

**PUBLIC BANK**

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# Investor Presentation

## March 2017 Results Update

**50** *Years of*  
**Banking Excellence**

Since **1966**



## Income Statement

	Q1 2017	Q1 2016	change
Pre-tax profit	RM1,631 mil	RM1,652 mil	-1.2%
Net profit attributable to shareholders	RM1,248 mil	RM1,230 mil	1.5%
Earnings per share	32.3 sen	31.8 sen	1.6%

## Balance Sheet

	Mar 2017	Dec 2016	change
Total asset	RM389.7 bil	RM380.1 bil	10.2%*
Loan:			
- Group	RM296.6 bil	RM294.0 bil	3.6%*
- Domestic	RM273.1 bil	RM269.9 bil	4.7%*
Deposit:			
- Group	RM316.2 bil	RM310.0 bil	8.1%*
- Domestic	RM288.5 bil	RM283.0 bil	7.9%*

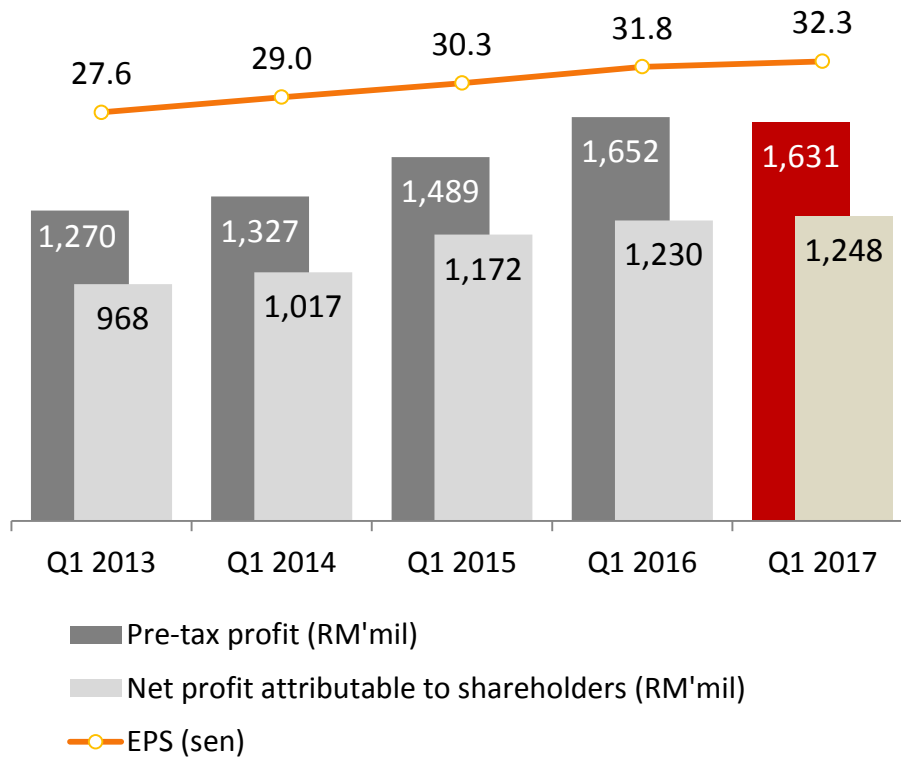
## Financial Indicators (%)

	Mar 2017	Dec 2016
Net return on equity	14.9	16.5
Cost to income ratio	34.3	32.3
Gross impaired loans ratio	0.5	0.5
Net loan to deposit ratio	93.3	94.3
Loan loss coverage	104.0	102.7
Common equity Tier I capital ratio	11.4	11.4 <sup>π</sup>
Tier I capital ratio	12.2	12.2 <sup>π</sup>
Total capital ratio	15.2	15.5 <sup>π</sup>

\* Annualised growth

<sup>π</sup> After deducting interim dividends declared subsequent to end of year

# Steady Profit Growth

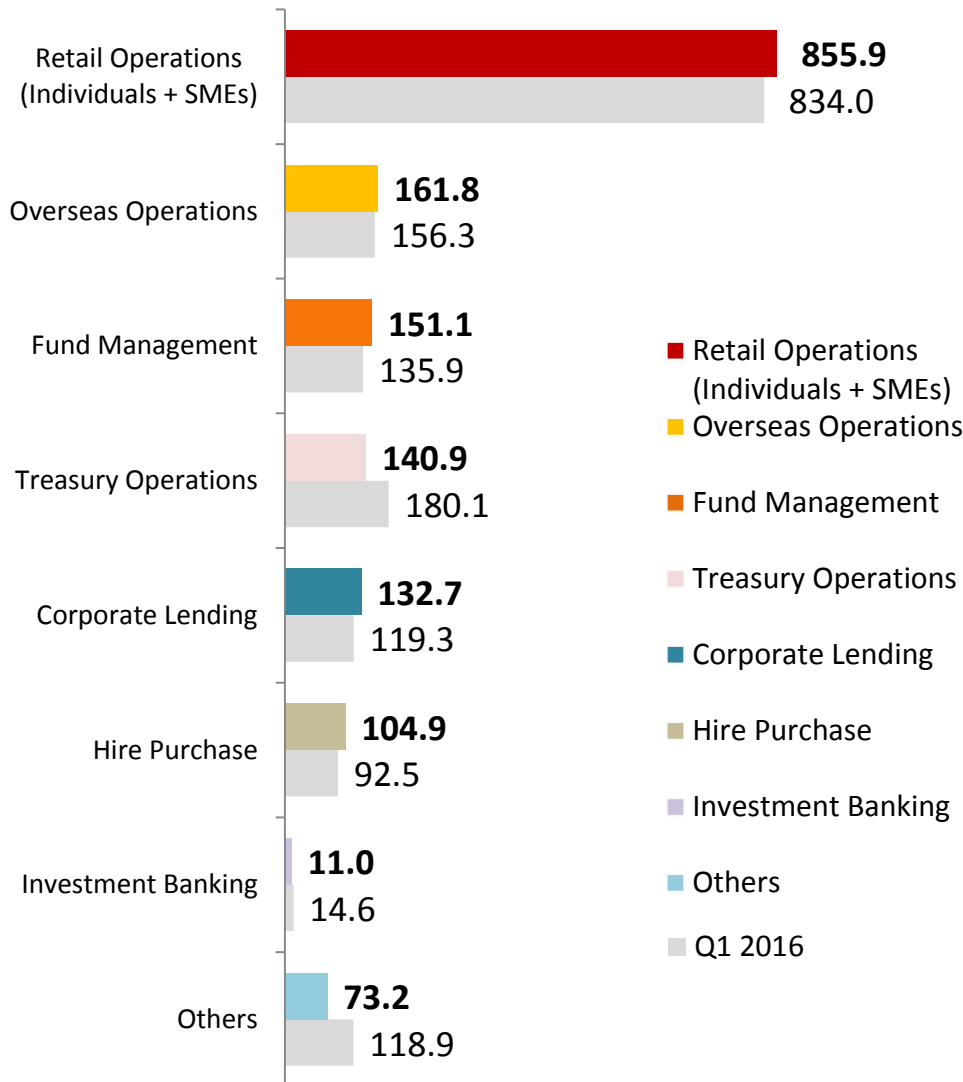


RM'mil	Mar-17	Mar-16	change
Net interest income	1,824.2	1,684.7	▲ 8.3%
Net income from Islamic banking business	247.7	227.5	▲ 8.9%
Net fee and commission income	407.1	381.7	▲ 6.7%
Net gains and losses on financial instruments	4.0	40.9	▼ 90.3%
Other operating income	103.4	169.4	▼ 39.0%
Other operating expenses	(886.9)	(788.5)	▲ 12.5%
Loan loss allowance	(67.1)	(67.5)	▼ 0.6%
<b>Profit before tax</b>	<b>1,631.5</b>	<b>1,651.6</b>	▼ -1.2%
<b>Net profit attrib. to shareholders</b>	<b>1,248.0</b>	<b>1,229.8</b>	▲ 1.5%

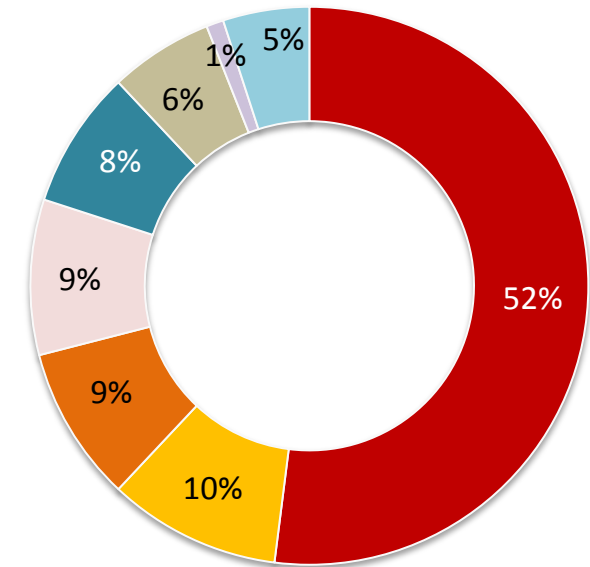
# Segmental Profit – Retail Centric



Q1 2017 vs Q1 2016 PBT (RM'mil)



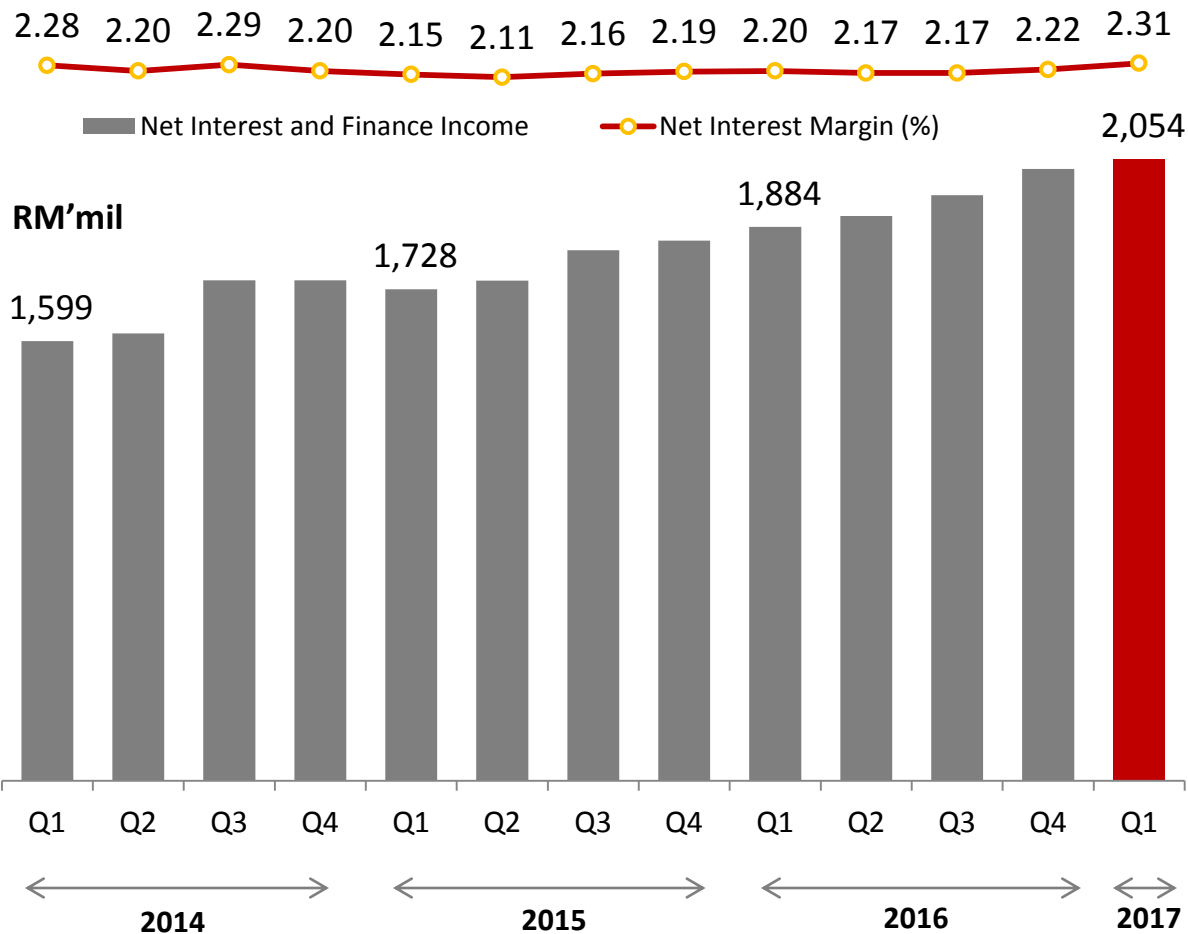
Profit Contribution



Based on financial results as at 31 March 2017

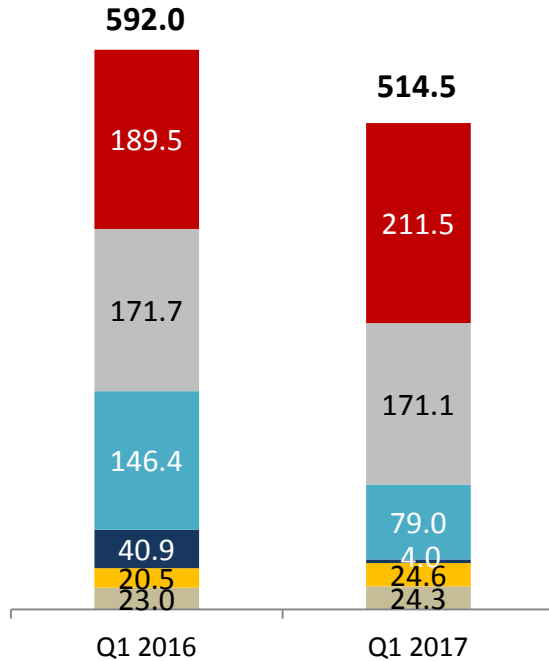
**Note:** Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

# Net Interest Margin

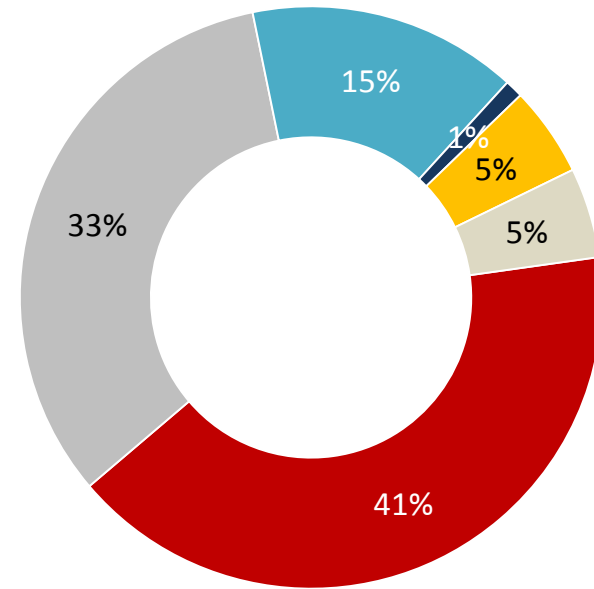




RM'mil



Non-Interest Income Contribution

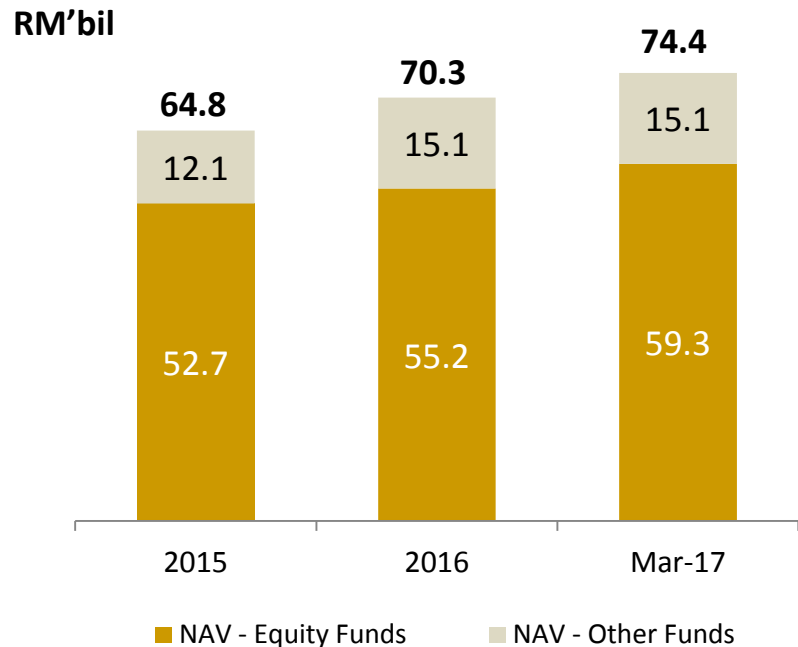


Based on financial results as at 31 March 2017

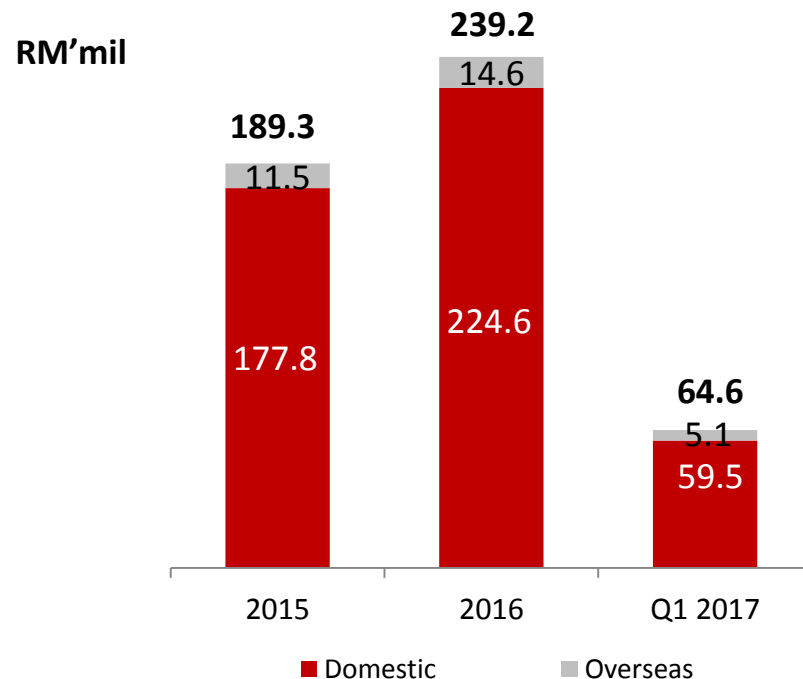
■ Unit Trust income 
 ■ Fee & commission income 
 ■ Foreign exchange income 
 ■ Investment income 
 ■ Stockbroking 
 ■ Other



## Net Asset Value of Funds Under Management



## Bancassurance Business – Annualised New Premium



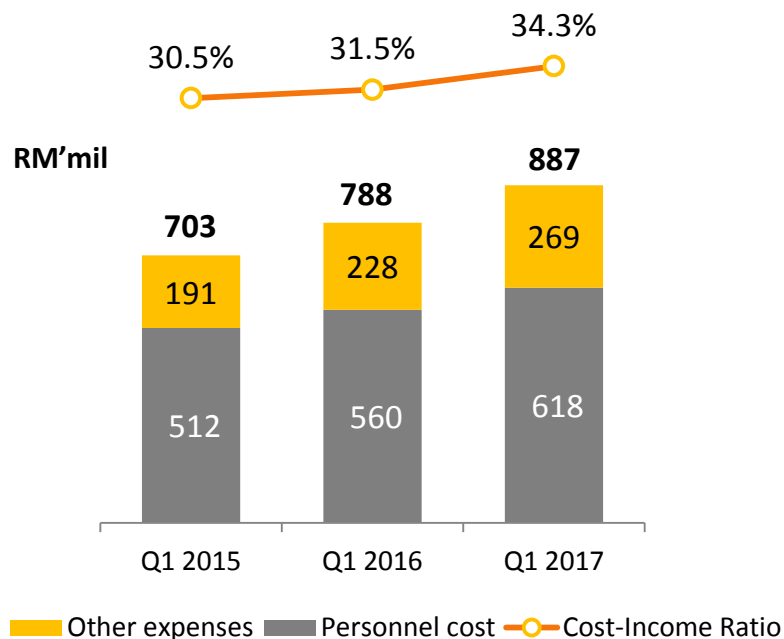
- Public Mutual maintained its market leadership position in the private unit trust industry, with a retail market share of 45.8% as at February 2017

- The Group has recorded bancassurance sales with annualised new premium of RM64.6 million in Q1 2017

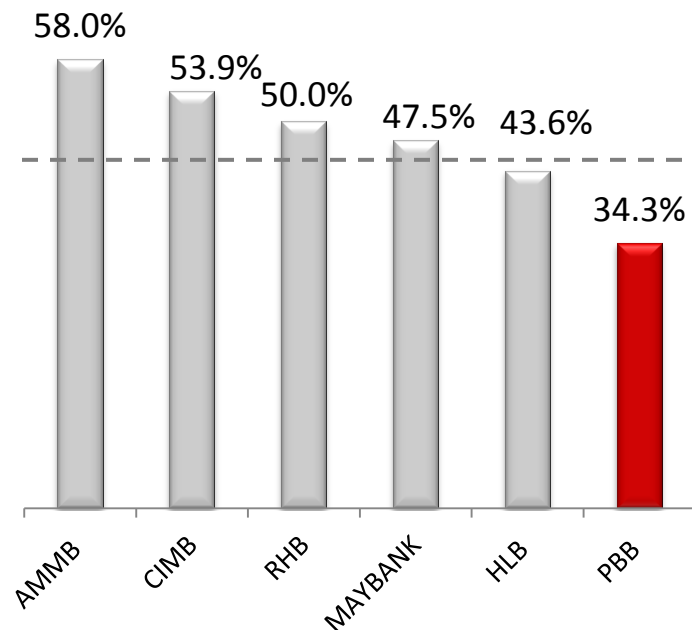
# Efficient Operating Overheads & Lowest CIR



## Operating Overheads



## Market leader Cost-Income Ratio among peers



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

Note: CIR as extracted above are as at December 2016 position except for PBB

RM'mil	Q1 2017	2016	Industry Average
Gross loan per employee	16.0	15.8	13.0
Deposit per employee	17.1	16.6	14.5
PBT per employee	0.35*	0.35	0.28

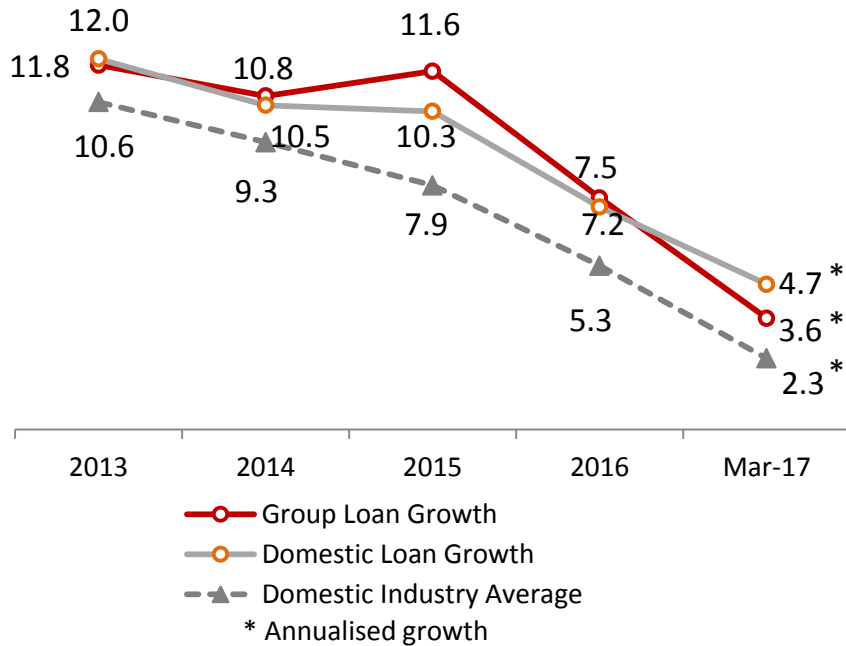
\* Annualised



# Above Industry Loan Growth

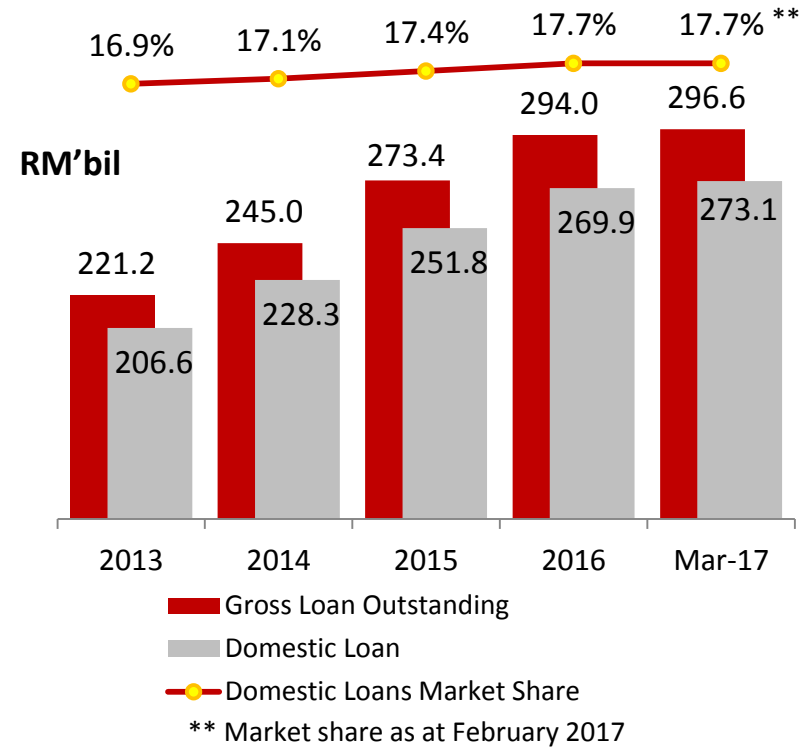


### Loan Growth vs Industry (%)



- Group and domestic loan recorded an annualised growth of 3.6% and 4.7% respectively, above the industry average annualised growth of 2.3%

### Gross Loans and Domestic Loan Market Share

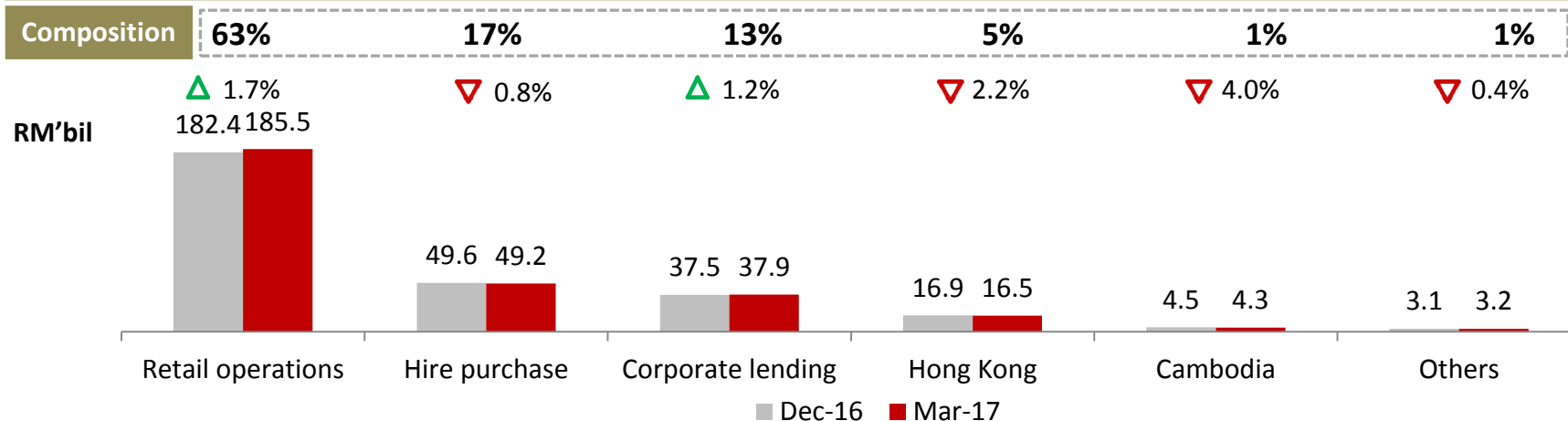


- Gross loan stood at RM296.6 billion, holding 17.7% of market share in the domestic lending market

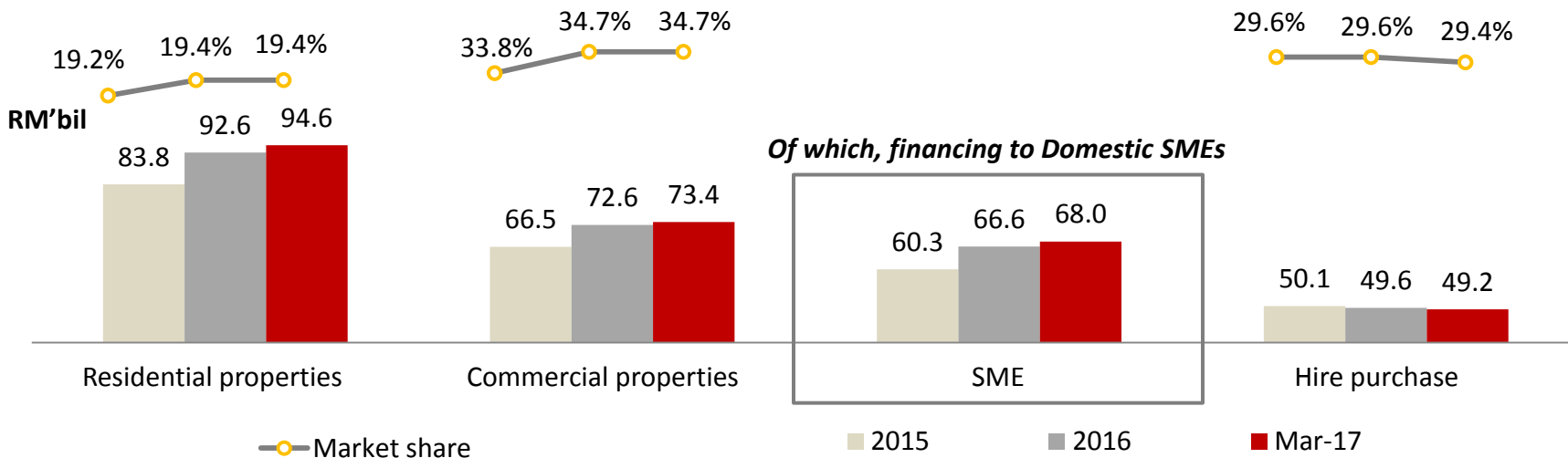
# Healthy Gross Loan Growth



## Gross Loan Composition by Segment



## Gross Loan in Domestic Operations

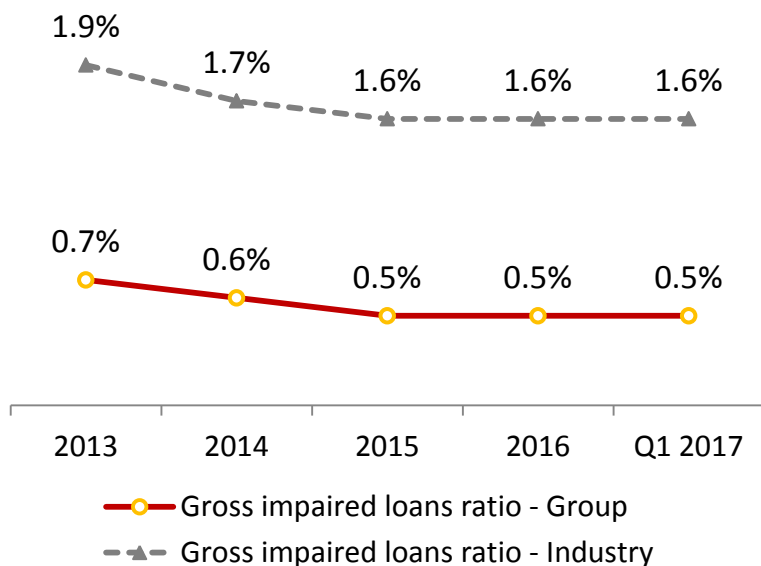


\*\* Market share as at February 2017

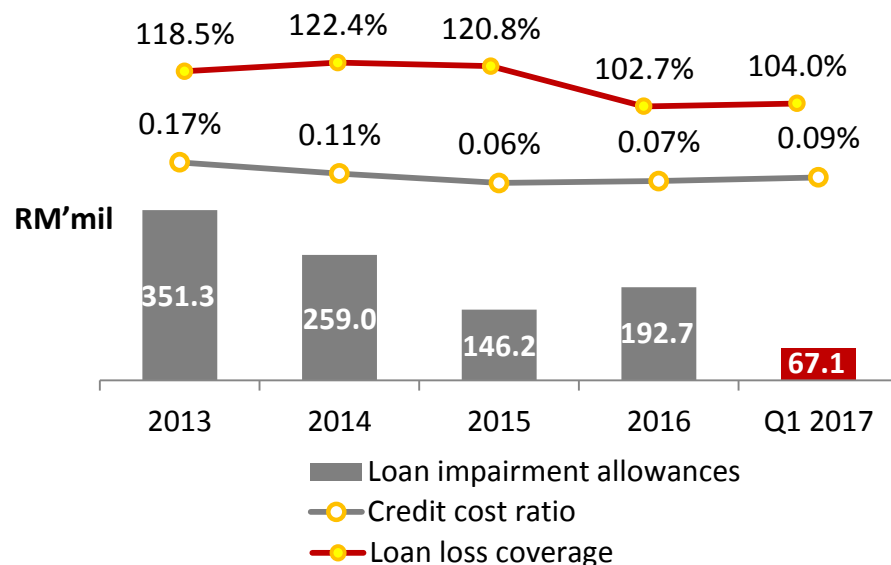
# Upholding Strong Asset Quality



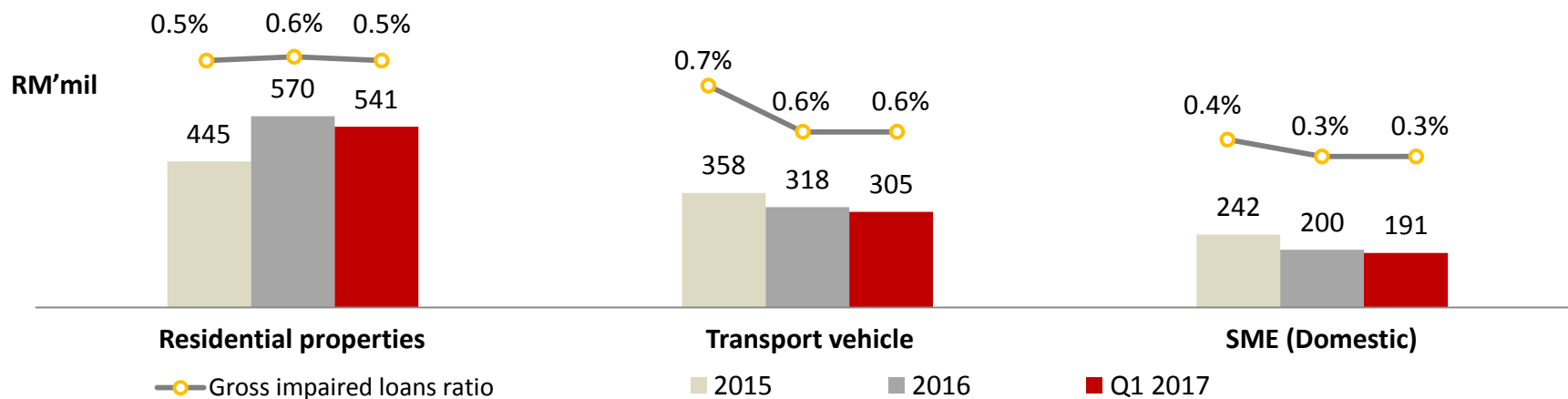
## Gross impaired loans ratio



## Loan Impairment Allowances (including CA)



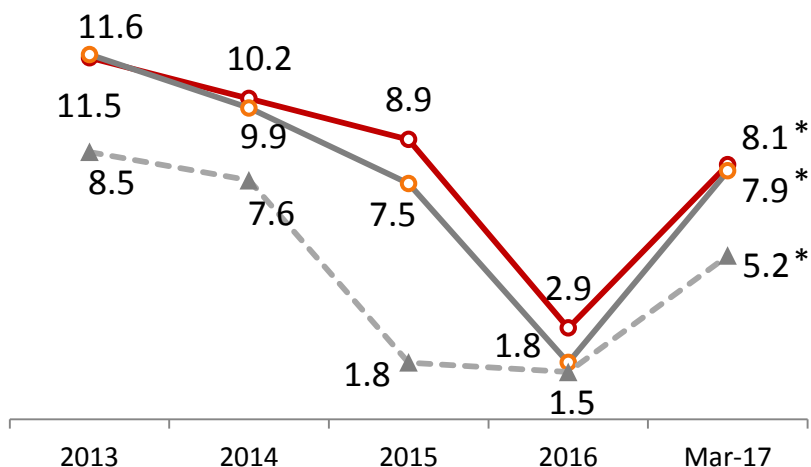
## Gross impaired loans of which:



# Healthy Deposit Growth in Support of Liquidity

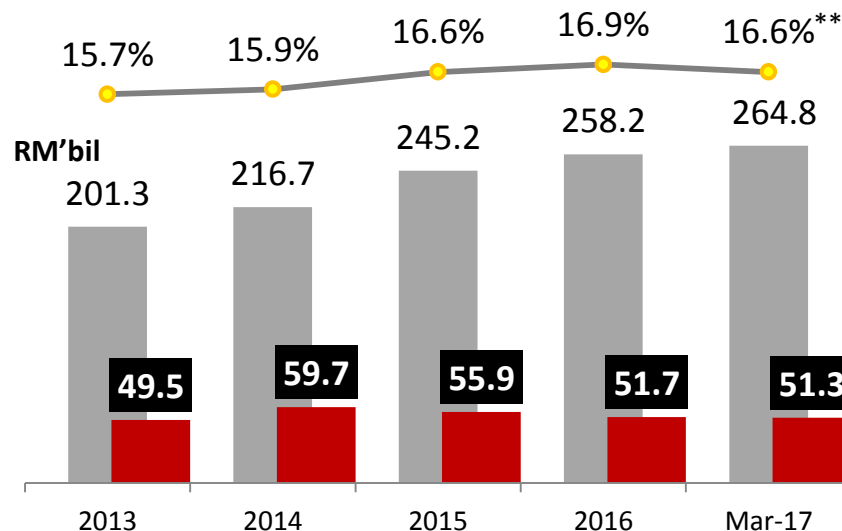


### Deposit Growth vs Industry (%)



- Group Deposit Growth
- Domestic Deposit Growth
- -▲- Domestic Industry Average
- \* Annualised growth

### Deposits – Outstanding Balance and Market Share

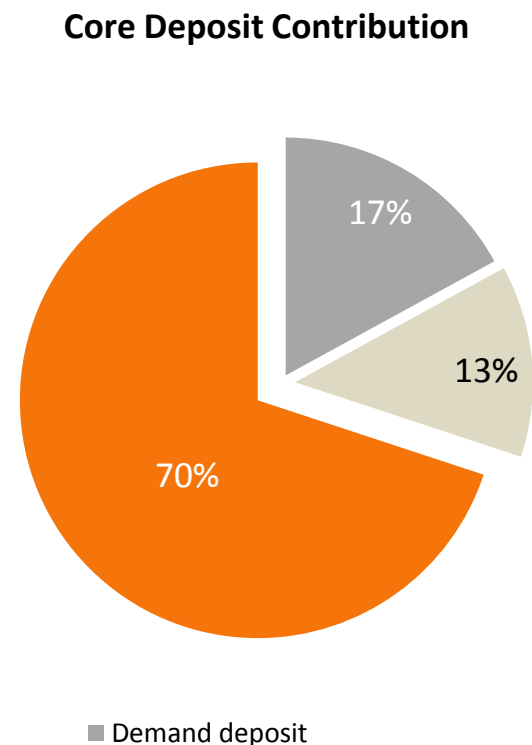
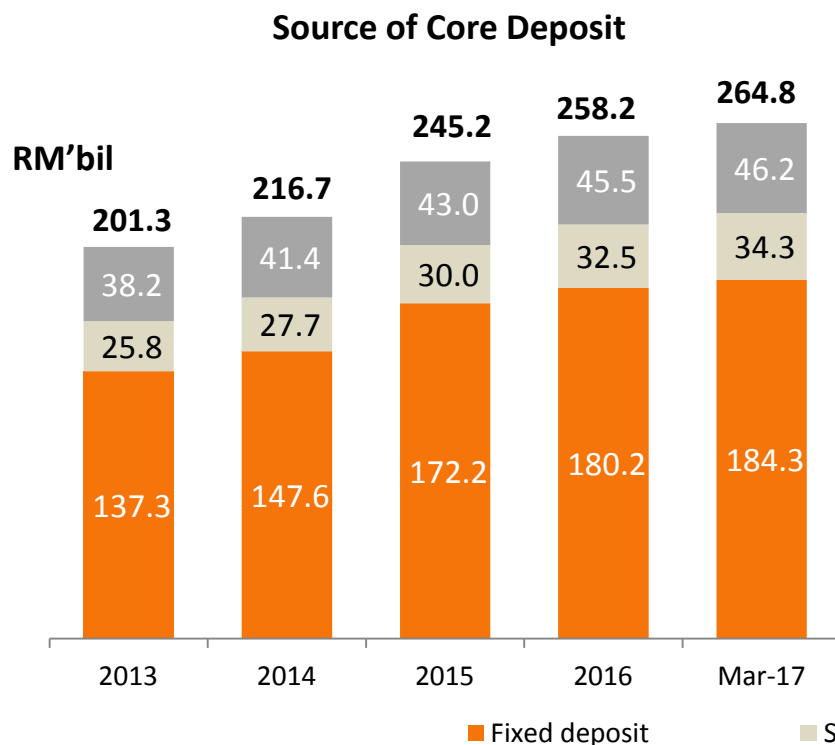


- Core customer deposit
- Wholesale deposit
- Customer deposit market share
- \*\* Market share as at February 2017

- Both group and domestic deposit achieved an annualised growth of 8.1% and 7.9% respectively, above the industry average annualised growth of 5.2%

- Core customer deposit rose from RM258.2 million to RM264.8 million, with domestic market share of 16.6% (as at February 2017)

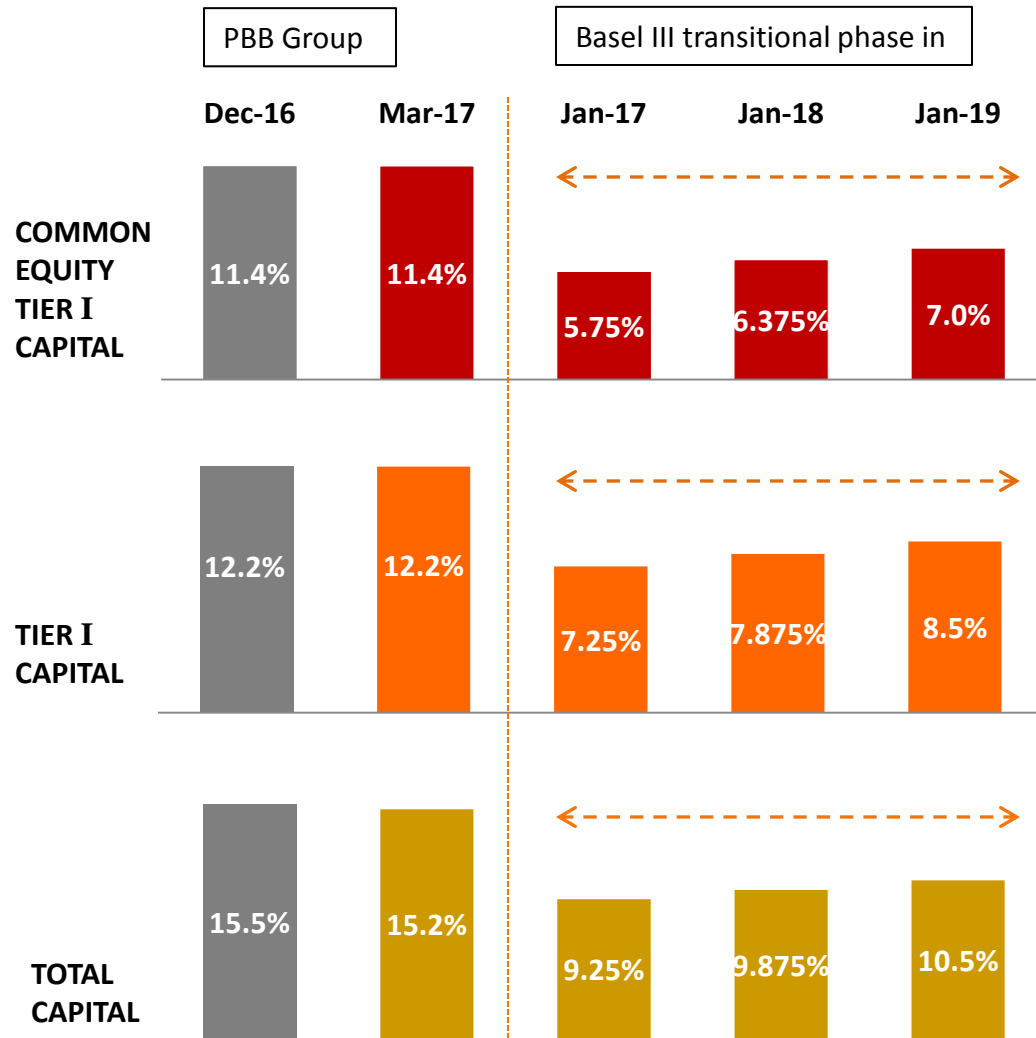
# Healthy Core Deposit Growth



### 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%
<b>Mar-17</b>	<b>0.6%</b>	<b>3.7%</b>	<b>Mar-17</b>	<b>4.5%</b>	<b>6.0%</b>	<b>Mar-17</b>	<b>2.7%</b>	<b>-1.4%</b>

# 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 which is yet to be introduced by BNM

# Expansion in Business Delivery Channel



	Mar-17	2016	2010
<b><u>Malaysian Operations</u></b>			
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
<b><u>Hong Kong &amp; China Operations</u></b>			
Public Finance	42	42	42
Public Bank (HK) - Hong Kong	32	32	30
- China	4	4	3
Winton (B.V.I) Group	7	8	9
<b><u>Indo-China Operations</u></b>			
Cambodia Public Bank	30	30	21
Public Bank Vietnam	7	7	7
	<b>418</b>	<b>419</b>	<b>393</b>
Self Service Terminal - domestic	2,066	2,059	1,362



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

Key Performance Benchmarks	2017 Targets	Mar-17 Achievement
Net Return on Equity	14% to 15%	14.9%
Total Capital Ratio	>13%	15.2%
Gross Impaired Loan Ratio	<1%	0.5%
Cost to Income Ratio	33% to 34%	34.3%
Loan Growth – Group	6% to 7%	3.6%*
– Domestic		4.7%*
Deposit Growth – Group	5% to 6%	8.1%*
– Domestic		7.9%*

\* Annualised growth





## 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"> <li>Consumer lending to focus on purchases of residential and non-residential properties and passenger vehicles</li> <li>Continue to penetrate mid-market SME financing</li> </ul>	<ul style="list-style-type: none"> <li>Secure higher retail and low cost deposits</li> <li>Sustain existing pool of deposits</li> <li>Balance between growth and escalating cost of fund</li> </ul>	Expand existing fee-based activities such as unit-trust funds, bancassurance, card business, cash management services, remittance services and trade finance	Increase contribution from overseas operations in Hong Kong / China and Indo-China	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	Mar-17
Profitability	Operating profit	5,655	6,067	6,631	6,745	1,699
	Profit before tax	5,310	5,814	6,491	6,554	1,631
	Net profit	4,065	4,519	5,062	5,207	1,248
Shareholder Value	Earnings per share (sen)	116.1	123.7	131.1	134.8	32.3
	Net assets per share (RM)	5.83	7.26	8.09	8.86	8.86
	Dividend per share (sen)	52.0	54.0	56.0	58.0	N/A
	Dividend payout ratio (%)	44.8	46.1	42.7	43.0	N/A
Key Balance Sheet Data	Total assets	305,725	345,722	363,758	380,053	389,726
	Gross loan	221,176	245,044	273,447	293,959	296,585
	Domestic loan	206,635	228,338	251,802	269,915	273,114
	Deposit from customers	250,873	276,540	301,157	309,974	316,242
	Domestic deposit	235,142	258,472	277,942	282,967	288,531
	Core customer deposit	201,258	216,707	245,171	258,155	264,823
	Shareholders' equity	20,424	28,025	31,231	34,213	34,197
	Common equity Tier I capital <sup>π</sup>	17,477	23,578	26,093	28,620	28,672
	Tier I capital <sup>π</sup>	21,028	26,745	28,882	30,771	30,683
	Total capital <sup>π</sup>	27,486	34,636	36,975	38,970	38,420
Risk-weighted assets	199,723	218,712	239,703	251,662	252,152	

<sup>π</sup> After deducting interim dividends declared subsequent to end of year

# Appendix (cont'd)



	%	2013	2014	2015	2016	Mar-17	Industry
Profitability Ratios	Net interest margin on yielding assets	2.36	2.24	2.16	2.20	2.31	N/A
	Net return on equity <sup>+</sup>	22.4	19.9	17.8	16.5	14.9	N/A
	Pre-tax return on average assets	1.8	1.8	1.8	1.8	1.7	1.3
	Cost to income ratio	30.7	30.0	30.5	32.3	34.3	45.8
	Non interest income/Total income	21.5	22.0	24.5	21.0	19.9	33.2
Liquidity	Net loan to deposit ratio	87.5	88.0	90.3	94.3	93.3	88.1
Asset Quality	Gross impaired loans ratio	0.7	0.6	0.5	0.5	0.5	1.6
	Loan loss coverage ratio	118.5	122.4	120.8	102.7	104.0	90.8
Capital Adequacy	Common equity Tier I capital ratio <sup>π</sup>	8.8	10.8	10.9	11.4	11.4	13.1
	Tier I capital ratio <sup>π</sup>	10.5	12.2	12.0	12.2	12.2	13.9
	Total capital ratio <sup>π</sup>	13.8	15.8	15.4	15.5	15.2	16.9
Market Share	<u>Domestic market share</u>						
	Commercial property financing	33.7	33.5	33.8	34.7	34.7**	N/A
	Residential property financing	19.6	19.3	19.2	19.4	19.4**	N/A
	Passenger vehicle financing	26.5	28.0	29.6	29.6	29.4**	N/A
	Domestic loans	16.9	17.1	17.4	17.7	17.7**	N/A
	Domestic deposits	15.7	15.9	16.6	16.9	16.6**	N/A

<sup>+</sup> Based on average equity adjusted with proposed dividend, if any

<sup>π</sup> After deducting interim dividends declared subsequent to end of year

\*\* Market share as at February 2017