

28 May 2026

Bank Islam Malaysia

Finding a Sustainable Base

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BIMB's 1QFY26 net profit (-9% YoY) missed our expectations, mainly due to weaker non-fund based income and higher-than-expected operating expenses. We expect these pressures to persist in the near term, prompting us to cut our FY26F/FY27F earnings forecasts by 9%/7%. While the group may benefit from gradually recovering NIMs and a strategic shift towards more profitable financing segments rather than pursuing market share, we believe near-term earnings sustainability could remain challenged. Downgrade to MARKET PERFORM with a lower GGM-derived PBV TP of RM2.05 (from RM2.55).

QFY26 below expectations. BIMB's 1QFY26 net profit of RM115m made up 19% of our full-year forecast and 21% of consensus full-year estimate. The negative deviation was attributed to lower-than-expected non-fund-based income as well as higher-than-expected operating expenses.

YoY, 1QFY26 net profit declined by 9%. Net Islamic income grew (+1%) from a higher financing base (+6%) but was undermined by a 16 bps erosion of NIMs (to 2.06%) as funding cost remain highly elevated. Coupled with softer investment performances and lower bancatakaful results, total income decreased by -1%

Operating expenses rose by 8% from higher personnel cost in addition to establishment costs which were led by past infrastructure investments. This caused CIR to surge to 69.1% (+5.9 ppt). Meanwhile, credit cost improved to 29 bps (-16 bps) thanks to better recoveries reported during the period.

QoQ, 1QFY26 net profit dipped by 34%. In addition to the same abovementioned lower non-fund-based income, credit cost had normalised sequentially where 4QFY25 was in a net writeback position.

Highlights. Though BIMB had not revised its guidance, the group indicated a strategic pivot, particularly regarding its 7%–9% financing growth target (1QFY26: 6%). The group now appears more focused on profitability over market share and volume growth, which could result in the financing target being missed.

Meanwhile, the CIR target of 64%–65% may also prove challenging, as the group is currently redefining its operating model, citing an overextended support workforce within branch operations, which we believe should lead to redeployment or reskilling efforts.

Collectively, these factors may weigh on the group's targeted >7% ROE, which remains below target at present. On a more positive note, earnings could improve sequentially as NIMs gradually recover, while investment income is expected to normalise alongside stabilising market conditions.

Forecasts. We cut our FY26F/FY27F earnings by 9%/7%, accounting for potentially slower financing growth at 4% (from 7%), lower non-fund base income contributions as well as a higher CIR at 69% (from 67%).

Downgrade to MARKET PERFORM with a lower TP of RM2.05. In addition to our earnings revisions, we also lower our GGM ROE assumption to 7% (from 8%), resulting in a reduced PBV multiple of 0.57x (from 0.73x), based on an unchanged COE of 9.7% and TG of 3.5%. This better reflects the group's near-term earnings profile amid ongoing challenges in expanding its financing book. Lower earnings expectations, alongside an unchanged 60% payout ratio, reduce projected dividend yields to 6%-7%. While still commendable, we believe this may lack the same appeal as conventional peers with materially stronger asset quality profiles.

MARKET PERFORM

Price : **RM2.26**
Target Price : **RM2.05**

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	-1.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BIMB MK Equity
Market Cap (RM m)	5,122.2
Shares Outstanding	2,266.5
52-week range (H)	2.54
52-week range (L)	2.20
3-mth avg. daily vol.	1,062,203
Free Float	34%
Beta	0.62

Major Shareholders

Lembaga Tabung Haji	48.9%
Employees Provident Fund	16.2%
Amanah Saham Nasional	7.4%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	1,938	1,940	2,024
Non-interest Income	836	795	834
Total Income	2,775	2,735	2,859
Operating Expenses	-1,894	-1,915	-1,944
Loan Impairment	-146	-103	-124
Pre-tax Profit	736	718	791
Net Profit	557	545	601
Core Net Profit	557	545	601
Consensus NP	-	534	576
Earnings Revision (%)	-	-9.3	-6.9
Core EPS (RM)	0.25	0.24	0.27
EPS Growth (%)	-2.4	-2.1	10.3
NDPS (RM)	14.5	14.5	16.0
BV/Share (RM)	3.56	3.66	3.76
NTA/Share (RM)	3.56	3.66	3.76
ROE (%)	7.1	6.7	7.2
PER (x)	9.2	9.4	8.5
P/BV (x)	0.63	0.62	0.60
Net Div. Yield (%)	6.4	6.4	7.1

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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.

Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Net Islamic income	503.7	496.1	1.5%	497.7	1.2%	503.7	497.7	1.2%
Investment of shareholders' funds	162.4	229.4	-29.2%	175.9	-7.6%	162.4	175.9	-7.6%
Total income	666.1	725.5	-8.2%	673.5	-1.1%	666.1	673.5	-1.1%
Operating expenses	-460.2	-512.6	-10.2%	-425.9	8.1%	-460.2	-425.9	8.1%
Pre-impairment profit	205.9	212.9	-3.3%	247.7	-16.9%	205.9	247.7	-16.9%
(Allowances)/ write-backs	-54.2	0.3	N.M.	-79.8	-32.0%	-54.2	-79.8	-32.0%
(Allowances)/ write-backs on other assets	0.3	-2.9	-110.2%	-0.3	-185.7%	0.3	-0.3	-185.7%
Operating profit	152.0	210.3	-27.7%	167.6	-9.3%	152.0	167.6	-9.3%
Non-operating gains / (losses)	0.4	0.3	23.3%	0.5	-25.8%	0.4	0.5	-25.8%
Profit before tax	152.4	210.6	-27.7%	168.0	-9.3%	152.4	168.0	-9.3%
Taxation	-37.3	-41.3	-9.6%	-41.8	-10.7%	-37.3	-41.8	-10.7%
Minority interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Net Profit	115.0	175.1	-34.3%	126.3	-8.9%	115.0	126.3	-8.9%
Core Net Profit	115.0	175.1	-34.3%	126.3	-8.9%	115.0	126.3	-8.9%
Gross financing	76,079	74,726	1.8%	71,851	5.9%	76,079	71,851	5.9%
Gross impaired loans	773	726	6.5%	774	-0.1%	773	774	-0.1%
Customer deposits	64,136	64,136	0.0%	63,443	1.1%	64,136	63,443	1.1%
Current and savings account (CASA)	25,076	25,076	0.0%	20,396	22.9%	25,076	20,396	22.9%
Total assets	106,805	104,120	2.6%	98,296	8.7%	106,805	98,296	8.7%
Shareholders' equity	7,996	8,073	-1.0%	7,730	3.4%	7,996	7,730	3.4%
Annualised reported NIM	2.06%	2.01%		2.22%		2.06%	2.22%	
Cost-to-income ratio	69.1%	70.7%		63.2%		69.1%	63.2%	
Annualised credit cost (bps)	28.8	-0.2		44.9		28.8	44.9	
Effective tax rate	24.5%	19.6%		24.9%		24.5%	24.9%	
Annualised ROA	0.4%	0.7%		0.5%		0.4%	0.5%	
Annualised ROE	5.7%	8.7%		6.6%		5.7%	6.6%	
Gross impaired financing ratio	1.02%	0.97%		1.08%		1.02%	1.08%	
Financing loss coverage ratio (FLC)	100.2%	100.4%		101.6%		100.2%	101.6%	
FLC plus regulatory reserves	148.6%	151.8%		142.8%		148.6%	142.8%	
Financing-to-deposit ratio	91.1%	89.5%		90.0%		91.1%	90.0%	
CASA-to-deposit ratio	40.2%	40.2%		37.2%		40.2%	37.2%	
CET-1 capital (Group level)	13.6%	13.6%		13.0%		13.6%	13.0%	

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)	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	2.38	2.50	5.0%	6,030.5	N	12/2026	22.3	23.5	4.7%	5.1%	10.7	10.1	0.5	4.6%	9.0	3.8%
Alliance Bank Malaysia Bhd	OP	4.78	5.50	15.1%	8,270.5	N	03/2027	50.4	52.7	5.5%	4.5%	9.5	9.1	0.9	9.7%	20.0	4.2%
AMMB Holdings Bhd	OP	6.56	7.45	13.6%	21,692.2	N	03/2026	64.2	67.0	6.0%	4.5%	10.2	9.8	1.0	10.0%	34.0	5.2%
Bank Islam Malaysia Bhd	MP	2.26	2.05	-9.3%	5,122.2	Y	12/2026	24.1	26.5	-2.1%	10.3%	9.4	8.5	0.6	6.7%	14.5	6.4%
CIMB Group Holdings Bhd	OP	7.68	8.45	10.0%	82,969.4	N	12/2026	78.3	84.0	6.5%	7.3%	9.8	9.1	1.1	11.4%	50.0	6.5%
Hong Leong Bank Bhd	OP	21.90	25.80	17.8%	47,473.0	N	06/2026	220.3	234.5	-3.6%	6.4%	9.9	9.3	1.1	11.2%	105.0	4.8%
Malayan Banking Bhd	OP	10.94	12.30	12.4%	132,322.9	N	12/2026	89.0	90.4	2.1%	1.6%	12.3	12.1	1.3	11.0%	64.0	5.9%
MBSB Bhd	OP	0.675	0.730	8.1%	5,550.1	Y	12/2026	5.7	7.7	45.4%	36.4%	11.9	8.7	0.5	4.1%	4.5	6.7%
Public Bank Bhd	OP	4.80	5.95	24.0%	93,171.3	N	12/2026	38.7	40.1	4.0%	3.6%	12.4	12.0	1.5	12.3%	29.4	6.1%
RHB Bank Bhd	MP	8.29	8.40	1.3%	36,160.3	N	12/2026	75.5	79.9	-2.7%	5.8%	11.0	10.4	1.0	9.5%	47.0	5.7%
SECTOR AGGREGATE					438,762					2.8%	4.9%	11.3	10.7	1.2	10.3%		5.5%

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	5.50	OP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	7.5	9.7	0.57	2.05	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.80	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	OP	
Public Bank Bhd	4.00	13.5	9.4	1.78	5.95	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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