

28 February 2025

Alliance Bank Malaysia

Anticipating A Slight Ease Before Closing

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ABMB's 9MFY25 net profit (+8%) met expectations and upholds its strong ability to grow its loans book across markets. The group cautioned of a slower 4QFY25 with less business activities, and a declining CASA mix likely to pose downside to NIMs. The group's recent share price rally has brought its dividend yield prospects closer to peers' average (c.5%). Also with its peers loading up their respective ROEs aggressively, we maintain our **MARKET PERFORM** call for ABMB. We raise our GGM-PBV TP to RM5.30 (from RM5.00) as we roll over our valuation base year to CY26.

9MFY25 within expectations. ABMB's 9MFY25 net profit of RM553.2m made up 73% of our full-year forecast and 75% of consensus full-year estimates.

YoY, 9MFY25 net profit rose by 8%. This was led by NII (+15%) gaining from an enlarged loans base (+14%, also CY24 basis) offsetting NIMs shedding to 2.46% (-2 bps) as funding cost rose due to a lower CASA mix (39.4%, -5.7 ppt). NOII increased more modestly (+5%), mostly from higher treasury and investment income. Thanks to the stronger top line, CIR came off (46.8%, -1.4 ppts) in spite of a 10% growth in operating expenses.

Regarding asset quality, while GIL moderated to 1.97% (-36 bps), credit cost rose to 41 bps (+15 bps) as compared to 9MFY23 which saw more writebacks. It was noted that a majority of the increase came from additional provisions for personal financing accounts as well as corporate accounts in the construction sector. We note that pre-emptive buffers of RM169m still remain with the group, supplementing its LLC of c.110%.

QoQ, 3QFY25 net earnings slightly dipped (-2%) mainly due to a 48% shortfall in NOII from less favourable investment results. We note that loans grew by 3% from higher SME acquisitions.

Highlights. Granted by its lower loans base, ABMB continues to achieve industry-leading loans growth across most segments. While they are much ahead of their FY25 guidance of 8%-10% loans growth, the group is cautious on a slower 4QFY25/1QCY25, being festively dense quarters.

We gathered that ABMB's large CASA ratio fell below 40%, last seen over four financial years ago, was undermined by higher fixed deposits appetite from customers. Still, the group believes it will comfortably manage its funding costs by maintaining its CASA mix at above 35%, anticipating slight compressions to NIMs to come along the way.

Forecasts. Post results, we tweak our FY25F/FY26F numbers from model housekeeping.

Maintain to MARKET PERFORM with a TP of RM5.35 (from RM5.00), as we roll over our valuation base year to CY26F BVPS of RM5.43. This is against an unchanged GGM-derived PBV of 0.93x (COE: 10.5%, TG: 3%, ROE: 10%) with a 5% premium to our TP based on our 4-star ESG rating appraisal, warranted by the stock's strong green financing pipeline and its sustainable financing policies.

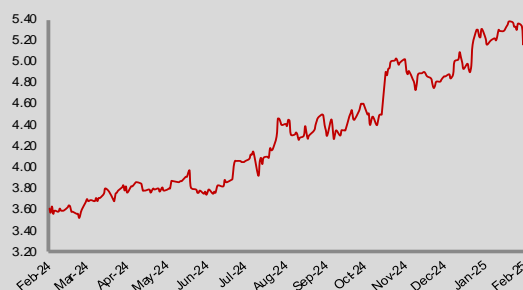
As trading valuations for the stock has caught up, we believe its risk-reward has become more balanced. Similarly, previous dividend prospects of mid-7% are now diluted to mid-5%. Given the lower incentive, the perceived higher earnings risk tied to ABMB's heavy SME exposure may be more pronounced to investors.

Risks to our call include: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) slowdown in capital market activities, (v) unfavourable currency fluctuations, and (vi) changes to OPR.

MARKET PERFORM ↔

Price : RM5.32
Target Price : RM5.30 ↑

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	9.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ABMB MK Equity
Market Cap (RM m)	8,235.9
Shares Outstanding	1,548.1
52-week range (H)	5.38
52-week range (L)	3.52
3-mth avg daily vol	1,709,475
Free Float	70%
Beta	0.42

Major Shareholders

Vertical Theme Sdn Bhd	29.1%
Employees Provident Fund	8.3%
Global Success Network	5.0%

Summary Earnings Table

FY Mar (RM m)	2024A	2025F	2026F
Net interest Income	1,750	1,995	2,140
Non-interest Income	271	230	181
Total Income	2,020	2,225	2,321
Operating Expenses	-974	-989	-1,021
Loan Impairment	-135	-238	-203
Pre-tax Profit	911	997	1,097
Net Profit	690	748	823
Core Net Profit	690	748	823
Consensus NP	-	741	791
Earnings Revision (%)	-	-1.3	+0.5
Core EPS (RM)	0.45	0.48	0.53
EPS Growth (%)	1.9	8.3	10.0
NDPS (RM)	0.22	0.25	0.27
BV/Share (RM)	4.63	4.87	5.13
NTA/Share (RM)	4.34	4.57	4.84
ROE (%)	9.9	10.2	10.6
PER (x)	11.9	11.0	10.0
P/BV (x)	1.15	1.09	1.04
Net Div. Yield (%)	4.2	4.7	5.0

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Results Highlights

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Mar (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	507	502	1.1%	449	12.9%	1,485	1,292	14.9%
Non-interest income	54	104	-48.2%	61	-11.2%	221	212	4.5%
Total income	561	606	-7.3%	510	10.1%	1,707	1,504	13.5%
Operating expenses	-265	-274	-3.1%	-248	7.0%	-798	-725	10.1%
Pre-impairment profit	296	332	-10.8%	262	12.9%	909	780	16.5%
(Allowances)/ write-backs	-38	-94	-59.2%	-25	55.6%	-178	-99	79.9%
(Allowances)/ write-backs on other assets	0	1	-118.2%	0	-271.7%	1	0	157.8%
Operating profit	258	239	7.9%	238	8.4%	731	681	7.4%
Non-operating gains / (losses)	0	0	0.0%	0	N.M.	0	0	300.0%
Profit before tax	258	239	7.9%	238	8.4%	731	681	7.4%
Taxation	-71	-48	49.4%	-61	17.5%	-177	-168	5.4%
Minority interest	0	0	N.M	0	N.M.	0	0	N.M
Net Profit	187	190	-1.7%	177	5.5%	553	513	7.9%
Core Net Profit	187	190	-1.7%	177	5.5%	553	513	7.9%
Gross loans	60,956	59,074	3.2%	53,356	14.2%	60,956	53,356	14.2%
Gross impaired loans	1,203	1,192	0.9%	1,246	-3.5%	1,203	1,246	-3.5%
Customer deposits	61,659	58,966	4.6%	54,410	13.3%	61,659	54,410	13.3%
Current and savings account (CASA)	24,285	24,102	0.8%	24,530	-1.0%	24,285	24,530	-1.0%
Total assets	81,405	81,023	0.5%	73,330	11.0%	81,405	73,330	11.0%
Shareholders' equity	7,423	7,408	0.2%	6,983	6.3%	7,423	6,983	6.3%
Est. annualised NIM	2.45%	2.49%		2.49%		2.46%	2.48%	
Cost-to-income ratio	47.2%	45.2%		48.6%		46.8%	48.2%	
Annualised credit cost (bps)	25.6	64.7		18.8		40.6	25.7	
Effective tax rate	27.6%	20.0%		25.5%		24.2%	24.6%	
Annualised ROA	0.9%	1.0%		1.0%		0.9%	1.0%	
Annualised ROE	10.1%	10.4%		10.2%		10.1%	10.0%	
Gross impaired loans ratio	2.0%	2.0%		2.3%		2.0%	2.3%	
Loan loss coverage ratio (LLC)	103.6%	105.6%		96.3%		103.6%	96.3%	
LLC plus regulatory reserves	110.9%	112.1%		117.0%		110.9%	117.0%	
Loan-to-deposit ratio	98.6%	100.6%		98.4%		98.6%	98.4%	
CASA-to-deposit ratio	39.4%	40.9%		45.1%		39.4%	45.1%	
CET-1 capital (Group level)	12.4%	12.4%		13.2%		12.4%	13.2%	

Source: Company, Kenanga Research

Management Guidance

	FY25 Targets	FY24 Performance
Gross loans growth	8%-10%	13.6%
NIM	2.40%-2.45%	2.5%
Cost-to-income ratio	~48%	48.2%
Net credit cost	30-35 bps	26bps
ROE	>10%	10%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.90	2.40	-17.2%	6,961	N	12/2025	25.6	27.4	20.5%	7.2%	11.3	10.6	0.6	5.2%	10.0	3.4%
ALLIANCE BANK MALAYSIA BHD	MP	5.32	5.35	0.6%	8,236	N	03/2025	48.3	53.2	8.3%	10.0%	11.0	10.0	1.1	10.2%	25.0	4.7%
AMMB HOLDINGS BHD	OP	5.70	6.80	19.3%	18,849	N	03/2025	58.0	64.7	23.3%	11.4%	9.8	8.8	0.9	9.8%	29.0	5.1%
BANK ISLAM MALAYSIA BHD	UP	2.51	2.30	-8.4%	5,689	Y	12/2024	23.1	28.1	-5.2%	21.6%	10.8	8.9	0.8	7.0%	16.5	6.6%
CIMB GROUP HOLDINGS BHD	MP	8.22	7.60	-7.5%	88,217	N	12/2024	70.8	74.1	8.1%	4.7%	11.6	11.1	1.2	10.8%	49.0	6.0%
HONG LEONG BANK BHD	OP	21.30	27.40	28.6%	46,172	N	06/2025	215.3	221.6	5.2%	2.9%	9.9	9.6	1.1	11.4%	71.0	3.3%
MALAYAN BANKING BHD	OP	10.66	12.00	12.6%	128,634	N	12/2025	88.5	92.6	5.8%	4.6%	12.0	11.5	1.3	11.1%	65.0	6.1%
MBSB BHD	UP	0.720	0.620	-13.9%	5,920	Y	12/2024	7.6	7.8	34.6%	2.3%	9.4	9.2	0.5	5.5%	3.5	4.9%
PUBLIC BANK BHD	OP	4.49	5.25	16.9%	87,154	N	12/2025	38.3	39.6	3.9%	3.5%	11.7	11.3	1.5	12.7%	23.0	5.1%
RHB BANK BHD	OP	6.76	7.80	15.4%	29,470	N	12/2025	73.8	77.5	2.5%	5.0%	9.2	8.7	0.9	9.7%	44.5	6.6%
SECTOR AGGREGATE					425,303					6.7%	4.9%	11.3	10.8	1.2	10.5%		5.2%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★	★	☆
	Financial Inclusion	★	★	★	☆	
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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