

PUBLIC BANK

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Investor Presentation

December 2017 Financial Results



Income Statement

	2017	2016	Change
Pre-tax profit	RM7,118 mil	RM6,554 mil	8.6%
Net profit attributable to shareholders	RM5,470 mil	RM5,207 mil	5.1%
Earnings per share	141.7 sen	134.8 sen	5.1%

Balance Sheet

	2017	2016	Change
Total asset	RM395.3 bil	RM380.1 bil	4.0%
Loan:			
- Group	RM304.5 bil	RM294.0 bil	3.6%
- Domestic	RM282.3 bil	RM269.9 bil	4.6%
Deposit:			
- Group	RM319.3 bil	RM310.0 bil	3.0%
- Domestic	RM293.2 bil	RM283.0 bil	3.6%

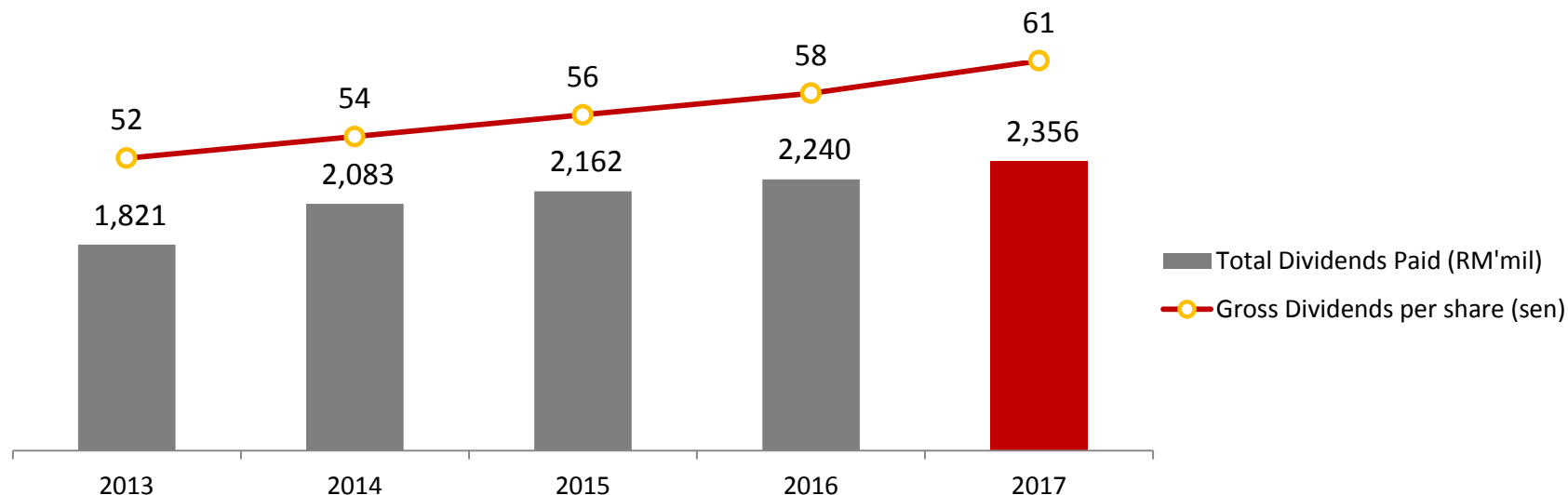
Financial Indicators (%)

	2017	2016
Net return on equity	15.8	16.5
Cost to income ratio	31.9	32.3
Gross impaired loans ratio	0.5	0.5
Gross loan to fund ratio [~]	90.0	90.8
Gross loan to fund and equity ratio [~]	80.7	81.8
Loan loss coverage	95.5	102.7
Common equity Tier I capital ratio ^π	12.2	11.4
Tier I capital ratio ^π	13.0	12.2
Total capital ratio ^π	16.0	15.5

^π After deducting interim dividends declared subsequent to end of year

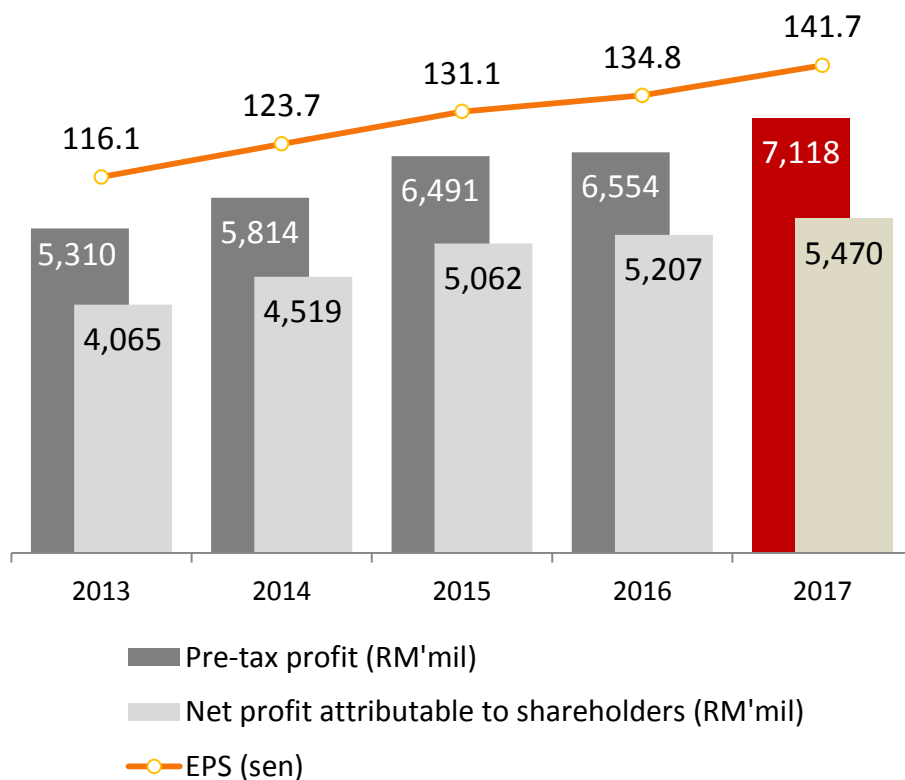
[~] Gross loans exclude loans/financing sold to Cagamas. Funds include deposits from customers and debt securities issued and other borrowed funds

Strong Record of Growing Dividends



	2017	2016
First interim	27 sen	26 sen
Second interim	34 sen	32 sen
Dividend per share	61 sen	58 sen
Dividend payout	RM2.36 billion	RM2.24 billion
Dividend payout ratio	43.1%	43.0%

Steady Profit Growth

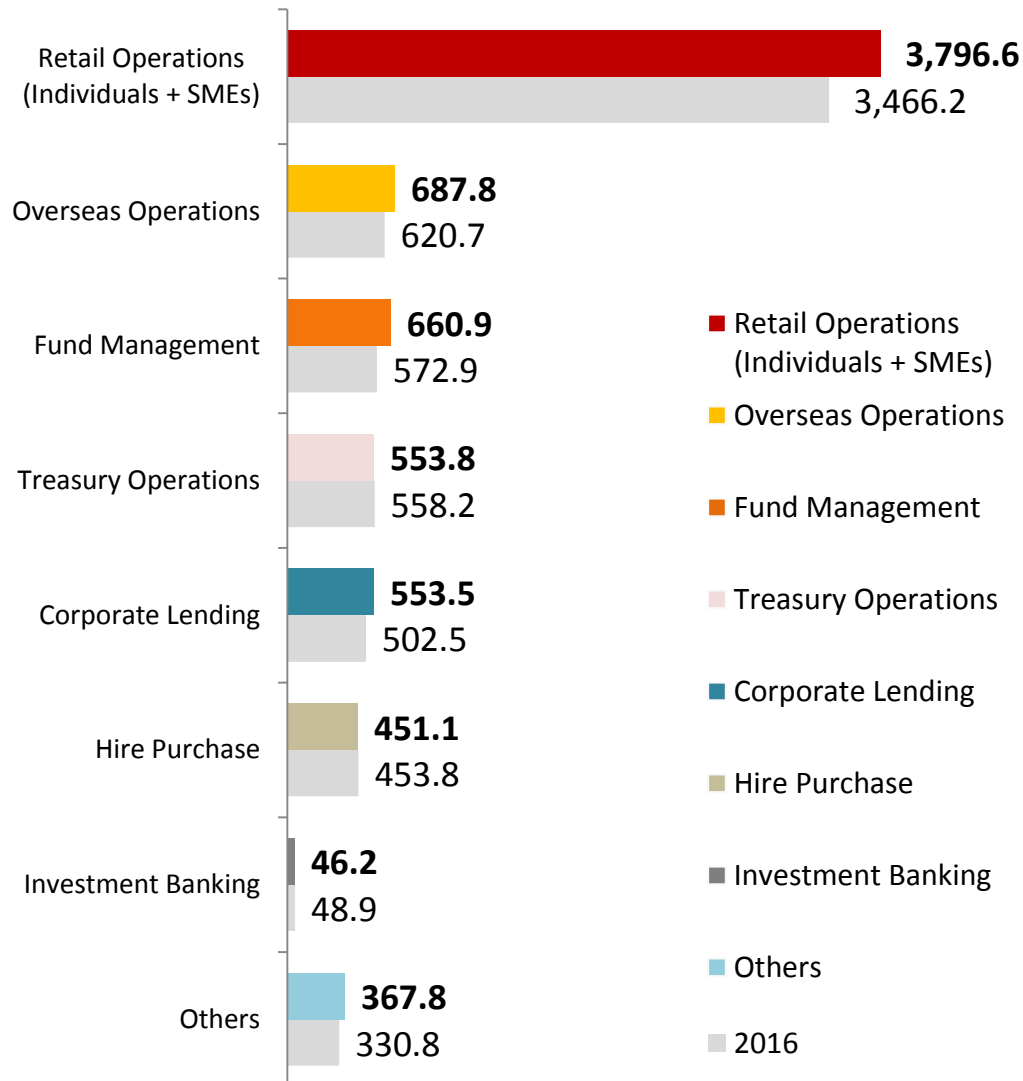


RM'mil	2017	2016	change
Net interest income	7,417.1	6,920.4	△ 7.2%
Net income from Islamic banking business	998.7	941.6	△ 6.1%
Net fee and commission income	1,736.5	1,565.0	△ 11.0%
Net gains and losses on financial instruments	90.4	74.0	△ 22.2%
Other operating income	504.0	455.4	△ 10.7%
Other operating expenses	(3,428.2)	(3,211.5)	△ 6.7%
Loan loss allowance	(203.3)	(192.7)	△ 5.5%
Profit before tax	7,117.7	6,554.0	△ 8.6%
Net profit attrib. to shareholders	5,470.0	5,206.9	△ 5.1%

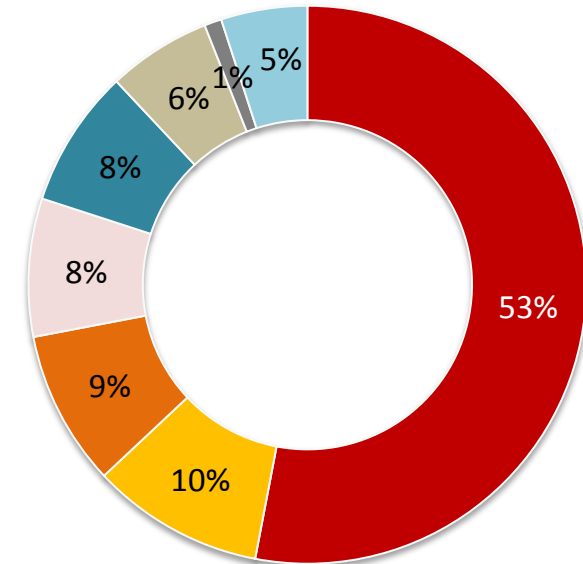
Segmental Profit – Retail Centric



FY2017 vs FY2016 PBT (RM'mil)



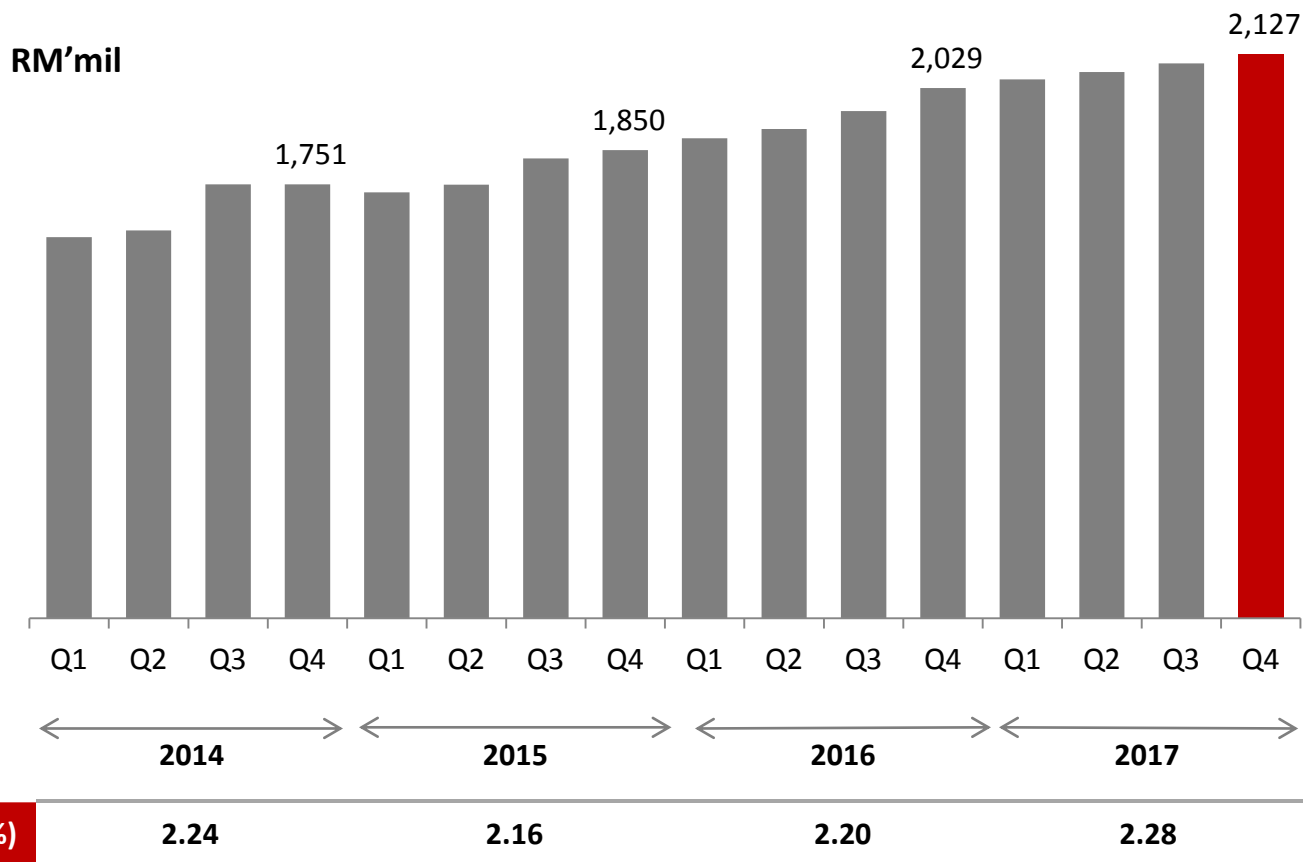
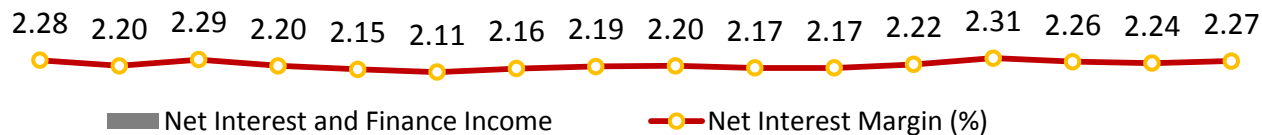
Profit Contribution



Based on financial results as at 31 December 2017

Note: Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

Net Interest Margin

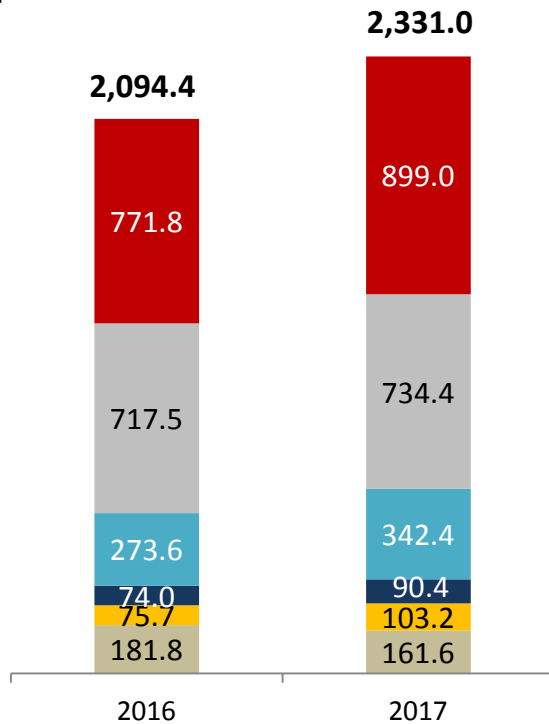


Yearly Average (%)	2014	2015	2016	2017
	2.24	2.16	2.20	2.28

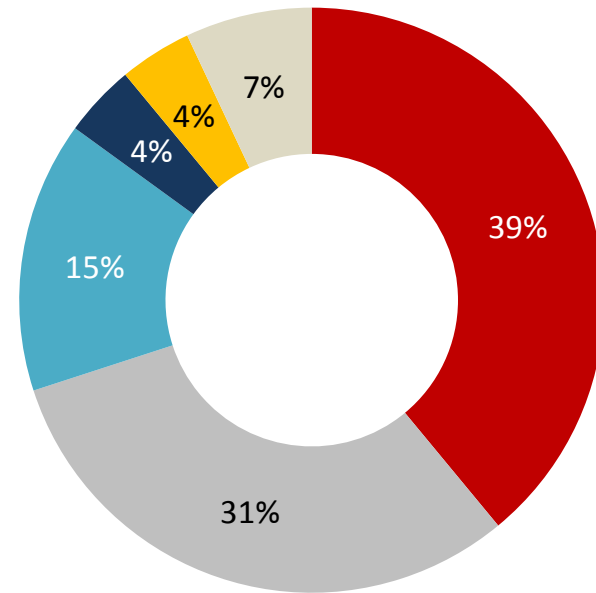
Non-Interest Income



RM'mil



Non-Interest Income Contribution

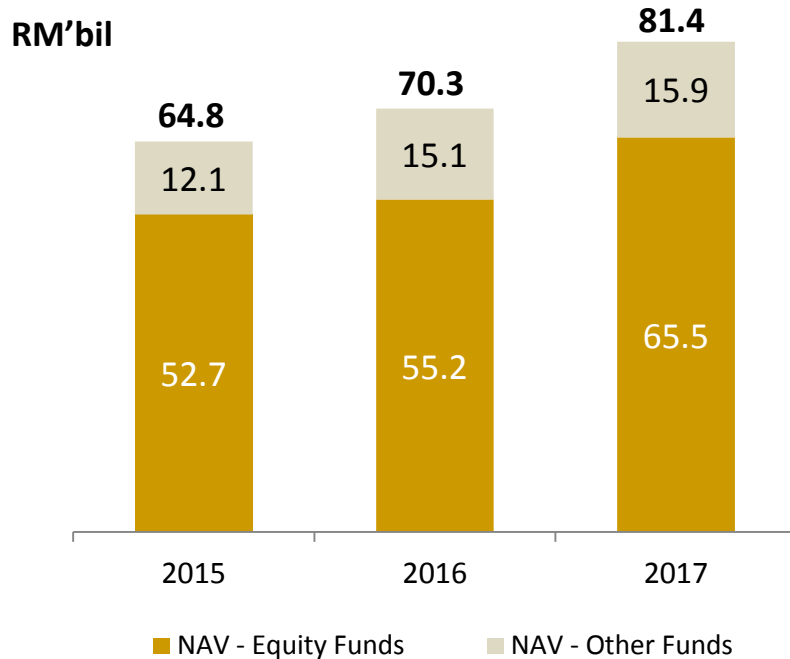


Based on financial results as at 31 December 2017

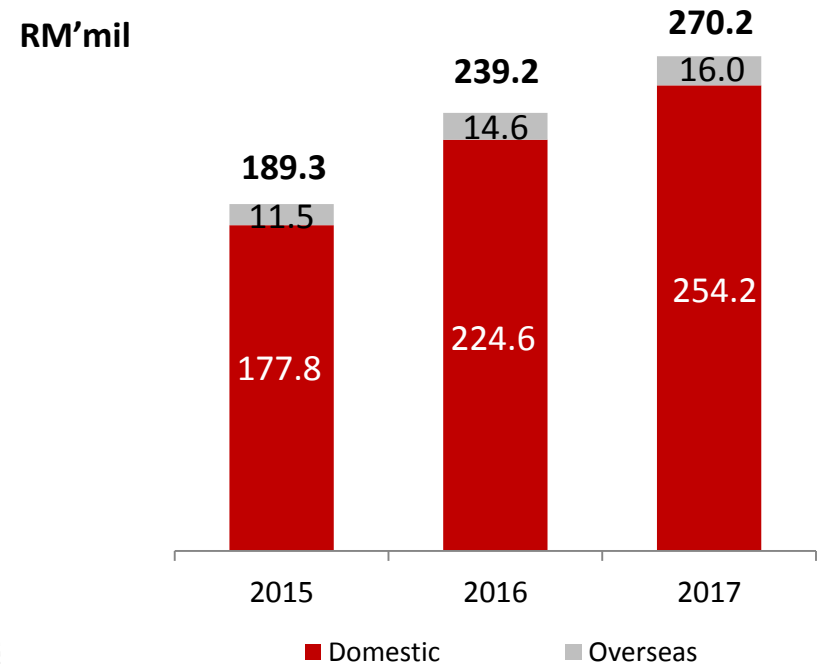
■ Unit Trust income
 ■ Fee & commission income
 ■ Foreign exchange income
 ■ Investment income
 ■ Stockbroking income
 ■ Others



Net Asset Value of Funds Under Management



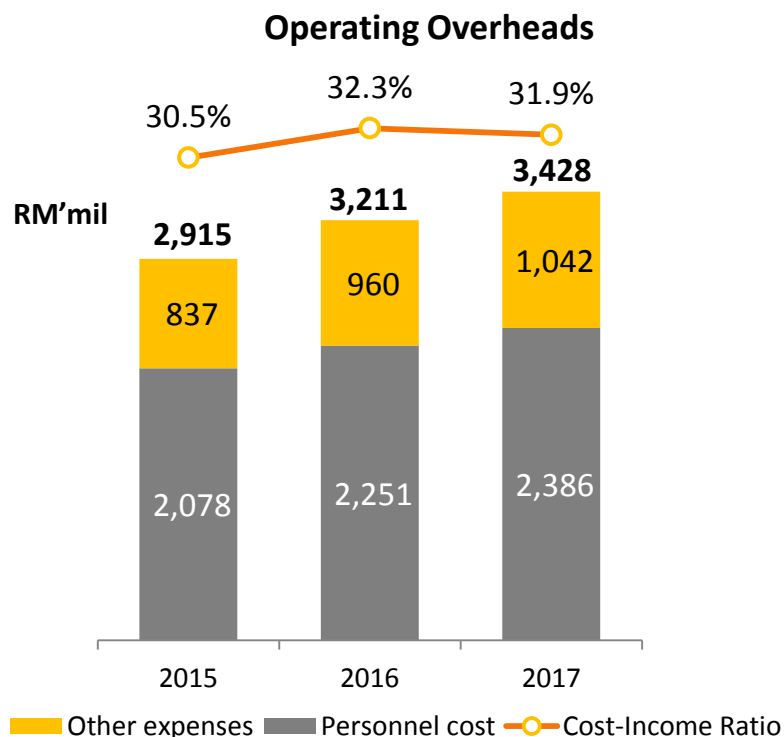
Bancassurance Business – Annualised New Premium



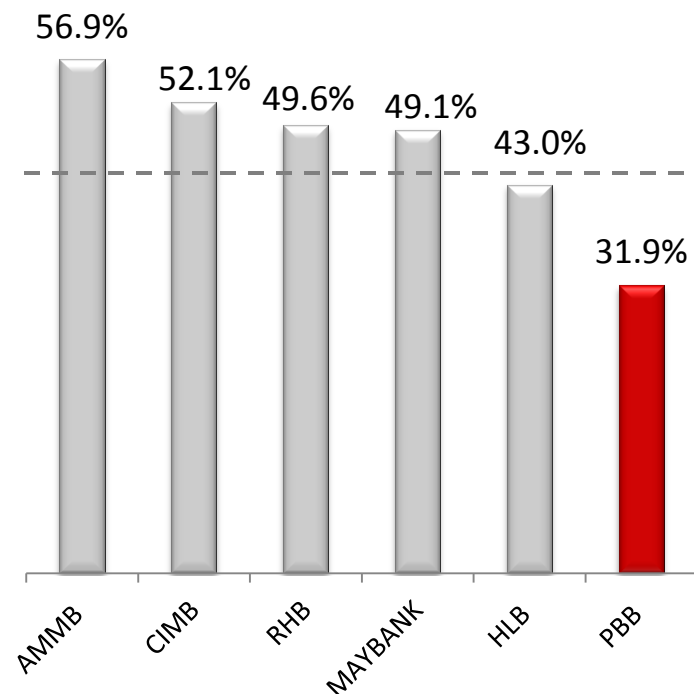
- Public Mutual maintained its market leadership position in the private unit trust industry, with a retail market share of 40.9%

- The Group has recorded bancassurance sales with annualised new premium of RM270.2 million in 2017

Efficient Operating Overheads & Lowest CIR



Market leader Cost-Income Ratio among peers



--- Industry Average Cost-to-Income ratio of 45.8%

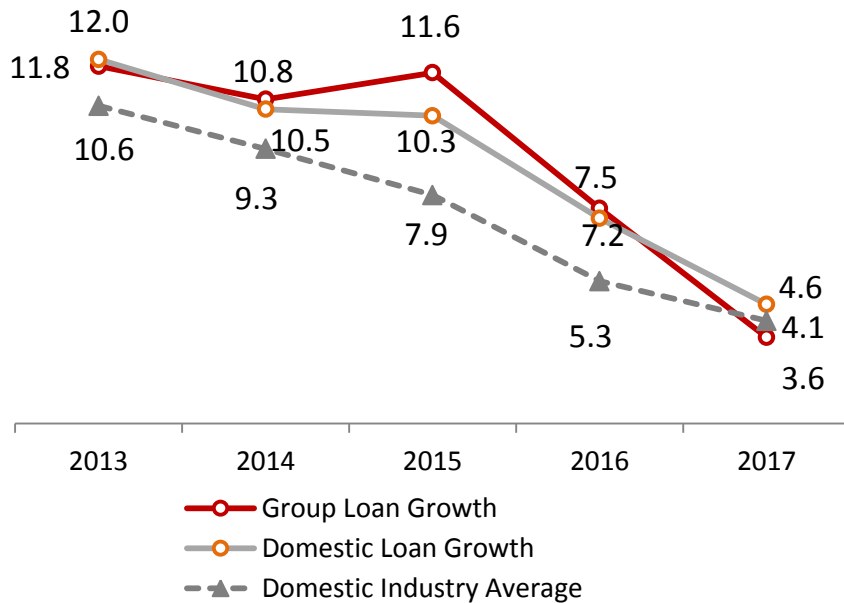
Note: CIR as extracted above are as at September 2017 position except for PBB

RM'mil	2017	2016	Industry Average
Gross loan per employee	16.4	15.8	13.0
Deposit per employee	17.2	16.6	14.5
PBT per employee	0.38	0.35	0.28

Above Industry Loan Growth

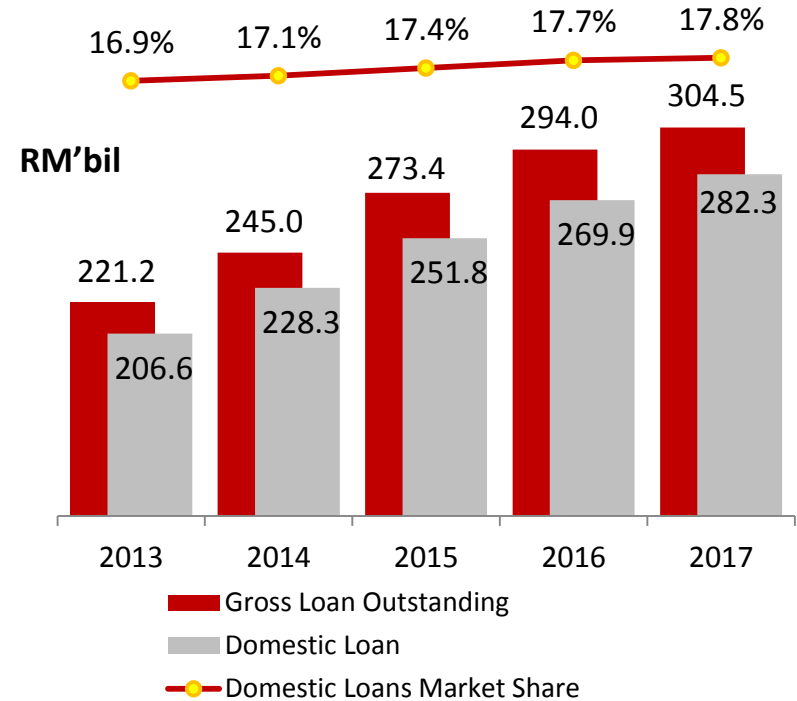


Loan Growth vs Industry (%)



- Group and domestic loan growth recorded 3.6% and 4.6% respectively, with an industry average growth of 4.1%

Gross Loans and Domestic Loan Market Share

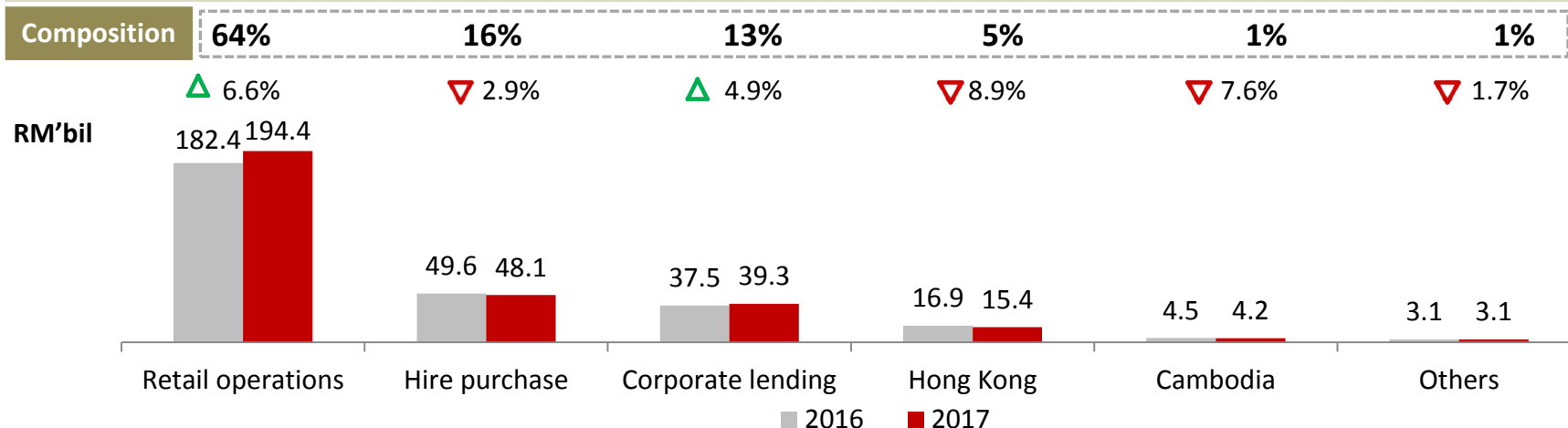


- Gross loan stood at RM304.5 billion, capturing 17.8% of market share in the domestic lending market

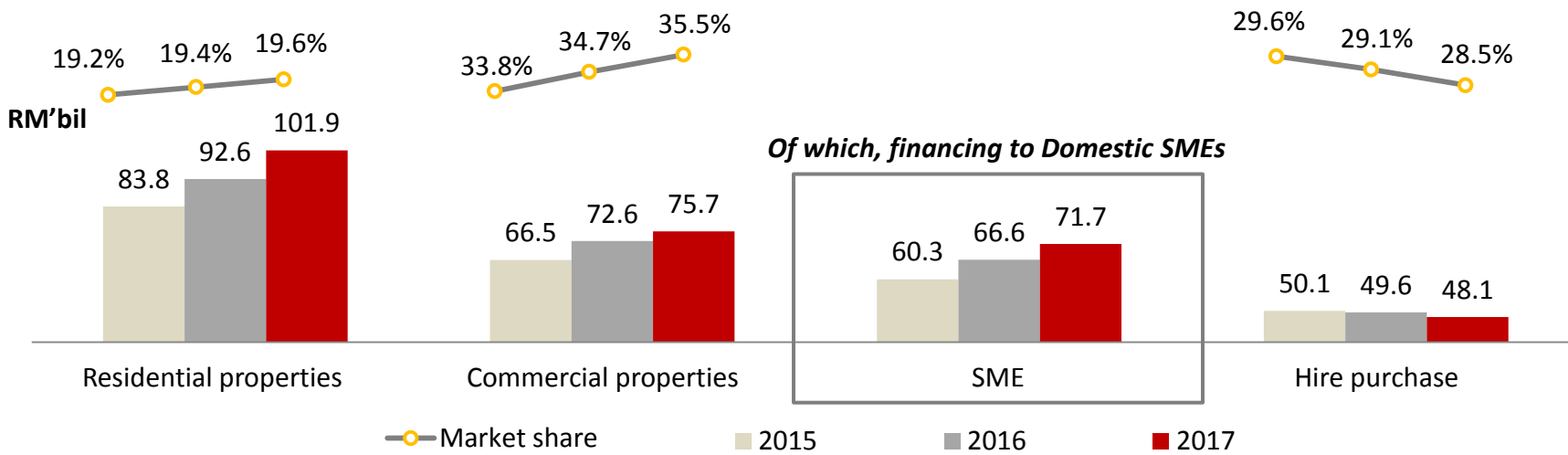
Healthy Gross Loan Growth



Gross Loan Composition by Segment



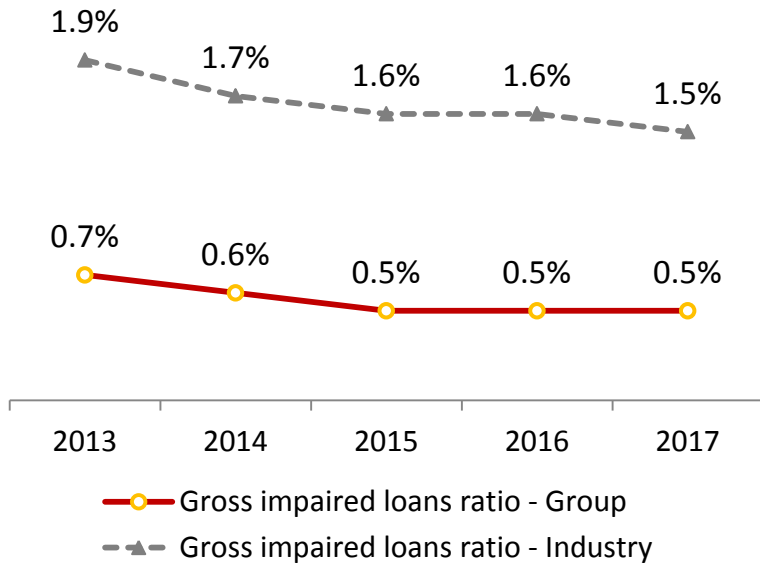
Gross Loan in Domestic Operations



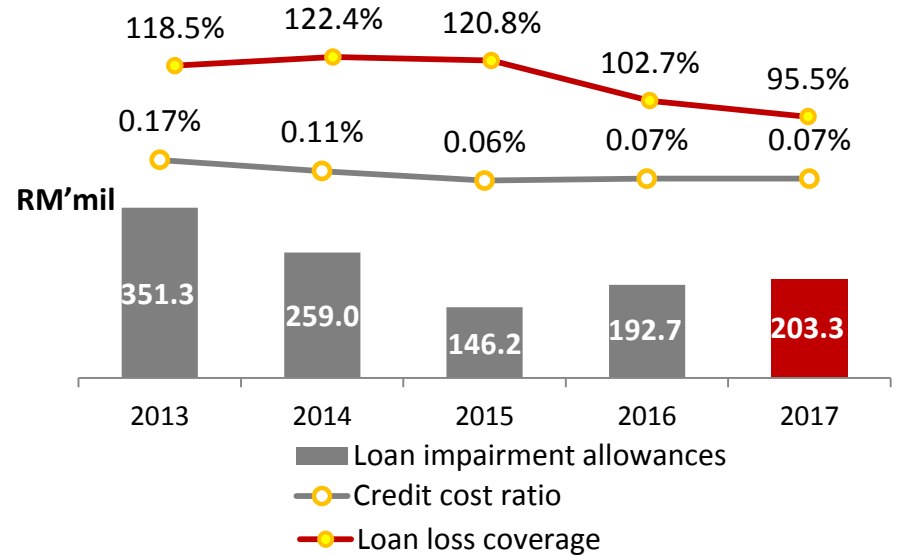
Upholding Strong Asset Quality



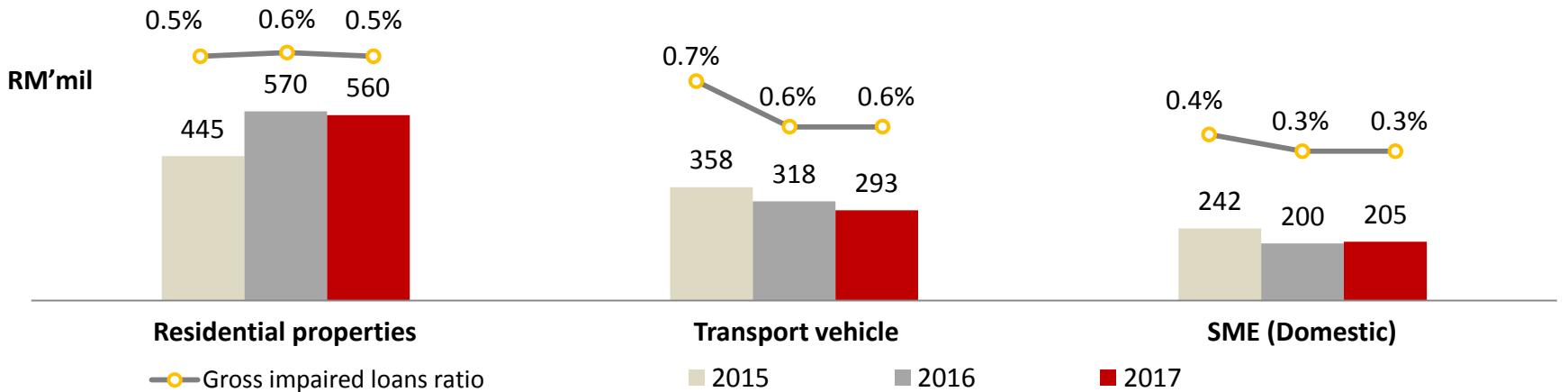
Gross impaired loans ratio



Loan Impairment Allowances (including CA)



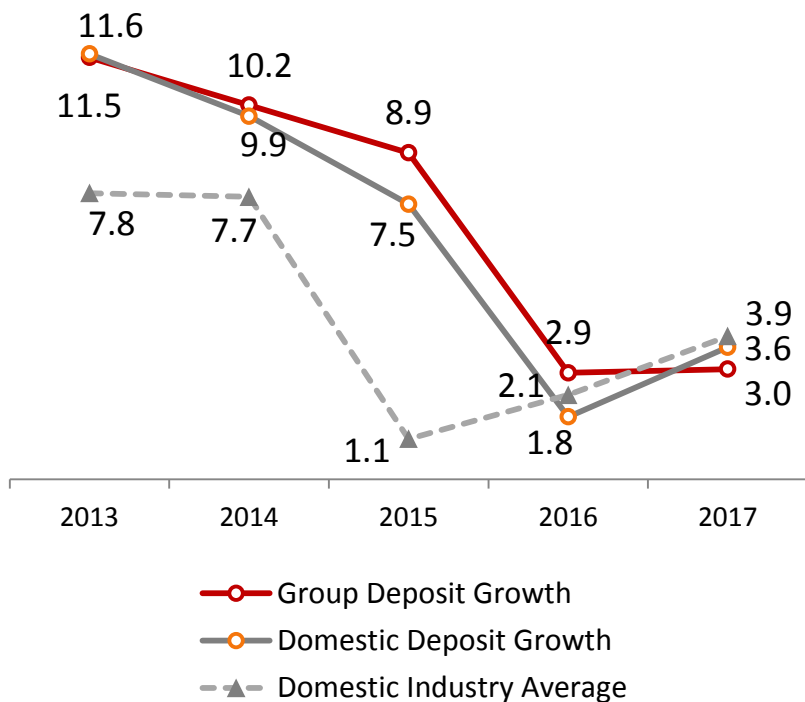
Gross impaired loans of which:



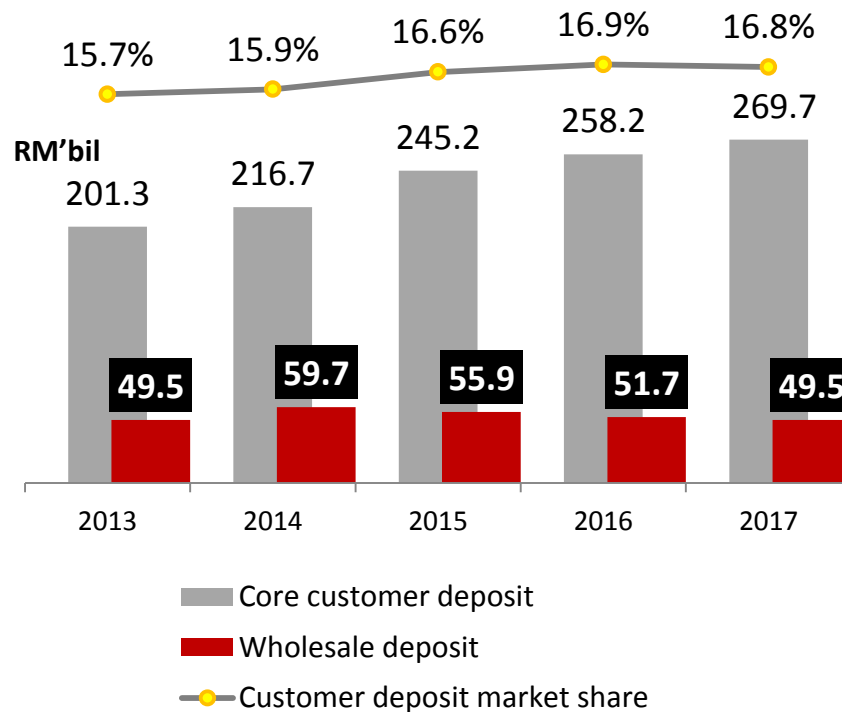
Healthy Deposit Growth in Support of Liquidity



Deposit Growth vs Industry (%)



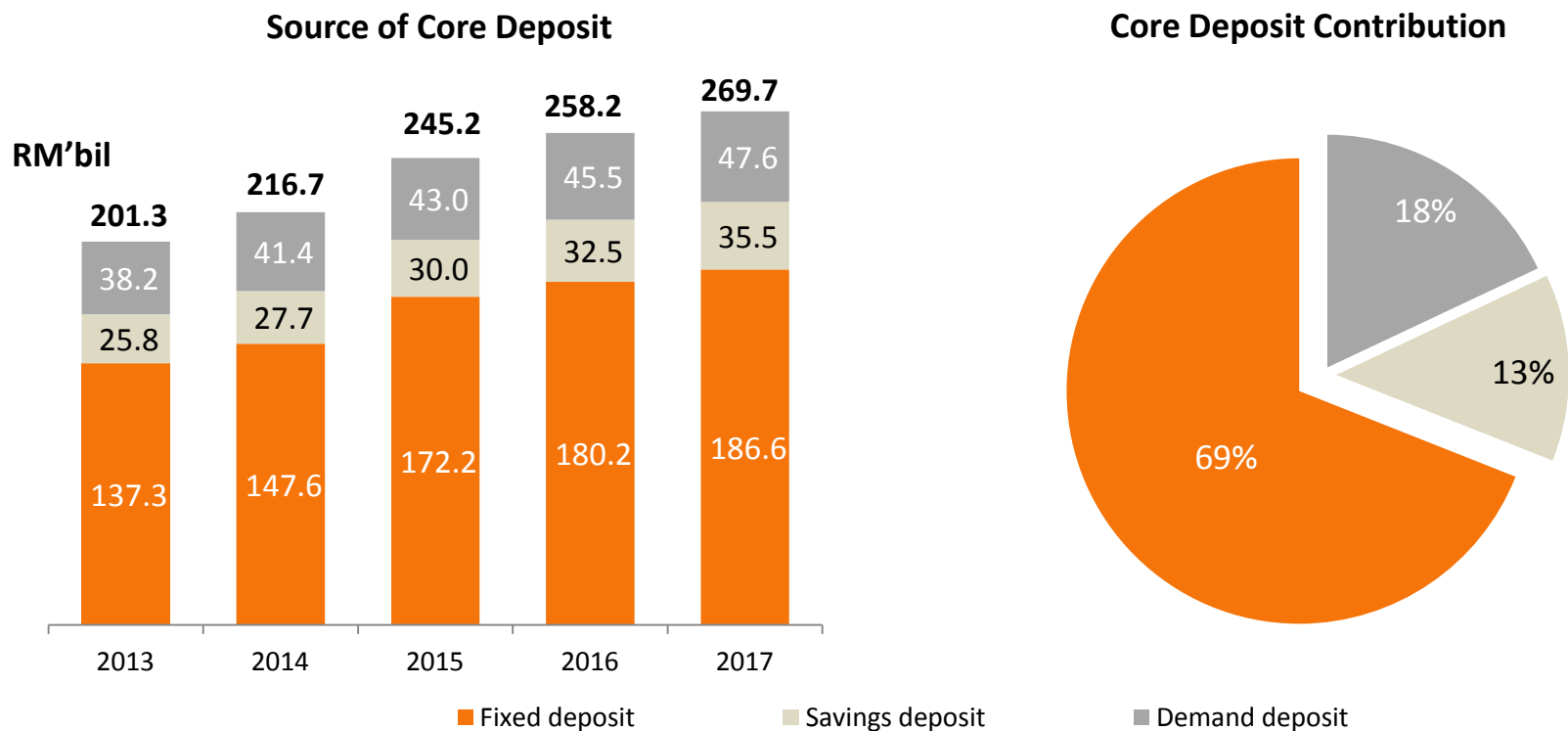
Deposits – Outstanding Balance and Market Share



- Both Group and domestic deposit growth achieved 3.0% and 3.6% respectively, as compared to industry growth of 3.9%

- Core customer deposit rose from RM258.2 billion to RM269.7 billion, with domestic market share of 16.8%

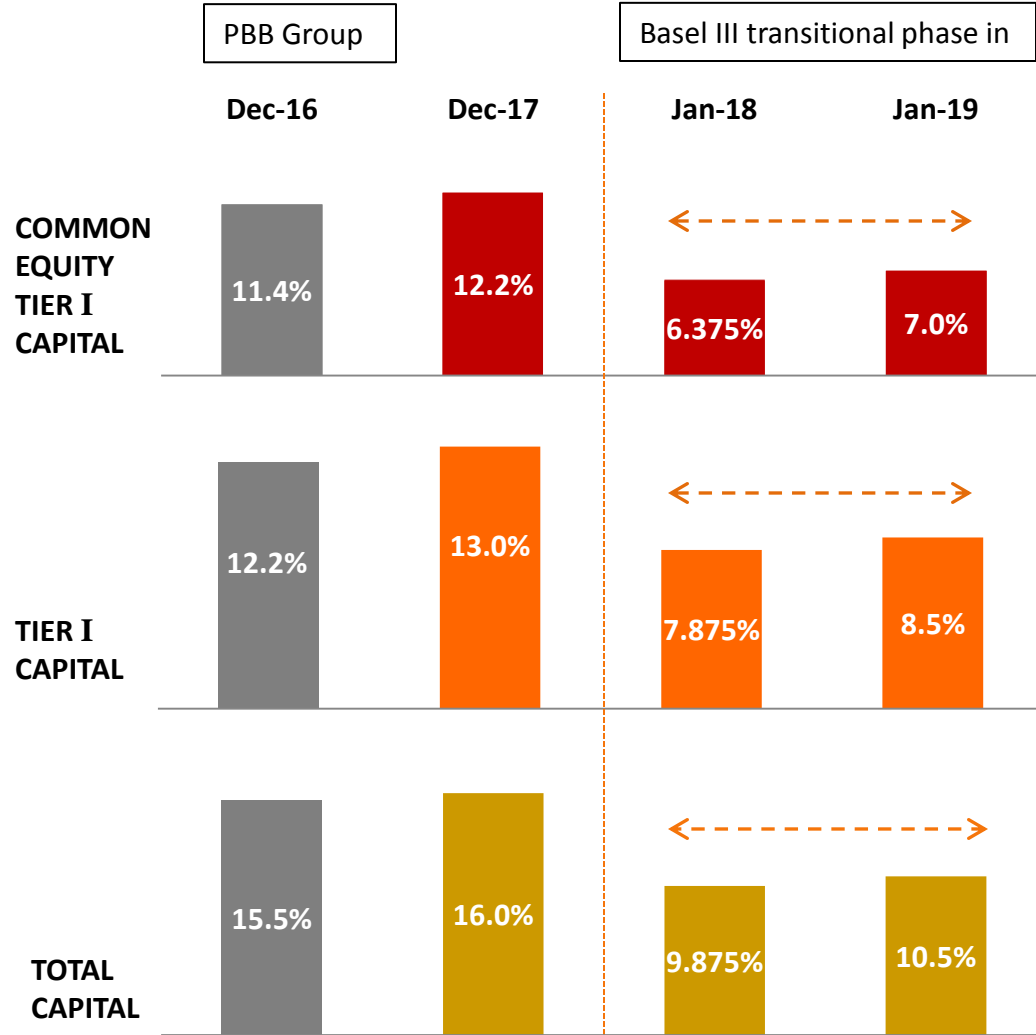
Healthy Core Deposit Growth



Core Deposit Growth in Domestic Operations

	Demand deposit	Industry		Savings deposit	Industry		Fixed deposit	Industry
2015	2.5%	2.1%	2015	6.0%	0.5%	2015	15.4%	4.8%
2016	3.6%	4.1%	2016	7.9%	7.0%	2016	3.7%	2.8%
2017	3.7%	12.2%	2017	5.9%	3.7%	2017	5.7%	6.3%

Healthy Capital Position



Note: The Basel III capital ratio requirements are inclusive of the 2.5% capital conservation buffer, but excluding other buffers eg. any counter-cyclical buffer and Domestic Systemically – Important Bank (DSIB) buffer which are yet to be introduced by BNM

Expansion in Business Delivery Channel



	2017	2016	2010
Malaysian Operations			
Public Bank - Domestic	257	257	249
- Overseas	7	7	4
Public Islamic Bank	2	2	1
Public Mutual	29	29	26
Public Investment Bank	1	1	1
Hong Kong & China Operations			
Public Finance	42	42	42
Public Bank (HK) - Hong Kong	32	32	30
- China	4	4	3
Winton (B.V.I) Group	5	8	9
Indo-China Operations			
Cambodia Public Bank	30	30	21
Public Bank Vietnam	13	7	7
	422	419	393
Self Service Terminal - domestic	2,107	2,059	1,362

Targets & Achievements



The Public Bank Group's achievement vs key performance targets are as follows:

Key Performance Benchmarks	2017 Targets	2017 Achievement	2018 Targets
Net Return on Equity	14% to 15%	15.8%	14% to 15%
Total Capital Ratio	>13%	16.0%	>13%
Gross Impaired Loan Ratio	<1%	0.5%	<1%
Cost to Income Ratio	33% to 34%	31.9%	33% to 34%
Loan Growth – Group	4% to 5%	3.6%	5%
– Domestic		4.6%	
Deposit Growth – Group	5% to 6%	3.0%	5%
– Domestic		3.6%	



Strategic Focus: Organic growth in focus areas

Core Focus		Increased Contribution		Complementary	
Lending Business	Deposit-Taking Business	Non-Interest Income	Overseas Operations	Corporate Banking	Treasury Operations
<ul style="list-style-type: none"> Consumer lending to focus on purchases of residential properties and passenger vehicles Continue to penetrate mid-market SME financing in encouraged sectors 	<ul style="list-style-type: none"> Secure higher growth in retail and low cost deposits Sustain existing pool of deposits Achieve balance between growth and escalating cost of fund 	Expand existing fee-based activities such as unit-trust funds, bancassurance, card business, cash management services, remittance services and trade finance	To enhance contribution from overseas operations in Hong Kong / China and Indo-China through organic growth strategy	Grow quality large and medium-sized corporate loans	Continue to focus on commercial foreign exchange revenue





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	RM'mil	2013	2014	2015	2016	2017
Profitability	Operating profit	5,655	6,067	6,631	6,745	7,319
	Profit before tax	5,310	5,814	6,491	6,554	7,118
	Net profit	4,065	4,519	5,062	5,207	5,470
Shareholder Value	Earnings per share (sen)	116.1	123.7	131.1	134.8	141.7
	Net assets per share (RM)	5.83	7.26	8.09	8.86	9.68
	Dividend per share (sen)	52.0	54.0	56.0	58.0	61.0
	Dividend payout ratio (%)	44.8	46.1	42.7	43.0	43.1
Key Balance Sheet Data	Total assets	305,725	345,722	363,758	380,053	395,276
	Gross loan	221,176	245,044	273,447	293,959	304,453
	Domestic loan	206,635	228,338	251,802	269,915	282,326
	Deposit from customers	250,873	276,540	301,157	309,974	319,259
	Domestic deposit	235,142	258,472	277,942	282,967	293,178
	Core customer deposit	201,258	216,707	245,171	258,155	269,723
	Shareholders' equity	20,424	28,025	31,231	34,213	37,365
	Common equity Tier I capital ^π	17,477	23,578	26,093	28,620	31,521
	Tier I capital ^π	21,028	26,745	28,882	30,771	33,528
	Total capital ^π	27,486	34,636	36,975	38,970	41,134
Risk-weighted assets	199,723	218,712	239,703	251,662	257,352	

^π After deducting interim dividends declared subsequent to end of year

Appendix (cont'd)



	%	2013	2014	2015	2016	2017	Industry
Profitability Ratios	Net interest margin on yielding assets	2.36	2.24	2.16	2.20	2.28	N/A
	Net return on equity ⁺	22.4	19.9	17.8	16.5	15.8	N/A
	Pre-tax return on average assets	1.8	1.8	1.8	1.8	1.8	1.3
	Cost to income ratio	30.7	30.0	30.5	32.3	31.9	45.8
	Non interest income/Total income	21.5	22.0	24.5	21.0	21.7	33.2
Liquidity	Gross loan to fund ratio [~]	84.5	84.4	86.8	90.8	90.0	84.0 [^]
	Gross loan to fund and equity ratio [~]	78.1	76.7	78.7	81.8	80.7	73.7 ^{^#}
Asset Quality	Gross impaired loans ratio	0.7	0.6	0.5	0.5	0.5	1.5
	Loan loss coverage ratio	118.5	122.4	120.8	102.7	95.5	82.9
Capital Adequacy	Common equity Tier I capital ratio ^π	8.8	10.8	10.9	11.4	12.2	13.3
	Tier I capital ratio ^π	10.5	12.2	12.0	12.2	13.0	14.3
	Total capital ratio ^π	13.8	15.8	15.4	15.5	16.0	17.1
Market Share	<u>Domestic market share</u>						
	Commercial property financing	33.7	33.5	33.8	34.7	35.5	N/A
	Residential property financing	19.6	19.3	19.2	19.4	19.6	N/A
	Passenger vehicle financing	26.5	28.0	29.6	29.1	28.5	N/A
	Domestic loans	16.9	17.1	17.4	17.7	17.8	N/A
	Domestic deposits	15.7	15.9	16.6	16.9	16.8	N/A

⁺ Based on average equity adjusted with proposed dividend, if any

[~] Gross loans exclude loans/financing sold to Cagamas. Funds include deposits from customers and debt securities issued and other borrowed funds

[^] Loans exclude loans extended to banking institutions

[#] Equity comprises ordinary and preferred shares, share premium and retained earnings

^π After deducting interim dividends declared subsequent to end of year