



Malayan Banking Berhad

“Never goes wrong for dividend prospects”

Bloomberg: MAY:MK | Reuters: MBBM.KL | Stock Code: 1155

Main Board

Banking

BUY

TP: RM9.74

Price: RM8.92

Valuation / Recommendation

The leader of banking, the bellwether of the market, Maybank is benefitting from the economic resurgence with the GDP forecast by BNM of 5.5% in 2022 and a 29% market share in deposits and financing. At the forefront of digital banking, having the best CASA ratio mix, stable Cost-Income ratio (CIR), and solid assets quality are the key attributes of the Group. Notably, the consistent dividend payout of 80% which translates into a dividend yield of 7%-8% per annum warrants a Buy recommendation based on a 9%-10% premium to the industry's FY23 P/BV and P/E of 1.18x and 10.7x respectively.

Investment Highlights

Income and margin intact, MAE to fend off competition. Post pandemic, loan portfolios for retail (consumer, business-banking, SME) and non-retail showed notable improvements. NIM continues to expand following the OPR hike despite the downtick of the CASA mix. NOII should pick up in the 2nd half of 2022 with the uptick in capital market activities. Maybank launched its first ever MAE app embedded with a full-fledged e-wallet in October 2020. Since then, it has extended into the food delivery market, fending off competition against its peers and the pending five new digital bankers with its first mover advantage.

Asset quality remained solid. Asset quality remained solid. With OPR expected to be 2.50% - 2.75% by year-end, a higher credit charge would induce additional delinquency, but the amount is small. The oil & gas sector only constitutes 3% of the total loans, 22% of it is in NPL. Nevertheless, the NPL is well provided for. The only possible shortfall in asset quality is in Indonesia operations, where loans were down -by 2% YoY and deposits down by -10% YoY in 1Q22. Maybank has attempted to cushion the impact of an interest rate hike by increasing market share in the mortgage market.

Premium valuation is justified. Maybank is currently trading in line with the industry P/E and P/BV. Given its solid market leader position, best CASA mix franchise, surprising earnings beats, and strong dividend yield, a premium of 9% - 10% are justifiable. We peg the target price at RM9.74 at a 9%-10% premium to industry FY23 P/E and P/BV.

Risk factors. Key risks include (i) a slowdown in Indonesia's operations (ii) larger-than-expected hikes in OPR (iii) deterioration in assets quality (iv) declining NIM margin, and (v) further slowdown in the capital market activities.

INVESTMENT STATISTICS	FY20	FY21	FY22F	FY23F	FY24F
Total Income (RM m)	24,763	25,448	27,830	29,377	31,046
Pre-tax profit (RM m)	8,657	10,887	12,669	13,319	13,835
Core net profit (RM m)	6,720	8,096	9,350	9,830	10,210
Core EPS (sen)	59.8	69.7	78.1	82.1	85.3
EPS Growth (%)	-18.6%	16.5%	12.1%	5.1%	3.9%
P/E (x)	14.9	12.8	11.4	10.9	10.5
DPS (sen)	52.0	58.0	62.5	65.7	68.2
Dividend yield (%)	5.8%	6.5%	7.0%	7.4%	7.7%
BVPS (RM)	7.51	7.38	7.33	7.49	7.66
P/BV (X)	1.19	1.21	1.22	1.19	1.16
ROE (%)	8.1%	9.5%	10.8%	11.1%	11.3%
ROA (%)	0.8%	0.9%	1.0%	1.1%	1.1%

Sources: Mercury Securities, Company

Business Overview

Maybank is a holding company, engaging in providing financial products and services. The Company's segment includes Group Community Financial Service, Group Global Banking, and Group Insurance and Takaful.

Stock Return Information

KLCI (pts)	1,487.37
Expected Share Return (%)	9.2%
Expected Dividend Yield (%)	7.4%
Expected Total Return (%)	16.6%

Share Information

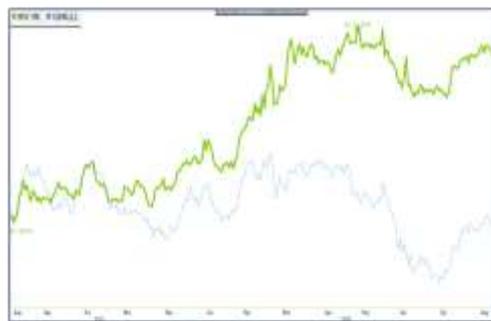
Market Cap (RM m)	106,772
Issued Shares (m)	11,970
52W High (RM)	9.18
52W Low (RM)	7.87
Estimated Free Float (%)	35.6
Beta vs FBM KLCI	0.91
3-month Average Vol. (m)	147.7

Top 3 Shareholders (%)

Amanah Saham Nasional Bhd	39.35
Employees Providend Fund Board	13.08
Yayasan Pelaburan Bumiputra	6.95

Price Performance

	1M	3M	12M
Absolute (%)	0.8	-1.0	8.6
Relative to Index (%)	-0.4	2.6	10.9



Source: Bloomberg

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Profit and Loss - December (RM m)	FY20	FY21	FY22F	FY23F	FY24F
Net interest income	11,090	12,034	13,204	14,108	15,070
Non-interest income	7,537	5,842	6,426	7,069	7,775
Islamic operations	6,136	7,573	8,200	8,200	8,200
Total Income	24,763	25,448	27,830	29,377	31,046
Overhead expenses	(11,222)	(11,519)	(12,190)	(12,955)	(13,971)
Loan loss provision	(4,599)	(2,659)	(2,572)	(2,702)	(2,840)
Others	(286)	(385)	(400)	(400)	(400)
Pre-tax profit	8,657	10,887	12,669	13,319	13,835
Taxation	(1,938)	(2,565)	(3,041)	(3,197)	(3,320)
Minority interest	(238)	(225)	(279)	(293)	(304)
Net profit	6,481	8,096	9,350	9,830	10,210
Exceptional	240	0	0	0	0
Core net profit	6,720	8,096	9,350	9,830	10,210

Source: Mercury Securities, Company

Peers Comparison

Bank	Price (RM)	Market Cap (bn) (21/8)	P/E (x) FY22	P/E (x) FY23	P/BV (x) FY22	P/BV (x) FY23	DY (%) FY22	DY (%) FY23	ROE (%) FY22	ROE (%) FY23
CIMB	5.42	55,400	12.0	8.7	0.90	0.85	4.9	7.0	7.5	10.1
Hong Leong Bank	20.86	42,747	13.4	11.5	1.39	1.30	3.3	3.8	10.7	11.7
Public Bank	4.61	89,483	15.9	13.7	1.76	1.68	3.5	4.3	11.4	12.6
Maybank	8.92	106,772	11.4	10.9	1.22	1.19	7.0	7.4	10.8	11.1
RHB	5.88	24,355	8.8	7.6	0.85	0.83	7.7	8.5	9.6	11.1
Weighted Average =		318,758	12.5	10.7	1.23	1.18	5.2	6.1	10.0	11.2

Sources: Mercury Securities, Company and Bloomberg

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