



## Company Report

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# PUBLIC BANK

(PBK MK EQUITY, PUBM.KL)

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*NOII gained stronger momentum, alongside recovering profitability in Hong Kong operations*

**BUY**

(Maintained)

### Rationale for report: Company Result

Price	RM4.30
Target Price	RM5.20
52-week High/Low	RM4.70/RM4.03

#### Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY24	FY25F	FY26F	FY27F
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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)	-	7,193.0	7,540.0	7,956.0
DPS (sen)	21.0	23.0	24.4	26.1
BV/share (RM)	2.95	3.18	3.44	3.73
PE (x)	11.7	11.2	10.6	9.8
Div yield (%)	4.9	5.4	5.7	6.1
P/BV (x)	1.5	1.3	1.2	1.2
ROE (%)	12.8	12.5	12.3	12.2

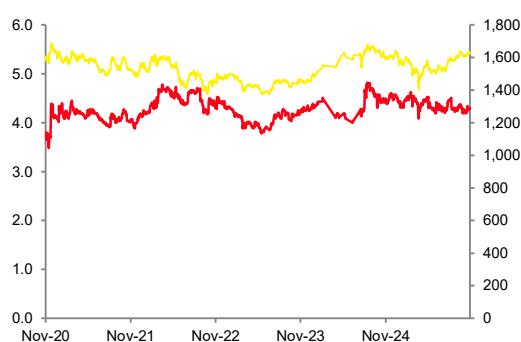
#### Stock and Financial Data

Shares Outstanding (million)	19,313.4
Market Cap (RMmil)	82,854.6
Book Value (RM/Share)	2.95
P/BV (x)	1.5
ROE (%)	12.8

Major Shareholders	Consolidated Teh Holdings (21.6%)
	Employees Provident Fund (17.9%)

Free Float	60.4
Avg Daily Value (RMmil)	71.1

Price performance	3mth	6mth	12mth
Absolute (%)	(3.6)	(4.7)	(4.0)
Relative (%)	(6.5)	(7.8)	(6.0)



— PBK MK — FBMKLCI Index

**Public Bank's 9MFY25 earnings were in line with expectations, driven by a 5.9% YoY rise in net income, delivering ROE of 12.3%. Efficiency remained intact with positive JAW (+0.2%) and a stable CI ratio of 34.9%. Loan growth accelerated to 6.5% YoY, with domestic loans up 6.6%, outpacing industry growth of 5.5%. Non-interest income (NOII) gained momentum in 3QFY25 from higher unit trust fees, insurance income and investment gains. Asset quality stayed strong with total loan loss coverage at 244.3%, while credit cost held steady at 3bps, within guidance. Hong Kong operations also improved, supported by stable provisions.**

- Recommendation and valuation.** BUY recommendation maintained at RM5.20/share, supported by FY26 P/BV of 1.5x and 12.3% ROE; forecasts and 3-star neutral ESG rating unchanged. Valuation is compelling at 1.2x FY26 PB/V, with dividend payout lifted to 60% in FY25 (vs. 57% in FY24). Potential capital ratio gains from Basel III reforms, stronger NOII via LPI collaboration, and resilient asset quality with low credit cost support our BUY call.
- 9MFY25 net profit of RM5.3b (+0.01% YoY) was in line, at ~72% of our and ~74% of consensus forecasts.** Net income rose 5.9% year-over-year, mainly supported by a 19% increase in NOII and a modest 2.5% gain in net interest income (NII). These improvements were partly offset by higher OPEX and provisions. NIM declined 5bps YTD to 2.19%, reflecting the July 25bps OPR cut and tracking FY25 guidance for mid-to-high single-digit compression. Management indicated that, with deposits requiring 6–9 months to reprice and heightened deposit competition toward year-end, interest margin pressure seen in 3QFY25 will likely persist into 4QFY25, before recovery in 1QFY26. 9MFY25 NOII was driven by investment income, FX gains and general insurance contributions post-LPI Capital consolidation. QoQ, earnings rose 4.7% in 3QFY25, with stronger NOII offsetting weaker NII from NIM compression, aided by lower ECL and costs. Hong Kong operations also improved on more stable loan provisions.
- Loan growth accelerated to 6.5% YoY, led by Hong Kong/China; domestic growth eased to 6.6% but stayed above industry.** Public Mutual's stronger 3QFY25 performance narrowed its 9MFY25 PBT decline to 2.5% YoY (vs. -5.8% in 6MFY25), with NAV at RM107.1 billion. Bancassurance annualised new premiums rose 17.2% YoY.
- Asset quality stayed resilient, with credit cost at single-digit levels, well within guidance.** Group GIL ratio declined slightly to 0.52% in 3QFY25 (from 0.54% in 2QFY25), while the domestic GIL held steady at 0.4% below the industry's 1.4%, supported by strong asset quality across key loan segments. Overdue domestic loans (>1 month in arrears) stayed low at 1.5%. Low credit cost of 3bps, in line with FY25 guidance. Loan loss coverage inched up QoQ to 154.8%, with total coverage, including RM2.04bil regulatory reserves, at 244.3%—well above the industry's 130.1%. YTD overlays writeback amounted to nearly RM300mil, lowering 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 with low credit cost and loan loss coverage of 244.3%, 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%	TP	<b>RM5.20</b>
Risk free rate	3.5%	ESG Premium	0
Long term growth rate	2%	Adjusted TP	<b>RM5.20</b>

## EXHIBIT 2: RESULTS SUMMARY

Income Statement (RM mil, FYE 31 Dec)	3Q24	2Q25	3Q25	% QoQ	% YoY	9M24	9M25	% YoY
Interest income	4,719	4,752	4,692	-1.3%	-0.6%	14,084	14,195	0.8%
Interest expense	-2,312	-2,342	-2,322	-0.8%	0.4%	-7,042	-7,034	-0.1%
<b>Net interest income</b>	<b>2,406</b>	<b>2,411</b>	<b>2,371</b>	-1.7%	-1.5%	<b>7,042</b>	<b>7,162</b>	1.7%
Islamic banking income	438	463	467	0.8%	6.6%	1,268	1,378	8.7%
Non-interest income	734	778	887	14.0%	20.9%	2,058	2,438	18.4%
<b>Total income</b>	<b>3,578</b>	<b>3,652</b>	<b>3,725</b>	2.0%	4.1%	<b>10,368</b>	<b>10,977</b>	5.9%
Overhead expenses	-1,224	-1,299	-1,269	-2.4%	3.6%	-3,621	-3,828	5.7%
Pre-provision profit	<b>2,354</b>	<b>2,352</b>	<b>2,456</b>	4.4%	4.3%	<b>6,746</b>	<b>7,149</b>	6.0%
Loan impairment allowances	20	-34	-11	-68.4%	-152.8%	-42	-84	101.3%
Other allowances	-4	1	-5	>-100%	6.3%	-11	-8	-26.2%
Associates and JV income	79	15	12	-22.2%	-85.1%	167	42	-75.1%
<b>Pretax profit</b>	<b>2,449</b>	<b>2,334</b>	<b>2,453</b>	5.0%	0.1%	<b>6,861</b>	<b>7,099</b>	3.5%
Income tax	-537	-528	-545	3.3%	1.4%	-1,511	-1,592	5.3%
Minority interest	-1	-46	-65	42.0%	>100%	-2	-159	>100%
<b>Net profit</b>	<b>1,911</b>	<b>1,760</b>	<b>1,843</b>	4.7%	-3.6%	<b>5,348</b>	<b>5,348</b>	0.01%
Normalised EPS (sen)	9.9	9.1	9.5	4.7%	-3.1%	27.6	27.7	0.5%
Balance Sheet (RM mil, FYE 31 Dec)	3Q24	2Q25	3Q25	% QoQ	% YoY	9M24	9M25	% YoY
Gross loans and advances	414,482	434,897	441,239	1.5%	6.5%	434,897	441,239	1.5%
Net loans and advances	410,568	431,294	437,709	1.5%	6.6%	431,294	437,709	1.5%
Customer deposits	425,095	440,939	446,209	1.2%	5.0%	440,939	446,209	1.2%
Gross impaired loans	2,550	2,342	2,281	-2.6%	-10.5%	2,342	2,281	-2.6%
Average shareholders' funds	55,888	57,728	58,378	1.1%	4.5%	55,078	57,793	4.9%
Profit by segments (RM mil)								
Hire purchase	193	192	149	-22.7%	-22.9%	570	538	-5.7%
Retail operations	1,173	1,124	1,188	5.7%	1.3%	3,461	3,398	-1.8%
Corporate Lending	217	207	231	11.8%	6.6%	554	632	14.0%
Treasury and capital market	109	94	86	-8.2%	-21.0%	232	224	-3.7%
Investment banking	32	12	19	58.6%	-40.1%	76	49	-34.7%
Fund management	212	195	221	13.2%	4.2%	640	625	-2.5%
Others	-10	106	111	4.6%	>100%	-32	308	>100%
Head Office and Funding Center	310	311	293	-5.9%	-5.4%	866	937	8.2%
Total domestic operations	2,235	2,242	2,298	2.5%	2.8%	6,368	6,710	5.4%
Total overseas operations	135	77	143	85.1%	5.8%	325	347	6.9%
Share of profit from JV and associates	79	15	12	-22.2%	-85.1%	167	42	-75.1%
<b>Group pretax profit</b>	<b>2,449</b>	<b>2,334</b>	<b>2,453</b>	5.1%	0.1%	<b>6,861</b>	<b>7,099</b>	3.5%
Ratios (%)								
NIM	2.24%	2.18%	2.10%			2.21%	2.16%	
Net LD	96.6%	97.8%	98.1%			96.6%	98.1%	
CASA	27.7%	27.5%	27.8%			27.7%	27.8%	
Cost to income	34.2%	35.6%	34.1%			34.9%	34.9%	
Credit cost	-0.02%	0.03%	0.01%			0.01%	0.03%	
Loan loss coverage	153.6%	153.9%	154.8%			153.6%	154.8%	
Loan loss coverage including regulatory reserves	202.2%	235.6%	244.3%			202.2%	244.3%	
GIL	0.62%	0.54%	0.52%			0.62%	0.52%	
ROE	13.7%	12.2%	12.6%			12.9%	12.3%	
Underlying ROE	13.7%	12.2%	12.6%			19.4%	18.5%	
CET1 capital	14.3%	14.0%	13.8%			14.3%	13.8%	
Tier 1 capital	14.3%	14.0%	13.8%			14.3%	13.8%	
Total capital	17.2%	16.8%	16.5%			17.2%	16.5%	

Source: Company, AmlInvestment Bank

## EXHIBIT 3: ESG SCORE

	<b>Environmental assessment</b>	<b>Parameters</b>	<b>Weightage</b>	<b>Rating</b>				<b>Rationale</b>
				*	*	*	*	
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%	*	*	*		
	<b>Weighted score for environmental assessment</b>		<b>100%</b>	*	*	*	*	
	<b>Social assessment</b>							
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%	*	*	*		
	<b>Weighted score for social assessment</b>		<b>100%</b>	*	*	*		
	<b>Governance assessment</b>							
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
	<b>Weighted score for governance assessment</b>		<b>100%</b>	*	*	*		
	Environmental score		40%	*	*	*	*	
	Social score		25%	*	*	*		
	Governance score		35%	*	*	*		
	<b>Overall ESG Score</b>		<b>100%</b>	*	*	*		

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
<b>Total income</b>	<b>13,092.6</b>	<b>14,010.7</b>	<b>14,866.0</b>	<b>15,812.3</b>	<b>16,754.9</b>
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
<b>Pretax profit</b>	<b>8,538.8</b>	<b>8,931.6</b>	<b>9,633.3</b>	<b>10,212.8</b>	<b>10,964.2</b>
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)
<b>Core net profit</b>	<b>6,649.3</b>	<b>7,147.0</b>	<b>7,431.3</b>	<b>7,878.4</b>	<b>8,458.0</b>
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Cash & deposits with Fls	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
<b>Total current assets</b>	<b>98,274.4</b>	<b>102,965.9</b>	<b>114,424.3</b>	<b>121,931.2</b>	<b>130,395.2</b>
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
<b>Total LT assets</b>	<b>412,323.5</b>	<b>439,897.2</b>	<b>458,691.0</b>	<b>485,844.6</b>	<b>514,962.7</b>
<b>Total assets</b>	<b>510,598.0</b>	<b>542,863.1</b>	<b>573,115.4</b>	<b>607,775.7</b>	<b>645,357.9</b>
Customer deposits	412,897.0	433,264.3	454,927.5	482,223.1	511,156.5
Deposits of other Fls	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
<b>Total liabilities</b>	<b>454,217.9</b>	<b>483,216.1</b>	<b>509,536.5</b>	<b>538,905.5</b>	<b>570,859.2</b>
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

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