

27 February 2026

Malayan Banking

Hitting the Brakes Until Better Clarity

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MAYBANK's FY25 net earnings of RM10.5b (+4%) and interim dividends met expectations, though it fell short on its loans growth target. The group is optimistic for more supportive conditions in FY26 with the first phases of its ROAR30 strategic initiatives expected to commence. As the group has not offered further clarity on its medium-term capital management plan, the group's dividend yield prospects appear less attractive at c.5% (the lowest levels since 2013) from prior averages of 7%-8% yield after a 15% YTD share price rally. Alongside a gestation period from several capex-intensive years, we downgrade our call to MARKET PERFORM with a slightly lower GGM-PBV TP of RM12.30 (from RM12.35) from model updates.

FY25 within expectations. MAYBANK's FY25 net profit of RM10.5b made up 103% of our full-year forecast and 100% of consensus full-year estimates. A second interim dividend of 33.0 sen was declared for a full-year payment of 63.0 sen (72% payout). This is closely within our earlier anticipated 62.0 sen payment.

YoY, FY25 net earnings increased by 4%, largely thanks to relatively lower impairments following writebacks from the completion of a restructuring exercise. Financing credit cost for the period had also improved from 25 bps to 8 bps thanks to overall fewer asset quality stresses. Excluding the estimated reclassification impact of RM325m, normalised credit cost would have still come in at c.13 bps.

In spite of intense market competition, the group is able to retain NIMs of 2.15% from persistent liability management post-OPR cut in Jul 2025. However, we note that while the group's loans only grew by 1.7% on a reported basis (below its constant currency target of 3.0%), its Malaysian operations had grown its loans book by 6.1% which is above the industry's 4.8% thanks to a strong retail presence.

QoQ, 4QFY25 pre-tax profit grew by 7% thanks to recovery in NIMs to 2.09% (+7 bps) and fewer overall provisions on non-financing assets, a higher effective tax rate moderated net earnings growth to 2%.

Highlights. MAYBANK has met most of its headline FY25 targets save for loans growth which fell behind its 3% constant currency target. This was largely attributed to shortfalls in Indonesia's global banking books. Looking into FY26, the group believes that lending conditions have improved across the region for a 4%-5% growth target. With regards to margins, MAYBANK had been proactively optimising its funding costs structure to retain margins, with opportunities yet to be fully tapped on its asset yields. Addressing this in FY26, it opines that margins could improve by up to 5 bps.

That said, ongoing uncertainties in global trade and foreign exchange volatility could pose risks to asset quality, with the group guiding for credit costs to trend closer to 20 bps.

In addition, the recently announced ROAR30 strategic programme is likely to result in frontloaded capital expenditure and operating costs as MAYBANK modernises its IT infrastructure and builds new capabilities. The group has earmarked RM10b over five years for the initiative, and we expect the early phases to be more cost-intensive before translating into revenue accretion in the later stages. Ultimately, the group aspires to achieve ROEs of 13%-14% backed by these initiatives.

Forecast. We tweak our FY26F earnings by 3% as we incorporate FY25's full-year numbers. We also introduce our projections for FY27F.

MARKET PERFORM ↓

Price : RM12.00
Target Price : RM12.30 ↓

Share Price Performance



KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	14.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAY MK Equity
Market Cap (RM m)	144,973.3
Shares Outstanding	12,081.1
52-week range (H)	12.38
52-week range (L)	9.39
3-mth avg. daily vol.	17,027,770
Free Float	59%
Beta	0.77

Major Shareholders

Amanah Saham Nasional	33.7%
Employees Provident Fund	12.3%
Yayasan Pelaburan Bumiputra	6.4%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	21,810	22,057	22,693
Non-interest Income	9,020	9,047	9,181
Total Income	30,830	31,104	31,873
Operating Expenses	-14,839	-15,397	-15,858
Loan Impairment	-1,409	-1,215	-1,272
Pre-tax Profit	14,334	14,219	14,453
Net Profit	10,514	10,730	10,906
Core Net Profit	10,514	10,730	10,906
Consensus NP	-	10,879	11,491
Earnings Revision	-	2.7%	NEW
Core EPS (RM)	0.87	0.89	0.90
EPS Growth (%)	4.2	2.1	1.6
NDPS (RM)	0.63	0.64	0.65
BV/share (RM)	7.75	8.50	8.58
NTA/share (RM)	7.2	8.0	8.0
ROE (%)	11.2	11.0	10.6
PER (x)	13.8	13.5	13.3
P/BV (x)	1.55	1.41	1.40
Net Div. Yield (%)	5.3	5.3	5.4

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Downgrade to MARKET PERFORM with a slightly lower TP of RM12.30 (from RM12.35) from a revised FY26 BVPS of RM8.50 following our model updates. Our TP is based on an unchanged GGM-derived PBV of 1.45x (COE: 9.0%, TG: 3.5%, ROE: 11.5%). We believe at current levels, the merits of MAYBANK could have been fully priced in, with near-term earnings growth to be slightly muted arising from frontloaded costs associated to its ROAR30 initiatives. Meanwhile, dividend yields are expected to hover at c.5% against historical offered yields of >7%.

While we are cognizant of the group's reservation to further guide on its capital management, we note that its post-dividend CET-1 of 15.1% is deemed above the group's comfortable levels of 14.0%. We opine that every 10 bps release from its CET1 amounts to capital of RM436m or 3.6 sen/share. Discharging its post-dividend CET1 of 15.1% to 14.0% in the immediate term could translate in a special dividend of up to 39.7 sen or 3.3% yield.

Risks to our call include: (i) higher/lower-than-expected margin squeeze, (ii) higher/lower-than-expected loans growth, (iii) better/worse-than-expected deterioration in asset quality, (iv) slowdown in capital market activities, (v) unfavourable currency fluctuations, and (vi) changes to OPR.

Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	5,780	5,361	7.8%	5,370	7.6%	21,810	21,154	3.1%
Non-interest income	1,739	2,103	-17.3%	2,053	-15.3%	8,569	8,419	1.8%
Total income	7,519	7,464	0.7%	7,422	1.3%	30,380	29,573	2.7%
Operating expenses	-3,658	-3,653	0.2%	-3,687	-0.8%	-14,839	-14,460	2.6%
Pre-impairment profit	3,861	3,811	1.3%	3,735	3.4%	15,540	15,112	2.8%
(Allowances)/ write-backs	-9	254	-103.5%	-445	-98.0%	-562	-1,671	-66.4%
(Allowances)/ write-backs on other assets	-175	-608	-71.2%	71	-345.4%	-877	24	N.M.
Operating profit	3,676	3,457	6.3%	3,361	9.4%	14,101	13,465	4.7%
Non-operating gains / (losses)	87	49	76.5%	53	64.2%	274	236	16.1%
Profit before tax	3,763	3,506	7.3%	3,414	10.2%	14,375	13,702	4.9%
Taxation	-955	-787	21.4%	-739	29.2%	-3,502	-3,195	9.6%
Minority interest	-91	-98	-7.3%	-143	-36.4%	-317	-418	-24.0%
Net Profit	2,676	2,621	2.1%	2,532	5.7%	10,514	10,089	4.2%
Core Net Profit	2,676	2,621	2.1%	2,532	5.7%	10,514	10,089	4.2%
Gross loans	686,549	680,543	0.9%	674,969	1.7%	686,549	674,969	1.7%
Gross impaired loans	8,810	9,004	-2.2%	8,326	5.8%	8,810	8,326	5.8%
Customer deposits	698,210	707,343	-1.3%	712,915	-2.1%	698,210	712,915	-2.1%
Current and savings account (CASA)	267,912	268,223	-0.1%	245,485	9.1%	267,912	245,485	9.1%
Total assets	1,067,384	1,067,384	0.0%	1,075,322	-0.7%	1,067,384	1,075,322	-0.7%
Shareholders' equity	92,670	92,670	0.0%	93,971	-1.4%	92,670	93,971	-1.4%
Reported annualised NIM	2.09%	2.02%		2.06%		2.05%	2.05%	
Cost-to-income ratio	48.7%	48.9%		49.7%		48.8%	48.9%	
Annualised credit cost (bps)	0.5	-15.0		26.6		8.3	25.4	
Effective tax rate	25.4%	22.4%		21.7%		24.4%	23.3%	
Annualised ROA	1.0%	1.0%		1.0%		1.0%	1.0%	
Annualised ROE	11.5%	11.2%		11.0%		11.3%	10.7%	
Gross impaired loans ratio	1.28%	1.32%		1.23%		1.28%	1.23%	
Loan loss coverage ratio (LLC)	98.3%	102.6%		122.4%		98.3%	122.4%	
LLC plus regulatory reserves	122.0%	134.2%		156.6%		122.0%	156.6%	
Loan-to-deposit ratio	97.0%	94.9%		93.0%		97.0%	93.0%	
CASA-to-deposit ratio	38.4%	37.9%		34.4%		38.4%	34.4%	
CET-1 capital (Group level)	15.1%	14.9%		15.8%		15.1%	15.8%	

Source: Company, Kenanga Research

Management Guidance

	FY26 Targets	FY25 Performance
Loans growth	4%-5%	+1.7%
	(on constant currency basis)	
Net interest margin	2.05%-2.10%	2.05%
Credit cost	~20 bps	8 bps
Cost-to-Income Ratio	<49%	48.8%
Return on Equity	>11.8%	11.3%

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.	1-Yr. Fwd.	1-Yr. Fwd.		
Stocks Under Coverage																					
Affin Bank Bhd	MP	2.66	2.50	-6.0%	6,740.0	N	12/2026	22.4	24.0	4.9%	7.1%	11.9	11.1	0.5	4.6%	9.0	3.4%				
Alliance Bank Malaysia Bhd	MP	5.15	5.20	1.0%	8,910.6	N	03/2026	48.0	50.3	10.7%	4.6%	10.7	10.2	1.1	10.5%	19.5	3.8%				
AMMB Holdings Bhd	OP	6.65	7.45	12.0%	21,993.7	N	03/2026	64.2	67.0	6.0%	4.5%	10.4	9.9	1.0	10.0%	34.0	5.1%				
Bank Islam Malaysia Bhd	MP	2.50	2.55	2.0%	5,666.2	Y	12/2025	23.6	26.9	-6.4%	14.1%	10.6	9.3	0.7	6.9%	14.0	5.6%				
CIMB Group Holdings Bhd	MP	8.46	8.45	-0.1%	91,339.7	N	12/2025	73.7	77.7	2.0%	5.3%	11.5	10.9	1.2	11.1%	49.0	5.8%				
Hong Leong Bank Bhd	MP	23.84	25.95	8.9%	51,678.4	N	06/2026	231.0	238.9	1.1%	3.4%	10.3	10.0	1.2	11.7%	105.0	4.4%				
Malayan Banking Bhd	OP	12.00	12.30	2.5%	144,973.3	N	12/2026	89.0	90.4	2.1%	1.6%	13.5	13.3	1.4	11.0%	64.0	5.3%				
MBSB Bhd	MP	0.760	0.750	-1.3%	6,249.0	Y	12/2026	5.8	7.2	2.9%	23.4%	13.0	10.6	0.5	4.2%	4.6	6.1%				
Public Bank Bhd	OP	5.00	5.75	15.0%	97,053.5	N	12/2026	38.6	40.0	3.7%	3.6%	12.9	12.5	1.5	12.2%	23.5	4.7%				
RHB Bank Bhd	MP	8.30	8.35	0.6%	36,203.9	N	12/2025	71.8	74.1	-0.3%	3.1%	11.6	11.2	1.1	9.4%	44.5	5.4%				
SECTOR AGGREGATE					470,808					2.4%	3.8%	12.3	11.8	1.3	10.3%		5.0%				

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.20	MP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	MP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	MP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	MP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.75	MP	
Public Bank Bhd	4.00	13.	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.35	MP	

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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