# Banking

## Diving Deep into Sustainable Lending

**OVERWEIGHT**

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**We conducted a review on the sustainable financing practices of banks where we highlight PBBANK (MP; TP: RM4.65) and ABMB (OP; TP: RM4.20) as our favourites. These two names performed strongly in our review with a relatively moderate exposure in possibly "ESG-vulnerable" activities. ABMB has been fully committed in zero coal financing while PBBANK (with other names) have established a firm ESG exclusion list. Meanwhile, the two banks are solid contributors in sustainable products, having a relatively high proportion of green financing against their overall books with aggressive targets to boot. Maintain OVERWEIGHT on the banking sector for better loans growth trajectory and OPR-led margins expansion.**

**Started with the Paris Agreement.** In 2016, the Paris Agreement was signed by 196 global representatives (including Malaysia) as a call for more proactive measures to combat climate change. Its long-term temperature goal of keeping the rise in mean global temperature to well below 2 °C (3.6 °F) above pre-industrial levels and limit the increase to 1.5 °C (2.7 °F) is the leading catalyst in driving initiatives to boost sustainable practices.

**Greener actions from the banks.** The adoption of sustainable/green financing is becoming more widespread with financial institutions taking charge as a leading catalyst for economic growth. Through the facilitation of crucial financial services, banks are at the forefront of promoting and accelerating the transition of their clients to more sustainable operating standards and lifestyle. For this, BNM released its Climate Change and Principle-based Taxonomy on 30 Apr 2021 to guide financial institutions on various elements which could make their evaluations more comprehensive. This document highlighted risk assessment criteria as well as remedial measures that could be implemented to allow for a more effective transition.

**For this review, we look at three possible considerations which ESG investors may evaluate between banks, being:**

(i) Possible exposure to environmentally-linked financing activities – *how dependent the bank is on non-environmentally-friendly financing to sustain its profits.*

(ii) Pledges to prohibit environmentally detrimental financing – *whether a bank has made the commitment to focus on less damaging business sectors.*

(iii) Advancements in sustainable finance products – *how much does a bank contribute towards the overall adoption of green financing products.*

*(refer to the overleaf for details of our studies)*

**Opportunities are present and abundant.** Post review, we gathered that all banks are cognizant of the necessary changes to be implemented to encourage sustainable practices to mitigate climate change. While some banks may be progressing faster than others, we do not discredit the progress made by the rest. For now, we believe the growth projections of sustainable financing should be in sync with our overall expectations on the industry, tapping into economic recovery and the reopening of borders to support business activities. Although household loans may taper off on higher interest rates, competitive offerings on retail green energy financing products may spur interest. Post review, we raise our TP for **PBBANK (MP)** to **RM4.65 (from RM4.45)** and **ABMB (OP)** to **RM4.20 (from RM4.00)** from our newly awarded 4-star ESG rating. We believe these two names have solid foundation on ESG efforts, namely for their strong involvement in sustainable financing. The call and TP for the rest of our coverage remains unchanged. **Maintain OVERWEIGHT for the banking sector.**

## Possible Exposure to Environmentally-Linked Financing

In BNM's Climate Change and Principle-based Taxonomy, various economic activities (i.e. forestry, high-waste manufacturers, and non-renewable energy consumers) are highlighted to be of higher risk than others with regards to their respective environmental impact. That said, credit would be due to businesses that opt to incorporate more sustainable practices over time. The classifications presented are as follows:

### Classification of economic activities

| Classification | | Economic Activity (Transaction Level) | | Overall Business | |
|---|---|---|---|---|---|
| | | GP1 Climate Change Mitigation | GP2 Climate Change Adaptation | GP3 No Significant Harm to the Environment | GP4 Remedial Efforts to Promote Transition |
| Climate Supporting | C1 | GP1 or GP2 or both | | ✓ | |
| Transitioning | C2 | GP1 or GP2 or both | | ✘ | ✓ |
| | C3 | ✘ | | ✘ | ✓ |
| Watchlist | C4 | GP1 or GP2 or both | | ✘ | ✘ |
| | C5 | ✘ | | ✘ | ✘ |

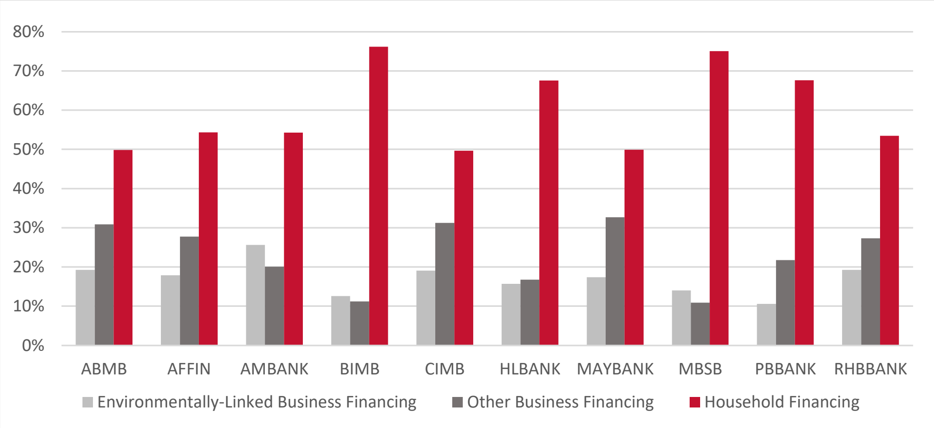
*Note:*
*C1 - Only economic activities that meaningfully contribute to climate objectives without causing significant harm to the environmental objectives identified in GP3, in the immediate and intermediate future*
*C2, C3 - Businesses undertake efforts to transition to low carbon and sustainable practices, the initiatives and/or overall business may still, in the immediate and intermediate future, cause some harm to the broader environment.*
*C4, C5 - Businesses that do not display any commitment or are not serious in their commitment to remediate the harm identified and/or do not undertake any initiative to transition to more sustainable practices*

*Source: Bank Negara Malaysia*

Ideally, we would be able to identify each bank's proportion of customers under the C1-C5 classifications above, but we gathered it is still work-in-progress for many, especially given their expansive client base. We further understand that banks are bound by customer confidentiality agreements which may deter sharing of certain specific information.

With that, we turn to their respective financial statements to build a sense of how likely banks will be exposed in less "ESG vulnerable" activities. On that note, we gather that the most prudent measure would to be an all-inclusive headline business sectors across their representation as there could be incidences whereby a borrower may inadvertently participate in harmful activities due to the complexity of its supply chain (i.e. manufacturing).

### Bank Exposure to Environmentally-Linked Activities




*Note:*
1. *Environmentally-Linked Business Financing constitute: (i) agriculture; (ii) mining & quarrying; (iii) manufacturing; (iv) electricity, gas & water supply; (v) construction; and (vi) transport, storage & communication*
2. *Other Business Financing constitute: (i) wholesale, retail trade, hotels and restaurants; (ii) finance, real estate, insurance & business services; and (iii) education, health, social services & others*

*Source: Companies*

Interestingly, we find AMBANK and ABMB to be amongst those with the highest possible exposure, which correlates to their higher proportion of SMEs as a key demographic of their financing clientele. We do not see this to be necessarily a harmful instance as operationally speaking; SMEs are structurally less convoluted given their smaller scale and are also more likely to adopt sustainable practices. Meanwhile, new sustainable financing products are also abundant as banks work towards increasing such adoption as they also strive to capture a larger share to the sustainability segment *(refer to "Advancements in Sustainable Finance Products")*.

We also observe that larger cap banks (MAYBANK, RHBBANK) possess higher mixes which could be owing to their greater reach and familiarity across the country. While these banks do have regional operations, the thesis that their support for developing economies is exposing them to high-risk businesses are likely moot as the proportions are <15% of total financing. The exception here could be CIMB given its strong presence in Indonesia (c.15%) and Thailand (c.8% of total financing).

**Remarks:** Although this measure may not be the best tool to scale the banks in their exposure to non-sustainable activities as it is too simplistic, it does provide a soft indication on their likely exposure. A better gauge would be to compare each of the banks against their respective proportion of C1-C5 accounts, although such information is still unavailable at present. We note **ABMB** to be one of the earliest banks to disclose its C5 proportion with a near-term target for improvement of keeping it at <60% of total customers by FY24. Additionally, **PBBANK** does appear to be significantly less risky given their higher participation in household lending.

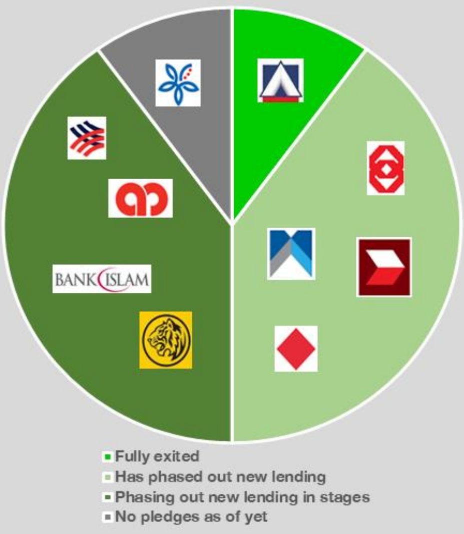
## Pledges to Prohibit Environmentally Detrimental Financing

With financing being the key enabler of business activities, the prohibition of lending would serve as an effective deterrent for the commencement or expansion of certain business activities. We are seeing banks implementing various responses, such as introducing an ESG exclusion or prohibition list to restrict their exposure.

On that note, coal is the most carbon intensive fossil fuel and is a primary contributor to global emissions. With that, there has been an increasing call for nations to pledge to phase out thermal coal power plants and coal mining activities in a bid to keep climate change under control. This was spurred by Paris Agreement's signing (2016) for nations to achieve a net zero green-house gas standing and most recently reinforced in the UN Climate Change Conference (Nov 2021).

With this in mind, pledges have been made by financial institutions to stop the financing of new coal activities but the adoption is not entirely uniform at present. From our research and channel checks, we present our findings on the banks' stance on coal financing:

**Stance on coal financing (as of report publication)**




*Source: Companies*

From the above, we identify that most banks have already pledged to not provide support for new coal financing, though with the caveat that existing accounts will continue to be maintained (until principals are fully paid). That said, there are various caveats that exist whereby businesses may still onboard with the banks as long as businesses do not derive a certain proportion of its revenue from coal-based activities (i.e. more than 20-25%).

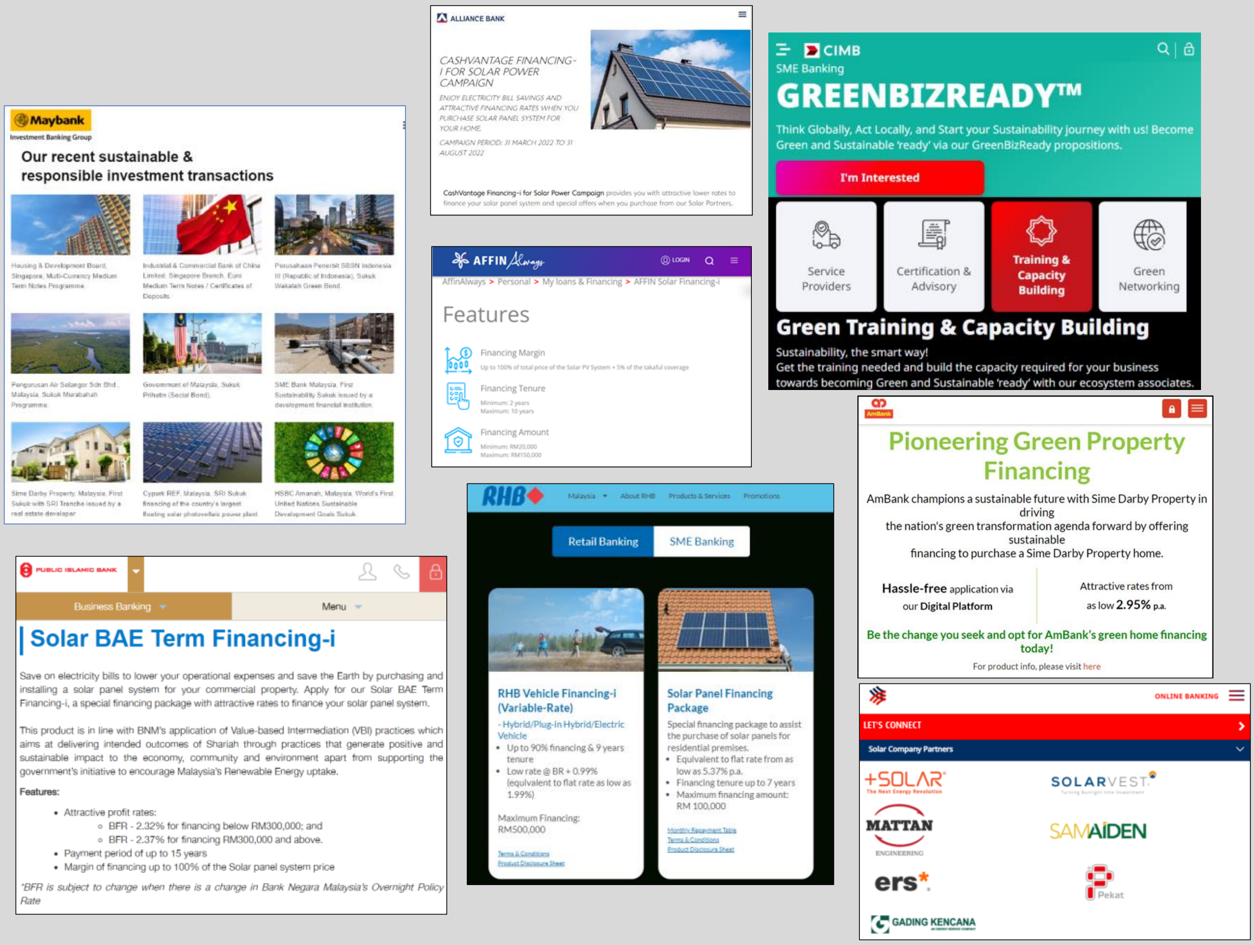
**Remarks:** We note that the complete ceasing of thermal coal power plants would be highly challenging especially with developing countries depending on limited infrastructure and with limited financial resources to invest heavily into clean energy. For such instances, coal would still be the most economical solution to solve their low electrification rates whilst supporting economic development. Therefore it would be difficult for banks to pledge an absolute commitment to phase out coal financing completely.

With that said, we believe it would be a bit too premature to discount financial institutions which still have exposure in this space, but we do take comfort in their acknowledgment on the matter and efforts to bring about progressive awareness and gradual medium to long-term improvements into their footprint. That said, **ABMB** is likely able to perform a full exit due to most of its focus on SME-based entities.

### Advancements in Sustainable Finance Products

Ultimately, likely the most effective strategy for banks to raise the adoption of sustainable practices would be to incentivise their clientele with competitive product offerings. Commonplace offerings are mostly skewed towards renewable energy solutions (more specifically the installation of solar photovoltaic panels) for retail and commercial purposes. Energy efficient vehicles or electric vehicles are also becoming more available with car makers striving to claim a share in this up and coming market segment. On the corporate front, we gather that banks have been actively engaged with the issuance of green sukuk products which fund shariah compliant investments in renewable energy and other environmentally-friendly assets.

### Various Pulls from Banks' Website




*Source: Companies*

These products are certainly not new in the market (introduced as early as 2017), but we do see that they are constantly evolving as customers show a growing alignment with the ESG adoption. Given this headroom, we track the participation of banks in pushing sustainable financing products by levelling their most recent reporting against their latest loans book. At the same time, we also highlight their aggressiveness by gauging any internal targets set with regards to an aspired sustainable financing mix in the coming years.

**Banks' Position in Sustainable Financing**

| Bank | Sustainable Financing Portfolio | | |
|---|---|---|---|
| | Cumulative YTD* | As a % of 1QCY22 Total Financing | Targets |
| ALLIANCE BANK | **RM2.0b** | **4.3%** | **RM10b by FY25** *(22% of 1QCY22 loans book)* |
| AFFIN BANK | RM642m | 1.2% | 10% of FY25 portfolio *(>RM5b based on 1QCY22's loans book)* |
| AmBank Group | RM3.6b | 3.0% | Under review |
| BANK ISLAM | RM2.2b | 3.7% | **10-12% of FY25 portfolio** *(>RM6-7b or 17% based on 1QCY22's loan book)* |
| CIMB | **RM25.9b** | **6.7%** | RM30b by FY24 *(8% based on 1QCY22's loans book)* |
| Hong Leong Bank | RM2.3b | 1.4% | At least RM1.9b in FY22 (Achieved) |
| Maybank | RM16.6b | 3.0% | RM50b by FY25 *(9% based on 1QCY22's loans book)* |
| MBSB BANK | RM525m | 1.4% | RM700m by FY25 *(2% based on 1QCY22's loans book)* |
| PUBLIC BANK | **RM19.8b** | **5.5%** | **RM40b by FY25** *(11% based on 1QCY22's loans book)* |
| RHB Bank | RM4.3b | 2.1% | RM20b by FY26 *(10% based on 1QCY22's loans book)* |

*Note:*
*Green highlights indicate which banks we classify are the top 3 performers*
** based on latest available disclosures*

*Source: Companies*

**Remarks:** With this side-by-side comparison, we do notice that **PBBANK** and **ABMB** have made the most progress in capturing a sustainable financing share relative to the size of their existing books while also working towards a more aggressive mix ahead. CIMB is noted to be the largest contributor of sustainable financing at this juncture and we believe they are close to over-achieving their FY24 target. Meanwhile, BIMB appears to have set itself the most ambitious mix amongst its peers of which it should be able to achieve if it keeps up with its yearly growth momentum.

## Concluding Remarks and Stock Picks

We hope our studies have provided a clearer insight into one of the key fundamental aspects of ESGs within the banking sector (i.e. sustainable financing). All round, it is assuring to know that all banks are unified in the implementation of sustainable practices even if some may be progressing far ahead than others. With this report, we take the opportunity to refine and apply our ESG rating across the banks under our coverage, with **PBBANK and ABMB gaining 4-star rating as appraised by us**, leading to a 5% premium to our current TP. *(Refer to the overleaf for details of our ratings).*

Given the findings at hand, we note that **PBBANK (MP; TP: RM4.65)** and **ABMB (OP; TP: RM4.20)** come in as strong candidates as ESG pick for investors. Fundamentally, **PBBANK** is the leading bank in terms of efficiency with its ROE of c.12% (vs peers' average of 9%). Meanwhile, its large exposure to household loans (mostly mortgage based) provides collateral security to the bank. That said, even with our 4-star 5% ESG premium, the bank is fairly priced at current levels. Meanwhile, **ABMB's** prospects are largely driven by its high SME mix and tapping into the economic recovery and borders reopening to fuel its earnings potential. ABMB has also demonstrated to be one of the most improved financial institutions (albeit a small cap bank) with ROE (10%) and dividend yield potential (6-7%) outpacing some of its larger cap contemporaries.

## Appendix

**ESG Rating – Index Banks**

### CIMB

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ☆ | |
| | Corporate Social Responsibility | ★ | ★ | ★ | ☆ | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ★ | ☆ | |
| | Cybersecurity/Data Privacy | ★ | ★ | ☆ | | |
| | Digital Transformation | ★ | ★ | ★ | | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

### HLBANK

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ★ | ☆ |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ★ | | |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | ☆ | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

### MAYBANK

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ★ | |
| | Corporate Social Responsibility | ★ | ★ | ★ | ★ | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ★ | | |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | ☆ | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

### PBBANK

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ☆ | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | ★ | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | ☆ | |
| SPECIFIC | Green Financing | ★ | ★ | ★ | ★ | ☆ |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ☆ | | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | ★ | |

### RHBBANK

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ★ | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ★ | | |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | ☆ | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

| | |
|---|---|
| ☆ | denotes half-star |
| ★ | -10% discount to TP |
| ★★ | -5% discount to TP |
| ★★★ | TP unchanged |
| ★★★★ | +5% premium to TP |
| ★★★★★ | +10% premium to TP |

*Source: Kenanga*

## ESG Rating – Non-Index Banks

### ABMB

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ★ | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ★ | ★ | ☆ |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | ☆ | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | ★ | |

### AFFIN

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ★ | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ☆ | | |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | ☆ | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

### AMBANK

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | ☆ | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ☆ | | |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

### BIMB

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ☆ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ★ | ☆ | |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | ☆ | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

### MBSB

| | Criterion | Rating | | | | |
|---|---|---|---|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ☆ | | |
| | Corporate Social Responsibility | ★ | ★ | ★ | | |
| | Management/Workforce Diversity | ★ | ★ | ★ | | |
| | Accessibility & Transparency | ★ | ★ | ★ | ★ | |
| | Corruption-Free Pledge | ★ | ★ | ★ | | |
| | Carbon-Neutral Initiatives | ★ | ★ | ★ | | |
| SPECIFIC | Green Financing | ★ | ★ | ☆ | | |
| | Cybersecurity/Data Privacy | ★ | ★ | ★ | | |
| | Digital Transformation | ★ | ★ | ★ | | |
| | Staff Welfare & Training | ★ | ★ | ★ | | |
| | **OVERALL** | ★ | ★ | ★ | | |

| | |
|---|---|
| ☆ | denotes half-star |
| ★ | -10% discount to TP |
| ★★ | -5% discount to TP |
| ★★★ | TP unchanged |
| ★★★★ | +5% premium to TP |
| ★★★★★ | +10% premium to TP |

*Source: Kenanga*

## 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 | 2.15 | 4,756.5 | N | 12/2022 | 14.5% | 5.8% | 10.8% | 24.8% | 8.6 | 7.8 | 6.2 | 0.5 | 0.4 | 5.8% | 5.1% | 2.45 | OP |
| ALLIANCE BANK MALAYSIA BHD | 3.60 | 5,573.2 | N | 03/2023 | 7.4% | 5.3% | 19.8% | 12.5% | 9.7 | 8.1 | 7.2 | 0.9 | 0.8 | 10.4% | 6.1% | 4.20 | OP |
| AMMB HOLDINGS BHD | 4.08 | 13,520.5 | N | 03/2023 | 9.4% | 4.9% | 7.6% | 8.2% | 9.0 | 8.3 | 7.7 | 0.8 | 0.8 | 9.3% | 3.9% | 4.35 | OP |
| BANK ISLAM MALAYSIA BHD | 2.67 | 5,754.6 | Y | 12/2022 | -6.4% | 0.9% | -1.9% | 15.1% | 12.4 | 12.7 | 10.8 | 1.0 | 1.0 | 7.9% | 3.9% | 2.90 | OP |
| CIMB GROUP HOLDINGS BHD | 5.37 | 56,246.7 | N | 12/2022 | 5.2% | 7.2% | 3.9% | 31.0% | 11.6 | 11.1 | 8.5 | 0.9 | 0.9 | 8.0% | 4.3% | 5.70 | OP |
| HONG LEONG BANK BHD | 20.78 | 45,045.2 | N | 06/2022 | 4.0% | 12.8% | 5.8% | 24.4% | 14.9 | 14.1 | 11.3 | 1.4 | 1.4 | 10.0% | 2.7% | 22.95 | OP |
| MALAYAN BANKING BHD | 8.94 | 107,011.9 | N | 12/2022 | 6.3% | 8.8% | 5.8% | 23.3% | 12.8 | 12.1 | 9.8 | 1.2 | 1.2 | 9.9% | 6.7% | 11.05 | OP |
| MALAYSIA BUILDING SOCIETY BHD | 0.590 | 4,231.2 | N | 12/2022 | 69.0% | 7.7% | 15.8% | 41.7% | 9.6 | 8.3 | 5.9 | 0.5 | 0.5 | 5.8% | 5.9% | 0.510 | UP |
| PUBLIC BANK BHD | 4.65 | 90,259.7 | N | 12/2022 | 8.6% | 8.1% | 0.7% | 26.3% | 16.0 | 15.8 | 12.5 | 1.9 | 1.8 | 11.5% | 3.3% | 4.65 | MP |
| RHB BANK BHD | 5.91 | 24,893.4 | N | 12/2022 | 5.6% | 5.6% | -4.9% | 16.8% | 8.5 | 9.0 | 7.7 | 0.9 | 0.8 | 9.3% | 5.4% | 7.00 | OP |
| **Simple Average** | | | | | **12.4%** | **6.7%** | **6.3%** | **22.4%** | **11.3** | **10.7** | **8.8** | **1.0** | **0.9** | **8.8%** | **4.7%** | | |

*Source: Kenanga Research*

## Changes in Target Price and Call Post-Update

| Name | Cost of Equity (%) | Terminal growth (%) | Sustainable ROE (%) | Fair value P/BV (x) | Applied CY23E BVPS (RM) | Previous TP (RM) | Applied Premium/ (Discount) | Updated TP (RM) | Previous Call | Updated Call |
|---|---|---|---|---|---|---|---|---|---|---|
| ABMB | 11.0 | 3.00 | 10.0 | 0.88 | 4.56 | 4.00 | +5% | 4.20 | OP | OP |
| AFFIN | 11.3 | 3.00 | 7.0 | 0.48 | 5.07 | 2.45 | | 2.45 | OP | OP |
| AMBANK | 10.7 | 3.50 | 9.0 | 0.77 | 5.67 | 4.35 | | 4.35 | OP | OP |
| BIMB | 10.0 | 3.00 | 10.0 | 1.00 | 2.89 | 2.90 | | 2.90 | OP | OP |
| CIMB | 11.7 | 2.00 | 10.5 | 0.88 | 6.45 | 5.70 | | 5.70 | OP | OP |
| HLBANK | 9.7 | 3.00 | 12.0 | 1.34 | 17.08 | 22.95 | | 22.95 | OP | OP |
| MAYBANK | 9.7 | 3.25 | 12.5 | 1.43 | 7.71 | 11.05 | | 11.05 | OP | OP |
| MBSB | 12.0 | 3.00 | 6.5 | 0.39 | 1.30 | 0.510 | | 0.510 | UP | UP |
| PBBANK | 9.7 | 4.00 | 13.0 | 1.58 | 2.81 | 4.45 | +5% | 4.65 | MP | MP |
| RHBBANK | 10.7 | 3.00 | 10.0 | 0.91 | 7.66 | 7.00 | | 7.00 | OP | OP |

*Source: Kenanga Research*

## 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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