Corporate Update

Public Bank Berhad

(1295 | PBK MK) Main | Financial Services

FTSE4Good ESG 4 Stars

Upgrade to **BUY**
(from NEUTRAL)
Revised Target Price **RM5.53**
(from RM4.96)

2QFY26 Results Review
Multiple Drivers

RETURN STATISTICS	
Price @ 26 August 2026 (RM)	5.15
Expected share price return (%)	+7.4
Expected dividend yield (%)	+5.7
Expected total return (%)	**+13.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.0	1.3
3 months	7.3	7.5
12 months	15.7	5.7

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**7,113**	**7,574**	**8,025**
CNP growth (%)	(2)	6	6
Div yield (%)	**5.3**	**5.7**	**6.0**
Gross DPS (sen)	27.5	29.3	31.0
P/BV (x)	**1.6**	**1.6**	**1.5**
BVPS (RM)	3.2	3.3	3.4
ROE (%)	**11.7**	**12.1**	**12.4**
% Street CNP (%)	**95**	**96**	**96**

KEY STATISTICS	
FBM KLCI	1,748.54
Issue shares (m)	19,410.7
Estimated free float (%)	72.2
Market Capitalisation (RM'm)	99,965.1
52-wk price range	RM4.18 – RM5.29
3-mth average daily volume (m)	24.3
3-mth average daily value (RM'm)	120.8
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: Cautiously optimistic.

Expect: Further updates on HK unit – capital upshoring ahead?

Our Verdict

PBK's fundamentals are surprisingly strong, despite management's earlier concerns: Buoyed by lower-than-expected OPEX growth and rapid fee income and loan growth – offsetting NIM compression. PBK remains a top defensive pick, ideal for a volatile period: Look at its high dividend yields (backed by special dividends) and best-in-class asset quality profile. Dividends from LPI's share disposal and possible HK unit capital upshoring give further dividend upside possibility. The share price overhang from ROFS has also lifted.

Valuations

A revised FY27F P/BV of 1.68x *(formerly 1.50x)*

P/BV of 1.63x is inexpensive, trading below the 10-year P/BV mean of 1.82x. The company is currently trading at a forward FY27F P/BV of 1.56x with a +5.7% dividend yield.

Themes

1. ▲ BAU dividend payout is at a healthy 60%, bolstered by a RM3.5b special dividend programme over 3 years. LPI's share disposal could add some upside. There may also be capital rerouting from the Hong Kong unit.
2. ▲ Fee income growth is huge, driven mainly by bancassurance and wealth segments. Unit trust take-up is excellent, and enhanced cross-sell capabilities are well overdue.
3. ▲ Superb cost control in FY26 so far, bolstered by positive currency effects.
4. ▲ Loan growth is strong. There are fears that loan portfolio optimisation (favouring SMEs) would limit growth, but we aren't seeing it yet.
5. ▲ Defensive play: Best-in-class asset quality. But expect a provisioning profile similar to pre-COVID times (i.e. still very good but no longer buoyed by writebacks).
6. ▲ ROFS share overhang seems to have lifted.
7. ▼ NIM concerns: Largely from competitive loan yields, though deposit competition is a concern. Further (slight) compression expected in subsequent quarters.

Results in a nutshell:

▲ **6MFY26's Core NP of RM3,576m is *Within/Within* our/street forecasts: *50%/48%* of full-year forecasts.**

► **Dividends announced.** DPS of 10.5 sen translates to a payout of 57% for 6MFY26.

Analyst
Samuel Woo
samuelwoo.cy@mbsb.com
03-2173 8461

▲ **6MFY26's Core net profit (NP) of RM3,576m up by +2%yoy.** The increase was driven by better NOII, which offset higher OPEX and provisioning charges.

▲ **2QFY26's Core NP of RM1,825m up by +4%qoq.** The increase was driven by NOII, which offset higher OPEX and provisioning charges.

Have a look at:

▼ **NIM compression will persist, but on a smaller scale.** Expect the downward trend to persist, with slight compression in the next two quarters. This is driven by weakening asset yields, as the loan mix changes. COF has been stable so far, but wholesale deposit competition has spiked.

▲ **Fee income a core driver of growth.** A lot of the strong growth comes from unit trust, which is bolstered by a positive reversal in the stock market. There's plenty of room for cross-sell: Only 5-6% of Red Carpet Banking (RCB) customers use unit trust facilities, while 1-2% of the total customer base uses them.

▲ **OPEX growth is surprisingly low, aided by currency effects.** 1HFY26's OPEX growth was 2%yoy, far from the usual 6-7% increase seen annually. This low value is due to currency impact from MYR appreciation on overseas expenses – without this, OPEX growth would have been 4% so far.

▼ **Regardless, still expect elevated CIR in the next three years.** The constraint will mainly be from revenue weakness, not so much OPEX inflation. While management warns of higher tech costs, it only makes up a small proportion of overall OPEX.

▲ **Loan growth will likely exceed target.** PBK thinks they can break FY26's 4-5% target if current momentum continues. They've already achieved 3% YTD growth.

▲ **Only slight pockets of GIL ratio uptick in the hire purchase loan segment.** This led to the slightly higher provision this quarter (still well within guidance). Apart from that, no asset quality concerns. Don't expect overlay writebacks this year.

► **No word on Hong Kong unit, but capital upshoring likely.** Trading of shares in PBK's Hong Kong-listed unit has been suspended since last Thursday. There's a high chance that capital might be rerouted away. After all, the HK environment is challenging, and capital has built up since pre-Covid times (due to lower loan growth).

► **So far, 1.3% of shares have been disposed of via ROFS.** Annualised, this implies 2.6-3.0% redistribution per year. In total, ~12% of shares need to be redistributed by Dec-2029.

Forecasts unchanged. We make no changes to our earnings forecasts. However, we do slightly increase our forecasted share base to account for the effect of treasury shares sold this year.
Key downside risks. *(1) Steeper-than-expected NIM compression, (2) Higher-than-expected OPEX growth, (3) Weak NOII performance.*

Upgrade to BUY call: Revised GGM-TP of RM 5.53 ***(from RM4.96).*** The TP is based on a revised FY27F P/BV of 1.68x *(formerly 1.50x),* to reflect an altered earnings base and ROE-based valuations. We increase our P/BV valuations to account for improved sentiment, as the share price overhang from the ROFS by the Teh family has lifted (possibly aided by the special dividend announcement last quarter).

(GGM assumptions: *FY27F ROE of 12.1%, LTG of 3.5% & COE of 8.6%)*

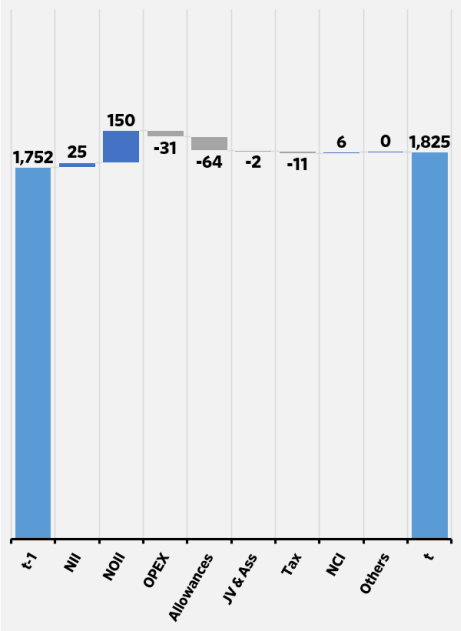
FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Net interest inc.	2,407	2,388	2,411	-0	1	4,794	4,791	0
Islamic banking inc.	475	469	463	3	1	944	911	4
Non-interest inc.	944	793	778	21	19	1,737	1,550	12
Net income	**3,825**	**3,650**	**3,652**	**5**	**5**	**7,475**	**7,252**	**3**
OPEX	(1,326)	(1,295)	(1,299)	2	2	(2,621)	(2,559)	2
PPOP	**2,499**	**2,355**	**2,352**	**6**	**6**	**4,854**	**4,693**	**3**
Loan provisions	(115)	(52)	(34)	238	121	(167)	(73)	129
Other provisions	(5)	(4)	1	n.m.	n.m.	(9)	(4)	n.m.
JV & Associates	14	17	15	n.m.	n.m.	31	30	n.m.
PBT	**2,393**	**2,315**	**2,334**	**3**	**3**	**4,708**	**4,646**	**1**
Tax	(533)	(522)	(528)	1	2	(1,054)	(1,047)	1
NCI	(36)	(42)	(46)	-22	-14	(78)	(94)	-17
Reported NP	**1,825**	**1,752**	**1,760**	**4**	**4**	**3,576**	**3,505**	**2**
Core NP	**1,825**	**1,752**	**1,760**	**4**	**4**	**3,576**	**3,505**	**2**
Total NII	2,849	2,824	2,842	0	1	5,673	5,646	0
Total NOII	976	826	810	21	18	1,802	1,606	12
Gross DPS (sen)	**10.5**	**-**	**10.5**	***n.m.***	***n.m.***	**10.5**	**10.5**	***n.m.***
Core EPS (sen)	9.4	9.1	9.1	3	4	18.5	18.2	2
Gross loans	458,945	452,116	434,897	5.5	1.5			
Gross impaired loans	2,481	2,315	2,342	6.0	7.2			
Customer deposits	457,560	453,075	440,939	3.8	1.0			
CASA	127,828	125,856	121,451	5.3	1.6			

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**11.9**	**11.8**	**12.0**	***-0.2***	***0.0***	**11.6**	**12.0**	***-0.4***
NIM (Reported)	**2.08**	**2.11**	**2.18**	***-0.10***	***-0.03***	**2.09**	**2.19**	***-0.10***
NOII/Net income	25.5	22.6	22.2	3.3	2.9	24.1	22.1	2.0
Cost/Income	34.7	35.5	35.6	-0.9	-0.8	35.1	35.3	-0.2
NCC (Ann.) (bps)	10	5	3	7	6	7	3	4
GIL ratio	0.54	0.51	0.54	0.00	0.03			
Loan loss coverage	139	147	154	-15	-8			
CASA ratio	27.9	27.8	27.5	0.4	0.2			
L/D ratio	99.5	99.0	97.8	1.7	0.5			
CET-1	13.9	13.7	14.0	-0.1	0.1			

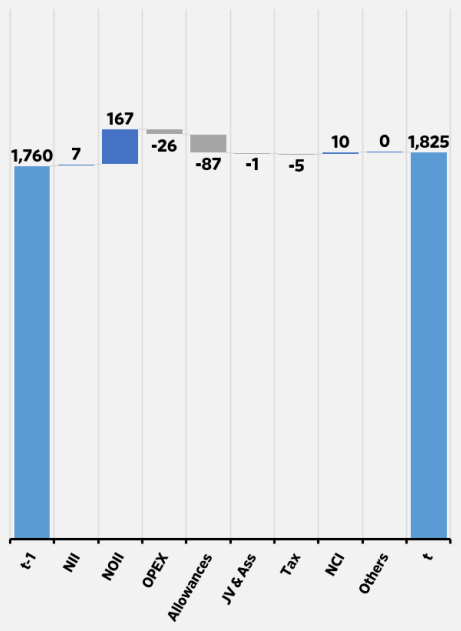
Source: Company, MBSBR

FIG 2: QoQ P/L walk (Quarterly)



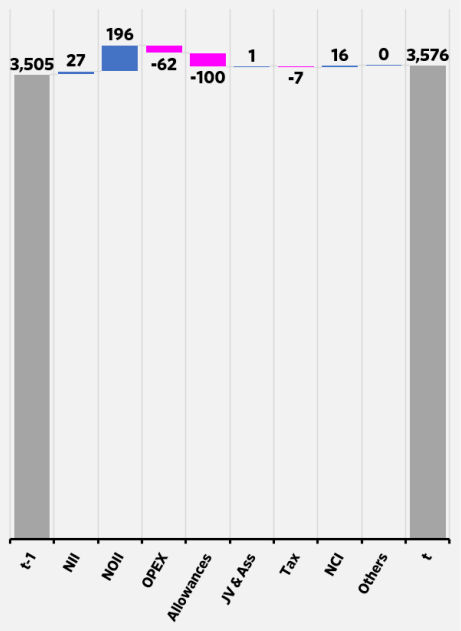
Source: Company, MBSBR

FIG 3: YoY P/L walk (Quarterly)



Source: Company, MBSBR

FIG 4: YoY P/L walk (Cumulative)



Source: Company, MBSBR

FIG 5: Targets, Achievements, and Outlook

Targets	FY26F	1H FY26	Notes (Red: New guidance, ~~Strikethrough: Guidance is no longer pertinent~~)
ROE	12.0 – 13.0	11.6	
CIR		35.1	Elevated from the standard 34% for three years due to revenue compression. But we could see a positive surprise to OPEX growth in FY26 – largely due to MYR appreciation.
NIM	Mid-single-digit squeeze (from 2.15)	2.09	Slight compression in the next two quarters.
NOII	Double-digit growth	12% (yoy)	
Loans	4 – 5	3.0 (YTD)	Will likely exceed target.
Deposits		2.3 (YTD)	
% CASA		27.9	
Loan/Depo		99.5	
GIL ratio		0.54	
NCC (bps)	Single digit	7	
CET 1		13.9	
Div payout	60 + Special div	57	

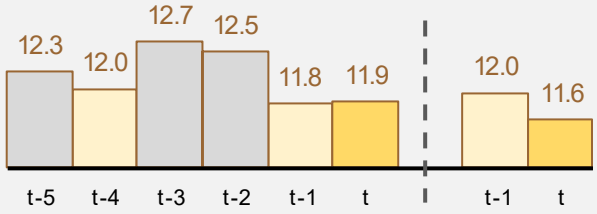
Source: Company, MBSBR

INCOME STATEMENT (QUARTERLY & CUMULATIVE)

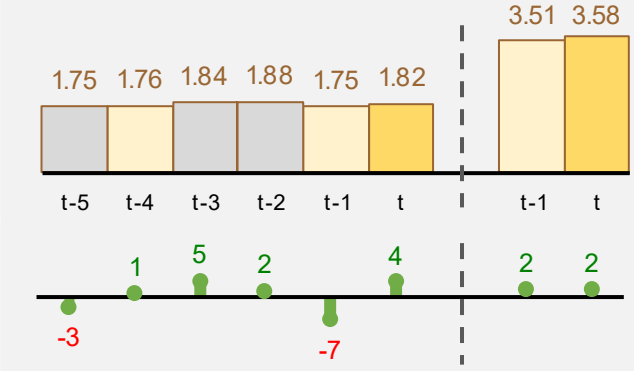
2QFY26 / 6MFY26 results

Earnings:	Within our full-year forecasts	(50%)
	Within street full-year forecasts	(48%)
Dividend:	YES	
YTD payout:	57%	

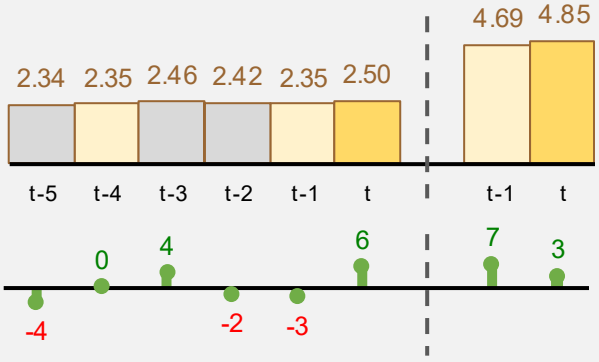
ROE (%)



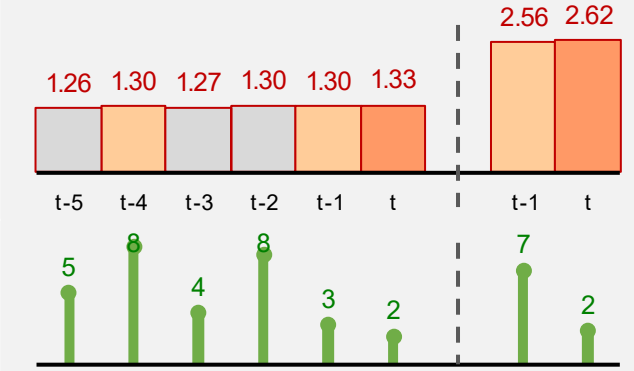
Core Net Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



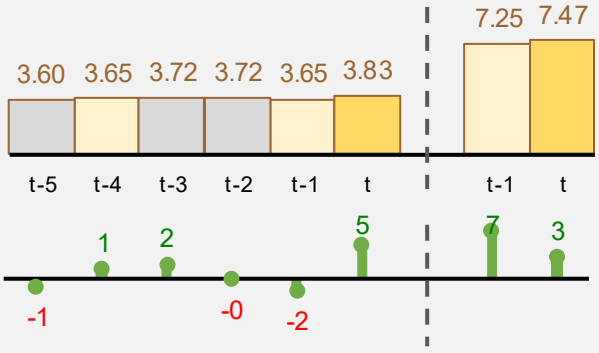
Pre-Provisioning Operating Profit (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



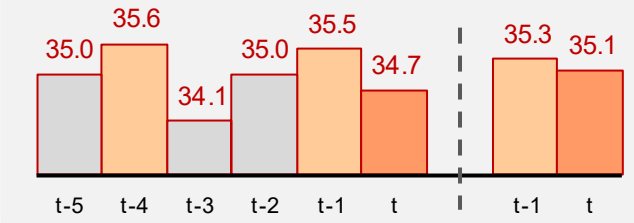
OPEX (RM b)
Growth -- yoy only! (Qtr & Cum) (%)



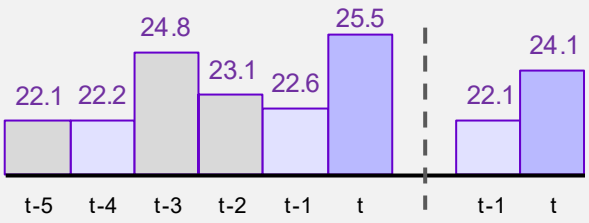
Topline (RM b)
Growth -- qoq (Qtr) & yoy (Cum) (%)



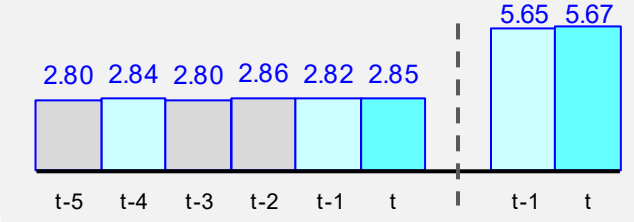
Cost/Income ratio (%)



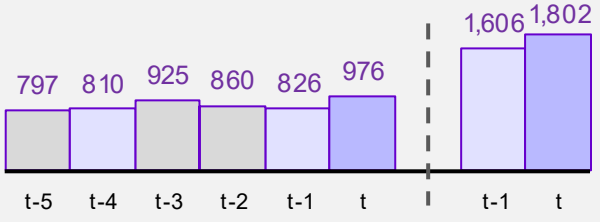
% NOII as topline (%)



Net interest income (RM b)

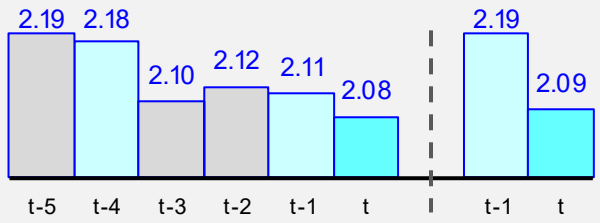


Non-interest income (RM m)

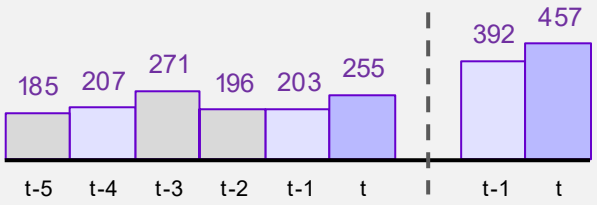


Source: Company, MBSBR

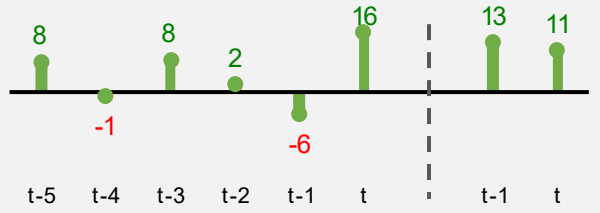
NIM (%)



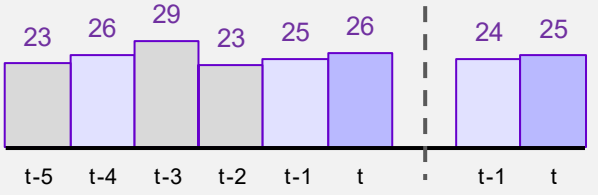
Non-fee NOII (RM m)



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

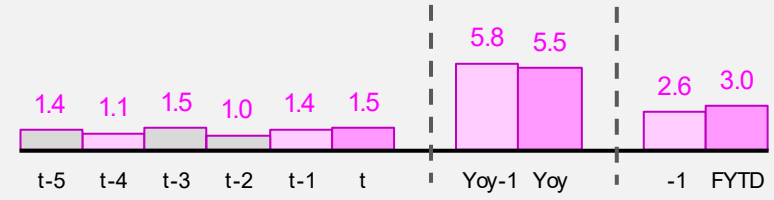


% Non-fee income as NOII (%)

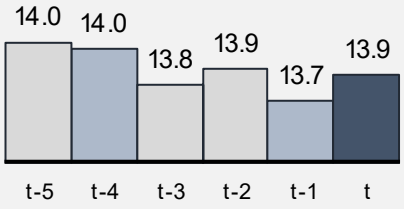


BALANCE SHEET

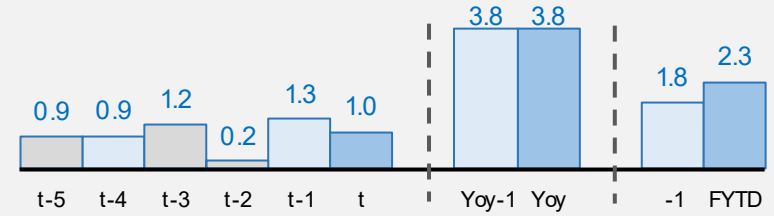
Loan growth -- qoq, yoy, FYTD (%)



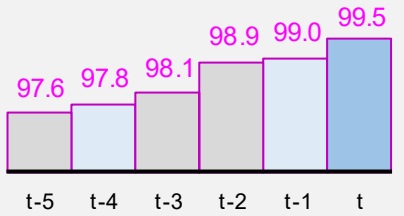
CET 1 ratio (%)



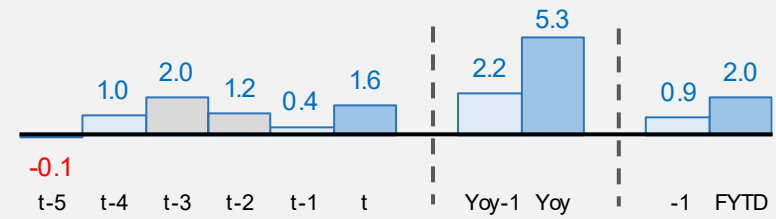
Deposit growth -- qoq, yoy, FYTD (%)



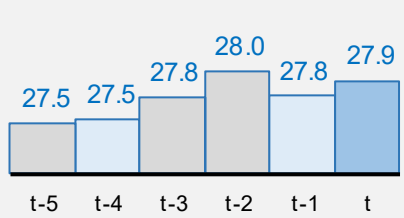
Loan/Deposit ratio (%)



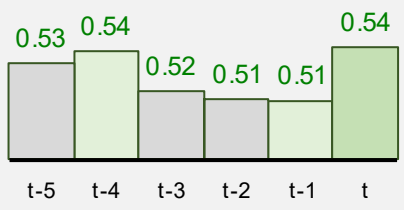
CASA growth -- qoq, yoy, FYTD (%)



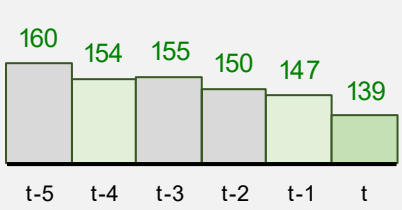
CASA ratio (%)



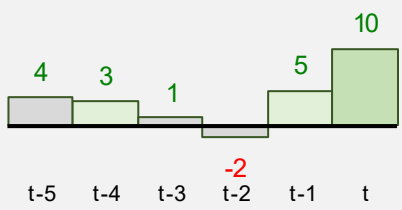
GIL ratio (%)



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	1,825	Qtrly ROE	Qtr value	11.9%
	26% of FY CNP				
	Qoq	4%		t-1	11.8%
	Yoy	4%		t-4	12.0%
Cum Core NP	RM mil	3,576	Cum ROE	Cum value	11.6%
	Within our forecast				
	50% of FY CNP				
	Within consensus				
	48% of FY CNP				
	Yoy	2%		t-1	12.0%
NII	As expected		NIM	As expected	
				Qtr value	2.08
				Cum value	2.09
	Qtr (Qoq)	1%		Qtr (Qoq)	-3bps
	Qtr (Yoy)	0%		Qtr (Yoy)	-10bps
	Cum (Yoy)	0%		Cum (Yoy)	-10bps
NOII	As expected		Qtr	% NII	74%
	Qtr (Qoq)	18%		% NOII	26%
	Qtr (Yoy)	21%	Cum	% NII	76%
	Cum (Yoy)	12%		% NOII	24%
OPEX	+ve surprise		Cost/ Inc.	As expected	
				Qtr value	34.7%
				Cum value	35.1%
	Qtr (Qoq)	2%		Qtr (Qoq)	-0.8%
	Qtr (Yoy)	2%		Qtr (Yoy)	-0.9%
	Cum (Yoy)	2%		Cum (Yoy)	-0.2%

Metric	Surprise? Qoq/Yoy		Metric	Surprise? Qoq/Yoy	
Loans	As expected				
	Qoq	1.5%			
	Yoy	5.5%			
	YTD (FY)	3.0%			
Depo. grwth	As expected		CASA grwth	As expected	
	Qoq	1.0%		Qoq	1.6%
	Yoy	3.8%		Yoy	5.3%
	YTD (FY)	2.3%		YTD (FY)	2.0%
CASA ratio	As expected		L/D ratio	As expected	
	Value now	27.9%		Value now	99.5%
	Qoq	+0.2%		Qoq	+0.5%
	Yoy	+0.4%		Yoy	+1.7%
GIL ratio	As expected		LLC ratio	As expected	
	Value now	0.54%		Value now	139%
	Qoq	+3bps		Qoq	-8%
	Yoy	+0bps		Yoy	-15%
Qtrly Net CC	As expected		Cum Net CC	As expected	
	Decent provision			Decent provision	
	Value now	10bps		Value now	7bps
	t-1	5bps			
	t-4	3bps		t-4	3bps
CET 1	Healthy level		Div payout	Div announced	
	As expected			As expected	
	Value now	13.9%		Payout	57%
	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**	**9,433**	**9,936**	**10,362**
Islamic banking inc.	1,707	1,839	1,797	1,893	1,974
Other operating inc.	2,853	3,272	3,366	3,709	4,127
Net income	**14,011**	**14,695**	**14,596**	**15,538**	**16,463**
OPEX	(4,828)	(5,129)	(5,036)	(5,361)	(5,680)
PPOP	**9,183**	**9,566**	**9,560**	**10,177**	**10,783**
Loan allowances	(1)	(67)	(228)	(238)	(249)
Other allowances	(492)	(13)	(11)	(11)	(11)
JV & Associates	241	56	56	56	56
PBT	**8,932**	**9,543**	**9,378**	**9,984**	**10,579**
Tax & zakat	(1,913)	(2,136)	(2,082)	(2,217)	(2,349)
NCI	128	(183)	(182)	(194)	(206)
Reported NP	**7,147**	**7,224**	**7,113**	**7,574**	**8,025**
Core NP	**7,147**	**7,224**	**7,113**	**7,574**	**8,025**
Total NII	11,069	11,304	11,230	11,829	12,336
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	15,423	17,141	18,614
Total liabilities	**483,380**	**499,210**	**521,280**	**543,772**	**567,260**
Share capital	9,418	9,418	9,418	9,418	9,418
Reserves	47,918	50,520	52,420	54,440	56,579
Shareholders' funds	**57,335**	**59,938**	**61,838**	**63,858**	**65,997**
NCI	2,594	2,504	2,597	2,682	2,772
Total equity	**59,930**	**62,442**	**64,435**	**66,540**	**68,768**
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	2.02	2.04	2.04
Return on IEAs	3.72	3.54	3.37	3.32	3.25
Cost of funds	2.06	1.95	1.88	1.80	1.73
Net interest spread	1.66	1.60	1.49	1.52	1.52
Profitability (%)					
ROE	**12.8**	**12.3**	**11.7**	**12.1**	**12.4**
ROA	1.4	1.3	1.2	1.3	1.3
NOII/Net income	21.0	23.1	23.1	23.9	25.1
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	5	5	5
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	-0.7	5.3	4.3
Total NOII	14.8	15.3	-0.7	10.2	11.3
Net income	4.4	1.4	-1.6	5.3	4.3
OPEX	9.4	6.2	-1.8	6.5	6.0
Core NP	7.5	1.1	-1.5	6.5	6.0
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)	36.8	37.2	36.7	39.0	41.4
Gross DPS (sen)	21.0	22.5	27.5	29.3	31.0
Div payout (%)	57	60	75	75	75
BVPS (RM)	3.0	3.1	3.2	3.3	3.4
Core P/E (x)	14.0	13.8	14.0	13.2	12.5
Div yield (%)	**4.1**	**4.4**	**5.3**	**5.7**	**6.0**
P/BV (x)	1.7	1.7	1.6	1.6	1.5

Source: Company, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB 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