



## Company Report

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# RHB BANK

(RHBBANK MK EQUITY, RHBC.KL)

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*Improving asset quality with reduced ECL on loans*

**BUY**

(Maintained)

### Rationale for report: Company Result

Price	RM6.99
Target price	RM7.70
52-week High/Low	RM7.04/RM6.07

#### Key Changes

Target price	↑
EPS	↑

YE to Dec	FY24	FY25F	FY26F	FY27F
Total income (RM mil)	8,604.9	8,929.5	9,373.9	9,980.8
Core net profit (RM mil)	3,120.2	3,283.2	3,414.6	3,775.0
FD Core EPS (sen)	72.0	75.8	78.8	87.1
FD Core EPS growth (%)	9.6	5.2	4.0	10.6
Consensus Net Profit (RM mil)	-	3,207.0	3,342.0	3,570.0
DPS (sen)	43.0	45.5	47.3	52.3
BV/share (RM)	7.50	7.82	8.44	8.97
PE (x)	9.7	9.2	8.9	8.0
Div yield (%)	6.2	6.5	6.8	7.5
P/BV (x)	0.9	0.9	0.8	0.8
ROE (%)	9.8	9.9	9.7	10.0

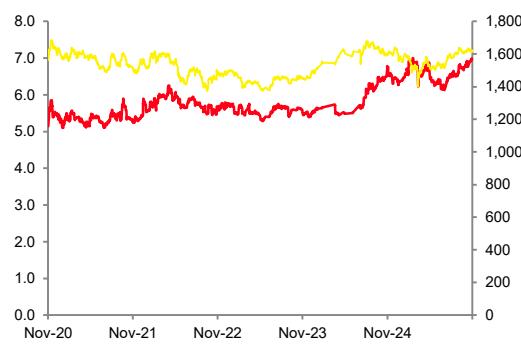
#### Stock and Financial Data

Shares Outstanding (million)	4,360.3
Market Cap (RMmil)	30,478.4
Book Value (RM/Share)	7.50
P/BV (x)	0.9
ROE (%)	9.8

Major Shareholders	Employees Provident Fund (38.0%) OSK Holdings Bhd (10.3%) Kumpulan Wang Persaraan (5.2%)
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Free Float	46.6
Avg Daily Value (RMmil)	42.4

Price performance	3mth	6mth	12mth
Absolute (%)	7.7	2.0	3.1
Relative (%)	5.7	(3.7)	2.3



RHBBANK MK FBMKLCI Index

#### Investment Highlights

**RHB Bank's 9MFY25 results were in line with expectations, supported by stronger asset quality and lower ECL, reducing credit cost to 17bps. Domestic loans outpaced industry growth at 7.6% YoY, while OPEX remained well-managed at 2.8% YoY. NIM is expected to recover in 4QFY25 as deposit repricing lowers funding costs post-July's 25bps OPR cut, with Singapore margins stabilizing. NOII outlook for 2H25 is positive, driven by potential further securities gains, higher bancassurance and wealth contributions. Further recoveries from international operations and corporate loan drawdowns could boost credit cost and fee income. We maintain our BUY recommendation.**

- Recommendation and valuation.** We reaffirm our BUY call on RHB with a revised target price of RM7.70 (from RM7.58), valuing the stock at FY26 P/BV of 0.9x, supported by a slightly higher ROE of 9.7% vs. 9.6% earlier and a neutral 3-star ESG rating. Our FY25/26F earnings forecasts have been raised by 1.2% and 3.0%, respectively, following lower allowance estimates on loans.
- RHB Bank's 9MFY25 earnings of RM2.45bil were in line with expectations, making up 77.0% of our and 76.7 consensus forecasts.** Profit rose 7.5% YoY, mainly due to modestly higher total income (+0.7% YoY) and lower loans provisions mainly from a lower ECL for international loans. Net fund-based income grew 3.8% YoY with higher loan volume mitigating NIM compression. 9MFY25 non-fund-based income fell 5.6% on weaker FX swaps from narrowing US Fed-OPR rate differentials and lower brokerage income. Offsetting this, gains and MTM on securities rose 12%, and is expected to remain supportive of NOII in 4QFY25. QoQ, earnings surged 12.5% on stronger total income from both fund-based and non-fund-based sources, while loan provisions eased with better asset quality and no repeat of the RM35m overlay booked in 2QFY25 for US tariff risk.
- Loan growth accelerated to 7.9% YoY, driven by a rebound in international markets, especially Singapore, and a modest uptick in domestic loans.** Loan growth exceeded the 5–6% FY25 target, with domestic loans up 7.6% YoY, led by mortgages, auto, SME, and commercial segments, while Singapore surged 14.1% YoY. NIM slipped 4bps QoQ and 6bps YTD to 1.80% after July's 25bps OPR cut, staying within the 1.80–1.83% guidance. Deposit repricing is expected to ease funding costs and lift NIM in 4QFY25, while Singapore's NIM shows signs of stabilizing after earlier declines.
- Asset quality improved QoQ with lower stage 2 and GIL ratio.** Absolute impaired loans rose RM39m QoQ in 3QFY25 due to a well-collateralized loan in Thailand, which is being restructured. Despite this, group GIL ratio eased to 1.50%, with domestic GIL at 1.24%, below the industry's 1.40%. Singapore's GIL ratio improved with loan resolutions, while recovery efforts continue in Thailand and Cambodia. 9MFY25 credit cost dropped to 17bps from 27bps YoY, within the 15–20bps guidance, supported by lower ECL from overseas. Management maintains RM291m overlays to cushion risks. Loan loss coverage remained stable at 76.3% (ex-reg reserves) and 115.8% (incl. reg reserves).

## Company profile

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

We view the valuation as attractive, with the stock trading at 0.8x FY26F P/BV and supported by a projected ROE of 9.6%. The outlook for NOII in 2H25 remains positive, driven by potential MGS gains and stronger contributions from bancassurance and wealth management. Additional loan recoveries could further ease credit cost.

## Valuation methodology

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

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 (NOII).

## EXHIBIT 1: VALUATIONS

COE	10.3%
Beta	1.1
Market risk premium	6.5%
Risk free rate	3.5%
ROE	9.7% (from 9.6%)
Long term growth rate	3%
P/BV	0.91x (from 0.9x)
FY26 BVPS	RM8.44 (from RM8.43)
<b>TP</b>	<b>RM7.70 (from RM7.58)</b>
ESG Premium	0
<b>Adjusted TP</b>	<b>RM7.70 (from RM7.58)</b>

## EXHIBIT 2: RESULTS SUMMARY

Income Statement (RM m, FYE 31 Dec)	3Q24	2Q25	3Q25	% QoQ	% YoY	9M24	9M25	% YoY
Interest income	2,557	2,492	2,435	-2.3	-4.8	7,594	7,437	-2.1
Interest expense	-1,560	-1,539	-1,470	-4.5	-5.8	-4,682	-4,549	-2.8
<b>Net interest income</b>	<b>997</b>	<b>953</b>	<b>965</b>	<b>1.3</b>	<b>-3.2</b>	<b>2,912</b>	<b>2,888</b>	<b>-0.8</b>
Islamic banking income	143	345	682	97.4	377.1	1,320	1,584	20.0
Non-interest income	1,054	857	592	-30.9	-43.8	2,162	1,969	-8.9
Modification loss	0	0	0	n.m.	n.m.	0	0	n.m.
<b>Total income</b>	<b>2,194</b>	<b>2,155</b>	<b>2,239</b>	<b>3.9</b>	<b>2.0</b>	<b>6,394</b>	<b>6,442</b>	<b>0.7</b>
Overhead expenses	-997	-1,016	-1,038	2.2	4.2	-2,943	-3,024	2.8
Pre-provision profit	<b>1,197</b>	<b>1,139</b>	<b>1,201</b>	<b>5.4</b>	<b>0.3</b>	<b>3,451</b>	<b>3,417</b>	<b>-1.0</b>
Loan impairment allowances	-100	-115	-94	-18.4	-5.6	-460	-309	-32.8
Other allowances	-2	26	87	236.8	>100	-1	107	>100
Associates and JV income	-7	-8	-8	-5.5	3.7	-17	-24	42.6
<b>Pretax profit</b>	<b>1,088</b>	<b>1,042</b>	<b>1,186</b>	<b>13.8</b>	<b>9.0</b>	<b>2,973</b>	<b>3,191</b>	<b>7.3</b>
Income tax	-254	-237	-280	18.1	10.2	-684	-729	6.5
Profit from discontinued operations	0	0	0	n.m.	n.m.	0	0	n.m.
Minority interest	-1	-1	-2	55.2	92.3	-3	-4	51.1
<b>Net profit</b>	<b>833</b>	<b>804</b>	<b>904</b>	<b>12.5</b>	<b>8.5</b>	<b>2,286</b>	<b>2,458</b>	<b>7.5</b>
Core EPS (sen)	19.1	18.4	20.7	12.5	8.5	52.9	56.4	6.6
<b>Profit by segments (RM m)</b>								
Group Community Banking	509	395	-50	-112.6	-109.7	868	771	-11.2
Group Wholesale Banking// Corporate Business Banking*	604	639	1,215	90.2	101.3	2,254	2,403	6.6
Group International Business	44	90	92	2.3	110.1	80	268	>100
Insurance	25	28	26	-8.5	3.4	55	71	29.3
Support center and others	-85	-101	-89	-11.7	4.7	-268	-298	11.4
Inter-segment elimination	0	0	0	n.m.	n.m.	0	0	n.m.
Share of profit from JV	-7	-8	-8	-5.5	3.7	-17	-24	42.6
<b>Group profit before taxation</b>	<b>1,088</b>	<b>1,042</b>	<b>1,186</b>	<b>13.8</b>	<b>9.0</b>	<b>2,973</b>	<b>3,191</b>	<b>7.3</b>
<b>Balance Sheet (RM m, FYE 31 Dec)</b>	<b>3Q24</b>	<b>2Q25</b>	<b>3Q25</b>	<b>% QoQ</b>	<b>% YoY</b>	<b>9M24</b>	<b>9M25</b>	<b>% YoY</b>
Gross loans and advances	227,520	241,400	245,417	1.7	7.9	227,520	245,417	7.9
Net loans and advances	224,625	238,557	242,582	1.7	8.0	224,625	242,582	8.0
Customer deposits	238,317	250,920	253,699	1.1	6.5	238,317	253,699	6.5
Gross impaired loans	4,022	3,650	3,689	1.1	-8.3	4,022	3,689	-8.3
Average shareholders' funds	31,698	32,797	33,509	2.2	5.7	31,299	33,066	5.6
<b>Ratios (%)</b>								
Net LD	94.3%	95.1%	95.6%			94.3%	95.6%	
CASA	28.0%	28.3%	29.5%			28.0%	29.5%	
NIM	1.91%	1.81%	1.77%			1.87%	1.80%	
Cost to income	45.4%	47.1%	46.4%			46.0%	46.9%	
Credit cost (based only on loans)	0.18%	0.19%	0.15%			0.27%	0.17%	
Loan loss coverage (excluding reg reserve)	70.6%	77.5%	76.3%			70.6%	76.3%	
Loan loss coverage (including reg reserve)	106.4%	116.5%	115.8%			106.4%	115.8%	
GIL/Gross NPL	1.77%	1.51%	1.50%			1.77%	1.50%	
ROE	10.5%	9.8%	10.8%			9.7%	9.9%	
CET1 ratio	16.6%	15.9%	15.2%			16.6%	15.2%	
Tier 1	16.6%	15.9%	15.2%			16.6%	15.2%	
Total capital ratio	19.3%	18.3%	17.6%			19.3%	17.6%	

\*Following a strategic realignment, Group SME Banking (formerly under GCB) and Group Commercial Banking (formerly under GWB) have been consolidated under Group Corporate and Business Banking (GCBB)

Source: AmInvestment Bank, Company

## EXHIBIT 3: CHANGE IN EARNINGS

RMm	FY25F			FY26F		
	Previous	Revised	%	Previous	Revised	%
Allowance for loans	(622)	(498)	-20.0%	(665)	(611)	-8.0%
Net profit	3,189	3,283	3.0%	3,374	3,415	1.2%

Source: Company, AmInvestment Bank

## EXHIBIT 4: 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 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	3,559.6	3,869.3	4,069.5	4,356.9	4,803.3
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>8,929.5</b>	<b>9,373.9</b>	<b>9,980.8</b>
Overhead expenses	(3,689.3)	(4,021.4)	(4,107.6)	(4,265.1)	(4,491.4)
Pre-provision profit	4,081.1	4,583.5	4,821.9	5,108.8	5,489.4
Loan loss provisions	(355.8)	(535.3)	(497.6)	(611.4)	(517.3)
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>4,324.4</b>	<b>4,497.4</b>	<b>4,972.1</b>
Tax	(942.8)	(896.0)	(1,037.9)	(1,079.4)	(1,193.3)
Minority interests	(4.3)	(3.9)	(3.3)	(3.4)	(3.8)
<b>Core net profit</b>	<b>2,806.2</b>	<b>3,120.2</b>	<b>3,283.2</b>	<b>3,414.6</b>	<b>3,775.0</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	248,785.9	265,816.1	287,389.3
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>261,282.9</b>	<b>278,643.2</b>	<b>300,747.6</b>
<b>Total assets</b>	<b>328,692.1</b>	<b>349,914.6</b>	<b>368,517.0</b>	<b>392,279.5</b>	<b>426,106.3</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	33,651.7	33,992.9	35,627.6
<b>Total liabilities</b>	<b>297,781.0</b>	<b>317,383.3</b>	<b>334,612.0</b>	<b>355,652.7</b>	<b>387,196.9</b>
Shareholders' funds	30,874.6	32,492.2	33,863.3	36,580.8	38,859.7
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	5.0	6.5
Pre-provision profit growth (%)	(11.1)	12.3	5.2	5.9	7.5
Core net profit growth (%)	(6.2)	11.2	5.2	4.0	10.6
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	93.9	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	0.2	0.2	0.2
Loan loss reserve (%)	71.7	78.6	82.9	95.2	91.1

Source: Company, AmlInvestment Bank Bhd estimates

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