Corporate Update

Public Bank Berhad

(1295 | PBK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Revised Target Price **RM4.82**
(from RM4.77)

2QFY25 Results Review
ROE Target Maintained

To Conclude	**Solid set of earnings, as forecasted.** **Management's tone: Slightly negative.** **Expect: Be wary of PBK potentially missing FY25 targets.**
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 1.54x is inexpensive, trading below -1SD of the 10-year P/BV mean of 1.90x.** **The company is currently trading at a forward FY26F P/BV of 1.33x with a +5.0% dividend yield.**
Yays	1. Defensive pick, though do not expect major writebacks in FY25. 2. Fee income to act as a major topline driver. 3. Excellent cost control.
Nays	1. NIM compression to occur. 2. ROE target may not be achieved.
Okays	1. Decent loan growth expected.

Results in a nutshell:

► **6MFY25's Core NP of RM3,505m was *Within/Within* our/street forecasts: *48%/47%* of full-year forecasts.**

▲ **Dividends announced.** DPS of 10.5 sen translates to a payout of 58% for 6MFY25.

▲ **6MFY25's Core net profit (NP) of RM3,505m up by +2%yoy.** Increased NII and NOII result offset higher OPEX, provision, and tax charges.

► **2QFY25's Core NP of RM1,760m up by +1%qoq.** Improved NII was able to offset higher OPEX.

Have a look at:

► **FY25's (lofty) ROE target maintained, despite NIM guidance revised downwards.** Management maintains that it will be relying on NOII income (more specifically, improvements in bancassurance and unit trust performance) to compensate for the reduced NII. The Group will not be using overlay releases to achieve the ROE target if earnings are lacking. We think this is overly optimistic and opine that the Group will not be achieving its 13% ROE target (it needs a 2HFY25 ROE of 14.0% to achieve this).

RETURN STATISTICS

Price @ 26 August 2025 (RM)	4.42
Expected share price return (%)	+9.0
Expected dividend yield (%)	+5.0
Expected total return (%)	**+14.0**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.2	0.0
3 months	3.7	-2.4
12 months	-1.3	1.0

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 (%)	**100**	**101**	**100**

KEY STATISTICS

FBM KLCI	1,581.59
Issue shares (m)	19,410.7
Estimated free float (%)	69.7
Market Capitalisation (RM'm)	86,765.8
52-wk price range	RM4.03 – RM4.84
3-mth average daily volume (m)	17.7
3-mth average daily value (RM'm)	76.1
Top Shareholders (%)	
Consolidated Teh Holdings	21.6
EPF Board	15.3
Kumpulan Wang Persaraan Diperbadan	4.1

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▼ **Management (slightly) revises its NIM target downward.** From a loan yield perspective, residential mortgages and SME loan segments remain highly competitive. Regardless, management still feels relatively optimistic about its COF outlook. Alternative funding methods (RM1.6b of senior debt was recently issued) seem promising – the Group also notes that its peers have been pricing retail deposit rates downwards, implying that the industry as a whole can reduce reliance on pricier institutional deposits.

► **Despite declining CASA market share, the Group is happy about current deposit performance.** While PBK has been losing market share over the last couple of years, management highlights that its current cost per deposit account is far lower than that of its peers. If it means avoiding high-cost CASA campaigns, the group is willing to trade off market share to preserve its margins. On the subject of its FY25 deposit growth target of 4-5%, the Group feels that it is trailing this figure well in 1HFY25 and does not feel overly pressured to deliver.

▲ **Hong Kong's outlook is much brighter this year.** After last year's disappointing loss due to asset quality issues, this year is seeing improving margins and some stabilisation on asset quality. From management's perspective, the big question is the extent of recovery achievable.

▲ **The Group may delay LPI's disposal of PBK shares until market conditions improve.** Recall that management was given until FY26 to dispose of these shares – we feel, however, that management has the potential to prolong the deadline if market conditions remain lacklustre.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Lower-than-expected loan growth, (2) Weak NOII performance, (3) Steeper-than-expected NIM compression.*

Maintain BUY call: Revised GGM-TP of RM 4.82 ***(from RM4.77)***. The TP is based on a revised FY26F P/BV of 1.45x *(formerly 1.52x, rolled on from FY25F)*, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 12.3%, LTG of 3.5% & COE of 9.6%)*

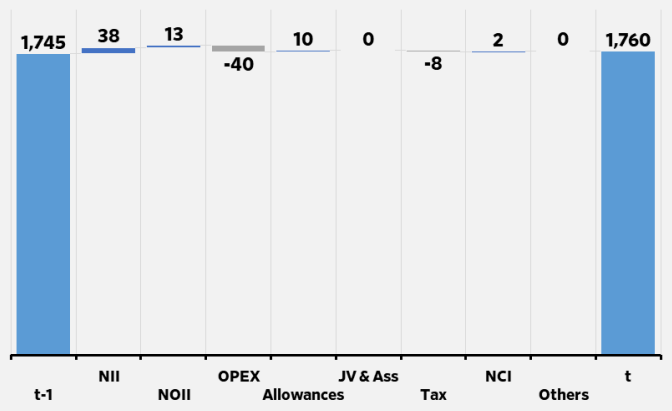
FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Net interest inc.	2,411	2,380	2,318	4	1	4,791	4,636	3
Islamic banking inc.	463	448	417	11	3	911	830	10
Non-interest inc.	778	772	675	15	1	1,550	1,324	17
Net income	**3,652**	**3,601**	**3,410**	**7**	**1**	**7,252**	**6,790**	**7**
OPEX	(1,299)	(1,259)	(1,199)	8	3	(2,559)	(2,398)	7
PPOP	**2,352**	**2,341**	**2,210**	**6**	**0**	**4,693**	**4,393**	**7**
Loan provisions	(34)	(39)	1	-2,823	-13	(73)	(62)	18
Other provisions	1	(4)	(6)	n.m.	n.m.	(4)	(7)	n.m.
JV & Associates	15	15	74	n.m.	n.m.	30	88	n.m.
PBT	**2,334**	**2,313**	**2,280**	**2**	**1**	**4,646**	**4,412**	**5**
Tax	(528)	(520)	(500)	6	2	(1,047)	(974)	7
NCI	(46)	(48)	1	-3,729	-4	(94)	(3)	3,624
Reported NP	**1,760**	**1,745**	**1,782**	**-1**	**1**	**3,505**	**3,435**	**2**
Core NP	**1,760**	**1,745**	**1,782**	**-1**	**1**	**3,505**	**3,435**	**2**
Total NII	2,842	2,804	2,715	5	1	5,646	5,423	4
Total NOII	810	797	695	17	2	1,606	1,367	17
Gross DPS (sen)	**10.5**	**-**	**10.0**	**n.m.**	**n.m.**	**10.5**	**10.0**	**n.m.**
Core EPS (sen)	9.1	9.0	9.2	-1	1	18.2	17.7	3
Gross loans	434,897	430,065	410,959	5.8	1.1			
Gross impaired loans	2,342	2,288	2,623	-10.7	2.4			
Customer deposits	440,939	437,056	424,851	3.8	0.9			
CASA	121,451	120,229	118,803	2.2	1.0			

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**12.0**	**12.3**	**12.7**	**-0.6**	**-0.2**	**12.0**	**12.2**	**-0.2**
NIM (Reported)	**2.18**	**2.19**	**2.19**	**-0.01**	**-0.01**	**2.19**	**2.20**	**-0.01**
NOII/Net income	22.2	22.1	20.4	1.8	0.0	22.1	20.1	2.0
Cost/Income	35.6	35.0	35.2	0.4	0.6	35.3	35.3	-0.0
NCC (Ann.) (bps)	3	4	(0)	3	-1	3	3	0
GIL ratio	0.54	0.53	0.64	-0.10	0.01			
Loan loss coverage	154	160	154	-0	-6			
CASA ratio	27.5	27.5	28.0	-0.4	0.0			
L/D ratio	97.8	97.6	95.8	2.0	0.2			
CET-1	14.0	14.0	14.5	-0.5	-0.0			

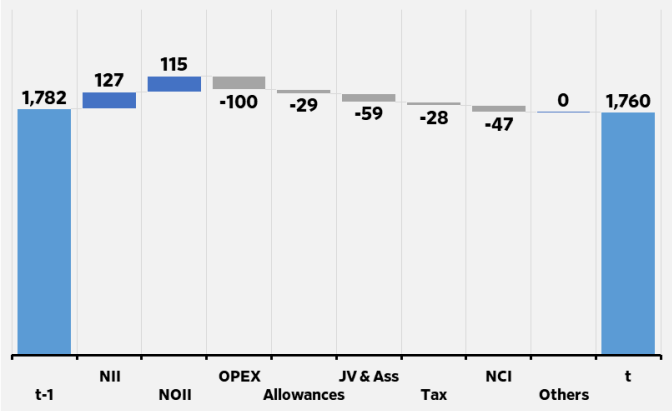
Source: Company, MBSBR

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



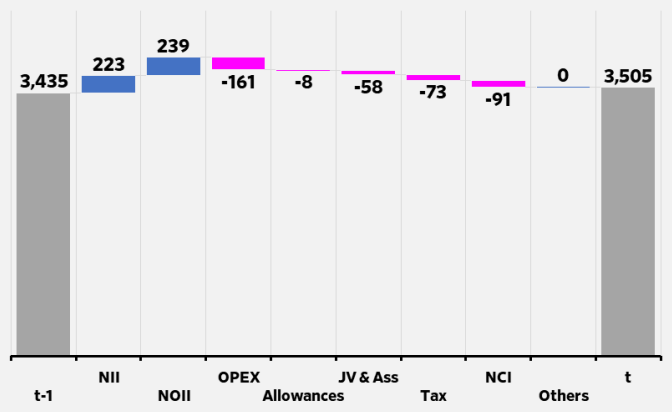
Source: Company, MBSBR

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



Source: Company, MBSBR

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



Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

2QFY25 / 6MFY25 results

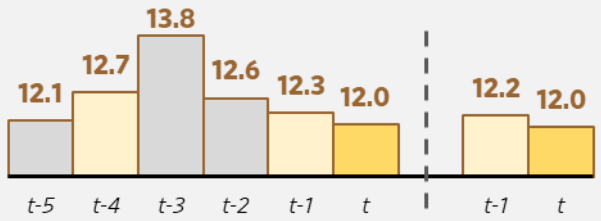
Earnings: Within/Within our/street forecasts

48%/47% of full-year estimates

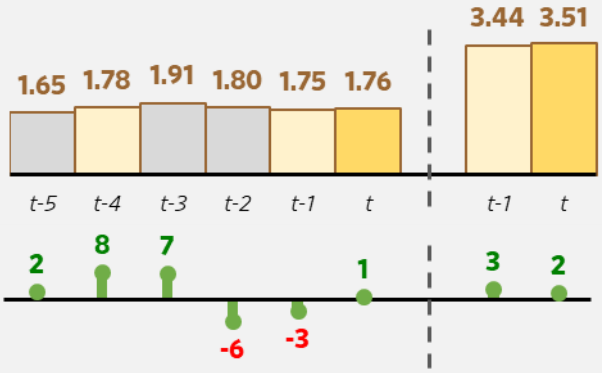
Dividend: YES

YTD payout: 58%

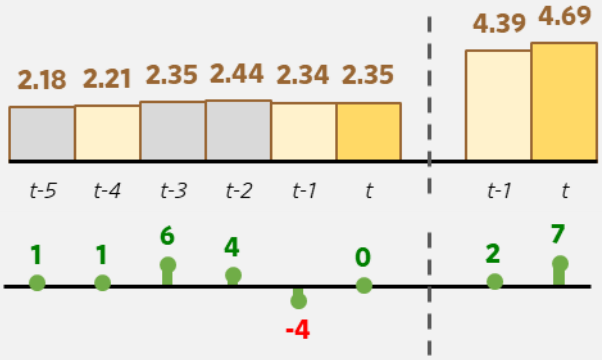
ROE (%)



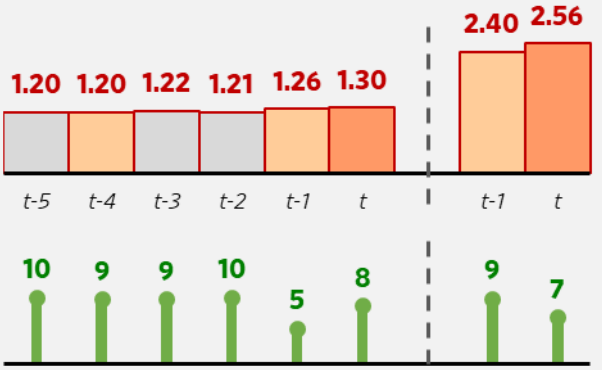
Core Net Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



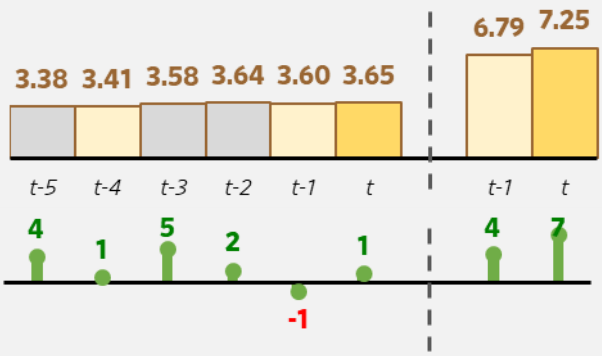
Pre-Provisioning Operating Profit (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



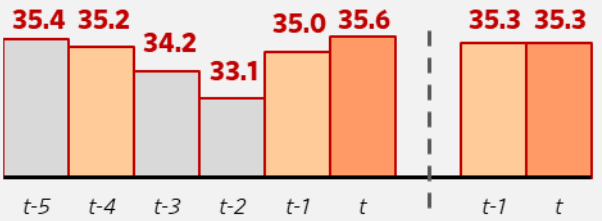
OPEX – (RM b)
Growth – yoy only! (Qtr & Cum) (%)



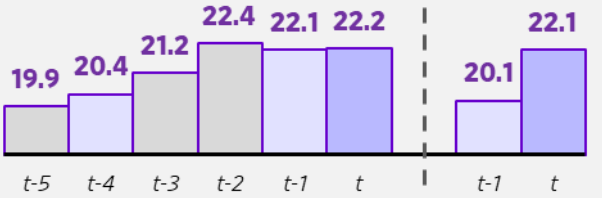
Topline – (RM b)
Growth – qoq (Qtr) & yoy (Cum) (%)



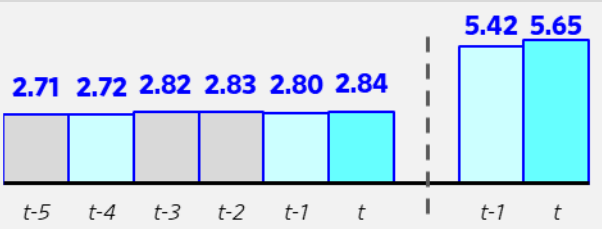
Cost/Income ratio (%)



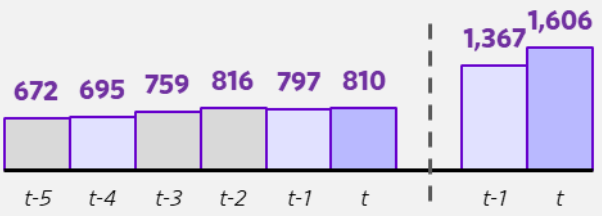
% NOII as topline (%)



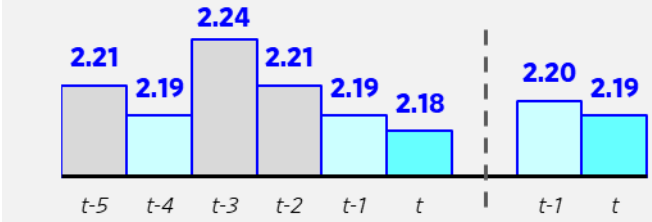
Net interest income (RM b)



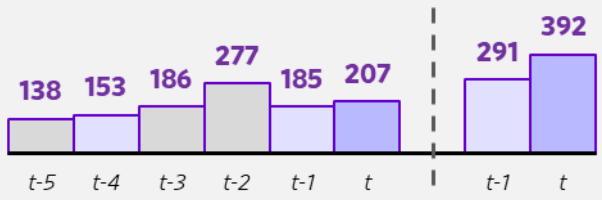
Non-interest income (RM b)



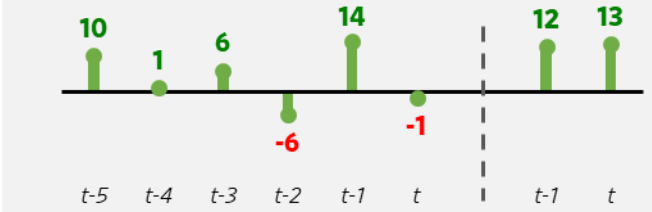
NIM (%)



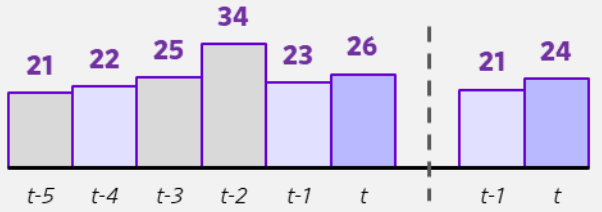
Non-fee NOII (RM b)



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

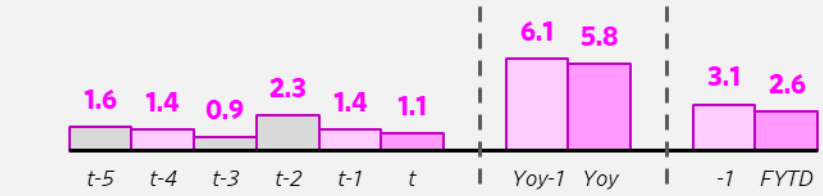


% Non-fee income as NOII (%)

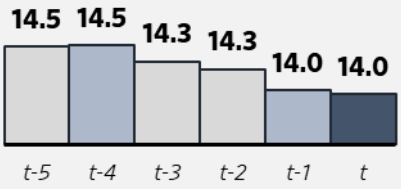


BALANCE SHEET

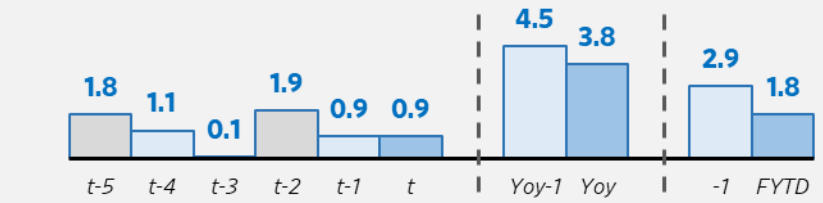
Loan growth – qoq, yoy, FYTD (%)



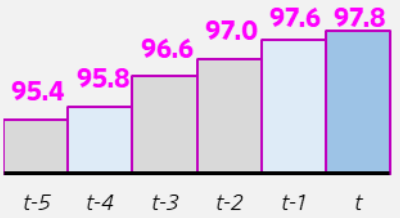
CET 1 ratio (%)



Deposit growth – qoq, yoy, FYTD (%)



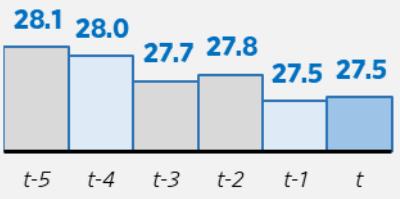
Loan/Deposit ratio (%)



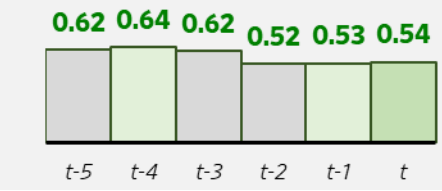
CASA growth – qoq, yoy, FYTD (%)



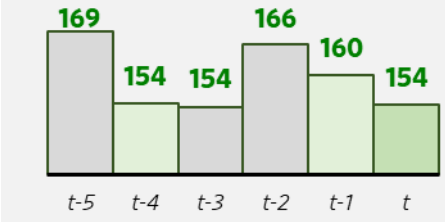
CASA ratio (%)



GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)

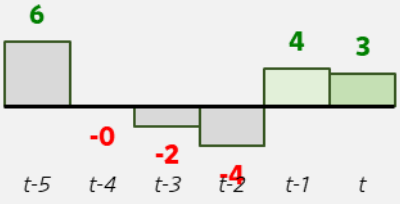


FIG 5: Retrospective performance (Income Statement)

Metric	Surprise? *Qoq/Yoy*		Metric	Surprise? *Qoq/Yoy*		**Notes** *(Cum = Cumulative, Qtr = Quarterly)*
Qtrly Core NP	RM mil	***1,760***	**Qtrly ROE**	Qtr value	***12.0%***	
	24% of FY CNP					
	Qoq	*1%*		t-1	*12.3%*	
	Yoy	*-1%*		t-4	*12.7%*	
Cum Core NP	RM mil	***3,505***	**Cum ROE**	Cum value	***12.0%***	
	Within our forecast					
	48% of FY CNP					
	Within consensus					
	47% of FY CNP					
	Yoy	*2%*		t-1	*12.2%*	
NII	As expected		**NIM**	As expected		
				Qtr value	***2.18***	
				Cum value	***2.19***	
	Qtr (Qoq)	*1%*		Qtr (Qoq)	*-1bps*	
	Qtr (Yoy)	*5%*		Qtr (Yoy)	*-1bps*	
	Cum (Yoy)	*4%*		Cum (Yoy)	*-1bps*	
NOII	As expected		**Qtr**	% NII	***78%***	
	Qtr (Qoq)	*2%*		% NOII	***22%***	
	Qtr (Yoy)	*17%*	**Cum**	% NII	***78%***	
	Cum (Yoy)	*17%*		% NOII	***22%***	
OPEX	As expected		**Cost/ Inc.**	As expected		
				Qtr value	***35.6%***	
				Cum value	***35.3%***	
	Qtr (Qoq)	*3%*		Qtr (Qoq)	*+0.6%*	
	Qtr (Yoy)	*8%*		Qtr (Yoy)	*+0.4%*	
	Cum (Yoy)	*7%*		Cum (Yoy)	*-0.0%*	

Source: Company, MBSBR

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	*1.1%*				
	Yoy	*5.8%*				
	YTD (FY)	*2.6%*				
Depo. grwth	As expected		**CASA grwth**	As expected		
	Qoq	*0.9%*		Qoq	*1.0%*	
	Yoy	*3.8%*		Yoy	*2.2%*	
	YTD (FY)	*1.8%*		YTD (FY)	*0.9%*	
CASA ratio	As expected		**L/D ratio**	As expected		
	Value now	***27.5%***		Value now	***97.8%***	
	Qoq	*+0.0%*		Qoq	*+0.2%*	
	Yoy	*-0.4%*		Yoy	*+2.0%*	
GIL ratio	As expected		**LLC ratio**	As expected		
	Value now	***0.54%***		Value now	***154%***	
	Qoq	*+1bps*		Qoq	*-6%*	
	Yoy	*-10bps*		Yoy	*-0%*	
Qtrly Net CC	As expected		**Cum Net CC**	As expected		
	Decent provision			Decent provision		
	Value now	***3bps***		Value now	***3bps***	
	t-1	*4bps*				
	t-4	*-0bps*		t-4	*3bps*	
CET 1	Healthy level		**Div payout**	No divvy		
	As expected			As expected		
	Value now	***14.0%***		**Payout**	***58%***	
	Qoq	*-0.0%*				

Source: Company, MBSBR

FIG 7: Targets, Achievements, and Outlook

Targets	FY25	1H FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	13	12.0	
CIR		35.3	
NIM	Mid-to-high-single-digit squeeze (from 2.21%)	2.19	
NOII		17% (yoy)	
Loans	5 – 6	2.6 (YTD)	
Deposits		1.8 (YTD)	
% CASA		27.5	
Loan/Depo		97.8	
GIL ratio		0.54	
NCC (bps)	Single digit	3	
LLC		154	
CET 1		14.0	
Div payout	60	58	

Source: Company, MBSBR

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**	**4.8**	**4.5**	**5.0**	**5.4**
P/BV (x)	1.6	1.5	1.4	1.3	1.3

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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