



AmInvestment Bank

Company Report

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MALAYAN BANKING

(MAY MK EQUITY, MBBM.KL)

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Income growth remains modest, ROE meet expectations
HOLD

(Maintained)

Rationale for report: Company Result

Price	RM9.94
Fair Value	RM9.60
52-week High/Low	RM10.76/RM9.32

Key Changes

Fair value	↑
EPS	↑

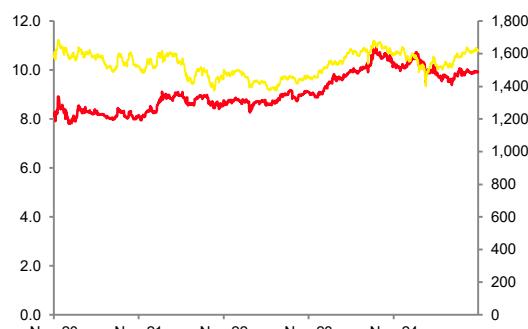
YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	29,572.5	30,857.4	31,701.7	32,924.6
Core net profit (RM mil)	10,089.7	10,497.0	10,721.7	11,396.0
FD Core EPS (sen)	83.6	86.6	88.1	93.2
FD Core EPS growth (%)	7.8	3.6	1.7	5.8
Consensus Net Profit (RM mil)	-	10,302.0	10,617.0	11,225.0
DPS (sen)	61.0	63.2	64.3	68.0
BV/share (RM)	7.79	7.94	8.15	8.32
PE (x)	11.9	11.5	11.3	10.7
Div yield (%)	6.1	6.4	6.5	6.8
P/BV (x)	1.3	1.3	1.2	1.2
ROE (%)	10.7	11.0	11.0	11.3

Stock and Financial Data

Shares Outstanding (million)	12,077.8
Market Cap (RMmil)	120,053.0
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)	117.7

Price performance	3mth	6mth	12mth
Absolute (%)	1.4	0.6	(2.5)
Relative (%)	0.2	(4.5)	(4.2)



— MAY MK — FBMKLCI Index

Investment Highlights

For 9MFY25, Maybank's earnings were broadly in line, at 75.6% of our forecast and 76.1% of consensus. Income growth was modest, with net fund-based income remaining soft. Loan growth picked up in 3QFY25, led by Malaysia outperforming industry, while international loans contracted. NIM rose 2bps QoQ to 2.02% but eased slightly YTD, with management guiding for stability in FY25. Asset quality weakened marginally as GIL ratio edged up to 1.32%, though FY25 credit cost guidance was cut to ≤20bps. With balanced risk-reward and fair valuation at 1.2x FY26 P/BV, we reiterate our **HOLD** call.

- **Recommendation and valuation.** We reiterate our HOLD call on Maybank, raising the target price to RM9.60 (from RM9.30), anchored on a projected FY26 P/BV of 1.14x, supported by a marginally higher ROE of 11.0% (vs. 10.9% previously) and a 3% ESG premium. We raised our FY25F–FY27F earnings forecasts by 0.6%–1.5%, driven by higher net interest income estimates following management's revised NIM guidance.
- **For 9MFY25, earnings aligned with expectations, reaching 75.6% of our projection and 76.1% of consensus estimates.** Net profit rose 3.7% YoY to RM7.8b, supported by modest income growth and lower impairments, though offset by higher OPEX. Total income grew 3.2% YoY, driven by loan expansion and stronger non-fund-based income from wealth fees, FVOCI bond disposals, Global Markets, and insurance, partly dampened by weaker IB and banking fees. CI ratio climbed to 48.9% on a negative JAW, as OPEX rose 3.8% from staff, marketing, IT, and card-related costs. QoQ, net profit was flat at RM2.6b (-0.3%), pressured by softer income and higher net impairments, but cushioned by lower OPEX.
- **Loan growth gained modest traction as international loan contraction eased, while NIM rose 2bps QoQ in 3QFY25.** Group loans rose 2.7% YoY in 3Q25 (vs. 1.3% in 2QFY25). Malaysia grew 6.0% YoY, ahead of industry's 5.5%, while international loans (Singapore, Indonesia) contracted and corporate loan growth stayed sluggish. Management alluded to a potential improvement in Malaysia's corporate loan growth in 4QFY25. QoQ, NIM rose 2bps to 2.02% in 3QFY25, aided by liability management, funding diversification, deposit repricing in Malaysia, and higher LDR in Singapore. YTD, NIM slipped 2bps to 2.03%, though management now anticipates stable margins for FY25 versus earlier expectations of slight compression.
- **GIL ratio inched up to 1.32%, driven by a newly impaired corporate loan due to judgemental trigger in Malaysia related to the construction and infrastructure sector.** Credit cost held within guidance at 11bps for 9MFY25, aided by provision reclassification from loans to securities post-MY corporate borrower restructuring and non-retail recoveries. FY25 credit cost guidance was cut to ≤20bps (from ≤30bps), with overlays up RM500m QoQ to RM2.5b—63% for retail/SME loans and the remainder as buffer against US tariff risks on commercial and corporate loans. QoQ, impaired consumer loans in home markets and corporate loans in Malaysia and Indonesia rose, while retail SME impairments in home markets have stabilised.

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 reiterate our HOLD call on Maybank, lifting the target price to RM9.60 (from RM9.30), premised on a projected FY26 P/BV of 1.14x, underpinned by an ROE of 10.9% and a 3% ESG premium. With risk-reward balanced and valuation fair at 1.2x FY26 P/BV, our HOLD stance remains unchanged.

Valuation methodology

The stock is valued based on a Gordon growth derived P/BV of 1.14x based on FY26. Our valuation is supported by COE of 10.0%, beta of 1, market risk premium of 6.5%, risk free rate of 3.5% 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%
Beta	1
Market risk premium	6.5%
Risk free rate	3%
ROE	11% (from 10.9%)
Long term growth rate	3%
P/BV	1.14x (from 1.1x)
FY26 BVPS	RM8.15
TP	RM9.30 (from RM9.00)
ESG Premium	RM0.30
Adjusted TP	RM9.60 (from RM9.30)

Source: Amlnvestment Bank

EXHIBIT 2: RESULTS SUMMARY

Income Statement (RM Mil, FYE 31 Dec)	3Q24	2Q25	3Q25	% QoQ	% YoY	9M24	9M25	% YoY
Interest income	8,125	7,506	7,149	-4.8	-12.0	24,714	22,395	-9.4
Interest expense	-5,017	-4,333	-3,881	-10.4	-22.6	-15,259	-12,732	-16.6
Net interest income	3,108	3,173	3,268	3.0	5.1	9,455	9,663	2.2
Islamic banking income	2,109	2,210	2,093	-5.3	-0.8	6,330	6,368	0.6
Non-interest income	2,012	2,301	2,103	-8.6	4.5	6,366	6,830	7.3
Total income	7,229	7,684	7,464	-2.9	3.2	22,150	22,860	3.2
Overhead expenses	-3,522	-3,785	-3,653	-3.5	3.7	-10,773	-11,181	3.8
Pre-provision profit	3,707	3,899	3,811	-2.3	2.8	11,378	11,679	2.7
Loan impairment allowances	-377	-423	254	-160.1	-167.5	-1,226	-553	-54.9
Other allowances	27	-51	-608	>100	>100	-48	-702	>100
Associates and JV income	44	87	49	-43.3	11.3	183	187	2.2
Pretax profit	3,402	3,512	3,506	-0.2	3.1	10,287	10,612	3.2
Income tax	-817	-809	-787	-2.8	-3.7	-2,456	-2,547	3.7
Minority interest	-47	-74	-98	31.9	109.8	-275	-227	-17.6
Net profit	2,538	2,628	2,621	-0.3	3.3	7,556	7,838	3.7
Core EPS (sen)	21.0	21.8	21.7	-0.2	3.1	62.6	64.9	3.6
Profit by segments (RM Mil)								
Group community financial services	1,559	882	1,214	37.6	-22.1	4,466	3,575	-20.0
Group corporate banking and global markets	1,723	2,223	2,016	-9.3	17.0	4,704	5,921	25.9
Group investment banking	73	106	122	15.8	66.8	271	303	11.8
Group asset management	-4	5.3	-15	-387.5	286.0	-4	-10	155.5
Group insurance and takaful	180	297	373	25.5	107.3	1,005	936	-6.9
Head office and others	-129	-1	-204	>100	58.8	-155	-112	-27.8
Group profit before taxation	3,402	3,512	3,506	-0.2	3.1	10,287	10,612	3.2
Balance Sheet (RM Mil, FYE 31 Dec)	3Q24	2Q25	3Q25	% QoQ	% YoY	9M24	9M25	% YoY
Gross loans and advances	663,848	677,588	681,674	0.6	2.7	663,848	681,674	2.7
Net loans and advances	653,665	667,629	672,436	0.7	2.9	653,665	672,436	2.9
Customer deposits (excluding investment account)	677,529	718,937	707,343	-1.6	4.4	677,529	707,343	4.4
Gross impaired loans	8,390	8,822	9,004	2.1	7.3	8,390	9,004	7.3
Average shareholders' funds	92,878	93,296	93,421	0.1	0.6	92,630	93,320	0.7
Ratios (%)								
LD	93.8%	90.2%	92.2%			93.8%	92.2%	
CASA	36.2%	37.8%	39.9%			36.2%	39.9%	
Cost to income	48.7%	49.3%	48.9%			48.6%	48.9%	
Credit cost	0.23%	0.25%	-0.15%			0.25%	0.11%	
Loan loss coverage	127.3%	117.9%	110.1%			127.3%	110.1%	
Loan loss coverage (including regulatory reserves)	146.1%	132.2%	120.1%			146.1%	120.1%	
GIL/Gross NPL	1.32%	1.30%	1.32%			1.32%	1.32%	
NIM	2.03%	2.00%	2.02%			2.04%	2.03%	
Underlying ROE	10.9%	11.3%	11.2%			10.8%	11.2%	
CET1 capital	14.7%	14.7%	14.9%			14.7%	14.9%	
Tier 1 capital	15.1%	15.0%	15.3%			15.1%	15.3%	
Total capital	17.9%	17.9%	19.3%			17.9%	19.3%	

Source: Company, AmlInvestment Bank

EXHIBIT 3: CHANGE IN EARNINGS

	FY25F			FY26F			FY27F			
	RMm	Old	New	%	Old	New	%	Old	New	%
Net interest income	13,077	13,584	13,326	3.9%	13,747	13,722	3.2%	13,727	14,170	3.2%
Net profit	10,375	10,497	10,652	1.2%	11,221	11,396	0.6%	11,221	11,396	1.5%

Source: Company, AmlInvestment Bank

EXHIBIT 4: MANAGEMENT GUIDANCE FOR FY25

Loan growth	Revised to +3% on constant currency from +/-3%
ROE	≥11.3% (unchanged)
Cost-to-income ratio	≤49% (unchanged)
NIM	Revised to stable from slight compression
Credit cost	Revised to ≤20bp from ≤30bps

Source: AmlInvestment Bank

EXHIBIT 5: 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 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	12,791.5	12,807.4	13,583.9	13,746.6	14,170.5
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	30,857.4	31,701.7	32,924.6
Overhead expenses	(13,388.8)	(14,460.2)	(15,089.2)	(15,502.2)	(15,803.8)
Pre-provision profit	13,972.3	15,112.3	15,768.1	16,199.6	17,120.8
Loan loss provisions	(1,826.2)	(1,670.5)	(1,390.4)	(2,169.1)	(2,222.6)
Impairment & others	145.1	23.5	(671.8)	-	-
Associates	240.3	236.3	317.6	292.0	324.6
Pretax profit	12,531.6	13,701.6	14,023.4	14,322.5	15,222.8
Tax	(2,916.7)	(3,195.2)	(3,225.4)	(3,294.2)	(3,501.3)
Minority interests	(265.1)	(417.7)	(302.3)	(308.8)	(328.2)
Core net profit	9,349.8	10,089.7	10,497.0	10,721.7	11,396.0
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with Fls	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	683,632.7	709,272.4	750,431.4
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	741,204.3	771,451.7	817,887.2
Total assets	-	-	-	-	-
Customer deposits	696,834.7	741,897.3	787,211.2	842,842.1	902,482.1
Deposits of other Fls	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	135,598.4	116,674.8	111,933.6
Total liabilities	930,026.5	978,114.8	-	-	-
Shareholders' funds	94,641.6	93,970.6	96,197.4	99,218.8	101,781.4
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	4.3	2.7	3.9
Pre-provision profit growth (%)	(5.6)	8.2	4.3	2.7	5.7
Core net profit growth (%)	2.3	7.9	4.0	2.1	6.3
Net interest margin (%)	2.1	2.1	2.1	2.1	2.1
Cost-to-income ratio (%)	48.9	48.9	48.9	48.9	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	84.2	83.2
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	0.2	0.3	0.3
Loan loss reserve (%)	120.1	107.9	119.0	146.3	160.4

Source: Company, Amlnvestment Bank Bhd estimates

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