Corporate Update

Malayan Banking Berhad

(1155 | MAY MK) Main | Financial Services

FTSE4Good | ESG 3 Stars

Upgrade to **BUY** (from NEUTRAL)
Revised Target Price **RM12.01**
(from RM12.29)

1QFY26 Results Review
Currency Headaches

Salient Points

A weaker set of earnings.
Management's tone: Slightly negative
Expect: Negative target revisions in the next quarter.

Our Verdict

MAY is facing headwinds and should negatively revise its targets by the following quarter. Non-fee income and elevated tech spend resumption were things that we cautioned about – but weaker loan growth and higher NCC are also emerging as threats. Regardless, there's a lot to love: MAY has solid dividend yields, good fee income growth, and a relatively strong NIM situation. Hopefully, an Indonesian turnaround is on the cards soon.

Valuations

A revised FY27F P/BV of 1.44x *(formerly 1.53x)*

Current P/BV of 1.40x is expensive, trading near +1SD of the 10-year P/BV mean of 1.26x. However, this is warranted given the Group's improved fundamentals. The company is currently trading at a forward FY27F P/BV of 1.26x with a +6.1% dividend yield.

Themes

1. ▲ Dividend yields remain one of the industry's best, backed up by sizeable capital reserves. There is still a possibility of dividend upside in the future.
2. ▲ Fee income is a core component of ROAR30's success. Main drivers are Wealth management and Islamic finance – their outlook is bright. However, non-fee income normalisation in FY26.
3. ► Management believes it can keep NIMs stable, though there is a rising threat from rising FD rates. Room for further asset/liability management exists, though be wary of potential headwinds from SG and MY.
4. ► Expect moderate loan growth figures, with a deeper focus on the SME segment. Management seems particularly confident about an Indonesian turnaround, while SG and MY outlooks are similarly positive.
5. ► Asset quality seems relatively benign for now, as the Group continues to undergo a "soft rerisking", but that's an issue for the future. FY26's NCC should come higher than last year's, especially since LLC has declined.
6. ▼ Negative on OPEX outlook, with higher ROAR30 tech spend inbound. This was the main downside to earnings growth in the next couple of years.

Results in a nutshell:

► **3MFY26's Core NP of RM2,481m is *Within/Within* our/street forecasts: *23%/22%* of full-year forecasts.**

► **No dividend announcement.**

RETURN STATISTICS	
Price @ 28 May 2026 (RM)	10.50
Expected share price return (%)	+14.4
Expected dividend yield (%)	+6.1
Expected total return (%)	**+20.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.9	-0.3
3 months	-2.6	-8.6
12 months	11.9	0.5

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**10,365**	**10,805**	**11,232**
CNP growth (%)	(1)	4	4
Div yield (%)	**5.9**	**6.1**	**6.4**
Gross DPS (sen)	61.7	64.3	66.8
P/BV (x)	**1.3**	**1.3**	**1.2**
BVPS (RM)	8.0	8.3	8.7
ROE (%)	**10.9**	**10.9**	**10.9**
% Street CNP (%)	**94**	**94**	**92**

KEY STATISTICS	
FBM KLCI	1,684.93
Issue shares (m)	12,081.1
Estimated free float (%)	58.5
Market Capitalisation (RM'm)	133,774.3
52-wk price range	RM9.39 – RM12.4
3-mth average daily volume (m)	17.6
3-mth average daily value (RM'm)	202.5
Top Shareholders (%)	
Amanah Saham Nasional Bhd	36.1
EPF Board	13.0
Yayasan Pelaburan Bumiputra	6.6

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▼ **3MFY26's Core net profit (NP) of RM2,481m down by -4%yoy.** The decrease was driven by much weaker NOII performance, which offset improved NII, OPEX, and provisioning.

▼ **1QFY26's Core NP of RM2,481m down by -7%qoq.** The decrease was driven by weaker NII, NOII, and associate income, which offset better OPEX and tax result.

Have a look at:

▼ **Overall, a disappointing quarter despite one-off writeback – a whole bunch of headwinds are more apparent now.** Despite a one-off Sapura Energy-related writeback, quarterly earnings were dragged by NOII's poor trading income. Thankfully, unrealised losses have improved significantly over the last two months.

Judging by the poor performance and currency fluctuations, there is a high likelihood of initial ROE and loan growth targets being negatively revised. We mentioned last quarter that the initial 11.8% ROE target would be hard to achieve, due to higher tech spend, normalised non-fee income expectations, and weaker loan growth within the year. Unlike last year (which saw a 20bps target vs the actual 8bps result), FY26's NCC may not overperform the target by such a large margin.

► **Limited room for further dividend upside.** The Group mentions that dividend payout levels will likely remain at the standard ~70% range. Basel impact in FY27 should be neutral to slightly negative. There is still some room for further RWA optimisation, though it may be limited.

While still in the early days, the Group did mention the ValueUP programme. Discussions are still in the early stages, but topics ranged from share buybacks to float levels. MAY believes that this initiative will affect smaller companies more significantly.

► **NIM increased this quarter but also NII declined.** Despite NIM expanding by +5bps qoq, NII shrank by -4.2%qoq. This was due to a one-off corporate restructuring last quarter, which artificially elevated NII in 4QFY25. Going forward, the Group will attempt to keep NIM stable at current levels, though there is some threat from rising FD rates. Management still sees further avenues to improve NIM.

The Group acknowledges that they are lagging the performance of other banking peers when it comes to retail deposits. MAY is too dependent on business and money market deposits. They did see good CASA growth this quarter, though FX impact masks the increase.

► **Asset quality situation still benign.** MAY does not forecast too much negative impact thus far, with R&R programme applicants still low. They saw some irritation in local business and hire-purchase segments, as well as the Indonesian GIL portfolios. Management's stress testing implied a 200bps impact to CET 1 ratio in a highly adverse (and improbable) scenario. Regardless, the group did top up its overlay stash slightly, from RM2.3b to RM2.4b.

Forecasts revised: FY26F/FY27F/FY28F Core NP adjusted by -2%/-2%/-2%. To reflect lower loan growth and higher provisioning.
Key downside risks. *(1) Higher-than-expected NCC, (2) Higher-than-expected OPEX growth, (3) Weaker-than-expected loans growth.*

Upgrade to BUY call: Revised GGM-TP of RM 12.01 ***(from RM12.29).*** The TP is based on a revised FY27F P/BV of 1.44x *(formerly 1.53x, rolled on from FY26F),* to reflect altered earnings prospects and ROE-based valuations. Despite our lower target price, we do upgrade our call as MAY's share price has deteriorated greatly over the last couple of months, making valuations attractive again.

(GGM assumptions: *FY27F ROE of 10.9%, LTG of 3.0% & COE of 8.5%)*

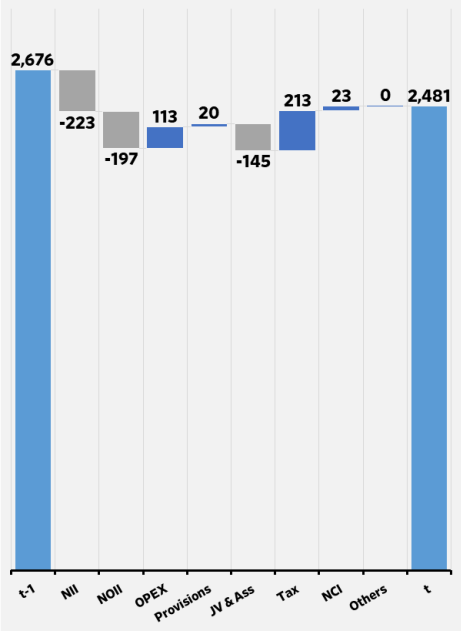
FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Net interest inc.	3,269	3,494	3,222	1	-6	3,269	3,222	1
Islamic banking inc.	2,185	2,286	2,064	6	-4	2,185	2,064	6
Non-interest inc.	1,645	1,739	2,426	-32	-5	1,645	2,426	-32
Net income	**7,100**	**7,519**	**7,712**	**-8**	**-6**	**7,100**	**7,712**	**-8**
OPEX	(3,546)	(3,658)	(3,743)	-5	-3	(3,546)	(3,743)	-5
PPOP	**3,554**	**3,861**	**3,969**	**-10**	**-8**	**3,554**	**3,969**	**-10**
Loan provisions	(485)	(9)	(384)	26	5,300	(485)	(384)	26
Other provisions	279	(217)	(42)	<-500	-229	279	(42)	<-500
JV & Associates	(58)	87	51	-213	-167	(58)	51	-213
PBT	**3,290**	**3,722**	**3,594**	**-8**	**-12**	**3,290**	**3,594**	**-8**
Tax	(743)	(955)	(951)	-22	-22	(743)	(951)	-22
NCI	(67)	(91)	(55)	23	-26	(67)	(55)	23
Reported NP	**2,481**	**2,676**	**2,589**	**-4**	**-7**	**2,481**	**2,589**	**-4**
Core NP	**2,481**	**2,676**	**2,589**	**-4**	**-7**	**2,481**	**2,589**	**-4**
Total NII	5,112	5,335	4,953	3	-4	5,112	4,953	3
Total NOII	1,988	2,184	2,760	-28	-9	1,988	2,760	-28
Gross DPS (sen)	**-**	**33.0**	**-**	***n.m.***	***n.m.***	**-**	**-**	***n.m.***
Core EPS (sen)	20.5	22.2	21.4	-4	-7	20.5	21.4	-4
Gross loans	684,470	686,549	678,687	0.9	-0.3			
Gross impaired loans	9,195	8,810	8,615	6.7	4.4			
Customer deposits	687,086	698,210	714,584	-3.8	-1.6			
CASA	267,775	267,912	247,426	8.2	-0.1			

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**11.0**	**11.5**	**11.2**	***-0.2***	***-0.5***	**11.0**	**11.2**	***-0.2***
NIM (Reported)	**2.14**	**2.09**	**2.04**	***0.10***	***0.05***	**2.14**	**2.04**	***0.10***
NOII/Net income	28.0	29.0	35.8	-7.8	-1.1	28.0	35.8	-7.8
Cost/Income	49.9	48.7	48.5	1.4	1.3	49.9	48.5	1.4
NCC (Ann.) (bps)	28	1	23	5	28	28	23	5
GIL ratio	1.34	1.28	1.27	0.07	0.06			
Loan loss coverage	97	98	117	-20	-1			
CASA ratio	39.0	38.4	34.6	4.3	0.6			
L/D ratio	98.3	97.1	93.6	4.8	1.2			
CET-1	15.0	16.0	14.9	0.1	-1.1			

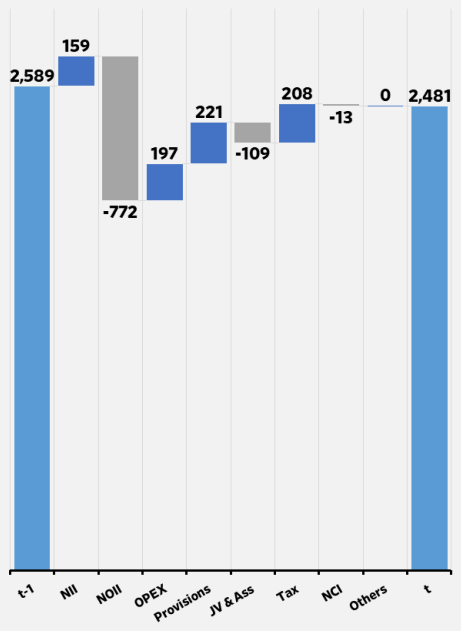
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



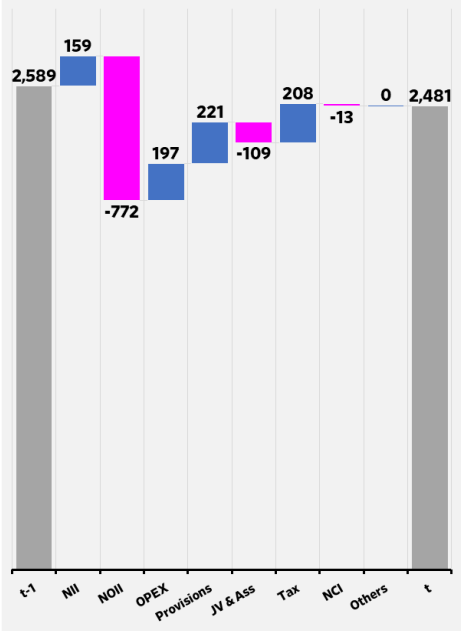
Source: Company, MBSBR

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	3M FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>11.8	11.0	The Group may struggle to achieve this target. Unlike FY25, FY26 brings more normalised non-fee balances, as well as elevated tech spend. Recall that FY25's NCC was 8bps, which is well below the target – we don't think we will see such convincing overperformance this time. We think this will be negatively revised next quarter.
CIR	<49	49.9	
NIM	2.05 – 2.10 (from 2.05)	2.14	
NOII		-28% (yoy)	
Loans	4 – 5 (Constant Currency Basis)	-0.3 (YTD)	We think this will be negatively revised next quarter.
Deposits		-1.6 (YTD)	
% CASA		39.0	
Loan/Depo		98.3	
GIL ratio		1.34	
NCC (bps)	20	28	
CET 1		15.0	
Div payout	~72	-	

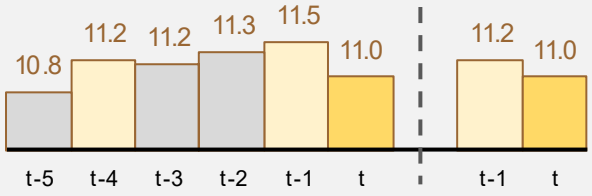
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

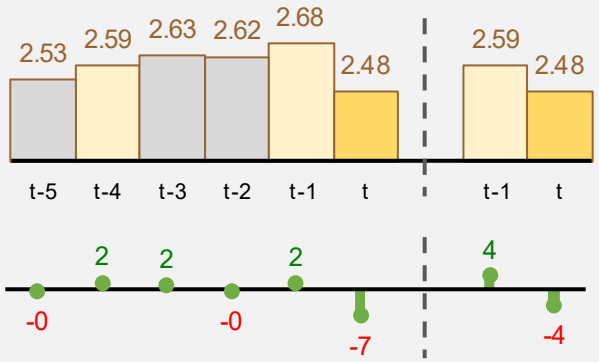
1QFY26 / 3MFY26 results

Earnings:	Within our full-year forecasts	(23%)
	Within street full-year forecasts	(22%)
Dividend:	NO	
YTD payout:	-	

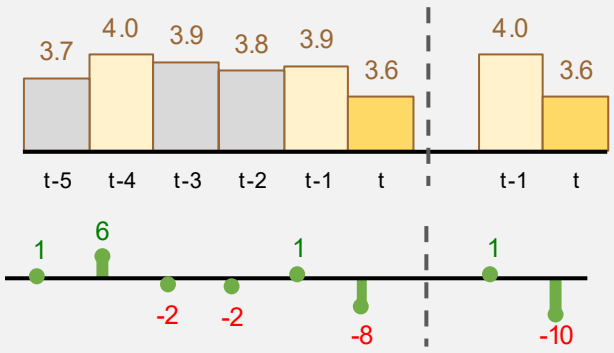
ROE (%)



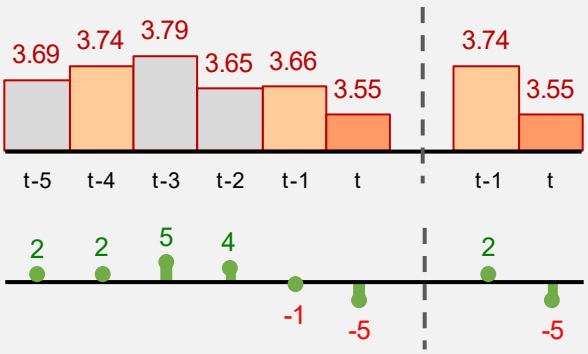
Core Net Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



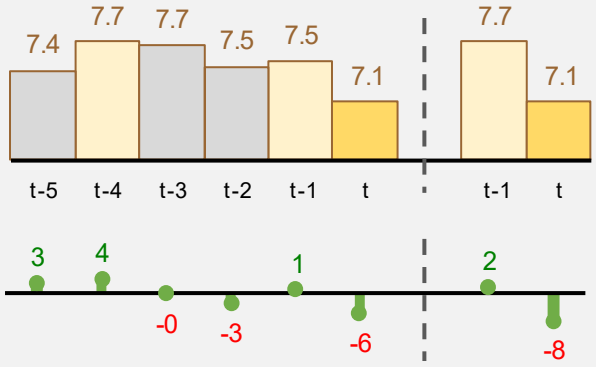
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



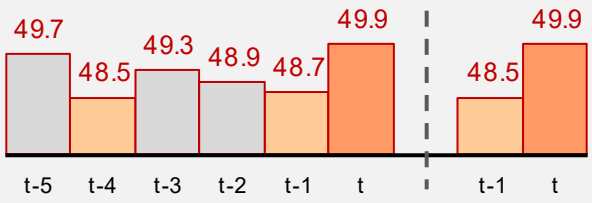
OPEX (RM b)
Growth -- yoy only! (Qtr & Cum) (%)



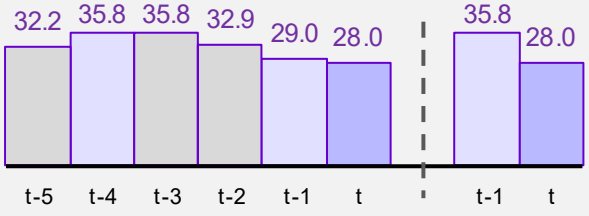
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



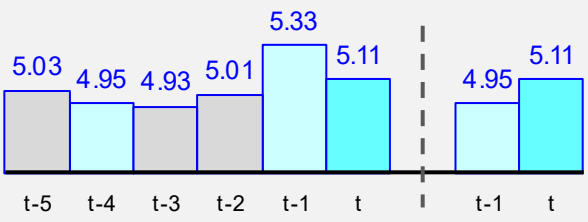
Cost/Income ratio (%)



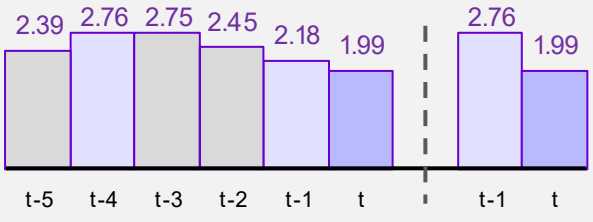
% NOII as topline (%)



Net interest income (RM b)

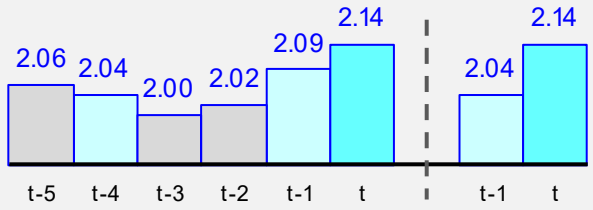


Non-interest income (RM b)

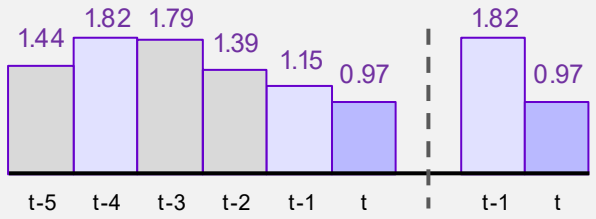


Source: Company, MBSBR

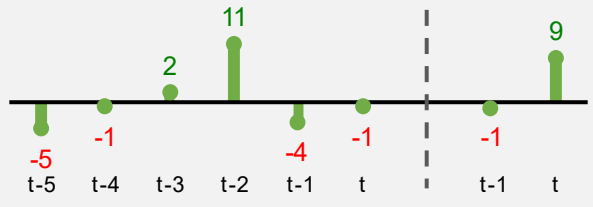
NIM (%)



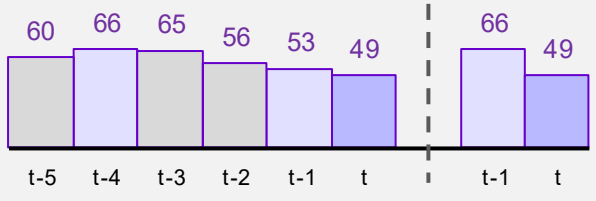
Non-fee NOII (RM b)



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

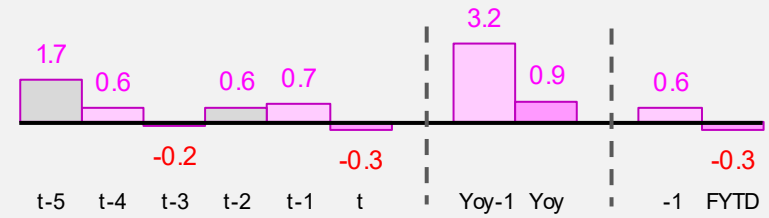


% Non-fee income as NOII (%)

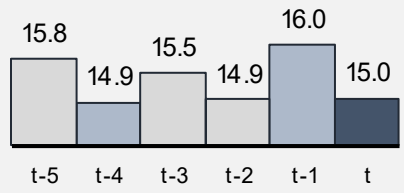


BALANCE SHEET

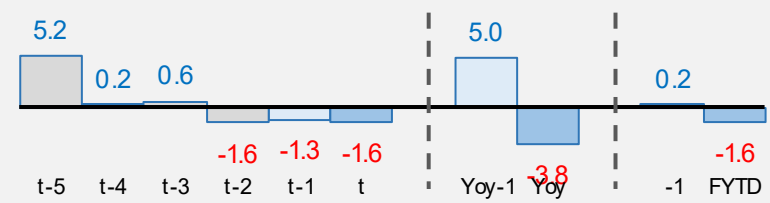
Loan growth -- qoq, yoy, FYTD (%)



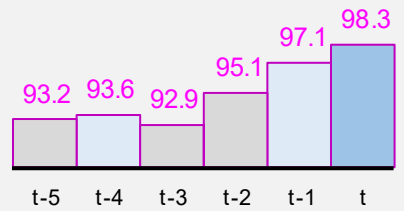
CET 1 ratio (%)



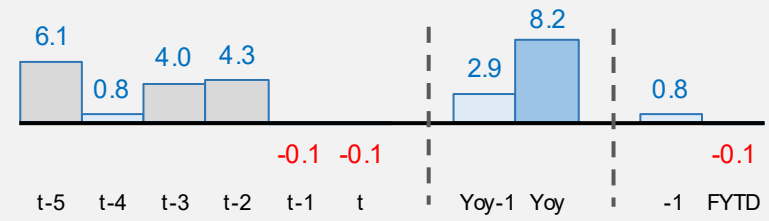
Deposit growth -- qoq, yoy, FYTD (%)



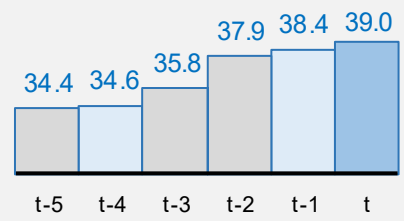
Loan/Deposit ratio (%)



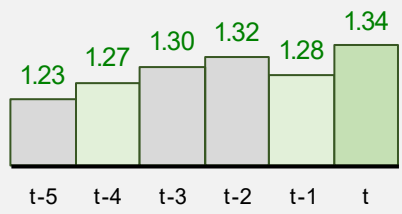
CASA growth -- qoq, yoy, FYTD (%)



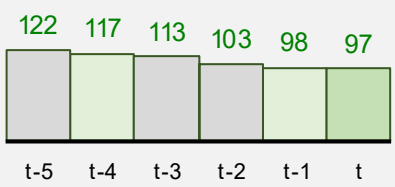
CASA ratio (%)



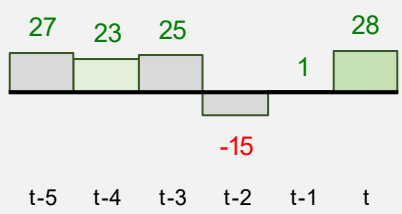
GIL ratio (%)



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	2,481	Qtrly ROE	Qtr value	11.0%
	23% of FY CNP				
	Qoq	-7%		t-1	11.5%
	Yoy	-4%		t-4	11.2%
Cum Core NP	RM mil	2,481	Cum ROE	Cum value	11.0%
	Within our forecast				
	23% of FY CNP				
	Within consensus				
	22% of FY CNP				
	Yoy	-4%		t-1	11.2%
NII	-ve surprise		NIM	As expected	
				Qtr value	2.14
				Cum value	2.14
	Qtr (Qoq)	-4%		Qtr (Qoq)	+5bps
	Qtr (Yoy)	3%		Qtr (Yoy)	+10bps
	Cum (Yoy)	3%		Cum (Yoy)	+10bps
NOII	-ve surprise		Qtr	% NII	72%
	Qtr (Qoq)	-9%		% NOII	28%
	Qtr (Yoy)	-28%	Cum	% NII	72%
	Cum (Yoy)	-28%		% NOII	28%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	49.9%
				Cum value	49.9%
	Qtr (Qoq)	-3%		Qtr (Qoq)	+1.3%
	Qtr (Yoy)	-5%		Qtr (Yoy)	+1.4%
	Cum (Yoy)	-5%		Cum (Yoy)	+1.4%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	-ve surprise				
	Qoq	-0.3%			
	Yoy	0.9%			
	YTD (FY)	-0.3%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	-1.6%		Qoq	-0.1%
	Yoy	-3.8%		Yoy	8.2%
	YTD (FY)	-1.6%		YTD (FY)	-0.1%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	39.0%		Value now	98.3%
	Qoq	+0.6%		Qoq	+1.2%
	Yoy	+4.3%		Yoy	+4.8%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.34%		Value now	97%
	Qoq	+6bps		Qoq	-1%
	Yoy	+7bps		Yoy	-20%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	28bps		Value now	28bps
	t-1	1bps			
	t-4	23bps		t-4	23bps
CET 1	Very healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	15.0%		Payout	
	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**	**13,907**	**14,472**	**14,983**
Islamic banking inc.	8,346	8,653	8,965	9,329	9,659
Other operating inc.	8,419	8,569	7,243	7,570	7,955
Net income	**29,573**	**30,380**	**30,115**	**31,372**	**32,597**
OPEX	(14,460)	(14,839)	(14,606)	(15,215)	(15,809)
PPOP	**15,112**	**15,540**	**15,509**	**16,156**	**16,787**
Loan allowances	(1,671)	(562)	(1,401)	(1,457)	(1,515)
Other allowances	24	(919)	(328)	(333)	(339)
JV & Associates	236	274	279	291	302
PBT	**13,702**	**14,334**	**14,060**	**14,657**	**15,236**
Tax & zakat	(3,195)	(3,502)	(3,374)	(3,518)	(3,657)
NCI	(418)	(317)	(321)	(334)	(347)
Reported NP	**10,089**	**10,514**	**10,365**	**10,805**	**11,232**
Core NP	**10,089**	**10,514**	**10,365**	**10,805**	**11,232**
Total NII	19,693	20,232	20,452	21,283	22,034
Total NOII	9,880	10,148	9,664	10,089	10,563

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	704,729	732,918	762,234
Other IEAs	29,564	21,718	22,634	23,593	24,598
Non-IEAs	79,390	68,708	50,982	51,885	52,827
Total assets	**1,075,322**	**1,053,584**	**1,071,167**	**1,108,046**	**1,146,322**
Customer deposits	712,915	698,210	726,139	755,184	785,392
Other IBLs	163,018	156,543	161,863	167,440	173,289
Non-IBLs	102,182	101,989	83,001	81,377	79,572
Total liabilities	**978,115**	**956,742**	**971,002**	**1,004,001**	**1,038,252**
Share capital	54,736	54,882	54,882	54,882	54,882
Reserves	39,234	38,562	42,177	45,936	49,837
Shareholders' funds	**93,971**	**93,445**	**97,059**	**100,818**	**104,719**
NCI	3,237	3,397	3,106	3,226	3,351
Total equity	**97,207**	**96,842**	**100,165**	**104,045**	**108,070**
Total L&E	**1,075,322**	**1,053,584**	**1,071,167**	**1,108,046**	**1,146,322**
Total IEAs	995,932	984,875	1,020,185	1,056,161	1,093,496
Total IBLs	875,933	854,753	888,001	922,624	958,680
Gross loans	674,969	686,549	714,011	742,571	772,274
CASA	245,485	267,912	275,933	286,970	298,449

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest (%)					
NIM	2.01	2.02	2.04	2.05	2.05
Return on IEAs	3.36	2.96	2.98	2.94	2.88
Cost of funds	2.34	1.87	1.84	1.77	1.70
Net interest spread	1.02	1.09	1.15	1.17	1.18
Profitability (%)					
ROE	**10.7**	**11.2**	**10.9**	**10.9**	**10.9**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	33.4	33.4	32.1	32.2	32.4
Effective tax rate	23.3	24.4	24.0	24.0	24.0
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	123	122	121
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	1.1	4.1	3.5
Total NOII	22.6	2.7	-4.8	4.4	4.7
Net income	8.1	2.7	-0.9	4.2	3.9
OPEX	8.0	2.6	-1.6	4.2	3.9
Core NP	7.9	4.2	-1.4	4.2	3.9
Gross loans	5.3	1.7	4.0	4.0	4.0
Customer deposits	6.3	-2.1	4.0	4.0	4.0
CASA	5.0	9.1	3.0	4.0	4.0
Valuation metrics					
Core EPS (sen)	83.4	87.0	85.7	89.4	92.9
Gross DPS (sen)	61.0	63.0	61.7	64.3	66.8
Div payout (%)	73	72	72	72	72
BVPS (RM)	7.8	7.7	8.0	8.3	8.7
Core P/E (x)	12.6	12.1	12.2	11.7	11.3
Div yield (%)	**5.8**	**6.0**	**5.9**	**6.1**	**6.4**
P/BV (x)	1.4	1.4	1.3	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