

10 March 2025

# RHB Bank Bhd

## Banking on Progress

By Clement Chua | [clement.chua@kenanga.com.my](mailto:clement.chua@kenanga.com.my)

We maintain our OP call and GGM-derived PBV TP of RM7.80 (COE: 10.5%, TG: 3.0%, ROE: 10%). RHBANK shared further details on its 3-year Progress27 strategic plan, narrowing in on higher ROEs (>12%) with better cost management and asset quality by FY27. We see this as a continuation of TWP24 which had also emphasised more personalised approach to customers but with more cross-selling expected. A new focus on GIL would also support ROEs as the group crimps on long-term credit cost. Where we are less aggressive versus guidance is in revenue growth.

Targets	TWP24	FY24	Progress27
ROE	11.5%	9.8%	>12.0%
CIR	44.5%	46.7%	<44.8%
GIL	-	1.47%	<1.3%
Net Promoter Score	Top 3	Top 2	1st

Key takeaways from the Progress27 briefing are as follows:

- **Outperforming industry loans with a focus on fees.** The group holds an annual 7% domestic loans growth target up to FY27, following their recent FY24 delivery of 7.6%, and more aggressive than the group's prior years' 5% average.

The group still sees prospects in TWP24's SME space, but now looks to concentrate on larger sized SMEs and potentially IPO-ready corporates. A larger network of such clients would create opportunities to cross-sell on its non-loan fee-based services. Complementing this would also be a focus on affluent and mass affluent markets where the group sees strong support for its wealth management unit.

Collectively, the group believes it could churn >10% growth in its NOI.

- **CASA to propel funding growth.** Building on the above aspirations, RHBANK looks to build a stronger CASA franchise to better manage their funding cost, at up to 10%-12% yearly growth which is also significantly higher than the system's recent average of c.5% growth. The group hopes to achieve this organically by providing greater analytics and merchant financing services to bolster a higher turn in borrower-to-depositor with strong retention, though with the help of its past engagement with local universities hopeful to transition its graduates to young professionals soon.

A FY27 NIMs target of >1.90% is a step up from FY25's 1.86%-1.90% target. We kept our longer-term model inputs conservative at c.1.9% as both loans and deposit markets will likely remain crowded with its peers vying for the same demographics.

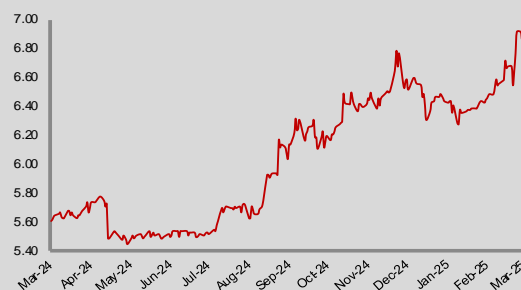
- **RM500m in cost containment.** RHBANK looks to limit opex growth to 6% per year (FY24: 9%). While this is still above the group's historical run rate of 3%-4%, we opine a higher-than-usual rate would arise from a technological upgrade cycle from expiring service contracts and wage inflation. Within the next three years, a cost take-out of RM500m has been identified to ensure overhead costs are managed sustainably. A contained cost growth on top of the aspired stronger fee-based income pipeline would lead to the aspired <44.8%.

We note that the lowest CIR registered by the group was FY22's 44.2% but mainly due to higher Nil from pent-up loans growth and low funding cost, coming out from the pandemic.

# OUTPERFORM ↔

Price : RM6.88  
Target Price : RM7.80 ↔

### Share Price Performance



KLCI 1,547.27  
YTD KLCI chg -5.8%  
YTD stock price chg 6.2%

### Stock Information

Shariah Compliant	No
Bloomberg Ticker	RHBANK MK Equity
Market Cap (RM m)	29,993.3
Shares Outstanding	4,359.5
52-week range (H)	6.94
52-week range (L)	5.44
3-mth avg. daily vol.	4,593,889
Free Float	81%
Beta	0.71

### Major Shareholders

Employees Provident Fund	39.2%
OSK Holdings Bhd	10.3%
Kumpulan Wang Persaraan	6.7%

### Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Net interest Income	6,045	6,463	6,804
Non-interest Income	2,560	2,480	2,585
<b>Total Income</b>	<b>8,605</b>	<b>8,944</b>	<b>9,389</b>
Operating Expenses	-4,021	-4,223	-4,434
<b>Loan Impairment</b>	<b>-525</b>	<b>-418</b>	<b>-439</b>
Pre-tax Profit	4,020	4,276	4,490
<b>Net Profit</b>	<b>3,120</b>	<b>3,197</b>	<b>3,357</b>
<b>Core Net Profit</b>	<b>3,120</b>	<b>3,197</b>	<b>3,357</b>
Consensus NP	-	3,242	3,427
Earnings Revision	-	-	-
Core EPS (RM)	0.72	0.74	0.77
EPS Growth (%)	10.3	2.5	5.0
NDPS (RM)	0.43	0.45	0.47
BV/Share (RM)	7.50	7.72	7.96
NTA/Share (RM)	6.7	6.9	7.2
ROE (%)	9.8	9.7	9.9
PER (x)	9.6	9.3	8.9
P/BV (x)	0.92	0.89	0.86
Net Div. Yield (%)	6.3	6.5	6.8

10 March 2025

- **Better asset quality attainable.** Having already provided for troublesome Thai accounts in FY24, the group looks to operate more sustainably at credit costs of <15 bps up till FY27. Achieving this would translate to RHBANK being above average with regards to credit cost, with more than half of its listed competitors guiding for <30 bps. With remaining overlays of RM311m, the group is comfortable to keep its LLC (excluding regulatory reserves) at 70%-80%.

**Forecast.** Unchanged as we prefer to remain conservative against the group's aspired ROE landing of 12%, mainly due to our conservative loan growth assumptions for the group. Recall that in the earlier TWP24, the group had targeted to achieve an 11.5% ROE of which only 10% was delivered.

In addition, with several banks deploying seemingly similar strategies, we opine the group may ultimately have to defend its share via lowering asset yields before it could more effectively cross-sell its value propositions. Still, we believe a gradual step down in GIL could be achieved if the group consistently maintains a credit cost of <20 bps, which we have projected.

**Maintain OUTPERFORM and TP of RM7.80.** Our TP is based on an unchanged GGM-derived PBV of 0.98x (COE: 10.2%, TG: 3.0%, ROE: 10.0%) against FY26F's BVPS of RM7.96. For now, RHBANK seems on board with a 60% payout which puts its dividend yield proposition (6%-7%) to be one of the highest among its peers, with its hefty CET-1 portfolio (c.16%) providing a good safety net should earnings disappoint. That said, the group did not provide guidance for an optimal CET-1 ratio during this briefing. The stock will still likely be monitored closely as a proxy of Boost Bank's deliveries. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

**Risks to our call include:** (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) slowdown in capital market activities, (v) unfavourable currency fluctuations, and (vi) changes to OPR.

**Income Statement**

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Net interest income	6,573	5,926	6,045	6,463	6,804
Non-interest income	1,587	1,844	2,560	2,480	2,585
<b>Total income</b>	<b>8,160</b>	<b>7,770</b>	<b>8,605</b>	<b>8,944</b>	<b>9,389</b>
Operating expenses	-3,606	-3,689	-4,021	-4,223	-4,434
<b>PPOP</b>	<b>4,554</b>	<b>4,081</b>	<b>4,583</b>	<b>4,721</b>	<b>4,956</b>
Loan impairment	-309	-356	-525	-418	-439
Other impairment	-112	54	-12	0	0
<b>Pre-tax profit</b>	<b>4,133</b>	<b>3,753</b>	<b>4,020</b>	<b>4,276</b>	<b>4,490</b>
Tax and zakat	-1,452	-943	-896	-1,069	-1,123
Minority interest	-3	-4	-4	-10	-10
<b>Net Profit</b>	<b>2,678</b>	<b>2,806</b>	<b>3,120</b>	<b>3,197</b>	<b>3,357</b>
<b>Core Net Profit</b>	<b>2,678</b>	<b>2,806</b>	<b>3,120</b>	<b>3,197</b>	<b>3,357</b>

**Balance Sheet**

FY Dec (RM m)	2022A	2023A	2024A	2025F	2026F
Cash & ST funds	19,787	18,946	12,363	12,865	13,387
Investment securities	69,070	79,910	87,589	91,145	94,846
Loans and financing	208,379	219,563	234,968	244,971	252,404
Other assets	10,102	6,806	11,508	8,534	8,327
Intangible assets	3,414	3,467	3,488	3,488	3,488
<b>Total Assets</b>	<b>310,752</b>	<b>328,692</b>	<b>349,915</b>	<b>361,004</b>	<b>372,451</b>
Customer deposits	227,160	245,083	249,565	257,137	264,938
Deposits & placements	24,594	17,022	27,205	28,310	29,459
Borrowings	12,971	16,989	14,681	15,277	15,897
Other liabilities	17,263	18,687	25,932	26,779	27,634
<b>Total liabilities</b>	<b>281,988</b>	<b>297,781</b>	<b>317,383</b>	<b>327,503</b>	<b>337,929</b>
Share capital	8,146	8,330	8,687	8,687	8,687
Retained earnings	19,412	19,629	21,116	22,386	23,707
Regulatory reserves	882	1,780	1,689	1,689	1,689
Other reserves	293	1,135	1,000	700	400
<b>Shareholders' funds</b>	<b>28,732</b>	<b>30,875</b>	<b>32,492</b>	<b>33,462</b>	<b>34,483</b>
Minority interest	32	36	39	39	39
<b>Total liabilities and equity</b>	<b>310,752</b>	<b>328,692</b>	<b>349,915</b>	<b>361,004</b>	<b>372,451</b>

**Financial Data & Ratios**

FY Dec	2022A	2023A	2024A	2025F	2026F
<b>Growth</b>					
Net interest income	6.7%	-9.8%	2.0%	6.9%	5.3%
Non-interest income	-15.4%	16.2%	38.8%	-3.1%	4.2%
Total income	1.6%	-4.8%	10.7%	3.9%	5.0%
Operating expenses	2.4%	2.3%	9.0%	5.0%	5.0%
PPOP	0.9%	-10.4%	12.3%	3.0%	5.0%
Loan impairments	-46.3%	15.2%	47.5%	-20.3%	4.8%
Pre-tax profit	17.1%	-9.2%	7.1%	6.4%	5.0%
Net Profit	2.3%	4.8%	11.2%	2.5%	5.0%
Gross loans	6.9%	5.4%	7.0%	4.3%	3.0%
Customer deposits	3.9%	7.9%	1.8%	3.0%	3.0%

**Operating metrics**

Est average asset yield	3.86%	4.58%	4.52%	4.54%	4.70%
Est average funding cost	1.86%	3.09%	3.09%	3.11%	3.16%
Est NIM	2.26%	1.91%	1.83%	1.88%	1.91%
Cost-to-Income ratio	44.2%	47.5%	46.7%	47.2%	47.2%
Credit cost (bps)	15.3	16.6	23.1	17.4	17.6
Loan-to-deposit ratio	91.7%	89.6%	94.2%	95.3%	95.3%
GIL ratio	1.5%	1.7%	1.5%	1.5%	1.5%
LLC Ratio	112.8%	71.7%	78.6%	80.0%	80.0%
LLC Ratio (+ reg reserves)	139.6%	117.6%	127.0%	126.4%	125.1%
ROA	0.9%	0.9%	0.9%	0.9%	0.9%
ROE	9.4%	9.4%	9.8%	9.7%	9.9%

**Valuations**

EPS (RM)	0.62	0.65	0.72	0.74	0.77
PER (x)	11.03	10.53	9.55	9.32	8.88
Div yield (%)	5.8	5.8	6.3	6.5	6.8
BV/share (RM)	6.69	7.19	7.50	7.72	7.96
P/BV (x)	1.03	0.96	0.92	0.89	0.86

Source: Kenanga Research

10 March 2025

## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
AFFIN BANK BHD	UP	2.79	2.40	-14.0%	6,697	N	12/2025	25.6	27.4	20.5%	7.2%	10.9	10.2	0.6	5.2%	10.0	3.6%
ALLIANCE BANK MALAYSIA BHD	MP	5.16	5.30	2.7%	7,988	N	03/2025	48.3	53.2	8.3%	10.0%	10.7	9.7	1.1	10.2%	25.0	4.8%
AMMB HOLDINGS BHD	OP	5.68	6.80	19.7%	18,773	N	03/2025	58.0	64.7	23.3%	11.4%	9.8	8.8	0.9	9.8%	29.0	5.1%
BANK ISLAM MALAYSIA BHD	MP	2.57	2.45	-4.7%	5,825	Y	12/2025	28.9	29.9	14.8%	3.3%	8.9	8.6	0.7	8.4%	17.5	6.8%
CIMB GROUP HOLDINGS BHD	MP	7.52	7.90	5.1%	80,707	N	12/2025	76.2	79.7	5.5%	4.5%	9.9	9.4	1.1	11.5%	42.0	5.6%
HONG LEONG BANK BHD	OP	20.76	27.40	32.0%	45,002	N	06/2025	215.3	221.6	5.2%	2.9%	9.6	9.4	1.1	11.4%	71.0	3.4%
MALAYAN BANKING BHD	OP	10.64	12.00	12.8%	128,392	N	12/2025	88.5	92.6	5.8%	4.6%	12.0	11.5	1.3	11.1%	65.0	6.1%
MBSB BHD	MP	0.735	0.720	-2.0%	6,043	Y	12/2025	7.8	8.4	36.9%	8.5%	9.5	8.7	0.5	5.6%	3.5	4.8%
PUBLIC BANK BHD	OP	4.55	5.25	15.4%	88,319	N	12/2025	38.3	39.6	3.9%	3.5%	11.9	11.5	1.5	12.7%	23.0	5.1%
RHB BANK BHD	OP	6.88	7.80	13.4%	29,993	N	12/2025	73.8	77.5	2.5%	5.0%	9.3	8.9	0.9	9.7%	44.5	6.5%
<b>SECTOR AGGREGATE</b>					<b>417,739</b>					<b>6.5%</b>	<b>4.7%</b>	<b>10.9</b>	<b>10.4</b>	<b>1.2</b>	<b>10.6%</b>		<b>5.2%</b>

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
AFFIN BANK BHD	3.0	6.25	9.9	0.47	2.40	UP	
ALLIANCE BANK MALAYSIA BHD	3.0	10.0	10.5	0.93	5.30	MP	+5% ESG Premium
AMMB HOLDINGS BHD	3.0	10.0	9.9	1.02	6.80	OP	
BANK ISLAM MALAYSIA BHD	3.5	8.0	10.2	0.67	2.45	MP	
CIMB GROUP HOLDINGS BHD	3.5	11.5	11.2	1.05	7.90	MP	+5% ESG Premium
HONG LEONG BANK BHD	2.5	12.0	9.5	1.35	27.40	OP	
MALAYAN BANKING BHD	3.5	12.0	9.5	1.41	12.00	OP	
MBSB BHD	3.0	6.0	9.2	0.48	0.720	MP	
PUBLIC BANK BHD	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB BANK BHD	2.5	10.0	10.2	0.98	7.80	OP	

Source: Kenanga Research

**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Green Financing	★	★	★		
	Financial Inclusion	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**  
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
 Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)

