

Banking

March 2021 Statistics

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OVERWEIGHT



Mar 2021 system loans gained 3.9% YoY with better MoM growth of 0.7% (as compared to 0.1% in Feb), possibly lifted by revenge spending from MCO 2.0's lull and more relaxed movement restrictions. Loan disbursements and repayments spiked by over 20% both MoM and YoY, at all-time-highs. New loan applications also soared in March 2021, rising 44% YoY and 59% MoM, with similarly higher loan approvals to boot, with growth mostly coming from households. Meanwhile, overall system gross impaired loan (GIL) ratio continued to show marginal improvement at 1.58% (-1bps MoM) with better performing business loans balancing out slightly higher delinquencies amongst household accounts. Despite the higher total system loans portfolio for the month, CASA deposits remained toppish at c.30% indicating that cash liquidity is still highly sought after. In line with the inflow of loans, loan-to-deposit ratio (LDR) dipped to 86.8% (-8bps MoM). These upticks could be indicative of greater appetite in both consumer and corporate sectors that is much needed to spur sustainable economic recovery. While we do not foresee April 2021 to perform as poorly as the Jan-Feb period, risks could arise from the rise of Covid-19 cases which could trigger stricter MCOs and possibly disrupting Hari Raya festivities. That said, we believe a more meaningful recovery could be seen in 2HCY21 as vaccination roll-outs become more widespread. **Maintain OVERWEIGHT on the Banking sector**, with our Top Picks being: (i) **MAYBANK (OP; TP: RM10.60)** for its leading dividend yield and high dividend-to-ROE spread, and (ii) **RHBBANK (OP; TP: RM6.25)** for strong capital safety with its industry-leading CET-1 ratio.



March 2021 lifted by revenge spending. YoY, system loans growth expanded by 3.9% with improvement in both household (+5.7%) and business (+1.4%) loans. On MoM-basis, total growth came in at 0.7% with greater strength coming from business loans (+1.3%), picking up from the weak Feb 2021 business landscape amidst the MCO 2.0. With the livelier economic environment, loan disbursements surged 32% MoM with high level of loan repayments to match (+22.6% MoM) where business loans outperformed household loans in terms of growth. Sector-wise, most industries displayed stronger abilities to meet repayments with the exception of utilities (electricity, gas and water supply) declining by 25% MoM but this could be due to normalising payment trends, after registering lumpy numbers in Feb 2021 (refer to Table 1-3 for breakdown of system loans).

Between the banks within our coverage, **we are anticipating loans growth of 4-5% for CY21** premised on a higher uptick in the 2HCY21 period. We opine that as vaccination efforts rollout, more relaxed and sustainable movement controls could allow economic activity to normalise and remain undisrupted towards recovering itself. This coincides with our in-house CY21 GDP forecast of 6.5%.

Hungry for cash, loan applications swelled (+44% YoY, +59% MoM). Loan applications for the month was strong for household loans (+66% MoM) on strong demand for both residential (+76% MoM) and non-residential (+52% MoM) properties financing. Business loan applications also stood tall (+47% MoM) with the highest upticks coming from mining, manufacturing and retails, all which had experienced steady declines over the past few months. Coinciding with the spike in volume, **loan approvals rebounded (+34% YoY, +52% MoM)** after continuously contracting for five consecutive months due to tighter credit screening procedures. In Mar 2021, approved household loans rose by 39% MoM while business loans soared by 74% MoM (refer to Table 4-5 for breakdown of system loan applications).

Stagnant impairments amidst higher loan base. Total impairments posted in Mar 2021 increased by 4% YoY owing to lower quality business books (+7%) but moderated by fewer impaired household loans (-15%). Similarly on MoM-basis, although flattish, this was due to poorer business loans (+1%) against better household loans (-6%). Overall, GIL ratio reduced slightly to 1.58% (-1bps MoM) due to the higher abovementioned loan base. Loan loss coverage ratio in Mar 2021 inched up further to 111.8% (Feb 2021: 107.4%, Mar 2020: 81.5%) as banks continued to provide for allowances against future uncertainties (refer to Table 6-7 for breakdown of system impaired loans).

Cash mix buoyant. Total deposits for Mar 2021 grew by 6.2% YoY, 1.4% MoM with CASA-to-deposit ratio keeping at 32.1% (Feb 2021: 31.9%, Mar 2020: 28.1%). Although system loans are creeping up, consumer preference to keep cash accessible is indicative that depositors are still wary of further shocks if the Covid-19 situation worsens. Also, as the interest rate environment remains low, depositors could be less encouraged to consider fixed deposit products (-5.8% YoY, -1.7% MoM). **For the full year, we look at deposits growth to ease to c.4% with a more moderate CASA mix of c.30%** should consumers become liberal with their safety boxes to spend more in 2HCY20. Meanwhile, System LDR remained relatively stable at 86.8% (-0.8ppt MoM) while CET-1 ratio declined to 14.9% (-0.4ppt MoM) post-4QCY20 dividend payments by banks.

Maintain OVERWEIGHT on the banking sector. The economy appears to be making up for lost opportunities from the previous months, but we are cautious that with rising reported Covid-19 cases, the government could have no choice but to once again implement stricter movement controls to curb the pandemic. That said, we are counting on economic stabilisation and growth to kick in more meaningfully in 2HCY21 when vaccination roll-outs are more successful. We do not anticipate any further OPR cuts for now and that banks will ease credit cost exposure for the year, having front loaded their books in 4QCY20. In terms of stock selections, we like **MAYBANK (OP; TP: RM10.60)** for its industry-leading yield (7-8%) and high dividend-to-ROE spread amongst its peers. On the note of economic recovery, being the market share leader in domestic loans, MAYBANK could be poised to experience accelerated loans growth given its brand equity and outreach. Meanwhile, we also like **RHBBANK (OP; TP: RM6.25)** for its leading CET-1 ratio of 16.2%. This should enable greater allowance to implement capital management strategies. Additionally, RHBBANK offers the next best dividend returns of 4-5% amongst the rest of its conventional peers (2-4%).

Appendix

Loan performance

Fig1: System Loan Growth

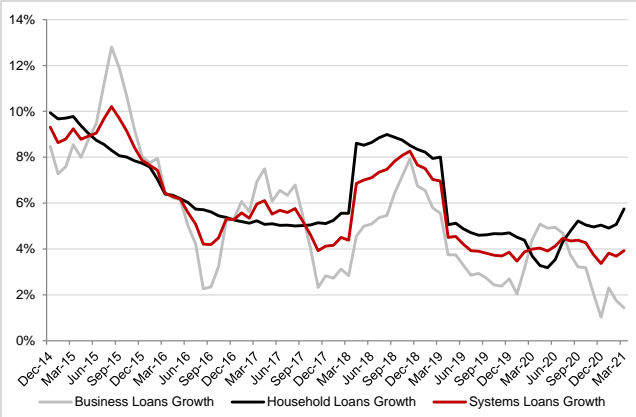
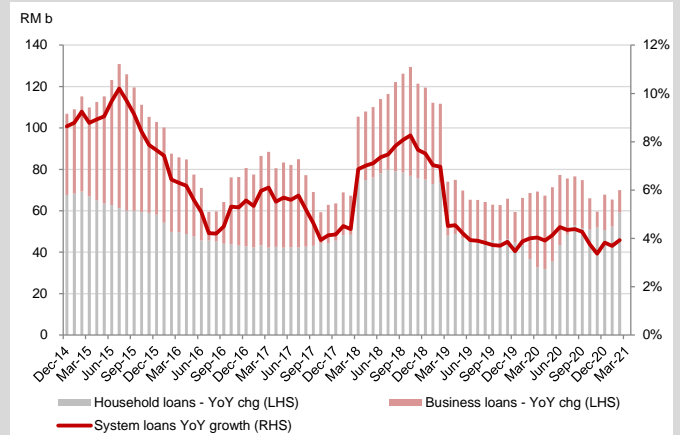


Fig 2: System Loans Growth Drivers



Source: BNM, Kenanga Research

Table 1: Breakdown of System Loans

RM'm	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	MoM Growth (%)	YoY Growth (%)
Purchase of securities	85,529	85,897	85,016	84,148	83,875	-0.3%	5.7%
Purchase of transport vehicles	175,112	175,622	175,790	175,635	176,008	0.2%	6.0%
Purchase of residential property	642,935	646,757	650,158	652,774	656,770	0.6%	7.1%
Purchase of non-residential property	228,897	228,887	228,358	228,376	228,421	0.0%	1.2%
Personal use	103,417	103,409	103,287	103,385	103,548	0.2%	5.7%
Credit card	35,131	36,056	35,467	34,609	34,564	-0.1%	-9.8%
Construction	60,702	60,260	61,598	60,941	61,681	1.2%	2.0%
Working capital	399,619	399,464	403,436	405,783	415,318	2.3%	2.6%
Others	93,818	94,884	95,161	94,490	93,431	-1.1%	-4.9%
Total system loans	1,825,158	1,831,235	1,838,271	1,840,142	1,853,616	0.7%	3.9%
- Household loans	1,076,542	1,082,415	1,084,137	1,085,474	1,089,409	0.4%	5.7%
- Business loans	748,617	748,820	754,134	754,668	764,207	1.3%	1.4%

Source: BNM, Kenanga Research

Loan repayments roughly offsetting disbursements

Fig 3: Loans Disbursement Trends

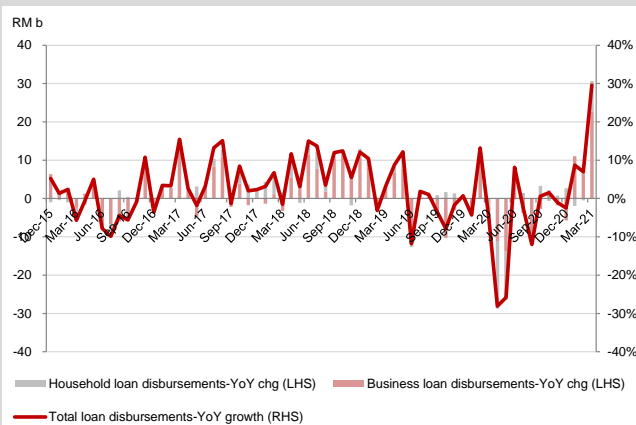
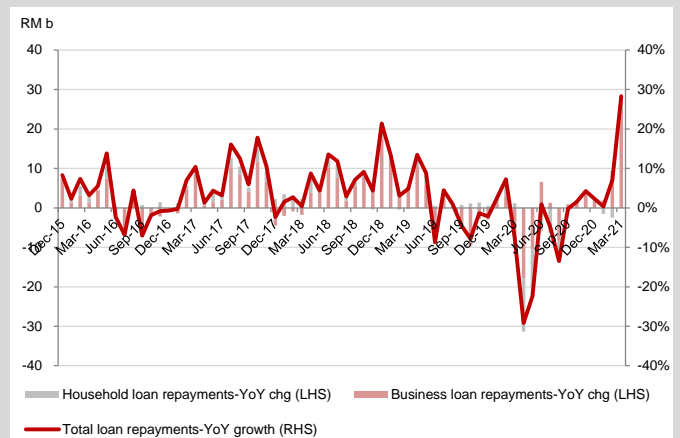


Fig 4: Loans Repayment Trend



Source: BNM, Kenanga Research

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Table 2: Breakdown of System Loans Disbursement

RM'm	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	MoM Growth (%)	YoY Growth (%)
Purchase of securities	4,550	4,313	4,113	3,658	4,157	13.6%	57.3%
Purchase of transport vehicles	4,527	4,691	4,194	3,741	5,278	41.1%	97.5%
Purchase of residential property	7,656	8,401	7,787	6,975	8,385	20.2%	21.3%
Purchase of non-residential property	2,976	3,360	2,885	3,027	4,103	35.5%	16.9%
Personal use	2,980	3,086	2,663	2,692	2,833	5.3%	-4.9%
Credit card	11,206	13,527	11,559	10,179	12,876	26.5%	27.4%
Construction	2,386	3,054	3,499	2,008	3,150	56.9%	-3.2%
Working capital	59,065	71,158	72,415	65,931	86,905	31.8%	31.7%
Others	3,517	6,133	4,532	3,739	6,643	77.7%	19.0%
Total loans disbursed	98,863	117,722	113,647	101,951	134,331	31.8%	29.6%
- Household loans	29,693	33,145	28,843	26,576	32,417	22.0%	32.6%
- Business loans	69,169	84,577	84,805	75,375	101,914	35.2%	28.7%

Source: BNM, Kenanga Research

Table 3: Breakdown of System Loans Repayment

RM'm	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	MoM Growth (%)	YoY Growth (%)
Purchase of securities	4,410	4,177	5,070	4,650	5,008	7.7%	-17.7%
Purchase of transport vehicles	4,108	4,182	4,265	4,034	4,641	15.0%	16.9%
Purchase of residential property	5,455	5,734	5,732	5,499	6,482	17.9%	16.2%
Purchase of non-residential property	3,904	3,811	4,027	3,397	4,816	41.8%	19.0%
Personal use	3,298	3,388	3,246	3,033	3,226	6.3%	5.4%
Credit card	11,390	12,879	12,385	11,046	13,168	19.2%	8.1%
Construction	2,235	3,438	2,370	2,534	2,628	3.7%	-16.5%
Working capital	62,141	71,562	68,881	65,719	81,447	23.9%	41.2%
Others	5,014	4,845	4,272	4,471	6,602	47.6%	66.0%
Total loans repaid	101,954	114,017	110,249	104,385	128,017	22.6%	28.3%
- Household loans	27,603	29,293	29,599	27,606	31,456	13.9%	4.4%
- Business loans	74,351	84,724	80,650	76,779	96,562	25.8%	38.7%

Source: BNM, Kenanga Research

Household segment driving loan demand

Fig 5: Loans Application Trends (3-month MA)

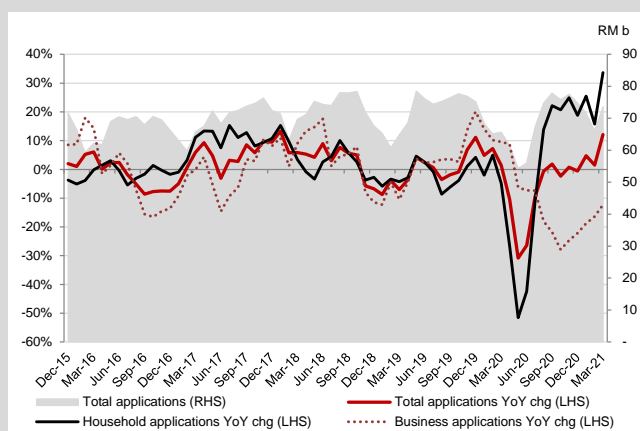
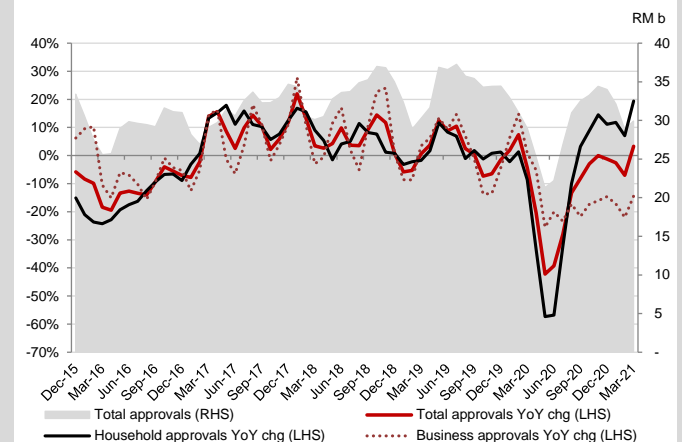


Fig 6: Loans Approval Trends (3-month MA)



Source: BNM, Kenanga Research

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Table 4: Breakdown of System Loan Applications

RM'm	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	MoM Growth (%)	YoY Growth (%)
Purchase of securities	3,775	2,087	2,583	2,653	4,035	52%	133%
Purchase of transport vehicles	8,628	8,480	6,984	5,866	10,773	84%	103%
Purchase of residential property	26,349	26,290	25,894	20,535	36,142	76%	103%
Purchase of non-residential property	6,656	6,770	6,901	5,710	8,708	52%	33%
Personal use	5,737	5,680	5,507	5,107	6,371	25%	33%
Credit card	3,071	3,123	2,676	2,241	2,997	34%	1%
Construction	4,812	3,964	1,819	3,414	3,970	16%	62%
Working capital	14,664	11,627	11,952	11,324	16,745	48%	-21%
Others	2,255	3,686	3,035	2,481	4,497	81%	64%
Total system loan applications	75,948	71,708	67,350	59,331	94,237	59%	44%
- Household loans	47,081	45,909	44,001	35,996	59,839	66%	83%
- Business loans	28,867	25,799	23,349	23,335	34,399	47%	5%

Source: BNM, Kenanga Research

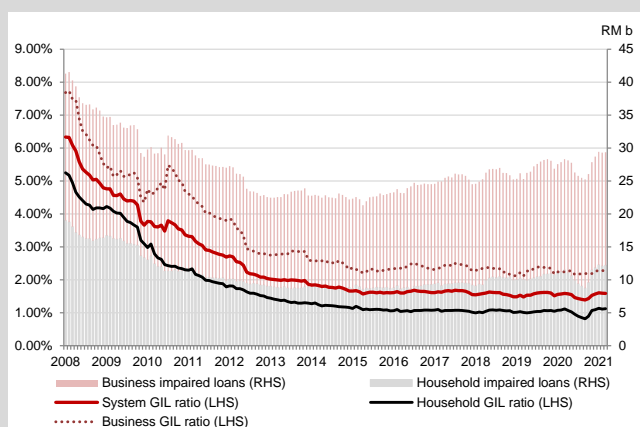
Table 5: Breakdown of System Loan Approvals

RM'm	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	MoM Growth (%)	YoY Growth (%)
Purchase of securities	1,862	1,498	1,325	1,292	2,459	90%	19%
Purchase of transport vehicles	5,120	4,830	4,267	3,468	5,678	64%	87%
Purchase of residential property	10,308	9,270	8,885	8,295	10,872	31%	69%
Purchase of non-residential property	2,207	2,344	2,395	2,076	3,032	46%	57%
Personal use	2,305	2,300	2,033	1,990	2,415	21%	25%
Credit card	895	972	772	591	883	49%	-27%
Construction	1,855	1,644	1,962	727	1,762	142%	60%
Working capital	7,851	7,785	5,159	5,093	7,937	56%	4%
Others	1,758	3,050	1,712	800	1,856	132%	-15%
Total system loan approvals	34,161	33,693	28,511	24,333	36,893	52%	34%
- Household loans	19,995	18,559	17,130	15,565	21,593	39%	56%
- Business loans	14,167	15,134	11,381	8,768	15,300	74%	12%

Source: BNM, Kenanga Research

Higher GIL + pre-emptive provisions = Higher loan loss coverage

Fig 7: GIL trends



Source: BNM, Kenanga Research

Fig 8: Loan Loss Coverage

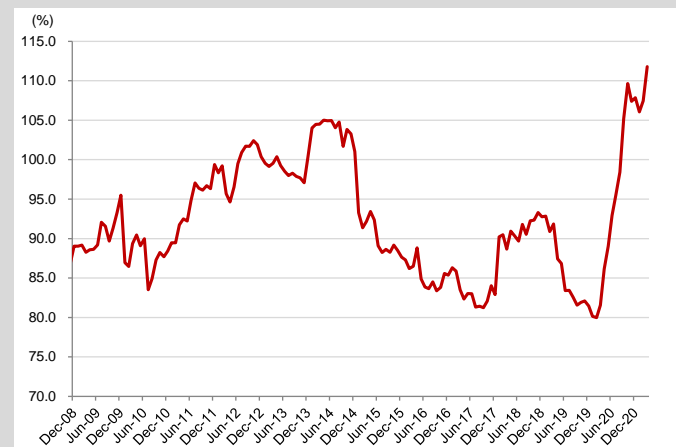


Table 6: Breakdown of System Impaired Loans and GIL Ratio by Purpose



03 May 2021

RM'm	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	MoM Growth (%)	YoY Growth (%)
Purchase of securities	399	484	399	364	349	-4%	27%
Purchase of transport vehicles	1,108	1,439	1,479	1,462	1,311	-10%	1%
Purchase of residential property	7,509	7,646	7,987	7,899	8,209	4%	10%
Purchase of non-residential property	3,104	3,368	3,407	3,425	3,392	-1%	6%
Personal use	1,907	1,955	2,177	2,115	2,133	1%	17%
Credit card	344	359	370	359	354	-1%	-10%
Construction	3,437	3,487	3,381	3,387	3,185	-6%	-15%
Working capital	8,440	8,403	8,722	8,698	8,834	2%	3%
Others	1,597	1,571	1,512	1,584	1,583	0%	7%
Total system impaired loans	27,845	28,712	29,434	29,293	29,349	0%	4%
- Household impaired loans	3,437	3,487	3,381	3,387	3,185	-6%	-15%
- Business impaired loan	24,408	25,225	26,053	25,906	26,164	1%	7%
GIL ratio							
Purchase of securities	0.47%	0.56%	0.47%	0.43%	0.42%		
Purchase of transport vehicles	0.63%	0.82%	0.84%	0.83%	0.74%		
Purchase of residential property	1.17%	1.18%	1.23%	1.21%	1.25%		
Purchase of non-residential property	1.36%	1.47%	1.49%	1.50%	1.48%		
Personal use	1.84%	1.89%	2.11%	2.05%	2.06%		
Credit card	0.98%	1.00%	1.04%	1.04%	1.02%		
Construction	5.66%	5.79%	5.49%	5.56%	5.16%		
Working capital	2.11%	2.10%	2.16%	2.14%	2.13%		
Others	1.70%	1.66%	1.59%	1.68%	1.69%		
System	1.53%	1.57%	1.60%	1.59%	1.58%		
- Household	1.06%	1.09%	1.13%	1.11%	1.12%		
- Business	2.19%	2.26%	2.28%	2.28%	2.25%		

Source: BNM, Kenanga Research

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Table 7: Breakdown of System Impaired Loans and GIL Ratio by Sector

03 May 2021

RM'm	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	MoM Growth (%)	YoY Growth (%)
Households	3,437	3,487	3,381	3,387	3,185	-6%	-15%
Primary agriculture	399	484	399	364	349	-4%	27%
Mining & quarrying	1,108	1,439	1,479	1,462	1,311	-10%	1%
Manufacturing	956	985	1,021	1,000	860	-14%	-24%
Wholesale & retail trade, restaurants, and hotels	3,104	3,368	3,407	3,425	3,392	-1%	6%
Construction	291	255	255	252	248	-2%	-35%
Transport, storage and communication	1,907	1,955	2,177	2,115	2,133	1%	17%
Finance, insurance, and business activities	344	359	370	359	354	-1%	-10%
Others	16,299	16,380	16,946	16,929	17,518	3%	9%
Total system impaired loans	27,845	28,712	29,434	29,293	29,349	0%	4%
GIL ratio							
Households	1.06%	1.09%	1.13%	1.11%	1.12%		
Primary agriculture	3.98%	3.96%	4.01%	3.97%	4.01%		
Mining & quarrying	1.24%	1.42%	1.40%	1.34%	1.33%		
Manufacturing	3.22%	3.08%	3.06%	3.08%	3.05%		
Wholesale & retail trade, restaurants and hotels	1.58%	1.63%	1.75%	1.72%	1.73%		
Construction	1.08%	1.29%	1.30%	1.31%	1.19%		
Transport, storage, and communication	4.65%	5.53%	5.59%	5.57%	5.53%		
Finance, insurance, and business activities	2.86%	2.72%	2.75%	2.75%	2.74%		
Others	1.81%	1.78%	1.68%	1.71%	1.67%		
Total system impaired loans	1.53%	1.57%	1.60%	1.59%	1.58%		

Source: BNM, Kenanga Research

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Fig 9: Deposit Growth and Drivers

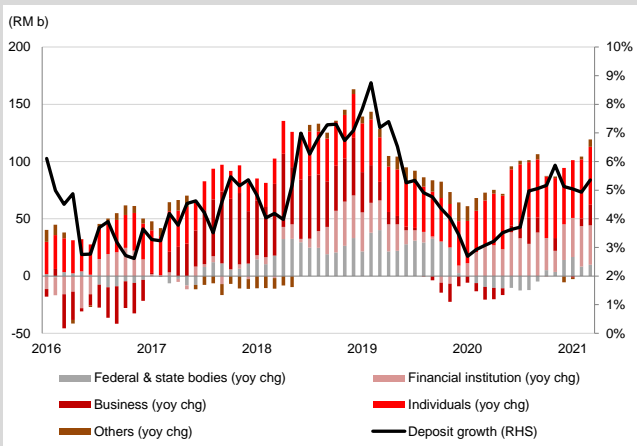


Fig 10: LDR and LCR trends

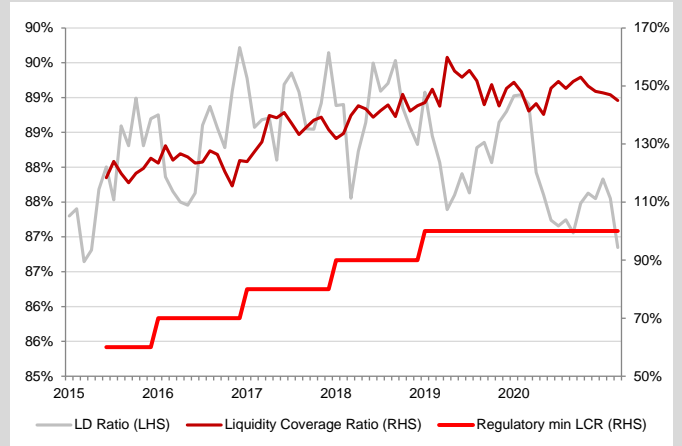


Fig 11: Outstanding Liquidity With BNM

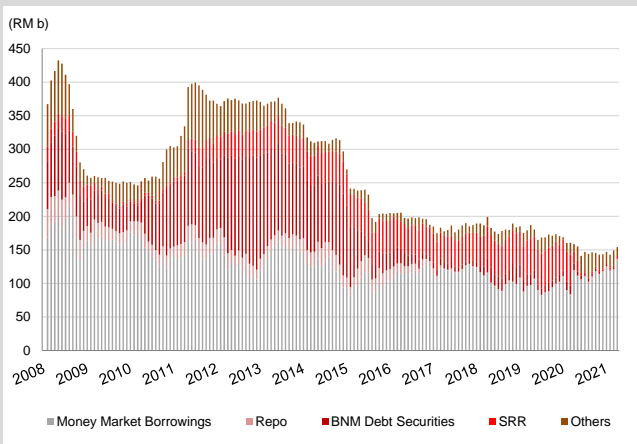
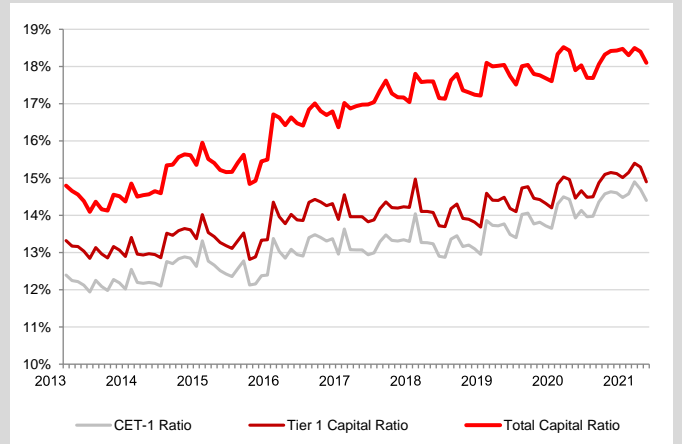


Fig 12: Capital Ratio Trends



Source: BNM, Kenanga Research

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03 May 2021

Peer Table Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net DivYld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
Stocks Under Coverage																		
AFFIN BANK BHD	1.75	3,717.1	N	12/2021	-4.6%	2.7%	46.5%	11.2%	15.8	10.8	9.7	0.4	0.4	3.5%	2.9%	1.35	UP	
ALLIANCE BANK MALAYSIA BHD	2.60	4,025.1	N	03/2021	-10.1%	-6.4%	-14.7%	34.8%	9.5	11.1	8.3	0.7	0.6	5.9%	2.3%	2.30	UP	
AMMB HOLDINGS BHD	2.98	9,858.2	N	03/2021	-10.9%	4.6%	-205.4%	190.0%	6.7	N.A.	7.8	0.5	0.5	-7.9%	0.0%	2.40	UP	
BIMB HOLDINGS BHD	3.88	8,054.4	Y	12/2021	7.6%	3.9%	6.1%	0.8%	10.1	9.5	9.4	1.1	1.1	11.5%	3.6%	5.15	OP	
CIMB GROUP HOLDINGS BHD	4.14	41,458.7	N	12/2021	-0.3%	4.5%	176.0%	35.0%	34.4	12.5	9.2	0.7	0.7	5.8%	3.1%	3.50	UP	
HONG LEONG BANK BHD	17.82	38,628.7	N	06/2021	14.8%	9.6%	14.3%	6.3%	14.6	12.8	12.0	1.3	1.2	10.1%	2.0%	17.80	MP	
MALAYAN BANKING BHD	8.23	93,937.2	N	12/2022	-4.7%	2.8%	8.8%	19.7%	13.6	12.5	10.5	1.1	1.1	8.7%	6.8%	10.60	OP	
MALAYSIA BUILDING SOCIETY BHD	0.630	4,394.5	N	12/2021	66.6%	3.0%	173.9%	14.4%	15.9	5.8	5.1	0.5	0.5	8.1%	4.8%	0.720	OP	
PUBLIC BANK BHD	4.15	80,554.4	N	12/2021	1.4%	2.3%	15.6%	3.1%	16.5	14.3	13.9	1.7	1.6	11.6%	3.4%	4.40	MP	
RHB BANK BHD	5.21	20,892.3	N	12/2021	-2.6%	4.0%	16.0%	12.6%	10.3	8.9	7.9	0.8	0.7	8.5%	4.4%	6.25	OP	
Simple Average					5.7%	3.1%	23.7%	32.8%	14.7	10.9	9.4	0.9	0.8	6.6%	3.3%			

Source: Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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