

Samuel Woo
(603) 7890 8888 (ext 2121)
samuel.woo@apexsecurities.com.my

Banking Sector

Overweight (↔)

Nov-24 Banking Stats: Watch the Average Lending Rate

Executive Summary

- **Positives:** (1) Solid loan growth, (2) Leading indicators are strong, (3) A strong rebound in CASA balances is driving deposit growth, (4) Conventional FD rates continue improving.
- **Negatives:** (1) Notably sharp contraction in ALR.
- **Other things of note:** (1) Not much movement in system GIL ratio – but considerable improvement seen in certain segments.
- **Maintain OVERWEIGHT call.** Top pick: Public Bank (BUY; FV: RM4.51) and Hong Leong Bank (BUY; FV: RM24.79).

▲ **Loan growth** +5.8%yoy / +0.6%mom

Loan growth remains resilient, though retail loans have tapered down by a very small margin.

- ▲ **Retail loans:** +7.1%yoy / +0.5%mom
 - *Consistent for the most part: We want to observe residential mortgages and their performance in future quarters.*
- ▲ **Business loans:** +4.4%yoy / +0.7%mom
 - *Still strong.*

▲ **Leading indicators**

Both approvals and applications remain solid, though we note residential mortgage applications have been cooling down as of late.

- **Approval rate:** 53%.

▲ **Deposits** +4.0%yoy / +0.9%mom

Strong rebound in CASA balances.

- ▲ **FD growth:** +3.7%yoy / +0.2%mom
- ▲ **CASA growth:** +5.2%yoy / +1.9%mom
- **LCR:** 148%.
- **Loan/Deposit ratio:** 92.1%.

► **GIL ratio** 1.51% / -1bps mom

Considerable improvement was seen in a number of segments.

- ▲ **Notable deteriorations, mom:** Personal financing +4bps.
- ▼ **Notable improvements, mom:** Securities -10bps, Construction -6bps, Working capital -9bps.

Interest rates

Watch lending rates – loan yields have been in decline for quite some time now, but this month's contraction is extremely steep. The residential mortgage market is exceptionally competitive.

- ▲ **FD rates (Conv.):** These rates continue their gradual decline downward.
- ► **FD rates (Isl.):** Flattish.

- ▼ **Lending rates:** ALR contracted by 7bps mom, which is by far the steepest decline seen in the last couple of months.

Keeping OVERWEIGHT stance. An apparent downside is taking shape – loan yields are contracting sharply, as expected. Otherwise, the banking sector’s outlook remains bright, premised on robust loan growth, improving COF, ideal conditions for NOII, and significant recoveries expected in several banks. Our top picks include **Public Bank (BUY; FV: RM4.51)** and **Hong Leong Bank (BUY; FV: RM24.79)**.

Peers Comparison

Bank	FYE	Rec	Share P* (RM)	Target P (RM)	Upside (%)	Mkt Cap (RM b)	P/E (x)		P/B (x)		ROE (%)		Div Yield (%)		ESG Rating
							FY24	FY25	FY24	FY25	FY24	FY25	FY24	FY25	
MAY	Dec	BUY	10.24	11.28	10.2	123.5	12.7	11.8	1.3	1.2	10.1	10.6	6.3	6.8	★★★★★
CIMB	Dec	BUY	8.20	9.28	13.2	87.7	11.1	10.5	1.2	1.2	11.3	11.3	6.1	5.0	★★★★★
PBK	Dec	BUY	4.56	5.13	12.5	88.5	12.5	11.8	1.5	1.4	12.6	12.5	4.3	4.5	★★★★
RHB	Dec	HOLD	6.48	6.92	6.8	27.7	9.5	8.9	0.9	0.8	9.3	9.5	6.2	6.5	★★★★
HLBK	Jun	BUY	20.56	24.79	20.6	42.1	9.4	8.7	1.0	1.0	11.6	11.6	3.7	4.0	★★★★★
AMMB	Mar	HOLD	5.48	5.57	1.6	18.1	9.9	9.5	0.9	0.8	9.2	9.1	4.0	4.7	★★★★
BIMB	Dec	HOLD	2.47	2.76	11.7	5.6	10.6	9.2	0.7	0.7	7.0	7.8	5.4	5.9	★★★★
AFFIN	Dec	HOLD	2.91	2.71	-6.8	6.7	13.6	11.6	0.6	0.6	4.4	4.9	2.2	2.5	★★★★
ABMB	Mar	HOLD	4.84	5.00	3.4	7.5	10.2	9.6	1.0	0.9	9.8	9.8	4.4	4.7	★★★★
Simple avg							11.1	10.2	1.0	1.0	9.5	9.7	4.7	5.0	
Weighted avg							11.6	10.8	1.2	1.2	10.8	11.0	5.3	5.4	

*Closing prices from 31 Dec 2024.

^AMMB, ABMB, HLBK uses FY25F/26F values.

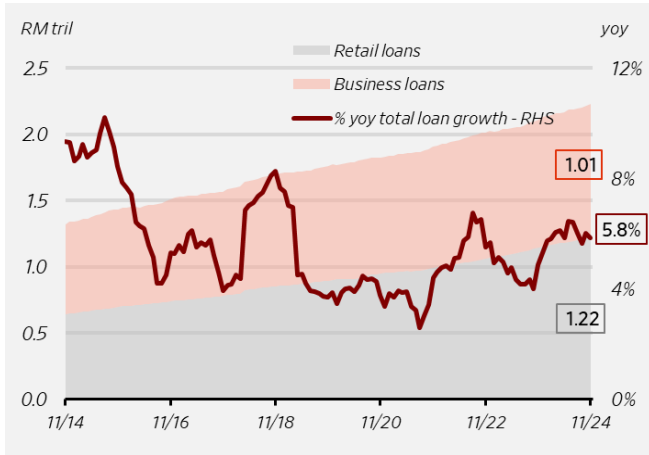
Fig 1: Core Figures and Forecasts

	yoy Growth rates (%)				YTD Ann. (%)	mom Growth rates (%)			
	Nov-24	Oct-24	Sep-24	Aug-24		Nov-24	Oct-24	Sep-24	Aug-24
Total loans	5.8	6.0	5.6	6.0	5.1	0.6	0.7	0.4	0.3
Retail loans	7.1	7.2	7.4	7.6	6.9	0.5	0.6	0.6	0.7
Business loans	4.4	4.6	3.6	4.1	3.1	0.7	0.8	0.2	-0.2
SME*	-	8.6	8.8	9.4	7.5	-	0.4	0.5	0.6
Deposits + repo	3.6	3.1	3.3	3.8	2.5	0.9	0.3	0.7	-0.3
Total deposits	4.0	3.5	3.5	4.0	2.7	0.9	0.5	0.3	-0.3
CASA	5.2	4.0	5.2	4.8	3.7	1.9	-0.2	1.0	0.2
FD	3.7	3.5	2.8	3.3	3.9	0.2	0.2	0.2	-0.1
Total provisions	-6.8	-5.3	-5.9	-6.0	-5.5	-0.3	-0.2	-1.4	-1.2
Total GIL	-5.1	-5.1	-5.0	-5.9	-4.4	-0.4	-0.6	-1.8	0.3
Leading indicators									
3MA applications	2	-1	4	6	0	-3	-0	2	2
Retail	2	1	6	6	-3	-3	-4	-1	-1
Business	2	-4	1	7	16	-2	4	6	5
3MA approvals	-1	-2	4	7	0	-2	1	2	3
Retail	-3	-3	2	4	-12	-4	-4	-3	-1
Business	0	-2	4	10	2	-1	5	6	6
	Nov-24	Oct-24	Sep-24	Aug-24	Nov-23				
Interest spread	2.55	2.61	2.60	2.63	2.77				
Loan approval rate	53	54	54	52	57				
SME approval rate*	-	47	46	51	55				
GIL ratio	1.51	1.53	1.54	1.58	1.69				
SME GIL ratio*	-	2.99	3.01	3.07	3.12				
LLC ratio	91	91	91	91	93				
CASA ratio	31.3	31.0	31.2	31.0	31.0				
Loan/Deposit ratio	92.1	92.3	92.2	92.1	90.5				
Liquidity coverage ratio	148	147	147	146	150				
CET 1	14.4	14.4	14.5	14.6	14.5				
Tier 1 Capital	14.9	14.9	15.0	15.1	15.0				
Total Capital	17.9	18.1	18.2	18.2	18.1				

*SME data until Oct-24

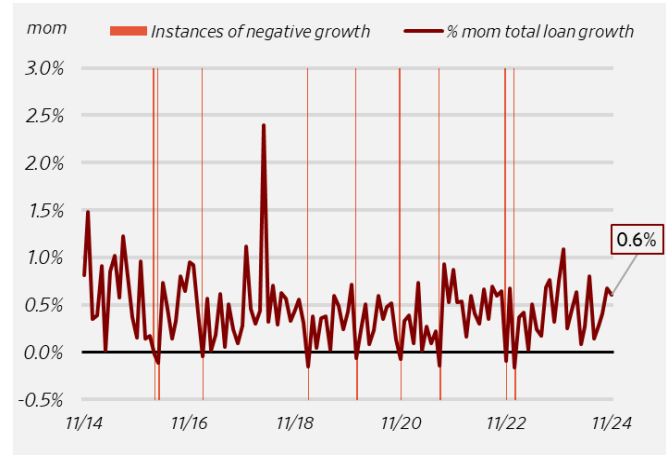
A. SYSTEM LOANS & CONSTITUENTS

Fig 2: yoy System loans



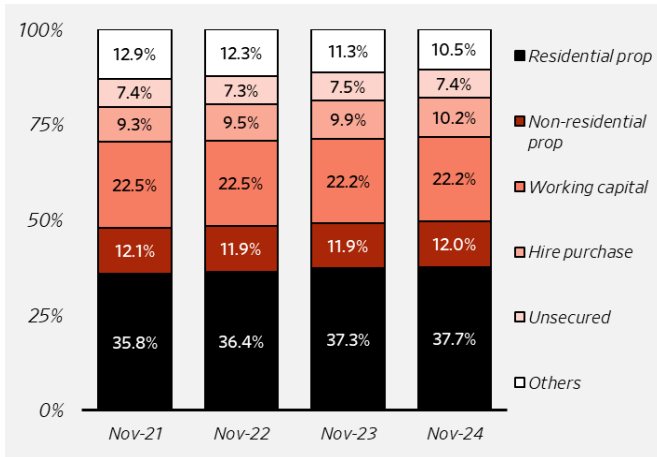
Source: BNM

Fig 3: mom System loans



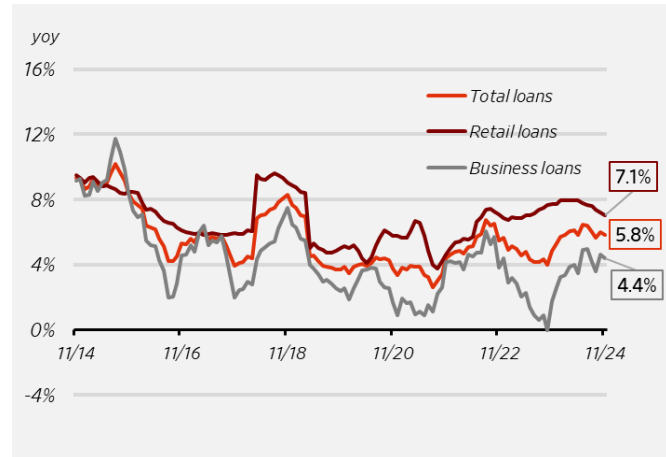
Source: BNM

Fig 4: Loan breakdown by type



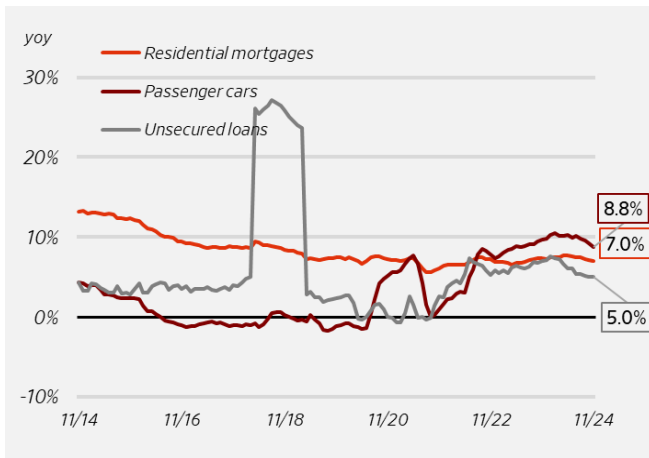
Source: BNM

Fig 5: Retail & business loan growth



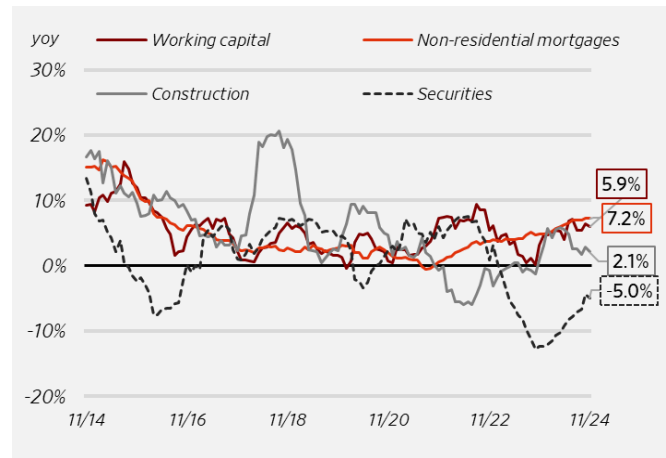
Source: BNM

Fig 6: Retail loan constituents



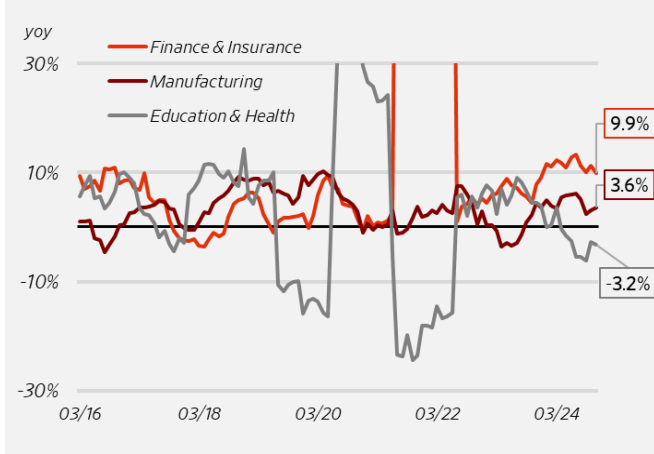
Source: BNM

Fig 7: Business loan constituents



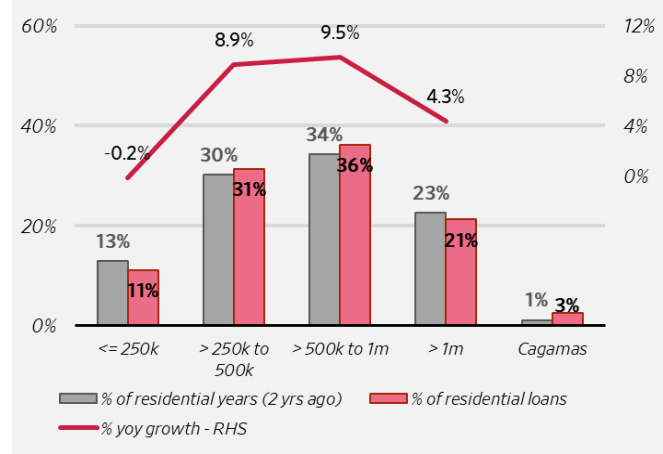
Source: BNM

Fig 8: Loan growth of other sectors



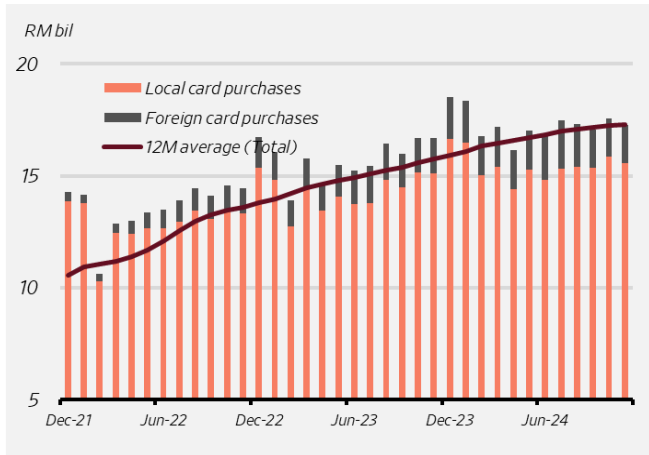
Source: BNM

Fig 9: Residential loans by segment



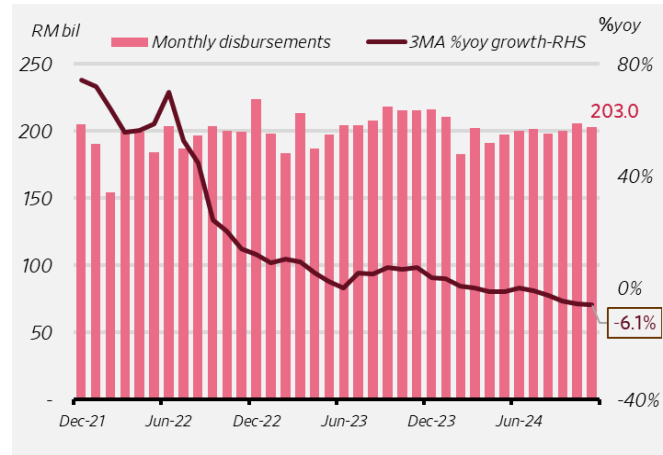
Source: BNM

Fig 10: Credit card purchases



Source: BNM

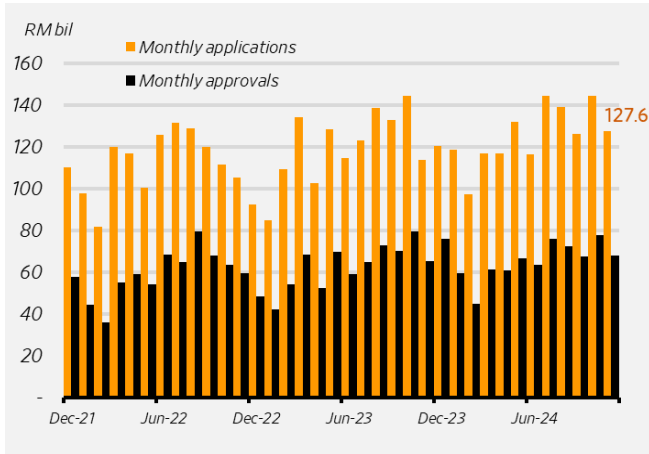
Fig 11: Monthly loan disbursements



Source: BNM

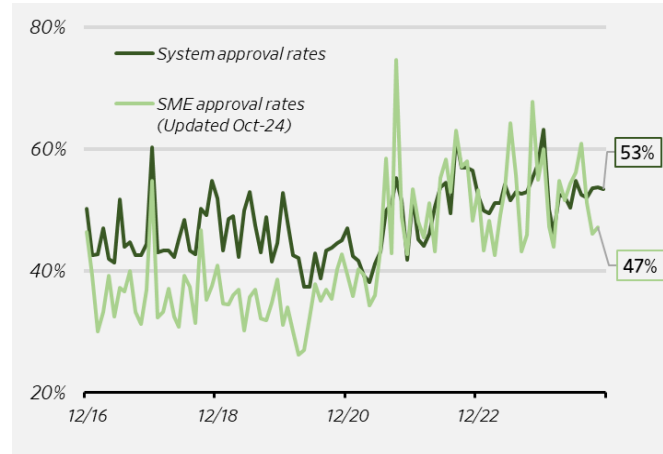
B. LEADING INDICATOR TRENDS

Fig 12: Monthly applications & approvals



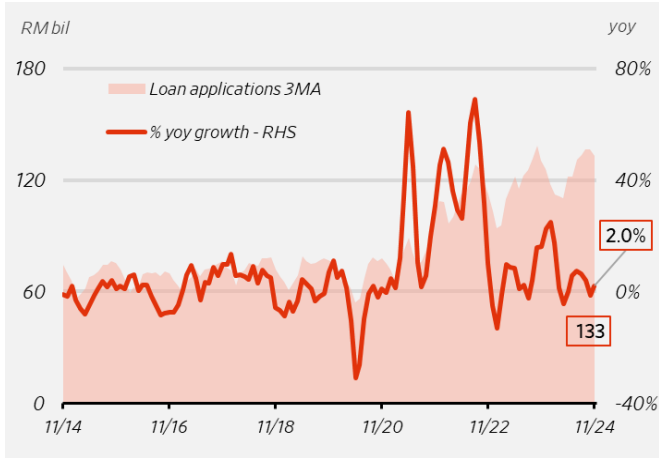
Source: BNM

Fig 13: System & SME approval rates



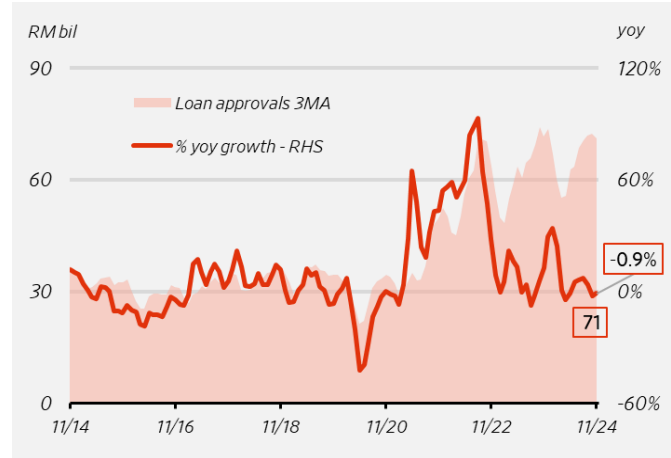
Source: BNM

Fig 14: Loan applications (3-mth average)



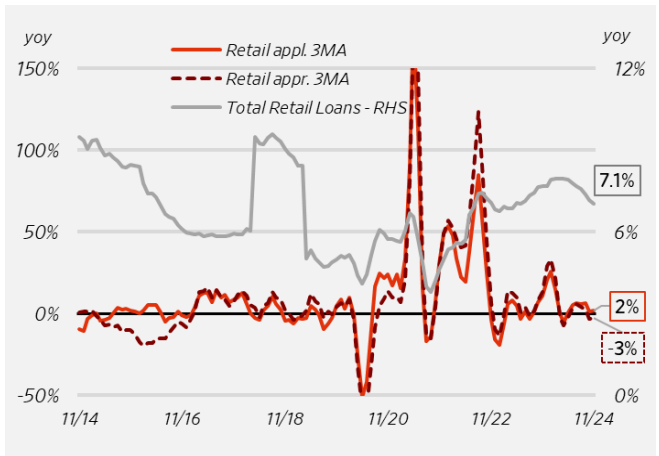
Source: BNM

Fig 15: Loan approvals (3-mth average)



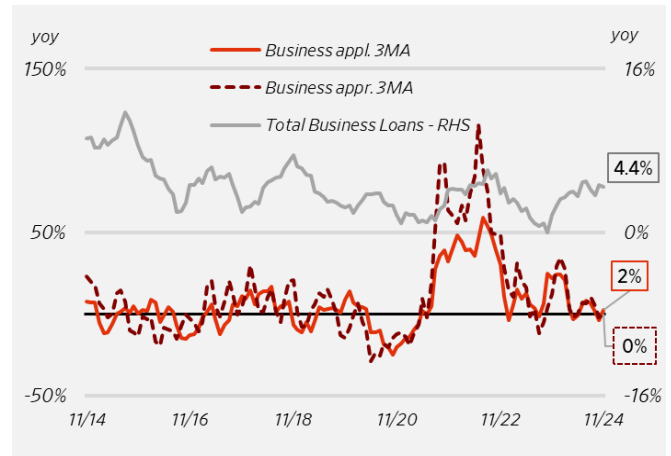
Source: BNM

Fig 16: Retail loan indicators



Source: BNM

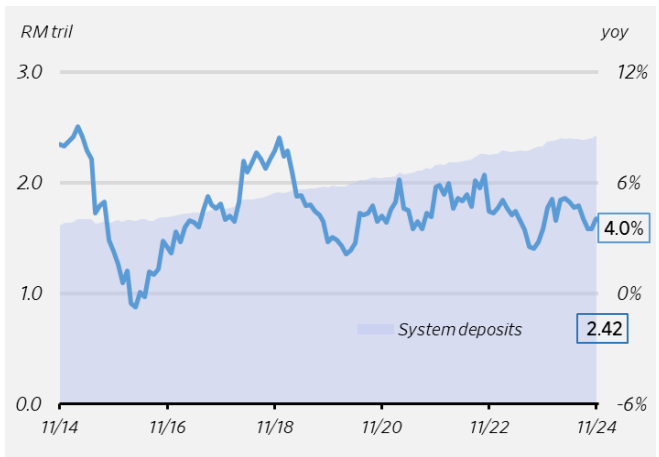
Fig 17: Business loan indicators



Source: BNM

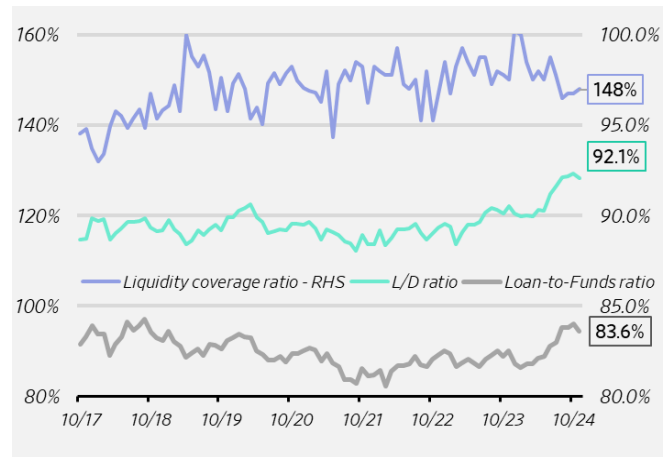
C. DEPOSITS & LIQUIDITY

Fig 18: yoy System deposits



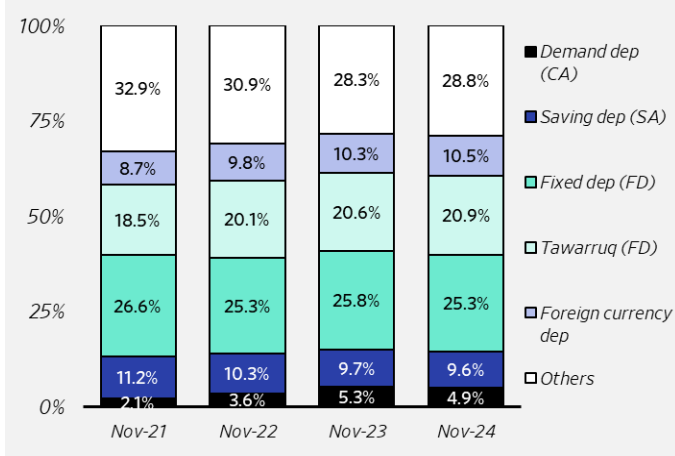
Source: BNM

Fig 19: mom LDR & LTF ratio



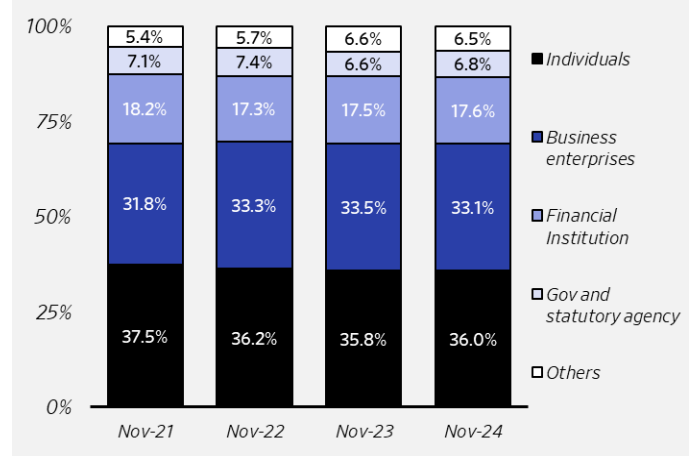
Source: BNM

Fig 20: Deposit breakdown by type



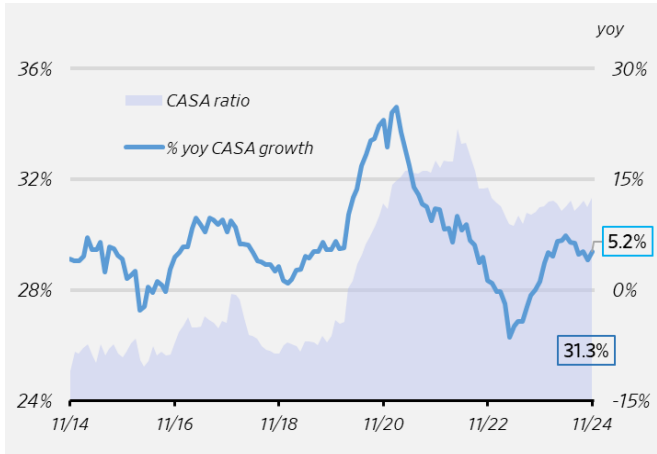
Source: BNM

Fig 21: Deposit breakdown by holder



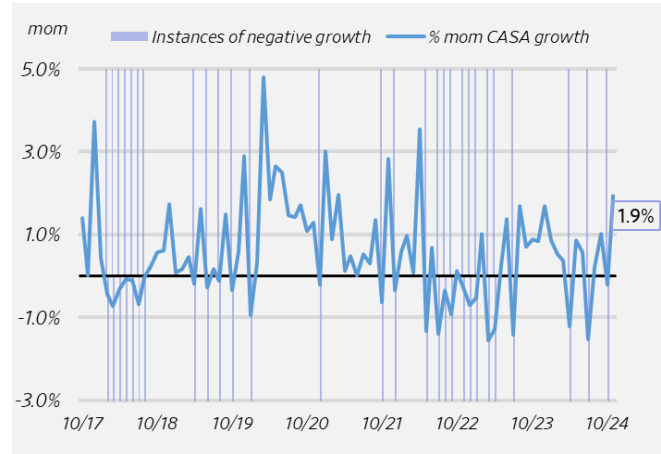
Source: BNM

Fig 22: CASA ratio and yoy growth



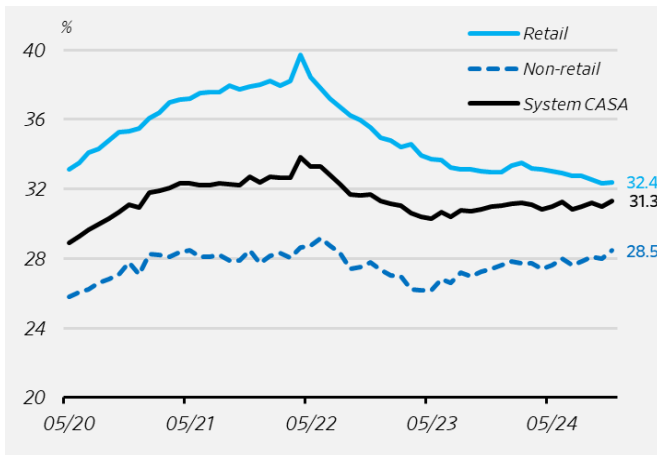
Source: BNM

Fig 23: mom CASA growth



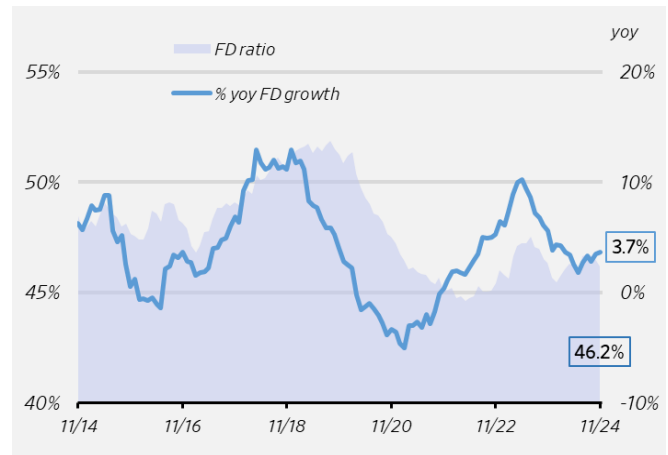
Source: BNM

Fig 24: CASA ratio by holder



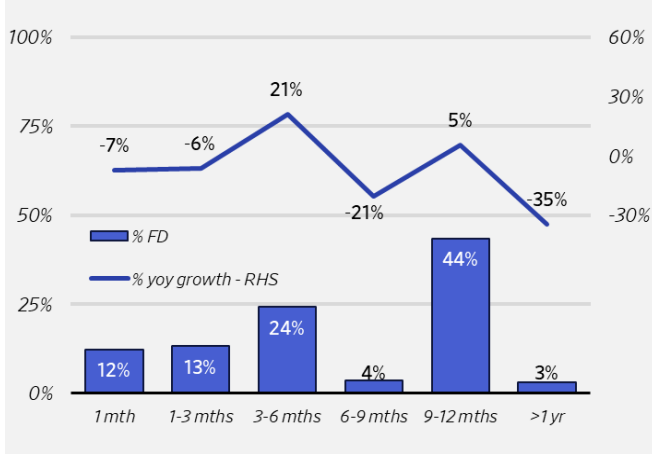
Source: BNM

Fig 25: FD ratio and yoy growth



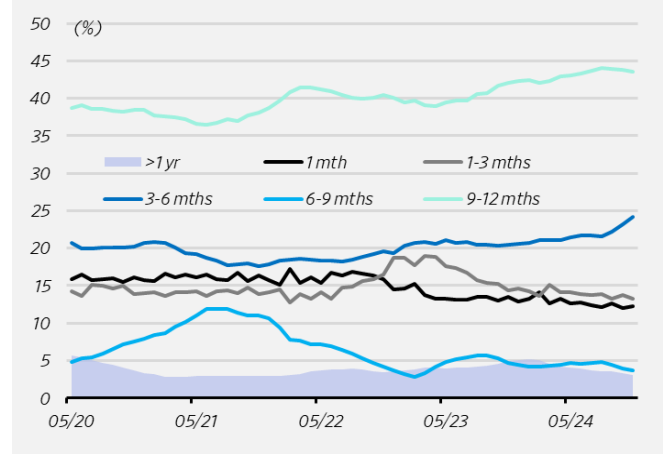
Source: BNM

Fig 26: FD by maturity brackets and yoy growth



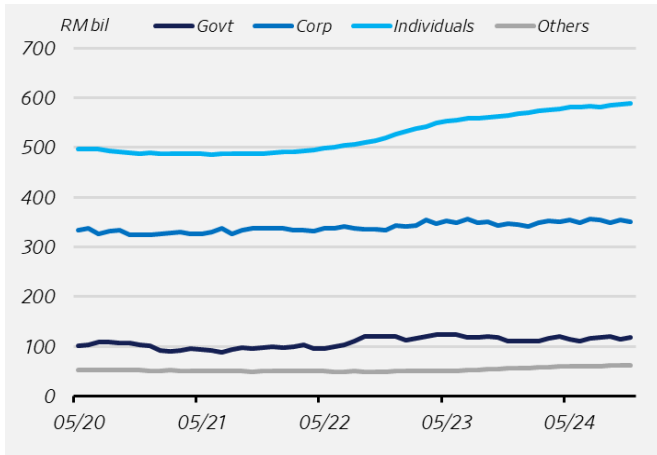
Source: BNM

Fig 27: FD by maturity brackets (% Proportion)



Source: BNM

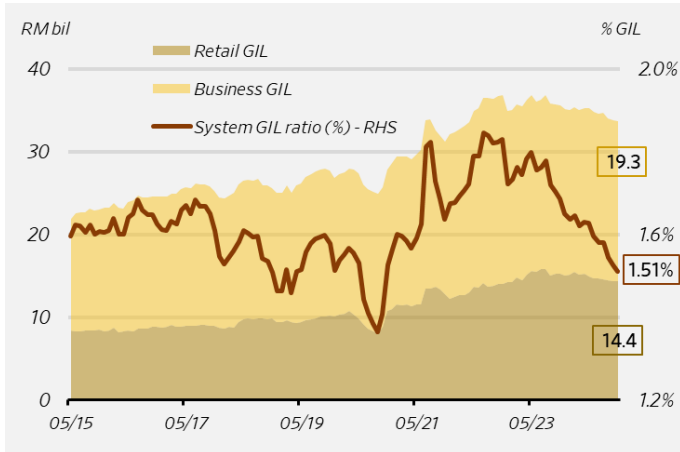
Fig 28: FD by depositor



Source: BNM

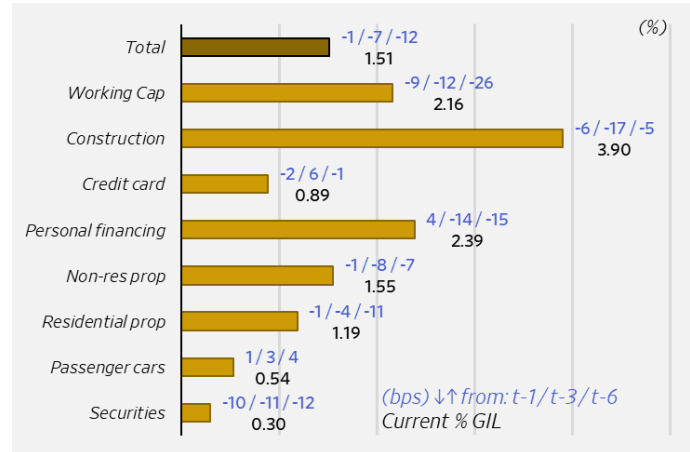
D. ASSET QUALITY & PROVISIONING

Fig 29: System gross impaired loans



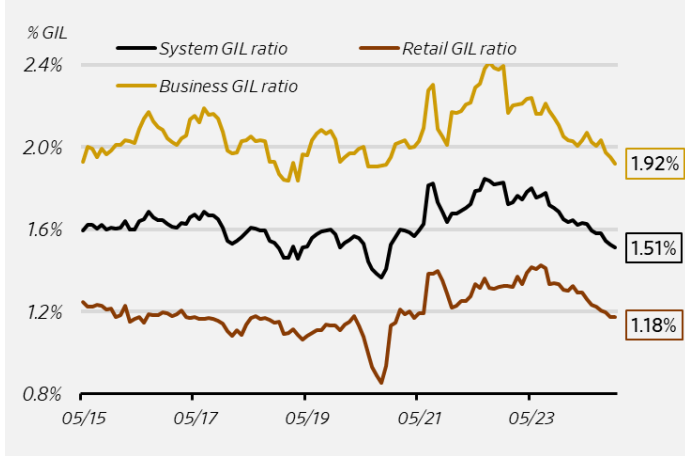
Source: BNM

Fig 30: Segmental GIL ratio changes



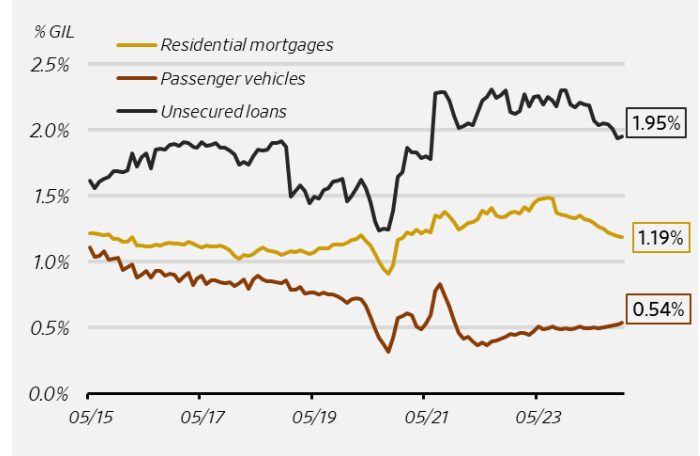
Source: BNM

Fig 31: System, Retail, Business GIL ratios



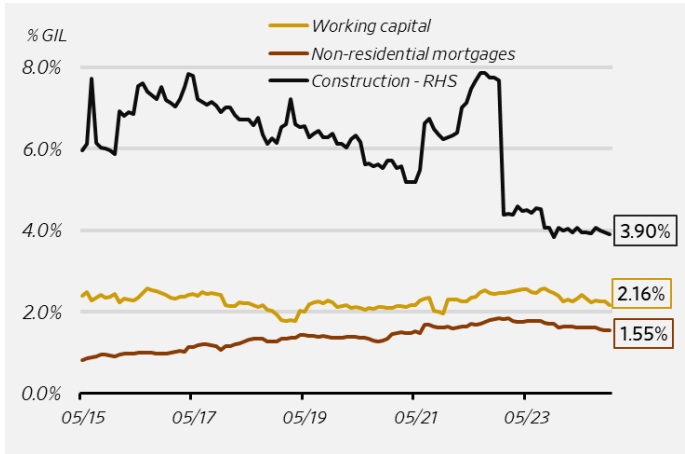
Source: BNM

Fig 32: Retail GIL ratios



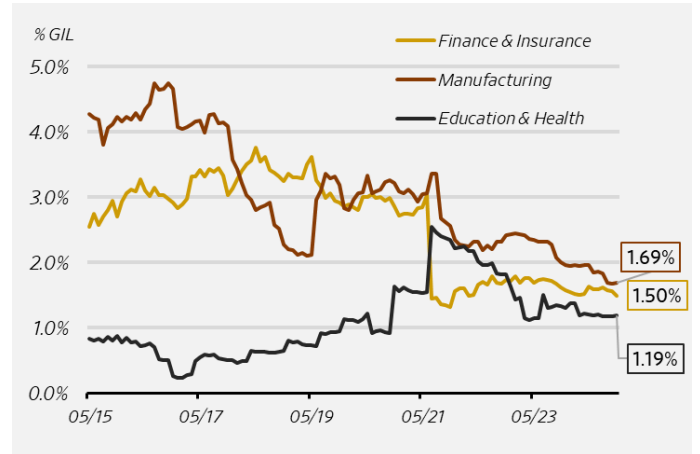
Source: BNM

Fig 33: Business GIL ratios



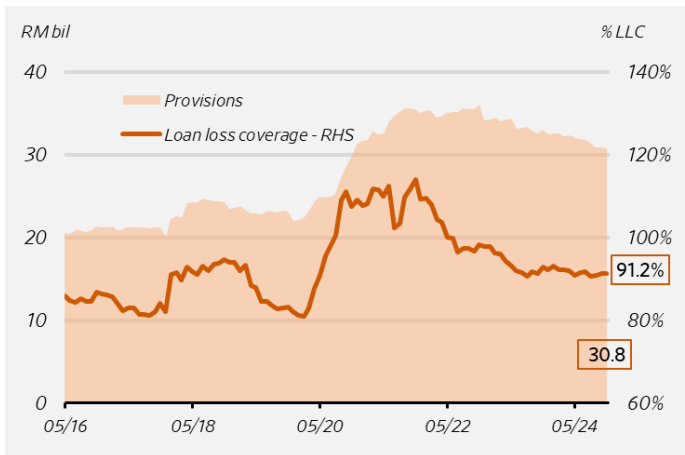
Source: BNM

Fig 34: GIL ratios of other sectors



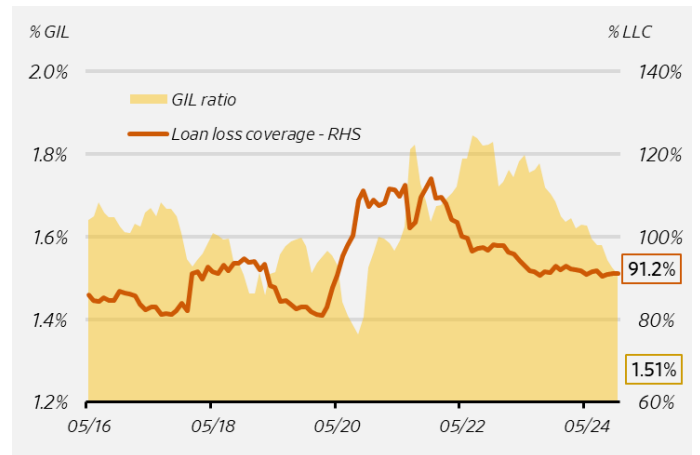
Source: BNM

Fig 35: Provisions & loan loss coverage



Source: BNM

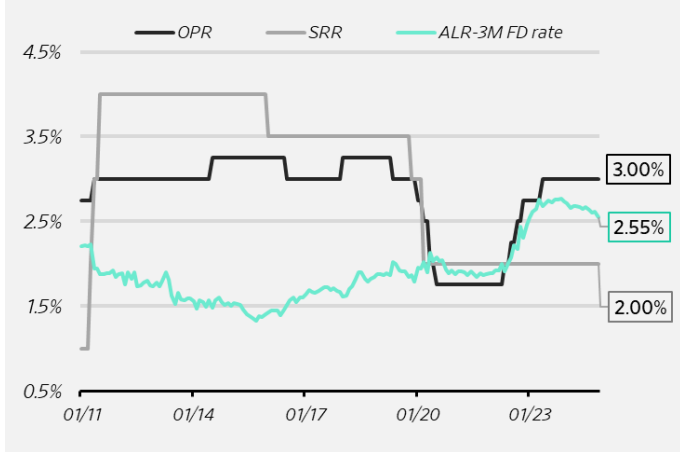
Fig 36: LLC & GIL ratio relationship



Source: BNM

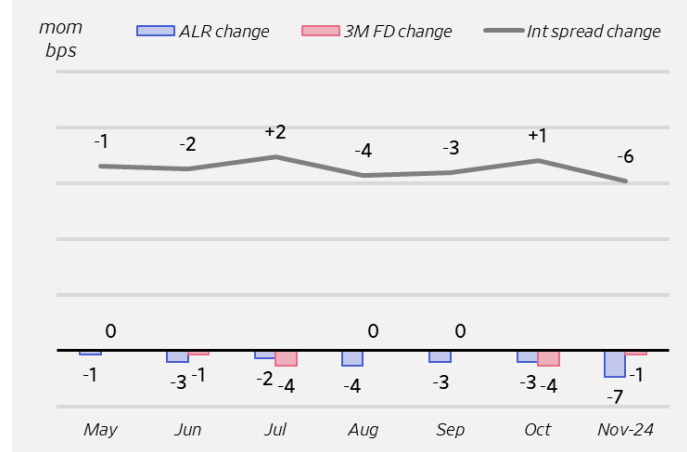
E. INTEREST SPREAD AND CAPITAL

Fig 37: Interest spread, OPR, SRR



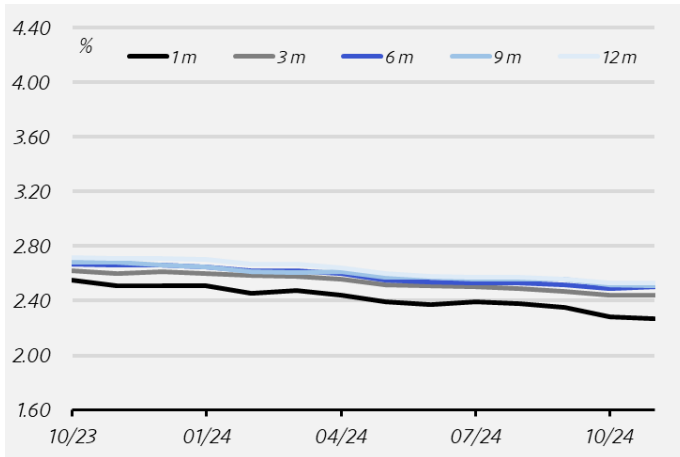
Source: BNM

Fig 38: mom Changes in Interest spreads



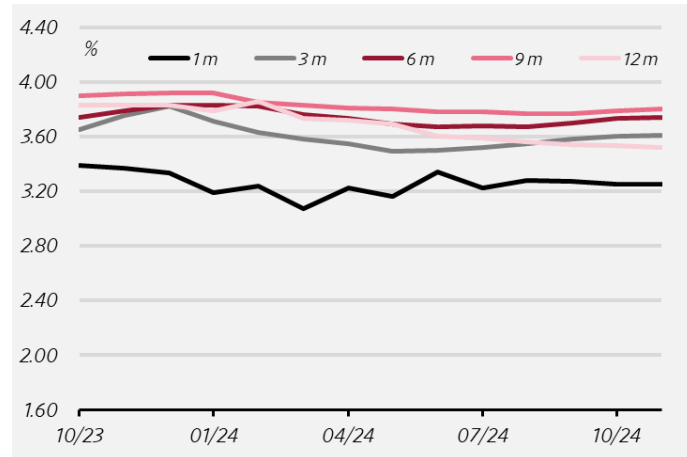
Source: BNM

Fig 39: Weighted avg Conv. FD rates by bracket



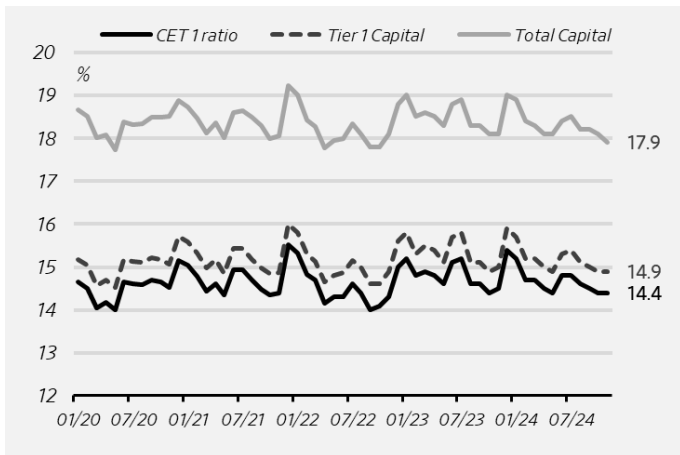
Source: BNM

Fig 40: Weighted avg Isl. FD rates by bracket



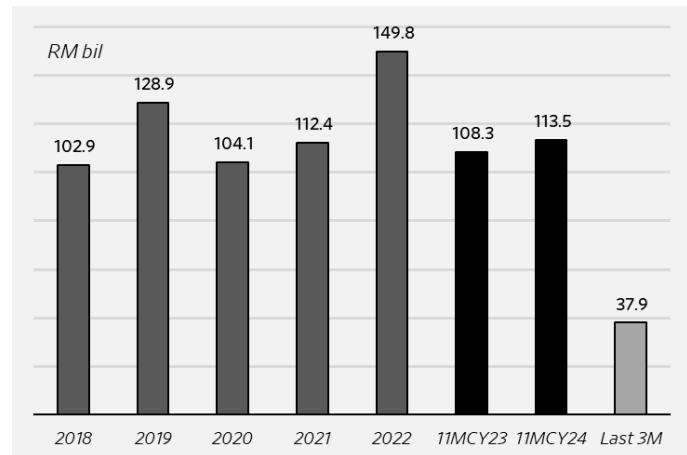
Source: BNM

Fig 41: Capital ratios



Source: BNM

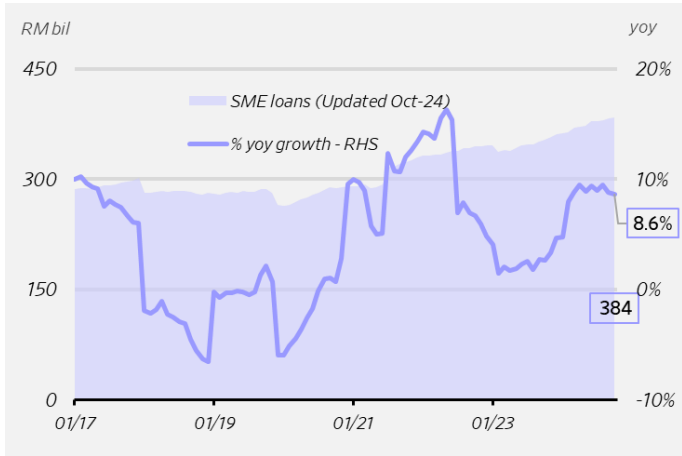
Fig 42: Bond/Sukuk issuances



Source: BNM

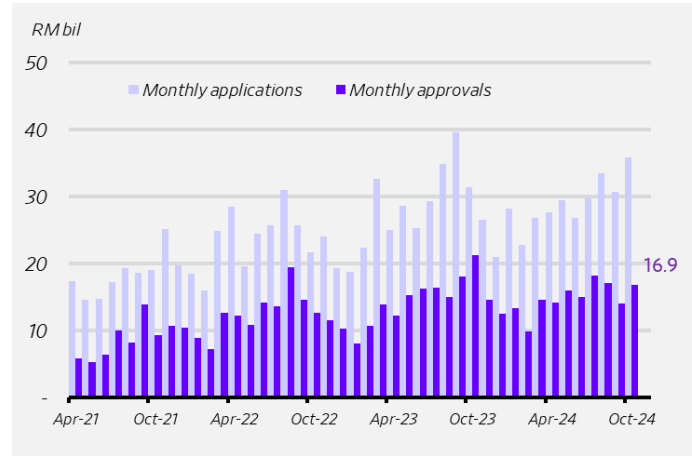
F. SME DATA

Fig 43: SME loans



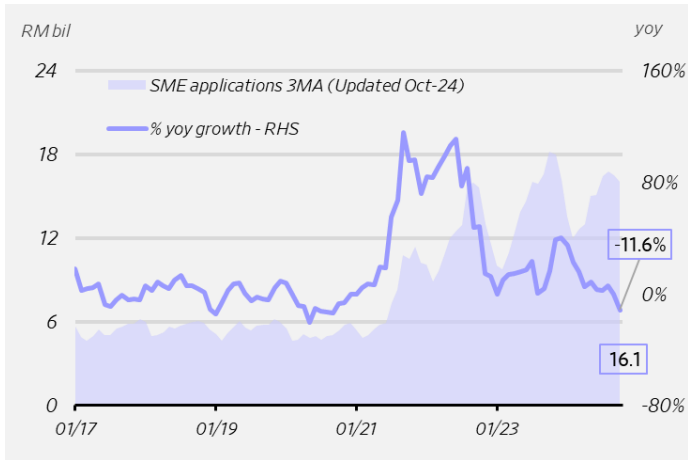
Source: BNM

Fig 44: SME Monthly leading indicators



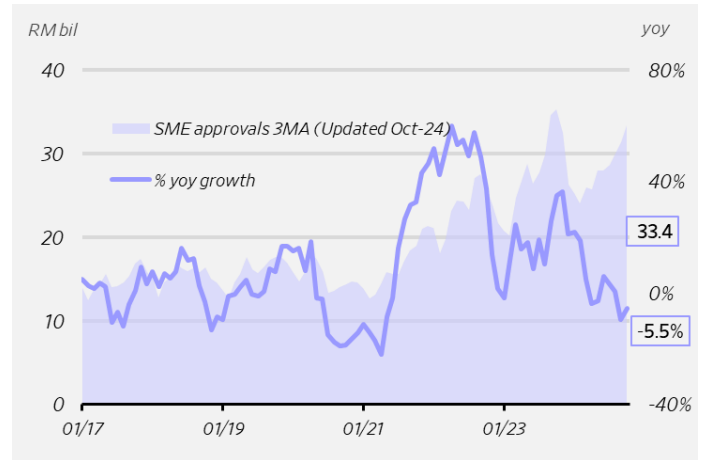
Source: BNM

Fig 45: SME applications (3-mth-average)



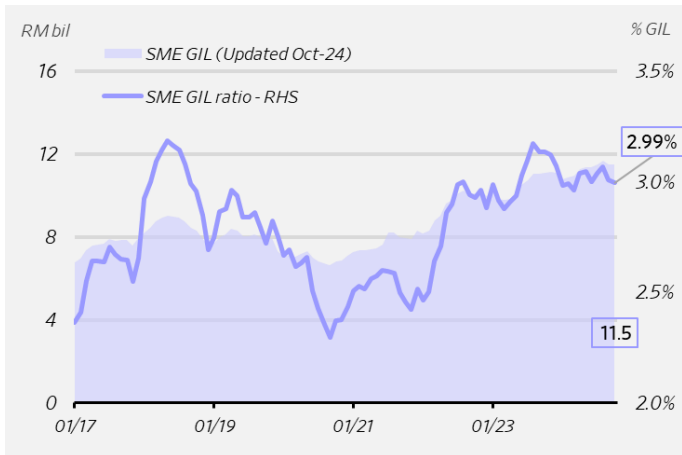
Source: BNM

Fig 46: SME approvals (3-mth-average)



Source: BNM

Fig 47: SME GILs



Source: BNM

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Thursday, 02 Jan, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.
