



PUBLIC BANK
پبلیک بینک

Investor Presentation

December 2011 Results Update

www.publicbank.com.my



Investor Presentation

Executive Summary

Financial Performance

Growth Performance

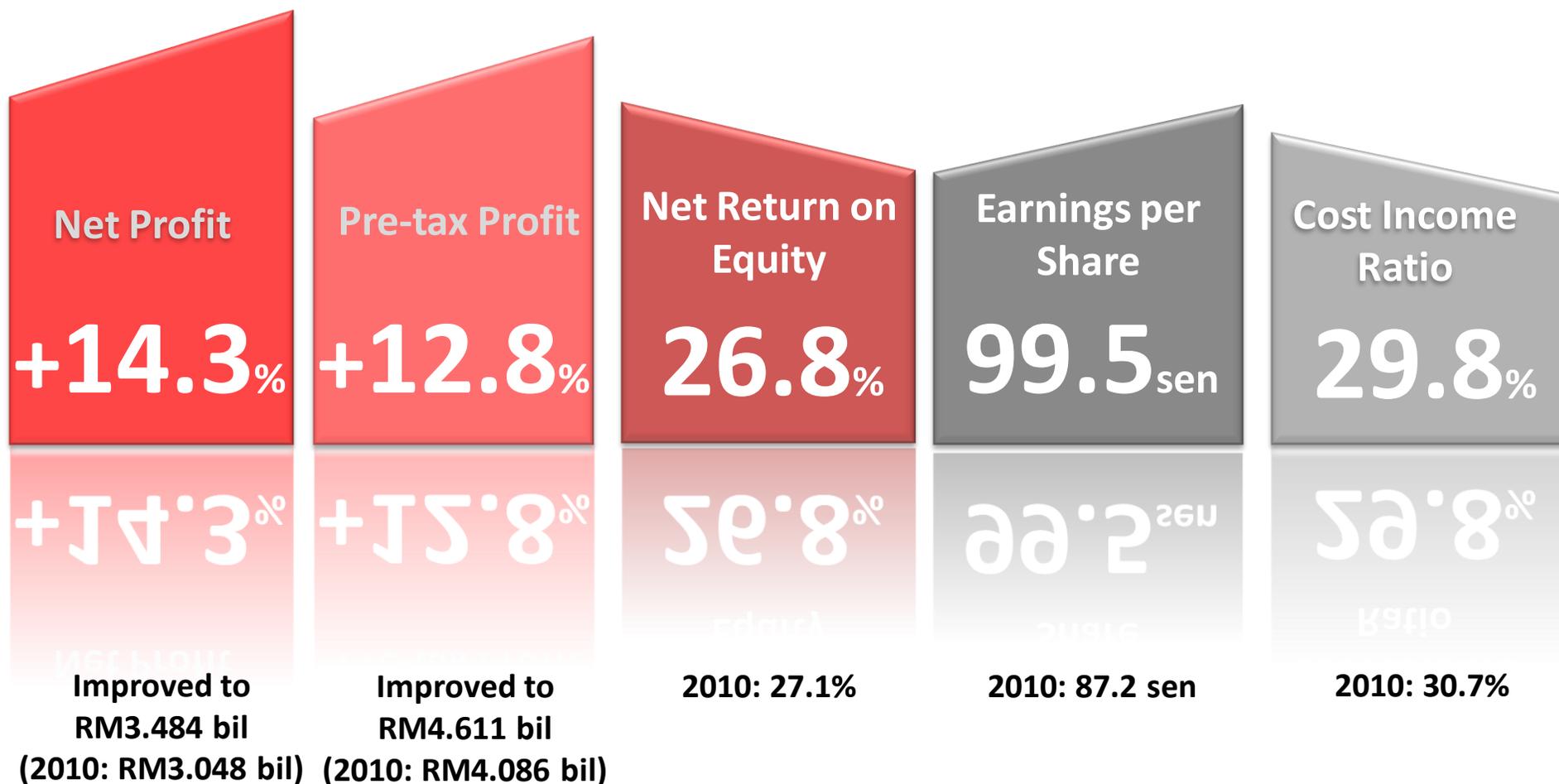
Business Performance

Capital Management

Other Highlights

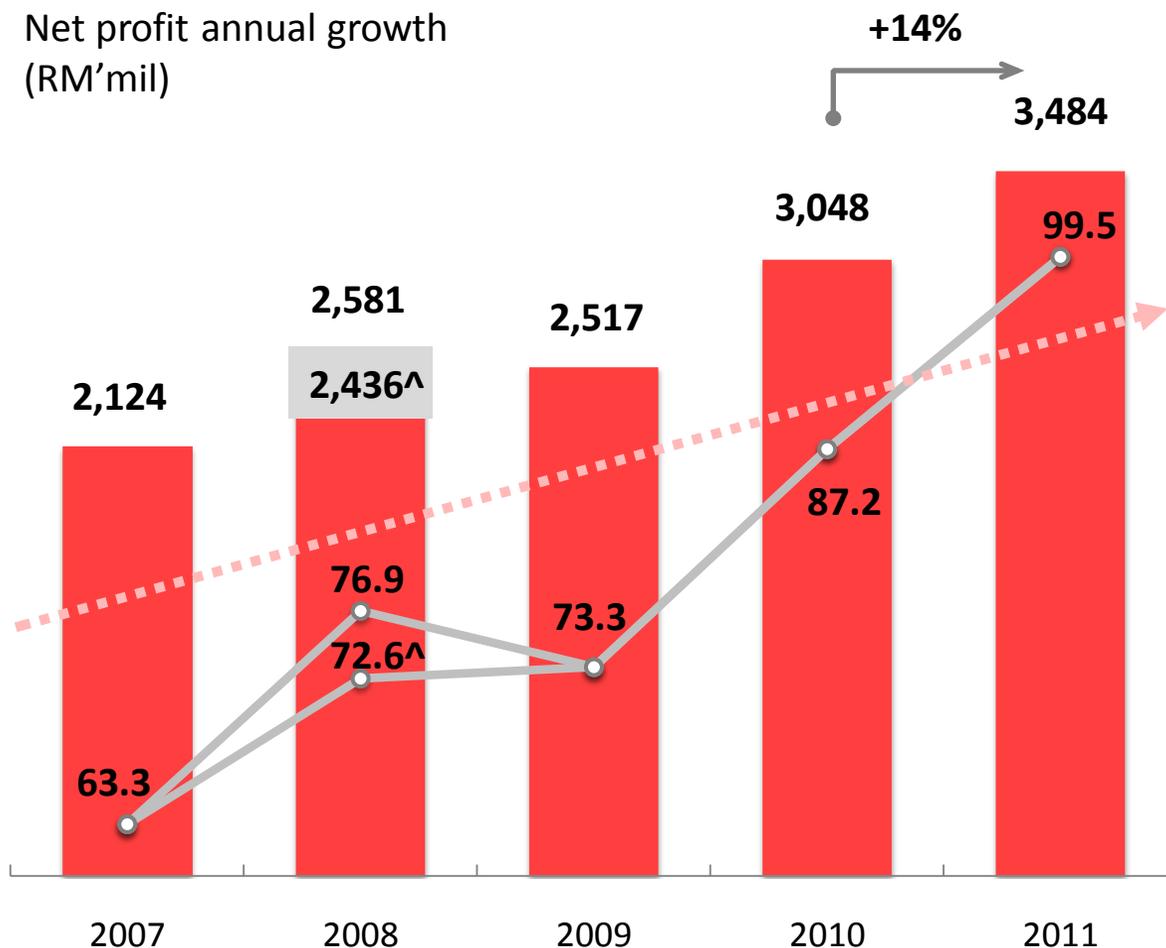


Performance overview – Sustainable profit growth



Performance overview – Strong net profit growth

Net profit annual growth
(RM'mil)



Past 5 years average growth

- Net profit : 13.6%
- EPS : 12.5%

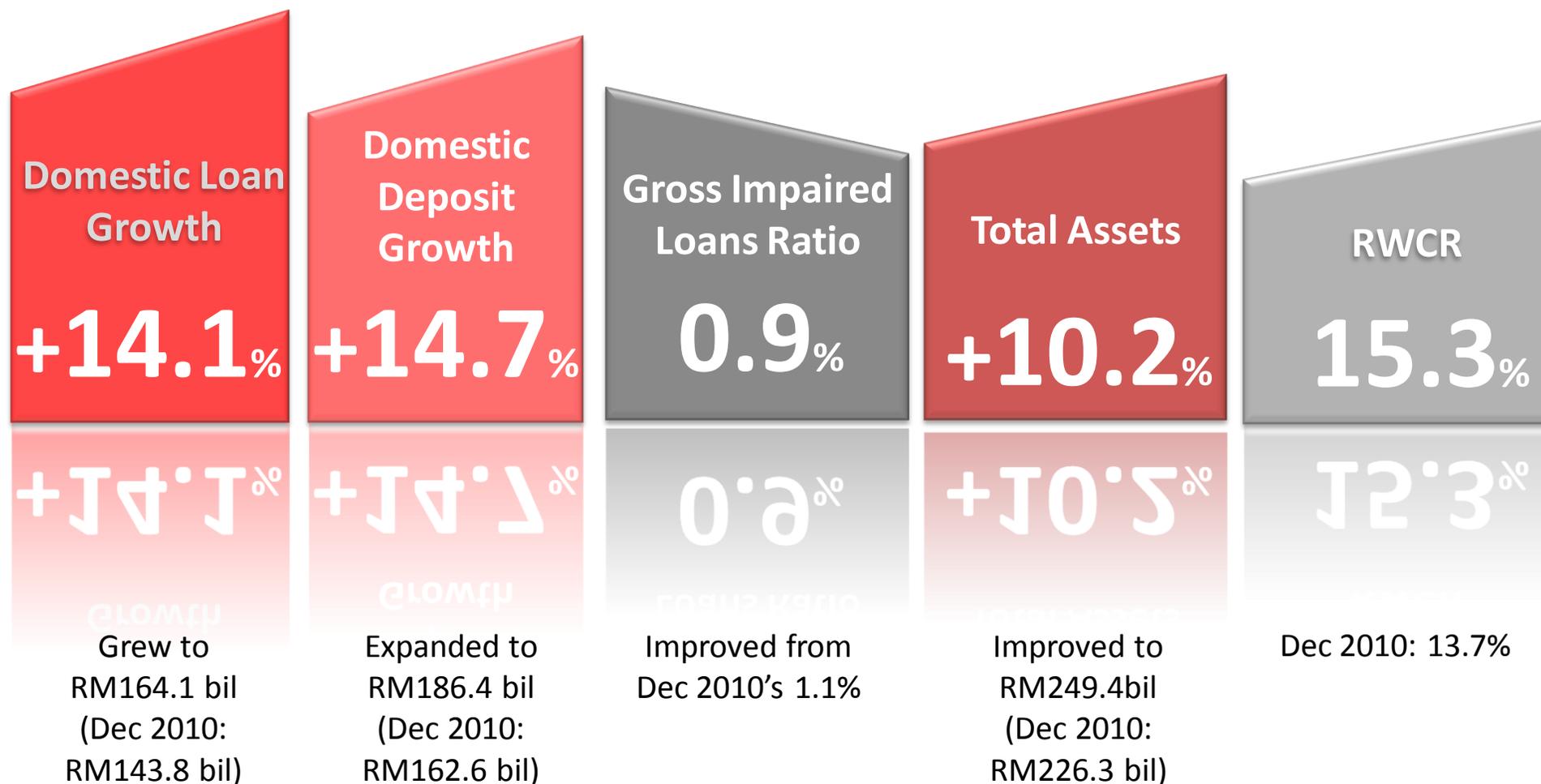
■ [^] Exclude one-off goodwill income from ING

■ Net profit

○ EPS (sen)

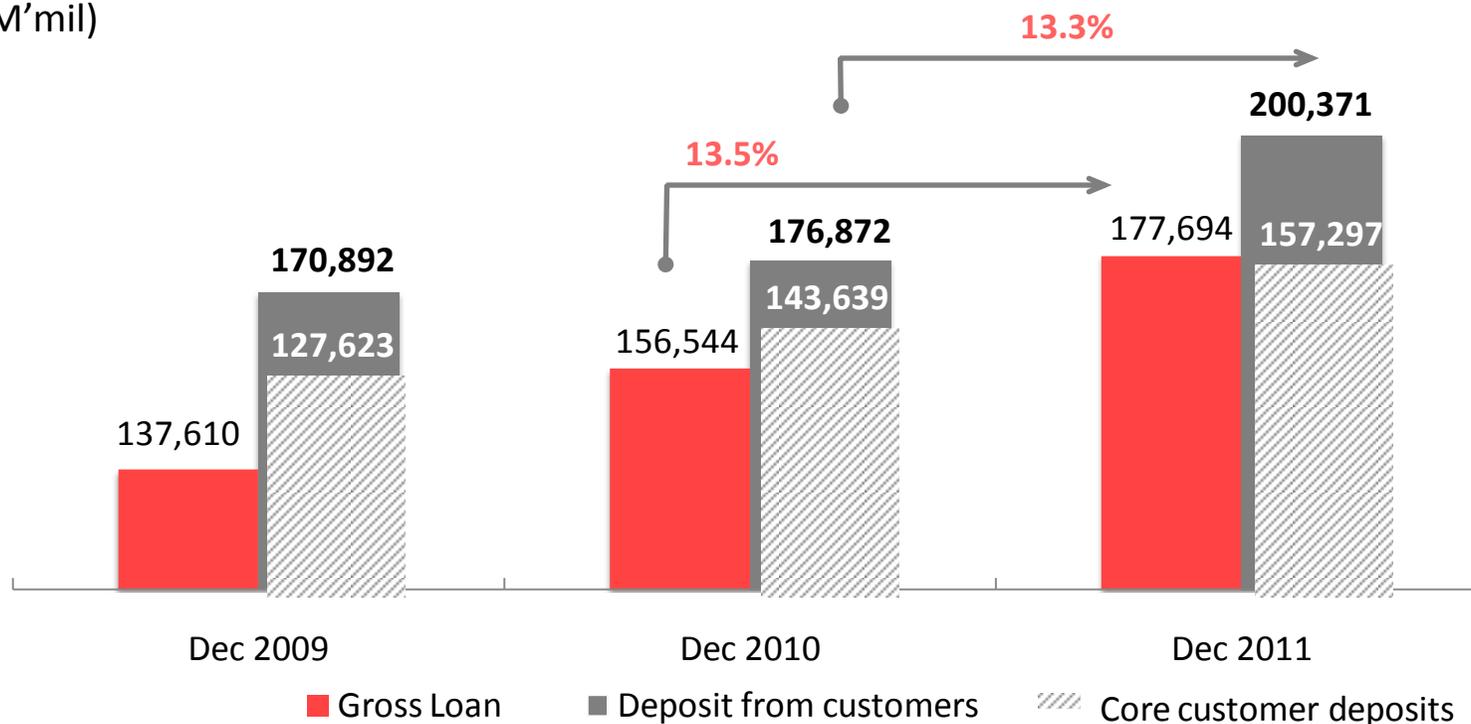


Performance overview – From a position of strength



Performance overview – Sustainable loan and deposit growths

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

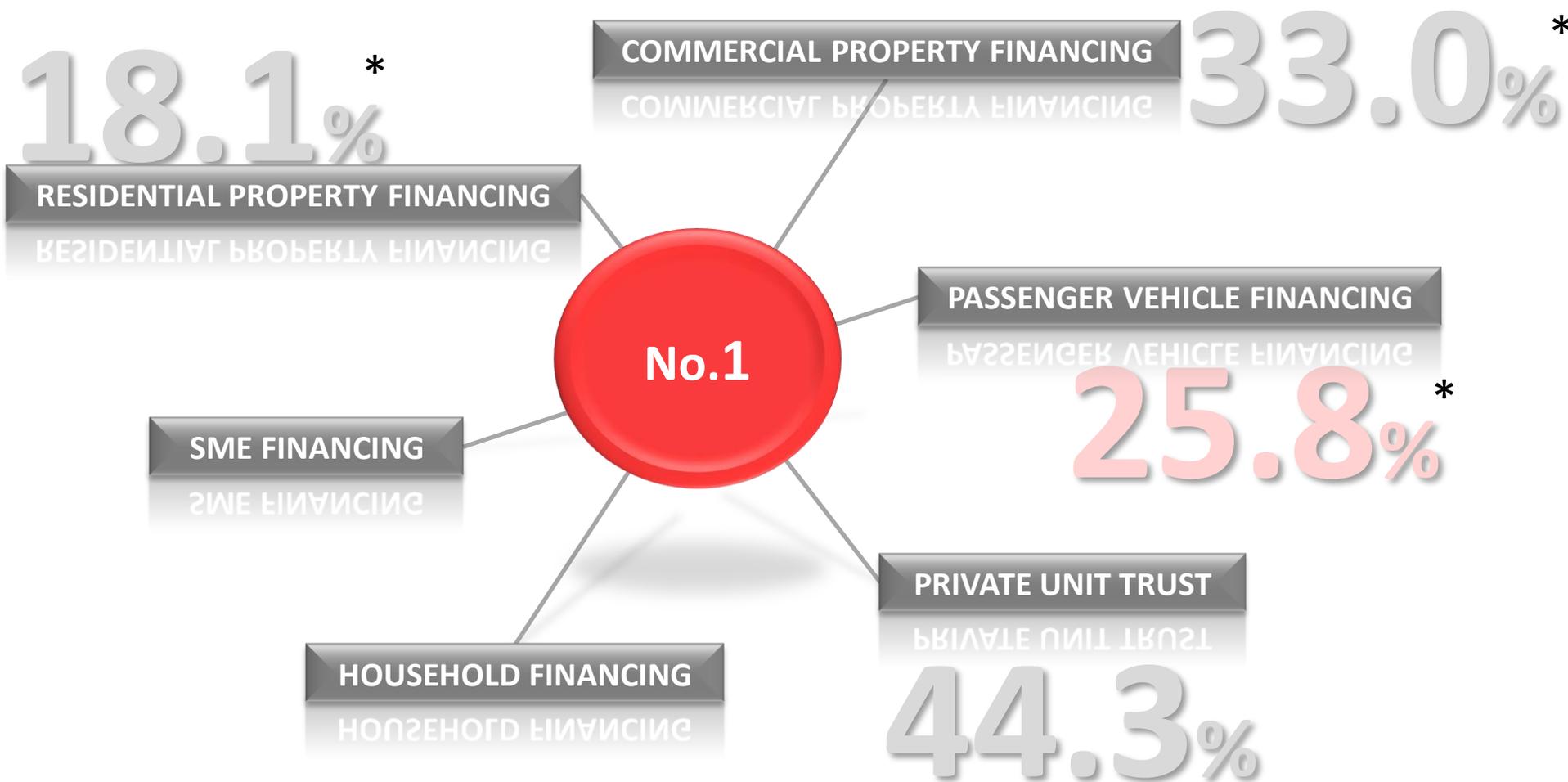


	Dec 2009	Dec 2010	Dec 2011
Gross loan growth	14.4%	13.8%	13.5%
Customer deposit growth	13.0%	3.5%	13.3%
Core customer deposit growth	14.8%	12.5%	9.5%



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 November 2011

December 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 (%)	33.7	16.5
Pre-tax return on average assets (%)	1.9	1.5
Cost to income ratio (%)	29.8	46.7
Pre-tax profit per employee (RM'000)	263	189
Gross loans per employee (RM'mil)	10.1	7.3
Deposits per employee (RM'mil)	11.4	9.5
Gross impaired loans ratio (%)	0.9	2.7
Loan loss coverage (%)	188.9	96.3



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Earnings Performance

RM'mil	Q4 2011	Q4 2010	Change	2011	2010	Change
Net interest & Islamic Banking income	1,483.0	1,404.5	5.6%	5,843.3	5,378.7	8.6%
Non-interest income	399.0	391.0	2.0%	1,565.3	1,459.8	7.2%
Operating expenses	561.4	525.8	6.8%	2,208.7	2,100.2	5.2%
Operating profit	1,320.6	1,269.7	4.0%	5,199.9	4,738.3	9.7%
Loan impairment allowances	154.7	142.8	8.3%	594.1	659.6	-9.9%
Pre-tax profit	1,163.3	1,130.3	2.9%	4,610.6	4,086.2	12.8%
Net profit	877.0	846.2	3.6%	3,483.8	3,048.2	14.3%

Income:

- Healthy growth in net interest and Islamic Banking income and non-interest income despite challenging operating environment

Expenses:

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

Allowance:

- Lower loan impairment allowances in 2011 despite healthy loan growth



Earnings Performance

RM'mil	Q4 2011	Q4 2010	Change	2011	2010	Change
Earnings per share (sen)	25.0	24.2	3.3%	99.5	87.2	14.1%
Net return on equity*	25.2%	27.9%	-2.7%	26.8%	27.1%	-0.3%
Pre-tax return on average assets	1.9%	2.0%	-0.1%	1.9%	1.8%	0.1%
Net interest margin on yielding assets**	3.3%	3.3%	-	3.3%	3.4%	-0.1%
Non interest income/Total net income	21.2%	21.8%	-0.6%	21.1%	21.3%	-0.2%
Cost to income ratio	29.8%	29.3%	0.5%	29.8%	30.7%	-0.9%
Overheads over average assets	0.9%	0.9%	-	0.9%	0.9%	-

* 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: Q4 key earning indicators, excluding EPS, have been annualised for comparison purposes.



Pre-tax Profit by Business Segment

RM'mil	2011	2010	Change
Retail operations	2,695.2	2,293.4	 17.5%
Hire purchase	629.1	665.6	 -5.5%
Corporate lending	266.2	228.9	 16.3%
Treasury & capital market operations	195.7	163.1	 20.0%
Fund management	321.9	273.8	 17.5%
Overseas operations	296.5	311.5	 -4.8%
<i>Of which</i>			
<i>: Public Financial Holdings</i>	183.9	222.5	 -17.4%
<i>: Cambodian Public Bank</i>	88.9	60.6	 46.6%
Investment banking	51.2	50.2	 2.0%
Others*	154.8	99.7	 55.3%
Total	4,610.6	4,086.2	 12.8%

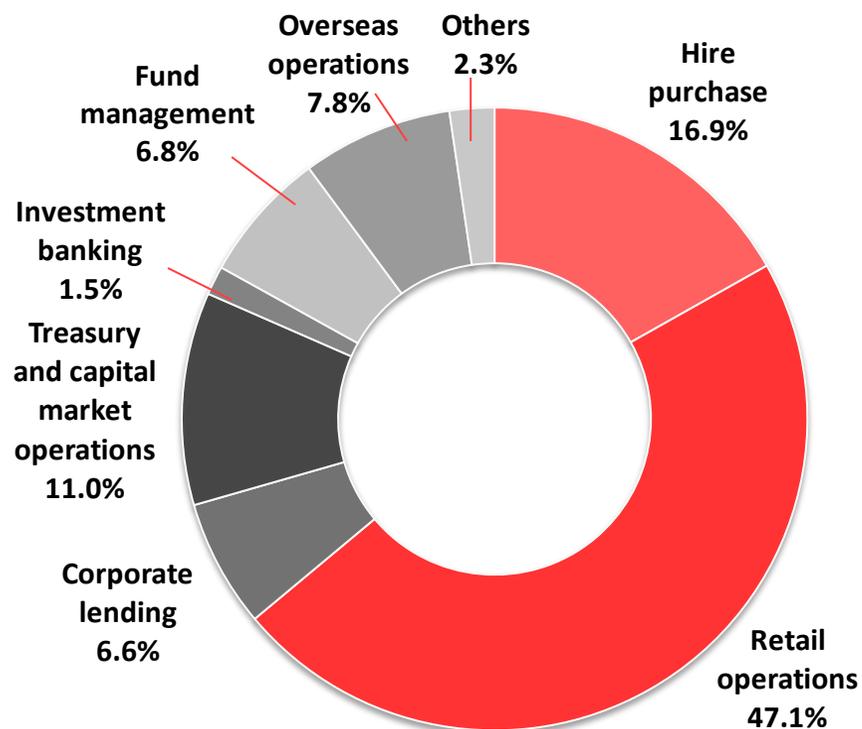
- Others comprise mainly of domestic head office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies.

- Strong double digit growth in retail operations, contributing 58% of the Group's pre-tax profit
- HP segment reported decline in profit by 5.5% due to higher cost of fund resulting from the various OPR hikes in 2010 & 2011
- Healthy volume growth contributed to improved performance in most business segments
- Pre-tax profit contribution of Hong Kong operations decreased by 17.4%. Excluding the negative impact of the foreign exchange movement, the decrease would be 13.3% mainly due to decline in net interest margin and challenging operating environment

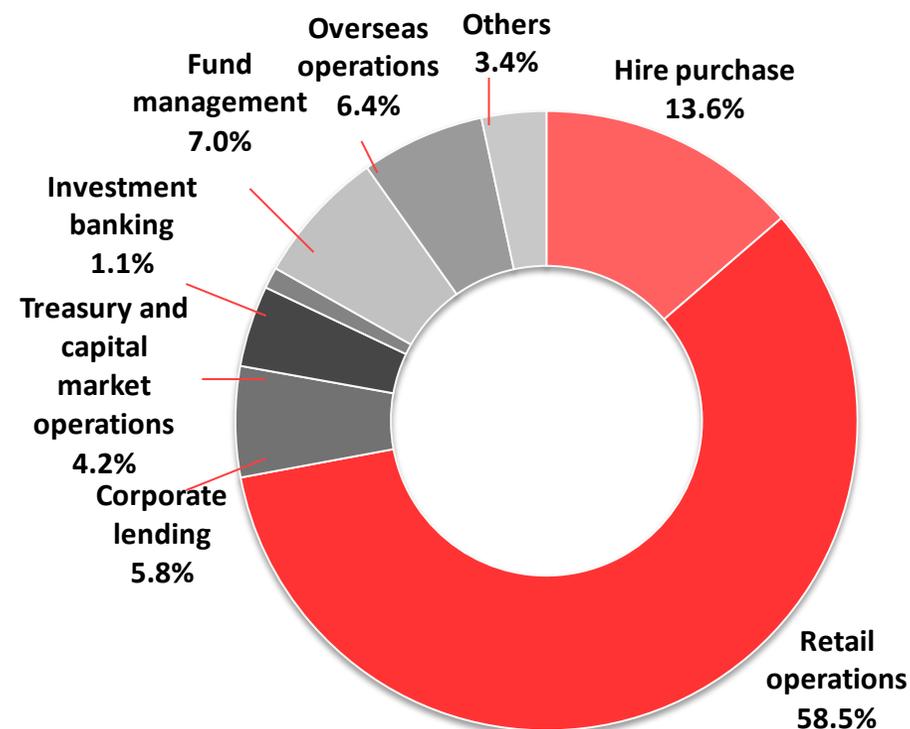


Contribution to Revenue & Pre-tax Profit – by Business

Revenue Contribution



Pre-tax Profit Contribution



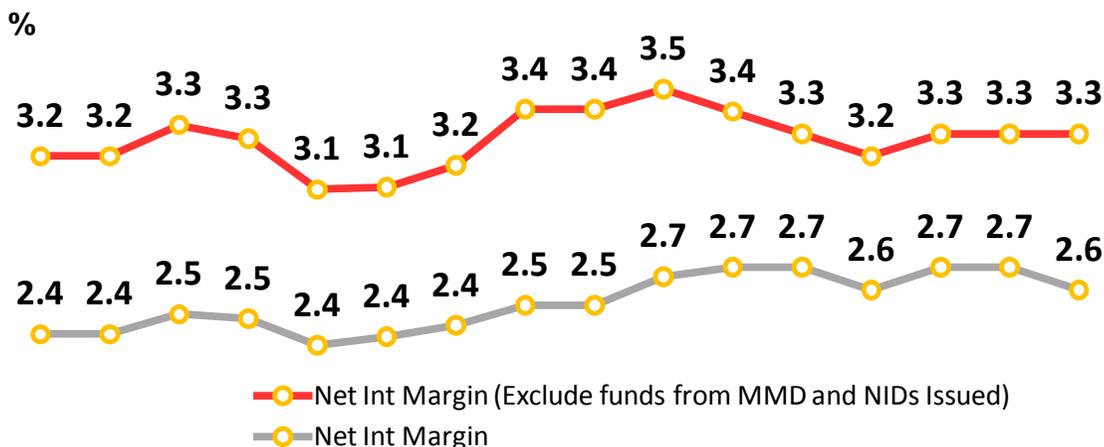
Based on financial results as of 31 December 2011

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

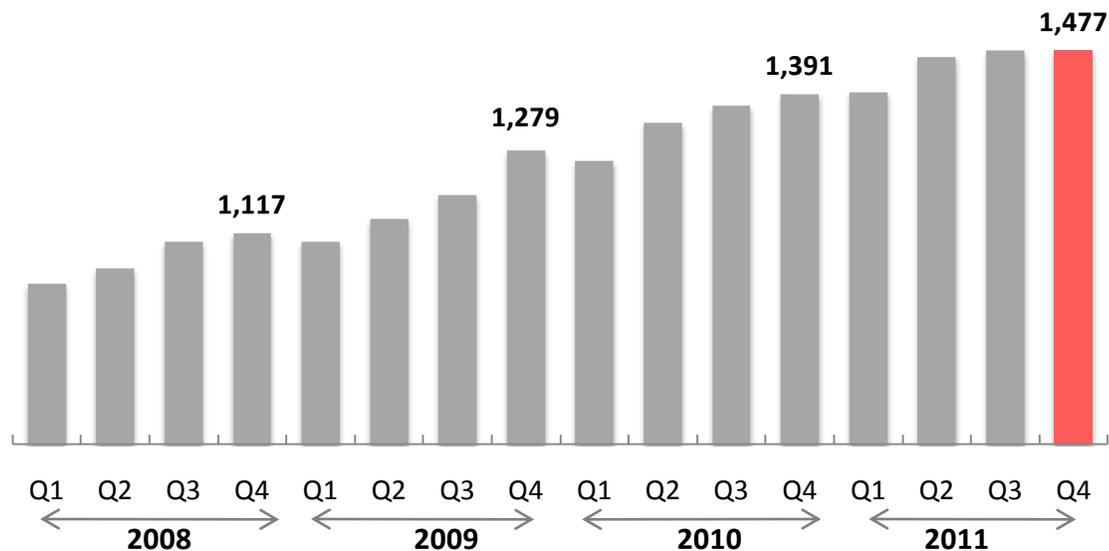


Interest Income & Margins - Stable and sustainable growth

Net Interest Income and margin



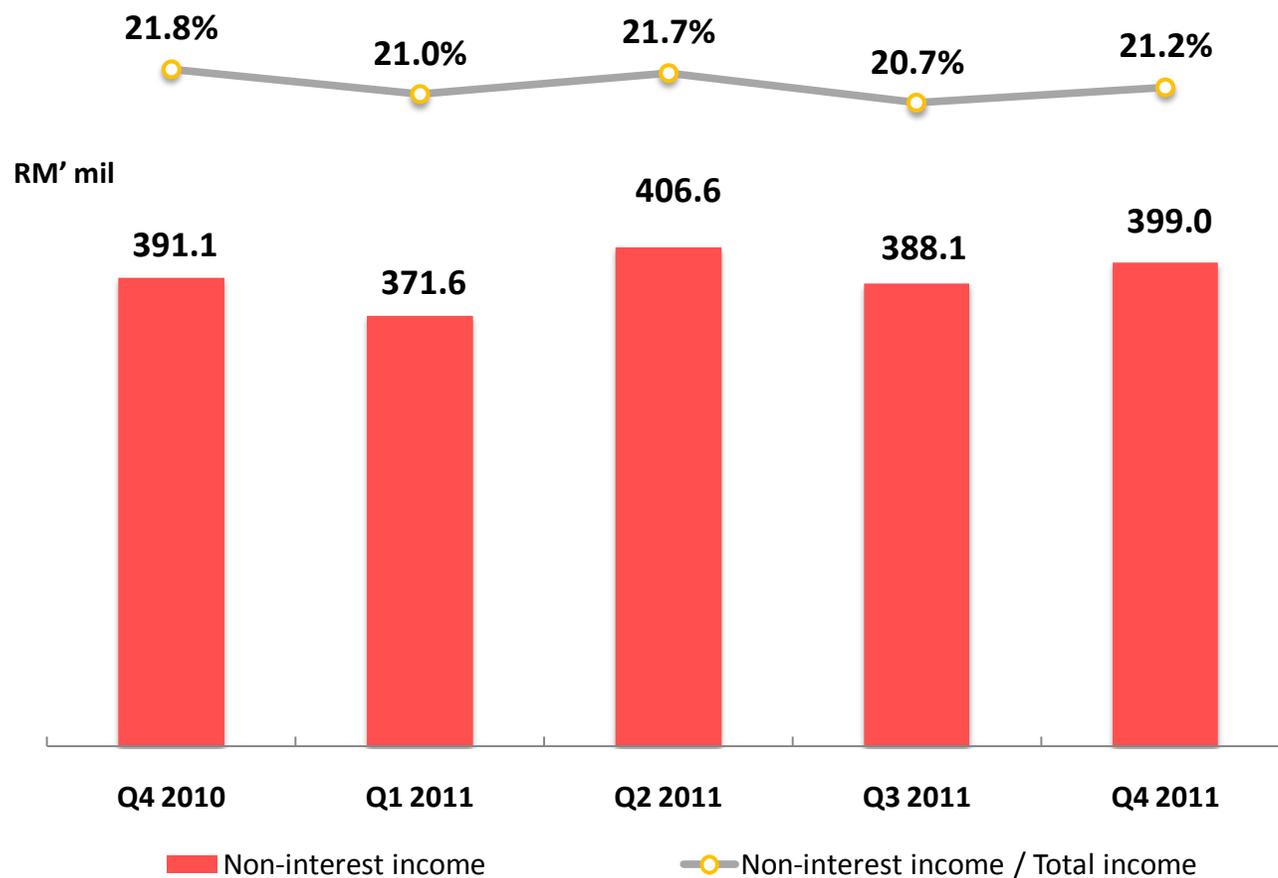
RM' mil



- 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

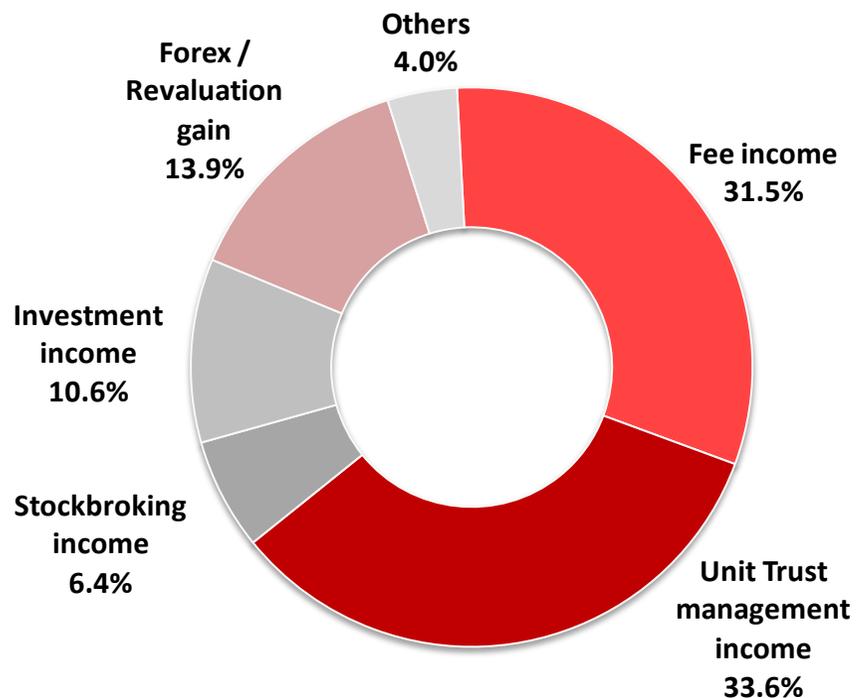


Non-Interest Income to Total Income



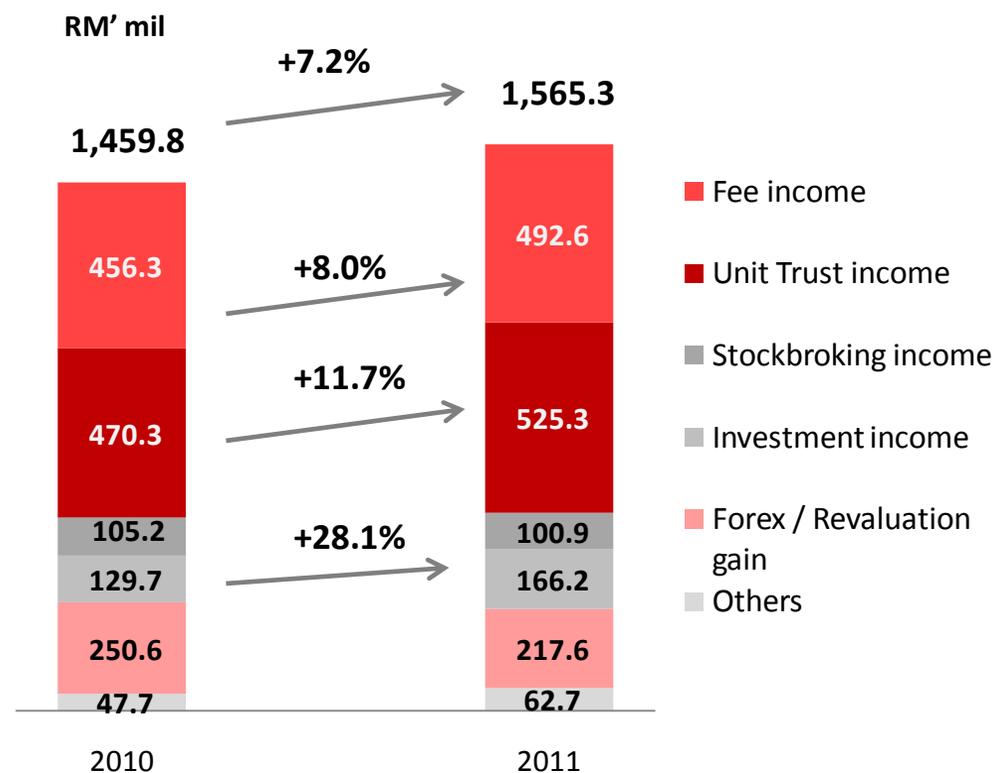
Non-Interest Income Contribution & Growth Traction

Non-Interest Income Contribution



Based on financial results as of 31 December 2011

12-month growth

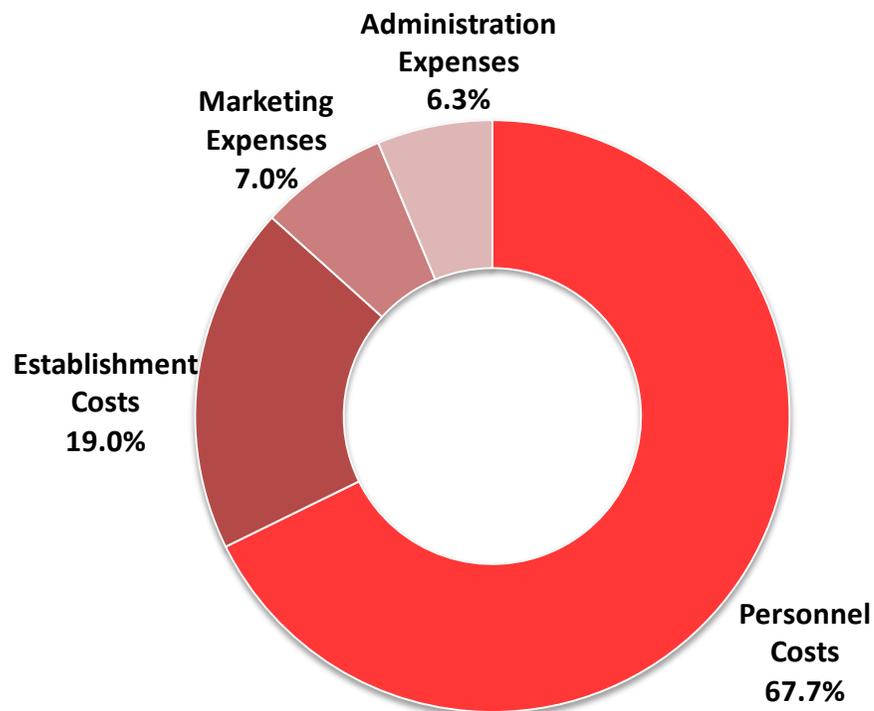


- Non-interest income growth in 2011 was mainly contributed by the Group's banking fee income, unit trust and investment income



Efficient Operating Overheads

Operating Costs Contribution



Based on financial result as of 31 December 2011

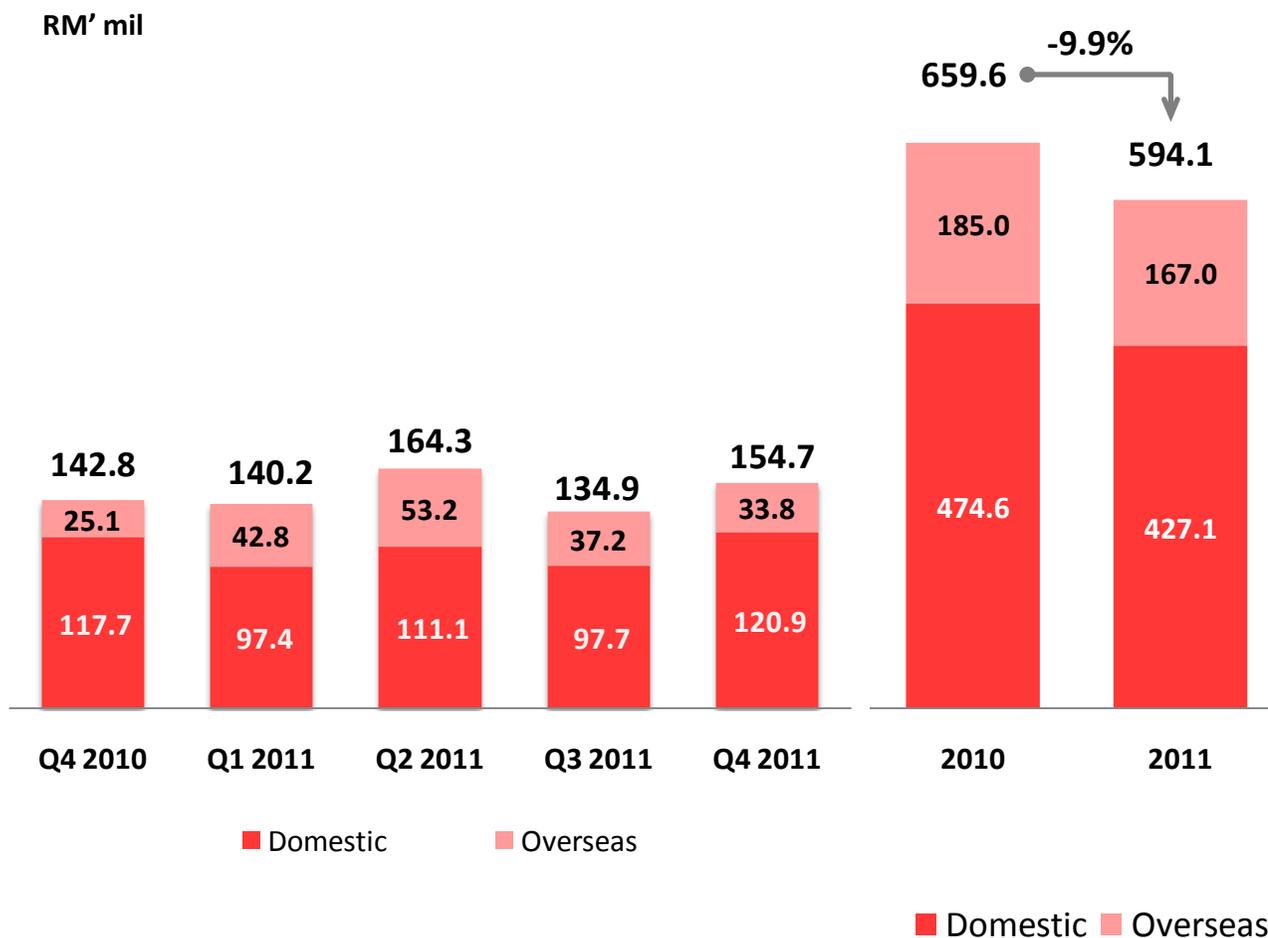
RM'mil	2011	2010	Change
Personnel Costs	1,495.8	1,392.6	↑ 7.4%
Establishment Costs	419.1	396.3	↑ 5.8%
Marketing Expenses	155.3	159.8	↓ -2.8%
Administration Expenses	138.5	151.5	↓ -8.6%
Total	2,208.7	2,100.2	↑ 5.2%

- Personnel costs remain the main operating cost as the Group continue to invest in its people
- Lower increase in operating expenses of 5.2% vs. income growth of 8.3%, reflecting improved productivity



Improving Loan Loss Allowances

Loan Impairment Allowances (including collective allowance)



- Loan impairment allowances reduced by 9.9% in 2011 despite a healthy loan growth of 13.5% during the year
- Loan impairment allowances for both domestic & overseas operating shown an improvement in 2011
- The higher loan impairment allowances in Q4 2011 as compared to Q3 2011 was due to certain major non-recurring recoveries in the previous quarter



Dividends

Declare second interim single tier dividend of 28% (28 sen per share)

	Dividend per share(net)		
	2011 (sen)	2010 (sen)	Change (sen)
First interim	20.00	18.75	↑ 1.25
Second interim	28.00	26.75	↑ 1.25
Total	48.00	45.50	↑ 2.50

Total dividend payout:

- **RM1.68 billion**
- 48.3% of the Group's net profit



Dividend Track Record

- Paid dividends annually since 1970

Net Dividend
per share
(sen)

87.4%

84.8%

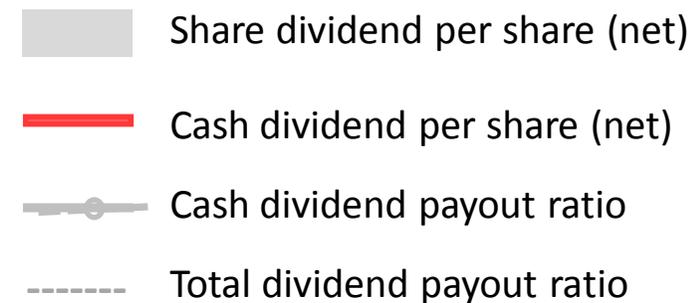
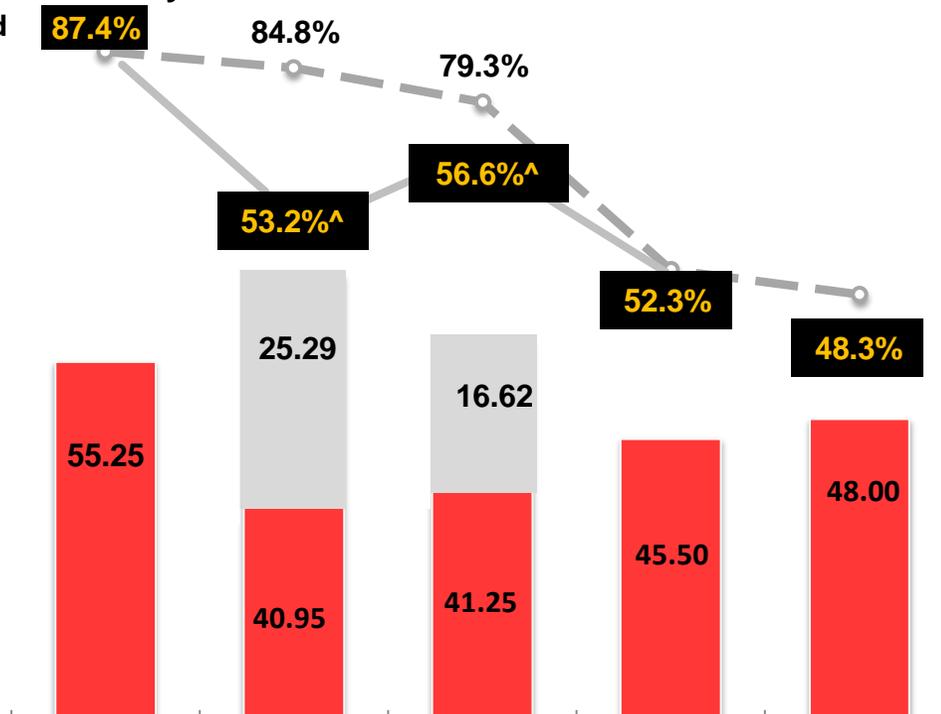
79.3%

56.6%^

53.2%^

52.3%

48.3%



2007

2008

2009

2010

2011

Net dividend yield	5.0%	7.5%*	5.1%*	3.5%	3.6%
- Cash Dividend	5.0%	4.6%	3.7%	3.5%	3.6%
- Share Dividend	-	2.9%	1.4%	-	-

[^] Dividend payout based on cash dividends

* Including share dividend



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Robust Financial Position

	RM' bil	Dec 2011	Dec 2010	Change
Total assets		249.4	226.3	↑ 10.2%
Gross loans and advances		177.7	156.5	↑ 13.5%
<i>Of which:</i>				
Domestic loans and advances		164.1	143.8	↑ 14.1%
Overseas loans and advances		13.6	12.7	↑ 7.0%
Deposits from customers		200.4	176.9	↑ 13.3%
<i>Of which:</i>				
Domestic customer deposits		186.4	162.6	↑ 14.7%
Shareholders' funds		14.9	13.0	↑ 14.1%
Net assets per share (RM)		4.24	3.72	↑ 14.0%
Net loans to deposits (LD) ratio (%)		87.2	87.1	↑ 0.1%

Assets:

- Assets expansion driven by healthy loan and deposit growth

Loan:

- Domestic loan growth is stronger at 14.1% for 2011
- Overseas loans see a lower increase of 7.0% to RM13.6 billion

Deposit:

- Deposit growth of 13.3%, supported by the strong domestic customer deposit growth of 14.7%

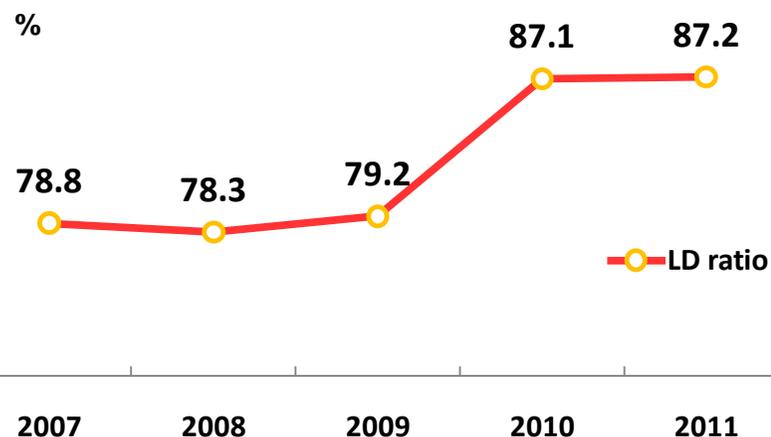
Equity:

- Shareholders' fund increased to RM14.9 billion



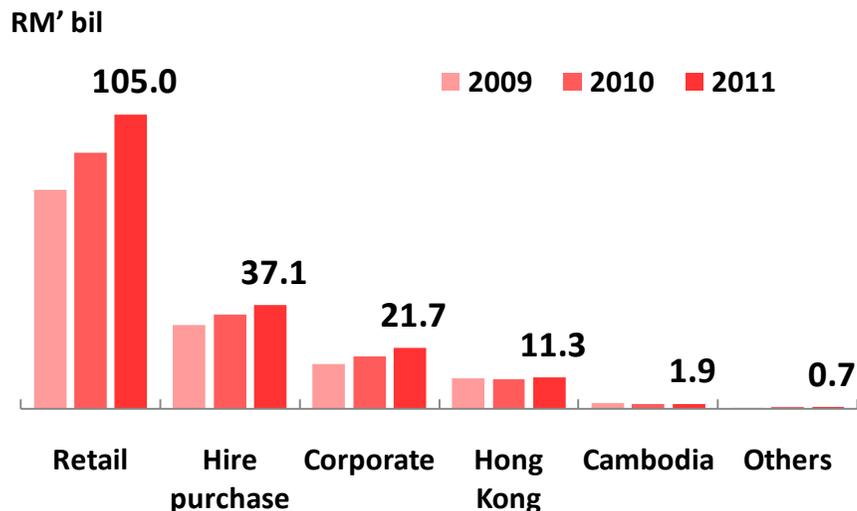
Strong Liquidity With Healthy Loan/Deposit Ratio

Net Loan Deposit Ratio

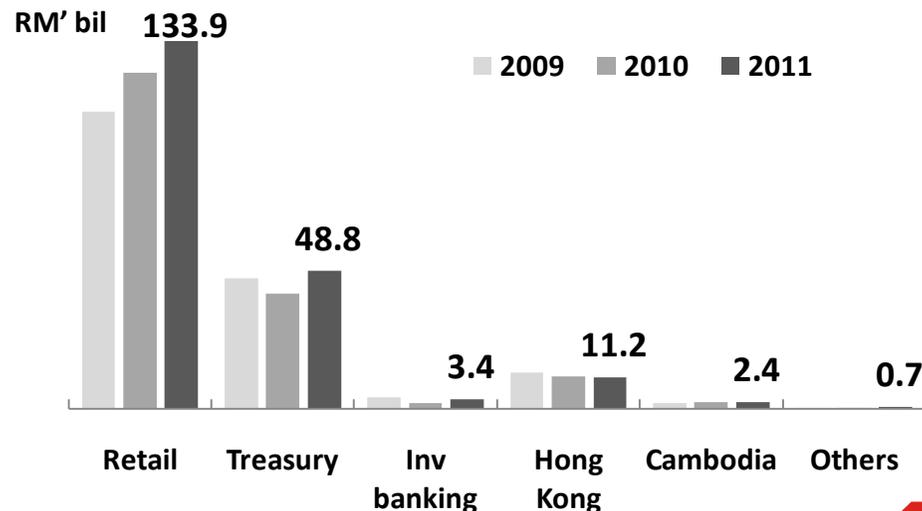


- Net loan deposit ratio remained stable and healthy at 87.2%
- Loan growth continues to be supported through the Group's retail and hire purchase segment whilst retail deposits remain the main contributor to the deposit growth of the Group with 67% contribution

Gross Loan Composition by Segment

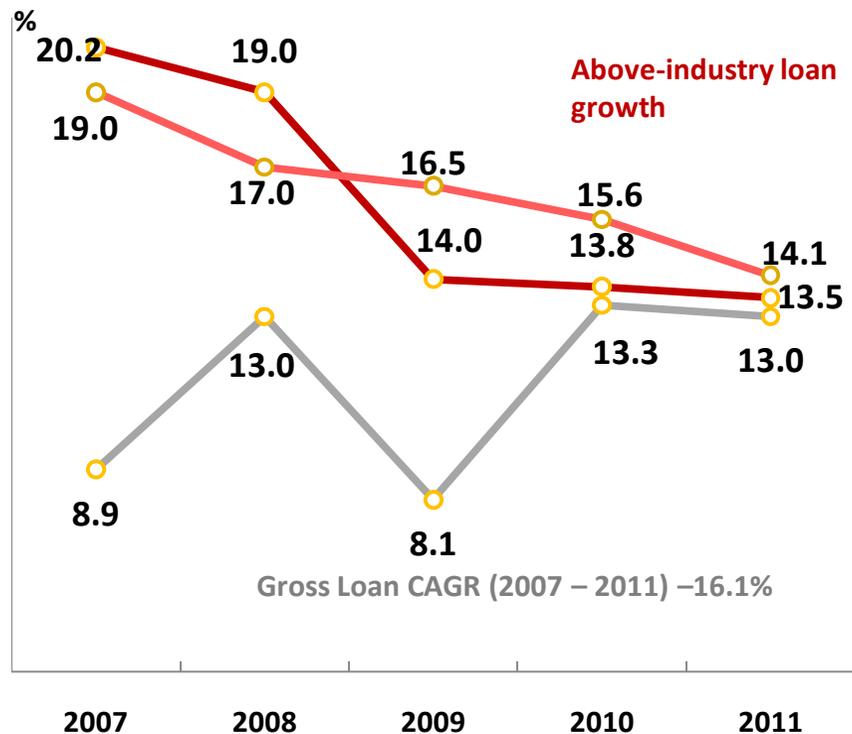


Deposit Composition by Segment



Consistently Above-industry Loan Growth

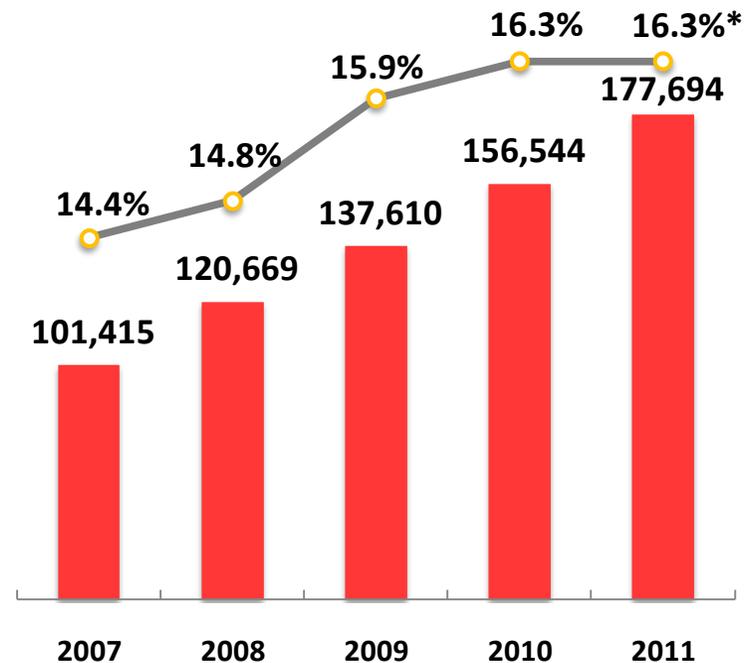
Loan Growth vs Industry



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

Gross Loans and Domestic Loan Market Share

RM' mil



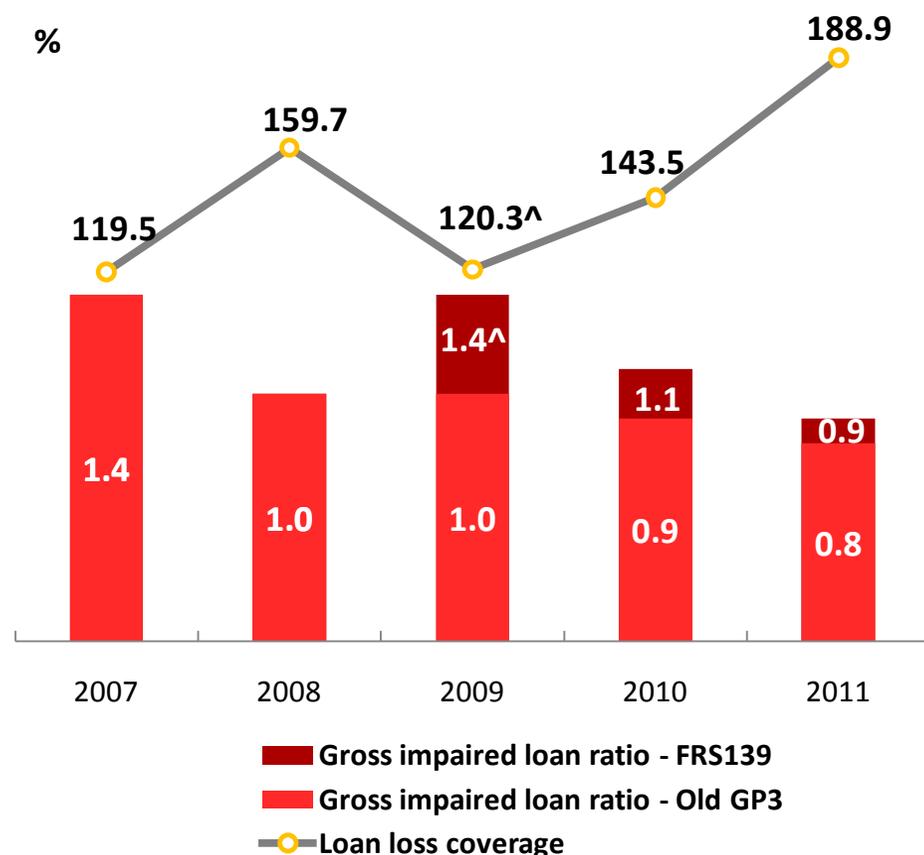
- Gross Loans Outstanding
 - Domestic Loans Market Share (%)
- * Market share as at November 2011

Note: Industry average growth is based on annualised growth as of November 2011



Asset Quality Remained Strong

Improving gross impaired loans ratios with high loan loss reserves



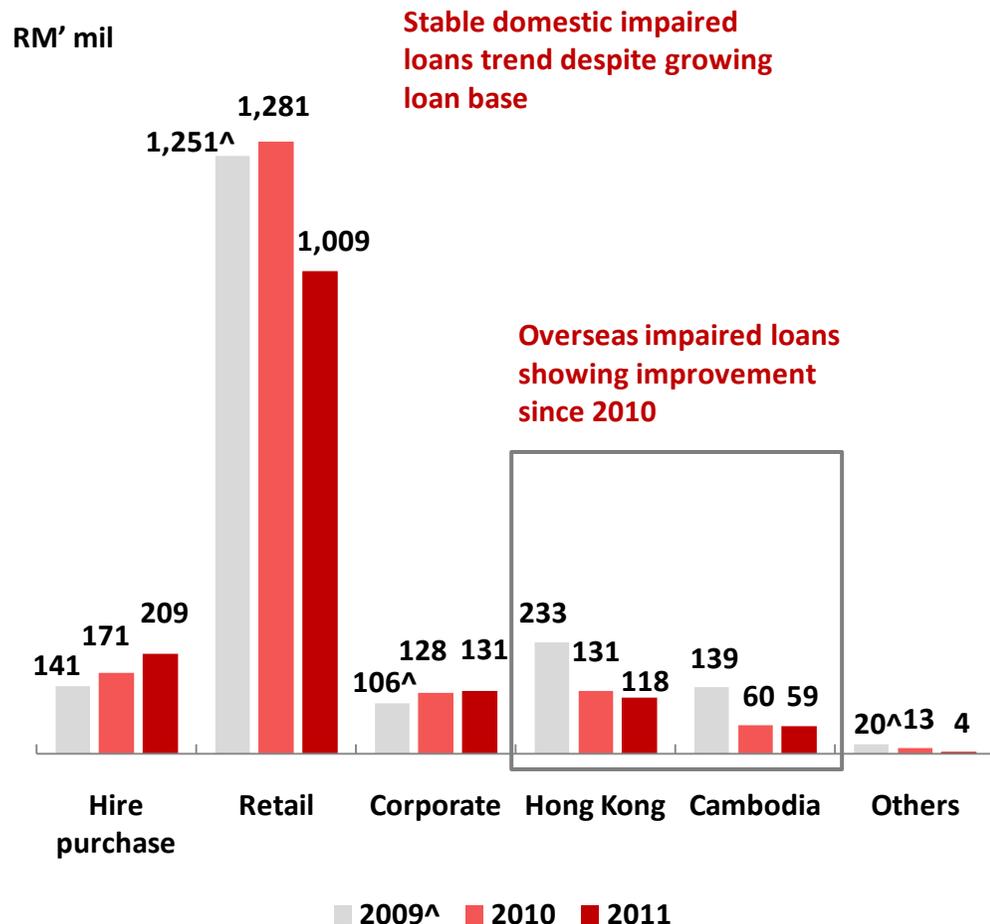
[^] Restated due to the adoption of FRS 139

- 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 188.9%
- 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

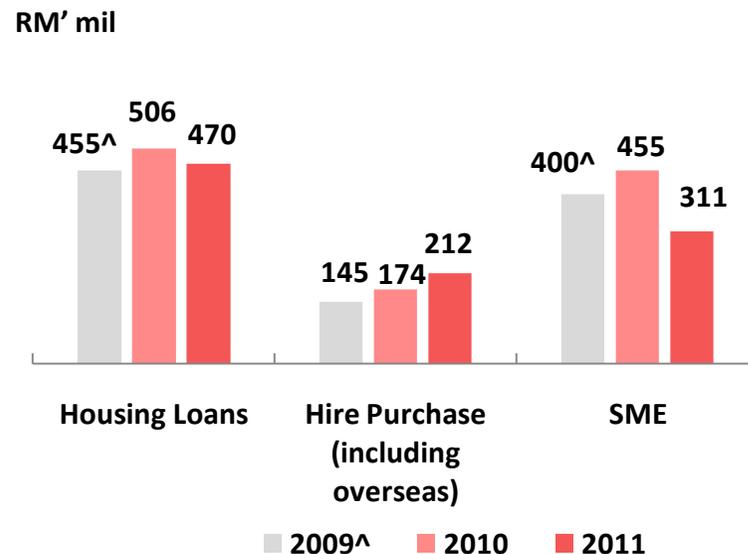
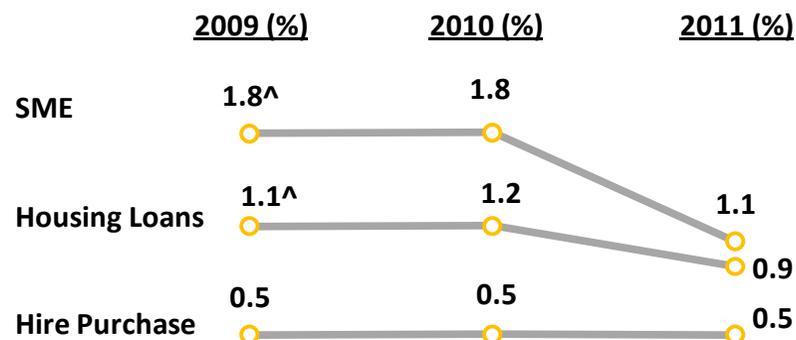


Asset Quality Remained Strong

Gross Impaired Loans by Segment



Gross Impaired Loans & Gross Impaired Loans Ratio by Key Sectors

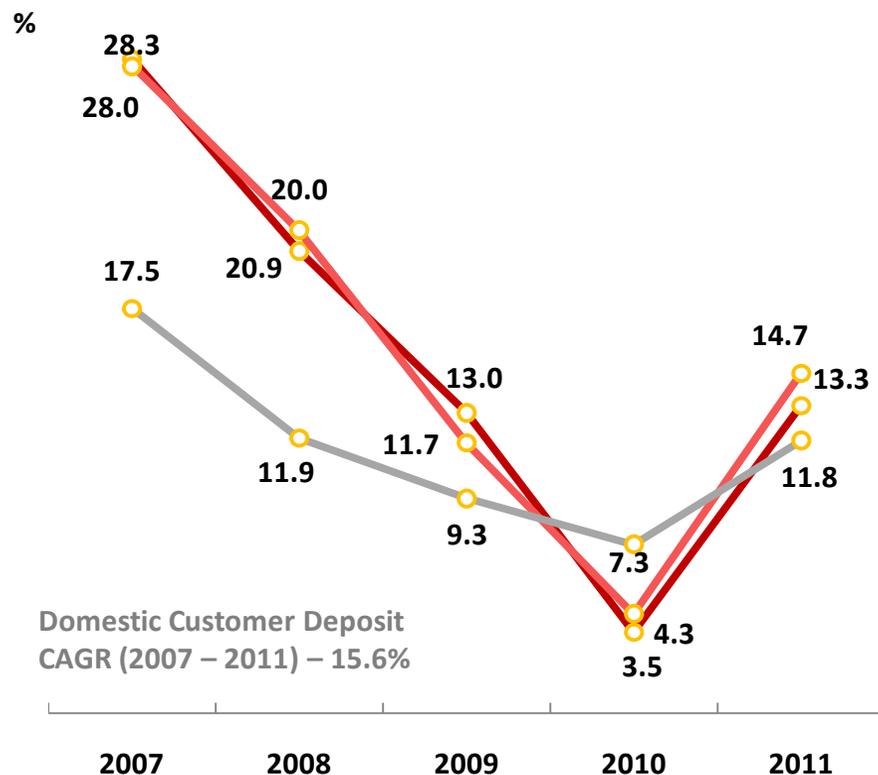


[^] Restated due to the adoption of FRS 139



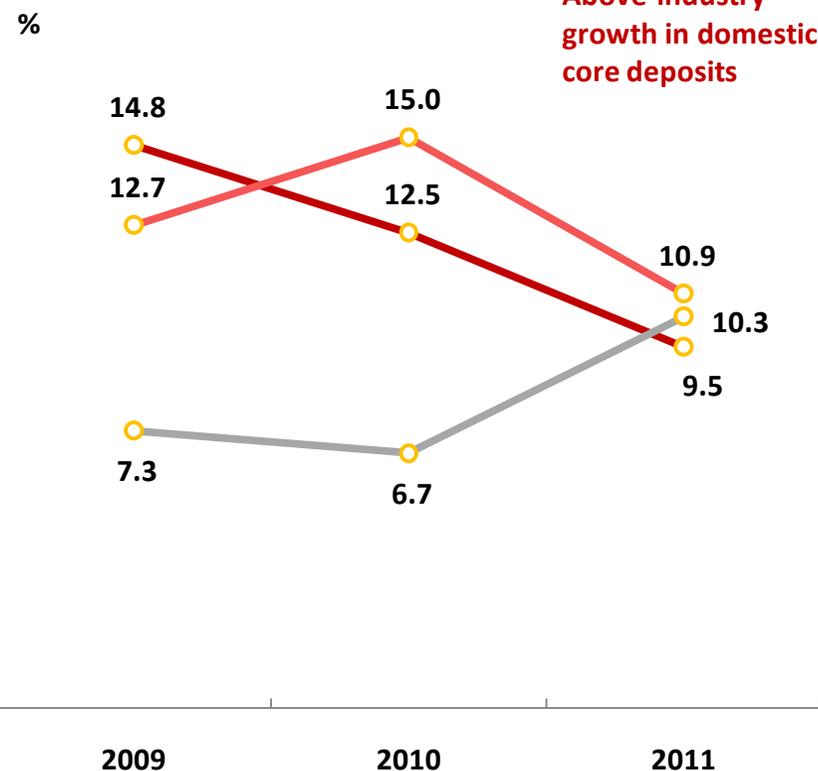
Healthy Domestic Deposit Growth in Support of Liquidity

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)

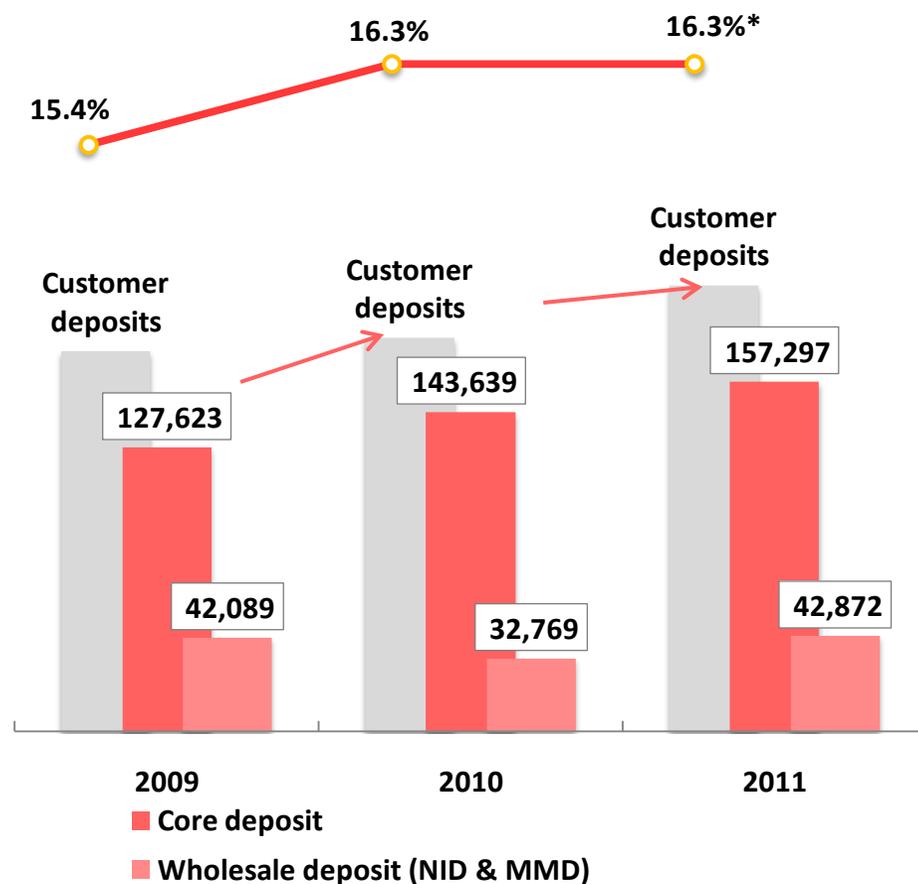
Note: Industry average growth is based on annualised growth as of November 2011



Diversified Source of Customer Deposit

Type of Deposit

RM' mil



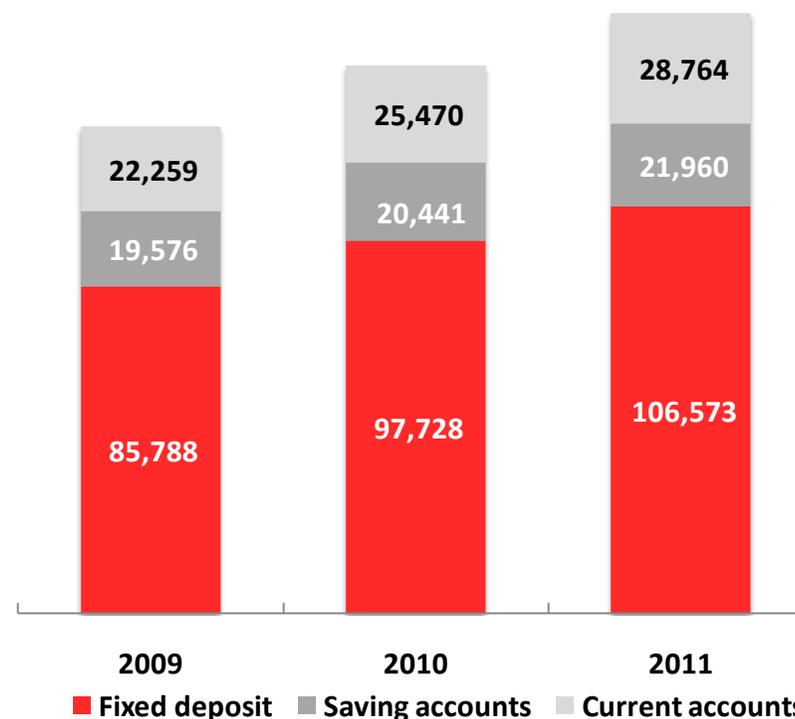
—●— Domestic core deposits market share

* Market share as at November 2011

Source of Core Deposit

RM' mil

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

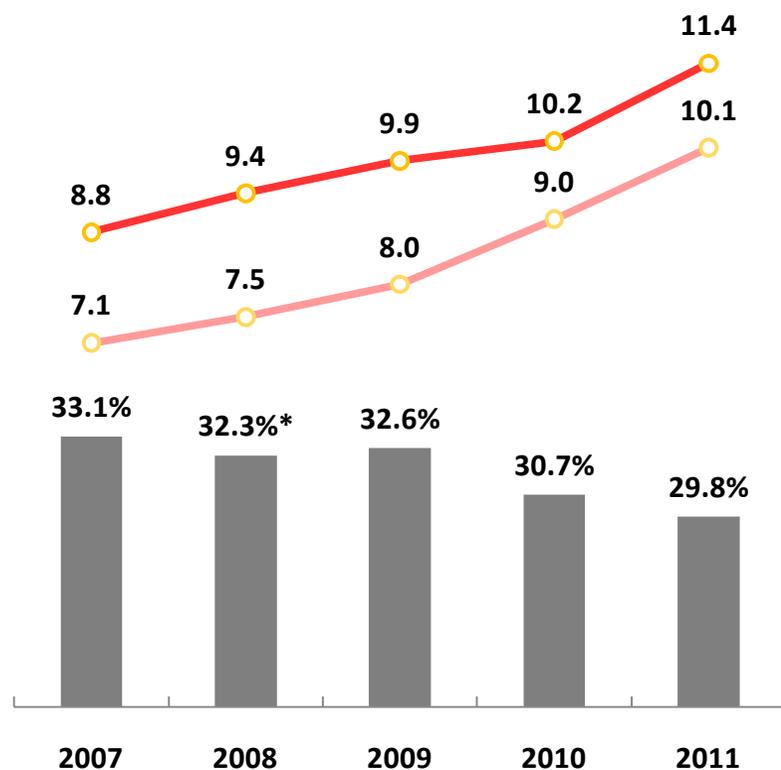


Continued High Productivity & Cost Efficiency

Productivity and Cost Efficiency

RM' mil

Improved productivity
across the various
indicators

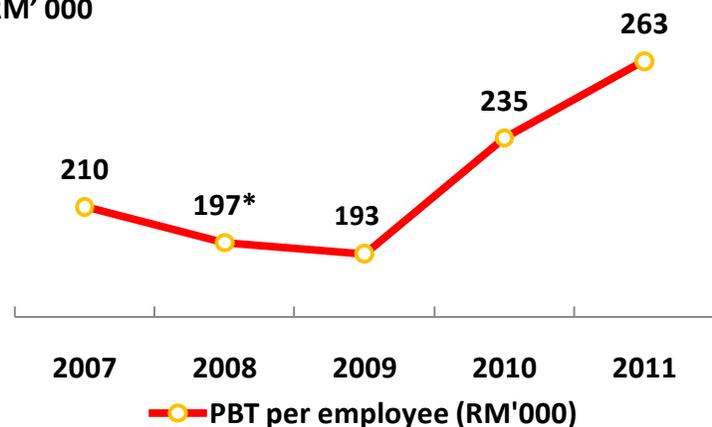


- Cost income ratio (%)
- Gross loan per employee
- Deposit per employee

* Exclude one-off goodwill income from ING

PBT per employee

RM' 000



* Exclude one-off goodwill income from ING

	2011	2010	Industry Average
Gross loan per employee (RM mil)	10.1	9.0	7.3
Deposit per employee (RM mil)	11.4	10.2	9.5
PBT per employee (RM'000)	263	235	189
Cost income Ratio (%)	29.8	30.7	46.7



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Retail Operations

RM'mil	2011	2010	Change
Net Income	4,268.2	3,794.9	↑ 12.5%
Operating Expenses	(1,288.2)	(1,181.8)	↑ 9.0%
Allowances for impairment of loans and other assets	(284.8)	(319.7)	↓ -10.9%
Profit by segment	2,695.2	2,293.4	↑ 17.5%

	Dec 2011	Dec 2010	Change
Gross Loans and Advances (RM' bil)	105.0	91.3	↑ 14.9%
Customer Deposits (RM' bil)	133.9	119.1	↑ 12.4%
Gross Impaired Loans (RM' bil)	1.0	1.3	↓ -21.3%
Gross Impaired Loans Ratio	1.0%	1.4%	↓ -0.4%

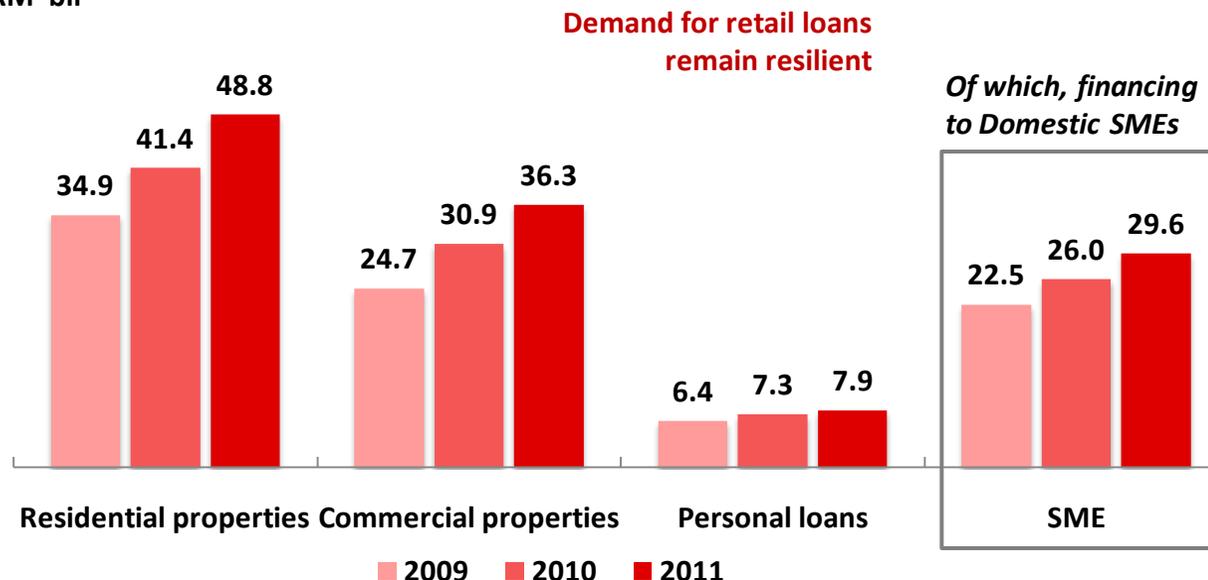
- Improved profit and business performance of the retail operations segment were mainly driven by healthy growth in the lending and deposit-taking businesses coupled with higher sales volume from the retail financial services, as well as declined credit charges
- Asset quality further improved with gross impaired loans ratio declining from 1.4% to 1.0% and credit charges improving by 10.9%



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

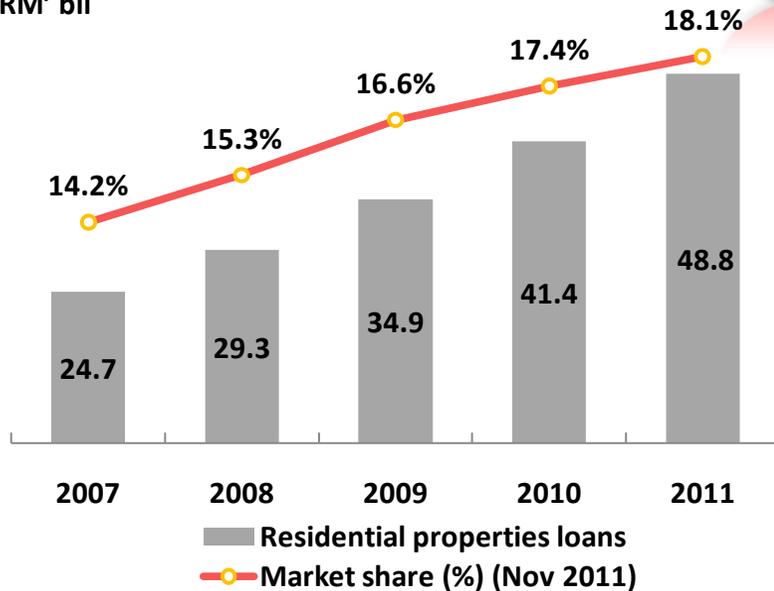


Retail Operations

Market Share in Residential Properties

Remained market leader in the residential property financing

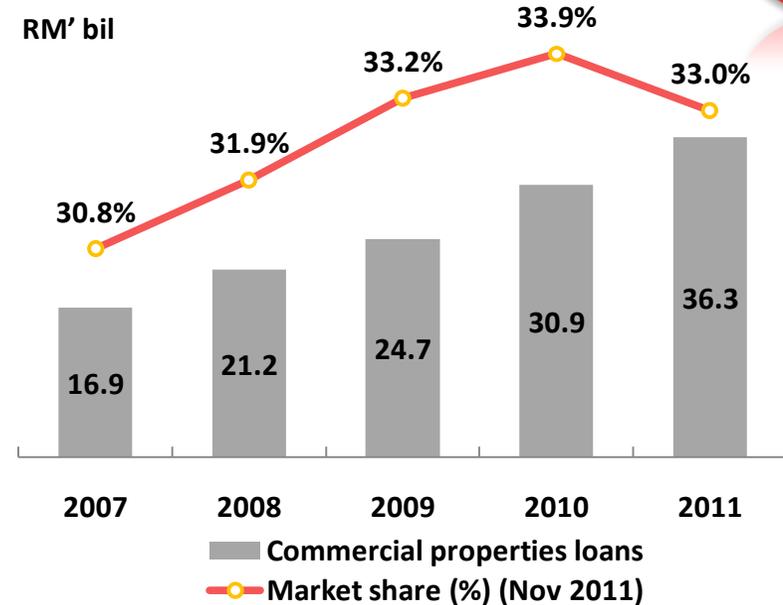
RM' bil



Market Share in Commercial Properties

Remained market leader in the commercial property financing

RM' bil



Hire Purchase

RM'mil	2011	2010	Change
Net Income	925.4	934.2	 -0.9%
Operating Expenses	(161.4)	(157.1)	 2.7%
Allowances for impairment of loans and other assets	(134.9)	(111.5)	 21.0%
Profit by segment	629.1	665.6	 -5.5%

	2011	2010	Change
Gross Loans and Advances (RM' bil)	37.1	33.6	 10.4%
Gross Impaired Loans (RM' bil)	0.2	0.2	 22.6%
Gross Impaired Loans Ratio	0.6	0.5%	 0.1%

- 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 low as reflected by the impaired loan ratio of 0.6%

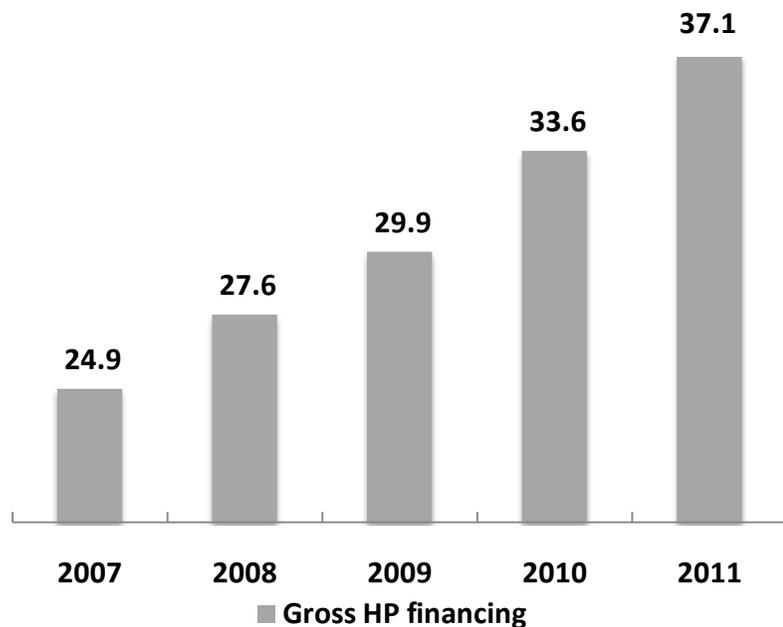


Hire Purchase

HP Financing in Domestic Operations

RM' bil

Steady growth in HP financing



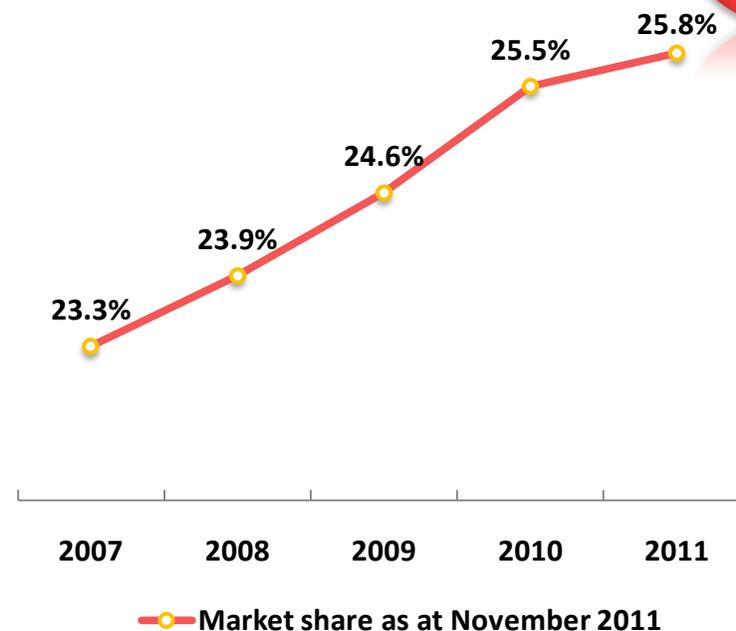
Key Drivers in Domestic Hire Purchase Financing

- 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

Market Share in Passenger Vehicle Financing

Remained market leader in the passenger vehicle financing

No.1

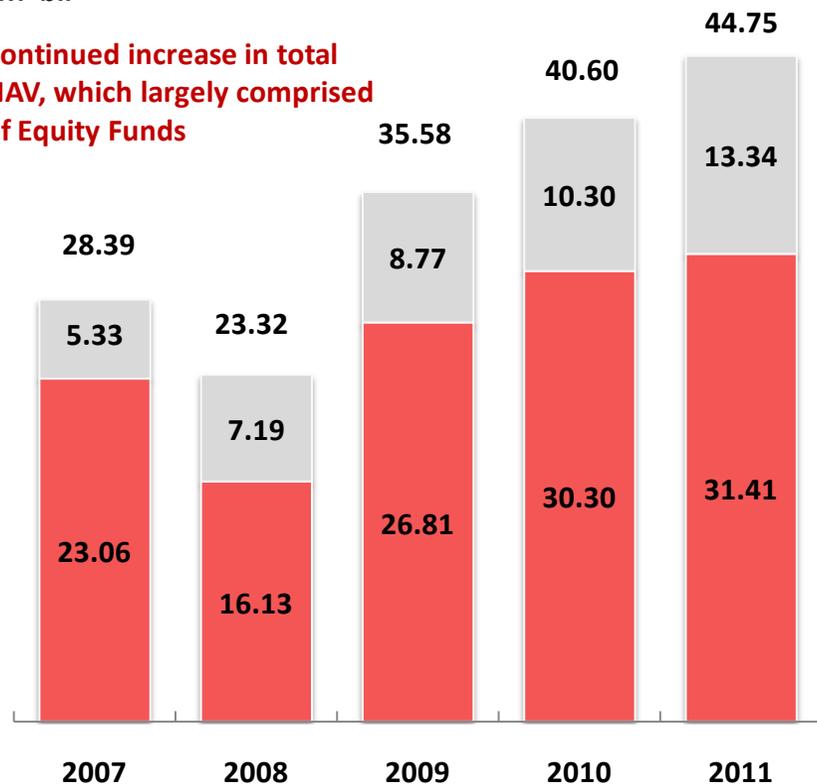


Wealth Management

Net Asset Value of Funds under management

RM' bil

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

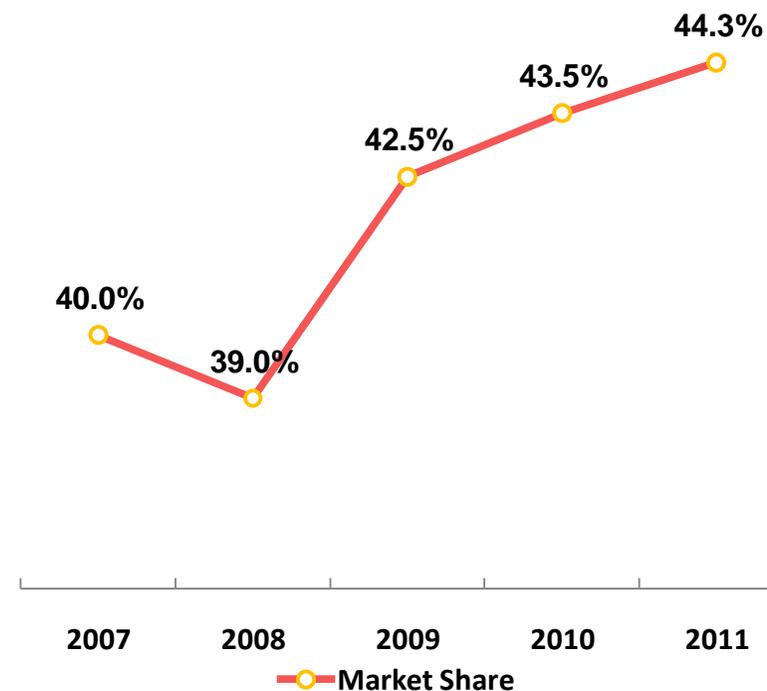


- Net Asset Value - Equity Funds
- Net Asset Value - Other Funds

Market Share in Private Unit Trust Industry

Public Mutual continues to maintain its market leadership

No.1



○ Market Share



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Capital Management

RM'mil	Group*			Bank*		
	Dec 2011	Dec 2010	Change	Dec 2011	Dec 2010	Change
Tier I Capital	16,410.0	14,118.5	↑ 16.2%	16,388.5	14,385.2	↑ 13.9%
Tier II Capital	8,594.7	5,266.8	↑ 63.2%	8,159.9	4,921.3	↑ 65.8%
Deduct: Inv in subs/asso and other deductions	(45.4)	(48.4)	↓ -6.2%	(4,031.8)	(3,834.7)	↑ 5.1%
Total Capital Base	24,959.3	19,336.9	↑ 29.1%	20,516.6	15,471.8	↑ 32.6%
Risk-Weighted Assets	163,027.3	141,096.5	↑ 15.5%	134,887.8	116,319.3	↑ 16.0%
RWCR (%)	15.3%	13.7	↑ 1.6%	15.2%	13.3	↑ 1.9%
Tier-I Capital Ratio (%)	10.1%	10.0	↑ 0.1%	12.1%	12.4	↓ -0.3%

* After deducting second interim dividends declared subsequent to end of year



Capital Management

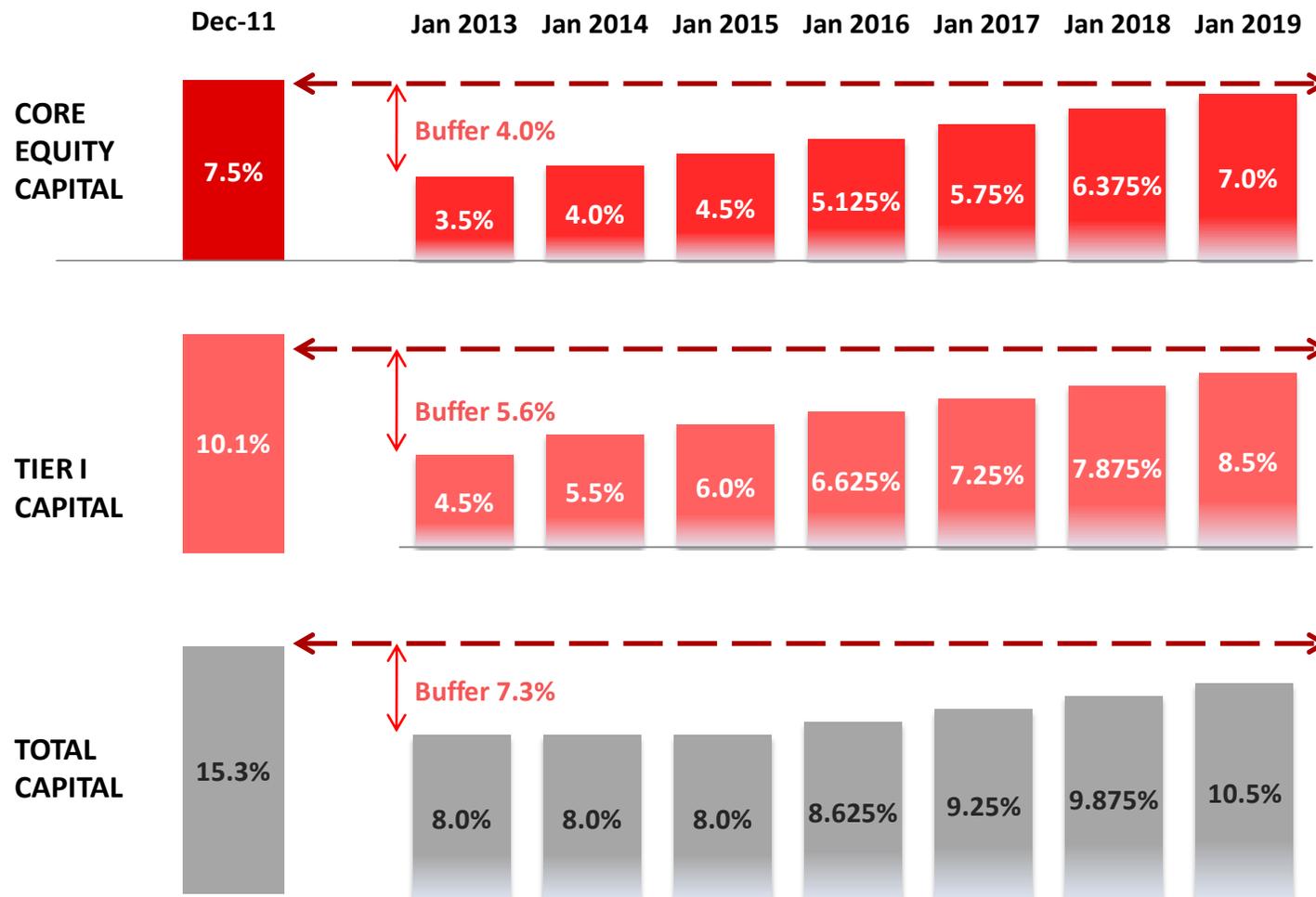
Basel III Implementation

- BNM's latest circular indicated BNM's intention to follow the International Basel III capital requirement and transitional timeline from January 2013 – January 2019
- No capital buffer required for “systemically important banks” for the time being
- BNM will issue concept paper by 2014 on counter-cyclical capital buffer requirement



Capital Management

Meeting Basel III Minimum Requirements Ahead of Time[#]



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

[#] The Basel III capital ratio requirements are inclusive of the 2.5% capital conservation buffer, but excluding any counter-cyclical buffer which is subject to regulator's discretion.



Investor Presentation

Executive Summary

Financial Performance

Growth Performance

Business Performance

Capital Management

Other Highlights



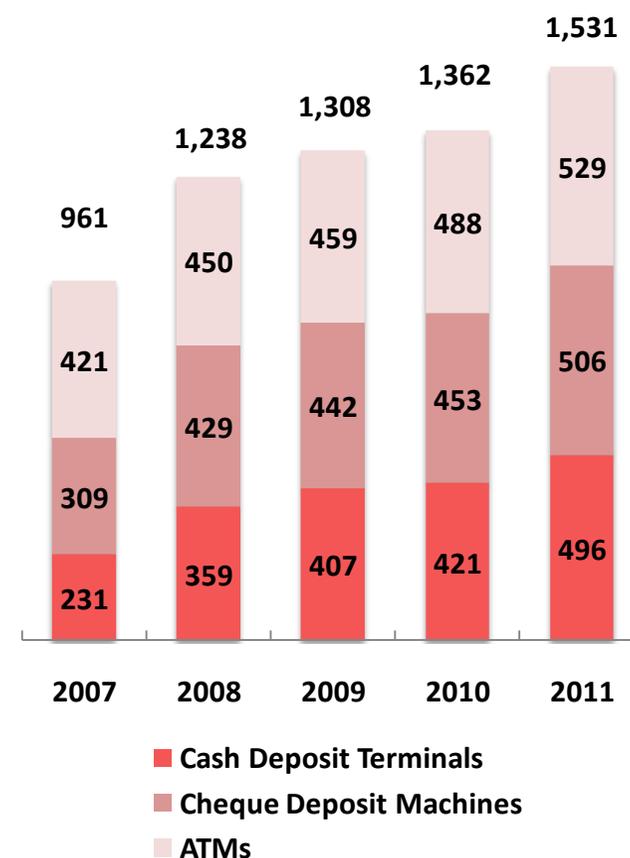
Expansion in Business Delivery Channel

Branch Network - Group

	Dec 2011	Dec 2010	Dec 2006
Malaysian Operations			
Public Bank - Domestic	251	249	240
- Overseas	4	4	3
Public Islamic Bank	1	1	-
Public Mutual	28	26	25
Public Investment Bank	1	1	1
Hong Kong & China Operations			
Public Finance	42	42	40
Public Bank (HK) - Hong Kong	32	30	15
- China	3	3	1
Winton (B.V.I) Group	9	9	2
Indo-China Operations			
Cambodia Public Bank	23	21	5
VID Public Bank (Vietnam)	7	7	6
	401	393	338

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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