

Malayan Banking

A Moderate Start

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MAYBANK's 1QFY26 net profit (-4%) was within expectations, albeit with the group guiding for potential trimmings to its ROE and loans growth target in the near term. On top of macroeconomic uncertainties, softer forex translation also weighs down on consolidated readings. Our valuations did not price in the full extent of the previous guidance ROE guidance, allowing for some slight softness in group delivery in the near term. Maintain **OUTPERFORM** for its market leadership and GGM-PBV TP of RM12.30.

1QFY26 within expectations. MAYBANK's 1QFY26 net profit of RM2.48b made up 23% of both our full-year forecast and consensus full-year estimate. No dividend was declared this quarter as the group typically pays on a bi-annual basis.

YoY, 1QFY26 net earnings decreased by 4%. NII improved by 3% mainly on the back of stronger NIMs of 2.14% (+10 bps) following effective liability management efforts. This is on the back of flatish loans growth (<1%) which on a constant currency basis would have grown by 3%. Meanwhile NOII dipped 32% from poorer treasury and forex performance, owing to the strengthening of the Ringgit which led total income to fall by 8%.

With the lower topline, CIR widened to 49.9% (+1.5 ppts) in spite of lower operating expenses (-5%) from personnel cost savings. Meanwhile, credit cost rose to 28 bps (+5 bps) from more management overlays (amounting to 5 bps) amid ongoing geopolitical and inflation concerns.

QoQ, 1QFY26 net earnings fell by 7% on: (i) NII softening (-6%) despite NIMs improving (+5 bps) as its Singapore and Indonesia loans base tapered down; (ii) NOII (-5%) from poorer treasury results; and (iii) absence of heavy financing impairment writebacks from the preceding quarter's 1 bps credit cost.

Highlights. Amid ongoing challenges, MAYBANK is reassessing several FY26 headline targets, namely its: (i) ROE target of >11.8%; and (ii) loan growth target of 4%–5% (constant currency basis) in the following 2QFY26 results.

Across its regional markets, rising inflationary pressures are expected to weigh on growth, with the group potentially pivoting more selectively towards hire purchase and mid-market segments, which could moderate overall loan book expansion. While MAYBANK is currently tracking above its 2.05%–2.10% NIM guidance, we believe margins could ease should worsening conditions force greater competition on asset yields to preserve market positioning

At the same time, MAYBANK could prioritise collateralised lending, providing additional buffers should macro conditions deteriorate further. Notably, internal stress tests assume oil prices remaining at USD120/bbl throughout the year, which could reduce CET-1 by c.200 bps, although this would still leave capital levels comfortably above regulatory requirements.

Forecasts. We only tweak our FY26F/FY27F earnings slightly for now.

Maintain OUTPERFORM and TP of RM12.30. Our TP is based on an unchanged GGM-derived PBV of 1.45x (COE: 9.0%, TG: 3.5%, ROE: 11.5%) which implies that any potential revision to management's ROE target may not materially affect the stock's valuation profile. For sensitivity, reducing our ROE assumption to 11.0% would lower our implied TP to RM11.50, while a more meaningful rerating would likely only be warranted should near-term ROE expectations trend closer to 10.5%, implying a TP nearer to RM10.75. Anticipating dividend payouts

OUTPERFORM ↔

Price : **RM10.50**
Target Price : **RM12.30** ↔

Share Price Performance



KLCI	1,684.93
YTD KLCI chg	0.3%
YTD stock price chg	0.2%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	MAY MK Equity
Market Cap (RM m)	127,000.9
Shares Outstanding	12,095.3
52-week range (H)	12.38
52-week range (L)	9.39
3-mth avg. daily vol.	17,513,880
Free Float	59%
Beta	0.82

Major Shareholders

Amanah Saham Nasional	33.7%
Employees Provident Fund	12.6%
Yayasan Pelaburan Bumiputra	6.4%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	21,810	21,564	22,552
Non-interest Income	9,020	9,047	9,181
Total Income	30,830	30,611	31,732
Operating Expenses	-14,839	-15,397	-15,858
Loan Impairment	-1,409	-996	-1,253
Pre-tax Profit	14,334	13,945	14,332
Net Profit	10,514	10,523	10,815
Core Net Profit	10,514	10,523	10,815
Consensus NP	-	11,022	11,522
Earnings Revision	-	-1.9%	-0.8%
Core EPS (RM)	0.87	0.87	0.90
EPS Growth (%)	4.2	0.1	2.8
NDPS (RM)	0.63	0.64	0.65
BV/share (RM)	7.75	8.48	8.56
NTA/share (RM)	7.2	7.9	8.0
ROE (%)	11.2	10.8	10.5
PER (x)	12.0	12.0	11.7
P/BV (x)	1.36	1.24	1.23
Net Div. Yield (%)	6.0	6.1	6.2



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to hover at 70% per historical trends, dividend yields of c.6% remain expected.

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

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Net interest income	5,454	5,780	-5.6%	5,287	3.2%	5,454	5,287	3.2%
Non-interest income	1,645	1,739	-5.4%	2,426	-32.2%	1,645	2,426	-32.2%
Total income	7,100	7,519	-5.6%	7,712	-7.9%	7,100	7,712	-7.9%
Operating expenses	-3,546	-3,658	-3.1%	-3,743	-5.3%	-3,546	-3,743	-5.3%
Pre-impairment profit	3,554	3,861	-7.9%	3,969	-10.5%	3,554	3,969	-10.5%
(Allowances)/ write-backs	-485	-9	5299.9%	-384	26.2%	-485	-384	26.2%
(Allowances)/ write-backs on other assets	-276	-175	57.1%	-42	552.9%	-276	-42	552.9%
Operating profit	2,794	3,676	-24.0%	3,543	-21.1%	2,794	3,543	-21.1%
Non-operating gains / (losses)	-58	87	-166.5%	51	-212.7%	-58	51	-212.7%
Profit before tax	2,736	3,763	-27.3%	3,594	-23.9%	2,736	3,594	-23.9%
Taxation	-743	-955	-22.3%	-951	-21.9%	-743	-951	-21.9%
Minority interest	-67	-91	-25.9%	-55	23.4%	-67	-55	23.4%
Net Profit	2,481	2,676	-7.3%	2,589	-4.2%	2,481	2,589	-4.2%
Core Net Profit	2,481	2,676	-7.3%	2,589	-4.2%	2,481	2,589	-4.2%
Gross loans	683,074	686,549	-0.5%	678,687	0.6%	683,074	678,687	0.6%
Gross impaired loans	9,195	8,810	4.4%	8,615	6.7%	9,195	8,615	6.7%
Customer deposits	687,086	698,210	-1.6%	714,584	-3.8%	687,086	714,584	-3.8%
Current and savings account (CASA)	267,775	267,912	-0.1%	247,426	8.2%	267,775	247,426	8.2%
Total assets	1,054,399	1,053,584	0.1%	1,082,609	-2.6%	1,054,399	1,082,609	-2.6%
Shareholders' equity	90,341	93,445	-3.3%	92,420	-2.2%	90,341	92,420	-2.2%
Reported annualised NIM	2.14%	2.09%		2.04%		2.14%	2.04%	
Cost-to-income ratio	49.9%	48.7%		48.5%		49.9%	48.5%	
Annualised credit cost (bps)	28.3	0.5		22.7		28.3	22.7	
Effective tax rate	27.1%	25.4%		26.5%		27.1%	26.5%	
Annualised ROA	0.9%	1.0%		1.0%		0.9%	1.0%	
Annualised ROE	10.8%	11.5%		11.1%		10.8%	11.1%	
Gross impaired loans ratio	1.35%	1.28%		1.27%		1.35%	1.27%	
Loan loss coverage ratio (LLC)	96.8%	98.3%		117.3%		96.8%	117.3%	
LLC plus regulatory reserves	119.6%	122.0%		149.5%		119.6%	149.5%	
Loan-to-deposit ratio	98.1%	97.0%		93.3%		98.1%	93.3%	
CASA-to-deposit ratio	39.0%	38.4%		34.6%		39.0%	34.6%	
CET-1 capital (Group level)	15.0%	15.1%		14.9%		15.0%	14.9%	

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.
Stocks Under Coverage																	
Affin Bank Bhd	MP	2.39	2.50	4.6%	6,055.9	N	12/2026	22.3	23.5	4.7%	5.1%	10.7	10.2	0.5	4.6%	9.0	3.8%
Alliance Bank Malaysia Bhd	OP	4.71	5.50	16.8%	8,149.4	N	03/2027	50.4	52.7	5.5%	4.5%	9.3	8.9	0.9	9.7%	20.0	4.2%
AMMB Holdings Bhd	OP	6.60	7.45	12.9%	21,824.5	N	03/2027	66.4	68.8	4.5%	3.6%	9.9	9.6	1.0	9.9%	38.0	5.8%
Bank Islam Malaysia Bhd	MP	2.21	2.05	-7.2%	5,008.9	Y	12/2026	24.1	26.5	-2.1%	10.3%	9.2	8.3	0.6	6.7%	14.5	6.6%
CIMB Group Holdings Bhd	OP	7.49	8.45	12.8%	80,916.8	N	12/2026	78.3	84.0	6.5%	7.3%	9.6	8.9	1.0	11.4%	50.0	6.7%
Hong Leong Bank Bhd	OP	21.18	25.80	21.8%	45,912.3	N	06/2026	220.3	234.5	-3.6%	6.4%	9.6	9.0	1.0	11.2%	105.0	5.0%
Malayan Banking Bhd	OP	10.50	12.30	17.1%	127,000.9	N	12/2026	87.3	89.7	0.1%	2.8%	12.0	11.7	1.2	10.8%	64.0	6.1%
MBSB Bhd	OP	0.665	0.730	9.8%	5,467.8	Y	12/2026	5.7	7.7	45.4%	36.4%	11.7	8.6	0.5	4.1%	4.5	6.8%
Public Bank Bhd	OP	4.77	5.95	24.7%	92,589.0	N	12/2026	38.7	40.1	4.0%	3.6%	12.3	11.9	1.5	12.3%	29.4	6.2%
RHB Bank Bhd	MP	8.20	8.40	2.4%	35,767.7	N	12/2026	75.5	79.9	-2.7%	5.8%	10.9	10.3	1.0	9.5%	47.0	5.7%
SECTOR AGGREGATE					428,693					2.2%	5.2%	11.1	10.5	1.1	10.2%		5.7%

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	5.50	OP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	7.5	9.7	0.57	2.05	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.80	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	OP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	OP	
Public Bank Bhd	4.00	13.5	9.4	1.78	5.95	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	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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