

27 August 2025

Public Bank

Watchful of Margins

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PBBANK's 1HFY25 net profit (+2%) and 10.5 sen dividend declared were within expectations. The group further lowered its NIM guidance to mid-to-high single digit compression, citing continued pressures on funding costs. Still, as the group remains able to grow its loans book in addition to LPI's general insurance contribution, downside risk to earnings is well contained. Maintain **OUTPERFORM** and GGM-derived PBV TP of RM5.25.

1HFY25 within expectations. PBBANK's 1HFY25 net profit of RM3.51b made up 48% of both our full-year forecast and consensus full-year estimate. A 10.5 sen interim dividend was declared at 58% payout, which is on track to meet our anticipated 22.5 sen for the full year based on the group's targeted 60% payout.

YoY, 1HFY25 NII grew by 4% following a 6% increase in the group's loans book (+2.5% YTD) while NIMs fell to 2.16% (-3 bps) as both asset yields softened with higher funding costs. Meanwhile, NOII rose by 17% thanks to the inclusion of LPI's general insurance business into the group. Excluding LPI, NOII would otherwise increase by 6%, led by forex gains. Amid a stable CIR of 35.3% and credit cost of 3 bps, 1HFY25 net profit came in at RM3.51b (+2%).

QoQ, 2QFY25 net profit only grew by 1% from a mostly stable performance between 1QFY25. We note that on NOII, unit trust income fell by 8% on the back of softer investment markets, though this was offset by treasury gains.

Highlights. For the second consecutive quarter, PBBANK lowered its NIM guidance, which now stands at mid-to-high single-digit compression (from mid-single digit compression). On top of reflecting July 2025's 25 bps OPR cut, the group still sees intense competition for deposits as liquidity in the market softened. With its loans-to-deposits ratio also approaching 100%, the group may seek alternative funding sources to boost its capital going forward.

Despite a softer outlook on NIM, which is the only metric that saw a guidance change (see exhibit below), the group holds to its 13% ROE target and dividend payout target of 60% for FY25, as compensating factors could come in the form of continued strength in mortgage and hire purchase loans as well as the return of CASA deposits. PBBANK is still able to grow its loans book in all fronts, notably with hire purchase (+13%) outpacing the industry (+7%) with asset quality concerns remaining benign.

Forecast. Post results, we tweak our FY25F/FY26F earnings slightly from 2QFY25's model updates. We believe our FY25F NIM projection of 2.14% (-6 bps YoY) sufficiently captures the group's margin trajectory for now, hence we make no changes to it.

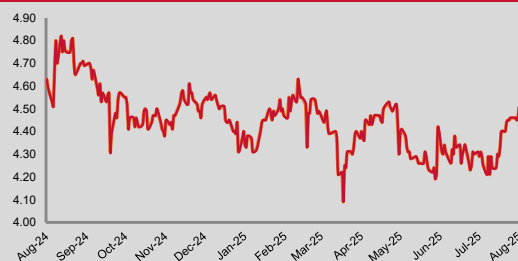
Maintain OUTPERFORM and TP of RM5.25. This is based on an unchanged GGM-derived PBV of 1.54x (COE: 9.9%, TG: 4.0%, ROE: 13.0%) against a FY26F BVPS of RM3.25. We also applied a 5% premium to our TP based on our 4-star ESG rating, led by the stock's strong green financing pipeline.

PBBANK is expected to continue commanding a leading GIL ratio amongst peers which could be attributable to its densely collateralised housing loan portfolio. Additionally, synergies with its recently acquired LPI could open more cross selling and cost saving opportunities to both parties as their integration progresses.

OUTPERFORM ↔

Price : **RM4.42**
Target Price : **RM5.25** ↔

Share Price Performance



KLCI	1,581.59
YTD KLCI chg	-3.7%
YTD stock price chg	-3.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	PBK MK Equity
Market Cap (RM m)	85,795.3
Shares Outstanding	19,410.7
52-week range (H)	4.84
52-week range (L)	4.03
3-mth avg. daily vol.	17,476,150
Free Float	70%
Beta	1.00

Major Shareholders

Consolidated Teh Holdings	21.6%
Employees Provident Fund	16.8%
Kumpulan Wang Persaraan	4.1%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Net interest Income	11,158	11,418	11,574
Non-interest Income	2,823	2,965	3,113
Total Income	13,981	14,382	14,687
Operating Expenses	-4,828	-4,876	-5,120
Loan Impairment	-1	-205	-137
Pre-tax Profit	8,932	9,332	9,462
Net Profit	7,147	7,238	7,447
Core Profit	7,147	7,238	7,447
Consensus NP	-	7,340	7,674
Earnings Revision (%)	-	-0.8	+0.2
Core EPS (RM)	0.37	0.37	0.38
EPS Growth (%)	7.5	1.3	2.9
NDPS (RM)	0.21	0.23	0.23
BV/Share (RM)	2.95	3.08	3.26
NTA/Share (RM)	2.81	2.93	3.11
ROE (%)	12.8	12.4	12.1
PER (x)	12.0	11.9	11.5
P/BV (x)	1.50	1.44	1.36
Net Div. Yield (%)	4.8	5.1	5.2

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Risks to our call include: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) further slowdown in capital market activities, (v) adverse currency fluctuations, and (vi) changes to OPR.

Results Highlights

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	2,874	2,828	1.6%	2,735	5.1%	5,702	5,466	4.3%
Non-interest income	779	772	0.9%	675	15.4%	1,551	1,324	17.1%
Total income	3,652	3,600	1.4%	3,410	7.1%	7,253	6,790	6.8%
Operating expenses	-1,299	-1,259	3.2%	-1,199	8.3%	-2,559	-2,398	6.7%
Pre-impairment profit	2,353	2,341	0.5%	2,210	6.4%	4,694	4,393	6.9%
(Allowances)/ write-backs	-34	-39	-12.6%	1	-2822.9%	-73	-62	17.7%
(Allowances)/ write-backs on other assets	1	-4	-112.1%	-6	-109.4%	-4	-7	-45.8%
Operating profit	2,319	2,298	0.9%	2,206	5.1%	4,617	4,323	6.8%
Non-operating gains / (losses)	15	15	2.0%	74	-79.6%	30	88	-66.1%
Profit before tax	2,334	2,312	0.9%	2,280	2.4%	4,647	4,412	5.3%
Taxation	-528	-520	1.5%	-500	5.6%	-1,047	-974	7.5%
Minority interest	-46	-48	-3.5%	1	-3847.8%	-94	-3	3565.3%
Net Profit	1,761	1,745	0.9%	1,782	-1.2%	3,506	3,435	2.1%
Core Net Profit	1,761	1,745	0.9%	1,782	-1.2%	3,506	3,435	2.1%
Gross loans	434,897	430,065	1.1%	410,959	5.8%	434,897	410,959	5.8%
Gross impaired loans	2,342	2,288	2.4%	2,623	-10.7%	2,342	2,623	-10.7%
Customer deposits	440,939	437,056	0.9%	424,851	3.8%	440,939	424,851	3.8%
Current and savings account (CASA)	121,451	120,229	1.0%	118,803	2.2%	121,451	118,803	2.2%
Total assets	546,709	549,714	-0.5%	525,573	4.0%	546,709	525,573	4.0%
Shareholders' equity	58,505	56,951	2.7%	56,295	3.9%	58,505	56,295	3.9%
Est. annualised NIM	2.17%	2.15%		2.17%		2.16%	2.19%	
Cost-to-income ratio	35.6%	35.0%		35.2%		35.3%	35.3%	
Annualised credit cost (bps)	3.2	3.7		-0.1		3.4	3.1	
Effective tax rate	22.6%	22.5%		21.9%		22.5%	22.1%	
Annualised ROA	1.3%	1.3%		1.4%		1.3%	1.3%	
Annualised ROE	12.2%	12.2%		12.9%		12.1%	12.4%	
Gross impaired loans ratio	0.5%	0.5%		0.6%		0.5%	0.6%	
Loan loss coverage ratio (LLC)	153.9%	159.9%		154.2%		153.9%	154.2%	
LLC plus regulatory reserves	235.6%	233.4%		184.1%		235.6%	184.1%	
Loan-to-deposit ratio	98.9%	98.7%		97.0%		98.9%	97.0%	
CASA-to-deposit ratio	27.5%	27.5%		28.0%		27.5%	28.0%	
CET-1 capital (Group level)	14.0%	14.0%		14.5%		14.0%	14.5%	

Source: Company, Kenanga Research

Management Guidance

	FY25 Targets	FY24 Performance
Loans growth	5%-6%	+6.3%
Deposits growth	4%-5%	+4.9%
Credit cost	Low single digit	0 bps
Net interest margin	Mid-to-high-single digit compression	2.2%
	(from mid-single digit compression)	
ROE	~13%	12.8%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen) 1-Yr.	Net Div Yld. 1-Yr.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
Affin Bank Bhd	MP	2.22	2.30	3.6%	5,625	N	12/2025	23.3	25.4	15.7%	9.1%	9.5	8.7	0.47	5.0%	6.0	2.7%
Alliance Bank Malaysia Bhd	OP	4.57	4.85	6.1%	7,907.1	N	03/2026	43.9	49.4	1.1%	12.6%	10.4	9.3	1.0	9.6%	18.0	3.9%
AMMB Holdings Bhd	OP	5.50	6.90	25.5%	18,196	N	03/2026	64.4	66.2	6.5%	2.8%	8.5	8.3	0.84	10.1%	31.5	5.7%
Bank Islam Malaysia Bhd	MP	2.33	2.40	3.0%	5,281	Y	12/2025	24.4	27.7	-3.2%	13.8%	9.6	8.4	0.67	7.1%	15.0	6.4%
CIMB Group Holdings Bhd	OP	7.40	7.90	6.8%	79,596	N	12/2025	75.1	77.9	4.0%	3.7%	9.8	9.5	1.09	11.3%	42.0	5.7%
Hong Leong Bank Bhd	OP	19.60	24.50	25.0%	42,487	N	06/2025	221.2	219.3	8.1%	-0.9%	8.9	8.9	1.01	10.7%	71.0	3.6%
Malayan Banking Bhd	OP	9.75	11.30	15.9%	117,791	N	12/2025	82.3	86.0	-1.7%	4.6%	11.9	11.3	1.19	10.3%	62.0	6.4%
MBSB Bhd	MP	0.685	0.720	5.1%	5,632	Y	12/2025	7.3	7.5	29.5%	1.5%	9.3	9.2	0.48	5.3%	3.5	5.1%
Public Bank Bhd	OP	4.42	5.25	18.8%	85,795	N	12/2025	37.3	38.4	1.3%	2.9%	11.9	11.5	1.44	12.4%	22.5	5.1%
RHB Bank Bhd	OP	6.47	7.80	20.6%	28,222	N	12/2025	71.7	74.4	-0.4%	3.7%	9.0	8.7	0.84	9.4%	44.5	6.9%
SECTOR AGGREGATE					396,532					2.4%	3.6%	10.6	10.2	1.09	10.3%		5.2%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.0	6.25	9.9	0.47	2.30	MP	
Alliance Bank Malaysia Bhd	3.0	10.0	10.5	0.93	4.85	OP	+5% ESG Premium
AMMB Holdings Bhd	3.0	10.0	9.9	1.02	6.90	OP	
Bank Islam Malaysia Bhd	3.5	8.0	10.2	0.67	2.40	MP	
CIMB Group Holdings Bhd	3.5	11.5	11.2	1.05	7.90	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	24.50	OP	Sum-of-Parts
Malayan Banking Bhd	3.5	11.5	9.5	1.33	11.30	OP	
MBSB Bhd	3.0	6.0	9.2	0.48	0.720	MP	
Public Bank Bhd	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB Bank Bhd	2.5	10.0	10.2	0.98	7.80	OP	

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★	★	★
	Financial Inclusion	★	★	★	☆	
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	☆		
	Diversity & Inclusion	★	★	★	★	
	Customer Experience	★	★	★		
OVERALL		★	★	★	★	

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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