Corporate Update

RHB Bank Berhad

(1066 | RHBBANK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **NEUTRAL**

Unchanged Target Price **RM6.70**

1QFY25 Results
Recoveries Delayed

To Conclude	**Decent set of earnings, as forecasted.** **Management's tone: Neutral** **Expect: RHB to slowly iron out overseas-related asset quality issues. Also expect solid topline growth in subsequent quarters.**
Our Verdict	**Fundamentally, RHB is sound: Topline outlook is positive, and there's certainly potential for recoveries to keep NCC in an acceptable range. Dividend yields are as strong as ever. But asset quality issues persist, and valuations are expensive.**
Valuations	**Current P/BV of 0.90x is expensive, trading above +1SD of the 5-year P/BV mean of 0.81x.** **The company is currently trading at a forward FY25F P/BV of 0.85x with a +6.3% dividend yield.**
Yays	1. High dividend yields. 2. Strong trading gains expected in subsequent quarters. 3. NIM expansion expected.
Nays	1. Asset quality issues persist, with recoveries delayed.
Okays	1. Loan growth revised downward – though to a still-acceptable range.

Results in a nutshell:

▲ **3MFY25's Core NP of RM750m was *Within/Within* our/street forecasts: *24%/23%* of full-year forecasts.**

► **No dividend announcement.**

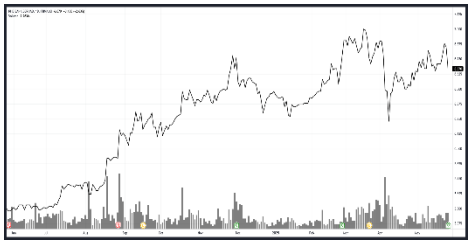
▲ **3MFY25's Core net profit (NP) of RM750m up by +3%yoy.** This was driven by improved NII and provision performance offsetting weaker NOII.

▼ **1QFY25's Core NP of RM750m down by -10%qoq.** This was largely due to a steep fall in NOII, which offset lower OPEX.

RETURN STATISTICS

Price @ 28 May 2025 (RM)	6.67
Expected share price return (%)	+0.4
Expected dividend yield (%)	+6.3
Expected total return (%)	**+6.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.9	-0.1
3 months	-2.2	4.2
12 months	21.9	29.1

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**3,076**	**3,253**	**3,391**
CNP growth (%)	(1)	6	4
Div yield (%)	**6.3**	**6.6**	**6.8**
Gross DPS (sen)	42.0	43.8	45.1
P/BV (x)	**0.8**	**0.8**	**0.8**
BVPS (RM)	7.9	8.2	8.5
ROE (%)	**9.3**	**9.5**	**9.5**
% Street CNP (%)	**94**	**94**	**92**

KEY STATISTICS

FBM KLCI	1,523.48
Issue shares (m)	4,359.5
Estimated free float (%)	80.8
Market Capitalisation (RM'm)	29,165.0
52-wk price range	RM5.47 – RM7.04
3-mth average daily volume (m)	8.7
3-mth average daily value (RM'm)	58.4
Top Shareholders (%)	
EPF Board	38.8
OSK Holdings Bhd	10.3
Amanah Saham Nasional Bhd	6.7

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Have a look at:

▲ **NIM target maintained.** Management is maintaining its FY26 target of 1.86% – 1.90%, despite only achieving 1.84% in 1QFY25. Note that OPR cuts have not been factored into the target. There several upside drivers: (1) SRR cut will lift NIM by 2-3bps, (2) SG NIMs are to improve, when COF is finally repriced downward (following rate cuts), (3) Ministry of Higher Education (MOHE) CASA initiatives have significantly ramped up in scale.

▼ **Negative revision of FY26 loan growth target guidance.** Management attributes this lowered GDP expectations, both local and abroad. The loan growth target has been reduced from 6 – 7% to 5 – 6%, though management believes the figure will be at least >6%. Management has also become more selective with overseas loans (which are facing persistent asset quality issues). For example, in Thailand, the focus has shifted towards mid-to-large sized corporates, moving away from the problematic SME loan segment.

▼ **Delays in overseas recoveries, while GIL uptick expected.** Management expects GIL ratio to continue increasing, though this will be more apparent in 2HFY25. With weaker economic outlook affecting Thailand, recoveries there have been delayed until 2HCY25. There remain pockets of recovery in Cambodia. On a local front, management is still optimistic on ongoing SME recoveries (particularly those linked with SJPP) and that of a large O&G corporate name (exposure is RM740m). These should suffice in keeping NCC within the FY25 target range of 15 – 20bps, despite rising impairments.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Persistent asset quality issues, (2) Weaker-than-expected loan growth, (3) Higher-than-expected NCC.*

Maintain NEUTRAL call: Unchanged GGM-TP of RM 6.70. The TP is based on an unchanged FY25F P/BV of 0.85x, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY25F ROE of 9.3%, LTG of 4.0% & COE of 10.2%)*

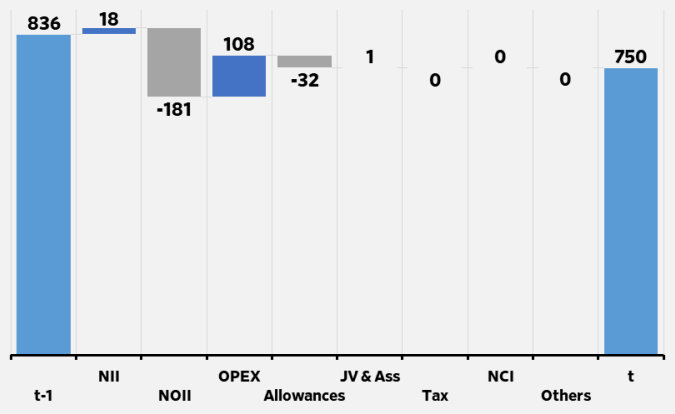
FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Net interest inc.	970	957	926	5	1	970	926	5
Islamic banking inc.	558	856	658	-15	-35	558	658	-15
Non-interest inc.	520	398	504	3	31	520	504	3
Net income	**2,048**	**2,211**	**2,088**	**-2**	**-7**	**2,048**	**2,088**	**-2**
OPEX	(971)	(1,079)	(959)	1	-10	(971)	(959)	1
PPOP	**1,077**	**1,132**	**1,129**	**-5**	**-5**	**1,077**	**1,129**	**-5**
Loan provisions	(100)	(65)	(213)	-53	54	(100)	(213)	-53
Other provisions	(6)	(9)	(2)	216	-34	(6)	(2)	216
JV & Associates	(9)	(9)	(4)	n.m.	n.m.	(9)	(4)	n.m.
PBT	**963**	**1,049**	**910**	**6**	**-8**	**963**	**910**	**6**
Tax	(212)	(212)	(179)	18	0	(212)	(179)	18
NCI	(1)	(1)	(1)	n.m.	n.m.	(1)	(1)	n.m.
Reported NP	**750**	**836**	**730**	**3**	**-10**	**750**	**730**	**3**
Core NP	**750**	**836**	**730**	**3**	**-10**	**750**	**730**	**3**
Total NII	1,487	1,469	1,386	7	1	1,487	1,386	7
Total NOII	561	742	703	-20	-24	561	703	-20
Gross DPS (sen)	**-**	**28.0**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	17.2	19.2	17.0	1	-11	17.2	17.0	1
Gross loans	239,158	237,758	224,919	6.3	0.6			
Gross impaired loans	3,580	3,487	4,115	-13.0	2.7			
Customer deposits	248,520	249,565	242,935	2.3	-0.4			
CASA	69,617	68,857	70,406	-1.1	1.1			

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**9.3**	**10.3**	**9.2**	**0.1**	**-1.0**	**9.3**	**9.2**	**0.1**
NIM (Reported)	**1.84**	**1.84**	**1.83**	**0.01**	**0.00**	**1.84**	**1.83**	**0.01**
NOII/Net income	27.4	33.6	33.7	-6.3	-6.2	27.4	33.7	-6.3
Cost/Income	47.4	48.8	45.9	1.5	-1.4	47.4	45.9	1.5
NCC (Ann.) (bps)	17	11	39	-22	6	17	39	-22
GIL ratio	1.50	1.47	1.83	-0.33	0.03			
Loan loss coverage	77	79	70	7	-2			
CASA ratio	28.0	27.6	29.0	-1.0	0.4			
L/D ratio	95.1	94.2	91.4	3.7	1.0			
CET-1	16.0	16.4	16.5	-0.5	-0.5			

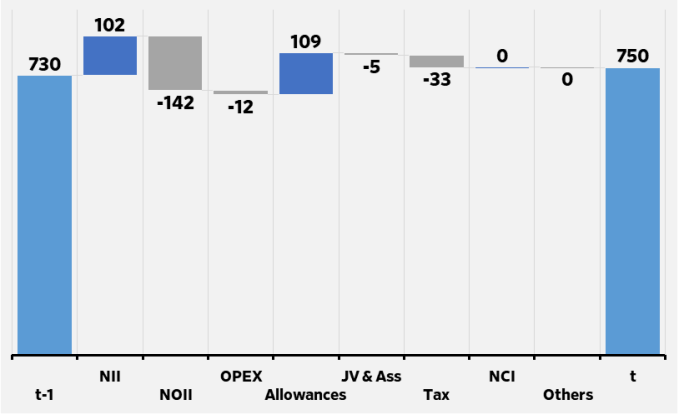
Source: Company, MIDFR

FIG 2: QoQ P/L walk (Quarterly results)



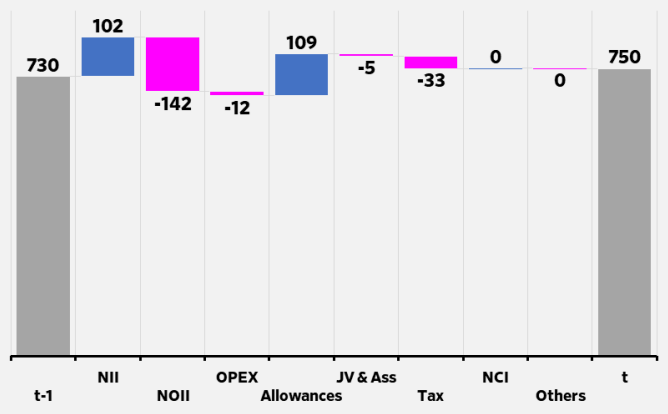
Source: Company, MIDFR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MIDFR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

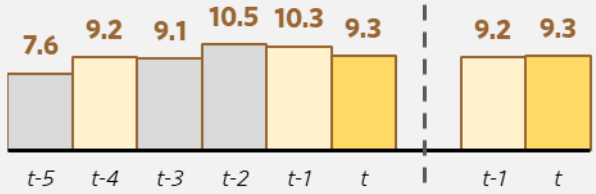
1QFY25 / 3MFY25 results

Earnings: Within/Within our/street forecasts

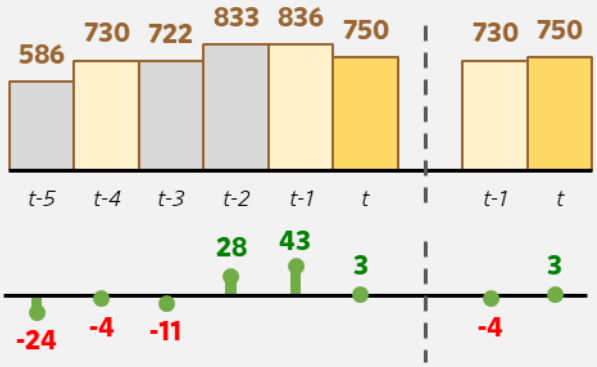
24%/23% of full-year estimates

Dividend: NO

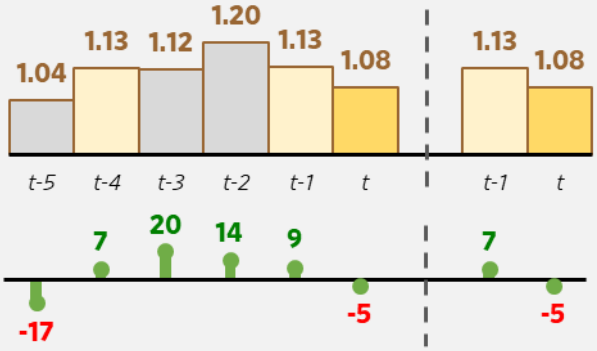
ROE (%)



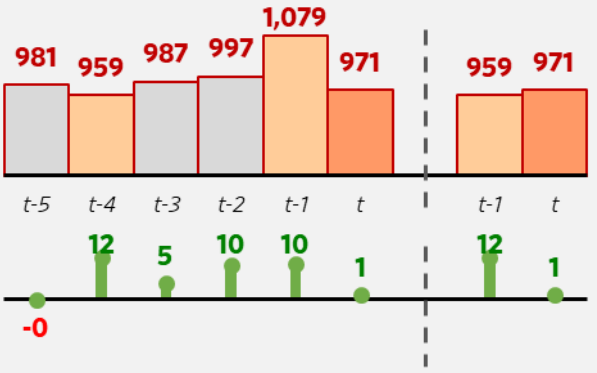
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



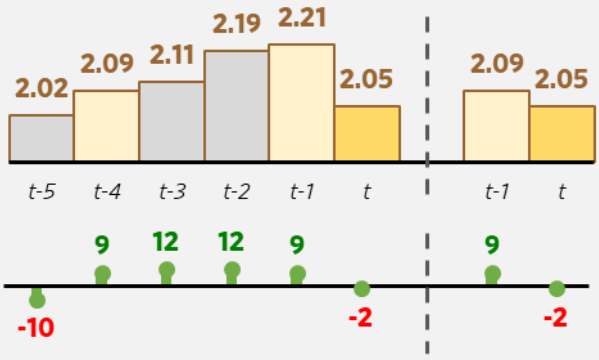
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



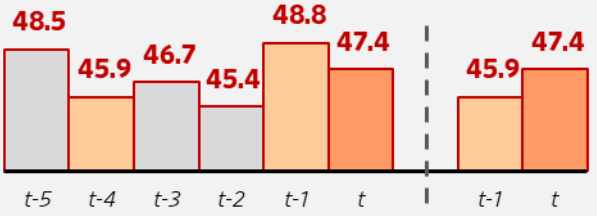
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



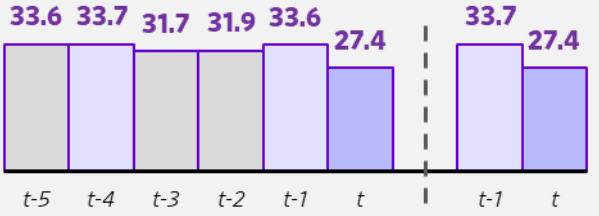
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



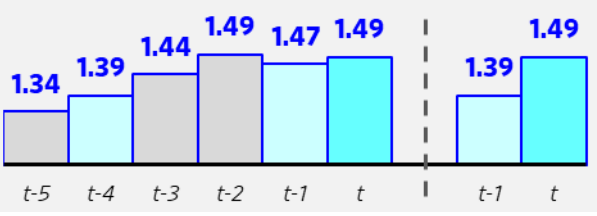
Cost/Income ratio (%)



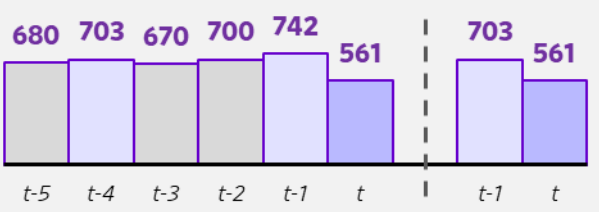
% NOII as topline (%)



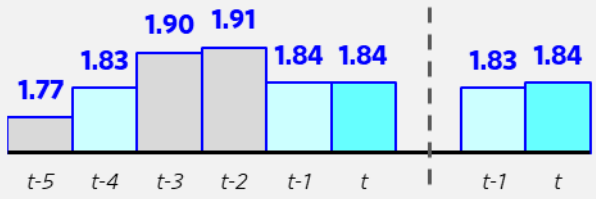
Net interest income (RM b)



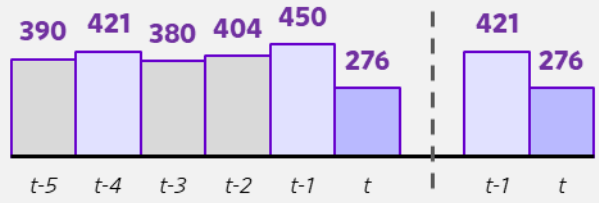
Non-interest income (RM b)



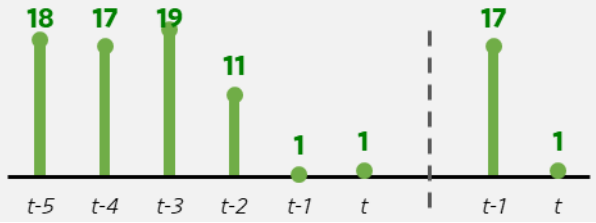
NIM (%)



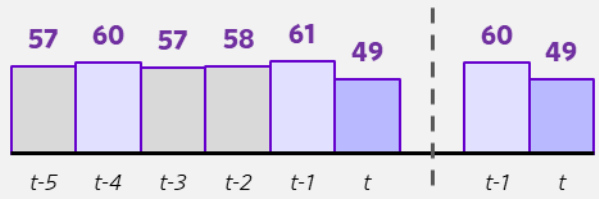
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

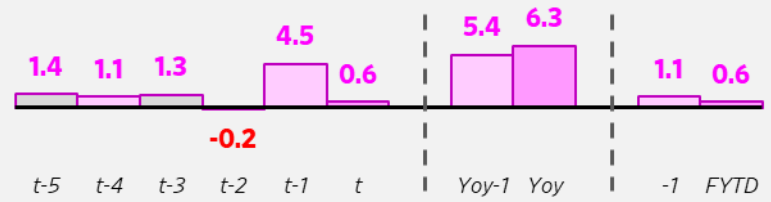


% Non-fee income as NOII (%)

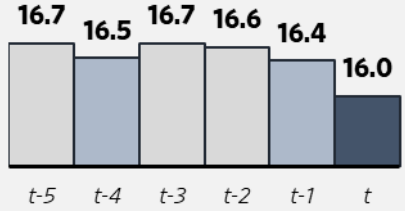


BALANCE SHEET

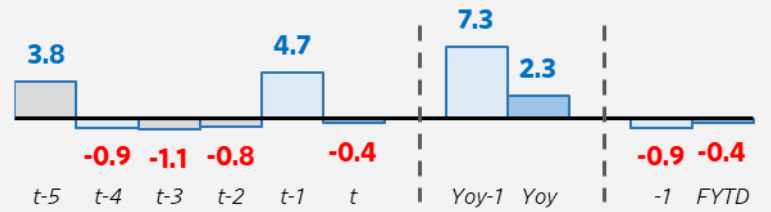
Loan growth – qoq, yoy, FYTD (%)



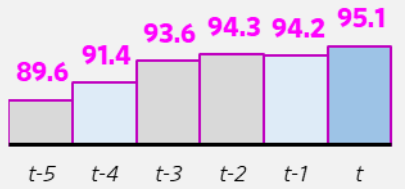
CET 1 ratio (%)



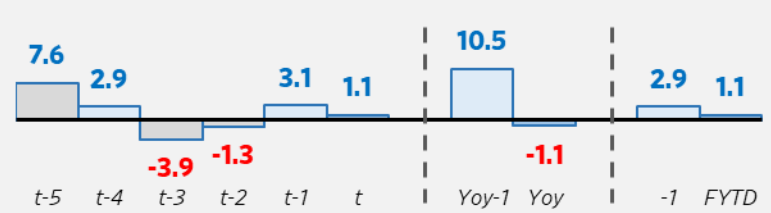
Deposit growth – qoq, yoy, FYTD (%)



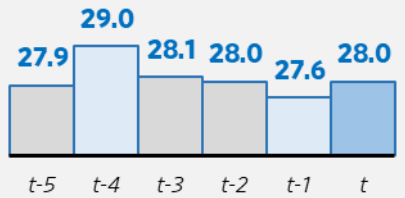
Loan/Deposit ratio (%)



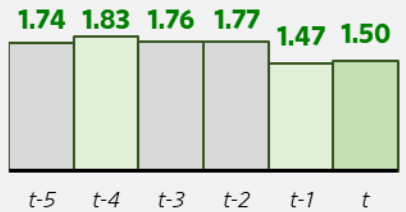
CASA growth – qoq, yoy, FYTD (%)



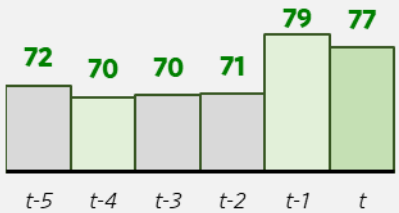
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

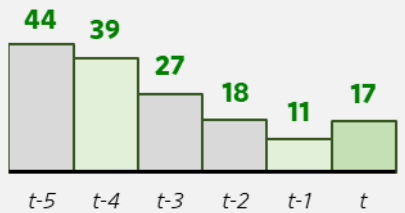


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***750***	**Qtrly ROE**	Qtr value	***9.3%***	
	24% of FY CNP					
	Qoq	*-10%*		t-1	*10.3%*	
	Yoy	*3%*		t-4	*9.2%*	
Cum Core NP	RM mil	***750***	**Cum ROE**	Cum value	***9.3%***	
	Within our forecast					
	24% of FY CNP					
	Within consensus					
	23% of FY CNP					
	Yoy	*3%*		t-1	*9.2%*	
NII	As expected		**NIM**	As expected		
				Qtr value	***1.84***	
				Cum value	***1.84***	
	Qtr (Qoq)	*1%*		Qtr (Qoq)	*+0bps*	
	Qtr (Yoy)	*7%*		Qtr (Yoy)	*+1bps*	
	Cum (Yoy)	*7%*		Cum (Yoy)	*+1bps*	
NOII	As expected		**Qtr**	% NII	***73%***	
	Qtr (Qoq)	*-24%*		% NOII	***27%***	
	Qtr (Yoy)	*-20%*	**Cum**	% NII	***73%***	
	Cum (Yoy)	*-20%*		% NOII	***27%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***47.4%***	
				Cum value	***47.4%***	
	Qtr (Qoq)	*-10%*		Qtr (Qoq)	*-1.4%*	
	Qtr (Yoy)	*1%*		Qtr (Yoy)	*+1.5%*	
	Cum (Yoy)	*1%*		Cum (Yoy)	*+1.5%*	

Source: Company, MIDFR

FIG 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Loans	As expected					
	Qoq	*0.6%*				
	Yoy	*6.3%*				
	YTD (FY)	*0.6%*				
Depo. grwth	As expected		**CASA grwth**	As expected		
	Qoq	*-0.4%*		Qoq	*1.1%*	
	Yoy	*2.3%*		Yoy	*-1.1%*	
	YTD (FY)	*-0.4%*		YTD (FY)	*1.1%*	
CASA ratio	As expected		**L/D ratio**	As expected		
	Value now	***28.0%***		Value now	***95.1%***	
	Qoq	*+0.4%*		Qoq	*+1.0%*	
	Yoy	*-1.0%*		Yoy	*+3.7%*	
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***1.50%***		Value now	***77%***	
	Qoq	*+3bps*		Qoq	*-2%*	
	Yoy	*-33bps*		Yoy	*+7%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Decent provision			Decent provision		
	Value now	***17bps***		Value now	***17bps***	
	t-1	*11bps*				
	t-4	*39bps*		t-4	*39bps*	
CET 1	Healthy level		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***16.0%***		**Payout**		
	Qoq	*-0.5%*				

Source: Company, MIDFR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	3M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10.4 – 10.8	9.3	
CIR		47.4	
NIM	1.86 – 1.90	1.84	Management is optimistic of NIM expansion, citing several possible drivers.
NOII		-20% (yoy)	
Loans	~~6 – 7~~ 5 – 6	0.6 (YTD)	Negative revision due to weaker GDP estimates. Management expects actual figure to come in >6%.
Deposits		-0.4 (YTD)	
% CASA	28 – 29	28.0	
Loan/Depo		95.1	
GIL ratio	1.4 – 1.5	1.50	
NCC (bps)	15 – 20	17	
LLC		77	
CET 1		16.0	
Div payout		-	

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**3,560**	**3,869**	**4,086**	**4,345**	**4,536**
Islamic banking inc.	2,366	2,176	2,067	2,199	2,295
Other operating inc.	1,844	2,560	2,621	2,588	2,696
Net income	**7,770**	**8,605**	**8,774**	**9,132**	**9,528**
OPEX	(3,689)	(4,021)	(4,124)	(4,292)	(4,478)
PPOP	**4,081**	**4,583**	**4,650**	**4,840**	**5,050**
Loan allowances	(356)	(525)	(488)	(463)	(490)
Other allowances	54	(10)	(26)	(8)	(8)
JV & Associates	(26)	(26)	(80)	(80)	(80)
PBT	**3,753**	**4,022**	**4,056**	**4,288**	**4,471**
Tax & zakat	(943)	(896)	(973)	(1,029)	(1,073)
NCI	(4)	(4)	(6)	(7)	(7)
Others	-	-	-	-	-
Reported NP	**2,806**	**3,122**	**3,076**	**3,253**	**3,391**
Core NP	**2,806**	**3,122**	**3,076**	**3,253**	**3,391**
Total NII	5,451	5,790	6,008	6,390	6,671
Total NOII	2,320	2,815	2,766	2,742	2,857

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	15,034	12,363	16,140	16,748	17,661
Investment securities	79,910	87,589	87,988	88,415	88,872
Net loans	219,563	234,968	247,600	261,093	276,786
Other IEAs	-	-	-	-	-
Non-IEAs	14,185	14,995	18,564	19,097	20,127
Total assets	**328,692**	**349,915**	**370,291**	**385,353**	**403,445**
Customer deposits	245,083	249,565	263,292	277,773	294,439
Other IBLs	44,300	56,819	58,233	59,829	61,621
Non-IBLs	8,398	10,999	14,994	12,660	10,918
Total liabilities	**297,781**	**317,383**	**336,518**	**350,261**	**366,978**
Share capital	8,330	8,687	8,687	8,687	8,687
Reserves	22,546	23,805	25,052	26,370	27,743
Shareholders' funds	**30,877**	**32,492**	**33,739**	**35,057**	**36,430**
NCI	34	39	34	35	36
Total equity	**30,911**	**32,531**	**33,773**	**35,092**	**36,467**
Total L&E	**328,692**	**349,915**	**370,291**	**385,353**	**403,445**
Total IEAs	314,507	334,919	351,727	366,256	383,318
Total IBLs	289,383	306,384	321,524	337,601	356,060
Gross loans	222,416	237,758	250,597	264,380	280,243
CASA	68,423	68,857	74,248	77,776	82,443

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	1.78	1.74	1.75	1.78	1.78
Return on IEAs	3.10	3.12	2.19	2.16	2.12
Cost of funds	2.10	2.10	1.09	1.04	0.99
Net interest spread	1.00	1.02	1.10	1.13	1.14
Profitability (%)					
ROE	**9.4**	**9.9**	**9.3**	**9.5**	**9.5**
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	29.9	32.7	31.5	30.0	30.0
Effective tax rate	25.1	22.3	24.0	24.0	24.0
Cost/Income	47.5	46.7	47.0	47.0	47.0
Liquidity (%)					
Loan/Deposit	89.6	94.2	94.0	94.0	94.0
CASA ratio	27.9	27.6	28.2	28.0	28.0
Asset Quality (%)					
GIL ratio	1.74	1.47	1.47	1.44	1.43
LLC ratio	72	79	80	85	85
LLC (w. reserves)	118	127	106	110	109
Net CC (bps)	16	22	20	18	18
Capital (%)					
CET 1	16.7	16.4	15.3	15.0	15.0
Tier 1 capital	16.7	16.4	15.3	15.0	15.0
Total capital	19.4	19.0	18.0	17.7	17.7
Growth (%)					
Total NII	-14.6	6.2	3.8	6.4	4.4
Total NOII	30.3	21.3	-1.7	-0.9	4.2
Net income	-4.8	10.7	2.0	4.1	4.3
OPEX	2.3	9.0	2.5	4.1	4.3
Core NP	4.8	11.3	-1.5	5.7	4.3
Gross loans	4.8	6.9	5.4	5.5	6.0
Customer deposits	3.8	5.9	4.7	4.8	5.3
CASA	3.0	0.6	7.8	4.8	6.0
Valuation metrics					
Core EPS (sen)	65.5	72.9	71.8	76.0	79.2
Gross DPS (sen)	40.0	43.0	42.0	43.8	45.1
Div payout (%)	61	60	60	60	60
BVPS (RM)	7.2	7.6	7.9	8.2	8.5
Core P/E (x)	10.2	9.1	9.3	8.8	8.4
Div yield (%)	**6.0**	**6.4**	**6.3**	**6.6**	**6.8**
P/BV (x)	0.9	0.9	0.8	0.8	0.8

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology