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RHB stepping up sustainability efforts

Bank's top priority this year is its ESG drive

FINANCE

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Mohd Rashid Mohamad

PETALING JAYA: RHB Bank Bhd is stepping up its efforts in the sustainability space as one of its key focuses for this year, according to RHB Bank Bhd group managing director and CEO Mohd Rashid Mohamad.

"From a sustainability standpoint, environmental, social and governance (ESG) remains at the forefront of our businesses and in everything we do. And we intend to intensify our efforts in promoting sustainable practices amongst our customers, employees and other key stakeholders," he told *StarBiz*.

As at December 2022, he said the bank had achieved more than RM14bil in sustainable financial services, which exceeded its year-to-date target by more than 60%.

The bank's key focus for financial year 2023 (FY23) would be to kick start its programme in nurturing and supporting the bank's small medium enterprises (SME) customers towards integrating sustainable practices into their business and operations, he added.

Mohd Rashid said this would be done by playing an advisory role as well as through the sustainable products and solutions that RHB offers.

"RHB is also committed to enhance the way we serve and deliver value to our customers. With that, we continue to shape a future-ready operating model by inculcating a culture of customer prioritisation.

"The group will accelerate the usage of analytics to deliver personalised products, solutions and service offerings," he noted.

Moving forward, he said RHB would continue putting emphasis on its segment-led strategy and expand tailored propositions in serving our target segments of affluent, mass affluent within the retail space, as well as double-down on serving SME clients.

Based on the service needs between customers of different generations and age gaps, he said the bank's products and services would be "hyper-personalised" to their preferences.

RHB is also investing in new engines of growth, particularly in growing its Islamic wealth management business, he said where it would build a complete wealth management ecosystem that includes savings, lending, investments, will writing and takaful.

On the regional front, Mohd Rashid said it aims to tap into niche retail and SME spaces in its strong-performing regional markets, especially in Singapore and Cambodia, adding that RHB would also strengthen its operations in Thailand, Laos and Brunei.

RHB Bank posted a 22% year-on-year increase in net profit for the fourth quarter ended Dec 31, 2022 (4Q22).

Net profit grew to RM772.11mil or 18.24 sen per share from RM631.16mil or 15.34 sen per share a year earlier.

For the full year, it chalked up a net profit of RM2.71bil from RM2.62bil a year earlier. Loan growth for the period stood at 6.9%, with net interest margin (NIM) inching up to 2.24%, from 2.20% last year.

Meanwhile, Fitch Solutions Country Risk and Industry Research has recently upgraded its recommendation on RHB Bank Bhd to "outperform" from "market perform".

CreditSights, a Fitch Solutions company, said RHB guided for a broadly stable NIM in FY23, as unlike fellow peers, the bank is optimistic about sustaining its current account savings account (CASA) ratio at around the current level in 2023.

"Capital ratios were higher quarter-on-quarter (q-o-q) across all three banks - Malayan Banking Bhd, CIMB Group Holdings Bhd and RHB Bank. RHB continued to lead the pack with a high Common Equity Tier-1 ratio of 16.9%, while CIMB remained behind peers, but improved well over the last couple of years to 14.5%, which is sufficient," CreditSights said.

RHB, which is upbeat of achieving a 4% to 5% loan growth this year, said loan growth would be primarily driven by mortgage, auto finance, SME, and its operations in Singapore and Cambodia.

From a deposit perspective, he anticipates growth in terms of deposits in FY23 to be in tandem with loan growth, despite the continued intense competition for deposits.

"Challenges in deposits gathering in a rising interest rate environment will persist where fixed deposit (FD) repricing, CASA being consumed and substituted to FD, along with price rivalry for FD.

"Nevertheless, we will continue to focus on growing CASA, where our emphasis is to grow deposits in the retail and SME segments," Mohd Rashid noted.

On the global front, he expects banks to have a decent year ahead, despite a challenging macro environment. He said the bank anticipates the banking system loan growth to moderate to 5% this year from 5.7% in 2022.

"We also think that NIM may have peaked in 4Q22 as deposits continue to be repriced ahead. On the other hand, non-interest income could be the bright spot for the banking sector due to a recovery in fees and potential pick up in capital markets income.

"Operating costs, however, could remain sticky amid an inflationary environment. We anticipate gross impaired loans for the sector to rise further due to loans exiting repayment assistance programmes.

"That said, banks have generally built up their loan impairment buffers and hence, we expect sector credit cost to be under control. Overall, we expect the banking sector's FY23 net profit forecast to grow by 14% year-on-year, which would translate to a decent return on equity of 10.7%," he added.