



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)

Kelvin Ong, CFA

kelvin-ong@ambankgroup.com

DL: 2036 2294

Rationale for report: Company Result

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

Key Changes

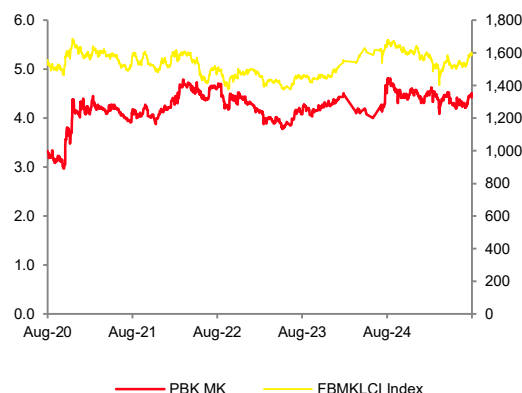
Fair value	↔
EPS	↔

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%) 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 NOI 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 NOI (+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. NOI 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, AmlInvestment 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: AmlInvestment 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

This report is prepared for information purposes only and it is issued by AmlInvestment Bank Berhad ("AmlInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmlInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmlInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmlInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmlInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmlInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmlInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmlInvestment's prior written consent. AmlInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmlInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.