Banking

Jun 26 BNM Statistics: Loan Growth Eases, Pipeline Firms

OVERWEIGHT
(Maintained)

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Highlights

- The banking sector's stats remained resilient in Jun 26 despite macro headwinds. Loan growth eased but leading indicators have rebounded strongly. Deposit growth accelerated while asset quality was stable.
- We expect sector earnings to grow a decent 3% and 6% in 2026 and 2027 respectively. Earnings resilience will be underpinned by modest loans growth, stable credit costs and relatively stable NIM with banks' asset liability management helping to offset some of the headwinds from yield pressure.
- Maintain OVERWEIGHT. Amid the ongoing Middle East geopolitical uncertainties, we adopt a barbell strategy, favouring Public Bank and Hong Leong Bank for their defensive profiles and capital management upside, while CIMB offers attractive value with one of the sector's highest dividend yields at around 6.5%.

Analysis

- **Loan growth moderated slightly,** easing to 5.5% yoy in Jun 26 (May 26: 5.7%). Business and household loan growth slowed to 6.1% and 5.0% respectively, while mortgage growth remained healthy at 5.4%. We maintain our 2026 loan growth forecast at 5.0–5.5%, supported by continued household lending demand.
- **Leading loan growth indicators rebounds.** Loan applications and approvals rose 27.0% and 22.8% yoy respectively in Jun 26 (May 26: -2.8% and +2.7%). Business lending remained key, with applications and approvals increasing 45.9% and 35.3% respectively, while household applications and approvals grew 12.5% and 8.6%.
- **Deposit growth accelerated to 6.0% yoy** in Jun 26 (May 26: 4.4%), despite CASA growth moderating to 7.7% from 9.6%. Consequently, the loans-to-deposits ratio improved to 88.3% from 89.3% in May 26. Overall liquidity remains healthy, with banks retaining flexibility to access bond markets as a cheaper alternative to wholesale deposits.
- **Asset quality was stable** with GIL ratio unchanged at 1.43%, remaining low by historical standards. Business GIL improved marginally by 1bp to 1.91%. in contrast to household GIL edging 1bp higher to 1.11%. Loan-loss coverage eased to 81.3% from 82.6%, but continues to provide a decent buffer (pre-pandemic: ~80%) against potential asset-quality deterioration.

Segmental Rating

Segment	Rating
Bank	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Public Bank	PBK MK	BUY	5.17	5.65
CIMB Bank	CIMB MK	BUY	7.89	9.30
Hong Leong Bank	HLBK MK	BUY	22.04	24.40
RHB BANK	RHB MK	BUY	8.55	9.10

Source: Bloomberg, UOB Kay Hian

Summary Of Banking Data

	yoy % chg Apr-26	May-26	Jun-26
Loan Outstanding	5.6	5.7	5.5
- Business	6.2	6.4	6.1
- Household	5.2	5.2	5.0
Loan Applied	18.2	(2.8)	27.0
- Business	27.9	(4.2)	45.9
- Household	10.5	(1.4)	12.5
Loan Approved	14.6	2.7	22.8
- Business	15.1	8.8	35.3
- Household	14.1	(5.3)	8.6
Loan Disbursed	10.4	1.6	(10.5)
- Business	11.0	0.8	8.0
- Household	8.2	4.0	3.3
Loan Repaid	8.5	2.9	12.4
- Business	9.6	2.9	13.9
- Household	5.1	3.1	7.2
Impaired Loans	3.6	3.8	6.2
- Business	3.6	3.3	4.8
- Household	3.5	4.3	7.8

Source: BNM

Peer Comparison

Company	Ticker	Rec	Price 31 Jul 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2026E (%)	ROE 2026E (%)	Market Cap. (US$m)	Price/ NAV ps (x)
Public Bank	PBK MK	BUY	5.17	5.65	9.3	Dec-25	13.9	13.0	12.1	5.8	12.7	24,536	1.6
CIMB Group	CIMB MK	BUY	7.89	9.30	17.9	Dec-25	10.8	10.2	9.5	6.4	11.6	20,852	1.2
HL Bank	HLBK MK	BUY	22.04	24.40	10.7	Jun-25	10.7	10.2	9.4	4.9	10.8	11,681	1.1
RHB Bank	RHBBANK MK	BUY	8.55	9.10	6.4	Dec-25	11.1	10.6	10.1	6.2	10.2	9,125	1.1
HLFG	HLFG MK	BUY	18.52	22.00	18.8	Jun-25	6.8	6.5	6.1	3.8	9.5	5,186	0.6
Maybank	MAY MK	HOLD	10.90	11.58	6.2	Dec-25	11.7	11.1	10.9	6.1	11.0	32,235	1.2
AMMB	AMM MK	HOLD	6.76	6.70	(0.9)	Mar-25	10.7	10.2	9.6	5.4	9.7	5,476	1.0
Alliance Bank	ABMB MK	HOLD	4.76	5.20	9.2	Mar-25	10.0	9.4	8.9	5.3	9.4	2,014	0.9
Affin Bank	ABANK MK	HOLD	2.21	2.60	17.6	Dec-25	9.9	9.2	8.3	4.4	4.8	1,419	0.4
Bank Islam	BIMB MK	HOLD	2.13	2.45	15.0	Dec-25	7.8	7.8	8.6	6.4	7.1	1,180	0.6

Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain constructive on the sector, underpinned by: a) potential dividend upside, supporting attractive yields of around 5.5%; b) a relatively defensive earnings profile compared with export sectors exposed to tariff risks; c) potential inflows from emerging market MSCI rebalancing; and d) strong provision buffers across the sector. The sector's 1.0x P/B remains undemanding relative to its ROE of about 10%. By comparison, Singapore banks trade at a significantly higher P/B of about 1.65x, despite delivering only modestly stronger ROE of approximately 13%.
- **Stock picks.** Amid the ongoing geopolitical uncertainties in the Middle East, we adopt a barbell investment approach. We favour Public Bank and Hong Leong Bank for their defensive earnings profiles and near-term capital management upside following the adoption of Basel III reforms in Jun 26. At the other end, we like CIMB as a high-beta and liquid laggard that is likely to recover the fastest once geopolitical tensions ease.

Sector Catalyst/Risk

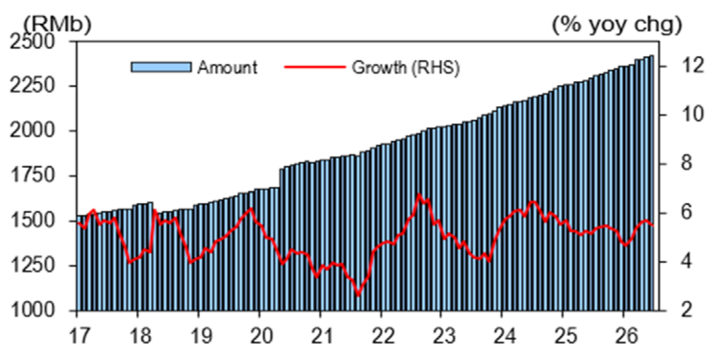
- **Catalysts:** Stronger-than-expected dividend payouts, stronger-than-expected NIM recovery.
- **Risks:** Higher-than-expected asset quality deterioration from the sustained spike in oil prices on businesses.

Banks' Share Price Performance

Company	Price (RM)	yoy % chg	ytd % chg
Public Bank	5.17	22.8	13.9
RHB Bank	8.55	39.5	10.9
Maybank	10.9	16.1	4.0
AMMB	6.76	33.9	4.0
HL Bank	22.04	16.0	(0.5)
HLFG	18.52	14.7	(2.8)
CIMB Group	7.89	21.5	(4.4)
Alliance Bank	4.76	6.0	(5.7)
Affin Bank	2.21	(7.1)	(6.0)
Bank Islam	2.13	(4.9)	(7.0)

Source: Bloomberg, UOB Kay Hian

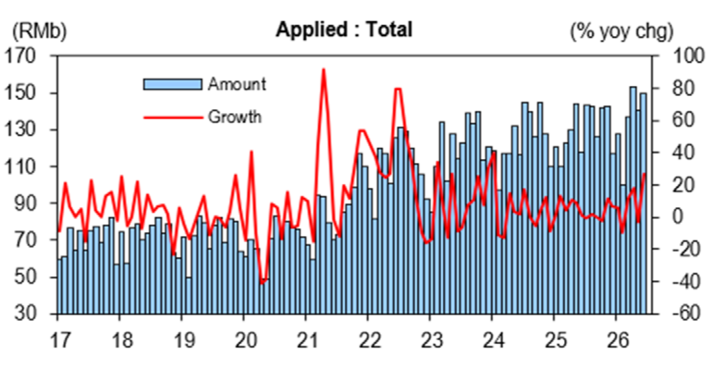
Total Outstanding Loans



Source: BNM

- Jun 26 loan growth edged downwards to +5.5% yoy, from +5.7% in May 26.
- The softer loan growth was driven by weaker business loan expansion, which moderated to 6.1% in June from 6.4% in May.
- The household segment also eased to 5.1% from 5.2% in May 26.

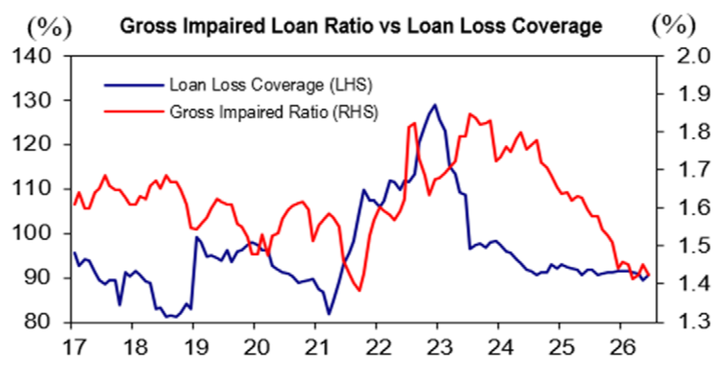
Total Loan Applications



Source: BNM

- Loan application spiked 27.0% in Jun 26 following a 2.8% contraction in May 26.
- The recovery was driven primarily by business loan applications, which surged 45.9% following a 4.2% decline in May.
- Residential mortgage and auto loan applications also improved, rising 11.6% and 16.8% respectively, after contracting 0.7% and 7.8% in May.

Net Impaired Loan Ratio Vs Loan-Loss Coverage



Source: BNM

- Asset quality was unchanged at 1.43%. Business GIL improved marginally by 1bp to 1.91%, in contrast to household GIL edging 1bp higher to 1.11%.