Alliance Bank Malaysia

Ground Check

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OUTPERFORM ↔

Price : **RM4.88**

Target Price : **RM5.50** ↔

Kenanga met with ABMB and came away feeling cautiously optimistic. Deposit competition remains, though this also reflects a favourable loan pipeline, with the competition levels still commensurate with previously revised NIM guidance. The MGS yield rise in 3QCY26 is applying manageable pressure to CET1, and unlikely in our view to derail dividends outlook and we have kept to a 50% payout ratio. ABMB's smaller exposure to fixed income investment securities exposed to profit and loss revaluation confers a higher degree of earnings protection near term. ABMB also is also viewed as an expanded FBM KLCI inclusion candidate. Maintain OUTPERFORM with TP of RM5.50 for our small-cap bank pick.

Deposits competition within expectation vis-à-vis NIM guidance. Post U.S. Federal Reserve rate hike, we expect more keen competition to lock in longer-term deposits due to some expectation on OPR hike. Thus, we are comforted to note that deposit competition trends so far, especially fixed deposits, remains at levels commensurate with NIM guidance of 2.23%-2.28% that had been revised lower during results briefing. Providing NIM buffer, its liquidity coverage ratio had eased from 150-160% for the past few quarters and ABMB stays comfortable at c130%. This helps balances out the NIM pressure, crucial as loan pipeline remains on course towards its guidance (7.5% to 10%). Loan to fund ratio was at 87.7% as at end-June which has headroom versus the industry's 82.3%. We believe this ratio could nudge closer to the industry average as it increasingly taps short-term wholesale funding, which could be less pricey versus promotional fixed deposit rates.

Growing loans and NOII in tandem, especially wealth management. ABMB is focused on building deposits and new-to-bank customers, by leveraging on mortgages, welcoming about 7,000 new customers a month, which should catapult its wealth management business (unit trust, bancassurance), via disciplined cross selling. Loan expansion regionally (Sabah, Sarawak, Johor and Penang) is also still tracking well at 8% YoY growth (industry: +7% YoY), where its financing of supply chain includes those for data centres. On the other hand, ABMB has been more selective in areas of personal financing.

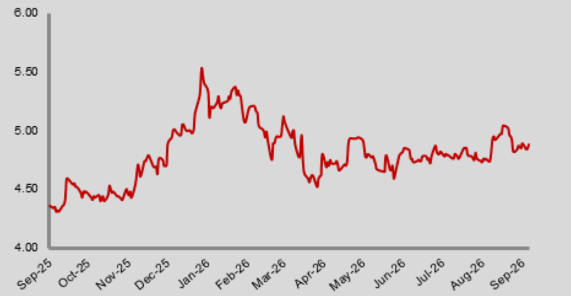
Dividends outlook intact, in our view. We estimate that there would be a c1% earnings impact potential on fixed income securities under FVTPL classification due to the higher bond yields in 3QCY26, small versus other banks. This is as c98% of fixed income securities requiring marked-to-market are found in the FVOCI category (revalued through reserves). Based on CET1 levels of 13.4% (inclusive 1Q27 profits), our calculation indicates MGS rates rise (at a point +50bps since June for 10-year MGS) could still allow CET1 to remain comfortably above 13%, ie. not seeing dividends risk. Recall that it also has an additional 60-70 bps capital benefit from the adoption of Basel 3 final reforms.

Capital optimization remains an ongoing endeavour. Other areas that ABMB could eke out potential capital improvements include the evaluation and utilization of collateral for lending and being more disciplined in off-balance sheet commitments towards lower risk-weighted assets and better CET-1. Elsewhere, we believe that past-due loans that have inched up per 1QFY27 data in SME/Consumer may stay high near term, amid the ongoing conflict in the Middle East. Even so, ABMB is not seen under pressure to have to raise LLC (inclusive regulatory reserves), which have been relatively solid at 113% (1Q27).

Forecasts. Maintained. We also maintain a 50% payout ratio, which is at the higher end of its 40-50% payout ratio guidance.

OUTPERFORM with a TP of RM5.50. We maintain an unchanged GGM-derived PBV of 1.00x (COE: 10.0%, TG: 3.0%, ROE: 10%).

Share Price Performance



KLCI	1,676.43
YTD KLCI chg	-0.2%
YTD stock price chg	-3.4%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	abmb mk equity
Market Cap (RM m)	8,443.5
Shares Outstanding	1,730.2
52-week range (H)	5.53
52-week range (L)	4.31
3-mth avg daily vol	2,078,943
Free Float	60%
Beta	0.76

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	2,215	2,313
Non-interest Income	400	326	309
Total Income	**2,466**	**2,541**	**2,622**
Operating Expenses	-1,181	-1,193	-1,225
Loan Impairment	**-217**	**-141**	**-180**
Pre-tax Profit	1,068	1,207	1,217
Net Profit	**827**	**906**	**913**
Core Net Profit	**827**	**906**	**913**
Consensus NP	-	877	921
Earnings Revision (%)	-	-	-
Core EPS (RM)	0.48	0.52	0.53
EPS Growth (%)	10.1	9.6	0.8
NDPS (RM)	0.19	0.26	0.27
BV/Share (RM)	5.10	5.25	5.39
NTA/Share (RM)	4.80	4.94	5.09
ROE (%)	10.0	10.1	9.9
PER (x)	10.2	9.3	9.3
P/BV (x)	0.96	0.93	0.91
Net Div. Yield (%)	3.9	5.3	5.5

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.

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	2.04	2.50	22.5%	5,369.7	N	12/2026	22.3	23.5	4.7%	5.1%	9.1	8.7	0.4	4.6%	9.0	4.4%
Alliance Bank Malaysia Bhd	OP	4.88	5.50	12.7%	8,443.5	N	03/2027	50.4	52.7	5.5%	4.5%	9.7	9.3	0.9	9.7%	20.0	4.1%
AMMB Holdings Bhd	OP	6.62	7.75	12.5%	21,923.8	N	03/2027	66.4	68.8	4.5%	3.6%	10.0	9.6	1.0	9.9%	38.0	5.7%
Bank Islam Malaysia Bhd	MP	2.07	2.05	-1.0%	4,691.6	Y	12/2026	24.1	26.5	-2.1%	10.2%	8.6	7.8	0.6	6.7%	14.5	7.0%
CIMB Group Holdings Bhd	OP	7.93	8.35	6.6%	85,694.4	N	12/2026	78.3	84.0	6.5%	7.3%	10.1	9.4	1.1	11.4%	50.0	6.3%
Hong Leong Bank Bhd	OP	23.20	25.80	11.2%	50,291.1	N	06/2027	220.3	234.5	-3.6%	6.4%	10.5	9.9	1.1	11.2%	105.0	4.5%
Malayan Banking Bhd	OP	10.14	12.30	21.3%	122,649.3	N	12/2026	87.3	89.7	0.1%	2.8%	11.6	11.3	1.2	10.8%	64.0	6.3%
MBSB Bhd	MP	0.540	0.600	11.1%	4,440.0	Y	12/2026	3.7	5.8	-5.3%	57.5%	14.6	9.3	0.4	2.7%	3.0	5.6%
Public Bank Bhd	OP	4.83	5.95	23.2%	93,753.6	N	12/2026	38.7	40.1	4.0%	3.6%	12.5	12.0	1.5	12.3%	29.4	6.1%
RHB Bank Bhd	MP	7.86	8.40	6.9%	34,308.1	N	12/2026	77.9	82.1	0.3%	5.4%	10.1	9.6	1.0	9.8%	47.0	6.0%
SECTOR AGGREGATE					**431,565**					**2.1%**	**5.2%**	**11.1**	**10.6**	**1.1**	**10.2%**		**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	7.75	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	8.35	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

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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