



AmInvestment Bank

Sector report

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# BANKING

*Impaired loans on a declining trend; lower provisions*

**OVERWEIGHT**

(Maintained)

Rationale for report: Nov 2021 BNM statistics

## Investment Highlights

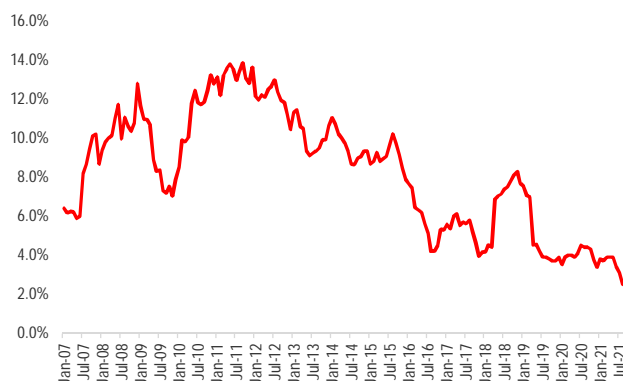
- **Industry loan expanded at a faster pace of 4.3% YoY in Nov 2021 driven by stronger growth in both household and non-household loans. Growth in working capital loans continued to rise after reopening of the economy.** Household loan growth increased to 4.1% YoY in Nov 2021 supported by higher disbursements of loans for purchase of passenger cars, residential properties and credit cards. Growth in non-household loans surged to 4.7% YoY with a stronger momentum for working capital loans. YTD, the industry's loans have grown by 4.3% (annualised) in line with our projection of 3.0–4.0% for 2021. We expect a higher industry loan growth of 5.0–6.0% for 2022 underpinned by stronger economic growth with improvement in private sector expenditure and exports.
- **Level of loan applications and approvals continued to rise in Nov 2021 after the easing of mobility restrictions and reopening of economy.** The levels of both applications and approvals for household and non-household loans climbed in Nov 2021.
- **Improved CASA growth of 11.1% YoY in Nov 2021 resulting in higher CASA ratio of 32.0% for the banking system.** LD ratio for the sector eased to 86.5% amid the stronger deposit growth in Nov 2021. Correspondingly, the sector's loan-to-fund ratio and loan-to-fund and equity ratio declined marginally to 81.1% and 70.8% respectively. Meanwhile, the sector's LCR slipped to 145.0% as at end Nov 2021 attributed to the drop in LCRs of commercial and Islamic banks.
- **Impaired loans decreased with GIL ratio stable at 1.5%.** The industry's outstanding impaired loans continued to decline after the reopening of economy. In Nov 2021, it fell further by 2.3% MoM or RM654mil. It was mainly driven by the lower impairments of manufacturing, construction and household sectors' loans. The industry's total GIL and NIL ratio was sustained at 1.5% and 0.91% respectively. The sector's loan loss cover rose further to 126.7% in Nov 2021 contributed by the decline in impaired loans.
- **Total provisions for the sector decreased by 0.4% MoM or RM141mil in Nov 2021.** We believe that this has been contributed by the continued tapering of new applications for financial assistance following the reopening of the economy.
- **Retain our OVERWEIGHT stance on the sector with our top BUYS on RHB Bank (fair value RM6.90/share), Maybank (FV RM9.90/share) and CIMB Group (FV RM6.20/share).** On the smaller cap banks, we like **Alliance Bank (fair value RM3.80/share)** due to the undemanding valuation, improving outlook on asset quality and normalising dividend payouts.

## EXHIBIT 1: VALUATION MATRIX

	Rec.	31-Dec	Target	EPS (sen)		PER		Net DPS		Net DivYield		BV	BV	PBV	PBV
			Price	21	22	21	22	21	22	21	22	21	22	21	22
AMMB	NR	3.17	-	-127.2	40.3	-2.5	7.9	0.0	9.2	0.0	2.9	4.9	5.1	0.7	0.6
Maybank	BUY	8.30	9.90	68.3	74.4	12.2	11.2	53.3	58.0	6.4	7.0	7.5	7.6	1.1	1.1
Public Bank	HOLD	4.16	4.40	28.5	32.5	14.6	12.8	14.5	15.1	3.5	3.6	2.6	2.7	1.6	1.5
RHB Bank	BUY	5.37	6.90	67.8	75.8	7.9	7.1	27.1	34.1	5.0	6.4	7.1	7.6	0.8	0.7
Hong Leong	BUY	18.62	21.10	139.8	161.8	13.3	11.5	50.0	53.3	2.7	2.9	14.4	15.3	1.3	1.2
CIMB	BUY	5.45	6.20	52.3	59.1	10.4	9.2	26.2	26.8	4.8	4.9	5.9	6.2	0.9	0.9
ABMB	BUY	2.86	3.80	23.2	33.3	12.3	8.6	5.8	16.0	2.0	5.6	4.0	40.7	0.7	0.1
Bank Islam	BUY	3.00	3.80	27.7	31.8	10.8	9.4	16.8	17.8	5.6	5.9	3.3	3.4	0.9	0.9
MBSB	BUY	0.54	1.08	11.3	12.4	4.7	4.3	4.7	4.7	8.8	8.8	1.3	1.3	0.4	0.4
<b>Average</b>				<b>35.1</b>	<b>63.6</b>	<b>9.9</b>	<b>9.7</b>	<b>24.2</b>	<b>28.8</b>	<b>3.8</b>	<b>4.9</b>	<b>6.2</b>	<b>11.1</b>	<b>1.0</b>	<b>0.9</b>
Non-bank															
HLFG	BUY	17.34	20.50	199.8	216.9	8.7	8.0	40.0	45.6	2.3	2.6	20.1	21.7	0.9	0.8

Forecasts by AmInvestment Bank

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



Source: BNM, AmInvestment Bank Bhd

### INDUSTRY LOAN GROWTH CONTINUED TO ACCELERATE AFTER THE REOPENING OF THE ECONOMY

- Both household and non-household loans continued to expand at a faster pace in Nov 2021

Growth in household loans grew at a faster rate of 4.1% YoY in Nov 2021 vs 3.7% YoY in Oct 2021 contributed by higher disbursements of loans for purchase of passenger cars, residential properties and credit cards. Meanwhile, non-household loan growth rose to 4.7% YoY in Nov 2021 from 2.9% YoY in Oct 2021 due to a stronger growth in working capital loans.

- Working capital loans growth accelerated

Nov 2021 saw a stronger growth of loans to most sectors except for mining and quarrying as well as the education, health and other sectors. Loans to the manufacturing sector accelerated in tandem with the faster growth in IPI.

- Household loans growth climbed to 4.1% YoY in Nov 2021

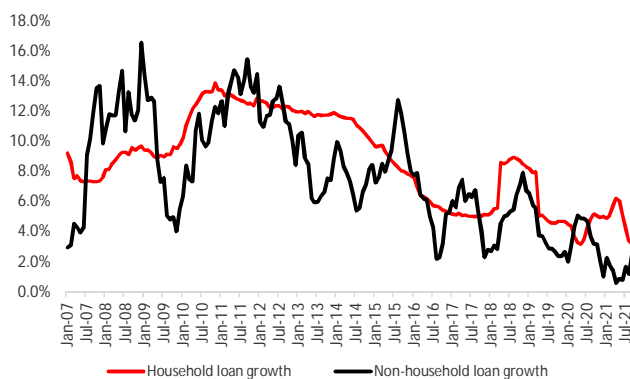
Household loan growth grew at a faster pace of 4.1% YoY in Nov 2021. This was driven by the stronger growth of mortgage loans, HPs and outstanding of credit cards receivables. Also, Nov 2021 saw an improvement in growth of loans for purchase of securities. Meanwhile, growth in personal loans was subdued.

## 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%	15.2%	31.2%	2.0%	14.2%	-2.6%	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%	5.0%	-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%	6.2%	3.5%	5.8%	2.5%	2.9%	3.2%	2.8%	3.8%
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%	11.9%	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%
Mar-21	3.9%	5.7%	1.4%	43.9%	82.9%	4.9%	34.0%	55.7%	12.0%	29.6%	32.6%	28.7%	28.3%	4.4%	38.7%
Apr-21	3.9%	6.2%	0.6%	92.1%	441.2%	-10.3%	96.4%	433.1%	-8.6%	58.5%	162.4%	39.3%	58.8%	90.4%	51.0%
May-21	3.9%	6.1%	0.9%	63.6%	179.8%	-5.6%	80.0%	206.2%	8.1%	51.3%	58.0%	49.5%	47.7%	69.7%	42.0%
Jun-21	3.4%	5.2%	0.8%	-1.0%	-2.7%	1.5%	-0.1%	19.6%	-16.8%	9.3%	-21.8%	19.6%	23.1%	24.0%	22.9%
Jul-21	3.1%	4.2%	1.7%	-28.4%	-37.7%	-13.1%	-16.2%	-34.4%	11.4%	7.3%	-35.2%	26.4%	13.9%	4.3%	16.7%
Aug-21	2.5%	3.4%	1.2%	-6.1%	-24.1%	28.7%	-4.4%	-32.0%	41.7%	20.0%	-24.4%	41.8%	35.5%	2.3%	48.0%
Sep-21	2.9%	3.2%	2.6%	-7.0%	-10.9%	0.5%	-5.4%	-19.2%	21.0%	30.2%	-4.4%	45.0%	22.9%	0.7%	30.8%
Oct-21	3.3%	3.7%	2.9%	4.2%	11.3%	-8.1%	2.2%	-5.1%	13.9%	25.5%	8.7%	32.5%	18.7%	-5.8%	28.2%
Nov-21	4.3%	4.1%	4.7%	21.5%	25.7%	14.7%	15.3%	13.6%	17.8%	31.3%	13.6%	38.8%	16.4%	0.04%	22.5%

Source: BNM, Am Investment Bank Bhd

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



Source: BNM, AmlInvestment Bank Bhd

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

	Nov-20	Oct-21	Nov-21	% of total	%MoM	%YoY
Purchase of securities	85,528	88,670	91,140	4.8%	2.8%	6.6%
Purchase of transport vehicles	175,112	173,833	175,649	9.2%	1.0%	0.3%
of which : purchase of passenger cars	166,920	165,744	167,493	8.8%	1.1%	0.3%
Purchase of residential property	642,935	681,234	685,918	36.0%	0.7%	6.7%
Purchase of non-residential property	228,897	229,823	230,367	12.1%	0.2%	0.6%
Purchase of fixed asset other than land & building	13,001	12,711	12,709	0.7%	0.0%	-2.2%
Personal use	103,417	101,158	101,711	5.3%	0.5%	-1.6%
Credit card	35,131	33,982	34,832	1.8%	2.5%	-0.9%
Purchase of consumer durables	80	68	68	0.004%	0.0%	-15.0%
Construction	60,702	59,973	59,521	3.1%	-0.8%	-1.9%
Working capital	399,619	424,047	428,699	22.5%	1.1%	7.3%
Other purpose	80,737	81,995	82,976	4.4%	1.2%	2.8%
<b>Total</b>	<b>1,825,158</b>	<b>1,887,493</b>	<b>1,903,589</b>	<b>100.0%</b>	<b>0.9%</b>	<b>4.3%</b>

Scs: BNM, AmlInvestment Bank Bhd

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

	Nov-20	Oct-21	Nov-21	% of total	%MoM	%YoY
Primary agriculture	34,448	34,832	34,970	1.8%	0.4%	1.5%
Mining and quarrying	11,151	11,683	11,387	0.6%	-2.5%	2.1%
Manufacturing (including agro based)	121,449	133,264	134,988	7.1%	1.3%	11.1%
Electricity, gas and water supply	13,629	16,480	16,715	0.9%	1.4%	22.6%
Wholesale, retail, restaurants & hotels	137,886	149,179	150,693	7.9%	1.0%	9.3%
Construction	93,277	88,843	88,583	4.7%	-0.3%	-5.0%
Real estate	116,051	111,503	112,333	5.9%	0.7%	-3.2%
Transport, storage & communication	37,990	39,851	42,898	2.3%	7.6%	12.9%
Financing, insurance & business services	114,956	122,477	122,514	6.4%	0.0%	6.6%
Education, health & others	55,142	54,656	54,145	2.8%	-0.9%	-1.8%
Household sector	1,076,542	1,111,497	1,120,157	58.8%	0.8%	4.1%
Other sector	12,637	13,228	14,205	0.7%	7.4%	12.4%
<b>Total</b>	<b>1,825,158</b>	<b>1,887,493</b>	<b>1,903,589</b>	<b>100.0%</b>	<b>0.9%</b>	<b>4.3%</b>

Source: BNM, AmInvestment Bank Bhd

**LOAN APPLICATIONS**

- *Loan applications continued to ascend for 4<sup>th</sup> consecutive month since Aug 2021*

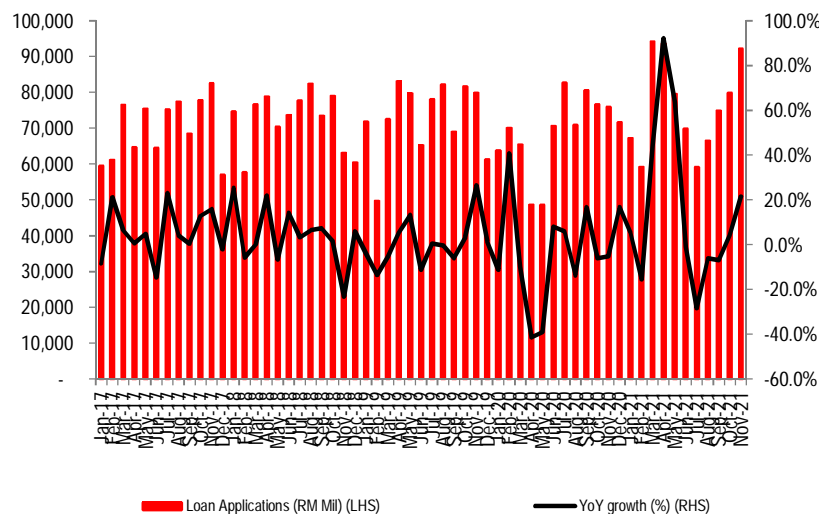
In Nov 2021, the levels of household and non-household loan applications rose. Overall, growth of the industry loans applications surged to 21.5% YoY in Nov 2021 vs. 4.0% YoY in Oct 2021.

**LOAN APPROVALS**

- *Similar in trend to applications, loan approvals continued to improve after the easing of mobility restrictions*

Nov 2021 saw the industry's loan approvals recording a higher growth of 15.3% YoY vs. 2.2% YoY in Oct 2021. The levels of both household and non-household loan approvals increased in Nov 2021.

### EXHIBIT 7: LOAN APPLICATIONS (RM MIL)



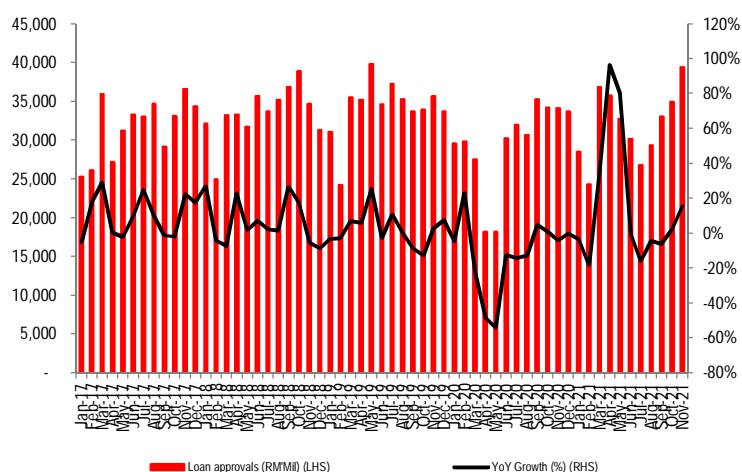
Source: BNM, AmlInvestment Bank Bhd

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

	Nov-21	% of total	May-21 (%YoY)	June-21 (%YoY)	July-21 (%YoY)	Aug-21 (%YoY)	Sept-21 (%YoY)	Oct-21 (%YoY)	Nov-21 (%YoY)
Purchase of securities	3,092	3.4%	18.9%	112.8%	13.9%	43.2%	-21.7%	25.3%	-18.1%
Purchase of transport vehicles	11,430	12.4%	169.4%	-51.3%	-73.4%	-51.4%	-13.0%	35.3%	32.5%
of which : purchase of passenger cars	10,943	11.9%	168.7%	-53.1%	-74.5%	-54.1%	-14.5%	36.7%	32.8%
Purchase of residential property	35,858	38.9%	215.8%	6.6%	-34.3%	-24.3%	-12.3%	9.7%	36.1%
Purchase of non-residential property	8,889	9.6%	201.4%	51.7%	1.0%	9.8%	12.6%	24.2%	33.6%
Purchase of fixed asset other than land & building	1,023	1.1%	255.2%	54.3%	106.9%	49.4%	-52.6%	-17.0%	16.8%
Personal use	5,375	5.8%	128.8%	10.5%	-26.9%	-21.2%	-23.2%	-6.4%	-6.3%
Credit card	3,335	3.6%	122.5%	12.4%	-11.9%	28.7%	28.2%	3.5%	8.6%
Purchase of consumer durables	0	0.0%	na	37.5%	-93.4%	285.7%	-99.9%	-99.0%	-3.7%
Construction	2,366	2.6%	97.9%	30.9%	16.9%	20.2%	-1.6%	-24.4%	-50.8%
Working capital	17,942	19.4%	-36.2%	-17.7%	-28.4%	24.0%	-2.3%	-16.7%	22.3%
Other purpose	2,960	3.2%	-33.6%	-60.6%	-10.1%	55.0%	29.7%	-50.3%	114.7%
<b>Total applied</b>	<b>92,270</b>	<b>100.0%</b>	<b>63.6%</b>	<b>-1.0%</b>	<b>-28.4%</b>	<b>-6.1%</b>	<b>-7.0%</b>	<b>4.2%</b>	<b>21.5%</b>

Source: BNM, AmlInvestment Bank Bhd

## EXHIBIT 9: LOAN APPROVALS (RM MIL)



Source: BNM, AInvestment Bank Bhd

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

	Nov-21	% of total	May-21 (%YoY)	June-21 (%YoY)	July-21 (%YoY)	Aug-21 (%YoY)	Sept-21 (%YoY)	Oct-21 (%YoY)	Nov-21 (%YoY)
Purchase of securities	2,177	5.5%	102.8%	40.6%	6.1%	16.1%	72.9%	-12.5%	16.9%
Purchase of transport vehicles	5,618	14.3%	227.0%	-43.6%	-71.9%	-53.6%	-14.1%	-63.4%	9.7%
of which : purchase of passenger cars	5,277	13.4%	227.8%	-48.1%	-73.4%	-54.9%	-15.4%	0.5%	7.5%
Purchase of residential property	12,025	30.5%	252.2%	68.6%	-12.9%	-26.3%	-18.4%	340.4%	16.7%
Purchase of non-residential property	3,068	7.8%	221.4%	124.6%	56.7%	13.4%	57.8%	74.4%	39.0%
Purchase of fixed asset other than land & building	656	1.7%	156.7%	429.0%	70.3%	62.4%	-37.2%	-0.8%	87.8%
Personal use	2,330	5.9%	99.8%	-0.7%	-41.2%	-36.2%	-31.7%	-30.0%	1.1%
Credit card	1,107	2.8%	165.8%	4.2%	-37.9%	-35.2%	-29.0%	55.9%	23.7%
Purchase of consumer durables	0	0.0%	na	175.0%	-100.0%	125.0%	-99.6%	-17.3%	11.1%
Construction	1,461	3.7%	113.8%	-25.5%	120.3%	-18.6%	50.6%	-38.1%	-21.3%
Working capital	8,499	21.6%	-21.0%	-44.8%	-4.6%	11.6%	-22.8%	-5.1%	8.3%
Other purpose	2,453	6.2%	-48.5%	-8.7%	-42.3%	490.8%	209.2%	-53.5%	74.1%
<b>Total approved</b>	<b>39,394</b>	<b>100.0%</b>	<b>80.0%</b>	<b>-0.1%</b>	<b>-16.2%</b>	<b>-4.4%</b>	<b>-5.4%</b>	<b>2.2%</b>	<b>15.3%</b>

Source: BNM, AInvestment Bank Bhd

## LENDING AND DEPOSIT RATES

### ❑ *Stable weighted base rate and average lending rate*

The sector's weighted average base rate and average lending rate remained stable at 2.43% and 3.87% respectively.

### ❑ *Deposit growth picked up pace in Nov 2021 after slowing down in Oct 2021; Stronger CASA growth*

Growth in industry deposits increased to 6.4% YoY in Nov 2021 compared to 4.4% YoY in Oct 2021. Business deposit growth continued to gain traction for the 3<sup>rd</sup> consecutive month while that for individual deposits was stable.

LD ratio for the sector eased to 86.5% amid the stronger deposit growth in Nov 2021. Correspondingly, the sector's loan-to-fund ratio and loan-to-fund and equity ratio declined marginally to 81.1% and 70.8% respectively. Meanwhile, the sector's LCR slipped to 145.0% as at end-Nov 2021 attributed to the drop in LCRs of commercial and Islamic banks.

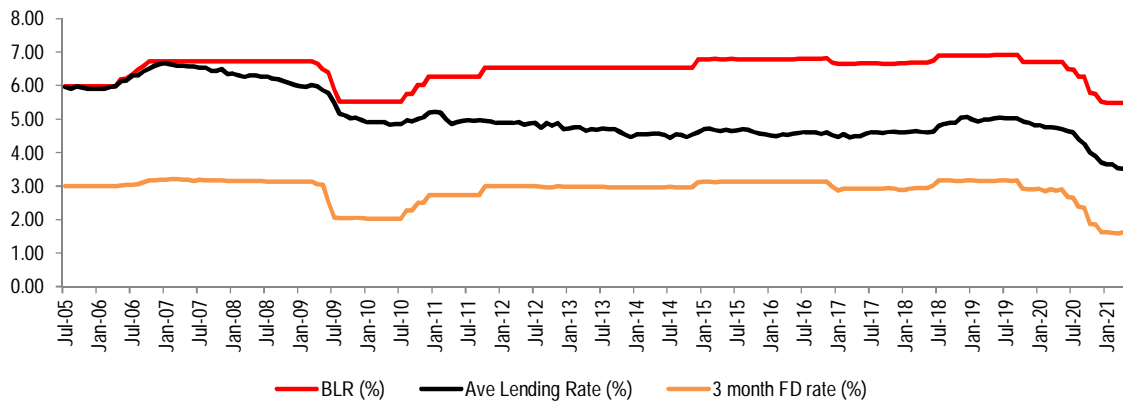
CASA was stronger in Nov 2021 with a higher growth of 11.1% YoY. As a result, CASA ratio climbed marginally to 32.0% for the banking system vs. vs. 31.7% in the preceding month.

The average deposit rate (the average rates for FDs of up to 1-year tenure) continued to hold up at 1.61%. Interest spread (difference between weighted average lending rate (and average FD rate) was stable at 2.26%.

Headline inflation based a CPI rose to 3.3% in Nov 2021 contributed by higher inflation for food, non-alcoholic beverages and transportation. Core inflation increased slightly to 0.9% with the reopening of the economy.

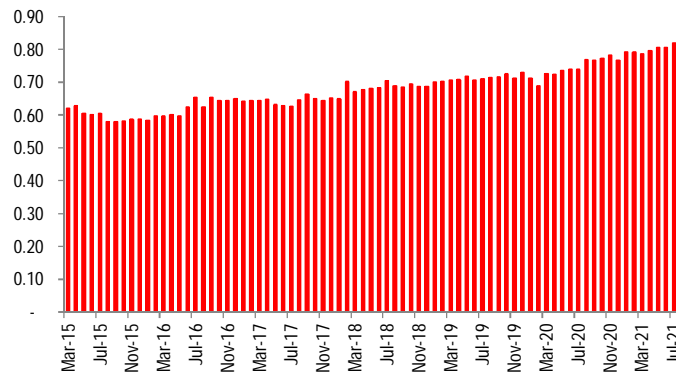


**EXHIBIT 11: TREND OF BLR, AVERAGE LENDING RATE AND 3-MONTH FD RATE**

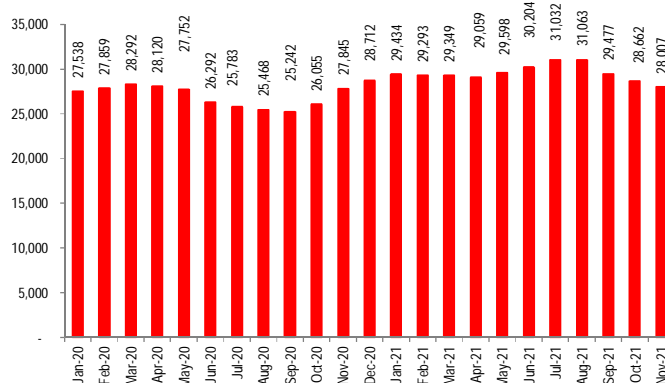


Source: BNM, AmInvestment Bank Bhd

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



Source: BNM, AmInvestment Bank Bhd

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

Source: BNM, AmInvestment Bank Bhd

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

	Nov-20	Oct-21	Nov-21	% of total	%MoM	%YoY
Purchase of securities	399	333	353	1.3%	6.0%	-11.5%
Purchase of transport vehicles	1,108	1,527	1,345	4.8%	-11.9%	21.4%
of which : purchase of passenger cars	956	1,088	914	3.3%	-16.0%	-4.4%
Purchase of residential property	7,509	8,553	8,333	29.8%	-2.6%	11.0%
Purchase of non-residential property	3,104	3,357	3,338	11.9%	-0.6%	7.5%
Purchase of fixed asset other than land & building	291	265	243	0.9%	-8.3%	-16.5%
Personal use	1,907	1,938	1,877	6.7%	-3.1%	-1.6%
Credit card	344	319	317	1.1%	-0.6%	-7.8%
Purchase of consumer durables	2	2	2	0.01%	0.0%	0.0%
Construction	3,436	3,181	3,092	11.0%	-2.8%	-10.0%
Working capital	8,440	7,961	7,900	28.2%	-0.8%	-6.4%
Other purpose	1,304	1,225	1,207	4.3%	-1.5%	-7.4%
<b>Total</b>	<b>27,845</b>	<b>28,662</b>	<b>28,007</b>	<b>100.0%</b>	<b>-2.3%</b>	<b>0.6%</b>

Source: BNM, AmInvestment Bank Bhd

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

	Apr-21	May-21	June-21	July-21	Aug-21	Sept-21	Oct-21	Nov-21
Purchase of securities	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%
Purchase of transport vehicles	0.7%	0.8%	0.8%	1.0%	1.1%	1.0%	0.9%	0.8%
of which : purchase of passenger cars	0.5%	0.5%	0.6%	0.8%	0.8%	0.7%	0.7%	0.5%
Purchase of residential property	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%	1.2%
Purchase of non-residential property	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%
Purchase of fixed asset other than land & building	1.9%	2.2%	2.2%	2.2%	2.3%	2.1%	2.1%	1.9%
Personal use	2.0%	2.0%	2.0%	2.1%	2.1%	2.1%	1.9%	1.8%
Credit card	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.9%	0.9%
Purchase of consumer durables	2.0%	2.9%	2.7%	2.7%	2.7%	2.9%	2.9%	3.5%
Construction	5.2%	5.1%	5.5%	5.5%	5.6%	5.3%	5.3%	5.2%
Working capital	2.2%	2.2%	2.3%	2.3%	2.3%	1.9%	1.9%	1.8%
Other purpose	1.6%	1.6%	1.7%	1.7%	1.7%	1.5%	1.5%	1.5%
<b>Total</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.5%</b>

Source: BNM, AmlInvestment Bank Bhd

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

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Primary agriculture	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.2%	3.2%	3.2%
Mining and quarrying	1.4%	1.4%	1.3%	1.3%	1.3%	1.4%	2.1%	2.0%	2.4%	1.5%	1.1%	1.1%
Manufacturing (including agro-based)	3.1%	3.1%	3.1%	3.0%	2.9%	3.0%	3.1%	3.1%	3.1%	2.5%	2.3%	2.3%
Electricity, gas and water supply	1.3%	1.2%	1.3%	1.2%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%	1.0%	0.9%
Wholesale & retail trade, and restaurants & hotels	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.8%	1.9%	1.8%	1.8%	1.8%
Construction	2.9%	2.9%	2.9%	2.6%	2.7%	2.7%	3.0%	3.0%	3.1%	2.8%	2.9%	2.7%
Transport, storage and communication	5.5%	5.6%	5.6%	5.5%	5.6%	5.6%	5.5%	5.5%	5.5%	5.2%	5.1%	4.7%
Finance, insurance and business activities	2.7%	2.8%	2.8%	2.7%	2.8%	2.8%	3.0%	3.0%	3.0%	2.6%	2.6%	2.6%
Education, health & others	1.7%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%
Household sector 2	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.1%	1.1%
Other sector n.e.c	2.5%	2.4%	2.6%	2.6%	2.6%	2.3%	2.9%	2.6%	2.6%	2.4%	2.9%	2.7%
<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>1.6%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>1.5%</b>	<b>1.5%</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	-1,092.7	-4.4%	89.6%
Jan-20	27,538.3	761.1	2.8%	22,087.2	-1,915.8	-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	1,160.7	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	1,875.2	7.4%	107.2%
Oct-20	26,054.7	813.1	3.2%	28,567.9	1,498.6	5.5%	109.6%
Nov-20	27,844.8	1,790.2	6.9%	29,907.3	1,339.4	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%
Mar-21	29,349.4	56.8	0.2%	32,807.2	1,333.9	4.2%	111.8%
Apr-21	29,059.2	-290.2	-1.0%	32,387.2	-420.0	-1.3%	111.5%
May-21	29,598.5	539.3	1.9%	32,532.6	145.3	0.4%	109.9%
Jun-21	30,204.2	605.7	2.0%	33,755.9	1,223.3	3.8%	111.8%
Jul-21	31,031.8	827.6	2.7%	34,614.4	858.6	2.5%	111.5%
Aug-21	31,062.8	31.0	0.1%	35,191.7	577.3	1.7%	113.3%
Sep-21	29,477.1	-1,585.7	-5.1%	35,518.5	326.8	0.9%	120.5%
Oct-21	28,661.6	-815.5	-2.8%	35,632.3	113.8	0.3%	124.3%
Nov-21	28,007.2	-654.4	-2.3%	35,491.8	-140.5	-0.4%	126.7%

Source: BNM, AmlInvestment Bank Bhd

## ASSET QUALITY

❑ Lower impaired loans and provisions for potential credit losses in Nov 2021

The industry's outstanding impaired loans continued to decline after the reopening of the economy. In Nov 2021, it fell further by 2.3% MoM or RM654mil. It was mainly driven by lower impairments of manufacturing, construction and household sectors' loans.

The industry's total GIL and NIL ratio remained stable at 1.5% and 0.91% respectively. Total provisions for the sector decreased by 0.4% MoM or RM141mil in Nov 2021. We believe that this has been contributed by the continued tapering of new applications for financial assistance following the reopening of the economy.

The sector's loan loss cover rose to 126.7% in Nov 2021 contributed by the declined in impaired loans.

## CAPITAL RATIO

❑ Stable capital ratios

The sector's CET1, tier 1 and total capital ratios were 14.4%, 14.9% and 18.0% respectively.

## OTHER TRENDS

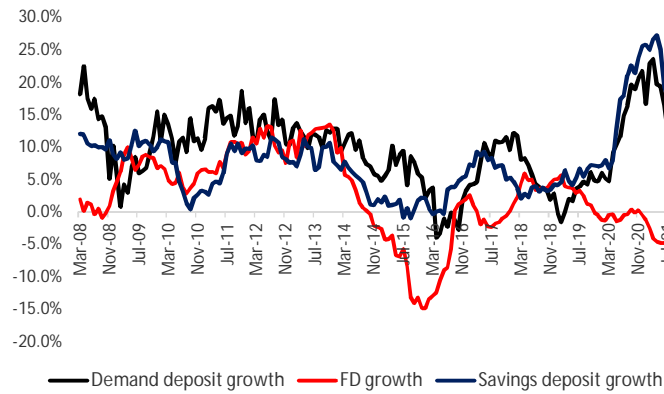
❑ 10-year MGS yield slipped by 6.3bps MoM

The market indicative yield for the 10-year MGS fell by 6.3bps MoM to 3.523% in Nov 2021. This was impacted by concerns that the emergence of a new variant for Covid-19, Omicron, may dampen the inflation pressure.

❑ Higher net new issuance of bonds and sukus while equity capital market was subdued in Nov 2021

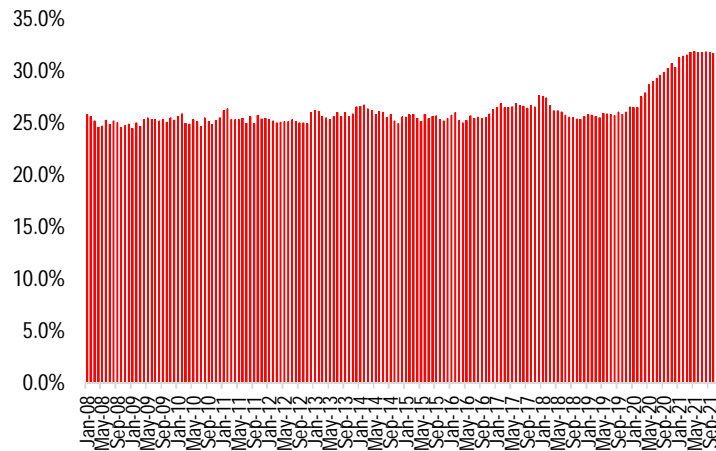
Year to date until Nov 2021, net funds raised in the market by the private sector were RM40.3bil, an increase of 4.9% YoY. This was contributed largely by higher net issues of corporate bonds/sukus.

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



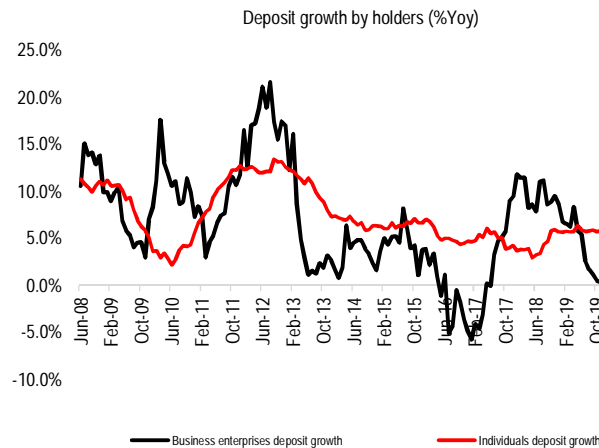
Source: BNM, AmInvestment Bank Bhd

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



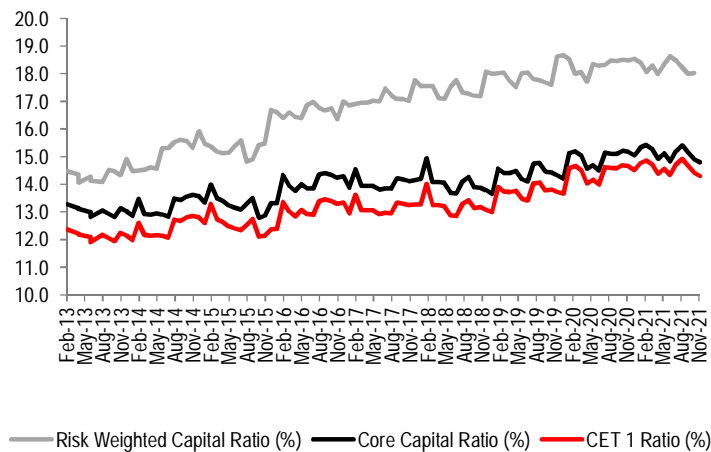
Source: BNM, AmInvestment Bank Bhd

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



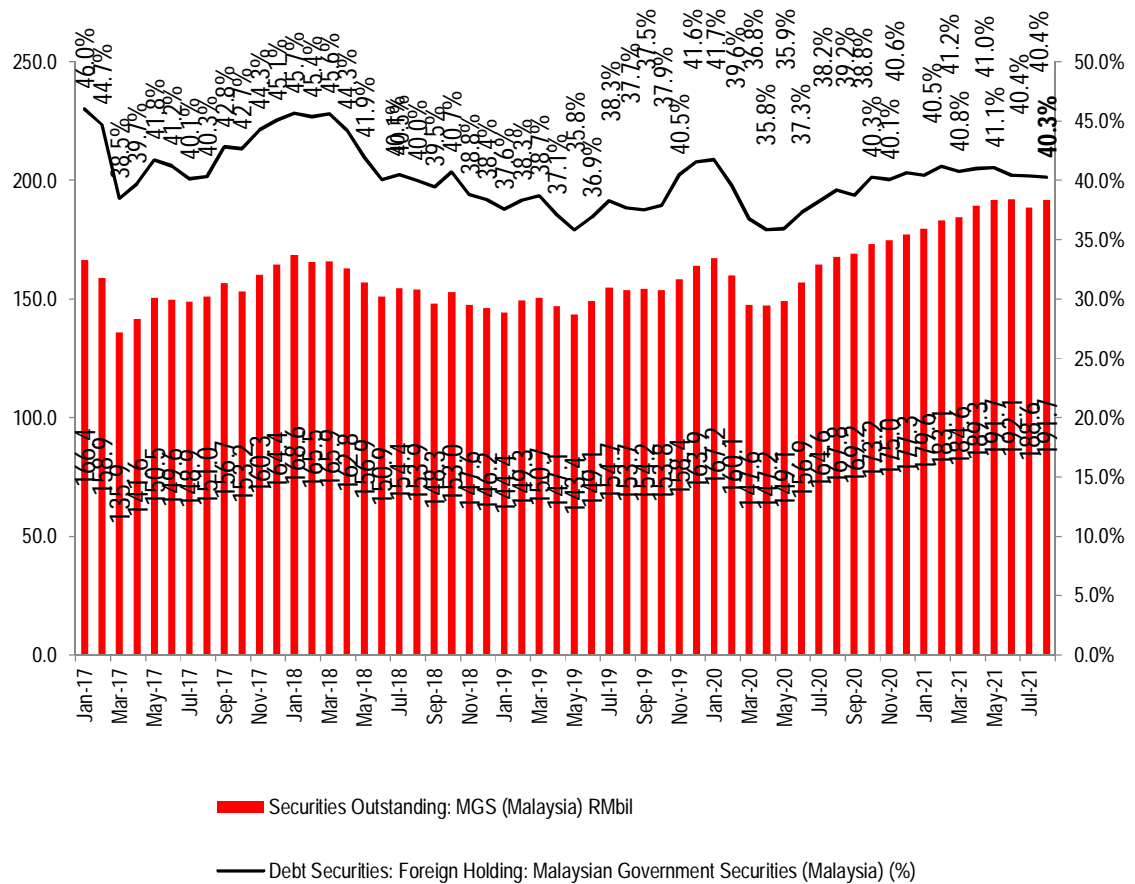
Source: BNM, AmInvestment Bank Bhd

EXHIBIT 21: CAPITAL RATIOS



Source: BNM, AmlInvestment Bank Bhd

EXHIBIT 22: FOREIGN HOLDINGS OF MGS



Source: BNM, AmlInvestment Bank Bhd

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