

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

Banking Sector

Overweight (↔)

Jan-25 Banking Stats: Lending Rates Continue to Compress

Executive Summary

- **Positives:** (1) Resilient loan growth, driven by business loans, (2) Leading indicators are up once again, (3) Considerable improvement in system GIL ratio.
- **Negatives:** (1) Lending rates continue to compress, (2) Deposit growth rates dragged by CASA compression.
- **Other things of note:** (1) GIL ratio has risen slightly again, following Dec-24's considerable improvement, (2) FD rates flattish.
- **Maintain OVERWEIGHT call.** Top pick: Public Bank (BUY; FV: RM5.43) and CIMB (BUY; FV: RM8.99).

▲ **Loan growth** +5.7% yoy / +0.4% mom

Loan growth remains resilient, with both retail and business loans stable.

- ▲ **Retail loans:** +6.7% yoy / +0.6% mom
 - *Extremely consistent, as per usual.*
- ▲ **Business loans:** +4.4% yoy / +0.1% mom
 - *Business loans show pickup.*

▲ **Leading indicators**

After a lull seen in Dec-24, loan applications numbers are up once again.

- **Approval rate:** 42%.

▶ **Deposits** +3.1% yoy / +0.2% mom

Deposit growth is rather slow this month, dragged by a mom decline in FDs.

- ▲ **FD growth:** +4.2% yoy / +0.2% mom
- ▼ **CASA growth:** +3.2% yoy / -0.5% mom
- **LCR:** 157%.
- **Loan/Deposit ratio:** 92.2%.

▶ **GIL ratio** 1.46% / +2bps mom

Some uptick in multiple categories, after significant GIL ratio decline seen in Dec-24.

- ▲ **Notable deteriorations, mom:** Personal financing, +7bps, Credit cards +3bps.
- ▼ **Notable improvements, mom:** -

Interest rates

Lending rates continue to compress – but FD rates remain flattish.

- ▶ **FD rates (Conv.):** Flattish
- ▶ **FD rates (Isl.):** Slight decline.
- ▼ **Lending rates:** Continues to compress – this time by -5bps mom.

Keeping OVERWEIGHT stance. We continue to favour the banking sector's outlook, premised on robust loan growth, ideal conditions for NOII (particularly for fee income), and significant recoveries and writebacks expected in several banks. Our top picks include **Public Bank (BUY; FV: RM5.43)** and **CIMB (BUY; FV: RM8.99)**.

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
							FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26	
MAY	Dec	HOLD	10.72	11.42	6.5	129.2	12.1	11.9	1.3	1.3	11.2	11.0	6.6	6.7	★★★★★
CIMB	Dec	BUY	7.81	8.99	15.1	83.5	10.3	10.0	1.1	1.1	11.5	11.3	5.3	5.4	★★★★★
PBK	Dec	BUY	4.53	5.43	19.9	87.9	11.5	10.8	1.5	1.4	12.9	12.9	4.6	5.1	★★★★★
RHB	Dec	HOLD	6.91	6.76	-2.2	29.6	9.2	9.0	0.9	0.8	9.8	9.6	6.4	6.4	★★★★★
HLBK	Jun	BUY	21.40	25.04	17.0	43.9	9.8	9.0	1.1	1.0	11.6	11.6	3.6	3.9	★★★★★
AMMB	Mar	HOLD	5.76	5.65	-1.9	19.0	10.4	10.0	0.9	0.9	9.2	9.1	3.8	4.5	★★★★★
BIMB	Dec	BUY	2.50	2.77	10.8	5.6	9.3	8.9	0.7	0.7	7.9	8.1	6.4	6.7	★★★★★
AFFIN	Dec	HOLD	2.85	2.54	-10.9	6.6	12.3	11.2	0.6	0.6	4.9	5.1	2.5	2.6	★★★★★
ABMB	Mar	HOLD	5.25	5.05	-3.8	8.1	11.1	10.4	1.1	1.0	9.8	9.8	4.1	4.3	★★★★★
Simple avg							10.7	10.1	1.0	1.0	9.9	9.8	4.8	5.1	
Weighted avg							11.0	10.6	1.2	1.2	11.3	11.2	5.3	5.6	

*Closing prices from 28 Feb 2025.

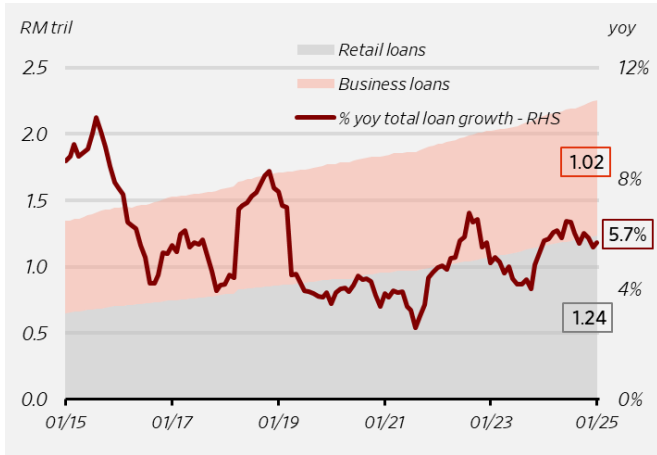
Fig 1: Core Figures and Forecasts

	yoy Growth rates (%)				YTD Ann. (%)	mom Growth rates (%)			
	Jan-25	Dec-24	Nov-24	Oct-24		Jan-25	Dec-24	Nov-24	Oct-24
Total loans	5.7	5.5	5.8	6.0	4.7	0.4	0.8	0.6	0.7
Retail loans	6.7	6.9	7.1	7.2	7.6	0.6	0.5	0.5	0.6
Business loans	4.4	3.9	4.4	4.6	1.4	0.1	1.0	0.7	0.8
SME*	-	8.6	8.7	8.6	8.6	-	1.2	0.9	0.4
Deposits + repo	3.1	3.0	3.6	3.1	0.0	0.0	0.7	0.9	0.3
Total deposits	3.1	3.3	4.0	3.5	2.0	0.2	0.9	0.9	0.5
CASA	3.2	4.7	5.2	4.0	-6.4	-0.5	1.2	1.9	-0.2
FD	4.2	3.9	3.7	3.5	1.8	0.2	0.3	0.2	0.2
Total provisions	-7.3	-8.4	-6.8	-5.3	19.0	1.6	-3.6	-0.3	-0.2
Total GIL	-5.9	-7.7	-5.1	-5.1	17.4	1.4	-3.8	-0.4	-0.6
Leading indicators									
3MA applications	1	1	2	-1	0	-6	-4	-3	-0
Retail	-6	-2	2	1	-57	-5	1	-3	-4
Business	11	4	2	-4	-95	-8	-9	-2	4
3MA approvals	-7	-3	-1	-2	0	-12	0	-2	1
Retail	-11	-8	-3	-3	-68	-6	3	-4	-4
Business	-3	0	0	-2	-206	-17	-2	-1	5
	Jan-25	Dec-24	Nov-24	Oct-24	Jan-24				
Interest spread	2.49	2.50	2.55	2.61	2.71				
Loan approval rate	42	62	53	54	50				
SME approval rate*	-	67	60	47	47				
GIL ratio	1.46	1.44	1.51	1.53	1.64				
SME GIL ratio*	-	2.76	2.97	2.99	2.98				
LLC ratio	92	91	91	91	93				
CASA ratio	31.2	31.4	31.3	31.0	31.2				
Loan/Deposit ratio	92.2	92.0	92.1	92.3	90.0				
Liquidity coverage ratio	157	161	148	147	160				
CET 1	14.3	14.3	14.4	14.4	15.2				
Tier 1 Capital	14.8	14.8	14.9	14.9	15.7				
Total Capital	17.8	17.8	17.9	18.1	18.9				

*SME data until Dec-24

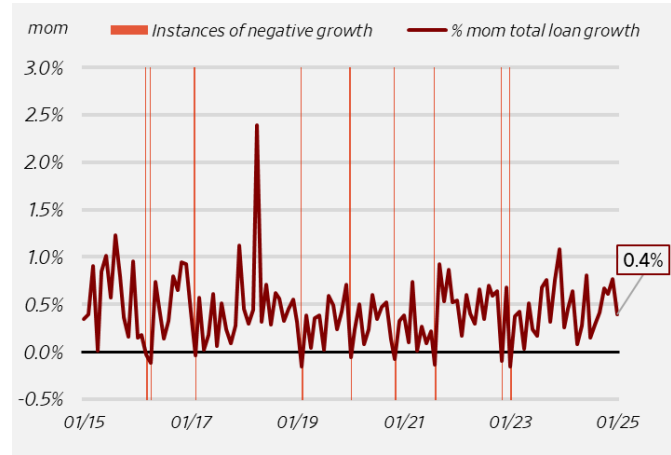
A. SYSTEM LOANS & CONSTITUENTS

Fig 2: yoy System loans



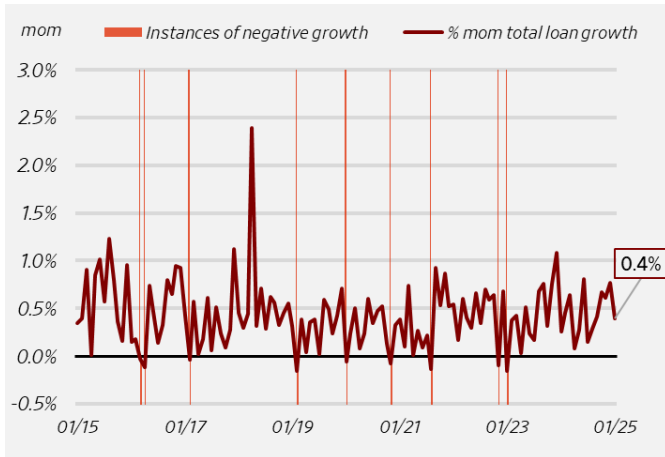
Source: BNM

Fig 3: mom System loans



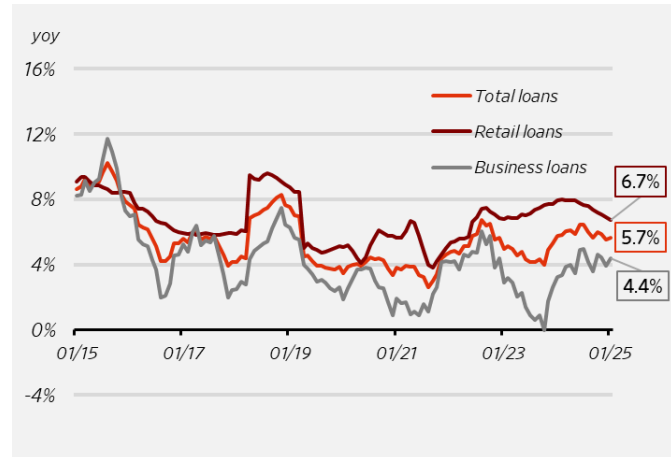
Source: BNM

Fig 4: Loan breakdown by type



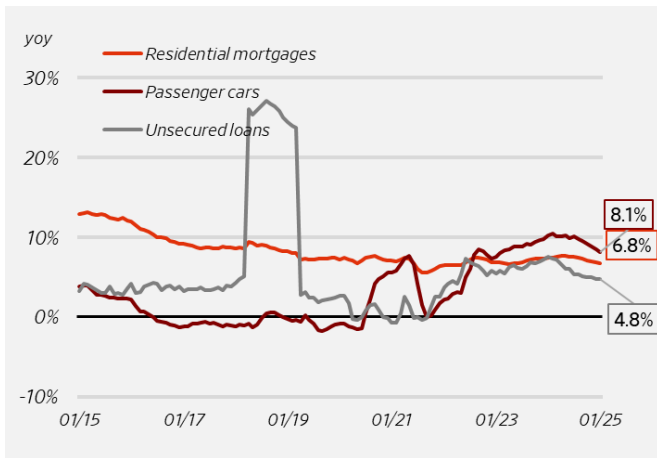
Source: BNM

Fig 5: Retail & business loan growth



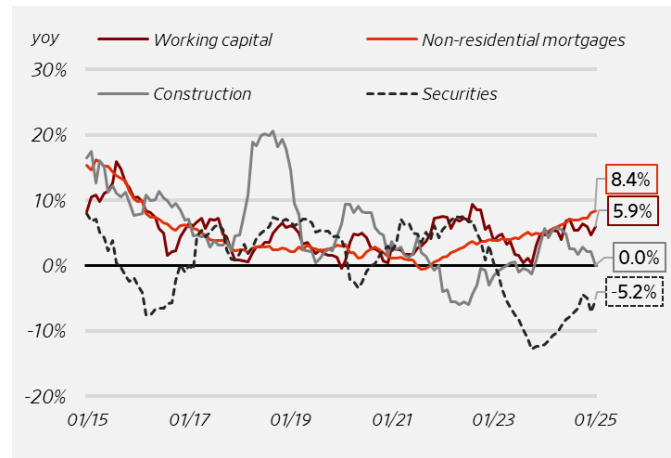
Source: BNM

Fig 6: Retail loan constituents



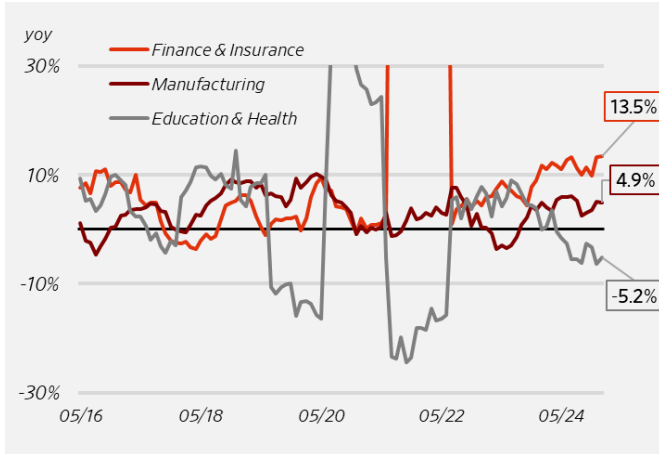
Source: BNM

Fig 7: Business loan constituents



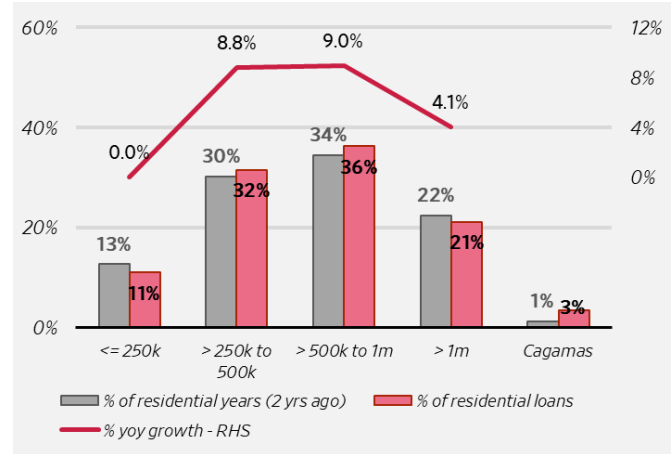
Source: BNM

Fig 8: Loan growth of other sectors



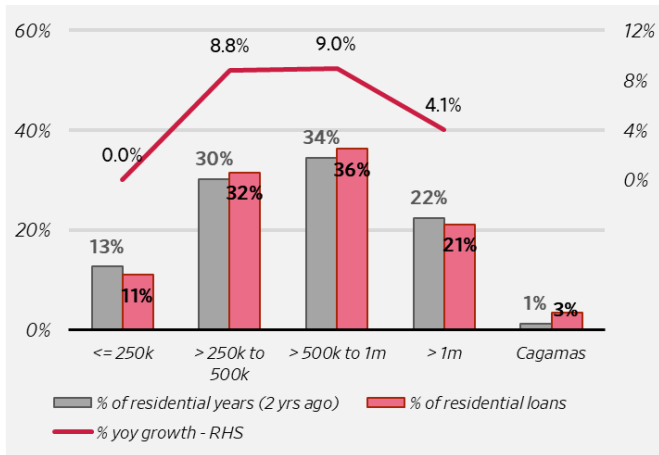
Source: BNM

Fig 9: Residential loans by segment



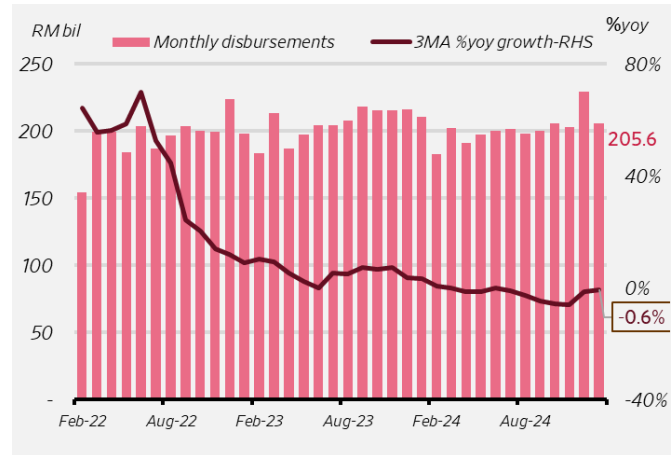
Source: BNM

Fig 10: Credit card purchases



Source: BNM

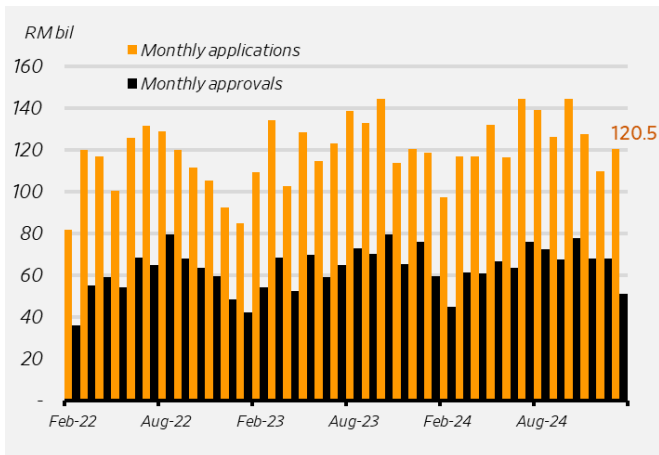
Fig 11: Monthly loan disbursements



Source: BNM

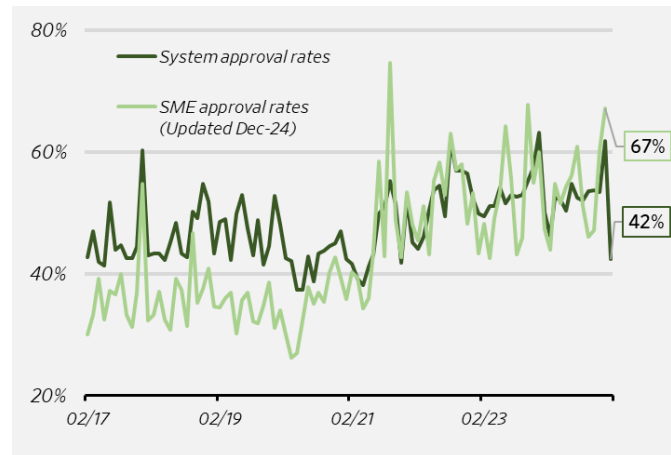
B. LEADING INDICATOR TRENDS

Fig 12: Monthly applications & approvals



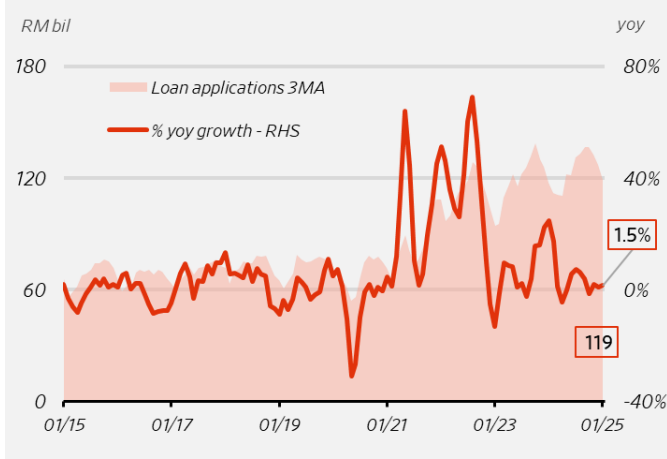
Source: BNM

Fig 13: System & SME approval rates



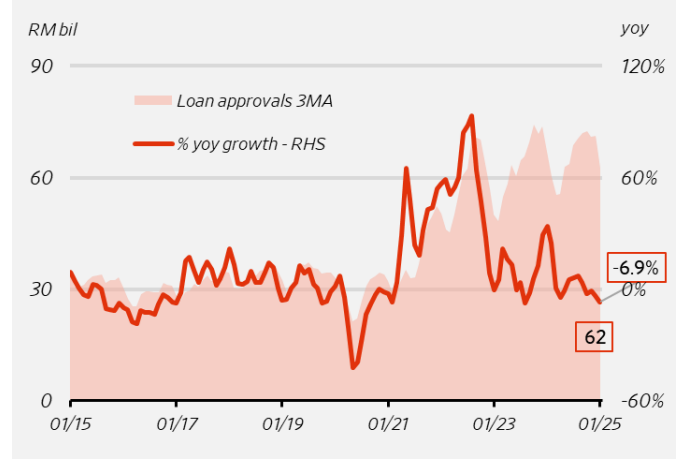
Source: BNM

Fig 14: Loan applications (3-mth average)



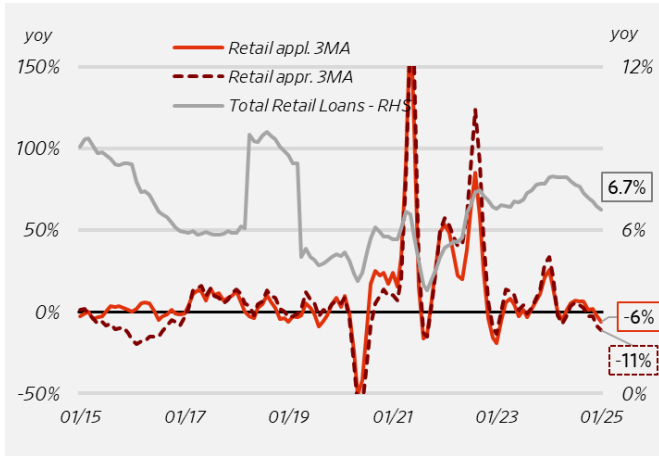
Source: BNM

Fig 15: Loan approvals (3-mth average)



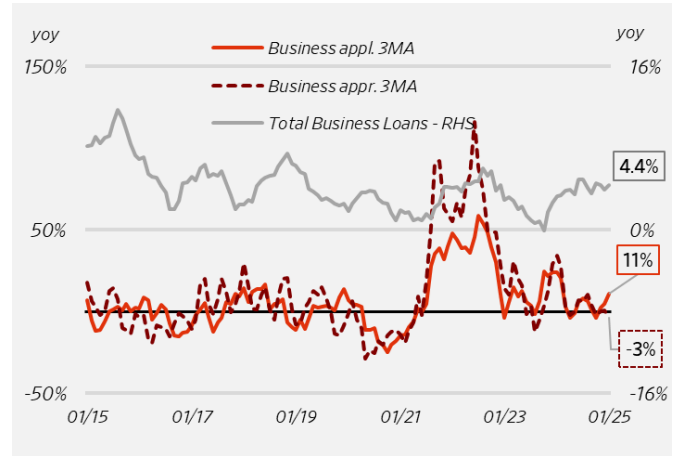
Source: BNM

Fig 16: Retail loan indicators



Source: BNM

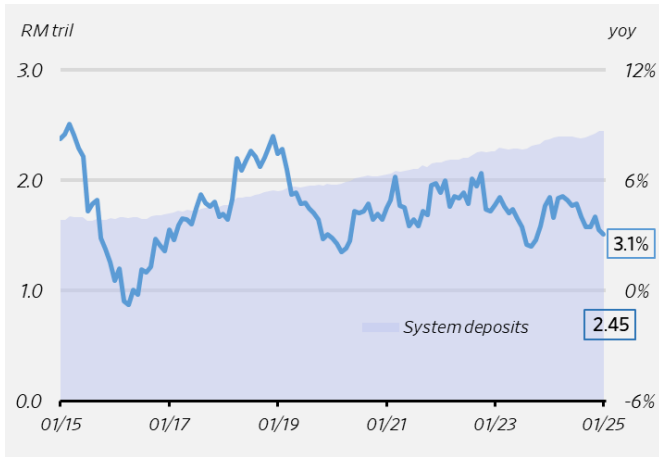
Fig 17: Business loan indicators



Source: BNM

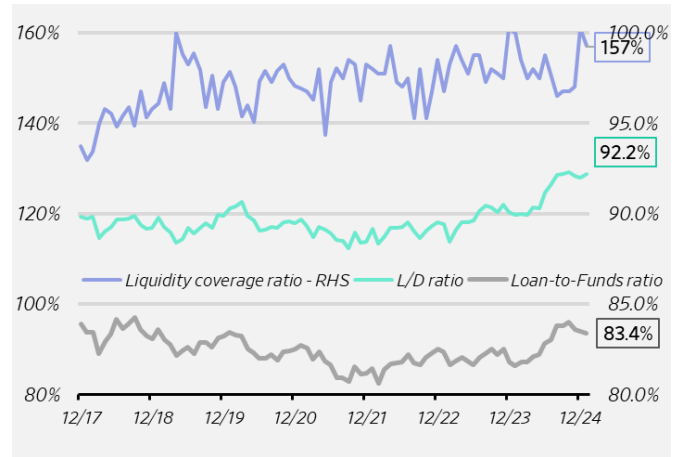
C. DEPOSITS & LIQUIDITY

Fig 18: yoy System deposits



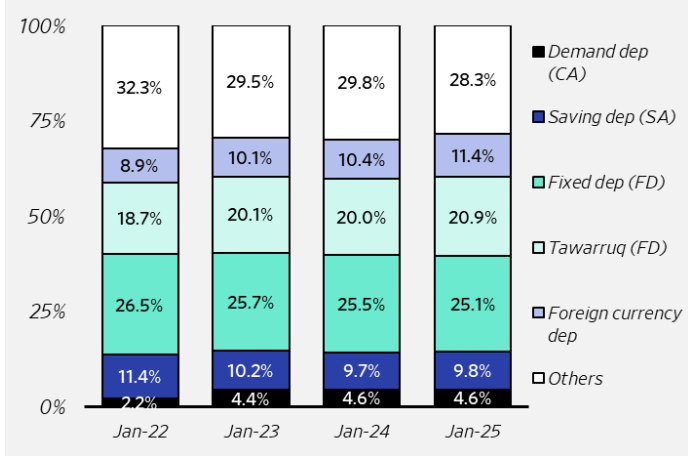
Source: BNM

Fig 19: mom LDR & LTF ratio



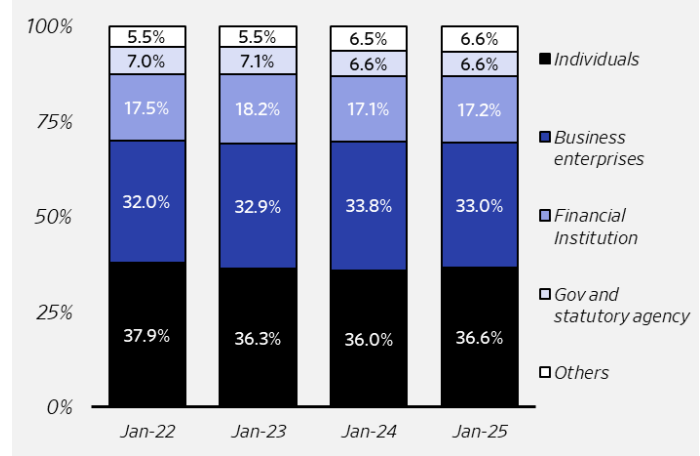
Source: BNM

Fig 20: Deposit breakdown by type



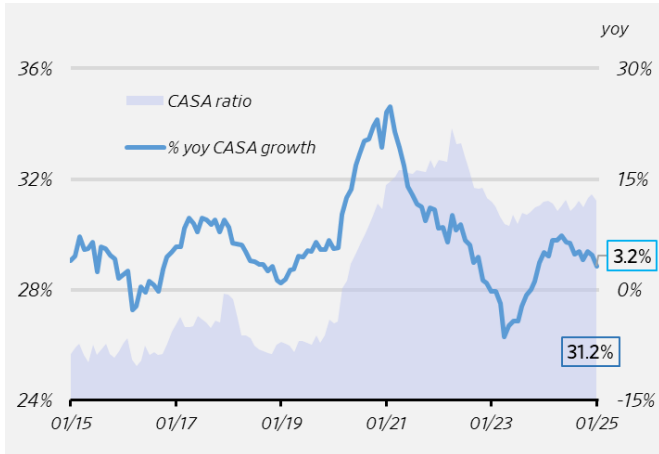
Source: BNM

Fig 21: Deposit breakdown by holder



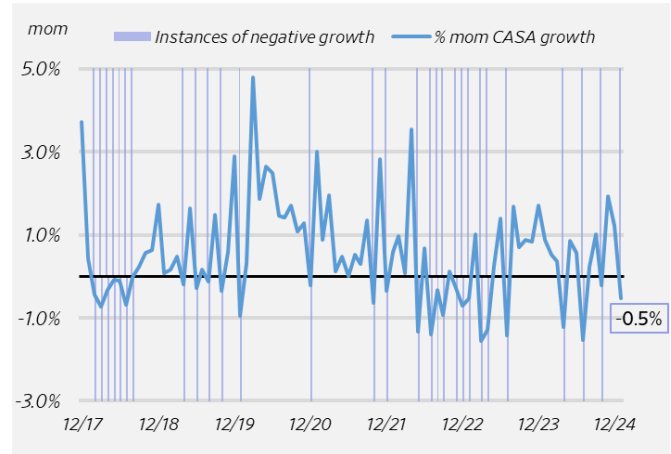
Source: BNM

Fig 22: CASA ratio and yoy growth



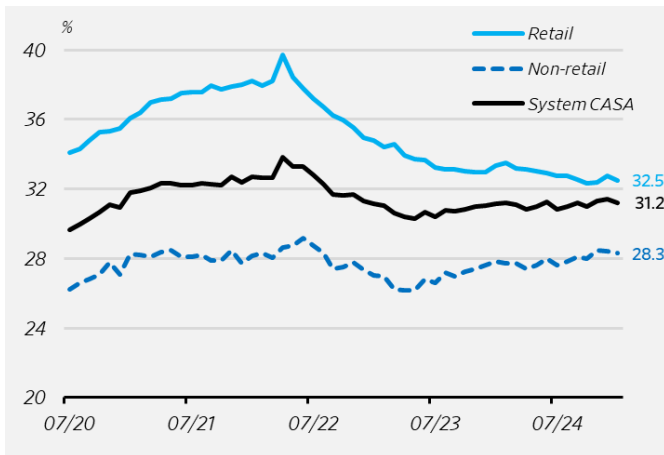
Source: BNM

Fig 23: mom CASA growth



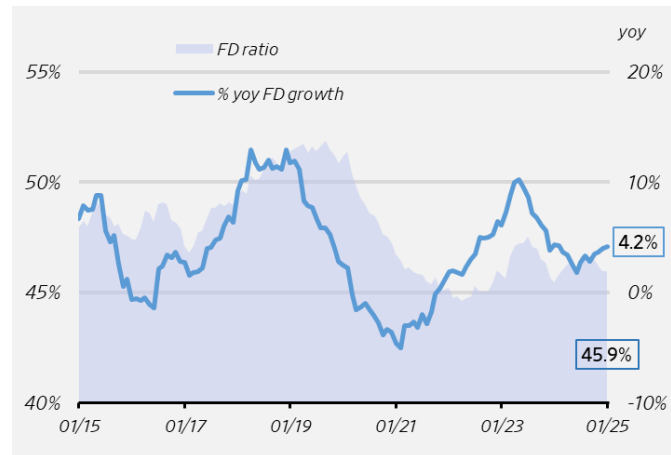
Source: BNM

Fig 24: CASA ratio by holder



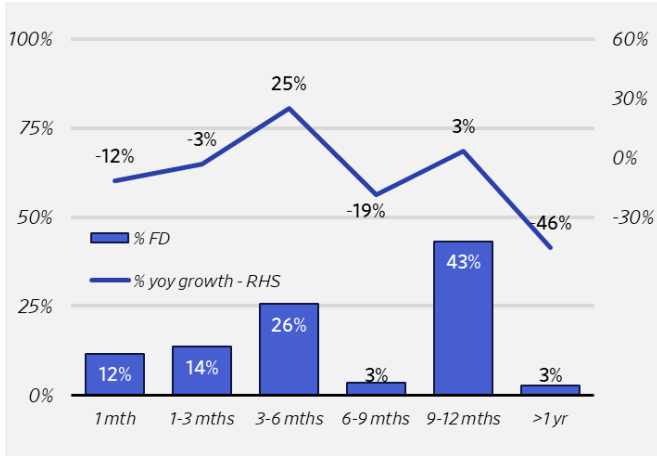
Source: BNM

Fig 25: FD ratio and yoy growth



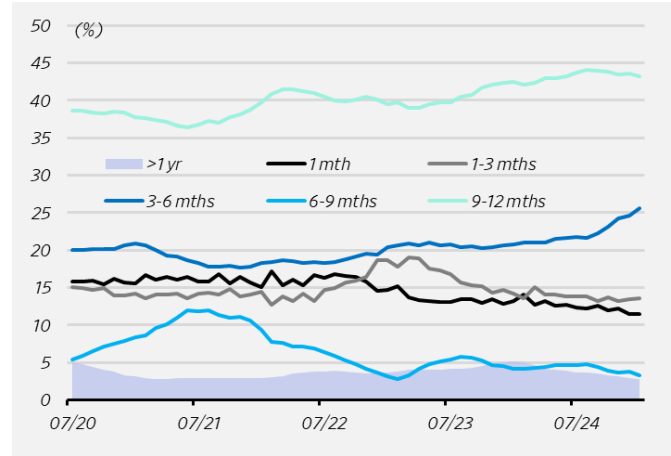
Source: BNM

Fig 26: FD by maturity brackets and yoy growth



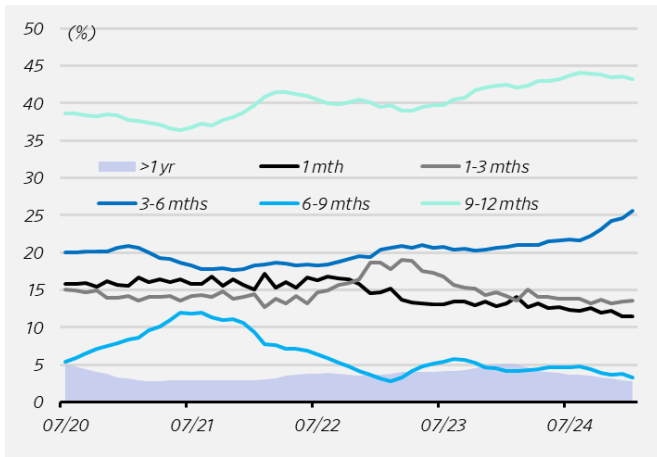
Source: BNM

Fig 27: FD by maturity brackets (% Proportion)



Source: BNM

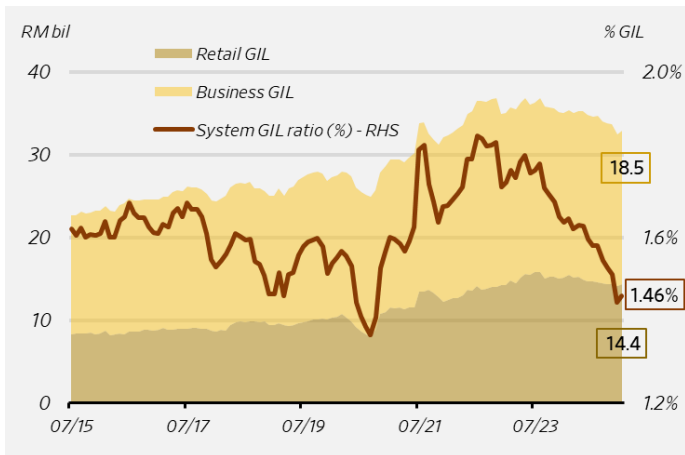
Fig 28: FD by depositor



Source: BNM

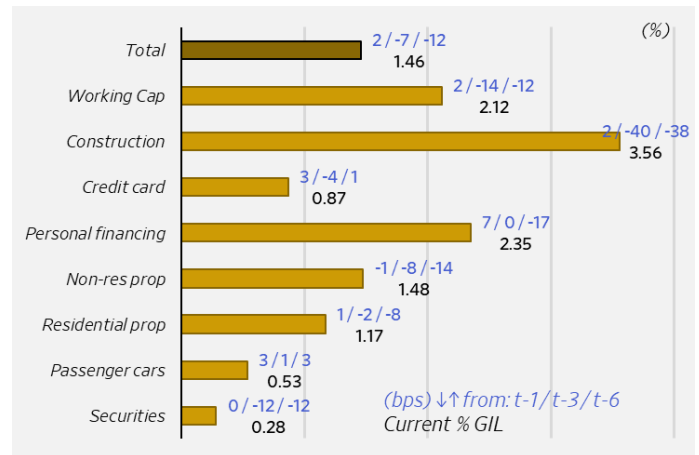
D. ASSET QUALITY & PROVISIONING

Fig 29: System gross impaired loans



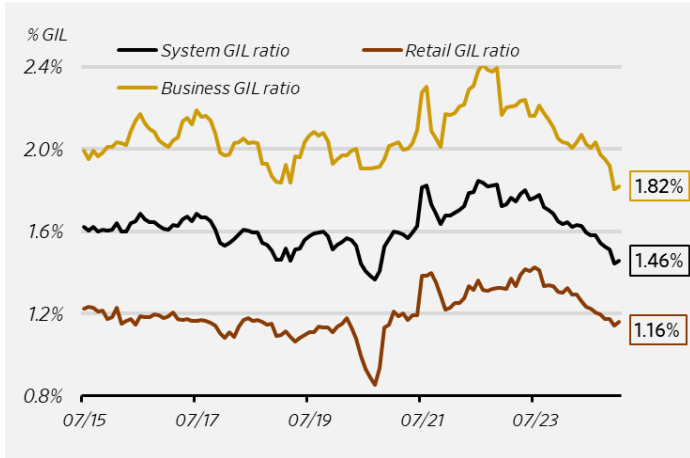
Source: BNM

Fig 30: Segmental GIL ratio changes



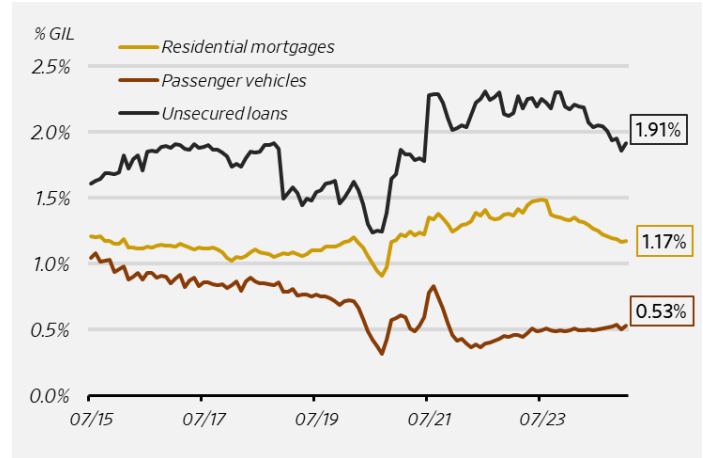
Source: BNM

Fig 31: System, Retail, Business GIL ratios



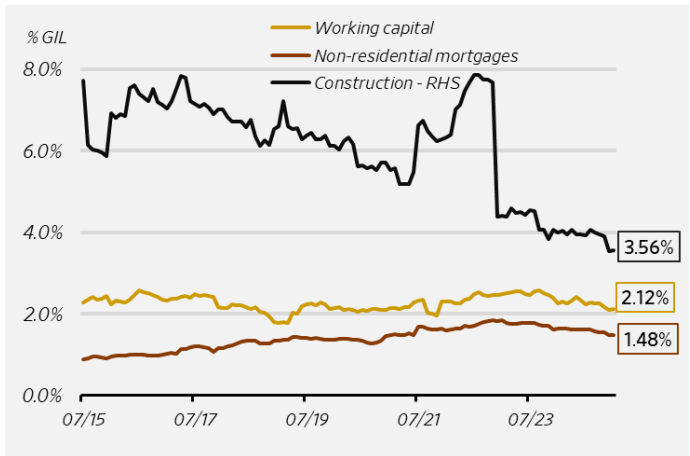
Source: BNM

Fig 32: Retail GIL ratios



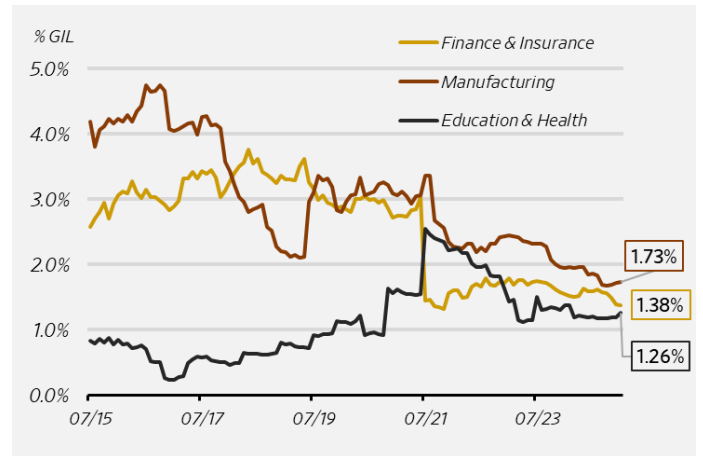
Source: BNM

Fig 33: Business GIL ratios



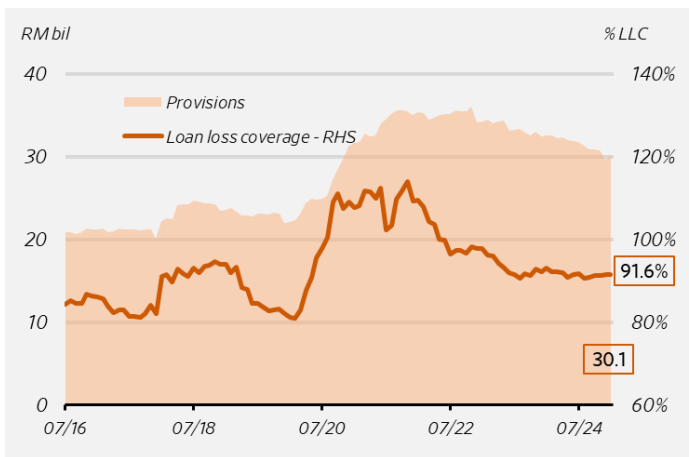
Source: BNM

Fig 34: GIL ratios of other sectors



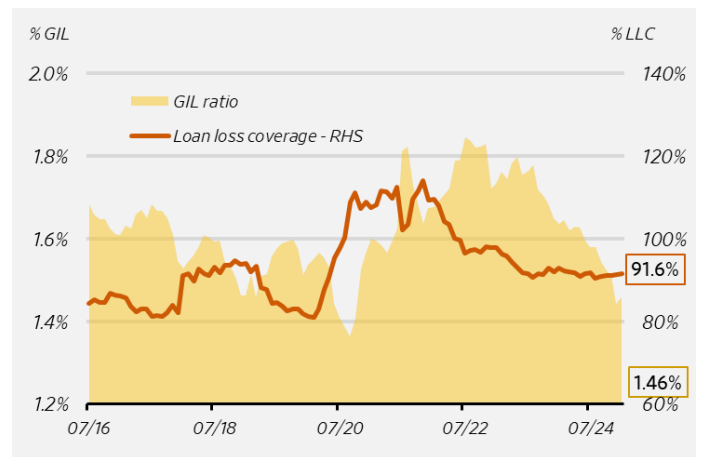
Source: BNM

Fig 35: Provisions & loan loss coverage



Source: BNM

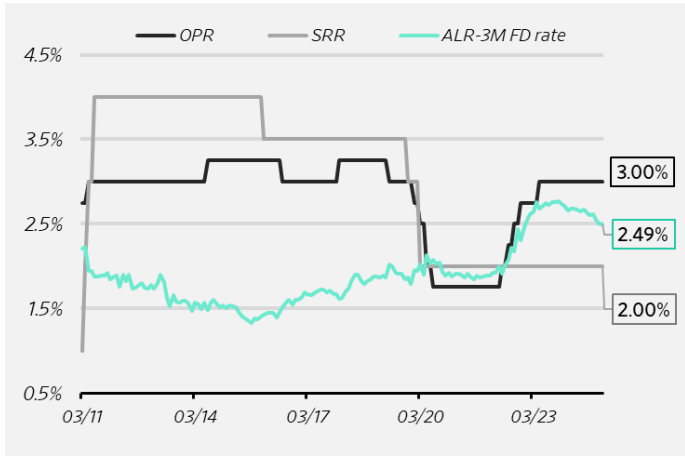
Fig 36: LLC & GIL ratio relationship



Source: BNM

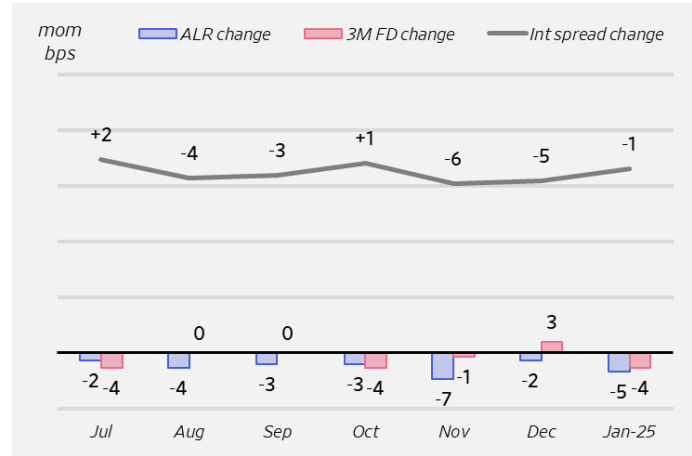
E. INTEREST SPREAD AND CAPITAL

Fig 37: Interest spread, OPR, SRR



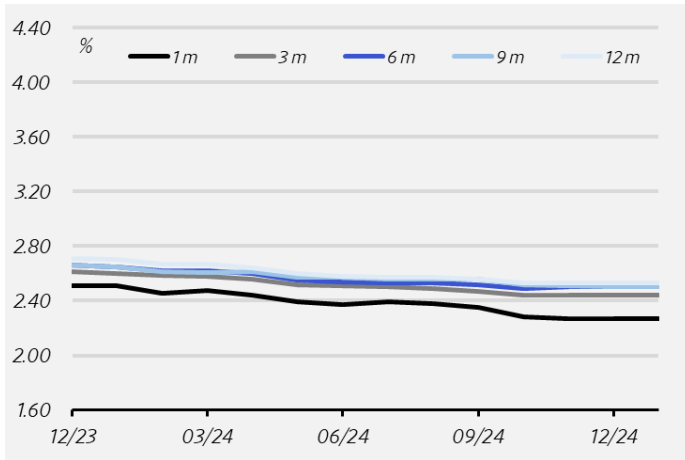
Source: BNM

Fig 38: mom Changes in Interest spreads



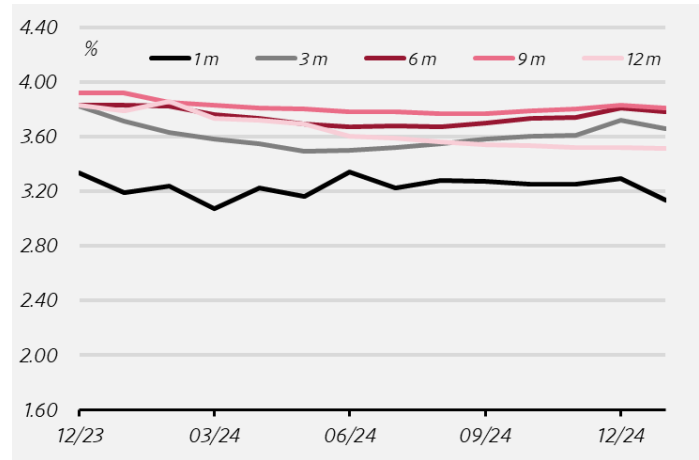
Source: BNM

Fig 39: Weighted avg Conv. FD rates by bracket



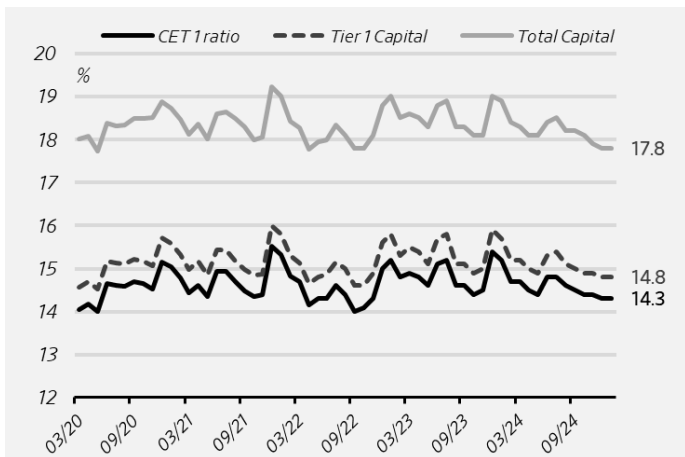
Source: BNM

Fig 40: Weighted avg Isl. FD rates by bracket



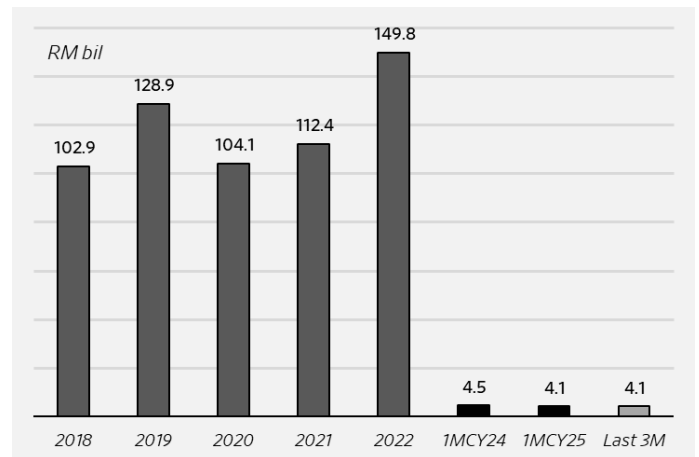
Source: BNM

Fig 41: Capital ratios



Source: BNM

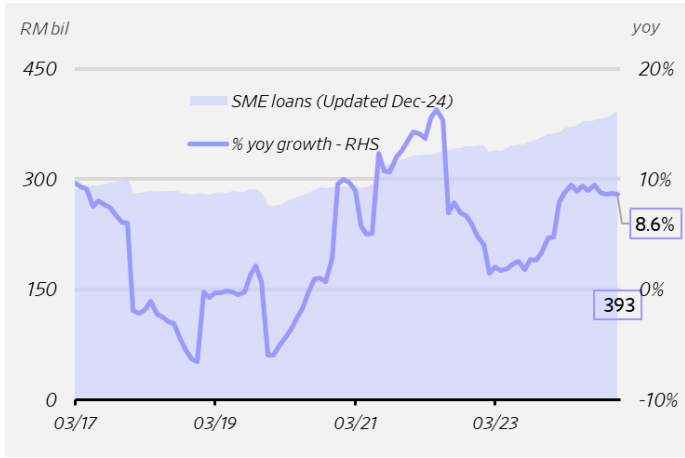
Fig 42: Bond/Sukuk issuances



Source: BNM

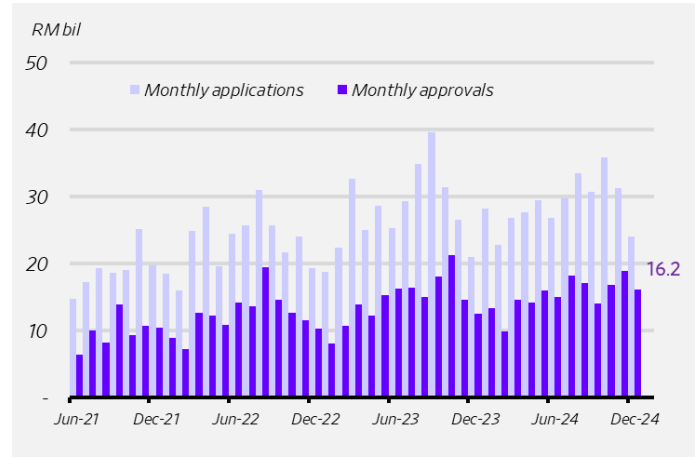
F. SME DATA

Fig 43: SME loans



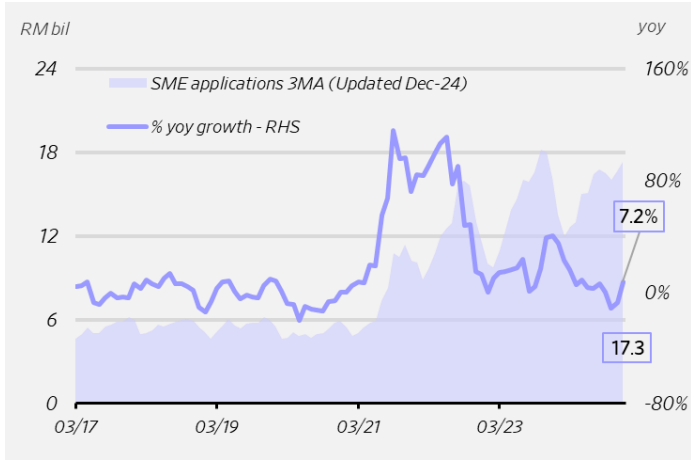
Source: BNM

Fig 44: SME Monthly leading indicators



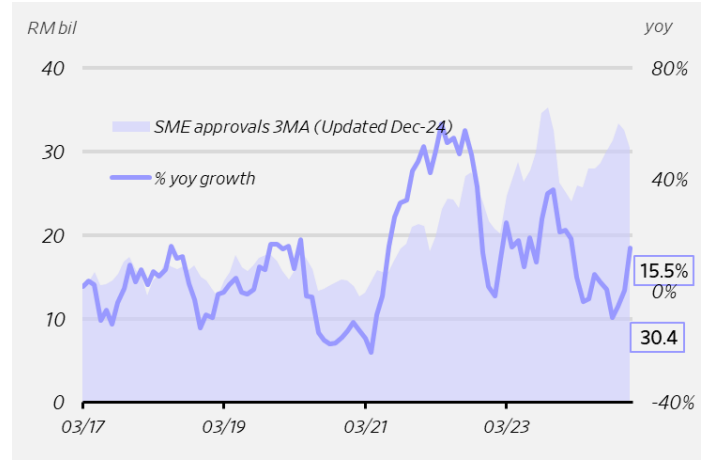
Source: BNM

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



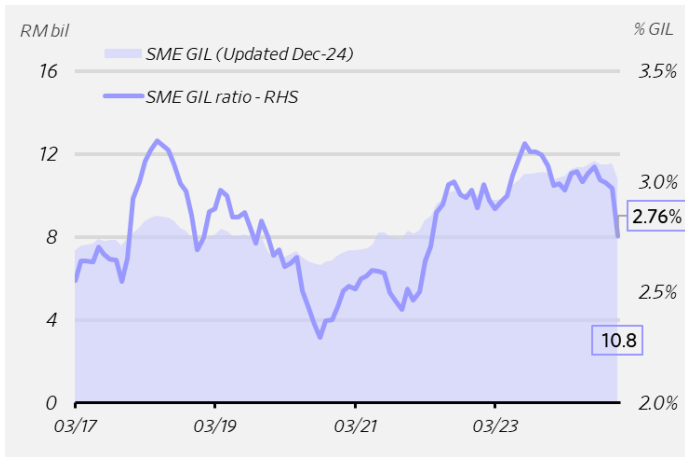
Source: BNM

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 **Monday, 03 Mar, 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.
