

**PUBLIC BANK**

PUBLIC BANK



Investor Presentation

Nomura Investment Forum Asia 2017

Singapore

6 – 9 June 2017



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- 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



## **Sustainable Organic Growth Momentum**

Public Bank was founded 50 years ago in 1966. The Group's corporate mission – “To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia”, has been deeply embedded in the corporate culture of the Group. Over the years, this mission continued to be diligently embraced within the Group's operations and formed the fundamental building blocks for the Group.

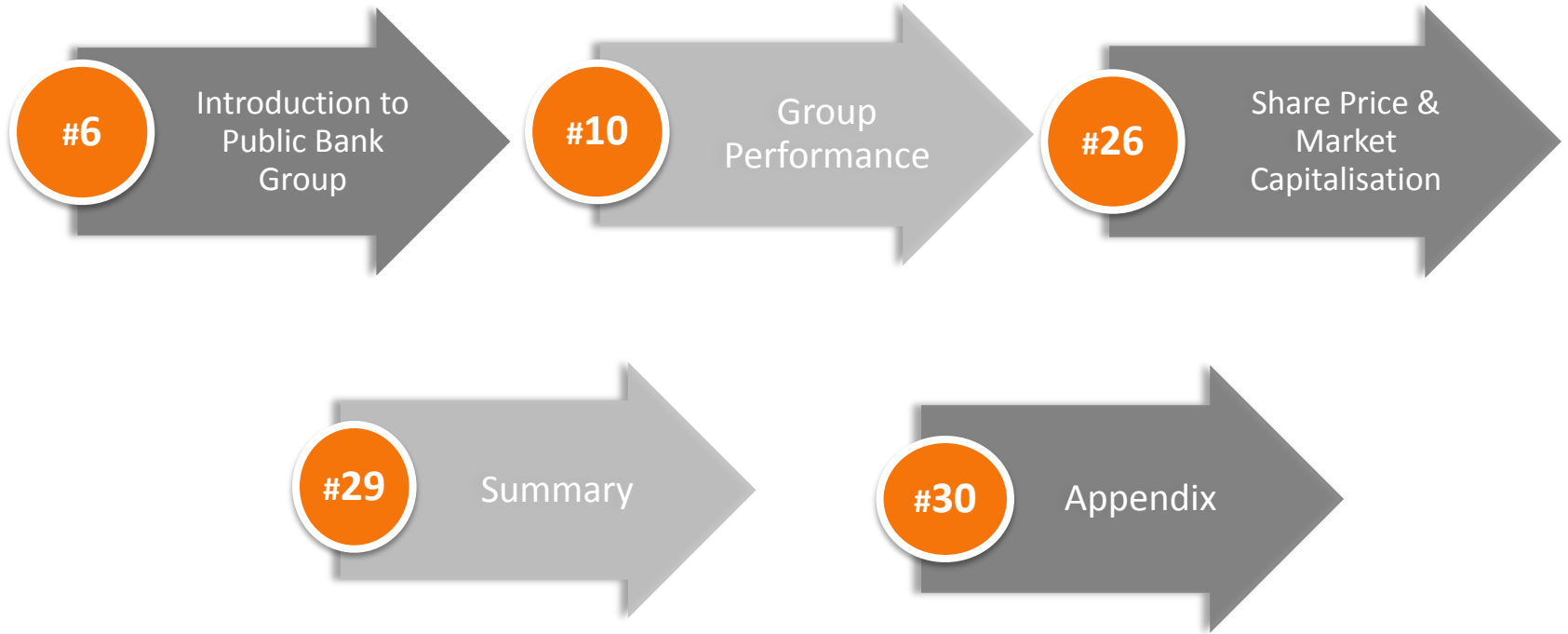
The strong fundamentals of prudent banking practices, efficient customer service, high operational productivity, professional management, strong corporate governance and upholding the values of integrity and trust have enabled the Group to grow and progress, and have also anchored the Group through many challenging business cycles.

The Group's journey over the past 50 years has seen many accomplishments. The Group has expanded from its first branch in Kuala Lumpur to 259 bank branches nationwide in Malaysia, as well as 130 overseas branches across Hong Kong, China, Cambodia, Vietnam, Laos and Sri Lanka serving the banking and financial needs of about 10 million customers, whilst contributing to the development of the economies in which the Group operates.

Today, the Group is widely recognised for its performance in sustaining the best asset quality, most efficient cost to income ratio and highest return on equity among the domestic banking groups. The Group takes pride in its track record of 50 years of unbroken profitability even in times of market adversity.

Going forward, the Public Bank Group will continue to pursue its strategy of organic growth in its retail banking business and target to sustain its performance in the key performance measures. The Group will stay vigilant, agile and adaptive in the market place and adjust its operating approach in line with market developments and technological changes amid the macro uncertainties. The Group is committed to further build on its strong foundation, continue to strive harder to strengthen the Group's position as a premier banking group, and pursue excellence in delivering enhanced value to its stakeholders.

**Tan Sri Dato' Sri Dr. Teh Hong Piow**  
**Founder and Chairman**

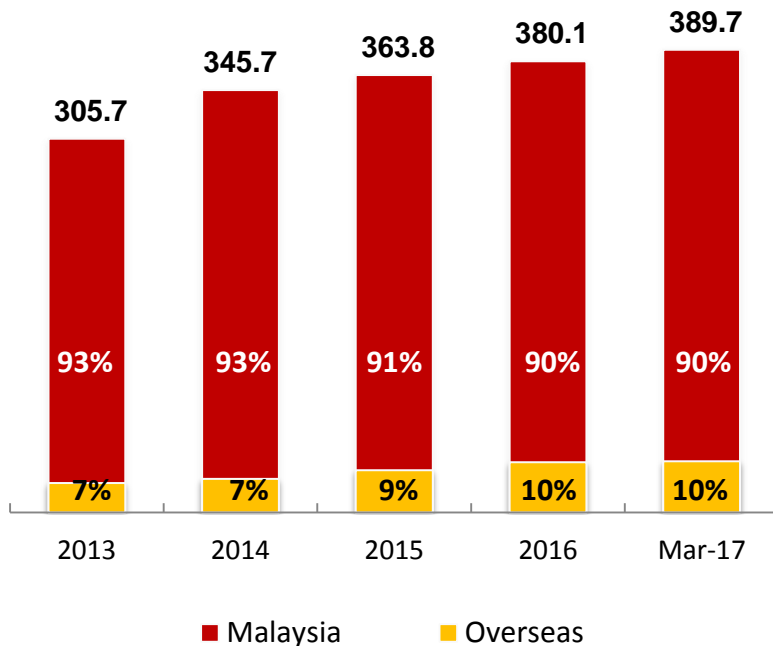


# Introduction to Public Bank Group

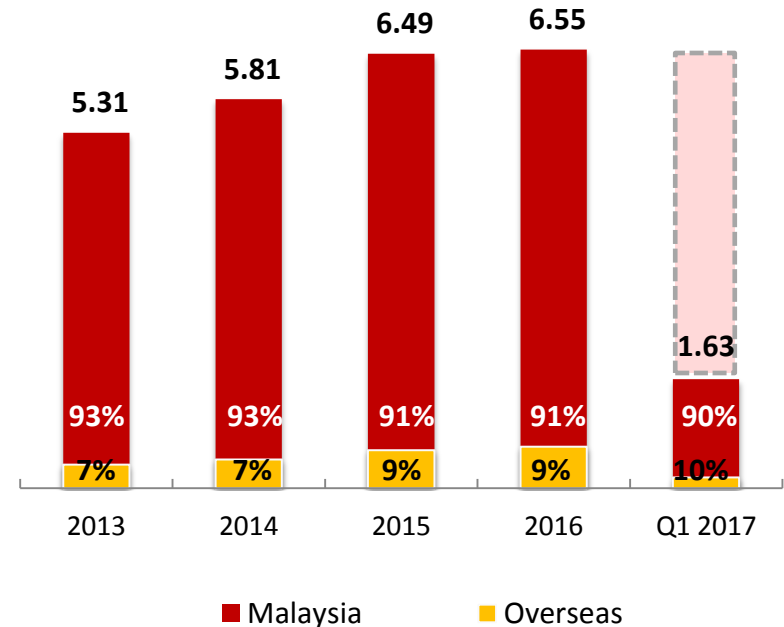


- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- A retail bank with domestic operations contributing over 90% of the Group's assets and profits

**Total Assets**  
RM'bil



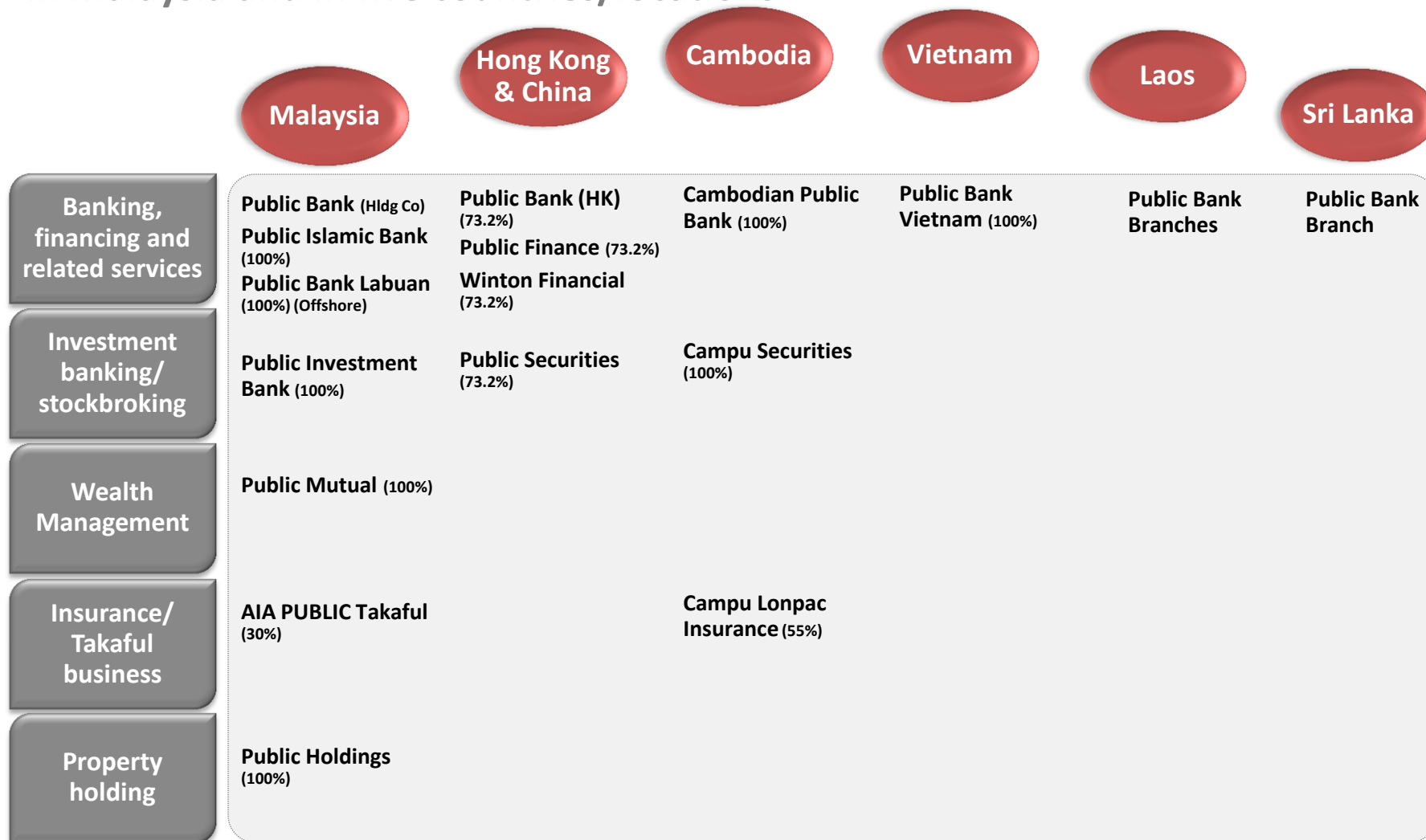
**Pre-tax Profit**  
RM'bil



# 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





## 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>	<p>Expand existing fee-based activities such as unit-trust funds, bancassurance, card business, cash management services, remittance services and trade finance</p>	<p>Increase contribution from overseas operations in Hong Kong / China and Indo-China</p>	<p>Grow quality large and medium-sized corporate loans</p>	<p>Continue to focus on commercial foreign exchange revenue</p>



# 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

# Unbroken Profit Track Record

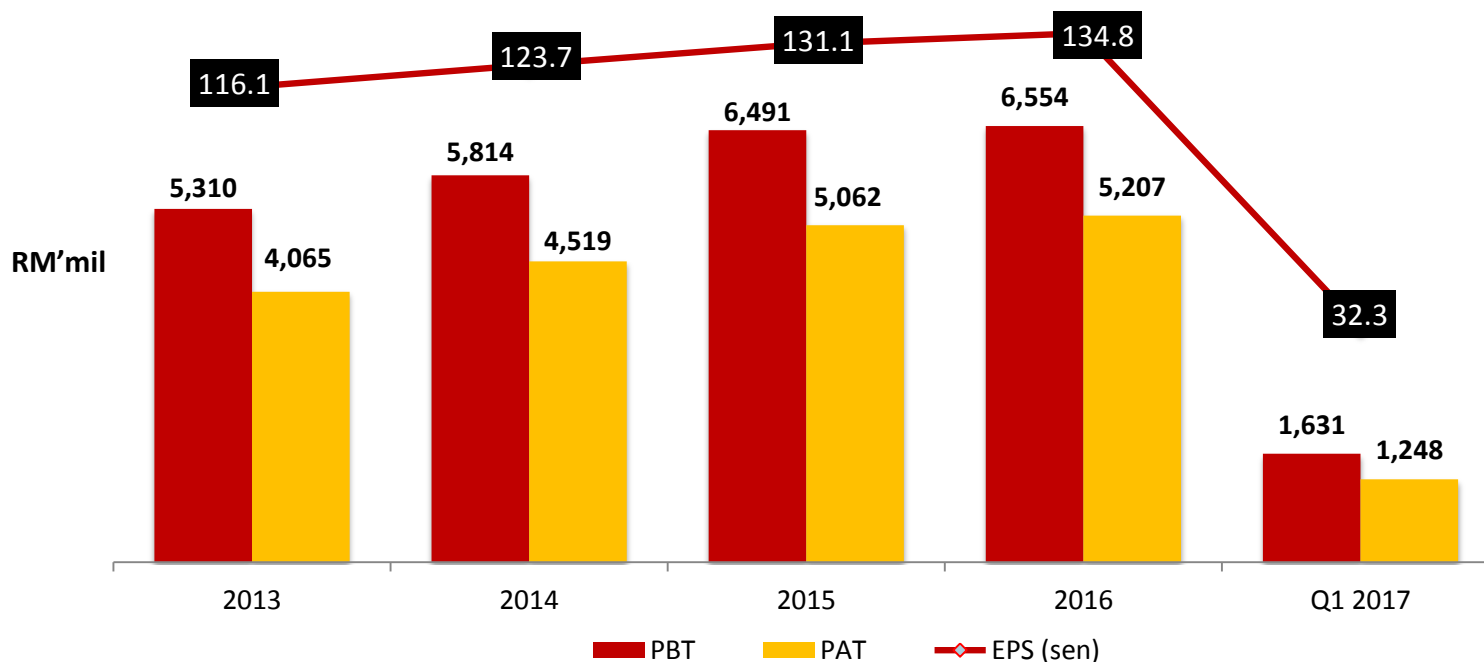


- 50 years of unbroken profitability

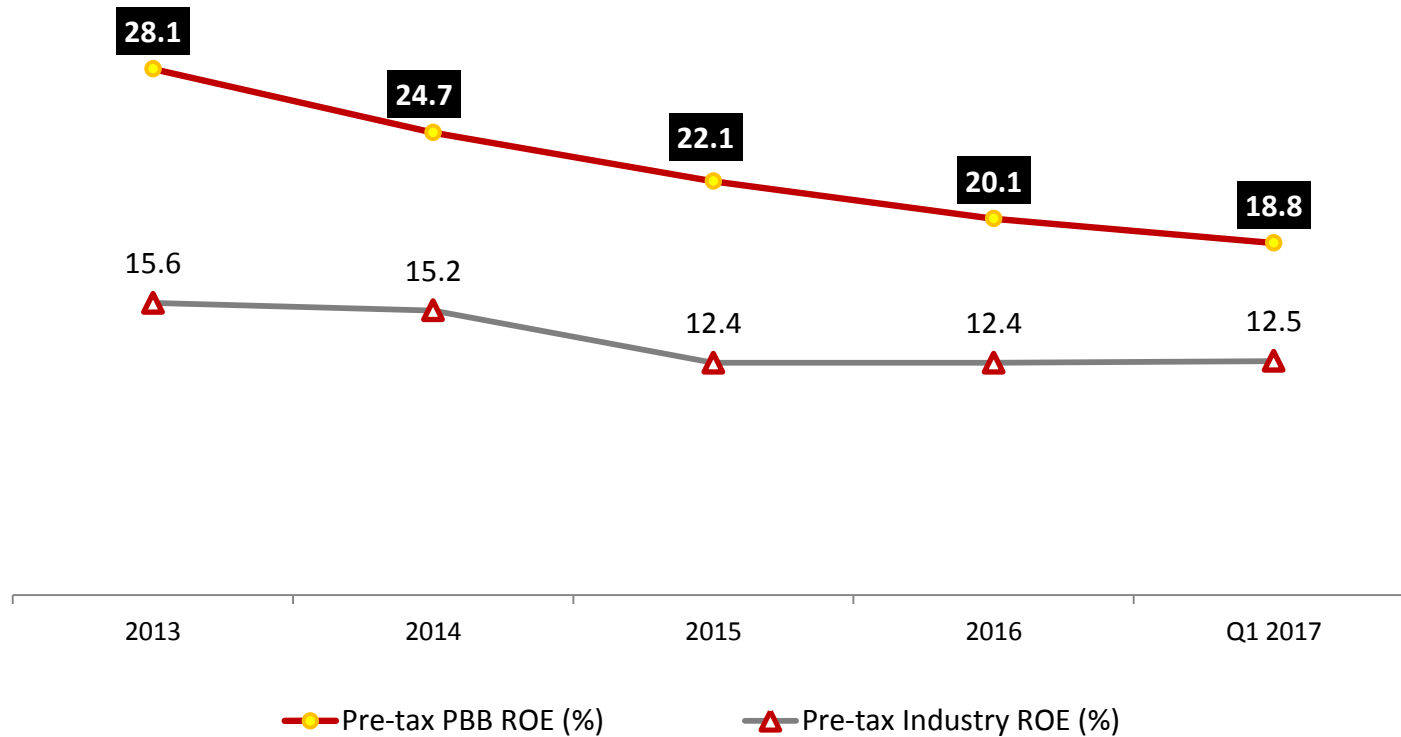
	RM'mil						y-o-y growth (%)				
	2012 <sup>^</sup>	2013	2014	2015	2016	Q12017	2013	2014	2015	2016	Q12017 <sup>**</sup>
Pre-tax profit	5,047	5,310	5,814	6,491	6,554	1,631	5.2	9.5	11.6	1.0	-1.2
Net profit	3,827	4,065	4,519	5,062	5,207	1,248	6.2	11.2	12.0	2.9	1.5

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

<sup>\*\*</sup> Growth in comparison with corresponding period in 2016



# Above-industry Return on Equity (ROE)





## 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>

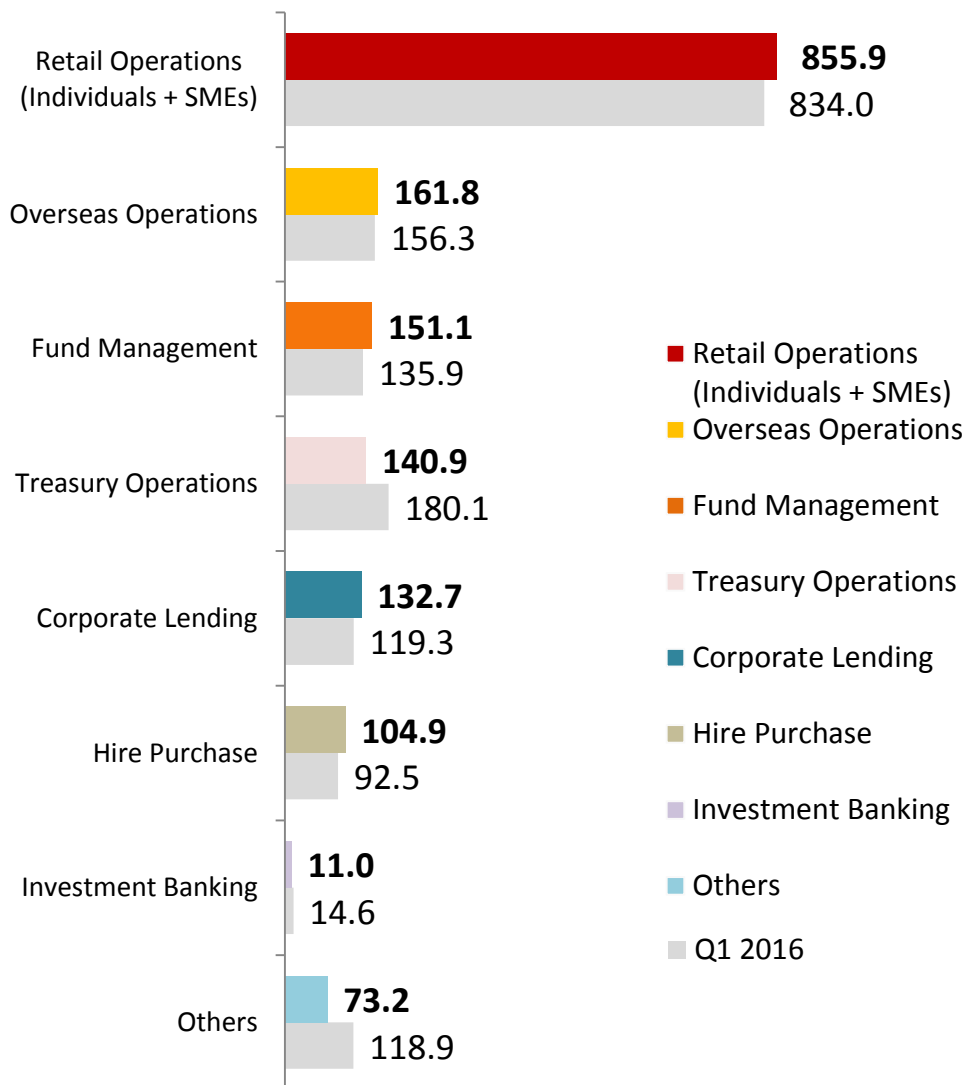
\* Annualised growth

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

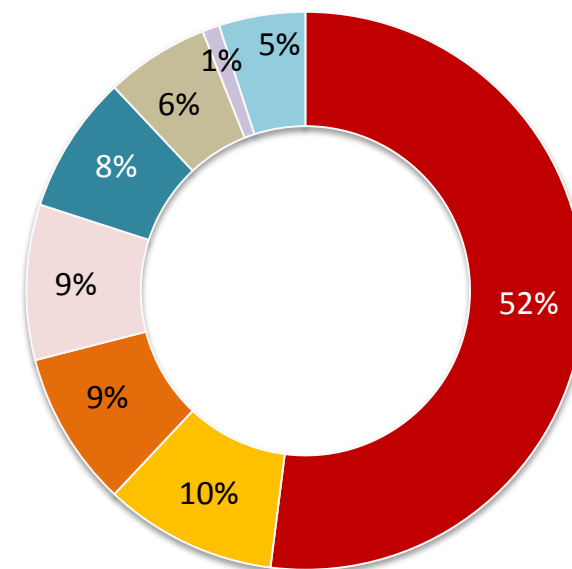
# Segmental Profit – Retail Centric



Q1 2017 vs Q1 2016 PBT (RM'mil)



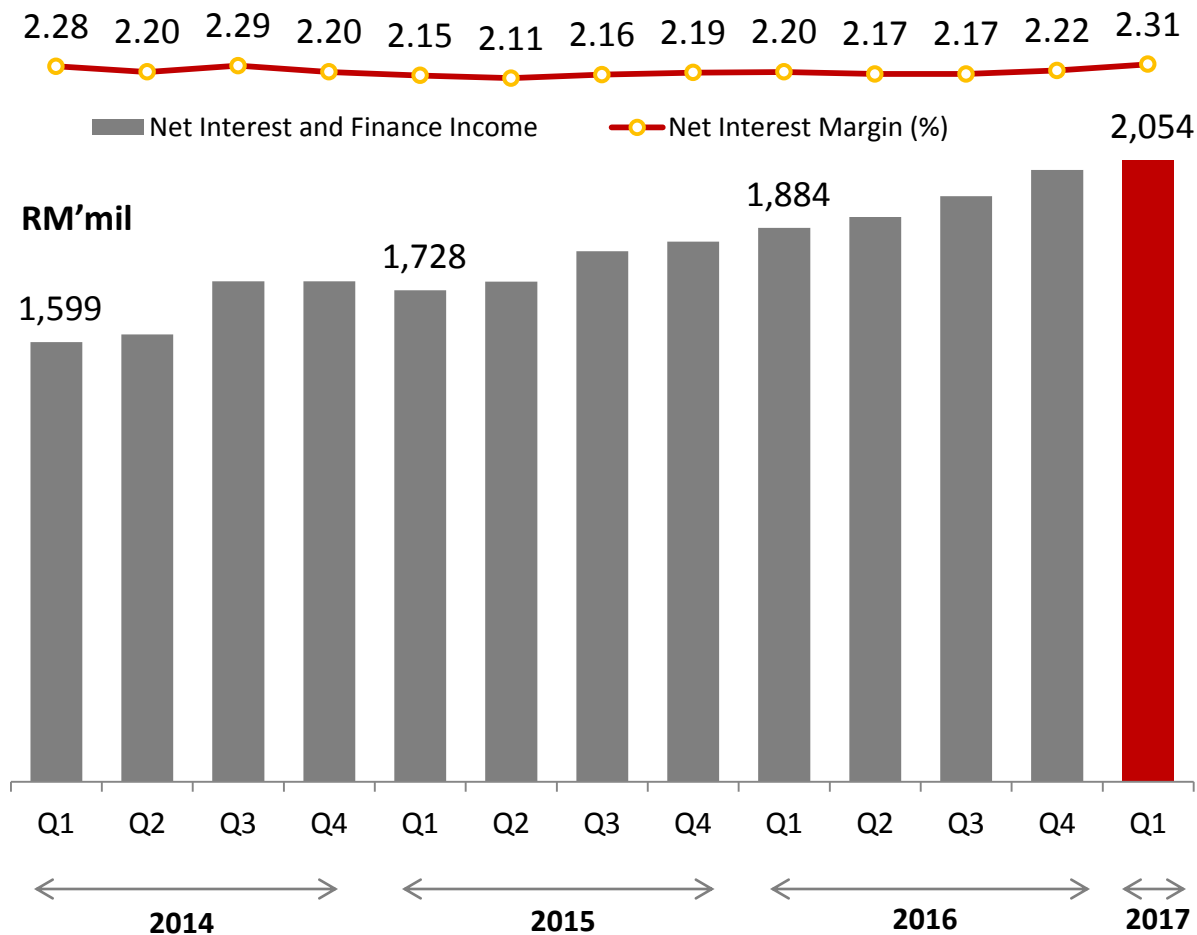
Profit Contribution



Based on financial results as at 31 March 2017

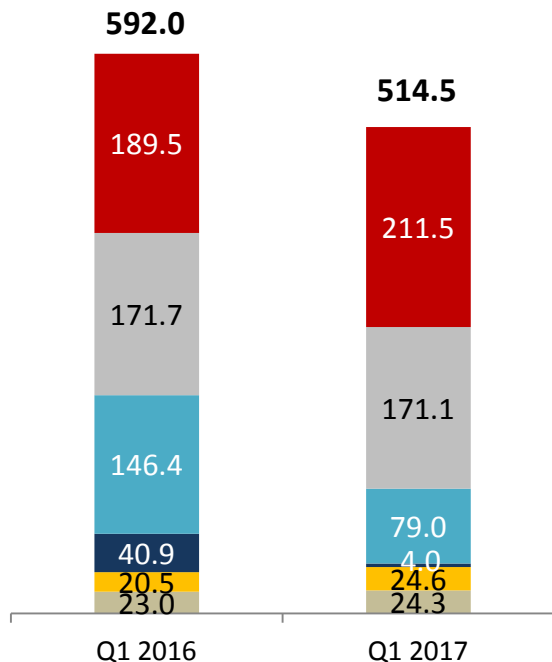
**Note:** Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

# Net Interest Margin

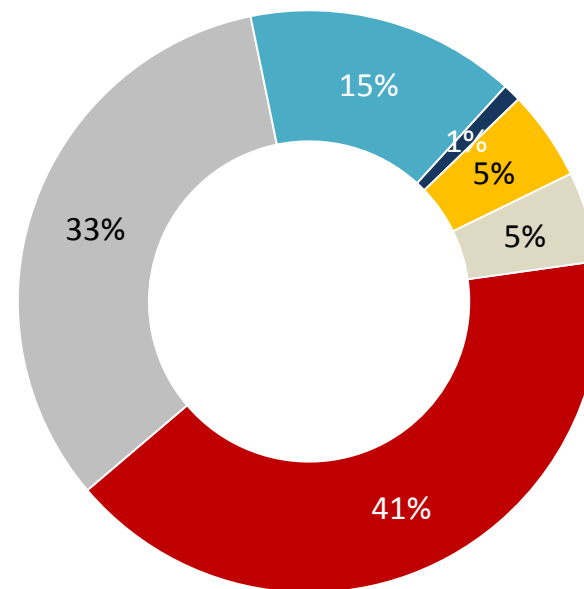




RM'mil



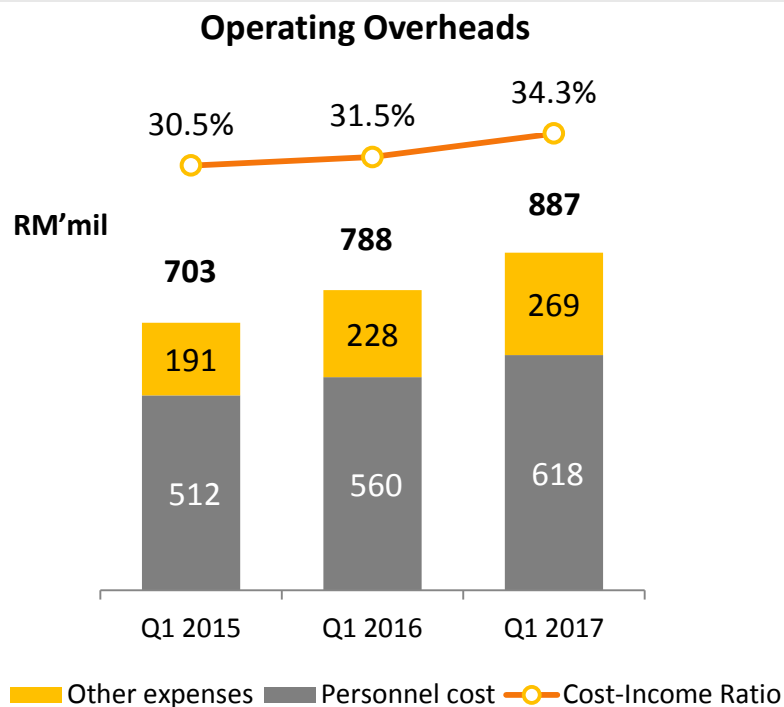
Non-Interest Income Contribution



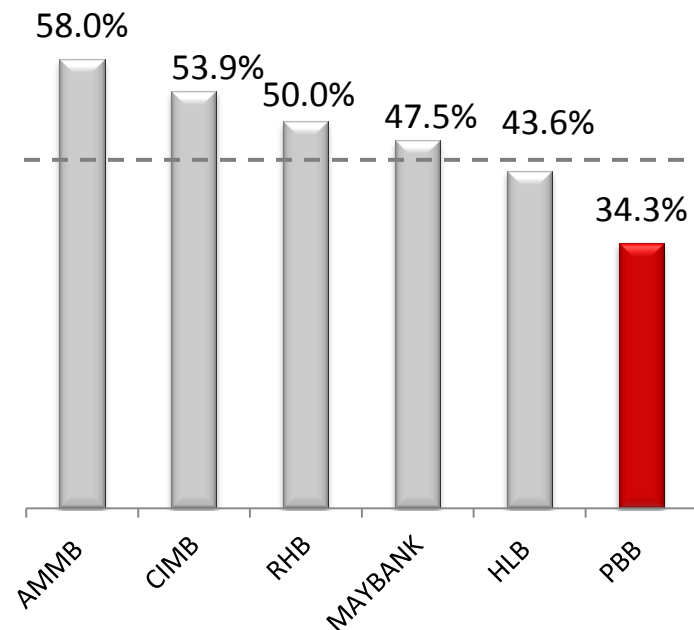
Based on financial results as at 31 March 2017

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

# 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 December 2016 position except for PBB

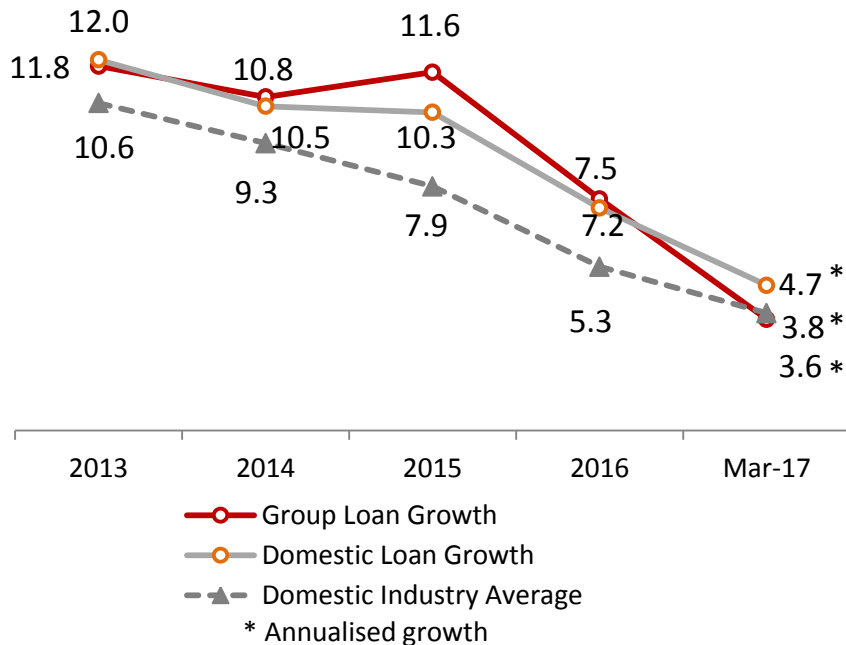
RM'mil	Q1 2017	2016	Industry Average
Gross loan per employee	16.0	15.8	13.0
Deposit per employee	17.1	16.6	14.5
PBT per employee	0.35*	0.35	0.28

\* Annualised

# Above Industry Loan Growth

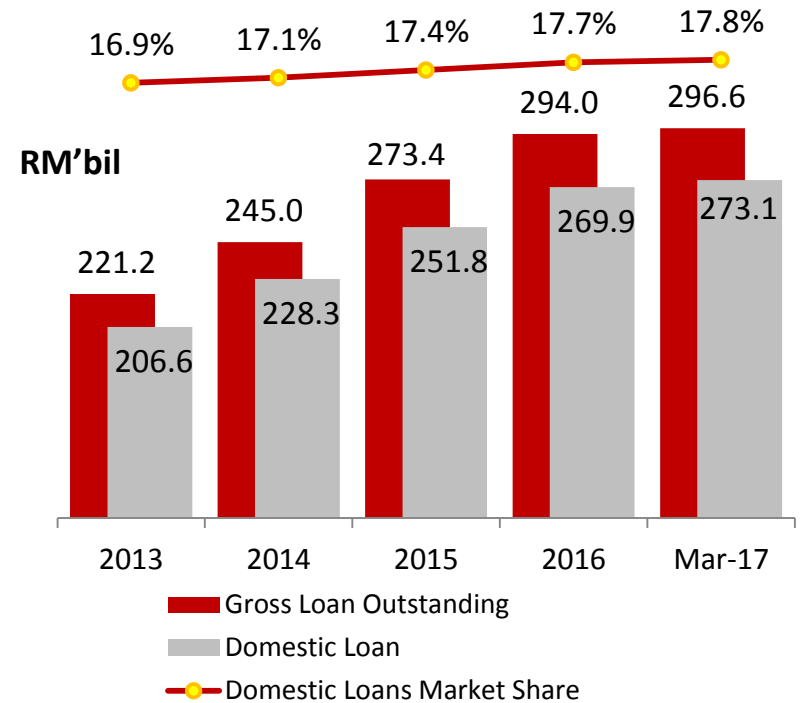


### Loan Growth vs Industry (%)



- Group and domestic loan recorded an annualised growth of 3.6% and 4.7% respectively, with an industry average annualised growth of 3.8%

### Gross Loans and Domestic Loan Market Share

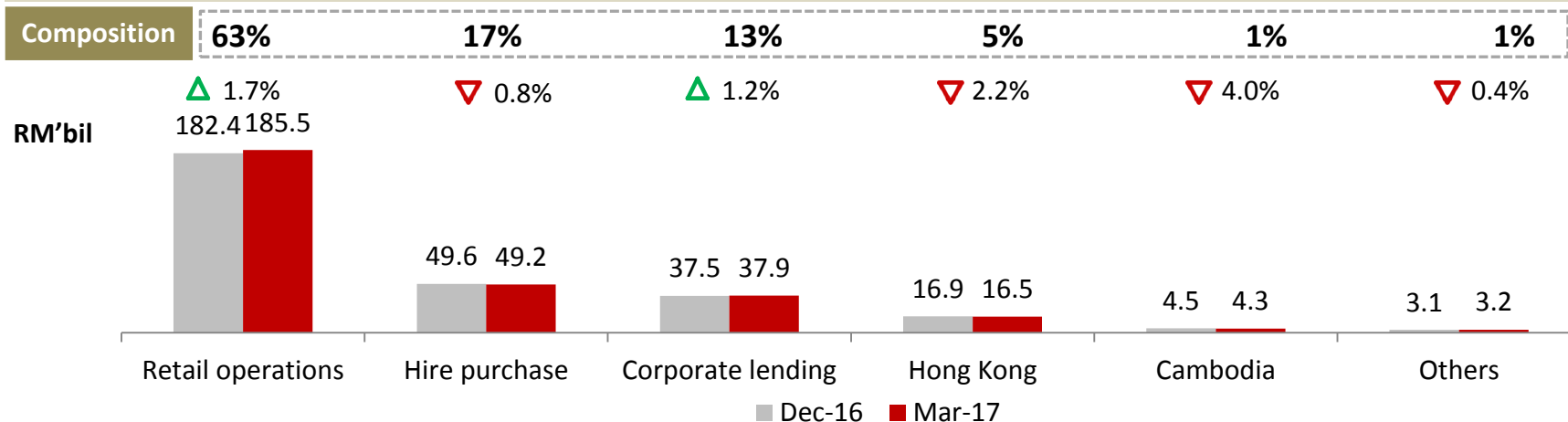


- Gross loan stood at RM296.6 billion, holding 17.8% of market share in the domestic lending market

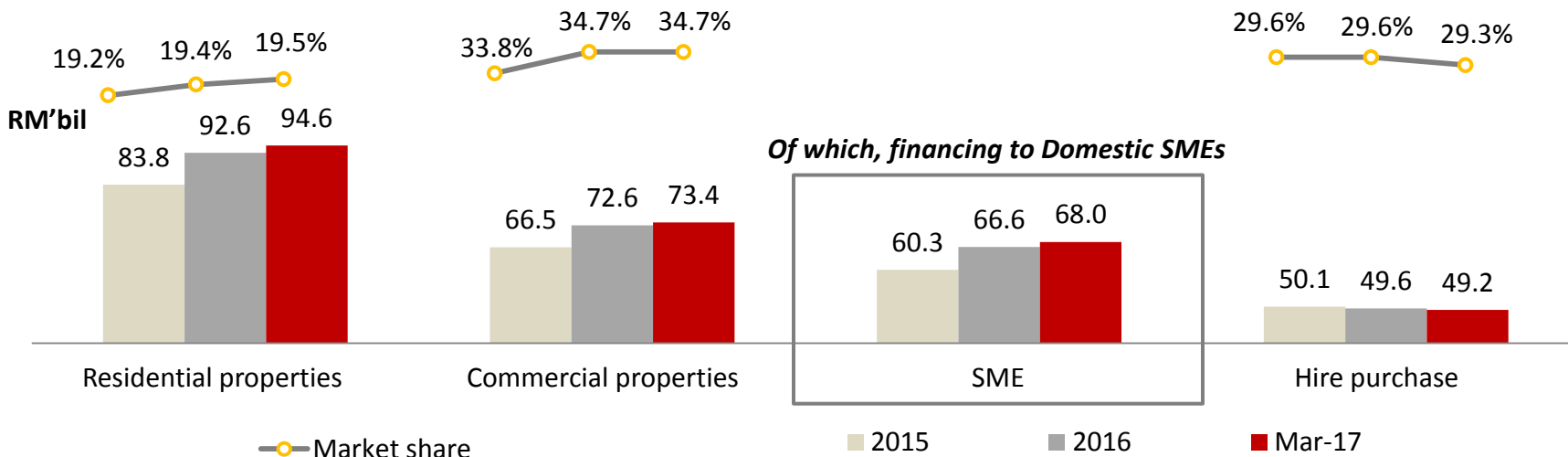
# Healthy Gross Loan Growth



## Gross Loan Composition by Segment



## Gross Loan in Domestic Operations



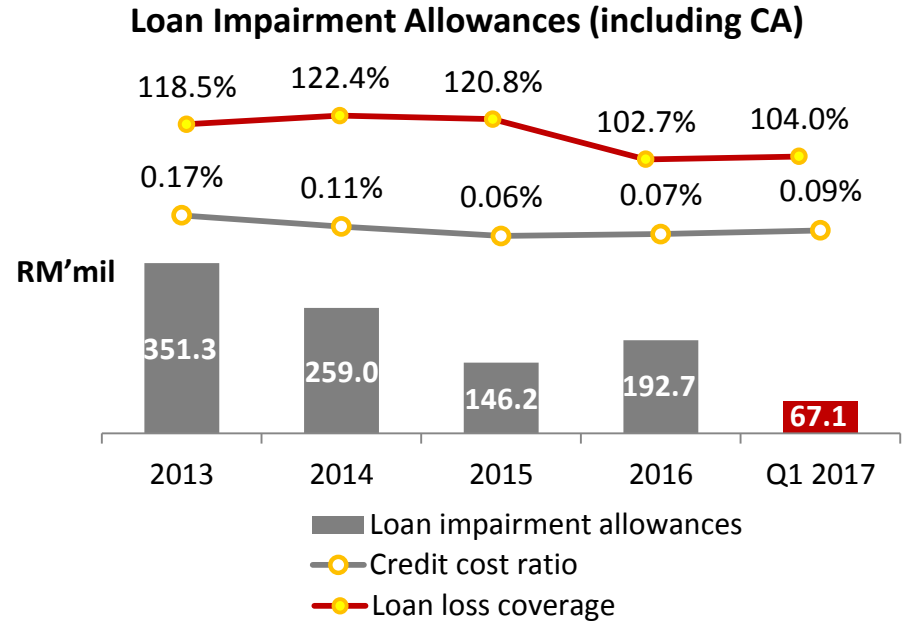
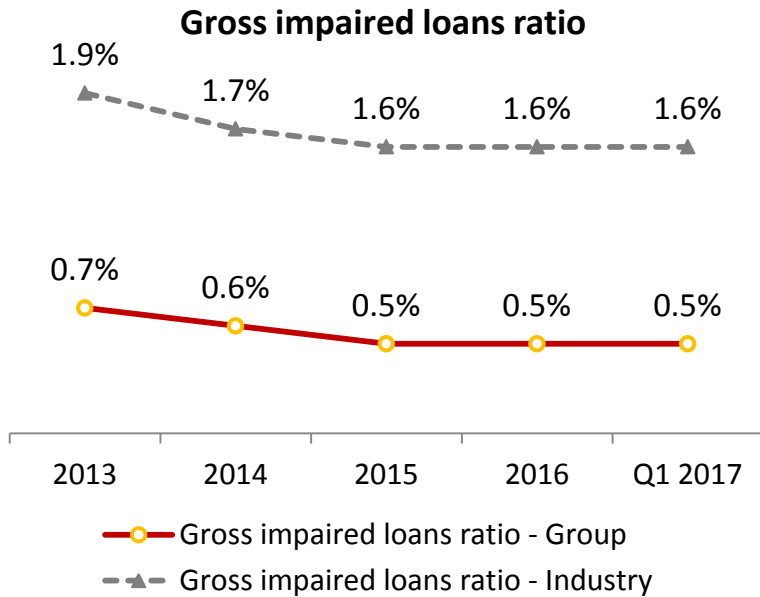
# Sustaining Strong Asset Quality



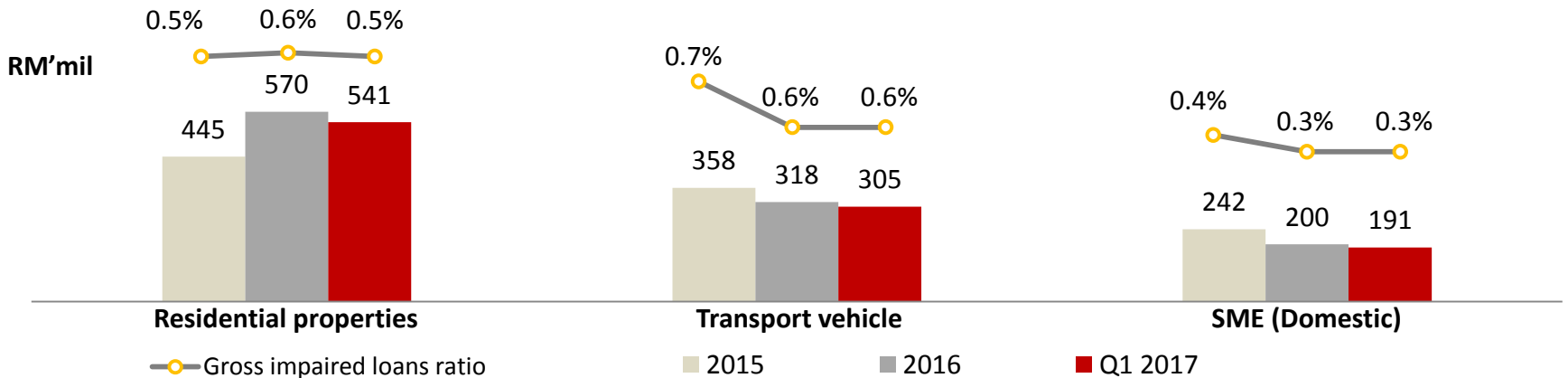
- Focus on lower risk customer segments
  - Traditional urban/ suburban mortgages
  - Passenger vehicle hire purchase
  - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



# Upholding Strong Asset Quality



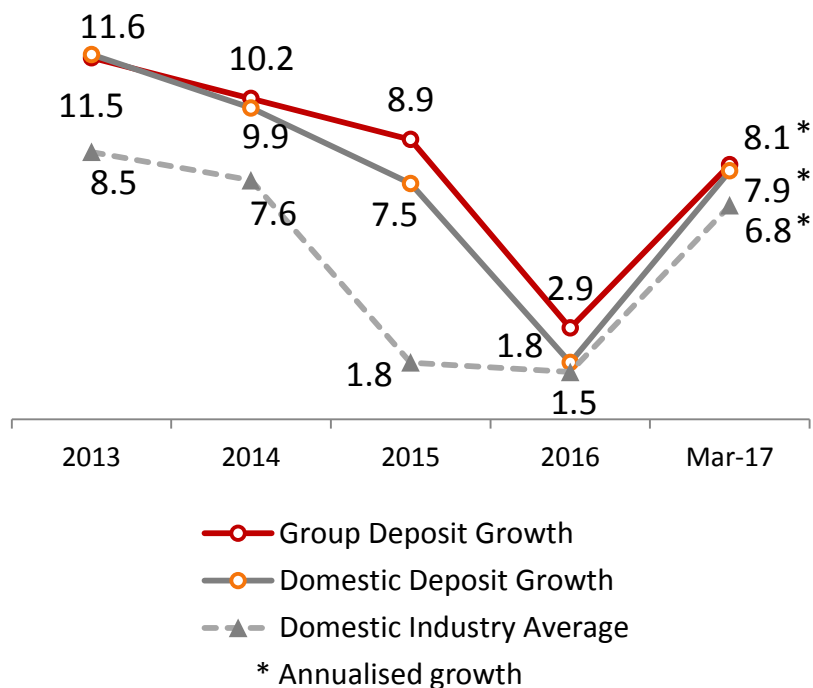
## Gross impaired loans of which:



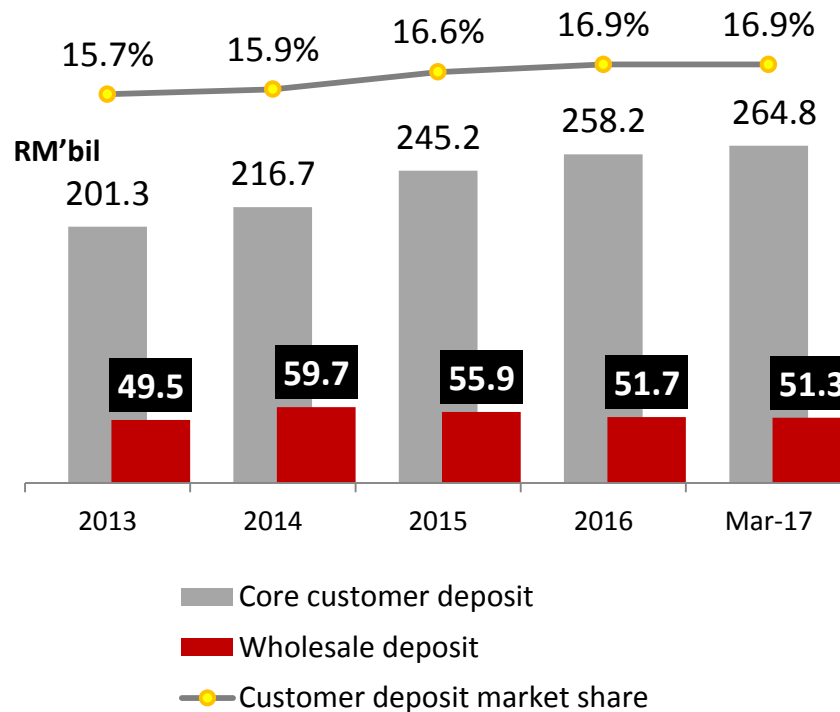
# Healthy Deposit Growth in Support of Liquidity



### Deposit Growth vs Industry (%)



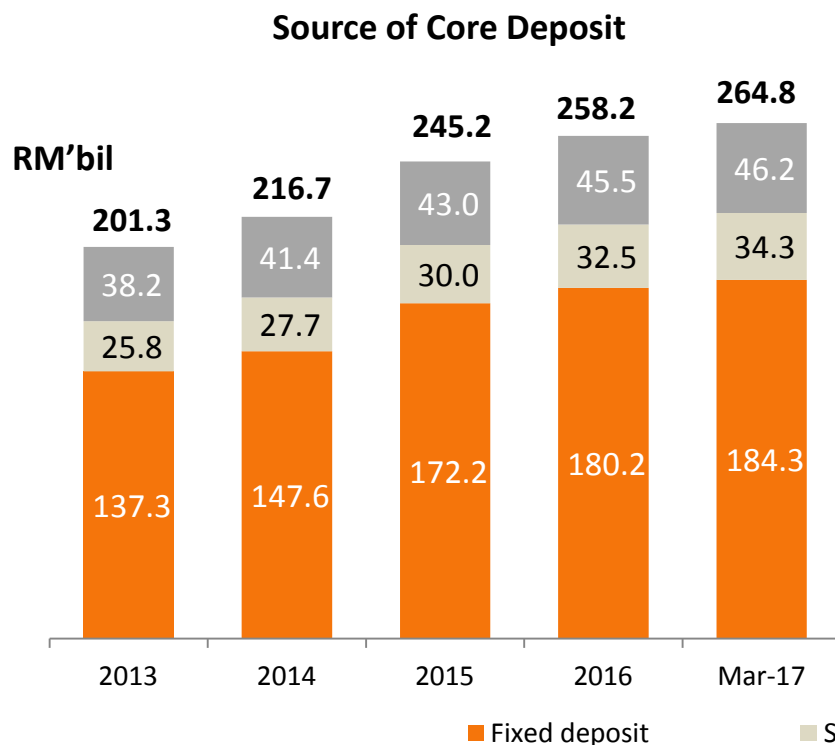
### Deposits – Outstanding Balance and Market Share



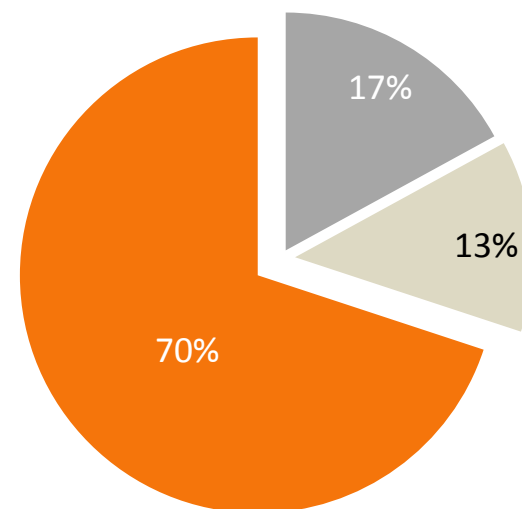
- Both group and domestic deposit achieved an annualised growth of 8.1% and 7.9% respectively, above the industry average annualised growth of 6.8%

- Core customer deposit rose from RM258.2 million to RM264.8 million, with domestic market share of 16.9%

# Healthy Core Deposit Growth



### Core Deposit Contribution

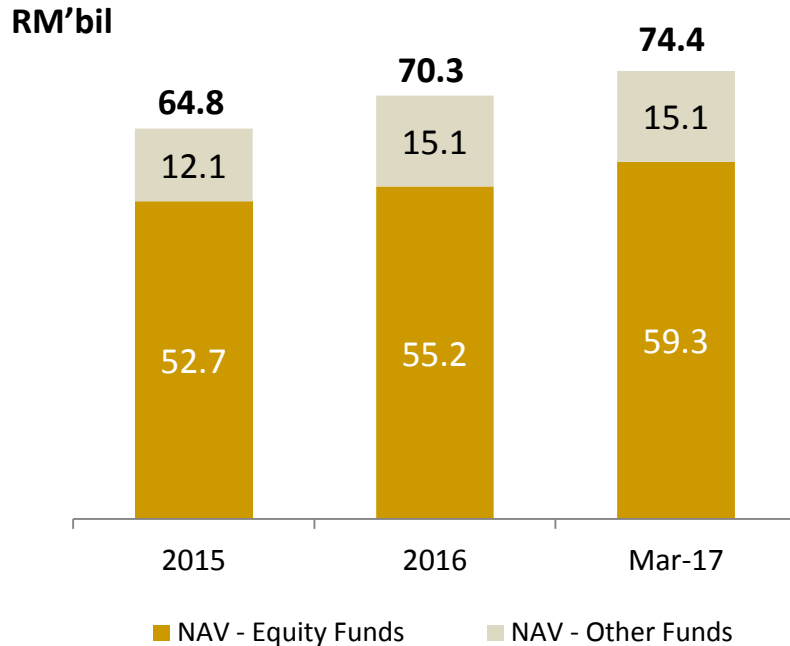


### Core Deposit Growth in Domestic Operations

	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>1.1%</b>	<b>Mar-17</b>	<b>4.5%</b>	<b>4.7%</b>	<b>Mar-17</b>	<b>2.7%</b>	<b>-0.2%</b>

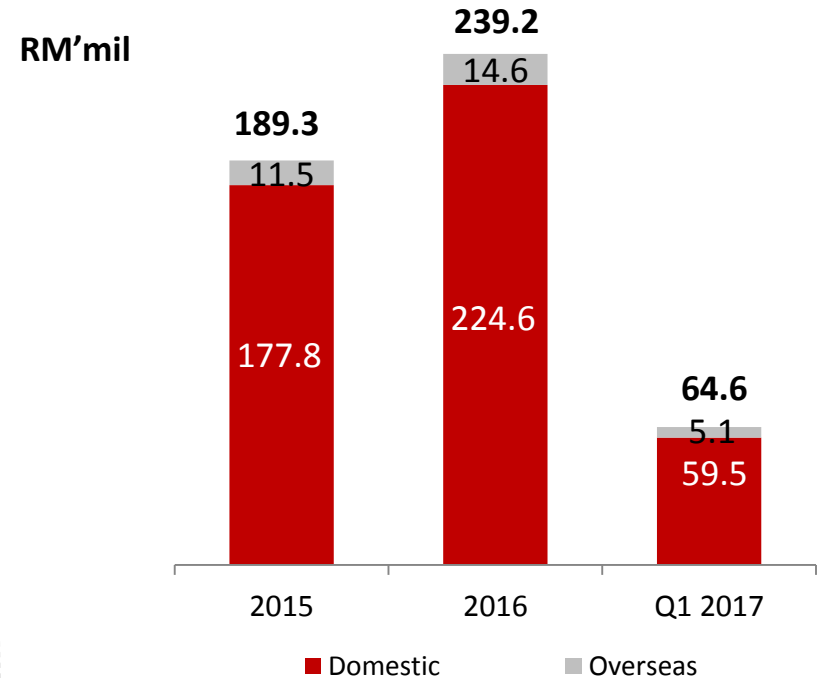


## Net Asset Value of Funds Under Management



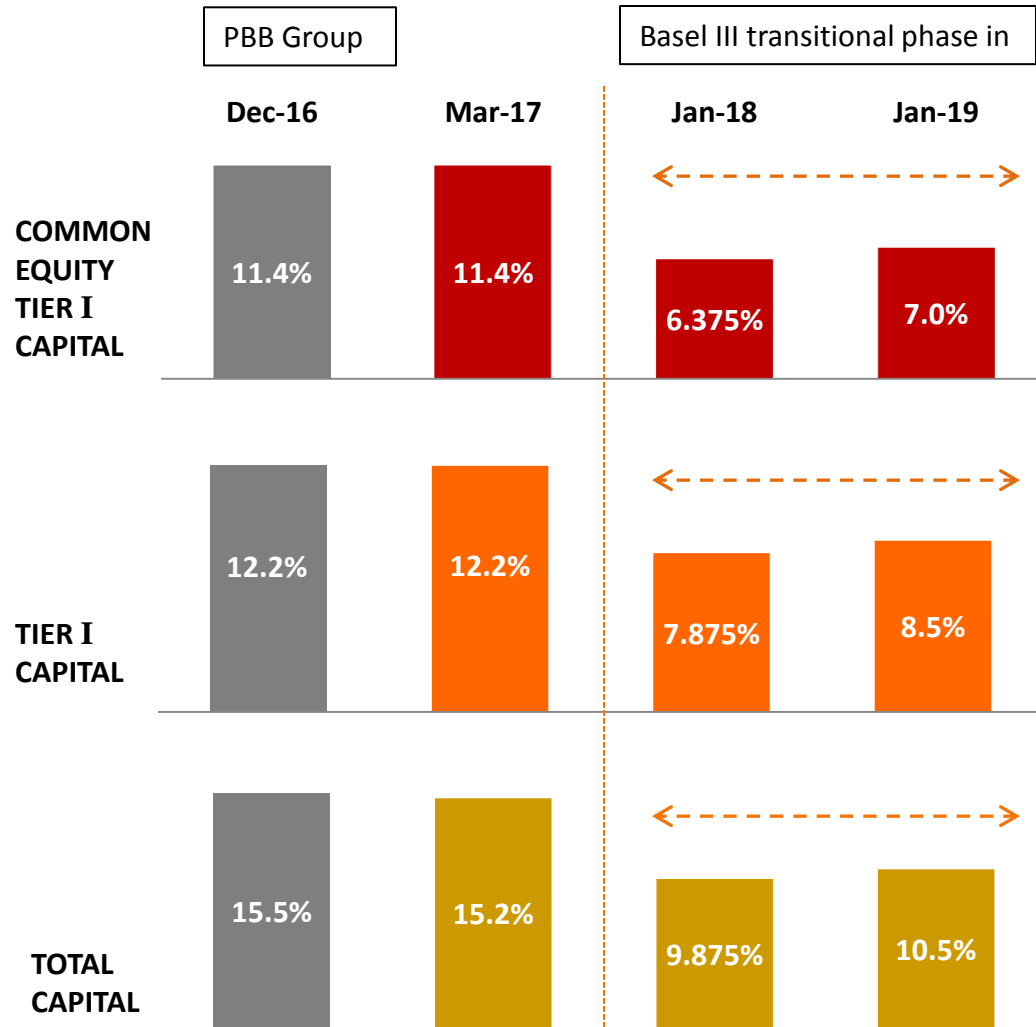
- Public Mutual maintained its market leadership position in the private unit trust industry, with a retail market share of 44.9%

## Bancassurance Business – Annualised New Premium



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

# 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

# Targets & Achievements



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

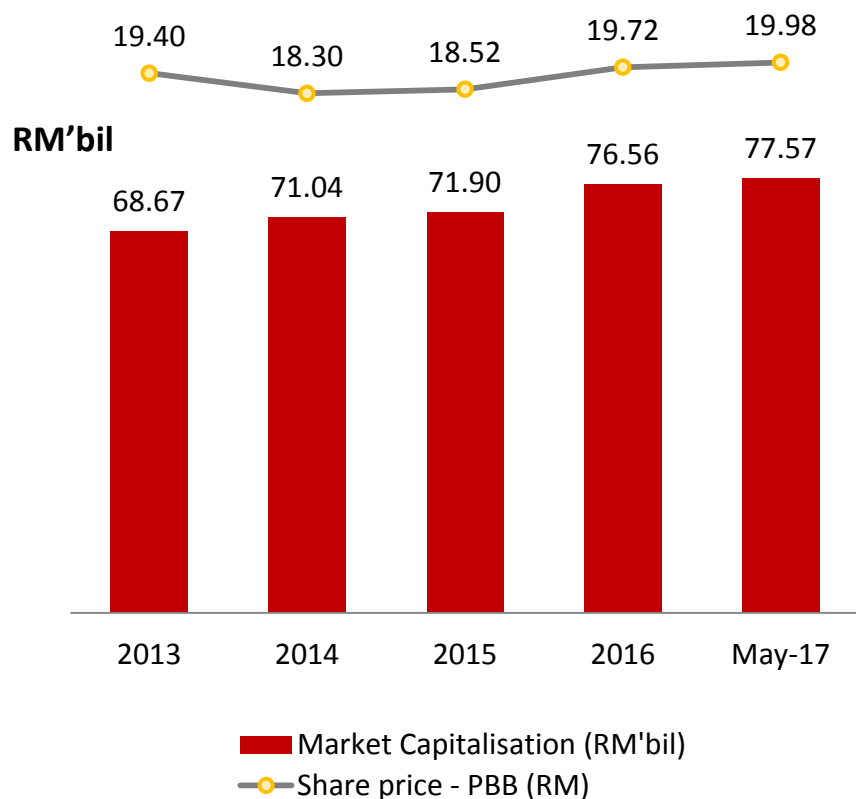
Key Performance Benchmarks	2017 Targets	Mar-17 Achievement
Net Return on Equity	14% to 15%	14.9%
Total Capital Ratio	>13%	15.2%
Gross Impaired Loan Ratio	<1%	0.5%
Cost to Income Ratio	33% to 34%	34.3%
Loan Growth – Group	6% to 7%	3.6%*
– Domestic		4.7%*
Deposit Growth – Group	5% to 6%	8.1%*
– Domestic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

\* Annualised growth

# Share Price & Market Capitalisation



## Share Price & Market Capitalisation



12 May 2017	Market Capitalisation (RM'bil)
PBB	77.6
MBB	96.3
CIMB	53.9
HLB	30.3
RHB	22.2
AMMB	16.6

# Share Price & Market Capitalisation

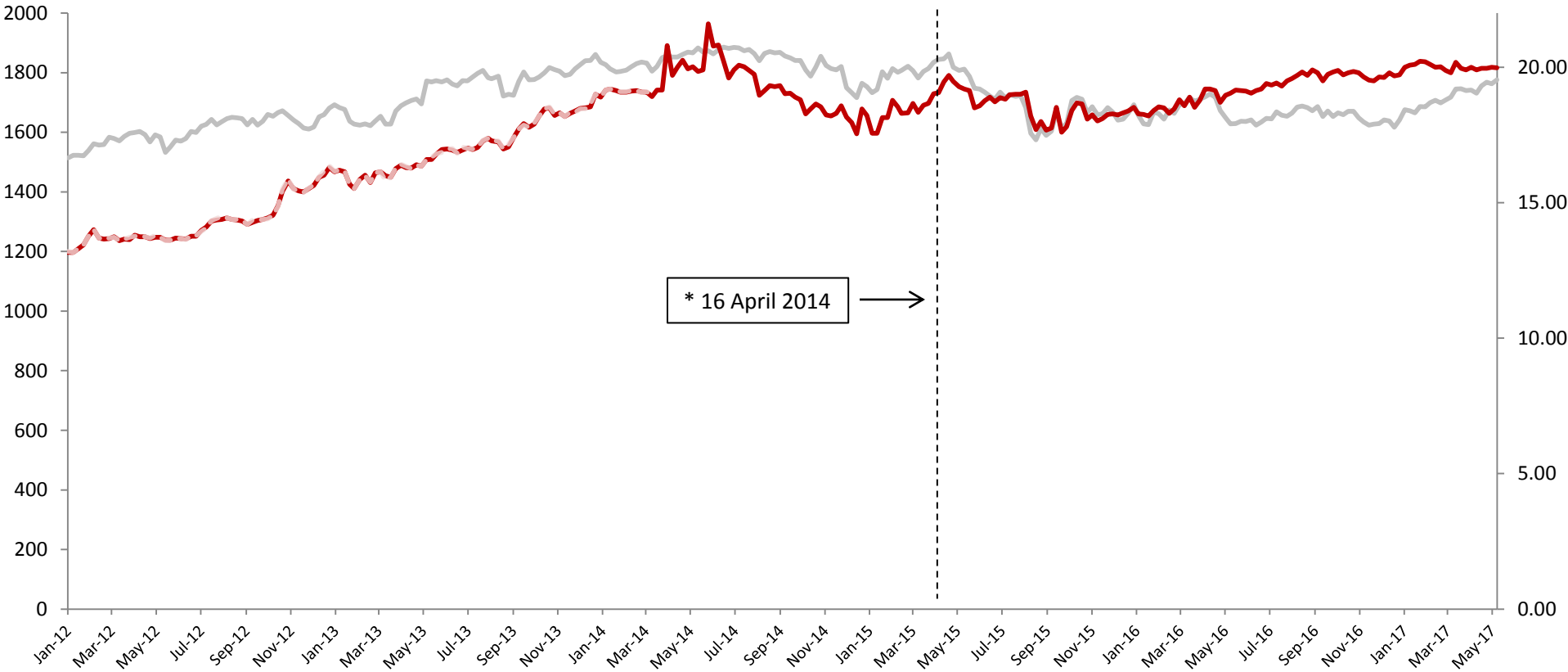


## Resilient share price performance

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

FBM KLCI

Share price (RM)



\* PBB Foreign shares and PBB Local shares merged under a single stock name of PBBANK on 16 April 2014



- 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 2012	+83.6%	+11.1%
Long term - since listing	1967	+1,640.8%	+19.0%

<sup>^</sup> Capital appreciation is calculated based on the PBB local share value at closing price as of 30/12/2016 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

	2012 <sup>^</sup>	2013	2014	2015	2016
Price to earnings multiple (times)	14.9	16.7	14.8	14.1	14.6
Price to book multiple (times)	3.2	3.3	2.5	2.3	2.2

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



- ❖ 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	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	88.6
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	89.1
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	17.0
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	19.5	N/A
	Passenger vehicle financing	26.5	28.0	29.6	29.6	29.3	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	16.9	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



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