

# PUBLIC BANK

ПУБЛИК БАНК

## Investor Presentation

DB Access Asia Conference 2013

Singapore

20-24 May 2013



# Disclaimer

The materials and information in the presentations and other documents are for informational purposes only, and are not an offer or solicitation for the purchase or sale of any securities or financial instruments or to provide any investment service or investment advice.

Public Bank does not assume any liability for any loss that may result from the reliance by any person upon any such information or opinions.



# Quick Facts

- 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 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 franchise and its wide and efficient branch network as well as its excellent customer service to deliver balance sheet and 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 2013.”

**Tan Sri Dato’ Sri Dr. Teh Hong Piow**  
**Chairman**



# Investor Presentation

## Page

**INTRODUCTION TO PUBLIC BANK GROUP**

**6 - 10**

**GROUP PERFORMANCE**

**11 - 35**

**MARKET CAPITALISATION AND ANALYSTS' POLL**

**36 - 39**

**SUMMARY**

**40**

**APPENDIX**

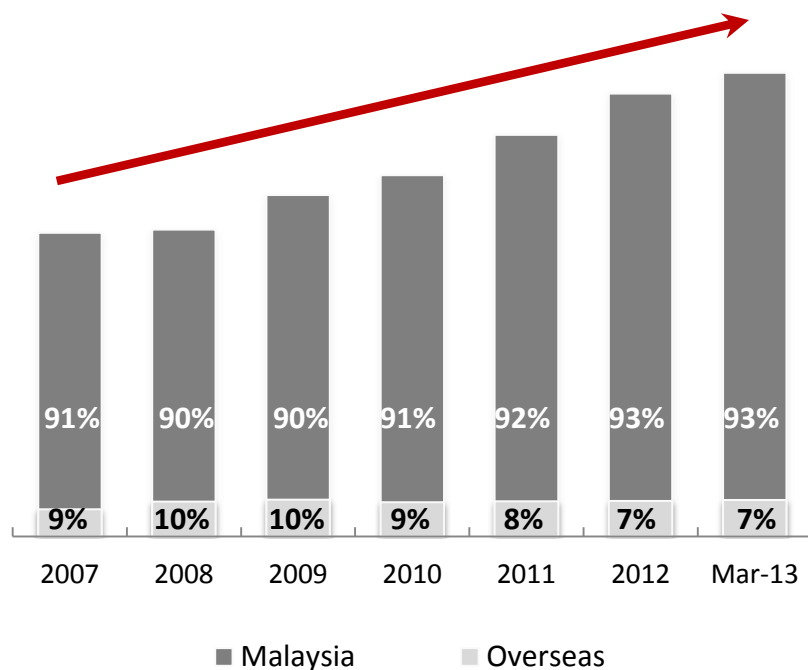
**41 - 42**



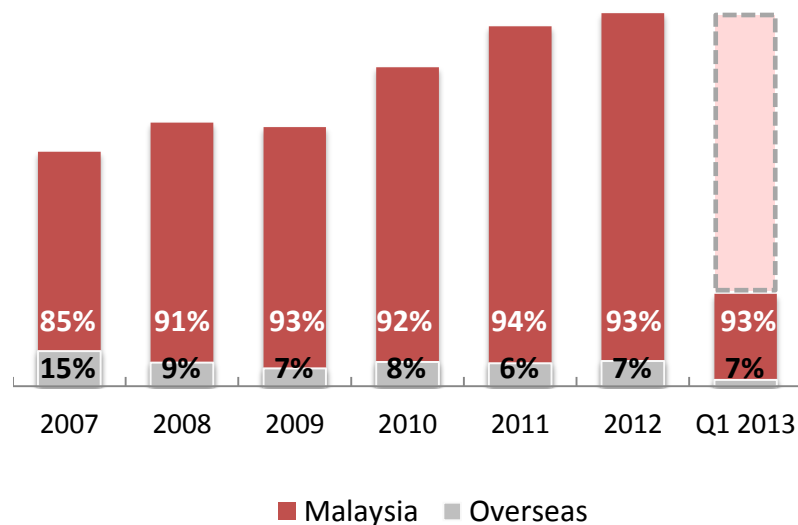
# Introduction to Public Bank Group

- 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

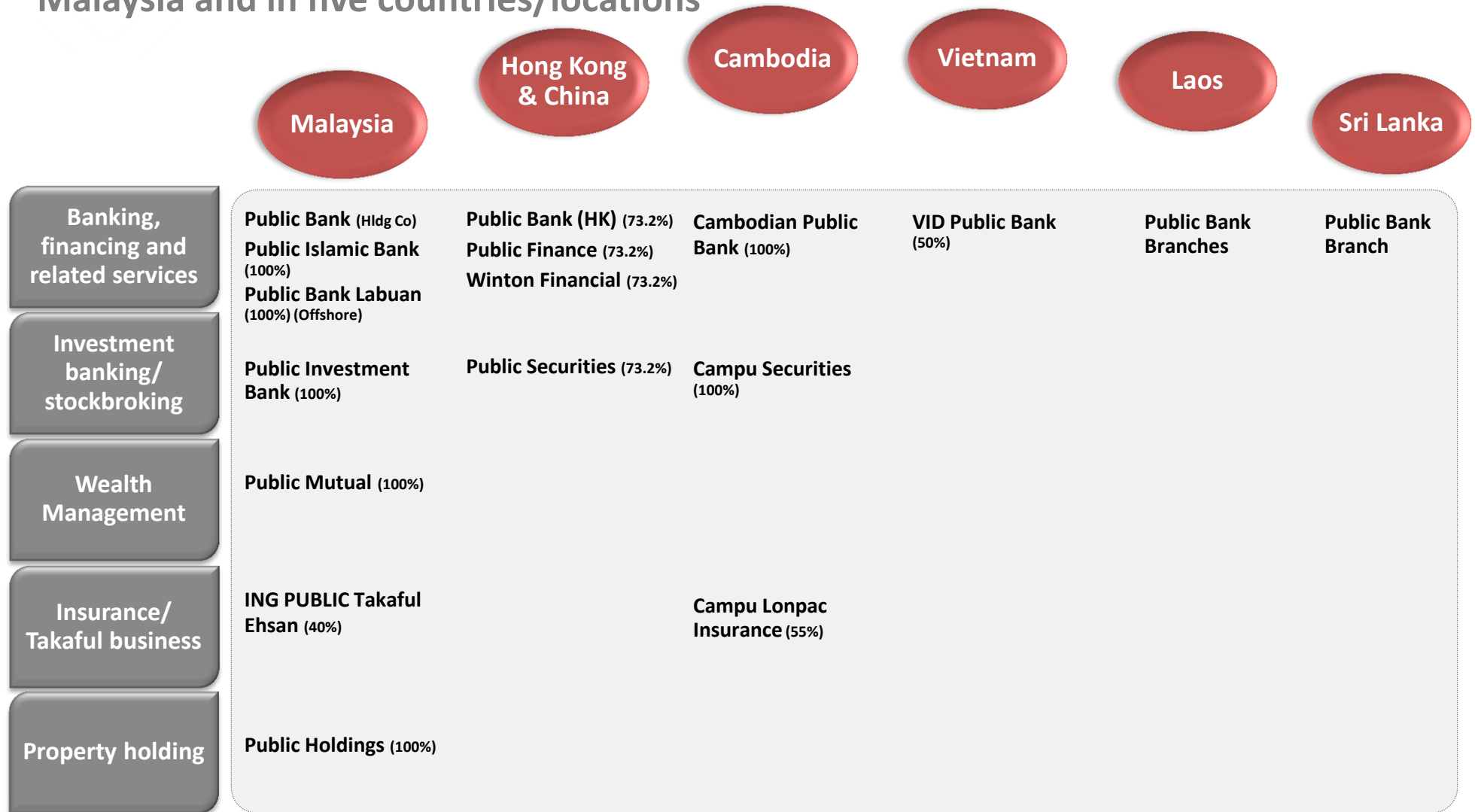


## Pre-tax Profit



# 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 and Retail Business Focus

## 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 & microfinance
- 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

## Key Performance Indicator

### 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

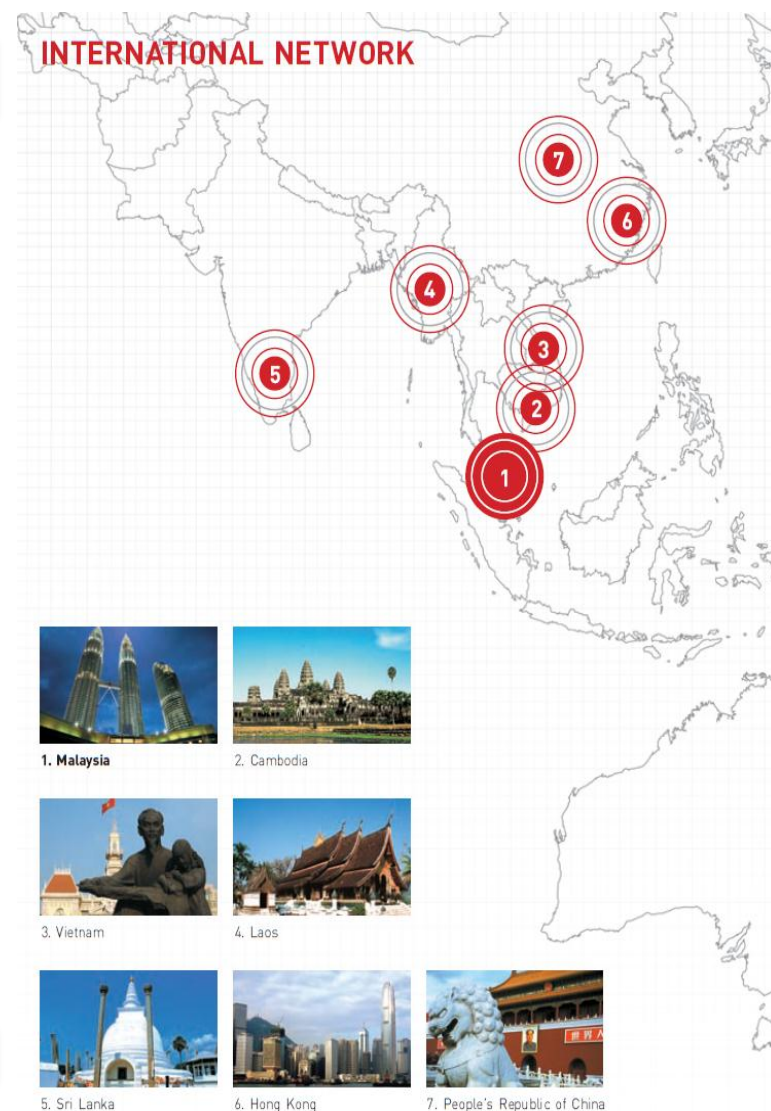
VID Public Bank (Vietnam)

Self Service Terminal - domestic

**Mar 2013**      **Dec 2012**      **Dec 2008**

	Mar 2013	Dec 2012	Dec 2008
Public Bank - Domestic	255	254	242
- Overseas	6	5	5
Public Islamic Bank	1	1	-
Public Mutual	28	28	26
Public Investment Bank	1	1	1
<b>Public Finance</b>	<b>42</b>	<b>42</b>	<b>42</b>
Public Bank (HK) - Hong Kong	32	32	28
- China	3	3	3
Winton (B.V.I) Group	9	9	3
<b>Cambodia Public Bank</b>	<b>25</b>	<b>24</b>	<b>12</b>
<b>VID Public Bank (Vietnam)</b>	<b>7</b>	<b>7</b>	<b>7</b>
	<b>409</b>	<b>406</b>	<b>369</b>

1,657      1,645      1,238



## Reaffirmed High Credit Ratings

	Long term	Short term	Latest update
RAM	AAA	P1	June 2012
Moody's	A3	P-2	January 2013
Standard & Poor's	A-	A-2	November 2012
Standard & Poor's ASEAN Scale Rating	axAA	axA-1	November 2012

### RAM rating on Subordinated Notes and Capital Securities

	Long term	Latest update
Subordinated Medium Term Notes Programme of up to RM5.0 billion	AA1	April 2013
RM1.2 billion Innovative Tier 1 Capital Securities	AA2	April 2013
Non-Cumulative Perpetual Capital Securities Programme of up to RM5.0 billion	AA2	April 2013
Proposed up to RM5.0 billion Senior Medium Term Notes Programme	AAA	April 2013



# Unbroken Profit Track Record

- 46 years of unbroken profitability
- Strong profit growth in past 5 years

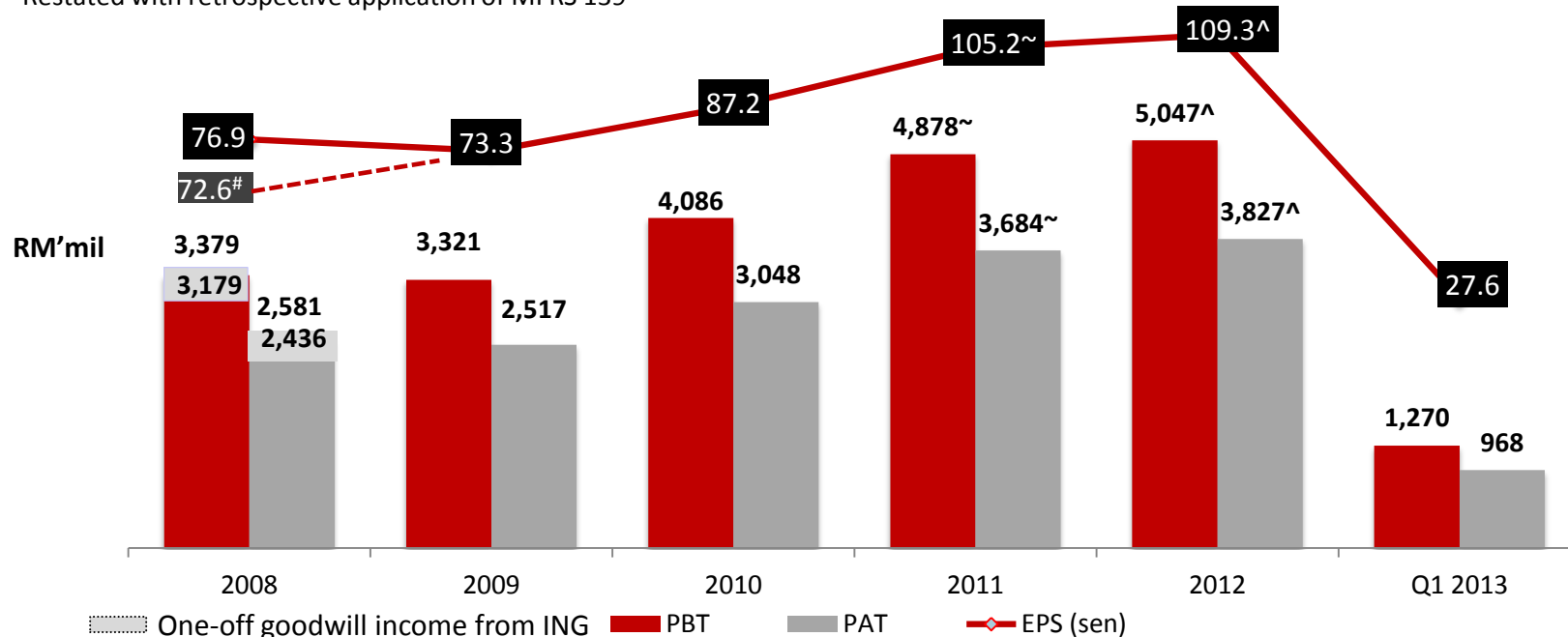
	RM'mil						1Q2013**	y-o-y growth (%)					1Q2013**
	2007	2008*	2009	2010	2011~	2012^		2008*	2009	2010	2011	2012	
Pre-tax profit	3,004	3,179	3,321	4,086	4,878	5,047	1,270	5.8	4.5	23.0	19.4	3.5	3.1
Net profit	2,124	2,436	2,517	3,048	3,684	3,827	968	14.7	3.3	21.1	20.9	3.9	4.1

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

\*\* Growth in comparison with corresponding quarter in 2012

^ Restated with retrospective application of MFRS 119

~ Restated with retrospective application of MFRS 139



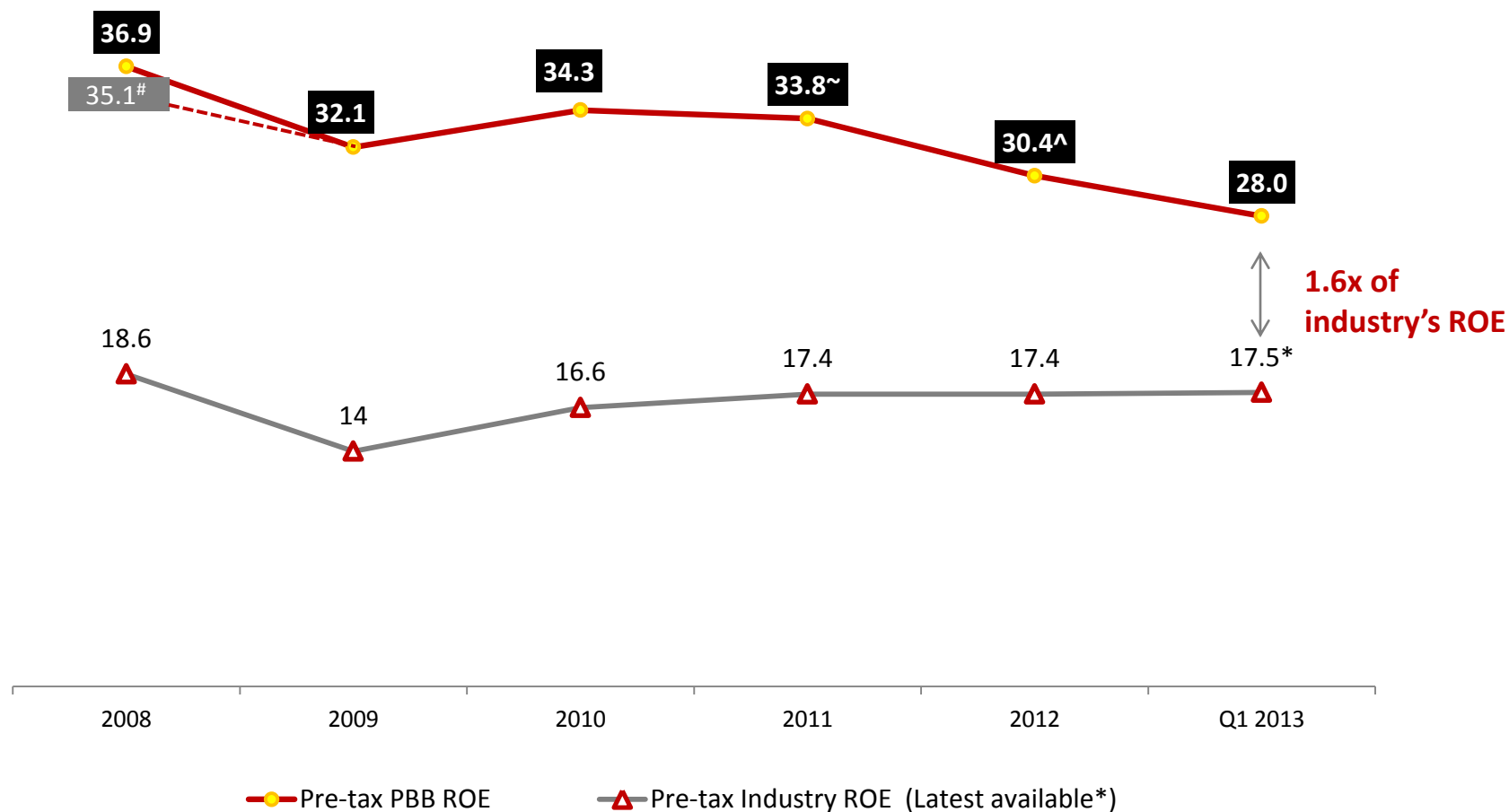
# Adjusted EPS excluded one off goodwill income from ING

~ Restated with retrospective application of MFRS 139

^ Restated with retrospective application of MFRS 119



# 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



# Dividends

Paid dividends annually since 1970

<u>Dividend per share (net)</u>	<b>2012</b>	<b>2011</b>	<b>2010</b>
First interim (sen)	20.00	20.00	18.75
Second interim (sen)	30.00	28.00	26.75
Total (sen)	50.00	48.00	45.50
Dividend payout (RM'bil)	1.75	1.68	1.59
Dividend payout ratio (%)	45.3	48.3	52.3



# Key Highlights

## Income Statement (RM'mil)

Pre-tax profit	1,270	1,231	3.1%
Net profit attributable to shareholders	968	930	4.1%
Earnings per share (sen)	27.6	26.6	3.8%

## Balance Sheet (RM'bil)

Total assets	287.0	274.8	17.7%*
Loan - Group	203.6	197.8	11.8%*
- Domestic	190.3	184.5	12.5%*
Deposit - Group	232.3	225.0	12.9%*
- Domestic	217.7	210.7	13.3%*

## Financial Indicators

Net return on equity	22.2%	24.1%	(1.9%)
Cost to income ratio	31.9%	31.2%	0.7%
Gross impaired loans ratio	0.7%	0.7%	-
Loan loss coverage	123.9%	126.0%	(2.1%)
Net loan to deposit ratio	86.9%	87.1%	(0.2%)
Common equity Tier I capital ratio	8.2%	N/A	-
Tier I capital ratio	10.1%	10.8% <sup>π</sup>	(0.7%)
Total capital ratio	13.0%	14.1% <sup>π</sup>	(1.1%)

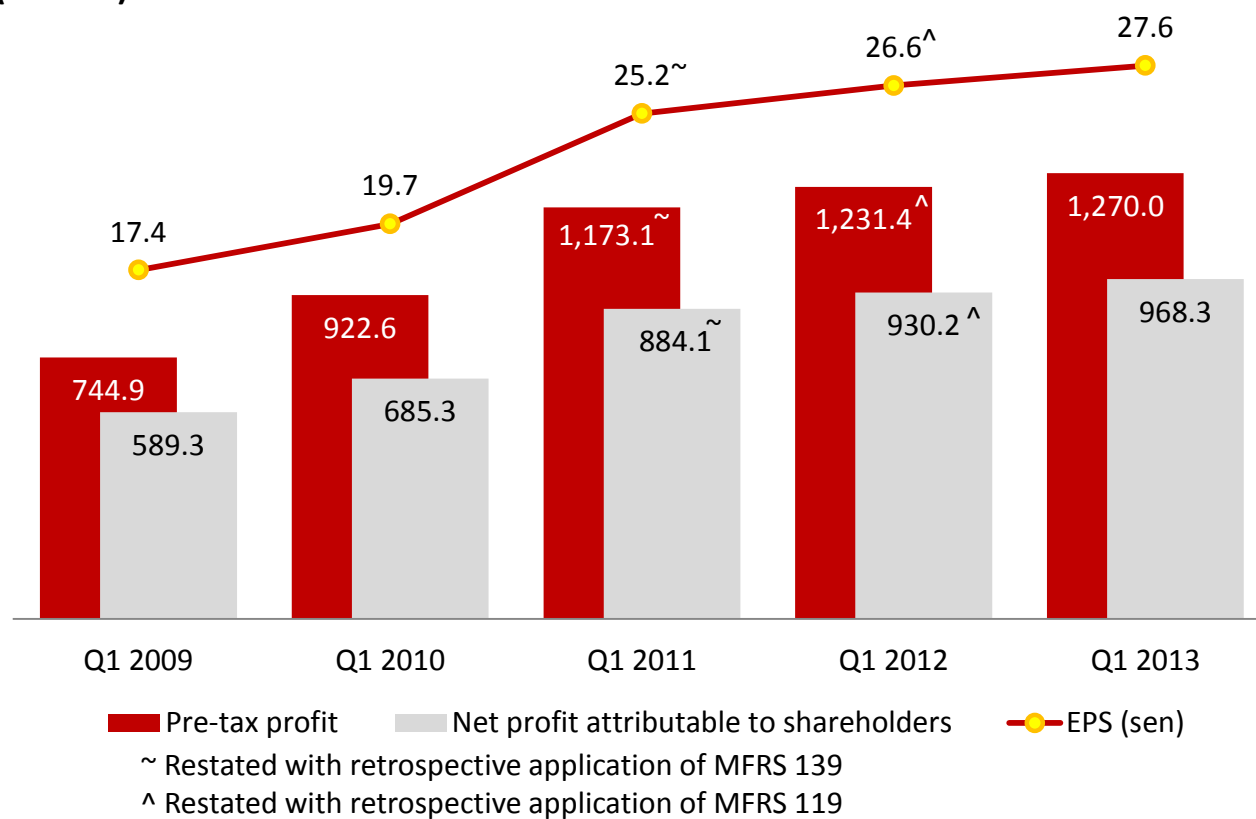
\* Annualised growth      ^ Restated with retrospective application of MFRS 119, where applicable

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



# Steady profit growth

## Profits and EPS (RM'mil)



# Adoption of MFRS 119 Employee Benefits

The adoption of the revised MFRS 119 effective 1 January 2013 affected the accounting treatment on the recognition of certain gains and losses arising from defined benefit plans.

The key impacts are:

- Actuarial gains and losses are recognised immediately in other comprehensive income, as compared to recognition in the income statement over a period of time previously
- Changes in the basis of computation of net interest income on the net assets of the defined benefit plan which is recognised in the income statement
- Retrospective application of MFRS 119 which resulted in the restatement of comparative financial statements



# Adoption of MFRS 119 Employee Benefits

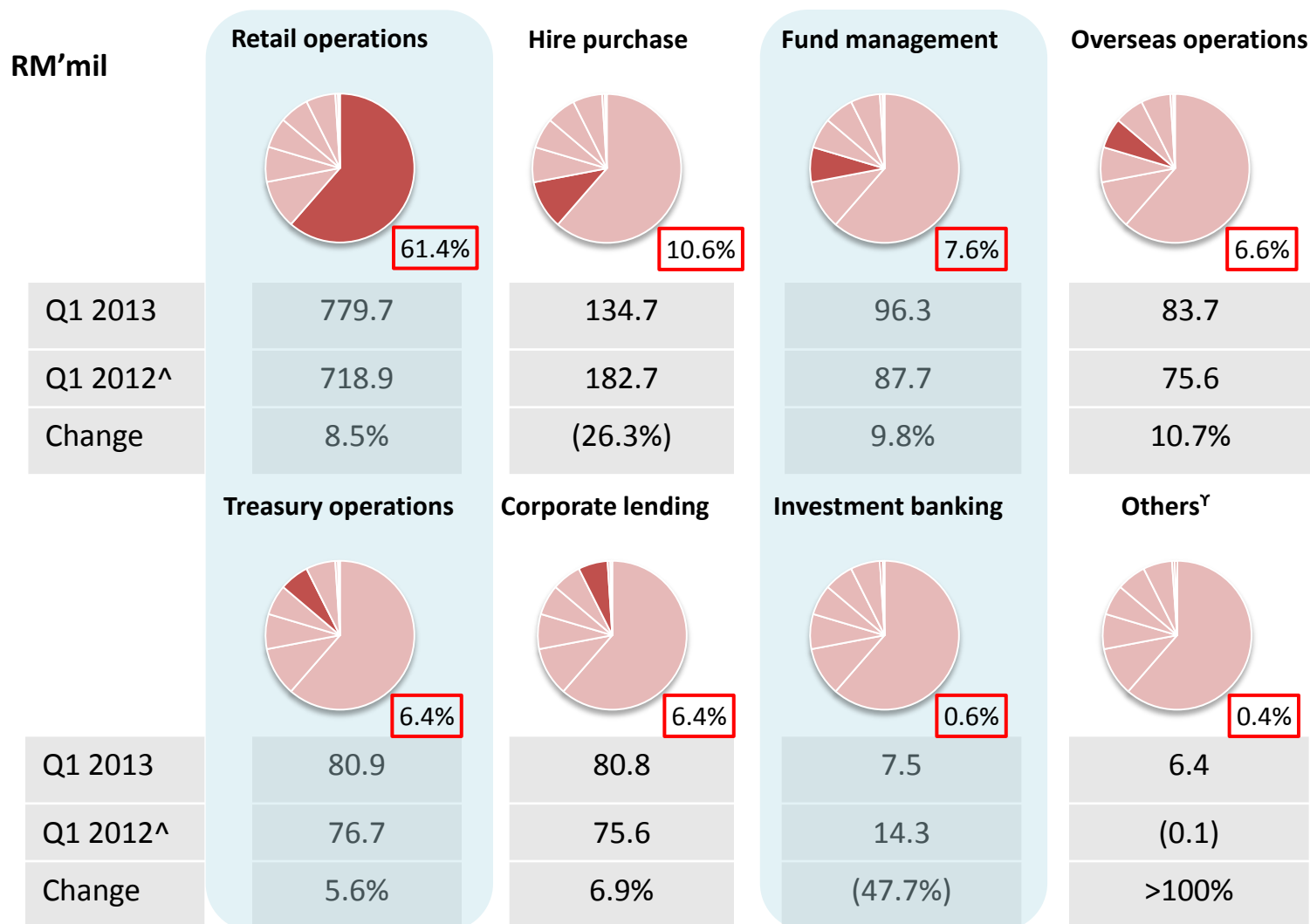
## Restatement of key comparatives

	Restated	Previously reported
	Q1 2012	Q1 2012
Other operating expenses (RM'mil)	608	593
Pre-tax profit (RM'mil)	1,231	1,246
Net profit (RM'mil)	930	941
Cost to income ratio (%)	32.5	31.8

	Restated	Previously reported
	Dec 2012	Dec 2012
Net return on equity (%)	24.1	24.5



# Segmental Profit – Remained focus on retail operations



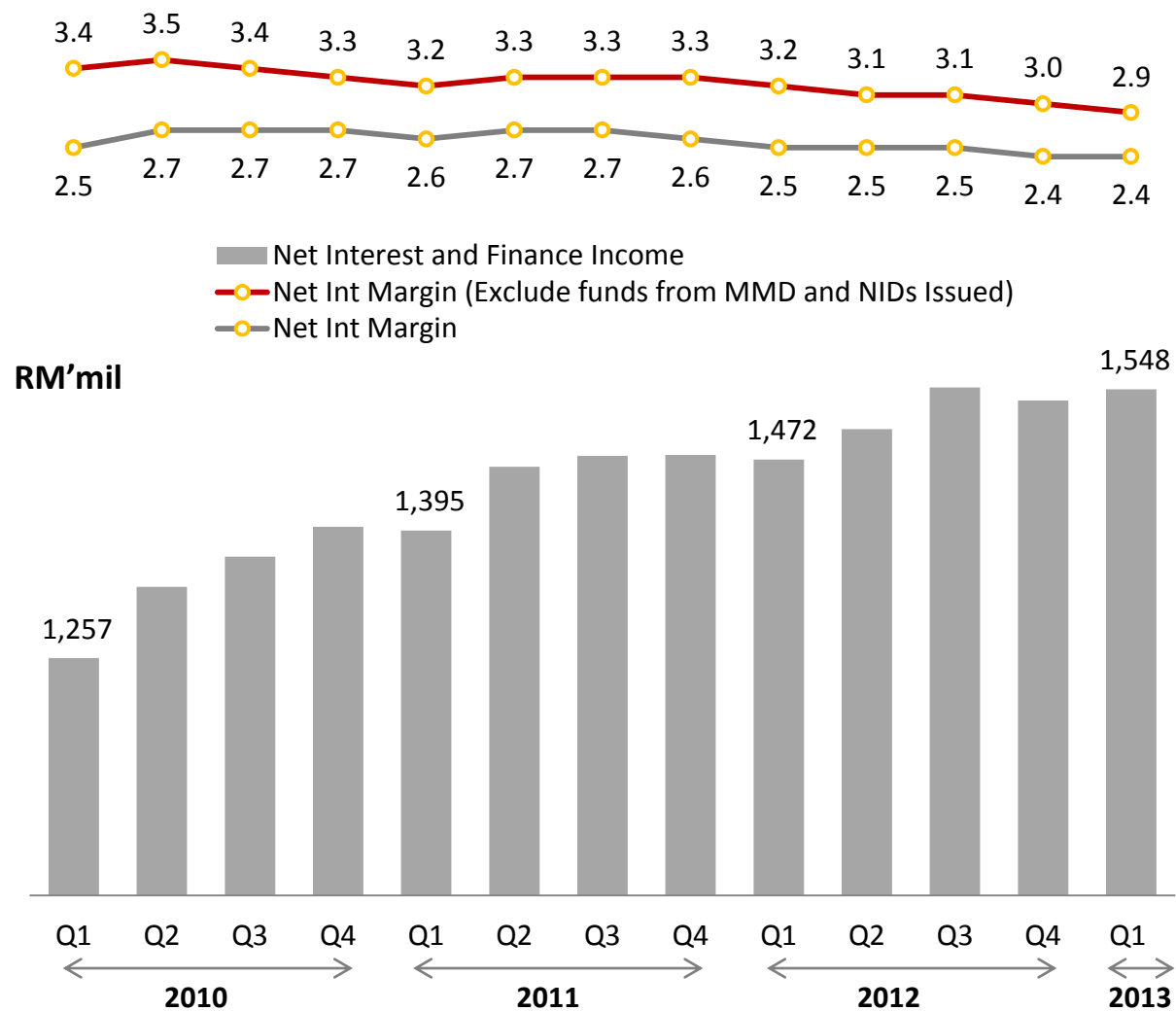
- Retail and HP operations contributed approximately 72% of the Group's pre-tax profit

<sup>‡</sup> Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

<sup>^</sup> Restated with retrospective application of MFRS 119, where applicable

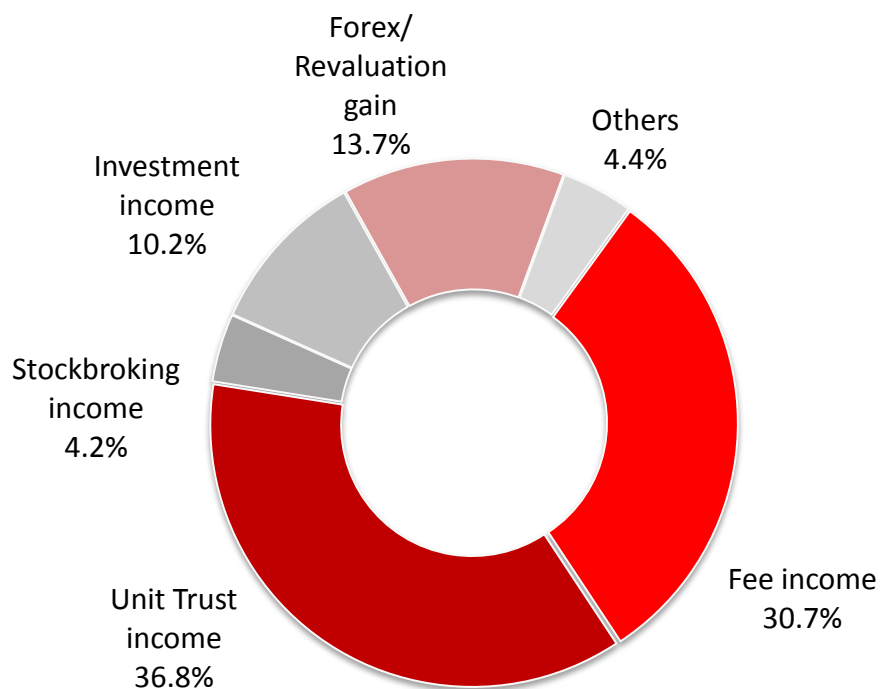


# Net Interest Margin – Continue to be under pressure



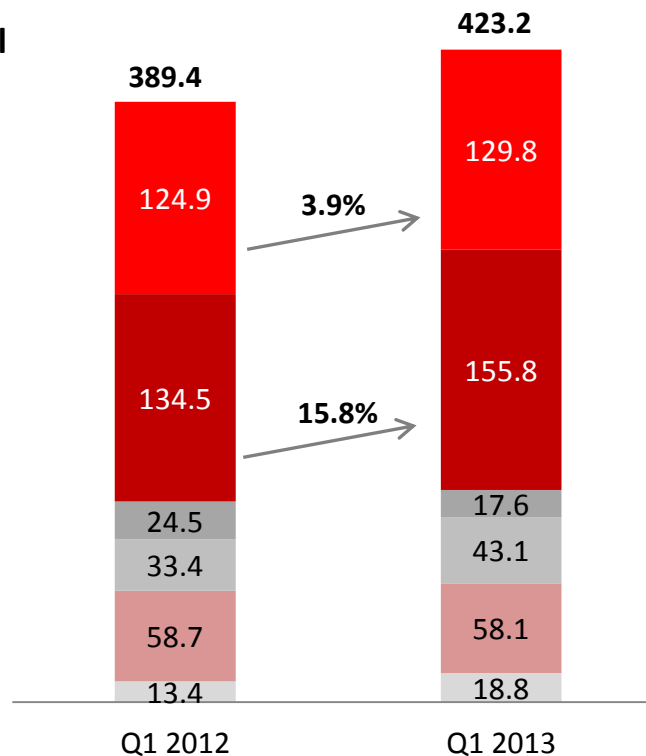
# Non-Interest Income Composition & Growth

## Non-interest Income Contribution



Based on financial results as at 31 March 2013

RM'mil

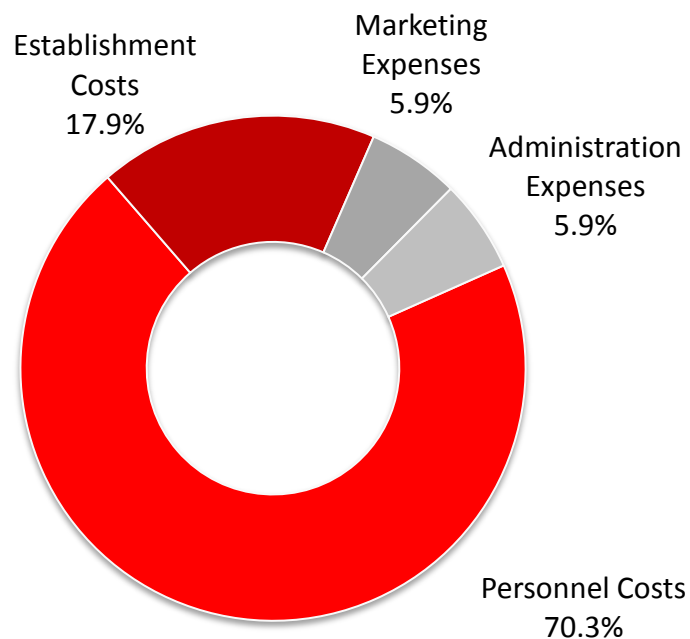


- Fee income
- Unit Trust income
- Stockbroking income
- Investment income
- Forex/Revaluation gain
- Others



# Efficient Operating Overheads

## Operating Costs Contribution



Based on financial results as at 31 March 2013

RM'mil	Q1 2013	Q1 2012 <sup>^</sup>	Changes
Personnel Costs	444.0	406.5	↑ 9.2%
Establishment Costs	113.0	114.5	↓ 1.3%
Marketing Expenses	37.3	41.4	↓ 9.8%
Administration Expenses	37.5	45.2	↓ 17.1%
Total	631.8	607.6	↑ 4.0%

	Q1 2013	2012 <sup>^</sup>	Industry Average
Gross loan per employee (RM'mil)	11.6	11.2	8.6
Deposit per employee (RM'mil)	13.3	12.8	11.0
PBT per employee (RM'000)	290*	286	229
Cost to Income Ratio (%)	31.9	31.2	46.6

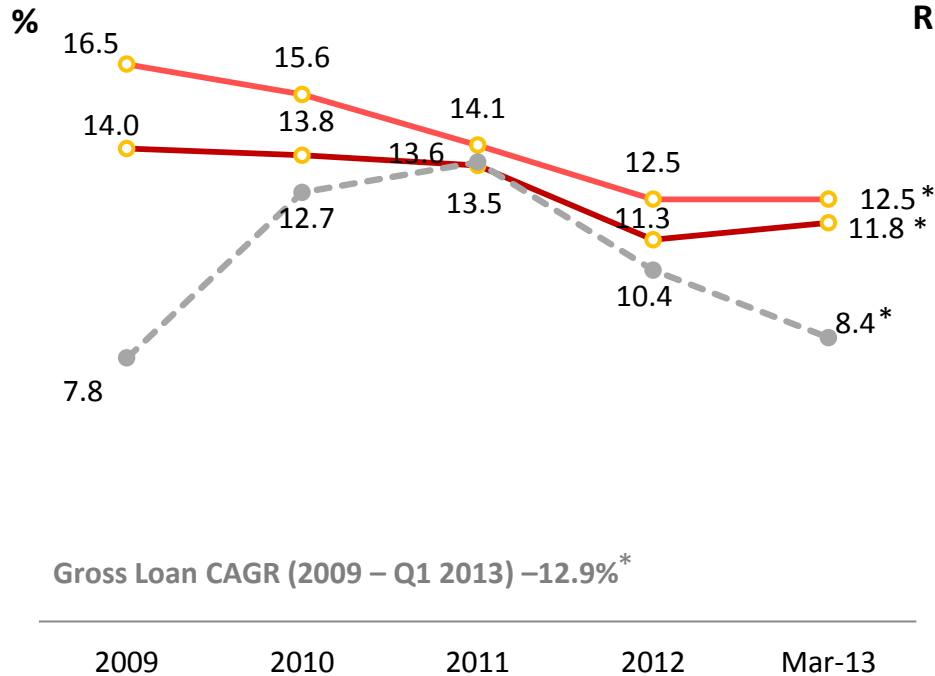
<sup>^</sup> Restated with retrospective application of MFRS 119, where applicable

\* Annualised



# Consistently Above-Industry Loan Growth

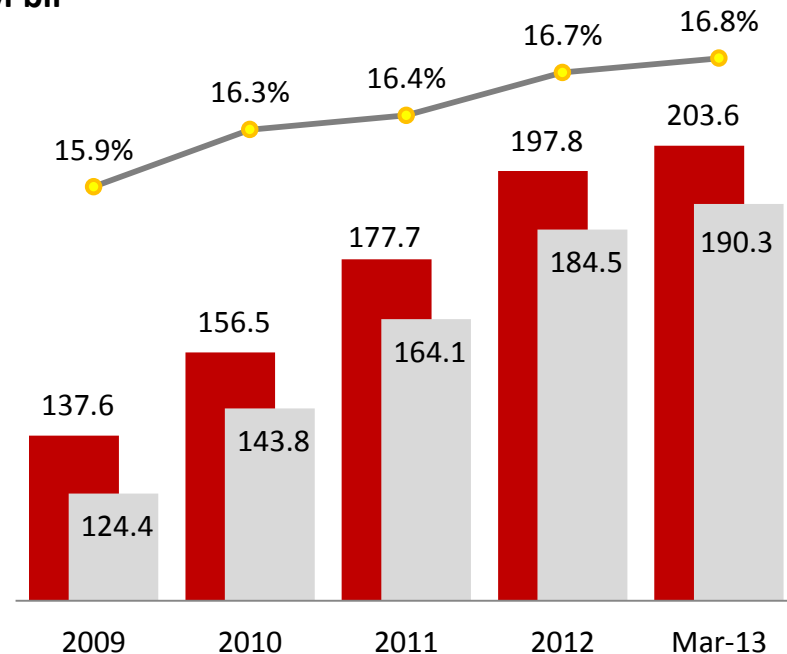
Loan Growth vs Industry



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

Gross Loans and Domestic Loan Market Share

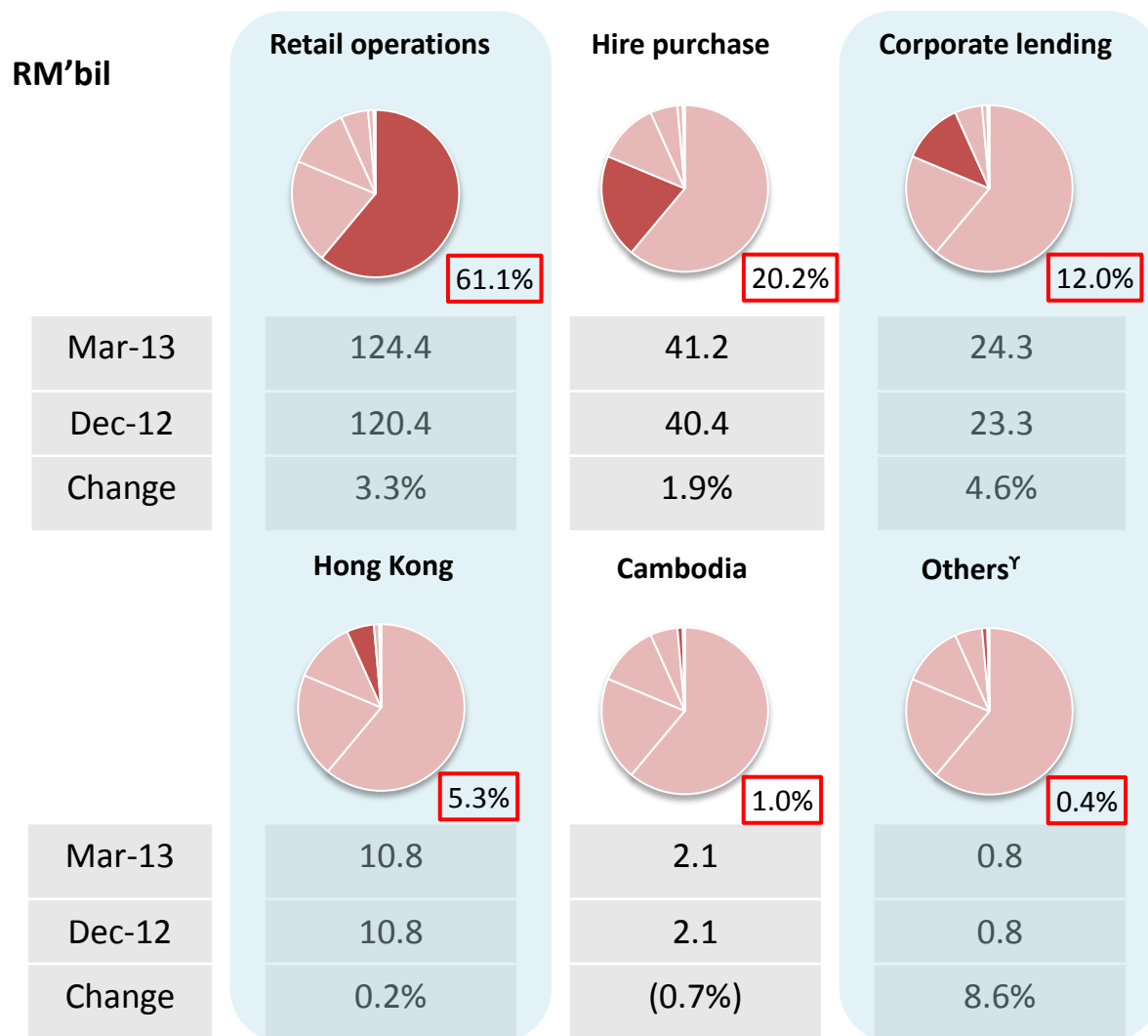
RM'bil



- 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

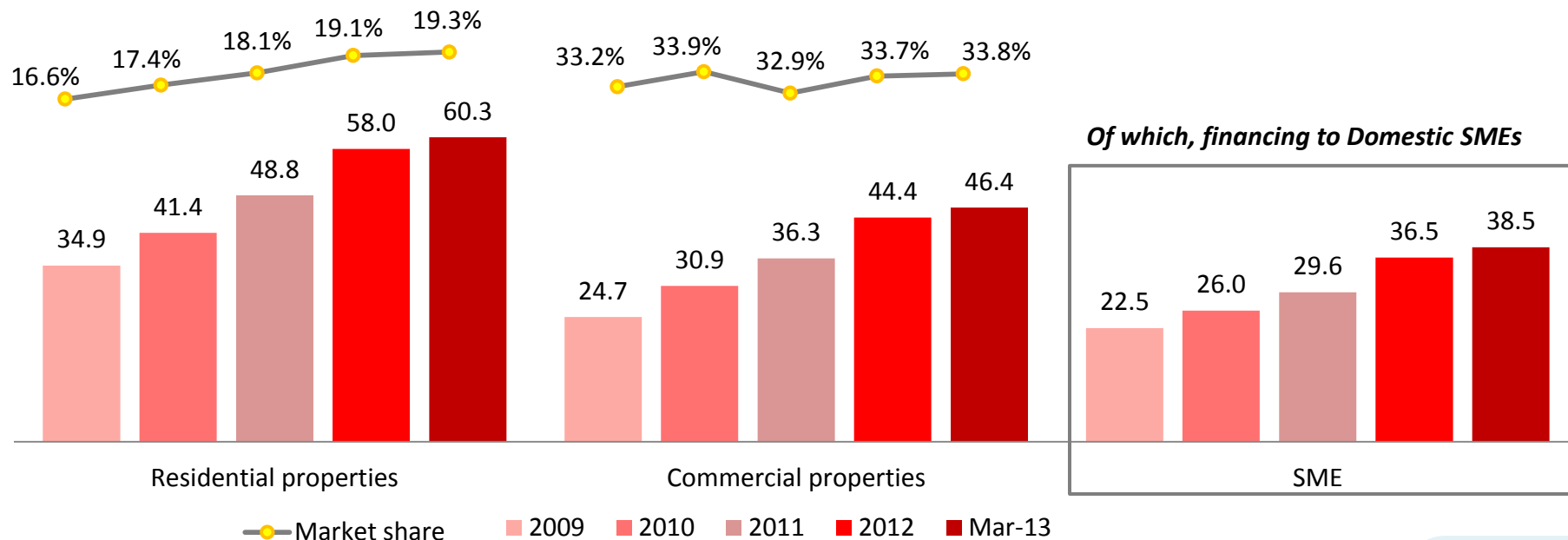
<sup>†</sup> Others comprise mainly of other miscellaneous domestic segments and other countries



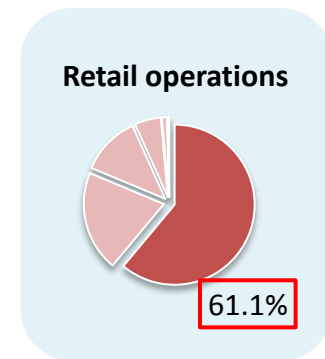
# Retail Operations

## Gross loan & financing in Domestic Operations

RM'bil



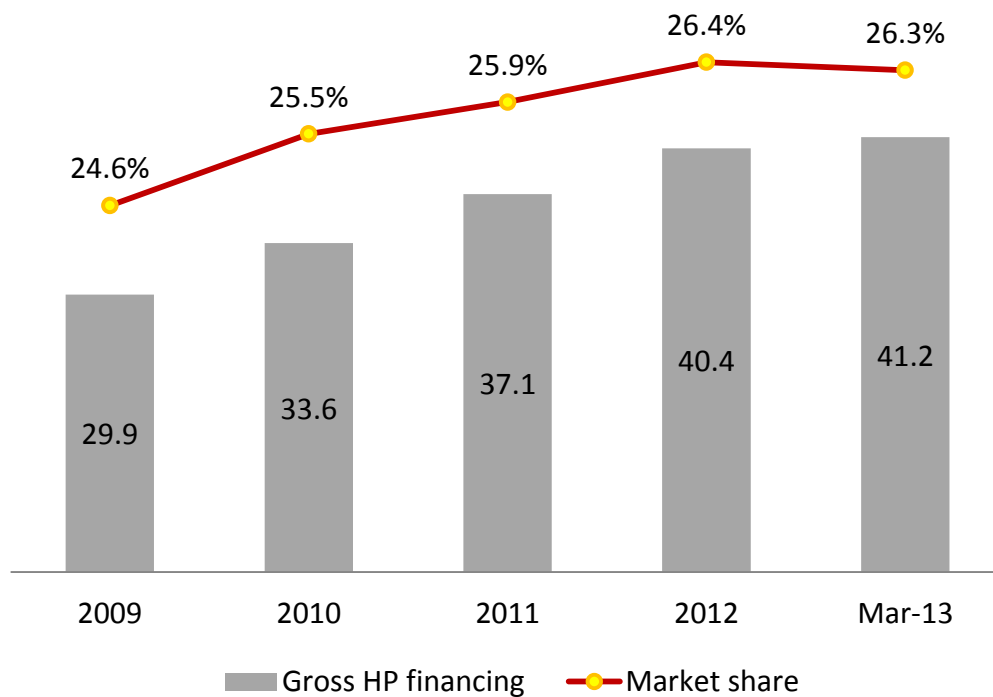
- Remained market leader in the residential properties financing & commercial properties financing
- Steady growth trend in residential properties financing & commercial properties financing



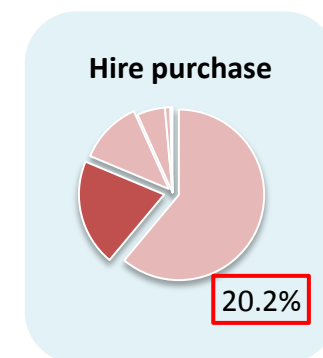
# Hire Purchase

## HP Financing in Domestic Operations

RM'bil



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



# Sustaining Strong Asset Quality

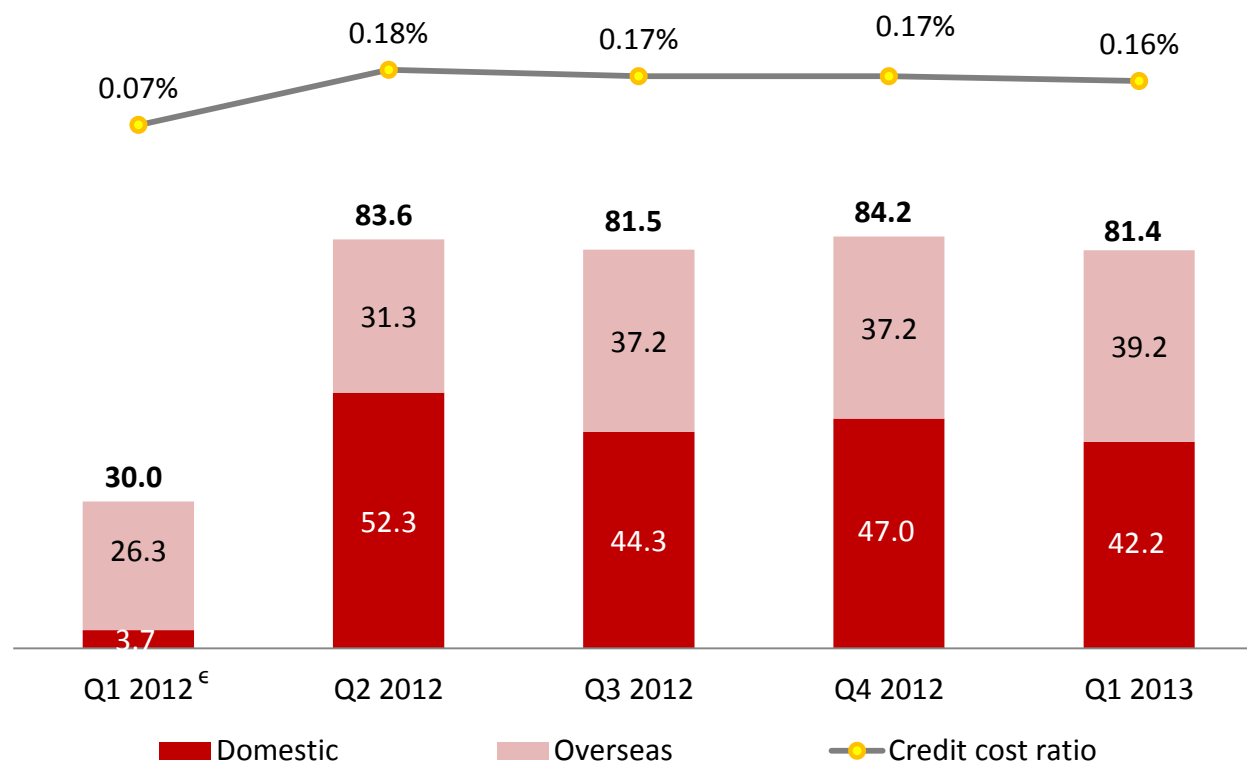
- Focus on lower risk customer segments
  - Traditional urban/ suburban mortgages
  - Passenger vehicle hire purchase
  - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



# Upholding Strong Asset Quality

## Quarterly Loan Impairment Allowances (including collective allowances)

RM'mil

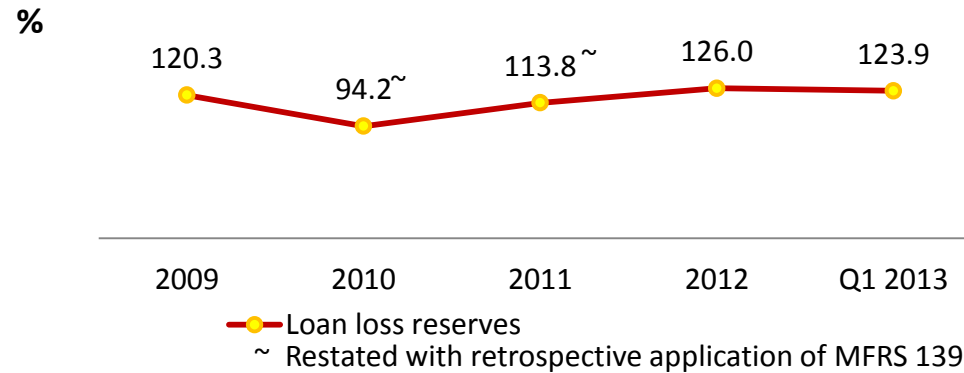


<sup>€</sup> Loan impairment allowance in Q1 2012 was lower mainly due to certain write-back of provision and recoveries which were non-recurring in nature

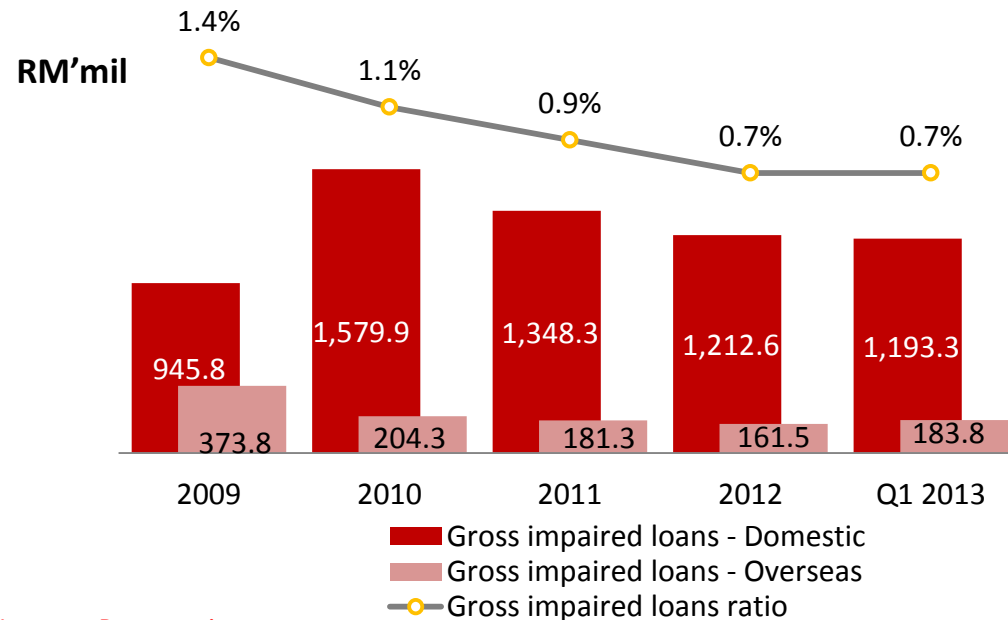


# Gross Impaired Loan

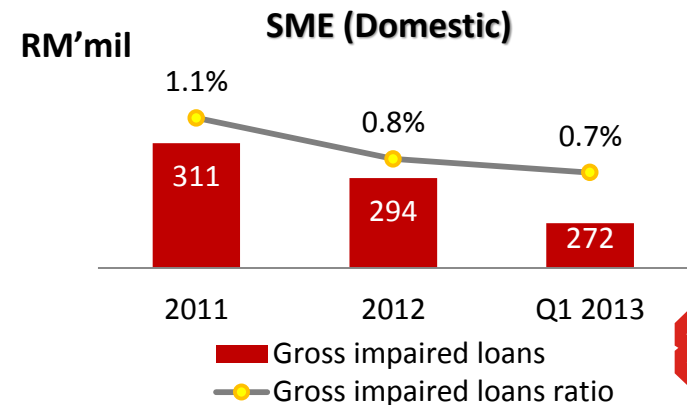
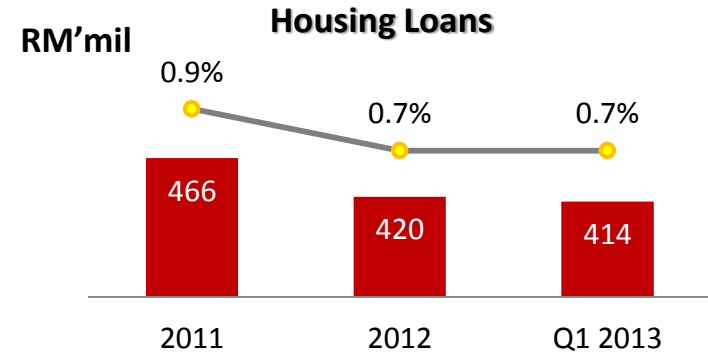
## High loan loss reserves



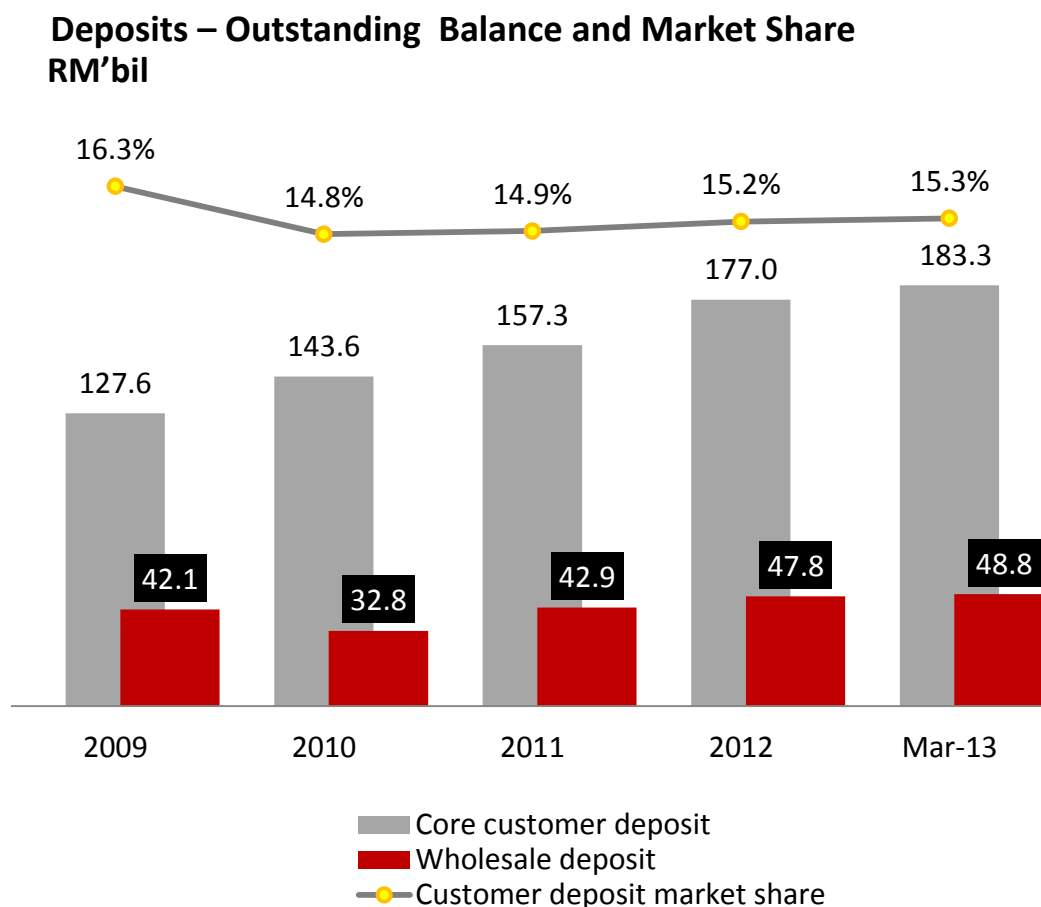
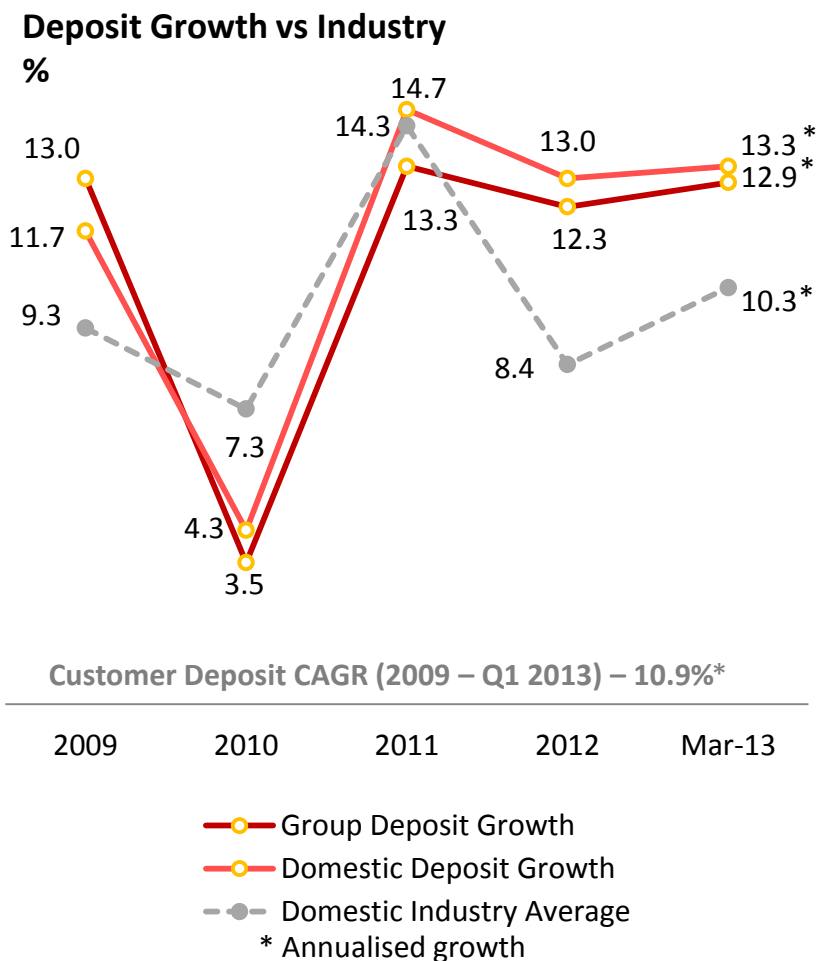
## Low gross impaired loans ratios



## Of which:



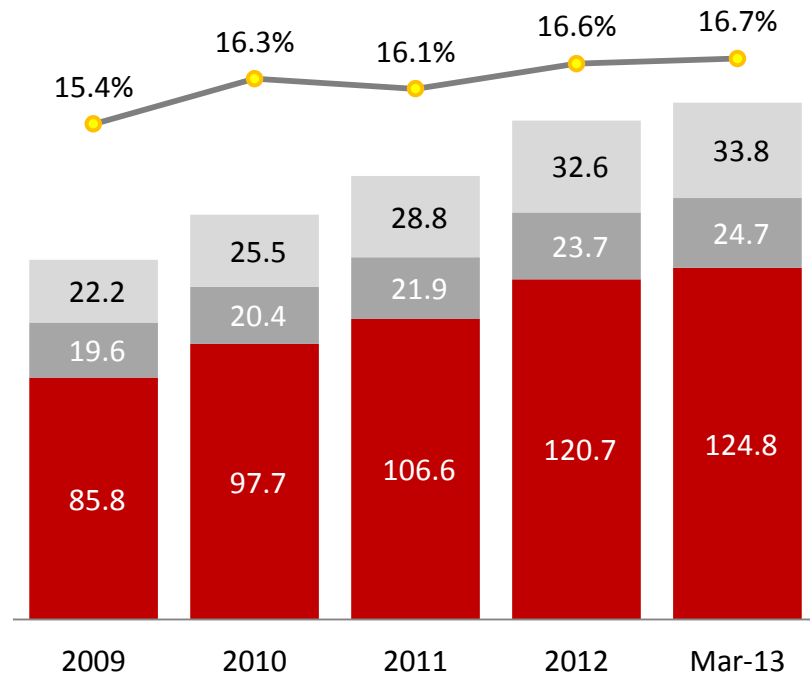
# Healthy Deposit Growth in Support of Liquidity



# Strong Core Deposit Growth

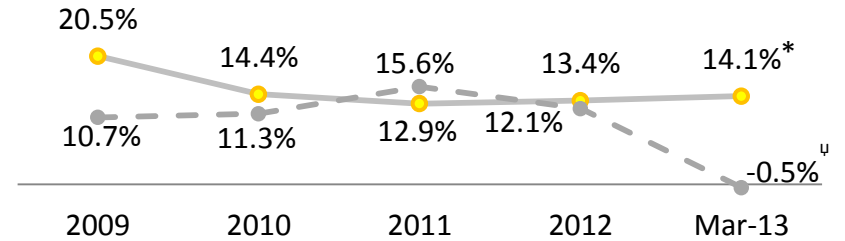
## Source of Core Deposit

RM'bil

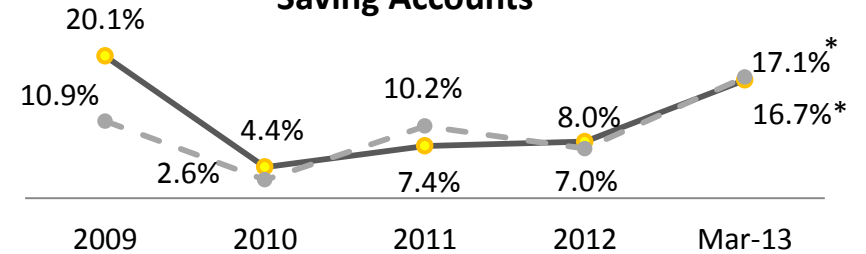


- Current accounts
- Saving accounts
- Fixed deposit
- Domestic core deposits market share

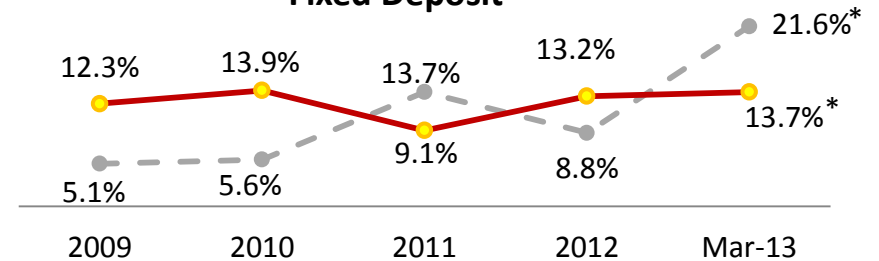
## Current Accounts



## Saving Accounts



## Fixed Deposit



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

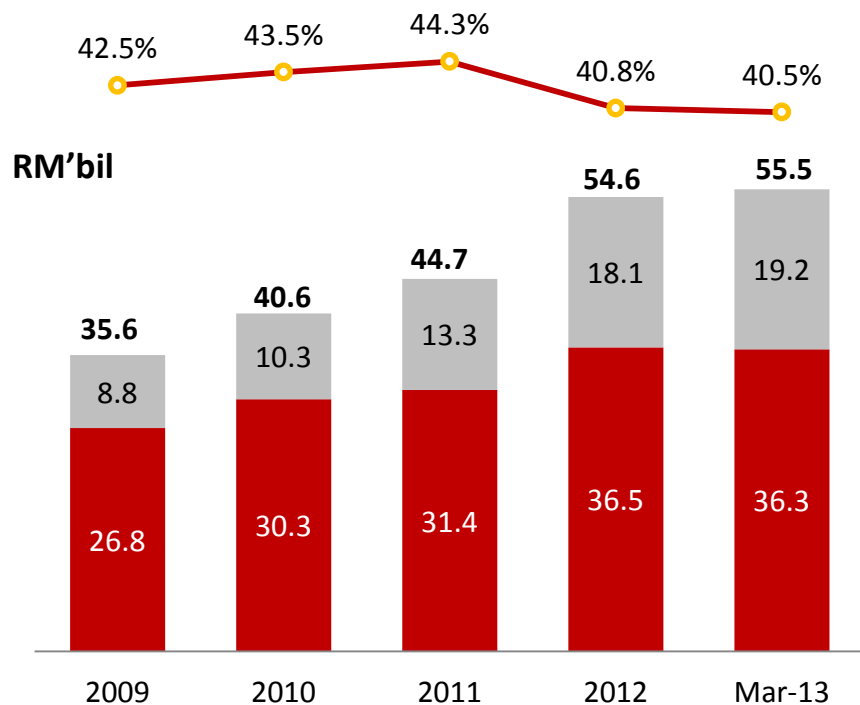
<sup>‡</sup> Negative growth as at March 2013

\* Annualised growth



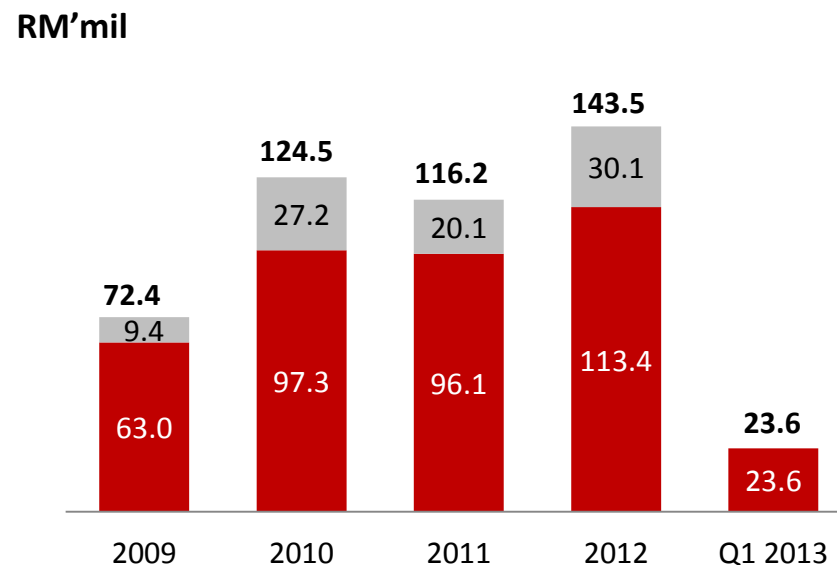
# Unit Trust & Bancassurance

## Net Asset Value of Funds under management



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

## Bancassurance Business – Annual Premium Equivalent



■ Domestic  
■ Overseas



# Ensuring Healthy Capital Position

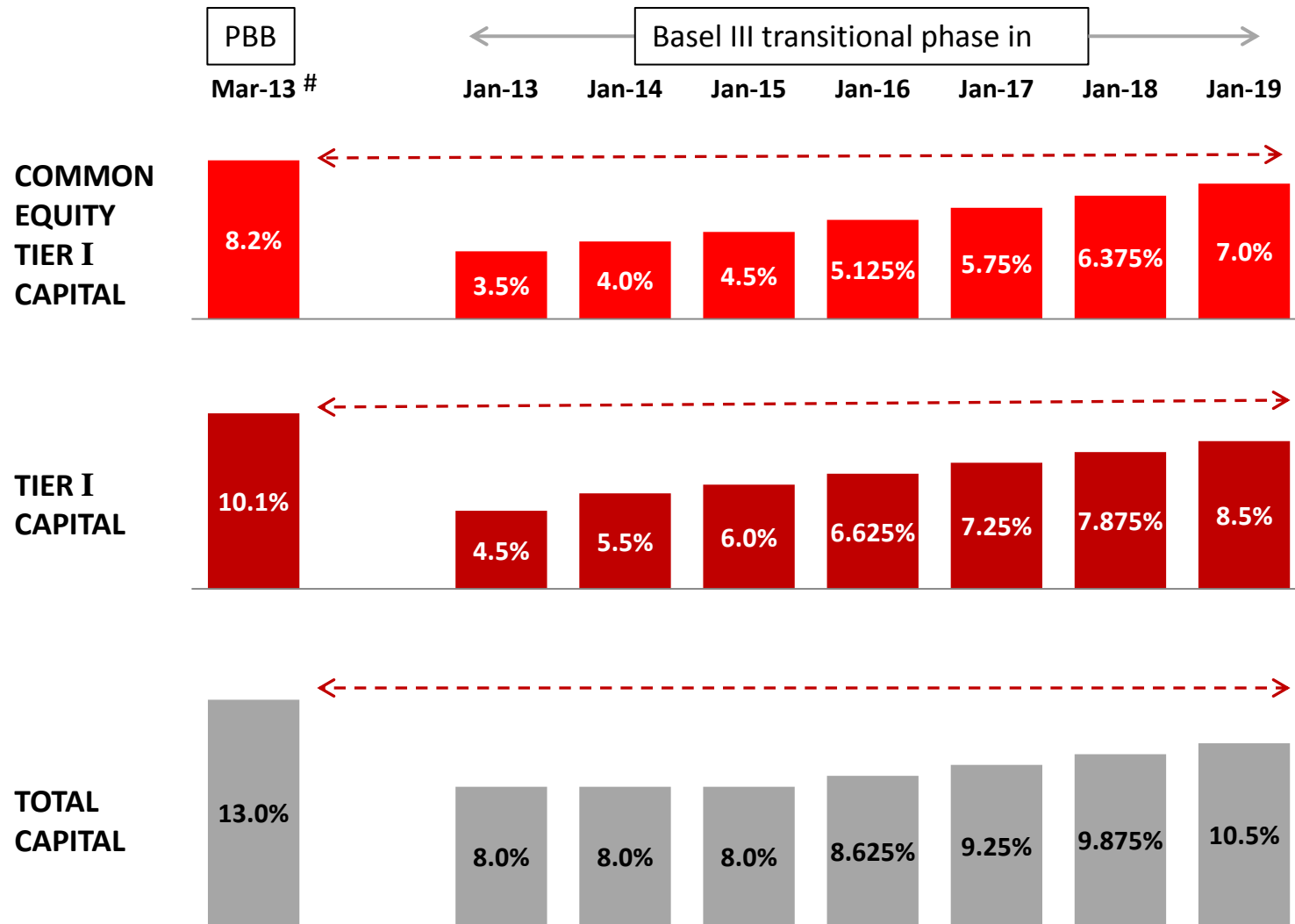
	RM'bil	Group		Bank	
		Mar 2013 <sup>#</sup>	Dec 2012 <sup>π</sup>	Mar 2013 <sup>#</sup>	Dec 2012 <sup>π</sup>
Common Equity Tier I Capital		15.2	15.6	15.4	15.5
Tier I Capital		18.7	19.5	18.9	19.4
Total Capital Base		24.1	25.3	19.8	20.7
Risk-weighted Assets		185.4	179.7	155.7	150.0
Common Equity Tier I Capital Ratio		8.2%	N/A	9.9%	N/A
Tier I Capital Ratio		10.1%	10.8%	12.1%	12.9%
Total Capital Ratio		13.0%	14.1%	12.7%	13.8%

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

<sup>#</sup> Based on Basel III definition



# Proactive Capital Management Initiative



## Enhancement to Group's Core Equity Capital to be achieved by:

- Strong profit generation capacity
- Strong asset quality
- Continuous enhancement of efficient capital usage, in particular emphasis on less capital-intensive fee based and non-interest income businesses







# 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 subject to regulator's discretion



# Targets for 2013

For Q1 2013, the Public Bank Group's achievement vs key performance targets are as follows:

<u>Key Performance Benchmarks</u>	2013 Targets	Achievement
Net Return on Equity	>20%	22.2% 
Risk Weighted Capital Ratio	>12%	13.0% 
Gross Impaired Loan Ratio	<1%	0.7% 
Cost to Income Ratio	<32%	31.9% 
Loan Growth	11% to 12%	11.8% 
Deposit Growth	11% to 12%	12.9% 



# 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

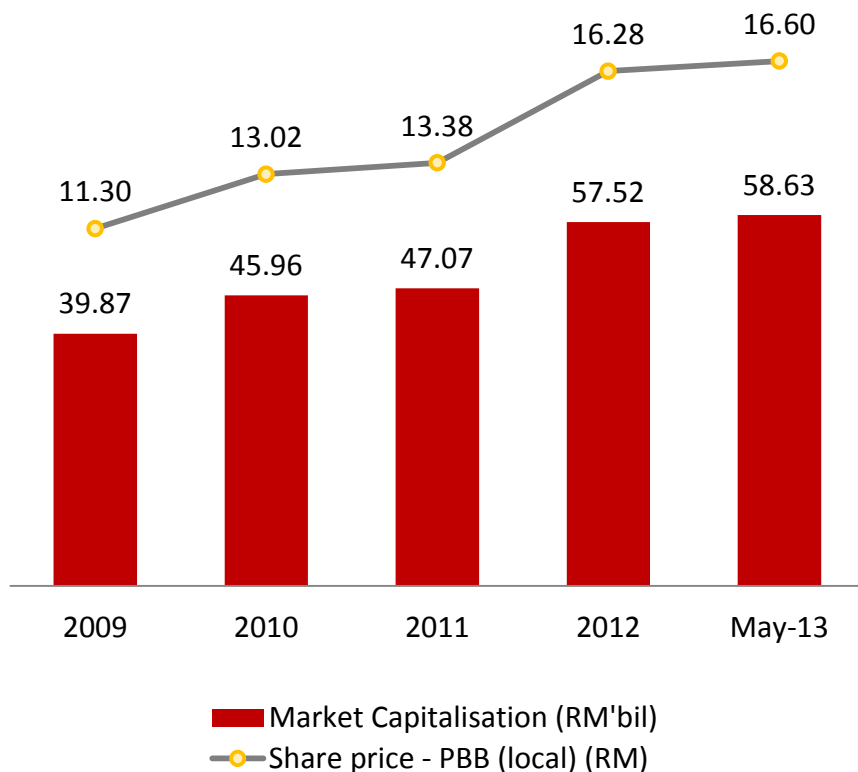
- Continue to remain prudent and uphold its strong corporate governance and risk management policies
- Sustainable low impaired loans leveraging on PBB's prudent lending policy
- Maintain strong liquidity



# Market Capitalisation and Analysts' Poll

- Improving Share Price and continued High Productivity

## Market Capitalisation & Share Price



10 May 2013	
	Market Capitalisation (RM'bil)
PBB	58.6
MBB	85.3
CIMB	63.1
HLB	27.1
RHB	21.8
AMMB	21.6



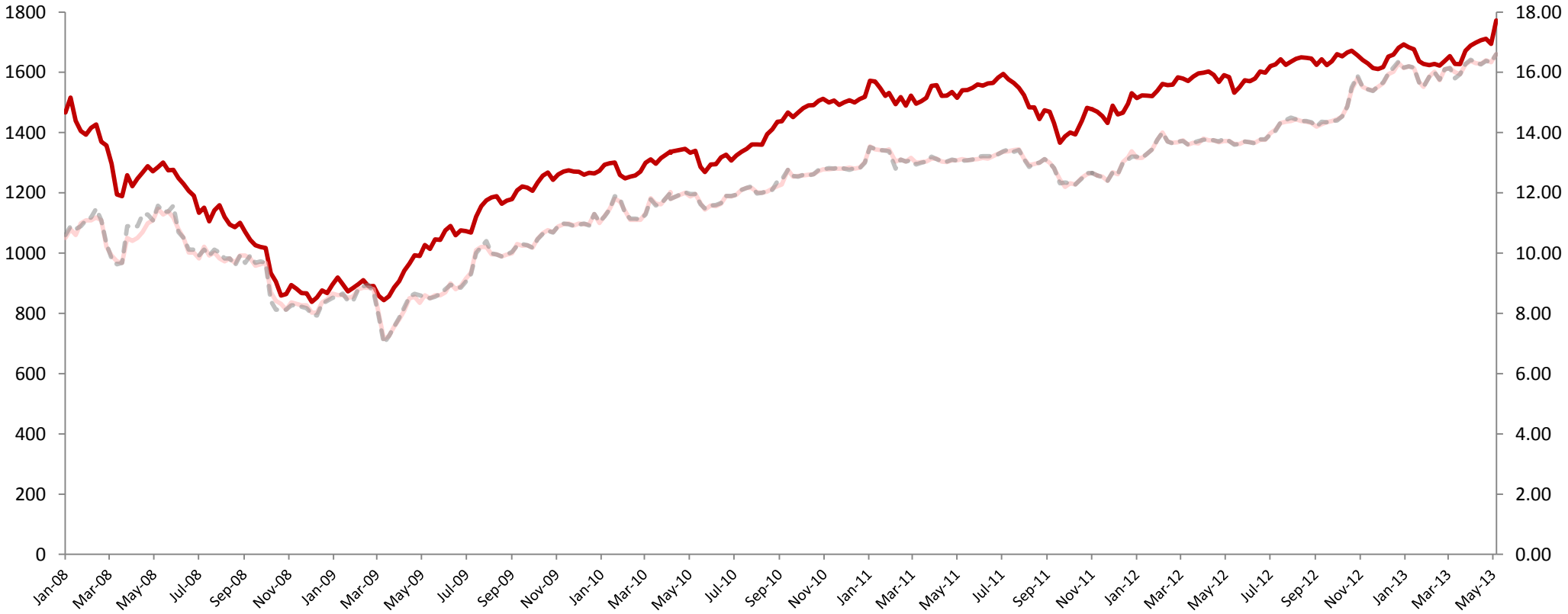
# Market Capitalisation and Analysts' Poll

Resilient share price performance

— Kuala Lumpur Composite Index    — Public Bank (Local)    - - - Public Bank (Foreign)

FBM KLCI

Share price (RM)



# Market Capitalisation and Analysts' Poll

- 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 2008	+79.3%	<b>+13.3%</b>
Long term - since listing	1967	+6,151.3%	<b>+19.5%</b>

<sup>^</sup> 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

	2008	2009	2010	2011 <sup>~</sup>	2012 <sup>^</sup>
Price to earnings multiple (times)	11.5	15.4	14.9	12.7	14.7
Price to book multiple (times)	3.1	3.5	3.3	3.0	3.2

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

<sup>^</sup> Restated with retrospective application of MFRS 119



# Market Capitalisation and Analysts' Poll

- Average daily volume/ value traded:

	Average Daily Volume (million)	Average Daily Value (RM'million)
2012	4.2	60.1
YTD 10 May 2013	4.2	67.9

- Consensus net profit estimates (RM'mil):

2013	2014	2015
4,164	4,604	5,076

- Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 10 May 2013

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	8	21	0	29

Source: Bloomberg, Reuters and Analyst Reports



# Summary

- **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		2008	2009	2010~	2011~^	2012^	Q1 2013
Profitability	Operating profit	3,948	4,015	4,738	5,200	5,329	1,348
	Profit before tax	3,379	3,321	4,086	4,878	5,047	1,270
	Net profit	2,581	2,517	3,048	3,684	3,827	968
Shareholder Value	Earnings per share (sen)	76.9	73.3	87.2	105.2	109.3	27.6
	Net assets per share (RM)	2.84	3.19	3.91	4.52	5.15	5.12
	Net dividend per share (sen)						
	- Cash dividend	41.0	41.3	45.5	48.0	50.0	N/A
	- Share dividend	1 for 35	1 for 68	-	-	-	N/A
	Dividend payout ratio (%)	53.2	56.6	52.3	48.3	45.3	N/A
	Dividend payout ratio (including share dividend) (%)	84.8	79.3	52.3	48.3	45.3	N/A
Key Balance Sheet Data	Total assets	196,163	217,136	226,988	250,773	274,824	287,011
	Gross loan	120,669	137,610	156,544	177,694	197,783	203,625
	Domestic loan	106,791	124,362	143,822	164,081	184,542	190,332
	Deposit from customers	151,185	170,892	176,872	200,371	225,042	232,286
	Domestic deposit	139,494	155,810	162,578	186,445	210,680	217,694
	Core customer deposit	111,204	127,623	143,639	157,297	177,035	183,298
	Shareholders' equity	9,537	11,023	13,692	15,813	18,018	17,934

~ 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



	%	2008	2009	2010~	2011~^	2012^	Q1 2013	Industry
Profitability Ratios	Net interest margin on yielding assets <sup>++</sup>	3.2	3.2	3.4	3.3	3.1	2.9	N/A
	Net return on equity <sup>+</sup>	30.4	26.1	27.1	26.8	24.1	22.2	N/A
	Pre-tax return on average assets	1.8	1.6	1.8	2.0	1.9	1.8	1.6
	Cost to income ratio	31.2	32.6	30.7	29.8	31.2	31.9	46.6
	Non interest income/Total income	22.6	20.6	21.3	21.1	20.8	21.4	N/A
Liquidity	Net loan to deposit ratio	78.3	79.2	87.6	87.8	87.1	86.9	76.8
Asset Quality	Gross impaired loans ratio	1.0	1.4 <sup>##</sup>	1.1	0.9	0.7	0.7	2.0
	Loan loss coverage ratio	159.7	120.3 <sup>##</sup>	94.2	113.8	126.0	123.9	100.3
Capital Adequacy	Common equity Tier I capital ratio	N/A	N/A	N/A	N/A	N/A	8.2	12.2
	Tier I capital ratio <sup>π</sup>	7.7	9.9	10.6	10.6	10.8	10.1	13.1
	Total capital ratio <sup>π</sup>	13.1	14.0	13.5	15.0	14.1	13.0	14.5
Market Share	<u>Domestic market share</u>							
	Commercial property financing	31.9	33.2	33.9	32.9	33.7	33.8	N/A
	Residential property financing	15.3	16.6	17.4	18.1	19.1	19.3	N/A
	Passenger vehicle financing	23.9	24.6	25.5	25.9	26.4	26.3	N/A
	Private unit trust	39.0	42.5	43.5	44.3	40.8	40.5	N/A
	Domestic loans	14.8	15.9	16.3	16.4	16.7	16.8	N/A
	Domestic deposits	15.5	16.3	14.8	14.9	15.2	15.3	N/A

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

<sup>++</sup> Excluding Negotiable instrument of Deposits and Money Market Deposits which are on-lent to interbank

<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 second interim dividends declared subsequent to end of year





## Investor Relations Contact

### **Ms Chang Siew Yen**

Senior General Manager

+(603) 2176 7460

[changsiweyen@publicbank.com.my](mailto:changsiweyen@publicbank.com.my)

### **Mr Ng Seiw Kuan**

Director, Corporate Planning and Strategy

+(603) 2177 3170

[ngseiwkuan@publicbank.com.my](mailto:ngseiwkuan@publicbank.com.my)

### **Ms Yik Sook Ling**

Chief Financial Officer

+(603) 2177 3310

[yiksookling@publicbank.com.my](mailto:yiksookling@publicbank.com.my)