

Malaysia
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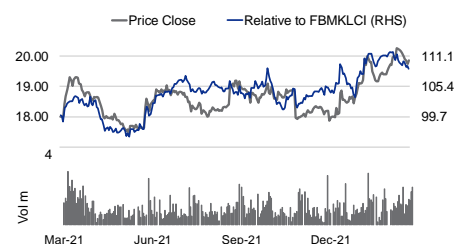
Consensus ratings*: Buy 15 Hold 3 Sell 0

Current price:	RM19.86
Target price:	RM21.80
Previous target:	RM20.56
Up/downside:	9.8%
CGS-CIMB / Consensus:	0.9%
Reuters:	HLBB.KL
Bloomberg:	HLBK MK
Market cap:	US\$10,245m RM43,051m
Average daily turnover:	US\$4.63m RM19.43m
Current shares o/s:	2,168m
Free float:	25.6%

*Source: Bloomberg

Key changes in this note

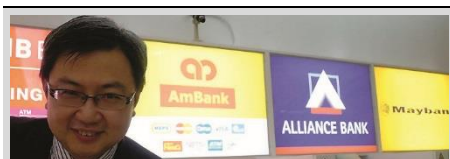
- FY22-24F core net profit forecasts upped by 4-9%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.7	8.4	12.7
Relative (%)	-1.8	3.5	12.1

Major shareholders	% held
Hong Leong Financial Group	64.4
EPF	10.0
Amanah Saham Bumiputera	1.9

Analyst(s)

Winson NG, CFA

T (60) 3 2635 9253

E winson.ng@cgs-cimb.com

Hong Leong Bank

Sterling growth from BOC contribution

- HLB's 1HFY6/22 CNP was above our expectation (59% of our full-year forecast), due to lower-than-expected LLP and higher BOC contribution.
- Even with our expectation for a weaker 2HFY22F, we are projecting a CNP growth of 5.7% in FY22F (+14.8% excluding the Makmur tax).
- Reiterate Add given the strong growth in associate contribution from BOC, and its quality as one of the most defensive against Covid-19 credit risks.

1HFY22 core net profit above our expectation

Hong Leong Bank's (HLB) 1HFY6/22 core net profit (CNP) was above our expectation at 59% of our full-year forecast, due to lower-than-expected loan loss provisioning (LLP) and higher-than-expected associate contribution from Bank of Chengdu (BOC). However, 1HFY6/22 CNP was in line with market expectation, at 50% of Bloomberg consensus' estimate. HLB's interim DPS of 18 sen was in line with our expectation.

Twin earnings drivers for 2QFY22 earnings

HLB's 2QFY22 total revenue dipped by 2.1% yoy (-0.6% qoq) due to lower non-interest income. However, 2QFY22 CNP rose by 10.1%, thanks to: 1) an 86.2% yoy plunge in LLP, and 2) a 49.9% yoy jump in associate contribution (mainly from BOC). The group's 2QFY22 CNP fell by 17% qoq as it started to capture the Cukai Makmur tax in the quarter.

Projecting a 5.7% growth in FY22F despite Cukai Makmur

We are projecting a 14.2% hoh drop in HLB's 2HFY22F CNP, as we conservatively expect slower growth in BOC's contribution and a hoh rise in LLP. Even with the expectation of a weaker hoh 2HFY22F CNP, and the negative impact from the Makmur tax, we are projecting a 5.7% growth in HLB's FY22F CNP. Excluding the Makmur tax, our projected FY22F CNP growth would be a spectacular 14.9%.

Upping FY22-24F CNP forecasts

We raise our FY22-24F CNP forecasts by 4-9% as we: 1) cut our projected LLP by 30-51%, and 2) increase the projected associate contributions from BOC by 11%. This leads to a rise in our target price from RM20.56 to RM21.80.

Reiterate Add on HLB

We retain our Add call on HLB given the potential re-rating catalyst from its above-industry loan growth, the strong expansion in associate contribution from BOC, and the declining trend in LLP (a yearly trend from FY21 to FY23F). We also believe HLB is one of the most defensive banks against the credit risks from Covid-19, given its credit charge-off rate of only 9bp in 2QFY22, possibly the lowest in the sector.

Financial Summary

	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Net Interest Income (RMm)	2,764	3,458	3,480	3,745	3,882
Total Non-Interest Income (RMm)	2,014	2,009	2,193	2,292	2,477
Operating Revenue (RMm)	4,778	5,467	5,673	6,037	6,359
Total Provision Charges (RMm)	(327.7)	(653.8)	(233.3)	(199.8)	(246.5)
Net Profit (RMm)	2,495	2,861	2,993	3,542	3,768
Core EPS (RM)	1.20	1.32	1.39	1.63	1.74
Core EPS Growth	(2.3%)	9.9%	5.7%	17.2%	6.4%
FD Core P/E (x)	16.54	15.05	14.24	12.16	11.42
DPS (RM)	0.36	0.50	0.55	0.65	0.70
Dividend Yield	1.81%	2.52%	2.78%	3.29%	3.50%
BVPS (RM)	12.56	13.59	15.49	16.69	17.92
P/BV (x)	1.58	1.46	1.28	1.19	1.11
ROE	9.9%	10.1%	9.6%	10.2%	10.0%
% Change In Core EPS Estimates			8.84%	4.62%	4.88%
CGS-CIMB/Consensus EPS (x)			0.94	0.96	0.92

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Sterling growth from BOC contribution

Figure 1: Hong Leong Bank – 2QFY22 results comparison

FYE Jun (RM m)	2QFY22	2QFY21	yoy %	1QFY22	qoq %	2QFY22	2QFY21	yoy %	Prev.	
			chg		chg	Cum	Cum	chg	FY22F	Comments
Net interest income	960.3	866.7	10.8	918.8	4.5	1,879.1	1,663.0	13.0	3,479.7	Above. Strong loan growth.
Non-interest income	177.8	299.2	(40.6)	253.0	(29.7)	430.9	633.2	(31.9)	1,200.2	Below. Lower investment income.
Islamic income	233.0	234.2	(0.5)	208.1	12.0	441.1	452.8	(2.6)	993.0	Below.
Total income	1,371.1	1,400.1	(2.1)	1,379.9	(0.6)	2,751.1	2,749.0	0.1	5,672.9	In line. Dragged down by lower non-int.
Overhead expenses	(512.9)	(511.7)	0.2	(507.2)	1.1	(1,020.1)	(1,032.7)	(1.2)	(2,254.8)	Below. Tight cost control.
Pre-provision profit	858.2	888.4	(3.4)	872.7	(1.7)	1,731.0	1,716.3	0.9	3,418.1	In line. Flattish yoy.
Loan loss provisions	(33.3)	(240.9)	(86.2)	(48.8)	(31.8)	(82.1)	(345.3)	(76.2)	(478.2)	Below. A yoy plunge.
Associates and others	251.5	167.8	49.9	218.2	15.3	469.7	334.6	40.4	798.4	Above. Mainly from Bank of Chengdu.
Pretax profit	1,076.4	815.3	32.0	1,042.1	3.3	2,118.6	1,705.6	24.2	3,738.3	Above. 57% of CGS-CIMB.
Tax	(337.9)	(144.5)	133.8	(183.8)	83.8	(521.8)	(305.9)	70.6	(990.9)	Below.
Tax rate (%)	31.4	17.7	-	17.6	-	24.6	17.9	-	26.5	Below. Due to higher contributions from Bank of Chengdu.
Minority interests	-	-	-	-	-	-	-	-	-	
Net profit	738.5	670.8	10.1	858.3	(14.0)	1,596.8	1,399.7	14.1	2,747.5	
Core net profit	738.5	670.8	10.1	890.2	(17.0)	1,626.8	1,399.7	16.2	2,777.5	Above CGS-CIMB (59%). Within mkt (50%).
EPS (sen)	36.1	32.8	10.1	41.9	(13.8)	78.0	68.4	14.0	126.7	
Core EPS (sen)	36.1	32.8	10.1	43.5	(16.9)	79.5	68.4	16.2	128.1	

SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 2: Earnings revision for Hong Leong Bank

RM m	2021A	2022F			2023F			2024F		
		Old	New	%chg	Old	New	%chg	Old	New	%chg
Loan loss provision	653.8	478.2	233.3	-51.2%	293.7	199.8	-32.0%	352.0	246.5	-30.0%
Associate contributic	736.0	794.9	883.2	11.1%	850.5	945.0	11.1%	935.6	1,039.5	11.1%
Net profit	2,860.6	2,747.5	2,993.1	8.9%	3,385.2	3,541.7	4.6%	3,593.1	3,768.5	4.9%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

2QFY6/22 conference call

HLB held a web-based conference call on 28 Feb 22, following the release of its 2QFY6/22 financial results, hosted by its Group MD/CEO Domenic Fuda and CFO Malkit Singh. The key highlights of the conference call were its KPIs for FY22F and details of its loans under repayment assistance.

Meeting all the FY22F KPIs ►

Based on the financial performance in 1HFY22, HLB has met all its FY22F KPIs (the numbers in brackets are actual performance in 1HFY22):

- Gross loan growth of 5-6% (6.7% yoy as at end-Dec 21)
- Net interest margin of 2.05% (annualised margin of 2.16% in 1HFY22)
- Cost-to-income ratio of 40% or lower (37.1%)
- Gross impaired loan ratio of less than 0.8% (0.46% as at end-Dec 21)
- Net credit cost of c.20 bp (5 bp in 1HFY22)
- ROE of more than 10% (10.7%)
- Current accounts savings accounts (CASA, or low-cost deposit) ratio of c.30% (33.1%)

Positive take from a decline in PRAP loans ►

We take a positive view on the decline in HLB's loans under its Payment Relief Assistance Plans (PRAP; HLB's scheme for loans under repayment assistance), from RM34.9bn as at 31 Oct 21 to RM33.5bn on 31 Dec 21 and RM26.4bn on 31 Jan 22). Of the total PRAP loans as at 31 Jan 22, 79% (or RM20.9bn) were for retail customers, while the remaining 21% (RM5.5bn) were for business borrowers.

The following is a further breakdown of the PRAP loans for retail customers amounting to RM20.9bn as at 31 Jan 22:

- 87%, or RM18.1bn, for mortgages;
- 11%, or RM2.3bn, for auto loans;
- 2%, or RM0.4bn, for personal loans; and
- Less than 1%, or RM0.1bn, for other types of consumer loans.



The following is a further breakdown of the PRAP loans for non-individual customers amounting to RM5.5bn as at 31 Jan 22:

- 80%, or RM4.4bn, for SME borrowers; and
- 20%, or RM1.1bn, for corporate borrowers.

The total loan under URUS scheme (repayment assistance programme together with interest exemption for lower-income borrowers with monthly household income of below RM5,880) was only at RM152m (based on the latest income provided by the bank), accounting for less than 1% of its total loan. This signifies that the negative impact from this on its earnings would be negligible.

Potential downside risks ►

The potential downside risks to our Add call are spikes in gross impaired loan ratio and LLP in FY22F. Other potential earnings risks are additional measures relating to the repayment assistance, like an extension of the interest exemption for B50 borrowers beyond the 3-month period, and the offering of similar interest exemptions to SME borrowers. These would lead to loss of income for HLB should they materialise.

Refinitiv ESG Scores	
	
ESG in a nutshell	
<p>HLB is one of our ESG picks among Malaysian banks, as it: 1) takes the initiative to help its borrowers improve their ESG standards, 2) incorporates ESG evaluation into its loan approval process, and 3) has better disclosures for ESG-related information than most other banks. Going forward, we believe HLB would focus on: 1) fully integrating ESG evaluation into all its decision-making processes, 2) increasing the financing of renewable energy projects, and 3) quantifying and disclosing the impact of and exposure to the risks from climate change.</p>	
<p>Keep your eye on</p> <p>Based on our observation, HLB is among the few Malaysian banks under our coverage that provide the percentages of their loans exposed to sectors with high Environmental and Social (E&S) risks. Based on its initial sector screening in Dec 20, HLB classified 18% of its total loans as having high E&S risks; these include loans to the following sectors — palm oil, selected manufacturing, metal, non-renewable energy, etc. Following its customer-level due diligence, which commenced in Jan 21, HLB further classified these exposures to the following (based on the borrowers' E&S practices) — 46% having high risk (no visible E&S plans for improvement), 33% having medium risk (medium E&S practices), and 21% having low risk (having established good E&S practices). Based on the above, only 8.3% of HLB's loans were considered as having high E&S risks (companies that are in high-E&S-risk sectors with no visible plans to mitigate the risks), based on our estimate.</p>	<p>Implications</p> <p>While we deem the exposure of 8.3% to borrowers with high E&S risks as reasonable, we think HLB would aim to bring down the ratio in the longer term, through 1) more stringent approval criteria for new loans to borrowers in the sectors with high E&S risks, and 2) continuously working with borrowers to assist them in improving their ESG standards.</p> <p>Like all other Malaysian banks, HLB will also adopt Climate Change and Principle-based Taxonomy (introduced by Bank Negara Malaysia) by Jul 22. This will lay the foundation for the bank to improve its analysis of the risks from climate change and segmentise its loan portfolio based on the criteria for climate change. With this, we expect HLB to provide more disclosure for the risks from climate change (on loans and its operations) in the longer term.</p>
<p>ESG highlights</p> <p>HLB's ESG rating sits among the top 25% of public-listed companies in Malaysia, as assessed under FTSE Russell.</p>	<p>Implications</p> <p>We think HLB's high ESG standards arose from its tight credit control (playing the role as a responsible lender) and its initiative to work with its customers to improve the latter's ESG standards. Its ESG disclosure is also one of the most comprehensive among the Malaysian banks, in our view.</p>
<p>Trends</p> <p>Its financing of renewable energy projects stood at RM1bn as at end-Mar 21. This accounted for an estimated 0.7% of its total loans as at end-Mar 21.</p>	<p>Implications</p> <p>The bank does not provide longer-term targets for the size of its green financing but sees this as one of the key drivers for its loan growth. We think the proportion of green financing would remain small for HLB in the next 2-3 years, at below 1-2% of its total loans.</p> <p>Apart from the financing of projects for renewable energy, HLB would also focus growing other sustainable financing/businesses, such as: 1) the financing for the purchase of electric vehicles, 2) financing for the installation of solar panel, 3) financing for the purchase/construction of green buildings, and 4) the launch of ESG-compliant wealth management products.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Figure 3: Sector comparison

Company	Bbg Ticker	Recom.	Price (local)	Target Price (local)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x) CY2021	Recurr. ROE (%) CY2021	P/PPOPS (x) CY2021	Div Yield (%) CY2021
						CY2021	CY2022					
DBS Group	DBS SP	Add	34.95	39.90	66,487	13.2	11.9	23.6%	1.63	12.8%	11.4	3.3%
OCBC	OCBC SP	Add	11.85	14.20	39,351	11.0	9.9	20.0%	1.11	10.4%	9.3	4.5%
United Overseas Bank	UOB SP	Add	30.57	35.40	37,786	13.2	12.2	21.5%	1.20	9.3%	9.3	3.9%
Singapore average						12.5	11.3	22.3%	1.33	11.0%	10.2	3.8%
Agricultural Bank of China	1288 HK	Add	2.90	3.10	161,586	3.7	3.4	9.0%	0.40	11.2%	1.8	8.4%
Bank of China	3988 HK	Add	3.02	3.10	136,159	3.7	3.4	9.7%	0.38	10.7%	1.8	8.8%
Bank of Communications	3328 HK	Add	5.28	4.50	53,516	4.1	3.7	8.9%	0.40	10.3%	2.0	7.8%
China CITIC Bank	998 HK	Add	3.65	4.90	31,820	2.9	2.6	11.8%	0.29	10.3%	1.0	9.4%
China Construction Bank	939 HK	Add	5.75	6.50	186,181	4.1	3.7	10.8%	0.47	11.9%	2.0	7.5%
China Minsheng Bank	1988 HK	Hold	3.05	2.90	25,211	2.9	2.6	14.5%	0.22	7.9%	0.7	10.5%
ICBC	1398 HK	Add	4.58	4.60	250,327	4.1	3.7	9.1%	0.46	11.7%	2.1	7.6%
Hong Kong average						3.9	3.5	9.8%	0.41	11.2%	1.8	8.0%
Bank Central Asia	BBCA IJ	Hold	8,050	8,100	69,087	31.6	27.2	16.1%	4.90	16.2%	20.5	1.6%
Bank Danamon	BDMN IJ	Add	2,380	3,300	1,619	8.1	6.2	62.6%	0.49	6.5%	2.5	4.3%
Bank Rakyat Indonesia	BBRI IJ	Add	4,550	5,000	48,008	20.3	16.4	30.5%	2.39	11.9%	9.2	4.5%
Bank Tabungan Negara	BBTN IJ	Add	1,775	2,100	1,309	7.9	7.2	24.8%	0.88	11.5%	3.0	2.5%
Indonesia average						24.6	20.3	27.7%	3.08	13.0%	12.6	2.8%
Affin Bank Berhad	ABANK MK	Reduce	1.77	1.27	895	7.8	8.4	20.2%	0.37	4.8%	4.5	2.8%
Alliance Bank Malaysia Berhad	ABMB MK	Reduce	3.40	2.73	1,253	11.6	8.7	22.0%	0.80	7.2%	5.4	3.4%
AMMB Holdings	AMM MK	Add	3.43	3.64	2,703	8.5	7.2	12.9%	0.71	8.1%	4.2	3.8%
Bank Islam Malaysia Bhd	BIMB MK	Add	3.23	3.46	1,657	11.5	11.5	11.5%	1.00	10.1%	6.9	4.7%
Hong Leong Bank	HLBK MK	Add	19.86	21.80	10,245	14.6	13.1	9.8%	1.37	9.9%	12.6	2.7%
Malayan Banking Bhd	MAY MK	Add	8.88	9.80	25,101	12.5	12.9	10.2%	1.23	9.7%	7.4	6.5%
Public Bank Bhd	PBK MK	Add	4.37	5.00	20,185	14.8	14.6	11.9%	1.76	12.1%	9.9	3.5%
RHB Bank Bhd	RHBBANK MK	Add	5.73	6.40	5,649	8.8	9.1	9.7%	0.80	9.6%	5.9	5.2%
Malaysia average						12.6	12.4	11.7%	1.21	9.8%	8.0	4.6%
Bangkok Bank	BBL TB	Add	140.0	164.0	8,234	9.9	8.8	24.4%	0.57	6.1%	4.6	2.9%
Kasikombank	KBANK TB	Add	163.5	170.0	11,935	11.1	9.8	11.7%	0.83	8.1%	4.3	1.8%
Kiatnakin Phatra Bank	KKP TB	Hold	68.8	59.0	1,794	10.9	9.2	8.0%	1.22	11.9%	4.9	4.5%
Krung Thai Bank	KTB TB	Hold	13.8	12.7	5,942	10.4	9.0	10.1%	0.54	5.4%	3.0	2.9%
Siam Commercial Bank	SCB TB	Add	125.5	119.0	13,130	12.7	11.6	12.5%	0.98	8.4%	5.0	2.4%
Thailand average						11.2	10.0	13.5%	0.78	7.4%	4.4	2.7%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Hong Leong Bank – quarterly profit and loss statements

FYE June (RM m)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	Remarks for 2QFY22
	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	
Quarterly								
Interest income	1,390.6	1,404.0	1,410.9	1,362.3	1,379.4	1,386.0	1,428.8	
Interest expense	(739.6)	(607.7)	(544.3)	(485.5)	(461.5)	(467.3)	(468.4)	
Net interest income (RMm)	651.0	796.3	866.6	876.8	917.9	918.7	960.4	
Non-interest income (RMm)	311.5	334.0	299.2	274.2	182.4	253.1	177.8	
Islamic banking income (RMm)	234.1	218.6	234.2	234.6	232.0	208.1	233.0	
Total Income (RMm)	1,196.6	1,348.9	1,400.0	1,385.6	1,332.3	1,379.9	1,371.2	
Overhead expenses (RMm)	(520.9)	(521.0)	(511.7)	(512.6)	(532.5)	(507.2)	(512.9)	
Pre-provision profit (RMm)	675.7	827.9	888.3	873.0	799.8	872.7	858.3	
Loan loss provisions (RMm)	(191.3)	(104.4)	(240.8)	(114.3)	(194.3)	(48.8)	(33.3)	
Associates and others (RMm)	164.3	166.8	167.8	182.1	219.1	218.2	251.5	
Pretax profit (RMm)	648.7	890.3	815.3	940.8	824.6	1,042.1	1,076.5	
Tax (RMm)	(79.3)	(161.4)	(144.5)	(169.3)	(135.1)	(183.8)	(337.9)	
Tax rate (%)	12.2	18.1	17.7	18.0	16.4	17.6	31.4	
Minority interest (RMm)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net profit (RMm)	569.4	728.9	670.8	771.5	689.5	858.3	738.6	
EPS (sen)	27.8	35.6	32.8	37.7	42.6	41.9	36.1	
YoY % growth								
Interest income	-14.9%	-12.9%	-13.2%	-12.3%	-0.8%	-1.3%	1.3%	
Interest expense	-23.4%	-33.1%	-39.3%	-44.4%	-37.6%	-23.1%	-13.9%	
Net interest income (RMm)	-2.6%	13.0%	18.9%	28.9%	41.0%	15.4%	10.8%	Driven by strong loan growth
Non-interest income (RMm)	-4.0%	7.4%	-1.0%	13.0%	-41.4%	-24.2%	-40.6%	Lower investment income.
Islamic banking income (RMm)	33.8%	9.4%	13.5%	13.7%	-0.9%	-4.8%	-0.5%	
Total Income (RMm)	2.5%	11.0%	13.1%	22.7%	11.3%	2.3%	-2.1%	Dragged down by lower non-int.
Overhead expenses (RMm)	-1.7%	-0.2%	-2.9%	-3.9%	2.2%	-2.6%	0.2%	Tight cost control.
Pre-provision profit (RMm)	5.9%	19.5%	25.0%	46.6%	18.4%	5.4%	-3.4%	Narrower jaws due to lower revenue.
Loan loss provisions (RMm)	307.0%	-1286.4%	1141.2%	-9.2%	1.6%	-53.3%	-86.2%	A yoy plunge.
Associates and others (RMm)	15.5%	15.1%	1.1%	8.7%	33.4%	30.8%	49.9%	Strong growth from Bank of Chengdu contributions.
Pretax profit (RMm)	-11.5%	5.2%	-4.9%	47.6%	27.1%	17.1%	32.0%	
Tax (RMm)	-17.9%	2.2%	-6.9%	65.3%	70.4%	13.9%	133.8%	
Minority interest (RMm)	-	-	-	-	-	-	-	
Net profit (RMm)	-10.5%	5.9%	-4.4%	44.3%	21.1%	17.8%	10.1%	Driven by lower provision.
EPS (sen)	-10.6%	6.0%	-4.4%	44.4%	53.2%	17.7%	10.1%	
Key ratios								
Annualised ROAE	8.6%	10.8%	9.9%	11.2%	9.7%	11.9%	10.1%	Stable yoy.
Annualised ROAA	1.1%	1.3%	1.2%	1.4%	1.2%	1.5%	1.2%	
Cost-to-income ratio	43.5%	38.6%	36.6%	37.0%	40.0%	36.8%	37.4%	A margin yoy increase.
Non-interest income ratio	26.0%	24.8%	21.4%	19.8%	13.7%	18.3%	13.0%	
Annualised average cost of fund	1.65%	1.34%	1.19%	1.03%	0.96%	0.96%	0.95%	
Annualised credit charge-off rate	0.54%	0.29%	0.66%	0.31%	0.52%	0.13%	0.09%	A yoy and qoq decline.

SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 5: Hong Leong Bank – quarterly balance sheet

RM m	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Remarks for Dec 21
Cash and short-term funds	3,846.5	6,227.1	4,537.1	3,466.2	5,515.9	6,358.5	
Deposits with other FI's	1,331.2	1,037.2	782.7	486.8	1,630.8	286.0	
Securities purchased under resale agreement	0.0	0.0	0.0	0.0	0.0	102.3	
Securities held-for-trading	7,933.1	8,115.4	8,292.2	8,246.4	11,732.1	8,648.1	
Securities available-for-sale (Dealing securities)	32,550.6	30,917.0	34,686.2	34,450.2	30,847.4	30,283.0	
Securities held-to-maturity	21,252.0	22,160.8	20,777.7	23,635.0	25,607.8	28,416.7	
Loans, advances and financing	146,808.5	148,461.9	151,161.3	154,070.7	153,993.6	158,239.8	+6.6% yoy
Other assets	3,318.0	2,700.7	4,028.0	3,231.8	3,156.5	2,242.4	
Goodwill on consolidation	1,831.3	1,831.3	1,831.3	1,831.3	1,831.3	1,831.3	
Statutory deposits	378.1	367.3	438.1	493.6	511.3	493.9	
Property and equipment	1,270.3	1,241.8	1,227.1	1,197.8	1,169.4	1,154.4	
Investment in associates / JV	4,841.1	5,024.2	5,366.0	5,501.5	5,755.0	6,079.7	
Deferred tax assets	67.2	131.3	292.1	275.6	351.6	398.4	
Takaful fund assets	0.0	0.0	0.0	0.0	0.0	0.0	
Intangible assets	204.1	207.4	209.2	242.3	252.1	271.7	
TOTAL ASSETS	225,632.0	228,423.4	233,629.0	237,129.2	242,354.8	244,806.2	
Deposits from customers	174,692.4	176,487.6	180,602.7	183,289.8	183,221.3	188,551.9	+6.8% yoy
Deposits from other FI's	8,682.0	7,979.5	8,697.3	12,130.0	12,291.9	8,451.9	
Obligations on repurchase agreement securities	3,058.9	3,553.2	4,320.4	742.7	4,348.5	5,247.4	
Bill and acceptances payable	153.8	152.8	200.8	189.6	169.0	155.2	
Floating rate certificate of deposits	0.0	0.0	0.0	0.0	0.0	0.0	
Floating rate certificate of deposits	1,042.1	1,040.8	1,035.1	1,033.8	1,327.5	1,328.3	
Other liabilities	7,351.1	8,173.8	7,227.5	7,623.5	8,934.1	8,204.8	
Provision for taxation	255.9	465.1	671.5	352.0	302.9	491.6	
Subordinated bonds	1,519.0	1,502.3	1,518.8	1,502.3	1,519.1	1,502.4	
Tier-1 instruments	806.8	806.4	806.8	806.4	806.8	806.5	
Syndicated loan facility	0.0	0.0	0.0	0.0	0.0	0.0	
Short-term corporate placements	0.0	0.0	0.0	0.0	0.0	0.0	
Takaful liabilities	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL LIABILITIES	197,562.0	200,161.5	205,080.9	207,670.1	212,921.1	214,740.0	
Share capital	7,739.1	7,739.1	7,739.1	7,739.1	7,739.1	7,739.1	
Reserves	21,052.5	21,244.4	21,528.5	22,439.0	22,412.3	23,041.7	
Treasury shares	(721.6)	(721.6)	(719.5)	(719.0)	(717.7)	(714.6)	
SHF	28,070.0	28,261.9	28,548.1	29,459.1	29,433.7	30,066.2	
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	
TOTAL LIABILITIES AND SHF	225,632.0	228,423.4	233,629.0	237,129.2	242,354.8	244,806.2	

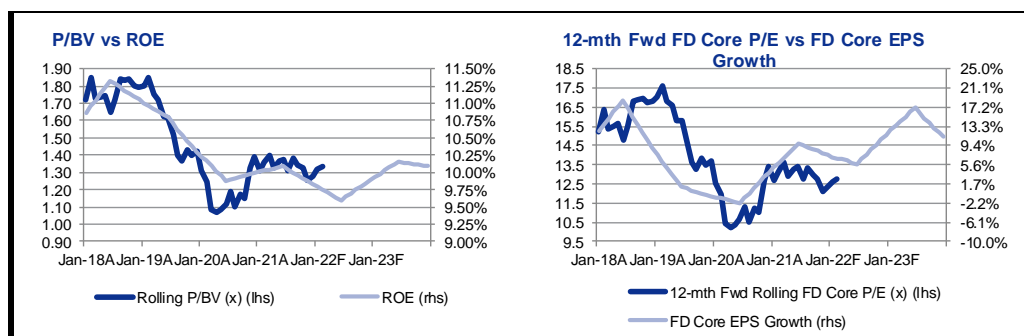
SOURCES: CGS-CIMB, COMPANY REPORTS

Figure 6: Hong Leong Bank – breakdown of loans

FYE Jun (RM m)	1Q21 Sep-20	2Q21 Dec-20	3Q21 Mar-21	4Q21 Jun-21	1Q22 Sep-21	2Q22 Dec-21	Remarks for Dec 21
Sectorial breakdown of loans							
Construction	2,609.8	2,653.8	2,822.0	2,823.4	2,999.7	3,273.5	
Residential mortgages	74,527.7	75,421.8	76,470.5	77,191.5	77,907.9	79,563.1	
Non-residential mortgages	17,933.9	17,942.9	18,380.7	18,524.3	18,689.5	19,282.0	
Purchase of securities	816.0	880.3	957.5	950.7	1,058.6	1,062.1	
Auto loans	17,242.9	17,150.8	16,931.7	16,769.0	16,549.7	16,959.4	
Personal use	3,425.2	3,417.4	3,442.8	3,441.1	3,579.1	3,637.4	
Credit card	3,051.1	2,992.8	2,927.5	2,831.0	2,861.2	3,017.3	
Purchase of consumer durables	0.0	0.0	0.0	0.0	0.0	0.0	
Working capital	25,802.1	26,864.0	28,044.8	30,258.6	29,032.1	30,238.4	
Others	2,717.3	2,669.9	2,823.0	3,032.6	3,101.0	3,029.4	
TOTAL	148,126.0	149,993.7	152,800.5	155,822.2	155,778.8	160,062.6	
Breakdown of loans (%)							
Construction	1.8%	1.8%	1.8%	1.8%	1.9%	2.0%	
Residential mortgages	50.3%	50.3%	50.0%	49.5%	50.0%	49.7%	Biggest loan segment.
Non-residential mortgages	12.1%	12.0%	12.0%	11.9%	12.0%	12.0%	
Purchase of securities	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	
Auto loans	11.6%	11.4%	11.1%	10.8%	10.6%	10.6%	
Personal use	2.3%	2.3%	2.3%	2.2%	2.3%	2.3%	
Credit card	2.1%	2.0%	1.9%	1.8%	1.8%	1.9%	
Purchase of consumer durables	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Working capital	17.4%	17.9%	18.4%	19.4%	18.6%	18.9%	
Others	1.8%	1.8%	1.8%	1.9%	2.0%	1.9%	
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
yoy growth rate							
Construction	19.9%	12.4%	13.1%	8.1%	14.9%	23.4%	
Residential mortgages	8.0%	6.8%	6.6%	5.3%	4.5%	5.5%	An improvement in growth.
Non-residential mortgages	8.4%	7.6%	9.2%	7.4%	4.2%	7.5%	
Purchase of securities	-4.5%	5.8%	47.9%	21.8%	29.7%	20.7%	
Auto loans	-0.4%	-1.3%	-2.1%	0.0%	-4.0%	-1.1%	Narrower contraction.
Personal use	-2.9%	-3.6%	-2.2%	0.1%	4.5%	6.4%	
Credit card	-13.7%	-16.8%	-12.5%	-8.5%	-6.2%	0.8%	
Purchase of consumer durables	-	-	-	-	-	-	
Working capital	12.5%	13.5%	17.4%	16.7%	12.5%	12.6%	Sustained at double-digit growth rate in the past six quarters
Others	-2.3%	4.1%	7.1%	11.1%	14.1%	13.5%	
TOTAL	6.8%	6.2%	7.3%	6.8%	5.2%	6.7%	Above the industry's growth of 4.5%.

SOURCES: CGS-CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Net Interest Income	2,764	3,458	3,480	3,745	3,882
Total Non-Interest Income	2,014	2,009	2,193	2,292	2,477
Operating Revenue	4,778	5,467	5,673	6,037	6,359
Total Non-Interest Expenses	(2,104)	(2,078)	(2,255)	(2,344)	(2,439)
Pre-provision Operating Profit	2,675	3,389	3,418	3,692	3,920
Total Provision Charges	(328)	(654)	(233)	(200)	(246)
Operating Profit After Provisions	2,347	2,735	3,185	3,493	3,674
Pretax Income/(Loss) from Assoc.	642	736	883	945	1,040
Operating EBIT (incl Associates)	2,989	3,471	4,068	4,438	4,713
Non-Operating Income/(Expense)	0	(0)	4	(11)	(3)
Profit Before Tax (pre-EI)	2,989	3,471	4,072	4,427	4,711
Exceptional Items	0	0	0	0	0
Pre-tax Profit	2,989	3,471	4,072	4,427	4,711
Taxation	(495)	(610)	(1,078)	(885)	(942)
Consolidation Adjustments & Others	0	0	0	0	0
Exceptional Income - post-tax	0	0	0	0	0
Profit After Tax	2,495	2,861	2,993	3,542	3,768
Minority Interests	0	0	0	0	0
Pref. & Special Div	0	0	0	0	0
FX And Other Adj.	0	0	0	0	0
Net Profit	2,495	2,861	2,993	3,542	3,768
Recurring Net Profit	2,603	2,861	3,023	3,542	3,768

Balance Sheet Employment

	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Gross Loans/Cust Deposits	84.0%	84.5%	83.9%	84.7%	84.1%
Avg Loans/Avg Deposits	84.2%	84.2%	84.2%	84.3%	84.4%
Avg Liquid Assets/Avg Assets	28.5%	29.5%	29.4%	29.1%	29.3%
Avg Liquid Assets/Avg IEAs	30.3%	31.2%	31.1%	30.6%	30.8%
Net Cust Loans/Assets	65.4%	65.0%	65.6%	66.1%	65.6%
Net Cust Loans/Broad Deposits	78.9%	78.1%	79.9%	80.6%	79.9%
Equity & Provs/Gross Cust Loans	19.5%	20.0%	21.5%	22.1%	22.5%
Asset Risk Weighting	63.1%	64.1%	63.6%	63.9%	63.8%
Provision Charge/Avg Cust Loans	0%	0%	0%	0%	0%
Provision Charge/Avg Assets	0%	0%	0%	0%	0%
Total Write Offs/Average Assets	0.235%	0.140%	0.225%	0.051%	0.071%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Total Gross Loans	147,007	156,327	165,123	174,268	183,754
Liquid Assets & Invst. (Current)	55,453	66,332	61,873	64,734	68,831
Other Int. Earning Assets	0	0	0	0	0
Total Gross Int. Earning Assets	202,460	222,658	226,997	239,002	252,585
Total Provisions/Loan Loss Reserve	(1,259)	(1,769)	(1,633)	(1,879)	(2,112)
Total Net Interest Earning Assets	201,201	220,889	225,364	237,123	250,473
Intangible Assets	2,019	2,074	2,074	2,074	2,074
Other Non-Interest Earning Assets	9,496	10,700	10,597	10,754	10,839
Total Non-Interest Earning Assets	11,515	12,774	12,671	12,827	12,912
Cash And Marketable Securities	8,562	3,466	8,494	8,335	10,830
Long-term Investments	0	0	0	0	0
Total Assets	221,278	237,129	246,528	258,285	274,215
Customer Interest-Bearing Liabilities	173,849	184,435	194,723	203,673	216,491
Bank Deposits	9,625	12,873	7,831	8,161	8,521
Interest Bearing Liabilities: Others	2,309	2,309	2,309	2,309	2,309
Total Interest-Bearing Liabilities	185,783	199,616	204,863	214,142	227,321
Bank's Liabilities Under Acceptances	1,183	1,223	1,234	1,243	1,256
Total Non-Interest Bearing Liabilities	7,078	6,830	6,864	6,729	6,803
Total Liabilities	194,044	207,670	212,961	222,115	235,379
Shareholders' Equity	27,234	29,459	33,568	36,170	38,836
Minority Interests	0	0	0	0	0
Total Equity	27,234	29,459	33,568	36,170	38,836

Key Ratios

	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Total Income Growth	1.1%	14.4%	3.8%	6.4%	5.3%
Operating Profit Growth	1.5%	26.7%	0.9%	8.0%	6.2%
Pretax Profit Growth	(6.2%)	16.1%	17.3%	8.7%	6.4%
Net Interest To Total Income	57.9%	63.2%	61.3%	62.0%	61.0%
Cost Of Funds	1.88%	1.08%	1.20%	1.20%	1.21%
Return On Interest Earning Assets	3.06%	2.56%	2.58%	2.62%	2.59%
Net Interest Spread	1.18%	1.48%	1.38%	1.42%	1.38%
Net Interest Margin (Avg Deposits)	1.64%	1.93%	1.84%	1.88%	1.85%
Net Interest Margin (Avg RWA)	2.01%	2.37%	2.25%	2.33%	2.28%
Provisions to Pre Prov. Operating Profit	12.3%	19.3%	6.8%	5.4%	6.3%
Interest Return On Average Assets	1.29%	1.51%	1.44%	1.48%	1.46%
Effective Tax Rate	16.6%	17.6%	26.5%	20.0%	20.0%
Net Dividend Payout Ratio	31.3%	37.9%	40.0%	40.0%	40.0%
Return On Average Assets	1.16%	1.25%	1.24%	1.40%	1.42%

Key Drivers

	Jun-20A	Jun-21A	Jun-22F	Jun-23F	Jun-24F
Loan growth (%)	6.1%	6.8%	4.9%	5.6%	5.5%
Gross impaired loan ratio (%)	0.6%	0.5%	0.5%	0.6%	0.6%
Loan loss coverage (%)	141.5%	246.6%	211.2%	191.5%	198.1%
Cost-to-income ratio (%)	44.0%	38.0%	39.7%	38.8%	38.4%
Non-interest income ratio (%)	24.4%	19.9%	21.2%	20.2%	20.7%
Common equity Tier-1 capital ratio (%)	13.9%	15.2%	15.7%	16.5%	17.0%
Stage-1 ECL coverage (%)	61.8%	104.5%	119.2%	113.3%	123.2%
Stage-2 ECL coverage (%)	49.0%	51.9%	39.5%	24.0%	15.2%
Stage-3 ECL coverage (%)	30.8%	50.5%	52.5%	54.2%	59.7%
Total provision over loans (%)	0.9%	1.1%	1.0%	1.1%	1.2%
Return on equity (%)	9.5%	10.1%	9.5%	10.2%	10.0%
Return on asset (%)	1.2%	1.2%	1.2%	1.4%	1.4%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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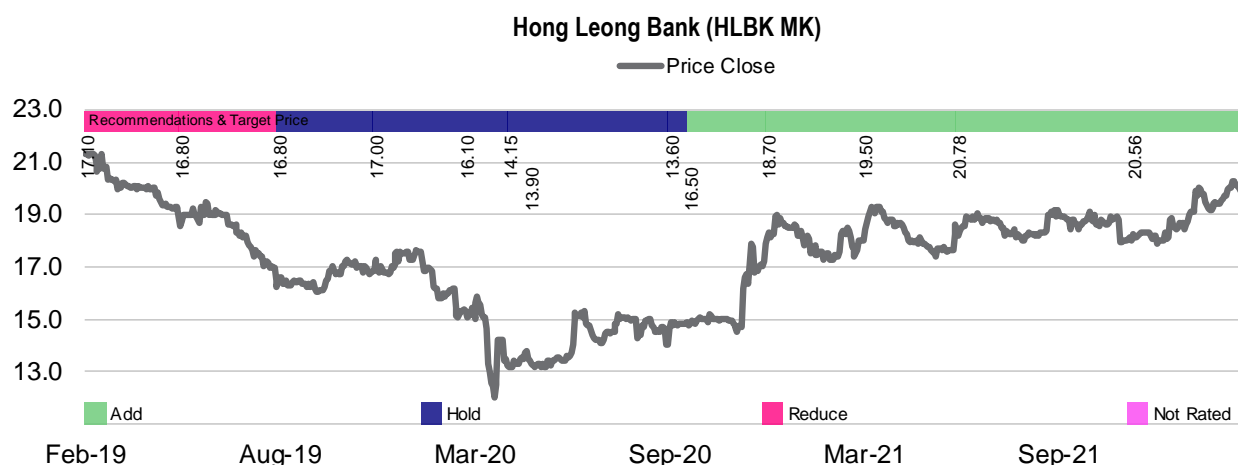
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619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
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Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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