Corporate Update

RHB Bank Berhad

(1066 | RHBBANK MK) Main | Financial Services

4 Stars

FTSE4Good

Upgrade to **BUY**

Revised Target Price **RM7.40** (from RM6.60)

4QFY24 Results Review
A Blowout Performance

Upgrade to BUY call: Revised GGM-TP of RM7.40. It was a blowout year performance with NOII being the main driver. While we expect NOII to moderate in FY25, we expect that this will be compensated with NII growth which remains solid. In addition, dividend yield expected to still be excellent. We upgrade our TP to reflect the revision in earnings. With this, we upgrade our call to BUY. The TP is based on an revised FY25F P/BV of 0.94x. (GGM assumptions: FY25F ROE of 9.9%, LTG of 4.0% & COE of 10.3%)

Above expectations. RHB's FY24 core net profit (NP) of RM3,120m was above/above our/street forecasts at 109%/109% of full-year forecasts. The variance was due to our underestimation of its NOII.

FY24's core NP grew by +11%yoy. Contributed by strong net income expansion of +10.7%yoy to RM8.61b, driven by NOII growth. NOII grew +21.3%yoy higher to RM2.82b. This was contributed by higher fee income (+11.2%yoy to RM1.16b), net forex gain (+12.8%yoy to RM946m), net trading and investment income (+53.3%yoy to RM545m) and one-off gain on disposal of RHB Securities Vietnam (RM34m) and RHB Securities Thailand (RM52m). This was able to overcome higher OPEX (+9.0%yoy) and loans provisions (+47.5%).

4QFY24's core NP of RM835m, flattish at +0.2%qoq. Driven by stabled net income growth (+0.2%qoq) and lower provisions (-35%qoq).

Gross loans grew by +4.5%qoq, coming up to +6.9%yoy. Both community and wholesale banking saw strong growth of +6.5%yoy to RM150b and +9.5%yoy to RM53b respectively. From the community banking, mortgages and auto loans were a standout with +8.8%yoy to RM89b and +12.2%yoy to RM12b respectively. Meanwhile, corporate banking loans rallied in 4QFY24 to expand +11.0%qoq to RM44b. All-in domestic loans growth was +7.3%yoy to RM203b while overseas operations grew +4.7%yoy to RM34b.

Deposits grew by +4.7%qoq, coming up to +1.8%yoy. The weak deposits growth was due to less reliance on pricier corporate deposits. Wholesale banking deposits fell -9.7%yoy to RM18b with corporate deposits lower by -13.3%yoy to RM16b. Community banking deposits expanded +5.5%yoy to RM42b with retail deposits growing +8.1%yoy to RM23b.

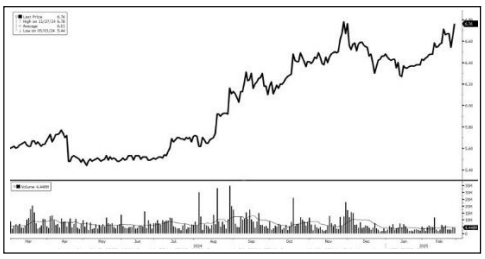
GIL ratio improved by -30bps to 1.47%, LLC currently at 79%. This was due to the resolution of 2 significant corporate exposures which saw corporate banking GIL ratio improved to 0.65% from 2.07%.

Higher dividends at 43sen or 60% payout ratio.

Tweak in earnings estimates. We are adjusting our FY25 and FY26 earnings estimates upward by 7.9% and 5.7% respectively.

RETURN STATISTICS	
Price @ 27th Feb 2025 (RM)	6.76
Expected share price return (%)	+9.5
Expected dividend yield (%)	+6.6
Expected total return (%)	+16.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.1	3.2
3months	4.3	0.5
12 months	20.7	18.0

INVESTMENT STATISTICS

FYE Dec	2024	2025F	2026F
Core NP (RM m)	**3,120**	**3,287**	**3,411**
CNP growth (%)	11	5	4
Div yield (%)	**6.4**	**6.6**	**6.7**
Gross DPS (sen)	43.0	44.6	45.4
P/BV (x)	**0.9**	**0.9**	**0.8**
BVPS (RM)	7.6	7.9	8.2
ROE (%)	**9.8**	**9.9**	**9.9**

KEY STATISTICS

FBM KLCI	1,586.60
Issue shares (m)	4,286.35
Estimated free float (%)	80.84
Market Capitalisation (RM'm)	29,470.15
52-wk price range	RM5.44 – RM6.83
3-mth average daily volume (m)	5.39
3-mth average daily value (RM'm)	35.2
Top Shareholders (%)	
EPF	39.3
OSK Holdings Bhd	10.3
ASNB	6.7

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4QFY24 RESULTS SUMMARY

FYE Dec (RM m)	4Q FY24	3Q FY24	4Q FY23	Yoy (%)	Qoq (%)	FY24	FY23	Yoy (%)
Net interest inc.	957	997	867	10.4	-4.0	3,869	3,560	8.7
Islamic banking inc.	856	143	534	60.3	499.0	2,176	2,366	-8.0
Non-interest inc.	398	1,054	623	-36.2	-62.3	2,560	1,844	38.8
Net income	**2,211**	**2,194**	**2,024**	**9.2**	**0.8**	**8,605**	**7,770**	**10.7**
OPEX	(1,079)	(997)	(981)	10.0	8.2	(4,021)	(3,689)	9.0
PPOP	**1,132**	**1,197**	**1,043**	**8.5**	**-5.5**	**4,583**	**4,081**	**12.3**
Loan provisions	(65)	(100)	(237)	-72.7	-35.0	(525)	(356)	47.5
Other provisions	(11)	(2)	7	-256.0	450.5	(12)	54	-122.4
JV & Associates	(9)	(7)	(7)	n.m.	n.m.	(26)	(26)	n.m.
PBT	**1,047**	**1,088**	**806**	**30.0**	**-3.8**	**4,020**	**3,753**	**7.1**
Tax	(212)	(254)	(218)	-3.1	-16.7	(896)	(943)	-5.0
NCI	(1)	(1)	(1)	n.m.	n.m.	(4)	(4)	n.m.
Reported NP	**835**	**833**	**586**	**42.4**	**0.2**	**3,120**	**2,806**	**11.2**
Core NP	**835**	**833**	**586**	**42.4**	**0.2**	**3,120**	**2,806**	**11.2**
Total NII	1,469	1,494	1,344	9	-2	5,790	5,451	6
Total NOII	742	700	680	9	6	2,815	2,320	21.3
Gross DPS (sen)	**28.0**	**-**	**25.0**	**n.m.**	**n.m.**	**43.0**	**40.0**	**n.m.**
Core EPS (sen)	19.2	19.1	13.7	40	0	71.8	65.5	10
Gross loans	237,758	227,520	222,416	6.9	4.5			
Gross impaired loans	3,487	4,022	3,879	-10.1	-13.3			
Customer deposits	249,565	238,317	245,083	1.8	4.7			
CASA	68,857	66,769	68,423	0.6	3.1			

Ratios (%)	4Q FY24	3Q FY24	4Q FY23	Yoy (ppts)	Qoq (ppts)	FY24	FY23	Yoy (ppts)
ROE (Ann.)	**10.3**	**10.5**	**7.6**	**2.7**	**-0.2**	**9.6**	**9.1**	**0.5**
NIM (Reported)	**1.84**	**1.91**	**1.77**	**0.07**	**-0.07**	**1.86**	**1.82**	**0.04**
NOII/Net income	33.6	31.9	33.6	-0.1	1.6	32.7	29.9	2.9
Cost/Income	48.8	45.4	48.5	0.3	3.4	46.7	47.5	-0.7
NCC (Ann.) (bps)	11	18	44	-32	-7	23	16	6
GIL ratio	1.47	1.77	1.74	-0.28	-0.30			
Loan loss coverage	79	71	72	7	8			
CASA ratio	27.6	28.0	27.9	-0.3	-0.4			
L/D ratio	94.2	94.3	89.6	4.6	-0.1			
CET-1	16.4	16.6	16.7	-0.2	-0.2			

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Net interest income	**4,175**	**3,560**	**3,869**	**4,361**	**4,533**
Islamic banking inc.	2,398	2,366	2,176	2,207	2,294
Other operating inc.	1,587	1,844	2,560	2,445	2,542
Net income	**8,160**	**7,770**	**8,605**	**9,012**	**9,369**
OPEX	(3,606)	(3,689)	(4,021)	(4,146)	(4,310)
PPOP	**4,554**	**4,081**	**4,583**	**4,867**	**5,059**
Loan allowances	(309)	(356)	(525)	(481)	(509)
Other allowances	(112)	54	(12)	28	28
JV & Associates	0	(26)	(26)	(80)	(80)
PBT	**4,133**	**3,753**	**4,020**	**4,333**	**4,498**
Tax & zakat	(1,452)	(943)	(896)	(1,040)	(1,079)
NCI	(3)	(4)	(4)	(7)	(7)
Others	-	-	-	-	-
Reported NP	**2,678**	**2,806**	**3,120**	**3,287**	**3,411**
Core NP	**2,678**	**2,806**	**3,120**	**3,287**	**3,411**
Total NII	6,379	5,451	5,790	6,413	6,666
Total NOII	1,781	2,320	2,815	2,599	2,703

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash & ST funds	19,787	15,034	12,363	16,140	16,748
Investment securities	69,070	79,910	87,589	87,988	88,415
Net loans	208,379	219,563	234,968	243,220	256,601
Other IEAs	0	0	0	0	0
Non-IEAs	13,536	14,185	14,995	28,943	33,055
Total assets	**310,771**	**328,692**	**349,915**	**376,291**	**394,819**
Customer deposits	227,160	245,083	249,565	272,524	288,057
Other IBLs	46,360	44,300	56,819	58,948	60,587
Non-IBLs	8,483	8,398	10,999	10,962	10,935
Total liabilities	**282,003**	**297,781**	**317,383**	**342,434**	**359,579**
Share capital	8,146	8,330	8,687	8,687	8,687
Reserves	20,592	22,546	23,805	25,136	26,518
Shareholders' funds	**28,737**	**30,877**	**32,492**	**33,824**	**35,205**
NCI	31	34	39	34	35
Total equity	**28,768**	**30,911**	**32,531**	**33,857**	**35,240**
Total L&E	**310,771**	**328,692**	**349,915**	**376,291**	**394,819**
Total IEAs	297,236	314,507	334,919	347,348	361,764
Total IBLs	273,519	289,383	306,384	331,472	348,644
Gross loans	212,200	222,416	233,536	247,549	261,164
CASA	66,439	68,423	72,707	76,307	80,656

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Interest (%)					
NIM	2.21	1.78	1.86	1.88	1.88
Return on IEAs	2.56	3.10	2.27	2.28	2.24
Cost of funds	1.22	2.10	1.15	1.07	1.01
Net interest spread	1.34	1.00	1.12	1.21	1.24
Profitability (%)					
ROE	**9.4**	**9.4**	**9.8**	**9.9**	**9.9**
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	21.8	29.9	32.7	28.8	28.9
Effective tax rate	35.1	25.1	24.0	24.0	24.0
Cost/Income	44.2	47.5	46.7	46.0	46.0
Liquidity (%)					
Loan/Deposit	91.7	89.6	88.9	89.2	89.1
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	147	126	125
Net CC (bps)	15	16	23	20	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	6.2	10.8	3.9
Total NOII	-17.5	30.3	21.3	-7.7	4.0
Net income	1.6	-4.8	10.7	4.7	4.0
OPEX	2.4	2.3	9.0	3.1	4.0
Core NP	-4.5	4.8	11.2	5.3	3.8
Gross loans	6.9	4.8	5.0	6.0	5.5
Customer deposits	4.2	3.8	5.9	8.1	5.0
CASA	1.3	3.0	6.3	5.0	5.7
Valuation metrics					
Core EPS (sen)	62.6	65.5	72.9	76.8	79.7
Gross DPS (sen)	40.0	40.0	43.0	44.6	45.4
Div payout (%)	63	61	60	60	60
BVPS (RM)	6.7	7.2	7.6	7.9	8.2
Core P/E (x)	10.8	10.3	9.3	8.8	8.5
Div yield (%)	**5.9**	**5.9**	**6.4**	**6.6**	**6.7**
P/BV (x)	1.0	0.9	0.9	0.9	0.8

Source: Bloomberg, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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