

# Banking

## BNM Stats. (Jul 19): Loans Down but Approvals Up

# OVERWEIGHT



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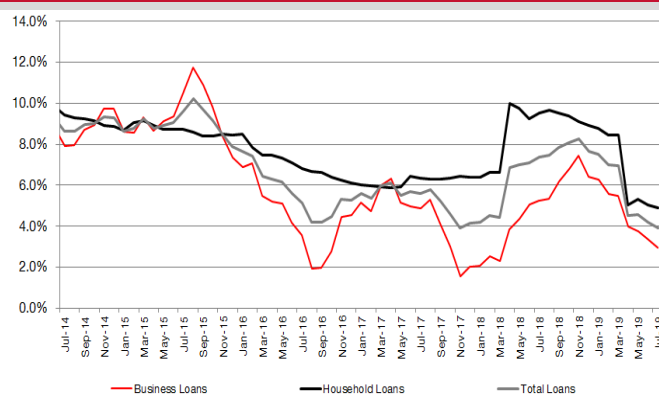
Loan growth in July moderated by 30bps to +3.9% YoY; not a surprise as applications and approvals were in the negative territory in June. However, July saw approvals picking up pace given the low interest rate environment. Our call on the sector remains **OVERWEIGHT** as valuations are attractive. In fact, most banks under our coverage are rated **OUTPERFORM**: - **AFFIN** (TP: RM2.45), **ABMB** (TP: RM3.45), **AMBANK** (TP: RM4.75), **BIMB** (TP: RM4.80), **CIMB** (TP: RM6.45), **MAYBANK** (TP: RM9.70), **MBSB** (TP: RM1.10), **PBBANK** (TP: RM24.10) and **RHBBANK** (TP: RM6.05). Only **HLBANK** (TP: RM17.30) is at **MARKET PERFORM**.



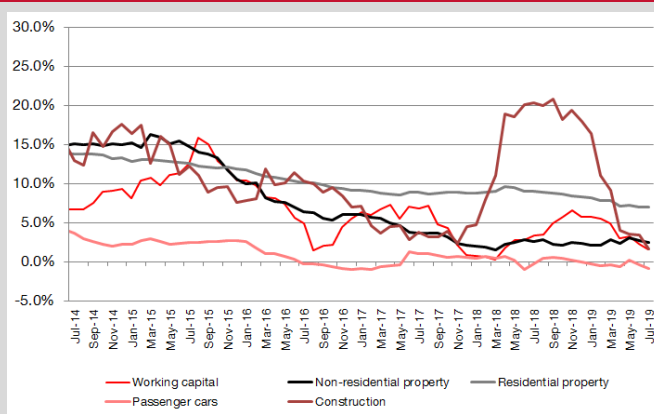
**July 19 loans saw a further drop**, shedding another 30bps to +3.9% YoY (June 18: +4.2% YoY) to RM1,729b. On a MoM basis, it was flattish. Both Business and Household continue to moderate; Business slowing down by 50bps to +2.9% YoY with Households down at +4.9% YoY (-10bps). On an annualised basis, loans shed another 40bps to end at +2.3% for Jul 19. **No clarity in the economy led to the moderation in Business** as working capital and construction moderated to +1.6% each (shedding 70bps and 180bps, respectively). **Slowdown in PF (-120bps to 2.0%) and declined HP (-50bps) to -0.8%** were the main contributor in Household's slowdown. Moderation in loans can also be attributed to repayments outpacing disbursements - Jul 19 also saw both repayments and disbursements rebounding (Repayments: +4.5 YoY vs June 19: -9% YoY) vs disbursements (+2% YoY vs June 19: -12% YoY). Slower disbursements were evident in Households (+1% YoY vs June 18: -7% YoY) while Business disbursements were stronger (+2% YoY vs June 19: -13% YoY).

**Overall net financing in the system moderated by another 30bps to +5.3% YoY** with both loans and corporate bonds shedding 30bps to +3.6% YoY and +10.3% YoY, respectively.

**Fig 1: Industry Loan Growth by Breakdown**

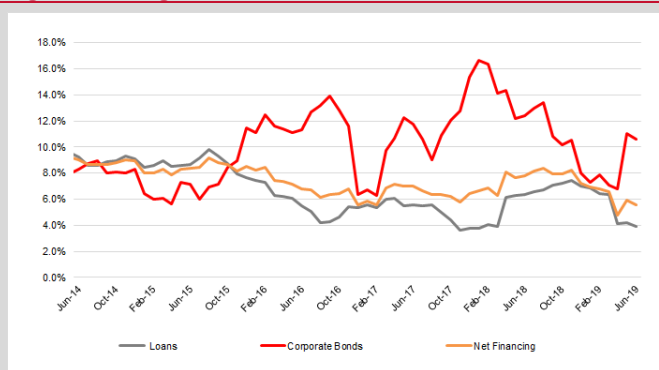


**Fig 2: Industry Loans Growth by Economic Purpose**

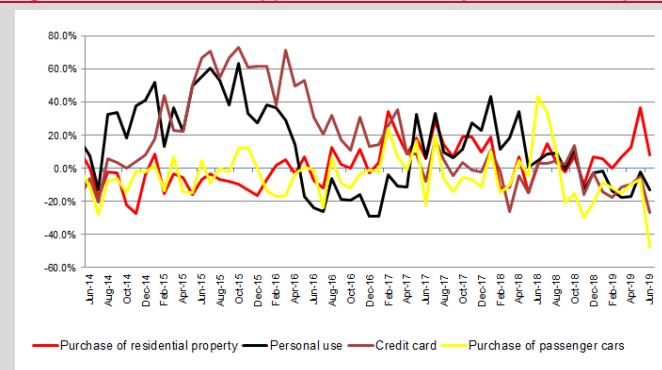


Source: BNM, Kenanga Research

**Fig 5: Financing Growth**



**Fig 6: Household Loan Application Growth by Economic Purpose**



Source: BNM, Kenanga Research

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Table 1: Breakdown of Industry Loans

| RM'm  | Jul-19           | Jun-19           | % MoM        | Jul-18           | % YoY       | Dec-18           | % Ytd       |
|---|------------------|------------------|--------------|------------------|-------------|------------------|-------------|
| Working capital                                       | 389,303.6        | 391,257.5        | -0.5%        | 383,028.3        | 1.6%        | 393,308.6        | -1.0%       |
| Purchase of fixed assets other than land and building | 12,133.9         | 11,166.0         | 8.7%         | 9,801.1          | 23.8%       | 10,448.4         | 16.1%       |
| Purchase of securities                                | 82,616.2         | 82,969.9         | -0.4%        | 78,522.3         | 5.2%        | 80,424.8         | 2.7%        |
| Purchase of transport vehicles                        | 8,864.4          | 8,574.8          | 3.4%         | 8,876.2          | -0.1%       | 8,947.5          | -0.9%       |
| Other purpose   | 77,980.6         | 79,302.5         | -1.7%        | 72,803.1         | 7.1%        | 80,346.8         | -2.9%       |
| Purchase of non-residential property                  | 222,352.5        | 223,121.4        | -0.3%        | 216,897.6        | 2.5%        | 218,415.6        | 1.8%        |
| Construction  | 56,338.3         | 56,635.8         | -0.5%        | 55,428.1         | 1.6%        | 56,319.1         | 0.0%        |
| <b>Business Loan</b>                                  | <b>849,589.5</b> | <b>853,027.9</b> | <b>-0.4%</b> | <b>825,356.8</b> | <b>2.9%</b> | <b>848,211.0</b> | <b>0.2%</b> |
| Purchase of residential property                      | 585,166.5        | 581,745.9        | 0.6%         | 546,617.8        | 7.1%        | 562,983.8        | 3.9%        |
| Purchase of passenger cars                            | 159,341.2        | 159,338.9        | 0.0%         | 160,655.2        | -0.8%       | 160,107.1        | -0.5%       |
| Personal use  | 95,381.3         | 96,074.7         | -0.7%        | 93,556.1         | 2.0%        | 95,471.1         | -0.1%       |
| Credit card   | 39,209.9         | 38,152.9         | 2.8%         | 37,097.6         | 5.7%        | 38,867.9         | 0.9%        |
| Purchase of consumer durables                         | 95.5             | 96.5             | -1.1%        | 121.4            | -21.3%      | 107.8            | -11.4%      |
| <b>Household Loan</b>                                 | <b>879,194.3</b> | <b>875,408.9</b> | <b>0.4%</b>  | <b>838,048.1</b> | <b>4.9%</b> | <b>857,537.7</b> | <b>2.5%</b> |
| <b>Total Loans Outstanding</b>                        | <b>1,728,784</b> | <b>1,728,437</b> | <b>0.0%</b>  | <b>1,663,405</b> | <b>3.9%</b> | <b>1,705,749</b> | <b>1.4%</b> |

Source: BNM

Table 5: Breakdown of Industry Loan Disbursements

| RM'm  | Jul-19           | Jun-19          | % MoM        | Jul-18           | % YoY       | Ytd-19           | Ytd-18           | % YoY       |
|---|------------------|-----------------|--------------|------------------|-------------|------------------|------------------|-------------|
| Working capital                                       | 60,809.1         | 55,619.2        | 9.3%         | 60,022.0         | 1.3%        | 408,876.1        | 401,404.8        | 1.9%        |
| Purchase of fixed assets other than land and building | 1,428.7          | 633.3           | 125.6%       | 287.5            | 396.9%      | 4,361.2          | 2,838.0          | 53.7%       |
| Purchase of securities                                | 3,223.2          | 2,354.4         | 36.9%        | 3,297.0          | -2.2%       | 24,091.5         | 24,351.6         | -1.1%       |
| Purchase of transport vehicles                        | 542.8            | 566.1           | -4.1%        | 438.5            | 23.8%       | 3,542.4          | 3,335.0          | 6.2%        |
| Other purpose   | 2,903.4          | 6,238.8         | -53.5%       | 2,527.1          | 14.9%       | 37,679.9         | 25,506.6         | 47.7%       |
| Purchase of non-residential property                  | 3,225.3          | 3,405.7         | -5.3%        | 3,148.8          | 2.4%        | 27,640.8         | 25,871.0         | 6.8%        |
| Construction  | 2,696.8          | 2,118.6         | 27.3%        | 3,499.8          | -22.9%      | 17,367.8         | 22,256.1         | -22.0%      |
| <b>Business Loan</b>                                  | <b>74,829.4</b>  | <b>70,936.1</b> | <b>5.5%</b>  | <b>73,220.8</b>  | <b>2.2%</b> | <b>523,559.7</b> | <b>505,563.1</b> | <b>3.6%</b> |
| Purchase of residential property                      | 7,807.9          | 6,482.0         | 20.5%        | 7,775.5          | 0.4%        | 51,742.0         | 52,704.2         | -1.8%       |
| Purchase of passenger cars                            | 3,866.7          | 3,180.0         | 21.6%        | 4,692.7          | -17.6%      | 24,851.4         | 26,143.2         | -4.9%       |
| Personal use  | 3,184.5          | 2,586.5         | 23.1%        | 3,148.7          | 1.1%        | 19,960.9         | 19,861.3         | 0.5%        |
| Credit card   | 12,670.6         | 11,655.3        | 8.7%         | 11,678.4         | 8.5%        | 84,636.5         | 81,007.5         | 4.5%        |
| Purchase of consumer durables                         | 2.7              | 2.2             | 23.5%        | 3.0              | -11.5%      | 16.1             | 19.6             | -17.8%      |
| <b>Household Loan</b>                                 | <b>27,532.4</b>  | <b>23,905.9</b> | <b>15.2%</b> | <b>27,298.4</b>  | <b>0.9%</b> | <b>181,206.9</b> | <b>179,735.8</b> | <b>0.8%</b> |
| <b>Total Loans Disbursed</b>                          | <b>102,361.8</b> | <b>94,842.0</b> | <b>7.9%</b>  | <b>100,519.1</b> | <b>1.8%</b> | <b>704,766.6</b> | <b>685,298.9</b> | <b>2.8%</b> |

Source: BNM

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Table 8: Breakdown of Industry Loan Repayments

| RM'm  | Jul-19          | Jun-19          | % MoM        | Jul-18          | % YoY       | Ytd-19           | Ytd-18           | % YoY       |
|---|-----------------|-----------------|--------------|-----------------|-------------|------------------|------------------|-------------|
| Working capital                                       | 63,716.3        | 53,826.0        | 18.4%        | 61,357.6        | 3.8%        | 420,093.5        | 396,664.3        | 5.9%        |
| Purchase of fixed assets other than land and building | 499.0           | 386.9           | 29.0%        | 448.6           | 11.2%       | 2,952.9          | 2,917.6          | 1.2%        |
| Purchase of securities                                | 3,893.4         | 2,542.2         | 53.1%        | 3,033.4         | 28.4%       | 24,549.1         | 23,784.1         | 3.2%        |
| Purchase of transport vehicles                        | 592.6           | 714.7           | -17.1%       | 499.2           | 18.7%       | 4,188.9          | 3,853.4          | 8.7%        |
| Other purpose   | 3,982.8         | 4,311.5         | -7.6%        | 4,023.3         | -1.0%       | 34,735.1         | 26,566.3         | 30.7%       |
| Purchase of non-residential property                  | 4,463.0         | 4,119.7         | 8.3%         | 4,338.1         | 2.9%        | 29,238.1         | 28,586.6         | 2.3%        |
| Construction  | 3,260.7         | 2,284.4         | 42.7%        | 3,098.2         | 5.2%        | 17,981.6         | 20,172.5         | -10.9%      |
| <b>Business Loan</b>                                  | <b>80,407.8</b> | <b>68,185.5</b> | <b>17.9%</b> | <b>76,798.3</b> | <b>4.7%</b> | <b>533,739.1</b> | <b>502,544.8</b> | <b>6.2%</b> |
| Purchase of residential property                      | 6,134.1         | 5,505.2         | 11.4%        | 6,147.2         | -0.2%       | 41,412.5         | 40,884.7         | 1.3%        |
| Purchase of passenger cars                            | 4,188.7         | 3,790.8         | 10.5%        | 4,162.3         | 0.6%        | 28,284.9         | 28,244.9         | 0.1%        |
| Personal use  | 3,136.1         | 2,866.4         | 9.4%         | 3,014.7         | 4.0%        | 21,496.1         | 19,526.5         | 10.1%       |
| Credit card   | 13,078.2        | 11,709.8        | 11.7%        | 12,238.6        | 6.9%        | 87,563.6         | 84,517.1         | 3.6%        |
| Purchase of consumer durables                         | 4.1             | 3.1             | 29.9%        | 8.2             | -50.4%      | 24.7             | 31.3             | -21.0%      |
| <b>Household Loan</b>                                 | <b>26,541</b>   | <b>23,875</b>   | <b>11.2%</b> | <b>25,571</b>   | <b>3.8%</b> | <b>178,782</b>   | <b>173,204</b>   | <b>3.2%</b> |
| <b>Total Loans Repaid (RM'm)</b>                      | <b>106,949</b>  | <b>92,061</b>   | <b>16.2%</b> | <b>102,369</b>  | <b>4.5%</b> | <b>712,521</b>   | <b>675,749</b>   | <b>5.4%</b> |

Source: BNM

**Application still weak but approvals rebound.** YoY, loan application in the system was flattish (+0.5% YoY vs June 19: -12% YoY). Business and Households saw contrasting performances; Business rebounding +11% YoY vs June 19: -12% YoY while households application continued to fall, (-8% YoY vs June 19: -11% YoY). Catalysts for the Business rebound were; i) Working Capital (+15% YoY vs June 19: -16% YoY), ii) purchase of securities (+45% YoY vs June 18: -22% YoY), and iii) construction (+45% YoY and +9% YoY). Households application was dragged by fall in passenger cars (-32% YoY vs June 19: -48% YoY) and credit card (-22% YoY vs June 19: -27% YoY). **Approvals in the system saw a significant rebound** in July 19 (+11% YoY vs June 19: -3% YoY) with Business surging +20% YoY vs June 19: +2% YoY, while Households rebounded (+4% YoY vs June 19: -9% YoY). Working Capital approvals (+32% YoY vs June 19: -16% YoY) drove Business approvals while Households were driven by purchase of residential property (+21% YoY vs +14% YoY) while approvals for passenger cars continued its downward trend (-31% YoY vs -44% YoY).

Fig 3: Industry Loan Applications Growth by Breakdown

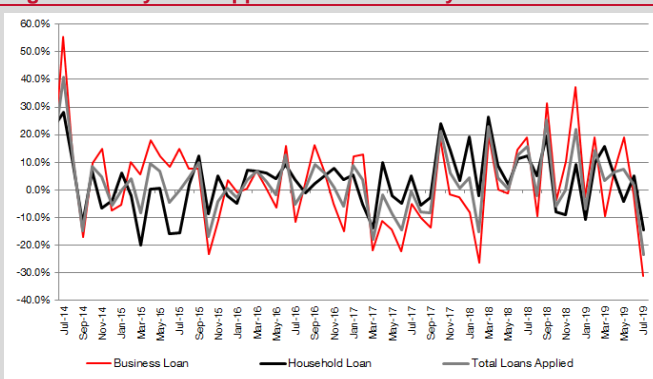
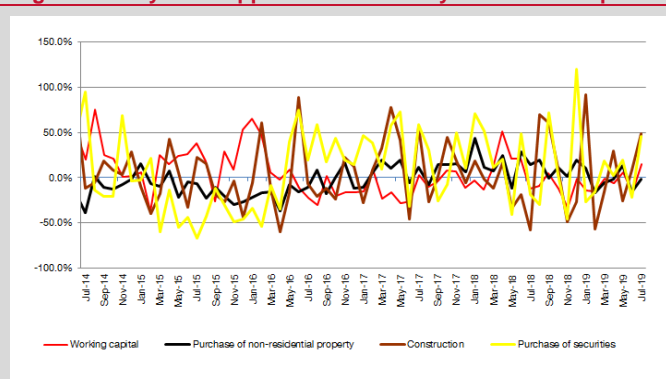


Fig 4: Industry Loan Application Growth by Economic Purpose



Source: BNM, Kenanga Research

Fig 7: Business Loan Approved Growth

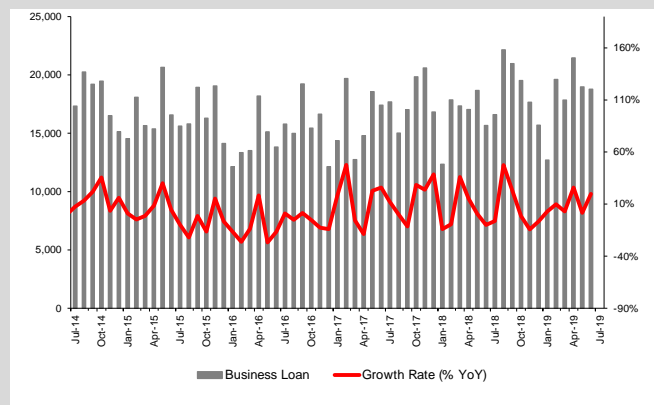
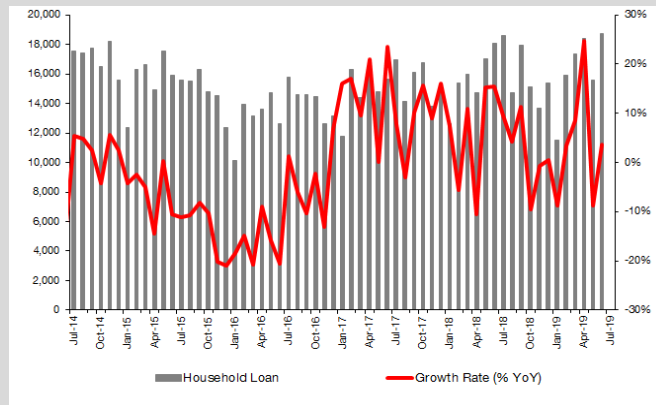


Fig 8: Household Loan Approved Growth



Source: BNM, Kenanga Research

Fig 9: Business Loans Approved by Breakdown

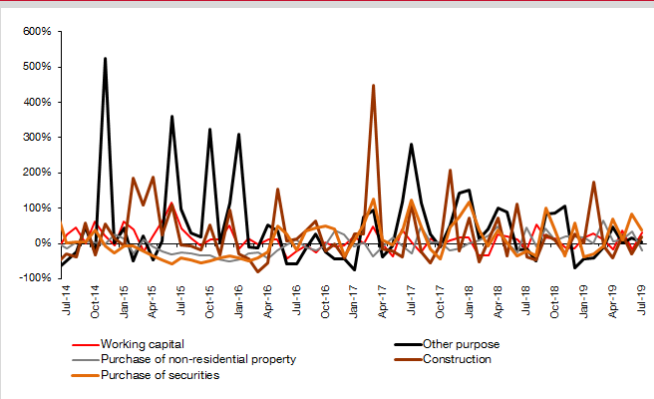
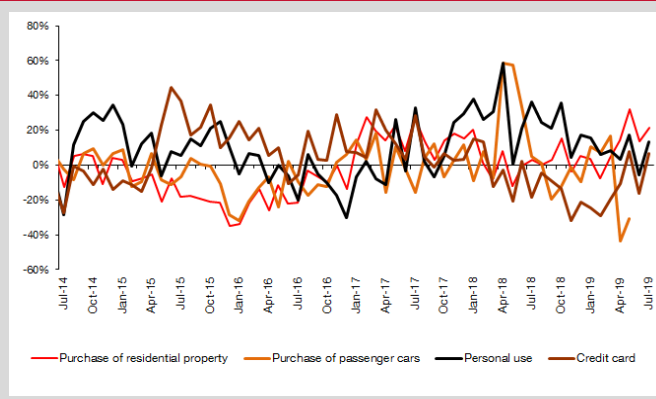


Fig 10: Household Loans Approved by Breakdown



Source: BNM, Kenanga Research

Table 3: Breakdown of Industry Loan Approvals

| RM'm  | Jul-19          | Jun-19          | % MoM        | Jul-18          | % YoY        | Ytd-19           | Ytd-18           | % YoY       |
|---|-----------------|-----------------|--------------|-----------------|--------------|------------------|------------------|-------------|
| Working capital                                       | 7,956.5         | 8,443.9         | -5.8%        | 6,012.8         | 32.3%        | 52,586.1         | 47,941.8         | 9.7%        |
| Purchase of fixed assets other than land and building | 1,455.7         | 570.2           | 155.3%       | 607.9           | 139.4%       | 4,803.5          | 3,516.1          | 36.6%       |
| Purchase of securities                                | 2,284.3         | 2,959.5         | -22.8%       | 1,669.4         | 36.8%        | 17,863.8         | 16,756.4         | 6.6%        |
| Purchase of transport vehicles                        | 157.3           | 137.5           | 14.3%        | 156.7           | 0.4%         | 1,300.8          | 1,019.8          | 27.6%       |
| Other purpose   | 2,280.6         | 2,428.6         | -6.1%        | 2,174.1         | 4.9%         | 16,587.7         | 17,739.2         | -6.5%       |
| Purchase of non-residential property                  | 2,864.2         | 3,113.9         | -8.0%        | 3,527.8         | -18.8%       | 21,542.5         | 18,743.6         | 14.9%       |
| Construction  | 1,786.3         | 1,325.9         | 34.7%        | 1,525.2         | 17.1%        | 10,431.1         | 10,056.7         | 3.7%        |
| <b>Business Loan</b>                                  | <b>18,784.9</b> | <b>18,979.6</b> | <b>-1.0%</b> | <b>15,674.0</b> | <b>19.8%</b> | <b>125,115.5</b> | <b>115,773.7</b> | <b>8.1%</b> |
| Purchase of residential property                      | 11,118.8        | 9,637.1         | 15.4%        | 9,174.9         | 21.2%        | 65,055.4         | 57,863.0         | 12.4%       |
| Purchase of passenger cars                            | 3,745.1         | 2,957.0         | 26.7%        | 5,395.8         | -30.6%       | 25,033.6         | 28,146.1         | -11.1%      |
| Personal use  | 2,324.1         | 1,630.2         | 42.6%        | 2,053.5         | 13.2%        | 13,324.2         | 12,308.7         | 8.3%        |
| Credit card   | 1,539.0         | 1,330.5         | 15.7%        | 1,445.1         | 6.5%         | 9,396.2          | 10,783.8         | -12.9%      |
| Purchase of consumer durables                         | 0.0             | 0.0             | 0.0%         | 0.0             | -64.3%       | 0.1              | 4.7              | -98.6%      |
| <b>Household Loan</b>                                 | <b>18,727.0</b> | <b>15,554.8</b> | <b>20.4%</b> | <b>18,069.3</b> | <b>3.6%</b>  | <b>112,809.6</b> | <b>109,106.4</b> | <b>3.4%</b> |
| <b>Total Loans Approved</b>                           | <b>37,511.9</b> | <b>34,534.4</b> | <b>8.6%</b>  | <b>33,743.3</b> | <b>11.2%</b> | <b>237,925.1</b> | <b>224,880.1</b> | <b>5.8%</b> |

Source: BNM

Table 4: Breakdown of Industry Loan Approvals Rate

| RM'm  | Jul-19       | Jun-19       | Ytd-19       | Ytd-18       |
|---|--------------|--------------|--------------|--------------|
| Working capital                                       | 47.6%        | 61.0%        | 50.2%        | 50.7%        |
| Purchase of fixed assets other than land and building | 127.3%       | 58.5%        | 69.6%        | 58.2%        |
| Purchase of securities                                | 61.7%        | 109.8%       | 70.6%        | 72.2%        |
| Purchase of transport vehicles                        | 54.9%        | 59.0%        | 70.4%        | 73.2%        |
| Other purpose   | 62.1%        | 59.1%        | 53.6%        | 52.4%        |
| Purchase of non-residential property                  | 33.2%        | 43.7%        | 38.6%        | 39.6%        |
| Construction  | 55.6%        | 42.0%        | 47.0%        | 45.6%        |
| <b>Business Loan</b>                                  | <b>50.3%</b> | <b>59.0%</b> | <b>50.5%</b> | <b>50.5%</b> |
| Purchase of residential property                      | 44.3%        | 45.8%        | 42.8%        | 42.5%        |
| Purchase of passenger cars                            | 63.3%        | 65.0%        | 62.7%        | 62.6%        |
| Personal use  | 37.5%        | 35.9%        | 35.2%        | 34.8%        |
| Credit card   | 42.8%        | 46.5%        | 40.6%        | 40.2%        |
| Purchase of consumer durables                         | 100.0%       | 100.0%       | 12.1%        | 11.3%        |
| <b>Household Loan</b>                                 | <b>45.9%</b> | <b>47.1%</b> | <b>44.6%</b> | <b>44.4%</b> |
| <b>Total Loans Approved Rate</b>                      | <b>48.0%</b> | <b>53.0%</b> | <b>47.5%</b> | <b>47.4%</b> |

Source: BNM

**Excess liquidity remained ample as deposits rise.** Deposits continued to outpace loans (+4.9% vs loans: +3.9%) to RM1,965b but saw a slight uptick (+10bps). Hence, excess liquidity continued to hover >+11%. The driver in deposits growth was again FDs (at +7% YoY vs CASA: +5% YoY). On a positive note, FDs growth has been moderating since Jan 19 (+12% YoY) in contrast to CASA's growth (Jan 19: +1% YoY) indicating that intense deposit competition is tapering – due to: i) credit demand moderating, and ii) NSFR being complied. Loan-to-fund (LTF) ratio and loan-to-deposit ratio (LDR) were relatively stable at 82% and 89%, respectively. Average lending rate dipped by another 7bps to 4.82% while 3-month deposits remained stable at 2.90%, indicating compression ahead until repricing of deposits in the coming months.

Fig 16: Industry Deposits

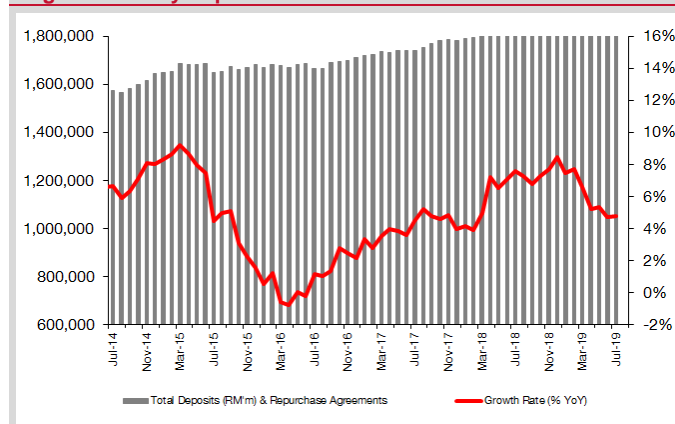
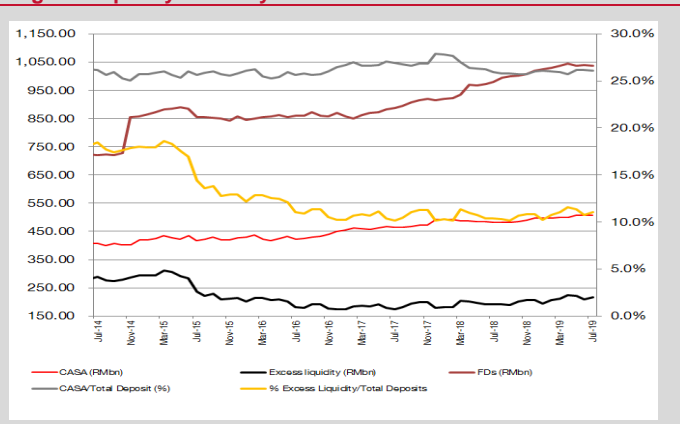


Fig 19: Liquidity in the System



Source: BNM, Kenanga Research

Table 6: Breakdown of Total Deposits by Holder

| RM'm  | Jul-19             | Jun-19             | % MoM       | Jul-18             | % YoY       | Dec-18             | % Ytd       |
|---|--------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| Federal Government  | 5,121.4            | 5,121.4            | 0.0%        | 5,732.1            | -10.7%      | 3,554.6            | 44.1%       |
| State Government  | 3,640.5            | 3,640.5            | 0.0%        | 3,059.3            | 19.0%       | 2,996.9            | 21.5%       |
| Statutory authorities                                     | 8,830.8            | 8,830.8            | 0.0%        | 6,623.7            | 33.3%       | 9,061.7            | -2.5%       |
| Financial institutions                                    | 14,085.1           | 14,085.1           | 0.0%        | 12,140.7           | 16.0%       | 12,925.8           | 9.0%        |
| Business enterprises                                      | 217,541.2          | 217,541.2          | 0.0%        | 207,857.7          | 4.7%        | 221,102.0          | -1.6%       |
| Individuals   | 68,153.0           | 68,153.0           | 0.0%        | 67,806.1           | 0.5%        | 68,318.2           | -0.2%       |
| Others  | 24,331.9           | 24,331.9           | 0.0%        | 23,083.3           | 5.4%        | 21,921.6           | 11.0%       |
| <b>Total Deposits (&amp; Repurchase) by Holder (RM'm)</b> | <b>1,960,210.5</b> | <b>1,960,210.5</b> | <b>0.0%</b> | <b>1,873,644.8</b> | <b>4.6%</b> | <b>1,944,896.9</b> | <b>0.8%</b> |

Source: BNM

Table 7: Breakdown of Total Deposits by Type

| RM'm  | Jul-19             | Jun-19             | % MoM       | Jul-18             | % YoY       | Dec-18             | % Ytd       |
|---|--------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| Demand deposits   | 341,525.1          | 341,703.9          | -0.1%       | 326,302.9          | 4.7%        | 339,880.9          | 0.5%        |
| Fixed Deposits, Special Investment Deposit and General Investment Deposit | 592,514.5          | 597,095.4          | -0.8%       | 585,562.7          | 1.2%        | 602,608.6          | -1.7%       |
| Saving deposits   | 165,834.5          | 164,853.9          | 0.6%        | 155,693.0          | 6.5%        | 157,386.5          | 5.4%        |
| Negotiable instruments of deposits  | 37,708.3           | 38,562.7           | -2.2%       | 41,323.9           | -8.7%       | 45,704.6           | -17.5%      |
| Foreign currency deposits   | 151,423.8          | 142,528.3          | 6.2%        | 133,670.8          | 13.3%       | 142,418.6          | 6.3%        |
| Other deposits accepted   | 248,797.6          | 249,562.4          | -0.3%       | 260,962.0          | -4.7%       | 251,651.9          | -1.1%       |
| <b>Total Deposit</b>  | <b>1,944,457.6</b> | <b>1,937,509.4</b> | <b>0.4%</b> | <b>1,855,464.4</b> | <b>4.8%</b> | <b>1,912,171.5</b> | <b>1.7%</b> |
| Repurchase agreements   | 21,196.8           | 22,701.1           | -6.6%       | 18,180.4           | 16.6%       | 32,725.4           | -35.2%      |
| <b>Total Deposits (RM'm) &amp; Repurchase Agreements</b>                  | <b>1,965,654.4</b> | <b>1,960,210.5</b> | <b>0.3%</b> | <b>1,873,644.8</b> | <b>4.9%</b> | <b>1,944,896.9</b> | <b>1.1%</b> |

Source: BNM

**Asset quality stable.** While GIL saw another 3bps uptick MoM in Jul to 1.60%, on a YoY basis, it remains flattish. Business NPL grew by another 140bps to +4.7%, led by working capital (+7% YoY) while Household was flattish, mitigated by NPL decline, purchase of passenger cars (-11%), and personal finance (-16% YoY).

Fig 11: Impaired loans ratio breakdown

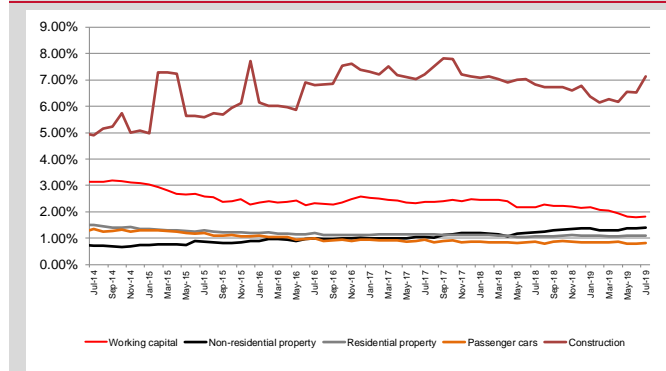
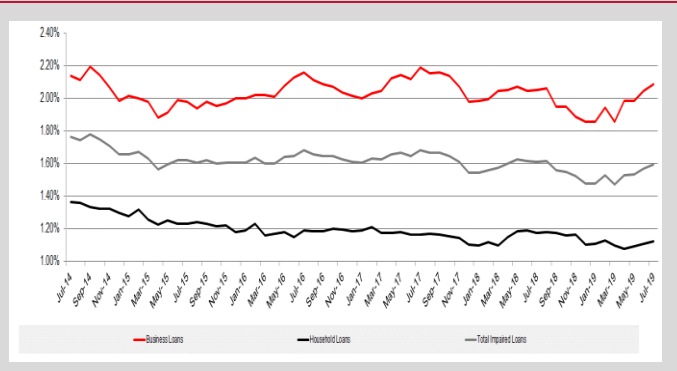


Fig 12: Gross non-performing impaired loans ratio



Source: BNM, Kenanga Research

Table 7: Breakdown of Impaired Loans

| RM'm  | Jul-19          | Jun-19          | % MoM       | Jul-18          | % YoY       | Dec-18          | % Ytd        |
|---|-----------------|-----------------|-------------|-----------------|-------------|-----------------|--------------|
| Working capital                                       | 8,783.5         | 8,551.4         | 2.7%        | 8,197.1         | 7.2%        | 7,139.4         | 23.0%        |
| Purchase of fixed assets other than land and building | 309.2           | 300.9           | 2.7%        | 201.7           | 53.3%       | 255.2           | 21.1%        |
| Purchase of securities                                | 233.2           | 238.8           | -2.3%       | 332.5           | -29.8%      | 282.0           | -17.3%       |
| Purchase of transport vehicles                        | 520.4           | 203.1           | 156.3%      | 360.6           | 44.3%       | 350.9           | 48.3%        |
| Other purpose   | 1,124.8         | 1,426.5         | -21.1%      | 1,128.3         | -0.3%       | 1,056.8         | 6.4%         |
| Purchase of non-residential property                  | 3,189.5         | 3,207.7         | -0.6%       | 2,964.8         | 7.6%        | 2,989.9         | 6.7%         |
| Construction  | 3,567.4         | 3,523.5         | 1.2%        | 3,750.9         | -4.9%       | 3,690.1         | -3.3%        |
| <b>Business Loan</b>                                  | <b>17,728.0</b> | <b>17,451.9</b> | <b>1.6%</b> | <b>16,936.0</b> | <b>4.7%</b> | <b>15,764.3</b> | <b>12.5%</b> |
| Purchase of residential property                      | 6,554.7         | 6,512.1         | 0.7%        | 6,043.1         | 8.5%        | 6,185.0         | 6.0%         |
| Purchase of passenger cars                            | 1,218.2         | 1,200.0         | 1.5%        | 1,373.4         | -11.3%      | 1,261.2         | -3.4%        |
| Personal use  | 1,727.5         | 1,639.0         | 5.4%        | 2,052.1         | -15.8%      | 1,688.8         | 2.3%         |
| Credit card   | 365.8           | 360.8           | 1.4%        | 381.3           | -4.0%       | 337.9           | 8.3%         |
| Purchase of consumer durables                         | 2.3             | 1.8             | 28.4%       | 1.6             | 39.7%       | 7.9             | -71.0%       |
| <b>Household Loan</b>                                 | <b>9,868.6</b>  | <b>9,713.7</b>  | <b>1.6%</b> | <b>9,851.6</b>  | <b>0.2%</b> | <b>9,480.7</b>  | <b>4.1%</b>  |
| <b>Total Non-Performing/Impaired Loans (RM'm)</b>     | <b>27,596.6</b> | <b>27,165.6</b> | <b>1.6%</b> | <b>26,787.5</b> | <b>3.0%</b> | <b>25,245.0</b> | <b>9.3%</b>  |

Source: BNM

The moderation in July was not a surprise given applications and approvals in June at -12% and -3%, respectively. While July applications were flattish, approvals rebounded significantly; hence, we expect uptick in August loans. We believe that pick-up in loans will materialise post-budget, with the resilient households remaining as the driver with the low interest rate environment boosted by stable asset quality from Household and stable employment, which will spur further approvals from the banks. We expect loans growth in the system at ~5% (vs 2018: +7.1%). However, valuations seem more attractive currently and most of the banking stocks under our coverage are rated at **OUTPERFORM**: - **AFFIN (TP: RM2.45)**, **ABMB (TP: RM3.45)**, **AMBANK (TP: RM4.75)**, **BIMB (TP: RM4.80)**, **CIMB (TP: RM6.45)**, **MAYBANK (TP: RM9.70)**, **MBSB (TP: RM1.10)**, **PBBANK (TP: RM24.10)** and **RHBBANK (TP: RM6.05)**. Only one is rated as a **MARKET PERFORM**, as we put a higher discount on concerns from its Chinese associate - **HLBANK (TP: RM17.30)**.

04 September 2019

## Peer Comparison

| Name                       | Last Price (RM) | Market Cap (RM'm) | Shariah Compliant | Current FYE | Revenue Growth |             | Core Earnings Growth |             | PER (x) - Core Earnings |             |            | PBV (x)    |            | ROE (%)     | Net Div Yld (%) | Target Price (RM) | Rating |
|----------------------------|-----------------|-------------------|-------------------|-------------|----------------|-------------|----------------------|-------------|-------------------------|-------------|------------|------------|------------|-------------|-----------------|-------------------|--------|
|                            |                 |                   |                   |             | 1-Yr. Fwd.     | 2-Yr. Fwd.  | 1-Yr. Fwd.           | 2-Yr. Fwd.  | Hist.                   | 1-Yr. Fwd.  | 2-Yr. Fwd. | Hist.      | 1-Yr. Fwd. | 1-Yr. Fwd.  | 1-Yr. Fwd.      |                   |        |
| <b>BANKING</b>             |                 |                   |                   |             |                |             |                      |             |                         |             |            |            |            |             |                 |                   |        |
| AFFIN BANK BHD             | 1.97            | 3,912.5           | N                 | 12/2019     | 4.1%           | 2.9%        | 15.0%                | 15.8%       | 7.8                     | 6.7         | 5.8        | 0.5        | 0.4        | 6.5%        | 2.8%            | 2.45              | OP     |
| ALLIANCE BANK MALAYSIA BHD | 3.01            | 4,659.8           | N                 | 03/2020     | 5.9%           | 7.2%        | -1.5%                | 10.9%       | 8.7                     | 8.8         | 7.9        | 0.8        | 0.8        | 9.0%        | 5.5%            | 3.45              | OP     |
| AMMB HOLDINGS BHD          | 3.98            | 11,996.5          | N                 | 03/2020     | 10.4%          | 4.5%        | -0.4%                | 2.8%        | 8.0                     | 8.0         | 7.8        | 0.6        | 0.6        | 7.8%        | 5.0%            | 4.75              | OP     |
| BIMB HOLDINGS BHD          | 4.00            | 7,057.1           | Y                 | 12/2019     | 10.0%          | 6.6%        | 7.6%                 | 13.6%       | 10.3                    | 9.9         | 9.1        | 1.4        | 1.3        | 14.0%       | 4.0%            | 4.80              | OP     |
| CIMB GROUP HOLDINGS BHD    | 5.04            | 49,026.2          | N                 | 12/2019     | 4.6%           | 5.0%        | -16.2%               | 2.6%        | 8.4                     | 10.4        | 10.5       | 0.9        | 0.8        | 8.5%        | 4.5%            | 6.45              | OP     |
| HONG LEONG BANK BERHAD     | 16.38           | 35,507.2          | N                 | 06/2020     | 4.1%           | 5.1%        | 1.0%                 | 0.5%        | 12.7                    | 12.6        | 12.5       | 1.4        | 1.3        | 10.8%       | 3.1%            | 17.30             | MP     |
| MALAYAN BANKING BHD        | 8.70            | 97,799.8          | N                 | 12/2019     | 3.8%           | 4.3%        | -2.2%                | 4.7%        | 11.8                    | 12.1        | 11.6       | 1.2        | 1.1        | 9.7%        | 6.5%            | 9.70              | OP     |
| MALAYSIA BUILDING SOCIETY  | 0.85            | 5,706.4           | N                 | 12/2019     | -4.2%          | 4.5%        | -17.8%               | 8.6%        | 8.5                     | 10.3        | 9.9        | 0.7        | 0.7        | 6.7%        | 5.9%            | 1.10              | OP     |
| PUBLIC BANK BERHAD         | 20.08           | 77,953.3          | N                 | 12/2019     | 3.9%           | 5.2%        | -0.1%                | 3.5%        | 13.9                    | 13.9        | 13.4       | 1.9        | 1.9        | 13.7%       | 3.4%            | 25.20             | OP     |
| RHB BANK BHD               | 5.64            | 22,616.7          | N                 | 12/2019     | 6.0%           | 4.8%        | 3.7%                 | 5.7%        | 9.8                     | 9.5         | 8.9        | 1.0        | 0.9        | 9.9%        | 3.7%            | 6.05              | OP     |
| <b>Simple Average</b>      |                 |                   |                   |             | <b>4.9%</b>    | <b>5.0%</b> | <b>-1.1%</b>         | <b>6.9%</b> | <b>10.0</b>             | <b>10.2</b> | <b>9.7</b> | <b>1.0</b> | <b>1.0</b> | <b>9.7%</b> | <b>4.4%</b>     |                   |        |

Source: Bloomberg, 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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