

26 February 2026

Public Bank

Sixty for Sixty

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PBBANK's FY25 net profit (+1%) and full-year dividend payments met expectations. Despite meeting its FY25 targets, the group looks toward FY26 with a more conservative lens posturing a lower loans growth outlook as well as for NIMs to compress further, with fee-based NOII to support a ROE of 12.0%-13.0%.

Entering its 60th anniversary, PBBANK is committing to a 60% payout which translates to c.4.7% yields, where we see potential upside with its strong capital position and availability with the upcoming reforms to Basel III on the group's applied standardised approach. Per our model estimates, we believe the release of new capital could enable PBBANK to sustain dividend payout of c.70% with long-term yields of up to 7%. Maintain our **OUTPERFORM** call and a GGM-derived PBV TP of RM5.75.

FY25 within expectations. PBBANK's FY25 net profit of RM7.22b made up 101% of our full-year forecast and 100% of consensus full-year estimate. An interim dividend of 12.0 sen was declared, amounting to a full-year payment of 22.5 sen (60% payout) which is closely within our anticipated 23.0 sen.

YoY, FY25 net earnings only grew by 1%. This is largely due to higher effective taxes mitigating stronger topline performances.

Notably, total income improved by 5% on the back of: (i) NII gaining 2% from a higher loans base (+5%) though dampened by lower NIMs (2.15%, -6 bps) from compressed asset yields and funding cost pressures; and (ii) stronger NOII (+15%) driven by treasury gains and the inclusion of LPI's general insurance business to the group. CIR increased to 34.9% (+0.5 ppt) mainly on the back of personnel cost inflation while credit cost normalised but remained benign at 2 bps (from 0 bps).

QoQ, 4QFY25 net profit improved by 2%, mainly thanks to writebacks on provisions and lower minority interest charges during the period. Total income was flattish during the period as slightly better NIIs (+2%) cushioned the 6% decline in NOII from poorer treasury results.

Highlights. PBBANK achieved its loans growth target of 5%-6% and net ROE of 12.5%-13.0% at 12.8%.

Going into FY26, the group takes a more conservative stance with a lower loan growth target of 4%-5%, citing persistent competition in financing markets alongside continued funding cost pressures which leads them to expect NIM to potentially compress by up to mid-to-single digit bps. Mitigating this, PBBANK looks to target a larger SME profile within their acceptable risk tolerance. That said, the group appears positive for its NOII trajectory with its unit trust and treasury businesses hoping to benefit from healthier market activities and with LPI delivering sustainable returns from its general insurance business. Conservatively, PBBANK eyes for a FY26 ROE of 12.0%-13.0%.

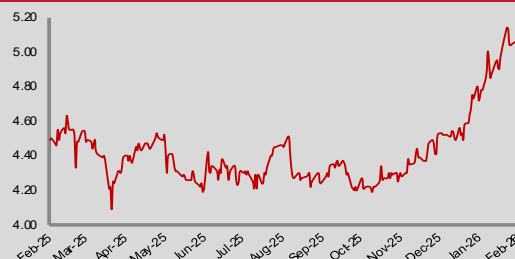
More positively, the group is guiding for dividend payouts to remain at least at 60%, though with its CET-1 of 13.9% is above its comfortable range of 13.0%-13.5% this could suggest room for additional payments in the near term. Meanwhile, the upcoming Basel III revision of credit RWA standards in July 2026 may free up an additional 100 bps to the group's CET-1, providing greater flexibility with capital management.

Forecast. Our FY26F earnings are tweaked slightly as we incorporate FY25 full-year numbers. We have already assumed a c.60% dividend payout for FY26 which translates to a 23.5 sen payment for a 4.7% yield. We also introduce our FY27F numbers.

OUTPERFORM ↔

Price : **RM4.95**
Target Price : **RM5.75** ↔

Share Price Performance



KLCI 1,747.81
YTD KLCI chg 4.0%
YTD stock price chg 9.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	PBK MK Equity
Market Cap (RM m)	96,082.9
Shares Outstanding	19,410.7
52-week range (H)	5.14
52-week range (L)	4.09
3-mth avg. daily vol.	24,056,390
Free Float	69%
Beta	0.98

Major Shareholders

Consolidated Teh Holdings	21.6%
Employees Provident Fund	18.1%
Kumpulan Wang Persaraan	5.1%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Net interest Income	11,423	11,675	12,162
Non-interest Income	2,965	3,013	3,164
Total Income	14,388	14,688	15,326
Operating Expenses	-5,129	-5,320	-5,585
Loan Impairment	-67	-72	-108
Pre-tax Profit	9,543	9,679	10,031
Net Profit	7,224	7,495	7,763
Core Profit	7,224	7,495	7,763
Consensus NP	-	7,560	7,985
Earnings Revision (%)	-	1.3	NEW
Core EPS (RM)	0.37	0.39	0.40
EPS Growth (%)	1.1	3.7	3.6
NDPS (sen)	22.5	23.5	24.0
BV/Share (RM)	3.09	3.24	3.35
NTA/Share (RM)	2.93	3.08	3.19
ROE (%)	12.3	12.2	12.1
PER (x)	13.3	12.8	12.4
P/BV (x)	1.60	1.53	1.48
Net Div. Yield (%)	4.5	4.7	4.8

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Maintain OUTPERFORM and TP of RM5.75. This is based on an unchanged GGM-derived PBV of 1.54x (COE: 9.4%, 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 LPI would open more cross selling and cost saving opportunities to both parties as their integration progresses. In view of strong potential capital availability, we do not discount the possibility of special dividends in the coming years. Per our model assumptions, every additional 5% increase in payout would translate to an additional 1.9 sen payment (+0.4% dividend yield).

Additionally, assuming a larger CET-1 of 14.9% post-Basel III reforms with a long-term earnings growth rate of 4% and perpetual RWA growth of 5%, we opine PBBANK is able to sustainably stretch its dividend payout to 70% to retain its CET-1 at 14.0% (in line with industry peers while still providing buffers on top of its comfortable range of 13.0%-13.5%). At 70% payout, yields are expected to gradually improve from c.5.5% to c.7% over the course of seven years.

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

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Net interest income	2,884	2,837	1.6%	2,849	1.2%	11,423	11,158	2.4%
Non-interest income	835	887	-6.0%	794	5.1%	3,272	2,853	14.7%
Total income	3,718	3,725	-0.2%	3,643	2.1%	14,695	14,011	4.9%
Operating expenses	-1,301	-1,269	2.6%	-1,207	7.8%	-5,129	-4,828	6.2%
Pre-impairment profit	2,417	2,456	-1.6%	2,436	-0.8%	9,566	9,183	4.2%
(Allowances)/ write-backs	17	-11	-258.5%	41	-58.4%	-67	-1	11728.3%
(Allowances)/ write-backs on other assets	-4	-5	-0.8%	-480	-99.1%	-13	-492	-97.4%
Operating profit	2,430	2,441	-0.5%	1,997	21.7%	9,487	8,690	9.2%
Non-operating gains / (losses)	14	12	22.0%	74	-80.6%	56	241	-76.8%
Profit before tax	2,444	2,453	-0.3%	2,071	18.0%	9,543	8,932	6.8%
Taxation	-544	-545	-0.2%	-401	35.5%	-2,136	-1,913	11.7%
Minority interest	-24	-65	-63.4%	130	-118.4%	-183	128	-242.8%
Net Profit	1,876	1,843	1.8%	1,799	4.3%	7,224	7,147	1.1%
Core Net Profit	1,876	1,843	1.8%	1,799	4.3%	7,224	7,147	1.1%
Gross loans	445,758	441,239	1.0%	424,171	5.1%	445,758	424,171	5.1%
Gross impaired loans	2,285	2,281	0.1%	2,225	2.7%	2,285	2,225	2.7%
Customer deposits	447,114	446,209	0.2%	433,264	3.2%	447,114	433,264	3.2%
Current and savings account (CASA)	125,315	123,879	1.2%	120,325	4.1%	125,315	120,325	4.1%
Total assets	561,651	555,638	1.1%	542,863	3.5%	561,651	542,863	3.5%
Shareholders' equity	59,938	58,251	2.9%	57,335	4.5%	59,938	57,335	4.5%
Reported NIM	2.12%	2.10%		2.21%		2.15%	2.21%	
Cost-to-income ratio	35.0%	34.1%		33.1%		34.9%	34.5%	
Annualised credit cost (bps)	-1.5	1.0		-3.9		1.5	0.0	
Effective tax rate	22.3%	22.2%		19.4%		22.4%	21.4%	
Annualised ROA	1.3%	1.3%		1.3%		1.3%	1.4%	
Annualised ROE	12.7%	12.6%		12.8%		12.3%	13.2%	
Gross impaired loans ratio	0.5%	0.5%		0.5%		0.51%	0.5%	
Loan loss coverage ratio (LLC)	149.9%	154.8%		166.2%		149.9%	166.2%	
LLC plus regulatory reserves	248.7%	244.3%		237.7%		248.7%	237.7%	
Loan-to-deposit ratio	100.3%	99.5%		98.2%		100.3%	98.2%	
CASA-to-deposit ratio	28.0%	27.8%		27.8%		28.0%	27.8%	
CET-1 capital (Group level)	13.9%	13.8%		14.3%		13.9%	14.3%	

Source: Company, Kenanga Research

Management Guidance

	FY26 Targets	FY25 Performance
Loans growth	4%-5%	+5.1%
NOII growth	Double digit	15%
Credit cost	Single digit	2 bps
Net interest margin	Stable to mid-single digit compression	2.15%
Net ROE	12.0%-13.0%	12.8%
Dividend Payout	~60%	60.5%

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	2.71	2.50	-7.7%	6,866.7	N	12/2025	22.8	25.4	13.3%	11.6%	11.9	10.7	0.6	4.9%	6.0	2.2%
Alliance Bank Malaysia Bhd	MP	5.16	5.20	0.8%	8,928.0	N	03/2026	47.2	50.3	8.7%	6.5%	10.9	10.3	1.1	10.3%	19.0	3.7%
AMMB Holdings Bhd	OP	6.54	7.45	13.9%	21,629.9	N	03/2026	64.2	67.0	6.0%	4.5%	10.2	9.8	1.0	10.0%	34.0	5.2%
Bank Islam Malaysia Bhd	MP	2.52	2.55	1.2%	5,711.5	Y	12/2025	23.6	26.9	-6.4%	14.1%	10.7	9.4	0.7	6.9%	14.0	5.6%
CIMB Group Holdings Bhd	MP	8.47	8.45	-0.2%	91,447.7	N	12/2025	73.7	77.7	2.0%	5.3%	11.5	10.9	1.2	11.1%	49.0	5.8%
Hong Leong Bank Bhd	MP	24.04	25.95	7.9%	52,111.9	N	06/2026	231.0	238.9	1.1%	3.4%	10.4	10.1	1.2	11.7%	105.0	4.4%
Malayan Banking Bhd	OP	12.36	12.35	-0.1%	149,322.5	N	12/2025	84.4	86.6	0.8%	2.7%	14.7	14.3	1.5	10.6%	62.0	5.0%
MBSB Bhd	MP	0.775	0.750	-3.2%	6,372.3	Y	12/2025	5.8	7.2	2.9%	23.4%	13.3	10.8	0.6	4.2%	4.6	5.9%
Public Bank Bhd	OP	4.95	5.75	16.2%	96,082.9	N	12/2026	38.6	40.0	3.7%	3.6%	12.8	12.4	1.5	12.2%	23.5	4.7%
RHB Bank Bhd	MP	8.31	8.35	0.5%	36,247.5	N	12/2025	71.8	74.1	-0.3%	3.1%	11.6	11.2	1.1	9.4%	44.5	5.4%
SECTOR AGGREGATE					474,721					2.1%	4.2%	12.5	12.0	1.3	10.3%		4.8%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.00	6.25	9.4	0.51	2.50	MP	
Alliance Bank Malaysia Bhd	3.00	10.0	10.0	1.00	5.20	MP	+5% ESG Premium
AMMB Holdings Bhd	3.00	10.0	9.4	1.10	7.45	OP	
Bank Islam Malaysia Bhd	3.50	8.0	9.7	0.73	2.55	MP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	MP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	MP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.35	OP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.75	MP	
Public Bank Bhd	4.00	13.	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.35	MP	

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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