

9 March 2023

Financial Services | Banks

## Banks

**Overweight** (Maintained)

### Growth With Valuation And Yield Support; O/W

- **OVERWEIGHT.** We believe an uncertain macroeconomic backdrop has partly kept banks' share prices rangebound, but these banks have placed sufficient levers to support earnings and dividend growth. Sector valuation remains at the low end of the historical range while dividend yields are attractive. Top Picks: i) CIMB (efforts to reposition and transform bear fruit); ii) AMMB (earnings momentum tailwinds); iii) Malayan Banking (Maybank, on yields). This report marks the transfer of coverage to David Chong.
- **4Q22 results a beat.** Of the eight banks under our coverage, results from three banks beat estimates while the remaining five were in line. The outperformers were Alliance Bank (ABMB), Hong Leong Bank (HL Bank) and Public Bank with key drivers for the results beat, varying from better-than-expected NIM (Public Bank), robust Non-IL and associate contribution (HL Bank) to lower-than-expected credit cost (HL Bank, ABMB). Post reporting season, we cut sector FY23-24F earnings by c.3%, mainly as we factor in the guidance from banks on NIMs. We downgraded ABMB to NEUTRAL due to a more subdued outlook, and Public Bank to NEUTRAL on its lacklustre earnings prospects (*see a separate report today*).
- **NIM, a point of near-term focus.** Despite the sector registering a 3bps QoQ NIM expansion in 4Q22, NIM has likely peaked, since the policy rate is at the tail end of the hiking cycle and funding cost pressures from deposit competition, repricing of fixed deposits (FD), and the shift in mix to FDs from CASA. From the briefings, the banks generally guided for NIM compression this year. The most conservative was Public Bank (NIM down double digits YoY, possibly due to a catch down following the strong expansion in 4Q22) while Affin was the most optimistic (+10bps YoY) as it leverages further on its improving CASA mix. We now project FY23F NIM to compress by 6bps (bulk of compression expected to occur in 1H23) and stabilise in FY24F.
- **Asset quality – too early to call tops.** 4Q22 sector GIL improved (-3% QoQ) due to the decline by Maybank and CIMB. Public Bank saw GIL jump 27% QoQ while GIL for smaller banks continued to creep up – the effect of loans exiting repayment programmes. That said, having built up impairment buffers earlier, sector credit cost fell 11bps QoQ to 26bps. ABMB and RHB were banks that wrote back overlays during the quarter. While other peers have acknowledged such a possibility ahead, if the macro picture improves. At this point, our FY23-25F earnings do not factor in such write-backs.
- **Non-IL, key to operating income strength.** We expect FY23 core fee income to rebound by 12% YoY, from the 5% YoY drop in FY22. Banks had guided for healthy investment bank pipelines and efforts to further grow the wealth management business, on top of better fees from continued loan growth and higher card spending, among others. Loan growth is expected to moderate and together with NIM pressure, NII growth will be more muted.
- **FY23F – decent underlying with tax rate support.** We project FY23 PIOP to rise by 2% YoY, on the back of 4% YoY rise in operating income (led by non-IL), partly offset by inflationary cost pressures and technology spending (opex: +6% YoY). We expect total impairment charges to ease further, which will help take FY23F pre-tax profit up by 5% YoY. Sector FY23 net profit growth, however, is projected at 14% YoY thanks to the normalisation of effective tax rates.

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-23F	P/B (x) Dec-23F	ROAE (%) Dec-23F	Yield (%) Dec-23F
Affin	Buy	2.50	19.0	7.8	0.4	5.6	7.1
Alliance Bank Malaysia	Neutral	3.75	6.5	8.1	0.8	9.7	6.1
AMMB	Buy	4.60	15.6	7.2	0.7	10.0	4.8
BIMB	Neutral	2.30	4.5	7.8	0.6	8.4	5.1
CIMB	Buy	6.40	15.3	9.1	0.9	9.9	5.5
Hong Leong Bank	Buy	23.10	12.4	10.6	1.2	11.7	3.3
Malayan Banking	Buy	9.65	11.2	11.1	1.2	10.8	7.2
Public Bank	Neutral	4.50	9.0	11.7	1.5	13.1	4.6

Source: Company data, RHB

Stocks Covered 8  
Rating (Buy/Neutral/Sell): 5 / 3 / 0  
Last 12m Earnings Revision Trend: Positive

#### Top Picks

	Target Price
CIMB (CIMB MK) – BUY	MYR6.40
AMMB (AMM MK) – BUY	MYR4.60
Malayan Banking (MAY MK) – BUY	MYR9.65

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#### MY Banks' intrinsic value & ESG score

	Intrinsic Value (MYR)	ESG Score	ESG Premium/Discount (%)
ABMB	3.67	3.10	2.00
Affin	2.41	3.10	2.00
AMMB	4.58	3.00	0.00
BIMB	2.27	3.00	0.00
CIMB	6.36	3.00	0.00
HLBank	22.59	3.10	2.00
Maybank	9.26	3.20	4.00
Public Bank	4.55	3.00	0.00

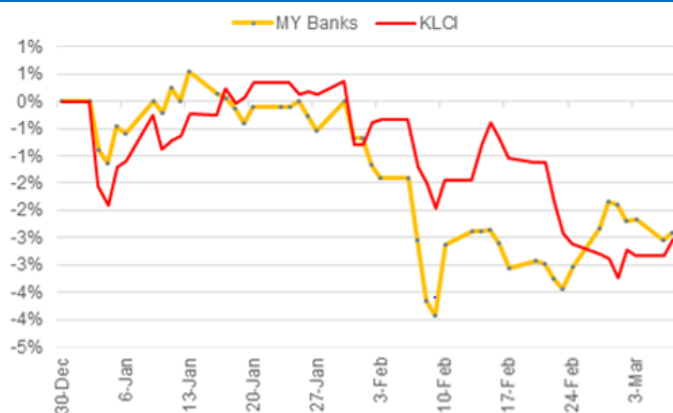
Source: RHB

9 March 2023

Financial Services | Banks

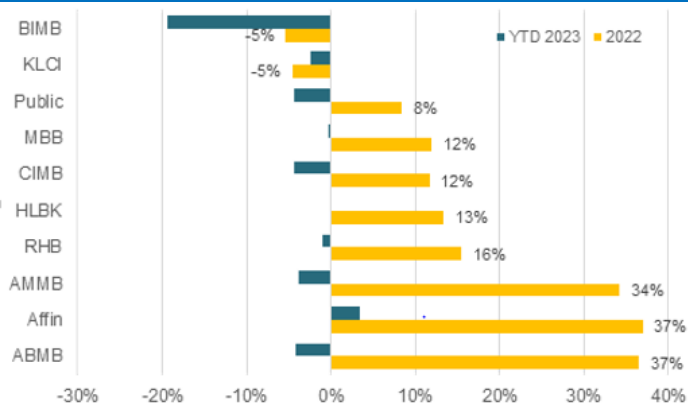
## Share Price Performance And Valuation

Figure 1: MY Banks' YTD performance in line with FBM KLCI – down 2%



Source: Bloomberg, RHB

Figure 2: BIMB has lagged YTD, likely on asset quality woes



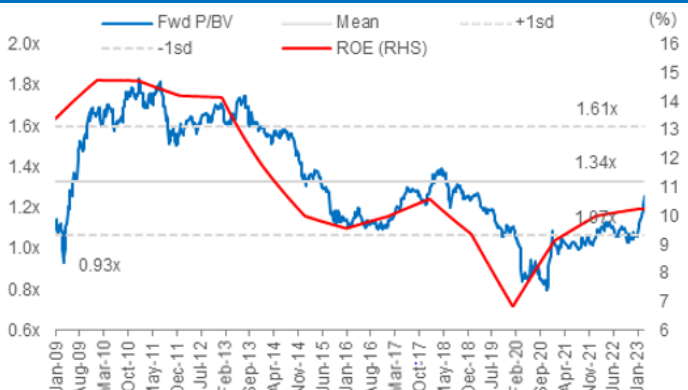
Source: Bloomberg, RHB

Figure 3: MY Banks' 12-month forward P/E



Source: Bloomberg, RHB

Figure 4: MY Banks' 12-month forward P/BV vs ROE



Source: Bloomberg, RHB

Figure 5: Summary of MY Banks' valuations

	Rec	Price (MYR/s)	TP (MYR/s)	Mkt Cap (MYRm)	EPS chg (%)		P/E(x)		P/B(x)		ROE (%)		Div yield (%)	
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Maybank	Buy	8.67	9.65	104,750	13.9	8.0	11.1	10.2	1.2	1.1	10.8	11.2	7.2	7.6
CIMB	Buy	5.57	6.40	59,298	12.1	9.2	9.1	8.4	0.9	0.8	9.9	9.9	5.5	6.0
HL Bank^	Buy	20.56	23.10	44,568	6.0	5.8	10.6	9.8	1.2	1.1	11.7	11.4	3.3	3.6
AMMB^	Buy	4.00	4.60	13,230	7.2	10.3	7.1	6.4	0.7	0.6	10.0	10.0	5.0	5.9
Affin	Buy	2.09	2.50	4,775	16.1	9.3	7.8	7.1	0.4	0.4	5.6	5.9	7.1	7.8
Public Bank	Neutral	4.11	4.50	79,972	11.7	5.5	11.7	11.4	1.5	1.4	13.1	12.9	4.6	4.9
Alliance Bank^	Neutral	3.49	3.75	5,418	0.5	8.4	8.1	7.4	0.8	0.7	9.6	9.9	6.2	6.7
BIMB	Neutral	2.19	2.30	4,959	19.3	6.7	7.8	7.5	0.6	0.6	8.4	8.3	5.1	5.5
<b>Sector Avg</b>					<b>12.2</b>	<b>7.7</b>	<b>10.4</b>	<b>9.7</b>	<b>1.1</b>	<b>1.0</b>	<b>10.4</b>	<b>10.4</b>	<b>5.2</b>	<b>5.5</b>

Note: ^ FY23F-24F refers to FY24F-25F

Source: Bloomberg, RHB

Figure 6: MY Banks – sector earnings and key assumptions

(MYRm)	2020	2021	2022	2023F	2024F
<b>Net interest income</b>	<b>49,603</b>	<b>56,024</b>	<b>61,136</b>	<b>62,946</b>	<b>66,232</b>
<i>NII growth (%)</i>	0.0%	12.9%	9.1%	3.0%	5.2%
<i>Loan growth (%)</i>	2.3%	5.0%	6.8%	5.5%	4.9%
<i>Net interest margin (%)</i>	2.13%	2.30%	2.39%	2.33%	2.34%
Fee income	9,181	9,714	9,281	10,371	11,053
Other income	10,560	7,798	7,175	7,161	7,811
<b>Non-interest income</b>	<b>19,741</b>	<b>16,371</b>	<b>16,457</b>	<b>17,533</b>	<b>18,863</b>
<i>Non-II growth (%)</i>	6.3%	-17.1%	0.5%	6.5%	7.6%
<b>Total operating income</b>	<b>69,344</b>	<b>72,395</b>	<b>77,593</b>	<b>80,478</b>	<b>85,095</b>
<i>Operating income growth (%)</i>	1.7%	4.4%	7.2%	3.7%	5.7%
<i>Non-II/Total income (%)</i>	28.5%	22.6%	21.2%	21.8%	22.2%
<b>Operating expenses</b>	<b>(31,581)</b>	<b>(32,174)</b>	<b>(33,974)</b>	<b>(35,827)</b>	<b>(37,710)</b>
<i>Opex growth (%)</i>	-1.9%	1.9%	5.6%	5.5%	5.3%
<i>CIR (%)</i>	45.5%	44.4%	43.8%	44.5%	44.3%
<b>PIOP</b>	<b>37,763</b>	<b>40,221</b>	<b>43,619</b>	<b>44,652</b>	<b>47,386</b>
<i>PIOP growth (%)</i>	4.9%	6.5%	8.4%	2.4%	6.1%
Loan impairment charges	(14,119)	(7,866)	(5,685)	(5,664)	(5,395)
Other impairment charges	(1,961)	(893)	(783)	(239)	(231)
<b>Total impairment charges</b>	<b>(16,080)</b>	<b>(8,759)</b>	<b>(6,468)</b>	<b>(5,903)</b>	<b>(5,626)</b>
<i>Credit charge-off (bps)</i>	87	47	32	30	27
<i>GIL ratio (%)</i>	1.91%	1.77%	1.61%	1.58%	1.54%
<i>Loan loss coverage (%)</i>	104.4%	117.3%	121.0%	124.3%	128.2%
Associates & others	1,150	1,369	1,149	1,400	1,503
<b>Pre-tax profit</b>	<b>22,833</b>	<b>32,831</b>	<b>38,300</b>	<b>40,149</b>	<b>43,263</b>
Taxation	(4,923)	(7,491)	(11,202)	(9,150)	(9,866)
Minority interests	(407)	(542)	(308)	(413)	(448)
<b>Net profit</b>	<b>17,503</b>	<b>24,799</b>	<b>26,790</b>	<b>30,586</b>	<b>32,949</b>
<i>Net profit growth (%)</i>	-28.0%	41.7%	8.0%	14.2%	7.7%

Source: Company data, RHB

## Key Trends In 4Q22

**Figure 7: Malaysian banks' 4Q22 results were above expectations**

Net profit (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	Reported net profit vs consensus
Affin	207	153	139	(9.7)	(33.0)	Above, FY22 earnings at 98% of our and 128% of consensus FY22F
ABMB	151	158	177	11.8	17.3	Above, 9MFY23 net profit at 82%/80% of our and Street's FY23F
AMMB	403	469	486	3.7	20.6	Above, 9MFY23 earnings at 74%/80% of our and consensus' FY23F
BIMB	80	143	126	(12.0)	57.9	Within, FY22 net profit at 102% of our and consensus' FY22F
CIMB	810	1,413	1,325	(6.2)	63.6	Within, FY22 net profit at 102% of our and consensus' FY22F
HL Bank	739	981	1,042	6.2	41.1	Above, 1HFY23 earnings at 54%/52% of our and consensus' FY23F
Maybank	2,057	2,166	2,167	0.1	5.4	Within, FY22 net profit at 102%/99% of our and Street's FY22F
Public Bank	1,381	1,590	1,714	7.8	24.1	Above, FY22 net profit at 103% of our and Street's FY22F
RHB Bank	631	700	772	10.2	22.3	Within, FY22 net profit at 102% of consensus' FY22F
<b>Sector</b>	<b>6,458</b>	<b>7,775</b>	<b>7,948</b>	<b>2.2</b>	<b>23.1</b>	

Source: Company data, RHB

**Figure 8: 2022 sector PIOP lifted by healthy NII growth and positive jaws**

PIOP (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Affin	226	183	224	22.5	-0.8	790	754	(4.5)
ABMB	265	272	275	0.9	3.6	1,026	1,043	1.7
AMMB	651	704	714	1.3	9.6	2,568	2,590	0.9
BIMB	188	246	225	-8.3	19.6	902	886	(1.8)
CIMB	2,151	2,723	2,732	0.3	27.0	9,134	10,511	15.1
HL Bank	858	959	940	-2.0	9.6	3,404	3,668	7.8
Maybank	3,345	4,020	3,490	-13.2	4.3	13,930	14,808	6.3
Public Bank	2,092	2,384	2,610	9.5	24.8	8,579	9,203	7.3
RHB Bank	1,009	1,232	1,259	2.2	24.7	4,266	4,592	7.6
<b>Sector</b>	<b>10,785</b>	<b>12,723</b>	<b>12,469</b>	<b>-2.0</b>	<b>15.6</b>	<b>44,599</b>	<b>48,055</b>	<b>7.8</b>

Source: Company data, RHB

- ◆ Sector PIOP eased 2% QoQ in 4Q22 due to a combination of softer Non-II (-7% QoQ, on weaker markets-related income) as well as a jump in opex (+3% QoQ due to year-end accrued expenses)
- ◆ Public Bank posted robust sequential PIOP growth on strong NIM expansion (deposit management) while Affin's growth was driven by non-II
- ◆ Maybank's PIOP slipped on lower mark-to-market (MTM) gains

**Figure 9: Loans grew a decent 7% YoY in 2022**

Gross loans (MYRbn)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)
Affin	51.4	57.2	59.3	3.7	15.4
ABMB	44.6	46.9	47.4	1.1	6.2
AMMB	119.1	124.4	126.3	1.6	6.1
BIMB	59.2	62.1	65.9	6.2	11.4
CIMB	378.0	406.0	407.1	0.3	7.7
HL Bank	160.1	169.5	172.3	1.7	7.6
Maybank	553.8	587.1	587.1	0.0	6.0
Public Bank	357.0	373.6	376.9	0.9	5.6
RHB Bank	198.5	209.6	212.1	1.2	6.8
<b>Sector</b>	<b>1,921.7</b>	<b>2,036.3</b>	<b>2,054.5</b>	<b>0.9</b>	<b>6.9</b>

Source: Company data, RHB

- ◆ Loan growth ended the quarter on a softer note (+1% QoQ vs 3Q22: +2% QoQ), but the 7% YoY growth was decent on the back of improved economic activities
- ◆ Domestic loan growth received a fillip from growth in residential mortgages and auto loans
- ◆ Going forward, the bigger banks see loan growth moderating to c.4-5% in 2023

Figure 10: NIM expansion could be at an end

NIM (%) - reported	1Q22	2Q22	3Q22	4Q22	QoQ (bps)	YTD (bps)
Affin	1.97	1.99	2.01	2.01	-	4
ABMB	2.50	2.57	2.70	2.75	5	9
AMMB	2.00	2.12	2.12	2.13	1	4
BIMB	2.36	2.32	2.40	2.20	-20	-15
CIMB	2.45	2.47	2.55	2.57	2	16
HL Bank	2.15	2.10	2.18	2.09	-9	-10
Maybank	2.34	2.41	2.42	2.39	-3	7
Public Bank	2.24	2.29	2.42	2.58	16	40
RHB Bank	2.16	2.23	2.27	2.36	9	15
<b>Sector</b>	<b>2.27</b>	<b>2.36</b>	<b>2.46</b>	<b>2.49</b>	<b>3</b>	<b>17</b>

Source: Company data, RHB

- ◆ Sector NIM improved QoQ but NIM may have peaked given sequential expansion has slowed, with banks pointing to deposit repricing and competitive pressures ahead
- ◆ Strong QoQ NIM expansion by Public Bank, we believe, was on the back of effective deposit management
- ◆ BIMB's NIM compression was attributed to higher funding cost from deposit competition

Figure 11: Healthy NII growth on NIM expansion, stronger loan growth

NII (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Affin	402	457	452	-1.0	12.4	1,445	1,711	18.4
ABMB	402	427	449	5.3	11.9	1,513	1,645	8.7
AMMB	845	913	930	1.8	10.0	3,266	3,519	7.7
BIMB	452	520	519	-0.1	14.9	1,742	1,972	13.2
CIMB	3,542	3,901	4,033	3.4	13.9	14,005	15,158	8.2
HL Bank	1,193	1,241	1,228	-1.1	2.9	4,582	4,809	5.0
Maybank	4,869	5,297	5,312	0.3	9.1	19,089	20,685	8.4
Public Bank	2,475	2,836	3,049	7.5	23.2	9,929	11,023	11.0
RHB Bank	1,530	1,696	1,745	2.9	14.1	5,912	6,573	11.2
<b>Sector</b>	<b>15,711</b>	<b>17,287</b>	<b>17,718</b>	<b>2.5</b>	<b>12.8</b>	<b>61,482</b>	<b>67,093</b>	<b>9.1</b>

Source: Company data, RHB

- ◆ Sector NII increased 3% QoQ and 9% YoY in 2022. This can be attributed to combination of NIM expansion and healthy loan growth
- ◆ Public Bank's QoQ growth driven by NIM expansion with loan growth up a modest 1% QoQ
- ◆ HL Bank's sequential drop in NII was on the back of NIM compression while Affin's decline was due to lower Islamic banking contributions

Figure 12: Sector non-II slipped 7% QoQ mainly due to Maybank

Non-II (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Affin	170	78	115	47.8	-32.3	591	344	-41.8
ABMB	79	54	47	-12.1	-40.1	349	258	-26.1
AMMB	335	239	281	17.4	-16.0	1,363	1,118	-18.0
BIMB	88	65	78	21.1	-11.4	357	231	-35.3
CIMB	1,044	1,096	1,187	8.3	13.7	4,397	4,680	6.4
HL Bank	178	259	258	-0.2	45.3	887	1,024	15.3
Maybank	1,431	2,117	1,586	-25.1	10.8	6,359	6,915	8.7
Public Bank	578	626	601	-3.9	4.1	2,616	2,414	-7.7
RHB Bank	389	498	520	4.5	33.8	1,876	1,736	-7.5
<b>Sector</b>	<b>4,291</b>	<b>5,031</b>	<b>4,674</b>	<b>-7.1</b>	<b>8.9</b>	<b>18,797</b>	<b>18,719</b>	<b>-0.4</b>

Source: Company data, RHB

- ◆ Sector non-II slipped 7% QoQ with Maybank as the main culprit due to lower MTM gains on financial liabilities
- ◆ Smaller banks such as Affin, AMMB and BIMB reported strong QoQ growth thanks mainly to market-related Non-II
- ◆ AMMB also enjoyed improved fee contribution during the quarter on the back of some closure in deals

Figure 13: Sector net fees and commission remained subdued

Net fees & commissions (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Affin	157	56	63	12.0	-60	436	239	-45.1
ABMB	38	23	29	28.7	-24	173	127	-27.0
AMMB	162	137	163	19.0	1	623	576	-7.6
CIMB	570	534	575	7.7	1	2,093	2,227	6.4
HL Bank	154	156	149	(4.2)	-3	585	613	4.8
Maybank	893	842	831	(1.3)	-7	3,638	3,323	-8.7
Public Bank	525	463	472	2.0	-10	2,147	1,915	-10.8
RHB Bank	249	227	207	(8.8)	-17	1,094	866	-20.8
<b>Sector</b>	<b>2,746</b>	<b>2,437</b>	<b>2,488</b>	<b>2.1</b>	<b>-9</b>	<b>10,790</b>	<b>9,886</b>	<b>-8.4</b>

Source: Company data, RHB

- ◆ 2% QoQ growth, with smaller banks reporting stronger growth rates
- ◆ Going forward, we expect a recovery in fees. Consumer, investment banking and wealth management are among the growth drivers the banks have guided for fee income

Figure 14: Uptick in opex on year-end spending

Operating expenses (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Affin	346	352	343	-2.4	-0.9	1,247	1,300	4.3
ABMB	215	208	222	6.6	3.2	836	859	2.8
AMMB	529	448	497	10.9	-5.9	2,062	2,047	-0.7
BIMB	352	339	372	9.9	5.7	1,197	1,317	10.0
CIMB	2,459	2,274	2,487	9.4	1.2	9,081	9,327	2.7
HL Bank	513	541	546	1.0	6.5	2,065	2,165	4.8
Maybank	2,955	3,394	3,407	0.4	15.3	11,519	12,792	11.1
Public Bank	961	1,078	1,040	-3.5	8.3	3,965	4,234	6.8
RHB Bank	910	962	1,007	4.7	10.6	3,523	3,717	5.5
<b>Sector</b>	<b>9,240</b>	<b>9,595</b>	<b>9,922</b>	<b>3.4</b>	<b>7.4</b>	<b>35,494</b>	<b>37,757</b>	<b>6.4</b>

Source: Company data, RHB

- ◆ Cost growth ticked up sequentially, with higher personnel costs a key factor. Higher variable compensation and impact from salary adjustments from collective agreements were cited as reasons for cost pressures
- ◆ Apart from the above, CIMB also pointed to the year-end accrual of expenses as projects went live
- ◆ Sector CIR rose to 44.3%, from 43.0% in 3Q22, on negative jaws

Figure 15: Credit costs up QoQ on pre-emptive provisions

Loan credit cost (bps) - annualised	4Q21	3Q22	4Q22	QoQ (bps)	YoY (bps)	2021	2022	YoY (bps)
Affin	-3	166	-2	-168	1	45	8	-37
ABMB	14	64	31	-33	18	64	36	-28
AMMB	101	24	65	41	-36	78	8	-70
BIMB	26	25	24	-1	-2	26	24	-2
CIMB	76	49	71	22	-5	73	52	-21
HL Bank	8	9	6	-3	-2	25	9	-17
Maybank	11	41	21	-20	10	49	38	-11
Public Bank	32	10	10	-1	-22	34	10	-24
RHB Bank	-15	40	-12	-53	3	30	15	-15
<b>Sector</b>	<b>32</b>	<b>37</b>	<b>26</b>	<b>-11</b>	<b>-6</b>	<b>47</b>	<b>32</b>	<b>-15</b>

Source: Company data, RHB

- ◆ Sector net loan provisions fell 19% QoQ with both Affin and RHB reporting net loan impairment write-backs in 4Q (vs net charge in 3Q22)
- ◆ AMMB reported higher credit cost QoQ as it set aside pre-emptive provisions for its retail book while CIMB's rise in credit cost was attributed to overlays for Malaysia consumer and Singapore non-retail
- ◆ RHB and ABMB both wrote back overlays during the quarter while Affin's credit cost improved QoQ due to pre-emptive provisions made in 3Q22



Figure 16: Sector GIL intact on write-offs but has yet to peak

Gross impaired loans (MYRm)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	GIL ratio (%)
Affin	1,306	1,091	1,171	7.4	-10.3	1.97
ABMB	899	876	913	4.2	1.6	1.93
AMMB	1,608	1,892	2,041	7.8	26.9	1.62
BIMB	568	748	835	11.7	46.9	1.27
CIMB	13,293	14,163	13,321	-5.9	0.2	3.27
HL Bank	732	837	838	0.1	14.6	0.49
Maybank	11,044	9,989	9,205	-7.9	-16.6	1.57
Public Bank	1,102	1,251	1,584	26.7	43.8	0.42
RHB Bank	2,951	3,297	3,289	-0.2	11.5	1.55
<b>Sector</b>	<b>33,501</b>	<b>34,145</b>	<b>33,197</b>	<b>-2.8</b>	<b>-0.9</b>	<b>1.62</b>

Source: Company data, RHB

- ◆ Sector GIL declined 3% QoQ, helped by the drop reported by Maybank (lower GIL formation) and CIMB (higher write-offs). Sector GIL ratio improved 6bps QoQ to 1.62% QoQ
- ◆ Asset quality deterioration for AMMB, BIMB and Public Bank generally due to residential and non-residential mortgages, while by sector, manufacturing, mining and electricity, water & gas were among those that saw a sequential increase in GIL. For Affin, the rise was due to accounting treatment

Figure 17: LLC dipped slightly on write-offs and overlay reversals

Loan loss coverage (%)	1Q22	2Q22	3Q22	4Q22	QoQ (ppts)	YoY (ppts)
Affin	68.5	72.2	108.8	105.7	-3.1	37.6
ABMB	135.9	127.6	128.4	125.0	-3.4	3.3
AMMB	115.0	99.7	97.1	95.3	-1.9	-45.0
BIMB	180.6	147.5	137.1	124.5	-12.6	-62.7
CIMB	102.6	100.3	100.9	93.8	-7.0	-6.6
HL Bank	217.8	211.8	214.0	210.1	-3.9	-40.5
Maybank	108.7	106.8	117.2	127.5	10.2	19.7
Public Bank	382.5	388.8	339.5	272.0	-67.4	-88.7
RHB Bank	125.7	117.0	118.1	112.8	-5.3	-9.5
<b>Sector</b>	<b>119.8</b>	<b>116.1</b>	<b>120.4</b>	<b>118.6</b>	<b>-1.8</b>	<b>-0.7</b>

Source: Company data, RHB

- ◆ LLC ratio dipped slightly to 119% vs 120% in 3Q22. This can be attributed to write-offs and the reversal of management overlays and provision write-backs
- ◆ Public Bank's and BIMB's LLC saw sharper QoQ drop in LLC due to jump in GIL

9 March 2023

Financial Services | Banks

## CIMB (CIMB MK)

**Buy** (Maintained)

### Closing The Valuation Gap; Keep BUY

- **Maintain BUY, new TP of MYR6.40 from MYR7.00, 15% upside with c.6% FY23F yield.** We increase our COE assumption for CIMB, to better reflect continued uncertainties in the macroeconomic environment. As we maintain our earnings forecasts, the change in TP is a reflection of a lower implied fair P/BV. CIMB is trading at an undemanding 0.86x FY23F P/BV vs ROE of 9.9%. Efforts to reposition and transform the group have started to bear fruit, and should help narrow the valuation gap.
- **Being sensible on ROE expansion.** CIMB's 4Q22 performance was largely in line with expectations, but notable highlights were robust operating income growth and efforts to clean up the books with impairment top ups. Looking ahead, management targets FY23 ROE of 10.2-11% vs FY22 reported ROE of 9%, underpinned by non-IL growth and easing credit cost. Loan growth is expected to moderate to 5-6% YoY (FY22: 7.7%), as CIMB takes a liability-led approach to growth, in view of the intense deposit competition. NIM compression was guided for 5-10bps, and our view is that NIM pressure will likely be heightened in the near term, before easing off in 2H23. Hence, we think its liability-led growth approach makes sense – especially given the prevailing macroeconomic uncertainties. We also like management's plan to redeploy any excess overlays to shore up impairment buffers (total overlays of MYR2.9bn as at end-2022), which should help address concerns in the past regarding its low LLC levels.
- **Raising COE assumption to reflect uncertain macroeconomic environment.** Amid lingering macroeconomic uncertainties and volatilities, we are raising our COE assumption to 9.4% from 8.9%. Consequently, our TP decreases to MYR6.40 from MYR7.00, based on a revised GGM-derived P/BV of 1.0x (1.1x P/BV previously) and below the historical mean of 1.25x. Due to CIMB's ESG score of 3.0 out of 4.0 – on par with our country median – the ESG premium/discount to our intrinsic value is 0%.

This report marks the transfer of coverage on this stock to David Chong.

Target Price (Return): MYR6.40 (+15%)  
 Price (Market Cap): MYR5.57 (USD13,129m)  
 ESG score: 3.00 (out of 4)  
 Avg Daily Turnover (MYR/USD) 66.1m/15.1m

#### Analysts

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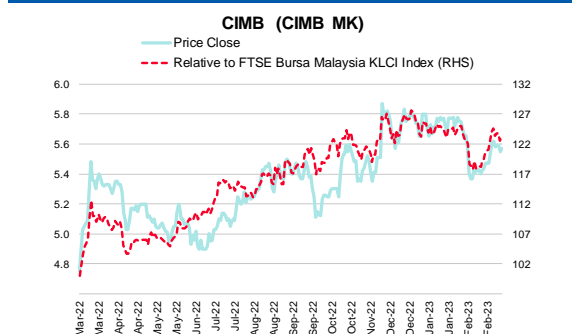


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.0)	3.1	(0.7)	3.1	17.3
Relative	(1.3)	4.2	0.1	5.8	23.3
52-wk Price low/high (MYR)				4.89 – 5.87	



Source: Bloomberg

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Reported net profit (MYRm)	4,295	5,433	6,491	7,085	7,527
Net profit growth (%)	259.6	26.5	19.5	9.2	6.2
Recurring net profit (MYRm)	4,648	5,793	6,491	7,085	7,527
Recurring EPS (MYR)	0.46	0.56	0.61	0.66	0.71
BVPS (MYR)	5.76	5.86	6.45	7.03	7.69
DPS (MYR)	0.23	0.26	0.31	0.34	0.36
Recurring P/E (x)	12.01	10.03	9.15	8.38	7.89
P/B (x)	0.97	0.95	0.86	0.79	0.72
Dividend Yield (%)	4.1	4.6	5.5	6.0	6.4
Return on average equity (%)	7.5	9.0	9.9	9.9	9.6

Source: Company data, RHB

#### Overall ESG Score: 3.00 (out of 4)

##### E: GOOD

In 2019, it rolled out the CIMB Group Sustainability Financing Policy that details the bank's expectations of clients in the palm oil, construction and real estate, and forestry sectors. It launched its SME Renewable Energy Financing, Green Economy Programme by CIMB Islamic and green financing products for retail market. CIMB raised its sustainable finance target to MYR60bn.

##### S: GOOD

CIMB embraces gender diversity – 56% of the total workforce comprises women. Women also make up 47.5% of middle-to-top management and 22% of the board of directors. It remains committed to having women accounting for 30% of board members. It also actively assists customers in financial difficulties. In late 2021, a processing error related to a third-party remittance service led to some 11,800 CIMB customers receiving double credits. The bank made provisions of MYR281m for the double credits.

##### G: EXCELLENT

The board of directors comprises six independent directors and two non-executive ones. The group CEO is an executive director as well.



## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Malaysia	EPS	0.43	0.52	0.61	0.66	0.71
Financial Services	Recurring EPS	0.46	0.56	0.61	0.66	0.71
<b>CIMB</b>	DPS	0.23	0.26	0.31	0.34	0.36
CIMB MK	BVPS	5.76	5.86	6.45	7.03	7.69
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	12.01	10.03	9.15	8.38	7.89
i. COE of 9.4%;	P/B (x)	1.0	1.0	0.9	0.8	0.7
ii. ROE of 9.5%;	Dividend Yield (%)	4.1	4.6	5.5	6.0	6.4
iii. 3.5% long-term growth.						
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Our FY23F earnings are most sensitivity to changes in:	Interest income	21,400	25,078	26,556	28,039	29,365
i. Credit cost;	Interest expense	(7,442)	(9,927)	(11,009)	(11,747)	(12,339)
ii. Net interest margin;	<b>Net interest income</b>	<b>13,958</b>	<b>15,151</b>	<b>15,546</b>	<b>16,292</b>	<b>17,026</b>
iii. Non-interest income growth.	Non interest income	5,555	4,680	5,123	5,551	5,985
	<b>Total operating income</b>	<b>19,513</b>	<b>19,831</b>	<b>20,670</b>	<b>21,842</b>	<b>23,010</b>
	Overheads	(9,419)	(9,346)	(9,691)	(10,134)	(10,598)
	<b>Pre-provision operating profit</b>	<b>10,094</b>	<b>10,485</b>	<b>10,979</b>	<b>11,708</b>	<b>12,412</b>
	Loan impairment allowances	(2,724)	(1,983)	(2,008)	(1,915)	(2,016)
	Other impairment allowances	(1,649)	(178)	(110)	(120)	(120)
	Income from associates	68	40	43	46	49
	<b>Pre-tax profit</b>	<b>5,789</b>	<b>8,364</b>	<b>8,904</b>	<b>9,719</b>	<b>10,325</b>
	Taxation	(1,397)	(2,778)	(2,226)	(2,430)	(2,581)
	Minority interests	(97)	(153)	(187)	(204)	(217)
	<b>Reported net profit</b>	<b>4,295</b>	<b>5,433</b>	<b>6,491</b>	<b>7,085</b>	<b>7,527</b>
	<b>Recurring net profit</b>	<b>4,648</b>	<b>5,793</b>	<b>6,491</b>	<b>7,085</b>	<b>7,527</b>
<b>Key risks</b>	<b>Profitability ratios</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
The downside risks include:	Return on average assets (%)	0.7	0.8	0.9	1.0	1.0
i. Resilience in asset quality resulting in lower-than-expected credit costs;	Return on average equity (%)	7.5	9.0	9.9	9.9	9.6
ii. Smaller-than-expected NIM compression;	Return on IEAs (%)	3.7	4.1	4.2	4.2	4.2
iii. Faster-than-expected recovery in economic activities.	Cost of funds (%)	1.4	1.8	2.0	2.0	2.0
	Net interest spread (%)	2.3	2.3	2.2	2.2	2.2
	Net interest margin (%)	2.4	2.5	2.4	2.4	2.4
	Non-interest income / total income (%)	28.5	23.6	24.8	25.4	26.0
	Cost to income ratio (%)	48.3	47.1	46.9	46.4	46.1
	Credit cost (bps)	73.2	50.5	48.0	43.5	43.7
<b>Company Profile</b>	<b>Balance sheet (MYRm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
CIMB is a fully integrated financial services group and the second largest domestic bank in Malaysia. The group's core markets are Malaysia, Indonesia, Singapore and Thailand.	Total gross loans	378,008	406,958	429,339	450,832	471,121
	Other interest earning assets	212,897	213,267	226,368	236,563	247,240
	Total gross IEAs	590,905	620,225	655,706	687,395	718,361
	Total provisions	(13,323)	(12,401)	(14,192)	(15,966)	(17,971)
	Net loans to customers	364,685	394,557	415,147	434,866	453,150
	Total net IEAs	577,582	607,824	641,514	671,428	700,390
	Total non-IEAs	44,325	58,897	59,680	61,940	64,898
	Total assets	621,907	666,721	701,195	733,368	765,288
	Customer deposits	432,845	446,635	471,200	494,832	517,251
	Other interest-bearing liabilities	94,536	101,963	104,673	105,996	107,384
	Total IBLs	527,381	548,598	575,872	600,827	624,635
	Total non-IBLs	34,417	54,340	55,308	56,325	57,391
	Total liabilities	561,798	602,937	631,180	657,152	682,026
	Share capital	27,100	29,095	31,468	34,059	35,366
	Shareholders' equity	58,863	62,491	68,755	74,946	81,991
	Minority interests	1,045	1,093	1,060	1,070	1,071
	<b>Asset quality and capital</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Reported NPLs / gross cust loans (%)	3.5	3.3	3.3	3.2	3.0
	Total provisions / reported NPLs (%)	100.2	93.1	101.7	112.4	127.1
	CET-1 ratio (%)	14.2	14.5	14.3	14.8	16.1
	Tier-1 ratio (%)	15.1	15.4	15.1	15.5	16.8
	Total capital ratio (%)	18.0	18.5	17.9	18.2	19.3

Source: Company data, RHB

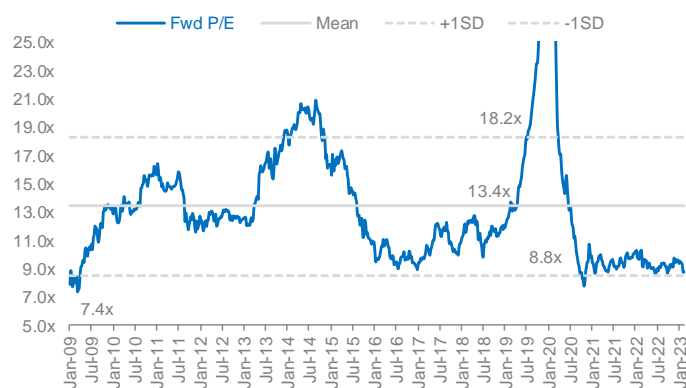
## Valuation and TP

Figure 1: CIMB – GGM valuation with ESG overlay

<b>Cost of equity (COE) computation:</b>		Sustainable ROE (%)	9.5
Risk free rate (%)	4.0	COE (%)	9.4
Equity premium (%)	5.4	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	1.01
Cost of equity - CAPM (%)	9.4	BVPS – 12mth forward	MYR6.30
		Intrinsic value	MYR6.36
ESG premium/(discount) (%)	-	ESG premium/(discount)	<b>MYR0.00</b>
		<b>TP (rounded)</b>	<b>MYR6.40</b>

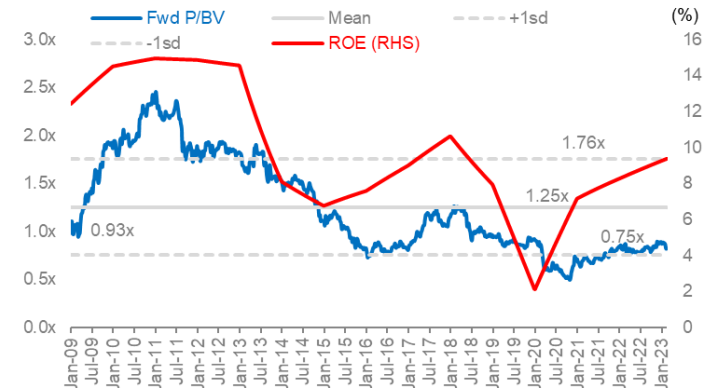
Source: Company data, RHB

Figure 2: CIMB's 12-month forward consensus P/E



Source: Bloomberg, RHB

Figure 3: CIMB's 12-month forward consensus P/BV



Source: Bloomberg, RHB

## Recommendation Chart

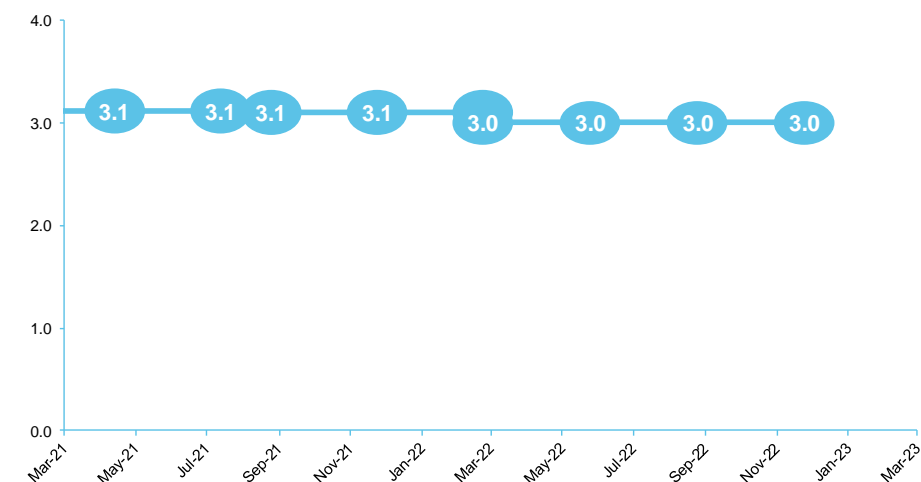


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-03-01	Buy	7.00	5.62
2022-12-01	Buy	7.00	5.75
2022-08-31	Buy	6.50	5.37
2022-03-01	Buy	6.40	5.29
2021-12-01	Buy	6.30	5.03
2021-10-20	Buy	5.90	5.41
2021-08-31	Buy	5.70	4.91
2021-02-28	Buy	5.20	4.33
2020-12-16	Buy	5.10	4.50
2020-11-29	Neutral	3.90	3.83
2020-10-18	Neutral	3.30	3.05
2020-08-31	Neutral	3.50	3.30
2020-07-17	Neutral	3.90	3.61
2020-06-10	Neutral	4.20	4.05
2020-05-26	Sell	2.80	3.47

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

9 March 2023

Financial Services | Banks

## Malayan Banking (MAY MK)

**Buy** (Maintained)

### Dishing Out Dividends; Reiterate BUY

- **Reiterate BUY, TP drops to MYR9.65 from MYR10.20, 11% upside with c.7% FY23F yield.** We raise our COE assumption for Malayan Banking to reflect the persistent uncertainties in the macroeconomic environment. There is no change to our earnings forecasts and, as such, the adjustment of our TP reflects a lower implied fair P/BV. Maybank has a strong, established track record with respect to shareholder returns. In a range-bound market, its dividend yields should be the key driver of total returns.
- **Lifting the ROE overhang with cash dividends.** While Maybank's 4Q22 results were within expectations, its solid CET-1 of 14.8% allowed it to maintain its overall dividend payout ratio (c. 84.5%), albeit with a higher net cash payout portion of 77% (FY21: 58%). Management said that it would be comfortable with a CET-1 ratio of 13%. Premised on this, we think capital management will be an ongoing key theme for the group ahead. For FY23, Maybank's targets are: i) ROE of 10.5-11%, ii) NIM compression of 5-8bps, iii) CIR of up to 47.5%, and iv) credit cost of 35-40bps. No specific guidance was given on loans, but Maybank expects to grow in line with industry growth. Key near-term earnings pressure should be NIM compression, in our view, but we expect this headwind to ease in the back half of 2023.
- **Raising COE assumption to reflect uncertain macroeconomic environment.** Amid lingering macroeconomic uncertainties and volatilities, we are raising our COE assumption to 9.1% from 8.8%. Consequently, our TP drops to MYR9.65 from MYR10.20, in tandem with the revision in our GGM-derived intrinsic value to MYR9.26 (from MYR9.77). Our TP also incorporates an ESG premium of 4%, based on our in-house ESG methodology. The intrinsic value is based on a GGM-derived P/BV of 1.25x, ie slightly below the stock's historical mean of 1.32x.

This report marks the transfer of coverage on this stock to David Chong.

Target Price (Return): MYR9.65 (+11%)  
 Price (Market Cap): MYR8.67 (USD23,098m)  
 ESG score: 3.20 (out of 4)  
 Avg Daily Turnover (MYR/USD) 60.3m/13.8m

#### Analysts

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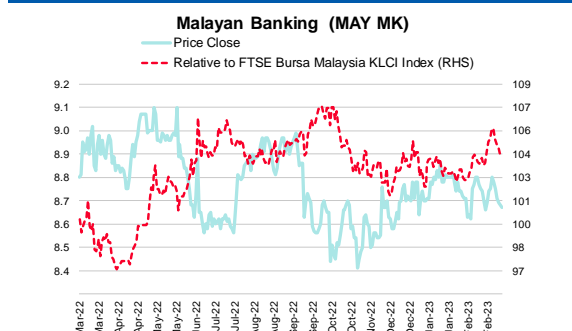


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(0.4)	0.3	0.6	(3.1)	(1.5)
Relative	2.3	1.4	1.4	(0.4)	4.5
52-wk Price low/high (MYR)	8.41 – 9.10				



Source: Bloomberg

#### Overall ESG Score: 3.20 (out of 4)

##### E: GOOD

Maybank monitors and reports on carbon emissions of its Malaysian and selected Singaporean operations. It established Responsible Lending Guidelines in 2015 and subsequently expanded these in 2018 to form its ESG policy. ESG risks are integrated into lending assessments, with the risk acceptance criteria finalised in 2018 for the palm oil sector, and enhanced in 2019 to cover mining and quarrying, forestry and logging and oil & gas sectors. It mobilised MYR13.6bn in sustainable finance in 2021.

##### S: EXCELLENT

It actively provides financing to micro SMEs, low-carbon solutions, and supports home ownership. Maybank invests in education programmes to help develop young talent. The group also embraces gender diversity with 55% of total workforce consisting of women, which make up 47% of management and 33% of its board of directors.

##### G: EXCELLENT

Maybank has not had any material data security or privacy issues over the past few years. The board of directors comprises two non-independent non-executive directors and nine independent non-executive ones. The group CEO is a non-independent executive director.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Reported net profit (MYRm)	8,096	8,235	9,458	10,266	10,594
Net profit growth (%)	24.9	1.7	14.9	8.5	3.2
Recurring net profit (MYRm)	8,096	8,235	9,458	10,266	10,594
Recurring EPS (MYR)	0.70	0.69	0.78	0.85	0.87
BVPS (MYR)	7.22	7.13	7.39	7.67	7.95
DPS (MYR)	0.56	0.58	0.62	0.66	0.70
Recurring P/E (x)	12.45	12.60	11.06	10.25	9.98
P/B (x)	1.20	1.22	1.17	1.13	1.09
Dividend Yield (%)	6.5	6.6	7.2	7.6	8.1
Return on average equity (%)	9.5	9.6	10.8	11.2	11.1

Source: Company data, RHB

9 March 2023

Financial Services | Banks

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Malaysia	EPS	0.70	0.69	0.78	0.85	0.87
Financial Services	Recurring EPS	0.70	0.69	0.78	0.85	0.87
<b>Malayan Banking</b>	DPS	0.56	0.58	0.62	0.66	0.70
MAY MK	BVPS	7.22	7.13	7.39	7.67	7.95
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	12.45	12.60	11.06	10.25	9.98
i. COE of 9.1%;	P/B (x)	1.2	1.2	1.2	1.1	1.1
ii. ROE of 10.5%;	Dividend Yield (%)	6.5	6.6	7.2	7.6	8.1
iii. 3.5% long-term growth.						
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Our FY23F earnings are most sensitive to changes in:	Interest income	28,431	32,786	34,912	36,744	38,483
i. Loan impairment allowances;	Interest expense	(9,342)	(12,101)	(13,875)	(14,616)	(15,284)
ii. NIM;	<b>Net interest income</b>	<b>19,089</b>	<b>20,685</b>	<b>21,037</b>	<b>22,129</b>	<b>23,200</b>
iii. Gains or losses from investments.	Non interest income	6,359	6,930	7,133	7,640	8,004
	<b>Total operating income</b>	<b>25,448</b>	<b>27,615</b>	<b>28,170</b>	<b>29,768</b>	<b>31,204</b>
	Overheads	(11,519)	(12,807)	(13,509)	(14,291)	(15,089)
	<b>Pre-provision operating profit</b>	<b>13,930</b>	<b>14,808</b>	<b>14,661</b>	<b>15,477</b>	<b>16,115</b>
	Loan impairment allowances	(2,659)	(2,189)	(2,128)	(1,896)	(2,106)
	Other impairment allowances	(571)	(596)	(100)	(80)	(80)
	Income from associates	186	131	137	144	151
	<b>Pre-tax profit</b>	<b>10,887</b>	<b>12,153</b>	<b>12,571</b>	<b>13,645</b>	<b>14,081</b>
	Taxation	(2,565)	(3,780)	(2,954)	(3,207)	(3,309)
	Minority interests	(225)	(138)	(159)	(172)	(178)
	<b>Reported net profit</b>	<b>8,096</b>	<b>8,235</b>	<b>9,458</b>	<b>10,266</b>	<b>10,594</b>
	<b>Recurring net profit</b>	<b>8,096</b>	<b>8,235</b>	<b>9,458</b>	<b>10,266</b>	<b>10,594</b>
<b>Key risks</b>						
The downside risks include:	<b>Profitability ratios</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
i. Higher-than-expected credit costs;	Return on average assets (%)	0.9	0.9	1.0	1.0	1.0
ii. Weaker-than-expected NIMs;	Return on average equity (%)	9.5	9.6	10.8	11.2	11.1
iii. Weaker-than-expected non-II;	Return on IEAs (%)	3.4	3.8	3.8	3.9	3.9
iv. Adverse FX movements.	Cost of funds (%)	1.3	1.6	1.8	1.8	1.8
	Net interest spread (%)	2.1	2.1	2.1	2.1	2.1
	Net interest margin (%)	2.3	2.4	2.3	2.3	2.3
	Non-interest income / total income (%)	25.0	25.1	25.3	25.7	25.7
	Cost to income ratio (%)	45.3	46.4	48.0	48.0	48.4
	Credit cost (bps)	49.3	38.4	35.4	30.1	32.0
<b>Company Profile</b>	<b>Balance sheet (MYRm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Malayan Banking is a fully integrated financial services group, and the largest bank in Malaysia. The group's global network extends to 20 countries, including all 10 Asean countries. The three home markets – Malaysia, Singapore and Indonesia – account for about 95% of total group pre-tax profits.	Total gross loans	553,789	587,122	616,478	644,220	669,988
	Other interest earning assets	294,896	299,729	314,319	328,097	341,095
	Total gross IEAs	848,685	886,850	930,797	972,317	1,011,083
	Total provisions	(11,901)	(11,734)	(11,500)	(11,121)	(10,880)
	Net loans to customers	541,888	575,387	604,978	633,099	659,108
	Total net IEAs	836,784	875,116	919,296	961,196	1,000,203
	Total non-IEAs	51,389	72,698	69,055	66,436	64,794
	Total assets	888,173	947,814	988,352	1,027,631	1,064,998
	Customer deposits	617,688	639,396	671,243	701,321	729,374
	Other interest-bearing liabilities	104,847	122,411	125,083	128,529	131,696
	Total IBLs	722,536	761,807	796,327	829,851	861,070
	Total non-IBLs	77,084	97,089	99,295	101,141	103,147
	Total liabilities	799,620	858,896	895,621	930,992	964,217
	Share capital	53,156	54,619	55,279	55,940	56,699
	Shareholders' equity	85,811	85,957	89,611	93,348	97,311
	Minority interests	2,742	2,961	3,120	3,292	3,470
	<b>Asset quality and capital</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Reported NPLs / gross cust loans (%)	2.0	1.6	1.5	1.4	1.4
	Total provisions / reported NPLs (%)	107.8	127.5	128.7	123.3	120.3
	CET-1 ratio (%)	16.1	15.7	15.3	15.3	15.3
	Tier-1 ratio (%)	16.8	16.4	15.9	15.9	15.9
	Total capital ratio (%)	19.7	19.2	18.6	18.4	18.3

Source: Company data, RHB

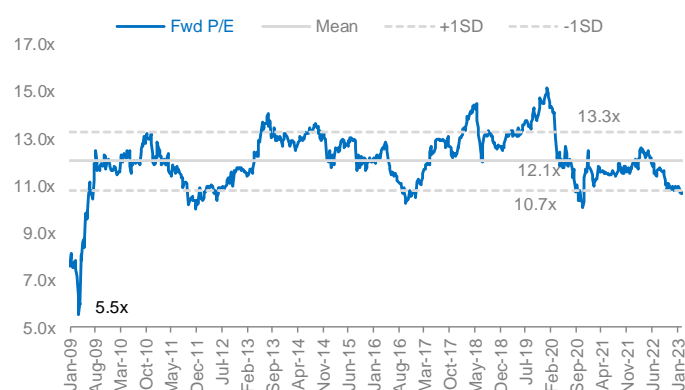
## Valuation and TP

**Figure 1: Maybank – GGM valuation with ESG overlay**

<b>Cost of equity (COE) computation:</b>		Sustainable ROE (%)	10.5
Risk free rate (%)	4.0	COE (%)	9.1
Equity premium (%)	5.1	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	1.25
Cost of equity - CAPM (%)	9.1	BVPS – 12-mth rolling forward	MYR7.40
		Intrinsic value	MYR9.26
ESG premium/(discount) (%)	4.0	ESG premium/(discount)	<b>MYR0.37</b>
		<b>TP (rounded)</b>	<b>MYR9.65</b>

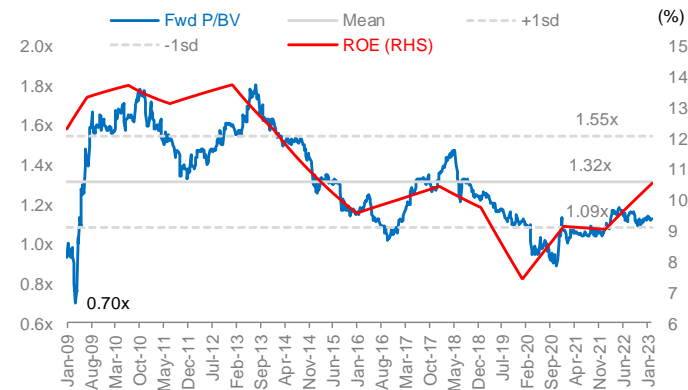
Source: Company data, RHB

**Figure 2: Maybank's 12-month forward consensus P/E**



Source: Bloomberg, RHB

**Figure 3: Maybank's 12-month forward consensus P/BV**



Source: Bloomberg, RHB



## Recommendation Chart

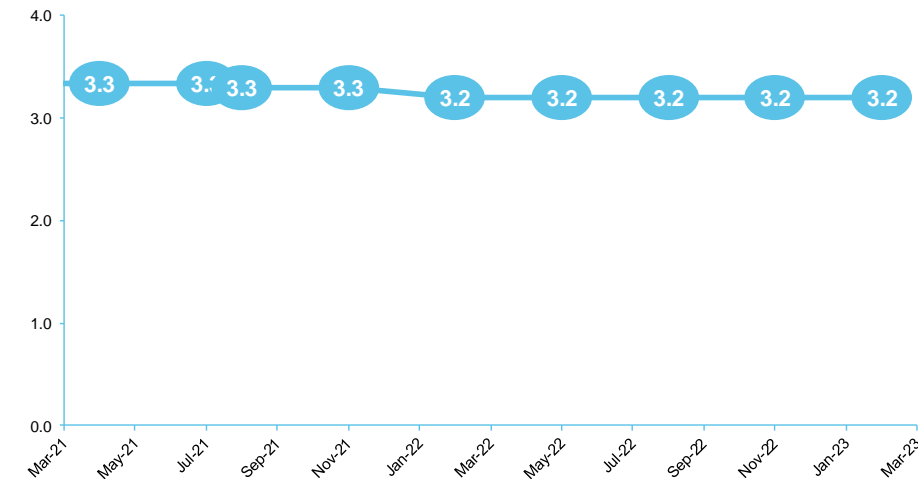


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-02-28	Buy	10.2	8.8
2022-11-24	Buy	10.2	8.8
2022-08-25	Buy	10.6	8.8
2022-02-25	Buy	10.4	8.9
2021-11-25	Buy	10.6	8.1
2021-08-26	Buy	10.3	8.5
2021-05-27	Buy	10.7	8.3
2021-02-26	Buy	10.0	8.0
2020-12-16	Buy	10.0	8.8
2020-11-29	Buy	9.8	8.3
2020-08-28	Buy	9.4	7.3
2020-06-10	Buy	9.6	8.2
2020-05-22	Neutral	7.0	7.4
2020-03-31	Neutral	7.7	7.5
2020-02-28	Buy	9.6	8.4

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

9 March 2023

Financial Services | Banks

## Hong Leong Bank (HLBK MK)

**Firmly On a Steady Growth Path; Stay BUY**

**Buy** (Maintained)

Target Price (Return): MYR23.10 (+12%)  
 Price (Market Cap): MYR20.56 (USD9,966m)  
 ESG score: 3.10 (out of 4)  
 Avg Daily Turnover (MYR/USD) 22.9m/5.24m

- **Stay BUY, TP drops to MYR23.10 from MYR24.60, 12% upside with c.3% FY23F (Jun) yield.** We raise our COE for Hong Leong Bank to reflect continued uncertainties in the macroeconomic environment. There is no change to our earnings forecasts and, hence, the change in TP is a reflection of a lower implied fair P/BV. That said, we continue to like the stock, as HL Bank remains a well-managed bank with solid asset quality. It is also well-placed to benefit from China's economic recovery, thanks to associate Bank of Chengdu (BOCD).
- **Well on track to meet FY23 targets.** HL Bank's 2QFY23 results were slightly ahead of estimates, underpinned by strong non-ll growth, benign credit cost and better-than-expected contribution from BOCD. Loans expanded by 8% YoY, and the bank is on track to deliver above-average industry growth – thanks to a solid pipeline from residential mortgages, SME and commercial banking while asset quality held up well. The only slight dent was NIM, where management toned down its full-year guidance to 2.1% vs 2.14% earlier. We see heightened NIM pressures in 2HFY23, but this should ease in 1HFY24. Overall, HL Bank is well on track to deliver on its >12% FY23F ROE target as – apart from NIM – it has done well in other areas.
- **Raising COE assumption to reflect uncertain macroeconomic environment.** Amid lingering macroeconomic uncertainties and volatilities, we increase our COE assumption to 9.2% from 8.8%. Consequently, our TP drops to MYR23.10 from MYR24.60, in tandem with the reduction in our GGM-derived intrinsic value to MYR22.60 (from MYR24.20). Our TP includes a 2% ESG premium, based on RHB's in-house ESG methodology. Our intrinsic value is based on a GGM-derived P/BV of 1.32x – which is at a discount to the historical mean of 1.45x.

This report marks the transfer of coverage on this stock to David Chong.

### Analysts

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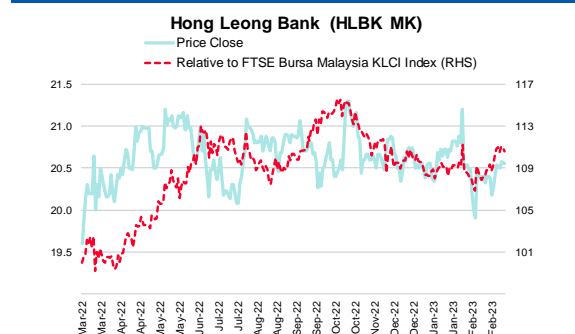


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	0.0	1.9	1.1	(1.5)	2.7
Relative	2.5	3.1	1.7	0.7	10.0
52-wk Price low/high (MYR)				19.6 – 21.3	



Source: Bloomberg

Forecasts and Valuation	Jun-21	Jun-22	Jun-23F	Jun-24F	Jun-25F
Reported net profit (MYRm)	2,861	3,289	3,846	4,077	4,312
Net profit growth (%)	14.7	15.0	16.9	6.0	5.8
Recurring net profit (MYRm)	2,861	3,289	3,846	4,077	4,312
Recurring EPS (MYR)	1.40	1.61	1.88	1.99	2.11
BVPS (MYR)	14.39	15.13	16.48	17.83	19.21
DPS (MYR)	0.50	0.55	0.66	0.70	0.74
Recurring P/E (x)	14.71	12.80	10.95	10.33	9.77
P/B (x)	1.43	1.36	1.25	1.15	1.07
Dividend Yield (%)	2.4	2.7	3.2	3.4	3.6
Return on average equity (%)	10.1	10.9	11.9	11.6	11.4

Source: Company data, RHB

### Overall ESG Score: 3.10 (out of 4)

#### E: GOOD

HL Bank is committed to reducing its greenhouse gas emissions by 15-25% by 2026, and achieving net-zero Scope 1 & 2 by 2030, and carbon neutrality by 2050. Being a retail-focused bank, lending exposures to the commodities and oil & gas sectors are insignificant. It targets financing of MYR4bn for renewable energy projects by FY25 (FY22: 2.4bn), and MYR12bn green and affordable mortgages by FY23 (FY22: MYR10.8bn).

#### S: GOOD

HL Bank embraces gender diversity, with 39% of senior management being made up of women, and 37.5% of women being in the board of directors. It actively assists customers in financial difficulties – the bank approved payment relief assistance plans totalling MYR35.4bn in FY22.

#### G: EXCELLENT

It has not had any material data security or privacy issues over the past few years. The board of directors comprises one executive director and seven non-executive ones, of which five are independent non-executive directors.

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23F</b>	<b>Jun-24F</b>	<b>Jun-25F</b>
Malaysia	EPS	1.40	1.61	1.88	1.99	2.11
Financial Services	Recurring EPS	1.40	1.61	1.88	1.99	2.11
<b>Hong Leong Bank</b>	DPS	0.50	0.55	0.66	0.70	0.74
HLBK MK	BVPS	14.39	15.13	16.48	17.83	19.21
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23F</b>	<b>Jun-24F</b>	<b>Jun-25F</b>
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	14.71	12.80	10.95	10.33	9.77
i. Cost of equity of 9.2%;	P/B (x)	1.4	1.4	1.2	1.2	1.1
ii. ROE of 11.0%;	Dividend Yield (%)	2.4	2.7	3.2	3.4	3.6
iii. Long-term growth of 3.5%.						
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23F</b>	<b>Jun-24F</b>	<b>Jun-25F</b>
Our earnings forecasts are most sensitive to changes in:	Interest income	7,116	7,327	9,618	10,280	10,847
i. Net interest margin;	Interest expense	(2,806)	(2,709)	(4,684)	(5,033)	(5,345)
ii. Loan impairment allowances;	<b>Net interest income</b>	<b>4,310</b>	<b>4,618</b>	<b>4,934</b>	<b>5,246</b>	<b>5,502</b>
iii. Contributions from associates.	Non interest income	1,157	979	1,078	1,085	1,130
	<b>Total operating income</b>	<b>5,467</b>	<b>5,597</b>	<b>6,012</b>	<b>6,331</b>	<b>6,632</b>
	Overheads	(2,078)	(2,098)	(2,224)	(2,328)	(2,426)
	<b>Pre-provision operating profit</b>	<b>3,389</b>	<b>3,499</b>	<b>3,787</b>	<b>4,003</b>	<b>4,205</b>
	Loan impairment allowances	(654)	(164)	(155)	(171)	(179)
	Other impairment allowances	(0)	1	1	1	1
	Income from associates	736	1,030	1,030	1,108	1,191
	<b>Pre-tax profit</b>	<b>3,471</b>	<b>4,367</b>	<b>4,663</b>	<b>4,940</b>	<b>5,218</b>
	Taxation	(610)	(1,078)	(817)	(862)	(906)
	<b>Reported net profit</b>	<b>2,861</b>	<b>3,289</b>	<b>3,846</b>	<b>4,077</b>	<b>4,312</b>
	<b>Recurring net profit</b>	<b>2,861</b>	<b>3,289</b>	<b>3,846</b>	<b>4,077</b>	<b>4,312</b>
<b>Key risks</b>	<b>Profitability ratios</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23F</b>	<b>Jun-24F</b>	<b>Jun-25F</b>
The downside risks include:	Return on average assets (%)	1.2	1.3	1.5	1.5	1.5
i. Weaker-than-expected loan growth;	Return on average equity (%)	10.1	10.9	11.9	11.6	11.4
ii. Softer-than-expected NIMs;	Return on IEAs (%)	3.3	3.1	3.8	3.9	3.9
iii. Lower-than-expected non-interest income;	Cost of funds (%)	1.5	1.3	2.1	2.1	2.2
iv. Lower-than-expected profits from Bank of Chengdu.	Net interest spread (%)	1.8	1.8	1.7	1.7	1.7
	Net interest margin (%)	2.0	2.0	2.0	2.0	2.0
	Non-interest income / total income (%)	21.2	17.5	17.9	17.1	17.0
	Cost to income ratio (%)	38.0	37.5	37.0	36.8	36.6
	Credit cost (bps)	43.3	10.1	8.9	9.2	9.1
<b>Company Profile</b>	<b>Balance sheet (MYRm)</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23F</b>	<b>Jun-24F</b>	<b>Jun-25F</b>
Hong Leong Bank provides conventional and Islamic banking services. The group's operations span across Malaysia, Singapore, Hong Kong, Vietnam, Cambodia and China, via its strategic shareholding in Bank of Chengdu.	Total gross loans	155,840	168,224	180,841	190,787	200,326
	Other interest earning assets	70,284	72,736	78,663	81,990	85,484
	Total gross IEAs	226,124	240,960	259,504	272,777	285,811
	Total provisions	(1,769)	(1,736)	(2,009)	(2,041)	(2,143)
	Net loans to customers	154,071	166,488	178,832	188,746	198,183
	Total net IEAs	224,355	239,224	257,495	270,736	283,667
	Total non-IEAs	12,774	15,107	15,560	17,045	18,299
	Total assets	237,129	254,331	273,056	287,781	301,967
	Customer deposits	184,435	199,961	214,958	227,855	239,932
	Other interest-bearing liabilities	15,371	13,753	15,067	14,665	14,279
	Total IBLs	199,806	213,714	230,025	242,521	254,211
	Total non-IBLs	7,864	9,629	9,279	8,752	8,410
	Total liabilities	207,670	223,342	239,304	251,273	262,620
	Share capital	7,739	7,739	7,739	7,739	7,739
	Shareholders' equity	29,459	30,989	33,751	36,508	39,346
	<b>Asset quality and capital</b>	<b>Jun-21</b>	<b>Jun-22</b>	<b>Jun-23F</b>	<b>Jun-24F</b>	<b>Jun-25F</b>
	Reported NPLs / gross cust loans (%)	0.5	0.5	0.5	0.5	0.5
	CET-1 ratio (%)	12.2	12.1	11.6	12.2	12.6
	Tier-1 ratio (%)	12.8	13.2	12.6	13.1	13.4
	Total capital ratio (%)	14.9	15.3	14.4	14.8	15.0

Source: Company data, RHB

## Valuation and TP

Figure 1: HL Bank – GGM valuation with ESG overlay

<b>Cost of equity (COE) computation:</b>		Sustainable ROE (%)	11.00
Risk free rate (%)	4.00	COE (%)	9.19
Equity premium (%)	5.19	Long-term growth (g)	3.5
Beta (x)	1.00	Implied P/BV (x)	1.32
Cost of equity - CAPM (%)	9.19	BVPS – 12-month forward	MYR17.15
		Intrinsic value	MYR22.59
ESG premium/(discount) (%)	2.00	ESG premium/(discount)	<b>MYR0.45</b>
		<b>TP (rounded)</b>	<b>MYR23.10</b>

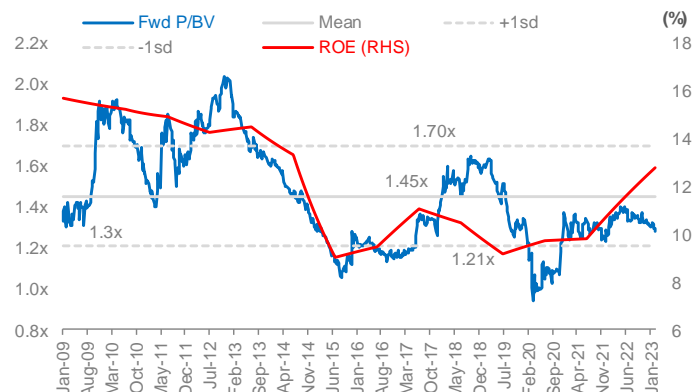
Source: Company data, RHB

Figure 2: HL Bank's 12-month forward consensus P/E



Source: Bloomberg, RHB

Figure 3: HL Bank's 12-month forward consensus P/BV



Source: Bloomberg, RHB

## Recommendation Chart

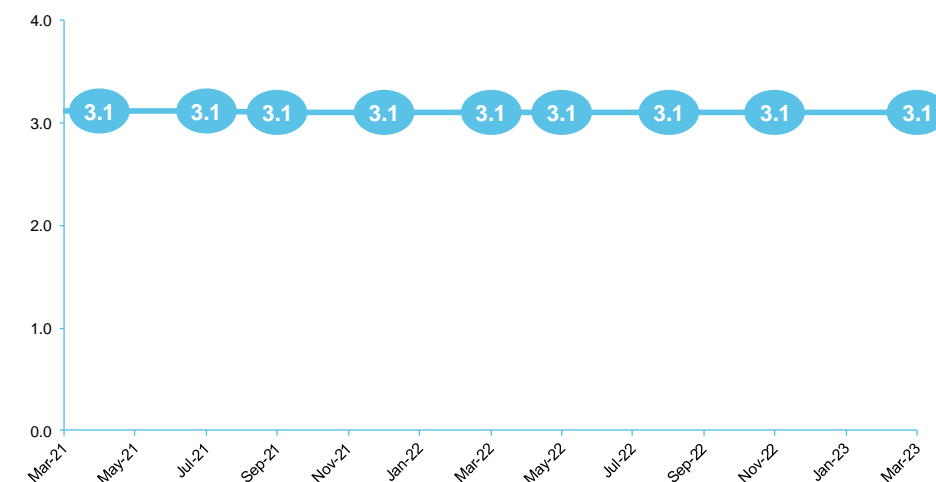


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-11-30	Buy	24.6	20.9
2022-08-31	Buy	23.9	20.9
2022-05-30	Buy	23.7	21.1
2022-03-01	Buy	23.5	20.4
2021-11-30	Buy	23.1	18.1
2021-08-31	Buy	21.7	19.2
2021-05-27	Buy	22.5	18.3
2021-02-28	Buy	21.9	18.0
2020-12-16	Buy	21.9	18.7
2020-11-29	Buy	19.6	17.0
2020-11-16	Buy	19.6	17.1
2020-08-31	Buy	18.3	14.0
2020-06-10	Buy	18.2	15.2
2020-05-31	Buy	15.8	13.6
2020-03-31	Buy	16.2	13.5

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

9 March 2023

Financial Services | Banks

## Public Bank (PBK MK)

## Neutral (from Buy)

### No Near-Term Catalysts; Downgrade to NEUTRAL

- **Downgrade to NEUTRAL from Buy, new MYR4.50 TP from MYR5, 9% upside with c.5% FY23F yield.** Amid an uncertain macroeconomic environment, coupled with lacklustre earnings prospects in the near term due to NIM pressures, Public Bank's share price performance could remain subdued. We consider the stock as defensive, and it should outperform if the macroeconomic environment deteriorates meaningfully – but this is not our base case scenario at the moment. Moreover, dividend yields, while decent, still lag behind that of peers (highest dividend yielders offer c.7%).
- **Watch out for “catch-down” in near-term NIMs.** Recall that its 4Q22 results were a slight beat as NIM (+16bps QoQ) proved surprisingly strong. We believe this was achieved by Public Bank managing its deposit mix (fixed deposits were down 1% QoQ, and we note a shift in mix to shorter-term maturities) and costs well. That said, we expect a “catch-up” in funding cost, due to, among others: i) The group rebuilding its longer-term fixed deposits; ii) normalisation in the CASA mix (4Q22: 29.9% vs pre-COVID-19 average of 25%), and iii) ongoing competitive pressures. As such, we think the NIM compression, especially in 1H23, could be more severe as compared to peers. We projected FY23F NIM compression of 11bps for the group, which we have left unchanged for now. This is higher than the mid-single digit decline in NIM that we forecasted for its big-cap peers.
- **Amid lingering macroeconomic uncertainties and volatilities, we increase our COE assumption to 9.0% from 8.5%.** Consequently, our TP drops to MYR4.50 from MYR5. Our new TP is based on an intrinsic value of MYR4.55, with a ESG premium/discount of 0% applied as per our in-house proprietary methodology – Public Bank's ESG score of 3 out of 4 is on par with our country median. Our intrinsic value is based on a GGM-derived P/BV of 1.63x, which is a little below -1SD from the historical mean.

This report marks the transfer of coverage on this stock to David Chong.

Target Price (Return): MYR4.50 (+9%)  
 Price (Market Cap): MYR4.11 (USD17,839m)  
 ESG score: 3.00 (out of 4)  
 Avg Daily Turnover (MYR/USD) 65.2m/14.9m

#### Analysts

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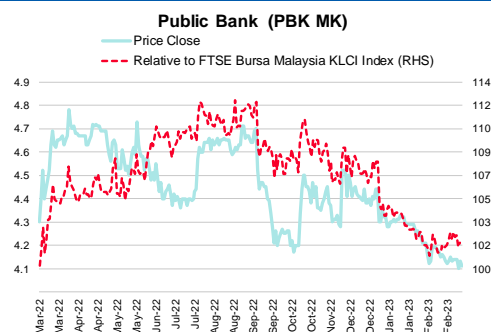


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.9)	(0.3)	(6.8)	(11.4)	(4.4)
Relative	(2.4)	0.5	(6.3)	(9.0)	1.3
52-wk Price low/high (MYR)				4.10 – 4.78	



Source: Bloomberg

#### Overall ESG Score: 3.00 (out of 4)

##### E: GOOD

Public Bank emits the least amount of greenhouse gases (GHG), on a total and per employee basis, among the three large cap Malaysian banks. It also recorded a 4% YoY reduction in its GHG emissions in 2021. Public Bank also offers attractive rates on financing for energy-efficient vehicles (EEV) and solar panels to encourage consumption of environmentally-friendly products.

##### S: EXCELLENT

Public Bank offers affordable rates to first-time homebuyers under its PB First Home Loan initiative. The bank was a major provider of assistance throughout the COVID-19 pandemic, having approved >MYR80bn in loan repayment assistance and benefitting over 400,000 customers. Embraces gender diversity with 48% of women in management, 50% in top management and 33% of women in the Board of Directors. Has a low staff attrition rate of 5.1%.

##### G: EXCELLENT

Has not had any material data security or privacy issues over the past few years. The Board of Directors is decently diverse, with well-defined roles and responsibilities for each member. Board members, senior management, and employees undergo training on matters of compliance, good governance and banking best practices.

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Reported net profit (MYRm)	5,537	6,007	6,837	7,214	7,471
Net profit growth (%)	16.7	8.5	13.8	5.5	3.6
Recurring net profit (MYRm)	5,537	6,007	6,837	7,214	7,471
Recurring EPS (MYR)	0.29	0.31	0.35	0.37	0.38
BVPS (MYR)	2.48	2.59	2.80	2.98	3.16
DPS (MYR)	0.15	0.17	0.19	0.20	0.21
Recurring P/E (x)	14.41	13.28	11.67	11.06	10.68
P/B (x)	1.66	1.59	1.47	1.38	1.30
Dividend Yield (%)	3.7	4.1	4.6	4.9	5.0
Return on average equity (%)	11.6	12.2	13.1	12.9	12.5

Source: Company data, RHB



9 March 2023

Financial Services | Banks

## Financial Exhibits

<b>Asia</b>	<b>Financial summary (MYR)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Malaysia	EPS	0.29	0.31	0.35	0.37	0.38
Financial Services	Recurring EPS	0.29	0.31	0.35	0.37	0.38
<b>Public Bank</b>	DPS	0.15	0.17	0.19	0.20	0.21
PBK MK	BVPS	2.48	2.59	2.80	2.98	3.16
Neutral						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	14.41	13.28	11.67	11.06	10.68
i. COE of 9.0%;	P/B (x)	1.7	1.6	1.5	1.4	1.3
ii. ROE of 12.5%;	Dividend Yield (%)	3.7	4.1	4.6	4.9	5.0
iii. 3.5% long-term growth.						
<b>Key drivers</b>	<b>Income statement (MYRm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Our FY23F earnings are most sensitive to changes in:	Interest income	16,110	18,117	19,267	20,204	21,156
i. Net interest margin;	Interest expense	(6,301)	(7,205)	(8,203)	(8,613)	(9,135)
ii. Credit cost;	<b>Net interest income</b>	<b>9,809</b>	<b>10,911</b>	<b>11,063</b>	<b>11,591</b>	<b>12,021</b>
iii. Non-interest income growth.	Non interest income	2,616	2,414	2,643	2,829	2,972
	<b>Total operating income</b>	<b>12,425</b>	<b>13,326</b>	<b>13,706</b>	<b>14,420</b>	<b>14,993</b>
	Overheads	(3,965)	(4,235)	(4,507)	(4,716)	(4,935)
	<b>Pre-provision operating profit</b>	<b>8,460</b>	<b>9,090</b>	<b>9,200</b>	<b>9,704</b>	<b>10,058</b>
	Loan impairment allowances	(1,201)	(366)	(363)	(385)	(407)
	Other impairment allowances	(6)	(13)	(8)	(7)	(6)
	Income from associates	(5)	7	7	10	10
	<b>Pre-tax profit</b>	<b>7,247</b>	<b>8,718</b>	<b>8,836</b>	<b>9,323</b>	<b>9,655</b>
	Taxation	(1,637)	(2,661)	(1,944)	(2,051)	(2,124)
	Minority interests	(73)	(50)	(55)	(58)	(60)
	<b>Reported net profit</b>	<b>5,537</b>	<b>6,007</b>	<b>6,837</b>	<b>7,214</b>	<b>7,471</b>
	<b>Recurring net profit</b>	<b>5,537</b>	<b>6,007</b>	<b>6,837</b>	<b>7,214</b>	<b>7,471</b>
	<b>Profitability ratios</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Return on average assets (%)	1.2	1.3	1.4	1.4	1.4
	Return on average equity (%)	11.6	12.2	13.1	12.9	12.5
	Return on IEAs (%)	3.6	3.9	3.9	3.9	3.9
	Cost of funds (%)	1.6	1.7	1.9	1.9	2.0
	Net interest spread (%)	2.0	2.1	2.0	2.0	2.0
	Net interest margin (%)	2.2	2.3	2.3	2.3	2.2
	Non-interest income / total income (%)	21.1	18.1	19.3	19.6	19.8
	Cost to income ratio (%)	31.9	31.8	32.9	32.7	32.9
	Credit cost (bps)	34.1	9.9	9.4	9.5	9.7
	<b>Balance sheet (MYRm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Total gross loans	358,027	376,892	395,227	412,551	430,679
	Other interest earning assets	97,962	103,158	107,682	112,755	118,075
	Total gross IEAs	455,989	480,050	502,909	525,307	548,754
	Total provisions	(3,974)	(4,309)	(4,520)	(4,752)	(5,010)
	Net loans to customers	354,052	372,583	390,706	407,800	425,669
	Total net IEAs	452,014	475,741	498,388	520,555	543,744
	Total non-IEAs	10,725	17,522	10,088	8,554	7,149
	Total assets	462,739	493,263	508,476	529,109	550,894
	Customer deposits	380,394	394,719	414,455	433,105	452,595
	Other interest-bearing liabilities	20,211	32,889	25,190	23,521	22,067
	Total IBLs	400,606	427,608	439,645	456,626	474,662
	Total non-IBLs	12,708	14,129	13,096	13,226	13,388
	Total liabilities	413,314	441,737	452,741	469,852	488,050
	Share capital	9,418	9,418	9,418	9,418	9,418
	Shareholders' equity	48,163	50,179	54,334	57,797	61,324
	Minority interests	1,263	1,347	1,402	1,460	1,520
	<b>Asset quality and capital</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Reported NPLs / gross cust loans (%)	0.3	0.4	0.5	0.5	0.5
	Total provisions / reported NPLs (%)	360.7	272.0	254.2	237.5	239.8
	CET-1 ratio (%)	13.8	14.7	15.3	15.7	16.0
	Tier-1 ratio (%)	13.9	14.8	15.3	15.7	16.1
	Total capital ratio (%)	17.0	17.8	18.2	18.5	18.8

Source: Company data, RHB

## Valuation and TP

Figure 1: Public Bank – GGM valuation with ESG overlay

<b>Cost of equity (COE) computation:</b>		Sustainable ROE (%)	12.5
Risk free rate (%)	4.0	COE (%)	9.0
Equity premium (%)	5.2	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	1.63
Cost of equity - CAPM (%)	9.0	BVPS – 12-mth rolling forward	MYR2.80
		Intrinsic value	MYR4.55
ESG premium/(discount) (%)	-	ESG premium/(discount)	-
		<b>TP (rounded)</b>	<b>MYR4.50</b>

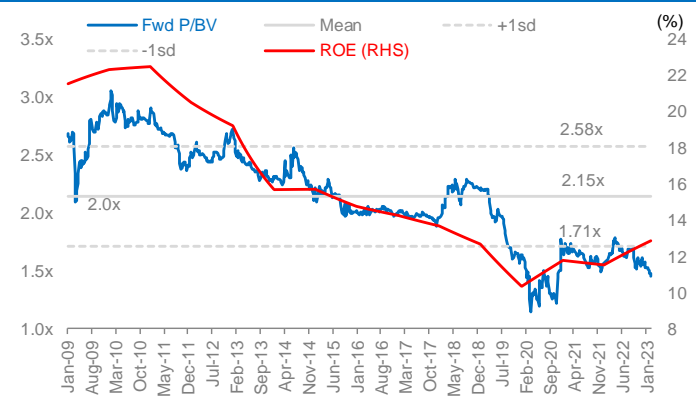
Source: Company data, RHB

Figure 2: Public Bank's 12-month forward consensus P/E



Source: Bloomberg, RHB

Figure 3: Public Bank's 12-month forward consensus P/BV



Source: Bloomberg, RHB

## Recommendation Chart

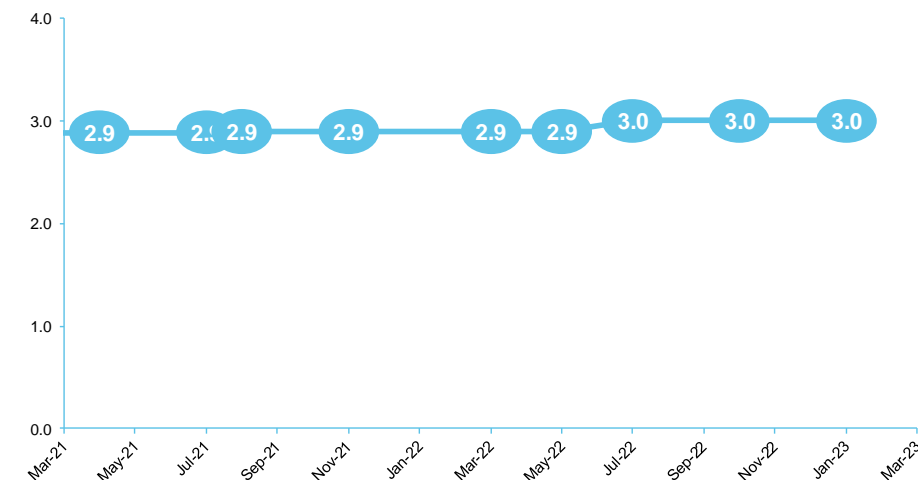


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-02-28	Buy	5.00	4.13
2023-01-04	Buy	5.00	4.28
2022-08-29	Neutral	5.00	4.63
2022-07-25	Neutral	5.00	4.62
2022-05-30	Neutral	4.90	4.59
2022-02-27	Neutral	4.70	4.37
2021-11-29	Neutral	4.30	3.96
2021-08-29	Neutral	4.30	4.18
2021-05-12	Neutral	4.50	4.14
2021-02-26	Neutral	4.30	4.16
2020-12-16	Neutral	4.32	4.38
2020-11-30	Buy	4.32	3.48
2020-11-16	Buy	4.12	3.70
2020-08-31	Buy	3.68	3.28
2020-06-10	Neutral	3.72	3.47

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

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