



**PUBLIC BANK**  
PUBIC BANK

# Investor Presentation

## September 2011 Results Update

[www.publicbank.com.my](http://www.publicbank.com.my)



# Investor Presentation

**Executive Summary**

Financial Performance

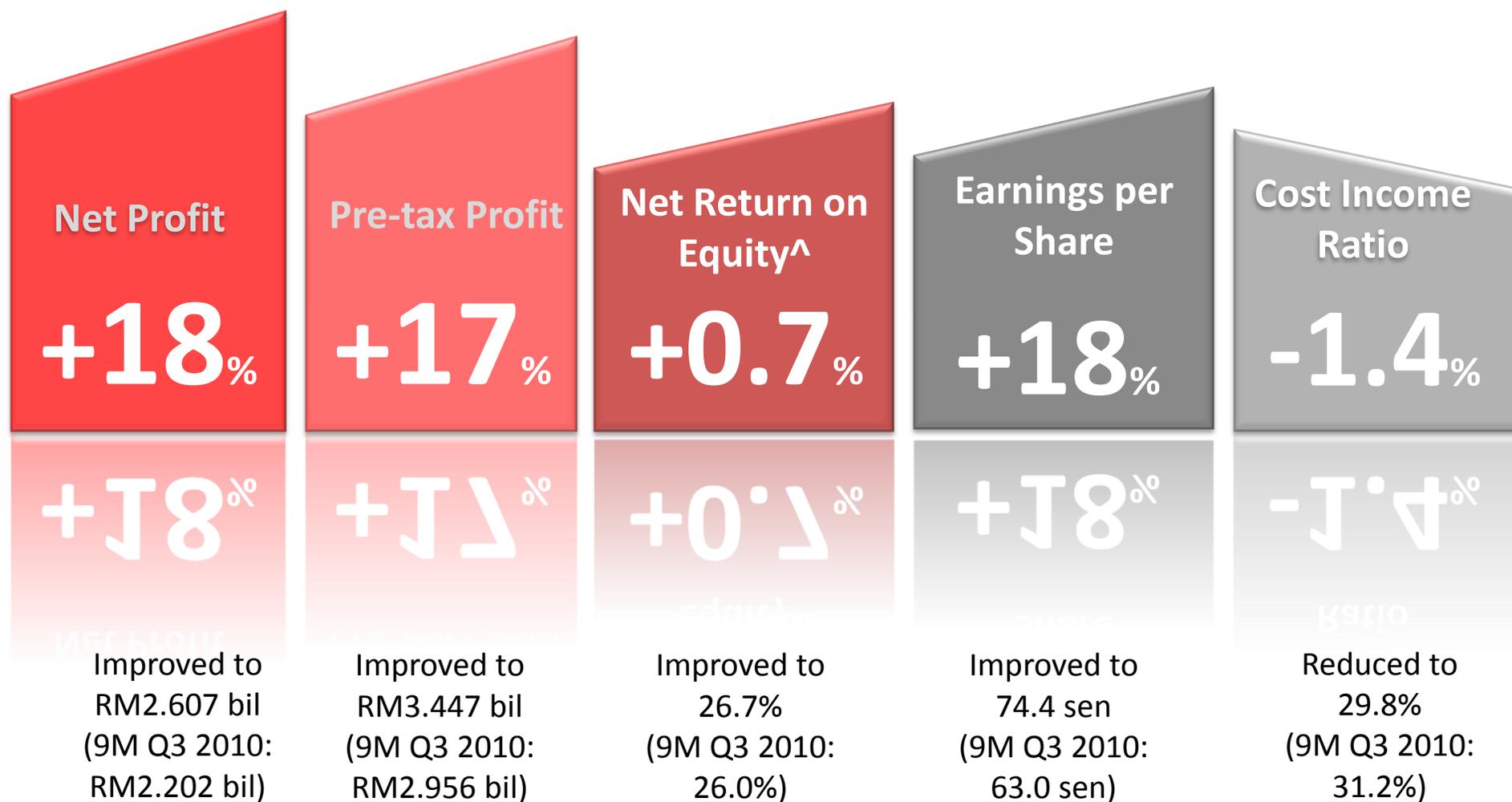
Growth Performance

Business Performance

Other Highlights



## Performance overview – Sustainable profit growth

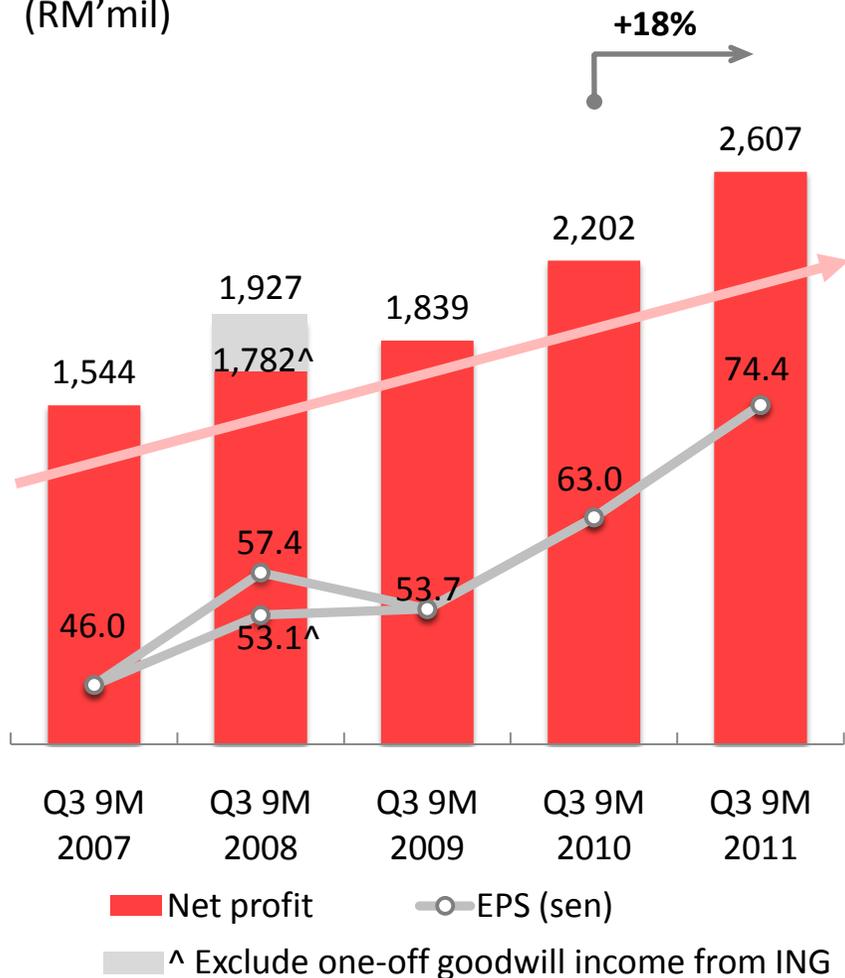


<sup>^</sup> Based on annualised earnings



# Performance overview – Strong net profit growth

Corresponding 9-month net profit growth  
(RM'mil)



Past 5 years average growth

- 9-month profit : 14.6%
- EPS : 13.4%

Quarterly net profit growth

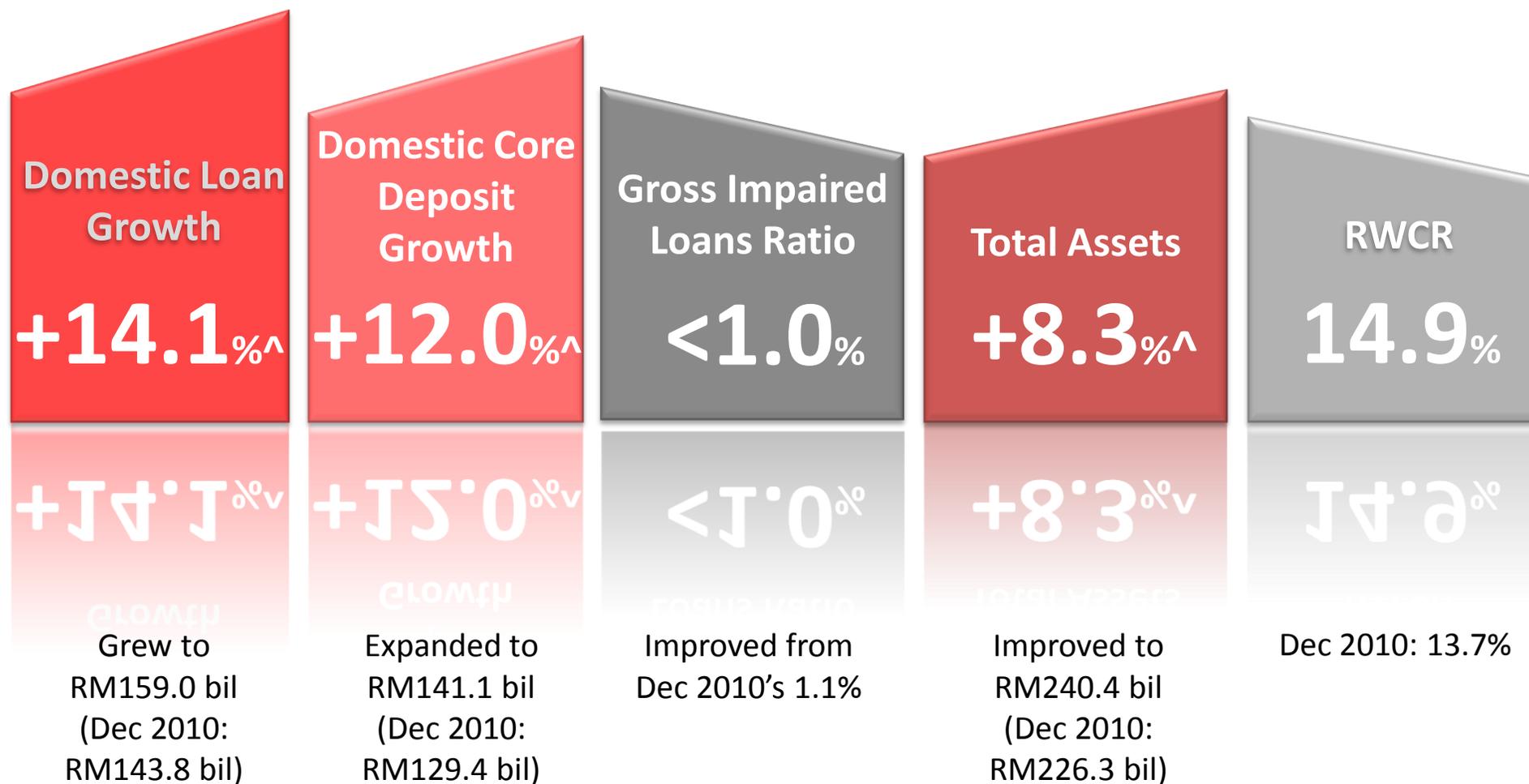
(RM'mil)

| Q3'10 | Q4'10 | Q1'11 | Q2'11 | Q3'11 |
|-------|-------|-------|-------|-------|
| 783   | 846   | 828   | 880   | 899   |

**+14.8%**



## Performance overview – From a position of strength

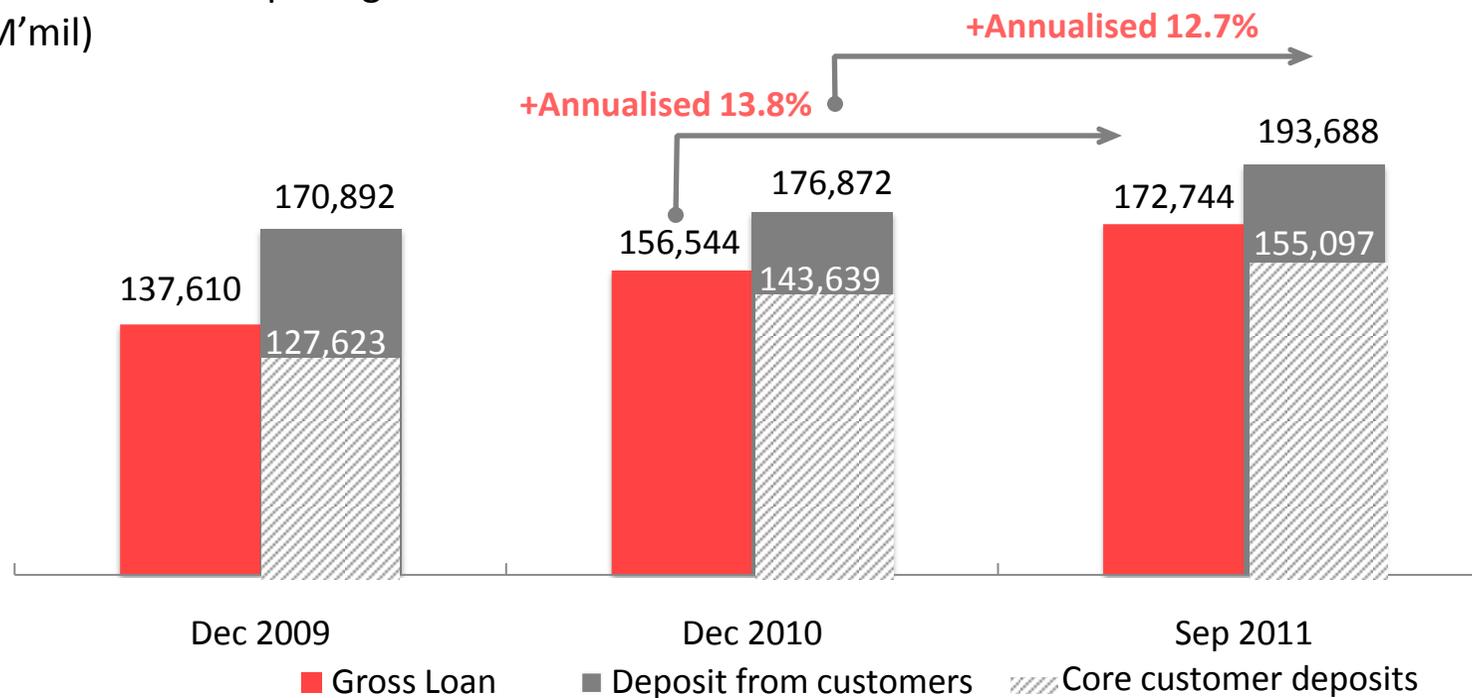


<sup>^</sup> Annualised growth



# Performance overview – Sustainable loan and deposit growths

3-year loan and deposit growths  
(RM'mil)



|                              | Dec 2009 | Dec 2010 | Sep 2011                 |
|------------------------------|----------|----------|--------------------------|
| Gross loan growth            | 14.4%    | 13.8%    | <b>13.8%<sup>^</sup></b> |
| Customer deposit growth      | 13.0%    | 3.5%     | <b>12.7%<sup>^</sup></b> |
| Core customer deposit growth | 14.8%    | 12.5%    | <b>10.6%<sup>^</sup></b> |

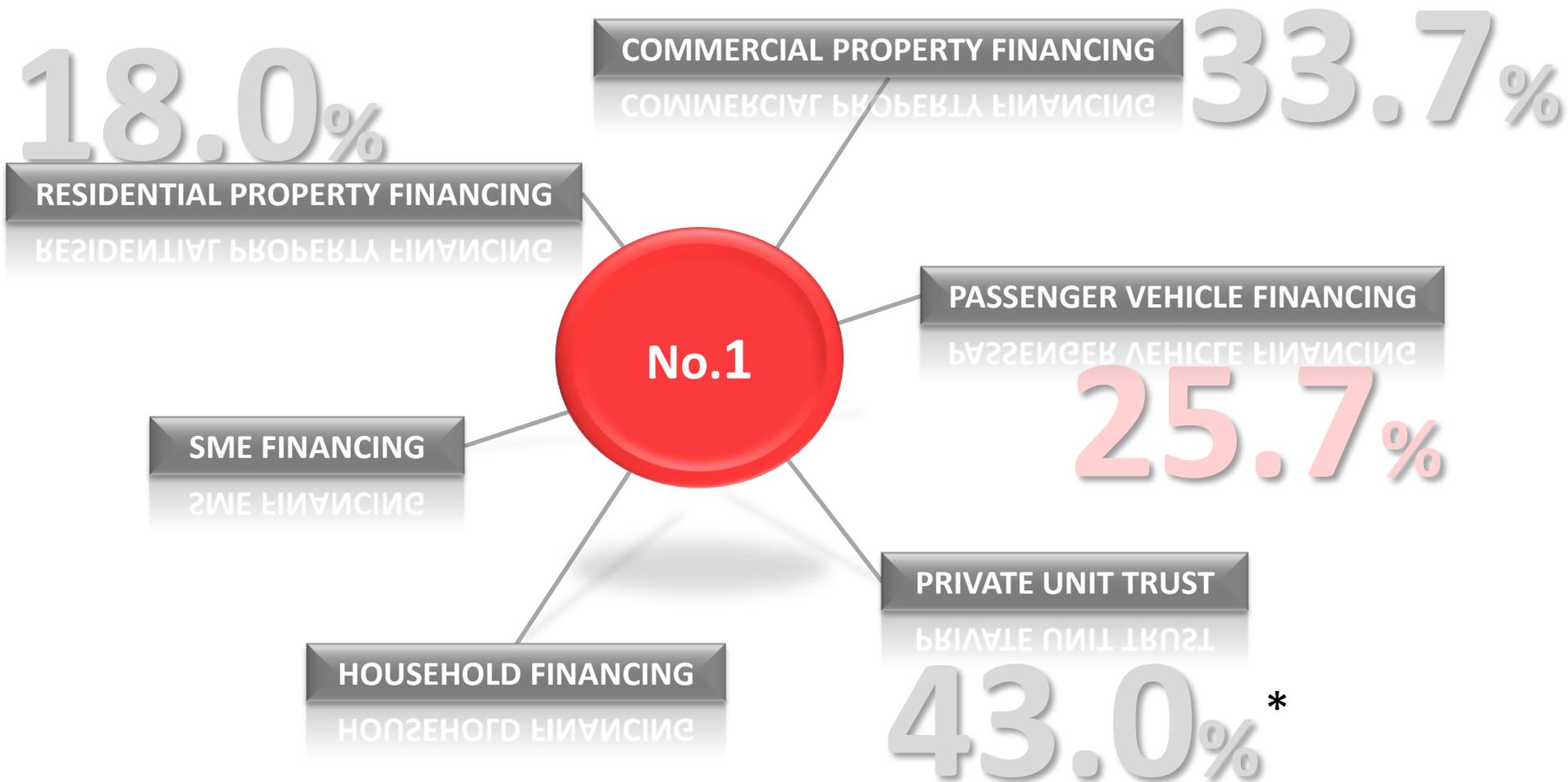
<sup>^</sup> Annualised growth

September 2011 Results Update



# Taking the lead in what we do – Clear market leadership

We continue to maintain **market leadership** in our domestic core businesses



\* Market share as at August 2011

September 2011 Results Update



# Taking the lead in what we do – High performance bank

We continue to maintain **leadership** as a high performance bank in Malaysia



| Key performance indicator            | Public Bank Group | Latest industry average |
|--------------------------------------|-------------------|-------------------------|
| Pre-tax return on average equity (%) | <b>33.5</b>       | 16.5                    |
| Pre-tax return on average assets (%) | <b>2.0</b>        | 1.5                     |
| Cost to income ratio (%)             | <b>29.8</b>       | 46.7                    |
| Pre-tax profit per employee (RM'000) | <b>264</b>        | 189                     |
| Gross loans per employee (RM'mil)    | <b>9.9</b>        | 7.3                     |
| Deposits per employee (RM'mil)       | <b>11.1</b>       | 9.5                     |
| Gross impaired loans ratio (%)       | <b>&lt;1.0</b>    | 2.8                     |
| Loan loss coverage (%)               | <b>178.1</b>      | 96.3                    |



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# Earnings Performance

| RM'mil                                | Q3 2011        | Q2 2011 | Change | 9M Q3 2011     | 9M Q3 2010 | Change |
|---------------------------------------|----------------|---------|--------|----------------|------------|--------|
| Net interest & Islamic Banking income | <b>1,487.9</b> | 1,471.2 | 1.1%   | <b>4,360.2</b> | 3,974.2    | 9.7%   |
| Non-interest income                   | <b>388.1</b>   | 406.6   | -4.6%  | <b>1,166.3</b> | 1,068.7    | 9.1%   |
| Operating expenses                    | <b>555.7</b>   | 552.8   | 0.5%   | <b>1,647.2</b> | 1,574.4    | 4.6%   |
| Operating profit                      | <b>1,320.3</b> | 1,325.0 | -0.4%  | <b>3,879.3</b> | 3,468.5    | 11.8%  |
| Loan impairment allowances            | <b>134.9</b>   | 164.3   | -17.9% | <b>439.4</b>   | 516.7      | -15.0% |
| Pre-tax profit                        | <b>1,186.9</b> | 1,162.5 | 2.1%   | <b>3,447.4</b> | 2,955.9    | 16.6%  |
| Net profit                            | <b>898.8</b>   | 880.4   | 2.1%   | <b>2,606.8</b> | 2,202.0    | 18.4%  |

## Income:

- Strong growth in net interest and Islamic Banking income and non-interest income

## Expenses:

- Increase in operating expenses at a rate lower than increase in income

## Allowance:

- Lower loan impairment allowances in Q3 2011 despite strong loan growth



# Earnings Performance

| RM'mil                                   | Q3 2011      | Q2 2011 | Change | 9M Q3 2011   | 9M Q3 2010 | Change |
|--|--------------|---------|--------|--------------|------------|--------|
| Earnings per share (sen)                 | <b>25.7</b>  | 25.1    | 2.4%   | <b>74.4</b>  | 63.0       | 18.1%  |
| Net return on equity*                    | <b>26.5%</b> | 27.0%   | -0.5%  | <b>26.7%</b> | 26.0%      | 0.7%   |
| Pre-tax return on average assets         | <b>2.0%</b>  | 2.0%    | -      | <b>2.0%</b>  | 1.8%       | 0.2%   |
| Net interest margin on yielding assets** | <b>3.4%</b>  | 3.3%    | 0.1%   | <b>3.3%</b>  | 3.4%       | -0.1%  |
| Non interest income/Total net income     | <b>20.7%</b> | 21.7%   | -1.0%  | <b>21.1%</b> | 21.2%      | -0.1%  |
| Cost to income ratio                     | <b>29.6%</b> | 29.4%   | 0.2%   | <b>29.8%</b> | 31.2%      | -1.4%  |
| Overheads over average assets            | <b>0.9%</b>  | 1.0%    | -0.1%  | <b>0.9%</b>  | 1.0%       | -0.1%  |

\* Based on average equity after deducting proposed dividend, if any.

\*\* Excluding Negotiable Instrument of Deposits and Money Market Deposits which are on-lent to banks.

Note: Q3 key earning indicators, excluding EPS, have been annualised for comparison purposes.



## Pre-tax Profit by Business Segment

| RM'mil                               | 9M Q3 2011     | 9M Q3 2010 | Change  |
|--------------------------------------|----------------|------------|---|
| Retail operations                    | <b>1,983.8</b> | 1,614.7    |  22.9% |
| Hire purchase                        | <b>455.8</b>   | 489.9      |  -7.0% |
| Corporate lending                    | <b>207.4</b>   | 181.1      |  14.5% |
| Treasury & capital market operations | <b>136.9</b>   | 114.3      |  19.8% |
| Fund management                      | <b>243.7</b>   | 199.3      |  22.3% |
| Overseas operations                  | <b>223.8</b>   | 212.2      |  5.4%  |
| Investment banking                   | <b>38.6</b>    | 36.8       |  5.0%  |
| Others*                              | <b>157.4</b>   | 107.6      |  46.2% |
| <b>Total</b>                         | <b>3,447.4</b> | 2,955.9    |  16.6% |

- Strong double digit growth in retail operations, contributing >57% of the Group's pre-tax profit
- Healthy volume growth contributed to improved performance in most business segments
- Pre-tax profit of overseas operations increased by 5.4%. Excluding the negative impact of the foreign exchange movement, the pre-tax profit from overseas operations would have grown by 11.8%

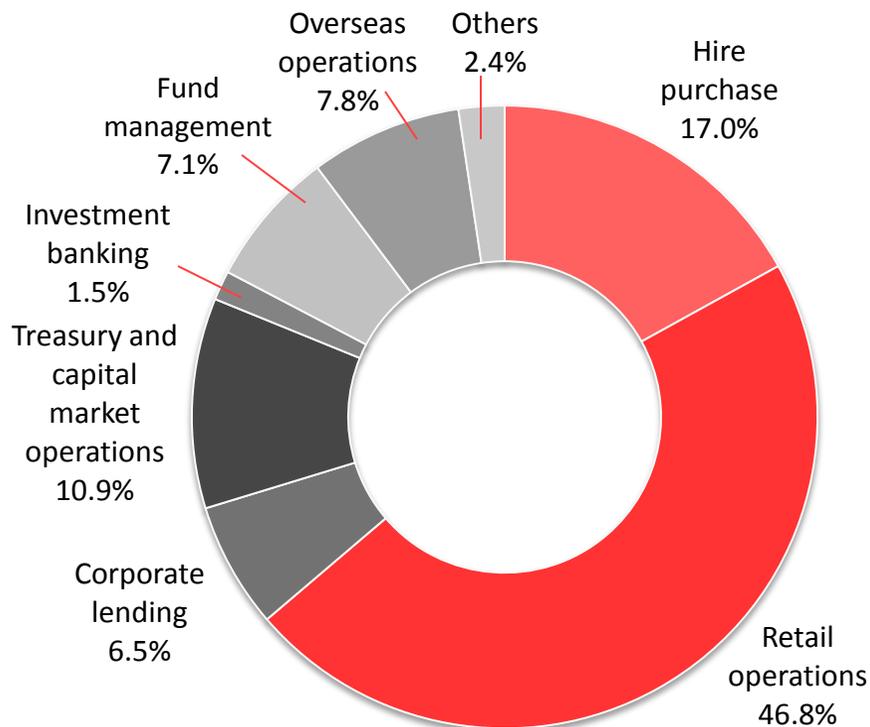
\* Others comprise mainly of domestic head office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies.

Note: Profit contribution by segments are based on pre-tax profit including share of results of associated companies.

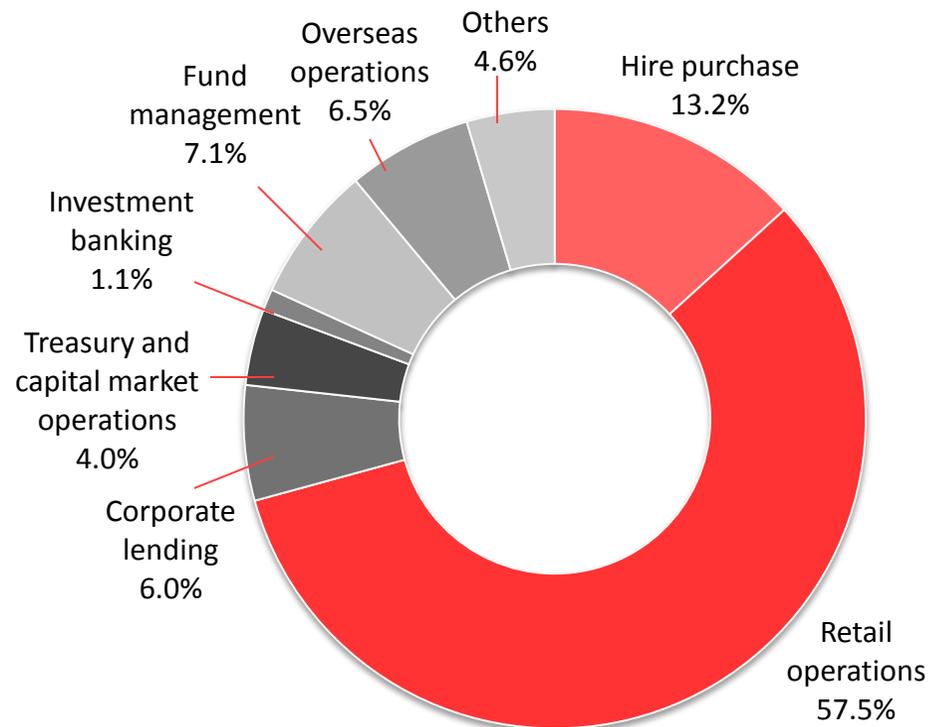


# Contribution to Revenue & Pre-tax Profit – by Business

## Revenue Contribution



## Pre-tax Profit Contribution



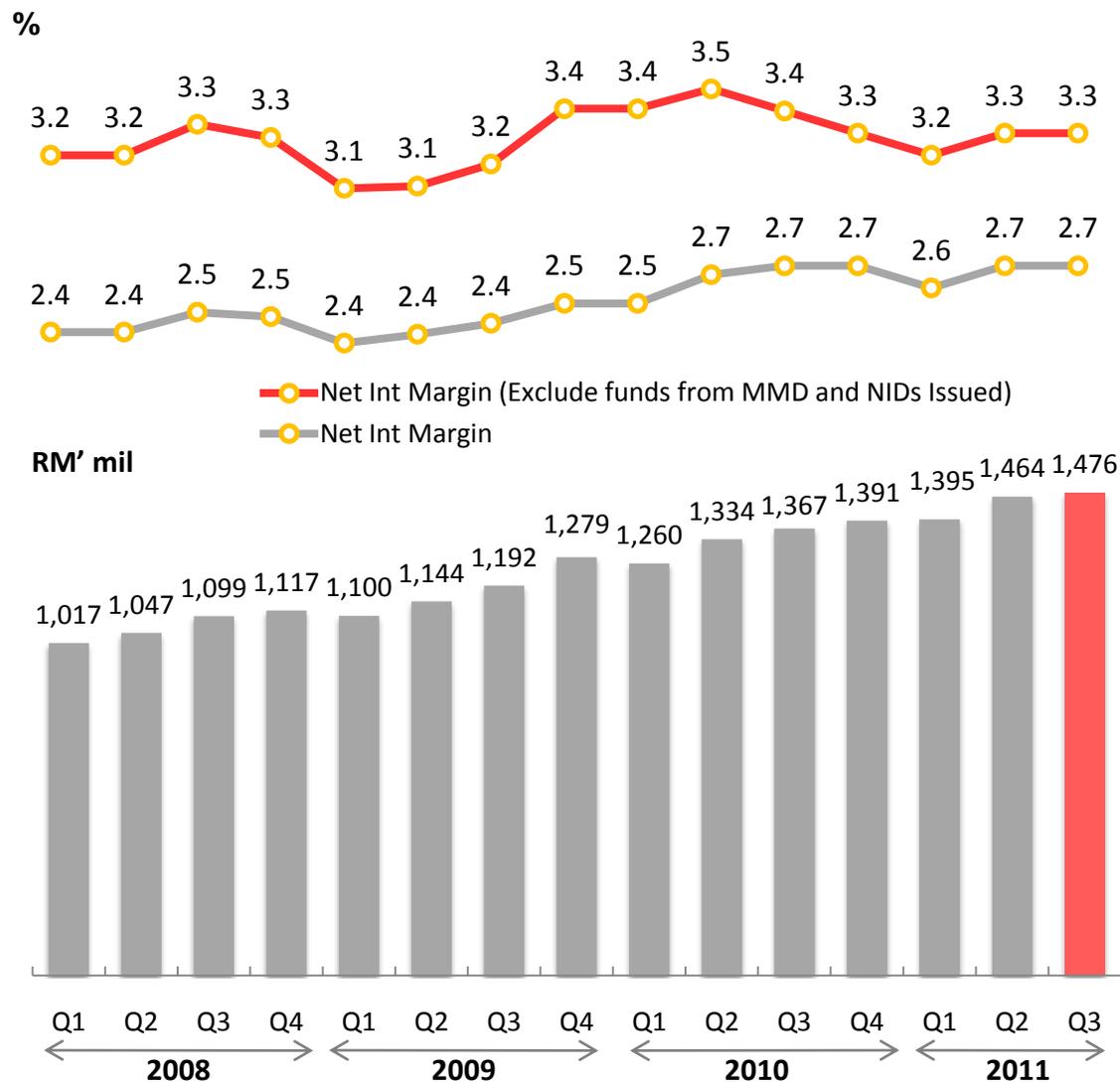
*Based on financial results as of 30 September 2011*

- Retail operations and hire purchase segment continue to be the major contributor to revenue and profits of the Group



# Interest Income & Margins - Stable and sustainable growth

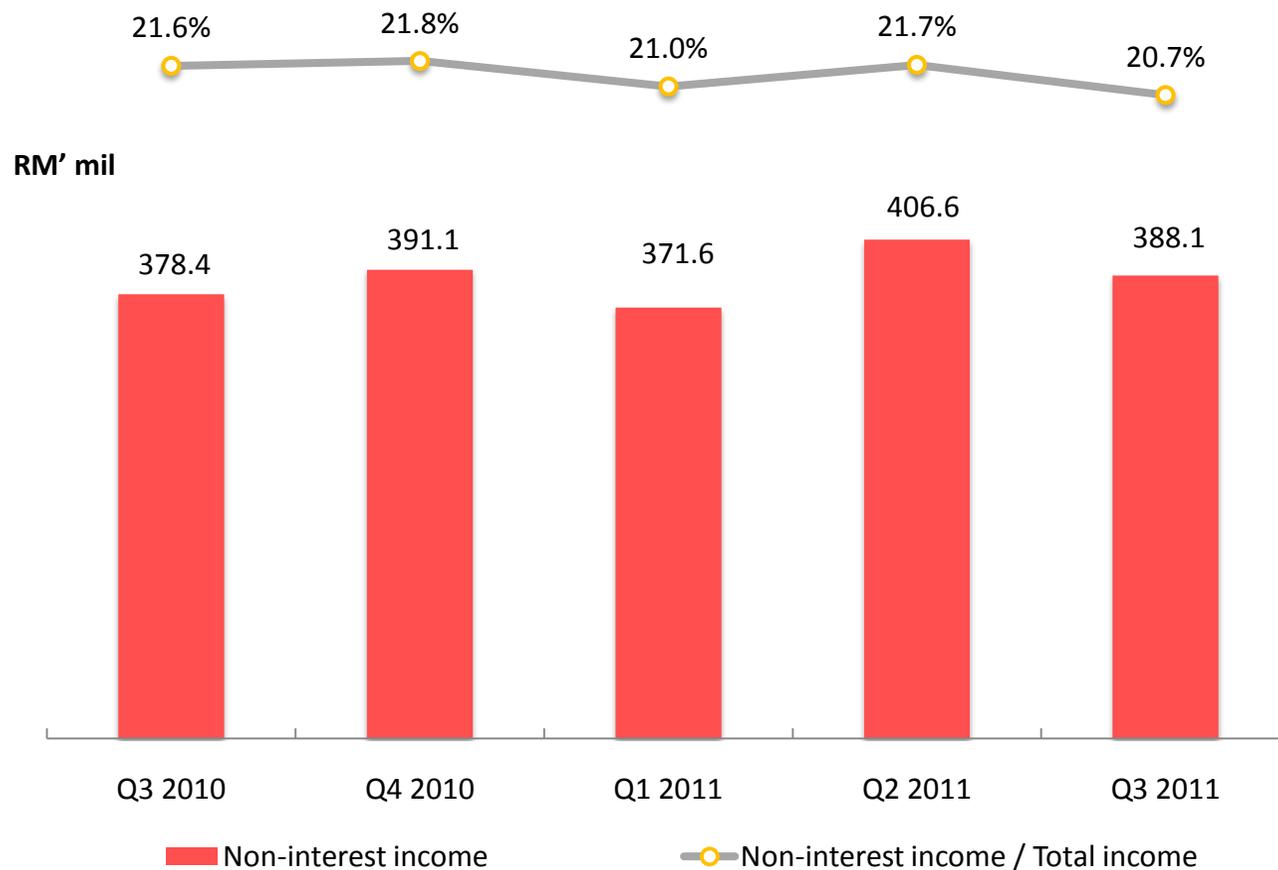
## Net Interest Income and margin



- NIM for Q3 2011 remained stable as compared to the preceding quarter
- Despite the interest margin squeeze, sterling growth in net interest and finance income due to strong loan and deposit growths and healthy liquidity position of the Group. This is predominantly driven by the Group's strong fundamentals and commitment in expanding its loan and deposit base
- Net interest margin to continue to be under pressure

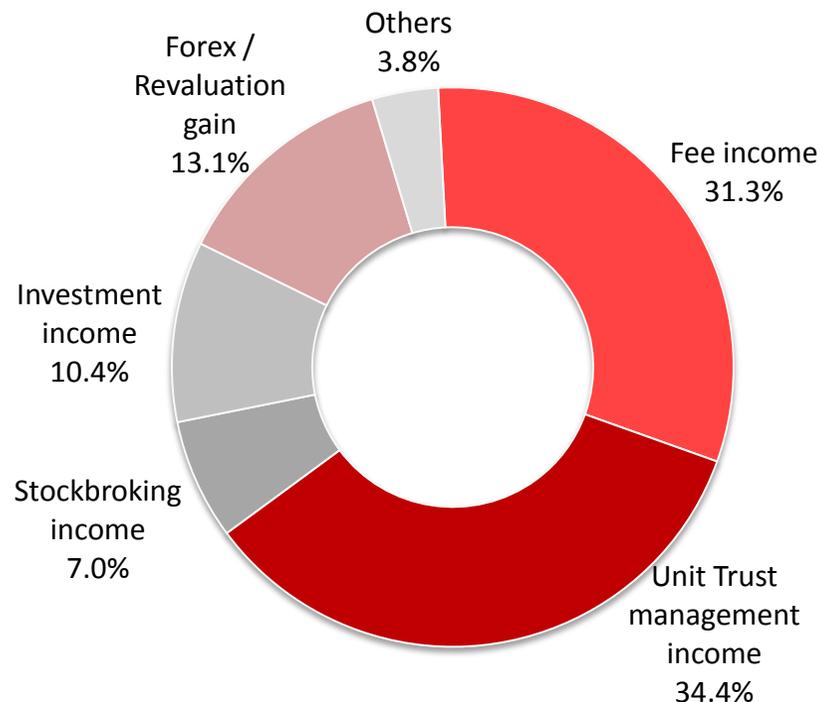


# Non-Interest Income to Total Income



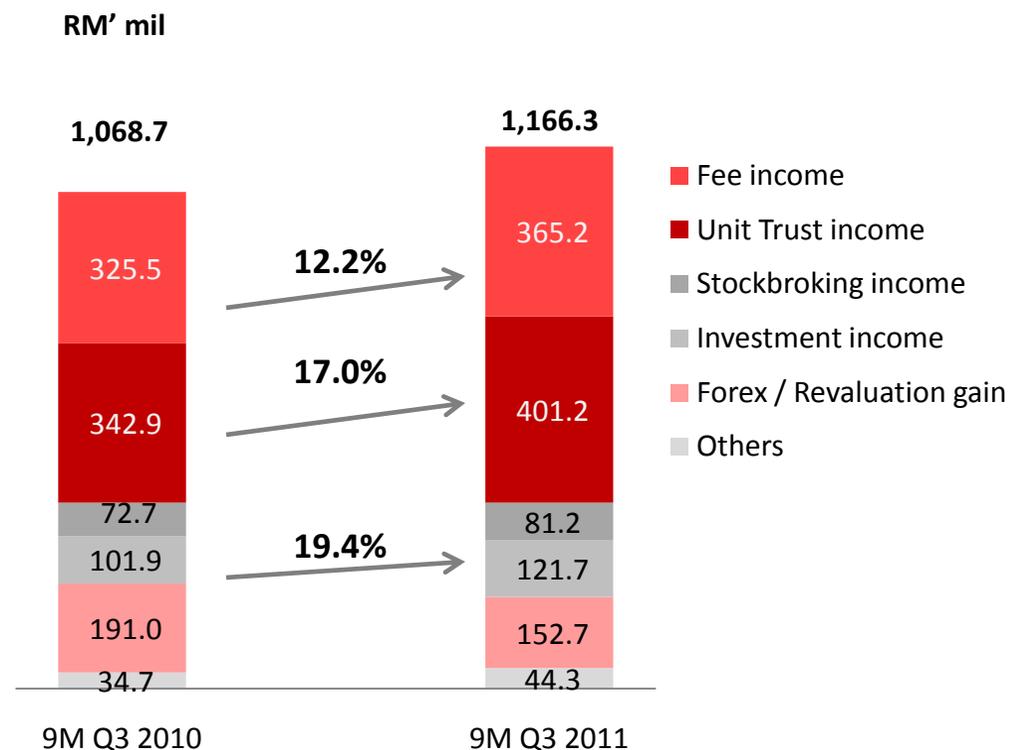
# Non-Interest Income Contribution & Growth Traction

## Non-Interest Income Contribution



Based on financial results as of 30 September 2011

## 9-month growth

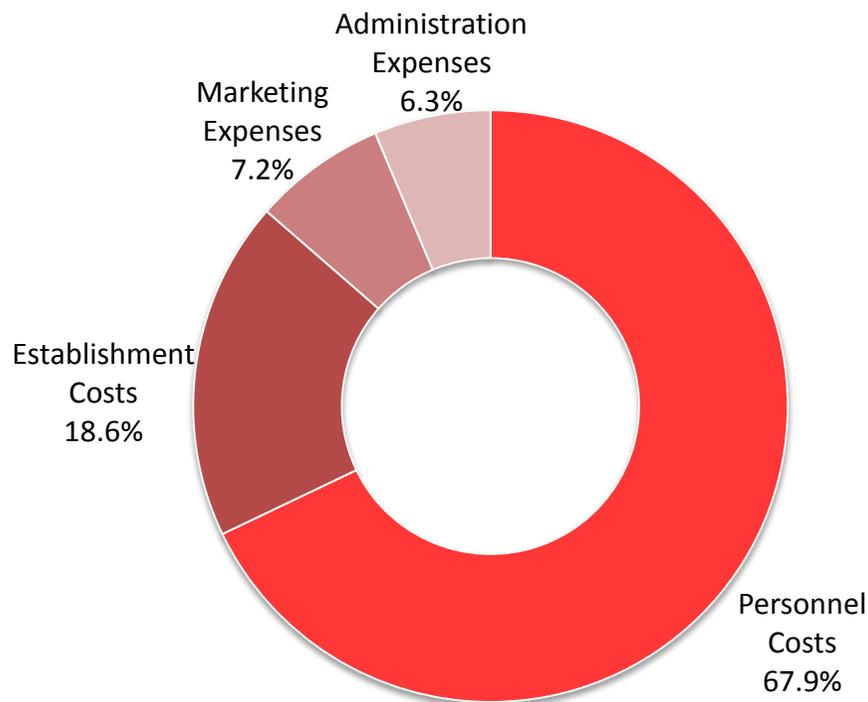


- Strong non-interest income in nine months of 2011 was mainly contributed by the Group's fee income, unit trust and investment income



# Efficient Operating Overheads

## Operating Costs Contribution



Based on financial result as of 30 September 2011

| RM'mil                  | 9M Q3 2011     | 9M Q3 2010 | Change  |
|-------------------------|----------------|------------|---------|
| Personnel Costs         | <b>1,118.2</b> | 1,044.3    | ↑ 7.1%  |
| Establishment Costs     | <b>305.6</b>   | 295.8      | ↑ 3.3%  |
| Marketing Expenses      | <b>119.1</b>   | 119.9      | ↓ -0.6% |
| Administration Expenses | <b>104.3</b>   | 114.4      | ↓ -8.9% |
| Total                   | <b>1,647.2</b> | 1,574.4    | ↑ 4.6%  |

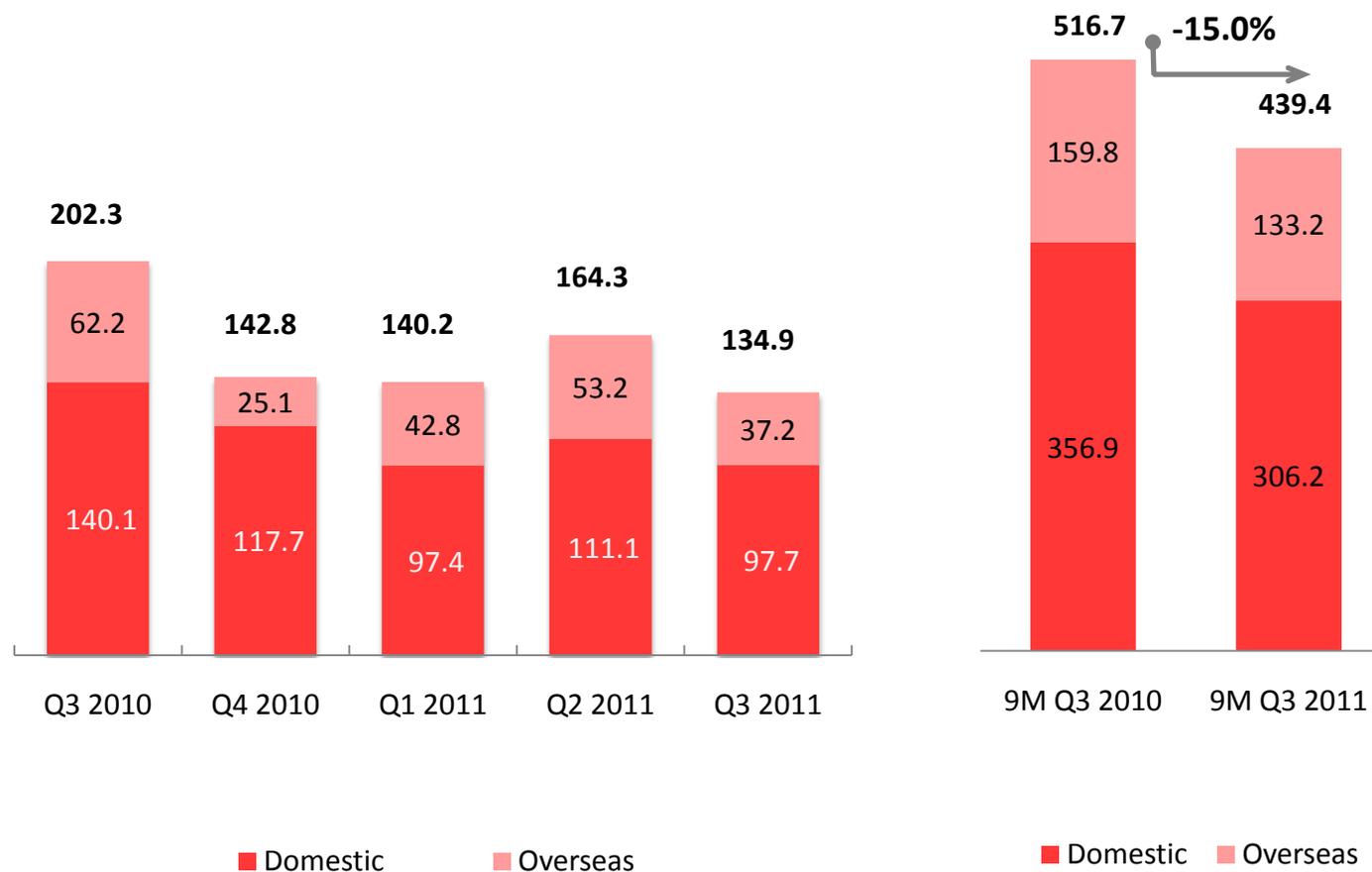
- Personnel costs remain the main operating cost as the Group continue to invest in its people
- Marginal increase in operating expenses of 4.6% vs. income growth of 9.6%, reflecting improved productivity



# Improving Loan Loss Allowances

## Loan Impairment Allowances (including collective allowance)

RM' mil



- Loan impairment allowances reduced by 15.0% despite a strong annualised loan growth of 13.8% during the 9-month period



# Investor Presentation

Executive Summary

Financial Performance

**Growth Performance**

Business Performance

Other Highlights



# Robust Financial Position

|                                      | RM' bil | Sep 2011     | Dec 2010 | Change  |
|--------------------------------------|---------|--------------|----------|---------|
| Total assets                         |         | <b>240.4</b> | 226.3    | ↑ 6.2%  |
| Gross loans and advances             |         | <b>172.7</b> | 156.5    | ↑ 10.3% |
| <i>Of which:</i>                     |         |              |          |         |
| Domestic loans and advances          |         | <b>159.0</b> | 143.8    | ↑ 10.5% |
| Overseas loans and advances          |         | <b>13.7</b>  | 12.7     | ↑ 8.1%  |
| Deposits from customers              |         | <b>193.7</b> | 176.9    | ↑ 9.5%  |
| <i>Of which:</i>                     |         |              |          |         |
| Domestic customer deposits           |         | <b>179.5</b> | 162.6    | ↑ 10.4% |
| Shareholders' funds                  |         | <b>14.0</b>  | 13.0     | ↑ 7.1%  |
| Net assets per share (RM)            |         | <b>3.99</b>  | 3.72     | ↑ 7.3%  |
| Net loans to deposits (LD) ratio (%) |         | <b>87.7</b>  | 87.1     | ↑ 0.6%  |

## Assets:

- Assets expansion driven by strong loan and deposit growth

## Loan:

- Domestic loan growth is stronger at 10.5% (annualised 14.1%) for 9-month Q3 2011
- Overseas loans see a marginal increase of 8.1% (annualised 10.8%) to RM13.7 billion

## Deposit:

- Deposit growth of 9.5% (annualised 12.7%), supported by the strong domestic customer deposit growth of 10.4% (annualised 13.8%).

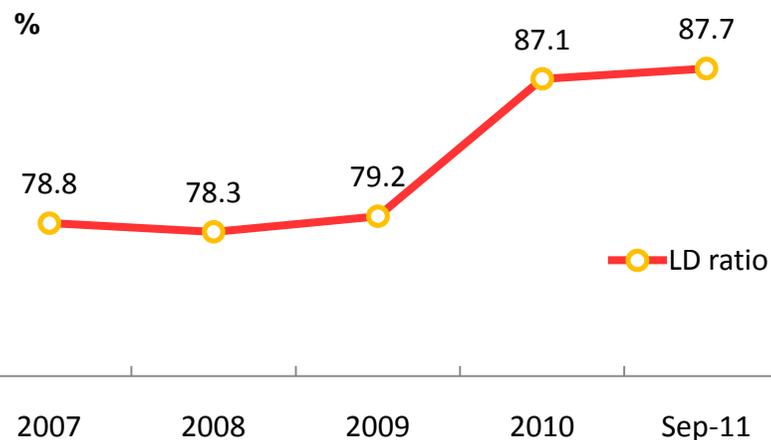
## Equity:

- Shareholders' fund increased to RM14.0 billion



# Strong Liquidity With Healthy Loan/Deposit Ratio

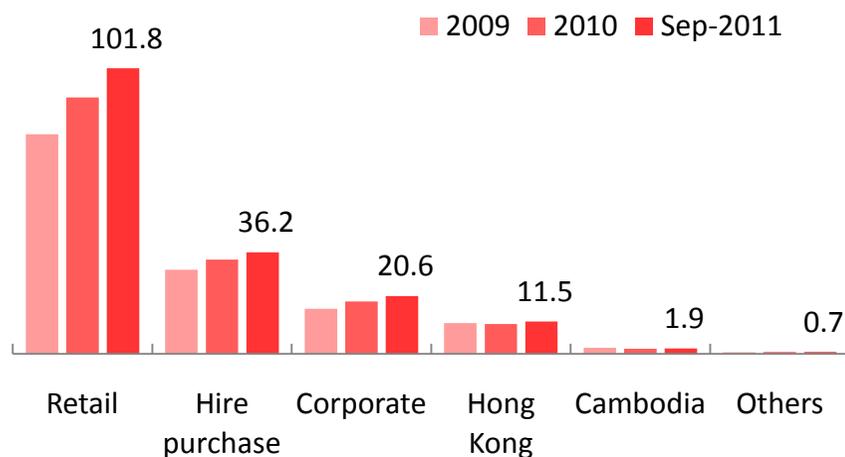
## Net Loan Deposit Ratio



- Net loan deposit ratio remained stable and healthy at 87.7%
- Loan growth continues to be supported through the Group's retail and hire purchase segment whilst retail deposits remain the main contributor to the deposit growth of the Group with >66% contribution

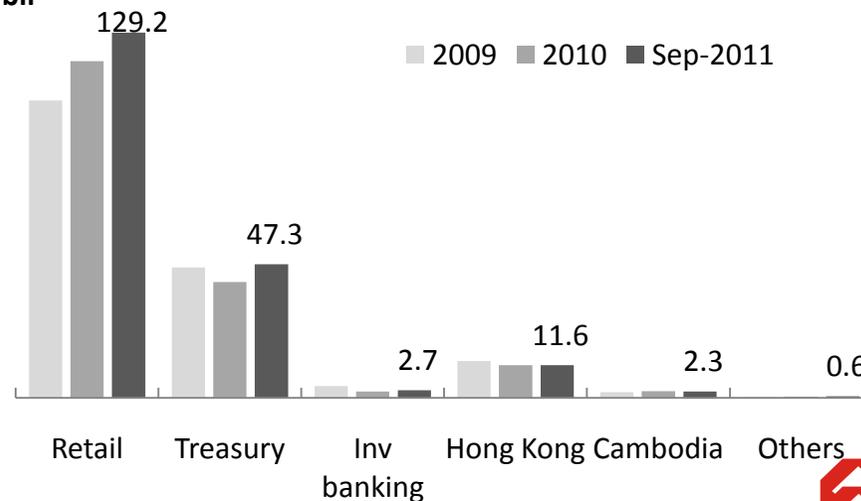
## Gross Loan Composition by Segment

RM' bil



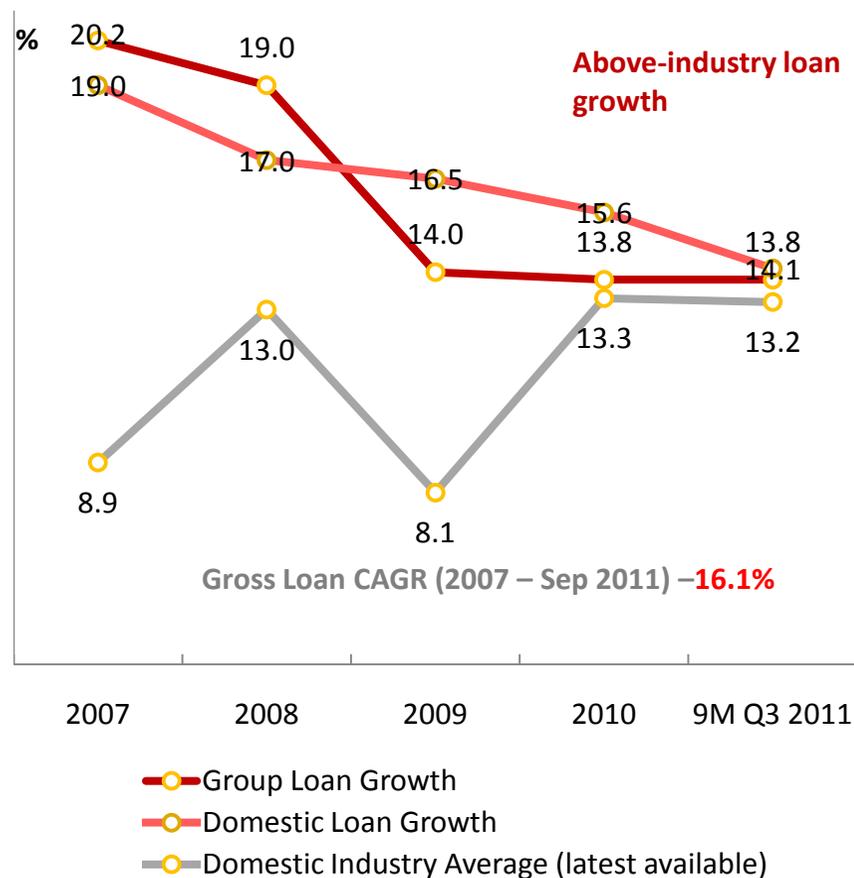
## Deposit Composition by Segment

RM' bil

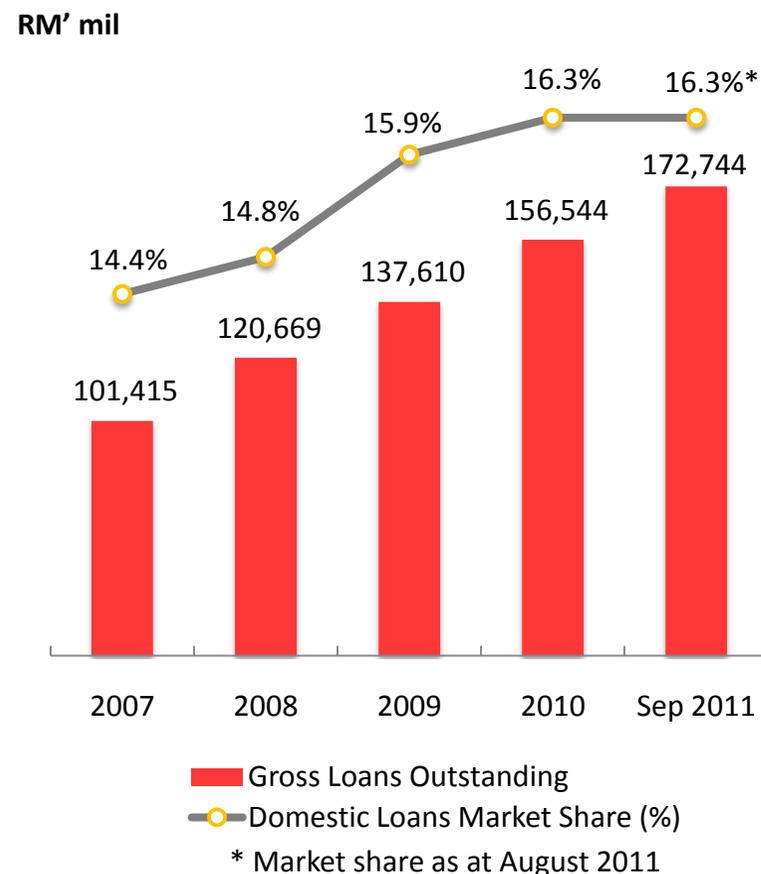


# Consistently Above-industry Loan Growth

## Loan Growth vs Industry



## Gross Loans and Domestic Loan Market Share

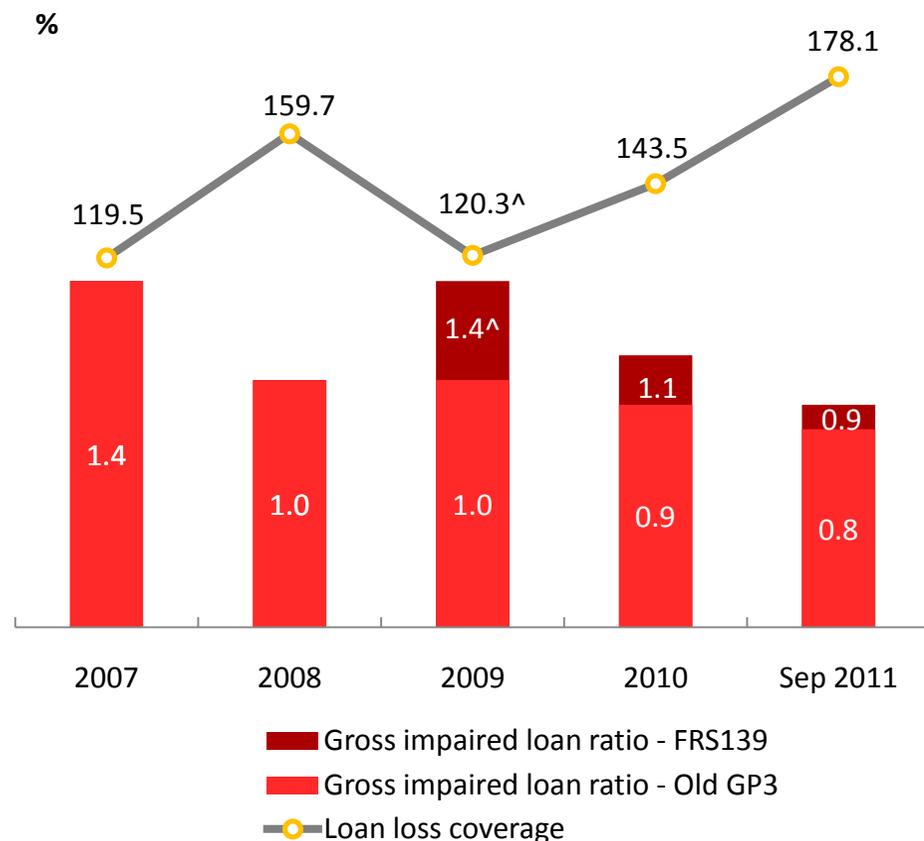


Note: Industry average growth is based on annualised growth as of August 2011  
 Growth rate for 9M Q3 2011 represent annualised growth for the period



# Asset Quality Remained Strong

Improving gross impaired loans ratios with high loan loss reserves



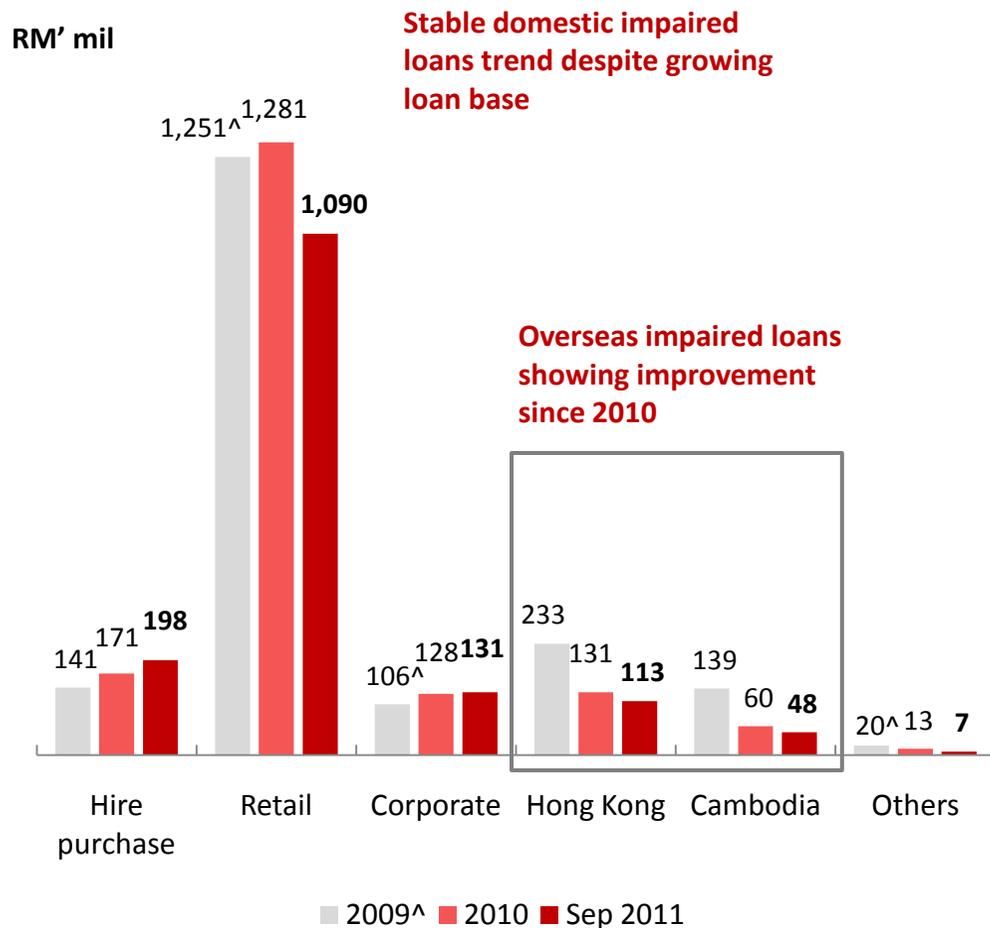
<sup>^</sup> Restated due to the adoption of FRS 139

- Despite more stringent criteria on classification of impaired loans due to FRS 139 adoption with effect from 2010, the gross impaired loans ratio remained low at 0.9% with an increased loan loss reserve of 178.1%
- Based on old GP3 classification of 3 months NPL, NPL ratio would have improved further to 0.8% from 0.9% as at December 2010



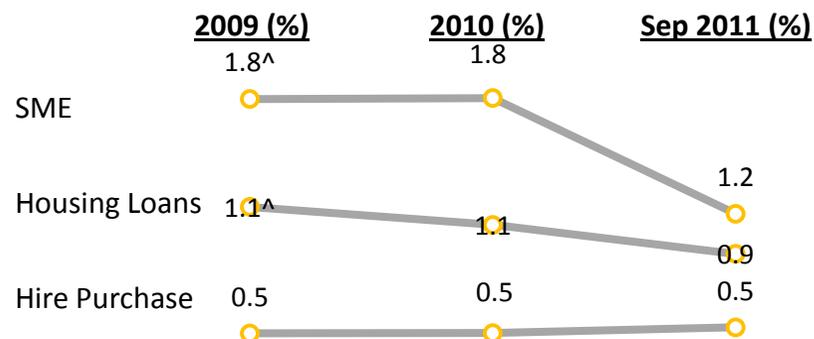
# Asset Quality Remained Strong

## Gross Impaired Loans by Segment

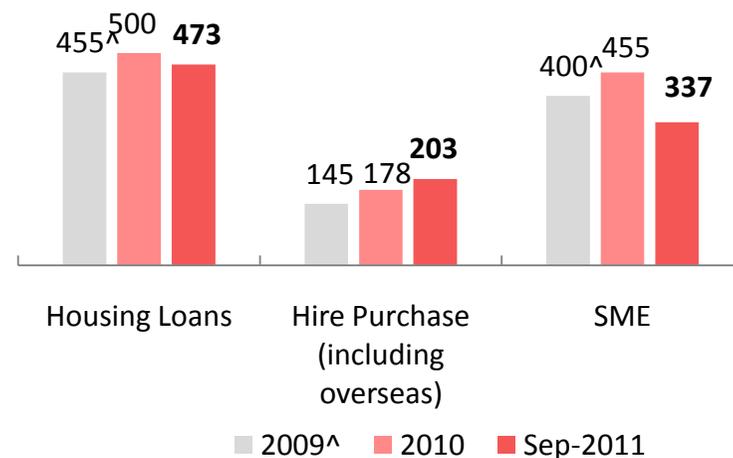


<sup>^</sup> Restated due to the adoption of FRS 139

## Gross Impaired Loans & Gross Impaired Loans Ratio by Key Sectors

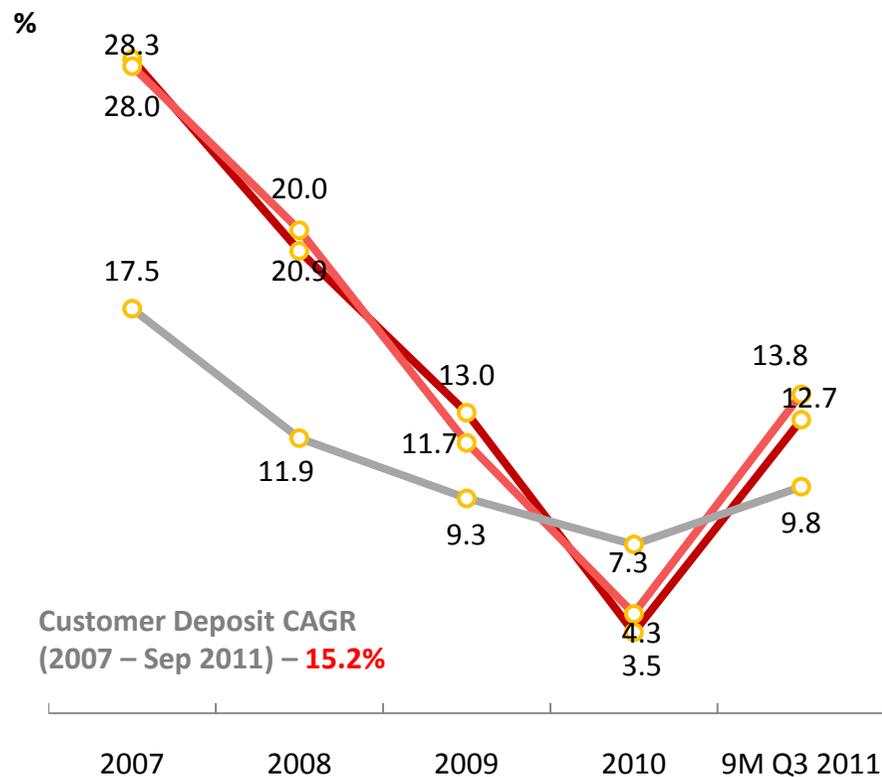


RM' mil



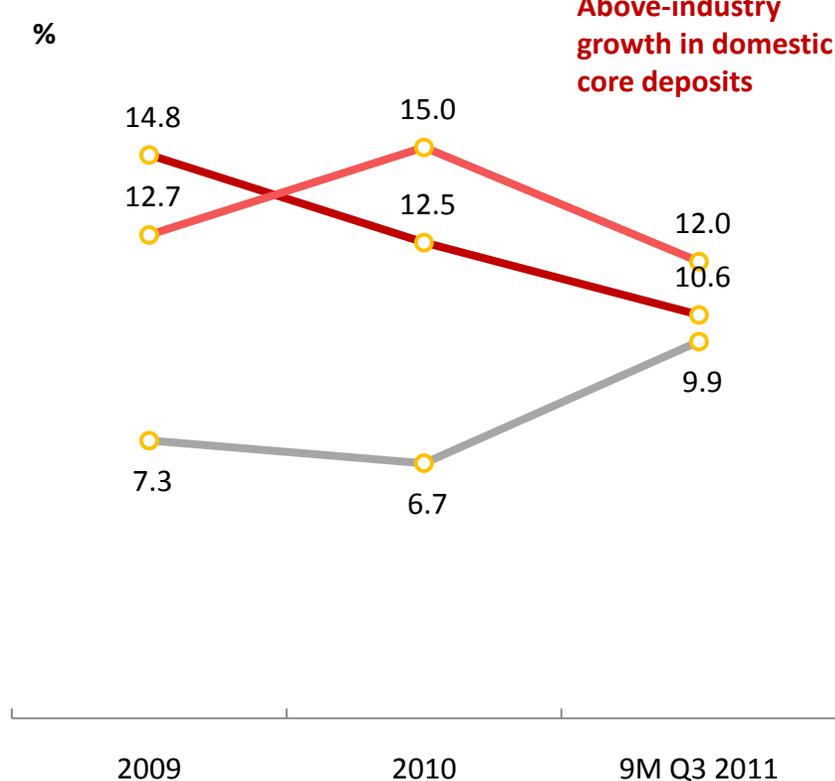
# Healthy Domestic Deposit Growth in Support of Liquidity

## Deposit Growth vs Industry



- Group Deposit Growth
- Domestic Deposit Growth
- Domestic Industry Average (latest available)

## Core Deposit Growth



- Group Core Deposit Growth
- Domestic Core Deposit Growth
- Domestic Industry Average (latest available)

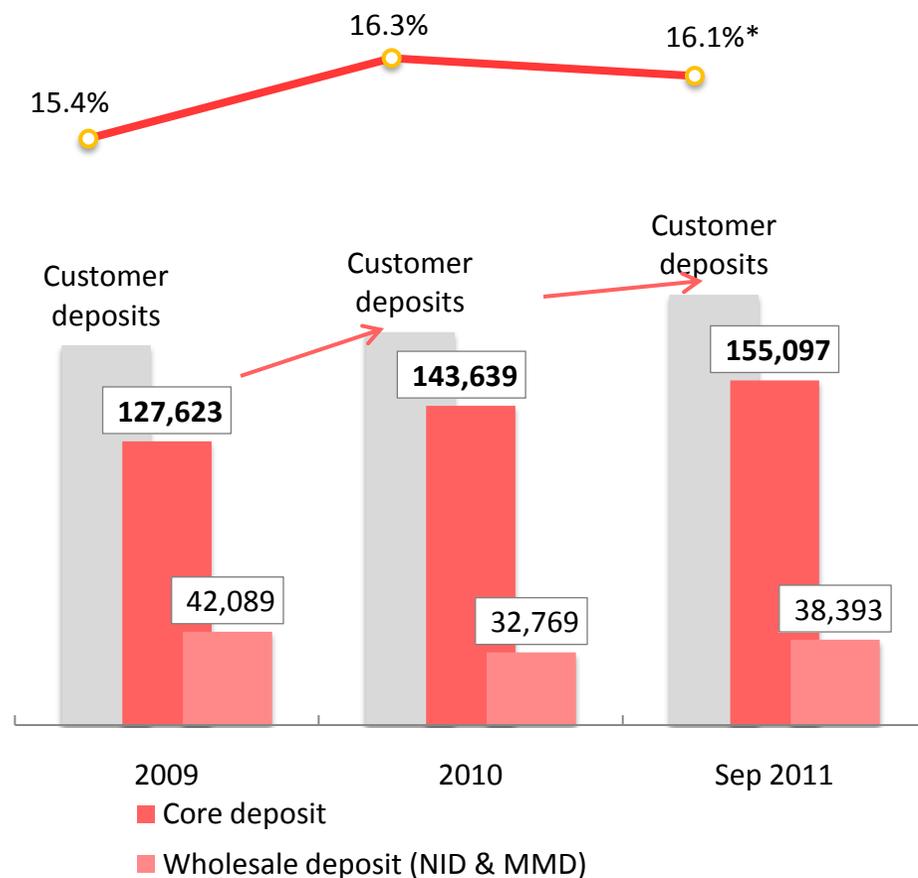
Note: Industry average growth is based on annualised growth as of August 2011  
Growth rate for 9M Q3 2011 represent annualised growth for the period



# Diversified Source of Customer Deposit

## Type of Deposit

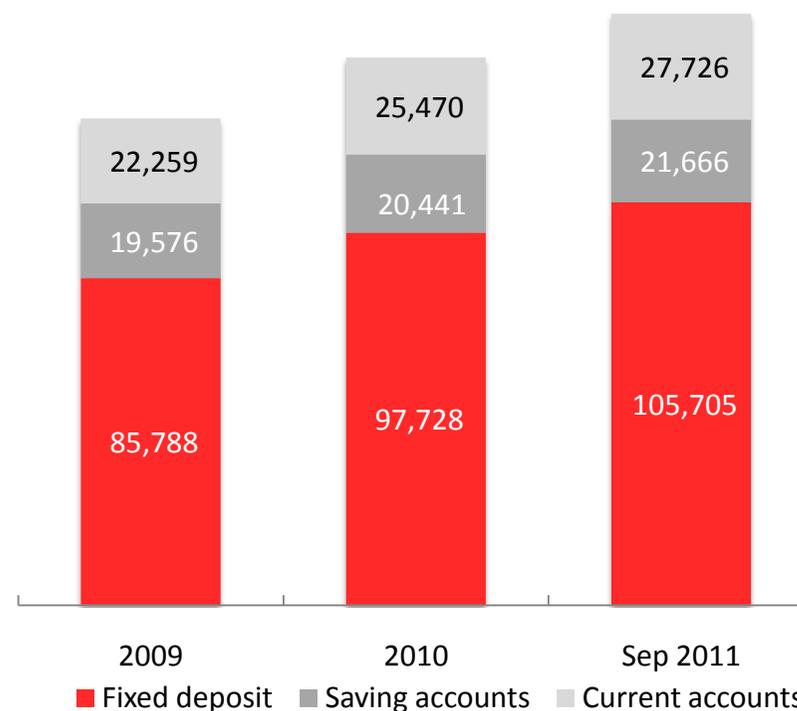
RM' mil



## Source of Core Deposit

RM' mil

Core deposit mainly comprise of fixed deposits, with steady improved contributions from saving and current accounts



Domestic core deposits market share

\* Market share as at August 2011

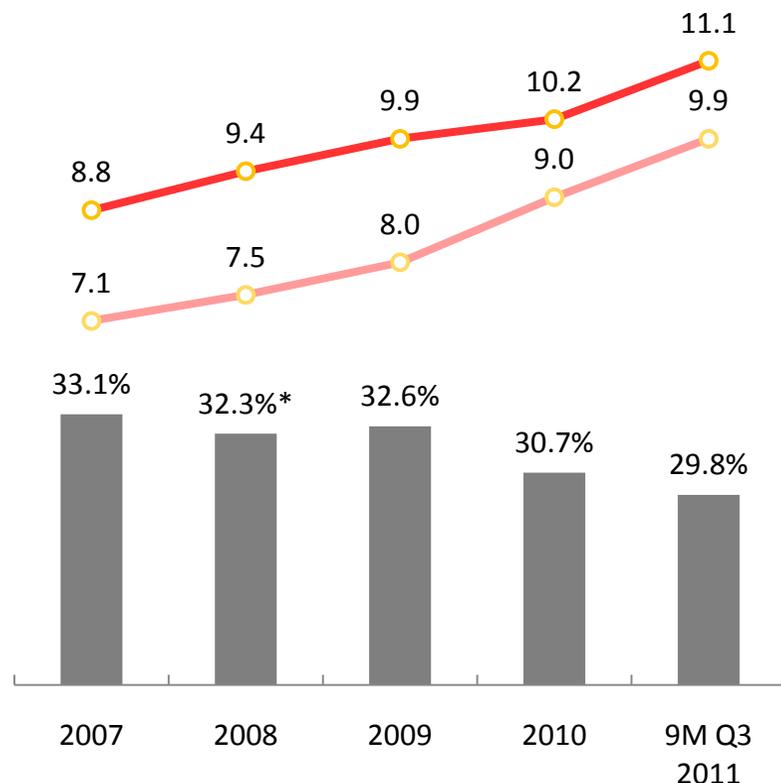


# Continued High Productivity & Cost Efficiency

## Productivity and Cost Efficiency

RM' mil

Improved productivity  
across the various  
indicators

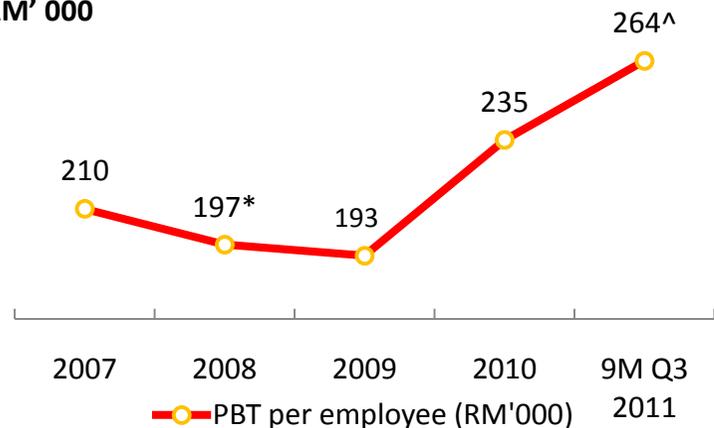


- Cost income ratio (%)
- Gross loan per employee
- Deposit per employee

\* Exclude one-off goodwill income from ING

## PBT per employee

RM' 000



\* Exclude one-off goodwill income from ING

|                                  | Sep 2011    | 2010 | Industry Average |
|----------------------------------|-------------|------|------------------|
| Gross loan per employee (RM mil) | <b>9.9</b>  | 9.0  | 7.3              |
| Deposit per employee (RM mil)    | <b>11.1</b> | 10.2 | 9.5              |
| PBT per employee (RM'000)        | <b>264^</b> | 235  | 189              |
| Cost income Ratio (%)            | <b>29.8</b> | 30.7 | 46.7             |

^ Annualised



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# Retail Operations

| RM'mil  | 9M Q3 2011     | 9M Q3 2010 | Change          |
|---|----------------|------------|-----------------|
| Net Income  | <b>3,162.2</b> | 2,751.9    | <b>↑</b> 14.9%  |
| Operating Expenses                                  | <b>(964.6)</b> | (895.0)    | <b>↑</b> 7.8%   |
| Allowances for impairment of loans and other assets | <b>(213.8)</b> | (242.2)    | <b>↓</b> -11.7% |
| Profit by segment                                   | <b>1,983.8</b> | 1,614.7    | <b>↑</b> 22.9%  |

|                                    | Sep 2011     | Dec 2010 | Change          |
|------------------------------------|--------------|----------|-----------------|
| Gross Loans and Advances (RM' bil) | <b>101.8</b> | 91.3     | <b>↑</b> 11.5%  |
| Customer Deposits (RM' bil)        | <b>129.2</b> | 119.1    | <b>↑</b> 8.4%   |
| Gross Impaired Loans (RM' bil)     | <b>1.1</b>   | 1.3      | <b>↓</b> -14.9% |
| Gross Impaired Loans Ratio         | <b>1.1%</b>  | 1.4%     | <b>↓</b> -0.3%  |

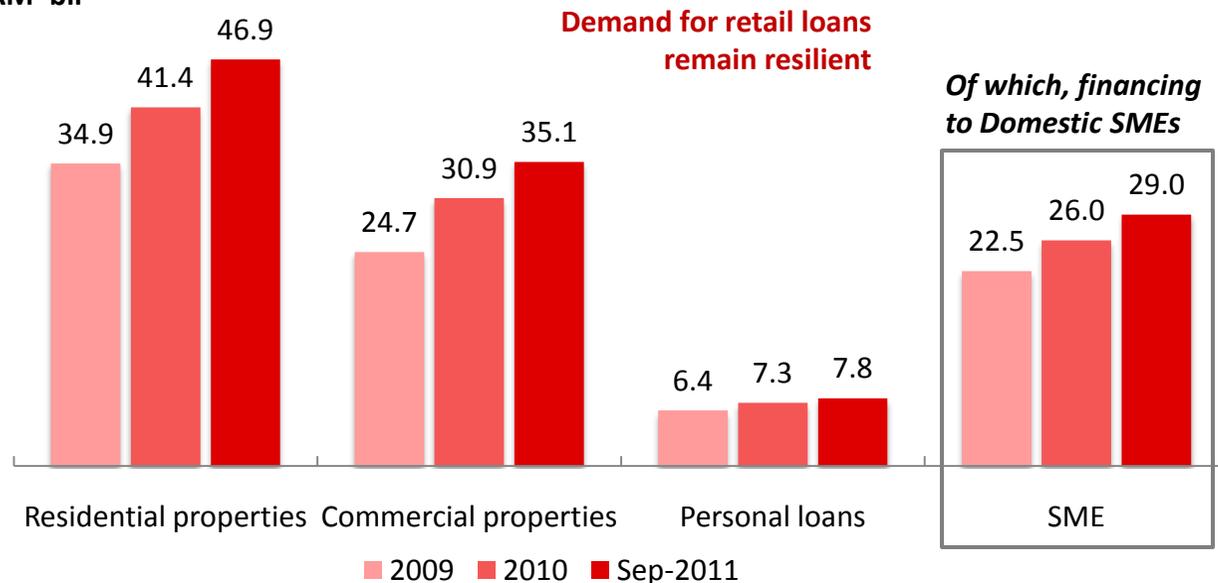
- Improved profit and business performance of the retail operations segment were mainly driven by strong growth in the lending and deposit-taking businesses coupled with higher sales volume from the retail financial services
- Asset quality further improved with gross impaired loans ratio declining to 1.1%



# Retail Operations

## Gross loan & financing in Domestic Operations

RM' bil



## Key Drivers in Domestic Retail Banking & Financing Operations

### Residential properties financing:

- Attractive loan package under the HOME and MORE plans
- Strong sales force and marketing network

### SME:

- Comprehensive SWIFT loan plans and full range of trade financing facilities offered
- Support government initiated financing schemes

### Personal loans:

- Mainly driven by Public Islamic Bank with its Bai'-Al-Einah (BAE) Personal Financing-i offered to staff of government agencies, quasi government corporations, institutions of higher learning and GLCs



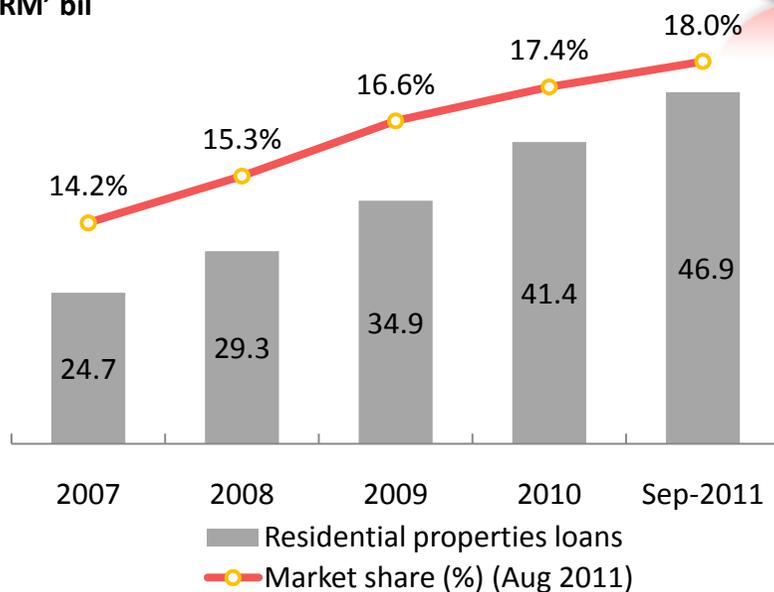
# Retail Operations

## Market Share in Residential Properties

Remained market leader in the residential property financing

**No.1**

RM' bil

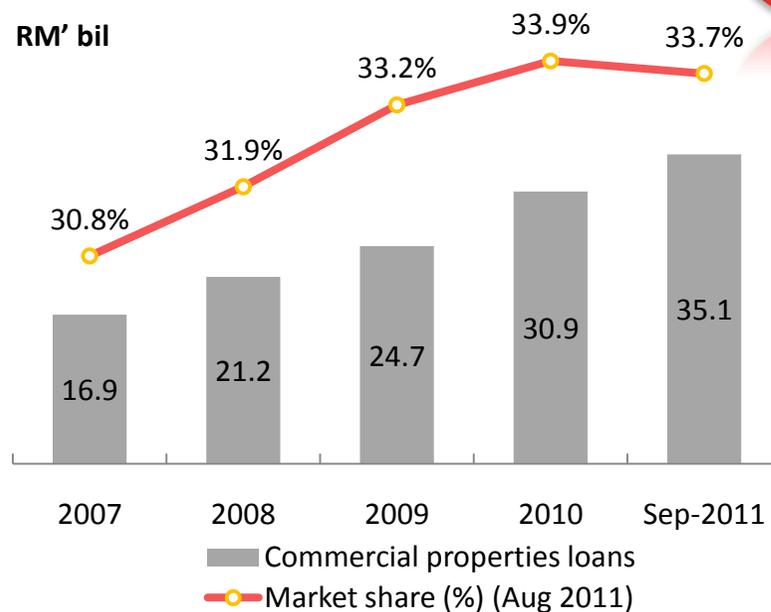


## Market Share in Commercial Properties

Remained market leader in the commercial property financing

**No.1**

RM' bil



# Hire Purchase

| RM'mil  | 9M Q3 2011     | 9M Q3 2010 | Change  |
|---|----------------|------------|---------|
| Net Income  | <b>675.3</b>   | 690.8      | ↓ -2.2% |
| Operating Expenses                                  | <b>(120.0)</b> | (120.9)    | ↓ -0.7% |
| Allowances for impairment of loans and other assets | <b>(99.5)</b>  | (80.0)     | ↑ 24.4% |
| Profit by segment                                   | <b>455.8</b>   | 489.9      | ↓ -7.0% |

- The drop in net income from hire purchase was mainly due to escalated funding costs as a result of the various OPR hikes since March 2010
- Asset quality remained stable as reflected by the stable impaired loan ratio at 0.5%
- However, credit charge to P&L increased mainly due to higher collective allowance (1.5%) set aside in line with the higher loan growth during the period

|                                    | Sep 2011    | Dec 2010 | Change  |
|------------------------------------|-------------|----------|---------|
| Gross Loans and Advances (RM' bil) | <b>36.2</b> | 33.6     | ↑ 7.9%  |
| Gross Impaired Loans (RM' bil)     | <b>0.2</b>  | 0.2      | ↑ 16.1% |
| Gross Impaired Loans Ratio         | <b>0.5%</b> | 0.5%     | → -     |

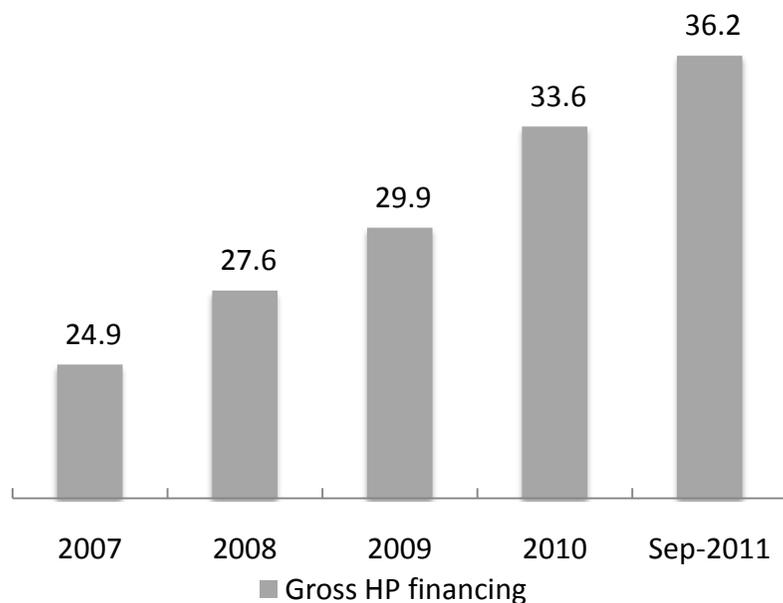


# Hire Purchase

## HP Financing in Domestic Operations

RM' bil

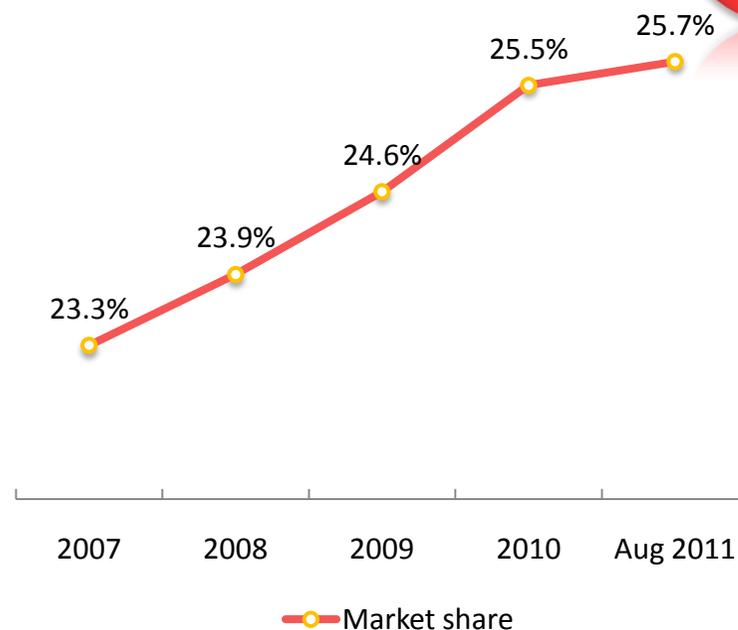
Steady growth in HP financing



## Market Share in Passenger Vehicle Financing

Remained market leader in the passenger vehicle financing

No.1



## Key Drivers in Domestic Hire Purchase Financing

- Improvement in overall vehicle sales
- Better customer service delivery through the 27 Hire Purchase centres in key locations nationwide and continuous improvement in credit processing turnaround time
- Experienced and dedicated HP centre staff force

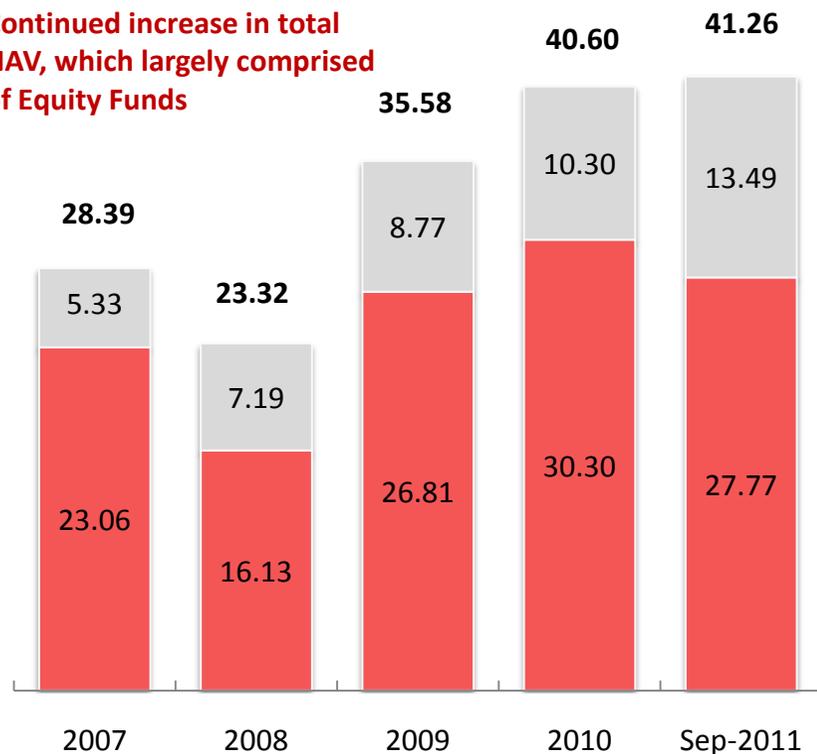


# Wealth Management

## Net Asset Value of Funds under management

RM' bil

Continued increase in total NAV, which largely comprised of Equity Funds

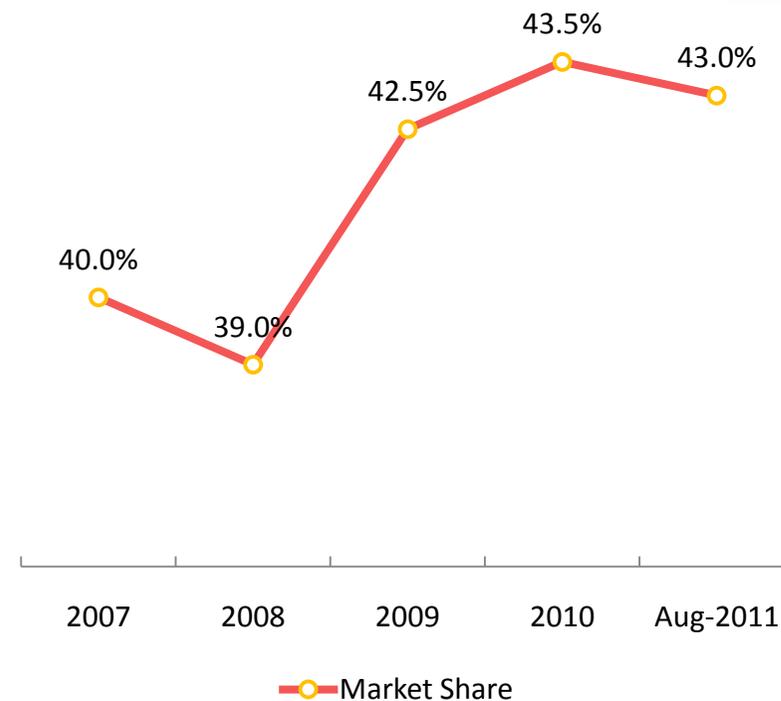


- Net Asset Value - Equity Funds
- Net Asset Value - Other Funds

## Market Share in Private Unit Trust Industry

Public Mutual continues to maintain its market leadership

No.1

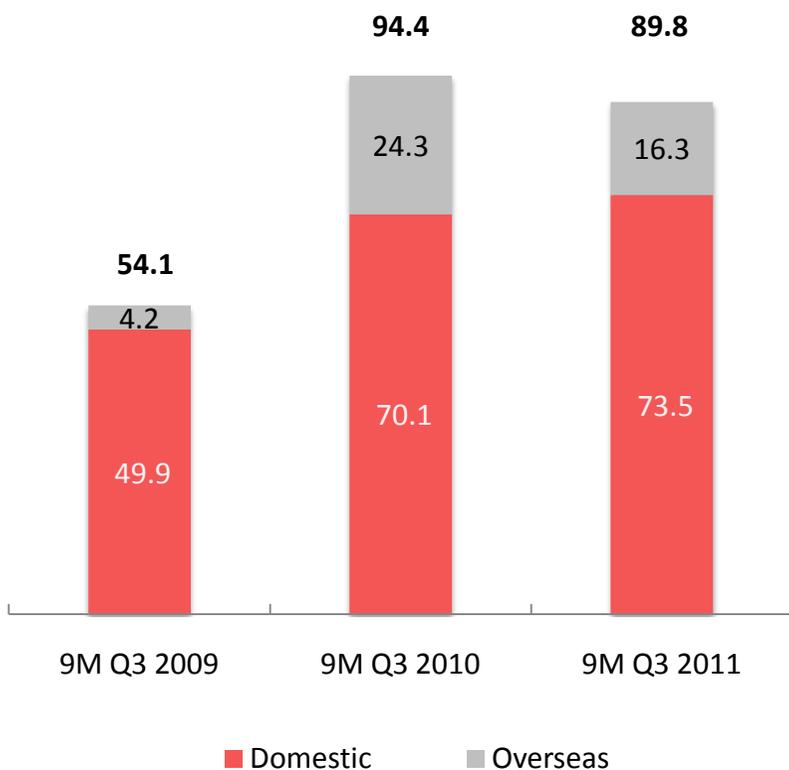


# Wealth Management

## Bancassurance Business Performance

RM' mil

Sales of Bancassurance products as measured by Annual Premium Equivalent



- Continue to focus on building infrastructures and business volumes
- Driven by single premium investment linked insurance, regular premium unit linked insurance and credit-related insurance product
- Launched a total of 10 new products during the 9-month period
- Continued to build its bancassurance sales force

|                                | 2009       | 2010       | Sep 2011   |
|--------------------------------|------------|------------|------------|
| Bancassurance Sales Executives | 265        | 250        | 243        |
| Personal Financial Executives  | 213        | 272        | 230        |
| <b>Total</b>                   | <b>478</b> | <b>522</b> | <b>473</b> |



# Investor Presentation

Executive Summary

Financial Performance

Growth Performance

Business Performance

**Other Highlights**



# Capital Management

| RM'mil  | Group*           |           |        | Bank*            |           |        |
|---|------------------|-----------|--------|------------------|-----------|--------|
|   | Sep 2011         | Dec 2010  | Change | Sep 2011         | Dec 2010  | Change |
| Tier I Capital                                | <b>14,983.3</b>  | 14,118.5  | 6.1%   | <b>15,214.7</b>  | 14,385.2  | 5.8%   |
| Tier II Capital                               | <b>8,543.8</b>   | 5,266.8   | 62.2%  | <b>8,134.8</b>   | 4,921.3   | 65.3%  |
| Deduct: Inv in subs/asso and other deductions | <b>(48.2)</b>    | (48.4)    | -0.4%  | <b>(3,834.5)</b> | (3,834.7) | -0.01% |
| Total Capital Base                            | <b>23,478.9</b>  | 19,336.9  | 21.4%  | <b>19,515.0</b>  | 15,471.8  | 26.1%  |
| Risk-Weighted Assets                          | <b>157,393.5</b> | 141,096.5 | 11.6%  | <b>129,050.4</b> | 116,319.3 | 10.9%  |
| RWCR (%)                                      | <b>14.9</b>      | 13.7      | 1.2%   | <b>15.1</b>      | 13.3      | 1.8%   |
| Tier-I Capital Ratio (%)                      | <b>9.5</b>       | 10.0      | -0.5%  | <b>11.8</b>      | 12.4      | -0.6%  |

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

## 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 business



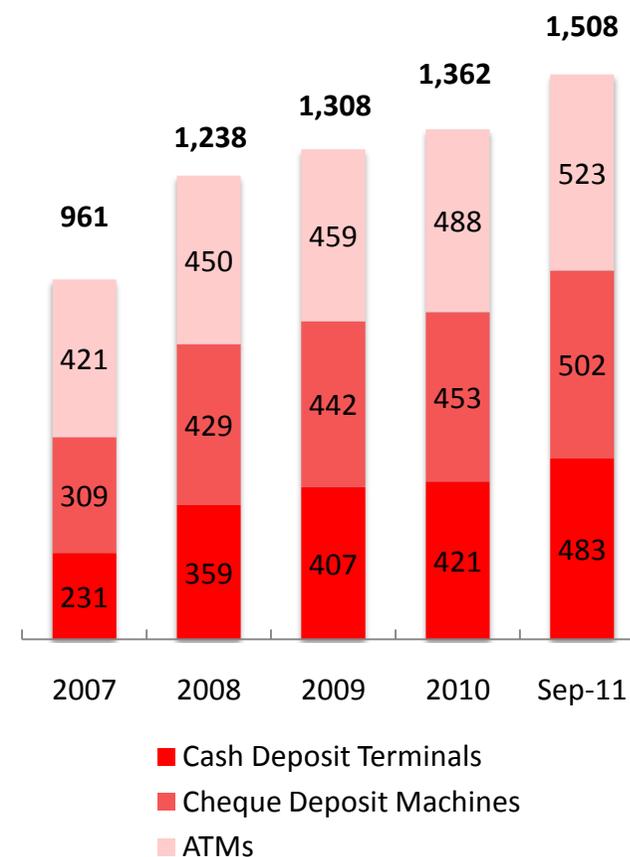
# Expansion in Business Delivery Channel

## Branch Network - Group

|   | Sep 2011   | Dec 2010   | Dec 2006   |
|---|------------|------------|------------|
| <b>Malaysian Operations</b>             |            |            |            |
| Public Bank - Domestic                  | <b>251</b> | 249        | 240        |
| - Overseas                              | <b>4</b>   | 4          | 3          |
| Public Islamic Bank                     | <b>1</b>   | 1          | -          |
| Public Mutual                           | <b>28</b>  | 26         | 25         |
| Public Investment Bank                  | <b>1</b>   | 1          | 1          |
| <b>Hong Kong &amp; China Operations</b> |            |            |            |
| Public Finance                          | <b>42</b>  | 42         | 40         |
| Public Bank (HK) - Hong Kong            | <b>32</b>  | 30         | 15         |
| - China                                 | <b>3</b>   | 3          | 1          |
| Winton (B.V.I) Group                    | <b>9</b>   | 9          | 2          |
| <b>Indo-China Operations</b>            |            |            |            |
| Cambodia Public Bank                    | <b>21</b>  | 21         | 5          |
| VID Public Bank (Vietnam)               | <b>7</b>   | 7          | 6          |
|   | <b>399</b> | <b>393</b> | <b>338</b> |

## Business Delivery Channel

Continuous investments in domestic self service terminals



# Our Business Growth Strategies

**Continue in Achieving Organic Growth While Sustaining Our Premier Status in the Local Banking Industry**

**Core business focus: Consumer Lending & Lending to SMEs**

## Lending Business

- Consumer lending to focus on purchases of properties and passenger vehicles
- Penetrate mid-market SMEs & micro enterprises in encourage 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





## Investor Relations

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