

Malayan Banking Berhad

Uplifted by total income

Maintain BUY

Unchanged Target Price (TP): RM11.40

INVESTMENT HIGHLIGHTS

- **PATAMI grew +4.4%yoy, uplifted by total income**
- **NII expanded despite NIM pressure due to lower income expenses**
- **Loans growth was steady from SME, Commercial and Sharia segment.**
- **Asset quality stable**
- **No change in our forecast for Maybank Group**
- **Maintain BUY with unchanged TP to RM11.40 based on PB multiple of 1.6x**

Uplifted by income in 3QFY18. Maybank Indonesia reversed its earnings decline trend to post 9MFY18 PATAMI growth of +4.4%yoy to IDR1,545b. The rebound was due an uplift in income in 3QFY18 which expanded +21.3%yoy to IDR2,592b. This resulted in 9MFY18 income to rise by +2.2%yoy to IDR7,556b

NII continue to be resilient. For 3QFY18, NII grew strongly at +11.5%yoy to IDR2,08b, leading to 9MFY18 NII to grow +5.5%yoy to IDR6,040. The resilient NII in 9MFY18 was due to sharp decline in interest expense where it fell -7.2%yoy to IDR4,970b. We believe that lower deposits could be a contributor to this decline as we understand that pressure to NIM remains in Indonesia, stemming from rate hikes.

Steady loans growth. Gross loans as at 3QFY17 grew +9.9%yoy to IDR131.2t. Main contributors were SME, Commercial and Sharia segment. These grew +3.8%yoy, +8.0%yoy and +42.7%yoy to IDR20.1t, IDR23.6t and IDR23.8t respectively. Meanwhile, mortgages fell -18.6%yoy to IDR7.58t.

Deposits maintained downwards trend. Total deposits as at 3QFY18 contracted again. It came -4.6%yoy lower to IDR116.3t. However, time deposits declined -8.0%yoy to IDR69.1b while CASA expanded +0.8%yoy to IDR47.2t. We believe that this could partly explains for the fall in interest expense.

Asset quality improved. NPL fell by -26.4%yoy to IDR3.23t. This was mainly due to lower NPL in foreign currencies loan.

FORECAST

Pending the announcement of the Group's 3QFY18 result, we make no change to our forecast for now.


RETURN STATS	
Price (29 October 2018)	RM9.27
Target Price	RM11.40
Expected Share Price Return	+23.0%
Expected Dividend Yield	+6.2%
Expected Total Return	+29.2%

STOCK INFO	
KLCI	1,770.26
Bursa / Bloomberg	1155 / MAY MK
Board / Sector	Main / Finance
Syariah Compliant	No
Issued shares (mil)	10,930.8
Market cap. (RM'm)	101,328.1
Price over NA	1.6x
52-wk price Range	RM8.68 -RM11.08
Beta (against KLCI)	1.01
3-mth Avg Daily Vol	10.29m
3-mth Avg Daily Value	RM100.33m
Major Shareholders	
Skim Amanah Saham	34.21%
EPF	13.06%
PNB	7.53%

Some banking abbreviations used in this report:

CA = Collective Impairment Allowance
 CI = Cost-Income Ratio
 CET1 = Common Equity Tier 1
 GIL = Gross Impaired Loan
 LD = Loan-Deposit
 NII = Net Interest Income
 NOII = Non-interest income
 NIM = Net Interest margin
 CASA = Current and Savings Accounts
 COF = Cost of Funds
 IA = Individual Assessment Allowance
 PPOP = Pre-Provisioning Operating Profit
 LCR = Liquidity Coverage Ratio

VALUATION AND RECOMMENDATION

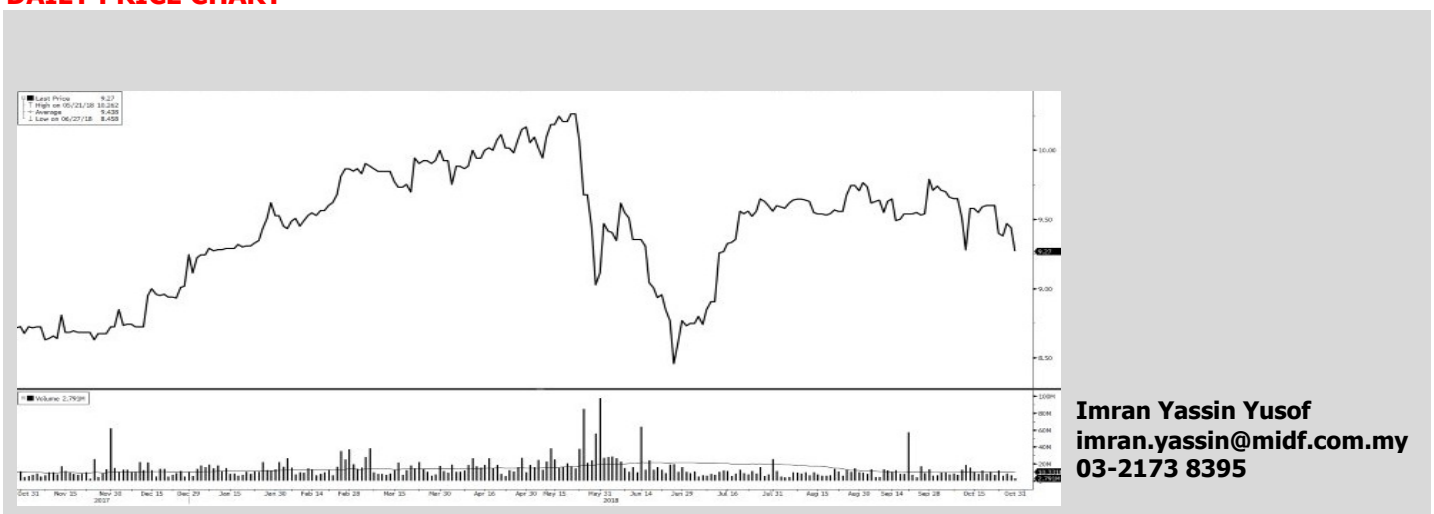
We believe that the result from Maybank Indonesia will give an added boost to the Group's overall 3QFY18 result. We believe that the fundamental of the Group remains intact and any downside risk should have been already priced in. We believe that the Group will be able to maintain its earnings growth trajectory despite potential headwinds such as pressure on NIM. Hence, we are maintaining our BUY call with unchanged TP to RM11.40 based on PB multiple of 1.6x. We believe that the projected dividend yield of 6.2% should not only limit downside risk to the stock, but should also enhance the attractiveness of the stock, especially in current market conditions. 

INVESTMENT STATISTICS OF MAYBANK GROUP

FYE Dec	FY16	FY17	FY18F	FY19F
Net interest income (RM'm)	11,568	12,147	12,699	13,068
Islamic banking income (RM'm)	4,189	4,900	4,634	5,148
Non-interest income (RM'm)	6,506	6,298	7,023	7,622
Total income (RM'm)	22,263	23,345	24,356	25,838
Pretax profit (RM'm)	8,844	10,098	10,558	11,255
Net profit (RM'm)	6,743	7,521	8,070	8,713
Core net profit (RM'm)	6,743	7,521	8,070	8,713
Core EPS (sen)	67.8	72.0	74.9	78.4
PER (x)	13.7	12.9	12.5	11.8
Net dividend (sen)	52	55	58	61
Net dividend yield (%)	5.6	5.9	6.2	6.6
Book value per share (RM)	6.72	6.77	6.90	7.15
PBV (x)	1.4	1.4	1.3	1.3
ROE (%)	10.6	10.3	10.6	10.8

Forecast by MIDFR

DAILY PRICE CHART



RESULTS HIGHLIGHTS OF PT BANK MAYBANK INDONESIA

Results				Comments
FYE Dec (IDR b)	9MFY18	9MFY17	Yoy	
Net interest Income	6,040	5,727	5.5%	Due to higher decline in interest expense, where it fell -7.2%yoy to IDR4,970b.
Non interest income	1,516	1,664	-8.9%	From lower forex gains (-57.3%yoy to IDR57.5b) and lower fee and commission (-27.1%yoy to IDR273.5b)
Operating Income	7,556	7,391	2.2%	
Overhead expenses	(4,482)	(4,494)	-0.3%	Lower general and admin cost (-1.8%yoy to IDR2,575b) moderated by higher personnel cost (+1.9%yoy to IDR1,907b).
PPOP	3,075	2,897	6.1%	
Provision expenses	(1,008)	(898)	12.2%	
Pre-tax Profit (PBT)	2,067	1,999	3.4%	
Net profit after tax and MI	1,545	1,480	4.4%	
Financial ratios	1HFY17	1HFY16	+/- ppts	
Cost to income	59.3%	60.8%	-1.5	Lower OPEX
Loan to deposit	102.2%	88.7%	13.5	Decline in total deposits
Gross NPL	2.72%	4.06%	-1.34	Lower NPL from foreign currencies loans
CASA	40.6%	38.4%	2.2	Decline in consumer time deposits

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	<i>Negative</i> total return is expected, by -10% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

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.