

04 May 2026

Banking

Mar 2026 Statistics: No Signs of Stress Yet

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OVERWEIGHT



System loans in Mar 2026 grew 5.4% YoY (+1.6% YTD), in line with our CY26 growth target of c.5.0%, although we expect some moderation should inflationary pressures materialise amid persistently high oil prices driven by ongoing tensions around Iran and the Strait of Hormuz. Meanwhile, deposits rose 4.2% YoY, supported by an influx of foreign currency deposits, suggesting opportunistic positioning on currency strength that may normalise over time.

We had earlier anticipated a more prudent provisioning stance from banks in the upcoming 1QCY26 reporting season, as oil-driven inflation could pose greater risks compared to prior US tariff concerns. While industry LLC remains below the psychologically safe level of 100% at c.83%, we estimate that lifting coverage to this level could imply a c.7% impact to annual earnings. Banks such as ABMB and AFFIN may be more affected, given their higher exposure to inflation-sensitive segments (e.g. SMEs) and relatively lower coverage buffers compared to better-capitalised peers.

We maintain our OVERWEIGHT stance on the sector. Our Top Pick for 2QCY26 is CIMB (OP; TP: RM8.45), supported by its pivot towards less capital-intensive growth, enabling a better balance between expansion and shareholder returns. Its >6% sustainable dividend yield further enhances its income appeal. Meanwhile, PBBANK (OP; TP: RM5.75) offers a compelling tactical opportunity, underpinned by our estimated c.3.5% special dividend potential, on top of its commitment to a 60% payout ratio in the near term.

1QCY26 shaping well. As of Mar 2026, system loan growth stood at 5.4% YoY (+1.6% YTD), broadly in line with our CY26 target of c.5.0%, although momentum may ease in 2HCY26 amid potential economic softening from inflationary pressures. On a MoM basis, business loans saw a stronger pickup (+2.2%), likely reflecting pre-festive credit demand, led by transport & logistics and manufacturing sectors. In contrast, household loans grew more modestly (+0.2%), with residential mortgages (+0.3%) lagging non-residential property loans (+0.6%). This reflects a cooling in home ownership demand, alongside stronger activity in commercial and industrial segments. (refer to Tables 1–3 for breakdown of system loans).

Credit demand remains resilient. System loan applications grew 12% YoY and surged 37% MoM, largely driven by business loans (+42%). Notably, applications from the construction sector spiked (+141%), likely supported by increased project awards, including ongoing data centre developments. Meanwhile, household loan applications rose 33%, underpinned by broadly resilient private consumption. Approval rates remained stable at 55.1% (Feb 2026: 54.8%; Mar 2025: 54.8%), albeit with a slightly higher mix of business loans (refer to Tables 4–5 for breakdown of system loan applications and approvals).

No strain on asset quality yet. System GIL stood at 1.40% in Mar 2026 (Feb 2026: 1.42%; Mar 2025: 1.42%), while LLC edged up marginally to 83.0% (Feb 2026: 82.9%; Mar 2025: 91.1%). We believe the relatively lower coverage reflects the presence of excess general provisions built during the pandemic, alongside buffers set aside for earlier US tariff-related uncertainties. Despite market concerns over rising inflation from oil price volatility linked to geopolitical tensions, the impact has yet to fully materialise, likely cushioned by existing national reserves and RON95 subsidies. That said, we remain watchful for potential pressures in 2HCY26, which could affect more vulnerable segments such as personal financing, credit cards, and SMEs. This may prompt banks to tilt towards lower-risk, asset-backed lending (e.g. mortgages, hire purchase) to preserve asset quality (refer to Tables 6–7 for breakdown of system impaired loans).

Deposits experienced a meaningful boost. System deposits as of Mar 2026 grew 4.2% YoY (+2.0% YTD, +1.9% MoM), largely driven by a surge in foreign currency deposits, likely with depositors looking to leverage on a potential depreciation of MYR after several months of strength. The CASA ratio edged slightly lower to 29.9% (Feb 2026: 30.1%; Mar 2025: 28.6%), with demand deposits forming a larger share in line with increased business-related funding needs. On the other hand, fixed deposits remain skewed towards shorter tenors, with 55% maturing within six months (Mar 2025: 52%), suggesting continued competition for deposits and a preference for liquidity amid potential economic uncertainties.

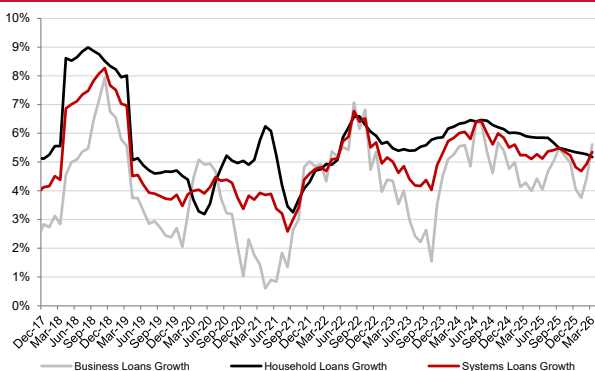
We maintain our OVERWEIGHT stance on the banking sector. Our channel checks with several banks coincides with the readings reported in Mar 2026's stats, whereby there could be a potential delay in the booking of provisions amid inflationary concerns from the prolonging of pressures to the global oil supply chain. As such, we prefer to stay selective on banks that are more insulated from inflationary pressures. We believe the sector's resilience remains intact, supported by attractive and sustainable dividend yields of c.5%, which continue to position banks as a defensive haven for investors.

For 2QCY26, we highlight **CIMB** as our top pick. We find the stock compelling at current levels, as its strategic pivot towards less capital-intensive growth alleviates prior concerns over balancing expansion with capital distribution. With projected sustainable dividend yields of >6%, including payouts under its capital return plan, CIMB now compares favourably against MAYBANK and RHBANK, traditionally viewed as the sector's dividend leaders.

We also like **PBBANK** as our second Top Pick, supported by nearer-term dividend catalysts, including potential special dividend yields of up to 3.6% upon the implementation of Basel III reforms on 1 July 2026. In addition, management’s commitment to a 60% payout ratio enhances dividend visibility and stability. This is further underpinned by industry-leading asset quality, with a 4QCY25 GIL ratio of 0.51% versus the industry average of 1.37%. While its current ordinary dividend yield of 4.8% is slightly below the industry average of 5.2%, it remains well above its historical level of c.3.0%, suggesting valuations remain attractive as investors continue to assign a premium to its high-quality and resilient asset base.

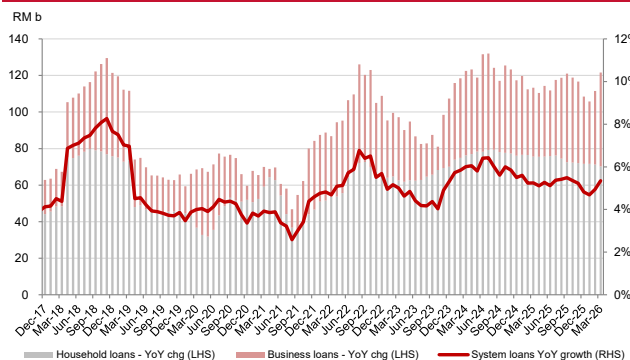
Appendix

Fig 1: System Loan Growth



Source: BNM, Kenanga

Fig 2: System Loan Growth Drivers



Source: BNM, Kenanga

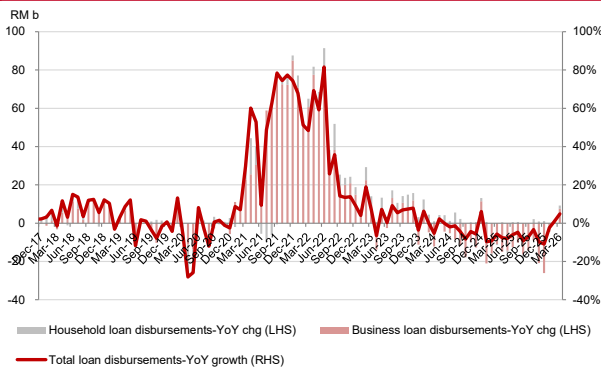
Table 1: Breakdown of System Loans

RM m	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	QoQ Growth	YoY Growth
Purchase of securities	77,284	78,548	79,111	80,576	80,910	3.0%	7.3%
Purchase of transport vehicles	243,330	244,603	246,704	246,662	247,478	1.2%	6.4%
Purchase of residential property	891,223	895,231	899,357	902,184	905,311	1.1%	5.6%
Purchase of non-residential property	288,616	289,316	290,644	293,216	295,093	2.0%	6.8%
Personal use	119,491	119,531	119,902	120,018	120,230	0.6%	1.0%
Credit card	52,160	52,321	52,965	52,510	51,647	-1.3%	6.0%
Construction	64,379	64,931	65,305	65,092	65,775	1.3%	6.8%
Working capital	511,080	510,405	505,060	507,923	521,192	2.1%	3.2%
Others	101,056	102,713	103,529	102,673	107,418	4.6%	10.2%
Total system loans	2,348,620	2,357,599	2,362,576	2,370,855	2,395,055	1.6%	5.4%
- Household loans	1,407,051	1,413,527	1,421,386	1,424,466	1,427,930	1.0%	5.2%
- Business loans	941,570	944,072	941,190	946,389	967,125	2.4%	5.6%
o Primary agriculture	30,762	30,994	30,302	29,056	30,236	-2.4%	-7.0%
o Mining & quarrying	9,341	8,940	8,609	8,204	8,445	-5.5%	-12.1%
o Manufacturing	140,350	139,567	138,441	138,634	142,043	1.8%	2.5%
o Wholesale & retail trade, restaurants and hotels	191,580	190,710	189,214	189,871	192,244	0.8%	2.7%
o Construction	98,903	101,558	101,989	102,765	104,533	2.9%	9.8%
o Real estate	121,715	121,871	122,055	123,323	124,704	2.3%	5.0%
o Transport, storage and communication	60,763	61,843	63,369	64,402	68,389	10.6%	15.2%
o Finance, insurance and business activities	203,216	201,196	201,462	205,257	204,636	1.7%	5.7%
o Others	84,940	87,394	85,749	84,877	91,895	5.2%	13.6%

Source: BNM, Kenanga Research

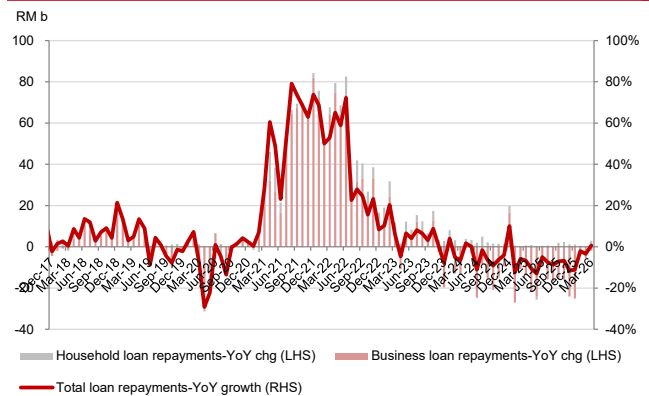
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Fig 3: Loan Disbursement Trends



Source: BNM, Kenanga

Fig 4: Loan Repayment Trends



Source: BNM, Kenanga

Table 2: Breakdown of System Loan Disbursements

RM m	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	QoQ Growth	YoY Growth
Purchase of securities	3,462	4,146	4,475	5,051	4,147	0.0%	21.7%
Purchase of transport vehicles	5,575	6,230	6,954	4,743	5,641	-9.5%	-12.1%
Purchase of residential property	9,970	10,571	10,347	8,568	9,559	-9.6%	-6.1%
Purchase of non-residential property	7,398	8,249	7,042	7,605	7,354	-10.9%	14.2%
Personal use	4,608	5,250	5,649	5,109	5,183	-1.3%	21.6%
Credit card	22,631	24,101	23,456	20,944	22,879	-5.1%	8.8%
Construction	2,919	3,787	2,731	2,846	3,237	-14.5%	-13.1%
Working capital	116,828	130,904	117,530	104,920	130,884	0.0%	3.0%
Others	9,740	10,980	7,772	8,186	10,989	0.1%	35.9%
Total loans disbursed	183,131	204,216	185,955	167,971	199,873	-2.1%	4.8%
- Household loans	42,479	45,667	46,649	39,102	43,451	-4.9%	3.9%
- Business loans	140,652	158,549	139,306	128,869	156,423	-1.3%	5.1%

Source: BNM, Kenanga Research

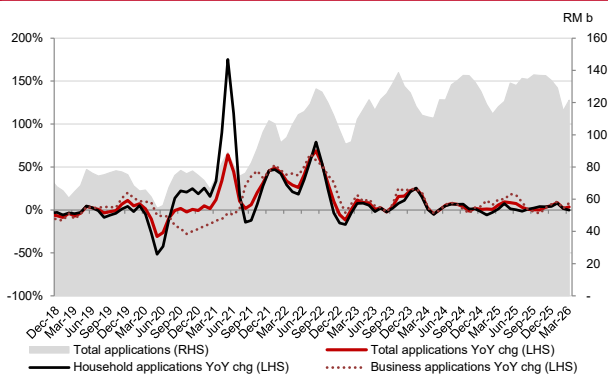
Table 3: Breakdown of System Loan Repayments

RM m	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	QoQ Growth	YoY Growth
Purchase of securities	3,261	3,151	4,167	3,845	4,212	33.7%	1.4%
Purchase of transport vehicles	5,394	5,635	5,589	5,497	5,748	2.0%	4.1%
Purchase of residential property	8,739	9,418	9,300	8,452	9,346	-0.8%	1.3%
Purchase of non-residential property	5,961	8,560	6,721	5,822	6,673	-22.1%	14.3%
Personal use	5,002	5,725	5,844	5,399	5,343	-6.7%	10.1%
Credit card	21,869	23,669	23,376	21,457	23,852	0.8%	11.3%
Construction	3,284	3,394	2,560	3,303	2,989	-12.0%	-5.7%
Working capital	112,297	125,555	117,552	100,631	116,641	-7.1%	-2.5%
Others	8,497	8,620	7,641	8,153	7,329	-15.0%	1.7%
Total loans repaid	174,303	193,729	182,748	162,559	182,133	-6.0%	0.6%
- Household loans	40,372	43,455	44,149	40,261	44,719	2.9%	7.1%
- Business loans	133,931	150,274	138,599	122,298	137,414	-8.6%	-1.3%

Source: BNM, Kenanga Research

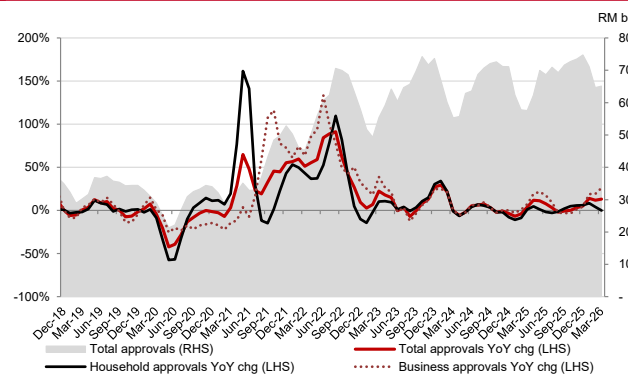
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Fig 5: Loan Application Trends (3-month MA)



Source: BNM, Kenanga

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



Source: BNM, Kenanga

Table 4: Breakdown of System Loan Applications

RM m	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	QoQ Growth	YoY Growth
Purchase of securities	4,939	2,695	4,741	2,562	4,063	51%	39%
Purchase of transport vehicles	16,661	19,148	17,585	13,467	16,483	-14%	-2%
Purchase of residential property	37,820	36,266	38,118	26,187	38,718	7%	-1%
Purchase of non-residential property	17,479	14,035	14,893	10,441	15,516	11%	0%
Personal use	7,521	7,994	9,397	7,899	8,226	3%	17%
Credit card	3,416	3,445	3,653	2,578	3,121	-9%	-20%
Construction	14,468	4,728	7,993	4,469	10,789	128%	64%
Working capital	29,320	21,543	25,324	26,560	30,816	43%	18%
Others	10,896	7,174	5,977	5,787	9,413	31%	105%
Total system loan applications	142,520	117,028	127,680	99,951	137,146	17%	12%
- Household loans	69,665	70,403	73,319	53,278	71,103	1%	0%
- Business loans	72,855	46,625	54,361	46,673	66,042	42%	28%

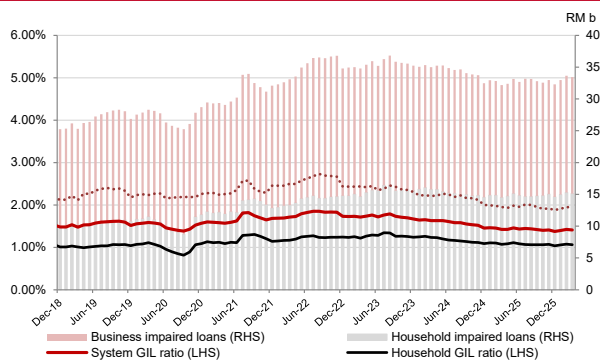
Source: BNM, Kenanga Research

Table 5: Breakdown of System Loan Approvals

RM m	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	QoQ Growth	YoY Growth
Purchase of securities	3,105	2,880	3,594	1,543	1,616	-44%	-20%
Purchase of transport vehicles	9,866	12,804	10,071	8,275	9,959	-22%	-1%
Purchase of residential property	15,509	14,573	14,490	10,310	15,079	3%	-7%
Purchase of non-residential property	8,078	8,717	7,746	5,353	6,959	-20%	-2%
Personal use	2,737	3,087	3,596	3,377	3,332	8%	41%
Credit card	2,101	1,998	2,263	1,572	1,889	-5%	-12%
Construction	2,884	5,481	3,646	5,629	5,328	-3%	-42%
Working capital	22,140	19,790	15,991	14,608	26,095	32%	78%
Others	7,962	4,815	3,635	4,071	5,353	11%	63%
Total system loan approvals	74,381	74,145	65,031	54,738	75,610	2%	13%
- Household loans	31,006	32,021	31,737	23,670	30,670	-4%	-3%
- Business loans	43,375	42,123	33,294	31,068	44,941	7%	27%

Source: BNM, Kenanga Research

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	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	QoQ Growth	YoY Growth
Purchase of securities	169	238	204	273	301	26%	53%
Purchase of transport vehicles	1,445	1,423	1,487	1,537	1,498	5%	20%
Purchase of residential property	10,060	9,667	9,826	10,006	9,984	3%	3%
Purchase of non-residential property	4,137	4,201	4,258	4,302	4,332	3%	8%
Personal use	2,719	2,662	2,836	2,909	2,818	6%	2%
Credit card	475	459	459	467	469	2%	9%
Construction	1,959	2,086	2,099	2,091	2,049	-2%	9%
Working capital	10,569	10,121	10,360	10,591	10,528	4%	0%
Others	1,443	1,435	1,443	1,462	1,448	1%	3%
Total system impaired loans	32,977	32,292	32,972	33,638	33,426	4%	4%
- Household impaired loans	15,027	14,581	14,964	15,283	15,111	4%	4%
- Business impaired loan	17,950	17,711	18,008	18,355	18,315	3%	4%
GIL ratio							
Purchase of securities	0.22%	0.30%	0.26%	0.34%	0.37%		
Purchase of transport vehicles	0.59%	0.58%	0.60%	0.62%	0.61%		
Purchase of residential property	1.13%	1.07%	1.09%	1.11%	1.10%		
Purchase of non-residential property	1.43%	1.45%	1.47%	1.47%	1.47%		
Personal use	2.28%	2.22%	2.37%	2.42%	2.34%		
Credit card	0.91%	0.87%	0.87%	0.89%	0.91%		
Construction	3.04%	3.19%	3.21%	3.21%	3.11%		
Working capital	2.07%	2.00%	2.05%	2.09%	2.02%		
Others	1.43%	1.40%	1.39%	1.42%	1.35%		
System	1.40%	1.37%	1.40%	1.42%	1.40%		
- Household	1.07%	1.04%	1.06%	1.08%	1.06%		
- Business	1.92%	1.88%	1.91%	1.95%	1.94%		

Source: BNM, Kenanga Research

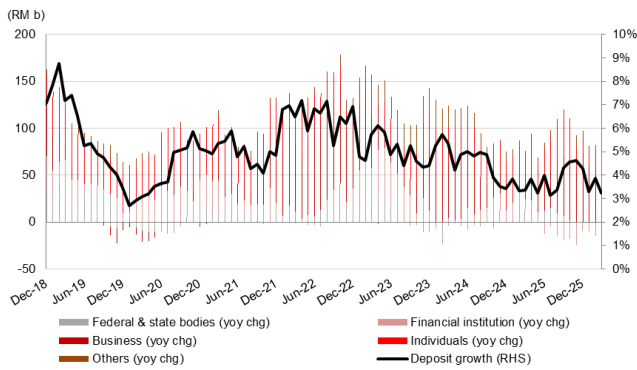
Table 7: Breakdown of System Impaired Loans and GIL Ratio by Sector

RM m	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	QoQ Growth	YoY Growth
Households	15,027	14,581	14,964	15,283	15,111	4%	4%
Primary agriculture	253	256	249	261	260	1%	49%
Mining & quarrying	746	722	723	725	709	-2%	-37%
Manufacturing	2,102	2,045	2,022	2,055	1,999	-2%	-11%
Wholesale & retail trade, restaurants, and hotels	4,392	4,290	4,429	4,552	4,635	8%	13%
Construction	4,445	4,441	4,611	4,708	4,701	6%	7%
Transport, storage and communication	787	785	784	818	813	4%	42%
Finance, insurance, and business activities	4,250	4,216	4,181	4,236	4,240	1%	0%
Others	975	956	1,008	1,000	958	0%	15%
Total system impaired loans	32,977	32,292	32,972	33,638	33,426	4%	4%
GIL ratio							
Households	1.07%	1.04%	1.06%	1.08%	1.06%		
Primary agriculture	0.79%	0.83%	0.80%	0.86%	0.89%		
Mining & quarrying	8.52%	7.73%	8.09%	8.42%	8.65%		
Manufacturing	1.50%	1.46%	1.45%	1.48%	1.44%		
Wholesale & retail trade, restaurants and hotels	2.32%	2.24%	2.32%	2.41%	2.44%		
Construction	2.04%	2.01%	2.06%	2.10%	2.08%		
Transport, storage, and communication	1.31%	1.29%	1.27%	1.29%	1.26%		
Finance, insurance, and business activities	2.10%	2.07%	2.08%	2.10%	2.07%		
Others	1.15%	1.13%	1.15%	1.17%	1.13%		
Total system impaired loans	1.40%	1.37%	1.40%	1.42%	1.40%		

Source: BNM, Kenanga Research

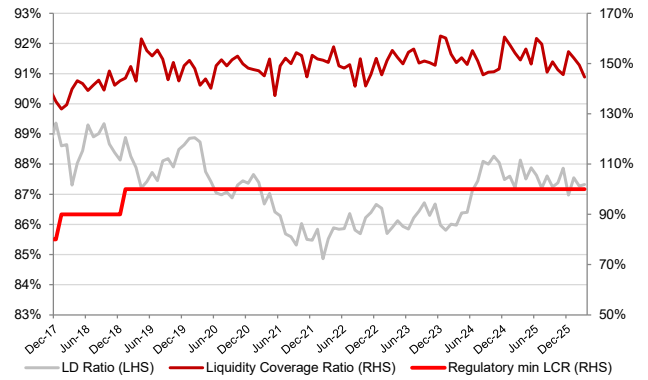
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Fig 9: Deposit Growth and Drivers



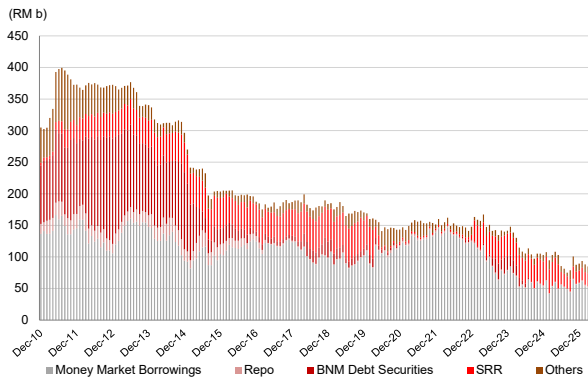
Source: BNM, Kenanga

Fig 10: LDR and LCR Trends



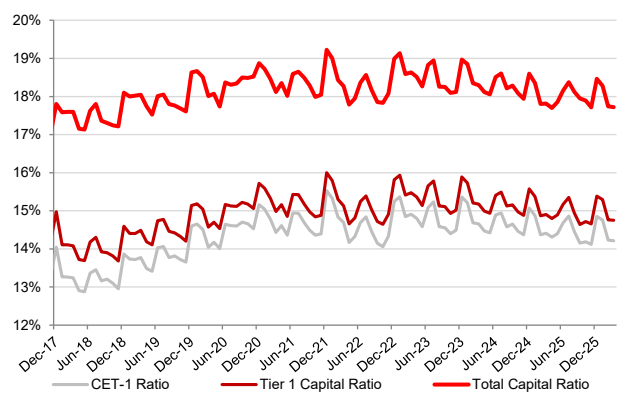
Source: BNM, Kenanga

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	MP	2.67	2.50	-6.4%	6,765.3	N	12/2026	22.4	24.0	4.9%	7.1%	11.9	11.1	0.5	4.6%	9.0	3.4%
Alliance Bank Malaysia Bhd	MP	5.04	5.20	3.2%	8,720.3	N	03/2026	48.0	50.3	10.7%	4.6%	10.5	10.0	1.1	10.5%	19.5	3.9%
AMMB Holdings Bhd	OP	6.43	7.45	15.9%	21,266.0	N	03/2026	64.2	67.0	6.0%	4.5%	10.0	9.6	1.0	10.0%	34.0	5.3%
Bank Islam Malaysia Bhd	MP	2.47	2.55	3.2%	5,598.2	Y	12/2026	26.5	28.5	7.9%	7.5%	9.3	8.7	0.7	7.5%	16.0	6.5%
CIMB Group Holdings Bhd	OP	8.04	8.45	5.1%	86,805.1	N	12/2026	78.6	83.9	6.9%	6.8%	10.2	9.6	1.1	11.4%	50.0	6.2%
Hong Leong Bank Bhd	OP	23.28	25.95	11.5%	50,464.5	N	06/2026	227.1	236.0	-0.6%	3.9%	10.2	9.9	1.1	11.5%	105.0	4.5%
Malayan Banking Bhd	MP	11.96	12.30	2.8%	144,490.0	N	12/2026	89.0	90.4	2.1%	1.6%	13.4	13.2	1.4	11.0%	64.0	5.4%
MBSB Bhd	MP	0.715	0.730	2.1%	5,879.0	Y	12/2026	5.7	7.7	45.4%	36.4%	12.6	9.3	0.5	4.1%	4.5	6.3%
Public Bank Bhd	OP	4.93	5.75	16.6%	95,694.7	N	12/2026	38.6	40.0	3.7%	3.6%	12.8	12.3	1.5	12.2%	23.5	4.8%
RHB Bank Bhd	MP	8.40	8.40	0.0%	36,640.1	N	12/2026	75.5	79.9	-2.7%	5.8%	11.1	10.5	1.0	9.5%	47.0	5.6%
SECTOR AGGREGATE					462,323					3.5%	4.5%	11.8	11.3	1.2	10.3%		5.2%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.20	MP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	MP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	MP	
Public Bank Bhd	4.00	13.0	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	MP	

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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