

04 October 2024

Malayan Banking

Singapore and Indonesia in the Spotlight

By Clement Chua | clement.chua@kenanga.com.my

We maintain our **OUTPERFORM** call and **GGM-derived PBV TP** of **RM11.95**. **MAYBANK** hosted an Investor Day for its Singaporean and Indonesian units, where we learn about their hurdles as well as strategies. Collectively, they make up c.20% of overall pretax profits to the group. Maintain forecasts.

Maybank Singapore and Maybank Indonesia make up 15% and 5% of group pretax profits. Key takeaways are as follows:

- **Strong consumer franchise in Singapore.** Maybank Singapore stands at 5th with regards to loans market share in Singapore, where it caters to an equal share of consumer financing (mainly mortgage and hire purchase) and corporate banking (i.e. global banking). It reported a 5-year loans growth CAGR of 4% between FY19-FY23 (closely in line with the group's 4.1%). However, its 5-year average ROE of 7% is behind the group's 9.5%, no thanks to a more volatile funding cost landscape there. As of 1HFY24, ROE sat at 11.3% namely from better NOIs as NIMs remain under pressure. On the flipside, it enjoys a diminished GIL during FY23 at 0.81% (FY19 at 4.41%) in tandem with a supportive FY23 LLC of 161%.
- **Opportunities in foreign partnerships.** Towards FY27, Maybank Singapore seeks to identify itself as a preferred foreign financial partner, facilitating more cross-border transactions and trade financing between Malaysia and Singapore which as of 1HFY24 makes up c.5% of total loans books.. Via Etiqa's life insurance products, there is room for further penetration in the country, especially given its aging population.
- **Indonesia seeking to regain ground.** Maybank Indonesia holds 14th place with regards to loans market share in Indonesia where competitors benefited from consolidation to boost market share. That said, the gap between Maybank Indonesia IDR189t loans book and the largest player, Bank Mandiri is wide at IDR2,258t. During the last 5 years, its loans growth was choppy at a 5-year CAGR decline of 1.1% while contributed to a lower-than-group average ROE of 6%. We also note that the asset quality scene in Indonesia appears challenging, at c.4% over the last 5-years as delinquencies were pinned by lower income prospects. That said, the group believes the worst is over and may see sequential improvements.
- **Building on what it knows best.** With consumer financing making the majority of its loans, the group looks to double down its efforts here with digitalisation (including a digital credit card solution) hopeful to spur better engagement. Wealth management products also appear to be a relatively undertapped segment by the group, especially for Sharia product which Maybank was a pioneer in.

Amid a wide spread recovery, SMEs are poised to demonstrate higher growth potential to support its overall loans base.

Group outlook. Post Investor Day, we have a better appreciation for the MAYBANK group's subsidiaries and understanding of several granular and large challenges. That said, the majority of group earnings still stems from Malaysia operations (making up 70% of total pretax profits). Broadly, group operations will be sustained by the rollout of domestic infrastructure projects and investments on the back of a stable jobs market.

Forecast. Maintained.

OUTPERFORM ↔

Price : **RM10.54**
Target Price : **RM11.95** ↔

Share Price Performance



KLCI	1,641.55
YTD KLCI chg	12.8%
YTD stock price chg	18.6%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAY MK Equity
Market Cap (RM m)	127,185.7
Shares Outstanding	12,067.0
52-week range (H)	10.94
52-week range (L)	8.73
3-mth avg. daily vol.	13,354,070
Free Float	27%
Beta	0.8

Major Shareholders

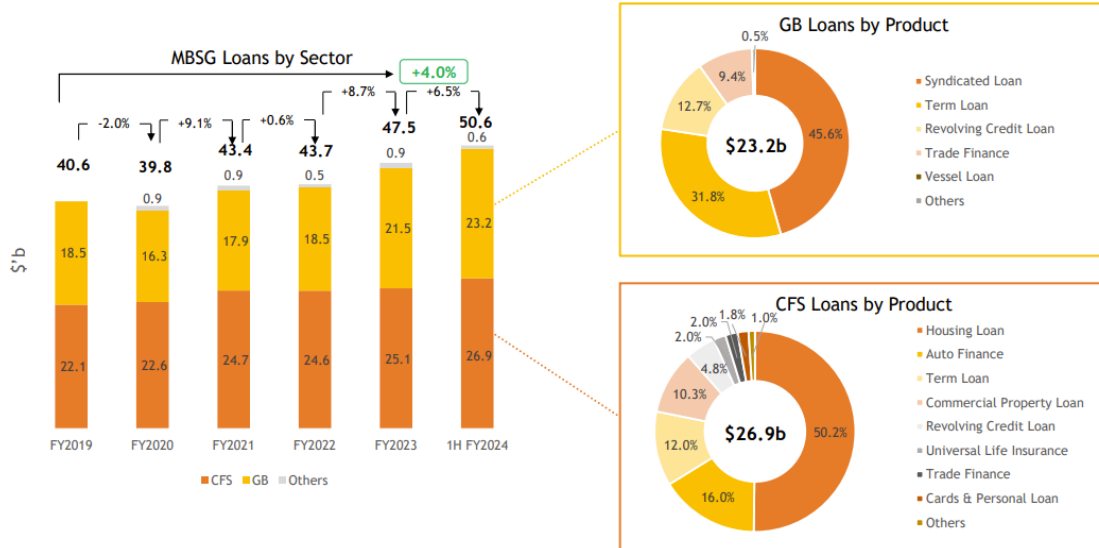
Amanah Saham Nasional	65.2%
Employees Provident Fund	12.7%
Yayasan Pelaburan Bumiputra	6.3%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Net Interest Income	20,369	21,659	23,282
Non-interest Income	7,988	7,197	7,206
Total Income	28,357	28,856	30,488
Operating Expenses	-13,389	-13,523	-14,199
Loan Impairment	-1,681	-1,792	-1,393
Pre-tax Profit	12,532	13,056	14,730
Net Profit	9,350	9,724	10,971
Core Net Profit	9,350	9,724	10,971
Consensus NP		10,022	10,432
Earnings Revision		0.0%	0.0%
Core EPS (RM)	0.78	0.81	0.91
EPS Growth (%)	17.5	4.0	12.8
NDPS (RM)	0.60	0.62	0.65
BV/share (RM)	7.85	8.03	8.46
NTA/share (RM)	7.2	7.4	7.8
ROE (%)	10.4	10.2	11.0
PER (x)	13.6	13.5	11.9
P/BV (x)	1.34	1.35	1.28
Net Div. Yield (%)	5.7	5.9	6.2

Maintain **OUTPERFORM** and **TP** at **RM11.95**, based on an unchanged GGM-derived FY25F PBV of 1.41x (COE: 9.5%, TG: 3.5%, ROE: 12.0%). MAYBANK is expected to demonstrate operational resilience whilst sustaining its position as the leading bank in terms of market share. We believe in MAYBANK’s ability to provide the most sustainable returns via its consistent market share albeit now with more moderate dividend yields (c.6%). **Risks to our call include:** (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) slowdown in capital market activities, (v) unfavourable currency fluctuations, and (vi) changes to the OPR.

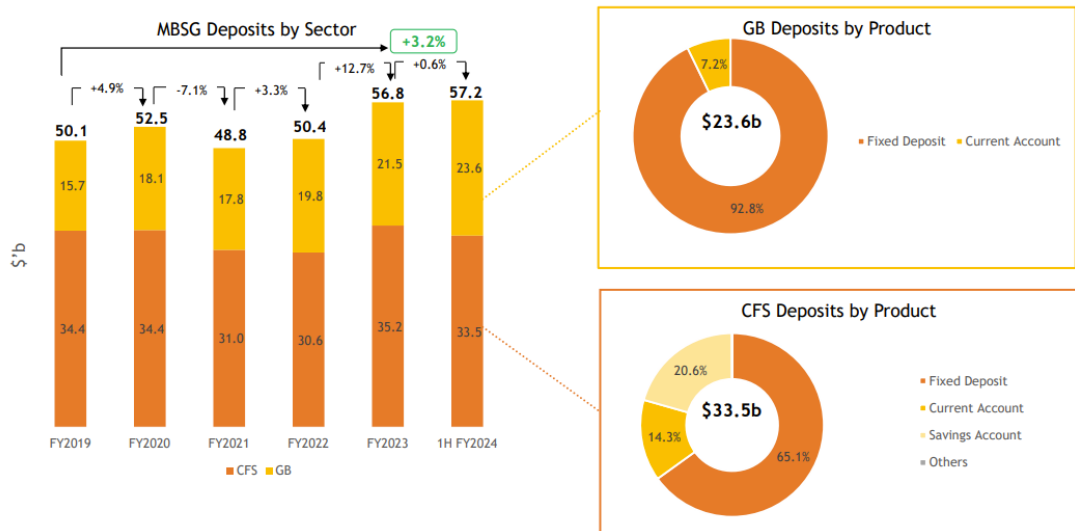
Exhibit 1: Maybank Singapore's Loans Breakdown



Note: MBSG refers to Maybank Singapore Group; GB refers to global banking

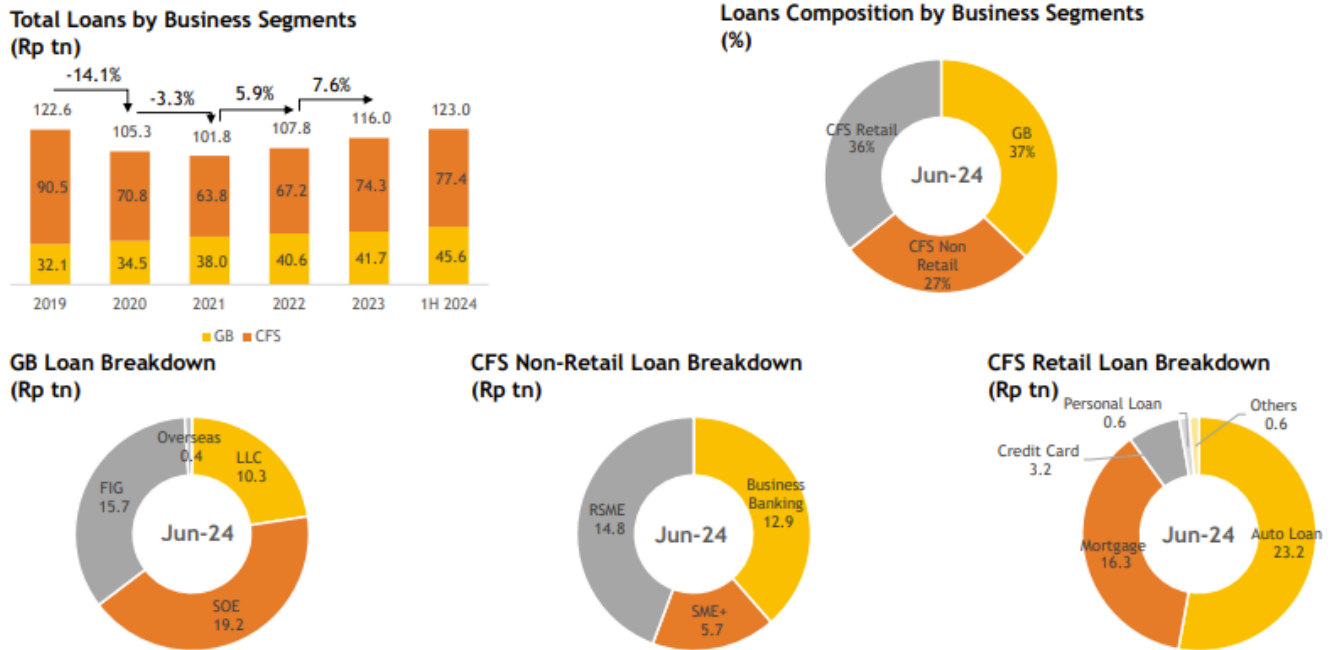
Source: MAYBANK, Kenanga Research

Exhibit 2: Maybank Singapore's Deposits Breakdown



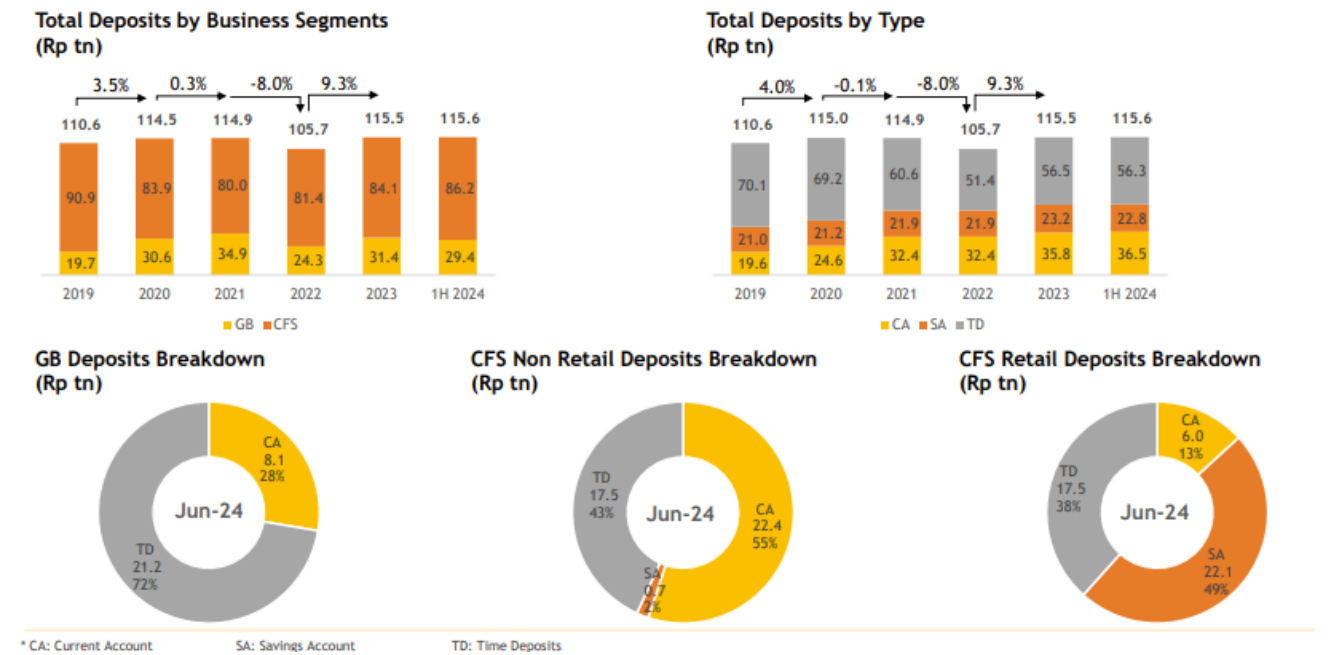
Source: MAYBANK, Kenanga Research

Exhibit 3: Maybank Indonesia's Loans Breakdown



Source: MAYBANK, Kenanga Research

Exhibit 4: Maybank Indonesia's Deposits Breakdown



* CA: Current Account SA: Savings Account TD: Time Deposits

Source: MAYBANK, Kenanga Research

04 October 2024

Income Statement

FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Net interest income	19,607	21,229	20,369	21,659	23,282
Non-interest income	4,471	4,603	7,988	7,197	7,206
Total income	24,077	25,833	28,357	28,856	30,488
Operating expenses	-11,519	-11,974	-13,389	-13,523	-14,199
PPOP	12,559	13,858	14,968	15,333	16,289
Loan impairments	-2,659	-2,706	-1,646	-1,792	-1,393
Other impairments	-571	-71	-35	-53	-53
Associates	186	131	240	200	210
Pre-tax profit	10,887	11,872	12,532	13,056	14,730
Tax and zakat	-2,565	-3,896	-2,917	-3,134	-3,535
Minority interest	-225	-15	-265	-198	-224
Net Profit	8,096	7,961	9,350	9,724	10,971
Core Net Profit	8,096	7,961	9,350	9,724	10,971

Balance Sheet

FY Dec (RM b)	2021A	2022A	2023A	2024F	2025F
Cash & ST funds	55.0	52.5	46.2	48.9	51.4
Investment securities	223.9	231.1	265.9	277.6	291.8
Loans and financing	541.9	573.8	628.9	685.7	733.1
Other assets	60.7	84.0	79.2	66.4	55.9
Intangible assets	6.7	6.7	7.4	7.4	7.4
Total Assets	888.2	948.1	1,027.7	1,086.0	1,139.6
Customer deposits	589.0	614.9	670.4	691.4	719.4
Deposits & placements	36.6	51.9	44.7	58.6	61.0
Borrowings	48.6	44.8	44.0	49.8	51.8
Other liabilities	125.5	147.9	171.0	186.3	202.3
Total liabilities	799.6	859.5	930.0	986.1	1,034.5
Share capital	53.2	54.6	54.7	54.7	54.7
Retained earnings	29.6	29.5	31.7	33.9	37.1
Regulatory reserves	2.1	2.5	2.5	2.5	2.5
Other reserves	0.9	(0.8)	5.8	5.8	7.8
Shareholders' funds	85.8	85.7	94.6	96.9	102.0
Minority interest	2.7	2.9	3.0	3.0	3.0
Total liabilities and equity	888.2	948.1	1,027.7	1,086.0	1,139.6

Financial Data & Ratios

FY Dec	2021A	2022A	2023A	2024F	2025F
Growth					
Net interest income	13.8%	8.3%	-4.1%	6.3%	7.5%
Non-interest income	-38.8%	3.0%	73.5%	-9.9%	0.1%
Total income	-1.8%	7.3%	9.8%	1.8%	5.7%
Operating expenses	5.6%	4.0%	11.8%	1.0%	5.0%
PPOP	-7.8%	10.3%	8.0%	2.4%	6.2%
Loan impairment	-42.2%	1.8%	-39.2%	8.9%	-22.3%
Pre-tax profit	25.8%	9.0%	5.6%	4.2%	12.8%
Net Profit	24.9%	-1.7%	17.5%	4.0%	12.8%
Core Net Profit	24.9%	-1.7%	17.5%	4.0%	12.8%
Gross loans	5.8%	5.9%	9.6%	9.0%	6.9%
Customer deposits	5.9%	4.4%	9.0%	3.1%	4.1%
Operating metrics					
Est. avg. asset yield	2.97%	3.57%	4.60%	4.68%	4.71%
Est. avg. funding cost	1.25%	1.52%	2.59%	3.14%	3.11%
Est NIM	2.35%	2.43%	2.17%	2.14%	2.16%
Cost-to-Income ratio	45.3%	45.2%	48.9%	47.9%	47.1%
Credit cost (bps)	50.4	39.1	30.4	27.3	19.6
Loan-to-deposit ratio	92.0%	93.3%	93.8%	99.2%	101.9%
GIL ratio	2.04%	1.60%	1.37%	1.37%	1.30%
LLC Ratio	107.8%	127.5%	120.1%	125.0%	125.0%
LLC Ratio(+reg reserves)	126.9%	154.3%	148.8%	151.4%	151.0%
ROA	0.9%	0.9%	0.9%	0.9%	1.0%
ROE	9.5%	9.3%	10.4%	10.2%	11.0%
Valuations					
EPS (RM)	0.67	0.66	0.78	0.81	0.91
PER (x)	15.70	15.97	13.60	13.47	11.94
Div yield (%)	5.5	5.5	5.7	5.9	6.2
BV/share (RM)	7.12	7.11	7.85	8.03	8.46
P/BV (x)	1.48	1.48	1.34	1.35	1.28

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.84	2.20	-22.5%	6,817.4	N	12/2024	20.6	26.9	18.4%	30.2%	13.8	10.6	0.6	4.2%	8.0	2.8%
ALLIANCE BANK MALAYSIA BHD	OP	4.31	5.00	16.0%	6,672.3	N	03/2025	49.0	52.9	9.8%	8.0%	8.8	8.2	0.9	10.3%	25.0	5.8%
AMMB HOLDINGS BHD	OP	4.99	5.85	17.2%	16,519.2	N	03/2025	57.2	59.1	21.6%	3.3%	8.7	8.4	0.8	9.6%	22.0	4.4%
BANK ISLAM MALAYSIA BHD	UP	2.73	2.35	-13.9%	6,187.5	Y	12/2024	25.2	29.0	3.3%	14.9%	10.8	9.4	0.8	7.6%	17.0	6.2%
CIMB GROUP HOLDINGS BHD	MP	7.99	7.60	-4.9%	85,608.2	N	12/2024	69.4	73.8	6.0%	6.4%	11.5	10.8	1.2	10.6%	49.0	6.1%
HONG LEONG BANK BHD	OP	21.30	27.40	28.6%	46,172.4	N	06/2025	212.9	223.4	4.0%	4.9%	10.0	9.5	1.1	11.3%	71.0	3.3%
MALAYAN BANKING BHD	OP	10.54	11.95	13.4%	127,185.7	N	12/2024	80.6	91.0	4.0%	12.8%	13.1	11.6	1.3	10.2%	62.0	5.9%
MALAYSIA BUILDING SOCIETY BHD	UP	0.770	0.590	-23.4%	6,331.2	Y	12/2024	4.0	6.4	109.0%	58.7%	19.2	12.1	0.6	2.9%	2.0	2.6%
PUBLIC BANK BHD	OP	4.57	5.10	11.6%	88,706.9	N	12/2024	37.5	39.2	9.5%	4.6%	12.2	11.7	1.5	12.9%	21.0	4.6%
RHB BANK BHD	OP	6.15	7.55	22.8%	26,810.9	N	12/2024	69.8	72.7	6.8%	4.2%	8.8	8.5	0.8	9.5%	42.5	6.9%
SECTOR AGGREGATE					417,012					7.3%	8.1%	11.7	10.8	1.2	10.1%		4.9%

Source: Kenanga Research

This section is intentionally left blank

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★		
	Financial Inclusion	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	★	☆
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

