

03 June 2026

RHB Bank

On Solid Footing

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RHBBANK's 1QFY26 net profit (+14% YoY) was within expectations. The group's efforts to sustain NIMs should support overall income trajectory in the near-term, with credit cost likely to remain in check, thanks to existing overlay buffers. That said, while RHBBANK's c.6% dividend yield remains above the industry average, it is still below its historical norm of c.7%, suggesting that the stock's defensive appeal is reflected in current price levels. Maintain MARKET PERFORM and GGM-PBV TP of RM8.40.

1QFY26 within expectations. RHBBANK's 1QFY26 net profit of RM856.8m made up 26% of our full-year forecast and 25% of consensus full-year estimate. No dividend was declared this quarter as the group typically pays bi-annually.

YoY, 1QFY26 net profits rose by 14%. This was mainly led by stronger NII (+9%) on the back of a larger loan portfolio (+6%) and higher NIMs of 1.86% (+2 bps) from lower overall cost of funds. On the other hand, NOII was flattish as higher fee-based income was offset by lower forex and fair value losses.

The higher topline led to an improved CIR of 46.2% (-1.2%) and PPOP (+12%). This was followed by a lower credit cost of 14 bps (-3 bps) from fewer write offs and larger recoveries during the period.

QoQ, 1QFY26 net earnings decline by 5%, mostly from sequentially softer forex gains and normalised credit cost from the preceding quarter's lumpy writebacks records (credit cost at 2 bps).

Highlights. The group maintained its FY26 targets for now, remaining focused on expanding NIMs through preserving asset yields and lowering funding costs via CASA initiatives, anchored in part by its MySiswa programme. The group is also becoming more selective towards community-based financing, which may be more vulnerable to inflationary pressures.

The group believes its credit cost guidance of 13–14 bps remains achievable, anticipating few additional top-ups if any, given an existing management overlay balance of RM339m which is deemed sufficient at present. These provisions were previously established for US tariff-related uncertainties and could be repurposed to address risks arising from elevated fuel prices and inflation.

In terms of sensitivity, RHBBANK estimates that sustained oil price at USD100-USD150/bbl could raise credit costs to c.20 bps, which we estimate would translate into c.RM500m of total impairments. For now, the group expects recoveries from certain corporate accounts to provide a partial offset and support overall asset quality. Group LLC (without regulatory reserves) currently hovers at c.73%.

Forecasts. We tweak our FY26F/FY27F earnings each by +3% post-model updates.

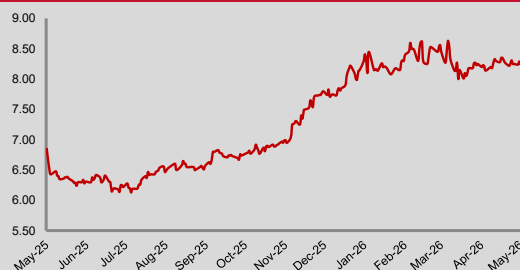
Maintain MARKET PERFORM and TP of RM8.40. Our TP is based on an unchanged GGM-derived PBV of 1.05x (COE: 9.7%, TG: 3.0%, ROE: 10.0%). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us. We believe the current share price fairly reflects RHBBANK's fundamentals, particularly given its c.6% dividend yield on a 60% payout. While this is above the industry average of 5.5%, it is below its historical yield profile of c.7%.

Our forecasts conservatively assume ROEs of around 10%, below the group's target range of 10.8%-11.0%. Should it sustainably deliver 11% ROE, our GGM-derived valuation would increase by RM1.15 per share.

MARKET PERFORM ↔

Price : **RM8.21**
Target Price : **RM8.40** ↔

Share Price Performance



KLCI	1,683.07
YTD KLCI chg	0.2%
YTD stock price chg	6.5%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	RHBBANK MK Equity
Market Cap (RM m)	35,811.3
Shares Outstanding	4,361.9
52-week range (H)	8.63
52-week range (L)	6.13
3-mth avg. daily vol.	7,850,213
Free Float	46%
Beta	0.83

Major Shareholders

Employees Provident Fund	35.3%
OSK Holdings Bhd	10.3%
Amanah Saham Nasional	5.0%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	6,040	6,437	6,782
Non-interest Income	2,735	2,899	3,014
Total Income	8,774	9,336	9,795
Operating Expenses	-4,154	-4,362	-4,580
Loan Impairment	-322	-388	-384
Pre-tax Profit	4,378	4,512	4,757
Net Profit	3,363	3,374	3,557
Core Net Profit	3,363	3,374	3,557
Consensus NP	-	3,493	3,689
Earnings Revision	-	+3.1%	+2.7%
Core EPS (RM)	0.78	0.78	0.82
EPS Growth	7.8	0.3	5.4
NDPS (RM)	0.50	0.47	0.50
BV/Share (RM)	7.88	8.05	8.40
NTA/Share (RM)	7.1	7.3	7.6
ROE (%)	10.1	9.8	10.0
PER (x)	10.6	10.5	10.0
P/BV (x)	1.04	1.02	0.98
Net Div. Yield (%)	6.1	5.7	6.1

03 June 2026

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

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Net interest income	1,669	1,567	6.5%	1,527	9.3%	1,669	1,527	9.3%
Non-interest income	527	765	-31.2%	520	1.2%	527	520	1.2%
Total income	2,196	2,333	-5.9%	2,048	7.2%	2,196	2,048	7.2%
Operating expenses	-1,015	-1,130	-10.1%	-971	4.6%	-1,015	-971	4.6%
Pre-impairment profit	1,181	1,203	-1.8%	1,077	9.6%	1,181	1,077	9.6%
(Allowances)/ write-backs	-86	-13	561.9%	-100	-13.6%	-86	-100	-13.6%
(Allowances)/ write-backs on other assets	-4	1	-416.0%	-6	-32.3%	-4	-6	-32.3%
Operating profit	1,090	1,191	-8.5%	971	12.3%	1,090	971	12.3%
Non-operating gains / (losses)	-10	-3	189.9%	-9	13.1%	-10	-9	13.1%
Profit before tax	1,081	1,188	-9.0%	963	12.3%	1,081	963	12.3%
Taxation	-224	-281	-20.3%	-212	5.6%	-224	-212	5.6%
Minority interest	0	-2	-80.8%	-1	-61.1%	0	-1	-61.1%
Net Profit	857	906	-5.4%	750	14.2%	857	750	14.2%
Core Net Profit	857	906	-5.4%	750	14.2%	857	750	14.2%
Gross loans	253,961	250,643	1.3%	239,158	6.2%	253,961	239,158	6.2%
Gross impaired loans	3,733	3,540	5.5%	3,580	4.3%	3,733	3,580	4.3%
Customer deposits	258,510	252,537	2.4%	248,520	4.0%	258,510	248,520	4.0%
Current and savings account (CASA)	76,198	76,877	-0.9%	69,617	9.5%	76,198	69,617	9.5%
Total assets	365,440	358,104	2.0%	352,537	3.7%	365,440	352,537	3.7%
Shareholders' equity	33,070	34,146	-3.2%	32,216	2.7%	33,070	32,216	2.7%
Reported annualised NIM	1.86%	1.82%		1.84%		1.86%	1.84%	
Cost-to-income ratio	46.2%	48.4%		47.4%		46.2%	47.4%	
Annualised credit cost (bps)	13.7	2.1		16.8		13.7	16.8	
Effective tax rate	20.7%	23.6%		22.0%		20.7%	22.0%	
Annualised ROA	0.9%	1.0%		0.9%		0.9%	0.9%	
Annualised ROE	10.2%	10.7%		9.3%		10.2%	9.3%	
Gross impaired loans ratio	1.47%	1.41%		1.50%		1.47%	1.50%	
Loan loss coverage ratio (LLC)	73.2%	76.6%		76.9%		73.2%	76.9%	
LLC plus regulatory reserves	124.6%	128.5%		127.0%		124.6%	127.0%	
Loan-to-deposit ratio	98.2%	99.3%		96.4%		98.2%	96.4%	
CASA-to-deposit ratio	29.5%	30.4%		28.0%		29.5%	28.0%	
CET-1 capital (Group level)	14.7%	15.2%		16.0%		14.7%	16.0%	

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

03 June 2026

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.
Stocks Under Coverage																	
Affin Bank Bhd	MP	2.38	2.50	5.0%	6,030.5	N	12/2026	22.3	23.5	4.7%	5.1%	10.7	10.1	0.5	4.6%	9.0	3.8%
Alliance Bank Malaysia Bhd	OP	4.67	5.50	17.8%	8,080.1	N	03/2027	50.4	52.7	5.5%	4.5%	9.3	8.9	0.9	9.7%	20.0	4.3%
AMMB Holdings Bhd	OP	6.48	7.45	15.0%	21,427.6	N	03/2027	66.4	68.8	4.5%	3.6%	9.8	9.4	0.9	9.9%	38.0	5.9%
Bank Islam Malaysia Bhd	MP	2.20	2.05	-6.8%	4,986.2	Y	12/2026	24.1	26.5	-2.1%	10.3%	9.1	8.3	0.6	6.7%	14.5	6.6%
CIMB Group Holdings Bhd	OP	7.48	8.45	13.0%	80,810.7	N	12/2026	78.3	84.0	6.5%	7.3%	9.6	8.9	1.0	11.4%	50.0	6.7%
Hong Leong Bank Bhd	OP	20.88	25.80	23.6%	45,262.0	N	06/2026	220.3	234.5	-3.6%	6.4%	9.5	8.9	1.0	11.2%	105.0	5.0%
Malayan Banking Bhd	OP	10.64	12.30	15.6%	128,694.3	N	12/2026	87.3	89.7	0.1%	2.8%	12.2	11.9	1.3	10.8%	64.0	6.0%
MBSB Bhd	MP	0.660	0.600	-9.1%	5,426.7	Y	12/2026	3.7	5.8	-5.3%	57.5%	17.9	11.3	0.5	2.7%	3.0	4.5%
Public Bank Bhd	OP	4.71	5.95	26.3%	91,424.4	N	12/2026	38.7	40.1	4.0%	3.6%	12.2	11.7	1.5	12.3%	29.4	6.2%
RHB Bank Bhd	MP	8.21	8.40	2.3%	35,811.3	N	12/2026	77.9	82.1	0.3%	5.4%	10.5	10.0	1.0	9.8%	47.0	5.7%
SECTOR AGGREGATE					427,954					2.1%	5.2%	11.0	10.5	1.1	10.2%		5.5%

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	5.50	OP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	7.5	9.7	0.57	2.05	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.80	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	OP	
MBSB Bhd	3.00	5.5	8.7	0.44	0.60	MP	
Public Bank Bhd	4.00	13.5	9.4	1.78	5.95	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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