Corporate Update

RHB Bank Berhad

(1066 | RHBBANK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

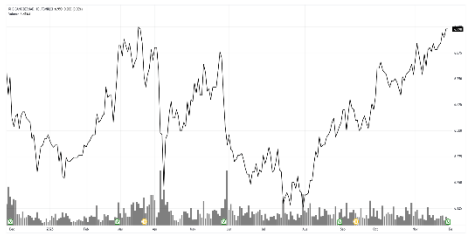
Maintain **BUY**

Revised Target Price **RM7.95**
(from RM7.94)

3QFY25 Results Review
Multiple Reasons to Celebrate

Price @ 27 November 2025 (RM)	6.99
Expected share price return (%)	+13.7
Expected dividend yield (%)	+6.3
Expected total return (%)	**+20.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.5	2.3
3 months	4.7	4.4
12 months	6.3	4.5

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**3,214**	**3,253**	**3,391**
CNP growth (%)	3	1	4
Div yield (%)	**6.3**	**6.3**	**6.5**
Gross DPS (sen)	43.9	43.8	45.1
P/BV (x)	**0.9**	**0.9**	**0.8**
BVPS (RM)	7.9	8.2	8.5
ROE (%)	**9.7**	**9.4**	**9.5**
% Street CNP (%)	**100**	**97**	**95**

KEY STATISTICS

FBM KLCI	1,617.46
Issue shares (m)	4,359.5
Estimated free float (%)	80.2
Market Capitalisation (RM'm)	30,140.8
52-wk price range	RM6.07 – RM7.04
3-mth average daily volume (m)	6.4
3-mth average daily value (RM'm)	42.6
Top Shareholders (%)	
EPF Board	38.8
OSK Holdings Bhd	10.3
Amanah Saham Nasional Bhd	6.7

Salient Points

Excellent set of earnings, above our forecast.

Management's tone: Neutral

Expect: Strong topline growth to persist.

Our Verdict

RHB continues to face asset quality headwinds, which should crimp the loan growth of the overseas and SME segments. However, its NIM outlook is particularly bright, spurred on by a loan recovery in certain higher-yielding segments. The prospect of further recoveries, strong NOII performance (spurred by insurance partnership payouts), and the possibility of higher-than-usual dividend payouts make RHB an attractive prospect.

Valuations

An unchanged FY26F P/BV of 0.97x

Current P/BV of 0.91x is above the 10-year P/BV mean of 0.86x, but we think this reflects better the bank's improved dividend yields and fundamentals.

The company is currently trading at a forward FY26F P/BV of 0.85x with a +6.3% dividend yield.

Themes

1. ▲ High dividend yields – and management previously alluded that FY25 dividend payout could be higher than normal.
2. ▲ A recovery in certain higher-yielding loan segments and multiple opportunities for COF optimisation provide RHB with one of the best NIM outlooks in the industry.
3. ▲ NOII windfall – largely coming from insurance partnership payouts.
4. ▲ Further recoveries expected.
5. ▼ Persistent asset quality issues in certain loan categories – namely, Cambodia, Thailand, and domestic SME segments.

Results in a nutshell:

▲ **9MFY25's Core NP of RM2,458m was *Above/Within* our/street forecasts: *80%/77%* of full-year forecasts.** We did not expect NOII (particularly the non-fee windfall) to be as strong as it was.

► **No dividend announcement.**

▲ **9MFY25's Core net profit (NP) of RM2,458m up by +8%yoy.** Improved NII and reduced provisions offset weaker NOII and higher OPEX charges.

▲ **3QFY25's Core NP of RM904m up by +13%qoq.** Improved NOII and lower provisions offset higher tax charges.

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Have a look at:

▲ **Multiple drivers lead to a strong 4QFY25.** Despite 9MFY25 falling short of FY25 ROE guidance, management retains full-year guidance. Management is confident in NIM expansion, further recoveries, bancassurance income (from the large STMB and Tokio-Marine partnership), and higher fee income from larger corporate drawdowns.

▲ **Much potential to expand NIMs.** Interestingly, RHB is guiding for NIM expansion next quarter. We think that the Group is in a great position to build on its NIMs, with the recovery of higher-yielding loan segments and multiple opportunities for COF optimisation in sight.

- ▲ **A recovery in higher-yielding loans, though not all segments can be grown.** After quarters of languishing SG, corporate (which saw multiple repayments this year), and commercial performance, these loan segments seem to be staging a comeback this quarter. Unfortunately, asset quality concerns prevent other higher-yielding loan segments from staging a comeback – namely, Cambodia, Thailand, and domestic SME segments.
- ▲ **COF sees multiple drivers.** Management has been successful in capturing the domestic deposit market share over the last several quarters. Interestingly, the CASA surge this quarter is all non-retail sources – while management has been pushing initiatives such as MoHE for quite some time, balances have yet to come in. RHB's multi-currency accounts have also been punching above its weight.

▼ **Asset quality issues persist, particularly in the overseas segments.** While the domestic SME segment has not improved much, Cambodia and Thailand are in far worse conditions, with recent floods probably worsening their outlook. Cambodian GILs saw an uptick of RM20m this quarter – it will likely increase further, though RHB is not expecting anything dramatic. Despite this, management maintains that Cambodian exposures are well collateralised and provisioned for – hence there would not be much drag on earnings.

- ▲ **But still a lot more room for recoveries.** Management is looking at further recoveries in SG. Also, only approximately 15% (or RM80-90m) worth of Vantris Energy proceeds have been officially written back.

► **Credit RWA is growing quickly, a consequence of loan rebalancing efforts.** The increase is due to the rapid growth of higher-yielding, seemingly riskier segments, particularly the commercial and SG portfolio (which has stricter capital requirements). This would not persist – credit RWA density should improve sometime next year.

Forecasts revised: FY25F Core NP adjusted by +5%. To reflect higher recoveries and NOII in FY26F.
Key downside risks. *(1) Weak NOII performance, (2) Lingering asset quality concerns, (3) Steeper-than-expected NIM compression.*

Maintain BUY call: Revised GGM-TP of RM 7.95 ***(from RM7.94)***. The TP is based on an unchanged FY26F P/BV of 0.97x to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 9.4%, LTG of 4.0% & COE of 9.6%)*

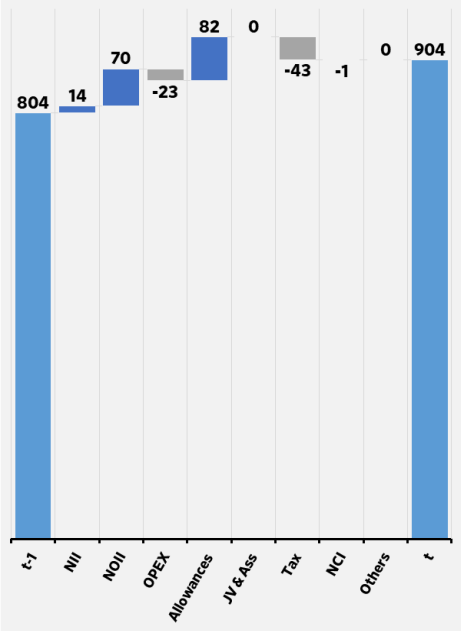
FIG 1: Quarterly results

FYE Dec (RM m)	3Q FY25	2Q FY25	3Q FY24	Yoy (%)	Qoq (%)	9M FY25	9M FY24	Yoy (%)
Net interest inc.	965	953	997	-3	1	2,888	2,912	-1
Islamic banking inc.	592	857	143	315	-31	2,007	1,320	52
Non-interest inc.	682	345	1,054	-35	97	1,547	2,162	-28
Net income	**2,239**	**2,155**	**2,194**	**2**	**4**	**6,442**	**6,394**	**1**
OPEX	(1,038)	(1,016)	(997)	4	2	(3,024)	(2,943)	3
PPOP	**1,201**	**1,139**	**1,197**	**0**	**5**	**3,417**	**3,451**	**-1**
Loan provisions	(94)	(115)	(100)	-6	-18	(309)	(460)	-33
Other provisions	87	26	(2)	<-500	237	107	(1)	<-500
JV & Associates	(8)	(8)	(7)	n.m.	n.m.	(24)	(17)	n.m.
PBT	**1,186**	**1,042**	**1,088**	**9**	**14**	**3,191**	**2,973**	**7**
Tax	(280)	(237)	(254)	10	18	(729)	(684)	7
NCI	(2)	(1)	(1)	n.m.	n.m.	(4)	(3)	n.m.
Reported NP	**904**	**804**	**833**	**8**	**13**	**2,458**	**2,286**	**8**
Core NP	**904**	**804**	**833**	**8**	**13**	**2,458**	**2,286**	**8**
Total NII	1,506	1,492	1,494	1	1	4,485	4,321	4
Total NOII	733	663	700	5	11	1,957	2,073	-6
Gross DPS (sen)	**-**	**15.0**	**-**	**n.m.**	**n.m.**	**15.0**	**15.0**	**n.m.**
Core EPS (sen)	20.7	18.4	19.1	8	12	56.3	52.4	7
Gross loans	245,417	241,400	227,520	7.9	1.7			
Gross impaired loans	3,689	3,650	4,022	-8.3	1.1			
Customer deposits	253,699	250,920	238,317	6.5	1.1			
CASA	74,771	71,094	66,769	12.0	5.2			

Ratios (%)	3Q FY25	2Q FY25	3Q FY24	Yoy (ppts)	Qoq (ppts)	9M FY25	9M FY24	Yoy (ppts)
ROE (Ann.)	**10.7**	**9.6**	**10.5**	**0.2**	**1.1**	**9.7**	**9.6**	**0.1**
NIM (Reported)	**1.77**	**1.81**	**1.91**	**-0.14**	**-0.04**	**1.80**	**1.87**	**-0.07**
NOII/Net income	32.7	30.8	31.9	0.8	2.0	30.4	32.4	-2.0
Cost/Income	46.4	47.1	45.4	0.9	-0.8	46.9	46.0	0.9
NCC (Ann.) (bps)	16	20	18	-2	-4	17	27	-10
GIL ratio	1.50	1.51	1.77	-0.26	-0.01			
Loan loss coverage	76	78	71	6	-1			
CASA ratio	29.5	28.3	28.0	1.5	1.1			
L/D ratio	95.6	95.1	94.3	1.4	0.5			
CET-1	15.2	15.9	16.6	-1.4	-0.7			

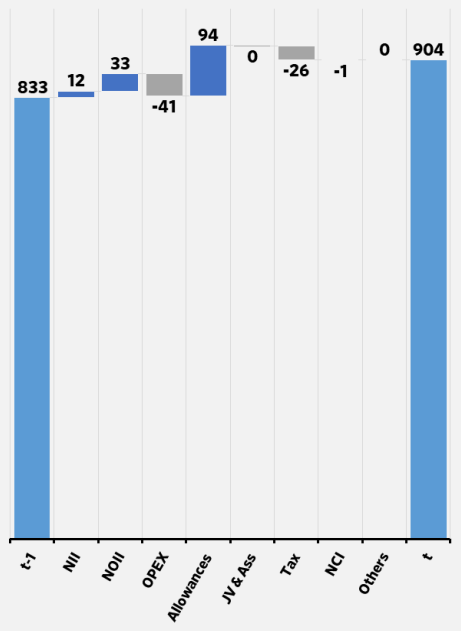
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



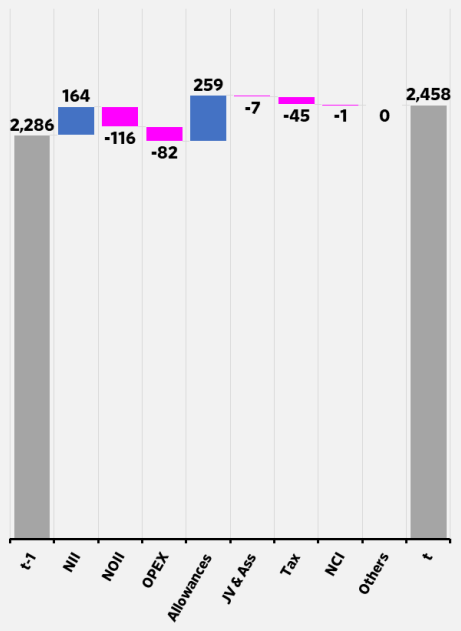
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY25F	9M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10.4 – 10.8	9.7	
CIR		46.9	
NIM	1.81 – 1.83 (from 1.86)	1.80	
NOII		-6% (yoy)	
Loans	5 – 6	3.2 (YTD)	
Deposits		1.7 (YTD)	
% CASA	28 – 29	29.5	
Loan/Depo		95.6	
GIL ratio	1.4 – 1.5	1.50	
NCC (bps)	15 – 20	17	
CET 1		15.2	
Div payout	Maybe higher than normal	-	

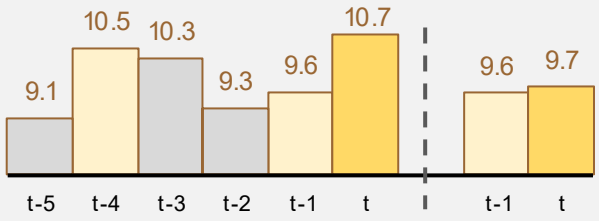
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

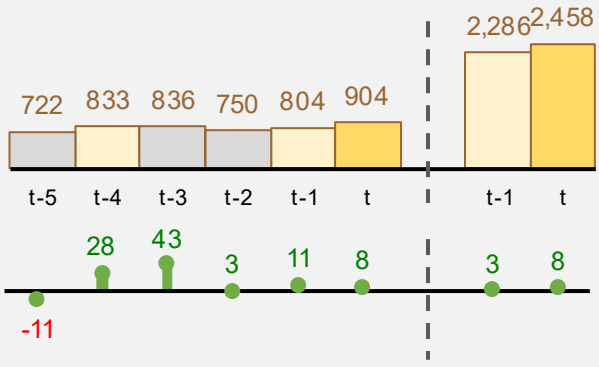
3QFY25 / 9MFY25 results

Earnings:	Above our full-year forecasts	(80%)
	Within street full-year forecasts	(77%)
Dividend:	NO	
YTD payout:	-	

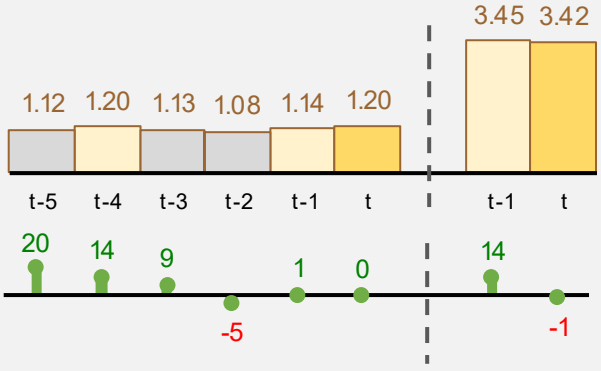
ROE (%)



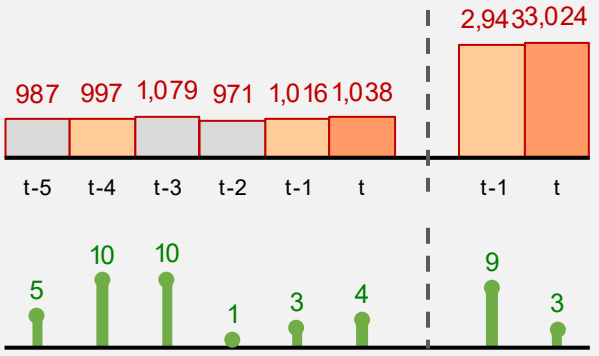
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



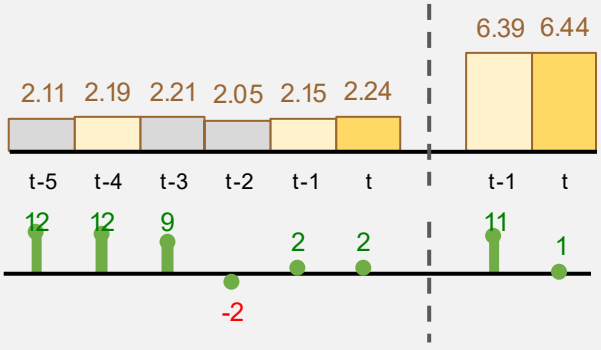
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



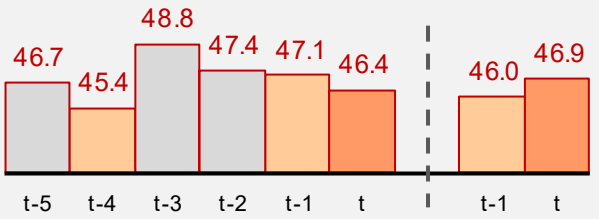
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



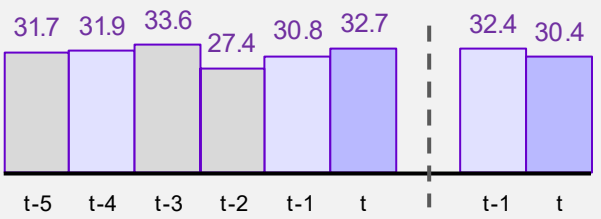
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



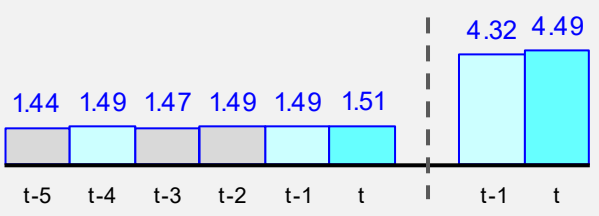
Cost/Income ratio (%)



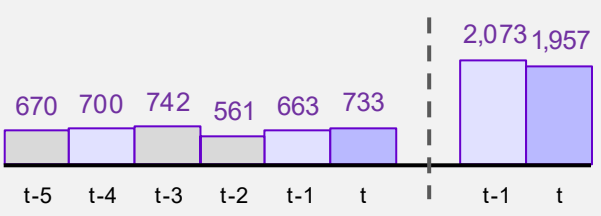
% NOII as topline (%)



Net interest income (RM b)

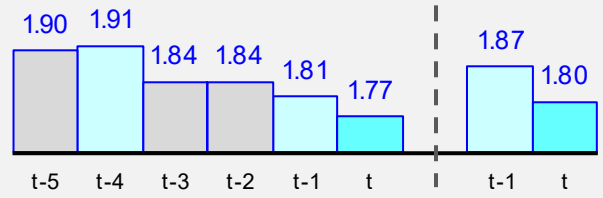


Non-interest income (RM m)

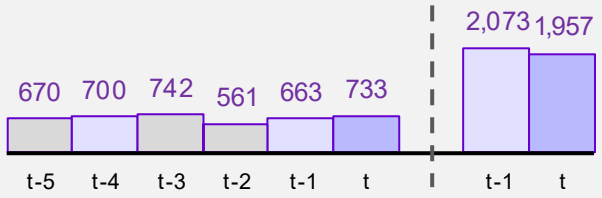


Source: Company, MBSBR

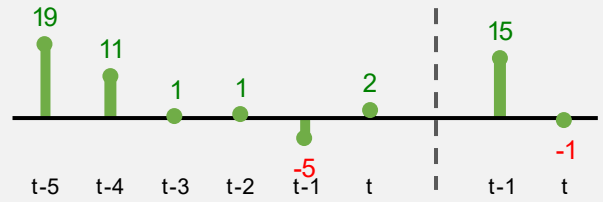
NIM (%)



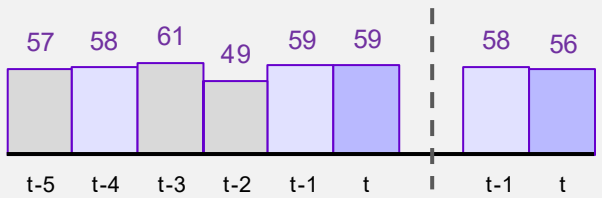
Non-fee NOII (RM m)



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

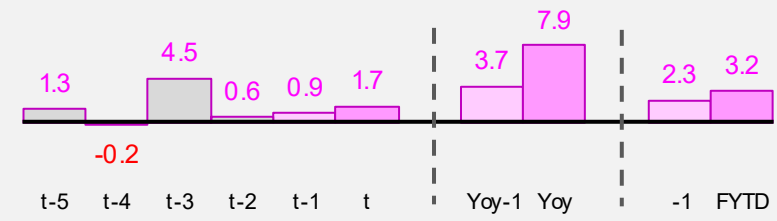


% Non-fee income as NOII (%)

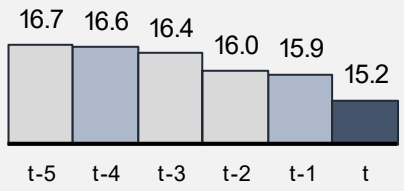


BALANCE SHEET

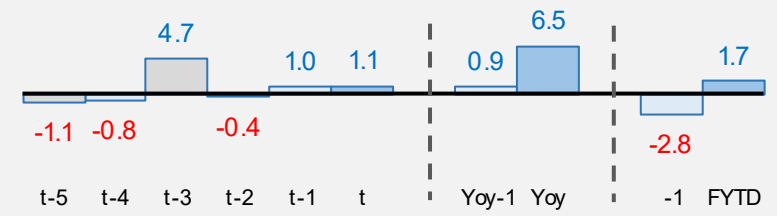
Loan growth -- qoq, yoy, FYTD (%)



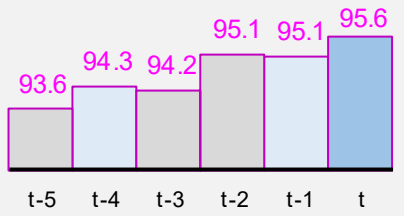
CET 1 ratio (%)



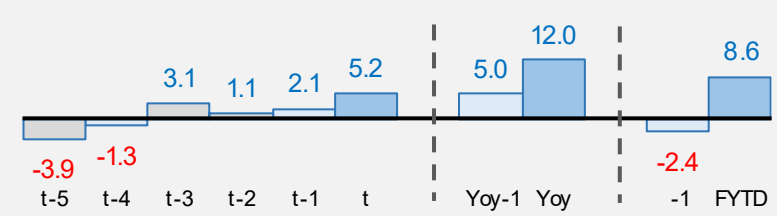
Deposit growth -- qoq, yoy, FYTD (%)



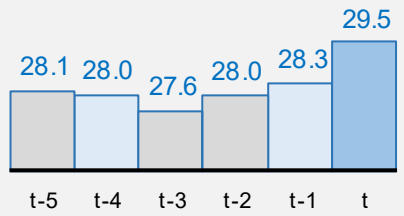
Loan/Deposit ratio (%)



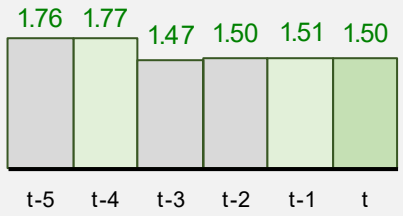
CASA growth -- qoq, yoy, FYTD (%)



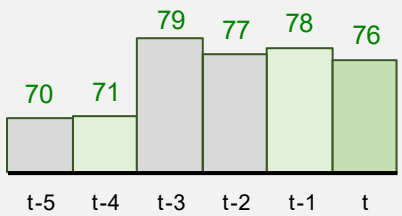
CASA ratio (%)



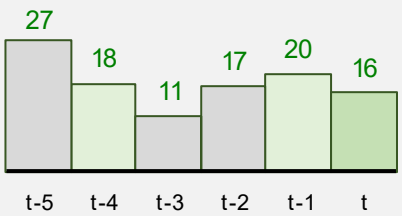
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	904	Qtrly ROE	Qtr value	10.7%
	29% of FY CNP				
	Qoq	13%		t-1	9.6%
	Yoy	8%		t-4	10.5%
Cum Core NP	RM mil	2,458	Cum ROE	Cum value	9.7%
	Above our forecast				
	80% of FY CNP				
	Within consensus				
	77% of FY CNP				
	Yoy	8%		t-1	9.6%
NII	As expected		NIM	As expected	
				Qtr value	1.77
				Cum value	1.80
	Qtr (Qoq)	1%		Qtr (Qoq)	-4bps
	Qtr (Yoy)	1%		Qtr (Yoy)	-14bps
	Cum (Yoy)	4%		Cum (Yoy)	-7bps
NOII	+ve surprise		Qtr	% NII	67%
	Qtr (Qoq)	11%		% NOII	33%
	Qtr (Yoy)	5%	Cum	% NII	70%
	Cum (Yoy)	-6%		% NOII	30%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	46.4%
				Cum value	46.9%
	Qtr (Qoq)	2%		Qtr (Qoq)	-0.8%
	Qtr (Yoy)	4%		Qtr (Yoy)	+0.9%
	Cum (Yoy)	3%		Cum (Yoy)	+0.9%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.7%			
	Yoy	7.9%			
	YTD (FY)	3.2%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	1.1%		Qoq	5.2%
	Yoy	6.5%		Yoy	12.0%
	YTD (FY)	1.7%		YTD (FY)	8.6%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	29.5%		Value now	95.6%
	Qoq	+1.1%		Qoq	+0.5%
	Yoy	+1.5%		Yoy	+1.4%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.50%		Value now	76%
	Qoq	-1bps		Qoq	-1%
	Yoy	-26bps		Yoy	+6%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	16bps		Value now	17bps
	t-1	20bps			
	t-4	18bps		t-4	27bps
CET 1	Healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	15.2%		Payout	-
	Qoq	-0.7%			

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	2,771	2,588	2,696
Net income	**7,770**	**8,605**	**8,924**	**9,132**	**9,528**
OPEX	(3,689)	(4,021)	(4,194)	(4,292)	(4,478)
PPOP	**4,081**	**4,583**	**4,730**	**4,840**	**5,050**
Loan allowances	(356)	(525)	(440)	(463)	(490)
Other allowances	54	(10)	(26)	(8)	(8)
JV & Associates	(26)	(26)	(26)	(80)	(80)
PBT	**3,753**	**4,022**	**4,238**	**4,288**	**4,471**
Tax & zakat	(943)	(896)	(1,017)	(1,029)	(1,073)
NCI	(4)	(4)	(6)	(7)	(7)
Others	-	-	-	-	-
Reported NP	**2,806**	**3,122**	**3,214**	**3,253**	**3,391**
Core NP	**2,806**	**3,122**	**3,214**	**3,253**	**3,391**
Total NII	5,451	5,790	6,008	6,390	6,671
Total NOII	2,320	2,815	2,916	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	20,182
Total assets	**328,692**	**349,915**	**370,291**	**385,353**	**403,500**
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	14,938	12,604	10,918
Total liabilities	**297,781**	**317,383**	**336,462**	**350,206**	**366,978**
Share capital	8,330	8,687	8,687	8,687	8,687
Reserves	22,546	23,805	25,107	26,425	27,798
Shareholders' funds	**30,877**	**32,492**	**33,795**	**35,112**	**36,486**
NCI	34	39	34	35	36
Total equity	**30,911**	**32,531**	**33,828**	**35,148**	**36,522**
Total L&E	**328,692**	**349,915**	**370,291**	**385,353**	**403,500**
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**	**9.7**	**9.4**	**9.5**
ROA	0.9	0.9	0.9	0.9	0.9
NOII/Net income	29.9	32.7	32.7	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	18	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	3.6	-6.0	4.2
Net income	-4.8	10.7	3.7	2.3	4.3
OPEX	2.3	9.0	4.3	2.3	4.3
Core NP	4.8	11.3	3.0	1.2	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	75.1	76.0	79.2
Gross DPS (sen)	40.0	43.0	43.9	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)	10.7	9.6	9.3	9.2	8.8
Div yield (%)	**5.7**	**6.2**	**6.3**	**6.3**	**6.5**
P/BV (x)	1.0	0.9	0.9	0.9	0.8

Source: Company, MBSBR

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(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

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MBSB INVESTMENT BANK (formerly known as 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