



# Investor Presentation

## March 2018 Financial Results





## Income Statement

	Q1 2018	Q1 2017	Change
Pre-tax profit	RM1,794 mil	RM1,631 mil	10.0%
Net profit attributable to shareholders	RM1,405 mil	RM1,248 mil	12.6%
Earnings per share	36.4 sen	32.3 sen	12.7%

## Balance Sheet

	Mar 2018	Dec 2017	Change
Total asset	RM398.2 bil	RM395.3 bil	0.7%
Loan:			
- Group	RM306.8 bil	RM304.5 bil	3.0%*
- Domestic	RM285.8 bil	RM282.3 bil	5.0%*
Deposit:			
- Group	RM325.9 bil	RM319.3 bil	8.3%*
- Domestic	RM300.7 bil	RM293.2 bil	10.2%*

## Financial Indicators (%)

	Mar 2018	Dec 2017
Net return on equity	15.2	15.8
Cost to income ratio	32.6	31.9
Gross impaired loans ratio	0.5	0.5
Gross loan to fund ratio~	89.0	90.0
Gross loan to fund and equity ratio~	79.9	80.7
Loan loss coverage	125.2	95.5
Common equity Tier I capital ratio	12.2	12.2 <sup>π</sup>
Tier I capital ratio	12.8	13.0 <sup>π</sup>
Total capital ratio	15.8	16.0 <sup>π</sup>

\* Annualised growth

<sup>π</sup> 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



The day-one impact from the adoption of MFRS 9 effective 1 January 2018 are:

- Higher allowance for impaired loans and financing as the incurred loss impairment model previously used in MFRS 139 has been replaced by the expected credit losses (ECL) model
- Lower regulatory reserves, due to the utilisation of reserves to mitigate the higher impairment allowances
- Gain on remeasurement of certain equity investments
- Accordingly, these adjustments are reflected in opening retained profits, which has:
  - Increased the shareholders' funds
  - Enhanced the Group's capital adequacy ratio
- The changes in accounting policies have been applied retrospectively from 1 January 2018.  
In accordance with the transition requirements, comparatives are not restated

# Financial Effects on the Adoption of MFRS 9



|-----Day-one impact-----|

(RM'mil)	As at 31 Dec 2017	Impact of adopting MFRS 9	As at 1 Jan 2018	As at 31 Mar 2018
Allowance for impaired loans and financing	(1,409)	↑ 32%	(1,860)	(1,854)
Shareholders' fund	37,365	↑	37,643	37,615
of which:				
Regulatory reserves*	2,376	↓	1,952	2,011
Retained profits	24,723	↑	25,126	25,160

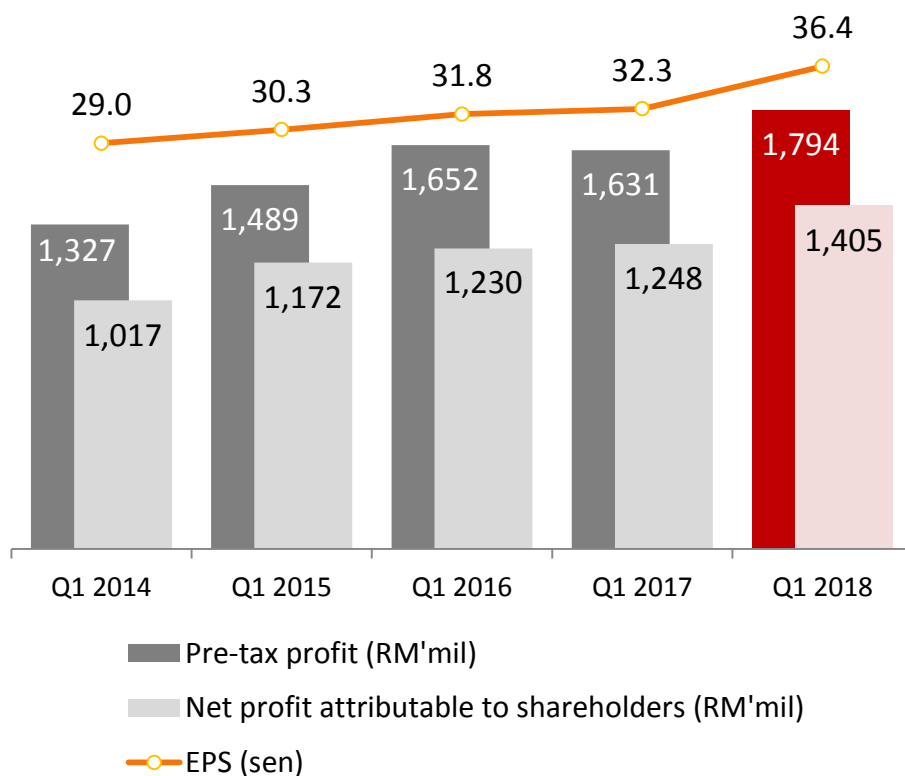
	As at 31 Dec 2017	Impact of adopting MFRS 9	As at 1 Jan 2018	As at 31 Mar 2018
CET I capital ratio	12.2% <sup>π</sup>		12.4% <sup>π</sup>	12.2%
Tier I capital ratio	13.0% <sup>π</sup>	↑ 20 bps	13.2% <sup>π</sup>	12.8%
Total capital ratio	16.0% <sup>π</sup>		16.2% <sup>π</sup>	15.8%
Loan loss coverage	95.5%	↑	126.1%	125.2%
Loan loss coverage (including regulatory reserve)	256.5%		258.4%	261.0%

\* BNM's requirement to maintain, in aggregate, impairment allowance and regulatory reserves

- Current: 1.0% of Exposure at Default ("EAD") (estimated exposure at the time of default, including undrawn portion), net of Expected Credit Losses ("ECL") for credit-impaired exposures
- Previous: 1.2% of total outstanding loans/financing, net of individual impairment

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

# Steady Profit Growth



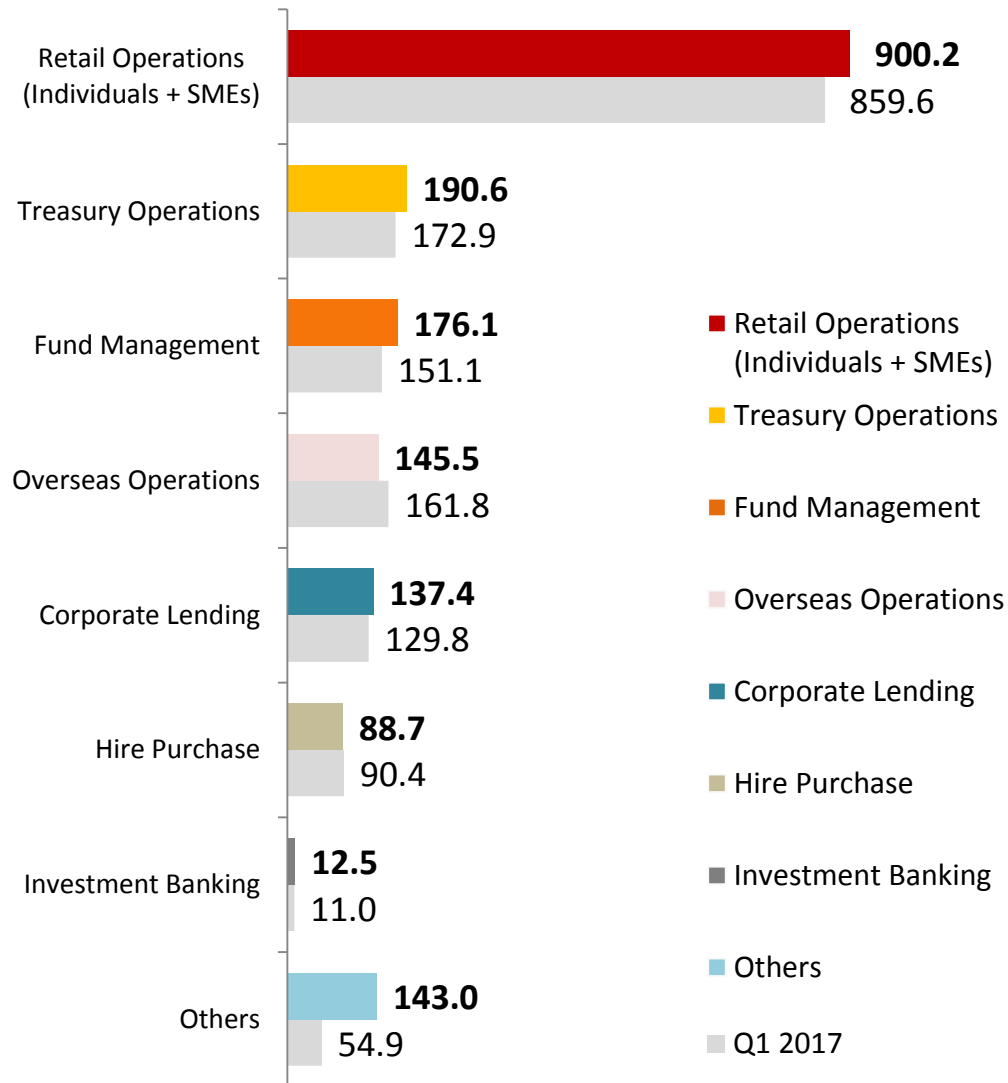
## Income Statement

(RM'mil)	Q1 2018	Q1 2017	Change
Net interest income	1,897.4	1,824.2	↑ 4.0%
Net income from Islamic banking business	265.7	247.7	↑ 7.3%
Non-interest income	594.7	514.5	↑ 15.6%
Other operating expenses	(899.3)	(886.9)	↑ 1.4%
Loan loss allowance	(68.5)	(67.1)	↑ 2.0%
<b>Profit before tax</b>	<b>1,794.0</b>	<b>1,631.5</b>	<b>↑ 10.0%</b>
<b>Net profit attrib. to shareholders</b>	<b>1,405.4</b>	<b>1,248.0</b>	<b>↑ 12.6%</b>

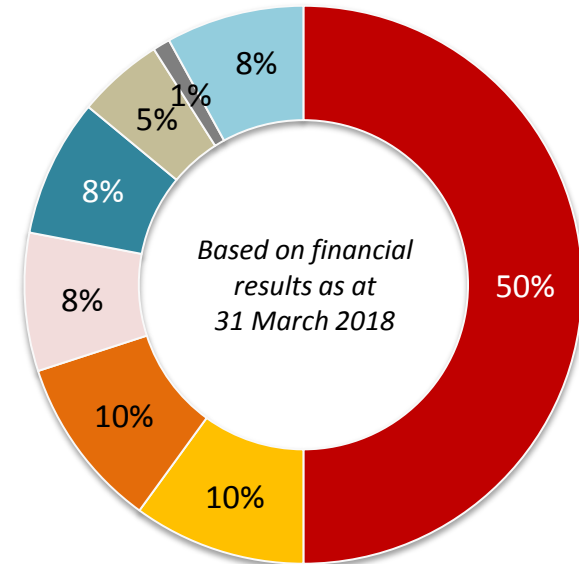
# Segmental Profit – Retail Centric



Q1 2018 vs Q1 2017 PBT (RM'mil)

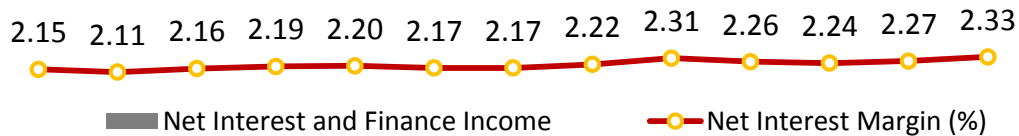


Profit Contribution

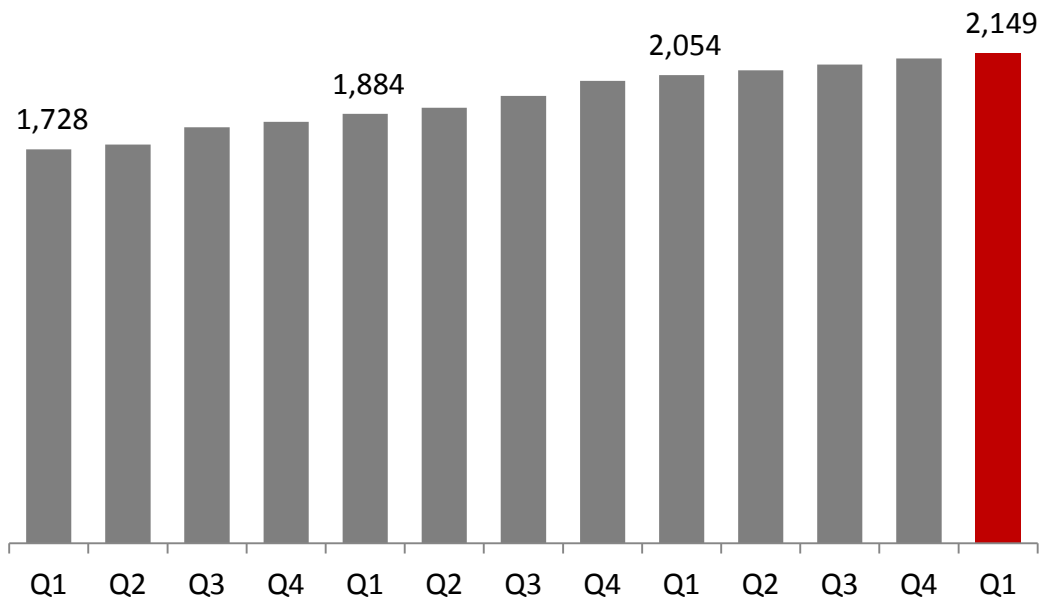


**Note:** Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

# Net Interest Margin



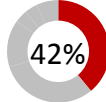
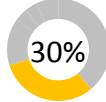
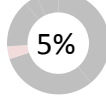
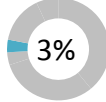
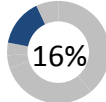
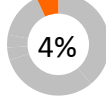
RM'mil



(%)	2015	2016	2017	Q1 2018
Yearly Average	2.16	2.20	2.28	2.33

# Non-Interest Income

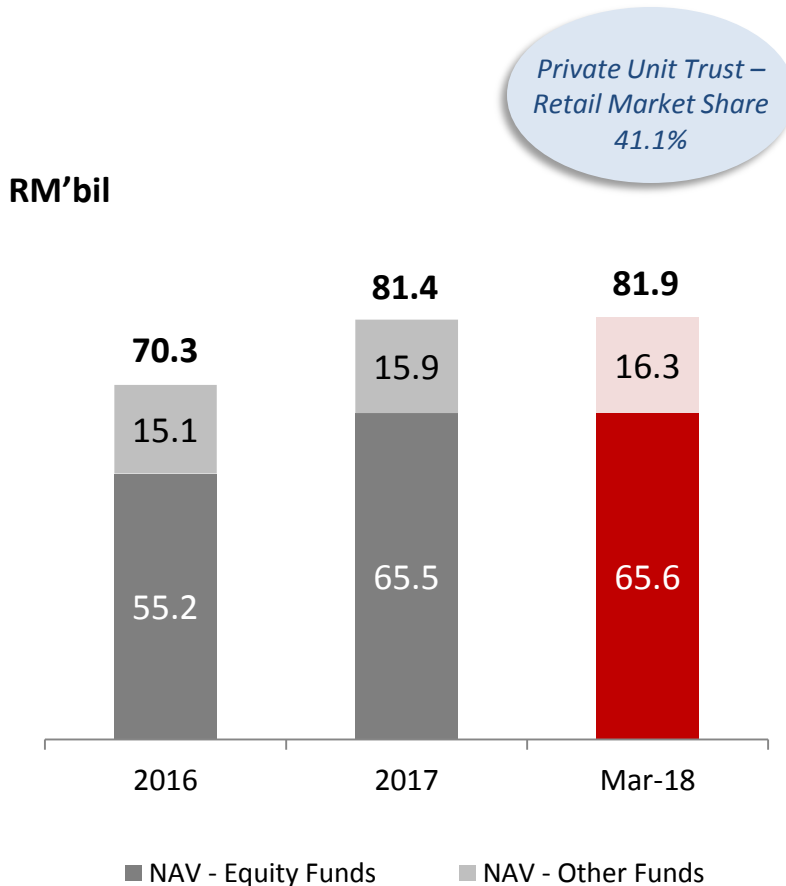


(RM'mil)	Q1 2018	Q1 2017	Change	Composition
<b>Net fee and commission income</b>	<b>456.2</b>	<b>407.1</b>	<b>12.1%</b>	
Of which: - Unit trust income	247.9	211.5	17.3%	 42%
- Fee & commission income	178.9	171.1	4.6%	 30%
- Stockbroking income	29.3	24.6	19.5%	 5%
<b>Net gains and losses on financial instruments</b>	<b>19.8</b>	<b>4.0</b>	<b>&gt;100.0%</b>	 3%
<b>Other operating income</b>	<b>118.7</b>	<b>103.4</b>	<b>14.8%</b>	
Of which: - Foreign exchange income	95.4	79.0	20.6%	 16%
- Others	23.3	24.3	-4.0%	 4%
<b>Total non-interest income</b>	<b>594.7</b>	<b>514.5</b>	<b>15.6%</b>	<b>100%</b>

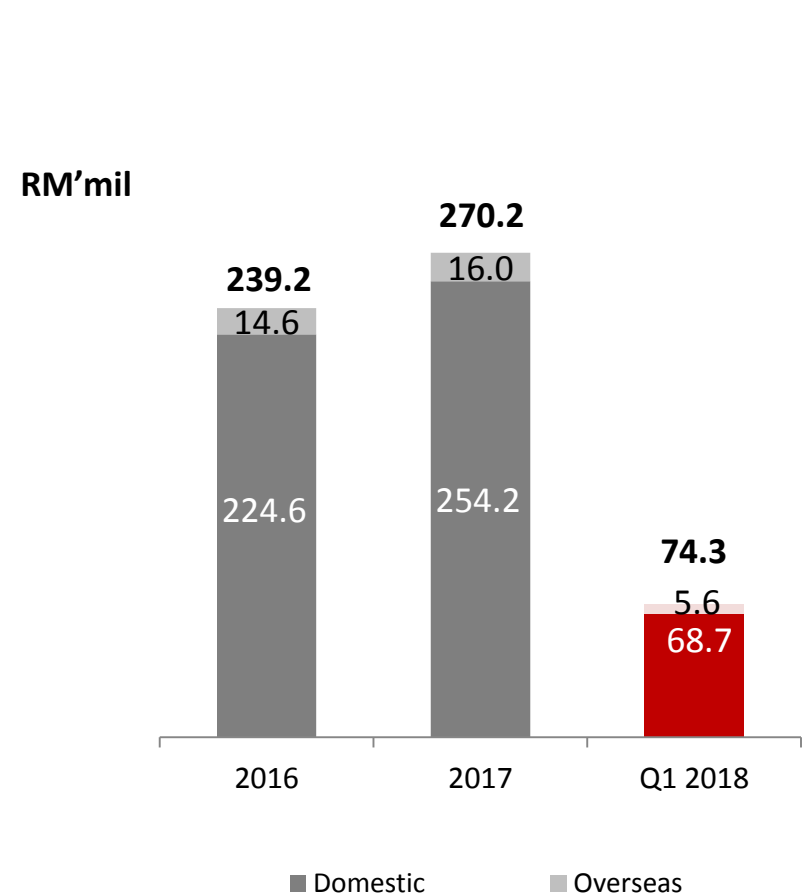




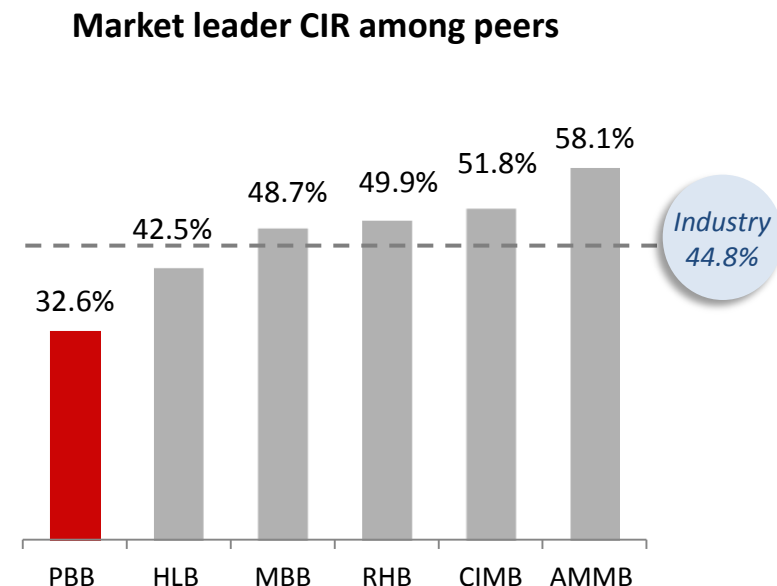
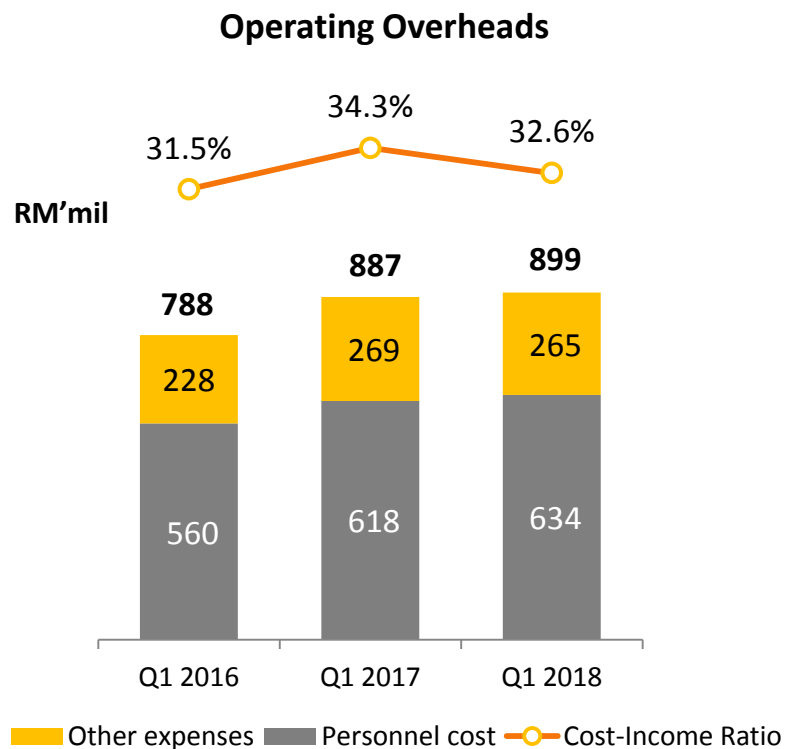
## Net Asset Value of Funds Under Management



## Bancassurance Business – Annualised New Premium



# Efficient Operating Overheads & Lowest CIR



Note: Cost to income ratio (CIR) as extracted above are as at December 2017 position except for PBB

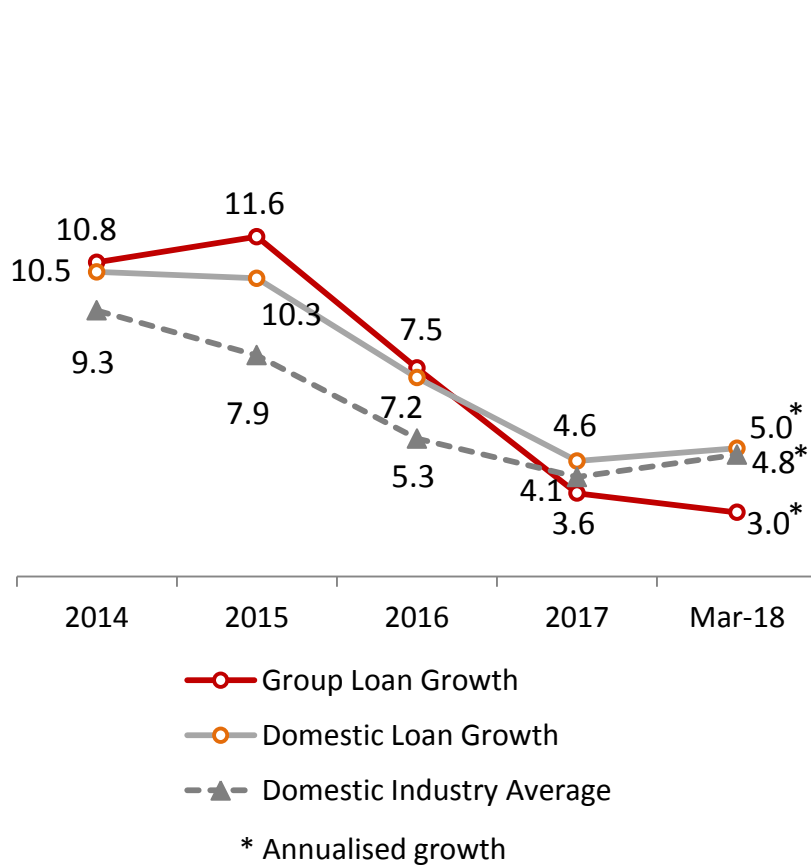
RM'mil	Q1 2018	2017	Industry Average
Gross loan per employee	16.6	16.4	13.3
Deposit per employee	17.7	17.2	14.7
PBT per employee	0.39*	0.38	0.30

\* Annualised

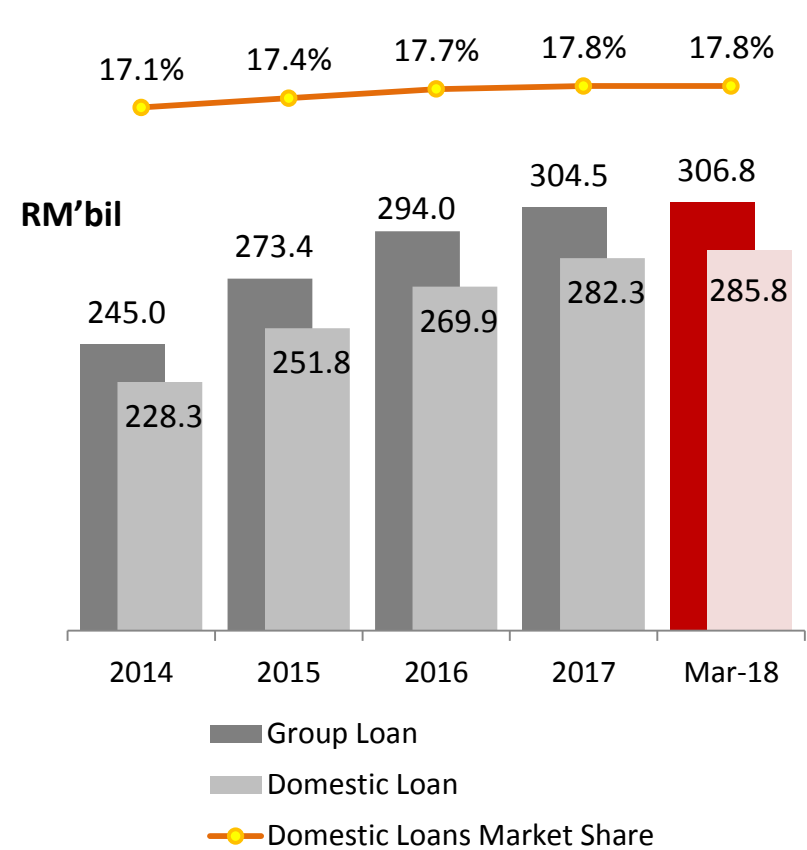
# Above Industry Loan Growth



### Loan Growth vs Industry (%)



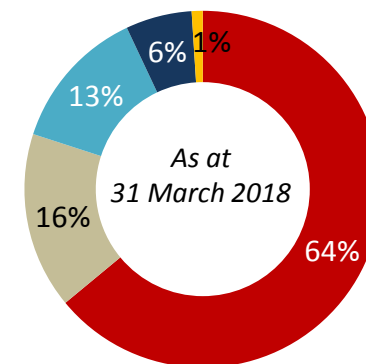
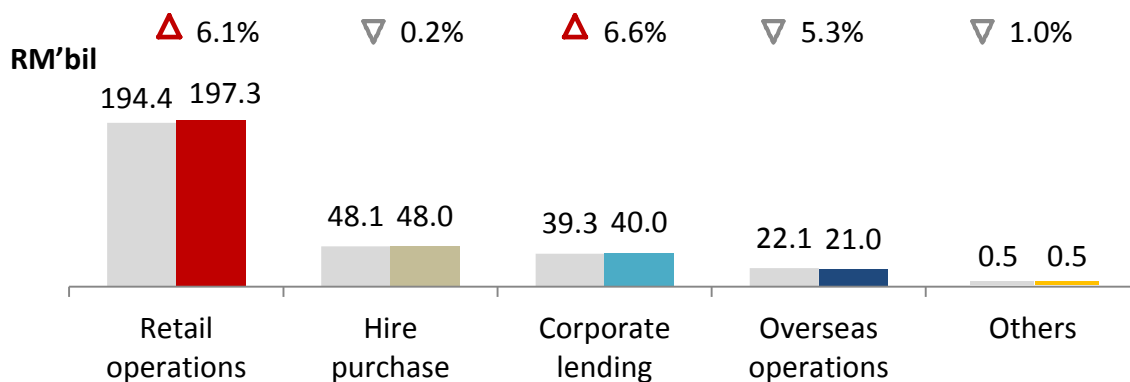
### Loan – Outstanding Balance and Market Share



# Healthy Gross Loan Growth

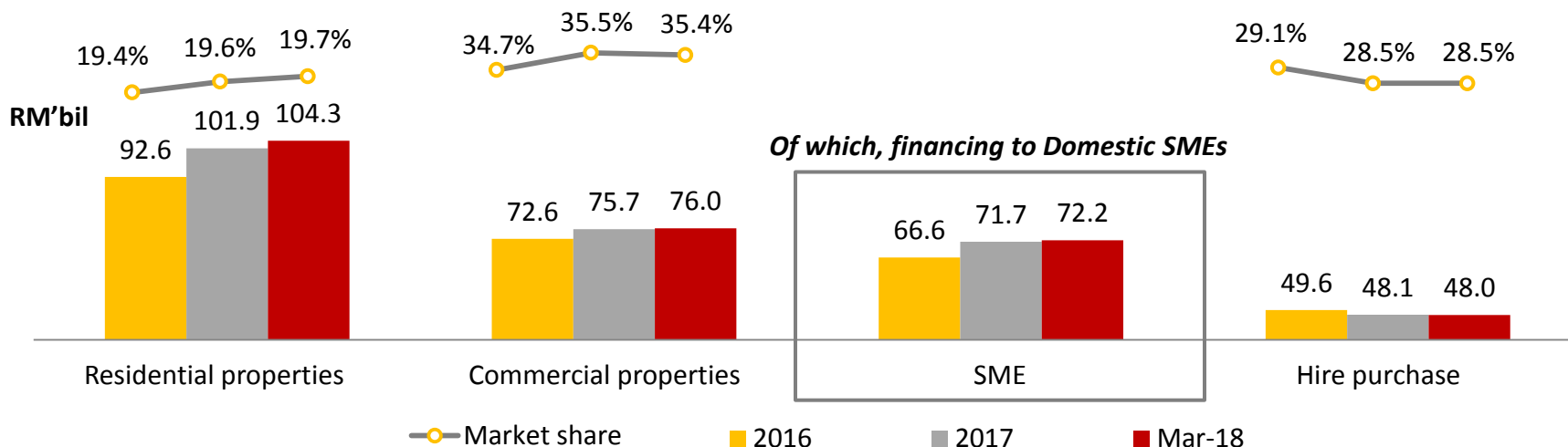


## Gross Loan by Segment



Note: Annualised growth (Dec 2017 vs. Mar 2018)

## Gross Loan in Domestic Operations

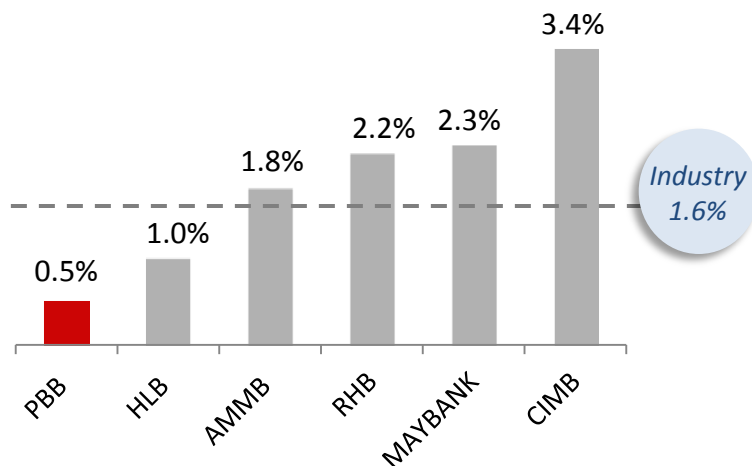


Of which, financing to Domestic SMEs

# Upholding Strong Asset Quality

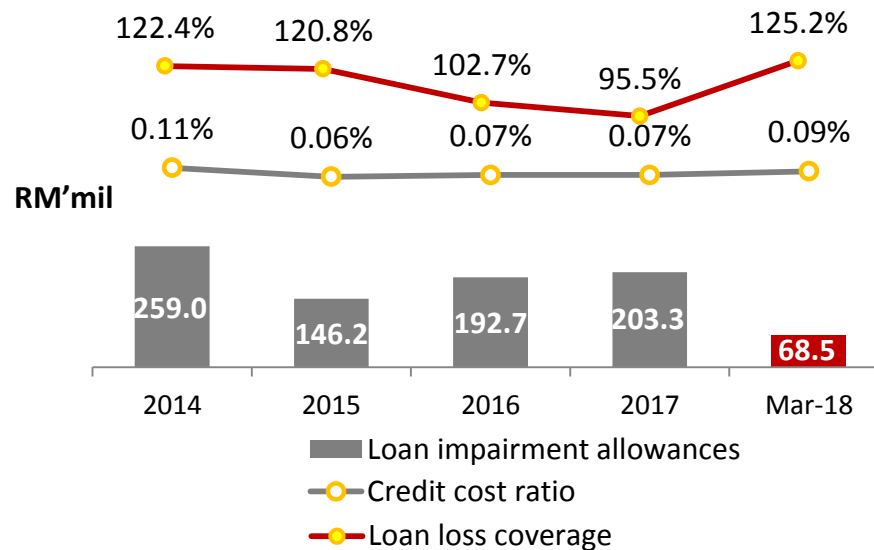


## Market leader GIL Ratio among peers

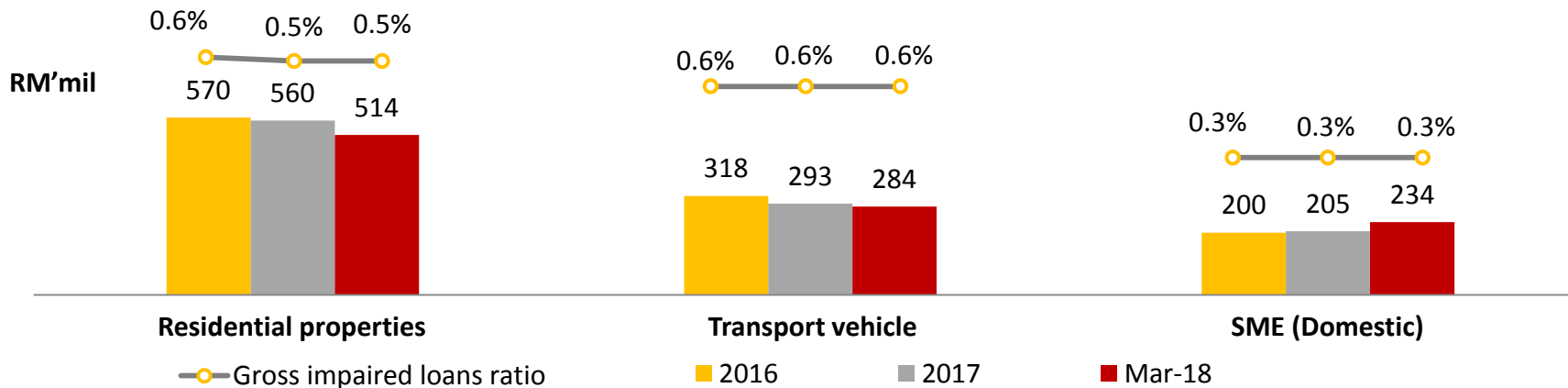


Note: Gross impaired loans ratio (GIL) as extracted above are as at December 2017 position except for PBB

## Loan Impairment Allowances (including CA)



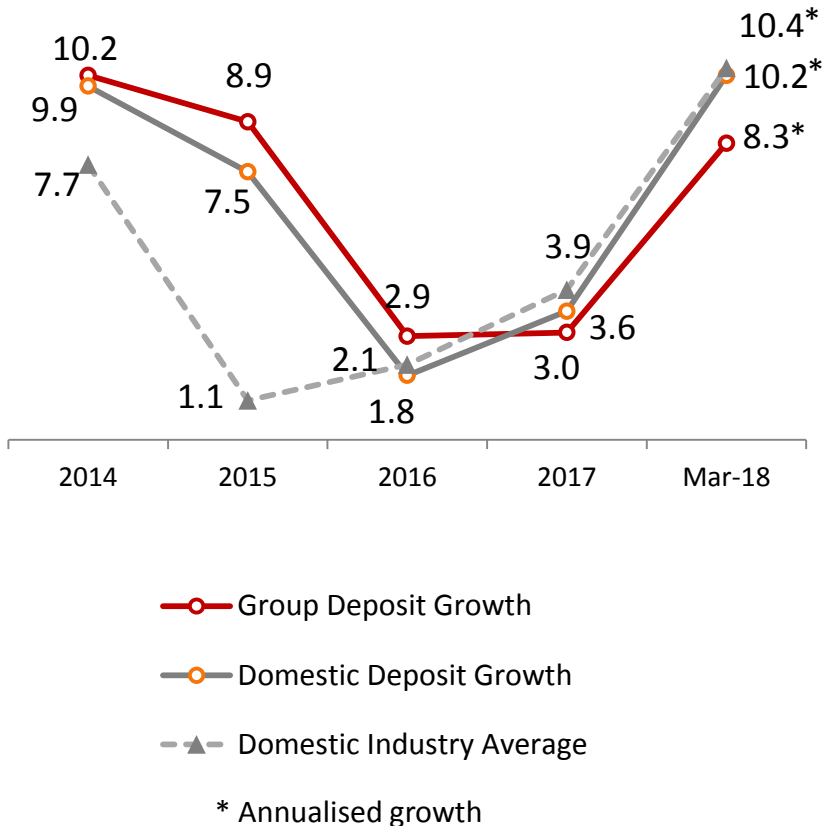
## Gross impaired loans of which:



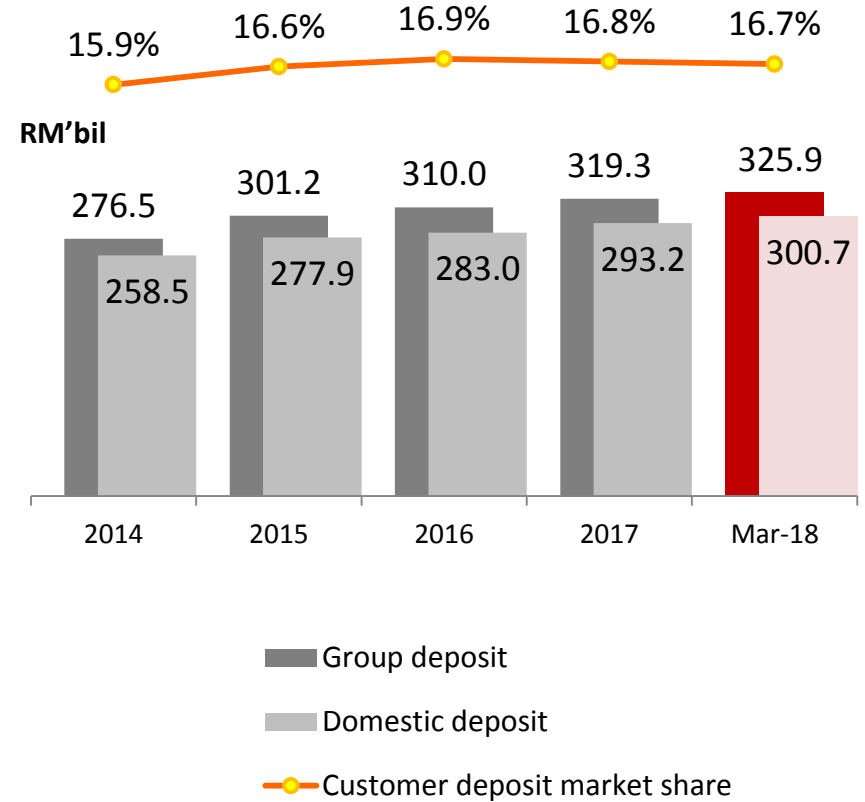
# Above Industry Deposit Growth in Support of Liquidity



### Deposit Growth vs Industry (%)



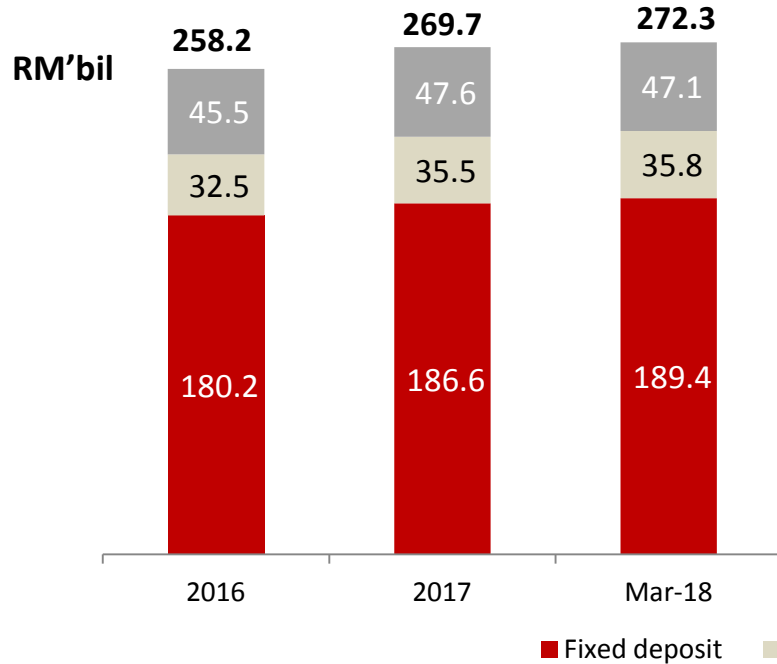
### Deposit – Outstanding Balance and Market Share



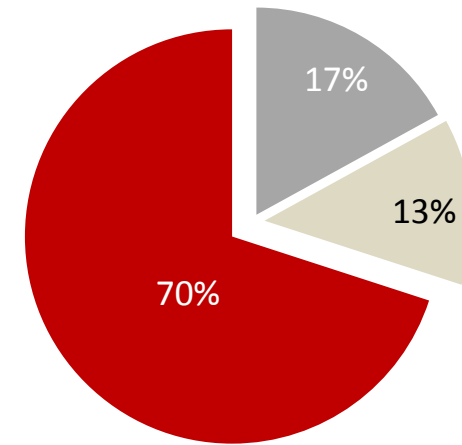
# Healthy Core Deposit Growth



Source of Core Deposit



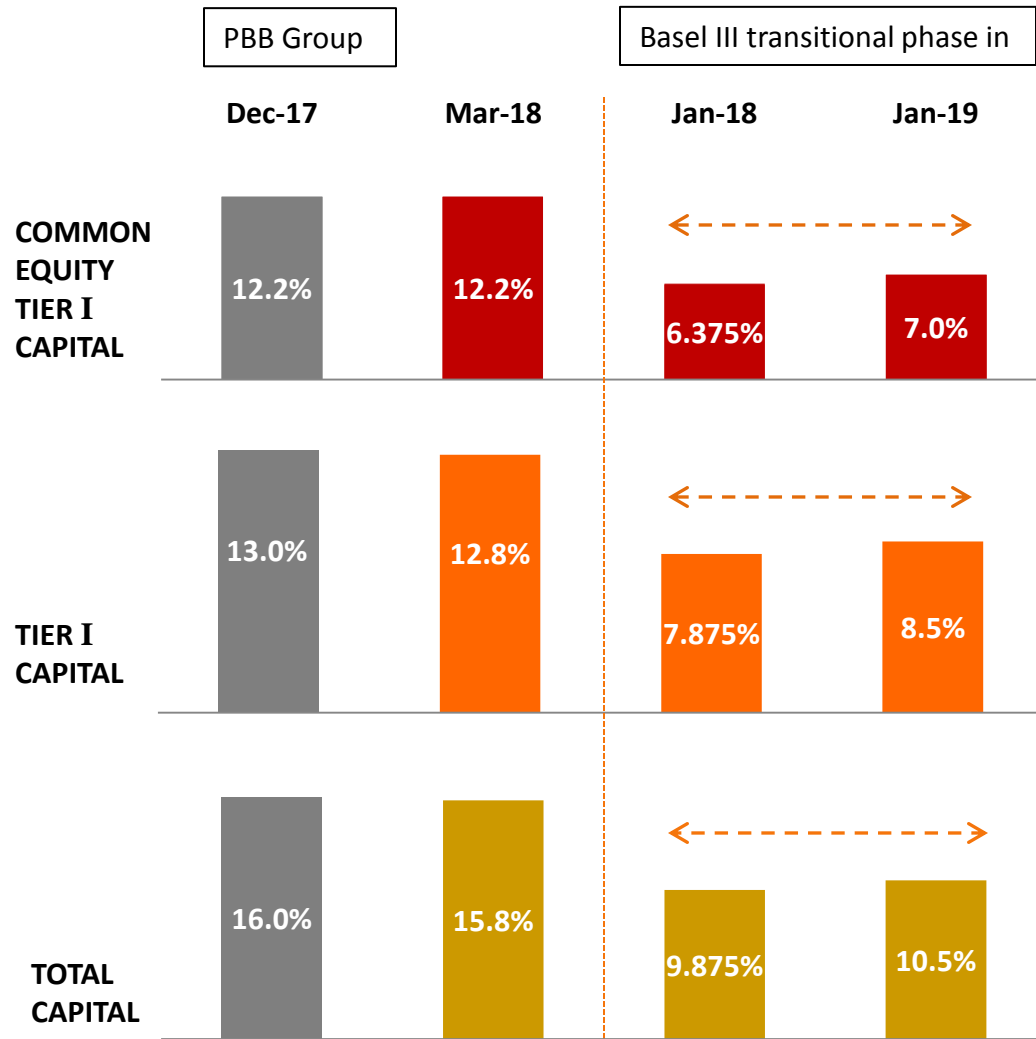
Core Deposit Contribution



## Core Deposit Growth in Domestic Operations

	Demand deposit			Savings deposit			Fixed deposit	
	PBB	Industry		PBB	Industry		PBB	Industry
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%
<b>Jan-Mar 18</b>	-1.9%	-2.5%	<b>Jan-Mar 18</b>	2.6%	3.2%	<b>Jan-Mar 18</b>	2.0%	3.6%

# 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





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

<b>Key Performance Benchmarks</b>		
	<b>2018 Targets</b>	<b>Mar-18 Achievement</b>
Net Return on Equity	14% to 15%	15.2%
Total Capital Ratio	>13%	15.8%
Gross Impaired Loan Ratio	<1%	0.5%
Cost to Income Ratio	33% to 34%	32.6%
Loan Growth – Group	5%	3.0%*
– Domestic		5.0%*
Deposit Growth – Group	5%	8.3%*
– Domestic		10.2%*

\* Annualised growth



## Strategic Focus: Organic growth in focus areas

### Core Focus

### Other Areas of Focus

#### Domestic Consumer Banking and SME Lending

- Consumer lending to focus on purchase of residential properties and passenger vehicles
- Continue to penetrate mid-market SME-financing in encouraged sectors
- Secure higher growth in retail and low cost deposits
- Sustain existing pool of deposits
- Achieve balance between growth and escalating cost of funds

#### Wealth Management

- Sustain its leading market position in the private unit trust business
- Offer superior services to customers and diversify product range
- Develop new insurance products with AIA

#### Transactional Services

- Promote e-payment
- Maintain effective collaboration with its banking and non-banking partners

#### Capital Market Operations

- Continue to focus on commercial foreign exchange revenue
- Continue to grow existing corporate portfolio and acquire targeted new corporate clients
- Continue to grow retail and institutional customer base in the investment banking space

#### International Operations

- Organic growth to enhance contribution from overseas operations in Hong Kong / People's Republic of China and Indo-China

### SUPPORTED BY

#### Serving the Customer

Provide top-notch customer service in line with the Group's corporate tagline "Excellence Is Our Commitment".

#### Channel Management

Serve customers through multi-channel network comprising branches, self service terminals and digital channels which include mobile, internet and social media platform.

#### Information and Communication Technology

Harness information technology to support the Group's business needs and improve customer experience.



## Head Office

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	RM'mil	2014	2015	2016	2017	Mar-18
Profitability	Operating profit	6,067	6,631	6,745	7,319	1,859
	Profit before tax	5,814	6,491	6,554	7,118	1,794
	Net profit	4,519	5,062	5,207	5,470	1,405
Shareholder Value	Earnings per share (sen)	123.7	131.1	134.8	141.7	36.4
	Net assets per share (RM)	7.26	8.09	8.86	9.68	9.74
	Dividend per share (sen)	54.0	56.0	58.0	61.0	N/A
	Dividend payout ratio (%)	46.1	42.7	43.0	43.1	N/A
Key Balance Sheet Data	Total assets	345,722	363,758	380,053	395,276	398,204
	Gross loan	245,044	273,447	293,959	304,453	306,773
	Domestic loan	228,338	251,802	269,915	282,326	285,825
	Deposit from customers	276,540	301,157	309,974	319,259	325,891
	Domestic deposit	258,472	277,942	282,967	293,178	300,677
	Core customer deposit	216,707	245,171	258,155	269,723	272,288
	Shareholders' equity	28,025	31,231	34,213	37,365	37,615
	Common equity Tier I capital <sup>π</sup>	23,578	26,093	28,620	31,521	31,757
	Tier I capital <sup>π</sup>	26,745	28,882	30,771	33,528	33,371
	Total capital <sup>π</sup>	34,636	36,975	38,970	41,134	41,131
Risk-weighted assets	218,712	239,703	251,662	257,352	259,890	

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

# Appendix (cont'd)



	%	2014	2015	2016	2017	Mar-18	Industry
Profitability Ratios	Net interest margin on yielding assets	2.24	2.16	2.20	2.28	2.33	N/A
	Net return on equity <sup>+</sup>	19.9	17.8	16.5	15.8	15.2	N/A
	Pre-tax return on average assets	1.8	1.8	1.8	1.8	1.8	1.5
	Cost to income ratio	30.0	30.5	32.3	31.9	32.6	44.8
	Non interest income/Total income	22.0	24.5	21.0	21.7	21.6	33.2
Liquidity	Gross loan to fund ratio <sup>~</sup>	84.4	86.8	90.8	90.0	89.0	82.4 <sup>^</sup>
	Gross loan to fund and equity ratio <sup>~</sup>	76.7	78.7	81.8	80.7	79.9	72.0 <sup>#</sup>
Asset Quality	Gross impaired loans ratio	0.6	0.5	0.5	0.5	0.5	1.6
	Loan loss coverage ratio	122.4	120.8	102.7	95.5	125.2	93.9
Capital Adequacy	Common equity Tier I capital ratio <sup>π</sup>	10.8	10.9	11.4	12.2	12.2	13.2
	Tier I capital ratio <sup>π</sup>	12.2	12.0	12.2	13.0	12.8	14.0
	Total capital ratio <sup>π</sup>	15.8	15.4	15.5	16.0	15.8	17.5
Market Share	<u>Domestic market share</u>						
	Commercial property financing	33.5	33.8	34.7	35.5	35.4	N/A
	Residential property financing	19.3	19.2	19.4	19.6	19.7	N/A
	Passenger vehicle financing	28.0	29.6	29.1	28.5	28.5	N/A
	Domestic loans	17.1	17.4	17.7	17.8	17.8	N/A
	Domestic deposits	15.9	16.6	16.9	16.8	16.7	N/A
Delivery Channel	No. of branches	415	417	419	422	424	N/A
	No. of self service terminals (domestic)	1,801	2,023	2,059	2,107	2,114	N/A

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

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

<sup>^</sup> Loans exclude loans extended to banking institutions

<sup>#</sup> Equity comprises ordinary and preferred shares and retained earnings

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