



AmInvestment Bank

Company Report

MBSB BERHAD

(MBSB MK EQUITY, MBSS.KL)

12 Sep 2025

Focus on quality financing may pressure asset yields

HOLD

(Maintained)

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Rationale for report: Company Update

Price	RM0.70
Fair Value	RM0.62
52-week High/Low	RM0.82/RM0.62

Key Changes

Fair value	⬇️
EPS	⬇️

YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	1,652.5	1,614.1	1,772.5	1,908.7
Core net profit (RM mil)	406.8	438.0	524.0	611.6
FD Core EPS (sen)	4.9	5.3	6.4	7.4
FD Core EPS growth (%)	125.3	7.7	19.6	16.7
Consensus Net Profit (RM mil)	-	528.0	584.0	721.0
DPS (sen)	4.5	4.7	5.1	5.6
BV/share (RM)	1.19	1.19	1.21	1.22
PE (x)	14.0	13.0	10.9	9.3
Div yield (%)	7.3	7.6	8.2	9.0
P/BV (x)	0.6	0.6	0.6	0.6
ROE (%)	4.1	4.5	5.3	6.1

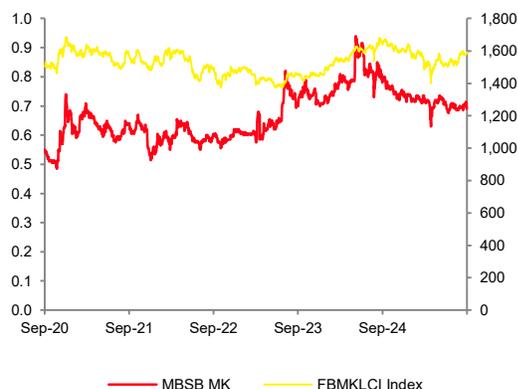
Stock and Financial Data

Shares Outstanding (million)	8,222.3
Market Cap (RMmil)	5,714.5
Book Value (RM/Share)	1.19
P/BV (x)	0.6
ROE (%)	4.1

Major Shareholders	Employees Provident Fund Board (56.5%) Yayasan Pelaburan (12.8%)
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Free Float	30.7
Avg Daily Value (RMmil)	2.2

Price performance	3mth	6mth	12mth
Absolute (%)	(1.4)	(3.5)	(10.9)
Relative (%)	(5.1)	(7.3)	(7.7)



Investment Highlights

Financing growth is set to pick up momentum in 2HFY25, driven by corporate drawdowns. While the focus on higher-quality financing may pressure asset yields in the near term, it strengthens portfolio resilience. Non-fund-based income is expected to improve, supported by better investment banking and transaction banking fees. Still, MBSB's FY26F ROE remains modest at 5.3%, lagging the industry's 10.1%. A dividend payout above 90% in FY25 helps manage surplus capital and support ROE. Elevated cost-to-income levels reflect continued investment in talent and technology, supporting the low FY26F P/BV of 0.5x. We reiterate our HOLD recommendation.

- Recommendation and valuation.** We reiterate our HOLD recommendation, with a revised target price of RM0.62 (down from RM0.65 per share), based on a CY26 price-to-book ratio of 0.5x, underpinned by a return on equity of 5.3% (previously 5.6%) and a neutral 3-star ESG rating, which remains unchanged. Net profit forecasts for FY25F–27F have been cut by 9.4%–8.2%, mainly due to lower NPM, net fund-based income estimates, and revised OPEX assumptions.
- Financing activity is expected to pick up in 2H FY25 after a slow start, though margins may soften as the year progresses.** Financing growth declined 1.7% YoY in 1HFY25, mainly due to weak momentum in personal, auto, and corporate segments. However, 2HFY25 is expected to improve, supported by corporate disbursements. Key recent Islamic financing deals include RM1.3b for Cypark's renewable energy, RM1.2b for DayOne's data centre, and RM180m for MAG's halal aquaculture expansion. MBSB is gradually moving away from financing the real estate and construction sectors. Following the 25bps OPR reduction in July, focus on higher quality financing and anticipated deposit competition towards year-end, the net profit margin could decline by up to 10bps, settling at 2% for the full FY25 compared to 2.1% in the first half.
- Improving trend of cost of funds with a higher CASA ratio.** Driven by expanded product/services offerings and digital convenience, the group raised its CASA ratio from 4.2% in FY21 to 10% in 6MFY25, thus lowering funding costs to 3.5–3.6% from over 4%. The aim is to reach a CASA ratio of 15% by the end of the year and ultimately reduce the funding cost to 3%. Non-fund-based income hit RM111m in 1HFY25 and is on track to surpass RM200m for FY25, driven by stronger IB and core banking fees.
- GFIR may dip slightly in 2HFY25 due to a larger financing base, while the high dividend payout seen in 1HFY25 is likely to continue.** GFIR may decline by up to 20bps in 2HFY25 from 5.6% (with Ihsan-i) / 4.4% (without Ihsan-i), due to increased corporate financing. Despite this, it remains well above the industry's 1.4%. With a strong CET-1 ratio of 19.8% vs. 14.9% industry average, the group is likely to maintain its high dividend payout of over 90% in 2HFY25 like 1HFY25 to avoid excess capital that could weigh on ROE.

Company profile

MBSB serves as the financial holding company for MBSB Bank, a fully domestic institution providing Islamic banking services to retail, commercial, and corporate clients. Additionally, it owns Malaysian Industrial Development Finance Berhad (MIDF), a financial services entity engaged in development finance, investment banking, and asset management. The group is currently in the process of divesting its asset management operations and we understand that it intends to cease its online stockbroking business.

Investment thesis and catalysts

We maintain a HOLD rating on the stock, with a lower TP of RM0.62/share pegged to FY26F P/BV of 0.5x, reflecting a projected ROE of 5.3%—below the industry average of 10.1%. This assessment considers the group's GIL ratio, which remain above the industry average due to its legacy financing portfolio as well as CI ratio which is higher than the industry average's 43.5%.

Valuation methodology

The stock's valuation is based on CY26, applying a Gordon growth-derived P/BV of 0.5x. This assessment is underpinned by a cost of equity (COE) of 9.4%, a beta of 0.9, a market risk premium of 6.5%, a risk-free rate of 3.5%, and a long-term growth rate of 2%.

Risk factors

Potential risks to our projections include:

- i) A slowdown in global economic growth, which may hinder financing expansion.
- ii) An unexpected rise in funding costs, as slower-than-expected CASA growth could intensify deposit competition.
- iii) Prolonged high interest rates in developed markets, leading to lower valuations of bond and securities portfolios, which may affect banks' non-interest income (NOII).

EXHIBIT 1: VALUATIONS

COE	9.4%
Beta	0.9
Market risk premium	6.5% (from 6.3%)
Risk free rate	3.5% (from 3.7%)
Long term growth rate	3%
P/BV	0.50x (from 0.52x)
CY26 BVPS	RM1.21 (from RM1.24)
TP	RM0.62 (from RM0.65)
ESG Premium	RM0
Adjusted TP	RM0.62 (from RM0.65)

EXHIBIT 2: CHANGE IN ESTIMATE

RMm	FY25F			FY26F			FY27F		
	Old	New	%	Old	New	%	Old	New	%
Income from Islamic									
Banking operations	1,455	1,196	-17.8%	1,507	1,209	-19.8%	1,627	1,310	-19.5%
OPEX	1,011	855	-15.4%	1,075	886	-17.6%	1,064	916	-13.9%
Provisions	191	182	-4.8%	197	197	0.0%	188	188	0.0%
Earnings	483	438	-9.4%	546	524	-4.1%	666	612	-8.2%

EXHIBIT 3: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Exposure to sustainable financing out of total loans	% of loan book	30%	*	*	*		RM4.75bil representing 47.8% of 2026 target of RM10bil
2	% of financing to high risk ESG sectors out of total loans	% of loan book	30%	*	*	*		
3	Scope 1 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*		0.01 in 2024 marginally higher from 0.03 in 2023
4	Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*			7.1 in 2024 vs. 4.3 in 2023
5	Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*			Increased to 8.2 in 2024 vs. 3.2 in 2023
6	Electricity consumption to total income	Electricity consumption to total income	5%	*	*	*		
7	Water consumption to total income	m3/RM'Mil	5%	*	*	*		
	Weighted score for environmental assessment		100%	*	*	*		
	Social assessment							
1	Corporate Social Responsibility investments or spend	% of total income	35%	*	*	*	*	Contributed RM6.7mil for community development programs in 2024, higher than RM4.2mil in 2023
2	Investments in training	% of total income	20%	*	*	*		
3	Workforce diversity - women in senior management and above (excluding Board Directors)	% of total workforce	10%	*	*	*		36% in 2024 and 30% in 2023
4	Average training hours per employee	hours	25%	*	*	*		Decreased 7.5% YoY for senior management and 7.7% YoY for executives in 2024
5	Training on anti-corruption	No of participants educated through anti-corruption trainings	10%	*	*	*	*	100% employees received trainings in FY24
	Weighted score for social assessment		100%	*	*	*	*	
	Governance assessment							
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*			28.5% in 2024 similar to 2023
2	Board women representation	% of total board directors	10%	*	*			28.5% below 30.0%
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	20%	*	*	*		42.9% in 2024
4	Independent board directors	% of total board directors	20%	*	*	*	*	57.1%
5	Remuneration to directors	% of total operating expenses	10%	*	*	*		
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*		zero in 2024 and 2023
	Weighted score for governance assessment		100%	*	*	*		
	Environmental score		40%	*	*	*		
	Social score		25%	*	*	*	*	
	Governance score		35%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source:AmlInvestment Bank

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	14.5	57.4	111.3	217.5	212.6
Non-interest income	397.4	164.1	312.4	353.2	394.5
Islamic banking income	983.6	1,436.0	1,196.4	1,208.7	1,309.6
Total income	1,391.5	1,652.5	1,614.1	1,772.5	1,908.7
Overhead expenses	(711.7)	(907.3)	(855.5)	(886.3)	(916.2)
Pre-provision profit	679.8	745.1	758.6	886.3	992.5
Loan loss provisions	(120.1)	(158.8)	(182.2)	(196.8)	(187.7)
Impairment & others	-	-	-	-	-
Associates	-	-	-	-	-
Pretax profit	559.7	586.3	576.4	689.4	804.8
Tax	(67.9)	(179.6)	(138.3)	(165.5)	(193.1)
Minority interests	-	-	-	-	-
Core net profit	180.3	406.8	438.0	524.0	611.6
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with FIs	5,607.3	1,263.0	4,721.8	3,901.3	3,080.9
Marketable securities	13,670.5	14,412.0	15,894.5	17,163.5	18,818.4
Total current assets	19,277.8	15,675.1	20,616.3	21,064.9	21,899.4
Net loans & advances	40,491.5	42,136.1	44,532.8	47,980.9	52,221.8
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	4,608.5	4,152.5	3,925.7	4,239.8	4,663.8
Fixed assets	324.8	316.6	314.3	309.1	305.4
Intangible assets	309.2	312.9	313.0	313.0	313.0
Other long-term assets	1,651.5	1,670.9	1,887.1	2,330.0	3,032.7
Total LT assets	47,385.5	48,588.9	50,972.9	55,172.9	60,536.7
Total assets	66,663.3	64,264.0	71,589.2	76,237.8	82,436.1
Customer deposits	38,800.1	39,778.9	42,165.6	45,538.8	50,092.7
Deposits of other FIs	8,823.6	9,056.3	9,944.1	10,556.7	11,397.7
Subordinated debts	-	-	-	-	-
Hybrid capital securities	2,005.2	1,129.4	1,130.0	1,130.0	1,130.0
Other liabilities	7,196.2	4,521.4	8,528.9	9,096.2	9,755.7
Total liabilities	56,825.0	54,485.9	61,768.6	66,321.8	72,376.1
Shareholders' funds	9,838.0	9,778.1	9,820.7	9,916.0	10,060.0
Minority interests	0.2	-	-	-	-
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Total income growth (%)	(8.5)	18.8	(2.3)	9.8	7.7
Pre-provision profit growth (%)	(21.8)	9.6	1.8	16.8	12.0
Core net profit growth (%)	(5.5)	(17.3)	7.7	19.6	16.7
Net interest margin (%)	1.7	2.4	2.0	2.0	2.0
Cost-to-income ratio (%)	51.1	54.9	53.0	50.0	48.0
Effective tax rate (%)	12.1	30.6	24.0	24.0	24.0
Dividend payout (%)	58.4	91.9	88.0	80.0	75.0
Key Assumptions (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Loan growth (%)	9.0	2.2	6.0	8.0	9.0
Deposit growth (%)	34.0	2.5	6.0	8.0	10.0
Loan-deposit ratio (%)	119.0	108.2	108.1	108.1	51.5
Gross NPL (%)	7.3	5.3	5.0	4.5	4.5
Net NPL (%)	4.8	4.3	3.9	3.4	3.4
Credit charge-off rate (%)	0.3	0.4	0.4	0.4	0.8
Loan loss reserve (%)	50.8	37.0	45.2	55.3	58.6

Source: Company, AmlInvestment Bank Bhd estimates

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