

Samuel Woo

(603) 7890 8888 (ext 2121)

[samuel.woo@apexsecurities.com.my](mailto:samuel.woo@apexsecurities.com.my)**Recommendation:** **BUY**

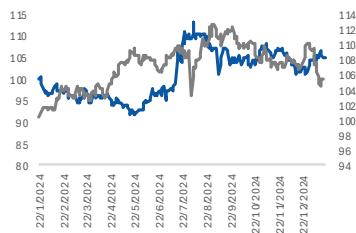
Current Price:	RM 4.55
Previous Target Price:	RM 5.13
Target Price:	RM 5.43 <span style="color: green;">↑</span>
Capital Upside/Downside:	19.3%
Dividend Yield (%):	4.6%
<b>Total Upside/Downside:</b>	<b>24.9%</b>

**Stock information**

Board	MAIN
Sector	Financial Services
Bursa / Bloomberg Code	1295 / PBK MK
Syariah Compliant	No
ESGRating	★★★★
Shares issued (m)	19,410.7
Market Cap (RM' m)	88,318.6
52-Week Price Range (RM)	4.84-3.98
Beta (x)	1.2
Free float (%)	67.9
3M Average Volume (m)	15.7
3M Average Value (RM' m)	70.4

**Top 3 Shareholders (%)**

Consolidated Teh Holdings Sdn Bhd	21.6
Employees Provident Fund Board	15.1
Kumpulan Wang Persaraan	4.1

**Share Price Performance**

	1M	3M	12M
Absolute (%)	5.1	2.7	2.0
Relative (%)	3.1	3.7	0.1

**Public Bank Berhad****4QFY24 results: Hire Purchase Loans to Drive Growth****Executive Summary**

- **PBK's 4QFY24 core net profit jumped +11% yoy and fell -6% qoq to RM1.80bn, bringing FY24 core net profit at RM7.15bn, which was deemed within expectations, accounting for 101% and 101% of our and consensus expectations, respectively.**
- **Management's tone: Neutral.**
- **Re-iterate our BUY recommendation with a higher target price of RM5.43, based on FY25F GGM-PBV of 1.71x.**

**Results within expectations.** FY24 core net profit at RM7.15bn (+7% yoy) came within expectations, accounting for 101% of our core net profit forecast at RM7.11bn and was at 101% of consensus forecasted net profit of RM7.06bn.

**YoY.** 4QFY24 core net profit jumped +11% yoy to RM1.80bn, driven by improved NII and NOII performance, as well as better provisioning. This offset heavier OPEX, tax and provisioning expenses. FY24 core net profit jumped +7% to RM7.15bn, largely driven by improved NII, NOII and Associate incomes offsetting higher OPEX and provisioning.

**QoQ.** 4QFY24 core net profit fell by -6% qoq primarily due to higher "other" provisions.

**Outlook.** Some notes on loan outlook: Management expects to see weaker growth in the residential property segment (which has been steadily weakening in the last two years). It expects better SME and hire purchase loan segments to offset this weakness. Management expects a 7 - 8% loan growth for the hire purchase loan segment. Also, the Group is expecting stable to low-single-digit compression in NIM for FY25.

**Earnings Revision.** We increase FY25F and FY26F earnings forecasts by +1.7% and +7.6% respectively, to account for higher loan growth and additional contributions by LPI.

**Valuation.** Re-iterate our **BUY** recommendation on PBK with a higher target price of **RM5.43**, based on an FY25F P/BV of 1.71 GGM-PBV valuation and +1% ESG factored premium based on 4 star ESG rating. The increased target price incorporates higher earnings forecasts as well as our newly added ESG premium.

**Risks.** (1) NIM compression, (2) Weaker-than-expected loan growth, (3) Poor NOII performance.

**Earnings Summary**

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Core NP (RM m)	6,649	7,147	7,625	8,109	8,346
CNP growth (%)	8.7	7.5	6.7	6.3	2.9
Div yield (%)	4.2	4.7	4.6	5.1	5.4
Gross DPS (sen)	19	21	21	23	25
P/BV (x)	1.6	1.5	1.4	1.4	1.3
BVPS (RM)	2.8	3.0	3.1	3.3	3.5
ROE (%)	12.7	12.8	12.9	12.9	12.5

Source: Company, Apex Securities

# Results Note

Thursday, 27 Feb, 2025

## Quarterly Results

FYE Dec (RM m)	4Q FY24	4Q FY23	Yoy (%)	3Q FY24	Qoq (%)	FY23	FY24	Yoy (%)
Net interest inc.	2,409	2,300	5	2,406	0	9,055	9,451	4
Islamic banking inc.	439	358	23	438	0	1,562	1,707	9
Non-interest inc.	794	602	32	734	8	2,476	2,853	15
<b>Net income</b>	<b>3,643</b>	<b>3,260</b>	<b>12</b>	<b>3,578</b>	<b>2</b>	<b>13,093</b>	<b>14,011</b>	<b>7</b>
OPEX	(1,207)	(1,102)	10	(1,224)	-1	(4,415)	(4,828)	9
<b>PPOP</b>	<b>2,436</b>	<b>2,158</b>	<b>13</b>	<b>2,354</b>	<b>4</b>	<b>8,678</b>	<b>9,183</b>	<b>6</b>
Loan provisions	41	(97)	-142	20	101	(157)	(1)	-100
Other provisions	(480)	(7)	n.m.	(4)	n.m.	(1)	(492)	n.m.
JV & Associates	74	13	n.m.	79	n.m.	19	241	n.m.
<b>PBT</b>	<b>2,071</b>	<b>2,068</b>	<b>0</b>	<b>2,449</b>	<b>-15</b>	<b>8,539</b>	<b>8,932</b>	<b>5</b>
Tax	(401)	(471)	-15	(537)	-25	(1,884)	(1,913)	2
NCI	130	18	606	1	17,953	(6)	128	-2,346
<b>Reported NP</b>	<b>1,799</b>	<b>1,615</b>	<b>11</b>	<b>1,913</b>	<b>-6</b>	<b>6,649</b>	<b>7,147</b>	<b>7</b>
<b>Core NP</b>	<b>1,799</b>	<b>1,615</b>	<b>11</b>	<b>1,913</b>	<b>-6</b>	<b>6,649</b>	<b>7,147</b>	<b>7</b>
Total NII	2,827	2,638	7	2,819	0	10,531	11,069	5
Total NOII	816	622	31	759	8	2,562	2,942	15
<b>Gross DPS (sen)</b>	<b>11.0</b>	<b>10.0</b>	<b>n.m.</b>	<b>-</b>	<b>n.m.</b>	<b>19.0</b>	<b>21.0</b>	<b>n.m.</b>
Core EPS (sen)	9.3	8.3	11	9.9	-6	34.3	36.8	8
Gross loans	424,171	398,997	6.3	414,482	2.3			
Gross impaired loans	2,225	2,335	-4.7	2,550	-12.7			
Customer deposits	433,264	412,897	4.9	425,095	1.9			
CASA	120,325	117,295	2.6	117,787	2.2			
Ratios (%)	4Q FY24	4Q FY23	Yoy (ppts)	3Q FY24	Qoq (ppts)	FY23	FY24	Yoy (ppts)
<b>ROE (Ann.)</b>	<b>12.6</b>	<b>11.8</b>	<b>0.7</b>	<b>13.8</b>	<b>-1.2</b>	<b>12.2</b>	<b>12.5</b>	<b>0.3</b>
<b>NIM (Reported)</b>	<b>2.21</b>	<b>2.15</b>	<b>0.06</b>	<b>2.24</b>	<b>-0.03</b>	<b>2.20</b>	<b>2.21</b>	<b>0.01</b>
NOII/Net income	22.4	19.1	3.3	21.2	1.2	19.6	21.0	1.4
Cost/Income	33.1	33.8	-0.7	34.2	-1.1	33.7	34.5	0.7
NCC (Ann.) (bps)	(4)	10	-14	(2)	-2	4	0	-4
GIL ratio	0.52	0.59	-0.06	0.62	-0.09			
Loan loss coverage	166	182	-16	154	13			
CASA ratio	27.8	28.4	-0.6	27.7	0.1			
L/D ratio	97.0	95.6	1.4	96.6	0.5			
CET-1	14.3	14.7	-0.4	14.3	-0.1			

## Financial Highlights

### INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Net interest income</b>	<b>9,055</b>	<b>9,451</b>	<b>9,770</b>	<b>10,257</b>	<b>10,685</b>
Islamic banking inc.	1,562	1,707	2,068	2,171	2,261
Other operating inc.	2,476	2,853	2,909	3,042	3,201
<b>Net income</b>	<b>13,093</b>	<b>14,011</b>	<b>14,747</b>	<b>15,470</b>	<b>16,147</b>
OPEX	(4,415)	(4,828)	(5,014)	(5,105)	(5,329)
<b>PPOP</b>	<b>8,678</b>	<b>9,183</b>	<b>9,733</b>	<b>10,365</b>	<b>10,819</b>
Loan allowances	(157)	(1)	(43)	(46)	(192)
Other allowances	(1)	(492)	(11)	(11)	(11)
JV & Associates	19	241	241	241	241
<b>PBT</b>	<b>8,539</b>	<b>8,932</b>	<b>9,920</b>	<b>10,550</b>	<b>10,857</b>
Tax & zakat	(1,884)	(1,913)	(2,202)	(2,342)	(2,410)
NCI	(6)	128	(93)	(98)	(101)
<b>Reported NP</b>	<b>6,649</b>	<b>7,147</b>	<b>7,625</b>	<b>8,109</b>	<b>8,346</b>
<b>Core NP</b>	<b>6,649</b>	<b>7,147</b>	<b>7,625</b>	<b>8,109</b>	<b>8,346</b>
Total NII	10,531	11,069	11,631	12,211	12,720
Total NOII	2,562	2,942	3,116	3,259	3,427

### BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	11,127	15,469	17,780	17,780	17,780
Investment securities	86,731	86,923	85,190	84,814	86,268
Net loans	394,750	420,472	441,215	463,276	486,440
Other IEAs	1	6	6	6	6
Non-IEAs	17,988	19,994	25,856	26,695	27,594
<b>Total assets</b>	<b>510,598</b>	<b>542,863</b>	<b>570,047</b>	<b>592,571</b>	<b>618,087</b>
Customer deposits	412,897	433,264	454,927	477,674	501,558
Other IBLs	32,056	37,865	34,642	32,067	29,998
Non-IBLs	9,264	12,087	17,849	16,340	16,251
<b>Total liabilities</b>	<b>454,218</b>	<b>483,216</b>	<b>507,418</b>	<b>526,081</b>	<b>547,806</b>
Share capital	9,418	9,418	9,418	9,418	9,418
Reserves	45,257	47,918	51,624	55,387	59,082
<b>Shareholders' funds</b>	<b>54,674</b>	<b>57,335</b>	<b>61,042</b>	<b>64,805</b>	<b>68,500</b>
NCI	1,706	2,311	1,587	1,685	1,781
<b>Total equity</b>	<b>56,380</b>	<b>59,647</b>	<b>62,629</b>	<b>66,490</b>	<b>70,281</b>
<b>Total L&amp;E</b>	<b>510,598</b>	<b>542,863</b>	<b>570,047</b>	<b>592,571</b>	<b>618,087</b>
Total IEAs	492,610	522,870	544,191	565,876	590,493
Total IBLs	444,953	471,129	489,570	509,740	531,555
Gross loans	398,997	424,171	445,380	467,648	491,031
CASA	117,295	120,325	118,281	119,418	125,389

### FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Interest (%)</b>					
NIM	2.18	2.14	2.18	2.20	2.20
Return on IEAs	3.73	3.72	3.33	3.29	3.23
Cost of funds	2.05	2.06	1.67	1.60	1.54
Net interest spread	1.68	1.66	1.66	1.69	1.69
<b>Profitability (%)</b>					
<b>ROE</b>	<b>12.7</b>	<b>12.8</b>	<b>12.9</b>	<b>12.9</b>	<b>12.5</b>
ROA	1.3	1.4	1.4	1.4	1.4
NOII/Net income	19.6	21.0	21.1	21.1	21.2
Effective tax rate	22.1	21.4	22.2	22.2	22.2
Cost/Income	33.7	34.5	34.0	33.0	33.0
<b>Liquidity (%)</b>					
Loan/Deposit	95.6	97.0	97.0	97.0	97.0
CASA ratio	28.4	27.8	26.0	25.0	25.0
<b>Asset Quality (%)</b>					
GIL ratio	0.59	0.52	0.55	0.55	0.55
LLC ratio	182	166	170	170	170
LLC (w. reserves)	213	238	189	188	187
Net CC (bps)	4	0	1	1	4
<b>Capital (%)</b>					
CET 1	14.7	14.3	14.0	13.8	13.8
Tier 1 capital	14.7	14.3	14.5	14.3	14.3
Total capital	17.6	17.1	17.5	17.3	17.3
<b>Growth (%)</b>					
Total NII	-3.8	5.1	5.1	5.0	4.2
Total NOII	2.9	14.8	5.9	4.6	5.1
Net income	-1.2	4.4	3.4	5.0	4.2
OPEX	4.2	9.4	3.8	1.8	4.4
Core NP	8.7	7.5	6.7	6.3	2.9
Gross loans	5.9	6.3	5.0	5.0	5.0
Customer deposits	4.6	4.9	5.0	5.0	5.0
CASA	-0.6	2.6	-1.7	1.0	5.0
<b>Valuation metrics</b>					
Core EPS (sen)	34.3	36.8	39.3	41.8	43.0
Gross DPS (sen)	19.0	21.0	20.8	23.0	24.5
Div payout (%)	55	57	53	55	57
BVPS (RM)	2.8	3.0	3.1	3.3	3.5
Core P/E (x)	13.2	12.2	11.5	10.8	10.5
<b>Div yield (%)</b>	<b>4.2</b>	<b>4.7</b>	<b>4.6</b>	<b>5.1</b>	<b>5.4</b>
P/BV (x)	1.6	1.5	1.4	1.4	1.3

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★★	Total Scope 1, 2 and 3 emissions fell by -2% yoy in FY23
Exposure to ESG-sensitive sectors	★★★★★	~1% of loan book
Energy	★★★★	Energy consumption reduced from 99,182 MWh (FY22) to 96,032 MWh in FY23
Water	★★★★	Water consumption rose from 460,193m <sup>3</sup> (FY22) to 479,193m <sup>3</sup> in FY23
Compliance	★★★★★	In compliance with local and international environmental regulations

### Social

Diversity	★★★★★	In FY23, 60% of the workforce are women
Human Rights	★★★★★	Enforce and adopts Code of Ethics and Conduct
Net promoter score	★★★	61 in FY23 (from 98 in FY21)
CSR Strategy	★★	Over RM1.2m spent on the community end-2023, against a target of RM10m by 2030

### Governance

MD/CEO salary as % of reported net profit	★★★	0.79% in FY23
Directors	★★★★	5/9 Independent Directors
Stakeholders	★★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★★★

### Recommendation Framework:

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to -10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain

### Sector Recommendations:

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

### ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

**Disclaimer:** The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Thursday, 27 Feb, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.