

27 August 2025

Malayan Banking

Solid Earnings Amid Slower Loans

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MAYBANK's 1HFY25 net earnings of RM5.22b (+4% YoY) and 30.0 sen interim dividend met expectations. The group is expecting regional headwinds from its Indonesia and Singapore operations, which coupled with forex impact, prompted a cut in its loan growth target to 3% from 5%-6% in FY25. Reflecting this leads to our earnings cut of -4%/-3% in FY25/FY26. We maintain our **OUTPERFORM** call but adjust our GGM-derived PBV TP to RM11.30 as we recalibrate our ROE input to be near guidance at 11.5%. MAYBANK remains as one of our 3QCY25 Top Picks as the bank's earnings is expected to remain resilient in spite of ongoing headwinds, with dividend returns lingering close to c.7% which may be attractive for yield seekers.

1HFY25 within expectations. MAYBANK's 1HFY25 net earnings of RM5.22b made up 51% of both our full-year forecast and consensus full-year estimate. A 30 sen interim dividend was declared at 70% payout, which is on track to meet our anticipated 65 sen for the full year based on a 75% payout.

YoY, 1HFY25 NII was flattish (+1%) on the back of a 1% loans growth (stable on YTD basis) amid lower NIMs of 2.10% (-3 bps) mainly due to compression on asset yields in Indonesia and Singapore. On the other hand, NOII increased by 9% from stronger insurance results.

With personnel-led growth outpacing income, CIR increased to 48.9% (+0.3 ppt). Together with a slightly lower credit cost of 24 bps (-1 bps), 1HFY25 net profit came in higher at RM5.22b (+4%).

QoQ, 2QFY25 net profit inched up (+2%). While we saw softer total income from comparatively weaker insurance results, we gathered that a 5 bps expansion in NIMs supported NII (+2%) despite gross loans coming off slightly. Lower effective taxes (-3.5 ppt) also helped bottom line.

Highlights. Although MAYBANK's domestic loans book had grown by 5% YoY (led by retail and SMEs), its Indonesian unit's loans book diminished by 9% from large drawdowns in its business banking books as well as delayed fund raising activities there. Acknowledging that near-term regional headwinds (including tariffs) may hamper its loans growth momentum, the group trimmed its loans growth target to 3% (from 5%-6%), which would be 4% on a constant currency basis.

Meanwhile, NIMs are also expected to stay under pressure from regional markets following interest rate cuts across the board. Fuelled by deposits competition remaining tight, the group had shifted its view from anticipating stable NIMs in FY25 towards a slight compression, mostly felt in the coming quarters.

We note that the group had maintained its guidance for ROE of >11.3% and credit cost of <30 bps. However, this does not factor any potential writebacks expected in the remainder of the year.

Forecast. Post results, we trim our FY25F/FY26F earnings by 4%/3% to reflect slower loans growth from 4.5% to c.3%, in line with the revision to guidance. Our current NIM assumption of 2.02% (-10 bps) is largely unchanged, being more conservative in anticipation of persistent pains from funding cost.

Maintain OUTPERFORM but with a lower TP of RM11.30 (from RM12.00). On top of our earnings revision, we also lowered our ROE inputs to 11.5% (from 12.0%) to better reflect the group's near-term target. Against unchanged COE of 9.5% and TG of 3.5%, our revised GGM-derived PBV amounts to 1.33x (from 1.41x).

OUTPERFORM ↔

Price : **RM9.75**
Target Price : **RM11.30** ↓

Share Price Performance



KLCI 1,591.59
YTD KLCI chg -3.7%
YTD stock price chg -4.8%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAY MK Equity
Market Cap (RM m)	117,790.8
Shares Outstanding	12,067.0
52-week range (H)	11.04
52-week range (L)	9.32
3-mth avg. daily vol.	11,625,800
Free Float	50%
Beta	0.76

Major Shareholders

Amanah Saham Nasional	34.8%
Employees Provident Fund	11.6%
Yayasan Pelaburan Bumiputra	6.4%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Net interest Income	21,154	20,810	21,222
Non-interest Income	9,066	8,788	8,788
Total Income	30,220	29,598	30,010
Operating Expenses	-14,460	-14,808	-15,252
Loan Impairment	-1,628	-1,526	-1,067
Pre-tax Profit	13,702	13,321	13,752
Net Profit	10,089	9,921	10,377
Core Net Profit	10,089	9,921	10,377
Consensus NP	-	10,338	10,684
Earnings Revision	-	-4.0%	-2.8%
Core EPS (RM)	0.84	0.82	0.86
EPS Growth (%)	7.9	-1.7	4.6
NDPS (RM)	0.61	0.62	0.66
BV/share (RM)	7.79	8.16	8.49
NTA/share (RM)	7.2	7.6	7.9
ROE (%)	10.7	10.3	10.3
PER (x)	11.7	11.9	11.3
P/BV (x)	1.25	1.19	1.15
Net Div. Yield (%)	6.3	6.4	6.8



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Despite our earnings cut and revised dividend projections of 62 sen/66 sen for FY25/FY26, current price points present yield headroom of close to 7%. Accounting for unexpected write-backs from its overlays, investors may also be positioned for higher returns in the near term. We also maintain **MAYBANK as one of our 3QCY25 Top Picks** as its earnings is expected to remain resilient amid macroeconomic headwinds, thanks to their larger operational scale and efficiency.

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 OPR.

Results Highlights

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	5,383	5,287	1.8%	5,322	1.1%	10,670	10,567	1.0%
Non-interest income	2,301	2,426	-5.1%	2,022	13.8%	4,727	4,355	8.6%
Total income	7,684	7,712	-0.4%	7,344	4.6%	15,397	14,921	3.2%
Operating expenses	-3,785	-3,743	1.1%	-3,593	5.3%	-7,528	-7,251	3.8%
Pre-impairment profit	3,899	3,969	-1.8%	3,750	4.0%	7,869	7,670	2.6%
(Allowances)/ write-backs	-423	-384	10.2%	-381	11.0%	-808	-849	-4.9%
(Allowances)/ write-backs on other assets	-51	-42	21.3%	1	-3643.4%	-93	-75	24.5%
Operating profit	3,425	3,543	-3.3%	3,371	1.6%	6,968	6,746	3.3%
Non-operating gains / (losses)	87	51	69.1%	72	20.1%	138	139	-0.7%
Profit before tax	3,512	3,594	-2.3%	3,443	2.0%	7,106	6,885	3.2%
Taxation	-809	-951	-14.9%	-792	2.1%	-1,760	-1,639	7.4%
Minority interest	-74	-55	36.1%	-121	-38.6%	-129	-228	-43.6%
Net Profit	2,628	2,589	1.5%	2,530	3.9%	5,217	5,018	4.0%
Core Net Profit	2,628	2,589	1.5%	2,530	3.9%	5,217	5,018	4.0%
Gross loans	676,197	678,687	-0.4%	668,834	1.1%	676,197	668,834	1.1%
Gross impaired loans	8,822	8,615	2.4%	8,597	2.6%	8,822	8,597	2.6%
Customer deposits	718,937	714,584	0.6%	677,737	6.1%	718,937	677,737	6.1%
Current and savings account (CASA)	257,251	247,426	4.0%	244,939	5.0%	257,251	244,939	5.0%
Total assets	1,073,238	1,082,609	-0.9%	1,063,682	0.9%	1,073,238	1,063,682	0.9%
Shareholders' equity	94,173	92,420	1.9%	95,138	-1.0%	94,173	95,138	-1.0%
Est. annualised NIM	2.12%	2.07%		2.13%		2.10%	2.13%	
Cost-to-income ratio	49.3%	48.5%		48.9%		48.9%	48.6%	
Annualised credit cost (bps)	25.0	22.7		23.0		23.9	25.9	
Effective tax rate	23.0%	26.5%		23.0%		24.8%	23.8%	
Annualised ROA	1.0%	1.0%		1.0%		1.0%	1.0%	
Annualised ROE	11.3%	11.1%		10.7%		11.1%	10.6%	
Gross impaired loans ratio	1.30%	1.27%		1.29%		1.30%	1.29%	
Loan loss coverage ratio (LLC)	112.9%	117.3%		123.7%		112.9%	123.7%	
LLC plus regulatory reserves	145.2%	149.5%		155.8%		145.2%	155.8%	
Loan-to-deposit ratio	92.7%	93.3%		96.9%		92.7%	96.9%	
CASA-to-deposit ratio	35.8%	34.6%		36.1%		35.8%	36.1%	
CET-1 capital (Group level)	15.5%	14.9%		15.5%		15.5%	15.5%	

Source: Company, Kenanga Research

Management Guidance

	FY25 Targets	FY24 Performance
Loans growth	+3% (from 5%-6%)	+5.3%
Net interest margin	Slight compression (from Stable)	2.12%
Credit cost	<30bps	25 bps
Cost-to-Income Ratio	<49%	48.9%
Return on Equity	>11.3%	10.7%

Source: Company, Kenanga Research

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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. (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	MP	2.22	2.30	3.6%	5,625	N	12/2025	23.3	25.4	15.7%	9.1%	9.5	8.7	0.47	5.0%	6.0	2.7%
Alliance Bank Malaysia Bhd	OP	4.57	4.85	6.1%	7,907.1	N	03/2026	43.9	49.4	1.1%	12.6%	10.4	9.3	1.0	9.6%	18.0	3.9%
AMMB Holdings Bhd	OP	5.50	6.90	25.5%	18,196	N	03/2026	64.4	66.2	6.5%	2.8%	8.5	8.3	0.84	10.1%	31.5	5.7%
Bank Islam Malaysia Bhd	MP	2.33	2.40	3.0%	5,281	Y	12/2025	24.4	27.7	-3.2%	13.8%	9.6	8.4	0.67	7.1%	15.0	6.4%
CIMB Group Holdings Bhd	OP	7.40	7.90	6.8%	79,596	N	12/2025	75.1	77.9	4.0%	3.7%	9.8	9.5	1.09	11.3%	42.0	5.7%
Hong Leong Bank Bhd	OP	19.60	24.50	25.0%	42,487	N	06/2025	221.2	219.3	8.1%	-0.9%	8.9	8.9	1.01	10.7%	71.0	3.6%
Malayan Banking Bhd	OP	9.75	11.30	15.9%	117,791	N	12/2025	82.3	86.0	-1.7%	4.6%	11.9	11.3	1.19	10.3%	62.0	6.4%
MBSB Bhd	MP	0.685	0.720	5.1%	5,632	Y	12/2025	7.3	7.5	29.5%	1.5%	9.3	9.2	0.48	5.3%	3.5	5.1%
Public Bank Bhd	OP	4.42	5.25	18.8%	85,795	N	12/2025	37.3	38.4	1.3%	2.9%	11.9	11.5	1.44	12.4%	22.5	5.1%
RHB Bank Bhd	OP	6.47	7.80	20.6%	28,222	N	12/2025	71.7	74.4	-0.4%	3.7%	9.0	8.7	0.84	9.4%	44.5	6.9%
SECTOR AGGREGATE					396,532					2.4%	3.6%	10.6	10.2	1.09	10.3%		5.2%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.0	6.25	9.9	0.47	2.30	MP	
Alliance Bank Malaysia Bhd	3.0	10.0	10.5	0.93	4.85	OP	+5% ESG Premium
AMMB Holdings Bhd	3.0	10.0	9.9	1.02	6.90	OP	
Bank Islam Malaysia Bhd	3.5	8.0	10.2	0.67	2.40	MP	
CIMB Group Holdings Bhd	3.5	11.5	11.2	1.05	7.90	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	24.50	OP	Sum-of-Parts
Malayan Banking Bhd	3.5	11.5	9.5	1.33	11.30	OP	
MBSB Bhd	3.0	6.0	9.2	0.48	0.720	MP	
Public Bank Bhd	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB Bank Bhd	2.5	10.0	10.2	0.98	7.80	OP	

Source: Kenanga Research

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.**

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