

03 June 2026

Banking

1QCY26 Report Card: Too Soon for Respite

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OVERWEIGHT



Post 1QCY26 earnings season, most results came within our expectations. That said, most banks struck a cautious tone, citing the difficulty in assessing the full impact of ongoing geopolitical tensions and elevated fuel prices on borrower health. Any meaningful signs of repayment stress may likely to only emerge in 2QCY26 or later. Beyond higher provisioning risks, we see potential earnings pressure from continued NIM compression and weaker forex-related income, as the relatively stronger MYR weighs on treasury and trading performance.

During the reporting season, we had downgraded BIMB and MBSB from OUTPERFORM to MARKET PERFORM, reflecting not only their earnings disappointments but also our concerns over potential guidance downgrades in the near term. Among the remaining names, we remain more cautious on MAYBANK and AFFIN, while maintaining a more constructive stance on PBBANK and AMBANK.

Maintain OVERWEIGHT for the sector with our Top Pick being: PBBANK (OP; TP: RM5.95) given its compelling combination of attractive dividend yields (>6%) and lowest GIL ratio among peers, making it particularly defensive amid the current uncertainty. We also favour CIMB (OP; TP: RM8.45) as while the group carry greater exposure to regional markets, this is more than offset by its sector-leading dividend yield potential of c.7%, with further upside possible depending on its capital deployment decisions. Lastly, we pick AMBANK (OP; TP: RM7.45) for its earnings resilience, which could pick up when inflationary concerns subside and investors pivot away from high-yielding names and reallocate funds back to growth.

Within the NBF1 space, we highlight TAKAFUL (OP; TP: RM4.40), supported by continued growth in its credit-related products and the renewal of its key bancatakaful partnerships.

1QCY26 started decently, but with cautious outlook for some. The 1QCY26 results season was largely in line with expectations, with 8 out of the 10 banks under our coverage meeting our forecasts. The key disappointments were: (i) **BIMB**, due to weaker-than-expected NOII and heavier operating cost inflation following its LEAP25 initiatives; and (ii) **MBSB**, which experienced sharper-than-expected NIM compression following the July 2025 OPR cut, alongside higher credit costs.

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

Looking ahead, **we expect banks to gain greater clarity on provisioning requirements in 2QCY26**, when the initial effects of elevated fuel prices and inflationary pressures are likely to become more visible in repayment trends. For now, the only banks which had topped up on pre-emptive provisions were **MAYBANK** and **ABMB** (both by 5 bps). **AMBANK** was the only bank which had written back on overlays by 12 bps as they believe they had overly provided in spite of potential headwinds ahead.

We opine that the banks that may potentially revise down their guidance in the upcoming Aug 2026 reporting season include: (i) **MAYBANK**, given its slower-than-expected loan growth trajectory; (ii) **HLBANK**, which may fall slightly short of its ROE target and reset expectations for FY27; (iii) **AFFIN**, particularly on GIL and credit cost assumptions; and (iv) **MBSB**, which has already revised its credit cost guidance higher but has yet to adjust its ROE targets. We also remain watchful on **BIMB**, which has yet to unveil a successor strategy beyond LEAP25.

Meanwhile, **ABMB** and **CIMB** fall into the more cautiously optimistic camp. **ABMB** is gradually shifting its focus from pure loan growth towards broader asset growth and fee-generating activities, while **CIMB**'s capital flexibility allows it to either accelerate growth or return additional capital to shareholders should expansion opportunities prove less compelling than expected.

Among the more conviction names, **AMBANK** continues to prioritise quality loan growth over volume and expects lower credit costs supported by potential overlay writebacks. **PBBANK** remains constructive on its outlook, citing its high concentration of collateralised loans and strong asset quality buffers as key defences against a broader economic slowdown. **RHBBANK** also believes that it should be able to defend against repayment pressures in the near-term, having what it believes is a sizeable overlay balance against inherent risks ahead.

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

NIM dynamics remain mixed and could face further downside. While several banks reported YoY NIM expansion, we expect margins to moderate as asset yields compress alongside easing funding costs, with the latter benefiting from the repricing and maturity of higher-cost fixed deposits following the July 2025 OPR cut. Conversely, banks already experiencing NIM compression may find it increasingly difficult to restore margins, as the benefit from lower funding costs could be offset by competitive pressure on asset yields. As a result, management teams may place greater emphasis on growing NOII to support earnings. However, the recent strengthening of the MYR has also weighed on forex-related income, limiting one of the key avenues for non-fund income growth.

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Leaders holding the pack. Based on the 1QCY26 domestic market share breakdown, the combined loan market shares of our 10 listed local banks came in at 83.2% (-49 bps YoY, +22 bps QoQ). **MAYBANK** saw a slight decline in its market share, though we opine this is attributed to them being increasingly selective with their approvals, particularly on their mortgage books. Both **CIMB** and **RHBBANK** similarly saw decline in their domestic share which could be from them releasing on less profitable commercial loans. The top gainers on a YoY basis are **HLBANK** and **AFFIN** as they continue to build on safer asset-backed loans like mortgages to sustain earnings.

(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 are adopting a more selective stance on the sector, with a preference for higher-yielding names as a source of defensiveness as opposed to other sectors with greater direct sensitivity towards higher fuel prices. Despite near-term earnings risks, we continue to believe the sector's longer-term earnings outlook remains resilient. Even if banks were to book larger-than-expected provisions this year, these could eventually be written back to support future earnings, similar to the trend observed following the COVID-19 pandemic. We also do not anticipate any further changes to the OPR for the remainder of the year.

Among our Top Picks, **(i) PBBANK** stands out as it now offers a dividend yield exceeding 6%, compared with its historical yield range of just 3%–4%. In addition to its recently announced RM3.5b capital return plan over three years (at c.5.9 sen per share annually), the completion of LPI's disposal of its 1.13% stake in PBBANK should alleviate concerns over potential share overhang. Further clarity on the bank's ROFS scheme would also be a positive catalyst for sentiment.

We also continue to favour **(ii) CIMB** which currently offers the highest dividend yield in the sector at c.7%, inclusive of its previously announced RM2.0b capital return plan (CY25-CY27). More recently, the disposal of CIMB Thai's loss-making automotive financing portfolio should unlock additional capital and support ROE expansion, helping offset regional headwinds. While the group's preference remains to reinvest excess capital into growth opportunities, they appear willing to consider further shareholder distributions should there be excess capital, providing additional upside to yield expectations.

Lastly, we believe **(iii) AMBANK** could return to investors' radar screens. Although banks with larger SME exposures are often perceived as more vulnerable during periods of economic uncertainty, AMBANK has consistently demonstrated discipline in balancing growth and asset quality. As a result, it is among the few banks expecting better credit costs this year alongside RHBBANK, although we remain slightly more cautious on the latter. AMBANK also remains committed to growing its absolute dividend payout annually, which should gradually lift its yield profile closer to 6%.

Appendix

Fig 1: Quarterly Results Performance

	1QCY26						4QCY25					
	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	2	6	2	1	8	1
Total (%)		80	20		90	10	20	60	20	10	80	10

Source: Kenanga Research, Bloomberg

Fig 2: Domestic Loan Market Share Breakdown as at 1QCY26

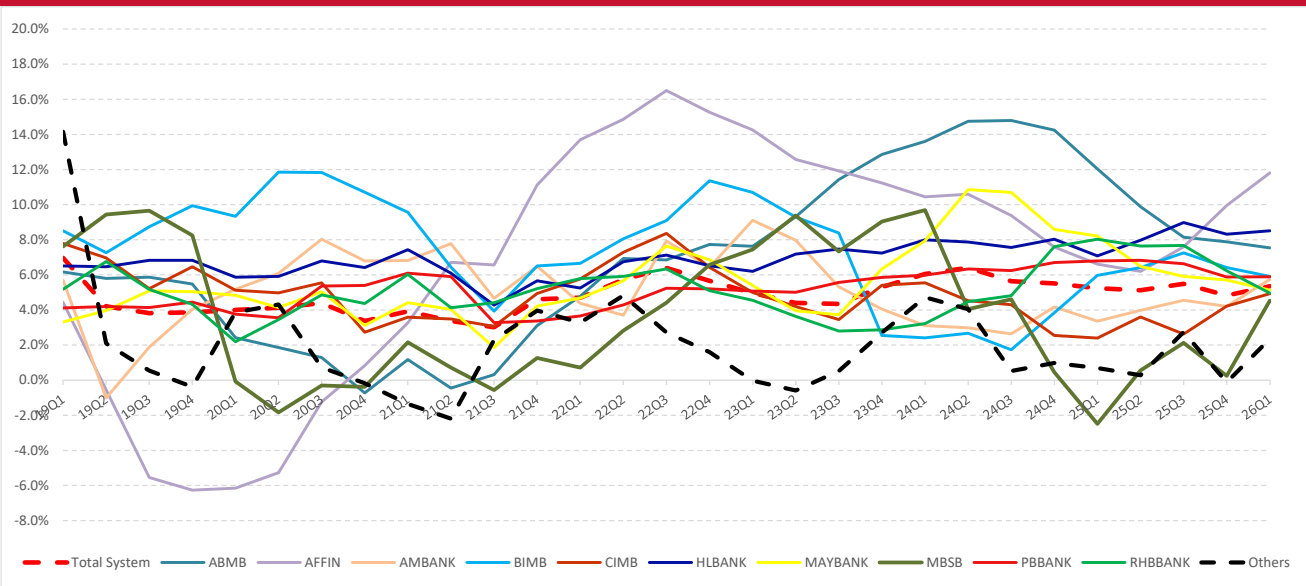
Name	Domestic Loans				Domestic Market Share			Total Group Loans (RM b)	Total Asset (RM b)	Total Equity (RM b)
	RM b	Proportion (%)	YoY Growth (%)	QoQ Growth (%)	(%)	YoY Chg (bps)	QoQ Chg (bps)			
MAYBANK	447.9	66	5.1	0.8	18.7	-4	-15	683.1	1,054.4	90.3
PBBANK	427.7	95	5.9	1.6	17.9	+9	-0	452.1	570.3	59.1
CIMB	288.5	63	4.9	1.1	12.0	-5	-6	455.1	781.0	70.3
RHBBANK	213.0	84	5.0	0.0	8.9	-3	-14	254.0	365.4	33.1
HLBANK	202.6	93	8.5	1.0	8.5	+25	-5	218.2	317.3	40.2
AMBANK	146.4	100	5.7	2.8	6.1	+2	+7	146.7	207.7	21.6
AFFIN	80.1	98	11.8	3.0	3.3	+19	+5	82.1	125.7	12.2
BIMB	76.1	100	5.9	1.8	3.2	+2	+1	76.1	106.8	8.0
ABMB	67.2	100	7.5	2.1	2.8	+6	+1	67.2	92.2	8.8
MBSB	43.8	95	4.5	3.4	1.8	-1	+3	45.8	68.0	9.7
Others	401.8	N.A.	2.4	3.0	16.8	-49	+22	N.A.	N.A.	N.A.
Total	2,395.1		4.8	1.4	100.0			2,480.3	3,688.8	353.4

Source: BNM, Companies, Kenanga Research

¹ Others include non-listed local and foreign financial institutions

² 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

Fig 6: Updated Corporate Guidance Post-1QCY26 Results

Bank	FYE	Loan growth	NIM	Cost-to-income ratio	Credit cost	Return on equity	Gross impaired loan
ABMB	Mar-27	7.5%-10% including unrated bonds (FY26: 9.0%)	2.28%-2.35% (FY26: 2.34%)	47.5%-48.5% (FY26: 47.9%)	27-32 bps (FY26: 34 bps)	10.0%-10.5% (FY26: 10.0%)	
AFFIN	Dec-26	10% (FY25: 10.4%)	1.55% (FY25: 1.45%)	67.0% (FY25: 69.7%)	13 bps (FY25: -13 bps)	5.0% (FY25: 4.5%)	1.80% (FY25: 1.64%)
AMBANK	Mar-27	In line with GDP (FY26: 5.6%)	Stable (FY26: 1.98%)		<21 bps (FY26: 22 bps)	>10% (FY26: 10%)	
BIMB	Dec-26	7%-9% (from 8%-9%) (FY25: 6.4%)	2.07%-2.10% (from >2.1%) (FY25: 2.07%)	64%-65% (FY25: 66.1%)	28-33 bps (from 28-30 bps) (FY25: 21 bps)	>7.0% (FY25: 7.1%)	<1.1% (FY25: 0.97%)
CIMB	Dec-26	Total Assets 5%-7% (FY25: 3.1%)	+/- 5 bps (FY25: 2.13%)	<47% (FY25: 47.3%)	25-35 bps (FY25: 31 bps)	11.0-11.5% (FY25: 11.3%)	
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%)
MAYBANK	Dec-26	4%-5% (FY25: 1.7%)	2.05%-2.10% (FY25: 2.05%)	<49% (FY25: 48.8%)	20 bps (FY25: 8 bps)	>11.8% (FY25: 11.3%)	
MBSB	Dec-26	7%-8% (FY25: 2.2%)	2.00% (FY25: 1.95%)	<53% (FY25: 57.9%)	40-50 bps (from 30-40 bps) (FY25: 41 bps)	5%-6% (FY25: 4.1%)	4%-5% (FY25: 5.2%)
PBBANK	Dec-26	4%-5% (FY25: 5.1%)	Mid single digit compression (FY25: 2.15%)		single digit (FY25: 2 bps)	12%-13.0% (FY25: 12.8%)	
RHBBANK	Dec-26	5%-6% (FY25: 5.4%)	1.83%-1.86% (FY25: 1.80%)		13-14 bps (FY25: 13 bps)	10.8%-11.0% (FY25: 10.1%)	1.35%-1.40% (FY25: 1.41%)

Source: Companies, 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	4.67	5.50	17.8%	8,080.1	N	03/2027	50.4	52.7	5.5%	4.5%	9.3	8.9	0.9	9.7%	20.0	4.3%
AMMB Holdings Bhd	OP	6.48	7.45	15.0%	21,427.6	N	03/2027	66.4	68.8	4.5%	3.6%	9.8	9.4	0.9	9.9%	38.0	5.9%
Bank Islam Malaysia Bhd	MP	2.20	2.05	-6.8%	4,986.2	Y	12/2026	24.1	26.5	-2.1%	10.3%	9.1	8.3	0.6	6.7%	14.5	6.6%
CIMB Group Holdings Bhd	OP	7.48	8.45	13.0%	80,810.7	N	12/2026	78.3	84.0	6.5%	7.3%	9.6	8.9	1.0	11.4%	50.0	6.7%
Hong Leong Bank Bhd	OP	20.88	25.80	23.6%	45,262.0	N	06/2026	220.3	234.5	-3.6%	6.4%	9.5	8.9	1.0	11.2%	105.0	5.0%
Malayan Banking Bhd	OP	10.64	12.30	15.6%	128,694.3	N	12/2026	87.3	89.7	0.1%	2.8%	12.2	11.9	1.3	10.8%	64.0	6.0%
MBSB Bhd	MP	0.660	0.600	-9.1%	5,426.7	Y	12/2026	3.7	5.8	-5.3%	57.5%	17.9	11.3	0.5	2.7%	3.0	4.5%
Public Bank Bhd	OP	4.71	5.95	26.3%	91,424.4	N	12/2026	38.7	40.1	4.0%	3.6%	12.2	11.7	1.5	12.3%	29.4	6.2%
RHB Bank Bhd	MP	8.21	8.40	2.3%	35,811.3	N	12/2026	77.9	82.1	0.3%	5.4%	10.5	10.0	1.0	9.8%	47.0	5.7%
SECTOR AGGREGATE					427,954					2.1%	5.2%	11.0	10.5	1.1	10.2%		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	5.5	8.7	0.44	0.60	MP	
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

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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