

Malaysia Banking

POSITIVE

 [Unchanged]

A surprise pick-up in loans growth

Narrowing the gap to our 2023 forecast of 4.6%

That industry loans growth improved to 4.9% YoY in Nov 2023 from 4.0% YoY in Oct 2023, is a positive, bringing industry loan growth more in line with our forecast of 4.6% for 2023. We have since introduced our 2024 loans growth forecast of 4.6% as well. We maintain a POSITIVE on the sector, with BUYs on CIMB, PBK, AMMB, HLBK, HLFG and ABMB.

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Loans growth improves

Industry loans growth saw a surprising pick-up to 4.9% YoY in Nov 2023 from 4.0% YoY in Oct 2023. Household (HH) loan growth was stable at 5.8% YoY while non-HH loan growth picked up to 3.5% YoY from 1.5% YoY in Oct 2023. On an annualized basis, loans growth was 4.5% end-Nov 2023. On a segmental basis, working capital loans growth was a faster 3.1% YoY in Nov 2023 versus just 0.3% YoY in Oct 2023.

CASA growth improves marginally

Deposit growth improved further to 3.5% YoY in Nov 2023 from 2.8% YoY in Oct 2023. Including repos, deposit growth was a faster 5.3% YoY. Having contracted YoY over the previous nine consecutive months, CASA finally eked out a very small 0.1% YoY growth in October, and +1.2% YoY in November. Headline inflation improved further to 1.5% in Nov 2023 from 1.8% in Oct 2023. As a result, the real return on deposits rose further to 1.24% in Nov 2023 from 0.98% in Oct 2023.

Improvement in asset quality

Absolute impaired loans declined 3.3% YoY in Nov 2023 and the industry's gross impaired loans (GIL) ratio improved to 1.69% end-Nov 2023 from 1.70% in Oct 2023. This compares to a pre-COVID ratio of 1.51% end-Dec 2019. The construction sector saw its GIL ratio improve to below 4% at 3.84% end-Nov 2023.

Banking Sector - Peer Valuation Summary

Stock	Rec	Shr px (MYR)	Mkt cap (MYR m)	TP (MYR)	PER (x) CY23E	PER (x) CY24E	P/B (x) CY23E	P/B (x) CY24E	ROAE (%) CY23E	ROAE (%) CY24E	Net yield CY23E	Net yield CY24E
Maybank *	NR	8.89	107,216	NR	11.8	11.1	1.2	1.2	10.5	11.0	7.2	7.6
Public Bank	BUY	4.29	83,272	5.05	12.4	11.6	1.6	1.5	13.0	13.0	4.4	4.7
CIMB	BUY	5.85	62,391	6.70	9.2	8.7	0.9	0.9	10.2	10.1	5.8	6.2
HL Bank	BUY	18.90	40,970	23.00	10.2	9.8	1.2	1.1	11.5	12.1	3.4	3.7
RHB Bank	HOLD	5.45	23,361	6.20	8.2	8.0	0.8	0.7	9.6	9.3	6.1	6.2
HLFG	BUY	16.44	18,865	21.70	6.6	6.4	0.7	0.6	10.5	10.0	2.4	3.4
AMMB	BUY	4.01	13,290	4.75	8.0	7.7	0.7	0.6	11.2	9.4	5.5	4.9
BIMB	HOLD	2.21	5,009	2.45	9.7	9.2	0.7	0.7	7.4	7.5	5.6	6.5
ABMB	BUY	3.39	5,248	4.10	8.1	7.8	0.7	0.7	9.4	9.2	6.2	6.4
Simple avg			359,622		9.3	8.9	0.9	0.9	10.4	10.2	5.2	5.5
MC-wtd					10.6	10.0	1.2	1.1	11.0	11.1	5.5	5.8

* Consensus estimates Source: Maybank IBG Research

Loan growth jumps

Industry loans growth jumped to 4.9% YoY in Nov 2023 from 4.0% YoY in Oct 2023. While this was in part due to a moderation in loans in Nov 2022 and thus a lower base, the pick-up is nevertheless still encouraging. On an annualized basis, loans growth picked up to 4.5% from 4.0% in Oct 2023.

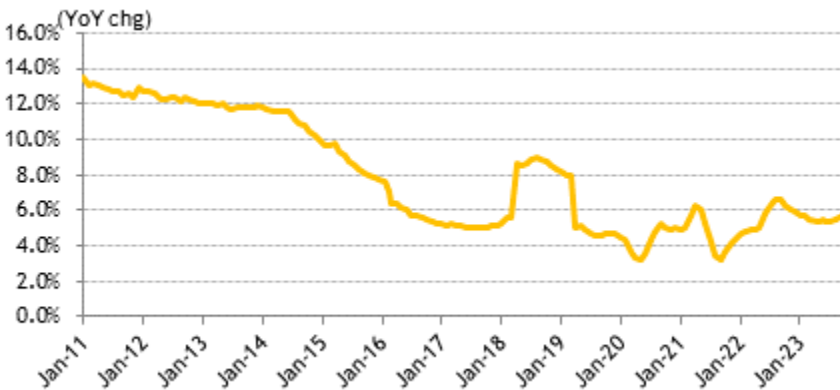
Household (HH) loan growth was stable at 5.8% YoY (5.8% YoY in Oct 2023), business loans growth improved to 3.5% YoY in Nov 2023 from 1.5% YoY in Oct 2023.

Fig 1: Total industry YoY loan growth (Apr 2007 - Nov 2023)



Source: BNM

Fig 2: YoY household loan growth (Jan 2011 - Nov 2023)



Source: BNM

Fig 3: YoY non-household loan growth (Jan 2011 - Nov 2023)

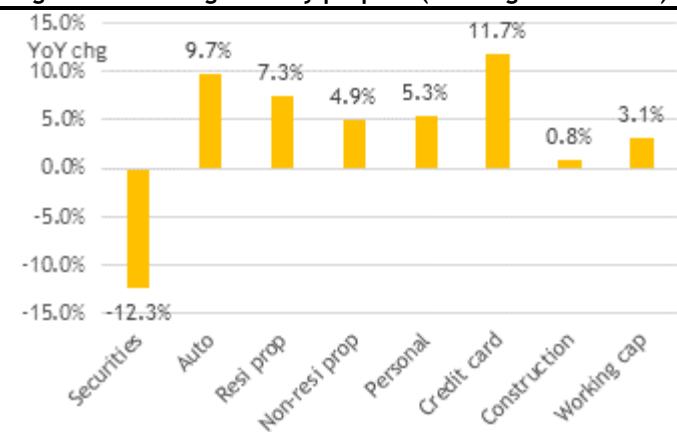


Source: BNM

Credit card lending still robust

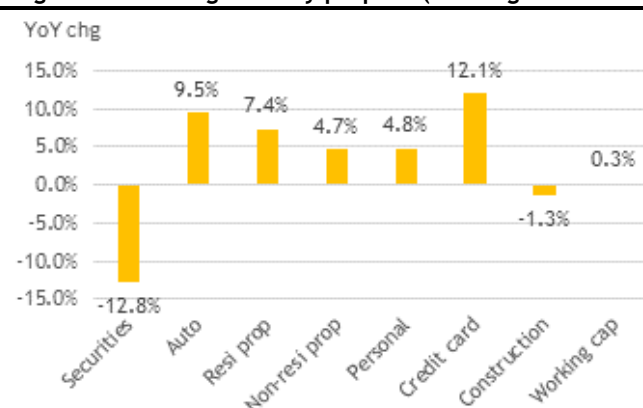
On a segmental basis, working capital loans growth was a faster 3.1% YoY in Nov 2023 versus just 0.3% YoY in Oct 2023. On the consumer front, auto lending continued to be robust at 9.7% YoY while residential property lending momentum was stable at 7.3% YoY. Credit card financing rose at a still robust double-digit pace of 11.7% YoY.

Fig 4: Outstanding loans by purpose (YoY chg in Nov 2023)



Source: BNM, Maybank IBG Research

Fig 5: Outstanding loans by purpose (YoY chg in Oct 2023)



Source: BNM, Maybank IBG Research

Residential property financing growth was stable at 7.3% YoY, with improvement in loan growth over the past few months in the affordable segment (>MYR250k, <MYR500k). Demand for financing of industrial buildings and factories has also risen marginally over the past few months.

Fig 6: Growth in outstanding residential property & non-residential prop loans

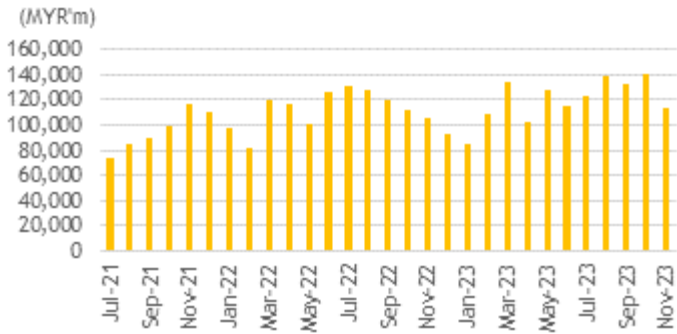
	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Residential property (MYR)	6.8%	6.9%	7.1%	7.2%	7.4%	7.3%
<= 250k	-1.0%	-1.0%	-1.0%	-1.0%	-0.9%	-0.9%
>250k, < 500k	9.2%	9.4%	9.5%	9.6%	9.9%	9.8%
>500k, < 1m	10.0%	10.2%	10.5%	10.5%	10.7%	10.6%
>1m	3.3%	3.4%	3.6%	3.6%	3.9%	3.8%
Non-residential property	4.2%	4.1%	4.8%	5.1%	4.7%	4.9%
Industrial buildings & factories	8.1%	8.2%	8.2%	8.2%	8.5%	8.5%
Land only	6.3%	5.6%	6.8%	8.1%	6.8%	6.6%
Commercial complexes	5.7%	5.3%	5.5%	5.8%	1.8%	1.7%
Shophouses	1.3%	1.6%	1.6%	1.7%	2.0%	2.2%
Others	3.2%	3.0%	5.5%	5.7%	5.8%	6.8%

Source: BNM

Loan applications continue to rise

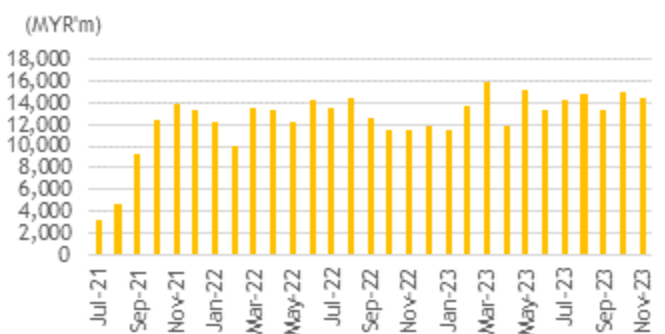
Loan applications expanded YoY for the fourth consecutive month, though at a slower pace of 7.7% YoY against a double-digit pace of 25.8% YoY in Oct 2023. In the HH segment, share margin loan applications contracted 14.6% YoY, while credit card loan applications contracted YoY for the fourth consecutive month. Positive YoY growth was reported across all other major segments. Construction loan applications jumped 50% YoY against +29% YoY in Oct 2023, while working capital loan applications rose at a slower pace of 1.1% YoY from 11.5% YoY in Oct 2023.

Fig 7: Total monthly loan applications (Jul 2021-Nov 2023)



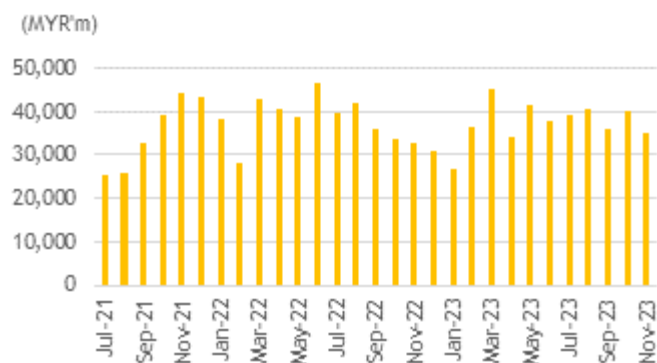
Source: BNM, Maybank IBG Research

Fig 8: Auto HP loan applications (Jul 2021-Nov 2023)



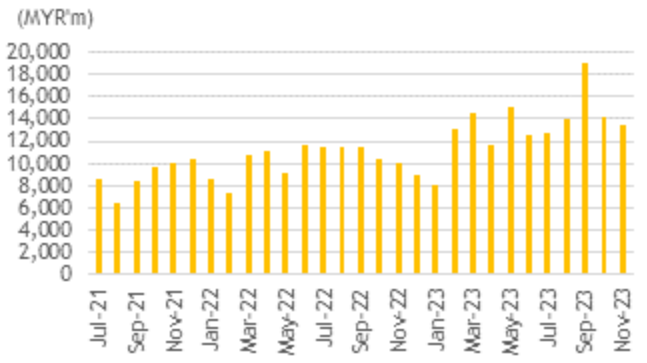
Source: BNM, Maybank IBG Research

Fig 9: Mortgage loan applications (Jul 2021-Nov 2023)



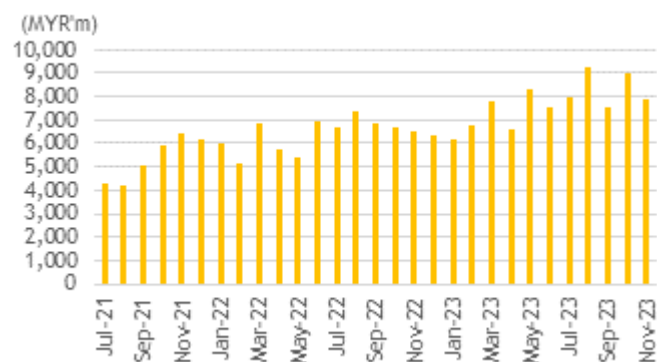
Source: BNM, Maybank IBG Research

Fig 10: Non-resi prop loan apps (Jul 2021-Nov 2023)



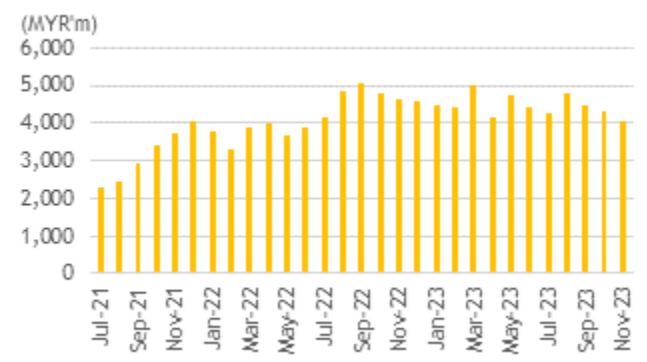
Source: BNM, Maybank IBG Research

Fig 11: Personal loan applications (Jul 2021-Nov 2023)



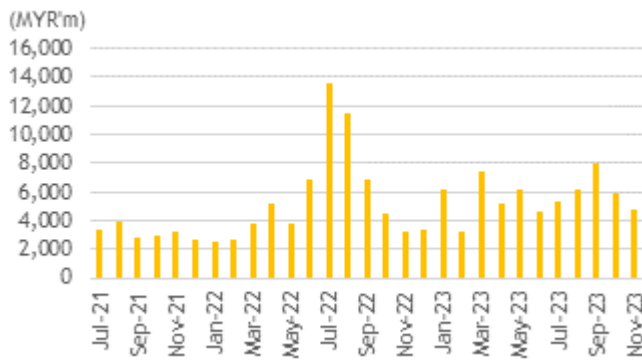
Source: BNM, Maybank IBG Research

Fig 12: Credit card loan applications (Jul 2021-Nov 2023)



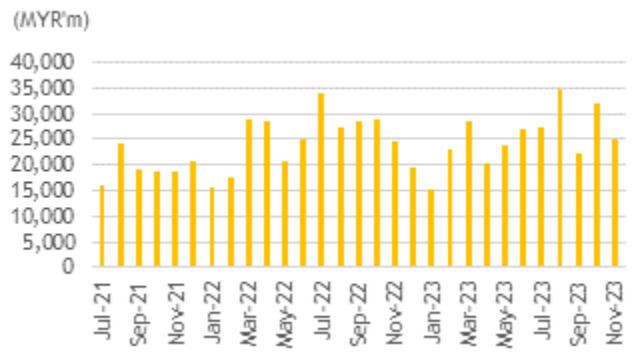
Source: BNM, Maybank IBG Research

Fig 13: Construction loan applications (Jul 2021-Oct 2023)



Source: BNM, Maybank IBG Research

Fig 14: Working cap loan applications (Jul 2021-Oct 2023)

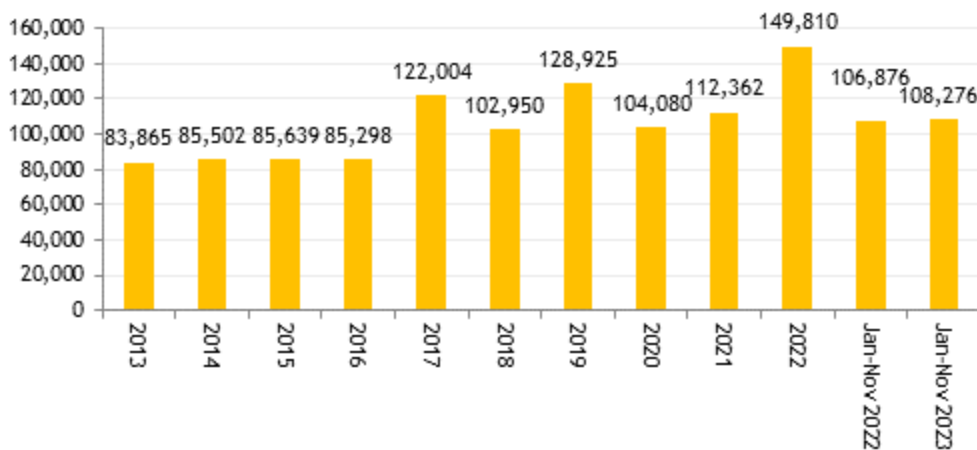


Source: BNM, Maybank IBG Research

Total industry credit growth of 4.7% YoY

Bond issuances totalled MYR8.2b in Nov 2023 against MYR16.2b in Oct 2023, and MYR9.4b in Nov 2022. Cumulatively, bond issuances totalled MYR108.3b in 11M23, up just 1.3% YoY. Including bank loans, total industry credit growth was 4.7% in Nov 2023.

Fig 15: Bond Issuances (2013 to Oct 2023, MYR'm)



Source: BNM

CASA continues to expand

Deposit growth improved further to 3.5% YoY in Nov 2023 from 2.8% YoY in Oct 2023. Including repos, deposit growth was a faster 5.3% YoY. Having contracted YoY over the previous nine consecutive months, CASA finally eked out a very small 0.1% YoY growth in October, and +1.2% YoY in November. The industry’s CASA ratio was 29.4% end-Nov 2023. This compares against a pre-COVID CASA ratio of 26.5% end-Dec 2019 as well as a peak CASA ratio of 32.9% in Apr 2022.

Fig 16: Total deposits vs CASA growth (Jan 2011 - Nov 2023)

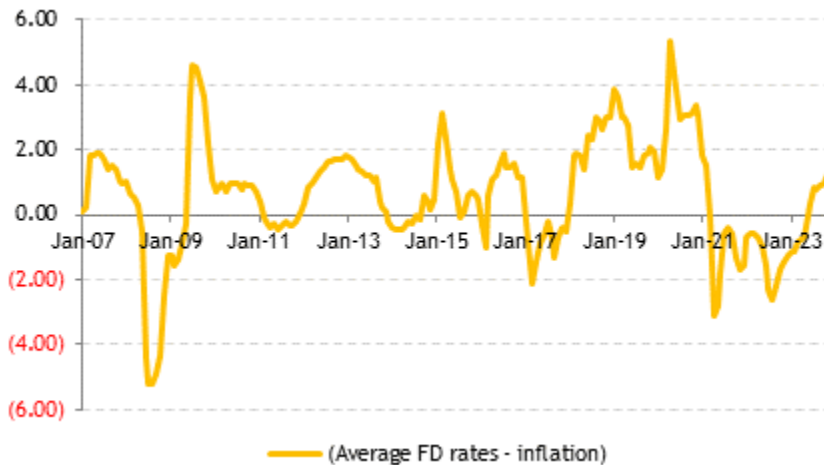


Source: BNM

Inflation eases further

Headline inflation improved further to 1.5% in Nov 2023 from 1.8% in Oct 2023. As a result, the real return on deposits rose further to 1.24% in Nov 2023 from 0.98% in Oct 2023.

Fig 17: Differential between average fixed deposit rates and inflation



Source: BNM, Maybank IBG Research

Impaired loans decline YoY

Absolute impaired loans declined 3.3% YoY in Nov 2023 and the industry's gross impaired loans (GIL) ratio improved to 1.69% end-Nov 2023 from 1.70% in Oct 2023. This compares to a pre-COVID ratio of 1.51% end-Dec 2019. The construction sector saw its GIL ratio improve to below 4% at 3.84% end-Nov 2023.

Fig 18: Monthly GIL ratios by sector

Month	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23
Securities	0.41%	0.37%	0.37%	0.43%	0.43%	0.43%	0.40%	0.40%
Passenger cars	0.47%	0.51%	0.49%	0.50%	0.51%	0.50%	0.49%	0.50%
Other vehicles	3.73%	3.75%	0.95%	0.97%	1.02%	0.91%	0.91%	0.88%
Other fixed assets	1.45%	1.51%	1.59%	1.29%	1.38%	1.36%	1.32%	1.35%
Residential property	1.45%	1.48%	1.48%	1.49%	1.48%	1.37%	1.36%	1.35%
<= 250k	1.61%	1.65%	1.67%	1.65%	1.66%	1.62%	1.61%	1.61%
>250k, < 500k	1.03%	1.06%	1.08%	1.12%	1.12%	1.06%	1.07%	1.07%
>100k, < 1m	1.25%	1.26%	1.25%	1.25%	1.24%	1.15%	1.13%	1.12%
>1m	2.24%	2.28%	2.28%	2.28%	2.26%	2.04%	2.00%	1.97%
Non-residential prop	1.77%	1.79%	1.77%	1.79%	1.79%	1.74%	1.72%	1.70%
Ind builds & factories	1.08%	1.11%	1.07%	1.09%	1.08%	1.08%	1.07%	1.06%
Land only	2.26%	2.18%	2.18%	2.17%	2.18%	2.06%	2.03%	2.04%
Comm complexes	2.41%	2.42%	2.43%	2.44%	2.44%	2.44%	2.43%	2.40%
Shophouses	1.56%	1.63%	1.60%	1.61%	1.61%	1.54%	1.55%	1.52%
Personal use	2.72%	2.73%	2.63%	2.69%	2.64%	2.61%	2.76%	2.77%
Credit card	1.01%	1.01%	1.05%	1.10%	1.13%	1.07%	1.11%	1.12%
Construction	4.48%	4.49%	4.42%	4.54%	4.52%	4.06%	4.06%	3.84%
Working capital	2.56%	2.56%	2.48%	2.47%	2.56%	2.58%	2.50%	2.47%
Other purposes	2.07%	2.05%	2.03%	1.96%	1.95%	1.92%	1.99%	1.94%
Total loans	1.78%	1.80%	1.76%	1.76%	1.78%	1.72%	1.70%	1.69%

Source: BNM, Maybank IBG Research

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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