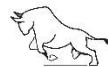


## Malayan Banking Berhad

(1155 | MAY MK) Main | Financial Services



Maintain **BUY**

Unchanged Target Price **RM11.99**

# ROAR30 Announced

### Our Verdict

MAY's ROAR30 ROE target may be difficult to achieve, but still plausible. We opine the success of this operation is highly dependent on certain factors, such as how quickly Indonesia's turnaround can take place and how well MAY is able to manage its cost profile. We await the upcoming results briefing for further details on MAY's capital optimisation plan – though we are not overly optimistic on the prospect of special dividends or an increase in dividend payout ratio so early in the multi-year plan.

### Valuations

#### An unchanged FY26F P/BV of 1.45x

Current P/BV of 1.44x is pricey, trading above +1SD of the 10-year P/BV mean of 1.26x.

The company is currently trading at a forward FY26F P/BV of 1.34x with a +6.3% dividend yield.

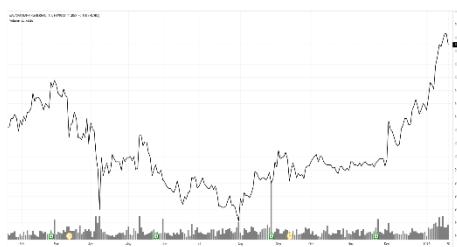
### Themes

1. ▲ Dividend yields remain one of the industry's best.
2. ▲ NIM has been outperforming the industry due to optimisation measures – we expect this continue.
3. ▲ Even if it does not achieve the set target, we think fee income growth will be rapid in the next couple of years.
4. ▲ Management seems confident that the Indonesian situation will turn around, as rebalancing comes to an end.
5. ► We are expecting more moderate loan growth figures, with a deeper focus on the SME segment.
6. ► Neutral on OPEX outlook – admittedly, we were hoping for an end to tech spend.

### RETURN STATISTICS

Price @ 20 January 2026 (RM)	11.06
Expected share price return (%)	+8.4
Expected dividend yield (%)	+6.3
Expected total return (%)	+14.7

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.9	3.9
3 months	5.5	6.4
12 months	7.6	0.1

### INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	10,305	10,478	11,006
CNP growth (%)	2	2	5
Div yield (%)	6.2	6.3	6.6
Gross DPS (sen)	68.3	69.5	73.0
P/BV (x)	1.4	1.3	1.3
BVPS (RM)	8.0	8.3	8.5
ROE (%)	10.8	10.7	10.9
% Street CNP (%)	99	97	97

### KEY STATISTICS

FBM KLCI	1,699.06
Issue shares (m)	12,067.0
Estimated free float (%)	51.2
Market Capitalisation (RM'm)	133,617.0
52-wk price range	RM9.32 – RM11.2
3-mth average daily volume (m)	12.4
3-mth average daily value (RM'm)	128.0
<b>Top Shareholders (%)</b>	
Amanah Saham Nasional Bhd	36.1
EPF Board	13.0
Yayasan Pelaburan Bumiputra	6.6

### Analyst

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**FIG 1: Main Targets**

Core Metrics	M25+ (%)	ROAR30 (%)	Commentary
ROE	11 - 12	13 - 14	We think the target is difficult to achieve but plausible. Does not incorporate benefits from possible capital management activity.
NIM		>2.05	Management acknowledges that the target is overly conservative. Ongoing asset/liability management initiatives have been successful thus far, so expect these to continue driving NIM improvement.
%NOII	34 - 35	38 - 39	High pressure on extremely rapid fee income growth for this to succeed.
CIR	<45	<47	Mounting cost pressure from RM10b of tech investment to be offset by healthier topline growth and cost management initiative.
Loan growth	7		To grow loans at a rate roughly 1.2-1.5x GDP for each geographical region. There will be a higher SME focus this time around.
CASA		>41	To be largely driven by non-retail CASA.
NCC		20bps	
<b>Growth Stats</b>			
Topline		5 - 6	
Overseas income	7	5 - 6	
Fee income		6 - 7	Wealth management and Islamic fee income to act as main drivers.
<b>Geographic</b>			
MY ROE		16 (from 12)	PBT CAGR in the mid-teens
SG ROE		13 (from 10)	PBT CAGR in the mid-teens
ID ROE		10 (from 6)	PBT CAGR in the twenties

Source: Company, MBSBR

▲ **Lofty NOII targets, but realistically, NII can help.** Driving NOII balances – more specifically, fee income – forms the base of MAY's strategy. A lot of MAY's targeted growth figures are ambitious compared to current growth levels – so there is substantial execution risk involved. However, we believe MAY's NIM will perform a lot stronger than the conservative guidance – and will thus be able to compensate for potential shortcomings on the NOII front.

▲ **A turnaround in Indonesia is crucial to the success of this plan.** ID is forecasted to see the steepest rebound in performance (CAGR 8-9%, PBT growth of >20%), namely due to low base effects from several lackluster years. To recap, ID corporate loan performance was dragged by a rebalancing programme, where management was actively reducing exposure to SOE loans – but this programme is coming to an end, so expect the drag from this to dissipate over FY26. We have seen a solid recovery in retail loans in CY25 thus far, which instils confidence in management's ability to grow its intended loan segments (SME and hire purchase loans).

We have two main concerns when it comes to ID: (1) ID's liquidity situation is a lot tighter than in MY/SG, a factor that could cap loan growth, (2) ID's management doesn't have the best track record, so while scaling loans quickly may be possible, we are less confident on management's ability to cross-sell and derive fee income from it.

► **The new Cost/Income ratio is lacklustre.** ROAR30's updated target of 47% is less ambitious than M25+'s 45%. Granted, M25+'s actual CIR of 49% was a disappointment, though management blames circumstance out of its control – namely declining regional interest rates, which depressed topline.

Unfortunately, the end of MAY's M25+ programme does not signify the tail-end of tech spend: A further RM10b is allocated for the entirety of the run, but there are no details on how this sum will be split between OPEX and Capex. To maintain a lower CIR ratio, management will manage the increased tech spending by a combination of cost optimisation exercises and stronger topline performance. Management expects the final result to translate to a mid-single-digit OPEX CAGR over the next five years.

► **MAY will undergo a "soft rerisking" like the rest of its peers.** MAY's heavy focus on fee income growth implies delving deeper into the SME loan segment for cross-sell purposes. Management emphasises that it is not going so far as to switch from its "consumer" approach to a more "business" one, as it will also be doubling down on retail wealth management fees.

Several of MAY's peers have already undertaken a similar approach in shifting towards higher-yielding business loans, as retail loan margins thin and asset quality becomes less of a pressing concern post-pandemic. As with the others, MAY thinks a higher SME exposure's benefits (to asset yields and other cross-selling benefits) offset the negative impact on asset quality and RWA profile.

▲ **Capital optimisation plans to be finalised during the upcoming results briefing.** While management refrains from sharing too much, they acknowledge that there are ongoing discussions to reduce the gap between the Group and Bank level CET 1 ratio. We think discussions about special dividends or potential increases in dividend payouts will only come at later stages, as earlier stages will be affected by higher RWA utilisation (due to the intake of higher-weightage SME loans). Also, a higher NOII dependence during the tail-end of the multi-year plan will naturally leave a lot more capital to release.

It is worth noting that current ROAR30 targets do not incorporate any kind of capital management plan – though we think the Group will need to rely on this in order to achieve its targets.

**Forecasts unchanged.** We make no changes to our earnings forecasts. We await better guidance on the year-on-year timeline for each target before making any changes.

**Key downside risks.** (1) Weak NOII performance, (2) Higher-than-expected OPEX growth, (3) Weaker-than-expected loans growth.

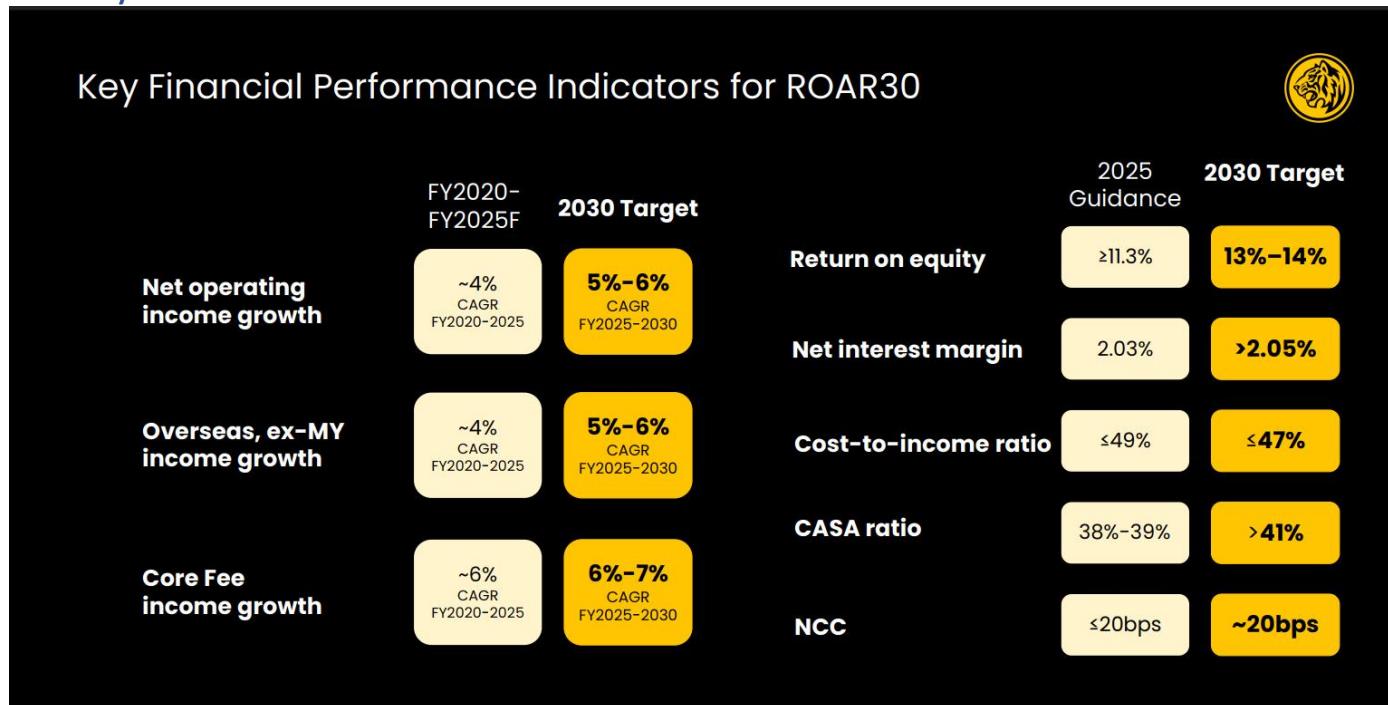
**Maintain BUY call: Unchanged GGM-TP of RM 11.99.** The TP is based on an unchanged FY26F P/BV of 1.45x.

*(GGM assumptions: FY26F ROE of 10.7%, LTG of 3.0% & COE of 8.3%)*

**FIG 2: Industry Multi-year plans**

Bank	Current plan	Years in Operation	Original Targets Revised Figures	Notes
MAY	ROAR30	5Y: FY26 - FY30	ROE: 13 - 14% NIM: >2.05% %NOII: 38-39% CIR: <47% CASA: >41% NCC: 20bps	
CIMB	Forward 30	6Y: FY25 - FY30	ROE: Top quartile %NOII: 33 - 34% CIR: Low 40s% CASA: 45% NCC: 40 - 50bps CET 1: 13 - 14%	
PBK	None			
RHB	PROGRESS27	3Y: FY25 - FY27	ROE: >12% CIR: <44.8% GIL: <1.3%	
HLBK	Transformative 3-5 Year Plan	3 - 5Y: FY24 - FY28 (Expected to last for full duration)	ROE: >12.5% % NOII: >25% CIR: 40% CASA: 35% NCC: 10bps	HLBK set itself the ambitious goal of achieving all multi-year targets prematurely (i.e., within the 3Y timeframe). As this hasn't happened, there shouldn't be any change to pre-existing targets.
AMMB	WT29	5Y: FY24 - FY29	ROE: 11 - 12% ROA: 1.1% CIR: 40% GIL: <1.6% DPS: 45 sen	Expect target revisions to account for a difficult CY25.
BIMB	LEAP25	5Y: FY21 - FY25	ROE: 10% 7% % NOII: 8-9% CIR: <57% 63 - 64%	New plan coming soon!
AFFIN	AX28	(As AX25) 3Y: FY23 - FY25 (As AX28) 5Y: FY24 - FY28	(Previously AX25) ROE: 8% 12% PBT: RM1.2b RM1.8b CIR: 56% <53% CASA: 31% 35% GIL: 1.8% 1.5%	Expect positive revisions to targets to be announced soon, as AFFIN doubles down on its Sarawak growth narrative!
ABMB	ACCELER8 2027	4Y: FY24 - FY27	ROE: 11 - 12% (no share issuance factored) CIR: 45% Loan growth: 8 - 10% DPR: >50%	
MBSB	FLIGHT26	3Y: FY24 - FY26	ROE: 8% NIM: 2.0% CIR: <50% Loan growth: 8 - 9% GIL: <4.0%	

Source: Company, MBSB

**FIG 3: Key Financial Performance Indicators**


Source: Company, MBSBR



## FINANCIAL SUMMARY

### INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Net interest income</b>	<b>12,792</b>	<b>12,807</b>	<b>13,216</b>	<b>13,548</b>	<b>14,025</b>
Islamic banking inc.	7,577	8,346	6,910	7,084	7,333
Other operating inc.	6,992	8,419	10,215	9,785	10,205
<b>Net income</b>	<b>27,361</b>	<b>29,573</b>	<b>30,341</b>	<b>30,417</b>	<b>31,563</b>
OPEX	(13,389)	(14,460)	(14,715)	(14,600)	(14,993)
<b>PPOP</b>	<b>13,972</b>	<b>15,112</b>	<b>15,626</b>	<b>15,817</b>	<b>16,571</b>
Loan allowances	(1,826)	(1,671)	(1,918)	(1,853)	(1,945)
Other allowances	145	24	(176)	(205)	(171)
JV & Associates	240	236	266	269	282
<b>PBT</b>	<b>12,532</b>	<b>13,702</b>	<b>13,797</b>	<b>14,028</b>	<b>14,736</b>
Tax & zakat	(2,917)	(3,195)	(3,173)	(3,226)	(3,389)
NCI	(265)	(418)	(319)	(324)	(340)
<b>Reported NP</b>	<b>9,350</b>	<b>10,089</b>	<b>10,305</b>	<b>10,478</b>	<b>11,006</b>
<b>Core NP</b>	<b>9,350</b>	<b>10,089</b>	<b>10,305</b>	<b>10,478</b>	<b>11,006</b>
Total NII	19,302	19,693	19,435	19,924	20,625
Total NOII	8,059	9,880	10,906	10,493	10,938

### BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	42,376	62,798	51,404	51,266	51,493
Investment securities	252,537	240,829	229,797	222,086	217,064
Net loans	628,923	662,741	685,276	719,540	755,517
Other IEAs	30,723	29,564	30,950	32,407	33,940
Non-IEAs	73,116	79,390	81,870	101,500	118,680
<b>Total assets</b>	<b>1,027,675</b>	<b>1,075,322</b>	<b>1,079,298</b>	<b>1,126,800</b>	<b>1,176,695</b>
Customer deposits	670,359	712,915	735,729	773,987	814,234
Other IBLs	163,138	163,018	168,090	173,401	178,963
Non-IBLs	96,529	102,182	75,569	76,509	77,469
<b>Total liabilities</b>	<b>930,026</b>	<b>978,115</b>	<b>979,387</b>	<b>1,023,897</b>	<b>1,070,666</b>
Share capital	54,674	54,736	54,736	54,736	54,736
Reserves	39,968	39,234	42,076	44,976	48,005
<b>Shareholders' funds</b>	<b>94,642</b>	<b>93,971</b>	<b>96,812</b>	<b>99,712</b>	<b>102,741</b>
NCI	3,007	3,237	3,098	3,191	3,288
<b>Total equity</b>	<b>97,648</b>	<b>97,207</b>	<b>99,910</b>	<b>102,903</b>	<b>106,029</b>
<b>Total L&amp;E</b>	<b>1,027,675</b>	<b>1,075,322</b>	<b>1,079,298</b>	<b>1,126,800</b>	<b>1,176,695</b>
Total IEAs	954,558	995,932	997,428	1,025,299	1,058,015
Total IBLs	833,497	875,933	903,819	947,388	993,197
Gross loans	640,750	674,969	695,218	729,979	766,478
CASA	233,895	245,485	250,148	263,155	276,840

### FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Interest (%)</b>					
NIM	2.11	2.00	1.95	1.97	1.98
Return on IEAs	3.31	3.36	2.31	2.31	2.29
Cost of funds	2.19	2.34	1.10	1.06	1.01
Net interest spread	1.12	1.02	1.21	1.25	1.28
<b>Profitability (%)</b>					
<b>ROE</b>	<b>10.3</b>	<b>10.7</b>	<b>10.8</b>	<b>10.7</b>	<b>10.9</b>
ROA	0.9	1.0	1.0	0.9	1.0
NOII/Net income	29.5	33.4	35.9	34.5	34.7
Effective tax rate	23.3	23.3	23.0	23.0	23.0
Cost/Income	48.9	48.9	48.5	48.0	47.5
<b>Liquidity (%)</b>					
Loan/Deposit	93.8	93.0	93.1	93.0	92.8
CASA ratio	34.9	34.4	34.0	34.0	34.0
<b>Asset Quality (%)</b>					
GIL ratio	1.34	1.23	1.30	1.30	1.30
LLC ratio	120	122	110	110	110
LLC (w. reserves)	149	157	141	140	139
Net CC (bps)	30	25	28	26	26
<b>Capital (%)</b>					
CET 1	16.2	15.8	15.5	15.0	15.0
Tier 1 capital	16.8	16.1	16.2	14.7	14.7
Total capital	19.4	18.9	18.8	18.3	18.3
<b>Growth (%)</b>					
Total NII	-6.7	2.0	-1.3	2.5	3.5
Total NOII	38.8	22.6	10.4	-3.8	4.2
Net income	3.3	8.1	2.6	0.3	3.8
OPEX	11.8	8.0	1.8	-0.8	2.7
Core NP	17.5	7.9	2.1	1.7	5.0
Gross loans	9.2	5.3	3.0	5.0	5.0
Customer deposits	9.0	6.3	3.2	5.2	5.2
CASA	-2.7	5.0	1.9	5.2	5.2
<b>Valuation metrics</b>					
Core EPS (sen)	77.6	83.7	85.5	86.9	91.3
Gross DPS (sen)	60.0	61.0	68.3	69.5	73.0
Div payout (%)	77	73	80	80	80
BVPS (RM)	7.9	7.8	8.0	8.3	8.5
Core P/E (x)	14.3	13.2	12.9	12.7	12.1
<b>Div yield (%)</b>	<b>5.4</b>	<b>5.5</b>	<b>6.2</b>	<b>6.3</b>	<b>6.6</b>
P/BV (x)	1.4	1.4	1.4	1.3	1.3

Source: Company, MBSBR

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## MBSB INVESTMENT BANK (formerly known as MIDF 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