

28 February 2025

RHB Bank

Progressing Forward

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RHBBANK's FY24 net profit (+6%) and interim dividend declared were within expectations. Save for CASA, the group met its FY24 targets which have been revised down from earlier TWP24 plan's targets as the 3-year plan drew to its close. Moving ahead, RHBBANK believes it will implement more effective strategies in its newly unveiled Progress27 plan. Among the key initiatives is more targeted customer acquisition to bolster profitability. We are encouraged by the 3-year plan as a focus on quality over quantity would better shelter RHBBANK against unexpected headwinds, sensing a more volatile macroeconomic environment in the near-term. Maintain **OUTPERFORM** with a higher GGM-derived PBV TP of RM7.80 (from RM7.55) as we roll over our valuation base year.

FY24 within expectations. RHBBANK's FY24 net profit of RM3.12b made up 103% of our forecast and 104% of consensus estimate. An interim dividend of 28.0 sen (full-year payment: 43.0 sen at 60% pay-out) is in line with our expectations of 42.5 sen.

YoY, FY24 net profit rose by 11% as NII (+6%) gained from growth in both its loans base (+7%) and NIMs (1.86%, +4 bps). Its NOII also strengthened (+21%) on the back of better treasury income performance. The higher top line eased CIR to 46.7% (-0.8 ppt) but saw some offsetting from the pick-up in credit cost to 23 bps (+7 bps). This came from earlier quarter owing to RHB Thailand's hospitality-related accounts, albeit apparently stabilising thereafter.

QoQ, 4QFY24 net earnings were flat as while loans saw a strong 5% uptick thanks to lumpy corporate and mortgage onboarding, NIMs were slashed (1.84%, -7 bps) by higher funding cost during the period. Meanwhile, higher personnel cost was balanced out by lower provisions (-6 bps).

Highlights. While the group had seemingly met all but one of its FY24 milestones, its initial TWP24 targets for ROE of 11.5% (FY24: 9.8%) and CIR of <44.5% (FY24: 46.7%) were earlier rendered out of reach by a challenging interest rate dynamics and heavier investments incurred to improve customer experience.

Refining on this, the group unveiled its new Progress27 strategy to achieve the following targets by FY27, being: (i) ROE >12%; (ii) CIR <44.8%; and (iii) GIL <1.3%. We gather a stronger focus by RHBBANK to implement more personalised approaches to churn higher profitability accounts as opposed to wider broad-based acquisition strategies. The group also identifies the need to target more mid-sized corporates and SMEs in its pipeline.

The building blocks to achieve these targets will start with the achievement of FY25's own targets, namely with: (i) loans growth 6%-7%, (ii) CIR 45.5%-46.0%, (iii) NIM 1.86%-1.90%, and (iv) credit cost 15-20 bps.

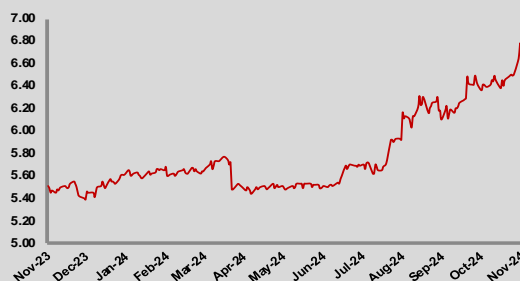
Forecasts. Post results, we tweak our FY25F earnings by -2% following the incorporation of FY24's numbers into our model. Meanwhile, we introduce our FY26F numbers. We highlight that our ROE progression for the group appears wanting, but this is due to our conservative earnings growth trajectory for the group, given past tendencies to moderate their targets.

Maintain OUTPERFORM with a higher TP of RM7.80 (from RM7.55), as we roll over our valuation base year to FY26F BVPS of RM7.96/share. This is against an unchanged GGM-derived PBV of 0.98x (COE: 10.2%, TG: 3.0%, ROE: 10.0%). RHBBANK's dividend yield proposition (6%-7%) remains to be one of the highest among its peers, with its hefty CET-1 portfolio (c.16%) providing a good safety net should earnings disappoint. The stock will still likely be monitored closely as a proxy of Boost Bank's deliveries. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

OUTPERFORM ↔

Price : RM6.76
Target Price : RM7.80 ↑

Share Price Performance



KLCI	1,594.29
YTD KLCI chg	9.6%
YTD stock price chg	24.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	RHBBANK MK Equity
Market Cap (RM m)	29,470.1
Shares Outstanding	4,359.5
52-week range (H)	6.78
52-week range (L)	5.39
3-mth avg. daily vol.	8,371,079
Free Float	81%
Beta	0.8

Major Shareholders

Employees Provident Fund	39.0%
OSK Holdings Bhd	10.3%
Amanah Saham Nasional	6.7%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Net interest Income	6,045	6,463	6,804
Non-interest Income	2,560	2,480	2,585
Total Income	8,605	8,944	9,389
Operating Expenses	-4,021	-4,223	-4,434
Loan Impairment	-525	-418	-439
Pre-tax Profit	4,020	4,276	4,490
Net Profit	3,120	3,197	3,357
Core Net Profit	3,120	3,197	3,357
Consensus NP	-	3,157	3,157
Earnings Revision	-	-2.3%	NEW
Core EPS (RM)	0.72	0.74	0.77
EPS Growth	10.3	2.5	5.0
NDPS (RM)	0.43	0.45	0.47
BV/Share (RM)	7.50	7.72	7.96
NTA/Share (RM)	6.7	6.9	7.2
ROE (%)	9.8	9.7	9.9
PER (x)	9.4	9.2	8.7
P/BV (x)	0.90	0.88	0.85
Net Div. Yield (%)	6.4	6.6	7.0

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Risks to our call include: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) slowdown in capital market activities, (v) unfavourable currency fluctuations, and (vi) changes to OPR.

Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY24	FY24	Chg	FY23	Chg	FY24	FY23	Chg
Net interest income	1,469	1,494	-1.7%	1,344	9.3%	5,790	5,450	6.2%
Non-interest income	742	700	5.9%	680	9.1%	2,815	2,320	21.3%
Total income	2,211	2,194	0.8%	2,024	9.2%	8,605	7,770	10.7%
Operating expenses	-1,079	-997	8.2%	-981	10.0%	-4,021	-3,689	9.0%
Pre-impairment profit	1,132	1,197	-5.5%	1,043	8.5%	4,583	4,081	12.3%
(Allowances)/ write-backs	-65	-100	-35.0%	-237	-72.7%	-525	-356	47.5%
(Allowances)/ write-backs on other assets	-9	-2	358.8%	7	-230.0%	-10	54	-119.1%
Operating profit	1,058	1,096	-3.4%	813	30.2%	4,048	3,780	7.1%
Non-operating gains / (losses)	-9	-7	22.9%	-7	25.6%	-26	-26	-0.3%
Profit before tax	1,049	1,088	-3.6%	806	30.2%	4,022	3,753	7.2%
Taxation	-212	-254	-16.7%	-218	-3.1%	-896	-943	-5.0%
Minority interest	-1	-1	10.7%	-1	-14.1%	-4	-4	-8.6%
Net Profit	835	833	0.2%	586	42.4%	3,120	2,806	11.2%
Core Net Profit	835	833	0.2%	586	42.4%	3,120	2,806	11.2%
Gross loans	237,758	227,520	4.5%	222,416	6.9%	237,758	222,416	6.9%
Gross impaired loans	3,487	4,022	-13.3%	3,879	-10.1%	3,487	3,879	-10.1%
Customer deposits	249,565	238,317	4.7%	245,083	1.8%	249,565	245,083	1.8%
Current and savings account (CASA)	68,857	66,769	3.1%	68,423	0.6%	68,857	68,423	0.6%
Total assets	349,915	337,885	3.6%	328,692	6.5%	349,915	328,692	6.5%
Shareholders' equity	32,492	31,724	2.4%	30,875	5.2%	32,492	30,875	5.2%
Est. annualised NIM	1.84%	1.91%		1.77%		1.86%	1.82%	
Cost-to-income ratio	48.8%	45.4%		48.5%		46.7%	47.5%	
Annualised credit cost (bps)	11.1	17.5		42.9		22.8	16.4	
Effective tax rate	20.2%	23.3%		27.1%		22.3%	25.1%	
Annualised ROA	1.0%	1.0%		0.7%		0.9%	0.9%	
Annualised ROE	10.4%	10.5%		7.7%		9.8%	9.4%	
Gross impaired loans ratio	1.47%	1.77%		1.74%		1.47%	1.74%	
Loan loss coverage ratio (LLC)	78.6%	70.6%		71.7%		78.6%	71.7%	
LLC plus regulatory reserves	127.0%	115.6%		117.6%		127.0%	117.6%	
Loan-to-deposit ratio	95.0%	95.8%		91.4%		95.0%	91.4%	
CASA-to-deposit ratio	27.6%	28.0%		27.9%		27.6%	27.9%	
CET-1 capital (Group level)	16.4%	16.6%		16.7%		16.4%	16.7%	

Source: Company, Kenanga Research

Management Guidance

	Progress27 Targets	FY25 Targets	FY24 Performance
Credit cost		15-20 bps	22 bps
NIM		1.86-1.90%	1.86%
Return on equity	>12%	10.4-10.8%	10.0%
			(adjusting for dividends)
Loans Growth		6.0-7.0%	6.9%
CASA composition		28-29%	27.6%
GIL ratio	<1.3%	1.40-1.50%	1.47%
CIR ratio	<44.8%	<47.5%	46.7%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.90	2.40	-17.2%	6,961	N	12/2025	25.6	27.4	20.5%	7.2%	11.3	10.6	0.6	5.2%	10.0	3.4%
ALLIANCE BANK MALAYSIA BHD	MP	5.32	5.35	0.6%	8,236	N	03/2025	48.3	53.2	8.3%	10.0%	11.0	10.0	1.1	10.2%	25.0	4.7%
AMMB HOLDINGS BHD	OP	5.70	6.80	19.3%	18,849	N	03/2025	58.0	64.7	23.3%	11.4%	9.8	8.8	0.9	9.8%	29.0	5.1%
BANK ISLAM MALAYSIA BHD	UP	2.51	2.30	-8.4%	5,689	Y	12/2024	23.1	28.1	-5.2%	21.6%	10.8	8.9	0.8	7.0%	16.5	6.6%
CIMB GROUP HOLDINGS BHD	MP	8.22	7.60	-7.5%	88,217	N	12/2024	70.8	74.1	8.1%	4.7%	11.6	11.1	1.2	10.8%	49.0	6.0%
HONG LEONG BANK BHD	OP	21.30	27.40	28.6%	46,172	N	06/2025	215.3	221.6	5.2%	2.9%	9.9	9.6	1.1	11.4%	71.0	3.3%
MALAYAN BANKING BHD	OP	10.66	12.00	12.6%	128,634	N	12/2025	88.5	92.6	5.8%	4.6%	12.0	11.5	1.3	11.1%	65.0	6.1%
MBSB BHD	UP	0.720	0.620	-13.9%	5,920	Y	12/2024	7.6	7.8	34.6%	2.3%	9.4	9.2	0.5	5.5%	3.5	4.9%
PUBLIC BANK BHD	OP	4.49	5.25	16.9%	87,154	N	12/2025	38.3	39.6	3.9%	3.5%	11.7	11.3	1.5	12.7%	23.0	5.1%
RHB BANK BHD	OP	6.76	7.80	15.4%	29,470	N	12/2025	73.8	77.5	2.5%	5.0%	9.2	8.7	0.9	9.7%	44.5	6.6%
SECTOR AGGREGATE					425,303					6.7%	4.9%	11.3	10.8	1.2	10.5%		5.2%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★		
	Financial Inclusion	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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