Corporate Update

Malayan Banking Berhad

(1155 | MAY MK) Main | Financial Services

FTSE4Good | ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM12.36**

3QFY26 Results Review
Capital Concerns

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Neutral

Expect: Continual uncertainty until final dividends are announced.

Our Verdict

Understandably, concerns largely centre around dividend certainty, given MAY's current low CET 1 ratio. But fears may be exaggerated, especially since management seems confident: Etiqa-related Tier 2 instruments have yet to be deployed, and this quarter's decline in MGS yields should reverse some MTM losses. Instead, a more pressing concern is the Tier 2 instruments' impact on NIM, which will be felt in FY27.

There is some fear about data-centre-related loans, but exposure is limited: MAY has no intention to allow data centres to make up >1% of its loan book.

We are optimistic about MAY's long-term prospects, particularly on loan and fee income growth, as well as the eventual normalisation of CIR and CET 1 ratio. But until final dividends are announced, significant uncertainty will likely limit positive share price rerating opportunities.

Valuations

An unchanged FY27F P/BV of 1.48x

Current P/BV of 1.36x is trading above the 10-year P/BV mean of 1.27x.

The company is currently trading at a forward FY27F P/BV of 1.18x with a +6.6% dividend yield.

Themes

1. ▲ Fee income is a core component of ROAR30's success. Wealth management, bancassurance and Islamic banking act as drivers. However, expect non-fee income normalisation in FY26.
2. ▲ Solid loan growth figures, with a deeper focus on the SME segment. Confident on an Indonesian turnaround, while SG and MY outlooks are similarly positive.
3. ► Dividend-related uncertainty in the near term, as CET1 levels are low. If capital is lacking, we could see a higher reinvestment portion in FY26's DRP – or even a repeat of DRP in FY27.
4. ► Asset quality is relatively benign. LLC is not the highest, but MAY still has space for writebacks if 4Q's earnings are lacking.
5. ▼ Like other banks, MAY is subject to further NIM compression, despite positive SORA movements. There is still room for asset/liability management. However, watch the Tier 2 instrument's impact on NIM.
6. ▼ Negative on OPEX outlook, with higher ROAR30 tech spend inbound. This will be the main downside to earnings growth in the next couple of years.

RETURN STATISTICS

Price @ 23 November 2026 (RM)	9.89
Expected share price return (%)	+25.0
Expected dividend yield (%)	+6.6
Expected total return (%)	**+31.6**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	3.2
3 months	-0.1	5.6
12 months	0.4	4.9

INVESTMENT STATISTICS

FYE Dec	FY26F	FY27F	FY28F
Core NP (RM m)	**10,787**	**11,042**	**11,472**
CNP growth (%)	3	2	4
Div yield (%)	**6.5**	**6.6**	**6.9**
Gross DPS (sen)	64.2	65.7	68.2
P/BV (x)	**1.2**	**1.2**	**1.1**
BVPS (RM)	8.0	8.4	8.7
ROE (%)	**11.3**	**11.1**	**11.1**
% Street CNP (%)	**103**	**99**	**97**

KEY STATISTICS

FBM KLCI	1,549.05
Issue shares (m)	12081.11
Estimated free float (%)	58.35
Market Capitalisation (RM'm)	121,165.63
52-wk price range	RM9.78 – RM12.4
3-mth average daily volume (m)	14.27
3-mth average daily value (RM'm)	146.16
Top Shareholders (%)	
Amanah Saham Nasional Bhd	34.56
EPF Board	11.80
Yayasan Pelaburan Bumiputra	6.45

Analyst

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Results in a nutshell:

► **9MFY26's Core NP of RM7,916m is *Within/Within* our/street forecasts: *73%/76%* of full-year forecasts.** This quarter was buoyed by lower tax rates (which will normalise next quarter) and overlay writebacks. Otherwise, investment losses took a toll on this quarter's earnings.

► **No dividend announcement.**

▲ **9MFY26's Core net profit (NP) of RM7,916m up by +1%yoy.** The increase was driven by stronger NII and lower provisions, which offset a steep drop in NOII.

▲ **3QFY26's Core NP of RM2,745m up by +2%qoq.** The increase was driven by stronger NII and lower tax charges, which offset weaker NOII and higher OPEX.

Have a look at:

► **Investors have concerns about dividends and capital.** Group CET 1 ratio sits at 13.1%, the lowest level since FY15. It declined by a sharp -180bps sequentially, with the Etiqa transaction responsible for 110-120bps of the decline, while MTM losses resulted in -60bps, and forex translations were responsible for the remainder. Keep in mind that this CET 1 ratio figure already includes the RM550m pre-acquisition dividend from the Etiqa transaction.

The banking-level CET1 ratio is currently at 13.2%. A drop below the ~13% level could warrant additional capital preservation measures. This adds downside pressure on future dividend payouts. But management thinks BNM will let them get away with <13% levels, given that the cause is market risk impact on highly secure MGS yields.

▲ **But MAY assures dividend certainty.** Note that MAY has yet to deploy its RM2.1b (~86bps) worth of Tier 2 instruments specified during its Etiqa transaction. This will be deployed in 4QFY26 and should be enough to cover the cash dividend portion of the upcoming DRP. MGS yields have also come down since 3QFY26's levels, which should help reverse the MTM erosion seen last month.

In the event capital preservation measures are necessary, management will attempt to increase the eligible portion of FY26's one-off DRP rather than compromise its dividend payout ratio or continue DRP for another year. It still expects FY27's dividends to be full cash.

► **Will 4QFY26 meet consensus forecasts?** Admittedly, this quarter should have performed a lot worse than it did – the severe MTM losses were quietly buoyed by lower tax rates and an overlay writeback.

On the other hand, 4QFY26 should see a normalisation in tax rates, and further NIM compression is expected. But we can look to better NOII as MGS yields have come down (though enhanced Etiqa contribution is unlikely to be material). And while LLC is not the highest, asset quality is benign enough for further writebacks. There is no reason for loan growth to falter just yet, which should at preserve NII despite compressing NIMs.

▼ **NIM compression will persist.** At the very least, management expects FY26's full-year NIM to fall at the upper bound of its 2.05-2.10% guidance (9MFY26 figure: 2.11%). While SG's SORA rates seem to be improving, MY and ID's outlooks are not as bright.

Irrational deposit rates persist, and management acknowledges that loan growth is too important: It is unwilling to put a hard stop to upward deposit repricing for rate preservation. Another concern: the RM2.1b Tier 2 instruments which will be issued this quarter, and their additional impact on COF.

► **MAY's exposure to data centres is limited.** There was a lot of concern about ongoing data centre issues. MAY's exposure is limited, with its data centre exposure being RM7b (<1% of total loanbook). MAY limits data centre exposure to RM8b.

Forecasts unchanged. We make no changes to our earnings forecasts.

Key downside risks. *(1) Dividend payout disappointments, (2) Higher-than-expected OPEX growth, (3) Weaker-than-expected loans growth.*

Maintain BUY call: Unchanged GGM-TP of RM 12.36. The TP is based on an unchanged FY27F P/BV of 1.48x *(formerly 1.48x).*

(GGM assumptions: *FY27F ROE of 11.1%, LTG of 3.0% & COE of 8.5%)*

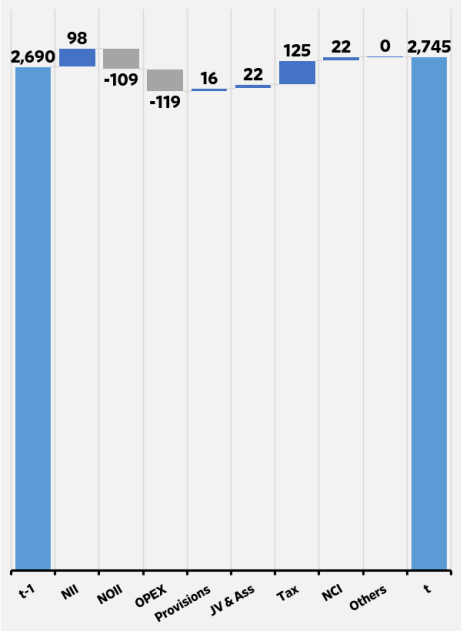
FIG 1: Quarterly results

FYE Dec (RM m)	3Q FY26	2Q FY26	3Q FY25	Yoy (%)	Qoq (%)	9M FY26	9M FY25	Yoy (%)
Net interest inc.	3,126	3,095	3,268	-4	1	9,490	9,663	-2
Islamic banking inc.	2,329	2,293	2,093	11	2	6,806	6,368	7
Non-interest inc.	2,046	2,123	2,103	-3	-4	5,815	6,830	-15
Net income	**7,501**	**7,511**	**7,464**	**0**	**-0**	**22,111**	**22,860**	**-3**
OPEX	(3,809)	(3,689)	(3,653)	4	3	(11,043)	(11,181)	-1
PPOP	**3,692**	**3,822**	**3,811**	**-3**	**-3**	**11,068**	**11,679**	**-5**
Loan provisions	(233)	(313)	254	-192	-26	(1,031)	(553)	86
Other provisions	18	83	(608)	-103	-79	379	(702)	-154
JV & Associates	73	51	49	48	43	66	187	-65
PBT	**3,550**	**3,642**	**3,506**	**1**	**-3**	**10,482**	**10,612**	**-1**
Tax	(744)	(869)	(787)	-5	-14	(2,356)	(2,547)	-8
NCI	(61)	(83)	(98)	-38	-27	(211)	(227)	-7
Reported NP	**2,745**	**2,690**	**2,621**	**5**	**2**	**7,916**	**7,838**	**1**
Core NP	**2,745**	**2,690**	**2,621**	**5**	**2**	**7,916**	**7,838**	**1**
Total NII	5,124	5,026	5,010	2	2	15,262	14,897	2
Total NOII	2,376	2,485	2,454	-3	-4	6,849	7,963	-14
Gross DPS (sen)	**-**	**31.0**	**-**	***n.m.***	***n.m.***	**31.0**	**30.0**	***n.m.***
Core EPS (sen)	22.7	22.2	21.7	5	2	65.5	64.9	1
Gross loans	713,299	695,941	681,674	4.6	2.5			
Gross impaired loans	9,071	9,362	9,004	0.7	-3.1			
Customer deposits	703,651	700,920	707,343	-0.5	0.4			
CASA	271,501	276,647	268,223	1.2	-1.9			

Ratios (%)	3Q FY26	2Q FY26	3Q FY25	Yoy (ppts)	Qoq (ppts)	9M FY26	9M FY25	Yoy (ppts)
ROE (Ann.)	**12.5**	**11.6**	**11.3**	**1.1**	**0.9**	**12.0**	**11.3**	**0.7**
NIM (Reported)	**2.07**	**2.10**	**2.02**	**0.05**	**-0.03**	**2.11**	**2.03**	**0.08**
NOII/Net income	31.7	33.1	32.9	-1.2	-1.4	31.0	34.8	-3.9
Cost/Income	50.8	49.1	48.9	1.8	1.7	49.9	48.9	1.0
NCC (Ann.) (bps)	13	18	(15)	28	-5	20	11	9
GIL ratio	1.27	1.35	1.32	-0.05	-0.07			
Loan loss coverage	96	96	103	-6	0			
CASA ratio	38.6	39.5	37.9	0.7	-0.9			
L/D ratio	100.1	98.0	95.1	5.1	2.1			
CET-1	13.1	15.7	14.9	-1.8	-2.6			

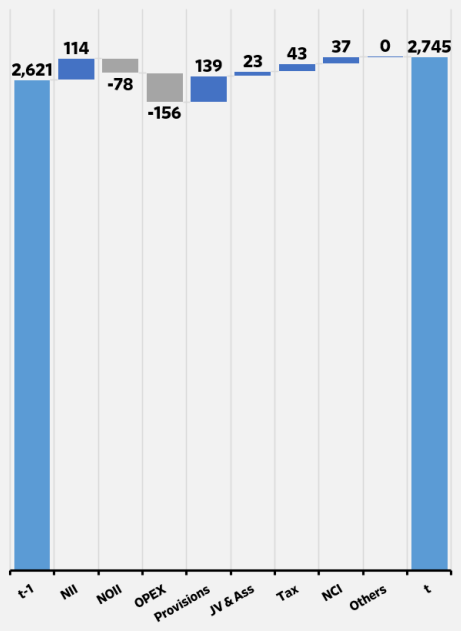
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



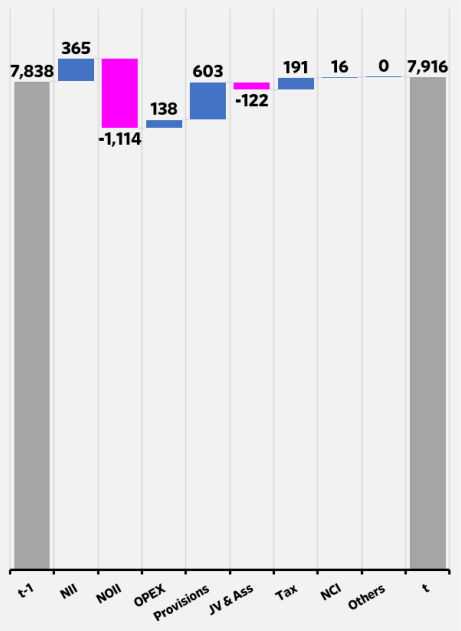
Source: Company, MBSBR

FIG 3: YoY P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: YoY P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY26F	9M FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	>11.8	12.0	
CIR	49	49.9	
NIM	2.05 – 2.10 (from 2.05)	2.11	Likely near upper bound of guidance.
NOII		-14% (yoy)	Wealth management makes up a third of NOII. Within wealth management, 75% is investment-related income – the rest are bancassurance contributions.
Loans	4 – 5 (CC)	3.9 (YTD)	
Deposits		0.8 (YTD)	
% CASA		38.6	
Loan/Depo		100.1	
GIL ratio		1.27	
NCC (bps)	20	20	
CET 1		13.1	
Div payout	~72	-	DRP one-off in FY26, for the MAHB deal.

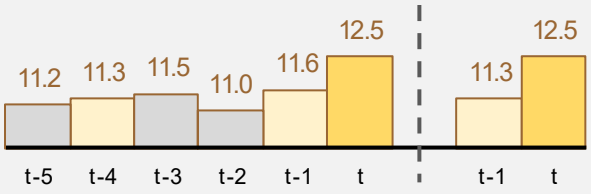
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

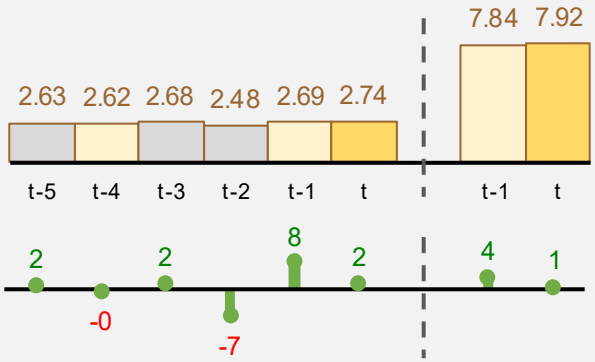
3QFY26 / 9MFY26 results

Earnings:	Within our full-year forecasts	(73%)
	Within street full-year forecasts	(76%)
Dividend:	NO	
YTD payout:	-	

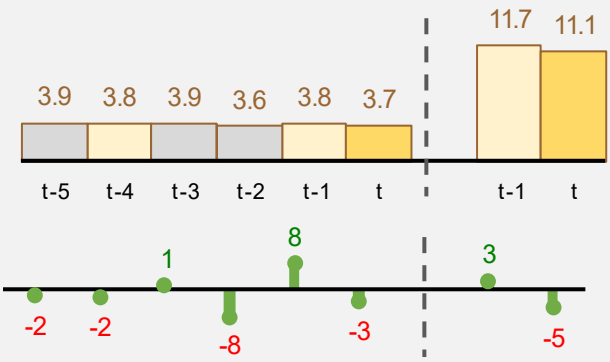
ROE (%)



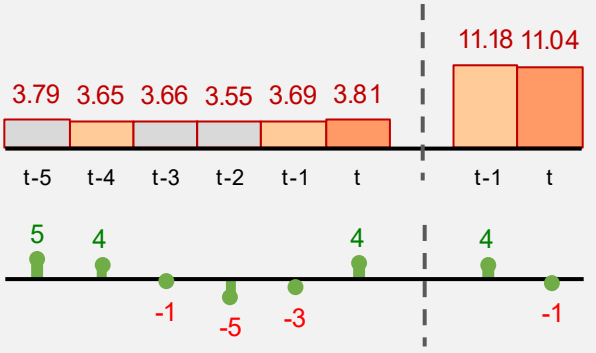
Core Net Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



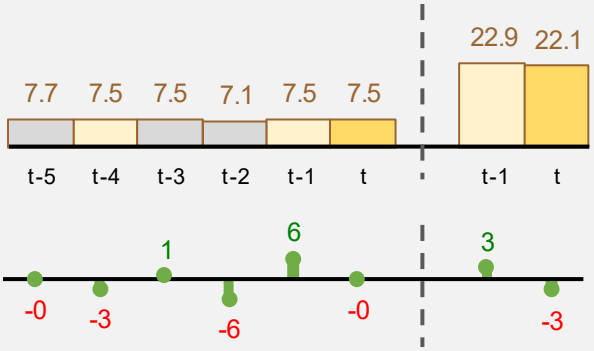
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



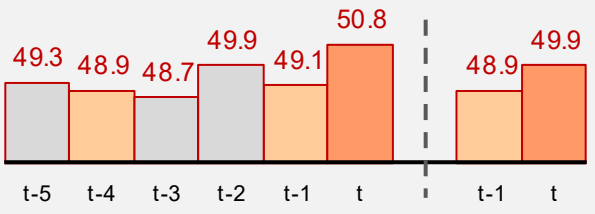
OPEX (RM b)
Growth -- yoy only! (Qtr & Cum) (%)



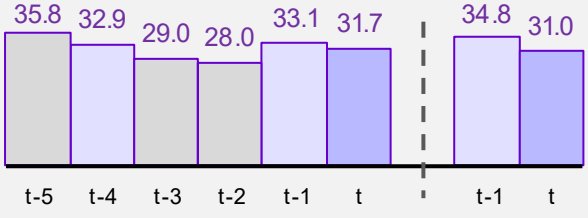
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



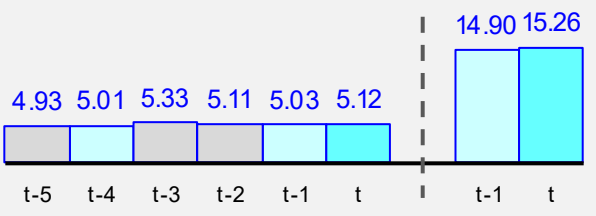
Cost/Income ratio (%)



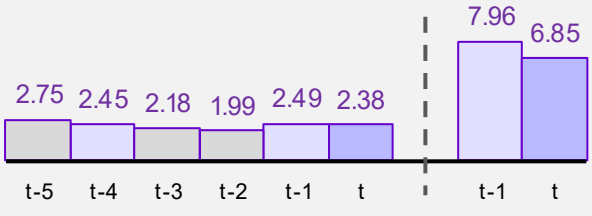
% NOII as topline (%)



Net interest income (RM b)

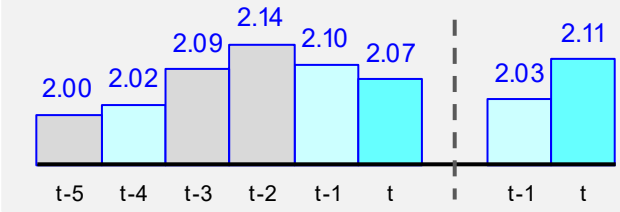


Non-interest income (RM b)

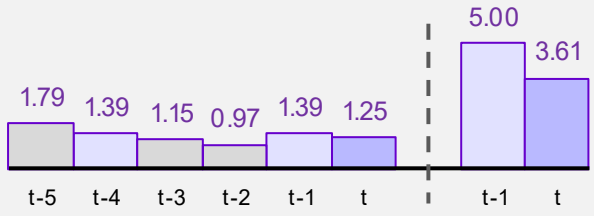


Source: Company, MBSBR

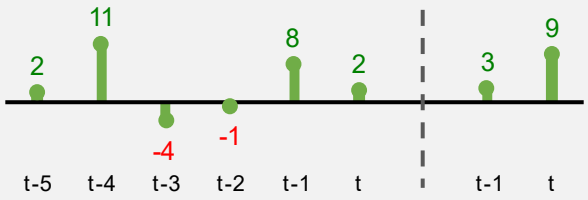
NIM (%)



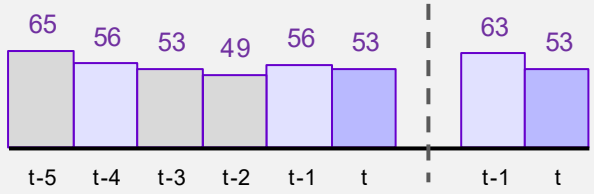
Non-fee NOII (RM b)



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

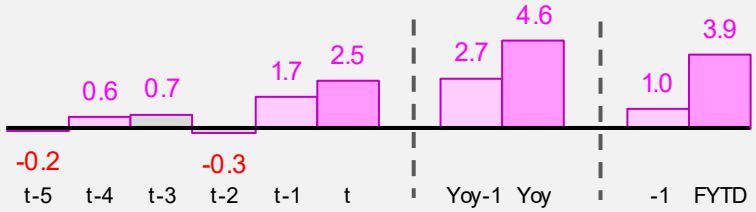


% Non-fee income as NOII (%)

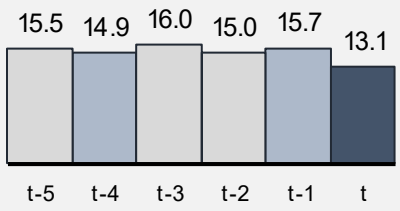


BALANCE SHEET

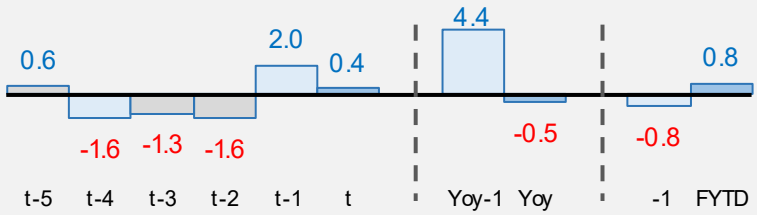
Loan growth -- qoq, yoy, FYTD (%)



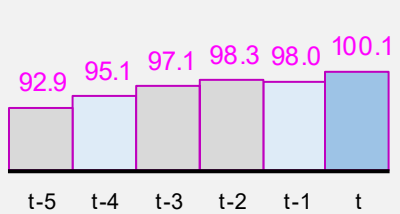
CET 1 ratio (%)



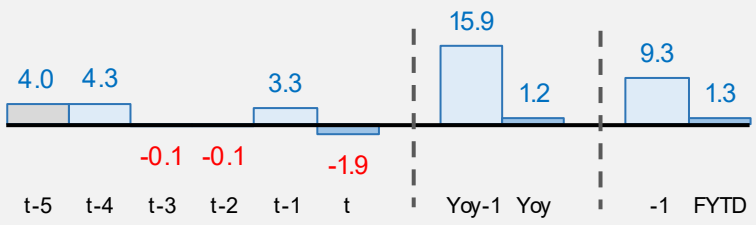
Deposit growth -- qoq, yoy, FYTD (%)



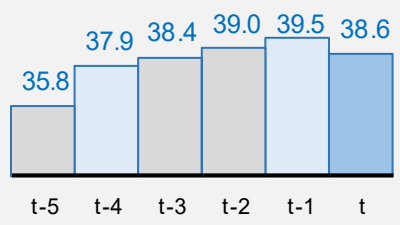
Loan/Deposit ratio (%)



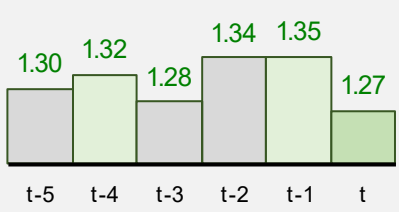
CASA growth -- qoq, yoy, FYTD (%)



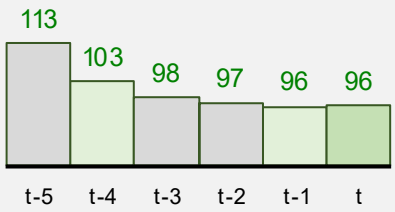
CASA ratio (%)



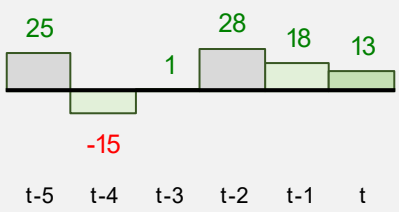
GIL ratio (%)



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	2,745	Qtrly ROE	Qtr value	12.5%
	25% of FY CNP				
	Qoq	2%		t-1	11.6%
	Yoy	5%		t-4	11.3%
Cum Core NP	RM mil	7,916	Cum ROE	Cum value	12.0%
	Within our forecast				
	73% of FY CNP				
	Within consensus				
	76% of FY CNP				
	Yoy	1%		t-1	11.3%
NII	As expected		NIM	As expected	
				Qtr value	2.07
				Cum value	2.11
	Qtr (Qoq)	2%		Qtr (Qoq)	-3bps
	Qtr (Yoy)	2%		Qtr (Yoy)	+5bps
	Cum (Yoy)	2%		Cum (Yoy)	+8bps
NOII	As expected		Qtr	% NII	68%
	Qtr (Qoq)	-4%		% NOII	32%
	Qtr (Yoy)	-3%	Cum	% NII	69%
	Cum (Yoy)	-14%		% NOII	31%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	50.8%
				Cum value	49.9%
	Qtr (Qoq)	3%		Qtr (Qoq)	+1.7%
	Qtr (Yoy)	4%		Qtr (Yoy)	+1.8%
	Cum (Yoy)	-1%		Cum (Yoy)	+1.0%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	2.5%			
	Yoy	4.6%			
	YTD (FY)	3.9%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	0.4%		Qoq	-1.9%
	Yoy	-0.5%		Yoy	1.2%
	YTD (FY)	0.8%		YTD (FY)	1.3%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	38.6%		Value now	100.1%
	Qoq	-0.9%		Qoq	+2.1%
	Yoy	+0.7%		Yoy	+5.1%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.27%		Value now	96%
	Qoq	-7bps		Qoq	+0%
	Yoy	-5bps		Yoy	-6%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	13bps		Value now	20bps
	t-1	18bps			
	t-4	-15bps		t-4	11bps
CET 1	Could be better		Div payout	No divvy	
	As expected			As expected	
	Value now	13.1%		Payout	-
	Qoq	-2.6%			

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	7,709	8,046	8,440
Net income	**29,573**	**30,380**	**30,581**	**31,847**	**33,082**
OPEX	(14,460)	(14,839)	(14,832)	(15,446)	(16,045)
PPOP	**15,112**	**15,540**	**15,749**	**16,401**	**17,037**
Loan allowances	(1,671)	(562)	(1,401)	(1,457)	(1,515)
Other allowances	24	(919)	-	(262)	(267)
JV & Associates	236	274	283	295	307
PBT	**13,702**	**14,334**	**14,632**	**14,978**	**15,562**
Tax & zakat	(3,195)	(3,502)	(3,512)	(3,595)	(3,735)
NCI	(418)	(317)	(334)	(342)	(355)
Reported NP	**10,089**	**10,514**	**10,787**	**11,042**	**11,472**
Core NP	**10,089**	**10,514**	**10,787**	**11,042**	**11,472**
Total NII	19,693	20,232	20,452	21,283	22,034
Total NOII	9,880	10,148	10,130	10,565	11,048

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	82,879	81,187	79,312
Total liabilities	**978,115**	**956,742**	**970,880**	**1,003,811**	**1,037,993**
Share capital	54,736	54,882	54,882	54,882	54,882
Reserves	39,234	38,562	42,295	46,120	50,088
Shareholders' funds	**93,971**	**93,445**	**97,177**	**101,003**	**104,971**
NCI	3,237	3,397	3,110	3,232	3,359
Total equity	**97,207**	**96,842**	**100,287**	**104,235**	**108,330**
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**	**11.3**	**11.1**	**11.1**
ROA	1.0	1.0	1.0	1.0	1.0
NOII/Net income	33.4	33.4	33.1	33.2	33.4
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	13.3	13.5	13.7
Tier 1 capital	16.1	16.4	13.7	13.9	14.1
Total capital	18.9	20.0	17.3	17.6	17.9
Growth (%)					
Total NII	2.0	2.7	1.1	4.1	3.5
Total NOII	22.6	2.7	-0.2	4.3	4.6
Net income	8.1	2.7	0.7	4.1	3.9
OPEX	8.0	2.6	-0.0	4.1	3.9
Core NP	7.9	4.2	2.6	2.4	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	89.2	91.3	94.9
Gross DPS (sen)	61.0	63.0	64.2	65.7	68.2
Div payout (%)	73	72	72	72	72
BVPS (RM)	7.8	7.7	8.0	8.4	8.7
Core P/E (x)	11.9	11.4	11.1	10.8	10.4
Div yield (%)	**6.2**	**6.4**	**6.5**	**6.6**	**6.9**
P/BV (x)	1.3	1.3	1.2	1.2	1.1

Source: Company, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X).

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MBSB 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