

Banks

Dec 2024 Banking System Highlights

- **Keep OVERWEIGHT; Top Picks: AMMB, Alliance Bank, and CIMB.** Bank Negara Malaysia's Dec 2024 banking system statistics showed steady loan growth of +5.5% YoY, a slight acceleration from the +5.3% recorded in 2023. Meanwhile, asset quality continued to improve – evidenced by declining impaired loans – although deposit growth continued to lag. We maintain our OVERWEIGHT sector rating, as the stable outlook of the Malaysia banks under our coverage (MY Banks) offer a defensive shelter amid periods of volatility.
- **System loans grew 5.5% YoY (+2.0% QoQ, +0.8% MoM) in Dec 2024**, which came in at the higher end of our 5-5.5% forecast. The YoY strength primarily came from household loans, which rose 6% YoY (QoQ: +2%, MoM: +1%), while non-household loans grew by a more moderate 5% YoY (QoQ: +3%, MoM: +1%). The finance (+21% YoY, +12% QoQ), wholesale & retail trade (+8% YoY, +2% QoQ) and manufacturing (+5% YoY, +3% QoQ) sectors continued to show solid momentum, while auto loans (+9% YoY, +2% QoQ) and residential mortgages (+7% YoY, +2% QoQ) were the main drivers of household loans.
- **2024 saw a slight moderation in lending indicators**, as total system loan applications and approvals growth for the year eased to +3% and +1% YoY (from +9% and +11% in 2023). We think this could lead to a more moderate system loan growth in 2025, especially if the trend keeps up during the year – we anticipate loan growth for 2025 at c.5% YoY. Elsewhere, we observed that the average lending rate (ALR) has been on a downtrend, with the Dec 2024 print of 5.1% implying a 2bps decline MoM (YoY: -34bps). However, several banks that we had checked with mentioned that sequential NIM compression in 4Q24 was not as severe as that in 4Q23.
- **System deposits rose 3% YoY (+2% QoQ, +1% MoM)**, ie at a softer clip compared to system loan growth. As a result, system LDR inched up 2ppts YoY to 88% (flat vs Sep 2024). Interestingly, CASA deposits growth (+5% YoY, +3% QoQ) outpaced that of fixed deposits (FD; +4% YoY, +1% QoQ), so the system CASA ratio expanded to 31.4% (Dec 2023: 31.0%, Sep 2024: 31.2%). This follows the c.10bps YoY decline in FD rates across multiple tenors, as the banks continue to manage down funding cost to preserve NIMs.
- **Asset quality.** Absolute GILs declined 8% YoY (QoQ: -5%, MoM: -4%), with particular decreases seen in the household sector (-7% YoY, -3% QoQ). Both the household and non-household GIL ratios eased YoY to 1.1% and 2.0% (Dec 2023: 1.2% and 2.3%). Provision buffers appear adequate, with system LLC at 91.4% (Dec 2023: 91.9%, Sep 2024: 90.8%).
- **Capital ratios appear adequate.** The CET-1 and total capital ratios remained stable at 14.3% and 17.8% (both relatively flat YoY). In the upcoming results briefings, we will look to gain further clarity on the banks' capital optimisation strategies – particularly with respect to the gradual implementation of Basel III reforms.

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Affin	Sell	2.25	(19.9)	12.7	0.5	4.4	3.1
Alliance Bank Malaysia	Buy	5.50	5.8	10.4	1.0	9.8	3.9
AMMB	Buy	6.50	15.2	9.3	0.9	9.6	4.6
BIMB	Neutral	2.45	-	9.7	0.7	7.5	6.2
CIMB	Buy	9.25	15.3	10.4	1.2	11.5	5.3
Hong Leong Bank	Buy	26.60	31.7	9.1	1.0	11.4	3.8
Malayan Banking	Neutral	11.00	6.4	12.0	1.3	10.7	6.4
Public Bank	Neutral	4.80	11.4	11.3	1.4	12.4	5.2

Source: Company data, RHB

Overweight (Maintained)

Stocks Covered 8
 Rating (Buy/Neutral/Sell): 4 / 3 / 1
 Last 12m Earnings Revision Trend: Positive

Top Picks

Company	Rating	Target Price
AMMB (AMM MK) – BUY	BUY	MYR6.50
Alliance Bank Malaysia (ABMB MK) – BUY	BUY	MYR5.50
CIMB (CIMB MK) – BUY	BUY	MYR9.25
Hong Leong Bank (HLBK MK) – BUY	BUY	MYR26.60

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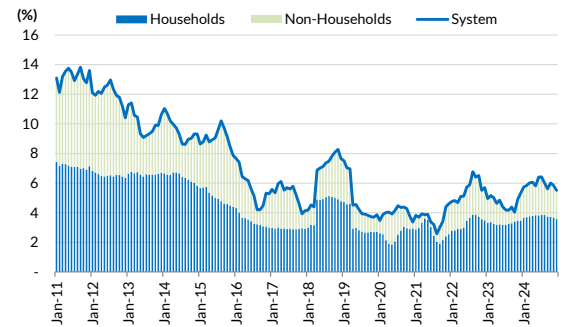
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Drivers of system loan growth



Source: Company data, RHB

Banking System Key Statistics

Figure 1: Key banking system statistics, Dec 2024

	Dec-23	Sep-24	Nov-24	Dec-24	YoY (ppts)	QoQ (ppts)	MoM (ppts)
System loan growth YoY (%)	5.3	5.6	5.8	5.5			
Household loan growth YoY (%)	5.9	6.3	6.1	6.0			
Non-household loan growth YoY (%)	4.5	4.6	5.4	4.8			
System deposits growth YoY (%)	5.6	3.3	3.6	3.0			
CASA ratio (%)	31.0	31.2	31.3	31.4	0.4	0.2	0.1
LDR (%)	85.8	87.7	87.8	87.8	2.1	0.1	0.0
LCR (%)	161.0	146.6	147.9	160.7	(0.3)	14.1	12.8
CET-1 ratio (%)	14.6	14.5	14.4	14.3	(0.3)	(0.2)	(0.1)
Total capital ratio (%)	18.2	18.2	17.9	17.8	(0.4)	(0.4)	(0.1)
ALR (%)	5.45	5.23	5.13	5.11	(0.3)	(0.1)	(0.0)
6-month FD rate (%)	2.75	2.75	2.68	2.69	(0.1)	(0.1)	0.0
12-month FD rate (%)	2.83	2.77	2.75	2.74	(0.1)	(0.0)	(0.0)
Interest spread (ppts)*	2.69	2.48	2.45	2.42	(0.2)	(0.1)	(0.0)
OPR (%)	3.00	3.00	3.00	3.00			
SRR (%)	2.00	2.00	2.00	2.00			
System GIL ratio (%)	1.65	1.54	1.51	1.44	(0.2)	(0.1)	(0.1)
Household GIL ratio (%)	1.23	1.13	1.11	1.08	(0.1)	(0.1)	(0.0)
Non-household GIL ratio (%)	2.27	2.16	2.11	1.98	(0.3)	(0.2)	(0.1)
System LLC (%)	91.9	90.8	91.2	91.4	(0.5)	0.7	0.2

Note: *Denotes the difference between the ALR and the 6-month FD rate

Source: Bank Negara Malaysia (BNM), RHB

Banking System Loan Growth

Figure 2: System loans by purpose, Dec 2024

	MYRm	% of total	% MoM	% YoY
Purchase of securities	75,968	3.4	(1.2)	(7.0)
Transport vehicles	228,755	10.2	0.4	8.4
(Of which: Passenger cars)	217,736	9.7	0.4	8.5
Residential property	845,191	37.6	0.5	6.9
Non-residential property	272,008	12.1	1.3	8.1
Fixed assets other than land & building	14,670	0.7	1.7	(4.6)
Personal use	118,105	5.3	0.5	3.6
Credit card	49,327	2.2	2.4	7.7
Consumer durables	225	0.0	(1.3)	9.7
Construction	60,888	2.7	(0.3)	2.2
Working capital	500,408	22.2	1.1	4.7
Other purposes	83,547	3.7	3.1	(0.1)
Total	2,249,092	100.0	0.8	5.5

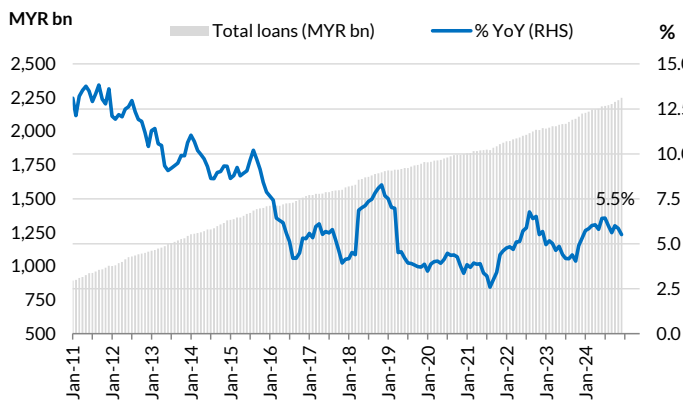
Source: BNM, RHB

Figure 3: System loans by sector, Dec 2024

	MYRm	% of total	% MoM	% YoY
Primary agriculture	32,965	1.5	(0.9)	(6.3)
Mining & quarrying	9,276	0.4	(1.9)	(6.3)
Manufacturing	138,260	6.1	0.8	5.1
Electricity, gas & water	22,554	1.0	5.3	(3.5)
Wholesale & retail, hotels & restaurants	188,521	8.4	1.1	7.9
Construction	95,160	4.2	(9.3)	(7.4)
Real estate	114,902	5.1	1.9	2.3
Transport & communications	56,654	2.5	1.4	4.2
Finance, insurance & biz	189,258	8.4	7.7	21.0
Education & health	44,254	2.0	0.4	(6.3)
Household sector	1,341,909	59.7	0.5	6.0
Others	15,378	0.7	(2.4)	(15.7)
Total	2,249,092	100.0	0.8	5.5

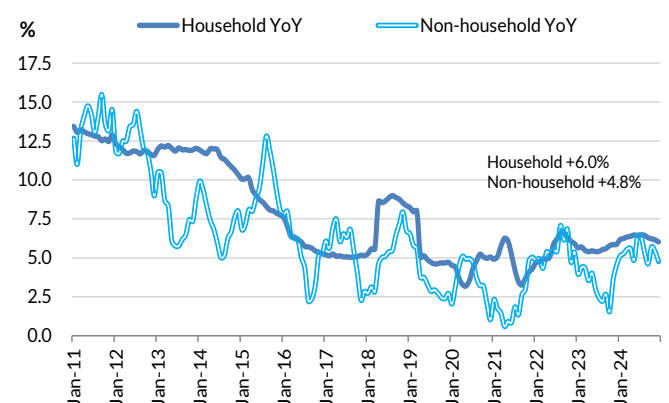
Source: BNM, RHB

Figure 4: System loan growth



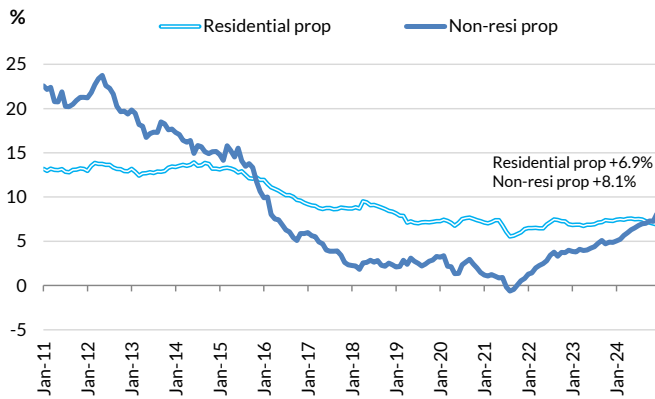
Source: BNM, RHB

Figure 5: Loan growth – household vs non-households



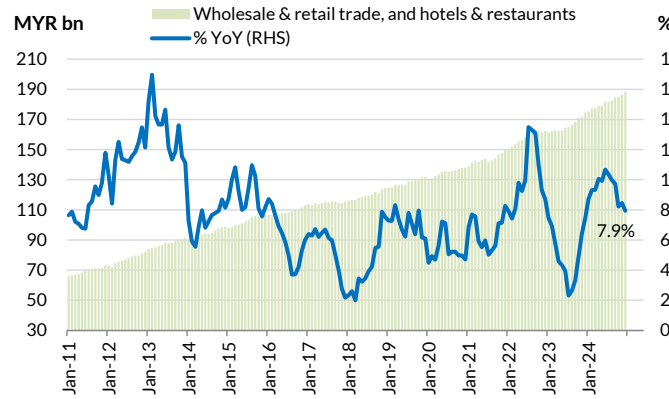
Source: BNM, RHB

Figure 6: Property loan growth – residential vs non-residential



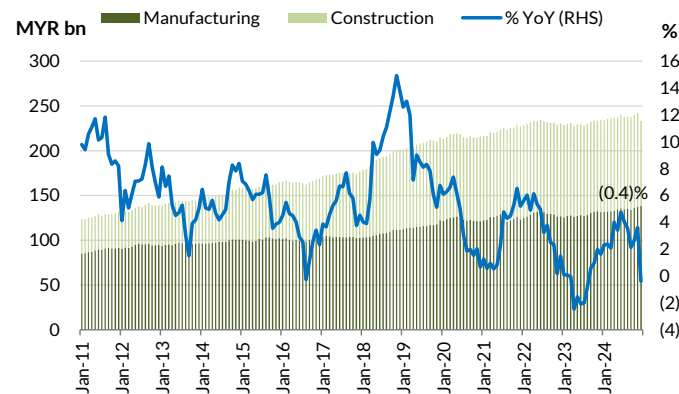
Source: BNM, RHB

Figure 7: Wholesale & retail trade, hotels & restaurants loan growth



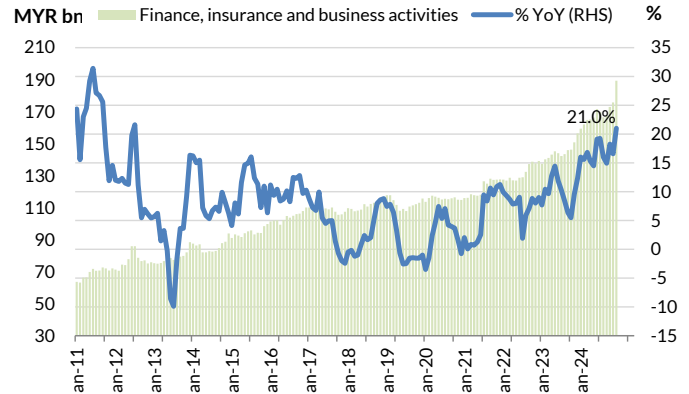
Source: BNM, RHB

Figure 8: Manufacturing & construction loan growth



Source: BNM, RHB

Figure 9: Finance, insurance & business activities loan growth



Source: BNM, RHB

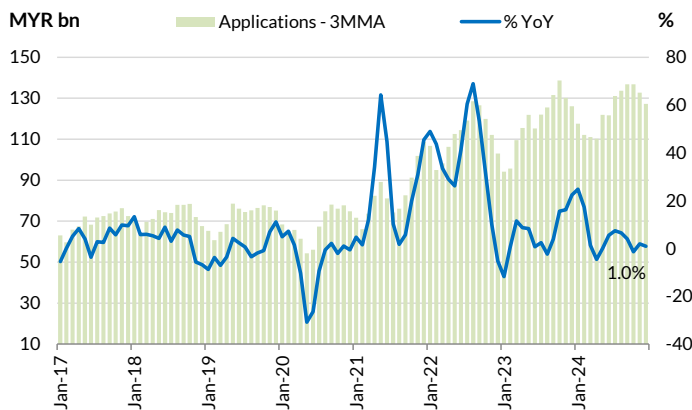
System Lending Indicators

Figure 10: System lending indicators

MYRbn	2023		2024		Dec-23	Nov-24	Dec-24	% YoY	% MoM
	Jan-Dec	Jan-Dec	% YoY	Jan-Dec					
System									
Loan applications	1,447.3	1,490.2	3.0	126.0	132.7	127.2	1.0	(4.1)	
Loan approvals	777.6	786.7	1.2	73.6	71.2	71.2	(3.4)	(0.1)	
Loan disbursements	2,460.1	2,422.5	(1.5)	215.5	202.9	212.7	(1.3)	4.8	
Business									
Loan applications	630.8	653.1	3.5	55.5	63.9	58.0	4.6	(9.3)	
Loan approvals	403.6	413.8	2.5	40.3	41.0	40.3	0.2	(1.6)	
Loan disbursements	1,982.8	1,912.5	(3.5)	173.2	160.9	169.5	(2.1)	5.3	
Household									
Loan applications	816.4	837.1	2.5	70.6	68.7	69.2	(1.9)	0.7	
Loan approvals	374.0	372.9	(0.3)	33.4	30.2	30.8	(7.6)	2.0	
Loan disbursements	477.3	510.0	6.8	42.3	42.1	43.2	2.1	2.7	

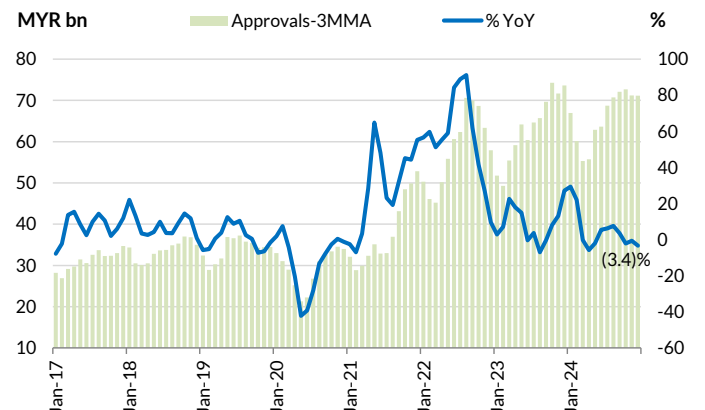
Note: *Based on 3-month moving average (3MMA) figures
Source: BNM, RHB

Figure 11: System loan applications*



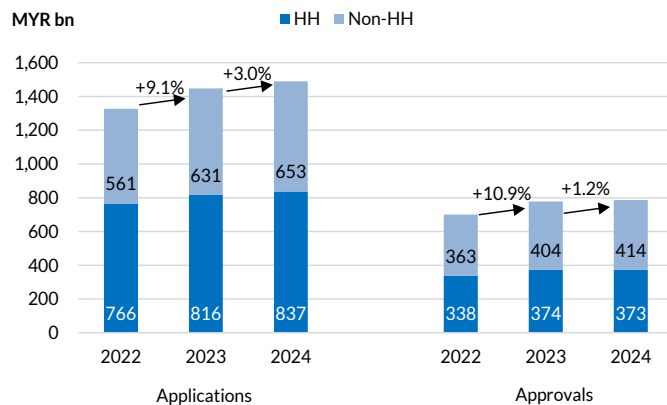
Note: * Based on 3MMA
Source: BNM, RHB

Figure 12: System loan approvals*



Note: *Based on 3MMA
Source: BNM, RHB

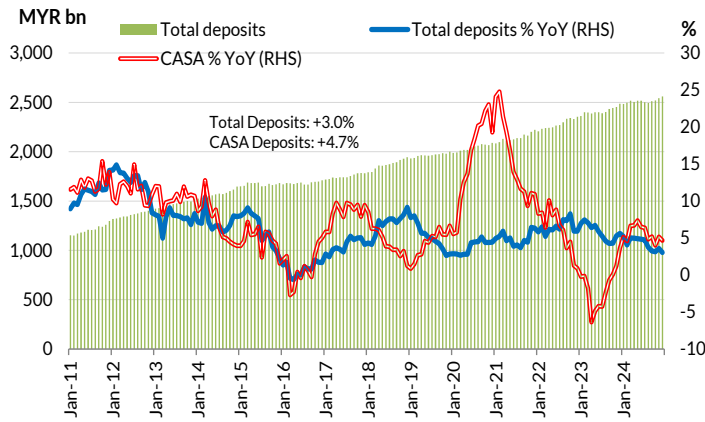
Figure 13: Cumulative system lending indicators



Source: BNM, RHB

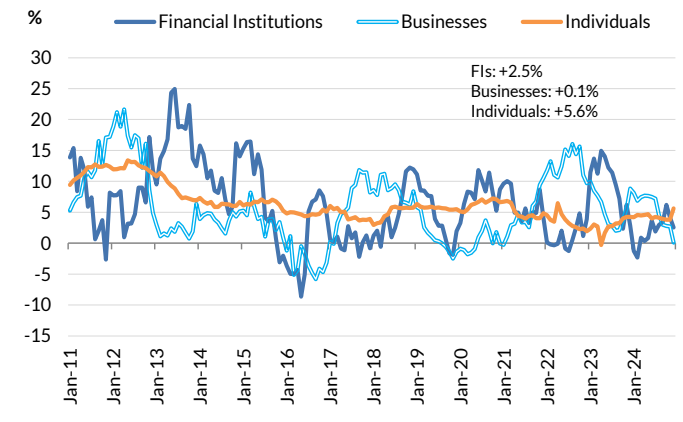
Banking System Deposit Growth

Figure 14: System deposit growth vs CASA growth



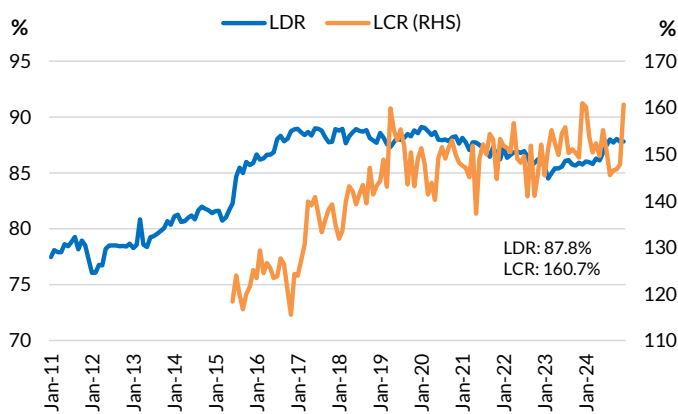
Source: BNM, RHB

Figure 15: Deposit growth by holder



Source: BNM, RHB

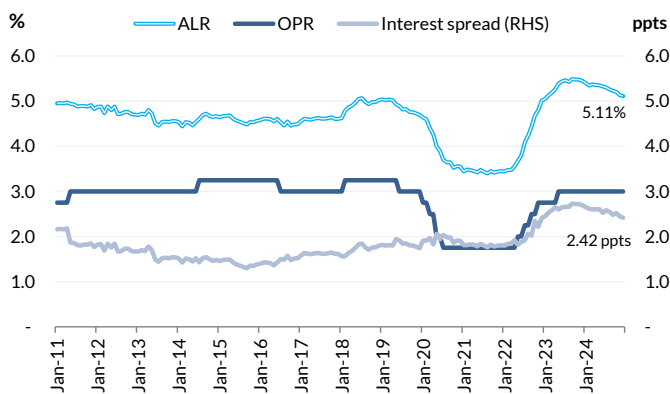
Figure 16: System LDR and LCR



Source: BNM, RHB

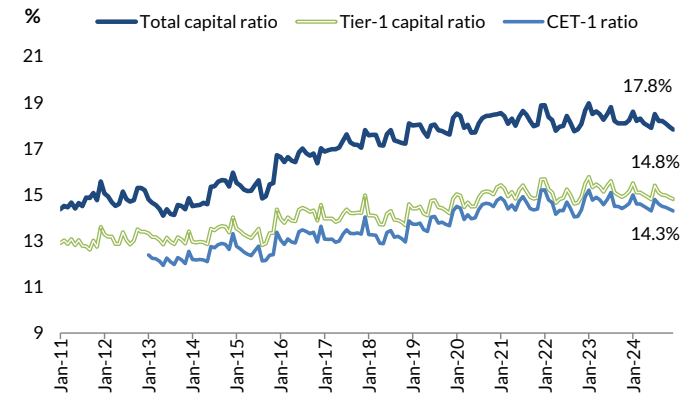
Interest Rates And Capital Ratios

Figure 17: System average lending rate and interest spread



Source: BNM, RHB

Figure 18: System capital ratios



Source: BNM, RHB

Banking System Asset Quality

Figure 19: System GIL by purpose, Dec 2024

	MYRm	% of total	% MoM	% YoY
Purchase of securities	215	0.7	(6.1)	(23.0)
Transport vehicles (Of which: Passenger cars)	1,190	3.7	(5.6)	9.4
Residential property	1,100	3.4	(5.3)	10.4
Non-residential property	9,843	30.3	(1.4)	(7.0)
Fixed assets other than land & building	4,033	12.4	(3.1)	(1.7)
Personal use	182	0.6	(4.7)	(10.3)
Credit card	2,701	8.3	(3.8)	(11.8)
Consumer durables	415	1.3	(3.1)	(8.1)
Construction	3	0.0	(3.1)	67.1
Working capital	2,150	6.6	(9.7)	(11.4)
Other purposes	10,479	32.3	(2.0)	(8.6)
Total impaired loans	1,236	3.8	(21.9)	(21.3)
Total impaired loans	32,446	100.0	(3.8)	(7.9)

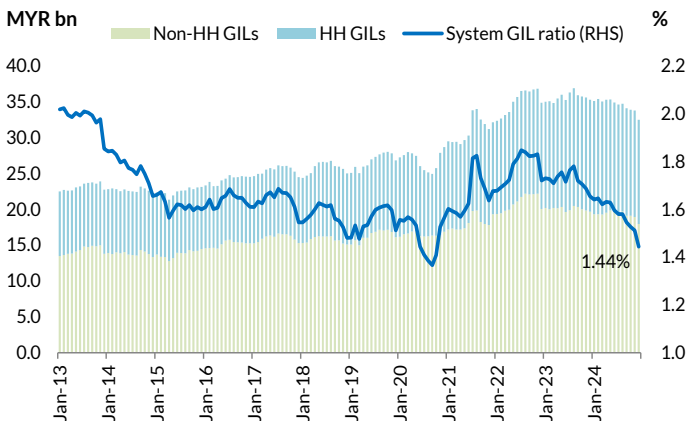
Source: BNM, RHB

Figure 20: System GIL by sector, Dec 2024

	MYRm	% of total	% MoM	% YoY
Primary agriculture	175	0.5	(3.7)	(73.6)
Mining & quarrying	1,124	3.5	(1.1)	(17.8)
Manufacturing	2,378	7.3	2.6	(8.2)
Electricity, gas & water	216	0.7	(17.5)	(1.9)
Wholesale & retail, restaurants & hotels	4,036	12.4	(3.2)	(0.4)
Construction	4,608	14.2	(5.6)	(1.8)
Transport & communication	570	1.8	(45.0)	(49.2)
Finance, insurance & biz	1,743	5.4	(3.9)	4.2
Education & health	525	1.6	0.1	(14.6)
Household sector	14,520	44.8	(2.1)	(6.9)
Others	44	0.1	(21.8)	(36.8)
Total impaired loans	32,446	100.0	(3.8)	(7.9)

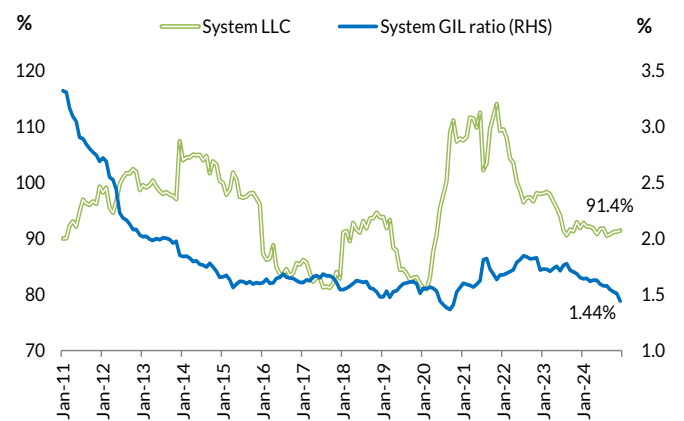
Source: BNM, RHB

Figure 21: System GIL



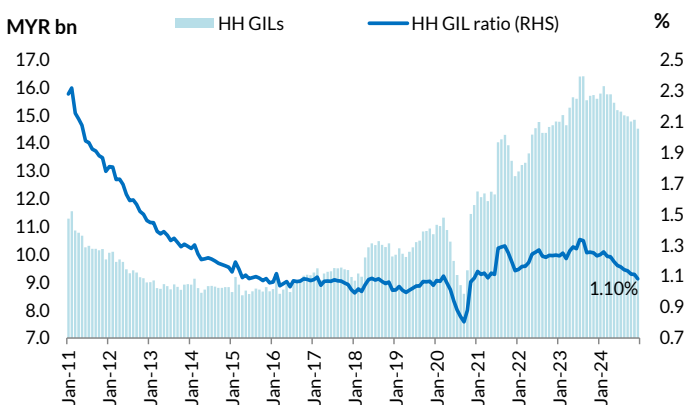
Source: BNM, RHB

Figure 22: System GIL ratio vs LLC ratio



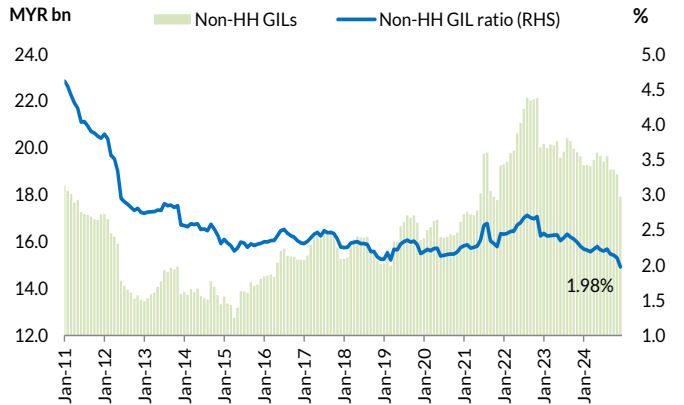
Source: BNM, RHB

Figure 23: GIL - household



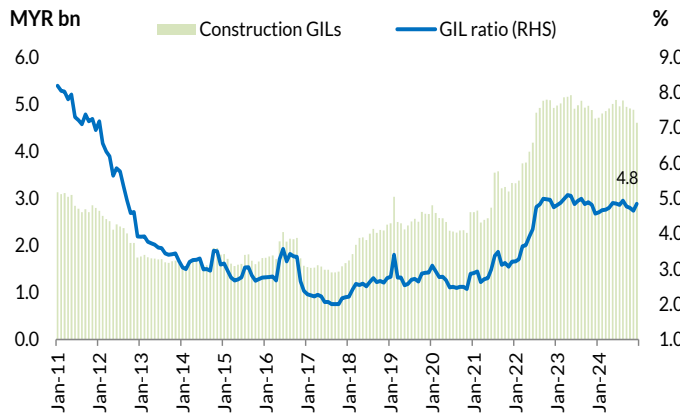
Source: BNM, RHB

Figure 24: GIL - non-household



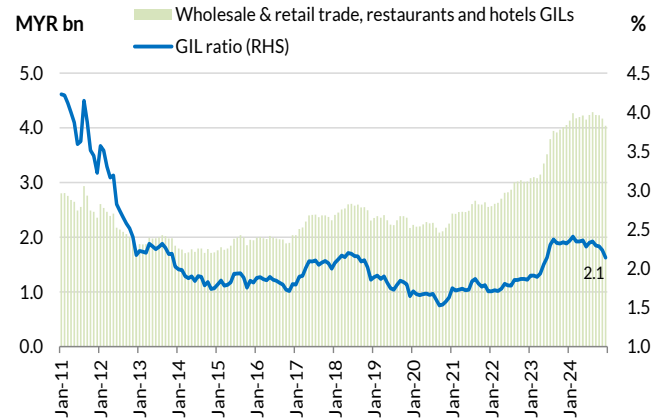
Source: BNM, RHB

Figure 25: GIL - construction



Source: BNM, RHB

Figure 26: GIL - wholesale & retail trade, restaurants and hotels



Source: BNM, RHB

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Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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