

MALAYAN BANKING

(MAY MK EQUITY, MBBM.KL)

HOLD

(MAINTAINED)

Price: RM10.50

Target Price (% return): RM11.20 (13%)

52-week High/Low: RM12.42/RM9.39

Financial Services

Rationale for report: Company Result

Purring start

Retain HOLD on Maybank with lower TP of RM11.20. 1Q26 results missed expectations (-4% YoY, -7% QoQ) prompting a 5% reduction to FY26-28 profit estimates. Cocktail of negatives: softer NOII, higher provisions, GIL ratio ticked up, and management's signal of constrained dividend upside adds another layer of disappointment. Hence, there is not much to get excited about the near-term. Saving grace: a respectable c.6% organic dividend yield provides a floor and keeps the stock from de-rating sharply.

- HOLD call with lower TP of RM11.20 (from RM12.00)**, based on 1.35x FY27 P/B. This is valued at +1SD to its 5-year pre-Covid mean and above industry's 0.93x, given regional exposure and leadership position. In addition, its c.6% dividend yield acts as a valuation anchor, limiting downside even as near-term catalysts remain scarce.
- Missed expectations.** Maybank registered 1Q26 profit of RM2.5bn (-4% YoY, -7% QoQ). This fell short of estimates, making up just 22% of ours and consensus full year forecasts; key variance came from softer NOII and higher-than-expected loan loss allowances. As such, we cut FY26-28 profit by 5%.
- Hands are tied.** Management is now guiding the final Basel III reforms to have a neutral to slight negative capital impact and DPR at c.70%, with limited upside optionality (no substantial uplift). This reaffirms our longstanding view that capital management scope would be constrained by: (i) RM10bn tech investment commitment under ROAR30, (ii) capital needs to support SME growth and defend asset yields, (iii) already elevated DPR at 72% vs sector's 62%, (iv) stretched gearing at 11.2x vs sector's 10x, and (v) low credit RWA density of 34% vs IRB peers at c.40%.
- Stacking dry powder.** AQ moderates, seeing GIL ratio rose 6bp QoQ, driven by a handful of corporate accounts, along with pockets of softness in retail and SME portfolios across Malaysia and Indonesia. Hence, Maybank topped up overlays by c.RM100m to RM2.4bn, a prudent move to cushion against geopolitical headwinds. Even so, LLC still decreased c.2ppt QoQ to 97% but remains well ahead some peers that print c.70-80%. On a more reassuring note, Maybank's stress tests suggest only c.3% of the loans book is vulnerable to the Middle East conflict, and R&R take-up is low for now.

Analyst (s)

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Key Changes

Target Price: ↑
EPS: ↑

Stock and Financial Data

Shares Outstanding (million)	12,095.3
Market Cap (RMmil)	127,001.0
Book Value (RM/Share)	7.74
P/BV (x)	1.4
ROE (%)	11.2
Free Float	52.5
Avg Daily Value (RMmil)	200.4

Major Shareholders

Amanah Saham	(33.7%)
EPF	(12.6%)
Yayasan Pelaburan	(6.4%)

Price performance	3mth	6mth	12mth
Absolute(%)	(12.2)	6.0	6.7
Relative(%)	(10.6)	0.9	(3.5)

Source: Malayan Banking, AmInvestment Bank Bhd.

YE to Dec	FY25	FY26F	FY27F	FY28F
Total income (RM mil)	30,379.5	30,833.8	31,756.1	32,837.4
Core net profit (RM mil)	10,513.9	10,346.9	10,632.5	11,065.8
FD Core EPS (sen)	87.1	85.7	88.1	91.7
FD Core EPS growth (%)	4.2	(1.6)	2.8	4.1
Consensus Net Profit (RM mil)	-	11,022.0	11,522.0	12,110.0
DPS (sen)	63.0	62.6	64.3	66.9
BV/share (RM)	7.74	8.06	8.31	8.57
PE (x)	12.1	12.2	11.9	11.4
Div yield (%)	6.0	6.0	6.1	6.4
P/BV (x)	1.4	1.3	1.3	1.2
ROE (%)	11.2	10.9	10.8	10.9

Source: Malayan Banking, AmInvestment Bank Bhd.

Price Chart

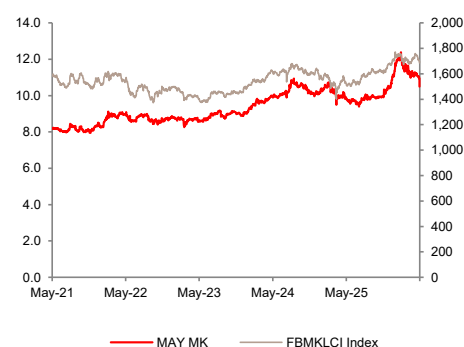


EXHIBIT 1. 1Q26 Results Summary

FYE Dec (RMmil)	1Q26	1Q25	YoY (%)	4Q25	QoQ (%)
Net interest income	3,269.1	3,222.2	1.5	3,494.3	-6.4
Islamic banking	2,185.2	2,064.4	5.9	2,285.7	-4.4
Non-interest income	1,645.3	2,425.6	-32.2	1,739.2	-5.4
Total income	7,099.5	7,712.2	-7.9	7,519.2	-5.6
Operating expenses	-3,545.5	-3,742.9	-5.3	-3,658.3	-3.1
Pre-provision profit	3,554.0	3,969.2	-10.5	3,860.8	-7.9
Loan loss provisions	-484.7	-384.2	26.2	-9.0	n.m.
Operating profit	3,069.3	3,585.1	-14.4	3,851.8	-20.3
Others	221.2	9.1	n.m.	-130.0	n.m.
Pre-tax profit	3,290.5	3,594.2	-8.4	3,721.8	-11.6
Tax & minority interest	-809.8	-1,005.3	-19.4	-1,046.2	-22.6
Net Profit	2,480.7	2,588.9	-4.2	2,675.7	-7.3
EPS (sen)	20.5	21.4	-4.3	22.1	-7.3
DPS (sen)	0.0	0.0	n.m.	33.0	n.m.
BVPS (RM)	7.48	7.66	-2.3	7.74	-3.3

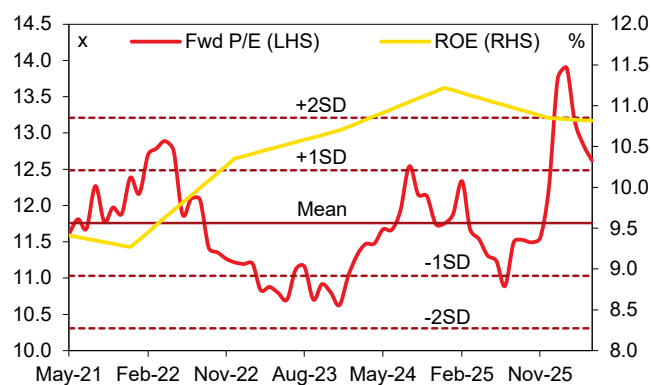
Source: Maybank, AmInvestment Bank Bhd.

EXHIBIT 2. Financial ratios

FYE Dec (%)	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Net interest margin	2.06	2.03	2.06	2.04	2.00	2.02	2.09	2.14
Cost / income ratio	48.9	48.7	49.7	48.5	49.3	48.9	48.7	49.9
Return on equity	10.8	10.9	10.8	11.1	11.3	11.2	11.5	10.7
Loans growth, yoy	10.4	7.6	5.3	3.2	1.3	2.7	1.7	0.9
Deposits growth, yoy	7.9	6.7	6.5	5.1	6.1	4.7	-1.5	-3.4
Loan / deposit ratio	94.7	94.0	91.0	91.1	90.4	92.2	93.9	95.1
Gross impaired loans ratio	1.29	1.26	1.23	1.27	1.30	1.32	1.28	1.34
Loan loss coverage	123.7	121.4	122.4	117.3	112.9	102.6	98.3	96.8
Net credit cost (bp)	23.6	22.9	26.7	22.9	25.1	-15.0	0.5	28.4
CET1 ratio	15.5	14.7	15.8	14.9	15.5	14.9	16.0	15.0

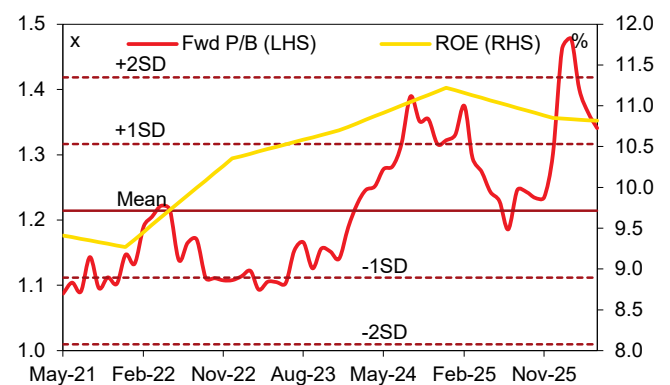
Source: Maybank, AmInvestment Bank Bhd.

EXHIBIT 3. 5-YR FORWARD P/E BAND



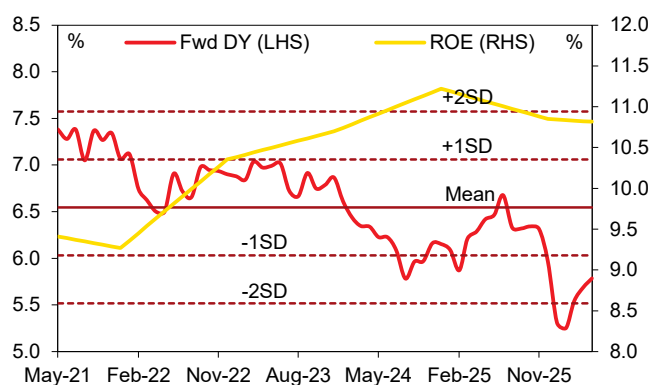
Source: AmInvestment Bank, Bloomberg

EXHIBIT 4. 5-YR FORWARD P/B BAND



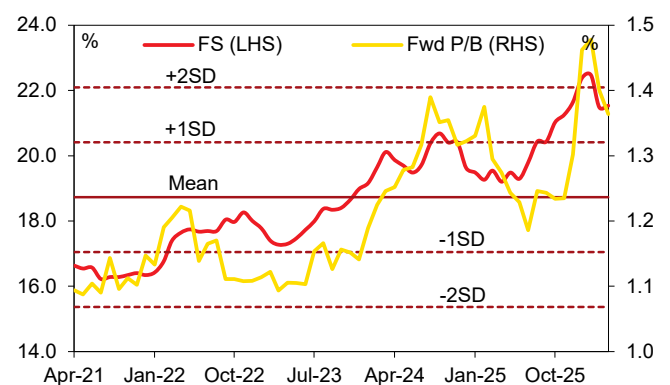
Source: AmInvestment Bank, Bloomberg

EXHIBIT 5. 5-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 6. MAYBANK'S FOREIGN SHAREHOLDING



Source: AmInvestment Bank, Maybank

Company profile

Maybank is the largest banking group in Malaysia, offering a wide range of products and services, incl. retail, business, investment, Islamic banking, insurance and takaful, coupled with asset management.

Key home markets for Maybank are Malaysia, Singapore, and Indonesia, contributing 74%, 18%, and 4% to group PBT in 2025. The bank operates across 18 countries, leveraging a network of over 2,600 branches and offices worldwide.

Investment thesis and catalysts

Management is now guiding the final Basel III reforms to have a neutral to slight negative impact to capital and DPR at c.70%, with limited upside optionality (no substantial uplift). This reaffirms our longstanding view that capital management scope will be constrained by: (i) RM10bn tech investment commitment under ROAR30, (ii) capital needs to support SME growth and defend asset yields, (iii) already elevated DPR at 72% vs sector's 62%, (iv) stretched gearing at 11.2x vs sector's 10x, along with (v) low credit RWA density of 34% vs IRB peers at c.40%.

However, the saving grace comes from its respectable organic dividend yield of c.6% that provides a floor and keeps the stock from de-rating sharply.

Valuation methodology

We value Maybank using the Gordon Growth Model (GGM), as it incorporates both P/B and ROE into a single formula; notably, ROE plays an important role to the valuation of banking stocks as it has a strong correlation to P/B (87%).

We derived a TP of RM11.20 for Maybank, based on 1.35x FY27 P/B with assumptions of 10.8% ROE, 8.8% COE, and 3.0% LTG. This is valued at +1SD to its 5-year pre-Covid average and above industry's 0.93x, given regional exposure and leadership position. In addition, its c.6% dividend yield acts as a valuation anchor and limits downside even as short-term catalysts remain scarce.

Risk factors

Key downside risks include:

- Sharp slowdown in global economic growth, giving rise to a spike in NPL formation; this could weigh on NCC and earnings.
- Intense rivalry for both loans and deposits may exert downward pressure on NIM. Also, a drastic SORA rate decline in Singapore can compound the slippage.
- Stronger RM relative to key operating currencies (notably SGD and IDR) could lead to unfavourable forex translation effects on consolidated earnings and capital.

EXHIBIT 7. VALUATIONS

Return on equity (ROE)	10.8% (from 11.3%)
Cost of equity (COE)	8.8%
Long-term growth rate (LTG)	3.0%
Target P/B	1.35x (from 1.44x)
FY27 BVPS	RM8.31 (from RM8.35)
ESG premium	-
12-month target price	RM11.20 (from RM12.00)

Source: AmInvestment Bank

EXHIBIT 8. CHANGE IN FORECASTS

(RM'm)	FY26			FY27			FY28		
	New	Old	%	New	Old	%	New	Old	%
NOII	8,296.6	9,096.6	-8.8	8,484.2	9,284.2	-8.6	8,674.1	9,474.1	-8.4
Loan loss provisions	-1,871.2	-1,727.0	8.3	-2,000.5	-1,917.6	4.3	-2,078.9	-1,988.1	4.6
Core profit	10,346.9	10,926.9	-5.3	10,632.5	11,176.8	-4.9	11,065.8	11,621.2	-4.8

Source: AmInvestment Bank

Financial Summary

Income Statement (RMmil)

YE to Dec	FY23	FY25	FY26F	FY27F	FY28F
Net interest income	12,791.5	13,157.0	13,260.6	13,573.2	13,991.9
Non-interest income	6,992.4	8,569.2	8,296.6	8,484.2	8,674.1
Islamic banking income	7,577.2	8,653.3	9,276.6	9,698.7	10,171.4
Total income	27,361.1	30,379.5	30,833.8	31,756.1	32,837.4
Overhead expenses	(13,388.8)	(14,839.2)	(15,430.4)	(15,837.3)	(16,254.7)
Pre-provision profit	13,972.3	15,540.3	15,403.4	15,918.8	16,582.7
Loan loss provisions	(1,826.2)	(562.1)	(1,871.2)	(2,000.5)	(2,078.9)
Impairment & others	145.1	(918.6)	200.0	200.0	200.0
Associates	240.3	274.3	250.0	250.0	250.0
Pretax profit	12,531.6	14,333.8	13,982.3	14,368.2	14,953.8
Tax	(2,916.7)	(3,502.4)	(3,355.7)	(3,448.4)	(3,588.9)
Minority interests	(265.1)	(317.4)	(279.6)	(287.4)	(299.1)
Net profit	9,349.8	10,513.9	10,346.9	10,632.5	11,065.8
Core net profit	9,349.8	10,513.9	10,346.9	10,632.5	11,065.8

Balance Sheet (RMmil)

YE to Dec	FY23	FY25	FY26F	FY27F	FY28F
Cash & deposits with FIs	28,904.0	28,328.1	10,970.5	2,610.6	(6,246.3)
Marketable securities	249,734.4	228,378.3	248,242.5	258,630.5	269,537.9
Total current assets	278,638.4	256,706.5	259,213.0	261,241.1	263,291.6
Net loans & advances	630,422.0	677,888.6	711,360.7	746,625.9	783,798.3
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	84,384.4	80,786.4	84,825.8	89,067.1	93,520.4
Fixed assets	2,309.2	2,458.3	2,376.3	2,392.3	2,387.9
Intangible assets	7,361.9	6,532.6	7,239.1	7,348.7	7,449.6
Other long-term assets	24,558.6	29,211.2	29,211.2	29,211.2	29,211.2
Total LT assets	749,036.2	796,877.1	835,013.0	874,645.2	916,367.4
Total assets	1,027,674.6	1,053,583.6	1,094,226.0	1,135,886.4	1,179,659.0
Customer deposits	696,834.7	730,993.2	767,542.9	805,920.0	846,216.0
Deposits of other FIs	82,749.6	68,486.8	68,486.8	68,486.8	68,486.8
Subordinated debts	77,862.4	78,356.7	78,356.7	78,356.7	78,356.7
Hybrid capital securities	-	-	-	-	-
Other liabilities	72,579.7	78,905.1	78,905.1	78,905.1	78,905.1
Total liabilities	930,026.5	956,741.8	993,291.4	1,031,668.6	1,071,964.6
Shareholders' funds	94,641.6	93,444.6	97,257.7	100,253.6	103,431.2
Minority interests	3,006.5	3,397.2	3,676.9	3,964.2	4,263.3

Key Ratios

YE to Dec	FY23	FY25	FY26F	FY27F	FY28F
Total income growth (%)	3.3	2.7	1.5	3.0	3.4
Pre-provision profit growth (%)	(3.8)	2.8	(0.9)	3.3	4.2
Core net profit growth (%)	17.5	4.2	(1.6)	2.8	4.1
Net interest margin (%)	2.0	2.1	2.1	2.1	2.1
Cost-to-income ratio (%)	48.9	48.8	50.0	49.9	49.5
Effective tax rate (%)	23.3	24.4	24.0	24.0	24.0
Dividend payout (%)	77.4	72.3	73.0	73.0	73.0

Key Assumptions

YE to Dec	FY23	FY25	FY26F	FY27F	FY28F
Loan growth (%)	9.1	1.7	5.0	5.0	5.0
Deposit growth (%)	9.0	(1.5)	5.0	5.0	5.0
Loan-deposit ratio (%)	92.0	93.9	93.9	93.9	93.9
Gross NPL (%)	1.3	1.3	1.3	1.4	1.4
Net NPL (%)	0.6	0.8	0.8	0.8	0.8
Credit charge-off rate (%)	0.3	0.1	0.3	0.3	0.3
Loan loss reserve (%)	120.1	98.3	98.5	99.7	100.2

Source: Company, AmInvestment Bank Bhd.

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