

22 April 2026

Public Bank

Banking on Quality

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We maintain our GGM-derived PBV TP of RM5.75 (COE: 9.4%, TG: 4.0%, ROE: 13.0%) and OUTPERFORM call. With its longstanding focus on high-quality assets, PBBANK is well-positioned to remain resilient against inflationary pressures, supported by its industry-leading LLC of 150%. That said, in the event of broader economic softening, the group still expects to achieve its 12%-13% ROE target, albeit towards the lower-end of the range without the benefit of capital optimisation and the 100 bps CET-1 uplift from Basel III reforms. PBBANK is one of our 2QCY26 Top Picks.

Key takeaways from our recent meeting with the group are as follows:

- **Inflation-resilient portfolio.** With a sector-low GIL of 0.51% (vs industry's 1.37%) and a leading LLC of 150% (vs 85%) as at Dec 2025, PBBANK remains confident if it has to navigate a high-inflation environment without a material deterioration in asset quality. Its RM800m management overlays are deemed sufficient, with no immediate need for additional provisioning.
- **Conservative growth remains appropriate.** The group maintains its FY26 loan growth target of 4%–5%, reflecting its focus on higher-income, higher-value segments that are less sensitive to inflationary pressures. With regard its intention to target SMEs, the group looks to increase in precaution and will be more mindful of its forward-looking credit assessment in addition to cashflow strength, to ensure minimal deterioration going forward.

Despite a loan-to-deposit ratio of c.100%, liquidity is not viewed as a constraint. With **NIMs expected to remain stable at c.2.15% or experience a mid-single digit compression**, the group is focusing on funding mix optimisation, including exploring commercial paper issuances as a relatively cheaper alternative to deposits.

- **NOII's to help during potentially choppy times.** An anticipated double-digit growth in NOII should help cushion any headwinds to NII. In particular, the group's unit trust business (via Public Mutual, 40% of total NOII) is expected to benefit from the recent improvement in trading market conditions. Meanwhile, synergies with LPI are gradually taking shape, with initial traction seen in cross-selling initiatives (notably motor insurance). These efforts are expected to support near-term performance ahead of broader branch network integration.
- **Capital optimisation in mind.** The upcoming Basel III reforms (effective 1 July 2026) are expected to lift CET-1 by c.100 bps (from 13.9%), translating to a c.RM24b RWA release, well above the group's comfortable range of 13.0%-13.5%. While the group has yet to formally declare its plans for the excess capital, we gather that a full distribution could imply a **potential dividend of up to 17.7 sen per share (c.3.8% yield)**.

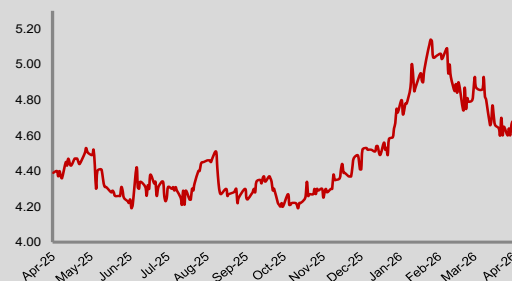
Forecasts. Unchanged for now. In view of strong potential capital availability, we do not discount the possibility of special dividends in the coming years, above the guided payout of 60% (which we applied). Per our model assumptions, every additional 5% increase in payout would translate to an additional 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 at current price levels.

OUTPERFORM ↔

Price : RM4.80
Target Price : RM5.75 ↔

Share Price Performance



KLCI	1,715.33
YTD KLCI chg	2.1%
YTD stock price chg	5.7%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	PBK MK EQUITY
Market Cap (RM m)	93,171.3
Shares Outstanding	19,410.7
52-week range (H)	5.18
52-week range (L)	4.17
3-mth avg. daily vol.	27,915,160
Free Float	68%
Beta	1.0

Major Shareholders

Consolidated Teh Holdings	21.6%
Employees Provident Fund	17.6%
Kumpulan Wang Persaraan	5.3%

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
Total Impairment	-67	-72	-108
Pre-tax Profit	9,543	9,679	10,031
Net Profit	7,224	7,495	7,763
Core Net Profit	7,224	7,495	7,763
Consensus NP		7,523	7,929
Earnings Revision		-	-
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)	12.9	12.4	12.0
P/BV (x)	1.55	1.48	1.43
Net Div. Yield (%)	4.7	4.9	5.0

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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. **PBBANK is one of our 2QCY26 Top Picks.**

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.

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Net interest income	10,617	11,158	11,423	11,675	12,162
Non-interest income	2,476	2,823	2,965	3,013	3,164
Total income	13,093	13,981	14,388	14,688	15,326
Operating expenses	-4,415	-4,828	-5,129	-5,320	-5,585
PPOP	8,678	9,153	9,259	9,368	9,740
Loan impairments	-157	-1	-67	-72	-108
Other impairments	-1	-492	-13	-10	-10
Associates	19	241	56	70	70
Pre-tax profit	8,539	8,932	9,543	9,679	10,031
Tax and zakat	-1,884	-1,913	-2,136	-2,166	-2,245
Minority interest	-6	128	-183	-18	-23
Net Profit	6,649	7,147	7,224	7,495	7,763
Core Net Profit	6,649	7,147	7,224	7,495	7,763

Balance Sheet

FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F
Cash & ST funds	11,128	15,475	16,830	17,170	17,515
Investment securities	86,731	86,923	84,998	86,711	88,458
Loans and financing	394,750	420,472	442,333	463,858	481,497
Other assets	15,399	17,194	14,404	14,045	10,655
Intangible assets	2,590	2,799	3,086	3,086	3,086
Total Assets	510,598	542,863	561,651	584,869	601,211
Customer deposits	412,897	433,264	437,056	456,123	465,314
Deposits & placements	12,602	13,458	14,625	14,920	15,526
Borrowings	16,244	16,015	18,850	19,230	20,011
Other liabilities	12,474	20,480	28,678	29,171	32,832
Total liabilities	454,218	483,216	499,210	519,444	533,683
Share capital	9,418	9,418	9,418	9,418	9,418
Retained earnings	42,447	44,811	47,205	50,138	53,242
Regulatory reserves	724	1,591	2,257	2,257	2,257
Other reserves	2,086	1,515	1,058	1,108	108
Shareholders' funds	54,674	57,335	59,938	62,921	65,025
Minority interest	1,706	2,311	2,504	2,504	2,504
Total liabilities and equity	510,598	542,863	561,651	584,869	601,211

Financial Data & Ratios

FY Dec	2023A	2024A	2025A	2026F	2027F
Growth					
Net interest income	-3.7%	5.1%	2.4%	2.2%	4.2%
Non-interest income	2.6%	14.0%	5.0%	1.6%	5.0%
Total income	-2.6%	6.8%	2.9%	2.1%	4.3%
Operating expenses	4.2%	9.4%	6.2%	3.7%	5.0%
PPOP	-5.7%	5.5%	1.2%	1.2%	4.0%
Loan impairment	-57.1%	-99.6%	N.M.	7.2%	51.1%
Pre-tax profit	-3.3%	4.6%	6.8%	1.4%	3.6%
Net Profit	8.7%	7.5%	1.1%	3.7%	3.6%
Core Net Profit	8.7%	7.5%	1.1%	3.7%	3.6%
Gross loans	5.9%	6.5%	5.2%	4.9%	3.8%
Customer deposits	4.6%	4.9%	0.9%	4.4%	2.0%

Operating metrics

Est. avg. asset yield	4.58%	4.60%	4.39%	4.02%	4.03%
Est. avg. funding cost	2.58%	2.61%	2.52%	2.47%	2.47%
Est NIM	2.19%	2.20%	2.14%	2.10%	2.10%
Cost-to-Income ratio	33.7%	34.5%	34.9%	35.4%	35.7%
Credit cost (bps)	4.1	0.0	1.5	1.6	2.3
Loan-to-deposit ratio	95.6%	97.0%	101.2%	101.7%	103.5%
GIL ratio	0.6%	0.5%	0.5%	0.5%	0.5%
LLC Ratio	181.8%	166.2%	149.9%	146.0%	145.0%
LLC Ratio (+ reg reserves)	212.8%	237.7%	248.7%	240.3%	235.8%
ROA	1.3%	1.4%	1.3%	1.3%	1.3%
ROE	12.7%	12.8%	12.3%	12.2%	12.1%

Valuations

EPS (RM)	0.34	0.37	0.37	0.39	0.40
PER (x)	14.01	13.04	12.90	12.43	12.00
Div yield (%)	4.0	4.4	4.7	4.9	5.0
BV/share (RM)	2.82	2.95	3.09	3.24	3.35
P/BV (x)	1.70	1.63	1.55	1.48	1.43

Source: 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	2.45	2.50	2.0%	6,207.9	N	12/2026	22.4	24.0	4.9%	7.1%	10.9	10.2	0.5	4.6%	9.0	3.7%
Alliance Bank Malaysia Bhd	MP	4.73	5.20	9.9%	8,184.0	N	03/2026	48.0	50.3	10.7%	4.6%	9.8	9.4	1.0	10.5%	19.5	4.1%
AMMB Holdings Bhd	OP	6.37	7.45	17.0%	21,063.9	N	03/2026	64.2	67.0	6.0%	4.5%	9.9	9.5	1.0	10.0%	34.0	5.3%
Bank Islam Malaysia Bhd	OP	2.41	2.55	5.8%	5,462.2	Y	12/2026	26.5	28.5	7.9%	7.5%	9.1	8.5	0.7	7.5%	16.0	6.6%
CIMB Group Holdings Bhd	OP	7.80	8.45	8.3%	84,264.7	N	12/2026	78.6	83.9	6.9%	6.8%	9.9	9.3	1.1	11.4%	50.0	6.4%
Hong Leong Bank Bhd	OP	22.96	25.95	13.0%	49,770.8	N	06/2026	227.1	236.0	-0.6%	3.9%	10.1	9.7	1.1	11.5%	105.0	4.6%
Malayan Banking Bhd	OP	11.36	12.30	8.3%	137,402.9	N	12/2026	89.0	90.4	2.1%	1.6%	12.8	12.6	1.3	11.0%	64.0	5.6%
MBSB Bhd	OP	0.680	0.730	7.4%	5,591.2	Y	12/2026	5.7	7.7	45.4%	36.4%	12.0	8.8	0.5	4.1%	4.5	6.6%
Public Bank Bhd	OP	4.80	5.75	19.8%	93,171.3	N	12/2026	38.6	40.0	3.7%	3.6%	12.4	12.0	1.5	12.2%	23.5	4.9%
RHB Bank Bhd	MP	8.26	8.40	1.7%	36,029.4	N	12/2026	75.5	79.9	-2.7%	5.8%	10.9	10.3	1.0	9.5%	47.0	5.7%
SECTOR AGGREGATE					447,148					3.5%	4.5%	11.4	10.9	1.2	10.3%		5.4%

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	OP	
CIMB Group Holdings Bhd	3.50	11.5	10.7	1.12	8.45	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	25.95	OP	Sum-of-Parts
Malayan Banking Bhd	3.50	11.5	9.0	1.45	12.30	OP	
MBSB Bhd	3.00	6.0	8.7	0.53	0.730	OP	
Public Bank Bhd	4.00	13.0	9.4	1.68	5.75	OP	+5% ESG Premium
RHB Bank Bhd	2.50	10.0	9.7	1.05	8.40	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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