

Banking

3QCY25 Report Card: Well-Defended Earnings

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OVERWEIGHT



Post 3QCY25 earnings season, we remain OVERWEIGHT on the banking sector, with most earnings being reported within our expectations. While loans are expected to pick up in 4QCY25, CY26 may see slightly subdued growth from the impact of US tariffs. Sequential NIM compression post-OPR cut were also well expected, which we anticipate will only see recovery by 2QCY26 when longer-term FDs are fully repriced, assuming there are no changes to the OPR in CY26, as we anticipated. Several large cap banks took the opportunity to further strengthen their provisions following the completion of a corporate restructuring exercise in the oil and gas sector, keeping industry LLC relatively stable.

Notably, during the reporting season, we had downgraded CIMB to MARKET PERFORM. While its capital return plan was viewed favourably with special dividends raising yield prospects, we opine it could be a signal of more conservative capital deployment to meet its longer-term Forward30 growth targets.

In a climate where growth prospects may be tested, we believe greater credit should be given to banks that continue deploying capital efficiently, as this could further indicate the ability to scale more effectively when broader market conditions improve. Accordingly, our Top Picks are AMBANK (OP; TP: RM6.90) for its rising earnings growth and ROE potential with a growing trajectory to its dividend payout which distinguishes it from other high yielders. Meanwhile, MAYBANK (OP; TP: RM11.30) serves as our large cap Top Pick supported by its leading market share which allows better scale and product manoeuvrability as well as better-than-industry GIL and presently stable dividend yield (c.6%). Within the NBFIs space, we highlight TAKAFUL (OP; TP: RM4.40) for its continued growth in its key credit-related products backed by its renewed bancatakaful partnership with RHBBANK. Its increased payout expectations (6% yield) could also attract yield-seeking shariah investors.

3QCY25 delivery supported by large caps. The 3QCY25 results season was mostly in line, with 8 out of the 10 listed banks within our coverage. We saw earnings misses from: (i) **BIMB** as we had previously expected some easing of its operating expenses; and (ii) **MBSB** for lower-than-expected NII owing to delays in the group rolling out its corporate-led financing pipeline.

With regards to market trends, most banks reported a sequential dip in NIMs following the 25 bps OPR cut in July 2025, as asset yields fell more quickly than funding costs, with fixed deposits potentially needing another one to two quarters to fully reprice (i.e. up to 2QCY26). To mitigate this, the banks are actively promoting shorter-tenure deposit products (<6 months) to enable more responsive repricing to help cushion margin pressures. **MAYBANK** was the only bank to report a sequential increase (+2 bps) thanks to prior efforts in managing its balance sheet prior to the rate cuts across its regions.

Four banks benefitted from a recently completed corporate restructuring exercise in the oil & gas sector, namely **MAYBANK**, **CIMB**, **RHBBANK**, and **AMBANK** which recorded notable writebacks on their financial instruments as the restructuring involved the issuance of settlement shares and RCUIDS. These writebacks provided additional headroom for the banks to reallocate provisions toward accounts exhibiting early signs of asset quality stress. However, the resulting impact on LLC was mixed, with: (i) **MAYBANK** coming off to 134.2% (-10.9 ppts) as it saw further reallocation to another troubled account in its books; (ii) **CIMB** increased to 123.9% (+6.0 ppts); and (iii) **AMBANK** and **RHBBANK's** respective bases remain relatively stable, +/- 2.0 ppts.

(refer to Fig. 1 for the performance breakdown between our forecasts and consensus estimates)

Corporate guidances were largely unchanged, with most banks opting to conclude their financial year before introducing fresh FY26 targets. There were minor positive adjustments from **MAYBANK** and **BIMB**, with the former benefiting from restructuring-related writebacks and the latter seeing improved repayments following seasonal strains in 2QFY25.

AFFIN, however, revised down nearly all its headline targets after holding off adjustments in its 2QFY25 briefing, pending clearer market signals. The downward revisions to its loans growth, NIM, CIR, and ROE targets ultimately resulted in a reduction of its PBT guidance from RM1.1b to RM800m. That said, as we had already reflected conservative assumptions in our models, we made little adjustments to incorporate the group's change in tone.

(refer to Fig. 4 for updates on corporate guidance post-3QCY25 results)



03 December 2025

All said, we anticipate 4QCY25 to largely see a sequential uptick from backloaded loans growth following year-end disbursements ahead of the upcoming 1QCY26's cash flows requirement across household and business segments. However, NIMs could still experience sequential weakness owing to 4QCY's seasonal deposits competition as the banks load up on liquidity. However, we opine this to not be as intense as prior years with some banks opting for alternative funding opportunities through debt markets or interbank borrowings where effective rates had declined with the OPR in easing by c.25 bps.

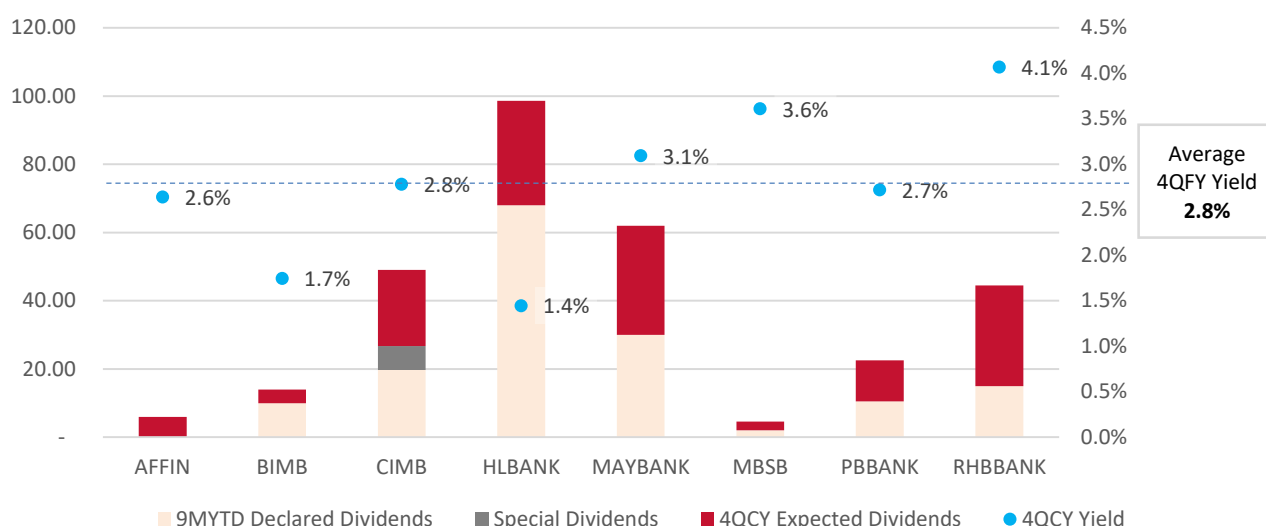
Leaders holding the pack. Based on the 3QCY25 domestic market share breakdown, the combined loan market shares of our 10 listed local banks came in at 83.1% (+40 bps YoY, +7 bps QoQ). **MAYBANK** and **PBBANK** remained leaders at 18.7% (+8 bps YoY, +4 bps QoQ) and 17.9% (+19 bps YoY, +5 bps QoQ), respectively, on the back of larger mortgage and vehicle hire purchase books. **CIMB's** 12.0% (-33 bps YoY, -13 bps QoQ) decline continues to come from their continued emphasis on more profitable accounts as opposed to more volume capture. Meanwhile, **AMBANK** (-5 bps YoY, +3 bps QoQ) is gradually regaining its position sequentially on the back of its increasing appetite for commercial loans in the manufacturing and services sector.

(refer to Fig. 2 and Fig. 3 for the breakdown of domestic market share and domestic loans growth)

Maintain OVERWEIGHT on the banking sector. Post results season, we expect the sector outlook to remain resilient. While system loans growth could moderate in CY26 to 5.0%–5.5% (vs. c.5.5% in CY25) as the impact of US tariffs fully materialises, this could be partly offset by a recovery in sector-wide NIMs toward 2HCY26, once funding costs fully reprice. Our expectations hinge on OPR remaining stable at 2.75% throughout CY26. Meanwhile, we continue to view asset quality risks as benign, with banks remaining well-provisioned and focusing on tactical provisioning for specific accounts rather than broad macro overlays. Industry GIL has continued to improve, easing to a new historical low of 1.39% as of Oct 2025.

In the near-term, there could be crowding towards banks which pay lumpier 4QCY25 dividends per their historical tendencies. Callouts on this perspective would be **RHBBANK** for c.4% yield and **MAYBANK**, **CIMB** and **PBBANK** for a more modest c.3% yield.

Estimated Dividend Payments for 4QCY25 Reporting Quarter



* **ABMB** and **AMBANK** are not presented as we do not expect them to declare dividends during the upcoming period

Source: Companies, Kenanga Research

Regarding dividends, **CIMB** had announced a RM2b capital return plan which commenced with a 7.0 sen special dividend payment for FY25, with further potential special dividends of 5.0-6.0 sen per year in FY26 and FY27 (c.0.7% additional yields). Despite the potential prospects, we had opted to downgrade **CIMB** to **MARKET PERFORM** in our 1 Dec 2025 results review report. We believe its ROE accretion is likely to moderate, as the capital return plan suggests the bank may be taking a more cautious stance on growth until macro conditions improve across its key markets of Malaysia, Indonesia, Singapore, and Thailand. In our view, the softer growth outlook outweighs the temporary uplift from special dividend yields over the next two years, especially given the shift in tone from CIMB's earlier guidance. Following this downgrade, we strengthen our recommendation for **MAYBANK** while is poised to offer more sustainable long-term ordinary cash dividends (6%-7%) whilst maintaining a projected annual earnings growth of 3%-4% while still maintaining its domestic market share position.

With respect to our Top Picks, for **4QCY25** and into **1QCY26**, we highlight our **Top Picks** to be: (i) **AMBANK** – backed by a stronger ROE profile as the group prioritises higher-quality earnings drivers rather than chasing market share in less profitable segments. Its recent transition into FIRB lifted CET-1 levels to c.15%, enabling more generous dividend payouts and positioning **AMBANK** as one of the sector's dividend yield leaders at c.6%, and (ii) **MAYBANK** – despite a more cautious loans outlook owing to softer regional contributions, **MAYBANK** maintains a solid domestic footing, reflected in above-industry loans growth (5.9% vs 5.5%), better-than-industry GIL (1.41%), and attractive c.6% dividend yields.

03 December 2025

Appendix

Fig 1: Quarterly Results Performance

	3QCY25						2QCY25					
	KENANGA			CONSENSUS			KENANGA			CONSENSUS		
	Above	Within	Below	Above	Within	Below	Above	Within	Below	Above	Within	Below
ABMB		1			1			1			1	
AFFIN		1			1			1			1	
AMBANK		1			1			1			1	
BIMB			1		1			1			1	
CIMB		1			1			1			1	
HLBANK		1			1			1			1	
MAYBANK		1			1			1			1	
MBSB			1			1		1			1	
PBBANK		1			1			1			1	
RHBBANK		1			1			1			1	
Total		8	2		9	1		10			10	
Total (%)		80	20		90	10		100			100	

Source: Kenanga Research, Bloomberg

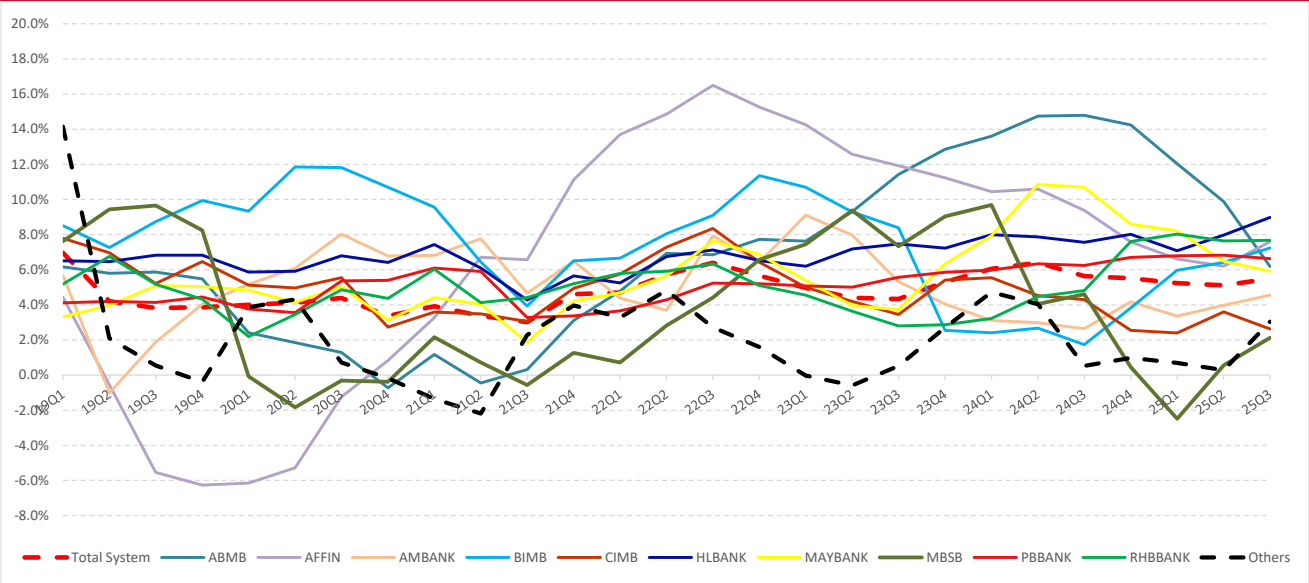
Fig 2: Domestic Loan Market Share Breakdown as at 3QCY25

Name	Domestic Loans				Domestic Market Share			Total Group Loans (RM b)	Total Asset (RM b)	Total Equity (RM b)
	RM b	Proportion (%)	YoY Growth (%)	QoQ Growth (%)	(%)	YoY Chg (bps)	QoQ Chg (bps)			
MAYBANK	435.3	64	5.9	1.4	18.7	+ 8	+ 4	680.5	1,067.4	92.7
PBBANK	416.0	94	6.6	1.5	17.9	+ 19	+ 5	441.2	555.6	58.3
CIMB	279.4	62	2.6	0.1	12.0	- 33	- 13	448.2	778.5	70.3
RHBBANK	207.9	85	7.7	1.6	8.9	+ 18	+ 3	245.4	358.2	33.6
HLBANK	197.4	93	9.0	1.1	8.5	+ 27	- 1	211.8	312.7	39.0
AMBANK	140.2	100	4.5	1.7	6.0	- 5	+ 3	140.5	200.3	21.1
AFFIN	74.9	99	7.6	2.9	3.2	+ 6	+ 5	76.1	118.4	12.2
BIMB	73.4	100	7.2	1.3	3.2	+ 5	+ 0	73.4	102.7	8.0
ABMB	62.7	98	6.2	0.0	2.7	+ 2	- 3	63.9	86.5	8.6
MBSB	43.3	98	2.1	2.7	1.9	- 6	+ 3	44.0	64.4	9.9
Others ¹	393.9	N.A.	3.0	0.8	16.9	- 40	- 7	N.A.	N.A.	N.A.
Total²	2,324.6		5.5	1.2	100.0			2,425.2	3,644.9	353.6

Source: BNM, Companies, Kenanga Research

¹ Others include non-listed local and foreign financial institutions² Total domestic loans refer to total system loans during the period as reported by BNM

Fig 3: Domestic Loans Growth Performance



Source: BNM, Companies, Kenanga Research
 * Others include non-listed local and foreign financial institutions

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Fig 4: Updated Corporate Guidances Post-3QCY25 Results

Company	FYE	Loan growth	Deposit growth	NIM	Cost-to-income ratio	Credit cost	Return on equity	Gross impaired loan	CASA Mix
ABMB	Mar-26	8%-10%		2.37%-2.43% (FY25: 2.45%)	~48.0% (FY25: 48.0%)	30-35 bps (FY25: 32 bps)	>10.0% (FY25: 10.3%)		
AFFIN	Dec-25	8% (from 12.0%) (FY24: 8.1%)		1.45% (from 1.55%) (FY24: 1.45%)	68.0% (from 65.0%) (FY24: 74.6%)	12 bps (FY24: -12 bps)	4.8% (from 6.0%) (FY24: 4.5%)	1.70% (FY24: 1.94%)	
AMBANK	Mar-26	Single digit growth (FY25: 3.5%)		Stable (FY25: 1.97%)		~20 bps (FY25: 8 bps)			
BIMB	Dec-25	7%-8% (FY24: 3.8%)		>2.0% (FY24: 2.13%)		<30 bps (from 35 bps) (FY24: 14 bps)	>7.5% (FY24: 7.6%)	<1.0% (FY24: 1.06%)	
CIMB	Dec-25	5%-7% (FY24: 2.6%)		Stable to -5 bps (FY24: 2.21%)	<46.7% (FY24: 46.9%)	25-35 bps (FY24: 25 bps)	11.0-11.5% (FY24: 11.2%)		
HLBANK	Jun-26	6%-7% (FY25: 7.8%)		1.80-1.90% (FY25: 1.79%)	~39% (FY25: 38.7%)	<10 bps (FY25: -19 bps)	11.5%-12.0% (FY25: 12.2%)	<0.65% (FY25: 0.54%)	>32% (FY25: 34%)
MAYBANK	Dec-25	+3% (FY24: 5.3%)		Stable (from slight compression) (FY24: 2.12%)	<49% (FY24: 48.9%)	<20 bps (from <30 bps) (FY24: 25 bps)	>11.3% (FY24: 10.7%)		
MBSB	Dec-25	5%-6% (FY24: 4.2%)		2.0% (FY24: 2.40%)	<53% (FY24: 54.9%)	30 bps (FY24: 42 bps)	5%-6% (FY24: 4.1%)	4%-5% (FY24: 5.3%)	
PBBANK	Dec-25	5%-6% (FY24: 6.3%)	4%-5% (FY24: 4.6%)	Mid-high digit compression (FY24: 2.20%)		Low single digit (FY24: 0 bps)	~13.0% (FY24: 12.8%)		
RHBBANK	Dec-25	5%-6% (FY24: 6.9%)		1.80%-1.83% (FY24: 1.86%)		15-20 bps (FY24: 22 bps)	10.4%-10.8% (FY24: 10.0%)	1.4%-1.5% (FY24: 1.47%)	28%-29% (FY24: 27.6%)

Source: Companies, Kenanga Research

03 December 2025

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	2.27	2.30	1.3%	5,752	N	12/2025	22.8	25.4	13.3%	11.6%	10.0	8.9	0.48	4.9%	6.0	2.6%
Alliance Bank Malaysia Bhd	MP	4.74	4.85	2.3%	8,201	N	03/2026	44.3	49.8	2.1%	12.3%	10.7	9.5	1.01	9.7%	18.0	3.8%
AMMB Holdings Bhd	OP	6.15	6.90	12.2%	20,344	N	03/2026	64.1	66.3	6.0%	3.4%	9.6	9.3	0.94	10.0%	31.5	5.1%
Bank Islam Malaysia Bhd	MP	2.29	2.35	2.6%	5,190	Y	12/2025	23.6	26.9	-6.4%	14.1%	9.7	8.5	0.67	6.9%	14.0	6.1%
CIMB Group Holdings Bhd	MP	8.00	7.90	-1.3%	86,249	N	12/2025	73.7	77.7	2.0%	5.3%	10.9	10.3	1.18	11.1%	49.0	6.1%
Hong Leong Bank Bhd	OP	21.14	24.50	15.9%	45,826	N	06/2026	231.0	238.9	1.1%	3.4%	9.2	8.8	1.03	11.7%	105.0	5.0%
Malayan Banking Bhd	OP	10.34	11.30	9.3%	124,919	N	12/2025	84.3	86.6	0.8%	2.7%	12.3	11.9	1.26	10.6%	62.0	6.0%
MBSB Bhd	MP	0.720	0.700	-2.8%	5,879	Y	12/2025	5.8	7.2	2.9%	23.4%	12.3	10.0	0.51	4.2%	4.6	6.4%
Public Bank Bhd	OP	4.41	5.25	19.0%	85,601	N	12/2025	37.0	38.1	0.6%	3.0%	11.9	11.6	1.43	12.3%	22.5	5.1%
RHB Bank Bhd	OP	7.25	7.80	7.6%	31,624	N	12/2025	71.8	74.1	-0.3%	3.1%	10.1	9.8	0.94	9.4%	44.5	6.1%
SECTOR AGGREGATE					419,584					1.4%	4.2%	11.2	10.7	1.15	10.3%		5.2%

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	2.35	MP	
CIMB Group Holdings Bhd	3.5	11.5	11.2	1.05	7.90	MP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	24.50	OP	Sum-of-Parts
Malayan Banking Bhd	3.5	12.0	9.5	1.41	11.30	OP	
MBSB Bhd	3.0	6.0	9.2	0.48	0.700	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 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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