

04 June 2024

Banking

Apr 2024 Statistics: Another Solid Month

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OVERWEIGHT



Apr 2024 system loans increased by 6.1%, within our 5.5%-6.0% expectation for CY24 with some slight easing expected as backloaded loans clear off. Households continue to lead the numbers but we are seeing strength in retail and service sectors, possibly driven by higher overall consumer spending and economic prospects. On the flipside, deposit growth (+5.0%) is likely held back by higher festive spending in lieu of Hari Raya festivities, which also hampered MoM loans growth and applications.

We anticipate OPR to remain at 3% throughout CY24, with any change likely to have a downside bias. We maintain our OVERWEIGHT call on the sector, with its resilience to be emboldened by better economic prospects fuelled by infrastructure projects and investments. For 2QCY24, we pick: (i) CIMB (OP; TP: RM7.60) for its newly sustained growth for greater ROE-dividend yield offering to shareholders, (ii) RHBBANK (OP; TP: RM7.25) for its leading dividend prospects, and (iii) ABMB (OP; TP: RM4.60) as a small cap favourite given its largely comparable fundamentals which beats certain large caps.

Stabilising during festivities. In Apr 2024, system loans grew by 6.1% YoY which we deem to be within our projected 5.5%-6.0% target for CY24, with household (+6.5%) driven by higher mortgages and hire purchase accounts. Business loans also grew (+5.6%) from strength in retail and service sectors. On a MoM basis, overall system was flattish (+0.1%) but as a result of business loans tapering down slightly (-0.4%) possibly as smaller enterprises settle their repayments before festivities kick in. Meanwhile, households kept its growth (+0.4%) from more property transactions. (refer to Tables 1–3 for breakdown of system loans).

Applications appear soft. Although Apr 2024 applications increased by 14% YoY which was entirely led by stronger demand from household sectors, it was flattish MoM as we are likely in a continued state of easing in lieu of Hari Raya festivities. This was balanced by households declining by 1% while business loans (+2%) likely kept up with working capital needs. (refer to Tables 4–5 for breakdown of system loan applications).

GIL stayed stable. Industry GIL increased slightly to 1.63% (Mar 2024: 1.62%, Apr 2023: 1.78%) with a continued consumption of industry loan loss coverage to 91.8% (Mar 2024: 92.1%, Apr 2023: 94.2%). While corporates did indicate some stress in the quality of certain retail accounts, this could be due to delayed repayments over prioritising immediate festive spending. Meanwhile, banks are also easing back on frontloading provisions and utilise existing bookings to cover its impairment needs. (refer to Tables 6–7 for breakdown of system impaired loans).

Lower deposit balances. Apr 2024 system deposits were stable at 5.0% growth YoY but saw a 0.5% decline MoM, likely attributed to the abovementioned festive spending in lieu of Hari Raya celebrations. This puts current levels below our 5.5%-6.0% growth expectations for CY24 for now, hopeful for more deposits in the second half of the year. This could have also attributed to CASA levels dropping again to 28.4% (Mar 2024: 28.6%, Apr 2023: 27.9%) and shifting up industry loans-to-deposits to 86.3% (Mar 2024: 85.8%, Apr 2023: 85.4%).

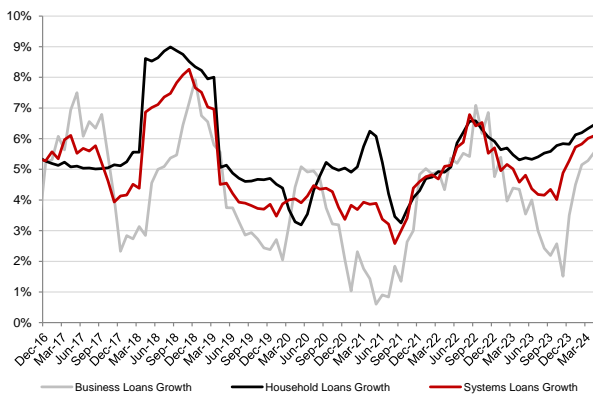
Maintain OVERWEIGHT on the banking sector. Market tailwinds (i.e. persistent loans growth and GDP, better margin retention) are expected to continue outweighing industry headwinds (i.e. inflationary pressures, weaker MYR), which we believe may lead to fewer tests to the sector's resiliency. The sector should be of interest with dividend yields still appearing attractive (6%-7%) on most names on top of lower embedded sector volatility as compared to other industries. We had seen meaningful moves in share prices with the inflow of foreign investors looking to accumulate sector heavyweights.

Our sector top picks for 2QCY24 include **CIMB** which has been able to reach new grounds in its ROE at c.11% which the group looks to sustain into the long-term thanks to strengthening presence in both home and regional markets. Additionally, its dividend yield is creeping well into the mid-6% levels at current price points, which is the highest amongst the top 3 banks. **RHBBANK** is also favoured for its dividends which we project to be the leader (7%-8%) amongst its peers. Meanwhile, its associate Boost Bank may soon enter the public domain which could garner greater interest in the near-term. As for small cap banks, **ABMB** remains our favourite for its solid fundamentals which are comparable to its large cap peers. Additionally, its leading CASA level may provide the group nimbleness to balance its interest margins with market share acquisition strategies.

04 June 2024

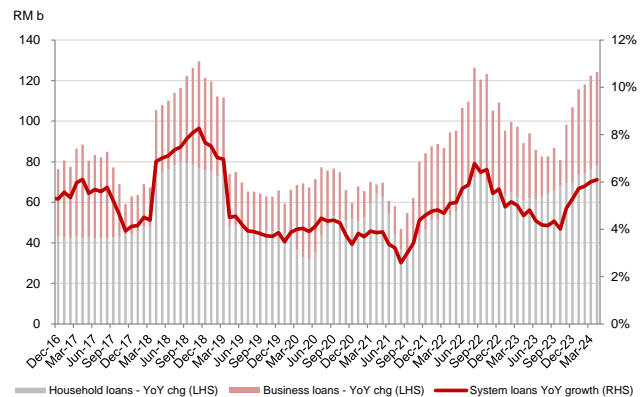
Appendix

Fig 1: System Loan Growth



Source: BNM, Kenanga

Fig 2: System Loan Growth Drivers



Source: BNM, Kenanga

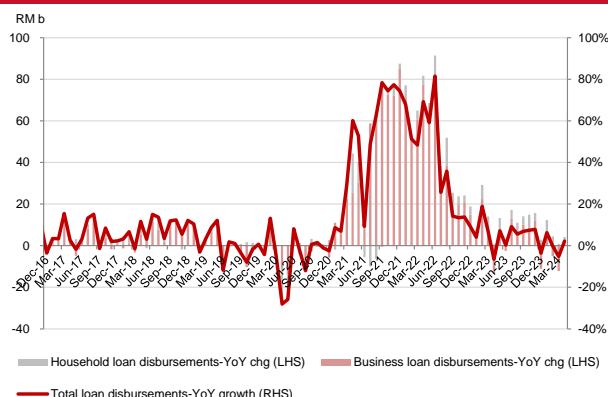
Table 1: Breakdown of System Loans

RM m	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	MoM Growth	YoY Growth
Purchase of securities	81,716	80,058	79,165	78,373	77,471	-1.2%	-10.3%
Purchase of transport vehicles	210,976	213,587	215,026	216,761	218,357	0.7%	10.0%
Purchase of residential property	790,631	796,125	799,980	804,503	808,450	0.5%	7.7%
Purchase of non-residential property	251,653	252,371	252,982	256,116	256,858	0.3%	5.9%
Personal use	114,200	114,665	114,940	115,196	115,396	0.2%	5.7%
Credit card	45,779	46,141	45,634	45,501	45,353	-0.3%	8.9%
Construction	59,601	61,042	60,417	60,905	61,093	0.3%	5.8%
Working capital	477,971	473,005	479,556	483,171	477,899	-1.1%	4.7%
Others	98,967	99,942	98,835	99,647	100,924	1.3%	6.6%
Total system loans	2,131,494	2,136,935	2,146,534	2,160,172	2,161,801	0.1%	6.1%
- Household loans	1,265,330	1,272,621	1,276,235	1,282,019	1,286,731	0.4%	6.5%
- Business loans	866,164	864,315	870,298	878,153	875,070	-0.4%	5.6%
o Primary agriculture	35,056	35,369	35,266	35,501	35,317	-0.5%	-3.6%
o Mining & quarrying	10,055	10,004	10,267	9,879	9,951	0.7%	10.2%
o Manufacturing	131,180	131,265	131,775	131,848	132,704	0.6%	5.1%
o Wholesale & retail trade, restaurants and hotels	172,094	173,397	176,138	177,736	178,607	0.5%	10.0%
o Construction	102,589	102,253	103,174	103,755	103,949	0.2%	2.4%
o Real estate	112,314	112,890	112,033	113,300	114,343	0.9%	6.3%
o Transport, storage and communication	54,268	52,681	53,984	55,381	54,660	-1.3%	2.0%
o Finance, insurance and business activities	155,041	155,977	158,553	162,179	161,778	-0.2%	13.0%
o Others	93,566	90,479	89,109	88,573	83,762	-5.4%	-5.6%

Source: BNM, Kenanga Research

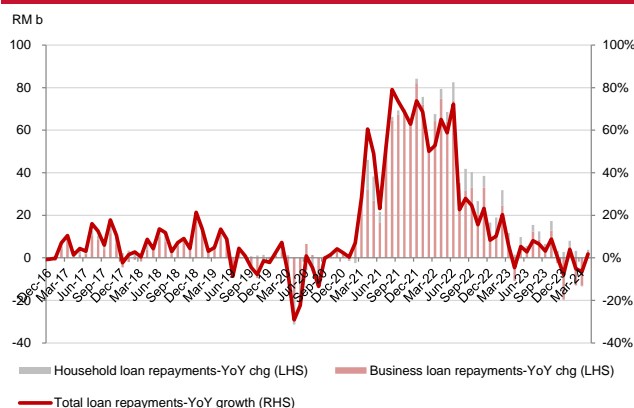
04 June 2024

Fig 3: Loan Disbursement Trends



Source: BNM, Kenanga

Fig 4: Loan Repayment Trends



Source: BNM, Kenanga

Table 2: Breakdown of System Loan Disbursements

RM m	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	MoM Growth	YoY Growth
Purchase of securities	3,920	4,481	3,258	2,788	2,326	-16.6%	20.9%
Purchase of transport vehicles	5,822	7,074	5,685	6,290	5,993	-4.7%	7.6%
Purchase of residential property	10,616	11,846	9,868	10,812	10,229	-5.4%	21.3%
Purchase of non-residential property	5,738	5,572	4,710	7,949	5,089	-36.0%	28.2%
Personal use	4,746	4,587	4,177	4,447	4,287	-3.6%	8.0%
Credit card	21,856	21,534	19,910	20,728	19,344	-6.7%	7.1%
Construction	4,625	4,263	2,792	4,461	2,893	-35.1%	-12.8%
Working capital	145,420	141,103	123,850	135,775	129,729	-4.5%	-2.9%
Others	13,167	10,391	8,628	8,893	10,961	23.2%	40.2%
Total loans disbursed	215,911	210,852	182,878	202,142	190,851	-5.6%	2.2%
- Household loans	42,540	45,912	39,710	42,255	39,480	-6.6%	11.8%
- Business loans	173,371	164,940	143,168	159,887	151,371	-5.3%	0.0%

Source: BNM, Kenanga Research

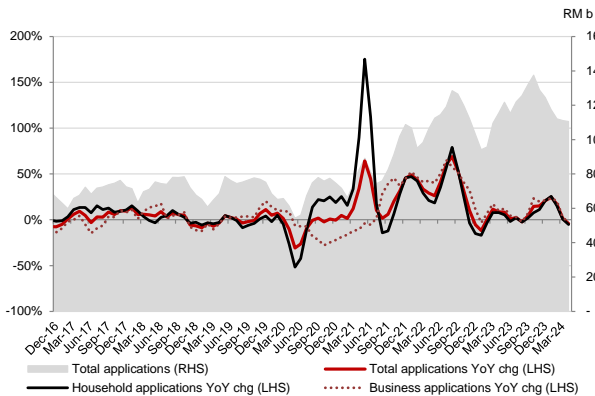
Table 3: Breakdown of System Loan Repayments

RM m	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	MoM Growth	YoY Growth
Purchase of securities	3,446	6,254	4,543	3,957	3,539	-10.5%	-3.1%
Purchase of transport vehicles	4,969	5,102	4,878	5,130	5,039	-1.8%	11.4%
Purchase of residential property	8,496	9,064	8,559	9,049	8,922	-1.4%	13.5%
Purchase of non-residential property	5,497	5,779	4,942	5,553	5,447	-1.9%	9.6%
Personal use	4,425	4,748	4,395	4,535	4,547	0.3%	13.1%
Credit card	21,049	21,203	20,417	20,933	19,664	-6.1%	11.2%
Construction	4,751	3,330	3,242	4,103	3,047	-25.7%	-15.1%
Working capital	135,050	146,547	118,097	132,187	136,239	3.1%	-1.8%
Others	10,200	10,951	9,626	8,575	9,187	7.1%	27.9%
Total loans repaid	197,883	212,977	178,698	194,022	195,632	0.8%	1.8%
- Household loans	39,296	43,007	40,254	41,024	39,125	-4.6%	10.7%
- Business loans	158,587	169,970	138,443	152,998	156,508	2.3%	-0.2%

Source: BNM, Kenanga Research

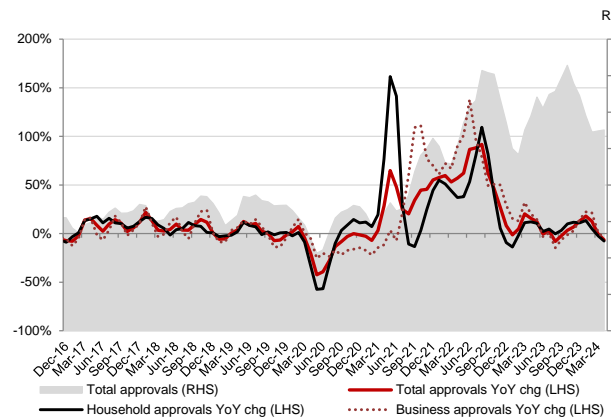
04 June 2024

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



Source: BNM, Kenanga

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



Source: BNM, Kenanga

Table 4: Breakdown of System Loan Applications

RM m	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	MoM Growth	YoY Growth
Purchase of securities	4,975	5,097	2,334	2,675	1,651	-38%	-32%
Purchase of transport vehicles	14,739	17,368	13,473	15,908	14,046	-12%	14%
Purchase of residential property	34,380	37,500	28,450	38,067	39,363	3%	15%
Purchase of non-residential property	10,309	13,548	11,683	14,068	13,589	-3%	16%
Personal use	17,781	8,224	7,119	8,433	7,884	-7%	19%
Credit card	3,679	3,930	3,192	3,896	3,749	-4%	-10%
Construction	4,216	5,881	5,267	4,667	6,981	50%	34%
Working capital	20,864	22,487	18,283	20,834	24,238	16%	19%
Others	9,268	4,725	7,487	8,799	5,608	-36%	2%
Total system loan applications	120,211	118,760	97,288	117,347	117,108	0%	14%
- Household loans	73,304	71,175	55,175	69,214	68,233	-1%	12%
- Business loans	46,907	47,585	42,113	48,133	48,876	2%	16%

Source: BNM, Kenanga Research

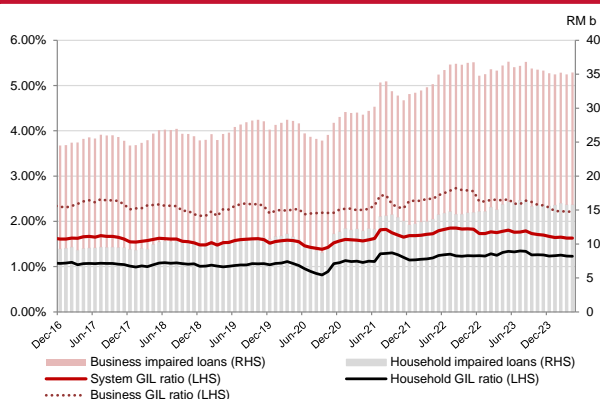
Table 5: Breakdown of System Loan Approvals

RM m	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	MoM Growth	YoY Growth
Purchase of securities	2,840	3,901	1,381	1,459	2,037	40%	15%
Purchase of transport vehicles	9,688	11,250	8,328	9,721	9,319	-4%	10%
Purchase of residential property	12,573	14,352	11,595	15,386	16,753	9%	10%
Purchase of non-residential property	5,191	6,044	5,836	6,793	7,737	14%	24%
Personal use	2,166	2,755	2,464	2,805	2,699	-4%	2%
Credit card	819	1,655	1,311	1,596	1,810	13%	4%
Construction	2,788	4,098	2,375	3,016	2,393	-21%	23%
Working capital	17,594	12,823	9,031	15,093	13,731	-9%	13%
Others	6,359	2,312	1,954	5,145	3,496	-32%	3%
Total system loan approvals	60,017	59,191	44,275	61,014	59,975	-2%	12%
- Household loans	25,232	30,573	24,338	30,184	31,006	3%	8%
- Business loans	34,785	28,618	19,937	30,830	28,969	-6%	16%

Source: BNM, Kenanga Research

04 June 2024

Fig 7: GIL Trends



Source: BNM, Kenanga

Fig 8: Loan Loss Coverage



Source: BNM, Kenanga

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

RM m	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	MoM Growth	YoY Growth
Purchase of securities	280	407	375	356	316	-11%	-11%
Purchase of transport vehicles	1,067	1,104	1,126	1,114	1,125	1%	-10%
Purchase of residential property	10,549	10,608	10,785	10,624	10,661	0%	-2%
Purchase of non-residential property	4,097	4,133	4,167	4,191	4,159	-1%	-3%
Personal use	3,061	3,044	3,122	3,107	3,100	0%	4%
Credit card	451	446	417	411	418	2%	0%
Construction	2,426	2,439	2,439	2,408	2,485	3%	-4%
Working capital	11,452	10,677	10,693	10,988	11,138	1%	-5%
Others	1,775	2,113	2,120	1,787	1,854	4%	-1%
Total system impaired loans	35,158	34,972	35,245	34,986	35,256	1%	-3%
- Household impaired loans	15,526	15,711	15,974	15,755	15,769	0%	0%
- Business impaired loan	19,632	19,261	19,270	19,231	19,488	1%	-5%
GIL ratio							
Purchase of securities	0.34%	0.51%	0.47%	0.45%	0.41%		
Purchase of transport vehicles	0.51%	0.52%	0.52%	0.51%	0.52%		
Purchase of residential property	1.33%	1.33%	1.35%	1.32%	1.32%		
Purchase of non-residential property	1.63%	1.64%	1.65%	1.64%	1.62%		
Personal use	2.68%	2.65%	2.72%	2.70%	2.69%		
Credit card	0.99%	0.97%	0.91%	0.90%	0.92%		
Construction	4.07%	4.00%	4.04%	3.95%	4.07%		
Working capital	2.40%	2.26%	2.23%	2.27%	2.33%		
Others	1.79%	2.11%	2.15%	1.79%	1.84%		
System	1.65%	1.64%	1.64%	1.62%	1.63%		
- Household	1.23%	1.24%	1.26%	1.23%	1.23%		
- Business	2.31%	2.22%	2.23%	2.21%	2.22%		

Source: BNM, Kenanga Research

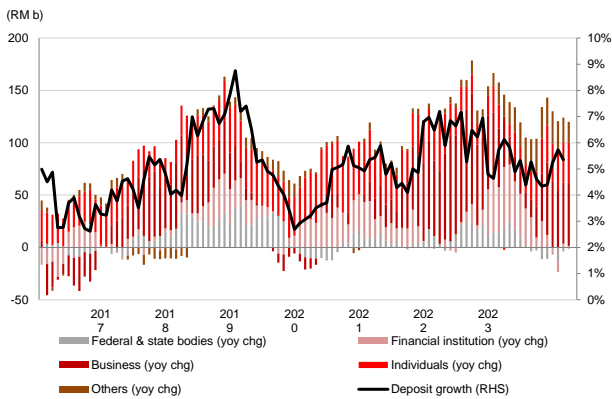
Table 7: Breakdown of System Impaired Loans and GIL Ratio by Sector

RM m	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	MoM Growth	YoY Growth
Households	15,526	15,711	15,974	15,755	15,769	0%	0%
Primary agriculture	662	185	188	186	189	2%	-87%
Mining & quarrying	1,368	1,372	1,361	1,365	1,350	-1%	-3%
Manufacturing	2,587	2,560	2,600	2,583	2,603	1%	-13%
Wholesale & retail trade, restaurants, and hotels	4,043	4,131	4,267	4,172	4,196	1%	29%
Construction	4,693	4,715	4,803	4,855	4,889	1%	-6%
Transport, storage and communication	1,124	1,135	965	987	1,130	15%	33%
Finance, insurance, and business activities	4,248	4,227	4,150	4,212	4,248	1%	-4%
Others	907	935	935	871	882	1%	-5%
Total system impaired loans	35,158	34,972	35,245	34,986	35,256	1%	-3%
GIL ratio							
Households	1.23%	1.24%	1.26%	1.23%	1.23%		
Primary agriculture	1.90%	0.53%	0.53%	0.53%	0.53%		
Mining & quarrying	14.27%	13.65%	13.60%	13.30%	13.66%		
Manufacturing	1.96%	1.95%	1.98%	1.96%	1.97%		
Wholesale & retail trade, restaurants and hotels	2.37%	2.40%	2.46%	2.37%	2.36%		
Construction	2.20%	2.19%	2.23%	2.26%	2.25%		
Transport, storage, and communication	2.08%	2.09%	1.83%	1.83%	2.04%		
Finance, insurance, and business activities	2.86%	2.73%	2.66%	2.66%	2.62%		
Others	1.03%	1.00%	1.03%	0.98%	1.00%		
Total system impaired loans	1.65%	1.64%	1.64%	1.62%	1.63%		

Source: BNM, Kenanga Research

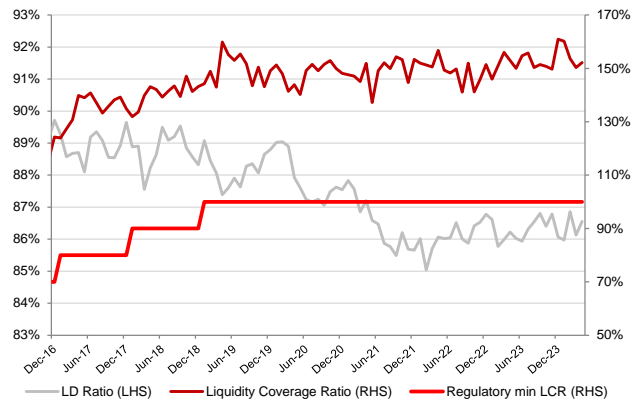
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Fig 9: Deposit Growth and Drivers



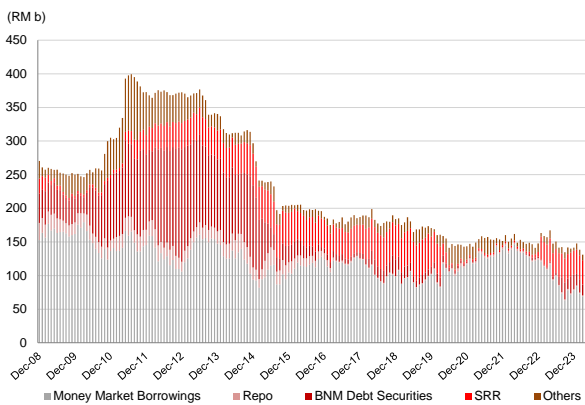
Source: BNM, Kenanga

Fig 10: LDR and LCR Trends



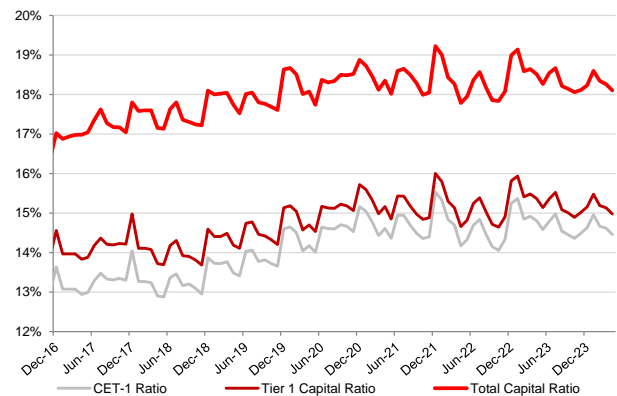
Source: BNM, Kenanga

Fig 11: Liquidity



Source: BNM, Kenanga

Fig 12: Capital Ratio Trends



Source: BNM, Kenanga

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.52	1.80	-28.6%	5,913	N	12/2024	21.0	27.7	20.4%	31.9%	12.0	9.1	0.5	4.3%	8.0	3.2%
ALLIANCE BANK MALAYSIA BHD	OP	3.87	4.60	18.9%	5,991	N	03/2025	50.2	52.7	12.5%	5.2%	7.7	7.3	0.8	10.5%	25.0	6.5%
AMMB HOLDINGS BHD	OP	4.25	5.20	22.4%	14,054	N	03/2025	55.3	56.3	17.5%	1.8%	7.7	7.5	0.7	9.1%	22.0	5.2%
BANK ISLAM MALAYSIA BHD	MP	2.51	2.25	-10.4%	5,689	Y	12/2024	25.2	29.0	3.3%	14.9%	10.0	8.7	0.7	7.6%	17.0	6.8%
CIMB GROUP HOLDINGS BHD	OP	6.84	7.60	11.1%	73,074	N	12/2024	68.5	72.5	4.7%	5.8%	10.0	9.4	1.0	10.5%	44.0	6.4%
HONG LEONG BANK BHD	OP	19.26	26.20	36.0%	41,750	N	06/2024	199.6	215.2	7.1%	7.8%	9.6	8.9	1.1	11.5%	60.0	3.1%
MALAYAN BANKING BHD	OP	9.93	11.00	10.8%	119,825	N	12/2024	80.0	83.6	3.2%	4.5%	12.4	11.9	1.2	10.1%	62.0	6.2%
MALAYSIA BUILDING SOCIETY	UP	0.890	0.590	-33.7%	7,318	Y	12/2024	3.9	6.6	104.4%	68.2%	22.8	13.5	0.6	2.8%	2.0	2.2%
PUBLIC BANK BHD	OP	4.10	5.10	24.4%	79,584	N	12/2024	37.3	39.3	9.0%	5.4%	11.0	10.4	1.4	12.9%	21.0	5.1%
RHB BANK BHD	OP	5.49	7.25	32.1%	23,934	N	12/2024	70.8	73.5	8.3%	3.9%	7.8	7.5	0.7	9.7%	43.0	7.8%
SECTOR AGGREGATE					377,132					7.1%	6.2%	10.7	10.1	1.1	10.0%		5.3%

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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