



PUBLIC BANK

Public Bank

Investor Presentation
22nd CLSA Investors' Forum
Hong Kong
14-18 September 2015





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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

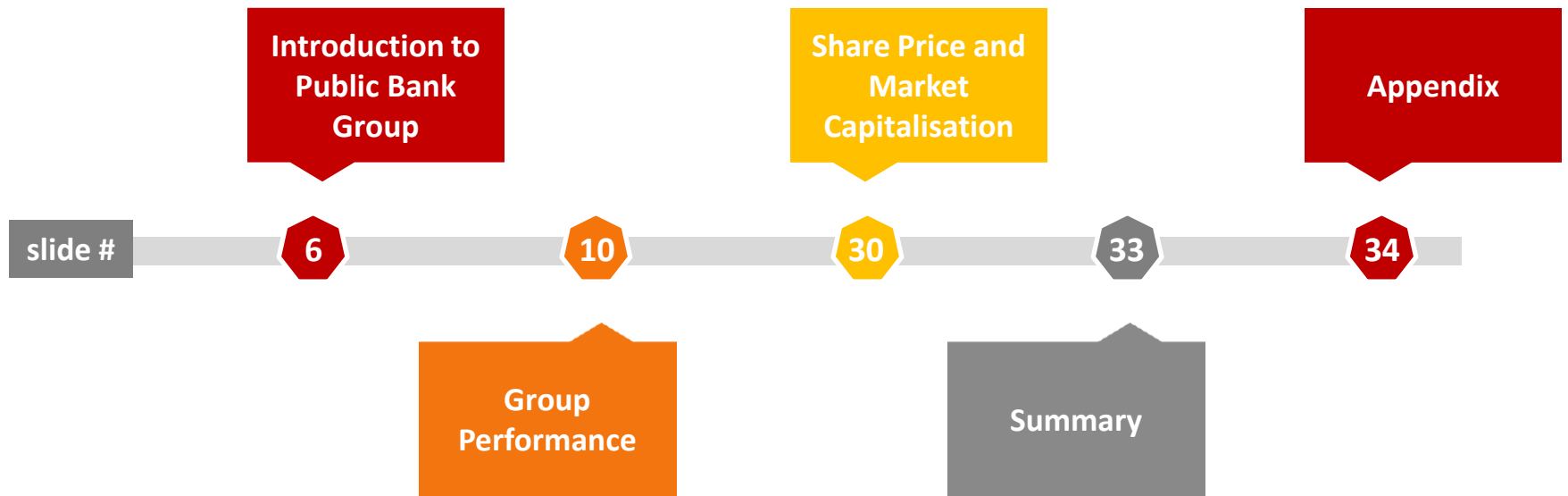
“The Public Bank Group will continue its organic growth strategies of growing its core business of consumer financing. Based on the steady expansion of the economy, stable employment prospect and ongoing demand for residential properties, the Group is well-placed to leverage on its strong position in the market to grow its lending market share. Also, the Group will remain prudent and take proactive measures to maintain its strong asset quality.

The Public Bank Group will focus on broadening its income sources by undertaking more expanded efforts in generating non-interest income from unit trust business, investment income and fee income from banking operations. The Group will make further progress in growing organically its overseas business and capture growth opportunities in the region, in tandem with the increasing regional financial integration.

To increase profitability and improve customer retention, the Group will undertake more cross-selling efforts along with its numerous banking products. The Group is also cognisant of the competitive landscape and will drive further innovation in products, and enhance customer-centric service delivery for competitive advantage. In tandem with Bank Negara Malaysia’s move towards e-payment, enhancing e-channels leveraging on the internet and mobile phone will remain a priority for the Group. The Group also sees great opportunities to reach out to larger customer base through its e-banking channels.

The Public Bank Group will remain vigilant on prudent management and risk management practices. In view of the progressive roll out of the Basel III requirement, the Group will continue to strengthen its capital and liquidity position to ensure sustainability business growth.

Tan Sri Dato’ Sri Dr. Teh Hong Piow
Chairman

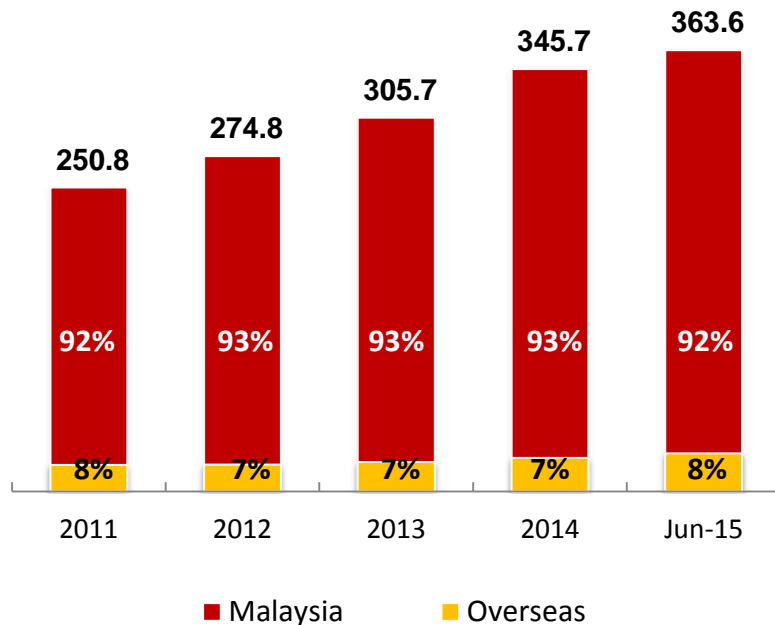


Introduction to Public Bank Group

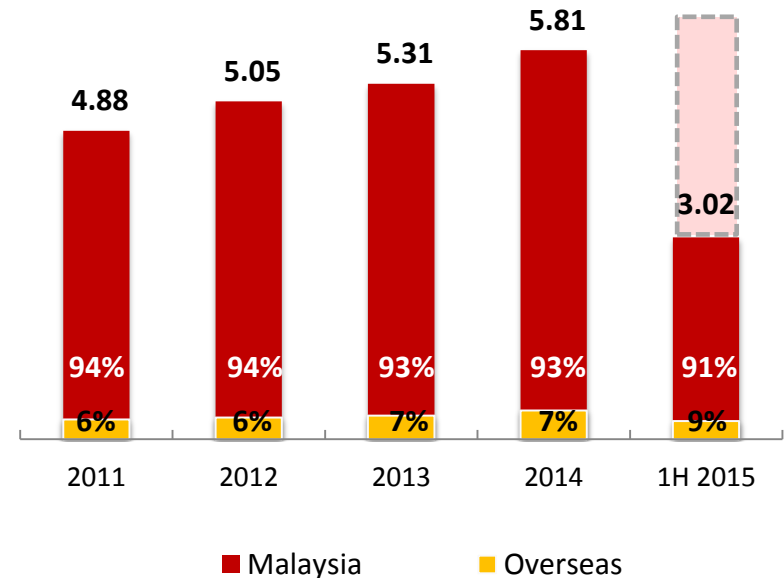


- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- Geographical Contribution

Total Assets
RM'bil



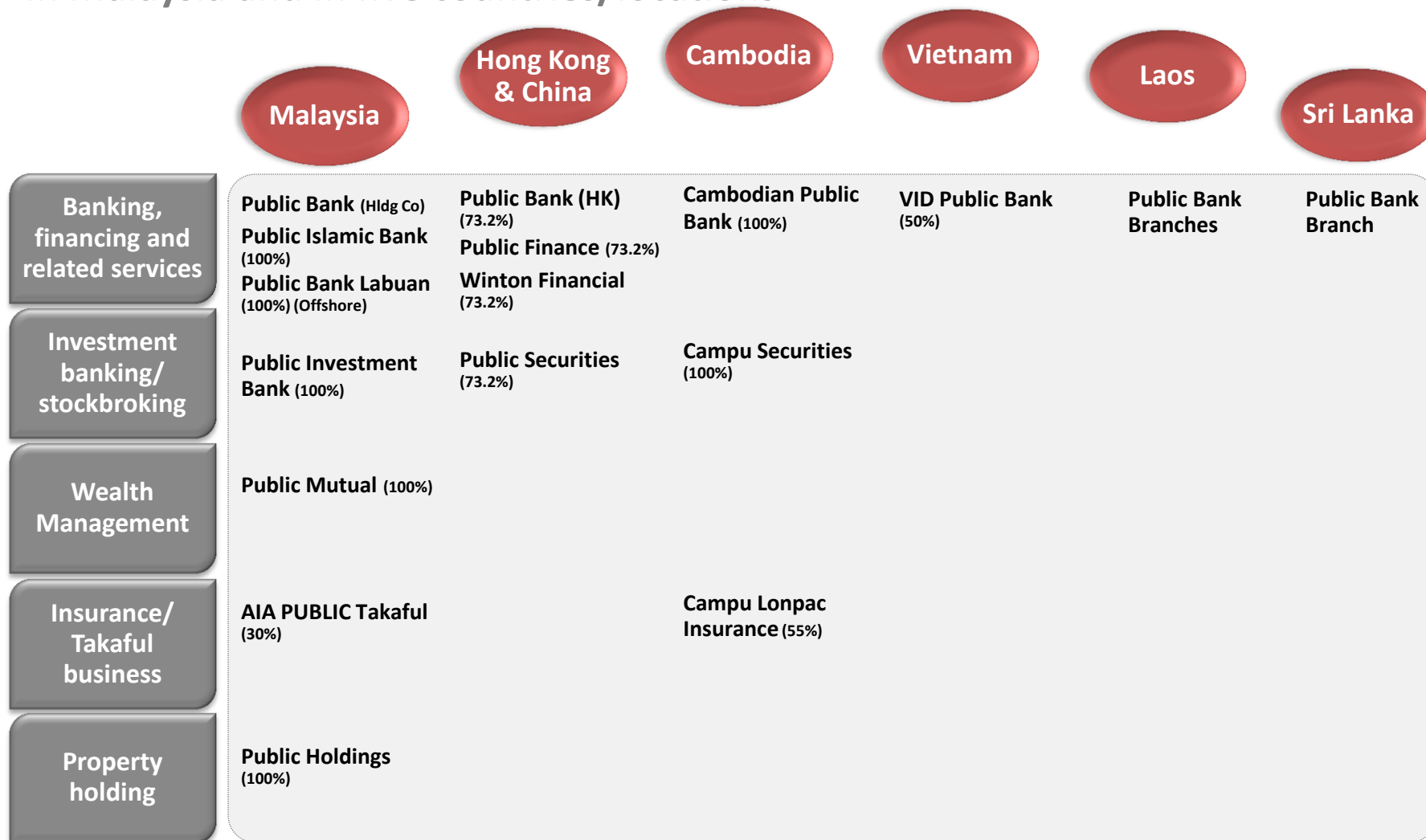
Pre-tax Profit
RM'bil



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





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
- Accelerate fee income growth
- 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

Expansion in Business Delivery Channel



	Jun-15	2014	2010
<u>Malaysian Operations</u>			
Public Bank - Domestic	257	257	249
- Overseas	7	7	4
Public Islamic Bank	2	2	1
Public Mutual	28	28	26
Public Investment Bank	1	1	1
<u>Hong Kong & China Operations</u>			
Public Finance	42	42	42
Public Bank (HK) - Hong Kong	32	32	30
- China	3	3	3
Winton (B.V.I) Group	9	9	9
<u>Indo-China Operations</u>			
Cambodia Public Bank	27	27	21
VID Public Bank (Vietnam)	7	7	7
	415	415	393
Self Service Terminal - domestic	1,948	1,801	1,362



Unbroken Profit Track Record



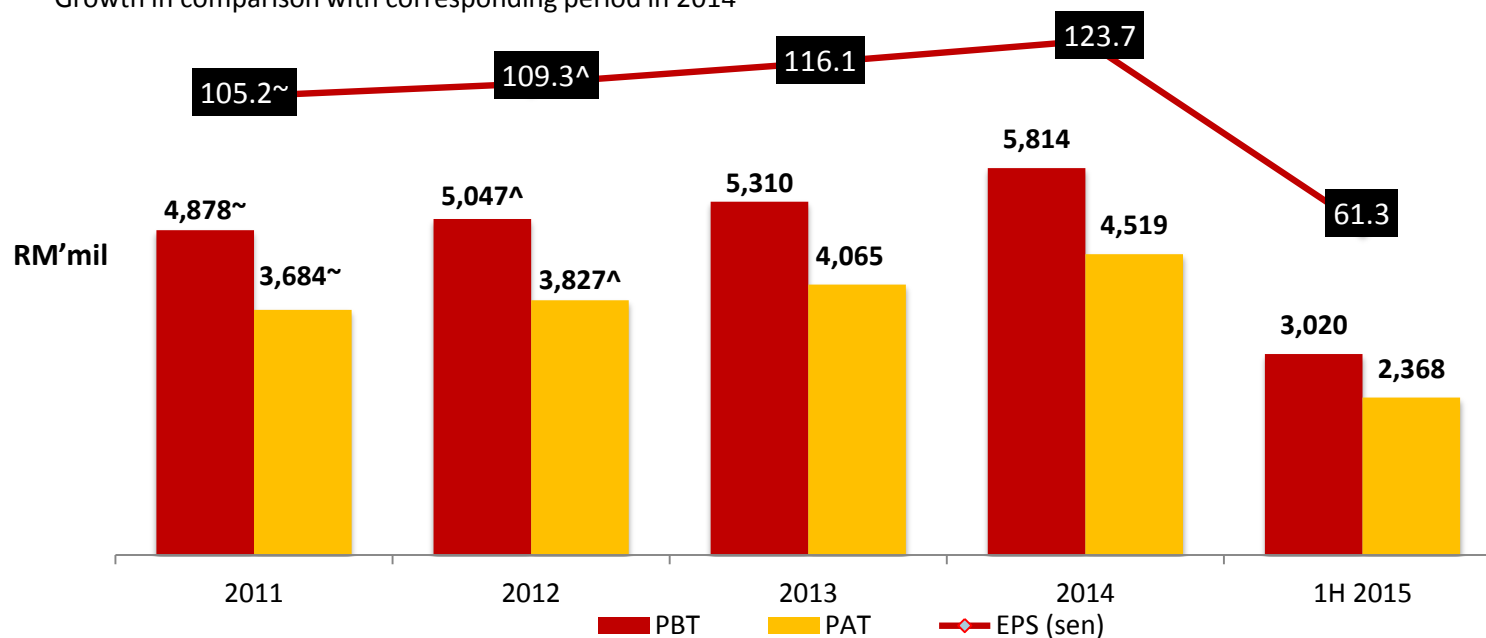
- 48 years of unbroken profitability
- Healthy profit growth in past 5 years

	RM'mil						y-o-y growth (%)				
	2010	2011~	2012^	2013	2014	1H 2015	2011	2012	2013	2014	1H 2015**
Pre-tax profit	4,086	4,878	5,047	5,310	5,814	3,020	19.4	3.5	5.2	9.5	12.1
Net profit	3,048	3,684	3,827	4,065	4,519	2,368	20.9	3.9	6.2	11.2	14.2

^ Restated with retrospective application of MFRS 119

~ Restated with retrospective application of MFRS 139

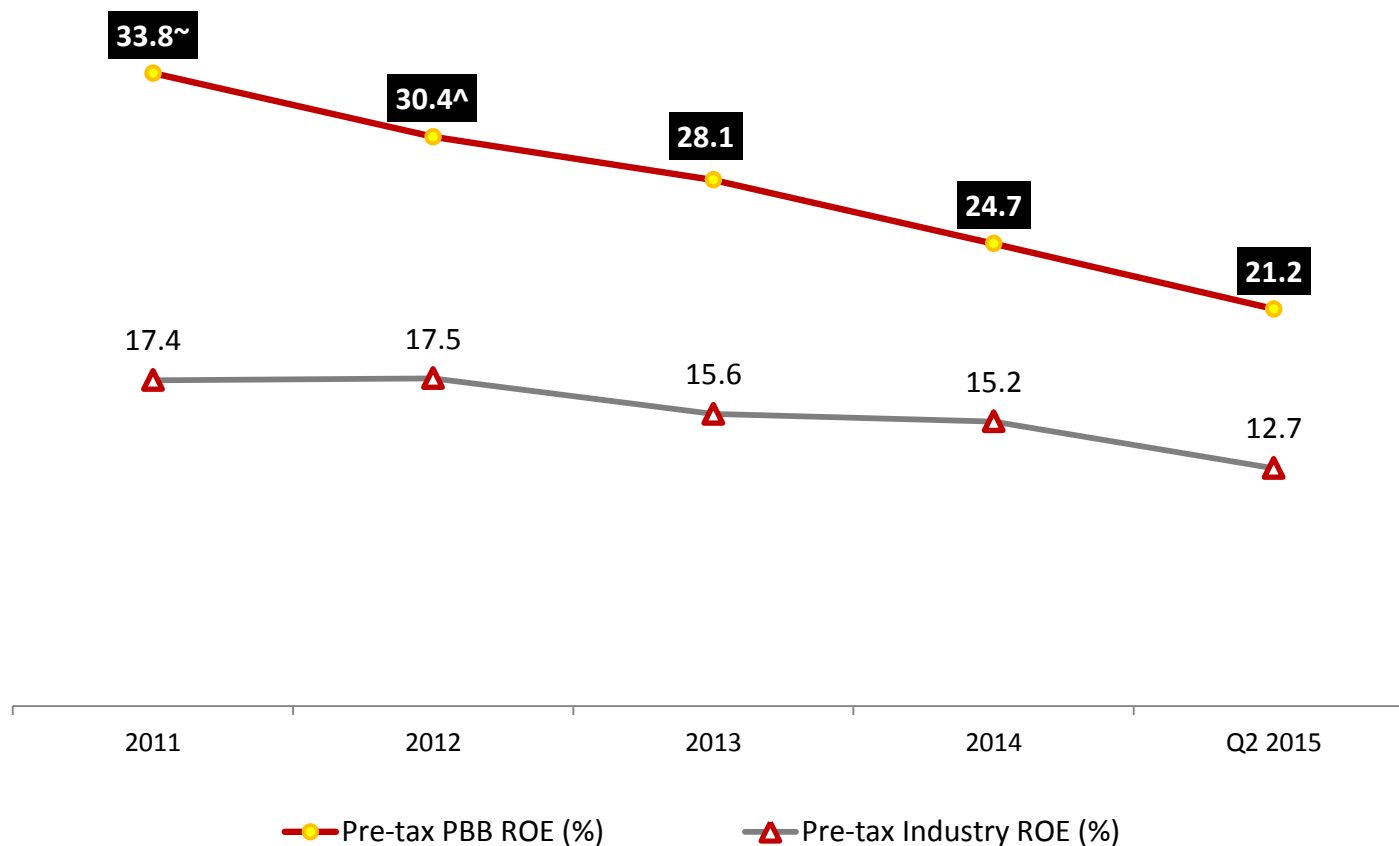
** Growth in comparison with corresponding period in 2014



~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119

Above-industry Return on Equity (ROE)













~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119

Key Highlights






<p>Pre-tax profit</p> <p>RM 3,020m</p> <p><i>1H2014:RM2,695m</i></p> <p> 12.1%</p>	<p>Net profit attributable to shareholders</p> <p>RM 2,368m</p> <p><i>1H2014:RM2,073m</i></p> <p> 14.2%</p>	<p>Earnings per share</p> <p>61.3sen</p> <p><i>1H2014:59.2sen</i></p> <p> 3.5%</p>	<p>Total assets</p> <p>RM 363.6b</p> <p><i>Dec2014:RM345.7b</i></p> <p> 10.4%*</p>	<p>Net return on equity</p> <p>17.2%</p> <p><i>Dec2014:19.9%</i></p> <p> 2.7%</p>
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<p>Loan - Group</p> <p>RM 258.8b</p> <p><i>Dec2014:RM245.0b</i></p> <p> 11.2%*</p>	<p>Loan - Domestic</p> <p>RM 240.3b</p> <p><i>Dec2014:RM228.3b</i></p> <p> 10.5%*</p>	<p>Deposit - Group</p> <p>RM 295.3b</p> <p><i>Dec2014:RM276.5b</i></p> <p> 13.6%*</p>	<p>Deposit - Domestic</p> <p>RM 273.9b</p> <p><i>Dec2014:RM258.5b</i></p> <p> 11.9%*</p>	<p>Net loan to deposit ratio</p> <p>87.0%</p> <p><i>Dec2014:88.0%</i></p> <p> 1.0%</p>
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* Annualised growth

Key Highlights



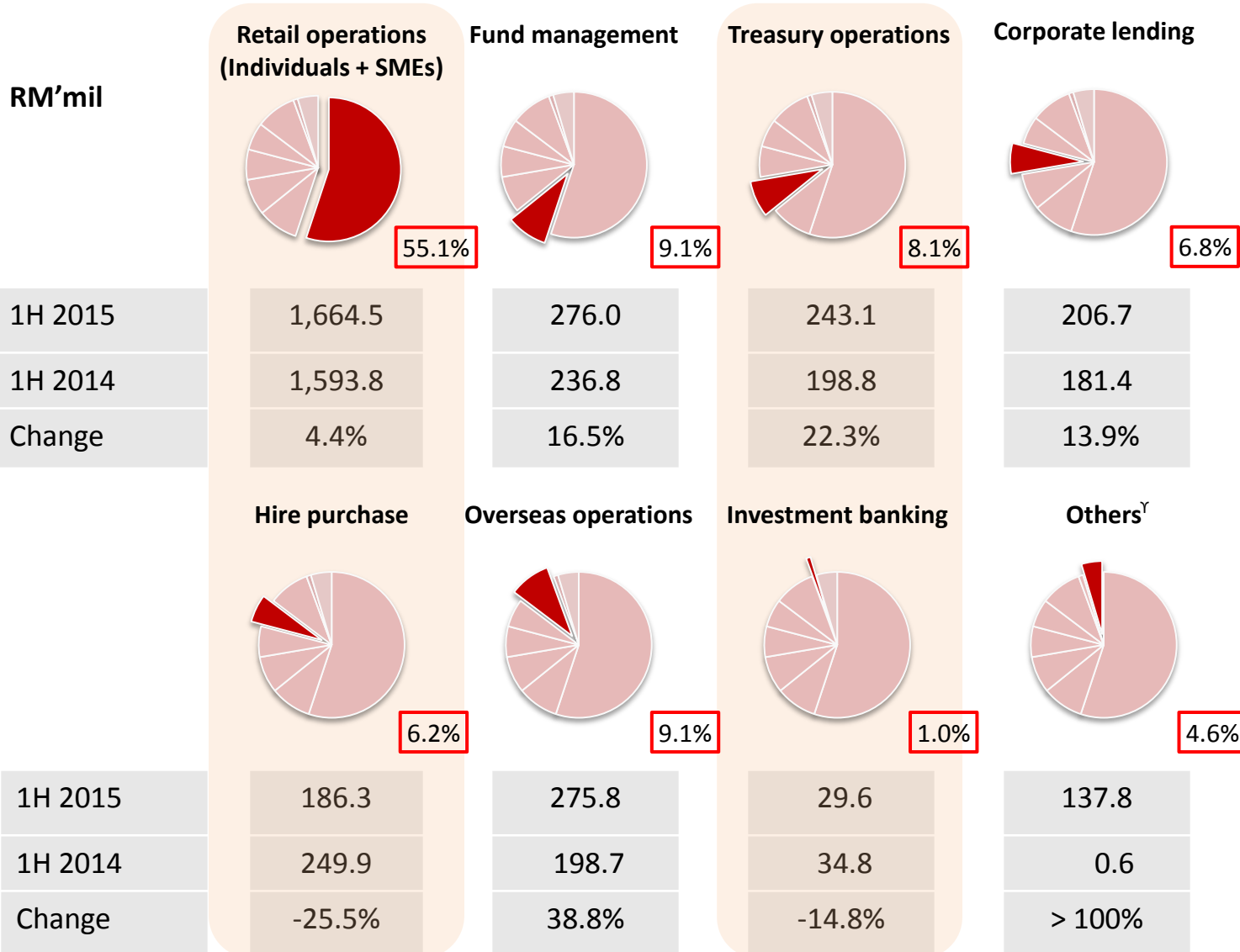
Cost to income ratio  31.1% <hr/> <i>Dec2014:30.0%</i>	Gross impaired loans ratio  0.5% <hr/> <i>Dec2014:0.6%</i>	Loan loss coverage⁺⁺  129.2% <hr/> <i>Dec2014:122.4%</i>
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Common equity Tier I capital ratio^π  10.7% <hr/> <i>Dec2014:10.8%</i>	Tier I capital ratio^π  11.9% <hr/> <i>Dec2014:12.2%</i>	Total capital ratio^π  15.4% <hr/> <i>Dec2014:15.8%</i>
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^π After deducting interim dividends declared subsequent to end of period/year

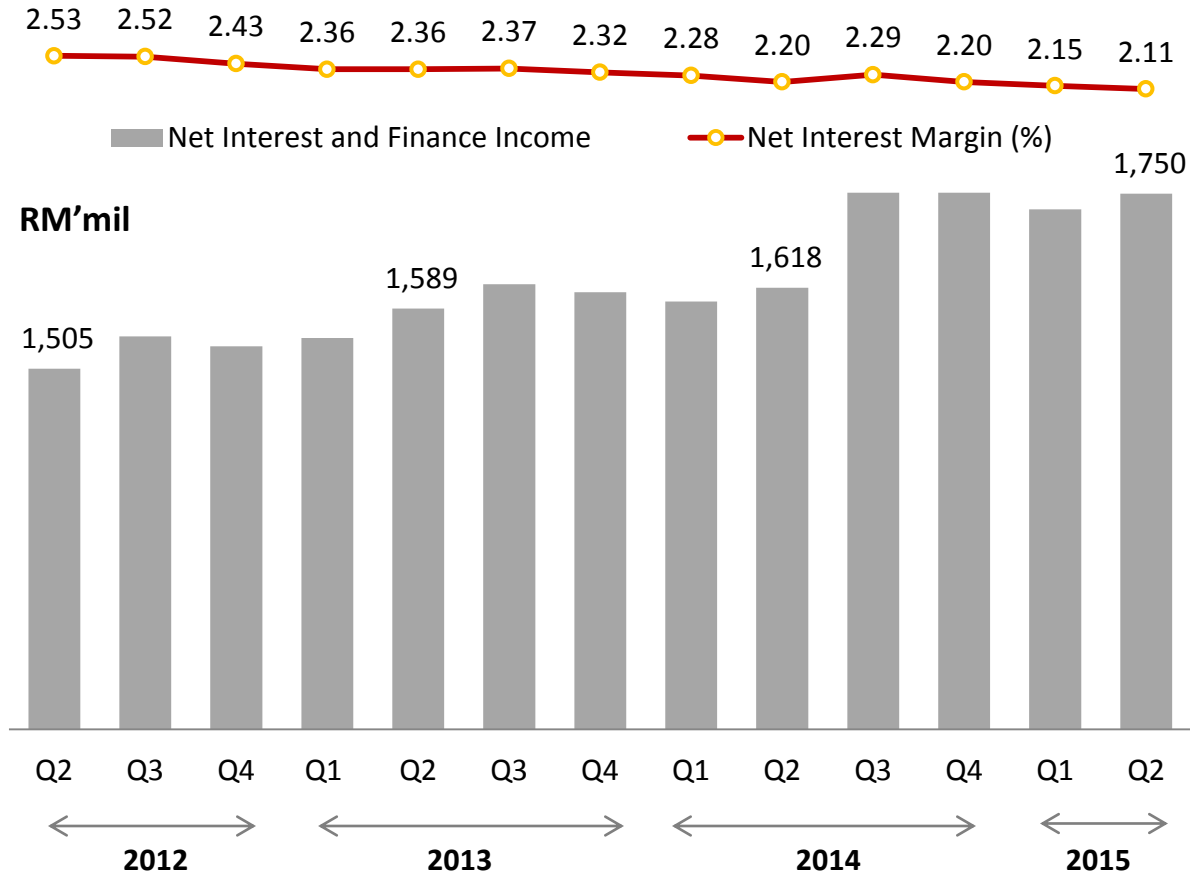
⁺⁺ Higher loan loss coverage ratio of 241.4% after including regulatory reserve

Segmental Profit – Retail Centric



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

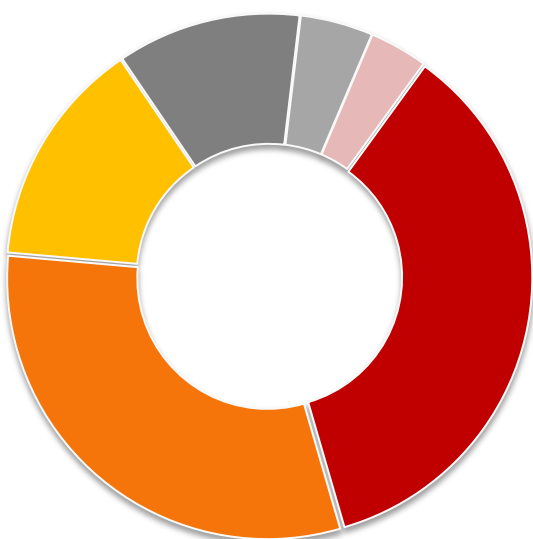
Net Interest Margin



Non-Interest Income Composition & Growth

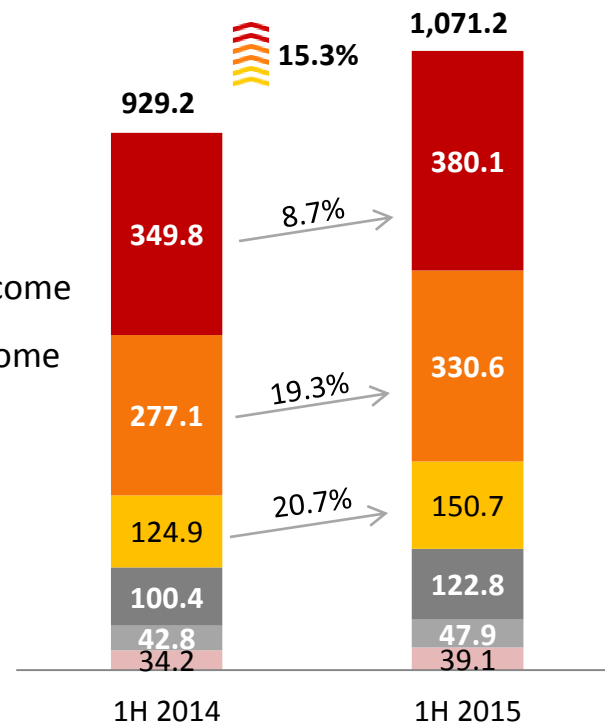


Non-interest Income Contribution



Based on financial results as at 30 June 2015

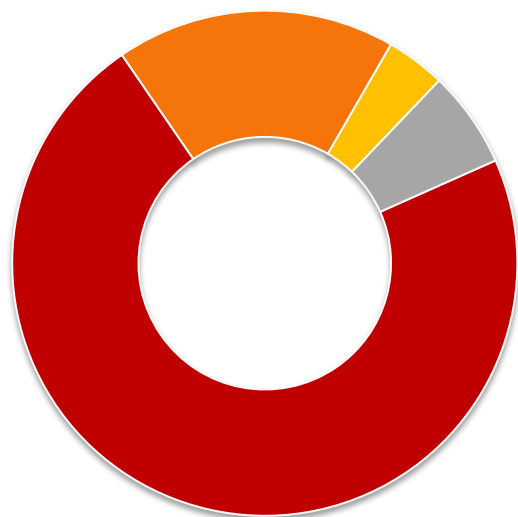
RM'mil



Efficient Operating Overheads



Operating Costs Composition



- 72.1%** ■ Personnel Costs
- 17.9%** ■ Establishment Costs
- 3.8%** ■ Marketing Expenses
- 6.2%** ■ Administration Expenses

Based on financial results as at 30 June 2015

RM'mil	1H 2015	1H 2014	Changes
Personnel costs	1,027.6	947.6	↑ 8.4%
Establishment costs	255.3	243.0	↑ 5.0%
Marketing Expenses	54.4	59.5	↓ 8.5%
Administration Expenses	87.7	71.8	↑ 22.2%
Total	1,425.0	1,321.9	↑ 7.8%

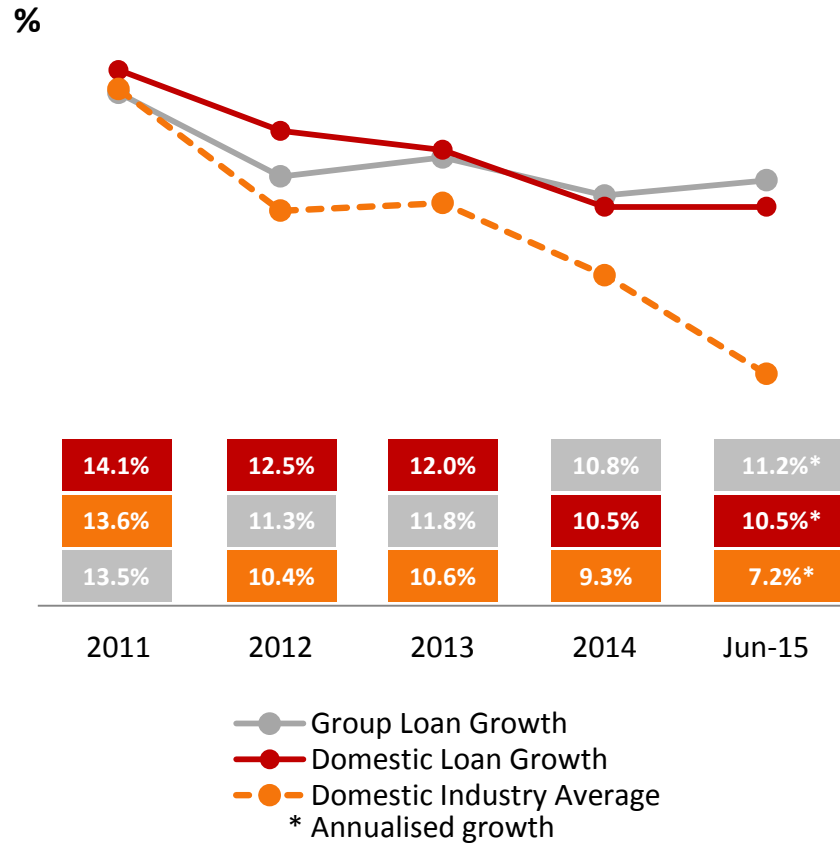
	1H 2015	2014	Industry Average
Gross loan per employee (RM'mil)	14.3	13.5	10.7
Deposit per employee (RM'mil)	16.3	15.2	13.1
PBT per employee (RM'000)	333*	320	256
Cost to Income Ratio (%)	31.1	30.0	45.5

* Annualised

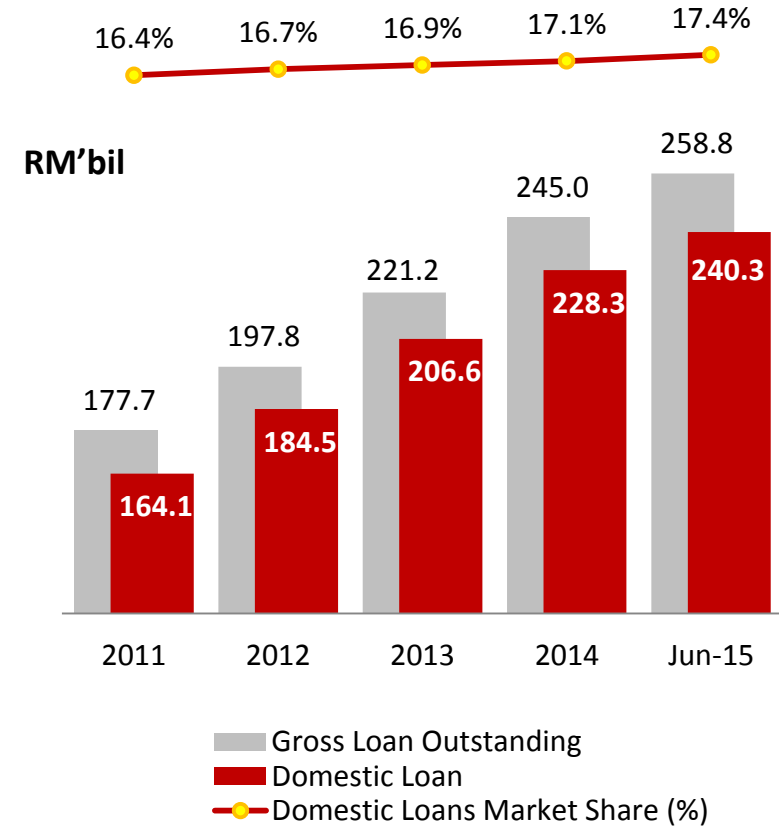
Consistently Above-Industry Loan Growth



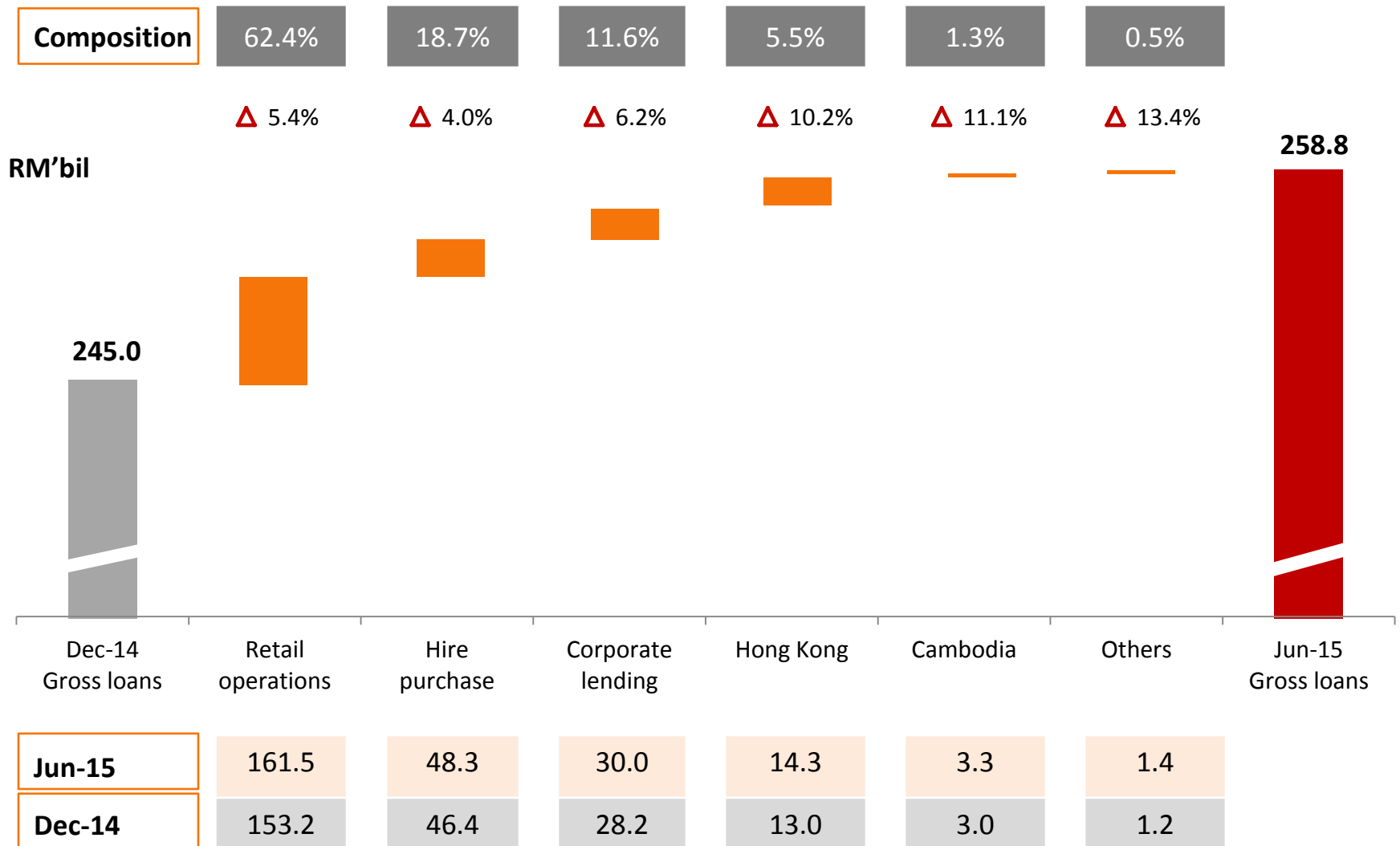
Loan Growth vs Industry



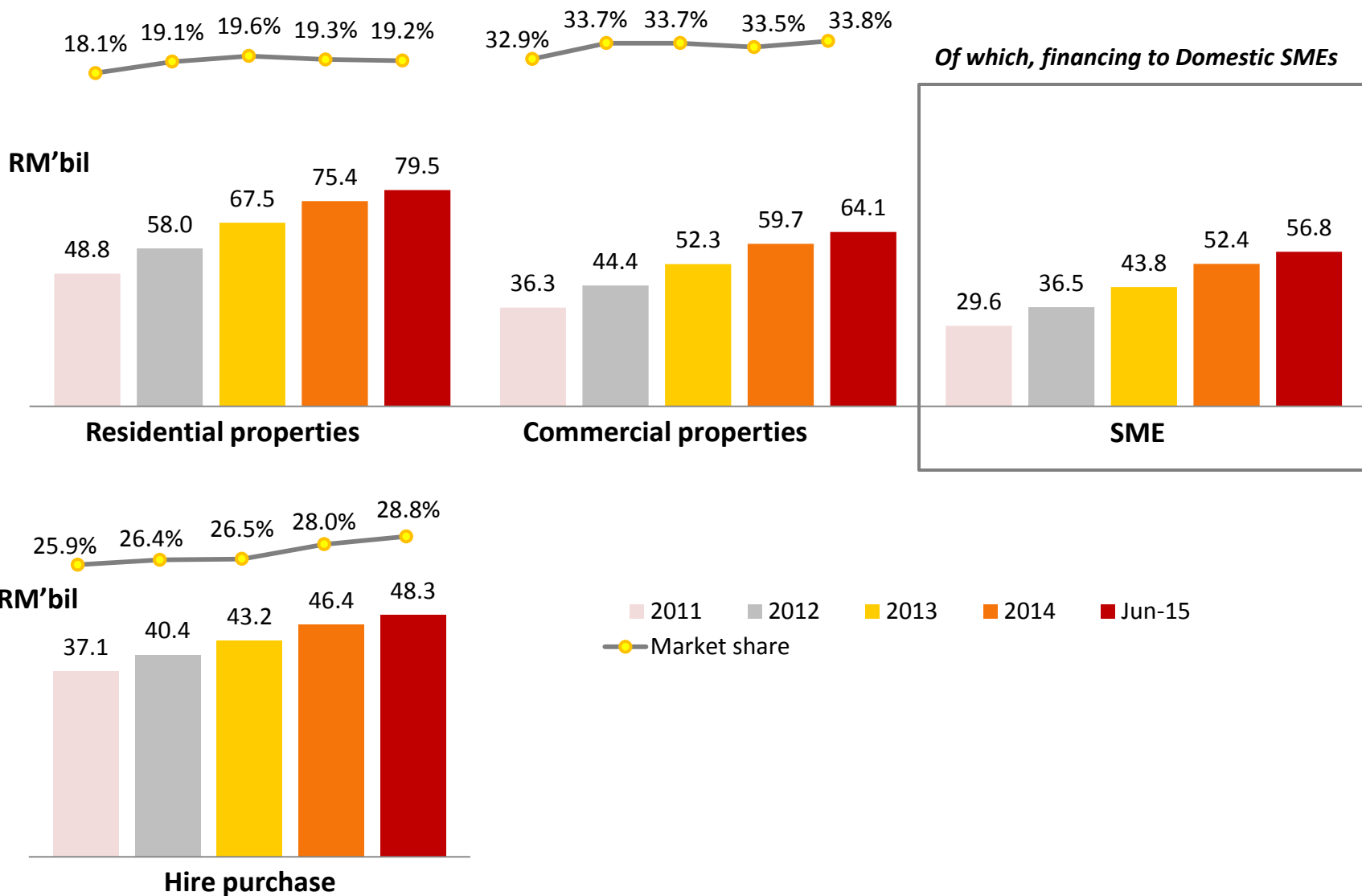
Gross Loans and Domestic Loan Market Share



Gross Loan Composition by Segment



Gross Loan & Financing in Domestic Operations



Sustaining Strong Asset Quality



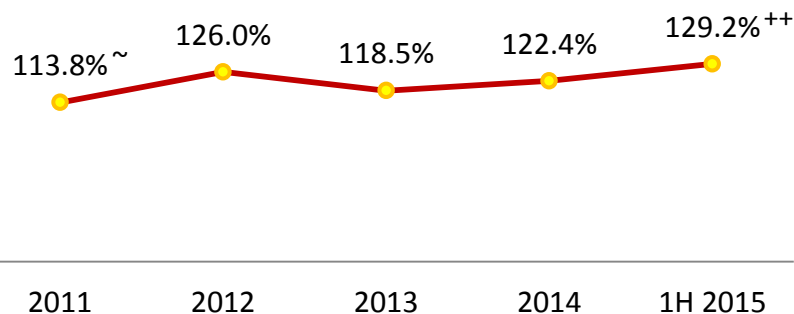
- Focus on lower risk customer segments
 - Traditional urban/ suburban mortgages
 - Passenger vehicle hire purchase
 - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



Upholding Strong Asset Quality

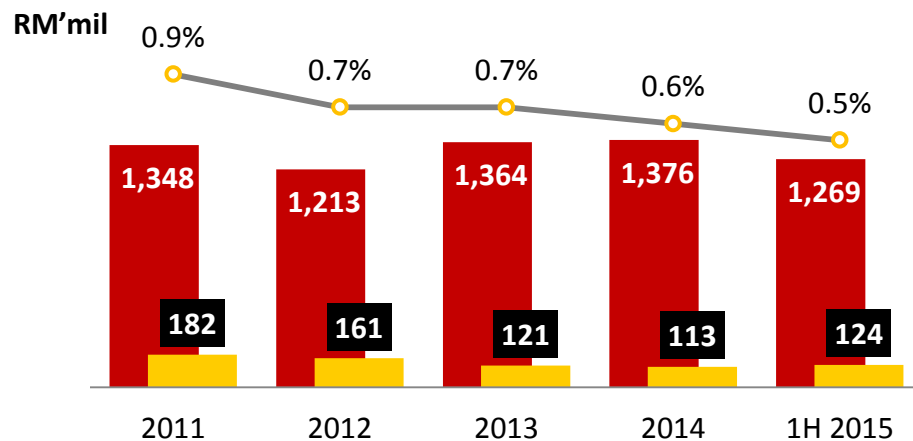


High loan loss coverage



—● Loan loss coverage
 ~ Restated with retrospective application of MFRS 139
 ++ Higher loan loss coverage ratio of 241.4% after including regulatory reserve

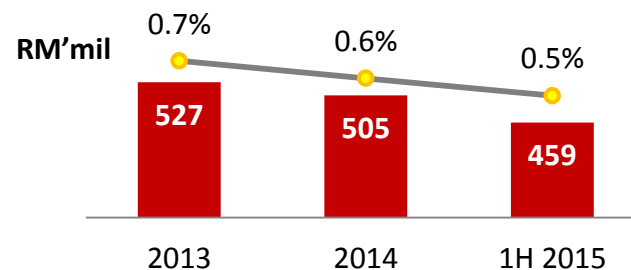
Low gross impaired loans ratios



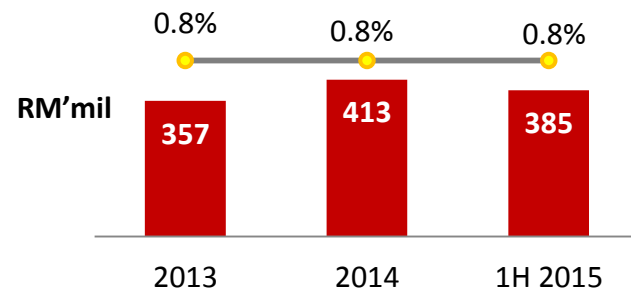
■ Gross impaired loans - Domestic
■ Gross impaired loans - Overseas
—○ Gross impaired loans ratio

Of which:

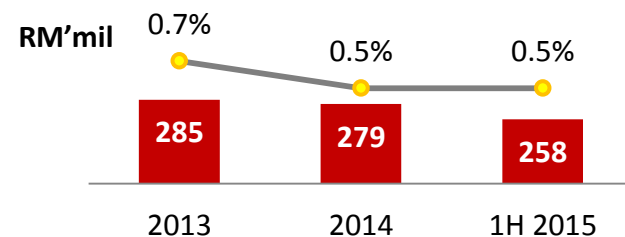
Residential properties financing



Transport vehicle financing



SME financing (Domestic)

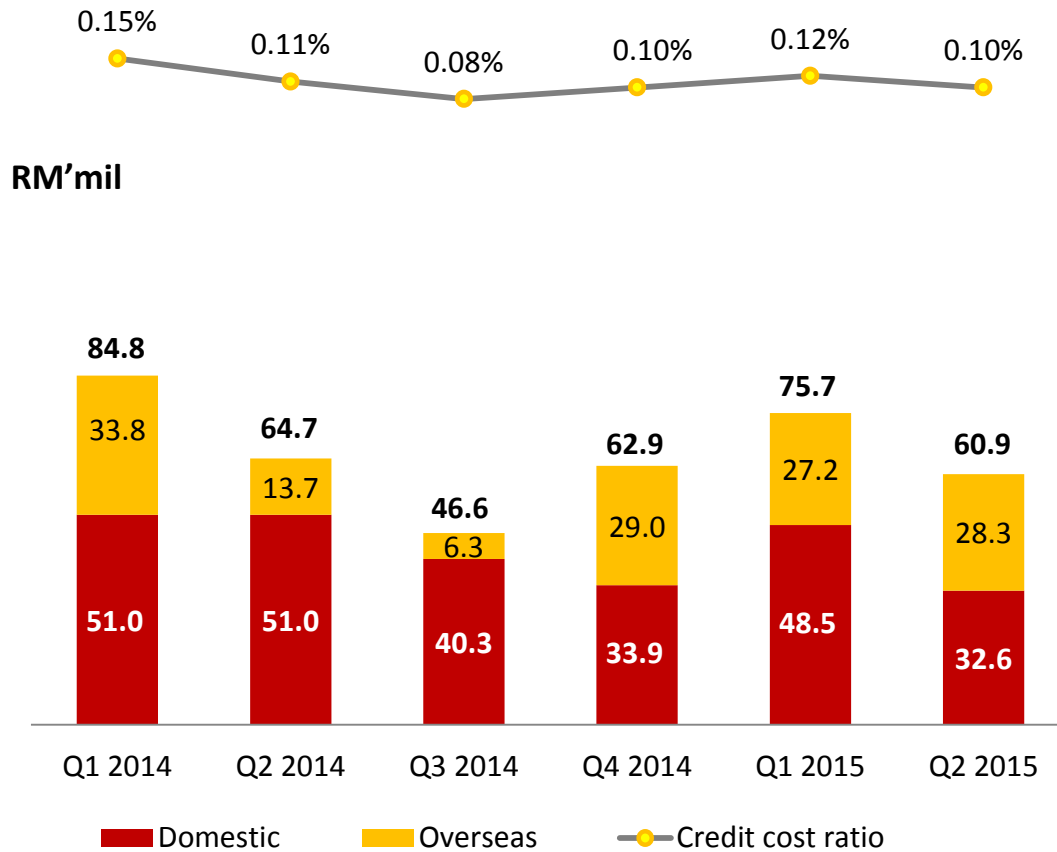


■ Gross impaired loans
—○ Gross impaired loans ratio

Upholding Strong Asset Quality



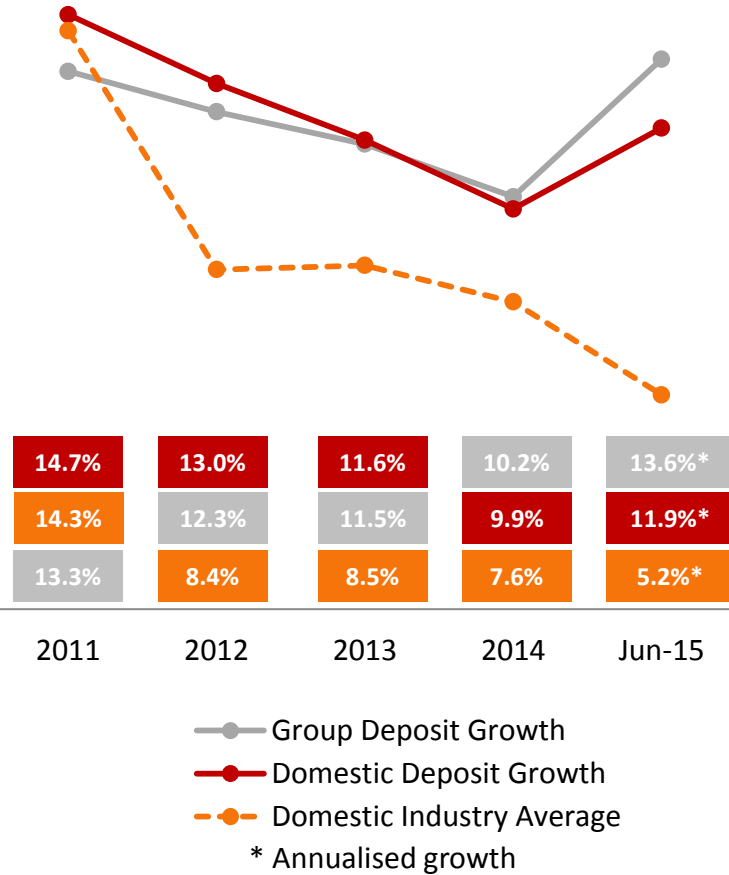
Quarterly Loan Impairment Allowances (including collective allowances)



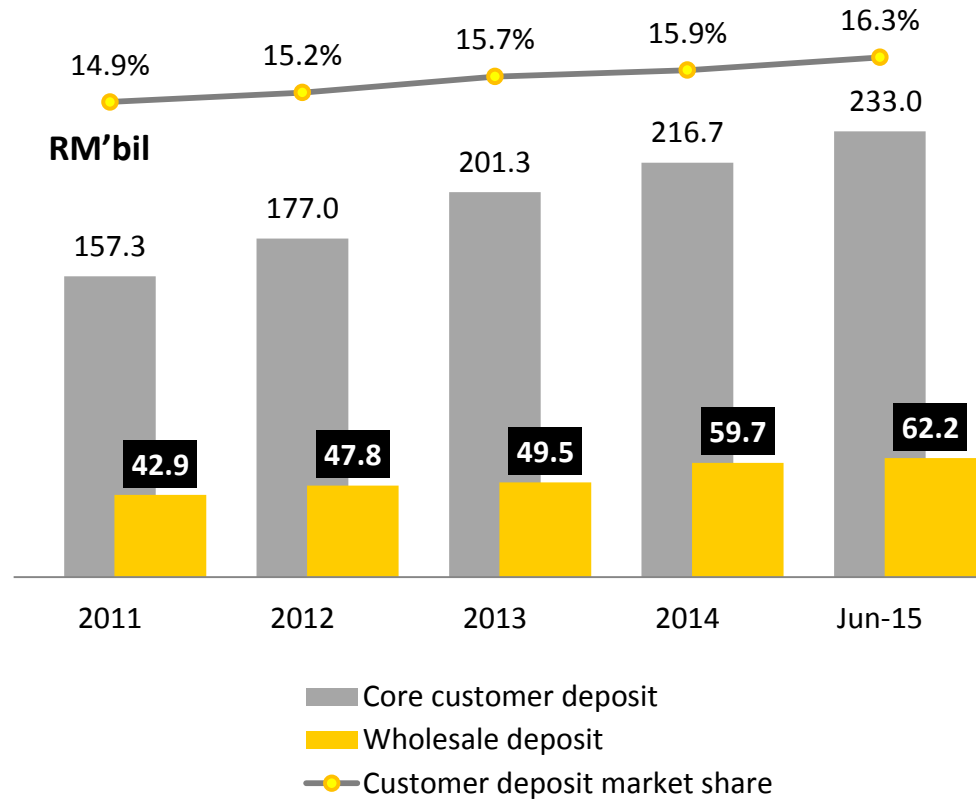
Healthy Deposit Growth in Support of Liquidity



Deposit Growth vs Industry %



Deposits – Outstanding Balance and Market Share

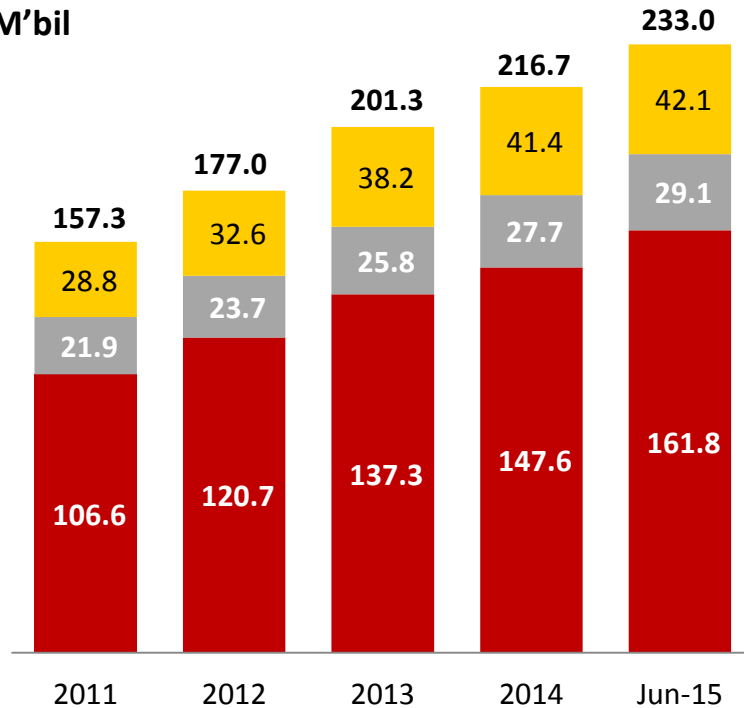


Strong Core Deposit Growth



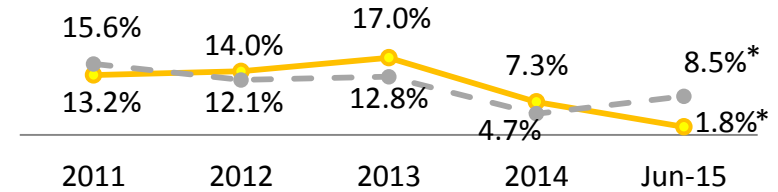
Source of Core Deposit

RM'bil

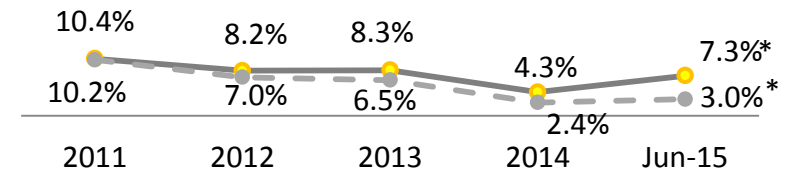


- Fixed deposit
- Saving accounts
- Current accounts

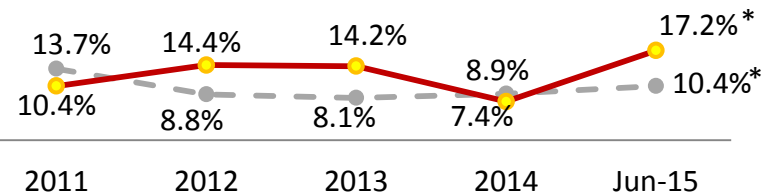
Domestic Current Deposit



Domestic Savings Deposit



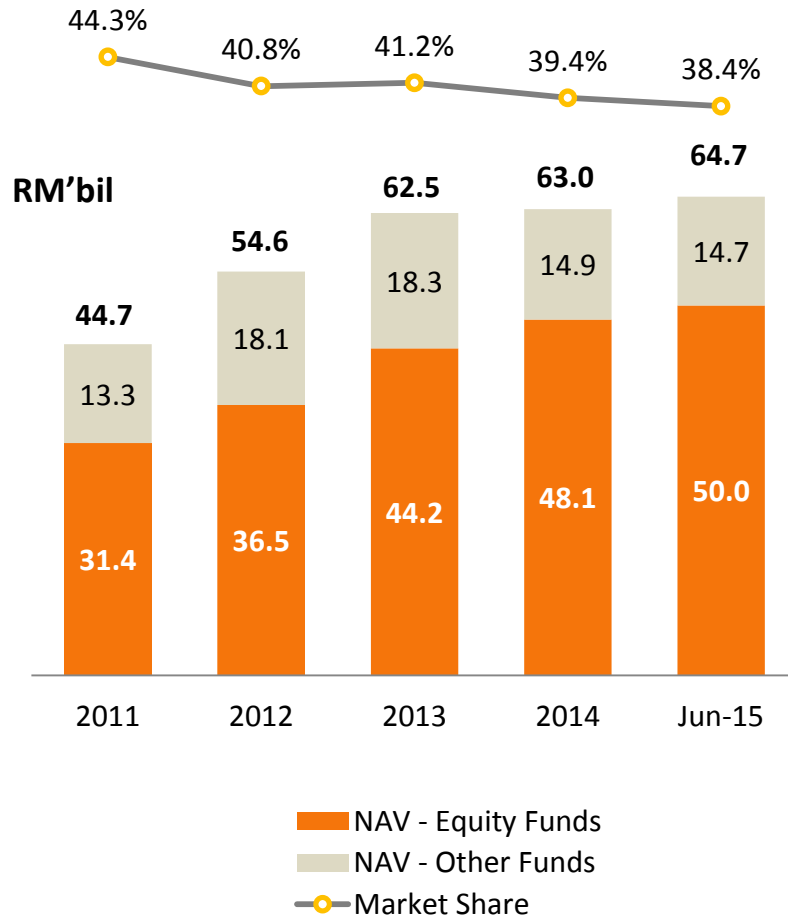
Domestic Fixed Deposit



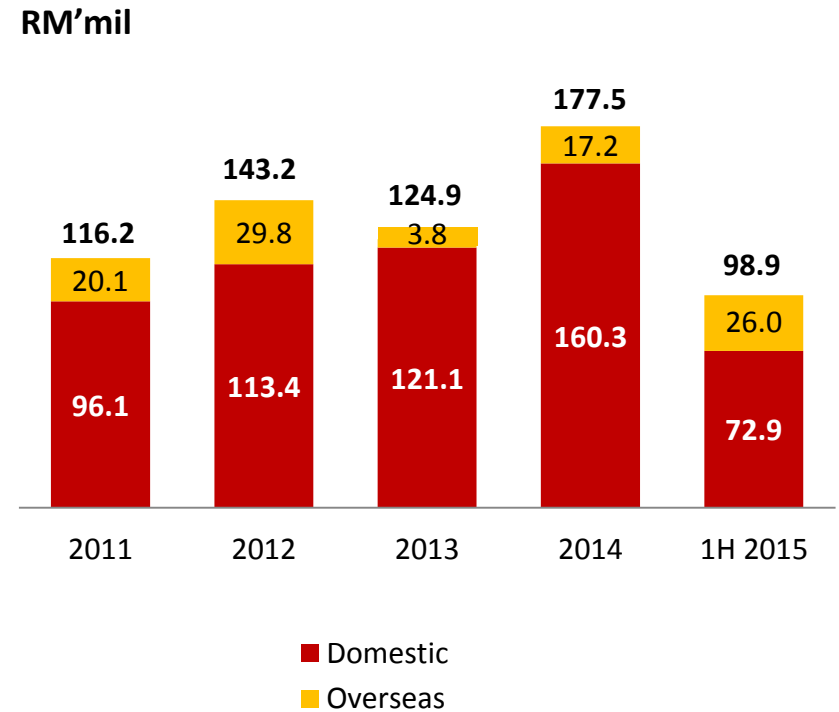
- Industry growth
 - Fixed deposit
 - Current accounts
 - Saving accounts
- * Annualised growth



Net Asset Value of Funds under management



Bancassurance Business – Annualised New Premium



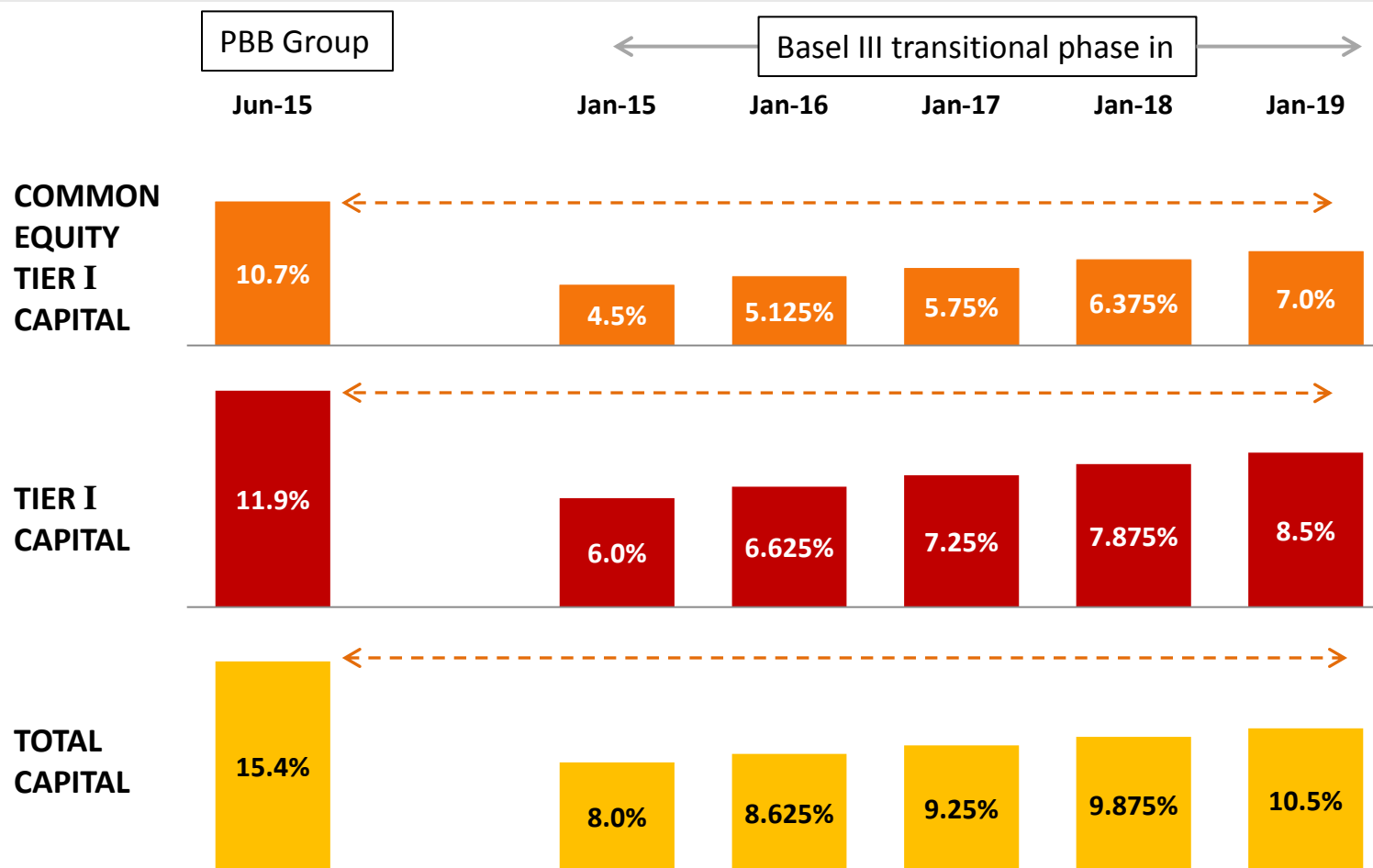
Strong Capital Position



RM'bil	Group ^π		Bank ^π	
	Jun-15	Dec-14	Jun-15	Dec-14
Common Equity Tier I Capital	24.6	23.6	22.1	21.9
Tier I Capital	27.4	26.7	24.8	25.1
Total Capital	35.5	34.6	29.3	28.6
Risk-weighted Assets	230.2	218.7	189.3	182.4
Common Equity Tier I Capital Ratio	10.7%	10.8%	11.7%	12.0%
Tier I Capital Ratio	11.9%	12.2%	13.1%	13.7%
Total Capital Ratio	15.4%	15.8%	15.5%	15.7%

^π After deducting interim dividends declared subsequent to end of period/year

Proactive Capital Management Initiative



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	2015 Targets	Achievement
Net Return on Equity ^β	>16%	17.2%
Total Capital Ratio	>13%	15.4%
Gross Impaired Loan Ratio	<1%	0.5%
Cost to Income Ratio	<32%	31.1%
Loan Growth – Domestic – Group	9% to 10%	10.5%* 11.2%*
Deposit Growth – Domestic – Group	9% to 10%	11.9%* 13.6%*

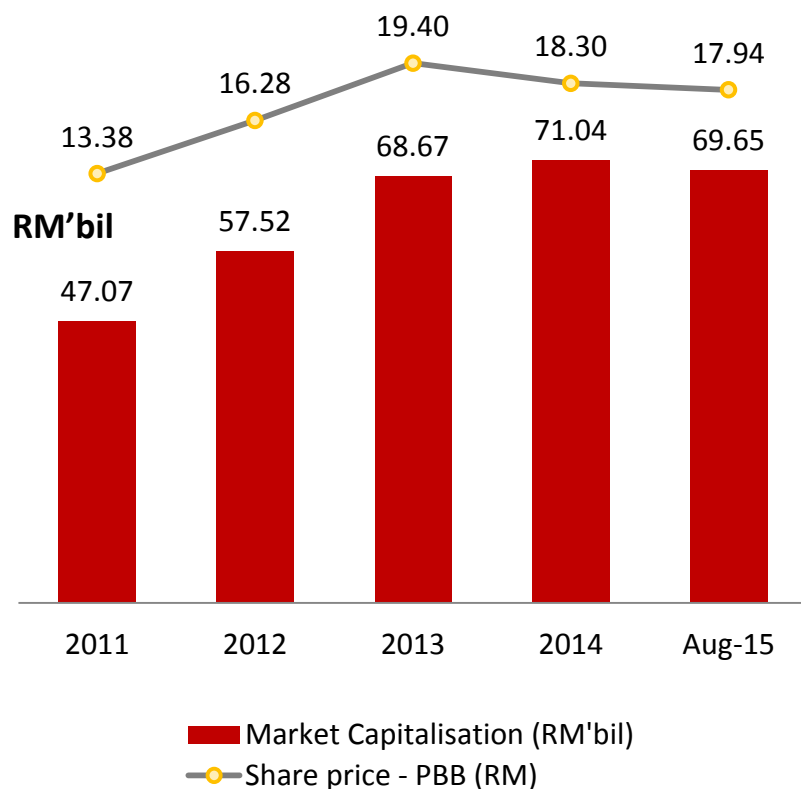
* Annualised

^β After incorporating full dilution impact of the rights issue

Share Price & Market Capitalisation



Share Price & Market Capitalisation

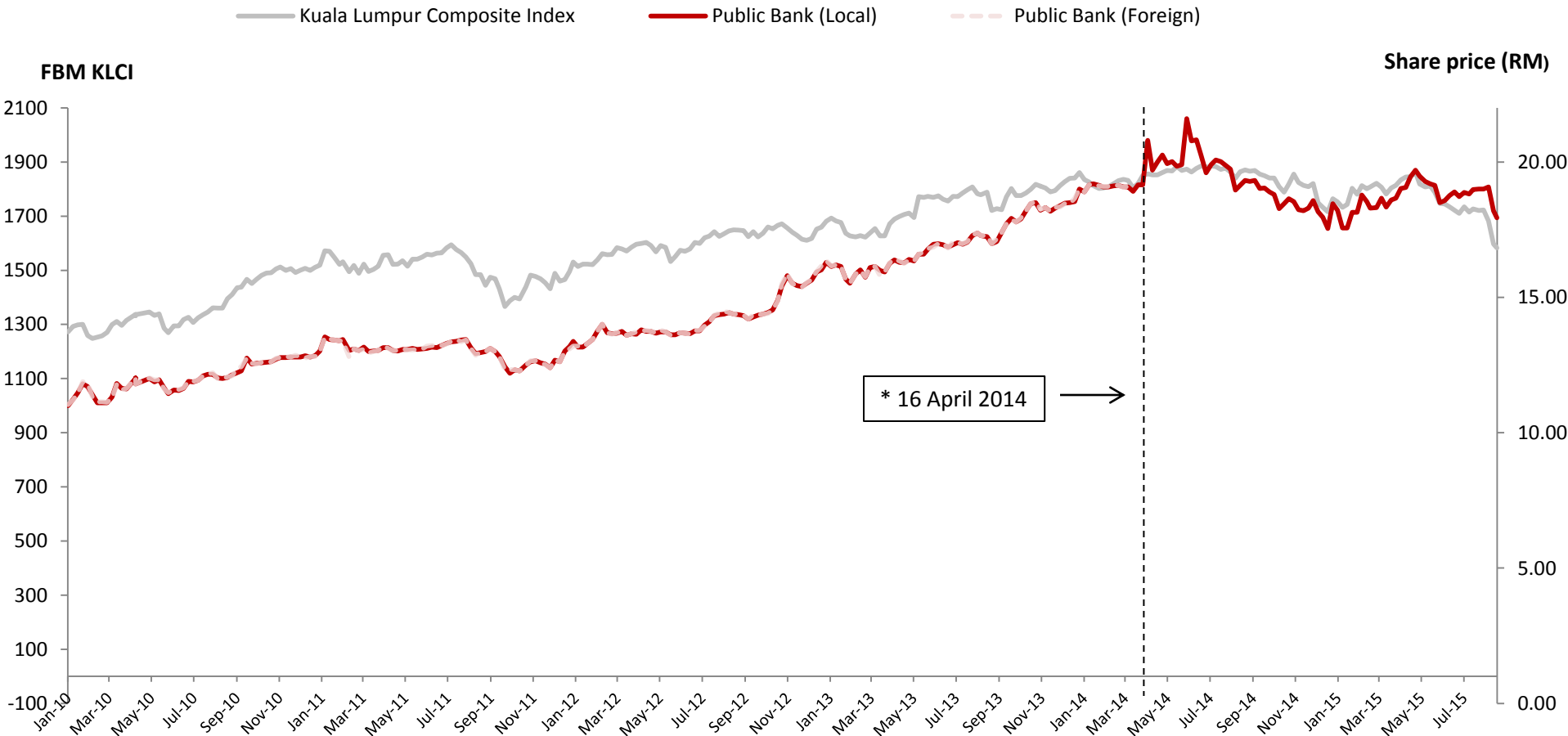


19 August 2015	Market Capitalisation (RM'bil)
PBB	69.7
MBB	80.7
CIMB	42.5
HLB	24.0
RHB	16.9
AMMB	14.9

Share Price & Market Capitalisation



Resilient share price performance



* 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 [^] + dividends)	Compounded annual rate of return
Medium term - 5 years	1 January 2010	+104.9%	+14.0%
Long term - since listing	1967	+1,479.0%	+19.3%

[^] Capital appreciation is calculated based on the PBB local share value at closing price as of 31/12/2014 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

	2010	2011 [~]	2012 [^]	2013	2014
Price to earnings multiple (times)	14.9	12.7	14.9	16.7	14.8
Price to book multiple (times)	3.3	3.0	3.2	3.3	2.5

[~] Restated with retrospective application of MFRS 139

[^] 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		2011~^	2012^	2013	2014	1H 2015
Profitability	Operating profit	5,200	5,329	5,655	6,067	3,153
	Profit before tax	4,878	5,047	5,310	5,814	3,020
	Net profit	3,684	3,827	4,065	4,519	2,368
Shareholder Value	Earnings per share (sen)	105.2	109.3	116.1	123.7	61.3
	Net assets per share (RM)	4.52	5.15	5.83	7.26	7.59
	Dividend per share (sen)	48.0	50.0	52.0	54.0	24.0
	Dividend payout ratio (%)	48.3	45.3	44.8	46.1	39.1
Key Balance Sheet Data	Total assets	250,773	274,824	305,725	345,722	363,632
	Gross loan	177,694	197,783	221,176	245,044	258,807
	Domestic loan	164,081	184,542	206,635	228,338	240,304
	Deposit from customers	200,371	225,042	250,873	276,540	295,299
	Domestic deposit	186,445	210,680	235,142	258,472	273,894
	Core customer deposit	157,297	177,035	201,258	216,707	232,958
	Shareholders' equity	15,813	18,018	20,424	28,025	29,322

~ Restated with retrospective application of MFRS 139

^ 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)



	%	2011~ [^]	2012 [^]	2013	2014	1H 2015	Industry
Profitability Ratios	Net interest margin on yielding assets	2.65	2.51	2.36	2.24	2.13	N/A
	Net return on equity ⁺	26.8	24.1	22.4	19.9	17.2	N/A
	Pre-tax return on average assets	2.0	1.9	1.8	1.8	1.7	1.5
	Cost to income ratio	29.8	31.2	30.7	30.0	31.1	45.5
	Non interest income/Total income	21.1	21.3	21.5	22.0	23.4	32.3
Liquidity	Net loan to deposit ratio	87.8	87.1	87.5	88.0	87.0	80.6
Asset Quality	Gross impaired loans ratio	0.9	0.7	0.7	0.6	0.5	1.6
	Loan loss coverage ratio	113.8	126.0	118.5	122.4	129.2	100.6
Capital Adequacy	Common equity Tier I capital ratio ^π	N/A	N/A	8.8	10.8	10.7	12.3
	Tier I capital ratio ^π	10.6	10.8	10.5	12.2	11.9	13.1
	Total capital ratio ^π	15.0	14.1	13.8	15.8	15.4	15.1
Market Share	<u>Domestic market share</u>						
	Commercial property financing	32.9	33.7	33.7	33.5	33.8	N/A
	Residential property financing	18.1	19.1	19.6	19.3	19.2	N/A
	Passenger vehicle financing	25.9	26.4	26.5	28.0	28.8	N/A
	Private unit trust	44.3	40.8	41.2	39.4	38.4	N/A
	Domestic loans	16.4	16.7	16.9	17.1	17.4	N/A
	Domestic deposits	14.9	15.2	15.7	15.9	16.3	N/A

⁺ Based on average equity adjusted with weighted average of net proceeds from rights issue, excluding proposed dividend, if any

[~] Restated with retrospective application of MFRS 139

[^] 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

^π After deducting interim dividends declared subsequent to end of period/year



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