

## COMPANY RESULTS

### Malayan Banking (MAY MK)

1Q24: Balanced Risk-to-reward

Maybank's 1Q24 net profit was in line, underpinned by strong loans and non-interest income growth. However, loans growth is expected to moderate in subsequent quarters while full-year NIM is still expected to compress by 3-5bp. Maintain HOLD and target price of RM9.55 (1.08x FY24 P/B, 10.0% ROE). The group is trading at its 10-year historical mean P/B valuations which we deem fair as ROE output is broadly in line with the historical mean.

#### RESULTS

- **In line.** Malayan Banking (Maybank) reported 1Q24 net profit of RM2,387.8m (+9.8% yoy, +4.2 qoq). We deem the results in line, with 1Q24 earnings representing 25% of both our and consensus' full-year estimates. 1Q24 earnings grew 9.8% yoy, driven largely by a 66% yoy increase in non-interest income from stronger trading income (+717% yoy) and fee income (+18% yoy). This was however, partially offset by a 19bp compression in NIM and a 30% yoy increase in loans loss provisions and impairment on financial instruments.
- **Strong non-interest income gains.** Non-interest income increased 66% yoy and 51% qoq, driven primarily by a substantial rise in investment and trading income, which surged 717% yoy and 55% qoq. This significant growth was attributed to favourable movements in bond yields, resulting in both realised gains from bond disposals and unrealised gains on financial assets at fair value through profit or loss (FVTPL). Additionally, core fee income experienced robust growth, expanding 18% yoy, although it remained relatively flat qoq. The growth in fee income was supported by stronger wealth management and credit card fees, which were partially offset by a decline in brokerage fees.
- **QOQ.** 1Q24 earnings grew 4.2% qoq due to: a) a 55% qoq growth in trading and investment income, b) stronger forex income, and c) positive operating Jaws with revenue growth outpacing opex growth by 8ppt. This was, however, partially offset by a 6bp qoq NIM compression.
- **NIM declined sequentially but should recover sequentially.** NIM declined 6bp qoq and 19bp yoy to 2.00% on higher funding cost and pressure on loan yields. However, management indicated that it will adopt a more disciplined loans growth approach, which should support sequential NIM improvement. That said, management is still expecting a full-year NIM compression of 5bp, compared to our assumption of a 3bp decline.

#### KEY FINANCIALS

Year to 31 Dec (RMm)	2022	2023	2024F	2025F	2026F
Net interest income	13,816	12,792	13,258	13,789	14,323
Non-interest income	5,263	6,992	7,418	7,612	7,836
Net profit (rep./act.)	7,961	9,350	9,713	10,202	10,637
Net profit (adj.)	7,961	9,350	9,713	10,202	10,637
EPS (sen)	70.8	83.2	86.4	90.7	94.6
PE (x)	14.1	12.0	11.6	11.0	10.5
P/B (x)	1.3	1.2	1.1	1.1	1.1
Dividend yield (%)	5.8	6.0	6.5	6.8	7.1
Net int margin (%)	2.5	2.2	2.2	2.2	2.2
Cost/income (%)	45.2	48.9	48.7	49.2	49.6
Loan loss cover (%)	127.4	120.1	145.0	147.5	154.1
Consensus net profit	-	-	9,837	10,266	10,832
UOBKH/Consensus (x)	-	-	0.99	0.99	0.98

Source: Malayan Banking, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	RM9.98
Target Price	RM9.55
Upside	-4.3%

#### 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.

#### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	MAY MK
Shares issued (m):	12,060.2
Market cap (RMm):	120,428.2
Market cap (US\$m):	25,560.5
3-mth avg daily t'over (US\$m):	26.0

#### Price Performance (%)

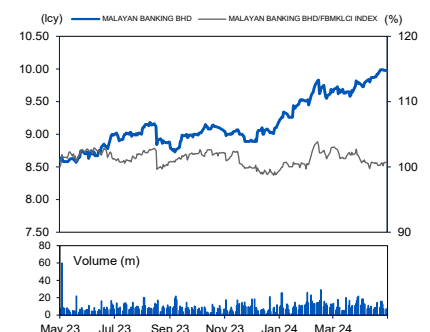
52-week high/low			RM9.99/RM8.57	
1mth	3mth	6mth	1yr	YTD
1.8	4.7	9.8	16.6	12.3

#### Major Shareholders

	%
AmanahRaya Trustees Berhad	38.3
Employees Provident Fund Board	12.7
Yayasan Perlaburan Bumiputra	6.0

FY24 NAV/Share (RM)	8.95
FY24 CAR Tier-1 (%)	20.10

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

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## STOCK IMPACT

- **Loans growth off to a strong start.** Group loans growth came in at a robust 11.2% yoy and 2.7% qoq vs a 9.2% growth in 2023. All its key geographical markets delivered strong growth, with Malaysia at +8.2% yoy, Singapore at +12.2% yoy and Indonesia at +13.6% yoy. Domestically, loans growth was anchored by auto (+9% yoy), mortgages (+12% yoy) and SME (+36% yoy). In Singapore, corporate and business banking drove loan growth by 35% and 21% respectively, while overall consumer loans fell 1% yoy.
- **Loans growth to moderate downwards.** Despite robust loan growth of 11.2% in 1Q24, management has maintained its full-year 2024 growth guidance at 6-7%. They expect growth to moderate in line with a more disciplined approach, focusing on NIM stability rather than growth. We have penciled in a 6% group loans growth for 2024, which is at the lower end of management's 6-7% guidance.
- **Asset quality relatively stable.** In 1Q24, the group's GIL ratio decreased slightly to 1.32% (from 1.34% in 4Q23). Singapore and Indonesia operations saw an improvement in GIL ratio to 0.66% and 3.68% from 0.81% and 3.88% respectively. The Malaysia portfolio saw an uptick in GIL ratio to 1.25% from 1.21% in 4Q23. However, we are not overly concerned, given the group's adequate provisioning reflected by the loans loss coverage ratio (LLC) of 127%, compared to the pre-pandemic average level of 75%.
- **Credit cost in line with expectation.** Net credit cost declined to 29bp in 1Q24 (from 32bp in 4Q23) as GIL ratio improved sequentially. We expect full-year 2024 net credit cost to hover at current levels, having imputed a 30bp assumption which is also broadly in line with management's guidance.
- **2024 outlook.** Management has maintained its key 2024 guidance of ROE: 10.0-11.0%, NIM: -5bp, loans growth: 6-7% and net credit cost: 30bp. This implies that subsequent quarters' loans growth should moderate downwards but will be offset by improving NIM.

## EARNINGS REVISION

- **Earnings revision: None.**

## VALUATION/RECOMMENDATION

- **Maintain HOLD and target price of RM9.55 (1.08x FY24 P/B, 10.0% ROE).** The stock is currently trading at its historical mean P/B which we deem to be fair as ROE output is broadly in line with its historical mean levels. Given our expectation of a more risk-on environment in 1H24 on the back of a peakish interest rate cycle in developed markets, we think that CIMB has a better scope to outperform, given its higher beta, cheaper valuations and stronger ROE trajectory.

## 1Q24 RESULTS

Profit & Loss (RMm)	1Q24	1Q23	yoy % chg	4Q23	qoq % chg
Net Interest Income	3,154.1	3,228.4	(2.3)	3,183.0	(0.9)
Islamic Banking	2,090.3	1,791.2	16.7	2,058.2	1.6
Fees & Commissions	947.0	803.5	17.9	937.8	1.0
Net insurance income	(535.5)	(414.7)	29.1	(167.8)	219.1
Net trading income	1,244.6	152.2	717.7	804.7	54.7
Other Operating Income	676.8	763.8	(11.4)	161.0	320.2
Total Income	7,577.3	6,324.3	19.8	6,976.9	8.6
Operating Expenses	(3,657.5)	(3,052.2)	19.8	(3,619.0)	1.1
PPOP	3,919.8	3,272.1	19.8	3,357.9	16.7
Provisions	(467.8)	(360.1)	29.9	(464.2)	0.8
Writeback/(Impairment)	(76.5)	67.2	(213.8)	(7.3)	946.1
Associate	66.9	76.6	(12.7)	63.2	5.7
PBT	3,442.4	3,055.8	12.6	2,949.6	16.7
Net Profit	2,488.5	2,265.4	9.8	2,387.8	4.2
EPS (sen)	22.1	20.1	9.8	21.2	4.2
DPS (sen)	32.0	0.0	n.a.	31.0	n.a
BVPS (RM)	7.77	7.12	9.1	7.84	(0.9)
Financial Ratios (%)	1Q24	1Q23	yoy chg (ppt)	4Q23	qoq chg (ppt)
Loan Growth, yoy	2.7	0.8	1.9	3.6	(0.9)
Deposit Growth, yoy	1.5	1.6	(0.0)	5.3	(3.7)
Loan/Deposit Ratio	94.9	92.9	2.0	93.8	1.1
Cost/Income Ratio	48.3	48.3	0.0	51.9	(3.6)
ROE	10.6	10.5	0.0	10.3	0.3
Gross Impairment Loan Ratio	1.3	1.5	(0.2)	1.3	(0.0)
Credit Costs (bp)	28.5	24.3	4.2	29.0	(0.5)
CET-1 CAR	14.9	15.0	(0.1)	15.3	(0.5)

Source: Maybank, UOB Kay Hian

## KEY ASSUMPTIONS

(%)	2024F	2025F	2026F
Loan Growth	6.0	6.5	6.5
Credit Cost (bp)	30.0	29.0	29.0
ROE	10.0	10.1	10.1

Source: Maybank, UOB Kay Hian

## ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Green loan commitment.</b> To provide RM50b in sustainable financing by 2025</li> <li>- <b>Zero new coal financing.</b> Transition all stakeholders to zero carbon emission by 2050</li> </ul> </li> <li>• <b>Social</b> <ul style="list-style-type: none"> <li>- <b>Board and upper management gender diversity.</b> Maintained 25% female directors on the Board and 40% females in senior management</li> <li>- <b>Enhanced financial inclusion to B40.</b> Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities especially the B40 consumers</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>- <b>Composition of independent directors.</b> Composition of Independent Directors (INED) – 75 %</li> </ul> </li> </ul>
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Source: Maybank, UOB Kay Hian

## PROFIT & LOSS

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Interest income	30,231	32,156	33,967	35,955
Interest expense	(17,439)	(18,898)	(20,178)	(21,633)
Net interest income	12,792	13,258	13,789	14,323
Fees & commissions	3,514	3,865	4,020	4,221
Other income	3,479	3,553	3,592	3,616
Non-interest income	6,992	7,418	7,612	7,836
Income from islamic banking	7,577	8,259	9,002	9,813
<b>Total income</b>	<b>27,361</b>	<b>28,935</b>	<b>30,403</b>	<b>31,972</b>
Staff costs	(7,779)	(8,324)	(8,989)	(9,709)
Other operating expense	(5,610)	(5,782)	(5,960)	(6,144)
Pre-provision profit	13,972	14,829	15,454	16,119
Loan loss provision	(1,826)	(2,017)	(2,057)	(2,096)
Other provisions	145	0	0	0
Associated companies	240	255	270	286
Other non-operating income	0	0	0	0
Pre-tax profit	12,532	13,066	13,666	14,310
Tax	(2,917)	(3,084)	(3,181)	(3,377)
Minorities	(265)	(270)	(283)	(295)
<b>Net profit</b>	<b>9,350</b>	<b>9,713</b>	<b>10,202</b>	<b>10,637</b>
Net profit (adj.)	9,350	9,713	10,202	10,637

## BALANCE SHEET

Year to 31 Dec (RMm)	2023	2024F	2025F	2026F
Cash with central bank	15,740	20,175	21,284	22,455
Govt treasury bills & securities	50,531	51,541	52,572	53,623
Interbank loans	13,472	13,606	13,742	13,880
Customer loans	628,923	658,983	694,767	732,546
Investment securities	215,385	230,536	246,728	264,033
Derivative receivables	21,648	21,648	21,648	21,648
Associates & JVs	2,106	2,106	2,106	2,106
Fixed assets (incl. prop.)	3,945	4,143	4,350	4,567
Other assets	75,927	80,405	85,288	90,624
<b>Total assets</b>	<b>1,027,675</b>	<b>1,083,143</b>	<b>1,142,485</b>	<b>1,205,481</b>
Interbank deposits	44,677	46,017	47,398	48,820
Customer deposits	696,835	735,161	775,594	818,252
Derivative payables	25,083	25,083	25,083	25,083
Debt equivalents	12,975	12,975	12,975	12,975
Other liabilities	150,457	163,007	177,142	192,537
<b>Total liabilities</b>	<b>930,026</b>	<b>982,243</b>	<b>1,038,192</b>	<b>1,097,667</b>
Shareholders' funds	94,642	97,623	100,732	103,959
Minority interest - accumulated	3,007	3,276	3,560	3,856
<b>Total equity &amp; liabilities</b>	<b>1,027,675</b>	<b>1,083,143</b>	<b>1,142,485</b>	<b>1,205,481</b>

## OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Capital Adequacy</b>				
Tier-1 CAR	15.3	20.1	19.8	19.5
Total CAR	18.6	25.5	24.9	24.3
Total assets/equity (x)	10.8	11.0	11.3	11.5
Tangible assets/tangible common equity (x)	11.6	11.9	12.1	12.4
<b>Asset Quality</b>				
NPL ratio	1.3	1.4	1.4	1.4
Loan loss coverage	120.1	145.0	147.5	154.1
Loan loss reserve/gross loans	1.9	2.0	2.1	2.1
Increase in NPLs	(6.6)	8.4	7.0	3.8
Credit cost (bp)	28.6	30.0	29.0	28.0
<b>Liquidity</b>				
Loan/deposit ratio	90.3	89.6	89.6	89.5
Liquid assets/short-term liabilities	10.7	10.9	10.6	10.3
Liquid assets/total assets	7.8	7.9	7.7	7.5

## KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Growth</b>				
Net interest income, yoy chg	(7.4)	3.6	4.0	3.9
Fees & commissions, yoy chg	5.8	10.0	4.0	5.0
Pre-provision profit, yoy chg	(3.8)	6.1	4.2	4.3
Net profit, yoy chg	17.5	3.9	5.0	4.3
Net profit (adj.), yoy chg	17.5	3.9	5.0	4.3
Customer loans, yoy chg	9.6	4.8	5.4	5.4
Customer deposits, yoy chg	9.0	5.5	5.5	5.5
<b>Profitability</b>				
Net interest margin	2.2	2.2	2.2	2.2
Cost/income ratio	48.9	48.7	49.2	49.6
Adjusted ROA	1.0	0.9	0.9	0.9
Reported ROE	10.4	10.1	10.3	10.4
Adjusted ROE	10.4	10.1	10.3	10.4
<b>Valuation</b>				
P/BV (x)	1.2	1.1	1.1	1.1
P/NTA (x)	1.3	1.2	1.2	1.2
Adjusted P/E (x)	12.0	11.6	11.0	10.5
Dividend Yield	6.0	6.5	6.8	7.1
Payout ratio	72.1	75.0	75.0	75.0

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