

19 November 2025

Financial Services | Banks

## RCE Capital (RCE MK)

**Neutral** (Maintained)

### A Potential Recovery In Sight?

- **Keep NEUTRAL, new MYR1.10 TP from MYR1.15, 2% upside and c.6% FY27F (Mar) yield.** RCE Capital's 1HFY26 results were broadly in line with our estimates. QoQ trends suggest early signs of an improving operating environment, which lends support to our thesis for an acceleration in financing growth – and, consequently, earnings – in 2HFY26. However, we would wait for further clarity from management on the outlook ahead before turning more bullish on the stock.
- **2QFY26 net profit of MYR29.3m was up 13% QoQ (YoY: +5%),** bringing the 1HFY26 total to MYR55.3m (-5% YoY) – this formed 43% and 44% of our and consensus' full-year estimates. The key deviation to our numbers stemmed from non-financing income (+3% YoY), which trailed on the back of the flat YTD financing growth (YoY: +2%). Nevertheless, total operating income was up 2% YoY as RCE enjoyed some net financing margin expansion (estimated +21bps YoY to 6.8%) from lower funding costs, though this was offset by slightly higher CIR (28% in 1HFY26 vs 27% in 1HFY25) and credit costs (1.6% in 1HFY26 vs 1.4% in 1HFY25). The 1HFY26 ROE stood at 13.2%, a 1ppt decline from the 14.2% achieved in 1HFY25. An interim DPS of 3 sen was declared, representing a larger 80% payout ratio (1HFY26: 3 sen DPS, 76% payout ratio).
- **QoQ trends show possible signs of improvement.** RCE's financing growth continued on its accelerating trend, up 2% YoY in 2QFY26 (1QFY26: +1%, 4QFY26: -1%). Credit costs also demonstrated a steep QoQ decline, coming in at 1% in 2QFY26 vs 2.2% in 1QFY26, with the Stage 3 allowance ratio falling to 4.7% (1QFY26: 4.8%, 2QFY25: 4.3%). Together, we think these could potentially reflect early signs of an improving operating environment, though we await further clarity from management on the outlook ahead. However, we think government cash handouts and the upcoming salary adjustment for civil servants in Jan 2026 are positives to look forward to. Elsewhere, the 22% QoQ rise in opex was related to the group's annual issuance of shares to staff under its employees' share scheme, which we estimate to have amounted to additional staff costs of MYR4-5m.
- **FY26-28F earnings trimmed slightly by 4%, 5% and 5%** as we factor in more conservative non-financing income and opex assumptions. Our TP is cut slightly to MYR1.10 and includes an unchanged 0% ESG premium/discount, as RCE's ESG score of 3.0 is in line with the country median.
- **Key downside risks** include: i) Softer-than-expected financing growth, ii) higher-than-expected credit costs, and iii) lower-than-expected net financing margin. The converse represents upside risks.

Target Price (Return): MYR1.10 (1.9%)  
Price (Market Cap): MYR1.08 (USD381m)  
ESG score: 3.0 (out of 4)  
Avg Daily Turnover (MYR/USD) 0.70m/0.17m

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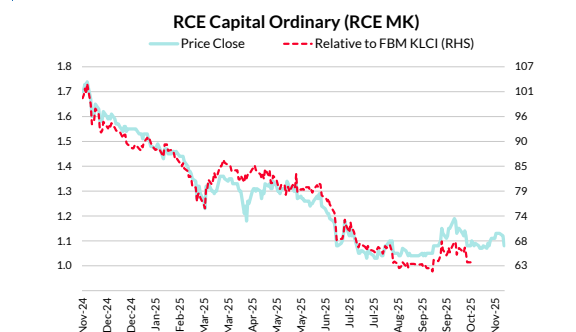


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#### Share Performance (%)

|                            | YTD    | 1m    | 3m  | 6m     | 12m    |
|----------------------------|--------|-------|-----|--------|--------|
| Absolute                   | (30.3) | 0.0   | 2.9 | (17.6) | (36.5) |
| Relative                   | (28.7) | (0.6) | 0.9 | (20.5) | (37.3) |
| 52-wk Price low/high (MYR) |        |       |     | 1.03   | 1.74   |



Source: Bloomberg

| Forecasts and Valuation      | Mar-24 | Mar-25 | Mar-26F | Mar-27F | Mar-28F |
|------------------------------|--------|--------|---------|---------|---------|
| Reported net profit (MYRm)   | 139    | 111    | 123     | 131     | 139     |
| Net profit growth (%)        | (0.0)  | (20.3) | 11.7    | 6.1     | 6.4     |
| Recurring net profit (MYRm)  | 139    | 124    | 123     | 131     | 139     |
| Recurring EPS (MYR)          | 0.09   | 0.08   | 0.08    | 0.09    | 0.09    |
| BVPS (MYR)                   | 0.56   | 0.57   | 0.58    | 0.60    | 0.62    |
| DPS (MYR)                    | 0.07   | 0.07   | 0.06    | 0.07    | 0.07    |
| Recurring P/E (x)            | 11.54  | 12.75  | 12.85   | 12.10   | 11.38   |
| P/B (x)                      | 1.93   | 1.89   | 1.85    | 1.80    | 1.73    |
| Dividend Yield (%)           | 6.9    | 6.0    | 5.8     | 6.2     | 6.6     |
| Return on average equity (%) | 17.0   | 13.2   | 14.5    | 15.0    | 15.5    |

Source: Company data, RHB

#### Overall ESG Score: 3.0 (out of 4)

E Score: 2.7 (GOOD)

S Score: 3.0 (GOOD)

G Score: 3.7 (EXCELLENT)

Please refer to the ESG analysis on the next page

#### Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

## Emissions And ESG

### Trend analysis

RCE's total emissions showed a marginal decline YoY in FY25, owing to the group's initiatives to improve operational efficiencies and energy use.

| Emissions (tCO <sub>2</sub> e) | Mar-23 | Mar-24 | Mar-25 | Mar-26 |
|--------------------------------|--------|--------|--------|--------|
| Scope 1                        | 23     | 26     | 28     | na     |
| Scope 2                        | 196    | 191    | 186    | na     |
| Scope 3                        | -      | 377    | 369    | na     |
| Total emissions                | 219    | 594    | 583    | na     |

Source: Company data, RHB

## Latest ESG-Related Developments

**FY25 emissions:** RCE posted total Scopes 1, 2, and 3 greenhouse gas emissions of 583tCO<sub>2</sub>e in FY25, a 2% YoY decline - the savings were largely attributable to the group's internal initiatives to improve operational efficiencies and energy use.

**Emphasis on employee development:** RCE's employees enjoyed an average of 22 training hours per employee in FY25, a slight drop from 24 hours in FY24, on topics such as leadership development, regulatory and technical skills, and special interest topics.

## ESG Unbundled

**Overall ESG Score: 3.0 (out of 4)**

**Last Updated: 14 August 2025**

**E Score: 2.7 (GOOD)**

RCE's greenhouse gas emissions (on both an absolute and per employee basis) demonstrated a decrease in FY25 (Mar) underpinned by the group's proactive climate change management strategies. Other environmental indicators, including energy use and waste diverted from disposal, also showed YoY improvements.

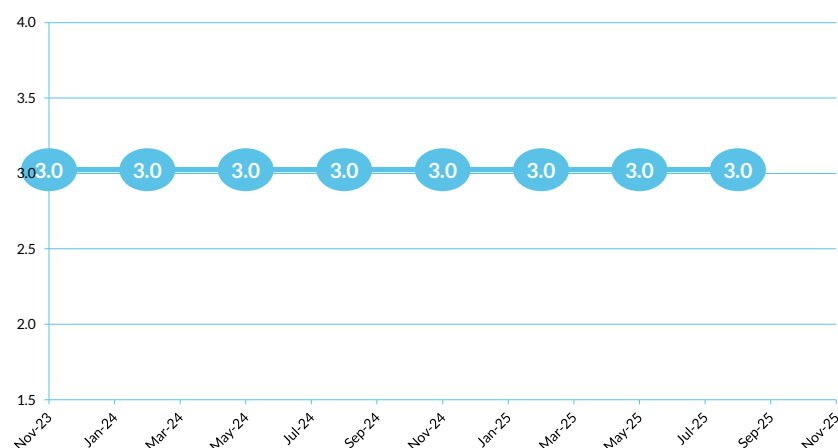
**S Score: 3.0 (GOOD)**

RCE places strong focus on employee development - its employees enjoyed an average of 22 training hours in FY25, a slight decline from 24 hours in FY24 due to a greater focus on on-the-job learning. The group's employee turnover rate in FY25 was a low 8% (FY24: 13%), owing partly to its competitive compensation packages (which includes an employees' share scheme for select employees).

**G Score: 3.7 (EXCELLENT)**

Five out of nine members of the board of directors are independent directors. RCE's sustainability agenda is determined by a dedicated sustainability management committee, which in turn is supported by a sustainability working committee.

## ESG Rating History



Source: RHB

## Financial Exhibits

|  |  |               |               |                |                |                |
|--|--|---------------|---------------|----------------|----------------|----------------|
| <b>Asia</b>  | <b>Financial summary (MYR)</b>         | <b>Mar-24</b> | <b>Mar-25</b> | <b>Mar-26F</b> | <b>Mar-27F</b> | <b>Mar-28F</b> |
| Malaysia   | EPS                                    | 0.09          | 0.08          | 0.08           | 0.09           | 0.09           |
| Financial Services   | Recurring EPS                          | 0.09          | 0.08          | 0.08           | 0.09           | 0.09           |
| <b>RCE Capital</b>   | DPS                                    | 0.07          | 0.07          | 0.06           | 0.07           | 0.07           |
| RCE MK   | BVPS                                   | 0.56          | 0.57          | 0.58           | 0.60           | 0.62           |
| Neutral  |  |               |               |                |                |                |
| <b>Valuation basis</b>   | <b>Valuation metrics</b>               | <b>Mar-24</b> | <b>Mar-25</b> | <b>Mar-26F</b> | <b>Mar-27F</b> | <b>Mar-28F</b> |
| Our GGM assumptions are:   | Recurring P/E (x)                      | 11.54         | 12.75         | 12.85          | 12.10          | 11.38          |
| i. CoE of 10.0%;   | P/B (x)                                | 1.9           | 1.9           | 1.8            | 1.8            | 1.7            |
| ii. ROE of 15.3%;  | Dividend Yield (%)                     | 6.9           | 6.0           | 5.8            | 6.2            | 6.6            |
| iii. 3.5% long-term growth rate.   |  |               |               |                |                |                |
| <b>Key drivers</b>   | <b>Income statement (MYRm)</b>         | <b>Mar-24</b> | <b>Mar-25</b> | <b>Mar-26F</b> | <b>Mar-27F</b> | <b>Mar-28F</b> |
| Our FY26F forecasts are most sensitive to changes in:  | Interest income                        | 291           | 292           | 298            | 310            | 326            |
| i. Growth in receivables;  | Interest expense                       | (99)          | (101)         | (105)          | (115)          | (121)          |
| ii. Impairment allowances;   | <b>Net interest income</b>             | <b>192</b>    | <b>192</b>    | <b>193</b>     | <b>196</b>     | <b>205</b>     |
| iii. Financing margins.  | Non interest income                    | 89            | 76            | 78             | 87             | 94             |
|  | <b>Total operating income</b>          | <b>281</b>    | <b>267</b>    | <b>271</b>     | <b>282</b>     | <b>299</b>     |
|  | Overheads                              | (66)          | (64)          | (71)           | (75)           | (78)           |
|  | <b>Pre-provision operating profit</b>  | <b>215</b>    | <b>203</b>    | <b>200</b>     | <b>208</b>     | <b>221</b>     |
|  | Loan impairment allowances             | (30)          | (38)          | (35)           | (33)           | (35)           |
|  | Other exceptional items                |               | (14)          |                |                |                |
|  | <b>Pre-tax profit</b>                  | <b>185</b>    | <b>152</b>    | <b>165</b>     | <b>175</b>     | <b>186</b>     |
|  | Taxation                               | (46)          | (41)          | (41)           | (44)           | (46)           |
|  | <b>Reported net profit</b>             | <b>139</b>    | <b>111</b>    | <b>123</b>     | <b>131</b>     | <b>139</b>     |
|  | <b>Recurring net profit</b>            | <b>139</b>    | <b>124</b>    | <b>123</b>     | <b>131</b>     | <b>139</b>     |
| <b>Key risks</b>   | <b>Profitability ratios</b>            | <b>Mar-24</b> | <b>Mar-25</b> | <b>Mar-26F</b> | <b>Mar-27F</b> | <b>Mar-28F</b> |
| The downside risks include:  | Return on average assets (%)           | 4.7           | 3.7           | 4.0            | 4.0            | 4.0            |
| i. Softer-than-expected financing growth;  | Return on average equity (%)           | 17.0          | 13.2          | 14.5           | 15.0           | 15.5           |
| ii. Higher-than-expected credit costs;   | Return on IEAs (%)                     | 10.1          | 10.3          | 10.6           | 10.6           | 10.7           |
| iii. Lower-than-expected net financing margins.  | Cost of funds (%)                      | 4.7           | 4.8           | 4.8            | 4.8            | 4.8            |
|  | Net interest spread (%)                | 5.4           | 5.5           | 5.8            | 5.8            | 5.9            |
|  | Net interest margin (%)                | 6.7           | 6.8           | 6.9            | 6.7            | 6.7            |
|  | Non-interest income / total income (%) | 31.6          | 28.3          | 28.9           | 30.8           | 31.4           |
|  | Cost to income ratio (%)               | 23.4          | 24.1          | 26.4           | 26.4           | 26.2           |
|  | Credit cost (bps)                      | 147           | 179           | 165            | 150            | 150            |
| The converse represents upside risks.  |  |               |               |                |                |                |
| <b>Company Profile</b>   | <b>Balance sheet (MYRm)</b>            | <b>Mar-24</b> | <b>Mar-25</b> | <b>Mar-26F</b> | <b>Mar-27F</b> | <b>Mar-28F</b> |
| RCE provides general financing services to civil servants – repayments are done via direct salary deductions. Its wholly owned EXP Payment unit offers payroll collection management services for government departments under the purview of the Accountant General's Department. | Total gross loans                      | 2,100         | 2,091         | 2,153          | 2,261          | 2,374          |
|  | Other interest earning assets          | 800           | 680           | 699            | 719            | 738            |
|  | Total gross IEAs                       | 2,900         | 2,771         | 2,853          | 2,980          | 3,113          |
|  | Total provisions                       | (128)         | (141)         | (158)          | (173)          | (190)          |
|  | Net loans to customers                 | 1,973         | 1,950         | 1,996          | 2,088          | 2,185          |
|  | Total net IEAs                         | 2,772         | 2,631         | 2,695          | 2,807          | 2,923          |
|  | Total non-IEAs                         | 223           | 356           | 544            | 575            | 615            |
|  | Total assets                           | 2,996         | 2,986         | 3,239          | 3,382          | 3,538          |
|  | Other interest-bearing liabilities     | 2,120         | 2,058         | 2,337          | 2,454          | 2,576          |
|  | Total IBLs                             | 2,120         | 2,058         | 2,337          | 2,454          | 2,576          |
|  | Total non-IBLs                         | 46            | 89            | 45             | 45             | 46             |
|  | Total liabilities                      | 2,166         | 2,147         | 2,382          | 2,499          | 2,623          |
|  | Share capital                          | 202           | 205           | 202            | 202            | 202            |
|  | Shareholders' equity                   | 830           | 840           | 858            | 883            | 915            |
|  | <b>Asset quality and capital</b>       | <b>Mar-24</b> | <b>Mar-25</b> | <b>Mar-26F</b> | <b>Mar-27F</b> | <b>Mar-28F</b> |
|  | Reported NPLs / gross cust loans (%)   | 3.7           | 4.6           | 3.8            | 3.8            | 3.8            |
|  | Total provisions / reported NPLs (%)   | 165.8         | 147.2         | 192.7          | 201.1          | 210.1          |

Source: Company data, RHB

## Results At a Glance

Figure 1: Summary of 2QFY26 and 1HFY26 results

| FYE Mar (MYRm)                     | 2Q<br>FY25 | 1Q<br>FY26 | 2Q<br>FY26 | QoQ<br>(%) | YoY<br>(%) | 1HFY25 | 1HFY26 | YoY<br>(%) | Comments  |
|------------------------------------|------------|------------|------------|------------|------------|--------|--------|------------|---|
| Net financing income               | 47.2       | 47.0       | 48.7       | 4          | 3          | 93.7   | 95.6   | 2          | Funding cost improvements were potentially a result of refinancing (of <i>sukuk</i> and term financing) which was done at more favourable rates.                          |
| Financing income                   | 73.0       | 71.2       | 73.1       | 3          | 0          | 145.0  | 144.3  | (0)        |   |
| Financing expense                  | (25.8)     | (24.2)     | (24.4)     | 1          | (5)        | (51.3) | (48.6) | (5)        |   |
| Non-financing income               | 17.9       | 16.6       | 18.4       | 11         | 3          | 33.8   | 34.9   | 3          |   |
| Non-FI/Total income (%)            | 27.5       | 26.1       | 27.4       |            |            | 26.5   | 26.8   |            |   |
| Operating Income                   | 65.1       | 63.5       | 67.1       | 6          | 3          | 127.5  | 130.6  | 2          | We estimate 2QFY26 opex to have included MYR4-5m of costs associated with RCE's annual issuance of shares to staff (2QFY25: MYR5m).                                       |
| Overhead expenses                  | (20.8)     | (16.7)     | (20.4)     | 22         | (2)        | (34.9) | (37.1) | 6          |   |
| CIR (%)                            | 31.9       | 26.3       | 30.4       |            |            | 27.4   | 28.4   |            |   |
| PIOP                               | 44.3       | 46.8       | 46.6       | (0)        | 5          | 92.5   | 93.5   | 1          |   |
| Impairment allowances on financing | (6.4)      | (11.3)     | (5.3)      | (54)       | (17)       | (14.1) | (16.6) | 17         |   |
| Ann. credit costs (bps)            | 123        | 217        | 100        |            |            | 143    | 161    |            |   |
| PBT                                | 38.0       | 35.5       | 41.4       | 17         | 9          | 78.4   | 76.9   | (2)        |   |
| Taxation                           | (10.2)     | (9.5)      | (12.1)     |            |            | (20.3) | (21.6) |            |   |
| ETR (%)                            | 26.7       | 26.8       | 29.2       |            |            | 25.8   | 28.1   |            |   |
| Net Profit                         | 27.8       | 26.0       | 29.3       | 13         | 5          | 58.2   | 55.3   | (5)        |   |
| Other key data and ratios          |            |            |            |            |            |        |        |            |   |
| Gross financing                    | 2,057.4    | 2,087.4    | 2,095.3    | 0          | 2          |        |        |            | Financing growth remains behind management's usual mid-single-digit target, although it is on an accelerating trend.<br><br>Net gearing eased QoQ to 1.5x (1QFY26: 1.6x). |
| Total borrowings                   | 2,050.6    | 2,202.5    | 2,111.2    | (4)        | 3          |        |        |            |   |
| Total assets                       | 2,923.8    | 3,097.7    | 3,042.3    | (2)        | 4          |        |        |            |   |
| Shareholders' funds                | 835.1      | 814.1      | 846.9      | 4          | 1          |        |        |            |   |
| ROAA (%)                           | 3.8%       | 3.4%       | 3.8%       |            |            | 4.0%   | 3.7%   |            |   |
| ROAE (%)                           | 13.6%      | 12.6%      | 14.1%      |            |            | 14.2%  | 13.2%  |            |   |

Source: Company data, RHB

Figure 2: Revisions to our full-year earnings forecasts

| FYE Mar | Net profit (MYRm) |         |       | EPS (MYR) |         |       | DPS (MYR) |         |       |
|---------|-------------------|---------|-------|-----------|---------|-------|-----------|---------|-------|
|         | Previous          | Revised | % Chg | Previous  | Revised | % Chg | Previous  | Revised | % Chg |
| 2026F   | 128.6             | 123.4   | -4.0  | 0.09      | 0.08    | -4.0  | 0.07      | 0.06    | -4.0  |
| 2027F   | 137.6             | 131.0   | -4.8  | 0.09      | 0.09    | -4.8  | 0.07      | 0.07    | -4.8  |
| 2028F   | 146.1             | 139.3   | -4.6  | 0.10      | 0.09    | -4.6  | 0.07      | 0.07    | -4.6  |

Source: Company data, RHB

## Valuation and TP

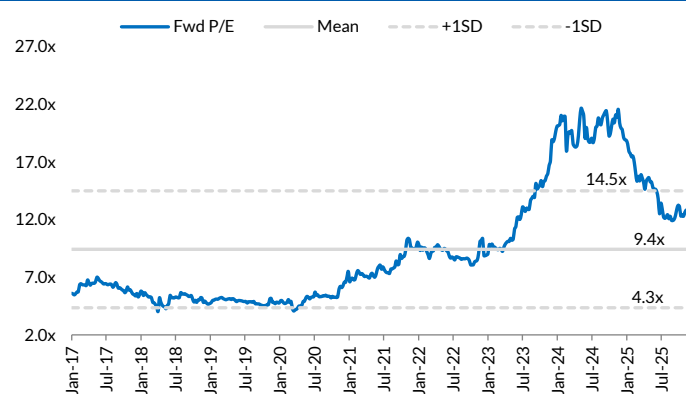
Our TP of MYR1.10 (previously MYR1.15) is based on a GGM-derived P/BV of 1.80x (previously 1.87x). The sole change to our GGM inputs was to ROE, which we lowered to 15.3% from 15.8% in tandem with the forecast changes.

Figure 3: GGM valuation

|  |      |                            |                |
|--|------|----------------------------|----------------|
| <b>Cost of equity (COE) computation:</b> |      | <b>Sustainable ROE (%)</b> | 15.3           |
| Risk free rate (%)                       | 4.0  | COE (%)                    | 10.0           |
| Equity premium (%)                       | 5.3  | Long-term growth (g)       | 3.5            |
| Beta (x)                                 | 1.2  | Implied P/BV (x)           | 1.80           |
| Cost of equity - CAPM (%)                | 10.0 | BVPS - CY25F               | MYR0.60        |
|  |      | Intrinsic value            | MYR1.08        |
| ESG premium/(discount) (%)               | 0.0  | ESG premium/(discount)     | MYR0.00        |
|  |      | <b>TP (rounded)</b>        | <b>MYR1.10</b> |

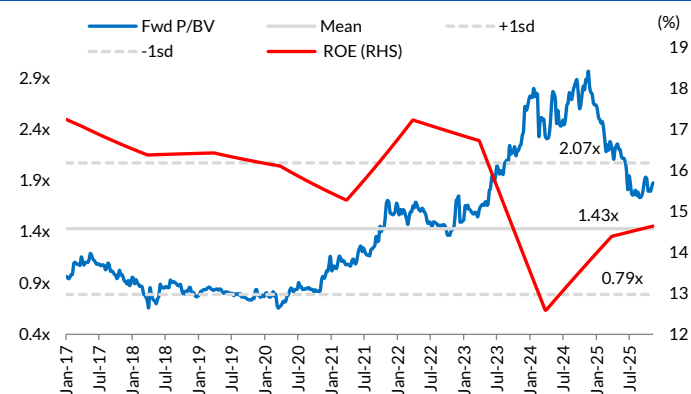
Source: Company data, RHB

Figure 4: RCE Capital's 12-month forward P/E



Source: Bloomberg, RHB

Figure 5: RCE Capital's 12-month forward P/BV vs ROE



Source: Bloomberg, RHB

## Recommendation Chart



Source: RHB, Bloomberg

| Date       | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2025-08-14 | Neutral        | 1.15         | 1.05  |
| 2025-05-23 | Neutral        | 1.25         | 1.27  |
| 2025-02-25 | Neutral        | 1.25         | 1.27  |
| 2024-11-21 | Sell           | 1.25         | 1.70  |
| 2024-08-16 | Sell           | 2.70         | 1.57  |
| 2024-05-27 | Sell           | 2.40         | 1.45  |
| 2024-02-08 | Sell           | 2.40         | 1.57  |
| 2024-01-12 | Sell           | 2.30         | 1.55  |
| 2023-11-23 | Sell           | 2.30         | 1.34  |
| 2023-08-15 | Neutral        | 2.20         | 1.14  |
| 2023-05-24 | Neutral        | 1.95         | 1.00  |
| 2023-02-15 | Neutral        | 1.95         | 0.93  |
| 2022-11-22 | Neutral        | 1.95         | 0.94  |
| 2022-08-12 | Buy            | 1.92         | 0.82  |
| 2022-05-31 | Buy            | 2.00         | 0.88  |

Source: RHB, Bloomberg

## RHB Guide to Investment Ratings

|                     |  |
|---------------------|--|
| <b>Buy:</b>         | Share price may exceed 10% over the next 12 months   |
| <b>Trading Buy:</b> | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| <b>Neutral:</b>     | Share price may fall within the range of +/- 10% over the next 12 months                         |
| <b>Take Profit:</b> | Target price has been attained. Look to accumulate at lower levels                               |
| <b>Sell:</b>        | Share price may fall by more than 10% over the next 12 months                                    |
| <b>Not Rated:</b>   | Stock is not within regular research coverage  |

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