Corporate Update

RHB Bank Berhad

(1066 | RHBBANK MK) Main | Financial Services

4 Stars

FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM7.40**

Progressing to 2027

Maintain BUY call: unchanged GGM-TP of RM7.40. We continue to like RHB Bank as it embarks on its 3-year strategy. We believe that the overall targets are ambitious but achievable given its current trajectory. There may be a few targets that may seem stretched at the moment and very much dependent on the conditions of the market. Nevertheless, we expect RHB to be able to continue its current momentum. In addition, dividend yield expected to still be excellent. We maintain our BUY call with unchanged TP of RM7.40. The TP is based on a revised FY25F P/BV of 0.94x. (GGM assumptions: FY25F ROE of 9.9%, LTG of 4.0% & COE of 10.3%).

Next 3-year strategy, to FY27. After strong improvement seen from its TWP24 (in which PATAMI grew at a CAGR +6.0% vs. CAGR 4/3% from FIT22), RHB will embark on its next 3-year strategy named PROGRESS27. This will take place from FY25 to FY27 and has three strategic objectives: (i) best in service, (ii) high profitability and (iii) responsible & purposeful.

Ambitious but achievable on overall targets. The targets for PROGRESS27 seems ambitious. The key targets by FY27 are (i) 12% ROE or higher, (ii) CI ratio of 44.8% or lower, and (iii) GIL ratio of 1.3% or lower. Judging by the trajectory of its FY24 performance, we opine that these targets are achievable. The key strategic objective targets can be referred below.

Stretching on a few strategic objective targets. However, there are a few strategic objective targets that seems to be a stretch. In our opinion, these are the circa 7% domestic loans growth per annum and 10% fee based income growth per annum. Our view is because these targets are highly dependent on market conditions. Take for example the targets to grow fee-based income, whereby one of the focuses is retail wealth management. We opine that this is dependent on conditions of the financial markets where good equities market performance can induce interest and vice versa. However, current financial market performance is relatively poor.

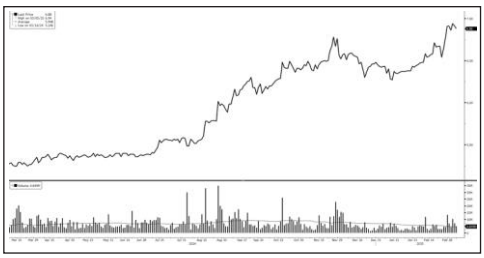
Loans growth dependent on economic performance. While we saw strong gross loans growth of +6.9%yoy in FY24 for RHB with domestic loans growth at +7.3%yoy, this was due strong domestic economic performance which led to robust system loans growth. However, any economic shocks or even tepid economic performance may make its loans growth target more difficult to achieve.

Potentially higher dividends. We believe that RHB could potentially increase its dividend payout if the objectives are met. Currently, its dividend payout is at 60% level.

No change to earnings estimates. We are not adjusting our earnings estimates at current juncture as we have already accounted a good growth trajectory.

RETURN STATISTICS	
Price @ 7th March 2025 (RM)	6.88
Expected share price return (%)	+7.6
Expected dividend yield (%)	+6.5
Expected total return (%)	+14.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.2	9.1
3months	6.2	8.6
12 months	22.0	21.4

INVESTMENT STATISTICS

FYE Dec	2024	2025F	2026F
Core NP (RM m)	**3,120**	**3,287**	**3,411**
CNP growth (%)	11	5	4
Div yield (%)	**6.3**	**6.5**	**6.6**
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	1,547.27
Issue shares (m)	4,359.49
Estimated free float (%)	80.84
Market Capitalisation (RM'm)	29,993.29
52-wk price range	RM5.44 – RM7.00
3-mth average daily volume (m)	4.57
3-mth average daily value (RM'm)	29.9
Top Shareholders (%)	
EPF	39.3
OSK Holdings Bhd	10.3
ASNB	6.7

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APPENDIX 1: PROGRESS27 TARGETS



Source: Company

APPENDIX 2: PROGRESS27 PROGRAMMES

Lending Business Optimisation	1 Promote *Domestic CASA* Growth 4 Grow *Domestic Loans* Portfolio	• *Pursue NIM expansion by optimising funding cost and growing targeted loan portfolios faster than the market (e.g. auto finance, mortgages, SMEs)*
Fee Income Growth	2 Retail *Wealth Management* Focus 5 Remodel *Wholesale Client Relationships*	• *Grow fee income via enhancements in:* – *Product propositions* – *Advisory services* – *Distribution model*
Regional Profitability	6 Expand *International Business Synergies*	• *Improve our overseas top and bottom lines via:* – *Acting on cross-border opportunities in wealth and lending* – *Managing asset quality strictly*
Cost Containment	3 Optimise *Costs & Productivity*	• *Execute a disciplined cost optimisation push in parallel to pursuing income growth to increase pre-impairment profits*
Ancillary Value Drivers	7 Sustainability *Through ESG Strategies* 8 Scale *Digital & Technology*	• *Create additional value beyond the P&L:* – *Champion ESG to create investor value* – *Enhance customer experience through digitalisation*

Source: Company

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