Corporate Update

Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **NEUTRAL**

Revised Target Price **RM4.69**
(from RM4.20)

1QFY26 Results Review
High Loan Growth Intact

To Conclude	**Solid set of earnings, as forecasted.** **Management's tone: Optimistic** **Expect: Despite NIM compression and asset quality scares, we think ABMB will be able to meet its FY26 ROE target while maintaining an exceptionally high level of asset growth.**
Our Verdict	**While ABMB's earnings outlook and high loan growth prospects are intact, potential asset quality issues and expensive valuations prevent us from offering a BUY recommendation.**
Valuations	**Current P/BV of 0.92x is expensive, trading above the 10-year P/BV mean of 0.81x.** **The company is currently trading at a forward FY26F P/BV of 0.95x with a +4.3% dividend yield.**
Yays	1. Loan growth remains among highest in industry. 2. Management is extremely confident in its NOII outlook. 3. We think ABMB's actual FY26 result will comfortably beat its ROE target of 10%.
Nays	1. NIM compression to persist, but we don't foresee too steep a decline. 2. OPEX growth expected to remain on the high side.
Okays	1. Asset quality situation doesn't seem overly concerning. 2. Mediocre dividends.

Results in a nutshell:

► **3MFY26's Core NP of RM199m was *Within*/*Within* our/street forecasts: *26%*/*27%* of full-year forecasts.** Management implies that this is seasonally the worst quarter in the year – which suggests that it expects much stronger quarters ahead, despite NIM compression.

► **No dividend announcement.**

▲ **3MFY26's Core net profit (NP) of RM199m up by +12%yoy.** Increased NII and NOII offset higher OPEX and provision charges.

► **1QFY26's Core NP of RM199m up by +1%qoq.** Improved NOII and lower OPEX and tax charges offset the large provision taken this quarter.

RETURN STATISTICS

Price @ 27 August 2025 (RM)	4.51
Expected share price return (%)	+4.1
Expected dividend yield (%)	+4.3
Expected total return (%)	**+8.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.2	-4.2
3 months	4.4	2.0
12 months	5.0	7.5

INVESTMENT STATISTICS

FYE Mar	FY26F	FY27F	FY28F
Core NP (RM m)	**836**	**871**	**885**
CNP growth (%)	11	4	2
Div yield (%)	**4.3**	**4.5**	**4.5**
Gross DPS (sen)	19.3	20.1	20.5
P/BV (x)	**1.0**	**0.9**	**0.8**
BVPS (RM)	4.7	5.1	5.4
ROE (%)	**10.5**	**10.3**	**9.8**
% Street CNP (%)	**106**	**103**	**97**

KEY STATISTICS

FBM KLCI	1,587.91
Issue shares (m)	1,588.8
Estimated free float (%)	64.0
Market Capitalisation (RM'm)	7,786.0
52-wk price range	RM3.82 – RM5.26
3-mth average daily volume (m)	3.4
3-mth average daily value (RM'm)	15.3
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:

▲ **Strong topline to stave off higher OPEX growth.** ABMB's topline performed very strongly this quarter. NOII result is expected to persist, and NII should still see a strong result despite facing NIM compression, buoyed by extremely high asset growth. This is expected to offset the higher OPEX growth in subsequent quarters (management expects FY26's full-year OPEX growth will end >7%yoy). Management thinks FY6's actual CIR will come well below its target of 48%.

▲ **Solid NOII outlook ahead.** ABMB's NOII was one of the standouts this quarter. Management expects this trend to continue, with improved forex trade and wealth management income, as well as exceptional investment returns acting as core drivers.

▲ **Despite a downgraded FY26 NIM target, management seems pretty confident in NII growth.** Management reiterates its stance: It is more than willing to let NIMs compress if the NII shortage is compensated for by high loan volume growth and NOII from cross-sell. The OPR cut is expected to impact NIMs by 3bps. LFR is also currently pretty low – implying room to release pricier FDs.

► **After a large provision, expect smaller provisions in subsequent quarters; Asset quality seems under control, thus loan growth is intact.** Management issued a huge overlay (60bps) this quarter but retains its FY26 NCC guidance of 30-35bps. Management does not see any immediate asset quality problems, despite a pretty steep +13bps sequential quarter increase in GIL ratio (currently 1.96%): While SME GILs have ticked upwards, cash flow constraints to SMEs remain sporadic events.

Forecasts revised: FY26F/FY27F/FY28F Core NP adjusted by +6%/+5%/+4%. To reflect better NOII performance, as guided by management.

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

Maintain NEUTRAL call: Revised GGM-TP of RM 4.69 ***(from RM4.20)***. The TP is based on a revised FY26F P/BV of 0.99x *(formerly 0.87x)* to reflect ABMB's share base post-rights issuance, altered earnings prospects, and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 10.5%, LTG of 5.0% & COE of 10.6%)*

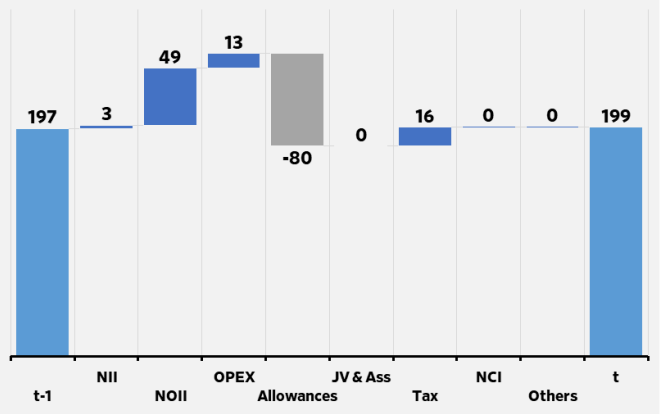
FIG 1: Quarterly results

FYE Mar (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Net interest inc.	370	371	346	7	-0	370	346	7
Islamic banking inc.	144	141	130	10	2	144	130	10
Non-interest inc.	102	50	64	60	102	102	64	60
Net income	**615**	**563**	**540**	**14**	**9**	**615**	**540**	**14**
OPEX	(278)	(290)	(259)	7	-4	(278)	(259)	7
PPOP	**338**	**273**	**280**	**20**	**24**	**338**	**280**	**20**
Loan provisions	(90)	(10)	(46)	96	819	(90)	(46)	96
Other provisions	(0)	(0)	(0)	n.m.	n.m.	(0)	(0)	n.m.
JV & Associates	0	0	0	n.m.	n.m.	0	0	n.m.
PBT	**248**	**263**	**235**	**6**	**-6**	**248**	**235**	**6**
Tax	(49)	(65)	(58)	-15	-25	(49)	(58)	-15
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**199**	**197**	**177**	**12**	**1**	**199**	**177**	**12**
Core NP	**199**	**197**	**177**	**12**	**1**	**199**	**177**	**12**
Total NII	499	496	465	7	1	499	465	7
Total NOII	116	67	75	55	74	116	75	55
Gross DPS (sen)	**-**	**9.9**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	12.8	12.8	11.4	12	1	12.8	11.4	12
Gross loans	62,728	62,445	57,088	9.9	0.5			
Gross impaired loans	1,227	1,145	1,239	-0.9	7.2			
Customer deposits	65,021	65,835	57,818	12.5	-1.2			
CASA	24,682	26,981	24,004	2.8	-8.5			

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**10.2**	**10.3**	**9.9**	**0.3**	**-0.1**	**10.2**	**9.9**	**0.3**
NIM (Reported)	**2.42**	**2.43**	**2.45**	**-0.03**	**-0.01**	**2.42**	**2.45**	**-0.03**
NOII/Net income	18.9	11.9	13.9	5.0	7.0	18.9	13.9	5.0
Cost/Income	45.1	51.6	48.0	-2.9	-6.5	45.1	48.0	-2.9
NCC (Ann.) (bps)	60	7	34	26	53	60	34	26
GIL ratio	1.96	1.83	2.17	-0.21	0.12			
Loan loss coverage	104	107	97	7	-3			
CASA ratio	38.0	41.0	41.5	-3.6	-3.0			
L/D ratio	94.8	93.3	97.0	-2.1	1.5			
CET-1	12.4	12.2	12.2	0.2	0.2			

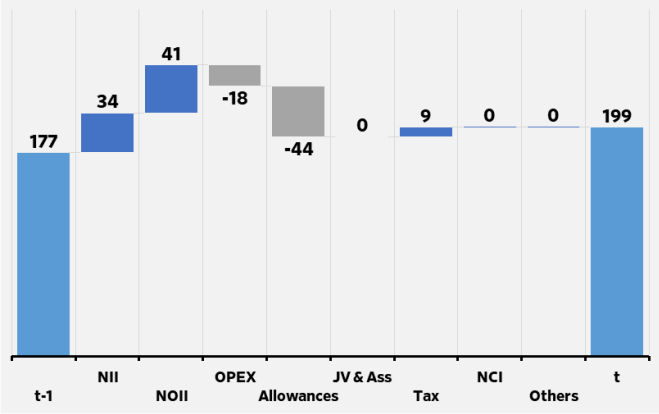
Source: Company, MBSBR

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



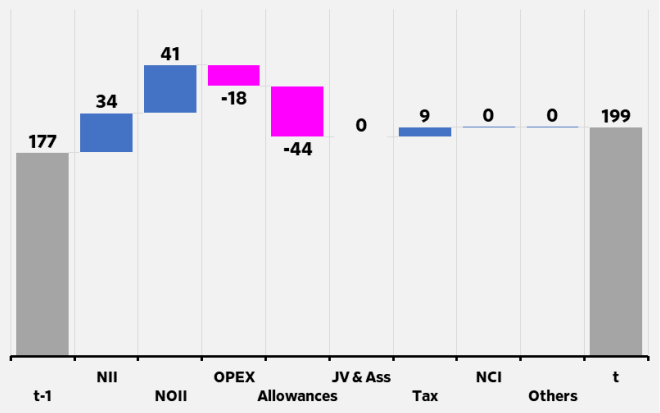
Source: Company, MBSBR

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



Source: Company, MBSBR

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



Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

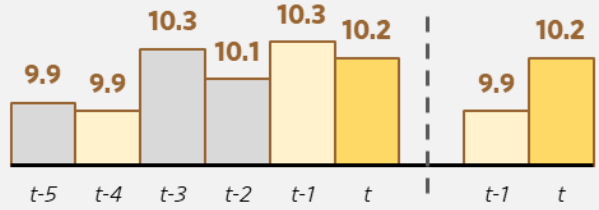
1QFY26 / 3MFY26 results

Earnings: Within/Within our/street forecasts

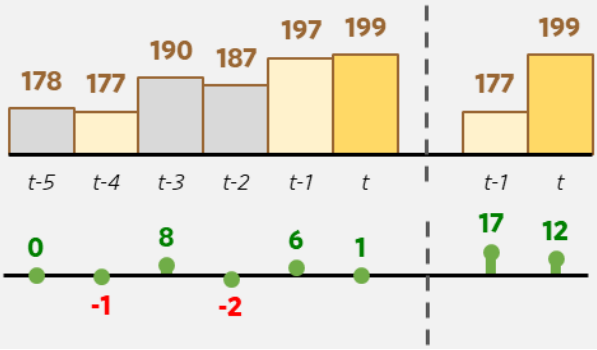
26%/27% of full-year estimates

Dividend: NO

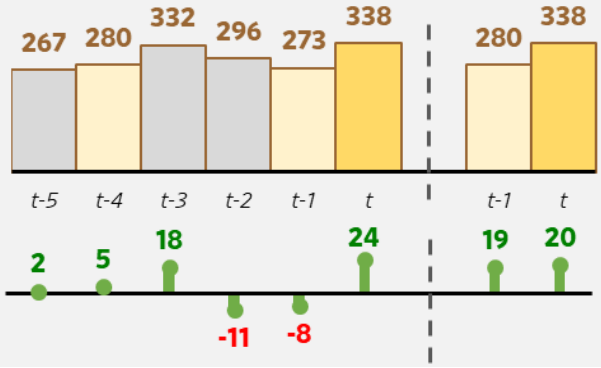
ROE (%)



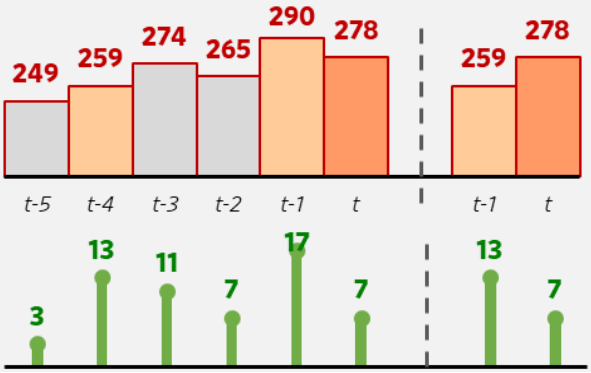
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



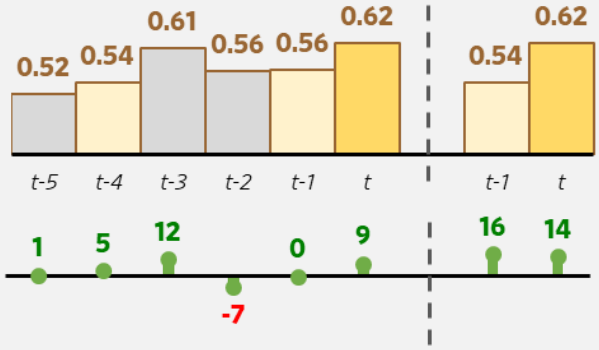
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



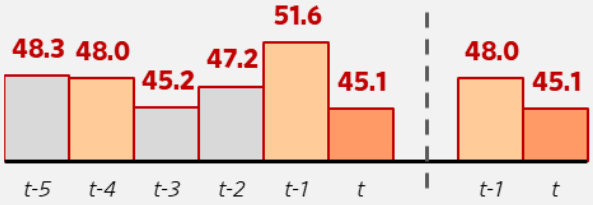
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



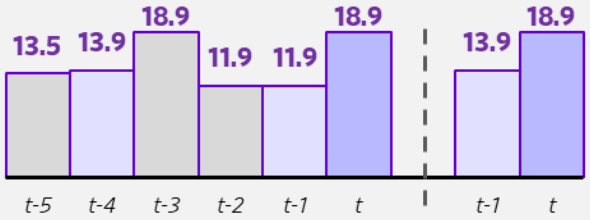
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



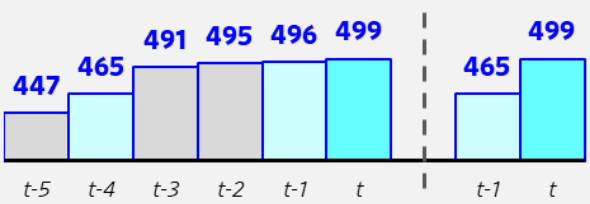
Cost/Income ratio (%)



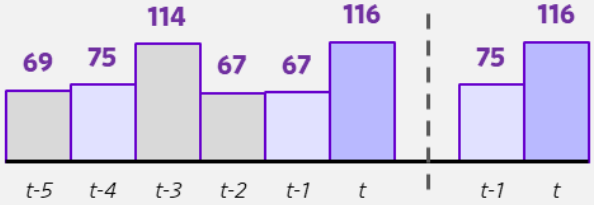
% NOII as topline (%)



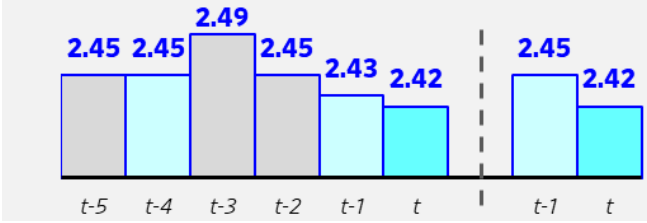
Net interest income (RM b)



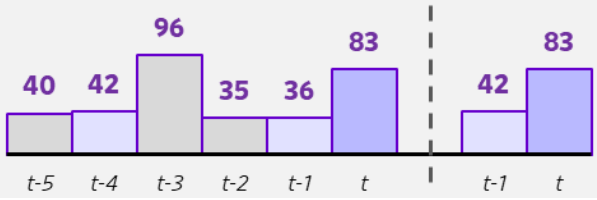
Non-interest income (RM b)



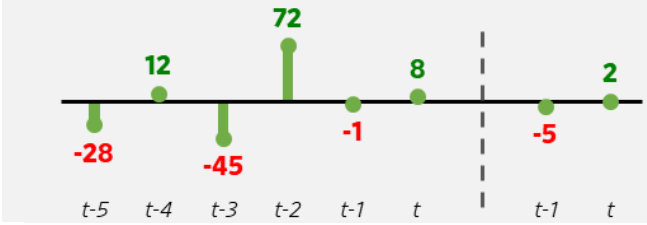
NIM (%)



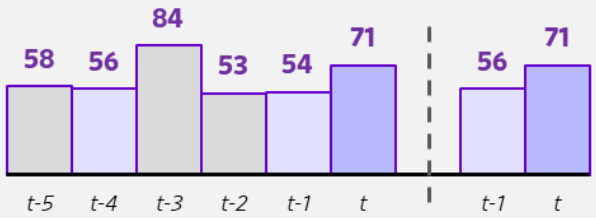
Non-fee NOII (RM b)



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

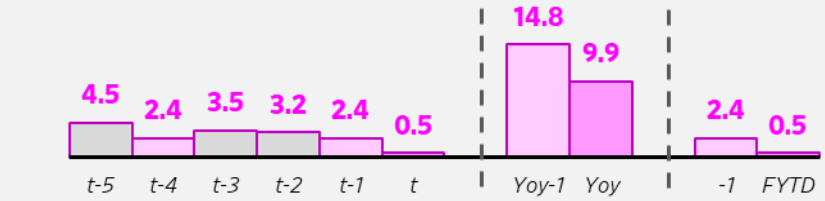


% Non-fee income as NOII (%)

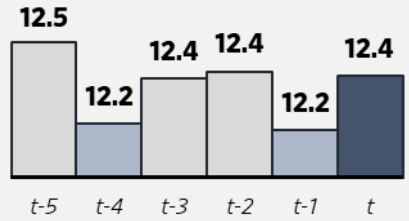


BALANCE SHEET

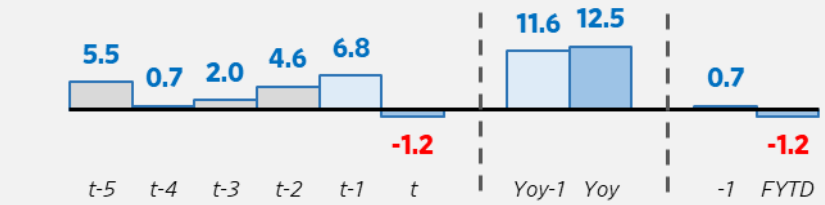
Loan growth – qoq, yoy, FYTD (%)



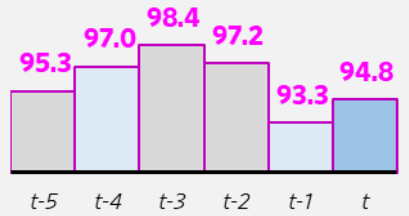
CET 1 ratio (%)



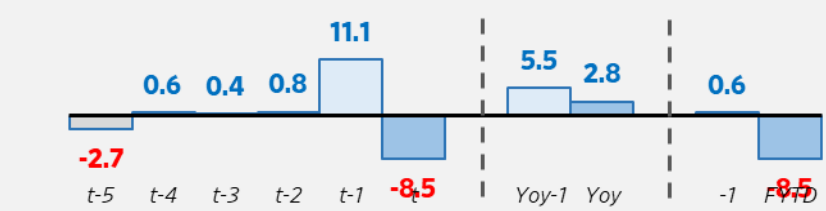
Deposit growth – qoq, yoy, FYTD (%)



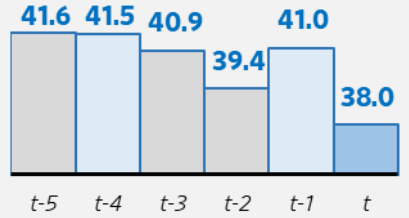
Loan/Deposit ratio (%)



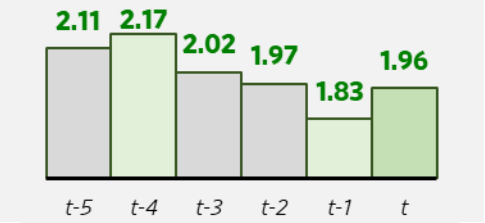
CASA growth – qoq, yoy, FYTD (%)



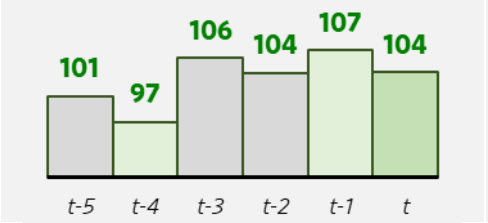
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

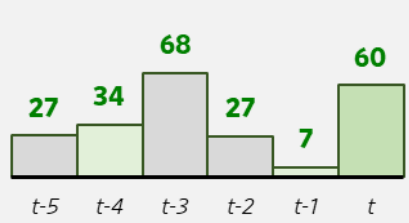


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		Notes *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***199***	Qtrly ROE	Qtr value	***10.2%***	
	26% of FY CNP					
	Qoq	*1%*		t-1	*10.3%*	
	Yoy	*12%*		t-4	*9.9%*	
Cum Core NP	RM mil	***199***	Cum ROE	Cum value	***10.2%***	
	Within our forecast					
	26% of FY CNP					
	Within consensus					
	27% of FY CNP					
	Yoy	*12%*		t-1	*9.9%*	
NII	As expected		NIM	As expected		
				Qtr value	***2.42***	
				Cum value	***2.42***	
	Qtr (Qoq)	*1%*		Qtr (Qoq)	*-1bps*	
	Qtr (Yoy)	*7%*		Qtr (Yoy)	*-3bps*	
	Cum (Yoy)	*7%*		Cum (Yoy)	*-3bps*	
NOII	As expected		Qtr	% NII	***81%***	
	Qtr (Qoq)	*74%*		% NOII	***19%***	
	Qtr (Yoy)	*55%*	Cum	% NII	***81%***	
	Cum (Yoy)	*55%*		% NOII	***19%***	
OPEX	As expected		Cost/ Inc.	+ve surprise		
				Qtr value	***45.1%***	
				Cum value	***45.1%***	
	Qtr (Qoq)	*-4%*		Qtr (Qoq)	*-6.5%*	
	Qtr (Yoy)	*7%*		Qtr (Yoy)	*-2.9%*	
	Cum (Yoy)	*7%*		Cum (Yoy)	*-2.9%*	

Source: Company, MBSBR

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

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	As expected					
	Qoq	*0.5%*				
	Yoy	*9.9%*				
	YTD (FY)	*0.5%*				
Depo. grwth	As expected		**CASA grwth**	As expected	
	Qoq	*-1.2%*		Qoq	*-8.5%*
	Yoy	*12.5%*		Yoy	*2.8%*
	YTD (FY)	*-1.2%*		YTD (FY)	*-8.5%*
CASA ratio	As expected		**L/D ratio**	As expected	
	Value now	***38.0%***		Value now	***94.8%***
	Qoq	*-3.0%*		Qoq	*+1.5%*
	Yoy	*-3.6%*		Yoy	*-2.1%*
GIL ratio	-ve surprise		**LLC ratio**	As expected	
	Value now	***1.96%***		Value now	***104%***
	Qoq	*+12bps*		Qoq	*-3%*
	Yoy	*-21bps*		Yoy	*+7%*
Qtrly Net CC	-ve surprise		**Cum Net CC**	-ve surprise	
	Heavy provision			Heavy provision	
	Value now	***60bps***		Value now	***60bps***
	t-1	*7bps*			
	t-4	*34bps*		t-4	*34bps*
CET 1	Healthy level		**Div payout**	No divvy	
	As expected			As expected	
	Value now	***12.4%***		**Payout**	
	Qoq	*0.2%*			

Source: Company, MBSBR

FIG 7: Targets, Achievements, and Outlook

Targets	FY26	3M FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10	10.2	
CIR	48	45.1	
NIM	2.37 – 2.43 ~~2.40 – 2.45~~ (from 2.45)	2.42	Management continues to depend on high loan growth to push NII growth instead.
NOII		55% (yoy)	NOII seems to be the main driver of earnings this year.
Loans	8 – 10	.5 (YTD)	
Deposits		-1.2 (YTD)	
% CASA		38.0	
Loan/Depo		94.8	
GIL ratio		1.96	
NCC (bps)	30 – 35	60	
LLC		104	
CET 1		12.4	
Div payout	40 – 50	-	

Source: Company, MBSBR

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	353	337	312
Net income	**2,020**	**2,270**	**2,528**	**2,660**	**2,718**
OPEX	(974)	(1,088)	(1,213)	(1,277)	(1,291)
PPOP	**1,047**	**1,181**	**1,315**	**1,383**	**1,427**
Loan allowances	(135)	(188)	(211)	(233)	(259)
Other allowances	(1)	(1)	(1)	(1)	(1)
JV & Associates	0	0	0	0	0
PBT	**911**	**993**	**1,103**	**1,149**	**1,168**
Tax & zakat	(221)	(242)	(267)	(278)	(283)
NCI	-	-	-	-	-
Reported NP	**690**	**751**	**836**	**871**	**885**
Core NP	**690**	**751**	**836**	**871**	**885**
Total NII	1,720	1,947	2,135	2,280	2,361
Total NOII	300	323	393	380	357

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	6,322	8,393	10,447
Total assets	**76,946**	**85,217**	**92,789**	**101,173**	**110,437**
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	6,655	7,210	7,772
Shareholders' funds	**7,175**	**7,668**	**8,203**	**8,758**	**9,320**
NCI	-	-	-	-	-
Total equity	**7,175**	**7,668**	**8,203**	**8,758**	**9,320**
Total L&E	**76,946**	**85,217**	**92,789**	**101,173**	**110,437**
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**	**10.5**	**10.3**	**9.8**
ROA	1.0	0.9	0.9	0.9	0.8
NOII/Net income	14.9	14.2	15.5	14.3	13.1
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	12.6	12.7	12.8
Tier 1 capital	13.2	13.4	13.7	13.7	13.7
Total capital	16.8	16.7	16.9	16.7	16.6
Growth (%)					
Total NII	4.1	13.2	9.7	6.8	3.6
Total NOII	12.4	7.7	21.6	-3.4	-6.1
Net income	5.2	12.3	11.4	5.2	2.2
OPEX	10.5	11.8	11.5	5.2	1.1
Core NP	1.9	8.7	11.4	4.2	1.6
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)	39.9	43.4	48.3	50.4	51.2
Gross DPS (sen)	22.3	19.4	19.3	20.1	20.5
Div payout ratio (%)	45	36	40	40	40
BVPS (RM)	4.1	4.4	4.7	5.1	5.4
Core P/E (x)	11.3	10.4	9.3	9.0	8.8
Dividend yield (%)	**4.9**	**4.3**	**4.3**	**4.5**	**4.5**
P/BV (x)	1.1	1.0	1.0	0.9	0.8

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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