Malayan Banking (MAY MK)

3Q26: Cost Discipline And Improving Asset Quality

Highlights

- Maybank's 3Q26 net profit is in line with expectations.
- Solid cost discipline and lower provisions underpinned 3Q26 earnings.
- Upgrade to BUY with an unchanged target price of RM11.58 (1.27x 2027F P/B, ROE:11.2%) for its valuation and resilient earnings delivery. The stock is currently trading at -1SD to its historical mean P/B.

3Q26 Results

Year to 31 Dec (RMm)	3Q26	3Q25	yoy%	9M26	yoy%
Net Interest Income	3,125.7	3,268.0	(4.4)	9,490.0	(1.8)
Islamic Banking	2,328.6	2,092.8	11.3	6,806.4	6.9
Fees & Commissions	559.1	1,068.1	(47.7)	2,679.3	(9.6)
Net insurance income	551.0	(642.3)	(185.8)	278.4	(140.1)
Net trading income	(720.8)	883.6	(181.6)	556.2	(61.1)
Other Operating Income	1,657.1	793.5	108.8	2,301.3	(26.4)
Total Income	7,500.7	7,463.8	0.5	22,111.5	(3.3)
Operating Expenses	(3,808.6)	(3,652.9)	4.3	(11,043.3)	(1.2)
PPOP	3,692.0	3,810.9	(3.1)	11,068.2	(5.2)
Provisions	(232.8)	254.4	(191.5)	(1,031.0)	86.4
Writeback/(Impairment)	17.6	(608.3)	(102.9)	379.4	(154.1)
Associate	72.7	49.3	47.6	65.8	(64.9)
PBT	3,549.5	3,506.2	1.2	10,482.5	(1.2)
Net Profit	2,744.7	2,621.4	4.7	7,915.7	1.0
EPS (sen)	24.4	23.3	4.7	70.3	1.0
DPS (sen)	0.0	0.0	n.a.	31.0	3.3
Financial Ratios (%)	**3Q26**	**3Q25**	**yoy +/- ppt**	**2Q26**	**qoq +/- ppt**
Loan Growth, yoy	2.5	2.7	(0.3)	2.8	(0.3)
Loan/Deposit Ratio	100.0	94.9	2.1	97.9	5.1
Cost/Income Ratio	50.8	48.9	1.7	49.1	1.8
ROE	12.1	11.2	0.4	11.7	0.9
Gross Impairment Loan Ratio	1.3	1.3	(0.1)	1.3	(0.1)
Credit Costs (bp)	13.1	(15.0)	(5.0)	18.0	28.0

Source: Maybank, UOB Kay Hian

Analysis

- **In line**. Malayan Banking (Maybank) reported 3Q26 net profit of RM2.74b (+4.6% yoy, +2.0% qoq), bringing 9M26 net profit to RM7.91b (+1.0% yoy). 3Q26 results are in line, with 9M26 earnings accounting for 74% of our/consensus 2026 estimates.
- **9M26 earnings trend**. Maybank reported 9M26 net profit of RM7.92b (+1.0% yoy), underpinned by a 2.5% increase in net interest income, 10.6% growth in core fee income and a 48% reduction in net impairment losses. These were partly offset by a 14% decline in non-interest income, largely reflecting softer market-related income. Operating expenses declined 1.2% yoy, reflecting disciplined cost management, which helped cushion the weaker revenue performance.

Key Financials

Year to 31 Dec (RM m)	2024	2025	2026F	2027F	2028F
Net interest income	12,807	13,157	12,818	13,506	14,279
Non-Interest Income	8,419	8,569	8,922	9,326	9,611
Net profit (rep./act.)	10,089	10,514	10,669	11,090	11,743
Net profit (adj.)	10,089	10,514	10,669	11,090	11,743
EPS (sen)	89.7	93.5	97.8	99.9	103.9
PE (x)	11.0	10.6	10.1	9.9	9.5
P/B (x)	1.2	1.2	1.1	1.1	1.1
Dividend yield (%)	6.2	6.4	6.7	7.0	7.4
Net int margin (%)	2.17	2.20	2.20	2.21	2.22
Cost/income Ratio (%)	48.9	48.8	50.4	50.4	50.7
Loan loss cover (%)	122.4	98.3	124.0	129.9	131.2
Consensus net profit	-	-	10,454	11,134	11,777
UOBKH/Consensus (x)	-	-	1.02	1.00	1.00

Source: Maybank, Bloomberg, UOB Kay Hian

Analyst(s)

Keith Wee Teck Keong
keithwee@uobkayhian.com
(603) 2147 1981

BUY (Upgraded)

Share Price	RM9.89
Target Price	RM11.58
Upside	17.1%

Stock Data

Sector	Financials
Bloomberg ticker	MAY MK
Shares issued (m)	12,140.9
Market cap (RMm)	120,073.0
Market cap (US$m)	29,583.4
3-mth avg daily t'over (US$m)	36.0

Price Performance (%)

52-week high/low				RM12.42/RM9.78
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(1.7)	(6.7	(10.1)	(0.5)	(5.6)

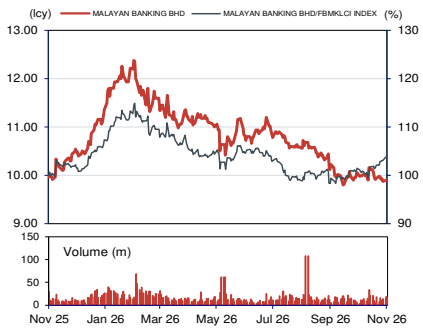
Major Shareholders (%)

Amanah Saham Nasional	34.3
Employees Provident Fund Board	11.8

Balance Sheet Metrics

FY26F NAV/Share (RM)	8.64
FY26F CAR Tier -1 (%)	16.0

Price Chart



Source: Bloomberg

Company Description

The largest banking group in Malaysia in terms of asset size. Maybank also has sizeable exposure to foreign markets, with foreign loans, mainly in Singapore and Indonesia, making up 33% of its loan base.

- **3Q26 net profit rose 2.0% qoq and 4.7% yoy to RM2.74b.** Sequentially, earnings were supported by a 2.0% increase in net interest income and lower impairment losses (-6.7% qoq), partly offset by a 4.4% decline in non-interest income and a 3.2% increase in operating expenses. On a yoy basis, the earnings growth was supported by higher net interest income (+2.3%) and lower impairment charges, which helped offset weaker non-interest income. NIM eased 3bps qoq to 2.07%, although it remained 5bps higher yoy.
- **NIM moderates but remains above FY26 guidance.** Group NIM declined 3bps qoq to 2.07% in 3Q26, reflecting broad-based pressure across Malaysia, Singapore and Indonesia. In Malaysia, stiffer deposit competition and mortgage yield compression weighed on margins. In Singapore, declining SORA rates saw assets reprice faster than deposits, while in Indonesia, rising funding costs amid faster deposit repricing pressured NIM. 9M26 NIM averaged 2.11%, up 7bps yoy and above management's 2026 guidance of 2.05–2.10%. Management expects further sequential compression in 4Q26, bringing full-year NIM broadly within guidance. To mitigate funding cost pressure, the group is gradually repricing selected wholesale loans and mortgagees and also diversifying its funding mix by locking in cheaper wholesale funding through the bond market.
- **Loans growth momentum strengthens**. Group loans grew 2.5% qoq and 4.6% yoy to RM713.3b, with growth broad-based across Malaysia (+4.9% ytd annualised), Singapore (+4.9%) and Indonesia (+4.9%). Excluding the forex impact, group loans grew 5.8% yoy and 2.0% qoq. Management maintained its 2026 loan growth guidance of 4-5% on a constant-currency basis.
- **Data centre exposure risk negligible**. The group has capped its total data centre loan exposure at RM8b, equivalent to approximately 1% of its loan book, with current drawdowns accounting for just 0.3%. Exposure to China-related data centres and offtakers represents around 30% of outstanding data centre loans, or a modest 0.1% of total group loans.
- **Asset quality improves.** Asset quality remained broadly stable, with the group's GIL ratio improving 8bps qoq to 1.27%, driven by corporate recoveries in Malaysia and Singapore. Both markets recorded lower GIL ratios, while Indonesia saw a marginal 1bp qoq uptick.
- **Overlay reversal drives credit cost improvement**. Management released RM200m of overlays in 3Q26, reducing the balance to RM2.4b following model changes and a reassessment of emerging portfolio risks. This supported a 4bps qoq improvement in net credit cost to 14bps. Despite the overlay release, the group's loan-loss coverage ratio, including regulatory reserves, strengthened to 123% in 3Q26 from 118% in 2Q26 on the back of improved GIL.
- **Capital takes a hit, but dividends remain intact.** The group's CET1 ratio declined 180bps qoq to 13.1% in 3Q26, largely due to higher bond yields (-60bps), the acquisition of the remaining Etiqa stake (-100bps) and forex impact (-20bps). However, as its fixed-income securities are predominantly MGS, the yield impact is largely reversible, with MGS yields already moderating qoq. Management also indicated that dividend payouts should remain largely intact even with a further deterioration in bond yields and hence capital ratio (subjected to BNM approval), given the flexibility to increase the DRP component if necessary. We have conservatively assumed a 68% payout ratio, below 1H26's 72% and the five-year average of 76%. As such, we believe the group's attractive dividend yield of above 6% remains sustainable despite the latest capital ratio decline.
- **2026 guidance is largely retained as follows**: a) ROE: 11.8%, b) loans growth: 4-5% (constant currency), c) net credit cost: 20bp, d) NIM: stable to +5bp, and e) cost-to-income ratio of around 49%.

Valuation/Recommendation

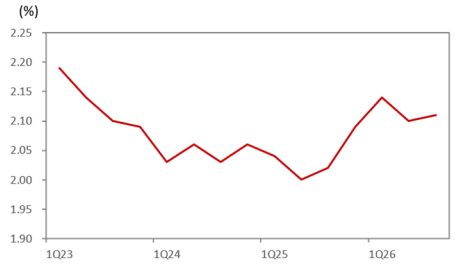
- **Upgrade to BUY with an unchanged target price of RM11.58 (1.27x 2027F P/B; ROE: 11.2%).** We take the opportunity to upgrade the stock to

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.0	5.0	5.5
Credit Cost (bp)	20.0	20.0	20.0
ROE	11.0	11.2	11.6

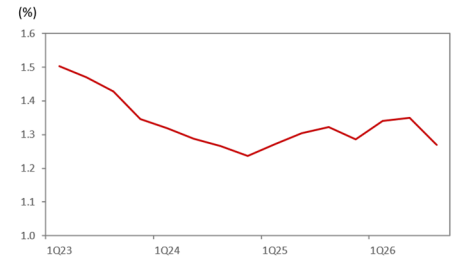
Source: UOB Kay Hian

Maybank NIM Trend



Source: Maybank, UOB Kay Hian

Maybank GIL Ratio Trend



Source: Maybank, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental

- **Green loan commitment.** To provide RM50b in sustainable financing by 2025.
- **Zero new coal financing.** Transition all stakeholders to zero carbon emission by 2050.

Social

- **Board and upper management gender diversity.** Maintained 25% female directors on the Board and 40% females in senior management.
- **Enhanced financial inclusion to B40.** Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.

Governance

- **Composition of independent directors.** Composition of Independent Directors (INED) – 75%.

Source: Maybank, UOB Kay Hian

BUY following its recent share price retracement, which has brought valuations down to an attractive 1SD below its historical mean. Coupled with an attractive dividend yield of 6.6% and above-industry provisioning buffers, we believe the risk-reward profile has become increasingly compelling.

Earnings Revision/Risk

- No changes to our earnings forecasts.

Share Price Catalyst

- Stronger-than-expected wealth management income.
- Lower-than-expected provisions.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	29,351	29,496	31,040	32,754
Interest expense	(16,194)	(16,678)	(17,534)	(18,475)
Net interest income	13,157	12,818	13,506	14,279
Fees & commissions	3,995	4,195	4,446	4,580
Other income	4,574	4,727	4,880	5,031
Non-interest income	8,569	8,922	9,326	9,611
Income from islamic banking	8,653	9,432	9,998	10,598
Total income	**30,380**	**31,172**	**32,830**	**34,487**
Staff costs	(8,734)	(9,433)	(9,999)	(10,599)
Other operating expense	(6,105)	(6,291)	(6,536)	(6,873)
Pre-provision profit	15,540	15,448	16,294	17,016
Loan loss provision	(562)	(1,440)	(1,519)	(1,603)
Other provisions	(919)	0	0	0
Associated companies	274	291	308	327
Other non-operating income	0	0	0	0
Pre-tax profit	14,334	14,299	15,084	15,740
Tax	(3,502)	(3,335)	(3,686)	(3,670)
Minorities	(317)	(296)	(308)	(326)
Net profit	**10,514**	**10,669**	**11,090**	**11,743**
Net profit (adj.)	10,514	10,669	11,090	11,743

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	11,959	7,199	7,595	8,013
Govt treasury bills & securities	52,572	53,623	54,696	55,790
Interbank loans	14,030	14,171	14,312	14,456
Customer loans	676,981	708,576	747,505	788,527
Investment securities	204,151	218,349	233,518	249,725
Derivative receivables	17,640	17,640	17,640	17,640
Associates & JVs	1,832	1,832	1,832	1,832
Fixed assets (incl. prop.)	4,382	4,601	4,832	5,073
Other assets	70,035	74,623	79,686	85,287
Total assets	**1,053,584**	**1,100,615**	**1,161,616**	**1,226,342**
Interbank deposits	42,587	43,865	45,181	46,536
Customer deposits	730,993	767,543	809,758	854,294
Derivative payables	24,536	24,536	24,536	24,536
Debt equivalents	16,030	16,030	16,030	16,030
Other liabilities	142,595	147,746	161,018	175,434
Total liabilities	**956,742**	**999,719**	**1,056,523**	**1,116,830**
Shareholders' funds	93,445	97,202	101,091	105,184
Minority interest - accumulated	3,397	3,694	4,002	4,328
Total equity & liabilities	**1,053,584**	**1,100,615**	**1,161,616**	**1,226,342**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	16.4	16.0	15.7	15.5
Total CAR	20.0	21.3	20.9	20.5
Total assets/equity (x)	11.2	11.3	11.4	11.6
Tangible assets/tangible common equity (x)	12.0	12.0	12.2	12.4
Asset Quality				
NPL Ratio	1.3	1.3	1.2	1.2
Loan Loss Coverage	98.3	124.0	129.9	131.2
Loan Loss Reserve/Gross Loans	1.6	1.6	1.6	1.6
Increase in NPLs	5.8	3.9	1.0	5.2
Credit Cost (bp)	8.2	20.0	20.0	20.0
Liquidity				
Loan/Deposit Ratio	92.6	92.3	92.3	92.3
Liquid Assets/Short-Term Liabilities	10.1	9.2	8.9	8.7
Liquid Assets/Total Assets	7.5	6.8	6.6	6.4

Key Metric

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net Interest Income, yoy Chg	2.7	(2.6)	5.4	5.7
Fees & Commissions, yoy Chg	4.3	5.0	6.0	3.0
Pre-Provision Profit, yoy Chg	2.8	(0.6)	5.5	4.4
Net Profit, yoy Chg	4.2	1.5	4.0	5.9
Customer Loans, yoy Chg	0.0	0.0	0.0	0.0
Customer Deposits, yoy Chg	2.1	4.7	5.5	5.5
Profitability	(1.5)	5.0	5.5	5.5
Net Interest Margin				
Cost/Income Ratio	2.20	2.20	2.21	2.22
Adjusted ROA	48.8	50.4	50.4	50.7
Reported ROE	1.0	1.0	1.0	1.0
Adjusted ROE	11.3	11.0	11.2	11.6
Valuation	11.3	11.0	11.2	11.6
P/BV (x)				
P/NTA (x)	1.2	1.1	1.1	1.1
Adjusted P/E (x)	1.3	1.2	1.2	1.1
Dividend Yield	10.6	10.1	9.9	9.5
Payout ratio	6.4	6.7	7.0	7.4

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at this link or by scanning the QR code below:

The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full.