



AmInvestment Bank

ALLIANCE BANK MALAYSIA

(ABMB MK EQUITY, ALLI.KL)

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Mild NIM pressure in 2Q26, with a slight rise in delinquencies

Company Report

HOLD

(Maintained)

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Rationale for report: Company Update

Price	RM4.59
Target Price	RM4.80
52-week High/Low	RM5.26/RM3.83

Key Changes

Target Price	↕
EPS	↕

YE to March	FY25	FY26F	FY27F	FY28F
Total income (RM mil)	2,269.9	2,424.5	2,592.5	2,864.0
Core net profit (RM mil)	750.7	775.5	834.4	962.4
FD Core EPS (sen)	48.5	44.8	48.2	55.6
FD Core EPS growth (%)	8.7	(7.6)	7.6	15.3
Consensus Net Profit (RM mil)	-	791.9	847.8	908.6
DPS (sen)	19.4	17.9	19.3	27.8
BV/share (RM)	4.95	5.07	5.28	5.61
PE (x)	9.5	10.2	9.5	8.3
Div yield (%)	4.2	3.9	4.2	6.1
P/BV (x)	0.9	0.9	0.9	0.8
ROE (%)	10.1	9.4	9.3	10.2

Stock and Financial Data

Shares Outstanding (million)	1,548.1
Market Cap (RMmil)	7,105.8
Book Value (RM/Share)	4.95
P/BV (x)	0.9
ROE (%)	10.1

Major Shareholders	Vertical Theme (29.1%) Employees Provident Fund (8.9%)
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Free Float	62.1
Avg Daily Value (RMmil)	18.1

Price performance	3mth	6mth	12mth
Absolute (%)	5.0	1.3	10.3
Relative (%)	(0.6)	(5.6)	10.4



Investment Highlights

We expect flattish 2Q26 earnings by end-November, with NIM pressured by a 25bps OPR cut in July. This is likely to be partly offset by revaluation gains in the securities portfolio. Loan delinquencies are expected to rise modestly, reflecting slower economic growth in 2H25. The stock trades at a fair 0.9x CY26 P/BV, based on a blended ROE of 9.3%. This coupled with DBS Group's proposed acquisition of Alliance Bank now stalled due to regulatory hurdles, we see limited near-term upside.

- Recommendation and valuation.** Maintain HOLD on ABMB, with an unchanged target price of RM4.80/share, based on CY26 P/BV of 0.9x and a blended ROE of 9.3%. Earnings forecast and 3-star ESG rating remain unchanged.
- Loan growth remains on track to meet the FY26 target of 8–10%.** SME and consumer segments continue to show healthy momentum, although growth has moderated. Meanwhile, commercial and corporate lending is expected to gain pace following a slower start in 1Q26, supported by a gradual improvement in business sentiment. This improvement is partly attributed to increased clarity following the US's implementation of reciprocal tariffs. Nonetheless, uncertainty remains—especially in the semiconductor industry, where recent reports indicate the US may introduce new tariffs on foreign electronics based on the number of chips they contain.
- NIM is projected to decline sequentially QoQ in 2Q26, primarily due to the 25bps OPR cut implemented in July 2025.** Each OPR reduction typically compresses NIM by 3–4bps, as asset yields adjust downward more quickly than funding costs. In 3Q26, some relief may come from deposit repricing at lower rates, helping ease funding pressure. However, seasonal year-end deposit competition in 3Q26 may constrain the ability to reprice lower, with banks likely to offer attractive deposit rates through promotional campaigns. As a result, NIM in 3Q26 is anticipated to remain under mild pressure. We anticipate no further cuts to the OPR, with the benchmark interest rate expected to remain steady at 2.75% through the rest of 2025.
- Improved NOII in 2Q26 is expected to ease NII pressure from compressed NIM, while delinquencies may edge up slightly.** In 1Q26, ABMB posted a 54.9% year-on-year increase in NOII, driven by stronger treasury and investment income, along with higher client-based fee income. Looking ahead to 2Q26, NOII is expected to remain robust on a sequential basis, supported by continued strength in investment and treasury activities. The decline in the 10-year MGS yield following the recent interest rate cut is anticipated to boost securities portfolio revaluation and open opportunities to realize gains from bond sales. A slight increase in loan delinquency is anticipated in 2Q26. This outlook is consistent with BNM's 3Q25 data (July–August), which showed a moderate increase in impaired loans compared to end-June 2025. As a result, we expect a slight QoQ rise in loan provisions. Nonetheless, we take comfort in the existing safeguards—namely the RM136.7mil in management overlays and RM117.2mil in regulatory reserves—which serve to cushion against potential risks to asset quality.

Company profile

Alliance Bank, along with its subsidiary Alliance Islamic Bank Berhad, operates as an integrated financial services group, providing a range of banking and financial solutions across consumer, SME, corporate, and commercial banking sectors.

With 100% domestic operations, the bank initiated its 4-year Acceler8 strategy in January 2023, focusing on expanding beyond SMEs. As part of its growth plans, Alliance Bank aims to establish itself as the regional champion in key economic corridors, including Penang, Sabah, and Sarawak.

Investment thesis and catalysts

HOLD rating with a limited upside potential. Fair valuation at 0.9x CY26 P/BV based on blended ROE of 9.3%.

Valuation methodology

The stock is assessed based on CY26 using a Gordon Growth Model-derived P/BV of 0.9x. This valuation is underpinned by a 10.9% cost of equity, incorporating a beta of 1.1, a market risk premium of 6.5%, a risk-free rate of 3.5%, and a long-term growth rate of 3%.

Risk factors

Potential risks to our projections:

- Slower-than-expected global economic growth could dampen loan expansion.
- Unexpected rise in funding costs—a sluggish CASA growth may heighten deposit competition.
- Prolonged high interest rates in developed markets

EXHIBIT 1: VALUATION

COE	10.9%
Beta	1.1
Market risk premium	6.5%
Risk free rate	3.5%
Long term growth rate	3%
P/BV	0.9x
CY26 BVPS	RM5.34
TP	RM4.80
ESG Premium	0
Adjusted TP	RM4.80

EXHIBIT 2: ESG SCORE

	Assessment	Parameters	Weightage	Rating					Rationale
1	Exposure to sustainable financing out of total loans	% of loan book	30%	*	*	*			4.3% vs. sector average of 7.1%
2	% of financing to high risk ESG sectors out of total loans	% of loan book	30%	*	*	*			RM16bil loans to high risk ESG sector
3	Scope 1 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*	*	*	
4	Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*				
5	Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*				
6	Electricity consumption to total income	Electricity consumption to total income	5%	*					
7	Water consumption to total income	m3/RM'Mil	5%	*					
	Weighted score for environmental assessment		100%	*	*	*			
1	Corporate Social Responsibility investments or spend	% of total income	35%	*	*	*			0.07% close to sector average of 0.08%
2	Investments in training	% of total income	20%	*	*				0.27% below sector average of 0.35%
3	Workforce diversity - women in senior management and above (excluding Board Directors)	% of total workforce	10%	*	*				
4	Average training hours per employee	hours	25%	*	*	*	*	*	
5	Financial literacy programs	No of participants educated through programs	10%	*	*	*			>500 participants educated
	Weighted score for social assessment		100%	*	*	*			
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*	*			
2	Board women representation	% of total board directors	10%	*	*				22.2% below sector average of 33.5%
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	20%	*	*	*			
4	Independent board directors	% of total board directors	20%	*	*	*	*	*	77.8% higher than sector average of 70.7%
5	Remuneration to directors	% of total operating expenses	10%	*					
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*			
	Weighted score for governance assessment		100%	*	*	*			
	Environmental score		40%	*	*	*			
	Social score		25%	*	*	*			
	Governance score		35%	*	*	*			
	Overall ESG Score		100%	*	*	*			

Source: AmInvestment Bank Bhd, Company

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	1,309.6	1,451.1	1,528.8	1,615.6	1,742.5
Non-interest income	270.8	271.7	287.9	307.0	352.0
Islamic banking income	440.1	547.1	607.9	669.9	769.6
Total income	2,020.5	2,269.9	2,424.5	2,592.5	2,864.0
Overhead expenses	(973.7)	(1,088.5)	(1,163.8)	(1,231.4)	(1,346.1)
Pre-provision profit	1,046.7	1,181.4	1,260.8	1,361.1	1,517.9
Loan loss provisions	(134.9)	(187.9)	(240.4)	(264.5)	(251.6)
Impairment & others	(0.5)	(0.6)	-	-	-
Associates	-	-	-	-	-
Pretax profit	911.3	992.9	1,020.4	1,096.6	1,266.3
Tax	(220.8)	(242.2)	(244.9)	(263.2)	(303.9)
Minority interests	-	-	-	1.0	-
Core net profit	690.4	750.7	775.5	834.4	962.4
Balance Sheet (RMmil, YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Cash & deposits with FIs	4,596.7	4,588.9	1,684.3	1,019.6	922.0
Marketable securities	14,436.0	16,333.9	17,652.7	19,438.8	21,568.0
Total current assets	19,032.7	20,922.8	19,337.0	20,458.4	22,490.0
Net loans & advances	54,720.8	61,418.5	67,434.5	74,051.6	82,124.8
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	1,125.4	1,276.2	731.4	803.2	886.2
Fixed assets	234.1	491.6	717.7	628.3	355.2
Intangible assets	462.4	517.0	517.0	517.0	517.0
Other long-term assets	1,370.8	591.1	540.5	482.3	413.0
Total LT assets	57,913.4	64,294.5	69,941.2	76,482.5	84,296.3
Total assets	76,946.1	85,217.3	89,278.2	96,940.9	106,786.3
Customer deposits	57,397.5	65,835.0	72,418.4	79,660.3	88,422.9
Deposits of other FIs	2,055.1	2,054.9	2,246.5	2,348.9	2,511.3
Subordinated debts	1,571.9	1,872.3	1,571.9	1,571.9	1,571.9
Hybrid capital securities	5,465.6	4,761.2	4,183.2	4,086.1	4,476.8
Other liabilities	3,280.9	3,025.5	88.5	139.0	106.7
Total liabilities	69,771.0	77,548.9	80,508.6	87,806.2	97,089.6
Shareholders' funds	7,175.1	7,668.4	8,769.6	9,134.7	9,696.8
Minority interests	-	-	-	-	-
Key Ratios (YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Total income growth (%)	5.2	12.3	6.8	6.9	10.5
Pre-provision profit growth (%)	0.8	12.9	6.7	8.0	11.5
Core net profit growth (%)	1.9	8.7	3.3	7.6	15.3
Net interest margin (%)	2.5	2.6	2.5	2.5	2.5
Cost-to-income ratio (%)	48.2	48.0	48.0	47.5	47.0
Effective tax rate (%)	24.2	24.4	24.0	24.0	24.0
Dividend payout (%)	50.0	40.0	40.0	40.0	50.0
Key Assumptions (YE 31 March)	FY24	FY25	FY26F	FY27F	FY28F
Loan growth (%)	13.6	12.0	10.0	10.0	11.0
Deposit growth (%)	12.9	14.7	10.0	10.0	11.0
Loan-deposit ratio (%)	95.3	93.3	93.1	93.0	92.9
Gross NPL (%)	2.1	1.8	2.0	2.0	1.9
Net NPL (%)	1.2	1.0	1.1	1.1	1.1
Credit charge-off rate (%)	0.3	0.3	0.4	0.4	0.3
Loan loss reserve (%)	113.8	116.8	106.4	114.2	124.1

Source: Company, AmInvestment Bank Bhd estimates

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