

Investor Presentation

27th Annual CITIC CLSA Flagship Investors' Forum
September 2020



PUBLIC BANK

THE WAY FORWARD

www.publicbankgroup.com

1H 2020 Key Highlights



Income Statement

	1H 2020	1H 2019	Change
Pre-tax profit	RM3,008 mil	RM3,550 mil	-15.3% -1.2% ^e
Net profit attributable to shareholders	RM2,331 mil	RM2,743 mil	-15.0% -1.2% ^e
Earnings per share	60.0 sen	70.7 sen	-15.1%

Balance Sheet

	Jun 2020	Dec 2019	Change
Total asset	RM440.6 bil	RM432.8 bil	1.8%
Loan:			
- Group	RM334.6 bil	RM330.5 bil	2.5%*
- Domestic	RM311.1 bil	RM307.2 bil	2.6%*
Deposit:			
- Group	RM360.0 bil	RM353.3 bil	3.7%*
- Domestic	RM330.5 bil	RM325.2 bil	3.3%*

Financial Indicators (%)

	Jun 2020	Dec 2019
Net return on equity	10.7 12.4 ^e	13.6
Cost to income ratio	37.9 34.7 ^e	34.4
Gross impaired loans ratio	0.4	0.5
Gross loan to fund ratio	88.4	88.9
Gross loan to fund and equity ratio	78.7	79.2
Liquidity coverage ratio	145.7	133.5
Loan loss coverage	158.7	124.1
Common equity Tier I capital ratio	14.0	13.5 ^π
Tier I capital ratio	14.0	13.5 ^π
Total capital ratio	17.2	16.8 ^π

^e Excluding day 1 net modification loss

* Annualised growth

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

Impact from Day 1 Modification Loss



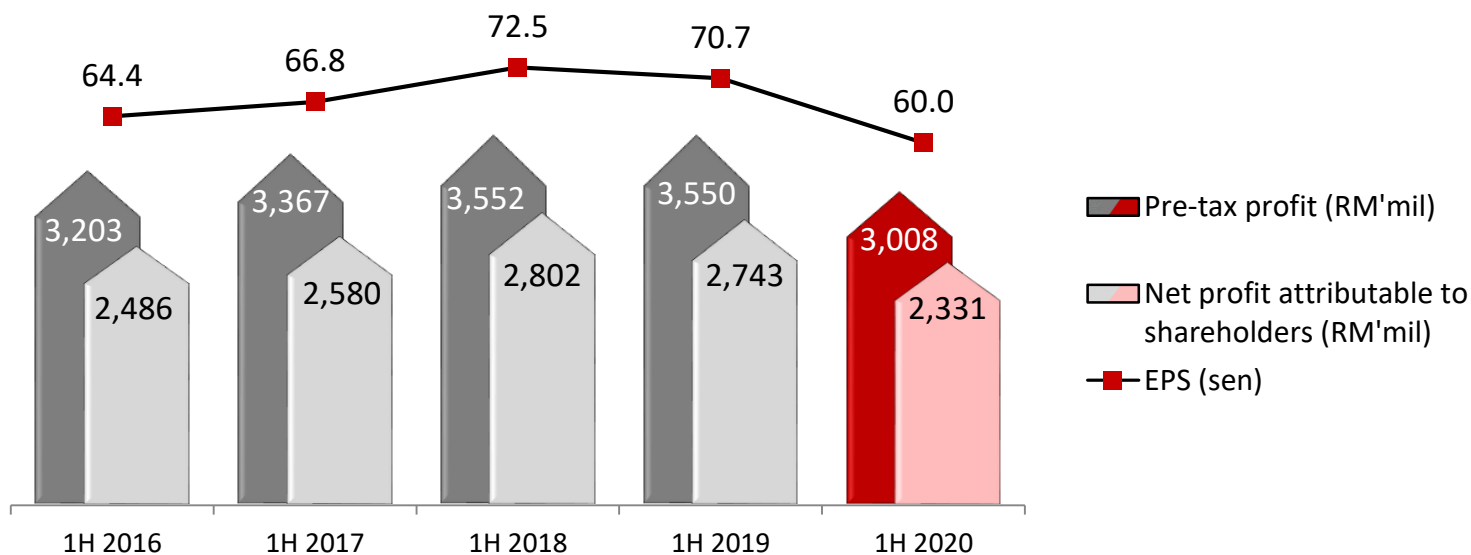
- During the year, the Group incurred a one-off Day-1 net modification loss of RM498.4 million relating to Covid-19 relief measures. Excluding this one-off Day-1 net modification loss, the adjusted Business-As-Usual (“BAU”) results of the Group are as follows:

Half Year Ended 30 June 2020	As Reported	BAU (Excluding Day 1 Net Modification Loss)
<u>Income Statement</u>		
Pre-tax profit growth	-15.3%	-1.2%
Net profit growth	-15.0%	-1.2%
NIM	1.83%	2.03%
<u>Financial Indicators</u>		
Cost to income ratio	37.9%	34.7%
Net return on equity	10.7%	12.4%



Income Statement

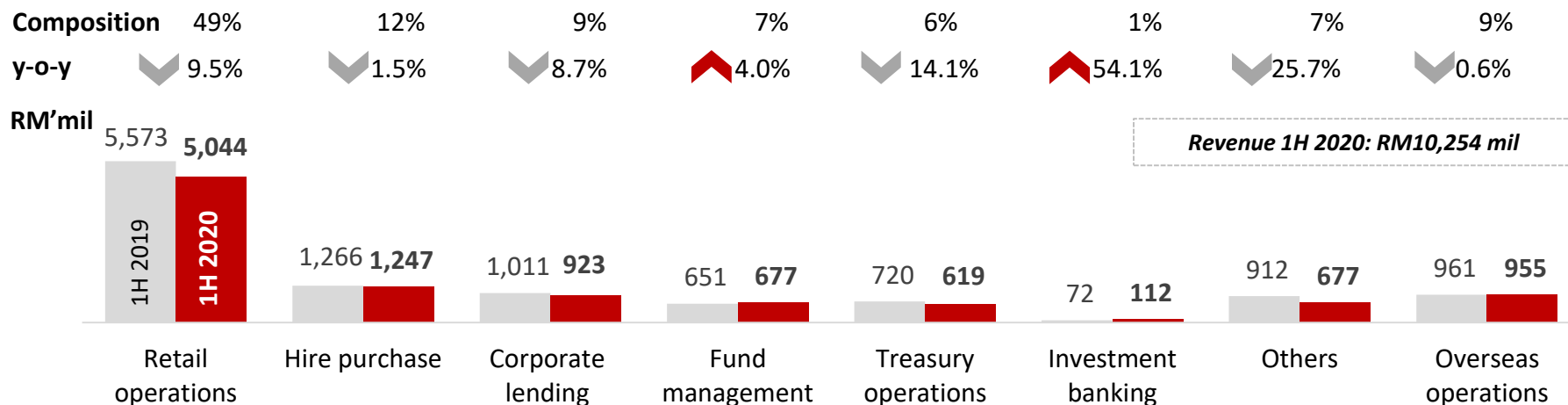
(RM'mil)	1H 2020	1H 2019	y-o-y	Q2 2020	Q1 2020	q-o-q
Net interest income	3,335.0	3,664.1	▼ -9.0%	1,498.5	1,836.4	▼ -18.4%
Net income from Islamic banking business	541.5	609.7	▼ -11.2%	200.1	341.3	▼ -41.4%
Non-interest income	1,319.2	1,219.7	▲ 8.2%	700.9	618.3	▲ 13.4%
Other operating expenses	(1,969.6)	(1,881.4)	▲ 4.7%	(970.0)	(999.5)	▼ -3.0%
Loan loss allowance	(215.1)	(62.0)	▲ >100%	(153.7)	(61.4)	▲ >100%
Profit before tax	3,007.5	3,549.8	▼ -15.3%	1,280.4	1,727.1	▼ -25.9%
Net profit attrib. to shareholders	2,330.9	2,743.0	▼ -15.0%	1,001.8	1,329.1	▼ -24.6%



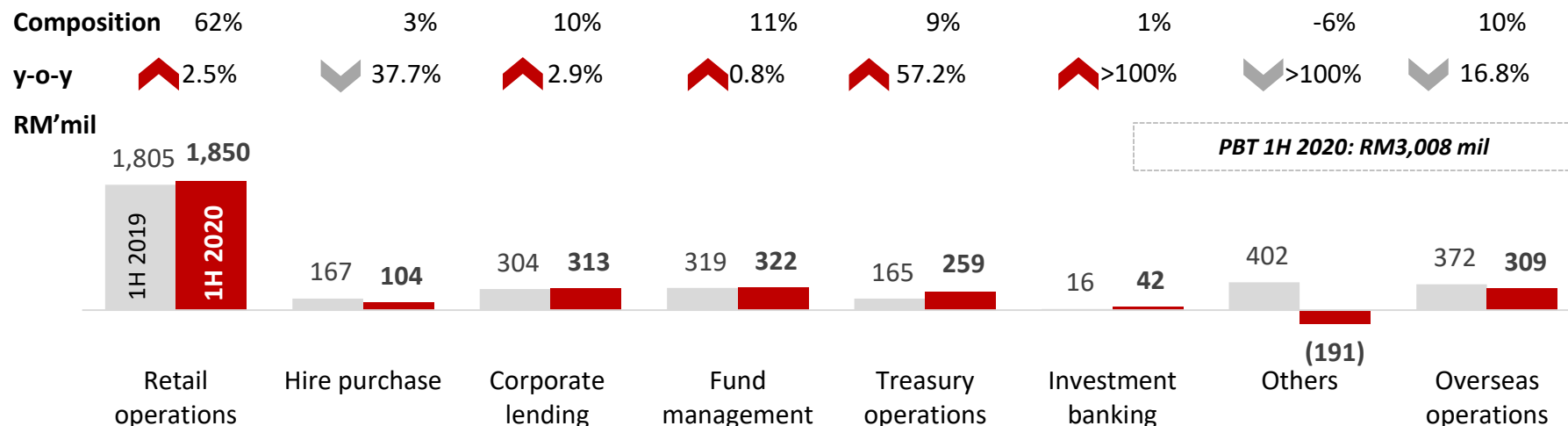
Segmental Profit – Retail Centric



Revenue – 1H 2019 vs 1H 2020

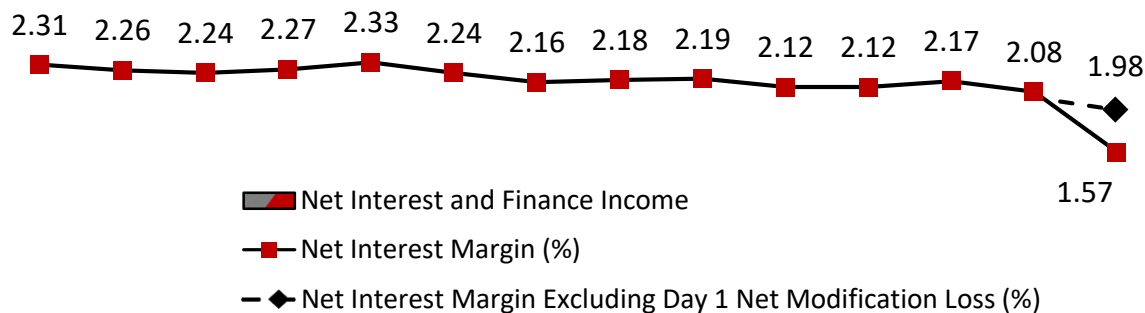


PBT – 1H 2019 vs 1H 2020

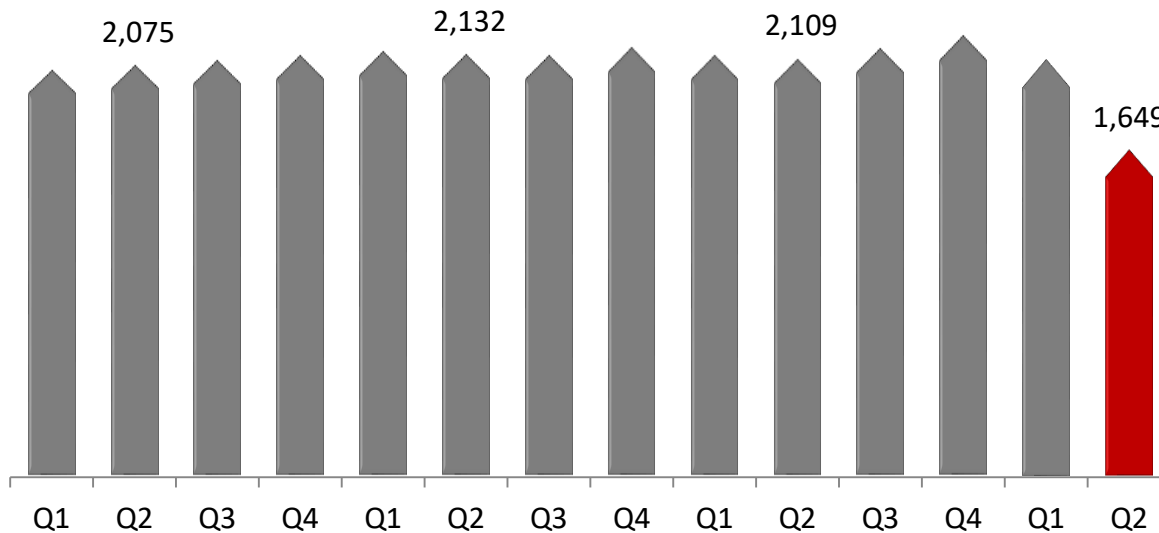


Note: Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

Net Interest Margin



RM'mil









(%)	2017	2018	2019	1H 2020
Yearly Average	2.28	2.22	2.15	1.83 2.03 ^e

^e Excluding day 1 net modification loss

Non-Interest Income

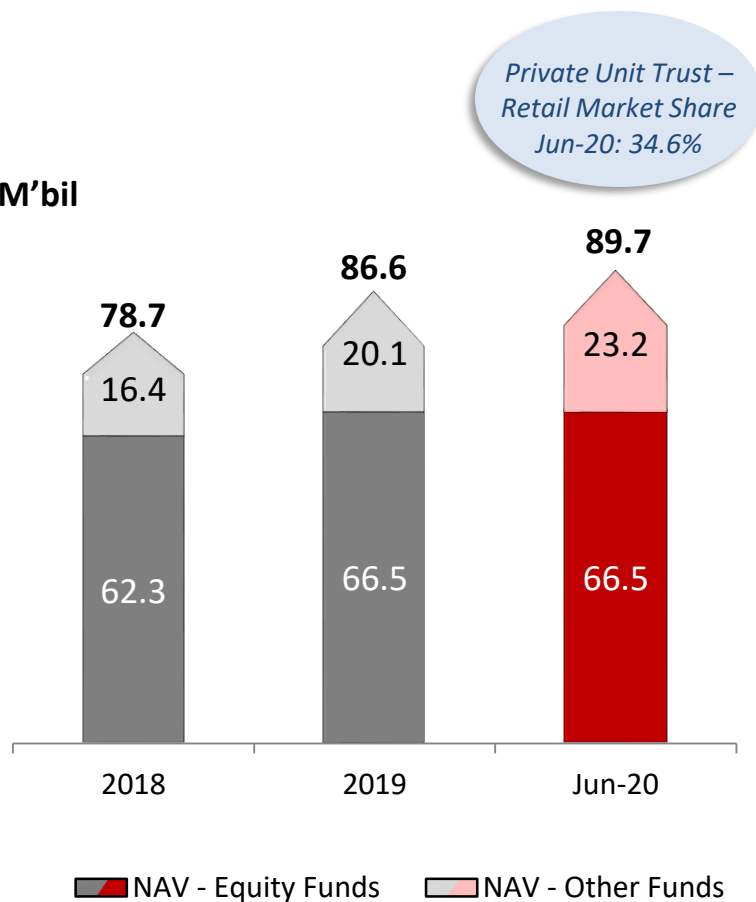


(RM'mil)	1H 2020	1H 2019	Change	Composition
Net fee and commission	858.2	880.0	-2.5%	
Of which: - Unit trust income	475.5	447.7	6.2%	 36%
- Fee & commission income	292.3	387.0	-24.5%	 22%
- Stockbroking income	90.4	45.3	99.8%	 7%
Net gains and losses on financial instruments	288.9	113.3	>100%	 22%
Other operating income	172.1	226.4	-24.0%	
Of which: - Foreign exchange income	117.8	138.0	-14.7%	 9%
- Others	54.3	88.4	-38.5%	 4%
Total non-interest income	1,319.2	1,219.7	8.2%	100%



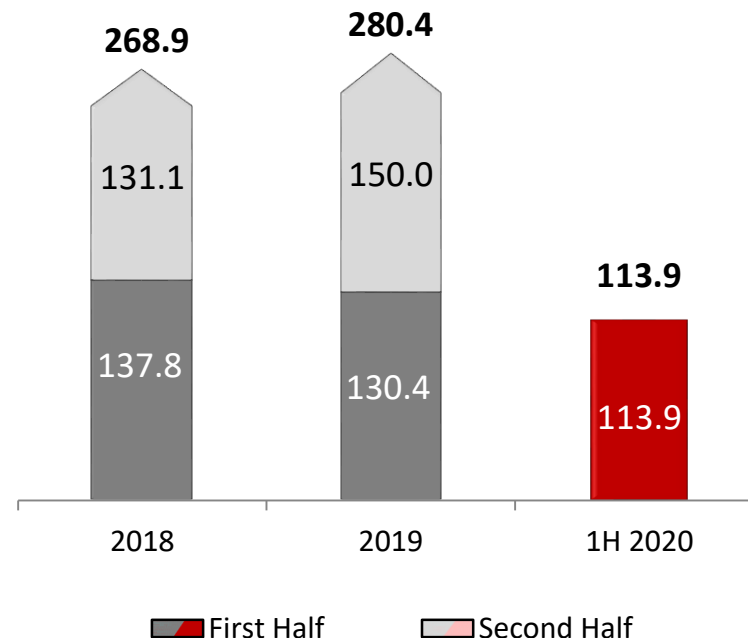
Net Asset Value of Funds Under Management

RM'bil



Bancassurance Business – Annualised New Premium

RM'mil



Efficient Operating Overheads & Lowest CIR

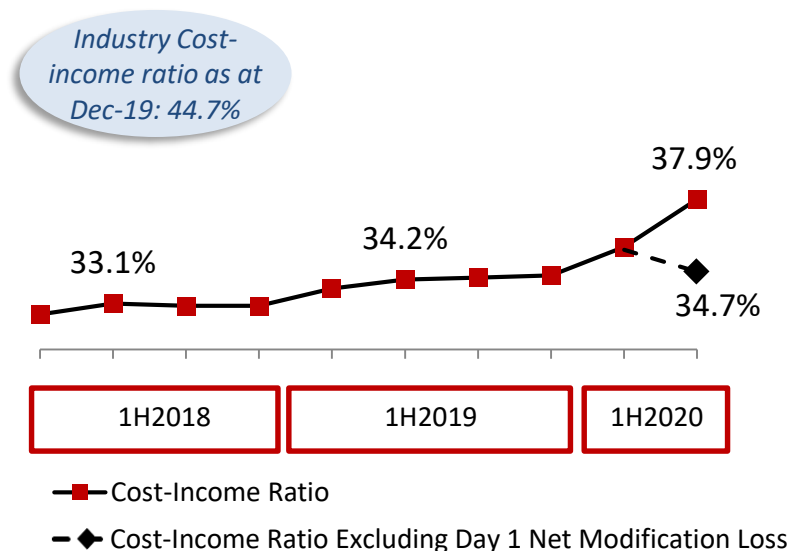


(RM'mil)	1H 2020	1H 2019	Change	Composition
Personnel costs	1,425.2	1,351.9	5.4%	72%
Establishment costs	362.1	347.3	4.3%	19%
Marketing expenses	63.8	70.0	-8.8%	3%
Administration and general expenses	118.5	112.2	5.6%	6%
Total other operating expenses	1,969.6	1,881.4	4.7%	100%

RM'mil	1H 2020	2019
Gross loan per employee	17.4	17.2
Deposit per employee	18.7	18.3
PBT per employee	0.31*	0.37

* Annualised

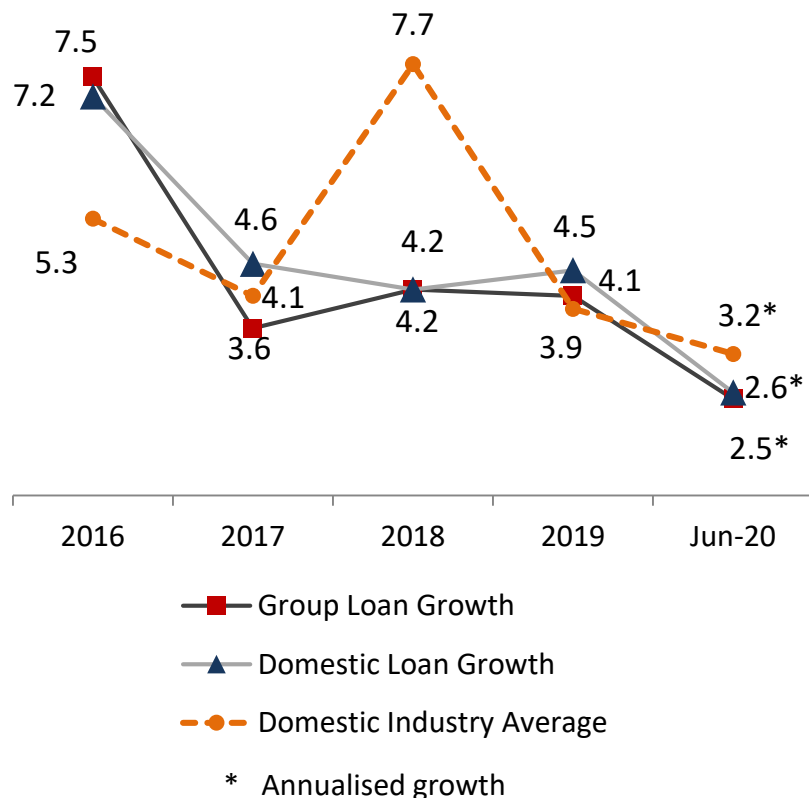
Efficient Cost-income ratio (CIR)



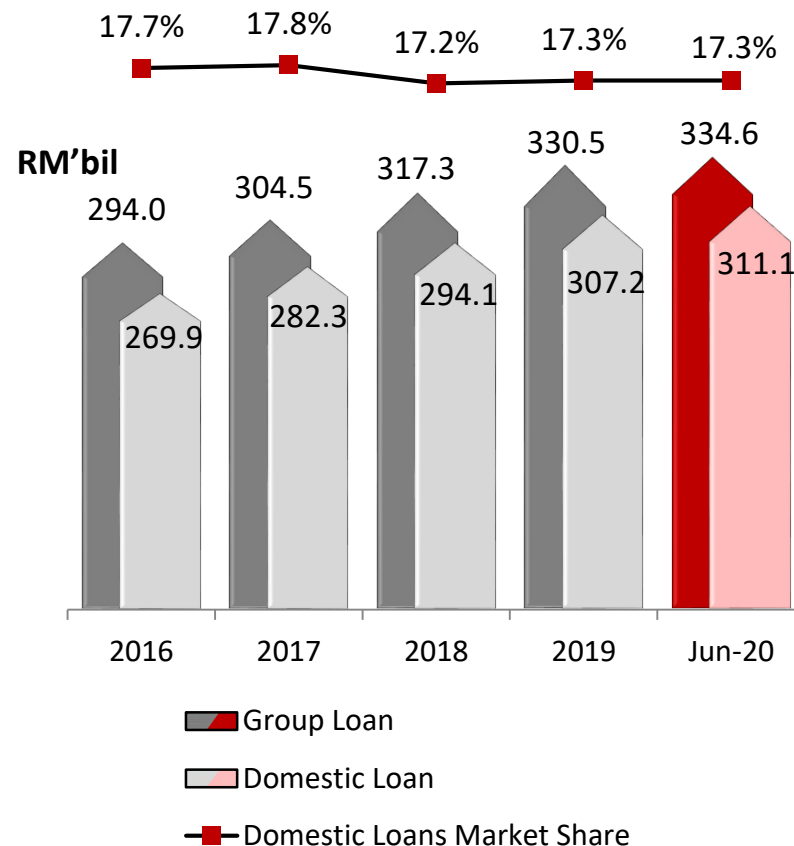
Moderating Loan Growth



Loan Growth vs Industry (%)



Loan – Outstanding Balance and Market Share

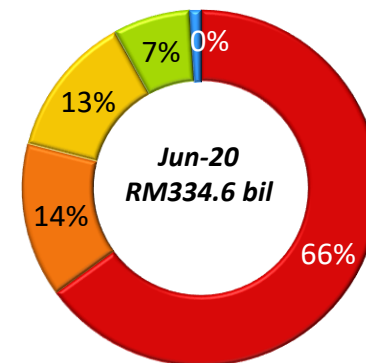
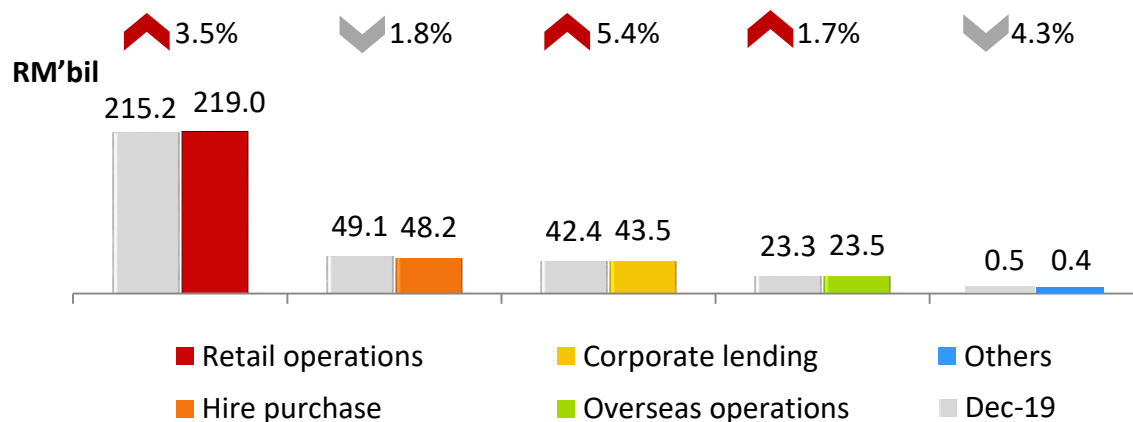


Note: From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd

Moderating Loan Growth

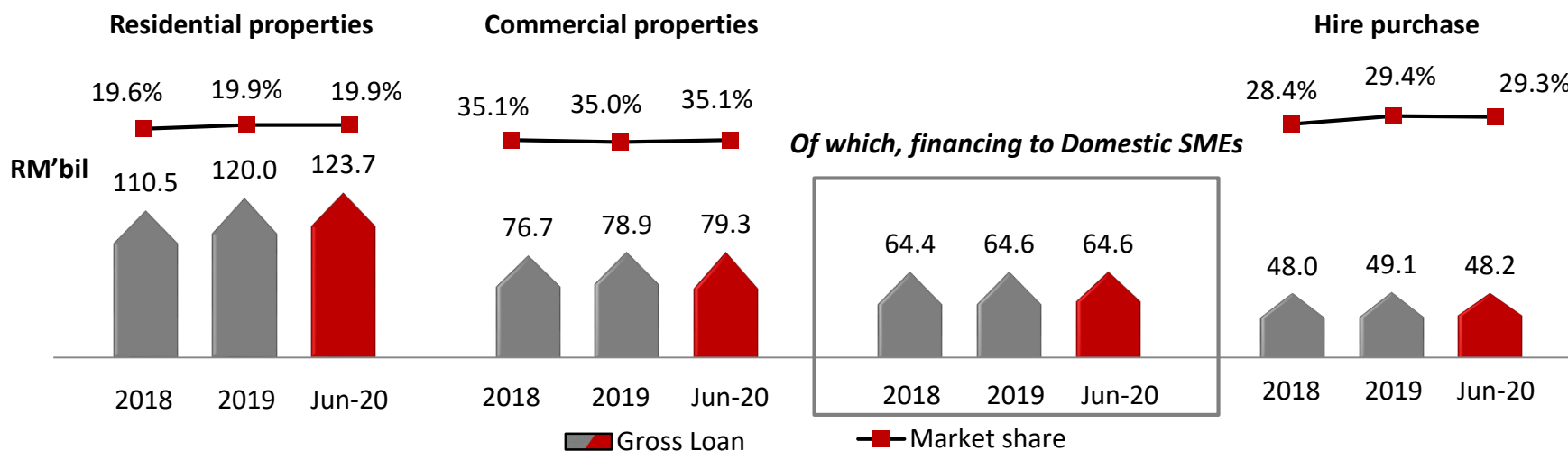


Gross Loan by Segment



Note: Annualised growth (Dec 2019 vs. Jun 2020)

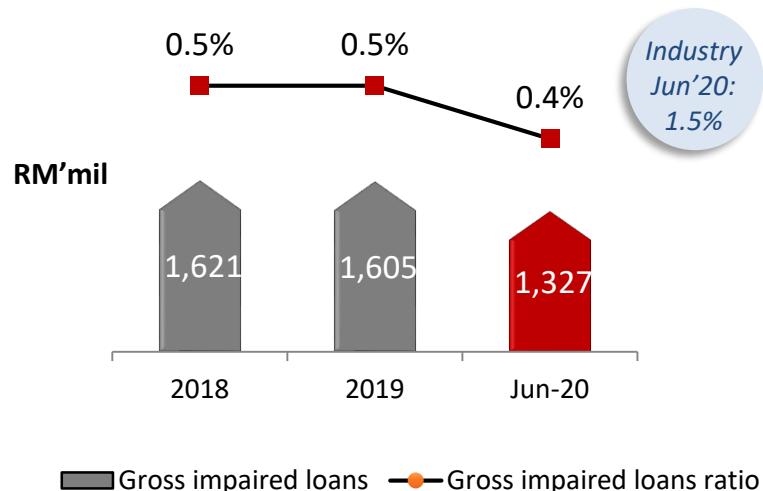
Gross Loan in Domestic Operations



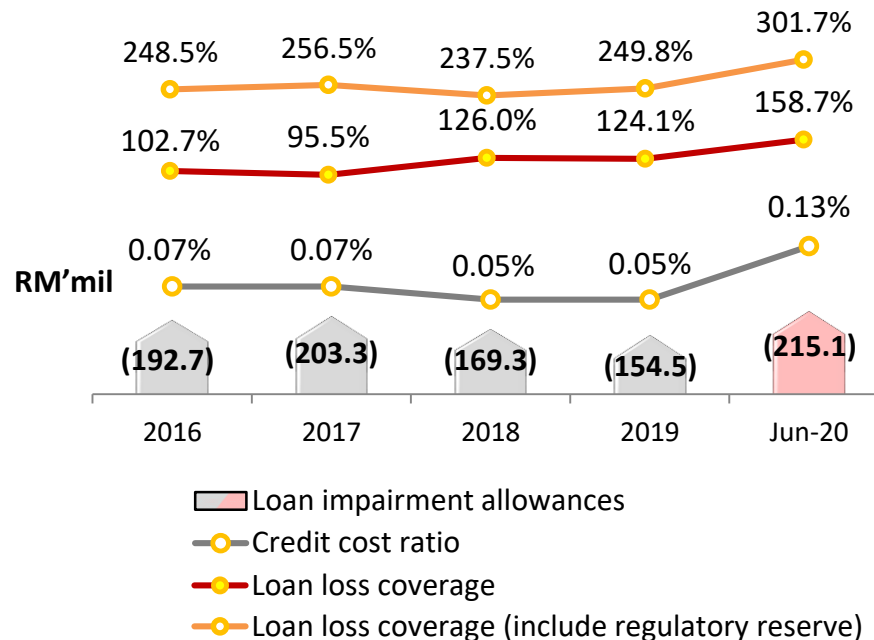
Upholding Strong Asset Quality



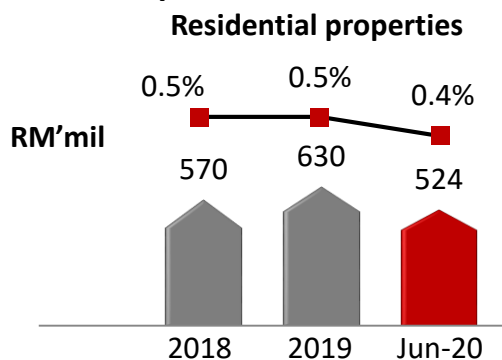
Gross impaired loans



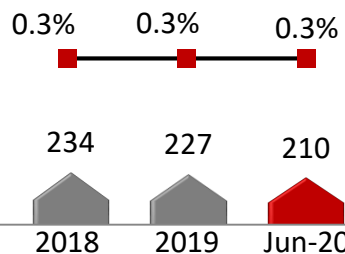
Loan Impairment Allowances



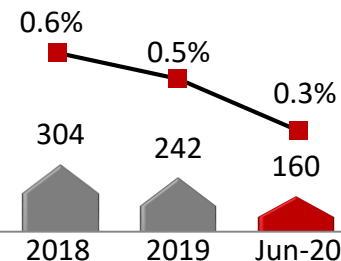
Gross impaired loans of which:



Commercial properties



Transport vehicles

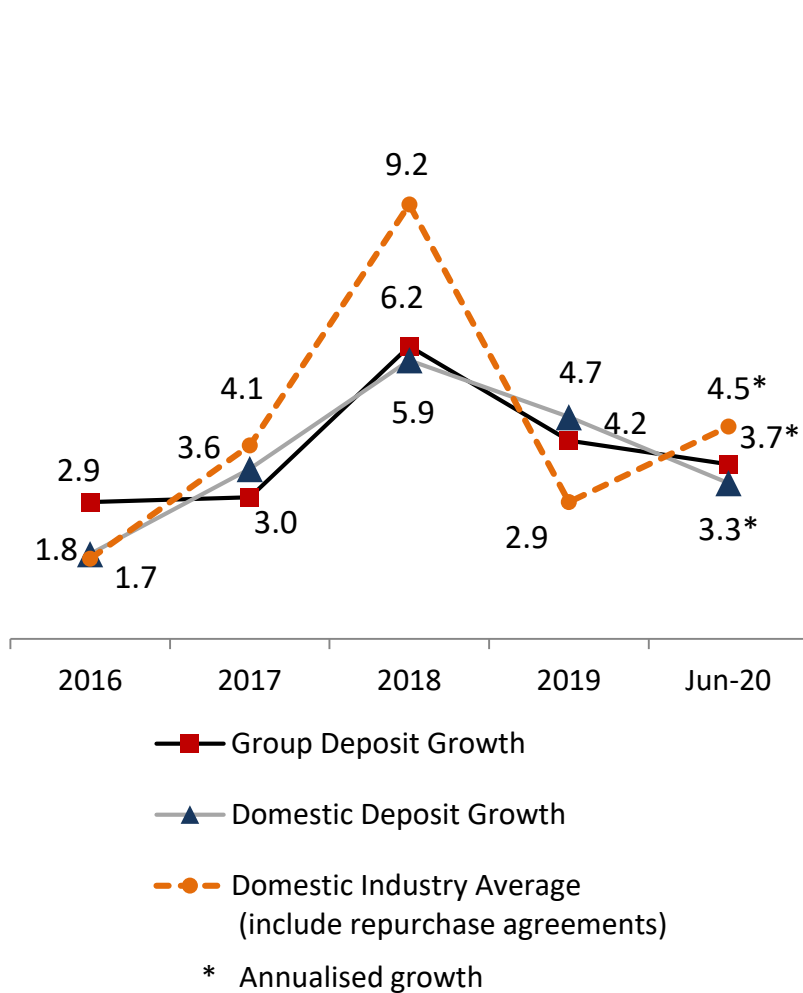


■ Gross Impaired Loans ■ Gross impaired loans ratio

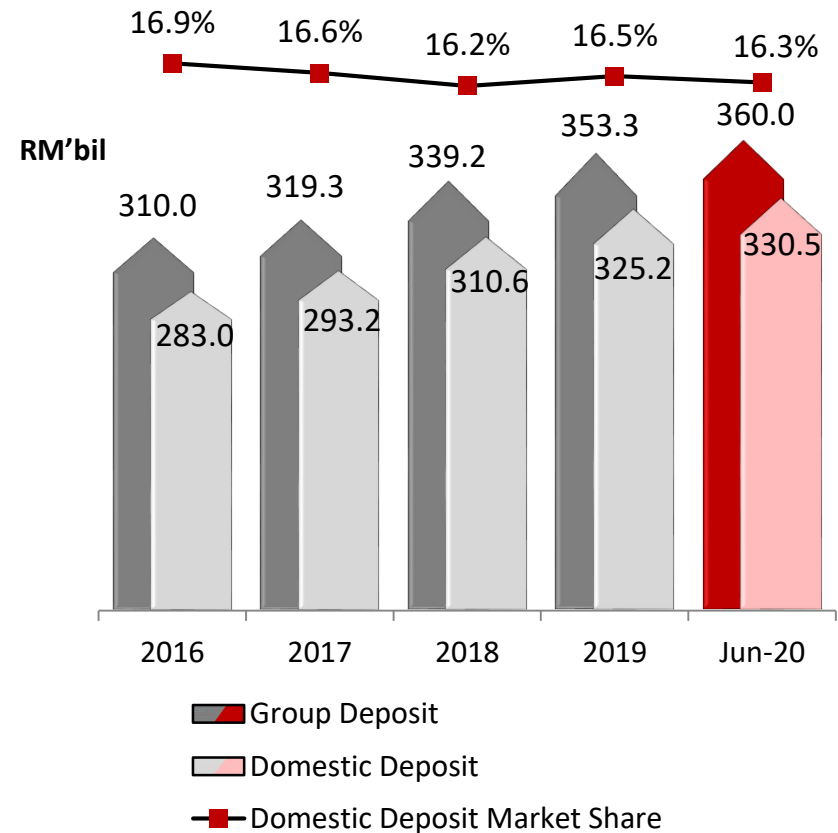
Healthy Deposit Growth in Support of Liquidity



Deposit Growth vs Industry (%)



Deposit – Outstanding Balance and Market Share

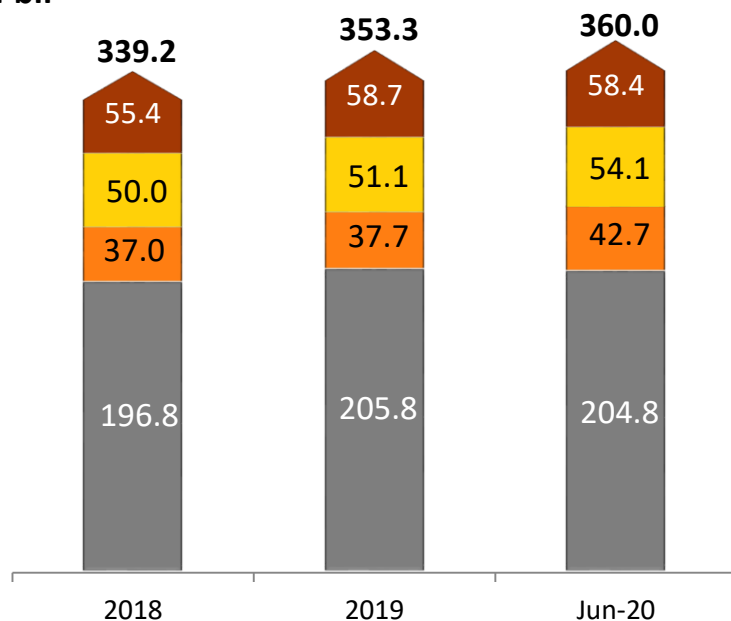


Note: From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd

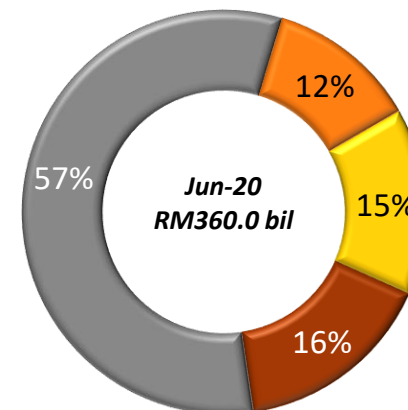
Healthy Deposit Growth



RM'bil



- Money market deposit and others
- Demand deposit
- Savings deposit
- Fixed deposit



Core Deposit Growth in Domestic Operations

	Demand deposit	Industry		Savings deposit	Industry		Fixed deposit	Industry
2018	2.7%	-0.2%	2018	4.7%	4.6%	2018	5.3%	12.9%
2019	1.9%	6.0%	2019	4.3%	8.0%	2019	5.0%	2.8%
Jun-20	13.7%*	17.7%*	Jun-20	27.8%*	34.8%*	Jun-20	-1.0% ^{nj}	-1.2% ^{nj}

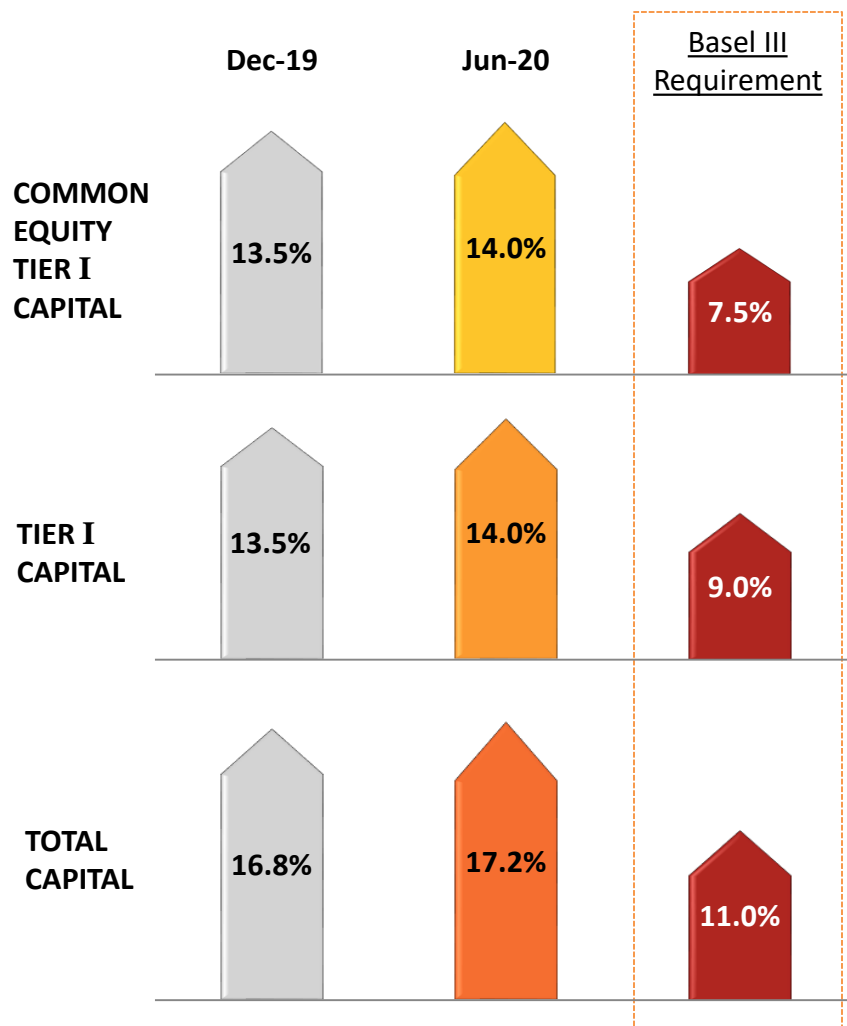
* Annualised growth ^{nj} Negative growth as at June 2020

Note: From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd

Stable Capital Position



PBB Group



Note: 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 is effective on 31 Jan 2021.



IMPLEMENTED

6 months Loan Moratorium (Apr 2020 – Sep 2020)

- Non-compounded interest on retail loan and SME financing
- Interest free for HP loan
- Benefitted >1.8 million customers representing >RM220 billion (90%) of total eligible loans

Proactive Loan Rescheduling & Restructuring (R&R)

- Actively engaged customers who face financial constraint for loan R&R

Special Relief Facility (SRF)

- Cater to SMEs at a low financing rate of 3.5% p.a.
- PBB has approved RM1.7 billion of loans benefiting about 8,000 SMEs under SRF

Special Campaigns for PBB Credit Card

- Online purchase discount for essential items
- Cash assistance to ease financial burden
- Attractive Balance Transfer and Flexipay Plans

IMPLEMENTING

Post Moratorium Assistance (Oct 2020 onwards)

- Provide loan repayment assistance for eligible individual customers who have encountered salary reduction, and eligible SME customers who are experiencing cash flow constraint due to the Covid-19 pandemic
- Extension of loan moratorium for 3 months for eligible individual customers who have lost their jobs in 2020 and are currently unemployed
- Developed a digital platform to enable eligible customers to submit online application for loan rescheduling and restructuring

PENJANA Financing Scheme

- PENJANA SME Financing Scheme, available in July 2020
- PENJANA Tourism Financing Scheme, available in August 2020
- Both cater to SMEs at a low financing rate of 3.5% p.a.

PB Journey Programme

- Specially designed to meet financial needs of customers in different stage of lifecycle, particularly during the current challenging time. The Group has launched:
 - (i) PB Journey Golden Savers in July 2020
 - (ii) PB Journey Junior Savers in August 2020
 - (iii) PB Journey EzPay HomeLoan in August 2020

Expansion in Business Delivery Channel



	Jun-20	2019	2010
Malaysian Operations			
Public Bank - Domestic	262	262	249
- Overseas	7	7	4
Public Islamic Bank	2	2	1
Public Mutual	28	28	26
Public Investment Bank	1	1	1
Hong Kong & China Operations			
Public Finance	44	44	42
Public Bank (HK) - Hong Kong	32	32	30
- China	5	5	3
Winton (B.V.I) Group	3	3	9
Indo-China Operations			
Cambodia Public Bank	31	31	21
Public Bank Vietnam	20	20	7
	435	435	393
Self Service Terminal - domestic	2,060	2,053	1,362

Strategic Focus: Organic growth in focus areas



FOCUS AREA	STRATEGIC APPROACH	SUPPORTED BY
Domestic Consumer Banking and SME Lending	<ul style="list-style-type: none">• Focus on consumer lending for purchases of residential properties and passenger vehicles• Continue to penetrate mid-market SME financing in encouraged sectors• Secure higher growth in retail and low cost deposits• Sustain existing pool of deposits• Achieve optimum balance between growth and cost of funds	Serving Customer Provide top-notch customer service in line with the Group's corporate tagline "Excellence Is Our Commitment"
Wealth Management	<ul style="list-style-type: none">• Sustain its leading market position in the private unit trust business• Offer superior services to customers and diversify product range• Develop new insurance products with AIA	Channel Management Serve customers through multi-channel network comprising branches, self service terminals and digital channels which include mobile, internet and social media platform
Transactional Services	<ul style="list-style-type: none">• Promote e-payment• Maintain effective collaboration with its banking and non-banking partners	Information and Communication Technology Harness information technology to support the Group's business needs and improve customer experience
Capital Market Operations	<ul style="list-style-type: none">• Continue to focus on commercial foreign exchange revenue• Continue to grow existing corporate portfolio and acquire targeted new corporate clients• Continue to grow retail and institutional customer base in the investment banking space	
International Operations	<ul style="list-style-type: none">• Enhance contribution from overseas operations in Hong Kong / People's Republic of China and Indo-China through organic growth	



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		RM'mil	2016	2017	2018	2019	Jun-20
Profitability	Operating profit		6,745	7,319	7,270	7,283	3,226
	Profit before tax		6,554	7,118	7,101	7,134	3,008
	Net profit		5,207	5,470	5,591	5,512	2,331
Shareholder Value	Earnings per share (sen)		134.8	141.7	144.4	142.0	60.0
	Net assets per share (RM)		8.86	9.68	10.55	11.23	11.51
	Dividend per share (sen)		58.0	61.0	69.0	73.0	N/A
	Dividend payout ratio (%)		43.0	43.1	47.9	51.4	N/A
Key Balance Sheet Data	Total assets		380,053	395,276	419,693	432,831	440,635
	Gross loan		293,959	304,453	317,302	330,468	334,623
	Domestic loan		269,915	282,326	294,074	307,164	311,126
	Deposit from customers		309,974	319,259	339,160	353,340	359,962
	Domestic deposit		282,967	293,178	310,585	325,199	330,486
	Core customer deposit		258,155	269,723	283,846	294,646	301,508
	Shareholders' equity		34,213	37,365	40,973	43,594	44,699
	Common equity Tier I capital ^π		28,620	31,521	35,104	37,406	39,702
	Tier I capital ^π		30,771	33,528	36,825	37,564	39,863
	Total capital ^π		38,970	41,134	43,716	46,571	48,953
Risk-weighted assets		251,662	257,352	268,125	277,906	284,153	

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

Appendix (cont'd)



		%	2016	2017	2018	2019	Jun-20	Industry
Profitability Ratios	Net interest margin on yielding assets		2.20	2.28	2.22	2.15	1.83	N/A
	Net return on equity ⁺		16.5	15.8	14.8	13.6	10.7	N/A
	Pre-tax return on average assets		1.8	1.8	1.7	1.7	1.4	1.5
	Cost to income ratio		32.3	31.9	33.0	34.4	37.9	44.7
	Non interest income/Total income		21.0	21.7	20.4	21.6	25.4	35.0
Liquidity	Gross loan to fund ratio [~]		90.8	90.0	88.4	88.9	88.4	82.1 [^]
	Gross loan to fund and equity ratio [~]		81.8	80.7	79.0	79.2	78.7	71.5 [#]
	Liquidity coverage ratio		98.6	121.8	135.6	133.5	145.7	149.2
Asset Quality	Gross impaired loans ratio		0.5	0.5	0.5	0.5	0.4	1.5
	Loan loss coverage ratio		102.7	95.5	126.0	124.1	158.7	92.9
	Credit cost ratio		0.07	0.07	0.05	0.05	0.13	0.07
Capital Adequacy	Common equity Tier I capital ratio ^π		11.4	12.2	13.1	13.5	14.0	14.0
	Tier I capital ratio ^π		12.2	13.0	13.7	13.5	14.0	14.5
	Total capital ratio ^π		15.5	16.0	16.3	16.8	17.2	17.7
Market Share	<u>Domestic market share</u>							
	Commercial property financing		34.7	35.5	35.1	35.0	35.1	N/A
	Residential property financing		19.4	19.6	19.6	19.9	19.9	N/A
	Passenger vehicle financing		29.1	28.5	28.4	29.4	29.3	N/A
	Domestic loans		17.7	17.8	17.2	17.3	17.3	N/A
	Domestic deposits		16.9	16.6	16.2	16.5	16.3	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 year

Note: From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd