Corporate Update

Bank Islam Malaysia Berhad

(5258 | BIMB MK) Main | Financial Services

FTSE4Good | ESG 3 Stars | SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM2.12**
(from RM2.30)

2QFY26 Results Review
Earnings Weakness Ahead

RETURN STATISTICS	
Price @ 26 August 2026 (RM)	2.13
Expected share price return (%)	-0.5
Expected dividend yield (%)	+6.6
Expected total return (%)	**+6.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.5	-1.1
3 months	0.5	-8.3
12 months	-7.8	-15.8

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**492**	**521**	**571**
CNP growth (%)	(12)	6	10
Div yield (%)	**6.1**	**6.5**	**7.1**
Gross DPS (sen)	13.0	13.8	15.1
P/BV (x)	**0.6**	**0.6**	**0.6**
BVPS (RM)	3.5	3.6	3.7
ROE (%)	**6.2**	**6.6**	**6.9**
% Street CNP (%)	**96**	**94**	**99**

KEY STATISTICS	
FBM KLCI	1,748.54
Issue shares (m)	2,266.5
Estimated free float (%)	34.3
Market Capitalisation (RM'm)	4,804.9
52-wk price range	RM2.07 – RM2.55
3-mth average daily volume (m)	0.9
3-mth average daily value (RM'm)	2.1
Top Shareholders (%)	
Lembaga Tabung Haji	48.0
EPF Board	17.5
Amanah Saham Nasional Bhd	17.4

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Very negative

Expect: A difficult 2HFY26.

Our Verdict

BIMB's fundamental outlook is concerning, especially with the negative FY26 ROE target revision implying a huge fall-off in 2HFY26's earnings (though it could be overly conservative). Main concerns include elevated OPEX, NCC and weaker non-fee NOII. Solid momentum in fee income and loan growth should provide some offset. Although a knee-jerk reaction is likely, BIMB's share price seems unlikely to remain depressed from its current price point for too long: Dividend yields are too attractive to ignore.

Valuations

A revised FY27F P/BV of 0.59x *(formerly 0.64x)*

Current P/BV of 0.56x is inexpensive, trading well below -1SD of the 10-year P/BV mean of 1.21x.

The company is currently trading at a forward FY27F P/BV of 0.59x with a +6.6% dividend yield.

Themes

1. ▲ Excellent dividend yields, but no upside to the 60% payout.
2. ▲ After a painful FY25, NIM expansion is expected, and we should see it remain roughly stable in 2HFY26. A higher-yielding loan mix helps.
3. ▲ BIMB is optimistic on its fee income outlook, largely from IB and wealth segments. However, do expect normalisation in bancatakaful, after last year's one-off.
4. ▲ Poised to gain loan market share, even if high growth targets are not fully achieved. Will be gunning for a more non-retail-heavy mix.
5. ▼ Newer ROE guidance of 5.5% implies sharp earnings contraction from 1HFY26. A tougher period ahead or overly conservative guidance?
6. ▼ While asset quality is still healthy, provisioning is very high given BIMB's high exposure to unsecured loans. AKPK personal financing asset quality deterioration is concerning.
7. ▼ 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:

▼ **6MFY26's Core NP of RM254m is *Below/Below* our/street forecasts: *48%/49%* of full-year forecasts.** While 1HFY26 earnings weren't too bad, management is guiding for a much weaker 2HFY26.

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

► **No dividend announcement.**

► **6MFY26's Core net profit (NP) of RM254m saw flattish growth of +0%yoy.** Stronger NII performance offset weaker NOII and higher OPEX and provisioning charges.

▲ **2QFY26's Core NP of RM139m up by +21%qoq.** The increase was driven by better NII and NOII, which offset higher OPEX and provisioning charges.

Have a look at:

▼ **Not much clarity on the multi-year plan yet.** The most significant change announced so far was the transition from 2 broad business segments to 7 focused lines of business. This is to give a sharper focus on specific higher-value segments, such as wealth management and transaction banking. This implies additional cost – management warns that CIR is unlikely to hit the <64% range in the next few years.

▼ **Downgraded FY26 ROE target – but it may be too conservative.** FY26 ROE target has been downgraded to 5.5% (from 7%), which implies a sharp earnings contraction in 2HFY26 (1HFY26's ROE: 6.2%). Weakness will come from elevated OPEX for transformation plans, higher provisioning, and weaker non-fee NOII. However, note that the guidance may be overly conservative and is not fully official – management only mentioned 5.5% when prompted to give a figure.

▲ **Fee income is doing well, but we wonder if this is sustainable.** The core driver of growth is the wealth management segment, attributable to success in unit trust-related growth. Wealth management rose +249%yoy – we don't know how sustainable this level of growth is. Regardless, management is committed to doubling down: It will set up a new line of business (called Wealth, Trust & Offshore) to devote more attention to this segment as part of its strategic plan.

▼ **Deterioration in the personal financing portfolio has led to negative NCC target revision.** The main concern was AKPK personal financing loans, which now make up 50% of all PDNI loans. BIMB also saw some GIL ratio uptick in other personal financing loans and in the home financing portfolio – however, it attributes most of this to seasonal effects.

The AKPK scare has led to a negative revision in FY26's NCC target – the overlay stash has also increased to RM70m (from RM58m last quarter).

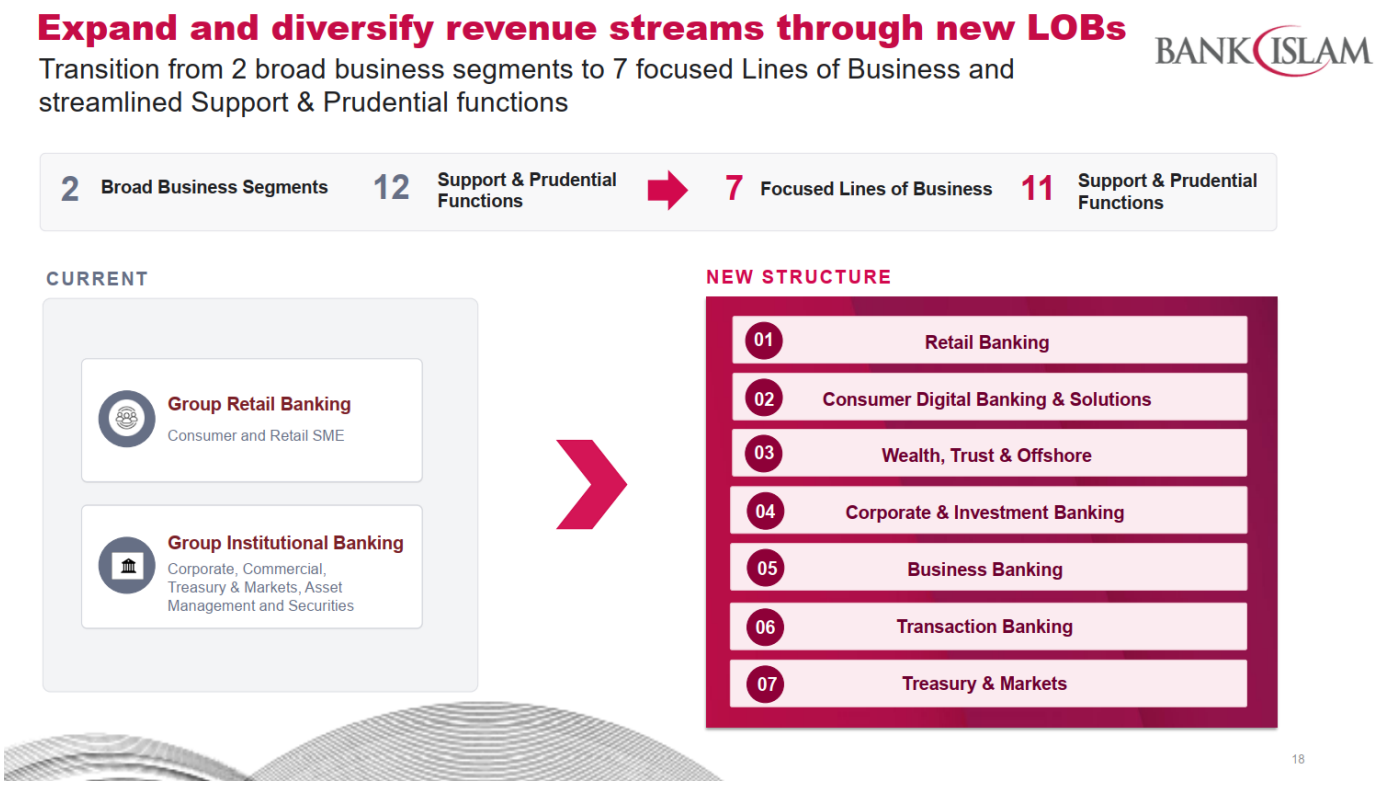
► **Capital release but no room for dividend payout increase.** Basel III changes will release 38 – 48bps worth of capital.

Forecasts revised: FY26F/FY27F Core NP adjusted by -7%/-3%. To reflect higher NCC charges.
Key downside risks. *(1) Higher-than-expected OPEX growth, (2) Higher-than-expected NCC, (3) Weak non-fee NOII performance.*

Maintain NEUTRAL call: Revised GGM-TP of RM 2.12 ***(from RM2.30)***. The TP is based on a revised FY27F P/BV of 0.59x *(formerly 0.64x),* to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY27F ROE of 6.6%, LTG of 4.0% & COE of 8.5%)*

FIG 1: New plans



Source: Company, MBSBR

FIG 2: Quarterly results

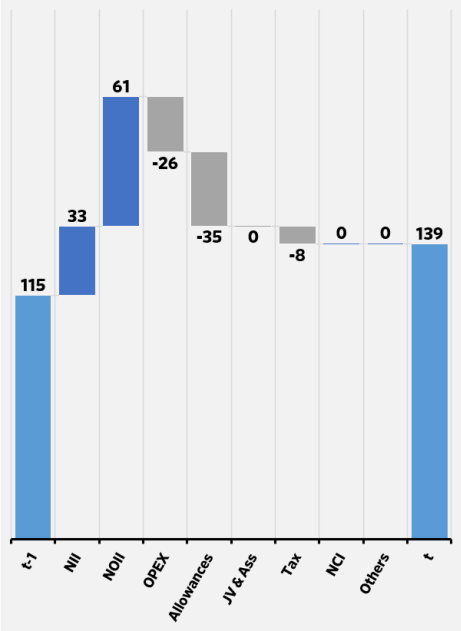
FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Total NII	544	512	493	10	6	1,056	993	6
Total NOII	170	109	158	8	56	280	292	-4
Net income	**714**	**621**	**652**	**10**	**15**	**1,335**	**1,285**	**4**
OPEX	(441)	(415)	(441)	-0	6	(856)	(827)	4
PPOP	**273**	**206**	**210**	**30**	**33**	**479**	**458**	**5**
Loan provisions	(89)	(54)	(42)	109	64	(143)	(122)	17
Other provisions	0	0	3	n.m.	n.m.	0	2	n.m.
JV & Associates	0	0	1	n.m.	n.m.	1	1	n.m.
PBT	**185**	**152**	**171**	**8**	**21**	**337**	**339**	**-1**
Tax & Zakat	(46)	(37)	(44)	4	23	(83)	(86)	-3
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**139**	**115**	**127**	**10**	**21**	**254**	**253**	**0**
Core NP	**139**	**115**	**127**	**10**	**21**	**254**	**253**	**0**
Gross DPS (sen)	**-**	**-**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	6.1	5.1	5.6	10	21	11.2	11.2	0
Gross loans	77,899	76,116	72,494	7.5	2.3			
Gross impaired loans	766	773	762	0.5	-0.9			
Customer deposits	64,361	65,545	63,167	1.9	-1.8			
Customer deposits^	86,918	88,096	82,738	5.1	-1.3			
CASA	23,150	21,424	21,733	6.5	8.1			
CASATIA^	31,810	30,265	29,084	9.4	5.1			

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**6.8**	**5.8**	**6.4**	**0.5**	**1.1**	**6.2**	**6.4**	**-0.1**
NIM (Reported)*	**2.12**	**2.06**	**2.12**	**0.00**	**0.06**	**2.10**	**2.17**	**-0.07**
NIM (Estimated)#	**2.08**	**1.98**	**2.05**	**0.03**	**0.10**	**2.09**	**2.11**	**-0.02**
NOII/Net income	23.8	17.6	24.3	-0.5	6.2	20.9	22.7	-1.8
Cost/Income	61.7	66.8	67.7	-6.0	-5.1	64.1	64.3	-0.3
NCC (Ann.) (bps)	47	29	24	23	18	38	35	3
GIL ratio	0.98	1.02	1.05	-0.07	-0.03			
Loan loss coverage	106	100	104	3	6			
CASATIA ratio^	36.6	34.4	35.2	1.4	2.2			
L/D ratio^	88.7	85.5	86.7	2.0	3.2			
CET-1	13.1	13.6	13.9	-0.8	-0.5			

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

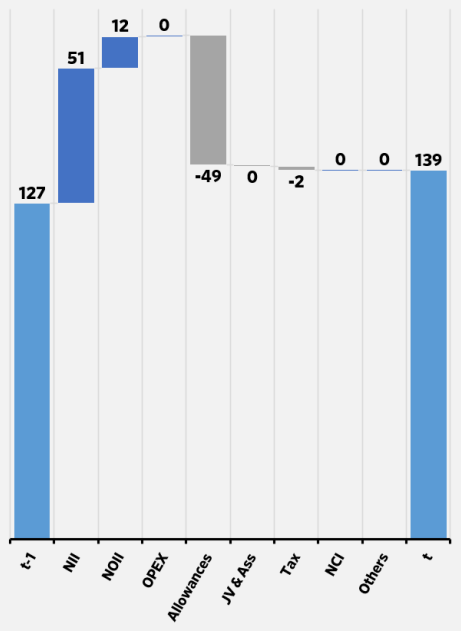
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



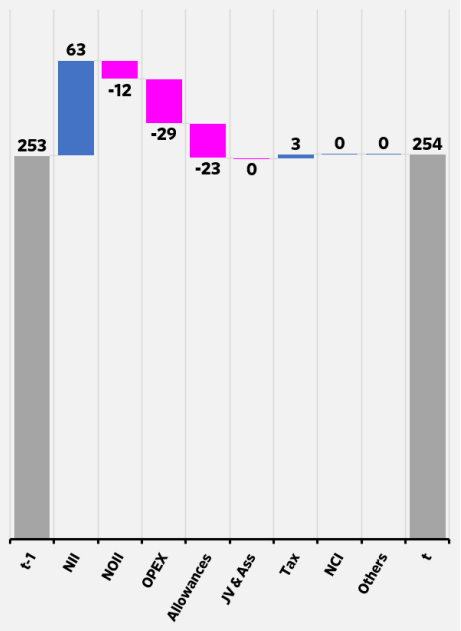
Source: Company, MBSBR

FIG 4: YoY P/L walk (Quarterly)



Source: Company, MBSBR

FIG 5: YoY P/L walk (Cumulative)



Source: Company, MBSBR

FIG 6: Targets, Achievements, and Outlook

Targets	FY26F	1H FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	5.5 ~~>7.0~~	6.2	Drag comes from higher NCC, weak non-fee NOII and higher OPEX. However, 5.5% figure given may be overly conservative, as it implies an overly large earnings contraction in 2HFY26.
CIR	64 – 65	64.1	To remain >64% for now, considering current high spending levels.
NIM	2.07 – 2.10 (from 2.07)	2.10	
NOII		-4% (yoy)	
Loans	7 – 9	4.2 (YTD)	
Deposits		3.1 (YTD)	
% CASATIA		36.6	
Loan/Depo		88.7	
GIL ratio	<1.1	0.98	
NCC (bps)	35 – 40 ~~28 - 33~~	38	Higher NCC to account for asset quality deterioration of personal financing loans – particularly the AKPK segment.
CET 1		13.1	
Div payout	60	-	

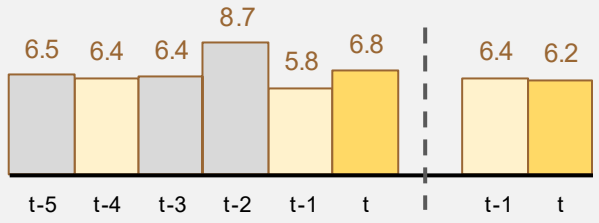
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

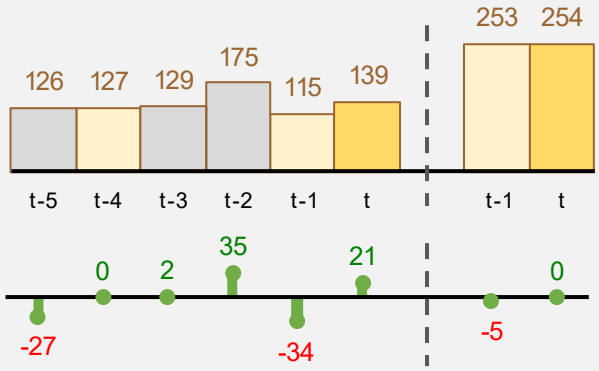
2QFY26 / 6MFY26 results

Earnings:	Below our full-year forecasts	(48%)
	Below street full-year forecasts	(48%)
Dividend:	NO	
YTD payout:	-	

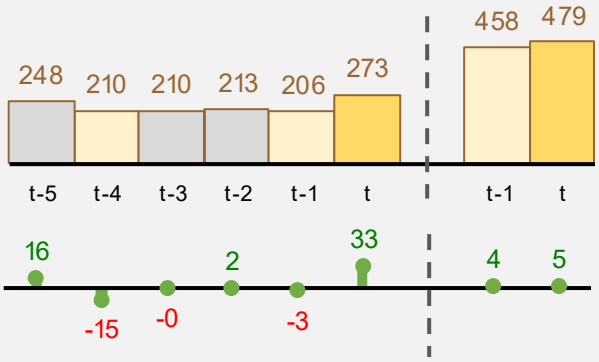
ROE (%)



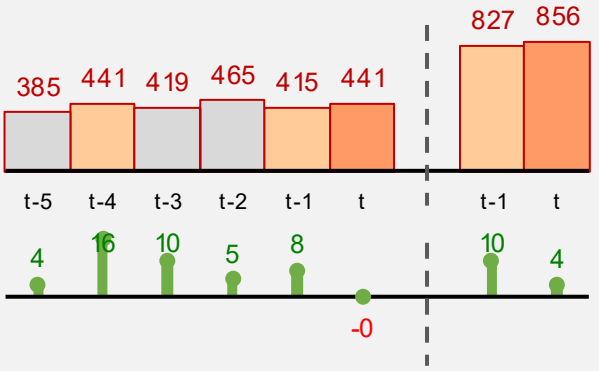
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



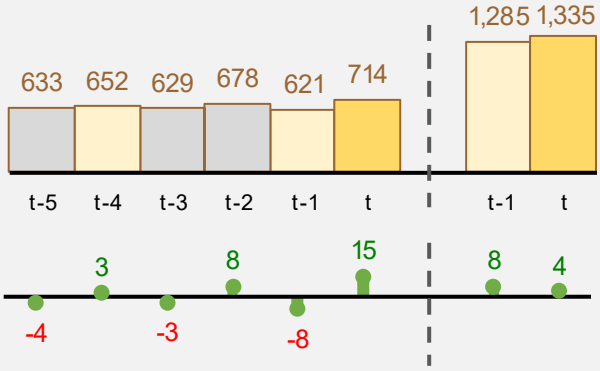
Pre-Provisioning Operating Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



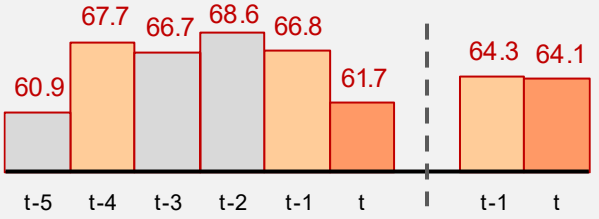
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



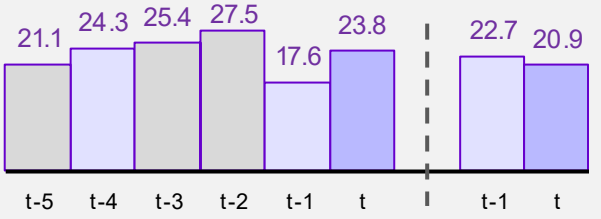
Topline (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



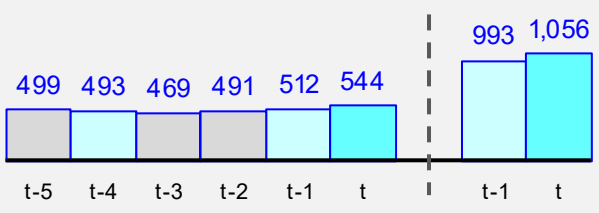
Cost/Income ratio (%)



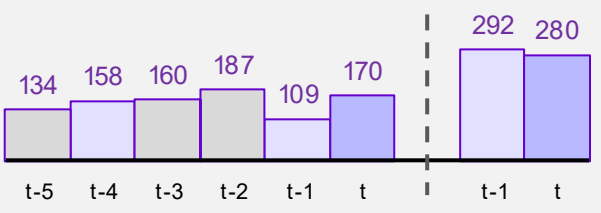
% NOII as topline (%)



Net interest income (RM m)

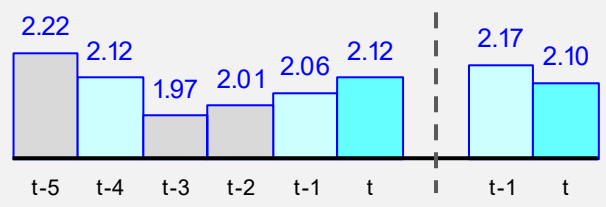


Non-interest income (RM m)

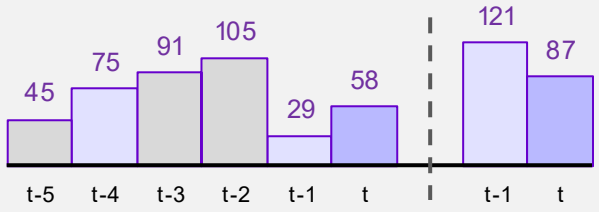


Source: Company, MBSBR

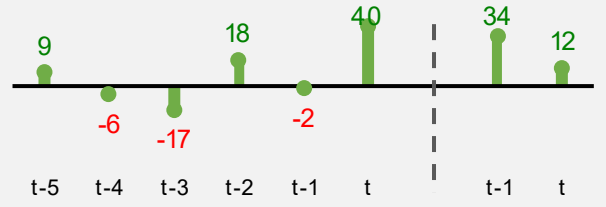
NIM (%)



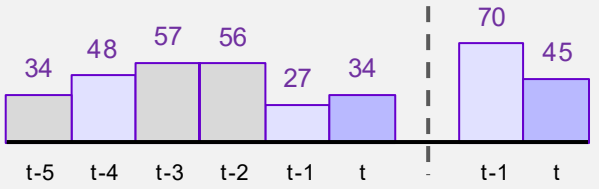
Non-fee NOII (RM m)



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

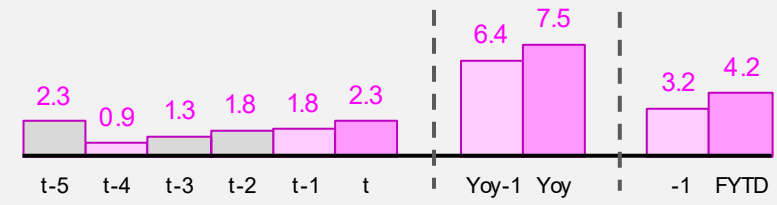


% Non-fee income as NOII (%)

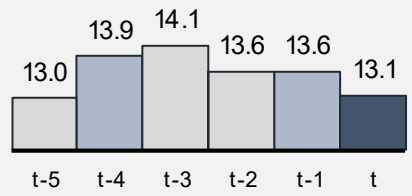


BALANCE SHEET

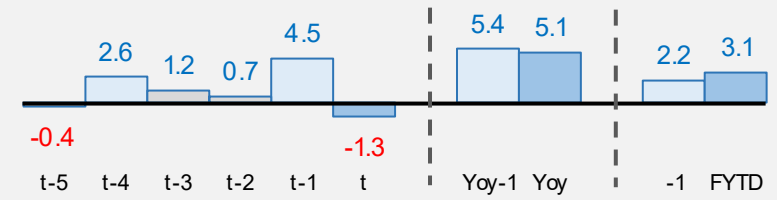
Loan growth -- qoq, yoy, FYTD (%)



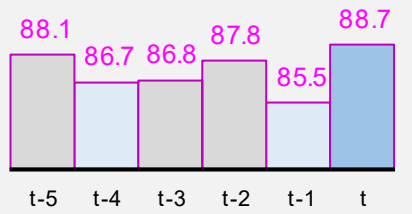
CET 1 ratio (%)



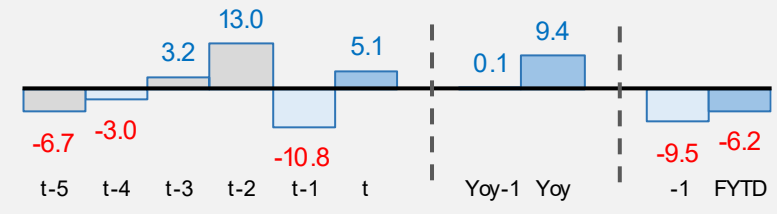
Deposit growth -- qoq, yoy, FYTD (%)



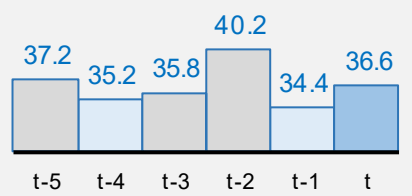
Loan/Deposit ratio (%)



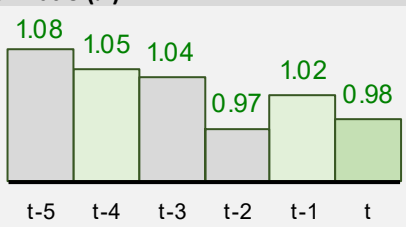
CASA growth -- qoq, yoy, FYTD (%)



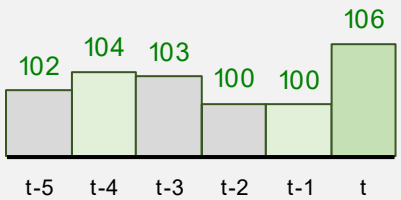
CASA ratio (%)



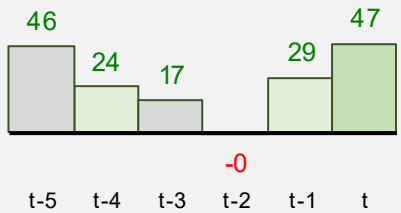
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 7: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	139	Qtrly ROE	Qtr value	6.8%
	26% of FY CNP				
	Qoq	21%		t-1	5.8%
	Yoy	10%		t-4	6.4%
Cum Core NP	RM mil	254	Cum ROE	Cum value	6.2%
	Below our forecast				
	48% of FY CNP				
	Below consensus				
	49% of FY CNP				
	Yoy	0%		t-1	6.4%
NII	As expected		NIM	+ve surprise	
				Qtr value	2.12
				Cum value	2.10
	Qtr (Qoq)	6%		Qtr (Qoq)	+6bps
	Qtr (Yoy)	10%		Qtr (Yoy)	+0bps
	Cum (Yoy)	6%		Cum (Yoy)	-7bps
NOII	As expected		Qtr	% NII	76%
	Qtr (Qoq)	56%		% NOII	24%
	Qtr (Yoy)	8%	Cum	% NII	79%
	Cum (Yoy)	-4%		% NOII	21%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	61.7%
				Cum value	64.1%
	Qtr (Qoq)	6%		Qtr (Qoq)	-5.1%
	Qtr (Yoy)	-0%		Qtr (Yoy)	-6.0%
	Cum (Yoy)	4%		Cum (Yoy)	-0.3%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	2.3%			
	Yoy	7.5%			
	YTD (FY)	4.2%			
Depo. (+TIA) grwth	As expected		CASA-TIA grwth	As expected	
	Qoq	-1.3%		Qoq	5.1%
	Yoy	5.1%		Yoy	9.4%
	YTD (FY)	3.1%		YTD (FY)	-6.2%
CASA-TIA ratio	As expected		L/(D+TIA) ratio	As expected	
	Value now	36.6%		Value now	88.7%
	Qoq	+2.2%		Qoq	+3.2%
	Yoy	+1.4%		Yoy	+2.0%
*Liquidity ratios above factor in Investment Accounts					
GIL ratio	As expected		LLC ratio	As expected	
	Value now	0.98%		Value now	106%
	Qoq	-3bps		Qoq	+6%
	Yoy	-7bps		Yoy	+3%
Qtrly Net CC	-ve surprise		Cum Net CC	-ve surprise	
	Heavy provision			Heavy provision	
	Value now	47bps		Value now	38bps
	t-1	29bps			
	t-4	24bps		t-4	35bps
CET 1	Healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	13.1%		Payout	
	Qoq	-0.5%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Total NII	2,041	1,978	2,114	2,220	2,362
Total NOII	399	617	615	630	663
Net income	**2,440**	**2,595**	**2,729**	**2,850**	**3,025**
OPEX	(1,573)	(1,715)	(1,815)	(1,895)	(2,012)
PPOP	**866**	**880**	**914**	**955**	**1,013**
Loan allowances	(95)	(152)	(271)	(265)	(266)
Other allowances	0	6	6	6	6
JV & Associates	1	2	-	-	-
PBT	**773**	**736**	**649**	**696**	**754**
Tax & zakat	(202)	(179)	(157)	(168)	(182)
NCI	-	-	-	-	-
Reported NP	**571**	**557**	**492**	**527**	**571**
Core NP	**571**	**557**	**492**	**527**	**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	4,687	6,005	7,975
Total liabilities	**89,147**	**96,047**	**100,265**	**105,540**	**111,444**
Share capital	3,889	3,889	3,846	3,846	3,846
Reserves	3,767	4,184	3,936	4,234	4,554
Shareholders' funds	**7,656**	**8,073**	**7,782**	**8,080**	**8,400**
NCI	-	-	-	-	-
Total equity	**7,656**	**8,073**	**7,782**	**8,080**	**8,400**
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	2.03	2.03	2.05
Return on IEAs	4.70	4.54	4.40	4.29	4.19
Cost of funds	2.70	2.77	2.64	2.53	2.43
Net interest spread	2.01	1.77	1.76	1.76	1.76
Profitability (%)					
ROE	**7.6**	**7.1**	**6.2**	**6.6**	**6.9**
ROA	0.6	0.6	0.5	0.5	0.5
NOII/Net income	16.3	23.8	22.5	22.1	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	35	32	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	6.8	5.0	6.4
Total NOII	-1.9	54.7	-0.3	2.4	5.2
Net income	3.1	6.4	5.1	4.4	6.2
OPEX	9.3	9.0	5.8	4.4	6.2
Core NP	3.3	-2.4	-11.7	7.1	8.3
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	21.9	23.4	25.4
Gross DPS (sen)	15.1	14.5	13.0	14.0	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)	8.4	8.6	9.7	9.1	8.4
Div yield (%)	**7.1**	**6.8**	**6.1**	**6.6**	**7.1**
P/BV (x)	0.6	0.6	0.6	0.6	0.6

Source: Company, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah-compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB 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