MBSB RESEARCH

Wednesday 3rd. June 2026

Corporate Update

RHB Bank Berhad

(1066 | RHBBANK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

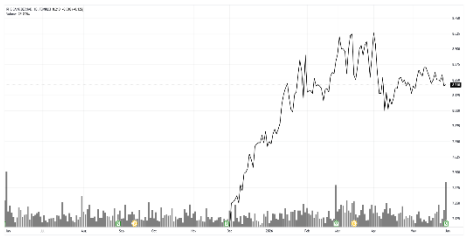
Maintain **BUY**

Revised Target Price **RM9.17**
(from RM9.11)

1QFY26 Results Review
Climbing NIMs

RETURN STATISTICS	
Price @ 29 May 2026 (RM)	8.21
Expected share price return (%)	+11.7
Expected dividend yield (%)	+5.7
Expected total return (%)	**+17.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.1	0.5
3 months	-2.4	1.3
12 months	21.4	8.9

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY27F**
Core NP (RM m)	**3,354**	**3,428**	**3,597**
CNP growth (%)	(0)	2	5
Div yield (%)	**5.6**	**5.7**	**5.9**
Gross DPS (sen)	45.8	46.6	48.5
P/BV (x)	**1.0**	**1.0**	**0.9**
BVPS (RM)	8.1	8.5	8.9
ROE (%)	**9.6**	**9.4**	**9.4**
% Street CNP (%)	**96**	**93**	**91**

KEY STATISTICS	
FBM KLCI	1,683.07
Issue shares (m)	4,361.9
Estimated free float (%)	81.4
Market Capitalisation (RM'm)	35,942.2
52-wk price range	RM6.11 – RM8.65
3-mth average daily volume (m)	8.1
3-mth average daily value (RM'm)	67.3
Top Shareholders (%)	
EPF Board	36.8
OSK Holdings Bhd	10.3
Amanah Saham Nasional Bhd	6.7

Salient Points

Strong set of earnings, as forecasted.

Management's tone: Cautiously optimistic.

Expect: RHB to be one of the best performers from a NIM standpoint.

Our Verdict

We like the topline outlook: There are multiple drivers for NIM expansion, and NOII could improve in subsequent quarters. It also sees good loan growth, good cost control, and high dividend yields. That being said, the main threats come in the form of potential asset quality issues (given its history) and heavier provisioning, which could derail the Group's FY26 ROE target. Admittedly, there are a lot of moving parts in RHB's future performance.

Valuations

A revised FY27F P/BV of 1.08x *(formerly 1.12x)*

Current P/BV of 1.08x is expensive, trading over +2SD of the 10-year P/BV mean of 0.86x. Granted, we think this is valid given the Group's improved profitability and dividend yields.

The company is currently trading at a forward FY27F P/BV of 0.97x with a 5.7% dividend yield.

Themes

1. ▲ Dividend yields are high, with potential upside during stronger performing years. This is coupled with very high capitalisation rates.
2. ▲ NIM outlook is particularly bright, driven by ongoing CASA accumulation measures and a recovery in higher-yielding loan segments. There are still avenues to optimise both assets and liabilities.
3. ▲ Fee income to see stronger growth, bolstered by bancassurance fees and wealth management. Onboarding fees are still coming in.
4. ▲ Loan growth has seen marked improvement in recent quarters. However, not all segments have fully recovered (notably Thailand and SME).
5. ► Convincing improvements to asset quality as of late, though we should see some irritation in subsequent quarters. FY26's NCC is noticeably low, but there is the threat of a large overlay allocation.

Results in a nutshell:

► **3MFY26's Core NP of RM857m was *Within*/*Within* our/street forecasts: *26%*/*25%* of full-year forecasts.**

► **No dividend announcement.**

▲ **3MFY26's Core net profit (NP) of RM857m up by 14%yoy.** The increase was driven by improved NII and NOII, which offset higher OPEX and tax expenses.

Analyst
Samuel Woo
samuelwoo.cy@mbsb.com
03-2173 8461

▼ **1QFY26's Core NP of RM857m down by -5%qoq.** The decrease was driven by a sharp drop in NOII and higher provisions, which offset better NII and OPEX performance.

Have a look at:

▲ **Basel-related changes to unlock +100bps of capital in FY28.** This should provide some upside to future dividend payout – though this is well in the future.

▲ **Further NIM expansion expected.** This is from ongoing CASA accumulation and asset/liability optimisation measures. (1) Further FD repricing, though limited (be wary that there is ongoing FD competition, though not as steep as CY25), (2) MySiswa programmes are doing well, with balances up to RM732m this quarter (from RM500m last quarter), (3) RHB pay (a payment gateway) to be launched in 3QFY26, which will help build up merchant collection accounts, (4) Multi-currency accounts.

▲ **Optimistic on NOII outlook.** The Group is still banking on bancassurance (RM211m slated for this year from deals signed in FY25), wealth management and brokerage to drive NOII. The Group has a target of >30% NOII as a portion of net income. Management believes it is still too premature to comment on the recent Tokiomarine deal.

► **Some caution in growing loans.** Due to asset quality concerns, the Group will be more careful in growing loans in the next two quarters – particularly from the community segment. However, the loan growth target of 5-6% is maintained.

▼ **Some uptick in retail and SME GIL ratios.** Management isn't overly worried about the domestic retail segment – they attribute the impact to seasonal effects.

The SME portfolio saw a sharp GIL ratio increase: This was due to a forced push for some accounts to the Stage 3 bracket. This is to qualify these accounts for repayment assistance programmes. Subsequent quarters will see further SME flowdowns, but not to this quarter's extent. The intent is to prevent the SME GIL ratio from exceeding 4%, with a target of 3.7% -- the current level is 3.91%.

▼ **Macroeconomic overlay allocation will result in higher actual NCC than target.** 19% of the Group's gross loans have a 2nd-order impact from the Middle East crisis. Management is deciding whether to allocate overlays in subsequent quarters, though this is subject to oil prices remaining at USD 100-150 per barrel over a prolonged period – which we think may be unlikely. This will be a large provision and will cause FY26 NCC to end up at 20bps – far above the 14bps guidance.

There is further room for recoveries – expect chunkier recoveries next quarter. The Group is targeting RM100m of SJPP-related recovery alone. We saw minimal overlay allocation this quarter, with the balance at RM339m.

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

Maintain BUY call: Revised GGM-TP of RM 9.17 ***(from RM9.11)***. The TP is based on a revised FY27F P/BV of 1.08x *(formerly 1.12x, rolled on from FY26F)*, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY27F ROE of 9.4%, LTG of 4.0% & COE of 9.0%)*

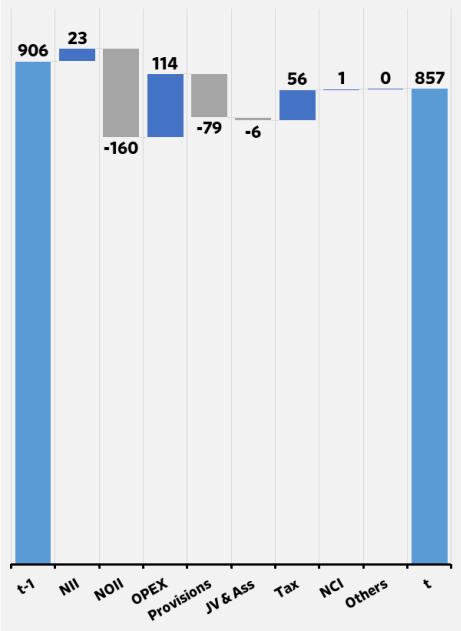
FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Net interest inc.	1,007	992	970	4	2	1,007	970	4
Islamic banking inc.	527	575	558	-6	-8	527	558	-6
Non-interest inc.	662	765	520	27	-14	662	520	27
Net income	**2,196**	**2,333**	**2,048**	**7**	**-6**	**2,196**	**2,048**	**7**
OPEX	(1,015)	(1,130)	(971)	5	-10	(1,015)	(971)	5
PPOP	**1,181**	**1,203**	**1,077**	**10**	**-2**	**1,181**	**1,077**	**10**
Loan provisions	(86)	(13)	(100)	-14	562	(86)	(100)	-14
Other provisions	(4)	1	(6)	-32	-416	(4)	(6)	-32
JV & Associates	(10)	(3)	(9)	n.m.	n.m.	(10)	(9)	n.m.
PBT	**1,081**	**1,188**	**963**	**12**	**-9**	**1,081**	**963**	**12**
Tax	(224)	(280)	(212)	6	-20	(224)	(212)	6
NCI	(0)	(2)	(1)	n.m.	n.m.	(0)	(1)	n.m.
Reported NP	**857**	**906**	**750**	**14**	**-5**	**857**	**750**	**14**
Core NP	**857**	**906**	**750**	**14**	**-5**	**857**	**750**	**14**
Total NII	1,556	1,533	1,487	5	2	1,556	1,487	5
Total NOII	640	800	561	14	-20	640	561	14
Gross DPS (sen)	**-**	**35.0**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	19.6	20.7	17.2	14	-5	19.6	17.2	14
Gross loans	253,961	250,643	239,158	6.2	1.3			
Gross impaired loans	3,733	3,540	3,580	4.3	5.5			
Customer deposits	258,510	252,537	248,520	4.0	2.4			
CASA	76,198	76,877	69,617	9.5	-0.9			

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**10.4**	**10.6**	**9.3**	**1.1**	**-0.3**	**10.4**	**9.3**	**1.1**
NIM (Reported)	**1.86**	**1.82**	**1.84**	**0.02**	**0.04**	**1.86**	**1.84**	**0.02**
NOII/Net income	29.1	34.3	27.4	1.7	-5.2	29.1	27.4	1.7
Cost/Income	46.2	48.4	47.4	-1.2	-2.2	46.2	47.4	-1.2
NCC (Ann.) (bps)	14	2	17	-3	12	14	17	-3
GIL ratio	1.47	1.41	1.50	-0.03	0.06			
Loan loss coverage	73	77	77	-4	-3			
CASA ratio	29.5	30.4	28.0	1.5	-1.0			
L/D ratio	97.2	98.2	95.1	2.1	-1.0			
CET-1	14.7	15.2	16.0	-1.2	-0.5			

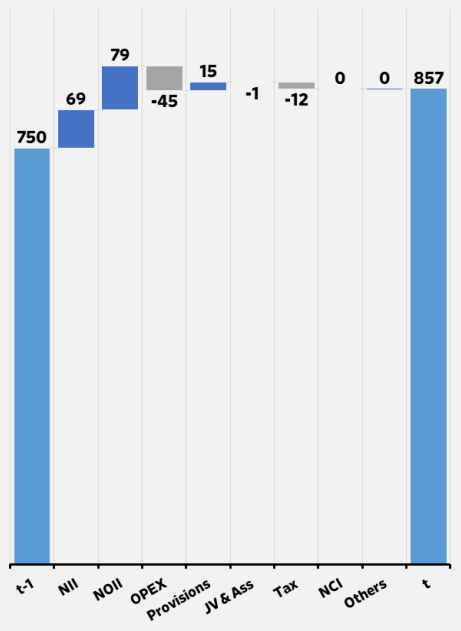
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



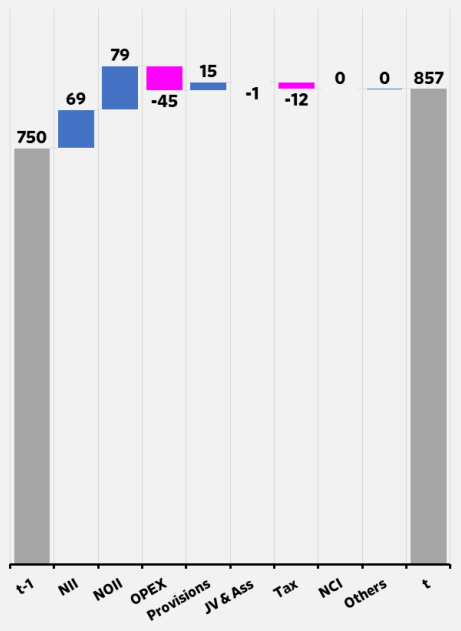
Source: Company, MBSBR

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	FY26F	3M FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	10.8 – 11.0	10.4	Despite falling behind, management believes that the ROE target is still achievable with dividend release. This is heavily subject to the NCC decision and the extent of further topline recovery.
CIR	45.5 – 46.0	46.2	
NIM	1.83 – 1.86 (from 1.80)	1.86	
NOII		14% (yoy)	
Loans	5 – 6	1.3 (YTD)	
Deposits		2.4 (YTD)	
% CASA	>30	29.5	
Loan/Depo		97.2	
GIL ratio	1.35 – 1.40	1.47	
NCC (bps)	13 – 14	14	20bps if the Group goes through with its large macroeconomic overlay allocation.
CET 1		14.7	
Div payout	50 – 60	-	

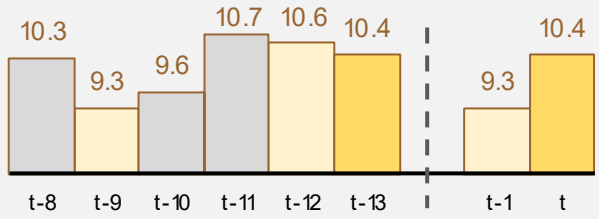
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

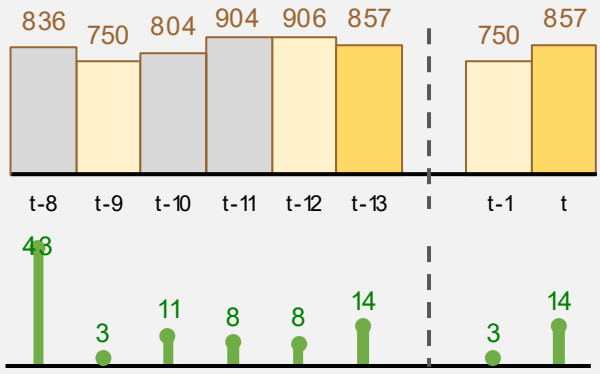
4QFY25 / FY25 results

Earnings:	**Within our full-year forecasts**	**(26%)**
	Within street full-year forecasts	(25%)
Dividend:	**NO**	
YTD payout:	-	

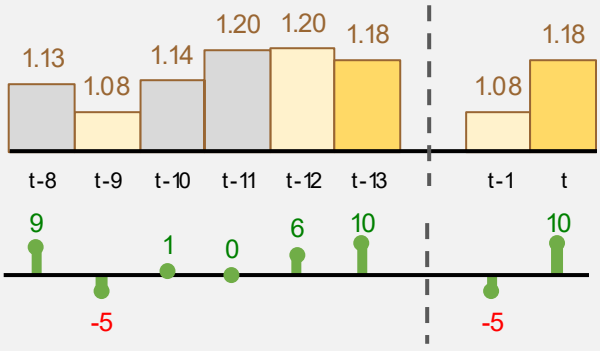
ROE (%)



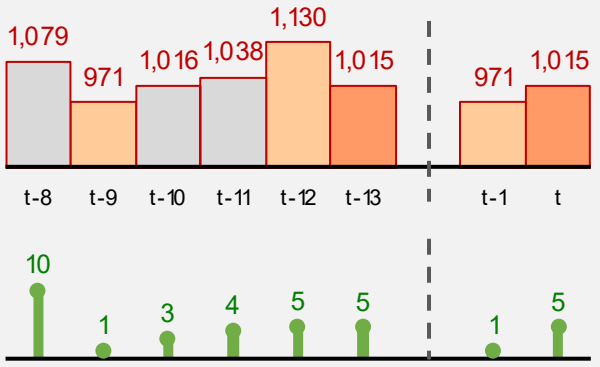
Core Net Profit (RM m)
Growth -- qoq (Qtr) & yoy (Cum) (%)



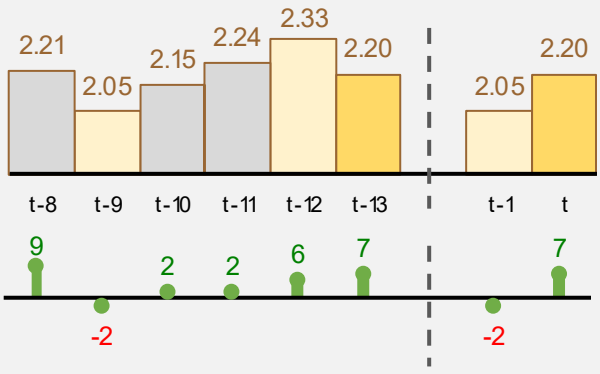
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



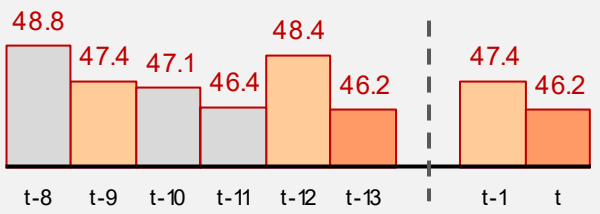
OPEX (RM m)
Growth -- yoy only! (Qtr & Cum) (%)



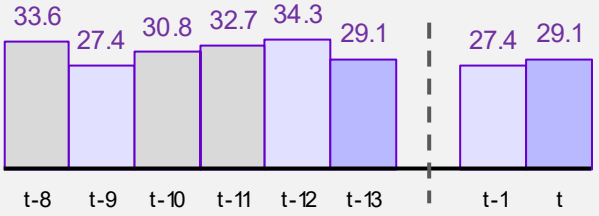
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



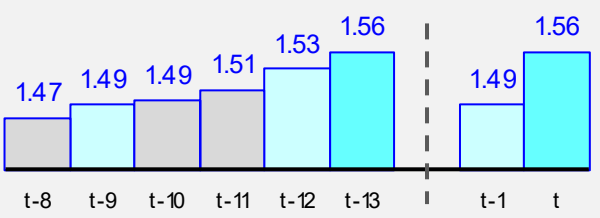
Cost/Income ratio (%)



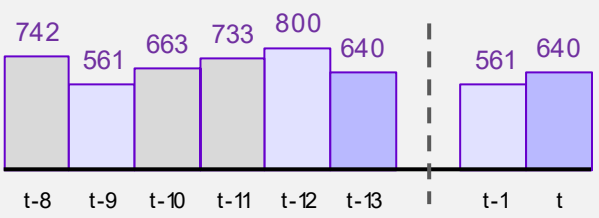
% NOII as topline (%)



Net interest income (RM b)

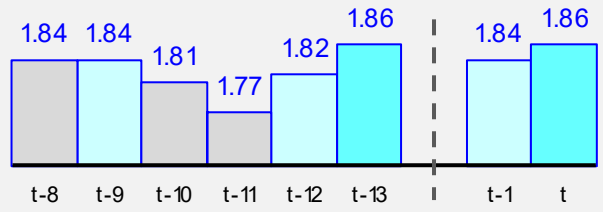


Non-interest income (RM m)

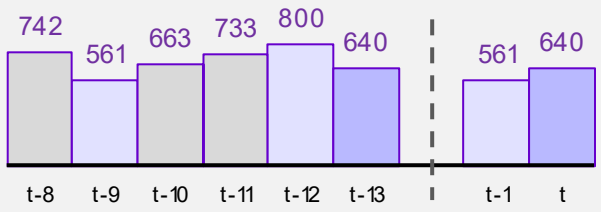


Source: Company, MBSBR

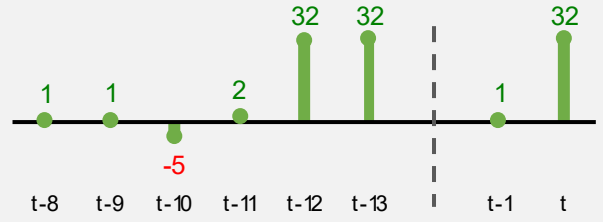
NIM (%)



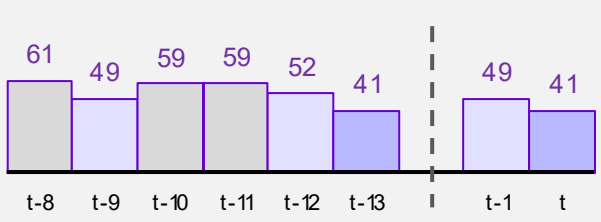
Non-fee NOII (RM m)



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

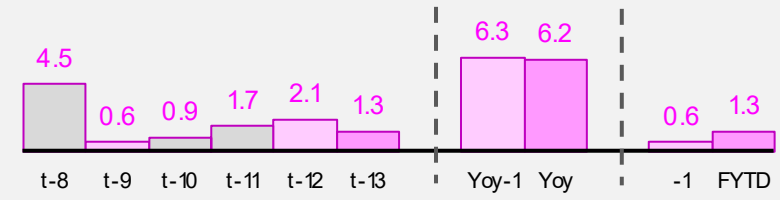


% Non-fee income as NOII (%)

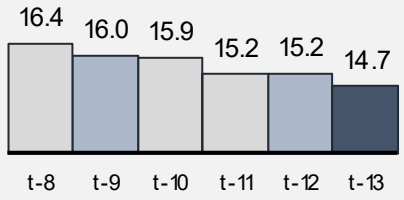


BALANCE SHEET

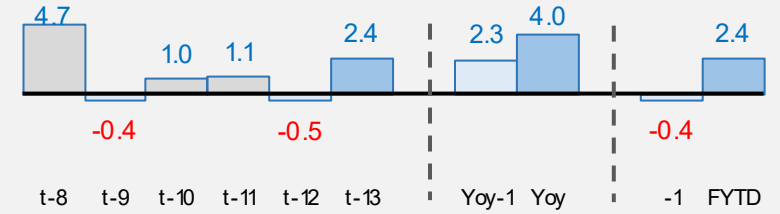
Loan growth -- qoq, yoy, FYTD (%)



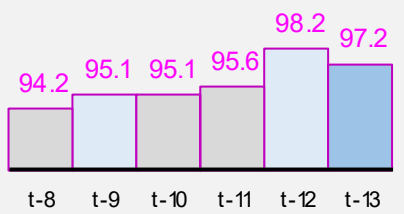
CET 1 ratio (%)



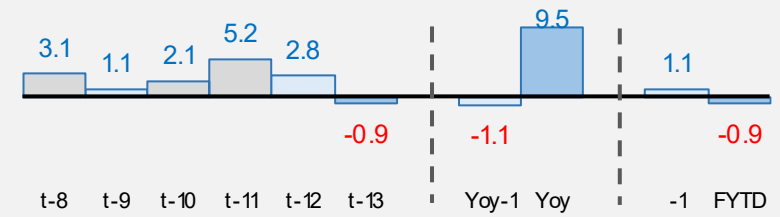
Deposit growth -- qoq, yoy, FYTD (%)



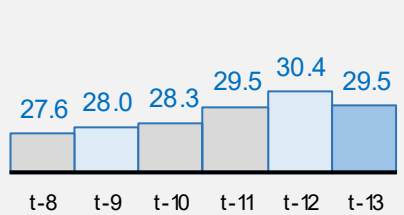
Loan/Deposit ratio (%)



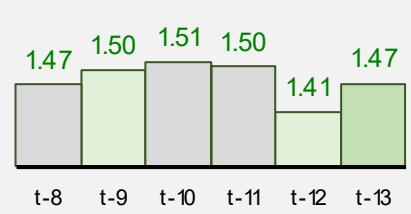
CASA growth -- qoq, yoy, FYTD (%)



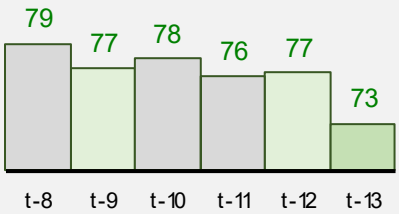
CASA ratio (%)



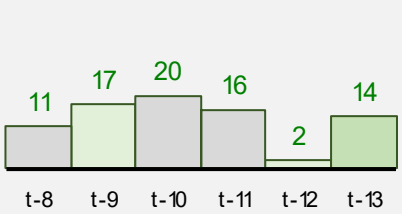
GIL ratio (%)



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	857	Qtrly ROE	Qtr value	10.4%
	26% of FY CNP				
	Qoq	-5%		t-1	10.6%
	Yoy	14%		t-4	9.3%
Cum Core NP	RM mil	857	Cum ROE	Cum value	10.4%
	Within our forecast				
	26% of FY CNP				
	Within consensus				
	25% of FY CNP				
	Yoy	14%		t-1	9.3%
NII	As expected		NIM	As expected	
				Qtr value	1.86
				Cum value	1.86
	Qtr (Qoq)	2%		Qtr (Qoq)	+4bps
	Qtr (Yoy)	5%		Qtr (Yoy)	+2bps
	Cum (Yoy)	5%		Cum (Yoy)	+2bps
NOII	As expected		Qtr	% NII	71%
	Qtr (Qoq)	-20%		% NOII	29%
	Qtr (Yoy)	14%	Cum	% NII	71%
	Cum (Yoy)	14%		% NOII	29%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	46.2%
				Cum value	46.2%
	Qtr (Qoq)	-10%		Qtr (Qoq)	-2.2%
	Qtr (Yoy)	5%		Qtr (Yoy)	-1.2%
	Cum (Yoy)	5%		Cum (Yoy)	-1.2%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.3%			
	Yoy	6.2%			
	YTD (FY)	1.3%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	2.4%		Qoq	-0.9%
	Yoy	4.0%		Yoy	9.5%
	YTD (FY)	2.4%		YTD (FY)	-0.9%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	29.5%		Value now	97.2%
	Qoq	-1.0%		Qoq	-1.0%
	Yoy	+1.5%		Yoy	+2.1%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	1.47%		Value now	73%
	Qoq	+6bps		Qoq	-3%
	Yoy	-3bps		Yoy	-4%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	14bps		Value now	14bps
	t-1	2bps			
	t-4	17bps		t-4	17bps
CET 1	Very healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	14.7%		Payout	
	Qoq	-0.5%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY27F
Net interest income	**3,869**	**3,880**	**3,986**	**4,221**	**4,446**
Islamic banking inc.	2,176	2,159	2,411	2,553	2,689
Other operating inc.	2,560	2,735	2,539	2,589	2,697
Net income	**8,605**	**8,774**	**8,936**	**9,363**	**9,831**
OPEX	(4,021)	(4,154)	(4,200)	(4,401)	(4,621)
PPOP	**4,583**	**4,620**	**4,736**	**4,962**	**5,210**
Loan allowances	(525)	(322)	(336)	(465)	(493)
Other allowances	(12)	108	(9)	(9)	(9)
JV & Associates	(26)	(28)	(28)	(28)	(28)
PBT	**4,020**	**4,378**	**4,364**	**4,461**	**4,681**
Tax & zakat	(896)	(1,010)	(1,004)	(1,026)	(1,077)
NCI	(4)	(6)	(7)	(7)	(7)
Others	-	-	-	-	-
Reported NP	**3,120**	**3,363**	**3,354**	**3,428**	**3,597**
Core NP	**3,120**	**3,363**	**3,354**	**3,428**	**3,597**
Total NII	5,790	6,018	6,229	6,595	6,946
Total NOII	2,815	2,756	2,707	2,768	2,885

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY27F
Cash & ST funds	12,363	7,197	7,471	7,883	8,501
Investment securities	87,589	89,698	92,624	95,653	98,791
Net loans	234,968	247,910	262,898	278,673	295,394
Other IEAs	-	-	-	-	-
Non-IEAs	14,995	13,299	13,528	13,817	14,135
Total assets	**349,915**	**358,104**	**376,521**	**396,026**	**416,821**
Customer deposits	249,565	252,537	267,689	283,751	300,776
Other IBLs	56,819	57,071	57,969	58,998	60,169
Non-IBLs	10,999	14,306	15,138	15,975	16,927
Total liabilities	**317,383**	**323,914**	**340,797**	**358,725**	**377,872**
Share capital	8,687	8,701	8,701	8,701	8,701
Reserves	23,805	25,445	26,987	28,563	30,209
Shareholders' funds	**32,492**	**34,146**	**35,688**	**37,264**	**38,910**
NCI	39	44	36	37	39
Total equity	**32,531**	**34,190**	**35,724**	**37,301**	**38,949**
Total L&E	**349,915**	**358,104**	**376,521**	**396,026**	**416,821**
Total IEAs	334,919	344,806	362,992	382,209	402,686
Total IBLs	306,384	309,609	325,658	342,749	360,945
Gross loans	237,758	250,643	265,681	281,622	298,520
CASA	68,857	76,877	80,307	85,125	90,233

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY27F
Interest (%)					
NIM	1.76	1.72	1.76	1.77	1.77
Return on IEAs	3.12	2.89	2.80	2.72	2.64
Cost of funds	2.10	1.93	1.87	1.77	1.69
Net interest spread	1.02	0.96	0.94	0.95	0.96
Profitability (%)					
ROE	**9.8**	**10.1**	**9.6**	**9.4**	**9.4**
ROA	0.9	1.0	0.9	0.9	0.9
NOII/Net income	32.7	31.4	30.3	29.6	29.3
Effective tax rate	22.3	23.1	23.0	23.0	23.0
Cost/Income	46.7	47.3	47.0	47.0	47.0
Liquidity (%)					
Loan/Deposit	94.2	98.2	98.2	98.2	98.2
CASA ratio	27.6	30.4	30.0	30.0	30.0
Asset Quality (%)					
GIL ratio	1.47	1.41	1.35	1.35	1.35
LLC ratio	79	77	77	77	77
LLC (w. reserves)	127	129	128	125	122
Net CC (bps)	22	13	13	17	17
Capital (%)					
CET 1	16.4	15.2	15.2	15.0	14.7
Tier 1 capital	16.4	15.2	15.2	15.0	14.7
Total capital	19.0	17.6	17.5	17.2	16.9
Growth (%)					
Total NII	6.2	3.9	3.5	5.9	5.3
Total NOII	21.3	-2.1	-1.8	2.2	4.2
Net income	10.7	2.0	1.8	4.8	5.0
OPEX	9.0	3.3	1.1	4.8	5.0
Core NP	11.2	7.8	-0.3	2.2	4.9
Gross loans	6.9	5.4	6.0	6.0	6.0
Customer deposits	5.9	2.0	5.1	5.2	5.2
CASA	0.6	11.6	4.5	6.0	6.0
Valuation metrics					
Core EPS (sen)	71.1	76.6	76.4	78.1	82.0
Gross DPS (sen)	43.0	50.0	45.8	46.6	48.5
Div payout (%)	60	65	60	60	60
BVPS (RM)	7.4	7.8	8.1	8.5	8.9
Core P/E (x)	11.5	10.7	10.7	10.5	10.0
Div yield (%)	**5.2**	**6.1**	**5.6**	**5.7**	**5.9**
P/BV (x)	1.1	1.1	1.0	1.0	0.9

Source: Company, MBSBR

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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