Corporate Update

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Main | Financial Services

FTSE4Good | 3 Stars | SHARIAH Compliant

Maintain NEUTRAL

Revised Target Price **RM2.30**
(from RM2.32)

Briefing Note
Hard Times

Salient Points

A weaker set of earnings, but it could be a blip.

Management's tone: Cautiously optimistic.

Expect: The market to eagerly await details on the new multi-year plan.

Our Verdict

The Group has several tailwinds: Excellent dividend yields and asset quality, strong loan and topline growth prospects. However, our concerns lie within upcoming transformation projects, as part of the soon-to-be announced multi-year plan. Initiatives such as a tech infrastructure revamp and business line restructuring will likely ramp up cost pressure significantly.

Valuations

A revised FY27F P/BV of 0.64x *(formerly 0.67x)*

Current P/BV of 0.64x is inexpensive, trading well below -1SD of the 10-year P/BV mean of 1.23x. However, present headwinds may affect valuations.

The company is currently trading at a forward FY27F P/BV of 0.63x with a +6.4% dividend yield.

Themes

1. ▲ Excellent dividend yields, but no further upside to the 60% payout figure.
2. ▲ After a painful FY25, NIM expansion is expected, but it remains to be seen whether it can normalise back to its former higher levels. A higher-yielding loan mix should help.
3. ▲ BIMB seems optimistic on its fee income outlook, largely from IB. However, do expect normalisation in bancatakaful, after last year's one-off.
4. ▲ Poised to gain loan market share, even if high loan growth targets are not fully achieved. Will be gunning for a more non-retail-heavy mix.
5. ► While asset quality is very healthy, provisioning remains high given its loan mix and possible economic headwinds. So far not overly worried about any negative future developments.
6. ▼ High-cost inflation should persist, given BIMB's rapid expansion and future transformation plans. CIR should remain among the highest in the industry, even with kitchen-sinking plans.

Results in a nutshell:

▼ 3MFY26's Core NP of RM108m is *Below/Below* our/street forecasts: *19%/19%* of full-year forecasts.

► No dividend announcement.

▼ 3MFY26's Core net profit (NP) of RM108m down by -15%yoy. This was driven by weaker NOII and higher OPEX, which offset lower provisioning and better NII.

RETURN STATISTICS	
Price @ 26 May 2026 (RM)	2.26
Expected share price return (%)	+1.8
Expected dividend yield (%)	+6.4
Expected total return (%)	**+8.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.0	-4.5
3 months	-5.0	-7.6
12 months	-5.8	-15.4

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**527**	**545**	**571**
CNP growth (%)	(5)	4	5
Div yield (%)	**6.2**	**6.4**	**6.7**
Gross DPS (sen)	13.9	14.4	15.1
P/BV (x)	**0.7**	**0.6**	**0.6**
BVPS (RM)	3.5	3.6	3.7
ROE (%)	**6.6**	**6.9**	**6.9**
% Street CNP (%)	**92**	**88**	**89**

KEY STATISTICS	
FBM KLCI	1,699.02
Issue shares (m)	2,266.5
Estimated free float (%)	33.8
Market Capitalisation (RM'm)	5,167.6
52-wk price range	RM2.19 – RM2.55
3-mth average daily volume (m)	1.1
3-mth average daily value (RM'm)	2.7
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	17.5
Amanah Saham Nasional Bhd	17.4

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

▼ **1QFY26's Core NP of RM108m down by -39%qoq.** The decrease was driven by weaker NOII and higher provisioning, which offset better NII and OPEX performance.

Have a look at:

▲ **Some Basel III uplift, but don't expect any dividend upside.** This translates to an uplift of 35-40bps. There is no upside to the 60% dividend target, due to the risky macroeconomic environment and tight capital situation.

▲ **Confident on NIM expansion or at least stabilisation – but not as optimistic as before.** This will be driven by both asset yields (as the loan portfolio mix gets a heavier business loan skew) and ongoing upward FD repricing. Do note, however, the Group has negatively tweaked its FY26 NIM guidance. The improvement in COF is one of the Group's core ROE drivers.

▲ **Weak fee income, but management says this is a blip.** The steep drop in fee income was largely due to a normalisation in bancatakaful income, which offsets strong performance in investment banking. FY25's stellar fee income performance was buoyed by a one-off onboarding fee with STMB. Management seems confident that NOII as a whole will improve in subsequent quarters.

▼ **Expect high-cost inflation to persist in light of ongoing and future transformation projects.** Announced initiatives such as a tech infrastructure revamp and business line expansion should increase cost pressure within the next few years, even if further kitchen-sinking measures (which we are expecting) take place simultaneously. The Group intends to reduce CIR to 60% within 3 years, which may be a difficult target to achieve.

► **GIL ratio uptick but not a big issue.** Management attributes it to seasonality rather than a more concerning trend – we've seen other banks say the same. April has already seen the GIL ratio fall once more and Prihatin programmes haven't seen much take-up; regardless, the Group has negatively revised its NCC target.

Forecasts revised: FY26F/FY27F/FY28F Core NP adjusted by -6%/-7%/-7%. To reflect higher NCC and lower NIMs.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Higher-than-expected OPEX growth, (3) Weaker-than-expected loans growth.*

Maintain NEUTRAL call: Revised GGM-TP of RM 2.30 ***(from RM2.32)***. The TP is based on a revised FY27F P/BV of 0.64x *(formerly 0.67x, rolled on from FY26F)*, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY27F ROE of 6.9%, LTG of 4.0% & COE of 8.5%)*

FIG 1: Quarterly results

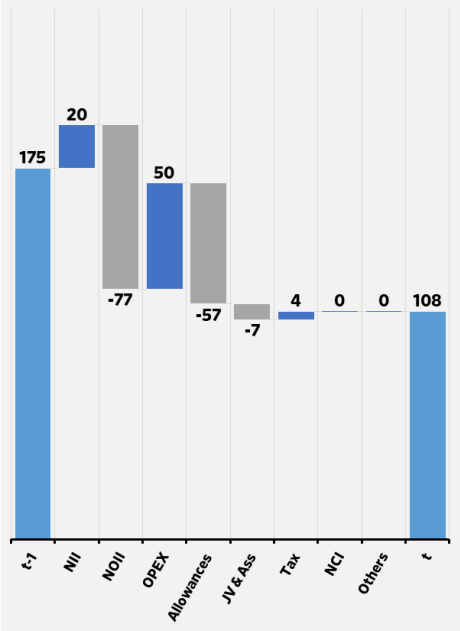
FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Total NII	512	491	499	2	4	512	499	2
Total NOII	109	187	134	-18	-41	109	134	-18
Net income	**621**	**678**	**633**	**-2**	**-8**	**621**	**633**	**-2**
OPEX	(415)	(465)	(385)	8	-11	(415)	(385)	8
PPOP	**206**	**213**	**248**	**-17**	**-3**	**206**	**248**	**-17**
Loan provisions	(54)	0	(80)	-32	-18,301	(54)	(80)	-32
Other provisions	0	3	(0)	n.m.	n.m.	0	(0)	n.m.
JV & Associates	(7)	0	0	n.m.	n.m.	(7)	0	n.m.
PBT	**145**	**216**	**168**	**-14**	**-33**	**145**	**168**	**-14**
Tax & Zakat	(37)	(41)	(42)	-11	-10	(37)	(42)	-11
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**108**	**175**	**126**	**-15**	**-39**	**108**	**126**	**-15**
Core NP	**108**	**175**	**126**	**-15**	**-39**	**108**	**126**	**-15**
Gross DPS (sen)	**-**	**4.5**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	4.7	7.7	5.6	-15	-39	4.7	5.6	-15
Gross loans	76,116	74,751	71,851	5.9	1.8			
Gross impaired loans	773	726	774	-0.1	6.5			
Customer deposits	65,545	64,136	63,443	3.3	2.2			
Customer deposits^	88,096	84,324	80,639	9.2	4.5			
CASA	21,424	25,076	20,396	5.0	-14.6			
CASATIA^	30,265	33,915	29,996	0.9	-10.8			

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**5.4**	**8.7**	**6.5**	**-1.2**	**-3.3**	**5.4**	**6.5**	**-1.2**
NIM (Reported)*	**2.06**	**2.01**	**2.22**	**-0.16**	**0.05**	**2.06**	**2.22**	**-0.16**
NIM (Estimated)#	**1.98**	**1.94**	**2.11**	**-0.12**	**0.04**	**2.05**	**2.17**	**-0.13**
NOII/Net income	17.6	27.5	21.1	-3.5	-9.9	17.6	21.1	-3.5
Cost/Income	66.8	68.6	60.9	6.0	-1.8	66.8	60.9	6.0
NCC (Ann.) (bps)	29	(0)	46	-16	29	29	46	-16
GIL ratio	1.02	0.97	1.08	-0.06	0.04			
Loan loss coverage	100	100	102	-1	-0			
CASATIA ratio^	34.4	40.2	37.2	-2.8	-5.9			
L/D ratio^	85.5	87.8	88.1	-2.6	-2.3			
CET-1	13.6	13.6	13.0	0.5	0.0			

^Deposits factor in Investment Accounts; CASATIA factors in Transactional Investment Accounts

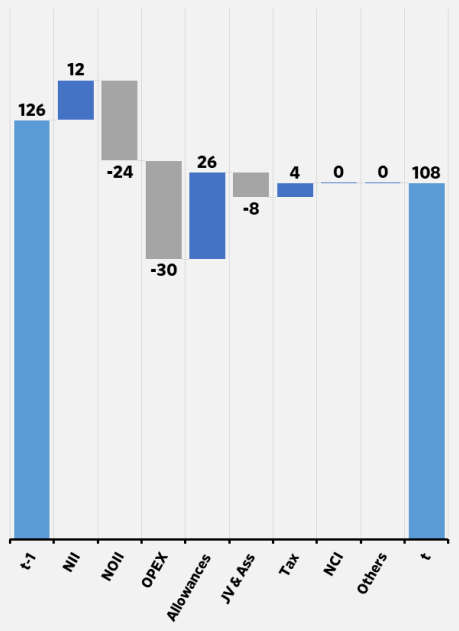
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



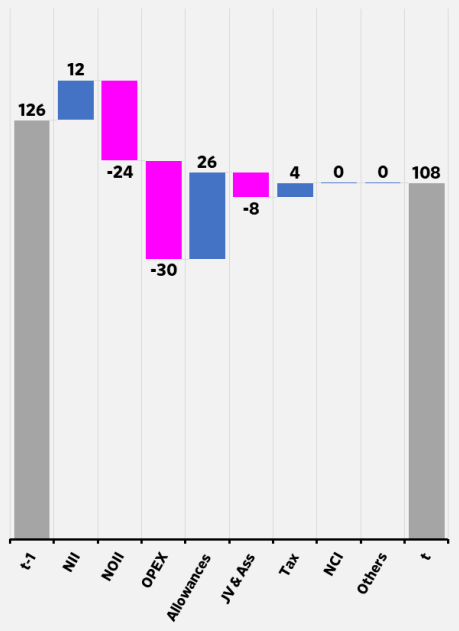
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY26F	3M FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>7.0	5.4	
CIR	64 – 65	66.8	
NIM	2.07 – 2.10 ~~>2.1~~ (from 2.07)	-	
NOII		-18% (yoy)	
Loans	~~8~~ 7 – 9	1.8 (YTD)	Management acknowledges that this may not be achievable – the focus is on profitability over scale.
Deposits		4.5 (YTD)	
% CASATIA		34.4	
Loan/Depo		85.5	
GIL ratio	<1.1	1.02	
NCC (bps)	28 – 33 ~~30~~	29	
CET 1		13.6	
Div payout	60	-	

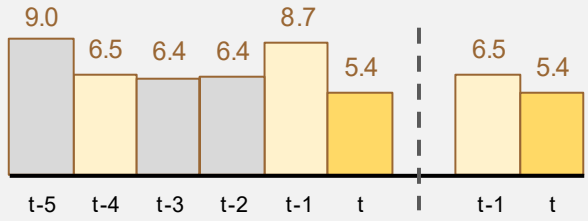
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

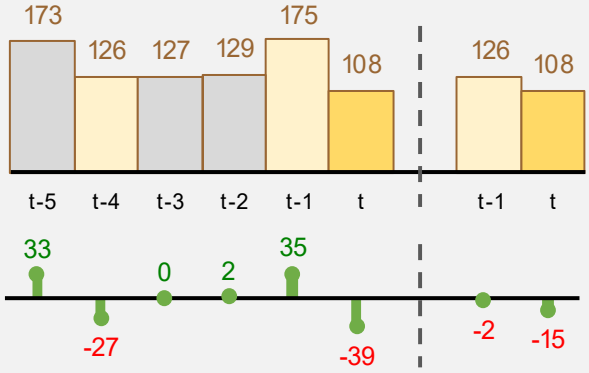
1QFY26 / 3MFY26 results

Earnings:	Below our full-year forecasts	(19%)
	Below street full-year forecasts	(19%)
Dividend:	NO	
YTD payout:	-	

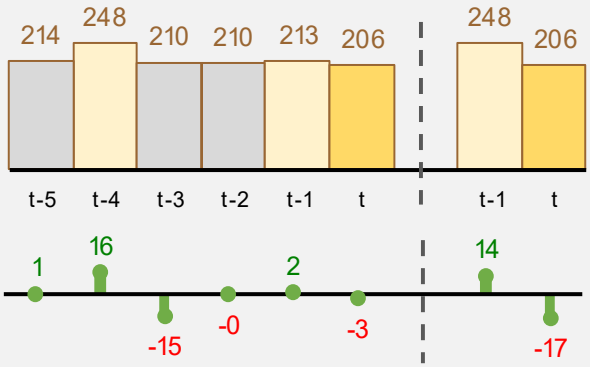
ROE (%)



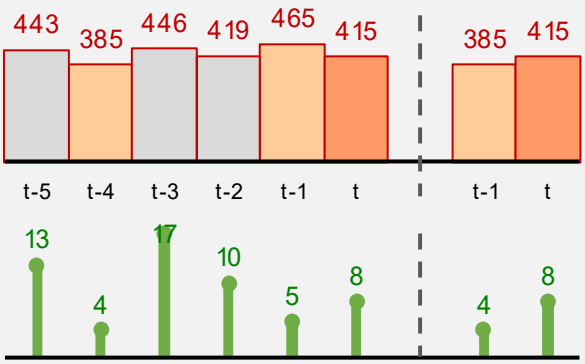
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



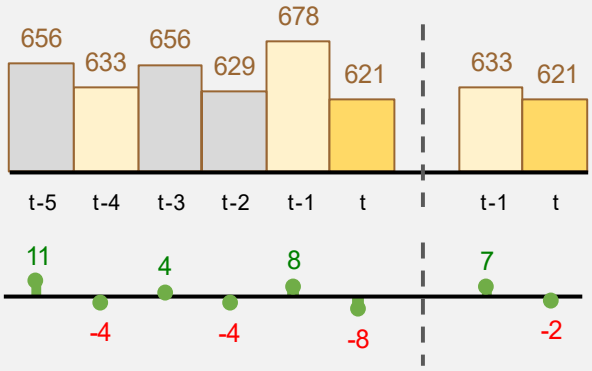
Pre-Provisioning Operating Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



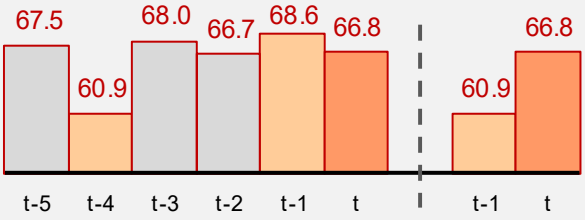
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



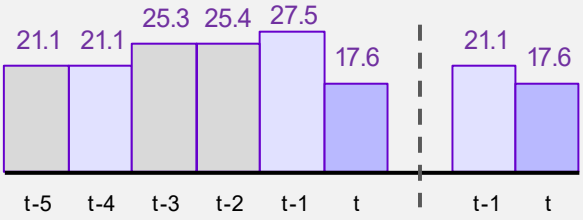
Topline (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



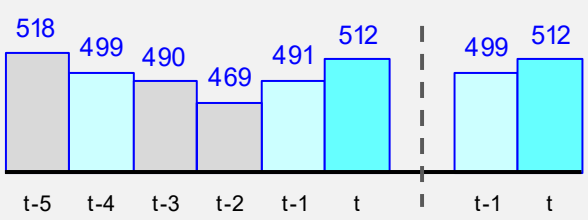
Cost/Income ratio (%)



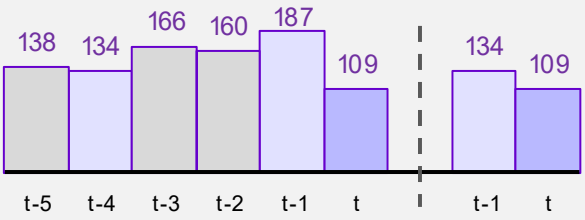
% NOII as topline (%)



Net interest income (RM m)

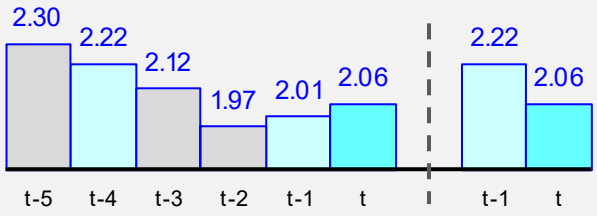


Non-interest income (RM m)

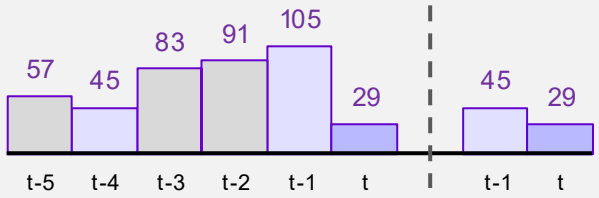


Source: Company, MBSBR

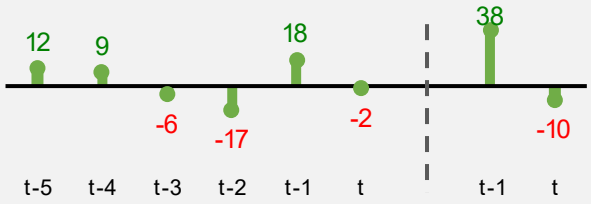
NIM (%)



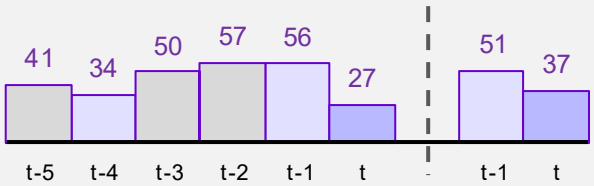
Non-fee NOII (RM m)



Fee income growth -- qoq (Qtr) & yoy (Cum) (%)

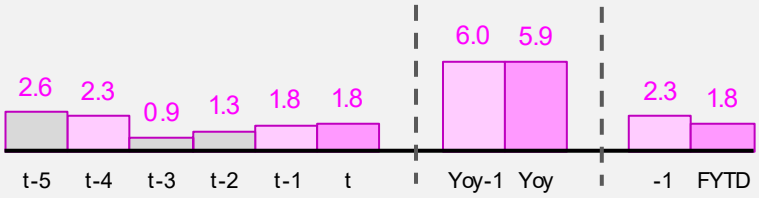


% Non-fee income as NOII (%)

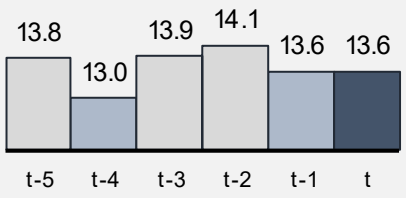


BALANCE SHEET

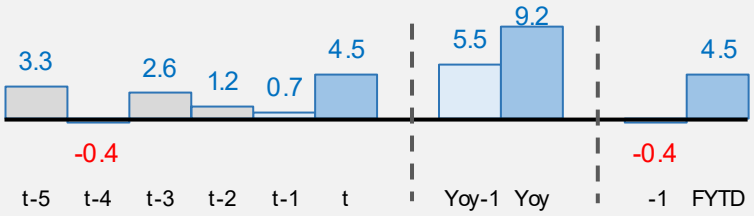
Loan growth -- qoq, yoy, FYTD (%)



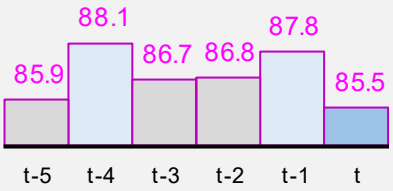
CET 1 ratio (%)



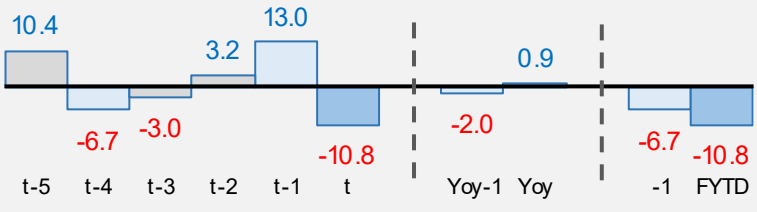
Deposit growth -- qoq, yoy, FYTD (%)



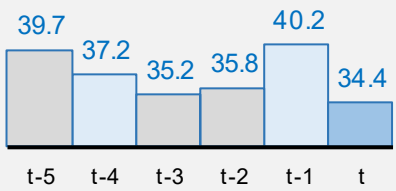
Loan/Deposit ratio (%)



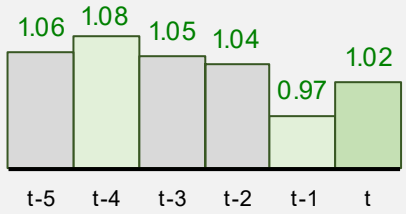
CASA growth -- qoq, yoy, FYTD (%)



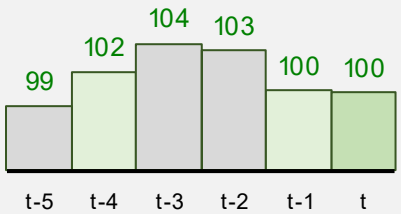
CASA ratio (%)



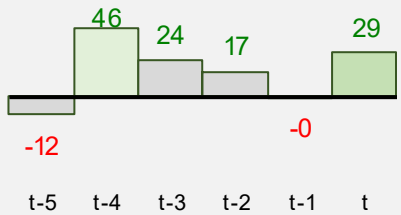
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	108	Qtrly ROE	Qtr value	5.4%
	19% of FY CNP				
	Qoq	-39%		t-1	8.7%
	Yoy	-15%		t-4	6.5%
Cum Core NP	RM mil	108	Cum ROE	Cum value	5.4%
	Below our forecast				
	19% of FY CNP				
	Below consensus				
	19% of FY CNP				
	Yoy	-15%		t-1	6.5%
NII	As expected		NIM	As expected	
				Qtr value	2.06
				Cum value	2.06
	Qtr (Qoq)	4%		Qtr (Qoq)	+5bps
	Qtr (Yoy)	2%		Qtr (Yoy)	-16bps
	Cum (Yoy)	2%		Cum (Yoy)	-16bps
NOII	-ve surprise		Qtr	% NII	82%
	Qtr (Qoq)	-41%		% NOII	18%
	Qtr (Yoy)	-18%	Cum	% NII	82%
	Cum (Yoy)	-18%		% NOII	18%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	66.8%
				Cum value	66.8%
	Qtr (Qoq)	-11%		Qtr (Qoq)	-1.8%
	Qtr (Yoy)	8%		Qtr (Yoy)	+6.0%
	Cum (Yoy)	8%		Cum (Yoy)	+6.0%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.8%			
	Yoy	5.9%			
	YTD (FY)	1.8%			
Depo. (+TIA) grwth	As expected		CASA-TIA grwth	As expected	
	Qoq	4.5%		Qoq	-10.8%
	Yoy	9.2%		Yoy	0.9%
	YTD (FY)	4.5%		YTD (FY)	-10.8%
CASA-TIA ratio	As expected		L/(D+TIA) ratio	As expected	
	Value now	34.4%		Value now	85.5%
	Qoq	-5.9%		Qoq	-2.3%
	Yoy	-2.8%		Yoy	-2.6%
*Liquidity ratios above factor in Investment Accounts					
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.02%		Value now	100%
	Qoq	+4bps		Qoq	-0%
	Yoy	-6bps		Yoy	-1%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	29bps		Value now	29bps
	t-1	-0bps			
	t-4	46bps		t-4	46bps
CET 1	Healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	13.6%		Payout	
	Qoq	0.0%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Total NII	2,041	1,978	2,134	2,242	2,362
Total NOII	399	617	615	630	663
Net income	**2,440**	**2,595**	**2,750**	**2,872**	**3,025**
OPEX	(1,573)	(1,715)	(1,829)	(1,910)	(2,012)
PPOP	**866**	**880**	**921**	**962**	**1,013**
Loan allowances	(95)	(152)	(232)	(248)	(266)
Other allowances	0	6	6	6	6
JV & Associates	1	2	-	-	-
PBT	**773**	**736**	**695**	**719**	**754**
Tax & zakat	(202)	(179)	(168)	(174)	(182)
NCI	-	-	-	-	-
Reported NP	**571**	**557**	**527**	**545**	**571**
Core NP	**571**	**557**	**527**	**545**	**571**

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	4,325	2,872	2,872	2,872	2,872
Investment securities	20,472	24,805	24,527	24,556	24,842
Net loans	69,481	73,997	79,157	84,698	90,627
Other IEAs	-	-	-	-	-
Non-IEAs	2,525	2,445	1,490	1,494	1,502
Total assets	**96,803**	**104,120**	**108,046**	**113,620**	**119,844**
Customer deposits	62,329	64,136	67,010	69,844	72,597
Other IBLs	24,067	27,495	28,567	29,692	30,872
Non-IBLs	2,751	4,416	4,674	5,984	7,954
Total liabilities	**89,147**	**96,047**	**100,251**	**105,519**	**111,423**
Share capital	3,889	3,889	3,846	3,846	3,846
Reserves	3,767	4,184	3,950	4,255	4,575
Shareholders' funds	**7,656**	**8,073**	**7,795**	**8,101**	**8,421**
NCI	-	-	-	-	-
Total equity	**7,656**	**8,073**	**7,795**	**8,101**	**8,421**
Total L&E	**96,803**	**104,120**	**108,046**	**113,620**	**119,844**
Total IEAs	94,279	101,674	106,557	112,126	118,342
Total IBLs	86,396	91,631	95,577	99,536	103,469
Gross loans	70,218	74,726	79,957	85,554	91,542
CASATIA	32,132	33,915	37,895	40,548	43,386

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest (%)					
NIM	2.23	2.02	2.05	2.05	2.05
Return on IEAs	4.70	4.54	4.42	4.31	4.19
Cost of funds	2.70	2.77	2.64	2.53	2.43
Net interest spread	2.01	1.77	1.78	1.78	1.76
Profitability (%)					
ROE	**7.6**	**7.1**	**6.6**	**6.9**	**6.9**
ROA	0.6	0.6	0.5	0.5	0.5
NOII/Net income	16.3	23.8	22.4	21.9	21.9
Effective tax rate	24.3	22.5	22.5	22.5	22.5
Cost/Income	64.5	66.1	66.5	66.5	66.5
Liquidity (%)					
Loan/Deposit	85.8	87.8	87.7	87.7	87.7
CASATIA ratio	39.7	40.2	42.0	42.0	42.0
Asset Quality (%)					
GIL ratio	1.06	0.97	1.00	1.00	1.00
LLC ratio	99	100	100	100	100
LLC (w. reserves)	99	100	118	117	116
Net CC (bps)	13	20	30	30	30
Capital (%)					
CET 1	13.8	13.6	13.4	13.2	13.0
Tier 1 capital	15.3	15.0	14.8	14.5	14.2
Total capital	20.0	18.3	18.1	17.8	17.5
Growth (%)					
Total NII	4.2	-3.1	7.9	5.0	5.4
Total NOII	-1.9	54.7	-0.3	2.4	5.2
Net income	3.1	6.4	5.9	4.4	5.3
OPEX	9.3	9.0	6.6	4.4	5.3
Core NP	3.3	-2.4	-5.5	3.5	4.7
Gross loans	3.8	6.4	7.0	7.0	7.0
Deposits + IAs	6.4	4.2	7.0	7.0	7.0
CASATIA	5.7	5.5	11.7	7.0	7.0
Valuation metrics					
Core EPS (sen)	25.4	24.8	23.4	24.2	25.4
Gross DPS (sen)	15.1	14.5	13.9	14.4	15.1
Div payout (%)	60	59	60	60	60
BVPS (RM)	3.4	3.6	3.5	3.6	3.7
Core P/E (x)	8.9	9.1	9.7	9.3	8.9
Div yield (%)	**6.7**	**6.4**	**6.2**	**6.4**	**6.7**
P/BV (x)	0.7	0.6	0.7	0.6	0.6

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known as MIDF 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