Corporate Update

Public Bank Berhad

(1295 | PBK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM5.05**

3QFY25 Results Review
The Push for SMEs

RETURN STATISTICS	
Price @ 17 November 2025 (RM)	4.30
Expected share price return (%)	+17.4
Expected dividend yield (%)	+5.1
Expected total return (%)	**+22.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.1	1.0
3 months	-0.9	-6.5
12 months	-4.0	-6.0

INVESTMENT STATISTICS			
FYE Dec	**FY25F**	**FY26F**	**FY27F**
Core NP (RM m)	**7,360**	**7,740**	**8,107**
CNP growth (%)	3	5	5
Div yield (%)	**2.0**	**2.2**	**2.4**
Gross DPS (sen)	20.1	21.9	23.8
P/BV (x)	**3.2**	**3.0**	**2.9**
BVPS (RM)	3.1	3.3	3.5
ROE (%)	**12.4**	**12.3**	**12.2**
% Street CNP (%)	**102**	**103**	**102**

KEY STATISTICS	
FBM KLCI	1,627.43
Issue shares (m)	19,410.7
Estimated free float (%)	69.7
Market Capitalisation (RM'm)	83,271.9
52-wk price range	RM4.03 – RM4.70
3-mth average daily volume (m)	16.5
3-mth average daily value (RM'm)	71.1
Top Shareholders (%)	
Consolidated Teh Holdings	21.6
EPF Board	15.3
Kumpulan Wang Persaraan Diperbadan	4.1

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Neutral

Expect: Possible special dividends by FY26 end.

Our Verdict

We think there's a high probability that PBK may pay out special dividends. PBK's fundamentals also remain solid: Well buffered, solid pick-up in high yielding SME loan segment, and convincing recovery in fee income.

Valuations

An unchanged FY26F P/BV of 1.52x

Current P/BV of 1.42x is inexpensive, trading near -1SD of the 10-year P/BV mean of 1.87x.

The company is currently trading at a forward FY26F P/BV of 1.29x with a 5.1% dividend yield.

Themes

1. ▲ Excellent asset quality, with still a lot of provision buffers retained.
2. ▲ High probability of special dividend payout. Excess capital comes from both LPI share disposal and implementation of Basel IV credit risk regulation.
3. ▲ Good recovery in fee income, which remains a convincing topline driver. Remains the central component in its loanbook optimisation initiative.
4. ▲ Cost control remains among best in industry.
5. ► Aggressive take-up in SME loans – though other segments are lacking.
6. ▼ Poor NIM outlook.

Results in a nutshell:

▲ **9MFY25's Core NP of RM5,348m was *Within*/*Within* our/street forecasts: *73%*/*74%* of full-year forecasts.**

► **No dividend announcement.**

► **9MFY25's Core net profit (NP) of RM5,348m was flat, posting a 0%yoy gain.** Stronger topline (largely from NOII improvements) offset higher OPEX and tax expenses.

▲ **3QFY25's Core NP of RM1,843m up by 5%qoq.** The growth was largely driven by higher NOII, which offset the weaker NII result.

Analyst

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Have a look at:

▼ **ROE guidance revised downwards (as expected).** Management has revised its FY25 ROE guidance from 13.0% to a more manageable 12.5-13.0%. We were not convinced by management's initial claims for NOII to be sufficient in pulling up FY25's full-year ROE.

► **No comment on special dividends, though we think it is still possible.** Management retains its FY25 dividend guidance of 60%, though it explicitly mentions that this does not factor in the release of excess capital coming from new Basel IV reforms. They repeat that their intention is to increase dividend payout gradually throughout the years. (Generally, management prefers keeping tight-lipped on the prospect of special dividends.)

▼ **NIMs yet to bottom out.** Despite pretty steep sequential quarter NIM compression, management guides for even more compression in the next quarter, as deposit repricing is still underway (and year-end deposit competition may occur). There is little room for further LCR reduction, as the current level is already close to the optimum level of ~130%.

▼ **The landscape has changed since pre-pandemic times (for the worse).** Management is not optimistic that stable NIM will return to the pre-pandemic ~2.18% level, due to lower loan yields and tighter deposit competition. Nevertheless, we think the Group's ongoing loan rebalancing exercise will help to close to gap.

▼ **Also, CASA ratio will likely continue to decline.** Management did not seem overly convinced in its ability to maintain its CASA ratio above pre-pandemic levels – regardless, it will continue to rely on new products, better technology and cross-selling ability to sustain it.

▲ **More optimism on NOII (specifically fee income) outlook.** While non-fee offerings remain volatile (but should persist for at least a few more quarters), management expresses optimism on continued fee income success, largely driven by bancassurance and unit trust income (having previously intensified efforts of these two revenue streams). Management seems confident on their ability to smash their internal target of NOII 5-6%yoy growth.

▲ **LPI collaboration efforts yet to bear fruit.** Management is only expecting visible results in next year's financials. As the fire premium segment is already seeing solid growth, management expects more benefit skewed towards the non-fire insurance segments. LPI will also cross-sell more banking products next year.

▲ **Domestic SME segment market share to grow – while other segments may be left behind.** As of late, PBK has been gaining market share in the domestic SME segment – working its way slowly to its higher pre-pandemic levels. At the same time, it is seeing slowing or declining market share in lower-yielding loan segments – particularly residential mortgages. This is a conscious decision made by the bank, to skew the loanbook towards higher yielding loans. The Group attributes its solid progress to good service, fast turnaround times, its recently set-up commercial banking centres and campaigns with competitive rates.

▲ **Some overlay writebacks this quarter.** 3QFY25 saw a release of RM69m. 1HFY25 saw a release of RM225m, which brings up the total overlays for 9MFY25 to RM294m. Roughly RM1.0b worth of overlays remain. The overlay writebacks this quarter were all domestic, but management is nevertheless confident on the overseas asset quality, which continues to improve.

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

Maintain BUY call: Unchanged GGM-TP of RM 5.05. The TP is based on an unchanged FY26F P/BV of 1.52x.
(GGM assumptions: *FY26F ROE of 12.3%, LTG of 3.5% & COE of 9.3%)*

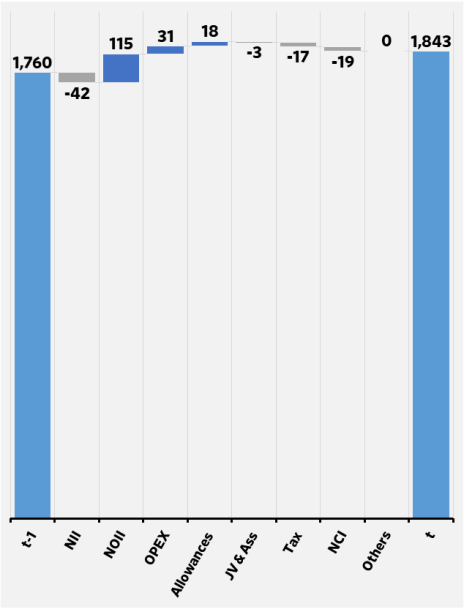
FIG 1: Quarterly results

FYE Dec (RM m)	3Q FY25	2Q FY25	3Q FY24	Yoy (%)	Qoq (%)	9M FY25	9M FY24	Yoy (%)
Net interest inc.	2,371	2,411	2,406	-1	-2	7,162	7,042	2
Islamic banking inc.	467	463	438	7	1	1,378	1,268	9
Non-interest inc.	887	778	734	21	14	2,438	2,058	18
Net income	**3,725**	**3,652**	**3,578**	**4**	**2**	**10,977**	**10,368**	**6**
OPEX	(1,269)	(1,299)	(1,224)	4	-2	(3,828)	(3,621)	6
PPOP	**2,456**	**2,352**	**2,354**	**4**	**4**	**7,149**	**6,746**	**6**
Loan provisions	(11)	(34)	20	-153	-68	(84)	(42)	101
Other provisions	(5)	1	(4)	n.m.	n.m.	(8)	(11)	n.m.
JV & Associates	12	15	79	n.m.	n.m.	42	167	n.m.
PBT	**2,453**	**2,334**	**2,449**	**0**	**5**	**7,099**	**6,861**	**3**
Tax	(545)	(528)	(537)	1	3	(1,592)	(1,511)	5
NCI	(65)	(46)	1	-9,173	42	(159)	(2)	8,752
Reported NP	**1,843**	**1,760**	**1,913**	**-4**	**5**	**5,348**	**5,348**	**0**
Core NP	**1,843**	**1,760**	**1,913**	**-4**	**5**	**5,348**	**5,348**	**0**
Total NII	2,800	2,842	2,819	-1	-1	8,446	8,242	2
Total NOII	925	810	759	22	14	2,531	2,126	19
Gross DPS (sen)	**-**	**10.5**	**-**	**n.m.**	**n.m.**	**10.5**	**10.0**	**n.m.**
Core EPS (sen)	9.5	9.1	9.9	-3	5	27.7	27.5	1
Gross loans	441,239	434,897	414,482	6.5	1.5			
Gross impaired loans	2,281	2,342	2,550	-10.5	-2.6			
Customer deposits	446,209	440,939	425,095	5.0	1.2			
CASA	123,880	121,451	117,787	5.2	2.0			

Ratios (%)	3Q FY25	2Q FY25	3Q FY24	Yoy (ppts)	Qoq (ppts)	9M FY25	9M FY24	Yoy (ppts)
ROE (Ann.)	**12.7**	**12.0**	**13.8**	**-1.1**	**0.6**	**12.2**	**12.9**	**-0.6**
NIM (Reported)	**2.10**	**2.18**	**2.24**	**-0.14**	**-0.08**	**2.16**	**2.21**	**-0.05**
NOII/Net income	24.8	22.2	21.2	3.6	2.7	23.1	20.5	2.6
Cost/Income	34.1	35.6	34.2	-0.2	-1.5	34.9	34.9	-0.1
NCC (Ann.) (bps)	1	3	(2)	3	-2	3	1	1
GIL ratio	0.52	0.54	0.62	-0.10	-0.02			
Loan loss coverage	155	154	154	1	1			
CASA ratio	27.8	27.5	27.7	0.1	0.2			
L/D ratio	98.1	97.8	96.6	1.5	0.3			
CET-1	13.8	14.0	14.3	-0.5	-0.2			

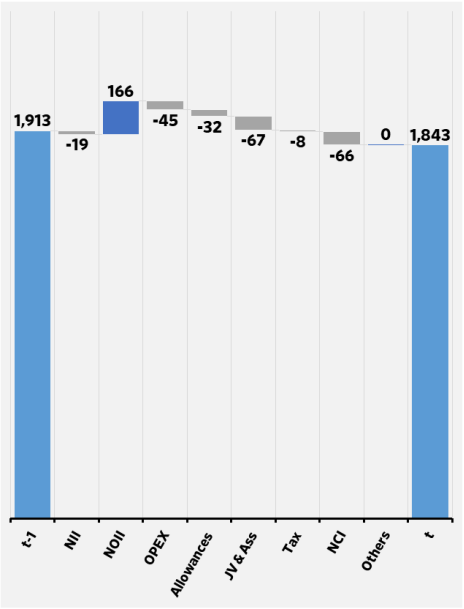
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



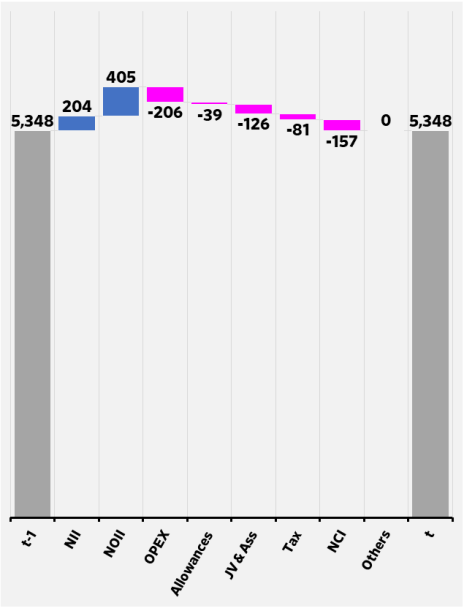
Source: Company, MBSBR

FIG 3: QoQ P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: QoQ P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY25F	9M FY25	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	12.5 – 13.0	12.2	PBK's reported 9MFY25 ROE is 12.6%, is in line with its newer ROE guidance.
CIR		34.9	
NIM	Mid-to-high-single digit squeeze	2.16	Further NIM compression expected in 4QFY25.
NOII		19% (yoy)	
Loans	5 – 6	4.1 (YTD)	
Deposits		3.0 (YTD)	
% CASA		27.8	
Loan/Depo		98.1	
GIL ratio		0.52	
NCC (bps)	Single digit	3	Overlays remaining: RM1.0b.
CET 1		13.8	
Div payout	60	-	

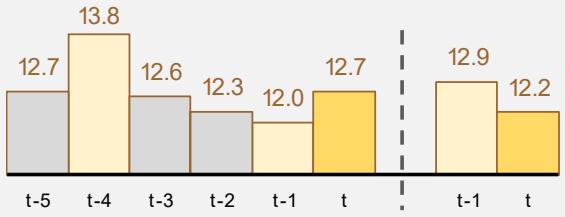
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

3QFY25 / 9MFY25 results

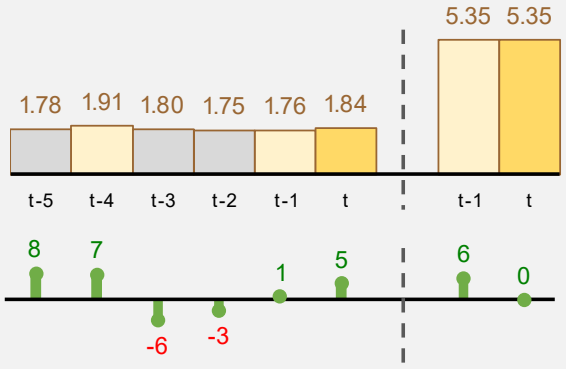
Earnings:	**Within our full-year forecasts**	**(73%)**
	Within street full-year forecasts	(74%)
Dividend:	**NO**	
YTD payout:	-	

ROE (%)



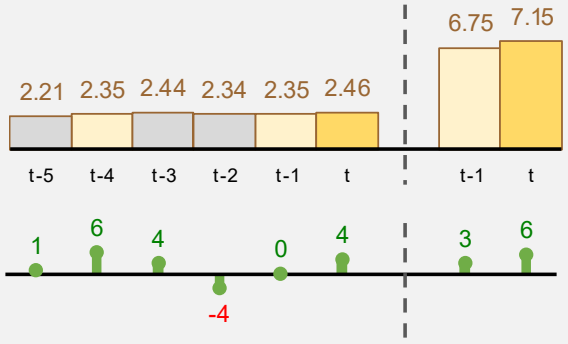
Core Net Profit (RM b)

Growth -- qoq (Qtr) & yoy (Cum) (%)



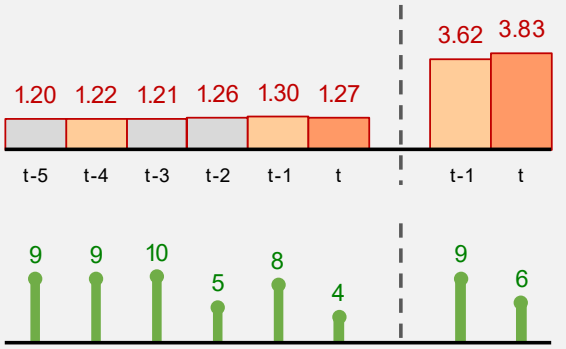
Pre-Provisioning Operating Profit (RM b)

Growth -- qoq (Qtr) & yoy (Cum) (%)



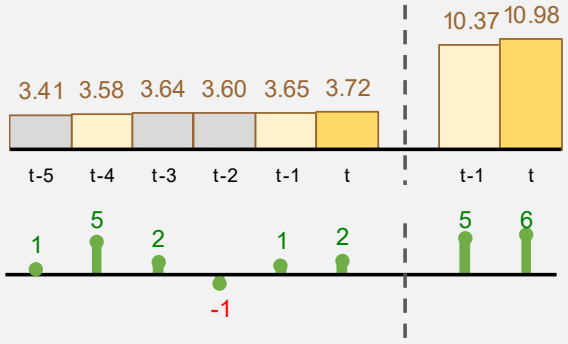
OPEX (RM b)

Growth -- yoy only! (Qtr & Cum) (%)

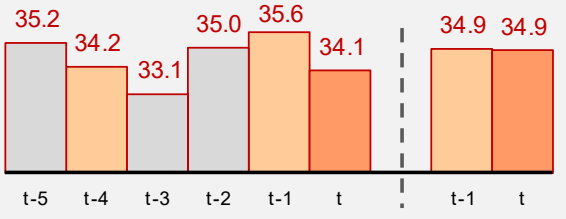


Topline (RM b)

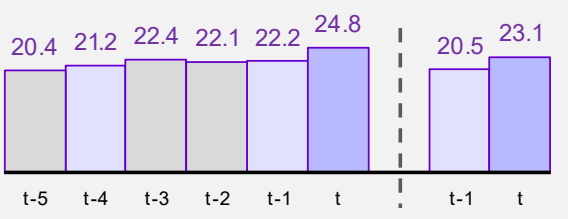
Growth -- qoq (Qtr) & yoy (Cum) (%)



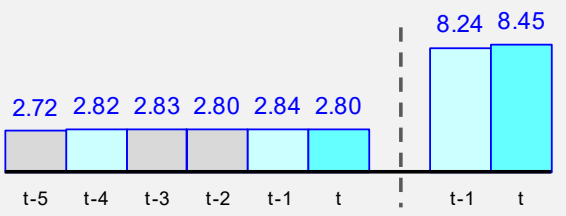
Cost/Income ratio (%)



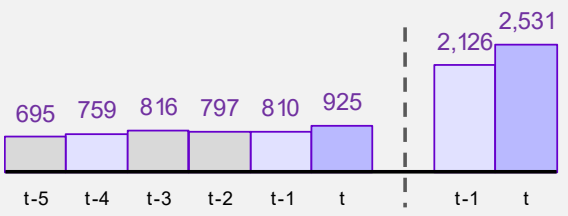
% NOII as topline (%)



Net interest income (RM b)

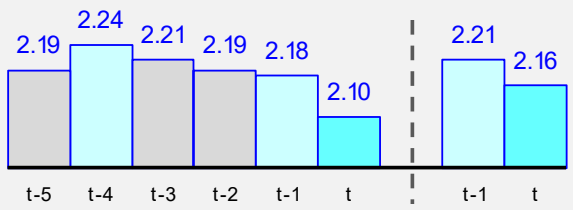


Non-interest income (RM m)

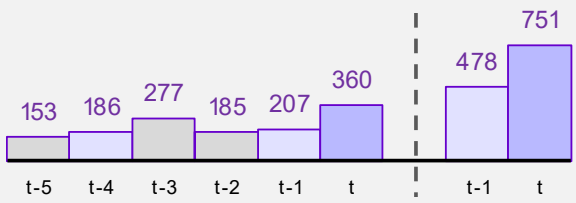


Source: Company, MBSBR

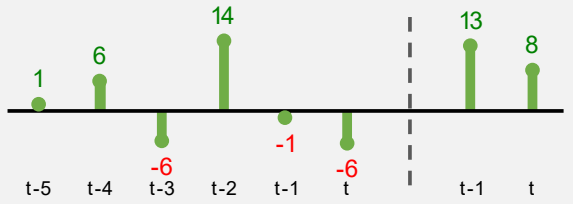
NIM (%)



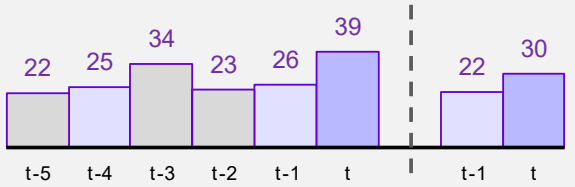
Non-fee NOII (RM m)



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

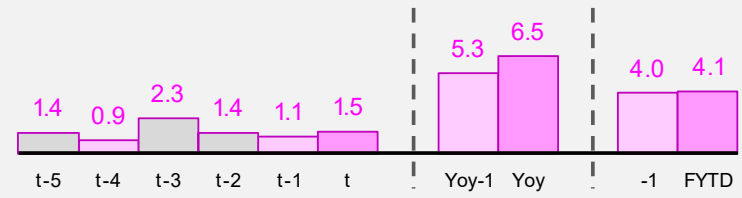


% Non-fee income as NOII (%)

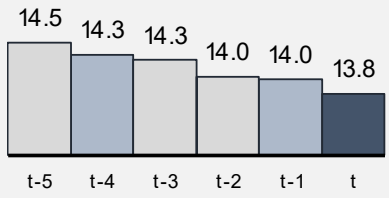


BALANCE SHEET

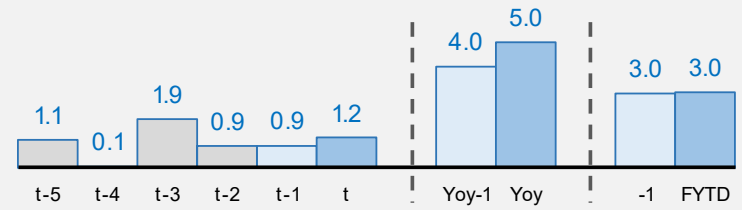
Loan growth -- qoq, yoy, FYTD (%)



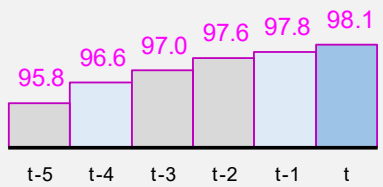
CET 1 ratio (%)



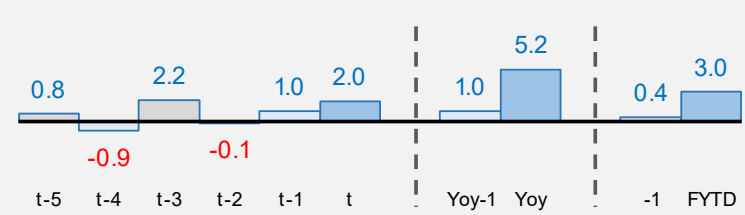
Deposit growth -- qoq, yoy, FYTD (%)



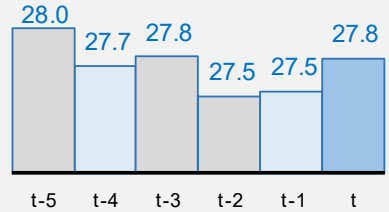
Loan/Deposit ratio (%)



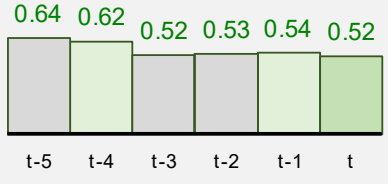
CASA growth -- qoq, yoy, FYTD (%)



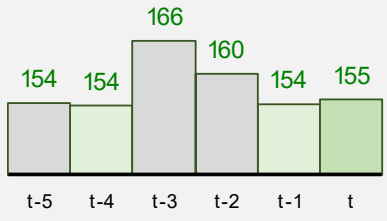
CASA ratio (%)



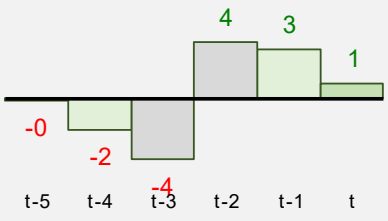
GIL ratio (%)



Loan loss coverage (%)



Ann. net credit cost (bps)



Source: Company, MBSBR

FIG 6: Retrospective performance

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Qtrly Core NP	RM mil	1,843	Qtrly ROE	Qtr value	12.7%
	25% of FY CNP				
	Qoq	5%		t-1	12.0%
	Yoy	-4%		t-4	13.8%
Cum Core NP	RM mil	5,348	Cum ROE	Cum value	12.2%
	Within our forecast				
	73% of FY CNP				
	Within consensus				
	74% of FY CNP				
	Yoy	0%		t-1	12.9%
NII	As expected		NIM	As expected	
				Qtr value	2.10
				Cum value	2.16
	Qtr (Qoq)	-1%		Qtr (Qoq)	-8bps
	Qtr (Yoy)	-1%		Qtr (Yoy)	-14bps
	Cum (Yoy)	2%		Cum (Yoy)	-5bps
NOII	As expected		Qtr	% NII	75%
	Qtr (Qoq)	14%		% NOII	25%
	Qtr (Yoy)	22%	Cum	% NII	77%
	Cum (Yoy)	19%		% NOII	23%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	34.1%
				Cum value	34.9%
	Qtr (Qoq)	-2%		Qtr (Qoq)	-1.5%
	Qtr (Yoy)	4%		Qtr (Yoy)	-0.2%
	Cum (Yoy)	6%		Cum (Yoy)	-0.1%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.5%			
	Yoy	6.5%			
	YTD (FY)	4.1%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	1.2%		Qoq	2.0%
	Yoy	5.0%		Yoy	5.2%
	YTD (FY)	3.0%		YTD (FY)	3.0%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	27.8%		Value now	98.1%
	Qoq	+0.2%		Qoq	+0.3%
	Yoy	+0.1%		Yoy	+1.5%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	0.52%		Value now	155%
	Qoq	-2bps		Qoq	+1%
	Yoy	-10bps		Yoy	+1%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Small provision			Small provision	
	Value now	1bps		Value now	3bps
	t-1	3bps			
	t-4	-2bps		t-4	1bps
CET 1	Healthy level		Div payout	No divvy	
	As expected			As expected	
	Value now	13.8%		Payout	-
	Qoq	-0.2%			

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)	12.6	11.7	11.3	10.8	10.3
Div yield (%)	**4.4**	**4.9**	**4.7**	**5.1**	**5.5**
P/BV (x)	1.5	1.5	1.4	1.3	1.2

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