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**PUBLIC BANK**  
PUBLIC BANK

Investor Presentation  
23<sup>rd</sup> CLSA Investors' Forum  
Hong Kong  
19-23 September 2016



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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



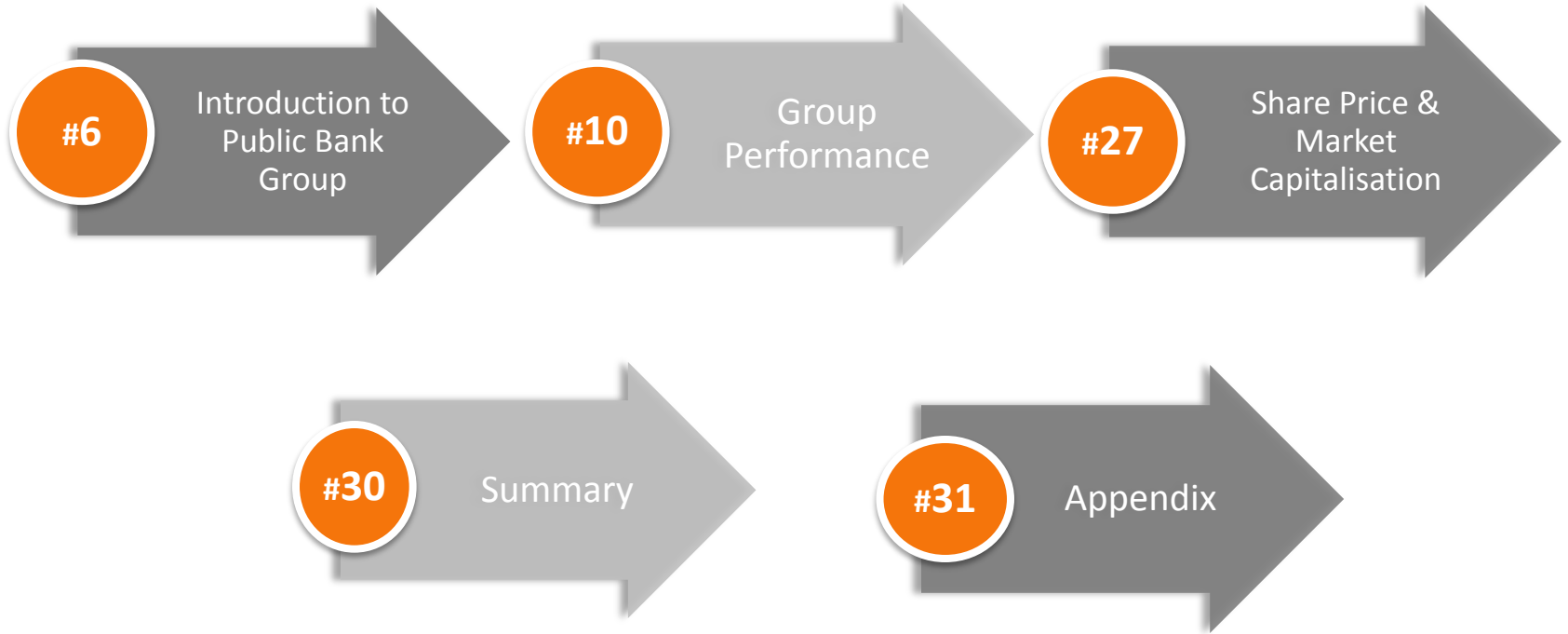
## **Sustainable Organic Growth Momentum**

The Public Bank Group's prudent management with integrity over the years has placed the Group on a solid footing to ride through challenges. In 2016, the Group will sharpen its focus in the pursuit of stable and sustainable growth in the core banking and retail business. In growing its lending business, the Group will further tap on its strength in providing financing to individuals and small and medium enterprises for the purchase of residential properties, commercial properties and passenger vehicles. To strengthen its revenue base, the non-interest income segment such as the unit trust business, bancassurance, foreign exchange related transactions and transactional banking services will remain a key focus in the Group's strategic plan. On liability management, the Group will step up efforts to compete for customer deposits to maintain its stable funding profile.

The Public Bank Group is mindful of the rising trend of electronic banking, and will continue to extend its digital initiatives to facilitate banking convenience for customers. Having the infrastructure in place, the Group will take a more proactive role to raise customers' awareness of the benefits and convenience of electronic payments. At the same time, security of electronic banking will remain a top concern to provide confidence in the use of electronic payment. The Group will also continue to maintain its superior standard of customer service and face-to-face customer experience. With the Group's wide branch strategic network, and a strong sales and marketing force, the Group stands in good stead to sustain its market share in the competitive landscape.

Prudent cost management, strict and prudent credit policies, strong corporate governance, and sound risk management practices will remain crucial elements of the Public Bank Group's strategic business plan. Being mindful of the interests of other stakeholders in the environment in which its business is operating, the Group will continue to undertake corporate social responsibility initiatives for the nation, community, customers and employees.

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

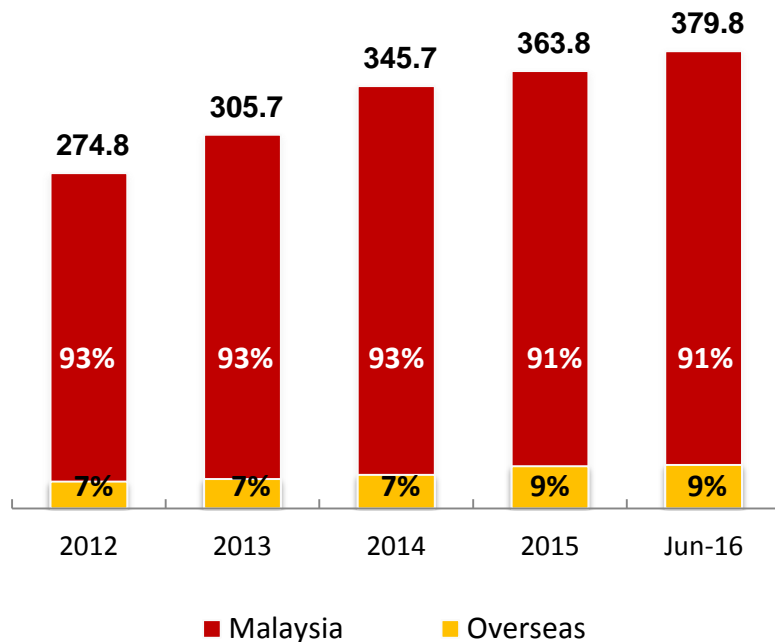


# Introduction to Public Bank Group

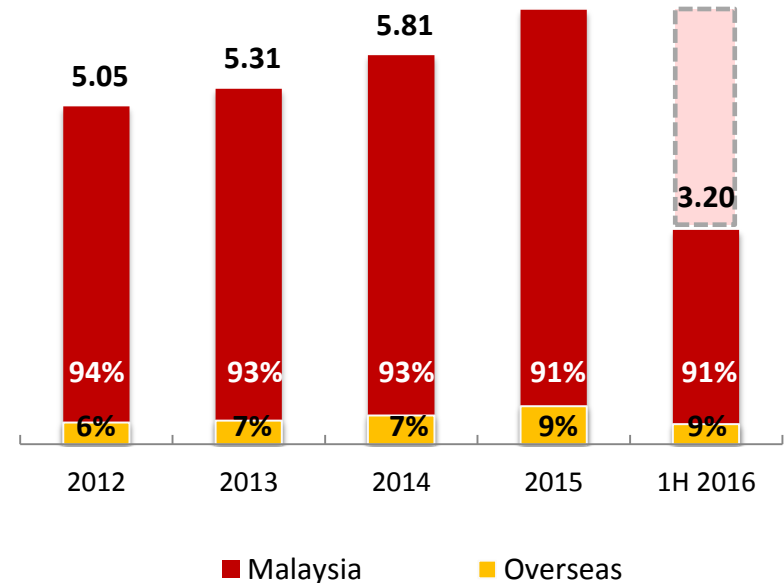


- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- A retail bank with domestic operations contributing over 90% of the Group's assets and profits

**Total Assets**  
RM'bil



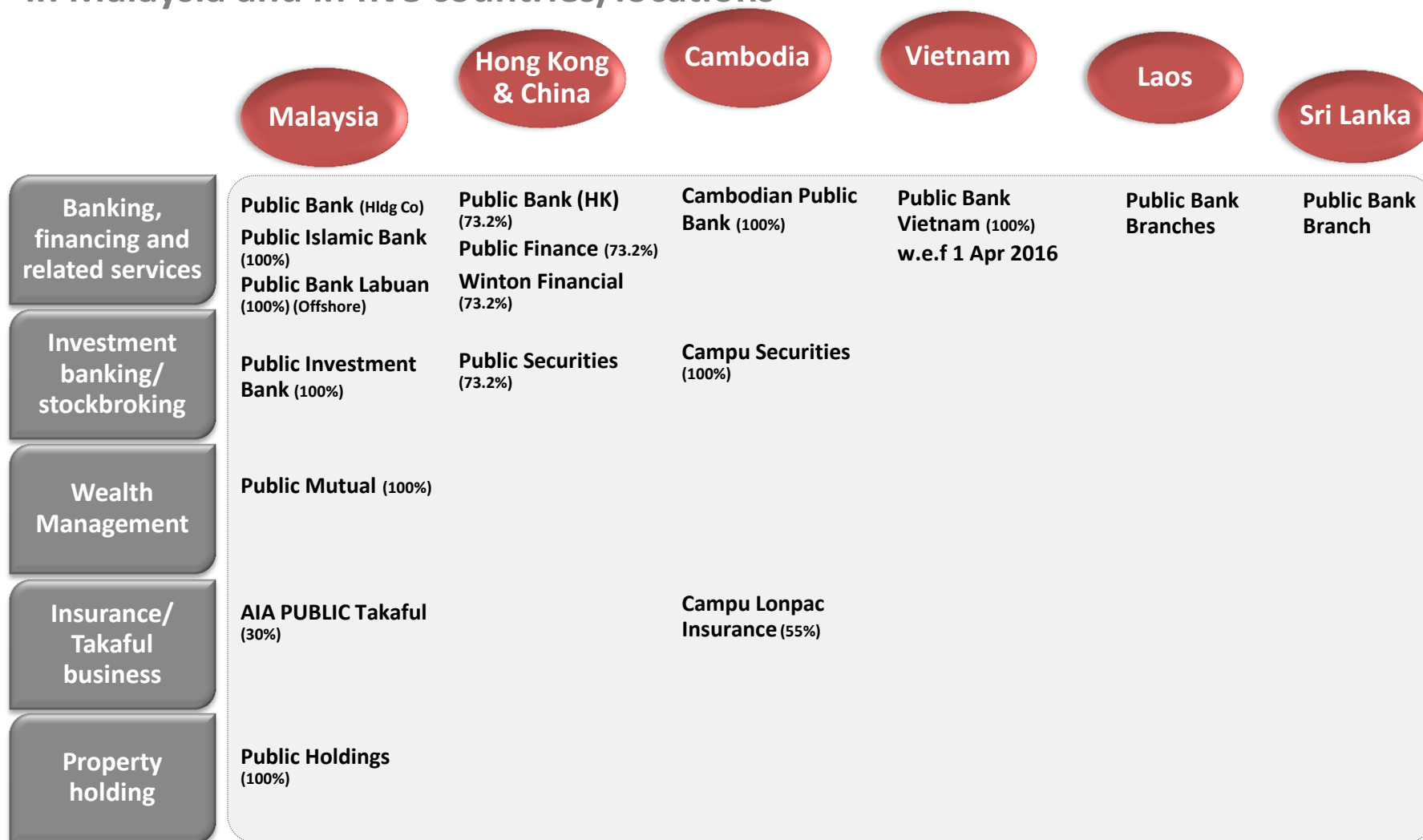
**Pre-tax Profit**  
RM'bil



# 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



# PBB's Business Growth Strategies

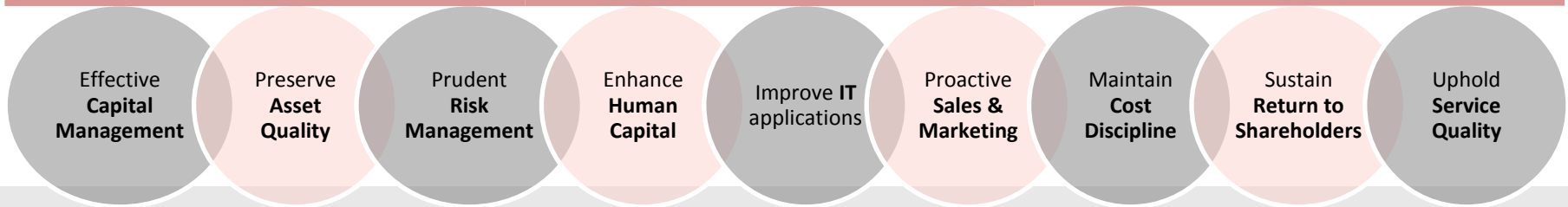


## Strategic Focus: Organic growth in focus areas

### Business

### Strategic Approach

Business Category	Business Area	Strategic Approach
Core Focus	Lending Business	<ul style="list-style-type: none"> <li>Consumer lending to focus on purchases of residential and non-residential properties and passenger vehicles</li> <li>Continue to penetrate mid-market SME financing in encouraged sectors</li> </ul>
	Deposit-Taking Business	<ul style="list-style-type: none"> <li>Secure higher retail and low cost deposits</li> <li>Sustain existing pool of deposits</li> <li>Balance between growth and escalating cost of fund</li> </ul>
Increased Contribution	Non-Interest Income	<ul style="list-style-type: none"> <li>Expand existing fee-based activities such as unit-trust funds, bancassurance, card business, cash management services, remittance services and trade finance</li> </ul>
	Overseas Operations	<ul style="list-style-type: none"> <li>Increase contribution from overseas operations in Hong Kong / China and Indo-China</li> </ul>
Complementary	Corporate Banking	<ul style="list-style-type: none"> <li>Grow quality large and medium-sized corporate loans</li> </ul>
	Treasury Operations	<ul style="list-style-type: none"> <li>Continue to focus on commercial foreign exchange revenue</li> </ul>



# Expansion in Business Delivery Channel



	Jun-16	2015	2010
<b><u>Malaysian Operations</u></b>			
Public Bank - Domestic	257	257	249
- Overseas	7	7	4
Public Islamic Bank	2	2	1
Public Mutual	29	29	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	8	9	9
<b><u>Indo-China Operations</u></b>			
Cambodia Public Bank	30	28	21
VID Public Bank (Vietnam)	7	7	7
	<b>418</b>	<b>417</b>	<b>393</b>
Self Service Terminal - domestic	2,038	2,023	1,362

# Unbroken Profit Track Record



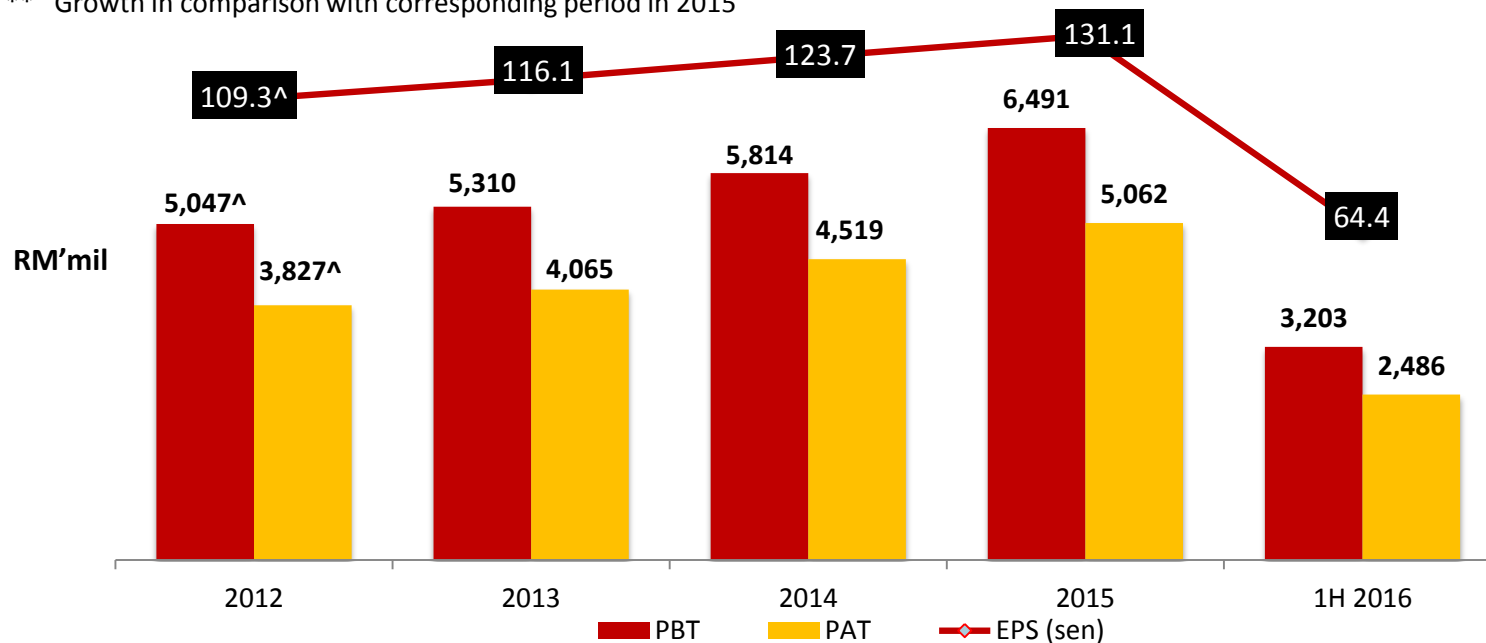
- 49 years of unbroken profitability
- Healthy profit growth in past 5 years

	RM'mil						y-o-y growth (%)				
	2011~	2012^	2013	2014	2015	1H 2016	2012	2013	2014	2015	1H 2016**
Pre-tax profit	4,878	5,047	5,310	5,814	6,491	3,203	3.5	5.2	9.5	11.6	6.1
Net profit	3,684	3,827	4,065	4,519	5,062	2,486	3.9	6.2	11.2	12.0	5.0

^ Restated with retrospective application of MFRS 119

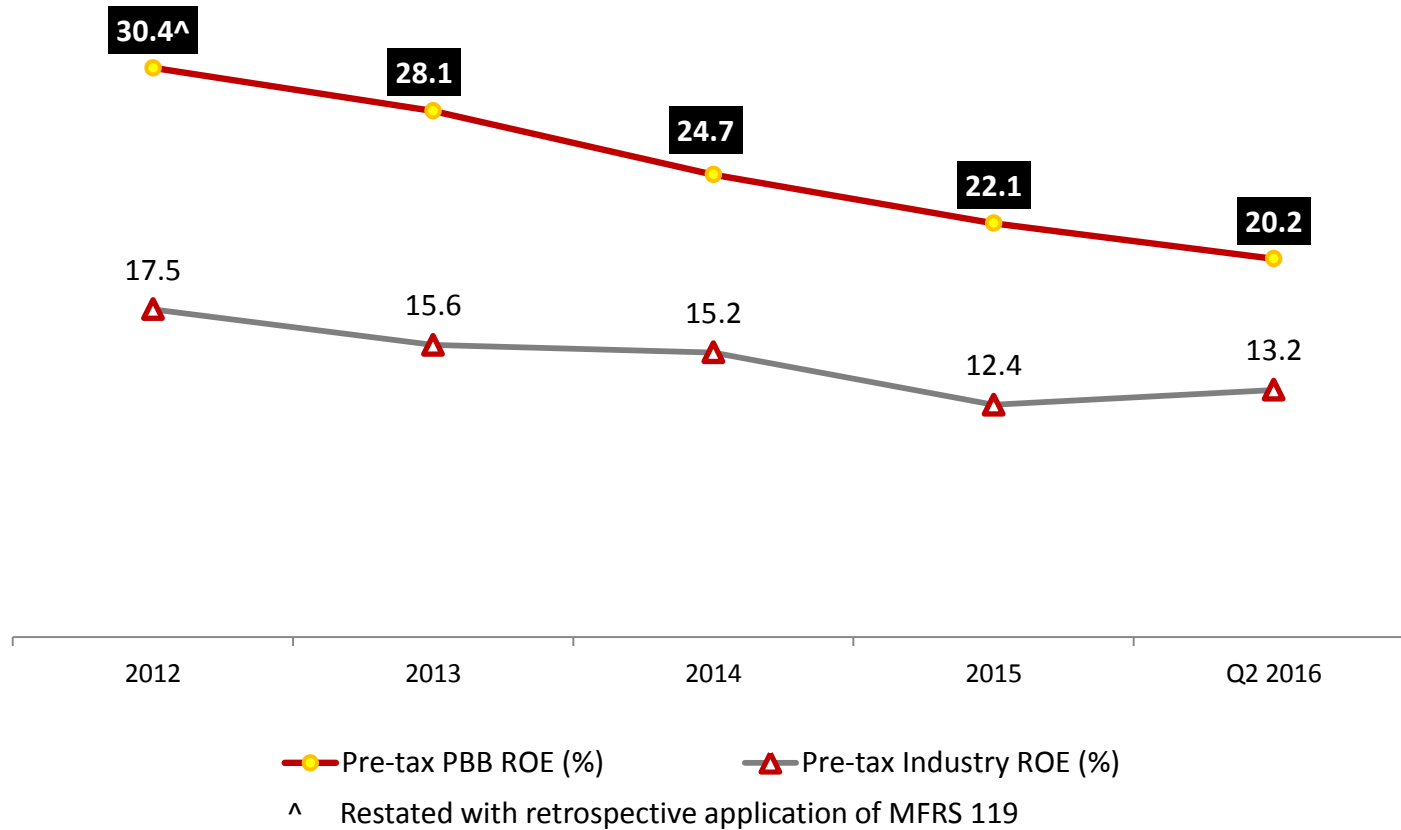
~ Restated with retrospective application of MFRS 139

\*\* Growth in comparison with corresponding period in 2015

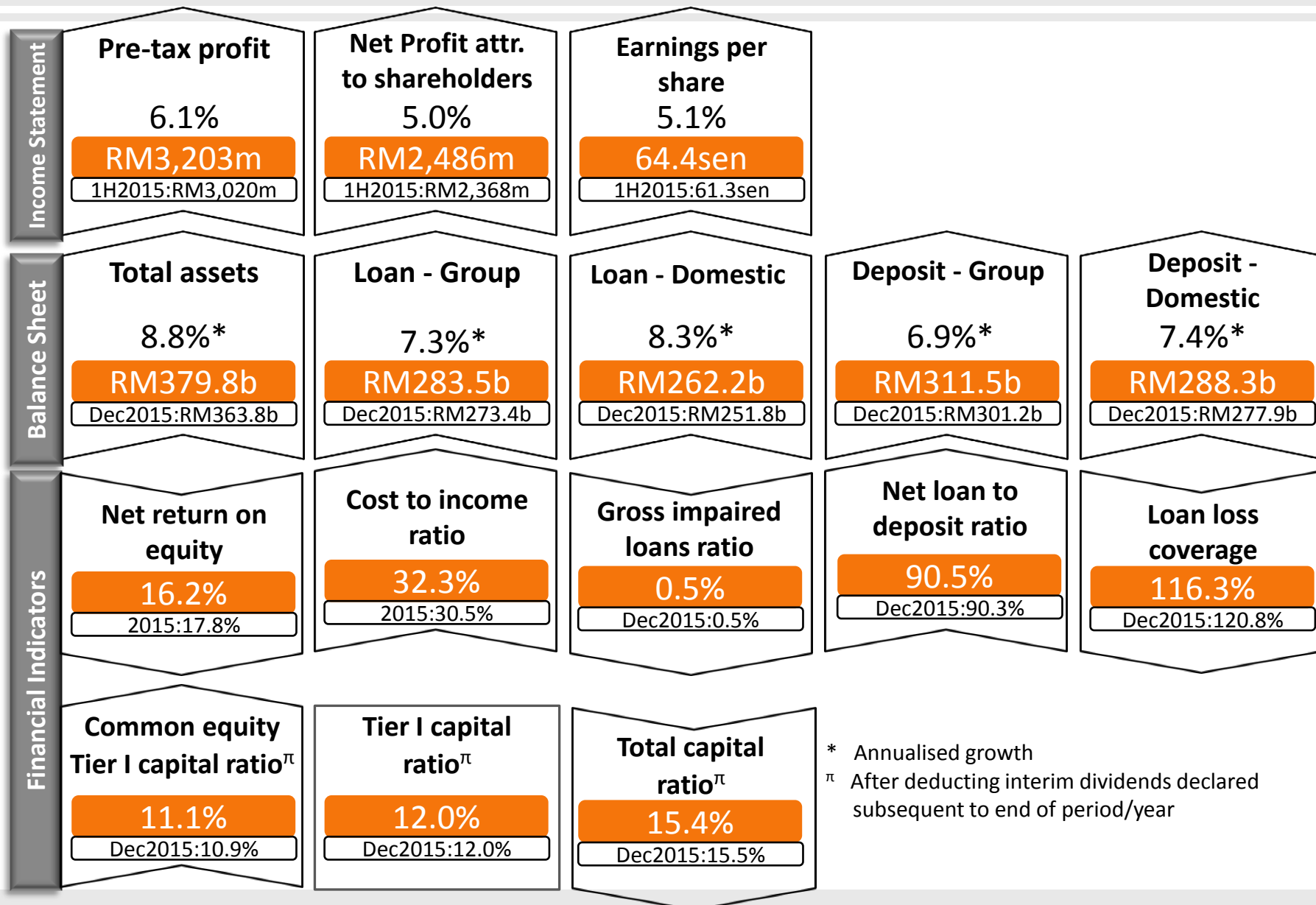


^ Restated with retrospective application of MFRS 119

# Above-industry Return on Equity (ROE)

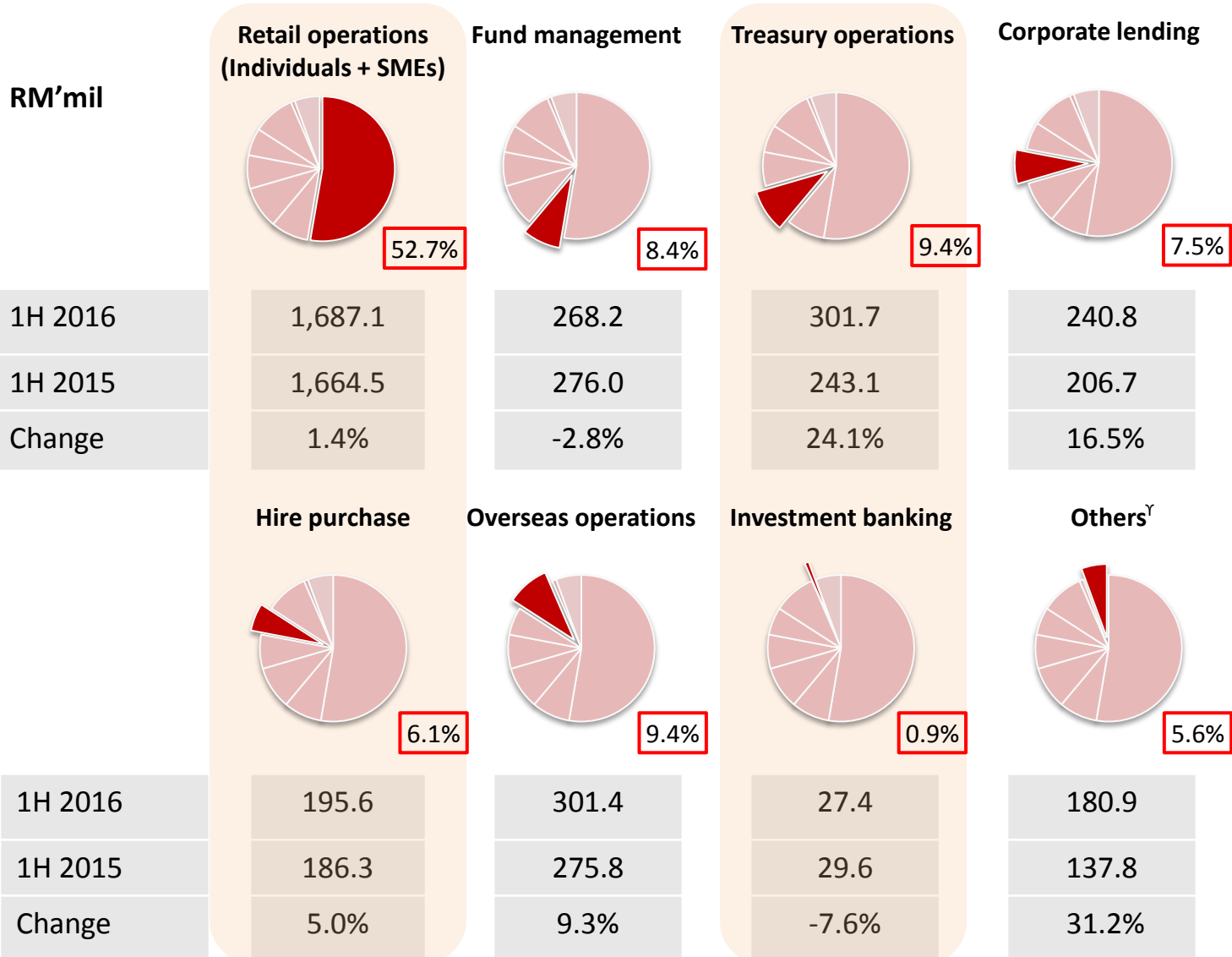


# Key Highlights



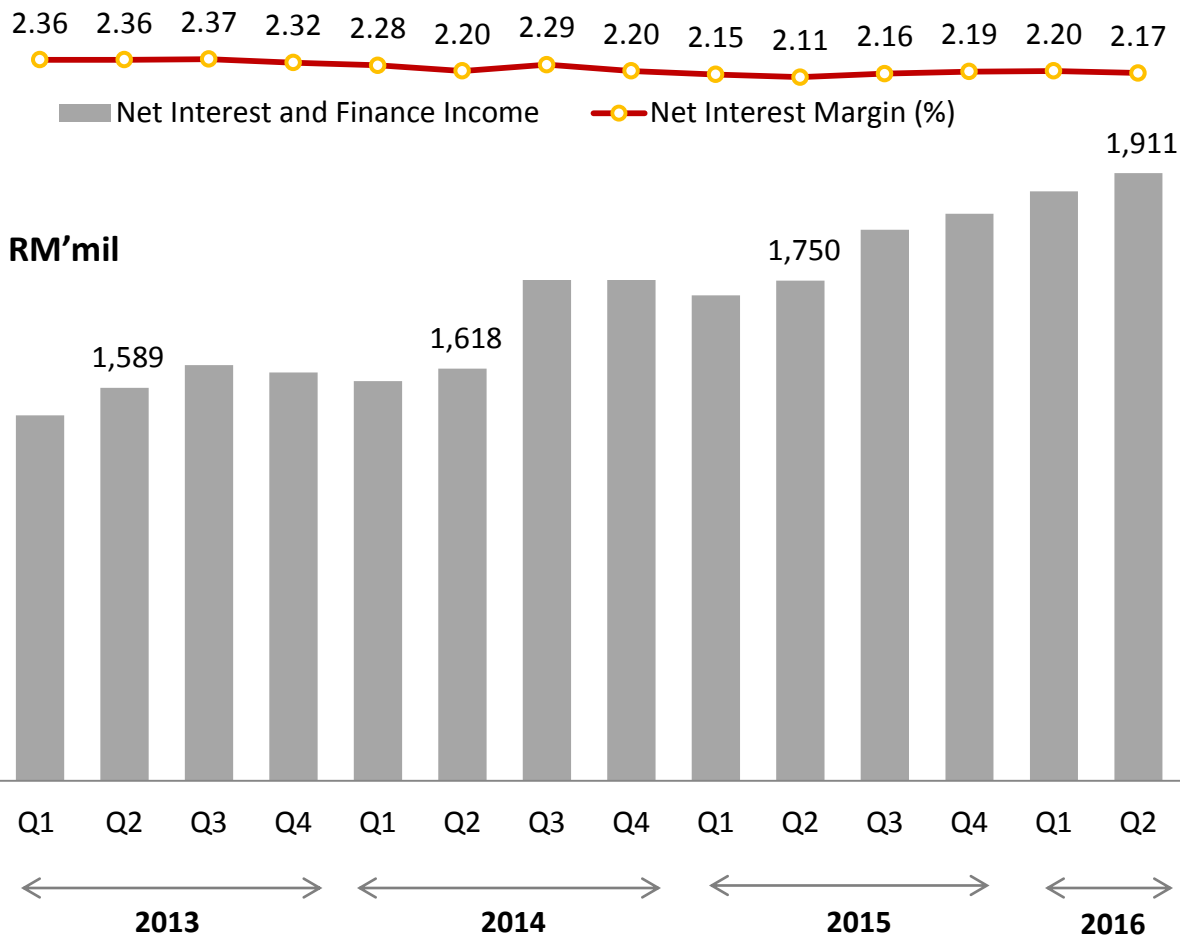
\* Annualised growth  
<sup>π</sup> After deducting interim dividends declared subsequent to end of period/year

# Segmental Profit – Retail Centric



<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

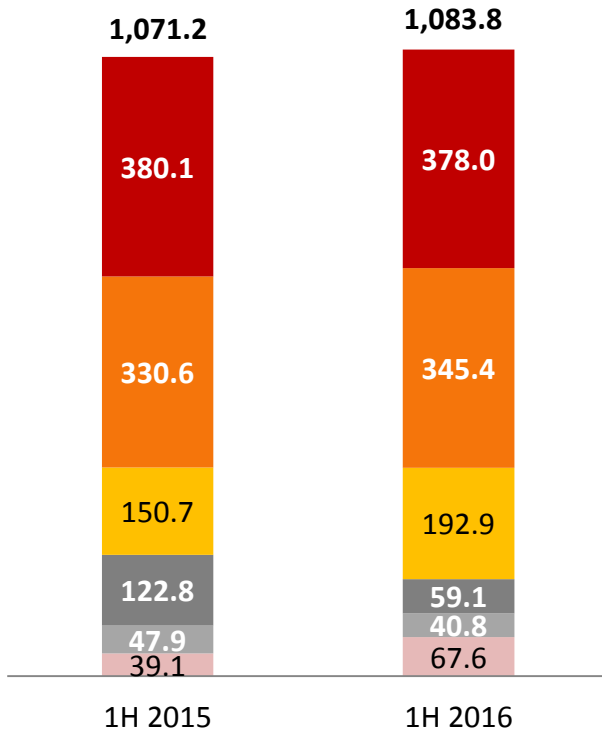
# Net Interest Margin



# Non-Interest Income Composition & Growth

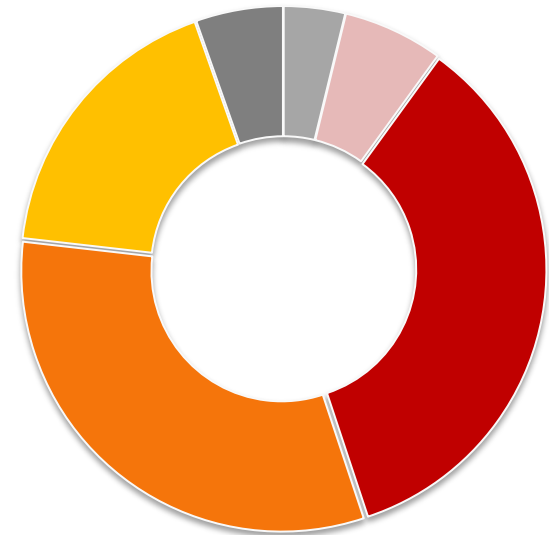


RM'mil



## Non-interest Income Contribution

- 34.9%** ■ Unit trust income
- 31.9%** ■ Fee & commission income
- 17.8%** ■ Foreign exchange income
- 5.4%** ■ Investment income
- 3.8%** ■ Stockbroking income
- 6.2%** ■ Others

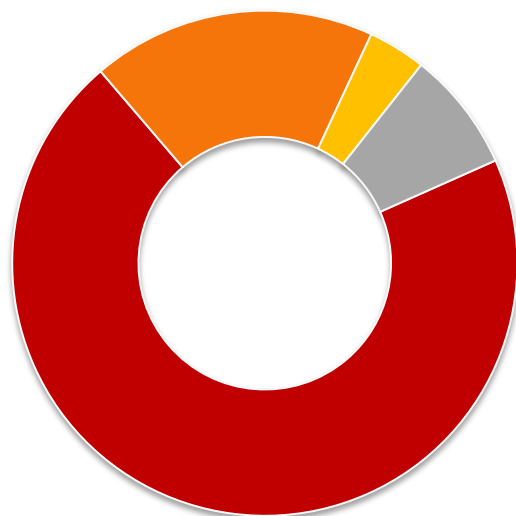


*Based on financial results as at 30 June 2016*

# Efficient Operating Overheads



## Operating Costs Composition



- 70.4%** ■ Personnel Costs
- 18.2%** ■ Establishment Costs
- 3.7%** ■ Marketing Expenses
- 7.7%** ■ Administration Expenses

Based on financial results as at 30 June 2016

RM'mil	1H 2016	1H 2015	Changes
Personnel costs	1,119.5	1,027.6	8.9%
Establishment costs	289.3	255.3	13.4%
Marketing expenses	59.1	54.4	8.4%
Administration expenses	123.4	87.7	40.7%
<b>Total</b>	<b>1,591.3</b>	<b>1,425.0</b>	<b>11.7%</b>

	1H 2016	2015	Industry Average
Gross loan per employee (RM'mil)	15.3	14.9	12.1
Deposit per employee (RM'mil)	16.8	16.4	14.0
PBT per employee (RM'000)	346*	353	244
Cost to Income Ratio (%)	32.3	30.5	48.8

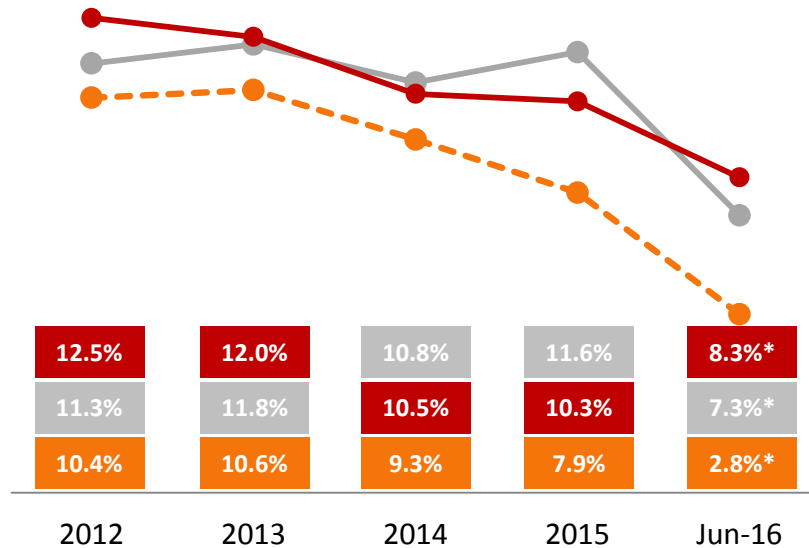
\* Annualised

# Consistently Above-Industry Loan Growth



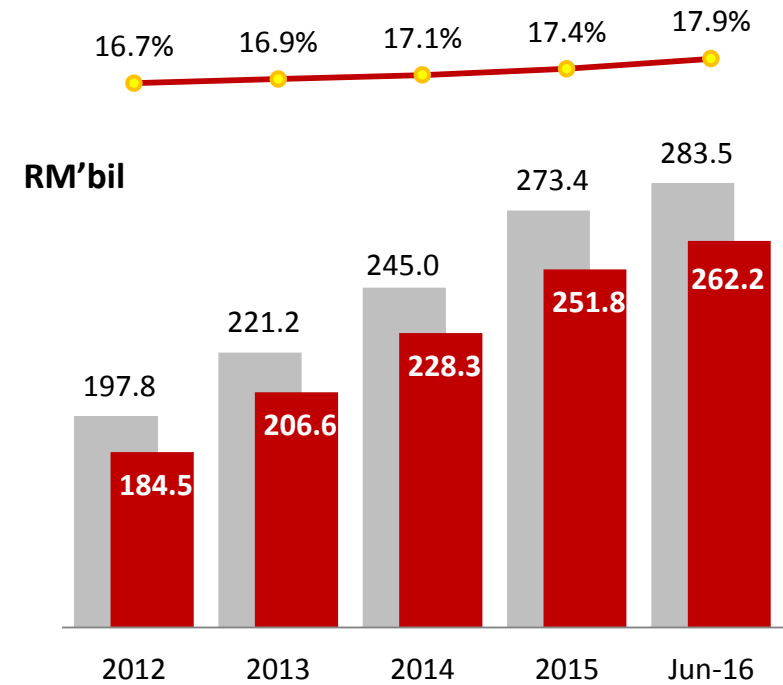
## Loan Growth vs Industry

%



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

## Gross Loans and Domestic Loan Market Share

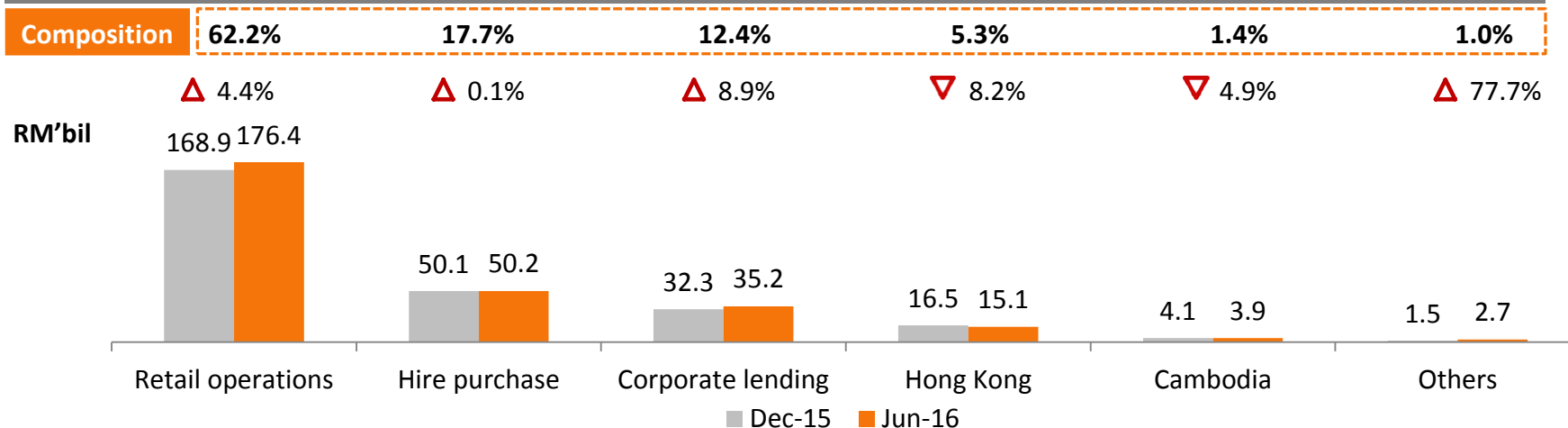


■ Gross Loan Outstanding  
 ■ Domestic Loan  
 ● Domestic Loans Market Share (%)

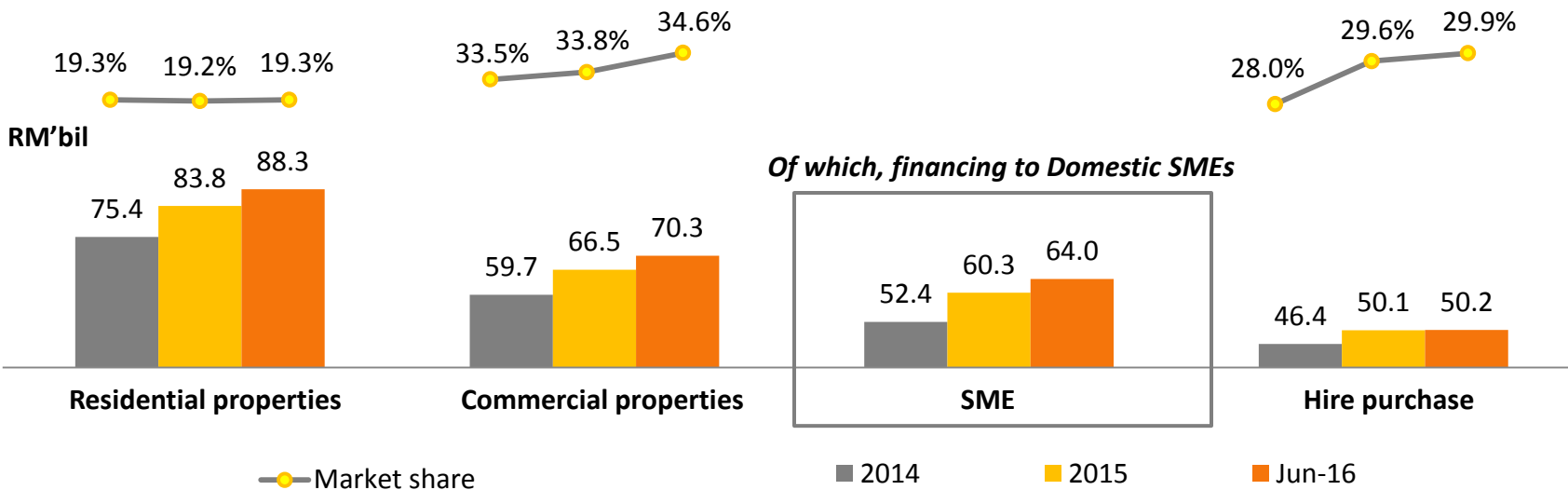
# Healthy Gross Loan Growth



## Gross Loan Composition by Segment



## Gross Loan in Domestic Operations



# Sustaining Strong Asset Quality



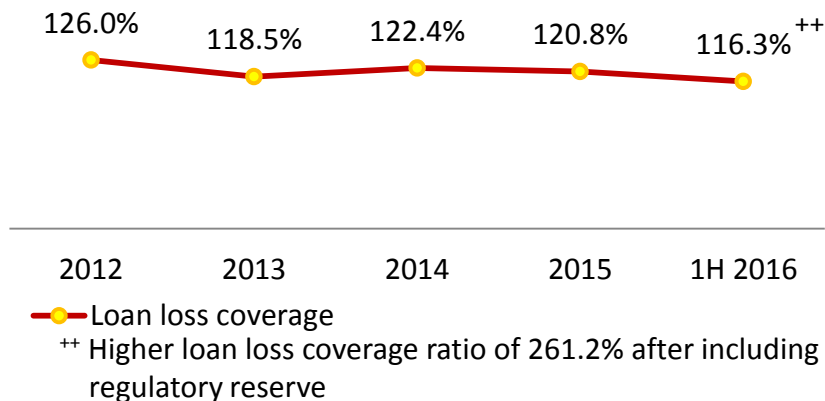
- Focus on lower risk customer segments
  - Traditional urban/ suburban mortgages
  - Passenger vehicle hire purchase
  - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling



# Upholding Strong Asset Quality

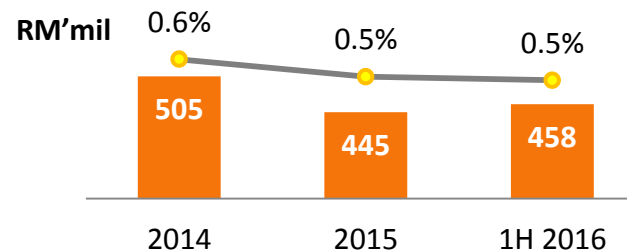


## High loan loss coverage

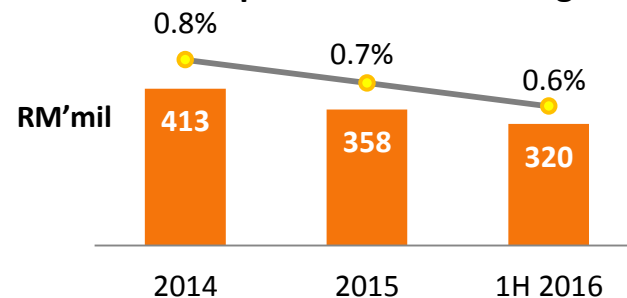


## Of which:

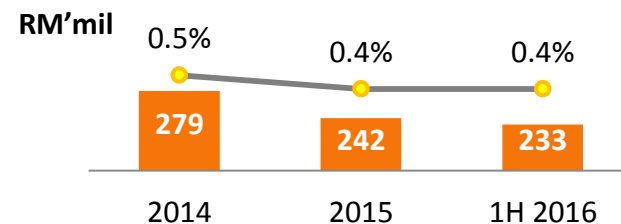
### Residential properties financing



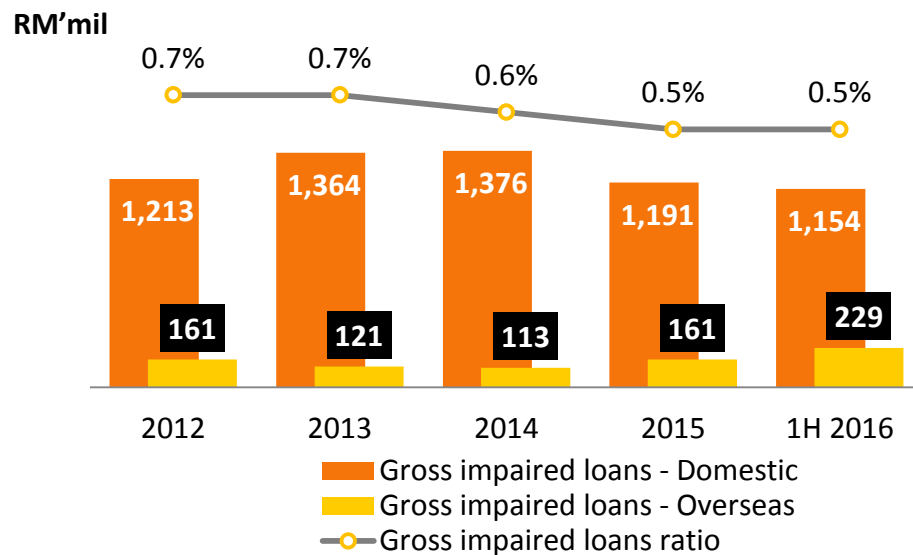
### Transport vehicle financing



### SME financing (Domestic)



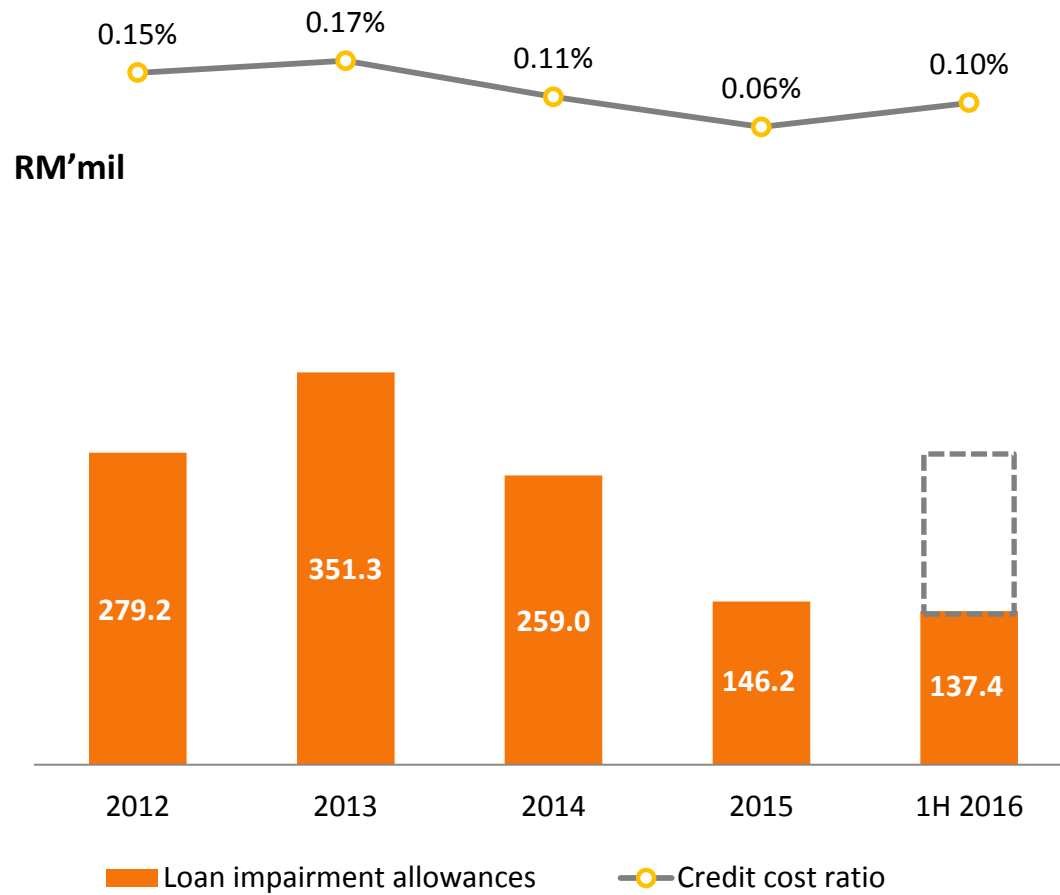
## Low gross impaired loans ratios



# Upholding Strong Asset Quality



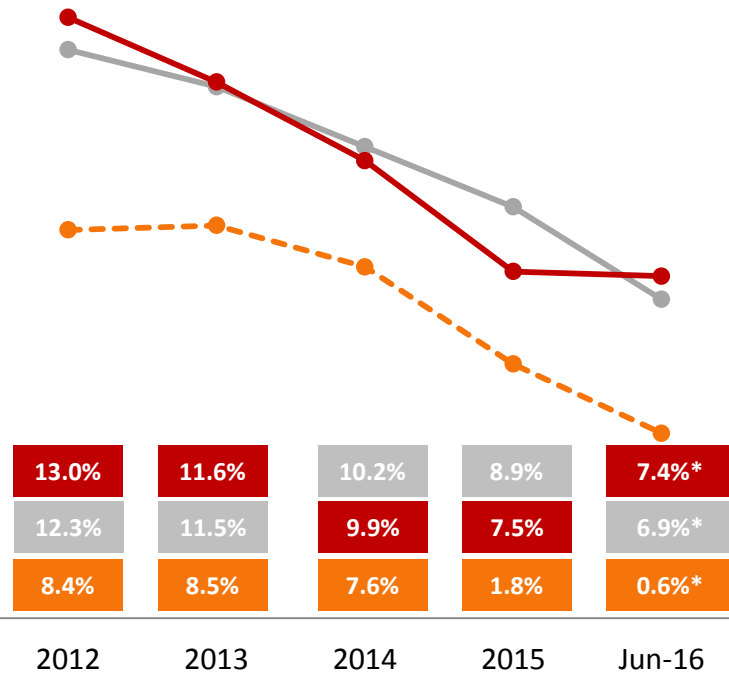
## Loan Impairment Allowances (including collective allowances)



# Healthy Deposit Growth in Support of Liquidity

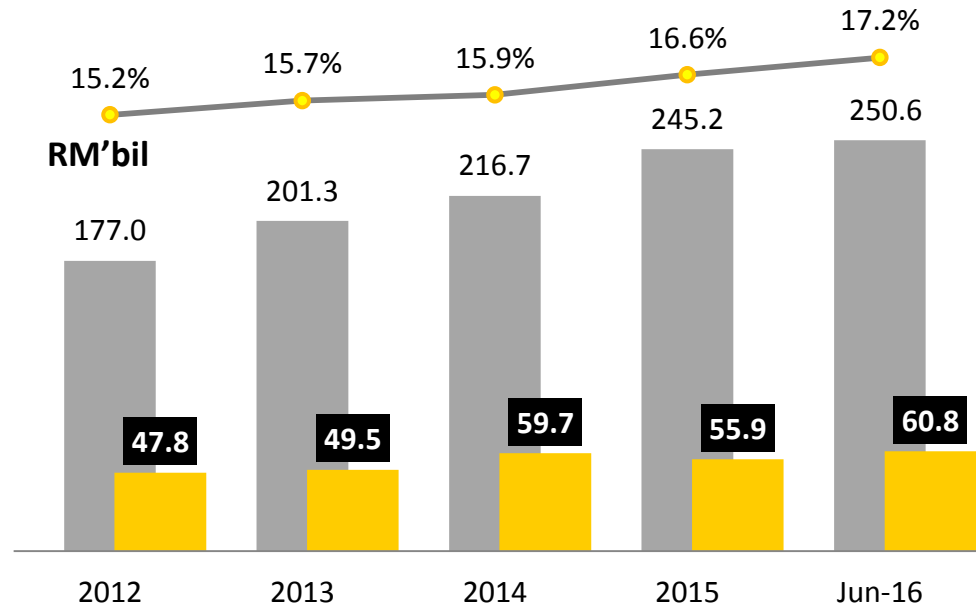


**Deposit Growth vs Industry**  
%



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

**Deposits – Outstanding Balance and Market Share**

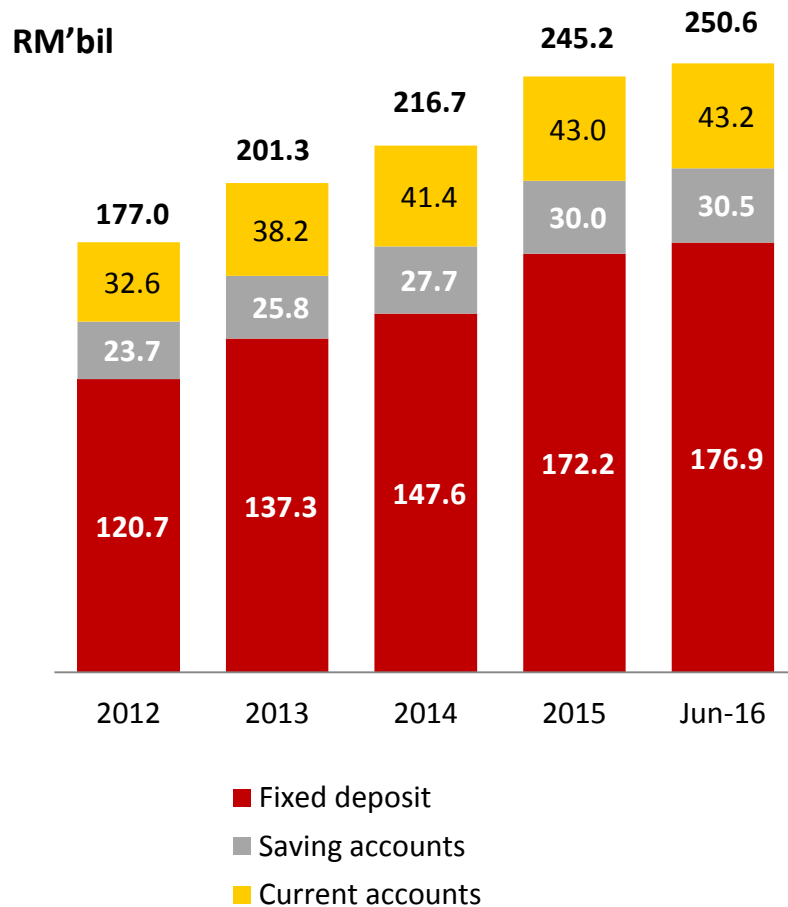


■ Core customer deposit  
 ■ Wholesale deposit  
 ● Customer deposit market share

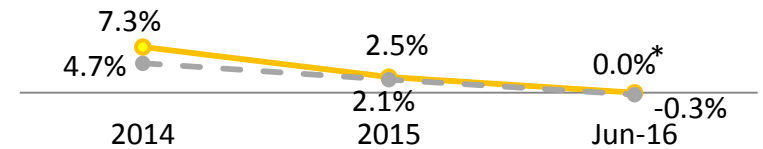
# Healthy Core Deposit Growth



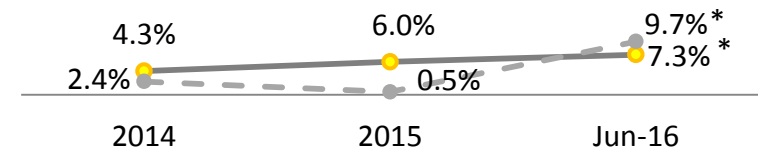
## Source of Core Deposit



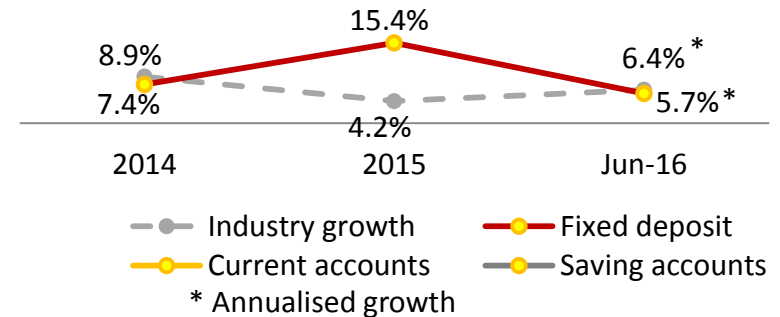
## Domestic Current Deposit



## Domestic Savings Deposit

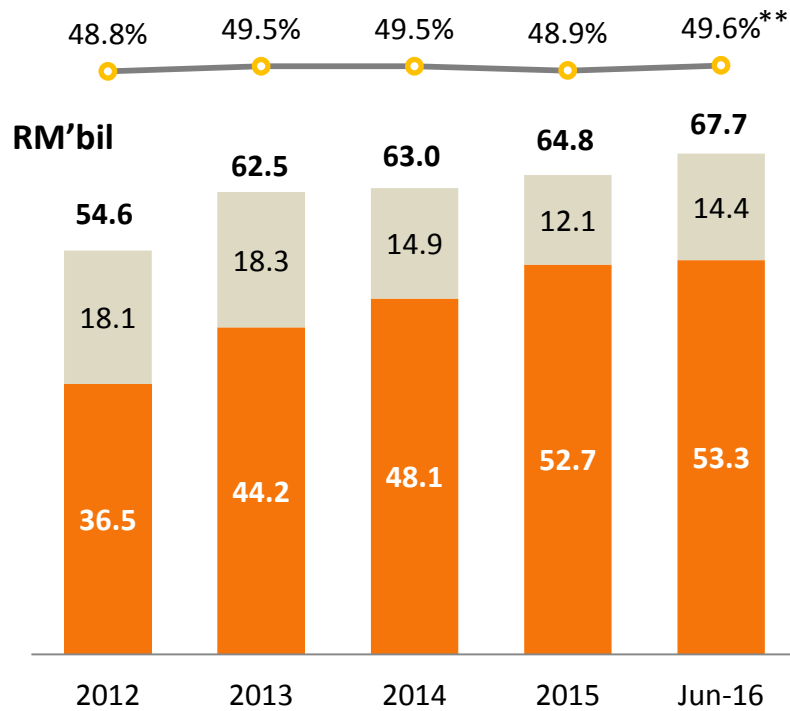


## Domestic Fixed Deposit

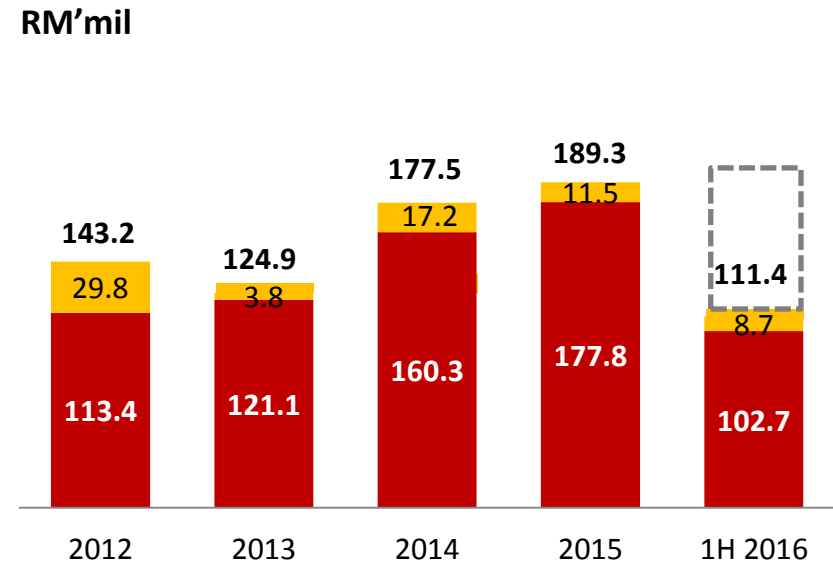




## Net Asset Value of Funds Under Management



## Bancassurance Business – Annualised New Premium

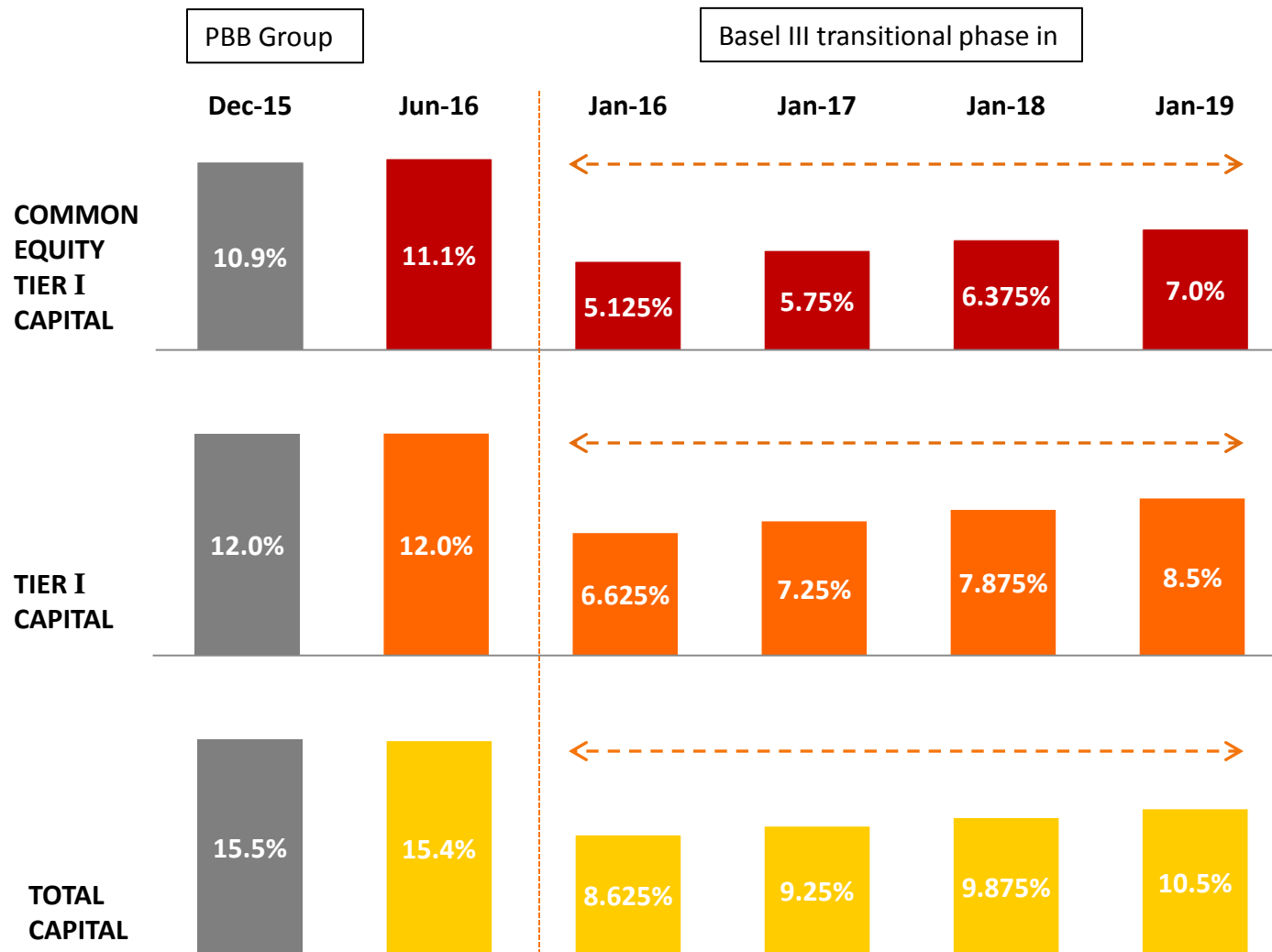


■ NAV - Equity Funds  
■ NAV - Other Funds  
—○— Retail Market Share

■ Domestic  
■ Overseas

\*\* Market share as at May 2016

# Healthy Capital Position



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



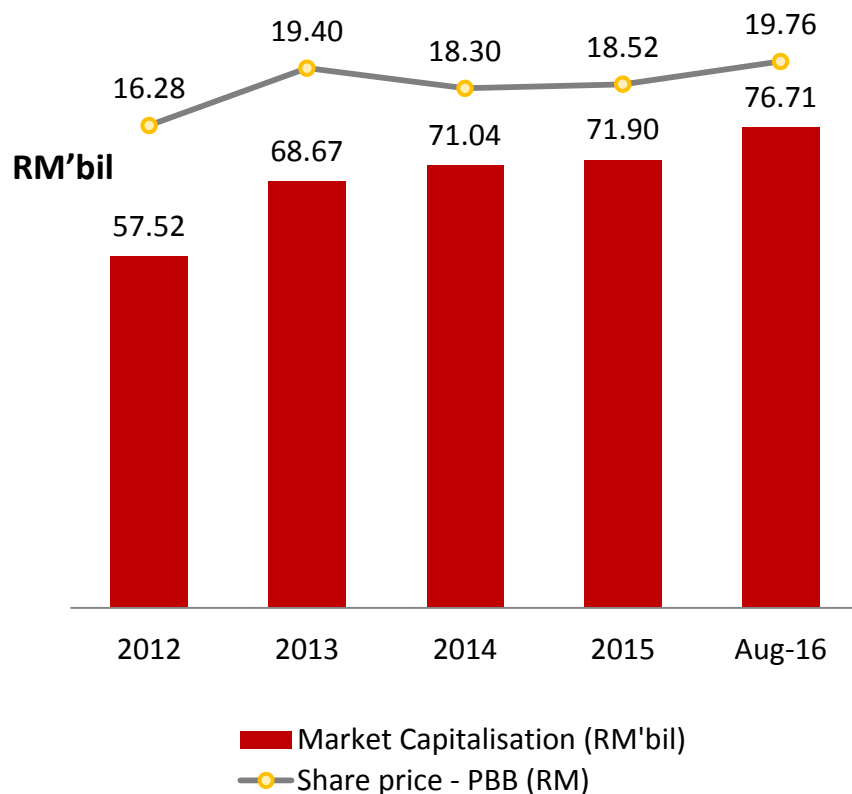
The Public Bank Group's achievement vs key performance targets are as follows:

Key Performance Benchmarks	2016 Targets	Achievement
Net Return on Equity	>15%	16.2%
Total Capital Ratio	>13%	15.4%
Gross Impaired Loan Ratio	<1%	0.5%
Cost to Income Ratio	<33%	32.3%
Loan Growth – Domestic	8% to 9%	8.3%*
– Group		7.3%*
Deposit Growth – Domestic	7% to 8%	7.4%*
– Group		6.9%*

\* Annualised



## Share Price & Market Capitalisation



24 August 2016	Market Capitalisation (RM'bil)
PBB	76.7
MBB	80.0
CIMB	40.9
HLB	28.5
RHB	20.0
AMMB	13.2

# Share Price & Market Capitalisation

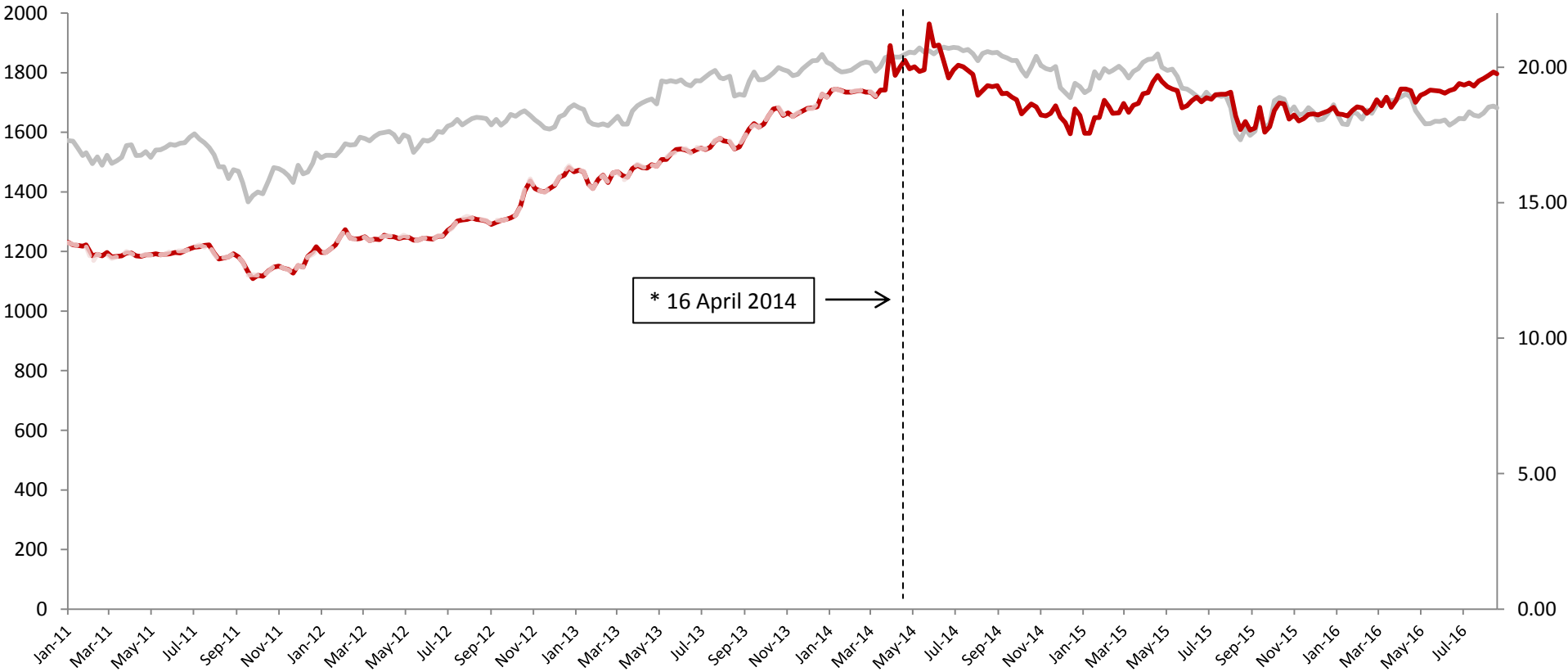


## Resilient share price performance

— 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 2011	+77.3%	+10.2%
Long term - since listing	1967	+1,528.3%	+19.1%

<sup>^</sup> Capital appreciation is calculated based on the PBB local share value at closing price as of 31/12/2015 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

	2011 <sup>~</sup>	2012 <sup>^</sup>	2013	2014	2015
Price to earnings multiple (times)	12.7	14.9	16.7	14.8	14.1
Price to book multiple (times)	3.0	3.2	3.3	2.5	2.3

<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	2012 <sup>^</sup>	2013	2014	2015	1H 2016
Profitability	Operating profit	5,329	5,655	6,067	6,631	3,337
	Profit before tax	5,047	5,310	5,814	6,491	3,203
	Net profit	3,827	4,065	4,519	5,062	2,486
Shareholder Value	Earnings per share (sen)	109.3	116.1	123.7	131.1	64.4
	Net assets per share (RM)	5.15	5.83	7.26	8.09	8.40
	Dividend per share (sen)	50.0	52.0	54.0	56.0	26.0
	Dividend payout ratio (%)	45.3	44.8	46.1	42.7	40.4
Key Balance Sheet Data	Total assets	274,824	305,725	345,722	363,758	379,839
	Gross loan	197,783	221,176	245,044	273,447	283,460
	Domestic loan	184,542	206,635	228,338	251,802	262,195
	Deposit from customers	225,042	250,873	276,540	301,157	311,535
	Domestic deposit	210,680	235,142	258,472	277,942	288,285
	Core customer deposit	177,035	201,258	216,707	245,171	250,598
	Shareholders' equity	18,018	20,424	28,025	31,231	32,444
	Common equity Tier I capital <sup>π</sup>	N/A	17,477	23,578	26,093	27,212
	Tier I capital <sup>π</sup>	19,461	21,028	26,745	28,882	29,609
	Total capital <sup>π</sup>	25,322	27,486	34,636	37,085	37,870
Risk-weighted assets	179,726	199,723	218,712	239,703	246,239	

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

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

# Appendix (cont'd)



	%	2012 <sup>^</sup>	2013	2014	2015	1H 2016	Industry
Profitability Ratios	Net interest margin on yielding assets	2.51	2.36	2.24	2.16	2.19	N/A
	Net return on equity <sup>+</sup>	24.1	22.4	19.9	17.8	16.2	N/A
	Pre-tax return on average assets	1.9	1.8	1.8	1.8	1.7	1.3
	Cost to income ratio	31.2	30.7	30.0	30.5	32.3	48.8
	Non interest income/Total income	21.3	21.5	22.0	24.5	22.0	32.3
Liquidity	Net loan to deposit ratio	87.1	87.5	88.0	90.3	90.5	86.2
Asset Quality	Gross impaired loans ratio	0.7	0.7	0.6	0.5	0.5	1.7
	Loan loss coverage ratio	126.0	118.5	122.4	120.8	116.3	89.5
Capital Adequacy	Common equity Tier I capital ratio <sup>π</sup>	N/A	8.8	10.8	10.9	11.1	12.9
	Tier I capital ratio <sup>π</sup>	10.8	10.5	12.2	12.0	12.0	13.9
	Total capital ratio <sup>π</sup>	14.1	13.8	15.8	15.5	15.4	16.4
Market Share	<u>Domestic market share</u>						
	Commercial property financing	33.7	33.7	33.5	33.8	34.6	N/A
	Residential property financing	19.1	19.6	19.3	19.2	19.3	N/A
	Passenger vehicle financing	26.4	26.5	28.0	29.6	29.9	N/A
	Private unit trust (Retail)	48.8	49.5	49.5	48.9	49.6 <sup>**</sup>	N/A
	Domestic loans	16.7	16.9	17.1	17.4	17.9	N/A
	Domestic deposits	15.2	15.7	15.9	16.6	17.2	N/A

<sup>+</sup> Based on average equity adjusted with proposed dividend, if any

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

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

<sup>\*\*</sup> Market share as at May 2016



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