Corporate Update

Public Bank Berhad

(1295 | PBK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM4.77**

1QFY25 Results
Loan Growth Target Intact

To Conclude	**Decent set of earnings, as forecasted** **Management's tone: Neutral** **Expect: Further NIM compression, possible downward revision of ROE target**
Our Verdict	**PBK is still ideal as an inexpensive defensive pick. NIM compression remains the main headwind that the bank has to deal with**
Valuations	**Current P/BV of 1.50x is inexpensive compared to the 5-year P/BV mean of 1.60x. PBK currently trades at forward FY25F P/BV of 1.41x with a +4.5% dividend yield**
Yays	1. Defensive pick, with some writebacks expected in FY25 2. Fee income to act as a major driver 3. Excellent cost control
Nays	1. ROE target may be revised downwards 2. NIM to further compress
Okays	1. Decent loan growth expected (Management is confident in achieving targets)

Results in a nutshell:

▲ **3MFY25's Core NP of RM1,745m was *Within*/*Within* our/street forecasts: *24%*/*23%* of full-year forecasts.**

► **No dividend announcement.**

▲ **3MFY25's Core net profit (NP) of RM1,745m up by +6%yoy.** This was largely due to improved NII and NOII, which offset higher OPEX and tax expenses.

▼ **1QFY25's Core NP of RM1,745m down by -3%qoq.** This was largely due to lower provisioning offsetting higher tax expenses and NCI.

RETURN STATISTICS

Price @ 21 May 2025 (RM)	4.43
Expected share price return (%)	+7.7
Expected dividend yield (%)	+4.5
Expected total return (%)	**+12.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.6	-1.4
3 months	2.0	1.3
12 months	8.7	10.4

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**7,360**	**7,740**	**8,107**
CNP growth (%)	3	5	5
Div yield (%)	**4.5**	**5.0**	**5.4**
Gross DPS (sen)	20.1	21.9	23.8
P/BV (x)	**1.4**	**1.3**	**1.3**
BVPS (RM)	3.1	3.3	3.5
ROE (%)	**12.4**	**12.3**	**12.2**
% Street CNP (%)	**98**	**99**	**98**

KEY STATISTICS

FBM KLCI	1,544.80
Issue shares (m)	19,410.7
Estimated free float (%)	69.7
Market Capitalisation (RM'm)	87,542.2
52-wk price range	RM3.98 – RM4.84
3-mth average daily volume (m)	19.1
3-mth average daily value (RM'm)	84.4
Top Shareholders (%)	
Consolidated Teh Holdings	21.6
EPF Board	15.3
Kumpulan Wang Persaraan Diperbadan	4.1

Analyst

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Have a look at:

▼ **NIM target has been revised downward.** PBK has revised the NIM target downwards, due to a combination of factors. Heightened wholesale deposit competition and declining loan yields are the core reasons (keep in mind these factors in an OPR cut and SRR cut gain of <1bps).

► **We think there's a possibility of the FY25 ROE target being revised downwards.** PBK achieved a quarterly ROE of 12.4%. Its FY25 ROE target is 13%. With further NIM compression expected in subsequent quarters, PBK suggests that improved fee income (especially from the new LPI income streams) and writebacks (despite a negative revision in FY25 NCC target) will act as core drivers. We are sceptical that these are able to offset the losses stemming from NIM compression.

► **Provisioning target negatively revised – but we aren't overly worried.** Management has increased its NCC target from "low-single-digit" to "single-digit", as management suggests that some writebacks may be delayed (though not all of them). Regardless, this seems like a relatively minor increase in NCC, and management has implied that further writebacks are one of the core drivers of FY25's ROE target.

▲ **Asset quality intact.** Loanbook exposure to tariff-related sectors is minor, making up only 3% of total loanbook and 2% of the domestic portfolio. Management reiterates that HK side impairments are well covered and nothing to be concerned about.

► **Management cites that liquidity is no barrier to achieving loan growth targets.** Despite an elevated Loan/Deposit ratio, management does not seem overly concerned, given their comfortable LCR. They can always draw from (pricier) wholesale deposits or money market deposits. Management reiterates that their current strategy is to acquire as many retail deposits as possible, though they have to contend with depositors favouring pricier high-duration FD brackets. Expect SME loan growth to subside a little in subsequent quarters, since the Group is guiding for 8-9% full year growth (Annualised growth in 1QFY25: 14.5%).

Forecasts unchanged. We make no changes to earnings forecasts.
Key downside risks. *(1) Weaker-than-expected deposit growth, (2) Further overseas impairments, (3) Weak NOII income.*

Maintain BUY call: Unchanged GGM-TP of RM 4.77. The TP is based on an unchanged FY25F P/BV of 1.52x, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY25F ROE of 12.4%, LTG of 3.5% & COE of 9.4%)*

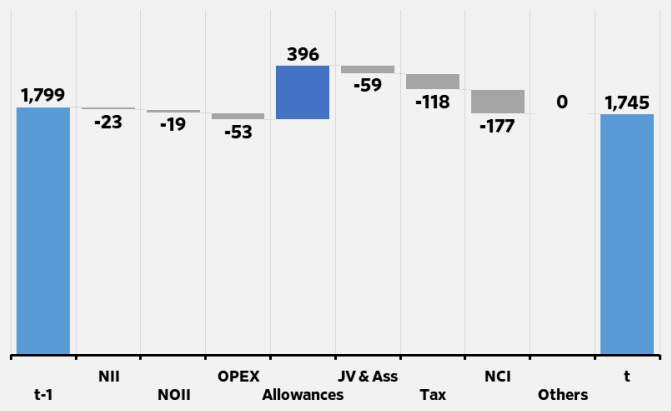
FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Net interest inc.	2,380	2,409	2,318	3	-1	2,380	2,318	3
Islamic banking inc.	448	439	413	8	2	448	413	8
Non-interest inc.	772	794	650	19	-3	772	650	19
Net income	**3,601**	**3,643**	**3,380**	**7**	**-1**	**3,601**	**3,380**	**7**
OPEX	(1,259)	(1,207)	(1,198)	5	4	(1,259)	(1,198)	5
PPOP	**2,341**	**2,436**	**2,182**	**7**	**-4**	**2,341**	**2,182**	**7**
Loan provisions	(39)	41	(63)	-38	-195	(39)	(63)	-38
Other provisions	(4)	(480)	(1)	n.m.	n.m.	(4)	(1)	n.m.
JV & Associates	15	74	14	n.m.	n.m.	15	14	n.m.
PBT	**2,313**	**2,071**	**2,132**	**8**	**12**	**2,313**	**2,132**	**8**
Tax	(520)	(401)	(475)	9	29	(520)	(475)	9
NCI	(48)	130	(4)	1,160	-137	(48)	(4)	1,160
Reported NP	**1,745**	**1,799**	**1,653**	**6**	**-3**	**1,745**	**1,653**	**6**
Core NP	**1,745**	**1,799**	**1,653**	**6**	**-3**	**1,745**	**1,653**	**6**
Total NII	2,804	2,827	2,708	4	-1	2,804	2,708	4
Total NOII	797	816	672	18	-2	797	672	18
Gross DPS (sen)	**-**	**11.0**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	9.0	9.3	8.5	6	-3	9.0	8.5	6
Gross loans	430,065	424,171	405,273	6.1	1.4			
Gross impaired loans	2,288	2,225	2,512	-8.9	2.8			
Customer deposits	437,056	433,264	420,180	4.0	0.9			
CASA	120,229	120,325	117,870	2.0	-0.1			

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**12.3**	**12.6**	**12.1**	**0.1**	**-0.3**	**12.3**	**12.1**	**0.1**
NIM (Reported)	**2.19**	**2.21**	**2.21**	**-0.02**	**-0.02**	**2.19**	**2.21**	**-0.02**
NOII/Net income	22.1	22.4	19.9	2.2	-0.3	22.1	19.9	2.2
Cost/Income	35.0	33.1	35.4	-0.5	1.9	35.0	35.4	-0.5
NCC (Ann.) (bps)	4	(4)	6	-3	8	4	6	-3
GIL ratio	0.53	0.52	0.62	-0.09	0.01			
Loan loss coverage	160	166	169	-9	-6			
CASA ratio	27.5	27.8	28.1	-0.5	-0.3			
L/D ratio	97.6	97.0	95.4	2.1	0.5			
CET-1	14.0	14.3	14.5	-0.4	-0.2			

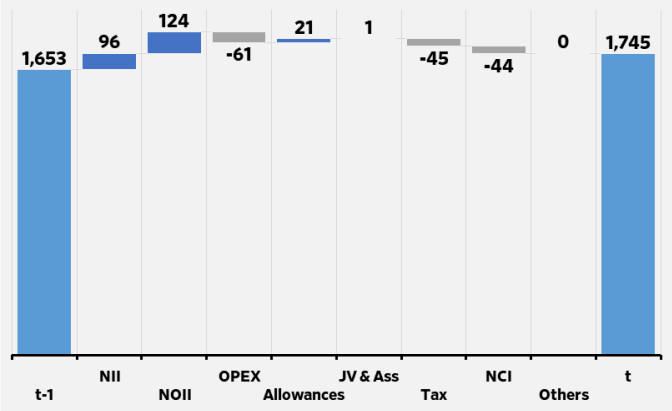
Source: Company, MIDFR

FIG 2: QoQ P/L walk (Quarterly results)



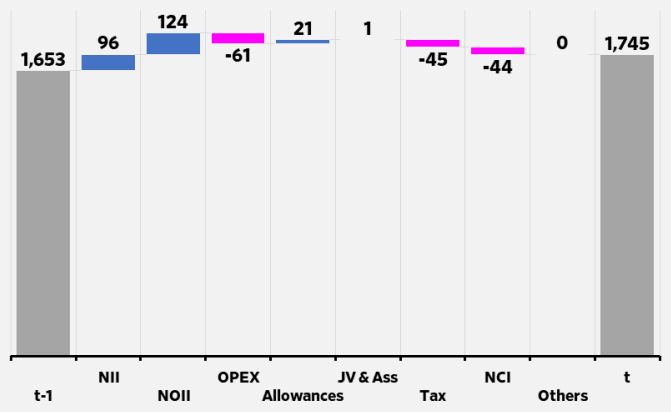
Source: Company, MIDFR

FIG 3: YoY P/L walk (Quarterly results)



Source: Company, MIDFR

FIG 4: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

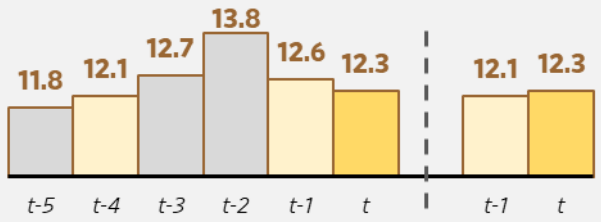
1QFY25 / 3MFY25 results

Earnings: Within/Within our/street forecasts

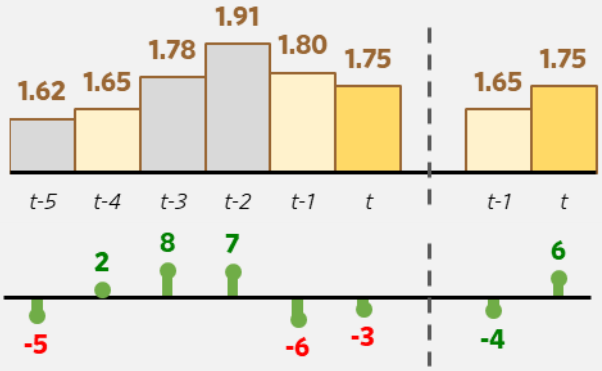
24%/23% of full-year estimates

Dividend: NO

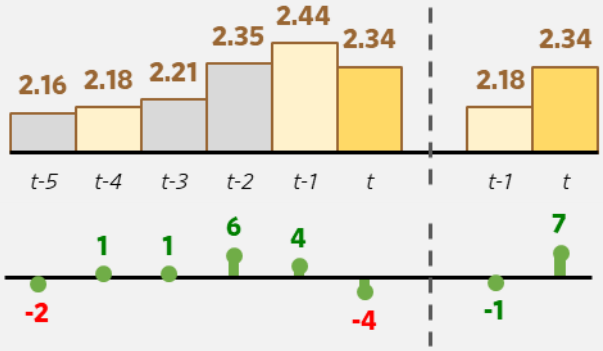
ROE (%)



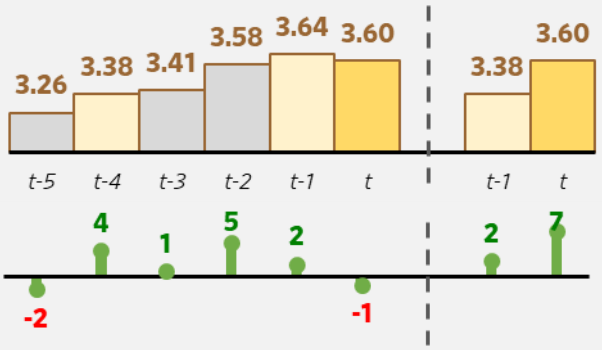
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



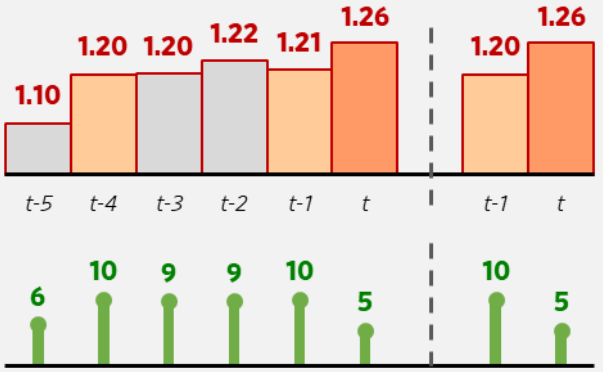
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



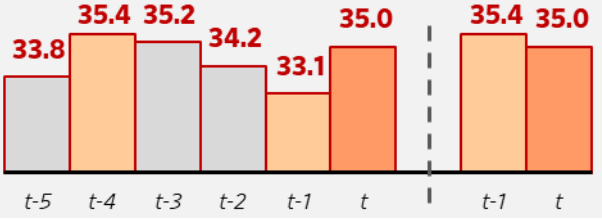
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



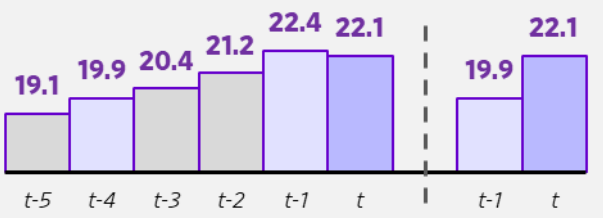
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



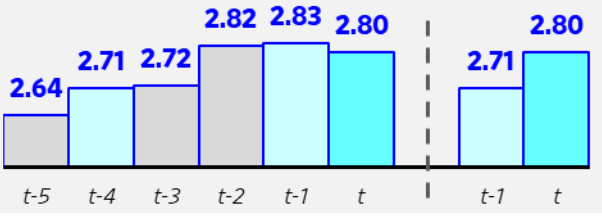
Cost/Income ratio (%)



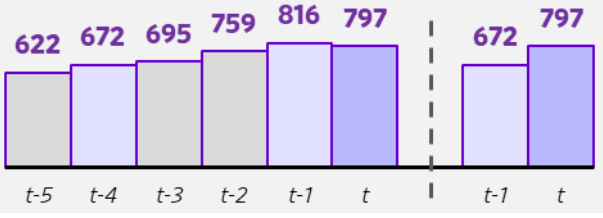
% NOII as topline (%)



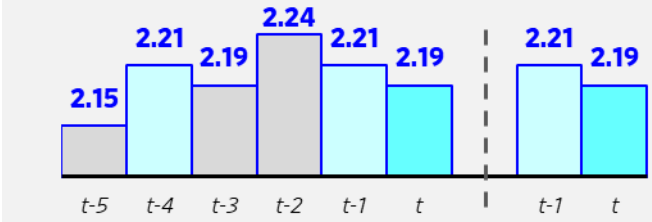
Net interest income (RM b)



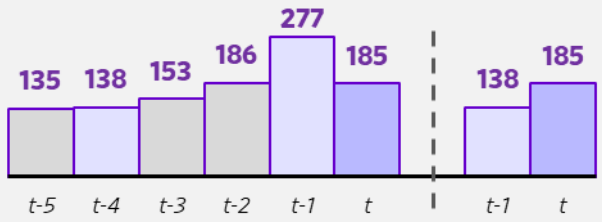
Non-interest income (RM b)



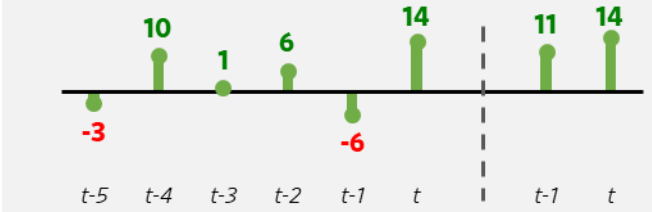
NIM (%)



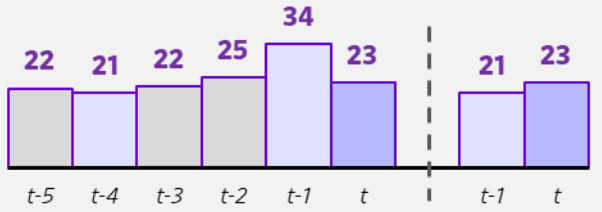
Non-fee NOII (RM b)



Fee income growth – qoq (Qtr) & yoy (Cum) (%)

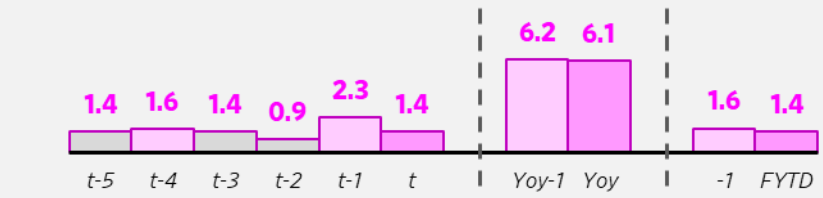


% Non-fee income as NOII (%)

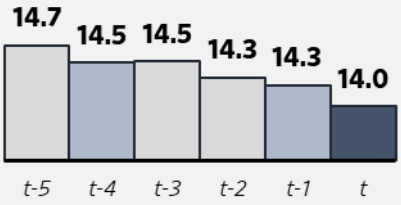


BALANCE SHEET

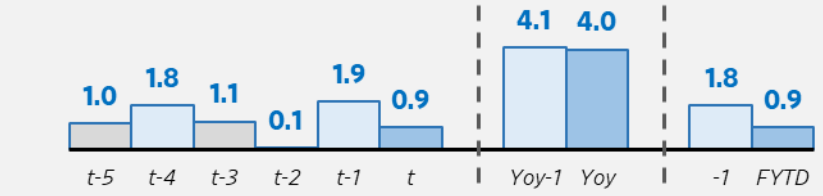
Loan growth – qoq, yoy, FYTD (%)



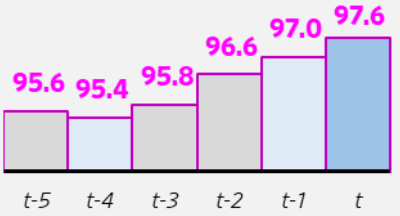
CET 1 ratio (%)



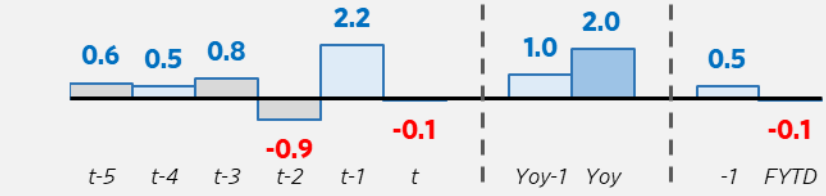
Deposit growth – qoq, yoy, FYTD (%)



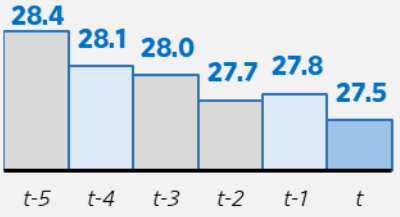
Loan/Deposit ratio (%)



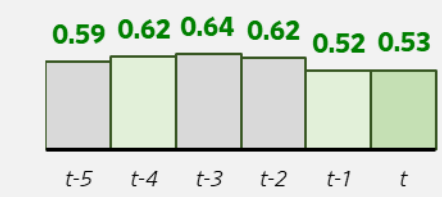
CASA growth – qoq, yoy, FYTD (%)



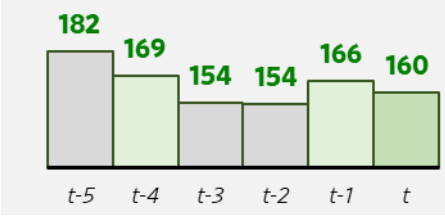
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

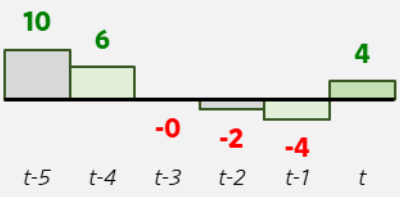


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***1,745***	**Qtrly ROE**	Qtr value	***12.3%***	
	24% of FY CNP					
	Qoq	*-3%*		t-1	*12.6%*	
	Yoy	*6%*		t-4	*12.1%*	
Cum Core NP	RM mil	***1,745***	**Cum ROE**	Cum value	***12.3%***	
	Within our forecast					
	24% of FY CNP					
	Within consensus					
	23% of FY CNP					
	Yoy	*6%*		t-1	*12.1%*	
NII	As expected		**NIM**	As expected		
				Qtr value	***2.19***	
				Cum value	***2.19***	
	Qtr (Qoq)	*-1%*		Qtr (Qoq)	*-2bps*	
	Qtr (Yoy)	*4%*		Qtr (Yoy)	*-2bps*	
	Cum (Yoy)	*4%*		Cum (Yoy)	*-2bps*	
NOII	+ve surprise		**Qtr**	% NII	***78%***	
	Qtr (Qoq)	*-2%*		% NOII	***22%***	
	Qtr (Yoy)	*18%*	**Cum**	% NII	***78%***	
	Cum (Yoy)	*18%*		% NOII	***22%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***35.0%***	
				Cum value	***35.0%***	
	Qtr (Qoq)	*4%*		Qtr (Qoq)	*+1.9%*	
	Qtr (Yoy)	*5%*		Qtr (Yoy)	*-0.5%*	
	Cum (Yoy)	*5%*		Cum (Yoy)	*-0.5%*	

Source: Company, MIDFR

FIG 6: Retrospective performance (Balance Sheet, Dividends, and anything extra)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		Notes *(Cum = Cumulative, Qtr = Quarterly)*
Loans	As expected					
	Qoq	*1.4%*				
	Yoy	*6.1%*				
	YTD (FY)	*1.4%*				
Depo. grwth	-ve surprise		**CASA grwth**	As expected	
	Qoq	*0.9%*		Qoq	*-0.1%*
	Yoy	*4.0%*		Yoy	*2.0%*
	YTD (FY)	*0.9%*		YTD (FY)	*-0.1%*
CASA ratio	As expected		**L/D ratio**	As expected	
	Value now	***27.5%***		Value now	***97.6%***
	Qoq	*-0.3%*		Qoq	*+0.5%*
	Yoy	*-0.5%*		Yoy	*+2.1%*
GIL ratio	As expected		**LLC ratio**	As expected	
	Value now	***0.53%***		Value now	***160%***
	Qoq	*+1bps*		Qoq	*-6%*
	Yoy	*-9bps*		Yoy	*-9%*
Qtrly Net CC	As expected		**Cum Net CC**	As expected	
	Decent provision			Small provision	
	Value now	***4bps***		Value now	***4bps***
	t-1	*-4bps*			
	t-4	*6bps*		t-4	*6bps*
CET 1	Healthy level		**Div payout**	No divvy	
	As expected			As expected	
	Value now	***14.0%***		**Payout**	
	Qoq	*-0.2%*			

Source: Company, MIDFR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25F	3M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	13	12.3	With further NIM compression expected, PBK's fee income and overlay writebacks have to do heavy lifting to achieve the FY25 target. We think a downwards revision is plausible.
CIR		35.0	
NIM	~~0-5bps squeeze~~ Mid-single-digit squeeze (from 2.21%)	2.19	
NOII		18% (yoy)	
Loans	5 – 6	1.4 (YTD)	Management seems confident in achieving its target.
Deposits		0.9 (YTD)	
% CASA		27.5	
Loan/Depo		97.6	
GIL ratio		0.53	
NCC (bps)	~~Low~~ single digit	4	
LLC		160	
CET 1		14.0	
Div payout	60	-	

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Net interest income	**9,055**	**9,451**	**9,751**	**10,197**	**10,601**
Islamic banking inc.	1,562	1,707	2,064	2,158	2,244
Other operating inc.	2,476	2,853	2,829	2,943	3,074
Net income	**13,093**	**14,011**	**14,644**	**15,298**	**15,919**
OPEX	(4,415)	(4,828)	(5,125)	(5,278)	(5,412)
PPOP	**8,678**	**9,183**	**9,518**	**10,020**	**10,506**
Loan allowances	(157)	(1)	(173)	(181)	(190)
Other allowances	(1)	(492)	(11)	(11)	(11)
JV & Associates	19	241	241	241	241
PBT	**8,539**	**8,932**	**9,575**	**10,069**	**10,547**
Tax & zakat	(1,884)	(1,913)	(2,126)	(2,235)	(2,341)
NCI	(6)	128	(89)	(94)	(98)
Reported NP	**6,649**	**7,147**	**7,360**	**7,740**	**8,107**
Core NP	**6,649**	**7,147**	**7,360**	**7,740**	**8,107**
Total NII	10,531	11,069	11,608	12,139	12,621
Total NOII	2,562	2,942	3,036	3,159	3,298

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	11,127	15,469	17,780	17,780	17,780
Investment securities	86,731	86,923	85,190	84,814	86,268
Net loans	394,750	420,472	439,114	458,874	481,818
Other IEAs	1	6	6	6	6
Non-IEAs	17,988	19,994	25,795	26,568	27,461
Total assets	**510,598**	**542,863**	**567,885**	**588,042**	**613,332**
Customer deposits	412,897	433,264	452,761	473,135	496,792
Other IBLs	32,056	37,865	34,642	32,067	29,998
Non-IBLs	9,264	12,087	17,981	16,648	16,665
Total liabilities	**454,218**	**483,216**	**505,384**	**521,850**	**543,455**
Share capital	9,418	9,418	9,418	9,418	9,418
Reserves	45,257	47,918	51,499	55,097	58,689
Shareholders' funds	**54,674**	**57,335**	**60,917**	**64,514**	**68,107**
NCI	1,706	2,311	1,584	1,677	1,771
Total equity	**56,380**	**59,647**	**62,501**	**66,192**	**69,877**
Total L&E	**510,598**	**542,863**	**567,885**	**588,042**	**613,332**
Total IEAs	492,610	522,870	542,090	561,474	585,872
Total IBLs	444,953	471,129	487,403	505,202	526,790
Gross loans	398,997	424,171	443,259	463,205	486,366
CASA	117,295	120,325	117,718	118,284	124,198

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest (%)					
NIM	2.18	2.14	2.18	2.20	2.20
Return on IEAs	3.73	3.72	3.34	3.30	3.24
Cost of funds	2.05	2.06	1.67	1.61	1.55
Net interest spread	1.68	1.66	1.66	1.69	1.69
Profitability (%)					
ROE	**12.7**	**12.8**	**12.4**	**12.3**	**12.2**
ROA	1.3	1.4	1.3	1.3	1.3
NOII/Net income	19.6	21.0	20.7	20.6	20.7
Effective tax rate	22.1	21.4	22.2	22.2	22.2
Cost/Income	33.7	34.5	35.0	34.5	34.0
Liquidity (%)					
Loan/Deposit	95.6	97.0	97.0	97.0	97.0
CASA ratio	28.4	27.8	26.0	25.0	25.0
Asset Quality (%)					
GIL ratio	0.59	0.52	0.55	0.55	0.55
LLC ratio	182	166	170	170	170
LLC (w. reserves)	213	238	189	188	188
Net CC (bps)	4	0	4	4	4
Capital (%)					
CET 1	14.7	14.3	14.0	13.8	13.8
Tier 1 capital	14.7	14.3	14.5	14.3	14.3
Total capital	17.6	17.1	17.5	17.3	17.3
Growth (%)					
Total NII	-3.8	5.1	4.9	4.6	4.0
Total NOII	2.9	14.8	3.2	4.1	4.4
Net income	-1.2	4.4	3.2	4.6	4.0
OPEX	4.2	9.4	6.2	3.0	2.5
Core NP	8.7	7.5	3.0	5.2	4.7
Gross loans	5.9	6.3	4.5	4.5	5.0
Customer deposits	4.6	4.9	4.5	4.5	5.0
CASA	-0.6	2.6	-2.2	0.5	5.0
Valuation metrics					
Core EPS (sen)	34.3	36.8	37.9	39.9	41.8
Gross DPS (sen)	19.0	21.0	20.1	21.9	23.8
Div payout (%)	55	57	53	55	57
BVPS (RM)	2.8	3.0	3.1	3.3	3.5
Core P/E (x)	12.9	12.0	11.7	11.1	10.6
Div yield (%)	**4.3**	**4.7**	**4.5**	**5.0**	**5.4**
P/BV (x)	1.6	1.5	1.4	1.3	1.3

Source: Company, MIDFR

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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