FINANCIAL SERVICES

AmInvestment Bank

**Company Report**

# PUBLIC BANK

(PBK MK EQUITY, PUBM.KL)

**26 Aug 2025**

*Strong asset quality complemented by continued growth in non-interest income*

**BUY**

(Maintained)

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***Rationale for report: Company Result***

| | |
|---|---|
| **Price** | **RM4.42** |
| **Fair Value** | **RM5.20** |
| 52-week High/Low | RM4.84/RM4.03 |

**Key Changes**

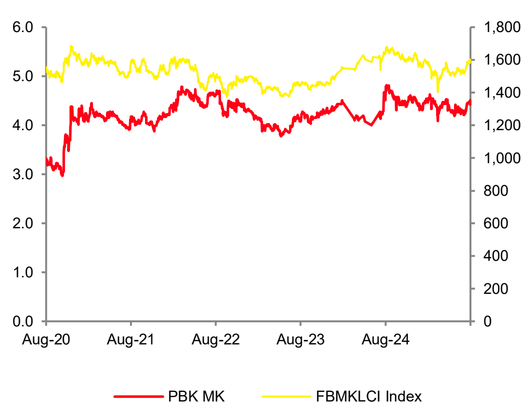
| | |
|---|---|
| Fair value | ⇔ |
| EPS | ⇔ |

| **YE to Dec** | **FY24** | **FY25F** | **FY26F** | **FY27F** |
|---|---|---|---|---|
| Total income (RM mil) | 14,010.7 | 14,866.0 | 15,812.3 | 16,754.9 |
| Core net profit (RM mil) | 7,147.0 | 7,431.3 | 7,878.4 | 8,458.0 |
| FD Core EPS (sen) | 36.8 | 38.3 | 40.6 | 43.6 |
| FD Core EPS growth (%) | 7.5 | 4.0 | 6.0 | 7.4 |
| Consensus Net Profit (RM mil) | - | 7,340.0 | 7,674.0 | 8,108.0 |
| DPS (sen) | 21.0 | 23.0 | 24.4 | 26.1 |
| BV/share (RM) | 2.95 | 3.18 | 3.44 | 3.73 |
| PE (x) | 12.0 | 11.5 | 10.9 | 10.1 |
| Div yield (%) | 4.8 | 5.2 | 5.5 | 5.9 |
| P/BV (x) | 1.5 | 1.4 | 1.3 | 1.2 |
| ROE (%) | 12.8 | 12.5 | 12.3 | 12.2 |

Stock and Financial Data

| | |
|---|---|
| Shares Outstanding (million) | 19,313.4 |
| Market Cap (RMmil) | 85,365.4 |
| Book Value (RM/Share) | 2.95 |
| P/BV (x) | 1.5 |
| ROE (%) | 12.8 |
| Major Shareholders | Consolidated Teh Holdings (21.6%)<br>Employees Provident Fund (16.8%) |
| Free Float | 61.5 |
| Avg Daily Value (RMmil) | 75.4 |

| **Price performance** | **3mth** | **6mth** | **12mth** |
|---|---|---|---|
| Absolute (%) | 0.2 | (2.9) | (2.0) |
| Relative (%) | (2.8) | (2.4) | 1.6 |




***Public Bank's 6MFY25 earnings met expectations, driven by a 6.8% YoY rise in total income and ROE of 12.1%. Positive JAW (+0.1%) and stable CI ratio (35.3%) reflect operational efficiency. Loan growth of 5.8% YoY led peers, with domestic loans up 6.8%, beating industry growth. Asset quality remained strong with 235.6% loan loss coverage including regulatory reserves. Dividend payout set to rise to 60% in FY25 (from 57% in FY24). Bancassurance saw 26% ANP growth. LPI Capital's consolidation, following a 44.15% stake acquisition, is poised to boost NOII and enhance cross-selling of unit trusts and insurance products.***

- **Recommendation and valuation.** We reiterate our BUY call with unchanged target price of RM5.20/share, based on FY26 P/BV of 1.5x and supported by a projected ROE of 12.3%. Our earnings forecast and neutral 3-star ESG rating remain intact.
- **6MFY25 net profit of RM3.5b (+2.1% YoY) was in line with expectations, representing ~47% of both our and consensus forecasts.** Growth was driven by stronger NII (+4.1%) and NOII (+17.5%), offset by higher costs and provisions. NIM contracted 2bps YTD to 2.19%, prompting management to revise FY25 NIM compression guidance to mid-to-high single digits. NOII was boosted by investment income, FX gains, and fee growth. QoQ, earnings were flat (+0.9%) in 2QFY25, with lower ECL offset by higher OPEX. The group may seek extension for the sale of Public Bank shares via LPI Capital to optimize timing and market conditions**.** An interim dividend of 10.5 sen has been declared (58.1% payout), with the group targeting a higher full-year FY25 payout of 60%. The group is reviewing whether further goodwill impairment is necessary for its Hong Kong operations, having already taken a cautious view on profitability.
- **Group loan growth moderated slightly to 5.8% YoY, impacted by slower overseas loans in Hong Kong, China, and Cambodia.** Domestic loan growth steady at 6.8% YoY in 2QFY25, outpacing the industry's 5.1% increase. Public Mutual's PBT declined 5.8% YoY due to market challenges, with NAV at RM100.6 billion. Meanwhile, annualised new premiums for bancassurance surged 26.0% YoY.
- **Asset quality remained stable with a low credit cost**. Group GIL ratio rose slightly to 0.54% in 2QFY25 (from 0.53%), while the domestic GIL held steady at 0.4%, supported by strong asset quality across key loan segments. Overdue domestic loans (>1 month in arrears) stayed low at 1.6%. Low credit cost of 3bps, in line with FY25 guidance. Loan loss coverage dipped to 153.9%, but total coverage—including RM1.91bil in regulatory reserves—stood at 235.6%, well above the industry's 130.3%. Overlays writeback totalled nearly RM217mil in 2H25, reducing outstanding management overlays to RM1bil.

## Company profile

Public Bank, Malaysia's third-largest banking group, holds RM542.86 billion in assets as of December 2024. It offers a wide range of financial services, including personal, commercial, and Islamic banking, as well as investment banking, share broking, trustee services, unit trust management, bancassurance, and general insurance. The group operates 472 branches across Malaysia, Cambodia, Singapore, Hong Kong, Vietnam, China, Laos, and Sri Lanka.

## Investment thesis and catalysts

We remain positive on this stock with a BUY recommendation premised on the following:

- Strong asset quality and loan loss coverage of 235.6%, including regulatory reserves, ensuring stability amid tariff-induced economic challenges.
- FY25 dividend payout to increase to 60%, up from 57% in FY24, with bancassurance business maintaining solid performance.
- LPI Capital's consolidation after Public Bank's 44.15% stake acquisition in December 2024 strengthens NOII and boosts cross-selling of unit trusts and bancassurance products.

## Valuation methodology

The stock valuation is based on a Gordon growth model, yielding a price-to-book ratio of 1.5x. This assessment considers an 8.7% cost of equity, a beta of 0.8, a 6.5% market risk premium, a 3.5% risk-free rate, and a 2% long-term growth rate.

## Risk factors

Downside risks to our estimates:

- Slower global economic growth weighing on loan expansion.
- Rising funding costs and sluggish CASA growth intensifying deposit competition.
- Prolonged high interest rates in developed markets reducing bond/securities valuations, affecting NOII.

### EXHIBIT 1: VALUATIONS

| | | | |
|---|---|---|---|
| COE | 8.7% | P/BV | FY26 1.5x |
| Beta | 0.8 | FY26 BVPS | RM3.45 |
| Market risk premium | 6.5% from 6.3% | **TP** | **RM5.20** |
| Risk free rate | 3.5 from 3.7% | ESG Premium | 0 |
| Long term growth rate | 2% | **Adjusted TP** | **RM5.20** |

**EXHIBIT 2: RESULTS SUMMARY**

| Income Statement (RM mil, FYE 31 Dec) | 2Q24 | 1Q25 | 2Q25 | % QoQ | % YoY | 6M24 | 6M25 | % YoY |
|---|---|---|---|---|---|---|---|---|
| Interest income | 4,698 | 4,751 | 4,752 | 0.0% | 1.1% | 9,366 | 9,503 | 1.5% |
| Interest expense | -2,380 | -2,370 | -2,342 | -1.2% | -1.6% | -4,730 | -4,712 | -0.4% |
| **Net interest income** | **2,318** | **2,380** | **2,411** | 1.3% | 4.0% | **4,636** | **4,791** | 3.4% |
| Islamic banking income | 417 | 448 | 463 | 3.3% | 11.0% | 830 | 911 | 9.7% |
| Non-interest income | 675 | 772 | 778 | 0.8% | 15.3% | 1,324 | 1,550 | 17.0% |
| **Total income** | **3,410** | **3,601** | **3,652** | 1.4% | 7.1% | **6,790** | **7,252** | 6.8% |
| Overhead expenses | -1,199 | -1,259 | -1,299 | 3.2% | 8.3% | -2,398 | -2,559 | 6.7% |
| Pre-provision profit | **2,210** | **2,341** | **2,352** | 0.5% | 6.4% | **4,393** | **4,693** | 6.8% |
| Loan impairment allowances | 1 | -39 | -34 | -12.6% | >-100% | -62 | -73 | 17.7% |
| Other allowances | -6 | -4 | 1 | -112.1% | -109.4% | -7 | -4 | -45.8% |
| Associates and JV income | 74 | 15 | 15 | 2.0% | -79.6% | 88 | 30 | -66.1% |
| **Pretax profit** | **2,280** | **2,313** | **2,334** | 0.9% | 2.4% | **4,412** | **4,646** | 5.3% |
| Income tax | -500 | -520 | -528 | 1.5% | 5.6% | -974 | -1,047 | 7.5% |
| Minority interest | 1 | -48 | -46 | -3.5% | >-100% | -3 | -94 | >100% |
| **Net profit** | **1,782** | **1,745** | **1,760** | 0.9% | -1.2% | **3,435** | **3,505** | 2.1% |
| Normalised EPS (sen) | 9.2 | 9.0 | 9.1 | 0.8% | -0.8% | 17.7 | 18.2 | 2.5% |
| | | | | | | | | |
| **Balance Sheet (RM mil, FYE 31 Dec)** | **2Q24** | **1Q25** | **2Q25** | **% QoQ** | **% YoY** | **6M24** | **6M25** | **% YoY** |
| Gross loans and advances | 410,959 | 430,065 | 434,897 | 1.1% | 5.8% | 430,065 | 434,897 | 1.1% |
| Net loans and advances | 406,915 | 426,408 | 431,294 | 1.1% | 6.0% | 426,408 | 431,294 | 1.1% |
| Customer deposits | 424,851 | 437,056 | 440,939 | 0.9% | 3.8% | 437,056 | 440,939 | 0.9% |
| Gross impaired loans | 2,623 | 2,288 | 2,342 | 2.4% | -10.7% | 2,288 | 2,342 | 2.4% |
| Average shareholders' funds | 55,441 | 57,143 | 57,728 | 1.0% | 4.1% | 55,485 | 57,920 | 4.4% |
| | | | | | | | | |
| **Profit by segments (RM mil)** | | | | | | | | |
| Hire purchase | 186 | 197 | 192 | -2.5% | 3.2% | 378 | 389 | 3.1% |
| Retail operations | 1,224 | 1,085 | 1,124 | 3.6% | -8.2% | 2,288 | 2,209 | -3.5% |
| Corporate Lending | 155 | 193 | 207 | 7.0% | 33.3% | 337 | 400 | 18.8% |
| Treasury and capital market | 129 | 44 | 94 | 111.3% | -27.7% | 123 | 138 | 11.6% |
| Investment banking | 25 | 18 | 12 | -32.3% | -51.7% | 44 | 30 | -30.7% |
| Fund management | 214 | 208 | 195 | -6.1% | -8.6% | 428 | 403 | -5.8% |
| Others | -11 | 92 | 106 | 15.1% | >100% | -21 | 198 | >100% |
| Head Office and Funding Center | 226 | 332 | 311 | -6.2% | 5.0% | 556 | 644 | 15.8% |
| Total domestic operations | 2,149 | 2,170 | 2,242 | 3.3% | 4.3% | 4,133 | 4,412 | 6.7% |
| Total overseas operations | 57 | 128 | 77 | -39.7% | 35.6% | 190 | 205 | 7.6% |
| Share of profit from JV and associates | 74 | 15 | 15 | 2.0% | -79.6% | 88 | 30 | -66.1% |
| **Group pretax profit** | **2,280** | **2,313** | **2,334** | 0.9% | 2.4% | **4,412** | **4,646** | 5.3% |
| | | | | | | | | |
| **Ratios (%)** | | | | | | | | |
| NIM | 2.19% | 2.19% | 2.18% | | | 2.22% | 2.19% | |
| Net LD | 95.8% | 97.6% | 97.8% | | | 95.8% | 97.8% | |
| CASA | 28.0% | 27.5% | 27.5% | | | 28.0% | 27.5% | |
| Cost to income | 35.2% | 35.0% | 35.6% | | | 35.3% | 35.3% | |
| Credit cost | 0.00% | 0.04% | 0.03% | | | 0.03% | 0.03% | |
| Loan loss coverage | 154.2% | 159.9% | 153.9% | | | 154.2% | 153.9% | |
| Loan loss coverage including regulatory reserves | 192.7% | 233.4% | 235.6% | | | 192.7% | 235.6% | |
| GIL | 0.64% | 0.53% | 0.54% | | | 0.64% | 0.54% | |
| ROE | 12.9% | 12.2% | 12.2% | | | 12.4% | 12.1% | |
| Underlying ROE | 12.9% | 12.2% | 12.2% | | | 12.4% | 12.1% | |
| CET1 capital | 14.5% | 14.0% | 14.0% | | | 14.5% | 14.0% | |
| Tier 1 capital | 14.5% | 14.1% | 14.0% | | | 14.5% | 14.0% | |
| Total capital | 17.4% | 16.8% | 16.8% | | | 17.4% | 16.8% | |

*Source: Company, AmInvestment Bank*

### EXHIBIT 3: ESG SCORE

| | Environmental assessment | Parameters | Weightage | Rating | | | | | Rationale |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Exposure to sustainable financing out of total loans | % of loan book | 30% | * | * | * | * | | RM67.9bil sustainable finance mobilised since 2020 > 67% of RM100bil target by 2030 |
| 2 | % of financing to high risk ESG sectors out of total loans | % of loan book | 30% | * | * | * | * | | |
| 3 | Scope 1 GHG Emissions to total income | t/Co2e/RM'Mil | 10% | * | * | * | * | | Low at 0.28 in 2024 vs. 0.22 in 2023 |
| 4 | Scope 2 GHG Emissions to total income | t/Co2e/RM'Mil | 10% | * | * | * | * | | Stable at 4.7 in 2024 |
| 5 | Scope 3 GHG Emissions to total income | t/Co2e/RM'Mil | 10% | * | * | * | * | * | Lower at 2.72 in 2024 vs. 4.74 in 2023 |
| 6 | Electricity consumption to total income | Electricity consumption to total income | 5% | * | * | * | * | * | |
| 7 | Water consumption to total income | m3/RM'Mil | 5% | * | * | * | | | |
| | **Weighted score for environmental assessment** | | **100%** | * | * | * | * | | |
| | **Social assessment** | | | | | | | | |
| 1 | Corporate Social Responsibility investments or spend | % of total income | 35% | * | * | | | | 0.18% in 2024 vs. 0.11 in 2023 |
| 2 | Investments in training | % of total income | 20% | * | * | * | | | Average 3.2hrs of sustainability training completed in 2024 |
| 3 | Workforce diversity - women in senior management and above (excluding Board Directors) | % of total workforce | 10% | * | * | * | | | 46.2% in 2024 vs. 47.4% in 2023 |
| 4 | Average training hours per employee | hours | 25% | * | * | * | * | | Stable at 61.2 in FY23 vs. 62.2 in FY22 |
| 5 | Financial literacy programmes | No of participants educated through programmes | 10% | * | * | * | | | |
| | **Weighted score for social assessment** | | **100%** | * | * | * | | | |
| | **Governance assessment** | | | | | | | | |
| 1 | Board age diversity | % under the 61 to 70 years old category | 20% | * | * | * | | | 30% in 2024 below age of 60 |
| 2 | Board women representation | % of total board directors | 10% | * | * | * | * | | 44.4% in 2024 unchanged from 2023 |
| 3 | Directors with tenure of 3-6 years | % in the 3 to 6 years or more category | 20% | * | * | * | | | |
| 4 | Independent board directors | % of total board directors | 20% | * | * | * | | | 50% in 2024 unchanged from 2023 |
| 5 | Remuneration to directors | % of total operating expenses | 10% | * | * | * | | | |
| 6 | Cybersecurity, Privacy and Data Protection | Confirmed incidents | 20% | * | * | * | | | 2 in 2024 and zero in 2023 |
| | **Weighted score for governance assessment** | | **100%** | * | * | * | | | |
| | | | | | | | | | |
| | Environmental score | | 40% | * | * | * | * | | |
| | Social score | | 25% | * | * | * | | | |
| | Governance score | | 35% | * | * | * | | | |
| | **Overall ESG Score** | | **100%** | * | * | * | | | |

*Source:AmInvestment Bank, Company*

## EXHIBIT 4: FINANCIAL DATA

| Income Statement (RMmil, YE 31 Dec) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Net interest income | 9,055.3 | 9,451.1 | 9,801.9 | 10,349.9 | 10,968.4 |
| Non-interest income | 2,475.7 | 2,852.6 | 3,255.8 | 3,547.0 | 3,757.5 |
| Islamic banking income | 1,561.5 | 1,707.0 | 1,808.2 | 1,915.5 | 2,029.1 |
| **Total income** | **13,092.6** | **14,010.7** | **14,866.0** | **15,812.3** | **16,754.9** |
| Overhead expenses | (4,414.8) | (4,828.1) | (5,054.4) | (5,376.2) | (5,612.9) |
| Pre-provision profit | 8,677.8 | 9,182.5 | 9,811.5 | 10,436.1 | 11,142.0 |
| Loan loss provisions | (156.7) | (0.6) | (220.8) | (280.9) | (248.1) |
| Impairment & others | (1.3) | (491.5) | - | - | - |
| Associates | 19.0 | 241.2 | 42.6 | 57.5 | 70.2 |
| **Pretax profit** | **8,538.8** | **8,931.6** | **9,633.3** | **10,212.8** | **10,964.2** |
| Tax | (1,883.8) | (1,912.6) | (2,119.3) | (2,246.8) | (2,412.1) |
| Minority interests | (5.7) | 128.0 | (82.7) | (87.6) | (94.1) |
| **Core net profit** | **6,649.3** | **7,147.0** | **7,431.3** | **7,878.4** | **8,458.0** |

| Balance Sheet (RMmil, YE 31 Dec) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Cash & deposits with FIs | 11,127.4 | 15,469.0 | 21,076.8 | 22,865.9 | 25,287.5 |
| Marketable securities | 87,147.0 | 87,496.9 | 93,347.5 | 99,065.3 | 105,107.6 |
| **Total current assets** | **98,274.4** | **102,965.9** | **114,424.3** | **121,931.2** | **130,395.2** |
| Net loans & advances | 394,750.0 | 420,471.7 | 441,680.2 | 468,122.1 | 496,200.2 |
| Statutory deposits | nm | nm | nm | nm | nm |
| Long-term investments | 7,526.8 | 7,650.3 | 4,658.7 | 4,940.1 | 5,246.2 |
| Fixed assets | 3,246.5 | 3,269.2 | 3,335.7 | 3,385.2 | 3,450.2 |
| Intangible assets | 2,589.6 | 2,799.4 | 2,799.4 | 2,799.4 | 2,799.4 |
| Other long-term assets | 4,210.7 | 5,706.7 | 6,217.0 | 6,597.8 | 7,266.8 |
| **Total LT assets** | **412,323.5** | **439,897.2** | **458,691.0** | **485,844.6** | **514,962.7** |
| **Total assets** | **510,598.0** | **542,863.1** | **573,115.4** | **607,775.7** | **645,357.9** |
| Customer deposits | 412,897.0 | 433,264.3 | 454,927.5 | 482,223.1 | 511,156.5 |
| Deposits of other FIs | 12,602.4 | 13,457.6 | 15,896.7 | 16,666.3 | 18,276.7 |
| Subordinated debts | - | - | - | - | - |
| Hybrid capital securities | 3,210.0 | 8,393.0 | 9,145.5 | 9,460.5 | 9,759.2 |
| Other liabilities | 25,508.5 | 28,101.2 | 29,566.8 | 30,555.5 | 31,666.8 |
| **Total liabilities** | **454,217.9** | **483,216.1** | **509,536.5** | **538,905.5** | **570,859.2** |
| Shareholders' funds | 54,674.3 | 57,335.5 | 61,727.0 | 66,864.3 | 72,328.9 |
| Minority interests | 1,705.8 | 2,311.5 | 1,851.8 | 2,005.9 | 2,169.9 |

| Key Ratios (YE 31 Dec) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Total income growth (%) | (2.6) | 7.0 | 6.1 | 6.4 | 6.0 |
| Pre-provision profit growth (%) | (5.7) | 5.8 | 6.8 | 6.4 | 6.8 |
| Core net profit growth (%) | - | 7.5 | 4.0 | 6.0 | 7.4 |
| Net interest margin (%) | 2.2 | 2.2 | 2.1 | 2.1 | 2.1 |
| Cost-to-income ratio (%) | 33.7 | 34.5 | 34.0 | 34.0 | 33.5 |
| Effective tax rate (%) | 22.1 | 21.4 | 22.0 | 22.0 | 22.0 |
| Dividend payout (%) | 55.5 | 57.0 | 60.0 | 60.0 | 60.0 |

| Key Assumptions (YE 31 Dec) | FY23 | FY24 | FY25F | FY26F | FY27F |
|---|---|---|---|---|---|
| Loan growth (%) | 5.9 | 6.3 | 5.0 | 6.0 | 6.0 |
| Deposit growth (%) | 4.6 | 4.9 | 5.0 | 6.0 | 6.0 |
| Loan-deposit ratio (%) | 95.6 | 97.0 | 97.1 | 97.1 | 97.1 |
| Gross NPL (%) | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Net NPL (%) | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Credit charge-off rate (%) | - | - | 0.1 | 0.1 | 0.1 |
| Loan loss reserve (%) | 181.8 | 166.2 | 166.1 | 168.6 | 169.0 |

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

## DISCLOSURE AND DISCLAIMER