PUBLIC BANK

Investor Presentation

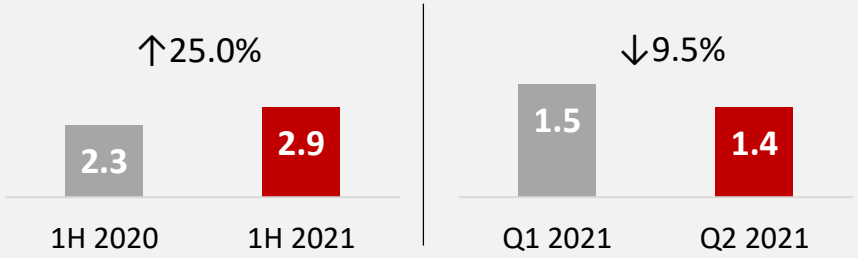
June 2021 Financial Results

www.publicbankgroup.com

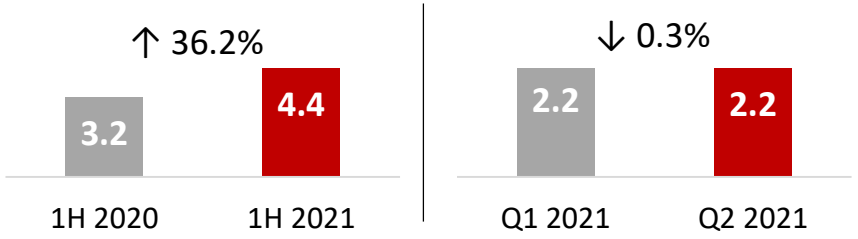
1H 2021 Financial Highlights

Resilient performance supported by core business of lending and deposit taking and continued balance sheet strength

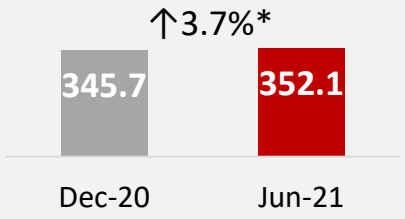
Net profit (RM'bil)



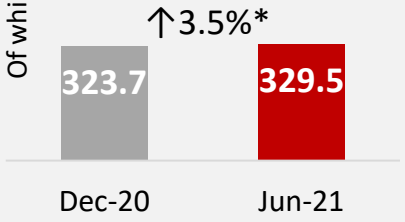
Operating profit before allowances (RM'bil)



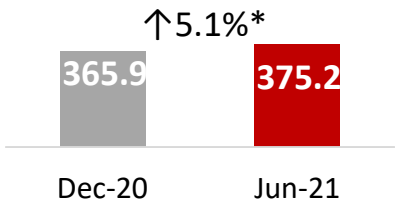
Gross loans (RM'bil)



Of which: **Domestic operations**



Customer deposits (RM'bil)



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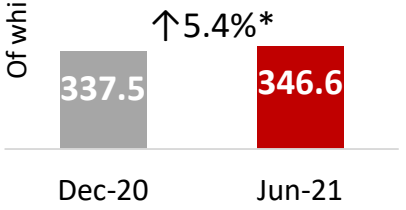


- 1H 2021 profitability improved due to the continued expansion in loans and deposit business as well as non-interest income. The low base effect from a year ago also contributed to the profit performance
- Q2 2021 net profit declined by 9.5% q-o-q due to higher pre-emptive provisions set aside for loan impairment
- Strong provisioning build up, prudent loan loss coverage ratio of 275.1%
- Improved profitability translated to higher net ROE of 12.9% and efficient CIR of 31.6%
- Balance sheet remained sound; supported by stable capital and liquidity position
- Credit cost remained elevated at 34bps

Net ROE 12.9% Dec-20: 11.2%	**Cost-to-income ratio** 31.6% Dec-20: 34.6%	**Gross impaired loans ratio** 0.4% Dec-20: 0.4%	**NIM** 2.27% Dec-20: 1.95%
Credit cost ratio 0.34% Dec-20: 0.33%	**Loan loss coverage ratio** 275.1% Dec-20: 227.7%	**Liquidity coverage ratio** 137.0% Dec-20: 138.0%	**Total capital ratio**[π] 17.5% Dec-20: 17.1%

* Annualised growth

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

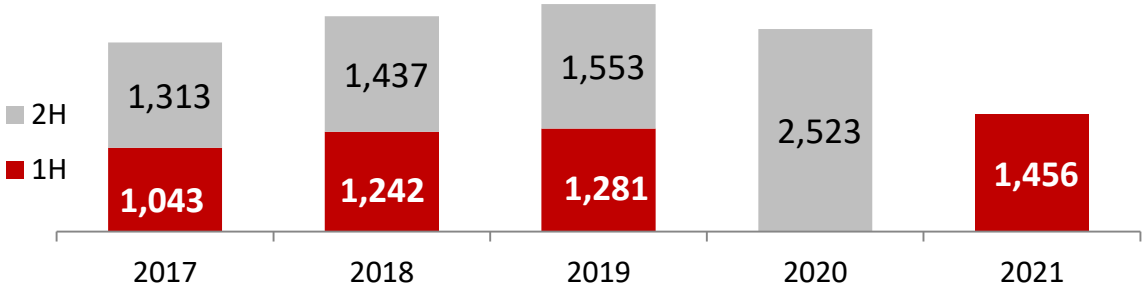
Dividend Payout

Consistent dividend payout reflecting the appreciation of shareholders' continued support

Dividend Payout

	2017	2018	2019	2020	2021
Gross dividend per share ----------	12.2 sen	13.8 sen	14.6 sen	13.0 sen	7.5 sen
Dividend payout ratio ----------	43.1%	47.9%	51.4%	51.8%	50.0%

Dividends Paid / Declared (RM'mil)



	1H 2017	1H 2018	1H 2019	1H 2020	1H 2021
Gross dividend per share	5.4 sen	6.4 sen	6.6 sen	-	7.5 sen
Dividend payout ratio	40.4%	44.3%	46.7%	-	50.0%

Note: For comparative purpose, the gross dividend per share had been adjusted to reflect the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 29 January 2021.

Profitability

Profitability improvement from solid top-line growth and low base effect

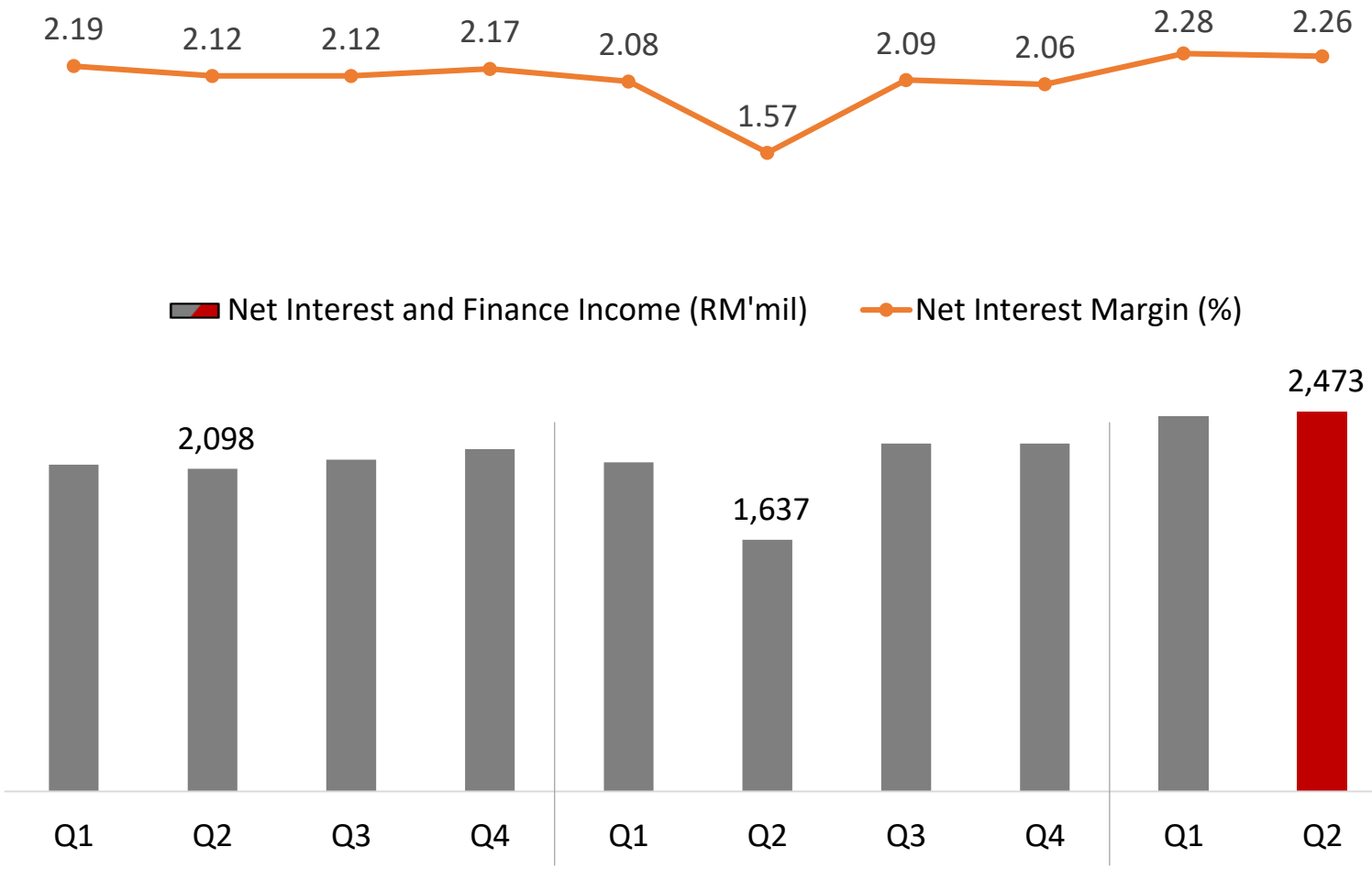
Income Statement

(RM'mil)	1H 2020	1H 2021	y-o-y	Q1 2021	Q2 2021	q-o-q
Net interest income	3,335.0	4,180.0	25.3%	2,073.5	**2,106.5**	1.6%
Net income from Islamic banking business	541.4	837.9	54.7%	432.8	**405.0**	-6.4%
Non-interest income	1,319.2	1,403.2	6.4%	720.7	**682.5**	-5.3%
Net income	**5,195.6**	**6,421.1**	**23.6%**	**3,227.0**	**3,194.0**	**-1.0%**
Other operating expenses	(1,969.6)	(2,028.4)	3.0%	(1,027.7)	**(1,000.7)**	-2.6%
Operating profit	**3,226.0**	**4,392.7**	**36.2%**	**2,199.3**	**2,193.3**	**-0.3%**
Loan loss allowance	(215.1)	(594.5)	>100%	(198.5)	**(396.0)**	99.5%
Other allowances	(4.8)	(0.2)	-95.4%	(1.5)	**1.3**	->100%
Share of profit / (loss) after tax of equity accounted associated companies	1.4	(3.6)	->100%	(0.4)	**(3.2)**	>100%
Profit before tax	**3,007.5**	**3,794.3**	**26.2%**	**1,998.9**	**1,795.4**	**-10.2%**
Net profit attrib. to shareholders	**2,330.9**	**2,914.3**	**25.0%**	**1,530.0**	**1,384.4**	**-9.5%**
Earnings per share (sen)[x]	**12.01**	**15.01**	**25.0%**	**7.88**	**7.13**	**-9.5%**

[x] *For comparative purpose, the earnings per share had been adjusted to reflect the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 29 January 2021*

Net Interest Income & Margin

NIM rebounded to 2.27% due to lower funding cost and also low base effect due to the OPR reduction and modification loss in 2020



	2019	2020	1H 2021
Year Average NIM	2.15%	1.95%	2.27%

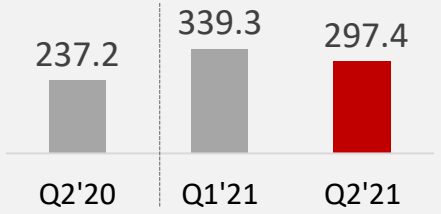
Non-Interest Income

Strong growth achieved in unit trust business, fee and commission income and stockbroking income

(RM'mil)	Composition	1H 2020	1H 2021	y-o-y
Net fee and commission		**858.2**	**1,109.8**	**29.3%**
Of which: - Unit trust income	45%	475.5	636.7	33.9%
- Fee & commission income	25%	292.3	348.6	19.3%
- Stockbroking income	9%	90.4	124.5	37.6%
Net gains and losses on financial instruments	8%	**288.9**	**110.1**	**-61.9%**
Other operating income		**172.1**	**183.3**	**6.5%**
Of which: - Foreign exchange income	9%	117.8	124.0	5.3%
- Others	4%	54.3	59.3	9.1%
Total non-interest income	**100%**	**1,319.2**	**1,403.2**	**6.4%**
Non-interest income/Total income		**25.4%**	**21.9%**	

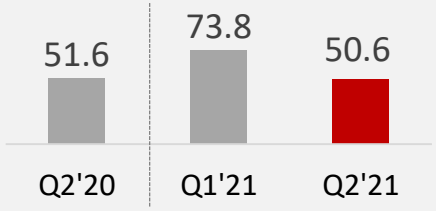
Unit trust income (RM'mil)

y-o-y: +25.4%
q-o-q: -12.4%



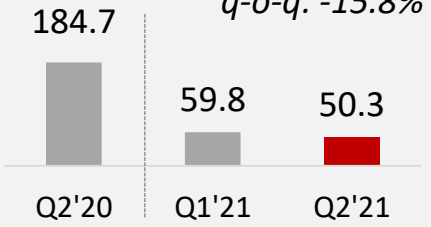
Stockbroking income (RM'mil)

y-o-y: -1.9%
q-o-q: -31.4%



Net gains and losses on financial instruments (RM'mil)

y-o-y: -72.8%
q-o-q: -15.8%



Segmental Profit

Retail centric; accounted for >50% of the Group's profit

Profit before tax by Operating Segments

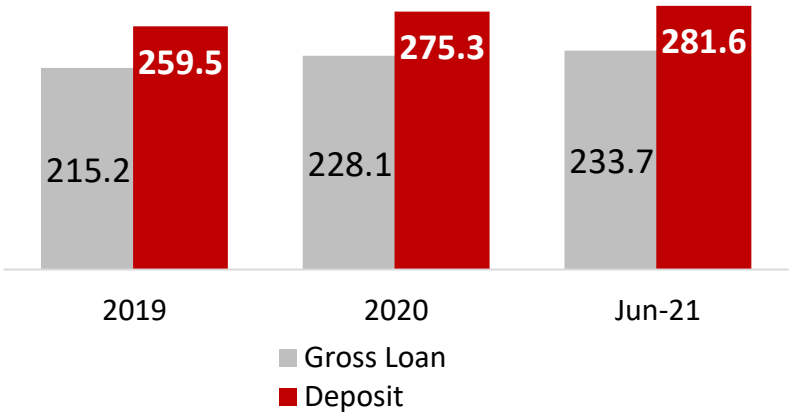
(RM'mil)	Composition	1H 2020	1H 2021	y-o-y	Q1 2021	Q2 2021	q-o-q
Retail operations	52%	1,849.7	**1,968.3**	6.4%	988.9	**979.4**	-1.0%
Hire purchase	2%	104.3	**62.9**	-39.7%	67.9	**-5.0**	->100%
Corporate lending	6%	313.0	**242.3**	-22.6%	177.9	**64.4**	-63.8%
Fund Management	11%	321.5	**425.0**	32.2%	216.6	**208.4**	-3.8%
Treasury Operations	8%	259.2	**284.4**	9.7%	172.2	**112.2**	-34.8%
Investment Banking	1%	41.8	**56.1**	34.0%	31.7	**24.4**	-23.0%
Others	12%	-191.5	**433.6**	>100%	176.7	**256.9**	45.4%
Overseas Operations	8%	309.5	**321.7**	4.0%	167.0	**154.7**	-7.4%
Profit before tax	**100%**	**3,007.5**	**3,794.3**	**26.2%**	**1,998.9**	**1,795.4**	**-10.2%**

Retail Operations

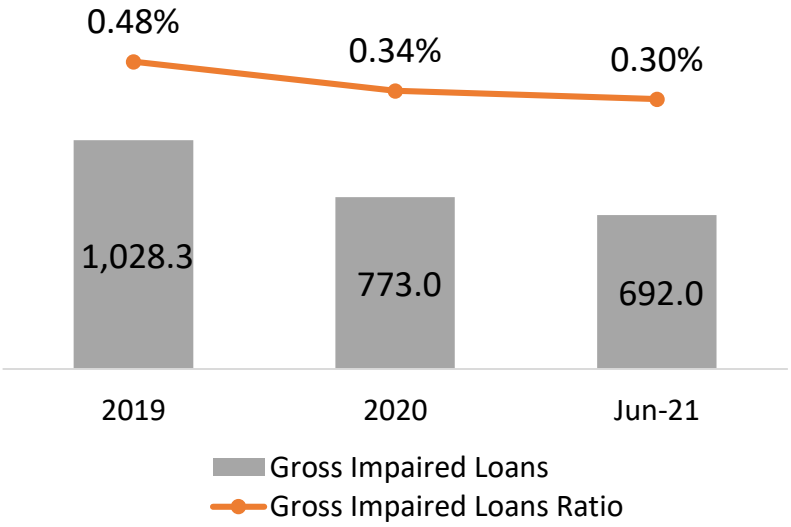
Mainly supported by the continued expansion in loans and deposit businesses

Retail Operations			
(RM'mil)	**1H 2020**	**1H 2021**	y-o-y
Net interest income	2,636.4	2,873.2	9.0%
Non-interest income	319.2	424.0	32.8%
Net income	**2,955.6**	**3,297.2**	**11.6%**
Other operating expenses	(1,017.0)	(1,059.5)	4.2%
Allowance for impairment on loans and other assets	(88.9)	(269.4)	>100%
Profit before tax	**1,849.7**	**1,968.3**	**6.4%**

Loans & Deposit-taking (RM'bil)



Gross Impaired Loans (RM'mil)



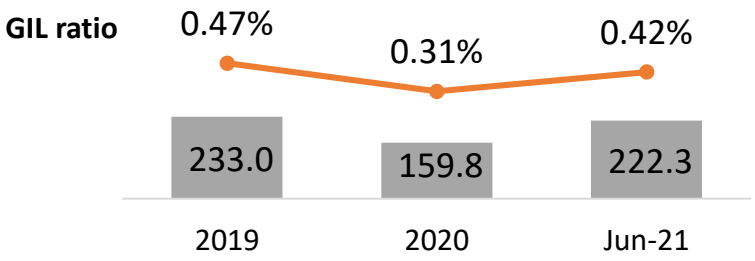
Hire Purchase and Corporate Lending

Profit decline y-o-y mainly due to higher provisioning

Hire Purchase			
(RM'mil)	**1H 2020**	**1H 2021**	y-o-y
Net interest income	327.4	400.1	22.2%
Non-interest income	0.9	1.1	25.3%
Net income	**328.3**	**401.2**	**22.2%**
Other operating expenses	(136.1)	(128.9)	-5.3%
Allowance for impairment on loans and other assets	(87.9)	(209.4)	>100%
Profit before tax	**104.3**	**62.9**	**-39.7%**

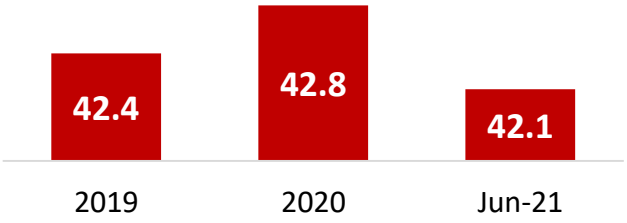
Gross Loans (RM'bil)

Gross Impaired Loans (RM'mil)

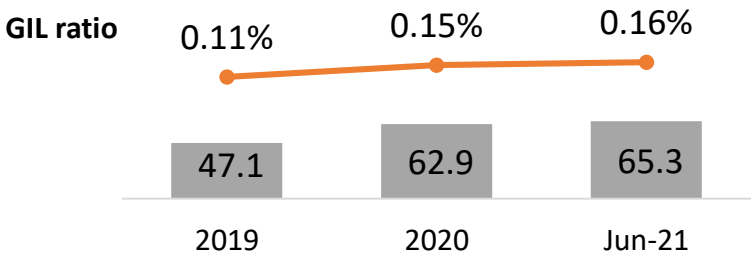


Corporate Lending			
(RM'mil)	**1H 2020**	**1H 2021**	y-o-y
Net interest income	295.3	318.6	7.9%
Non-interest income	15.8	17.9	14.0%
Net income	**311.1**	**336.5**	**8.2%**
Other operating expenses	(9.3)	(10.5)	12.4%
Allowance for impairment on loans and other assets	11.2	(83.7)	>-100%
Profit before tax	**313.0**	**242.3**	**-22.6%**

Gross Loans (RM'bil)



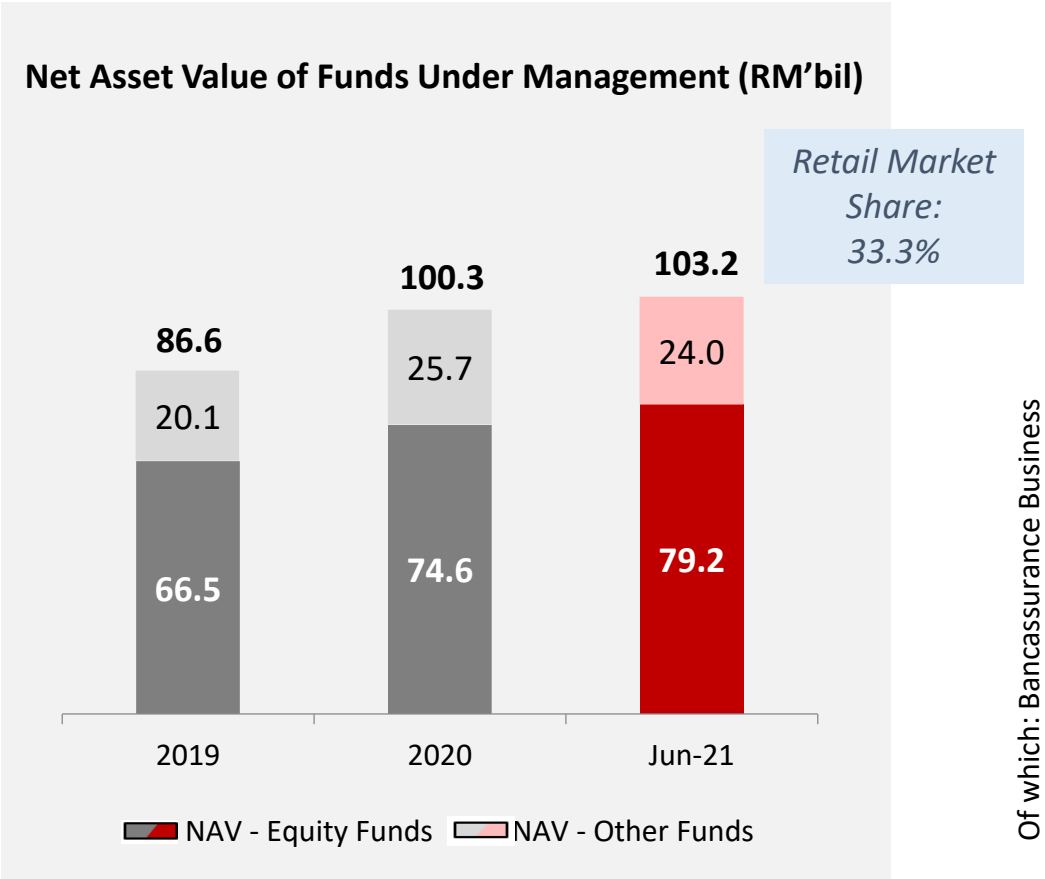
Gross Impaired Loans (RM'mil)



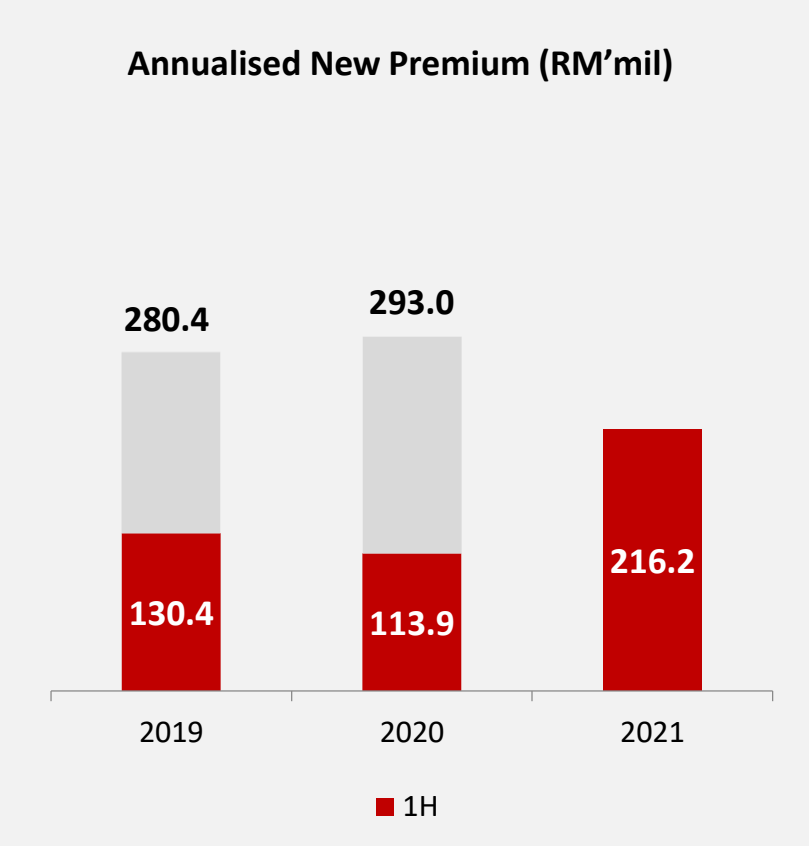
Wealth Management

Strong business momentum in both the unit trust and bancassurance businesses

Of which: Unit Trust Business



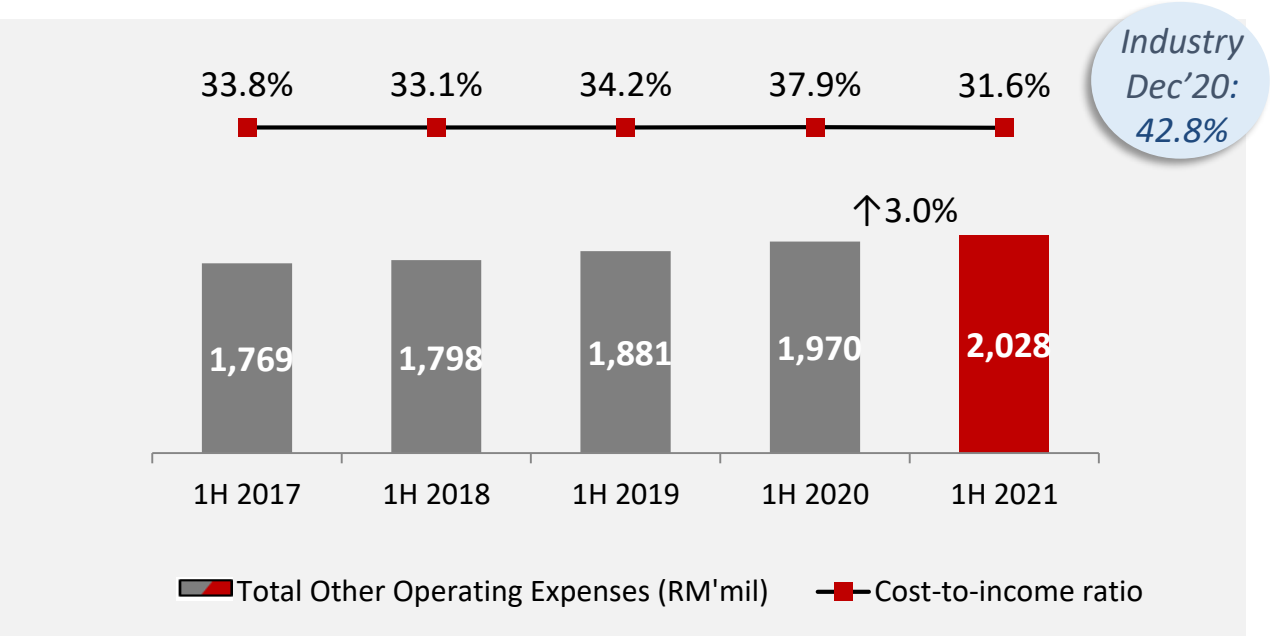
Of which: Bancassurance Business



Other Operating Expenses

Efficient cost management; Stable CIR of 31.6%

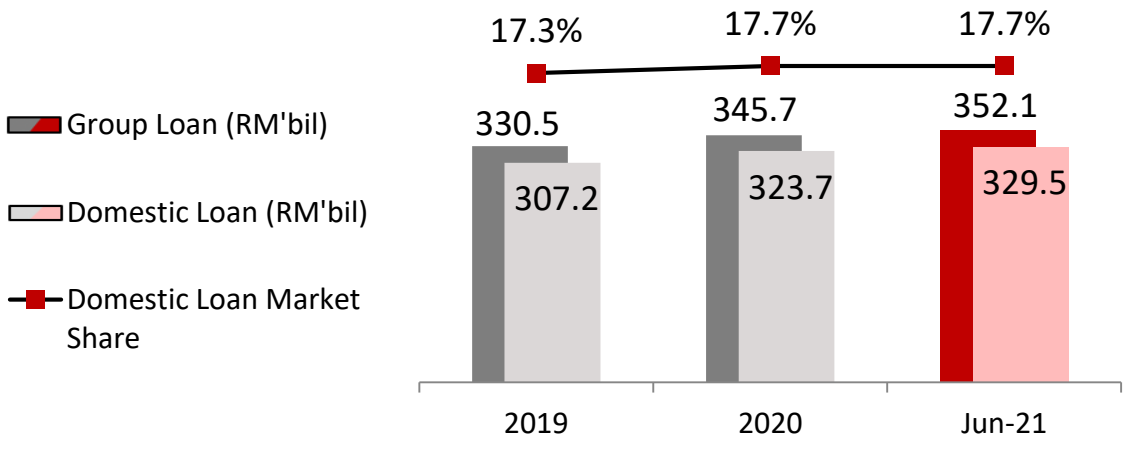
(RM'mil)	Composition	1H 2020	1H 2021	y-o-y	Q1 2021	Q2 2021	q-o-q
Personnel costs	73%	1,425.2	1,481.8	4.0%	751.3	730.5	-2.8%
Establishment costs	18%	362.1	367.3	1.5%	184.2	183.1	-0.6%
Marketing expenses	4%	63.8	71.5	12.1%	41.6	29.9	-28.1%
Administration and general expenses	5%	118.5	107.8	-9.1%	50.6	57.1	12.8%
Total other operating expenses	**100%**	**1,969.6**	**2,028.4**	**3.0%**	**1,027.7**	**1,000.6**	**-2.6%**



Loan Growth

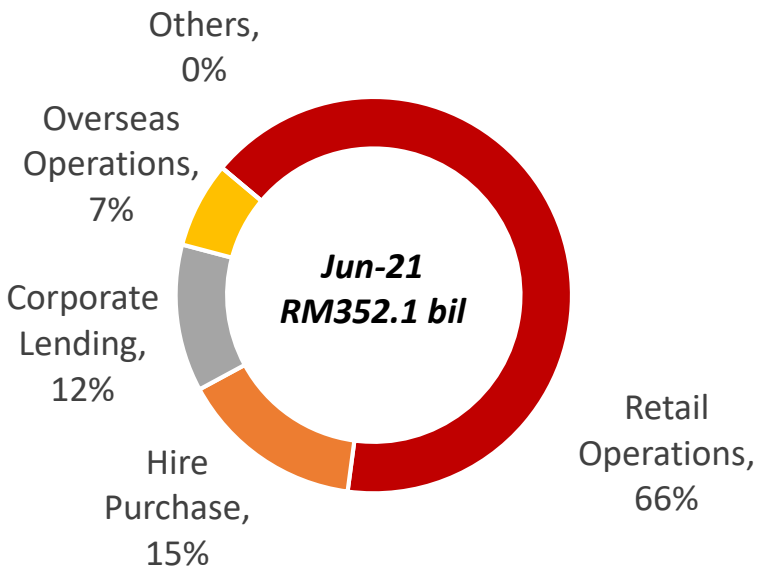
Expansion in lending portfolio driven by residential properties loans, hire purchase and SME financing

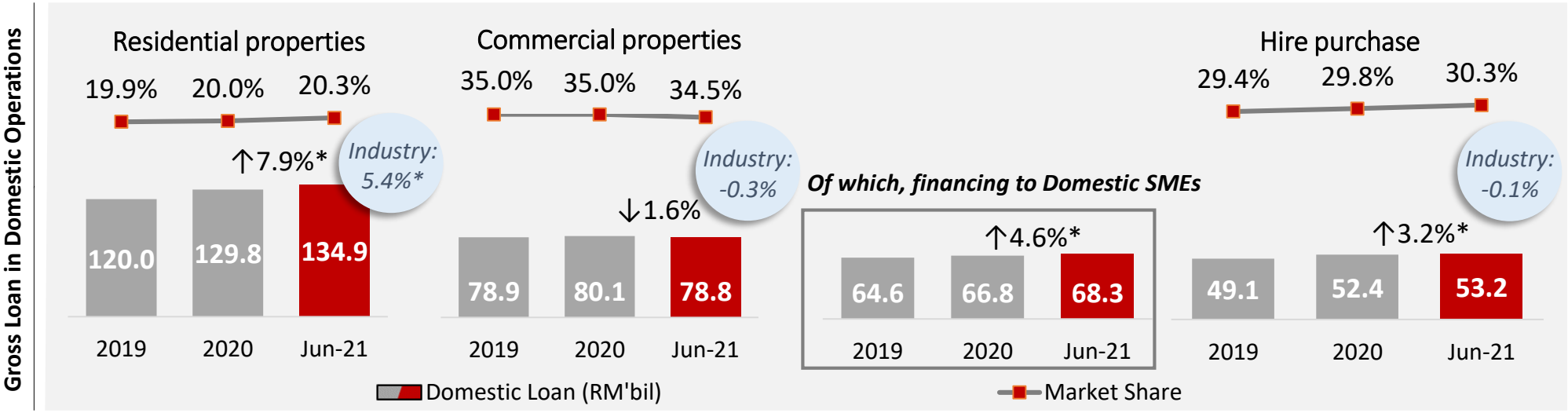
Loans – Outstanding Balance and Market Share



	2019	2020	Jun-21
Group Loan Growth	4.1%	4.6%	3.7%*
Domestic Loan Growth	4.5%	5.4%	3.5%*
Domestic Industry Average	3.9%	3.4%	3.2%*

Loans – By Segment

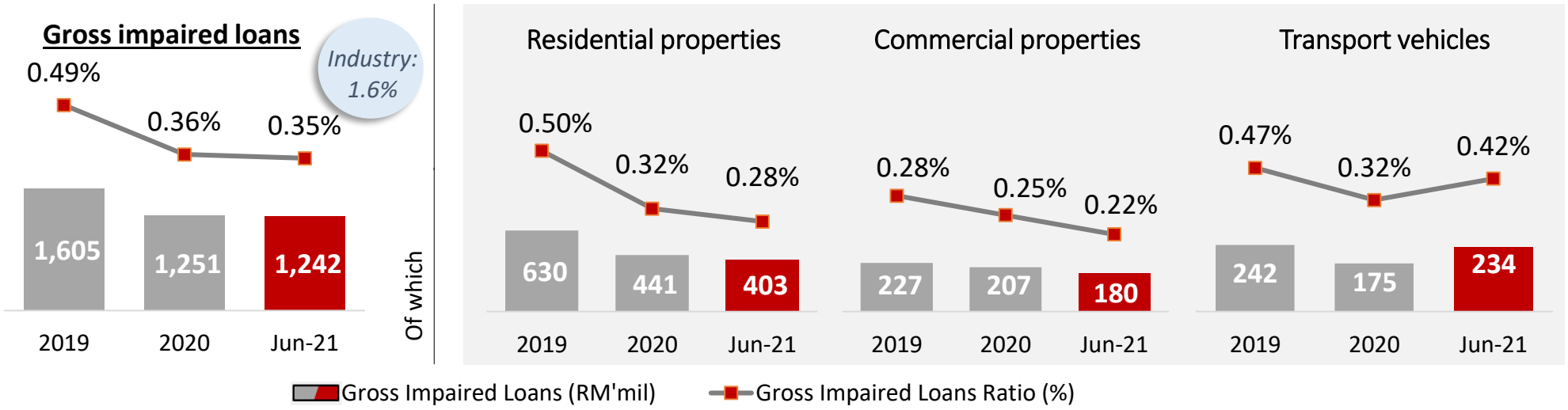


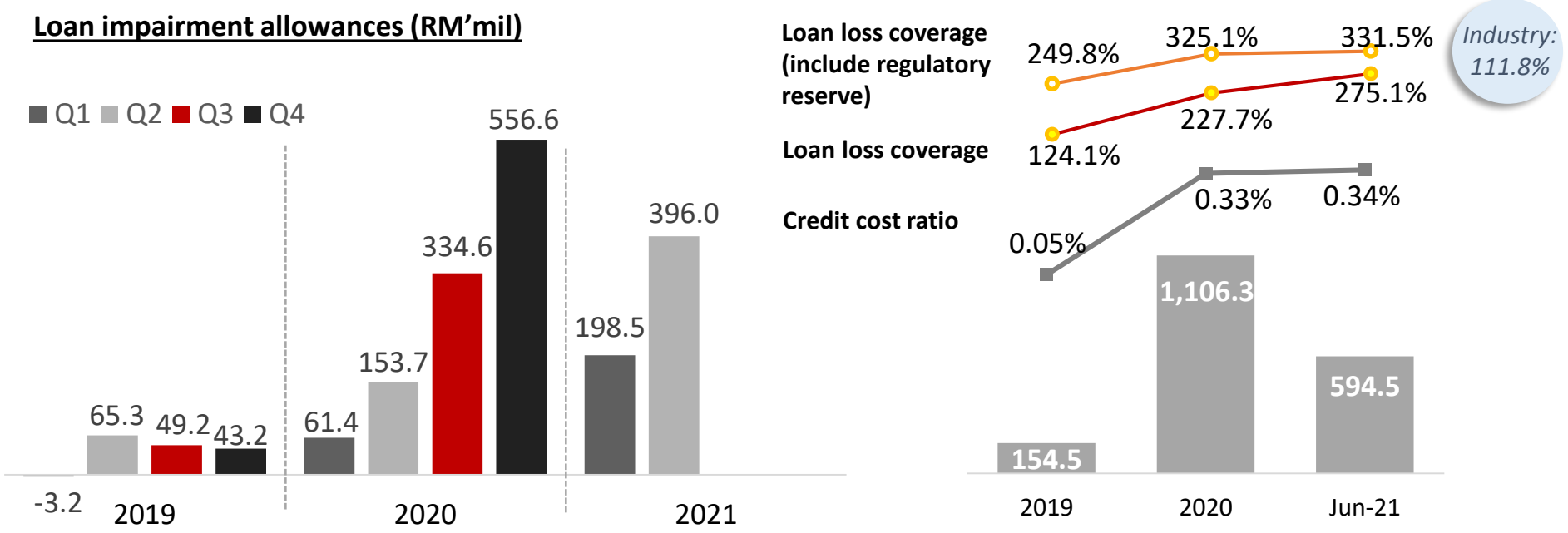


* Annualised growth

Asset Quality

Impaired loans ratio remained stable; Higher loan loss coverage to absorb potential losses





COVID-19 Repayment & Funding Assistance Programme

Continuous support to COVID-19 affected customers

REPAYMENT ASSISTANCE

❶ Automatic Loan Moratorium

April 2020 – September 2020

6 months auto-moratorium for retail and SMEs

❷ Targeted Repayment Assistance (TRA)

w.e.f. October 2020

Targeted Repayment Assistance for:

- Unemployed (3 months extension of loan moratorium)
- Reduction of income (reduced repayment via R&R)

❸ Expanded Targeted Repayment Assistance (ETRA)

w.e.f. December 2020

Expanded Targeted Repayment Assistance for B40 & M40 individuals and Micro Enterprises:

- 3-month deferment of instalments; or
- 6-month reduction in instalments up to 50%

❹ Pakej Perlindungan Rakyat & Pemulihan Economi (PEMULIH) ETRA

w.e.f. July 2021

Six-month loan moratorium for all individuals (B40, M40, T20), Micro Enterprises and SMEs

	As at 31 July 2021 - Approved
Repayment Assistance (TRA/ETRA/PEMULIH)	About RM73.6 billion benefitting about 360,000 customers

FUNDING ASSISTANCE

Government and BNM scheme	As at 31 July 2021 - Approved
Special Relief Facility and Others*	More than RM3.3 billion benefitting about 16,800 SMEs

* Others include PENJANA SME Financing, PENJANA Tourism Financing, Government Guarantee Scheme, All Economic Sectors Facility, Agrofood Facility, Automation and Digitalisation Facility, Micro Enterprises Facility and Targeted Relief and Recovery Facility

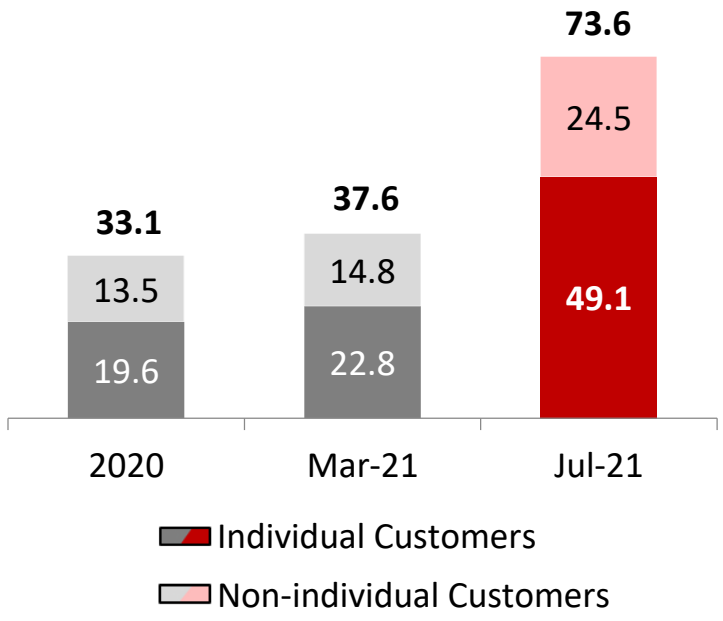
COVID-19 Repayment & Funding Assistance Programme

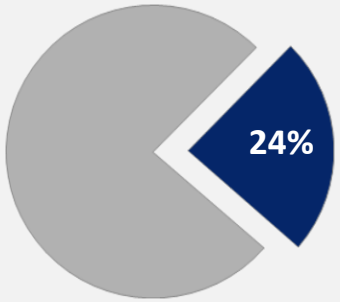
Repayment trend remained healthy

Breakdown of COVID-19 Repayment Assistance (RA) Programme

As at 31 July 2021	RA (RM'bil)	% Against Total Outstanding Domestic Loans of Respective Loan Segment
Individual Customers of which:	**49.1**	**22%**
Housing Loan	29.1	22%
Hire Purchase	8.5	19%
Others	11.5	26%
Non-individual Customers of which:	**24.5**	**23%**
Retail business	17.8	32%
Hire Purchase	1.6	17%
Corporate Banking	5.1	12%
Total	**73.6**	**23%**

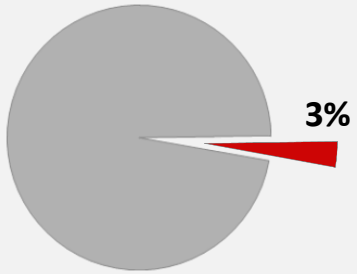
Repayment Assistance Programme (RM'bil)





Loans with single RA application

Loans with multiple RA applications



Loans without overdue

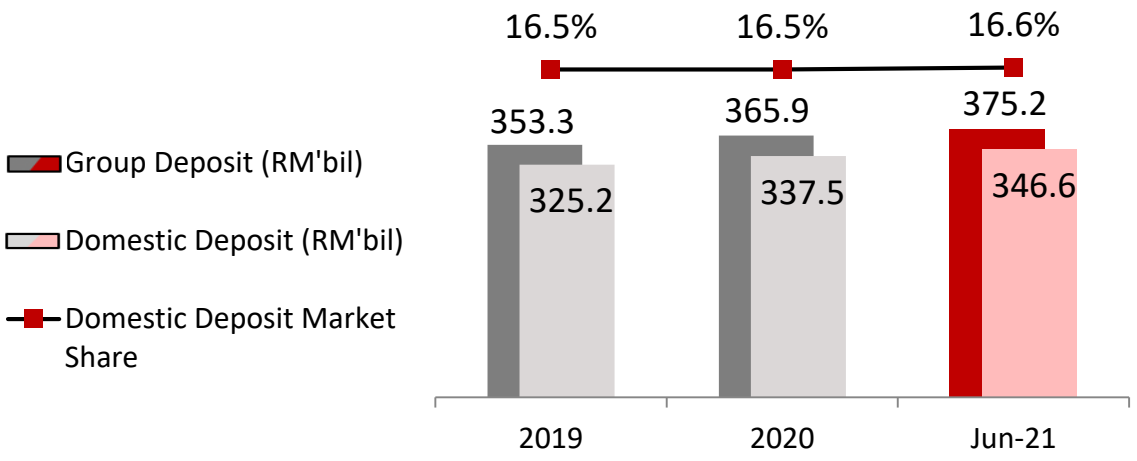
Loans overdue

Notes: Impaired loans for RA is 0.1%.

Deposit Growth

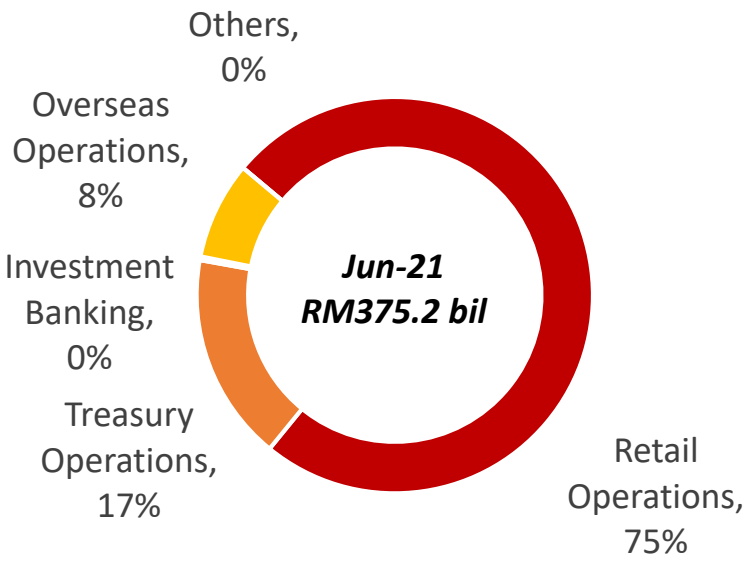
Solid funding base, attributed to stable core deposits growth

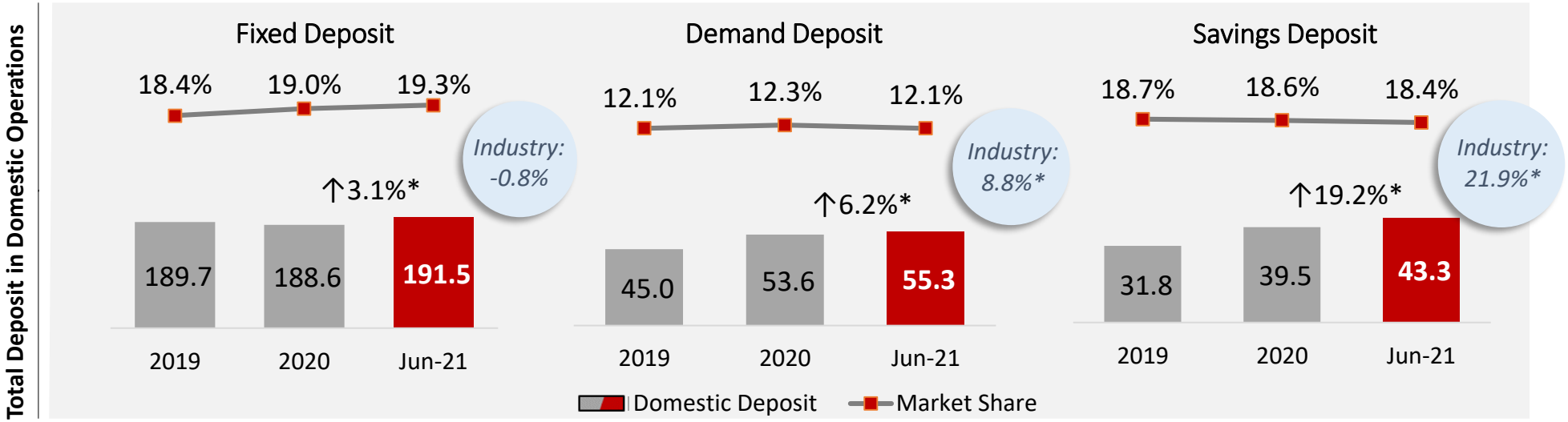
Deposit – Outstanding Balance and Market Share



	2019	2020	Jun-21
Group Deposit Growth	4.2%	3.5%	5.1%*
Domestic Deposit Growth	4.7%	3.8%	5.4%*
Domestic Industry Average	2.9%	4.4%	3.5%*

Deposit – By Segment

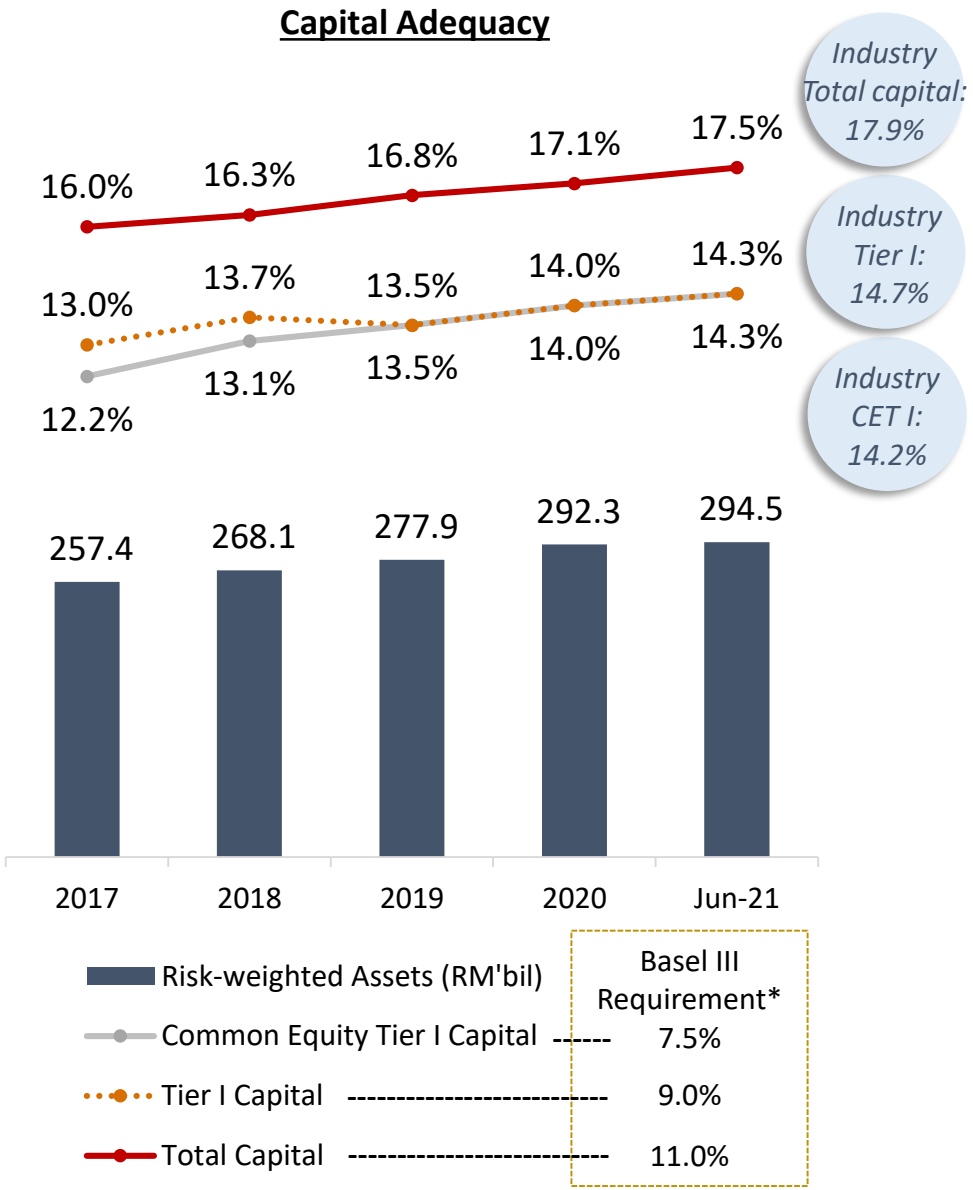


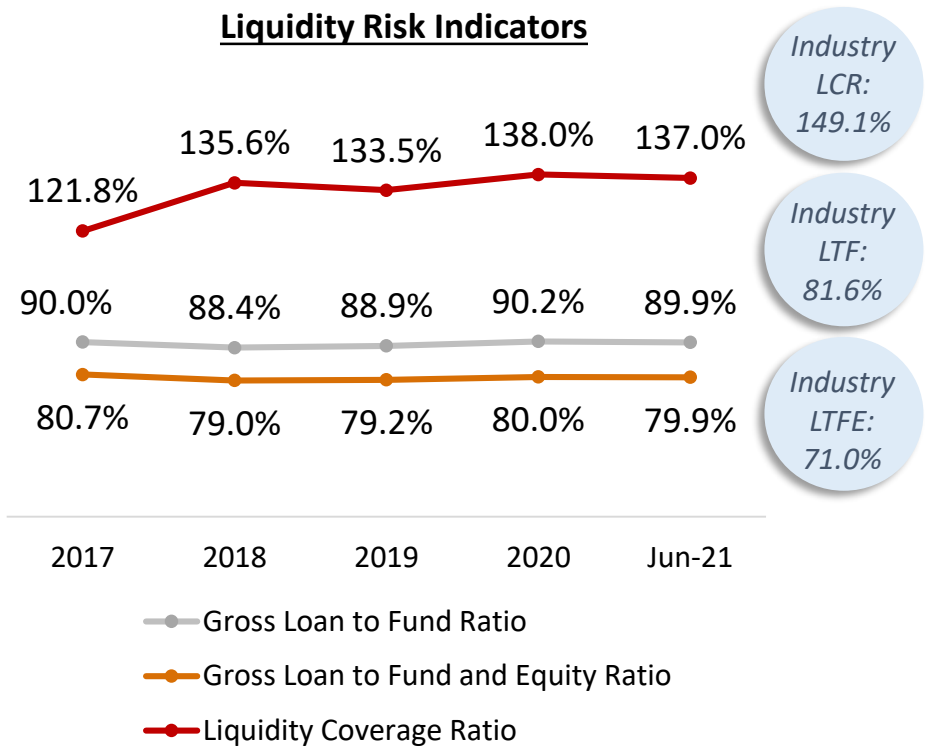


* Annualised growth

Capital & Liquidity Position

Balance sheet remained sound supported by stable capital and liquidity position





* The Basel III capital ratio requirements are inclusive of:

(i) 2.5% capital conservation buffer

(ii) Domestic Systemically Important Bank (DSIB) buffer of 0.5% imposed on PBB as announced by BNM, which was effective on 31 Jan 2021

Note: PBB did not opt for the BNM transitional arrangement on capital relief

Business Delivery Channel

	2010	2020	Jun-21
Malaysian Operations			
Public Bank - Domestic	249	262	262
- Overseas	4	7	7
Public Islamic Bank	1	2	2
Public Mutual	26	28	28
Public Investment Bank	1	1	1
Hong Kong & China Operations			
Public Finance	42	44	43
Public Bank (HK) - Hong Kong	30	32	32
- China	3	5	5
Winton (B.V.I) Group	9	3	3
Indo-China Operations			
Cambodia Public Bank	21	31	31
Public Bank Vietnam	7	26	26
	393	**441**	**440**

>19,000
Staff

>2,000
Self Service Terminals

PBe Internet Banking
PB enterprise Internet Banking
PB engage Mobile Banking

Strategic Direction

Delivering sustainable returns to shareholders	1	**Increase profitability by focusing on areas of strength** ▪ Focusing on organic growth ▪ Maintaining cost discipline ▪ Preserving asset quality ▪ Upholding corporate governance
	2	**Enhance capital strength and risk management** ▪ Maintain an appropriate balance between optimising returns to shareholders and upholding prudent capital management ▪ Compliance with regulatory requirements ▪ Maintenance of strong external credit ratings by domestic and international rating agencies
Enhancing customer experience	3	**Solidify customer loyalty and trust** ▪ Enhance data security ▪ Ethical banking ▪ Uphold service quality
	4	**Digital transformation** ▪ Embrace digital transformation to meet customer complex and evolving needs
Developing employees	5	**Building capabilities for the future** ▪ Employee education and development ▪ Talent attraction and retention ▪ Employment practices ▪ Employee health and safety, and well-being
Supporting the communities	6	**Financial inclusion and accessibility** ▪ Expanding financial inclusion and supporting the community's financial needs
	7	**Community contribution** ▪ Nurture future generation for nation development ▪ Strengthen communities through volunteerism and charitable donations

Focus area

- **Domestic consumer banking and SME lending**
- **Wealth management**
- **Transactional services**
- **Capital market operations**
- **International operations**

Key strategy in response to COVID-19 challenges

- Close monitoring and proactive management of asset quality
- Intensify digitalisation initatives and cyber security in all aspects of the Bank's operations

Appendix

	RM'mil	2017	2018	2019	2020	Jun-21
Profitability	Operating profit	7,319	7,270	7,283	7,403	4,393
	Profit before tax	7,118	7,101	7,134	6,285	3,794
	Net profit	5,470	5,591	5,512	4,872	2,914
Shareholder Value	Earnings per share (sen) [x]	28.3	28.9	28.4	25.1	15.01
	Net assets per share (RM) [x]	1.94	2.11	2.25	2.43	2.44
	Dividend per share (sen) [x]	12.2	13.8	14.6	13.0	7.5
	Dividend payout ratio (%)	43.1	47.9	51.4	51.8	50.0
Key Balance Sheet Data	Total assets	395,276	419,693	432,831	451,257	456,244
	Gross loan	304,453	317,302	330,468	345,651	352,071
	Domestic loan	282,326	294,074	307,164	323,728	329,474
	Deposit from customers	319,259	339,160	353,340	365,871	375,152
	Domestic deposit	293,178	310,585	325,199	337,458	346,620
	Core customer deposit	269,723	283,846	294,646	310,144	318,643
	Shareholders' equity	37,365	40,973	43,594	47,248	47,286
	Common equity Tier I capital[π]	31,521	35,104	37,406	40,778	42,051
	Tier I capital[π]	33,528	36,825	37,564	40,935	42,209
	Total capital[π]	41,134	43,716	46,571	50,119	51,413
	Risk-weighted assets	257,352	268,125	277,906	292,284	294,521

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

[x] The comparatives had been adjusted to reflect the bonus issue of 4 bonus shares for every 1 existing ordinary share which was completed on 29 January 2021

Appendix

	%	2017	2018	2019	2020	Jun-21	Industry[b]
Profitability Ratios	Net interest margin on yielding assets	2.28	2.22	2.15	1.95	2.27	N/A
	Net return on equity[+]	15.8	14.8	13.6	11.2	12.9	N/A
	Pre-tax return on average assets	1.8	1.7	1.7	1.4	1.7	1.1
	Cost to income ratio	31.9	33.0	34.4	34.6	31.6	42.8
	Non interest income/Total income	21.7	20.4	21.6	24.9	21.9	36.9
Liquidity	Gross loan to fund ratio~	90.0	88.4	88.9	90.2	89.9	81.6[^]
	Gross loan to fund and equity ratio~	80.7	79.0	79.2	80.0	79.9	71.0[^#]
	Liquidity coverage ratio	121.8	135.6	133.5	138.0	137.0	149.1
Asset Quality	Gross impaired loans ratio	0.5	0.5	0.5	0.4	0.4	1.6
	Loan loss coverage ratio	95.5	126.0	124.1	227.7	275.1	111.8
	Credit cost ratio	0.07	0.05	0.05	0.33	0.34	0.79
Capital Adequacy	Common equity Tier I capital ratio[π]	12.2	13.1	13.5	14.0	14.3	14.2
	Tier I capital ratio[π]	13.0	13.7	13.5	14.0	14.3	14.7
	Total capital ratio[π]	16.0	16.3	16.8	17.1	17.5	17.9
Market Share	Domestic market share						
	Commercial property financing	35.5	35.1	35.0	35.0	34.5	N/A
	Residential property financing	19.6	19.6	19.9	20.0	20.3	N/A
	Passenger vehicle financing	28.5	28.4	29.4	29.8	30.3	N/A
	Domestic loans	17.8	17.2	17.3	17.7	17.7	N/A
	Domestic deposits	16.6	16.2	16.5	16.5	16.6	N/A

[+] Based on average equity adjusted with proposed dividend, if any

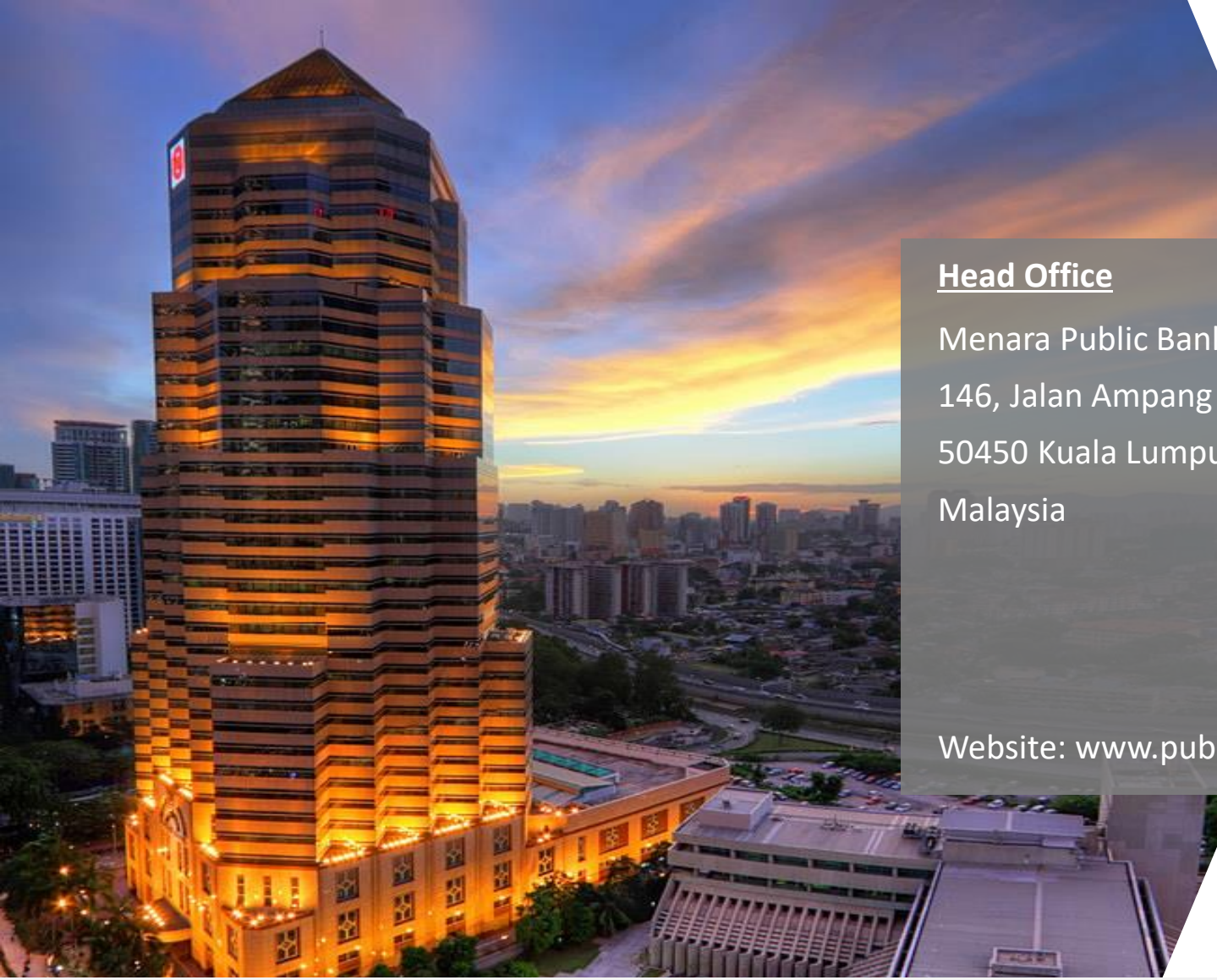
~ Gross loans exclude loans/financing sold to Cagamas. Funds include deposits from customers and debt securities issued and other borrowed funds

[^] Loans exclude loans extended to banking institutions

[#] Equity comprises ordinary and preferred shares and retained earnings

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

[b] Based on latest available industry statistics



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