



AmInvestment Bank

Sector report

2 Apr 2021

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# BANKING

Loan growth eases slightly; smaller increase in provisions

## OVERWEIGHT

(Maintained)

Rationale for report: Feb 2021 BNM statistics

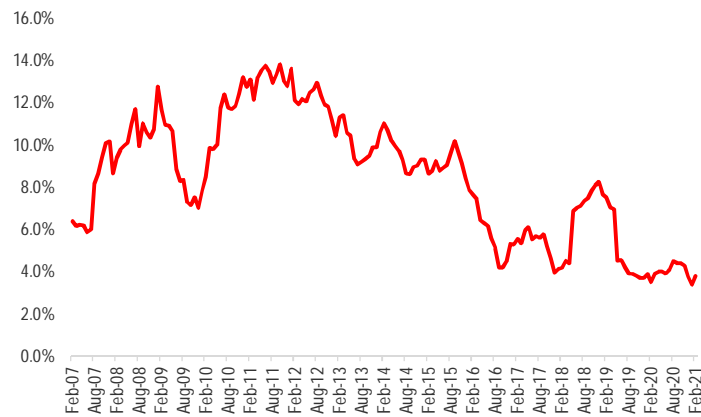
### Investment Highlights

- **Industry loan growth eased to 3.7% YoY in Feb 2021 from 3.8% YoY in Jan 2021 due to slower non-household loans.** Growth in household loans stood at 5.1% YoY while non-household loan growth decelerated to 1.8% YoY on higher repayments which outpaced disbursements. YTD loans grew 3.0% (annualised).
- **Slower pace of loan applications and approvals in Feb 2021.** In Feb 2021, industry loan applications contracted by 15.4% YoY vs. +9.7% YoY in Jan 2021, reflecting the shorter working days. The level of loan applications was lower in Feb 2021 compared to the preceding month as applications from the household and non-household sectors fell.
- **Weighted average lending rate and base rate were sustained at 3.97% and 2.42% respectively.** We maintain our OPR projection of 1.75% in 2021.
- **Industry deposit growth accelerated to 5.2% YoY with a stronger growth in CASA.** LD ratio for the sector eased to 87.7% due to the acceleration in deposits. Sector LCR was stable at 147.0%. Industry CASA growth rose to 24.8% YoY vs. 24.1% YoY in Jan 2021. This led to a slightly higher industry CASA ratio of 31.4%.
- **Decline in impaired loans while banks set aside further provisions against future credit losses.** The industry's outstanding impaired loans in Feb 2021 declined by 0.5% MoM or RM141mil. The decrease came largely from lower impairments of household loans. The industry's total GIL rose was sustained at 1.6% while NIL ratio remained at 1.01%. Total provisions for the sector increased by 0.8% MoM or RM260mil in Feb 2021 as banks continued to set aside provisions against future credit losses. The quantum of increase in provisions continued to trend lower. The sector's loan loss cover stood at 107.4%.
- **Retain our OVERWEIGHT stance on the sector with our top BUYs on Hong Leong Bank (fair value RM20.30/share), RHB Bank (FV RM6.80/share), Maybank (FV RM9.80/share) and CIMB Group (RM5.50/share).** We favour the larger systematic banks (Maybank and CIMB) to ride on the economy recovery in 2021 and banks with undemanding valuations trading at attractive P/BVs (RHB Bank). Also, we like Hong Leong Bank with a strong line topline growth, robust profit contribution from associates and resilient asset quality.

### EXHIBIT 1: VALUATION MATRIX

			Target	EPS (sen)		PER		Net DPS		Net DivYield		BV	BV	PBV	PBV
	Rec.	1-Apr	Price	20	21	20	21	20	21	20	21	20	21	20	21
AMMB	NR	3.00	-	44.6	-25.7	6.7	-11.7	13.3	5.9	4.4	2.0	6.2	5.6	0.5	0.5
Maybank	BUY	8.25	9.80	59.2	69.9	13.9	11.8	52.0	54.5	6.3	6.6	7.5	7.6	1.1	1.1
Public Bank	HOLD	4.22	4.40	26.6	28.9	15.9	14.6	13.0	14.7	3.1	3.5	2.4	2.6	1.7	1.6
RHB Bank	BUY	5.37	6.80	54.5	65.1	9.9	8.2	17.0	26.0	3.2	4.8	6.7	7.1	0.8	0.8
Hong Leong	BUY	18.58	20.30	128.8	141.2	14.4	13.2	36.0	42.4	1.9	2.3	13.3	14.4	1.4	1.3
CIMB	BUY	4.36	5.50	12.9	43.8	33.8	10.0	4.8	21.9	1.1	5.0	5.7	5.9	0.8	0.7
ABMB	BUY	2.68	2.95	27.4	18.6	9.8	14.4	6.0	7.4	2.2	2.8	3.9	3.9	0.7	0.7
BIMB	BUY	4.20	4.70	40.3	55.1	10.4	7.6	12.6	15.3	3.0	3.6	3.6	4.1	1.2	1.0
MBSB	BUY	0.67	1.10	9.6	12.0	7.0	5.6	4.8	4.8	7.2	7.2	1.3	1.3	0.5	0.5
<b>Average</b>				<b>49.3</b>	<b>49.6</b>	<b>14.4</b>	<b>8.5</b>	<b>19.3</b>	<b>23.5</b>	<b>3.2</b>	<b>3.8</b>	<b>6.2</b>	<b>6.4</b>	<b>1.0</b>	<b>1.0</b>
Non-bank															
HLFG	BUY	17.60	20.60	174.9	175.8	10.1	10.0	38.0	40.4	2.2	2.3	18.3	20.0	1.0	0.9

Forecasts by AmInvestment Bank

**EXHIBIT 2: INDUSTRY LOAN GROWTH (% YOY)**

Source: BNM, AmInvestment Bank Bhd

## INDUSTRY LOAN GROWTH SLIPPED TO 3.7% YOY DUE TO SLOWER PACE OF NON-HOUSEHOLD LOANS

- Industry loan growth decelerated to 3.7% YoY in Feb 2021 due to repayments outpacing disbursements for business loans

Growth in household loans was higher at 5.1% YoY (Jan 2021: 4.9% YoY) while non-household loan growth slowed down to 1.8% YoY (Jan 2021: 2.3% YoY).

- Slower non-household loan growth in Feb 2021

By sector, the softer non-household loan growth was contributed largely by the slower pace of loans to the manufacturing, utilities, construction and the financing, insurance and business services sectors.

- Growth of household loans supported by loans for purchase of vehicles and residential properties

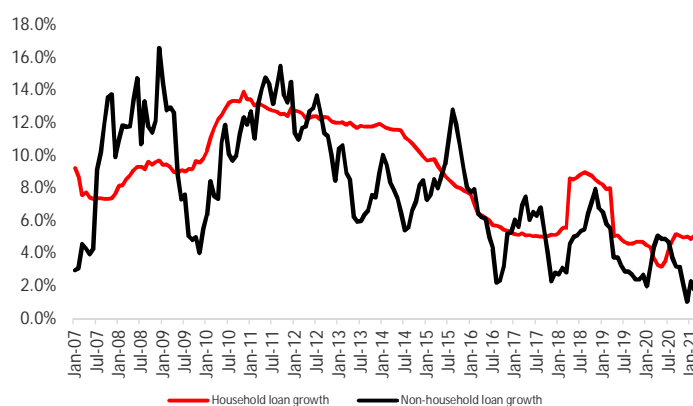
Household loan growth was stable at 5.1% YoY supported by the sustained momentum of loans for purchase of passenger vehicles, residential property and personal loans. Growth in loans for purchase of securities was higher in Feb 2021 while outstanding credit card receivables continued to contract.

## EXHIBIT 3: GROWTH IN LOANS, APPLICATIONS AND APPROVALS (% YOY)

	Outstanding Loans (%YoY)			Loans Applied (%YoY)			Loans Approved (%YoY)			Loans Disbursed (%YoY)			Loan Repayments (%YoY)		
	Total	Household	Business	Total	Household	Business	Total	Household	Business	Total	Household	Business	Total	Household	Business
Jan-16	7.7%	7.6%	7.7%	10.7%	-3.7%	33.7%	-13.9%	-27.7%	9.9%	2.2%	-1.0%	3.5%	2.3%	3.4%	2.0%
Feb-16	7.4%	7.0%	7.9%	4.5%	-0.8%	11.1%	-17.4%	-23.5%	-9.4%	2.2%	-4.5%	5.1%	7.4%	11.6%	5.8%
Mar-16	6.4%	6.4%	6.5%	3.3%	3.7%	2.8%	-20.8%	-20.7%	-21.0%	-5.7%	-11.1%	-3.5%	3.2%	6.3%	2.0%
Apr-16	6.3%	6.3%	6.2%	-6.2%	0.7%	-14.4%	-17.3%	-23.9%	-7.8%	-0.5%	-6.8%	2.2%	5.5%	0.0%	7.7%
May-16	6.2%	6.2%	6.1%	10.0%	4.7%	15.8%	4.9%	-12.0%	26.5%	8.7%	2.6%	11.1%	13.8%	13.7%	13.9%
Jun-16	5.6%	6.0%	5.0%	3.8%	-6.0%	15.2%	-21.7%	-15.9%	-27.8%	-8.7%	-4.3%	-10.2%	-2.3%	1.5%	-3.6%
Jul-16	5.1%	5.7%	4.3%	-17.8%	-14.1%	-21.6%	-18.6%	-20.6%	-16.2%	-10.2%	-8.9%	-10.8%	-6.8%	-3.2%	-8.1%
Aug-16	4.2%	5.7%	2.2%	-1.0%	11.2%	-12.7%	1.2%	-0.3%	3.0%	-5.4%	5.0%	-9.3%	4.4%	9.2%	2.6%
Sep-16	4.2%	5.6%	2.3%	-7.0%	-1.7%	-12.5%	-5.6%	-6.5%	-4.4%	-6.4%	-1.9%	-7.9%	-7.0%	3.2%	-10.3%
Oct-16	4.5%	5.5%	3.2%	-14.5%	-4.8%	-23.6%	-3.9%	-12.3%	5.7%	-1.9%	-7.4%	0.4%	-1.8%	0.4%	-2.6%
Nov-16	5.3%	5.4%	5.2%	0.0%	6.3%	-6.2%	-3.8%	0.2%	-8.3%	9.6%	0.4%	13.4%	-0.8%	6.7%	-3.3%
Dec-16	5.3%	5.3%	5.3%	-7.3%	-6.5%	-8.2%	-12.8%	-14.3%	-11.5%	-4.4%	-6.1%	-3.8%	-0.7%	-0.1%	-0.9%
Jan-17	5.6%	5.2%	6.1%	-8.1%	-3.1%	-13.8%	-4.4%	5.1%	-15.2%	3.4%	2.4%	3.8%	-0.2%	4.8%	-2.0%
Feb-17	5.3%	5.1%	5.6%	22.1%	24.0%	20.1%	17.3%	15.5%	19.4%	3.3%	-0.7%	4.9%	7.0%	4.8%	7.9%
Mar-17	6.0%	5.2%	6.9%	7.3%	15.2%	-2.1%	32.0%	19.1%	48.4%	15.5%	8.0%	18.3%	10.4%	4.9%	12.5%
Apr-17	6.1%	5.1%	7.5%	1.5%	3.8%	-1.7%	1.9%	11.0%	-9.0%	2.6%	-0.6%	3.9%	1.3%	2.1%	1.0%
May-17	5.5%	5.1%	6.1%	5.1%	21.1%	-10.8%	-1.8%	23.4%	-24.1%	-1.8%	13.1%	-7.3%	4.4%	9.7%	2.3%
Jun-17	5.7%	5.1%	6.5%	-14.8%	-1.8%	-27.2%	11.6%	0.0%	25.5%	3.2%	0.6%	4.2%	3.1%	2.7%	3.3%
Jul-17	5.6%	5.1%	6.3%	22.9%	28.6%	16.6%	24.8%	26.4%	23.1%	13.2%	9.1%	15.0%	16.1%	10.6%	18.2%
Aug-17	5.8%	5.0%	6.8%	4.1%	9.0%	-1.9%	9.9%	9.2%	10.7%	15.1%	7.2%	18.5%	12.6%	8.6%	14.2%
Sep-17	5.2%	5.0%	5.4%	0.5%	3.1%	-2.6%	-1.4%	-2.2%	-0.4%	-1.3%	3.9%	-3.2%	6.0%	4.8%	6.4%
Oct-17	4.6%	5.1%	4.0%	12.8%	12.2%	13.5%	-2.2%	9.9%	-13.6%	8.5%	14.8%	6.0%	17.8%	14.9%	18.9%
Nov-17	3.9%	5.2%	2.3%	15.8%	12.6%	19.5%	22.3%	31.2%	2.0%	14.2%	-2.6%	10.6%	10.6%	10.9%	10.5%
Dec-17	4.1%	5.1%	2.8%	-2.1%	6.8%	-12.5%	17.4%	12.6%	21.5%	2.3%	8.0%	0.4%	-2.3%	9.7%	-6.1%
Jan-18	4.2%	5.3%	2.7%	25.4%	26.3%	24.3%	26.9%	22.7%	32.8%	3.2%	16.4%	-1.9%	1.5%	13.6%	-2.9%
Feb-18	4.5%	5.6%	3.1%	-5.8%	-4.5%	-7.2%	-4.4%	10.7%	-20.5%	6.7%	19.6%	1.9%	2.7%	13.5%	-1.4%
Mar-18	4.4%	5.6%	2.8%	0.0%	-8.0%	11.2%	-7.6%	-3.5%	-11.8%	-1.5%	5.9%	-4.1%	0.4%	8.1%	-2.3%
Apr-18	6.9%	8.6%	4.6%	22.0%	10.7%	38.2%	22.7%	10.7%	40.1%	11.7%	18.7%	9.0%	8.7%	16.0%	6.1%
May-18	7.0%	8.5%	5.9%	-6.8%	-11.1%	-1.0%	1.7%	-10.2%	18.9%	3.1%	-4.3%	6.4%	4.3%	-0.2%	6.2%
Jun-18	7.1%	8.6%	5.1%	14.2%	10.3%	19.3%	7.1%	13.7%	0.7%	15.0%	10.4%	16.7%	13.5%	8.1%	15.5%
Jul-18	7.4%	8.9%	5.4%	3.4%	15.7%	-11.9%	2.1%	13.0%	-10.3%	13.7%	17.5%	12.2%	11.9%	13.1%	11.4%
Aug-18	7.5%	9.0%	5.5%	6.4%	4.6%	8.8%	1.5%	7.9%	-6.2%	3.5%	5.8%	2.5%	2.9%	3.2%	2.8%
Sep-18	7.8%	8.9%	6.5%	7.3%	-3.4%	20.5%	26.5%	3.1%	54.8%	12.0%	2.3%	15.7%	7.2%	4.6%	8.1%
Oct-18	8.1%	8.8%	7.2%	1.6%	6.0%	-3.5%	17.4%	11.4%	24.7%	12.4%	2.8%	16.3%	9.1%	4.7%	10.7%
Nov-18	8.3%	8.5%	7.9%	-23.4%	-13.6%	-33.7%	-5.2%	-10.0%	0.0%	5.5%	-6.1%	10.6%	4.4%	-1.4%	6.5%
Dec-18	7.7%	8.3%	6.8%	6.0%	0.1%	14.4%	-8.8%	1.9%	-17.4%	12.1%	8.0%	13.6%	21.4%	9.4%	25.9%
Jan-19	7.5%	8.2%	6.6%	-3.8%	-2.9%	-5.1%	-3.3%	-0.2%	-7.2%	10.4%	0.8%	14.8%	13.5%	3.2%	18.0%
Feb-19	7.0%	7.9%	5.8%	-13.6%	-7.9%	-20.3%	-3.0%	-8.9%	5.8%	-3.1%	-6.9%	-1.5%	3.1%	-1.7%	5.2%
Mar-19	7.0%	8.0%	5.6%	-5.3%	-3.0%	-8.0%	6.9%	2.8%	11.4%	3.2%	2.7%	3.4%	4.9%	-1.0%	7.2%
Apr-19	4.5%	5.1%	3.8%	5.4%	1.0%	10.5%	5.7%	9.6%	1.2%	8.7%	5.6%	10.0%	13.4%	7.1%	16.0%
May-19	4.5%	5.1%	3.7%	13.3%	16.7%	9.1%	25.4%	23.2%	27.7%	12.2%	12.8%	11.9%	8.3%	8.8%	8.1%
Jun-19	4.2%	4.9%	3.3%	-11.7%	-10.2%	-13.4%	-3.3%	-6.3%	-0.1%	-11.8%	-5.8%	-13.8%	-8.6%	2.0%	-12.2%
Jul-19	3.9%	4.7%	2.9%	0.5%	-7.5%	13.5%	10.6%	5.5%	19.3%	1.8%	0.9%	2.2%	4.5%	5.4%	4.1%
Aug-19	3.9%	4.6%	2.9%	-0.3%	-8.9%	10.9%	0.2%	-2.8%	8.0%	1.0%	2.1%	0.6%	0.9%	2.7%	0.2%
Sep-19	3.8%	4.6%	2.7%	-6.1%	-0.8%	-11.3%	-8.7%	3.0%	-18.1%	-1.7%	13.0%	-6.6%	-4.5%	3.2%	-7.2%
Oct-19	3.7%	4.7%	2.4%	3.2%	-1.2%	8.8%	-12.8%	-3.0%	-23.2%	-7.9%	5.9%	-12.9%	-7.8%	4.1%	-11.8%
Nov-19	3.7%	4.7%	2.4%	26.4%	5.7%	55.0%	2.8%	3.3%	2.4%	-1.7%	4.8%	-4.2%	-1.4%	5.3%	-3.7%
Dec-19	3.9%	4.7%	2.7%	5.5%	9.7%	0.3%	7.6%	4.6%	10.5%	0.5%	0.8%	0.4%	-2.2%	1.7%	-3.4%
Jan-20	3.5%	4.5%	2.0%	-14.6%	-18.3%	-9.5%	-4.9%	-13.2%	6.6%	-4.3%	-1.1%	-5.6%	2.5%	5.3%	1.5%
Feb-20	3.9%	4.4%	3.2%	40.7%	32.8%	51.5%	23.2%	16.8%	31.3%	13.2%	9.7%	14.6%	7.3%	13.7%	4.6%
Mar-20	4.0%	3.7%	4.4%	-9.8%	-18.1%	0.4%	-22.5%	-61.0%	-21.8%	-5.2%	-18.4%	-0.2%	-7.5%	4.2%	-11.8%
Apr-20	4.0%	3.3%	5.1%	-41.4%	-74.2%	-6.7%	-48.4%	-77.9%	-11.5%	-28.1%	-60.4%	-15.2%	-29.2%	-46.8%	-22.7%
May-20	3.9%	3.2%	4.9%	-39.0%	-59.7%	-12.1%	-54.4%	-67.7%	-40.3%	-25.8%	-43.2%	-18.9%	-22.3%	-42.5%	-14.4%
Jun-20	4.1%	3.5%	4.9%	8.0%	16.4%	-2.4%	-12.7%	-20.1%	-5.2%	8.1%	-0.9%	11.5%	0.9%	-22.4%	10.0%
Jul-20	4.5%	4.3%	4.7%	5.9%	15.4%	-6.8%	-14.3%	-7.8%	-22.6%	-3.4%	4.8%	-6.7%	-5.9%	-21.9%	-0.01%
Aug-20	4.4%	4.8%	3.7%	-13.7%	9.9%	-39.1%	-13.2%	-3.4%	-25.7%	-12.7%	-0.2%	-17.7%	-14.4%	-17.2%	-13.3%
Sep-20	4.4%	5.2%	3.2%	15.7%	44.7%	-16.4%	3.7%	24.7%	-17.7%	0.6%	12.2%	-3.7%	-0.2%	-4.4%	1.3%
Oct-20	4.3%	5.1%	3.2%	-6.1%	11.2%	-26.1%	0.8%	7.7%	-8.6%	1.5%	-2.0%	3.1%	1.6%	-0.4%	2.4%
Nov-20	3.8%	5.0%	2.1%	-5.1%	21.7%	-30.1%	-4.2%	12.3%	-20.6%	-1.1%	2.6%	-2.6%	4.2%	2.1%	5.1%
Dec-20	3.4%	5.0%	1.0%	12.3%	24.6%	-4.5%	-0.1%	14.1%	-13.4%	-2.5%	8.9%	-6.3%	2.3%	3.2%	2.1%
Jan-21	3.8%	4.9%	2.3%	9.7%	30.6%	-15.7%	-3.5%	8.8%	-17.5%	8.7%	-6.3%	15.0%	0.4%	-5.0%	2.5%
Feb-21	3.7%	5.1%	1.8%	-15.4%	-5.8%	-26.9%	-18.4%	-1.9%	-37.2%	7.0%	-1.7%	10.5%	7.1%	-8.3%	13.9%

Source: BNM, Am Investment Bank Bhd

### EXHIBIT 4: NON-HOUSEHOLD AND HOUSEHOLD LOAN GROWTH



Source: BNM, AmInvestment Bank Bhd

### EXHIBIT 5: LOAN BREAKDOWN BY PURPOSE (RM MIL)

	Feb-20	Jan-21	Feb-21	% of total	%MoM	%YoY
Purchase of securities	82,542	85,016	84,148	4.6%	-1.0%	1.9%
Purchase of transport vehicles	166,845	175,790	175,635	9.5%	-0.1%	5.3%
of which : purchase of passenger cars	158,237	167,585	167,458	9.1%	-0.1%	5.8%
Purchase of residential property	610,435	650,158	652,774	35.5%	0.4%	6.9%
Purchase of non-residential property	225,597	228,358	228,376	12.4%	0.0%	1.2%
Purchase of fixed asset other than land & building	12,479	12,854	12,803	0.7%	-0.4%	2.6%
Personal use	97,509	103,287	103,385	5.6%	0.1%	6.0%
Credit card	40,114	35,467	34,609	1.9%	-2.4%	-13.7%
Purchase of consumer durables	85	78	78	0.004%	0.0%	-8.2%
Construction	59,989	61,598	60,941	3.3%	-1.1%	1.6%
Working capital	395,542	403,436	405,783	22.1%	0.6%	2.6%
Other purpose	83,517	82,229	81,609	4.4%	-0.8%	-2.3%
<b>Total</b>	<b>1,774,654</b>	<b>1,838,271</b>	<b>1,840,142</b>	<b>100.0%</b>	<b>0.1%</b>	<b>3.7%</b>

Scs: BNM, AmInvestment Bank Bhd

### EXHIBIT 6: LOAN BREAKDOWN BY SECTOR (RM MIL)

	Feb-20	Jan-21	Feb-21	% of total	%MoM	%YoY
Primary agriculture	36,016	33,794	34,231	1.9%	1.3%	-5.0%
Mining and quarrying	9,694	10,885	10,895	0.6%	0.1%	12.4%
Manufacturing (including agro based)	121,893	122,440	123,007	6.7%	0.5%	0.9%
Electricity, gas and water supply	16,150	15,876	14,907	0.8%	-6.1%	-7.7%
Wholesale, retail, restaurants & hotels	130,489	139,169	141,113	7.7%	1.4%	8.1%
Construction	91,561	93,921	93,717	5.1%	-0.2%	2.4%
Real estate	114,185	114,776	114,624	6.2%	-0.1%	0.4%
Transport, storage & communication	39,423	38,865	39,008	2.1%	0.4%	-1.1%
Financing, insurance & business services	118,719	116,028	116,101	6.3%	0.1%	-2.2%
Education, health & others	41,672	52,550	52,535	2.9%	0.0%	26.1%
Household sector	1,033,026	1,084,137	1,085,473	59.0%	0.1%	5.1%
Other sector	21,826	15,829	14,532	0.8%	-8.2%	-33.4%
<b>Total</b>	<b>1,774,654</b>	<b>1,838,271</b>	<b>1,840,142</b>	<b>100.0%</b>	<b>0.1%</b>	<b>3.7%</b>

Source: BNM, AmlInvestment Bank Bhd

#### LOAN APPLICATIONS

##### ❑ *Further slowdown in growth of loan applications in Feb 2021*

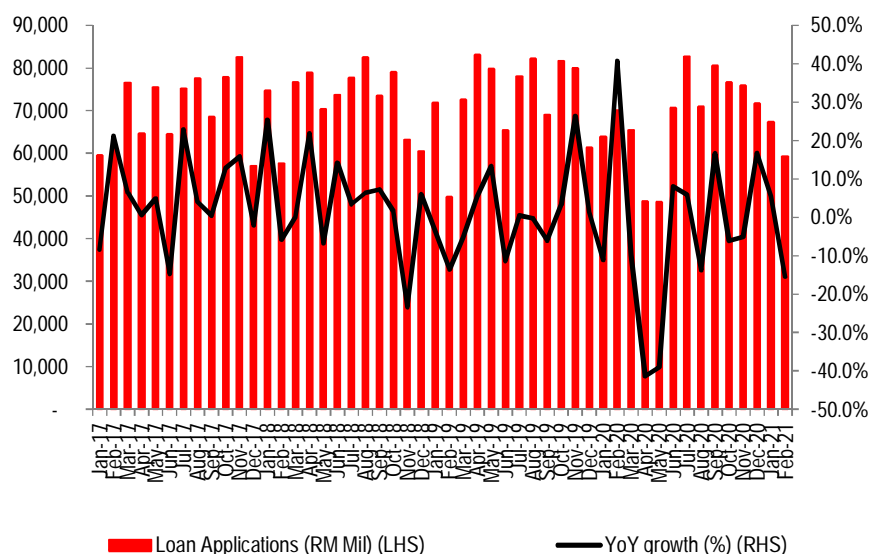
In Feb 2021, industry loan applications contracted by 15.4% YoY vs. +9.7% YoY in Jan 2021, reflecting the shorter working days. The level of loan applications was lower in Feb 2021 compared to the preceding month as applications from the household and non-household sectors fell.

#### LOAN APPROVALS

##### ❑ *Loan approvals remained subdued*

Feb 2021 industry loan approvals remained subdued at -18.4% YoY. This was due to lower levels of household and non-household loan approvals. Compared to the preceding month, the level of loan approvals was lower in all sectors except the finance, insurance and business activities sectors.

## EXHIBIT 7: LOAN APPLICATIONS (RM MIL)



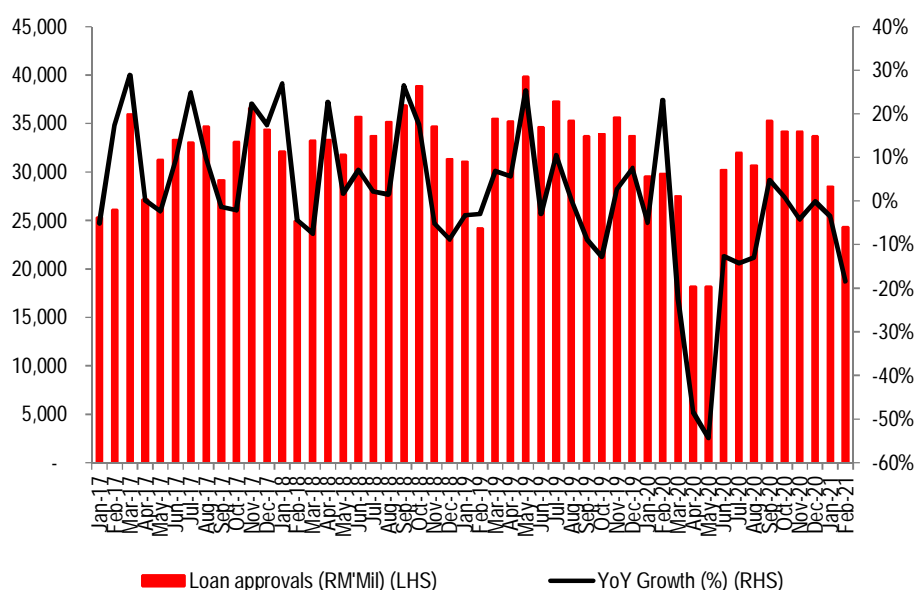
Source: BNM, AmlInvestment Bank Bhd

## EXHIBIT 8: LOAN APPLICATIONS BY PURPOSE (RM MIL)

	Feb-21	% of total	Sept-20 (%YoY)	Oct-20 (%YoY)	Nov-20 (%YoY)	Dec-20 (%YoY)	Jan-21 (%YoY)	Feb-21 (%YoY)
Purchase of securities	2,653	4.5%	36.0%	-49.3%	34.1%	6.7%	-14.8%	-3.3%
Purchase of transport vehicles	5,866	9.9%	79.1%	18.3%	32.5%	26.4%	10.2%	-16.5%
of which : purchase of passenger cars	5,530	9.3%	84.0%	17.4%	31.8%	24.9%	8.1%	-17.7%
Purchase of residential property	20,535	34.6%	51.1%	19.5%	27.3%	34.3%	61.7%	2.1%
Purchase of non-residential property	5,710	9.6%	-11.9%	-21.2%	-30.8%	-1.8%	3.9%	-25.2%
Purchase of fixed asset other than land & building	613	1.0%	20.4%	-14.7%	-35.2%	14.3%	128.1%	-26.6%
Personal use	5,107	8.6%	18.6%	-6.6%	-2.5%	6.9%	1.0%	-8.5%
Credit card	2,241	3.8%	3.6%	-24.8%	-19.0%	-13.3%	-23.0%	-28.2%
Purchase of consumer durables	0	0.0%	61411.1 %	47033.3 %	-99.7%	-81.3%	172.7%	na
Construction	3,414	5.8%	-30.2%	-13.3%	21.8%	40.7%	-38.8%	31.4%
Working capital	11,323	19.1%	-12.9%	-12.4%	-22.0%	-17.7%	-15.4%	-36.6%
Other purpose	1,867	3.1%	-26.2%	-55.6%	-79.0%	32.3%	-28.3%	-29.5%
<b>Total applied</b>	<b>59,331</b>	<b>100.0%</b>	<b>16.6%</b>	<b>-6.1%</b>	<b>-5.1%</b>	<b>12.3%</b>	<b>9.7%</b>	<b>-15.4%</b>

Source: BNM, AmlInvestment Bank Bhd

## EXHIBIT 9: LOAN APPROVALS (RM MIL)



Source: BNM, AmlInvestment Bank Bhd

## EXHIBIT 10: LOAN APPROVALS BY PURPOSE (RM MIL)

	Feb-21	% of total	Aug-20 (%YoY)	Sept-20 (%YoY)	Oct-20 (%YoY)	Nov-20 (%YoY)	Dec-20 (%YoY)	Jan-21 (%YoY)	Feb-21 (%YoY)
Purchase of securities	1,292	5.3%	-30.9%	-22.0%	23.7%	-20.6%	-25.8%	-17.1%	-32.5%
Purchase of transport vehicles	3,468	14.3%	30.6%	60.4%	33.8%	37.2%	33.1%	5.6%	-7.0%
of which : purchase of passenger cars	3,274	13.5%	31.1%	67.1%	34.0%	37.4%	32.5%	3.5%	-8.6%
Purchase of residential property	8,295	34.1%	-5.9%	20.8%	5.8%	9.8%	10.6%	25.9%	15.1%
Purchase of non-residential property	2,076	8.5%	-22.4%	-24.9%	-18.7%	-23.4%	-36.9%	10.0%	-0.7%
Purchase of fixed asset other than land & building	399	1.6%	-65.7%	71.3%	-39.0%	-17.8%	30.2%	8.5%	-52.3%
Personal use	1,990	8.2%	-9.6%	15.5%	5.2%	8.3%	18.2%	5.8%	-9.3%
Credit card	591	2.4%	-39.9%	-19.9%	-43.4%	-44.1%	-37.2%	-49.2%	-54.8%
Purchase of consumer durables	0	0.0%	60.0%	26326.7 %	24077.8 %	107.7%	-100.0%	100.0%	na
Construction	727	3.0%	-27.9%	-33.6%	-39.1%	-12.9%	-25.8%	-14.8%	-51.2%
Working capital	5,093	20.9%	-11.6%	2.5%	6.5%	-10.1%	-1.7%	-26.8%	-21.8%
Other purpose	401	1.6%	-60.3%	-61.9%	-13.7%	-38.6%	29.1%	-13.7%	-84.2%
<b>Total approved</b>	<b>24,333</b>	<b>100.0%</b>	<b>-13.2%</b>	<b>4.8%</b>	<b>0.8%</b>	<b>-4.2%</b>	<b>-0.1%</b>	<b>-3.5%</b>	<b>-18.4%</b>

Source: BNM, AmlInvestment Bank Bhd

## LENDING AND DEPOSIT RATES

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### □ *Weighted average lending rate and base rate stable*

Feb 2021 saw the sector's weighted average lending rate and base rate stable at 3.97% and 2.42% respectively. We maintain our OPR projection of 1.75% in 2021 for now.

### □ *Higher deposit growth as CASA continued to gained traction*

Industry deposit growth continued to rise to 5.2% YoY from 5.0% YoY in Jan 2021. Business deposit growth improved while that of individual deposits was sustained.

LD ratio for the sector eased to 87.7% due to the acceleration in deposits. Correspondingly, the sector's loan-to-fund ratio decreased slightly to 82.5% while the loan-to-fund and equity ratio stood at 71.6%. Sector LCR was stable at 147.0%.

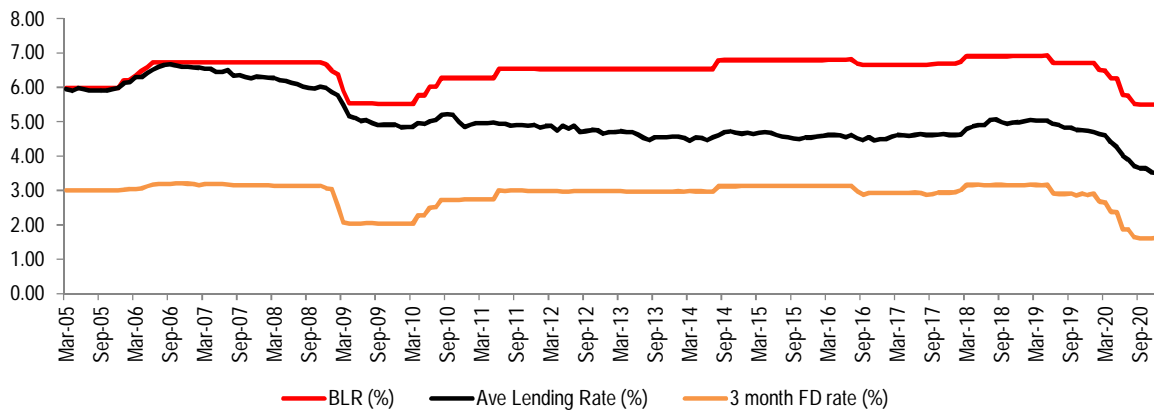
Industry CASA growth climbed to 24.8% YoY vs. 24.1% YoY in Jan 2021. This led to slightly higher industry CASA ratio of 31.4%.

The average deposit rate (the average rates for FDs of up to 1-year tenure) was stable at 1.64%. Interest spread (difference between weighted average lending rate (and average FD rate) was sustained at 2.33%.

Inflation remained muted despite the higher CPI at 0.1% in Feb 2021 due to higher domestic retail fuel prices.

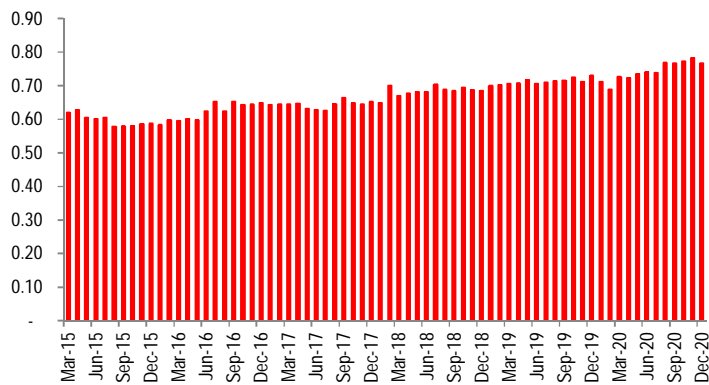


**EXHIBIT 11: TREND OF BLR, AVERAGE LENDING RATE AND 3-MONTH FD RATE**



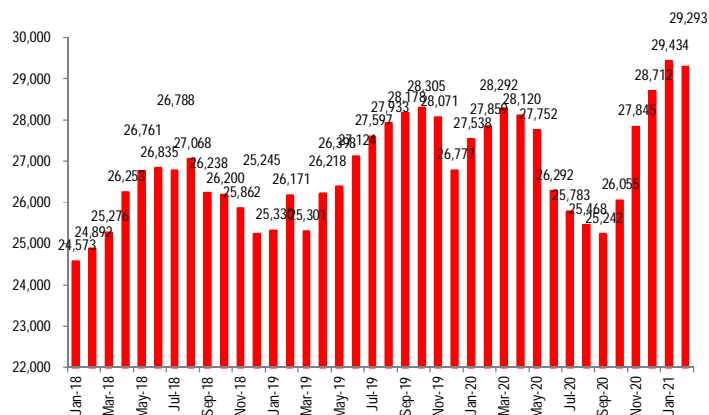
Source: BNM, AmlInvestment Bank Bhd

**EXHIBIT 12: DIFFERENCE IN BANKS' BASE RATE AND AVERAGE FD RATE**



Source: BNM, AmlInvestment Bank Bhd

**EXHIBIT 13: GROSS IMPAIRED LOANS (RM MIL)**



Source: BNM, AmlInvestment Bank Bhd

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**EXHIBIT 14: GROSS IMPAIRED LOANS BY PURPOSE (RM MIL)**


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	Feb-20	Jan-21	Feb-21	% of total	%MoM	%YoY
Purchase of securities	233	399	364	1.2%	-8.8%	56.2%
Purchase of transport vehicles	1,310	1,479	1,462	5.0%	-1.1%	11.6%
of which : purchase of passenger cars	1,145	1,020	1,000	3.4%	-2.0%	-12.7%
Purchase of residential property	7,249	7,987	7,899	27.0%	-1.1%	9.0%
Purchase of non-residential property	3,201	3,407	3,425	11.7%	0.5%	7.0%
Purchase of fixed asset other than land & building	325	255	252	0.9%	-1.2%	-22.5%
Personal use	1,785	2,177	2,115	7.2%	-2.8%	18.5%
Credit card	361	370	358	1.2%	-3.2%	-0.8%
Purchase of consumer durables	2	2	2	0.01%	0.0%	0.0%
Construction	3,605	3,381	3,387	11.6%	0.2%	-6.0%
Working capital	8,701	8,722	8,698	29.7%	-0.3%	0.0%
Other purpose	1,089	1,255	1,330	4.5%	6.0%	22.1%
<b>Total</b>	<b>27,859</b>	<b>29,434</b>	<b>29,293</b>	<b>100.0%</b>	<b>-0.5%</b>	<b>5.1%</b>

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Source: BNM, AmInvestment Bank Bhd

**EXHIBIT 15: GROSS IMPAIRED LOAN RATIOS BY LOAN PURPOSE (%)**

	July-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Purchase of securities	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.5%	0.4%
Purchase of transport vehicles	0.5%	0.4%	0.4%	0.5%	0.6%	0.8%	0.8%	0.8%
of which : purchase of passenger cars	0.4%	0.4%	0.3%	0.4%	0.6%	0.6%	0.6%	0.6%
Purchase of residential property	1.0%	1.0%	0.9%	1.0%	1.2%	1.2%	1.2%	1.2%
Purchase of non-residential property	1.4%	1.3%	1.3%	1.3%	1.4%	1.5%	1.5%	1.5%
Purchase of fixed asset other than land & building	2.3%	2.4%	2.1%	2.2%	2.2%	2.0%	2.0%	2.0%
Personal use	1.5%	1.4%	1.4%	1.5%	1.8%	1.9%	2.1%	2.0%
Credit card	0.6%	0.8%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Purchase of consumer durables	1.7%	1.8%	1.7%	1.8%	2.6%	2.9%	2.8%	2.6%
Construction	5.6%	5.6%	5.6%	5.5%	5.7%	5.8%	5.5%	5.6%
Working capital	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.2%	2.1%
Other purpose	1.4%	1.5%	1.5%	1.5%	1.6%	1.6%	1.5%	1.6%
<b>Total</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>

Source: BNM, AmlInvestment Bank Bhd

**EXHIBIT 16: GROSS IMPAIRED LOAN RATIOS BY SECTOR (%)**

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
Primary agriculture	3.0%	3.3%	3.4%	3.4%	3.5%	3.5%	3.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Mining and quarrying	4.4%	2.8%	2.7%	2.6%	2.5%	2.5%	2.5%	2.4%	2.2%	1.2%	1.2%	1.4%	1.4%	1.3%
Manufacturing (including agro-based)	2.9%	3.0%	3.1%	3.1%	3.4%	3.1%	3.1%	3.2%	3.3%	3.3%	3.2%	3.1%	3.1%	3.1%
Electricity, gas and water supply	0.8%	0.8%	0.7%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	1.2%	1.4%	1.3%	1.2%	1.3%
Wholesale & retail trade, and restaurants & hotels	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.7%	1.7%
Construction	3.1%	3.0%	2.9%	2.9%	2.8%	2.6%	2.6%	2.5%	2.6%	2.6%	2.4%	2.9%	2.9%	2.9%
Transport, storage and communication	4.9%	5.2%	4.9%	4.9%	4.2%	4.4%	4.6%	4.5%	4.7%	4.5%	4.6%	5.5%	5.6%	5.6%
Finance, insurance and business activities	2.8%	2.7%	2.7%	2.9%	2.9%	2.9%	3.0%	3.1%	3.0%	3.0%	2.9%	2.7%	2.8%	2.8%
Education, health & others	1.4%	1.4%	1.4%	1.4%	1.5%	1.3%	0.9%	1.0%	0.9%	0.9%	1.6%	1.7%	1.6%	1.6%
Household sector 2	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	0.9%	0.9%	0.8%	0.9%	1.1%	1.1%	1.1%	1.1%
Other sector n.e.c	2.4%	2.5%	2.6%	2.6%	2.7%	1.7%	2.8%	2.9%	2.8%	2.8%	3.0%	2.5%	2.4%	2.6%
<b>Total non-performing/impaird loans</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.4%</b>	<b>1.5%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>

Source: BNM, AmlInvestment Bank Bhd

## EXHIBIT 17: PROVISIONS AND LOAN LOSS COVERAGE FOR THE SECTOR

	Impaired Loans (RM Mil)	Increase or Decrease in impairments MoM (RM Mil)	Change MoM (%)	Total Provisions (RM Mil)	Increase or Decrease in provisions MoM (RM Mil)	Change MoM (%)	Loan loss coverage (%)
Jan-18	24,573.3			23,752.1			96.7%
Feb-18	24,892.5	319.1	1.3%	24,169.1	417.0	1.8%	97.1%
Mar-18	25,276.3	383.8	1.5%	23,985.4	-183.7	-0.8%	94.9%
Apr-18	26,253.2	977.0	3.9%	25,435.6	1450.2	6.0%	96.9%
May-18	26,761.0	507.8	1.9%	25,800.8	365.2	1.4%	96.4%
Jun-18	26,834.8	73.8	0.3%	25,789.3	-11.5	0.0%	96.1%
Jul-18	26,787.5	-47.3	-0.2%	26,328.2	538.8	2.1%	98.3%
Aug-18	26,966.0	178.5	0.7%	26,186.8	-141.4	-0.5%	97.1%
Sep-18	26,238.1	-727.9	-2.7%	25,804.2	-382.6	-1.5%	98.3%
Oct-18	26,199.8	-38.3	-0.1%	25,775.1	-29.1	-0.1%	98.4%
Nov-18	25,861.5	-338.2	-1.3%	25,747.2	-27.9	-0.1%	99.6%
Dec-18	25,245.0	-616.5	-2.4%	25,006.1	-741.0	-2.9%	99.1%
Jan-19	25,329.8	84.8	0.3%	24,980.2	-26.0	-0.1%	98.6%
Feb-19	26,170.9	841.1	3.3%	25,225.2	245.0	1.0%	96.4%
Mar-19	25,300.9	-870.1	-3.3%	24,904.7	-320.5	-1.3%	98.4%
Apr-19	26,217.5	916.6	3.6%	24,854.6	-50.0	-0.2%	94.8%
May-19	26,398.4	180.9	0.7%	24,841.2	-13.5	-0.1%	94.1%
Jun-19	27,165.6	767.2	2.9%	24,749.2	-91.9	-0.4%	91.1%
Jul-19	27,596.6	431.0	1.6%	25,109.6	360.4	1.5%	91.0%
Aug-19	27,933.5	336.9	1.2%	25,219.8	110.2	0.4%	90.3%
Sep-19	28,177.8	244.4	0.9%	25,052.0	-167.8	-0.7%	88.9%
Oct-19	28,304.9	127.1	0.5%	25,231.9	180.0	0.7%	89.1%
Nov-19	28,071.0	-233.9	-0.8%	25,095.7	-136.3	-0.5%	89.4%
Dec-19	26,777.2	-1,293.8	-4.6%	24,003.0	-1092.7	-4.4%	89.6%
Jan-20	27,538.3	761.1	2.8%	22,087.2	-1915.8	-8.0%	80.2%
Feb-20	27,859.4	321.1	1.2%	22,295.7	208.5	0.9%	80.0%
Mar-20	28,275.9	416.5	1.5%	23,206.1	910.3	4.1%	82.1%
Apr-20	28,119.7	-156.3	-0.6%	24,366.7	1160.7	5.0%	86.7%
May-20	27,752.4	-367.3	-1.3%	24,850.0	483.2	2.0%	89.5%
Jun-20	26,318.4	-1,434.0	-5.2%	24,774.9	-75.1	-0.3%	94.1%
Jul-20	25,782.7	-535.6	-2.0%	24,889.2	114.3	0.5%	96.5%
Aug-20	25,467.5	-315.2	-1.2%	25,194.1	304.8	1.2%	98.9%
Sep-20	25,241.5	-226.0	-0.9%	27,069.3	1875.2	7.4%	107.2%
Oct-20	26,054.7	813.1	3.2%	28,567.9	1498.6	5.5%	109.6%
Nov-20	27,844.8	1,790.2	6.9%	29,907.3	1339.4	4.7%	107.4%
Dec-20	28,712.3	867.4	3.1%	30,872.6	965.4	3.2%	107.5%
Jan-21	29,434.1	721.8	2.5%	31,213.7	341.0	1.1%	106.0%
Feb-21	29,292.6	-141.4	-0.5%	31,473.3	259.6	0.8%	107.4%

Source: BNM, AmlInvestment Bank Bhd

## ASSET QUALITY

- Impaired loans declined and banks continued to set aside provisions against potential credit losses

The industry's outstanding impaired loans in Feb 2021 declined by 0.5% MoM or RM141mil. The decrease came largely from lower impairments of household loans.

The industry's total GIL rose was sustained at 1.6% while NIL ratio remained at 1.01%. Total provisions for the sector increased by 0.8% MoM or RM260mil in Feb 2021 as banks continued to set aside provisions against future credit losses. The quantum of increase in provisions continued to trend lower. The sector's loan loss cover stood at 107.4%.

## CAPITAL RATIO

- Lower capital ratios due to dividend payments and valuation adjustments of AFS instruments

The sector's CET1, Tier 1 and total capital ratios were lower at 14.7%, 15.3% and 18.4% respectively.

## OTHER TRENDS

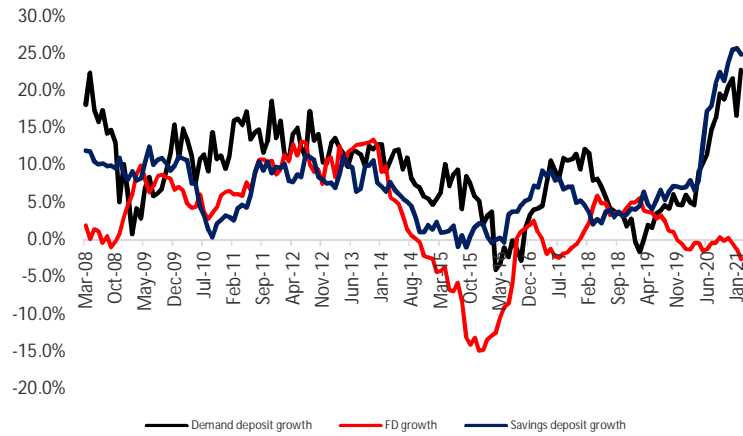
- 10-year MGS yield rose by 38.2bps MoM

The market indicative yield for the 10-year MGS rose by 38.2bps MoM to 3.08% in Feb 2021 amidst the rise in US treasury yields which caused a spike in global bond yields. Foreign holdings of MGS were slightly higher at 41.2% as at end-Feb 2021.

- Lower net new issuance of bonds/sukuks in Feb 2021

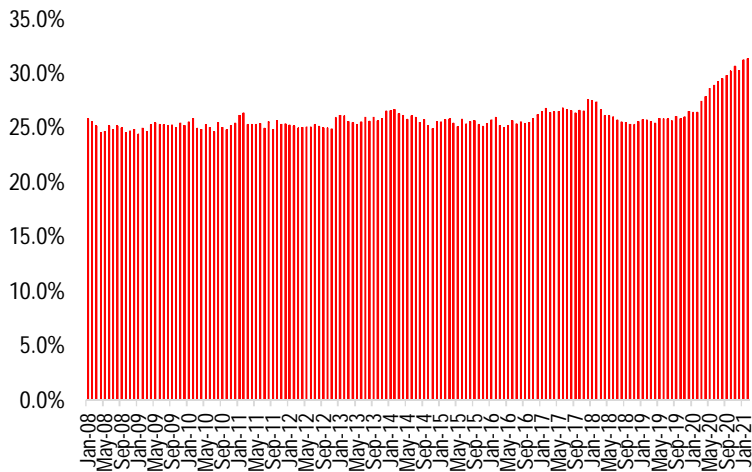
Net funds raised in the market by the private sector were – RM0.9bil, a decline of 107.9% YoY. This was due to lower net new issuance of bonds/sukuks from the increase in redemptions. Meanwhile, the equity capital market remained slow with subdued activities.

**EXHIBIT 18: DEPOSIT GROWTH (% YOY)**



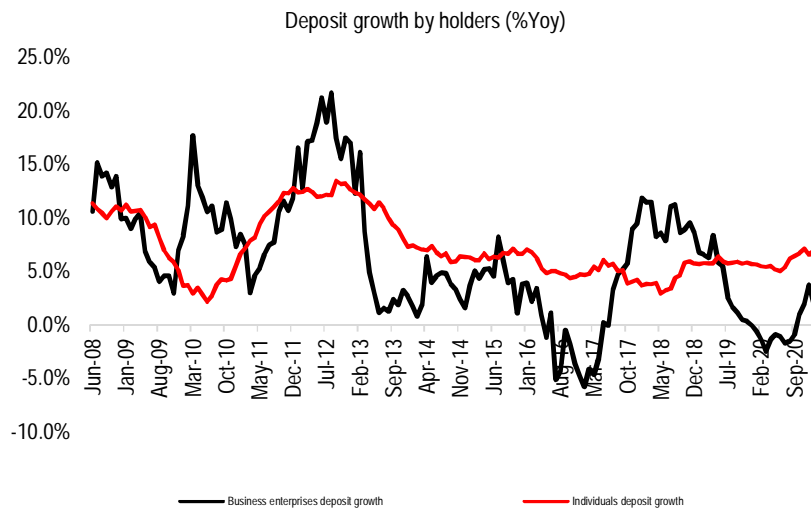
Source: BNM, AmInvestment Bank Bhd

**EXHIBIT 19: CASA RATIO (%)**



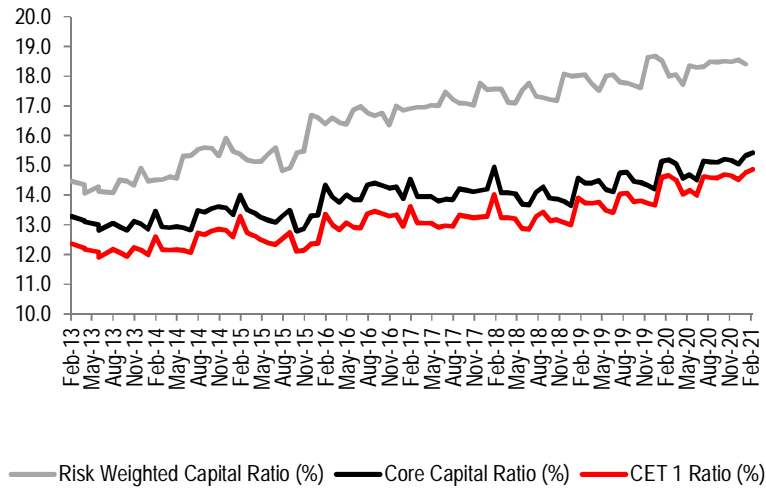
Source: BNM, AmInvestment Bank Bhd

**EXHIBIT 20: DEPOSIT GROWTH BY HOLDER (% YOY)**



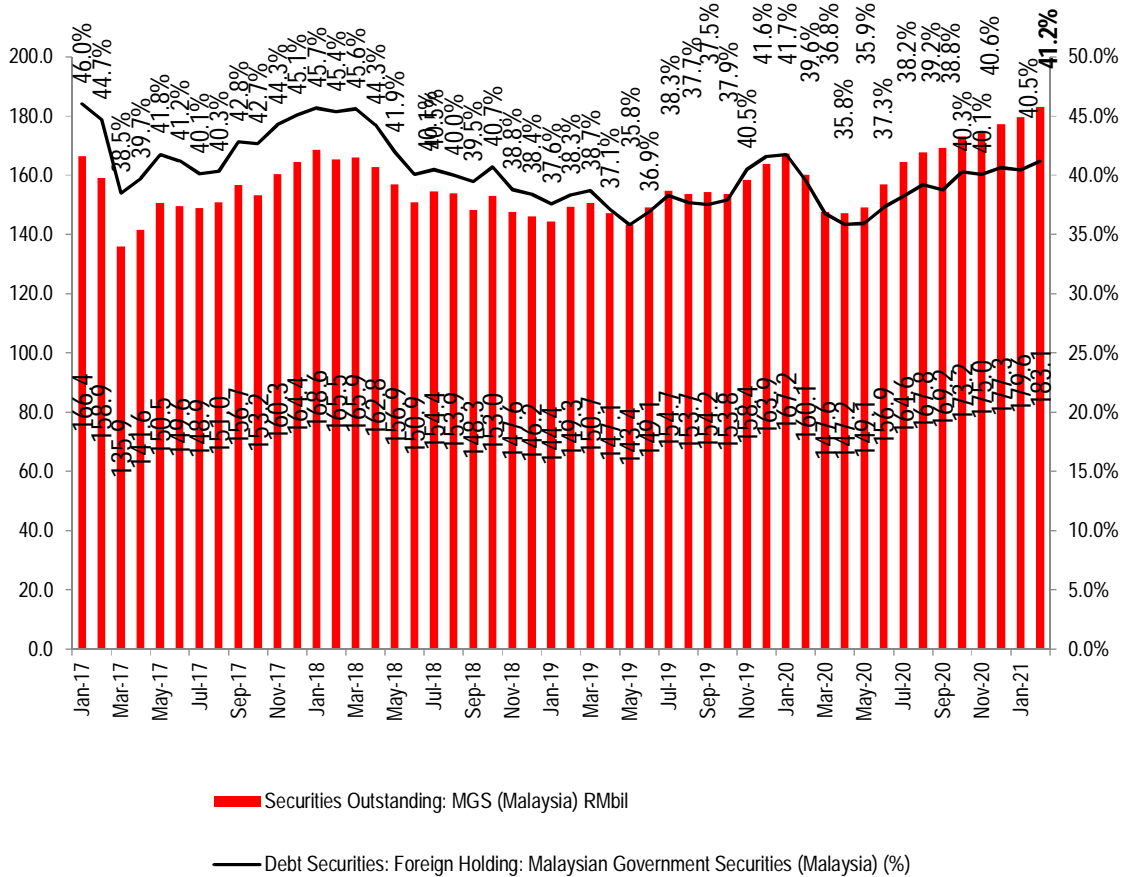
Source: BNM, AmInvestment Bank Bhd

EXHIBIT 21: CAPITAL RATIOS



Source: BNM, AmlInvestment Bank Bhd

EXHIBIT 22: FOREIGN HOLDINGS OF MGS



Source: BNM, AmlInvestment Bank Bhd

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