UOBKayHian

Sector – Update | Malaysia

Monday, 02 November 2026

Banking

Sep 26 BNM Statistics: Firmer Lending; Steady Asset Quality

Highlights

- Loan growth accelerated on stronger business lending and approvals, while deposit growth held steady. Asset quality improved, although LLC eased further.
- We expect sector earnings to grow by a decent 6% in 2027. 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 Hong Leong Bank for its 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 accelerates on business momentum.** Total loan growth strengthened to 6.1% yoy in Sep 26 (Aug 26: 5.7%), driven by business loans accelerating to 7.7% (Aug 26: 6.8%), while household growth was stable at 5.0%. Working-capital growth jumped to 7.4% (Aug 26: 5.3%), while mortgage and hire-purchase growth held near 5.3% and 5.2%; credit-card growth eased to 3.0%. SME growth also improved to 3.9% (Aug 26: 3.6%).
- **Approvals signal a firmer pipeline.** Approved loan growth surged to 31.1% yoy in Sep 26 (Aug 26: 13.6%), led by business approvals rising to 50.8% (Aug 26: 36.4%). Working-capital approvals remained robust at 55.3%, while SME approvals rebounded to 22.4% (Aug 26: -5.6%). Household approvals also recovered to 4.7% (Aug 26: -10.8%), supported by stronger hire-purchase and credit-card approvals, broadening pipeline support.
- **Deposit growth holds steady as CASA momentum softens.** Total deposit growth was stable at 5.2% yoy in Sep 26, trailing loan growth of 6.1%. CASA growth moderated to 5.1% (Aug 26: 7.9%) and CASA mix eased to 30.9% (Aug 26: 31.1%), although fixed-deposit growth turned positive at 0.3% (Aug 26: -1.4%). LDR remained broadly stable at 89.8%, signalling mildly tighter system funding conditions.
- **Asset quality improves despite lower coverage.** Total GIL declined to 1.42% in Sep 26 (Aug 26: 1.44%), while household GIL was broadly stable at 1.11% and business GIL improved to 1.87% (Aug 26: 1.92%). SME GIL also fell to 3.55% (Aug 26: 3.63%). However, LLC eased to 80.8% (Aug 26: 81.4%), indicating a modestly thinner coverage buffer despite contained impairment ratios overall.

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OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Bank	OVERWEIGHT (MAINTAINED)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Hong Leong Bank	HLBANK MK	BUY	21.14	24.50
CIMB	CIMB MK	BUY	6.91	8.80

Source: Bloomberg, UOB Kay Hian

Summary Of Banking Data

	yoy % chg		
	Jul-26	Aug-26	Sep-26
Loan Outstanding	5.6	5.7	6.1
- Business	6.4	6.8	7.7
- Household	5.1	5.0	5.0
Loan Applied	17.1	(0.3)	20.2
- Business	37.6	5.6	27.4
- Household	1.6	(5.1)	14.0
Loan Approved	24.8	13.7	31.1
- Business	51.9	36.1	50.8
- Household	(2.5)	(10.4)	4.7
Loan Disbursed	7.6	16.3	91.4
- Business	9.1	20.7	14.1
- Household	2.9	2.1	7.5
Loan Repaid	6.0	9.9	7.9
- Business	6.9	12.1	9.4
- Household	2.9	2.9	3.0
Impaired Loans	4.8	6.1	6.5
- Business	1.6	2.6	3.8
- Household	8.8	10.5	9.8

Source: BNM

Peer Comparison

Company	Ticker	Rec	Price 30 Oct 26 (RM)	Target Price (RM)	Upside To TP (%)	FYE	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (US$m)	Price/ NAV ps (x)
CIMB Group	CIMB MK	BUY	6.91	8.80	27.4	Dec-25	9.5	9.3	8.7	6.8	11.1	18,299	1.0
HL Bank	HLBK MK	BUY	21.14	24.50	15.9	Jun-25	9.4	9.7	9.2	5.2	10.8	11,287	1.1
HLFG	HLFG MK	BUY	17.50	22.00	195.3	Jun-25	2.6	2.5	2.1	13.0	9.9	4,960	0.2
Maybank	MAY MK	HOLD	10.02	11.58	(33.8)	Dec-25	18.7	17.9	17.5	3.8	11.0	29,963	2.0
Public Bank	PBK MK	HOLD	4.75	5.54	16.6	Dec-25	12.8	12.3	11.4	6.1	12.4	22,710	1.5
RHB Bank	RHBBANK MK	HOLD	7.45	9.10	(9.2)	Dec-25	13.0	12.4	11.8	5.3	10.2	8,009	1.3
AMMB	AMM MK	HOLD	6.30	7.30	15.9	Mar-25	9.9	9.5	9.0	6.3	9.7	5,139	0.9
Alliance Bank	ABMB MK	HOLD	4.56	5.20	14.0	Mar-25	9.5	9.1	8.5	6.1	9.3	1,943	0.9
Affin Bank	ABANK MK	HOLD	2.02	2.48	22.8	Dec-25	9.1	8.4	7.6	4.8	4.8	1,310	0.4
Bank Islam	BIMB MK	HOLD	2.06	2.45	18.9	Dec-25	7.5	7.5	8.3	6.6	7.1	1,150	0.5

Source: Bloomberg, 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 a modestly stronger ROE of around 13%.
- **Stock picks.** Amid the ongoing geopolitical uncertainties in the Middle East, we adopt a barbell investment approach. We favour Hong Leong Bank for its defensive earnings profiles and near-term capital management upside following the adoption of Basel III reforms in Jun 26. On the other end, we like CIMB as a high-beta and liquid laggard that is likely to recover the fastest once geopolitical tensions ease.

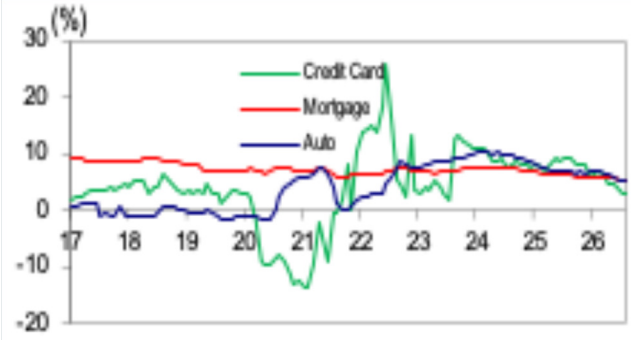
Total Loans, Household And Business Loans



- Total loan growth accelerated to 6.1% yoy in Sep 26 (Aug 26: 5.7%), above 5.5% in Sep 25.
- Business loan growth climbed to 7.7% (Aug 26: 6.8%), widening its lead over household growth of 5.0%.
- Household loan growth remained stable around 5.0%, below 5.5% in Sep 25.
- The growth mix has turned decisively business-led, versus near-equal household and business growth a year earlier.

Source: BNM

Household Loan Sub-Segment: Mortgage, Auto And Credit Card



- Mortgage growth held at 5.3%, but remained below 6.1% in Sep 25.
- Hire-purchase growth was stable at 5.2%, down from 6.7% in Sep 25.
- Credit-card growth eased to 3.0% (Aug 26: 3.1%), well below 8.0% a year earlier.
- All three major household sub-segments are growing more slowly than a year ago, keeping household momentum subdued.

Source: BNM

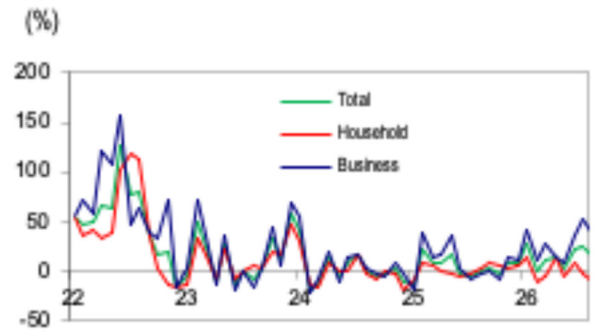
Key Business Loan Sub-Segments: Working Capital And Small And Medium Enterprises (SME)



- Working-capital growth jumped to 7.4% (Aug 26: 5.3%), nearly double 3.8% in Sep 25.
- SME growth improved to 3.9% (Aug 26: 3.6%), but remained below 7.2% in Sep 25.
- The divergence suggests working-capital demand, rather than SME borrowing, is driving the acceleration in business lending.
- Total business growth of 7.7% exceeds both sub-segments, indicating additional support from other corporate lending categories.

Source: BNM

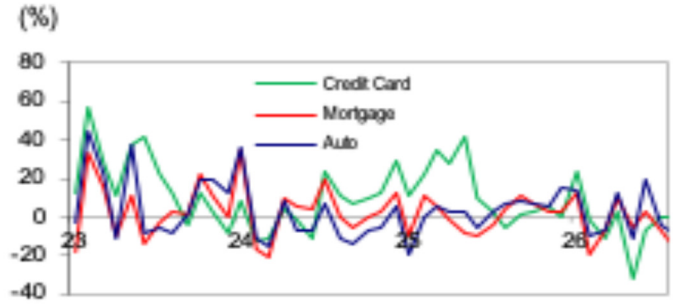
Total Approved Loans, Household And Business Approved Loans



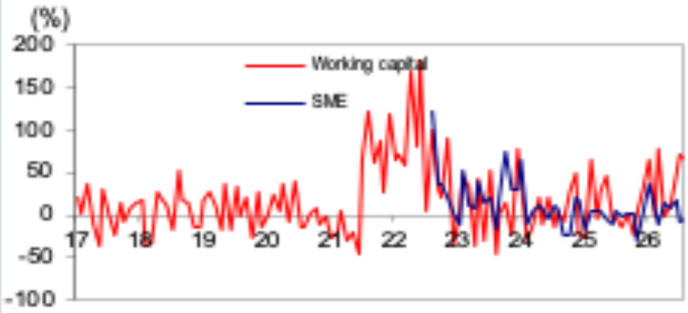
- Total approvals surged to 31.1% yoy in Sep 26 (Aug 26: 13.6%), materially strengthening the near-term pipeline.
- Business approvals rose to 50.7% (Aug 26: 36.4%), with working-capital approvals remaining robust at 55.3%.
- SME approvals rebounded to 22.4% (Aug 26: -5.6%), broadening support beyond working-capital financing.
- Household approvals recovered to 4.7% (Aug 26: -10.8%), supported by stronger hire-purchase and credit-card approvals.

Source: BNM

Household Approved Loan Sub-Segment: Mortgage, Auto And Credit Card

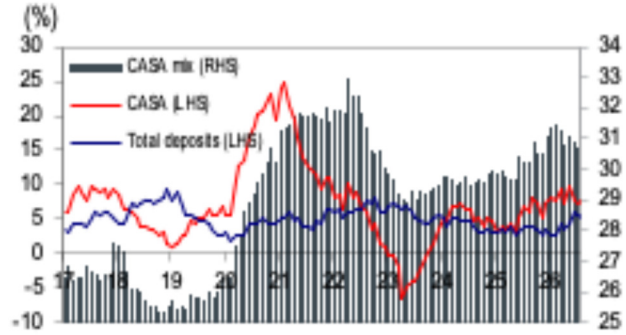


Key Business Approved Loan Sub-Segments: Working Capital And SME



Source: BNM

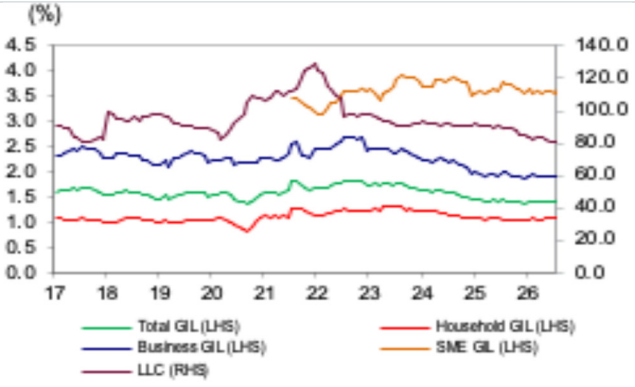
Total Deposits, CASA Growth And CASA Mix



- Deposit growth was stable at 5.2% yoy, below loan growth of 6.1% and above 4.0% in Sep 25.
- CASA growth slowed to 5.1% (Aug 26: 7.9%), below 8.1% in Sep 25.
- CASA mix eased to 30.9% (Aug 26: 31.1%), broadly matching its level a year earlier.
- Fixed-deposit growth turned positive at 0.3% (Aug 26: -1.4%), while LDR remained stable at 89.8%.

Source: BNM

Industry, Household, Business And SME GIL Vs Loan-Loss Coverage (LLC)



- Total GIL improved to 1.42% (Aug 26: 1.44%), broadly similar to 1.41% in Sep 25.
- Household GIL was stable near 1.11%, while business GIL improved to 1.87% (Aug 26: 1.92%).
- SME GIL fell to 3.55% (Aug 26: 3.63%), below 3.74% in Sep 25.
- LLC eased to 80.8% (Aug 26: 81.4%), materially below 89.0% in Sep 25 despite contained GIL ratios.

Source: BNM

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