

HLIB Research

PP 9484/12/2012 (031413)

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OVERWEIGHT

(Maintained)

KLFIN

Stock Rating

Stock	Rating	Price	Target
Affin	BUY	2.35	3.00
Alliance	UNDER REVIEW	5.05	5.10
AMMB	UNDER REVIEW	6.50	6.20
BIMB	HOLD	2.29	2.30
CIMB	UNDER REVIEW	8.25	8.80
Maybank	UNDER REVIEW	10.48	10.70
Public	BUY	4.54	5.10
RHB	UNDER REVIEW	7.71	7.70

Banking

Mixed financial indicators

System loan growth eased to +5.2% YoY in Nov-25, though lending momentum stayed resilient, supported by stronger leading indicators with loan applications surging (+11.7% YoY) and approvals rising (+9.2% YoY). In contrast, deposits growth slowed to +2.7% YoY, dragged by softer CASA and foreign currency inflows. Interest spread saw a modest uptick of 1bp to 2.39%, but NIM pressures are expected to linger into 4Q25 until elevated deposit costs begin to normalise. With valuations already buoyed by recent price performance, we rerate some of the coverages to **UNDER REVIEW** from **BUY** call. However, **OVERWEIGHT** rating is reiterated on the sector for now, pending potential TP upgrades in the upcoming sector report.

Nov's loans growth eased to +5.2% YoY (Oct: +5.4%), weighed down by softer business (Biz; +5.0% vs Oct: +5.5%) segment, while household (HH; +5.4% vs Oct: +5.4%) held steady. The slowdown in Biz dragged mainly by weaker SME lending albeit non-SME's investment borrowing increased, whereas HH growth was supported by property and auto financing. Overall, system loan growth continued to track stably, staying comfortably within our FY25 forecast range of 5.0%–5.5%.

Leading indicators rebounded strongly, with loan applications jumping +11.7% YoY (Oct: -2.0%) and approvals rising +9.2% YoY (Oct: -2.3%). By segment, Biz applications recorded a sharp turnaround (+21.9% vs Oct: -8.5%), while HH growth eased (+2.8% vs Oct: +4.4%). Meanwhile, banks demonstrated a stronger lending appetite, as Biz approvals surged to +13.0% YoY (Oct: -8.4%).

Deposits growth moderated to +2.7% YoY (Oct: +3.7%), weighed down by weaker CASA and foreign currency deposits. Meanwhile, Nov-25's loan-to-deposit ratio inched higher MoM, reaching a new 5-year high of 90.0%. Looking ahead, we expect the ratio to ease as FD competition typically intensifies in the final month of the year.

Stable asset quality. Nov-25's GIL ratio held broadly stable at 1.40% (Oct: 1.39%), with both HH and Biz segments ticking up marginally by 1bp each. Looking ahead, asset quality is expected to remain steady, supported by resilient economic conditions. We are not overly concerned about potential deterioration, as banks are well-positioned with ample overlay balances and sizeable impaired loan provisions accumulated over the past five years, providing a buffer against any uptick in the GIL ratio.

Interest spread inched up by 1bp MoM to 2.39%, reflecting continued repricing of 3-month board FD rates in 4Q25, even as average lending yields softened following July's OPR cut. With funding costs typically taking 6–9 months to fully reprice, and FD competition intensifying through 4Q25, margin pressures will likely persist, keeping NIM under sustained near-term pressure.

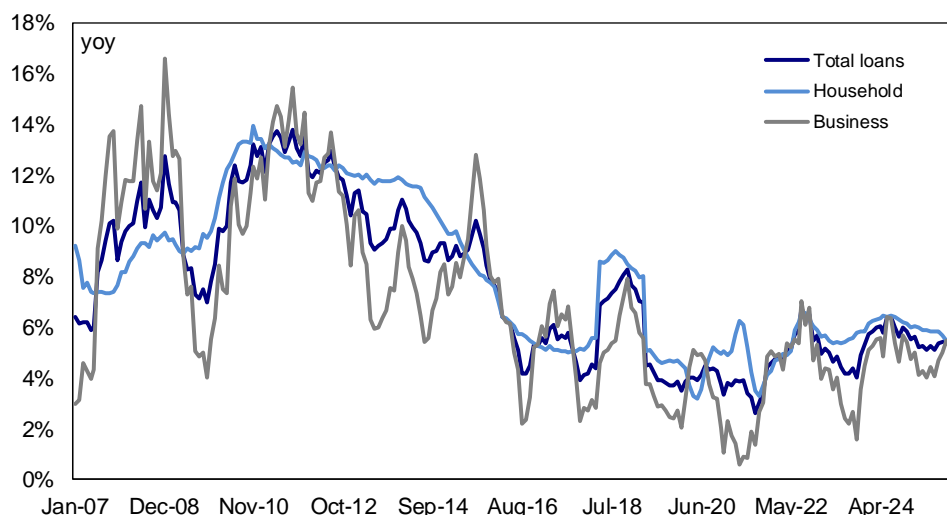
Maintain OVERWEIGHT for now. In light of the recent strength in the sector, we take the opportunity to rerate some of our coverage from **BUY** to **UNDER REVIEW**, given limited upside against our current target prices. This applies to Alliance, AMMB, CIMB, Maybank and RHB. Accordingly, we reiterate our **OVERWEIGHT** rating on the sector for now, pending a review on the target prices for our coverage in the upcoming sector report.

In Biz, the slowdown was due to lower SME lending.

Total loan growth breakdown

(yoy % chg)	Sep-25	Oct-25	Nov-25
Total	5.5	5.4	5.2
- Household	5.5	5.4	5.4
- Business	5.4	5.5	5.0

Figure #1 Total loan outstanding growth trend



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Leading indicators were broadly strengthening, with higher applications and approvals recorded.

Figure #2 Other data related to loans

(yoy % chg)	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	YTD
Loans applied	-1.1	2.2	0.1	-2.0	11.7	4.3
- Household	-0.1	3.3	4.0	4.4	2.8	1.7
- Business	-2.5	0.9	-4.1	-8.5	21.9	7.7
Loans approved	-4.5	-0.2	3.6	-2.3	9.2	3.6
- Household	-1.9	2.2	7.5	5.9	4.4	1.4
- Business	-7.0	-2.3	0.8	-8.4	13.0	5.6
Approval rate (%)	50.7	50.7	55.7	53.5	52.2	51.7
- Household	44.4	44.8	44.2	45.7	44.5	44.4
- Business	58.9	57.7	69.2	62.5	59.5	60.4
Loans disbursed	-4.7	-9.2	-7.2	-3.4	-9.8	-7.3
- Household	1.3	-4.4	-0.4	4.9	2.3	0.1
- Business	-6.4	-10.7	-8.9	-5.6	-12.9	-9.3
Loans repaid	-7.5	-8.7	-7.1	-6.7	-11.6	-8.7
- Household	1.5	0.3	4.9	5.7	3.0	1.7
- Business	-9.8	-11.2	-10.2	-9.9	-15.2	-11.4

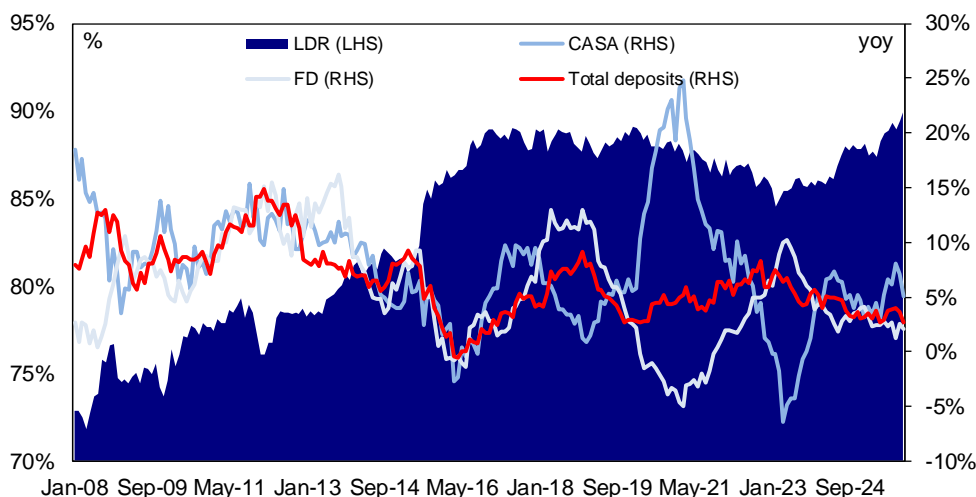
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Deposits growth decelerated, owing to weakened CASA and foreign currency deposits.

Deposit growth breakdown

(yoy % chg)	Sep-25	Oct-25	Nov-25
Total	4.0	3.7	2.7
- CASA	8.1	7.0	5.1
- FD	1.3	2.5	2.1
- FCY	25.9	15.0	12.5
- Others	-8.5	-6.2	-6.3

Figure #3 Selected deposit growth and loan-to-deposit ratio trend



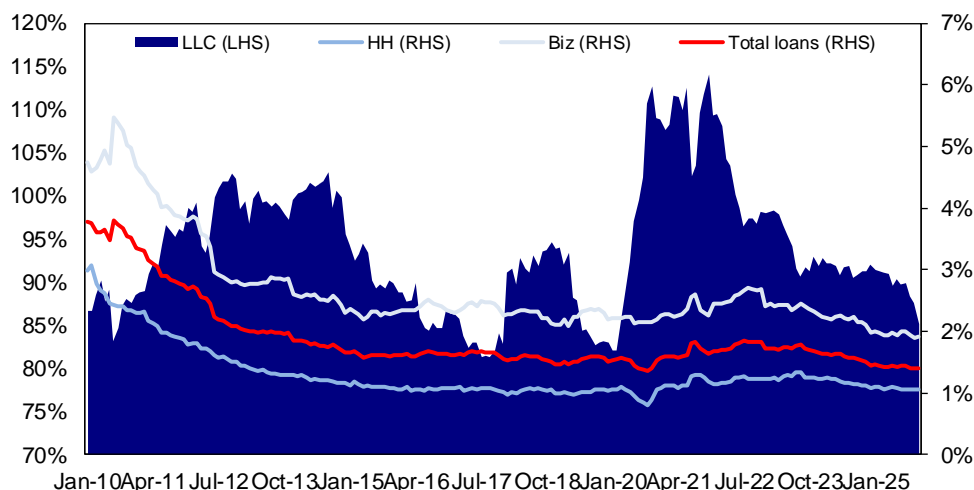
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Asset quality stable MoM.

Gross impaired loan ratio breakdown

(%)	Sep-25	Oct-25	Nov-25
Total	1.41	1.39	1.40
- Household	1.06	1.06	1.07
- Business	1.94	1.90	1.91

Figure #4 Gross impaired loan ratio vs loan loss coverage



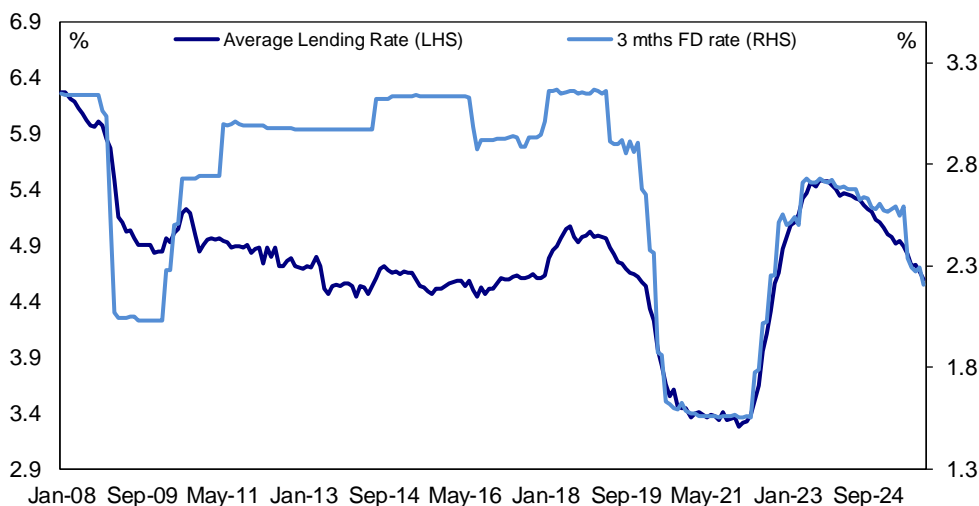
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Given the delayed pass-through in 3-month FD repricing, we anticipate additional NIM compression in 4Q25 before the elevated deposit costs finally reach an inflection point.

Interest rate spread trend

(%)	Sep-25	Oct-25	Nov-25
Spread	2.45	2.38	2.39
Lending	4.72	4.66	4.60
3-mth FD	2.27	2.29	2.21

Figure #5 Average lending rate vs fixed deposit rate



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Figure #6 Peers comparison

Stock	Mkt Cap (RM m)	Price (RM)	Target (RM)	Rating	FYE	P/E (x)		P/B (x)		Yield (%)	
						FY25	FY26	FY25	FY26	FY25	FY26
AFFIN	5,955	2.35	3.00	BUY	DEC	11.5	10.1	0.5	0.5	3.6	3.9
ALLIANCE*	8,738	5.05	5.10	UNDER REVIEW	MAR	10.4	10.1	1.0	0.9	3.7	4.0
AMMB*	21,498	6.50	6.20	UNDER REVIEW	MAR	10.8	10.2	1.0	0.9	4.6	4.9
BIMB	5,190	2.29	2.30	HOLD	DEC	10.0	8.7	0.7	0.6	6.0	6.9
CIMB	89,026	8.25	8.80	UNDER REVIEW	DEC	11.3	10.7	1.2	1.2	5.8	6.1
MAYBANK	126,610	10.48	10.70	UNDER REVIEW	DEC	12.2	11.9	1.3	1.3	6.0	6.1
PUBLIC BANK	88,125	4.54	5.10	BUY	DEC	12.0	11.4	1.4	1.3	5.0	5.3
RHB BANK	33,630	7.71	7.70	UNDER REVIEW	DEC	10.5	10.0	1.0	1.0	5.8	6.0
HL BANK*	47,993	22.14	-	N.RATED	JUN	10.2	9.6	1.1	1.0	4.3	4.5
HL FINANCIAL*	21,828	19.06	-	N.RATED	JUN	6.4	6.1	0.6	0.6	3.8	4.0
SIMPLE AVERAGE		10.2				10.5	9.9	1.0	0.9	4.9	5.2

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* refers to FY26 & FY27

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Published & printed by:

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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