Banking

CY2026 Outlook: Uncharted Waters

POSITIVE (Maintain)

Analyst
Samuel Woo
samuelwoo.cy@mbsb.com
03-2173 8461

HIGHLIGHTS

- **The current banking sector differs significantly from both pre-pandemic and pandemic times. This is mostly for the better**
- **Despite valuations having run up, we are still optimistic on further share price appreciation. Not only is the banking sector arguably the best it is ever been, but it has also transformed in a way that provides multiple opportunities for improvement**
- **There are multiple catalysts to drive foreign inflows: The banking sector's asset quality and dividend yields are superior to pre-pandemic times; Drastic improvements to how liquidity and OPEX is being managed; Malaysia's economic outlook and geopolitical stability is outperforming neighbouring peers; No major headwinds (save for some tightening of liquidity)**
- **Maintain POSITIVE call: The banking sector continues to be bolstered by tailwinds. We expect a multitude of catalysts to drive foreign inflows**

Sector Verdict

Bolstered by multiple tailwinds, the banking industry is in a good place. With geopolitical certainty, dividend yields and asset quality showing unprecedented levels of improvement, foreign inflows should continue driving banking valuations – even after the recent rally.

Core Themes

1. ▲ **Core beneficiary of emerging market inflows.** Our robust economic outlook, high dividend yields with upside possibility, excellent asset quality, and superior geopolitical stability (relative to neighbouring peers) make our banks look particularly attractive.
2. ▲ **Dividend outlook is extremely bright, with a possibility of further lowering of industry CET 1 ratios.** Better clarity on Basel IV implementation and BNM's new capital framework on credit risk has led to the release of excess capital. It helps that the Malaysian system GIL ratio is the best it is ever been – possibly warranting further pare down. Multiple banks have either announced special dividends or an intention to raise dividend payout.
3. ▲ **Expect fee income to drive topline in the near term.** Wealth management, bancassurance, and debt capital markets are major drivers of the fee side – especially as market performance, loan growth, and economic sentiment improve. We do see a moderation in investment income, given the stabilisation of interest rates.
4. ▲ **Business loans to drive loan growth.** Higher-yielding business loans have been offsetting dwindling retail loan growth as of late. We look to the construction sector upcycle, a recovery in working capital, and superior geopolitical stability (driving both tourism streams) and FDI as major growth drivers.
5. ▲ **With most major recoveries already sorted, system GIL ratio is the best it's ever been – only idiosyncratic shocks expected.** Further recoveries are expected (though likely more muted than that of CY25), boding well for provision outlook. But for now, asset quality issues are largely idiosyncratic and do not hint towards more insidious trends.
6. ► **More stability in NIM, but upside is capped.** With the steepest compression already behind us, most banks are guiding for stable NIMs – or at least more muted compression. Expect more aggressive loan rebalancing, favouring higher-yielding business loans, making loan yield optimisation a more prominent discourse topic.
7. ► **OPEX growth is a mixed bag and will vary from bank to bank.** While we expect further tech efficiencies to come online, Collective Agreement negotiations will likely prevent drastic improvements in CIR. Expect further rapid OPEX growth among rapidly expanding smaller banks.
8. ▼ **Expect liquidity to tighten in time.** System L/D ratio is already at an all-time high. We are wary that brighter loan growth prospects in CY26 could dry out liquidity a lot faster than expected, leading to intense deposit competition returning. At the same time, we look at the increasing relevance of non-deposit funding – and expect it to provide some offset.

COMPANY *IN FOCUS*

HL Bank

Maintain BUY | Target Price: RM29.22
Price @ 19 January 2026: RM24.30

- Improved dividend payouts and yields.
- Defensive pick: Asset quality and provisioning remain the best.
- Sharp NOII growth persists, especially from regional offerings.

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Public Bank

Maintain BUY | Target Price: RM5.45
Price @ 19 January 2026: RM4.80

- Optimism on fee income, particularly unit trust and insurance segments.
- Special dividend payout from LPI's PBK shares disposal and adoption of newer Basel IV regulation – this could lead to a ROE uplift.
- Loan growth recovery in SME segment could lead to a better asset yield profile.

SHARE PRICE CHART



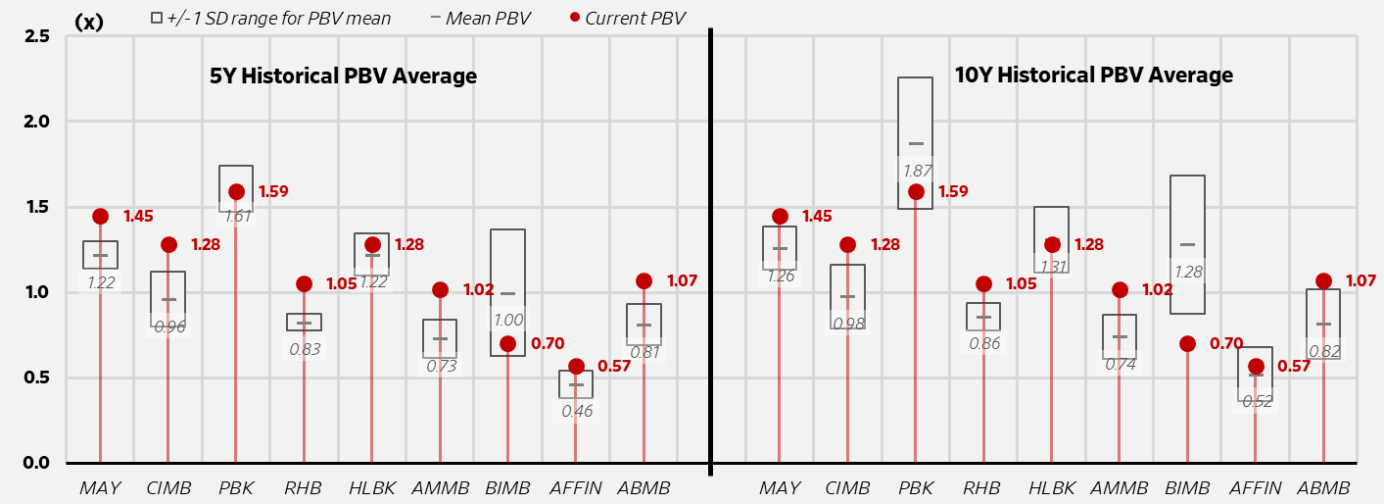
The banking sector's valuations have run up significantly over the last few months, but we think there is still room for further long-term appreciation. The sector has undergone a significant transformation and is unrecognisable from pandemic and pre-pandemic times – hence opportunities for growth catalysts are plentiful. And yet we also foresee normalisation in a couple of aspects: Asset quality, capital levels, and OPEX, to name a few. We have adjusted our sector valuations to factor in our newer outlook – a full list of changes can be found in a table at the end of this report.

FIG 1: Regional Bank Valuations

	BANK	P/E (x)	P/BV (x)	BEST ROE (%)	BEST ROE/PBV (x100) (Higher figure is ideal)
MY	MAY	13.0	1.45	11.3	7.8
	CIMB	11.6	1.28	11.5	9.0
	PBK	13.0	1.60	12.4	7.7
	RHB	10.7	1.05	10.7	10.2
	HLBK	11.7	1.28	10.9	8.5
	AMMB	10.5	1.02	10.2	10.0
	BIMB	10.1	0.70	6.7	9.6
	AFFIN	12.6	0.57	2.6	4.7
	ABMB	10.8	1.33	10.2	7.6
	MBSB	14.3	0.61	4.2	6.7
SG	DBS	14.9	2.42	15.4	6.3
	OCBC	12.4	1.57	11.2	7.2
	UOB	13.5	1.23	12.8	10.4
ID	BBCA	17.5	3.62	22.2	6.1
	BBRI	17.5	3.62	22.2	6.1
	BMRI	9.1	1.66	19.4	11.7
	BBNI	8.5	1.03	11.5	11.1
	BRIS	14.0	2.09		
	ARTO	Exaggerated	3.03	3.3	1.1
	BBTN	5.3	0.49		-
	BANK	Exaggerated	4.10	5.2	1.3
	BTPS	7.6	0.94		-
TH	SCB	9.5	0.96	8.7	9.1
	KBANK	9.1	0.77	7.2	9.3
	KTB	8.4	0.88	9.5	10.8
	BBL	6.7	0.55	6.8	12.2
	TTB	9.3	0.82	8.2	9.9
	TISCO	13.4	2.05	15.1	7.3
	KKP	9.4	0.90	8.2	9.1
PH	BDO	8.9	1.21	13.7	11.3
	BPI	10.0	1.36	12.2	9.0
	MBT	6.4	0.79	12.2	15.6

Source: Companies, MBSBR

FIG 2: Historical P/BV Ratios



Source: Companies, MBSBR

THEME #1: Multiple updates to multi-year plans – much room for surprises and letdowns. Two banks, MAY and BIMB, will be announcing their new multi-year plan in the coming months. Aside from that, expect adjustments to other banks' multi-year plans to factor in the recent tumultuous events. A core catalyst of the recent share price rally was CIMB's special dividends announcement – any further surprises or letdowns could trigger an event of similar scale.

FIG 3: Banking Sector Multi-Year Plans

Bank	Current plan	Years in Operation	Original Targets Revised Figures	Notes
MAY	**M25+**	5Y: FY21 - FY25	**(Previously M25)** ROE: ~~13.5%~~ 11 - 12% CIR: <45% Loan growth: 7%	New plan coming soon!
CIMB	**Forward 30**	6Y: FY25 - FY30	ROE: Top quartile %NOII: 33 - 34% CIR: Low 40s% CASA: 45% NCC: 40 - 50bps CET 1: 13 - 14%	
PBK	**None**			
RHB	**PROGRESS27**	3Y: FY25 - FY27	ROE: >12% CIR: <44.8% GIL: <1.3%	
HLBK	**Transformative 3-5 Year Plan**	3 - 5Y: FY24 - FY28 (Expected to last for full duration)	ROE: >12.5% % NOII: >25% CIR: 40% CASA: 35% NCC: 10bps	HLBK set itself the ambitious goal of achieving all multi-year targets prematurely (i.e., within the 3Y timeframe). As this hasn't happened, there shouldn't be any change to pre-existing targets.
AMMB	**WT29**	5Y: FY24 - FY29	ROE: 11 - 12% ROA: 1.1% CIR: 40% GIL: <1.6% DPS: 45 sen	Expect target revisions to account for a difficult CY25.
BIMB	**LEAP25**	5Y: FY21 - FY25	ROE: ~~10%~~ 7% % NOII: 8-9% CIR: ~~<57%~~ 63 - 64%	New plan coming soon!
AFFIN	**AX28**	**(As AX25)** 3Y: FY23 - FY25 **(As AX28)** 5Y: FY24 - FY28	**(Previously AX25)** ROE: ~~8%~~ 12% PBT: ~~RM1.2b~~ RM1.8b CIR: ~~56%~~ <53% CASA: ~~31%~~ 35% GIL: ~~1.8%~~ 1.5%	Expect positive revisions to targets to be announced soon, as AFFIN doubles down on its Sarawak growth narrative!
ABMB	**ACCELER8 2027**	4Y: FY24 - FY27	ROE: 11 - 12% (no share issuance factored) CIR: 45% Loan growth: 8 - 10% DPR: >50%	
MBSB	**FLIGHT26**	3Y: FY24 - FY26	ROE: 8% NIM: 2.0% CIR: <50% Loan growth: 8 - 9% GIL: <4.0%	

Source: Companies, MBSBR

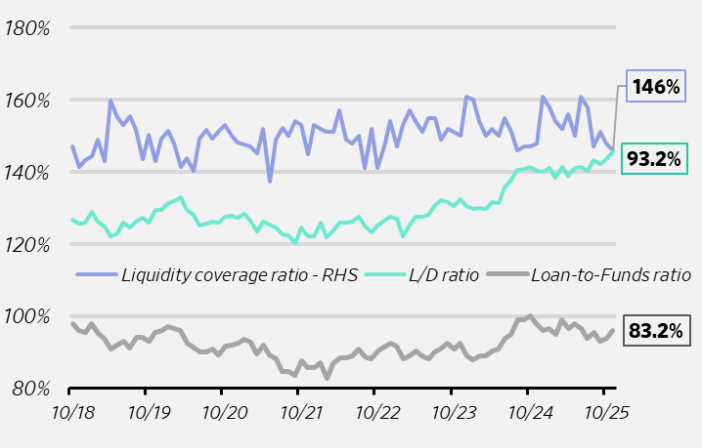
THEME #2: Liquidity has levelled up – but so have its pressures. We look at the banks moving away from an overreliance on deposits as the sole source of funding. Instead, repos and bond funding are playing increasingly large roles in providing liquidity. A lower reliance on deposits provides opportunities for banks to shift their deposit mix away from higher-priced, lumpier government deposits – a move that could ultimately help preserve COF from increasing pressures.

Alternative means of funding are a much-needed development, as affordable deposits become harder to attain and the L/D ratio becomes less relevant. The current industry L/D ratio of 93.2% is the highest it has ever been, which usually implies that industry liquidity is extremely tight. But this time, it may not be the case: according to banks, the L/D ratio has been losing its relevance as a liquidity indicator – greater emphasis is now directed towards measures such as the liquidity coverage ratio (LCR) and loans-to-funds (LTF) ratio. We think these changes are endorsed by BNM, which understands that the rising pressures within the industry call for a change. As present LCR and LTF ratios remain healthy, we see no reason for these forms of funding to decline in popularity.

We think that the brunt of competition comes about from the rising prominence of governmental savings institutions as a retail CASA black hole. Developments such as the introduction of Account 3 and higher dividend declarations for institutions such as EPF and Tabung Haji have made depositing with them far more accessible and higher yielding (especially in today's lower interest rate environment) post-pandemic. Observe that the industry retail CASA ratio has not risen too much from pre-pandemic levels (even when factoring in today's lower interest rate environment), despite banks aggressively pursuing the segment. We postulate the retail balances are moving into these institutions instead. This is in sharp contrast with business CASA levels, which have risen significantly since pre-pandemic times.

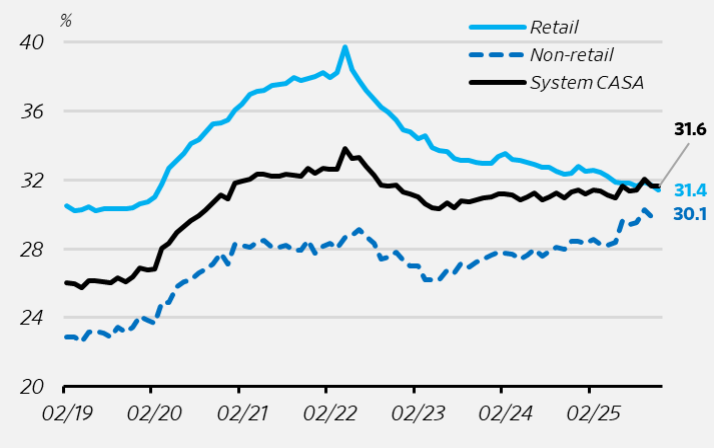
Non-retail CASA levels remain well above pre-pandemic levels and are constantly rising – but their benefit may be overestimated. The huge influx of non-retail CASA is fully responsible for offsetting weakness in the retail CASA segment, ultimately pushing the system CASA ratio upwards. Part of this may be due to declining interest rates, and part of it may be due to improving economic activity, elevating the need for readily available capital. But we think the main factor is simply that non-retail CASA accounts are paying out higher returns to depositors, which is a phenomenon we have seen grow popular in recent years. This implies that a high CASA ratio today may be a lot costlier than a high CASA ratio before the pandemic, reducing the effectiveness of CASA as a whole.

FIG 4: LCR, L/D ratio, and LTF ratio



Source: BNM, MBSBR

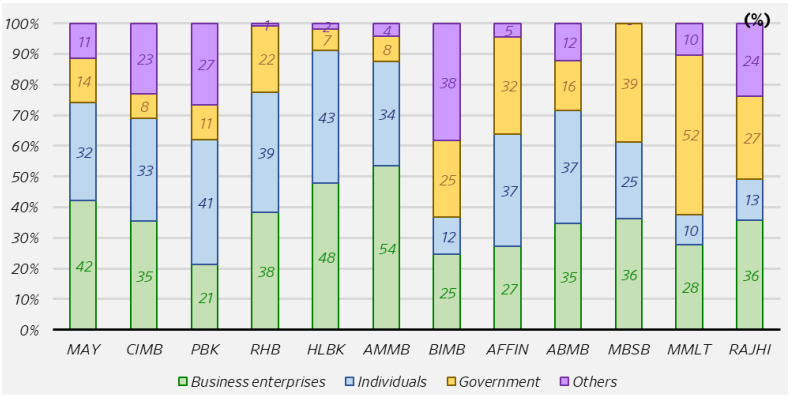
FIG 5: Industry CASA ratios



Source: BNM, MBSBR

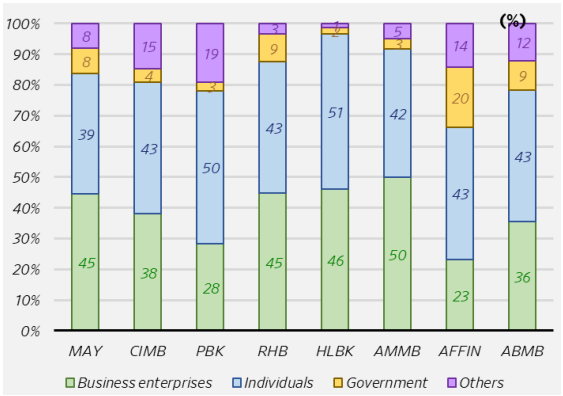
It is not all doom and gloom – lower reliance on deposits implies opportunities for banks to revamp their deposit mix: Preferably away from higher-priced lumpier government deposits. We understand that government deposits are lumpy and pricey, due to the high leveraging power of the depositors. Smaller Islamic entities tend to have larger exposure to government deposits, due to their difficulty in accumulating deposits (which in turn is caused by the unpopularity of Islamic CASA). In short, what we are implying is that a lower reliance on deposits allows banks to reduce reliance on their priciest deposit base – a move that particularly benefits smaller Islamic Banks and entities.

FIG 6: Deposit Mix of Islamic Entities



Source: BNM, MBSBR

FIG 7: Deposit Mix of Group Banks

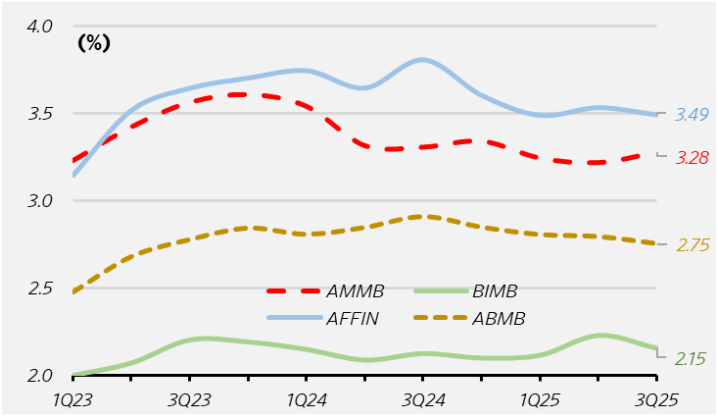


Source: BNM, MBSBR

Watch (Transactional) Investment Accounts (TIA) rise in popularity. BIMB has always been a fan of TIAs; AMMB also has already begun to grow this segment aggressively in recent quarters – it is a matter of time before more peers follow suit. Growing TIA makes sense: COF optimisation opportunities are not as abundant as those of the previous years, while a return to business loans may stretch the limits of RWA efficiency once again.

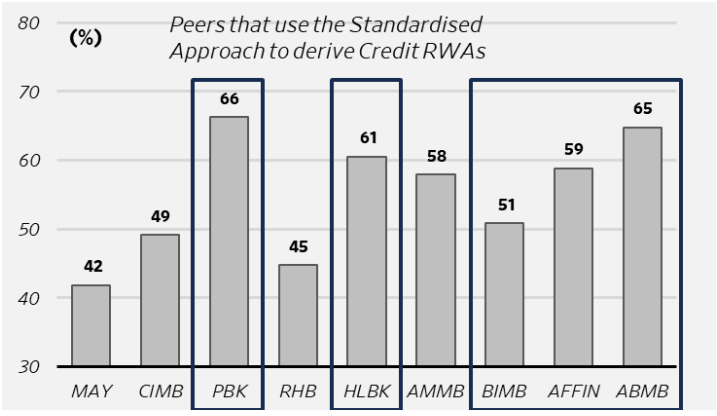
For context, TIA is an extremely effective yet underutilised form of Islamic account. BIMB, which has a disproportionately large exposure to them, exercises its benefit to the fullest – note how BIMB's COF is the most efficient in the industry, due to TIAs very low rates (comparable to CASA levels). Also note how BIMB's RWA efficiency outperforms peers that use the Standardised Approach in deriving Credit RWAs – even that of Public Bank, despite BIMB's loan portfolio being inferior from an asset quality standpoint. In BIMB's case, a large proportion of investment securities (linked to the TIA) are not assigned risk weightings.

FIG 8: Cost of Funds (Smaller banks)



Source: Companies, MBSBR

FIG 9: Industry RWA efficiency ratio (RWA/Total Assets)



Source: Companies, MBSBR

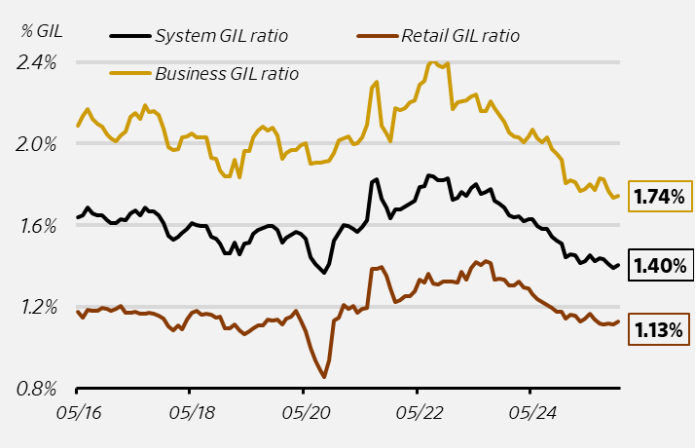
Tight liquidity (and subsequent impact on deposit competition) remains our main headwind in CY26. Higher loan demand in CY26 should continue to drive the liquidity demand. Structural changes such as increasing competition from governmental savings institutions and rising CASA interest rates are also exerting pressure on COF. At the same time, bank funding is moving away from its overreliance on deposits, which presents multiple opportunities for COF optimisation.

THEME #3: Malaysia's System GIL ratio has stabilised at its lowest ever level, and the majority of asset quality woes are behind us – all that remains are idiosyncratic flare-ups. The current system GIL ratio's superior performance seems to be largely driven by a much healthier business loan profile. Years of derisking activity by local banks have led to this, and the resolution of several larger-scale recoveries in CY25 (most notably, Vantris Energy) removes most traces of share price overhang. For now, banks are not expecting any broad-based negative trends – recent spikes in the GIL ratio are due to seasonal impact or idiosyncratic events.

While the improvement in asset quality is always attractive in itself for foreign investors, it also provides three benefits more relevant for the present situation:

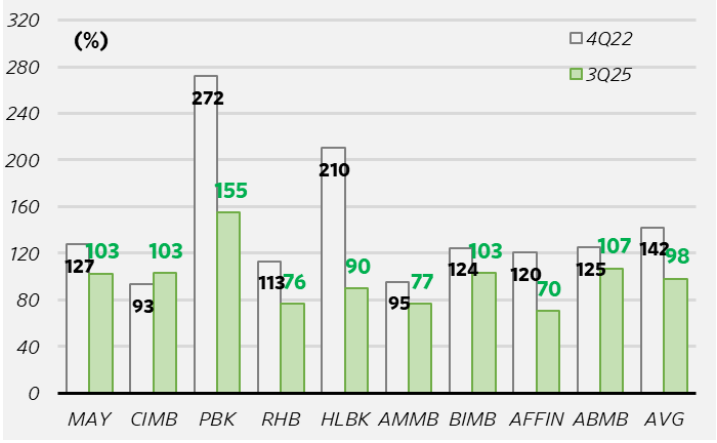
1. **It supports reduced capital levels across the board,** especially in a time when small-to-mid-sized banks are simultaneously experiencing accelerated levels of growth and making a conscious effort to increase dividend payout. Banks tend to hoard capital during periods of stress and duress.
2. **More normalised provisioning profiles,** providing earnings certainty, especially when sector-wide LLC levels are much lower, and the geopolitical/economic volatility is so apparent (making banks more vulnerable to lumpier provision incidences).
3. **Enables banks to take on riskier loans once again.** Banks tend to slow down growth in segments that have asset quality issues – RHB, in particular, reported subdued loan growth figures for years as it grappled with asset quality issues. With higher-yielding business loans

FIG 10: System GIL ratio



Source: BNM, MBSBR

FIG 11: LLC ratios (ex-Reserves)



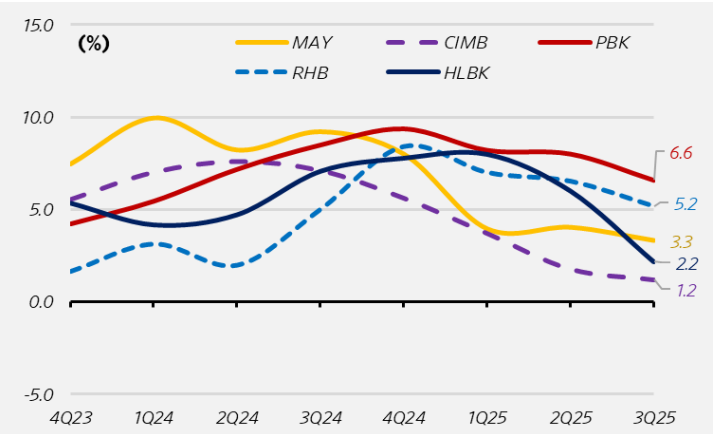
Source: Companies, MBSBR

THEME #4: Collective Agreement negotiations in CY26 should prevent dramatic improvements in CIR across the board – offsetting benefits from tech spend efficiencies. We are not expecting CY26's topline growth to outstrip OPEX growth. Remember, CY25's topline was buoyed by a huge forex and investment income windfall – hence, we are not expecting a huge leap in topline.

Here are the core themes for OPEX in CY26:

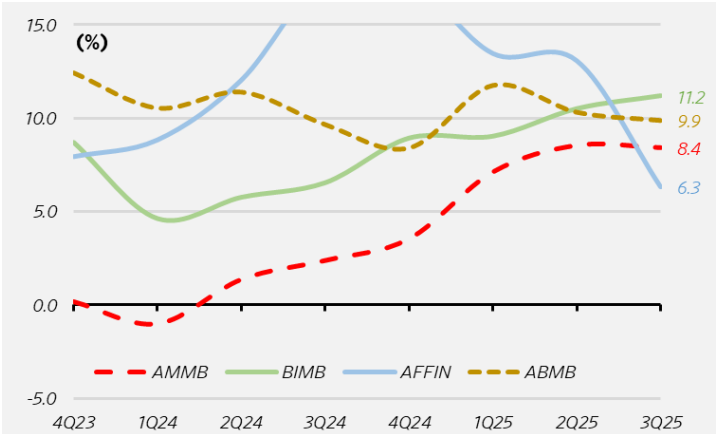
1. **In CY25, smaller banks saw disproportionately high OPEX inflation (relative to larger peers) due to aggressive business expansion – CY26 should see a repeat, especially to prepare for a strong influx in business loans.** BIMB's tech spend remains in full swing, while it continues its branch revamp project. ABMB needs to maintain its rapid level of business expansion to continue its high loan growth. We think AFFIN will revise its loan growth targets upwards once again, which entails a higher amount of marketing spend (alongside its rapid branch expansion) – also keep in mind, CY25's more moderate OPEX growth figures were due to high base effects.
2. **Collective Agreement negotiations to take place this year (once every 3 years).** Last time in CY23, salary adjustments were underprovided for, leading to banks paying a large one-off (hence the steep leap in personnel costs that year). This time, we believe that banks will be better prepared, hence this one-off will be more moderate in scale. Banks that have made an effort to reduce their headcount will be less affected by this arrangement.
3. **Banks can reap full-year efficiency benefits from prior tech spend.** Banks such as AMMB and HLBK have already reported increased efficiency, most notably via a lower headcount, particularly helpful for a Collective Agreement year.
4. **Tech investments to remain elevated… though some banks are reaching the tail end of their tech spend.** Some banks, such as HLBK and AMMB, have already reported savings stemming from efficiencies of prior tech projects taking shape – this provides some upside possibility to OPEX. Regardless, a key bank that we will be looking at is MAY: Its upcoming multi-year plan will detail its attitudes towards tech investment moving forward, which could provide clues as to how the wider industry will react.

FIG 12: Trailing 12M OPEX yoy growth (Big Banks)



Source: Companies, MBSBR

FIG 13: Trailing 12M OPEX yoy growth (Small Banks)



Source: Companies, MBSBR

THEME #5: Mixed opinions as to whether CY26 will see as many dividend upside surprises as CY25. If this comes to pass, we believe larger banks have more room for dividend upside surprises in CY26 than smaller banks.

1. **CY26 expects higher business loans growth – and loan growth in general.** High loan growth burns a lot of capital; Moreso if their business loans, given their higher risk-weightings. CY25 was a weaker year for loans and was largely retail-driven in 1HCY25, resulting in a lot of underutilised capital to be released – a catalyst that will not be repeated in CY26.
2. **Larger banks still have a significant CET 1 ratio buffer, which we feel is no longer justified given that Malaysia's System GIL ratio is normalising at its lowest-ever levels… on the flip side, larger banks also have larger and riskier regional exposure.** We understand that three of the larger banks are D-SIB names, but they have been signalling tremendous confidence to the market for quite some time in their ability to manage at lower capital levels.
3. **In CY25, mid-sized banks (HLBK & AMMB) completely blew past dividend payout expectations in CY25, well ahead of their initial schedule – leaving little room for future improvement.** Seizing the opportunity, both these banks accelerated their dividend payout increase, instead of opting for a more gradual, multi-year increase.
4. **Smaller banks are undergoing rapid business expansion, which tends to leave less underutilised capital (In fact, a few already had capital issues in the near past).** Hence, we feel that they have little propensity for positive surprises – though we will be looking carefully at BIMB's new multi-year plan, slated to be released this year.

FIG 14: Dividend Payouts and Policies

Bank	Year	Standard Div (%)	Special Div (%)	Total Div (%)	Current Policy/ Guidance (%)
MAY	FY21	84.5		84.5	>40%
	FY22	87.5		87.5	
	FY23	77.4		77.4	
	FY24	73.0		73.0	
CIMB	FY21	50.1		50.1	55% + Special dividend
	FY22	50.5		50.5	
	FY23	55.0	8.7	63.7	
	FY24	55.5	9.7	65.2	
PBK	FY21	52.2		52.2	60% But increases consistently every year
	FY22	53.9		53.9	
	FY23	55.0		55.0	
	FY24	57.0		57.0	
RHB	FY21	62.9		62.9	"Maybe higher than normal"
	FY22	63.2		63.2	
	FY23	61.1		61.1	
	FY24	60.1		60.1	
HLBK	FY22	35.0		35.0	No guidance on quantum -- especially after CY25's huge leap
	FY23	32.0		32.0	
	FY24	34.0		34.0	
	FY25	47.0		47.0	

Bank	Year	Standard Div (%)	Special Div (%)	Total Div (%)	Current Policy/ Guidance (%)
AMMB	FY22	11.0		11.0	50%
	FY23	35.0		35.0	
	FY24	40.0		40.0	
	FY25	50.0		50.0	
BIMB	FY21	60.0		60.0	60%
	FY22	60.0		60.0	
	FY23	60.0		60.0	
	FY24	60.0		60.0	
AFFIN	FY21	50.0		50.0	Dividends confirmed (w. DRP programme)
	FY22	8.3	14.3	22.6	
	FY23	33.0		33.0	
	FY24	-		-	
ABMB	FY22	50.0		50.0	40 - 50% Will likely come in at lower end
	FY23	50.0	14.3	64.3	
	FY24	40.0		40.0	
	FY25	40.0		40.0	

Source: Companies, MBSBR

THEME #6: Construction sector upcycle, working capital recovery, and geopolitical stability to serve as the core loan growth catalysts. Retail loan growth has been on a downward trend for the last couple of years. Instead, loan growth has been increasingly propped up by business loans. We think this trend will persist well into CY26.

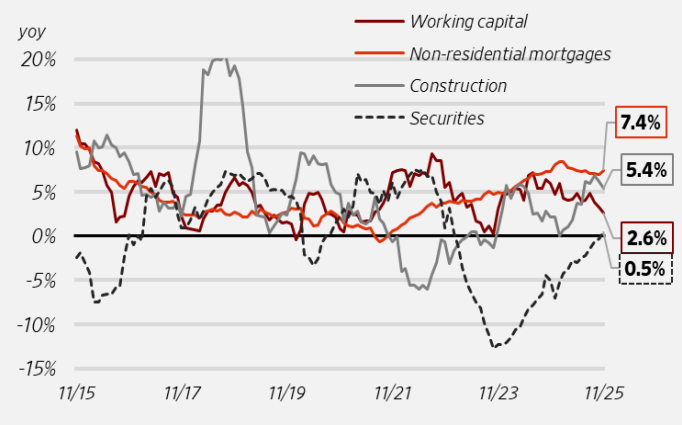
The construction sector will be the main driver of business loans in CY26. As of late, business loans have been largely driven by a combination of construction and non-residential loans, which offset dwindling working capital performance. We are very optimistic about the construction sector, as CY26 is touted to be a "year of execution". The key government infrastructure project pipelines in 2026 are brimming, with projects such as Penang LRT Mutiara Line, Sungai Klang Link, Trans Borneo Railway, and Johor Bahru Elevated Autonomous Rapid Transit, among many others. Also apparent are private sector projects, most notably JS-SEZ (particularly its data centre projects) – observe how Johor loan growth accelerated last month as a result.

Can working capital loans stage a turnaround? Enough time has passed. Malaysia's working capital loans have not performed well. We believe that the central reason is the Trump tariffs, which likely led to businesses attempting to wait out geopolitical volatility, thus halting spending. Going forward, working capital loan headwinds persist, affected by further geopolitical risks and a tepid outlook for the manufacturing sector.

It is not all doom and gloom. We think there will be some level of recovery this year, largely premised on improved local economic and business outlook: Malaysia's robust 4QCY25 GDP figure of +5.7%yoy is extremely promising. Enough time has also passed since the announcement of tariffs – by this time, most businesses will be either forced to replenish stock (as inventories run out) or have acknowledged the fact that it is impossible to wait out the ongoing period of geopolitical volatility.

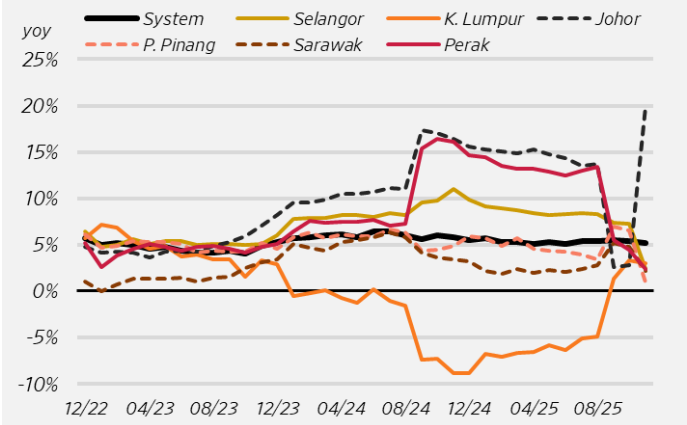
This is a more peripheral indicator, but the local non-retail CASA ratio is also extremely elevated: OPR cut and more attractive CASA rates aside, we think it is an indicator that businesses want more cash at hand for emergency spending purposes.

FIG 15: Business loan yoy growth by Constituent



Source: BNM, MBSBR

FIG 16: yoy Loan growth by State



Source: BNM, MBSBR

Malaysia's geopolitical stability makes it a prime beneficiary for FDI as neighbouring countries falter. Bouts of aggression in the region persist, and we do not see this improving anytime soon. Data centres are just the beginning, and we envision more MNCs and businesses picking Malaysia as a hub for production and sourcing activities in CY25.

Malaysia's geopolitical stability is also making it the prime tourist destination in the region – this will make Visit Malaysia Year 2026 a huge success. We expect a steady influx of tourism-related SMEs, most notably from non-Klang Valley tourist destinations – this should provide some uplift to the lacklustre sequential year growth seen in the HoReCa segment. It gels well with banks' intention to grow their higher-yielding SME contributions. There may be (minor) knock-on effects on residential mortgages and home renovation, in line with a rising demand for AirBnBs and other forms of cheap accommodation.

Maintain POSITIVE call. (Our comprehensive list of sector drivers is on the first page).

Top downside risks include:

1. Weaker-than-expected GDP growth, which could lead to slower asset growth and asset quality issues.
2. Potential OPR cuts that will compress NIMs in the short term.
3. Asset quality flare-ups, which could lead to instances of heavier provisioning.

Top Picks: HL Bank (BUY, TP: RM29.22) and **Public Bank (BUY, TP: RM5.45).**

PEER COMPARISON

Bank	Rec	Share P*	Target P	Upside	Mkt Cap	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)	
		(RM)	(RM)	(%)	(RM b)	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
MAY	BUY	11.16	11.99	7.4	134.5	13.1	12.8	1.4	1.3	10.8	10.7	6.1	6.2
CIMB	BUY	8.37	9.56	14.3	89.5	11.5	11.3	1.3	1.2	11.0	10.9	5.6	5.7
PBK	BUY	4.80	5.45	13.5	93.2	12.7	12.0	1.5	1.4	12.4	12.3	4.2	4.6
RHB	BUY	8.10	9.10	12.3	34.7	10.8	10.7	1.0	1.0	9.7	9.4	5.4	5.4
HLBK	BUY	24.30	29.22	20.2	49.8	11.1	10.5	1.2	1.1	11.1	11.1	4.2	4.5
AMMB	BUY	6.51	7.57	16.3	21.5	10.7	10.3	1.0	0.9	9.5	9.4	4.2	4.4
BIMB	NEUTRAL	2.49	2.52	1.2	5.6	10.8	9.7	0.7	0.7	6.8	7.5	5.5	6.1
AFFIN	SELL	2.72	2.32	-14.8	6.8	12.4	11.7	0.6	0.5	4.7	4.7	2.4	2.5
ABMB	BUY	5.33	6.08	14.0	9.2	11.0	10.6	1.1	1.1	10.5	10.3	3.6	3.8
Simple avg						**11.6**	**11.1**	**1.1**	**1.0**	**9.6**	**9.6**	**4.6**	**4.8**
Weighted avg						**12.1**	**11.7**	**1.3**	**1.2**	**10.9**	**10.8**	**5.1**	**5.3**

**Closing prices from 19 Jan 2026.*
^HLBK, AMMB and ABMB use FY26F/27F values.

Source: MBSBR

FIG 17: Call Revisions

Bank	Call		Target Price (RM)			P/BV Basis (x)			ROE	COE	LTG
	New	Former	New	Former	Change	New	Former	Change	(%)	(%)	(%)
MAY	BUY	BUY	11.99	10.59	+13%	1.45	1.28	+0.17	10.7	8.3	3.0
CIMB	BUY	BUY	9.56	8.53	+12%	1.39	1.24	+0.15	10.9	9.0	4.0
PBK	BUY	BUY	5.45	5.05	+8%	1.64	1.52	+0.11	12.3	8.9	3.5
RHB	BUY	BUY	9.10	7.95	+14%	1.11	0.97	+0.14	9.4	8.9	4.0
HLBK	BUY	BUY	29.22	23.94	+22%	1.44	1.18	+0.26	11.1	8.9	4.0
AMMB	BUY	BUY	7.57	6.61	+15%	1.10	0.96	+0.14	9.4	8.9	4.0
BIMB	NEUTRAL	BUY	2.52	2.42	+4%	0.72	0.69	+0.03	7.5	8.8	4.0
AFFIN	SELL	NEUTRAL	2.32	2.17	+7%	0.46	0.43	+0.02	4.7	6.8	3.0
ABMB	BUY	BUY	6.08	5.11	+19%	1.20	1.01	+0.18	10.3	9.4	5.0

Source: Company, MBSBR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
	CASA – Current & Savings accounts	P/BV – Price to Book Value
NII – Net Interest Income	FD – Fixed Deposits	BVPS – Book Value per Share
NIM – Net Interest Margin	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
COF – Cost of Funds	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
NOII – Non-Interest Income	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
MTM – Mark to Market	NCC – Net Credit Costs	SBR – Standardised Base Rate
CIR – Cost to Income Ratio	GCC – Gross Credit Costs	ALR – Average Lending Rate
OPEX – Operational Expenses	CET 1 – Common Equity Tier 1	

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MBSB INVESTMENT BANK (formerly known as MIDF Amanah Investment Bank): GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology