# Banking

**Positive** (Maintain)

## Dec '24 Banking Statistics

### HIGHLIGHTS

- Gross loans growth fell slightly short of expectations but Dec'24 showed that it is still robust with a month-on-month increase
- Deposits growth remains robust with CASA ratio stable
- FD rates for conventional were lower for majority of maturities
- Asset quality continued to improve and the best since Apr'21

### SECTOR RECAP

**Gross loan growth as of end Dec'24: +5.5%yoy / +0.8%mom.** Acceleration on a sequential month basis (Nov'24 loans grew +5.8%yoy and +0.6%mom). This was led by faster monthly pace of business loans growth (+1.0%mom vs. Nov'24: +0.7%mom).

- Retail loans: +6.9%yoy / +0.5%mom. Robust loans for purchasing residential and passenger cars. Slightly lower year-on-year but keeping pace with Sept-24's month-on-month
- Business loans: +3.9%yoy /+1.0%mom. Higher growth pace for construction and working capital loans

**Leading indicators.** Marginally lower application than in previous month but could be due to seasonality, approaching the end of the year. Approval rate: 62%.

**Robust deposits growth.** Deposits +3.3%yoy / +0.9%mom whereby FD growth came in slightly higher. FD growth: +3.9%yoy / +0.3%mom while CASA growth: +4.7%yoy / +1.2%mom. Loan/Deposit ratio: 92.0%.

**Asset quality continued improving.** GIL ratio 1.44% (-7bps mom). Asset quality in the banking system continue to improve. This is the lowest since Apr'21. Improvements seen across board with personal use and construction the most notable; -10bps mom and -37bps mom respectively.

**Interest rates trend and drivers:**

- **FD rates (Conv.):** Decrease for all maturities except 3-month (+3bps mom).
- **FD rates (Isl.):** Higher rates for all maturities.
- **Lending rates:** ALR has been on downtrend since May'24 possibly indicating some competitions for loans.

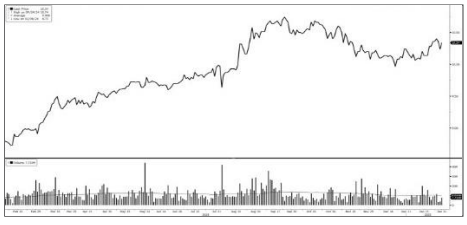
### COMPANY *IN FOCUS*

**Maybank**

**Maintain BUY | Target Price: RM12.11**
Price @ 31 January 2025: RM10.34

- Excellent dividend yields.
- Loan growth target of 7-8% is healthy.
- Strong NOII growth

**SHARE PRICE CHART**



**Public Bank**

**Maintain BUY | Target Price: RM5.16**
Price @ 31 January 2025: RM4.31

- Robust loans growth
- Deposits growth keeping pace
- Asset quality remains robust and improving

**SHARE PRICE CHART**



**Have a look at:**

1. **GIL ratio improvement again.** Improvement in asset quality continued for another month. This indicates that asset quality remains stable. We believe that this is possibly due to the robust economic performance and stable labour market conditions. Hence, we are not concern on asset quality of the banking sector at current juncture.
2. **FD rates fell in the month.** Deposits continue to grow led by FD growth. While this may be a cause for concern, we are allayed by the fall in FD rates across majority of maturities for conventional. Furthermore, CASA ratio remains stable at 31.4%. As such, we expect any NIM compression will be manageable.
3. **ALR is being compressed.** This has been on a downtrend since May'24: altogether -25bps since May'24. Residential mortgages and SME segments remain highly competitive.

**Maintain POSITIVE call.** We continue to be **POSITIVE** on the sector as loans growth continue to be robust while asset quality remains stable. Furthermore, good dividend yields should moderate any downside risk.

**Top downside risks include:**

1. Weak economic activity causes a slowdown in credit growth.
2. Asset quality issues resurface.
3. Deposit competition which would lead to NIM compression.

**Top Picks: Maybank (BUY, TP: RM12.11)** and **Public Bank (BUY, TP: RM5.16).** *(Our comprehensive list of sector picks is below).*

## PEER COMPARISON TABLE

| Bank | Rec | Share P* | Target P | Upside | Mkt Cap | P/E (x) | | P/B (x) | | ROE (%) | | Div Yield (%) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (RM) | (RM) | (%) | (RM b) | FY24 | FY25 | FY24 | FY25 | FY24 | FY25 | FY24 | FY25 |
| MAY | BUY | 10.34 | 12.11 | 17.1 | 124.7 | 12.9 | 11.9 | 1.3 | 1.2 | 10.1 | 10.6 | 6.2 | 6.7 |
| CIMB | BUY | 8.02 | 9.11 | 13.6 | 85.8 | 11.4 | 10.6 | 1.2 | 1.1 | 10.7 | 11.0 | 6.0 | 4.9 |
| PBK | BUY | 4.31 | 5.16 | 19.7 | 83.7 | 12.4 | 11.7 | 1.4 | 1.4 | 12.0 | 12.0 | 4.3 | 4.5 |
| RHB | NEUTRAL | 6.43 | 6.60 | 2.6 | 27.5 | 9.6 | 9.0 | 0.9 | 0.8 | 9.1 | 9.3 | 6.1 | 6.4 |
| HLBK | BUY | 20.20 | 22.76 | 12.7 | 41.4 | 9.2 | 8.5 | 1.0 | 1.0 | 11.6 | 11.6 | 3.8 | 4.1 |
| HLFG | BUY | 18.10 | 23.13 | 27.8 | 20.5 | 6.3 | 5.8 | 0.6 | 0.6 | 10.4 | 10.4 | 3.2 | 3.5 |
| AMMB | NEUTRAL | 5.64 | 5.18 | -8.2 | 18.7 | 10.2 | 9.8 | 0.9 | 0.9 | 9.2 | 9.1 | 3.9 | 4.6 |
| BIMB | BUY | 2.45 | 3.06 | 24.9 | 5.5 | 9.2 | 8.6 | 0.7 | 0.7 | 8.0 | 8.3 | 6.2 | 6.3 |
| AFFIN | SELL | 2.81 | 2.35 | -16.4 | 6.5 | 13.1 | 12.5 | 0.6 | 0.5 | 4.4 | 4.4 | 2.3 | 2.3 |
| ABMB | NEUTRAL | 5.20 | 4.64 | -10.9 | 8.1 | 11.0 | 10.3 | 1.0 | 1.0 | 9.8 | 9.8 | 4.1 | 4.4 |
| **Simple avg (ex-HLFG)** | | | | | | **11.0** | **10.3** | **1.0** | **1.0** | **9.4** | **9.6** | **4.8** | **4.9** |
| **Weighted avg (ex-HLFG)** | | | | | | **11.6** | **10.9** | **1.2** | **1.1** | **10.6** | **10.8** | **5.3** | **5.4** |

**Closing prices from 31 Jan 2025.*
*^AMMB, ABMB, HLBK & HLFG uses FY25F/26F values.*

## A. SYSTEM LOAN & CONSTITUENTS

### TABLE 1: Core Figures & Forecasts

| | yoy Growth rates (%) | | | | YTD Ann. (%) | mom Growth rates (%) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec-24 | Nov-24 | Oct-24 | Sep-24 | | Dec-24 | Nov-24 | Oct-24 | Sep-24 |
| **Total loans** | **5.5** | **5.8** | **6.0** | **5.6** | **5.5** | **0.8** | **0.6** | **0.7** | **0.4** |
| Retail loans | 6.9 | 7.1 | 7.2 | 7.4 | 6.9 | 0.5 | 0.5 | 0.6 | 0.6 |
| Business loans | 3.9 | 4.4 | 4.6 | 3.6 | 3.9 | 1.0 | 0.7 | 0.8 | 0.2 |
| SME* | - | 8.7 | 8.8 | 8.8 | 7.9 | - | 0.8 | 0.6 | 0.5 |
| | | | | | | | | | |
| **Deposits + repo** | **3.0** | **3.6** | **3.1** | **3.3** | **3.0** | **0.7** | **0.9** | **0.3** | **0.7** |
| **Total deposits** | **3.3** | **4.0** | **3.5** | **3.5** | **3.3** | **0.9** | **0.9** | **0.5** | **0.3** |
| CASA | 4.7 | 5.2 | 4.0 | 5.2 | 4.7 | 1.2 | 1.9 | -0.2 | 1.0 |
| FD | 3.9 | 3.7 | 3.5 | 2.8 | 3.9 | 0.3 | 0.2 | 0.2 | 0.2 |
| | | | | | | | | | |
| Total provisions | -8.4 | -6.8 | -5.3 | -5.9 | -8.4 | -3.6 | -0.3 | -0.2 | -1.4 |
| Total GIL | -7.7 | -5.1 | -5.1 | -5.0 | -7.7 | -3.8 | -0.4 | -0.6 | -1.8 |
| | | | | | | | | | |
| **Leading indicators** | | | | | | | | | |
| 3MA applications | 1 | 2 | -1 | 4 | 0 | -4 | -3 | -0 | 2 |
| Retail | -2 | 2 | 1 | 6 | -2 | 1 | -3 | -4 | -1 |
| Business | 4 | 2 | -4 | 2 | 4 | -9 | -3 | 4 | 6 |
| 3MA approvals | -4 | -1 | -3 | 4 | 0 | 0 | -2 | 1 | 2 |
| Retail | -9 | -3 | -3 | 3 | -9 | 3 | -4 | -4 | -3 |
| Business | 0 | 0 | -2 | 4 | 0 | -2 | -1 | 4 | 6 |

| | Dec-24 | Nov-24 | Oct-24 | Sep-24 | Dec-23 |
|---|---|---|---|---|---|
| Interest spread | 2.50 | 2.55 | 2.62 | 2.60 | 2.73 |
| Loan approval rate | 62 | 53 | 53 | 54 | 63 |
| SME approval rate* | - | 60 | 48 | 46 | 60 |
| | | | | | |
| GIL ratio | 1.44 | 1.51 | 1.53 | 1.54 | 1.65 |
| SME GIL ratio* | - | 2.97 | 2.99 | 3.01 | 3.07 |
| LLC ratio | 91 | 91 | 91 | 91 | 92 |
| | | | | | |
| CASA ratio | 31.4 | 31.3 | 31.0 | 31.2 | 31.0 |
| Loan/Deposit ratio | 92.0 | 92.1 | 92.3 | 92.2 | 90.1 |
| Liquidity coverage ratio | 161 | 148 | 147 | 148 | 161 |
| | | | | | |
| CET 1 | 14.3 | 14.4 | 14.4 | 14.5 | 15.4 |
| Tier 1 Capital | 14.8 | 14.9 | 14.9 | 15.0 | 15.9 |
| Total Capital | 17.8 | 17.9 | 18.0 | 18.2 | 19.0 |

**SME data until Nov-24*

| | Period | Forecast | Formerly |
|---|---|---|---|
| Loan growth | CY25 | 5.0-5.5% | |
| | | | |
| GDP | CY25 | 4.6% | |
| | | | |
| OPR | CY25 | 3.00% | |

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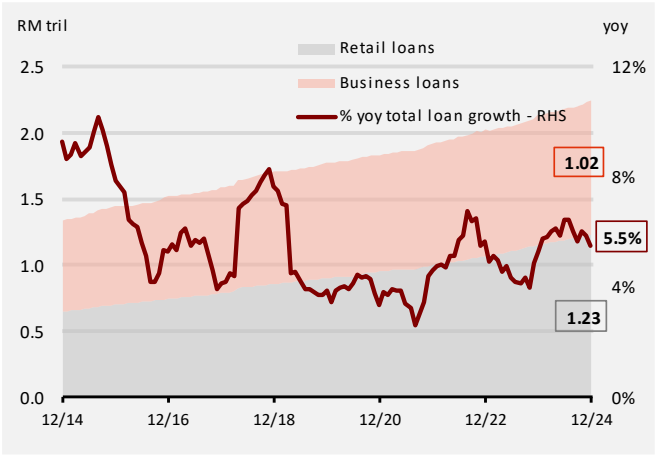
## CHART 1: yoy System loans

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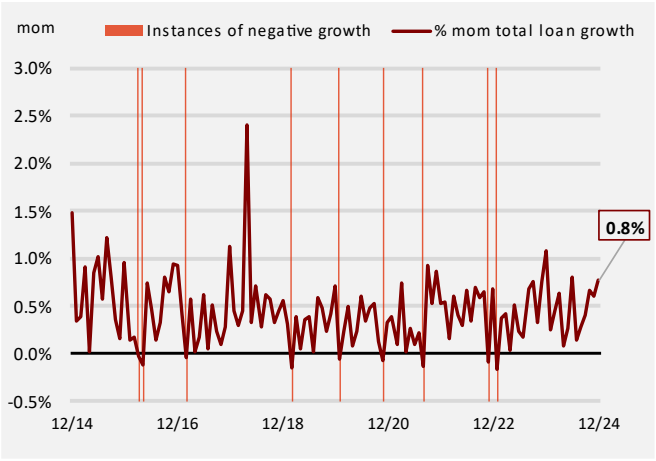
## CHART 2: mom System loans

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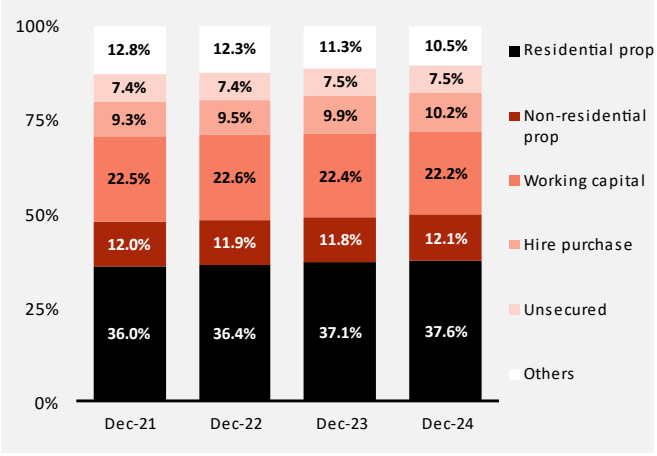
## CHART 3: Loan breakdown by type

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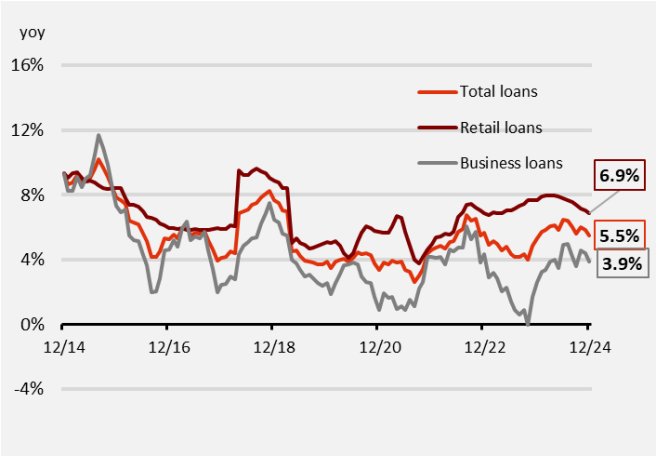
## CHART 4: Retail & business loan growth

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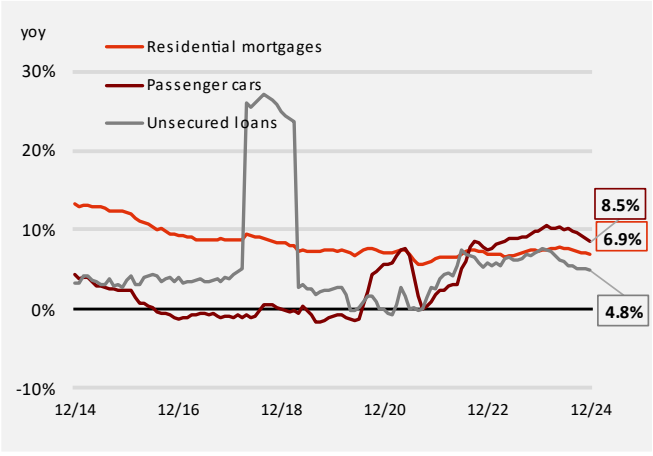
## CHART 5: Retail loan constituents

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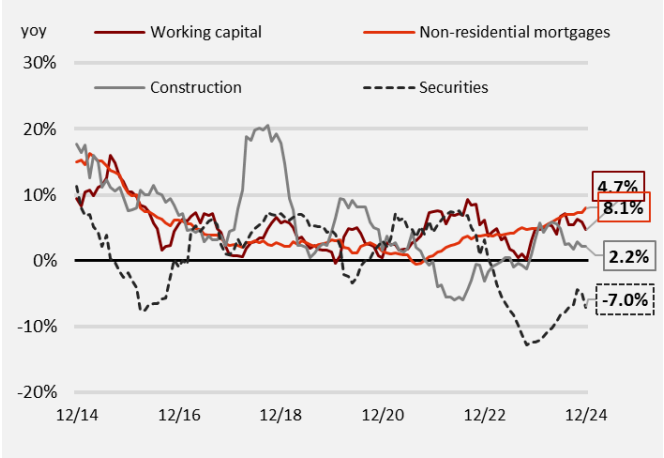
## CHART 6: Business loan constituents

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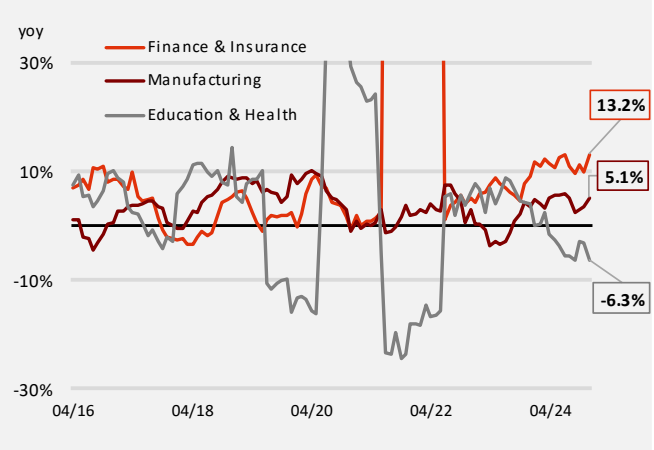
## CHART 7: Loan growth of other sectors

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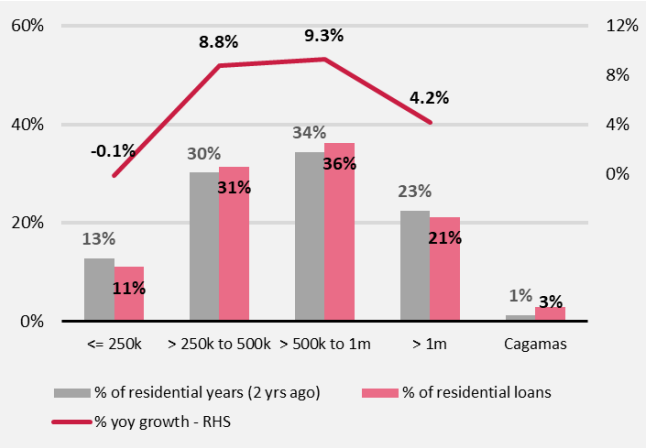
## CHART 8: Residential loans by segment

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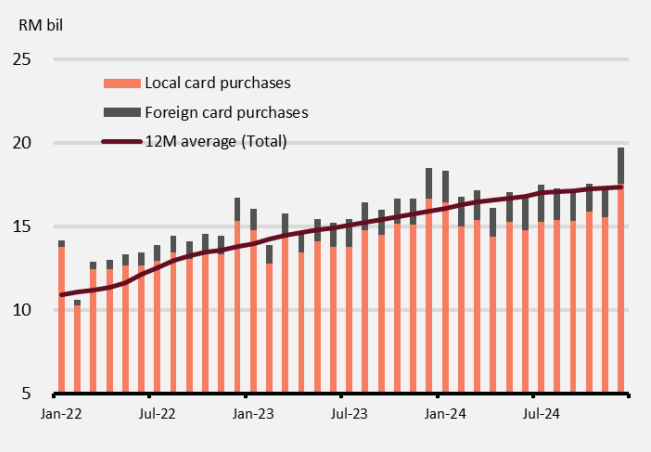
## CHART 9: Credit card purchases

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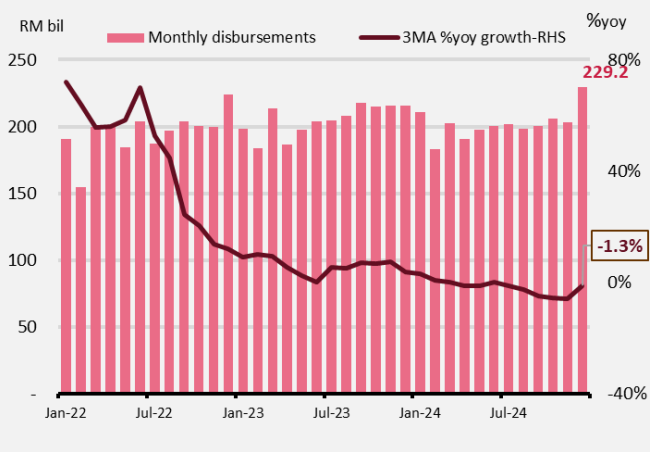
## CHART 10: Monthly loan disbursements

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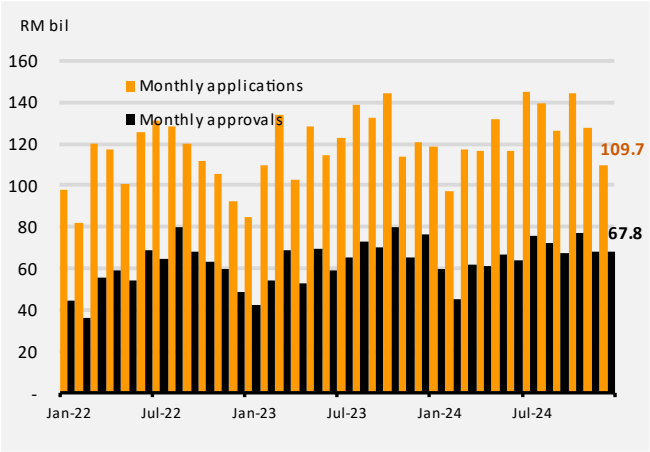
## B. LEADING INDICATOR TRENDS

### CHART 11: Monthly applications & approvals

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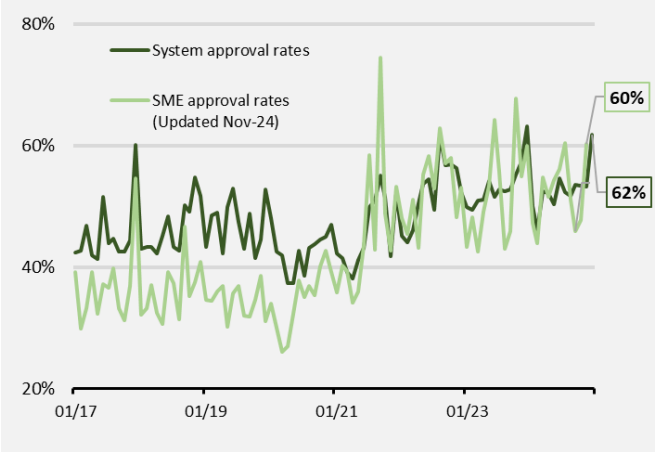
### CHART 12: System & SME approval rates

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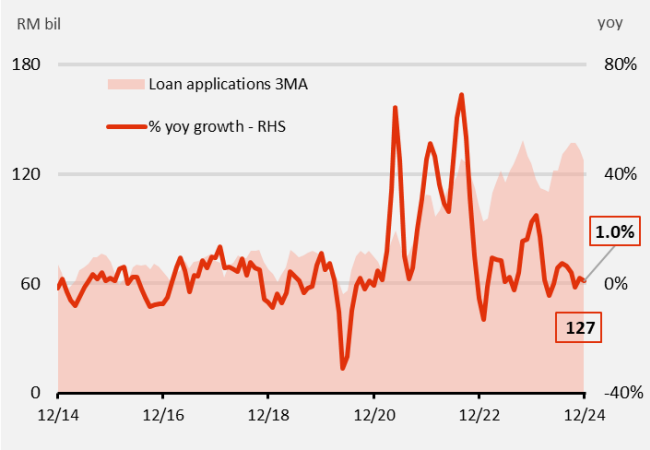
### CHART 13: Loan applications (3-mth average)

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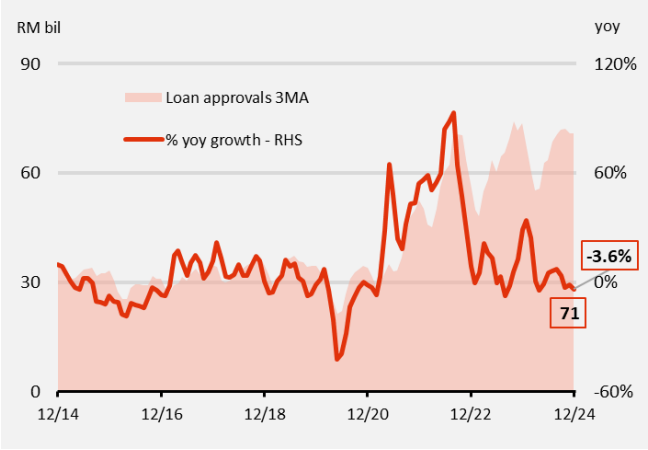
### CHART 14: Loan approvals (3-mth average)

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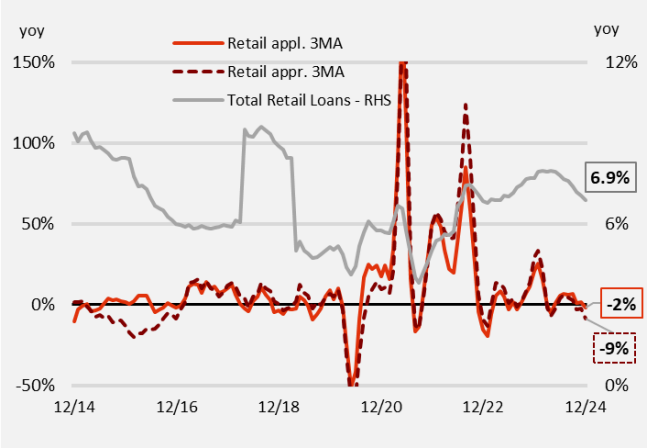
### CHART 15: Retail loan indicators

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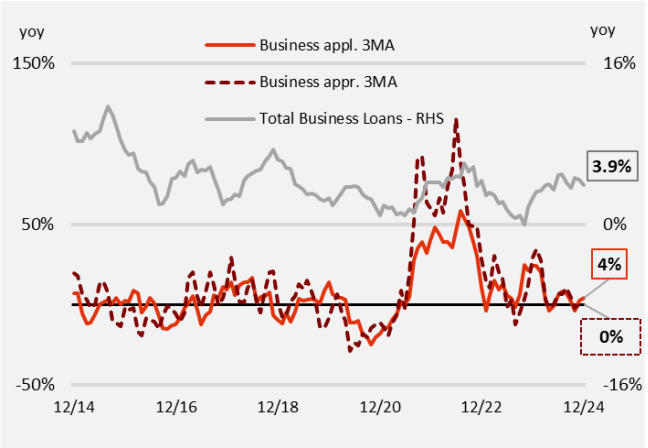
### CHART 16: Business loan indicators

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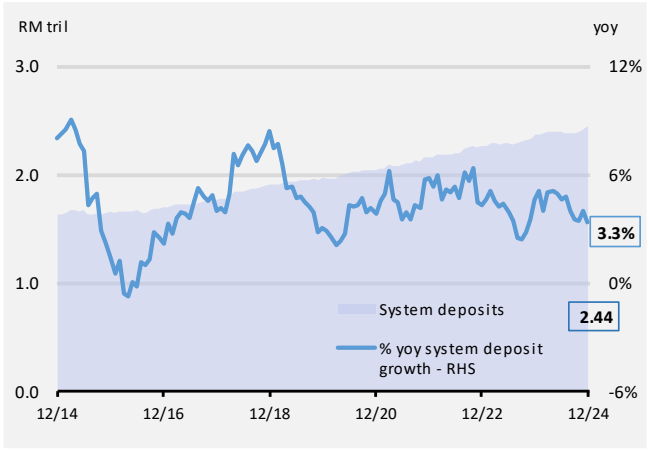
## C. DEPOSITS & LIQUIDITY

### CHART 17: yoy System deposits

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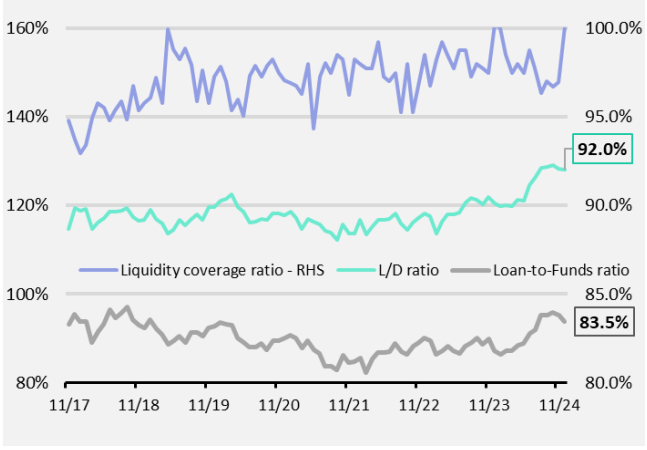
### CHART 18: LCR, LDR & LTF ratio

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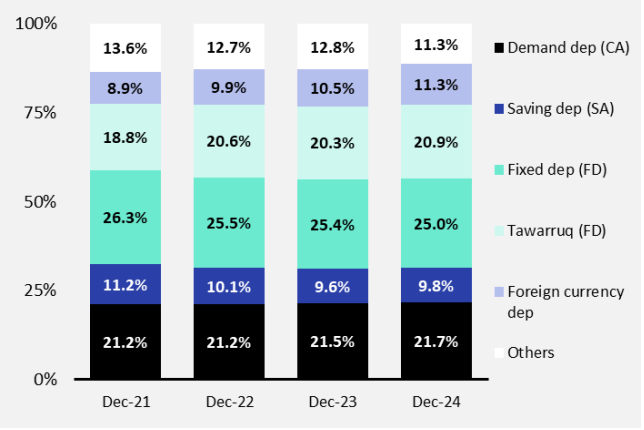
### CHART 19: Deposit breakdown by type

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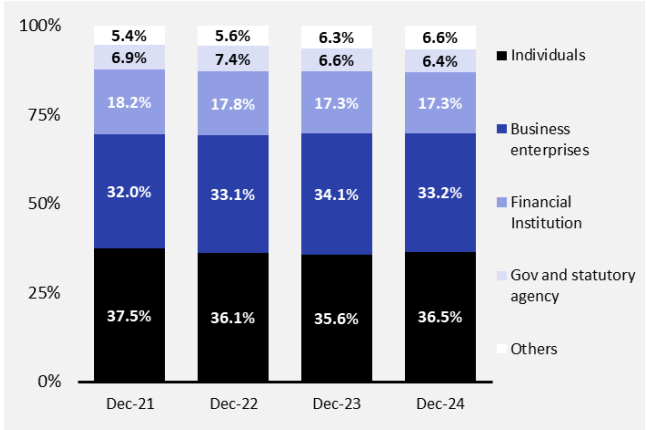
### CHART 20: Deposit breakdown by holder

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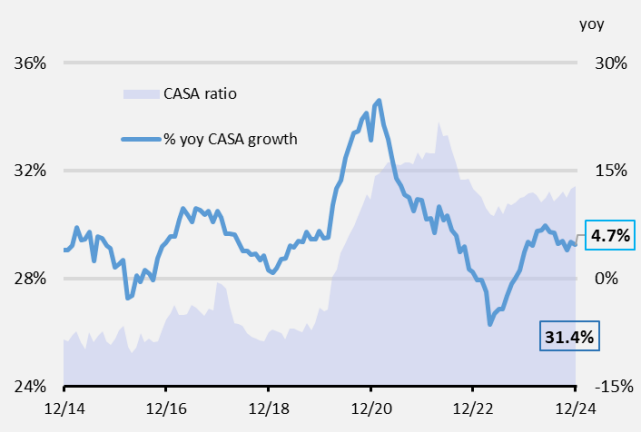
### CHART 21: CASA ratio and yoy growth

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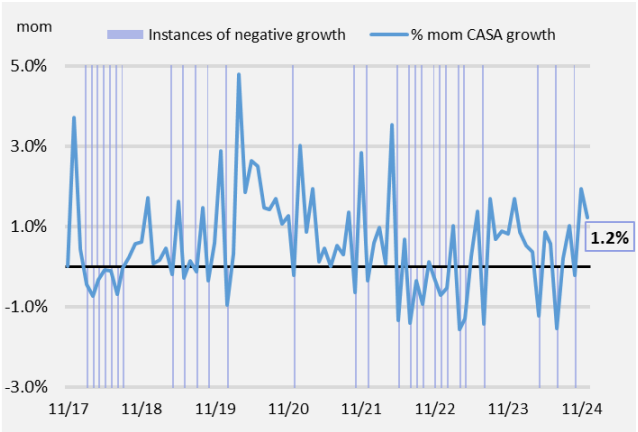
### CHART 22: mom CASA growth

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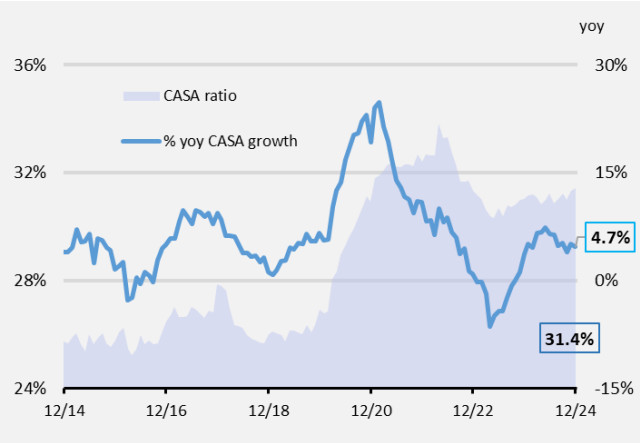
## CHART 23: CASA ratio and yoy growth

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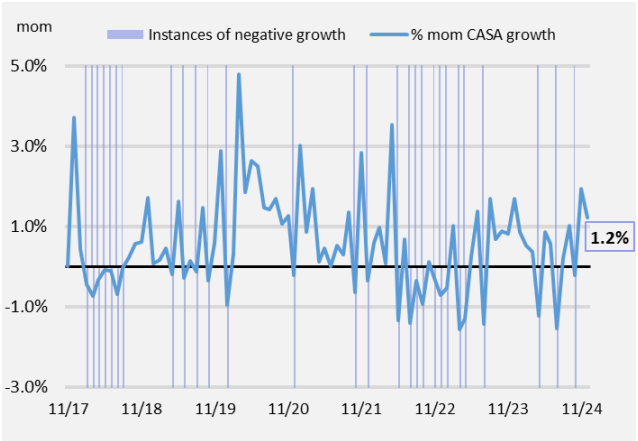
## CHART 24: mom CASA growth

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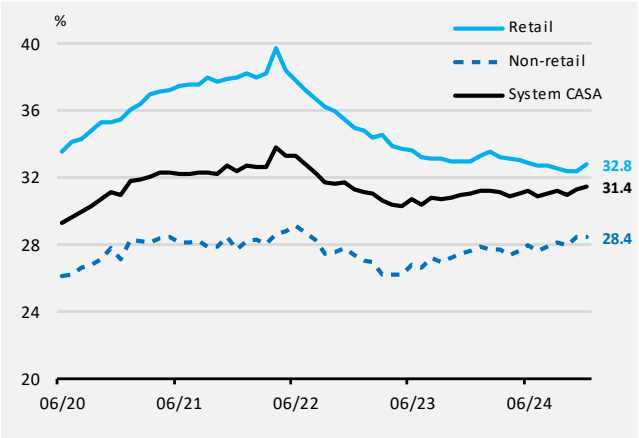
## CHART 25: CASA ratio by holder

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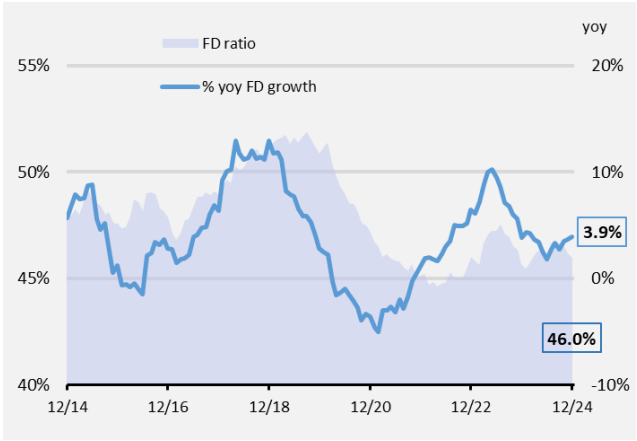
## CHART 26: FD ratio and yoy growth

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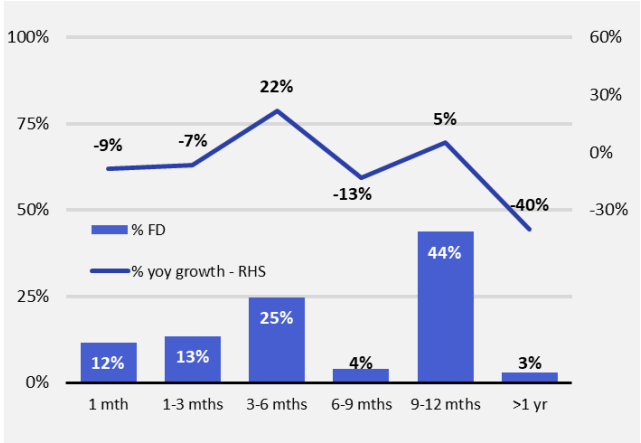
## CHART 27: FD by maturity brackets and yoy growth

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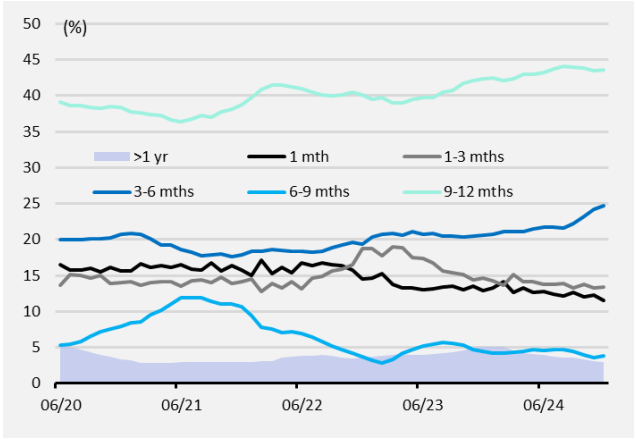
## CHART 28: FD by maturity brackets (% Proportion)

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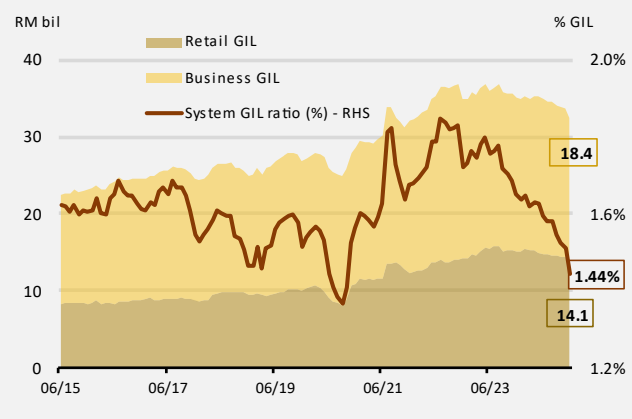
## D. ASSET QUALITY & PROVISIONING

### CHART 29: System gross impaired loans

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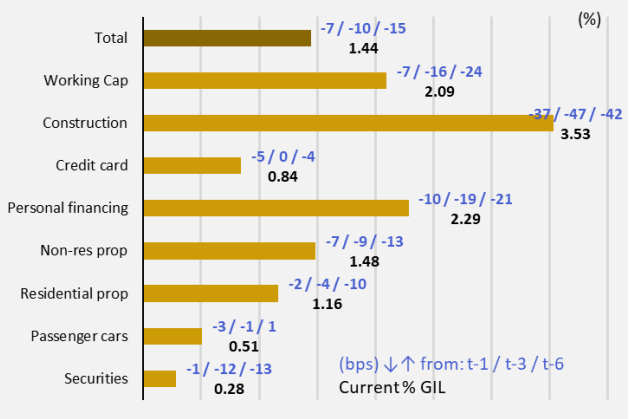
### CHART 30: Segmental GIL ratio changes

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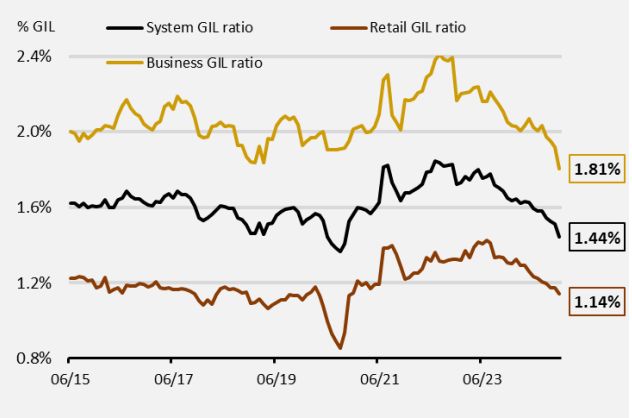
### CHART 31: System, Retail, Business GIL ratios

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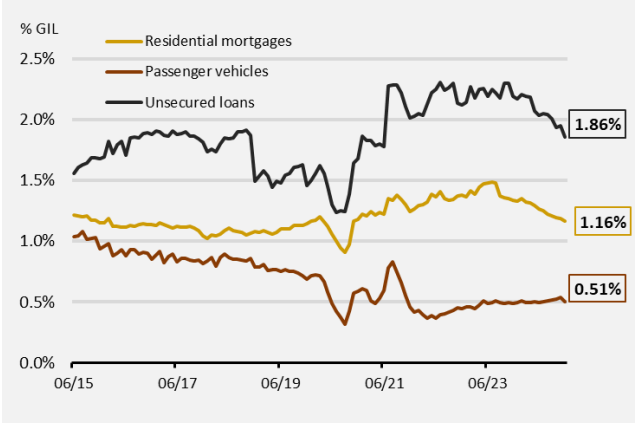
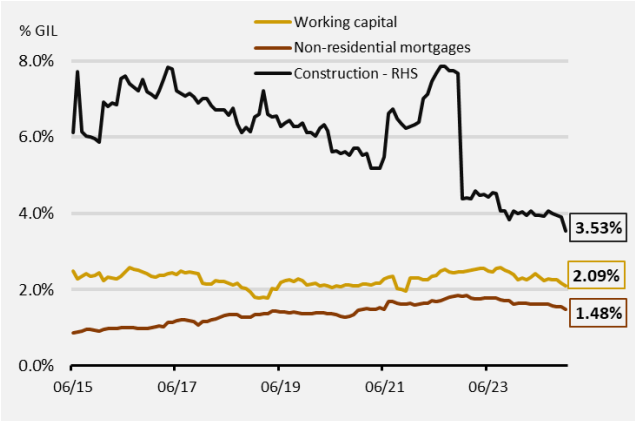
### CHART 32: Retail GIL ratios



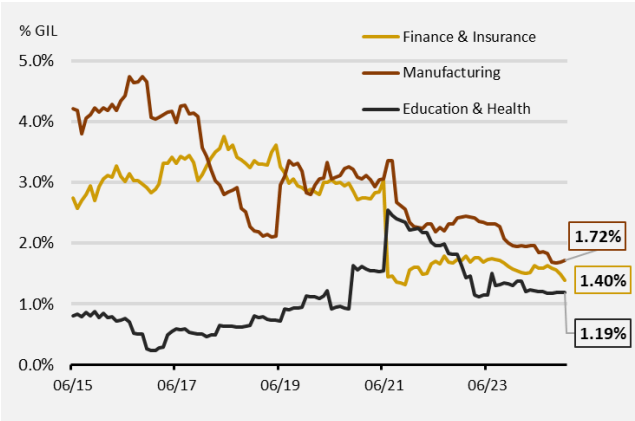

*Error! Reference source not found.*

### CHART 33: Business GIL ratios




*Error! Reference source not found.*

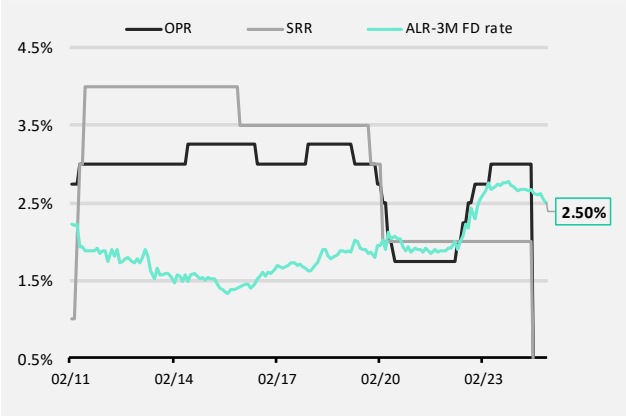
### CHART 34: GIL ratios of other sectors




*Error! Reference source not found.*

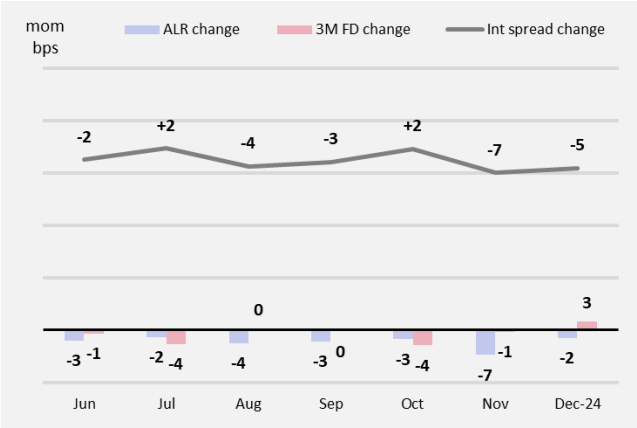
## E. INTEREST SPREAD AND CAPITAL

### CHART 35: Interest spread, OPR, SRR



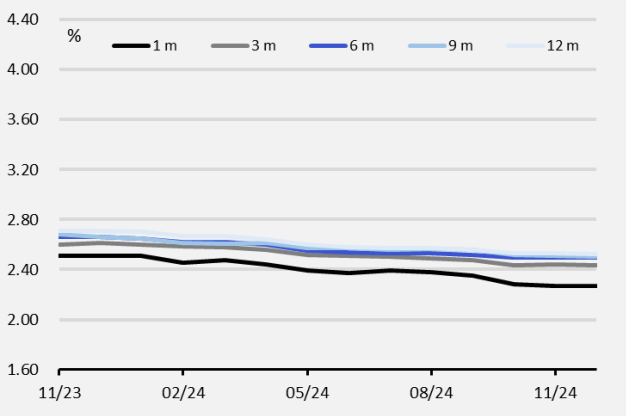

*Error! Reference source not found.*

### CHART 36: mom Changes in Interest spreads



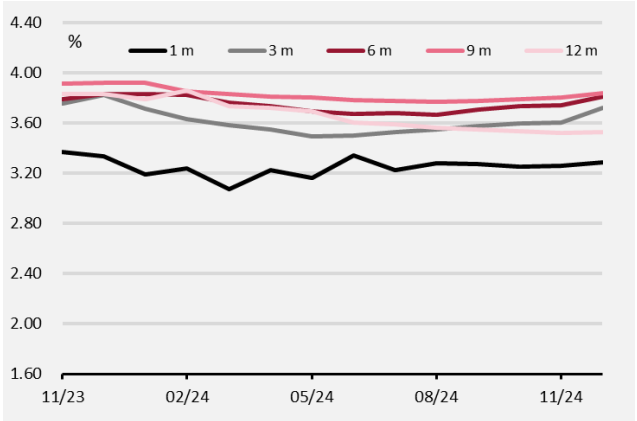

*Error! Reference source not found.*

### CHART 37: Weighted avg Conv. FD rates by bracket




*Error! Reference source not found.*

### CHART 38: Weighted avg Isl. FD rates by bracket

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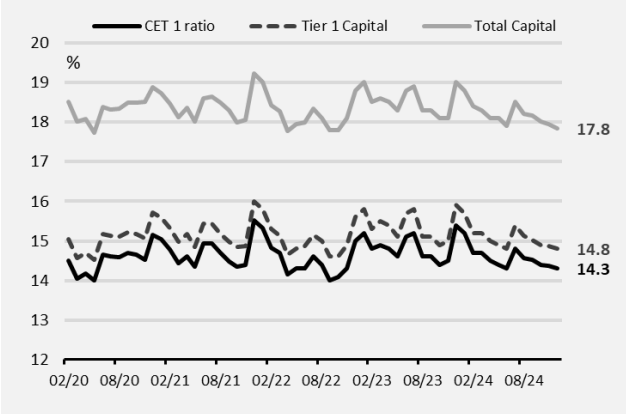
### CHART 39: Capital ratios

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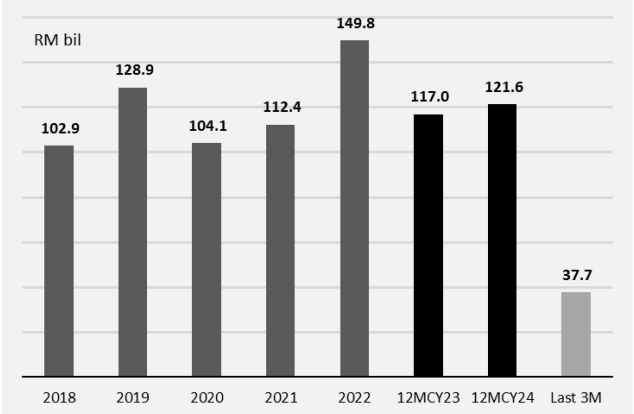
### CHART 40: Bond/Sukuk issuances

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**197501002077 (24878-X).**

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

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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 | The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow. |
| 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 | The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow. |

**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