



Malayan Banking Berhad

“Muted growth but high dividend”

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

Main Board
Banking
Buy
TP: RM9.05
Price: RM8.61

Valuation / Recommendation

Maybank remains a BUY, with a target price of RM9.01, representing an 5.1% upside and a 7.0% yield. Although the bank's 4Q22 results were within expectations, there is slight reduction in earnings forecasts due to poor capital market conditions and persistently high inflationary pressure. Maybank has a strong track record of shareholder returns, with dividend yields being the key driver of total returns in a down market. Capital management will be an ongoing key theme for the group ahead.

Investment Highlights

ROE expected to be 11%. Maybank's targets for FY23 include a ROE of 10.5%-11%, NIM compression of 5-8bps, Cost income ratio of up to 47.5%, and credit cost of 35-40bps. The bank expects to grow in line with industry growth, but the key near-term earnings pressure is NIM compression. The COE assumption has been raised to 9.1% from 8.8% to reflect the uncertain macroeconomic environment, resulting in a lower implied fair P/BV for the industry.

Asset quality remained solid. The low formation of newly impaired loans indicates that asset quality is still under control. The pre-emptive provisioning done in 3QFY22 is not expected to be repeated in the future, and the management is confident that the total provisioning overlays of approximately RM1.7bn will be adequate to protect against significant downside risks. The loan loss coverage has improved to 131.2% in 4QFY22 compared to 122.3% in 3QFY22, as the gross impairment loans ratio (GIL) decreased to 1.57% in 4QFY23 from 1.70% in 3QFY22. For 2023, the management is expecting a net credit charge-off rate between 35bps and 40bp in FY23 against 40bps in FY22.

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 and strong dividend yield, a premium of 9% - 10% are justifiable. We peg the target price at RM9.05 at a 9%-10% premium to industry FY24 P/E and P/BV of 9.9x and 1.1x respectively.

Risk factors. Key risks include (i) a potential slowdown in the Malaysian and Indonesian economies, (ii) unexpected increases in the OPR, (iii) deterioration in asset quality, (iv) declining NIM margin, and (v) a slowdown in capital market activities.

INVESTMENT STATISTICS - DEC	FY21	FY22	FY23F	FY24F	FY25F
Total Income (RM m)	25,448	27,615	28,808	30,770	32,600
Pre-tax profit (RM m)	10,887	12,153	12,843	13,559	13,732
Core net profit (RM m)	8,204	9,141	9,844	10,155	10,295
Core EPS (sen)	69.7	76.4	82.2	84.8	86.0
EPS Growth (%)	16.5%	9.6%	7.7%	3.2%	1.4%
P/E (x)	12.4	11.3	10.5	10.1	10.0
DPS (sen)	58.0	58.0	60.0	62.0	64.0
Dividend yield (%)	6.7%	6.7%	7.0%	7.2%	7.4%
BVPS (RM)	7.38	7.18	7.40	7.63	7.85
P/BV (X)	1.2	1.2	1.2	1.1	1.1
ROE (%)	9.5%	10.6%	11.3%	11.3%	11.1%
ROA (%)	1.3%	1.4%	1.5%	1.6%	1.6%

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)	1,414.25
Expected Share Return (%)	5.1%
Expected Dividend Yield (%)	7.0%
Expected Total Return (%)	12.1%

Share Information

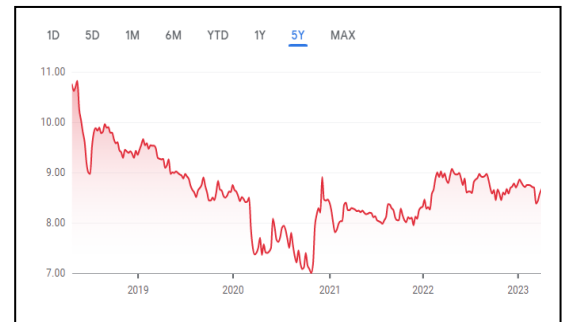
Market Cap (RM m)	106,772
Issued Shares (m)	11,969
52W High (RM)	9.18
52W Low (RM)	8.26
Estimated Free Float (%)	35.6
Beta vs FBM KLCI	0.8
3-month Average Vol. (m)	7.7

Top 3 Shareholders (%)

Amanah Saham Nasional Bhd	39.4
Employees Provident Fund Board	13.1
Yayasan Pelaburan Bumiputra	7.0

Price Performance

	1M	3M	12M
Absolute (%)	2.0	-1.5	4.1
Relative to Index (%)	0.7	4.4	17.0



Source: Bloomberg

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Profit and Loss - December (RM m)	FY21	FY22	FY23F	FY24F	FY25F
Net interest income	12,034	13,834	14,108	15,070	16,500
Non-interest income	5,842	6,367	6,800	7,500	7,600
Islamic operations	7,573	7,414	7,900	8,200	8,500
Total Income	25,448	27,615	28,808	30,770	32,600
Overhead expenses	(11,519)	(12,807)	(13,000)	(13,971)	(15,368)
Loan loss provision	(2,659)	(2,189)	(2,565)	(2,840)	(3,000)
Others	(385)	(465)	(400)	(400)	(500)
Pre-tax profit	10,887	12,153	12,843	13,559	13,732
Taxation	(2,565)	(3,780)	(3,000)	(3,320)	(3,433)
Minority interest	(225)	(138)	(200)	(304)	(304)
Net profit	8,096	8,235	9,643	9,935	9,995
Exceptional	108	906	201	220	300
Core net profit	8,204	9,141	9,844	10,155	10,295

Source: Mercury Securities, Company

Peers Comparison

Bank	Price (RM)	Market Cap (bn) (27/4)	P/E (x) FY23	P/E (x) FY24	P/BV (x) FY24	DY (%) FY24	ROE (%) FY24
CIMB	5.05	53,858	10.2	8.7	0.8	5.1	8.8
Hong Leong Bank	20.06	43,490	13.6	10.8	1.2	3.5	12.6
Public Bank	3.89	75,509	13.3	11.4	1.4	4.6	13.5
Maybank	8.61	103,051	10.5	10.1	1.1	7.2	11.3
RHB	5.48	23,274	8.6	7.3	0.8	7.8	10.6
Weighted Average =		299,181	11.2	9.9	1.1	5.7	9.6

Sources: Mercury Securities, Company and Bloomberg

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