BANKING

***Maintain* POSITIVE**

Jun-22 Banking Stats: Scramble for car loans

KEY INVESTMENT HIGHLIGHTS

- **Loan growth likely near peak, following weaker leading indicators in previous months**
- **Credit cards financing see second consecutive month of rapid growth**
- **Leading indicators rebound as borrowers acted quickly in anticipation of further OPR hikes**
- **Higher take-up of vehicle loan applications as buyers rush to take advantage of soon-to-end sales tax exemption**
- **FD growth rates pick up, CASA remains tepid. Interest rate spreads widen following OPR hike**
- **Top picks remain Hong Leong Bank and RHB Bank**
- **Maintain POSITIVE call on sector**

Monthly highlights:

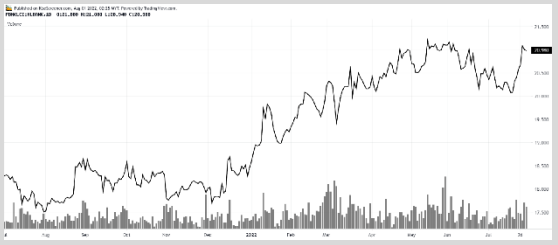
1. **Loan growth is likely near its peak for 2022F.** Industry loan growth rose by +5.6%yoy, the strongest performance in over a year. 2HCY22F loan growth is expected to moderate, given higher interest rates and poor leading indicators in recent months.
2. **Business loans to offset weaker retail loan performance in 2HCY22F.** Retail loans are expected to fall off due to the end of the Home Ownership Campaign and car sales tax exemption. Business loans, on the other hand, should benefit from the reopening of borders, the resumption of trade as well as enhanced mobility.
3. **Credit cards financing continue face pace growth.** Credit card loans grew by +12.6%yoy, driven by higher consumer spending, possibly elevated by Hari Raya festivities.
4. **Leading indicators spike.** After a lackluster couple of months, both loan applications and approvals staged a comeback. Notably the sharpest spike was concerning the passenger car loan segment, as buyers sought to lock in vehicle purchases before the sales tax exemption deadline.
5. **FD growth rates pick up.** FD growth rates jump to +3.0%yoy following the OPR hike to +2.00% in May-22. This positive trend is expected to continue, premised on the BNM's hawkish policy.
6. **GIL ratio flattish.** System GIL nudged upwards by +1bps mom to 1.65%.
7. **Interest spread widens by +9bps mom.** Average lending yields saw sizeable jump after OPR hike, while deposit rates have yet to fully adjust.

COMPANY IN FOCUS

Hong Leong Bank
Maintain **BUY** | Unchanged Target price: RM23.55
Price @ 29th July 2022: RM20.98

- Excellent CIR and NCC
- Defensive play: Asset quality and loan loss coverage among best in industry
- Bank of Chengdu as strong driver of growth

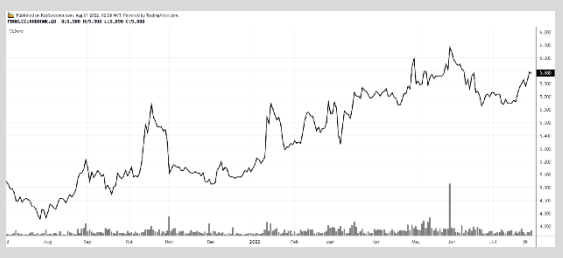
Share price chart



RHB Bank
Maintain **BUY** | Unchanged Target price: RM7.13
Price @ 29th July 2022: RM5.88

- Higher positive impact from OPR hikes relative to large-cap peers
- Above-average loan growth
- High CET-1 ratio offers headroom for attractive dividend yield

Share price chart



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EXHIBIT 1: CORE INDUSTRY STATS

	Jun-22	May-22	Apr-22	Mar-22
Yoy growth				
Industry loans	5.6%	5.0%	5.0%	4.6%
Retail loans	6.5%	5.6%	5.4%	5.4%
Business loans	5.0%	4.6%	4.7%	3.8%
Total applications	41.7%	5.2%	-0.5%	4.6%
Total approvals	53.0%	22.9%	19.1%	12.5%
Industry deposits	6.6%	6.1%	6.2%	5.2%
CASA	8.8%	8.1%	10.1%	6.4%
FD	3.0%	2.3%	1.7%	1.8%

	Jun-22	May-22	Apr-22	Mar-22
Non-growth				
CASA ratio	32.4%	32.4%	32.9%	31.9%
L/D ratio	86.7%	86.8%	86.8%	86.5%
GIL ratio	1.65%	1.64%	1.57%	1.54%
LLC ratio	108.5%	109.1%	113.4%	115.7%
Approval rate	46.6%	48.1%	45.7%	42.1%
CET-1	14.0%	14.3%	14.2%	14.7%
Tier-1 Capital	14.6%	14.8%	14.6%	15.1%
Total Capital	17.7%	17.9%	17.8%	18.3%

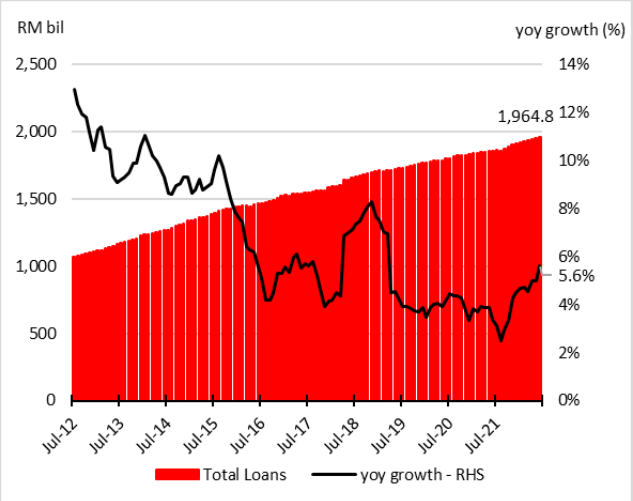
System loans and Constituents:

Loan growth likely near peak. Jun-22 saw total loan growth rose by +5.6%yoy and +0.7%mom, with both residential mortgages and working capital loans serving as the two biggest contributors. Loan growth may have already peaked for 2022F, given the weaker leading indicators in previous months. We reduce our 2022F system loan growth expectations to the **+4.5-5.0%yoy range**, with 2HCY22F loan growth expected to be moderated by inflationary pressures and higher interest rates.

Retail loans jump upwards. Retail loans grew by +6.5%yoy, with residential mortgages and hire purchase loans again acting as reliable growth drivers. Notably, credit card financing continues its streak of impressive growth, leaping to +12.6%yoy (May-22: +5.8%yoy), driven by enhanced consumer spending. Following the end of the Home Ownership Campaign and car sales tax exemption, we expect retail loans to moderate in 2HCY22F.

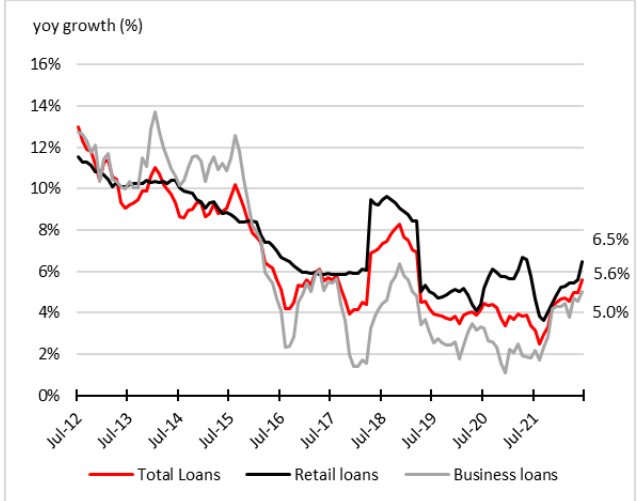
Business loans maintain steady momentum. Following a slight lapse due to Hari Raya festivities in May-22, business loans posted their strongest growth rates since pre-pandemic times, growing by +5.0%yoy (May-22: +4.6%yoy). Non-residential mortgages, working capital and security purchase loans acted as core drivers, resuming their steady upward growth. Following the reopening of borders and trade resumption opportunities, we expect contributions from a strong business loan segment to offset lackluster retail contributions in the latter half of the year.

EXHIBIT 2: INDUSTRY LOAN GROWTH



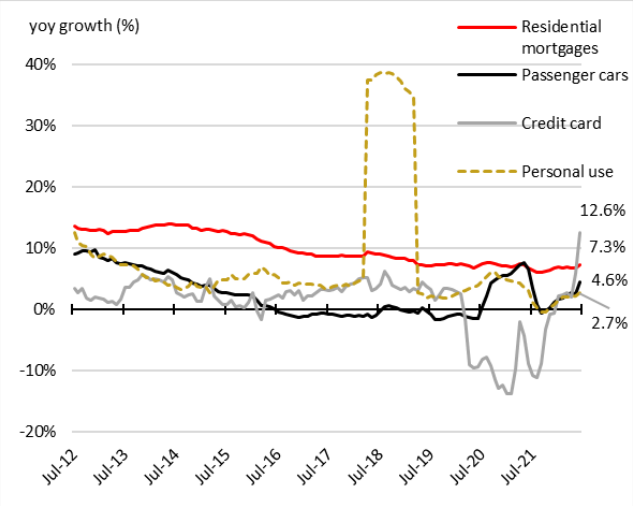
Source: BNM, MIDFR

EXHIBIT 3: RETAIL & BUSINESS LOAN GROWTH



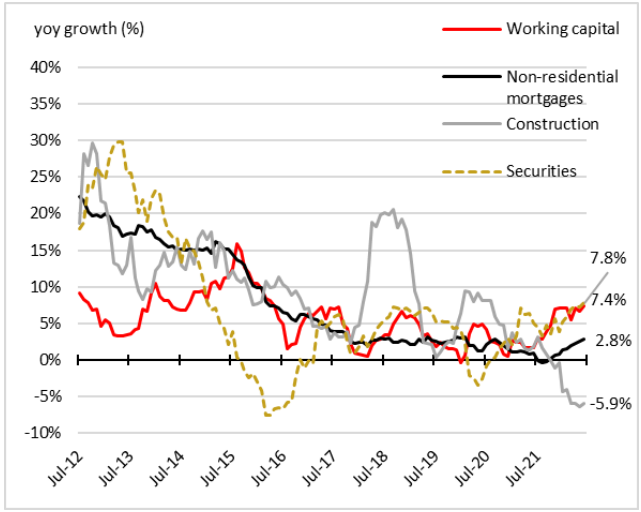
Source: BNM, MIDFR

EXHIBIT 4: RETAIL LOAN CONSTITUENTS



Source: BNM, MIDFR

EXHIBIT 5: BUSINESS LOAN CONSTITUENTS



Source: BNM, MIDFR

EXHIBIT 6: INDUSTRY LOAN GROWTH AND GROWTH RATES

	Total loans (RM b)	Growth (yoy)	Growth (mom)	Retail		Business	
				Growth (yoy)	% of total	Growth (yoy)	% of total
Jul-20	1,806.1	4.5%	0.3%	5.2%	51.2%	3.3%	44.2%
Aug-20	1,814.7	4.4%	0.5%	5.7%	51.4%	2.7%	44.0%
Sep-20	1,824.1	4.4%	0.5%	6.1%	51.6%	2.6%	43.9%
Oct-20	1,826.6	4.3%	0.1%	5.9%	51.7%	2.3%	43.8%
Nov-20	1,825.2	3.8%	-0.1%	5.8%	51.9%	1.6%	43.7%
Dec-20	1,831.2	3.4%	0.3%	5.7%	52.0%	1.1%	43.5%
Jan-21	1,838.3	3.8%	0.4%	5.7%	52.0%	2.3%	43.6%
Feb-21	1,840.1	3.7%	0.1%	5.6%	52.0%	2.1%	43.6%
Mar-21	1,853.6	3.9%	0.7%	6.1%	51.9%	2.5%	43.8%
Apr-21	1,853.9	3.9%	0.0%	6.7%	52.1%	1.9%	43.6%
May-21	1,858.8	3.9%	0.3%	6.6%	52.1%	1.9%	43.6%
Jun-21	1,860.5	3.4%	0.1%	5.8%	51.9%	1.8%	43.8%
Jul-21	1,862.8	3.1%	0.1%	4.7%	51.9%	2.2%	43.7%
Aug-21	1,859.8	2.5%	-0.2%	3.9%	52.1%	1.7%	43.6%
Sep-21	1,877.8	2.9%	1.0%	3.6%	51.9%	2.3%	43.6%
Oct-21	1,887.5	3.3%	0.5%	4.0%	52.0%	2.8%	43.6%
Nov-21	1,903.6	4.3%	0.9%	4.5%	52.0%	4.2%	43.6%
Dec-21	1,913.7	4.5%	0.5%	4.9%	52.2%	4.3%	43.4%
Jan-22	1,923.9	4.7%	0.5%	5.2%	52.3%	4.3%	43.4%
Feb-22	1,926.9	4.7%	0.2%	5.3%	52.3%	4.5%	43.5%
Mar-22	1,938.1	4.6%	0.6%	5.4%	52.3%	3.8%	43.5%
Apr-22	1,946.2	5.0%	0.4%	5.4%	52.4%	4.7%	43.5%
May-22	1,951.6	5.0%	0.3%	5.6%	52.4%	4.6%	43.4%
Jun-22	1,964.8	5.6%	0.7%	6.5%	52.4%	5.0%	43.5%

Source: BNM, MIDFR

EXHIBIT 7: LOAN GROWTH BY SPECIFIC PURPOSE

	Residential property	Non-residential property	Working capital	Transport vehicles	Personal use	Credit card	Securities
Jul-20	7.5%	2.2%	4.2%	-0.2%	4.6%	-8.2%	-0.8%
Aug-20	7.6%	2.5%	2.6%	1.5%	5.4%	-7.9%	0.1%
Sep-20	7.6%	2.8%	2.5%	3.6%	6.1%	-9.1%	0.3%
Oct-20	7.4%	2.5%	2.2%	4.1%	6.0%	-11.4%	1.5%

	Residential property	Non-residential property	Working capital	Transport vehicles	Personal use	Credit card	Securities
Nov-20	7.2%	2.0%	0.8%	4.5%	5.4%	-12.8%	2.3%
Dec-20	7.1%	1.5%	0.5%	5.0%	5.2%	-12.5%	3.0%
Jan-21	7.1%	1.2%	2.8%	5.1%	4.9%	-13.7%	2.2%
Feb-21	7.0%	1.1%	2.4%	5.3%	4.6%	-13.7%	3.4%
Mar-21	7.2%	1.2%	2.4%	6.0%	4.5%	-9.8%	7.1%
Apr-21	7.4%	1.0%	1.6%	7.1%	4.3%	-2.1%	6.2%
May-21	7.4%	0.9%	1.7%	7.4%	3.7%	-4.4%	6.4%
Jun-21	6.8%	0.9%	1.7%	6.5%	3.1%	-8.9%	5.0%
Jul-21	6.4%	-0.1%	3.1%	3.4%	1.2%	-10.9%	4.5%
Aug-21	6.1%	-0.4%	2.9%	0.8%	0.3%	-11.1%	3.3%
Sep-21	6.1%	-0.2%	3.8%	-0.6%	-0.5%	-8.9%	4.8%
Oct-21	6.3%	0.2%	4.8%	-0.4%	-0.5%	-3.3%	3.6%
Nov-21	6.5%	0.6%	7.0%	0.3%	0.2%	-0.9%	5.7%
Dec-21	6.8%	0.9%	7.1%	1.1%	0.7%	-0.7%	3.9%
Jan-22	6.9%	1.4%	7.2%	1.7%	1.4%	2.1%	5.2%
Feb-22	6.9%	1.5%	7.1%	2.0%	2.0%	2.4%	5.9%
Mar-22	6.9%	2.1%	5.6%	2.5%	2.1%	2.8%	6.9%
Apr-22	6.8%	2.3%	7.1%	2.8%	2.0%	2.0%	7.5%
May-22	6.8%	2.5%	6.7%	2.7%	2.2%	5.8%	7.3%
Jun-22	7.3%	2.8%	7.4%	4.7%	2.7%	12.6%	7.8%

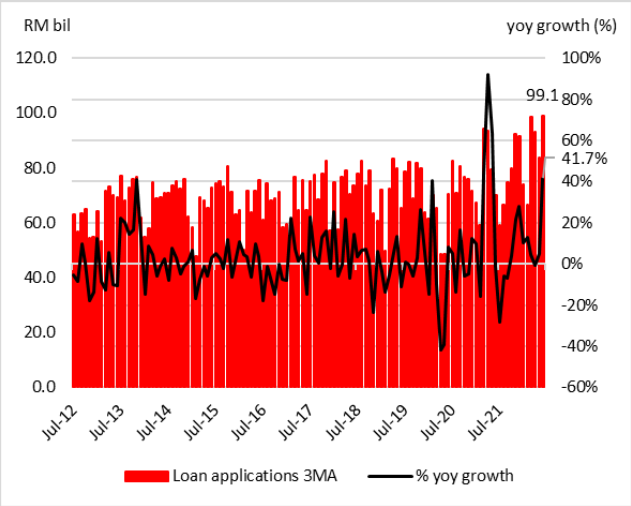
Source: BNM, MIDFR

Leading Indicators:

Loan applications and approvals bounce back. Loan applications staged a comeback in Jun-22, bouncing up to +41.7%yoy and +18.3%mom following a lackluster couple of months. We believe that the sudden spike is not sustainable, as it is due to borrowers scrambling to secure loans before further OPR hikes. Loan approvals moved in a similar direction, rising by +53.0%yoy and +14.8%mom.

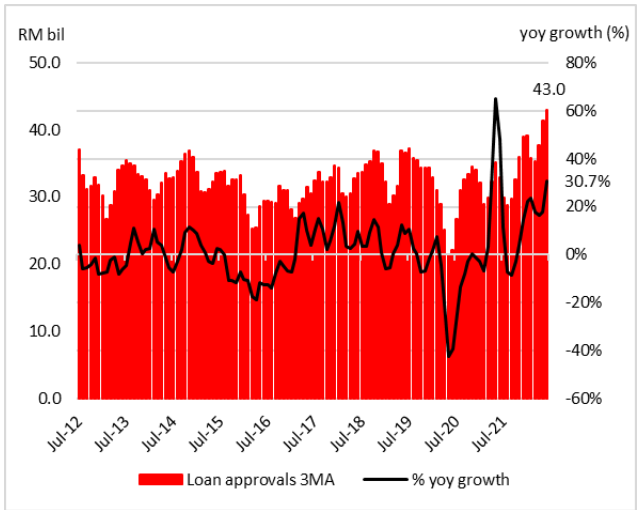
Notably, Jun-22 saw a sharp spike in passenger car loan application (+215.6%yoy) and approvals (+225.1%), as buyers sought to lock in vehicle purchases before the sales tax exemption deadline.

EXHIBIT 8: INDUSTRY LOAN APPLICATIONS (3-MONTH MOVING AVERAGE)



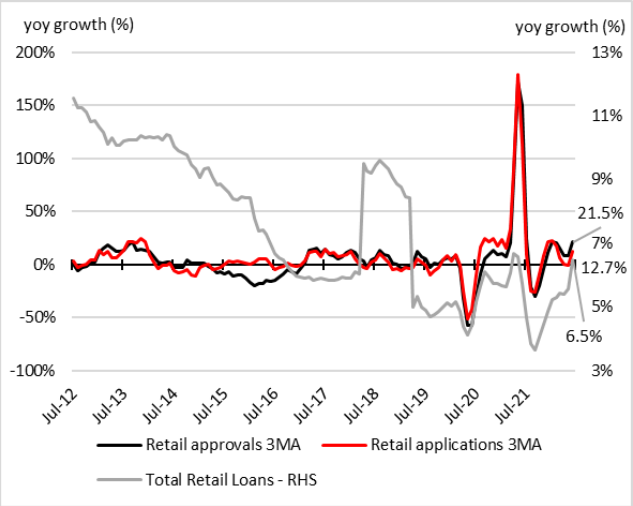
Source: BNM, MIDFR

EXHIBIT 9: INDUSTRY LOAN APPROVALS (3-MONTH MOVING AVERAGE)



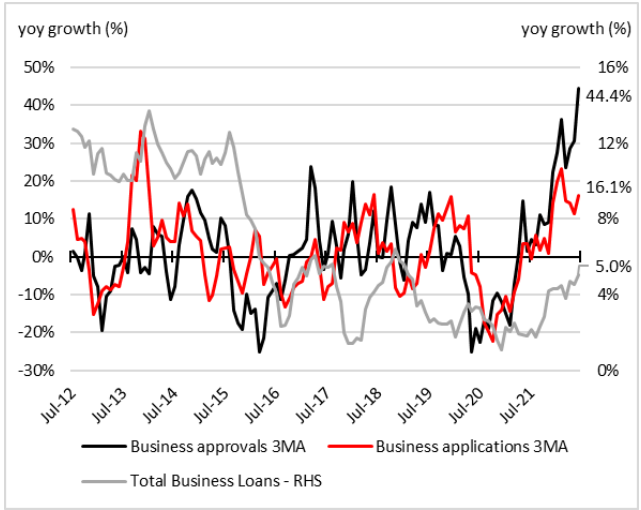
Source: BNM, MIDFR

EXHIBIT 10: RETAIL LEADING INDICATORS



Source: BNM, MIDFR

EXHIBIT 11: BUSINESS LEADING INDICATORS



Source: BNM, MIDFR

EXHIBIT 12: TOTAL LOANS APPLIED AND APPROVED

	Applied (RM b)	Growth (yoy)	Growth (mom)	Approved (RM b)	Growth (yoy)	Growth (mom)	Approval rate
Jul-20	82.8	5.3%	17.1%	32.0	-14.3%	5.8%	38.7%
Aug-20	71.0	-13.7%	-14.2%	30.7	-13.2%	-4.0%	43.3%
Sep-20	80.6	16.6%	13.5%	35.3	4.8%	15.0%	43.8%
Oct-20	76.7	-6.1%	-4.8%	34.2	0.8%	-3.1%	44.6%
Nov-20	75.9	-5.1%	-1.0%	34.2	-4.2%	-0.1%	45.0%
Dec-20	71.7	12.3%	-5.6%	33.7	-0.1%	-1.4%	47.0%
Jan-21	67.4	9.7%	-6.1%	28.5	-3.5%	-15.4%	42.3%
Feb-21	59.0	-15.9%	-12.4%	24.5	-17.8%	-14.0%	41.6%
Mar-21	94.2	43.9%	59.7%	36.9	34.0%	50.4%	39.1%
Apr-21	93.6	92.1%	-0.7%	35.7	96.3%	-3.2%	38.2%
May-21	79.6	63.6%	-14.9%	32.7	80.0%	-8.3%	41.1%
Jun-21	70.0	-1.0%	-12.1%	30.2	-0.1%	-7.7%	43.2%
Jul-21	59.3	-28.4%	-15.3%	26.8	-16.2%	-11.3%	45.2%
Aug-21	66.7	-6.1%	12.5%	29.3	-4.4%	9.5%	44.0%
Sep-21	75.0	-7.0%	12.5%	33.4	-5.4%	13.7%	44.5%
Oct-21	79.9	4.2%	6.6%	34.9	2.2%	4.7%	43.8%
Nov-21	92.3	21.5%	15.5%	39.4	15.3%	12.7%	42.7%
Dec-21	91.7	27.9%	-0.6%	42.8	27.0%	8.7%	46.7%
Jan-22	74.1	10.0%	-19.2%	35.5	24.4%	-17.1%	47.9%
Feb-22	66.7	13.0%	-10.0%	28.9	18.0%	-18.5%	43.4%
Mar-22	98.6	4.6%	47.8%	41.5	12.5%	43.4%	42.1%
Apr-22	93.1	-0.5%	-5.6%	42.5	19.1%	2.5%	45.7%
May-22	83.8	5.2%	-10.0%	40.2	22.9%	-5.4%	48.1%
Jun-22	99.1	41.7%	18.3%	46.2	53.0%	14.8%	46.6%
6MCY21	707.0	93.6%		188.6	22.9%		26.7%
6MCY22	515.4	-27.1%		234.9	24.6%		45.6%

Source: BNM, MIDFR

EXHIBIT 13: RETAIL AND BUSINESS LOANS APPLIED AND APPROVED

	Retail loans applied	Growth (yoy)	Business loans applied	Growth (yoy)	Retail loans approved	Growth (yoy)	Business loans approved	Growth (yoy)
Jul-20	48,497.4	18.9%	30,071.0	-11.9%	17,781.3	-5.1%	11,811.8	-28.1%
Aug-20	43,772.3	12.4%	25,097.4	-35.3%	17,576.1	-2.2%	12,375.5	-20.2%
Sep-20	49,083.9	46.1%	29,261.3	-9.9%	19,285.0	25.6%	15,453.2	-8.4%

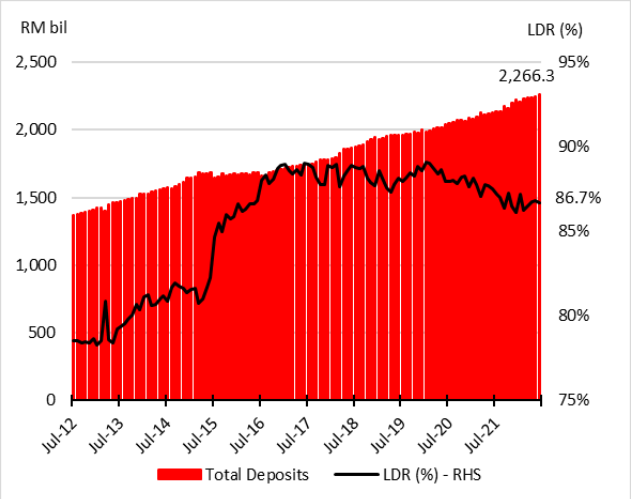
	Retail loans applied	Growth (yoy)	Business loans applied	Growth (yoy)	Retail loans approved	Growth (yoy)	Business loans approved	Growth (yoy)
Oct-20	45,094.0	11.0%	29,932.2	-19.8%	19,121.5	7.2%	14,113.2	-5.7%
Nov-20	43,399.3	18.4%	31,169.9	-15.3%	18,415.2	10.3%	14,336.9	-14.0%
Dec-20	43,185.3	23.5%	25,477.6	-4.2%	17,159.8	11.7%	13,889.4	-14.9%
Jan-21	40,695.9	31.0%	24,540.2	-10.4%	15,715.3	9.2%	11,559.5	-15.8%
Feb-21	33,435.8	-5.9%	23,623.0	-26.1%	14,229.0	-0.5%	9,783.5	-24.7%
Mar-21	55,859.4	82.7%	35,550.4	8.2%	19,641.7	57.7%	15,739.5	19.2%
Apr-21	56,154.0	448.6%	35,235.4	-0.5%	21,150.2	482.4%	13,702.8	7.8%
May-21	47,638.3	190.2%	30,101.5	2.4%	18,875.4	220.1%	13,434.3	17.3%
Jun-21	38,157.9	-4.1%	30,671.6	9.4%	14,972.5	19.7%	13,997.2	-14.6%
Jul-21	29,148.0	-39.9%	26,342.1	-12.4%	11,373.0	-36.0%	14,041.1	18.9%
Aug-21	32,455.3	-25.9%	30,923.1	23.2%	11,335.1	-35.5%	13,810.9	11.6%
Sep-21	43,502.4	-11.4%	28,575.0	-2.3%	15,438.1	-19.9%	16,215.4	4.9%
Oct-21	50,288.2	11.5%	28,756.9	-3.9%	18,335.8	-4.1%	15,470.1	9.6%
Nov-21	55,510.7	27.9%	33,799.9	8.4%	20,739.2	12.6%	16,201.5	13.0%
Dec-21	54,727.7	26.7%	36,186.3	42.0%	21,688.1	26.4%	20,100.9	44.7%
Jan-22	45,584.3	12.0%	27,207.0	10.9%	19,880.7	26.5%	14,454.3	25.0%
Feb-22	37,777.3	13.0%	27,292.9	15.5%	15,246.0	7.1%	13,478.8	37.8%
Mar-22	55,342.0	-0.9%	41,462.9	16.6%	22,106.8	12.6%	17,834.3	13.3%
Apr-22	53,054.8	-5.5%	39,059.4	10.9%	22,377.7	5.8%	19,103.9	39.4%
May-22	49,948.9	4.9%	31,842.2	5.8%	20,227.6	7.2%	19,061.2	41.9%
Jun-22	56,934.4	49.2%	40,519.5	32.1%	24,232.8	61.8%	21,238.5	51.7%
6MCY21	271,941.3	66.2%	179,722.1	-2.9%	104,584.1	65.5%	78,216.9	-2.8%
6MCY22	298,641.7	9.8%	207,383.8	15.4%	124,071.5	18.6%	105,171.0	34.5%

Source: BNM, MIDFR

Deposits:

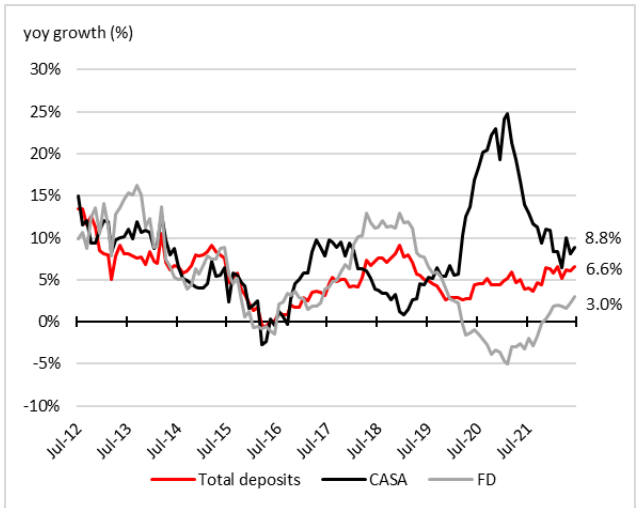
FD growth rates pick up. Total deposits increased by +6.6%yoy. While CASA growth continued to remain tepid at +8.8%yoy, FD growth rose +3.0%yoy following the OPR hike to +2.00% in May-22. FD growth rates are expected to continue their upward momentum in coming quarters, given the BNM's hawkish outlook. Consequently, CASA growth rates should continue to shrink. LDR remains steady at 86.7%.

EXHIBIT 14: INDUSTRY DEPOSIT GROWTH



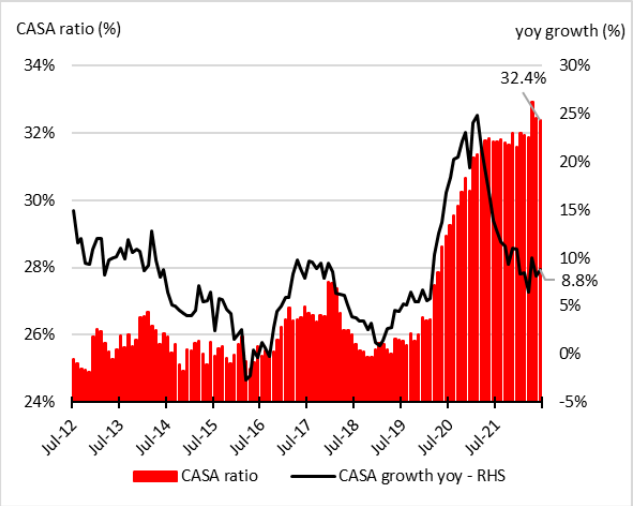
Source: BNM, MIDFR

EXHIBIT 15: DEPOSIT SEGMENTS GROWTH RATES



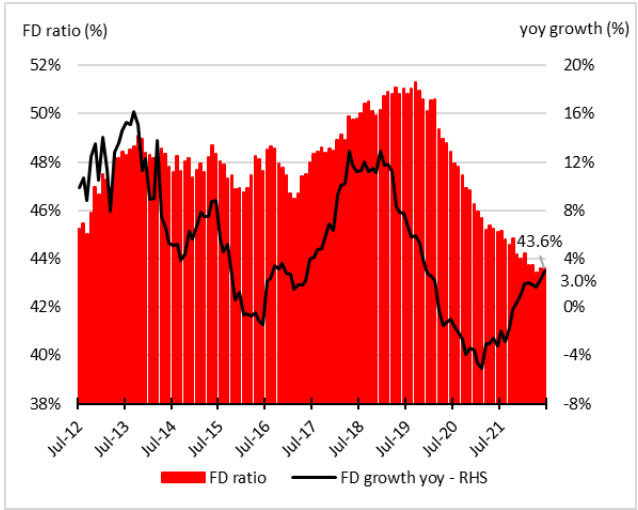
Source: BNM, MIDFR

EXHIBIT 16: CASA RATIO AND GROWTH RATE



Source: BNM, MIDFR

EXHIBIT 17: FD RATIO AND GROWTH RATE



Source: BNM, MIDFR

EXHIBIT 18: DEPOSIT GROWTH RATES AND RATIOS

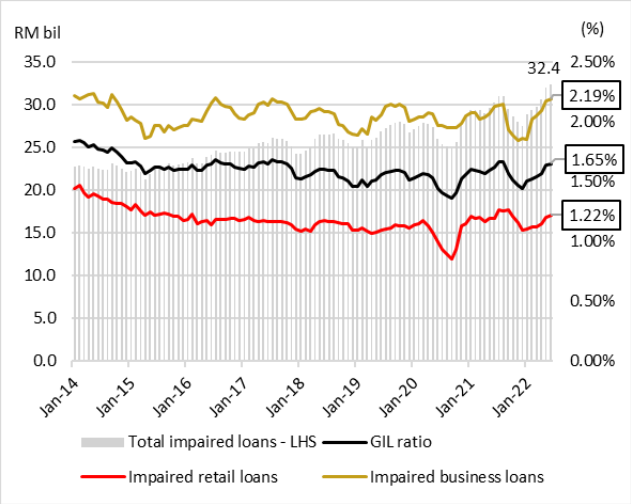
	Total deposits (RM b)	Growth (yoy)	CASA (RM b)	Growth (yoy)	FD (RM b)	Growth (yoy)	CASA Ratio	L/D Ratio
Jul-20	2,053.7	4.5%	600.6	18.4%	984.1	-1.5%	29.2%	87.9%
Aug-20	2,061.9	4.5%	609.1	20.2%	985.9	-2.1%	29.5%	88.0%
Sep-20	2,076.6	5.2%	619.5	20.5%	985.6	-2.7%	29.8%	87.8%
Oct-20	2,071.4	4.4%	626.2	22.2%	971.8	-3.9%	30.2%	88.2%
Nov-20	2,067.5	4.4%	634.2	23.0%	968.2	-3.4%	30.7%	88.3%
Dec-20	2,089.3	4.4%	632.8	19.3%	966.5	-3.6%	30.3%	87.6%
Jan-21	2,085.3	5.0%	651.9	24.1%	957.8	-4.6%	31.3%	88.2%
Feb-21	2,096.9	5.2%	657.6	24.8%	957.6	-5.0%	31.4%	87.8%
Mar-21	2,129.2	5.9%	670.4	21.4%	962.1	-3.0%	31.5%	87.1%
Apr-21	2,112.9	4.6%	671.3	19.3%	958.7	-3.0%	31.8%	87.7%
May-21	2,118.7	5.0%	674.5	16.8%	958.4	-2.6%	31.8%	87.7%
Jun-21	2,125.7	3.9%	674.5	14.0%	959.1	-3.2%	31.7%	87.5%
Jul-21	2,136.8	4.0%	678.1	12.9%	964.6	-2.0%	31.7%	87.2%
Aug-21	2,138.1	3.7%	680.1	11.7%	957.9	-2.8%	31.8%	87.0%
Sep-21	2,173.4	4.7%	689.3	11.3%	968.5	-1.7%	31.7%	86.4%
Oct-21	2,163.6	4.4%	684.9	9.4%	970.2	-0.2%	31.7%	87.2%
Nov-21	2,200.4	6.4%	704.3	11.1%	971.9	0.4%	32.0%	86.5%
Dec-21	2,221.8	6.3%	701.8	10.9%	977.5	1.1%	31.6%	86.1%
Jan-22	2,207.1	5.8%	706.0	8.3%	976.1	1.9%	32.0%	87.2%
Feb-22	2,233.5	6.5%	712.9	8.4%	976.5	2.0%	31.9%	86.3%
Mar-22	2,240.0	5.2%	713.5	6.4%	979.7	1.8%	31.9%	86.5%
Apr-22	2,243.4	6.2%	738.8	10.1%	974.6	1.7%	32.9%	86.8%
May-22	2,248.2	6.1%	729.0	8.1%	980.5	2.3%	32.4%	86.8%
Jun-22	2,266.3	6.6%	734.0	8.8%	987.8	3.0%	32.4%	86.7%

Source: BNM, MIDFR

Asset quality:

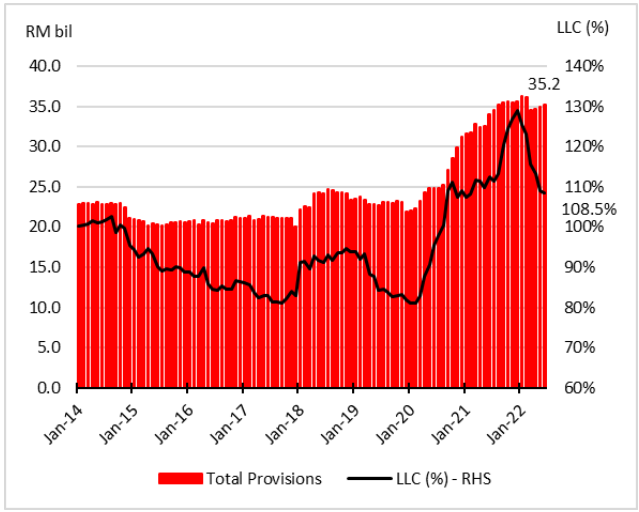
GIL ratio flattish for now. The system GIL ratio remained flattish at 1.65% (+1bps mom), paling in comparison to May-22's +7bps mom increase. While asset quality concerns are compounded by inflation fears, interest rate hikes and commodity volatility in 2HCY22F, conservative pre-emptive provisioning and better-than-expected repayment rates for recently graduated R&R loans should make any potential deterioration manageable. June-22's Industry LLC continues to moderate at 108.5%.

EXHIBIT 19: IMPAIRED LOAN RATIOS



Source: BNM, MIDFR

EXHIBIT 20: PROVISIONS & LLC



Source: BNM, MIDFR

EXHIBIT 21: ASSET QUALITY STATS

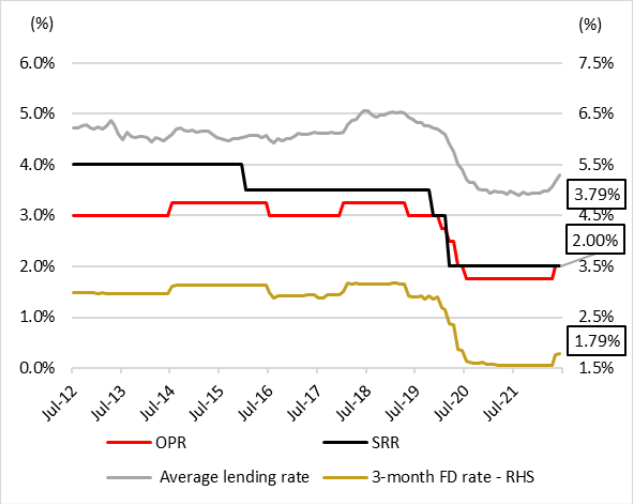
	Impaired Loans/ Financing (RM b)	GIL Ratio (%)	Total Provisions (RM b)	Loan Loss Coverage Ratio (%)
Jul-20	25,436.0	1.41	24,890.0	97.9
Aug-20	25,117.5	1.38	25,218.9	100.4
Sep-20	24,900.6	1.37	27,140.3	109.0
Oct-20	25,711.0	1.41	28,567.9	111.1
Nov-20	27,844.8	1.53	29,907.3	107.4
Dec-20	28,631.5	1.56	31,185.8	108.9
Jan-21	29,434.1	1.60	31,661.6	107.6
Feb-21	29,347.5	1.59	31,747.5	108.2
Mar-21	29,353.1	1.58	32,777.8	111.7
Apr-21	29,059.2	1.57	32,387.2	111.5
May-21	29,598.5	1.59	32,532.6	109.9
Jun-21	30,231.3	1.62	33,997.0	112.5
Jul-21	31,031.8	1.67	34,614.4	111.5
Aug-21	31,062.8	1.67	35,191.7	113.3
Sep-21	29,477.1	1.57	35,518.5	120.5
Oct-21	28,661.6	1.52	35,632.3	124.3
Nov-21	28,007.2	1.47	35,491.8	126.7
Dec-21	27,575.1	1.44	35,565.6	129.0
Jan-22	28,910.8	1.50	36,303.0	125.6
Feb-22	29,389.5	1.53	36,181.6	123.1
Mar-22	29,833.2	1.54	34,528.4	115.7
Apr-22	30,622.4	1.57	34,721.9	113.4
May-22	32,054.0	1.64	34,983.2	109.1
Jun-22	32,445.7	1.65	35,206.4	108.5

Source: BNM, MIDFR

Interest spread and Capital ratios:

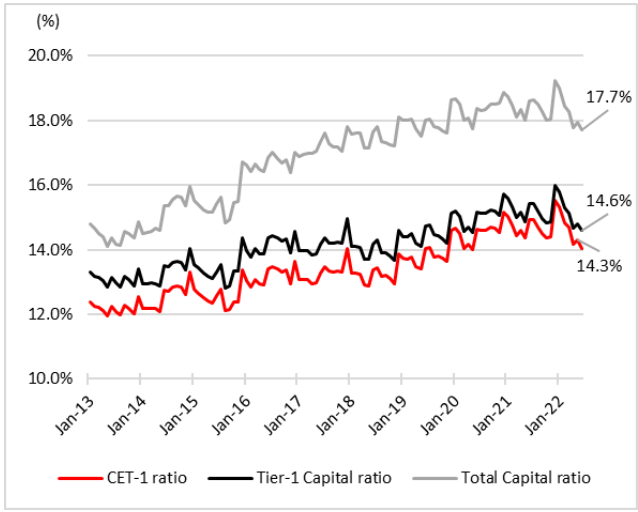
Interest spread widens by +9bps. Following May-22's OPR hike, the average lending rate rose by +11bps mom to 3.79%, while 3-month deposit rate inched up by a narrower +2bps mom. The interest rate differential is expected to be maintained, following July-22's OPR hike, before the eventual FD rate adjustment. The deposit taking landscape is expected to remain competitive within the coming quarters as certain banks have already noted rising competition in the 12-24-month band.

EXHIBIT 22: OPR, SRR, LENDING AND FD RATES



Source: BNM, MIDFR

EXHIBIT 23: PROVISIONS & LLC



Source: BNM, MIDFR

Maintain POSITIVE. While the banking sector is likely to face a moderation in loan growth in 2HCY22, future OPR hikes and provisioning writebacks should render the banking space earnings accretive in the coming quarters. Asset quality concerns should remain manageable, given the generous pre-emptive provisioning. Our top picks for the sector remain **Hong Leong Bank (BUY, TP: RM23.55)** and **RHB Bank (BUY, TP: RM7.13)**.

PEER COMPARISON TABLE

Company	Rec.	Share P*	Target P	Mkt Cap	PER (x)		P/B (x)		ROE (%)		Net Div Yield (%)	
		(RM)	(RM)	(RM 'b)	FY22/23	FY23/24	FY22/23	FY23/24	FY22/23	FY23/24	FY22/23	FY23/24
Maybank	BUY	8.86	9.52	105.25	11.1	9.8	1.2	1.1	10.3	11.4	8.1	9.2
CIMB	BUY	5.21	6.14	53.25	11.2	8.8	0.8	0.8	7.7	9.4	4.5	5.7
Public Bank	BUY	4.64	5.67	90.07	15.4	13.3	1.7	1.7	11.7	12.6	3.3	3.8
RHB	BUY	5.88	7.13	24.36	8.0	7.3	0.8	0.7	10.1	10.5	6.2	6.9
HLB	BUY	20.98	23.55	45.48	14.2	12.5	1.4	1.3	10.5	11.0	2.6	3.4
HLFG	BUY	19.48	23.16	22.36	9.1	8.0	1.3	1.2	10.3	11.2	2.5	2.9
AMMB	BUY	3.90	4.07	12.92	8.1	7.6	0.7	0.6	8.6	8.7	6.2	4.6
Bank Islam	BUY	2.69	3.69	5.80	12.7	11.0	1.0	0.9	7.8	8.3	3.9	4.5
Affin Bank	BUY	2.13	2.53	4.52	8.2	6.8	0.4	0.4	5.5	6.4	3.4	2.0
ABMB	BUY	3.48	3.64	5.39	7.9	7.4	0.8	0.7	10.0	9.8	6.4	6.8
Average					**10.6**	**9.2**	**1.0**	**1.0**	**9.3**	**9.9**	**4.7**	**5.0**

**Closing prices from 29th July 2022*

Source: BNM, MIDFR

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(Bank Pelaburan)
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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology