



AmInvestment Bank

# ALLIANCE BANK MALAYSIA

(ABMB MK EQUITY, ALLI.KL)

28 May 2025

*Strong revenue growth, but dividend payout lagged expectation*

## Company Report

## HOLD

(Maintained)

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*Rationale for report: Company Result*

Price	RM4.37
Fair Value	RM4.80
52-week High/Low	RM5.40/RM3.73

### Key Changes

Fair value	↑
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	45.8	49.2	53.7
FD Core EPS growth (%)	8.7	(5.7)	7.6	9.0
Consensus Net Profit (RM mil)	-	738.5	788.0	840.9
DPS (sen)	19.4	18.3	19.7	26.8
BV/share (RM)	4.95	5.17	5.39	5.41
PE (x)	8.9	9.5	8.8	8.1
Div yield (%)	4.5	4.2	4.5	6.2
P/BV (x)	0.9	0.8	0.8	0.8
ROE (%)	10.1	9.4	9.3	10.2

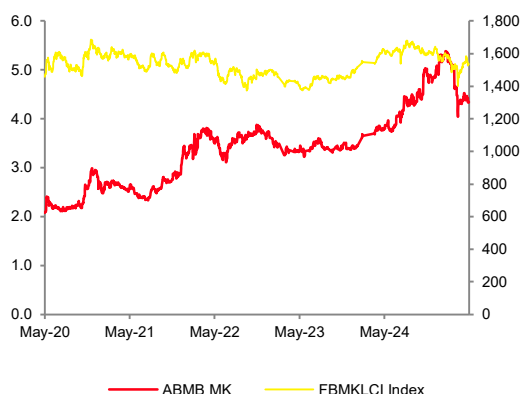
### Stock and Financial Data

Shares Outstanding (million)	1,548.1
Market Cap (RMmil)	6,703.3
Book Value (RM/Share)	4.95
P/BV (x)	0.9
ROE (%)	10.1

Major Shareholders	Vertical Theme (29.1%) Employees Provident Fund (9.3%)
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Free Float	61.6
Avg Daily Value (RMmil)	12.0

Price performance	3mth	6mth	12mth
Absolute (%)	(18.3)	(13.7)	14.6
Relative (%)	(15.4)	(9.9)	20.9



### Investment Highlights

**ABMB's FY25 earnings met expectations, driven by strong loan momentum. The group achieved all targets, with a 0.5% YoY positive JAW and a 48% CI ratio. Credit cost remained within guidance at 30bps. Looking ahead, NIM is expected to compress due to asset-liability shifts and a potential 25bps OPR cut, lowering rates to 2.75%. Dividend payout fell to 40% (19.4 sen), below our expectation of 50%, to conserve capital. A rights issue at a 15-25% discount, aiming to raise RM600mil, is likely to limit near-term stock upside. HOLD recommendation maintained.**

- Recommendation and valuation.** Maintain HOLD on ABMB with a revised TP of RM4.80/share (from RM4.40/share) based on a CY26 P/BV of 0.9x, supported by a 9.3% blended ROE. The TP increase follows an upward revision of BV/share to RM5.34 (from RM4.93). FY26/27 earnings were adjusted by +2.1%/-1.2%, reflecting updates to NII, NOII, and provisions.
- FY25 earnings met expectations, achieving 101.6% of our estimate and 101.7% of the consensus forecast.** Earnings rose 8.7% YoY in FY25 to RM751mil, driven by a 12.3% YoY income boost from higher NII (+13.2%) and NOII (+7.7%), despite increased OPEX and provisions. NII growth was fueled by strong loan momentum, while NOII benefited from higher trade fees, FX sales, treasury, and investment income. The group met its FY25 targets, maintaining a CI ratio of 48%. QoQ, earnings increased 5.8% to RM197mil, supported by moderate net income growth and lower provisions.
- Loan growth remained strong at 12% YoY, moderating slightly but still surpassing the industry's 5.2% YoY.** Loan growth exceeded the 8-10% FY25 guidance, driven by strong double-digit gains in SME, commercial, and consumer banking loans. NIM fell 3bps YoY to 2.45%, impacted by a shift in deposit mix and lower lending rates from corporate loans. The FY26 NIM guidance remains at 2.40-2.45%, but downside risks exist due to a potential 25bps rate cut in 2H2025, which could compress margins by 3-4bps. CASA ratio dipped to 41.0% in FY25 (vs. 41.6% in FY24) as FDs outpaced CASA growth.
- GIL ratio improved to 1.83% in FY25, with credit cost within guidance at 30-35bps.** Net credit cost rose to 30bps in FY25 (FY24: 24bps) due to the absence of a RM182.5mil provisions writeback, though BAU provisions declined. Management guided credit cost at 30-35bps in FY26, with RM154mil in overlays to cushion asset quality risks. GIL ratios improved for SME and consumer loans, while commercial and corporate segments remained stable. Delinquency (30+ days past due) ticked up 20bps YoY to 1.7% for commercial and corporate loans, with higher consumer delinquency in personal financing and AOA accounts.

### 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

Revenue and loan growth remain robust, with a 4.2% dividend yield projected for FY26. However, the RM600mil rights issue, offered at a 15-25% discount, could cap near-term stock upside.

### 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 10.1% cost of equity, incorporating a beta of 1.1, a market risk premium of 6.3%, a risk-free rate of 3.7%, 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	10.1% (from 10.9%)
Beta	1.1
Market risk premium	6.3% (from 6.1%)
Risk free rate	3.7% (from 3.9%)
Long term growth rate	3%
P/BV	0.9x
CY26 BVPS	RM5.34 (from RM4.93)
<b>TP</b>	<b>RM4.80 (from RM4.40)</b>
ESG Premium	0
<b>Adjusted TP</b>	<b>RM4.80 (from RM4.40)</b>

**EXHIBIT 2: RESULTS SUMMARY**

<b>Income Statement (RM Mil, FYE 31 Mar)</b>	<b>4Q24</b>	<b>3Q25</b>	<b>4Q25</b>	<b>% QoQ</b>	<b>% YoY</b>	<b>12M24</b>	<b>12M25</b>	<b>% YoY</b>
Interest income	655	731	739	1.1	12.7	2,466	2,865	16.2
Interest expense	-313	-361	-368	1.8	17.6	-1,156	-1,414	22.3
<b>Net interest income</b>	<b>343</b>	<b>369</b>	<b>371</b>	<b>0.5</b>	<b>8.3</b>	<b>1,310</b>	<b>1,451</b>	<b>10.8</b>
Islamic banking income	114	138	141	2.4	23.6	440	547	24.3
Non-interest income	59	54	50	-6.2	-14.4	271	272	0.4
<b>Total income</b>	<b>516</b>	<b>561</b>	<b>563</b>	<b>0.4</b>	<b>9.1</b>	<b>2,020</b>	<b>2,270</b>	<b>12.3</b>
Overhead expenses	-249	-265	-290	9.6	16.6	-974	-1,088	11.8
Pre-provision profit	<b>267</b>	<b>296</b>	<b>273</b>	<b>-7.9</b>	<b>2.2</b>	<b>1,047</b>	<b>1,181</b>	<b>12.9</b>
Loan impairment allowances	-36	-38	-10	-74.5	-72.7	-135	-188	39.3
Other allowances	0	0	0	-121.4	-93.0	-1	-1	12.8
Associates and JV income	15	12	0	-8.3	-26.7	0	0	14.6
<b>Pretax profit</b>	<b>231</b>	<b>258</b>	<b>263</b>	<b>2.0</b>	<b>13.9</b>	<b>911</b>	<b>993</b>	<b>9.0</b>
Income tax	-53	-71	-65	-8.0	23.3	-221	-242	9.7
Minority interest								
<b>Net profit</b>	<b>178</b>	<b>187</b>	<b>197</b>	<b>5.8</b>	<b>11.1</b>	<b>690</b>	<b>751</b>	<b>8.7</b>
<b>Core net profit</b>	<b>178</b>	<b>187</b>	<b>197</b>	<b>5.8</b>	<b>11.1</b>	<b>690</b>	<b>751</b>	<b>8.7</b>
Core EPS (sen)	11.5	12.1	12.8	5.8	11.3	44.6	48.5	8.7
<b>Profit by segments (RM Mil)</b>								
Consumer banking	66	53	52	-1.2	-21.6	149	131	-12.1
Business banking	101	149	142	-4.9	41.3	497	562	12.9
Financial markets	69	63	53	-14.6	-22.8	290	319	10.1
Investment banking	1	0	0	n.m.	-100.0	-2	0	-100.0
Others	5	-6	13	-324.7	184.4	-15	-10	-29.4
Inter-segmental elimination	-11	-1	2	-320.8	-118.5	-8	-8	3.1
<b>Group profit before tax (excluding associate and JV income)</b>	<b>231</b>	<b>258</b>	<b>263</b>	<b>2.0</b>	<b>13.9</b>	<b>911</b>	<b>993</b>	<b>9.0</b>
<b>Balance Sheet (RM Mil, FYE 31 Mar)</b>								
Gross loans and advances	55,740	60,956	62,445	2.4	12.0	55,740	62,445	12.0
Net loans and advances	54,721	59,902	61,419	2.5	12.2	54,721	61,419	12.2
Customer deposits	57,397	61,659	65,835	6.8	14.7	57,397	65,835	14.7
Gross impaired loans	1,178	1,203	1,145	-4.8	-2.8	1,178	1,145	-2.8
Average shareholders funds	7,079	7,415	7,546	1.8	6.6	6,080	7,422	22.1
<b>Ratios (%)</b>								
Net LD	95.3%	97.2%	93.3%			95.3%	93.3%	
CASA	41.6%	39.4%	41.0%			41.6%	41.0%	
Cost to income	48.3%	47.2%	51.6%			48.2%	48.0%	
Annualised Credit cost	0.26%	0.25%	0.06%			0.24%	0.30%	
GIL/Gross NPL	2.11%	1.97%	1.83%			2.11%	1.83%	
Loan loss coverage	100.6%	103.6%	106.6%			100.6%	106.6%	
Loan loss coverage (inclusive of regulatory reserves)	113.8%	110.9%	116.8%			113.8%	116.8%	
Liquidity coverage ratio	156.8%	152.1%	171.6%			156.8%	171.6%	
NIM	2.45%	2.45%	2.43%			2.48%	2.45%	
ROE	10.0%	10.1%	10.5%			11.4%	10.1%	
CET1 capital	12.5%	12.4%	12.2%			12.5%	12.2%	
Tier 1 capital	13.2%	13.6%	13.4%			13.2%	13.4%	
Total capital	16.8%	17.0%	16.7%			16.8%	16.7%	

Source: Company, AmlInvestment Bank

**EXHIBIT 3: CHANGE IN EARNINGS**

<b>RMm</b>	<b>FY26F</b>			<b>FY27F</b>		
	<b>Previous</b>	<b>Revised</b>	<b>Chg</b>	<b>Previous</b>	<b>Revised</b>	<b>Chg</b>
Earnings	759	776	2.1%	843	834	-1.2%
Net interest income	1,542	1,529	-0.8%	1,733	1,616	-6.8%
Income from Islamic Banking	486	608	25.0%	498	670	34.6%
Non-interest income	327	288	-12.1%	364	307	-15.7%
Loan loss provisions	238	240	0.9%	267	264	-0.9%

## EXHIBIT 4: 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%	*					
	<b>Weighted score for environmental assessment</b>		<b>100%</b>	*	*	*			
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
	<b>Weighted score for social assessment</b>		<b>100%</b>	*	*	*			
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%	*	*	*			
	<b>Weighted score for governance assessment</b>		<b>100%</b>	*	*	*			
	Environmental score		40%	*	*	*			
	Social score		25%	*	*	*			
	Governance score		35%	*	*	*			
	<b>Overall ESG Score</b>		<b>100%</b>	*	*	*			

Source: AmInvestment Bank Bhd, Company

## EXHIBIT 5: 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
<b>Total income</b>	<b>2,020.5</b>	<b>2,269.9</b>	<b>2,424.5</b>	<b>2,592.5</b>	<b>2,864.0</b>
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	-	-	-	-	-
<b>Pretax profit</b>	<b>911.3</b>	<b>992.9</b>	<b>1,020.4</b>	<b>1,096.6</b>	<b>1,266.3</b>
Tax	(220.8)	(242.2)	(244.9)	(263.2)	(303.9)
Minority interests	-	-	-	1.0	-
<b>Core net profit</b>	<b>690.4</b>	<b>750.7</b>	<b>775.5</b>	<b>834.4</b>	<b>962.4</b>
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
<b>Total current assets</b>	<b>19,032.7</b>	<b>20,922.8</b>	<b>19,337.0</b>	<b>20,458.4</b>	<b>22,490.0</b>
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
<b>Total LT assets</b>	<b>57,913.4</b>	<b>64,294.5</b>	<b>69,941.2</b>	<b>76,482.5</b>	<b>84,296.3</b>
<b>Total assets</b>	<b>76,946.1</b>	<b>85,217.3</b>	<b>89,278.2</b>	<b>96,940.9</b>	<b>106,786.3</b>
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
<b>Total liabilities</b>	<b>69,771.0</b>	<b>77,548.9</b>	<b>80,508.6</b>	<b>87,806.2</b>	<b>97,089.6</b>
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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