



AmInvestment Bank

## Company Report

Kelvin Ong, CFA

kelvin-ong@ambankgroup.com

DL: 2036 2294

## RHB BANK

(RHBBANK MK EQUITY, RHBC.KL)

28 Aug 2025

## Earnings on Track, Dividend Upside

BUY

(Maintained)

## Rationale for report: Company Result

Price	RM6.52
Fair Value	RM7.58
52-week High/Low	RM7.04/RM5.90

## Key Changes

Fair value	↕
EPS	↕

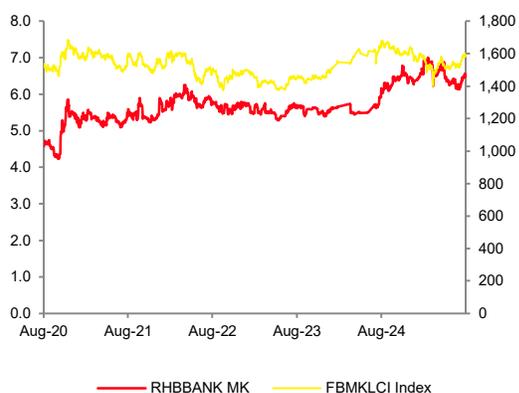
YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	8,604.9	8,927.6	9,369.3	9,975.4
Core net profit (RM mil)	3,120.2	3,188.3	3,372.7	3,773.1
FD Core EPS (sen)	72.0	73.6	77.8	87.1
FD Core EPS growth (%)	9.6	2.2	5.8	11.9
Consensus Net Profit (RM mil)	-	3,200.0	3,383.0	3,624.0
DPS (sen)	43.0	44.2	46.7	52.3
BV/share (RM)	7.50	7.81	8.43	8.96
PE (x)	9.0	8.8	8.3	7.5
Div yield (%)	6.6	6.8	7.2	8.1
P/BV (x)	0.9	0.8	0.8	0.7
ROE (%)	9.8	9.6	9.6	10.0

## Stock and Financial Data

Shares Outstanding (million)	4,372.2
Market Cap (RMmil)	28,375.4
Book Value (RM/Share)	7.50
P/BV (x)	0.9
ROE (%)	9.8

Major Shareholders	Employees Provident Fund (37.9%)
	OSK Holdings Bhd (10.3%)
	Amanah Saham Nasional (6.7%)
Free Float	45.1
Avg Daily Value (RMmil)	47.8

Price performance	3mth	6mth	12mth
Absolute (%)	(5.3)	(4.0)	9.6
Relative (%)	(8.9)	(4.1)	14.1



## Investment Highlights

**RHB Bank's 6MFY25 earnings were in line with expectations, supported by stable asset quality and lower ECL, resulting in a reduced credit cost of 18bps. Domestic loans continued to outperform industry growth, while OPEX remained well-managed at 2.1% YoY. The outlook for NOII in 2H25 is positive, driven by potential gains from MGS yield movements, and stronger bancassurance and wealth contributions. Further loan recoveries could improve credit cost. With strong 1HFY25 performance and a promising 2HFY25 outlook, management alluded to a potentially higher dividend payout for FY25. Our BUY recommendation is maintained.**

- Recommendation and valuation.** We reiterate our BUY call on RHB with an unchanged TP of RM7.58/share, valuing the stock at a FY26 P/BV of 0.9x, supported by a 9.6% ROE and a neutral 3-star ESG rating. Our earnings estimates are unchanged.
- RHB Bank's 6MFY25 earnings of RM1.55bil were in line with expectations, making up ~49% of both our and consensus forecasts.** Profit rose 7% YoY, mainly due to lower loan provisions, despite flat total income (+0.1% YoY). Net fund-based income grew 5.3%, offset by a 10.8% drop in non-fund-based income from weaker fees and treasury income. QoQ, earnings improved 7.1% on stronger FX and trading gains, while NIM compression kept net fund-based income flat. Loan growth slowed, with robust domestic expansion partially offset by weaker overseas loan growth. A 15 sen interim dividend (payout: 42.1%) has been declared in 6MFY25, similar in quantum to the previous FYs.
- Loan growth moderated to 5.9% YoY, mainly due to weaker overseas performance, but remains on track to meet the 5–6% FY25 target.** Domestic loans grew 7.8% YoY, led by mortgages, auto, SME, and commercial segments, while Singapore loans declined 2% YoY. NIM fell 3bps QoQ with YTD compression of 5bps to 1.81%. Following July's OPR cut, management revised FY25 NIM guidance to 1.80–1.83% (from 1.86–1.90%), noting each 25bps cut could reduce margins by 3bps. Deposit repricing is expected to ease margin pressure in coming quarters.
- Asset quality inched up slightly QoQ due to the impairment of a commercial loan which is well collateralized.** Group GIL ratio rose slightly to 1.51% in 2QFY25, with domestic GIL at 1.27%. Credit cost rose to 19bps in 2QFY25 due to RM35mil in new overlays, bringing total overlay allocations for US tariff risks to RM76mil. For 6MFY25, credit cost eased to 18bps (vs. 32bps YoY), within the 15–20bps guidance, supported by lower ECL from international operations. Recovery in Thailand remains slow, while Cambodia may see improvements from R&R loan graduations and Stage 3 recoveries. SME recovery efforts continue, including SJPP-backed loans and potential R&R exits. Management maintains RM300mil in overlays to cushion asset quality risks. Loan loss coverage improved QoQ to 77.5% (ex-reg reserves) and 116.5% (incl. reg reserves), unaffected by a well-secured commercial loan impairment.

### Company profile

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RHB Bank is a multinational financial institution that delivers a wide range of financial services, including community banking, wholesale banking, international business, Islamic banking, and insurance. The group maintains a regional presence across Singapore, Thailand, Brunei, Cambodia, Indonesia and Laos.

### Investment thesis and Key catalysts

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We find the valuation appealing, with the stock trading at 0.8x FY26F price-to-book value (P/BV), supported by a projected return on equity (ROE) of 9.6%. 2H25 NOI outlook remains upbeat, supported by potential MGS gains and stronger bancassurance and wealth income. Further loan recoveries may ease credit cost. Management also hinted at a higher FY25 dividend, backed by solid 1H25 results and a positive earnings outlook.

### Valuation methodology

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The stock valuation is based on FY26 estimates, applying a price-to-book value (P/BV) multiple of 0.9x derived from the Gordon Growth Model. This assessment is underpinned by a cost of equity (COE) of 10.3%, a beta of 1.1, a market risk premium of 6.5%, a risk-free rate of 3.5%, and a long-term growth rate of 3%.

### Risk factors

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Potential downside risks to our projections include:

- Slower-than-expected global economic expansion, which may negatively affect loan growth.
- An unforeseen rise in funding costs—particularly if CASA growth lags, leading to intensified competition for deposits.
- Prolonged high interest rates in developed markets, which could reduce the valuation of bond and securities portfolios, consequently impacting banks' non-interest income (NOI).

### EXHIBIT 1: VALUATIONS

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COE	10.3%
Beta	1.1
Market risk premium	6.5%
Risk free rate	3.5%
Long term growth rate	3%
P/BV	0.9x
FY26 BVPS	RM8.43
<b>TP</b>	<b>RM7.58</b>
ESG Premium	0
<b>Adjusted TP</b>	<b>RM7.58</b>

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## EXHIBIT 2: RESULTS SUMMARY

<b>Income Statement (RM m, FYE 31 Dec)</b>	<b>2Q24</b>	<b>1Q25</b>	<b>2Q25</b>	<b>% QoQ</b>	<b>% YoY</b>	<b>6M24</b>	<b>6M25</b>	<b>% YoY</b>
Interest income	2,549	2,510	2,492	-0.7	-2.3	5,037	5,002	-0.7
Interest expense	-1,560	-1,540	-1,539	-0.1	-1.4	-3,122	-3,079	-1.4
<b>Net interest income</b>	<b>989</b>	<b>970</b>	<b>953</b>	<b>-1.7</b>	<b>-3.7</b>	<b>1,915</b>	<b>1,923</b>	<b>0.4</b>
Islamic banking income	519	558	345	-38.1	-33.5	1,178	903	-23.3
Non-interest income	603	520	857	64.7	42.0	1,107	1,377	24.4
Modification loss	0	0	0	n.m.	n.m.	0	0	n.m.
<b>Total income</b>	<b>2,112</b>	<b>2,048</b>	<b>2,155</b>	<b>5.2</b>	<b>2.0</b>	<b>4,200</b>	<b>4,203</b>	<b>0.1</b>
Overhead expenses	-987	-971	-1,016	4.6	2.9	-1,946	-1,986	2.1
Pre-provision profit	<b>1,125</b>	<b>1,077</b>	<b>1,139</b>	<b>5.8</b>	<b>1.3</b>	<b>2,254</b>	<b>2,216</b>	<b>-1.7</b>
Loan impairment allowances	-147	-100	-115	15.3	-21.8	-360	-215	-40.3
Other allowances	2	-6	26	-538.3	>100	1	20	>100
Associates and JV income	-6	-9	-8	-4.3	41.7	-10	-17	72.5
<b>Pretax profit</b>	<b>974</b>	<b>963</b>	<b>1,042</b>	<b>8.2</b>	<b>6.9</b>	<b>1,884</b>	<b>2,005</b>	<b>6.4</b>
Income tax	-251	-212	-237	11.9	-5.7	-430	-449	4.3
Profit from discontinued operations	0	0	0	n.m.	n.m.	0	0	n.m.
Minority interest	0	-1	-1	77.3	176.4	-2	-2	24.6
<b>Net profit</b>	<b>722</b>	<b>750</b>	<b>804</b>	<b>7.1</b>	<b>11.2</b>	<b>1,452</b>	<b>1,554</b>	<b>7.0</b>
Core EPS (sen)	16.7	17.2	18.4	7.2	10.3	33.7	35.6	5.6
<b>Profit by segments (RM m)</b>								
Group Community Banking	478	426	395	-7.3	-17.4	849	820	-3.4
Group Wholesale Banking	580	548	639	16.5	10.1	1,159	1,187	2.5
Group International Business	2	87	90	2.6	>100	36	177	>100
Insurance	8	18	28	58.4	>100	30	46	50.5
Support center and others	-88	-108	-101	-6.0	15.3	-180	-209	15.8
Inter-segment elimination	0	0	0	n.m.	n.m.	0	0	n.m.
Share of profit from JV	-6	-9	-8	-4.3	41.7	-10	-17	72.5
<b>Group profit before taxation</b>	<b>974</b>	<b>963</b>	<b>1,042</b>	<b>8.2</b>	<b>6.9</b>	<b>1,884</b>	<b>2,005</b>	<b>6.4</b>
<b>Balance Sheet (RM m, FYE 31 Dec)</b>	<b>2Q24</b>	<b>1Q25</b>	<b>2Q25</b>	<b>% QoQ</b>	<b>% YoY</b>	<b>6M24</b>	<b>6M25</b>	<b>% YoY</b>
Gross loans and advances	227,912	239,158	241,400	0.9	5.9	227,912	241,400	5.9
Net loans and advances	225,017	236,363	238,557	0.9	6.0	225,017	238,557	6.0
Customer deposits	240,309	248,520	250,920	1.0	4.4	240,309	250,920	4.4
Gross impaired loans	4,016	3,580	3,650	1.9	-9.1	4,016	3,650	-9.1
Average shareholders' funds	31,691	32,354	32,797	1.4	3.5	31,273	32,935	5.3
<b>Ratios (%)</b>								
Net LD	93.6%	95.1%	95.1%			93.6%	95.1%	
CASA	28.1%	28.0%	28.3%			28.1%	28.3%	
NIM	1.90%	1.84%	1.81%			1.86%	1.81%	
Cost to income	46.7%	47.4%	47.1%			46.3%	47.3%	
Credit cost (based only on loans)	0.26%	0.17%	0.19%			0.32%	0.18%	
Loan loss coverage (excluding reg reserve)	70.4%	76.9%	77.5%			70.4%	77.5%	
Loan loss coverage (including reg reserve)	106.8%	115.7%	116.5%			106.8%	116.5%	
GIL/Gross NPL	1.76%	1.50%	1.51%			1.76%	1.51%	
ROE	9.1%	9.3%	9.8%			9.3%	9.4%	
CET1 ratio	16.5%	16.0%	15.9%			16.5%	15.9%	
Tier 1	16.5%	16.0%	15.9%			16.5%	15.9%	
Total capital ratio	19.2%	18.5%	18.3%			19.2%	18.3%	

Source: AmlInvestment Bank, Company

## EXHIBIT 3: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Exposure to sustainable financing out of total loans	% of loan book	30%	*	*	*	*	RM17.8bil sustainable finance mobilized (more than target of RM10.2bil) vs. RM2.1bil in FY23
2	% of financing to high risk ESG sectors out of total loans	% of loan book	30%	*	*	*		
3	Scope 1 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*	*	Low at 0.05 in FY24 vs. 0.06 in FY23
4	Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*	*	Lower at 2.6 in FY24 vs 3.1 in FY23
5	Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	10%	*	*	*	*	Stable at 0.3 in FY24
6	Electricity consumption to total income	Electricity consumption to total income	5%	*	*	*		
7	Water consumption to total income	m3/RM'Mil	5%	*	*	*	*	
	<b>Weighted score for environmental assessment</b>		<b>100%</b>	*	*	*	*	
	<b>Social assessment</b>							
1	Corporate Social Responsibility investments or spend	% of total income	35%	*	*	*		More than RM4.99mil in FY23 vs. RM3.93mil in FY22
2	Investments in training	% of total income	20%	*	*	*		0.4% in FY24 and FY23
3	Workforce diversity - women in senior management and above (excluding Board Directors)	% of total workforce	10%	*	*	*		35.3% in FY24 vs. 33.9% in FY23 and 30.3% in FY22
4	Average training hours per employee	hours	25%	*	*	*		29 hrs in 2024 vs. 22 hrs in 2023 and 18hrs in 2022
5	Financial literacy programs	No of participants educated through programs	10%	*	*			10,034 individuals in FY24 lower than 15,141 in FY23
	<b>Weighted score for social assessment</b>		<b>100%</b>	*	*	*		
	<b>Governance assessment</b>							
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*			90% 61-year-old and above
2	Board women representation	% of total board directors	10%	*	*	*		30%
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	20%	*	*	*		30% >5 years
4	Independent board directors	% of total board directors	20%	*	*	*	*	60% independent directors
5	Remuneration to directors	% of total operating expenses	10%	*	*	*		
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*				7 complaints on breaches of customer privacy and loss of data in FY24 similar to FY23
	<b>Weighted score for governance assessment</b>		<b>100%</b>	*	*	*		
	Environmental score		40%	*	*	*	*	
	Social score		25%	*	*	*		
	Governance score		35%	*	*	*		
	<b>Overall ESG Score</b>		<b>100%</b>	*	*	*		

Source: AmlInvestment Bank, Company

## EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	3,559.6	3,869.3	4,067.6	4,352.4	4,798.0
Non-interest income	1,844.4	2,559.6	2,628.5	2,728.5	2,830.6
Islamic banking income	2,366.4	2,176.0	2,231.5	2,288.5	2,346.9
<b>Total income</b>	<b>7,770.4</b>	<b>8,604.9</b>	<b>8,927.6</b>	<b>9,369.3</b>	<b>9,975.4</b>
Overhead expenses	(3,689.3)	(4,021.4)	(4,106.7)	(4,263.0)	(4,489.0)
Pre-provision profit	4,081.1	4,583.5	4,820.9	5,106.3	5,486.5
Loan loss provisions	(355.8)	(535.3)	(621.7)	(664.1)	(517.0)
Impairment & others	54.3	(1.8)	-	-	-
Associates	(26.3)	(26.2)	-	-	-
<b>Pretax profit</b>	<b>3,753.3</b>	<b>4,020.1</b>	<b>4,199.3</b>	<b>4,442.2</b>	<b>4,969.5</b>
Tax	(942.8)	(896.0)	(1,007.8)	(1,066.1)	(1,192.7)
Minority interests	(4.3)	(3.9)	(3.2)	(3.4)	(3.8)
<b>Core net profit</b>	<b>2,806.2</b>	<b>3,120.2</b>	<b>3,188.3</b>	<b>3,372.7</b>	<b>3,773.1</b>
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with FIs	14,145.4	11,551.6	22,815.5	22,428.7	24,704.2
Marketable securities	82,474.7	91,207.9	84,418.6	91,207.6	100,654.4
<b>Total current assets</b>	<b>96,620.1</b>	<b>102,759.6</b>	<b>107,234.1</b>	<b>113,636.3</b>	<b>125,358.6</b>
Net loans & advances	219,562.6	234,967.6	248,661.8	265,639.3	287,212.5
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	3,911.8	3,829.8	4,084.2	4,354.2	4,746.0
Fixed assets	1,066.2	1,018.3	1,018.8	1,005.3	986.0
Intangible assets	2,654.1	2,649.3	2,654.1	2,654.1	2,654.1
Other long-term assets	4,877.2	4,690.0	4,740.0	4,813.4	4,972.2
<b>Total LT assets</b>	<b>232,072.0</b>	<b>247,155.1</b>	<b>261,158.9</b>	<b>278,466.4</b>	<b>300,570.8</b>
<b>Total assets</b>	<b>328,692.1</b>	<b>349,914.6</b>	<b>368,393.0</b>	<b>392,102.7</b>	<b>425,929.5</b>
Customer deposits	245,083.1	249,565.5	264,539.4	283,057.2	305,701.7
Deposits of other FIs	17,022.4	27,205.0	28,589.1	30,045.1	36,241.1
Subordinated debts	3,377.2	3,380.3	3,670.3	3,826.3	4,071.0
Hybrid capital securities	5,650.0	3,624.8	4,161.4	4,731.2	5,555.5
Other liabilities	26,648.4	33,607.8	33,565.7	33,870.9	35,506.3
<b>Total liabilities</b>	<b>297,781.0</b>	<b>317,383.3</b>	<b>334,525.9</b>	<b>355,530.7</b>	<b>387,075.7</b>
Shareholders' funds	30,874.6	32,492.2	33,825.3	36,526.0	38,804.2
Minority interests	36.5	39.1	41.8	46.0	49.7
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Total income growth (%)	(6.5)	10.7	3.8	4.9	6.5
Pre-provision profit growth (%)	(11.1)	12.3	5.2	5.9	7.4
Core net profit growth (%)	(6.2)	11.2	2.2	5.8	11.9
Net interest margin (%)	1.9	1.8	1.8	1.8	1.8
Cost-to-income ratio (%)	47.5	46.7	46.0	45.5	45.0
Effective tax rate (%)	25.1	22.3	24.0	24.0	24.0
Dividend payout (%)	60.9	59.7	60.0	60.0	60.0
Key Assumptions (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Loan growth (%)	4.8	6.9	6.0	7.0	8.0
Deposit growth (%)	7.9	1.8	6.0	7.0	8.0
Loan-deposit ratio (%)	89.6	94.2	94.0	93.8	94.0
Gross NPL (%)	1.7	1.5	1.6	1.5	1.5
Net NPL (%)	1.1	1.5	1.0	0.9	0.9
Credit charge-off rate (%)	0.2	0.2	0.3	0.3	0.2
Loan loss reserve (%)	71.7	78.6	86.1	99.5	95.3

Source: Company, AmlInvestment Bank Bhd estimates

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