Corporate Update

Alliance Bank Malaysia Berhad

(2488 | ABMB MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Revised Target Price **RM6.10**
(from RM5.92)

1QFY27 Results Review
Dividends to Increase

RETURN STATISTICS	
Price @ 26 August 2026 (RM)	4.93
Expected share price return (%)	+23.8
Expected dividend yield (%)	+4.7
Expected total return (%)	**+28.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.2	-1.9
3 months	0.2	-2.9
12 months	3.5	-5.5

INVESTMENT STATISTICS			
FYE Mar	**FY27F**	**FY28F**	**FY29F**
Core NP (RM m)	**894**	**936**	**975**
CNP growth (%)	8	5	4
Div yield (%)	**4.3**	**4.7**	**5.1**
Gross DPS (sen)	21.2	23.3	25.4
P/BV (x)	**0.9**	**0.9**	**0.8**
BVPS (RM)	5.4	5.8	6.1
ROE (%)	**9.8**	**9.7**	**9.5**
% Street CNP (%)	**103**	**102**	**99**

KEY STATISTICS	
FBM KLCI	1,748.54
Issue shares (m)	1,548.1
Estimated free float (%)	60.2
Market Capitalisation (RM'm)	8,235.9
52-wk price range	RM4.27 – RM5.59
3-mth average daily volume (m)	1.9
3-mth average daily value (RM'm)	9.3
Top Shareholders (%)	
Vertical Theme Sdn Bhd	29.1
EPF Board	9.3
Global Success Network	5.0

Salient Points

Strong set of earnings.

Management's tone: Cautiously positive

Expect: Eyes on asset quality.

Our Verdict

ABMB will continue to capture loan market share, although growth isn't going to be as aggressive as before. Having built up a loan base of a decent size, they are free to develop fee income franchise, reap NII gains, cross-sell CASA, and hoard capital for dividend payout raises. Most importantly, ACCLER8 has helped derisk ABMB, allowing it to maintain manageable NCC levels even in challenging times. ABMB has multiple levers for earnings growth here on out.

Valuations

A revised FY28F P/BV of 1.06x *(formerly 1.09x)*

Current P/BV of 0.96x is trading above its 10-year P/BV mean of 0.84x. However, we think it's warranted given improved profitability levels.

The company is currently trading at a forward FY28F P/BV of 0.86x with a +4.7% dividend yield.

Themes

1. ▲ Loan growth remains very high, though slowing slightly 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. ▲ As we approach the tail end of ACCELER8, marketing costs should reduce – but be wary of further tech costs.
4. ▲ NIMs close to bottoming out – regardless, management's focus is NII growth by scope. CASA growth to come after the large loan base is acquired.
5. ► Dividends remain at the lower end of guidance, though RWA should start slowing its pace of growth while earnings come flooding in. The Group voiced its intent to increase its dividend payout once again.
6. ► Asset quality has seen some deterioration, but management remains relatively unbothered. NCC outlook is solid, with further recoveries expected.

Results in a nutshell:

► **3MFY27's Core NP of RM248m is *Within/Within* our/street forecasts: *28%/29%* of full-year forecasts.** This quarter's earnings were on the higher side, but this is due to a huge construction recovery – management mentions that subsequent recoveries will not be as large.

► **No dividend announcement.**

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▲ **3MFY27's Core net profit (NP) of RM248m up by +25%yoy.** The increase was driven by better NII and lower provisions, which offset higher OPEX and tax charges.

▲ **1QFY27's Core NP of RM248m up by +21%qoq.** The increase was driven by better NOII and lower provisions, which offset higher tax charges.

Have a look at:

▼ **NIM target revised downward, largely due to loan mix changes.** Regardless, management believes that NIMs are already close to bottoming out. The dilution comes largely from growing a lower-yielding loan mix very quickly. NII accretion, not NIM, is the focus.

▲ **Asset quality deterioration is apparent – but heavy writebacks improve NCC outlook.** A very low provision this quarter: this was a combination of pre-emptive provision release and a large construction corporate recovery. While further recoveries are expected, those will not be as large. As a result, the Group has positively revised its FY27 NCC guidance.

GIL ratio should still see further increase, but management isn't overly bothered. The main area of concern is the consumer portfolio – particularly mortgages and credit cards. These GIL ratios are close to flattening out. While the personal financing GIL ratio saw an uptick, this was due to a shrinking denominator rather than severe deterioration. The Group has been avoiding unsecured loans since two quarters ago to improve its long-term NCC profile.

▲ **Intent on increasing dividend payouts.** The Group wants to increase dividend payouts from the lower end of its 40-50% guidance (as we've seen in the last two years) to something higher (the standard level was 45%). This will likely be a gradual process across multiple years, given the Group's tight capital.

This is supported by a capital release of 60 – 70 bps from Basel III changes. We've also reached a point where RWA should start slowing its pace of growth while earnings come flooding in.

Forecasts unchanged. We make no changes to our earnings forecasts. However, we tweak our dividend payout ratio to 41%/43%/45% (from 40%/40%/40%) in FY26/FY27/FY28 to account for a gradual increase in the dividend payout ratio.
Key downside risks. *(1) Lingering asset quality concerns, (2) Higher-than-expected OPEX growth, (3) Potential capital issues.*

Maintain BUY call: Revised GGM-TP of RM 6.10 ***(from RM5.92)***. The TP is based on a revised FY28F P/BV of 1.06x *(formerly 1.09x, rolled on from FY 27F),* to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY28F ROE of 9.7%, LTG of 5.0% & COE of 9.4%)*

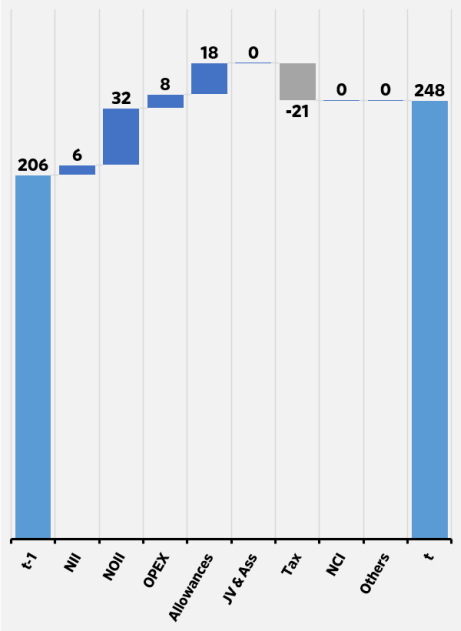
FIG 1: Quarterly results

FYE Mar (RM m)	1Q FY27	4Q FY26	1Q FY26	Yoy (%)	Qoq (%)	3M FY27	3M FY26	Yoy (%)
Net interest inc.	382	371	370	3	3	382	370	3
Islamic banking inc.	142	148	144	-1	-4	142	144	-1
Non-interest inc.	107	73	102	5	46	107	102	5
Net income	**631**	**593**	**615**	**3**	**6**	**631**	**615**	**3**
OPEX	(299)	(307)	(278)	8	-3	(299)	(278)	8
PPOP	**332**	**286**	**338**	**-2**	**16**	**332**	**338**	**-2**
Loan provisions	(1)	(20)	(90)	-99	-94	(1)	(90)	-99
Other provisions	(1)	(0)	(0)	n.m.	n.m.	(1)	(0)	n.m.
JV & Associates	0	0	0	n.m.	n.m.	0	0	n.m.
PBT	**330**	**266**	**248**	**33**	**24**	**330**	**248**	**33**
Tax	(81)	(60)	(49)	66	35	(81)	(49)	66
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**248**	**206**	**199**	**25**	**21**	**248**	**199**	**25**
Core NP	**248**	**206**	**199**	**25**	**21**	**248**	**199**	**25**
Total NII	512	506	499	3	1	512	499	3
Total NOII	119	87	116	3	37	119	116	3
Gross DPS (sen)	**-**	**9.7**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	14.4	12.3	12.8	12	17	14.4	12.8	12
Gross loans	67,808	67,154	62,728	8.1	1.0			
Gross impaired loans	1,243	1,162	1,227	1.3	7.0			
Customer deposits	70,459	71,612	65,021	8.4	-1.6			
CASA	26,580	26,843	24,682	7.7	-1.0			

Ratios (%)	1Q FY27	4Q FY26	1Q FY26	Yoy (ppts)	Qoq (ppts)	3M FY27	3M FY26	Yoy (ppts)
ROE (Ann.)	**11.2**	**9.3**	**10.2**	**1.0**	**1.8**	**11.2**	**10.2**	**1.0**
NIM (Reported)	**2.26**	**2.31**	**2.42**	**-0.16**	**-0.05**	**2.26**	**2.42**	**-0.16**
NOII/Net income	18.9	14.6	18.9	-0.0	4.2	18.9	18.9	-0.0
Cost/Income	47.4	51.8	45.1	2.3	-4.3	47.4	45.1	2.3
NCC (Ann.) (bps)	1	12	60	-59	-11	1	60	-59
GIL ratio	1.83	1.73	1.96	-0.12	0.10			
Loan loss coverage	102	113	104	-1	-11			
CASA ratio	37.7	37.5	38.0	-0.2	0.2			
L/D ratio	94.7	92.2	94.8	-0.1	2.5			
CET-1	13.0	13.2	12.4	0.6	-0.2			

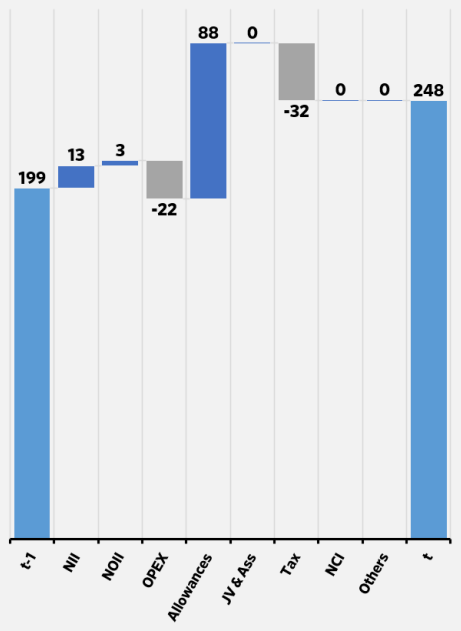
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



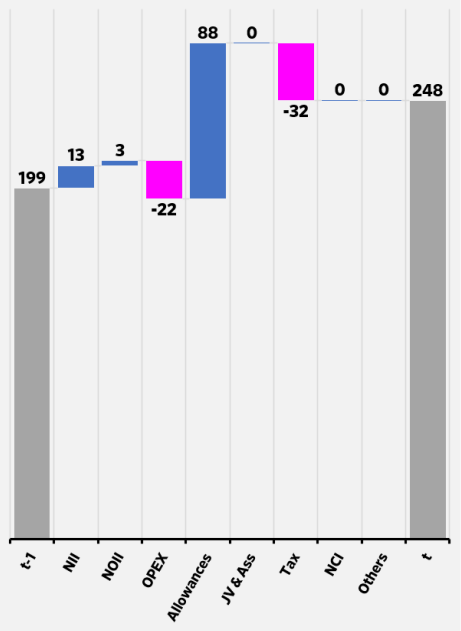
Source: Company, MBSBR

FIG 3: YoY P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: YoY P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY27F	3M FY27	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10.0 – 10.5	11.2	
CIR	47.5 – 48.5	47.4	
NIM	2.23 – 2.28 ~~2.28 – 2.35~~ (from 2.34)	2.26	The downward pressure comes largely from a shift towards a lower-yielding loan mix. The focus is on NII growth, not NIMs.
NOII		3% (yoy)	
Loans	7.5 – 10.0 (incl. assets)	1. (YTD)	Consumer: 7-9%, SME: 7-9%, Corporate: Double digits.
Deposits		-1.6 (YTD)	
% CASA		37.7	
Loan/Depo		94.7	
GIL ratio		1.83	
NCC (bps)	20 – 25 ~~27 – 32~~	1	
CET 1		13.0	
Div payout	40 – 50	-	Committed to increase payout once again, from current levels near the lower bound.

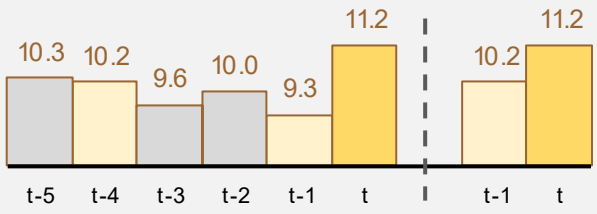
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

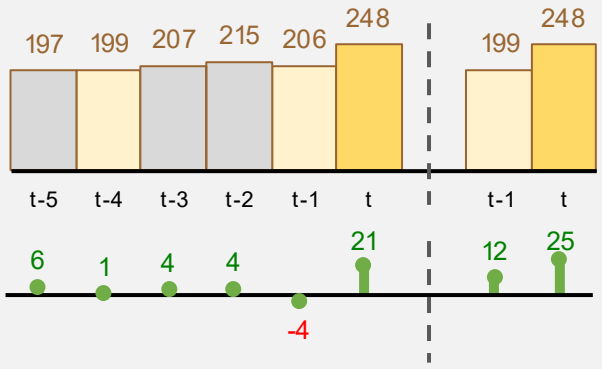
1QFY27 / 3MFY27 results

Earnings:	Within our full-year forecasts	(28%)
	Within street full-year forecasts	(29%)
Dividend:	NO	
YTD payout:	-	

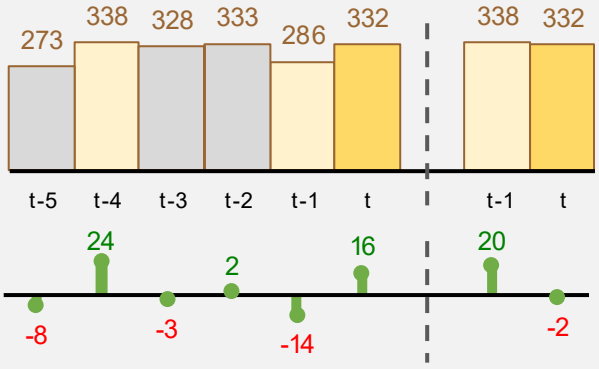
ROE (%)



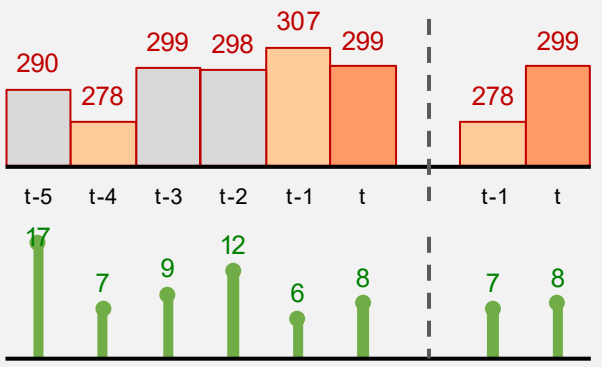
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



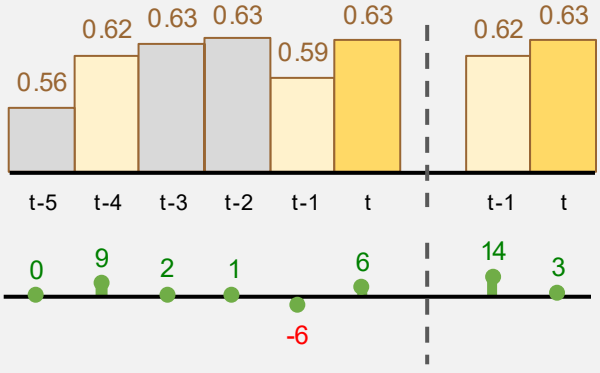
Pre-Provisioning Operating Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



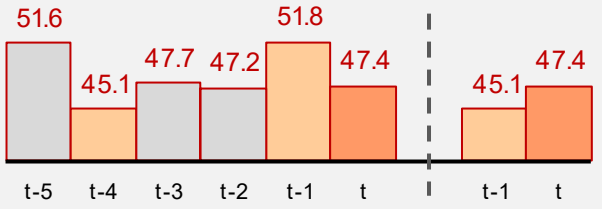
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



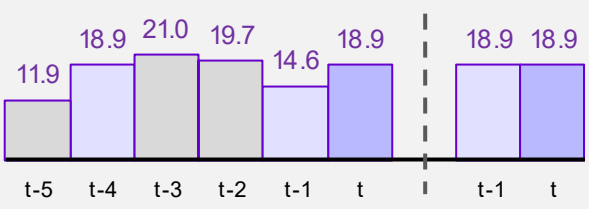
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



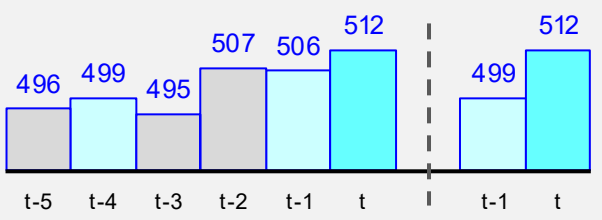
Cost/Income ratio (%)



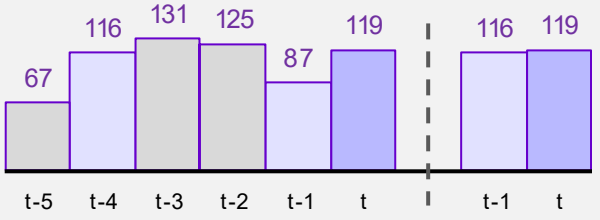
% NOII as topline (%)



Net interest income (RM m)

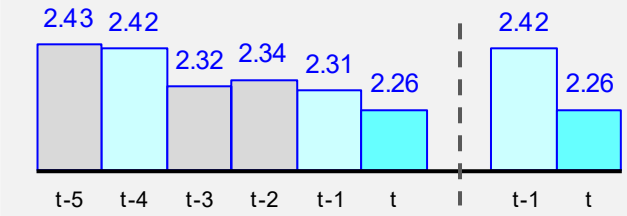


Non-interest income (RM m)

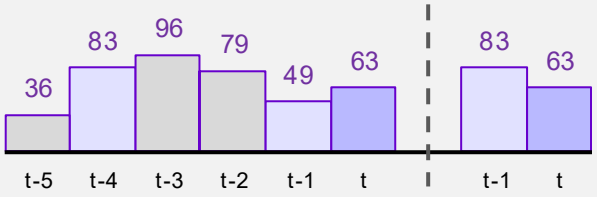


Source: Company, MBSBR

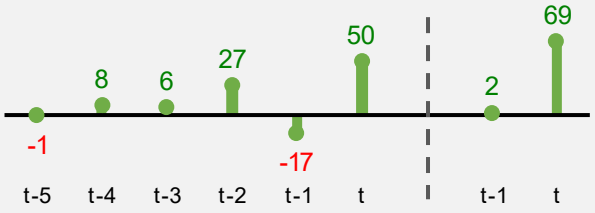
NIM (%)



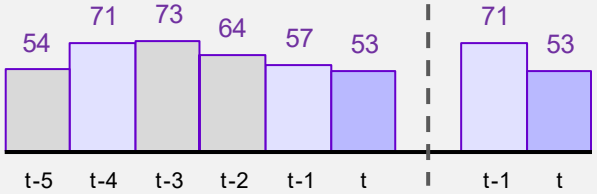
Non-fee NOII (RM m)



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

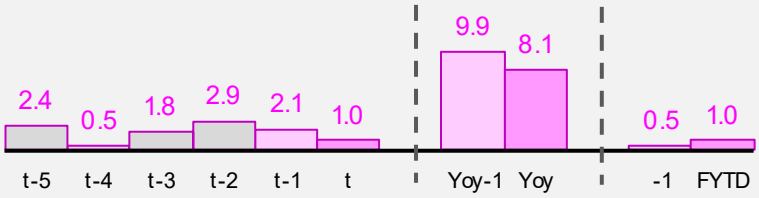


% Non-fee income as NOII (%)

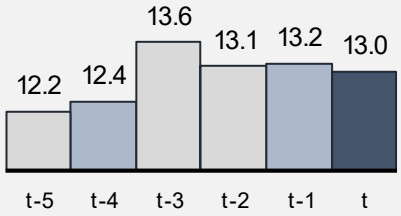


BALANCE SHEET

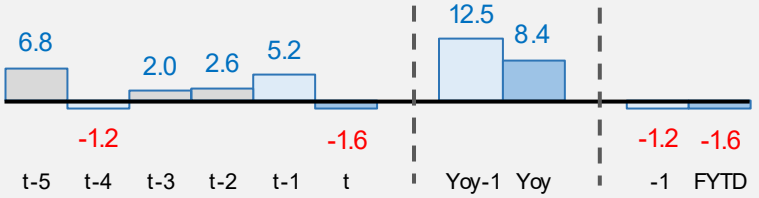
Loan growth -- qoq, yoy, FYTD (%)



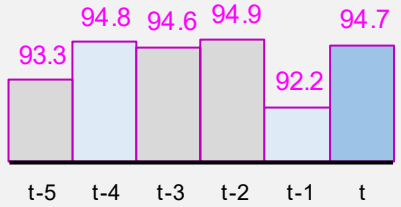
CET 1 ratio (%)



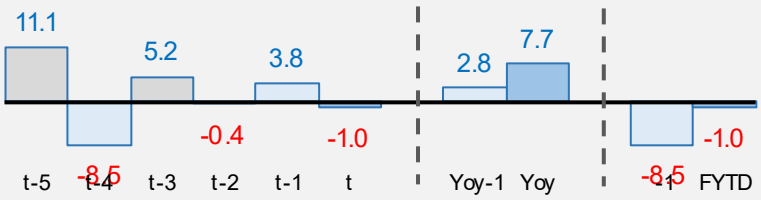
Deposit growth -- qoq, yoy, FYTD (%)



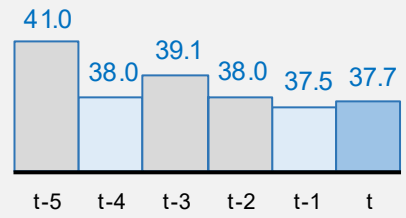
Loan/Deposit ratio (%)



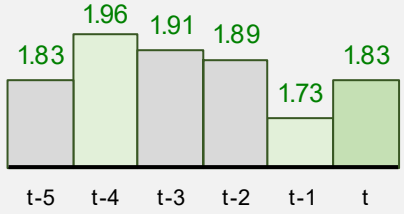
CASA growth -- qoq, yoy, FYTD (%)



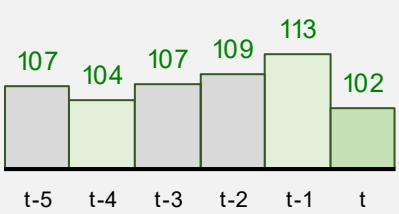
CASA ratio (%)



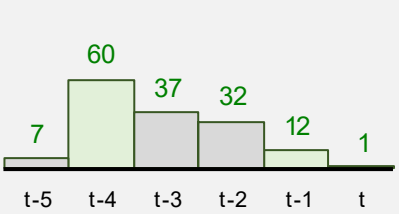
GIL ratio (%)



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	248	Qtrly ROE	Qtr value	11.2%
	28% of FY CNP				
	Qoq	21%		t-1	9.3%
	Yoy	25%		t-4	10.2%
Cum Core NP	RM mil	248	Cum ROE	Cum value	11.2%
	Within our forecast				
	28% of FY CNP				
	Within consensus				
	29% of FY CNP				
	Yoy	25%		t-1	10.2%
NII	As expected		NIM	As expected	
				Qtr value	2.26
				Cum value	2.26
	Qtr (Qoq)	1%		Qtr (Qoq)	-5bps
	Qtr (Yoy)	3%		Qtr (Yoy)	-16bps
	Cum (Yoy)	3%		Cum (Yoy)	-16bps
NOII	As expected		Qtr	% NII	81%
	Qtr (Qoq)	37%		% NOII	19%
	Qtr (Yoy)	3%	Cum	% NII	81%
	Cum (Yoy)	3%		% NOII	19%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	47.4%
				Cum value	47.4%
	Qtr (Qoq)	-3%		Qtr (Qoq)	-4.3%
	Qtr (Yoy)	8%		Qtr (Yoy)	+2.3%
	Cum (Yoy)	8%		Cum (Yoy)	+2.3%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.0%			
	Yoy	8.1%			
	YTD (FY)	1.0%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	-1.6%		Qoq	-1.0%
	Yoy	8.4%		Yoy	7.7%
	YTD (FY)	-1.6%		YTD (FY)	-1.0%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	37.7%		Value now	94.7%
	Qoq	+0.2%		Qoq	+2.5%
	Yoy	-0.2%		Yoy	-0.1%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.83%		Value now	102%
	Qoq	+10bps		Qoq	-11%
	Yoy	-12bps		Yoy	-1%
Qtrly Net CC	+ve surprise		Cum Net CC	+ve surprise	
	Small provision			Small provision	
	Value now	1bps		Value now	1bps
	t-1	12bps			
	t-4	60bps		t-4	60bps
CET 1	Healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	13.0%		Payout	
	Qoq	-0.2%			

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	7,494	7,610	7,722
Total liabilities	**77,549**	**83,335**	**90,155**	**95,810**	**101,917**
Share capital	1,548	2,151	2,151	2,151	2,151
Reserves	6,120	6,670	7,237	7,812	8,390
Shareholders' funds	**7,668**	**8,821**	**9,388**	**9,963**	**10,541**
NCI	-	-	-	-	-
Total equity	**7,668**	**8,821**	**9,388**	**9,963**	**10,541**
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**	**9.7**	**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	21.2	23.3	25.4
Div payout ratio (%)	36	38	41	43	45
BVPS (RM)	4.4	5.1	5.4	5.8	6.1
Core P/E (x)	11.4	10.3	9.5	9.1	8.8
Dividend yield (%)	**3.9**	**3.9**	**4.3**	**4.7**	**5.1**
P/BV (x)	1.1	1.0	0.9	0.9	0.8

Source: Company, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

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

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MBSB 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