Corporate Update

Malayan Banking Berhad

(1155 | MAY MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Maintain **NEUTRAL**

Revised Target Price **RM12.43**
(from RM11.99)

4QFY25 Results Review
Dividend Disappointment

Salient Points

Solid set of earnings, as expected.

Management's tone: Cautiously optimistic.

Expect: Further discussion on special dividends to come eventually.

Our Verdict

ROAR30's elevated costs put a damper on earnings growth in the next couple of years. But catalysts remain: We will be monitoring ID's turnaround, further recoveries, and the degree of NOII growth. There remains upside opportunity for dividends, but this won't come so quickly.

Valuations

A revised FY26F P/BV of 1.50x *(from 1.45x)*

Current P/BV of 1.55x is expensive, trading above +2SD of the 10-year P/BV mean of 1.26x.

The company is currently trading at a forward FY26F P/BV of 1.45x with a +5.3% dividend yield.

Themes

1. ▲ Dividend yields remain one of the industry's best, backed up by sizeable capital reserves. There's still a possibility of dividend upside, but this will come several quarters later.
2. ▲ Fee income is a core component of ROAR30's success. Its outlook remains very bright, with wealth management and Islamic finance as main drivers.
3. ▲ Asset quality seems relatively benign for now. The Group continues to undergo a "soft derisking", but that's an issue for the future. The likelihood for further writebacks remains very high.
4. ► After this quarter's steep NIM improvement, the Group seems more moderate on NIM outlook. There remains room for further asset/liability management, but MAY warns us of potential headwinds from SG and MY.
5. ► Expect moderate loan growth figures, with a deeper focus on the SME segment. Management seems particularly confident that the Indonesian situation will turn around, while SG and MY outlooks are positive.
6. ▼ Negative on OPEX outlook, with higher ROAR30 tech spend inbound.

Results in a nutshell:

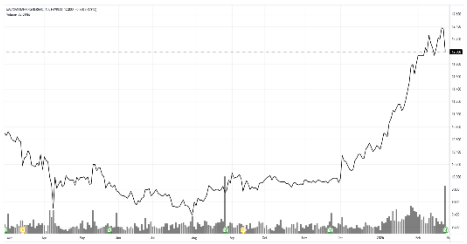
► **FY25's Core NP of RM10,514m is *Within/Within* our/street forecasts: *102%/101%* of full-year forecasts.**

► **Dividends announced.** DPS of 63.0 sen translates to a payout of 72% for FY25.

▲ **FY25's Core net profit (NP) of RM10,514m up by +4%yoy.** Improvements in topline offset higher OPEX and tax charges.

RETURN STATISTICS	
Price @ 26 February 2026 (RM)	12.00
Expected share price return (%)	+3.6
Expected dividend yield (%)	+5.3
Expected total return (%)	**+8.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.5	8.4
3 months	16.6	13.9
12 months	17.0	6.2

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**10,607**	**11,006**	**11,467**
CNP growth (%)	1	4	4
Div yield (%)	**5.3**	**5.5**	**5.7**
Gross DPS (sen)	63.2	65.5	68.1
P/BV (x)	**1.4**	**1.3**	**1.2**
BVPS (RM)	8.3	9.1	10.0
ROE (%)	**11.0**	**10.5**	**9.9**
% Street CNP (%)	**98**	**96**	

KEY STATISTICS	
FBM KLCI	1,740.94
Issue shares (m)	12,067.0
Estimated free float (%)	52.5
Market Capitalisation (RM'm)	147,631.1
52-wk price range	RM9.32 – RM12.2
3-mth average daily volume (m)	17.1
3-mth average daily value (RM'm)	189.3
Top Shareholders (%)	
Amanah Saham Nasional Bhd	36.1
EPF Board	13.0
Yayasan Pelaburan Bumiputra	6.6

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▲ **4QFY25's Core NP of RM2,676m up by +2%qoq.** Increased NII and provisioning offset higher NOII and tax charges.

Have a look at:

▼ **Disappointingly, dividend payout is close to the current 72% levels, though management hints at wanting to release more capital.** Management intends to maintain dividend payouts near the current level. They also imply that current capital ratios are on the high side and wants to release capital, but has to eke out further plans before giving further confirmation. Ultimately, we still think there's a high chance of dividend upside, but any announcements will likely be made several quarters down the road.

▼ **ROAR30's capital management plan is still incomplete – no word on dividend plans.** Management reiterated that the ongoing plan is to narrow the gap between the Bank and Group level CET 1 ratios. As for CRWA, the ramp-up in non-retail loans should prompt faster generation, but it can be offset by further optimisation measures.

► **After a sharp leap in NIM, the goal is stability (or at least minor compression).** MAY saw a +7bps qoq increase in NIM, driven primarily by liability management. Management guides for this to continue, and for asset-side optimisation to start taking a more prominent role. However, we doubt that these measures will lead to any further significant NIM accretion – management only intends to maintain NIM at 4QFY25's level. The headwinds are mainly coming from MY and SG.

► **As ROAR30 tech spend starts to ramp up, management will be looking at other avenues to keep cost inflation at manageable levels.** ROAR30 tech investments should be seen from 2QFY26 onwards. To soften the blow, management will be looking to relieve costs in other places (primarily personnel costs) to make space for the high tech spend. On a more fortunate note, the Group is not expecting too significant an impact of the collective agreement on wages this time around.

▲ **Slightly better loan growth targets, and we doubt there will be any asset quality impediments this time.** The Group is optimistic on recovery in SG's loan growth (particularly its non-retail portfolio) after a period of declining yields. ID continues to undergo restructuring and will focus on local corporations instead of SOEs. While auto, RSME and commercial banking remain asset quality hotspots, the Group believes that there are no major issues and expects an eventual normalisation of figures. We doubt irritation on this end will impact MAY's loan growth in any way.

Forecasts revised: FY26F Core NP adjusted by +1.2%. To reflect management's FY26F guidance.
Key downside risks. *(1) Higher-than-expected OPEX growth, (2) Weaker-than-expected loans growth, (3) Steeper-than-expected NIM compression.*

Maintain NEUTRAL call: Revised GGM-TP of RM 12.43 ***(from RM11.99).*** The TP is based on a revised FY26F P/BV of 1.50x *(formerly 1.45x),* to reflect altered earnings prospects and ROE-based valuations.
(GGM assumptions: *FY26F ROE of 11.0%, LTG of 3.0% & COE of 8.3%)*

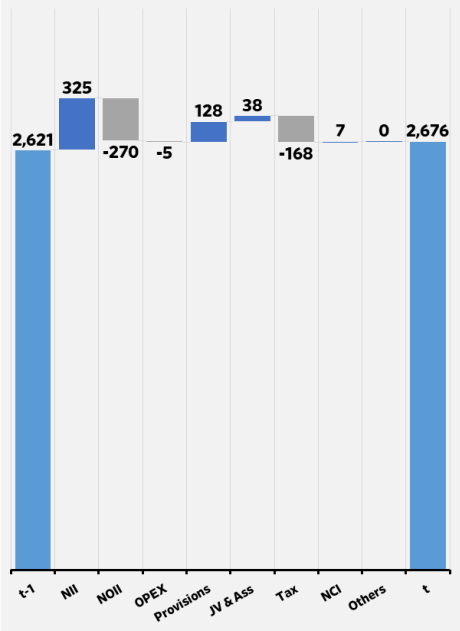
FIG 1: Quarterly results

FYE Dec (RM m)	4Q FY25	3Q FY25	4Q FY24	Yoy (%)	Qoq (%)	FY25	FY24	Yoy (%)
Net interest inc.	3,494	3,268	3,353	4	7	13,157	12,807	3
Islamic banking inc.	2,286	2,093	2,017	13	9	8,653	8,346	4
Non-interest inc.	1,739	2,103	2,053	-15	-17	8,569	8,419	2
Net income	**7,519**	**7,464**	**7,422**	**1**	**1**	**30,380**	**29,573**	**3**
OPEX	(3,658)	(3,653)	(3,687)	-1	0	(14,839)	(14,460)	3
PPOP	**3,861**	**3,811**	**3,735**	**3**	**1**	**15,540**	**15,112**	**3**
Loan provisions	(9)	254	(445)	-98	-104	(562)	(1,671)	-66
Other provisions	(217)	(608)	71	-403	-64	(919)	24	<-500
JV & Associates	87	49	53	64	76	274	236	16
PBT	**3,722**	**3,506**	**3,414**	**9**	**6**	**14,334**	**13,702**	**5**
Tax	(955)	(787)	(739)	29	21	(3,502)	(3,195)	10
NCI	(91)	(98)	(143)	-36	-7	(317)	(418)	-24
Reported NP	**2,676**	**2,621**	**2,532**	**6**	**2**	**10,514**	**10,089**	**4**
Core NP	**2,676**	**2,621**	**2,532**	**6**	**2**	**10,514**	**10,089**	**4**
Total NII	5,335	5,010	5,034	6	6	20,232	19,693	3
Total NOII	2,184	2,454	2,389	-9	-11	10,148	9,880	3
Gross DPS (sen)	**33.0**	**-**	**32.0**	**n.m.**	**n.m.**	**63.0**	**61.0**	**n.m.**
Core EPS (sen)	22.2	21.7	21.0	6	2	87.0	83.6	4
Gross loans	686,549	681,674	674,969	1.7	0.7			
Gross impaired loans	8,810	9,004	8,326	5.8	-2.2			
Customer deposits	698,210	707,343	712,915	-2.1	-1.3			
CASA	267,912	268,223	245,485	9.1	-0.1			

Ratios (%)	4Q FY25	3Q FY25	4Q FY24	Yoy (ppts)	Qoq (ppts)	FY25	FY24	Yoy (ppts)
ROE (Ann.)	**11.5**	**11.3**	**10.8**	**0.7**	**0.1**	**11.3**	**10.7**	**0.5**
NIM (Reported)	**2.09**	**2.02**	**2.06**	**0.03**	**0.07**	**2.05**	**2.05**	**0.00**
NOII/Net income	29.0	32.9	32.2	-3.1	-3.8	33.4	33.4	-0.0
Cost/Income	48.7	48.9	49.7	-1.0	-0.3	48.8	48.9	-0.1
NCC (Ann.) (bps)	1	(15)	27	-27	16	8	25	-17
GIL ratio	1.28	1.32	1.23	0.05	-0.04			
Loan loss coverage	98	103	122	-24	-4			
CASA ratio	38.4	37.9	34.4	3.9	0.5			
L/D ratio	97.1	95.1	93.2	3.8	2.0			
CET-1	16.0	14.9	15.8	0.3	1.1			

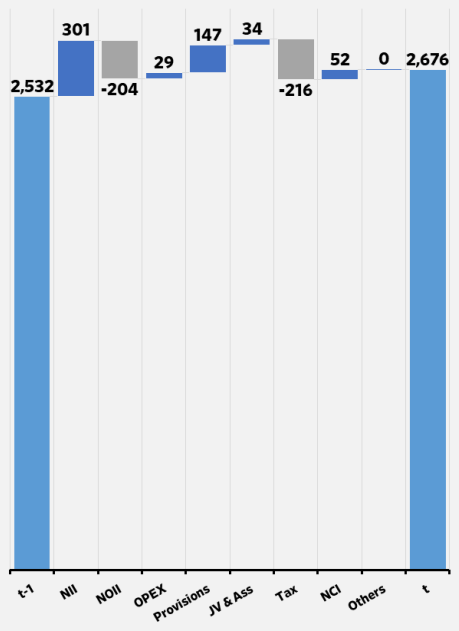
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



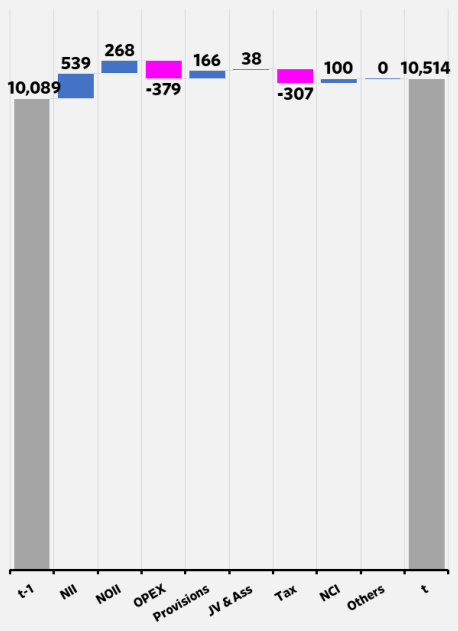
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY26F	FY25	FY25 Actual	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>11.8	>11.3	11.3	The Group may struggle to achieve this target. Unlike FY25, FY26 brings more normalised non-fee balances, as well as elevated tech spend.
CIR	<49	<49	48.8	
NIM	2.05 – 2.10 (from 2.05)	Stable (from 2.05)	2.05	4QFY25's ending NIM was at 2.09% -- hence expect stability or some compression.
NOII			3% (yoy)	
Loans	4 – 5	3 (Constant Currency Basis)	1.7 (YTD)	
Deposits			-2.1 (YTD)	
% CASA			38.4	
Loan/Depo			97.1	
GIL ratio			1.28	
NCC (bps)	20	<20	8	Although loan provisioning figures seem low, provisions to other instruments and assets are a lot higher this year.
CET 1			16.0	
Div payout	~72		72	Expect dividend to remain at similar levels.

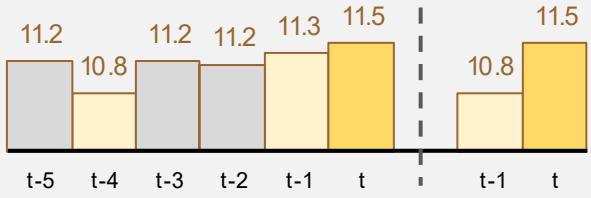
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

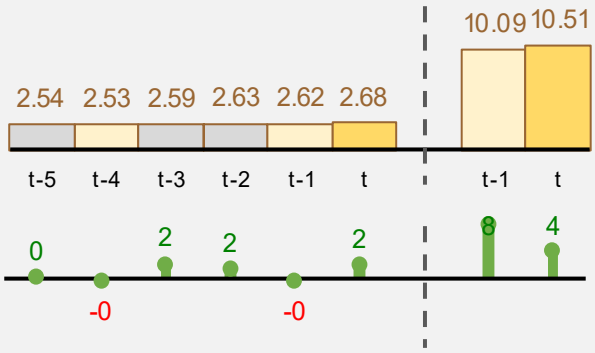
4QFY25 / FY25 results

Earnings:	Within our full-year forecasts	(102%)
	Within street full-year forecasts	(101%)
Dividend:	YES	
YTD payout:	72%	

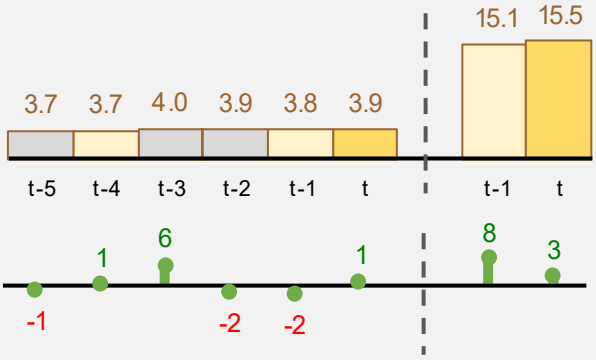
ROE (%)



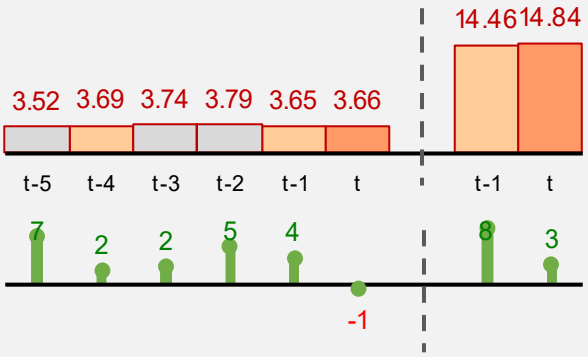
Core Net Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



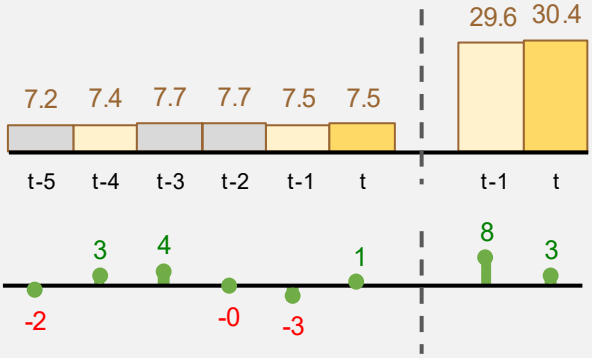
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



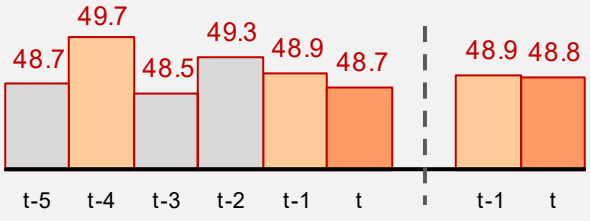
OPEX (RM b)
Growth -- yoy only! (Qtr & Cum) (%)



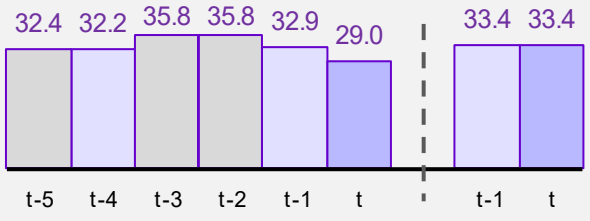
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



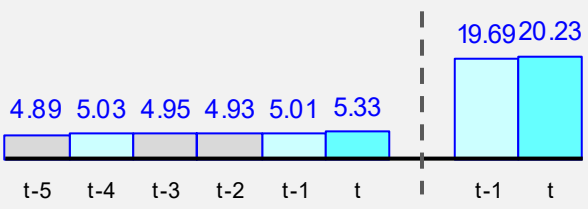
Cost/Income ratio (%)



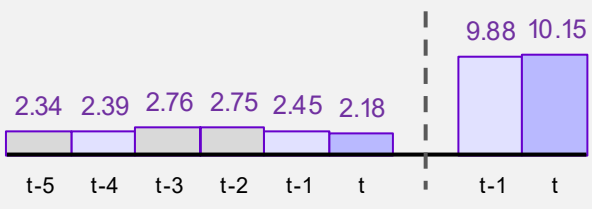
% NOII as topline (%)



Net interest income (RM b)

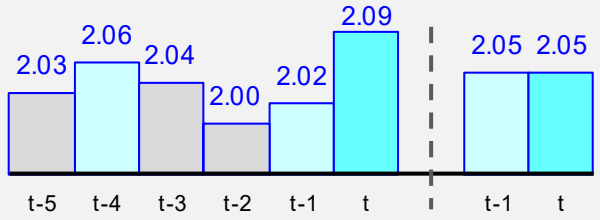


Non-interest income (RM b)

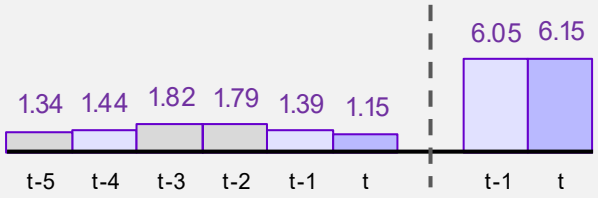


Source: Company, MBSBR

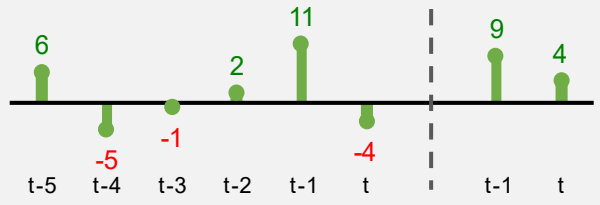
NIM (%)



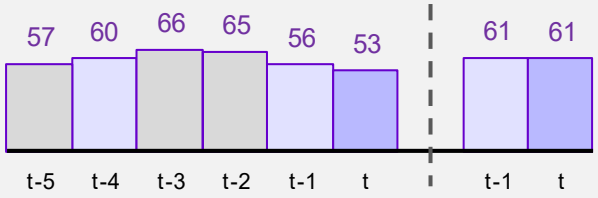
Non-fee NOII (RM b)



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

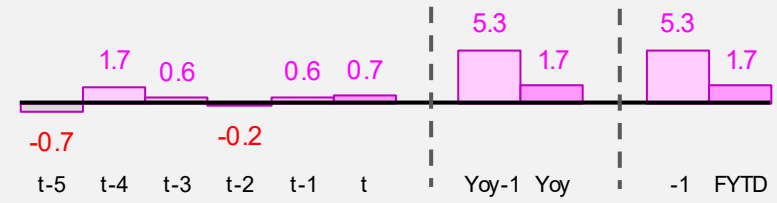


% Non-fee income as NOII (%)

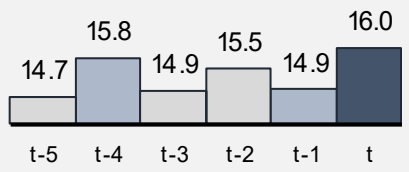


BALANCE SHEET

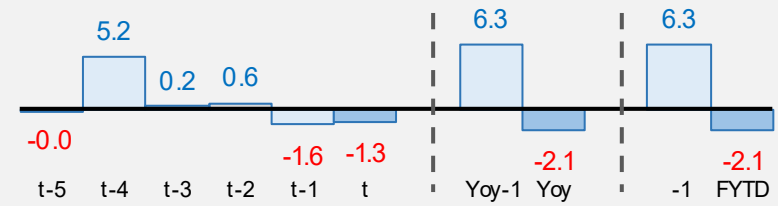
Loan growth -- qoq, yoy, FYTD (%)



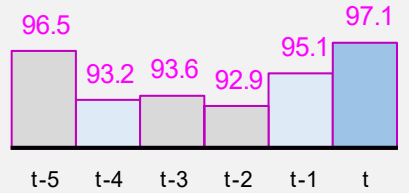
CET 1 ratio (%)



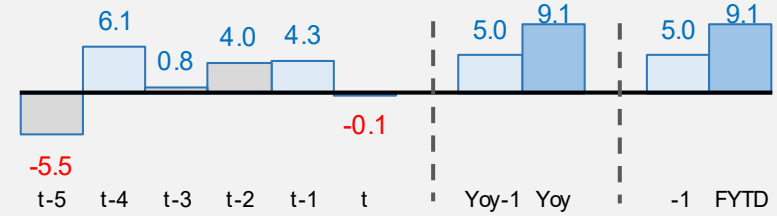
Deposit growth -- qoq, yoy, FYTD (%)



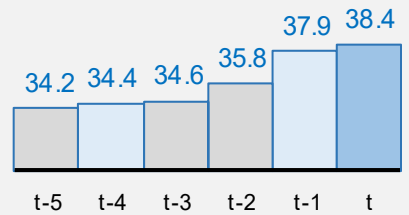
Loan/Deposit ratio (%)



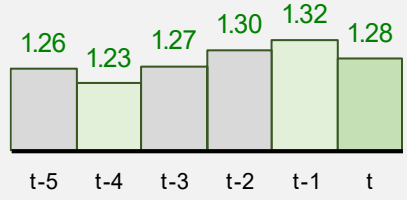
CASA growth -- qoq, yoy, FYTD (%)



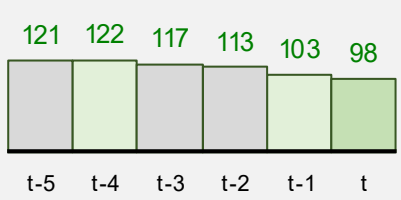
CASA ratio (%)



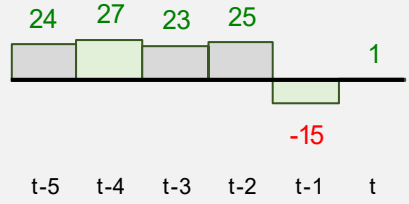
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	2,676	Qtrly ROE	Qtr value	11.5%
	26% of FY CNP				
	Qoq	2%		t-1	11.3%
	Yoy	6%		t-4	10.8%
Cum Core NP	RM mil	10,514	Cum ROE	Cum value	11.3%
	Within our forecast				
	102% of FY CNP				
	Within consensus				
	101% of FY CNP				
	Yoy	4%		t-1	10.7%
NII	As expected		NIM	+ve surprise	
				Qtr value	2.09
				Cum value	2.05
	Qtr (Qoq)	6%		Qtr (Qoq)	+7bps
	Qtr (Yoy)	6%		Qtr (Yoy)	+3bps
	Cum (Yoy)	3%		Cum (Yoy)	+0bps
NOII	As expected		Qtr	% NII	71%
	Qtr (Qoq)	-11%		% NOII	29%
	Qtr (Yoy)	-9%	Cum	% NII	67%
	Cum (Yoy)	3%		% NOII	33%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	48.7%
				Cum value	48.8%
	Qtr (Qoq)	0%		Qtr (Qoq)	-0.3%
	Qtr (Yoy)	-1%		Qtr (Yoy)	-1.0%
	Cum (Yoy)	3%		Cum (Yoy)	-0.1%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	0.7%			
	Yoy	1.7%			
	YTD (FY)	1.7%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	-1.3%		Qoq	-0.1%
	Yoy	-2.1%		Yoy	9.1%
	YTD (FY)	-2.1%		YTD (FY)	9.1%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	38.4%		Value now	97.1%
	Qoq	+0.5%		Qoq	+2.0%
	Yoy	+3.9%		Yoy	+3.8%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.28%		Value now	98%
	Qoq	-4bps		Qoq	-4%
	Yoy	+5bps		Yoy	-24%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Small provision			Small provision	
	Value now	1bps		Value now	8bps
	t-1	-15bps			
	t-4	27bps		t-4	25bps
CET 1	Very healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	16.0%		Payout	72%
	Qoq	1.1%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	**12,807**	**13,157**	**13,862**	**14,545**	**15,109**
Islamic banking inc.	8,346	8,653	8,936	9,376	9,740
Other operating inc.	8,419	8,569	7,543	7,570	7,955
Net income	**29,573**	**30,380**	**30,342**	**31,492**	**32,804**
OPEX	(14,460)	(14,839)	(14,716)	(15,273)	(15,910)
PPOP	**15,112**	**15,540**	**15,626**	**16,218**	**16,894**
Loan allowances	(1,671)	(562)	(1,404)	(1,467)	(1,533)
Other allowances	24	(919)	(302)	(307)	(312)
JV & Associates	236	274	281	292	304
PBT	**13,702**	**14,334**	**14,202**	**14,736**	**15,353**
Tax & zakat	(3,195)	(3,502)	(3,266)	(3,389)	(3,531)
NCI	(418)	(317)	(328)	(340)	(355)
Reported NP	**10,089**	**10,514**	**10,607**	**11,006**	**11,467**
Core NP	**10,089**	**10,514**	**10,607**	**11,006**	**11,467**
Total NII	19,693	20,232	20,386	21,390	22,220
Total NOII	9,880	10,148	9,956	10,102	10,585

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	62,798	42,359	42,499	42,641	42,784
Investment securities	240,829	243,817	250,324	257,009	263,879
Net loans	662,741	676,981	708,117	739,982	773,281
Other IEAs	29,564	21,718	22,634	23,593	24,598
Non-IEAs	79,390	68,708	51,038	55,170	65,765
Total assets	**1,075,322**	**1,053,584**	**1,074,611**	**1,118,395**	**1,170,307**
Customer deposits	712,915	698,210	729,630	762,463	796,774
Other IBLs	163,018	156,543	161,863	167,440	173,289
Non-IBLs	102,182	101,989	79,731	74,743	75,723
Total liabilities	**978,115**	**956,742**	**971,224**	**1,004,646**	**1,045,786**
Share capital	54,736	54,882	57,937	64,162	70,634
Reserves	39,234	38,562	42,245	46,060	50,027
Shareholders' funds	**93,971**	**93,445**	**100,182**	**110,222**	**120,661**
NCI	3,237	3,397	3,206	3,527	3,861
Total equity	**97,207**	**96,842**	**103,388**	**113,749**	**124,522**
Total L&E	**1,075,322**	**1,053,584**	**1,074,611**	**1,118,395**	**1,170,307**
Total IEAs	995,932	984,875	1,023,573	1,063,225	1,104,542
Total IBLs	875,933	854,753	891,492	929,903	970,063
Gross loans	674,969	686,549	717,443	749,728	783,466
CASA	245,485	267,912	277,259	289,736	302,774

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest (%)					
NIM	2.01	2.02	2.03	2.05	2.05
Return on IEAs	3.36	2.96	2.97	2.93	2.87
Cost of funds	2.34	1.87	1.83	1.76	1.68
Net interest spread	1.02	1.09	1.14	1.17	1.19
Profitability (%)					
ROE	**10.7**	**11.2**	**11.0**	**10.5**	**9.9**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	33.4	33.4	32.8	32.1	32.3
Effective tax rate	23.3	24.4	23.0	23.0	23.0
Cost/Income	48.9	48.8	48.5	48.5	48.5
Liquidity (%)					
Loan/Deposit	93.0	97.0	97.1	97.1	97.1
CASA ratio	34.4	38.4	38.0	38.0	38.0
Asset Quality (%)					
GIL ratio	1.23	1.28	1.30	1.30	1.30
LLC ratio	122	98	100	100	100
LLC (w. reserves)	157	122	124	125	126
Net CC (bps)	25	8	20	20	20
Capital (%)					
CET 1	15.8	16.0	15.8	15.8	15.8
Tier 1 capital	16.1	16.4	16.2	16.2	16.2
Total capital	18.9	20.0	19.8	19.8	19.8
Growth (%)					
Total NII	2.0	2.7	0.8	4.9	3.9
Total NOII	22.6	2.7	-1.9	1.5	4.8
Net income	8.1	2.7	-0.1	3.8	4.2
OPEX	8.0	2.6	-0.8	3.8	4.2
Core NP	7.9	4.2	0.9	3.8	4.2
Gross loans	5.3	1.7	4.5	4.5	4.5
Customer deposits	6.3	-2.1	4.5	4.5	4.5
CASA	5.0	9.1	3.5	4.5	4.5
Valuation metrics					
Core EPS (sen)	83.4	87.0	87.7	91.0	94.8
Gross DPS (sen)	61.0	-	63.2	65.5	68.1
Div payout (%)	73	-	72	72	72
BVPS (RM)	7.8	7.7	8.3	9.1	10.0
Core P/E (x)	14.4	13.8	13.7	13.2	12.7
Div yield (%)	**5.1**	**0.0**	**5.3**	**5.5**	**5.7**
P/BV (x)	1.5	1.6	1.4	1.3	1.2

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known as 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