



AmInvestment Bank

## Company report

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# HONG LEONG BANK

(HLBK MK EQUITY, HLBB.KL)

1 Sep 2021

*Strong loan growth & share of profits from BOC*

## BUY

(Maintained)

*Rationale for report: Company results/update*

Price RM19.18  
Fair Value RM21.10  
52-week High/Low RM19.68/RM14.20

### Key Changes

Fair value ⓘ  
EPS ⓘ

YE to Jun	FY21	FY22F	FY23F	FY24F
Total income (RM mil)	5,466.9	5,681.8	6,126.3	6,600.1
Core net profit (RM mil)	2,860.6	3,311.1	3,646.9	4,037.7
FD Core EPS (sen)	139.8	161.8	178.2	197.3
FD Core EPS growth (%)	8.5	15.7	10.1	10.7
Consensus Net Profit (RM mil)	-	3,185.0	3,552.0	-
DPS (sen)	50.0	58.2	71.3	78.9
BV/share (RM)	14.39	15.41	16.39	17.53
PE (x)	13.7	11.9	10.8	9.7
Div yield (%)	2.6	3.0	3.7	4.1
P/BV (x)	1.3	1.2	1.2	1.1
ROE (%)	10.1	10.9	11.2	11.6

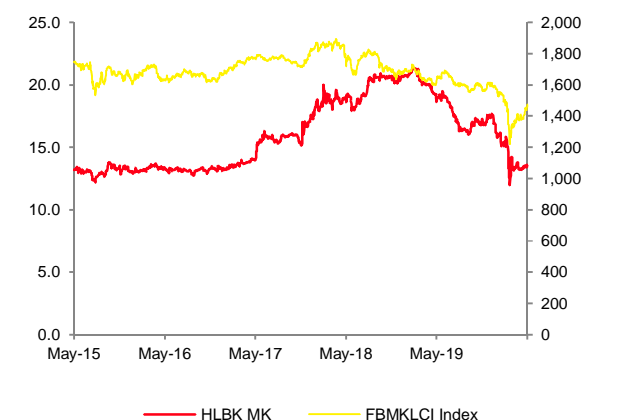
### Stock and Financial Data

Shares Outstanding (million)	2,046.0
Market Cap (RM mil)	39,242.2
Book Value (RM/share)	14.39
P/BV (x)	1.3
ROE (%)	10.1

Major Shareholders  
Hong Leong Financial Group (61.8%)  
Employees Provident Fund (10.5%)

Free Float 27.6  
Avg Daily Value (RM mil) 15.8

Price performance	3mth	6mth	12mth
Absolute (%)	4.2	6.6	37.0
Relative (%)	3.1	5.0	30.5



### Investment Highlights

- We maintain our BUY call on Hong Leong Bank (HLBB) with a higher fair value of RM21.10/share (previously: RM20.90/share). This is based on a higher FY22 ROE of 10.9% leading to P/BV of 1.3x. We tweak both our FY22 and 23 earnings marginally higher by 1.2% to account for lower CI ratio assumptions.
- 4Q21 net profit declined by 10.6% QoQ to RM689mil mainly due to lower non-interest income (NOII), higher operating expenses (opex) and provisions. HLBB continued to book in additional pre-emptive provisions of RM157mil in 4Q21.
- 12M21 core earnings came in at RM2.86bil (+8.5% YoY) with stronger total income partially offset by higher loan impairment allowances from the build-up of pre-emptive provisions.
- Cumulative earnings were within expectations, making up 98.9% and 99.6% of our and consensus estimate respectively.
- Loan growth eased to 6.8% YoY. Domestic loans grew 6.1% YoY well ahead of the industry's growth of 3.4% YoY.
- Underlying NIM in 4Q21 was stable at 2.20%. For 12M21, normalised interest margin rose 18bps YoY to 2.14%.
- CI ratio for 12M21 was lower at 38.0%. The group recorded a positive JAW of 15.6% YoY.
- Share of profits from its 18.0% stake in Bank of Chengdu (BOC) and the remaining 12.0% in Sichuan Jincheng Consumer Finance Limited's (both associate companies) continued to be robust at RM736mil (+14.6% YoY). It accounted for 21.2% of the group's underlying 12M21 PBT.
- GIL ratio improved to 0.46%. For 12M21, HLBB's net credit cost of 0.42% was higher than management's credit cost guidance of 0.30% for FY21. This was due to the built-up pre-emptive provisions amounting to RM511mil. Excluding pre-emptive provisions, net credit cost was 0.09%.
- The group declared a final dividend of 35.22 sen/share bringing the total dividends to 50 sen/share for FY21 (payout: 36.0%). This was higher than the total dividends of 36 sen/share (payout: 30.0%) in FY20.

## EXHIBIT 1: SUMMARY OF RESULTS

Income Statement (RM m, FYE 30 Jun)	4Q20	3Q21	4Q21	% QoQ	% Yoy	12M20	12M21	% Yoy
Interest income	1,391	1,362	1,379	1.3%	-0.8%	6,181	5,557	-10.1%
Interest expense	-740	-486	-462	-4.9%	-37.6%	-3,416	-2,099	-38.6%
<b>Net interest income</b>	<b>651</b>	<b>877</b>	<b>918</b>	4.7%	41.0%	<b>2,764</b>	<b>3,458</b>	25.1%
Islamic banking income	234	235	232	-1.1%	-0.9%	847	919	8.6%
Non interest income	311	274	182	-33.5%	-41.4%	1,167	1,090	-6.7%
<b>Total income</b>	<b>1,197</b>	<b>1,386</b>	<b>1,332</b>	-3.9%	11.3%	<b>4,778</b>	<b>5,467</b>	14.4%
Overhead expenses	-521	-513	-532	3.9%	2.2%	-2,104	-2,078	-1.2%
Pre-provision profit	<b>676</b>	<b>873</b>	<b>800</b>	-8.4%	18.4%	<b>2,675</b>	<b>3,389</b>	26.7%
Loan impairment allowances	-191	-114	-194	70.0%	1.5%	-328	-654	99.5%
Other allowances	0	0	0	-240.2%	2.7%	0	0	-255.7%
Associates and JV income	164	182	219	20.5%	33.3%	642	736	14.6%
<b>Pretax profit</b>	<b>649</b>	<b>941</b>	<b>825</b>	-12.3%	27.1%	<b>2,989</b>	<b>3,471</b>	16.1%
Income tax	-79	-169	-135	-20.2%	70.5%	-495	-610	23.3%
Minority interest								
<b>Net profit</b>	<b>569</b>	<b>771</b>	<b>689</b>	-10.6%	21.1%	<b>2,495</b>	<b>2,861</b>	14.7%
<b>Core net profit</b>	<b>678</b>	<b>771</b>	<b>689</b>	-10.6%	1.7%	<b>2,637</b>	<b>2,861</b>	8.5%
Core EPS (sen)	33.1	37.7	33.7	-10.6%	1.8%	128.8	139.7	8.5%
<b>PBT by segments (RM m)</b>								
Personal financials services	278	318	298	-6.4%	7.3%	1,131	1,078	-4.7%
Business & corporate banking	170	229	247	8.0%	45.4%	754	956	26.7%
Global markets	344	221	170	-23.2%	-50.5%	750	893	19.2%
Overseas and international operations	-42	21	13	-39.6%	-130.5%	-71	74	-203.4%
Others and intersegment elimination	-265	-31	-123	295.9%	-53.7%	-217	-265	22.4%
Share of profit from associates	164	182	219	-167.5%	33.3%	642	736	14.6%
Share of profit from JV	0	0	0	na	na	0	0	na
<b>Group pretax profit</b>	<b>649</b>	<b>941</b>	<b>825</b>	-12.3%	27.1%	<b>2,989</b>	<b>3,471</b>	16.1%
<b>Balance Sheet (RM m, FYE 30 Jun)</b>	<b>4Q20</b>	<b>3Q21</b>	<b>4Q21</b>	<b>% QoQ</b>	<b>% Yoy</b>	<b>12M20</b>	<b>12M21</b>	<b>% Yoy</b>
Gross loans and advances	145,932	152,800	155,822	2.0%	6.8%	142,406	155,822	9.4%
Net loans and advances	144,695	151,161	154,071	1.9%	6.5%	141,154	154,071	9.2%
Customer deposits	173,493	180,603	183,290	1.5%	5.6%	167,933	183,290	9.1%
Gross impaired loans	890	808	717	-11.2%	-19.4%	1,401	717	-48.8%
Average shareholders funds	26,804	28,405	29,004	2.1%	8.2%	26,354	28,347	7.6%
<b>Ratios (%)</b>								
Net LD	83.4%	83.7%	84.1%			83.4%	84.1%	
CASA	27.9%	31.2%	32.3%			27.9%	32.3%	
Cost to income	43.5%	37.0%	40.0%			44.0%	38.0%	
Credit cost	0.52%	0.30%	0.50%			0.23%	0.42%	
Loan loss coverage	141.5%	205.0%	246.6%			141.5%	246.6%	
Loan loss coverage (inclusive of regulatory reserves)	236.9%	275.0%	305.7%			236.9%	305.7%	
GIL/Gross NPL	0.61%	0.53%	0.46%			0.61%	0.46%	
NIM	1.62%	2.20%	2.20%			1.88%	2.14%	
Underlying NIM	1.92%	2.20%	2.20%			1.96%	2.14%	
ROE (based on core net profit)	10.1%	10.9%	9.5%			10.0%	10.1%	
CET1 capital	13.7%	13.0%	13.6%			13.7%	13.6%	
Tier 1 capital	14.2%	13.5%	14.1%			14.2%	14.1%	
Total capital	16.5%	15.7%	16.2%			16.5%	16.2%	

Source: Company, AmlInvestment Bank Bhd

### 12M21 CORE NET PROFIT WITHIN EXPECTATIONS

HLBB reported a 12M21 core net profit of RM2.86bil (+8.5% YoY) which was within expectations, making up 98.9% and 99.6% of our and consensus estimate respectively.

The group's associate, Bank of Chengdu (BOC) recorded a strong PAT growth of 23.0% YoY resulting in an ROE of 16.4% in 6M21. BOC's gross loans grew 35.0% YoY while its CI ratio remained low at 21.0%. GIL ratio of BOC improved to 1.10% with a prudent LLC of 371.0% and healthy capital ratio of 12.7%.

BOC is in the process of raising RMB8bil of convertible bonds to shore up its capital of which HLBB is looking at the possibility of subscribing to a portion of it.

Management alluded to mod loss of RM31mil in 1Q22 from the latest Pemulih moratorium based on its early assessment. It will be significantly lower than the mod loss from the moratorium in 2020. In the event net gains from the concessionary rate BNM funding can be utilised to offset the mod loss, the amount could be lower than RM31mil.

### **LOAN GROWTH MODERATED IN 4Q21**

The group's loan growth decelerated to 6.8% YoY in 4Q21 vs. 7.3% YoY in the preceding quarter. Loan expansion was supported by mortgages (residential property financing), SME and business banking loans.

Domestic loans eased to 6.1% YoY but remained ahead of the industry's which grew 3.4% YoY. Meanwhile, overseas' loan growth picked up pace to 18.9% YoY. Loans in international markets were supported by an expansion in Singapore, Cambodia and Vietnam's financing. We understand that in July and Aug 2021, domestic loan growth was softer, impacted by the lockdown restrictions. Nevertheless, the recent easing of mobility restrictions and opening up of more economic sectors are poised to improve the loan momentum again.

As of end-July 2021, outstanding loans under the payment relief assistance plan (PRAP) stood at RM32.4bil (20.8% of total gross loans). This was higher compared to June 2021 of RM15.6bil (10.0% of total gross loans). Nevertheless, it was significantly lower than the automatic blanket moratorium in 2020 which saw more than 90.0% of retail and SME borrower in the payment relief programme at the onset of the programme. 132,000 customers (130,000 retail and 2,000 non-retail) were under the PRAP as at July 2021.

Of the outstanding PRAP, 75.0% or RM24.2bil were reliefs on repayments granted to retail borrowers of which a majority of them were 1<sup>st</sup> time applicants. Circa 88.0% of retail loans were in the current bucket and not overdue at the time of application. Mortgage and auto loans comprised the bulk of the PRAPs to retail customers, making up RM20.5bil and RM3.1bil respectively.

Meanwhile, RM8.2bil or 25.0% of the outstanding PRAP were assistance extended to SME (RM6.0bil) and corporate loan borrowers (RM2.2bil). Approximately 94.0% of the non-retail loans had no overdue payments at the time of the PRAP applications.

Of the matured PRAP, reapplications (2nd time or more) amounted to RM8bil for retail loans and RM3.2bil for SME and corporate loans.

In Aug 2021, we gather that applications for the PRAP have tapered with lower requests for repayments assistance from borrowers of the business and corporate banking (BCB) segment.

### **CUSTOMER DEPOSIT GROWTH SLOWED DOWN IN 4Q21 WITH TAPERING OF CASA**

Customer deposits growth eased to 5.6% YoY in 4Q21 vs. 7.5% YoY in 3Q21. Individual deposits grew modestly while business deposits' growth moderated to 22.2% YoY.

CASA growth tapered to 22.5% YoY but the group's CASA ratio continued to climb to 32.3% due to the decline in expensive deposits (FDs, NIDs and short term corporate placements).

Gross LD ratio increased marginally to 85.0% in 4Q21. HLBB's LCR, loans-to-fund and loans-to-fund and equity ratios remained healthy at 145.0%, 865.0% and 74.0% respectively. HLBB's NSFR rose to 127.0 vs 124.0% in the preceding quarter.

## EXHIBIT 2: BREAKDOWN OF LOANS

Loan by economic purposes (RM mil)	4Q20	1Q21	2Q21	3Q21	4Q21	%QoQ	%YoY
Purchase of Securities	781	816	880	958	951	-0.7%	21.8%
Purchase of transport vehicles	16,769	17,243	17,151	16,932	16,769	-1.0%	0.0%
Purchase of landed prop:-							
Residential	73,336	74,528	75,422	76,471	77,191	0.9%	5.3%
Non-residential	17,245	17,934	17,943	18,381	18,524	0.8%	7.4%
<b>Total purchase of landed prop</b>	<b>90,581</b>	<b>92,462</b>	<b>93,365</b>	<b>94,851</b>	<b>95,716</b>	0.9%	5.7%
Purchase of fixed assets	1,102	1,239	1,240	1,384	1,432	3.4%	29.9%
Personal use	3,437	3,425	3,417	3,443	3,441	0.0%	0.1%
Credit Card	3,095	3,051	2,993	2,928	2,831	-3.3%	-8.5%
Purchase of consumer durables	0	0	0	0	0	na	na
Construction	2,612	2,610	2,654	2,822	2,823	0.0%	8.1%
Working Capital	25,929	25,802	26,864	28,045	30,259	7.9%	16.7%
Others	1,475	1,478	1,430	1,439	1,601	11.3%	8.6%
M&A	152	0	0	0	0	na	na
<b>Total gross loans</b>	<b>145,932</b>	<b>148,126</b>	<b>149,994</b>	<b>152,800</b>	<b>155,822</b>	<b>2.0%</b>	<b>6.8%</b>
<b>Loan by customers (RM Mil)</b>	<b>4Q20</b>	<b>1Q21</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>	<b>%QoQ</b>	<b>%YoY</b>
Domestic bkg Fis							
Domestic non-bkg Fis	1,435	1,593	1,532	1,554	1,719	10.6%	19.8%
Domestic biz ent:-							
SMEs	22,643	23,811	24,145	25,181	26,019	3.3%	14.9%
Others	20,649	19,487	20,360	21,222	22,742	7.2%	10.1%
<b>Total business ent loans</b>	<b>43,291</b>	<b>43,298</b>	<b>44,504</b>	<b>46,402</b>	<b>48,762</b>	5.1%	12.6%
Government and statutory bodies	2	2	2	2	2	-3.9%	-12.1%
Individuals	98,109	99,712	100,478	101,337	101,785	0.4%	3.7%
Other domestic entities	976	884	718	616	626	1.6%	-35.9%
Foreign entities	2,120	2,637	2,759	2,890	2,930	1.4%	38.2%
<b>Total gross loans</b>	<b>145,932</b>	<b>148,126</b>	<b>149,994</b>	<b>152,800</b>	<b>155,822</b>	<b>2.0%</b>	<b>6.8%</b>
	<b>4Q20</b>	<b>1Q21</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>		
Growth of loans to SMEs (%QoQ)	6.7%	5.2%	1.4%	4.3%	3.3%		
Growth of loans to SMEs (%YoY)	5.3%	9.4%	16.2%	18.6%	14.9%		
Growth of loans to Business Ent (%QoQ)	6.8%	0.0%	2.8%	4.3%	5.1%		
Growth of loans to Business Ent (%YoY)	6.3%	8.4%	10.3%	14.4%	12.6%		
Growth of loans to Individuals (%QoQ)	0.8%	1.6%	0.8%	0.9%	0.4%		
Growth of loans to Individuals (%YoY)	5.1%	5.0%	3.9%	4.2%	3.7%		

Source: Company, AmlInvestment Bank Bhd estimates.

**EXHIBIT 3: BREAKDOWN OF DEPOSITS**

Deposit by Type (RM Mil)	4Q20	1Q21	2Q21	3Q21	4Q21	%QoQ	%YoY
Demand deposit	27,339	28,859	30,272	33,110	35,374	6.8%	29.4%
Saving deposit	21,019	21,746	22,272	23,268	23,858	2.5%	13.5%
Time deposit	94,503	96,571	92,867	89,157	91,902	3.1%	-2.8%
Negotiable instruments of deposit	9,050	6,430	8,474	8,800	7,276	-17.3%	-19.6%
Short term corporate placement	20,371	19,267	20,807	24,390	22,959	-5.9%	12.7%
Other	749	718	666	630	563	-10.6%	-24.8%
<b>Total deposits from customers</b>	<b>173,030</b>	<b>173,592</b>	<b>175,358</b>	<b>179,355</b>	<b>181,931</b>	<b>1.4%</b>	<b>5.1%</b>
Callable range accrual notes/structured deposits linked to interest rate deri	464	1,158	1,183	1,391	1,469	5.6%	216.7%
Callable inverse floater, at cost							
Fair value changes arising from adoption of FV option	-1	-58	-54	-143	-111	-22.8%	7709.3%
<b>Total net deposits</b>	<b>173,493</b>	<b>174,692</b>	<b>176,488</b>	<b>180,603</b>	<b>183,290</b>	<b>1.5%</b>	<b>5.6%</b>
CASA ratio	27.9%	29.0%	29.8%	31.2%	32.3%		
CASA amount (RM mil)	48,358	50,606	52,544	56,378	59,232		
CASA growth (%QoQ)	9.3%	4.6%	3.8%	7.3%	5.1%		
CASA growth (%YoY)	15.9%	21.0%	21.5%	27.4%	22.5%		
Fixed deposit growth (%Qoq)	-1.2%	2.2%	-3.8%	-4.0%	3.1%		
Fixed deposit growth (%YoY)	3.8%	6.8%	-4.8%	-6.7%	-2.8%		

Source: Company, AmInvestment Bnk Bhd

**STABLE NIM IN 4Q21**

The group's NIM in 4Q21 was stable QoQ at 2.20%. For 12M21, underlying NIM rose by 26bps YoY to 2.14% from lower funding cost. Management is conservatively guiding its NIM to be >2.05% for FY22 premised on potentially more intense competition for deposits ahead which could increase funding cost. As of now, the group has yet to see any stiffer competition for deposits.

**12M21 NOII DECLINE DUE TO LOWER TRADING AND INVESTMENT INCOME, DROP IN ISLAMIC INCOME AND FX LOSSES**

12M21 NOII (including Islamic banking income) declined by 15.7% YoY to RM1.16bil. Improvement in fee income from wealth management income (unit trust sales and bancassurance) was offset by slightly lower trading and investment income, a drop in Islamic income and FX losses. Credit card fees continued to decline due to lower retail spend.

**EXHIBIT 4: NON-INTEREST INCOME**

<b>Other Operating Income (RM Mii)</b>	<b>4Q20</b>	<b>1Q21</b>	<b>2Q21</b>	<b>3Q21</b>	<b>4Q21</b>
<b>Fee Income:-</b>					
Management Fees					
Commissions	28	41	48	59	47
Service Charges and Fees	10	8	13	10	10
Guarantee Fees	3	4	4	4	4
Credit card related fees	40	46	44	42	41
Corporate advisory fees	0	0	1		
Commitment fees	8	9	9	9	9
Fee on loans, advances and financing	4	13	11	10	11
Other fee income	-1	24	10	0	12
<b>Total fee income</b>	<b>92</b>	<b>146</b>	<b>141</b>	<b>135</b>	<b>134</b>
<b>Gain/loss from sale of securities:-</b>					
Net gain from sale of Financial Assets at FVTPL & Derivatives	31	41	-52	-50	-35
Net gain from sale of financial assets at FVTOCI	118	112	65	45	3
Net gain from sale of financial assets at amortised cost	0	0	0	29	0
	<b>149</b>	<b>152</b>	<b>13</b>	<b>25</b>	<b>-32</b>
<b>Gross dividend Income</b>					
Subsidiary companies					
Securities at FVTPL	35	29	24	37	31
Securities at FVTOCI	0	0	0	0	0
Securities at amortised cost					
	<b>35</b>	<b>30</b>	<b>24</b>	<b>37</b>	<b>31</b>
<u>Unrealised gains/losses on revaluation of securities at FVTPL and derivatives</u>	21	3	101	79	65
<u>Net Realised gains/losses) on fair value arising fr fair value hedges</u>	-1	-2	-2	-2	-2
<u>Net Unrealised gains/(losses) on fair value arising fr fair value hedges</u>	0	0	0	-1	0
<b>Total Investment and Trading Income</b>	<b>204</b>	<b>184</b>	<b>137</b>	<b>138</b>	<b>63</b>
<b>Other income:-</b>					
FOREX gain	12	0	16	-9	-17
Rental Income	3	3	4	3	3
Gain on disposal of PPE	0	0	0	5	0
Profit from takaful investments					
Net loss in dilution of investments in associate company	0	0	0	0	0
Others	1	1	1	1	0
<b>Total other income</b>	<b>16</b>	<b>4</b>	<b>21</b>	<b>1</b>	<b>-14</b>
<b>TOTAL OTHER OPERATING INCOME</b>	<b>311</b>	<b>334</b>	<b>299</b>	<b>274</b>	<b>182</b>

## EXHIBIT 5: GROSS IMPAIRED LOAN RATIO

Gross impaired loans/NPL by purpose (RM Mil)	4Q20	1Q21	2Q21	3Q21	4Q21	%QoQ	%YoY
Purchase of securities	0	2	2	0	0	2.4%	7.0%
Purchase of transport vehicles	71	39	89	89	72	-19.6%	0.9%
Purchase of landed properties:-							
Residential	341	224	280	276	267	-3.5%	-21.8%
Non-residential	150	145	138	127	125	-1.9%	-17.0%
Purchase of fixed asset (excl landed properties)	5	5	1	1	1	-28.1%	-87.1%
Personal Use	24	11	36	52	45	-14.7%	82.6%
Credit Card	25	20	25	32	21	-33.5%	-14.1%
Purchase of consumer durables	0	0	0	0	0	na	na
Construction	10	9	7	8	8	-1.8%	-17.5%
Working Capital	195	183	165	145	148	2.1%	-24.2%
Others	69	68	64	77	32	-58.9%	-53.9%
<b>Total impaired loans</b>	<b>890</b>	<b>705</b>	<b>807</b>	<b>808</b>	<b>717</b>	<b>-11.2%</b>	<b>-19.4%</b>

GIL ratio by purpose (%)	4Q20	1Q21	2Q21	3Q21	4Q21
Purchase of securities	0.04%	0.21%	0.17%	0.03%	0.03%
Purchase of transport vehicles	0.4%	0.2%	0.5%	0.5%	0.4%
Purchase of landed properties:-					
Residential	0.5%	0.3%	0.4%	0.4%	0.3%
Non-residential	0.9%	0.8%	0.8%	0.7%	0.7%
Personal Use	0.7%	0.3%	1.1%	1.5%	1.3%
Credit Card	0.8%	0.7%	0.8%	1.1%	0.7%
Purchase of consumer durables	0.0%	0.0%	0.0%	0.0%	0.0%
Construction	0.4%	0.3%	0.3%	0.3%	0.3%
Working Capital	0.8%	0.7%	0.6%	0.5%	0.5%
Others	4.7%	4.6%	4.5%	5.4%	2.0%
<b>Total GIL ratio</b>	<b>0.61%</b>	<b>0.48%</b>	<b>0.54%</b>	<b>0.53%</b>	<b>0.46%</b>

Source: Company, AmlInvestment Bank Bhd estimates.

### LOWER GIL RATIO WHILE GROUP CONTINUES TO BE PRUDENT AND INCREASES ITS PROVISIONS BUFFERS BY RM157MIL IN 4Q21

Gross impaired loans declined by 11.2% QoQ resulting in lower GIL ratio of 0.46% in 4Q21.

By country, GIL ratio for Malaysia's loans declined to 0.48% while the ratio for overseas loans increased marginally QoQ to 0.12%.

Annualised net credit cost rose 0.50% in 4Q21 due to the additional pre-emptive provisions of RM157mil set aside in the quarter. This brought the total pre-emptive provisions to RM511mil for FY21 and together with the overlays of RM301mil in FY20, total pre-emptive provisions buffers amounted to RM812mil.

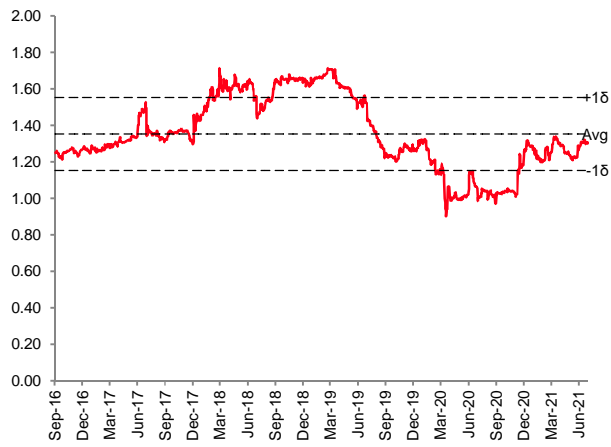
For 12M21, gross and net credit costs was 0.54% and 0.42% respectively. These were higher than management's credit cost guidance of 0.30% for FY21.

### GUIDANCE FOR FY22

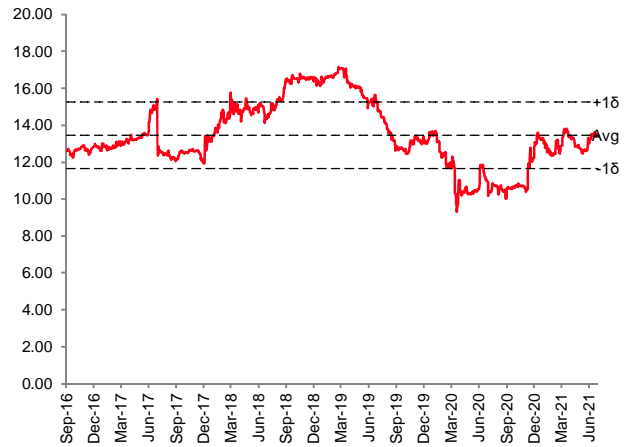
- i. Loan growth: 5.0–6.0%;
- ii. NIM of > 2.05%;

- iii. Cost-to-income ratio of  $\leq$  40.0%;
- iv. Credit cost: 20bps;
- v. ROE of >10.0%; and
- vi. CASA mix or ratio: 30.0%.

**EXHIBIT 6: PB BAND CHART**



**EXHIBIT 7: PE BAND CHART**





## EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE30 Jun)	FY20	FY21	FY22F	FY23F	FY24F
Net interest income	2,764.4	3,457.7	3,620.8	4,022.6	4,437.7
Non-interest income	1,167.4	1,089.8	1,028.0	962.7	903.4
<b>Islamic banking income</b>	<b>846.5</b>	<b>919.4</b>	<b>1,032.9</b>	<b>1,141.0</b>	<b>1,259.1</b>
Total income	4,778.4	5,466.9	5,681.8	6,126.3	6,600.1
Overhead expenses	(2,103.8)	(2,077.8)	(2,159.1)	(2,328.0)	(2,442.0)
Pre-provision profit	2,674.6	3,389.1	3,522.7	3,798.3	4,158.1
Loan loss provisions	(327.7)	(653.8)	(326.2)	(313.8)	(335.4)
Impairment & others	0.2	(0.3)	-	-	-
<b>Associates</b>	<b>642.3</b>	<b>736.0</b>	<b>841.4</b>	<b>962.9</b>	<b>1,101.4</b>
Pretax profit	2,989.4	3,470.9	4,037.9	4,447.5	4,924.1
Tax	(494.8)	(610.3)	(726.8)	(800.5)	(886.3)
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net profit	2,494.6	2,860.6	3,311.1	3,646.9	4,037.7
Core net profit	2,637.1	2,860.6	3,311.1	3,646.9	4,037.7
<b>Balance Sheet (RMmil, YE30 Jun)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Cash & deposits with FIs	8,562.2	3,466.2	5,870.3	4,373.2	3,690.3
<b>Marketable securities</b>	<b>56,505.8</b>	<b>66,818.3</b>	<b>78,683.1</b>	<b>92,166.0</b>	<b>108,589.3</b>
Total current assets	65,067.9	70,284.5	84,553.4	96,539.3	112,279.6
Net loans & advances	144,695.0	154,070.7	163,076.2	174,324.4	186,360.3
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	418.1	493.6	241.4	183.4	139.8
Fixed assets	1,299.9	1,197.8	1,133.7	1,061.8	993.3
Intangible assets	2,271.9	2,288.4	2,326.4	2,326.4	2,326.4
<b>Other long-term assets</b>	<b>7,525.1</b>	<b>8,794.3</b>	<b>10,755.9</b>	<b>12,749.9</b>	<b>15,265.9</b>
<b>Total LT assets</b>	<b>156,210.0</b>	<b>166,844.8</b>	<b>177,533.7</b>	<b>190,646.0</b>	<b>205,085.7</b>
Total assets	221,277.9	237,129.2	262,087.1	287,185.3	317,365.3
Customer deposits	173,492.7	183,289.8	194,287.2	207,887.3	222,439.4
Deposits of other FIs	6,501.1	12,130.0	14,383.8	21,395.3	31,698.4
Subordinated debts	1,502.2	1,502.3	1,502.3	1,502.4	1,502.4
Hybrid capital securities	2,838.0	3,278.3	3,373.8	3,265.3	2,744.4
<b>Other liabilities</b>	<b>9,709.6</b>	<b>7,469.7</b>	<b>17,008.9</b>	<b>19,585.8</b>	<b>23,104.9</b>
Total liabilities	194,043.6	207,670.1	230,556.0	253,636.0	281,489.5
Shareholders' funds	27,234.3	29,459.1	31,531.1	33,549.3	35,875.8
Minority interests	-	-	-	-	-
<b>Key Ratios (YE30 Jun)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Total income growth (%)	1.1	14.4	3.9	7.8	7.7
Pre-provision profit growth (%)	1.5	26.7	3.9	7.8	9.5
Core net profit growth (%)	3.5	8.5	15.7	10.1	10.7
Net interest margin (%)	1.8	2.1	2.1	2.1	2.1
Cost-to-income ratio (%)	44.0	38.0	38.0	38.0	37.0
Effective tax rate (%)	16.6	17.6	18.0	18.0	18.0
Dividend payout (%)	29.5	35.8	36.0	40.0	40.0
<b>Key Assumptions (YE30 Jun)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22F</b>	<b>FY23F</b>	<b>FY24F</b>
Loan growth (%)	6.1	6.8	6.0	7.0	7.0
Deposit growth (%)	6.4	5.6	6.0	7.0	7.0
Loan-deposit ratio (%)	84.2	84.6	85.0	85.0	85.0
Gross NPL (%)	0.6	0.5	0.6	0.5	0.5
Net NPL (%)	0.6	0.5	0.3	0.2	0.2
Credit charge-off rate (%)	0.2	0.4	0.2	0.2	0.2
Loan loss reserve (%)	141.5	246.6	211.4	272.6	290.3

Source: Company, AmInvestment Bank Bhd estimates

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