



Safeguarding Our

Brand Value

PUBLIC BANK
PUBLIC BANK

Investor Presentation
Invest Malaysia Conference 2014
Kuala Lumpur
10 June 2014



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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



Our Strategies remain unchanged

“The Public Bank Group will continue to focus on its key strength in 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 and its wide and efficient branch network as well as its excellent customer service to deliver continuous 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 2014.”

Tan Sri Dato’ Sri Dr. Teh Hong Piow
Chairman



INTRODUCTION TO PUBLIC BANK GROUP

GROUP PERFORMANCE

**MARKET CAPITALISATION AND ANALYSTS'
POLL**

SUMMARY

APPENDIX

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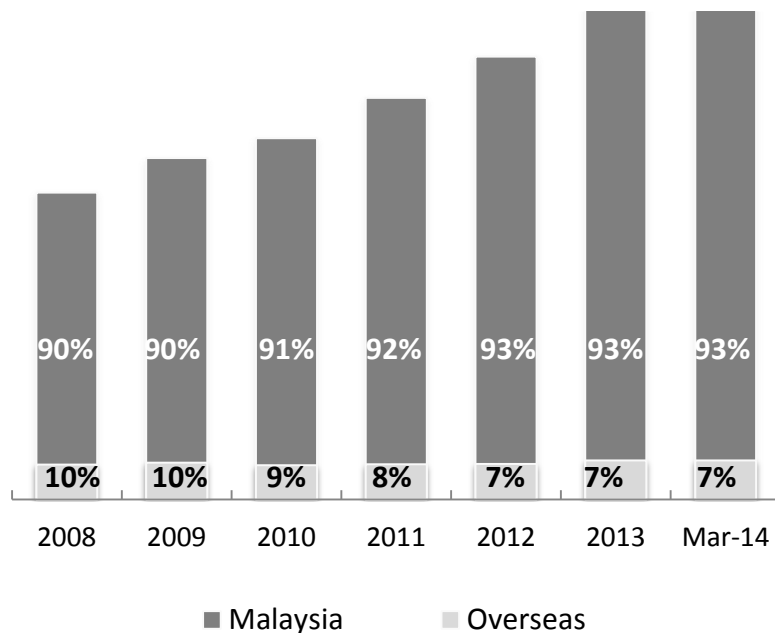
39 - 40

Introduction to Public Bank Group

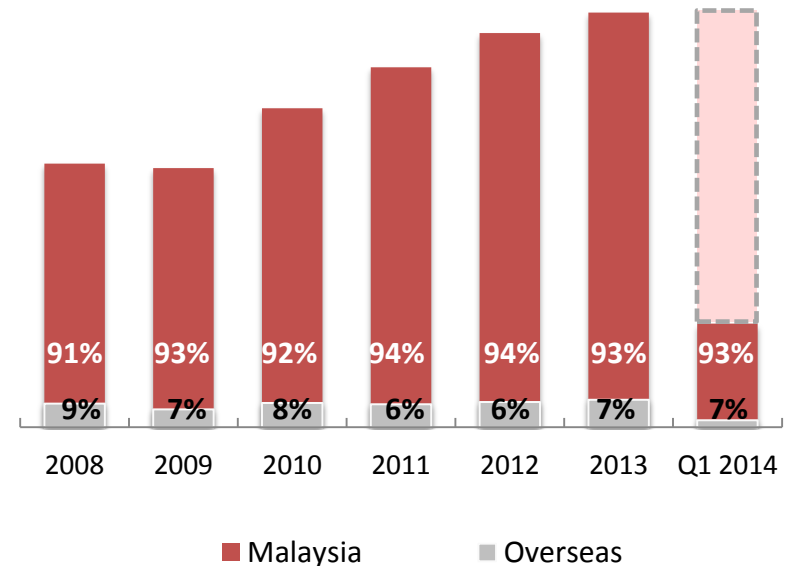


- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- Geographical Contribution

Total Assets



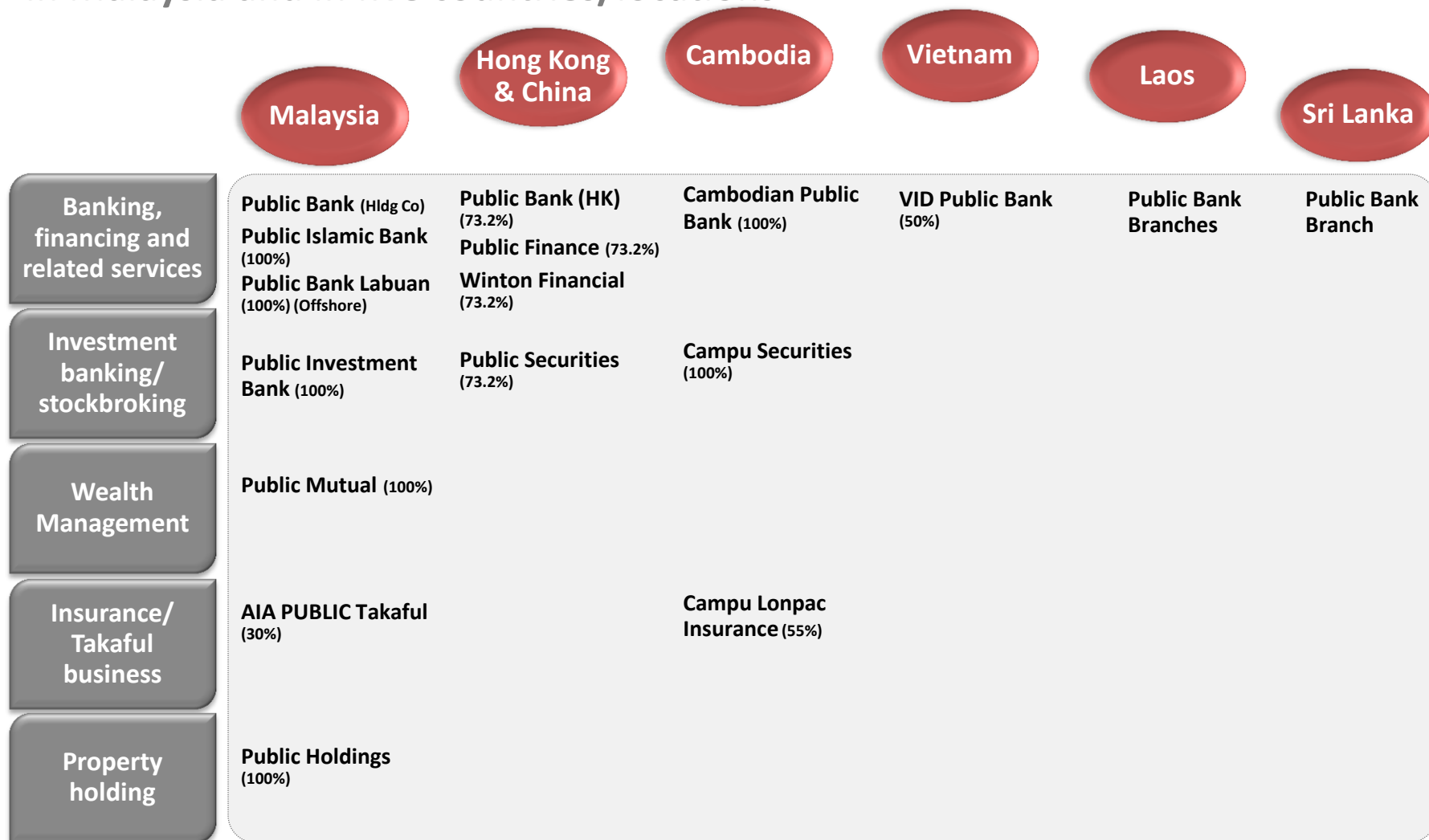
Pre-tax Profit



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: 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
- 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)

	Mar-14	2013	2009
Public Bank - Domestic	257	257	248
- Overseas	6	6	5
Public Islamic Bank	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	8
<u>Indo-China Operations</u>			
Cambodia Public Bank	25	25	15
VID Public Bank (Vietnam)	7	7	7
	412	411	385
Self Service Terminal - domestic	1,763	1,738	1,308



Unbroken Profit Track Record



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

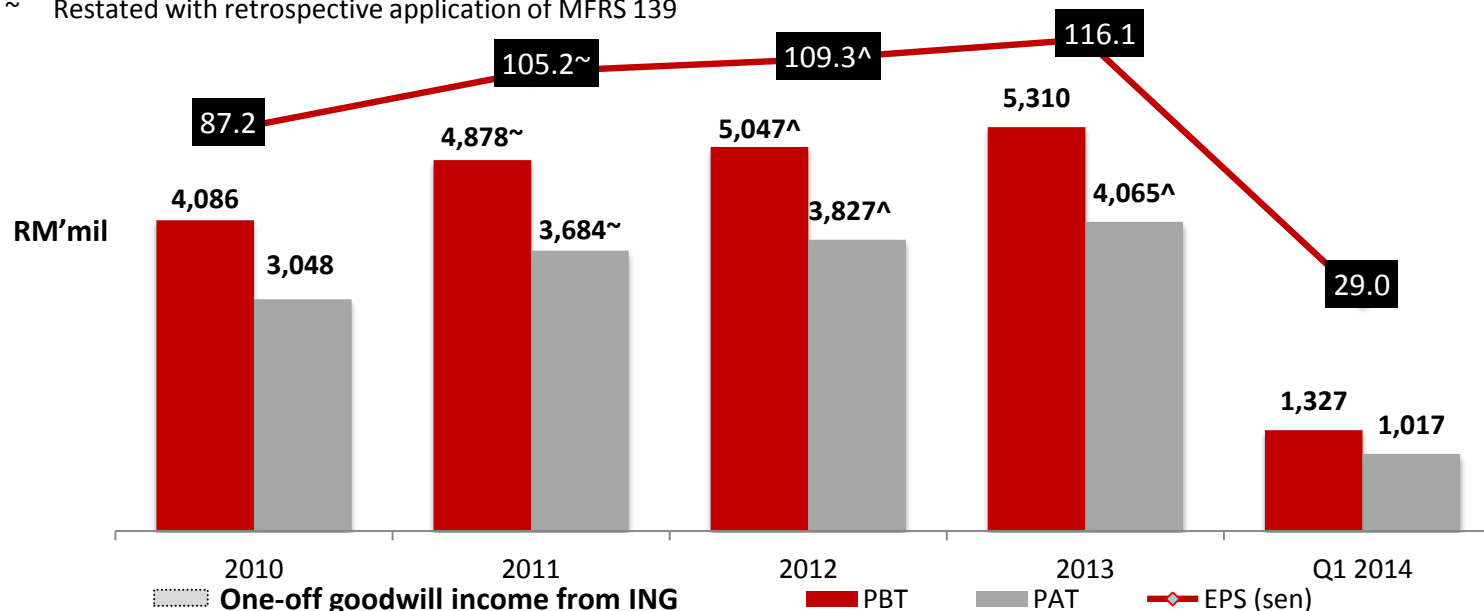
	RM'mil						1Q2014	y-o-y growth (%)					1Q2014**
	2008*	2009	2010	2011~	2012^	2013		2009	2010	2011	2012	2013	
Pre-tax profit	3,179	3,321	4,086	4,878	5,047	5,310	1,327	4.5	23.0	19.4	3.5	5.2	4.5
Net profit	2,436	2,517	3,048	3,684	3,827	4,065	1,017	3.3	21.1	20.9	3.9	6.2	5.0

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

** Growth in comparison with corresponding quarter in 2013

^ Restated with retrospective application of MFRS 119

~ Restated with retrospective application of MFRS 139



One-off goodwill income from ING

Adjusted EPS excluded one off goodwill income from ING

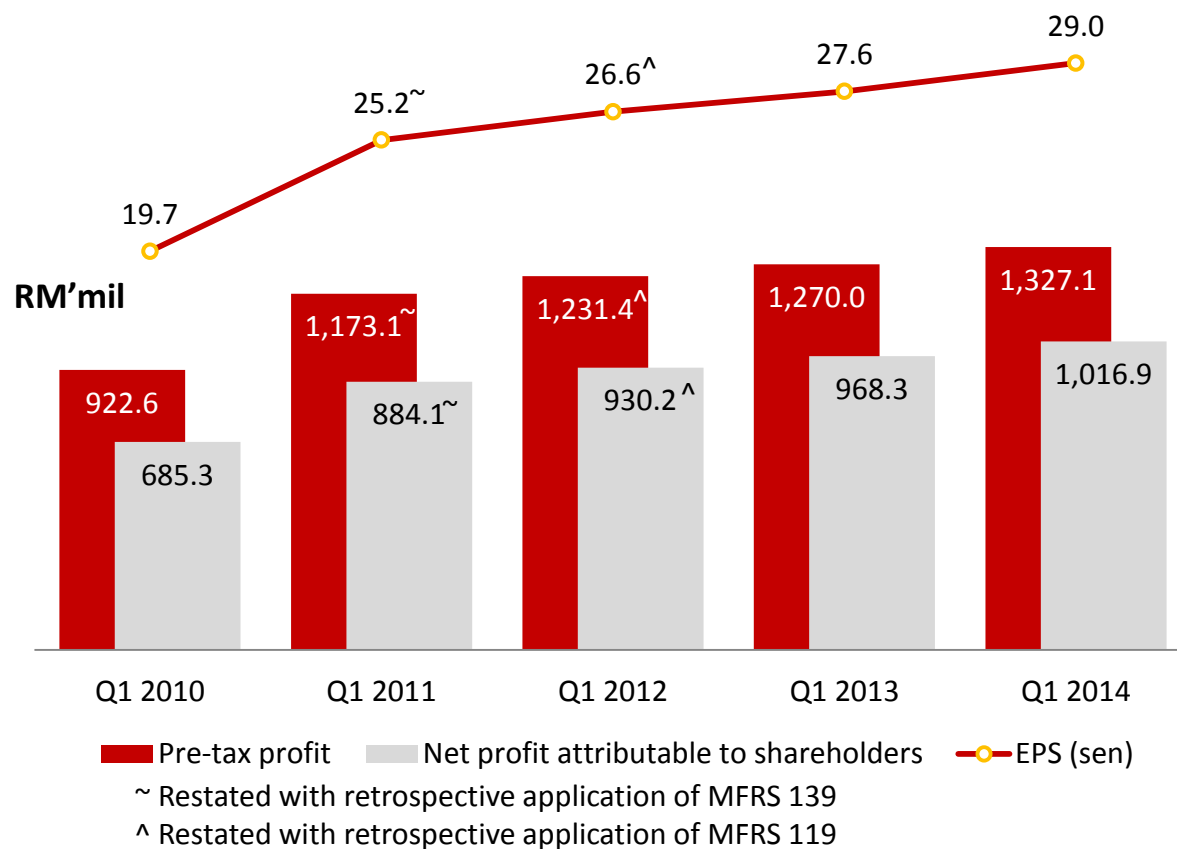
~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119

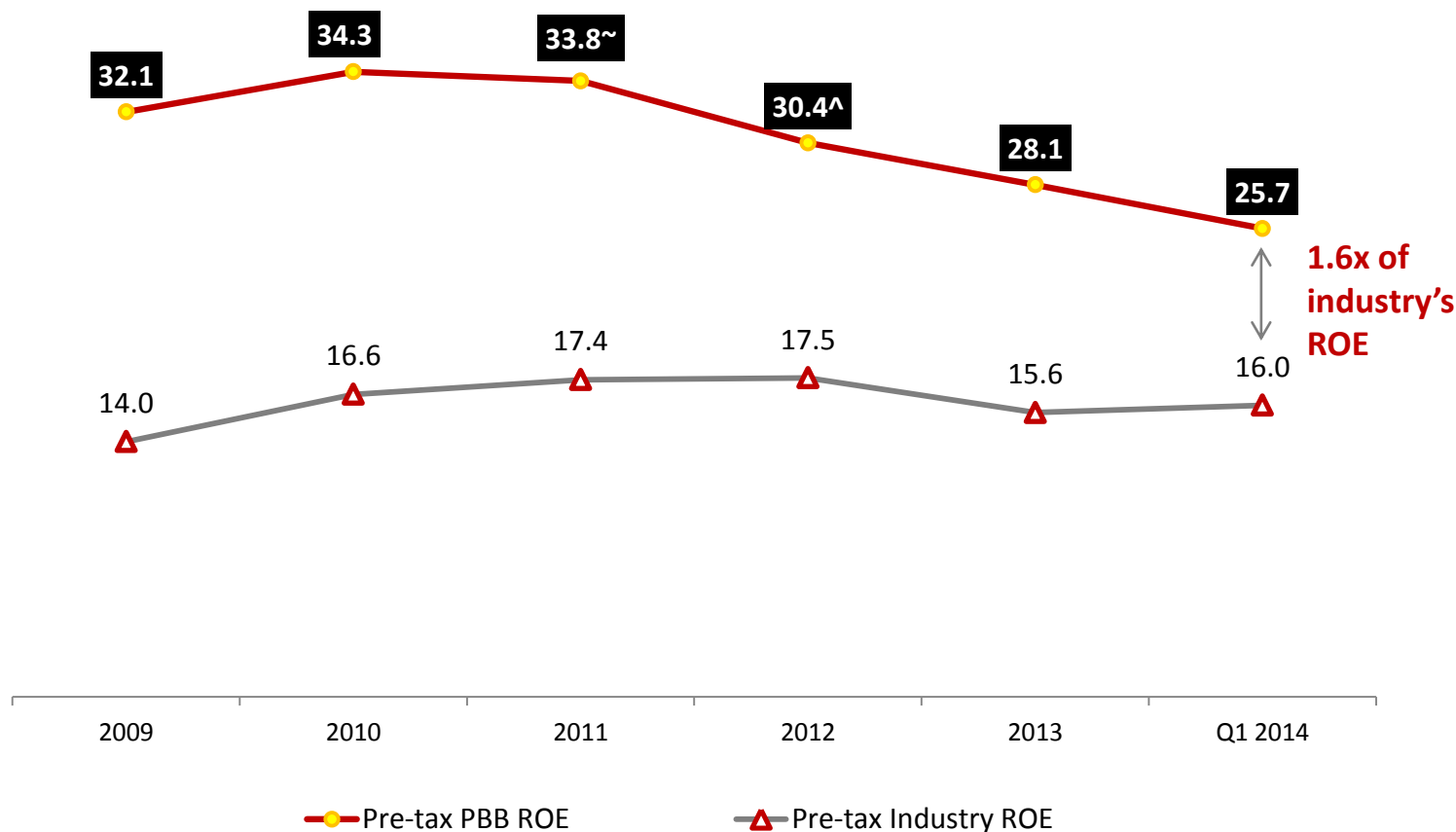
Steady Profit Growth



Profits and EPS



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

Key Highlights



Pre-tax profit

RM1,327m
(+4.5%)

Q1 2013: RM1,270m

Net profit attributable to shareholders

RM1,017m
(+5.0%)

Q1 2013: RM968m

Earnings per share

29.0sen
(+5.1%)

Q1 2013: 27.6sen

Total assets

RM312.5b
(+8.9%)*

Dec 2013: RM305.7b

Net return on equity

20.5%

Dec 2013: 22.4%

Loan - Group

RM226.6b
(+9.8%)*

Dec 2013: RM221.2b

Loan - Domestic

RM212.2b
(+10.7%)*

Dec 2013: RM206.6b

Deposit - Group

RM258.9b
(+12.8%)*

Dec 2013: RM250.9b

Deposit - Domestic

RM243.5b
(+14.2%)*

Dec 2013: RM235.1b

Net loan to deposit ratio

86.8%

Dec 2013: 87.5%

* Annualised growth

Key Highlights



**Cost to
income ratio**

31.8%

Dec 2013: 30.7%

**Gross
impaired
loans ratio**

0.7%

Dec 2013: 0.7%

**Loan loss
coverage**

119.1%

Dec 2013: 118.5%

**Common
equity Tier I
capital ratio**

8.5%

Dec 2013: 8.8%^π

**Tier I capital
ratio**

10.1%

Dec 2013: 10.5%^π

**Total capital
ratio**

13.3%

Dec 2013: 13.8%^π

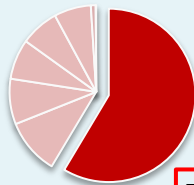
^π After deducting interim dividends declared subsequent to end of year

Segmental Profit – Retail Centric



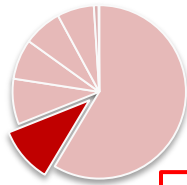
RM'mil

Retail operations



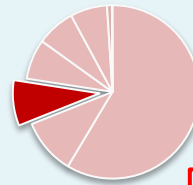
58.7%

Hire purchase



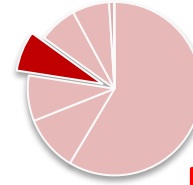
10.4%

Fund management



8.5%

Treasury operations



7.5%

Q1 2014

779.6

137.3

112.8

99.3

Q1 2013

779.6

134.7

96.3

84.2

Change

-

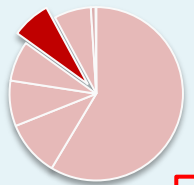
2.0%

17.1%

17.9%

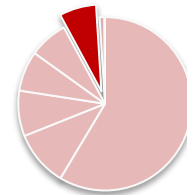
Retail and HP operations contributed >2/3 of the Group's pre-tax profit

Corporate lending



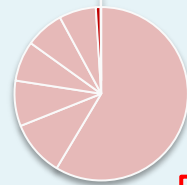
7.2%

Overseas operations



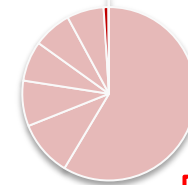
6.9%

Investment banking



0.9%

Others^Y



-0.1%

Q1 2014

95.6

91.3

12.2

-1.0

Q1 2013

80.8

83.7

7.5

3.2

Change

18.4%

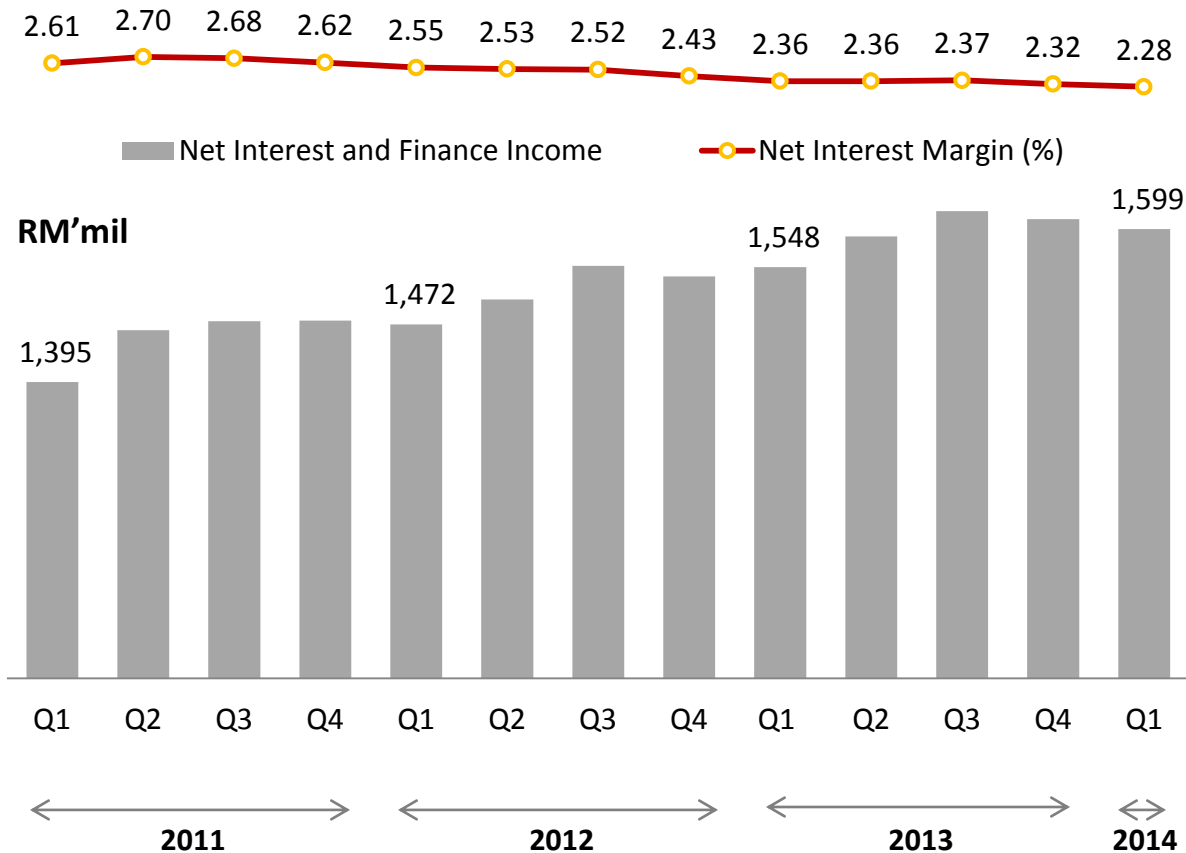
9.1%

62.7%

> -100%

^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 – Continued to be under pressure

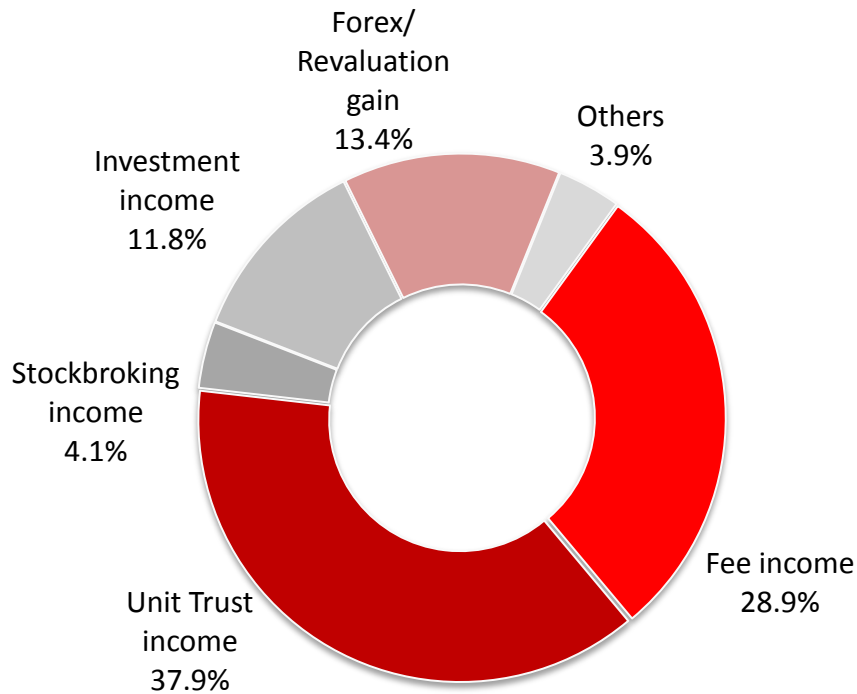


Net interest margin continued to be under pressure as a result of intense market competition

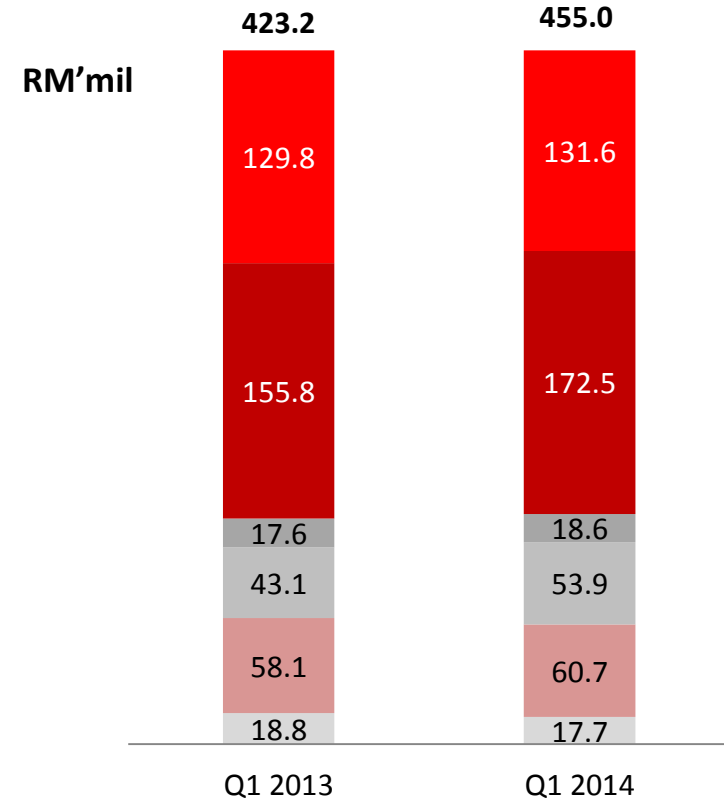
Non-Interest Income Composition & Growth



Non-interest Income Contribution



Based on financial results as at 31 March 2014

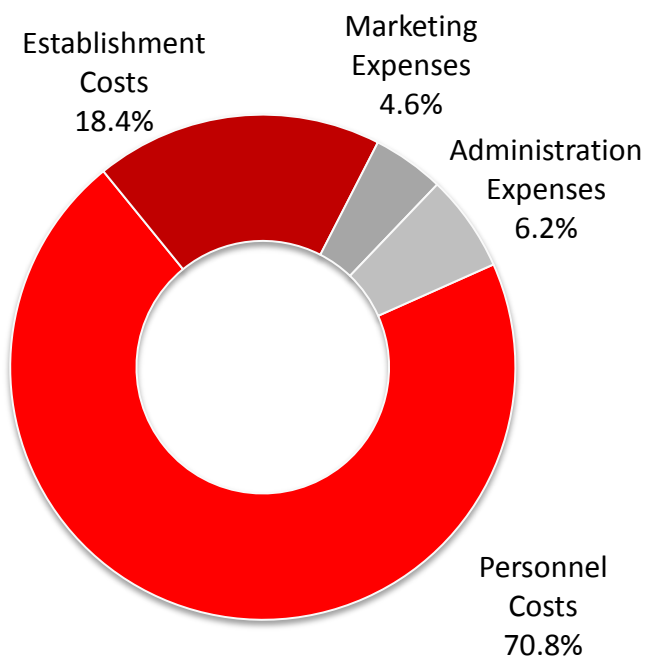


- Fee income
- Unit Trust income
- Stockbroking income
- Investment income
- Forex/Revaluation gain
- Others

Efficient Operating Overheads



Operating Costs Composition



Based on financial results as at 31 March 2014

RM'mil	Q1 2014	Q1 2013	Changes
Personnel Costs	464.3	444.0	↑ 4.6%
Establishment Costs	120.9	113.0	↑ 7.0%
Marketing Expenses	30.1	37.3	↓ 19.3%
Administration Expenses	40.6	37.5	↑ 8.5%
Total	655.9	631.8	↑ 3.8%

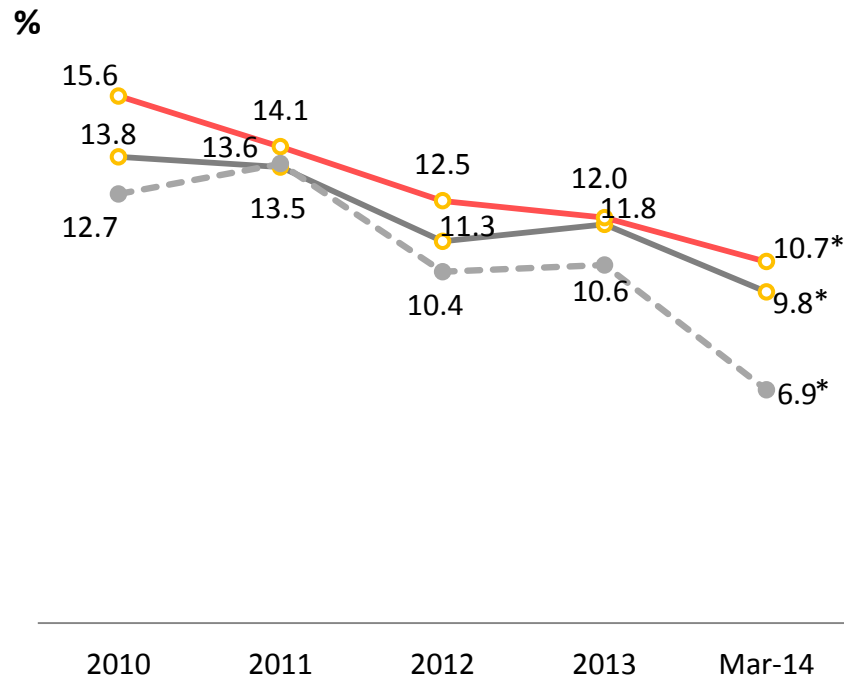
	Q1 2014	2013	Industry Average
Gross loan per employee (RM'mil)	12.7	12.3	9.7
Deposit per employee (RM'mil)	14.5	14.0	12.1
PBT per employee (RM'000)	297*	296	236
Cost to Income Ratio (%)	31.8	30.7	45.6

* Annualised

Consistently Above-Industry Loan Growth

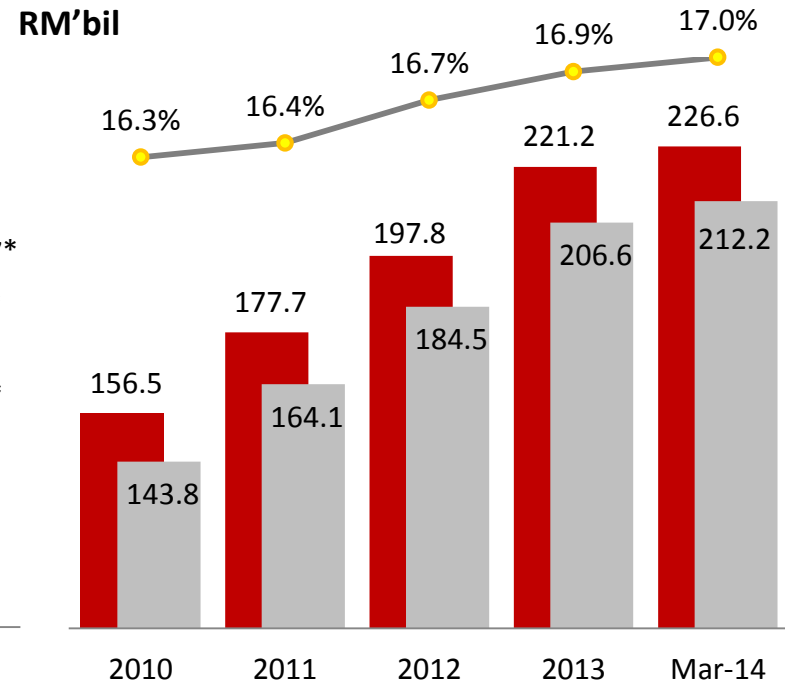


Loan Growth vs Industry



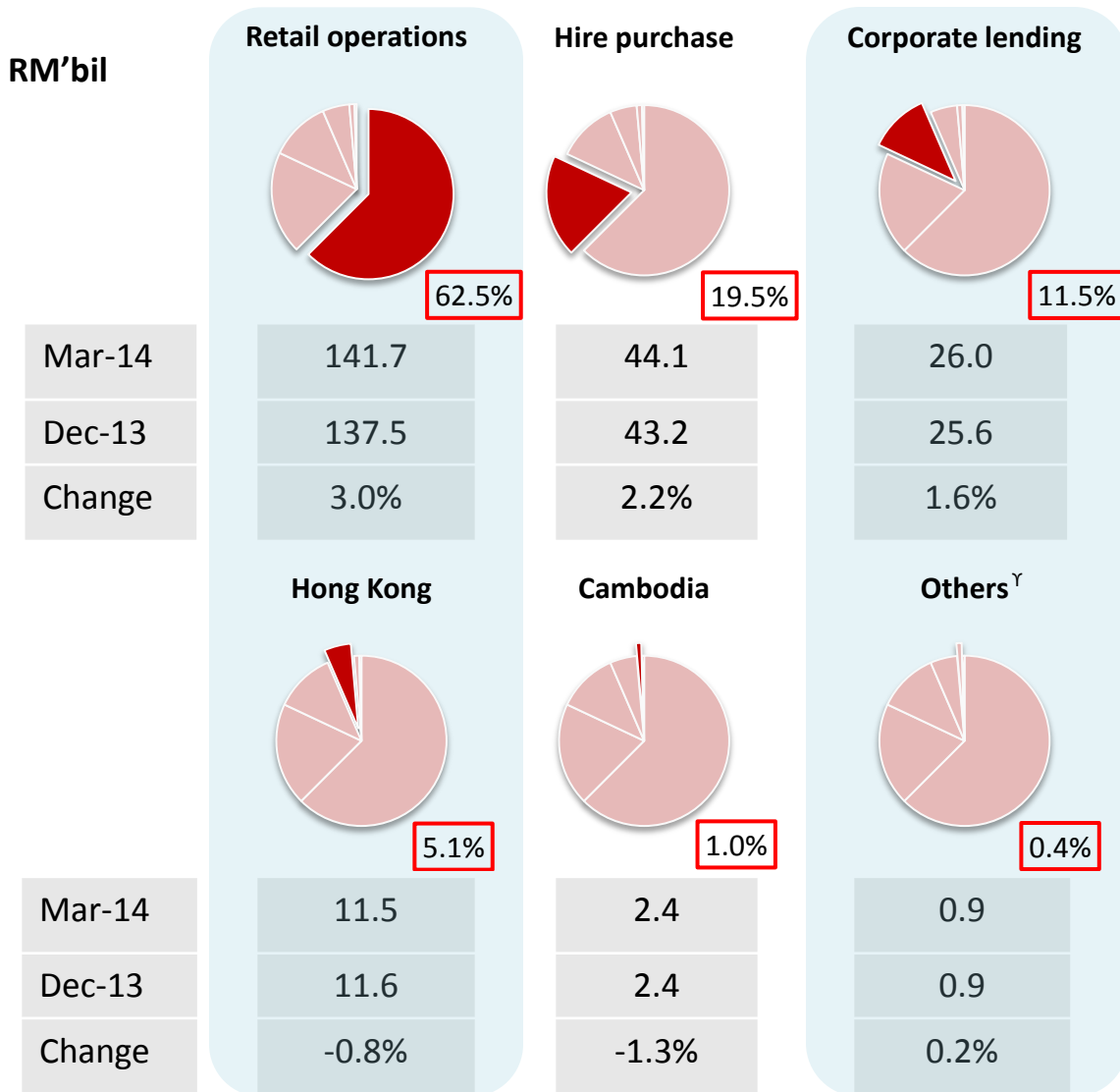
- Group Loan Growth
- Domestic Loan Growth
- Domestic Industry Average
- * Annualised growth

Gross Loans and Domestic Loan Market Share



- 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

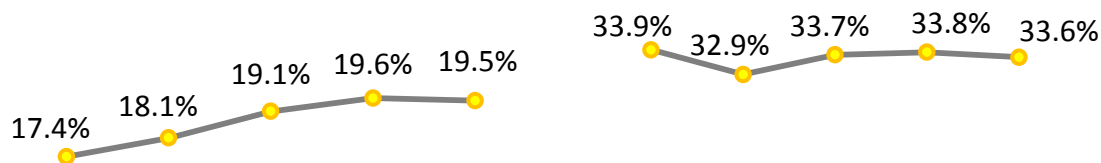
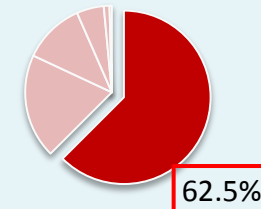
^Y Others comprise mainly of other miscellaneous domestic segments and other countries



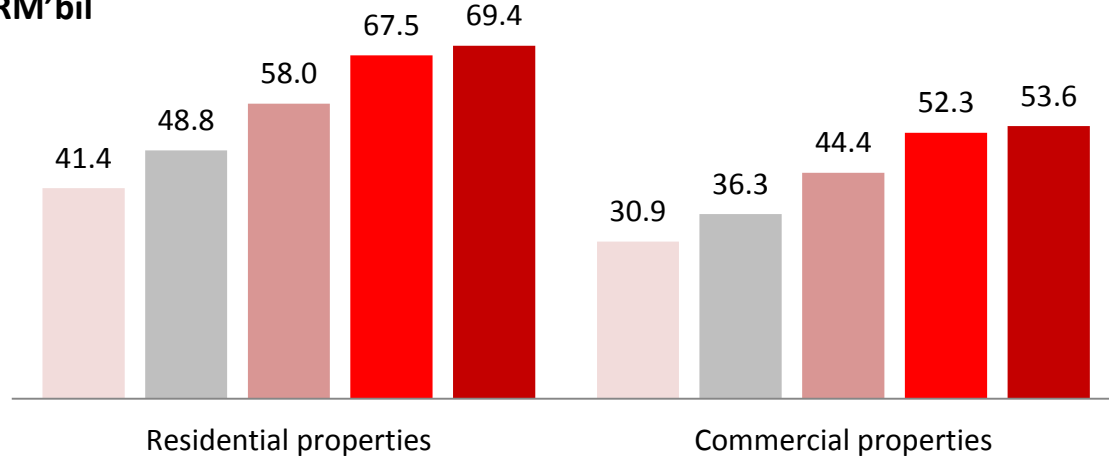
Gross loan & financing in Domestic Operations

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

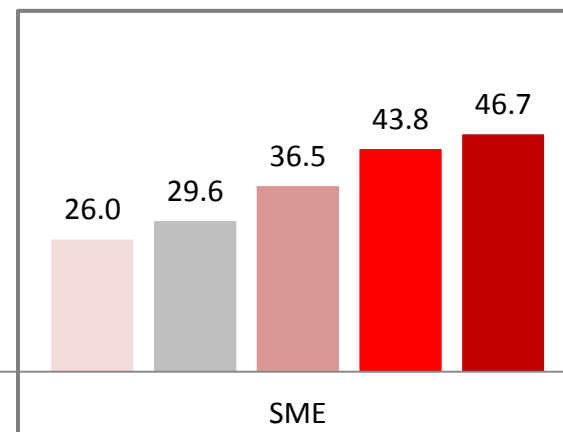
Retail operations



RM'bil



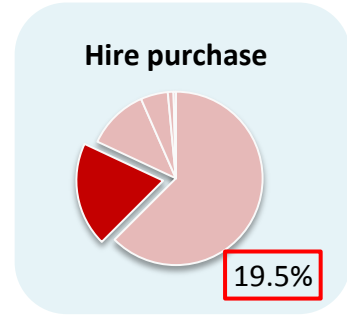
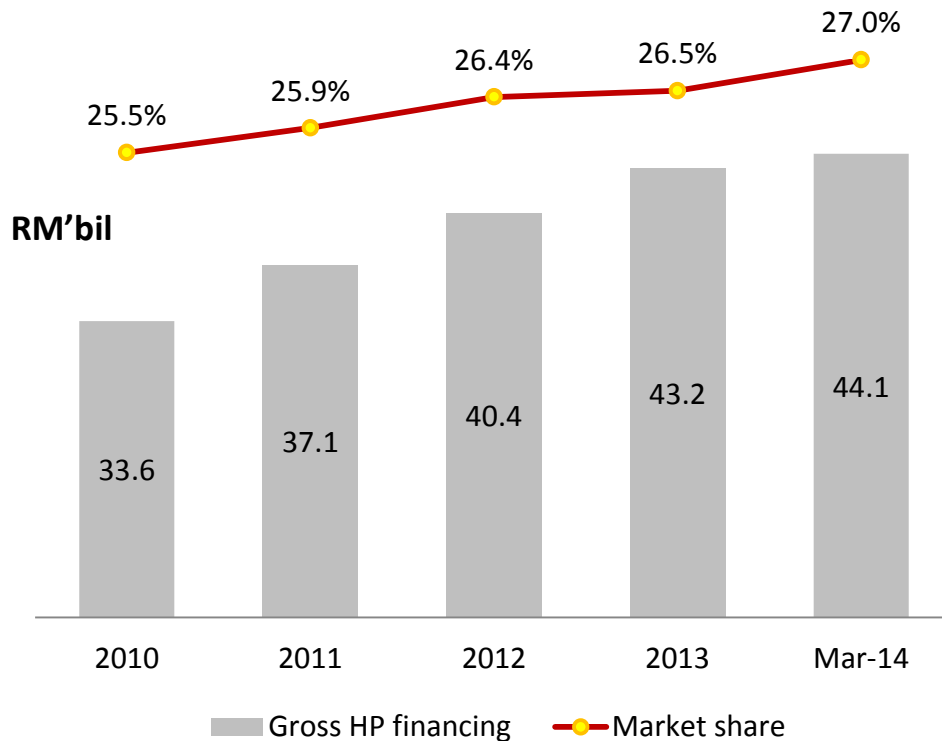
Of which, financing to Domestic SMEs



—●— Market share ■ 2010 ■ 2011 ■ 2012 ■ 2013 ■ Mar-14



HP Financing in Domestic Operations



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

Sustaining Strong Asset Quality



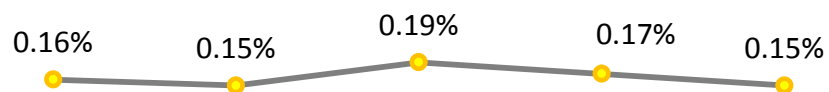
- Focus on lower risk customer segments
 - Traditional urban/ suburban mortgages
 - Passenger vehicle hire purchase
 - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



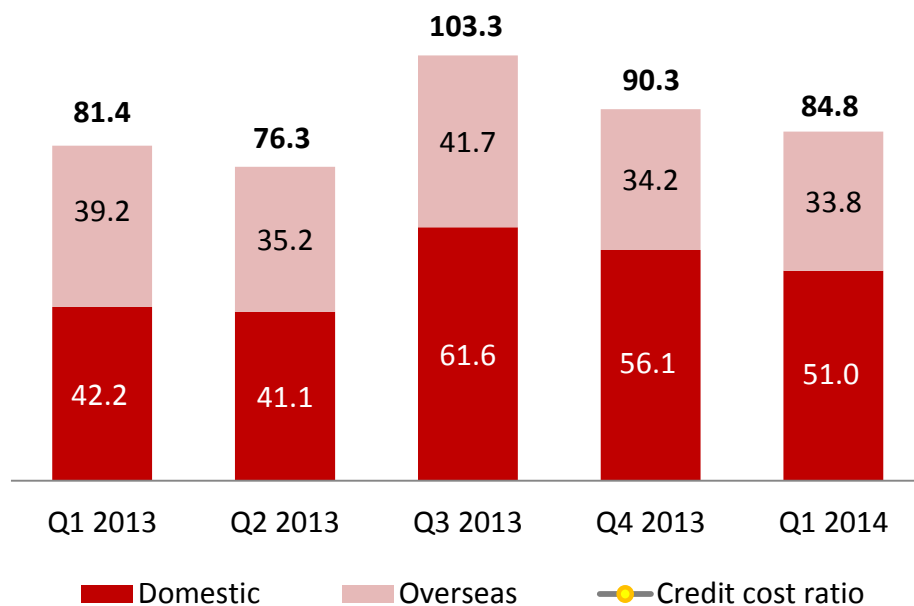
Upholding Strong Asset Quality



Quarterly Loan Impairment Allowances (including collective allowances)



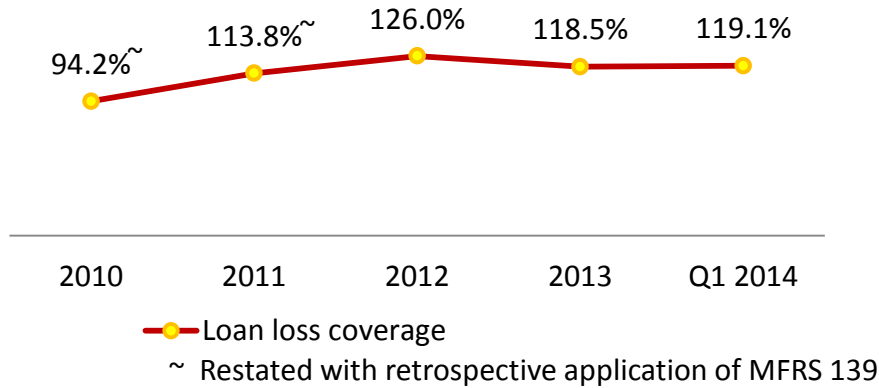
RM'mil



Gross Impaired Loan

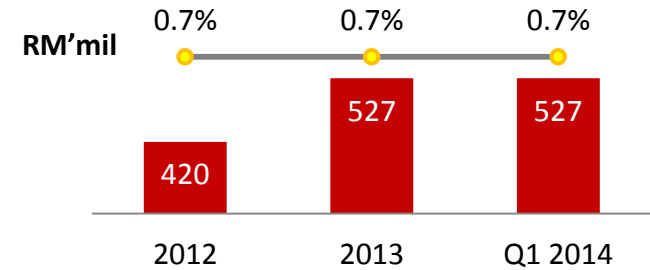


High loan loss coverage

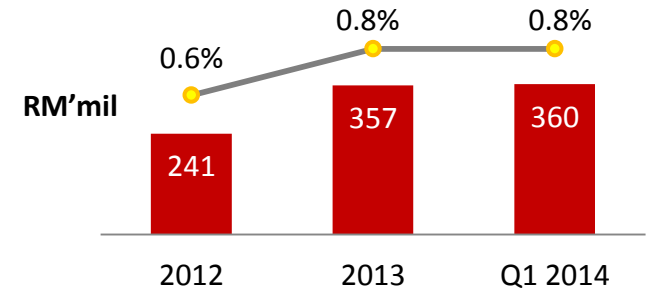


Of which:

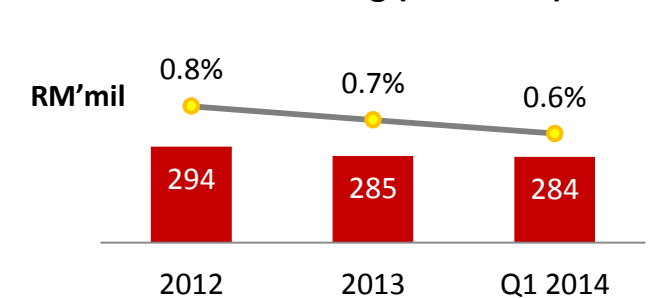
Residential properties financing



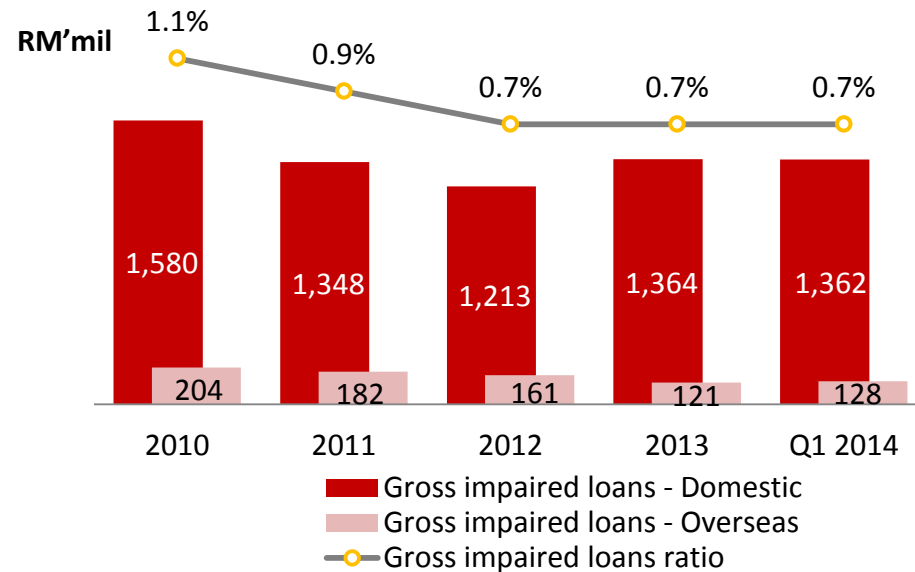
Passenger vehicle financing



SME financing (Domestic)



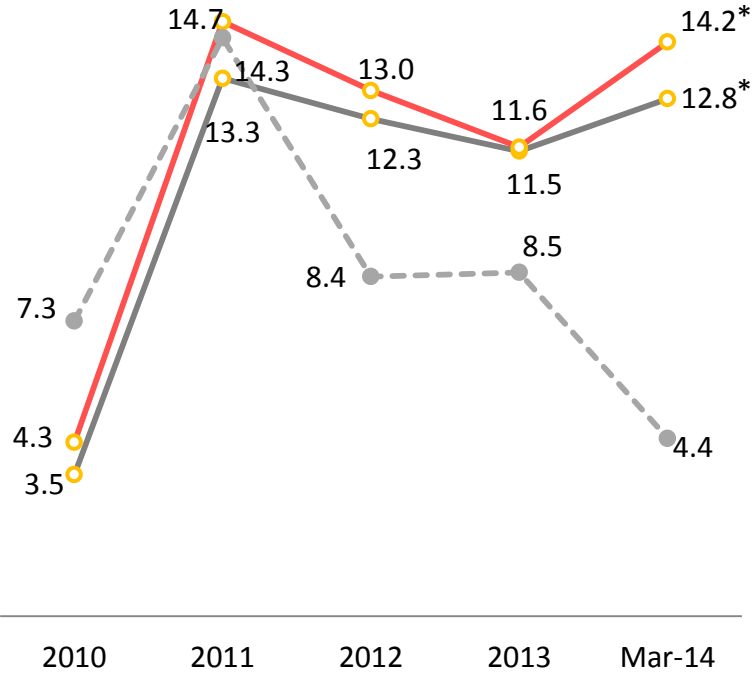
Low gross impaired loans ratios



Healthy Deposit Growth in Support of Liquidity

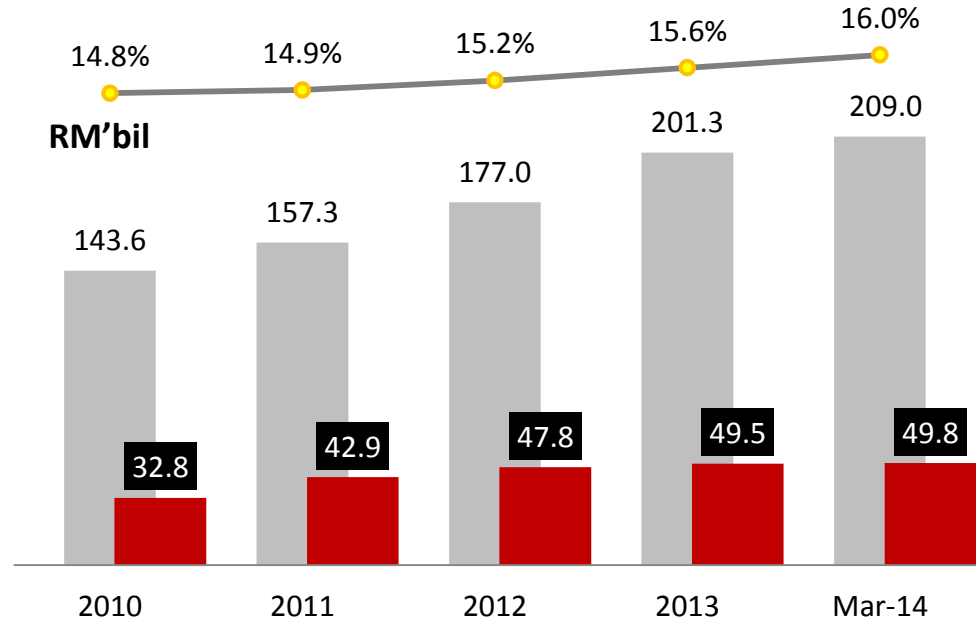


Deposit Growth vs Industry %



- Group Deposit Growth
- Domestic Deposit Growth
- Domestic Industry Average
- * Annualised growth

Deposits – Outstanding Balance and Market Share

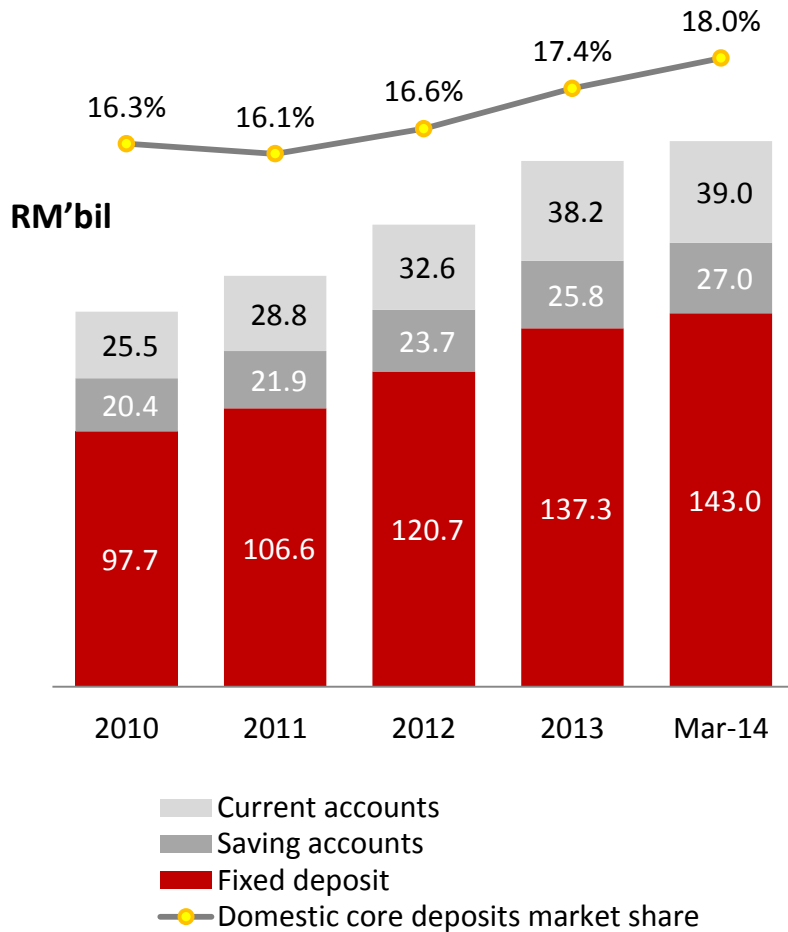


- Core customer deposit
- Wholesale deposit
- Customer deposit market share

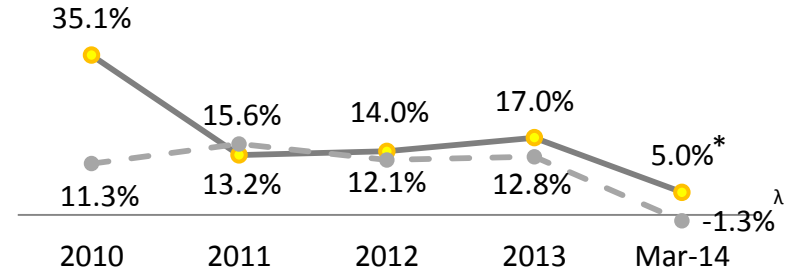
Strong Core Deposit Growth



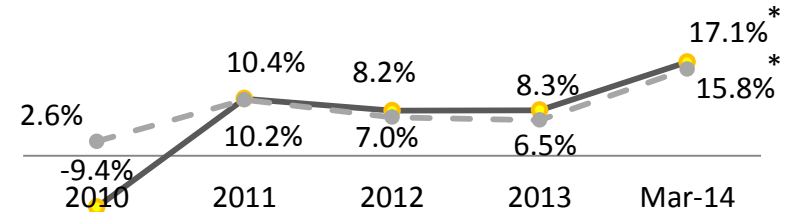
Source of Core Deposit



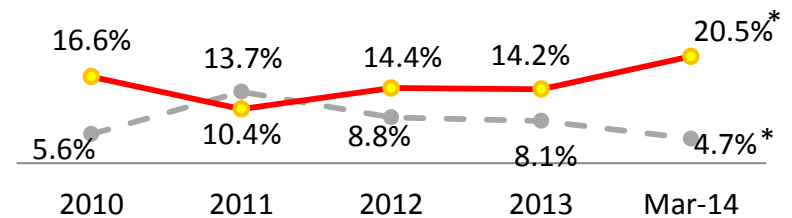
Domestic Current Deposit



Domestic Savings Deposit



Domestic Fixed Deposit



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

* Annualised growth

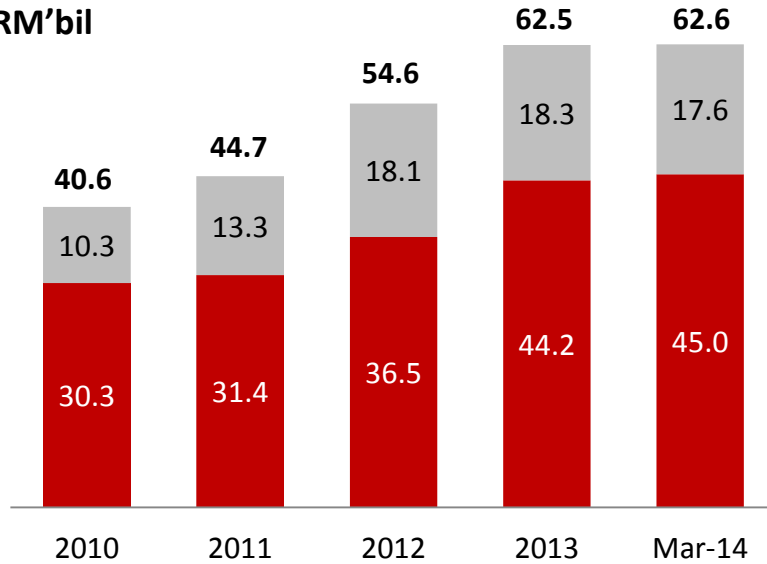
λ Negative growth as at March 2014



Net Asset Value of Funds under management



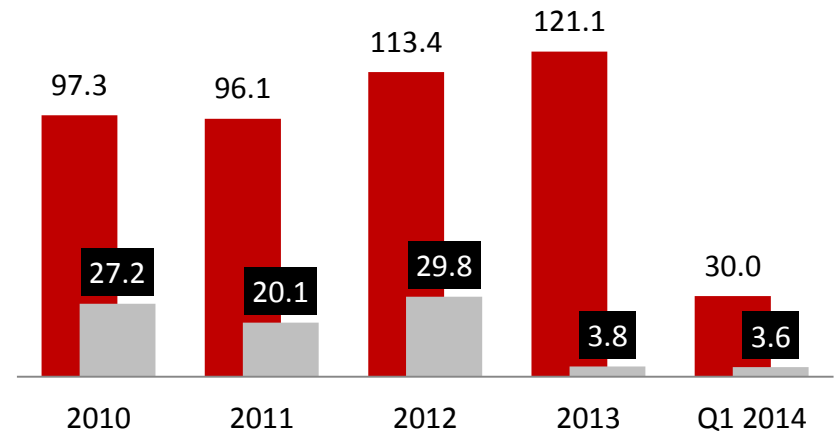
RM'bil



■ NAV - Equity Funds
■ NAV - Other Funds
● Market Share

Bancassurance Business – Annualised Premium Equivalent

RM'mil



■ Domestic
■ Overseas

Ensuring Healthy Capital Position



	RM'bil	Group		Bank	
		Mar-14	Dec-13 ^π	Mar-14	Dec-13 ^π
Common Equity Tier I Capital		17.5	17.5	16.4	17.2
Tier I Capital		20.6	21.0	19.5	20.8
Total Capital		27.1	27.5	22.2	22.5
Risk-weighted Assets		204.6	199.7	171.4	167.4
Common Equity Tier I Capital Ratio		8.5%	8.8%	9.6%	10.3%
Tier I Capital Ratio		10.1%	10.5%	11.4%	12.4%
Total Capital Ratio		13.3%	13.8%	12.9%	13.5%

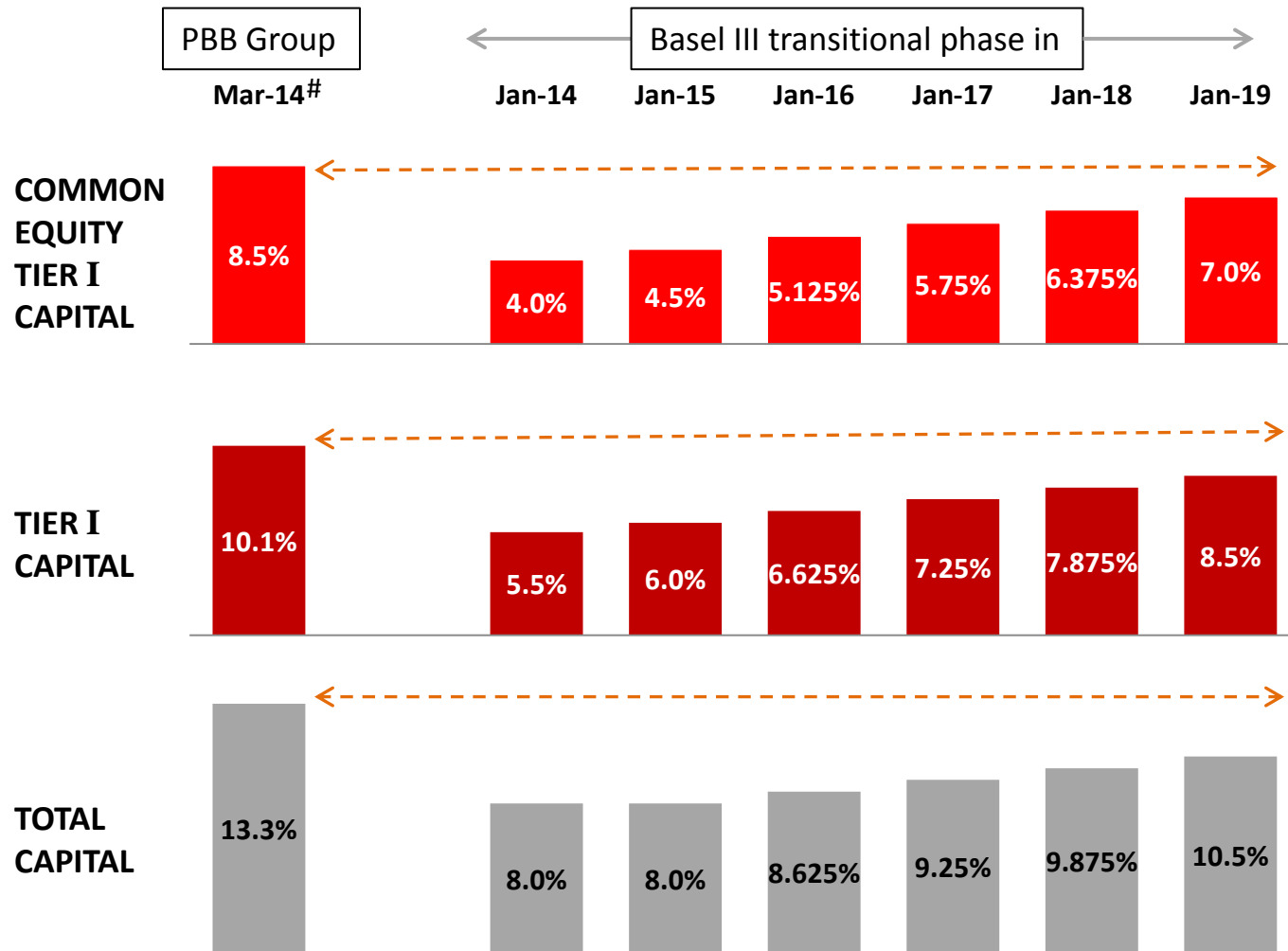
^π After deducting interim dividends declared subsequent to end of year



The regulatory reserves requirement by Bank Negara Malaysia (“BNM”) and impacts towards the Group are as follows:

- To maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing net of individual impairment provisions
- To comply with this requirement by 31 December 2015
- There will be no impact to the profit or loss of the Group/Bank as the regulatory reserves required to be set aside will be transferred from retained earnings
- Regulatory reserves is treated as a Tier II capital and does not qualify as Common Equity Tier (“CET”) I capital under BNM’s Capital Adequacy Framework (Capital Components). Hence, the setting aside of the regulatory reserves will result in a transfer from CET I capital to Tier II capital of approximately 0.6%

Proactive Capital Management Initiative



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 yet to be introduced by BNM

Targets & Achievements



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

<u>Key Performance Benchmarks</u>	2014 Targets	Achievement
Net Return on Equity	>20%	20.5%
Total Capital Ratio	>12%	13.3%
Gross Impaired Loan Ratio	<1%	0.7%
Cost to Income Ratio	<32%	31.8%
Loan Growth – Domestic – Group	10% to 11%	10.7%* 9.8%*
Deposit Growth – Domestic – Group	10% to 11%	14.2%* 12.8%*

* Annualised

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

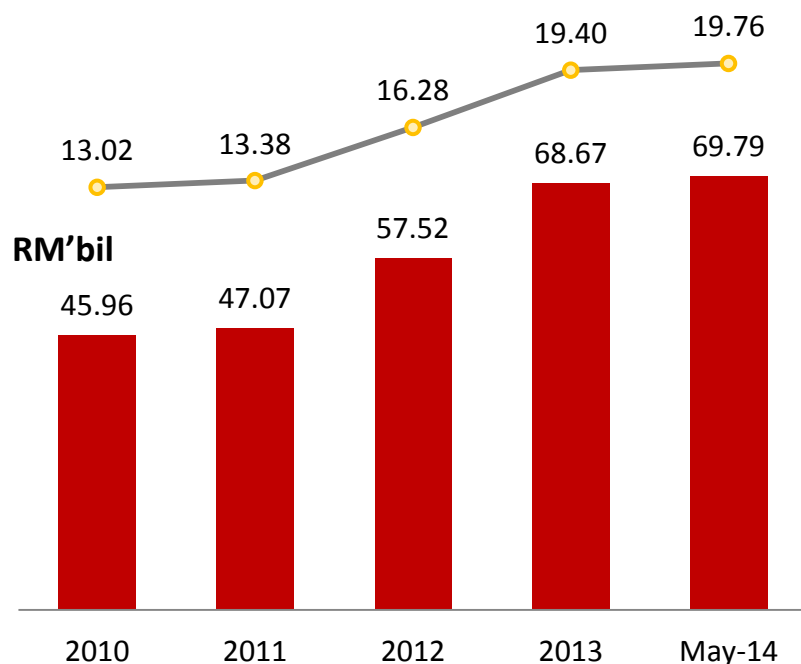
Prudence

- 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

Share Price & Market Capitalisation



Share Price & Market Capitalisation



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

21 May 2014	
	Market Capitalisation (RM'bil)
PBB	69.8
MBB	87.9
CIMB	61.4
HLB	26.3
AMMB	21.9
RHB	21.2

Market Capitalisation and Analysts' Poll

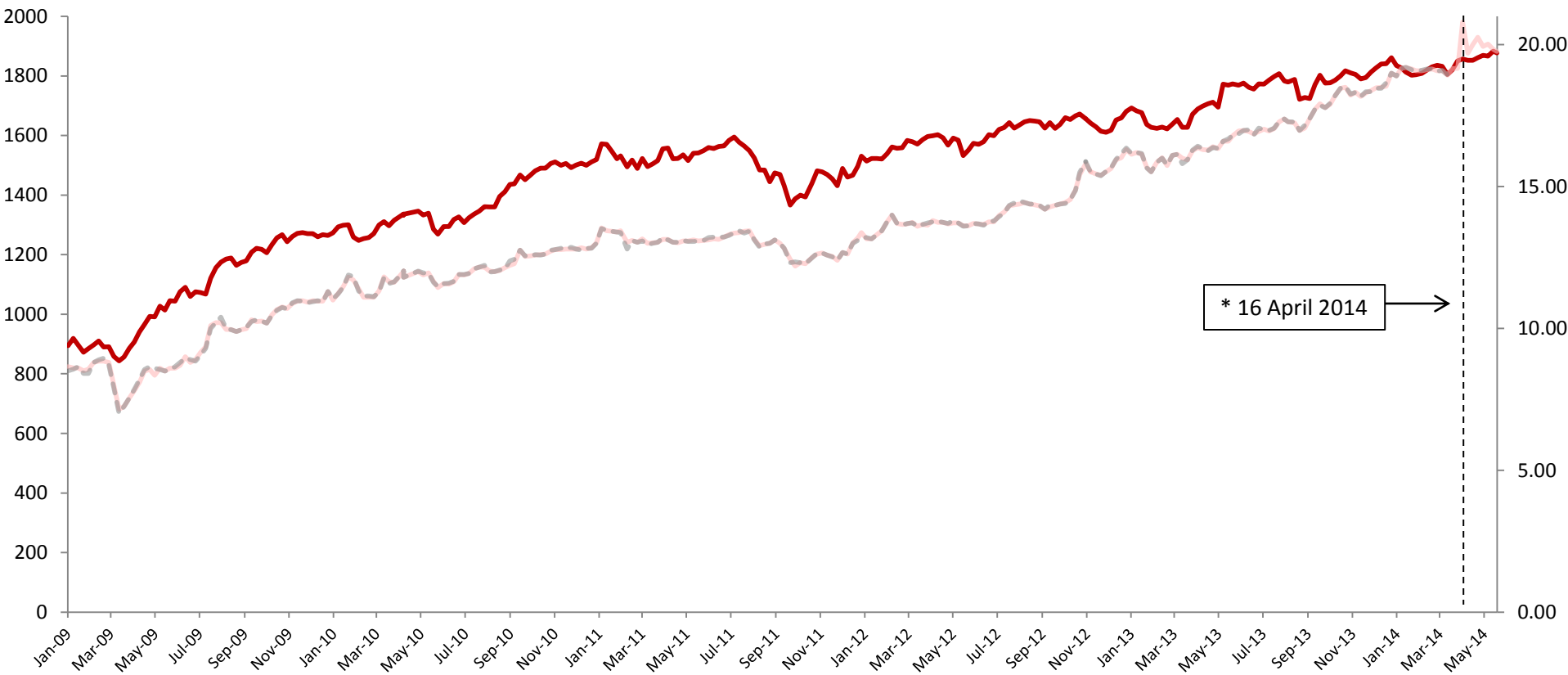


Resilient share price performance

— 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 [^] + dividends)	Compounded annual rate of return
Medium term - 5 years	1 January 2009	+159.5%	+21.0%
Long term - since listing	1967	+7,162.0%	+19.6%

[^] 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

	2009	2010	2011 [~]	2012 [^]	2013
Price to earnings multiple (times)	15.4	14.9	12.7	14.9	16.7
Price to book multiple (times)	3.5	3.3	3.0	3.2	3.3

[~] Restated with retrospective application of MFRS 139

[^] Restated with retrospective application of MFRS 119



- Average daily volume/ value traded:

	Average Daily Volume (million)	Average Daily Value (RM'million)
2013	3.7	63.2
YTD 21 May 2014	5.8	113.2

- Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 21 May 2014

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	5	16	6	27

Source: Bloomberg and Analyst Reports



- **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		2009	2010~	2011~^	2012^	2013	Q1 2014
Profitability	Operating profit	4,015	4,738	5,200	5,329	5,655	1,408
	Profit before tax	3,321	4,086	4,878	5,047	5,310	1,327
	Net profit	2,517	3,048	3,684	3,827	4,065	1,017
Shareholder Value	Earnings per share (sen)	73.3	87.2	105.2	109.3	116.1	29.0
	Net assets per share (RM)	3.19	3.91	4.52	5.15	5.83	5.82
	Net dividend per share (sen)						
	- Cash dividend	41.3	45.5	48.0	50.0	52.0	N/A
	- Share dividend	1 for 68	-	-	-	-	N/A
	Dividend payout ratio (%)	56.6	52.3	48.3	45.3	44.8	N/A
	Dividend payout ratio (including share dividend) (%)	79.3	52.3	48.3	45.3	44.8	N/A
Key Balance Sheet Data	Total assets	217,136	226,988	250,773	274,824	305,725	312,529
	Gross loan	137,610	156,544	177,694	197,783	221,176	226,612
	Domestic loan	124,362	143,822	164,081	184,542	206,635	212,179
	Deposit from customers	170,892	176,872	200,371	225,042	250,873	258,914
	Domestic deposit	155,810	162,578	186,445	210,680	235,142	243,508
	Core customer deposit	127,623	143,639	157,297	177,035	201,258	209,014
	Shareholders' equity	11,023	13,692	15,813	18,018	20,424	20,389

~ 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)



%		2009	2010~	2011~^	2012^	2013	Q1 2014	Industry
Profitability Ratios	Net interest margin on yielding assets	2.4	2.7	2.7	2.5	2.4	2.3	N/A
	Net return on equity ⁺	26.1	27.1	26.8	24.1	22.4	20.5	N/A
	Pre-tax return on average assets	1.6	1.8	2.0	1.9	1.8	1.7	1.5
	Cost to income ratio	32.6	30.7	29.8	31.2	30.7	31.8	45.6
	Non interest income/Total income	20.6	21.3	21.1	21.3	21.5	22.0	N/A
Liquidity	Net loan to deposit ratio	79.2	87.6	87.8	87.1	87.5	86.8	79.2
Asset Quality	Gross impaired loans ratio	1.4 ^{##}	1.1	0.9	0.7	0.7	0.7	1.8
	Loan loss coverage ratio	120.3 ^{##}	94.2	113.8	126.0	118.5	119.1	104.6
Capital Adequacy	Common equity Tier I capital ratio ^π	N/A	N/A	N/A	N/A	8.8	8.5	12.0
	Tier I capital ratio ^π	9.9	10.6	10.6	10.8	10.5	10.1	12.8
	Total capital ratio ^π	14.0	13.5	15.0	14.1	13.8	13.3	14.4
Market Share	<u>Domestic market share</u>							
	Commercial property financing	33.2	33.9	32.9	33.7	33.8	33.6	N/A
	Residential property financing	16.6	17.4	18.1	19.1	19.6	19.5	N/A
	Passenger vehicle financing	24.6	25.5	25.9	26.4	26.5	27.0	N/A
	Private unit trust	42.5	43.5	44.3	40.8	41.2	40.8	N/A
	Domestic loans	15.9	16.3	16.4	16.7	16.9	17.0	N/A
	Domestic deposits	16.3	14.8	14.9	15.2	15.6	16.0	N/A

⁺ Based on average equity after deducting proposed dividend, if any
[~] 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

^{##} Restated due to the adoption of FRS 139

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



Investor Relations

Contact

Ms Chang Siew Yen

Chief Operating Officer

+(603) 2176 7460

changsiewyen@publicbank.com.my

Mr Ng Seiw Kuan

Director, Corporate Planning and Strategy

+(603) 2177 3170

ngseiwkuan@publicbank.com.my

Ms Yik Sook Ling

Chief Financial Officer

+(603) 2177 3310

yiksookling@publicbank.com.my

