

# Malaysia Banking

# POSITIVE

[Unchanged]

## 5% loan growth in May

### Stable loans growth

Loan growth was stable at 5% YoY in May. What stood out during the month was the faster pace of credit card financing, while loan applications continued to slow. Asset quality continued to deteriorate slightly but remained relatively under control. We maintain our POSITIVE on the sector with BUYs on HLBK, RHB, AMMB, ABMB and HCFG.

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### Higher credit card spending

Industry loans growth in May 2022 was 5% YoY, unchanged from the pace in April. Household (HH) loan growth picked up slightly to 5.0% YoY from 4.9% YoY in Apr, to buffer against slightly slower non-HH growth of 4.9% YoY in May versus 5.1% YoY in April. Credit card financing was particularly strong, rising 5.8% YoY in May from 2% YoY in April, as consumers started spending again. On a 3-month moving average (3M MA) basis, loan application growth slowed further to 3.2% YoY in May from 5.6% in April. Positively, working capital loan applications on a 3M MA basis remained robust, rising 27.7% YoY in May from 31.5% YoY in April, this being the sixth consecutive month of growth above 20%.

### Slightly slower CASA growth

Deposit growth was 5.0% YoY in May, as compared to 5.1% YoY in Apr 2022. CASA growth was slightly slower at 8.1% YoY compared to 10.1% YoY in April. The industry's CASA ratio was lower at 32.4% end-May 2022 versus 32.9% end-Apr 2022.

### Impaired loans rise but at a measured pace

Impaired loans continue to tick up with the expiry of the loan PEMULIH scheme in Dec 2021. Gross impaired loans rose 16% YTD in absolute terms and the gross impaired loans (GIL) ratio was a higher 1.64% end-May 2022 from 1.44% end-Dec 2021. The uptick was broad-based across most loan classes.

#### Banking Sector - Peer Valuation Summary

Stock	Rec	Shr px (MYR)	Mkt cap (MYR m)	TP (MYR)	PER (x) CY 22E	PER (x) CY 23E	P/B (x) CY 22E	P/B (x) CY 23E	ROAE (%) CY 22E	ROAE (%) CY 23E	Net yield CY 22E	Net yield CY 23E
Maybank *	NR	8.59	102,942	NR	13.2	11.4	1.2	1.2	8.9	10.2	6.5	7.6
Public Bank	HOLD	4.37	44,785	4.80	15.3	12.7	1.7	1.6	11.2	12.7	3.5	4.1
CIMB	HOLD	4.96	51,533	5.70	9.4	7.9	0.8	0.8	8.7	9.8	5.0	5.8
HL Bank	BUY	20.46	-	24.70	12.2	11.1	1.3	1.2	10.8	11.2	3.1	3.4
RHB Bank	BUY	5.73	24,009	7.10	9.7	8.1	0.8	0.8	8.6	9.8	5.2	6.1
HCFG	BUY	18.50	21,114	22.10	8.4	8.0	0.8	0.8	10.2	10.0	2.9	3.1
AMMB	BUY	3.73	12,627	4.37	8.5	7.7	0.6	0.6	8.4	8.0	3.1	3.9
BIMB	HOLD	2.68	5,776	3.00	12.2	10.1	0.9	0.8	7.2	8.3	3.3	3.9
ABMB	BUY	3.18	5,140	4.30	7.9	7.1	0.7	0.7	9.5	9.9	6.4	7.0
Simple avg			267,926		10.8	9.3	1.0	0.9	9.3	10.0	4.3	5.0
MC-wtd					11.8	10.1	1.1	1.1	9.3	10.4	5.1	5.9

\* Consensus estimates Source: Maybank IBG Research

## Sustained momentum

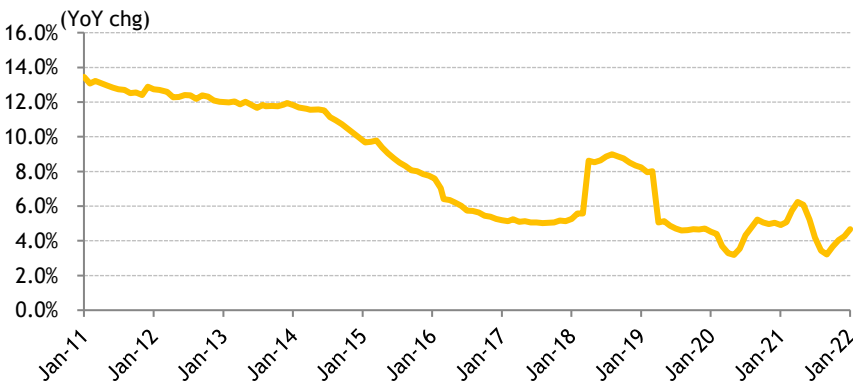
The pace of loan growth was unchanged at 5% YoY in May 2022. Household (HH) loan growth picked up pace slightly to 5.0% YoY from 4.9% YoY in Apr, to buffer against slightly slower non-HH growth of 4.9% YoY in May versus 5.1% YoY in April.

**Figure 1: Total industry YoY loan growth (Apr 2007 - May 2022)**



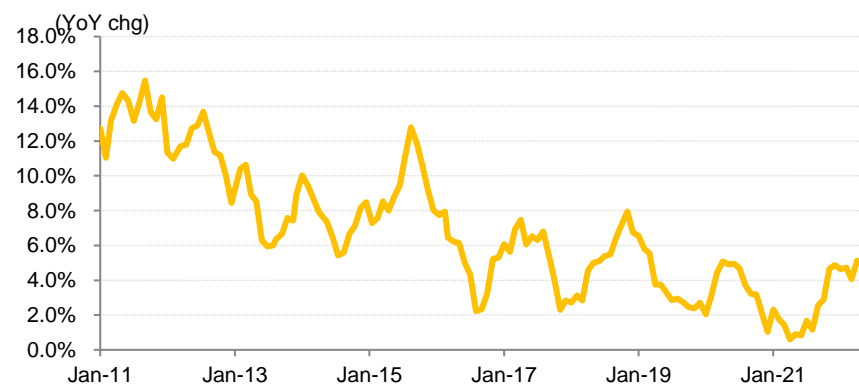
Source: BNM

**Figure 2: YoY household loan growth (Apr 2007 - May 2022)**



Source: BNM

**Figure 3: YoY non-household loan growth (Jan 2011 - May 2022)**



Source: BNM

## Credit card growth strong

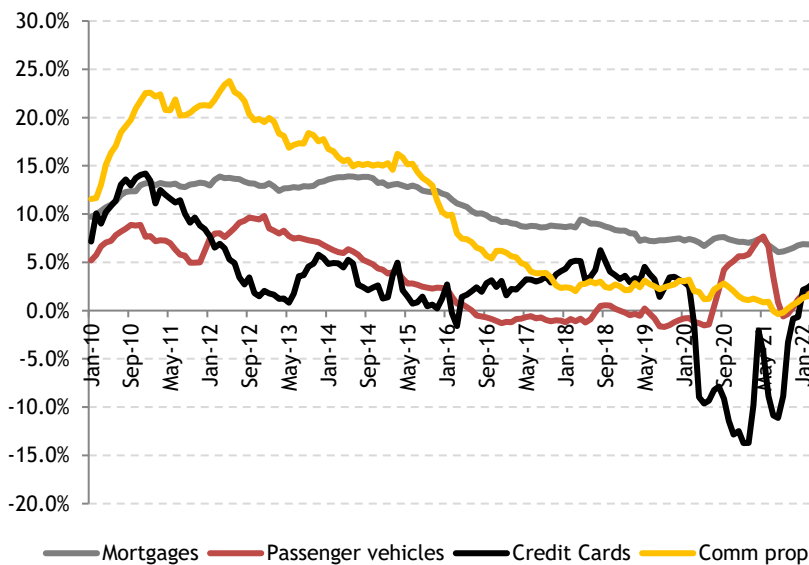
What is apparent is that there is a strong pick-up in credit card financing, which jumped 5.8% YoY in May from 2% YoY in April, as consumers have started spending again. Personal lending was a tad higher at 2.2% YoY in May versus 2.0% YoY in April, while residential property lending was stable at 6.8% YoY.

Figure 4: Segmental YoY loan growth by business purpose

	May 22	Apr 22	Mar 22	Feb 22	% of total
Securities	7.3%	7.5%	6.9%	5.9%	4.7%
Transport vehicles	2.7%	2.8%	2.5%	2.0%	9.3%
<i>Of which passenger cars</i>	2.6%	2.7%	2.4%	1.8%	8.9%
Residential property	6.8%	6.8%	6.9%	6.9%	36.4%
Non-residential property	2.5%	2.3%	2.1%	1.5%	12.0%
Purchase of fixed assets	3.0%	3.9%	3.4%	1.9%	0.7%
Personal use	2.2%	2.0%	2.1%	2.0%	5.3%
Credit card	5.8%	2.0%	2.8%	2.4%	1.8%
Consumer durables	(10.2%)	(38.8%)	(38.0%)	(13.5%)	0.0%
Construction	(6.3%)	(5.9%)	(5.9%)	(4.0%)	2.9%
Working capital	6.7%	7.1%	5.6%	7.1%	22.7%
Other purposes	2.3%	2.2%	1.6%	0.5%	4.2%
<b>Total</b>	<b>5.0%</b>	<b>5.0%</b>	<b>4.6%</b>	<b>4.7%</b>	<b>100%</b>

Source: BNM

Figure 5: YoY consumer loan growth (Jan 2010 - May 2022)



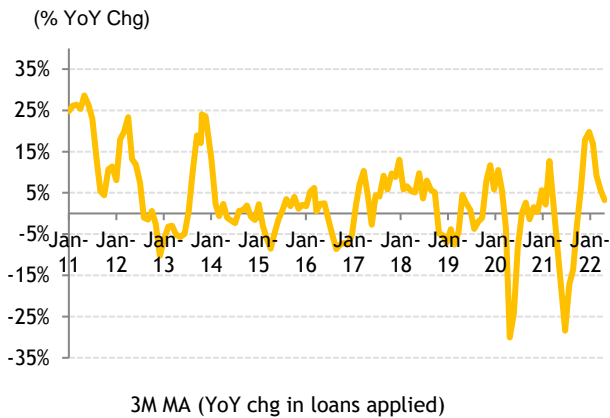
Source: BNM

## Loan applications further slowed

On a 3-month moving average (3M MA) basis, loan application growth slowed further to 3.2% YoY in May from 5.6% in April. Positively, working capital loan applications on a 3M MA basis remained robust, rising 27.7% YoY in May from 31.5% YoY in April, this being the sixth consecutive month of growth above 20%.

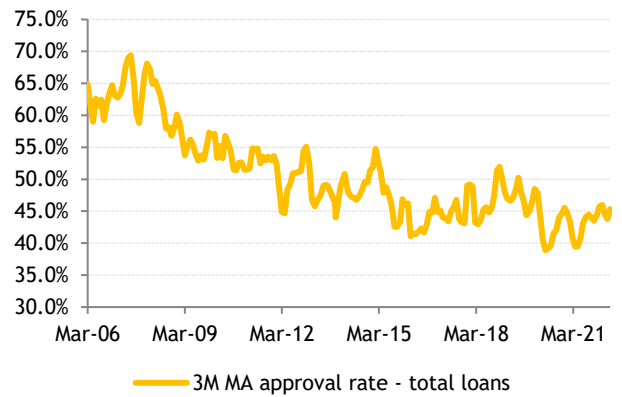
**Note:** The loan application charts below strip out data from Apr 2021-June 2021, as growth rates were significantly distorted by the start of the very first Mandatory Control Order in April 2020.

**Figure 6: 3M MA (YoY chg in total loan applications)**



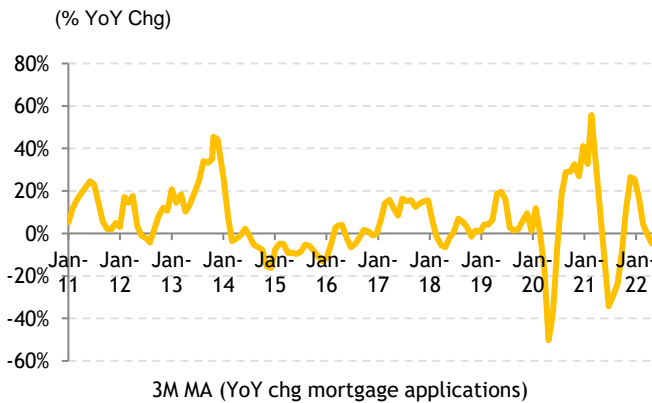
Source: BNM, Maybank IBG Research

**Figure 7: 3M MA (total loans approval rate)**



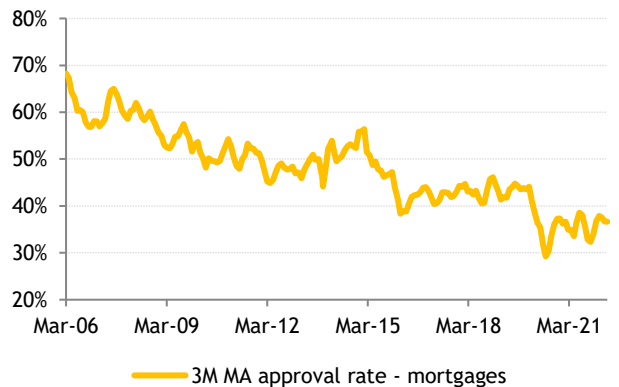
Source: BNM, Maybank IBG Research

**Figure 8: 3M MA (YoY chg in mortgage applications)**



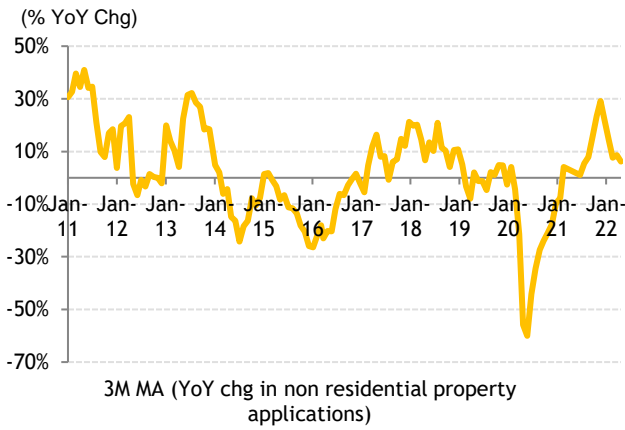
Source: BNM, Maybank IBG Research

**Figure 9: 3M MA (mortgage approval rates)**



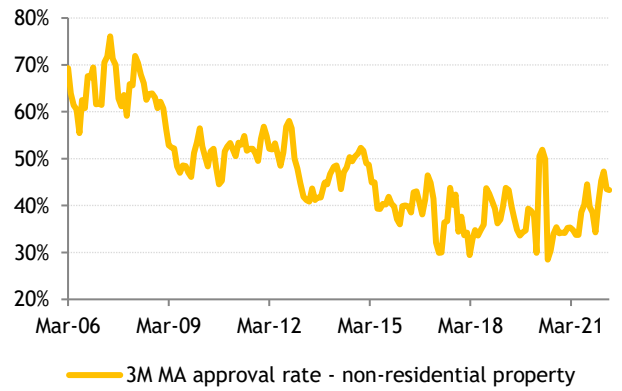
Source: BNM, Maybank IBG Research

**Figure 10: 3M MA (YoY chg in non-residential property apps)**



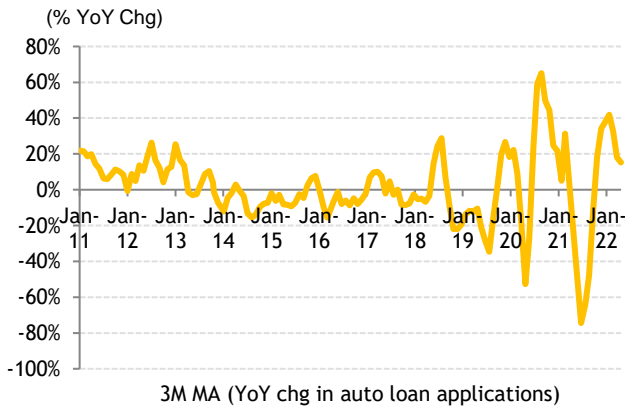
Source: BNM, Maybank IBG Research

**Figure 11: 3M MA (non-residential property approval rates)**



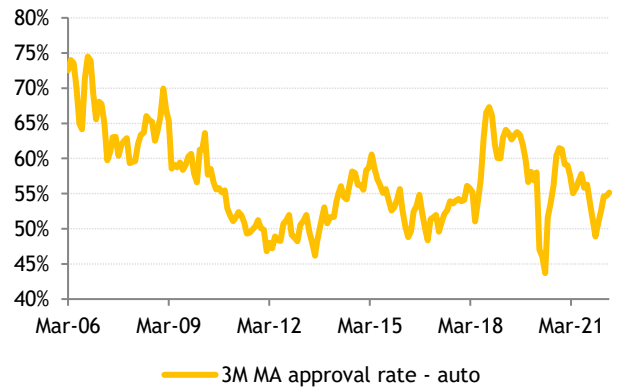
Source: BNM, Maybank IBG Research

**Figure 12: 3M MA (YoY chg in auto loan applications)**



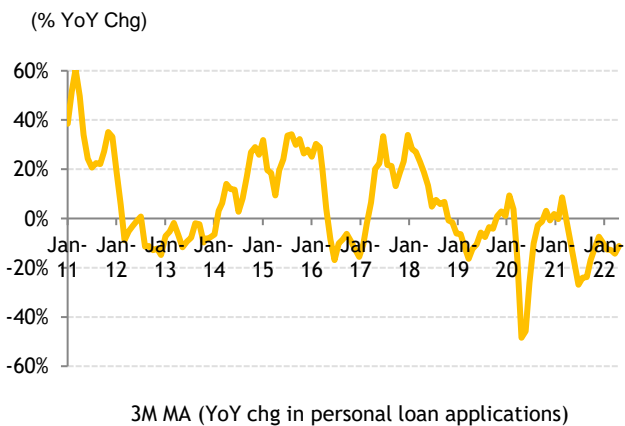
Source: BNM, Maybank IBG Research

**Figure 13: 3M MA (auto loan approval rates)**



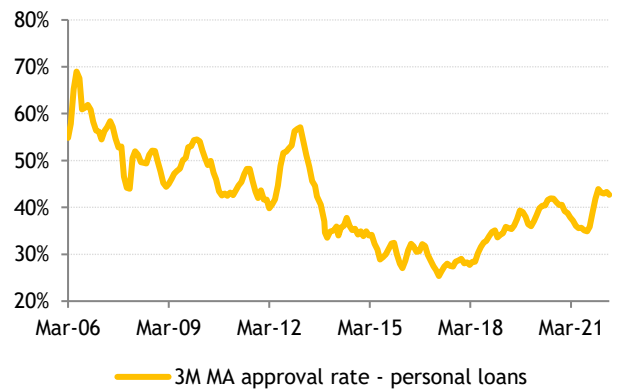
Source: BNM, Maybank IBG Research

**Figure 14: 3M MA (YoY chg in personal loan applications)**



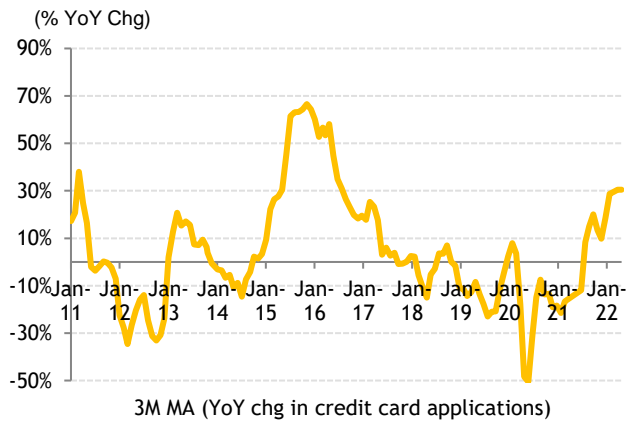
Source: BNM, Maybank IBG Research

**Figure 15: 3M MA (personal loan approval rates)**



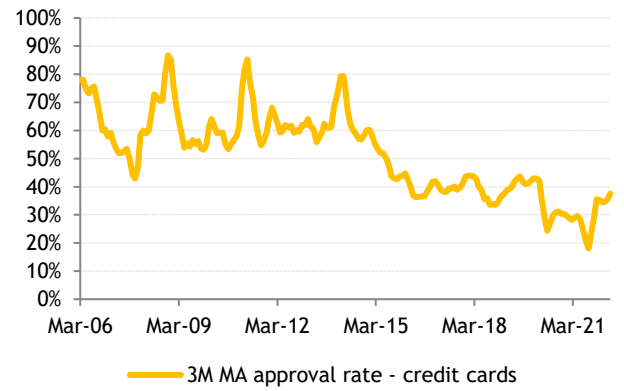
Source: BNM, Maybank IBG Research

**Figure 16: 3M MA (YoY chg in credit card loan applications)**



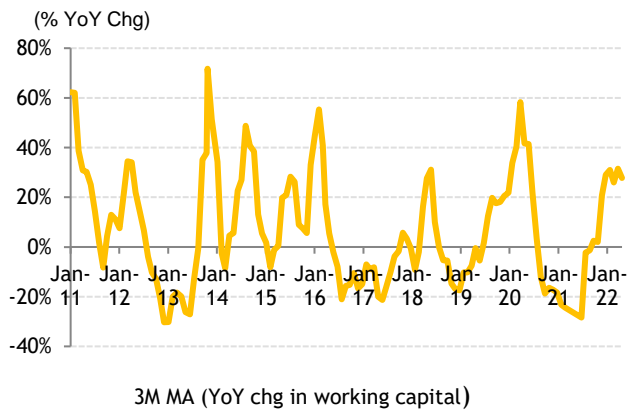
Source: BNM, Maybank IBG Research

**Figure 17: 3M MA (credit card loan approval rates)**



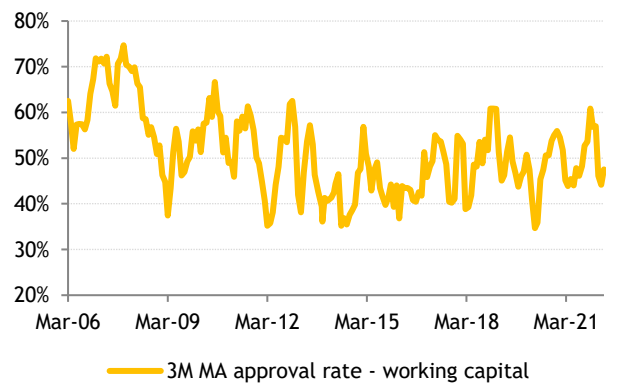
Source: BNM, Maybank IBG Research

**Figure 18: 3M MA (YoY chg in WC loan applications)**



Source: BNM, Maybank IBG Research

**Figure 19: 3M MA (working capital loan approval rates)**

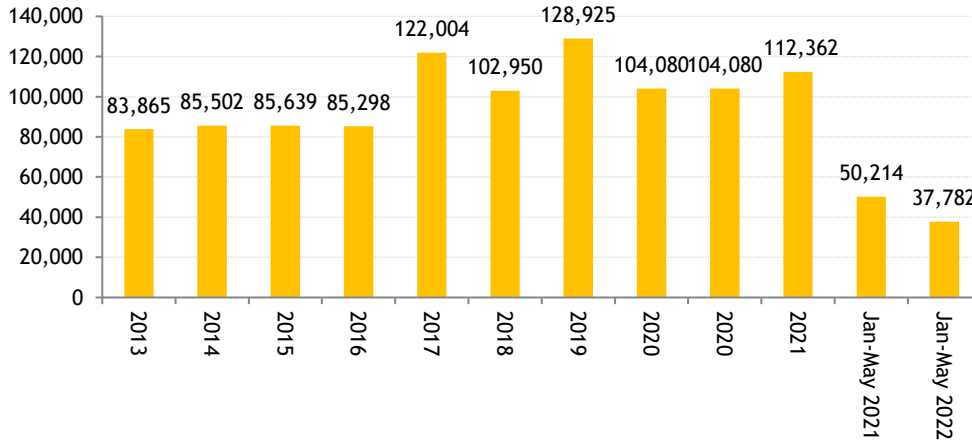


Source: BNM, Maybank IBG Research

## Total industry credit growth of 4.5% YoY

Bond issuances totalled just MYR4.1b in May 2022 versus MYR13.3b in Apr 2022. Cumulative issuances in 5M22 amounted to MYR37.8b vs MYR50.2b in 5M21 (-25% YoY). Including bank loans total, industry credit growth was 4.5% YoY in May 2022.

Figure 20: Bond Issuances (2013 to May 2022, MYR'm)

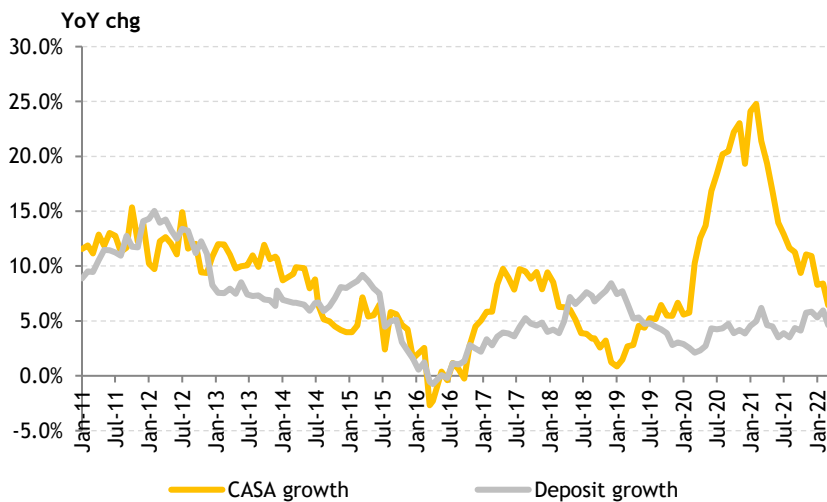


Source: BNM

## Deposit growth stable

Deposit growth was 5.0% YoY in May, as compared to 5.1% YoY in Apr 2022. CASA growth was slightly slower at 8.1% YoY compared to 10.1% YoY in April. The industry's CASA ratio was lower at 32.4% end-May 2022 versus 32.9% end-Apr 2022.

Figure 21: Total deposits vs CASA growth (Sep 2010 - May 2022)

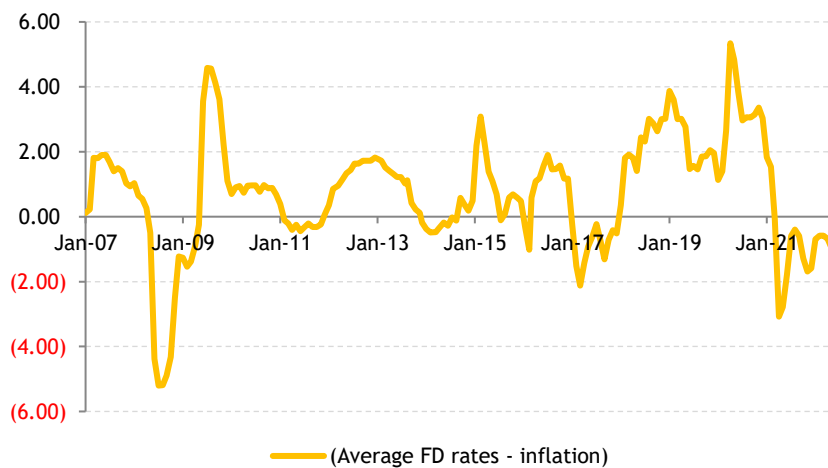


Source: BNM

## Inflation rises

Inflation jumped to 2.8% in May 2022 from 2.3% in Apr 2022 and as such, negative returns on deposits were higher at -96bps versus -68bps in Apr 2022.

**Figure 22: Differential between average fixed deposit rates and inflation**



Source: BNM, Maybank IBG Research

## Impaired loans up 16% YTD

Impaired loans continue to tick up with the expiry of the loan PEMULIH scheme in Dec 2021. Gross impaired loans rose 16% YTD in absolute terms and the gross impaired loans (GIL) ratio was a higher 1.64% end-May 2022 from 1.44% end-Dec 2021. The uptick was broad-based across most loan classes.

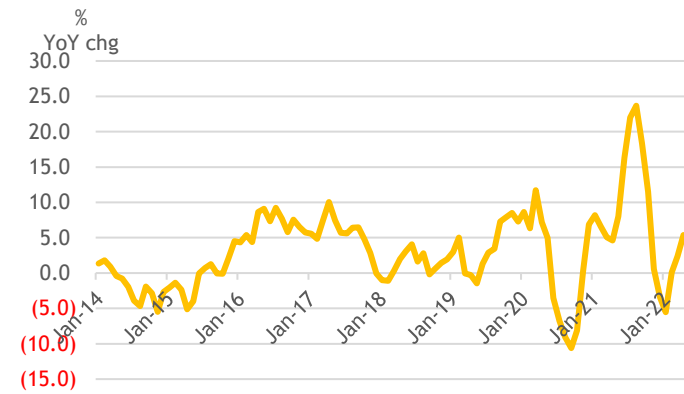
**Figure 23: GIL ratios by segment**

	May 22	Apr 22	Mar 22	Feb 22	Jan 22
Securities	0.49%	0.51%	0.50%	0.50%	0.50%
Transport vehicles	0.57%	0.55%	0.57%	0.64%	0.63%
<i>Passenger vehicles</i>	0.39%	0.36%	0.39%	0.42%	0.41%
Residential property	1.30%	1.24%	1.22%	1.21%	1.18%
Non-residential prop	1.52%	1.47%	1.45%	1.44%	1.42%
Fixed assets	1.89%	1.79%	1.81%	1.78%	1.82%
Personal use	2.07%	1.93%	1.82%	1.79%	1.78%
Credit card	0.85%	0.84%	0.85%	0.85%	0.85%
Consumer durables	3.21%	3.18%	3.38%	3.26%	3.28%
Construction	6.14%	5.80%	5.70%	5.09%	5.03%
Working capital	2.32%	2.25%	2.23%	2.19%	1.89%
Other purposes	1.56%	1.45%	1.41%	1.40%	1.45%
<b>Total</b>	<b>1.64%</b>	<b>1.57%</b>	<b>1.54%</b>	<b>1.53%</b>	<b>1.45%</b>

Source: BNM, Maybank IBG Research

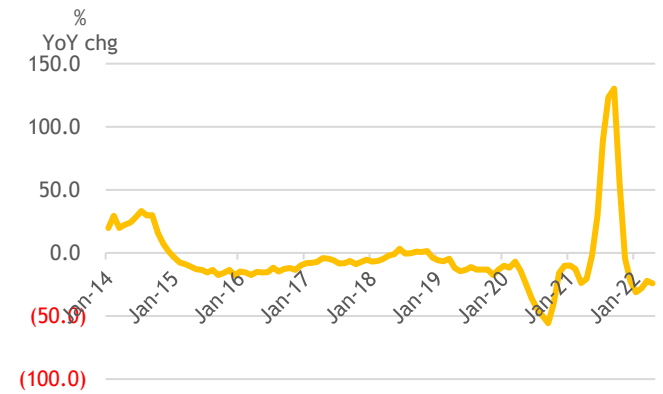


**Figure 24: Total industry GILs (% YoY chg)**



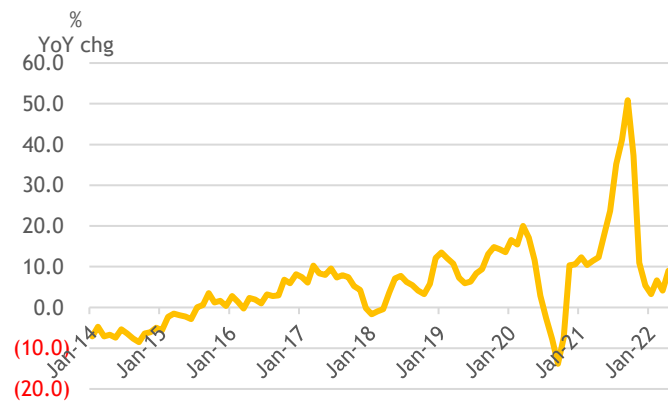
Source: BNM

**Figure 25: Auto GILs (% YoY change)**



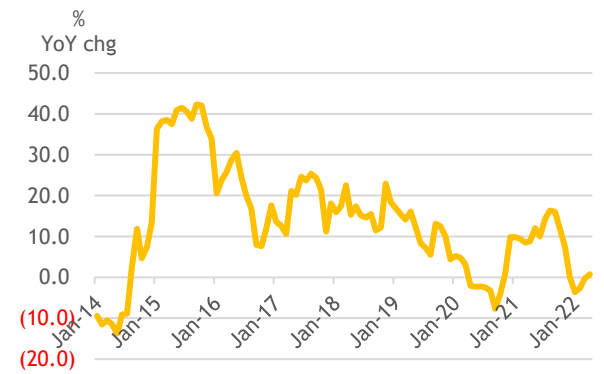
Source: BNM

**Figure 26: Housing GILs (% YoY chg)**



Source: BNM

**Figure 27: Non-residential prop GILs (% YoY change)**



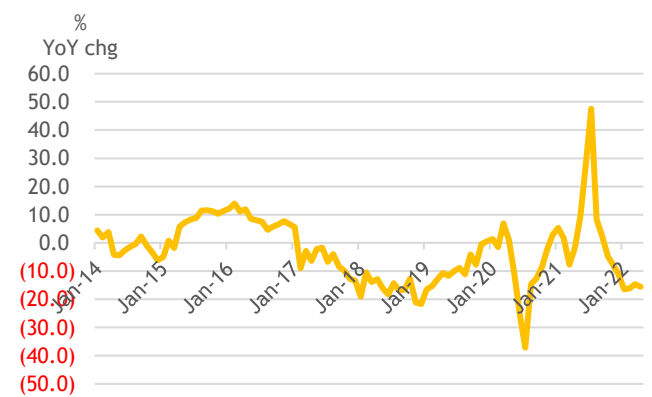
Source: BNM

**Figure 28: Personal loans GILs (% YoY chg)**



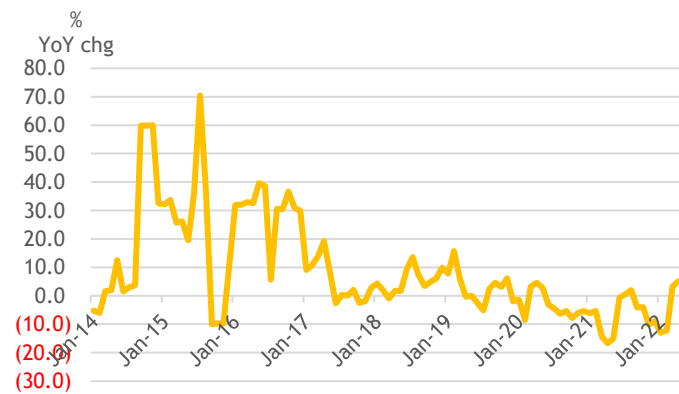
Source: BNM

**Figure 29: Credit card GILs (% YoY change)**



Source: BNM

**Figure 30: Construction GILs (% YoY chg)**



Source: BNM

**Figure 31: Working capital GILs (% YoY change)**



Source: BNM

## Risk statement

**Upside risks:** (i) Stronger-than-expected GDP growth, which would contribute to stronger loan growth and lower credit risks; as well as (ii) improved liquidity, which would help to sustain interest margins.

**Downside risks:** (i) Weaker-than-expected GDP growth, which could lead to slower loan growth and asset- quality issues; (ii) potential interest rate cuts that could negatively impact interest margins in the short term; and (iii) a slowdown in CASA growth, which could exacerbate deposit competition.

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