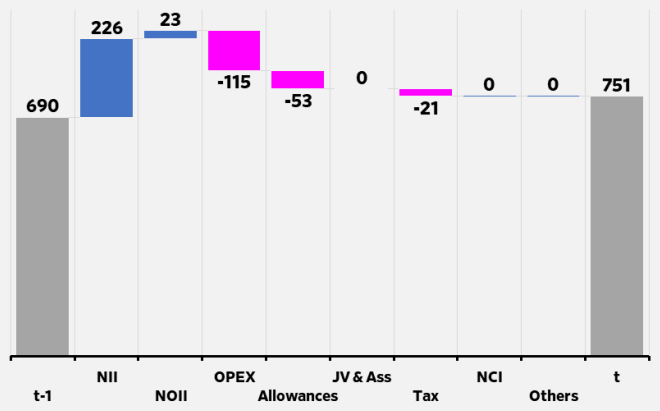
Source: Company, MIDFR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MIDFR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

4QFY25 / 12MFY25 results

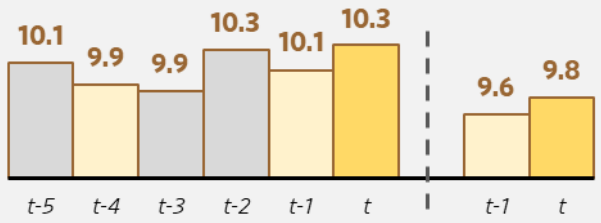
Earnings: Within/Within our/street forecasts

100%/102% of full-year estimates

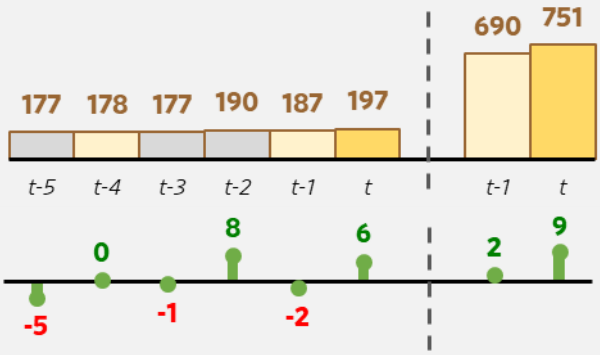
Dividend: YES

YTD payout: 40%

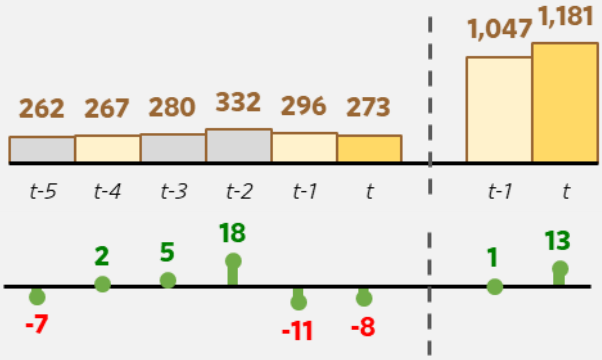
ROE (%)



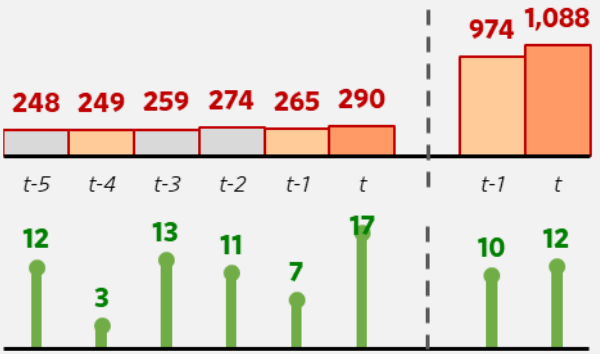
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



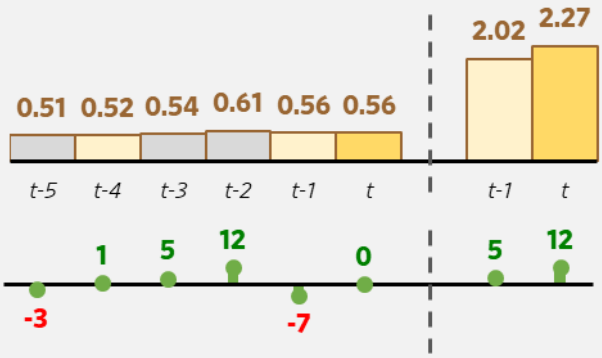
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



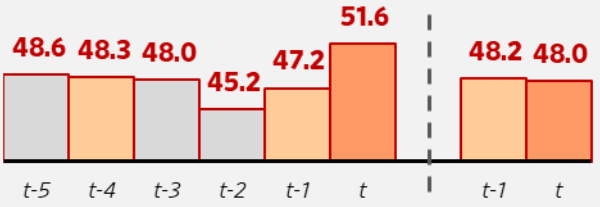
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



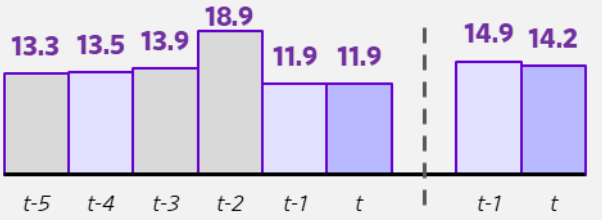
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



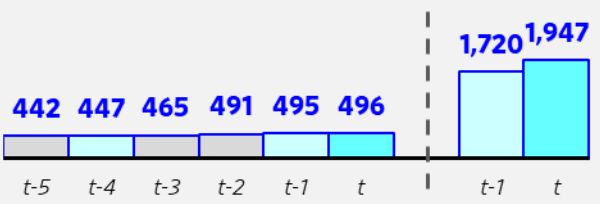
Cost/Income ratio (%)



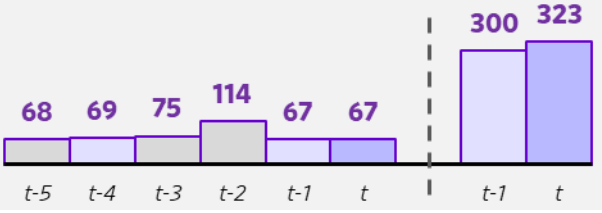
% NOII as topline (%)



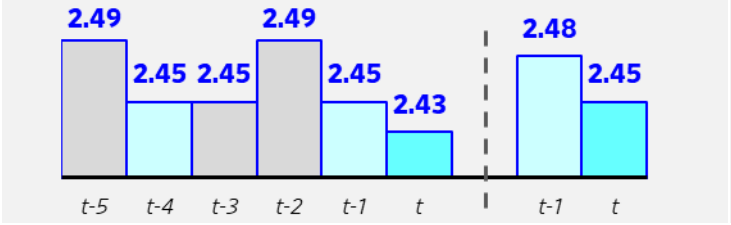
Net interest income (RM b)



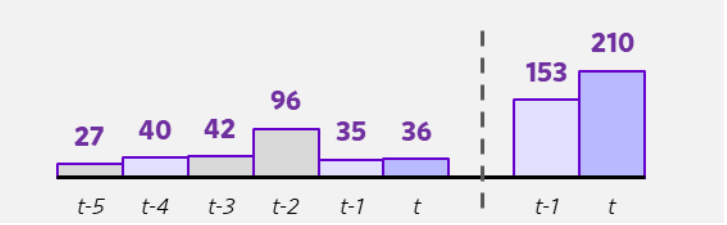
Non-interest income (RM b)



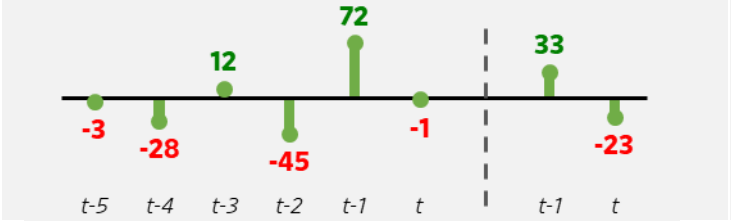
NIM (%)



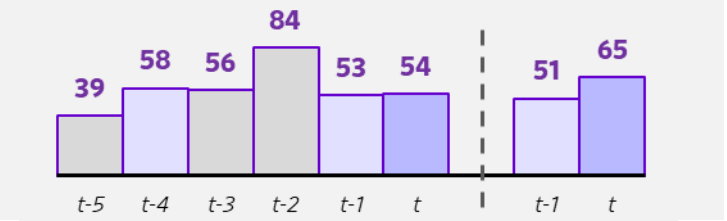
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

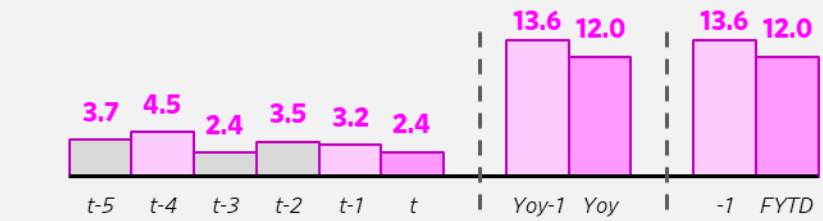


% Non-fee income as NOII (%)

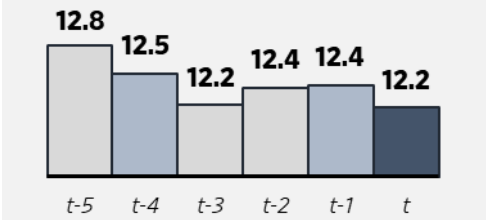


BALANCE SHEET

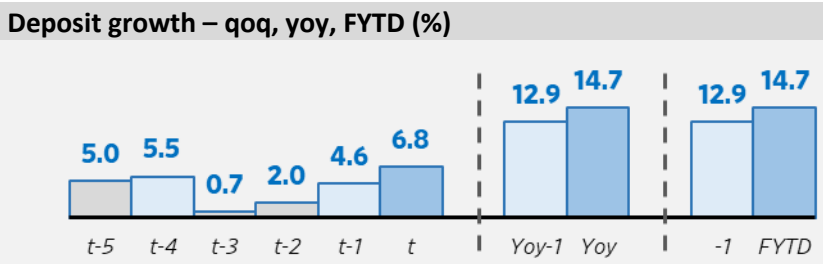
Loan growth – qoq, yoy, FYTD (%)



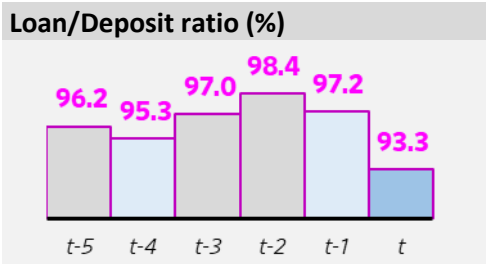
CET 1 ratio (%)



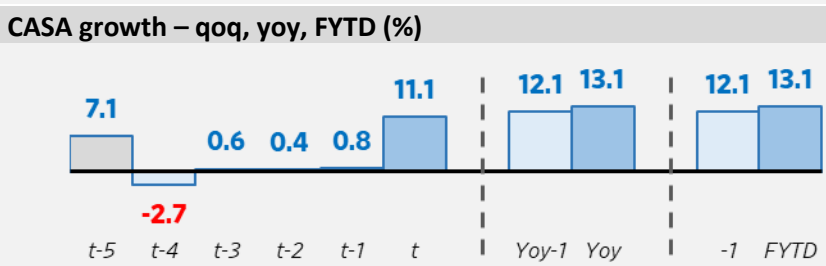
Deposit growth – qoq, yoy, FYTD (%)



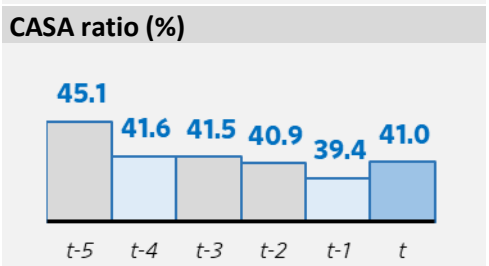
Loan/Deposit ratio (%)



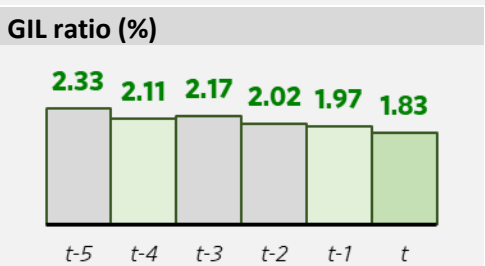
CASA growth – qoq, yoy, FYTD (%)



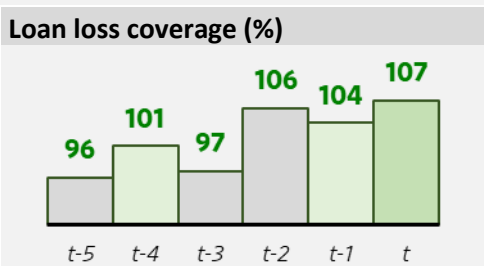
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

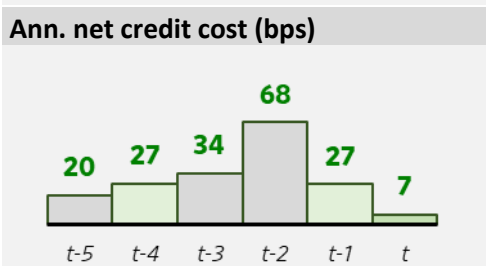


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***197***	**Qtrly ROE**	Qtr value	***10.3%***	
	26% of FY CNP					
	Qoq	*6%*		t-1	*10.1%*	
	Yoy	*11%*		t-4	*9.9%*	
Cum Core NP	RM mil	***751***	**Cum ROE**	Cum value	***9.8%***	
	Within our forecast					
	100% of FY CNP					
	Within consensus					
	102% of FY CNP					
	Yoy	*9%*		t-1	*9.6%*	
NII	As expected		**NIM**	As expected		
				Qtr value	***2.43***	
				Cum value	***2.45***	
	Qtr (Qoq)	*0%*		Qtr (Qoq)	*-2bps*	
	Qtr (Yoy)	*11%*		Qtr (Yoy)	*-2bps*	
	Cum (Yoy)	*13%*		Cum (Yoy)	*-3bps*	
NOII	As expected		**Qtr**	% NII	***88%***	
	Qtr (Qoq)	*0%*		% NOII	***12%***	
	Qtr (Yoy)	*-3%*	**Cum**	% NII	***86%***	
	Cum (Yoy)	*8%*		% NOII	***14%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***51.6%***	
				Cum value	***48.0%***	
	Qtr (Qoq)	*10%*		Qtr (Qoq)	*+4.3%*	
	Qtr (Yoy)	*17%*		Qtr (Yoy)	*+3.3%*	
	Cum (Yoy)	*12%*		Cum (Yoy)	*-0.2%*	

Source: Company, MIDFR

FIG 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	+ve surprise					
	Qoq	*2.4%*				
	Yoy	*12.0%*				
	YTD (FY)	*12.0%*				
Depo. grwth	As expected		**CASA grwth**	As expected		
	Qoq	*6.8%*		Qoq	*11.1%*	
	Yoy	*14.7%*		Yoy	*13.1%*	
	YTD (FY)	*14.7%*		YTD (FY)	*13.1%*	
CASA ratio	As expected		**L/D ratio**	As expected		
	Value now	***41.0%***		Value now	***93.3%***	
	Qoq	*+1.6%*		Qoq	*-3.9%*	
	Yoy	*-0.6%*		Yoy	*-2.0%*	
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***1.83%***		Value now	***107%***	
	Qoq	*-14bps*		Qoq	*+3%*	
	Yoy	*-28bps*		Yoy	*+6%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Decent provision			Decent provision		
	Value now	***7bps***		Value now	***32bps***	
	t-1	*27bps*				
	t-4	*27bps*		t-4	*26bps*	
CET 1	Could be better		**Div payout**	Div announced		
	As expected			As expected		
	Value now	***12.2%***		**Payout**	***40%***	
	Qoq	*-0.2%*				

Source: Company, MIDFR

FIG 7: Targets, Achievements, and Outlook

Targets	FY26	FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10 (post-Rights issue)	9.8	
CIR	48	48.0	
NIM	2.40 – 2.45 (from 2.45)	2.45	Changes in asset and liability mix are expected to compress NIM. Management is gunning on high loan growth to push NII growth instead.
NOII		8% (yoy)	
Loans	8 - 10	12. (YTD)	Management believes FY26's actual loan growth figure will hit the upper limit of 10%, but not yet breach into the 11% range.
Deposits		14.7 (YTD)	
% CASA		41.0	
Loan/Depo		93.3	
GIL ratio		1.83	
NCC (bps)	30 - 35	32	We think this is a conservative figure, given the high LLC. Management wants to play it safe, worrying about the potential impact of tariffs.
LLC		107	
CET 1		12.2	
Div payout	40 - 50	40	Expect dividend payout to always fall near the lower bound, given capital constraints.

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	**1,310**	**1,451**	**1,601**	**1,710**	**1,771**
Islamic banking inc.	440	547	574	613	635
Other operating inc.	271	272	228	227	228
Net income	**2,020**	**2,270**	**2,403**	**2,550**	**2,634**
OPEX	(974)	(1,088)	(1,153)	(1,224)	(1,251)
PPOP	**1,047**	**1,181**	**1,249**	**1,326**	**1,383**
Loan allowances	(135)	(188)	(211)	(233)	(259)
Other allowances	(1)	(1)	(1)	(1)	(1)
JV & Associates	0	0	0	0	0
PBT	**911**	**993**	**1,038**	**1,092**	**1,124**
Tax & zakat	(221)	(242)	(251)	(264)	(272)
NCI	-	-	-	-	-
Reported NP	**690**	**751**	**787**	**828**	**852**
Core NP	**690**	**751**	**787**	**828**	**852**
Total NII	1,720	1,947	2,135	2,280	2,361
Total NOII	300	323	268	270	272

BALANCE SHEET

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	4,597	5,201	4,391	4,462	4,435
Investment securities	14,253	15,571	14,037	12,880	11,991
Net loans	54,721	61,419	68,039	75,438	83,564
Other IEAs	-	-	-	-	-
Non-IEAs	3,376	3,027	6,292	8,337	10,371
Total assets	**76,946**	**85,217**	**92,759**	**101,117**	**110,361**
Customer deposits	57,397	65,835	72,945	80,823	89,552
Other IBLs	5,650	6,154	5,949	5,764	5,597
Non-IBLs	6,724	5,560	5,692	5,827	5,967
Total liabilities	**69,771**	**77,549**	**84,586**	**92,415**	**101,116**
Share capital	1,548	1,548	1,548	1,548	1,548
Reserves	5,627	6,120	6,626	7,154	7,697
Shareholders' funds	**7,175**	**7,668**	**8,174**	**8,702**	**9,245**
NCI	-	-	-	-	-
Total equity	**7,175**	**7,668**	**8,174**	**8,702**	**9,245**
Total L&E	**76,946**	**85,217**	**92,759**	**101,117**	**110,361**
Total IEAs	73,570	82,190	86,467	92,780	99,989
Total IBLs	63,047	71,989	78,894	86,587	95,150
Gross loans	55,740	62,445	69,189	76,662	84,941
CASA	23,864	26,981	26,990	29,905	33,134

FINANCIAL RATIOS

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest (%)					
NIM	2.51	2.50	2.45	2.45	2.45
Return on IEAs	3.59	3.68	3.68	3.64	3.50
Cost of funds	1.96	2.09	1.99	1.87	1.76
Net interest spread	1.63	1.58	1.69	1.76	1.74
Profitability (%)					
ROE	**9.9**	**10.1**	**9.9**	**9.8**	**9.5**
ROA	1.0	0.9	0.9	0.9	0.8
NOII/Net income	14.9	14.2	11.1	10.6	10.3
Effective tax rate	24.2	24.4	24.2	24.2	24.2
Cost/Income	48.2	48.0	48.0	48.0	47.5
Liquidity (%)					
Loan/Deposit	95.3	93.3	93.3	93.3	93.3
CASA ratio	41.6	41.0	37.0	37.0	37.0
Asset Quality (%)					
GIL ratio	2.11	1.83	1.85	1.85	1.85
LLC ratio	101	107	105	100	100
LLC (w. reserves)	114	117	124	117	116
Net CC (bps)	26	32	32	32	32
Capital (%)					
CET 1	12.5	12.2	12.2	11.8	11.3
Tier 1 capital	13.2	13.4	13.3	12.9	12.2
Total capital	16.8	16.7	16.5	15.9	15.0
Growth (%)					
Total NII	4.1	13.2	9.7	6.8	3.6
Total NOII	12.4	7.7	-17.2	0.7	1.0
Net income	5.2	12.3	5.9	6.1	3.3
OPEX	10.5	11.8	6.0	6.1	2.2
Core NP	1.9	8.7	4.8	5.2	2.9
Gross loans	13.6	12.0	10.8	10.8	10.8
Customer deposits	12.9	14.7	10.8	10.8	10.8
CASA	12.1	13.1	0.0	10.8	10.8
Valuation metrics					
Core EPS (sen)	40.8	44.3	46.5	48.9	50.3
Gross DPS (sen)	22.3	19.4	18.6	19.6	20.1
Div payout ratio (%)	46	37	40	40	40
BVPS (RM)	4.2	4.5	4.8	5.1	5.5
Core P/E (x)	10.8	9.9	9.4	9.0	8.7
Dividend yield (%)	**5.1**	**4.4**	**4.2**	**4.5**	**4.6**
P/BV (x)	1.0	1.0	0.9	0.9	0.8

Source: Company, MIDFR

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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