Corporate Update

Malayan Banking Berhad

(1155 | MAY MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Maintain **NEUTRAL**

Unchanged Target Price **RM10.20**

1QFY25 Results Review
Headwinds Ahead

To Conclude	**Decent set of earnings, as forecasted.** **Management's tone: Neutral** **Expect: MAY to clock in an unremarkable performance in FY25.**
Our Verdict	**MAY's outlook is not the brightest, nor are its valuations the cheapest. Regardless, dividend yields remain the most attractive among its peers.**
Valuations	**Current P/BV of 1.30x is expensive, trading at +1SD of the 5-year P/BV mean of 1.20x.** **The company is currently trading at a forward FY25F P/BV of 1.24x with a +6.9% dividend yield.**
Yays	1. Excellent dividend yields.
Nays	1. NIM compression is expected, though there are means of offset. 2. Weaker loan growth is likely. 3. Cost/Income ratio may not normalise following the end of M25+.
Okays	1. Forex gains make up a large chunk of MAY's NOII. We think recent volatility could prop up this contribution.

Results in a nutshell:

▲ **3MFY25's Core NP of RM2,589m is *Within*/*Within* our/street forecasts: *25%*/*25%* of full-year forecasts.**

► **No dividend announcement.**

▲ **3MFY25's Core net profit (NP) of RM2,589m up by +4%yoy.** This was driven by an improvement in NII and lower provisions, which offset higher OPEX and tax expenses.

▲ **1QFY25's Core NP of RM2,589m up by +2%qoq.** This improvement was largely driven by improved NOII income, which offset lower NII and higher tax expenses.

RETURN STATISTICS

Price @ 26 May 2025 (RM)	9.92
Expected share price return (%)	+2.8
Expected dividend yield (%)	+6.9
Expected total return (%)	**+9.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.6	-3.5
3 months	-2.3	-2.1
12 months	-1.0	4.9

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**10,378**	**10,554**	**11,034**
CNP growth (%)	3	2	5
Div yield (%)	**6.9**	**7.1**	**7.4**
Gross DPS (sen)	68.8	70.0	73.2
P/BV (x)	**1.2**	**1.2**	**1.2**
BVPS (RM)	8.0	8.3	8.5
ROE (%)	**10.9**	**10.7**	**10.9**
% Street CNP (%)	**99**	**97**	**96**

KEY STATISTICS

FBM KLCI	1,534.30
Issue shares (m)	12,067.0
Estimated free float (%)	55.0
Market Capitalisation (RM'm)	119,478.4
52-wk price range	RM9.32 – RM11.0
3-mth average daily volume (m)	12.2
3-mth average daily value (RM'm)	123.9
Top Shareholders (%)	
Amanah Saham Nasional Bhd	36.1
EPF Board	13.0
Yayasan Pelaburan Bumiputra	6.6

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Have a look at:

▼ **Expect NIM compression in subsequent quarters.** Management believes that rate cuts will compress future NIMs. The main means to offset will be replacing pricier money market deposits (which MAY has been hoarding for several quarters) with cheaper local retail FDs. MAY will also be looking at drawing down on borrowings, and for further portfolio rebalancing/funding opportunities in SG. A -25bps OPR cut will impact NIMs by 3bps.

► **Etiqa faces some drag.** Etiqa's 1QFY25 contribution was dragged by weaker investment income from SG. A lack of SGD-denominated assets meant that assets linked to other currencies were sought after whereby forex volatility negatively affected the end result. Negative impact on investment gains will persist if this volatility is maintained. Underwriting income remains solid. Regardless, if we observe NOII as a whole, MAY's large dependence on forex gains implies that further forex volatility is still an overall positive for the Group (at least, from a pure NOII standpoint) – even though Etiqa's SG investment income will take a hit.

► **Elevated CIR may persist.** Management has stated tech investments will continue post-M25+, which implies that CIR may not normalise to its previous ~45% level range just yet.

▲ **Asset quality situation is fairly stable.** The Group is not expecting too many negative surprises. Only RM7.3b (1.1% of total loans) have exposure to US trade, with only RM1b of exposure related to borrowers that have >20% revenue from US. Local residential mortgage GILs seem stable, though hire purchase loans are seeing some uptick. There may be possible GIL upticks in the China/HK region, but management assures this is well provided for.

▲ **Provisioning seems under control, skewed towards the positive.** Maybank expects possible recoveries from a large O&G corporate exposure as early as 3QFY25. We do not expect major overlay allocations in subsequent quarters, as it has already topped up balances earlier on (1QFY25 saw overlays increase to RM1.8b, from RM1.7b last quarter).

► **Loan growth may come in at the lower end of guidance.** Management does not sound overly optimistic on loan growth prospects, stating that the corporate segment is seeing a lot more competition from development financing. They are unwilling to lower residential mortgage rates any further, despite not being the lowest in the market. There is also the issue of certain problematic loan segments, such as local hire purchase loans – we opine that management may want to slow growth in these categories should issues persist.

► **Indonesian business is undergoing restructuring.** The ongoing plan is to reduce expensive funding and to pivot away from low-margin state-owned enterprises (SOE) loans. Expect growth and ROE to remain weak in the near term. Management claims that potential M&A activity is unlikely.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weak loan growth, (3) Weak NOII performance.*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 10.20. The TP is based on an unchanged FY25F P/BV of 1.27x.
(GGM assumptions: *FY25F ROE of 10.9%, LTG of 3.0% & COE of 9.2%)*

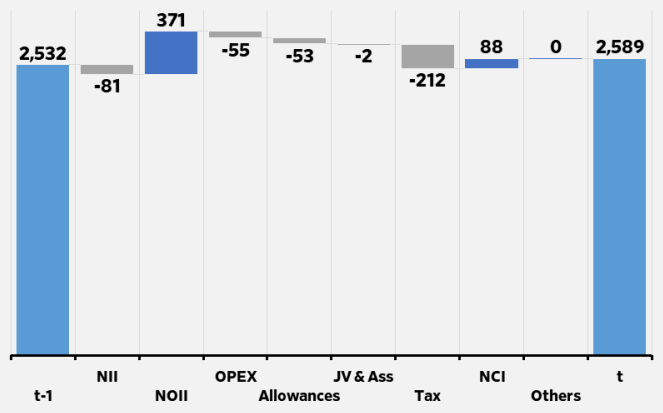
FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Net interest inc.	3,222	3,353	3,154	2	-4	3,222	3,154	2
Islamic banking inc.	2,064	2,017	2,090	-1	2	2,064	2,090	-1
Non-interest inc.	2,426	2,053	2,333	4	18	2,426	2,333	4
Net income	**7,712**	**7,422**	**7,577**	**2**	**4**	**7,712**	**7,577**	**2**
OPEX	(3,743)	(3,687)	(3,657)	2	2	(3,743)	(3,657)	2
PPOP	**3,969**	**3,735**	**3,920**	**1**	**6**	**3,969**	**3,920**	**1**
Loan provisions	(384)	(445)	(468)	-18	-14	(384)	(468)	-18
Other provisions	(42)	71	(76)	-45	-159	(42)	(76)	-45
JV & Associates	51	53	67	-23	-3	51	67	-23
PBT	**3,594**	**3,414**	**3,442**	**4**	**5**	**3,594**	**3,442**	**4**
Tax	(951)	(739)	(846)	12	29	(951)	(846)	12
NCI	(55)	(143)	(108)	-49	-62	(55)	(108)	-49
Reported NP	**2,589**	**2,532**	**2,488**	**4**	**2**	**2,589**	**2,488**	**4**
Core NP	**2,589**	**2,532**	**2,488**	**4**	**2**	**2,589**	**2,488**	**4**
Total NII	4,953	5,034	4,840	2	-2	4,953	4,840	2
Total NOII	2,760	2,389	2,737	1	16	2,760	2,737	1
Gross DPS (sen)	**-**	**32.0**	**-**	***n.m.***	***n.m.***	**-**	**-**	***n.m.***
Core EPS (sen)	21.4	21.0	20.6	4	2	21.4	20.6	4
Gross loans	678,687	674,969	657,819	3.2	0.6			
Gross impaired loans	8,615	8,326	8,653	-0.4	3.5			
Customer deposits	714,584	712,915	680,693	5.0	0.2			
CASA	247,426	245,485	240,364	2.9	0.8			

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**11.2**	**10.8**	**10.6**	***0.6***	***0.4***	**11.2**	**10.6**	***0.6***
NIM (Reported)	**2.04**	**2.06**	**2.00**	***0.04***	***-0.02***	**2.04**	**2.00**	***0.04***
NOII/Net income	35.8	32.2	36.1	-0.3	3.6	35.8	36.1	-0.3
Cost/Income	48.5	49.7	48.3	0.3	-1.1	48.5	48.3	0.3
NCC (Ann.) (bps)	23	27	30	-7	-4	23	30	-7
GIL ratio	1.27	1.23	1.32	-0.05	0.04			
Loan loss coverage	117	122	121	-4	-5			
CASA ratio	34.6	34.4	35.3	-0.7	0.2			
L/D ratio	93.6	93.2	95.1	-1.5	0.3			
CET-1	14.9	15.8	14.9	0.0	-0.9			

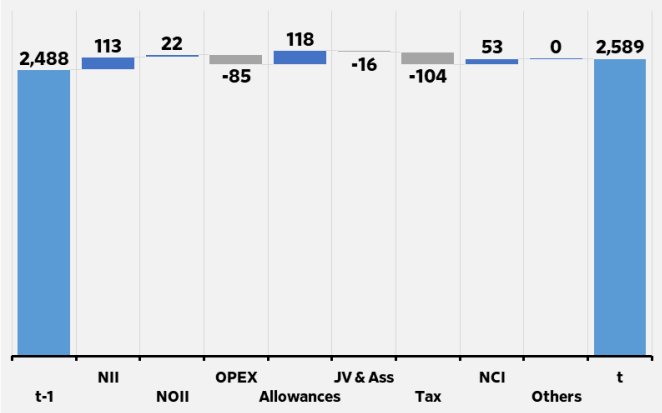
Source: Company, MIDFR

FIG 2: QoQ P/L walk (Quarterly results)



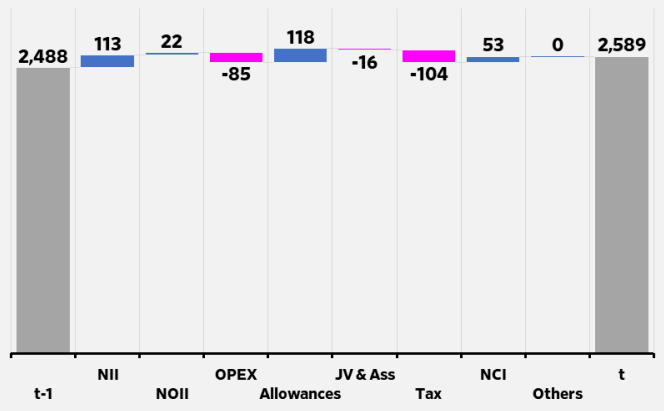
Source: Company, MIDFR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MIDFR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

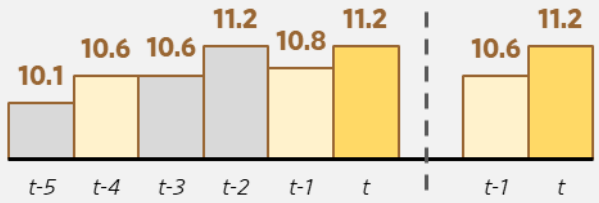
1QFY25 / 3MFY25 results

Earnings: Within/Within our/street forecasts

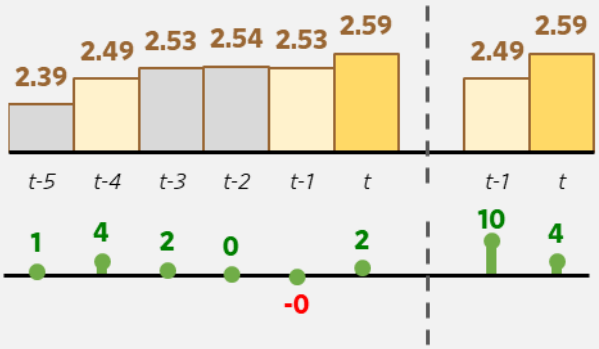
25%/25% of full-year estimates

Dividend: NO

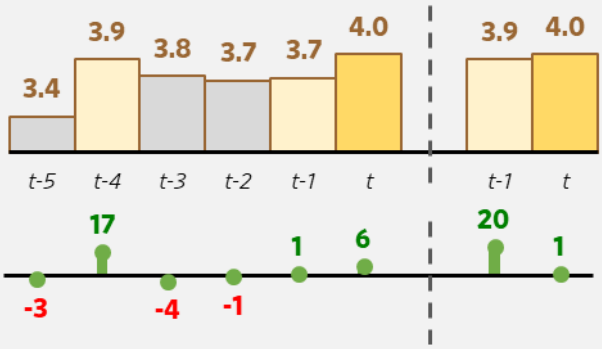
ROE (%)



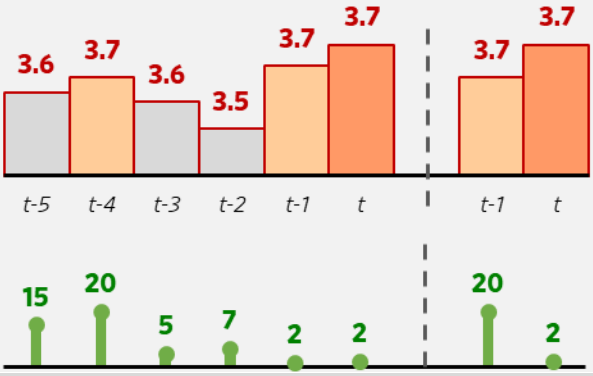
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



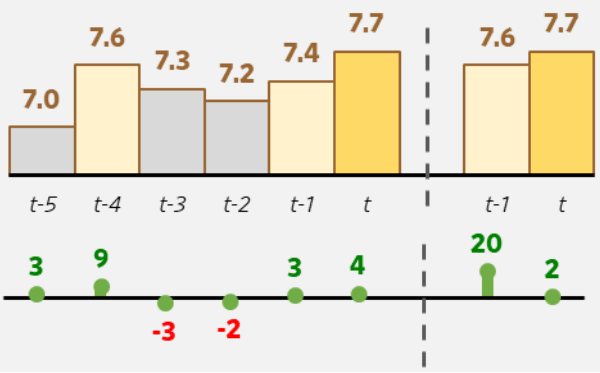
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



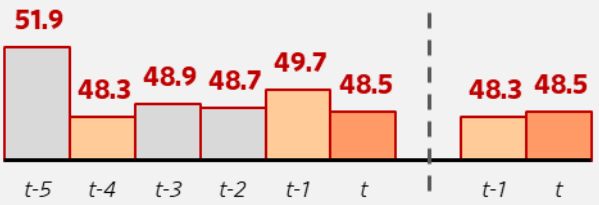
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



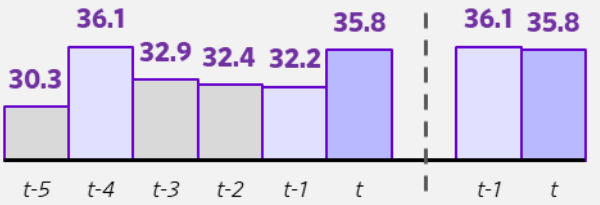
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



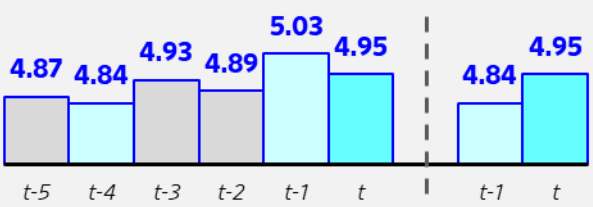
Cost/Income ratio (%)



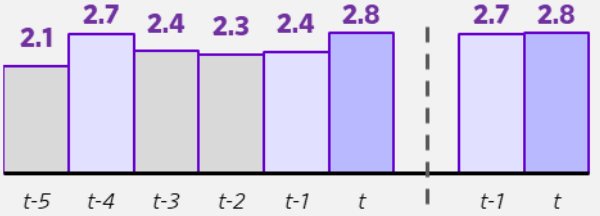
% NOII as topline (%)



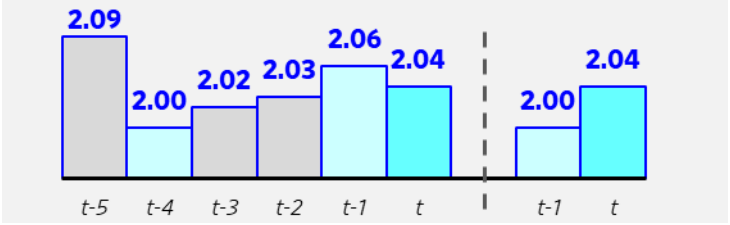
Net interest income (RM b)



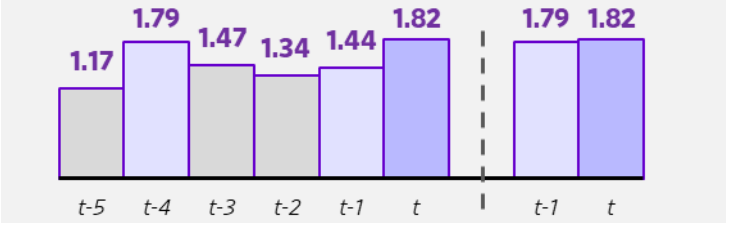
Non-interest income (RM b)



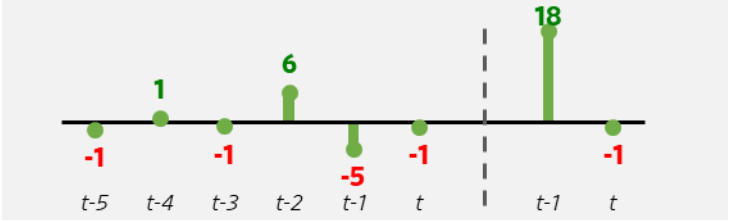
NIM (%)



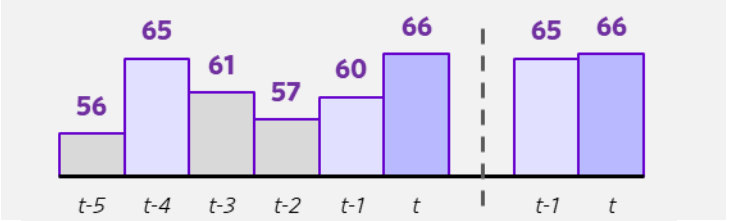
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

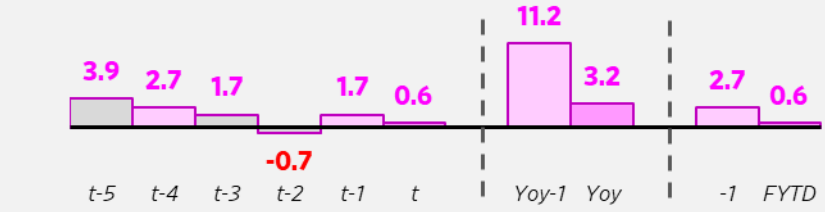


% Non-fee income as NOII (%)

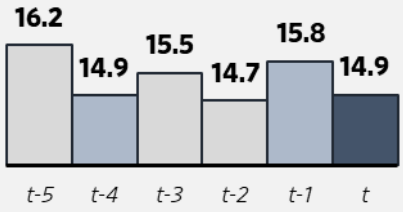


BALANCE SHEET

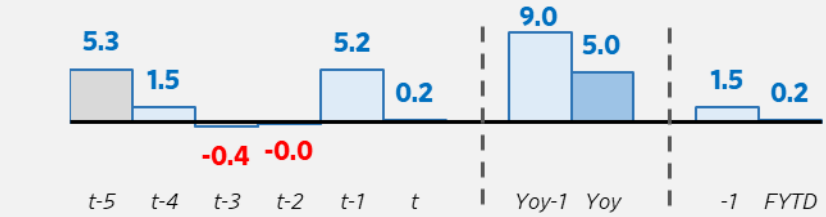
Loan growth – qoq, yoy, FYTD (%)



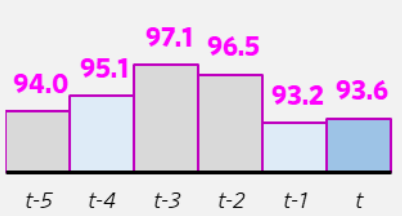
CET 1 ratio (%)



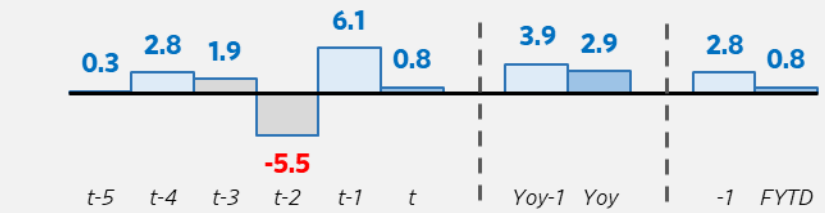
Deposit growth – qoq, yoy, FYTD (%)



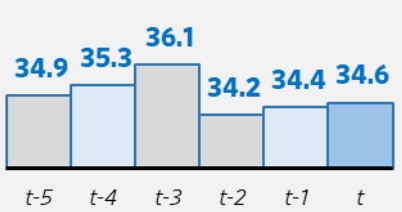
Loan/Deposit ratio (%)



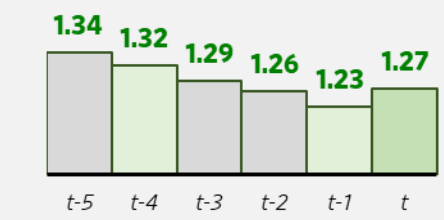
CASA growth – qoq, yoy, FYTD (%)



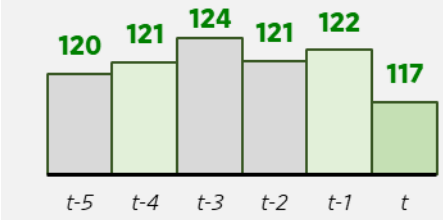
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

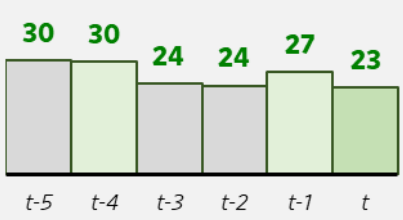


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***2,589***	**Qtrly ROE**	Qtr value	***11.2%***	
	25% of FY CNP					
	Qoq	*2%*		t-1	*10.8%*	
	Yoy	*4%*		t-4	*10.6%*	
Cum Core NP	RM mil	***2,589***	**Cum ROE**	Cum value	***11.2%***	
	Within our forecast					
	25% of FY CNP					
	Within consensus					
	25% of FY CNP					
	Yoy	*4%*		t-1	*10.6%*	
NII	As expected		**NIM**	As expected		
				Qtr value	***2.04***	
				Cum value	***2.04***	
	Qtr (Qoq)	*-2%*		Qtr (Qoq)	*-2bps*	
	Qtr (Yoy)	*2%*		Qtr (Yoy)	*+4bps*	
	Cum (Yoy)	*2%*		Cum (Yoy)	*+4bps*	
NOII	As expected		**Qtr**	% NII	***64%***	
	Qtr (Qoq)	*16%*		% NOII	***36%***	
	Qtr (Yoy)	*1%*	**Cum**	% NII	***64%***	
	Cum (Yoy)	*1%*		% NOII	***36%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***48.5%***	
				Cum value	***48.5%***	
	Qtr (Qoq)	*2%*		Qtr (Qoq)	*-1.1%*	
	Qtr (Yoy)	*2%*		Qtr (Yoy)	*+0.3%*	
	Cum (Yoy)	*2%*		Cum (Yoy)	*+0.3%*	

Source: Company, MIDFR

FIG 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	-ve surprise					
	Qoq	*0.6%*				
	Yoy	*3.2%*				
	YTD (FY)	*0.6%*				
Depo. grwth	As expected		**CASA grwth**	As expected		
	Qoq	*0.2%*		Qoq	*0.8%*	
	Yoy	*5.0%*		Yoy	*2.9%*	
	YTD (FY)	*0.2%*		YTD (FY)	*0.8%*	
CASA ratio	As expected		**L/D ratio**	As expected		
	Value now	***34.6%***		Value now	***93.6%***	
	Qoq	*+0.2%*		Qoq	*+0.3%*	
	Yoy	*-0.7%*		Yoy	*-1.5%*	
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***1.27%***		Value now	***117%***	
	Qoq	*+4bps*		Qoq	*-5%*	
	Yoy	*-5bps*		Yoy	*-4%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Decent provision			Decent provision		
	Value now	***23bps***		Value now	***23bps***	
	t-1	*27bps*				
	t-4	*30bps*		t-4	*30bps*	
CET 1	Healthy level		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***14.9%***		**Payout**	-	
	Qoq	*-0.9%*				

Source: Company, MIDFR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	3M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>11.3	11.2	
CIR	<49	48.5	
NIM	~~Flat~~	2.04	~~Stable NIMs.~~ NIM compression likely.
NOII		1% (yoy)	
Loans	5 - 6	0.6 (YTD)	We think loans will come in at the weaker end of guidance.
Deposits		0.2 (YTD)	
% CASA		34.6	
Loan/Depo		93.6	
GIL ratio		1.27	
NCC (bps)	<30	23	
LLC		117	
CET 1		14.9	
Div payout		-	

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**12,792**	**12,807**	**13,827**	**14,408**	**14,896**
Islamic banking inc.	7,577	8,346	7,230	7,534	7,789
Other operating inc.	6,992	8,419	9,662	9,057	9,370
Net income	**27,361**	**29,573**	**30,719**	**30,999**	**32,055**
OPEX	(13,389)	(14,460)	(14,899)	(14,879)	(15,226)
PPOP	**13,972**	**15,112**	**15,820**	**16,119**	**16,829**
Loan allowances	(1,826)	(1,671)	(1,947)	(2,058)	(2,172)
Other allowances	145	24	(247)	(205)	(171)
JV & Associates	240	236	269	274	286
PBT	**12,532**	**13,702**	**13,895**	**14,130**	**14,773**
Tax & zakat	(2,917)	(3,195)	(3,196)	(3,250)	(3,398)
NCI	(265)	(418)	(321)	(326)	(341)
Reported NP	**9,350**	**10,089**	**10,378**	**10,554**	**11,034**
Core NP	**9,350**	**10,089**	**10,378**	**10,554**	**11,034**
Total NII	19,302	19,693	20,335	21,188	21,907
Total NOII	8,059	9,880	10,385	9,810	10,149

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	42,376	62,798	51,404	51,266	51,493
Investment securities	252,537	240,829	229,797	222,086	217,064
Net loans	628,923	662,741	705,236	744,024	784,945
Other IEAs	30,723	29,564	30,950	32,407	33,940
Non-IEAs	73,116	79,390	81,887	100,314	116,157
Total assets	**1,027,675**	**1,075,322**	**1,099,275**	**1,150,097**	**1,203,600**
Customer deposits	670,359	712,915	755,690	797,253	841,102
Other IBLs	163,138	163,018	168,090	173,401	178,963
Non-IBLs	96,529	102,182	75,569	76,509	77,469
Total liabilities	**930,026**	**978,115**	**999,349**	**1,047,164**	**1,097,534**
Share capital	54,674	54,736	54,736	54,736	54,736
Reserves	39,968	39,234	42,091	45,005	48,040
Shareholders' funds	**94,642**	**93,971**	**96,827**	**99,742**	**102,777**
NCI	3,007	3,237	3,098	3,192	3,289
Total equity	**97,648**	**97,207**	**99,925**	**102,933**	**106,065**
Total L&E	**1,027,675**	**1,075,322**	**1,099,275**	**1,150,097**	**1,203,600**
Total IEAs	954,558	995,932	1,017,387	1,049,783	1,087,443
Total IBLs	833,497	875,933	923,780	970,654	1,020,066
Gross loans	640,750	674,969	715,467	754,818	796,333
CASA	233,895	245,485	256,935	271,066	285,975

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.11	1.99	2.02	2.05	2.05
Return on IEAs	3.31	3.36	2.35	2.34	2.31
Cost of funds	2.19	2.34	1.09	1.04	0.99
Net interest spread	1.12	1.02	1.26	1.31	1.33
Profitability (%)					
ROE	**10.3**	**10.7**	**10.9**	**10.7**	**10.9**
ROA	0.9	1.0	1.0	0.9	0.9
NOII/Net income	29.5	33.4	33.8	31.6	31.7
Effective tax rate	23.3	23.3	23.0	23.0	23.0
Cost/Income	48.9	48.9	48.5	48.0	47.5
Liquidity (%)					
Loan/Deposit	93.8	93.0	93.3	93.3	93.3
CASA ratio	34.9	34.4	34.0	34.0	34.0
Asset Quality (%)					
GIL ratio	1.34	1.23	1.30	1.30	1.30
LLC ratio	120	122	110	110	110
LLC (w. reserves)	149	157	141	139	137
Net CC (bps)	30	25	28	28	28
Capital (%)					
CET 1	16.2	15.8	15.5	15.0	15.0
Tier 1 capital	16.8	16.1	16.2	14.7	14.7
Total capital	19.4	18.9	18.8	18.3	18.3
Growth (%)					
Total NII	-6.7	2.0	3.3	4.2	3.4
Total NOII	38.8	22.6	5.1	-5.5	3.5
Net income	3.3	8.1	3.9	0.9	3.4
OPEX	11.8	8.0	3.0	-0.1	2.3
Core NP	17.5	7.9	2.9	1.7	4.5
Gross loans	9.2	5.3	6.0	5.5	5.5
Customer deposits	9.0	6.3	6.0	5.5	5.5
CASA	-2.7	5.0	4.7	5.5	5.5
Valuation metrics					
Core EPS (sen)	77.6	83.7	86.1	87.5	91.5
Gross DPS (sen)	60.0	61.0	68.8	70.0	73.2
Div payout (%)	77	73	80	80	80
BVPS (RM)	7.9	7.8	8.0	8.3	8.5
Core P/E (x)	12.8	11.9	11.5	11.3	10.8
Div yield (%)	**6.0**	**6.1**	**6.9**	**7.1**	**7.4**
P/BV (x)	1.3	1.3	1.2	1.2	1.2

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology