



Safeguarding Our

Brand Value

**PUBLIC BANK**  
PUBLIC BANK

# Investor Presentation

21<sup>st</sup> CLSA Investors' Forum

Hong Kong

15-19 September 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**

**SHARE PRICE AND MARKET CAPITALISATION**

**SUMMARY**

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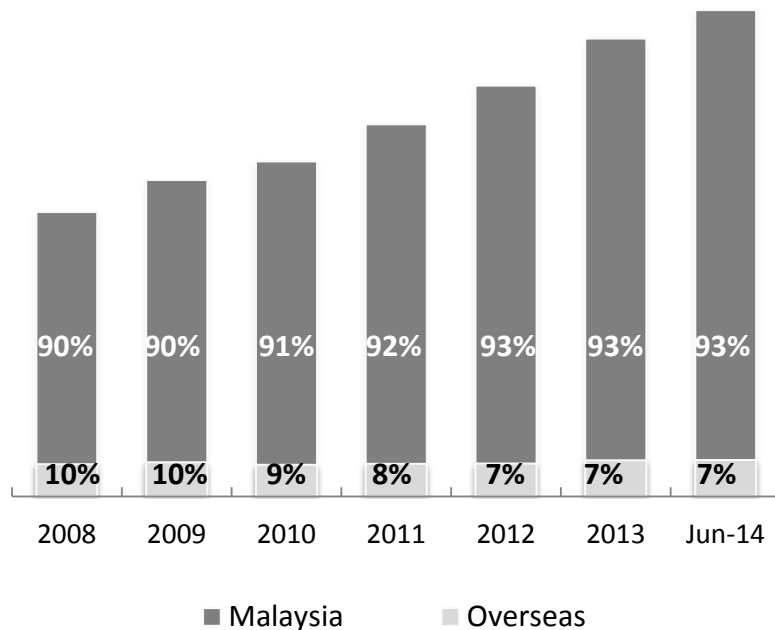
**40 - 41**

# Introduction to Public Bank Group

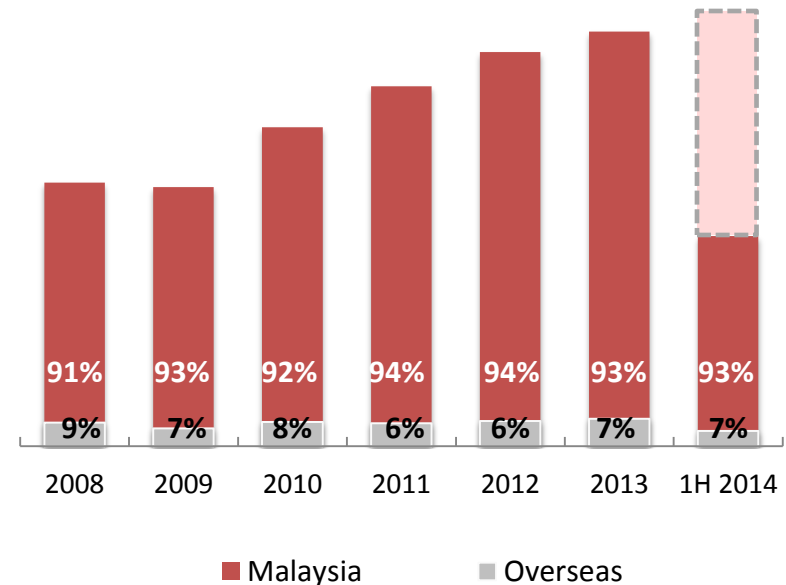


- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- Geographical Contribution

### Total Assets



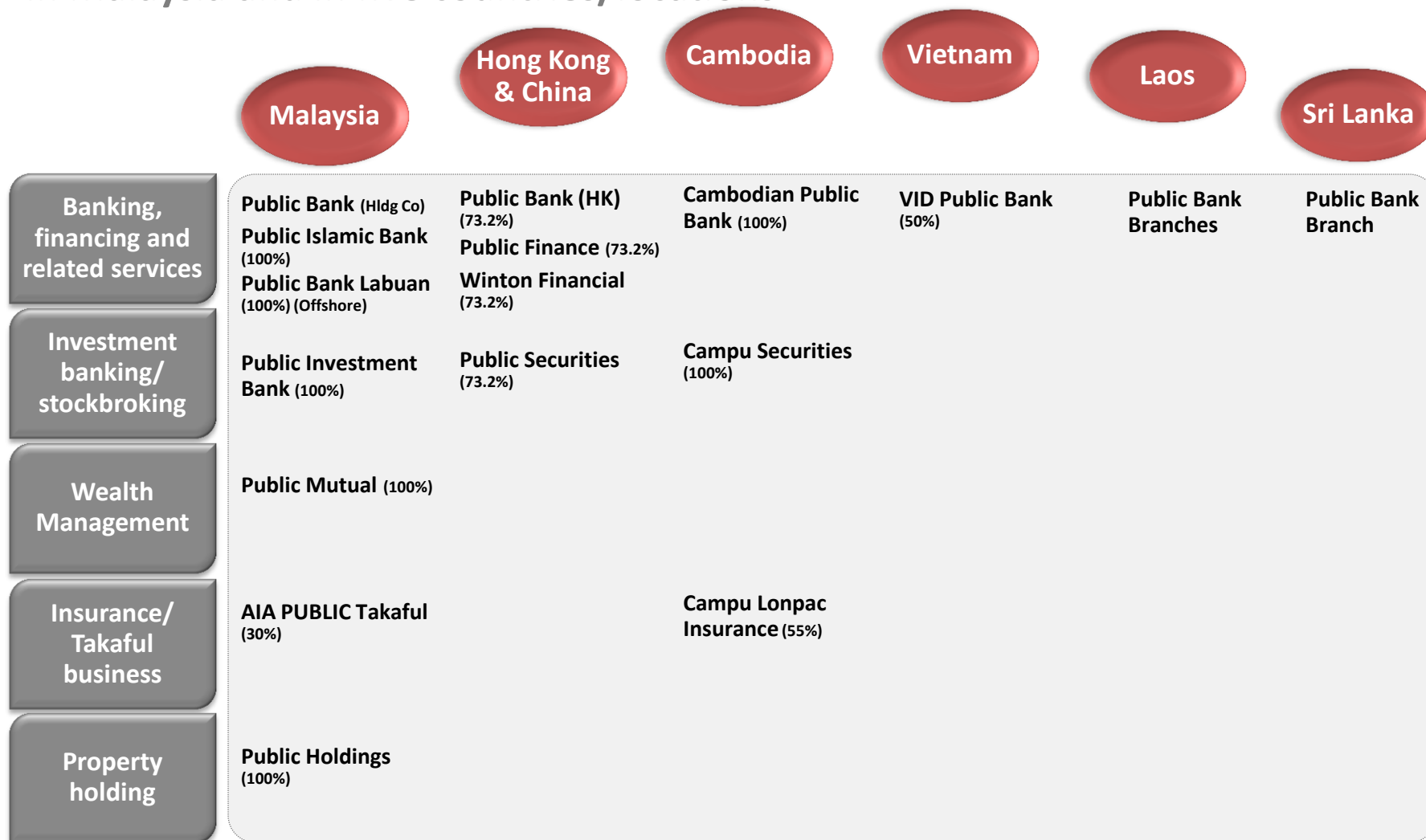
### Pre-tax Profit



# 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)

	Jun-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
<b><u>Hong Kong &amp; China Operations</u></b>			
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
<b><u>Indo-China Operations</u></b>			
Cambodia Public Bank	25	25	15
VID Public Bank (Vietnam)	7	7	7
	<b>412</b>	<b>411</b>	<b>385</b>
Self Service Terminal - domestic	1,778	1,738	1,308



# Unbroken Profit Track Record



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

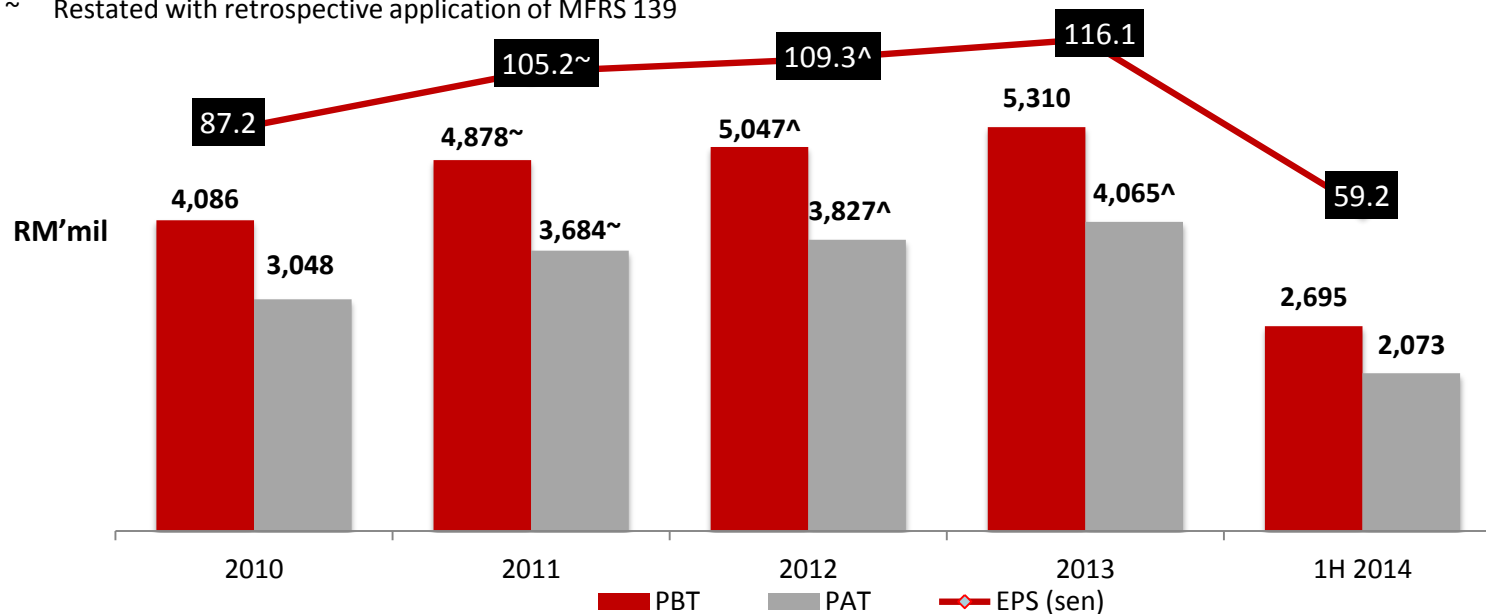
	RM'mil						1H2014	y-o-y growth (%)					1H2014**
	2008*	2009	2010	2011~	2012^	2013		2009	2010	2011	2012	2013	
Pre-tax profit	3,179	3,321	4,086	4,878	5,047	5,310	2,695	4.5	23.0	19.4	3.5	5.2	3.2
Net profit	2,436	2,517	3,048	3,684	3,827	4,065	2,073	3.3	21.1	20.9	3.9	6.2	4.1

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

\*\* Growth in comparison with corresponding period in 2013

^ Restated with retrospective application of MFRS 119

~ Restated with retrospective application of MFRS 139



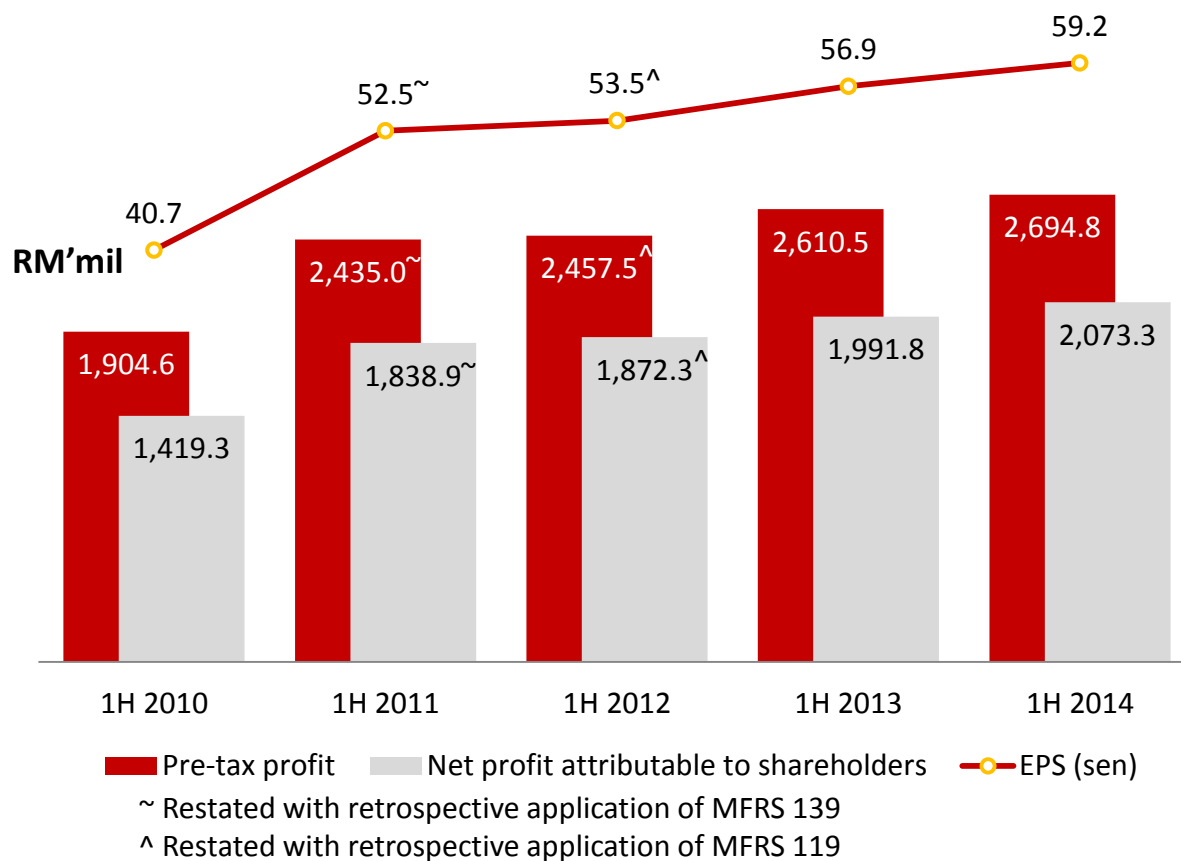
~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119

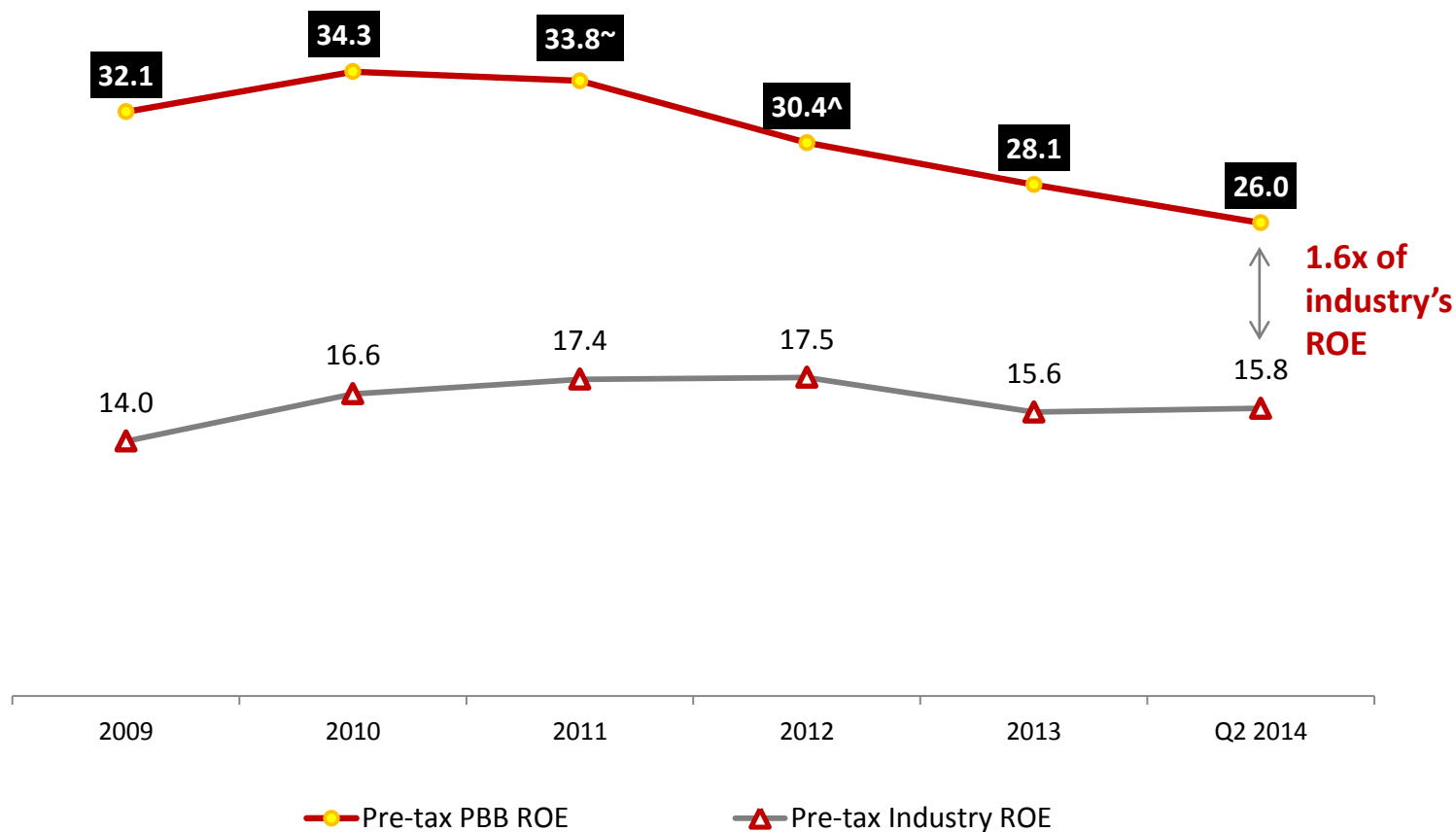
# Steady Profit Growth



## Profits and EPS



# Above-industry Return on Equity (ROE)



~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119



## 1<sup>st</sup> Interim Dividend for 1H2014

Single tier dividend

23 sen per share

Dividend payout

RM886 million



# Key Highlights



**Pre-tax profit**

**RM2,695m**  
(+3.2%)

1H 2013: RM2,611m

**Net profit attributable to shareholders**

**RM2,073m**  
(+4.1%)

1H 2013: RM1,992m

**Earnings per share**

**59.2sen**  
(+4.0%)

1H 2013: 56.9sen

**Total assets**

**RM323.7b**  
(+11.7%)\*

Dec 2013: RM305.7b

**Net return on equity**

**20.8%**

Dec 2013: 22.4%

**Loan - Group**

**RM232.2b**  
(+9.9%)\*

Dec 2013: RM221.2b

**Loan - Domestic**

**RM217.6b**  
(+10.6%)\*

Dec 2013: RM206.6b

**Deposit - Group**

**RM264.5b**  
(+10.9%)\*

Dec 2013: RM250.9b

**Deposit - Domestic**

**RM248.5b**  
(+11.4%)\*

Dec 2013: RM235.1b

**Net loan to deposit ratio**

**87.1%**

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**

**117.6%**

Dec 2013: 118.5%

**Common  
equity Tier I  
capital ratio**

**8.9%<sup>π</sup>**

Dec 2013: 8.8%<sup>π</sup>

**Tier I capital  
ratio**

**10.4%<sup>π</sup>**

Dec 2013: 10.5%<sup>π</sup>

**Total capital  
ratio**

**13.8%<sup>π</sup>**

Dec 2013: 13.8%<sup>π</sup>

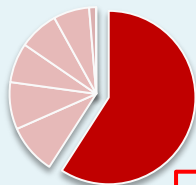
<sup>π</sup> After deducting interim dividends declared subsequent to end of period/year

# Segmental Profit – Retail Centric



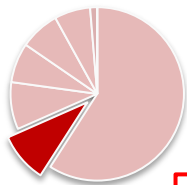
RM'mil

## Retail operations



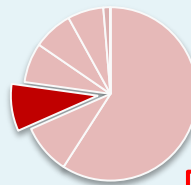
59.1%

## Hire purchase



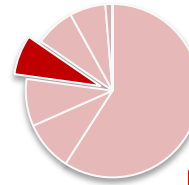
9.3%

## Fund management



8.8%

## Treasury operations



7.4%

1H 2014

1,593.8

249.9

236.8

198.8

1H 2013

1,593.3

272.0

202.8

185.9

Change

0.03%

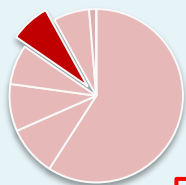
-8.2%

16.8%

6.9%

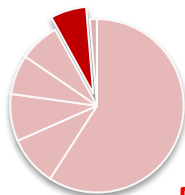
Retail and HP operations contributed >2/3 of the Group's pre-tax profit

## Overseas operations



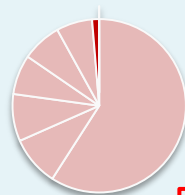
7.4%

## Corporate lending



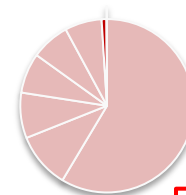
6.7%

## Investment banking



1.3%

## Others<sup>Y</sup>



0.02%

1H 2014

198.7

181.4

34.8

0.6

1H 2013

176.5

160.5

23.3

-3.8

Change

12.6%

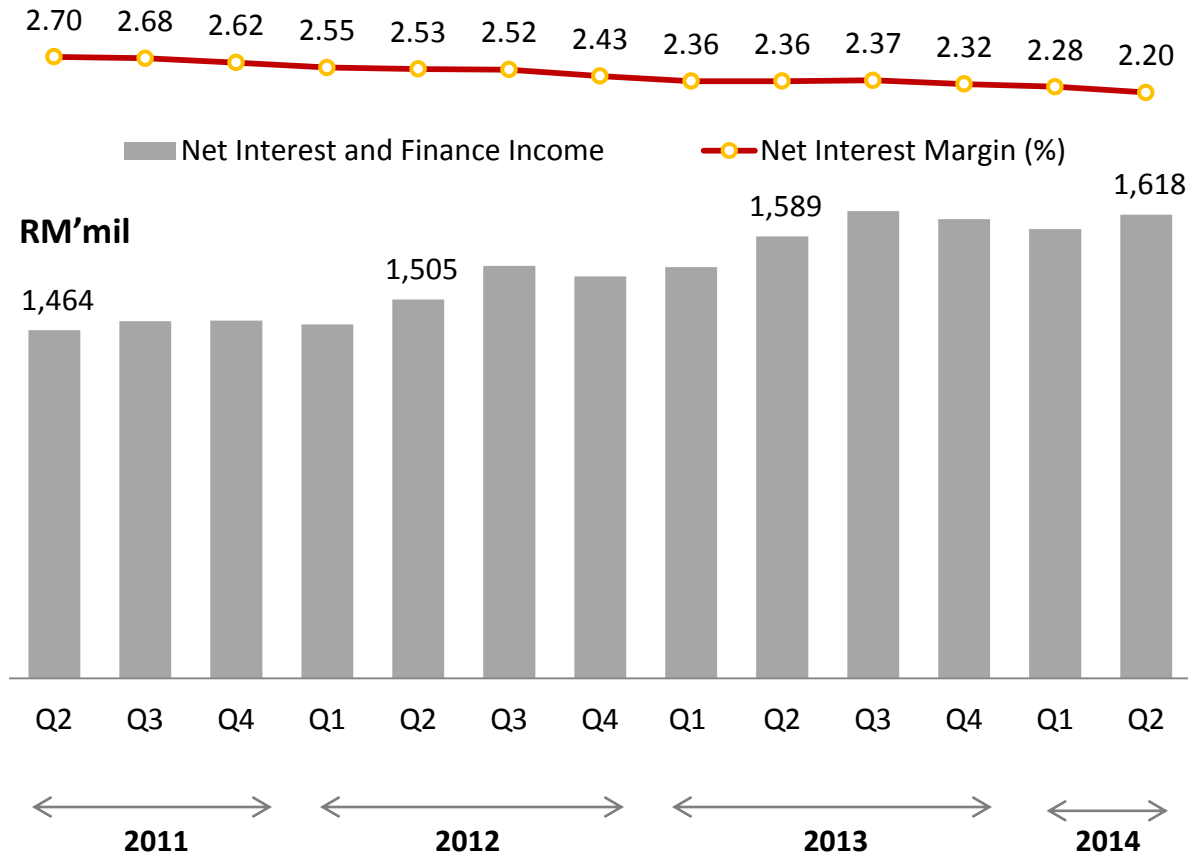
13.0%

49.3%

> 100%

<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

# Net Interest Margin – Continued to be under pressure

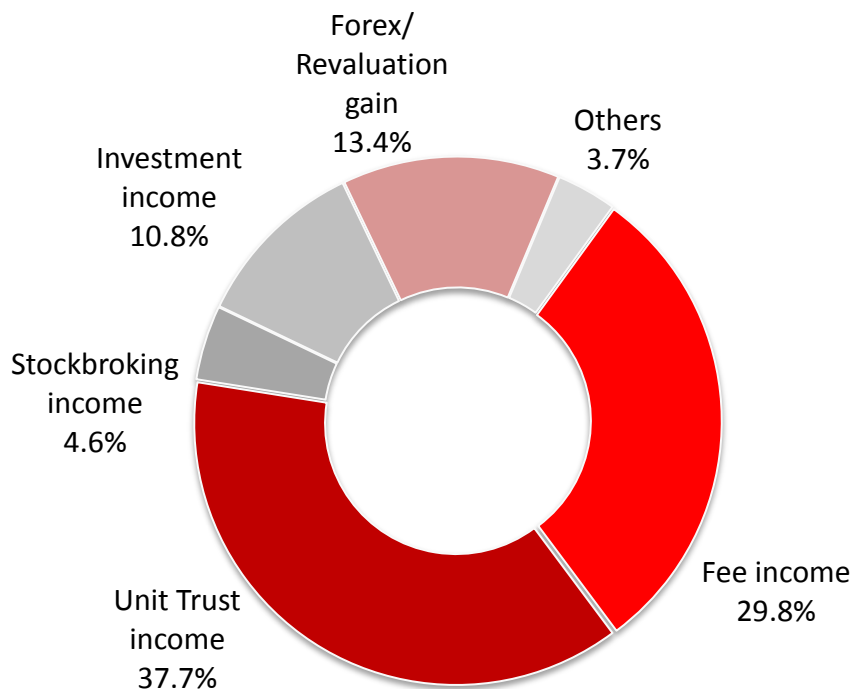


Net interest margin continued to be under pressure as a result of intense market competition

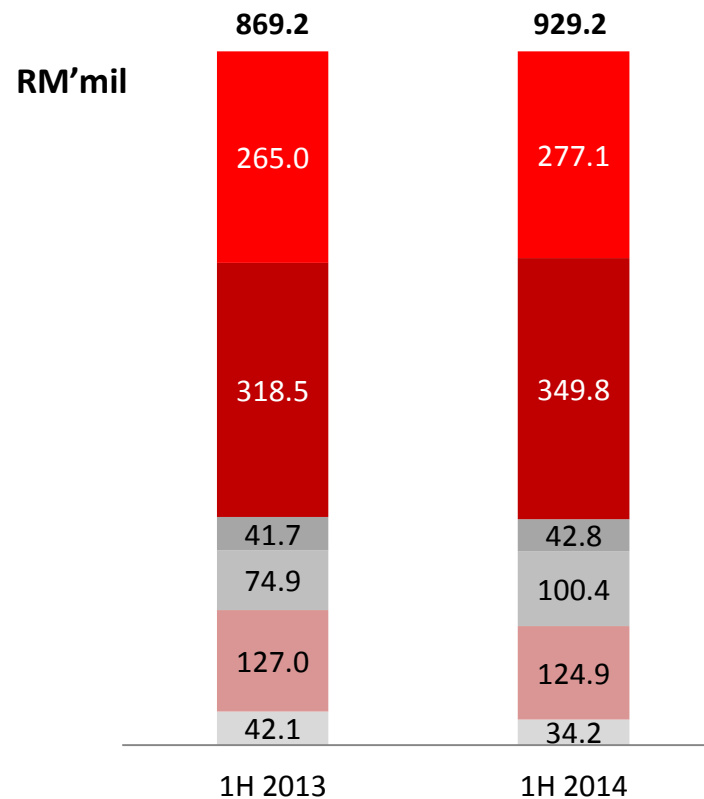
# Non-Interest Income Composition & Growth



## Non-interest Income Contribution



Based on financial results as at 30 June 2014

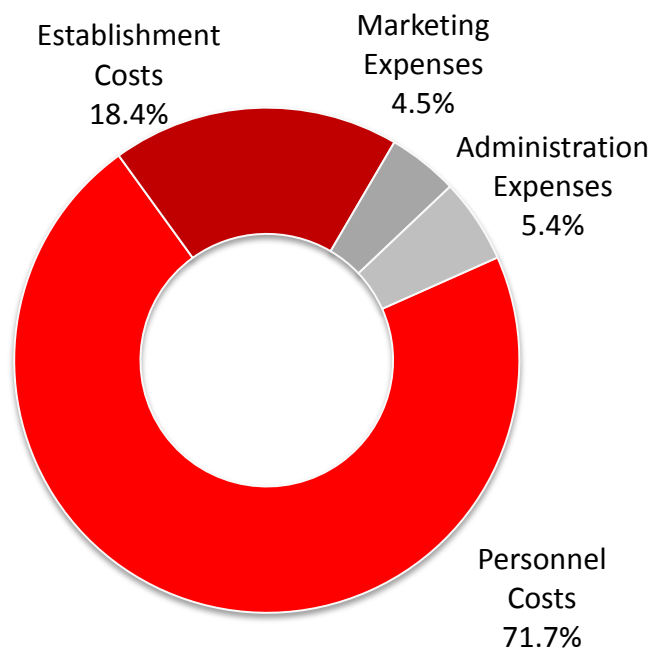


- Fee income
- Unit Trust income
- Stockbroking income
- Investment income
- Forex/Revaluation gain
- Others

# Efficient Operating Overheads



## Operating Costs Composition



Based on financial results as at 30 June 2014

RM'mil	1H 2014	1H 2013	Changes
Personnel Costs	947.6	873.9	↑ 8.4%
Establishment Costs	243.0	231.8	↑ 4.9%
Marketing Expenses	59.5	76.5	↓ 22.2%
Administration Expenses	71.8	79.3	↓ 9.5%
<b>Total</b>	<b>1,321.9</b>	<b>1,261.5</b>	<b>↑ 4.8%</b>

	1H 2014	2013	Industry Average
Gross loan per employee (RM'mil)	13.0	12.3	9.7
Deposit per employee (RM'mil)	14.8	14.0	12.1
PBT per employee (RM'000)	302*	296	236
Cost to Income Ratio (%)	31.8	30.7	45.6

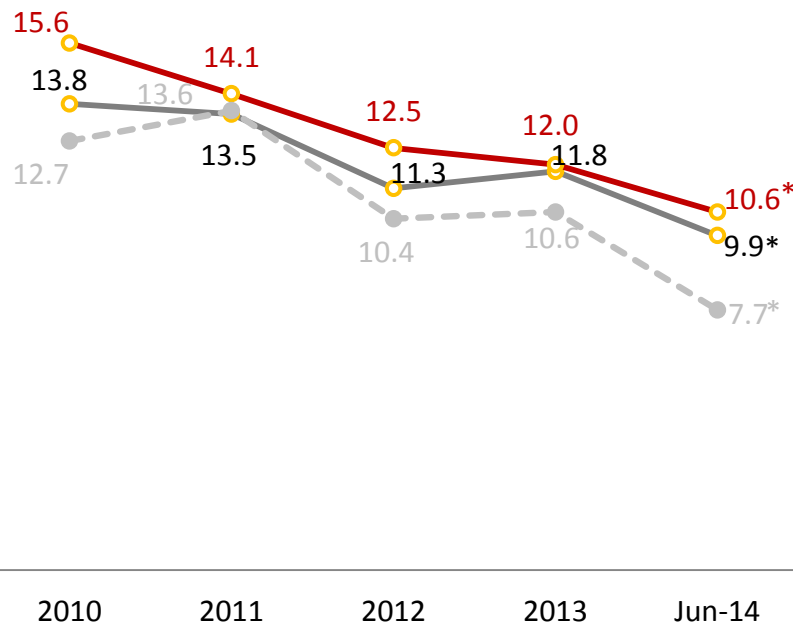
\* Annualised

# Consistently Above-Industry Loan Growth



## Loan Growth vs Industry

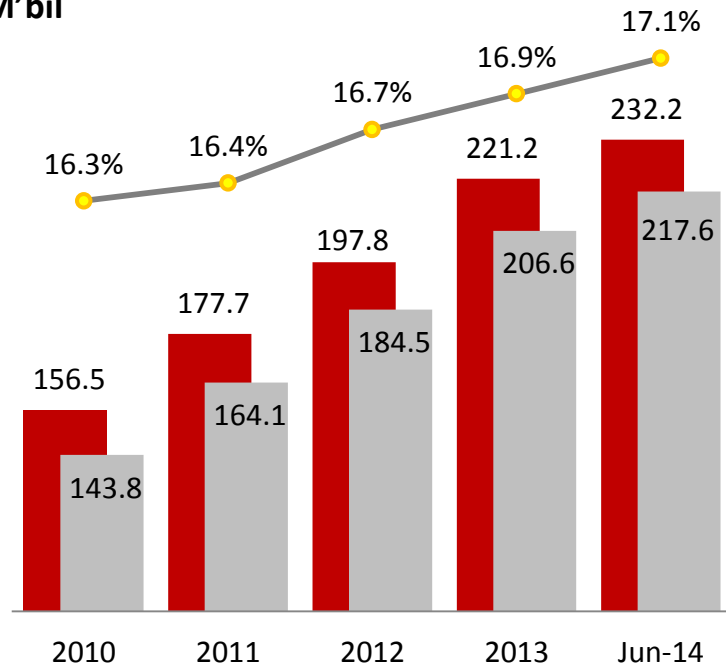
%



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

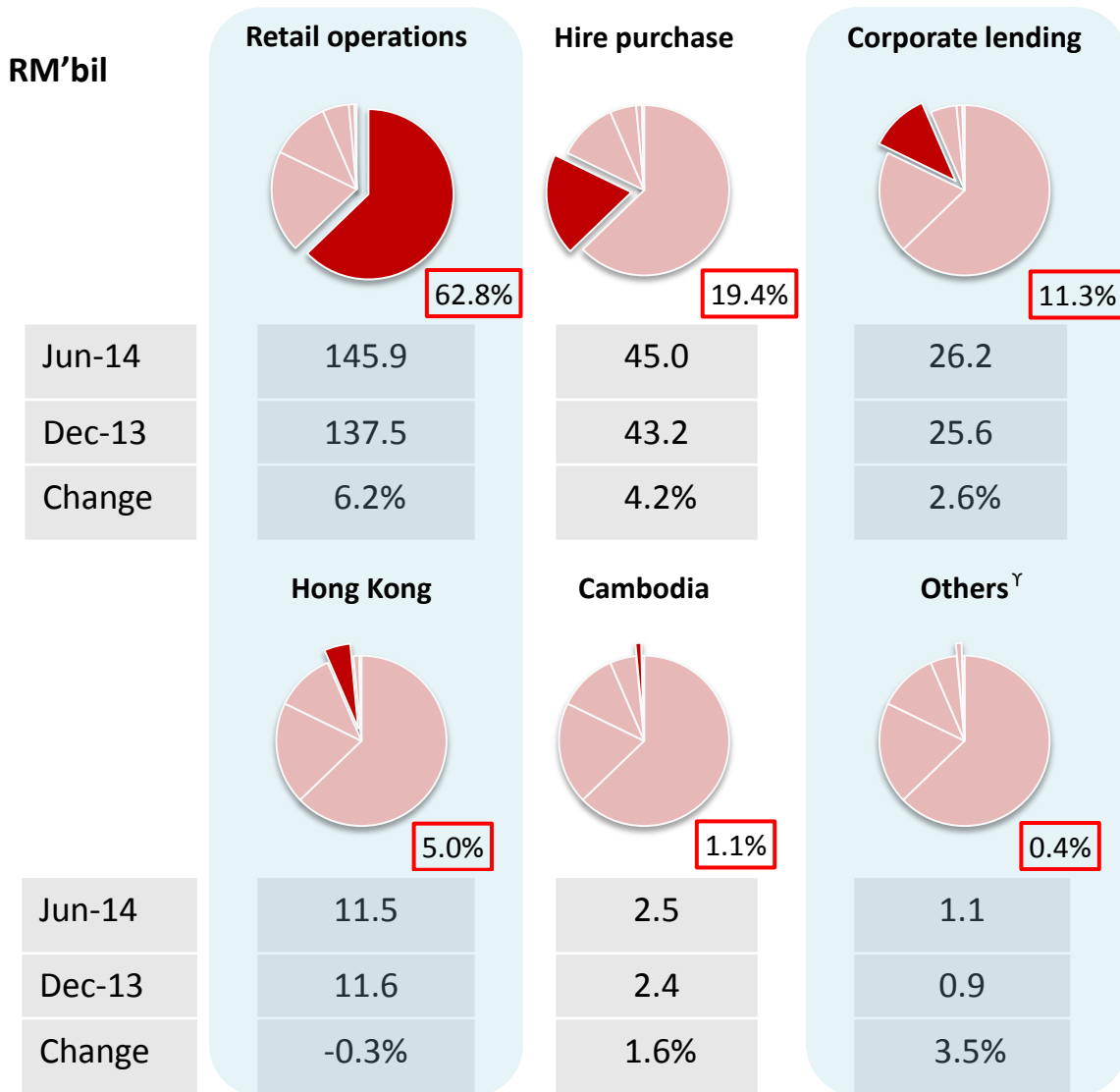
## Gross Loans and Domestic Loan Market Share

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

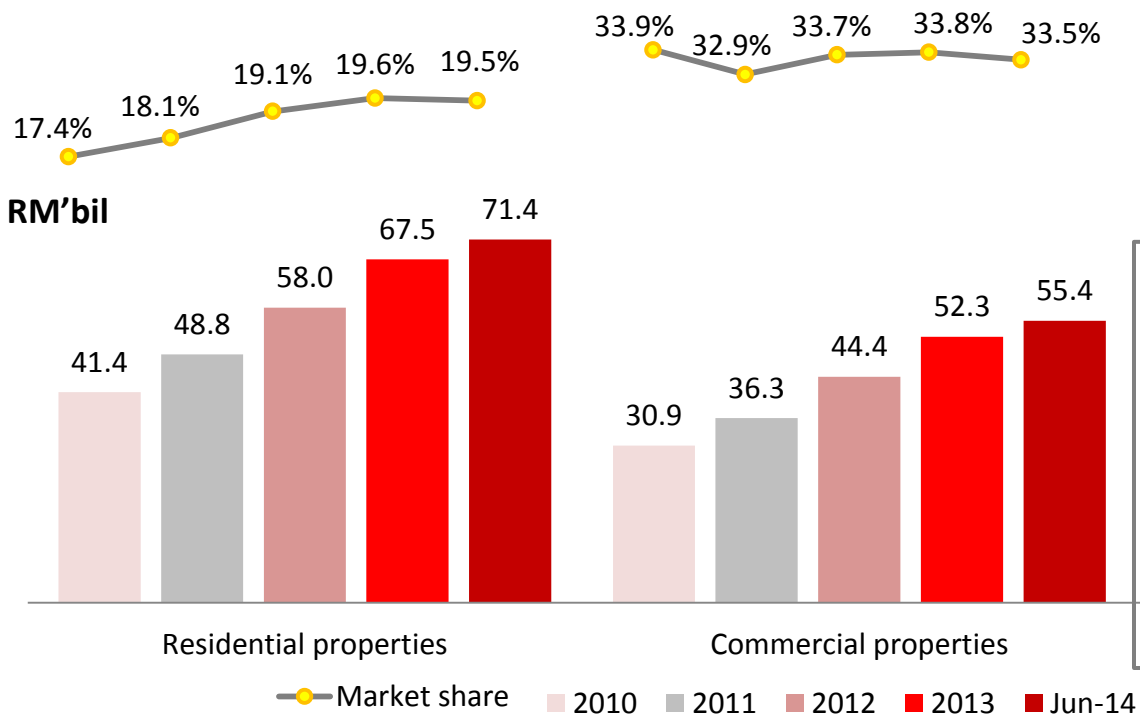
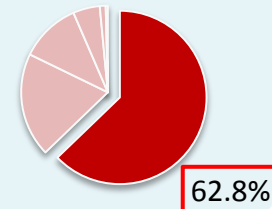
<sup>Y</sup> Others comprise mainly of other miscellaneous domestic segments and other countries



## Gross loan & financing in Domestic Operations

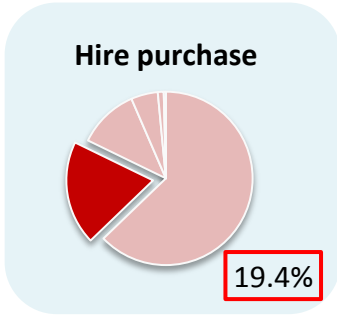
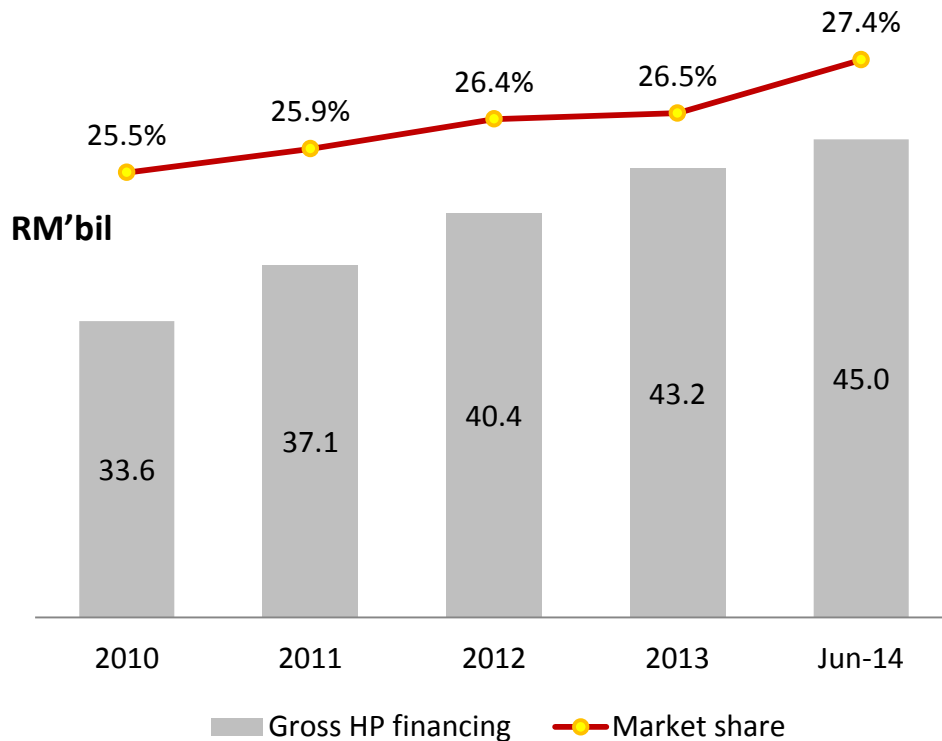
- Steady growth trend in residential properties financing & commercial properties financing
- Remained market leader in the residential properties financing & commercial properties financing

Retail operations





## 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



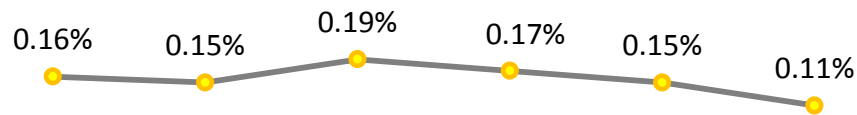
- Focus on lower risk customer segments
  - Traditional urban/ suburban mortgages
  - Passenger vehicle hire purchase
  - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



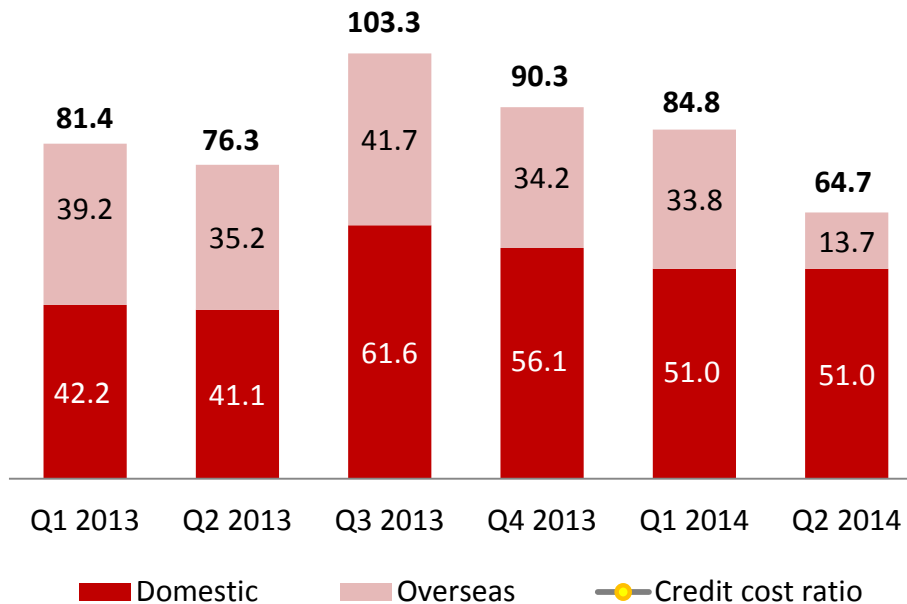
# Upholding Strong Asset Quality



## Quarterly Loan Impairment Allowances (including collective allowances)



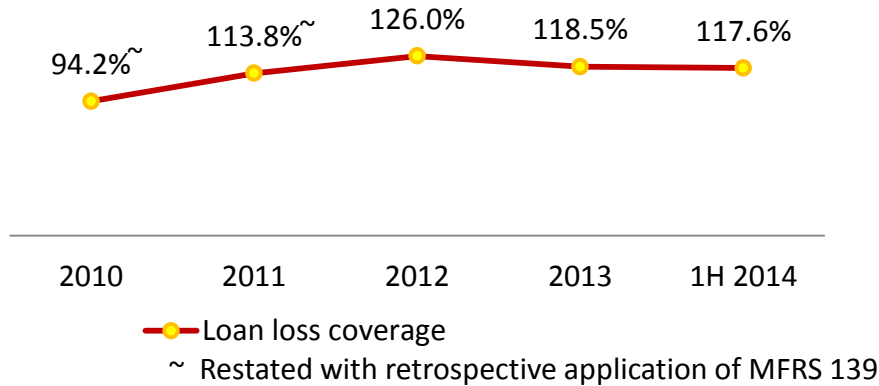
RM'mil



# Gross Impaired Loan

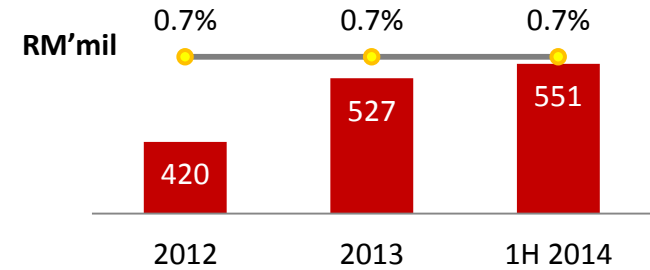


## High loan loss coverage

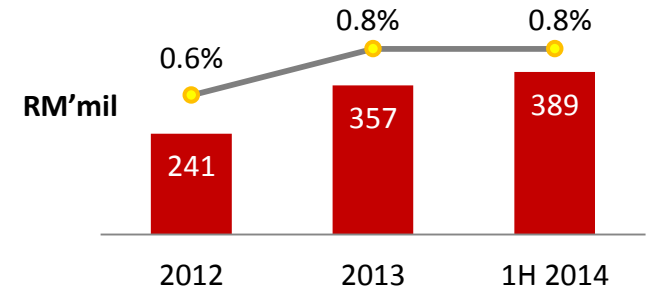


## Of which:

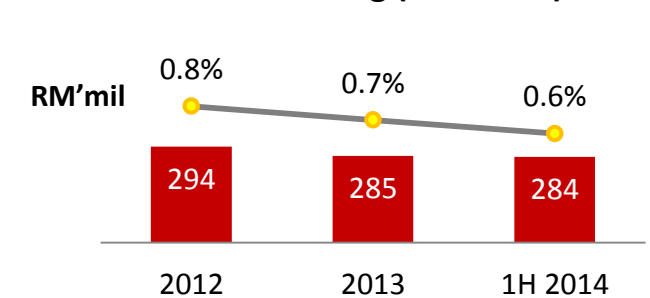
### Residential properties financing



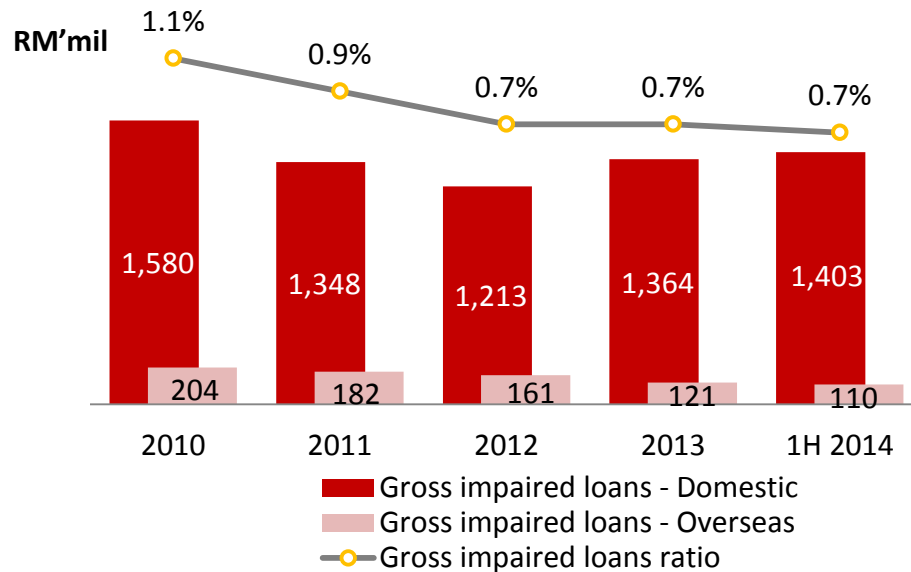
### Passenger vehicle financing



### SME financing (Domestic)



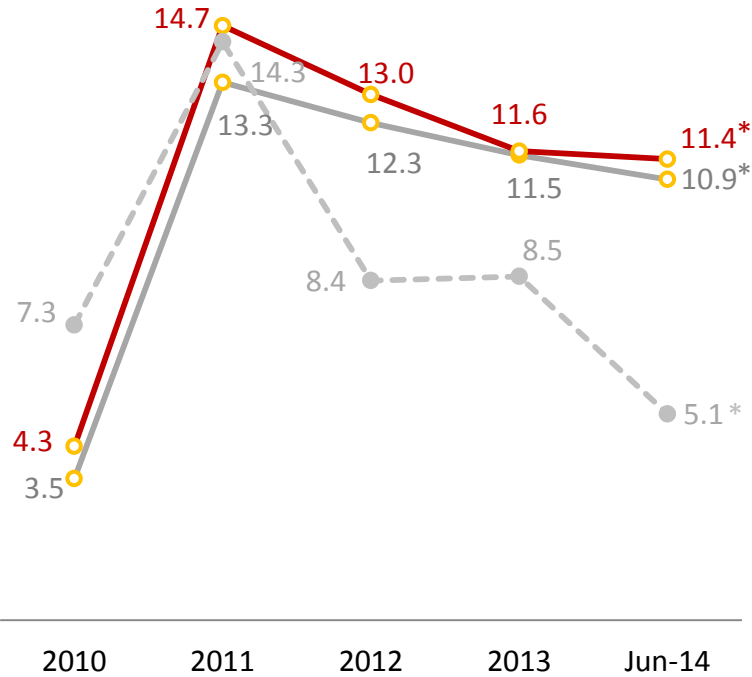
## Low gross impaired loans ratios



# Healthy Deposit Growth in Support of Liquidity

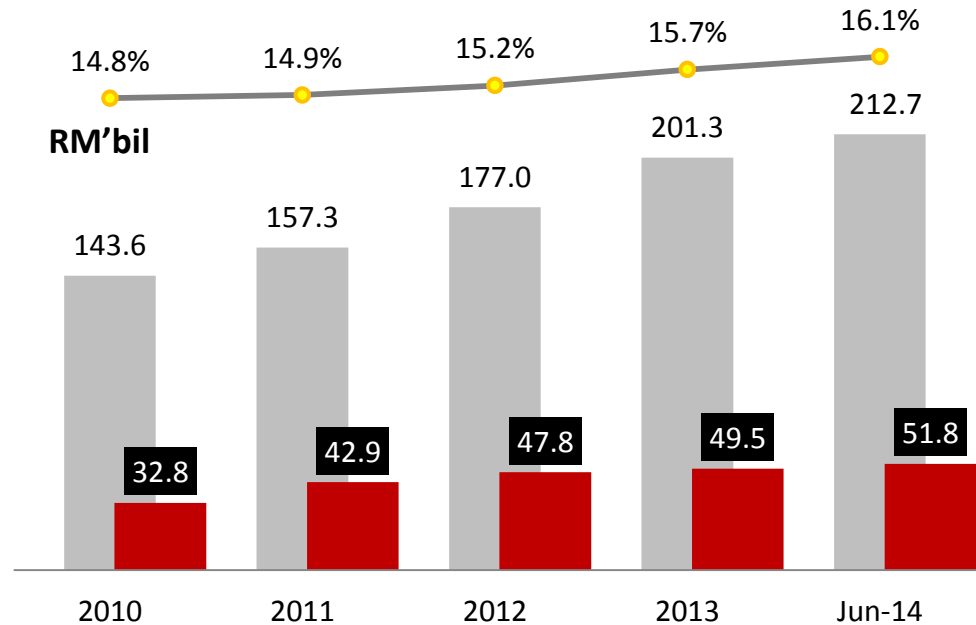


**Deposit Growth vs Industry**  
%



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

**Deposits – Outstanding Balance and Market Share**

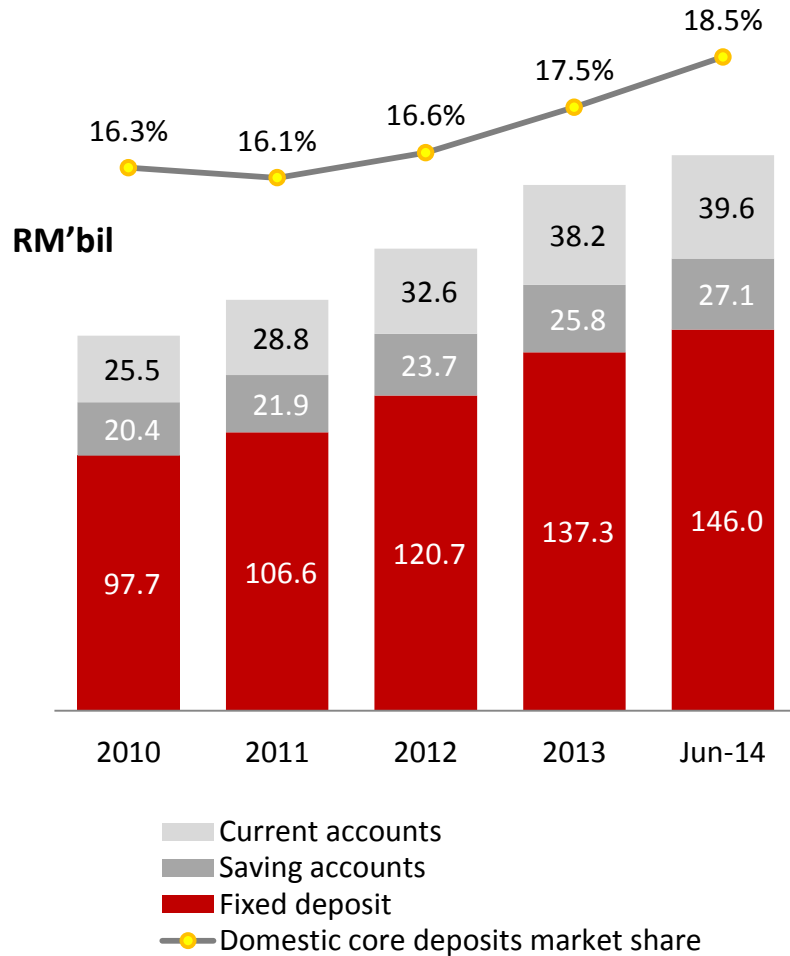


- Core customer deposit
- Wholesale deposit
- Customer deposit market share

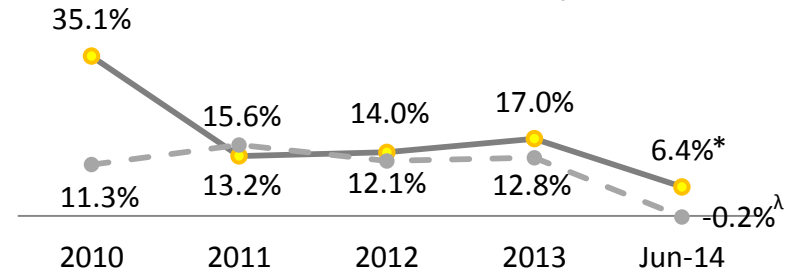
# Strong Core Deposit Growth



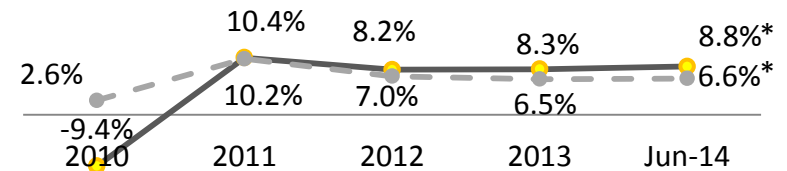
## Source of Core Deposit



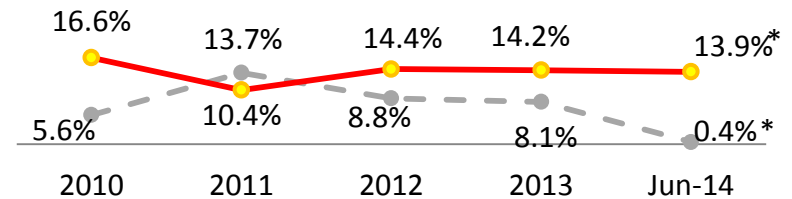
## Domestic Current Deposit



## Domestic Savings Deposit



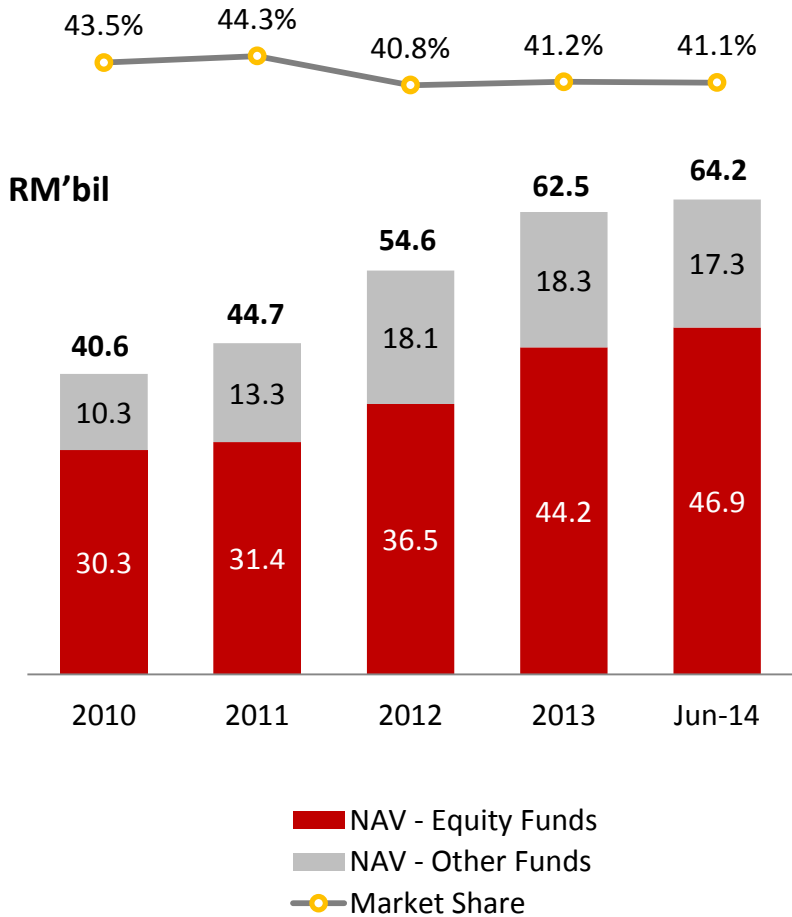
## Domestic Fixed Deposit



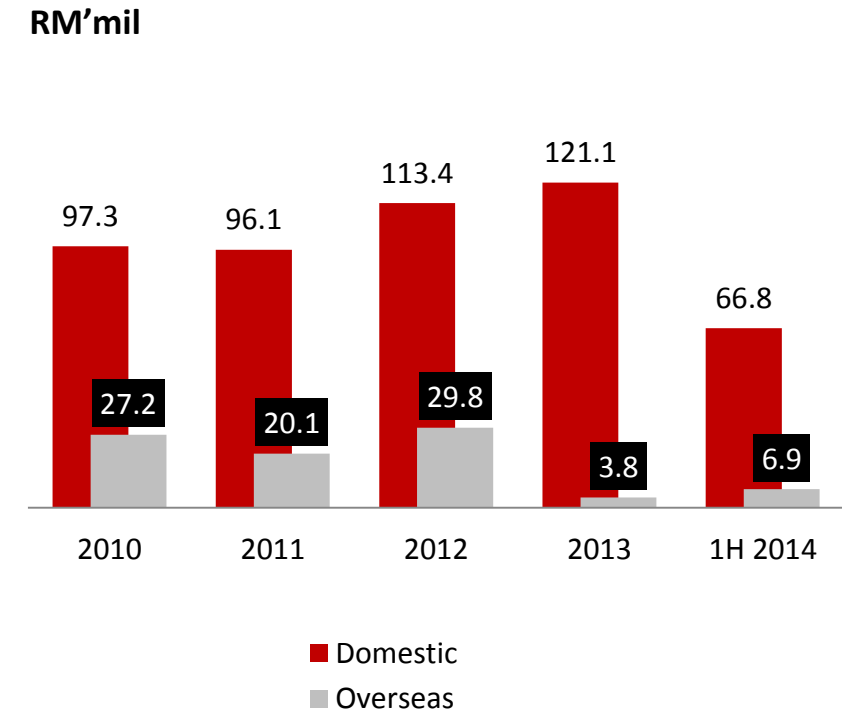
- Industry growth
- Current accounts
- Saving accounts
- Fixed deposit
- \* Annualised growth
- λ Negative growth as at June 2014



### Net Asset Value of Funds under management



### Bancassurance Business – Annualised Premium Equivalent



# Ensuring Healthy Capital Position



	RM'bil	Group <sup>π</sup>		Bank <sup>π</sup>	
		Jun-14	Dec-13	Jun-14	Dec-13
Common Equity Tier I Capital		18.5	17.5	17.3	17.2
Tier I Capital		21.7	21.0	20.5	20.8
Total Capital		28.7	27.5	23.1	22.5
Risk-weighted Assets		207.8	199.7	174.3	167.4
Common Equity Tier I Capital Ratio		8.9%	8.8%	9.9%	10.3%
Tier I Capital Ratio		10.4%	10.5%	11.7%	12.4%
Total Capital Ratio		13.8%	13.8%	13.3%	13.5%

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



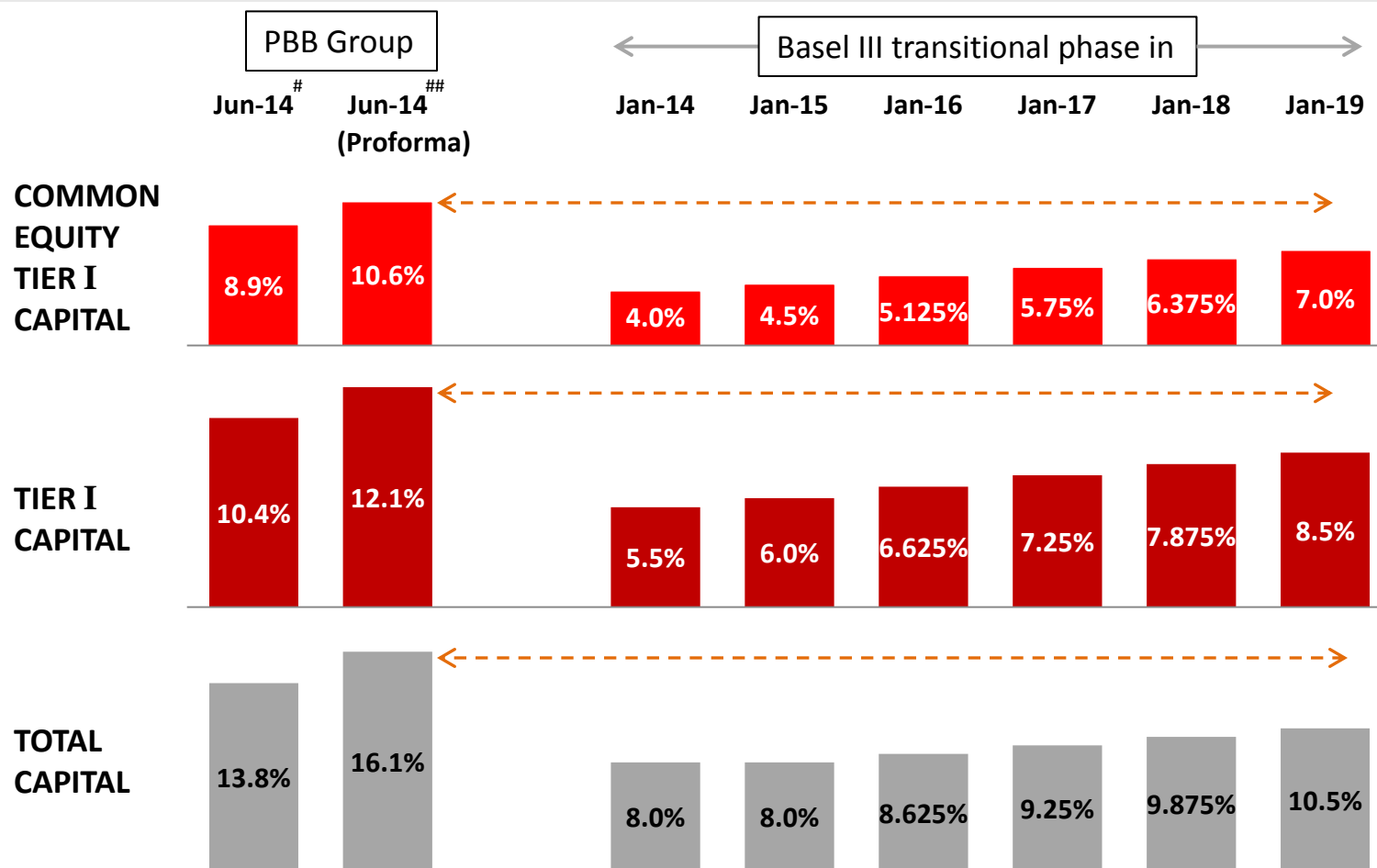
The regulatory reserves requirement by Bank Negara Malaysia (“BNM”) and impacts towards the Group are as follows:

- 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%



- Public Bank successfully undertook a rights issue of 1 for 10 at a rights issue price of RM13.80 per share
- The rights issue has raised gross proceeds of RM4.83 billion
- The rights issue exercise is to support the continuous business growth of the Group and to build up adequate level of capital buffer in preparation for the forthcoming regulatory capital requirement under the Basel III framework
- The rights issue exercise was completed in August 2014

# Proactive Capital Management Initiative



# Based on Basel III definition

## Proforma effects after incorporating the proceeds from the Public Bank rights issue of RM4.83 billion and the setting aside of the regulatory reserves as required by BNM

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% <sup>€</sup>	20.8%
Total Capital Ratio	>12%	13.8%
Gross Impaired Loan Ratio	<1%	0.7%
Cost to Income Ratio	<32%	31.8%
Loan Growth – Domestic – Group	10% to 11%	10.6%* 9.9%*
Deposit Growth – Domestic – Group	10% to 11%	11.4%* 10.9%*

\* Annualised

€ Will be revised to 18% after incorporating effect of the rights issue

# 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

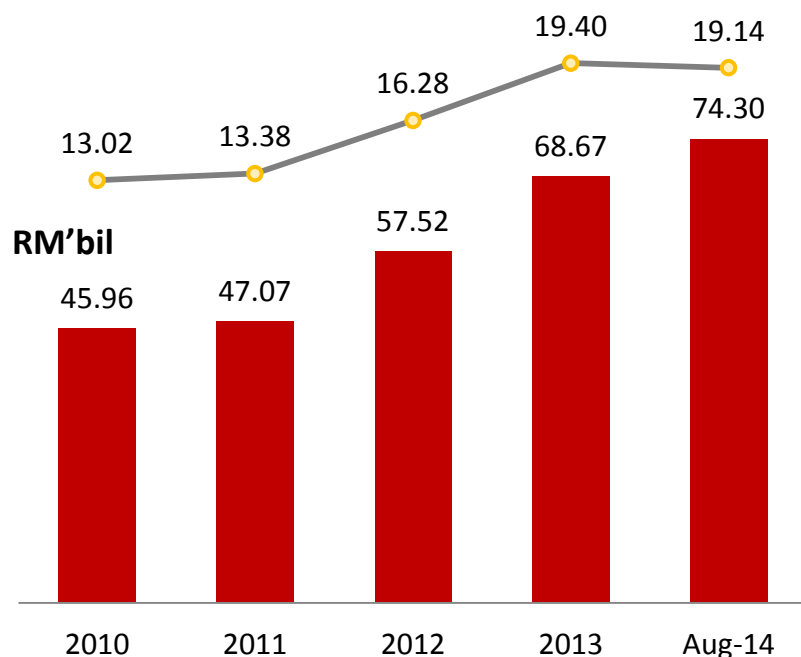
### Prudence

- 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)

15 August 2014	
	Market Capitalisation (RM'bil)
PBB	74.3
MBB	91.7
CIMB	58.0
HLB	26.3
RHB	23.2
AMMB	21.6

# Share Price & Market Capitalisation

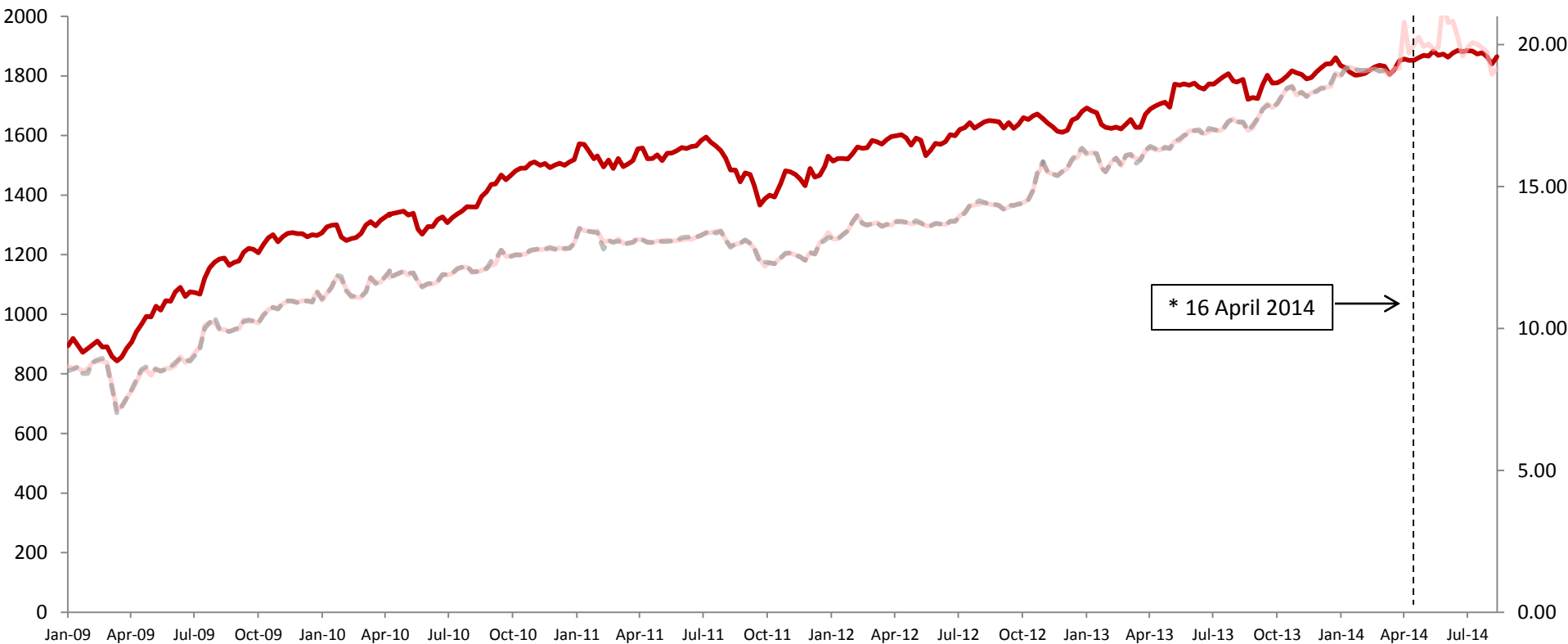


## Resilient share price performance

— 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 2009	+159.5%	<b>+21.0%</b>
Long term - since listing	1967	+7,162.0%	<b>+19.6%</b>

<sup>^</sup> Capital appreciation is calculated based on the PBB local share value at closing price as of 31/12/2013 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 <sup>~</sup>	2012 <sup>^</sup>	2013	Jun-14
Price to earnings multiple (times)	15.4	14.9	12.7	14.9	16.7	16.5
Price to book multiple (times)	3.5	3.3	3.0	3.2	3.3	3.2

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

<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		2009	2010~	2011~^	2012^	2013	1H 2014
Profitability	Operating profit	4,015	4,738	5,200	5,329	5,655	2,841
	Profit before tax	3,321	4,086	4,878	5,047	5,310	2,695
	Net profit	2,517	3,048	3,684	3,827	4,065	2,073
Shareholder Value	Earnings per share (sen)	73.3	87.2	105.2	109.3	116.1	59.2
	Net assets per share (RM)	3.19	3.91	4.52	5.15	5.83	6.12
	Net dividend per share (sen)						
	- Cash dividend	41.3	45.5	48.0	50.0	52.0	23.0
	- Share dividend	1 for 68	-	-	-	-	-
	Dividend payout ratio (%)	56.6	52.3	48.3	45.3	44.8	42.7
	Dividend payout ratio (including share dividend) (%)	79.3	52.3	48.3	45.3	44.8	42.7
Key Balance Sheet Data	Total assets	217,136	226,988	250,773	274,824	305,725	323,657
	Gross loan	137,610	156,544	177,694	197,783	221,176	232,159
	Domestic loan	124,362	143,822	164,081	184,542	206,635	217,570
	Deposit from customers	170,892	176,872	200,371	225,042	250,873	264,537
	Domestic deposit	155,810	162,578	186,445	210,680	235,142	248,513
	Core customer deposit	127,623	143,639	157,297	177,035	201,258	212,689
	Shareholders' equity	11,023	13,692	15,813	18,018	20,424	21,432

~ 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	1H 2014	Industry
Profitability Ratios	Net interest margin on yielding assets	2.4	2.7	2.7	2.5	2.4	2.2	N/A
	Net return on equity <sup>+</sup>	26.1	27.1	26.8	24.1	22.4	20.8	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	22.3	N/A
Liquidity	Net loan to deposit ratio	79.2	87.6	87.8	87.1	87.5	87.1	79.9
Asset Quality	Gross impaired loans ratio	1.4 <sup>++</sup>	1.1	0.9	0.7	0.7	0.7	1.8
	Loan loss coverage ratio	120.3 <sup>++</sup>	94.2	113.8	126.0	118.5	117.6	104.4
Capital Adequacy	Common equity Tier I capital ratio <sup>π</sup>	N/A	N/A	N/A	N/A	8.8	8.9	12.2
	Tier I capital ratio <sup>π</sup>	9.9	10.6	10.6	10.8	10.5	10.4	13.0
	Total capital ratio <sup>π</sup>	14.0	13.5	15.0	14.1	13.8	13.8	14.8
Market Share	<u>Domestic market share</u>							
	Commercial property financing	33.2	33.9	32.9	33.7	33.8	33.5	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	27.4	N/A
	Private unit trust	42.5	43.5	44.3	40.8	41.2	41.1	N/A
	Domestic loans	15.9	16.3	16.4	16.7	16.9	17.1	N/A
	Domestic deposits	16.3	14.8	14.9	15.2	15.7	16.1	N/A

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



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