Corporate Update

Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

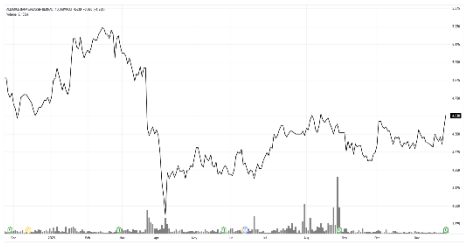
Maintain **BUY**

Revised Target Price **RM5.11**
(from RM4.98)

2QFY26 Results Review
Untapped NOII Potential

RETURN STATISTICS	
Price @ 25 November 2025 (RM)	4.63
Expected share price return (%)	+10.4
Expected dividend yield (%)	+4.4
Expected total return (%)	**+14.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.2
3 months	1.4	-2.7
12 months	-8.9	-10.4

Salient Points

Solid set of earnings, as forecasted.

Management's tone: Optimistic

Expect: More newsflow surrounding a potential stake proposal by DBS.

Our Verdict

We like ABMB's prospects: Strong loan growth, stable NIM outlook, no further capital issues, untapped fee income potential. Most importantly, asset quality issues have yet to emerge. Only drawback is that we do not see much opportunity for dividend yields to increase in the near term.

Valuations

A revised FY27F P/BV of 1.01x *(formerly 1.05x)*

Current P/BV of 0.93x is higher than ABMB's 10-year P/BV mean of 0.82x. However, the premium is warranted due to the Group's improved profitability prospects and asset quality.

The company is currently trading at a forward FY27F P/BV of 0.91x with a +4.4% dividend yield.

Themes

1. ▲ With a lower loan growth outlook, capital concerns should not be an issue. Keep in mind that AMBM's expected growth figure of 8%yoy is still very strong.
2. ▲ Solid NOII outlook, with multiple avenues to drive fee income generation.
3. ► Neutral NIM outlook: To be maintained at current levels.
4. ► High OPEX growth to persist in 2HFY26 – but spending is near tail end.
5. ► Asset quality not too big of a concern for now – also expect lower provisioning in 2HFY26.
6. ▼ Dividend yields are on the lower end.

INVESTMENT STATISTICS			
FYE Mar	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**836**	**871**	**885**
CNP growth (%)	11	4	2
Div yield (%)	**4.2**	**4.4**	**4.4**
Gross DPS (sen)	19.3	20.1	20.5
P/BV (x)	**1.0**	**0.9**	**0.9**
BVPS (RM)	4.7	5.1	5.4
ROE (%)	**10.5**	**10.3**	**9.8**
% Street CNP (%)	**106**	**103**	**98**

KEY STATISTICS	
FBM KLCI	1,611.74
Issue shares (m)	1,588.8
Estimated free float (%)	60.9
Market Capitalisation (RM'm)	7,664.9
52-wk price range	RM3.82 – RM5.26
3-mth average daily volume (m)	2.4
3-mth average daily value (RM'm)	10.6
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.1
EPF Board	9.3
Global Success Network	5.0

Results in a nutshell:

► **6MFY26's Core NP of RM405m was *Within/Within* our/street forecasts: *48%/51%* of full-year forecasts.**

▲ **Dividends announced.** DPS of 9.4 sen translates to a payout of 38% for 6MFY26.

▲ **6MFY26's Core net profit (NP) of RM405m up by +11%yoy.** Increased NII and NOII offset higher OPEX charges.

▲ **2QFY26's Core NP of RM207m up by +4%qoq.** Improved NOII result coupled with lower provision offset increased OPEX and tax charges.

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Have a look at:

▲ **All of FY26F targets are maintained – but ACCELER8 targets will be revised downwards.** Management states that it could potentially have an investor day in April/May-26 to explore ACCELER8 with further clarity.

- ▲ **NIMs to be maintained in subsequent quarters.** Despite its 1HFY26 NIM of 2.37% coming at the bottom end of FY26's 2.37-2.43% guidance, management is not revising this target. Generally, the Group (as a smaller bank) avoids competing intensely in the December deposit competition. Expect LFR to be reduced, with the Group more comfortable at being at lower LFR/LCR levels now that its loan growth outlook is more muted.
- ▼ **Loan growth to remain at lower end of the guided 8-10%, with asset quality being a concern.** They remain confident in 2HFY26's pipeline, with ongoing macro-themes (data centres, Johor SEZ) providing multiple opportunities for ABMB to offer downstream support. The Group maintains that the priority remains consumer and SME segments, with C&C more secondary, "padding" loans. Regarding asset quality concerns, the Group will show more measured growth in certain corporate and SME segments (as well as consumer loans). Certain business loan segments, such as wholesale retail and F&B, will be looked at closely.
- ▲ **Expect lower provisions in 2HFY26, in light of more recoveries.** The actual quantum of provisions may be difficult to determine, as ABMB's reported value in 1HFY26 was 23bps (against its 30-35bps guidance) – though our calculated figure came in at 48bps.

▲ **Optimistic on near-term NOII outlook.** Treasury income has multiple windfall opportunities in 2HFY26, while client fee income growth will also persist. Despite much higher dependence on client-based NOII, management is unfazed by lower loan growth: Higher loan growth does not translate to higher fee income – instead, cross-selling is a more important determinant.

- ▲ **Fee income remains underutilised.** Management has an internal % NOII/Topline target of >20%. The Group's current value is <20%, which is well below the industry's 25-27%. Management attributes the lower value to an overemphasis on achieving high loan growth, diverting attention from cross-selling (particularly on the SME side). Another reason is ABMB's extremely high NIMs, which inflate the NII portion of the topline – this may cause ABMB's % NOII/Topline to always lag the industry average.

► **While OPEX growth may remain elevated, it could come down post-FY26.** Driving its high rate of expansion, high IT and personnel cost growth should keep 2HFY26's OPEX growth elevated. Past this, management notes that OPEX growth should show less steep growth, as marketing and branding costs were front-loaded in the first few years of ACCELER8 – only IT and personnel costs remain in the coming years.

Management seems confident that tech benefits should start taking effect soon. Currently, ABMB is in the process of onboarding its AI-Powered loan system from CTOS and JurisTech. More details next quarter.

▲ **No worries about capital.** With future loan growth to be dialled down and positive impact from Basel IV, management seems confident that it will not resort to further capital raising exercises. Also, the main strain to CET 1 ratio was supposed to be at the beginning of ACCELER8, when NII had yet to flow in – the Group has already moved far past that stage.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Potential capital issues, (3) Higher-than-expected OPEX growth.*

Maintain BUY call: Revised GGM-TP of RM 5.11 ***(from RM4.98)***. The TP is based on a revised FY27F P/BV of 1.01x *(formerly 1.05x, rolled on from FY26F)*, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY27F ROE of 10.3%, LTG of 5.0% & COE of 10.2%)*

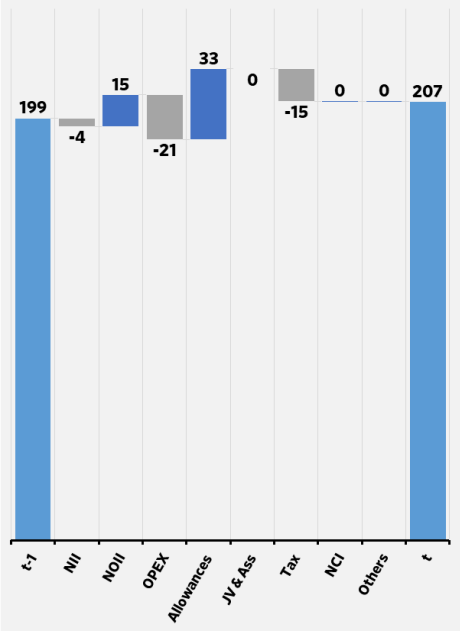
FIG 1: Quarterly results

FYE Mar (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Net interest inc.	366	370	364	0	-1	735	710	4
Islamic banking inc.	144	144	137	5	0	287	268	7
Non-interest inc.	117	102	104	12	14	219	167	31
Net income	**626**	**615**	**606**	**3**	**2**	**1,242**	**1,145**	**8**
OPEX	(299)	(278)	(274)	9	8	(576)	(533)	8
PPOP	**328**	**338**	**332**	**-1**	**-3**	**665**	**613**	**9**
Loan provisions	(58)	(90)	(94)	-39	-36	(147)	(140)	5
Other provisions	1	(0)	(1)	n.m.	n.m.	1	(1)	n.m.
JV & Associates	0	0	0	n.m.	n.m.	0	0	n.m.
PBT	**271**	**248**	**238**	**14**	**9**	**519**	**472**	**10**
Tax	(64)	(49)	(48)	35	31	(113)	(106)	7
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**207**	**199**	**190**	**9**	**4**	**405**	**367**	**11**
Core NP	**207**	**199**	**190**	**9**	**4**	**405**	**367**	**11**
Total NII	495	499	491	1	-1	994	956	4
Total NOII	131	116	114	15	13	248	190	31
Gross DPS (sen)	**9.4**	**-**	**9.5**	**n.m.**	**n.m.**	**9.4**	**9.5**	**n.m.**
Core EPS (sen)	12.7	12.8	12.3	4	-1	24.9	23.7	5
Gross loans	63,882	62,728	59,074	8.1	1.8			
Gross impaired loans	1,222	1,227	1,192	2.5	-0.4			
Customer deposits	66,337	65,021	58,966	12.5	2.0			
CASA	25,962	24,682	24,102	7.7	5.2			

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**9.6**	**10.2**	**10.3**	**-0.7**	**-0.6**	**9.4**	**9.9**	**-0.5**
NIM (Reported)	**2.32**	**2.42**	**2.49**	**-0.17**	**-0.10**	**2.37**	**2.47**	**-0.10**
NOII/Net income	21.0	18.9	18.9	2.1	2.1	19.9	16.5	3.4
Cost/Income	47.7	45.1	45.2	2.5	2.6	46.4	46.5	-0.1
NCC (Ann.) (bps)	37	60	68	-31	-22	48	51	-3
GIL ratio	1.91	1.96	2.02	-0.10	-0.04			
Loan loss coverage	107	104	106	1	3			
CASA ratio	39.1	38.0	40.9	-1.7	1.2			
L/D ratio	94.6	94.8	98.4	-3.7	-0.2			
CET-1	13.6	12.4	12.4	1.2	1.2			

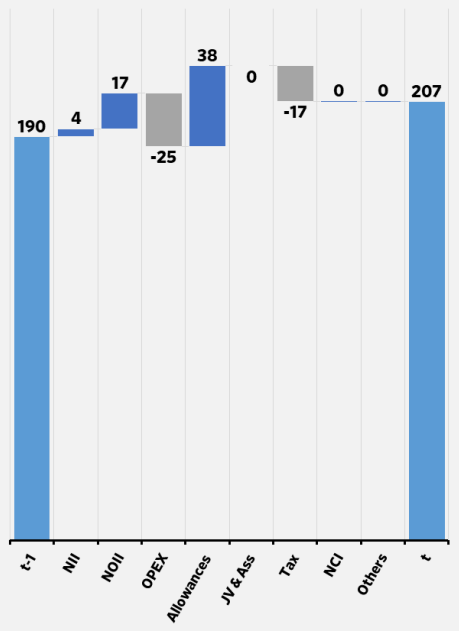
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



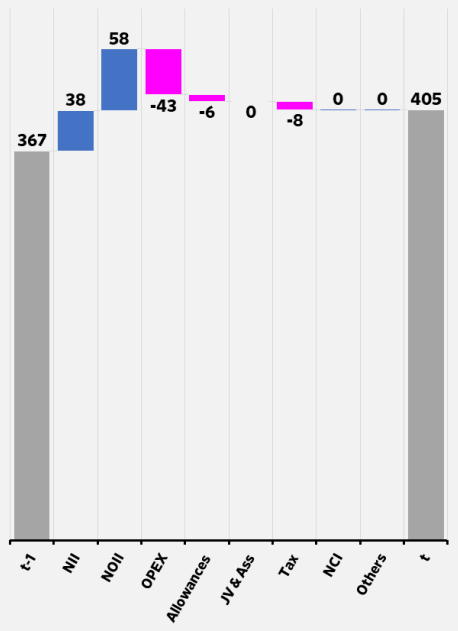
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY26F	1H FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10	9.4	
CIR	48	46.4	
NIM	2.37 – 2.43 (from 2.45)	2.37	NIM to be maintained here on out.
NOII		31% (yoy)	
Loans	8 – 10	2.3 (YTD)	Expect to come near 8%.
Deposits		0.8 (YTD)	
% CASA		39.1	
Loan/Depo		94.6	
GIL ratio		1.91	
NCC (bps)	30 – 35	48	
CET 1		13.6	
Div payout	40 – 50	38	Expect to come in at the lower end of guidance in the next several quarters.

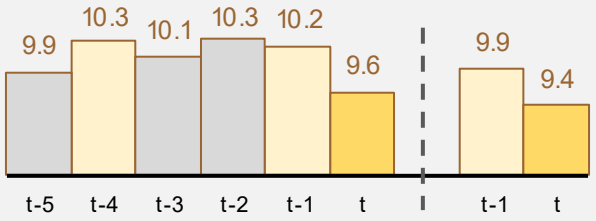
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

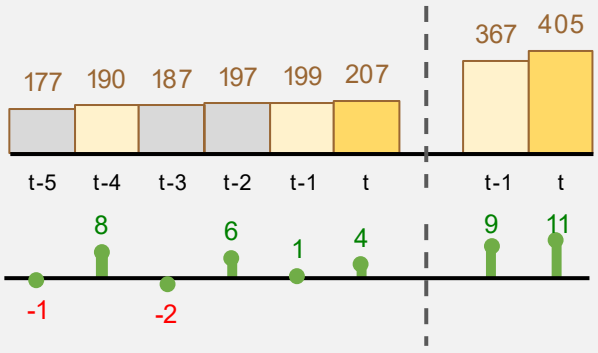
2QFY26 / 6MFY26 results

Earnings:	**Within our full-year forecasts**	**(48%)**
	Within street full-year forecasts	(51%)
Dividend:	**YES**	
YTD payout:	**38%**	

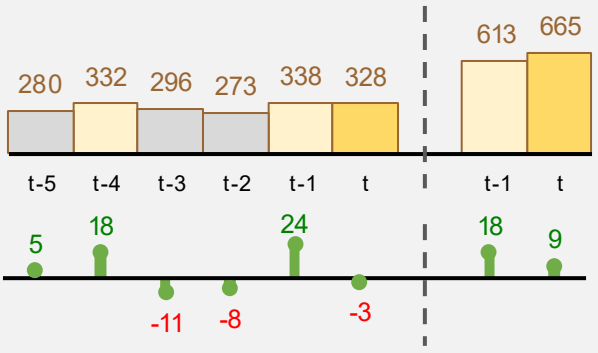
ROE (%)



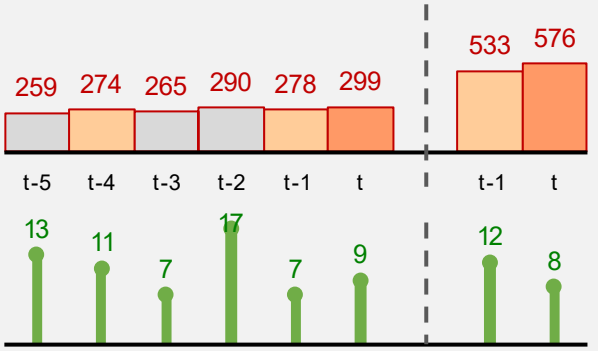
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



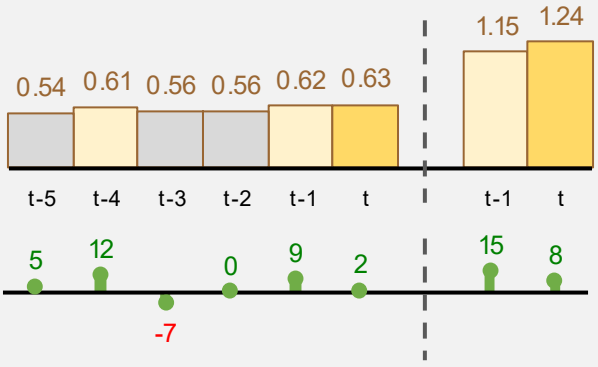
Pre-Provisioning Operating Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



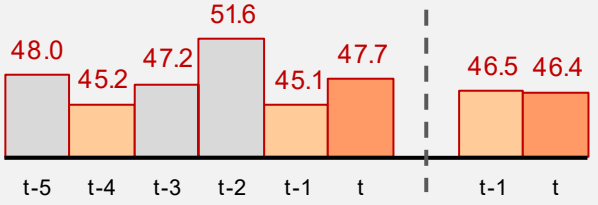
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



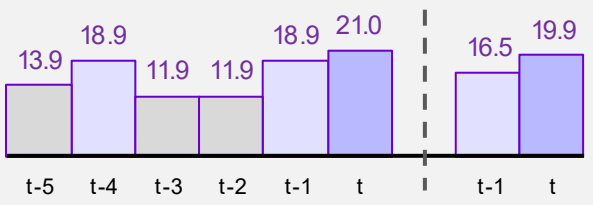
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



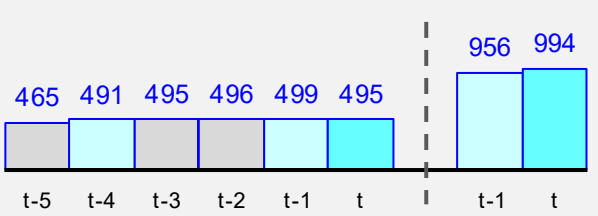
Cost/Income ratio (%)



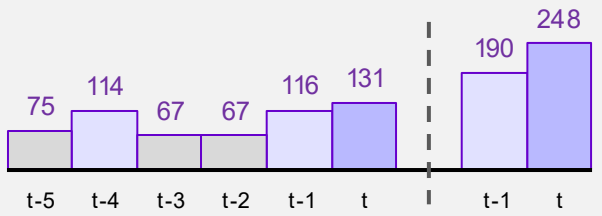
% NOII as topline (%)



Net interest income (RM m)

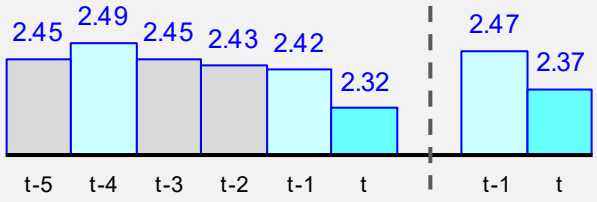


Non-interest income (RM m)

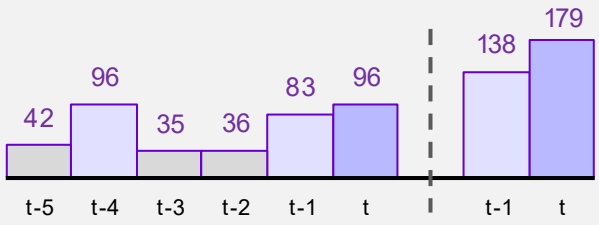


Source: Company, MBSBR

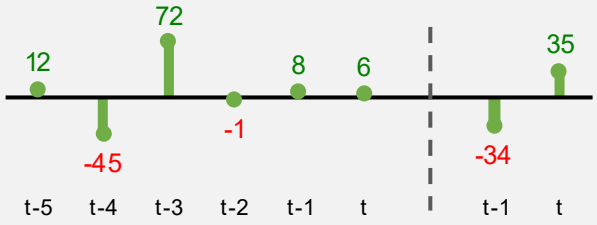
NIM (%)



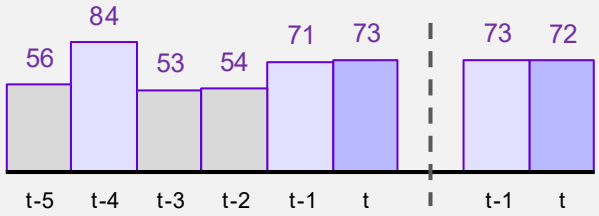
Non-fee NOII (RM m)



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

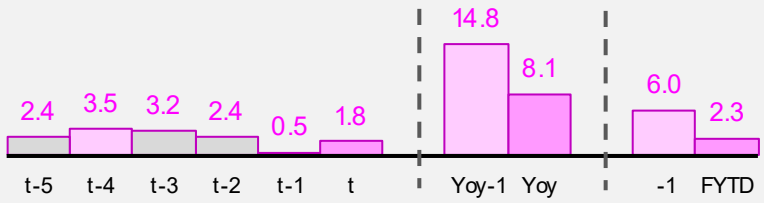


% Non-fee income as NOII (%)

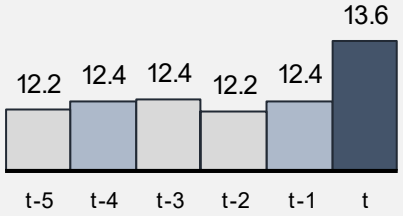


BALANCE SHEET

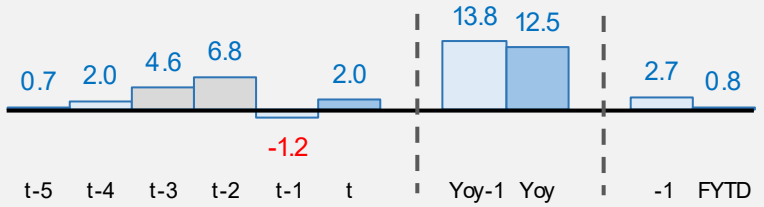
Loan growth -- qoq, yoy, FYTD (%)



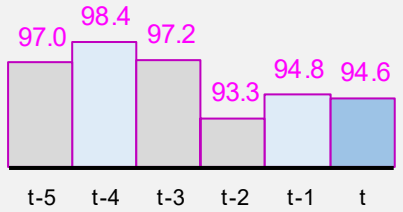
CET 1 ratio (%)



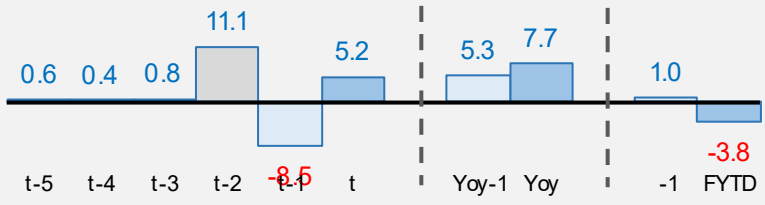
Deposit growth -- qoq, yoy, FYTD (%)



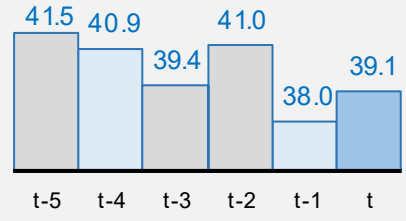
Loan/Deposit ratio (%)



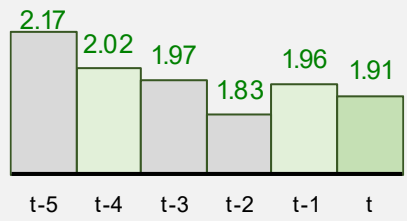
CASA growth -- qoq, yoy, FYTD (%)



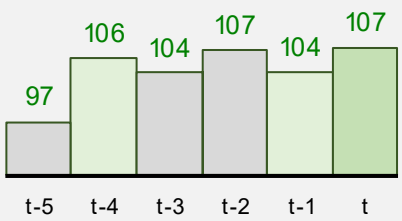
CASA ratio (%)



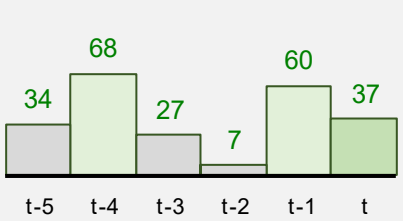
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	207	Qtrly ROE	Qtr value	9.6%
	25% of FY CNP				
	Qoq	4%		t-1	10.2%
	Yoy	9%		t-4	10.3%
Cum Core NP	RM mil	405	Cum ROE	Cum value	9.4%
	Within our forecast				
	48% of FY CNP				
	Within consensus				
	51% of FY CNP				
	Yoy	11%		t-1	9.9%
NII	As expected		NIM	As expected	
				Qtr value	2.32
				Cum value	2.37
	Qtr (Qoq)	-1%		Qtr (Qoq)	-10bps
	Qtr (Yoy)	1%		Qtr (Yoy)	-17bps
	Cum (Yoy)	4%		Cum (Yoy)	-10bps
NOII	+ve surprise		Qtr	% NII	79%
	Qtr (Qoq)	13%		% NOII	21%
	Qtr (Yoy)	15%	Cum	% NII	80%
	Cum (Yoy)	31%		% NOII	20%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	47.7%
				Cum value	46.4%
	Qtr (Qoq)	8%		Qtr (Qoq)	+2.6%
	Qtr (Yoy)	9%		Qtr (Yoy)	+2.5%
	Cum (Yoy)	8%		Cum (Yoy)	-0.1%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.8%			
	Yoy	8.1%			
	YTD (FY)	2.3%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	2.0%		Qoq	5.2%
	Yoy	12.5%		Yoy	7.7%
	YTD (FY)	0.8%		YTD (FY)	-3.8%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	39.1%		Value now	94.6%
	Qoq	+1.2%		Qoq	-0.2%
	Yoy	-1.7%		Yoy	-3.7%
GIL ratio	+ve surprise		LLC ratio	As expected	
	Value now	1.91%		Value now	107%
	Qoq	-4bps		Qoq	+3%
	Yoy	-10bps		Yoy	+1%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	37bps		Value now	48bps
	t-1	60bps			
	t-4	68bps		t-4	51bps
CET 1	Healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	13.6%		Payout	38%
	Qoq	1.2%			

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)	11.6	10.7	9.6	9.2	9.0
Dividend yield (%)	**4.8**	**4.2**	**4.2**	**4.4**	**4.4**
P/BV (x)	1.1	1.0	1.0	0.9	0.9

Source: Company, MBSBR

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(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

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MBSB INVESTMENT BANK (formerly known as 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