

**PUBLIC BANK**  
PUBLIC BANK

# Investor Presentation

Macquarie ASEAN Conference

Singapore

27-29 August 2013



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## Quick Facts

- Top-tier bank in Malaysia
- Most award-winning bank in Malaysia\*
- Highly experienced management
- Unbroken profit track record since incorporation in 1966
- Strong financial ratings & corporate governance
- Valuable PB Brand & retail franchise

\* Certified by the Malaysia Book of Records



## Our Strategies remain unchanged

“The Public Bank Group will continue to focus on its core retail banking and financing business whilst maintaining its prudent credit policies, and further improve on its cost efficiency.

The Group will continue to uphold its strong asset quality fortress and to leverage on the strong PB Brand franchise and its wide and efficient branch network as well as its excellent customer service to deliver balance sheet and revenue growth. The Group remains steadfast in its commitment to upholding strong corporate governance and implementation of sound risk management policies to support long-term sustainable growth.

With the expectations that global uncertainties and volatility will persist over the medium term, we remain vigilant and focused in balancing growth with sustainable returns. On the service delivery front, we will continue to uphold our superior customer service and delivery excellence.

The outlook of the Malaysian banking sector, in which the Group largely operates, continues to be stable and supportive of growth. Barring unforeseen circumstances, the Group is expected to maintain its earnings momentum and continue to record satisfactory performance in 2013.”

**Tan Sri Dato’ Sri Dr. Teh Hong Piow**  
**Chairman**



# Investor Presentation

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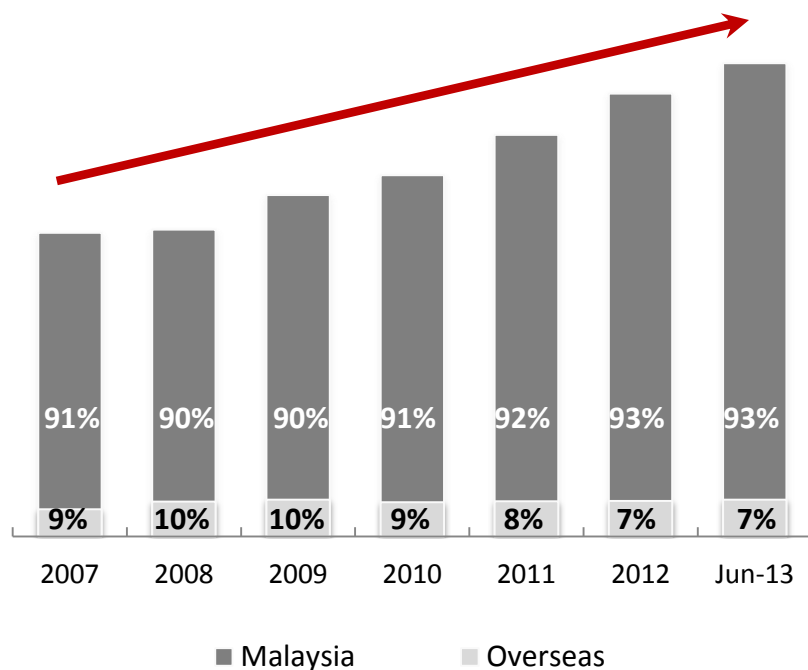
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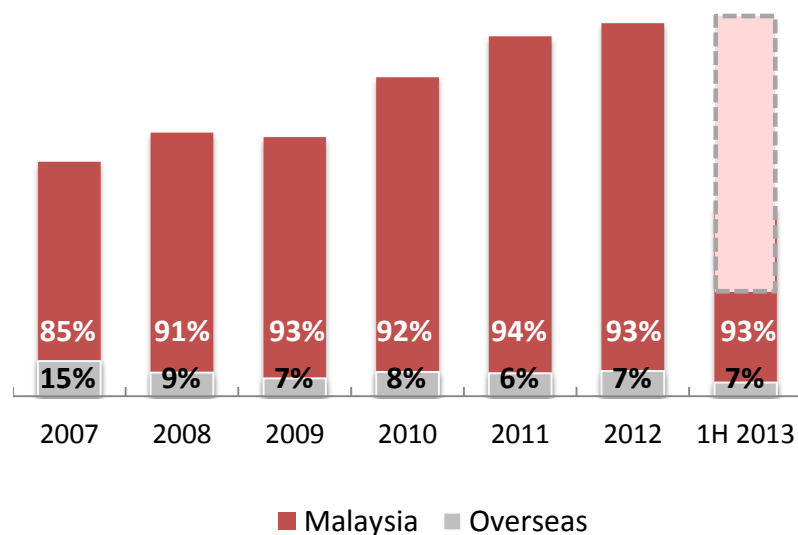
# Introduction to Public Bank Group

- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- Geographical Contribution

## Total Assets

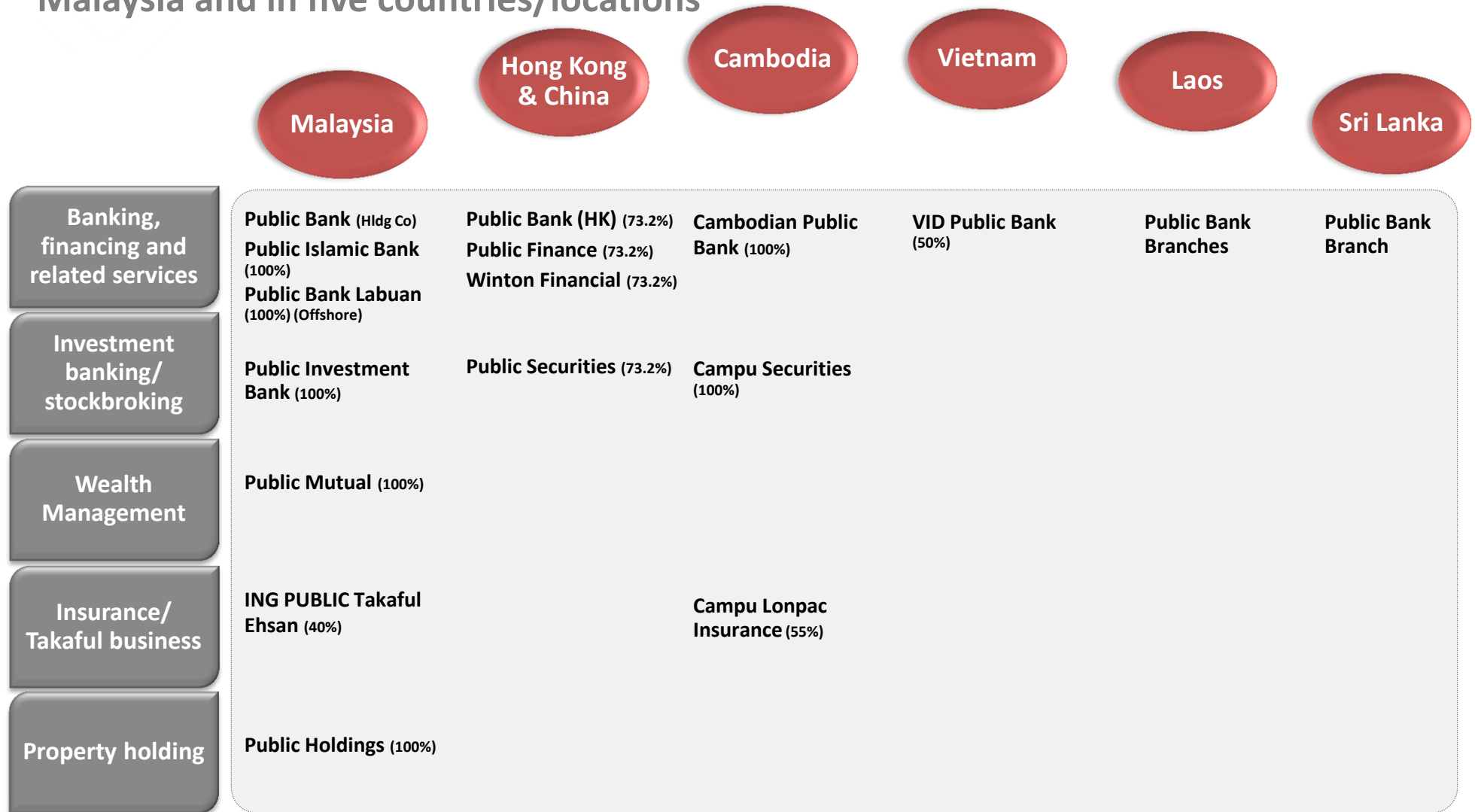


## Pre-tax Profit



# 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



# Growth Strategy and Retail Business Focus

## Growth Strategy: Sustainable organic growth

### Retail Business Focus

- Lending
  - Consumer Financing: home mortgages, vehicle financing, credit cards, personal financing
  - Lending to SMEs: working capital, purchase of business premises, trade finance & microfinance
- Deposits
  - Retail deposits: Fixed, savings and demand deposits
  - Wholesale deposits
  - Foreign currency deposits
  - Structured deposit products
- Fee Based Business
  - Unit trusts, bancassurance and structured investment products



# Expansion in Business Delivery Channel

## Malaysian Operations

Public Bank - Domestic  
- Overseas

Public Islamic Bank

Public Mutual

Public Investment Bank

## Hong Kong & China Operations

Public Finance

Public Bank (HK) - Hong Kong  
- China

Winton (B.V.I) Group

## Indo-China Operations

Cambodia Public Bank

VID Public Bank (Vietnam)

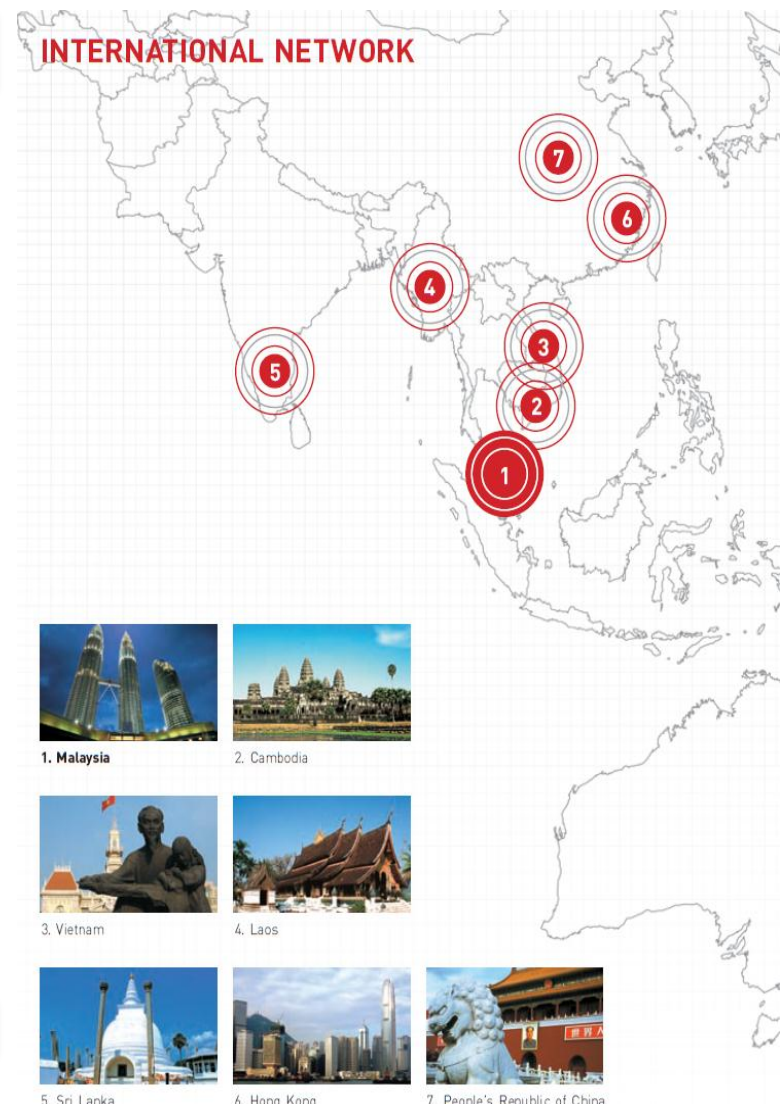
Self Service Terminal - domestic

Jun 2013      Dec 2012      Dec 2008

	Jun 2013	Dec 2012	Dec 2008
Public Bank - Domestic	255	254	242
- Overseas	6	5	5
Public Islamic Bank	1	1	-
Public Mutual	28	28	26
Public Investment Bank	1	1	1
<b>Public Finance</b>	<b>42</b>	<b>42</b>	<b>42</b>
<b>Public Bank (HK) - Hong Kong</b>	<b>32</b>	<b>32</b>	<b>28</b>
<b>- China</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Winton (B.V.I) Group</b>	<b>9</b>	<b>9</b>	<b>3</b>
<b>Cambodia Public Bank</b>	<b>25</b>	<b>24</b>	<b>12</b>
<b>VID Public Bank (Vietnam)</b>	<b>7</b>	<b>7</b>	<b>7</b>
	<b>409</b>	<b>406</b>	<b>369</b>

1,663      1,645      1,238

## INTERNATIONAL NETWORK



## Reaffirmed High Credit Ratings

	Long term	Short term	Latest update
RAM	AAA	P1	July 2013
Moody's	A3	P-2	January 2013
Standard & Poor's	A-	A-2	November 2012
Standard & Poor's ASEAN Scale Rating	axAA	axA-1	November 2012

### RAM rating on Subordinated Notes and Capital Securities

	Long term	Latest update
Subordinated Medium Term Notes Programme of up to RM5.0 billion	AA1	April 2013
RM1.2 billion Innovative Tier 1 Capital Securities	AA2	April 2013
Non-Cumulative Perpetual Capital Securities Programme of up to RM5.0 billion	AA2	April 2013
Senior Medium Term Notes Programme of up to RM5.0 billion	AAA	April 2013
Proposed up to RM10.0 billion Subordinated Medium Term Notes Programme	AA1	July 2013



# Unbroken Profit Track Record

- 46 years of unbroken profitability
- Strong profit growth in past 5 years

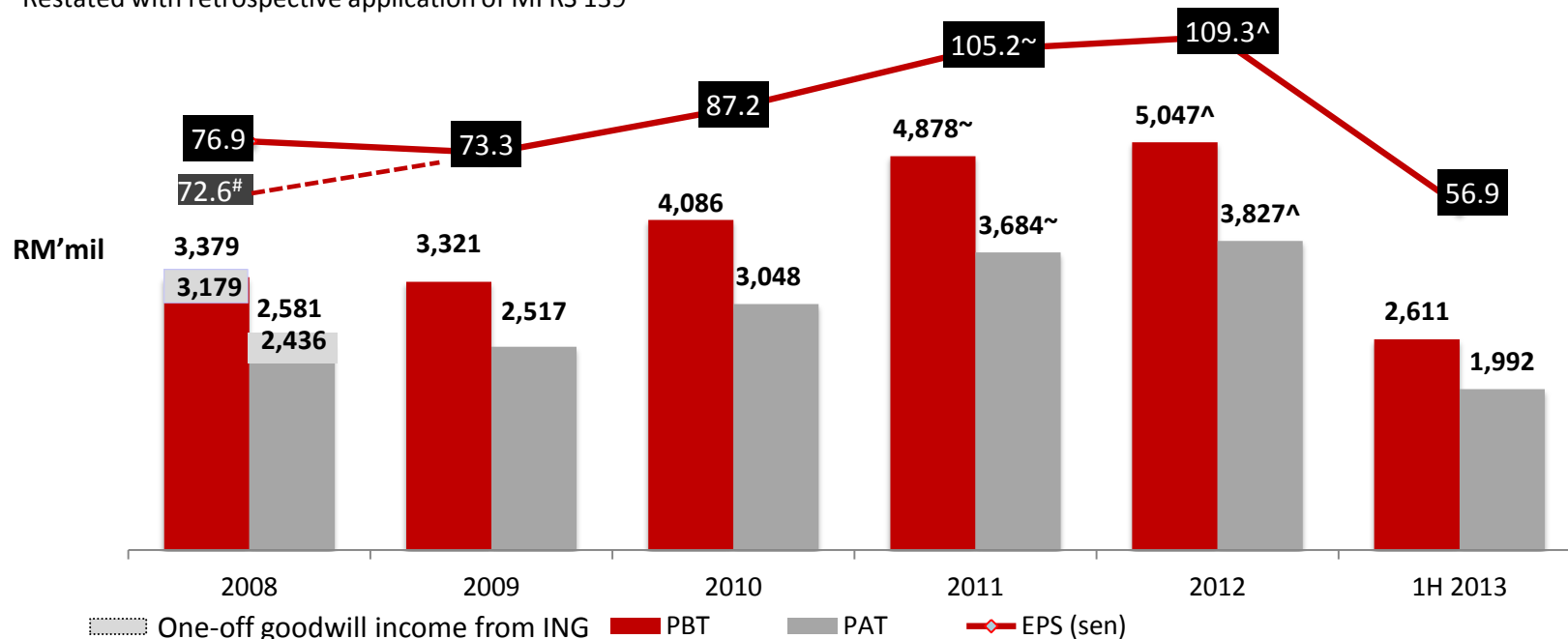
	RM'mil						1H2013**	y-o-y growth (%)					1H2013**
	2007	2008*	2009	2010	2011~	2012^		2008*	2009	2010	2011	2012	
Pre-tax profit	3,004	3,179	3,321	4,086	4,878	5,047	2,611	5.8	4.5	23.0	19.4	3.5	6.2
Net profit	2,124	2,436	2,517	3,048	3,684	3,827	1,992	14.7	3.3	21.1	20.9	3.9	6.4

\* Figures for 2008 exclude RM200 million one-off goodwill income from ING

\*\* Growth in comparison with corresponding period in 2012

^ Restated with retrospective application of MFRS 119

~ Restated with retrospective application of MFRS 139



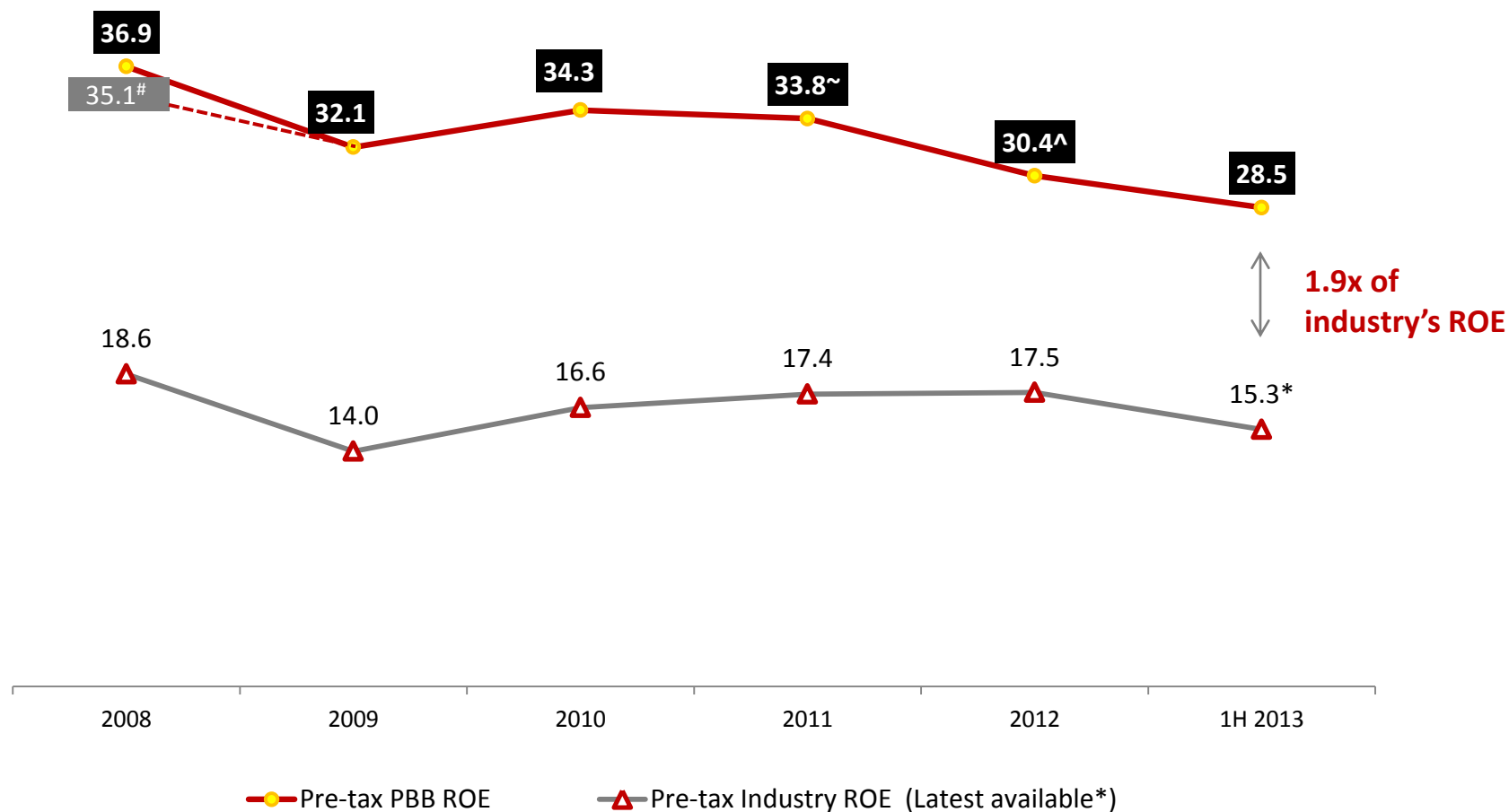
# Adjusted EPS excluded one off goodwill income from ING

~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119



# Above-industry Return on Equity (ROE)



# Excluding one-off goodwill income from ING

~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119



# Dividends

Single tier dividend  
Dividend payout

## 1<sup>st</sup> Interim Dividend for 1H2013

22 sen per share  
RM770 million



# Key Highlights

## Income Statement (RM'mil)

	1H 2013	1H 2012 <sup>^</sup>	Change (%)
Pre-tax profit	2,611	2,458	6.2%
Net profit attributable to shareholders	1,992	1,872	6.4%
Earnings per share (sen)	56.9	53.5	6.4%

## Balance Sheet (RM'bil)

	Jun-13	Dec-12 <sup>^</sup>	Change (%)
Total assets	292.6	274.8	13.0%*
Loan - Group	209.4	197.8	11.8%*
- Domestic	195.7	184.5	12.1%*
Deposit - Group	240.4	225.0	13.6%*
- Domestic	225.6	210.7	14.2%*

## Financial Indicators

Net return on equity	22.6%	24.1%	-1.5%
Cost to income ratio	31.4%	31.2%	0.2%
Gross impaired loans ratio	0.7%	0.7%	-
Loan loss coverage	123.2%	126.0%	-2.8%
Net loan to deposit ratio	86.4%	87.1%	-0.7%
Common equity Tier I capital ratio	8.5% <sup>π</sup>	N/A	-
Tier I capital ratio	10.4% <sup>π</sup>	10.8% <sup>π</sup>	-0.4%
Total capital ratio	12.8% <sup>π</sup>	14.1% <sup>π</sup>	-1.3%

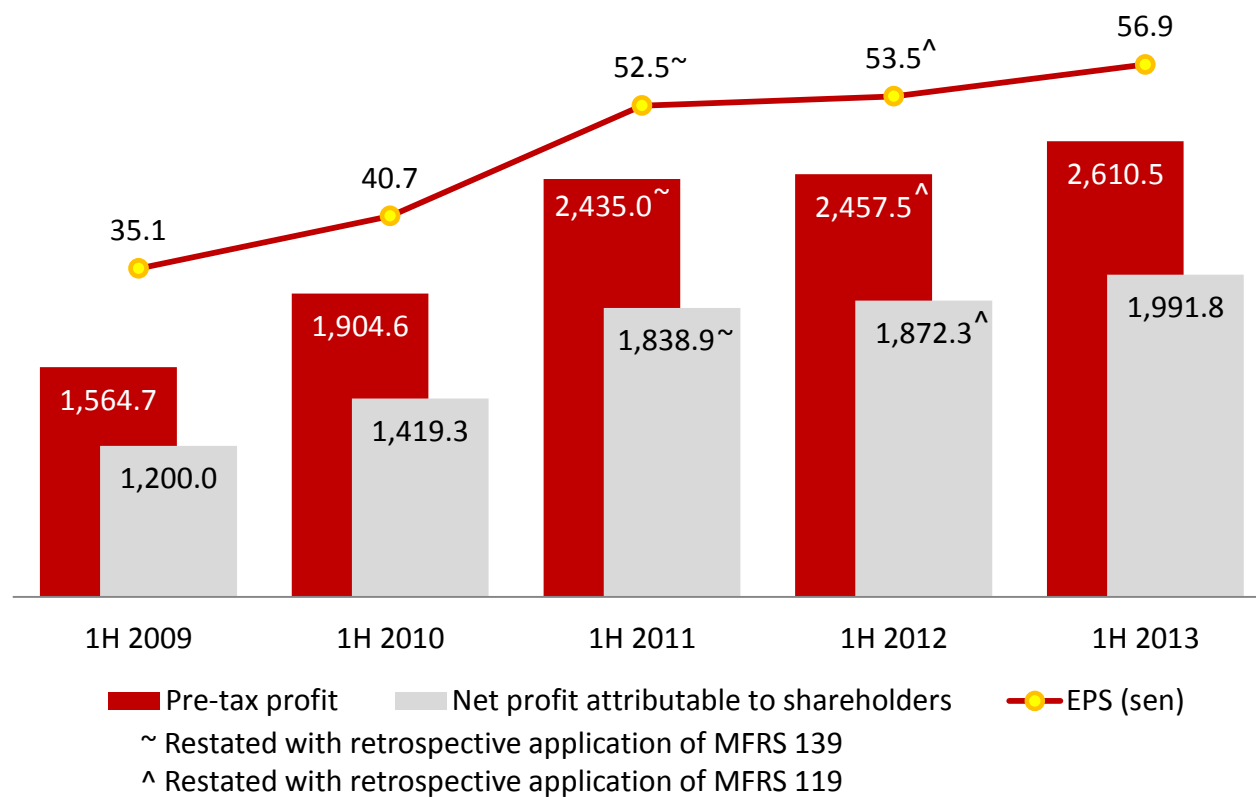
\* Annualised growth      <sup>^</sup> Restated with retrospective application of MFRS 119, where applicable

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



# Steady Profit Growth

## Profits and EPS (RM'mil)



# Adoption of MFRS 119 Employee Benefits

The adoption of the revised MFRS 119 effective 1 January 2013 affected the accounting treatment on the recognition of certain gains and losses arising from defined benefit plans.

The key impacts are:

- Actuarial gains and losses are recognised immediately in other comprehensive income, as compared to recognition in the income statement over a period of time previously
- Changes in the basis of computation of net interest income on the net assets of the defined benefit plan which is recognised in the income statement
- Retrospective application of MFRS 119 which resulted in the restatement of comparative financial statements



# Adoption of MFRS 119 Employee Benefits

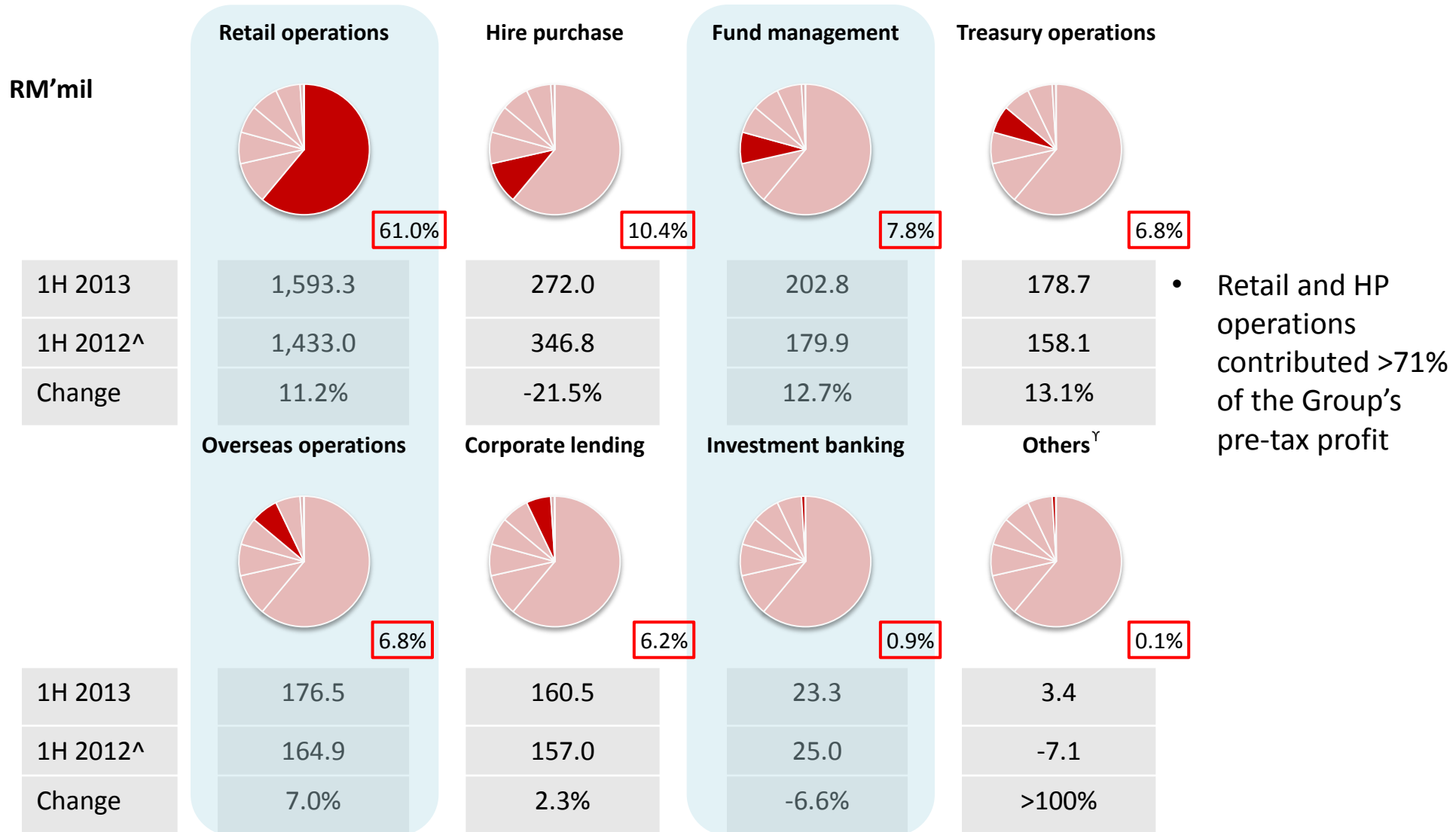
## Restatement of key comparatives

	Restated	Previously reported	Change
	1H 2012	1H 2012	
Other operating expenses (RM'mil)	1,216	1,188	28
Pre-tax profit (RM'mil)	2,458	2,486	-28
Net profit (RM'mil)	1,872	1,894	-22
Cost to income ratio (%)	32.1	31.4	0.7

	Restated	Previously reported	Change
	FY 2012	FY 2012	
Net return on equity (%)	24.1	24.5	-0.4



# Segmental Profit – Remained focus on retail operations

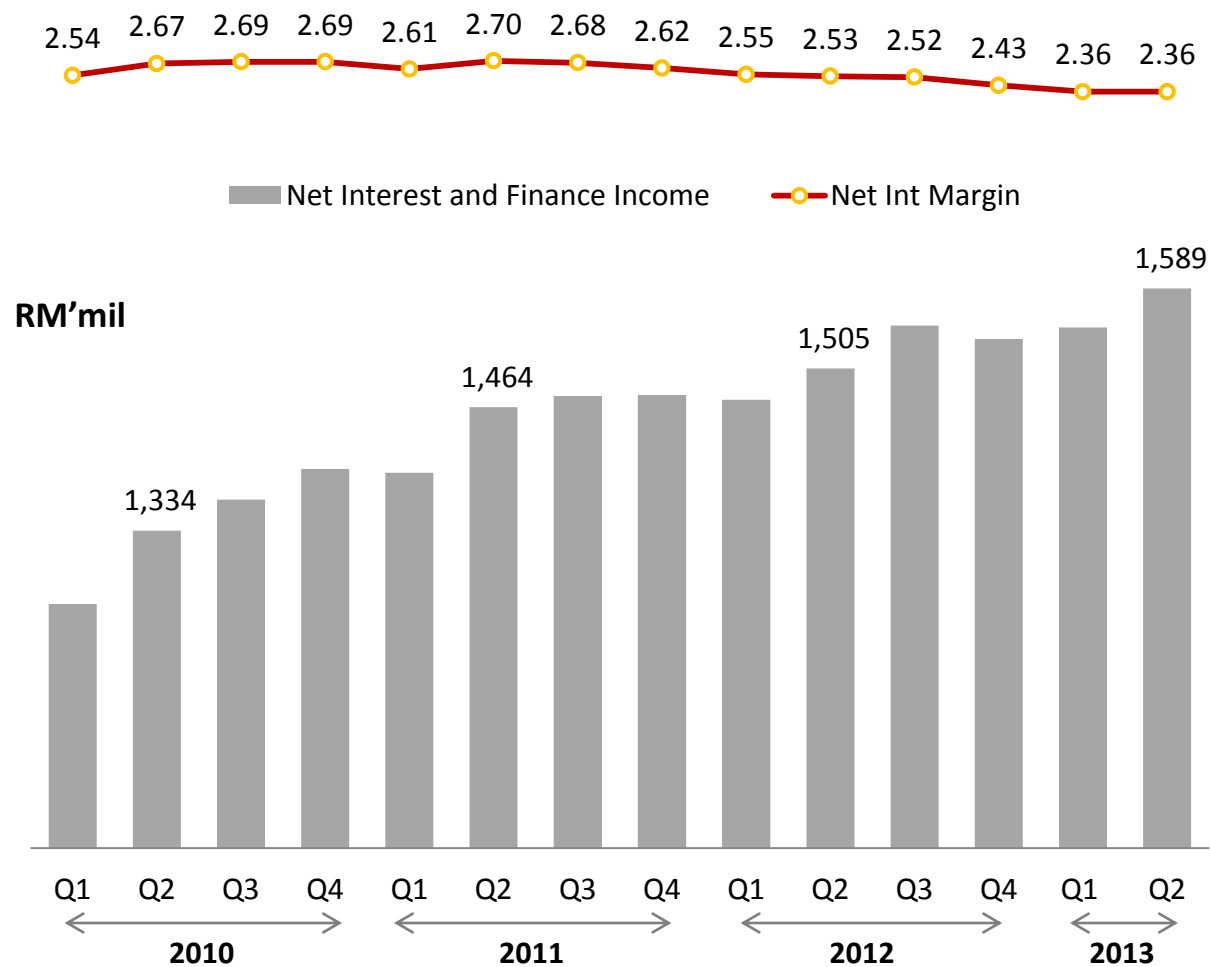


<sup>Y</sup> Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

<sup>^</sup> Restated with retrospective application of MFRS 119, where applicable

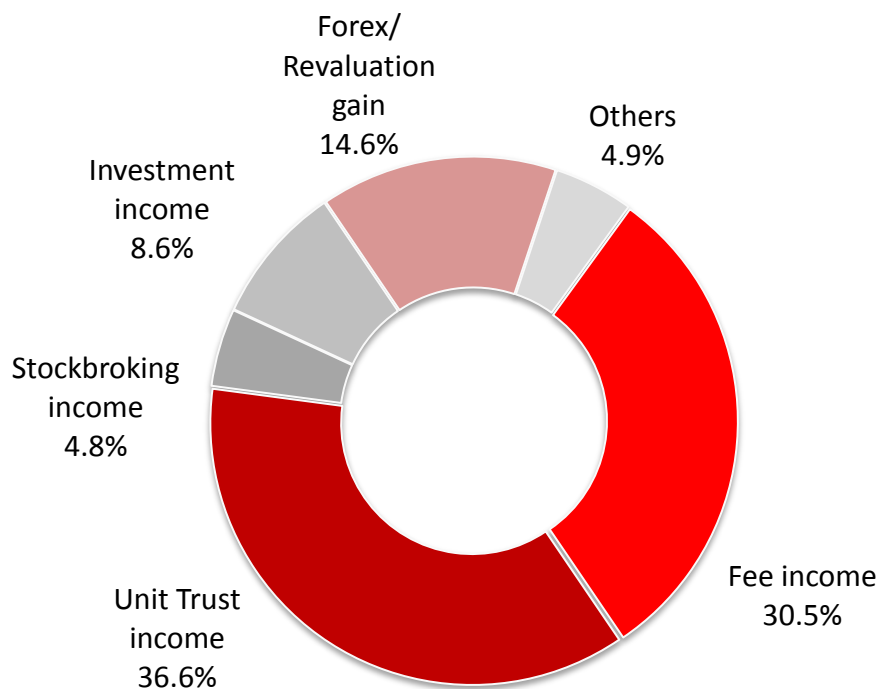


# Net Interest Margin – Continue to be under pressure



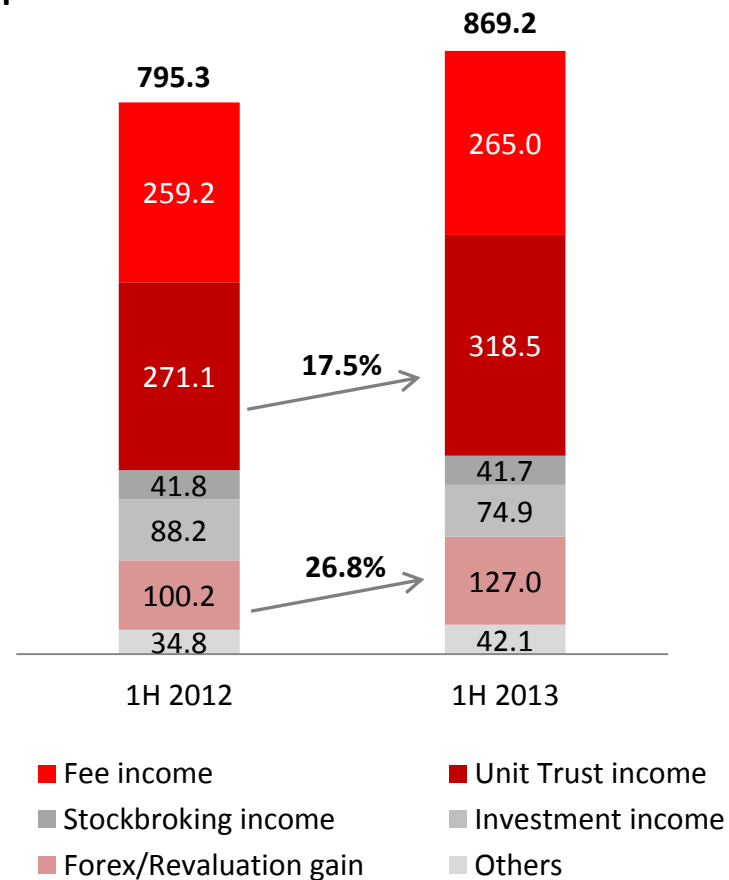
# Non-Interest Income Composition & Growth

## Non-interest Income Contribution



Based on financial results as at 30 June 2013

RM'mil

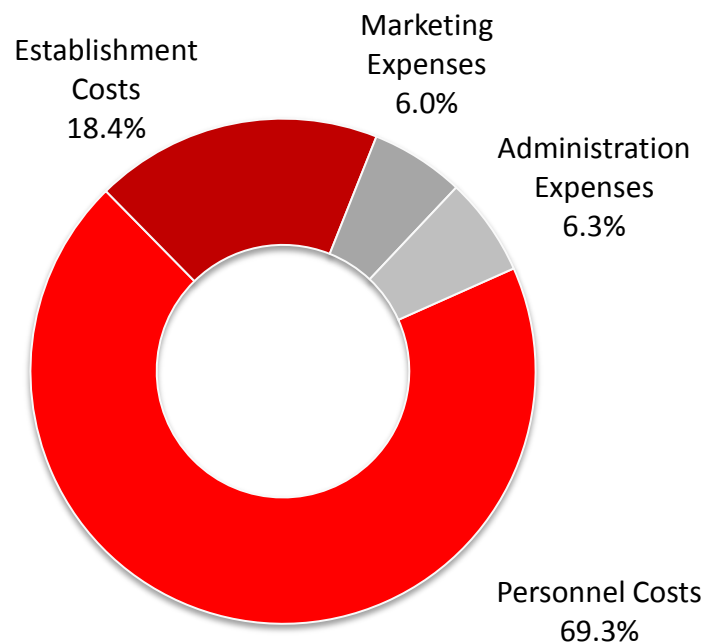


- Fee income
- Unit Trust income
- Stockbroking income
- Investment income
- Forex/Revaluation gain
- Others



# Efficient Operating Overheads

## Operating Costs Contribution



Based on financial results as at 30 June 2013

RM'mil	1H 2013	1H 2012 <sup>^</sup>	Changes
Personnel Costs	873.9	822.0	↑ 6.3%
Establishment Costs	231.8	228.3	↑ 1.6%
Marketing Expenses	76.5	81.7	↓ 6.4%
Administration Expenses	79.3	84.2	↓ 5.8%
Total	1,261.5	1,216.2	↑ 3.7%

	1H 2013	2012 <sup>^</sup>	Industry Average
Gross loan per employee (RM'mil)	11.9	11.2	8.6
Deposit per employee (RM'mil)	13.7	12.8	11.0
PBT per employee (RM'000)	297*	286	229
Cost to Income Ratio (%)	31.4	31.2	46.6

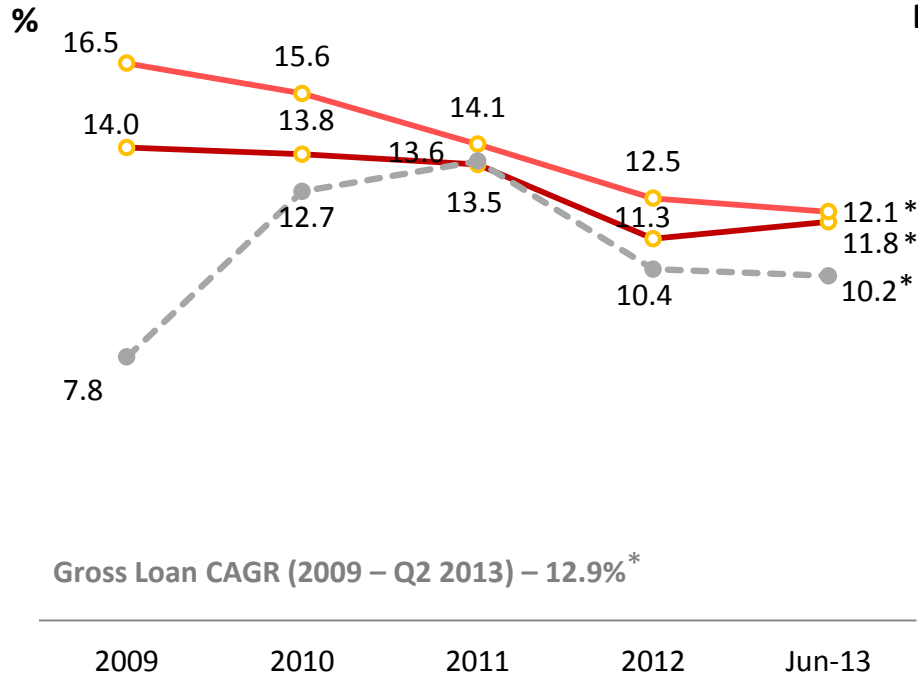
<sup>^</sup> Restated with retrospective application of MFRS 119, where applicable

\* Annualised



# Consistently Above-Industry Loan Growth

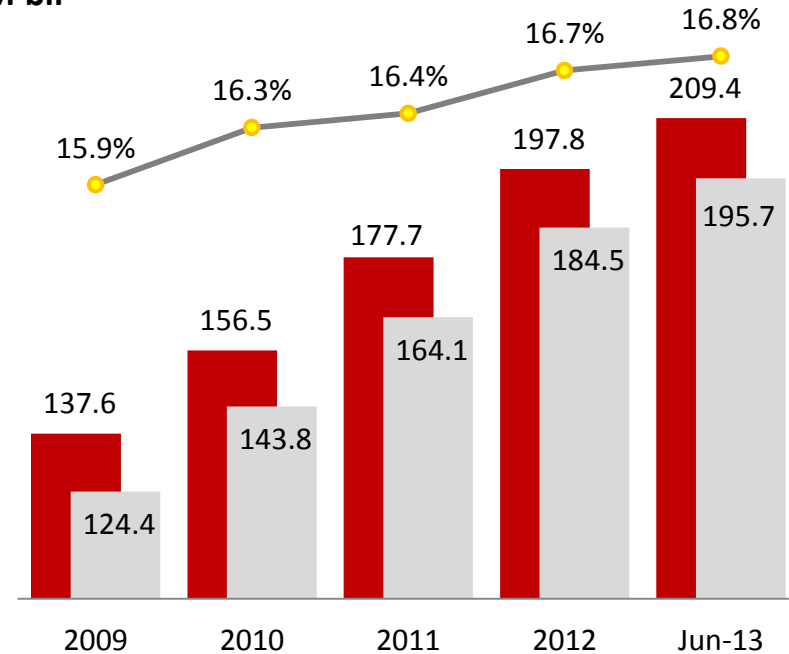
Loan Growth vs Industry



- Group Loan Growth
- Domestic Loan Growth
- Domestic Industry Average
- \* Annualised growth

Gross Loans and Domestic Loan Market Share

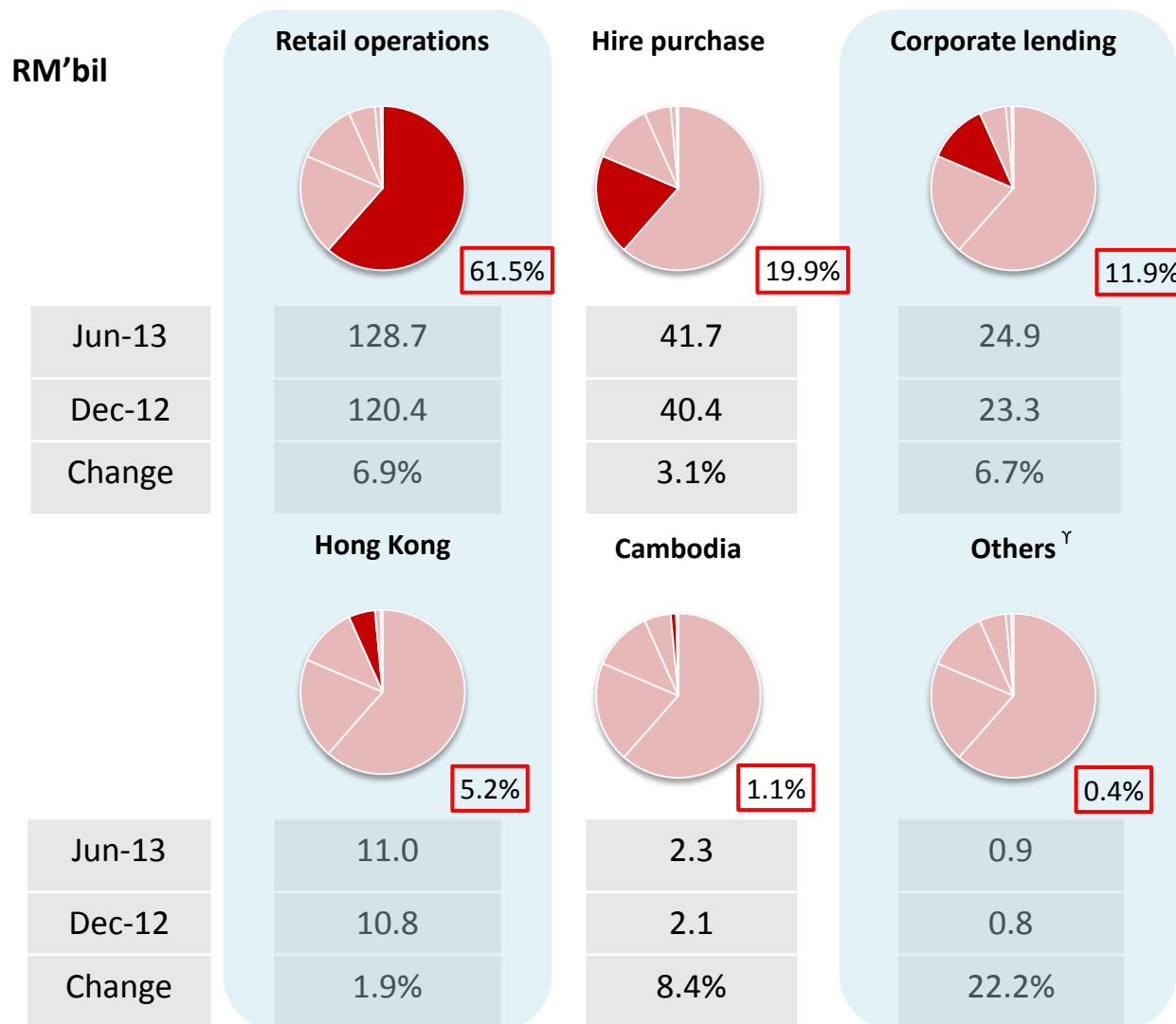
RM'bil



- Gross Loan Outstanding
- Domestic Loan
- Domestic Loans Market Share (%)



# Gross Loan Composition by Segment



- Loan growth continues to be supported through the Group's retail and hire purchase segments

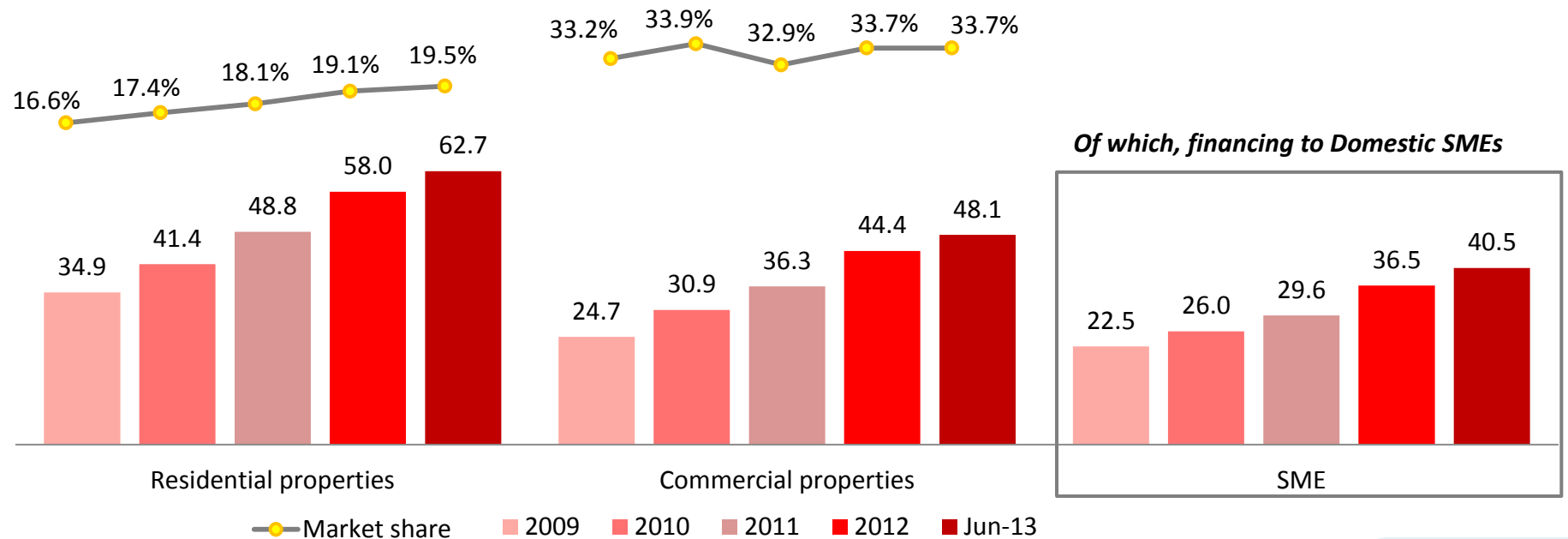
<sup>Y</sup> Others comprise mainly of other miscellaneous domestic segments and other countries



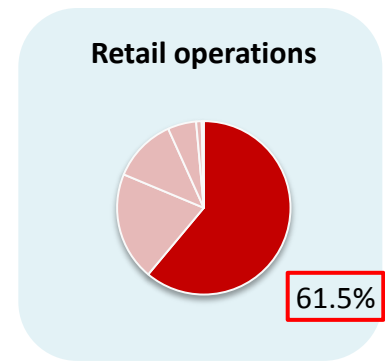
# Retail Operations

## Gross loan & financing in Domestic Operations

RM'bil



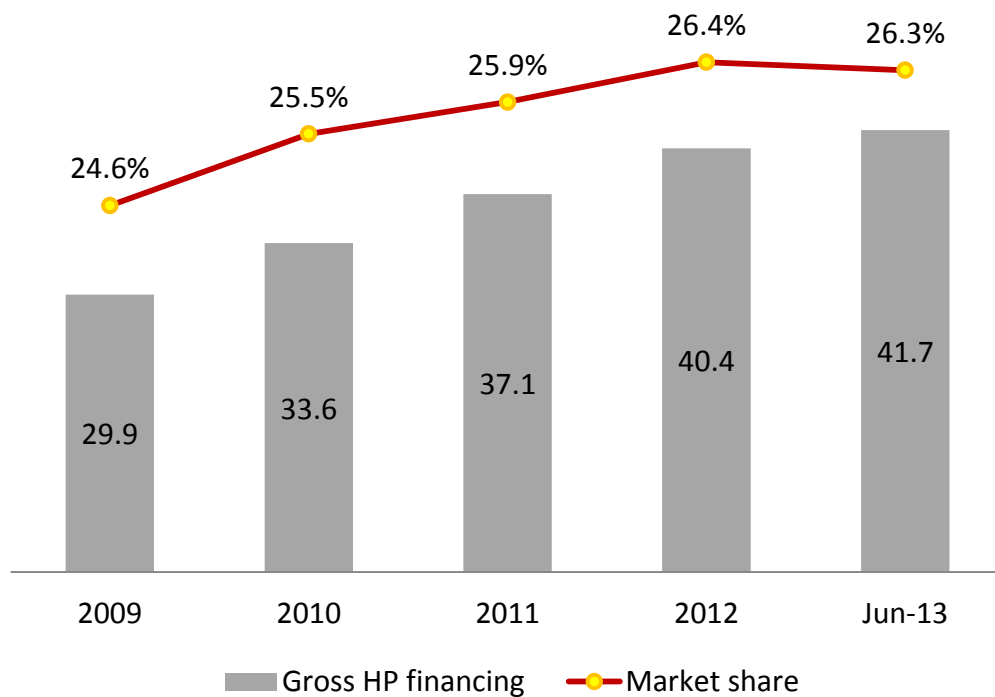
- Remained market leader in the residential properties financing & commercial properties financing
- Steady growth trend in residential properties financing & commercial properties financing



# Hire Purchase

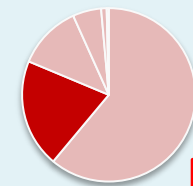
## HP Financing in Domestic Operations

RM'bil



- Remained market leader in the passenger vehicle financing
- Consistent growth trend in hire purchase financing

### Hire purchase



# Sustaining Strong Asset Quality

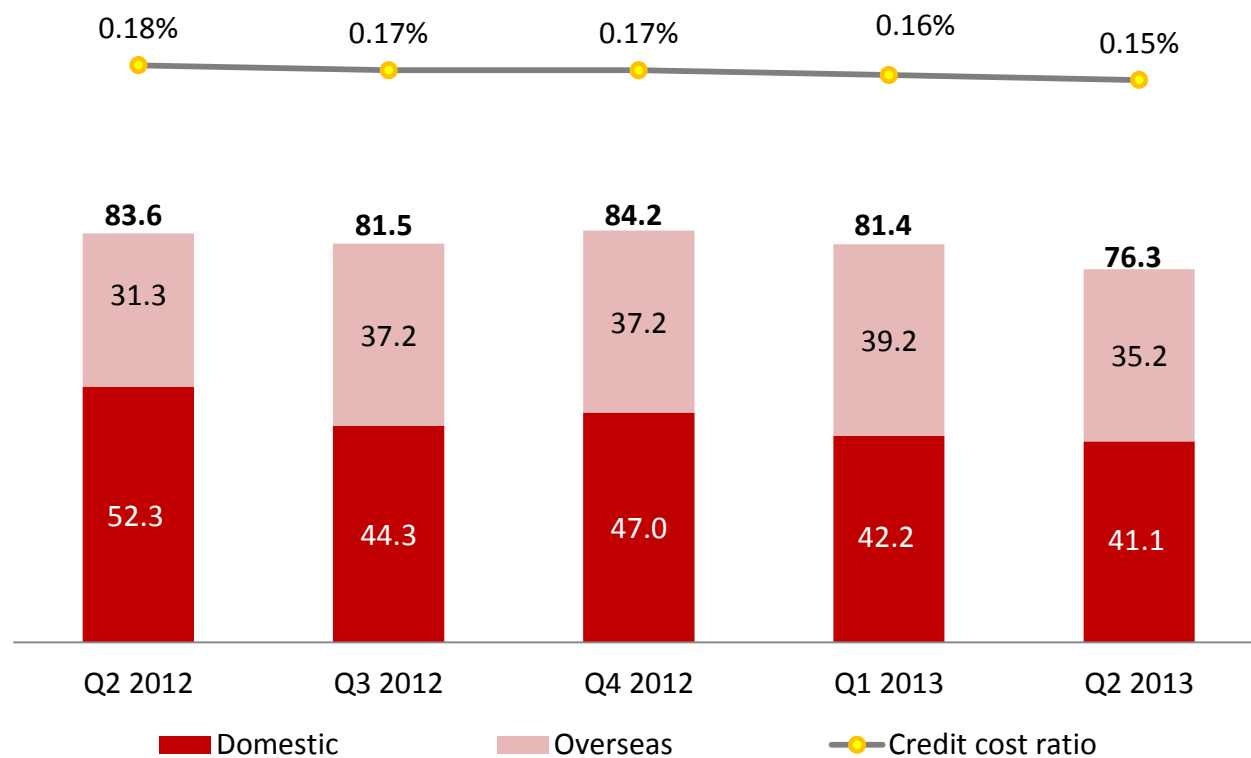
- Focus on lower risk customer segments
  - Traditional urban/ suburban mortgages
  - Passenger vehicle hire purchase
  - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



# Upholding Strong Asset Quality

## Quarterly Loan Impairment Allowances (including collective allowances)

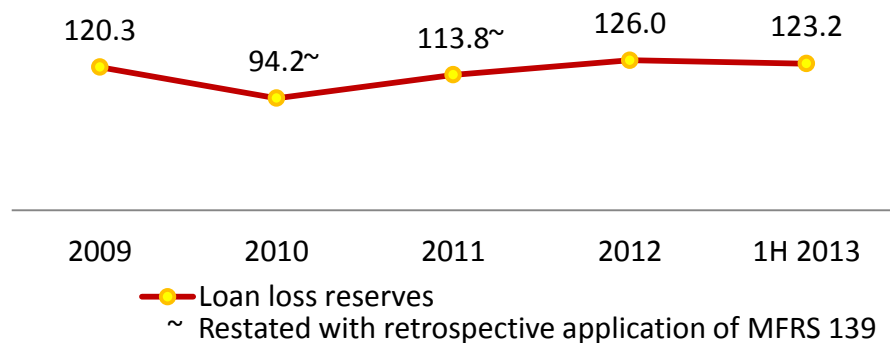
RM'mil



# Gross Impaired Loan

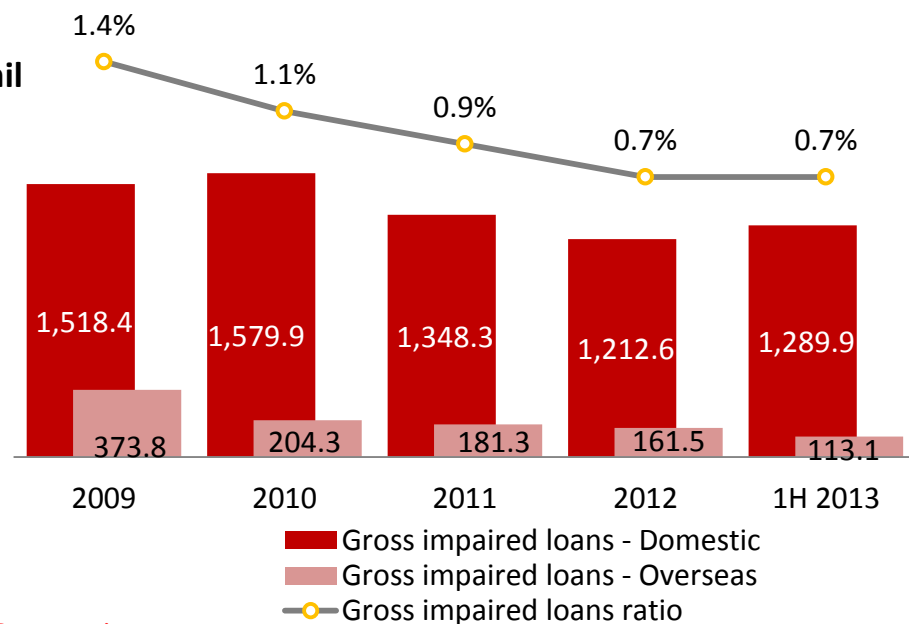
## High loan loss reserves

%



## Low gross impaired loans ratios

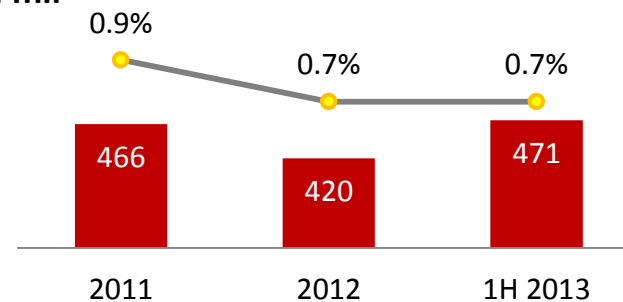
RM'mil



## Of which:

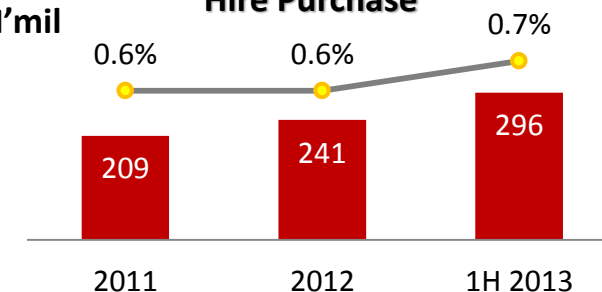
RM'mil

### Housing Loans



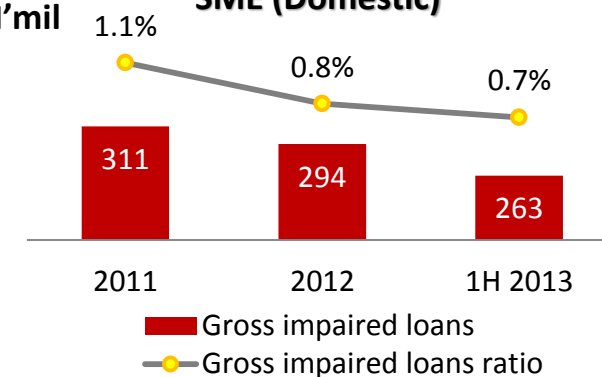
RM'mil

### Hire Purchase

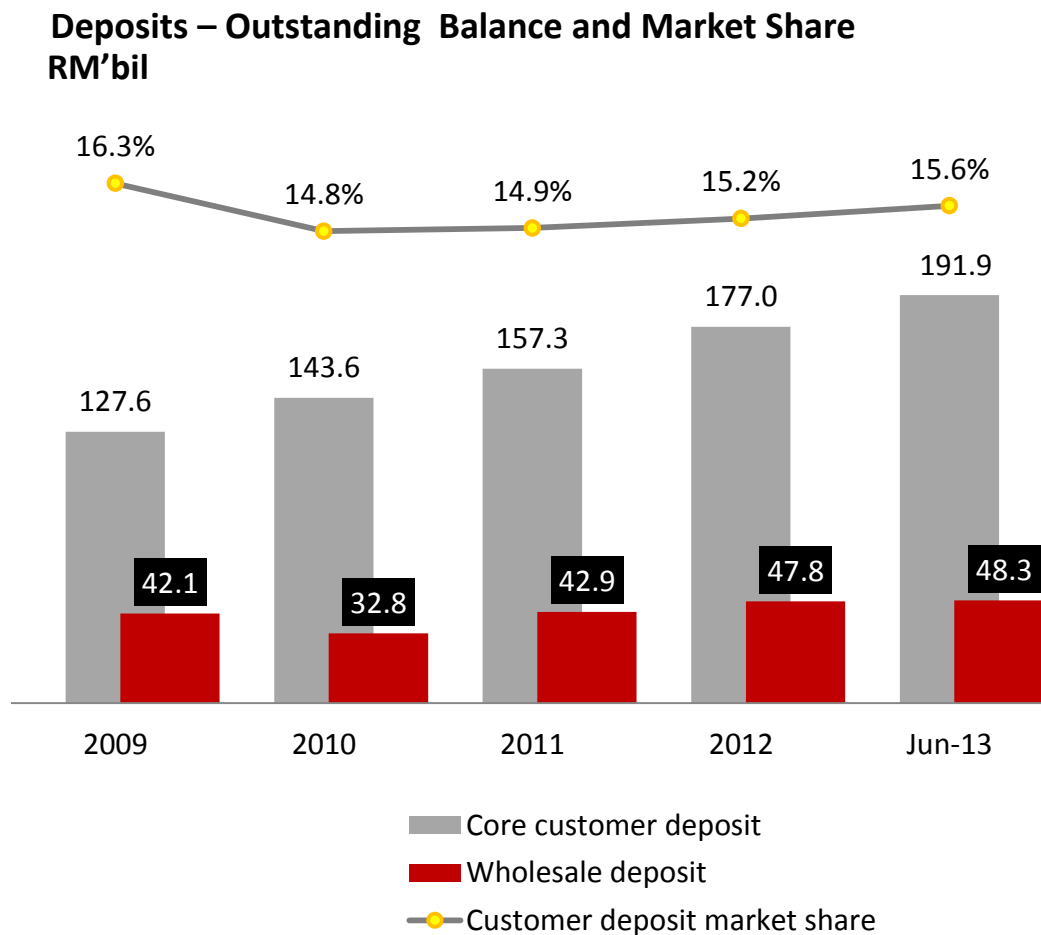
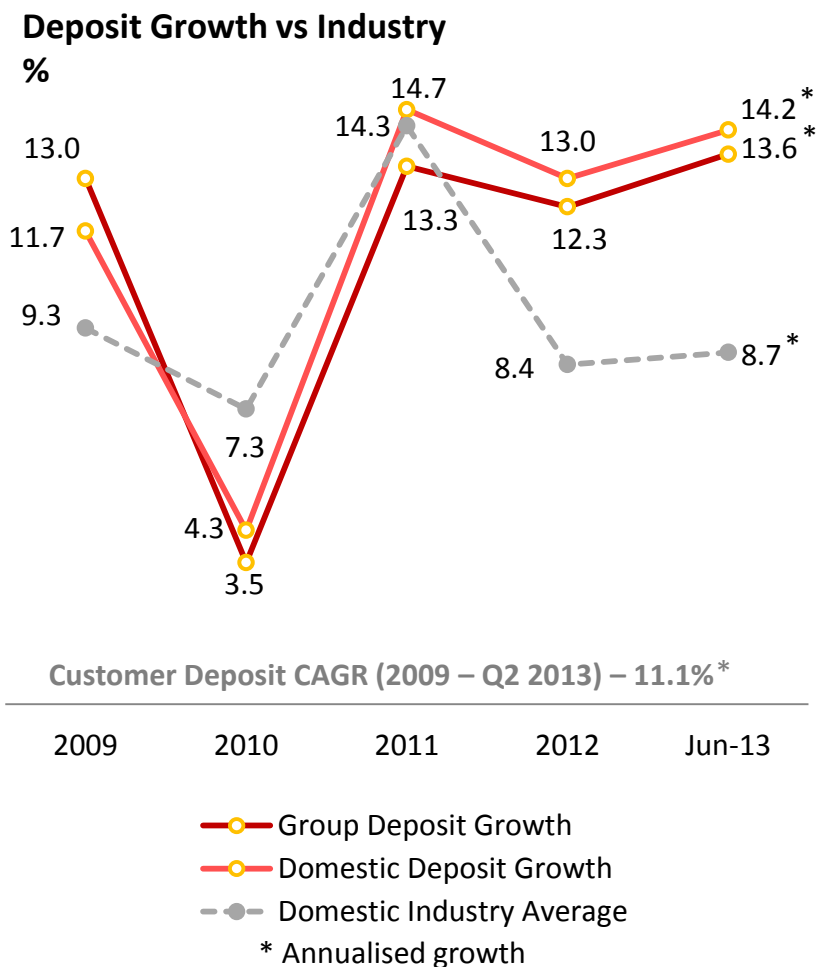


RM'mil

### SME (Domestic)



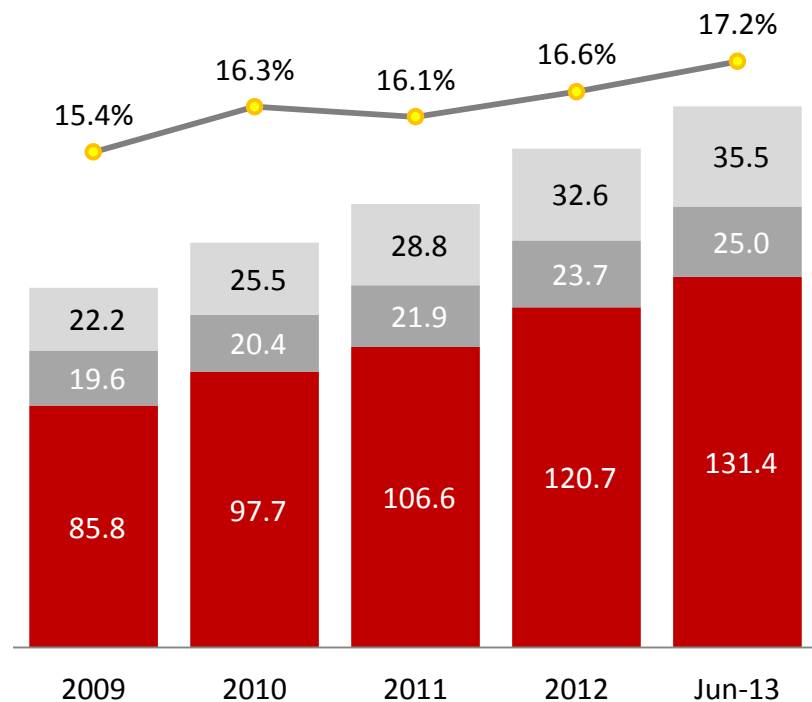
# Healthy Deposit Growth in Support of Liquidity



# Strong Core Deposit Growth

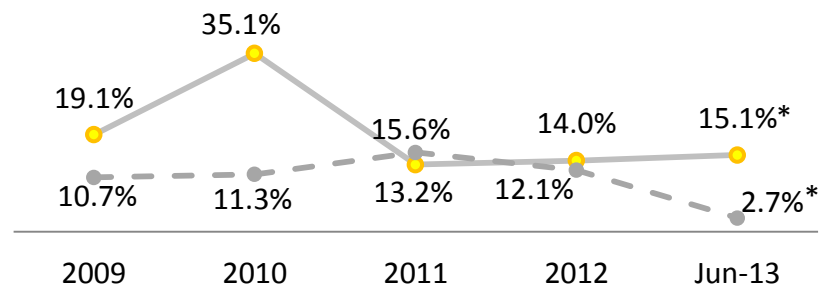
## Source of Core Deposit

RM'bil

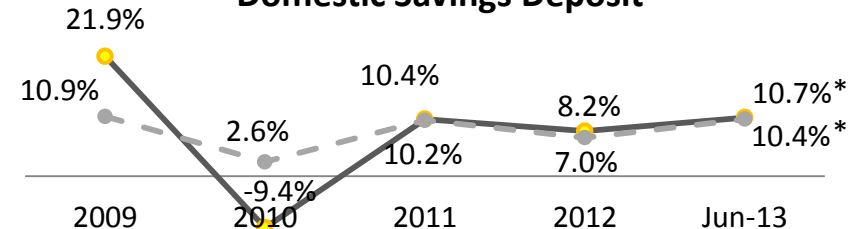


■ Current accounts  
 ■ Saving accounts  
 ■ Fixed deposit  
 ● Domestic core deposits market share

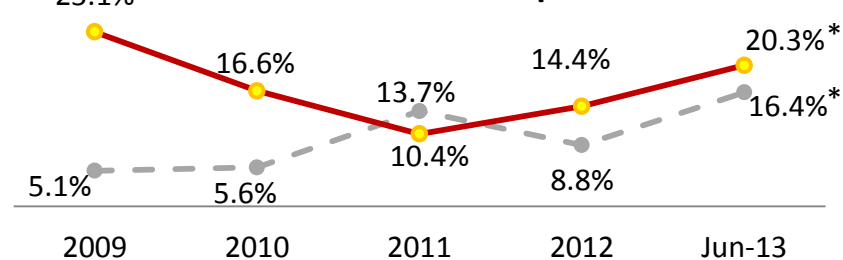
## Domestic Current Deposit



## Domestic Savings Deposit



## Domestic Fixed Deposit

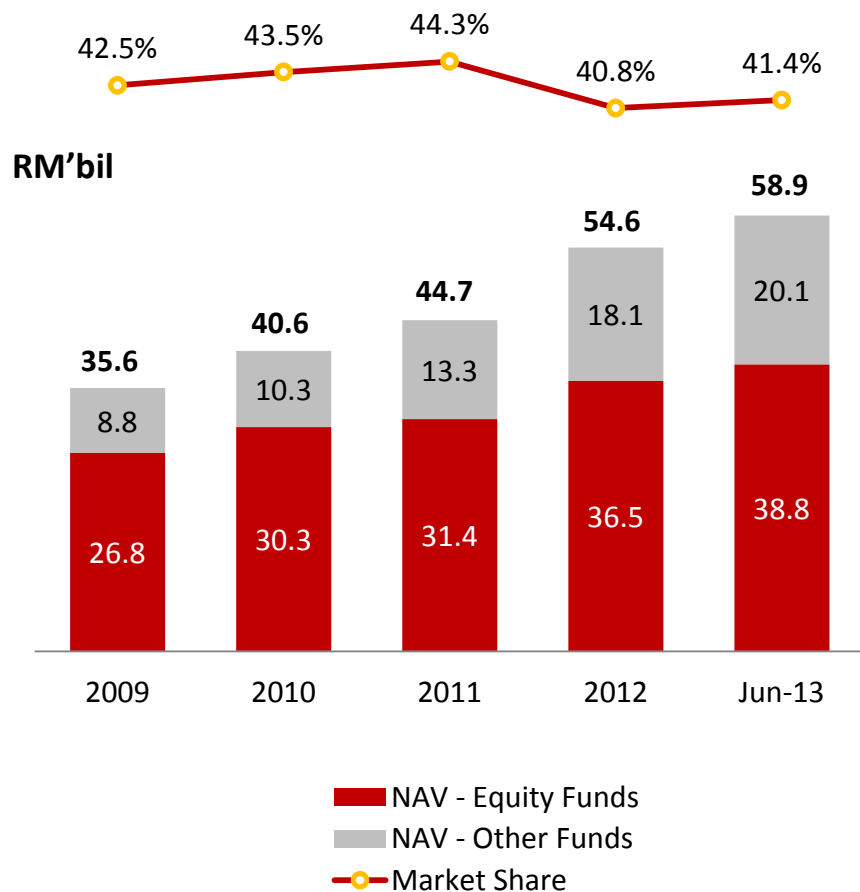


● Industry growth  
 ● Current accounts  
 ● Fixed deposit  
 ● Saving accounts  
 \* Annualised growth

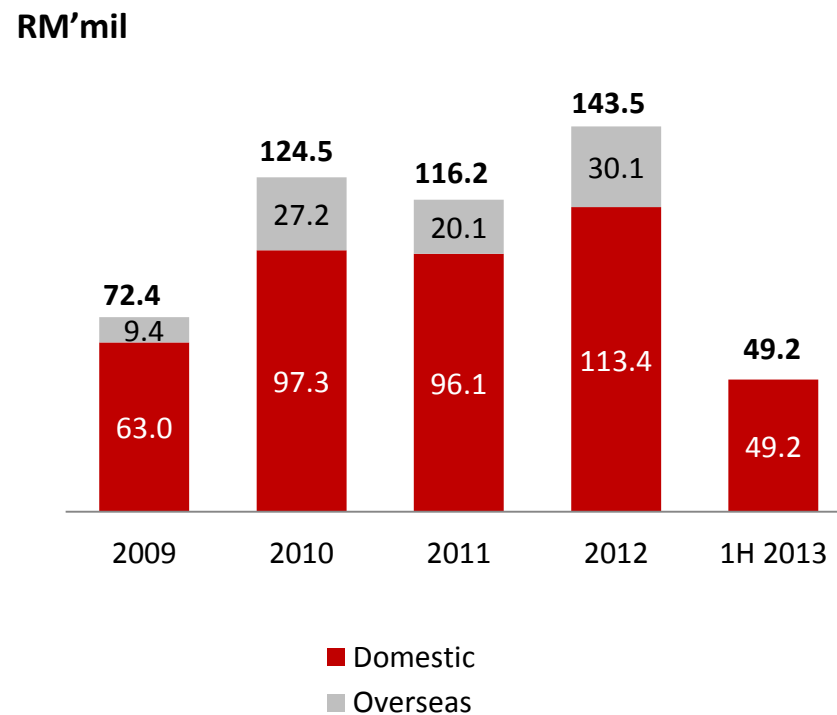


# Unit Trust & Bancassurance

## Net Asset Value of Funds under management



## Bancassurance Business – Annual Premium Equivalent



# Ensuring Healthy Capital Position

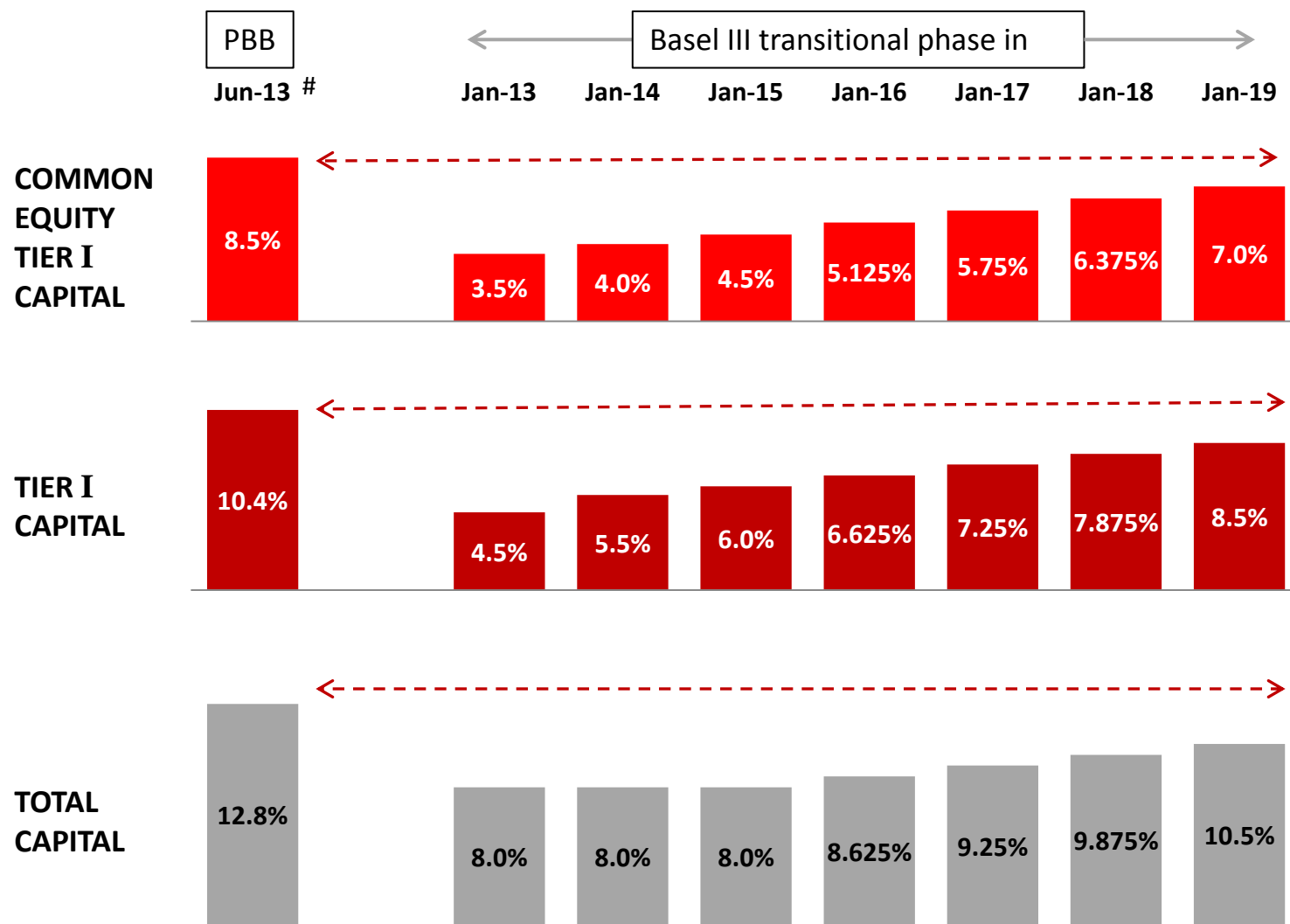
RM'bil	Group <sup>π</sup>		Bank <sup>π</sup>	
	Jun 2013 <sup>#</sup>	Dec 2012	Jun 2013 <sup>#</sup>	Dec 2012
Common Equity Tier I Capital	16.2	15.6	16.4	15.5
Tier I Capital	19.8	19.5	19.8	19.4
Total Capital Base	24.3	25.3	19.8	20.7
Risk-weighted Assets	189.7	179.7	158.9	150.0
Common Equity Tier I Capital Ratio	8.5%	N/A	10.3%	N/A
Tier I Capital Ratio	10.4%	10.8%	12.4%	12.9%
Total Capital Ratio	12.8%	14.1%	12.4%	13.8%

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

<sup>#</sup> Based on Basel III definition



# Proactive Capital Management Initiative



## Enhancement to Group's Core Equity Capital to be achieved by:

- Strong profit generation capacity
- Strong asset quality
- Continuous enhancement of efficient capital usage, in particular emphasis on less capital-intensive fee based and non-interest income businesses







# Based on Basel III definition

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 subject to regulator's discretion



# Targets for 2013

For 1H 2013, the Public Bank Group's achievement vs key performance targets are as follows:

<u>Key Performance Benchmarks</u>	2013 Targets	Achievement
Net Return on Equity	>20%	22.6% 
Total Capital Ratio	>12%	12.8% 
Gross Impaired Loan Ratio	<1%	0.7% 
Cost to Income Ratio	<32%	31.4% 
Loan Growth	11% to 12%	11.8% 
Deposit Growth	11% to 12%	13.6% 



# Our Business Growth Strategies

## Continue in Achieving Organic Growth While Sustaining Our Premier Status in the Local Banking Industry

### Lending Business

- Consumer lending to focus on purchases of properties and passenger vehicles
- Penetrate mid-market SMEs & micro enterprises in encouraged sectors
- Expanding credit card financing & corporate lending

### Deposit-Taking Business

- Securing higher retail and low cost deposits
- Sustaining existing pool of deposits

### Maintain earning growth momentum

- Continued quality loans growth at above industry growth rate
- Further expand depositor base
- Further improve productivity and operational efficiency
- Continued organic expansion of overseas business

### Build on existing strength

- Strong brand & market position
- Healthy capital and asset quality
- Proactive capital management to ensure healthy level of capital while maintaining high returns to shareholders

### Prudence

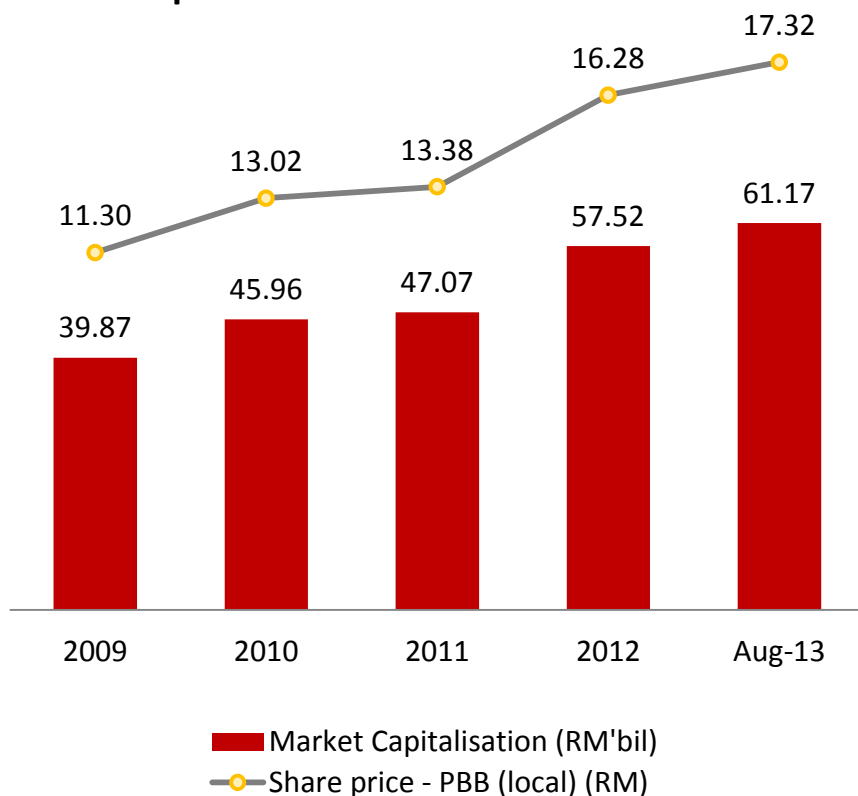
- Continue to remain prudent and uphold its strong corporate governance and risk management policies
- Sustainable low impaired loans leveraging on PBB's prudent lending policy
- Maintain strong liquidity



# Market Capitalisation and Analysts' Poll

- Improving Share Price and continued High Productivity

## Market Capitalisation & Share Price



15 August 2013	
	Market Capitalisation (RM'bil)
PBB	61.2
MBB	91.4
CIMB	62.1
HLB	26.7
AMMB	24.0
RHB	20.5



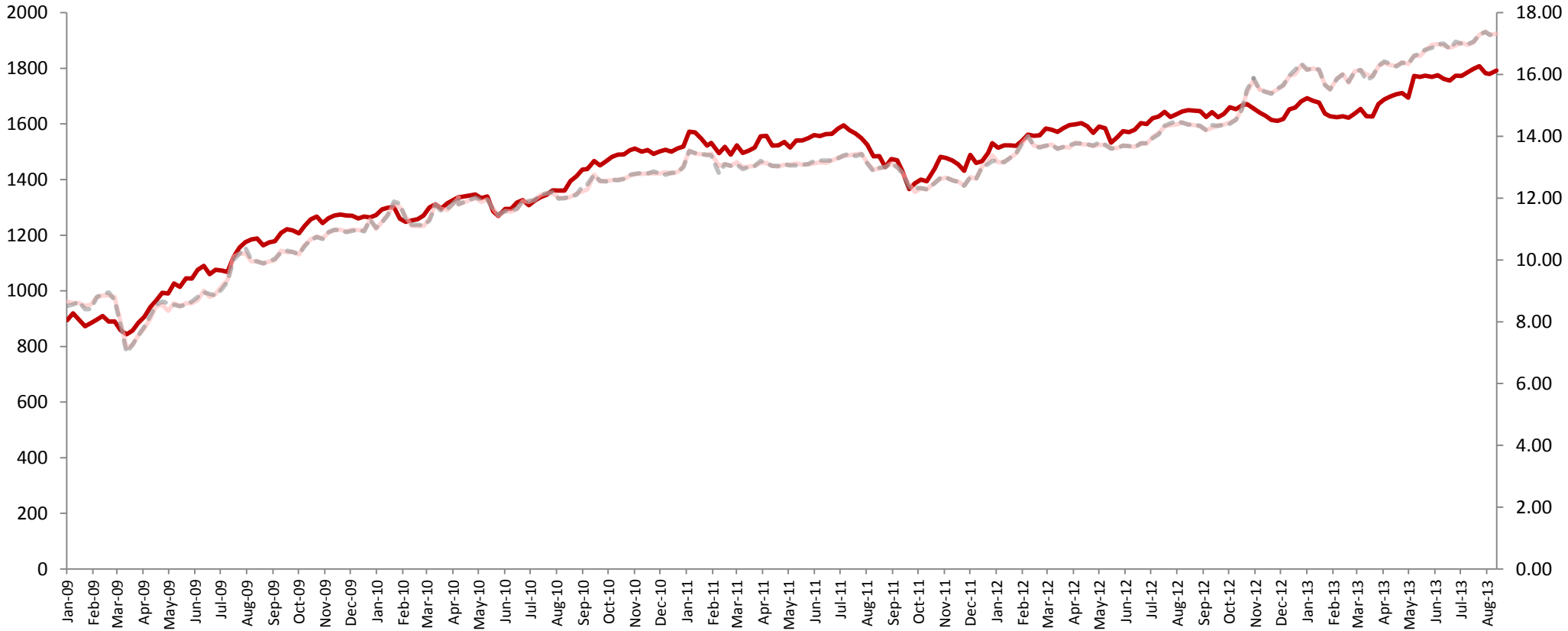
# Market Capitalisation and Analysts' Poll

Resilient share price performance

— Kuala Lumpur Composite Index    — Public Bank (Local)    - - - Public Bank (Foreign)

FBM KLCI

Share price (RM)



# Market Capitalisation and Analysts' Poll

- 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 2008	+79.3%	<b>+13.3%</b>
Long term - since listing	1967	+6,151.3%	<b>+19.5%</b>

<sup>^</sup> Capital appreciation is calculated based on the PBB local share value at closing price as of 31/12/2012 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

	2008	2009	2010	2011 <sup>~</sup>	2012 <sup>^</sup>
Price to earnings multiple (times)	11.5	15.4	14.9	12.7	14.7
Price to book multiple (times)	3.1	3.5	3.3	3.0	3.2

<sup>~</sup> Restated with retrospective application of MFRS 139

<sup>^</sup> Restated with retrospective application of MFRS 119



# Market Capitalisation and Analysts' Poll

- Average daily volume/ value traded:

	Average Daily Volume (million)	Average Daily Value (RM'million)
2012	4.2	60.1
YTD 15 Aug 2013	4.0	65.9

- Consensus net profit estimates (RM'mil):

2013	2014	2015
4,158	4,603	5,084

- Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 15 Aug 2013

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	10	17	2	29

Source: Bloomberg and Analyst Reports



# Summary

- **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**
- **Strong brand**
- **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		2008	2009	2010~	2011~^	2012^	1H2013
Profitability	Operating profit	3,948	4,015	4,738	5,200	5,329	2,761
	Profit before tax	3,379	3,321	4,086	4,878	5,047	2,611
	Net profit	2,581	2,517	3,048	3,684	3,827	1,992
Shareholder Value	Earnings per share (sen)	76.9	73.3	87.2	105.2	109.3	56.9
	Net assets per share (RM)	2.84	3.19	3.91	4.52	5.15	5.42
	Net dividend per share (sen)						
	- Cash dividend	41.0	41.3	45.5	48.0	50.0	22.0
	- Share dividend	1 for 35	1 for 68	-	-	-	-
	Dividend payout ratio (%)	53.2	56.6	52.3	48.3	45.3	38.7
	Dividend payout ratio (including share dividend) (%)	84.8	79.3	52.3	48.3	45.3	38.7
Key Balance Sheet Data	Total assets	196,163	217,136	226,988	250,773	274,824	292,642
	Gross loan	120,669	137,610	156,544	177,694	197,783	209,440
	Domestic loan	106,791	124,362	143,822	164,081	184,542	195,738
	Deposit from customers	151,185	170,892	176,872	200,371	225,042	240,369
	Domestic deposit	139,494	155,810	162,578	186,445	210,680	225,628
	Core customer deposit	111,204	127,623	143,639	157,297	177,035	191,855
	Shareholders' equity	9,537	11,023	13,692	15,813	18,018	18,986

~ Restated with retrospective application of MFRS 139. For FYE 2010, only relevant balance sheet items have been restated to position as at 1 January 2011

^ Restated with retrospective application of MFRS 119, where applicable. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 January 2012



# Appendix (cont'd)

	%	2008	2009	2010~	2011~^	2012^	1H2013	Industry
Profitability Ratios	Net interest margin on yielding assets <sup>++</sup>	3.2	3.2	3.4	3.3	3.1	2.9	N/A
	Net return on equity <sup>+</sup>	30.4	26.1	27.1	26.8	24.1	22.6	N/A
	Pre-tax return on average assets	1.8	1.6	1.8	2.0	1.9	1.8	1.6
	Cost to income ratio	31.2	32.6	30.7	29.8	31.2	31.4	46.6
	Non interest income/Total income	22.6	20.6	21.3	21.1	20.8	21.6	N/A
Liquidity	Net loan to deposit ratio	78.3	79.2	87.6	87.8	87.1	86.4	77.7
Asset Quality	Gross impaired loans ratio	1.0	1.4 <sup>##</sup>	1.1	0.9	0.7	0.7	2.0
	Loan loss coverage ratio	159.7	120.3 <sup>##</sup>	94.2	113.8	126.0	123.2	99.8
Capital Adequacy	Common equity Tier I capital ratio	N/A	N/A	N/A	N/A	N/A	8.5	11.7
	Tier I capital ratio <sup>π</sup>	7.7	9.9	10.6	10.6	10.8	10.4	12.6
	Total capital ratio <sup>π</sup>	13.1	14.0	13.5	15.0	14.1	12.8	13.8
Market Share	<u>Domestic market share</u>							
	Commercial property financing	31.9	33.2	33.9	32.9	33.7	33.7	N/A
	Residential property financing	15.3	16.6	17.4	18.1	19.1	19.5	N/A
	Passenger vehicle financing	23.9	24.6	25.5	25.9	26.4	26.3	N/A
	Private unit trust	39.0	42.5	43.5	44.3	40.8	41.4	N/A
	Domestic loans	14.8	15.9	16.3	16.4	16.7	16.8	N/A
	Domestic deposits	15.5	16.3	14.8	14.9	15.2	15.6	N/A

<sup>+</sup> Based on average equity after deducting proposed dividend, if any

<sup>++</sup> Excluding Negotiable instrument of Deposits and Money Market Deposits which are on-lent to interbank

<sup>~</sup> Restated with retrospective application of MFRS 139. For FYE 2010, only relevant balance sheet items have been restated to position as at 1 January 2011

<sup>^</sup> Restated with retrospective application of MFRS 119, where applicable. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 January 2012

<sup>##</sup> Restated due to the adoption of FRS 139

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





## Investor Relations Contact

### **Ms Chang Siew Yen**

Senior General Manager

+(603) 2176 7460

[changsiweyen@publicbank.com.my](mailto:changsiweyen@publicbank.com.my)

### **Mr Ng Seiw Kuan**

Director, Corporate Planning and Strategy

+(603) 2177 3170

[ngseiwkuan@publicbank.com.my](mailto:ngseiwkuan@publicbank.com.my)

### **Ms Yik Sook Ling**

Chief Financial Officer

+(603) 2177 3310

[yiksookling@publicbank.com.my](mailto:yiksookling@publicbank.com.my)