Corporate Update

Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Revised Target Price **RM5.92**
(from RM6.08)

4QFY26 Results Review
On Firm Ground

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Neutral

Expect: Liquidity and NIM issues to continue concerning the Group.

Our Verdict

ABMB has a history of asset quality shocks but is managing itself much better this time – a testament to its transformation and prudent provisioning and underwriting. While NIM remains the core headwind, ABMB retains several strong drivers: Fee income, loan growth, and OPEX normalisation post-FY26.

Valuations

A revised FY27F P/BV of 1.09x *(formerly 1.20x)*

Current P/BV of 0.94x is expensive, trading above the 10-year P/BV mean of 0.84x. We believe this is warranted, given the Group's improved growth and profitability outlook.

The company is currently trading at a forward FY27F P/BV of 0.95x with a +4.1% dividend yield.

Themes

1. ▲ Loan growth remains very high, though slowing from previous years. The aggressive market share capture will persist.
2. ▲ Fee income performance is picking up, largely driven by rapid wealth management growth. With fewer glaring loan targets ahead, the Group can shift its efforts to fee income optimisation.
3. ▲ We could see a continuation of the lower tax rate in FY27, as overprovision writeback continues.
4. ▲ As we approach the tail end of ACCELER8, expect lower cost pressure as the brunt of costs are frontloaded.
5. ► NIM to further compress – a strong need for liquidity given the rapid loan growth. CASA growth to come after the large loan base is acquired.
6. ► Asset quality thus far has been well managed, with a very high LLC.
7. ▼ Dividends remain at the lower end of guidance, though RWA should start slowing its pace of growth while earnings come flooding in.

Results in a nutshell:

► **FY26's Core NP of RM827m was *Within/Within* our/street forecasts: *99%/100%* of full-year forecasts.**

► **Dividends announced.** DPS of 19.1 sen translates to a payout of 39% for FY26.

▲ **FY26's Core net profit (NP) of RM827m up by +10%yoy.** This was driven by stronger NII and NOII, which offset higher OPEX and provisioning charges.

RETURN STATISTICS	
Price @ 22 May 2026 (RM)	5.16
Expected share price return (%)	+14.7
Expected dividend yield (%)	+4.1
Expected total return (%)	**+18.9**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.8	4.2
3 months	2.7	-6.9
12 months	14.4	3.7

INVESTMENT STATISTICS			
FYE Mar	**FY27F**	**FY28F**	**FY29F**
Core NP (RM m)	**894**	**936**	**975**
CNP growth (%)	8	5	4
Div yield (%)	**4.1**	**4.3**	**4.5**
Gross DPS (sen)	21.3	22.3	23.2
P/BV (x)	**0.9**	**0.9**	**0.8**
BVPS (RM)	5.4	5.8	6.1
ROE (%)	**9.8**	**9.6**	**9.5**
% Street CNP (%)	**102**	**100**	**94**

KEY STATISTICS	
FBM KLCI	1,712.67
Issue shares (m)	1,588.8
Estimated free float (%)	60.9
Market Capitalisation (RM'm)	8,564.6
52-wk price range	RM4.15 – RM5.59
3-mth average daily volume (m)	2.5
3-mth average daily value (RM'm)	12.3
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.1
EPF Board	9.3
Global Success Network	5.0

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▼ **4QFY26's Core NP of RM206m down by -4%qoq.** The decrease was driven by weaker NOII and higher OPEX, which offset lower provision and tax expenses.

Have a look at:

▼ **Liquidity is the most pressing issue faced by the Group, with a negative impact on NIMs.** Management's FY27 guidance implies a very high possibility of further NIM compression. Part of it is due to its heavy loan growth, which forces ABMB to take in FDs to fulfil short-term funding needs. This is due to the difficulty in growing CASA, though ABMB seems more optimistic that it will be resuming some of its CASA programmes by Jul-26. The plan is to acquire the large loan base before extracting CASA balances from it to regrow its CASA base. The difficult macroeconomic environment does not help – it hinders the lending of unsecured consumer loans (higher-yielding but with high credit cost density).

▲ **Asset quality and provisioning were well managed; hence, loan growth was not overly compromised.** Despite a tick-up of +30dpd loans in both SME and consumer segments, management does not believe that this should translate into delinquencies. The multitude of SJPP and government initiatives provides reassurance – as a result, SME loans will remain a core driver of growth for now. Overall, management is very confident in their asset quality outlook: ABMB's loanbook derisking and their LLC of 113%, which remains among the highest in the industry, are the reasons. It caps the possibility of negative provision surprises.

▲ **Effective tax rate is lower in FY26.** Management attributes it to a writeback of overprovisions. They are hopeful we see a repeat of this in FY27.

► **Minimal impact from Basel III implementation.** Expect capital release of 30-37bps. We do not expect ABMB's dividend payout to go higher than the lower bound of 40-50% guidance, given the Group's high loan growth. The Group claims that it might look at increasing its payout back to the 50% level once the macroeconomic situation improves.

Forecasts revised: FY26F/FY27F Core NP adjusted by +3%/+6%. To reflect the latest guidance provided by management: Namely, better NII, NOII, and provisioning levels. We also cut our loan and deposit growth expectations.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Lingering asset quality concerns, (3) Poor cost control.*

Maintain BUY call: Revised GGM-TP of RM 5.92 ***(from RM6.08)***. The TP is based on a revised FY27F P/BV of 1.09x *(formerly 1.20x)*, to reflect altered earnings prospects and ROE-based valuations. Despite an upward earnings revision, the lower loan growth negatively affects book value, which in turn affects overall ROE and valuations.

(GGM assumptions: *FY27F ROE of 9.8%, LTG of 5.0% & COE of 9.4%)*

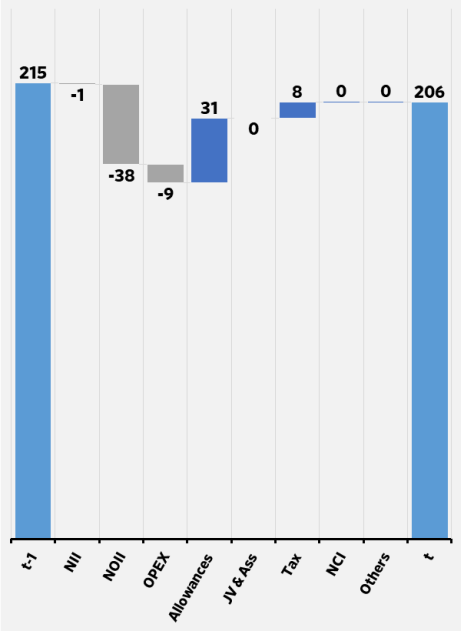
FIG 1: Quarterly results

FYE Mar (RM m)	4Q FY26	3Q FY26	4Q FY25	Yoy (%)	Qoq (%)	FY26	FY25	Yoy (%)
Net interest inc.	371	377	371	0	-2	1,484	1,451	2
Islamic banking inc.	148	147	141	5	1	582	547	6
Non-interest inc.	73	108	50	45	-32	400	272	47
Net income	**593**	**632**	**563**	**5**	**-6**	**2,466**	**2,270**	**9**
OPEX	(307)	(298)	(290)	6	3	(1,181)	(1,088)	9
PPOP	**286**	**333**	**273**	**5**	**-14**	**1,285**	**1,181**	**9**
Loan provisions	(20)	(50)	(10)	102	-61	(217)	(188)	16
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	**266**	**283**	**263**	**1**	**-6**	**1,068**	**993**	**8**
Tax	(60)	(68)	(65)	-8	-11	(242)	(242)	-0
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**206**	**215**	**197**	**4**	**-4**	**827**	**751**	**10**
Core NP	**206**	**215**	**197**	**4**	**-4**	**827**	**751**	**10**
Total NII	506	507	496	2	-0	2,007	1,947	3
Total NOII	87	125	67	30	-30	459	323	42
Gross DPS (sen)	**9.7**	**-**	**9.9**	**n.m.**	**n.m.**	**19.1**	**19.4**	**n.m.**
Core EPS (sen)	12.3	13.0	12.8	-4	-5	49.3	48.5	2
Gross loans	67,154	65,763	62,445	7.5	2.1			
Gross impaired loans	1,162	1,242	1,145	1.5	-6.5			
Customer deposits	71,612	68,064	65,835	8.8	5.2			
CASA	26,843	25,870	26,981	-0.5	3.8			

Ratios (%)	4Q FY26	3Q FY26	4Q FY25	Yoy (ppts)	Qoq (ppts)	FY26	FY25	Yoy (ppts)
ROE (Ann.)	**9.3**	**10.0**	**10.3**	**-1.0**	**-0.6**	**9.4**	**9.8**	**-0.4**
NIM (Reported)	**2.31**	**2.34**	**2.43**	**-0.12**	**-0.03**	**2.34**	**2.45**	**-0.11**
NOII/Net income	14.6	19.7	11.9	2.7	-5.1	18.6	14.2	4.4
Cost/Income	51.8	47.2	51.6	0.2	4.5	47.9	48.0	-0.0
NCC (Ann.) (bps)	12	32	7	6	-20	34	32	2
GIL ratio	1.73	1.89	1.83	-0.10	-0.16			
Loan loss coverage	113	109	107	6	4			
CASA ratio	37.5	38.0	41.0	-3.5	-0.5			
L/D ratio	92.2	94.9	93.3	-1.1	-2.7			
CET-1	13.2	13.1	12.2	1.0	0.1			

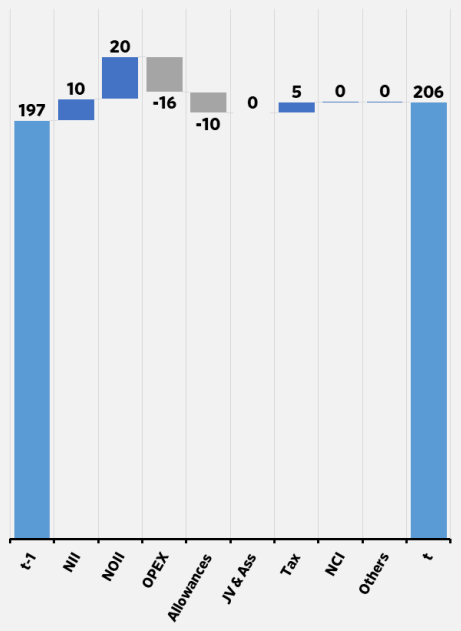
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



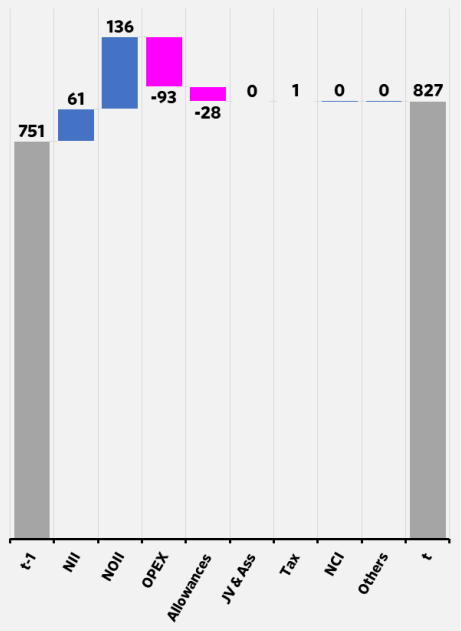
Source: Company, MBSBR

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	FY27F	FY26F	FY26 Actual	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10.0 – 10.5	10	9.4	
CIR	47.5 – 48.5	48	47.9	
NIM	2.28 – 2.35 (from 2.34)	2.34 – 2.37 (from 2.45)	2.34	
NOII			42% (yoy)	
Loans*	7.5 – 10.0	8 – 10	7.5 (YTD)	*Includes unrated bonds
Deposits			8.8 (YTD)	
% CASA			37.5	
Loan/Depo			92.2	
GIL ratio			1.73	
NCC (bps)	27 – 32	30 – 33	34	
CET 1			13.2	
Div payout	40 – 50	40 – 50	39	Expect to remain at lower bound of guidance.

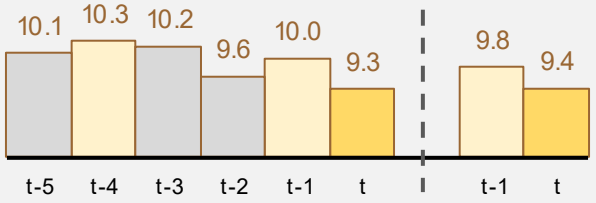
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

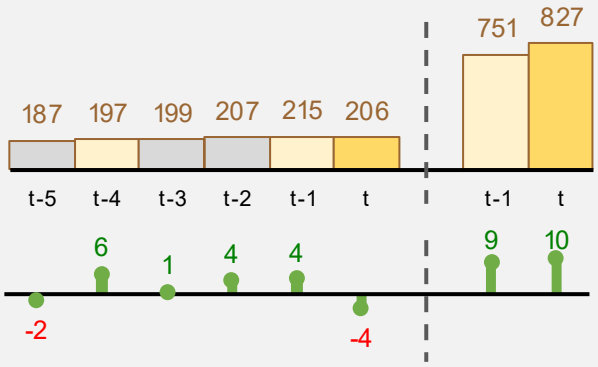
4QFY26 / FY26 results

Earnings:	**Within our full-year forecasts**	**(99%)**
	Within street full-year forecasts	**(100%)**
Dividend:	**YES**	
YTD payout:	**39%**	

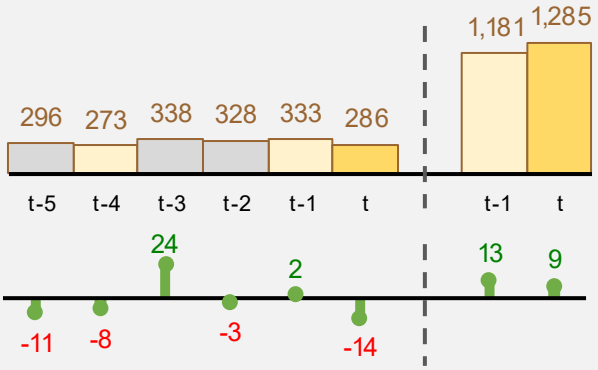
ROE (%)



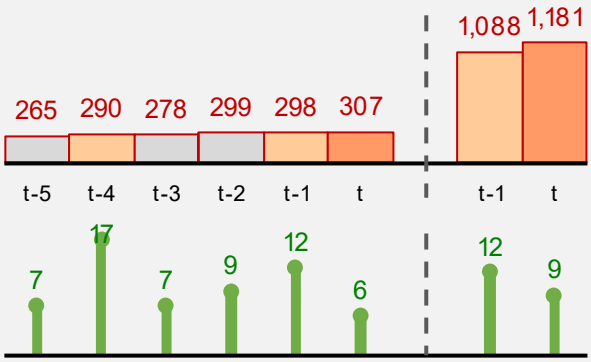
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



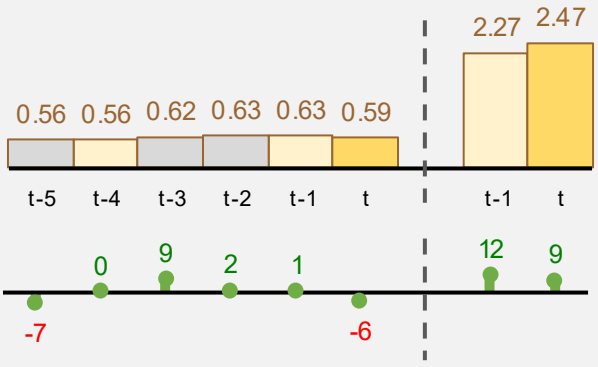
Pre-Provisioning Operating Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



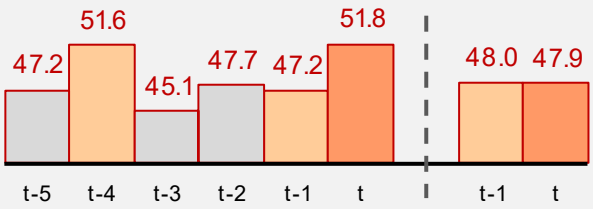
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



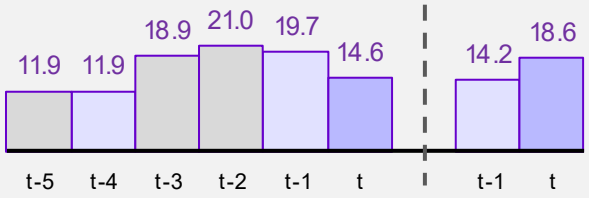
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



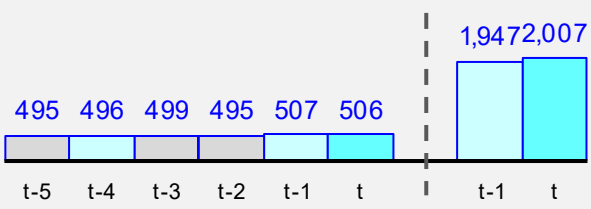
Cost/Income ratio (%)



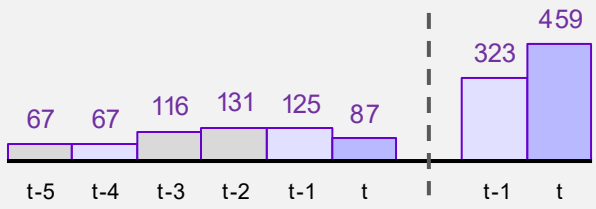
% NOII as topline (%)



Net interest income (RM m)

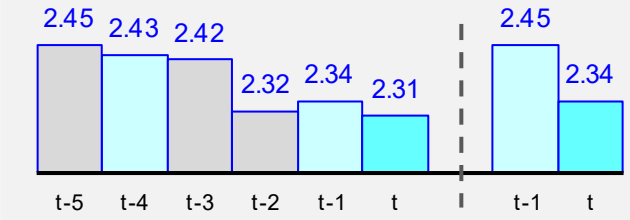


Non-interest income (RM m)

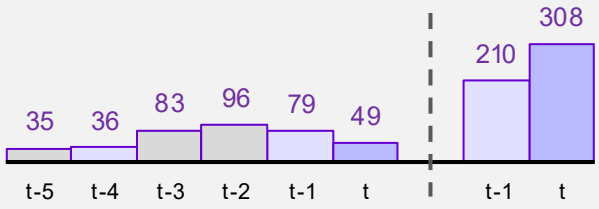


Source: Company, MBSBR

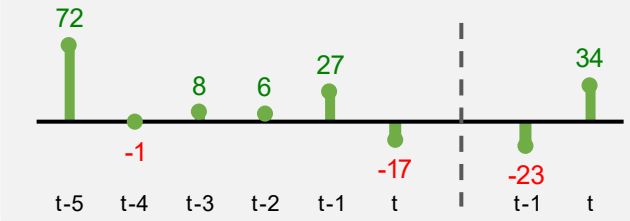
NIM (%)



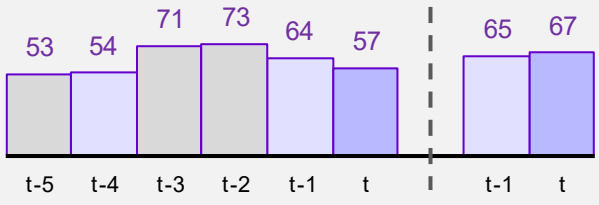
Non-fee NOII (RM m)



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

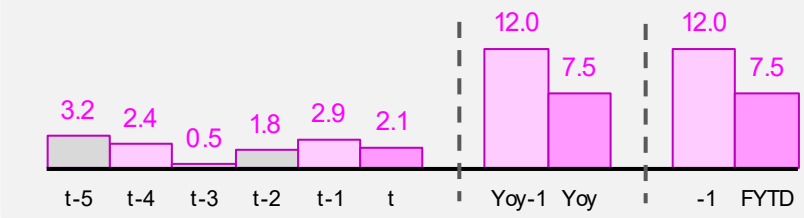


% Non-fee income as NOII (%)

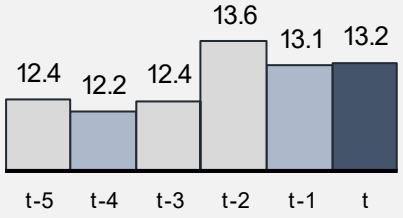


BALANCE SHEET

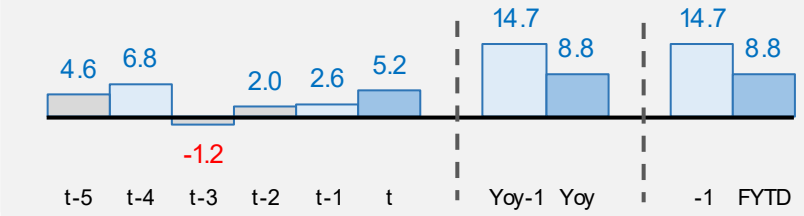
Loan growth -- qoq, yoy, FYTD (%)



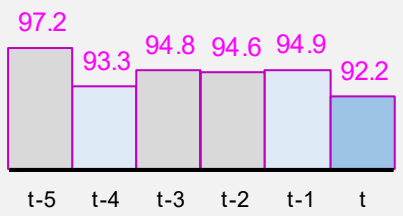
CET 1 ratio (%)



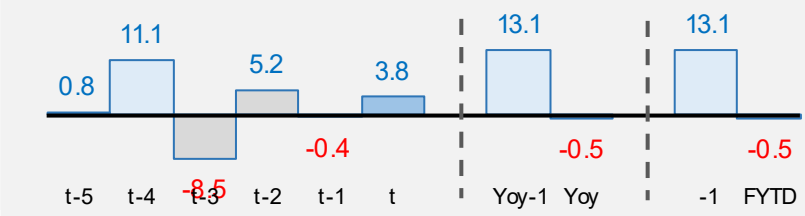
Deposit growth -- qoq, yoy, FYTD (%)



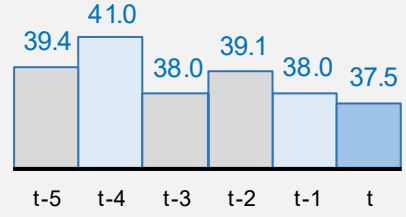
Loan/Deposit ratio (%)



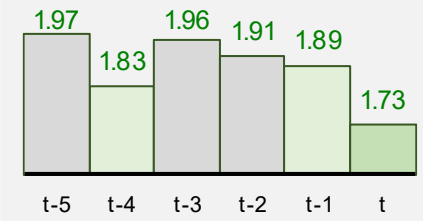
CASA growth -- qoq, yoy, FYTD (%)



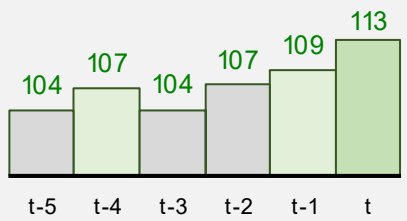
CASA ratio (%)



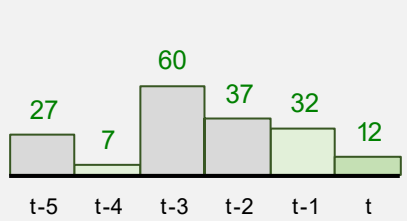
GIL ratio (%)



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	206	Qtrly ROE	Qtr value	9.3%
	25% of FY CNP				
	Qoq	-4%		t-1	10.0%
	Yoy	4%		t-4	10.3%
Cum Core NP	RM mil	827	Cum ROE	Cum value	9.4%
	Within our forecast				
	99% of FY CNP				
	Within consensus				
	100% of FY CNP				
	Yoy	10%		t-1	9.8%
NII	As expected		NIM	As expected	
				Qtr value	2.31
				Cum value	2.34
	Qtr (Qoq)	-0%		Qtr (Qoq)	-3bps
	Qtr (Yoy)	2%		Qtr (Yoy)	-12bps
	Cum (Yoy)	3%		Cum (Yoy)	-11bps
NOII	As expected		Qtr	% NII	85%
	Qtr (Qoq)	-30%		% NOII	15%
	Qtr (Yoy)	30%	Cum	% NII	81%
	Cum (Yoy)	42%		% NOII	19%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	51.8%
				Cum value	47.9%
	Qtr (Qoq)	3%		Qtr (Qoq)	+4.5%
	Qtr (Yoy)	6%		Qtr (Yoy)	+0.2%
	Cum (Yoy)	9%		Cum (Yoy)	-0.0%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	2.1%			
	Yoy	7.5%			
	YTD (FY)	7.5%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	5.2%		Qoq	3.8%
	Yoy	8.8%		Yoy	-0.5%
	YTD (FY)	8.8%		YTD (FY)	-0.5%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	37.5%		Value now	92.2%
	Qoq	-0.5%		Qoq	-2.7%
	Yoy	-3.5%		Yoy	-1.1%
GIL ratio	+ve surprise		LLC ratio	As expected	
	Value now	1.73%		Value now	113%
	Qoq	-16bps		Qoq	+4%
	Yoy	-10bps		Yoy	+6%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	12bps		Value now	34bps
	t-1	32bps			
	t-4	7bps		t-4	32bps
CET 1	Healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	13.2%		Payout	39%
	Qoq	0.1%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Mar (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Net interest income	**1,451**	**1,484**	**1,640**	**1,756**	**1,825**
Islamic banking inc.	547	582	588	629	654
Other operating inc.	272	400	446	449	460
Net income	**2,270**	**2,466**	**2,674**	**2,834**	**2,939**
OPEX	(1,088)	(1,181)	(1,283)	(1,360)	(1,396)
PPOP	**1,181**	**1,285**	**1,390**	**1,474**	**1,543**
Loan allowances	(188)	(217)	(223)	(240)	(258)
Other allowances	(1)	1	1	1	1
JV & Associates	0	0	0	0	0
PBT	**993**	**1,068**	**1,168**	**1,235**	**1,286**
Tax & zakat	(242)	(242)	(275)	(299)	(311)
NCI	-	-	-	-	-
Reported NP	**751**	**827**	**894**	**936**	**975**
Core NP	**751**	**827**	**894**	**936**	**975**
Total NII	1,947	2,007	2,187	2,341	2,433
Total NOII	323	459	487	493	506

BALANCE SHEET

FYE Mar (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Cash & ST funds	5,201	3,943	4,673	4,635	4,598
Investment securities	15,571	19,282	19,998	20,743	21,518
Net loans	61,419	66,041	70,961	76,268	81,973
Other IEAs	-	-	-	-	-
Non-IEAs	3,027	2,891	3,911	4,127	4,368
Total assets	**85,217**	**92,156**	**99,543**	**105,773**	**112,458**
Customer deposits	65,835	71,612	76,983	82,756	88,963
Other IBLs	6,154	5,940	5,679	5,443	5,232
Non-IBLs	5,560	5,784	7,485	7,573	7,636
Total liabilities	**77,549**	**83,335**	**90,146**	**95,773**	**101,831**
Share capital	1,548	2,151	2,151	2,151	2,151
Reserves	6,120	6,670	7,246	7,849	8,476
Shareholders' funds	**7,668**	**8,821**	**9,397**	**10,000**	**10,627**
NCI	-	-	-	-	-
Total equity	**7,668**	**8,821**	**9,397**	**10,000**	**10,627**
Total L&E	**85,217**	**92,156**	**99,543**	**105,773**	**112,458**
Total IEAs	82,190	89,265	95,632	101,646	108,090
Total IBLs	71,989	77,552	82,661	88,200	94,195
Gross loans	62,445	67,154	72,191	77,605	83,425
CASA	26,981	26,843	28,484	30,620	32,916

FINANCIAL RATIOS

FYE Mar (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Interest (%)					
NIM	2.50	2.34	2.29	2.30	2.32
Return on IEAs	3.68	3.46	3.45	3.40	3.27
Cost of funds	2.09	1.99	1.93	1.87	1.75
Net interest spread	1.58	1.48	1.52	1.53	1.51
Profitability (%)					
ROE	**10.1**	**10.0**	**9.8**	**9.6**	**9.5**
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	14.2	18.6	18.2	17.4	17.2
Effective tax rate	24.4	22.6	23.5	24.2	24.2
Cost/Income	48.0	47.9	48.0	48.0	47.5
Liquidity (%)					
Loan/Deposit	93.3	92.2	92.2	92.2	92.1
CASA ratio	41.0	37.5	37.0	37.0	37.0
Asset Quality (%)					
GIL ratio	1.83	1.73	1.80	1.80	1.80
LLC ratio	107	113	110	110	110
LLC (w. reserves)	117	123	136	135	133
Net CC (bps)	32	34	32	32	32
Capital (%)					
CET 1	12.2	13.2	13.8	14.2	14.7
Tier 1 capital	13.4	14.6	15.1	15.5	15.9
Total capital	16.7	17.6	18.0	18.3	18.6
Growth (%)					
Total NII	13.2	3.1	9.0	7.0	3.9
Total NOII	7.7	42.0	6.0	1.2	2.6
Net income	12.3	8.6	8.4	6.0	3.7
OPEX	11.8	8.5	8.6	6.0	2.6
Core NP	8.7	10.1	8.1	4.7	4.1
Gross loans	12.0	7.5	7.5	7.5	7.5
Customer deposits	14.7	8.8	7.5	7.5	7.5
CASA	13.1	-0.5	6.1	7.5	7.5
Valuation metrics					
Core EPS (sen)	43.4	47.8	51.7	54.1	56.3
Gross DPS (sen)	19.4	19.1	21.3	22.3	23.2
Div payout ratio (%)	36	38	40	40	40
BVPS (RM)	4.4	5.1	5.4	5.8	6.1
Core P/E (x)	11.9	10.8	10.0	9.5	9.2
Dividend yield (%)	**3.8**	**3.7**	**4.1**	**4.3**	**4.5**
P/BV (x)	1.2	1.0	0.9	0.9	0.8

Source: Company, MBSBR

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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