Corporate Update

Public Bank Berhad

(1295 | PBK MK) Main | Financial Services

3 Stars

FTSE4Good

Maintain **BUY**

Revised Target Price **RM5.35** (from RM5.16)

4QFY24 Results Review
Good End to the Year

Maintain BUY call: Revised GGM-TP of RM5.35. Public Bank saw robust profitability for FY24, contributed by steady loans and deposits growth, stable net interest margin, accompanied by lower loan loss allowances. We expect that this performance is sustainable into FY25 given our expectation of stable economic growth and unchanged OPR. We believe that this should provide investors with a defensive option given the current volatile market condition. Hence, we maintain our BUY call. We revise our TP due to earnings tweak and our TP is based on an unchanged FY25F P/BV of 1.71x. (GGM assumptions: FY25F ROE of 12.9%, LTG of 2.8% & COE of 8.7%)

Slightly above expectation. Public Bank posted FY24 core net profit (NP) of RM7,147m was above/within our/street forecasts at 106%/103% of full-year forecasts. The variance was due to underestimation of its NII and NOII.

FY24's core NP up by +7%yoy. This was driven by commendable net income growth (+7.0%yoy) and writebacks in 3QFY24 and 4QFY24. Net income growth was driven by sturdy NII (inclusive of Islamic banking) growth of +5.1%yoy and strong NOII growth of +14.9%yoy.

NOII growth from all segments. Most notable was unit trust income which rose +12.7%yoy to RM1.22b. Meanwhile, stockbroking income went up +60.6%yoy given the strong equities market in FY24. Forex income increase +8.7%yoy to RM392.1m. We expect that NOII may normalise in FY25.

4QFY24's core NP of RM1,799m down by -6%qoq. This was due to higher provisions on other assets. However, PPOP grew +3.5qoq.

Gross loans grew by +2.3%qoq, coming up to +6.3%yoy. Domestic loans growth grew +6.7%yoy. Broad-based commendable growth in core financing segments. Gross loans for residential properties, commercial properties and hire purchase came in at +5.6%yoy to RM170.4b, +6.1%yoy to RM86.9b and +13.1%yoy to RM73.0b respectively.

Deposits grew by +1.9%qoq, coming up to +4.9%yoy. Strong growth overall with FD expansion being the main contributor. FD grew +13.1%YTD to RM233.2b. Meanwhile, CASA also grew +2.6%yoy to RM120.3b. Despite the higher FD growth, NIM contraction was only -3bps in 4QFY24 and expanded +1bps for FY24.

GIL improved by -9bps to 0.52%, LLC currently at 166%. Sound asset quality, bolstered by low impaired loans ratio, healthy aging loan profile and high loan loss coverage.

Higher dividends at 21sen or 57% payout ratio.

Tweak in earnings estimates. We are adjusting our FY25 and FY26 earnings estimates upward by 6.5% and 5.8% respectively.

RETURN STATISTICS	
Price @ 26th Feb 2025 (RM)	4.55
Expected share price return (%)	+17.6
Expected dividend yield (%)	+4.7
Expected total return (%)	+22.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.1	3.1
3months	-0.2	3.7
12 months	2.0	0.1

INVESTMENT STATISTICS

FYE Dec	2024	2025F	2026F
Core NP (RM m)	**7,147**	**7,619**	**7,831**
CNP growth (%)	7	7	3
Div yield (%)	**4.6**	**4.7**	**4.9**
Gross DPS (sen)	21.0	21.6	22.2
P/BV (x)	**1.5**	**1.5**	**1.4**
BVPS (RM)	3.0	3.1	3.3
ROE (%)	**12.8**	**12.9**	**12.5**

KEY STATISTICS

FBM KLCI	1,588.71
Issue shares (m)	19,410.69
Estimated free float (%)	67.93
Market Capitalisation (RM'm)	88,318.65
52-wk price range	RM3.98 – RM4.84
3-mth average daily volume (m)	15.7
3-mth average daily value (RM'm)	70.4
Top Shareholders (%)	
Consolidated Teh Holdings	21.6
EPF	15.1
KWAP	4.1

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4QFY24 RESULTS SUMMARY

FYE Dec (RM m)	4Q FY24	3Q FY24	4Q FY23	Yoy (%)	Qoq (%)	FY24	FY23	Yoy (%)
Net interest inc.	2,409	2,406	2,300	4.8	0.1	9,451	9,055	4.4
Islamic banking inc.	439	438	358	22.6	0.4	1,707	1,562	9.3
Non-interest inc.	794	734	602	32.0	8.2	2,853	2,476	15.2
Net income	**3,643**	**3,578**	**3,260**	**11.7**	**1.8**	**14,011**	**13,093**	**7.0**
OPEX	(1,207)	(1,224)	(1,102)	9.5	-1.4	(4,828)	(4,415)	9.4
PPOP	**2,436**	**2,354**	**2,158**	**12.9**	**3.5**	**9,183**	**8,678**	**5.8**
Loan provisions	41	20	(97)	>100	101.1	(1)	(157)	-99.6
Other provisions	(480)	(4)	(7)	>100	>100	(492)	(1)	>100
JV & Associates	74	79	13	>100	-6.4	241	19	>100
PBT	**2,071**	**2,449**	**2,068**	**0.2**	**-15.4**	**8,932**	**8,539**	**4.6**
Tax	(401)	(537)	(471)	-14.7	-25.3	(1,913)	(1,884)	1.5
NCI	130	1	18	>100	>100	128	(6)	>100
Reported NP	**1,799**	**1,913**	**1,615**	**11.4**	**-5.9**	**7,147**	**6,649**	**7.5**
Core NP	**1,799**	**1,913**	**1,615**	**11.4**	**-5.9**	**7,147**	**6,649**	**7.5**
Total NII	2,827	2,819	2,638	7.1	0.3	11,068	10,531	5.1
Total NOII	816	759	622	31.2	7.5	2,942	2,562	14.9
Gross DPS (sen)	**11.0**	**-**	**10.0**	**n.m.**	**n.m.**	**21.0**	**19.0**	**n.m.**
Core EPS (sen)	9.3	9.9	8.3	11	-6	36.8	34.3	7
Gross loans	424,171	414,482	398,997	6.3	2.3			
Gross impaired loans	2,225	2,550	2,335	-4.7	-12.7			
Customer deposits	433,264	425,095	412,897	4.9	1.9			
CASA	120,325	117,787	117,295	2.6	2.2			

Ratios (%)	4Q FY24	3Q FY24	4Q FY23	Yoy (ppts)	Qoq (ppts)	FY24	FY23	Yoy (ppts)
ROE (Ann.)	**12.6**	**13.8**	**11.8**	**0.7**	**-1.2**	**12.5**	**12.2**	**0.3**
NIM (Reported)	**2.21**	**2.24**	**2.15**	**0.06**	**-0.03**	**2.21**	**2.20**	**0.01**
NOII/Net income	22.4	21.2	19.1	3.3	1.2	21.0	19.6	1.4
Cost/Income	33.1	34.2	33.8	-0.7	-1.1	34.5	33.7	0.7
NCC (Ann.) (bps)	(4)	(2)	10	-14	-2	0	4	-4
GIL ratio	0.52	0.62	0.59	-0.06	-0.09			
Loan loss coverage	166	154	182	-16	13			
CASA ratio	27.8	27.7	28.4	-0.6	0.1			
L/D ratio	97.0	96.6	95.6	1.4	0.5			
CET-1	14.3	14.3	14.7	-0.4	-0.1			

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Net interest income	**9,167**	**9,055**	**9,451**	**9,838**	**10,090**
Islamic banking inc.	1,857	1,562	1,707	2,082	2,135
Other operating inc.	2,414	2,476	2,853	2,690	2,814
Net income	**13,438**	**13,093**	**14,011**	**14,611**	**15,040**
OPEX	(4,235)	(4,415)	(4,828)	(4,822)	(4,963)
PPOP	**9,203**	**8,678**	**9,183**	**9,789**	**10,077**
Loan allowances	(366)	(157)	(1)	(342)	(358)
Other allowances	(13)	(1)	(492)	(11)	(11)
JV & Associates	7	19	241	241	241
PBT	**8,831**	**8,539**	**8,932**	**9,678**	**9,949**
Tax & zakat	(2,661)	(1,884)	(1,913)	(2,148)	(2,209)
NCI	(50)	(6)	128	90	90
Reported NP	**6,119**	**6,649**	**7,147**	**7,619**	**7,831**
Core NP	**6,119**	**6,649**	**7,147**	**7,619**	**7,831**
Total NII	10,949	10,531	11,068	11,712	12,012
Total NOII	2,489	2,562	2,942	2,898	3,028

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash & ST funds	21,767	11,127	15,469	17,780	17,780
Investment securities	81,387	86,731	86,923	85,190	84,814
Net loans	372,583	394,750	420,472	434,078	452,309
Other IEAs	4	1	6	6	6
Non-IEAs	17,522	17,988	19,994	24,584	25,249
Total assets	**493,263**	**510,598**	**542,863**	**561,637**	**580,158**
Customer deposits	394,719	412,897	433,264	450,894	469,831
Other IBLs	37,989	32,056	37,865	34,772	32,196
Non-IBLs	9,029	9,264	12,087	13,502	11,928
Total liabilities	**441,737**	**454,218**	**483,216**	**499,168**	**513,956**
Share capital	9,418	9,418	9,418	9,418	9,418
Reserves	40,762	45,257	47,918	51,469	55,107
Shareholders' funds	**50,179**	**54,674**	**57,335**	**60,886**	**64,524**
NCI	1,347	1,706	2,311	1,583	1,678
Total equity	**51,526**	**56,380**	**59,647**	**62,470**	**66,202**
Total L&E	**493,263**	**510,598**	**542,863**	**561,637**	**580,158**
Total IEAs	475,741	492,610	522,870	537,053	554,909
Total IBLs	432,708	444,953	471,129	485,666	502,027
Gross loans	376,892	398,997	416,951	437,799	456,187
CASA	118,033	117,295	112,184	126,250	140,949

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Interest (%)					
NIM	2.36	2.18	2.18	2.21	2.20
Return on IEAs	3.22	3.73	3.41	3.37	3.32
Cost of funds	1.37	2.05	1.75	1.67	1.62
Net interest spread	1.84	1.68	1.66	1.69	1.69
Profitability (%)					
ROE	**12.4**	**12.7**	**12.8**	**12.9**	**12.5**
ROA	1.3	1.3	1.4	1.4	1.4
NOII/Net income	18.5	19.6	21.0	19.8	20.1
Effective tax rate	30.1	22.1	21.4	22.2	22.2
Cost/Income	31.5	33.7	34.5	33.0	33.0
Liquidity (%)					
Loan/Deposit	94.4	95.6	95.7	96.3	96.3
CASA ratio	29.9	28.4	26.0	28.0	30.0
Asset Quality (%)					
GIL ratio	0.42	0.59	0.57	0.50	0.50
LLC ratio	272	182	170	170	170
LLC (w. reserves)	292	213	237	192	191
Net CC (bps)	10	4	0	8	8
Capital (%)					
CET 1	14.9	14.2	14.2	14.0	13.8
Tier 1 capital	14.9	14.7	14.7	14.5	14.3
Total capital	17.9	17.6	17.6	17.5	17.3
Growth (%)					
Total NII	11.8	-3.8	5.1	5.8	2.6
Total NOII	-9.5	2.9	14.9	-1.5	4.5
Net income	10.2	-1.2	4.4	4.1	2.6
OPEX	6.8	4.2	9.4	-0.1	2.9
Core NP	8.2	8.7	7.5	6.6	2.8
Gross loans	5.3	5.9	4.5	5.0	4.2
Customer deposits	3.8	4.6	4.5	4.5	4.2
CASA	0.0	-0.6	-4.4	12.5	11.6
Valuation metrics					
Core EPS (sen)	31.5	34.3	36.8	39.3	40.3
Gross DPS (sen)	17.0	19.0	21.0	21.6	22.2
Div payout (%)	54	55	57	55	55
BVPS (RM)	2.6	2.8	3.0	3.1	3.3
Core P/E (x)	14.4	13.3	12.4	11.6	11.3
Div yield (%)	**3.7**	**4.2**	**4.6**	**4.7**	**4.9**
P/BV (x)	1.8	1.6	1.5	1.5	1.4

Source: Bloomberg, MIDFR

Income Statement	Balance Sheet	Valuations & Sector
Core NP – Core Net Profit	LCR – Liquidity Coverage ratio	ROE – Return on Equity
PPOP – Pre-Provisioning Operating Profit	L/D ratio – Loan/Deposit ratio	GGM – Gordon Growth Model
NII – Net Interest Income	CASA – Current & Savings accounts	P/BV – Price to Book Value
NIM – Net Interest Margin	FD – Fixed Deposits	BVPS – Book Value per Share
COF – Cost of Funds	GIL – Gross Impaired Loans	BNM – Bank Negara Malaysia
NOII – Non-Interest Income	NIL – Net Impaired Loans	OPR – Overnight Policy Rate
MTM – Mark to Market	LLC – Loan Loss Coverage	SRR – Statutory Reserve Requirement
CIR – Cost to Income Ratio	NCC – Net Credit Costs	SBR – Standardised Base Rate
OPEX – Operational Expenses	GCC – Gross Credit Costs	ALR – Average Lending Rate
	CET 1 – Common Equity Tier 1	

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology