Corporate Update

RHB Bank Berhad

(1066 | RHBBANK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Upgrade to **BUY** (from NEUTRAL)
Revised Target Price **RM7.21**
(from RM6.70)

2QFY25 Results Review
Recoveries as Main Driver

To Conclude	**Steady set of earnings, forecasted.** **Management's tone: Cautiously optimistic** **Expect: Recoveries in multiple loan categories to drive earnings in 2HFY25, and to reduce asset quality related overhang.**
Our Verdict	**We think RHB has more upside risk than most (particularly due to the sheer scale of recoveries) – and there's a possibility of higher-than-average dividends, adding to its already superb stable-level dividend yields.** **Recoveries should help resolve lingering asset quality concerns, removing a core overhang source of the company.**
Valuations	**A revised FY26F P/BV of 0.88x *(formerly 0.85x)*** Current P/BV of 0.88x is in line with historical values, trading near the 10-year P/BV mean of 0.86x. The company is currently trading at a forward FY26F P/BV of 0.80x with a 6.7% dividend yield.
Yays	1. Solid dividend yields – possibility of better-than-average payout this year. 2. Recoveries expected in multiple loan categories. 3. Solid NOII result to buoy topline.
Nays	1. NIM compression – though CASA inflows from MOHE initiatives give RHB opportunities to weather better than most. 2. Low LLC and recent asset quality spikes may be a turn-off.
Okays	1. Loan growth is still acceptable.

Results in a nutshell:

► **6MFY25's Core NP of RM1,554m was *Within/Within* our/street forecasts: *51%/47%* of full-year forecasts.**

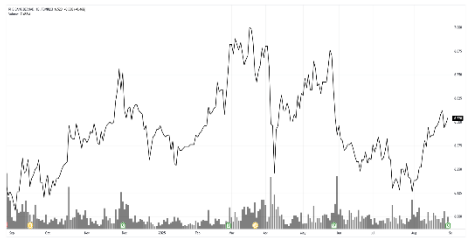
▲ **Dividends announced.** DPS of 15.0 sen translates to a payout of 42% for 6MFY25.

▲ **6MFY25's Core net profit (NP) of RM1,554m up by 7%yoy.** Improvements in NII and provisions offset weaker NOII and OPEX results.

▲ **2QFY25's Core NP of RM804m up by 7%qoq.** This was largely driven by improved NOII results, which offset higher OPEX and tax charges.

RETURN STATISTICS	
Price @ 28 August 2025 (RM)	6.52
Expected share price return (%)	+10.6
Expected dividend yield (%)	+6.7
Expected total return (%)	**+17.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.6	0.5
3 months	3.8	-7.4
12 months	10.3	10.3

INVESTMENT STATISTICS			
FYE Dec	**FY25F**	**FY26F**	**FY27F**
Core NP (RM m)	**3,076**	**3,253**	**3,391**
CNP growth (%)	(1)	6	4
Div yield (%)	**6.4**	**6.7**	**6.9**
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 (%)	**96**	**96**	**94**

KEY STATISTICS	
FBM KLCI	1,587.07
Issue shares (m)	4,359.5
Estimated free float (%)	80.9
Market Capitalisation (RM'm)	28,526.9
52-wk price range	RM5.89 – RM7.04
3-mth average daily volume (m)	7.5
3-mth average daily value (RM'm)	47.6
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:

► **RHB's FY25 ROE target of 10.4-10.8% is ambitious and leaves little room for error.** Management opted not to revise its ROE target, despite 1HFY25's ROE at a low 9.3%. They are expecting a stronger 2HFY25 despite NIM compression, with drivers similar to those of other banks: improved NOII result from wealth management, bancassurance (coming fresh off its recent signing), and investment book income sources. FD repricing and a growing higher-yielding loan segment are expected to provide some cushion to NIMs. But we think the most significant determinant of success is the scale of recoveries in 2HFY25 – keep in mind that the large O&G exposure is not factored into management's 15-20bps NCC guidance.

▲ **Cost takeouts do help (slightly).** So far, RHB has incurred a RM45m 1HFY25. Progress27's goal is to remove RM500m within three years – but management expects the scale of cost cutting to ramp up in the 2nd and 3rd year of the plan.

▼ **Lowered NIM guidance.** In light of the OPR cut (-3bps NIM impact), management lowers its FY25 NIM guidance to 1.81-1.83% (from flat to positive guidance) – 1.88-1.91% for the NIM figure, including liability management. 1HFY25 was hit hard from several sources – adverse SORA movements, and USD interbank lending yield affected by Fed rate movements and weakening USD/MYR. We think RHB has an added offset – its CASA inflow is expected to be stronger than some of its peers, due to its ongoing Ministry of Higher Education partnership.

▲ **Better days are ahead for asset quality – expect a steady stream of recoveries ahead.** Management thinks the year-end GIL ratio will be lower than the current 1.51% result. While tariffs may be of slight concern, they only affect <4% of the portfolio. Management is most eager to work on its SME portfolio (top priority: SJPP portion), which has risen sharply in the last couple of quarters. They report that deterioration is tapering in July/Aug. The Group guides that the uptick in the commercial segment this quarter is due to a single exposure, and seems highly confident of a reversal as soon as Jan/Feb-26.

Overseas, the Thai segment's GILs will remain stagnant for now – not much increase or decrease is expected. The Cambodian segment sees a large bundle of Stage 2 R&R loans bound for reversal, and possibly some larger recovery. While asset quality issues in these regions have dragged loan growth for quite some time, management states that newer loan strategies (targeting companies with links to MY) are under discussion.

▲ **Possibly a higher dividend payout.** Given a solid 1HFY25, management says that this is on the cards – provided nothing goes wrong in 2HFY25.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weak NOII performance, (3) Higher-than-expected NCC.*

Upgrade to BUY call: Revised GGM-TP of RM 7.21 ***(from RM6.70).*** The TP is based on a revised FY26F P/BV of 0.88x *(formerly 0.85x, rolled on from FY25F),* to reflect altered earnings prospects and ROE-based valuations. While RHB's valuations aren't the most attractive, there is also the possibility of a higher-than-normal dividend payout (adding onto already excellent dividend yields). We think the upcoming recoveries give RHB an opportunity to resolve lingering asset quality concerns – a persistent overhang to the company.

(GGM assumptions: *FY26F ROE of 9.5%, LTG of 4.0% & COE of 10.2%)*

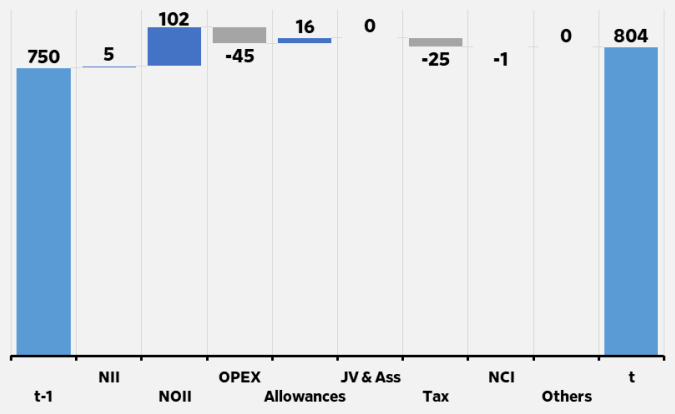
FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Net interest inc.	953	970	989	-4	-2	1,923	1,915	0
Islamic banking inc.	857	558	519	65	54	1,414	1,178	20
Non-interest inc.	345	520	603	-43	-34	866	1,107	-22
Net income	**2,155**	**2,048**	**2,112**	**2**	**5**	**4,203**	**4,200**	**0**
OPEX	(1,016)	(971)	(987)	3	5	(1,986)	(1,946)	2
PPOP	**1,139**	**1,077**	**1,125**	**1**	**6**	**2,216**	**2,254**	**-2**
Loan provisions	(115)	(100)	(147)	-22	15	(215)	(360)	-40
Other provisions	26	(6)	2	>500	<-500	20	1	>500
JV & Associates	(8)	(9)	(6)	n.m.	n.m.	(17)	(10)	n.m.
PBT	**1,042**	**963**	**974**	**7**	**8**	**2,005**	**1,884**	**6**
Tax	(237)	(212)	(251)	-6	12	(449)	(430)	4
NCI	(1)	(1)	(0)	n.m.	n.m.	(2)	(2)	n.m.
Reported NP	**804**	**750**	**722**	**11**	**7**	**1,554**	**1,452**	**7**
Core NP	**804**	**750**	**722**	**11**	**7**	**1,554**	**1,452**	**7**
Total NII	1,492	1,487	1,442	3	0	2,979	2,828	5
Total NOII	663	561	670	-1	18	1,224	1,373	-11
Gross DPS (sen)	**15.0**	**-**	**15.0**	**n.m.**	**n.m.**	**15.0**	**15.0**	**n.m.**
Core EPS (sen)	18.4	17.2	16.8	10	7	35.6	33.7	6
Gross loans	241,400	239,158	227,912	5.9	0.9			
Gross impaired loans	3,650	3,580	4,016	-9.1	1.9			
Customer deposits	250,920	248,520	240,309	4.4	1.0			
CASA	71,094	69,617	67,631	5.1	2.1			

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**9.6**	**9.3**	**9.1**	**0.5**	**0.3**	**9.3**	**9.2**	**0.1**
NIM (Reported)	**1.81**	**1.84**	**1.90**	**-0.09**	**-0.03**	**1.81**	**1.86**	**-0.05**
NOII/Net income	30.8	27.4	31.7	-1.0	3.4	29.1	32.7	-3.6
Cost/Income	47.1	47.4	46.7	0.4	-0.3	47.3	46.3	0.9
NCC (Ann.) (bps)	20	17	27	-7	2	18	33	-14
GIL ratio	1.51	1.50	1.76	-0.25	0.01			
Loan loss coverage	78	77	70	7	1			
CASA ratio	28.3	28.0	28.1	0.2	0.3			
L/D ratio	95.1	95.1	93.6	1.4	-0.0			
CET-1	15.9	16.0	16.7	-0.8	-0.1			

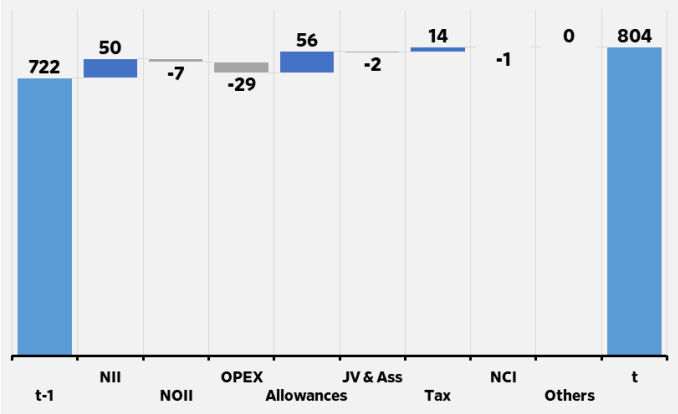
Source: Company, MBSBR

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



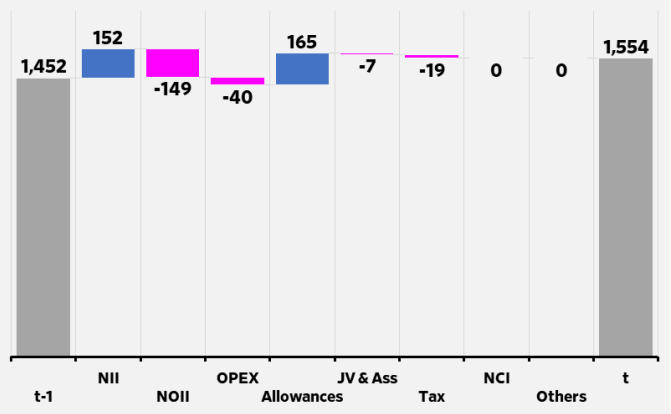
Source: Company, MBSBR

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



Source: Company, MBSBR

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



Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

2QFY25 / 6MFY25 results

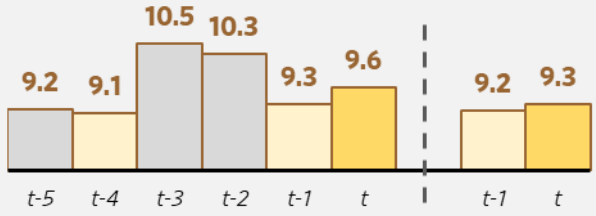
Earnings: Within/Within our/street forecasts

51%/47% of full-year estimates

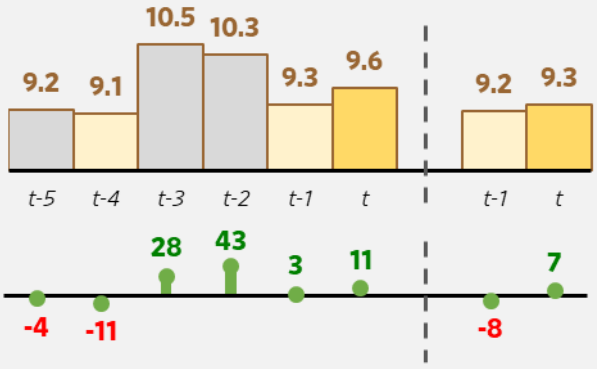
Dividend: YES

YTD payout: 42%

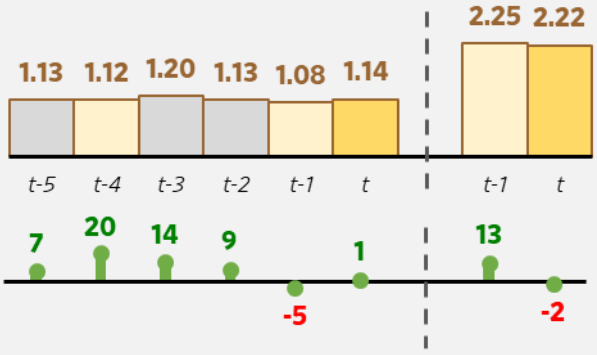
ROE (%)



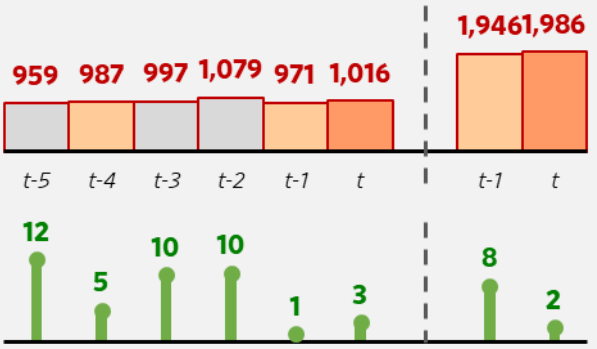
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



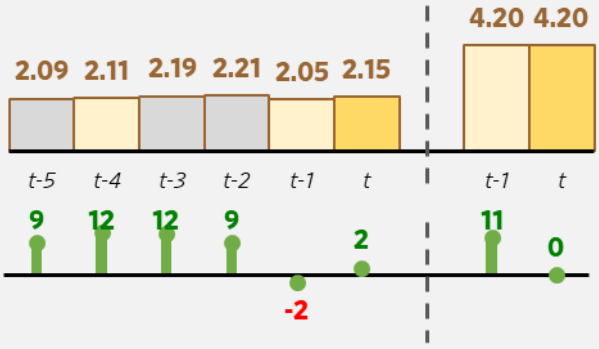
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



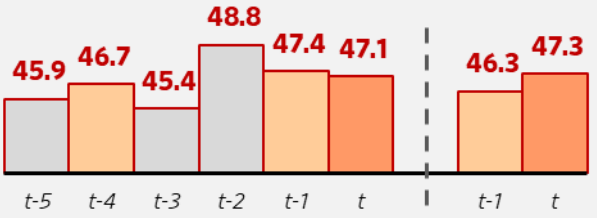
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



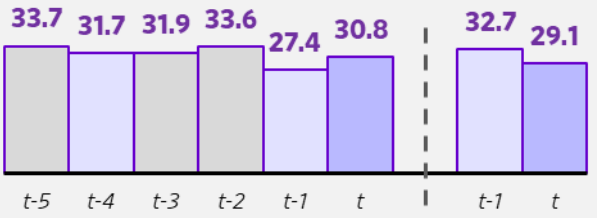
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



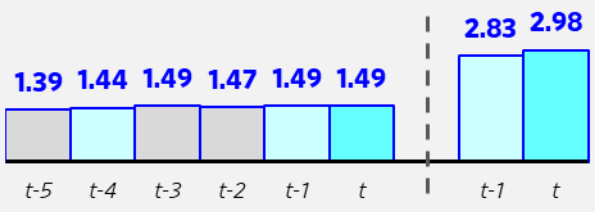
Cost/Income ratio (%)



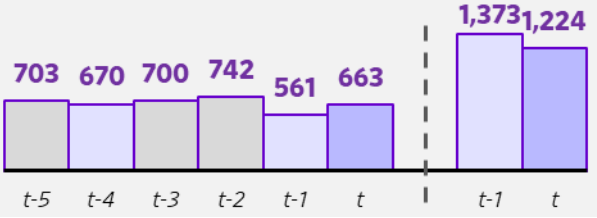
% NOII as topline (%)



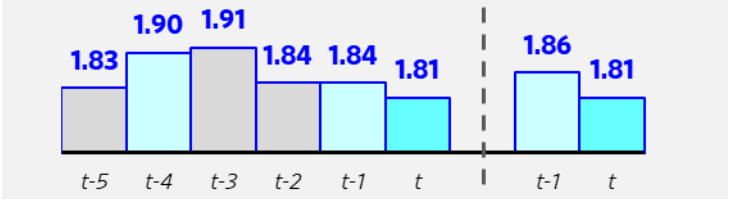
Net interest income (RM b)



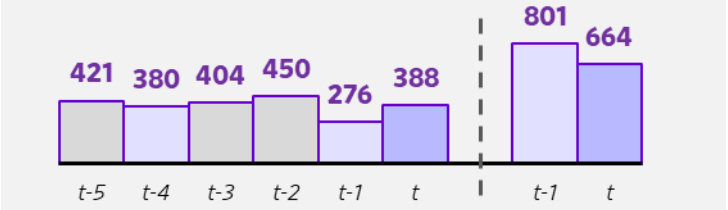
Non-interest income (RM b)



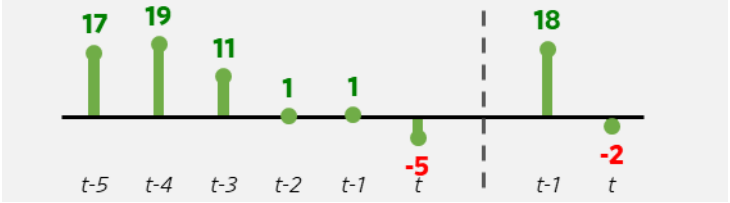
NIM (%)



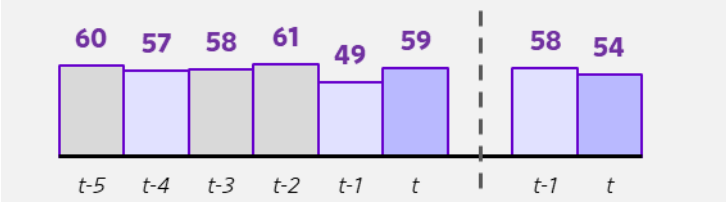
Non-fee NOII (RM b)



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

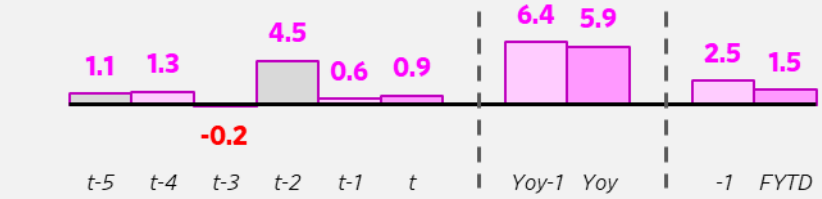


% Non-fee income as NOII (%)

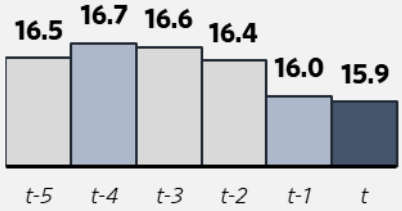


BALANCE SHEET

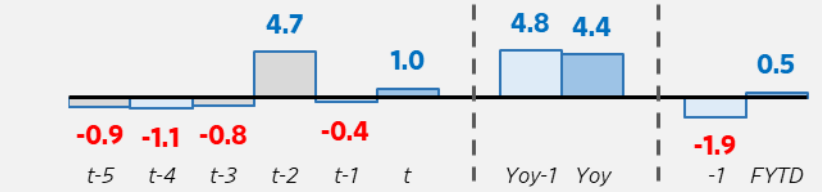
Loan growth – qoq, yoy, FYTD (%)



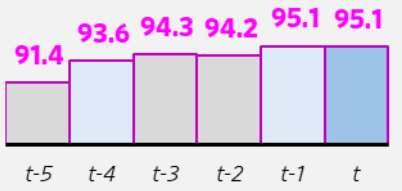
CET 1 ratio (%)



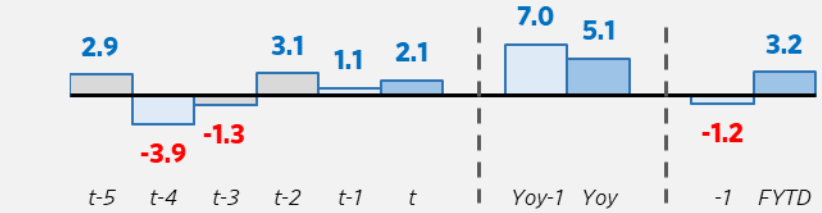
Deposit growth – qoq, yoy, FYTD (%)



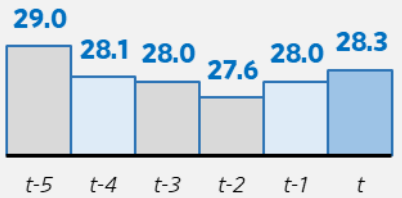
Loan/Deposit ratio (%)



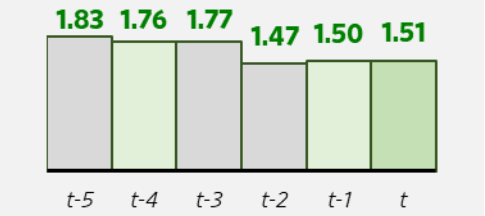
CASA growth – qoq, yoy, FYTD (%)



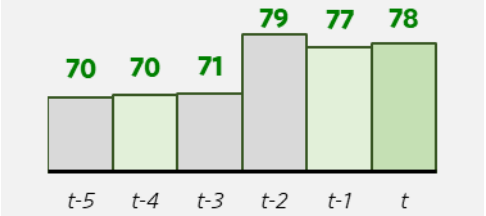
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

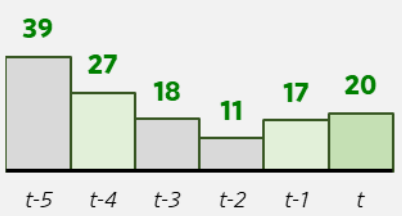


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***804***	**Qtrly ROE**	Qtr value	***9.6%***	
	26% of FY CNP					
	Qoq	*7%*		t-1	*9.3%*	
	Yoy	*11%*		t-4	*9.1%*	
Cum Core NP	RM mil	***1,554***	**Cum ROE**	Cum value	***9.3%***	
	Within our forecast					
	51% of FY CNP					
	Within consensus					
	47% of FY CNP					
	Yoy	*7%*		t-1	*9.2%*	
NII	As expected		**NIM**	As expected		
				Qtr value	***1.81***	
				Cum value	***1.81***	
	Qtr (Qoq)	*0%*		Qtr (Qoq)	*-3bps*	
	Qtr (Yoy)	*3%*		Qtr (Yoy)	*-9bps*	
	Cum (Yoy)	*5%*		Cum (Yoy)	*-5bps*	
NOII	As expected		**Qtr**	% NII	***69%***	
	Qtr (Qoq)	*18%*		% NOII	***31%***	
	Qtr (Yoy)	*-1%*	**Cum**	% NII	***71%***	
	Cum (Yoy)	*-11%*		% NOII	***29%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***47.1%***	
				Cum value	***47.3%***	
	Qtr (Qoq)	*5%*		Qtr (Qoq)	*-0.3%*	
	Qtr (Yoy)	*3%*		Qtr (Yoy)	*+0.4%*	
	Cum (Yoy)	*2%*		Cum (Yoy)	*+0.9%*	

Source: Company, MBSBR

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	*0.9%*				
	Yoy	*5.9%*				
	YTD (FY)	*1.5%*				
Depo. grwth	As expected		**CASA grwth**	As expected	
	Qoq	*1.0%*		Qoq	*2.1%*
	Yoy	*4.4%*		Yoy	*5.1%*
	YTD (FY)	*0.5%*		YTD (FY)	*3.2%*
CASA ratio	As expected		**L/D ratio**	As expected	
	Value now	***28.3%***		Value now	***95.1%***
	Qoq	*+0.3%*		Qoq	*-0.0%*
	Yoy	*+0.2%*		Yoy	*+1.4%*
GIL ratio	As expected		**LLC ratio**	As expected	
	Value now	***1.51%***		Value now	***78%***
	Qoq	*+1bps*		Qoq	*+1%*
	Yoy	*-25bps*		Yoy	*+7%*
Qtrly Net CC	As expected		**Cum Net CC**	As expected	
	Decent provision			Decent provision	
	Value now	***20bps***		Value now	***18bps***
	t-1	*17bps*			
	t-4	*27bps*		t-4	*33bps*
CET 1	Very healthy level		**Div payout**	No divvy	
	As expected			As expected	
	Value now	***15.9%***		**Payout**	***42%***
	Qoq	*-0.1%*			

Source: Company, MBSBR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25F	1H FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10.4 – 10.8	9.3	We think it's an ambitious figure – but it may still be possible if larger writebacks are expected.
CIR		47.3	
NIM	1.81 – 1.83 ~~1.86 – 1.90~~ (from 1.86)	1.81	
NOII		-11% (yoy)	
Loans	5 – 6	1.5 (YTD)	
Deposits		0.5 (YTD)	
% CASA	28 – 29	28.3	
Loan/Depo		95.1	
GIL ratio	1.4 – 1.5	1.51	
NCC (bps)	15 – 20	18	
LLC		78	
CET 1		15.9	
Div payout		42	

Source: Company, MBSBR

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)	9.9	8.9	9.1	8.6	8.2
Div yield (%)	**6.1**	**6.6**	**6.4**	**6.7**	**6.9**
P/BV (x)	0.9	0.9	0.8	0.8	0.8

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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