

02 March 2026

RHB Bank

Expanding Commitment for Dividends

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RHBBANK's FY25 net profit (+8%) and 35 sen interim dividend declared beat our expectations, mainly thanks to lower-than-expected credit cost landings which also fuelled the ability to distribute. As the group moves closer to building its operations to deliver its PROGRESS27 targets, it had raised its dividend payout policy to 50%-60% from 30%, helping to improve yield sustainability. It is also one of a few banks anticipating for NIMs to expand by 3-6 bps. That said, current yield levels of c.6% are shy from its historical range of 7%-8% following the recent share price rally. Maintain MARKET PERFORM with a slightly higher GGM-PBV TP of RM8.40 (from RM8.35) post-model updates.

FY25 above expectations. RHBBANK's FY25 net profit of RM3.36b was within consensus full-year estimate (102%) but was above our full-year forecast by 8%. The positive deviation was thanks to better-than-expected credit cost of 13 bps from collections in certain legacy corporate accounts in 4QFY25, beating the group's target of 15-20 bps where we had modelled at c.19 bps for FY25.

An interim dividend of 35 sen was declared, amounting to a full-year payment of 50 sen (65% payout). This is also above our anticipated 44.5 sen (60% payout) for the year.

YoY, FY25's net profit grew by 8%, thanks to the abovementioned lower credit cost (-10 bps) in addition to a RM91m writeback on financial investments tied to a corporate restructuring exercise in 3QFY25.

PPOP had only increased by 1% as NII declined (-2%) amid a 6 bps NIM compression to 1.80% with its loans book grew by 5%. Meanwhile, NOII gained 11% from forex swaps with CIR increasing to 47.3% (+0.5 ppt) from higher marketing spend and personnel costs.

QoQ, 4QFY25 net earnings improved slightly (+1%), mainly supported by the abovementioned gains in forex swaps. However, this was mitigated by seasonally higher personnel incentives.

Highlights. RHBBANK met most of its headline targets for FY25, save for its CIR target of 45.5%-46.0% from also incurring digital and IT investments intended to support its PROGRESS27 initiatives.

This improvement is expected to be driven by deeper penetration into its corporate and business banking segments. Growth in these portfolios will be supported by a higher CASA mix to better manage funding costs, while a broader client base is expected to create additional cross-selling opportunities for fee-based services. Cost-wise, the group raised its targeted cost savings to RM550m from RM500m after identifying further optimisation opportunities and operational redundancies. Meanwhile, the group expects improved performance from its Singapore operation as deposit repricing support NIMs recovery following the decline in SORA.

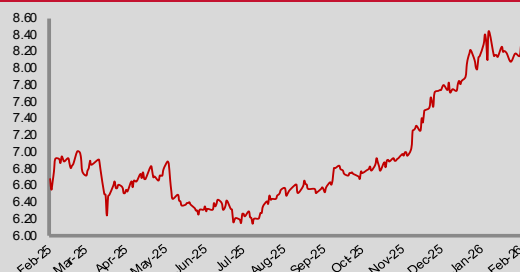
The group has also revised its longstanding dividend policy, increasing its payout ratio to 50%-60% from 30%. While this is broadly in line with the higher payouts delivered over the past five years, the formalisation of the policy reflects the group's commitment to providing greater earnings visibility and stability in shareholder returns.

Forecasts. We tweak our FY26F earnings higher by 2% arising from incorporating FY25 numbers and slightly better credit cost assumptions at 16 bps (-1 bps). This remains above the guidance of 13-14 bps as we adopt a more conservative stance with the group's Thailand and Cambodia exposures. Meanwhile, we introduce our FY27F set. We also leave our dividend assumptions unchanged as we had previously anticipated for payouts to sustain at 60% and above previous guidance.

MARKET PERFORM ↔

Price : RM8.40
Target Price : RM8.40 ↑

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	8.9%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	RHBBANK MK Equity
Market Cap (RM m)	36,640.1
Shares Outstanding	4,361.9
52-week range (H)	8.45
52-week range (L)	6.13
3-mth avg. daily vol.	6,371,050
Free Float	80%
Beta	0.82

Major Shareholders

Employees Provident Fund	37.5%
OSK Holdings Bhd	10.3%
Amanah Saham Nasional	5.1%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	6,040	6,333	6,707
Non-interest Income	2,735	2,899	3,014
Total Income	8,774	9,232	9,721
Operating Expenses	-4,154	-4,362	-4,580
Loan Impairment	-322	-419	-435
Pre-tax Profit	4,378	4,376	4,631
Net Profit	3,363	3,272	3,463
Core Net Profit	3,363	3,272	3,463
Consensus NP	-	3,420	3,623
Earnings Revision	-	2.0%	NEW
Core EPS (RM)	0.78	0.76	0.80
EPS Growth	7.8	-2.7	5.8
NDPS (RM)	0.50	0.47	0.50
BV/Share (RM)	7.88	8.05	8.12
NTA/Share (RM)	7.1	7.3	7.3
ROE (%)	10.1	9.5	9.9
PER (x)	10.8	11.1	10.5
P/BV (x)	1.07	1.04	1.03
Net Div. Yield (%)	6.0	5.6	6.0

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Maintain MARKET PERFORM with a slightly higher TP of RM8.40 (from RM8.35), from a higher post-update BVPS of RM8.05 (from RM7.98). Our TP is based on an unchanged GGM-derived PBV of 1.05x (COE: 9.7%, TG: 3.0%, ROE: 10.0%). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

Following the recent share price rally ahead of its lumpy 4QFY25 dividend, the stock now offers a standalone yield of 4.2%. At current levels, we believe the dividend proposition is less attractive, given the group's typical total return of 7%-8%. While the group has guided for a higher payout to support more sustainable dividends going forward, this comes alongside a CET-1 ratio of 15.2%, the lowest level in recent years compared with its historical range of 16%-17%. The lower capital buffer suggests that the scope for further capital distribution and incremental upside to dividends may be limited.

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

Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	1,567	1,647	-4.8%	1,813	-13.5%	6,040	6,129	-1.5%
Non-interest income	765	592	29.2%	398	92.4%	2,735	2,476	10.5%
Total income	2,333	2,239	4.2%	2,211	5.5%	8,774	8,605	2.0%
Operating expenses	-1,130	-1,038	8.8%	-1,079	4.7%	-4,154	-4,021	3.3%
Pre-impairment profit	1,203	1,201	0.2%	1,132	6.3%	4,620	4,583	0.8%
(Allowances)/ write-backs	-13	-94	-86.1%	-65	-79.9%	-322	-525	-38.6%
(Allowances)/ write-backs on other assets	1	87	-98.5%	-9	-114.1%	108	-10	-1143.5%
Operating profit	1,191	1,194	-0.2%	1,058	12.6%	4,406	4,048	8.8%
Non-operating gains / (losses)	0	-8	-100.0%	-9	-100.0%	-24	-26	-7.1%
Profit before tax	1,191	1,186	0.4%	1,049	13.5%	4,382	4,022	8.9%
Taxation	-281	-280	0.3%	-212	32.6%	-1,010	-896	12.7%
Minority interest	-2	-2	-26.4%	-1	27.8%	-6	-4	44.1%
Net Profit	909	904	0.6%	835	8.9%	3,367	3,120	7.9%
Core Net Profit	909	904	0.6%	835	8.9%	3,367	3,120	7.9%
Gross loans	250,643	245,417	2.1%	237,758	5.4%	250,643	237,758	5.4%
Gross impaired loans	3,540	3,689	-4.1%	3,487	1.5%	3,540	3,487	1.5%
Customer deposits	252,537	253,699	-0.5%	249,565	1.2%	252,537	249,565	1.2%
Current and savings account (CASA)	76,877	74,771	2.8%	68,857	11.6%	76,877	68,857	11.6%
Total assets	358,104	358,240	0.0%	349,915	2.3%	358,104	349,915	2.3%
Shareholders' equity	34,146	33,640	1.5%	32,492	5.1%	34,146	32,492	5.1%
Reported annualised NIM	1.82%	1.77%		1.84%		1.80%	1.86%	
Cost-to-income ratio	48.4%	46.4%		48.8%		47.3%	46.7%	
Annualised credit cost (bps)	2.1	15.5		11.1		13.2	22.8	
Effective tax rate	23.6%	23.6%		20.2%		23.0%	22.3%	
Annualised ROA	1.0%	1.0%		1.0%		1.0%	0.9%	
Annualised ROE	10.7%	10.8%		10.4%		10.1%	9.8%	
Gross impaired loans ratio	1.41%	1.50%		1.47%		1.41%	1.47%	
Loan loss coverage ratio (LLC)	76.6%	76.3%		78.6%		76.6%	78.6%	
LLC plus regulatory reserves	128.5%	126.8%		127.0%		128.5%	127.0%	
Loan-to-deposit ratio	99.3%	96.8%		95.0%		99.3%	95.0%	
CASA-to-deposit ratio	30.4%	29.5%		27.6%		30.4%	27.6%	
CET-1 capital (Group level)	15.2%	15.2%		16.4%		15.2%	16.4%	

Source: Company, Kenanga Research

Management Guidance

	Progress27 Targets	FY26 Targets	FY25 Performance
Credit cost		13-14 bps	13 bps
NIM		1.83%-1.86%	1.80%
Return on equity	>12%	10.8-11.0%	10.1%
Loans Growth		5.0-6.0%	5.4%
CASA composition		>30%	30.4%
GIL ratio	<1.3%	1.35%-1.40%	1.41%
CIR ratio	<44.8%	<47.5%	47.3%

Source: Company, Kenanga Research

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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) 1-Yr. Fwd.	Net Div Yld. 1-Yr. Fwd.
								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.
Stocks Under Coverage																	
Affin Bank Bhd	MP	2.67	2.50	-6.4%	6,765.3	N	12/2026	22.4	24.0	4.9%	7.1%	11.9	11.1	0.5	4.6%	9.0	3.4%
Alliance Bank Malaysia Bhd	MP	5.04	5.20	3.2%	8,720.3	N	03/2026	48.0	50.3	10.7%	4.6%	10.5	10.0	1.1	10.5%	19.5	3.9%
AMMB Holdings Bhd	OP	6.43	7.45	15.9%	21,266.0	N	03/2026	64.2	67.0	6.0%	4.5%	10.0	9.6	1.0	10.0%	34.0	5.3%
Bank Islam Malaysia Bhd	MP	2.47	2.55	3.2%	5,598.2	Y	12/2026	26.5	28.5	7.9%	7.5%	9.3	8.7	0.7	7.5%	16.0	6.5%
CIMB Group Holdings Bhd	OP	8.04	8.45	5.1%	86,805.1	N	12/2026	78.6	83.9	6.9%	6.8%	10.2	9.6	1.1	11.4%	50.0	6.2%
Hong Leong Bank Bhd	OP	23.28	25.95	11.5%	50,464.5	N	06/2026	227.1	236.0	-0.6%	3.9%	10.2	9.9	1.1	11.5%	105.0	4.5%
Malayan Banking Bhd	MP	11.96	12.30	2.8%	144,490.0	N	12/2026	89.0	90.4	2.1%	1.6%	13.4	13.2	1.4	11.0%	64.0	5.4%
MBSB Bhd	MP	0.715	0.730	2.1%	5,879.0	Y	12/2026	5.7	7.7	45.4%	36.4%	12.6	9.3	0.5	4.1%	4.5	6.3%
Public Bank Bhd	OP	4.93	5.75	16.6%	95,694.7	N	12/2026	38.6	40.0	3.7%	3.6%	12.8	12.3	1.5	12.2%	23.5	4.8%
RHB Bank Bhd	MP	8.40	8.40	0.0%	36,640.1	N	12/2026	75.5	79.9	-2.7%	5.8%	11.1	10.5	1.0	9.5%	47.0	5.6%
SECTOR AGGREGATE					462,323					3.5%	4.5%	11.8	11.3	1.2	10.3%		5.2%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.20	MP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	MP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	MP	
Public Bank Bhd	4.00	13.	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	MP	

Source: Kenanga Research

Stock ESG Ratings:

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

☆ 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.**

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