

Banks

4Q24 Results Preview: Expecting QoQ Softness

- **OVERWEIGHT, Top Picks: AMMB, Alliance Bank Malaysia (ABMB), and CIMB.** 4Q24 core sector PBT could come in lower QoQ on seasonally lower NIM, and markets-related non-II, and higher opex – but in line with already prudent estimates. In upcoming briefings, we hope to hear if banks see room for further deposit rate cuts, impact of Basel III reforms on capital strategies/dividend policies, and plans for loan provision buffers.
- **Dec 2024 system statistics** – asset quality trend offers positive read-through with absolute GILs down 8% YoY (QoQ: -5%). System GIL ratio eased 0.2ppts YoY to 1.4% while LLC was 91.4%. Elsewhere, YoY loan growth moderated to 5.5% YoY (QoQ: +2%) but were still slightly above the 5.3% print recorded in 2023. System LDR moved higher (+2ppts YoY) and may stay elevated as regulatory liquidity ratios are still well above minimum levels. We highlight below our key expectations for the upcoming reporting season.
- **Sequential decline in operating income expected.** We think sector NII could be flattish-to-slightly-down QoQ – the decent loan growth could be offset by seasonal NIM pressure. Encouragingly, feedback suggests that deposit competition in 4Q24 was not as bad as in 2023, implying sequential NIMs compression could come in lower than 4Q23's 4bps drop. On non-II, we gathered that fees stayed resilient on healthy loan- and card-related fees and continued traction in wealth management offerings, but treasury income could come in sequentially lower off 3Q24's high base. 10-year Malaysian Government Securities or MGS yields were flattish during the quarter, save for some periods of volatility around the US election period. All in, we think 4Q24 operating income will likely come in lower QoQ on the above factors, but higher YoY (higher NIM base and loan growth, and stronger non-II).
- **Opex and credit costs under control.** On opex, we expect the usual seasonal impact in 4Q to kick in, coupled with potential catch-ups in spending for IT and special projects. There could also be increased marketing and one-off personnel-related expenses. Conversely, asset quality stability should help keep credit costs low, and there could even be scope for management overlay reversals by some banks: Malayan Banking (Maybank; MYR1.7bn) and Public Bank (MYR1.5bn) have the largest absolute stock of overlays remaining.
- **Dividends.** We expect the banks to largely stick to their respective dividend policies (Figure 3), but Hong Leong Bank's (HLB) dividend could surprise on the upside if it accelerates its plans to raise payouts. Maybank and Public Bank's dividends may surprise to the downside given a lower-than-expected 1H payout for the former and lumpy items for the latter. We estimate this could impact the 4Q dividend yield by a minor 20-30bps.
- **Upside/downside surprises?** i) A weaker MYR in 4Q24 may impact the translation of balance sheet items such as loans, deposits and GILs; ii) Maybank's optimism on NIM may see the group buck the broader sector NIM trend; iii) quantum of overlay reversals could lead to positive/negative credit cost surprises; iv) higher-than-expected opex could see earnings surprise to the downside; and v) dividends, as mentioned above.

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-25F	P/B (x) Dec-25F	ROAE (%) Dec-25F	Yield (%) Dec-25F
Affin	Sell	2.25	(20.5)	13.1	0.6	4.3	3.1
Alliance Bank Malaysia	Buy	5.50	4.0	10.5	1.0	9.8	3.8
AMMB	Buy	6.50	12.1	9.6	0.9	9.6	4.4
BIMB	Neutral	2.45	(0.4)	9.8	0.7	7.5	6.1
CIMB	Buy	9.25	10.1	10.9	1.2	11.5	5.1
Hong Leong Bank	Buy	26.60	30.4	9.2	1.0	11.4	3.8
Malayan Banking	Neutral	11.00	5.2	12.1	1.3	10.7	6.3
Public Bank	Neutral	4.80	7.9	11.7	1.4	12.4	5.0

Source: Company data, RHB

Overweight (Maintained)

Stocks Covered 8
Rating (Buy/Neutral/Sell): 4 / 3 / 1
Last 12m Earnings Revision Trend: Positive

Top Picks

AMMB (AMM MK) – BUY	MYR6.50
Alliance Bank Malaysia (ABMB MK) – BUY	MYR5.50
CIMB (CIMB MK) – BUY	MYR9.25

Target Price

Analysts

Nabil Thoo
+603 2302 8123
nabil.thoo@rhbgroupp.com



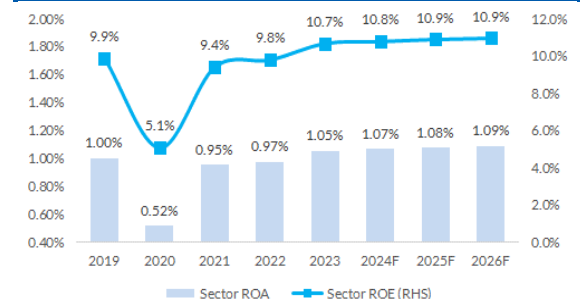
David Chong CFA
+603 2302 8106
david.chongvc@rhbgroupp.com



Wan Muhammad Ammar Affan
+603 2302 8103
ammaraffan@rhbgroupp.com



Sector ROA and ROE trends



Source: Company data, RHB

Figure 1: Banks under our coverage (MY Banks) 4Q24 and FY24 expected earnings direction – muted QoQ, higher YoY

	4Q24		CY24F	Comments
	QoQ	YoY	YoY	
NII	↔	↑	↑	QoQ likely impacted by seasonal deposit competition, cushioned by positive loan growth impacts.
<i>NIM (%)</i>	↓	↑	↓	QoQ NIM compression in 4Q24 likely not as severe as in 4Q23 (-4bps), but full-year NIM likely to come in lower YoY due to the high base in 1Q23.
Fee income	↔	↑	↑	YoY fees driven by stockbroking, advisory and deals, loan- and card-related fees, wealth management.
Other income	↓	↑	↑	4Q tends to be seasonally softer for trading, especially in December. MGS 10-year yields were also largely flattish during the quarter.
Non-II	↓	↑	↑	
Total operating income	↓	↑	↑	
Opex	↑	↑	↑	BAU YoY increase in spending, plus potential catch-ups in strategy-related expenses and some one-offs.
<i>CIR (%)</i>	↑	↔	↔	
Total impairment charges	↔	↓	↓	Stable asset quality should allow for lower provisions, though this could be offset by BAU provisions for new originations. 4Q23 impairment allowances includes lumpy one-off charges from AMMB, but excluding these, we still think sector credit costs should come in lower YoY.
<i>Credit cost (bps)</i>	↔	↓	↓	
Associates & others	↓	↓	↑	HLB's Bank of Chengdu (BOCD) associate likely to see QoQ NIM pressure arising from China's policy rate cuts. We also gathered that there was a natural dilution of HLB's stake in BOCD during the quarter
Pre-tax profit	↓	↑	↑	

Source: Company data, RHB

12 February 2025

Financial Services | Banks

Figure 2: 2024/FY25 guidance of MY Banks

	YoY loan growth (%)		NIM (%)		CIR (%)		Opex growth (%)		Credit costs (bps)		ROE (%)		Div payout (%)	
	9M24A	FY24F	9M24A	FY24F	9M24A	FY24F	9M24A	FY24F	9M24A	FY24F	9M24A	FY24F	1H24A	FY24F
Affin	9.9	8.0	1.46	1.40	74.6	74	17.8	6 – 8	(19)	5 – 10	4.4	5.0	n.a.	50
ABMB*	14.8	8-10	2.47	2.4 – 2.45	46.5	c. 48.0	11.8	Slower growth vs FY24	49	30 - 35	10.3	>10.0	40	40 – 50
AMMB*	2.8	3-6	1.93	1.96	44.6	c.44%	5	n.a.	20	c. 20	10.2	n.a.	34	>40
BIMB	1.7	3-4	2.15	>2.1	63.4	n/a	7.9	n.a.	23	<30	7.0	≥8	63	60
CIMB	4.3~	4-5~	2.21	2.22-2.27	45.9	<46.9	8.0	Mid-single digit	25	25-30	11.7	11-11.5	55 (75% including special DPS)	55
HLB^	6.9	6-7	1.92	1.85 – 1.95	39.1	c41	12	n.a.	2	<10	11.8	c. 12	n.a.	n.a.
Maybank	8	7-8	2.04	c. 2.05 (10bps NIM squeeze)	48.6	≤49	10	<10	26	≤30	11.1	11.0	70	DPS ≥ FY23: 60 sen (FY23 payout: 77%)
Public Bank	5.3	5-6	2.21 (+1bp vs FY23)	Stable	34.9	35.0	9	5-6	1	Low single digit	13.2	13	56.5	50-60

Note: *9M24A and FY24F refers to 1HFY25A and FY25F

Note 2: ^9M24A and FY24F refers to 1QFY25A and FY25F

Note 3: ~ Constant currency basis

Source: Company data, RHB

Figure 3: Dividend expectations for Feb 2025 reporting period

	FY23 DPS	FY23 payout	4Q24 DPS	FY24 DPS	FY24 payout	Comments
Affin	5.76 sen	33.6%	8.3 sen	8.3 sen	40.0%	We expect Affin to revert to its dividend policy of 40-60%. That said, we do not think its dividend reinvestment plan will be turned off.
BIMB	16.8 sen	66.4%	3.4 sen	14.4 sen	60.0%	Payout normalisation to historical trend of 60%.
CIMB	43 sen (includes 7 sen special DPS)	65.7%	20 sen	47 sen (includes 7 sen special DPS)	64.8%	Management had ruled out another round of special DPS for 4Q24.
HLB*	25 sen	24.2%	27 sen	27 sen	25.2%	Upside risk if management decides to raise its full-year payout earlier-than-expected (RHB FY25F payout forecast: 34%).
Maybank	60 sen	77.4%	34 sen	63 sen	76%	Downside risk. Full cash DPS expected but given the lower-than-expected payout of 70% in 1H24, there is a risk the full-year payout could be below our forecast.
Public Bank	19 sen	55.5%	10.7 sen	20.7 sen	56.6%	Downside risk if payout is based on reported PATMI due to goodwill impairment for its Hong Kong operations, but Public Bank can still meet our DPS forecast if payout is raised to top end of 50-60% guided range.

Note: *FY23, 4Q24 and FY24 for HLBK refers to 1HFY06/24/2QFY25/1HFY25

Source: Company data, RHB

Sector Earnings Forecasts

Sector earnings growth to moderate to 5-6% YoY in FY25-26

Figure 4: MY Banks – sector earnings and key forecasts and assumptions

(MYRm)	2022	2023	2024F	2025F	2026F
NII	60,736	58,323	61,293	64,096	66,807
NII growth (%)	8.4%	-4.0%	5.1%	4.6%	4.2%
Loan growth (%)	7.0%	7.4%	5.9%	5.6%	5.1%
NIM (%)	2.37%	2.12%	2.10%	2.09%	2.07%
Fee income	9,256	9,703	10,547	11,250	11,894
Other income	6,177	10,140	11,508	12,068	12,852
Non-II	15,433	19,843	22,054	23,319	24,746
Non-II growth (%)	-5.7%	28.6%	11.1%	5.7%	6.1%
Total operating income	76,169	78,167	83,347	87,414	91,553
Operating income growth (%)	5.2%	2.6%	6.6%	4.9%	4.7%
Non-II/Total income (%)	20.3%	25.4%	26.5%	26.7%	27.0%
Opex	(33,290)	(35,894)	(38,321)	(40,106)	(41,894)
Opex growth (%)	3.5%	7.8%	6.8%	4.7%	4.5%
CIR (%)	43.7%	45.9%	46.0%	45.9%	45.8%
PIOP	42,879	42,273	45,026	47,308	49,658
PIOP growth (%)	6.6%	-1.4%	6.5%	5.1%	5.0%
Loan impairment charges	(5,722)	(4,256)	(4,061)	(4,327)	(4,555)
Other impairment charges	(769)	(304)	(180)	(222)	(172)
Total impairment charges	(6,491)	(4,560)	(4,241)	(4,549)	(4,727)
Credit charge-off (bps)	32	22	20	20	20
GIL ratio (%)	1.63%	1.45%	1.36%	1.28%	1.23%
Loan loss coverage (%)	118.6%	113.8%	113.8%	114.1%	112.5%
Associates & others	1,546	1,959	2,279	2,555	2,866
Pre-tax profit	37,934	39,672	43,064	45,315	47,798
Taxation	(11,298)	(8,504)	(9,788)	(10,274)	(10,805)
Minority interests	(184)	(477)	(366)	(386)	(406)
Net profit	26,451	30,690	32,909	34,655	36,587
Net profit growth (%)	6.7%	16.0%	7.2%	5.3%	5.6%

Source: Company data, RHB

12 February 2025

Financial Services | Banks

Sector Valuation

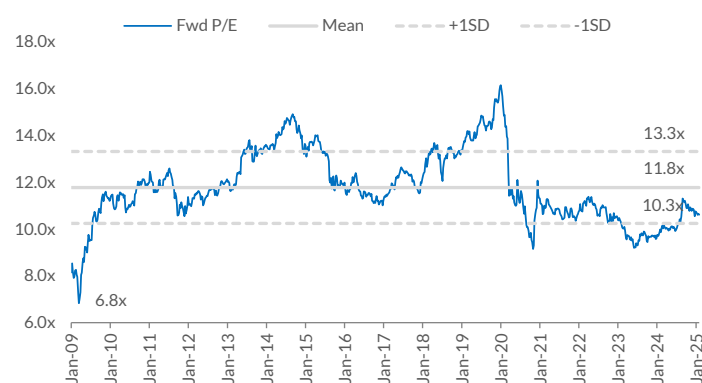
Figure 5: Summary of Malaysian banks' valuations

	Rec	Price (MYR/s)	TP (MYR/s)	Mkt cap (MYRm)	EPS chg (%)		P/E (x)		P/BV (x)		ROE (%)		Div yield (%)	
					FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
AMMB^	Buy	5.80	6.50	19,222	4.3	5.7	9.5	9.0	0.89	0.84	9.6	9.5	4.5	4.8
ABMB^	Buy	5.29	5.50	8,189	7.7	8.8	10.3	9.5	0.98	0.91	9.8	9.9	3.9	4.2
CIMB	Buy	8.40	9.25	89,587	6.8	5.5	10.9	10.3	1.21	1.15	11.5	11.5	5.1	5.4
HLB^	Buy	20.40	26.60	44,221	7.6	7.5	8.9	8.2	0.98	0.91	11.5	11.4	3.9	4.3
Maybank	Neutral	10.46	11.00	126,086	4.2	4.5	12.1	11.6	1.28	1.25	10.7	10.9	6.3	6.6
Public Bank	Neutral	4.45	4.80	86,378	3.9	4.6	11.7	11.2	1.41	1.34	12.4	12.3	5.0	5.3
BIMB	Neutral	2.46	2.45	5,302	5.3	7.5	9.8	9.1	0.71	0.67	7.5	7.6	6.1	6.6
Affin	Sell	2.83	2.25	5,499	4.7	17.6	12.8	10.9	0.55	0.53	4.4	5.0	3.1	3.7
Sector Avg					5.2	5.5	11.2	10.6	1.22	1.16	11.1	11.2	5.3	5.6

Note: ^FY25F-26F refers to FY26F-27F. MY Banks refer only to the banking stocks under our coverage

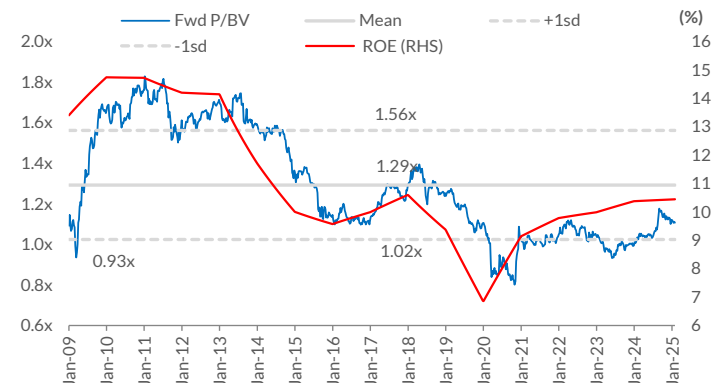
Source: Bloomberg, RHB

Figure 6: Malaysian banks' 12-month forward P/E



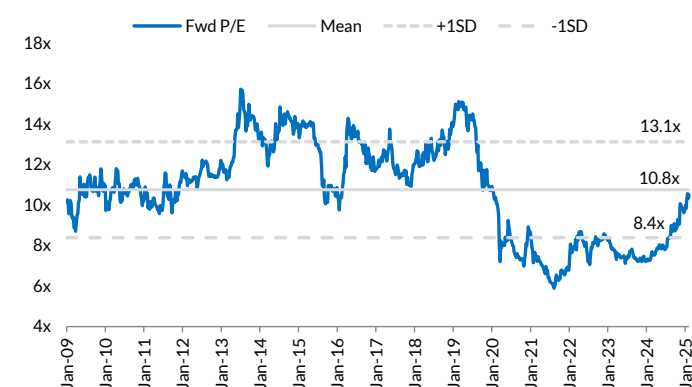
Source: Bloomberg, RHB

Figure 7: Malaysian banks' 12-month forward P/BV vs ROE



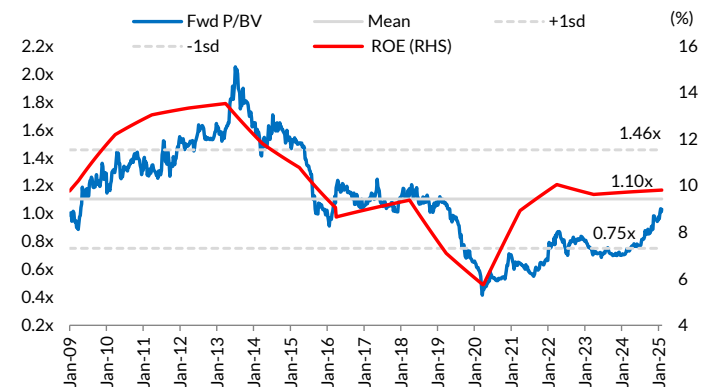
Source: Bloomberg, RHB

Figure 8: ABMB's 12-month forward P/E



Source: Bloomberg, RHB

Figure 9: ABMB's 12-month forward P/BV vs ROE

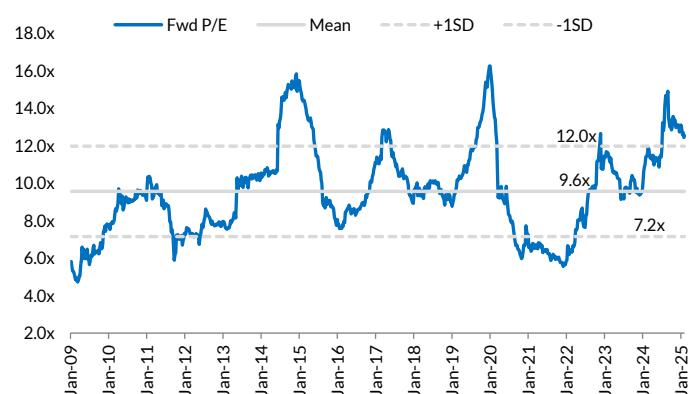


Source: Bloomberg, RHB

12 February 2025

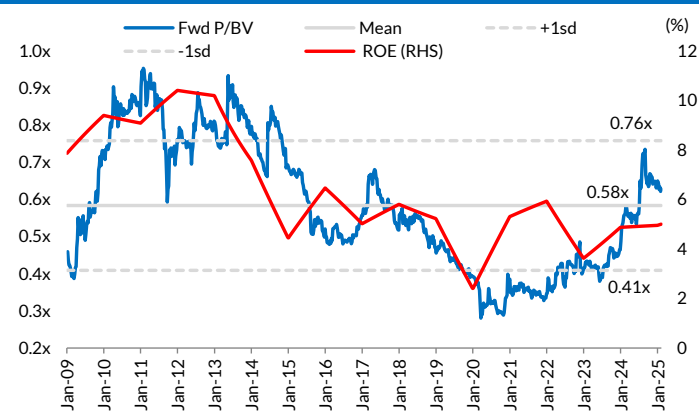
Financial Services | Banks

Figure 10: Affin's 12-month forward P/E



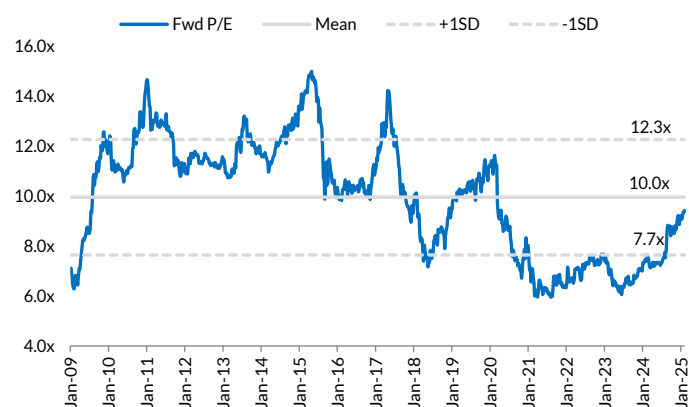
Source: Bloomberg, RHB

Figure 11: Affin's 12-month forward P/BV vs ROE



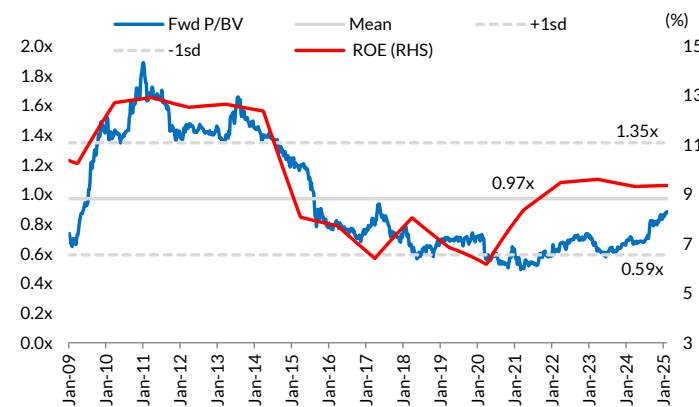
Source: Bloomberg, RHB

Figure 12: AMMB's 12-month forward P/E



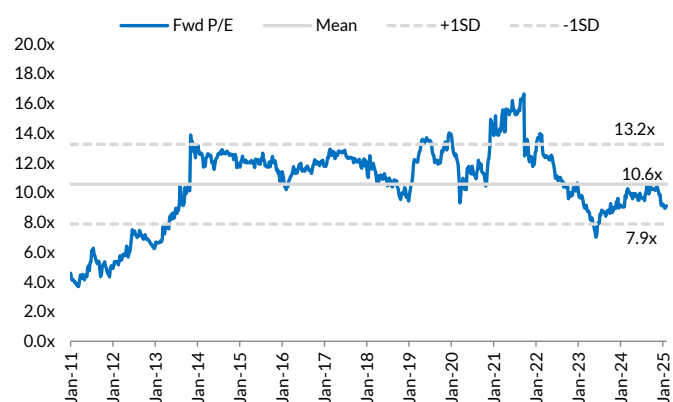
Source: Bloomberg, RHB

Figure 13: AMMB's 12-month forward P/BV vs ROE



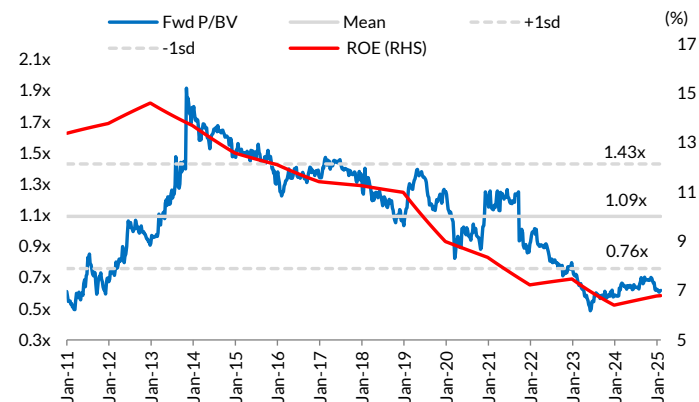
Source: Bloomberg, RHB

Figure 14: BIMB's 12-month forward P/E



Source: Bloomberg, RHB

Figure 15: BIMB's 12-month forward P/BV vs ROE

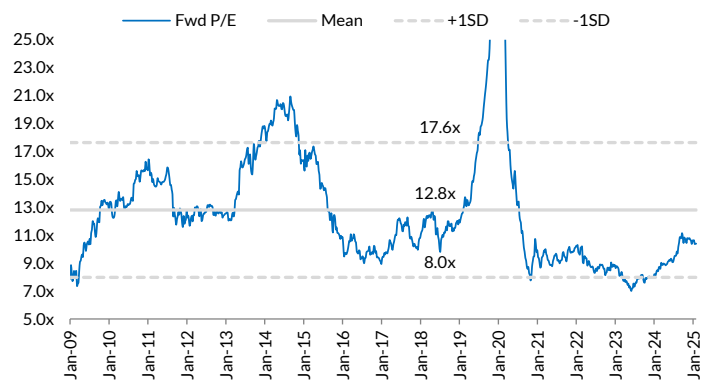


Source: Bloomberg, RHB

12 February 2025

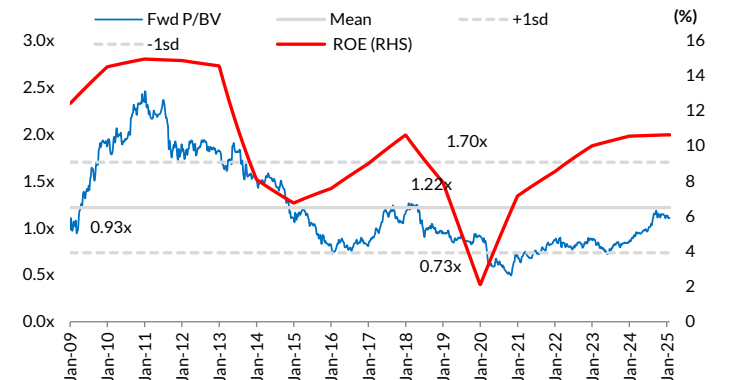
Financial Services | Banks

Figure 16: CIMB's 12-month forward P/E



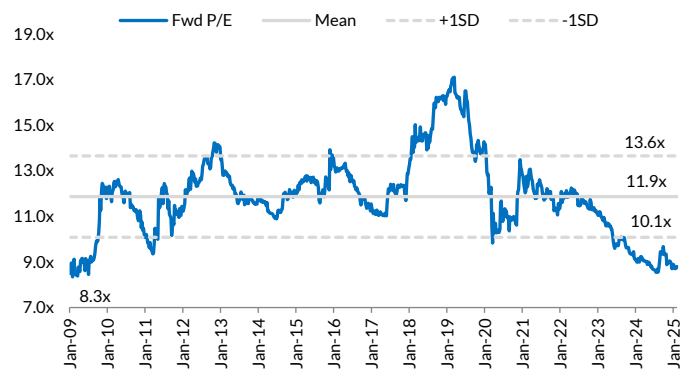
Source: Bloomberg, RHB

Figure 17: CIMB's 12-month forward P/BV vs ROE



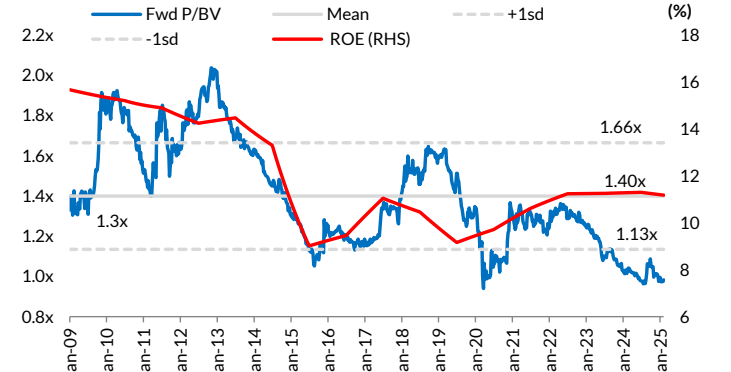
Source: Bloomberg, RHB

Figure 18: HLB's 12-month forward P/E



Source: Bloomberg, RHB

Figure 19: HLB's 12-month forward P/BV vs ROE

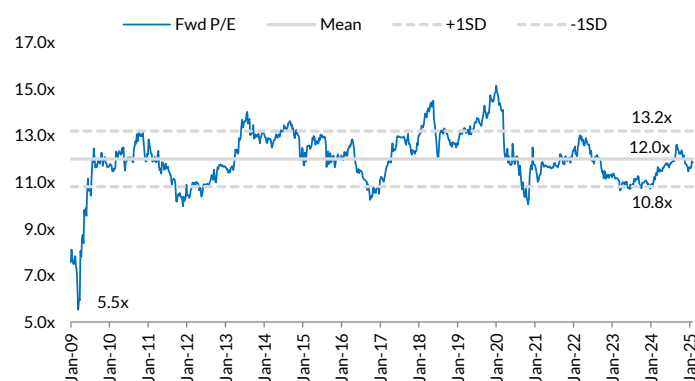


Source: Bloomberg, RHB

12 February 2025

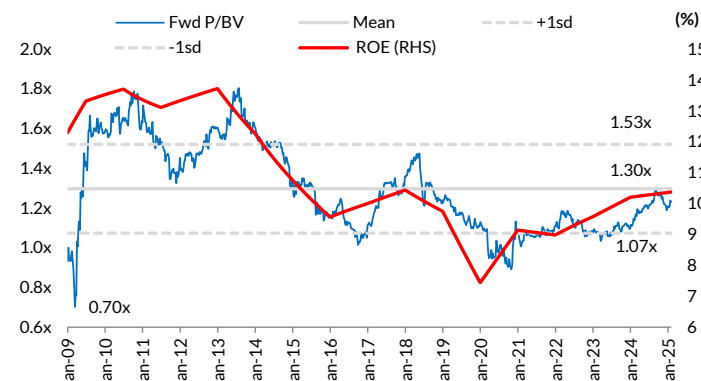
Financial Services | Banks

Figure 20: Maybank's 12-month forward P/E



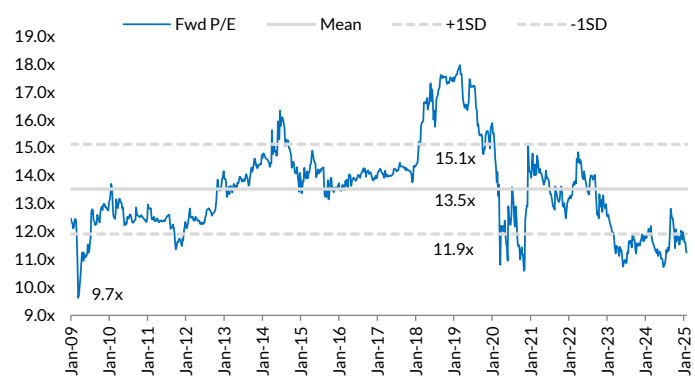
Source: Bloomberg, RHB

Figure 21: Maybank's 12-month forward P/BV vs ROE



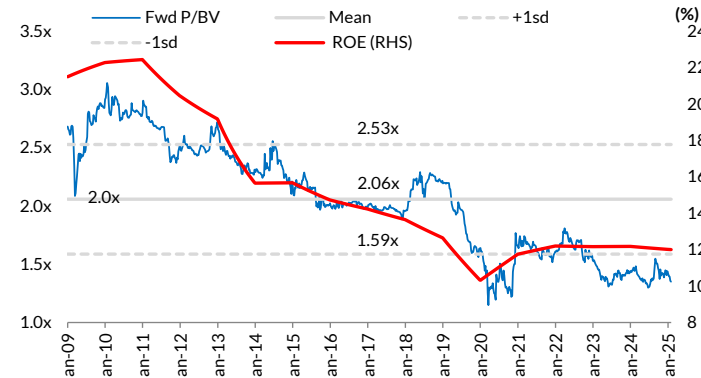
Source: Bloomberg, RHB

Figure 22: Public Bank's 12-month forward P/E



Source: Bloomberg, RHB

Figure 23: Public Bank's 12-month forward P/BV vs ROE



Source: Bloomberg, RHB

12 February 2025

Financial Services | Banks

Affin (ABANK MK)

Sell (Maintained)

Eyeing Another Decent Quarter

- **Maintain SELL and MYR2.25 TP, 20% downside, c.3% FY25F yield.** We expect Affin to post another decent set of results, which are expected to be announced on 28 Feb. Its key drivers, we think, would be non-II and negative credit costs, while NIM and opex are potential pressure points. We maintain our SELL call on valuation grounds, but believe the Sarawak growth theme could appeal to longer-term investors.
- **A decent quarter?** Our FY24F net profit of MYR487m (+21% YoY, in line with consensus) implies a 4Q24 net profit of MYR113m (almost threefold YoY, -23% QoQ). From a meeting with management, we gather that loan growth during the quarter remained robust, and could even surpass management's 8% YoY target for the year. On the other hand, the seasonal deposit competition should see 4Q24 NIM compress from the 9M24 level of 1.46%, but an influx of Sarawak-related CASA deposits could still allow the bank to come within its 1.40% target for the full year. Elsewhere, non-II is likely to come in strong, thanks to both fee (deal underwriting, advisory) and non-fee (liability management initiatives, treasury and markets) income.
- **A fourth consecutive quarter of net impairment write-backs is on the cards,** supported by benign asset quality and productive recoveries, particularly from the corporate segment. System asset quality data shows strong YoY and QoQ improvements in both household and non-household GILs, and we think Affin should experience a similar trend as well, while any pockets of vulnerability should remain manageable. However, opex could come in ahead of expectations, as Affin will also be incurring costs related to its early retirement scheme on top of seasonal effects. As such, we think the group could miss its 74% CIR target (9M24: 75%), but this should be cushioned by the abovementioned negative credit costs.
- **Dividends.** We expect Affin to announce its sole FY24 DPS of 8.3 sen (consensus: 8.0 sen), or a 40% payout ratio (FY23: 5.8 sen, 34% payout ratio) – this would mark a return to its dividend policy of 40-60%. That said, we do not expect Affin to turn off its dividend reinvestment plan, given the need to conserve capital for growth.
- **What are we watching out for?** Aside from guidance and outlook commentary for 2025, we expect to hear updates on Affin's Sarawak ventures, particularly on loan and deposit growth traction as well as boardroom changes related to the new substantial shareholder. We would also be on the lookout for opex guidance – particularly on whether there can be personnel and establishment cost savings in the medium term to provide a sustainable ROE uplift.
- **We trim FY24-26F earnings by 2%, but keep our TP at MYR2.25, which is inclusive of a 2% ESG discount.**

Target Price (Return): MYR2.25 (-20%)
 Price (Market Cap): MYR2.83 (USD1,520m)
 ESG score: 2.9 (out of 4)
 Avg Daily Turnover (MYR/USD) 2.15m/0.48m

Analysts

Nabil Thoo
 +603 2302 8123
nabil.thoo@rhbgroup.com

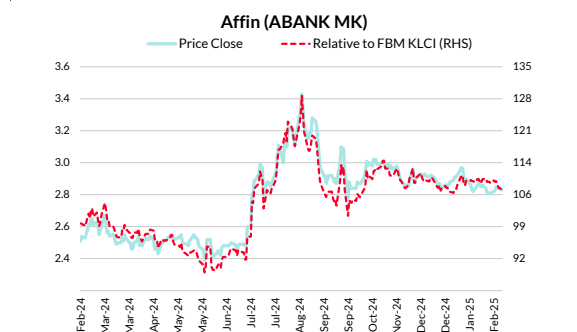


David Chong, CFA
 +603 2302 8106
david.chongvc@rhbgroup.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.8)	(2.4)	(4.4)	(12.1)	12.7
Relative	0.4	(1.6)	(2.5)	(11.7)	7.6
52-wk Price low/high (MYR)					2.39 – 3.43



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (MYRm)	1,179	402	487	508	599
Net profit growth (%)	210.0	(65.9)	21.2	4.2	17.9
Recurring net profit (MYRm)	432	402	487	508	599
Recurring EPS (MYR)	0.20	0.17	0.21	0.22	0.26
BVPS (MYR)	4.73	4.73	4.94	5.13	5.30
DPS (MYR)	0.12	0.06	0.08	0.09	0.10
Recurring P/E (x)	14.41	16.26	13.62	13.08	11.09
P/B (x)	0.60	0.60	0.57	0.55	0.53
Dividend Yield (%)	4.3	2.0	2.9	3.1	3.6
Return on average equity (%)	11.4	3.7	4.3	4.3	4.9

Source: Company data, RHB

Overall ESG Score: 2.9 (out of 4)

E Score: 2.0 (MODERATE)

S Score: 3.8 (EXCELLENT)

G Score: 3.8 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-21	Dec-22	Dec-23	Dec-24
Affin's total operational emissions decreased YoY in FY23, primarily as a result of its carbon-optimisation initiatives.	Scope 1	14	14	19	na
	Scope 2	14,301	17,075	15,771	na
	Scope 3	na	na	na	na
	Total emissions	14,315	17,089	15,790	na

Source: Company data, RHB

Latest ESG-Related Developments

Inclusion in ESG index: Affin was recently included in the FTSE4Good Bursa Malaysia Index, a global benchmark comprising companies with exemplary ESG performance.

Expanding EV financing infrastructure: Affin announced a partnership with Auto Bavaria to expand country-wide EV charging infrastructure, beginning with eight charging stations in Menara Affin, Tun Razak Exchange.

Solar panel financing for homeowners: Affin recently launched its Solar Financing-I product to assist homeowners with transitioning to solar powered electricity for domestic use, and the bank has also partnered with 14 solar panel providers under this initiative.

ESG Unbundled

Overall ESG Score: 2.9 (out of 4)

Last Updated: 12 Feb 2025

E Score: 2.0 (MODERATE)

Affin's total emissions declined YoY in FY23, although it is still lacking Scope 3 operational and financed emissions disclosures. Its sustainable financing targets, however, are ambitious, ie a long-term target for 25% of its loan portfolio to come from sustainable facilities by FY28.

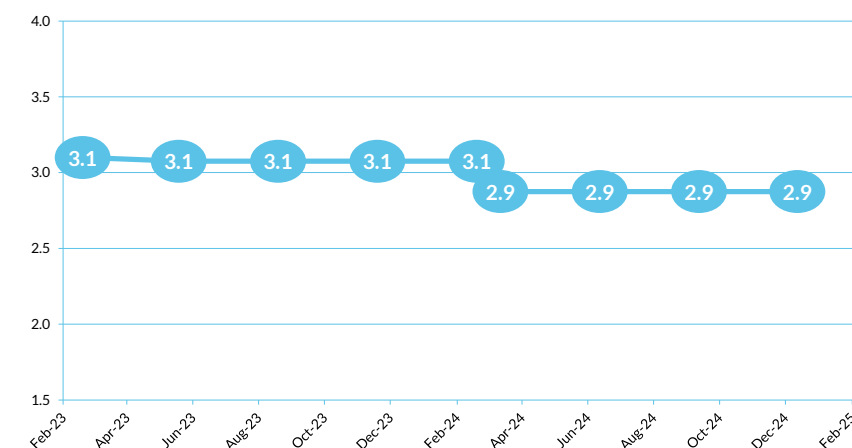
S Score: 3.8 (EXCELLENT)

Financial inclusion initiatives include the BizDana/BizDana-I Start-Up financing scheme in collaboration with the Credit Guarantee Corp. The bank is also fairly diverse (50-60% of employees are women), and employees receive a decent 59 hours of training pa on average.

G Score: 3.8 (EXCELLENT)

We do not note any material involvement from the bank in major corruption, money-laundering or terrorism financing cases over the past 10 years. Additionally, board members and senior management are subject to ESG-linked key performance indicators.

ESG Rating History



Source: RHB

12 February 2025

Financial Services | Banks

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	EPS	0.54	0.17	0.21	0.22	0.26
Financial Services	Recurring EPS	0.20	0.17	0.21	0.22	0.26
Affin	DPS	0.12	0.06	0.08	0.09	0.10
ABANK MK	BVPS	4.73	4.73	4.94	5.13	5.30
Sell						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Our GGM assumptions are:	Recurring P/E (x)	14.41	16.26	13.62	13.08	11.09
i. COE of 9.1%;	P/B (x)	0.6	0.6	0.6	0.6	0.5
ii. ROE assumption of 6.0%;	Dividend Yield (%)	4.3	2.0	2.9	3.1	3.6
iii. 3.5% long-term growth.						
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Our FY24F earnings are most sensitive to changes in:	Interest income	3,400	4,387	4,729	4,922	5,338
i. NIM;	Interest expense	(1,690)	(3,008)	(3,266)	(3,242)	(3,456)
ii. Credit costs;	Net interest income	1,711	1,379	1,462	1,680	1,883
iii. Non-II.	Non interest income	344	607	664	681	717
	Total operating income	2,055	1,986	2,127	2,361	2,599
	Overheads	(1,317)	(1,421)	(1,601)	(1,679)	(1,770)
	Pre-provision operating profit	738	565	526	681	829
	Loan impairment allowances	(439)	(75)	85	(61)	(100)
	Other impairment allowances	(69)	(3)	(10)	(2)	(2)
	Income from associates	9	36	40	50	60
	Other exceptional items	1,125				
	Pre-tax profit	1,365	523	641	668	788
	Taxation	(161)	(121)	(154)	(160)	(189)
	Minority interests	(25)	-	-	-	-
	Reported net profit	1,179	402	487	508	599
	Recurring net profit	432	402	487	508	599
Key risks	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Upside risks include:	Return on average assets (%)	1.4	0.4	0.5	0.5	0.5
i. Sharper-than-expected NIM expansion;	Return on average equity (%)	11.4	3.7	4.3	4.3	4.9
ii. Lower-than-expected credit costs;	Return on IEAs (%)	4.3	4.8	4.9	4.9	5.0
iii. Stronger-than-expected non-II.	Cost of funds (%)	2.4	3.6	3.6	3.6	3.6
	Net interest spread (%)	1.9	1.2	1.2	1.3	1.3
	Net interest margin (%)	2.1	1.5	1.5	1.7	1.8
	Non-interest income / total income (%)	16.7	30.6	31.2	28.8	27.6
	Cost to income ratio (%)	64.1	71.6	75.3	71.1	68.1
	Credit cost (bps)	80.7	12.2	(13.0)	8.7	12.9
Company Profile	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Affin's principal activities are: Commercial banking and hire purchase, Islamic banking, investment banking and stock-broking, and money-broking. The group is also involved in life and general insurance via its jointly controlled entity/associate.	Total gross loans	58,105	65,225	66,316	74,311	80,212
	Other interest earning assets	26,881	34,193	28,965	29,793	30,650
	Total gross IEAs	84,985	99,418	95,281	104,104	110,862
	Total provisions	(1,411)	(1,438)	(1,387)	(1,517)	(1,682)
	Net loans to customers	56,694	63,787	64,928	72,795	78,530
	Total net IEAs	83,575	97,980	93,894	102,587	109,179
	Total non-IEAs	6,676	7,268	7,132	3,947	3,115
	Total assets	90,251	105,248	101,025	106,534	112,295
	Customer deposits	64,995	70,834	75,084	79,589	84,365
	Other interest-bearing liabilities	11,817	21,288	12,248	12,734	13,254
	Total IBLs	76,812	92,122	87,332	92,323	97,618
	Total non-IBLs	2,688	2,017	2,101	2,172	2,245
	Total liabilities	79,500	94,139	89,433	94,495	99,863
	Share capital	5,245	5,371	5,505	5,643	5,643
	Shareholders' equity	10,751	11,109	11,592	12,039	12,431
	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Reported NPLs / gross cust loans (%)	2.0	1.9	1.9	1.9	1.8
	Total provisions / reported NPLs (%)	120.5	113.6	107.9	108.1	114.1

Source: Company data, RHB

Figure 1: Affin – management guidance and financial targets for FY24

FYE Dec	FY23 actual	FY24F targets	9M24 achieved	Comments
Reported ROE	3.7%	5.0%	4.4%	
NIM*	1.44%	1.40%	1.46%	The NIM target implies some compression in 4Q24 – which is fair, given the
CIR	71.6%	74.0%	74.6%	YoY opex growth of 18% is ahead of the 6-8% guidance provided earlier in
Loans growth	12.3%	8.0%	9.9%	Feedback from management suggests that loan growth in 4Q24 remained
GIL	1.90%	1.90%	1.74%	

Note: *Based on reported figures

Source: Company data, RHB

Earnings forecasts

We trim our FY24-26F estimates by 2%, after imputing:

- Higher opex assumptions, partly to factor in expansion costs along with some costs related to Affin's early retirement scheme;
- A higher negative credit cost assumption for FY24, given that 4Q24 should still see a net write-back in impairment allowances; and
- The adjustments to FY25-26F estimates reflect the follow-through effects of the above.

Figure 2: Affin – revisions to forecasts

FYE Dec	Previous FY24F	Previous FY25F	Previous FY26F	Revised FY24F	Revised FY25F	Revised FY26F	% Change FY24F	% Change FY25F	% Change FY26F
(MYRm)									
Net interest income	1,462	1,679	1,882	1,462	1,680	1,883	0.0%	0.1%	0.1%
Non-interest income	664	681	717	664	681	717	0.0%	0.0%	0.0%
Operating expenses	(1,569)	(1,664)	(1,753)	(1,601)	(1,679)	(1,770)	2.0%	0.9%	0.9%
PIOP	557	696	845	526	681	829	-5.6%	-2.1%	-1.8%
Impairment charges	55	(63)	(102)	75	(63)	(102)	36.5%	0.0%	0.0%
Pretax profit	652	683	803	641	668	788	-1.7%	-2.1%	-1.9%
Net profit	496	519	610	487	508	599	-1.7%	-2.1%	-1.9%
EPS (MYR)	0.21	0.22	0.26	0.21	0.22	0.26			
DPS (MYR)	0.08	0.09	0.10	0.08	0.09	0.10			
Loan growth (%)	8.0	12.0	8.0	8.0	12.0	8.0			
NIM (%)	1.50	1.68	1.75	1.50	1.69	1.75			
CIR (%)	73.8	70.5	67.5	75.3	71.1	68.1			
Credit cost (bps)	(10)	9	13	(13)	9	13			

Source: Company data, RHB

12 February 2025

Financial Services | Banks

Valuation and TP

We maintain our MYR2.25 TP, which is based on a GGM-derived P/BV of 0.45x – near the 5-year mean of the stock, and a level we consider fair against its sector-low ROE of 4-5%. Our TP includes an unchanged 2% ESG discount. Despite our minor earnings downgrades, we make no changes to our GGM inputs.

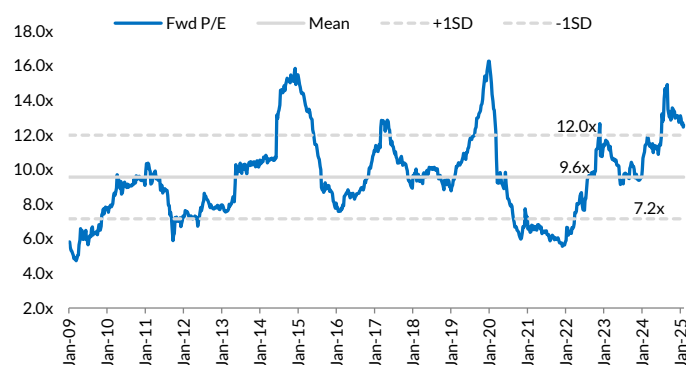
Our unchanged SELL call on Affin is based on valuation grounds – at its current 0.6x P/BV, we think the counter is potentially overvalued vis-à-vis its near-term earnings prospects. However, Affin's Sarawak theme could appeal to longer-term investors.

Figure 3: Affin – GGM valuation with ESG overlay

Cost of equity (COE) computation:		Sustainable ROE (%)	6.0
Risk free rate (%)	4.0	COE (%)	9.1
Equity premium (%)	5.1	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	0.45
Cost of equity - CAPM (%)	9.1	BVPS – FY25F	MYR5.13
		Intrinsic value	MYR2.31
ESG premium/(discount) (%)	(2.0)	ESG premium/(discount)	(MYR0.05)
		TP (rounded)	MYR2.25

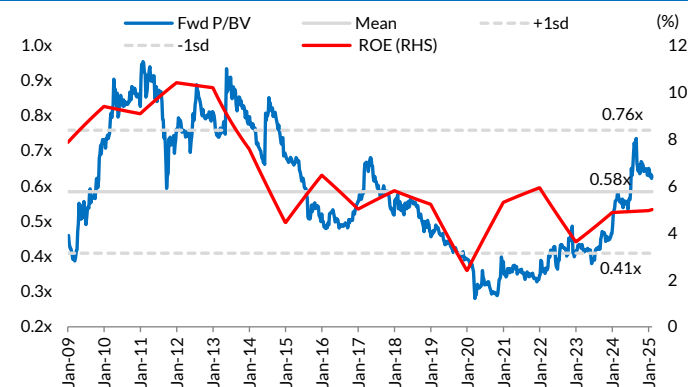
Source: Company data, RHB

Figure 4: Affin's 12-month forward consensus P/E



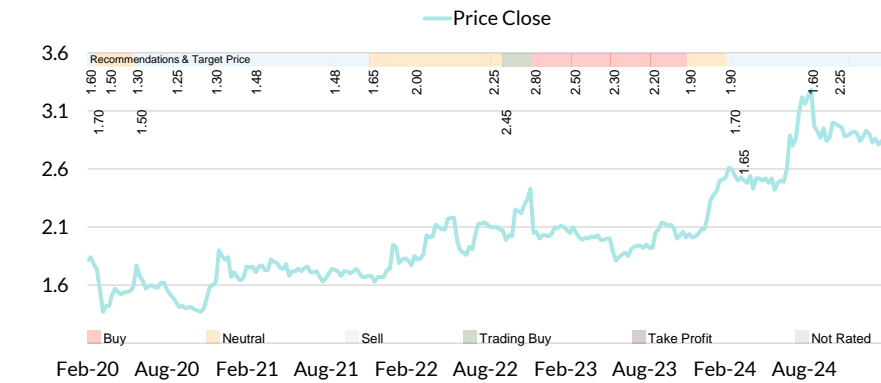
Source: Bloomberg, RHB

Figure 5: Affin's 12-month forward consensus P/BV



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-25	Sell	2.25	2.96
2024-08-25	Sell	1.60	3.23
2024-05-22	Sell	1.65	2.53
2024-03-21	Sell	1.65	2.55
2024-03-01	Sell	1.70	2.60
2024-02-19	Sell	1.90	2.61
2023-11-20	Neutral	1.90	1.99
2023-08-28	Buy	2.20	1.92
2023-05-28	Buy	2.30	2.00
2023-02-28	Buy	2.50	2.08
2022-11-29	Buy	2.80	2.48
2022-09-22	Trading Buy	2.45	2.07
2022-08-25	Neutral	2.25	2.09
2022-03-02	Neutral	2.00	1.86
2022-03-01	Neutral	1.80	1.89

Source: RHB, Bloomberg

12 February 2025

Financial Services | Banks

BIMB (BIMB MK)

Neutral (Maintained)

Reacceleration in Financing Growth

- **Maintain NEUTRAL and MYR2.45 TP, 0% upside/downside and c.6% FY25F yield.** BIMB is set to announce its 4Q24 results on 28 Feb. Based on our FY24F earnings of MYR543m (c.1% below consensus), we think 4Q24 net profit could come in lower YoY due to NIM and opex pressure, though core fees, credit costs, and – especially – financing growth, could pan out favourably. An absence of fresh re-rating catalysts leads us to retain our call and TP (inclusive of a 2% ESG discount), with earnings estimates unchanged.
- **A brighter outlook for financing growth.** BIMB is confident of landing at the higher end of its 3-4% YoY financing growth target for FY24. We understand the majority of this growth came from the retail (residential mortgages, personal finance, etc) and commercial segments, whereas the corporate segment was more muted due to lumpy repayments – management claims that demand from corporates is starting to pick up, which could allow for financing growth to reaccelerate in 2025. We also gathered that sequential NIM compression in 4Q24 was not as bad as the 4bps drop in 4Q23, which should allow BIMB to come in comfortably ahead of its >2.1% NIM target for the year (9M24 NIM: 2.15%). Elsewhere, we expect core fee income to post another decent quarter, driven by *bancatakaful* and wealth fees, while non-fee income could come in sequentially stronger due to the low base and trading opportunities from the US election period, among others.
- **Costs – no major surprises.** We think opex could likely trend higher YoY and QoQ in 4Q24, driven by seasonality and continued investments in IT infrastructure. Credit costs, on the other hand, should be stable at the mid-20bps level. BIMB is seeing resilient asset quality so far, but it thinks 1Q25 credit cost could come in slightly higher due to the multiple festive seasons during this period. However, management thinks that it can sustain credit costs at the low-to-mid-20bps level over the long run, ie similar to pre-COVID-19 levels.
- **Dividends.** We expect BIMB to declare a 3.4 sen final DPS, implying a 53% payout on our 4Q24 net profit assumption (4Q23: 4.2 sen, 60% payout) – this would bring the full-year payout to 60%, in line with its historical trends. Our payout assumption is in line with that of the Street.
- **What are looking out for?** In its upcoming results briefing, we will be keen to hear management's commentary on the outlook for 2025 and beyond, along with any financial guidance provided. We also await management's maiden guidance on the capital impact from Basel III reforms and whether this could allow for some capital management opportunities. Finally, we would also like to hear management's strategies to lift ROE sustainably – perhaps towards its peer average of c.10%. We think this would largely entail measures to improve NIM, non-financing income, and cost efficiency.

Target Price (Return): MYR2.45 (-0.4%)
 Price (Market Cap): MYR2.46 (USD1,247m)
 ESG score: 2.9 (out of 4)
 Avg Daily Turnover (MYR/USD) 2.86m/0.64m

Analysts

Nabil Thoo
 +603 2302 8123
nabil.thoo@rhbgroup.com

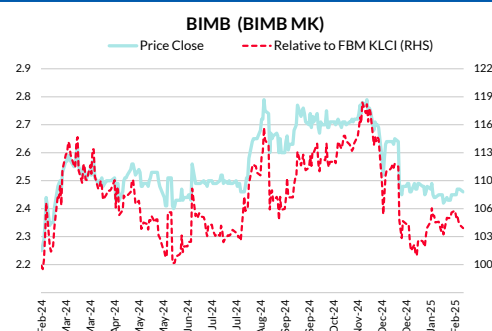


David Chong CFA
 +603 2302 8106
david.chongvc@rhbgroup.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(0.4)	(0.8)	(9.6)	(4.7)	9.3
Relative	2.8	0.0	(7.7)	(4.3)	4.2
52-wk Price low/high (MYR)				2.27	–2.79



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (MYRm)	492	553	543	571	614
Net profit growth (%)	(8.0)	12.5	(1.9)	5.3	7.5
Recurring net profit (MYRm)	492	553	543	571	614
Recurring EPS (MYR)	0.23	0.24	0.24	0.25	0.27
BVPS (MYR)	3.15	3.27	3.31	3.45	3.68
DPS (MYR)	0.13	0.16	0.14	0.15	0.16
Recurring P/E (x)	10.78	10.08	10.28	9.76	9.07
P/B (x)	0.78	0.75	0.74	0.71	0.67
Dividend Yield (%)	5.5	6.6	5.8	6.1	6.6
Return on average equity (%)	7.5	7.8	7.3	7.5	7.6

Source: Company data, RHB

Overall ESG Score: 2.9 (out of 4)

E Score: 2.3 (GOOD)

S Score: 3.5 (EXCELLENT)

G Score: 3.5 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

BIMB's total Scope 1 and 2 emissions decreased YoY, likely due to increased solar panel adoption and various carbon-efficiency exercises.

Emissions (tCO2e)	Dec-21	Dec-22	Dec-23	Dec-24
Scope 1	6	6	9	na
Scope 2	11,635	11,848	11,785	na
Scope 3	273	409	485	na
Total emissions	11,914	12,262	12,279	na

Source: Company data, RHB

Latest ESG-Related Developments

Malaysia's first Islamic Banking-as-a-Service (BaaS) platform: BIMB, via its newly formed FINODYN (a JV with Indian fintech RELDYN), is set to launch Malaysia's first Islamic BaaS platform in a business-to-business (B2B) model.

Sadaqah House: BIMB operates Sadaqah House, a platform for raising funds through charity and *zakat* contributions, with funds disbursed to the underserved community.

Digital bank to target new segments: BIMB leverages on its digital bank BeU to explore alternative financing opportunities, such as financing to gig economy workers and new-to-credit customers.

ESG Unbundled

Overall ESG Score: 2.9 (out of 4)

Last Updated: 12 Feb 2025

E Score: 2.3 (GOOD)

BIMB's total operational emissions recorded a net increase YoY in FY23 due to higher Scope 3 emissions, while total Scopes 1 and 2 emissions recorded a slight drop YoY. The company's *shariah*-ESG financing base also forms less than 10% of its total financing portfolio for now, but it targets to double the *shariah*-ESG base by FY25.

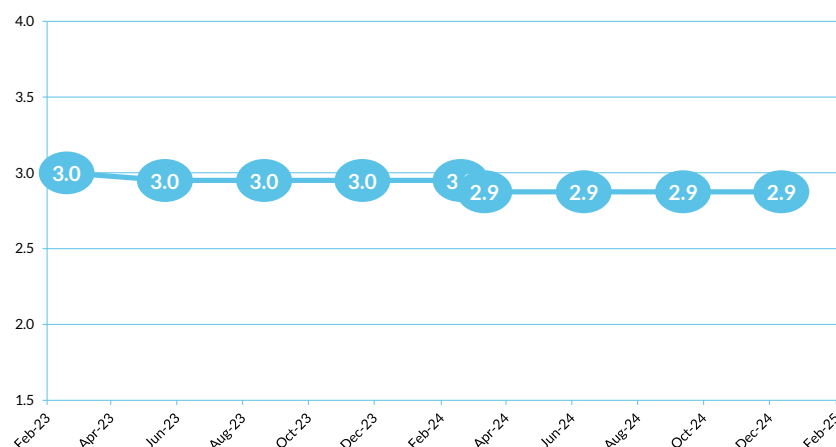
S Score: 3.5 (EXCELLENT)

BIMB operates a standalone digital bank, BeU, to explore alternative financing opportunities such as to gig economy workers and new-to-credit customers. The company also recently announced a JV with Indian fintech RELDYN to provide digital B2B *shariah*-compliant financial solutions. The bank has not reported any material data leaks, cybersecurity issues, or major unplanned system outages over the past 12 months.

G Score: 3.5 (EXCELLENT)

80% of board members are independent directors. BIMB has not been involved in bribery, corruption, money laundering and/or terrorism financing cases over the past 10 years. Anti-bribery and corruption, anti-money laundering and counter-terrorism financing training is mandatory for all staff.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	EPS	0.23	0.24	0.24	0.25	0.27
Financial Services	Recurring EPS	0.23	0.24	0.24	0.25	0.27
BIMB	DPS	0.13	0.16	0.14	0.15	0.16
BIMB MK	BVPS	3.15	3.27	3.31	3.45	3.68
Neutral						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Our GGM assumptions are:	Recurring P/E (x)	10.78	10.08	10.28	9.76	9.07
i. COE of 10%;	P/B (x)	0.8	0.8	0.7	0.7	0.7
ii. ROE assumption of 8.2%;	Dividend Yield (%)	5.5	6.6	5.8	6.1	6.6
iii. 3.5% long-term growth.						
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Our FY24 estimates are most sensitive to changes in:	Interest income	3,345	4,123	4,274	4,484	4,731
i. Net profit margin;	Interest expense	(1,374)	(2,164)	(2,269)	(2,420)	(2,559)
ii. Financing growth;	Net interest income	1,972	1,959	2,004	2,065	2,172
iii. Credit costs.	Non interest income	231	407	374	428	452
	Total operating income	2,203	2,366	2,378	2,492	2,624
	Overheads	(1,317)	(1,440)	(1,484)	(1,534)	(1,598)
	Pre-provision operating profit	886	926	894	958	1,027
	Loan impairment allowances	(140)	(175)	(161)	(186)	(197)
	Other impairment allowances	1	(4)	-	-	-
	Other exceptional items	0	0	1	1	1
	Pre-tax profit	747	747	733	772	830
	Taxation	(255)	(194)	(191)	(201)	(216)
	Reported net profit	492	553	543	571	614
	Recurring net profit	492	553	543	571	614
Key risks	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Downside risks to our call include:	Return on average assets (%)	0.6	0.6	0.6	0.6	0.6
i. Lower-than-expected net profit margin;	Return on average equity (%)	7.5	7.8	7.3	7.5	7.6
ii. Weaker-than-expected financing growth;	Return on IEAs (%)	4.0	4.6	4.7	4.7	4.8
iii. Higher-than-expected credit cost.	Cost of funds (%)	1.8	2.7	2.7	2.8	2.8
	Net interest spread (%)	2.2	2.0	2.0	2.0	2.0
	Net interest margin (%)	2.3	2.2	2.2	2.2	2.2
	Non-interest income / total income (%)	10.5	17.2	15.7	17.2	17.2
	Cost to income ratio (%)	59.8	60.9	62.4	61.6	60.9
	Credit cost (bps)	22.4	26.2	23.4	25.9	25.9
The converse represents the upside risks.	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total gross loans	65,942	67,625	69,992	74,191	77,901
	Other interest earning assets	22,593	21,571	22,289	23,037	23,815
	Total gross IEAs	88,535	89,195	92,281	97,228	101,716
	Total provisions	(1,040)	(808)	(976)	(1,156)	(1,347)
	Net loans to customers	64,902	66,817	69,015	73,035	76,554
	Total net IEAs	87,495	88,388	91,305	96,072	100,370
	Total non-IEAs	2,357	2,574	4,337	4,534	5,018
	Total assets	89,852	90,962	95,641	100,606	105,387
	Customer deposits	75,169	76,089	81,074	85,759	90,047
	Other interest-bearing liabilities	5,457	4,736	4,259	4,138	4,021
	Total IBLs	80,626	80,825	85,333	89,897	94,068
	Total non-IBLs	2,429	2,736	2,807	2,890	2,976
	Total liabilities	83,055	83,562	88,140	92,787	97,044
	Share capital	3,645	3,889	3,889	4,083	4,287
	Shareholders' equity	6,796	7,400	7,501	7,819	8,343
Company Profile	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
BIMB provides all aspects of Islamic banking services. Through its subsidiaries, the company also provides stock broking and other related services. BIMB also has operations in unit trust management, provides training and consultancy services, and leases fixed assets to related companies.	Reported NPLs / gross cust loans (%)	1.3	0.9	0.9	0.9	0.9
	Total provisions / reported NPLs (%)	124.5	127.0	153.5	173.9	190.8
	CET-1 ratio (%)	13.6	14.1	14.0	14.1	14.7
	Tier-1 ratio (%)	13.6	14.1	14.0	14.1	14.7
	Total capital ratio (%)	19.4	19.9	19.7	19.8	20.4

Source: Company data, RHB

Figure 1: BIMB – management guidance and financial targets for FY24

FYE Dec	FY23 actual	FY24 targets	9M24 achieved	Comments
Reported ROE	7.8%	≥8%	7%	Management thinks it should still be able to achieve 8% ROE by year's end. Key levers in 4Q24 include financing growth (good traction on retail and commercial financing growth) and non-financing income (a more conducive trading environment in 4Q24).
Credit costs	26bps	<30bps	23bps	Asset quality held steady in 4Q24.
Financing growth	2.6%	3-4% (from 7-8%)	1.7%	9M24 performance saw slower-than-expected growth due to lumpy repayments on the non-retail side. Management thinks it should land closer to 4% YoY given decent drawdowns from retail and commercial customers, while the corporate segment is also showing signs of a rebound.
GIF	0.92%	<1.1%	1.02%	

Source: Company data, RHB

Valuation and TP

Our TP of MYR2.45 (unchanged) is based on a GGM-derived P/BV of 0.72x (near -1SD from mean) and an intrinsic value of MYR2.49. We retain our NEUTRAL call on the counter, as there is a lack of fresh re-rating catalysts.

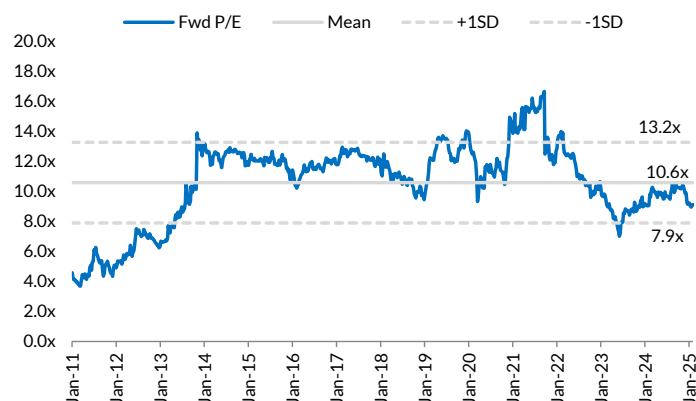
A key swing factor, in our view, would be measures to lift ROE over the short- and long-term, including initiatives to raise NIM, diversify non-financing income, and improve cost efficiency, among others.

Figure 2: BIMB – GGM valuation

Cost of equity (COE) computation:		Sustainable ROE (%)	8.2
Risk free rate (%)	4.0	COE (%)	10.0
Equity premium (%)	6.0	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	0.72
Cost of equity - CAPM (%)	10.0	BVPS - FY23F	MYR3.45
		Intrinsic value	MYR2.49
ESG premium/(discount) (%)	(2.0)	ESG premium/(discount)	(MYR0.05)
		TP (rounded)	MYR2.45

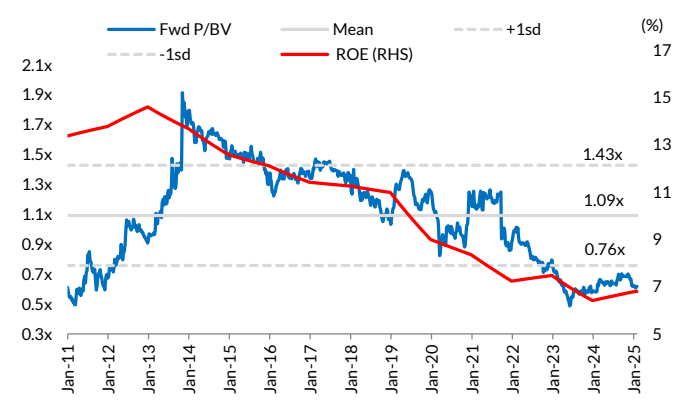
Source: Company data, RHB

Figure 3: BIMB's 12-month forward P/E



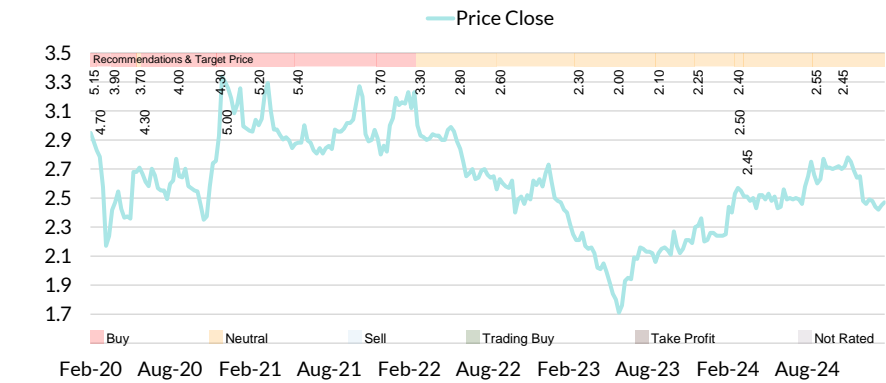
Source: Bloomberg, RHB

Figure 4: BIMB's 12-month forward P/BV against ROE



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-12-01	Neutral	2.45	2.69
2024-08-26	Neutral	2.55	2.74
2024-05-23	Neutral	2.45	2.50
2024-03-21	Neutral	2.45	2.51
2024-03-04	Neutral	2.50	2.57
2024-02-29	Neutral	2.40	2.46
2023-11-29	Neutral	2.25	2.27
2023-08-31	Neutral	2.10	2.09
2023-05-31	Neutral	2.00	1.85
2023-02-28	Neutral	2.30	2.27
2023-01-29	Neutral	2.60	2.47
2022-09-01	Neutral	2.60	2.60
2022-06-01	Neutral	2.80	2.91
2022-03-01	Neutral	3.30	3.04
2022-03-01	Buy	3.70	3.04

Source: RHB, Bloomberg

28 January 2025

Financial Services | Banks

CIMB (CIMB MK)

Buy (Maintained)

Looking Past 4Q24 Results To Next Strategic Plan; BUY

Target Price (Return): MYR9.25 (15.2%)
 Price (Market Cap): MYR8.03 (USD19,678m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (MYR/USD) 132m/29.6m

- **Keep BUY and MYR9.25 TP, 15% upside with c.5% FY25F yield.** 28 Jan's pre-closed period meeting held no major surprises. For CIMB's upcoming 4Q24 results (out 28 Feb), our and consensus 2024F PATMI imply 4Q24 net profit could ease by high single-digits QoQ while YoY PATMI could rise by mid-single digits. We expect a second interim DPS of 20 sen (4Q23: 18.5 sen interim) – a decent 2.5% yield, but CIMB has ruled out another special DPS for the quarter (7 sen special DPS announced in both Feb and Aug 2024).
- **Expect a sequential softening in operating income due to NIM pressure...** QoQ, group NIM is expected to be lower due to a combination of policy rate cuts (Indonesia and Thailand), tight liquidity conditions, and competition from government issuances (Indonesia) and seasonal deposit competition (Malaysia). Locally, management said new deposit campaign rates for both retail and wholesale moved up by 5-10bps during the quarter. Singapore NIM, however, was stable QoQ. The good news was that sequential NIM compression in 4Q24 was not as severe as the 10bps QoQ drop in 4Q23. Also, CIMB has seen some recovery in NIM in January due to timing of the repricing of deposits from policy rate cuts and deposit campaign rates returning to pre-4Q levels. CIMB also highlighted some lumpy wholesale loan drawdowns in Dec 2024 – positive for loan growth, but impacts NIM calculations.
- **...and moderation in non-II, as – not surprisingly – trading and FX income softened from elevated levels in 3Q24 (+12% QoQ, +27% YoY).** Underlying fee income was resilient, with both wholesale and retail fees holding up, but management guided that net fee income would be impacted by card fee expenses for both Malaysia and Indonesia.
- **No signs of asset quality stress.** CIMB made minor provisions for its consumer book in Indonesia while, in Malaysia, some earlier uptick from the auto portfolio has started to stabilise. On the whole, group asset quality remains intact, and management has not seen any notable signs of stress. CIMB highlighted that its consumer portfolio in Thailand appears to be improving, giving management some optimism that the worst could be past.
- **Other highlights.** Data centre-related loans approved stood at MYR1.5bn, a small portion of which has been drawn down, while the pipeline has been stable. CIMB was comfortable that, despite the recent uncertainties surrounding the prospects for data centres, their borrowers are likely to proceed with their respective plans, which should be supportive of loan growth ahead. Lastly, the group's new strategic plan is set to be unveiled on 5 Mar. In our view, a higher ROE target could be a near-term re-rating catalyst and supportive of further multiples expansion.
- **No changes to TP and earnings forecasts, pending the 4Q24 results.** Our TP includes a 6% ESG premium.

Analysts

David Chong CFA
 +603 2302 8106
david.chongvc@rhbgroupp.com

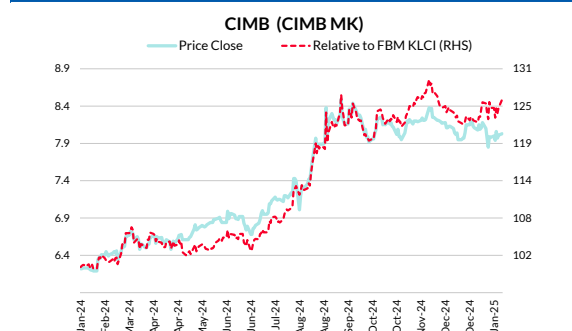


Nabil Thoo
 +603 2302 8123
nabil.thoo@rhbgroupp.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.1)	(1.5)	(1.1)	12.0	29.9
Relative	3.0	2.8	2.6	15.4	26.4
52-wk Price low/high (MYR)				6.19	–8.49



Source: Bloomberg

Overall ESG Score: 3.3 (out of 4)

E: GOOD

In FY23, the group achieved 11% reduction in operational emissions vs its baseline year of FY19. CIMB was also the first Malaysian bank to report Scope 3 financed emissions, and has developed transition plans for high-risk customers in the cement and thermal coal mining sectors.

S: EXCELLENT

CIMB is involved in several financial inclusion initiatives for low-income, new-to-credit individuals and SMEs in its multiple markets. The group's employees also receive an average of over 80 hours of training pa, the highest among Malaysian banks. In late-2021, processing error related to a third-party remittance service led to some 11,800 CIMB customers receiving double credits. It made provisions of MYR281m for the double credits.

G: EXCELLENT

The board of directors comprises seven independent directors, one non-independent member, and the group CEO is an executive director. Top management is subject to sustainability-linked remuneration.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (MYRm)	5,440	6,981	7,732	8,257	8,711
Net profit growth (%)	26.6	28.3	10.8	6.8	5.5
Recurring net profit (MYRm)	5,440	6,981	7,732	8,257	8,711
Recurring EPS (MYR)	0.52	0.65	0.72	0.77	0.82
BVPS (MYR)	5.86	6.41	6.54	6.90	7.28
DPS (MYR)	0.26	0.36	0.40	0.43	0.45
Recurring P/E (x)	15.42	12.27	11.08	10.37	9.83
P/B (x)	1.37	1.25	1.23	1.16	1.10
Dividend Yield (%)	3.2	4.5	5.0	5.3	5.6
Return on average equity (%)	9.0	10.7	11.2	11.5	11.5

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	EPS	0.52	0.65	0.72	0.77	0.82
Financial Services	Recurring EPS	0.52	0.65	0.72	0.77	0.82
CIMB	DPS	0.26	0.36	0.40	0.43	0.45
CIMB MK	BVPS	5.86	6.41	6.54	6.90	7.28
Buy						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	15.42	12.27	11.08	10.37	9.83
i. COE of 9.7%;	P/B (x)	1.4	1.3	1.2	1.2	1.1
ii. ROE of 11.4%;	Dividend Yield (%)	3.2	4.5	5.0	5.3	5.6
iii. 3.5% long-term growth.						
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Our earnings are most sensitive to changes in:	Interest income	25,085	33,815	36,217	37,711	39,274
i. Credit cost;	Interest expense	(9,927)	(19,189)	(20,578)	(21,472)	(22,404)
ii. NIM;	Net interest income	15,158	14,626	15,640	16,240	16,869
iii. Non-II growth.	Non interest income	4,680	6,388	7,070	7,621	8,145
	Total operating income	19,838	21,014	22,710	23,861	25,014
Key risks	Overheads	(9,346)	(9,865)	(10,495)	(11,046)	(11,543)
The downside risks include:	Pre-provision operating profit	10,492	11,149	12,215	12,815	13,471
i. Deterioration in asset quality resulting in higher-than-expected credit costs;	Loan impairment allowances	(1,983)	(1,360)	(1,473)	(1,304)	(1,388)
ii. Higher-than-expected NIM compression;	Other impairment allowances	(178)	(232)	(150)	(200)	(150)
iii. Weaker-than-expected recovery in economic activities.	Income from associates	40	(17)	(18)	(19)	(21)
	Pre-tax profit	8,371	9,541	10,573	11,291	11,913
	Taxation	(2,778)	(2,379)	(2,643)	(2,823)	(2,978)
	Minority interests	(153)	(181)	(198)	(212)	(223)
	Reported net profit	5,440	6,981	7,732	8,257	8,711
	Recurring net profit	5,440	6,981	7,732	8,257	8,711
Company Profile	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
CIMB is a fully integrated financial services group and the second-largest domestic bank in Malaysia. The group's core markets are Malaysia, Indonesia, Singapore and Thailand.	Return on average assets (%)	0.8	1.0	1.0	1.1	1.1
	Return on average equity (%)	9.0	10.7	11.2	11.5	11.5
	Return on IEAs (%)	4.1	5.2	5.2	5.1	5.1
	Cost of funds (%)	1.8	3.3	3.3	3.3	3.3
	Net interest spread (%)	2.3	1.9	1.9	1.8	1.8
	Net interest margin (%)	2.5	2.2	2.2	2.2	2.2
	Non-interest income / total income (%)	23.6	30.4	31.1	31.9	32.6
	Cost to income ratio (%)	47.1	46.9	46.2	46.3	46.1
	Credit cost (bps)	50.5	32.1	32.8	27.8	28.3
	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total gross loans	406,958	440,863	458,333	481,054	500,141
	Other interest earning assets	213,267	246,532	257,272	268,502	280,245
	Total gross IEAs	620,225	687,396	715,605	749,556	780,385
	Total provisions	(12,401)	(11,413)	(11,352)	(11,002)	(10,593)
	Net loans to customers	394,557	429,450	446,981	470,052	489,547
	Total net IEAs	607,824	675,982	704,253	738,554	769,792
	Total non-IEAs	58,897	57,590	53,316	51,200	48,771
	Total assets	666,721	733,572	757,569	789,754	818,563
	Customer deposits	446,635	482,426	502,008	527,209	548,614
	Other interest-bearing liabilities	101,963	129,164	131,172	133,244	135,381
	Total IBLs	548,598	611,590	633,180	660,453	683,995
	Total non-IBLs	54,340	52,143	52,966	53,835	54,753
	Total liabilities	602,937	663,733	686,146	714,288	738,748
	Share capital	29,095	29,095	29,095	29,095	29,095
	Shareholders' equity	62,491	68,327	69,713	73,544	77,669
	Minority interests	1,093	1,312	1,510	1,722	1,945
	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Reported NPLs / gross cust loans (%)	3.3	2.7	2.4	2.3	2.1
	Total provisions / reported NPLs (%)	93.1	97.0	103.2	101.6	100.8
	CET-1 ratio (%)	14.5	14.5	14.4	14.7	15.1
	Tier-1 ratio (%)	15.4	15.1	15.0	15.3	15.7
	Total capital ratio (%)	18.5	18.2	17.9	18.1	18.4

Source: Company data, RHB

28 January 2025

Financial Services | Banks

Valuation and TP

We maintain our MYR9.25 TP, which is based on an intrinsic value of MYR8.75. The intrinsic value has been derived from our GGM-based fair P/BV of 1.27x, ie slightly above the stock's long-term mean of 1.22x.

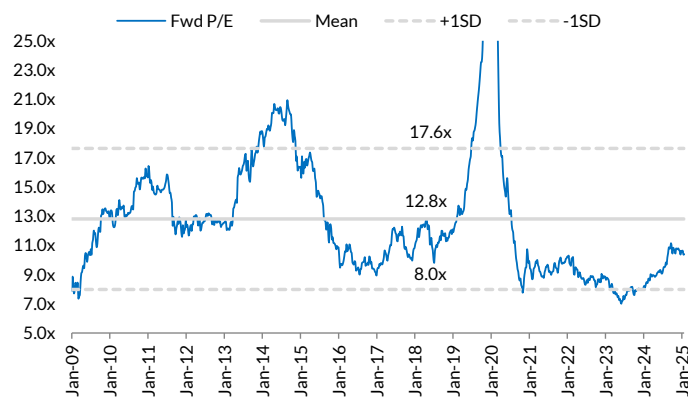
In the near term, we are watching out for CIMB's next mid-term plan (expected to be unveiled in March), where a higher ROE target could be a key rerating catalyst and supportive of further multiple expansion, in our view. Our TP also includes an unchanged 6% ESG premium applied to reflect its ESG score of 3.3 (based on our in-house methodology), which is above the country median of 3.0.

Figure 1: CIMB – GGM valuation with ESG overlay

Cost of equity (COE) computation:		Sustainable ROE (%)	11.4
Risk free rate (%)	4.0	COE (%)	9.7
Equity premium (%)	5.7	Long-term growth (g)	3.5
Beta (x)	1	Implied P/BV (x)	1.27
Cost of equity - CAPM (%)	9.7	BVPS – FY25F	MYR6.91
		Intrinsic value	MYR8.75
ESG premium/(discount) (%)	6.0	ESG premium/(discount)	MYR0.52
		TP (rounded)	MYR9.25

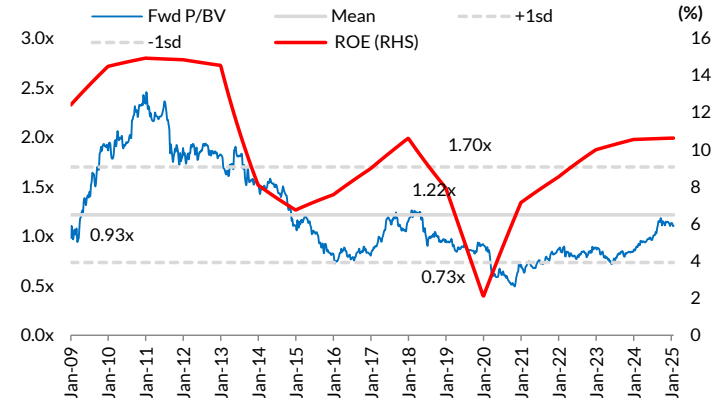
Source: Company data, RHB

Figure 2: CIMB's 12-month forward consensus P/E



Source: Bloomberg, RHB

Figure 3: CIMB's 12-month forward consensus P/BV



Source: Bloomberg, RHB

Emissions And ESG

Trend analysis

CIMB's greenhouse gas (GHG) emissions have trended lower, mainly due to a decline in its Scope 2 emissions. We believe the rationalisation of the group's branch footprint has aided in contributing to the drop.

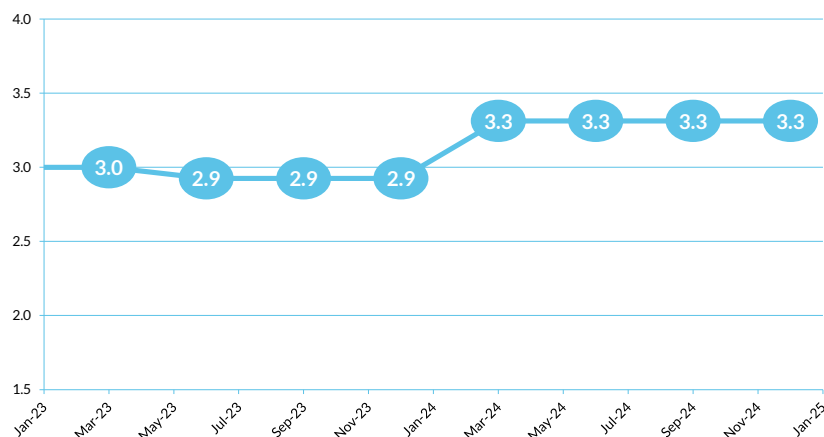
Emissions (tCO ₂ e)	Dec-21	Dec-22	Dec-23
Scope 1	4,907	2,638	3,077
Scope 2	87,301	86,336	84,813
Scope 3	189	4,242	5,245
Total emissions	92,397	93,216	93,135

Source: Company data, RHB

Latest ESG-Related Developments

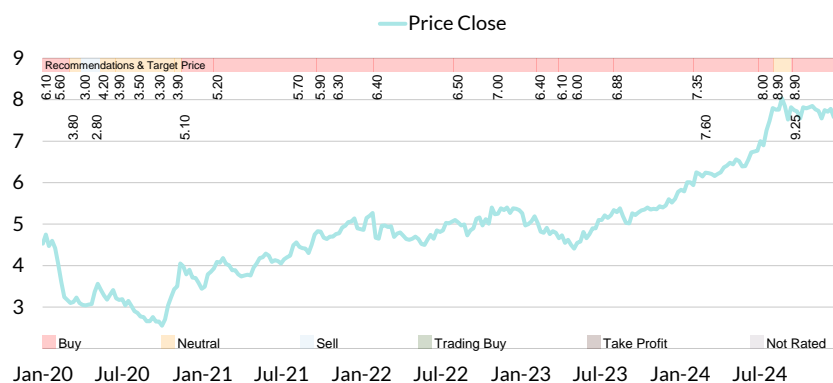
- Committed to implement Task Force on Climate-related Financial Disclosures (TCFD) recommendations:** Have implemented majority of the Financial Stability Board's TCFD recommendations and committed to disclosing all TCFD recommendations.
- Climate-related KPIs:** CIMB utilises its scorecards to mobilise and orientate group-wide efforts and contributions towards a set of common sustainability and climate goals, which include reduction in Scope 1 and 2 GHG emissions and green financing for retail and non-retail clients.
- Establishing interim climate targets:** Published its first round of 2030 climate targets for thermal coal mining and cement sectors in 2022. The goal is to halve exposure to the thermal coal mining sector by 2030 and phase it out by 2040 – while decreasing the physical intensity of financing clients in the cement sector by 36% by 2030.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-29	Buy	9.25	8.25
2024-10-15	Buy	9.25	8.25
2024-10-11	Buy	8.90	8.22
2024-09-02	Neutral	8.90	8.30
2024-07-29	Buy	8.00	7.24
2024-06-02	Buy	7.60	6.84
2024-05-06	Buy	7.60	6.75
2024-03-21	Buy	7.60	6.55
2024-03-01	Buy	7.35	6.34
2023-10-24	Buy	6.88	5.68
2023-08-31	Buy	6.88	5.63
2023-06-01	Buy	6.00	4.86
2023-04-27	Buy	6.10	5.07
2023-03-08	Buy	6.40	5.57
2023-03-01	Buy	7.00	5.62

Source: RHB, Bloomberg

12 February 2025

Financial Services | Banks

Hong Leong Bank (HLBK MK)

Buy (Maintained)

Home Operations To Shine Once More; Stay BUY

Target Price (Return): MYR26.60 (30.4%)
 Price (Market Cap): MYR20.40 (USD9,894m)
 ESG score: 3.1 (out of 4)
 Avg Daily Turnover (MYR/USD) 16.6m/3.72m

- **Maintain BUY and MYR26.60 TP, 30% upside, c.4% FY26F (Jun) yield.** We think Hong Leong Bank (HLB) could post mid-to-high single digit net profit growth YoY in 1HFY25 when it reports on 26 Feb. Key drivers, we think, will be strong income growth and (operating and credit) cost discipline, though Bank of Chengdu (BOCD) contributions could come in softer. HLB's resilient earnings and undemanding valuation underscore our unchanged BUY call.
- **Expecting robust operating income growth...** From our meeting with management, we gathered that HLB should see robust income growth in 2QFY25. NII should pan out decently, with loans growth hovering at the guided level of 6-7%, while NIM also held up well despite the seasonal deposit competition. In fact, loan growth might even exceed the 6-7% range, as QoQ MYR weakness could lead to some positive translation gains. On the other hand, we understand that non-IL was exceptionally strong during the quarter, especially from treasury and markets income, perhaps driven by a conducive trading environment during the quarter. Fees also remained robust, particularly from client franchise sales and continued wealth management traction. All in, income growth should show strong YoY and QoQ growth, and this could help to offset any weakness from BOCD contributions (natural dilution of stake, some NIM pressure from China's policy rate cuts).
- **...leading to potentially lower CIR.** Absolute opex could potentially see some increases, particularly from tech-related expenditure – including spending for a new transaction banking platform slated to go live in 2QCY25. However, the strong income growth expected should allow CIR to come in well below management's c.41% guidance. We also do not expect any major surprises on credit costs, as asset quality remained benign. Recall that in 1QFY25, HLB incurred a credit cost rate of 2bps, significantly below its <10bps guidance, while still retaining its management overlay stock of c.MYR574m.
- **Dividends.** We think HLB could declare a 27 sen interim DPS, ie 8% YoY increase. This is in line with the mid-to-high single digit YoY growth that we are expecting for 1HFY25, ie we expect the payout ratio to hover at similar levels to the 24% in 1HFY24. That said, we think there is scope for HLB's dividends to surprise on the upside, as management had previously indicated that it intends to gradually increase its payout ratio to 40% (FY24: 33%), though no further specifications were provided.
- **What are we watching out for?** We expect management to share its utilisation plans for its management overlay stock, particularly if these can and will be reversed. While not necessary, this could provide some cushion in case BOCD contributions for the year pan out softer-than-expected. We would also like to hear some strategy-related updates on management's key focus areas, eg Johor, Singapore, and wealth management, among others.

Analysts

Nabil Thoo
 +603 2302 8123
nabil.thoo@rhbgroupp.com

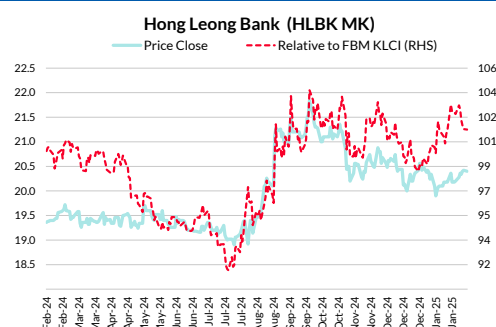


David Chong CFA
 +603 2302 8106
david.chongvc@rhbgroupp.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(0.8)	0.3	(0.7)	6.6	7.6
Relative	2.4	1.1	1.2	7.0	2.5
52-wk Price low/high (MYR)				18.9	21.8



Source: Bloomberg

Forecasts and Valuation	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Reported net profit (MYRm)	3,818	4,196	4,384	4,718	5,073
Net profit growth (%)	16.1	9.9	4.5	7.6	7.5
Recurring net profit (MYRm)	3,818	4,196	4,384	4,718	5,073
Recurring EPS (MYR)	1.86	2.05	2.14	2.30	2.47
BVPS (MYR)	16.59	18.20	19.33	20.86	22.49
DPS (MYR)	0.59	0.68	0.74	0.81	0.88
Recurring P/E (x)	10.95	9.96	9.53	8.86	8.25
P/B (x)	1.23	1.12	1.06	0.98	0.91
Dividend Yield (%)	2.9	3.3	3.6	3.9	4.3
Return on average equity (%)	11.8	11.8	11.4	11.5	11.4

Source: Company data, RHB

Overall ESG Score: 3.1 (out of 4)

E Score: 2.5 (GOOD)

S Score: 3.8 (EXCELLENT)

G Score: 3.8 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis

In FY24 (Jun), the group recorded a 24% reduction in group-wide operational emissions (ie scope 1 and 2) compared to its baseline year of FY19. This is ahead of the group's short-term goal of 15-25% reduction by FY26.

Emissions (tCO2e)	Jun-22	Jun-23	Jun-24	Jun-25
Scope 1	110	141	121	na
Scope 2	28,447	27,614	26,278	na
Scope 3	9,357	12,336	13,824	na
Total emissions	37,914	40,091	40,223	na

Source: Company data, RHB

Latest ESG-Related Developments

Flood relief assistance: HLB launched a comprehensive flood relief assistance programme for customers affected by recent floods in East Malaysia – the programme includes options for loan payment deferment and additional working capital financing to aid in business recovery.

Launches e-payment programme in rural Selangor: HLB recently launched the e-Duit Desa programme in Sabak Bernam, Selangor, providing residents with access to e-payments and other financial solutions as part of its financial inclusion agenda.

ESG Unbundled

Overall ESG Score: 3.1 (out of 4)

Last Updated: 12 Feb 2025

E Score: 2.5 (GOOD)

HLB's operational emissions (ie Scope 1 and 2) declined by 24% against its FY19 baseline – this falls within the group's 15-25% reduction target by FY26. HLBK has also begun tracking Scope 3 financed emissions for its mortgage and hire purchase portfolios. It has MYR2.5bn in outstanding green bond proceeds to be channelled towards loans for ESG-linked purposes (eg large scale solar projects and purchase of green properties).

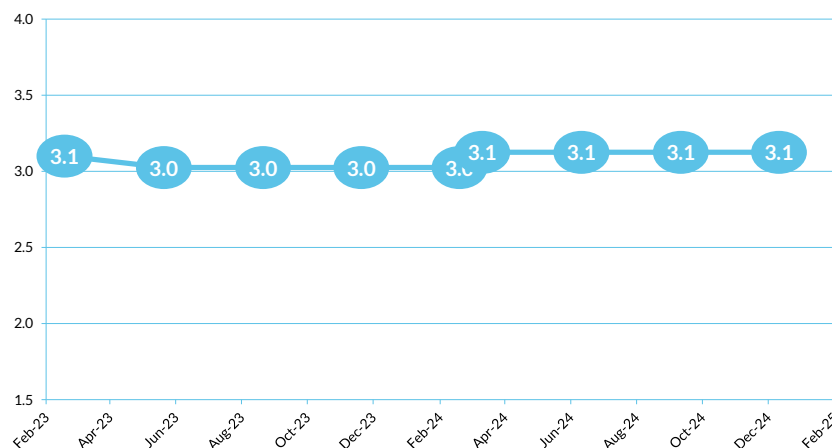
S Score: 3.8 (EXCELLENT)

HLB embraces gender diversity, with 42% of women in senior management and 38% of women in the Board of Directors. Employee diversity, retention, and training metrics are also decent.

G Score: 3.8 (EXCELLENT)

Four out of the seven board members are independent directors. The group managing director and select senior management members are assessed against objectives that are aligned with the bank's sustainability and climate-related targets and strategy.

ESG Rating History



Source: RHB

Financial Exhibits

Asia	Financial summary (MYR)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Malaysia	EPS	1.86	2.05	2.14	2.30	2.47
Financial Services	Recurring EPS	1.86	2.05	2.14	2.30	2.47
Hong Leong Bank	DPS	0.59	0.68	0.74	0.81	0.88
HLBK MK	BVPS	16.59	18.20	19.33	20.86	22.49
Buy						
Valuation basis	Valuation metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
GGM derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	10.95	9.96	9.53	8.86	8.25
i. Cost of equity of 9.5%;	P/B (x)	1.2	1.1	1.1	1.0	0.9
ii. ROE of 11.3%; and	Dividend Yield (%)	2.9	3.3	3.6	3.9	4.3
iii. Long-term growth of 3.5%.						
Key drivers	Income statement (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Our earnings forecasts are most sensitive to changes in:	Interest income	9,708	11,333	11,877	12,371	12,938
i. Net interest margin;	Interest expense	(5,155)	(6,664)	(6,962)	(7,226)	(7,584)
ii. Loan impairment allowances;	Net interest income	4,552	4,669	4,915	5,144	5,354
iii. Contributions from associates.	Non interest income	1,133	1,102	1,193	1,272	1,388
	Total operating income	5,686	5,771	6,108	6,416	6,743
	Overheads	(2,233)	(2,339)	(2,469)	(2,606)	(2,750)
	Pre-provision operating profit	3,452	3,432	3,639	3,810	3,992
	Loan impairment allowances	(115)	114	(107)	(129)	(168)
	Other impairment allowances	0	(1)	1	1	1
	Income from associates	1,289	1,589	1,788	2,011	2,262
	Pre-tax profit	4,627	5,134	5,320	5,693	6,087
	Taxation	(808)	(938)	(936)	(976)	(1,013)
	Reported net profit	3,818	4,196	4,384	4,718	5,073
	Recurring net profit	3,818	4,196	4,384	4,718	5,073
Key risks	Profitability ratios	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
The downside risks include:	Return on average assets (%)	1.4	1.5	1.4	1.5	1.5
i. Weaker-than-expected loan growth;	Return on average equity (%)	11.8	11.8	11.4	11.5	11.4
ii. Softer-than-expected NIMs;	Return on IEAs (%)	3.9	4.2	4.2	4.2	4.2
iii. Lower-than-expected non-interest income; and	Cost of funds (%)	2.3	2.7	2.7	2.8	2.8
iv. Lower-than-expected profits from Bank of Chengdu.	Net interest spread (%)	1.6	1.5	1.5	1.4	1.4
	Net interest margin (%)	1.8	1.7	1.7	1.7	1.7
	Non-interest income / total income (%)	19.9	19.1	19.5	19.8	20.6
	Cost to income ratio (%)	39.3	40.5	40.4	40.6	40.8
	Credit cost (bps)	6.60	(6.07)	5.37	6.13	7.62
Company Profile	Balance sheet (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
The group is involved in the provision of conventional and Islamic banking services. The group's operations span across Malaysia, Singapore, Hong Kong, Vietnam, Cambodia and China, via its strategic shareholding in Bank of Chengdu.	Total gross loans	181,662	194,918	204,098	215,323	226,089
	Other interest earning assets	79,379	82,416	85,216	88,459	91,856
	Total gross IEAs	261,041	277,334	289,314	303,783	317,946
	Total provisions	(1,759)	(1,614)	(1,653)	(1,702)	(1,743)
	Net loans to customers	179,903	193,304	202,445	213,621	224,347
	Total net IEAs	259,282	275,720	287,661	302,081	316,203
	Total non-IEAs	20,568	22,069	19,892	19,423	20,067
	Total assets	279,850	297,789	307,553	321,503	336,270
	Customer deposits	213,902	222,599	233,729	244,247	255,238
	Other interest-bearing liabilities	23,398	28,523	23,933	23,202	22,501
	Total IBLs	237,301	251,123	257,662	267,449	277,739
	Total non-IBLs	8,563	9,372	10,283	11,296	12,410
	Total liabilities	245,864	260,495	267,945	278,745	290,149
	Share capital	2,168	2,169	2,169	2,169	2,169
	Shareholders' equity	33,987	37,294	39,608	42,759	46,121
	Asset quality and capital	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Reported NPLs / gross cust loans (%)	0.6	0.5	0.5	0.4	0.4
	Total provisions / reported NPLs (%)	168.8	155.0	169.4	180.7	185.0
	CET-1 ratio (%)	13.0	13.6	13.1	13.0	13.0
	Tier-1 ratio (%)	14.1	14.6	14.0	13.9	13.8
	Total capital ratio (%)	16.2	16.6	15.9	15.7	15.5

Source: Company data, RHB

Figure 1: HLBK – Management guidance and financial targets

	FY24 actual	FY25 targets	1Q25 achieved	Comments
Reported ROE	11.8%	c.12%	11.8%	
Reported NIM	1.86%	1.85-1.95%	1.92%	Management mentioned that NIM remained manageable despite the year-end deposit competition.
CIR	40.5%	c.41%	39.1%	Guidance is for slightly higher CIR YoY partly to factor in costs related to business expansion in Singapore. 1HFY25 CIR should benefit from strong income growth.
Reported credit cost	-6bps	<10bps	2bps	
Loans growth	7.3%	6-7%	6.9%	Management indicated that loan growth was solid in 2QFY25 and should land at the higher end of management's guidance. Meanwhile, loans from overseas operations could benefit from some positive translation effect given the QoQ MYR softness.

Source: Company data, RHB

Valuation and TP

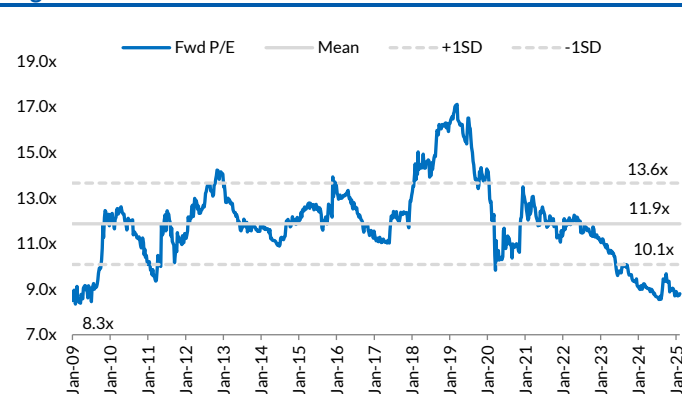
Our TP is kept at MYR26.60, and is based on an unchanged GGM-derived P/BV of 1.30x, near -0.5SD from the mean. Our TP includes an unchanged 2% ESG premium. We consider HLB to be a major laggard play in the sector. With its undemanding valuation (-1.5SD from mean P/BV) and its solid operating fundamentals – including a focus on its regional operations to reduce its reliance on BOCD contributions – we maintain our BUY call on the counter. No changes were made to our earnings estimates.

Figure 2: HLBK – GGM valuation with ESG overlay

Cost of equity (COE) computation:		Sustainable ROE (%)	11.3
Risk free rate (%)	4.0	COE (%)	9.5
Equity premium (%)	5.5	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	1.30
Cost of equity - CAPM (%)	9.5	BVPS – CY25F	MYR20.09
		Intrinsic value	MYR26.10
ESG premium/(discount) (%)	2.0	ESG premium/(discount)	MYR0.52
		TP (rounded)	MYR26.60

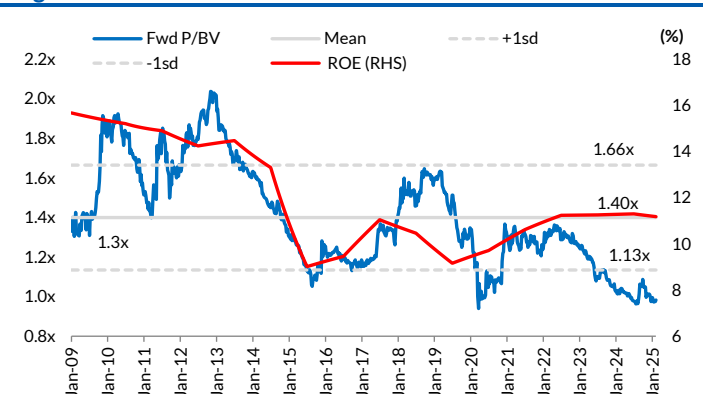
Source: Company data, RHB

Figure 3: HLBK's 12-month forward consensus P/E



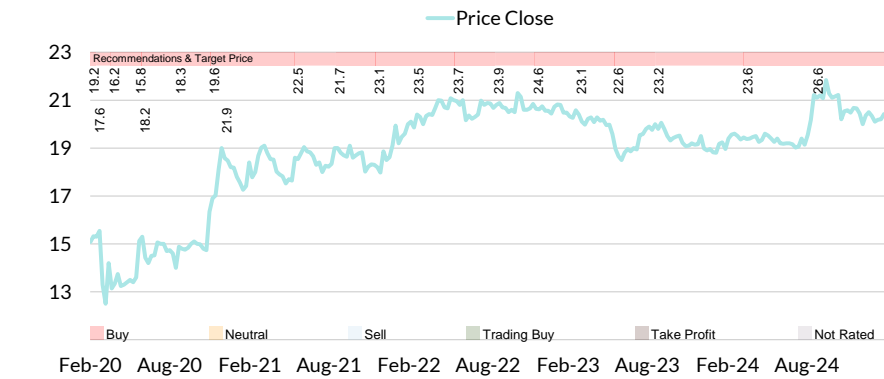
Source: Bloomberg, RHB

Figure 4: HLBK's 12-month forward consensus P/BV



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-11-29	Buy	26.6	20.7
2024-08-30	Buy	26.6	21.2
2024-05-31	Buy	23.6	19.3
2024-03-21	Buy	23.6	19.3
2024-02-19	Buy	23.2	19.4
2023-12-01	Buy	23.2	19.1
2023-09-01	Buy	23.2	20.0
2023-05-31	Buy	22.6	19.4
2023-03-08	Buy	23.1	20.6
2022-11-30	Buy	24.6	20.9
2022-08-31	Buy	23.9	20.9
2022-05-30	Buy	23.7	21.1
2022-03-01	Buy	23.5	20.4
2021-11-30	Buy	23.1	18.1
2021-08-31	Buy	21.7	19.2

Source: RHB, Bloomberg

12 February 2025

Financial Services | Banks

Malayan Banking (MAY MK)

Neutral (Maintained)

Could NIM And Dividend Surprise?

- **Maintain NEUTRAL and MYR11 TP, 5% upside with c.6% FY25F yield.** Malayan Banking is slated to report its 4Q24 results on 26 Feb. Our FY24F net profit of MYR10bn (+7% YoY), in line with the consensus estimate, implies 4Q24 net profit could see low-mid single digit drop QoQ. On a YoY basis, however, it may rise by a similar quantum. At a recent meeting with management, we sensed it was optimistic on NIM, as efforts to manage the YTD compression bear fruit – but we are uncertain if the full-year dividend payout ratio can meet our 76% assumption (FY23: 77%).
- **NII may hold up well QoQ, thanks to NIM...** Unlike 4Q23, when loans rose by a robust 4% QoQ thanks to global banking, sequential growth this time is set to be more modest. Still, 4Q23 NII may hold up reasonably well as, aside from loan growth, Maybank was optimistic on NIM as efforts to manage both loan yield and deposit cost bear fruit. Recall that 3Q24 NIM decreased by 3bps QoQ (contrary to the trend its peers enjoyed) while 9M24 NIM was down 11bps vs 2023 (guidance: -10bps NIM YoY). In line with its plans, Maybank continues to rebalance its loan book away from lower-yield loans such as global banking – a positive for yields in 4Q24. On the funding side, we understand that CASA growth was healthy, supported by M25+ initiatives such as digital onboarding and the cash management platform. Hence, while 4Q24 NIM is still likely to be lower YoY, the QoQ NIM trend may buck the typical seasonal compression and full-year NIM should meet guidance.
- **...but softer non-II...** We believe fee income could stay resilient on healthy card- and loan-related fees. Overall non-II, though, is expected to soften QoQ (but rise YoY), mainly due to lower treasury & markets income. Aside from some volatility during the recent US presidential election, the 10-year MGS yield was largely sideways and the YTD run rate has been elevated vs 2023.
- **...and opex seasonality to dampen PATMI.** Past trends suggest a seasonal pick-up in 4Q opex. We expect a similar pattern, with personnel and marketing costs likely the main culprits. On asset quality, we understand there were no major issues and it appears to be supported by recent banking statistics numbers. This should keep credit cost under control. However, while LLC remains healthy at 121%, we understand there are still no plans to start reversing the stock of overlay (3Q24: MYR1.7bn) at this juncture.
- **Dividends.** We expect a 4Q24 DPS of 34 sen (4Q23: 31 sen) to be declared, which would bring FY24 DPS to 63 sen (FY23: 60 sen), in line with the Street's 62-sen estimate. That said, with the 1H24 payout ratio already down to 70% from 76% in 1H23, we do not discount the possibility of a downside risk to our DPS estimate. Assuming a second interim cash DPS of 31 sen, this would translate to a yield of 3% and a full-year payout ratio of 72.5%.
- **What to watch out for?** i) 2025 growth strategy (balance sheet vs capital light-driven growth); ii) dividend payout commitment; iii) guidance on potential impact from Basel III reforms; and iv) M25+ commitments for 2025.

Target Price (Return): MYR11 (5.2%)
 Price (Market Cap): MYR10.50 (USD28,240m)
 ESG score: 3.3 (out of 4)
 Avg Daily Turnover (MYR/USD) 94.1m/21.1m

Analysts

David Chong CFA
 +603 2302 8106
david.chongvc@rhbgroup.com

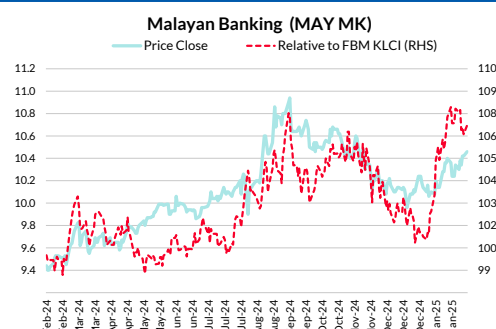


Nabil Thoo
 +603 2302 8123
nabil.thoo@rhbgroup.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.1	3.6	(0.4)	3.0	13.0
Relative	5.3	4.4	1.5	3.4	7.9
52-wk Price low/high (MYR)				9.40	10.9



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (MYRm)	7,961	9,350	9,990	10,408	10,874
Net profit growth (%)	(1.7)	17.5	6.8	4.2	4.5
Recurring net profit (MYRm)	7,961	9,350	9,990	10,408	10,874
Recurring EPS (MYR)	0.67	0.78	0.83	0.86	0.90
BVPS (MYR)	7.13	7.85	7.96	8.16	8.40
DPS (MYR)	0.58	0.60	0.63	0.66	0.69
Recurring P/E (x)	15.73	13.49	12.62	12.11	11.59
P/B (x)	1.47	1.33	1.31	1.28	1.25
Dividend Yield (%)	5.5	5.7	6.0	6.3	6.6
Return on average equity (%)	9.3	10.4	10.5	10.7	10.9

Source: Company data, RHB

Overall ESG Score: 3.3 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.3 (EXCELLENT)

G Score: 3.8 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-21	Dec-22	Dec-23	Dec-24
Total emissions declined by 52% in 2023 vs the group's baseline year of FY19, aided by purchases of Malaysia Renewable Energy Certificates (mRECs) and carbon credits from Bursa Malaysia.	Scope 1	845	10,116	10,997	na
	Scope 2	60,793	64,093	46,764	na
	Scope 3	6,363	14,264	22,588	na
	Total emissions	68,001	88,473	80,349	na
	Source: Company data, RHB				

Latest ESG-Related Developments

Enhanced ESG research insights: Maybank launched its Enhanced ESG Research initiative in Jul 2023, with the aim of providing actionable ESG insights on corporates in Malaysia.

Developing ESG talents: Maybank, in collaboration with the United Nations Global Compact Malaysia & Brunei, will develop a Sustainability Practitioner Certification Programme, in hopes of addressing the shortage of ESG expertise in the job market.

ESG Unbundled

Overall ESG Score: 3.3 (out of 4)

Last Updated: March 2024

E Score: 3.0 (GOOD)

Maybank monitors and reports on carbon emissions of its Malaysian and selected Singaporean operations. Established Responsible Lending Guidelines in 2015 and subsequently expanded in 2018 to form the ESG Policy. ESG risks are integrated into lending assessments, with Risk Acceptance Criteria finalised in 2018 for palm oil sector and enhanced in 2019 to cover mining and quarrying, forestry and logging and oil & gas sectors. Reported an 9% YoY decline in total emissions in 2023.

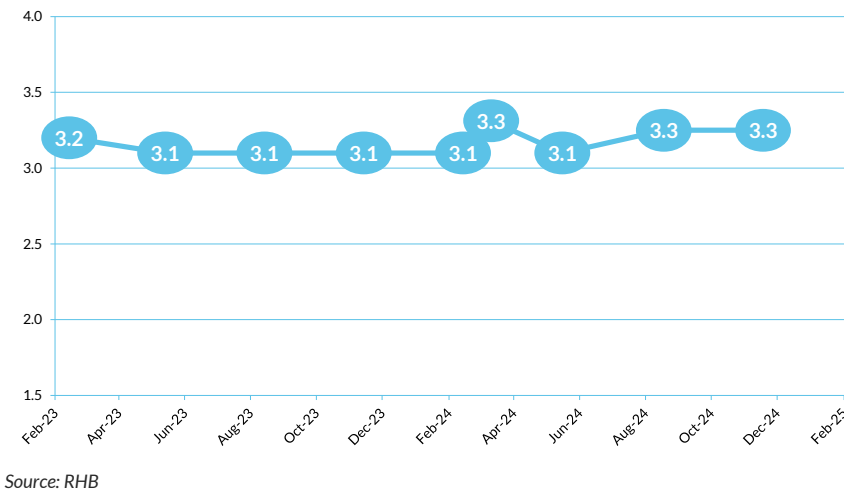
S Score: 3.3 (EXCELLENT)

Actively provides financing to micro SMEs, low-carbon solutions, and supports home ownership. Maybank invests in education programmes to help develop young talent. Embraces gender diversity with 56% of total workforce comprised of women, 49% in management and 36% of its board of directors.

G Score: 3.8 (EXCELLENT)

Has not had any material data security or privacy issues over the past few years. Board of directors comprises a non-independent executive director (group CEO), two non-independent non-executive directors and eight independent non-executive directors.

ESG Rating History



12 February 2025

Financial Services | Banks

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	EPS	0.67	0.78	0.83	0.86	0.90
Financial Services	Recurring EPS	0.67	0.78	0.83	0.86	0.90
Malayan Banking	DPS	0.58	0.60	0.63	0.66	0.69
MAY MK	BVPS	7.13	7.85	7.96	8.16	8.40
Neutral						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	15.73	13.49	12.62	12.11	11.59
i. COE of 9.0%;	P/B (x)	1.5	1.3	1.3	1.3	1.2
ii. ROE of 10.5%;	Dividend Yield (%)	5.5	5.7	6.0	6.3	6.6
iii. 3.5% long-term growth.						
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Our earnings are most sensitive to changes in:	Interest income	32,768	43,899	46,583	48,114	49,856
i. Loan impairment allowances;	Interest expense	(12,101)	(24,597)	(26,584)	(27,301)	(28,342)
ii. NIM;	Net interest income	20,667	19,302	19,999	20,813	21,514
iii. Gains or losses from investments.	Non interest income	5,826	8,059	9,001	9,358	9,825
	Total operating income	26,492	27,361	29,000	30,171	31,339
	Overheads	(11,974)	(13,389)	(14,253)	(14,830)	(15,429)
	Pre-provision operating profit	14,518	13,972	14,747	15,341	15,910
	Loan impairment allowances	(2,183)	(1,826)	(1,831)	(1,915)	(1,916)
	Other impairment allowances	(594)	145	-	-	-
	Income from associates	131	240	276	318	366
	Pre-tax profit	11,872	12,532	13,192	13,744	14,359
	Taxation	(3,896)	(2,917)	(3,034)	(3,161)	(3,303)
	Minority interests	(15)	(265)	(168)	(175)	(182)
	Reported net profit	7,961	9,350	9,990	10,408	10,874
	Recurring net profit	7,961	9,350	9,990	10,408	10,874
Key risks	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
The downside risks include:	Return on average assets (%)	0.9	0.9	0.9	0.9	0.9
i. Higher-than-expected credit costs;	Return on average equity (%)	9.3	10.4	10.5	10.7	10.9
ii. Weaker-than-expected NIMs;	Return on IEAs (%)	3.8	4.7	4.7	4.6	4.5
iii. Weaker-than-expected non-II.	Cost of funds (%)	1.6	3.1	3.1	3.0	3.0
	Net interest spread (%)	2.1	1.7	1.6	1.5	1.5
	Net interest margin (%)	2.4	2.1	2.0	2.0	2.0
	Non-interest income / total income (%)	22.0	29.5	31.0	31.0	31.4
	Cost to income ratio (%)	45.2	48.9	49.1	49.2	49.2
	Credit cost (bps)	38.3	29.7	27.6	27.2	26.0
The upside risks include:						
i. Lower-than-expected credit costs;						
ii. Better-than-expected NIMs;						
iii. Stronger-than-expected non-II.						
Company Profile	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Maybank is a fully integrated financial services group and the largest bank in Malaysia. The group's global network extends to 20 countries, including all 10 ASEAN countries. The three home markets, ie Malaysia, Singapore, and Indonesia, contributes c.95% of total group pre-tax profits.	Total gross loans	587,122	640,750	685,603	719,883	755,877
	Other interest earning assets	299,729	325,636	340,250	354,011	368,466
	Total gross IEAs	886,850	966,386	1,025,852	1,073,894	1,124,343
	Total provisions	(11,734)	(10,328)	(10,086)	(10,018)	(9,715)
	Net loans to customers	575,387	630,422	675,517	709,865	746,162
	Total net IEAs	875,116	956,058	1,015,767	1,063,876	1,114,628
	Total non-IEAs	72,698	71,618	60,340	57,149	53,970
	Total assets	947,814	1,027,676	1,076,107	1,121,025	1,168,597
	Customer deposits	639,396	696,835	738,115	774,746	813,197
	Other interest-bearing liabilities	122,411	136,662	140,557	144,293	148,306
	Total IBLs	761,807	833,497	878,672	919,038	961,503
	Total non-IBLs	97,089	96,529	98,295	100,219	102,347
	Total liabilities	858,896	930,026	976,967	1,019,257	1,063,850
	Share capital	54,619	54,674	54,621	54,621	54,621
	Shareholders' equity	85,957	94,642	95,965	98,417	101,215
	Minority interests	2,961	3,008	3,175	3,350	3,532
	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Reported NPLs / gross cust loans (%)	1.6	1.3	1.3	1.2	1.2
	Total provisions / reported NPLs (%)	127.5	120.1	117.7	118.4	111.8
	CET-1 ratio (%)	15.7	16.2	15.9	15.7	15.4
	Tier-1 ratio (%)	16.4	16.8	16.5	16.3	16.0
	Total capital ratio (%)	19.2	19.6	19.0	18.6	18.1

Source: Company data, RHB

Management guidance

Figure 1: Management guidance and financial targets

	2023 actual	9M24 achieved	2024 targets	Comments
Reported ROE	10.8%	11.1%	11%	
NIM	-29bps YoY (2023 NIM: 2.15%)	2.04% or - 11bps vs FY23	10bps NIM squeeze	
CIR	48.9%	48.6%	≤49%	
Credit cost	31bps	26	≤30bps	An unchanged MYR1.7bn in management overlays remain in the books, but have been reallocated to specific portfolios.

Source: Company data, RHB

Valuation and TP

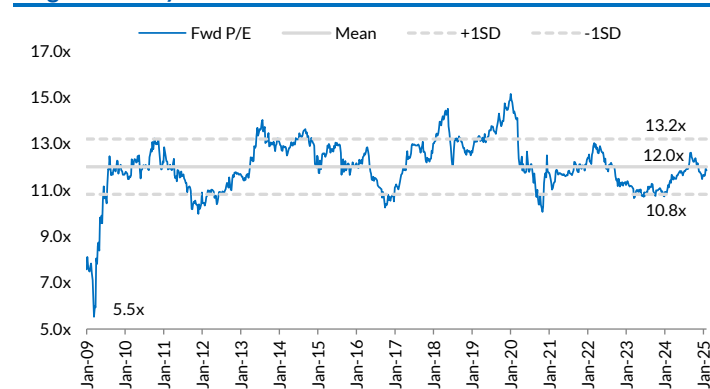
We make no change to our MYR11 TP. Our intrinsic value of MYR10.39 is based on a GGM-derived P/BV of 1.27x, which is at a slight discount the stock's historical mean. We continue to ascribe a 6% ESG premium to our intrinsic value to derive our TP, as Maybank's ESG score of 3.3 out of 4 is above the country median of 3.

Figure 2: Maybank - GGM valuation with ESG overlay

Cost of equity (COE) computation:		Sustainable ROE (%)	10.5
Risk free rate (%)	4.0	COE (%)	9.0
Equity premium (%)	5.0	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	1.27
Cost of equity - CAPM (%)	9.0	BVPS - 12-mth rolling forward	MYR8.16
		Intrinsic value	MYR10.39
ESG premium/(discount) (%)	6.0	ESG premium/(discount)	MYR0.62
		TP (rounded)	MYR11.00

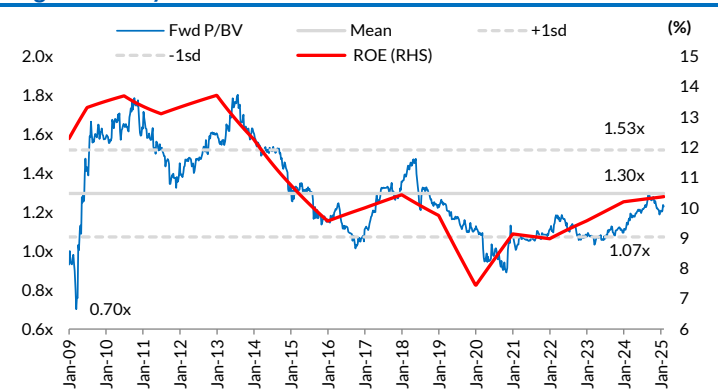
Source: Company data, RHB

Figure 3: Maybank's 12-month forward consensus P/E



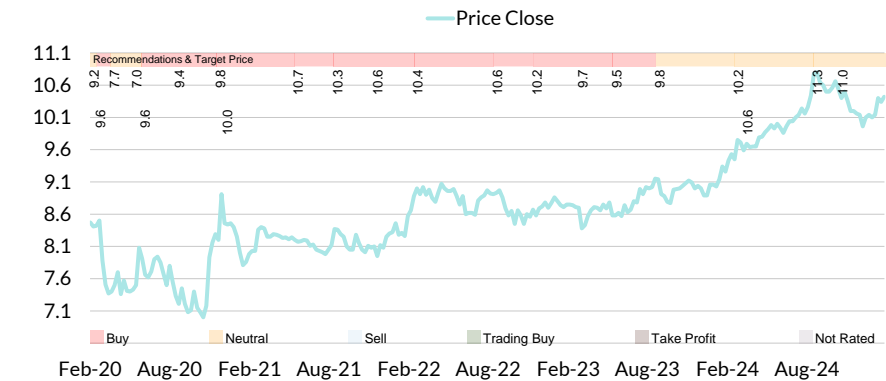
Source: Bloomberg, RHB

Figure 4: Maybank's 12-month forward consensus P/BV



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-02-11	Neutral	11.0	na
2024-11-26	Neutral	11.0	10.2
2024-08-28	Neutral	11.3	10.9
2024-05-27	Neutral	10.6	10.0
2024-03-21	Neutral	10.6	9.6
2024-02-29	Neutral	10.2	9.5
2024-02-19	Neutral	9.8	9.5
2023-11-22	Neutral	9.8	9.1
2023-08-31	Neutral	9.8	9.1
2023-05-25	Buy	9.5	8.6
2023-03-08	Buy	9.7	8.7
2023-02-28	Buy	10.2	8.8
2022-11-24	Buy	10.2	8.8
2022-08-25	Buy	10.6	8.8
2022-02-25	Buy	10.4	8.9

Source: RHB, Bloomberg

12 February 2025

Financial Services | Banks

Public Bank (PBK MK)

Neutral (Maintained)

Looking Past a Noisy 4Q

- **Maintain NEUTRAL and MYR4.80 TP, 8% upside with c.5% FY25F yield.** Public Bank is expected to report its 4Q24 results on 26 Feb. We expect a fair amount of noise in the reported numbers, from: i) A goodwill impairment of HKD600-900m (MYR350-520m) at Public Financial Holdings (626 HK, NR); ii) credit losses from its Hong Kong operations; and iii) a maiden contribution from LPI Capital (LPI MK, NR) – all are not imputed in our forecasts. However, we expect the market to look through the noise and focus on the outlook ahead as well as on updates on the major shareholder's stake sell-down.
- **Expect PATMI to decline QoQ.** As it stands, our and consensus FY24F PATMI imply that 4Q24 earnings could fall by mid-to-high single digit QoQ, but rise by a similar quantum YoY. The QoQ decline would be due to a NIM squeeze and lower overlay reversals.
- **Operating income – some seasonality but nothing alarming.** We think 4Q operating income could be flattish to slightly lower QoQ but up YoY. PBK's stable loan growth should help cushion the seasonal NIM pressure from deposit competition. From our conversation with management, wholesale deposit competition was stiff but the competition for retail deposits was not as steep as that in the wholesale segment. PBK's full-year flat NIM guidance implies that NIM could be down QoQ, but the squeeze should not be as severe as the -6bps QoQ in 4Q23 while, YoY, NIM is expected to be higher. As for non-II, PBK's core fees tend to be stable but we think non-fee portion could be lower QoQ due to seasonality, eg slowdown in business activities towards the year-end leading to lower FX income. As for opex, unlike some of its peers, we are not expecting a significant QoQ rise in opex.
- **Credit cost – a potential source of deviation vs forecast.** As mentioned above, credit cost is one of the factors impacting our expectation of weaker sequential earnings. Our numbers assume that the overlay reversals would not be as aggressive as that seen earlier (3Q24: MYR75m; 9M24: MYR256m). However, as PBK still has ample overlay, reversals may stay elevated in a bid to cushion the goodwill impairment and loan impairment in Hong Kong. Recall that PBK's management overlay stock stood at MYR1.5bn in 3Q24. Based on its guidance for a LLC floor of c.125% and assuming absolute GIL is maintained, about half of the stock overlay can be reversed.
- **Dividends.** We expect a 4Q24 DPS of 10.7 sen (4Q23: 10 sen), which would bring FY24F DPS to 20.7 sen (FY23: 19 sen) – broadly in line with the consensus forecast (FY24F: 21 sen). This is based on a payout ratio of ~56.6% vs 55.5% in FY23, and in line with PBK's guidance for a gradual increase in the ratio. That said, we are unsure if the payout will be based on reported or "core" PATMI. The former could possibly mean a lower-than-forecasted DPS, unless PBK bumps up the payout to the top end of its 50-60% guided range.
- **What are we watching out for?** Guidance on: i) Room for further deposit rate cuts; ii) Basel III reforms impact on capital; and iii) the outlook for dividend payouts and the possibility of capital management.

Target Price (Return): MYR4.80 (+8%)
 Price (Market Cap): MYR4.45 (USD19,322m)
 ESG score: 3.1 (out of 4)
 Avg Daily Turnover (MYR/USD) 66.2m/14.9m

Analysts

David Chong, CFA
 +603 2302 8106
david.chongvc@rhbgroun.com

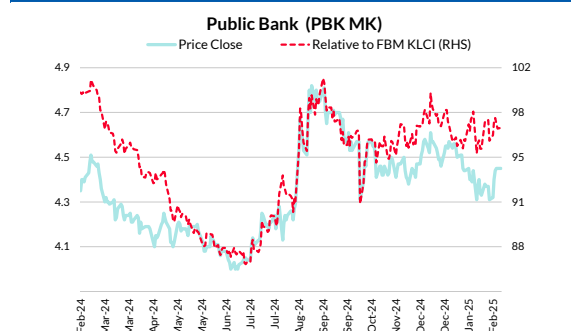


Nabil Thoo
 +603 2302 8123
nabil.thoo@rhbgroun.com



Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.4)	0.2	(0.9)	5.0	2.3
Relative	0.8	1.0	1.0	5.4	(2.8)
52-wk Price low/high (MYR)				4.00	–4.82



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Reported net profit (MYRm)	6,119	6,649	7,096	7,373	7,711
Net profit growth (%)	8.2	8.7	6.7	3.9	4.6
Recurring net profit (MYRm)	6,119	6,649	7,096	7,373	7,711
Recurring EPS (MYR)	0.32	0.34	0.37	0.38	0.40
BVPS (MYR)	2.59	2.82	2.98	3.15	3.32
DPS (MYR)	0.17	0.19	0.21	0.22	0.24
Recurring P/E (x)	14.12	12.99	12.17	11.72	11.20
P/B (x)	1.72	1.58	1.49	1.41	1.34
Dividend Yield (%)	3.8	4.3	4.7	5.0	5.3
Return on average equity (%)	12.4	12.7	12.6	12.4	12.3

Source: Company data, RHB

Overall ESG Score: 3.1 (out of 4)

E Score: 2.8 (GOOD)

S Score: 3.5 (EXCELLENT)

G Score: 3.5 (EXCELLENT)

Please refer to the ESG analysis on the next page

Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-21	Dec-22	Dec-23	Dec-24F
PBK's greenhouse gas emissions decreased slightly YoY, on a reduction in emissions related to employee travel.	Scope 1	551	2,460	2,891	na
	Scope 2	61,318	61,211	61,172	na
	Scope 3	1,041	26,236	23,160	na
	Total emissions	62,910	89,907	87,223	na
	Source: Company data, RHB				

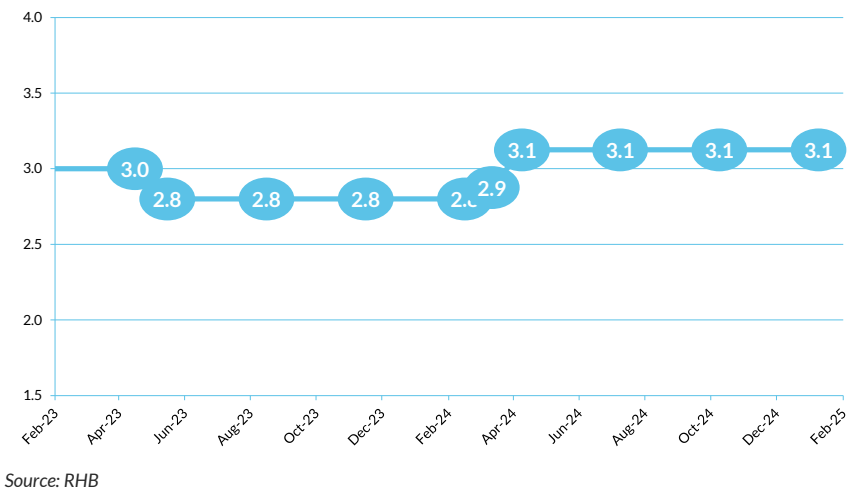
Latest ESG-Related Developments

- Raising sustainability commitments:** PBK raised its sustainable finance target to MYR100bn by 2030, from MYR48bn by 2025.
- Government Guarantee Scheme Madani:** Public Bank is a participant of the government's Government Guarantee Scheme Madani (GGSM), a scheme for extending government-guaranteed financing to SMEs with a focus on the high technology, agriculture, manufacturing and tourism sectors.
- Financed emissions:** It has started to measure financed emissions from 81% of total loans, both domestically and overseas.

ESG Unbundled

- Overall ESG Score: 3.1 (out of 4)**
Last Updated: March 2024
E Score: 2.8 (GOOD)
Total emissions in 2023 eased 3% YoY due to a reduction in Scope 3 emissions relating to employee travel. PBK's commitments include achieving a carbon-neutral position by 2030, and net-zero carbon by 2050. It has mobilised MYR54bn of sustainable finance since 2020, which includes MYR38bn for energy-efficient vehicle financing, MYR8bn for affordable homes financing, MYR5bn of corporate loans and MYR2bn under green financing facilities.
- S Score: 3.5 (EXCELLENT)**
PBK offers affordable interest rates for first-time homebuyers under its PB First Home Loan initiative. It embraces gender diversity, with 49% of senior management and 44% of the Board of Directors being made up of women. It has a low staff attrition rate of 9.5%.
- G Score: 3.5 (EXCELLENT)**
PBK has not had any material data security or privacy issues over the past few years. The Board of Directors is decently diverse, with well-defined roles and responsibilities for each member. Board members, senior management, and employees undergo training on matters of compliance, good governance and banking best practices.

ESG Rating History



12 February 2025

Financial Services | Banks

Financial Exhibits

Asia	Financial summary (MYR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Malaysia	EPS	0.32	0.34	0.37	0.38	0.40
Financial Services	Recurring EPS	0.32	0.34	0.37	0.38	0.40
Public Bank	DPS	0.17	0.19	0.21	0.22	0.24
PBK MK	BVPS	2.59	2.82	2.98	3.15	3.32
Neutral						
Valuation basis	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
GGM-derived intrinsic value with an ESG overlay. Key GGM assumptions are:	Recurring P/E (x)	14.12	12.99	12.17	11.72	11.20
i. COE of 9.5%;	P/B (x)	1.7	1.6	1.5	1.4	1.3
ii. ROE of 12.5%;	Dividend Yield (%)	3.8	4.3	4.7	5.0	5.3
iii. 3.5% long-term growth.						
Key drivers	Income statement (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Our earnings are most sensitive to changes in:	Interest income	18,229	22,083	23,219	24,340	25,503
i. NIM;	Interest expense	(7,205)	(11,467)	(12,163)	(12,843)	(13,562)
ii. Credit cost;	Net interest income	11,024	10,617	11,056	11,497	11,940
iii. Non-II growth.	Non interest income	2,414	2,476	2,778	2,966	3,161
	Total operating income	13,438	13,093	13,834	14,463	15,102
	Overheads	(4,235)	(4,415)	(4,788)	(4,980)	(5,179)
	Pre-provision operating profit	9,203	8,678	9,046	9,483	9,923
	Loan impairment allowances	(366)	(157)	(98)	(181)	(187)
	Other impairment allowances	(13)	(1)	-	-	-
	Income from associates	7	19	150	150	150
	Pre-tax profit	8,831	8,539	9,098	9,452	9,886
	Taxation	(2,661)	(1,884)	(2,002)	(2,080)	(2,175)
	Minority interests	(50)	(6)	-	-	-
	Reported net profit	6,119	6,649	7,096	7,373	7,711
	Recurring net profit	6,119	6,649	7,096	7,373	7,711
Key risks						
Downside risks include:	Profitability ratios	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
i. Weaker-than-expected NIMs;	Return on average assets (%)	1.3	1.3	1.4	1.3	1.3
ii. Sharper-than-expected deterioration in asset quality;	Return on average equity (%)	12.4	12.7	12.6	12.4	12.3
iii. Weaker-than-expected non-interest income.	Return on IEAs (%)	3.9	4.5	4.5	4.5	4.5
	Cost of funds (%)	1.7	2.6	2.7	2.7	2.7
	Net interest spread (%)	2.2	1.9	1.9	1.8	1.8
	Net interest margin (%)	2.4	2.2	2.2	2.1	2.1
	Non-interest income / total income (%)	18.0	18.9	20.1	20.5	20.9
	Cost to income ratio (%)	31.5	33.7	34.6	34.4	34.3
	Credit cost (bps)	9.95	4.04	2.38	4.17	4.09
The converse represents upside risks.						
Company Profile	Balance sheet (MYRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Public Bank is Malaysia's third largest banking group by assets. The group also has overseas operations in Cambodia, Vietnam, Laos, and Hong Kong.	Total gross loans	376,892	398,997	422,630	445,595	469,822
	Other interest earning assets	103,158	97,860	101,991	106,301	110,799
	Total gross IEAs	480,050	496,856	524,621	551,896	580,621
	Total provisions	(4,309)	(4,247)	(3,790)	(3,821)	(3,762)
	Net loans to customers	372,583	394,750	418,841	441,774	466,060
	Total net IEAs	475,741	492,610	520,832	548,075	576,859
	Total non-IEAs	17,522	17,988	16,376	16,990	17,286
	Total assets	493,263	510,598	537,207	565,065	594,145
	Customer deposits	394,719	412,897	435,606	459,565	484,841
	Other interest-bearing liabilities	32,889	26,956	27,184	27,384	27,478
	Total IBLs	427,608	439,853	462,790	486,949	512,319
	Total non-IBLs	14,129	14,365	14,788	15,233	15,700
	Total liabilities	441,737	454,218	477,578	502,181	528,019
	Share capital	9,418	9,418	9,418	9,418	9,418
	Shareholders' equity	50,179	54,674	57,924	61,178	64,420
	Minority interests	1,347	1,706	1,706	1,706	1,706
	Asset quality and capital	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Reported NPLs / gross cust loans (%)	0.4	0.6	0.6	0.6	0.6
	Total provisions / reported NPLs (%)	272.0	181.8	149.4	147.8	145.6
	CET-1 ratio (%)	14.7	14.7	15.0	15.1	15.1
	Tier-1 ratio (%)	14.8	14.7	15.0	15.1	15.1
	Total capital ratio (%)	17.8	17.6	17.6	17.6	17.4

Source: Company data, RHB

Management's FY24 guidance and targets

Figure 1: Public Bank – management guidance and financial targets

	FY23 achieved	9M24 achieved	FY24 targets	Comments
Reported ROE	13%	13.2%	13%	The upgrade takes into account the steady NIM outlook and low CoC in 9M24.
Loans growth	+5.9%	+5.3%	5-6%	Larger domestic-centric growth drivers means that the impact of a stronger
Deposits growth	+4.6%	+3.5%	5-6%	
NIM chg	-19bps	+1bp vs 2023	Stable	Guidance upgraded, given its 9M24 performance.
Credit cost	4bps	1bp	Low single digit	Overlay balance of RM1.5bn after writebacks of MYR256m in 9M24.
Dividend payout	55.5%	56.5%*	50-60%	

Note: *Based on 1H24

Source: Company data, RHB

Valuation and TP

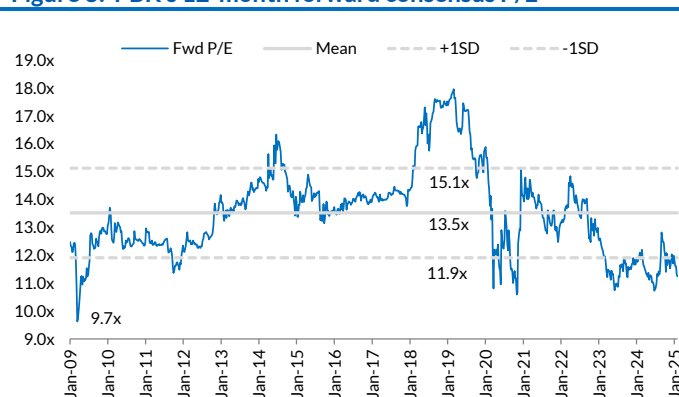
There is no change to our MYR4.80 TP. This is based on a GGM-derived P/BV of 1.5x, ie below the long-term mean of 2.06x – given the lower ROE outlook and potential share price overhang from the plan by the Estate to reduce its stake to 10% from the current 23.4% for regulatory compliance. Our TP also includes an unchanged 2% ESG premium applied to our intrinsic value, since PBK's ESG score of 3.1 out of 4 is above the country median of 3.

Figure 2: Public Bank's GGM valuation with ESG overlay

Cost of equity (COE) computation:		Sustainable ROE (%)	12.5
Risk free rate (%)	4.0	COE (%)	9.5
Equity premium (%)	5.5	Long-term growth (g)	3.5
Beta (x)	1.0	Implied P/BV (x)	1.50
Cost of equity - CAPM (%)	9.5	BVPS – 12-mth rolling forward	MYR3.15
		Intrinsic value	MYR4.73
ESG premium/(discount) (%)	2.0	ESG premium/(discount)	MYR0.09
		TP (rounded)	MYR4.80

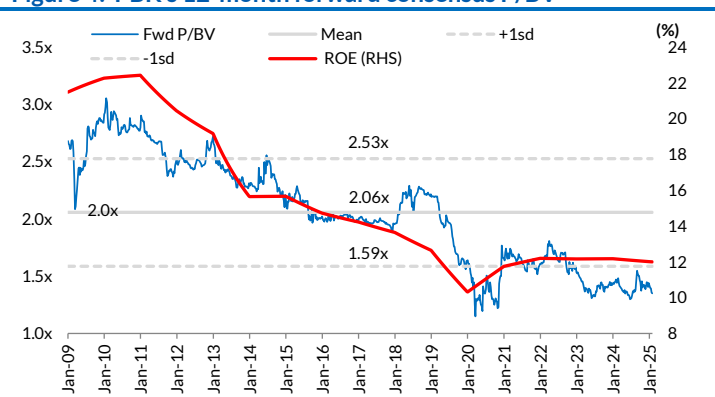
Source: Company data, RHB

Figure 3: PBK's 12-month forward consensus P/E



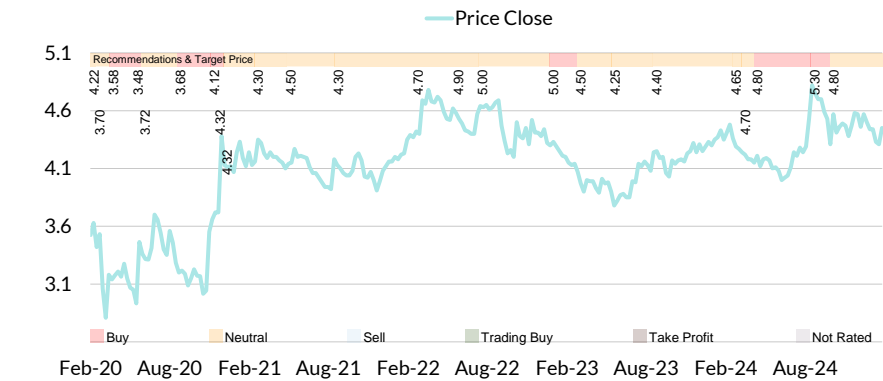
Source: Bloomberg, RHB

Figure 4: PBK's 12-month forward consensus P/BV



Source: Bloomberg, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-12-01	Neutral	4.80	4.47
2024-10-11	Neutral	4.80	4.31
2024-08-28	Buy	5.30	4.80
2024-05-21	Buy	4.80	4.19
2024-04-18	Buy	4.80	4.14
2024-03-21	Neutral	4.70	4.22
2024-02-29	Neutral	4.65	4.40
2024-02-19	Neutral	4.40	4.43
2023-11-29	Neutral	4.40	4.24
2023-08-29	Neutral	4.40	4.14
2023-05-26	Neutral	4.25	3.90
2023-03-08	Neutral	4.50	4.11
2023-02-28	Buy	5.00	4.13
2023-01-04	Buy	5.00	4.28
2022-08-29	Neutral	5.00	4.63

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

Investment Research Disclaimers

RHB has issued this report for information purposes only. This report is intended for circulation amongst RHB and its affiliates' clients generally or such persons as may be deemed eligible by RHB to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. By accepting this report, the recipient hereof (i) represents and warrants that it is lawfully able to receive this document under the laws and regulations of the jurisdiction in which it is located or other applicable laws and (ii) acknowledges and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of applicable laws.

All the information contained herein is based upon publicly available information and has been obtained from sources that RHB believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by RHB and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are RHB's present opinions only and are subject to change without prior notice. RHB is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, RHB does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Neither RHB (including its officers, directors, associates, connected parties, and/or employees) nor does any of its agents accept any liability for any direct, indirect or consequential losses, loss of profits and/or damages that may arise from the use or reliance of this research report and/or further communications given in relation to this report. Any such responsibility or liability is hereby expressly disclaimed.

Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by RHB or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. The performance of currencies may affect the value of, or income from, the securities or any other financial instruments referenced in this report. Holders of depositary receipts backed by the securities discussed in this report assume currency risk. Past performance is not a guide to future performance. Income from investments may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interest of investors.

This report may contain comments, estimates, projections, forecasts and expressions of opinion relating to macroeconomic research published by RHB economists of which should not be considered as investment ratings/advice and/or a recommendation by such economists on any securities discussed in this report.

This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. The material in this report is general information intended for recipients who understand the risks of investing in financial instruments. This report does not take into account whether an investment or course of action and any associated risks are suitable for the recipient. Any recommendations contained in this report must therefore not be relied upon as investment advice based on the recipient's personal circumstances. Investors should make their own independent evaluation of the information contained herein, consider their own investment objective, financial situation and particular needs and seek their own financial, business, legal, tax and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other

similar expressions. Such forward-looking statements are based on assumptions made and information currently available to RHB and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. RHB expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

The use of any website to access this report electronically is done at the recipient's own risk, and it is the recipient's sole responsibility to take precautions to ensure that it is free from viruses or other items of a destructive nature. This report may also provide the addresses of, or contain hyperlinks to, websites. RHB takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to RHB own website material) are provided solely for the recipient's convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or RHB website shall be at the recipient's own risk.

This report may contain information obtained from third parties. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content.

The research analysts responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. The research analysts that authored this report are precluded by RHB in all circumstances from trading in the securities or other financial instruments referenced in the report, or from having an interest in the company(ies) that they cover.

The contents of this report is strictly confidential and may not be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, to any other person without the prior express written consent of RHB and/or its affiliates. This report has been delivered to RHB and its affiliates' clients for information purposes only and upon the express understanding that such parties will use it only for the purposes set forth above. By electing to view or accepting a copy of this report, the recipients have agreed that they will not print, copy, videotape, record, hyperlink, download, or otherwise attempt to reproduce or re-transmit (in any form including hard copy or electronic distribution format) the contents of this report. RHB and/or its affiliates accepts no liability whatsoever for the actions of third parties in this respect.

The contents of this report are subject to copyright. Please refer to Restrictions on Distribution below for information regarding the distributors of this report. Recipients must not reproduce or disseminate any content or findings of this report without the express permission of RHB and the distributors.

The securities mentioned in this publication may not be eligible for sale in some states or countries or certain categories of investors. The recipient of this report should have regard to the laws of the recipient's place of domicile when contemplating transactions in the securities or other financial instruments referred to herein. The securities discussed in this report may not have been registered in such jurisdiction. Without prejudice to the foregoing, the recipient is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

The term "RHB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, RHB Investment Bank Berhad and its affiliates, subsidiaries and related companies.

RESTRICTIONS ON DISTRIBUTION

Malaysia

This report is issued and distributed in Malaysia by RHB Investment Bank Berhad ("RHBIB"). The views and opinions in this report are our own as of the date hereof and is subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. RHBIB has no obligation to update its opinion or the information in this report.

Indonesia

This report is issued and distributed in Indonesia by PT RHB Sekuritas Indonesia. This research does not constitute an offering document and it should not be construed as an offer of securities in Indonesia. Any securities offered or sold, directly or indirectly, in Indonesia or to any Indonesian citizen or corporation (wherever located) or to any Indonesian resident in a manner which constitutes a public offering under Indonesian laws and regulations must comply with the prevailing Indonesian laws and regulations.

Singapore

This report is issued and distributed in Singapore by RHB Bank Berhad (through its Singapore branch) which is an exempt capital markets services entity and an exempt financial adviser regulated by the Monetary Authority of Singapore. RHB Bank Berhad (through its Singapore branch) may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, RHB Bank Berhad (through its Singapore branch) accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact RHB Bank Berhad (through its Singapore branch) in respect of any matter arising from or in connection with the report.

United States

This report was prepared by RHB is meant for distribution solely and directly to "major" U.S. institutional investors as defined under, and pursuant to, the requirements of Rule 15a-6 under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act") via a registered U.S. broker-dealer as appointed by RHB from time to time. Accordingly, any access to this report via Bursa Marketplace or any other Electronic Services Provider is not intended for any party other than "major" US institutional investors (via a registered U.S broker-dealer), nor shall be deemed as solicitation by RHB in any manner. RHB is not registered as a broker-dealer in the United States and currently has not appointed a U.S. broker-dealer. Additionally, RHB does not offer brokerage services to U.S. persons. Any order for the purchase or sale of all securities discussed herein must be placed with and through a registered U.S. broker-dealer as appointed by RHB from time to time as required by the Exchange Act Rule 15a-6. For avoidance of doubt, RHB reiterates that it has not appointed any U.S. broker-dealer during the issuance of this report. This report is confidential and not intended for distribution to, or use by, persons other than the recipient and its employees, agents and advisors, as applicable. Additionally, where research is distributed via Electronic Service Provider, the analysts whose names appear in this report are not registered or qualified as research analysts in the United States and are not associated persons of any registered U.S. broker-dealer as appointed by RHB from time to time and therefore may not be subject to any applicable restrictions under Financial Industry Regulatory Authority ("FINRA") rules on communications with a subject company, public appearances and personal trading. Investing in any non-U.S. securities or related financial instruments discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in the United States. The financial instruments discussed in this report may not be suitable for all investors. Transactions in foreign markets may be subject to regulations that differ from or offer less protection than those in the United States.

DISCLOSURE OF CONFLICTS OF INTEREST

RHB Investment Bank Berhad, its subsidiaries (including its regional offices) and associated companies, ("RHBIB Group") form a diversified financial group, undertaking various investment banking activities which include, amongst others, underwriting, securities trading, market making and corporate finance advisory.

As a result of the same, in the ordinary course of its business, any member of the RHBIB Group, may, from time to time, have business relationships with, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants, and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or perform and/or solicit investment, advisory or other services from any of the subject company(ies) covered in this research report.

While the RHBIB Group will ensure that there are sufficient information barriers and internal controls in place where necessary, to prevent/manage any conflicts of interest to ensure the independence of this report, investors should also be aware that such conflict of interest may exist in view of the investment banking activities undertaken by the RHBIB Group as mentioned above and should exercise their own judgement before making any investment decisions.

In Singapore, investment research activities are conducted under RHB Bank Berhad (through its Singapore branch), and the disclaimers above similarly apply.

Malaysia

Save as disclosed in the following link [RHB Research Conflict Disclosures - Feb 2025](#) and to the best of our knowledge, RHBIB hereby declares that:

1. RHBIB does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report.
2. RHBIB is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of RHBIB's staff or associated person serve as a director or board member* of the subject company(ies) covered in this report
**For the avoidance of doubt, the confirmation is only limited to the staff of research department*
4. RHBIB did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. RHBIB did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report.

Indonesia

Save as disclosed in the following link [RHB Research Conflict Disclosures - Feb 2025](#) and to the best of our knowledge, PT RHB Sekuritas Indonesia hereby declares that:

1. PT RHB Sekuritas Indonesia and its investment analysts, does not have any interest in the securities of the subject company(ies) covered in this report.
For the avoidance of doubt, interest in securities include the following:
 - a) Holding directly or indirectly, individually or jointly own/hold securities or entitled for dividends, interest or proceeds from the sale or exercise of the subject company's securities covered in this report*;
 - b) Being bound by an agreement to purchase securities or has the right to transfer the securities or has the right to pre subscribe the securities*.
 - c) Being bound or required to buy the remaining securities that are not subscribed/placed out pursuant to an Initial Public Offering*.
 - d) Managing or jointly with other parties managing such parties as referred to in (a), (b) or (c) above.
2. PT RHB Sekuritas Indonesia is not a market maker in the securities or capital market products of the subject company(ies) covered in this report.
3. None of PT RHB Sekuritas Indonesia's staff** or associated person serve as a director or board member* of the subject company(ies) covered in this report.
4. PT RHB Sekuritas Indonesia did not receive compensation for investment banking or corporate finance services from the subject company in the past 12 months.
5. PT RHB Sekuritas Indonesia** did not receive compensation or benefit (including gift and special cost arrangement e.g. company/issuer-sponsored and paid trip) in relation to the production of this report:

Notes:

*The overall disclosure is limited to information pertaining to PT RHB Sekuritas Indonesia only.

**The disclosure is limited to Research staff of PT RHB Sekuritas Indonesia only.

Singapore

Save as disclosed in the following link [RHB Research Conflict Disclosures - Feb 2025](#) and to the best of our knowledge, the Singapore Research department of RHB Bank Berhad (through its Singapore branch) hereby declares that:

1. RHB Bank Berhad, its subsidiaries and/or associated companies do not make a market in any issuer covered by the Singapore research analysts in this report.
2. RHB Bank Berhad, its subsidiaries and/or its associated companies and its analysts do not have a financial interest (including a shareholding of 1% or more) in the issuer covered by the Singapore research analysts in this report.
3. RHB Bank Berhad's Singapore research staff or connected persons do not serve on the board or trustee positions of the issuer covered by the Singapore research analysts in this report.
4. RHB Bank Berhad, its subsidiaries and/or its associated companies do not have and have not within the last 12 months had any corporate finance advisory relationship with the issuer covered by the Singapore research analysts in this report or any other relationship that may create a potential conflict of interest.
5. RHB Bank Berhad's Singapore research analysts, or person associated or connected to it do not have any interest in the acquisition or disposal of, the securities, specified securities based derivatives contracts or units in a collective investment scheme covered by the Singapore research analysts in this report.
6. RHB Bank Berhad's Singapore research analysts do not receive any compensation or benefit in connection with the production of this research report or recommendation on the issuer covered by the Singapore research analysts.

Analyst Certification

The analyst(s) who prepared this report, and their associates hereby, certify that:

(1) they do not have any financial interest in the securities or other capital market products of the subject companies mentioned in this report, except for:

Analyst	Company
-	-

(2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.



KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 2302 8100
Fax : +603 2302 8134

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 5093 9888
Fax : +6221 5093 9777

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470