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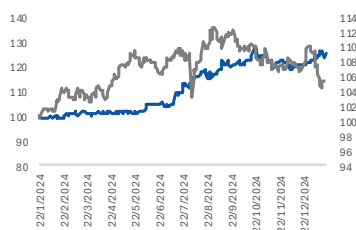
Current Price:	RM 6.76
Previous Target Price:	RM 6.92
Target Price:	↑ RM 7.25
Capital Upside/Downside:	7.2%
Dividend Yield (%):	6.5%
Total Upside/Downside:	14.8%

Stock information

Board	MAIN
Sector	Financial Services
Bursa / Bloomberg Code	066 / RHHBANK MK
Syariah Compliant	No
ESGRating	★★★★
Shares issued (m)	4,359.5
Market Cap (RM' m)	29,470.1
52-Week Price Range (RM)	6.83-5.44
Beta (x)	0.7
Free float (%)	80.8
3M Average Volume (m)	5.4
3M Average Value (RM' m)	35.3

Top 3 Shareholders (%)

Employees Provident Fund Board	39.3
Osk Holdings Bhd	10.3
Amanah Saham Nasional Bhd	6.7

Share Price Performance

	1M	3M	12M
Absolute (%)	6.0	-0.3	19.0
Relative (%)	4.1	0.8	16.9

RHB Bank Bhd**4QFY24 results: Solid Improvement in Corporate GILs****Executive Summary**

- RHB's 4QFY24 core net profit jumped +43% yoy and remained flattish qoq to RM836m, bringing FY24 core net profit at RM3.12bn, which was deemed above our expectations but within consensus expectations, accounting for 107% and 104% of ours and consensus expectations, respectively.
- Management's tone: Optimistic.
- Re-iterate our HOLD recommendation with a higher target price of RM7.25, based on FY25F GGM-PBV of 0.91x.

Results within expectations. FY24 core net profit at RM3.12bn (+11% yoy) came above our expectations but within consensus expectations, accounting for 107% of our core net profit forecast at RM2.92bn and was at 104% of consensus forecasted net profit of RM3.01bn.

YoY. 4QFY24 core net profit jumped +43% yoy to RM836m, driven by improved NII, NOII and provisioning, which offset higher OPEX charges. FY24 core net profit increased by +11% yoy to RM3.12bn, driven by stronger NII and NOII offsetting higher OPEX and provisioning.

QoQ. 4QFY24 core net profit remained flattish qoq, as higher NOII, and lower provisioning and tax charges offset weaker NII and OPEX results.

Outlook. Management seems optimistic on asset quality outlook: Two large reclassifications have helped push overall GIL ratio down by -30bps qoq to 1.47%. The corporate GIL ratio has reduced from 2.07% to 0.65%. Promisingly, RHB's LLC is up to 78.6%, far healthier than the previous ~70% range. Going forward, management guides for further recoveries and. Group mentions that Thailand and Cambodia asset quality issues haven't quite been resolved yet – though it is panning out within expectations. The Group also cites that building a suitable asset base is a necessity in paring down on their high CET 1 ratio.

Earnings Revision. We increase our FY25F and FY26F earnings by +4.1% and +2.3% respectively to account for higher loan growth and lower NCC.

Valuation. Re-iterate our **HOLD** recommendation on RHB with a higher target price of **RM7.25**, based on an FY25F P/BV of 0.91x GGM-PBV valuation and 1% ESG factored premium based on 4-star ESG rating. The increase in target price is due to higher earnings expectations as well as our newly-added ESG premium.

Risks. (1) Weaker-than-expected loan growth, (2) Further NIM compression, (3) Higher-than-expected NCC performance.

Earnings Summary

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Core NP (RM m)	2,806	3,122	3,233	3,295	3,439
CNP growth (%)	4.8	11.3	3.6	1.9	4.4
Div yield (%)	6.1	6.6	6.8	6.8	7.0
Gross DPS (sen)	40	43	44	44	46
P/BV (x)	0.9	0.9	0.8	0.8	0.8
BVPS (RM)	7.2	7.6	7.9	8.2	8.5
ROE (%)	9.4	9.9	9.8	9.6	9.6

Source: Company, Apex Securities

Results Note

Friday, 28 Feb, 2025

Quarterly Results

FYE Dec (RM m)	4Q FY24	4Q FY23	Yoy (%)	3Q FY24	Qoq (%)	FY23	FY24	Yoy (%)
Net interest inc.	957	867	10	997	-4	3,560	3,869	9
Islamic banking inc.	856	534	60	143	499	2,366	2,176	-8
Non-interest inc.	398	623	-36	1,054	-62	1,844	2,560	39
Net income	2,211	2,024	9	2,194	1	7,770	8,605	11
OPEX	(1,079)	(981)	10	(997)	8	(3,689)	(4,021)	9
PPOP	1,132	1,043	9	1,197	-5	4,081	4,583	12
Loan provisions	(65)	(237)	-73	(100)	-35	(356)	(525)	48
Other provisions	(9)	7	-230	(2)	359	54	(10)	-119
JV & Associates	(9)	(7)	n.m.	(7)	n.m.	(26)	(26)	n.m.
PBT	1,049	806	30	1,088	-4	3,753	4,022	7
Tax	(212)	(218)	-3	(254)	-17	(943)	(896)	-5
NCI	(1)	(1)	n.m.	(1)	n.m.	(4)	(4)	n.m.
Reported NP	836	586	43	833	0	2,806	3,122	11
Core NP	836	586	43	833	0	2,806	3,122	11
Total NII	1,469	1,344	9	1,494	-2	5,451	5,790	6
Total NOII	742	680	9	700	6	2,320	2,815	21
Gross DPS (sen)	28.0	25.0	n.m.	-	n.m.	40.0	43.0	n.m.
Core EPS (sen)	19.2	13.7	41	19.1	1	65.5	71.8	10
Gross loans	237,758	222,416	6.9	227,520	4.5			
Gross impaired loans	3,487	3,879	-10.1	4,022	-13.3			
Customer deposits	249,565	245,083	1.8	238,317	4.7			
CASA	68,857	68,423	0.6	66,769	3.1			
Ratios (%)	4Q FY24	4Q FY23	Yoy (ppts)	3Q FY24	Qoq (ppts)	FY23	FY24	Yoy (ppts)
ROE (Ann.)	10.3	7.6	2.7	10.5	-0.2	9.1	9.6	0.5
NIM (Reported)	1.84	1.77	0.07	1.91	-0.07	1.82	1.86	0.04
NOII/Net income	33.6	33.6	-0.1	31.9	1.6	29.9	32.7	2.9
Cost/Income	48.8	48.5	0.3	45.4	3.4	47.5	46.7	-0.7
NCC (Ann.) (bps)	11	44	-32	18	-7	16	23	6
GIL ratio	1.47	1.74	-0.28	1.77	-0.30			
Loan loss coverage	79	72	7	71	8			
CASA ratio	27.6	27.9	-0.3	28.0	-0.4			
L/D ratio	94.2	89.6	4.6	94.3	-0.1			
CET-1	16.4	16.7	-0.2	16.6	-0.2			

Financial Highlights

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	3,560	3,869	4,120	4,378	4,580
Islamic banking inc.	2,366	2,176	2,085	2,215	2,318
Other operating inc.	1,844	2,560	2,772	2,588	2,696
Net income	7,770	8,605	8,976	9,181	9,594
OPEX	(3,689)	(4,021)	(4,219)	(4,315)	(4,509)
PPOP	4,081	4,583	4,757	4,866	5,085
Loan allowances	(356)	(525)	(442)	(469)	(498)
Other allowances	54	(10)	28	28	28
JV & Associates	(26)	(26)	(80)	(80)	(80)
PBT	3,753	4,022	4,263	4,344	4,535
Tax & zakat	(943)	(896)	(1,023)	(1,043)	(1,088)
NCI	(4)	(4)	(6)	(7)	(7)
Others	-	-	-	-	-
Reported NP	2,806	3,122	3,233	3,295	3,439
Core NP	2,806	3,122	3,233	3,295	3,439
Total NII	5,451	5,790	6,058	6,438	6,736
Total NOII	2,320	2,815	2,918	2,743	2,858

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	15,034	12,363	16,140	16,748	17,661
Investment securities	79,910	87,589	87,988	88,415	88,872
Net loans	219,563	234,968	249,394	264,704	280,420
Other IEAs	0	0	0	0	0
Non-IEAs	14,185	14,995	18,624	19,192	20,791
Total assets	328,692	349,915	372,145	389,059	407,743
Customer deposits	245,083	249,565	265,787	281,734	298,639
Other IBLs	44,300	56,819	58,233	59,829	61,621
Non-IBLs	8,398	10,999	14,290	12,324	10,918
Total liabilities	297,781	317,383	338,309	353,887	371,178
Share capital	8,330	8,687	8,687	8,687	8,687
Reserves	22,546	23,805	25,115	26,450	27,842
Shareholders' funds	30,877	32,492	33,802	35,137	36,529
NCI	34	39	34	35	37
Total equity	30,911	32,531	33,836	35,172	36,566
Total L&E	328,692	349,915	372,145	389,059	407,743
Total IEAs	314,507	334,919	353,522	369,867	386,953
Total IBLs	289,383	306,384	324,020	341,563	360,260
Gross loans	222,416	237,758	253,212	268,405	284,509
CASA	68,423	68,857	74,952	78,886	83,619

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	1.78	1.73	1.76	1.78	1.78
Return on IEAs	3.10	3.12	2.19	2.16	2.12
Cost of funds	2.10	2.10	1.09	1.03	0.98
Net interest spread	1.00	1.02	1.11	1.13	1.14
Profitability (%)					
ROE	9.4	9.9	9.8	9.6	9.6
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	29.9	32.7	32.5	29.9	29.8
Effective tax rate	25.1	22.3	24.0	24.0	24.0
Cost/Income	47.5	46.7	47.0	47.0	47.0
Liquidity (%)					
Loan/Deposit	89.6	94.2	93.8	94.0	93.9
CASA ratio	27.9	27.6	28.2	28.0	28.0
Asset Quality (%)					
GIL ratio	1.74	1.47	1.86	1.70	1.67
LLC ratio	72	79	80	80	85
LLC (w. reserves)	118	127	100	101	105
Net CC (bps)	16	22	18	18	18
Capital (%)					
CET 1	16.7	16.4	15.3	15.0	15.0
Tier 1 capital	16.7	16.4	15.3	15.0	15.0
Total capital	19.4	19.0	18.0	17.7	17.7
Growth (%)					
Total NII	-14.6	6.2	4.6	6.3	4.6
Total NOII	30.3	21.3	3.6	-6.0	4.2
Net income	-4.8	10.7	4.3	2.3	4.5
OPEX	2.3	9.0	4.9	2.3	4.5
Core NP	4.8	11.3	3.6	1.9	4.4
Gross loans	4.8	6.9	6.5	6.0	6.0
Customer deposits	3.8	5.9	5.6	5.2	5.3
CASA	3.0	0.6	8.9	5.2	6.0
Valuation metrics					
Core EPS (sen)	65.5	72.9	75.5	77.0	80.3
Gross DPS (sen)	40.0	43.0	44.2	44.4	45.7
Div payout (%)	61	60	60	60	60
BVPS (RM)	7.2	7.6	7.9	8.2	8.5
Core P/E (x)	9.9	8.9	8.6	8.5	8.1
Div yield (%)	6.1	6.6	6.8	6.8	7.0
P/BV (x)	0.9	0.9	0.8	0.8	0.8

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Total Scope 1, 2 and 3 emissions fell by -3% yoy in FY23
Exposure to ESG-sensitive sectors	★★★★	2% of loan book
Energy	★★★★★	Energy consumption reduced from 40,758 MWh (FY22) to 38,631 MWh in FY23
Water	★★★★	Water consumption fell from 126,222m3 (FY22) to 115,76m3 in FY23
Compliance	★★★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★★★	In FY23, 60% of the workforce are women
Human Rights	★★★★★	Enforce and adopts Code of Ethics and Conduct
Net promoter score	★★	20 in FY23 (from 12 in FY22)
CSR Strategy	★★	RM5m invested in community engagement programmes

Governance

MD/CEO salary as % of reported net profit	★★★★	0.22% in FY23
Directors	★★★★	6/10 Independent Directors
Stakeholders	★★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.