

Neutral (unchanged)

# Banking

## BNM To Curb ASB Financing?

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**Minimal impact on sector.** *The Edge* reports, quoting sources, that banks are considering a freeze on new loans for Amanah Saham Bumiputera (ASB) schemes to rein in household debt levels and that the central bank will look to introduce curbs on such financing after Budget 2014 in October. ASB financing is low risk to the banking system, for it accounts for just about 3% of system loans, by our estimates, but lending to this segment has been fairly rapid, with growth of more than 25% YoY. If these restrictions do materialize, they would somewhat impact lending growth by RHB Capital, which drives ASB financing through its EASY kiosks. Neutral maintained on the sector, with top BUYs unchanged – AMMB, HL Bank and HLFG.

**About 3% of total loans.** Loans for the purchase of securities have seen robust momentum, expanding 25% YoY in Jul 2013. Nevertheless, such loans account for just 5.4% of total banking system loans, with ASB financing accounting for just 56% of such loans, by our estimates, i.e. 3% of total system loans. The default rate for share financing is just 0.2% and associated risks with ASB financing are low, given that the unit price does not fluctuate and is fixed at MYR1/unit.

**Three banks currently provide ASB financing** – Maybank, CIMB and RHB, with market shares estimated at 52%, 23% and 25% respectively. CIMB and RHB have been most aggressive, with ASB financing expanding at a 4-year CAGR of more than 30% and 50% respectively. Even so, loan exposures are still low. Despite the strong growth, CIMB is essentially playing catch up and ASB financing currently accounts for just 3.8% of its total loan portfolio as at end-June 2013. Maybank's exposure is just 5.5% while RHB's exposure is a higher 7.7%. RHB's EASY kiosks have been the primary source of ASB loans to the group.

**ASB's returns have been high.** ASB's returns have averaged about 8.79sen/unit over the past six years, which would be more than sufficient to ensure a positive return, even if investors were to borrow to invest at RHB's financing rate of BLR-1% or 5.6%. This thus enhances the viability of the investment scheme even if it were financed through borrowings at current interest rates.

### Banking Sector – Peer Valuation Summary

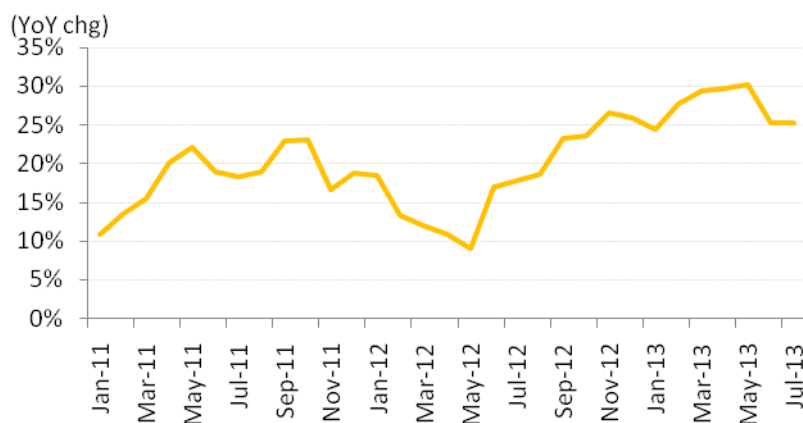
Stock	Rec	Shr px (MYR)	Mkt cap (MYR m)	TP (MYR)	PER (x) CY13E	PER (x) CY14E	P/B (x) CY13E	P/B (x) CY14E	ROAE CY13E	ROAE CY14E	Net CY13E	Net CY14E
AMMB	BUY	7.57	22,817	9.10	12.9	11.7	1.8	1.6	14.3	14.5	3.1	3.5
CIMB	HOLD	7.57	56,266	7.90	12.9	11.7	1.8	1.6	14.6	14.7	3.1	3.4
HL Bank	BUY	14.10	26,507	15.50	13.0	12.3	1.9	1.7	14.8	14.4	2.5	2.6
Maybank *	NR	10.12	75,679	NR	13.7	12.9	1.9	1.7	14.7	13.8	5.0	5.4
Public Bank	HOLD	17.72	62,586	18.60	15.1	14.1	3.3	2.8	22.2	21.5	3.0	3.1
RHB Cap	HOLD	7.60	16,757	7.90	9.8	9.4	1.2	1.1	11.4	12.4	2.8	3.3
<b>Simple avg</b>			<b>260,612</b>		<b>12.9</b>	<b>12.0</b>	<b>2.0</b>	<b>1.8</b>	<b>15.3</b>	<b>15.2</b>	<b>3.3</b>	<b>3.5</b>
<b>MC-wtd</b>					<b>13.5</b>	<b>12.5</b>	<b>2.1</b>	<b>1.9</b>	<b>16.3</b>	<b>15.9</b>	<b>3.6</b>	<b>3.8</b>
BIMB	HOLD	4.40	4,694	4.50	15.5	13.9	2.1	1.9	14.3	14.5	2.3	2.5
HLFG	BUY	14.98	15,576	16.45	10.5	10.2	1.5	1.3	14.8	13.7	2.4	2.5

NR = Not Rated; \* Consensus estimates; Source: Maybank KE

## Embedded within loans for the purchase of securities

**Loans for the purchase of securities have picked up momentum.** Loans for the purchase of securities presently account for just 5.4% of total banking system loans. Nevertheless, there are reasons to keep a watchful eye on this segment, for growth momentum has since picked up from just 9% YoY in May 2012 to a peak of 30% YoY in May 2013, moderating slightly to 25% YoY in Jul 2013.

### Growth in loans for the purchase of securities

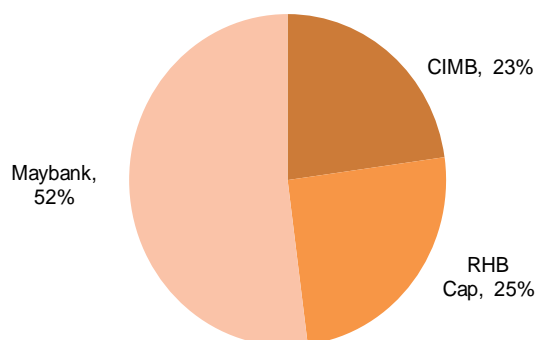


Source: BNM, Maybank KE

**ASB financing is about 56%, unit price fixed.** We estimate Amanah Saham Nasional Bhd (ASB) financing to be about 56% of total share financing, i.e. 3% of total system loans. The default rate for share financing is just 0.2% and we believe the risks associated with ASB financing are low, in our view, given that the unit price is fixed at MYR1 per unit and does not fluctuate.

**Currently, only three banks provide ASB financing** – Maybank, CIMB and RHB. We estimate their market share of this segment to be 52%, 23% and 25% respectively as at the end of June 2013. Affin Bank, from what we understand, provides an online investment facility whereby Amanah Saham Nasional Bhd (ASNB) investors can top-up their ASNB accounts via Affin Bank's online website.

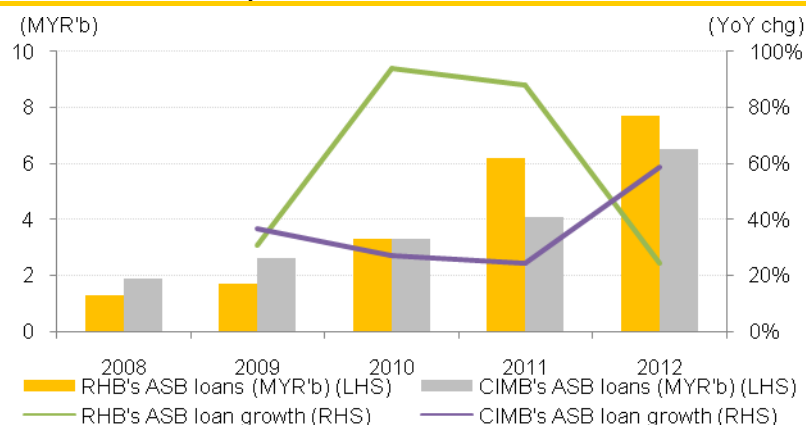
### ASB financing market share as at end-June 2013



Source: BNM, Maybank KE

**CIMB and RHB have been most aggressive.** Maybank has been the least aggressive in lending to this segment, which is why its market share declined from 60.4% end-2011 to 51.5% end-June 2013. The most aggressive has been RHB via its EASY kiosks, which have been the primary source of such loans growth. RHB's ASB loan portfolio has burgeoned from just MYR1.3b end-2008 to MYR9b end-June 2013, this being a 4-year CAGR of more than 50%. CIMB's ASB portfolio, meanwhile, has expanded at a 4-year CAGR of more than 30%.

#### RHB and CIMB's ASB portfolios



Source: Company, Maybank KE

**Even so, loan exposures are still low.** While the rates of growth have been aggressive, a point to note is that the banks' exposure to this segment is still low. Despite the strong growth, CIMB is essentially playing catch up and ASB financing currently accounts for just 3.8% of its total loan portfolio as at end-June 2013. Maybank's exposure is just 5.5% while RHB's exposure is a higher 7.7%.

#### ASB financing terms

	Maybank	CIMB	RHB
Minimum (MYR)	10,000	10,000	10,000
Maximum (MYR)	400,000	200,000	200,000
Margin of finance	Up to MYR200k: up to 100%; Above MYR200k: up to 95%	Up to 100%	Up to 100%
Tenure	Up to 25 yrs or age 60 whichever is earlier	Up to 30 years or age 65 whichever earlier	Min 10 yrs, max 25 yrs
Financing rate	Below MYR30k: BFR-1.35% for 1 <sup>st</sup> 3 yrs, BFR-1.30% thereafter Above MYR30k: BFR-1.65% throughout tenure	BLR-1.65% throughout tenure	BLR-1.00% throughout tenure

Source: Companies, Maybank KE

**ASB's returns have been high.** ASB's returns have averaged about 8.79sen/unit over the past six years, which would be more than sufficient to ensure a positive return, even if investors were to borrow to invest at RHB's financing rate of BLR-1% or 5.6%. This thus enhances the viability of the investment scheme even if it were financed through borrowings at current interest rates.

#### ASB returns (sen/unit)

	2012	2011	2010	2009	2008	2007
Dividend	7.75	7.65	7.50	7.30	7.00	8.00
Bonus	1.15	1.15	1.25	1.25	1.75	1.00
<b>Total</b>	<b>8.90</b>	<b>8.80</b>	<b>8.75</b>	<b>8.55</b>	<b>8.75</b>	<b>9.00</b>

Source: ASNB, Maybank KE

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Maybank Kim Eng Research uses the following rating system:

<b>BUY</b>	Total return is expected to be above 10% in the next 12 months (excluding dividends)
<b>HOLD</b>	Total return is expected to be between -10% to +10% in the next 12 months (excluding dividends)
<b>SELL</b>	Total return is expected to be below -10% in the next 12 months (excluding dividends)

### Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

### Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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