

MALAYAN BANKING

(MAY MK EQUITY, MBBM.KL)

HOLD

(MAINTAINED)

Price: RM11.06

Target Price (% return): RM10.80 (+4%)

52-week High/Low: RM11.20/RM9.32

Financial Services

Rationale for report: Company Update

Loud decibels for now

Maintain HOLD on Maybank with a GGM-TP of RM10.80. We see ROAR30 as ambitious, particularly the 13-14% ROE target, which will hinge on external macro support. The announced RM10bn tech spend came as a surprise and could limit dividend upside. That said, current organic 6% yield remains attractive. For a similar large-cap banking exposure, we prefer CIMB for better risk-reward profile.

- **HOLD at GGM-TP of RM10.80.** This is based on 1.30x FY26 P/B, broadly within its 5-year pre-Covid mean but above sector's 0.96x. Overall, Maybank's dividend upside is largely constrained given its elevated DPR and gearing. For large-cap exposure, we prefer CIMB as it offers a cheaper and more compelling risk-reward alternative.
- **Unveiling ROAR30.** The next 5-year plan closely mirrors M25+, anchored on customer centricity, digitalization, regionalization, and Islamic banking leadership. Management set 3 key 2030 targets: (i) ROE of 13-14% (9M25: 11.5%), (ii) CIR of 47% (9M25: 49%), and (iii) NCC of 20bp (9M25: 11bp). However, capital optimisation plans were notably absent, with more details expected in the upcoming results briefing, while the RM10bn tech investment guidance surprised us, following an underspend of RM1-2bn for M25+.
- **High execution bar.** Maybank's 2030 ROE aspiration appears stretched and would be heavily reliant on a supportive macro backdrop rather than internally driven levers. To achieve 13-14% ROE, it is required to expand total income at a 5-year CAGR of 5% (1ppt faster vs 2020-25), while opex growth needs to slow to 3% (vs 6% previously; mid-single-digit guidance), implying a 5ppt CIR improvement to 44%. Hence, this sets a demanding execution bar. Notably, the M25+ ROE target of 11-12% was only attainable, thanks to lower NCC (down >20bp over 3 years), a tailwind which we view as difficult to sustain.
- **Capital return ceiling.** We continue to see limited scope for capital management at Maybank: (i) dividends could be constrained by the RM10bn tech investment (RM2bn p.a; or 25-30% of current payout), (ii) capital needs for growth, particularly in the SME segment to defend asset yields, (iii) already elevated DPR at 73% (vs sector: 62%), (iv) high gearing of 11.5x (vs sector: 10x), and (v) low credit RWA density (35%) vs other IRB banks (40%). That said, the 6% organic dividend yield remains attractive.

Analyst (s)

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Key Changes

Target Price:	↔
EPS:	↔

Stock and Financial Data

Shares Outstanding (million)	12,081.1
Market Cap (RMmil)	133,617.0
Book Value (RM/Share)	7.79
P/BV (x)	1.4
ROE (%)	10.7
Free Float	51.0
Avg Daily Value (RMmil)	128.0

Major Shareholders

Amanah Saham	(33.9%)
EPF	(11.4%)
Yayasan Pelaburan	(6.4%)

Price performance	3mth	6mth	12mth
Absolute(%)	11.8	16.2	7.6
Relative(%)	5.8	4.3	(0.4)

Source: Malayan Banking, AmInvestment Bank Bhd.

YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	29,572.5	30,571.9	31,747.9	32,664.5
Core net profit (RM mil)	10,088.7	10,440.5	10,934.7	11,177.7
FD Core EPS (sen)	83.6	86.5	90.6	92.6
FD Core EPS growth (%)	7.8	3.5	4.7	2.2
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	61.0	63.2	66.2	67.6
BV/share (RM)	7.79	8.08	8.34	8.60
PE (x)	13.2	12.8	12.2	11.9
Div yield (%)	5.5	5.7	6.0	6.1
P/BV (x)	1.4	1.4	1.3	1.3
ROE (%)	10.7	10.9	11.0	10.9

Source: Malayan Banking, AmInvestment Bank Bhd.

Price Chart

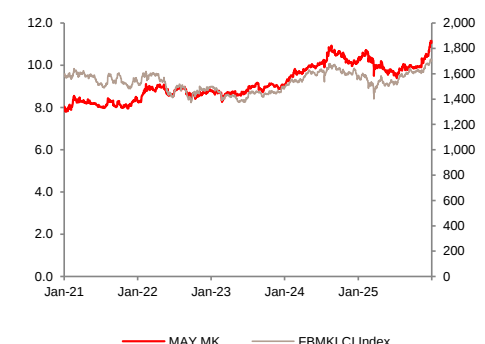
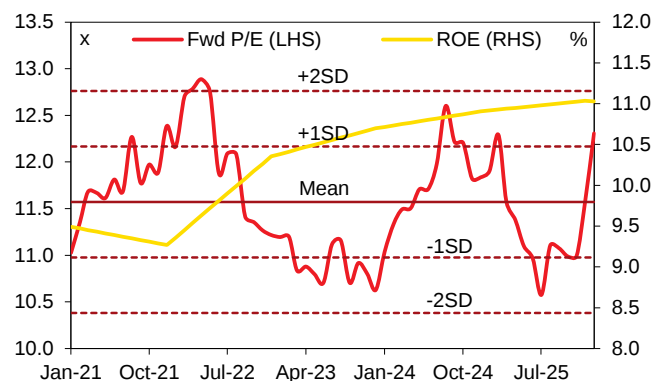
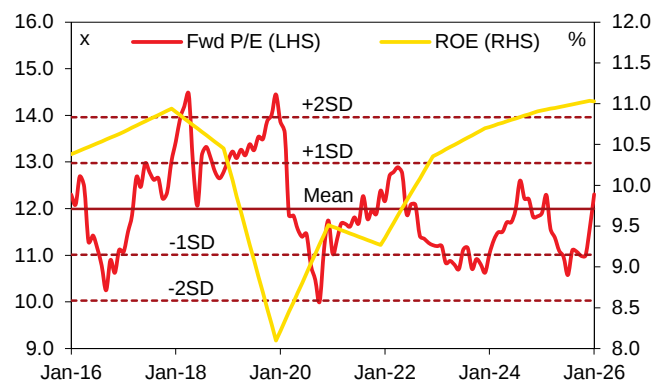


EXHIBIT 1. 5-YR FORWARD P/E BAND



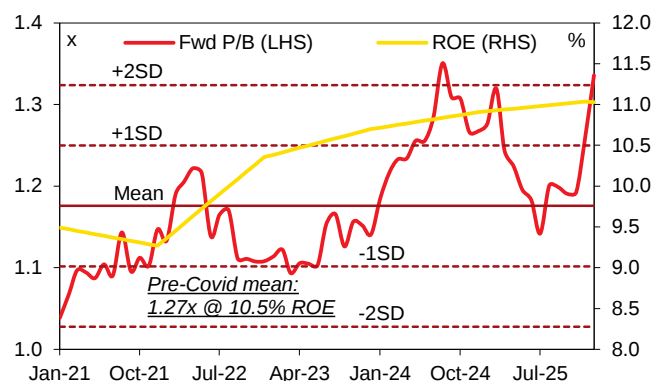
Source: AmInvestment Bank, Bloomberg

EXHIBIT 2. 10-YR FORWARD P/E BAND



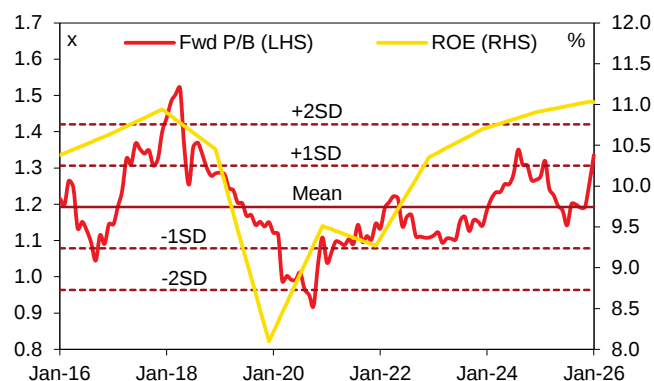
Source: AmInvestment Bank, Bloomberg

EXHIBIT 3. 5-YR FORWARD P/B BAND



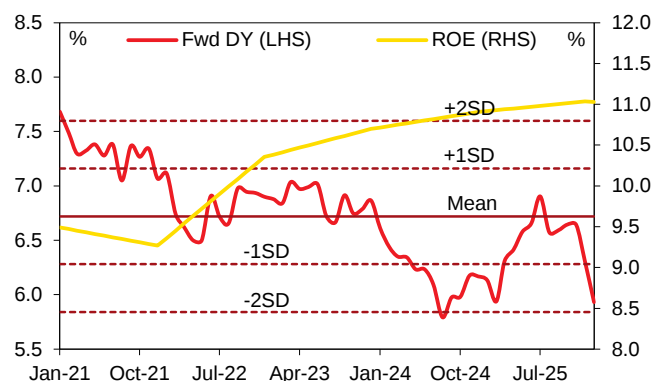
Source: AmInvestment Bank, Bloomberg

EXHIBIT 4. 10-YR FORWARD P/B BAND



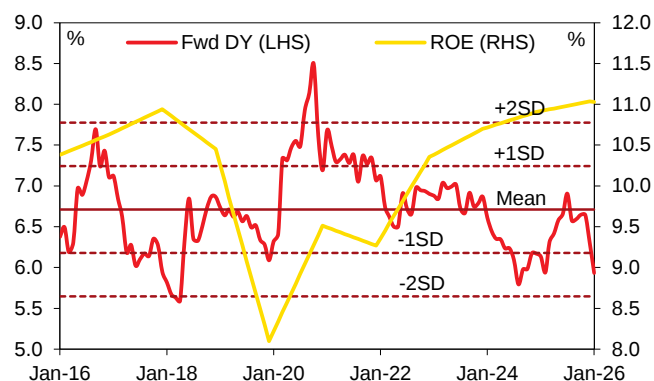
Source: AmInvestment Bank, Bloomberg

EXHIBIT 5. 5-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 6. 10-YR FORWARD DY BAND



Source: AmInvestment Bank, Bloomberg

EXHIBIT 7. PEERS COMPARISON

	Price (RM)	Target (RM)	Call	P/E (x)		EPS growth (%)		P/B (x)		Div. yield (%)		ROE (%)	
				2026	2027	2026	2027	2026	2027	2026	2027	2026	2027
Bank A	2.60	-	N.R.	11.1	9.6	5.9	15.4	0.5	0.5	2.8	3.3	4.7	5.3
Alliance	5.11	5.20	HOLD	10.9	10.3	7.7	6.3	1.0	1.0	3.8	4.1	9.8	9.5
BIMB	2.42	2.50	HOLD	9.7	8.9	10.6	8.0	0.7	0.7	6.2	6.7	7.2	7.6
CIMB	8.17	9.20	BUY	10.6	10.2	5.7	3.1	1.2	1.1	6.1	6.3	11.2	11.1
HLB	23.86	25.80	BUY	11.1	10.5	3.1	5.8	1.2	1.1	4.2	4.5	10.9	10.8
HLFG	20.28	31.20	BUY	6.9	6.5	2.0	6.0	0.7	0.6	3.8	4.0	9.9	9.8
Maybank	11.06	10.80	HOLD	12.2	11.9	4.7	2.2	1.3	1.3	6.0	6.1	11.0	10.9
MBSE	0.73	0.73	HOLD	13.9	13.3	8.0	4.2	0.6	0.6	5.8	6.0	4.3	4.5
Public	4.72	5.10	BUY	12.1	11.7	5.0	3.8	1.4	1.4	5.0	5.2	12.2	12.1
RHB	8.01	8.10	HOLD	10.3	9.9	2.5	4.2	1.0	0.9	5.9	6.1	9.7	9.8
Sector				10.9	10.3	5.5	5.9	1.0	0.9	5.0	5.2	9.1	9.1
Sector (ex-Bank A)				10.9	10.4	5.5	4.8	1.0	1.0	5.2	5.5	9.6	9.6

Source: AmInvestment Bank

Company profile

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

Key home markets for Maybank are Malaysia, Singapore, and Indonesia, contributing 73%, 19%, and 3% to group PBT in 2024. The bank operates across 18 countries, leveraging a network of over 2,600 branches and offices worldwide.

Investment thesis and catalysts

We continue to see limited scope for capital management at Maybank: (i) dividends could be constrained by the RM10bn tech investment under ROAR30 (RM2bn p.a. or 25-30% of current payout), (ii) capital needs for growth, particularly in the SME segment to defend asset yields, (iii) already elevated DPR at 73% (vs sector: 62%), (iv) high gearing of 11.5x (vs sector: 10x), and (v) low credit RWA density (35%) vs other IRB banks (40%). That said, the 6% dividend yield remains attractive, but upside is largely limited to organic growth.

These leave Maybank with less room to manoeuvre unless it reverts to the old way of implementing DRP but may affect ROE trajectory in the process.

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 RM10.80 for Maybank and this is based on 1.30x FY26 P/B with assumptions of 11.0% ROE, 9.2% COE, and 3.0% LTG. This is broadly within its 5-year pre-Covid average of 1.27x (similar ROE generation vs 2015-19 level) but above sector's 0.96x (premium is warranted considering its regional exposure, leadership position, and higher dividend yield).

Risk factors

Key downside risks include:

- i) Sharp slowdown in global economic growth, giving rise to a spike in NPL formation; this could weigh on NCC and earnings.
- ii) 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.
- iii) Stronger RM relative to key operating currencies (notably SGD and IDR) could lead to unfavourable forex translation effects on consolidated earnings and capital.

EXHIBIT 8. VALUATIONS

Return on equity (ROE)	11.0%
Cost of equity (COE)	9.2%
Long-term growth rate (LTG)	3.0%
Target P/B	1.30x
FY26 BVPS	RM8.34
ESG premium	-
12-month target price	RM10.80

Source: AmInvestment Bank

Financial Summary

Income Statement (RMmil)

YE to Dec	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	12,791.5	12,807.4	12,757.4	13,368.7	13,778.8
Non-interest income	6,992.4	8,418.7	8,911.1	9,096.6	9,284.2
Islamic banking income	7,577.2	8,346.4	8,903.4	9,282.7	9,601.5
Total income	27,361.1	29,572.5	30,571.9	31,747.9	32,664.5
Overhead expenses	(13,388.8)	(14,460.2)	(14,899.1)	(15,430.4)	(15,837.3)
Pre-provision profit	13,972.3	15,112.3	15,672.7	16,317.5	16,827.2
Loan loss provisions	(1,826.2)	(1,670.5)	(1,018.0)	(1,720.4)	(1,899.4)
Impairment & others	145.1	23.5	(700.0)	30.0	30.0
Associates	240.3	236.3	250.0	250.0	250.0
Pretax profit	12,531.6	13,701.6	14,204.7	14,877.1	15,207.7
Tax	(2,916.7)	(3,195.2)	(3,338.1)	(3,496.1)	(3,573.8)
Minority interests	(265.1)	(417.7)	(426.1)	(446.3)	(456.2)
Net profit	9,349.8	10,088.7	10,440.5	10,934.7	11,177.7
Core net profit	9,349.8	10,088.7	10,440.5	10,934.7	11,177.7

Balance Sheet (RMmil)

YE to Dec	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with FIs	28,904.0	40,522.5	41,231.4	34,702.2	27,814.2
Marketable securities	249,734.4	253,875.2	268,797.7	279,121.4	289,961.3
Total current assets	278,638.4	294,397.7	310,029.1	313,823.6	317,775.5
Net loans & advances	630,422.0	664,774.1	686,041.2	720,489.2	756,513.7
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	84,384.4	79,377.5	83,346.4	87,513.7	91,889.4
Fixed assets	2,309.2	2,283.1	2,339.9	2,376.3	2,392.3
Intangible assets	7,361.9	6,993.3	7,120.6	7,239.1	7,348.7
Other long-term assets	24,558.6	27,496.3	27,496.3	27,496.3	27,496.3
Total LT assets	749,036.2	780,924.3	806,344.3	845,114.6	885,640.4
Total assets	1,027,674.6	1,075,322.0	1,116,373.4	1,158,938.1	1,203,415.9
Customer deposits	696,834.7	741,897.3	778,992.2	817,941.8	858,838.9
Deposits of other FIs	82,749.6	79,882.9	79,882.9	79,882.9	79,882.9
Subordinated debts	77,862.4	80,432.6	80,432.6	80,432.6	80,432.6
Hybrid capital securities	-	-	-	-	-
Other liabilities	72,579.7	75,902.0	75,902.0	75,902.0	75,902.0
Total liabilities	930,026.5	978,114.8	1,015,209.7	1,054,159.3	1,095,056.4
Shareholders' funds	94,641.6	93,970.6	97,501.1	100,669.9	103,794.3
Minority interests	3,006.5	3,236.5	3,662.7	4,109.0	4,565.2

Key Ratios

YE to Dec	FY23	FY24	FY25F	FY26F	FY27F
Total income growth (%)	3.3	8.1	3.4	3.8	2.9
Pre-provision profit growth (%)	(3.8)	8.2	3.7	4.1	3.1
Core net profit growth (%)	17.5	7.9	3.5	4.7	2.2
Net interest margin (%)	2.0	2.0	2.0	2.0	2.0
Cost-to-income ratio (%)	48.9	48.9	48.7	48.6	48.5
Effective tax rate (%)	23.3	23.3	23.5	23.5	23.5
Dividend payout (%)	77.4	73.0	73.0	73.0	73.0

Key Assumptions

YE to Dec	FY23	FY24	FY25F	FY26F	FY27F
Loan growth (%)	9.1	5.3	3.0	5.0	5.0
Deposit growth (%)	9.0	6.5	5.0	5.0	5.0
Loan-deposit ratio (%)	92.0	91.0	89.2	89.2	89.2
Gross NPL (%)	1.3	1.2	1.3	1.4	1.4
Net NPL (%)	0.6	0.5	0.8	0.9	0.9
Credit charge-off rate (%)	0.3	0.3	0.1	0.2	0.3
Loan loss reserve (%)	120.1	122.4	99.4	96.1	95.1

Source: Company, AmInvestment Bank Bhd.

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