RHB Bank Berhad

(1066 | RHBBANK MK) Financial Services | Finance

3QFY24 Results: Strong Quarter Performance

***Downgrade to* NEUTRAL**

(Previously BUY)

***Unchanged* Target Price: RM6.60**

KEY INVESTMENT HIGHLIGHTS

- **9MFY24's Core NP of RM2,286m was *Within/Within* our/street forecasts: *80%/80%* of full-year forecasts**
- **Management's tone: Optimistic**
- **Core themes: (a) Strong NOII growth, (b) Tepid loans growth and flattish CASA, (c) NIM improvement**
- **Forecasts unchanged**
- **Downgrade to NEUTRAL | Unchanged TP of RM6.60 | based on an unchanged FY25F P/BV of 0.85x**

Verdict: Excellent quarter but probably priced in by now. Strong NOII growth may not be repeatable going forward but NIM improvement was very much welcomed. Excellent dividend yield.

Yays	1. NOII was a stellar performer. 2. NIM uplift, benefitted from liability management 3. Worst of asset quality woes seem to be over, with NCC coming in lower in the quarter.
Nays	1. Rather tepid loans growth. 2. CASA contraction even from the lens of domestic CASA.
OKs	1. OPEX seems a bit high but seems under control for now.

Results in a nutshell:

▲ **9MFY24's Core net profit (NP) of RM2,286m up by 3%yoy.** Contributed by strong net income expansion of +11.3%yoy to RM6.39b. This was able to overcome higher OPEX (+8.7%yoy) and loans provisions (+>100%).

▲ **3QFY24's Core NP of RM833m up by 15%qoq.** Driven by robust net income growth (+3.9%qoq), coupled with controlled OPEX increase (+1.0%qoq) and lower provisions (-32.4%qoq).

► **Gross loans grew by -0.2%qoq, coming up to 2.3%YTD.** The lower quarter-on-quarter gross loans contraction was due to forex impact from strengthening Ringgit. Translation impact amounted to RM3b. Normalised for forex showed gross loans growth of +1.2%qoq. Furthermore, gross loans grew +3.7%yoy.

► **Deposits grew by -0.8%qoq, coming up to -2.8%YTD.** Impacted by forex, whereby normalized deposits normalized for forex impact saw growth of +0.5%qoq. Nevertheless, CASA fell by -1.3%qoq, and domestic CASA was flattish -0.1%qoq.

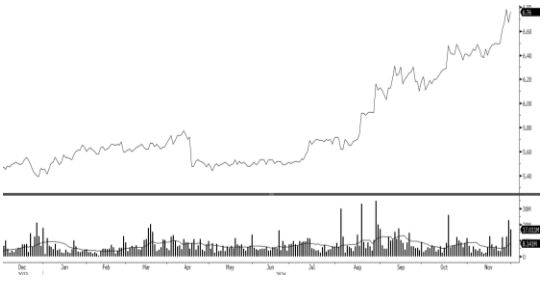
▲ **GIL moved by +1bps to 1.77%, LLC currently at 71%.**

Have a look at:

▲ **Strong NOII was the stellar contributor.** Total NOII (inclusive Islamic banking) grew +26.4%yoy to RM2.07b. The non-fund-based income growth driven by higher fee income, net forex gain, and net trading and investment income. These grew +15.4%yoy to RM868.4m, +25.3%yoy to RM724.2m and +53.8%yoy to RM391.1m.

RETURN STATISTICS	
Price @ 29 November 2024 (RM)	6.76
Expected share price return (%)	-2.4
Expected dividend yield (%)	+6.1
Expected total return (%)	**+3.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.5	6.1
3 months	9.4	16.1
12 months	24.0	13.3

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	**2,857**	**3,046**	**3,227**
CNP growth (%)	2	7	6
Div yield (%)	**5.8**	**6.1**	**6.3**
Gross DPS (sen)	39.3	41.1	42.7
P/BV (x)	**0.9**	**0.9**	**0.8**
BVPS (RM)	7.5	7.8	8.1
ROE (%)	**9.1**	**9.3**	**9.5**
MIDF/Street CNP (%)	**100**	**100**	**101**

KEY STATISTICS

FBM KLCI	1,594.29
Issue shares (m)	4,286.35
Estimated free float (%)	80.84
Market Capitalisation (RM'm)	29,470.15
52-wk price range	RM5.38 - RM6.83
3-mth avg daily volume (m)	8.10
3-mth avg daily value (RM'm)	51.36
Top Shareholders (%)	
EPF Board	39.07
OSK Holdings Bhd	10.27
Amanah Saham Nasional Bhd	6.74

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▲**NIM improvement from liability management.** NIM strengthened by +5bps YTD and +2bps yoy to 1.87%. This was due to liability management initiatives. If we include this impact, we will see FX swap uplifting NIM by 11bps to 1.98%.

► **OPEX contained but higher on year-on-year basis.** OPEX grew +1.0%qoq to RM996.7m in 3FY24 which was due to lower to personnel cost (-2.1%qoq to RM586.2m). However, on a year-on-year basis it was still high whereby it grew +9.7%yoy resulting in 9MFY24 OPEX increase of +8.7%yoy. It seems that this was due to higher IT expenses.

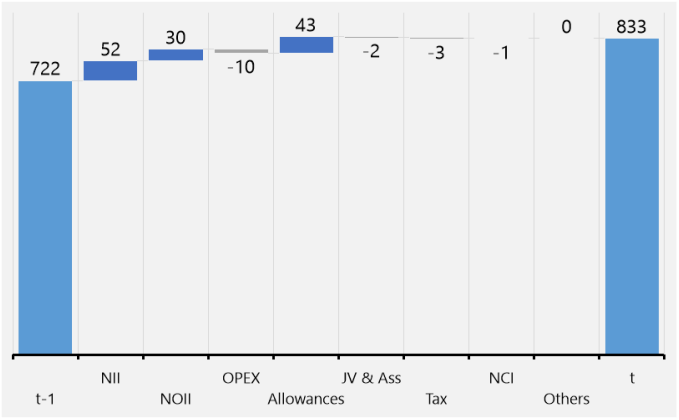
Forecasts unchanged.

Key downside risks. *(1) NIM compression, (2) cost inflation, (3) gross loans contraction*

Downgrade to NEUTRAL call: Unchanged GGM-TP of RM 6.60. The TP is based on an unchanged FY25F P/BV of 0.85x. It was an excellent quarterly performance and dividend yield expected to be still excellent. However, due to recent share price performance, we believe that all the positives have been priced in. Hence, our downgrade to **NEUTRAL**.

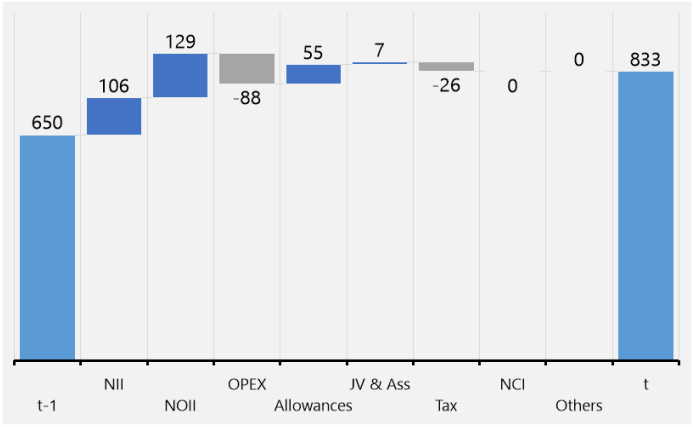
(GGM assumptions: *FY25F ROE of 9.3%, LTG of 4.0% & COE of 10.3%)*

Fig 1: QoQ P/L walk (Quarterly results)



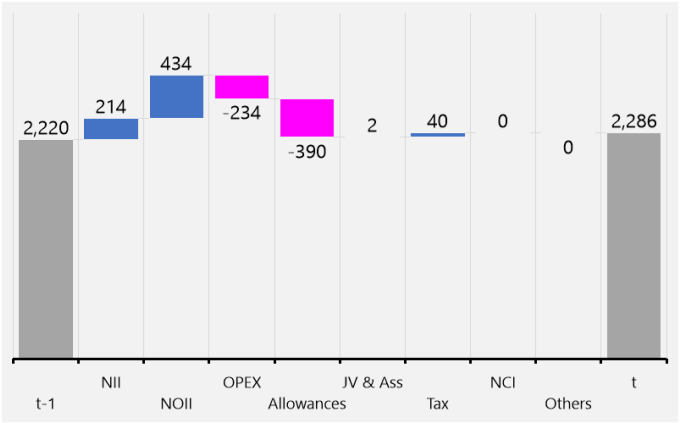
Source: RHB, MIDFR

Fig 2: YoY P/L walk (Quarterly results)



Source: RHB, MIDFR

Fig 3: YoY P/L walk (Cumulative results)



Source: RHB, MIDFR

Fig 4: Quarterly results

FYE Dec (RM m)	3Q FY24	2Q FY24	3Q FY23	Yoy (%)	Qoq (%)	9M FY24	9M FY23	Yoy (%)
Net interest inc.	997	989	916	*8.9*	*0.8*	2,912	2,692	*8.2*
Islamic banking inc.	143	519	608	*-76.5*	*-72.5*	1,320	1,833	*-28.0*
Non-interest inc.	1,054	603	436	*141.9*	*74.8*	2,162	1,221	*77.0*
Net income	**2,194**	**2,112**	**1,959**	***12.0***	***3.9***	**6,394**	**5,746**	***11.3***
OPEX	(997)	(987)	(908)	*9.7*	*1.0*	(2,943)	(2,708)	*8.7*
PPOP	**1,197**	**1,125**	**1,051**	***14.0***	***6.4***	**3,451**	**3,038**	***13.6***
Loan provisions	(100)	(147)	(166)	*-40.0*	*-32.4*	(460)	(119)	*287.3*
Other provisions	(2)	2	9	*-121.1*	*-181.1*	(1)	47	*-103.0*
JV & Associates	(7)	(6)	(15)	*n.m.*	*n.m.*	(17)	(19)	*n.m.*
PBT	**1,088**	**974**	**879**	***23.8***	***11.7***	**2,973**	**2,948**	***0.9***
Tax	(254)	(251)	(228)	*11.2*	*1.0*	(684)	(724)	*-5.5*
NCI	(1)	(0)	(1)	*n.m.*	*n.m.*	(3)	(3)	*n.m.*
Reported NP	**833**	**722**	**650**	***28.2***	***15.4***	**2,286**	**2,220**	***2.9***
Core NP	**833**	**722**	**650**	***28.2***	***15.4***	**2,286**	**2,220**	***2.9***
Total NII	1,494	1,442	1,388	*8*	*4*	4,321	4,107	*5*
Total NOII	700	670	572	*23*	*5*	2,073	1,640	*26*
Gross DPS (sen)	**-**	**15.0**	**-**	***n.m.***	***n.m.***	**15.0**	**15.0**	***n.m.***
Core EPS (sen)	19.1	16.8	15.2	*26*	*14*	52.4	51.8	*1*
Gross loans	227,520	227,912	219,395	*3.7*	*-0.2*			
Gross impaired loans	4,022	4,016	3,931	*2.3*	*0.2*			
Customer deposits	238,317	240,309	236,135	*0.9*	*-0.8*			
CASA	66,769	67,631	63,562	*5.0*	*-1.3*			

Ratios (%)	3Q FY24	2Q FY24	3Q FY23	Yoy (ppts)	Qoq (ppts)	9M FY24	9M FY23	Yoy (ppts)
ROE (Ann.)	**10.5**	**9.1**	**8.7**	***1.8***	***1.4***	**9.6**	**9.9**	***-0.3***
NIM (Reported)	**1.91**	**1.89**	**1.85**	***0.06***	***0.02***	**1.87**	**1.85**	***0.02***
NOII/Net income	31.9	31.7	29.2	*2.8*	*0.2*	32.4	28.5	*3.9*
Cost/Income	45.4	46.7	46.4	*-0.9*	*-1.3*	46.0	47.1	*-1.1*
NCC (Ann.) (bps)	18	27	31	*-13*	*-9*	27	7	*20*
GIL ratio	1.77	1.76	1.79	*-0.02*	*0.01*			
Loan loss coverage	71	70	75	*-4*	*0*			
CASA ratio	28.0	28.1	26.9	*1.1*	*-0.1*			
L/D ratio	94.3	93.6	91.6	*2.6*	*0.6*			
CET-1	16.6	16.7	16.2	*0.4*	*-0.1*			

Source: RHB, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Net interest income	**4,175**	**3,560**	**4,050**	**4,253**	**4,433**
Islamic banking inc.	2,398	2,366	2,049	2,152	2,243
Other operating inc.	1,587	1,844	2,263	2,316	2,409
Net income	**8,160**	**7,770**	**8,363**	**8,722**	**9,085**
OPEX	(3,606)	(3,689)	(3,972)	(4,099)	(4,270)
PPOP	**4,554**	**4,081**	**4,390**	**4,622**	**4,815**
Loan allowances	(309)	(356)	(570)	(552)	(506)
Other allowances	(112)	54	26	26	26
JV & Associates	0	(26)	(80)	(80)	(80)
PBT	**4,133**	**3,753**	**3,766**	**4,016**	**4,254**
Tax & zakat	(1,452)	(943)	(904)	(964)	(1,021)
NCI	(3)	(4)	(6)	(6)	(6)
Others	-	-	-	-	-
Reported NP	**2,678**	**2,806**	**2,857**	**3,046**	**3,227**
Core NP	**2,678**	**2,806**	**2,857**	**3,046**	**3,227**
Total NII	6,379	5,451	5,956	6,255	6,519
Total NOII	1,781	2,320	2,407	2,467	2,566

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	19,787	15,034	16,433	16,923	17,923
Investment securities	69,070	79,910	80,170	80,449	80,747
Net loans	208,379	219,563	229,337	242,072	255,390
Other IEAs	0	0	0	0	0
Non-IEAs	13,536	14,185	17,803	21,538	25,233
Total assets	**310,771**	**328,692**	**343,744**	**360,982**	**379,294**
Customer deposits	227,160	245,083	257,827	272,524	288,057
Other IBLs	46,360	44,300	45,438	46,719	48,151
Non-IBLs	8,483	8,398	8,416	8,445	8,486
Total liabilities	**282,003**	**297,781**	**311,682**	**327,688**	**344,695**
Share capital	8,146	8,330	8,330	8,330	8,330
Reserves	20,592	22,546	23,700	24,931	26,234
Shareholders' funds	**28,737**	**30,877**	**32,030**	**33,261**	**34,565**
NCI	31	34	32	33	35
Total equity	**28,768**	**30,911**	**32,062**	**33,294**	**34,599**
Total L&E	**310,771**	**328,692**	**343,744**	**360,982**	**379,294**
Total IEAs	297,236	314,507	325,941	339,444	354,060
Total IBLs	273,519	289,383	303,265	319,242	336,209
Gross loans	212,200	222,416	233,536	246,381	259,932
CASA	66,439	68,423	72,707	76,307	80,656

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Interest (%)					
NIM	2.21	1.78	1.86	1.88	1.88
Return on IEAs	2.56	3.10	2.33	2.31	2.27
Cost of funds	1.22	2.10	1.16	1.10	1.05
Net interest spread	1.34	1.00	1.18	1.21	1.22
Profitability (%)					
ROE	**9.4**	**9.4**	**9.1**	**9.3**	**9.5**
ROA	0.9	0.9	0.8	0.9	0.9
NOII/Net income	21.8	29.9	28.8	28.3	28.2
Effective tax rate	35.1	25.1	24.0	24.0	24.0
Cost/Income	44.2	47.5	47.5	47.0	47.0
Liquidity (%)					
Loan/Deposit	91.7	89.6	88.9	88.8	88.7
CASA ratio	29.2	27.9	28.2	28.0	28.0
Asset Quality (%)					
GIL ratio	1.55	1.74	1.70	1.67	1.67
LLC ratio	113	72	104	103	103
LLC (w. reserves)	140	118	127	125	124
Net CC (bps)	15	16	25	23	20
Capital (%)					
CET 1	16.9	16.7	16.2	15.3	15.0
Tier 1 capital	16.9	16.7	16.2	15.3	15.0
Total capital	19.3	19.4	18.9	18.0	17.7
Growth (%)					
Total NII	8.6	-14.6	9.3	5.0	4.2
Total NOII	-17.5	30.3	3.7	2.5	4.0
Net income	1.6	-4.8	7.6	4.3	4.2
OPEX	2.4	2.3	7.7	3.2	4.2
Core NP	-4.5	4.8	1.8	6.6	5.9
Gross loans	6.9	4.8	5.0	5.5	5.5
Customer deposits	4.2	3.8	4.7	5.2	5.3
CASA	1.3	3.0	6.3	5.0	5.7
Valuation metrics					
Core EPS (sen)	62.6	65.5	66.7	71.1	75.4
Gross DPS (sen)	40.0	40.0	39.3	41.1	42.7
Div payout (%)	63	61	60	60	60
BVPS (RM)	6.7	7.2	7.5	7.8	8.1
Core P/E (x)	10.8	10.3	10.1	9.5	9.0
Div yield (%)	**5.9**	**5.9**	**5.8**	**6.1**	**6.3**
P/BV (x)	1.0	0.9	0.9	0.9	0.8

Source: RHB, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology