

# Investor Presentation

CLSA Investors' Forum

Hong Kong

9-13 September 2019



**PUBLIC BANK**

**THE WAY FORWARD**

[www.publicbankgroup.com](http://www.publicbankgroup.com)





## **One of the Largest Premier Banks in Malaysia**

In 1966, Tan Sri Dato' Sri Dr. Teh Hong Piow founded Public Bank with the vision of growing Public Bank to be a 'bank for the people' serving the banking needs of the people. For 52 years, this vision has been steering Public Bank's successful growth path and shaping its resilient business model. Today, the Public Bank Group is one of the largest premier banking groups in Malaysia with solid banking fundamentals and a track record of unbroken profitability.

## **Focused Organic Growth Strategy**

The Group pursues a focused organic growth strategy in retail banking business, particularly on retail consumers and small and medium enterprises ("SMEs").

## **Regional Network**

Public Bank reaches out to its customers through various channels, which includes 265 well distributed branches and a comprehensive range of digital channels comprising of over 2,100 self service terminals in Malaysia, PBe internet banking, PB engage mobile banking as well as social media. In addition, the Group has an extensive branch network in the region with a network of 77 branches in Hong Kong, 5 branches in China, 31 branches in Cambodia, 18 branches in Vietnam, 4 branches in Laos and 3 branches in Sri Lanka.

## **Leading Market Shares**

The Group sustained its leading market positions in consumer banking, retail commercial lending to SMEs as well as private unit trust business.

## **Diverse Range of Products and Services**

The Group provides a comprehensive range of financial products and services comprising of personal banking, commercial banking, Islamic banking, investment banking, share broking, trustee services, nominee services, sale and management of unit trust funds, bancassurance and general insurance products. To serve customers better, the Group has strengthened its digital capabilities by optimising and integrating facilities and processes. The Group's digital channels – PBe internet banking and PB engage mobile banking app are flagship touch points to spearhead the Bank's digital transformation.



## **Strong Credit Ratings**

With consistent financial performance and prudent management, the Group continues to receive strong credit and financial ratings from local and foreign rating agencies.

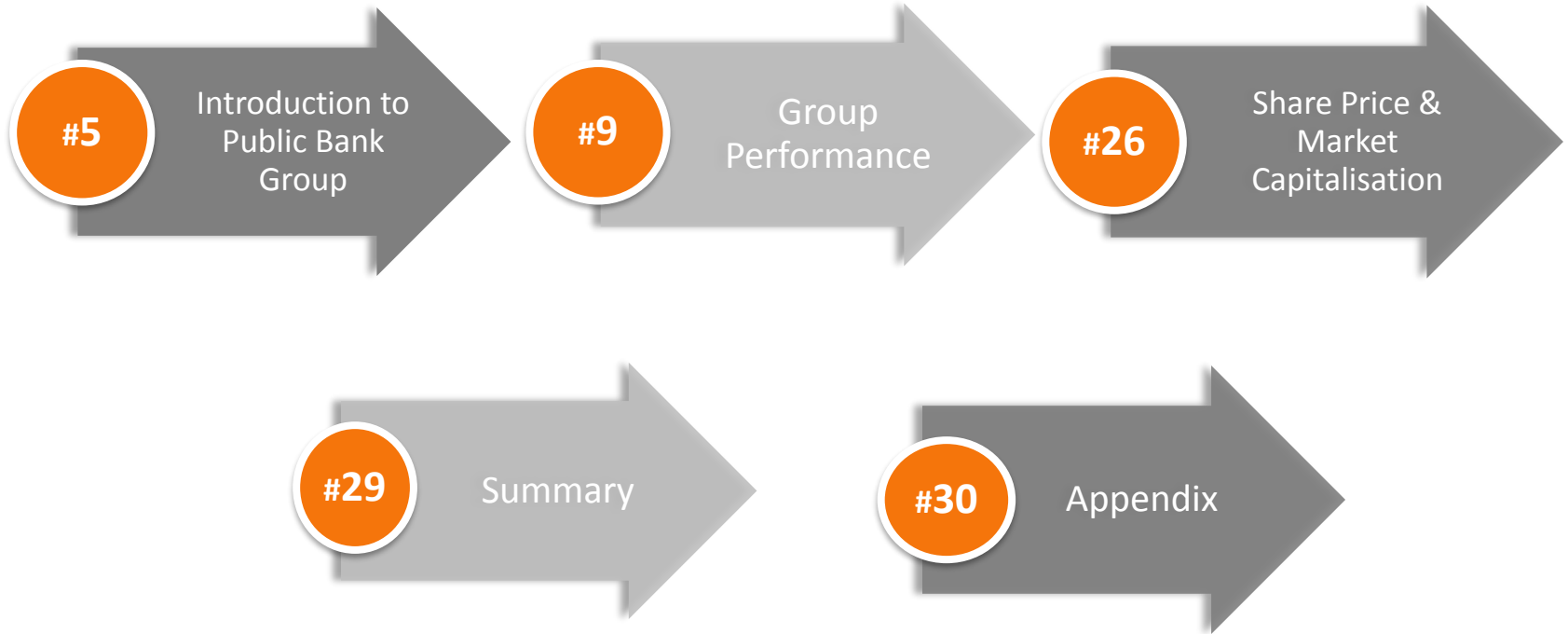
- **Standard & Poor's**  
A- long-term rating  
A-2 short-term counterparty credit rating with stable outlook
- **Moody's**  
Long-term deposit rating of A3  
Short-term deposit rating of P-2 with stable outlook
- **Rating Agency Malaysia**  
Long-term rating of AAA, the highest rating accorded by Rating Agency Malaysia  
Short-term rating of P1 with stable outlook

## **Award-winning bank**

Public Bank's unwavering commitment in its pursuit of banking excellence continues to be recognised by international and domestic awards. In 2018, Public Bank was named as the Strongest Bank by Balance Sheet in Malaysia 2018 by The Asian Banker, and was also bestowed with many best bank awards, both domestically and internationally. The Group will continue to strive for greater performance.

## **Corporate Social Responsibility**

As a key player in the financial industry, the Group plays its role in generating value and contributing to the nation's economic growth. Apart from being a significant contributor of taxes to the country, the Group also fulfils its responsibility as a corporate citizen by helping to improve the lives of people through acts of volunteerism, charitable donations and sponsorships focusing in areas of educational development, improvement of community healthcare and well being, as well as preserving the environment.

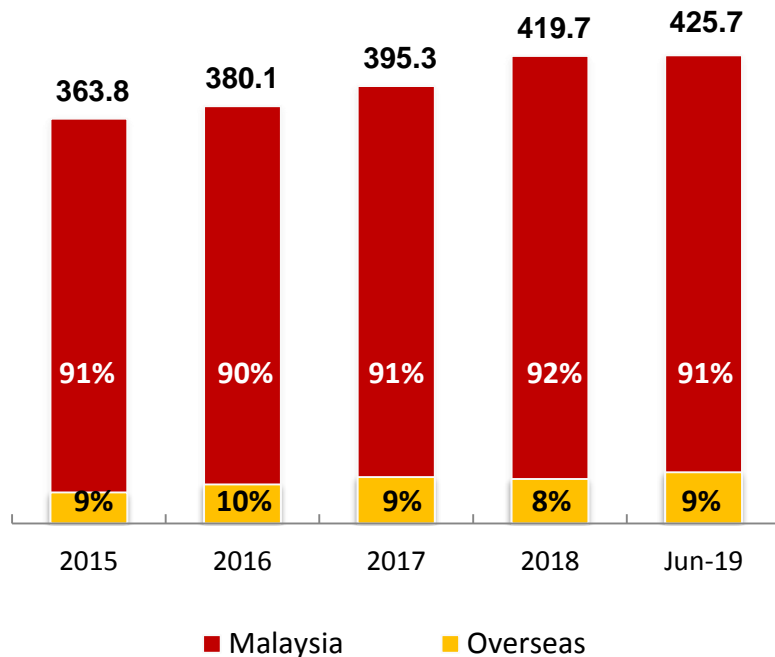


# Introduction to Public Bank Group

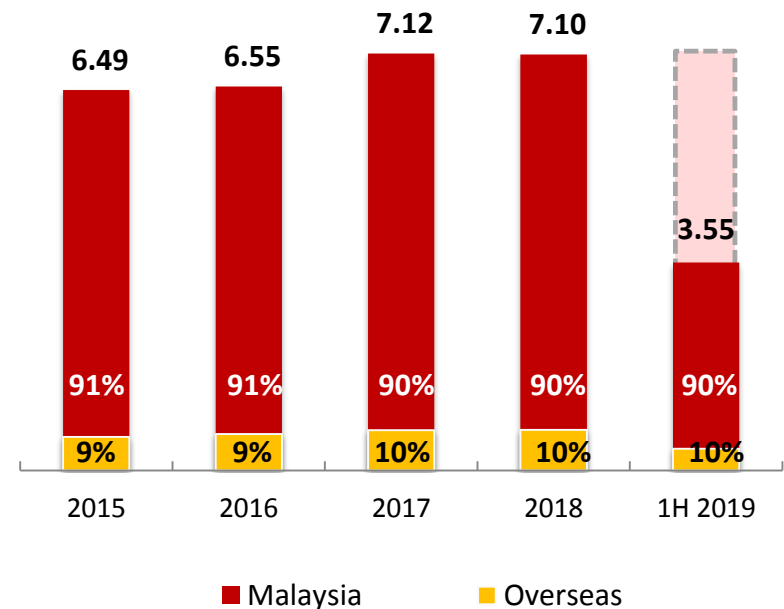


- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- A retail bank with domestic operations contributing over 90% of the Group's assets and profits

**Total Assets**  
RM'bil



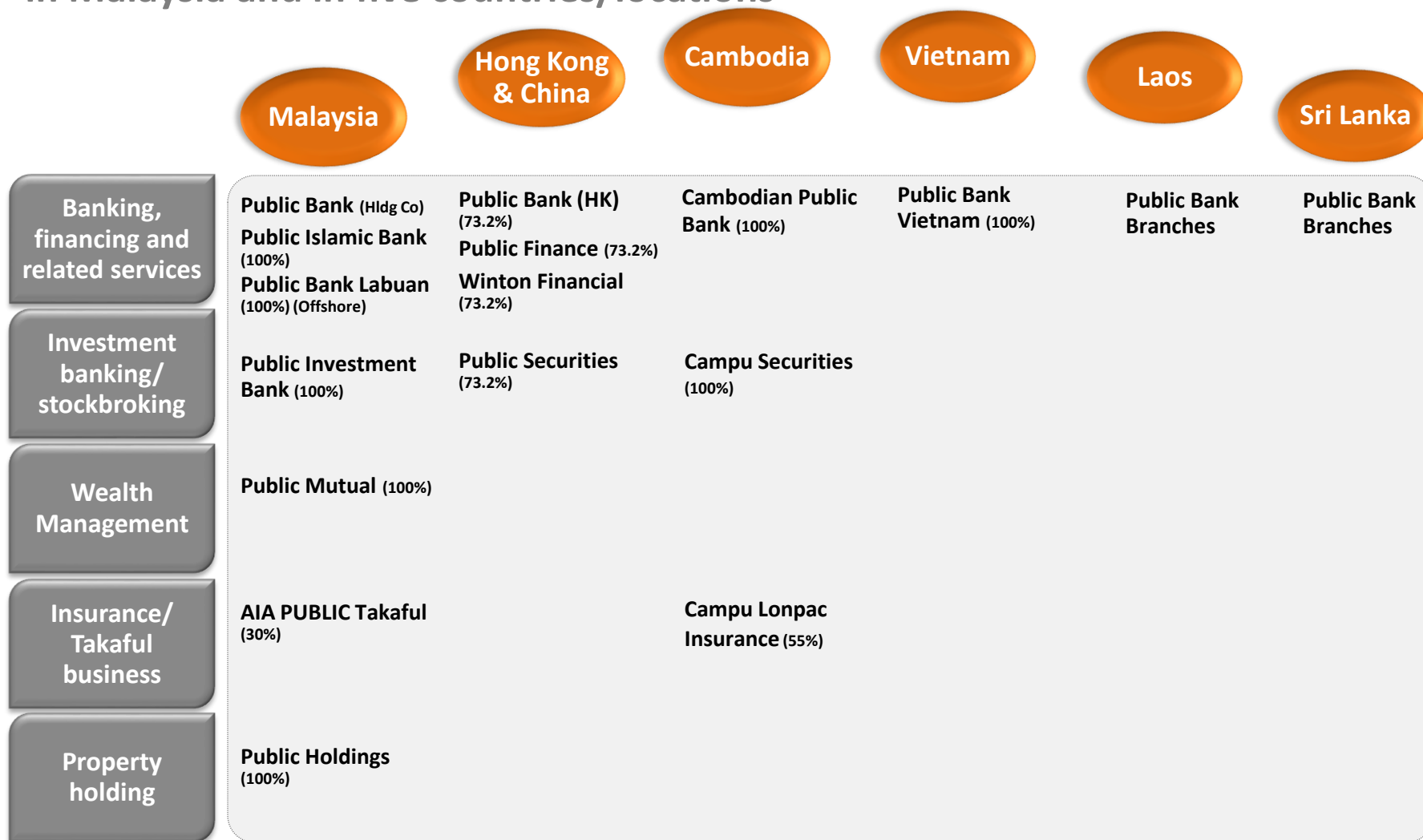
**Pre-tax Profit**  
RM'bil



# Overview of PBB Group



PBB Group is a full financial services group providing a wide range of services in Malaysia and in five countries/locations



# Expansion in Business Delivery Channel



	Jun-19	2018	2010
<b><u>Malaysian Operations</u></b>			
Public Bank - Domestic	263	263	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	5	4	3
Winton (B.V.I) Group	3	3	9
<b><u>Indo-China Operations</u></b>			
Cambodia Public Bank	31	31	21
Public Bank Vietnam	18	18	7
	<b>433</b>	<b>432</b>	<b>393</b>
Self Service Terminal - domestic	2,133	2,132	1,362



## FOCUS AREA



## STRATEGIC APPROACH



## SUPPORTED BY

### Domestic Consumer Banking and SME Lending

- Focus on consumer lending for 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

- Enhance contribution from overseas operations in Hong Kong / People's Republic of China and Indo-China through organic growth

### 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

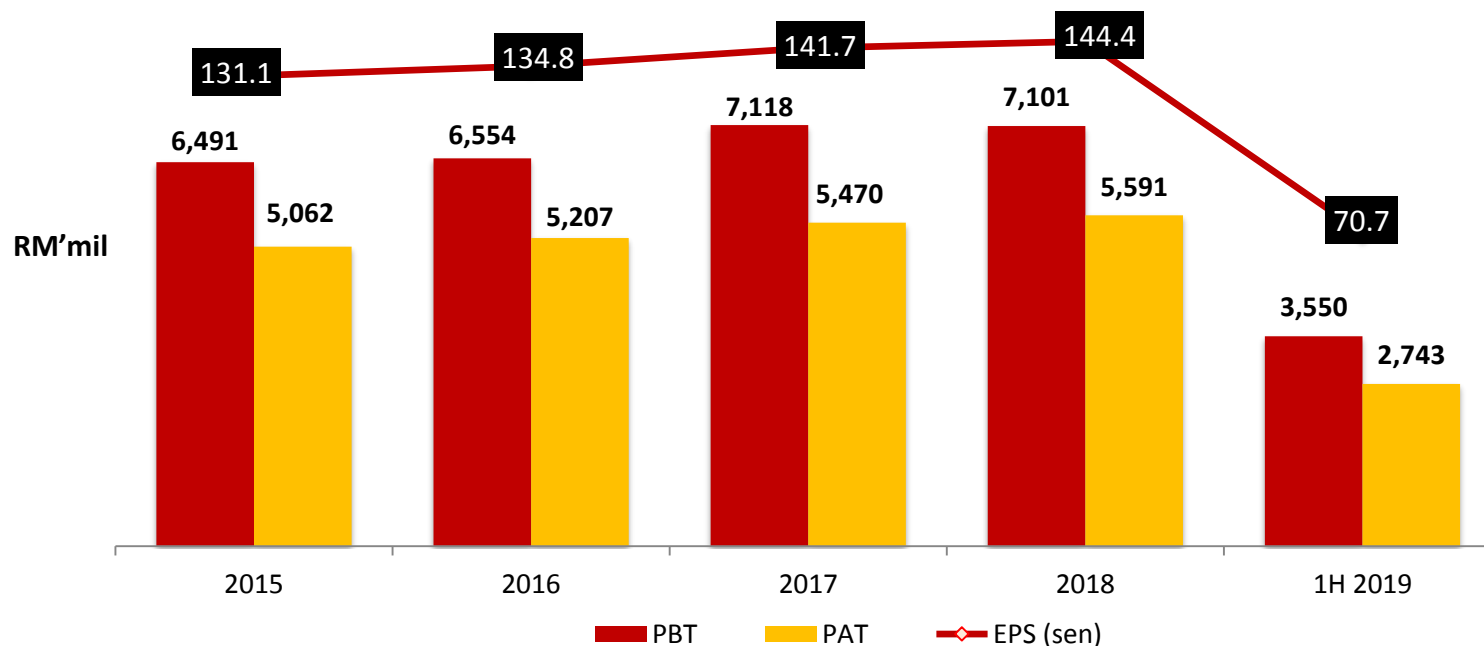
Harness information technology to support the Group's business needs and improve customer experience.

# Unbroken Profit Track Record

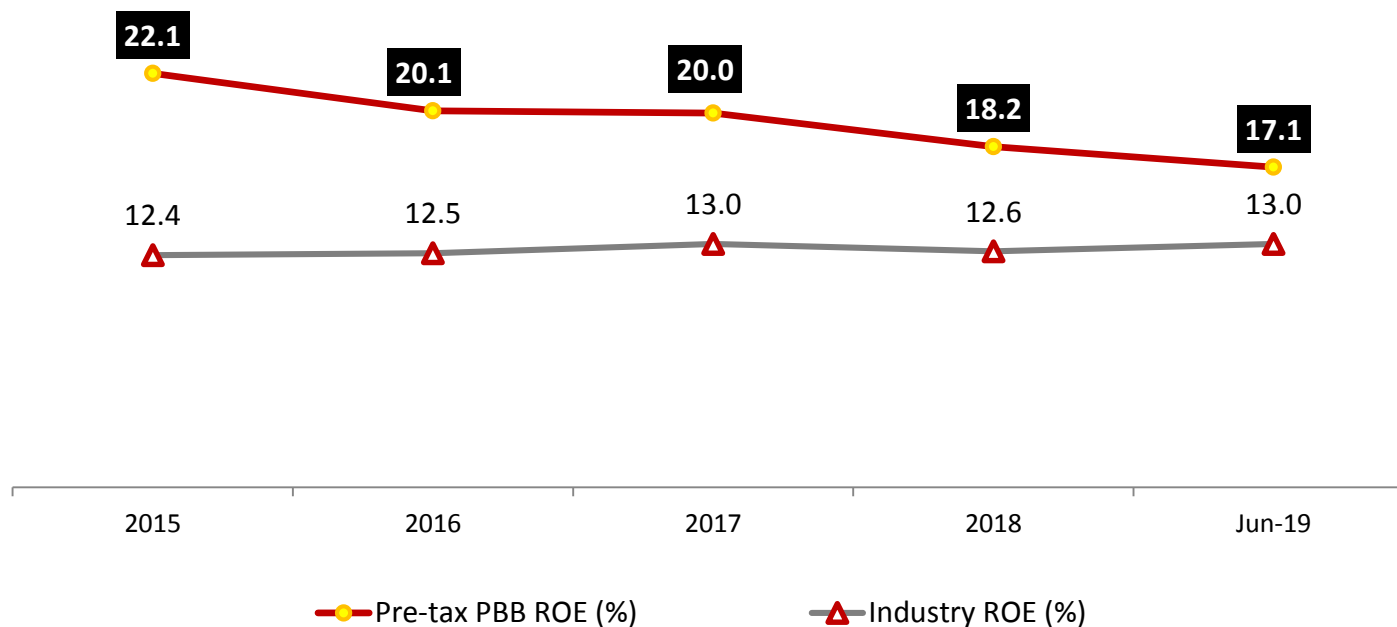


- 52 years of unbroken profitability

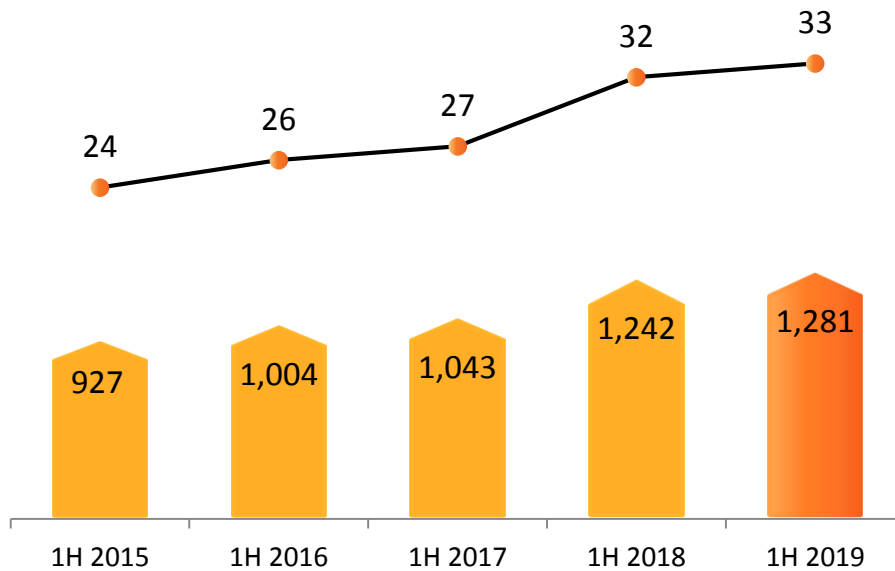
	RM'mil						y-o-y growth (%)				
	2014	2015	2016	2017	2018	1H 2019	2015	2016	2017	2018	1H 2019
Pre-tax profit	5,814	6,491	6,554	7,118	7,101	3,550	11.6	1.0	8.6	-0.2	-0.1
Net profit	4,519	5,062	5,207	5,470	5,591	2,743	12.0	2.9	5.1	2.2	-2.1



# Above-industry Return on Equity (ROE)



# Strong Record of Growing Dividends



■ Total Dividends Paid/Declared (RM'mil)

—● Gross Dividends Per Share (sen)

	1H 2019	1H 2018
Single tier dividend	33 sen	32 sen
Dividend payout	RM1.28 billion	RM1.24 billion
Dividend payout ratio	46.7%	44.3%

# 1H 2019 Key Highlights



## Income Statement

	1H 2019	1H 2018	Change
Pre-tax profit	RM3,550 mil	RM3,552 mil	-0.1%
Net profit attributable to shareholders	RM2,743 mil	RM2,802 mil	-2.1%
Earnings per share	70.7 sen	72.5 sen	-2.5%

## Balance Sheet

	Jun 2019	Dec 2018	Change
Total asset	RM425.7 bil	RM419.7 bil	1.4%
Loan:			
- Group	RM323.7 bil	RM317.3 bil	4.0%*
- Domestic	RM300.4 bil	RM294.1 bil	4.3%*
Deposit:			
- Group	RM349.1 bil	RM339.2 bil	5.9%*
- Domestic	RM319.4 bil	RM310.6 bil	5.7%*

## Financial Indicators (%)

	Jun 2019	Dec 2018
Net return on equity	13.6	14.8
Cost to income ratio	34.2	33.0
Gross impaired loans ratio	0.5	0.5
Gross loan to fund ratio~	88.4	88.4
Gross loan to fund and equity ratio~	78.9	79.0
Loan loss coverage	116.0	126.0
Common equity Tier I capital ratio <sup>π</sup>	13.2	13.1
Tier I capital ratio <sup>π</sup>	13.6	13.7
Total capital ratio <sup>π</sup>	16.0	16.3

\* Annualised growth

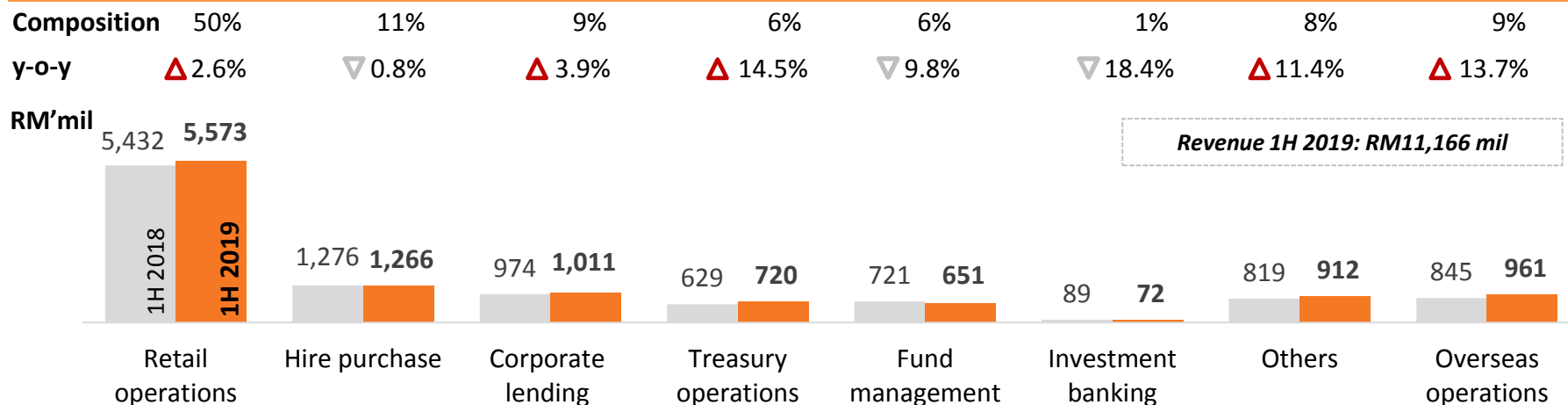
<sup>π</sup> After deducting interim dividends declared subsequent to end of period/year

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

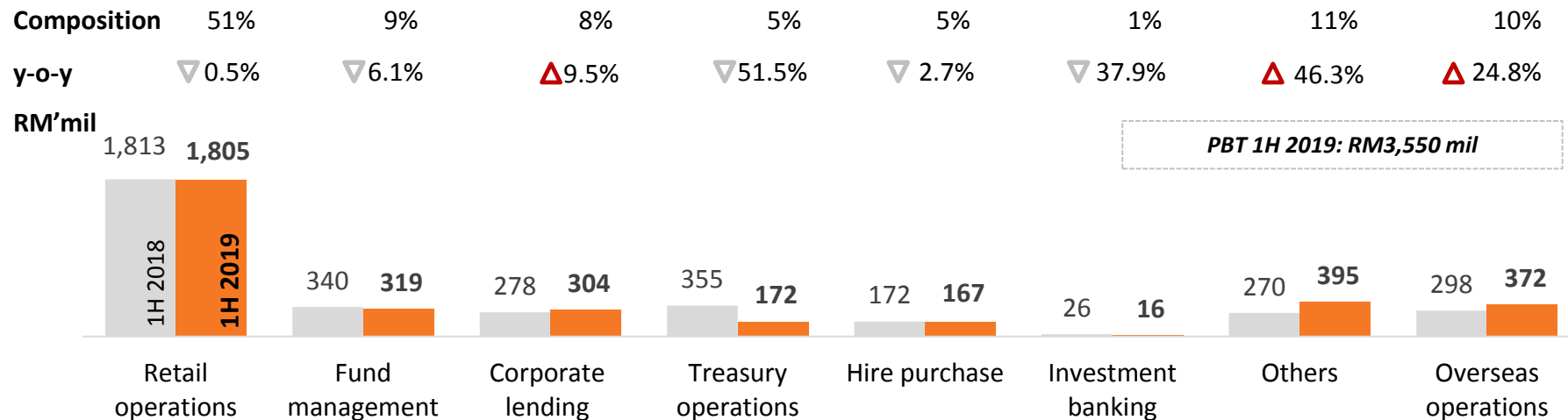
# Segmental Profit – Retail Centric



## Revenue – 1H 2018 vs 1H 2019

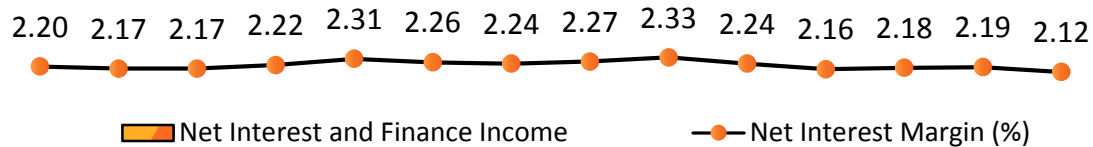


## PBT – 1H 2018 vs 1H 2019

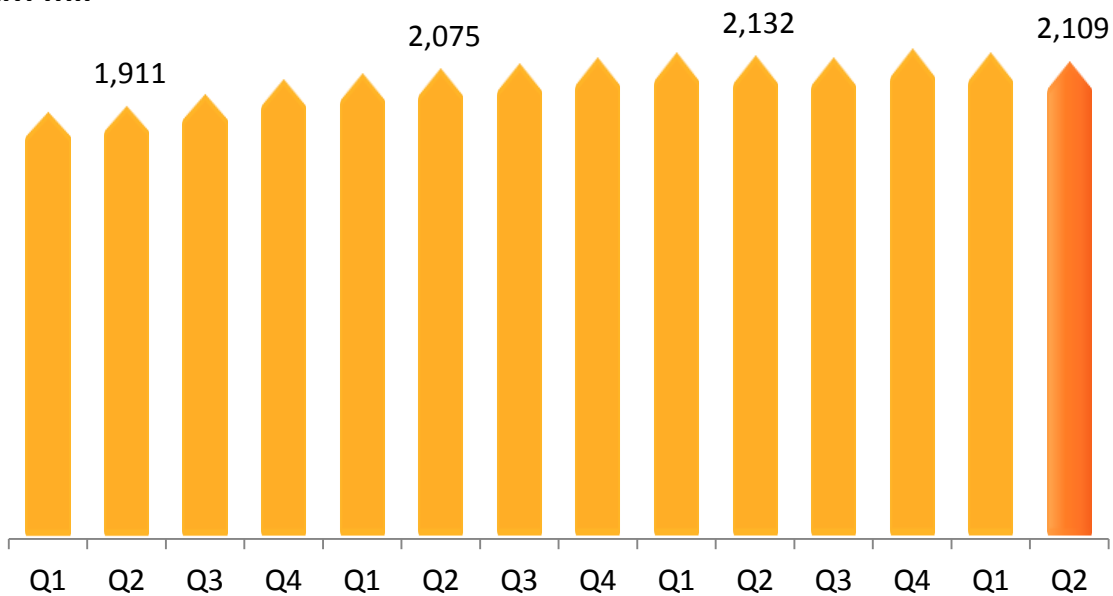


**Note:** Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

# Net Interest Margin









RM'mil



(%)	2016	2017	2018	1H 2019
Yearly Average	2.20	2.28	2.22	2.16





# Non-Interest Income



(RM'mil)	1H 2019	1H 2018	Change	Composition
<b>Net fee and commission</b>	<b>880.0</b>	<b>900.1</b>	<b>-2.2%</b>	
Of which: - Unit trust income	447.7	477.6	-6.3%	 37%
- Fee & commission income	387.0	366.2	5.7%	 32%
- Stockbroking income	45.3	56.3	-19.6%	 4%
<b>Net gains and losses on financial instruments</b>	<b>113.3</b>	<b>26.1</b>	<b>&gt;100%</b>	 9%
<b>Other operating income</b>	<b>226.4</b>	<b>202.4</b>	<b>11.8%</b>	
Of which: - Foreign exchange income	138.0	139.6	-1.1%	 11%
- Others	88.4	62.8	40.7%	 7%
<b>Total non-interest income</b>	<b>1,219.7</b>	<b>1,128.6</b>	<b>8.1%</b>	<b>100%</b>

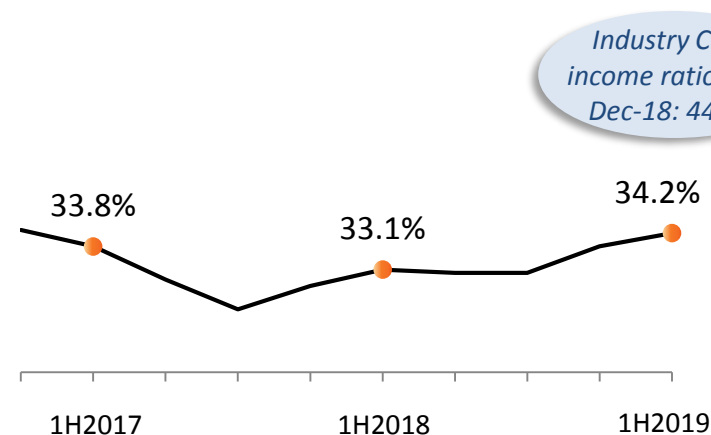
# Efficient Operating Overheads & Lowest CIR



(RM'mil)	1H 2019	1H 2018	Change	Composition
Personnel costs	1,351.9	1,267.4	6.7%	 72%
Establishment costs	347.3	318.7	9.0%	 18%
Marketing expenses	70.0	78.8	-11.1%	 4%
Administration and general expenses	112.2	132.7	-15.4%	 6%
<b>Total other operating expenses</b>	<b>1,881.4</b>	<b>1,797.6</b>	<b>4.7%</b>	<b>100%</b>

RM'mil	1H 2019	2018	Industry Average
Gross loan per employee	17.1	16.9	14.0
Deposit per employee	18.5	18.1	15.7
PBT per employee	0.38*	0.38	0.31

## Efficient Cost-income ratio (CIR)

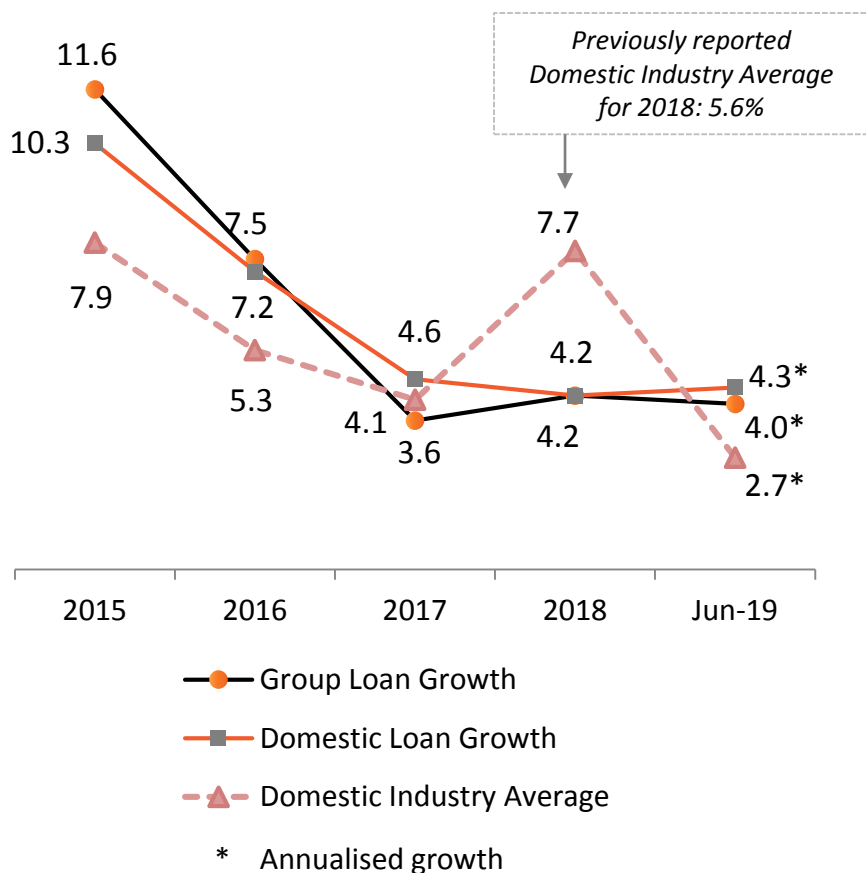


\* Annualised

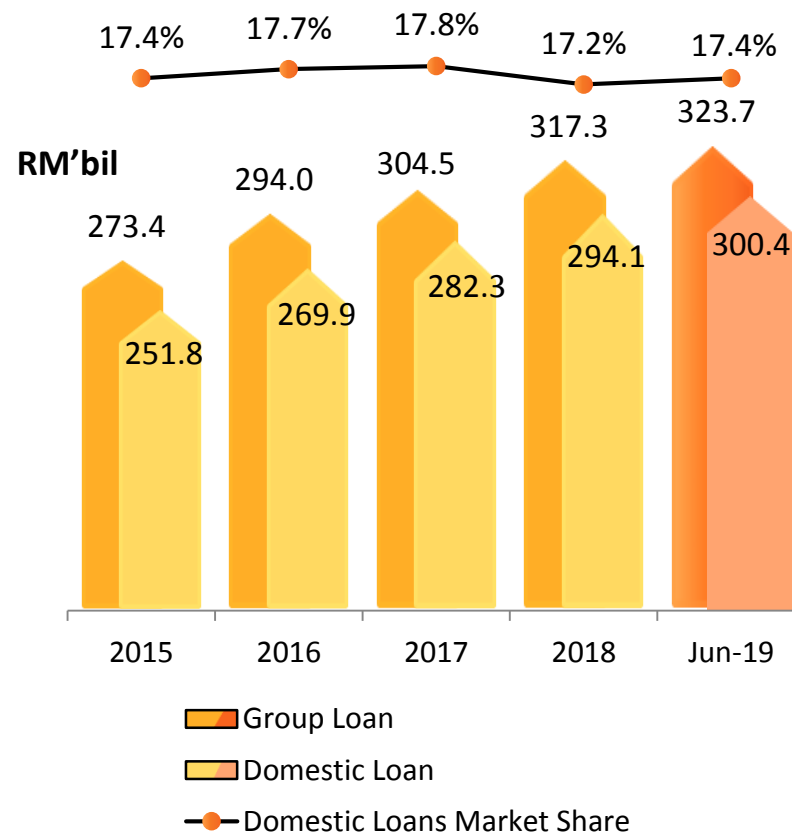
# Steady Loan Growth



### Loan Growth vs Industry (%)



### Loan – Outstanding Balance and Market Share

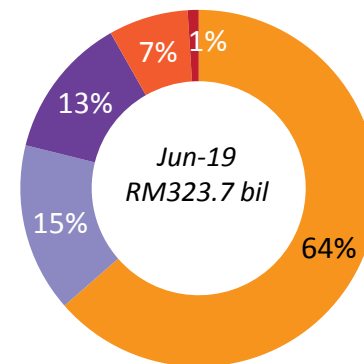
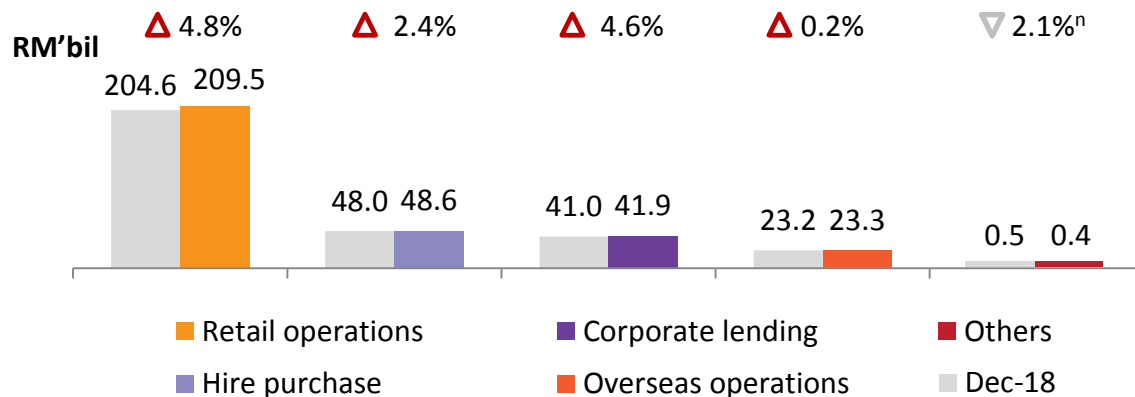


Note: From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd

# Healthy Gross Loan Growth

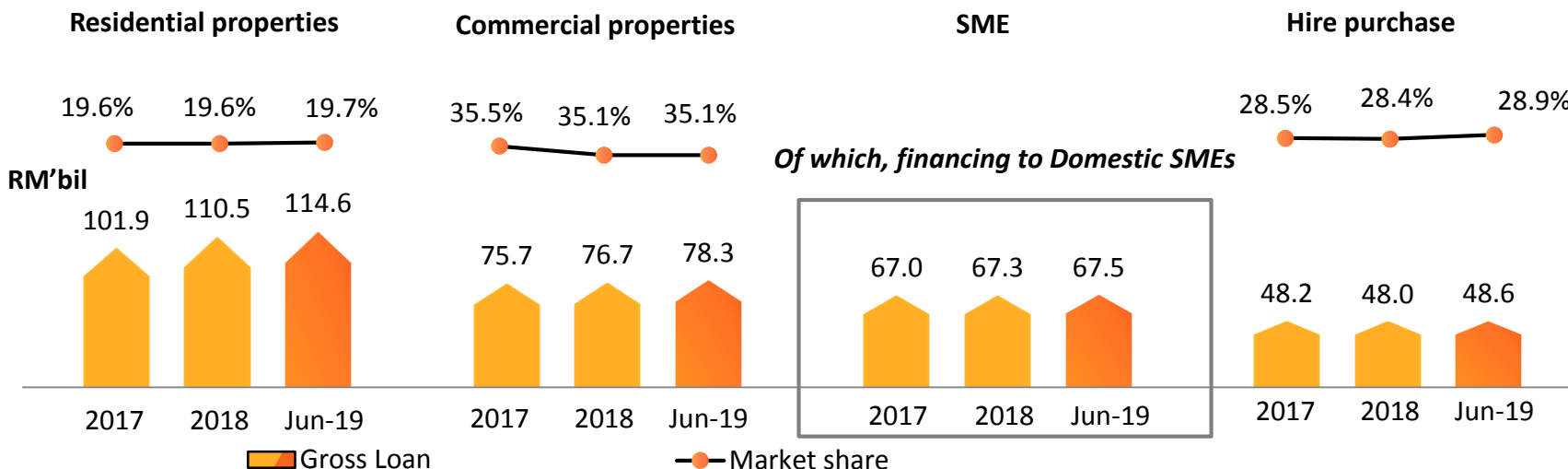


## Gross Loan by Segment



Note: Annualised growth (Dec 2018 vs. June 2019) <sup>n</sup> Negative growth as at June 2019

## Gross Loan in Domestic Operations



Note: From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd

# Sustaining Strong Asset Quality



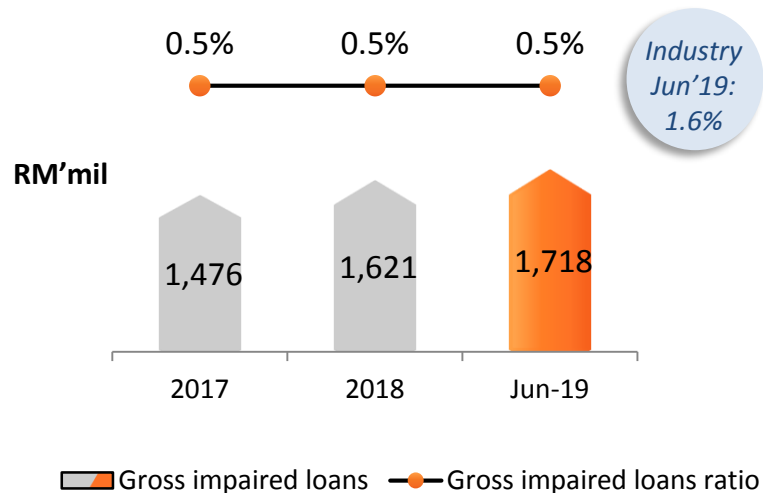
- Focus on lower risk customer segments
  - Traditional urban/ suburban mortgages
  - Passenger vehicle hire purchase
  - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



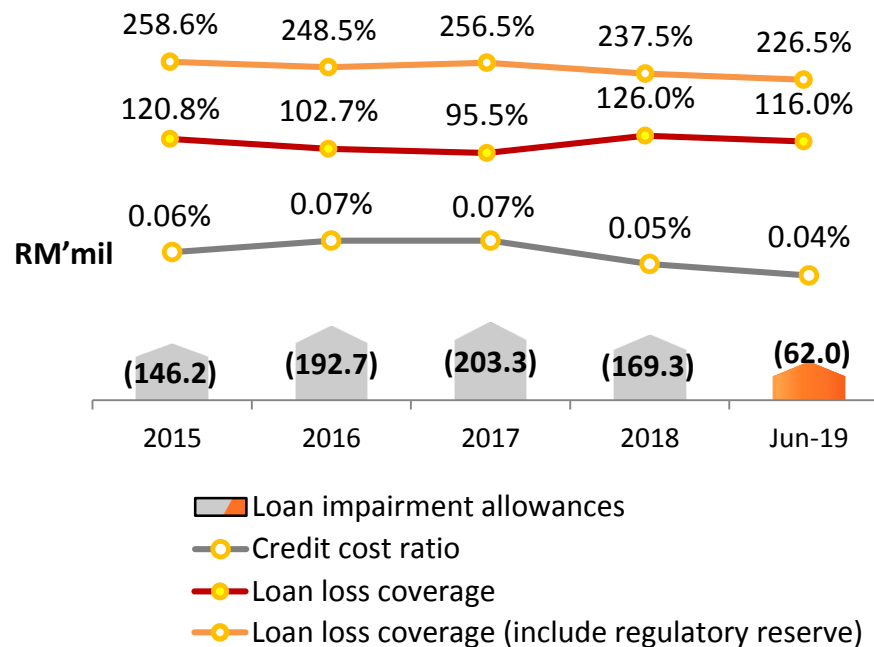
# Upholding Strong Asset Quality



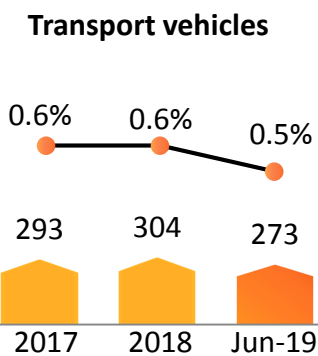
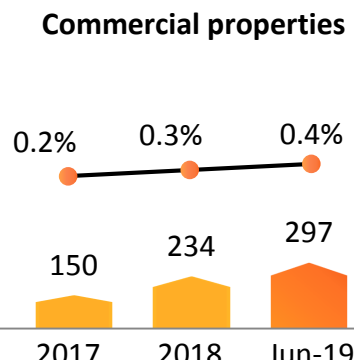
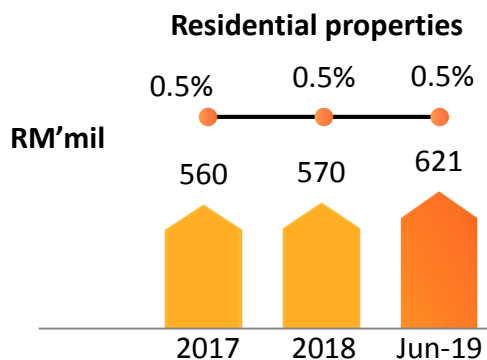
## Gross impaired loans



## Loan Impairment Allowances



## Gross impaired loans of which:

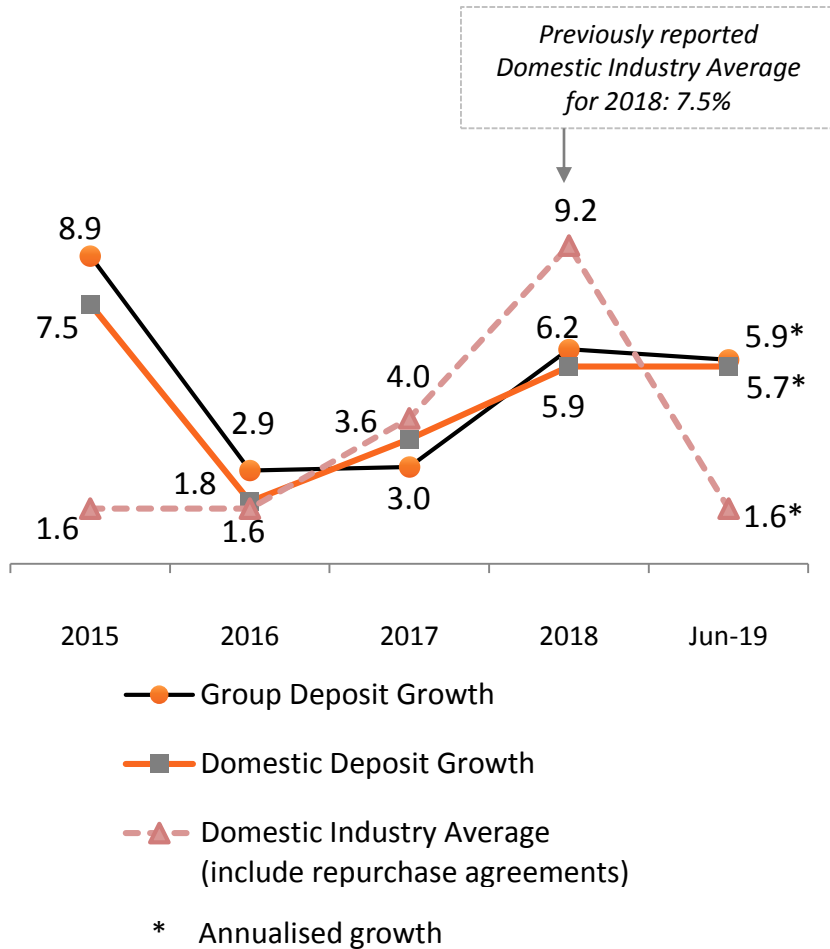


Gross Impaired Loans    Gross impaired loans ratio

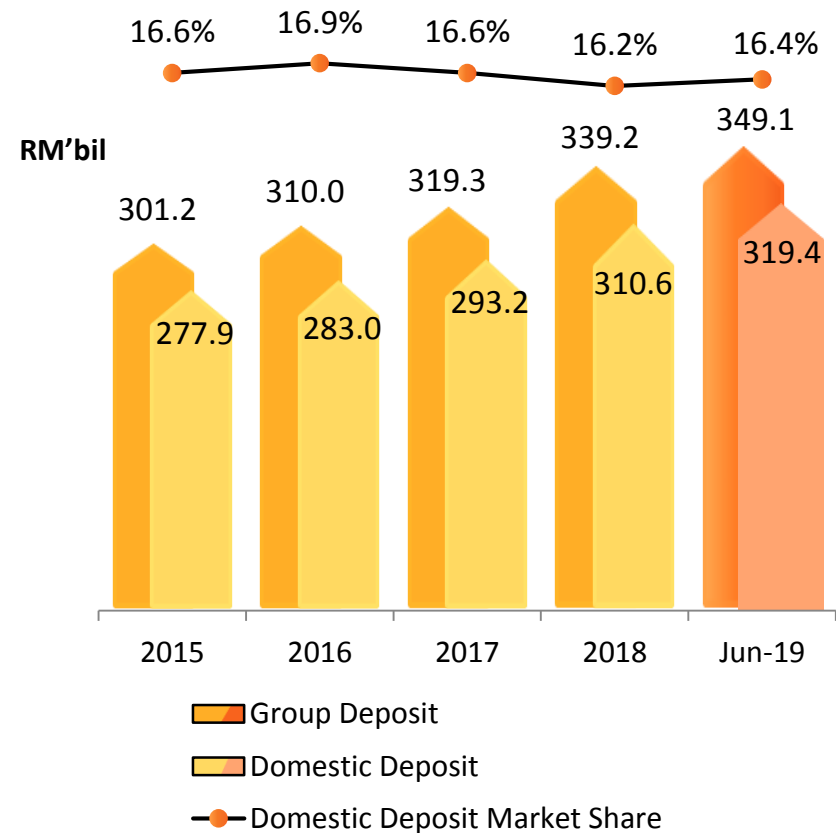
# Healthy Deposit Growth in Support of Liquidity



### Deposit Growth vs Industry (%)



### Deposit – Outstanding Balance and Market Share

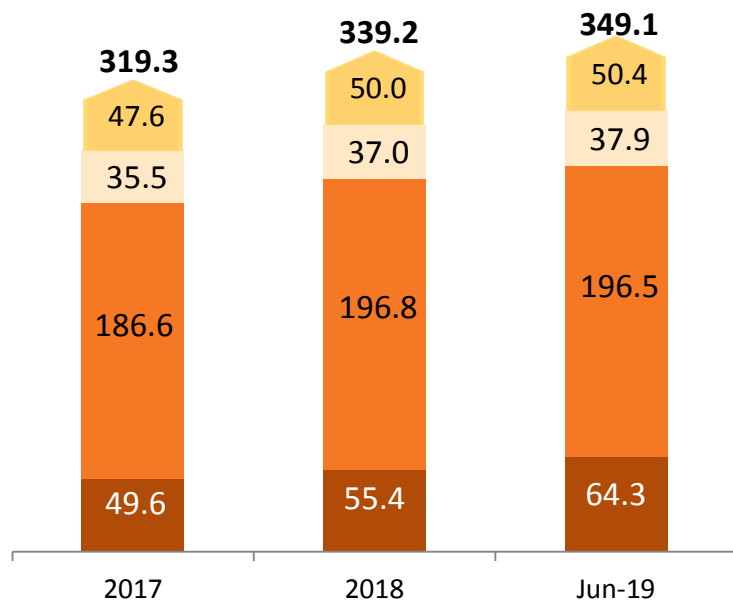


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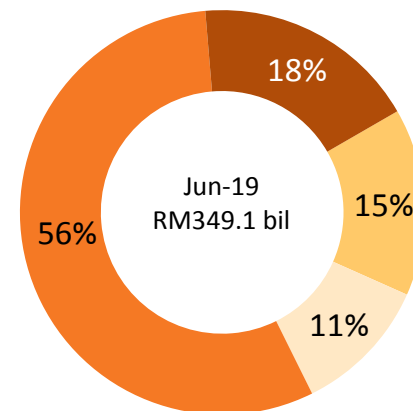
# Healthy Deposit Growth



RM'bil



- Demand deposit
- Savings deposit
- Fixed deposit
- Money market deposit and others



## Core Deposit Growth in Domestic Operations

	Demand deposit	Industry		Savings deposit	Industry		Fixed deposit	Industry
2017	3.7%	12.2%	2017	5.9%	3.7%	2017	5.7%	6.3%
2018	2.7%	-0.2%	2018	4.7%	4.6%	2018	5.3%	12.9%
Jan-Jun 19	-1.1% <sup>n</sup>	1.1%*	Jan-Jun 19	4.0%*	9.5%*	Jan-Jun 19	-0.2% <sup>n</sup>	5.2%*

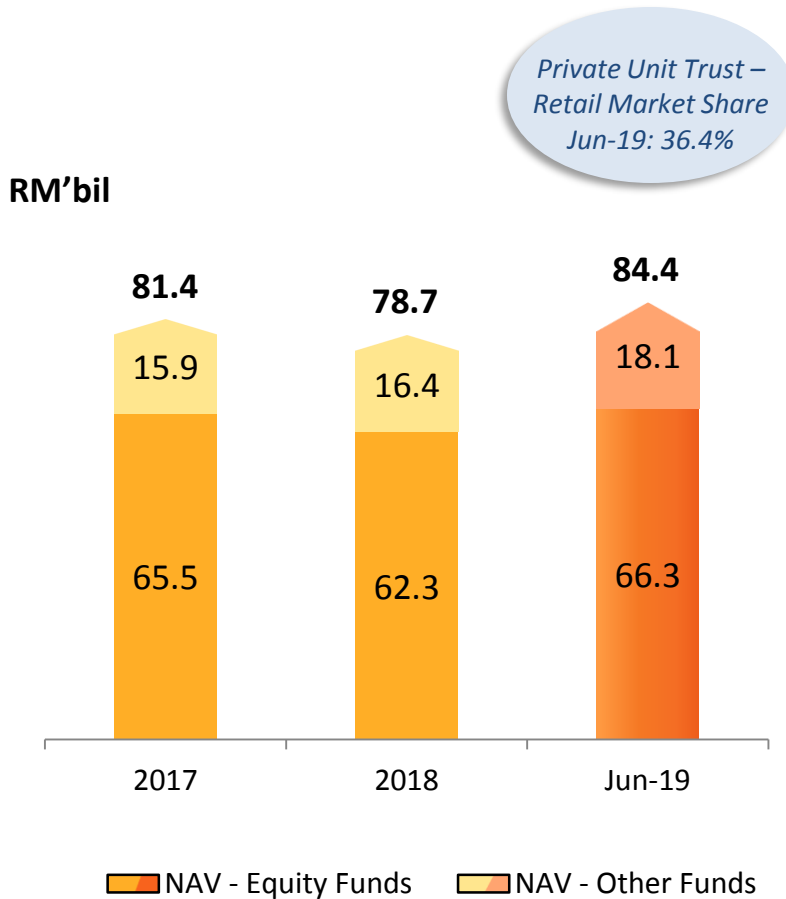
<sup>n</sup> Negative growth as at June 2019

\* Annualised growth

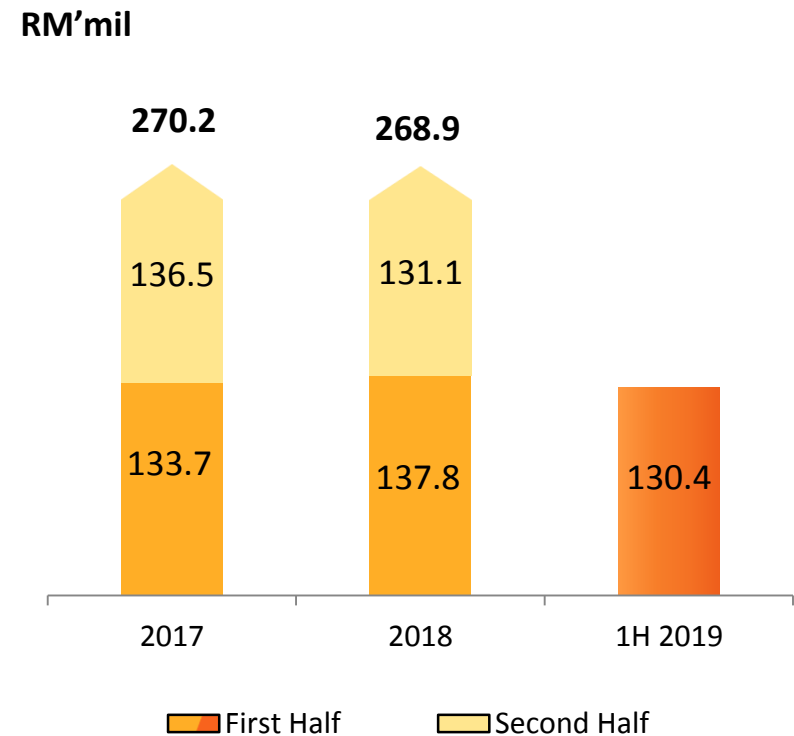
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## Net Asset Value of Funds Under Management



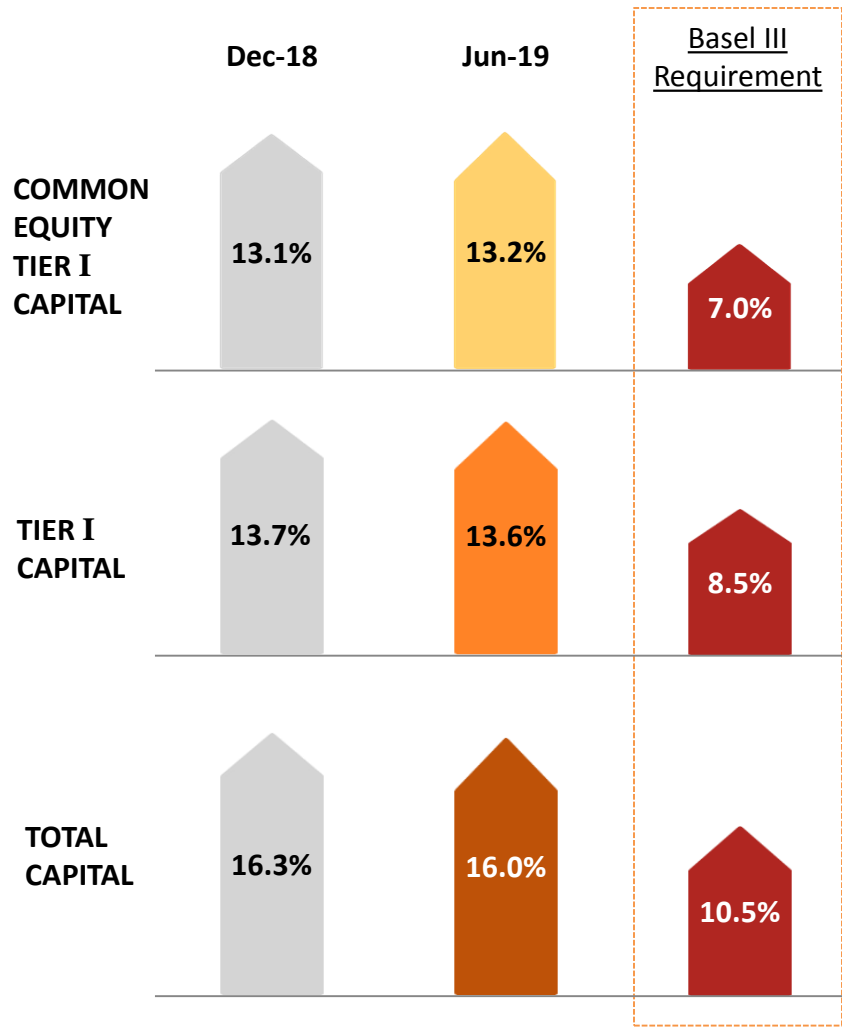
## Bancassurance Business – Annualised New Premium



# Stable Capital Position



## PBB Group



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:

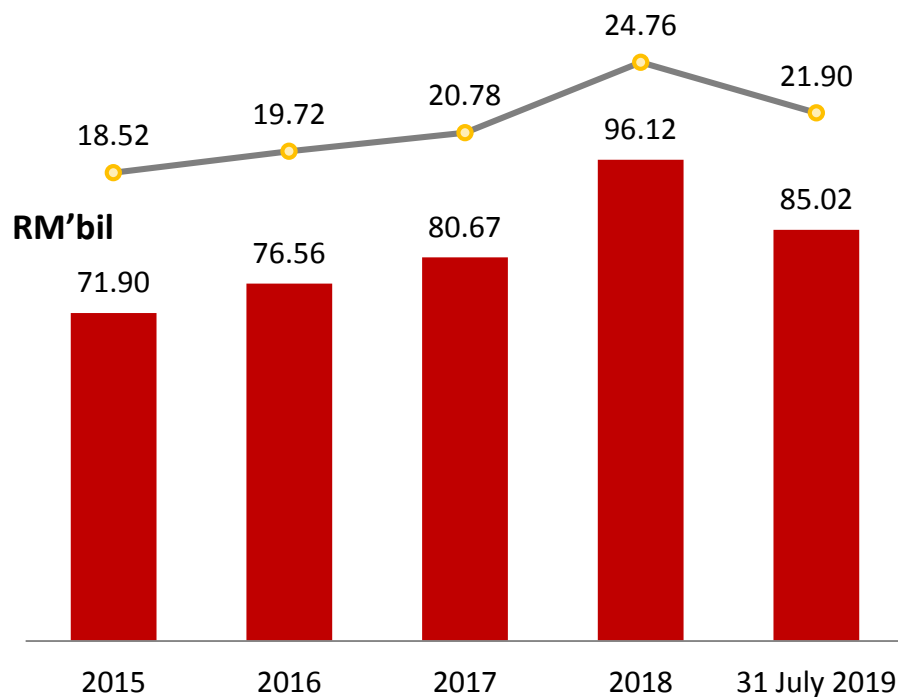
<b>Key Performance Benchmarks</b>		
	<b>2019 Targets</b>	<b>Jun-19 Achievement</b>
Net Return on Equity	13% to 14%	13.6%
Cost to Income Ratio	34% to 35%	34.2%
Gross Impaired Loan Ratio	<1%	0.5%
Total Capital Ratio	>13%	16.0%
Loan Growth – Group	5%	4.0%*
– Domestic		4.3%*
Deposit Growth – Group	5%	5.9%*
– Domestic		5.7%*

\* Annualised growth

# Share Price & Market Capitalisation



Share Price & Market Capitalisation



■ Market Capitalisation (RM'bil)  
—●— Share price - PBB (RM)

31 July 2019	Market Capitalisation (RM'bil)
PBB	85.0
MBB	97.2
CIMB	49.4
HLB	38.9
RHB	22.1
AMMB	12.8

# Share Price & Market Capitalisation



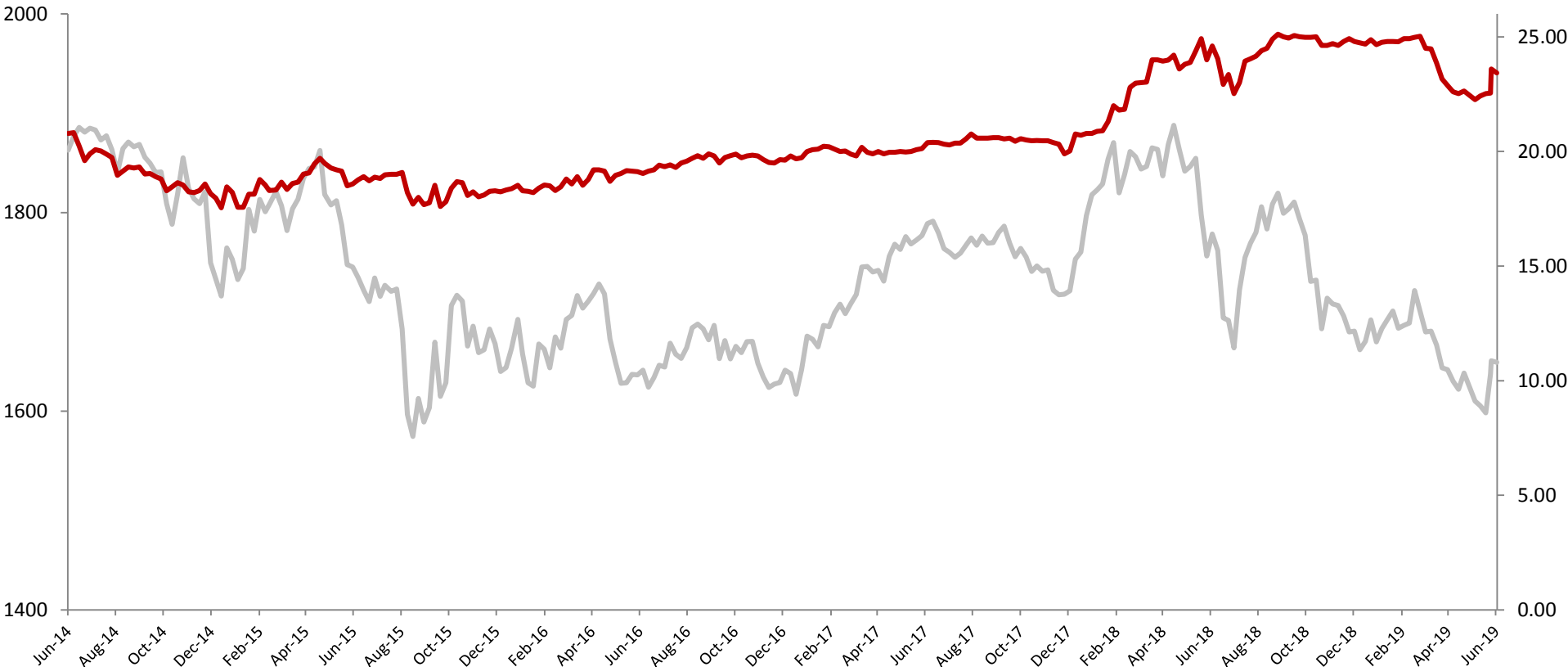
## Resilient share price performance

— FBM KLCI

— Public Bank Share (PB Share)

FBM KLCI

Share price (RM)





- Superior investment returns

## *Illustration on investment returns*

	Shares acquired since	Total returns (capital appreciation <sup>^</sup> + dividends)	Compounded annual rate of return
Medium term - 5 years	1 January 2014	+50.2%	8.2%
Long term - since listing	1967	+2,041.6%	19.0%

<sup>^</sup> Capital appreciation is calculated based on the PBB local share value at closing price as of 31/12/2018 less initial investment cost at the illustrated acquisition dates, assuming shareholders had subscribed for all rights issues to date and had not sold any Public Bank shares.

- Other share information

	2014	2015	2016	2017	2018
Price to earnings multiple (times)	14.8	14.1	14.6	14.7	17.2
Price to book multiple (times)	2.5	2.3	2.2	2.1	2.3



- ❖ Profitable retail franchise
  - Domestic and Indo-China markets
  - Growing market share
  - Affluent and quality retail customer base for lending and wealth management business
- ❖ Unbroken profit track record and sustained strong asset quality
- ❖ Valuable PB Brand and retail franchise
- ❖ Proactive capital management
- ❖ Large market capitalisation
  - High liquidity and high free-float
- ❖ Proven management record in execution
- ❖ Strong working commitment and excellent career environment



	RM'mil	2015	2016	2017	2018	Jun-19
Profitability	Operating profit	6,631	6,745	7,319	7,270	3,612
	Profit before tax	6,491	6,554	7,118	7,101	3,550
	Net profit	5,062	5,207	5,470	5,591	2,743
Shareholder Value	Earnings per share (sen)	131.1	134.8	141.7	144.4	70.7
	Net assets per share (RM)	8.09	8.86	9.68	10.55	10.92
	Dividend per share (sen)	56.0	58.0	61.0	69.0	33.0
	Dividend payout ratio (%)	42.7	43.0	43.1	47.9	46.7
Key Balance Sheet Data	Total assets	363,758	380,053	395,276	419,693	425,678
	Gross loan	273,447	293,959	304,453	317,302	323,693
	Domestic loan	251,802	269,915	282,326	294,074	300,438
	Deposit from customers	301,157	309,974	319,259	339,160	349,099
	Domestic deposit	277,942	282,967	293,178	310,585	319,440
	Core customer deposit	245,171	258,155	269,723	283,846	284,774
	Shareholders' equity	31,231	34,213	37,365	40,973	42,409
	Common equity Tier I capital <sup>π</sup>	26,093	28,620	31,521	35,104	36,331
	Tier I capital <sup>π</sup>	28,882	30,771	33,528	36,825	37,380
	Total capital <sup>π</sup>	36,975	38,970	41,134	43,716	44,067
Risk-weighted assets	239,703	251,662	257,352	268,125	275,565	

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

# Appendix (cont'd)



	%	2015	2016	2017	2018	Jun-19	Industry
Profitability Ratios	Net interest margin on yielding assets	2.16	2.20	2.28	2.22	2.16	N/A
	Net return on equity <sup>+</sup>	17.8	16.5	15.8	14.8	13.6	N/A
	Pre-tax return on average assets	1.8	1.8	1.8	1.7	1.7	1.4
	Cost to income ratio	30.5	32.3	31.9	33.0	34.2	44.6
	Non interest income/Total income	24.5	21.0	21.7	20.4	22.2	31.8
Liquidity	Gross loan to fund ratio <sup>~</sup>	86.8	90.8	90.0	88.4	88.4	82.6 <sup>^</sup>
	Gross loan to fund and equity ratio <sup>~</sup>	78.7	81.8	80.7	79.0	78.9	72.2 <sup>#</sup>
Asset Quality	Gross impaired loans ratio	0.5	0.5	0.5	0.5	0.5	1.6
	Loan loss coverage ratio	120.8	102.7	95.5	126.0	116.0	91.1
	Credit cost ratio	0.06	0.07	0.07	0.05	0.04	0.15
Capital Adequacy	Common equity Tier I capital ratio <sup>π</sup>	10.9	11.4	12.2	13.1	13.2	13.4
	Tier I capital ratio <sup>π</sup>	12.0	12.2	13.0	13.7	13.6	14.1
	Total capital ratio <sup>π</sup>	15.4	15.5	16.0	16.3	16.0	17.4
Market Share	<u>Domestic market share</u>						
	Commercial property financing	33.8	34.7	35.5	35.1	35.1	N/A
	Residential property financing	19.2	19.4	19.6	19.6	19.7	N/A
	Passenger vehicle financing	29.6	29.1	28.5	28.4	28.9	N/A
	Domestic loans	17.4	17.7	17.8	17.2	17.4	N/A
	Domestic deposits	16.6	16.9	16.6	16.2	16.4	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 period/year

Note: From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd



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