

Malaysia Banking

POSITIVE

[Unchanged]

4.5% loan growth in 2021

Ending on a high note

Industry loan growth ended the year 2021 above expectations, expanding 4.5% YoY against our forecast of 3.8%, as momentum gathered pace in the last two months of the year, following the end to the lockdowns. Amid expectations of faster economic growth, we raise our 2022 industry loan growth forecast to 4.9% from 4.0% and maintain our POSITIVE outlook on the sector. BUYs are AMMB, ABMB, BIMB, HLBK and RHB.

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Pick-up in non-HH loan growth

Industry loan growth was 4.5% in 2021 (3.4% in 2020), picking-up pace in the last few months of the year with the opening up of the economy. Household loan growth was a slower 4.3% (5.0% in 2020) but non-HH loan growth compensated with faster growth of 4.9% (1.0% in 2020). Private debt securities issuances rose 8% YoY, taking total credit growth to 5.0% in 2022.

Loan applications rise due to pent-up demand

On a 3-month moving average basis (3M MA), loan applications rose 17.8% YoY, driven by pent-up demand post lockdown. Positively, working capital loan applications on a 3M MA basis jumped 20.8% YoY from just +2.0% YoY in Nov 2021, having contracted over the past 13 consecutive months from Sep 2020 to Sep 2021.

Liquidity remains more than ample

Deposit growth picked up pace to 5.8% YoY from 3.9% YoY in Dec 2020, outpacing loan growth of 4.5% YoY. CASA growth held up at 10.9% YoY versus 11.1% YoY in Nov 2021 but the pace was slower than the rate of 19.3% YoY reported in Dec 2020. The industry's CASA ratio was 31.6% end-Dec 2021. On a separate note, inflation remained persistently high at 3.2% in Dec 2021. As a result, the negative real return on deposits was -1.6% in Dec 2021.

Banking Sector - Peer Valuation Summary

Stock	Rec	Shr px (MYR)	Mkt cap (MYR m)	TP (MYR)	PER (x) CY 21E	PER (x) CY 22E	P/B (x) CY 21E	P/B (x) CY 22E	ROAE (%) CY 21E	ROAE (%) CY 22E	Net yield CY 21E	Net yield CY 22E
ABMB	BUY	3.30	4,985	3.25	11.3	9.7	0.8	0.8	7.1	8.0	3.3	4.1
AMMB	BUY	3.26	10,804	3.90	9.6	7.8	0.7	0.6	(0.3)	8.3	1.7	3.6
CIMB	HOLD	5.20	53,152	5.40	10.6	9.9	0.9	0.9	7.6	8.5	3.7	3.7
HL Bank	BUY	19.40	42,054	20.80	13.4	12.1	1.3	1.2	10.0	10.3	2.4	2.5
Maybank *	NR	8.27	98,235	NR	12.1	12.3	1.1	1.1	8.9	8.8	6.7	6.5
Public Bank	HOLD	4.21	81,719	4.10	14.3	14.5	1.6	1.6	11.8	11.1	3.6	3.6
RHB Bank	BUY	5.56	23,159	6.00	8.5	9.7	0.8	0.7	9.0	7.9	4.5	4.1
Simple avg			314,108		11.4	10.9	1.0	1.0	7.7	9.0	3.7	4.0
MC-wtd					12.2	12.0	1.2	1.1	9.3	9.4	4.4	4.4
BIMB	BUY	3.15	6,789	3.20	11.9	10.6	1.0	0.9	9.5	9.0	4.3	4.2
HLFG	BUY	18.20	21,206	20.55	9.3	8.9	0.9	0.8	9.7	9.5	2.6	3.3

* Consensus estimates Source: Maybank IBG Research

Loan growth ends on a high note

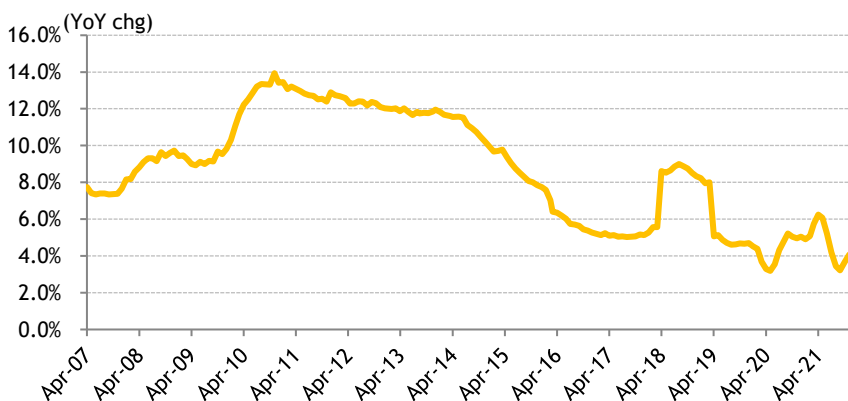
2021 ended with loan growth on a high note of 4.5% YoY, considering that loan growth in 2020 was just 3.4% YoY and hit a low of 2.5% YoY in Aug 2021, as a result of the lockdowns. Household (HH) loan growth was slower at 4.3% YoY versus 5.0% YoY in Dec 2020 but non-HH loan growth picked up pace to 4.9% YoY from just 1.0% end-2020.

Figure 1: Total industry YoY loan growth (Apr 2007 - Dec 2021)



Source: BNM

Figure 2: YoY household loan growth (Apr 2007 - Dec 2021)



Source: BNM

Figure 3: YoY non-household loan growth (Jan 2011 - Dec 2021)



Source: BNM

HH loan growth weaker than a year ago

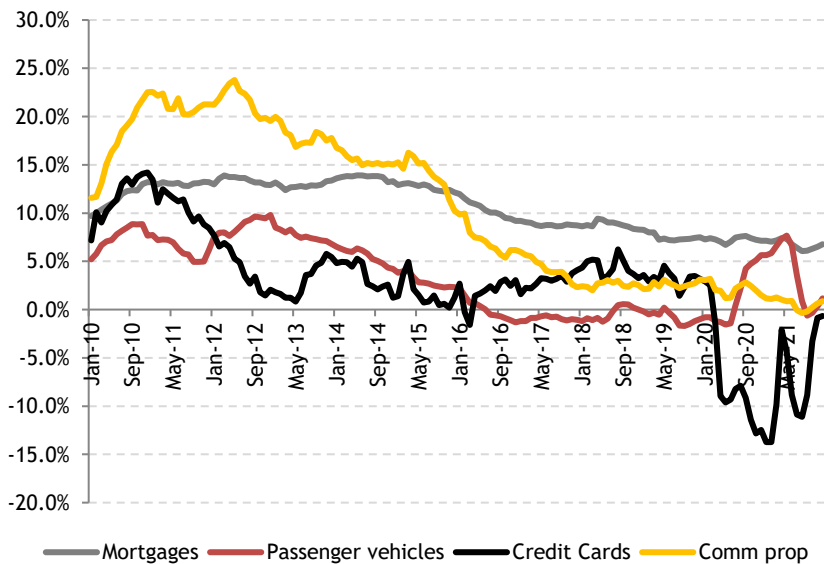
HH loan growth picked up pace in the final months, but at 4.5% YoY, lags behind growth of 5.0% YoY in 2020. The drag came predominantly from auto financing, which expanded just 1.1% versus 5.0% YoY in 2020. Loans for the purchase of residential and non-residential property also expanded at a slower pace of 6.8% YoY and 0.9% YoY respectively as compared to 7.1% and 1.5% in 2020. Working capital demand expanded at a decent pace of more than 7% YoY in Nov and Dec 2021.

Figure 4: Segmental YoY loan growth by business purpose

	Dec 21	Nov 21	Oct 21	Sep 21	% of total
Securities	3.9%	5.7%	3.6%	4.8%	4.7%
Transport vehicles	1.1%	0.3%	(0.4%)	(0.6%)	9.3%
<i>Of which passenger cars</i>	1.2%	0.3%	(0.3%)	(0.6%)	8.9%
Residential property	6.8%	6.5%	6.3%	6.1%	36.1%
Non-residential property	0.9%	0.6%	0.2%	(0.2%)	12.1%
Purchase of fixed assets	3.1%	(2.2%)	(1.8%)	(6.7%)	0.7%
Personal use	0.7%	0.2%	(0.5%)	(0.5%)	5.3%
Credit card	(0.7%)	(0.9%)	(3.3%)	(8.9%)	1.9%
Consumer durables	(15.1%)	(15.6%)	(16.7%)	(15.7%)	0.0%
Construction	(0.3%)	(1.0%)	(0.1%)	0.8%	3.1%
Working capital	7.1%	7.0%	4.8%	3.8%	22.4%
Other purposes	2.6%	3.4%	0.0%	1.1%	4.4%
Total	4.5%	4.3%	3.3%	2.9%	100.0%

Source: BNM

Figure 5: YoY consumer loan growth (Jan 2010 - Dec 2021)

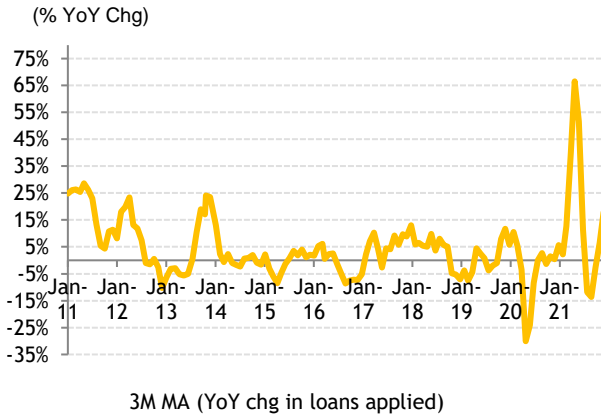


Source: BNM

Working capital loan application growth gathers pace

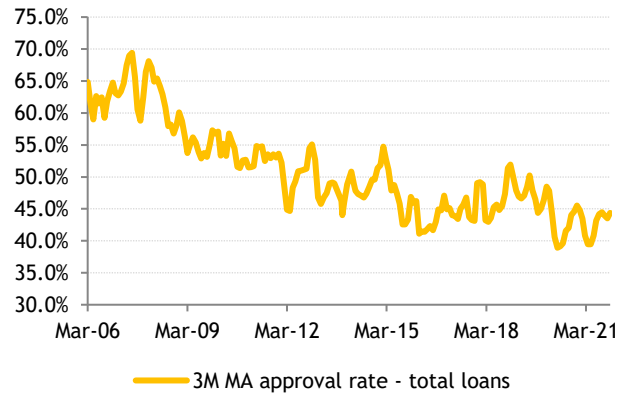
Loan applications jumped 27.9% YoY in Dec 2021 (21.5% YoY in Nov 2021) and was up 17.8% YoY on a 3-month moving average (3M MA) basis, driven by pent-up demand post lockdown. The charts below show the movement in loan applications on a 3-month moving average basis and the average approval rates. Positively, working capital loan applications on a 3M MA basis jumped 20.8% YoY from just +2.0% YoY in Nov 2021, having contracted over the past 13 consecutive months from Sep 2020 to Sep 2021.

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



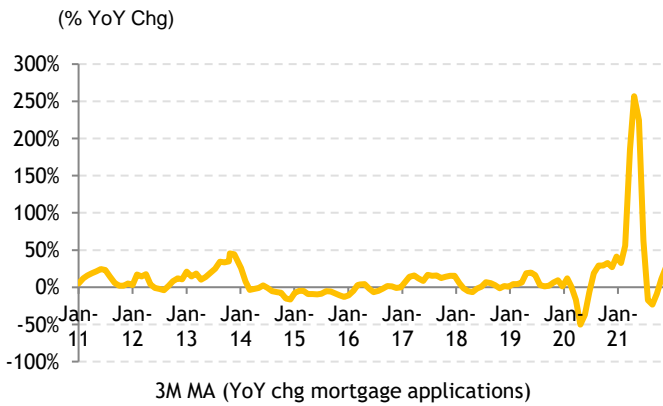
Source: BNM, Maybank IBG Research

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



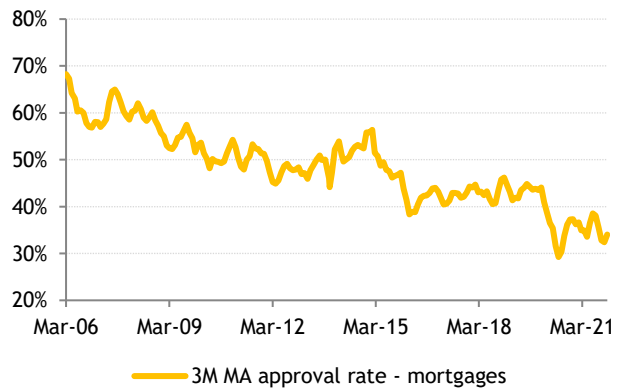
Source: BNM, Maybank IBG Research

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



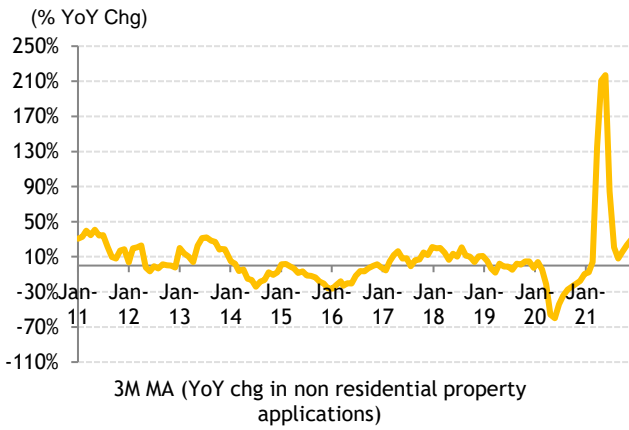
Source: BNM, Maybank IBG Research

Figure 9: 3M MA (mortgage approval rates)



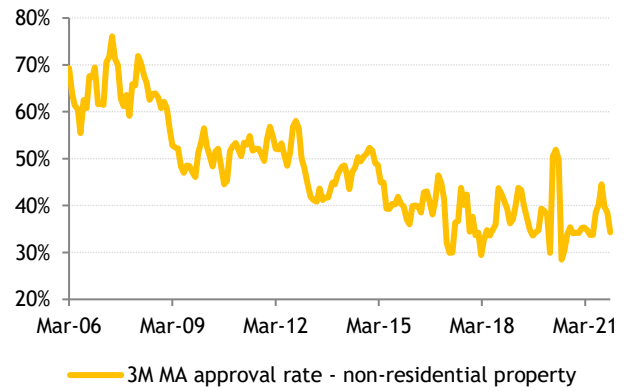
Source: BNM, Maybank IBG Research

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



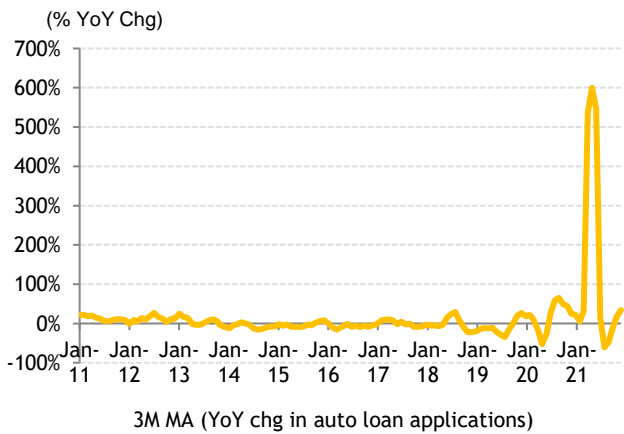
Source: BNM, Maybank IBG Research

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



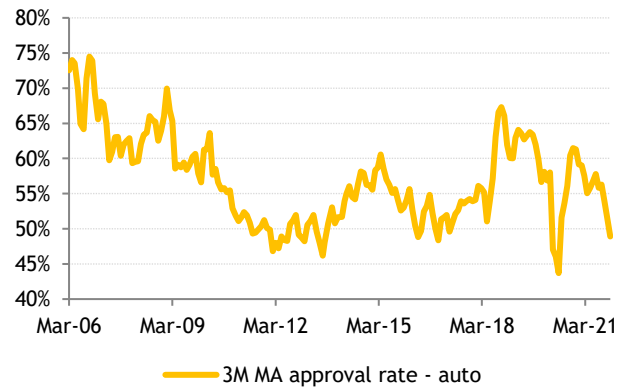
Source: BNM, Maybank IBG Research

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



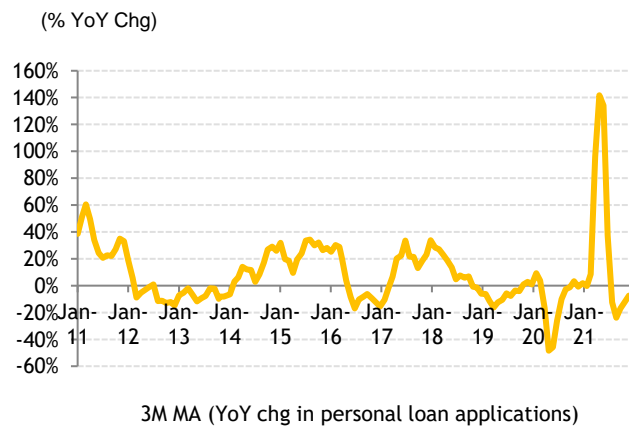
Source: BNM, Maybank IBG Research

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



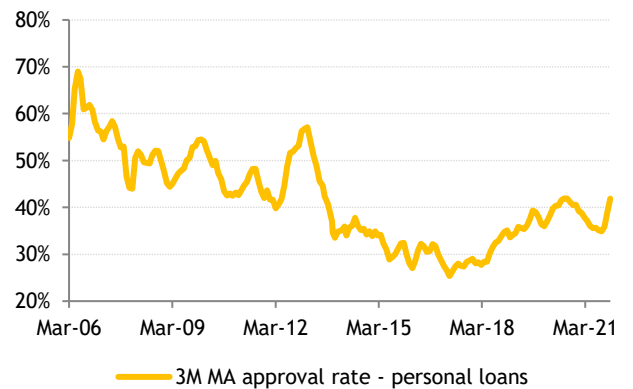
Source: BNM, Maybank IBG Research

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



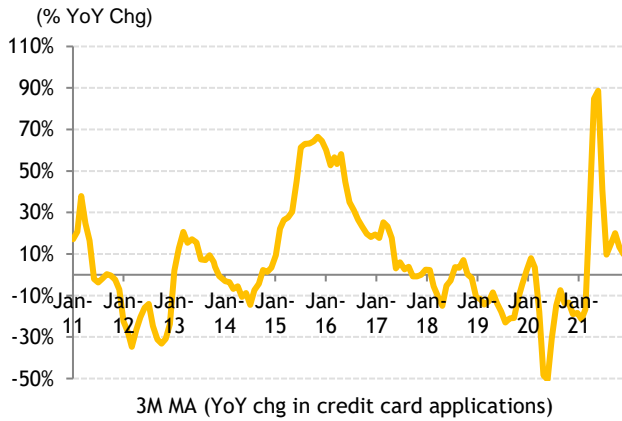
Source: BNM, Maybank IBG Research

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



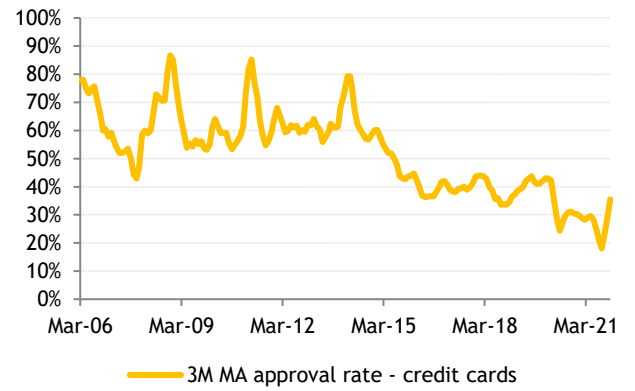
Source: BNM, Maybank IBG Research

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



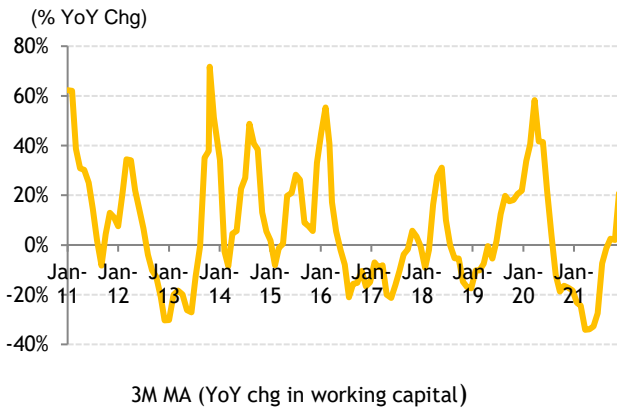
Source: BNM, Maybank IBG Research

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



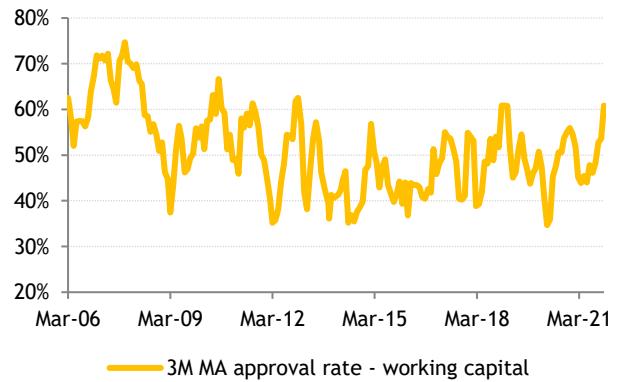
Source: BNM, Maybank IBG Research

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



Source: BNM, Maybank IBG Research

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

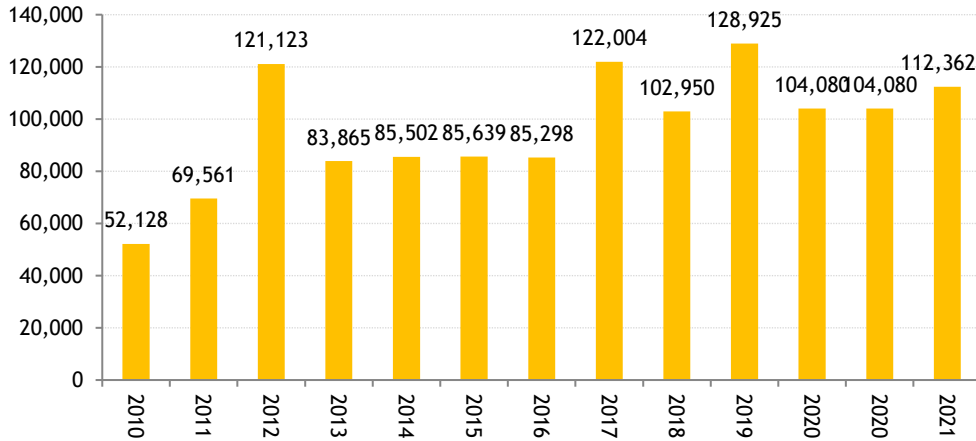


Source: BNM, Maybank IBG Research

Total industry credit growth of 5.0% YoY

Bond issuances totalled MYR112.4b in 2021, up 8% YoY. Including bank loans, total industry credit growth was 5.0% YoY in 2021.

Figure 20: Bond Issuances (2010 to 2021, MYR'm)

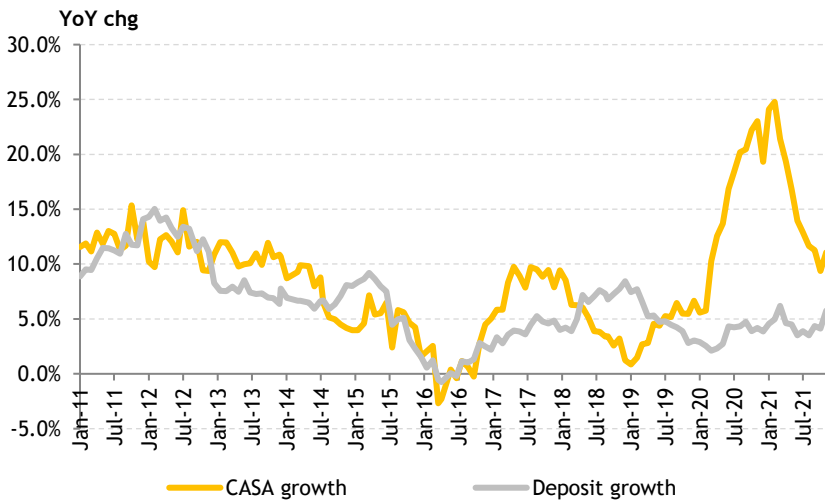


Source: BNM

Deposit growth outpaces loan growth

Deposit growth picked up pace to 5.8% YoY from 3.9% YoY in Dec 2020, outpacing loan growth of 4.5% YoY. CASA growth held up at 10.9% YoY versus 11.1% YoY in Nov 2021 but the pace was slower than the rate of 19.3% YoY reported in Dec 2020. The industry's CASA ratio was 31.6% end-Dec 2021.

Figure 21: Total deposits vs CASA growth (Sep 2010 - Dec 2021)

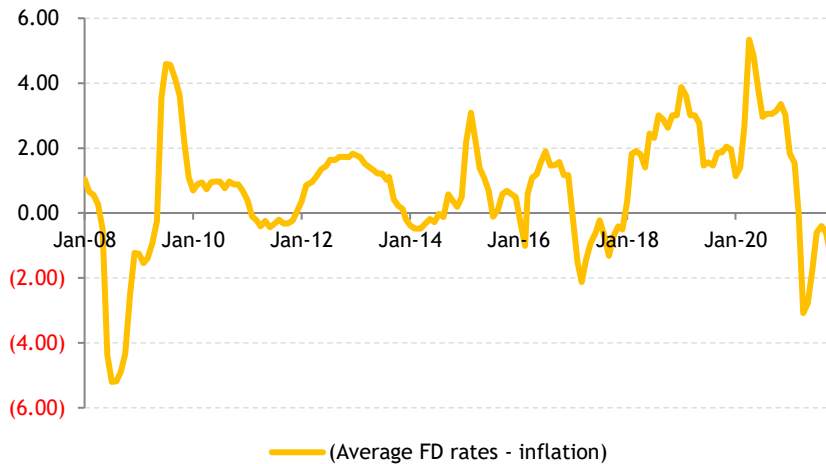


Source: BNM

Negative real returns persist

Inflation remained persistently high at 3.2% in Dec 2021. As a result, the negative real return on deposits was -1.6% in Dec 2021. This compares against a positive real return of 3.0% in Dec 2020, given the deflationary trend back then, with inflation at -1.4%.

Figure 22: Differential between average fixed deposit rates and inflation



Source: BNM, Maybank IBG Research

Impaired loans decline 3.7% YoY

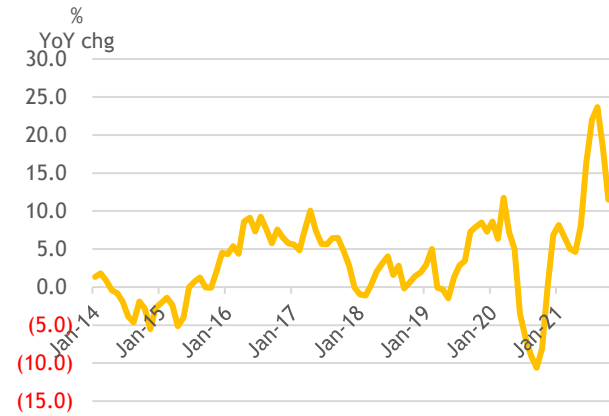
Impaired loans declined 3.7% YoY in absolute terms, in 2021. As a result, the industry's gross impaired loans (GIL) ratio was a lower 1.44% end-Dec 2021 as compared to 1.56% end-Dec 2020. The actual asset quality position of the industry will only be more apparent in 2Q22 with the expiry of the loans under loan moratorium.

Figure 23: GIL ratios by segment

	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21
Securities	0.50%	0.39%	0.38%	0.42%	0.47%
Transport vehicles	0.67%	0.77%	0.88%	0.96%	1.05%
<i>Passenger vehicles</i>	<i>0.45%</i>	<i>0.55%</i>	<i>0.66%</i>	<i>0.74%</i>	<i>0.82%</i>
Residential property	1.16%	1.21%	1.26%	1.29%	1.26%
Non-residential prop	1.46%	1.45%	1.46%	1.48%	1.53%
Fixed assets	1.80%	1.92%	2.08%	2.12%	2.29%
Personal use	1.75%	1.86%	1.92%	2.07%	2.06%
Credit card	0.89%	0.91%	0.94%	0.99%	0.99%
Consumer durables	3.42%	3.55%	2.93%	2.87%	2.73%
Construction	5.18%	5.19%	5.30%	5.35%	5.59%
Working capital	1.84%	1.84%	1.88%	1.93%	2.26%
Other purposes	1.43%	1.46%	1.49%	1.51%	1.75%
Total	1.44%	1.47%	1.52%	1.57%	1.67%

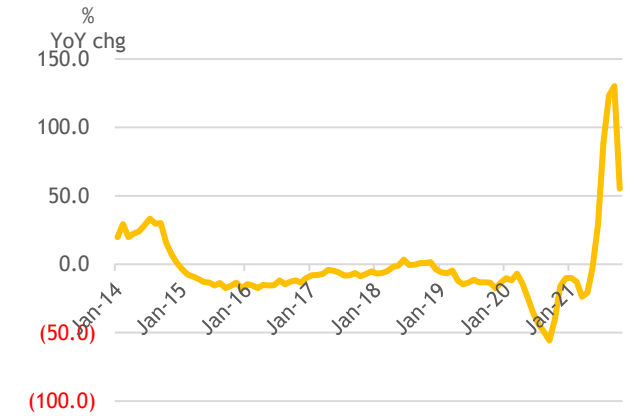
Source: BNM

Figure 24: Total industry GILs (% YoY chg)



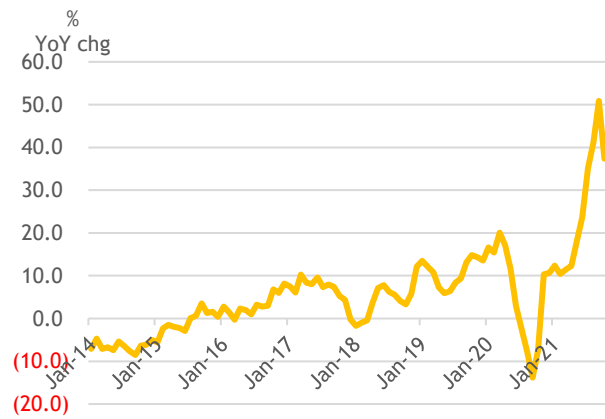
Source: BNM

Figure 25: Auto GILs (% YoY change)



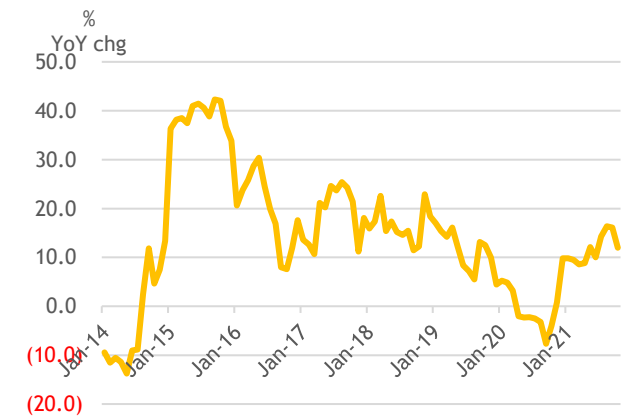
Source: BNM

Figure 26: Housing GILs (% YoY chg)



Source: BNM

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



Source: BNM

Figure 28: Personal loans GILs (% YoY chg)



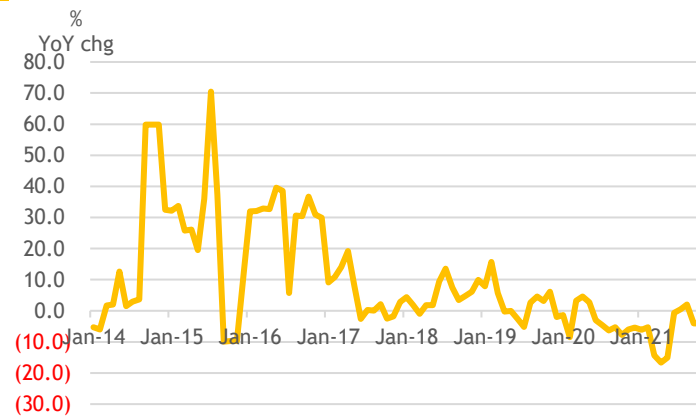
Source: BNM

Figure 29: Credit card GILs (% YoY change)



Source: BNM

Figure 30: Construction GILs (% YoY chg)



Source: BNM

Figure 31: Working capital GILs (% YoY change)



Source: BNM

Risk statement

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

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

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