

05 May 2022

Banking

Mar 2022 Statistics

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OVERWEIGHT



Mar 2022 system loans gained 4.6% YoY (+0.6% MoM) which is in line with our 5.0-5.5% industry growth target for now, as we anticipate a propelled demand for loans from a compounding economic recovery going forward. Coming out of Feb 2022's shorter seasonal month, disbursements, repayments and applications marked significant increments. Gross impaired loans (GIL) stayed at what we feel is a normalising level at 1.54% (+1 bps MoM) as repayment assistance programs marginalise. Meanwhile, deposits expanded further (+5.9% YoY, +0.5% MoM) albeit with CASA mix toning down as banks are likely introducing more sophisticated products to sustain a low cost of funds pre-OPR hike. We maintain our OVERWEIGHT call on the sector with our favourites for the 2QCY22 season being RHBBANK (OP; TP: RM6.95) and HLBANK (OP; TP: RM22.70). We had favoured RHBBANK to be a strong candidate for a digital banking license thanks to its partnership with Boost (refer to our concurrently released Digital Banking update report). Meanwhile, HLBANK could be a safe haven for those still wary of unfavourable macros and their impact to asset quality.



Steady flows. In Mar 2022, system loans noted a 4.6% YoY increase as both household (+4.9%) and business (4.1%) loans followed suit. This also translates to a 0.6% MoM growth from Feb 2022 which only saw marginal sequential increments owing to it being a shorter month with Chinese New Year season in tow. Mar 2022 disbursement and repayments also surged by 31% and 24% MoM, respectively, after tapering off in the prior month. Overall, these numbers suggest that economic recovery is still on track with greater possible surges in 2HCY22 when income levels rise (refer to Table 1-3 for breakdown of system loans). **For CY22, we believe an annual loans growth of 5.0-5.5% is plausible** given the current momentum demonstrated by ongoing economic activity. This is in line with our in-house 2022 GDP forecast of 5.0-5.5%.

Loans applications loading up (+5% YoY, +48% MoM). Mar 2022's RM98.6b system loans applications marked the highest single month application in recent history, seconded by Mar 2021's RM94.2b. The strong momentum was jolted in both household and business fronts, although households registered a 1% YoY decline, indicating that there may be an easing in the pool of prospective house buyers whereas business growth opportunities are still aplenty (refer to Table 4-5 for breakdown of system loan applications).

GIL stable albeit moderate. Total impaired loans for the month crept up (+2% YoY, +2% MoM) which came to a GIL ratio of 1.54% (Feb 2022: 1.53%, Mar 2021: 1.58%). However, we do not see this as a cause of concern as industry numbers progressively corrects post-moratorium. Repayment assistance programs helped cushion GIL to linger at <1.50% whereas pre-Covid levels have ranged at >1.60%. Meanwhile, industry loan loss coverage continued to ease to 116% (Feb 2022: 120%, Mar 2021: 111%) as some banks could have been writing back certain excess provisions (refer to Table 6-7 for breakdown of system impaired loans).

CASA easing out. As of Mar 2022, total deposits posted another increase (+5.9% YoY, +0.5% MoM) but reported a softening of CASA share to 30.3% (Feb 2022: 30.4%, Mar 2021: 30.1%) with a migration to unconventional deposit products. We reckon that as we approach 2HCY22 where an OPR hike is expected, banks are racing to acquire as much cheap funds as possible before interest costs increase. That said, we had anticipated CASA levels to come off, at least with regards to fuelling consumption and spending. For the time being, we keep our **CY22 deposits growth target in line with our loans prediction at 5.0-5.5%**. Thanks to the earlier mentioned system loans growth, LDR subsequently rose to 89.6% (Feb 2022: 89.1%, Mar 2021: 87.1%).

Maintain OVERWEIGHT on the Banking Sector. We believe the ongoing macro factors will present more tailwinds than headwinds for the banking sector. It appears that Malaysia is mostly unaffected by the Russia-Ukraine conflict as neither countries are a meaningful trade partner, albeit it weighing down global investor sentiment. Unless we experience another unprecedented worsening of the Covid-19 situation, we anticipate the ensuing economic recovery would fuel loans growth as well as uplift asset quality as income streams become more sustainable. Write-backs from pre-emptive impairment provisions and management economic overlays could be an eventuality but at the meantime, banks are likely to see CY22 earnings smacked down by the one-off prosperity tax. We also promote **RHBBANK (OP; TP: RM6.95)** and **HLBANK (OP; TP: RM22.70)** as our Top Picks for 2QCY22. Refer to our concurrently released Sector Update with regards to BNM's recent award of the five digital banking licenses.



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Appendix

Loan performance

Fig1: System Loan Growth

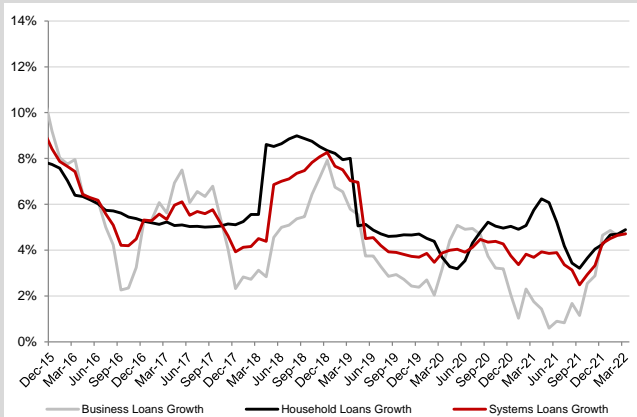
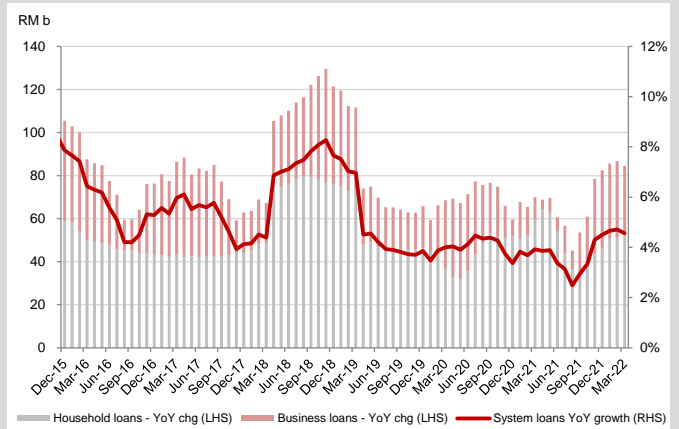


Fig 2: System Loans Growth Drivers



Source: BNM, Kenanga Research

Table 1: Breakdown of System Loans

RM m	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	MoM Growth (%)	YoY Growth (%)
Purchase of securities	91,140	90,052	90,414	90,355	90,926	0.6%	8.4%
Purchase of transport vehicles	175,649	177,605	178,804	179,143	180,433	0.7%	2.5%
Purchase of residential property	685,918	691,666	696,070	698,785	703,143	0.6%	7.1%
Purchase of non-residential property	230,367	230,923	231,508	231,805	233,161	0.6%	2.1%
Personal use	101,711	102,213	102,594	103,051	103,348	0.3%	-0.2%
Credit card	34,832	35,812	36,222	35,429	35,521	0.3%	2.8%
Construction	59,521	59,459	58,437	58,230	57,781	-0.8%	-6.3%
Working capital	428,699	429,169	433,571	435,582	438,670	0.7%	5.6%
Others	95,752	96,826	96,264	94,528	95,145	0.7%	1.8%
Total system loans	1,903,589	1,913,724	1,923,884	1,926,908	1,938,128	0.6%	4.6%
- Household loans	1,120,157	1,128,480	1,134,791	1,136,597	1,142,789	0.5%	4.9%
- Business loans	783,433	785,244	789,093	790,310	795,338	0.6%	4.1%
o Primary agriculture	34,970	33,801	33,116	33,047	32,354	-2.1%	-4.9%
o Mining & quarrying	11,387	10,426	11,373	10,479	9,485	-9.5%	-12.8%
o Manufacturing	134,988	132,380	134,636	135,623	138,070	1.8%	9.7%
o Wholesale & retail trade, restaurants and hotels	150,693	153,621	153,789	155,265	156,868	1.0%	10.2%
o Construction	88,583	89,113	89,070	89,247	89,067	-0.2%	-6.0%
o Real estate	112,333	112,897	112,658	112,032	112,032	0.0%	-1.8%
o Transport, storage and communication	42,898	44,363	45,111	45,383	45,340	-0.1%	12.0%
o Finance, insurance and business activities	122,514	121,631	121,459	121,511	123,130	1.3%	4.0%
o Others	85,066	87,012	87,879	87,723	88,995	1.4%	6.7%

Source: BNM, Kenanga Research

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Loan repayments and disbursements

Fig 3: LoansDisbursement Trends

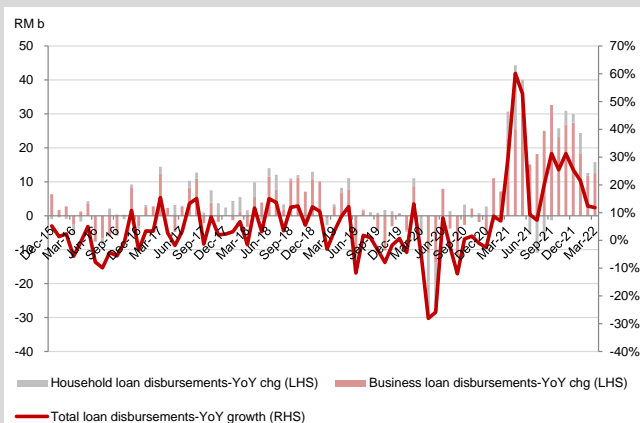
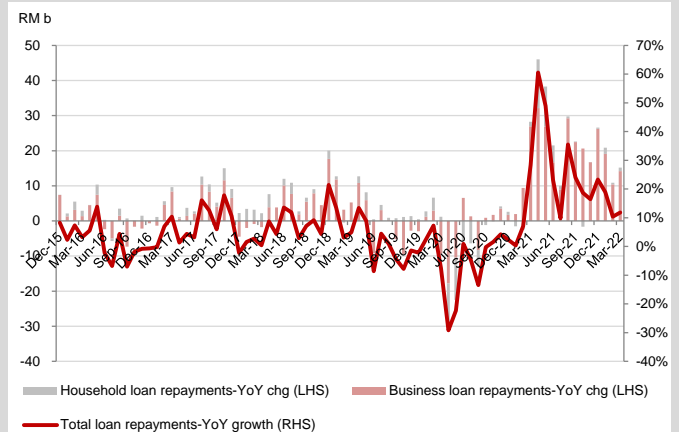


Fig 4: LoansRepayment Trend



Source: BNM, Kenanga Research

Table 2: Breakdown of System Loans Disbursement

RM'm	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	MoM Growth (%)	YoY Growth (%)
Purchase of securities	4,696	2,326	3,614	3,086	3,609	16.9%	-13.2%
Purchase of transport vehicles	5,230	5,719	4,945	3,835	5,587	45.7%	5.9%
Purchase of residential property	8,833	9,521	9,078	7,189	9,652	34.3%	15.1%
Purchase of non-residential property	3,626	4,265	4,317	3,470	4,708	35.7%	14.7%
Personal use	2,939	3,275	3,129	2,546	3,126	22.8%	10.3%
Credit card	14,634	16,155	15,924	12,163	15,019	23.5%	16.6%
Construction	1,919	4,232	2,519	2,372	2,930	23.5%	-7.0%
Working capital	82,897	96,578	91,074	76,655	98,841	28.9%	13.7%
Others	4,986	5,598	3,437	3,259	6,718	106.1%	1.1%
Total loans disbursed	129,760	147,668	138,036	114,574	150,190	31.1%	11.8%
- Household loans	33,745	35,673	34,991	27,418	35,707	30.2%	10.2%
- Business loans	96,015	111,995	103,045	87,156	114,483	31.4%	12.3%

Source: BNM, Kenanga Research

Table 3: Breakdown of System Loans Repayment

RM'm	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	MoM Growth (%)	YoY Growth (%)
Purchase of securities	2,416	3,565	3,437	3,323	3,404	2.5%	-32.0%
Purchase of transport vehicles	3,802	3,979	4,092	3,895	4,662	19.7%	0.4%
Purchase of residential property	5,614	6,013	6,175	5,750	6,932	20.6%	6.9%
Purchase of non-residential property	3,627	3,679	4,267	3,723	3,956	6.2%	-17.9%
Personal use	2,607	2,861	3,157	2,630	3,105	18.1%	-3.7%
Credit card	13,973	15,391	15,788	13,038	15,201	16.6%	15.4%
Construction	2,539	4,222	3,614	2,742	3,483	27.0%	32.5%
Working capital	79,942	95,674	86,244	75,135	96,135	27.9%	18.0%
Others	4,169	5,242	4,323	5,009	6,309	26.0%	-4.4%
Total loans repaid	118,689	140,628	131,098	115,245	143,187	24.2%	11.8%
- Household loans	27,613	29,647	31,369	28,086	32,446	15.5%	3.1%
- Business loans	91,075	110,981	99,729	87,159	110,741	27.1%	14.7%

Source: BNM, Kenanga Research

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Household segment driving loan demand

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

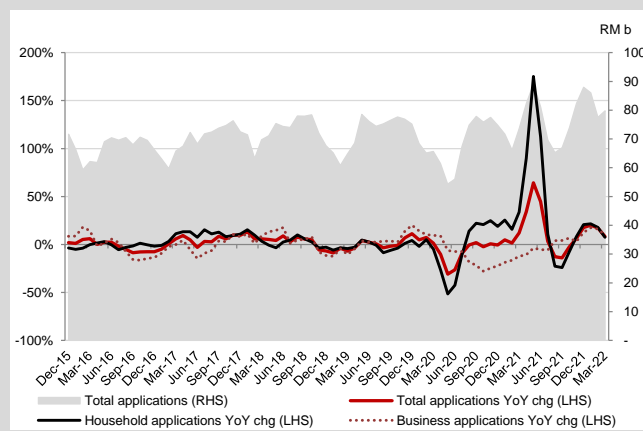
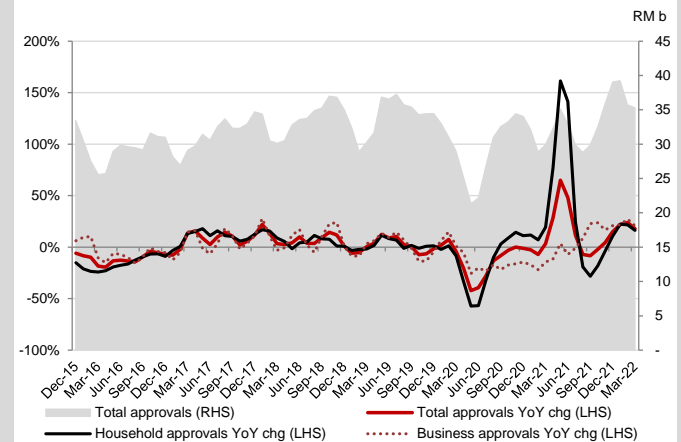


Fig 6: Loans Approval Trends (3-month MA)



Source: BNM, Kenanga Research

Table 4: Breakdown of System Loan Applications

RM m	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	MoM Growth (%)	YoY Growth (%)
Purchase of securities	3,092	1,953	3,535	3,120	3,664	17%	-9%
Purchase of transport vehicles	11,430	11,554	10,124	8,290	11,398	38%	6%
Purchase of residential property	35,858	35,172	27,565	22,293	35,316	58%	-2%
Purchase of non-residential property	8,889	8,789	6,991	6,355	9,590	51%	10%
Personal use	5,375	5,133	4,782	4,345	5,546	28%	-13%
Credit card	3,335	3,669	3,471	3,113	3,597	16%	20%
Construction	2,366	2,083	1,869	2,540	2,857	12%	-28%
Working capital	17,942	18,225	12,917	14,522	23,693	63%	41%
Others	3,983	5,138	2,860	2,120	2,908	37%	-35%
Total system loan applications	92,270	91,715	74,115	66,699	98,571	48%	5%
- Household loans	59,171	57,549	49,779	40,987	59,472	45%	-1%
- Business loans	33,099	34,166	24,335	25,712	39,099	52%	14%

Source: BNM, Kenanga Research

Table 5: Breakdown of System Loan Approvals

RM m	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	MoM Growth (%)	YoY Growth (%)
Purchase of securities	2,177	1,368	2,282	1,900	2,248	18%	-9%
Purchase of transport vehicles	5,618	5,704	5,704	4,479	6,287	40%	11%
Purchase of residential property	12,025	12,779	11,130	8,204	12,433	52%	14%
Purchase of non-residential property	3,068	3,085	3,633	3,099	3,940	27%	30%
Personal use	2,330	2,290	2,097	1,782	2,359	32%	-2%
Credit card	1,107	1,328	1,262	963	1,330	38%	51%
Construction	1,461	849	1,198	1,042	1,640	57%	-7%
Working capital	8,499	12,962	6,732	6,922	9,146	32%	15%
Others	3,109	2,436	1,442	537	2,108	293%	14%
Total system loan approvals	39,394	42,801	35,481	28,929	41,491	43%	12%
- Household loans	22,709	23,156	22,225	16,950	23,991	42%	11%
- Business loans	16,684	19,645	13,256	11,979	17,500	46%	14%

Source: BNM, Kenanga Research

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

Fig 7: GIL trends

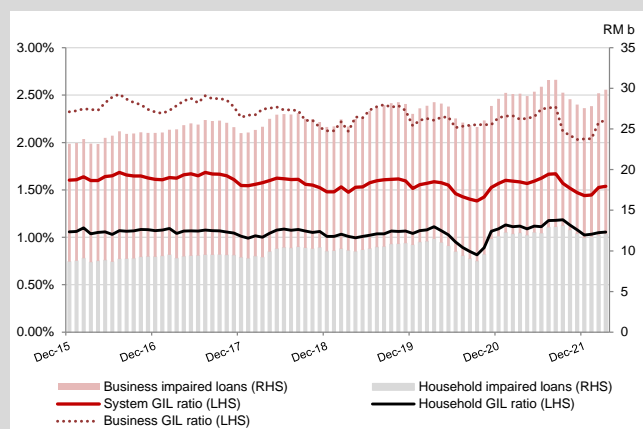
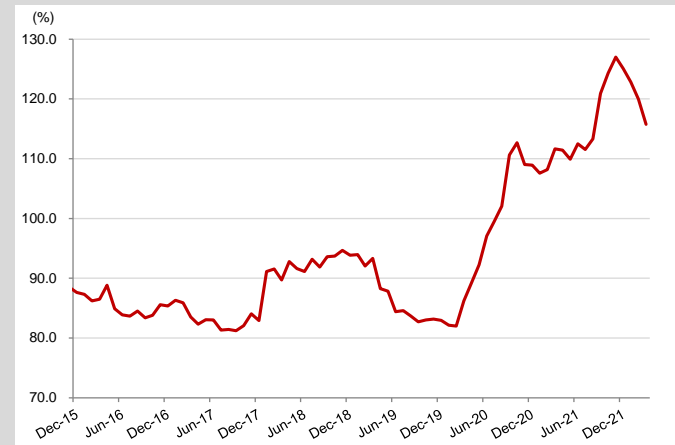


Fig 8: Loan Loss Coverage



Source: BNM, Kenanga Research

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

RM m	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	MoM Growth (%)	YoY Growth (%)
Purchase of securities	353	446	452	453	456	1%	31%
Purchase of transport vehicles	1,345	1,187	1,123	1,148	1,036	-10%	-21%
Purchase of residential property	8,333	8,049	8,248	8,429	8,568	2%	4%
Purchase of non-residential property	3,338	3,373	3,285	3,337	3,384	1%	0%
Personal use	1,877	1,786	1,827	1,845	1,881	2%	-12%
Credit card	317	318	309	300	302	0%	-15%
Construction	3,092	3,080	2,941	2,966	3,291	11%	3%
Working capital	7,900	7,896	8,181	9,538	9,515	0%	8%
Others	1,453	1,439	1,447	1,373	1,399	2%	-12%
Total system impaired loans	28,007	27,575	27,813	29,390	29,833	2%	2%
- Household impaired loans	12,091	11,570	11,721	11,922	12,061	1%	-1%
- Business impaired loan	15,917	16,005	16,092	17,468	17,773	2%	4%
GIL ratio							
Purchase of securities	0.39%	0.50%	0.50%	0.50%	0.50%		
Purchase of transport vehicles	0.77%	0.67%	0.63%	0.64%	0.57%		
Purchase of residential property	1.21%	1.16%	1.18%	1.21%	1.22%		
Purchase of non-residential property	1.45%	1.46%	1.42%	1.44%	1.45%		
Personal use	1.85%	1.75%	1.78%	1.79%	1.82%		
Credit card	0.91%	0.89%	0.85%	0.85%	0.85%		
Construction	5.19%	5.18%	5.03%	5.09%	5.70%		
Working capital	1.84%	1.84%	1.89%	2.19%	2.17%		
Others	1.52%	1.49%	1.50%	1.45%	1.47%		
System	1.47%	1.44%	1.45%	1.53%	1.54%		
- Household	1.08%	1.03%	1.03%	1.05%	1.06%		
- Business	2.03%	2.04%	2.04%	2.21%	2.23%		

Source: BNM, Kenanga Research

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

RM m	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	MoM Growth (%)	YoY Growth (%)
Households	12,091	11,570	11,721	11,922	12,061	1%	-1%
Primary agriculture	1,130	1,116	1,123	1,126	1,028	-9%	-25%
Mining & quarrying	124	384	575	1,886	1,475	-22%	923%
Manufacturing	3,085	2,866	2,761	2,711	2,768	2%	-28%
Wholesale & retail trade, restaurants, and hotels	2,680	2,595	2,614	2,650	2,848	7%	16%
Construction	2,415	2,593	2,570	2,623	2,724	4%	10%
Transport, storage and communication	2,012	1,967	1,969	1,967	1,871	-5%	-16%
Finance, insurance, and business activities	3,191	3,287	3,286	3,299	3,323	1%	3%
Others	1,280	1,198	1,194	1,206	1,734	44%	25%
Total system impaired loans	28,007	27,575	27,813	29,390	29,833	2%	2%
GIL ratio							
Households	1.08%	1.03%	1.03%	1.05%	1.06%		
Primary agriculture	3.23%	3.30%	3.39%	3.41%	3.18%		
Mining & quarrying	1.09%	3.69%	5.06%	17.99%	15.56%		
Manufacturing	2.29%	2.16%	2.05%	2.00%	2.00%		
Wholesale & retail trade, restaurants and hotels	1.78%	1.69%	1.70%	1.71%	1.82%		
Construction	1.20%	1.28%	1.27%	1.30%	1.35%		
Transport, storage, and communication	4.69%	4.43%	4.37%	4.33%	4.13%		
Finance, insurance, and business activities	2.60%	2.70%	2.71%	2.71%	2.70%		
Others	1.50%	1.38%	1.36%	1.38%	1.95%		
Total system impaired loans	1.47%	1.44%	1.45%	1.53%	1.54%		

Source: BNM, Kenanga Research

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Liquidity and capital trends

Fig 9: Deposit Growth and Drivers

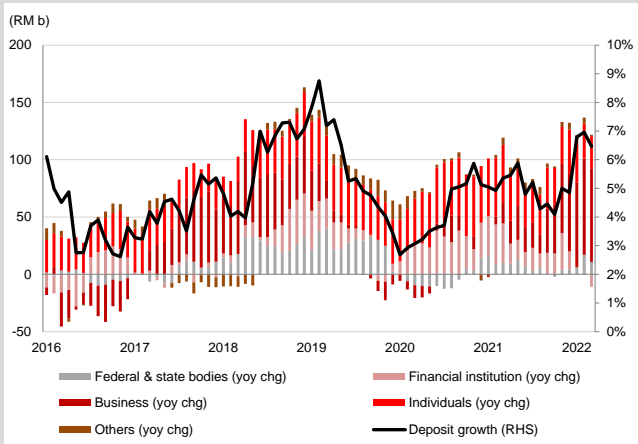


Fig 10: LDR and LCR trends

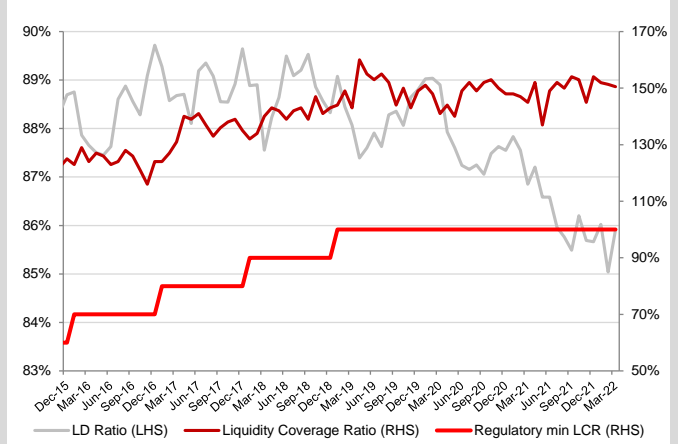


Fig 11: Liquidity

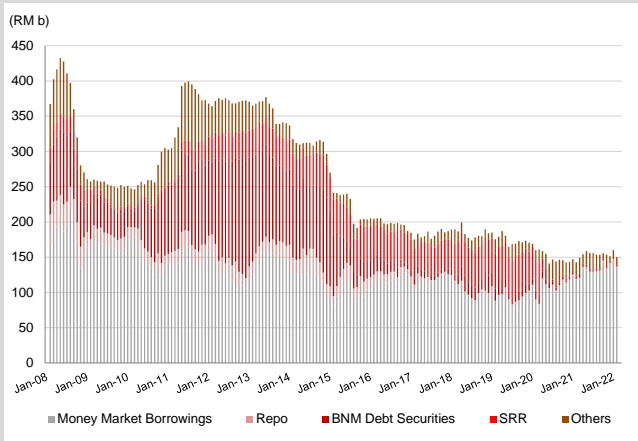
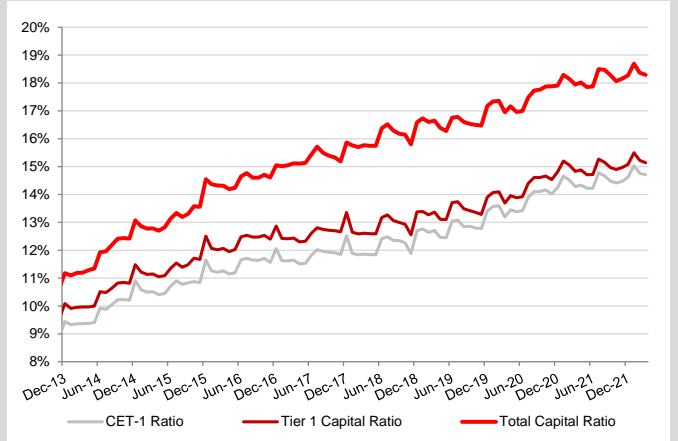


Fig 12: Capital Ratio Trends



Source: BNM, Kenanga Research

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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	2.10	4,460.5	N	12/2022	7.4%	2.4%	8.4%	19.3%	8.4	7.8	6.5	0.4	0.4	5.7%	5.2%	2.40	OP	
ALLIANCE BANK MALAYSIA BHD	3.78	5,851.8	N	03/2022	-6.2%	-0.5%	60.4%	14.8%	16.3	10.2	8.9	0.9	0.9	8.9%	4.0%	4.10	OP	
AMMB HOLDINGS BHD	3.69	12,228.4	N	03/2022	-0.1%	3.2%	46.3%	9.4%	11.8	8.9	8.1	0.8	0.8	9.1%	2.4%	4.05	OP	
BIMB HOLDINGS BHD	2.90	6,250.3	Y	12/2022	-7.7%	0.2%	-3.3%	14.4%	13.5	14.0	12.0	1.1	1.1	7.8%	3.6%	2.85	MP	
CIMB GROUP HOLDINGS BHD	5.20	54,466.1	N	12/2022	3.0%	4.1%	-5.7%	31.0%	11.2	11.9	9.1	0.9	0.9	7.3%	4.4%	5.65	OP	
HONG LEONG BANK BHD	20.98	45,478.7	N	06/2022	3.2%	4.3%	5.8%	19.6%	15.0	14.2	11.9	1.5	1.4	10.0%	2.7%	22.70	OP	
MALAYAN BANKING BHD	9.07	108,568.0	N	12/2022	1.1%	5.1%	3.0%	20.9%	13.0	12.6	10.5	1.2	1.2	9.6%	6.6%	11.00	OP	
MALAYSIA BUILDING SOCIETY BHD	0.640	4,589.7	N	12/2022	64.3%	4.0%	26.9%	29.5%	10.5	8.2	6.4	0.5	0.5	6.3%	5.5%	0.520	UP	
PUBLIC BANK BHD	4.69	91,036.1	N	12/2022	4.6%	4.3%	-1.8%	25.0%	16.1	16.4	13.1	1.9	1.8	11.2%	3.3%	4.35	MP	
RHB BANK BHD	6.25	25,893.2	N	12/2022	3.3%	2.1%	-5.6%	13.0%	9.0	9.6	8.5	0.9	0.9	9.2%	5.1%	6.95	OP	
Simple Average					7.3%	2.9%	13.4%	19.7%	12.5	11.4	9.5	1.0	1.0	8.5%	4.3%			

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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