Corporate Update

Malayan Banking Berhad

(1155 | MAY MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Maintain **NEUTRAL**

Revised Target Price **RM9.92**
(from RM10.20)

2QFY25 Results Review
Weak Loan Growth

To Conclude	**Solid set of earnings, as forecasted.** **Management's tone: Neutral** **Expect: Relatively stable earnings in subsequent quarters.**
Our Verdict	**While dividends yield remains attractive, MAY is fairly priced in – and faces its share of headwinds in each of its regional segments.**
Valuations	**Current P/BV of 1.29x is priced in, trading the 10-year P/BV mean of 1.26x.** **The company is currently trading at a forward FY26F P/BV of 1.18x with a 7.1% dividend yield.**
Yays	1. Excellent dividend yields. 2. Larger recoveries expected in 2HFY25. 3. Management is optimistic on NOII flows in subsequent quarters.
Nays	1. NIM compression is expected, though excellent liquidity situation offers means of offset. 2. Weak loan growth this year, due to forex impact. 3. Cost/Income ratio may not normalise following the end of M25+.
Okays	1. Asset quality situation is roughly stable – though watch the judgemental trigger related figures.

Results in a nutshell:

► **6MFY25's Core NP of RM5,217m is *Within/Within* our/street forecasts: *50%/50%* of full-year forecasts.**

▲ **Dividends announced.** DPS of 29.0 sen translates to a payout of 67% for 6MFY25.

▲ **6MFY25's Core net profit (NP) of RM5,217m up by 4%yoy.** Higher OPEX and tax expenses were offset by stronger NII and NOII results.

▲ **2QFY25's Core NP of RM2,628m up by 2%qoq.** Lower tax expenses and stronger associate performance offset higher OPEX and provision charges.

RETURN STATISTICS	
Price @ 26 August 2025 (RM)	9.75
Expected share price return (%)	+1.7
Expected dividend yield (%)	+7.1
Expected total return (%)	**+8.9**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.2	-1.9
3 months	1.0	-4.7
12 months	-6.1	-3.9

INVESTMENT STATISTICS			
FYE Dec	**FY25F**	**FY26F**	**FY27F**
Core NP (RM m)	**10,305**	**10,478**	**11,006**
CNP growth (%)	2	2	5
Div yield (%)	**7.0**	**7.1**	**7.5**
Gross DPS (sen)	68.3	69.5	73.0
P/BV (x)	**1.2**	**1.2**	**1.1**
BVPS (RM)	8.0	8.3	8.5
ROE (%)	**10.8**	**10.7**	**10.9**
% Street CNP (%)	**100**	**98**	**97**

KEY STATISTICS	
FBM KLCI	1,581.59
Issue shares (m)	12,067.0
Estimated free float (%)	49.8
Market Capitalisation (RM'm)	118,394.8
52-wk price range	RM9.32 – RM11.0
3-mth average daily volume (m)	11.6
3-mth average daily value (RM'm)	112.1
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:

▼ **FY25 NIM guidance officially downgraded.** Compression this quarter was attributable to SG's adverse SORA movements and to a smaller extent ID, which offset improvement seen in MY. While management expect further compression, they are not expecting it as steep as 1HFY25's -6bps compression (given the expiry of pricier SG FDs).

▲ **A positive liquidity situation implies room for NIM optimisation.** Current L/D is very low due to liquidity growth outstripping loan growth. Also, the Group saw good CASA growth, hence there is much room to release pricier FDs and MMDs. MY will maintain its current L/D dynamic – but SG's L/D could be brought up.

▲ **Optimistic on NOII outlook.** The Group is confident that improved debt capital market flows and potential realisation of investment securities are sustainable forms of revenue in subsequent quarters.

▼ **Multiple headwinds to loan growth – as a result, FY25 target has been downgraded.** Apart from negative forex movements, this quarter's loan growth was dragged by ID's corporate loan contraction. The Group still faces difficulty replacing ID's SOE loans, given that high deposit rates make ID's liquidity tight. MY's loan outlook will be impacted by its willingness to preserve margins. Management notes that smaller banks are switching to primary mortgages (following BNM's changes in personal financing regulations), providing additional competition. Regardless, management is still optimistic on the current residential mortgage pipeline – they believe FY25 can bring in at least 8%yoy growth for the residential mortgage segment.

► **Asset quality issues seem under control.** In MY, the bank continues to monitor the SME and hire purchase segments (especially for reconditioned cars). July showed promising recovery and collections in the CFS portfolio, so management is not overly worried. We do note one concern: there is a rising volume of performing loans impaired due to judgemental figures (this makes up 0.32% of the overall 1.30% GIL ratio figure). Most of these are MY wholesale banking accounts.

Forecasts revised: FY25F/FY26F/FY27F Core NP adjusted by -0.7%/-0.7%/-0.2%. To reflect lower loan growth guidance given by management.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Higher-than-expected NCC, (3) Weak loan growth.*

Maintain NEUTRAL call: Revised GGM-TP of RM 9.92 ***(from RM10.20).*** The TP is based on a revised FY26F P/BV of 1.20x *(formerly 1.27x, rolled on from FY25F),* to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 10.7%, LTG of 3.0% & COE of 9.4%)*

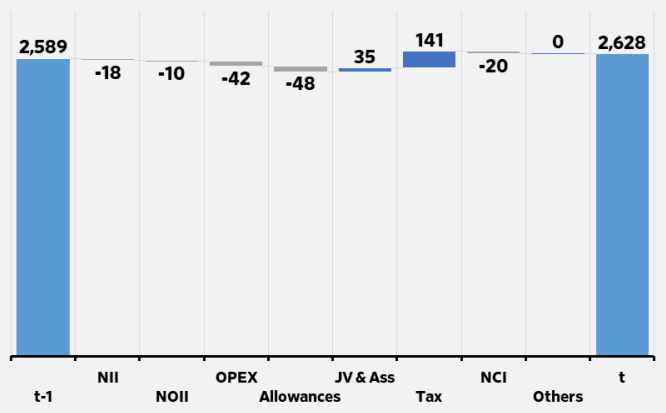
FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Net interest inc.	3,173	3,222	3,192	-1	-2	6,395	6,346	1
Islamic banking inc.	2,210	2,064	2,130	4	7	4,275	4,220	1
Non-interest inc.	2,301	2,426	2,022	14	-5	4,727	4,355	9
Net income	**7,684**	**7,712**	**7,344**	**5**	**-0**	**15,397**	**14,921**	**3**
OPEX	(3,785)	(3,743)	(3,593)	5	1	(7,528)	(7,251)	4
PPOP	**3,899**	**3,969**	**3,750**	**4**	**-2**	**7,869**	**7,670**	**3**
Loan provisions	(423)	(384)	(381)	11	10	(808)	(849)	-5
Other provisions	(51)	(42)	1	<-500	21	(93)	(75)	24
JV & Associates	87	51	72	20	69	138	139	-1
PBT	**3,512**	**3,594**	**3,443**	**2**	**-2**	**7,106**	**6,885**	**3**
Tax	(809)	(951)	(792)	2	-15	(1,760)	(1,639)	7
NCI	(74)	(55)	(121)	-39	36	(129)	(228)	-44
Reported NP	**2,628**	**2,589**	**2,530**	**4**	**2**	**5,217**	**5,018**	**4**
Core NP	**2,628**	**2,589**	**2,530**	**4**	**2**	**5,217**	**5,018**	**4**
Total NII	4,935	4,953	4,931	0	-0	9,887	9,771	1
Total NOII	2,750	2,760	2,413	14	-0	5,510	5,151	7
Gross DPS (sen)	**29.0**	**-**	**29.0**	***n.m.***	***n.m.***	**29.0**	**29.0**	***n.m.***
Core EPS (sen)	21.8	21.4	21.0	4	1	43.2	41.6	4
Gross loans	677,588	678,687	668,834	1.3	-0.2			
Gross impaired loans	8,822	8,615	8,597	2.6	2.4			
Customer deposits	718,937	714,584	677,737	6.1	0.6			
CASA	257,251	247,426	244,939	5.0	4.0			

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**11.2**	**11.2**	**10.6**	***0.5***	***-0.0***	**11.1**	**10.5**	***0.5***
NIM (Reported)	**2.00**	**2.04**	**2.02**	***-0.02***	***-0.04***	**2.02**	**2.01**	***0.01***
NOII/Net income	35.8	35.8	32.9	2.9	0.0	35.8	34.5	1.3
Cost/Income	49.3	48.5	48.9	0.3	0.7	48.9	48.6	0.3
NCC (Ann.) (bps)	25	23	24	1	2	24	27	-3
GIL ratio	1.30	1.27	1.29	0.02	0.03			
Loan loss coverage	113	117	124	-11	-4			
CASA ratio	35.8	34.6	36.1	-0.4	1.2			
L/D ratio	92.9	93.6	97.1	-4.3	-0.7			
CET-1	15.5	14.9	15.5	0.0	0.6			

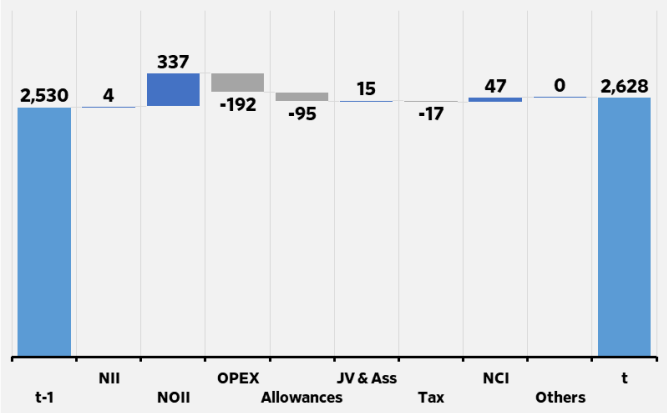
Source: Company, MBSBR

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



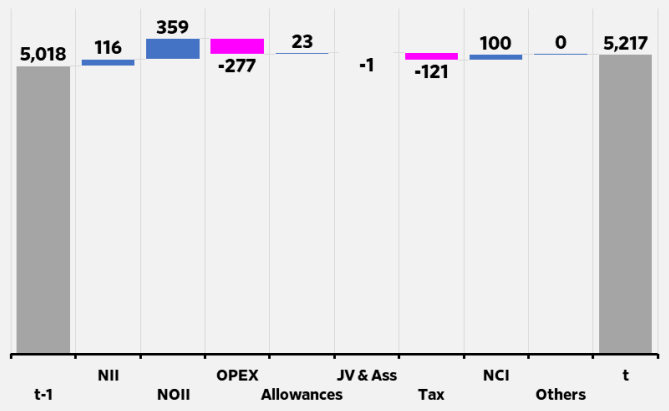
Source: Company, MBSBR

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



Source: Company, MBSBR

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



Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

2QFY25 / 6MFY25 results

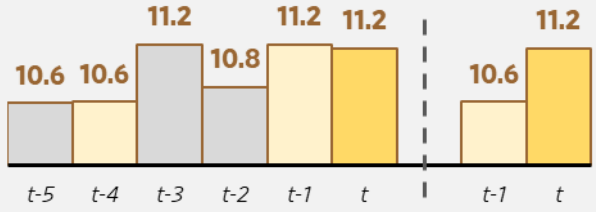
Earnings: Within/Within our/street forecasts

50%/50% of full-year estimates

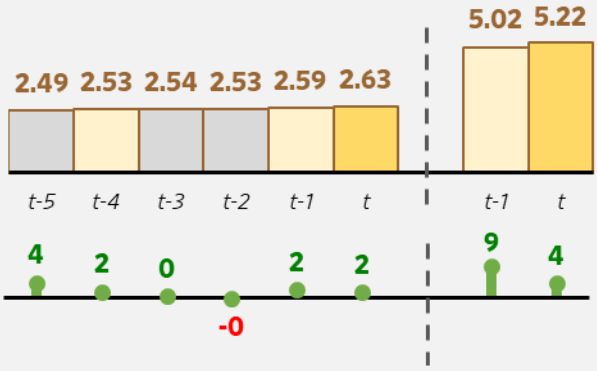
Dividend: YES

YTD payout: 67%

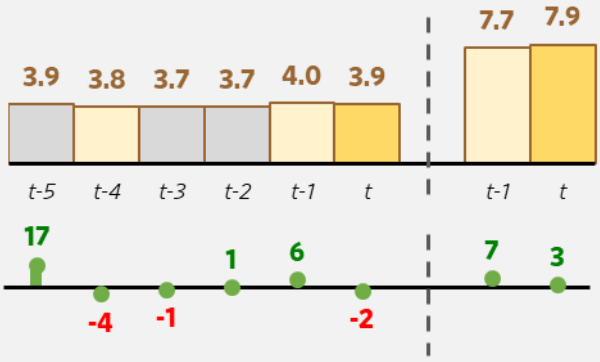
ROE (%)



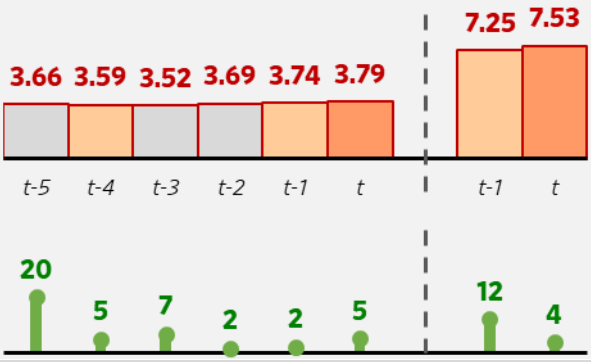
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



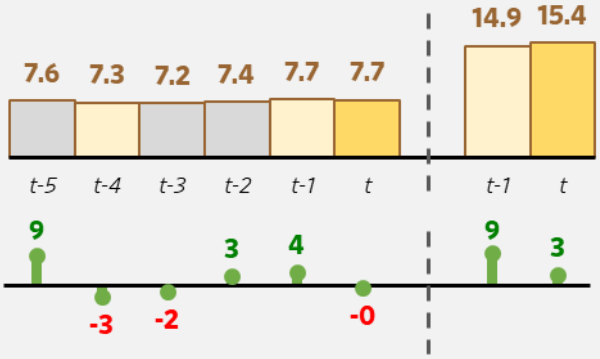
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



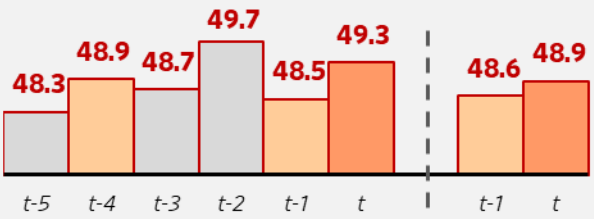
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



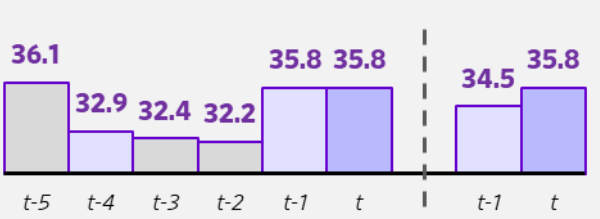
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



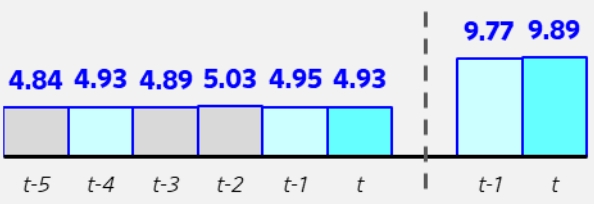
Cost/Income ratio (%)



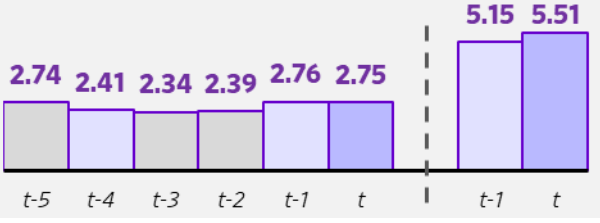
% NOII as topline (%)



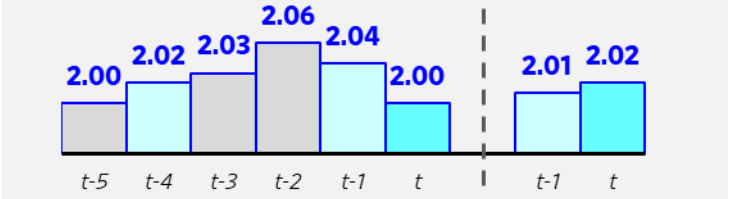
Net interest income (RM b)



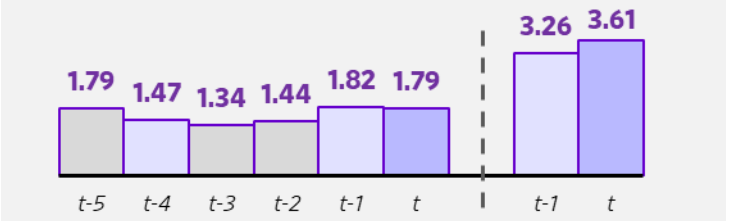
Non-interest income (RM b)



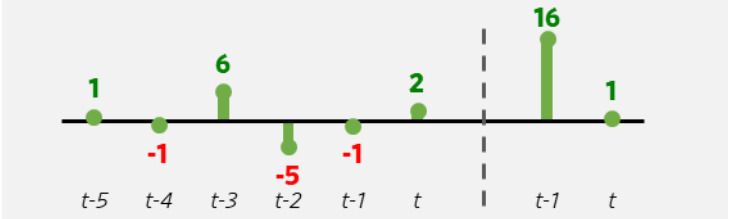
NIM (%)



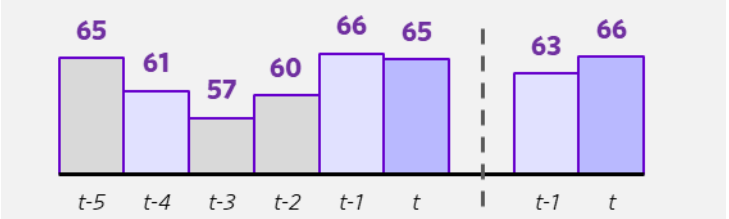
Non-fee NOII (RM b)



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

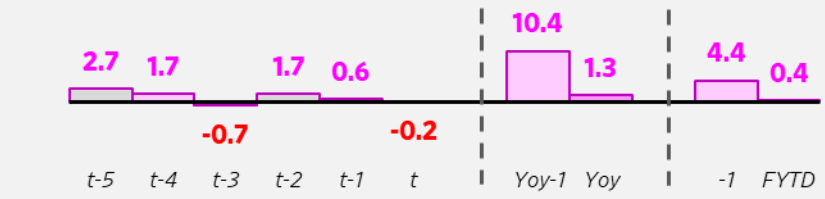


% Non-fee income as NOII (%)

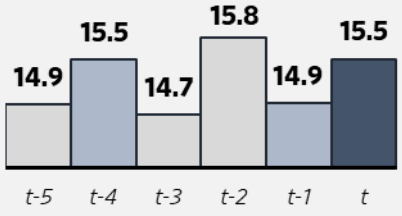


BALANCE SHEET

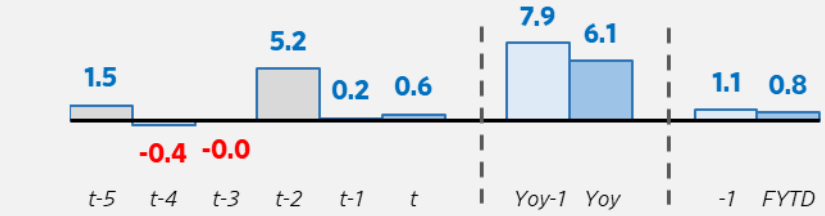
Loan growth – qoq, yoy, FYTD (%)



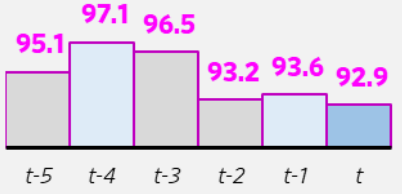
CET 1 ratio (%)



Deposit growth – qoq, yoy, FYTD (%)



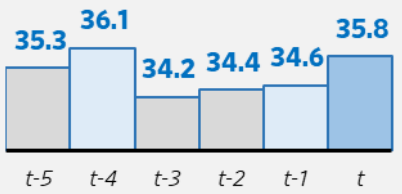
Loan/Deposit ratio (%)



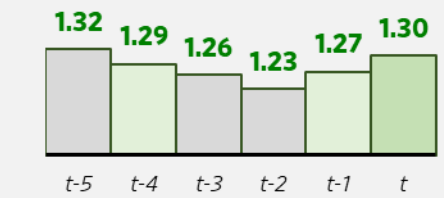
CASA growth – qoq, yoy, FYTD (%)



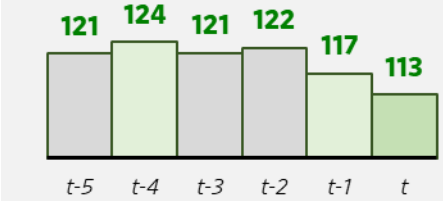
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

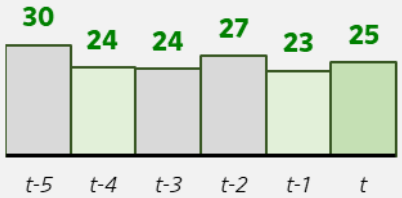


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***2,628***	**Qtrly ROE**	Qtr value	***11.2%***	
	25% of FY CNP					
	Qoq	*2%*		t-1	*11.2%*	
	Yoy	*4%*		t-4	*10.6%*	
Cum Core NP	RM mil	***5,217***	**Cum ROE**	Cum value	***11.1%***	
	Within our forecast					
	50% of FY CNP					
	Within consensus					
	50% of FY CNP					
	Yoy	*4%*		t-1	*10.5%*	
NII	As expected		**NIM**	As expected		
				Qtr value	***2.00***	
				Cum value	***2.02***	
	Qtr (Qoq)	*-0%*		Qtr (Qoq)	*-4bps*	
	Qtr (Yoy)	*0%*		Qtr (Yoy)	*-2bps*	
	Cum (Yoy)	*1%*		Cum (Yoy)	*+1bps*	
NOII	As expected		**Qtr**	% NII	***64%***	
	Qtr (Qoq)	*-0%*		% NOII	***36%***	
	Qtr (Yoy)	*14%*	**Cum**	% NII	***64%***	
	Cum (Yoy)	*7%*		% NOII	***36%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***49.3%***	
				Cum value	***48.9%***	
	Qtr (Qoq)	*1%*		Qtr (Qoq)	*+0.7%*	
	Qtr (Yoy)	*5%*		Qtr (Yoy)	*+0.3%*	
	Cum (Yoy)	*4%*		Cum (Yoy)	*+0.3%*	

Source: Company, MBSBR

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	*-0.2%*				
	Yoy	*1.3%*				
	YTD (FY)	*0.4%*				
Depo. grwth	As expected		**CASA grwth**	As expected		
	Qoq	*0.6%*		Qoq	*4.0%*	
	Yoy	*6.1%*		Yoy	*5.0%*	
	YTD (FY)	*0.8%*		YTD (FY)	*4.8%*	
CASA ratio	As expected		**L/D ratio**	As expected		
	Value now	***35.8%***		Value now	***92.9%***	
	Qoq	*+1.2%*		Qoq	*-0.7%*	
	Yoy	*-0.4%*		Yoy	*-4.3%*	
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***1.30%***		Value now	***113%***	
	Qoq	*+3bps*		Qoq	*-4%*	
	Yoy	*+2bps*		Yoy	*-11%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Decent provision			Decent provision		
	Value now	***25bps***		Value now	***24bps***	
	t-1	*23bps*				
	t-4	*24bps*		t-4	*27bps*	
CET 1	Healthy level		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***15.5%***		**Payout**	***67%***	
	Qoq	*0.6%*				

Source: Company, MBSBR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	1H FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>11.3	11.1	
CIR	<49	48.9	
NIM	To compress	2.02	
NOII		7% (yoy)	
Loans	3 ~~5 – 6~~	0.4 (YTD)	
Deposits		0.8 (YTD)	
% CASA		35.8	
Loan/Depo		92.9	
GIL ratio		1.30	
NCC (bps)	<30	24	
LLC		113	
CET 1		15.5	
Div payout		67	

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**12,792**	**12,807**	**13,216**	**13,548**	**14,025**
Islamic banking inc.	7,577	8,346	6,910	7,084	7,333
Other operating inc.	6,992	8,419	10,215	9,785	10,205
Net income	**27,361**	**29,573**	**30,341**	**30,417**	**31,563**
OPEX	(13,389)	(14,460)	(14,715)	(14,600)	(14,993)
PPOP	**13,972**	**15,112**	**15,626**	**15,817**	**16,571**
Loan allowances	(1,826)	(1,671)	(1,918)	(1,853)	(1,945)
Other allowances	145	24	(176)	(205)	(171)
JV & Associates	240	236	266	269	282
PBT	**12,532**	**13,702**	**13,797**	**14,028**	**14,736**
Tax & zakat	(2,917)	(3,195)	(3,173)	(3,226)	(3,389)
NCI	(265)	(418)	(319)	(324)	(340)
Reported NP	**9,350**	**10,089**	**10,305**	**10,478**	**11,006**
Core NP	**9,350**	**10,089**	**10,305**	**10,478**	**11,006**
Total NII	19,302	19,693	19,435	19,924	20,625
Total NOII	8,059	9,880	10,906	10,493	10,938

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	685,276	719,540	755,517
Other IEAs	30,723	29,564	30,950	32,407	33,940
Non-IEAs	73,116	79,390	81,870	101,500	118,680
Total assets	**1,027,675**	**1,075,322**	**1,079,298**	**1,126,800**	**1,176,695**
Customer deposits	670,359	712,915	735,729	773,987	814,234
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**	**979,387**	**1,023,897**	**1,070,666**
Share capital	54,674	54,736	54,736	54,736	54,736
Reserves	39,968	39,234	42,076	44,976	48,005
Shareholders' funds	**94,642**	**93,971**	**96,812**	**99,712**	**102,741**
NCI	3,007	3,237	3,098	3,191	3,288
Total equity	**97,648**	**97,207**	**99,910**	**102,903**	**106,029**
Total L&E	**1,027,675**	**1,075,322**	**1,079,298**	**1,126,800**	**1,176,695**
Total IEAs	954,558	995,932	997,428	1,025,299	1,058,015
Total IBLs	833,497	875,933	903,819	947,388	993,197
Gross loans	640,750	674,969	695,218	729,979	766,478
CASA	233,895	245,485	250,148	263,155	276,840

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.11	2.00	1.95	1.97	1.98
Return on IEAs	3.31	3.36	2.31	2.31	2.29
Cost of funds	2.19	2.34	1.10	1.06	1.01
Net interest spread	1.12	1.02	1.21	1.25	1.28
Profitability (%)					
ROE	**10.3**	**10.7**	**10.8**	**10.7**	**10.9**
ROA	0.9	1.0	1.0	0.9	1.0
NOII/Net income	29.5	33.4	35.9	34.5	34.7
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	93.1	93.0	92.8
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	140	139
Net CC (bps)	30	25	28	26	26
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	-1.3	2.5	3.5
Total NOII	38.8	22.6	10.4	-3.8	4.2
Net income	3.3	8.1	2.6	0.3	3.8
OPEX	11.8	8.0	1.8	-0.8	2.7
Core NP	17.5	7.9	2.1	1.7	5.0
Gross loans	9.2	5.3	3.0	5.0	5.0
Customer deposits	9.0	6.3	3.2	5.2	5.2
CASA	-2.7	5.0	1.9	5.2	5.2
Valuation metrics					
Core EPS (sen)	77.6	83.7	85.5	86.9	91.3
Gross DPS (sen)	60.0	61.0	68.3	69.5	73.0
Div payout (%)	77	73	80	80	80
BVPS (RM)	7.9	7.8	8.0	8.3	8.5
Core P/E (x)	12.6	11.7	11.4	11.2	10.7
Div yield (%)	**6.2**	**6.3**	**7.0**	**7.1**	**7.5**
P/BV (x)	1.2	1.3	1.2	1.2	1.1

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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