# RHB BANK BERHAD THAILAND

No. 125/2025
31 July 2025

## FINANCIAL INSTITUTIONS

| | |
|---|---|
| **Issuer Rating:** | AA |
| **Short-Term Issuer Rating:** | T1+ |
| **Outlook:** | Stable |

**Last Review Date:** 31/07/24

**Issuer Rating History:**

| Date | Rating | Outlook/Alert |
|---|---|---|
| 21/04/17 | AA | Stable |

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## RATIONALE

TRIS Rating affirms the issuer rating of "AA" and a short-term issuer rating of "T1+" on RHB Bank Berhad Thailand (RHB Thailand) with a "stable" outlook. Based on its legal status as a branch, the ratings on RHB Thailand reflect the credit profile of its headquarters in Malaysia, RHB Bank Berhad.

The issuer rating on RHB Thailand reflects RHB Bank Berhad's strong capital adequacy and prudent risk management. The rating also reflects RHB Bank Berhad's sound business position, average profitability, and moderate deposit franchise and liquidity position.

As RHB Bank Berhad operates primarily in Malaysia, the rating takes into consideration the strengths and risk profile of Malaysia's economy and banking industry.

## KEY RATING CONSIDERATIONS

### A mid-sized bank in Malaysia

We assess RHB Bank Berhad's business position as adequate, primarily supported by its consistent ability to grow assets and revenue in line with industry trends. This is underpinned by a well-diversified loan portfolio and revenue mix, along with robust management. RHB Bank Berhad is positioned as Malaysia's fourth-largest bank by asset size, commanding a 9.5% share of total market assets as of March 2025. While the bank has sustained its overall domestic loan market share, with notable gains in mortgage loan market share over the past five years, its international operations, most notably in Singapore, have served as a pivotal growth contributor, comprising approximately 14% of the bank's total loan portfolio as of the first quarter of 2025.

RHB Bank Berhad's loan mix is well-diversified, underpinned by a commendable domestic market share in both its mortgage and non-retail loan portfolios. RHB Bank Berhad also holds a significant market position in investment banking, ranking among the top three in mergers and acquisitions (M&A), equity capital markets and debt capital markets in Q1 2025. Additionally, the bank's management demonstrates good overall ability in managing emerging risks and exercises prudence in its risk management practices.

### "Progress 27" new strategic plan

Following the conclusion of its "Together We Progress 2024" (TWP24) initiative (2022-2024), RHB Banking Group unveiled its new three-year strategic plan, "Progress27" (2025-2027), in early 2025. Under "Progress27", the bank's strategic objectives include increasing its domestic loan market share, with a particular emphasis on high-yield mid-sized companies and expanding international business synergies.

Additional core objectives encompass growing domestic Current Account Savings Account (CASA) deposits, enhancing fee income in wholesale banking and retail wealth management, optimizing operational costs, and improving overall productivity. In our view, attaining a domestic CASA ratio exceeding 30% and driving the cost-to-income ratio (CIR) below 44.8% represent ambitious yet crucial goals.

### Robust capital position

RHB Bank Berhad's strong capital position underpins its credit profile. We anticipate the bank's CET-1 ratio after proposed dividends to range between 16.0%-16.5% for 2025-2027. This projection incorporates an expected loan growth of 5% and a projected dividend payout of around 60%.

The bank's CET-1 ratio after proposed dividends stood at 16.0% as of March 2025. This reflects, in part, the bank's low risk-weighted assets, given its significant holdings of low risk-weighted residential mortgage loans. Furthermore, the "Dividend Reinvestment Plan" (DRP) initiatives implemented since 2021 have further enhanced its capital base.

### Moderate profitability

We project RHB Bank Berhad to sustain an average level of profitability relative to its Malaysian counterparts. Our forecast indicates the bank's return on average assets (ROAA) will remain stable at approximately 0.9% over the 2025-2027 period.

We expect a decline in net interested margin to approximately 1.8% in 2025-2027, driven by a 25 basis point (bps) Overnight Policy Rate (OPR) cut in July 2025. Bank Negara Malaysia (BNM)'s 1% reduction in the Statutory Reserve Requirement (SRR), which has unleashed RM1.7 billion in liquidity and alleviated pressure on the cost of funds should help mitigate this impact. Our projections further account for credit cost at around 25 bps, a stable CIR of 47%-48% supported by rigorous cost optimization efforts, and contributions from treasury income.

### Resilient asset quality

We expect RHB Bank Berhad to maintain good overall asset quality over the next few years. We expect the immediate impact from US tariffs to be limited, as the bank's direct exposure to the affected export sector is less than 3.5% of its total portfolio. The resilient asset quality is supported by a healthy, diversified loan portfolio, which includes a significant proportion of low-risk domestic mortgages, a highly collateralized SME portfolio, and low-delinquency Singapore loans. Supportive domestic economic conditions in Malaysia and Singapore will also continue to support asset quality. Additionally, the bank expects its ongoing NPL resolution to contribute positively. Although asset quality in Thailand and Cambodia remains an overhang due to a slow economic recovery, their contribution to the total portfolio is limited to 0.5% and 1.3% respectively, as of March 2025.

Consequently, we project the bank's overall gross impaired loan (GIL) ratio to remain stable at around 1.5% during the 2025-2027 period, compared to 1.47% at the end of 2024. We anticipate credit cost to be around 25 bps over the same period. Additionally, we expect loan-loss provisions, excluding regulatory reserves, to range between 75%-80%.

As of March 2025, RHB Bank Berhad's GIL ratio stood at 1.50%, an improvement from 1.83% in March 2024, from the resolution of large corporate accounts. Credit cost in 2024 were 22 bps, an improvement from 39 bps in the prior year (excluding the write-back of management overlay). This positive trend in credit cost continued into the first quarter of 2025, declining to 17 bps from 38 bps y-o-y, driven by improved domestic asset quality and the lower provisions for international business. The bank's loan-loss coverage ratio also improved, rising from 70.1% in March 2024 to 76.9% in March 2025, following the resolution of significant loan accounts.

### Adequate funding and liquidity profile

We expect RHB Bank Berhad's funding profile to remain adequate over the next few years. As of March 2025, the bank held a mid-sized 8.1% share of the Malaysian deposit market. The bank's funding structure is strong, with over 80% comprised of deposits and a decent funding cost comparable to peers. Nevertheless, its moderate CASA ratio somewhat tempers this strength, as it consistently falls below the industry average.

CASA deposits declined 1.1% y-o-y in March 2025, primarily driven by outflows in wholesale banking that were only partially offset by increases in retail and SME CASA. This resulted in a total CASA decline and a reduction in the CASA ratio from 29.0% in March 2024 to 28.0% in March 2025.

The expansion of CASA deposits remains a key strategic aspiration aimed at strengthening the bank's long-term funding profile. However, in our view, this will require considerable effort to fully realize. Ongoing initiatives include extending the MySiswa initiative, an exclusive partnership with the Ministry of Higher Education (MoHE), from universities to Technical and Vocational Education and Training (TVET) institutions, and improving the new mobile banking application. While MySiswa showed robust growth of 71% quarter-on-quarter (Q-o-Q) in Q1 2025, its balance of RM747 million remains small compared to the total CASA base of RM69.6 billion for the same period.

RHB Bank Berhad's liquidity remains robust, with a ratio of liquid assets to total deposits of 36.3% in March 2025. The bank primarily invests in highly liquid assets, including cash, liquid government securities, money market instruments, and private debt securities. Furthermore, the bank's liquidity coverage ratio (LCR) stood at a strong 134.6% in March 2025, well above the minimum regulatory requirement of 100%.

## SHORT-TERM ISSUER RATING FACTORS

The short-term issuer rating of “T1+” assigned to RHB Bank Berhad Thailand reflects its long-term credit profile and its strong liquidity position. RHB Bank Berhad Thailand, as a branch of a foreign bank, is subject to the regulatory liquidity requirements of the Bank of Thailand (BOT). The bank is required to maintain adequate liquidity to support normal business operations. Access to funding from its headquarters, interbank markets, and standing facilities from the BOT provide additional liquidity support for RHB Bank Berhad Thailand. The bank’s LCR as of end-2024 was above the minimum requirement.[1]

## RATING OUTLOOK

The “stable” outlook reflects TRIS Rating’s expectation that RHB Bank Berhad will maintain its stable business profile and strong capital position. We also expect the bank to maintain a healthy level of asset quality, as well as an adequate funding and liquidity position.

## RATING SENSITIVITIES

The ratings on RHB Thailand could be revised downwards if there is a material deterioration in RHB Bank Berhad’s capital position, asset quality, funding, or liquidity. Positive rating actions will depend on RHB Bank Berhad’s ability to consistently improve its market position, funding profile, and/or profitability on a sustained basis.

## COMPANY OVERVIEW

RHB Bank Berhad is Malaysia's oldest and first local bank. Kwong Yik (Selangor) Banking Corporation (Kwong Yik Bank) was incorporated in July 1913. The merger between Kwong Yik Bank Berhad and DCB Bank Berhad, founded in 1966, formed RHB Bank Berhad in 1997. The merger created the third-largest financial service group in Malaysia. Mergers with Sime Bank Berhad and Utama Banking Group took place in 1999 and 2003, respectively. In 2005, RHB Banking Group received a licence for RHB Islamic Bank Berhad, its Islamic banking arm. In 2012, RHB Capital, the Group's holding company, acquired OSK Investment Bank. A corporate restructuring commenced in April 2015 and was completed on 28 June 2016. RHB Bank Berhad assumed the listing status of RHB Capital Berhad after acquiring the equity interests of all the subsidiaries of RHB Capital. As a result, RHB Bank Berhad became the ultimate holding company of the RHB Banking Group.

In June 2021, RHB Bank Berhad formed a partnership with Boost Holdings Sdn Bhd (Boost Holdings), the fintech arm of Axiata Group Berhad (Axiata) to form a digital bank consortium. Boost Holdings holds a majority stake of 60% while RHB Bank Berhad holds the remaining 40%. Boost Bank launched its operations in Malaysia in June 2024.

The RHB Banking Group consists of RHB Bank Berhad and its subsidiaries, including RHB Investment Bank Berhad, RHB Islamic Bank Berhad, RHB Insurance Berhad, and RHB Asset Management Sdn Bhd. The Group offers financial products and services covering commercial banking, Islamic banking, transaction banking, investment banking, treasury services, stock brokerage and offshore banking, as well as non-bank offerings in general insurance, unit trust management, and asset management/nominee and custodian services. The products and services are tailored to meet the demands of the retail, commercial, SME, and corporate customer segments. The Group's products and services are made available through both physical and digital distribution channels covering seven ASEAN countries. Operations in Singapore are the largest overseas contributors in terms of asset size and revenue.

[1] *> 100% in Thailand*

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS[1]

**RHB Bank Berhad, Malaysia**

*Unit: Mil. MYR*

| | | ---------------Year Ended 31 December -------------- | | | |
|---|---|---|---|---|---|
| | Jan-Mar 2025 | 2024 | 2023 | 2022 * | 2021 |
| Total assets | 352,537 | 349,915 | 328,692 | 310,752 | 289,467 |
| Average assets | 351,226 | 339,303 | 319,722 | 300,110 | 280,309 |
| Investment in securities | 92,955 | 87,589 | 79,910 | 69,070 | 61,881 |
| Gross loans, advances, and financing | 239,158 | 237,758 | 222,416 | 212,200 | 198,512 |
| Allowance for impaired loans | 2,753 | 2,740 | 2,783 | 3,710 | 3,610 |
| Deposits | 248,520 | 249,565 | 245,083 | 227,160 | 218,733 |
| Borrowings[2] | 55,773 | 53,456 | 39,460 | 40,327 | 32,679 |
| Total equity | 32,216 | 32,492 | 30,875 | 28,732 | 28,045 |
| Average equities | 32,354 | 31,683 | 29,803 | 28,389 | 27,534 |
| Total revenue | 2,048 | 8,605 | 7,770 | 8,160 | 8,034[3] |
| Net interest income | 970 | 3,869 | 3,560 | 4,174 | 4,062 |
| Islamic business income | 573 | 2,228 | 2,420 | 2,451 | 2,117 |
| Allowance for impairment losses on loans | 100 | 525 | 356 | 309 | 575 |
| Net fee and commission income | 223 | 976 | 866 | 866 | 1,094 |
| Gains on trading | 247 | 1,348 | 821 | 531 | 432 |
| Other operating income | 520 | 2,560 | 1,844 | 1,587 | 1,876 |
| Operating expenses | 970 | 4,021 | 3,689 | 3,606 | 3,522 |
| Net profit | 751 | 3,124 | 2,810 | 2,681 | 2,623 |

* *Restated*

1 *Consolidated financial statements*

2 *Including deposits and placements of other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptance-payables, borrowings, subordinated obligations, and senior debt securities*

3 *Excluding modification loss*

*Unit: %*

| | Jan-Mar 2025 | ------------Year Ended 31 December ----------- 2024 | 2023 | 2022 * | 2021 |
|---|---|---|---|---|---|
| **Earnings** | | | | | |
| Return on average assets[3] | 0.85 | 0.92 | 0.88 | 0.89 | 0.94 |
| Return on average equities[3] | 9.1 | 10.0 | 9.5 | 9.6 | 9.6 |
| Net interest margins[3] | 1.84 | 1.86 | 1.82 | 2.24 | 2.20 |
| Net fee and commission income/total revenue | 10.9 | 11.3 | 11.2 | 10.6 | 13.6 |
| Gains on trading/total revenue | 12.0 | 15.7 | 10.6 | 6.5 | 5.4 |
| Cost-to-income | 47.4 | 46.7 | 47.5 | 44.2 | 45.2 |
| **Capitalization** | | | | | |
| CET-1 ratio[4] | 15.96 | 17.23 | 17.27 | 17.59 | 17.83 |
| Tier-1 ratio[4] | 15.96 | 17.23 | 17.27 | 17.59 | 17.83 |
| Total capital ratio[4] | 18.50 | 19.83 | 19.99 | 20.04 | 20.46 |
| CET-1/total capital ratio[4] | 86.27 | 86.93 | 86.39 | 87.79 | 87.17 |
| **Asset Quality** | | | | | |
| Credit costs[3] | 0.17 | 0.22 | 0.16 | 0.15 | 0.29 |
| Gross impaired loans/gross loans | 1.50 | 1.47 | 1.74 | 1.55 | 1.49 |
| Loan loss coverage ratio (excluding regulatory reserve) | 76.9 | 78.6 | 71.7 | 112.8 | 122.4 |
| **Funding & Liquidity** | | | | | |
| CASA ratio | 28.0 | 27.6 | 27.9 | 29.2 | 30.0 |
| Loan-to-deposit ratio | 96.2 | 95.3 | 90.8 | 93.4 | 90.8 |
| Deposit from customers/total liabilities | 77.6 | 78.6 | 82.3 | 80.6 | 83.7 |
| Liquid assets/total deposits[5] | 36.3 | 36.3 | 36.4 | 35.5 | 35.4 |
| Gross loans/total assets | 67.8 | 67.9 | 67.7 | 68.3 | 68.6 |

* *Restated*
1 *Consolidated financial statements*
2 *Including deposits and placements of other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptance-payables, borrowings, subordinated obligations, and senior debt securities*
3 *Annualized*
4 *Group basis before proposed dividend*
5 *Including bills and acceptance-payable*

## RELATED CRITERIA

- Financial Institution Rating Methodology, 24 November 2023
- Short-Term Ratings Methodology, 23 September 2022

## RHB Bank Berhad Thailand (RHB Thailand)

| | |
|---|---|
| **Issuer Rating:** | AA |
| **Short-term Issuer Rating:** | T1+ |
| **Rating Outlook:** | Stable |

**TRIS Rating Co., Ltd.**
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