

Company Report

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MALAYAN BANKING

(MAY MK EQUITY, MBBM.KL)

FINANCIAL SERVICES

26 Aug 2025

ROE in line with expectations with a soft trajectory of net fund-based income growth

HOLD

(Maintained)

Rationale for report: Company Result

Price RM9.75
Fair Value RM9.30
52-week High/Low RM11.04/RM9.32

Key Changes

Fair value ⇄
EPS ↓

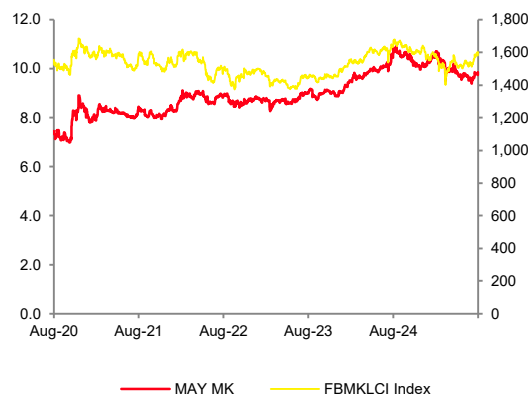
YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	29,572.5	30,339.4	31,258.9	32,459.1
Core net profit (RM mil)	10,089.7	10,372.2	10,645.9	11,214.8
FD Core EPS (sen)	83.6	85.6	87.5	91.7
FD Core EPS growth (%)	7.8	2.4	2.2	4.9
Consensus Net Profit (RM mil)	-	10,338.0	10,685.0	11,294.0
DPS (sen)	61.0	62.5	63.8	66.9
BV/share (RM)	7.79	7.93	8.15	8.32
PE (x)	11.7	11.4	11.1	10.6
Div yield (%)	6.3	6.4	6.5	6.9
P/BV (x)	1.3	1.2	1.2	1.2
ROE (%)	10.7	10.9	10.9	11.2

Stock and Financial Data

Shares Outstanding (million) 12,076.2
Market Cap (RMmil) 117,743.0
Book Value (RM/Share) 7.79
P/BV (x) 1.3
ROE (%) 10.7

Major Shareholders Amanah Saham Nasional (34.8%)
Employees Provident Fund (11.6%)
Yayasan Pelaburan Bumiputra (6.4%)
Free Float 41.9
Avg Daily Value (RMmil) 112.7

Price performance	3mth	6mth	12mth
Absolute (%)	(1.7)	(8.9)	(7.5)
Relative (%)	(4.7)	(8.5)	(4.1)



Investment Highlights

6MFY25 net profit grew 4.0% YoY, in line with expectations, supported by moderate income growth and lower provisions from recoveries. Loan growth remained soft due to FX impact and slower corporate lending in Singapore and Indonesia. NIM faced pressure from regional rate cuts, prompting management to revise FY25 guidance to a slight compression from FY24. Overlays rose RM200mil QoQ to RM2.0bil, with allocations to mitigate risks from US tariffs. With balanced risk-reward and fair valuation at 1.2x FY26 P/BV, we maintain our HOLD call.

- **Recommendation and valuation.** We maintain our HOLD recommendation on Maybank with an unchanged target price of RM9.30, based on a projected FY26 price-to-book ratio of 1.1x, supported by an ROE of 10.9% and a 3% ESG premium. Our earnings forecasts for FY25F to FY27F have been tweaked downwards by 0.5% to 2.6%, reflecting a more conservative loan growth assumption following management's updated FY25 guidance of 3%, down from the previous 5–6%.
- **6MFY25 earnings were in line with expectations, achieving 50.0% of our forecast and 50.3% of consensus.** Net profit rose 4% YoY to RM5.2b, supported by higher total income and lower loan provisions, though partially offset by increased OPEX. Total income grew 3.2% YoY, driven by 1.2% growth in fund-based income from loan expansion and a 7.0% rise in non-fund-based income from wealth fees and stronger Global Markets performance. However, IB-related and banking fees declined. CI ratio rose to 48.9% due to a negative JAW of 0.6% YoY, as OPEX grew 3.8% YoY—driven by higher staff, marketing, and software costs—outpacing total income growth. Group Insurance and Takaful segment's PBT declined 31.8% YoY due to weaker investment income from soft equity markets, partly cushioned by better underwriting. QoQ, net profit rose 1.5%, dampened by softer income and higher impairments. A 30 sen all-cash interim dividend was declared (69.5% payout), slightly up from 29 sen (69.7%) in 6MFY24.
- **Loan growth remained sluggish, affected by FX fluctuations and contraction in international loans, while NIM contracted 3 bps YTD.** Loan growth slowed to 1.3% YoY in 2Q25 (vs. 3.2% in 1Q25), mainly due to FX impact and weaker corporate lending in Singapore and Indonesia. Ex-FX, loans rose 4% YoY. NIM fell 3bps YTD to 2.02%, pressured by lower SORA in Singapore and higher COF in Indonesia, while Malaysia saw slight improvement. A 25bps OPR cut would trim NIM by 3bps. Management now expects mild NIM compression in FY25 and plans to raise LDR in Singapore and diversify funding to ease margin pressure.
- **GIL ratio rose slightly to 1.30%, reflecting asset quality pressure from corporate borrowers in Greater China as well as commercial and corporate borrowers in Malaysia.** Credit cost stayed within guidance at 24bps for 6MFY25, supported by corporate recoveries. Management tightened underwriting for auto loans and saw some retail recoveries in July. Overlays increased RM200mil QoQ to RM2bil, with 55% allocation for retail and RSME loans, and the rest as a buffer against US tariff risks on commercial and corporate borrowers.

Company profile

Maybank, a full-fledged universal bank through its subsidiaries, offers an extensive range of products and services, which includes consumer, corporate, investment, Islamic banking, insurance and takaful, trustee, nominee services and asset management.

The key home markets of Maybank are Malaysia, Singapore and Indonesia which contributed to 71.3%, 21.9% and 2.8% of the group's FY24 PBT. The group operates across 18 countries including all 10 ASEAN countries and international financial centres supported by 2,597 branches and 33 investment banking branches globally.

Investment thesis and catalysts

We maintain our HOLD recommendation on Maybank with an unchanged target price of RM9.30, based on a projected FY26 price-to-book ratio of 1.1x, supported by an ROE of 10.9% and a 3% ESG premium. With balanced risk-reward and fair valuation at 1.2x FY26 P/BV, we maintain our HOLD call.

Valuation methodology

The stock is valued based on a Gordon growth derived P/BV of 1.1x based on FY26. Our valuation is supported by COE of 10.4%, beta of 1, market risk premium of 6.3%, risk free rate of 3.7% and long-term growth rate of 3%.

Risk factors

Potential risks to our projections include:

- i. A slowdown in global economic growth, which may dampen loan expansion.
- ii. An unforeseen rise in funding costs. If CASA growth lags expectations, banks may face more intense competition for deposits.
- iii. Prolonged high interest rates in developed markets, potentially leading to a decline in bond and securities portfolio valuations, which could weigh on banks' non-interest income (NOII).

EXHIBIT 1: VALUATIONS

COE	10.0% (from 10.4%)
Beta	1
Market risk premium	6.5% (from 6.3%)
Risk free rate	3.5% (from 3.7%)
Long term growth rate	3%
P/BV	1.1x
FY26 BVPS	RM8.15
TP	RM9.00
ESG Premium	RM0.30
Adjusted TP	RM9.30

Source: AmlInvestment Bank

EXHIBIT 2: RESULTS SUMMARY

Income Statement (RM Mil, FYE 31 Dec)	2Q24	1Q25	2Q25	% QoQ	% YoY	6M24	6M25	% YoY
Interest income	8,311	7,740	7,506	-3.0	-9.7	16,589	15,246	-8.1
Interest expense	-5,119	-4,518	-4,333	-4.1	-15.3	-10,243	-8,851	-13.6
Net interest income	3,192	3,222	3,173	-1.5	-0.6	6,346	6,395	0.8
Islamic banking income	2,130	2,064	2,210	7.1	3.8	4,220	4,275	1.3
Non-interest income	2,022	2,426	2,301	-5.1	13.8	4,355	4,727	8.6
Total income	7,344	7,712	7,684	-0.4	4.6	14,921	15,397	3.2
Overhead expenses	-3,593	-3,743	-3,785	1.1	5.3	-7,251	-7,528	3.8
Pre-provision profit	3,750	3,969	3,899	-1.8	4.0	7,670	7,869	2.6
Loan impairment allowances	-381	-384	-423	10.2	11.0	-849	-808	-4.9
Other allowances	1	-42	-51	21.3	>-100	-75	-93	24.5
Associates and JV income	72	51	87	69.1	20.1	139	138	-0.7
Pretax profit	3,443	3,594	3,512	-2.3	2.0	6,885	7,106	3.2
Income tax	-792	-951	-809	-14.9	2.1	-1,639	-1,760	7.4
Minority interest	-121	-55	-74	36.1	-38.6	-228	-129	-43.6
Net profit	2,530	2,589	2,628	1.5	3.9	5,018	5,217	4.0
Core EPS (sen)	21.0	21.5	21.8	1.4	3.8	41.6	43.2	3.9

Profit by segments (RM Mil)

Group community financial services	1,506	1,479	882	-40.4	-41.4	2,908	2,361	-18.8
Group corporate banking and global markets	1,500	1,682	2,223	32.1	48.2	2,981	3,905	31.0
Group investment banking	79	75	106	41.4	32.9	197	180	-8.7
Group asset management	0.3	0.1	5.3	>100	>100	0	5	>100
Group insurance and takaful	464	265	297	12.2	-35.9	825	562	-31.9
Head office and others	-106	94	-1	-101.4	-98.8	-26	92	>100
Group profit before taxation	3,443	3,594	3,512	-2.3	2.0	6,885	7,106	3.2

Balance Sheet (RM Mil, FYE 31 Dec)	2Q24	1Q25	2Q25	% QoQ	% YoY	6M24	6M25	% YoY
Gross loans and advances	668,834	678,687	677,588	-0.2	1.3	668,834	677,588	1.3
Net loans and advances	658,203	668,585	667,629	-0.1	1.4	658,203	667,629	1.4
Customer deposits (excluding investment account)	677,737	714,584	718,937	0.6	6.1	677,737	718,937	6.1
Gross impaired loans	8,597	8,615	8,822	2.4	2.6	8,597	8,822	2.6
Average shareholders' funds	94,452	93,195	93,296	0.1	-1.2	94,890	94,072	-0.9

Ratios (%)

LD	94.5%	90.9%	90.2%			94.5%	90.2%	
CASA	38.1%	36.6%	37.8%			38.1%	37.8%	
Cost to income	48.9%	48.5%	49.3%			48.6%	48.9%	
Credit cost	0.23%	0.23%	0.25%			0.25%	0.24%	
Loan loss coverage	128.7%	122.9%	117.9%			128.7%	117.9%	
Loan loss coverage (including regulatory reserves)	146.0%	140.1%	132.2%			146.0%	132.2%	
GIL/Gross NPL	1.29%	1.27%	1.30%			1.29%	1.30%	
NIM	2.06%	2.04%	2.00%			2.01%	2.02%	
Underlying ROE	10.7%	11.1%	11.3%			10.6%	11.1%	
CET1 capital	15.5%	14.9%	14.7%			15.5%	14.7%	
Tier 1 capital	16.1%	15.2%	15.0%			16.1%	15.0%	
Total capital	18.8%	18.0%	17.9%			18.8%	17.9%	

Source: Company, AmlInvestment Bank

EXHIBIT 3: CHANGE IN EARNINGS

		FY25F			FY26F			FY27F	
RMm	Old	New	%	Old	New	%	Old	New	%
Net interest income	13,281	13,066	-1.6%	13,966	13,304	-4.7%	14,627	13,705	-6.3%
Net profit	10,425	10,371	-0.5%	10,838	10,644	-1.8%	11,509	11,212	-2.6%

Source: Company, AmlInvestment Bank

EXHIBIT 4: MANAGEMENT GUIDANCE FOR FY25

Loan growth	Revised to 3% from 5-6%
ROE	≥11.3% (unchanged)
Cost-to-income ratio	≤49% (unchanged)
NIM	Revised to slight compression from stable
Credit cost	≤ 30bps (unchanged)

Source: AmInvestment Bank

EXHIBIT 4: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Exposure to sustainable financing out of total loans	% of loan book	30%	*	*	*	*	Exceeded target in sustainable finance of RM46.69bil vs. target of RM34.2bil for FY24
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%	*	*	*		Scope 1 emissions by 6.9% YoY to 11,761 tCo2e in FY24
4	Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*		Scope 2 emissions increased by 3.7% YoY to 53,661 tCo2e in FY24
5	Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*	*	Total scope 3 financed emissions declined by 63% in FY24
6	Electricity consumption to total income	Electricity consumption to total income	5%	*	*	*		Energy consumption declined marginally by 2.2% in FY24
7	Water consumption to total income	m3/RM'Mil	5%	*	*	*		37.6 in FY24 vs. 34.5 in FY23
	Weighted score for environmental assessment		100%	*	*	*		
	Social assessment							
1	Corporate Social Responsibility investments or spend	% of total income	35%	*	*	*		RM49mil invested on community programs in FY24(+14.6% YoY) - 0.2% of total income
2	Investments in training	% of total income	20%	*	*	*		
3	Workforce diversity - women in senior management and above (excluding Board Directors)	% of total workforce	10%	*	*	*	*	42.0% in FY24 vs. 42.2% in FY23
4	Average training hours per employee	hours	25%	*	*	*		42 hours for senior management and 48 hours for mid management
5	Financial literacy programs	No of participants educated through programs	10%	*	*	*	*	>376,580 students and scholars benefitted with RM150.69mil investments into education
	Weighted score for social assessment		100%	*	*	*		
	Governance assessment							
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*	*		33% lower than the 61 to 70 years old category
2	Board women representation	% of total board directors	10%	*	*	*	*	42% in FY24 vs. 36% in FY23 and 33% in FY22. More than the 30% minimum recommendation under the Malaysian Code on Corporate Governance,
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	20%	*	*	*	*	75% in FY24
4	Independent board directors	% of total board directors	20%	*	*	*	*	75%
5	Remuneration to directors	% of total operating expenses	10%	*	*	*		
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*	*	zero cases of data losses in FY24
	Weighted score for governance assessment		100%	*	*	*	*	
	Environmental score		40%	*	*	*		
	Social score		25%	*	*	*		
	Governance score		35%	*	*	*	*	
	Overall ESG Score		100%	*	*	*	*	

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	12,791.5	12,807.4	13,065.9	13,303.8	13,705.0
Non-interest income	6,992.4	8,418.7	8,654.7	8,897.3	9,146.8
Islamic banking income	7,577.2	8,346.4	8,618.7	9,057.8	9,607.4
Total income	27,361.1	29,572.5	30,339.4	31,258.9	32,459.1
Overhead expenses	(13,388.8)	(14,460.2)	(14,714.6)	(15,160.6)	(15,580.4)
Pre-provision profit	13,972.3	15,112.3	15,624.8	16,098.4	16,878.7
Loan loss provisions	(1,826.2)	(1,670.5)	(2,085.7)	(2,169.1)	(2,222.6)
Impairment & others	145.1	23.5	-	-	-
Associates	240.3	236.3	317.6	292.0	324.6
Pretax profit	12,531.6	13,701.6	13,856.7	14,221.3	14,980.8
Tax	(2,916.7)	(3,195.2)	(3,187.0)	(3,270.9)	(3,445.6)
Minority interests	(265.1)	(417.7)	(298.7)	(306.6)	(323.0)
Core net profit	9,349.8	10,089.7	10,372.2	10,645.9	11,214.8
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with FIs	28,904.0	40,522.5	39,526.1	33,179.9	30,232.3
Marketable securities	318,379.0	316,086.2	343,270.9	362,996.2	386,120.2
Total current assets	347,283.1	356,608.7	382,797.0	396,176.2	416,352.5
Net loans & advances	630,422.0	664,774.1	682,937.5	708,577.1	749,736.2
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	15,739.7	17,166.5	18,304.3	19,481.5	20,779.5
Fixed assets	3,329.2	3,321.8	3,421.5	3,523.3	3,589.8
Intangible assets	7,361.9	6,993.3	6,993.3	6,993.3	6,993.3
Other long-term assets	23,538.6	26,457.6	28,852.5	32,181.2	36,093.2
Total LT assets	680,391.5	718,713.3	740,509.1	770,756.4	817,192.0
Total assets	-	-	-	-	-
Customer deposits	696,834.7	741,897.3	787,211.2	842,842.1	902,482.1
Deposits of other FIs	44,676.9	47,051.2	44,802.1	42,681.5	42,042.7
Subordinated debts	10,145.5	11,157.8	11,648.0	12,154.6	12,901.3
Hybrid capital securities	34,982.7	40,652.6	45,159.9	50,465.5	59,316.8
Other liabilities	143,386.6	137,355.9	134,936.9	116,033.8	111,341.4
Total liabilities	930,026.5	978,114.8	-	-	-
Shareholders' funds	94,641.6	93,970.6	96,163.7	99,164.7	101,678.3
Minority interests	3,006.5	3,236.5	3,384.2	3,590.5	3,781.8
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Total income growth (%)	(0.9)	8.1	2.6	3.0	3.8
Pre-provision profit growth (%)	(5.6)	8.2	3.4	3.0	4.8
Core net profit growth (%)	2.3	7.9	2.8	2.6	5.3
Net interest margin (%)	2.1	2.1	2.0	2.0	2.0
Cost-to-income ratio (%)	48.9	48.9	48.5	48.5	48.0
Effective tax rate (%)	23.3	23.3	23.0	23.0	23.0
Dividend payout (%)	77.4	73.0	73.0	73.0	73.0
Key Assumptions (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Loan growth (%)	9.1	5.3	3.0	4.0	6.0
Deposit growth (%)	9.0	6.5	6.1	7.1	7.1
Loan-deposit ratio (%)	90.5	89.6	86.8	84.1	83.1
Gross NPL (%)	1.3	1.4	1.4	1.3	1.3
Net NPL (%)	0.5	0.5	0.3	0.2	0.1
Credit charge-off rate (%)	0.3	0.2	0.3	0.3	0.3
Loan loss reserve (%)	120.1	107.9	126.2	153.7	167.3

Source: Company, AmlInvestment Bank Bhd estimates

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