

02 March 2026

Bank Islam Malaysia

Striving for Bigger Books

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BIMB's FY25 net profit (-3% YoY) and dividends declared were within our expectations but better than consensus. The group ends its LEAP25 targets with most boxes ticked but came in slightly short of its FY25 financing growth aspirations. While it believes this could be made up in FY26, we remain cautious in lieu of potential easing in the corporate lending segments. Maintain our MARKET PERFORM call and GGM-PBV TP of RM2.55.

FY25 within expectations. BIMB FY25 net profit of RM557.2m came in at 104% of our full-year forecast but beat consensus full-year estimate by 7%. An interim dividend of 4.45 sen was declared, amounting to a full-year payment of 14.45 sen (60%) which is also within our anticipated 14 sen for FY25.

YoY, FY25 net profit declined by 3% owing to higher credit costs (21 bps, +7 bps) from additional overlays provided in anticipation of rising risks in the retail space.

Total income rose by 8%, mainly thanks to better investment results. Despite NIMs coming off to 2.07% (-27 bps) from lower asset yields, this was made up by a 6% increase in the group's financing base which led to moderate growth to NII (+1%). That said, CIR stretched to 68.3% (+1.9 pts) from headcount expansion and strategic IT investments.

QoQ, 4QFY25 net earnings rose by 36%, mostly due to improved collections which led the period to be in a net writeback position from 17 bps credit cost in 3QFY25. We note that NIMs had improved to 1.93% (+6 bps) thanks to better asset yields.

Highlights. Despite delivering respectable earnings, BIMB fell short of its key targets for: (i) financing growth of 7%-8% (achieving 6.3%), and (ii) ROE of >7.5% (achieving 7.1%). For FY26, management has guided for a more optimistic financing growth of 8%-9%, driven by efforts to rebuild its corporate banking pipeline, while retail growth is expected to remain supported by underlying consumer demand.

To support ROE stability (guided at a more modest >7% target), the group is banking on stronger bancatakaful contributions following its refreshed partnership with TAKAFUL, which is expected to drive higher fee income. Meanwhile, credit costs are guided to rise to 28-30 bps after reporting 21 bps in FY25 as the group embarks on higher risk exposure from a lower retail exposure.

Forecasts. We tweak our FY26F earnings post-FY25 model updates. While we mostly align with the group's targets, we remain conservative with regards to its financing growth aspirations on the backdrop of a slowing trajectory within the corporate lending segment. Attributed to this and given frontloaded provisions in the retail space, we have booked in a lower-than-guided credit cost of 22 bps. Meanwhile, we introduce our FY27F earnings.

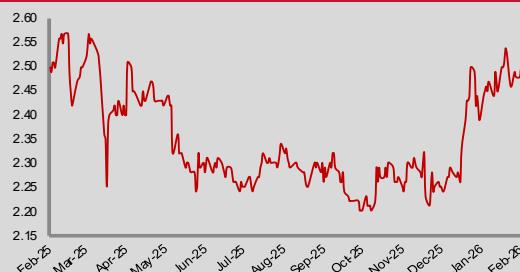
Maintain MARKET PERFORM and TP of RM2.55. Our TP is based on an unchanged GGM-derived PBV of 0.73x (COE: 9.7%, TG: 3.5%, ROE: 8%) and FY26F BVPS of RM3.49. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us. While the stock commands strong dividend yield prospects of c.7%, we believe its current share price presents a fair risk-reward for the stock given potential further earnings downside risk.

Risks to our call include: (i) higher/lower-than-expected margin, (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.

MARKET PERFORM ↔

Price : RM2.47
Target Price : RM2.55 ↔

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	7.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BIMB MK Equity
Market Cap (RM m)	5,598.2
Shares Outstanding	2,266.5
52-week range (H)	2.57
52-week range (L)	2.20
3-mth avg. daily vol.	2,360,029
Free Float	34%
Beta	0.60

Major Shareholders

Lembaga Tabung Haji	48.9%
Employees Provident Fund	16.0%
Amanah Saham Nasional	7.6%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	1,938	1,973	2,091
Non-interest Income	836	853	896
Total Income	2,775	2,826	2,987
Operating Expenses	-1,894	-1,908	-2,001
Loan Impairment	-146	-117	-124
Pre-tax Profit	736	802	861
Net Profit	557	601	646
Core Net Profit	557	601	646
Consensus NP	-	575	625
Earnings Revision (%)	-	-1.4	NEW
Core EPS (RM)	0.25	0.27	0.29
EPS Growth (%)	-2.4	7.9	7.5
NDPS (RM)	14.5	16.0	17.0
BV/Share (RM)	3.56	3.49	3.58
NTA/Share (RM)	3.56	3.49	3.58
ROE (%)	7.1	7.5	8.1
PER (x)	10.0	9.3	8.7
P/BV (x)	0.69	0.71	0.69
Net Div. Yield (%)	5.9	6.5	6.9

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Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net Islamic income	496.1	497.4	-0.3%	518.3	-4.3%	2,029.0	2,003.6	1.3%
Investment of shareholders' funds	229.4	181.6	26.4%	179.7	27.7%	745.6	571.0	30.6%
Total income	725.5	679.0	6.8%	697.9	4.0%	2,774.7	2,574.6	7.8%
Operating expenses	-512.6	-469.3	9.2%	-484.3	5.9%	-1,894.2	-1,708.3	10.9%
Pre-impairment profit	212.9	209.7	1.5%	213.6	-0.4%	880.4	866.3	1.6%
(Allowances)/ write-backs	0.3	-30.0	-101.0%	20.9	-98.6%	-151.9	-94.6	60.6%
(Allowances)/ write-backs on other assets	-2.9	0.6	-600.9%	0.3	-934.8%	0.0	0.8	-105.6%
Operating profit	210.3	180.3	16.7%	234.9	-10.5%	728.4	772.4	-5.7%
Non-operating gains / (losses)	0.3	0.6	-47.0%	0.5	-44.4%	1.9	1.7	6.1%
Profit before tax	210.6	180.8	16.5%	235.4	-10.5%	730.3	774.2	-5.7%
Taxation	-41.3	-51.6	-19.9%	-62.1	-33.5%	-178.8	-202.0	-11.5%
Minority interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Net Profit	175.1	129.2	35.5%	172.6	1.4%	557.2	571.4	-2.5%
Core Net Profit	175.1	129.2	35.5%	172.6	1.4%	557.2	571.4	-2.5%
Gross financing	74,726	73,425	1.8%	70,232	6.4%	74,726	70,232	6.4%
Gross impaired loans	726	764	-4.9%	742	-2.2%	726	742	-2.2%
Customer deposits	64,136	64,080	0.1%	62,329	2.9%	64,136	62,329	2.9%
Current and savings account (CASA)	25,076	22,460	11.6%	21,888	14.6%	25,076	21,888	14.6%
Total assets	104,120	102,717	1.4%	96,803	7.6%	104,120	96,803	7.6%
Shareholders' equity	8,073	8,036	0.5%	7,656	5.4%	8,073	7,656	5.4%
Est. annualised NIM	2.01%	1.97%		2.30%		2.07%	2.34%	
Cost-to-income ratio	70.7%	69.1%		69.4%		68.3%	66.4%	
Annualised credit cost (bps)	-0.2	16.5		-12.1		21.0	13.7	
Effective tax rate	19.6%	28.5%		26.4%		24.5%	26.1%	
Annualised ROA	0.7%	0.5%		0.7%		0.6%	0.6%	
Annualised ROE	8.7%	6.5%		8.9%		7.1%	7.6%	
Gross impaired financing ratio	0.97%	1.04%		1.06%		0.97%	1.06%	
Financing loss coverage ratio (FLC)	100.4%	103.0%		99.3%		100.4%	99.3%	
FLC plus regulatory reserves	151.8%	146.0%		145.3%		151.8%	145.3%	
Financing-to-deposit ratio	89.5%	88.5%		87.7%		89.5%	87.7%	
CASA-to-deposit ratio	40.2%	35.8%		39.7%		40.2%	39.7%	
CET-1 capital (Group level)	13.6%	14.1%		13.8%		13.6%	13.8%	

Source: Company, Kenanga Research

Management Guidance

	FY26 Targets	FY25 Performance
Financing growth	8%-9%	6.4%
Gross impaired financing	<1.1%	0.97%
NIM	>2.1%	2.07%
Credit cost	28-30 bps	21 bps
ROE	>7.0%	7.1%

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) 1-Yr. Fwd.	Net Div Yld. 1-Yr. Fwd.
								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	2.67	2.50	-6.4%	6,765.3	N	12/2026	22.4	24.0	4.9%	7.1%	11.9	11.1	0.5	4.6%	9.0	3.4%
Alliance Bank Malaysia Bhd	MP	5.04	5.20	3.2%	8,720.3	N	03/2026	48.0	50.3	10.7%	4.6%	10.5	10.0	1.1	10.5%	19.5	3.9%
AMMB Holdings Bhd	OP	6.43	7.45	15.9%	21,266.0	N	03/2026	64.2	67.0	6.0%	4.5%	10.0	9.6	1.0	10.0%	34.0	5.3%
Bank Islam Malaysia Bhd	MP	2.47	2.55	3.2%	5,598.2	Y	12/2026	26.5	28.5	7.9%	7.5%	9.3	8.7	0.7	7.5%	16.0	6.5%
CIMB Group Holdings Bhd	OP	8.04	8.45	5.1%	86,805.1	N	12/2026	78.6	83.9	6.9%	6.8%	10.2	9.6	1.1	11.4%	50.0	6.2%
Hong Leong Bank Bhd	OP	23.28	25.95	11.5%	50,464.5	N	06/2026	227.1	236.0	-0.6%	3.9%	10.2	9.9	1.1	11.5%	105.0	4.5%
Malayan Banking Bhd	MP	11.96	12.30	2.8%	144,490.0	N	12/2026	89.0	90.4	2.1%	1.6%	13.4	13.2	1.4	11.0%	64.0	5.4%
MBSB Bhd	MP	0.715	0.730	2.1%	5,879.0	Y	12/2026	5.7	7.7	45.4%	36.4%	12.6	9.3	0.5	4.1%	4.5	6.3%
Public Bank Bhd	OP	4.93	5.75	16.6%	95,694.7	N	12/2026	38.6	40.0	3.7%	3.6%	12.8	12.3	1.5	12.2%	23.5	4.8%
RHB Bank Bhd	MP	8.40	8.40	0.0%	36,640.1	N	12/2026	75.5	79.9	-2.7%	5.8%	11.1	10.5	1.0	9.5%	47.0	5.6%
SECTOR AGGREGATE					462,323					3.5%	4.5%	11.8	11.3	1.2	10.3%		5.2%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.20	MP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	OP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	MP	
Public Bank Bhd	4.00	13.	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	MP	

Source: Kenanga Research

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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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