

25 May 2026

Alliance Bank Malaysia

Shifting for the Better

By Clement Chua | clement.chua@kenanga.com.my

ABMB's FY26 net profit (+10%) and dividends came in within expectations. While the group missed its credit cost target following pre-emptive provision top-ups amid geopolitical uncertainties, we view the magnitude as benign, suggesting that existing buffers are likely already sufficient. We upgrade it to **OUTPERFORM** (from **MARKET PERFORM**) with a higher GGM-derived PBV TP of RM5.50 (from RM5.20). The group sees diversification opportunities through increasing unrated bond activities which could defend earnings against heavy competition in fund cost as well as potential strains to asset quality.

FY26 within expectations. ABMB's FY26 net profit of RM826.5m came in at 99% of our full-year forecast and 100% of consensus full-year expectation. An interim dividend of 9.74 sen was declared, amounting to a full-year payment of 19.1 sen (at 40% payout). This is largely within our previously anticipated 20.0 sen for the year.

YoY, FY26 net profit rose by 10%. This was driven by a stronger NII from an enlarged loans book (+8%), offsetting NIMs of 2.34% (-11 bps) which were compressed owing to loans mix where several corporate clients have shifted towards unrated bonds as means of financing. This led to higher fee-based income which led to NOII surging by 47%, as well as thanks to better treasury gains.

While CIR remained relatively stable at 47.9% (-1 bps), credit cost increased to 33.6 bps (+1.9 bps) with the inclusion of additional buffers of 5 bps booked (c.RM31m) in by the group amid geopolitical and inflationary uncertainties. Total pre-emptive provisions stand at RM185m with LLC rising to 113% (from 107%).

QoQ, 4QFY26 net profit fell by 4%, mainly attributed by softer forex gains during the quarter. NIMs continued to deteriorate (-3 bps) from higher-cost fixed deposits base. We note that although credit cost for the quarter only came in at 12 bps (-19 bps), this includes the abovementioned top-up of provisions, which could otherwise land the group in a net writeback during the quarter.

Outlook. Between its FY26 targets, ABMB met all headline guidance metrics except for credit cost, with the slight miss reflecting management's more prudent stance amid macroeconomic uncertainties. That said, the group believes existing buffers remain sufficient and expects FY27 credit cost to ease slightly to 27-32 bps (from 34 bps), assuming that elevated oil prices normalise within six months, thereby reducing pressure on businesses.

Meanwhile, the group is observing a shift in client preference towards unrated bonds over traditional financing. Loans growth would still remain supportive at a range of 7.5%-10% but with the inclusion of unrated bonds in the near-term. Given the focus on fee-based income as opposed to NII, this may result in lower asset yields which in turn could compress NIMs by up to 6 bps in FY27. That said, larger NOII contribution relatively would make up for it and support profitability, with the group guiding for ROEs of up to 10.5%.

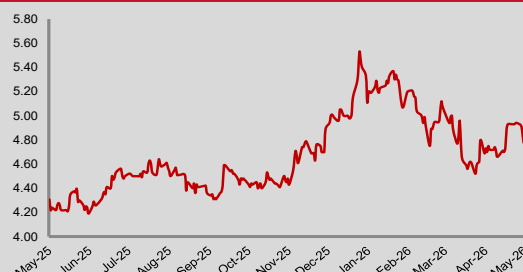
Forecasts. Our FY27F earnings is mostly unchanged. We maintained our more prudent credit cost inputs than the group, staying at 34 bps. Meanwhile, we introduce our FY28F numbers.

Upgrade to OUTPERFORM with a higher TP of RM5.50 (from RM5.20). The increase in our TP came from FY26 model updates which lifted our CY26 BVPS to RM5.29 (from RM4.94). We maintain an unchanged GGM-derived PBV of 1.00x (COE: 10.0%, TG: 3.0%, ROE: 10%), post-model. We also attach a 5% premium to our TP based on our 4-star ESG rating appraisal, warranted by the stock's strong sustainable financing pipeline and policies.

OUTPERFORM ↑

Price : **RM4.80**
Target Price : **RM5.50** ↑

Share Price Performance



KLCI	1,712.67
YTD KLCI chg	1.9%
YTD stock price chg	-5.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ABMB MK Equity
Market Cap (RM m)	8,305.1
Shares Outstanding	1,730.2
52-week range (H)	5.53
52-week range (L)	4.19
3-mth avg daily vol	2,470,007
Free Float	61%
Beta	0.70

Major Shareholders

Vertical Theme Sdn Bhd	29.1%
Employees Provident Fund	8.6%
Global Success Network	4.5%

Summary Earnings Table

FY Mar (RM m)	2026A	2027F	2028F
Net interest Income	2,067	2,262	2,362
Non-interest Income	400	326	309
Total Income	2,466	2,588	2,671
Operating Expenses	-1,181	-1,193	-1,225
Loan Impairment	-217	-232	-230
Pre-tax Profit	1,068	1,163	1,216
Net Profit	827	872	912
Core Net Profit	827	872	912
Consensus NP	-	873	934
Earnings Revision (%)	-	+0.3	NEW
Core EPS (RM)	0.48	0.50	0.53
EPS Growth (%)	10.1	5.5	4.5
NDPS (RM)	0.19	0.20	0.21
BV/Share (RM)	5.10	5.29	5.49
NTA/Share (RM)	4.80	4.98	5.19
ROE (%)	10.0	9.7	9.8
PER (x)	10.0	9.5	9.1
P/BV (x)	0.94	0.91	0.87
Net Div. Yield (%)	4.0	4.2	4.4

25 May 2026

With its share price falling 13% from its peak in Jan 2026, we believe the risk-reward of the stock may be more balanced for those seeking exposure to high growth corporate, SME accounts, particularly with the group leaning towards the lower-risked alternative of unrated bonds, which requires less funding. We had previously downgraded the stock from OUTPERFORM to MARKET PERFORM in our 26 Nov 2025 note.

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

Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Mar (RM m)	FY26	FY26	Chg	FY25	Chg	FY26	FY25	Chg
Net interest income	520	524	-0.8%	513	1.4%	2,067	1,998	3.4%
Non-interest income	73	108	-32.0%	50	45.3%	400	272	47.1%
Total income	593	632	-6.1%	563	5.3%	2,466	2,270	8.6%
Operating expenses	-307	-298	2.9%	-290	5.7%	-1,181	-1,088	8.5%
Pre-impairment profit	286	333	-14.2%	273	4.9%	1,285	1,181	8.7%
(Allowances)/ write-backs	-20	-50	-60.8%	-10	101.8%	-217	-188	15.6%
(Allowances)/ write-backs on other assets	0	0	-13.6%	0	245.5%	-1	1	-187.5%
Operating profit	266	283	-5.9%	263	1.3%	1,067	994	7.3%
Non-operating gains / (losses)	0	0	-40.9%	0	18.2%	0	0	17.0%
Profit before tax	267	283	-5.9%	263	1.3%	1,067	994	7.3%
Taxation	-60	-68	-11.1%	-65	-7.9%	-242	-242	-0.3%
Minority interest	0	0	N.M	0	N.M.	0	0	N.M
Net Profit	206	215	-4.3%	198	4.3%	827	751	10.1%
Core Net Profit	206	215	-4.3%	198	4.3%	827	751	10.1%
Gross loans	67,154	65,763	2.1%	62,445	7.5%	67,154	62,445	7.5%
Gross impaired loans	1,162	1,242	-6.5%	1,145	1.5%	1,162	1,145	1.5%
Customer deposits	71,612	68,064	5.2%	65,835	8.8%	71,612	65,835	8.8%
Current and savings account (CASA)	26,843	25,870	3.8%	26,981	-0.5%	26,843	26,981	-0.5%
Total assets	92,156	88,410	4.2%	85,217	8.1%	92,156	85,217	8.1%
Shareholders' equity	8,821	8,652	2.0%	7,668	15.0%	8,821	7,668	15.0%
Reported annualised NIM	2.31%	2.34%		2.43%		2.34%	2.45%	
Cost-to-income ratio	51.8%	47.2%		51.6%		47.9%	48.0%	
Annualised credit cost (bps)	11.9	31.0		6.3		33.6	31.7	
Effective tax rate	22.6%	23.9%		24.9%		22.6%	24.4%	
Annualised ROA	0.9%	1.0%		0.9%		0.9%	0.9%	
Annualised ROE	9.4%	10.0%		10.5%		10.0%	10.1%	
Gross impaired loans ratio	1.7%	1.9%		1.8%		1.7%	1.8%	
Loan loss coverage ratio (LLC)	113.1%	109.0%		106.6%		113.1%	106.6%	
LLC plus regulatory reserves	123.1%	118.4%		116.8%		123.1%	116.8%	
Loan-to-deposit ratio	93.2%	96.0%		94.7%		93.2%	94.7%	
CASA-to-deposit ratio	37.5%	38.0%		41.0%		37.5%	41.0%	
CET-1 capital (Group level)	13.2%	13.1%		12.2%		13.2%	12.2%	

Source: Company, Kenanga Research

Management Guidance

	FY27 Targets	FY26 Performance
Gross loans growth (including unrated bonds)	7.5%-10%	9.0%
NIM	2.28%-2.35%	2.34%
Cost-to-income ratio	47.5%-48.5%	47.9%
Net credit cost	27-32 bps	34 bps
ROE	10.0%-10.5%	10%

Source: Company, Kenanga Research

25 May 2026

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	MP	2.39	2.50	4.6%	6,055.9	N	12/2026	22.3	23.5	4.7%	5.1%	10.7	10.2	0.5	4.6%	9.0	3.8%
Alliance Bank Malaysia Bhd	OP	4.80	5.50	14.6%	8,305.1	N	03/2027	50.4	52.7	5.5%	4.5%	9.5	9.1	0.9	9.7%	20.0	4.2%
AMMB Holdings Bhd	OP	6.45	7.45	15.5%	21,328.4	N	03/2026	64.2	67.0	6.0%	4.5%	10.1	9.6	1.0	10.0%	34.0	5.3%
Bank Islam Malaysia Bhd	OP	2.27	2.55	12.3%	5,144.9	Y	12/2026	26.5	28.5	7.9%	7.5%	8.6	8.0	0.7	7.5%	16.0	7.0%
CIMB Group Holdings Bhd	OP	7.75	8.45	9.0%	83,725.6	N	12/2026	78.6	83.9	6.9%	6.8%	9.9	9.2	1.1	11.4%	50.0	6.5%
Hong Leong Bank Bhd	OP	22.00	25.95	18.0%	47,689.8	N	06/2026	227.1	236.0	-0.6%	3.9%	9.7	9.3	1.1	11.5%	105.0	4.8%
Malayan Banking Bhd	OP	11.00	12.30	11.8%	133,048.6	N	12/2026	89.0	90.4	2.1%	1.6%	12.4	12.2	1.3	11.0%	64.0	5.8%
MBSB Bhd	OP	0.680	0.730	7.4%	5,550.1	Y	12/2026	5.7	7.7	45.4%	36.4%	12.0	8.8	0.5	4.1%	4.5	6.6%
Public Bank Bhd	OP	4.77	5.95	24.7%	92,589.0	N	12/2026	38.7	40.1	4.0%	3.6%	12.3	11.9	1.5	12.3%	29.4	6.2%
RHB Bank Bhd	MP	8.25	8.40	1.8%	35,985.8	N	12/2026	75.5	79.9	-2.7%	5.8%	10.9	10.3	1.0	9.5%	47.0	5.7%
SECTOR AGGREGATE					439,423					3.4%	4.5%	11.2	10.7	1.2	10.3%		5.6%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.50	OP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	OP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	OP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	OP	
Public Bank Bhd	4.00	13.5	9.4	1.78	5.95	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	MP	

Source: Kenanga Research

25 May 2026

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.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my