



**PUBLIC BANK**  
**پبلیک بینک**

# Investor Presentation

## June 2012 Results Update

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



# Investor Presentation

**Executive Summary**

Financial Performance

Growth Performance

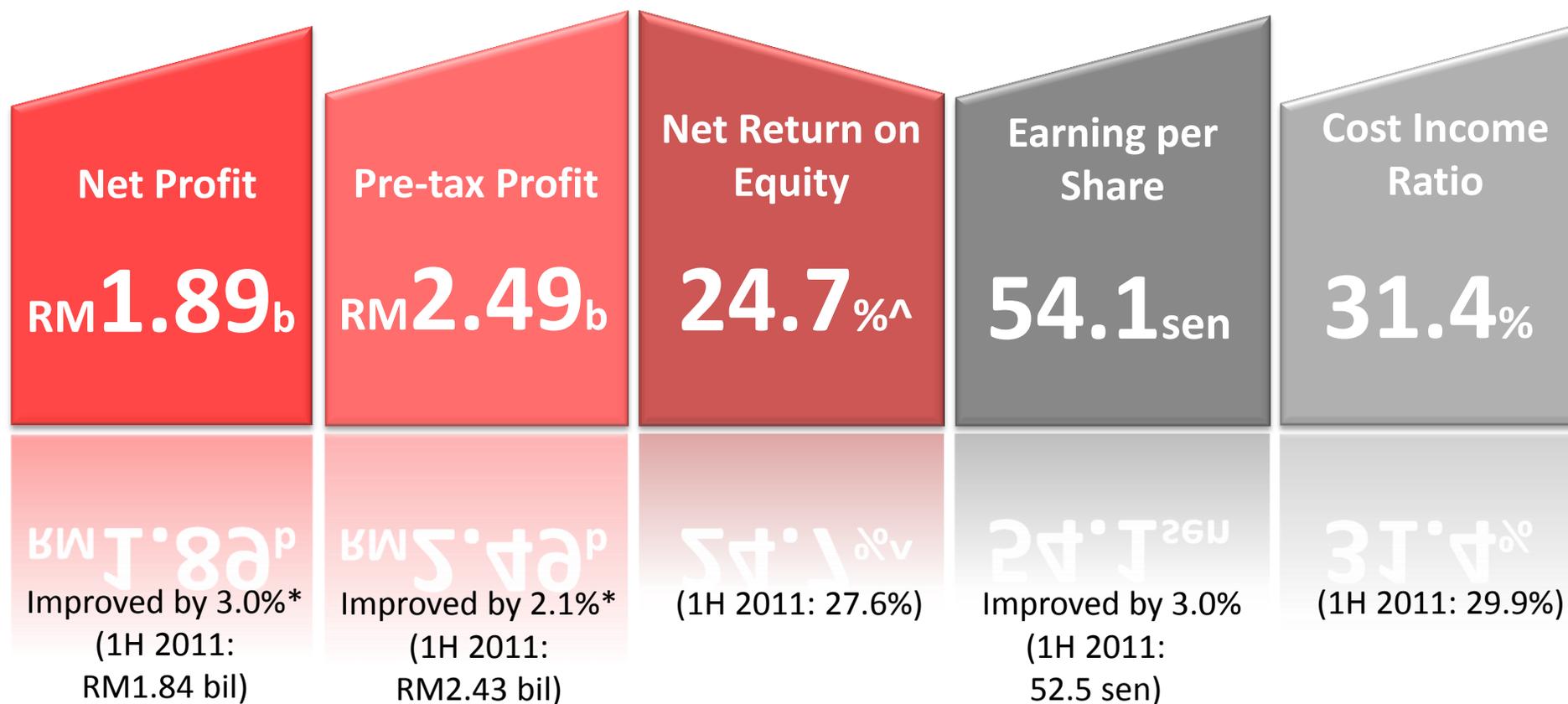
Business Performance

Capital Management

Other Highlights



## Performance overview – Sustainable profit growth

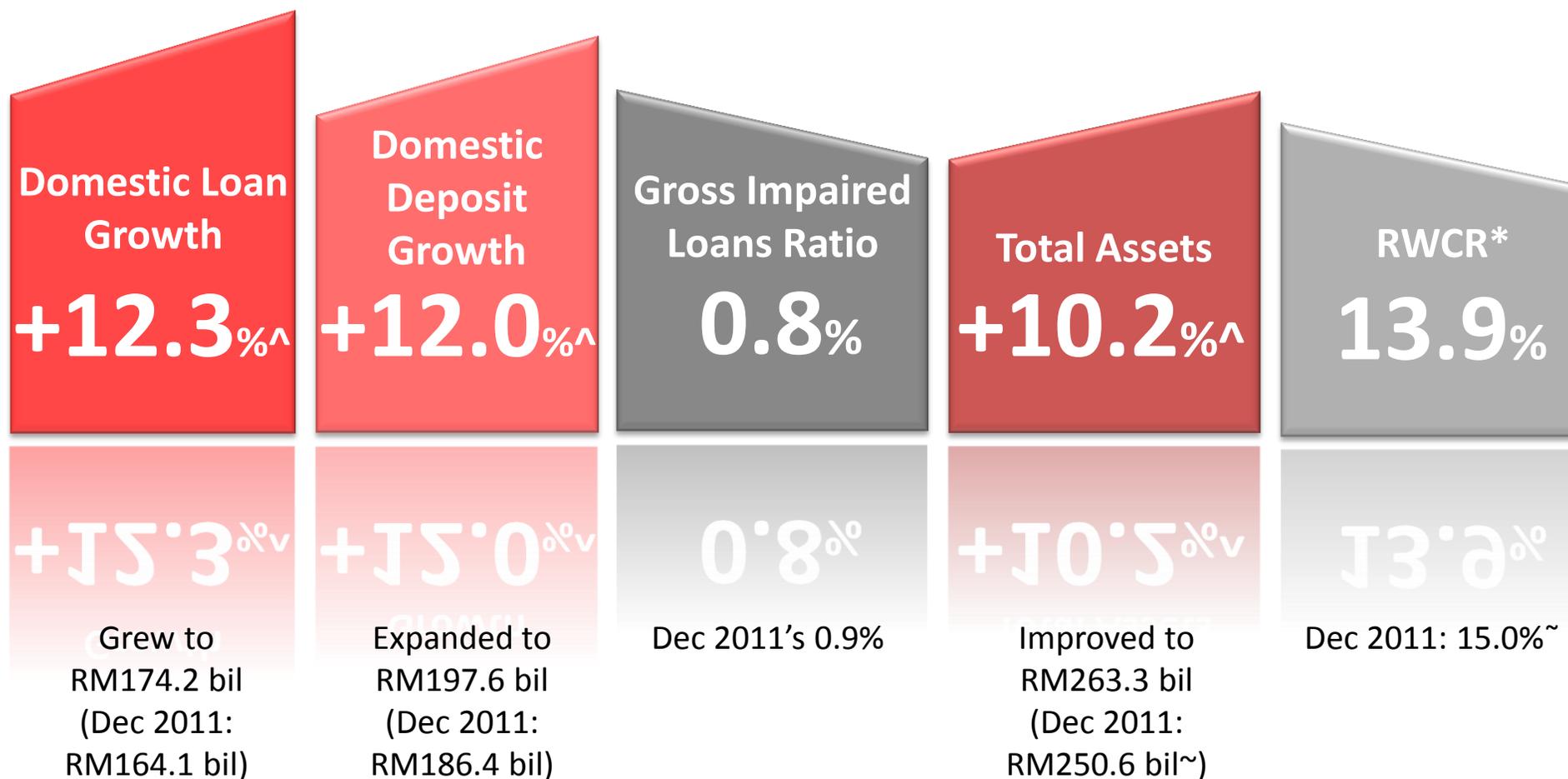


<sup>^</sup> Based on annualised earnings

\* Excluding the impact of higher restated profits in prior year (with retrospective application of MFRS 139), net profit and pre-tax profit would have shown a higher growth of 10.9% & 10.0% respectively. Refer to slides 5 – 7 for further details on the retrospective application of MFRS 139



## Performance overview – From a position of strength



<sup>^</sup> Annualised growth

\* After deducting interim dividends declared after period end

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



## Transition to MFRS Framework – Adoption of MFRS 139

The key impacts from the adoption of MFRS 139 effective 1 Jan 2012 are:

- Lower collective assessment allowances which resulted in :
  - excess in the brought forward collective assessment allowance and the corresponding write back of such excess in opening retained profits
  - lower collective assessment allowance charged in the income statement
- Accordingly, the write back of the excess collective assessment allowance as at 1 Jan 2012 has:
  - increased the shareholders' funds by RM859 million (net of tax)
  - enhanced the Group's common equity Tier 1 capital ratio by 0.5%
- Retrospective application of MFRS 139 which resulted in the restatement of comparative financial statements



# Transition to MFRS Framework – Adoption of MFRS 139

## Restatement of key comparatives

	Restated	Previously reported	
	Dec 2011	Dec 2011	Variance
Shareholders' funds (RM million)	15,722	14,863	 <b>859</b>
Tier 1 capital ratio (%)	10.6	10.1	 <b>0.5</b>
RWCR (%)	15.0	15.3	 <b>0.3</b>
Loan loss coverage (%)	113.8	188.9	 <b>75.1</b>



# Transition to MFRS Framework – Adoption of MFRS 139

## Restatement of key comparatives

		Restated	Previously reported
	1H 2012	1H 2011	1H 2011
Pre-tax profit (RM million)	2,486	2,435	2,260
Net profit (RM million)	1,894	1,839	1,708
<b>Pre-tax profit growth (%)</b>		2.1	<b>10.0</b>
<b>Net profit growth (%)</b>		3.0	<b>10.9</b>
Net return on equity (%)	24.7	27.6	27.1
Earning per share (sen)	54.1	52.5	48.8

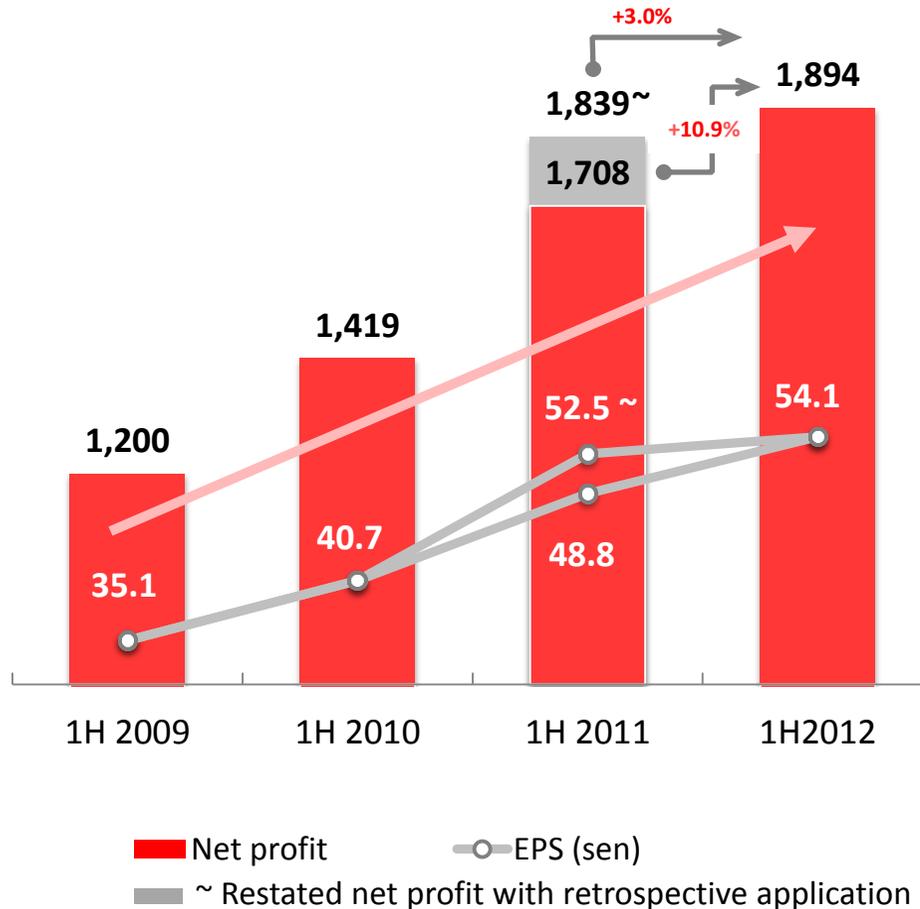


# Performance overview – Steady net profit growth

Corresponding half-yearly net profit growth  
(RM'mil)

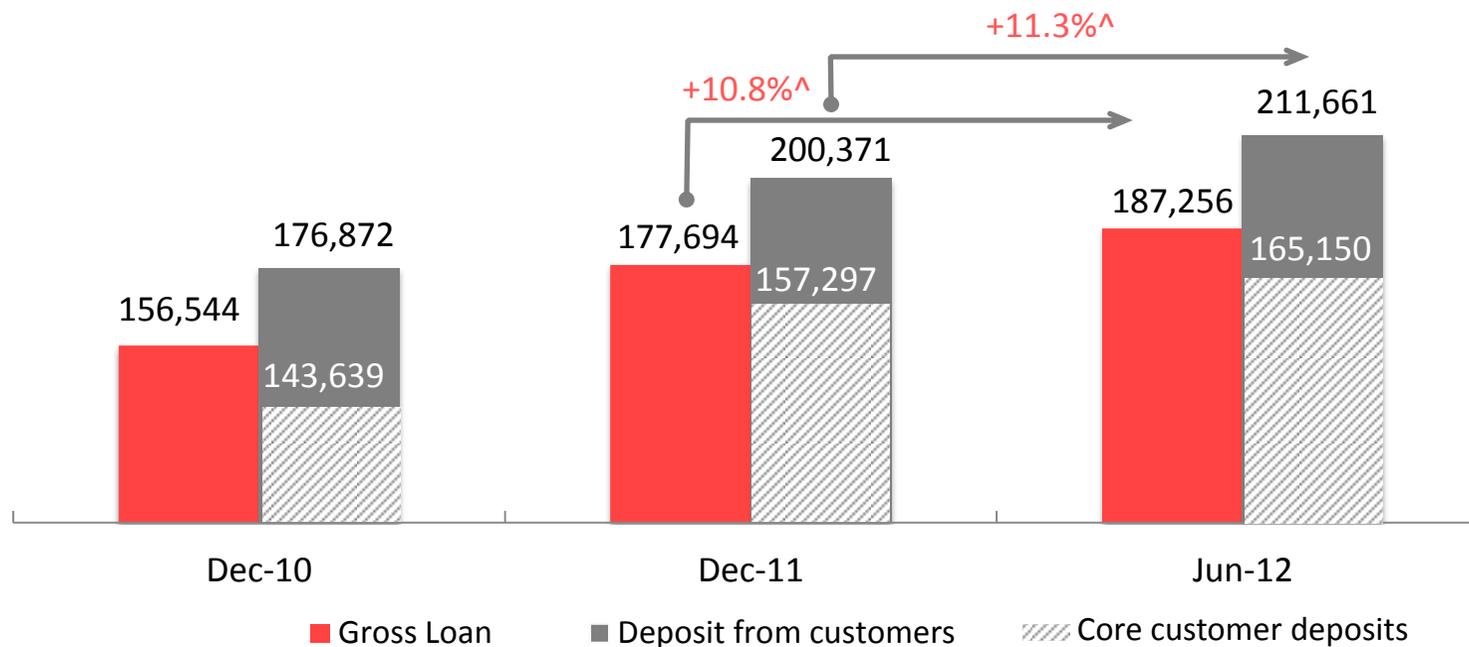
## Past 3 years average growth

- Half-year profit : 17.0%
- EPS : 16.0%



# Performance overview – Sustainable loan and deposit growth

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



	Dec-2010	Dec-2011	Jun-2012 <sup>^</sup>
Gross loan growth	13.8%	13.5%	<b>10.8%</b>
Customer deposit growth	3.5%	13.3%	<b>11.3%</b>
Core customer deposit growth	12.5%	9.5%	<b>10.0%</b>

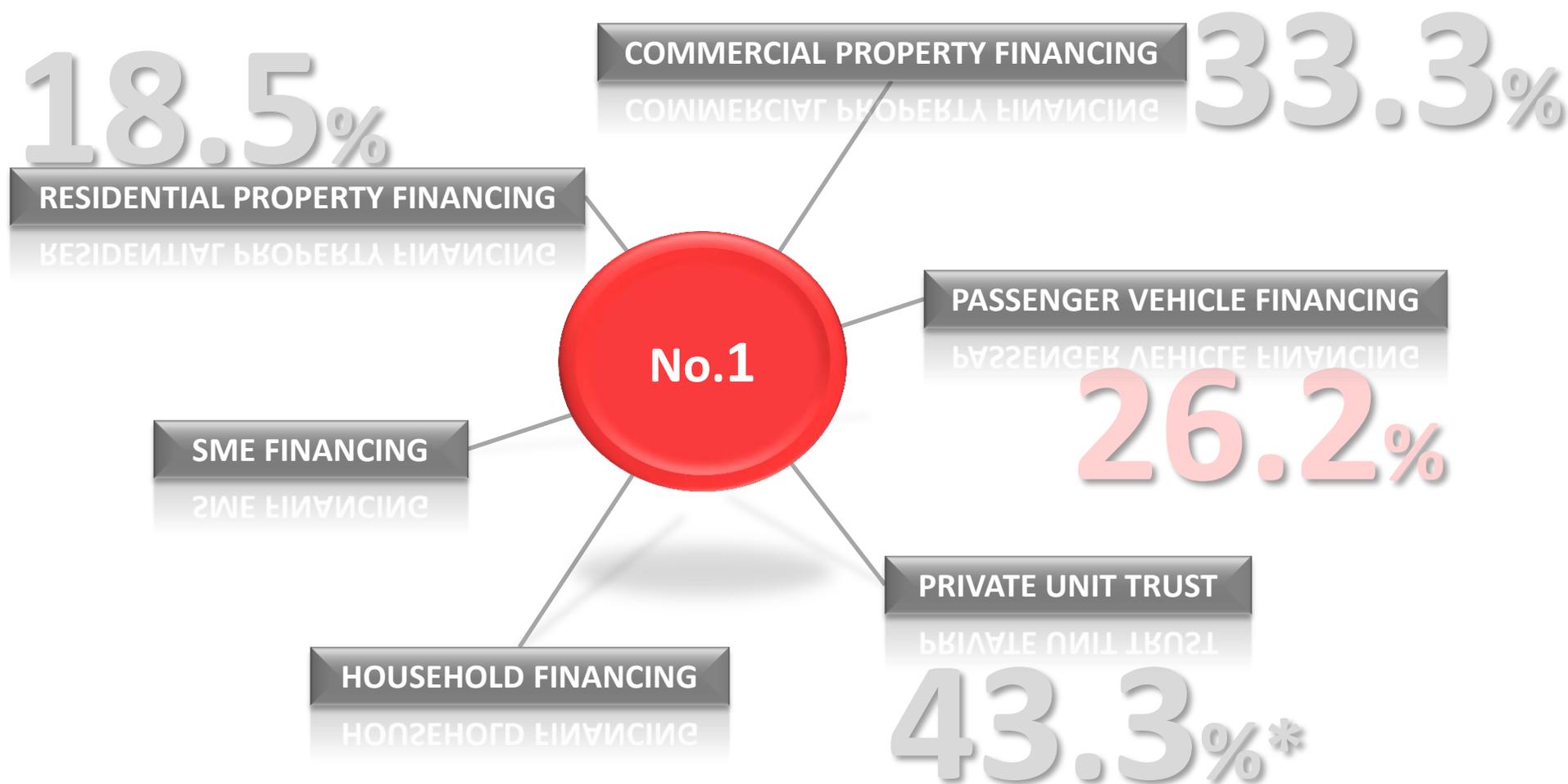
<sup>^</sup> Annualised growth

June 2012 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 May 2012

June 2012 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>31.0</b>	17.4
Pre-tax return on average assets (%)	<b>1.9</b>	1.6
Cost to income ratio (%)	<b>31.4</b>	46.0
Pre-tax profit per employee (RM'000)	<b>285</b>	202
Gross loans per employee (RM'mil)	<b>10.7</b>	8.1
Deposits per employee (RM'mil)	<b>12.1</b>	10.4
Gross impaired loans ratio (%)	<b>0.8</b>	2.4
Loan loss coverage (%)	<b>122.9</b>	93.2



# Investor Presentation

Executive Summary

**Financial Performance**

Growth Performance

Business Performance

Capital Management

Other Highlights



# Earnings Performance

RM'mil	Q2 2012	Q1 2012	Change	1H 2012	1H 2011~	Change
Net interest & Islamic Banking income	<b>1,511.8</b>	1,479.3	2.2%	<b>2,991.1</b>	<b>2,872.3</b>	4.1%
Non-interest income	<b>406.0</b>	389.3	4.3%	<b>795.3</b>	<b>778.2</b>	2.2%
Operating expenses	<b>594.4</b>	593.4	0.2%	<b>1,187.8</b>	<b>1,091.4</b>	8.8%
Operating profit	<b>1,323.4</b>	1,275.2	3.8%	<b>2,598.6</b>	<b>2,559.1</b>	1.5%
Loan impairment allowances	<b>83.6</b>	30.0	178.5%	<b>113.6</b>	<b>129.9</b>	12.6%
Pre-tax profit	<b>1,240.3</b>	1,245.6	0.4%	<b>2,485.9</b>	<b>2,435.0</b>	2.1%
Net profit	<b>952.7</b>	940.8	1.3%	<b>1,893.5</b>	<b>1,838.9</b>	3.0%

~ Restated with retrospective application of MFRS 139, where applicable

## Income:

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

## Expenses:

- Increase in operating expenses were incidental to business expansion and growing loan base

## Allowance:

- Lower loan impairment allowances in 1H2012 as compared to 1H2011 despite double-digit loan growth
- Increase in loan impairment allowances in Q2 vs Q1 was partly due to certain non-recurring recoveries in Q1



# Earnings Performance

RM'mil	Q2 2012	Q1 2012	Change	1H 2012	1H 2011~	Change
Earnings per share (sen)	<b>27.2</b>	26.9	1.1%	<b>54.1</b>	52.5	3.0%
Net return on equity*	<b>24.1%</b>	24.7%	0.6%	<b>24.7%</b>	27.6%	2.9%
Pre-tax return on average assets	<b>1.9%</b>	2.0%	0.1%	<b>1.9%</b>	2.1%	0.2%
Net interest margin on yielding assets**	<b>3.1%</b>	3.2%	0.1%	<b>3.2%</b>	3.3%	0.1%
Non interest income/Total net income	<b>21.2%</b>	20.8%	0.4%	<b>21.0%</b>	21.3%	0.3%
Cost to income ratio	<b>31.0%</b>	31.8%	0.8%	<b>31.4%</b>	29.9%	1.5%
Overheads over average assets	<b>0.9%</b>	0.9%	---	<b>0.9%</b>	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

~ Restated with retrospective application of MFRS 139, where applicable

Note: 1H key earning indicators, excluding EPS, have been annualised for comparison purposes



## Pre-tax Profit by Business Segment

	RM'mil	1H 2012	1H 2011~	Change
Retail operations		<b>1,493.3</b>	1,428.0	 4.6%
Hire purchase		<b>346.8</b>	327.3	 5.9%
Corporate lending		<b>157.0</b>	130.1	 20.6%
Treasury & capital market operations		<b>97.9</b>	83.0	 18.0%
Fund management		<b>179.9</b>	161.6	 11.3%
Overseas operations		<b>164.9</b>	149.0	 10.7%
<i>Of which : Public Financial Holdings</i>		<b>83.2</b>	99.2	 16.1%
<i>: Cambodian Public Bank</i>		<b>64.1</b>	40.7	 57.6%
Investment banking		<b>25.1</b>	25.4	 1.1%
Others*		<b>21.0</b>	130.6	 83.9%
<b>Total</b>		<b>2,485.9</b>	2435.0	 2.1%

- Moderate growth in Retail and HP operations despite continued pressure on interest margin
- Retail and HP operations contributed around 74% of the Group's pre-tax profit
- Healthy volume growth contributed to improved profit performance in most business segments
- Pre-tax profit contribution of Hong Kong operations decreased by 16.1% mainly due to decline in net interest margin and challenging operating environment

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

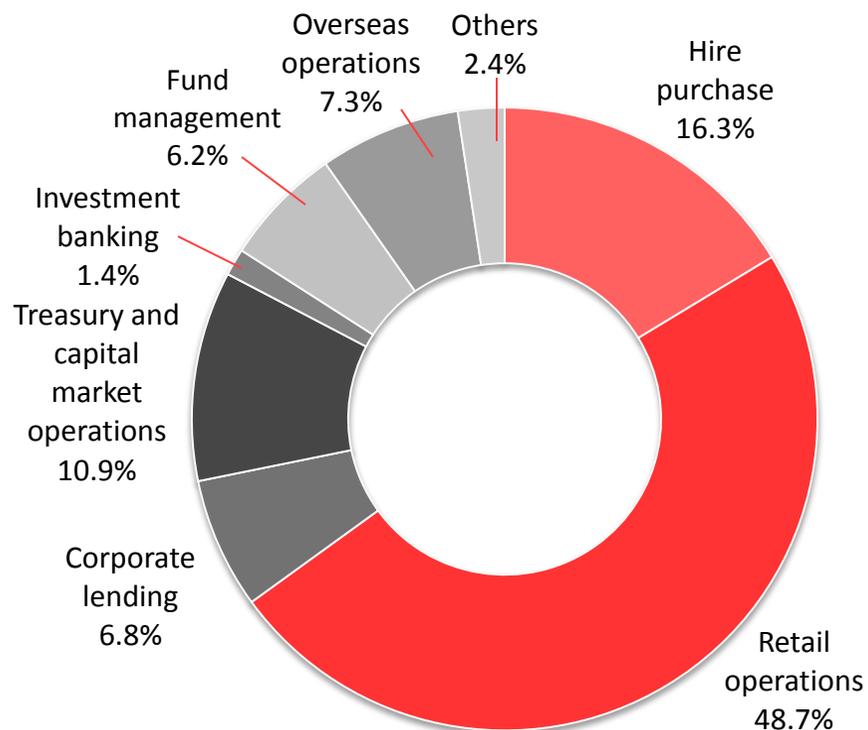
~ Restated with retrospective application of MFRS 139, where applicable

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

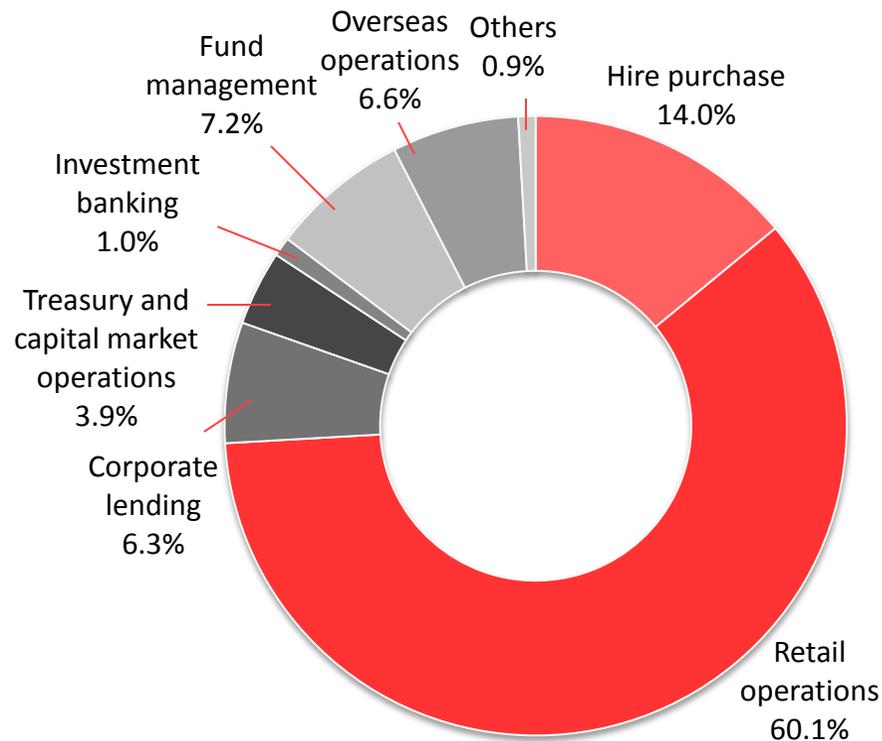


# Contribution to Revenue & Pre-tax Profit – by Business

## Revenue Contribution



## Pre-tax Profit Contribution



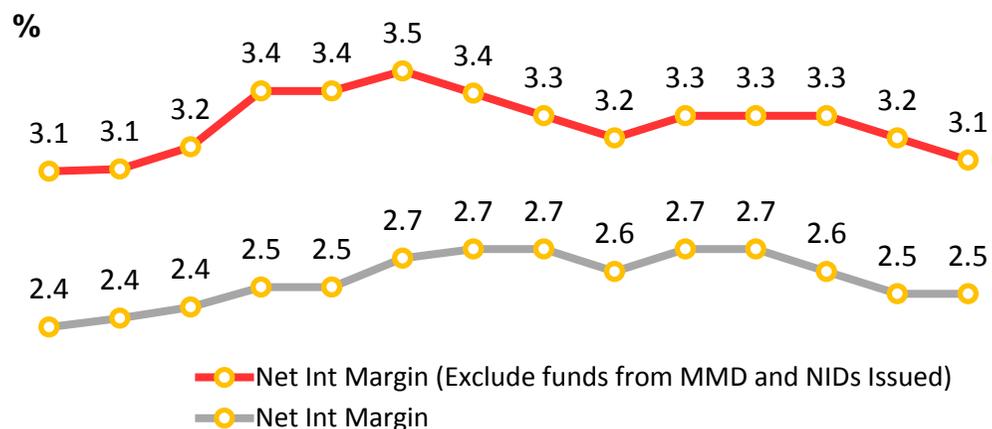
*Based on financial results as of 30 June 2012*

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

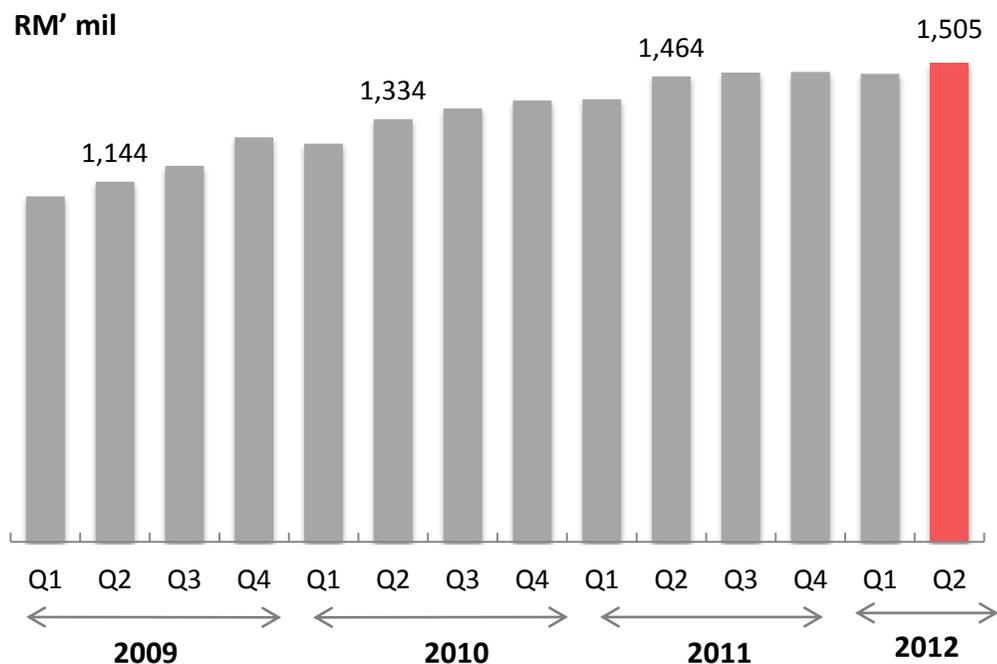


# Net Interest Income & Margins

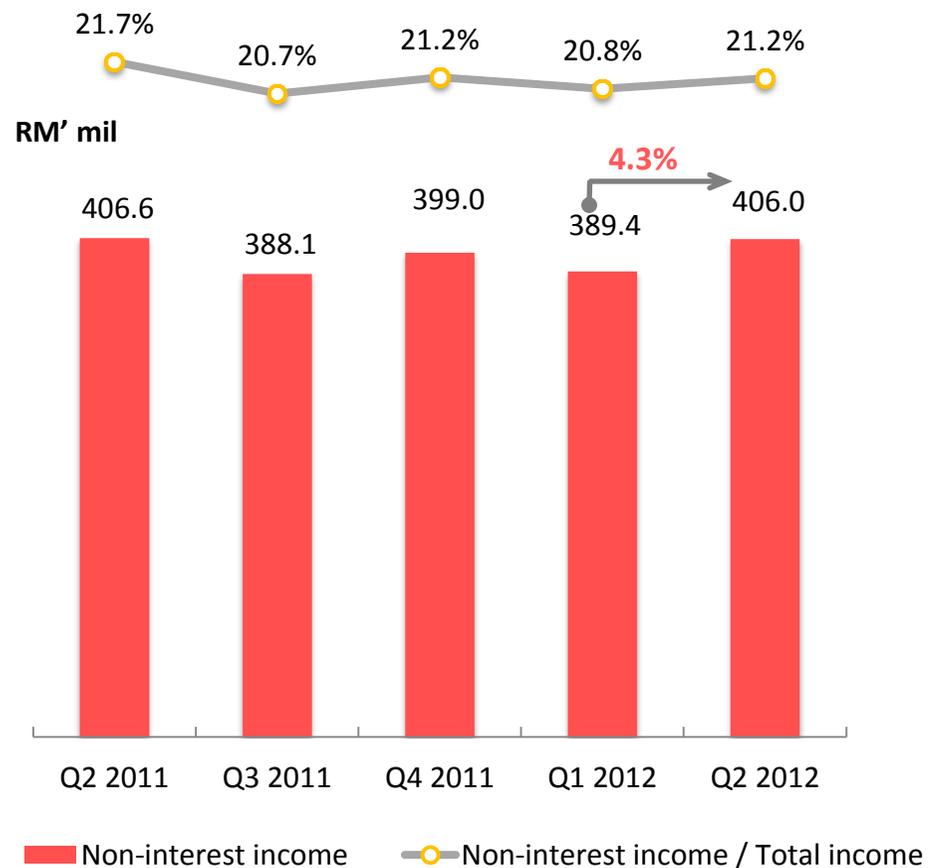
## Net Interest Income and margin



- Overall NIM for 1H 2012 has marginally declined from earlier quarters due to competitive pressure on interest margins and funding costs
- Growth in net interest and finance income during the quarter was due to healthy loan and deposit growth



# Non-Interest Income

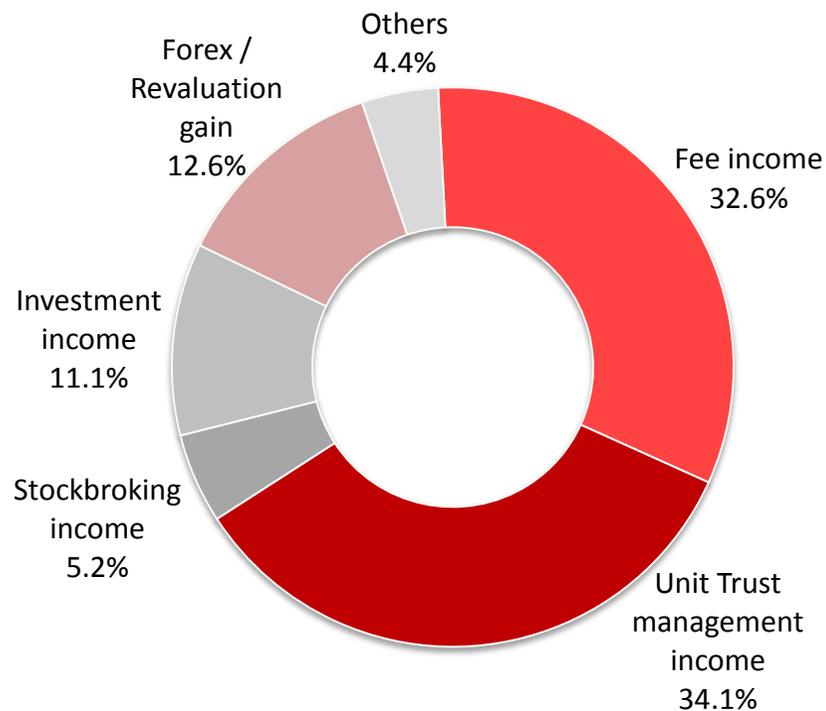


- The Group's non-interest income in Q2 2012 has increased from Q1 2012 by 4.3% or RM16.6 million

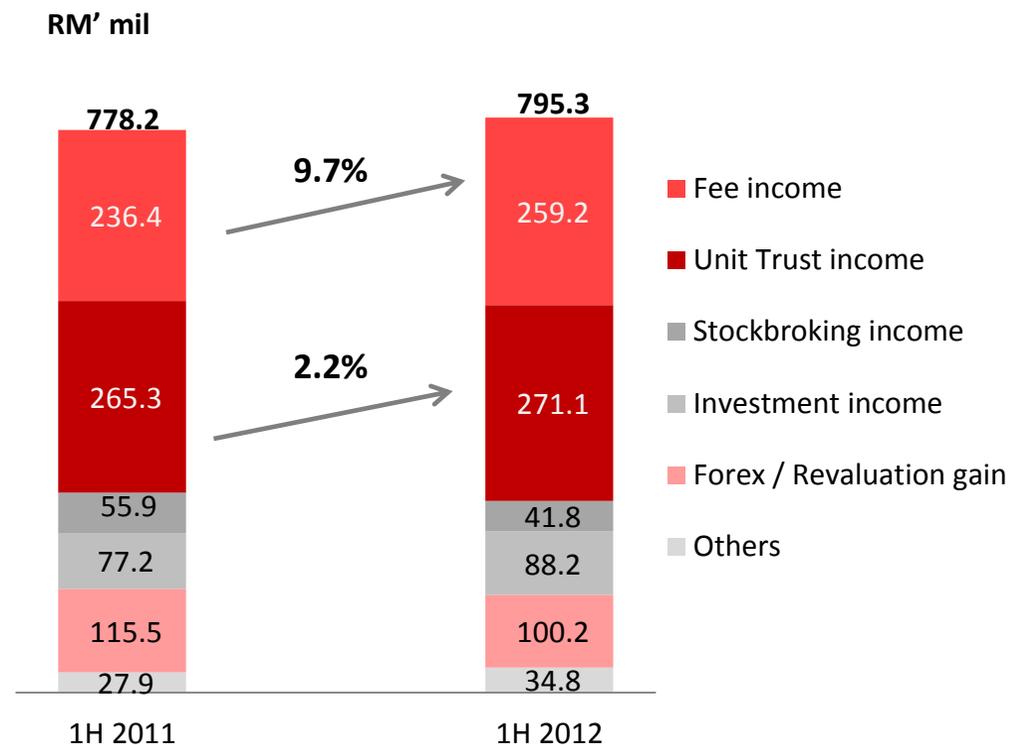


# Non-Interest Income Contribution & Growth Traction

## Non-Interest Income Contribution



Based on financial results as of 30 June 2012

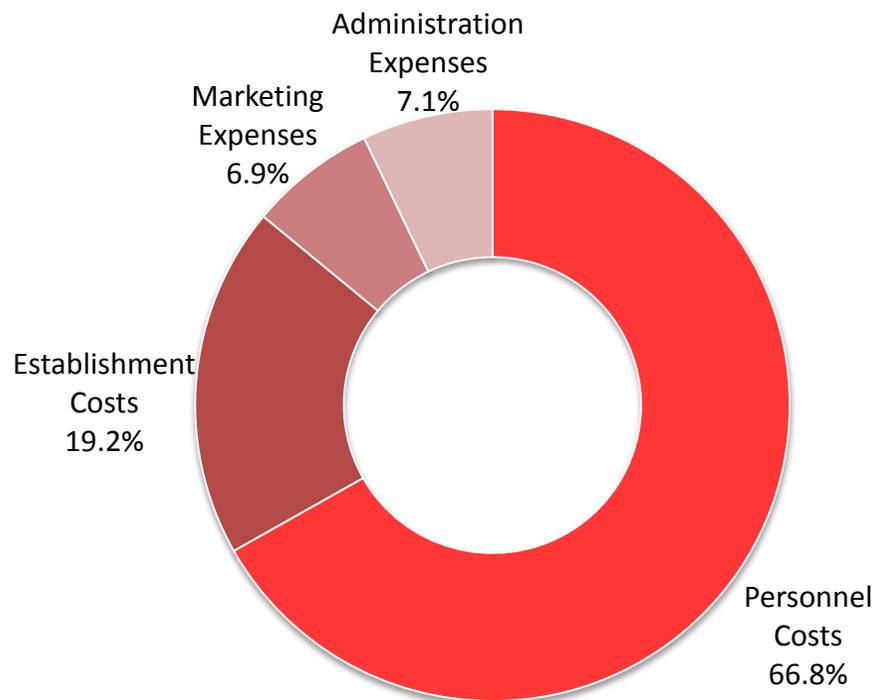


- The increase in non-interest income in 1H 2012 was mainly contributed by the Group's fee income, unit trust and investment income



# Efficient Operating Overheads

## Operating Costs Contribution



Based on financial result as at 30 June 2012

RM'mil	1H 2012	1H 2011	Change
Personnel Costs	<b>793.6</b>	745.1	↑ 6.5%
Establishment Costs	<b>228.3</b>	197.4	↑ 15.6%
Marketing Expenses	<b>81.7</b>	80.3	↑ 1.7%
Administration Expenses	<b>84.2</b>	68.6	↑ 22.8%
<b>Total</b>	<b>1,187.8</b>	1,091.4	↑ 8.8%

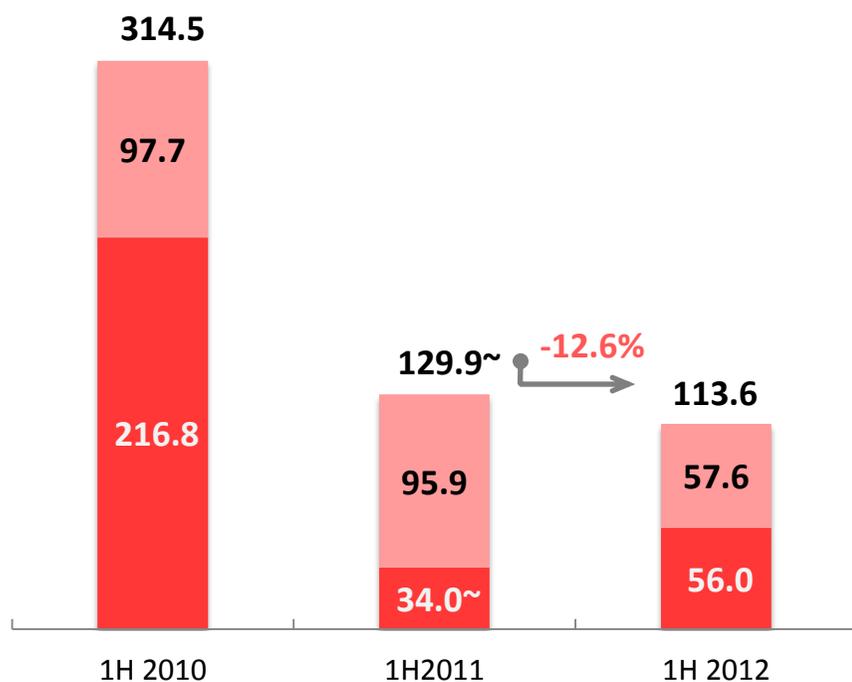
- Higher operating expenses were incidental to business expansion and growing loan base
- Personnel costs remain the main operating cost as the Group continue to invest in its people



# Improving Loan Loss Allowances

## Loan Impairment Allowances (including collective allowance)

RM' mil



- Loan impairment allowances reduced by 12.6% despite an annualised loan growth of 10.8% during the half year

~ Restated with retrospective application of MFRS 139, where applicable

■ Domestic    ■ Overseas



# Dividends

First Interim Dividend	
Single-tier dividend	20%
Dividend payout	RM700 mil



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# Robust Financial Position

	RM' bil	Jun 2012	Dec 2011~	Change
<b>Total assets</b>		<b>263.3</b>	250.6	 5.1%
<b>Gross loans and advances</b>		<b>187.3</b>	177.7	 5.4%
<i>Of which:</i>				
<b>Domestic loans and advances</b>		<b>174.2</b>	164.1	 6.1%
<b>Overseas loans and advances</b>		<b>13.1</b>	13.6	 3.8%
<b>Deposits from customers</b>		<b>211.7</b>	200.4	 5.6%
<i>Of which:</i>				
<b>Domestic customer deposits</b>		<b>197.6</b>	186.4	 6.0%
<b>Shareholders' funds</b>		<b>16.6</b>	15.7	 5.8%
<b>Net assets per share (RM)</b>		<b>4.8</b>	4.5	 5.8%
<b>Net loans to deposits (LD) ratio (%)</b>		<b>87.7</b>	87.8	 0.1%

~ Restated with retrospective application of MFRS 139, where applicable

## Assets:

- Assets expansion driven by healthy loan and deposit growth

## Loan:

- Domestic loan growth is stronger at 6.1% as at end-Jun 2012
- Overseas loans see a decrease of 3.8% to RM13.1 billion, partly due to the challenging operating environment

## Deposit:

- Deposit growth of 5.6%, supported by steady inflows of deposits, particularly demand deposits and savings deposits

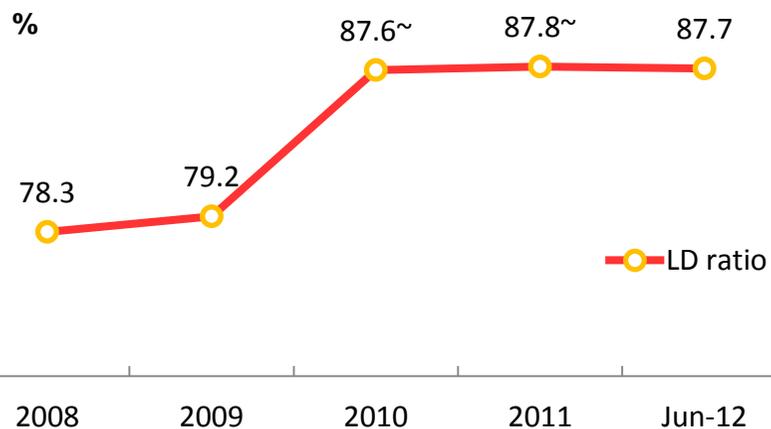
## Equity:

- Shareholders' fund stood at RM16.6 billion



# Strong Liquidity With Healthy Loan/Deposit Ratio

## Net Loan Deposit Ratio



- Net loan deposit ratio as at Jun 2012 remained healthy
- 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 >60% contribution

~ Restated with retrospective application of MFRS 139

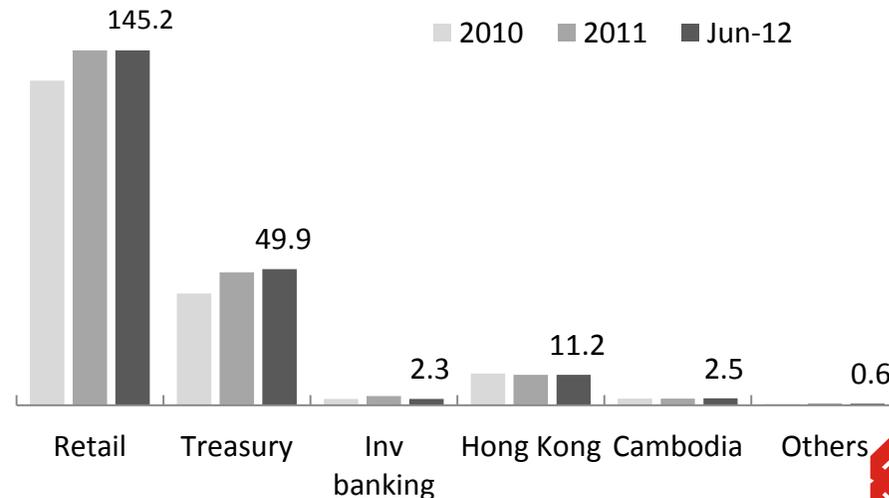
## Gross Loan Composition by Segment

RM' bil



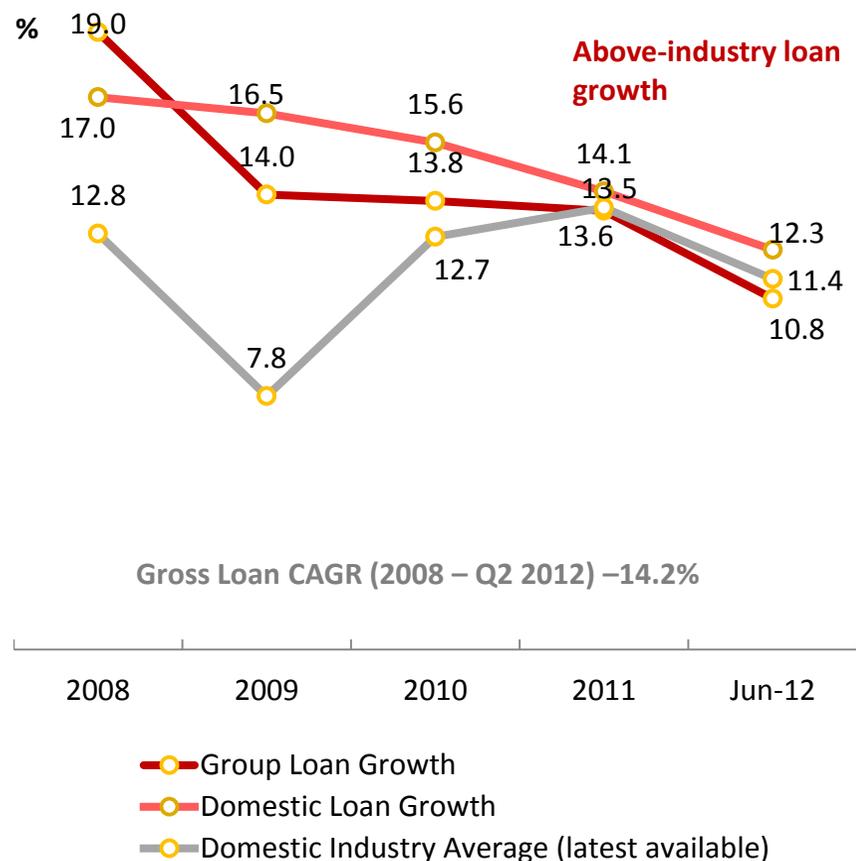
## Deposit Composition by Segment

RM' bil

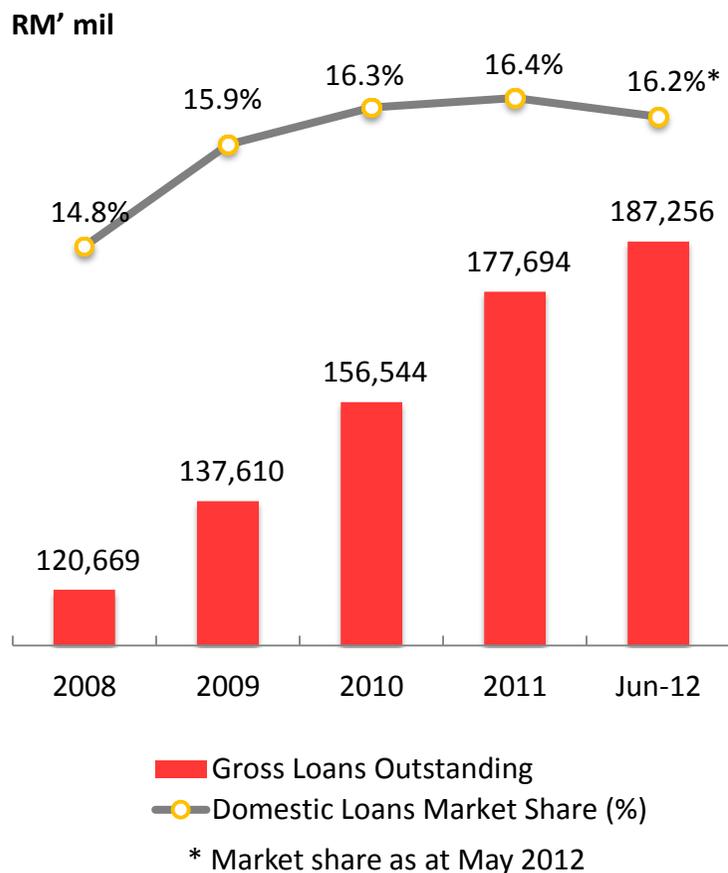


# Consistently Above-industry Loan Growth

## Loan Growth vs Industry



## Gross Loans and Domestic Loan Market Share

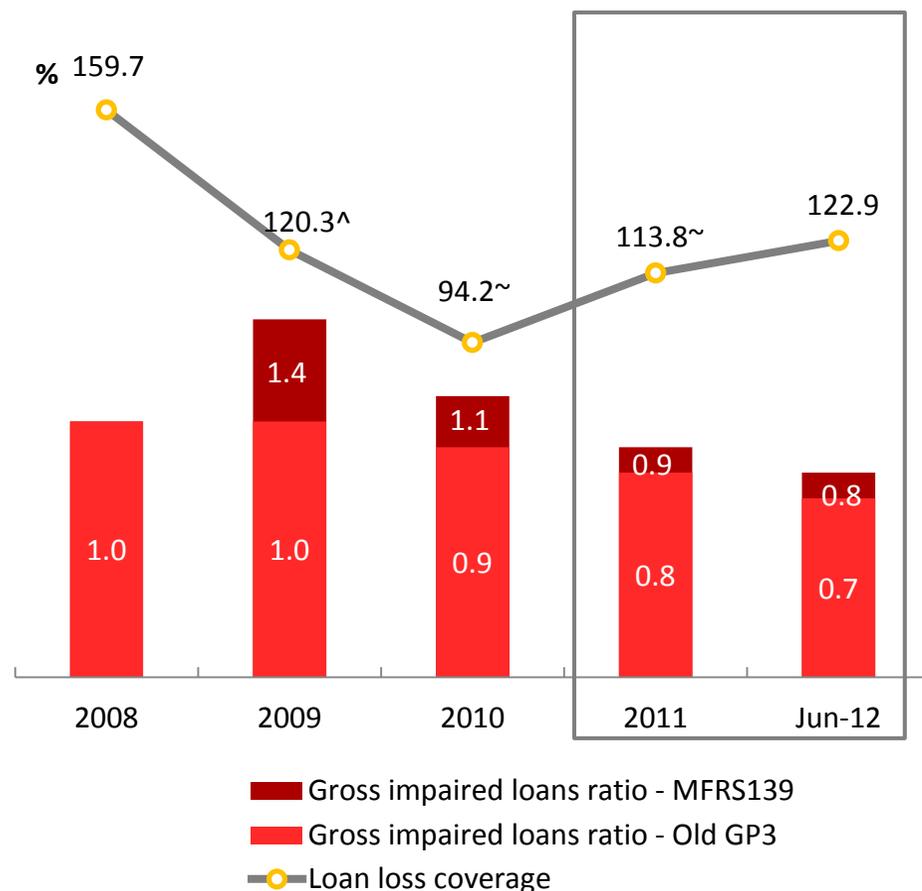


Note: Industry average growth is based on annualised loan growth as of May 2012  
 Growth rate for 1H 2012 represent annualised growth for the period



# Asset Quality Remained Strong

Improving gross impaired loans ratios with high loan loss reserves



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

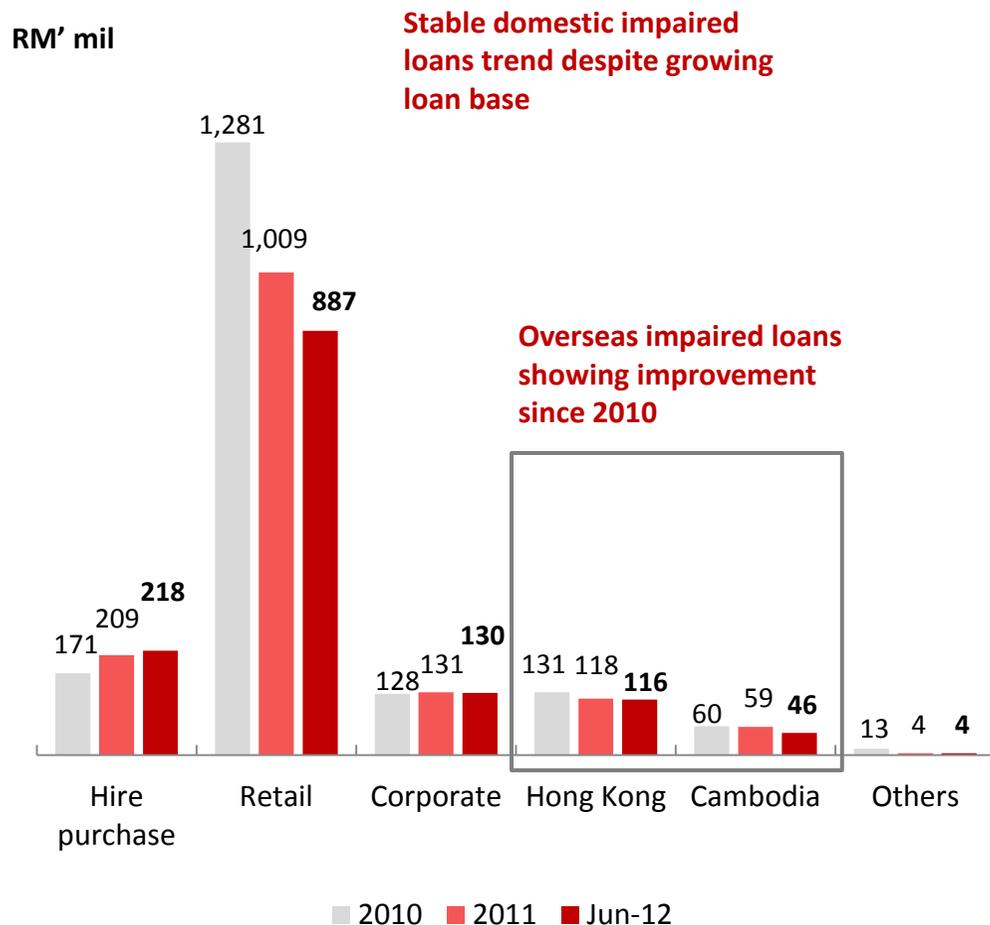
<sup>~</sup> Restated with retrospective application of MFRS 139

- Continued improvement in gross impaired loans ratio to 0.8% as at Jun 2012
- Despite write back of excess collective assessment allowance due to full adoption of MFRS 139 with effect from 2012, loan loss reserve continued to remain high at 122.9% as at Jun 2012 as compared to industry average of 93%

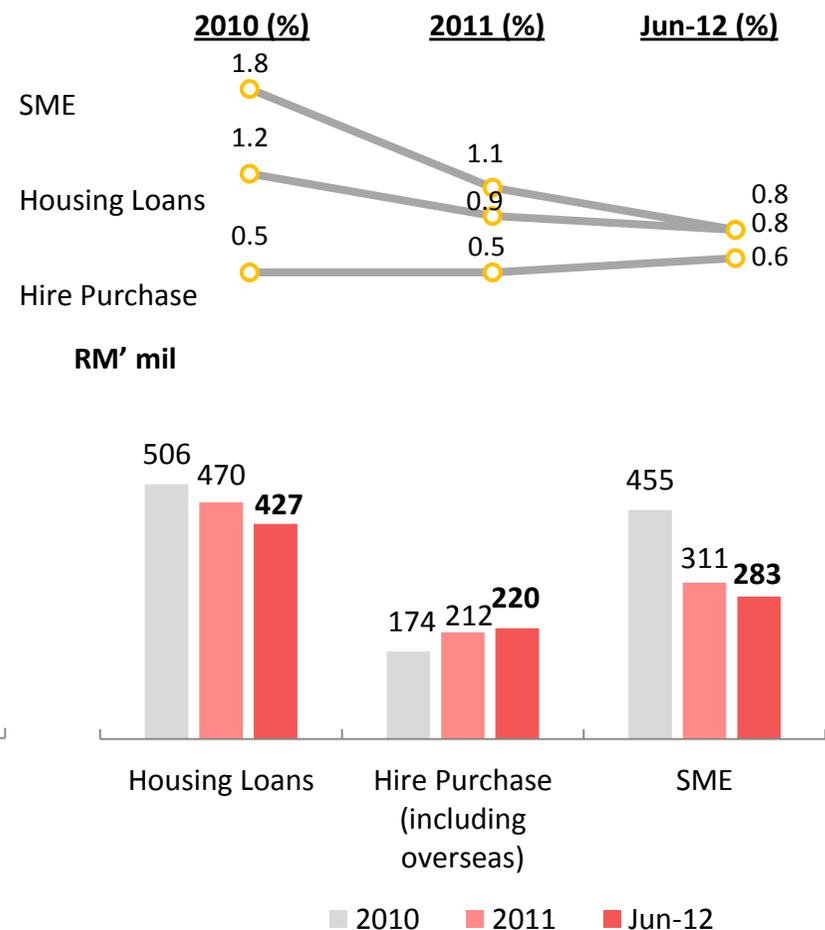


# Asset Quality Remained Strong

## Gross Impaired Loans by Segment

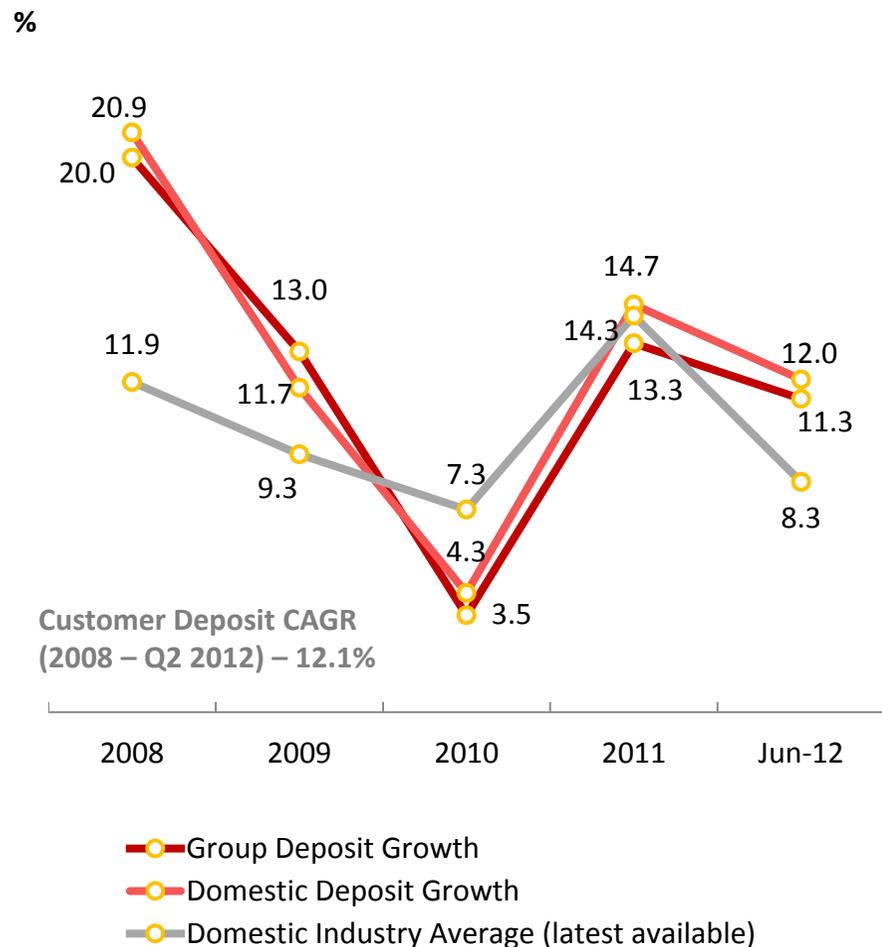


## Gross Impaired Loans & Gross Impaired Loans Ratio by Key Sectors

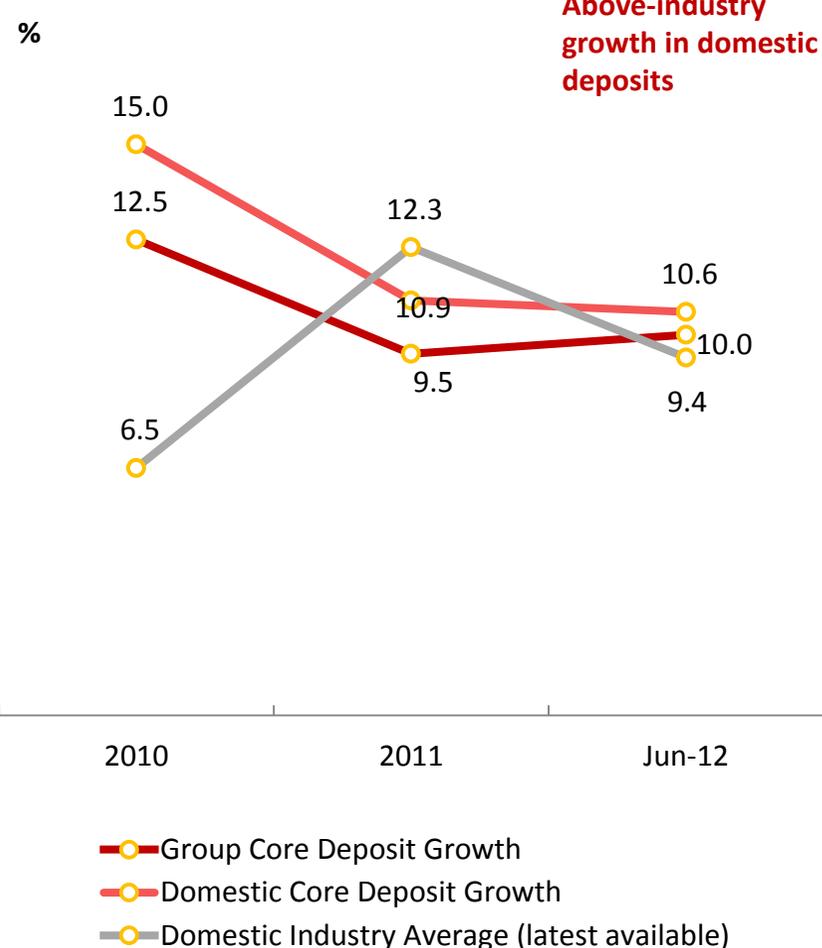


# Healthy Deposit Growth in Support of Liquidity

## Deposit Growth vs Industry



## Core Deposit Growth



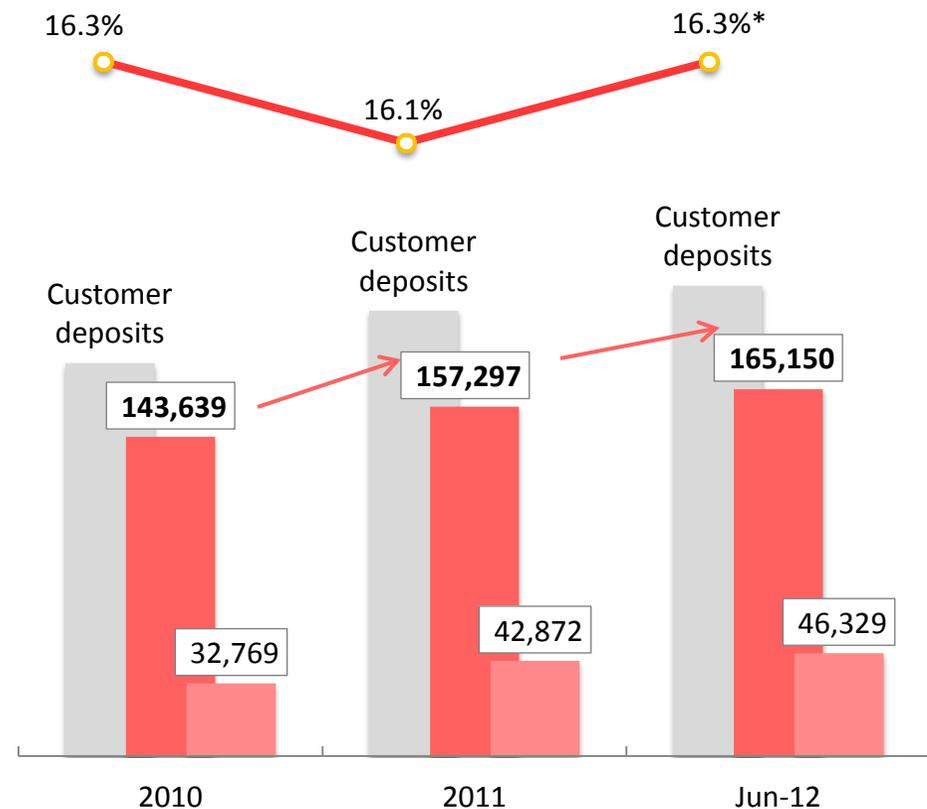
Note: Industry average growth is based on annualised loan growth as at May 2012  
Growth rate for 1H 2012 represents annualised growth for the period



# Diversified Source of Customer Deposit

## Type of Deposit

RM' mil



■ Core deposit

■ Wholesale deposit (NID & MMD)

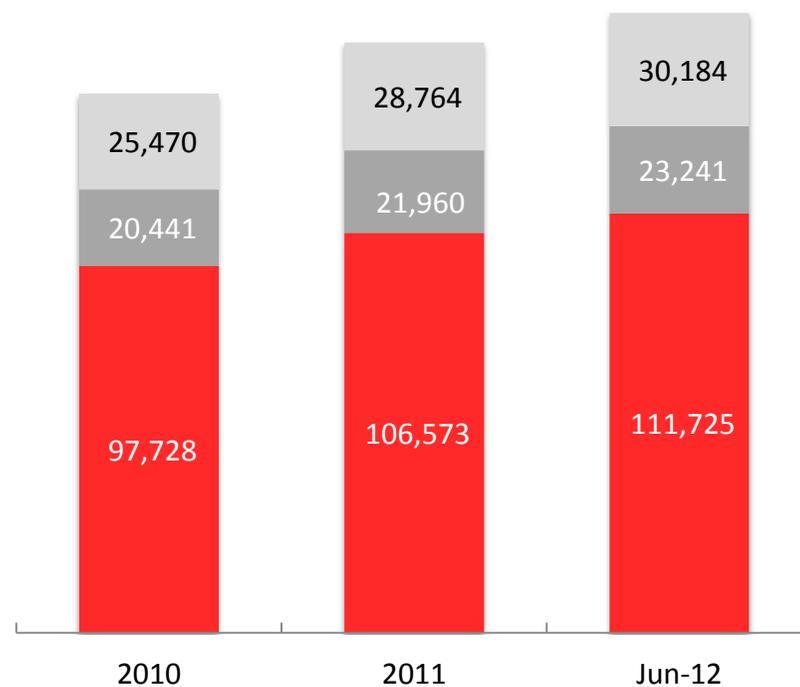
● Domestic core deposits market share

\* Market share as at May 2012

## Source of Core Deposit

RM' mil

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



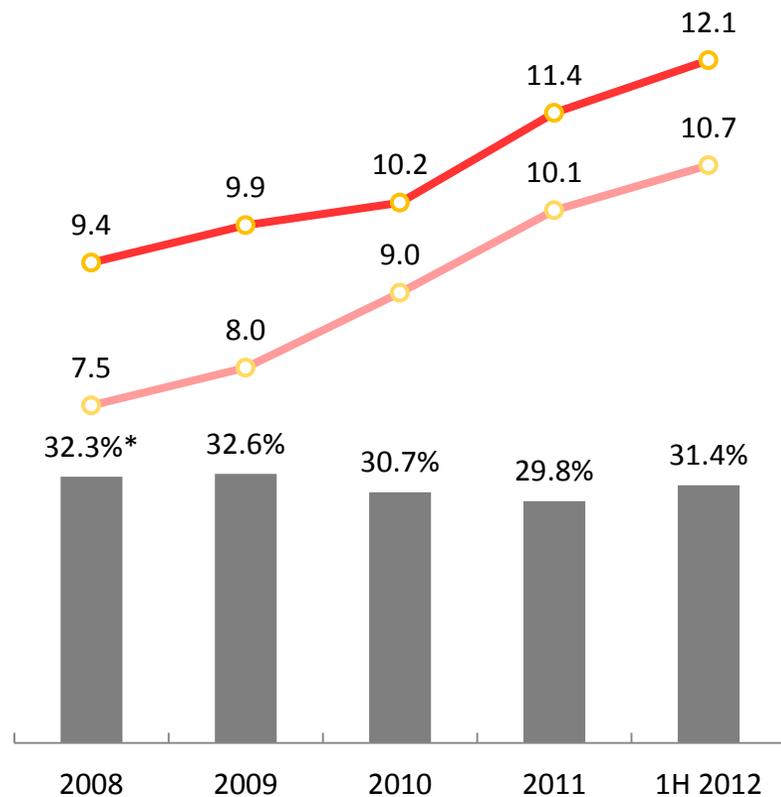
■ Fixed deposit ■ Saving accounts ■ Current accounts



# Continued High Productivity & Cost Efficiency

## Productivity and Cost Efficiency

RM' mil

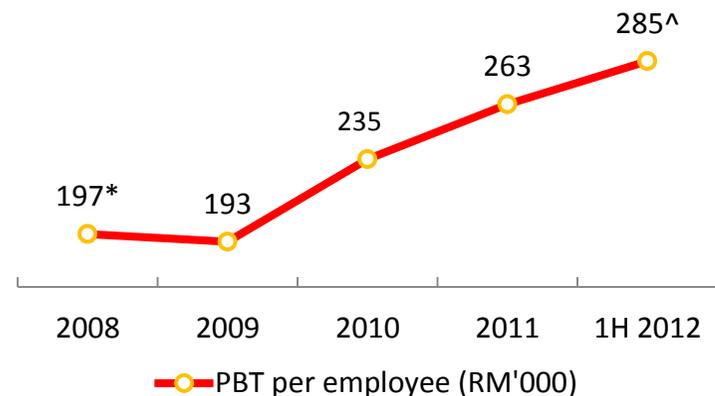


- Cost income ratio (%)
- Gross loan per employee
- Deposit per employee

\* Exclude one-off goodwill income from ING

## PBT per employee

RM' 000



\* Exclude one-off goodwill income from ING

	1H 2012	2011	Industry Average
Gross loan per employee (RM mil)	<b>10.7</b>	10.1	8.1
Deposit per employee (RM mil)	<b>12.1</b>	11.4	10.4
PBT per employee (RM'000)	<b>285^</b>	263	202
Cost Income Ratio (%)	<b>31.4</b>	29.8	46.0

^ Annualised



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Capital Management

Other Highlights



# Retail Operations

RM'mil	1H 2012	1H 2011~	Change
Net Income	<b>2,186.5</b>	2,051.1	 6.6%
Operating Expenses	<b>(678.9)</b>	(640.3)	 6.0%
Allowances for impairment on loans and other assets	<b>(14.3)</b>	17.2	 >100%
Profit by segment	<b>1,493.3</b>	1,428.0	 4.6%

~ Restated with retrospective application of MFRS 139, where applicable

- Improved profit and business performance of the retail operations segment were mainly driven by healthy growth in the lending and deposit-taking businesses
- Asset quality further improved with gross impaired loans ratio declining to 0.8%

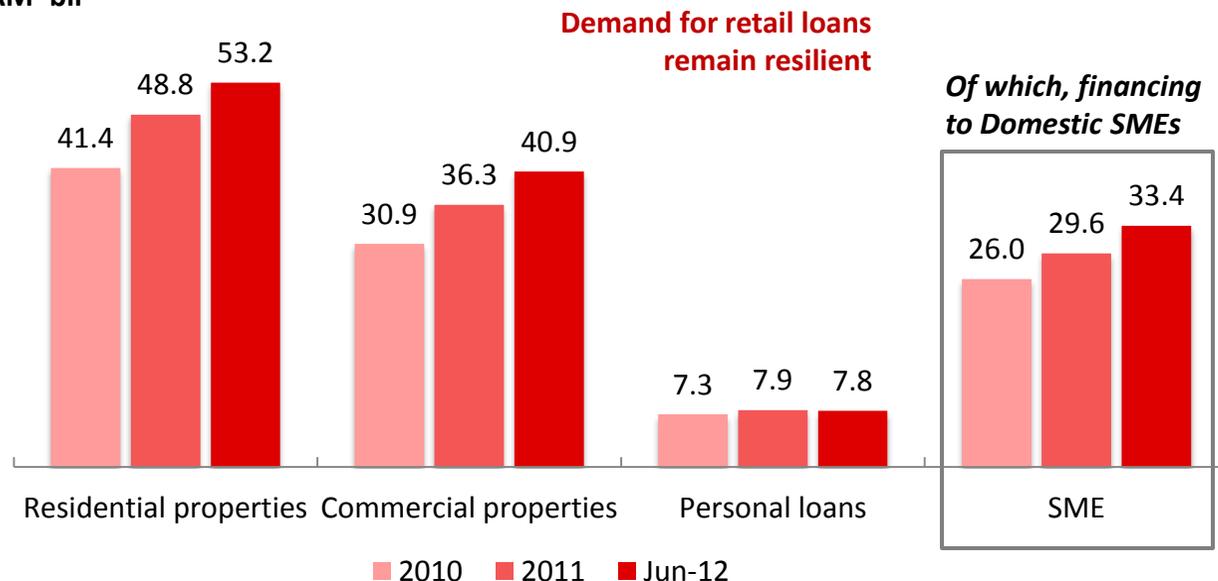
	Jun 2012	Dec 2011	Change
Gross Loans and Advances (RM' bil)	<b>112.8</b>	105.0	 7.5%
Customer Deposits (RM' bil)	<b>145.2</b>	133.9	 8.5%
Gross Impaired Loans (RM' bil)	<b>0.9</b>	1.0	 12.0%
Gross Impaired Loans Ratio	<b>0.8%</b>	1.0%	 0.2%



# 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



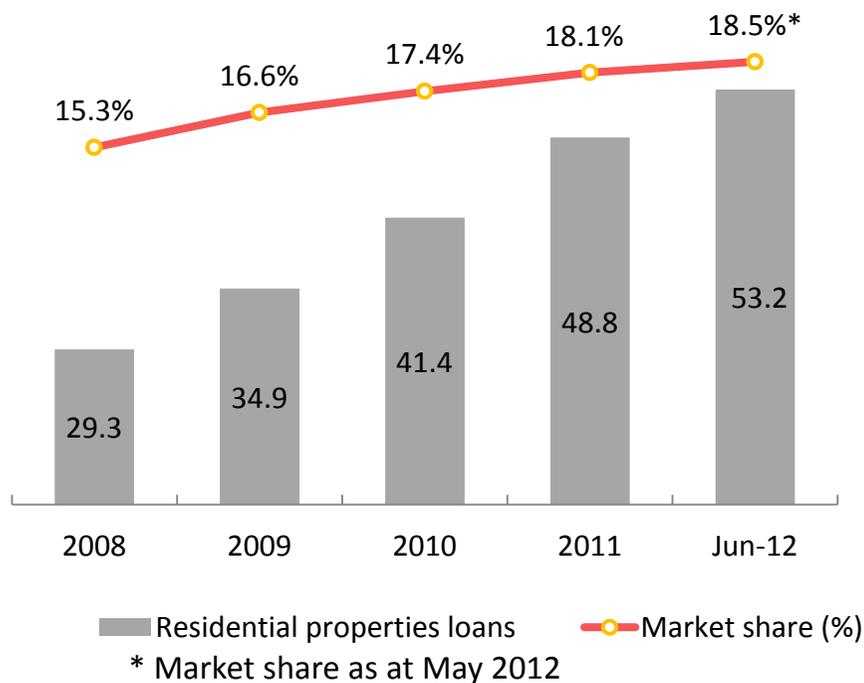
# Retail Operations

## Market Share in Residential Properties

Remained market leader in the residential property financing

No.1

RM' bil

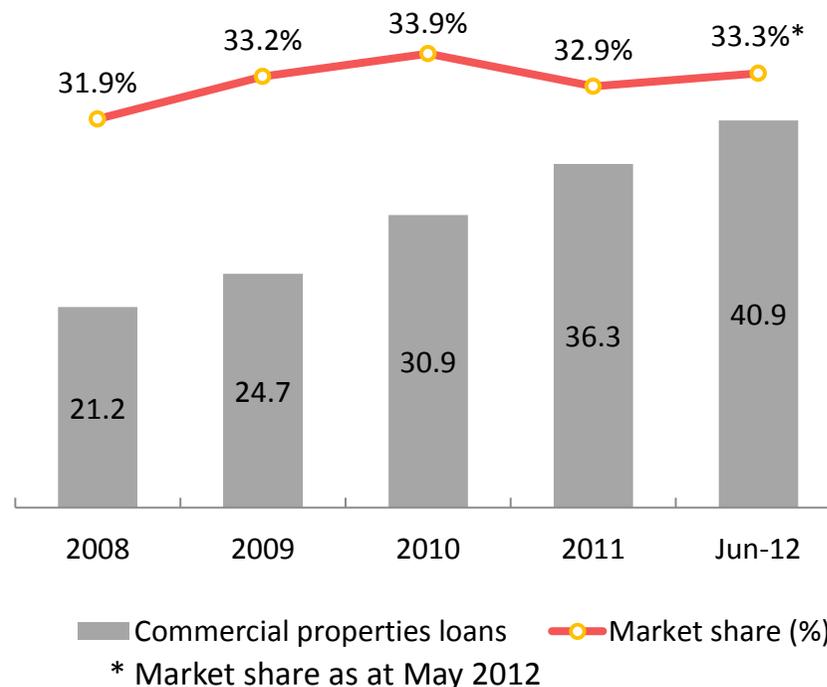


## Market Share in Commercial Properties

Remained market leader in the commercial property financing

No.1

RM' bil



# Hire Purchase

RM'mil	1H 2012	1H 2011~	Change
Net Income	502.7	452.9	 11.0%
Operating Expenses	(106.0)	(80.0)	 32.4%
Allowances for impairment on loans and other assets	(49.9)	(45.6)	 9.6%
Profit by segment	346.8	327.3	 5.9%

~ Restated with retrospective application of MFRS 139, where applicable

- Profit growth for the HP segment mainly driven by healthy growth in HP loan base
- Asset quality remained stable as reflected by the stable impaired loan ratio at 0.6%

	Jun 2012	Dec 2011	Change
Gross Loans and Advances (RM' bil)	<b>38.8</b>	37.1	 4.5%
Gross Impaired Loans (RM' bil)	<b>0.2</b>	0.2	 4.5%
Gross Impaired Loans Ratio	<b>0.6%</b>	0.6%	 ---

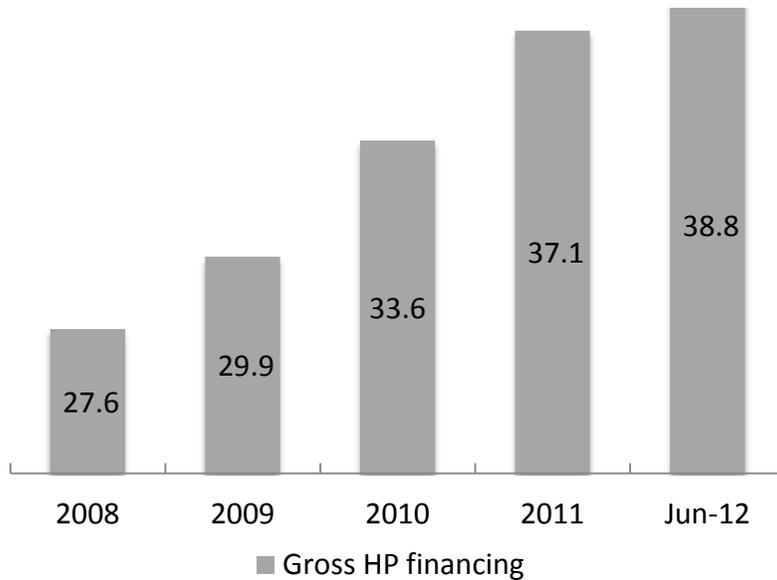


# Hire Purchase

## HP Financing in Domestic Operations

RM' bil

Steady growth in HP financing



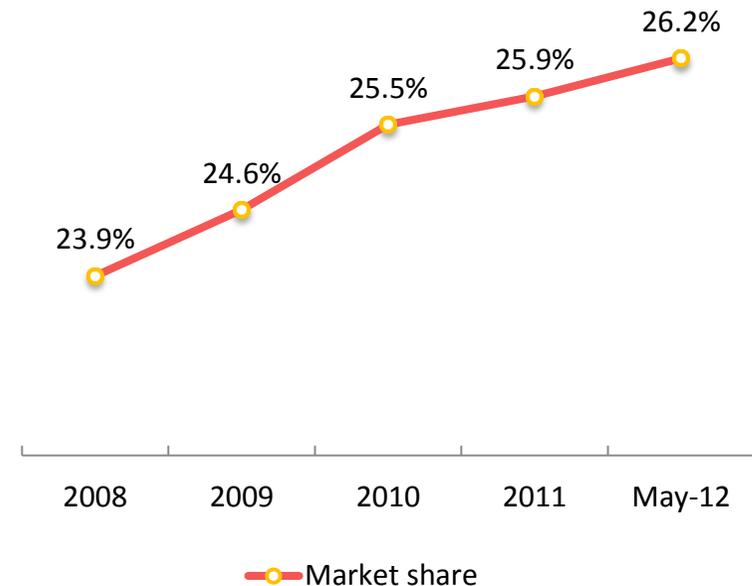
## Key Drivers in Domestic Hire Purchase Financing

- Better customer service delivery through the 27 HP 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

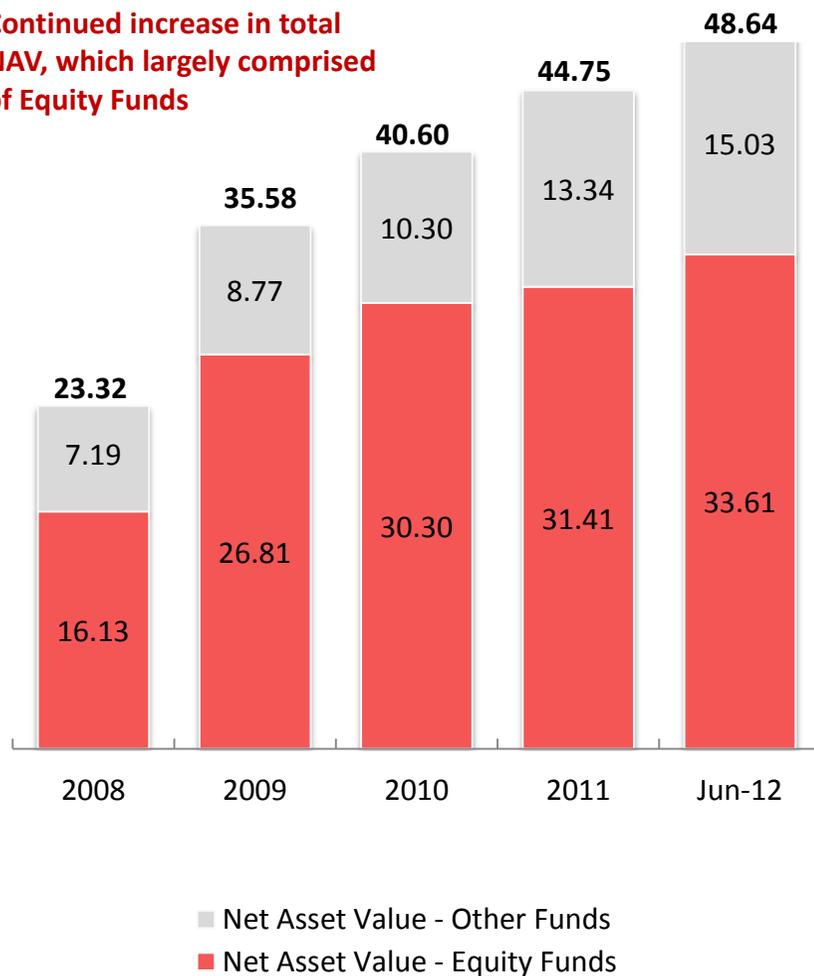


# Wealth Management

## Net Asset Value of Funds under management

RM' bil

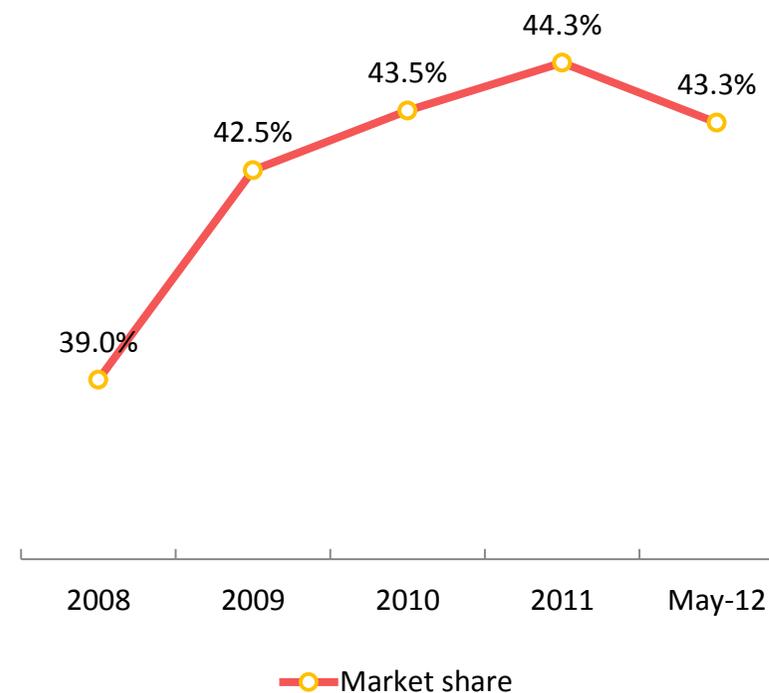
Continued increase in total NAV, which largely comprised of Equity Funds



## Market Share in Private Unit Trust Industry

No.1

Public Mutual continues to maintain its market leadership

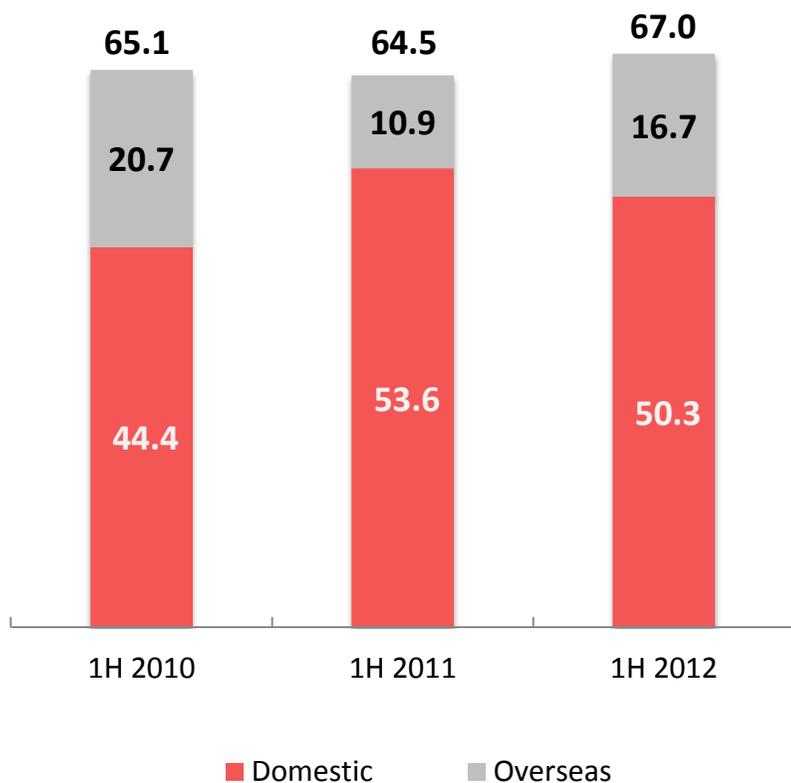


# Wealth Management

## 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 2 new products during the half year.
- Continued to build its bancassurance sales force

	2010	2011	Jun-12
Bancassurance Sales Executives	250	230	241
Personal Financial Executives	272	233	265
Total	522	463	506



# Investor Presentation

Executive Summary

Financial Performance

Growth Performance

Business Performance

**Capital Management**

Other Highlights



# Capital Management

RM'mil	Group#			Bank#		
	Jun 2012	Dec 2011*	Change	Jun 2012	Dec 2011*	Change
Tier I Capital	<b>18,355.7</b>	17,269.3	↑ 6.3%	<b>18,369.8</b>	17,235.8	↑ 6.6%
Tier II Capital	<b>5,868.9</b>	7,211.6	↓ 18.6%	<b>5,541.2</b>	6,860.2	↓ 19.2%
Deduct: Inv in subs/asso and other deductions	<b>(47.9)</b>	(45.4)	↑ 5.5%	<b>(4,209.3)</b>	(4,031.8)	↑ 4.4%
Total Capital Base	<b>24,176.7</b>	24,435.5	↓ 1.1%	<b>19,701.7</b>	20,064.2	↓ 1.8%
Risk-Weighted Assets	<b>174,027.6</b>	163,027.3	↑ 6.7%	<b>144,926.8</b>	134,887.8	↑ 7.4%
RWCR (%)	<b>13.9%</b>	15.0%	↓ 1.1%	<b>13.6%</b>	14.9%	↓ 1.3%
Tier-I Capital Ratio (%)	<b>10.5%</b>	10.6%	↓ 0.1%	<b>12.7%</b>	12.8%	↓ 0.1%

\* Restated with retrospective application of MFRS 139, where applicable

# After deducting interim dividends declared after period end

- Decrease in RWCR during the period was due to the redemption of USD400 million subordinated notes in Jun 2012



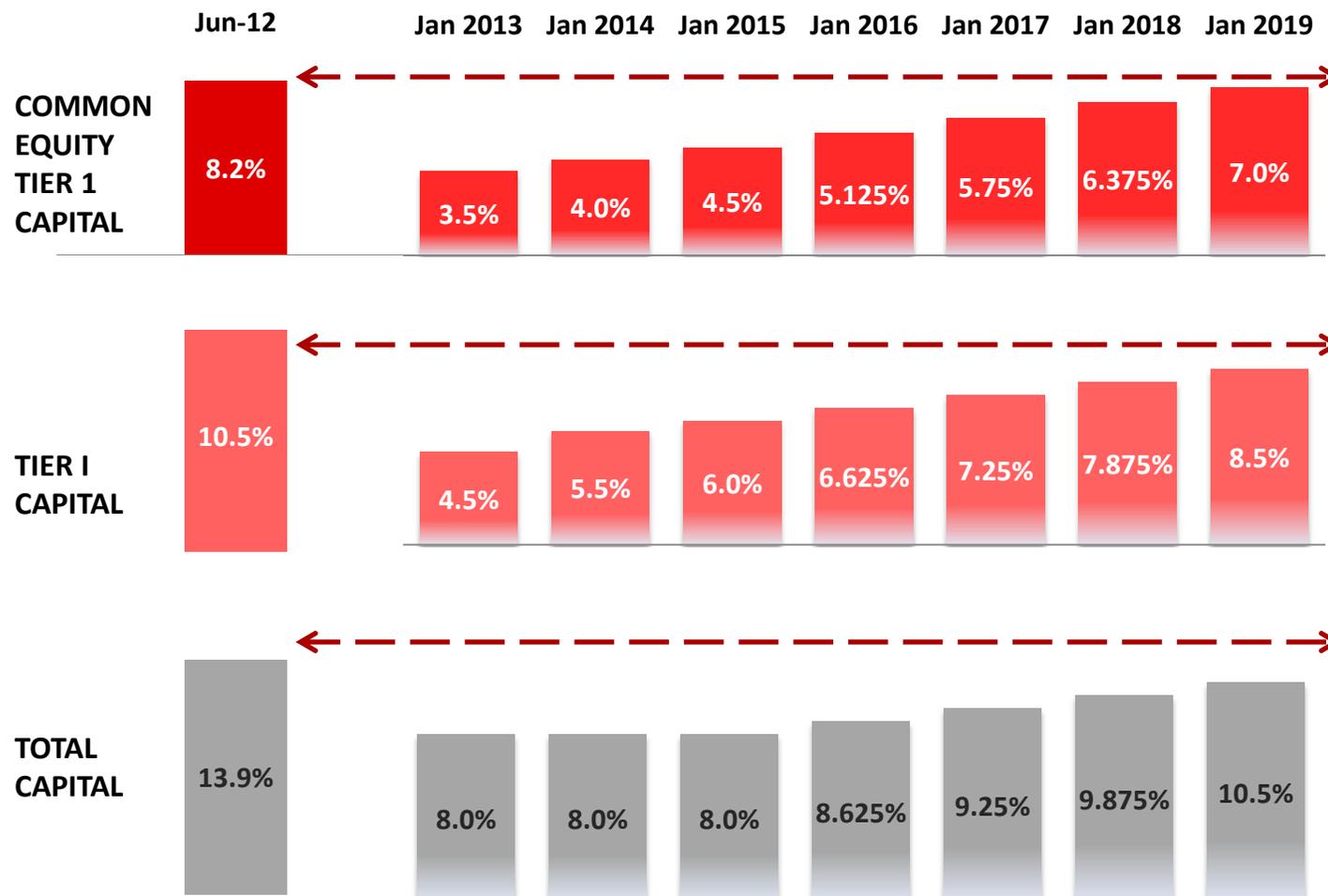
# Capital Management

## 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
- The counter-cyclical buffer to be introduced will be gradually phased in over a 4-year period commencing 2016 (based on BNM's concept paper)



# Capital Management



**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

# 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

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Capital Management

**Other Highlights**



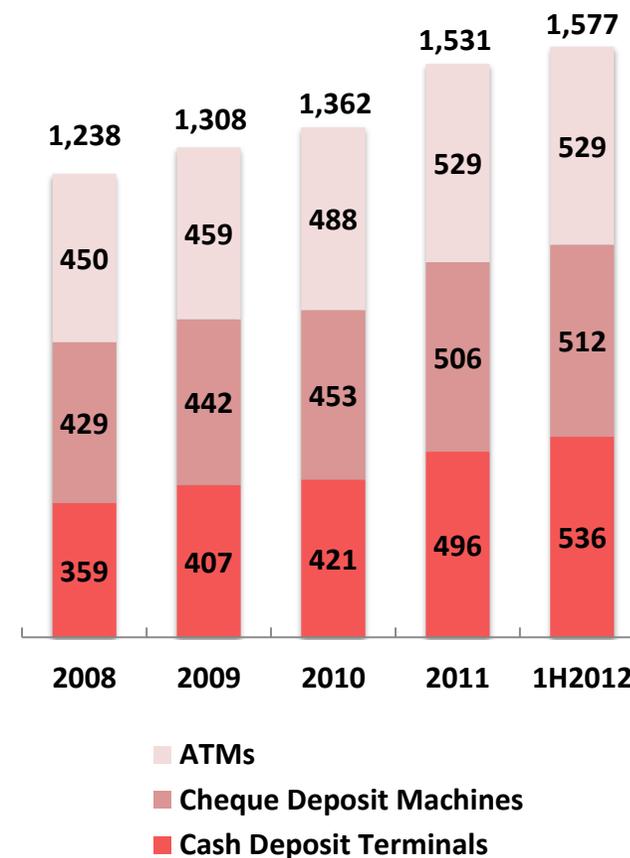
# Expansion in Business Delivery Channel

## Branch Network - Group

	Jun 2012	Dec 2011	Dec 2006
<b>Malaysian Operations</b>			
Public Bank - Domestic	251	251	240
- Overseas	4	4	3
Public Islamic Bank	1	1	-
Public Mutual	28	28	25
Public Investment Bank	1	1	1
<b>Hong Kong &amp; China Operations</b>			
Public Finance	42	42	40
Public Bank (HK) - Hong Kong	32	32	15
- China	3	3	1
Winton (B.V.I) Group	9	9	2
<b>Indo-China Operations</b>			
Cambodia Public Bank	23	23	5
VID Public Bank (Vietnam)	7	7	6
	<b>401</b>	<b>401</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





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