



TOKIO MARINE

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Analysts positive on RHB Cap's bancassurance deal

KUALA LUMPUR: RHB Capital Bhd's (RHB Capital) recent announcement that RHB Bank entered into a new bancassurance arrangement agreement with Tokio Marine Life Insurance Malaysia Bhd (Tokio Marine) has left analysts feeling positive on the deal.

In a statement to Bursa Malaysia, RHB Capital said that the new bancassurance agreement will supercede the existing bancassurance agreement signed in 2010 and will take effect from January 1, 2015.

RHB Capital added that Tokio Marine will pay RHB Bank a total facilitation fee of RM210 million based on the terms of the new bancassurance agreement. In consideration thereof, RHB Bank shall commit to a 10-year bancassurance relationship with Tokio Marine and provide the group access to the bank's customer base.

According to the research arm of TA Securities Holdings Bhd (TA Research), it is positive on the deal although it does not expect the new bancassurance arrangement

to have any material effect on the group's earnings.

TA Research noted that post the first agreement in 2010, the group's fee income increased by around five to 10 per cent.

However, incorporating the facilitation fee of RM210 million, the research arm tweaked its financial year 2015 (FY15) net profit by some seven per cent to RM2,396 million from RM2,236 million previously.

"We make no change to our FY16 earnings estimates," it said.

The research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) also made no changes to its forecast.

"In view that the goodwill payments are one-off items, we are not factoring it into our forecast," MIDF Research said, referring to the bancassurance fee of RM210 million which it believes Tokio Marine will pay RHB Bank in stages over the 10 year period between 2015 and 2024.

The research arm maintained its 'buy' call on RHB Capital with an unchanged target price

of RM10.70 per share based on a forward price-book (PB) multiple of 1.4-fold.

The recent share price weakness of banking stocks coinciding with the decline in oil prices has resulted in the valuation of RHB Capital turning more attractive, trading at one-fold to MIDF Research's FY15 book value of equity per share (BVPS).

"We remain positive on the stock's decent loan growth, improving asset quality as well as the good traction seen in its Islamic Banking income and NOII in the recent quarter's results," it said.

As for TA Research, it maintained its target price of RM10.00 per share in line with the valuation accorded in the proposed mega merger announced in October 2014.

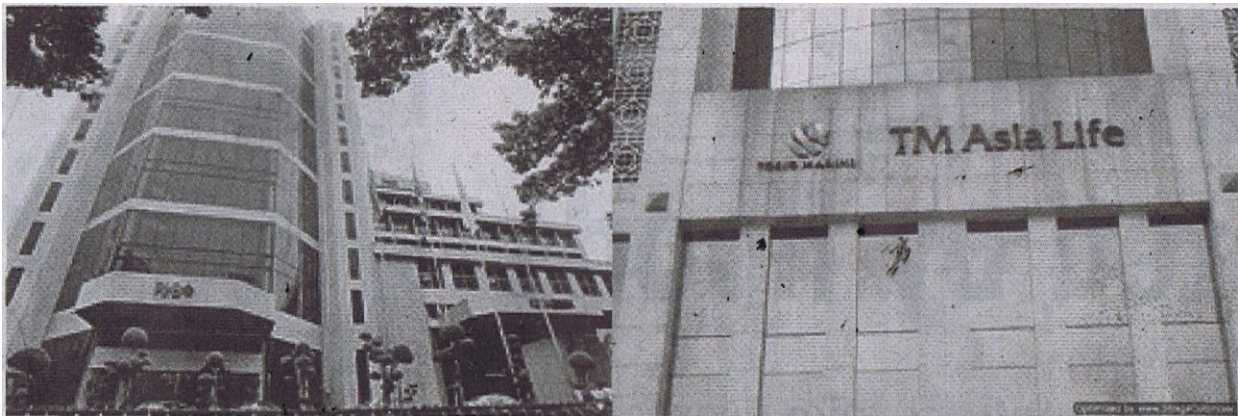
The research arm believes valuations are reasonable, based on implied FY15e PB value (PBV) of between 1.1-fold and 1.2-fold. As such, it maintained its 'buy' recommendation on the stock.

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MIDF Research



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