

28 November 2025

MBSB

Earnings Miss Compensated by Dividend

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MBSB's 9MFY25 net profit (+8% YoY) missed expectations due to slower-than-expected financing growth and NIM compression. While the group may only more materially see the translation of its RM5b syndicated financing pipeline into its book in FY26, it appears committed to keeping a 80%-90% dividend payout ratio (supported by its high CET-1 of 19%), which should generate returns of up to 8% post cutting our FY25F/FY26F earnings by 19%/4%. We lower our GGM-PBV TP by 2 sen to RM0.70, and stay MARKET PERFORM.

9MFY25 below expectations. MBSB's 9MF25 net profit of RM275.9m only made up 54% of our full-year forecast and 56% of consensus full-year estimate. The negative deviation is attributed to lower-than-expected loans disbursements and wider-than-expected NIM compression post-OPR cut.

YoY, 9MFY25 net earnings increased by 8% mainly on the back of higher fee-based income and investment gains. Net credit cost also improved (33 bps, -25 bps) thanks to better loan staging.

Net Islamic income fell by 14% due to NIMs deteriorating to 2.07% (-26 bps) no thanks to asset yields compressing following the July 2025 OPR cut as well as the group's proactive move to convert its fixed-rate personal financing portfolio toward a variable-rate structure. During the period, fixed-rate financing made up 6.2% of its total financing books (3QFY24: 19.1%).

QoQ, 3QFY25 net profit was flattish as a lower total income (-11%) was cushioned by lower credit costs (21 bps, -32 bps) during the period.

Highlights. In spite of delivering earnings growth, the group's 9MFY25 ROE of 3.9% remains below its 5%-6% target for the year. MBSB is relying on the disbursement of its RM5b syndicated financing pipeline across sectors such as data centres and energy; however, execution risks remain, as project timelines have also been delayed, resulting in only RM1b being disbursed year-to-date. This could in turn affect the group's ability to meet its 5%-6% financing growth target.

Looking ahead into FY26, the group also expects NIMs to dilute post-disbursement, potentially to 1.90%-2.00%, below its FY25 guidance of >2.00%. Still, MBSB is not overly concerned about the margin compression, noting that the newly onboarded accounts are backed by large, high-quality projects, which should help strengthen the group's overall asset quality over time.

Despite the shortfalls, the group had not revised any of its FY25 targets.

Forecasts. Post results, we slash our FY25F earnings by 19% following the weaker-than-expected Nil from both the slower-than-expected loans disbursement and softer NIMs trajectory going forward. However, we raise our dividend payout assumptions from c.50% to c.80%, in line with the group's guided 80%-90% payout aspiration.

Maintain MARKET PERFORM with a lower TP of RM0.72 (from RM0.70). Our TP is based on an unchanged GGM-derived PBV of 0.42x (COE: 9.2%, TG: 3%, ROE: 6%) but against a lower FY26F BVPS of RM1.40 after adjusting for our lower earnings and book value post-higher dividend payout.

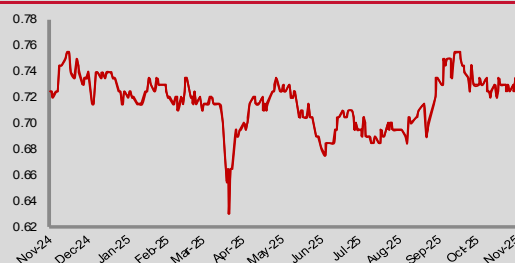
While believing the market is anticipating stronger earnings for MBSB post-merger with MIDF, it may still require a longer track record to deliver on its better fundamentals given its previously volatile earnings.

Still, we believe investors are willing to support a recovery and high growth angle, even if its ROE largely underperforms its peers average of c.10%.

MARKET PERFORM ↔

Price : RM0.71
Target Price : RM0.70 ↓

Share Price Performance



KLCI 1,617.46
YTD KLCI chg -1.5%
YTD stock price chg -4.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MBSB MK Equity
Market Cap (RM m)	5,837.8
Shares Outstanding	8,222.3
52-week range (H)	0.76
52-week range (L)	0.63
3-mth avg. daily vol.	4,558,668
Free Float	41%
Beta	0.87

Major Shareholders

Employees Provident Fund	56.5%
Yayasan Pelaburan Bumiputra	12.8%
HSBC Holdings PLC	1.6%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Net Interest Income	1,493	1,332	1,405
Non-interest Income	159	302	393
Total Income	1,652	1,634	1,798
Operating Expenses	-907	-916	-926
Loan Impairment	-171	-114	-128
Pre-tax Profit	586	603	744
Net Profit	407	418	516
Core Net Profit	407	418	516
Consensus NP	-	493	550
Earnings Revision (%)	-	-18.9	-4.0
Core EPS (RM)	5.7	5.8	7.2
EPS Growth (%)	196.0	2.9	23.4
NDPS (RM)	2.8	4.6	5.8
BV/Share (RM)	1.36	1.40	1.45
NTA/Share (RM)	1.32	1.36	1.40
ROE (%)	4.1	4.2	5.1
PER (x)	0.1	0.1	0.1
P/BV (x)	0.53	0.51	0.50
Net Div. Yield (%)	3.8	6.4	8.1



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Risks to our call include: (i) higher/lower-than-expected margin expansion, (ii) higher/lower-than-expected loans growth, (iii) better/worse-than-expected asset quality, (iv) surge in capital market activities, (v) favourable currency fluctuations, and (vi) changes to OPR.

Results Highlights

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net Islamic income	261.9	326.7	-19.8%	365.5	-28.3%	908.4	1,049.8	-13.5%
Net interest income	14.6	29.7	-50.7%	14.2	2.8%	60.1	43.1	39.5%
Non-interest income	103.4	68.1	51.7%	57.1	80.9%	214.5	144.7	48.2%
Modification loss	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Total income	379.9	424.5	-10.5%	436.9	-13.0%	1,183.0	1,237.7	-4.4%
Operating expenses	-220.6	-233.1	-5.4%	-230.2	-4.2%	-687.5	-686.1	0.2%
Pre-impairment profit	159.3	191.4	-16.8%	206.7	-22.9%	495.6	551.5	-10.1%
(Allowances)/ write-backs	-22.9	-57.1	-60.0%	-40.7	-43.8%	-108.0	-180.4	-40.1%
(Allowances)/ write-backs on other assets	0.6	0.7	-16.7%	-1.5	-140.0%	1.5	-5.3	-128.0%
Operating profit	137.1	135.0	1.5%	164.5	-16.7%	389.0	365.8	6.3%
Extraordinary Items	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Profit before tax	137.1	135.0	1.5%	164.5	-16.7%	389.0	365.8	6.3%
Taxation	-41.4	-38.3	8.3%	-42.4	-2.4%	-111.7	-110.9	0.7%
Net Profit	95.6	95.6	0.1%	122.1	-21.7%	275.9	255.3	8.0%
Core Net Profit	95.6	95.6	0.1%	122.1	-21.7%	275.9	255.3	8.0%
Gross financing	44,048	42,916	2.6%	43,137	2.1%	44,048	43,137	2.1%
Gross impaired financing	2,645	2,394	10.5%	2,898	-8.7%	2,645	2,898	-8.7%
Customer deposits	45,459	45,659	-0.4%	44,351	2.5%	45,459	44,351	2.5%
Current and savings account	5,767	4,180	38.0%	3,584	60.9%	5,767	3,584	60.9%
Total assets	64,389	64,507	-0.2%	62,490	3.0%	64,389	62,490	3.0%
Shareholders' equity	9,896	9,958	-0.6%	9,879	0.2%	9,896	9,879	0.2%
Est. annualised NIM*	1.77%	2.31%		2.43%		2.07%	2.33%	
Cost-to-income ratio*	58.1%	54.9%		52.7%		58.1%	55.4%	
Annualised credit cost (bps)	20.5	52.8		38.9		32.6	58.1	
Effective tax rate	30.2%	28.3%		25.8%		28.7%	30.3%	
Annualised ROA	0.6%	0.6%		0.8%		0.6%	0.5%	
Annualised ROE	3.9%	3.9%		5.0%		3.7%	3.5%	
Gross impaired loans ratio	6.0%	5.6%		6.7%		6.0%	6.7%	
Loan loss coverage ratio (LLC)	30.8%	35.0%		51.4%		30.8%	51.4%	
LLC plus regulatory reserves	40.4%	45.6%		55.6%		40.4%	55.6%	
Loan-to-deposit ratio	95.1%	92.2%		93.9%		95.1%	93.9%	
CASA-to-deposit ratio	12.7%	9.2%		8.1%		12.7%	8.1%	
CET-1 capital (Group level)	19.2%	19.5%		20.0%		19.2%	20.0%	

Source: Company, Kenanga Research

Management Guidance

	FY25 Targets	FY24 Performance
Financing growth	5-6%	4.2%
Gross impaired financing	4-5%	5.3%
NIM	2.0%	2.40%
Cost-Income Ratio	<53%	54.9%
Credit cost	30 bps	41 bps
ROE	5-6%	4.1%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
Affin Bank Bhd	MP	2.24	2.30	2.7%	5,675.8	N	12/2025	22.8	25.4	13.3%	11.6%	9.8	8.8	0.5	4.9%	6.0	2.7%
Alliance Bank Malaysia Bhd	MP	4.66	4.85	4.1%	8,062.8	N	03/2026	44.3	49.8	2.1%	12.3%	10.5	9.4	1.0	9.7%	18.0	3.9%
AMMB Holdings Bhd	OP	5.99	6.90	15.2%	19,814.2	N	03/2026	64.1	66.3	6.0%	3.4%	9.3	9.0	0.9	10.0%	31.5	5.3%
Bank Islam Malaysia Bhd	MP	2.26	2.40	6.2%	5,122.2	Y	12/2025	24.4	27.7	-3.2%	13.7%	9.3	8.1	0.7	7.1%	15.0	6.6%
CIMB Group Holdings Bhd	OP	7.48	7.90	5.6%	80,643.1	N	12/2025	74.7	77.3	3.3%	3.6%	10.0	9.7	1.1	11.2%	42.0	5.6%
Hong Leong Bank Bhd	OP	21.20	24.50	15.6%	45,955.6	N	06/2026	231.0	238.9	1.1%	3.4%	9.2	8.9	1.0	11.7%	105.0	5.0%
Malayan Banking Bhd	OP	9.98	11.30	13.2%	120,569.4	N	12/2025	82.3	86.0	-1.7%	4.6%	12.1	11.6	1.2	10.3%	62.0	6.2%
MBSB Bhd	MP	0.710	0.700	-1.4%	5,837.8	Y	12/2025	5.8	7.2	2.9%	23.4%	12.2	9.9	0.5	4.2%	4.6	6.5%
Public Bank Bhd	OP	4.35	5.25	20.7%	84,436.5	N	12/2025	37.0	38.1	0.6%	3.0%	11.7	11.4	1.4	12.3%	22.5	5.2%
RHB Bank Bhd	OP	6.99	7.80	11.6%	30,489.8	N	12/2025	71.8	74.1	-0.3%	3.1%	9.7	9.4	0.9	9.4%	44.5	6.4%
SECTOR AGGREGATE					406,607					1.0%	4.3%	10.9	10.4	1.1	10.2%		5.3%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.0	6.25	9.9	0.47	2.30	MP	
Alliance Bank Malaysia Bhd	3.0	10.0	10.5	0.93	4.85	MP	+5% ESG Premium
AMMB Holdings Bhd	3.0	10.0	9.9	1.02	6.90	OP	
Bank Islam Malaysia Bhd	3.5	8.0	10.2	0.67	2.40	MP	
CIMB Group Holdings Bhd	3.5	11.5	11.2	1.05	7.90	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	24.50	OP	Sum-of-Parts
Malayan Banking Bhd	3.5	11.5	9.5	1.33	11.30	OP	
MBSB Bhd	3.0	6.0	9.2	0.48	0.720	MP	
Public Bank Bhd	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB Bank Bhd	2.5	10.0	10.2	0.98	7.80	OP	

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★		
	Financial Inclusion	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★		
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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