Corporate Update

Public Bank Berhad

(1295 | PBK MK) Main | Financial Services

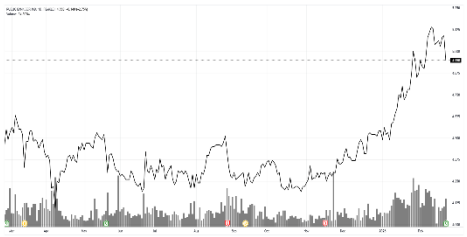
FTSE4Good | ESG 4 Stars

4QFY25 Results Review
Disappointing FY26 Targets

Downgrade to NEUTRAL
(from BUY)
Revised Target Price **RM5.05**
(from RM5.45)

RETURN STATISTICS	
Price @ 25 February 2026 (RM)	4.95
Expected share price return (%)	+2.0
Expected dividend yield (%)	+4.6
Expected total return (%)	**+6.6**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.6	4.6
3 months	10.8	8.0
12 months	12.0	1.7

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**7,286**	**7,696**	**8,153**
CNP growth (%)	1	6	6
Div yield (%)	**4.6**	**4.8**	**5.1**
Gross DPS (sen)	22.6	23.9	25.3
P/BV (x)	**1.5**	**1.4**	**1.4**
BVPS (RM)	3.3	3.4	3.6
ROE (%)	**11.9**	**11.9**	**12.0**
% Street CNP (%)	**96**	**96**	

KEY STATISTICS	
FBM KLCI	1,755.36
Issue shares (m)	19,410.7
Estimated free float (%)	68.7
Market Capitalisation (RM'm)	97,635.8
52-wk price range	RM4.03 – RM5.18
3-mth average daily volume (m)	23.6
3-mth average daily value (RM'm)	111.1
Top Shareholders (%)	
Consolidated Teh Holdings	21.6
EPF Board	15.3
Kumpulan Wang Persaraan Diperbadan	4.1

Salient Points

Solid set of earnings, as forecasted.

Management's tone: Negative.

Expect: Capital management to be a hot topic post Basel IV transition.

Our Verdict

Judging by the more subdued guidance, FY26 is shaping up to be a challenging year. We believe there is still dividend upside possibility in the form of special dividends, though further clarity may only come later.

Valuations

A revised FY26F P/BV of 1.55x *(formerly 1.64x)*

Current P/BV of 1.60x is inexpensive, trading below the 10-year P/BV mean of 1.85x.

The company is currently trading at a forward FY26F P/BV of 1.52x with a 4.6% dividend yield.

Themes

1. ▲ While dividend payout seems to have plateaued at 60%, there is excess capital remaining, implying the possibility of special dividend payouts.
2. ▲ PBK is gunning for double-digit fee income growth, driven mainly by bancassurance and unit trust income segments. We think it's extremely achievable.
3. ▲ While asset quality remains stellar, a lower overlay balance implies less room for writebacks, and thus a more normalised provisioning outlook.
4. ► Ongoing loan portfolio optimisation limits loan growth. The priority is SME loans over lower-yielding retail loans.
5. ▼ NIM concerns: Largely from competitive loan yields, while deposit competition poses a smaller threat.
6. ▼ Share price overhang from the Teh Family's plan to sell its stake persists.

Results in a nutshell:

► **FY25's Core NP of RM7,224m was *Within*/*Within* our/street forecasts: *98%*/*100%* of full-year forecasts.**

▲ **Dividends announced.** DPS of 22.5 sen translates to a payout of 60% for FY25.

► **FY25's Core net profit (NP) of RM7,224m up by 1%yoy.** Topline and provisioning improvements offset higher OPEX, tax and NCI charges.

▲ **4QFY25's Core NP of RM1,876m up by 2%qoq.** Improvements in NII and provisioning offset weaker NOII and higher OPEX result.

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Have a look at:

► **Dividend payout to remain at ~60%, with pushback by the board.** FY26's dividend payout guidance is 60%, the same level as FY25's. The Group is guiding that this will remain the steady payout level in subsequent years. This is unlike previous years, where there was a conscious effort to increase payout by 2-3% yearly. This is not to say that PBK is out of excess capital: Its current CET 1 level of 13.9% is still above the targeted 13.0-13.5% level, and Basel IV transition will increase the CET 1 ratio by 1%. Instead, a >60% dividend payout proposal was likely rejected due to fear of overcommitting to investors.

To get around this, we think PBK may adopt a dividend payout model similar to CIMB's: a standard payout of 60%, with special dividends to remove any additional excess capital.

▼ **A lower FY26 ROE target due to various factors:**

1. **NIM compression expected in FY26, as both loan and deposit rates get increasingly competitive.** The increasing competitiveness in residential mortgages remains a more pressing issue than deposit competition.
2. **A lower loan growth is expected, due to ongoing portfolio rebalancing.** The Group is favouring higher-yielding SME loans with cross-selling potential, while paring down lower-yielding retail loans.
3. Unlike previous years, there are **fewer overlay balances** to writeback.

▲ **Rapid SME loan growth is crucial in achieving lofty NOII growth.** NOII, specifically fee income, is set to offset FY26's NII weakness. The Group will focus on unit trust and bancassurance (with AIA as the life insurance partner and LPI as the general partner) income streams. The Group is aiming for double-digit NOII growth.

SME loans and their cross-selling potential are crucial for success on this front. The Group is aiming for double-digit SME growth to compensate for the weaker retail loan growth in FY26.

Forecasts revised: FY26F/F27F Core NP adjusted by -6%/-5%. To reflect the latest guidance by management.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Weak NOII performance, (3) Weaker-than-expected loans growth.*

Downgrade to NEUTRAL call: Revised GGM-TP of RM 5.05 ***(from RM5.45)***. The TP is based on a revised FY26F P/BV of 1.55x *(formerly 1.64x)*, to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY26F ROE of 11.9%, LTG of 3.5% & COE of 8.9%)*

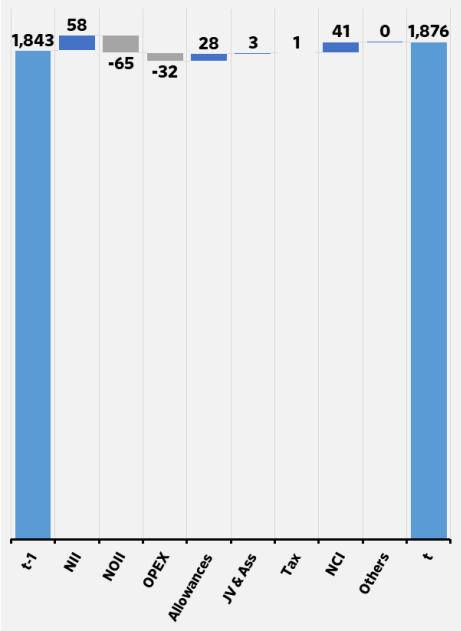
FIG 1: Quarterly results

FYE Dec (RM m)	4Q FY25	3Q FY25	4Q FY24	Yoy (%)	Qoq (%)	FY25	FY24	Yoy (%)
Net interest inc.	2,422	2,371	2,409	1	2	9,584	9,451	1
Islamic banking inc.	462	467	439	5	-1	1,839	1,707	8
Non-interest inc.	835	887	794	5	-6	3,272	2,853	15
Net income	**3,718**	**3,725**	**3,643**	**2**	**-0**	**14,695**	**14,011**	**5**
OPEX	(1,301)	(1,269)	(1,207)	8	3	(5,129)	(4,828)	6
PPOP	**2,417**	**2,456**	**2,436**	**-1**	**-2**	**9,566**	**9,183**	**4**
Loan provisions	17	(11)	41	-58	-258	(67)	(1)	11,728
Other provisions	(4)	(5)	(480)	n.m.	n.m.	(13)	(492)	n.m.
JV & Associates	14	12	74	n.m.	n.m.	56	241	n.m.
PBT	**2,444**	**2,453**	**2,071**	**18**	**-0**	**9,543**	**8,932**	**7**
Tax	(544)	(545)	(401)	36	-0	(2,136)	(1,913)	12
NCI	(24)	(65)	130	-118	-63	(183)	128	-243
Reported NP	**1,876**	**1,843**	**1,799**	**4**	**2**	**7,224**	**7,147**	**1**
Core NP	**1,876**	**1,843**	**1,799**	**4**	**2**	**7,224**	**7,147**	**1**
Total NII	2,858	2,800	2,827	1	2	11,304	11,069	2
Total NOII	860	925	816	5	-7	3,391	2,942	15
Gross DPS (sen)	**12.0**	**-**	**11.0**	**n.m.**	**n.m.**	**22.5**	**21.0**	**n.m.**
Core EPS (sen)	9.7	9.5	9.3	5	2	37.4	36.8	2
Gross loans	445,758	441,239	424,171	5.1	1.0			
Gross impaired loans	2,285	2,281	2,225	2.7	0.1			
Customer deposits	447,114	446,209	433,264	3.2	0.2			
CASA	125,315	123,880	120,325	4.1	1.2			

Ratios (%)	4Q FY25	3Q FY25	4Q FY24	Yoy (ppts)	Qoq (ppts)	FY25	FY24	Yoy (ppts)
ROE (Ann.)	**12.5**	**12.7**	**12.6**	**-0.0**	**-0.1**	**12.1**	**12.5**	**-0.4**
NIM (Reported)	**2.12**	**2.10**	**2.21**	**-0.09**	**0.02**	**2.15**	**2.21**	**-0.06**
NOII/Net income	23.1	24.8	22.4	0.7	-1.7	23.1	21.0	2.1
Cost/Income	35.0	34.1	33.1	1.9	0.9	34.9	34.5	0.4
NCC (Ann.) (bps)	(2)	1	(4)	2	-3	2	0	2
GIL ratio	0.51	0.52	0.52	-0.01	-0.00			
Loan loss coverage	150	155	166	-16	-5			
CASA ratio	28.0	27.8	27.8	0.3	0.3			
L/D ratio	98.9	98.1	97.0	1.9	0.8			
CET-1	13.9	13.8	14.2	-0.3	0.1			

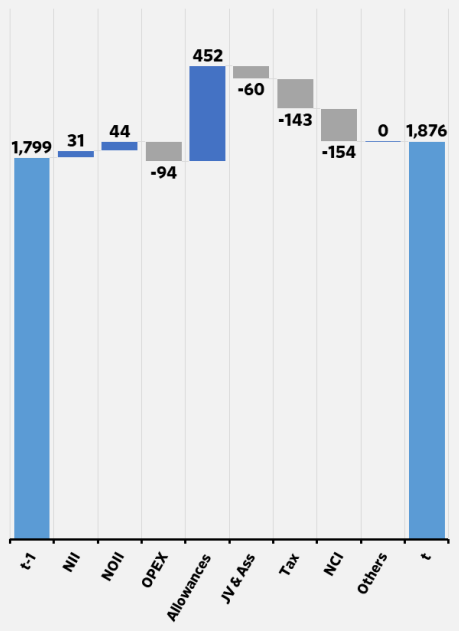
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



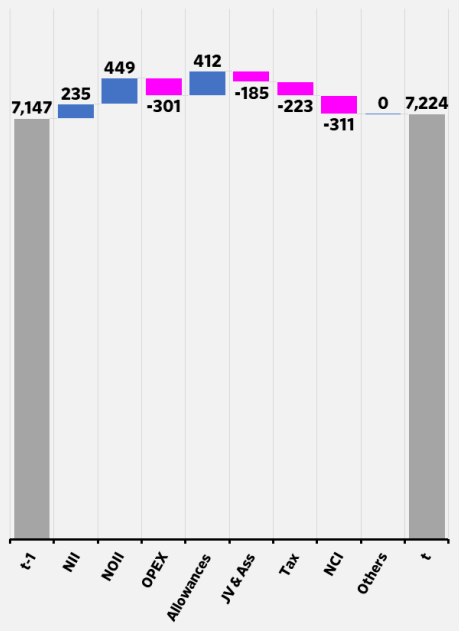
Source: Company, MBSBR

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	FY26	FY25	FY25 Actual	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	12.0 – 13.0	12.5 – 13.0	12.1	Lower ROE to account for weaker loan growth, NIM compression and less space for overlay writebacks.
CIR			34.9	
NIM	Stable to single-digit compression (from 2.15)	Mid-to-high single digit squeeze (from 2.21)	2.15	The bigger concern is competitive retail loan yields. The smaller concern is deposit competition.
NOII	Double-digit growth		15% (yoy)	To be driven by unit trust income, bancassurance by AIA (Life) and LPI (General).
Loans	4 – 5	5 – 6	5.2 (YTD)	Loan growth expectations are weaker, to account for portfolio rebalancing favouring higher-yielding SME loans, while sidelining lower-yielding residential mortgage and retail loans.
Deposits			3.2 (YTD)	
% CASA		28 – 29	28.0	
Loan/Depo			98.9	
GIL ratio			0.51	
NCC (bps)	Single digit	Single digit	2	But expect a higher, more normalised result this year, as most overlays have already been written back.
CET 1			13.9	13.0-13.5% is a healthy level, while 12.0% is ideal for Bank level CET 1.
Div payout	~60	60	60	60% is said to be the steady state here on out, though we think special dividend issuances to clear out excess capital are within the realm of possibility.

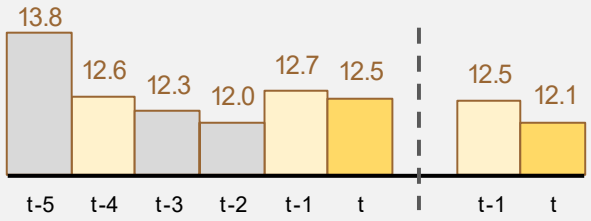
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

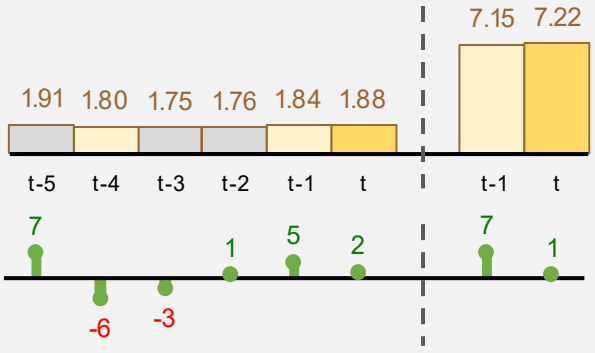
4QFY25 / FY25 results

Earnings:	Within our full-year forecasts	(98%)
	Within street full-year forecasts	(100%)
Dividend:	YES	
YTD payout:	60%	

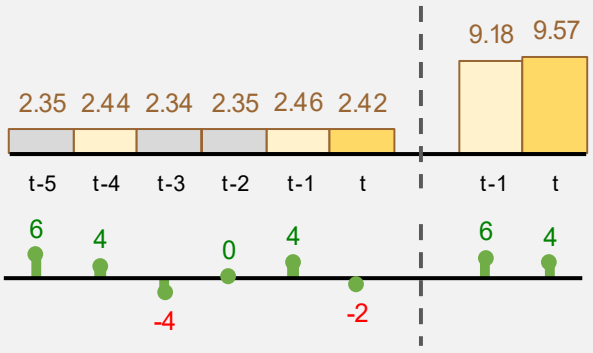
ROE (%)



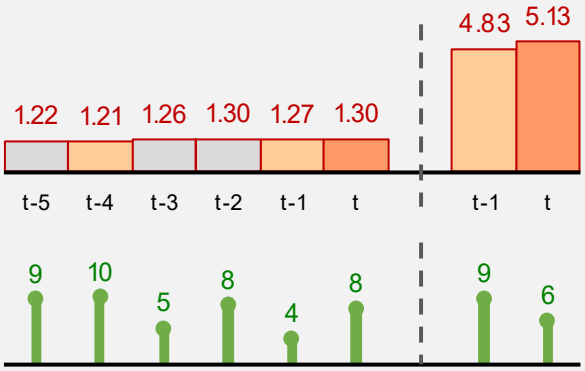
Core Net Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



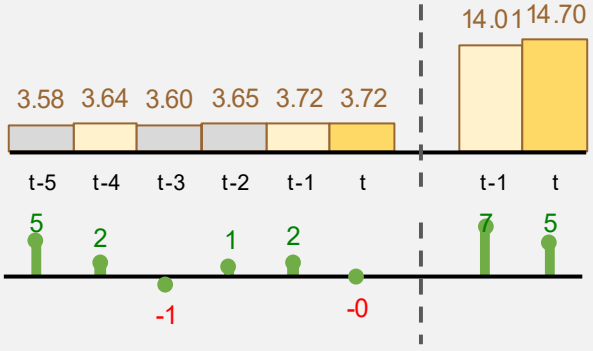
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



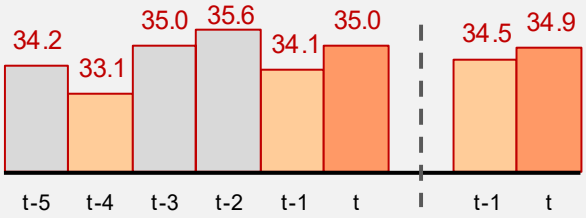
OPEX (RM b)
Growth -- yoy only! (Qtr & Cum) (%)



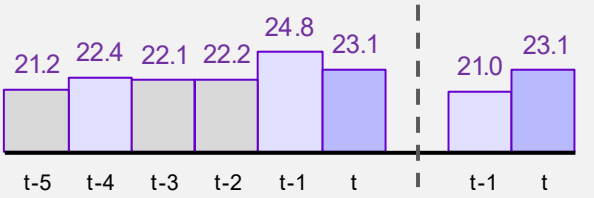
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



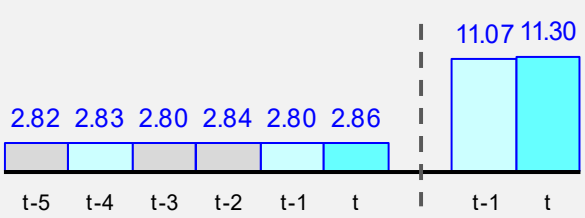
Cost/Income ratio (%)



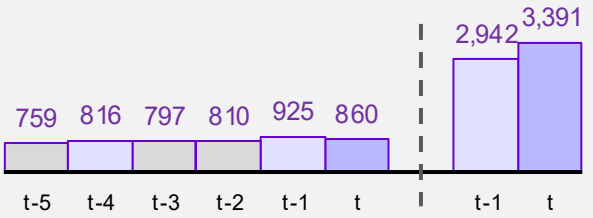
% NOII as topline (%)



Net interest income (RM b)

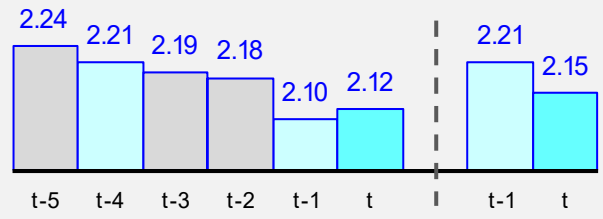


Non-interest income (RM m)

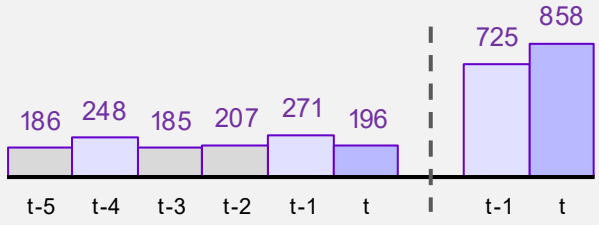


Source: Company, MBSBR

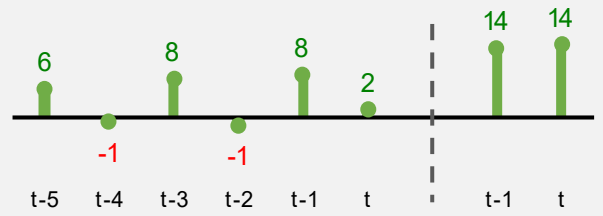
NIM (%)



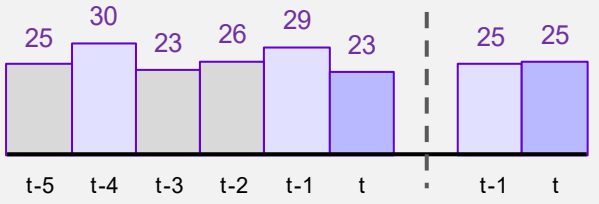
Non-fee NOII (RM m)



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

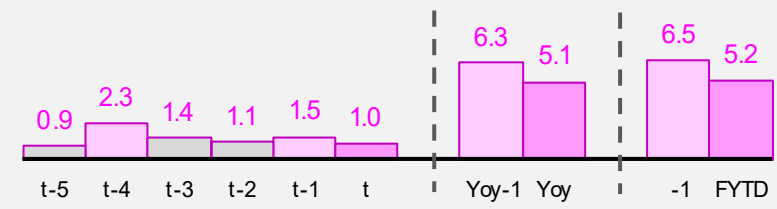


% Non-fee income as NOII (%)

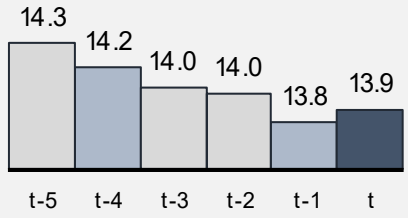


BALANCE SHEET

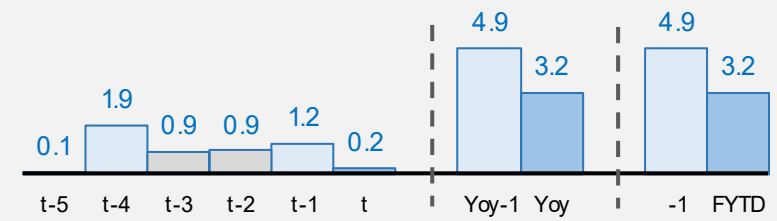
Loan growth -- qoq, yoy, FYTD (%)



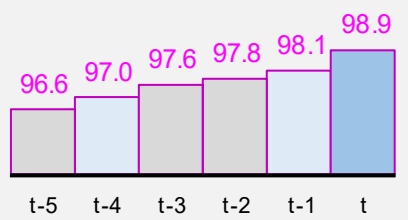
CET 1 ratio (%)



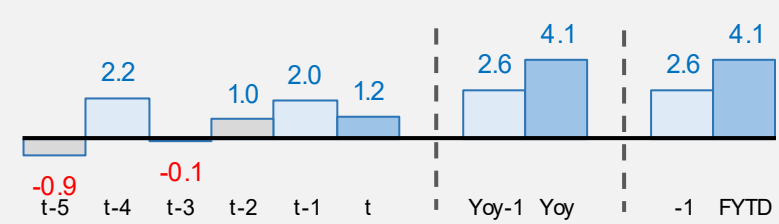
Deposit growth -- qoq, yoy, FYTD (%)



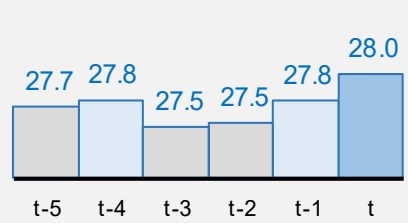
Loan/Deposit ratio (%)



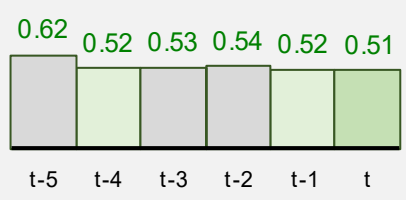
CASA growth -- qoq, yoy, FYTD (%)



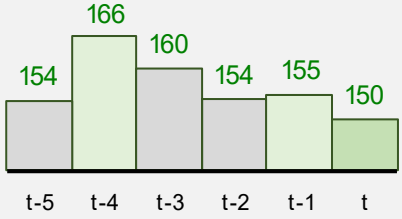
CASA ratio (%)



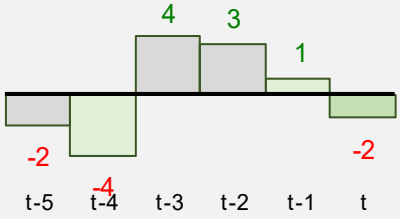
GIL ratio (%)



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	1,876	Qtrly ROE	Qtr value	12.5%
	25% of FY CNP				
	Qoq	2%		t-1	12.7%
	Yoy	4%		t-4	12.6%
Cum Core NP	RM mil	7,224	Cum ROE	Cum value	12.1%
	Within our forecast				
	98% of FY CNP				
	Within consensus				
	100% of FY CNP				
	Yoy	1%		t-1	12.5%
NII	As expected		NIM	As expected	
				Qtr value	2.12
				Cum value	2.15
	Qtr (Qoq)	2%		Qtr (Qoq)	+2bps
	Qtr (Yoy)	1%		Qtr (Yoy)	-9bps
	Cum (Yoy)	2%		Cum (Yoy)	-6bps
NOII	As expected		Qtr	% NII	77%
	Qtr (Qoq)	-7%		% NOII	23%
	Qtr (Yoy)	5%	Cum	% NII	77%
	Cum (Yoy)	15%		% NOII	23%
OPEX	As expected		Cost/ Inc.	As expected	
				Qtr value	35.0%
				Cum value	34.9%
	Qtr (Qoq)	3%		Qtr (Qoq)	+0.9%
	Qtr (Yoy)	8%		Qtr (Yoy)	+1.9%
	Cum (Yoy)	6%		Cum (Yoy)	+0.4%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.0%			
	Yoy	5.1%			
	YTD (FY)	5.2%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	0.2%		Qoq	1.2%
	Yoy	3.2%		Yoy	4.1%
	YTD (FY)	3.2%		YTD (FY)	4.1%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	28.0%		Value now	98.9%
	Qoq	+0.3%		Qoq	+0.8%
	Yoy	+0.3%		Yoy	+1.9%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	0.51%		Value now	150%
	Qoq	-0bps		Qoq	-5%
	Yoy	-1bps		Yoy	-16%
Qtrly Net CC	+ve surprise		Cum Net CC	As expected	
	Small provision			Small provision	
	Value now	-2bps		Value now	2bps
	t-1	1bps			
	t-4	-4bps		t-4	0bps
CET 1	Healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	13.9%		Payout	60%
	Qoq	0.1%			

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	**9,451**	**9,584**	**9,667**	**10,083**	**10,514**
Islamic banking inc.	1,707	1,839	1,841	1,920	2,003
Other operating inc.	2,853	3,272	3,366	3,709	4,127
Net income	**14,011**	**14,695**	**14,874**	**15,712**	**16,644**
OPEX	(4,828)	(5,129)	(5,131)	(5,421)	(5,742)
PPOP	**9,183**	**9,566**	**9,742**	**10,291**	**10,902**
Loan allowances	(1)	(67)	(182)	(191)	(199)
Other allowances	(492)	(13)	(11)	(11)	(11)
JV & Associates	241	56	56	56	56
PBT	**8,932**	**9,543**	**9,605**	**10,146**	**10,748**
Tax & zakat	(1,913)	(2,136)	(2,132)	(2,252)	(2,386)
NCI	128	(183)	(187)	(197)	(209)
Reported NP	**7,147**	**7,224**	**7,286**	**7,696**	**8,153**
Core NP	**7,147**	**7,224**	**7,286**	**7,696**	**8,153**
Total NII	11,069	11,304	11,508	12,003	12,517
Total NOII	2,942	3,391	3,366	3,709	4,127

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	15,469	16,829	16,829	16,829	16,829
Investment securities	86,923	84,998	88,323	91,796	95,424
Net loans	420,472	442,333	462,556	483,372	505,123
Other IEAs	6	2	2	2	2
Non-IEAs	20,440	17,490	18,005	18,314	18,651
Total assets	**543,310**	**561,651**	**585,715**	**610,313**	**636,028**
Customer deposits	433,264	447,114	467,234	488,259	510,231
Other IBLs	37,865	39,256	38,624	38,372	38,414
Non-IBLs	12,251	12,840	14,239	14,723	14,888
Total liabilities	**483,380**	**499,210**	**520,096**	**541,354**	**563,534**
Share capital	9,418	9,418	9,418	9,418	9,418
Reserves	47,918	50,520	53,556	56,762	60,155
Shareholders' funds	**57,335**	**59,938**	**62,974**	**66,179**	**69,573**
NCI	2,594	2,504	2,645	2,780	2,922
Total equity	**59,930**	**62,442**	**65,619**	**68,959**	**72,495**
Total L&E	**543,310**	**561,651**	**585,715**	**610,313**	**636,028**
Total IEAs	522,870	544,162	567,710	591,998	617,378
Total IBLs	471,129	486,369	505,857	526,631	548,645
Gross loans	424,171	445,758	465,817	486,779	508,684
CASA	120,325	125,315	116,808	122,065	127,558

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest (%)					
NIM	2.14	2.07	2.07	2.07	2.07
Return on IEAs	3.72	3.54	3.41	3.34	3.28
Cost of funds	2.06	1.95	1.88	1.80	1.73
Net interest spread	1.66	1.60	1.54	1.54	1.55
Profitability (%)					
ROE	**12.8**	**12.3**	**11.9**	**11.9**	**12.0**
ROA	1.4	1.3	1.3	1.3	1.3
NOII/Net income	21.0	23.1	22.6	23.6	24.8
Effective tax rate	21.4	22.4	22.2	22.2	22.2
Cost/Income	34.5	34.9	34.5	34.5	34.5
Liquidity (%)					
Loan/Deposit	97.0	98.9	99.0	99.0	99.0
CASA ratio	27.8	28.0	25.0	25.0	25.0
Asset Quality (%)					
GIL ratio	0.52	0.51	0.50	0.50	0.50
LLC ratio	166	150	140	140	140
LLC (w. reserves)	238	249	160	159	159
Net CC (bps)	0	2	4	4	4
Capital (%)					
CET 1	14.2	13.9	13.8	13.8	13.8
Tier 1 capital	14.2	13.9	13.9	13.9	13.9
Total capital	17.0	16.6	16.6	16.6	16.6
Growth (%)					
Total NII	5.1	2.1	1.8	4.3	4.3
Total NOII	14.8	15.3	-0.7	10.2	11.3
Net income	4.4	1.4	0.9	4.3	4.3
OPEX	9.4	6.2	0.1	5.6	5.9
Core NP	7.5	1.1	0.9	5.6	5.9
Gross loans	6.3	5.1	4.5	4.5	4.5
Customer deposits	4.9	3.2	4.5	4.5	4.5
CASA	2.6	4.1	-6.8	4.5	4.5
Valuation metrics					
Core EPS (sen)	37.0	37.4	37.7	39.8	42.2
Gross DPS (sen)	21.0	22.5	22.6	23.9	25.3
Div payout (%)	57	60	60	60	60
BVPS (RM)	3.0	3.1	3.3	3.4	3.6
Core P/E (x)	13.4	13.2	13.1	12.4	11.7
Div yield (%)	**4.2**	**4.5**	**4.6**	**4.8**	**5.1**
P/BV (x)	1.7	1.6	1.5	1.4	1.4

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