



AmInvestment Bank

Company Report

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RHB BANK

(RHBBANK MK EQUITY, RHBC.KL)

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New bancassurance deal expected to boost RHB's NOII

BUY

(Maintained)

Rationale for report: Company Update

Price RM6.20
Fair Value RM7.58
52-week High/Low RM7.04/RM5.57

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)	-	3,206.0	3,361.0	3,608.0
DPS (sen)	43.0	44.2	46.7	52.3
BV/share (RM)	7.50	7.81	8.43	8.96
PE (x)	8.6	8.4	8.0	7.1
Div yield (%)	6.9	7.1	7.5	8.4
P/BV (x)	0.8	0.8	0.7	0.7
ROE (%)	9.8	9.6	9.6	10.0

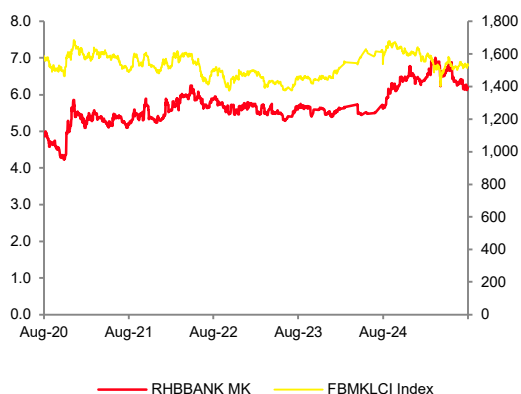
Stock and Financial Data

Shares Outstanding (million) 4,332.3
Market Cap (RMmil) 26,860.3
Book Value (RM/Share) 7.50
P/BV (x) 0.8
ROE (%) 9.8

Major Shareholders Employees Provident Fund (37.4%)
OSK Holdings Bhd (10.3%)
Amanah Saham Nasional (6.7%)

Free Float 40.6
Avg Daily Value (RMmil) 47.8

Price performance	3mth	6mth	12mth
Absolute (%)	(7.9)	(3.9)	10.3
Relative (%)	(7.8)	(1.6)	10.2



Investment Highlights

RHB's new 20-year bancassurance and bankatakaful partnerships with Tokio Marine Life and Syarikat Takaful Malaysia are expected to enhance non-interest income (NOII), supporting its PROGRESS27 strategy. These long-term agreements provide stable fee income with potential upside if pre-agreed performance targets are met. Insurers will pay up to RM1.615 billion in access fees—RM1.3 billion amortised over 20 years, and RM315 million payable in year four, contingent on RHB meeting three-year targets. While the impact on FY25F earnings is modest, FY26F could see a meaningful uplift, potentially adding up to RM163 million or 5% of FY26F net profit.

- **Recommendation and valuation.** We reaffirm our BUY call on RHB with an unchanged target price of RM7.58/share, based on FY26 P/BV of 0.9x, supported by a 9.6% ROE and a neutral 3-star ESG rating. FY25–27 earnings forecasts have been slightly raised by 0.2%–1.2%, reflecting higher NOII from the gradual amortisation of access fees under the new bancassurance and bankatakaful partnerships with Tokio Marine Life and Syarikat Takaful Malaysia.
- **The newly established bancassurance partnership agreements with Tokio Marine Life and Syarikat Takaful Malaysia are expected to boost the group's NOII.** On August 1, 2025, RHB entered a new 20-year (1st Aug 2025 to 31st July 2045) strategic bancassurance and bankatakaful partnerships with Tokio Marine Life and Syarikat Takaful Malaysia Keluarga (STMKB), including Syarikat Takaful Malaysia Am Berhad (STMAB). RHB will distribute Tokio Marine's life insurance and STMKB/STMAB's family and general takaful products via branches and digital channels, supporting its PROGRESS27 strategy to grow NOII and domestic loans. To align interests, a unified banca collective agreement was signed, with insurers collaborating to ensure smooth operations through shared platforms and streamlined processes.
- **These long-term agreements ensure steady fee income.** Under the agreement, insurers will pay up to RM1.615 billion in access fees over 20 years, supporting RHB's NOII. RM1.3 billion will be amortised gradually, while the remaining RM315 million is a lump sum payable in year four, subject to RHB meeting a three-year performance target.
- **FY25F earnings impact is modest but could rise meaningfully in FY26F if three-year performance targets under the agreements are met.** For FY25F, the estimated pro-rated earnings contribution is RM15.3 million (≈0.5% of earnings) after RM11.7 million in related expenses. In FY26F, upfront access fee amortisation could contribute around RM50 million post-tax. If auditors confirm RHB is on track to meet targets, the RM315 million performance-based fees may be progressively recognised over three years, potentially adding up to RM163 million (≈5% of FY26F net profit) in a full year.

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 find the valuation appealing, with the stock trading at 0.7x FY26F price-to-book value (P/BV), supported by a projected return on equity (ROE) of 9.6%.

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% (from 6.3%)
Risk free rate	3.5% (from 3.7%)
Long term growth rate	3%
P/BV	0.9x
FY26 BVPS	RM8.43
TP	RM7.58
ESG Premium	0
Adjusted TP	RM7.58

EXHIBIT 2: CHANGE IN EARNINGS

RMm	FY25F			FY26F			FY27F		
	Previous	Revised	Chg	Previous	Revised	Chg	Previous	Revised	Chg
Earnings	3,182.0	3,188.3	0.2%	3,347.6	3,372.7	0.7%	3,728.4	3,773.1	1.2%
Non-interest income	2,613.2	2,628.5	0.6%	2,667.9	2,728.5	2.3%	2,723.7	2,830.6	3.9%

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%	*	*	*	*	
	Weighted score for environmental assessment		100%	*	*	*	*	
	Social assessment							
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
	Weighted score for social assessment		100%	*	*	*		
	Governance assessment							
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
	Weighted score for governance assessment		100%	*	*	*		
	Environmental score		40%	*	*	*	*	
	Social score		25%	*	*	*		
	Governance score		35%	*	*	*		
	Overall ESG Score		100%	*	*	*		

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
Total income	7,770.4	8,604.9	8,927.6	9,369.3	9,975.4
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)	-	-	-
Pretax profit	3,753.3	4,020.1	4,199.3	4,442.2	4,969.5
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)
Core net profit	2,806.2	3,120.2	3,188.3	3,372.7	3,773.1
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
Total current assets	96,620.1	102,759.6	107,234.1	113,636.3	125,358.6
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
Total LT assets	232,072.0	247,155.1	261,158.9	278,466.4	300,570.8
Total assets	328,692.1	349,914.6	368,393.0	392,102.7	425,929.5
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
Total liabilities	297,781.0	317,383.3	334,525.9	355,530.7	387,075.7
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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