Banking

POSITIVE (Maintain)

4QCY25 Results Preview: Pivotal Announcements

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HIGHLIGHTS

- **Dividend announcements: The market will be looking at potential dividend announcements, as CIMB's surprise special dividend announcement last quarter was a central catalyst for the rally. We think there is still room for upside this quarter**
- **NIM: Despite seasonal deposit competition, banks' NIM may move in divergent trajectories instead of a unified drop-off**
- **Loan growth: Recovery should persist this quarter, but BNM's banking stats suggests possible issues (particularly in the SME segment) in subsequent quarters**
- **Deposits and Liquidity: Deposit growth continues to languish, as the flight to CASA continues. This shift is primarily driven by non-retail deposit holders**
- **Asset quality: No major risks. Expect some writebacks, Vantris-related or otherwise.**
- **Maintain POSITIVE call: Solid dividend outlook and fundamentals, though the possibility of weakening loan growth may pose a concern in future**

Sector Verdict

Though share prices have rallied, the banking industry maintains solid fundamentals and dividend yields. Malaysia's geopolitical and economic stability should continue driving foreign inflows. We opine there is still room for a few upside surprises from a dividend standpoint.

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's 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. ▲ **With most major recoveries already sorted, the 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 don't hint towards more insidious trends.
5. ► **Neutral on loan growth.** Business loans have been dwindling as of late, as working capital continues to weaken. Retail loan growth has been on a downward trajectory for several years. We look to the construction sector upcycle, and superior geopolitical stability and FDI as major growth drivers.
6. ► **More stability in NIM, but upside is capped.** With the steepest compression already behind us, most banks are guiding for stable NIMs – or some level of improvement. 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.

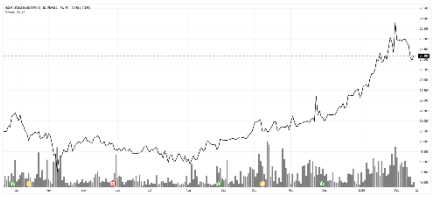
COMPANY *IN FOCUS*

HL Bank

Maintain BUY | Target Price: RM29.22
Price @ 19 February 2026: RM24.18

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

SHARE PRICE CHART



AMMB

Maintain BUY | Target Price: RM7.57
Price @ 19 February 2026: RM6.46

- Upside to dividend payouts. We think breaking the 50% payout level is possible.
- NIM outlook remains bright, with ongoing asset-liability management.
- Excellent cost discipline, which helps with earning certainty.

SHARE PRICE CHART

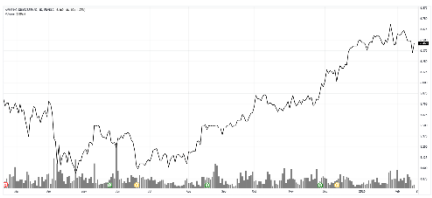


FIG 1: Choice Cuts

Overall expectations

► **Decent-to-strong earnings.** Standard 4Q results should face downsides from seasonal deposit competition and higher OPEX. However, NIM compression does not seem overly severe this time: several banks are guiding for expansion. Expect some lift from fee income, though non-fee income may see some normalisation. This should be a light quarter for provisions (with some Vantris-related), as asset quality remains pretty healthy.

▲ **Asset growth should persist.** A continuation of last quarter's improvements, driven by a solid pipeline of business loans.

▲ **Dividends will be of central focus.** The last couple of years have been big years for dividends – we are expecting several banks to show significant upside. We delve into further detail below.

Looking at dividends

▲ **CIMB could see another special dividend this quarter.** It intends to frontload its special dividends, to optimise capital as early as possible. While it announced an RM2.0b figure for its special dividend allocation, this figure can be topped up in the future.

▲ **AMMB may see upside, even after achieving its 50% dividend payout goal**. We initially believed this target was overly conservative. There is certainly room for upside: AMMB's Bank CET 1 level is among the healthiest in the industry, and Basel IV changes are capital accretive (or at least neutral).

► **MAY will be issuing dividends and announcing ROAR30 capital management plans.** We do not expect the ROAR30 announcement to involve higher dividend payouts or a special dividend this early. Also worth noting is that MAY's dividend payout ratio has been declining over the last two years, which could imply a weaker dividend payout for FY25 as well.

▼ **AFFIN's dividend payout sees downside.** While AFFIN confirms a DRP, AFFIN mentioned that FY25's dividends will be dependent on FY26 loan growth targets. As this figure will likely be revised upwards (as the previous AX28 targets did not include Sarawak effects), we think AFFIN's dividend payout may come in on the lower end.

NIM: Varied Trajectories

▲ **Guiding for expansion. MAY, RHB, ABMB.**

► **AFFIN** implies that they will meet their 1.45% target. (9MFY25: 1.55%), but does not confirm the direction of NIM.

► **Guiding for stability. BIMB.**

▼ **Guiding for compression. CIMB** (Improvements in SG, TH, ID, dragged by MY), **PBK, HLBK.**

Possible loan slowdown in future?

▲ **Recovery in business loans should continue.** Most banks are guiding for this momentum to continue in 4QCY25, so this should be a solid growth quarter as well.

▼ **But will this recovery be short-lived? BNM's stats suggest this may be the case.** BNM's stats show that business loans have been languishing as of late, despite a laudable performance by construction loans and non-residential mortgages. Working capital loans have been weakening steadily over the course of the last two years: SME loans particularly saw a sharp drop-off in recent months. We think this may be due to the rapid appreciation of the MYR, a negative development for exporters (which make up a sizeable proportion of the SME base).

Asset quality and provisioning is solid.

▲ **High likelihood of further Vantris-related writebacks.**

Source: Company, MBSBR

FIG 2: Our expectations, Bank by Bank

Banks	Possible guidance revisions (Or, if 4Q, likelihood of overshooting/outperforming target): (↑)(↓)(↑)(↓) ▲ Promising, ▼ Less promising, ► Neutral, ▲▼Could swing either way.
MAY	► **ROAR30's capital management plans will be announced in the upcoming results season – but we are not optimistic on dividend upside.** Management mentioned that ongoing conversations are largely centred on narrowing the gap between Bank and Group CET1 ratios. Admittedly, we are not optimistic about higher dividend payouts or special dividend announcements so soon, as we opine that these types of changes will be made toward the end of ROAR30.
CIMB	▲ **Lower provisioning this quarter, while GIL improvement is expected across all geographical segments.** The lower provisioning is due to a model refresh, which should result in writebacks, and we think there is possible upside from Vantris recoveries. We will be monitoring Niaga's consumer portfolio, where some stress was seen previously.
PBK	▲ **Stronger NOII than most, given the recent share price rally?** While stable interest rates should result in more moderate non-fee offerings (as with PBK's peers), PBK's NOII could instead be lifted by increased unit trust fee income, given stronger market performances. PBK's unit trust income makes up an especially large portion of its topline, while reliance on non-fee contributions is notably minute.
RHB	▲ **Guiding for a strong 4QFY25, despite 9MFY25 falling short of FY25 ROE guidance.** Management retains full-year guidance. Management is confident in NIM expansion, further recoveries, bancassurance income (from the large STMB and TokioMarine partnership), and higher fee income from larger corporate drawdowns. The NIM expansion comes from a recovery in higher-yielding loans (particularly SG, corporate, and commercial portfolios), as well as ongoing CASA initiatives.
HLBK	▼ **Conservative loan growth and CIR targets maintained.** Despite posting extremely strong loan growth and CIR results in 1QFY26, management maintains its conservative FY26 targets. This implies that we could see bouts of heavier spending (likely a combination of tech-related spend, and to maintain HLBK's high rate of business growth), and weaker loan growth (asset quality concerns, particularly in HLBK's SME portfolio).
AMMB	▲ **A recovery in the retail segment so early?** AMMB previously alluded to a recovery in the retail segment following a lengthy restructuring process. We could see improvement in loan balances as early as this quarter. An area of focus is the used foreign car segments – tapping the larger ticket mortgage market remains a challenge for the Group.
BIMB	► **Too early for the rollout of future multi-year plans.** Raja Teh Maimunah will officially sign on as CEO on 1st April 2026. As a result, any multi-year plan will not be finalised so soon: Expect an announcement during the following results season or later. We think there will be drastic changes to the way BIMB does things.
AFFIN	**PBT (↓)** ► **Revisions to AX28 targets?** AFFIN previously mentioned that it would revise several AX28 targets within the next few months. At that time, management implied more conservative downward revisions; however, recent rumours suggest a doubling down on growth instead, as the initial AX28 guidance did not factor in Sarawak effects. We thought the initial guidance was ambitious enough, and a return to higher loan growth targets is not necessarily a positive: It could lead to issues with liquidity and dividend payouts. ► **DRP confirmed, but payout level is subject to future loan growth plans.** Dividend payout is yet to be determined, as it depends on AFFIN's FY26 loan growth targets (which will only be determined by this quarter). A higher loan growth target could imply a lower payout.
ABMB	▼ **Steep cost growth to persist in 2HFY26.** As ABMB maintains its high rate of expansion, they guide that high IT and personnel cost growth will continue in 2HFY26. 1HFY26's OPEX has risen by 8%yoy. We are not expecting collective agreement negotiations to have a large negative impact. OPEX growth will taper down post-FY26.

Source: Company, MBSBR

FIG 3: BNM Banking Stats: Quarterly Figures

Qoq figures	4Q24	1Q25	2Q25	3Q25	4Q25
Growth (%qoq)					
Industry loans	**2.1**	**1.1**	**1.0**	**1.2**	**1.4**
Retail loans	**1.7**	**1.3**	**1.4**	**1.3**	**1.5**
Res mortgages	1.6	1.4	1.4	1.5	1.5
Passenger cars	1.5	1.8	1.6	1.6	1.6
Credit cards	4.3	-1.2	2.5	2.3	2.5
Personal use	1.2	0.6	0.3	-0.6	0.7
Business loans	**2.5**	**0.8**	**0.6**	**1.0**	**1.4**
Working cap	3.0	0.9	0.4	-0.6	1.2
Non-res property	2.3	1.5	1.2	1.9	1.6
Construction	1.4	1.1	3.1	1.1	1.2
Approval rate (%)	**56**	**49**	**53**	**52**	**56**
Appl. (RM m)	382	353	390	412	401
Retail (RM m)	196	186	200	213	202
Business (RM m)	186	167	190	199	199
Appr. (RM m)	213	173	205	215	224
Deposits + repo	**1.9**	**1.3**	**-0.2**	**0.9**	**1.4**
Deposits only	**2.3**	**0.8**	**1.0**	**1.1**	**1.6**
CASA	3.0	0.5	2.0	2.4	2.2
FD	0.7	0.7	0.0	-0.2	1.0
Retail FDs	2.4	1.3	0.9	0.1	0.5
Business FDs	-4.3	-0.1	2.4	-1.6	-0.1
L/D ratio (%)	**92.0**	**92.3**	**92.3**	**92.4**	**92.3**
LCR (%)	**161**	**152**	**161**	**151**	**155**
GIL ratios (%)					
Industry	**1.44**	**1.42**	**1.42**	**1.41**	**1.37**
Retail	**1.14**	**1.13**	**1.14**	**1.12**	**1.09**
Res mortgages	1.16	1.13	1.15	1.13	1.08
Passenger cars	0.51	0.52	0.60	0.56	0.57
Credit cards	0.84	0.89	0.87	0.91	0.88
Personal use	2.29	2.32	2.22	2.17	2.23
Business	**1.81**	**1.77**	**1.77**	**1.77**	**1.72**
Working cap	2.09	2.08	2.08	2.09	1.98
Non-res property	1.48	1.45	1.49	1.45	1.45
Construction	3.53	3.06	2.95	3.23	3.21
LLC	**91.4**	**91.2**	**90.5**	**88.3**	**84.8**
Bond Issuance (RM b)	**33.4**	**30.4**	**30.1**	**59.6**	**53.2**

Source: BNM, MBSBR

► **While quarterly loan growth saw a catch-up in 4QCY25, it pales in comparison to the much sharper growth seen in 3QCY25.** This weakness largely stems from business loans: Working capital, in particular, saw much weaker growth in the whole of CY25. This trend is continuing, which may eventually manifest as weaker SME loan growth in banks' balance sheets.

Retail category also saw some degree of slowdown, though this was more centred around higher-yielding loan categories such as credit cards and personal use loans.

▲ **On a more positive note, the leading indicators were strong, particularly from the business end.** Overall, 4QCY25's leading indicators were not as strong as 3QCY25's stellar result, but we will chalk that up to holiday season doldrums.

► **Deposit growth continues to languish, dragged by weak FD performance (particularly on the non-retail end).** Instead, business funds have been channelled to CASA as of late, continuing to buoy its strong performance.

▲ **Solid improvement in system GIL ratio, with recovery seen in most categories.** Note that the system LLC has fallen pretty dramatically over the course of a single quarter – likely signalling banks' increased confidence in asset quality outlook.

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 **AMMB (BUY, TP: RM7.57).**

PEER COMPARISON

Bank	Call	Share P*	Target P	Upside	Mkt Cap	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)	
	^Top Pick	(RM)	(RM)	(%)	(RM b)	FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
MAY	NEUTRAL	12.06	11.99	-0.6	145.4	14.1	13.9	1.5	1.5	10.8	10.7	5.7	5.8
CIMB	BUY	8.47	9.56	12.9	90.6	11.7	11.4	1.3	1.2	11.0	10.9	5.5	5.6
PBK	BUY	5.06	5.45	7.7	98.2	13.3	12.7	1.6	1.5	12.4	12.3	4.0	4.3
RHB	BUY	8.17	9.10	11.4	35.0	10.9	10.8	1.0	1.0	9.7	9.4	5.4	5.4
HLBK	^BUY	24.18	29.22	20.8	49.6	11.1	10.4	1.2	1.1	11.1	11.1	4.2	4.5
AMMB	^BUY	6.46	7.57	17.2	21.3	10.6	10.3	1.0	0.9	9.5	9.4	4.3	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	2.27	2.32	2.0	5.7	10.3	9.7	0.5	0.5	4.7	4.7	2.9	3.0
ABMB	BUY	5.17	6.08	17.5	8.9	10.7	10.3	1.1	1.0	10.5	10.3	3.7	3.9
Total Weighted avg						12.6	12.2	1.4	1.3	11.0	10.8	5.0	5.1
Large-Cap	MAY, CIMB, PBK					13.2	12.9	1.5	1.4	11.3	11.2	5.1	5.3
Mid-Cap	RHB, HLBK, AMMB					10.9	10.5	1.1	1.0	10.3	10.2	4.6	4.8
Small-Cap	BIMB, AFFIN, ABMB					10.6	10.0	0.8	0.8	7.8	7.9	4.0	4.3

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

Bank	Valuation Basis					Call Changes			Target Price (RM)			Revisions?	
	FY Basis	P/B (x)	ROE (%)	LTG (%)	COE (%)	Current	Previous	Change	Current	Previous	Change	P/B Basis	Earnings
MAY	FY26F	1.45	10.7	3.0	8.3								
CIMB	FY26F	1.39	10.9	4.0	9.0								
PBK	FY26F	1.64	12.3	3.5	8.9								
RHB	FY26F	1.11	9.4	4.0	8.9								
HLBK	FY26F	1.44	11.1	4.0	8.9								
AMMB	FY27F	1.10	9.4	4.0	8.9								
BIMB	FY26F	0.72	7.5	4.0	8.8								
AFFIN	FY26F	0.46	4.7	3.0	6.8								
ABMB	FY27F	1.20	10.3	5.0	9.4								

Source: 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
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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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