



PUBLIC BANK
پوبلیک بینک

Investor Presentation

December 2012 Results Update



Investor Presentation

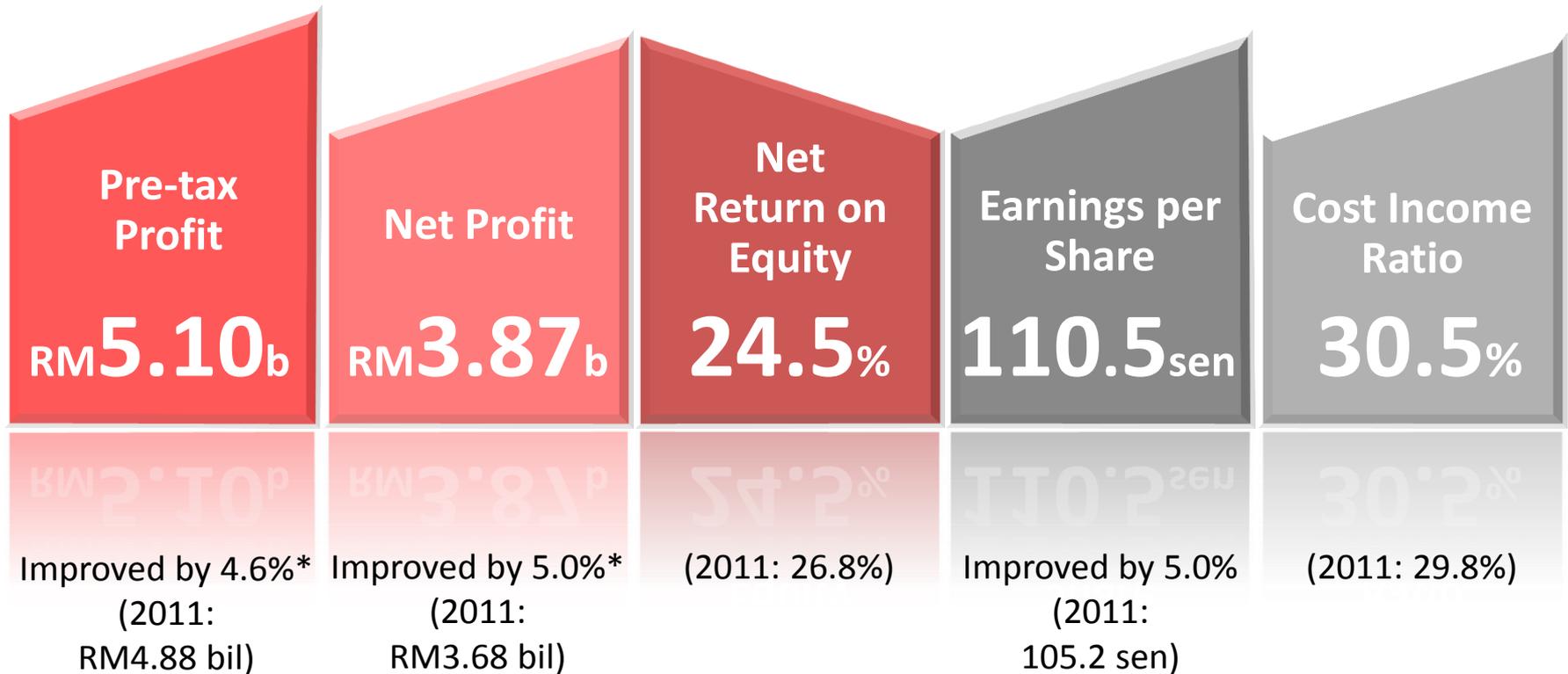


- Executive Summary**
- Financial Performance
- Growth Performance
- Business Performance
- Capital Management
- Other Highlights





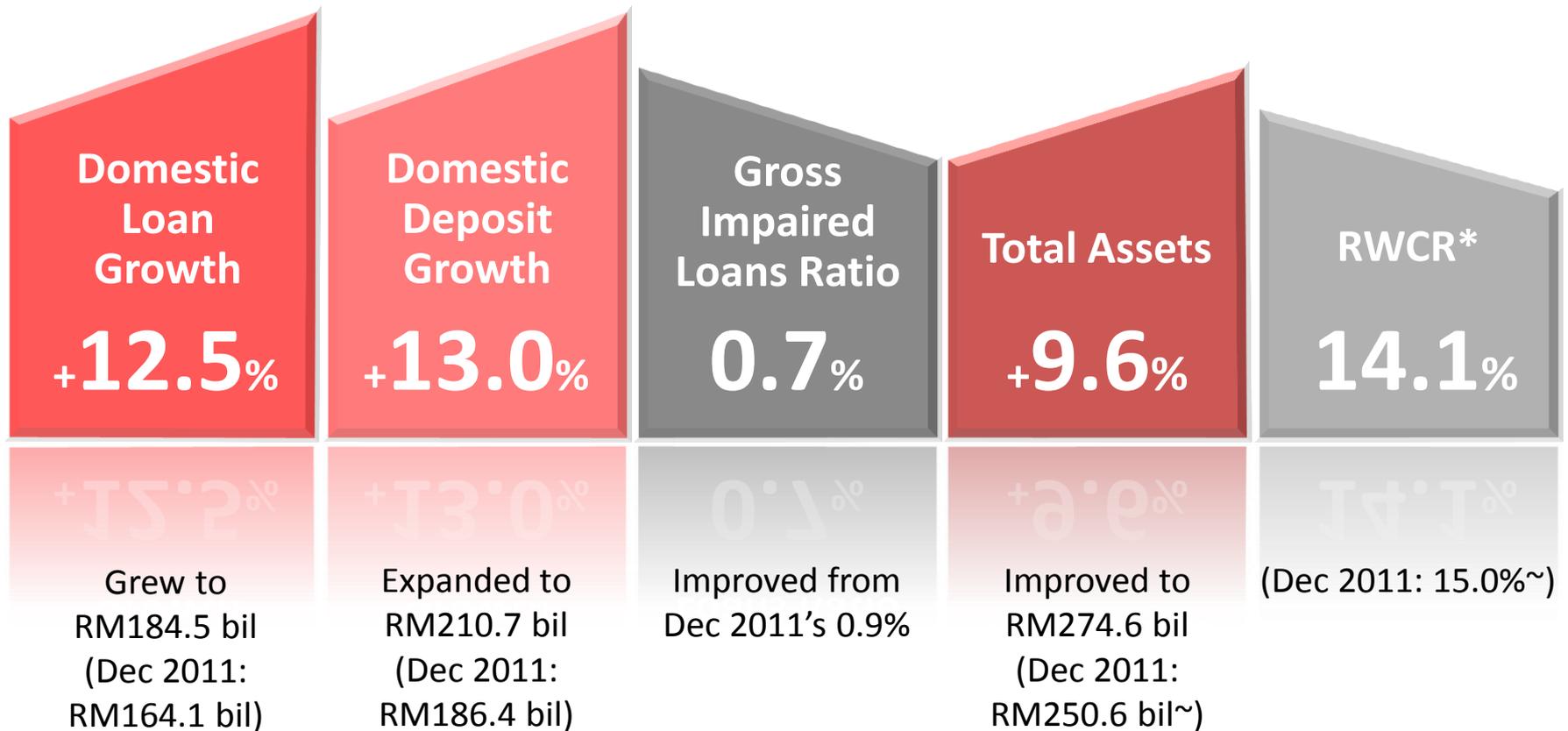
Performance overview – Sustainable profit growth



* Excluding the impact of higher restated profits in prior year (with retrospective application of MFRS 139), pre-tax profit and net profit would have shown a higher growth of 10.7% & 11.1% respectively



Performance overview – From a position of strength



* After deducting second interim dividends declared subsequent to end of year
~ 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 allowance 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 January 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	Change
Shareholders' equity (RM million)	15,722	14,863	 859
Tier 1 capital ratio (%)	10.6	10.1	 0.5
RWCR (%)	15.0	15.3	 0.3
Loan loss coverage (%)	113.8	188.9	 75.1

Transition to MFRS Framework – Adoption of MFRS 139



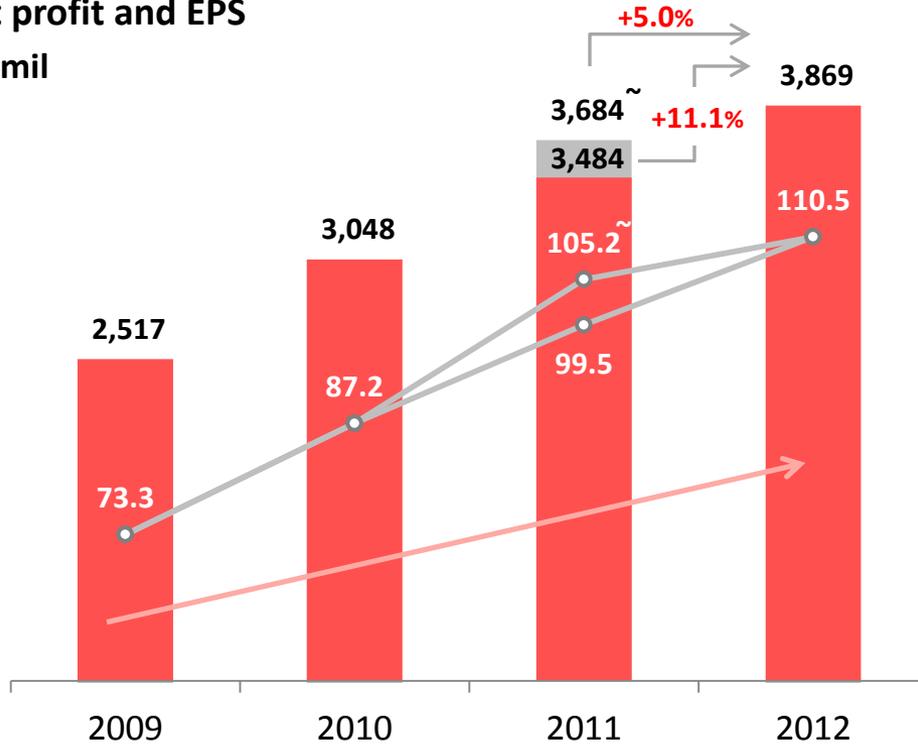
Restatement of key comparatives

		Restated	Previously reported
	2012	2011	2011
Pre-tax profit (RM million)	5,104	4,878	4,611
Net profit (RM million)	3,869	3,684	3,484
Pre-tax profit growth (%)		4.6	10.7
Net profit growth (%)		5.0	11.1
Net return on equity (%)	24.5	26.8	26.8
Earning per share (sen)	110.5	105.2	99.5



Performance overview – Steady net profit growth

Net profit and EPS
RM'mil



Past 3 years average growth

- Net profit : 15.7%
- EPS : 14.9%

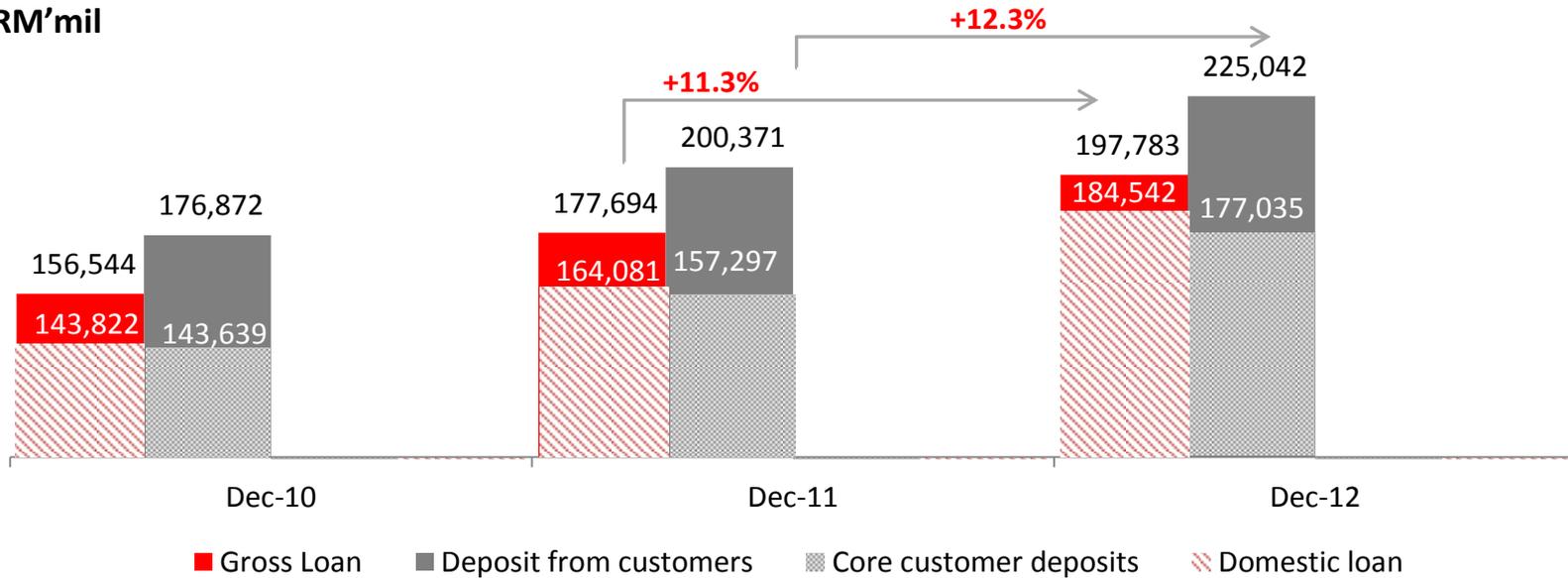
■ ~Restated net profit with retrospective application of MFRS 139
■ Net Profit
—○— EPS (sen)



Performance overview – Sustainable loan and deposit growth

Group 3-year loan and deposit growth

RM'mil



	Dec-2010	Dec-2011	Dec-2012
Gross loan growth	13.8%	13.5%	11.3%
Domestic loan growth	15.6%	14.1%	12.5%
Customer deposit growth	3.5%	13.3%	12.3%
Core customer deposit growth	12.5%	9.5%	12.5%



Taking the lead in what we do – Clear market leadership

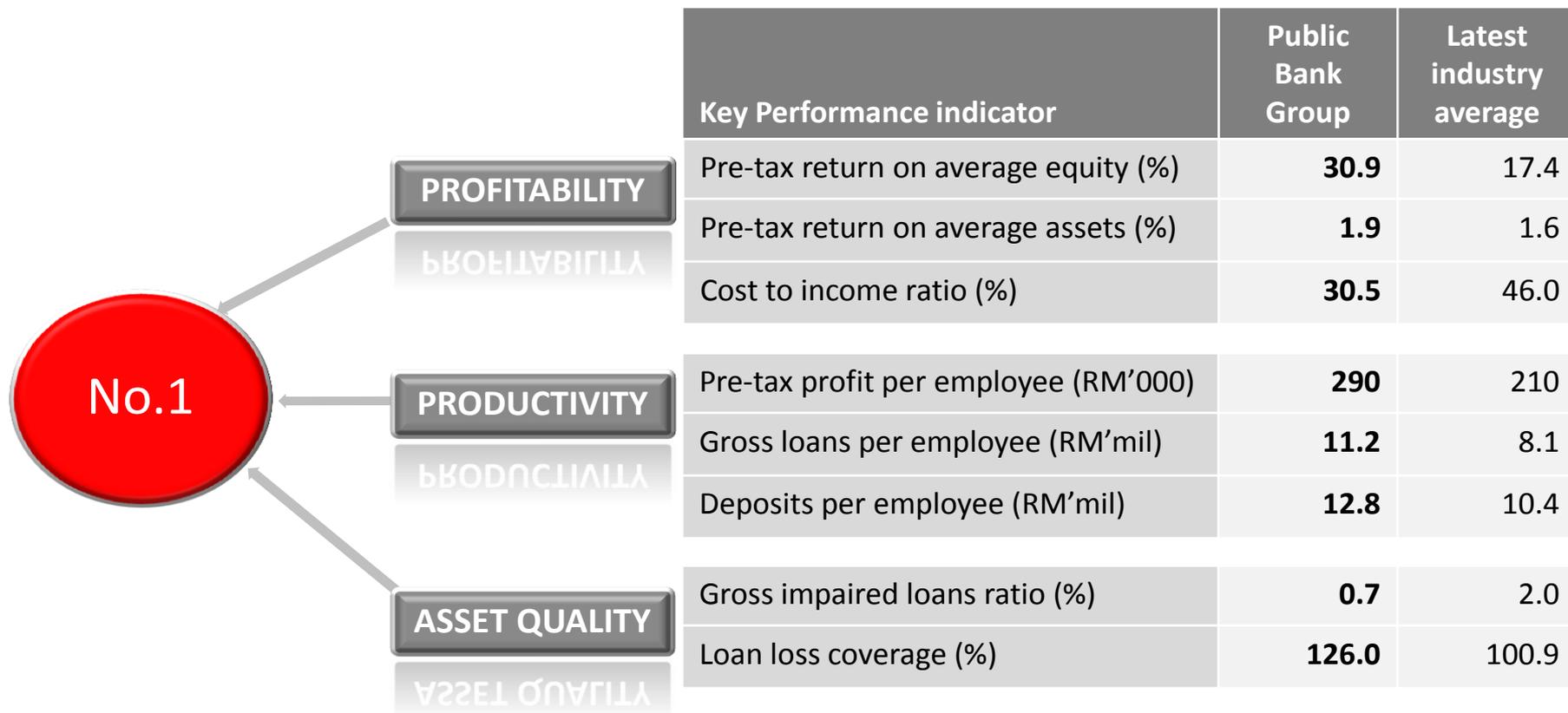
We continue to maintain **market leadership** in our domestic core businesses



Taking the lead in what we do – High performance bank



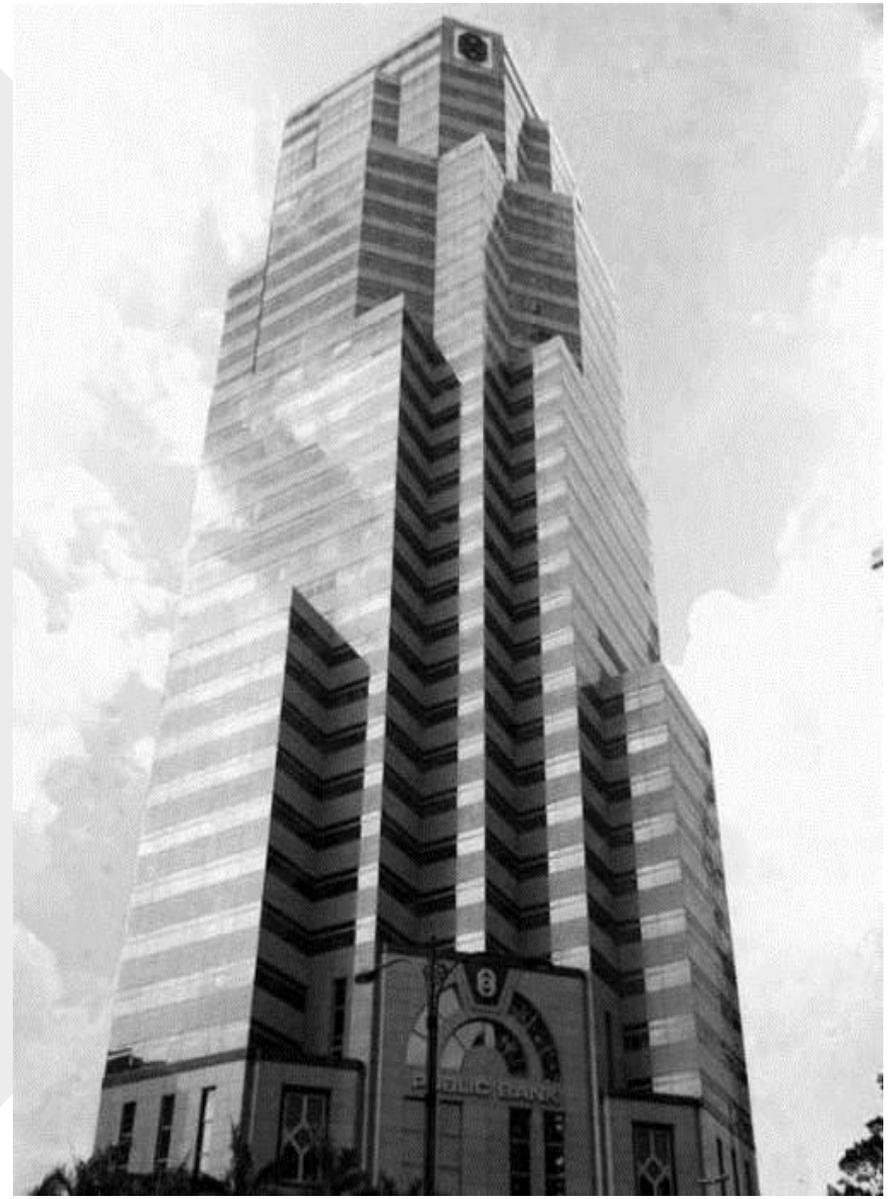
We continue to maintain **leadership** as a high performance bank in Malaysia





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Earnings Performance

RM'mil	Q4 2012	Q4 2011~	Change	2012	2011~	Change
Net interest & Islamic Banking income	1,543.3	1,483.0	4.1%	6,098.4	5,843.3	4.4%
Non-interest income	430.1	399.0	7.8%	1,648.3	1,565.3	5.3%
Operating expenses	581.5	561.4	3.6%	2,360.9	2,208.7	6.9%
Operating profit	1,391.9	1,320.6	5.4%	5,385.8	5,199.9	3.6%
Loan impairment allowances	84.2	106.1	20.7%	279.2	326.8	14.5%
Pre-tax profit	1,305.5	1,211.8	7.7%	5,103.9	4,877.9	4.6%
Net profit	992.5	913.4	8.7%	3,869.3	3,684.3	5.0%

~ 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 2012 despite double-digit loan growth



Earnings Performance

RM'mil	Q4 2012	Q4 2011~	Change	2012	2011~	Change
Earnings per share (sen)	28.3	26.1	8.4%	110.5	105.2	5.0%
Net return on equity*	23.5%	24.7%	1.2%	24.5%	26.8%	2.3%
Pre-tax return on average assets	1.9%	2.0%	0.1%	1.9%	2.0%	0.1%
Net interest margin on yielding assets **	3.0%	3.3%	0.3%	3.1%	3.3%	0.2%
Non interest income/Total net income	21.8%	21.2%	0.6%	21.3%	21.1%	0.2%
Cost to income ratio	29.5%	29.8%	0.3%	30.5%	29.8%	0.7%
Overheads on 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

~ Restated with retrospective application of MFRS 139, where applicable

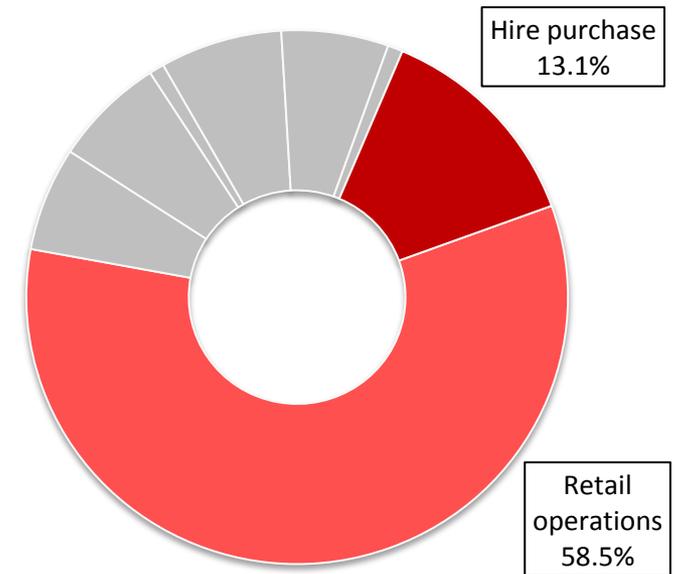
Note: Q4 key earning indicators, excluding EPS, have been annualised for comparison purposes



Pre-tax Profit by Business Segment

RM'mil	2012	2011~	Change
Retail operations	2,986.4	2,780.2	↑ 7.4%
Hire purchase	668.3	644.8	↑ 3.6%
Corporate lending	322.3	307.7	↑ 4.8%
Treasury & capital market operations	339.4	320.8	↑ 5.8%
Fund management	372.2	321.8	↑ 15.6%
Overseas operations	325.0	296.5	↑ 9.6%
Of which:			
Public Financial Holdings	181.4	183.9	↓ 1.4%
Cambodian Public Bank	108.5	88.9	↑ 22.2%
Investment banking	44.5	51.3	↓ 13.3%
Others*	45.8	154.8	↓ 70.4%
Total	5,103.9	4,877.9	↑ 4.6%

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



Based on financial results as at 31 December 2012

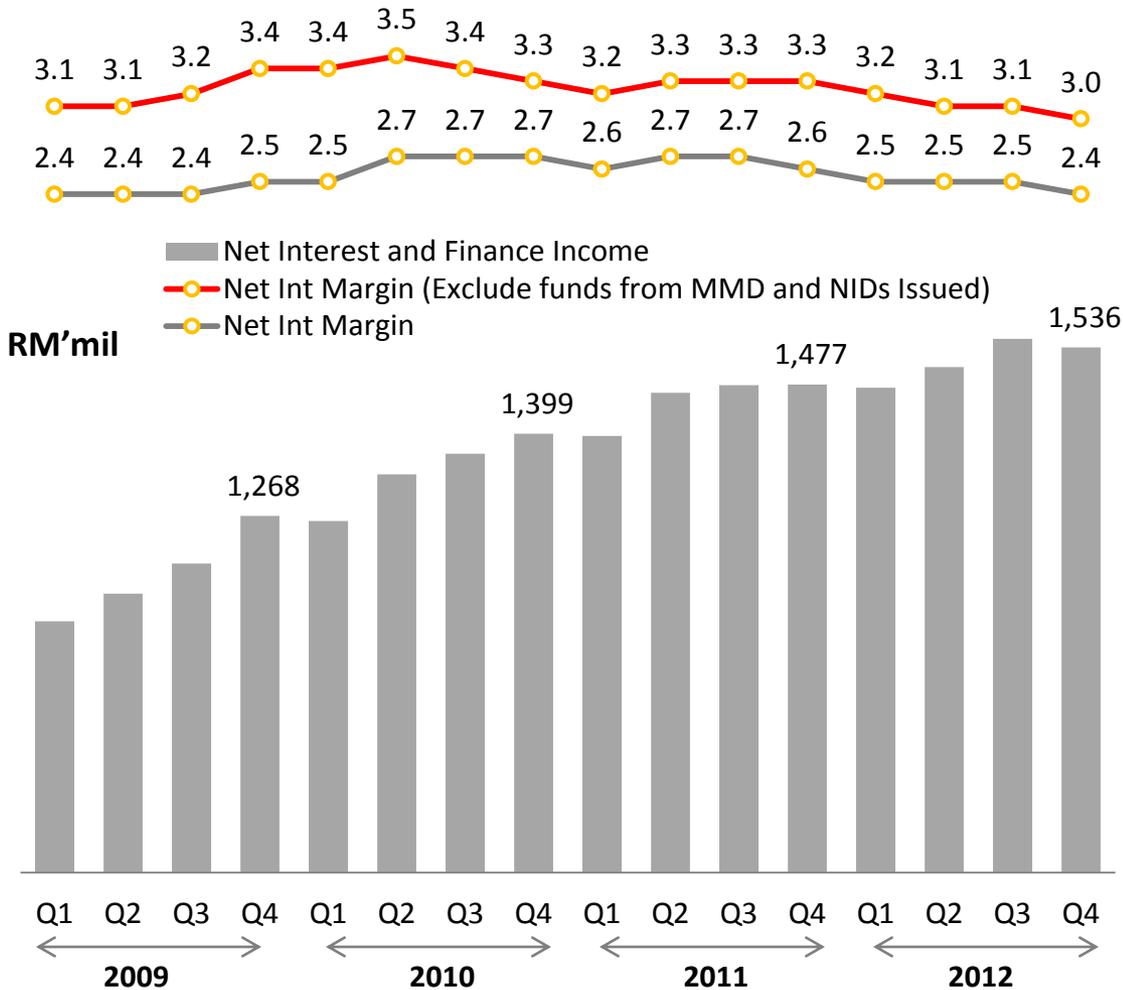
* Others comprise mainly of domestic head office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

~ 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



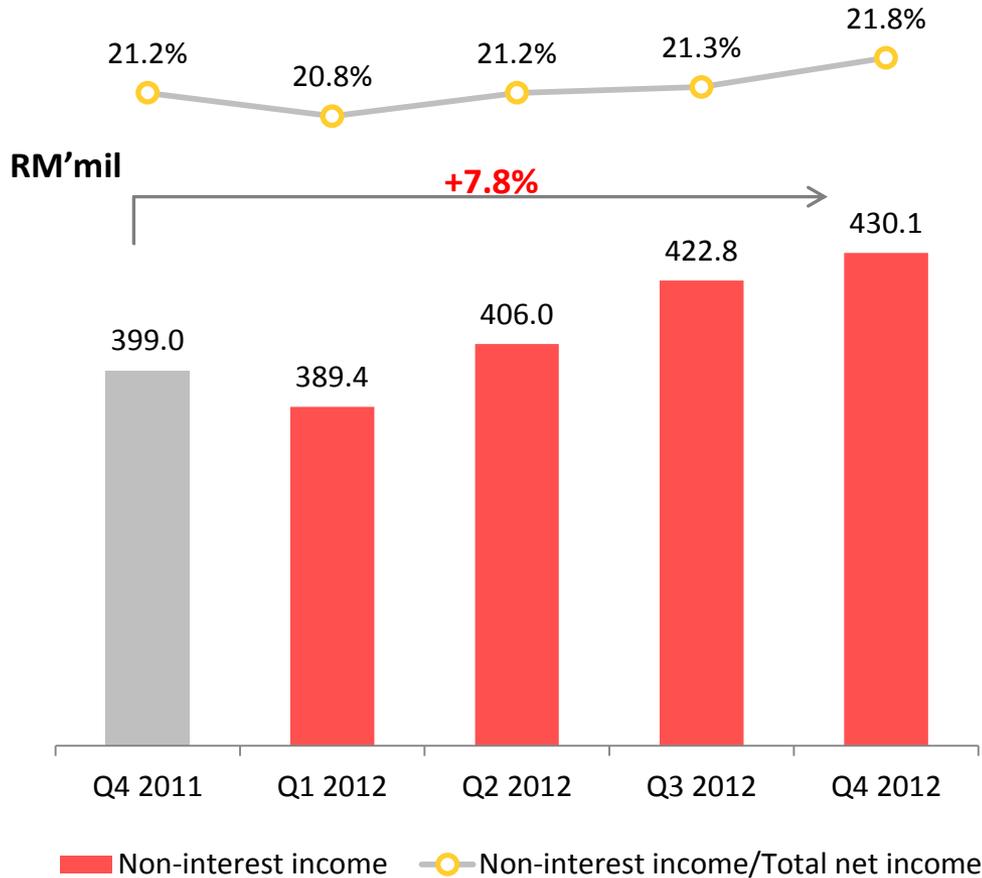
Net Interest and Finance Income & Margins



- Net interest margin continue to be under pressure



Non-Interest Income

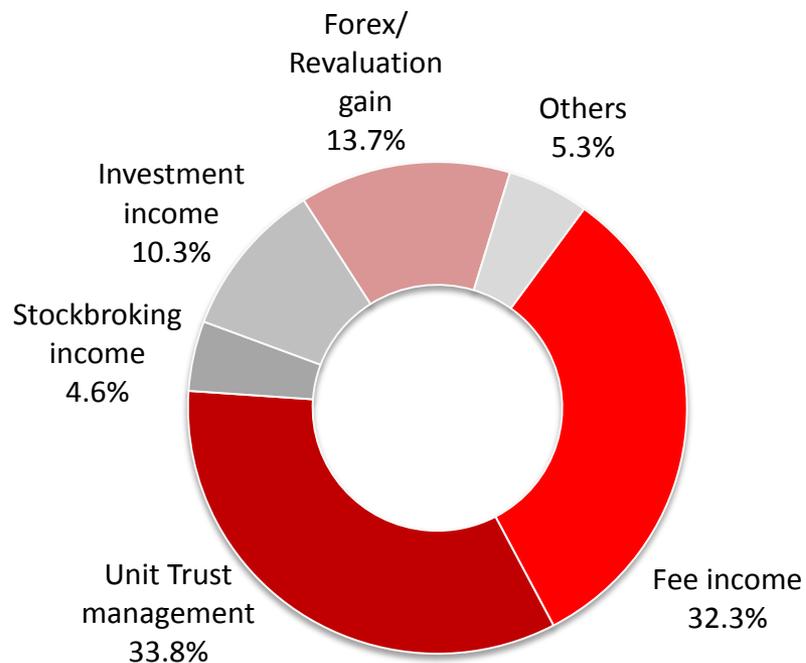


- Non-interest income for Q4 2012 was higher by 7.8% compared to Q4 2011



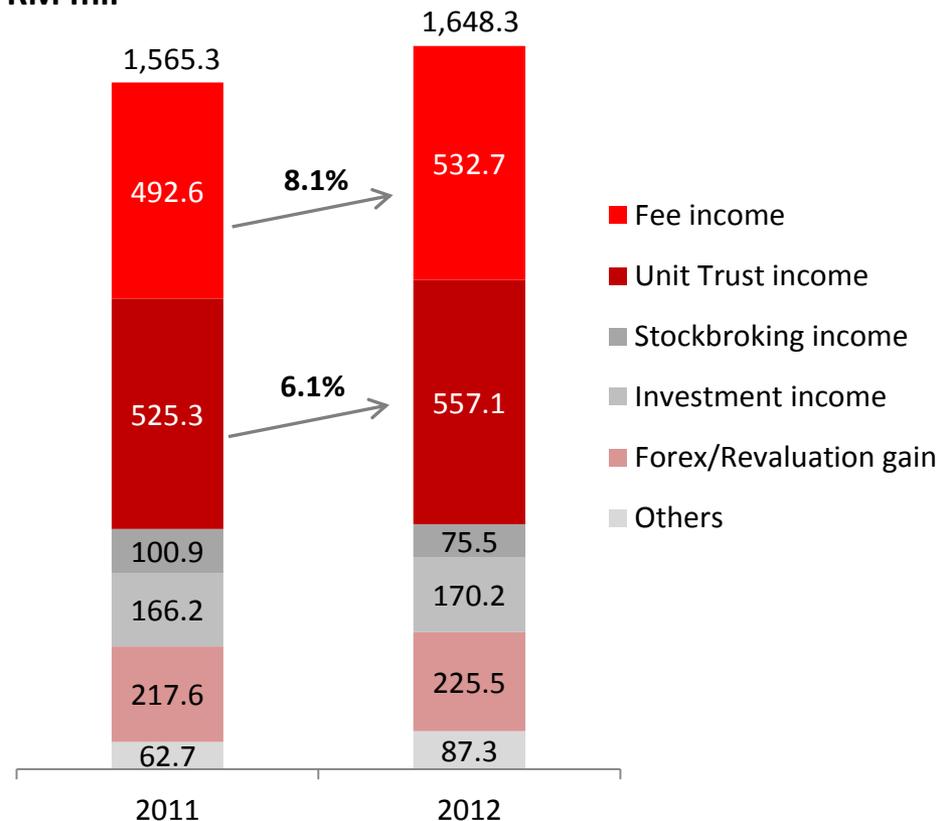
Non-Interest Income Contribution & Growth Traction

Non-interest Income Contribution



Based on financial results as at 31 December 2012

RM'mil

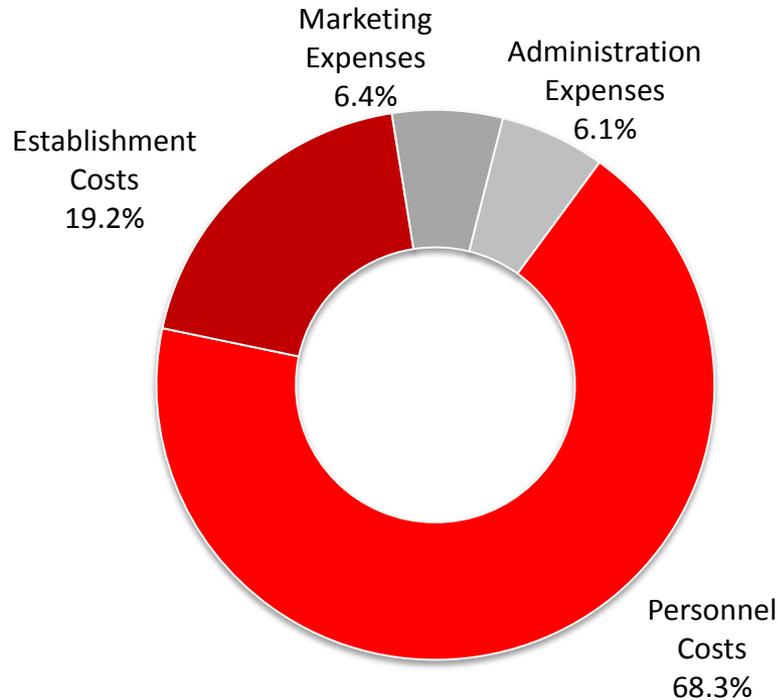


- The increase in non-interest income in 2012 was mainly contributed by the Group's fee and unit trust income



Efficient Operating Overheads

Operating Costs Contribution



Based on financial results as at 31 December 2012

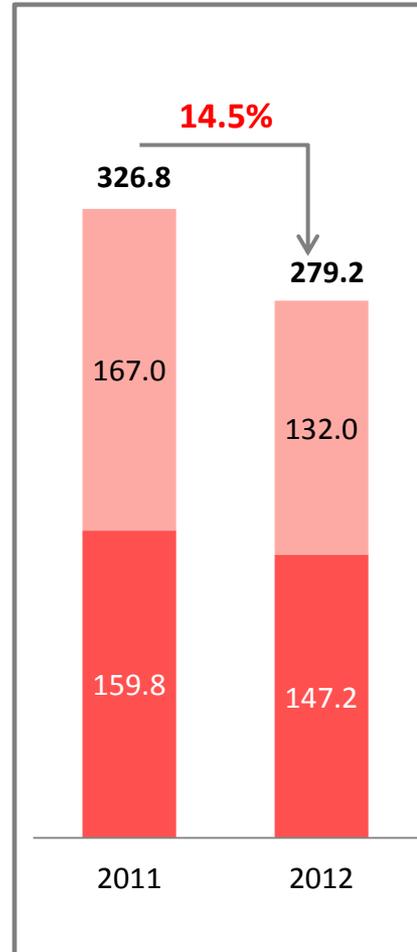
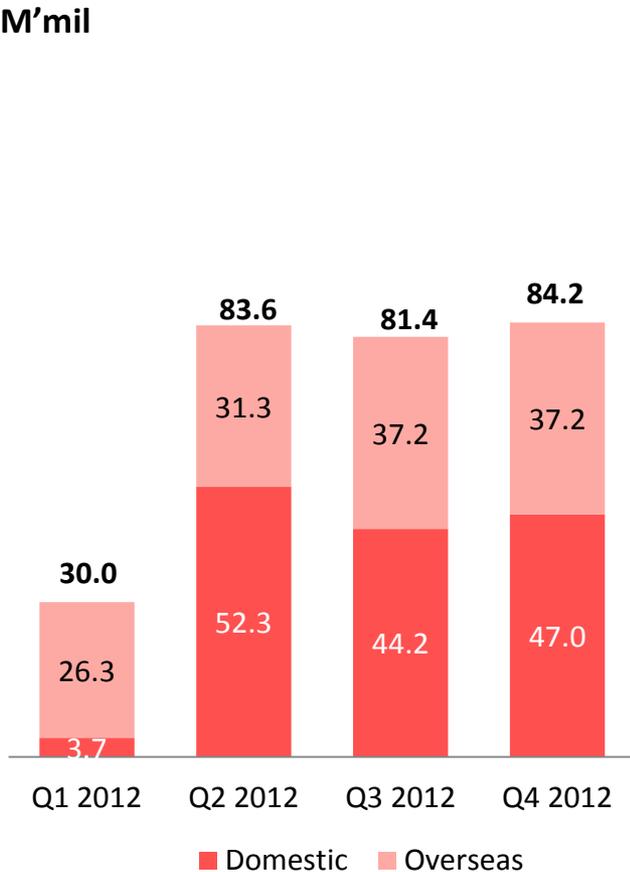
RM'mil	2012	2011	Change
Personnel Costs	1,611.4	1,495.8	↑ 7.7%
Establishment Costs	453.9	419.1	↑ 8.3%
Marketing Expenses	152.0	155.3	↓ 2.1%
Administration Expenses	143.6	138.5	↑ 3.7%
Total	2,360.9	2,208.7	↑ 6.9%

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



Improving Loan Loss Allowance

**Quarterly Loan Impairment Allowance
(Including collective allowance)
RM'mil**



- Loan impairment allowance reduced by 14.5% in 2012 despite double digit loan growth during the year
- Loan impairment allowance for both domestic and overseas operations shown an improvement in 2012

~ Restated with retrospective application of MFRS 139, where applicable



Dividends

Declared second interim single tier dividend of **30 sen** per share

	Dividend per share (net)		
	2012 (sen)	2011 (sen)	2010 (sen)
First interim	20.00	20.00	18.75
Second interim	30.00	28.00	26.75
Total	50.00	48.00	45.50

	2012	2011	2010
Dividend payout (RM'bil)	1.75	1.68	1.59
Dividend payout ratio (%)	45.3	48.3	52.3



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Robust Financial Position

RM'bil	Dec 2012	Dec 2011~	Change
Total assets	274.6	250.6	↑ 9.6%
Gross loans and advances Of which:	197.8	177.7	↑ 11.3%
Domestic loans and advances	184.5	164.1	↑ 12.5%
Overseas loans and advances	13.3	13.6	↓ 2.7%
Deposits from customers Of which:	225.0	200.4	↑ 12.3%
Domestic customer deposits	210.7	186.4	↑ 13.0%
Shareholders' equity	17.9	15.7	↑ 14.1%
Net assets per share (RM)	5.1	4.5	↑ 14.0%
Net loan-to-deposit (LD) ratio (%)	87.1	87.8	↓ 0.7%

Assets:

- Assets expansion driven by healthy loan growth

Loan:

- Domestic loan growth is stronger at 12.5% for 2012
- Overseas loans decreased by 2.7% to RM13.3 billion

Deposit:

- Deposit growth of 12.3%, supported by the strong domestic customer deposit growth of 13.0%

Equity:

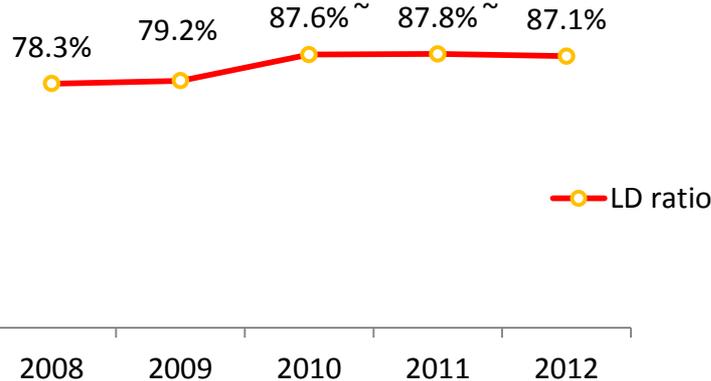
- Shareholders' equity stood at RM17.9 billion

~ Restated with retrospective application of MFRS 139, where applicable



Strong Liquidity with Healthy Loan/Deposit Ratio

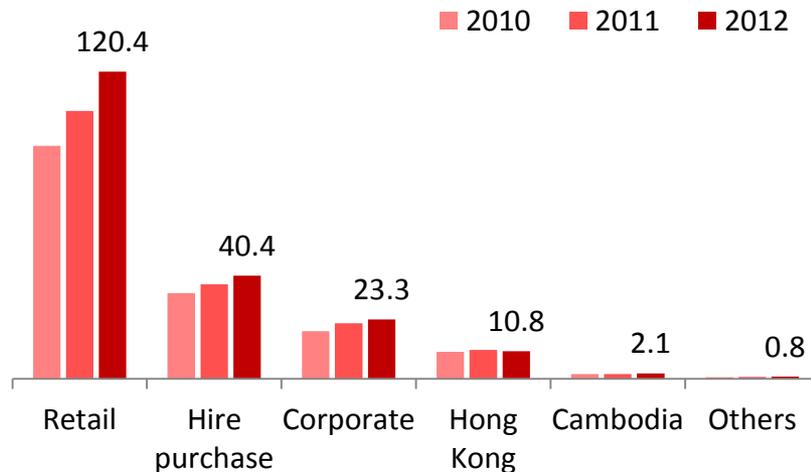
Net Loan-to-Deposit Ratio



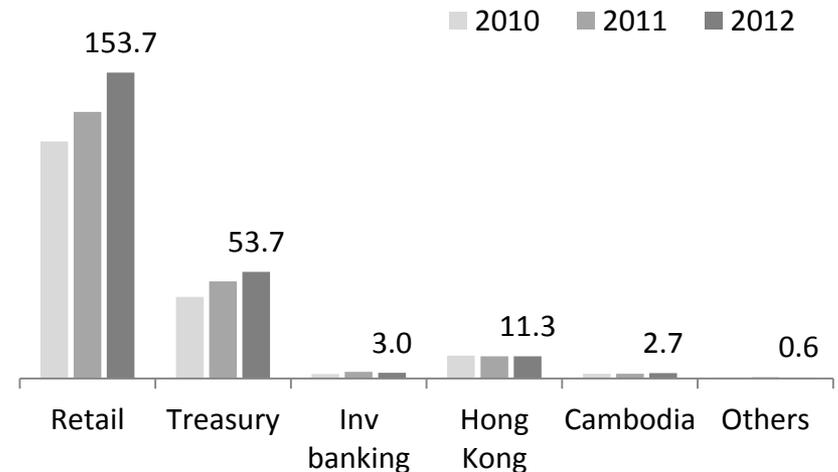
- Net loan-to-deposit ratio remained healthy at 87.1%
- Loan growth continues to be supported through the Group's retail and hire purchase segments whilst retail deposits remain the main contributor to the deposit growth of the Group with >68% contribution

~ Restated with retrospective application of MFRS 139

Gross Loan Composition by Segment RM'bil



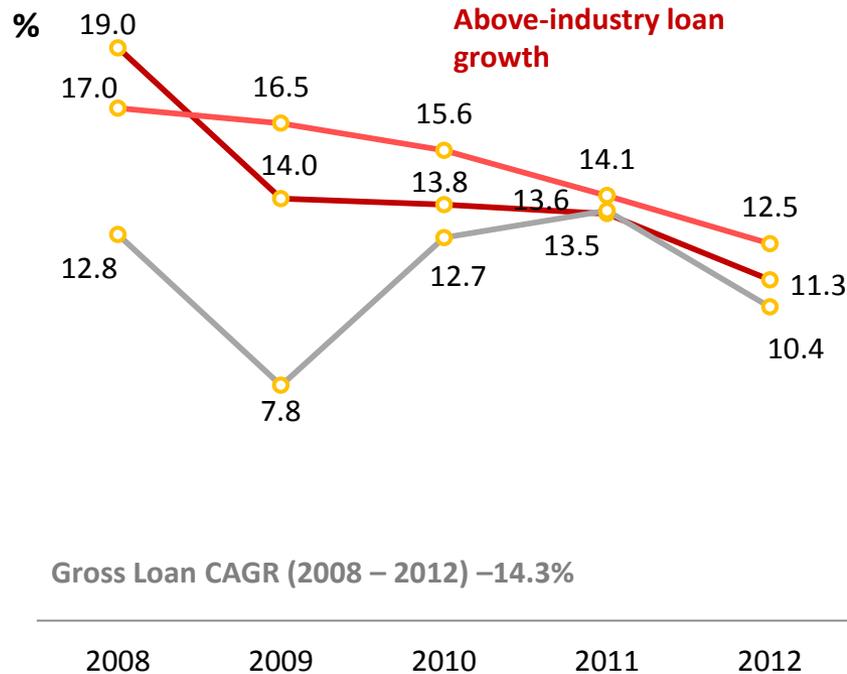
Deposit Composition by Segment RM'bil





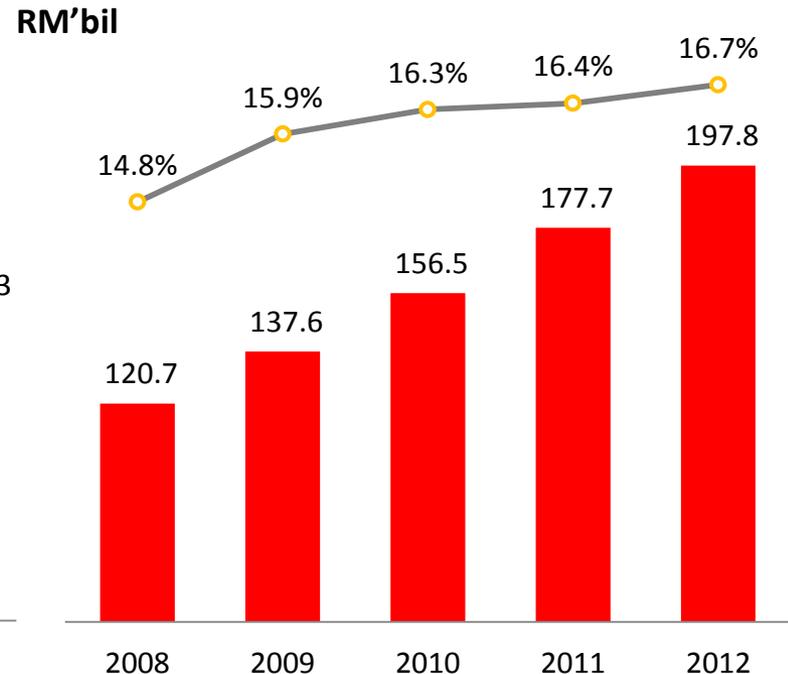
Consistently Above-Industry Loan Growth

Loan Growth vs Industry



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

Gross Loans and Domestic Loan Market Share

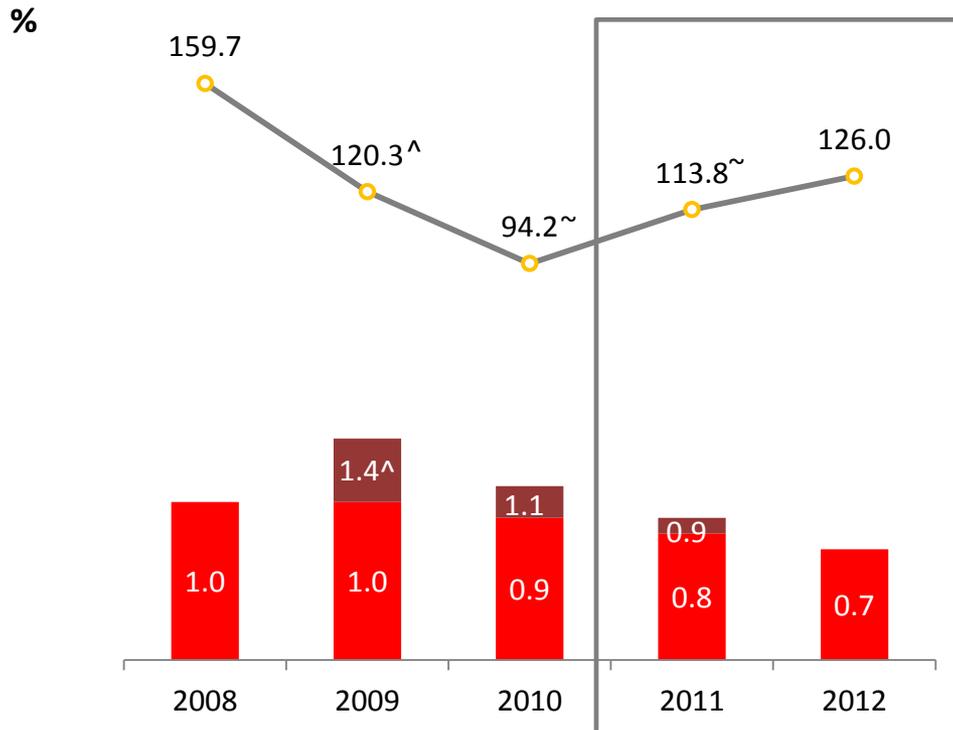


- Gross Loans Outstanding
- Domestic Loans Market Share (%)



Asset Quality Remained Strong

Low gross impaired loans ratios with high loan loss reserves



- Gross impaired loans ratio - Old GP3
- Gross impaired loans ratio - MFRS 139
- Loan loss coverage

[^] Restated due to the adoption of FRS 139

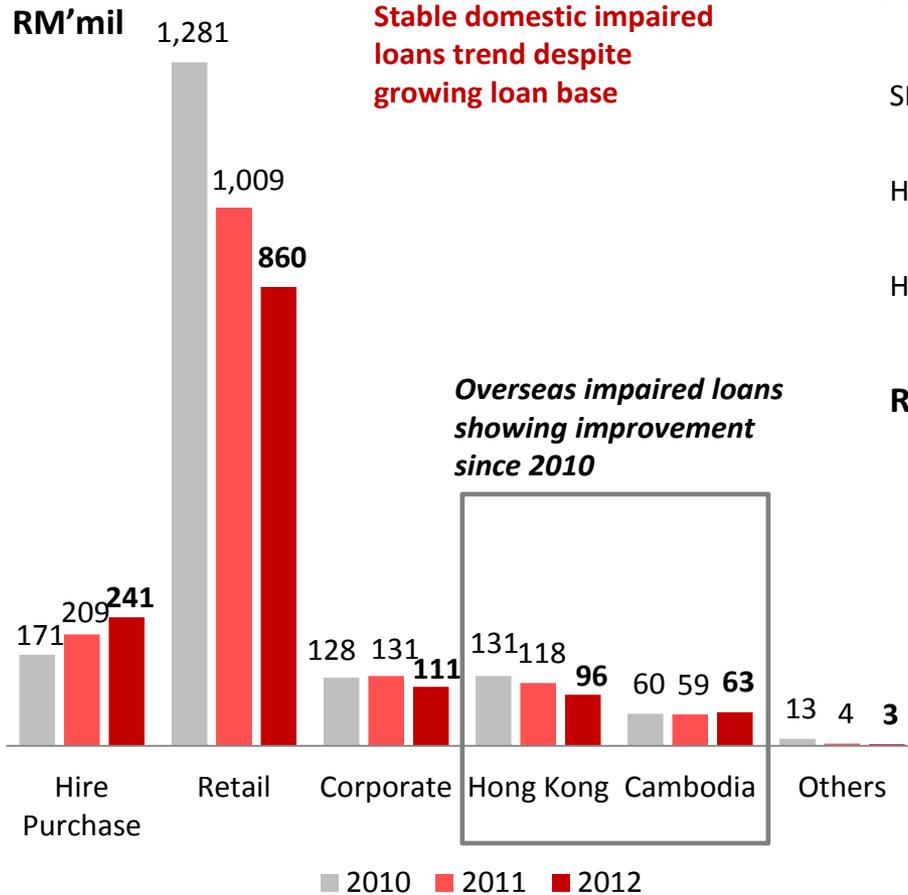
[~] Restated with retrospective application of MFRS 139

- Low gross impaired loans ratio of 0.7% as at Dec 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 126% in Dec 2012

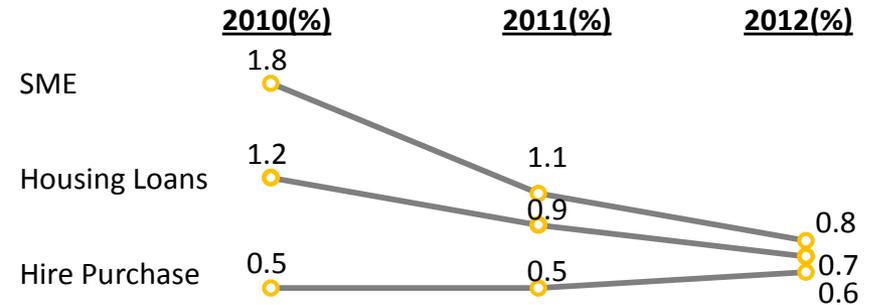


Asset Quality Remained Strong

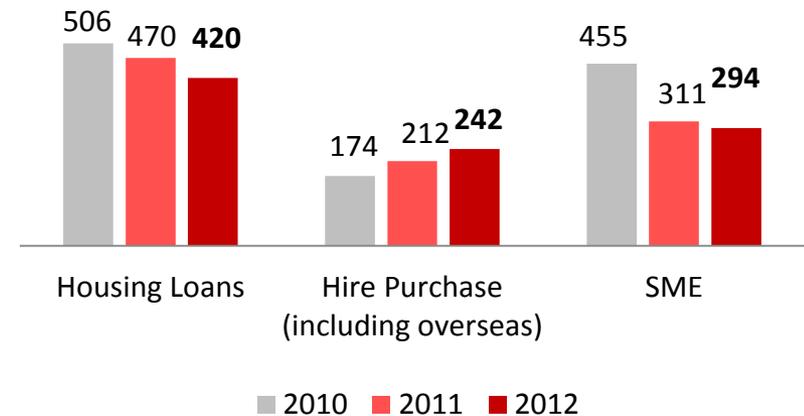
Gross Impaired Loans by Segment



Gross Impaired Loans & Gross Impaired Loans Ratio by Key Sectors



RM'mil

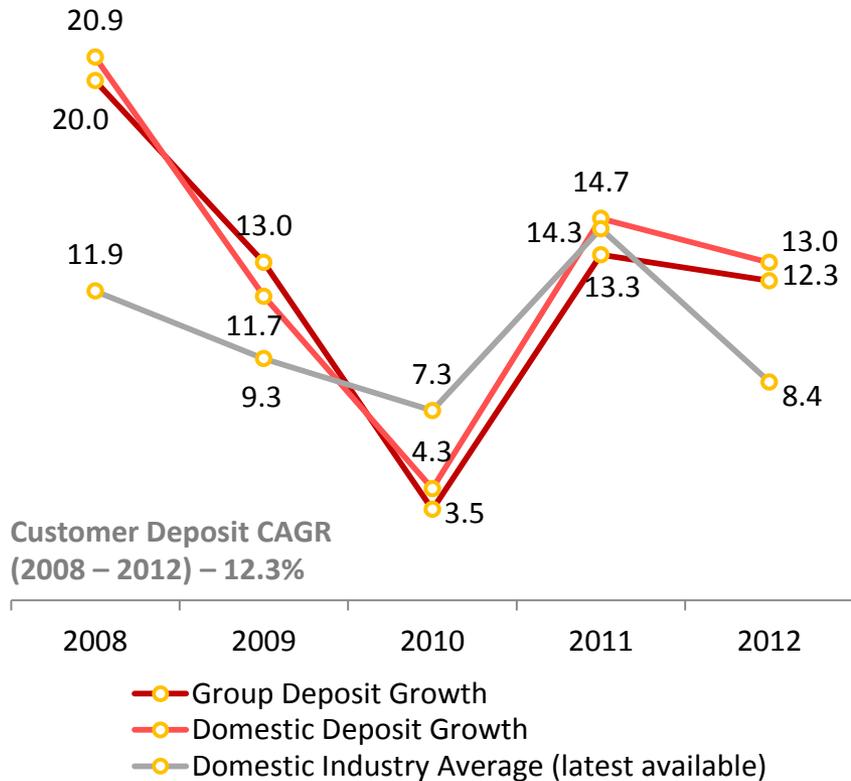




Healthy Deposit Growth in Support of Liquidity

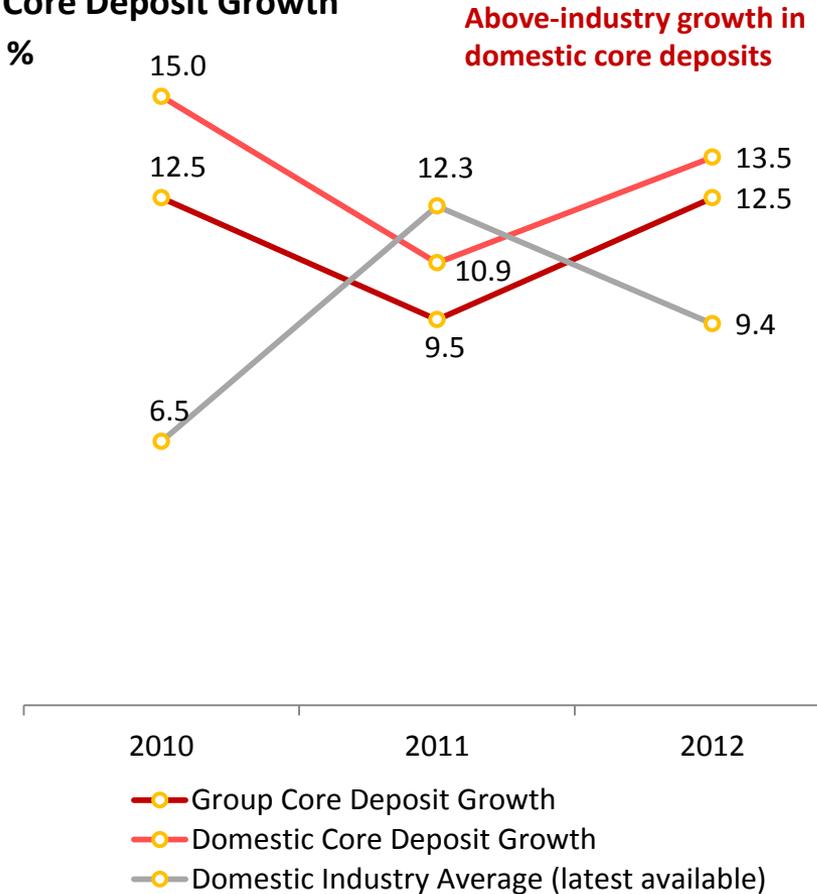
Deposit Growth vs Industry

%



Core Deposit Growth

%





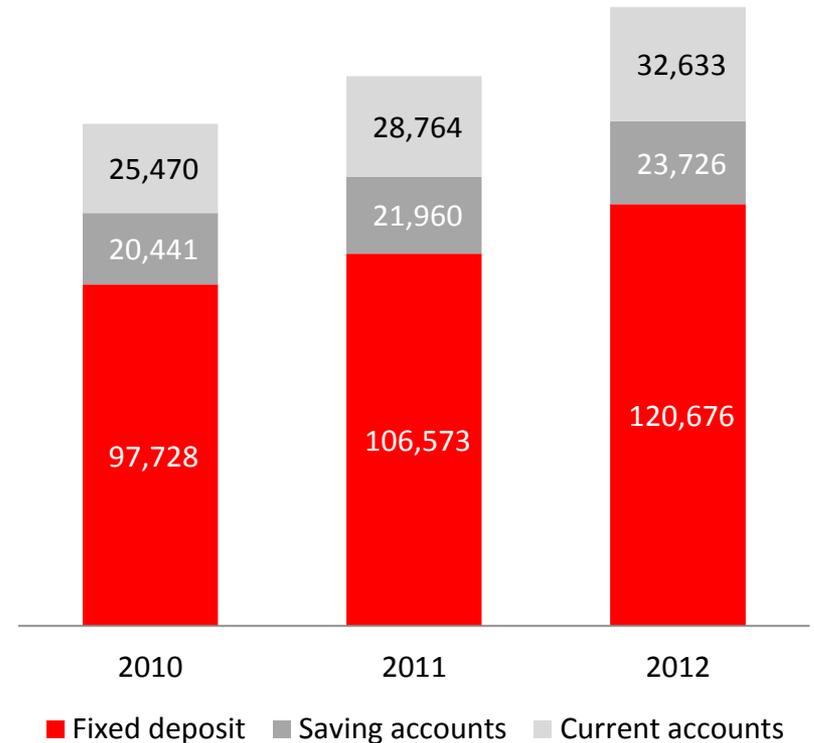
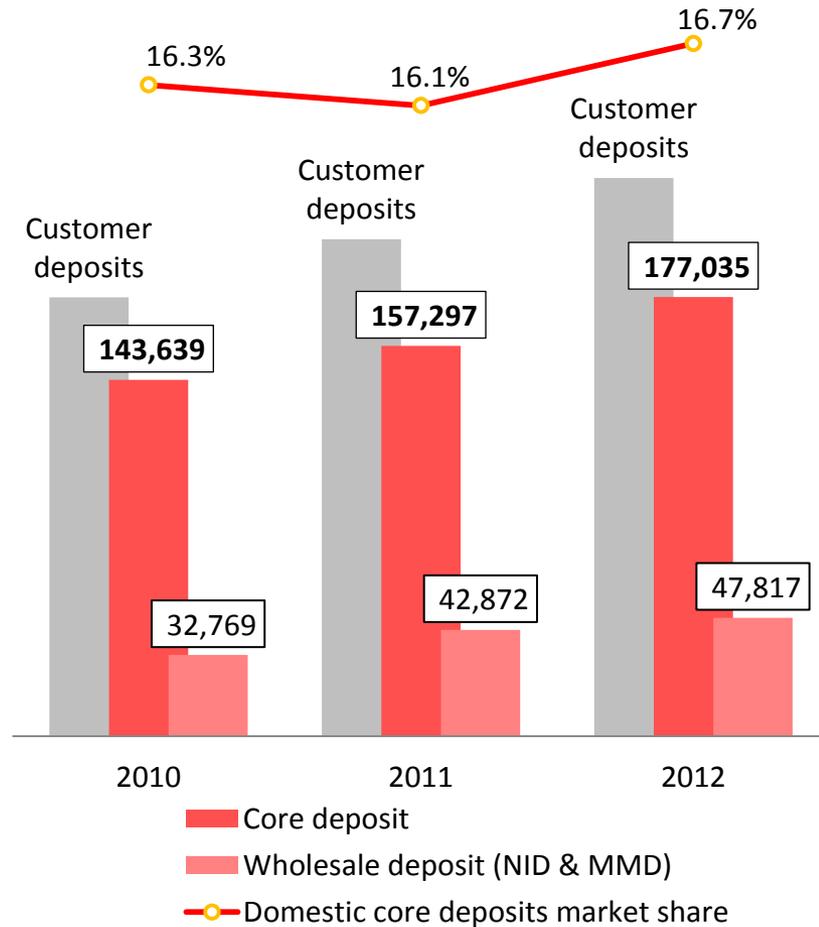
Diversified Source of Customer Deposit

Type of Deposit
RM'mil

Growth supported largely
by core customer deposits

Source of Core Deposit
RM'mil

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





Continued High Productivity & Cost Efficiency

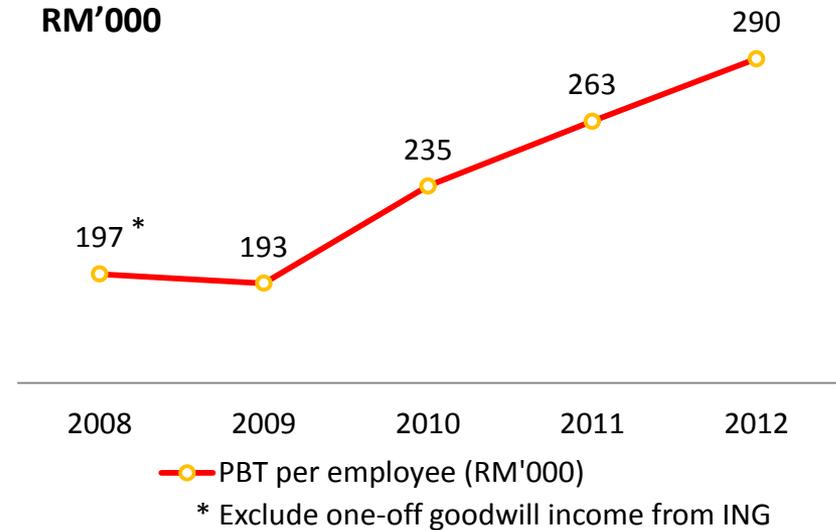
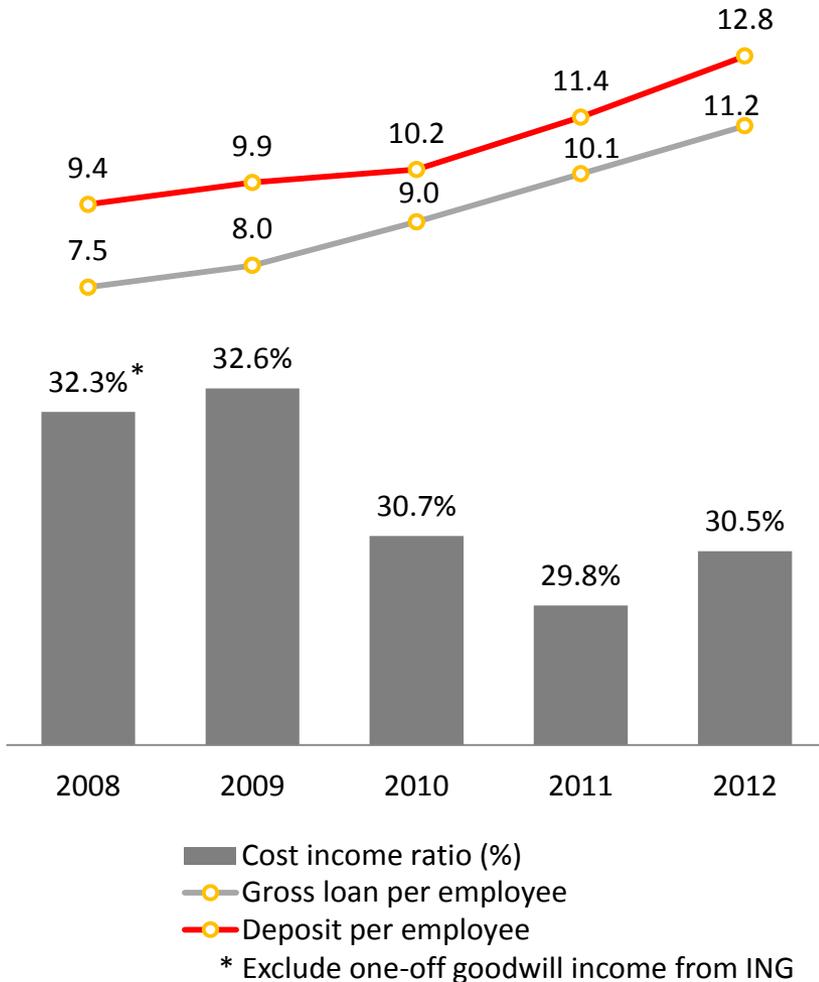
Productivity and Cost Efficiency

RM'mil

Improved productivity across the various indicators

PBT per employee

RM'000



	2012	2011	Industry Average
Gross loan per employee (RM mil)	11.2	10.1	8.1
Deposit per employee (RM mil)	12.8	11.4	10.4
PBT per employee (RM'000)	290	263	210
Cost Income Ratio (%)	30.5	29.8	46.0

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Retail Operations

RM'mil	2012	2011~	Change
Net Income	4,371.2	4,143.1	5.5%
Operating Expenses	(1,342.0)	(1,288.2)	4.2%
Allowances for impairment on loans and other assets	(42.8)	(74.7)	42.7%
Profit by segment	2,986.4	2,780.2	7.4%

- 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 remained strong with low gross impaired loans ratio of 0.7%

~ Restated with retrospective application of MFRS 139, where applicable

	Dec 2012	Dec 2011	Change
Gross loans and Advances (RM'bil)	120.4	105.0	14.8%
Customer Deposits (RM'bil)	153.7	133.9	14.8%
Gross Impaired Loans (RM'bil)	0.9	1.0	14.7%
Gross Impaired Loans Ratio	0.7%	1.0%	0.3%



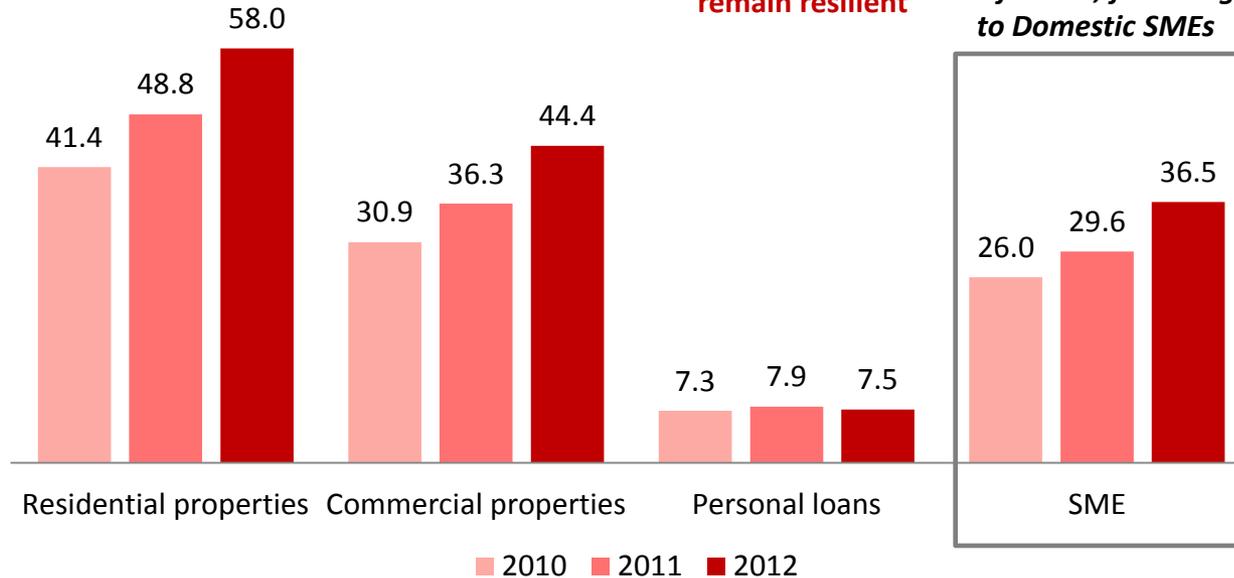
Retail Operations

Gross loan & financing in Domestic Operations

RM'bil

Demand for retail loans remain resilient

Of which, financing to Domestic SMEs



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

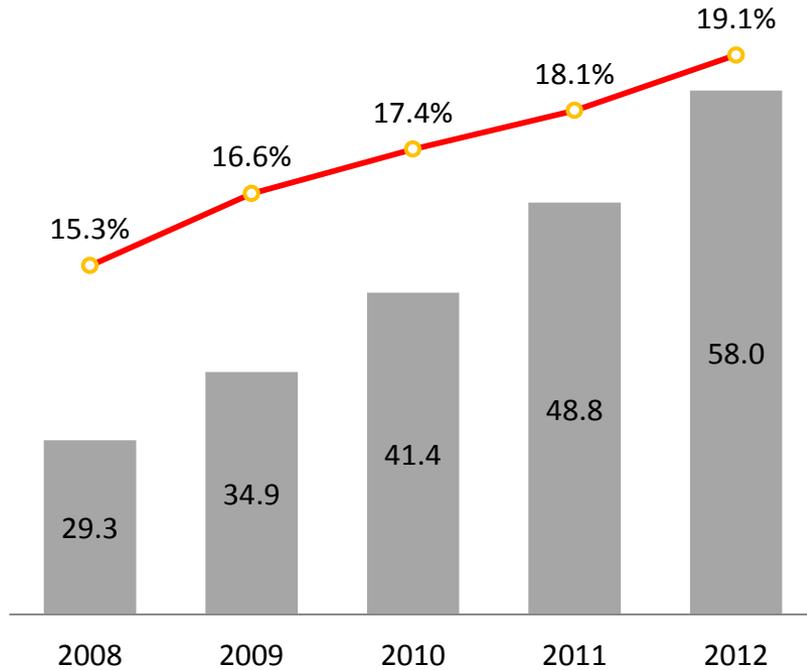


Retail Operations

Market Share in Residential Properties

Remained market leader in the residential property financing

RM'bil

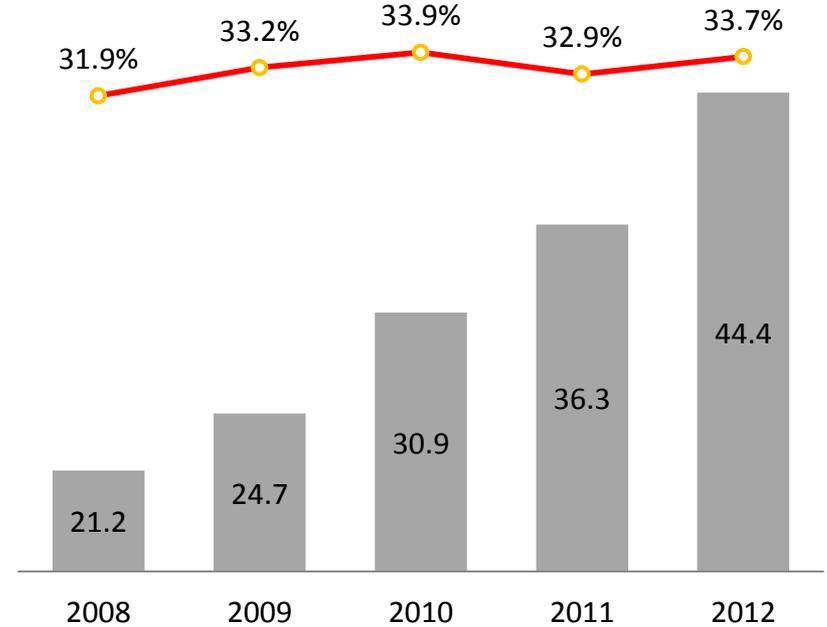


■ Residential properties loans ● Market share (%)

Market Share in Commercial Properties

Remained market leader in the commercial property financing

RM'bil



■ Commercial properties loans ● Market share (%)



Hire Purchase

RM'mil	2012	2011~	Change
Net Income	1,007.7	925.4	8.9%
Operating Expenses	(211.1)	(161.4)	30.8%
Allowances for impairment on loans and other assets	(128.3)	(119.2)	7.6%
Profit by segment	668.3	644.8	3.6%

- Asset quality remained stable as reflected by the stable impaired loan ratio at 0.6%

~ Restated with retrospective application of MFRS 139, where applicable

	Dec 2012	Dec 2011	Change
Gross Loans and Advances (RM'bil)	40.4	37.1	9.0%
Gross Impaired Loans (RM'bil)	0.2	0.2	---
Gross Impaired Loans Ratio	0.6%	0.6%	---

Hire Purchase

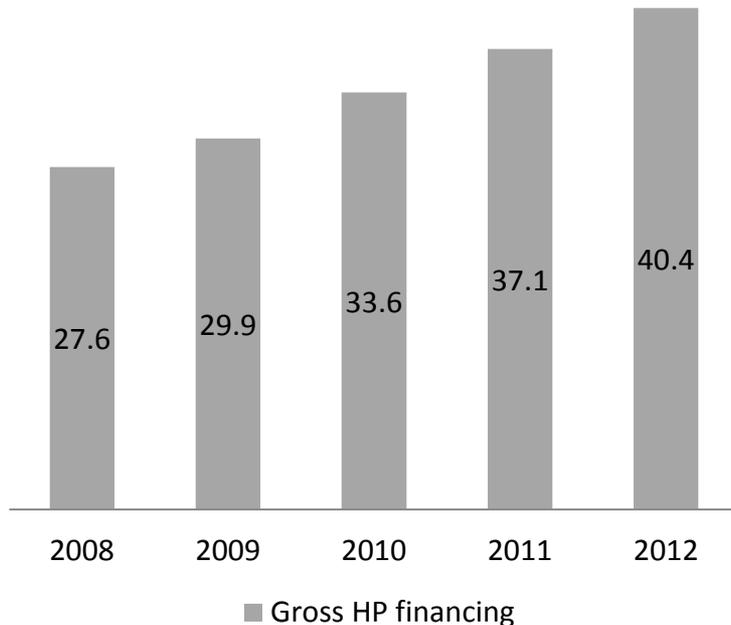


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HP Financing in Domestic Operations

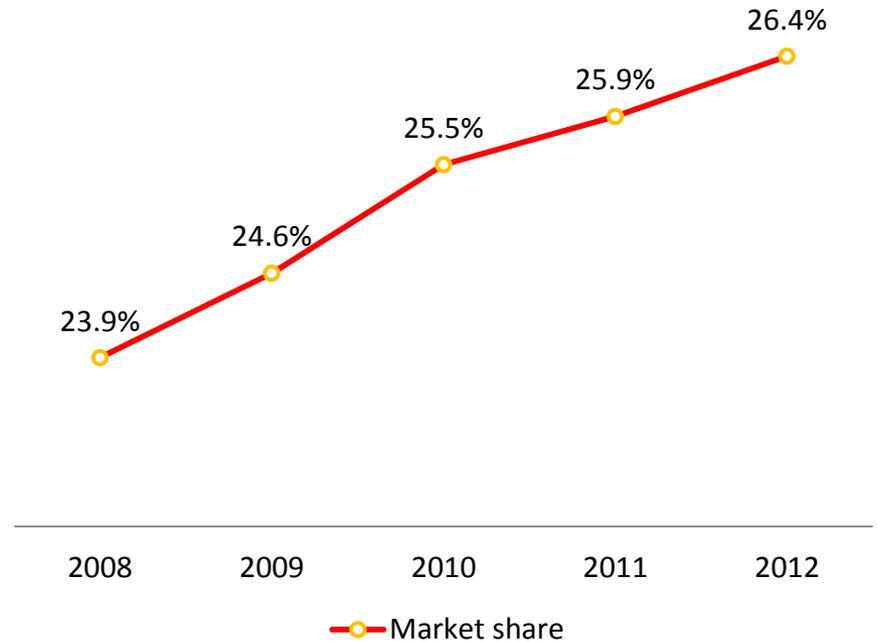
RM'bil

Steady growth in HP financing



Market share in Passenger Vehicle Financing

Remained market leader in the passenger vehicle financing



Key Drivers in Domestic Hire Purchase Financing

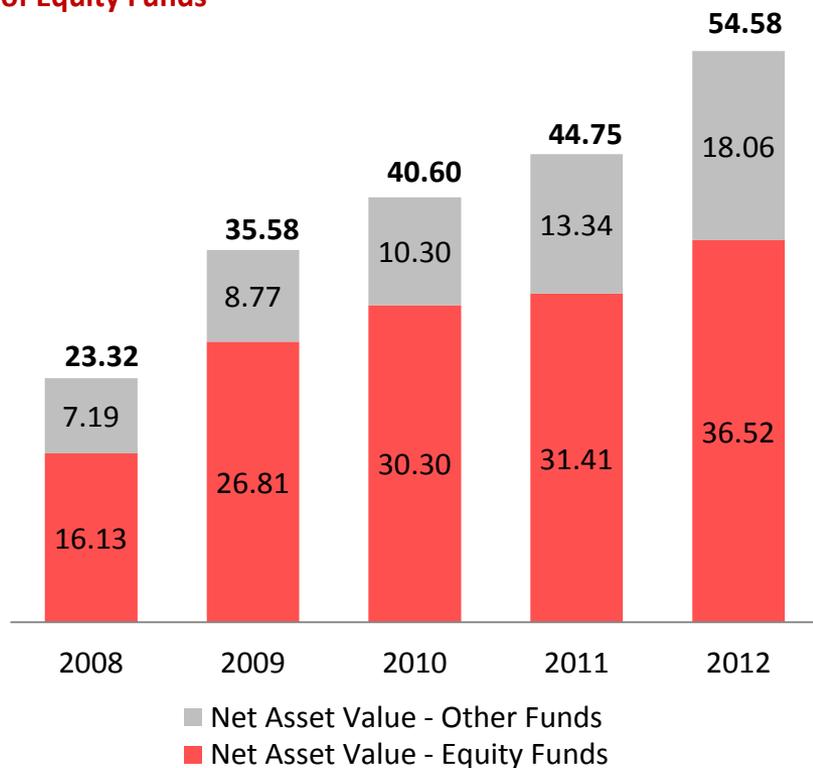
- Strong customer service delivery through the 27 HP Centres in key locations nationwide and continuous improvement in credit processing turnaround time
- Experienced and dedicated HP Centre staff force

Unit Trust



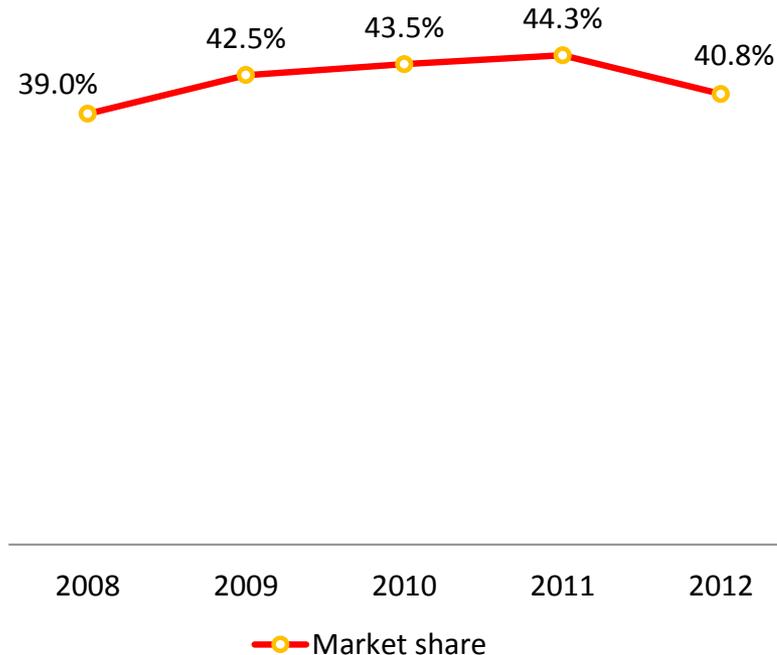
Net Asset Value of Funds under management RM'bil

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



Market Share in Private Unit Trust Industry

Public Mutual continues to maintain its market leadership



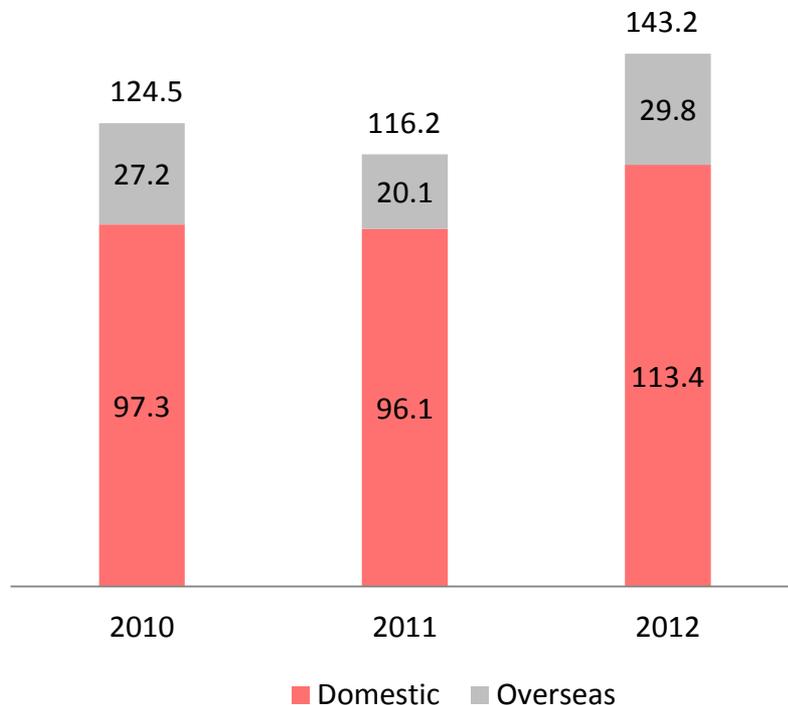


Bancassurance

Bancassurance Business Performance

RM'mil

Sales of Bancassurance products as measured by Annual Premium Equivalent



- Continue to focus on building infrastructure and business volumes
- Driven by single premium investment linked insurance, regular premium unit linked insurance and credit-related insurance product
- Continue to build its bancassurance sales force

	2012	2011	2010
Bancassurance Sales Executives	261	230	250
Personal Financial Executives	274	233	272
Total	535	463	522



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Capital Management

RM'mil	Group*			Bank*		
	Dec 2012	Dec 2011~	Change	Dec 2012	Dec 2011~	Change
Tier I Capital	19,386.6	17,269.3	↑ 12.3%	19,320.4	17,235.8	↑ 12.1%
Tier II Capital	5,908.7	7,211.6	↓ 18.1%	5,561.6	6,860.2	↓ 18.9%
Deduct: Inv in subs/asso and other deductions	(47.8)	(45.4)	↑ 5.2%	(4,209.1)	(4,031.8)	↑ 4.4%
Total Capital Base	25,247.5	24,435.5	↑ 3.3%	20,672.9	20,064.2	↑ 3.0%
Risk-Weighted Assets	179,526.9	163,027.3	↑ 10.1%	149,774.2	134,887.8	↑ 11.0%
RWCR (%)	14.1%	15.0%	↓ 0.9%	13.8%	14.9%	↓ 1.1%
Tier-I Capital Ratio (%)	10.8%	10.6%	↑ 0.2%	12.9%	12.8%	↑ 0.1%

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

~ Restated with retrospective application of MFRS 139, where applicable



Capital Management

Basel III Implementation

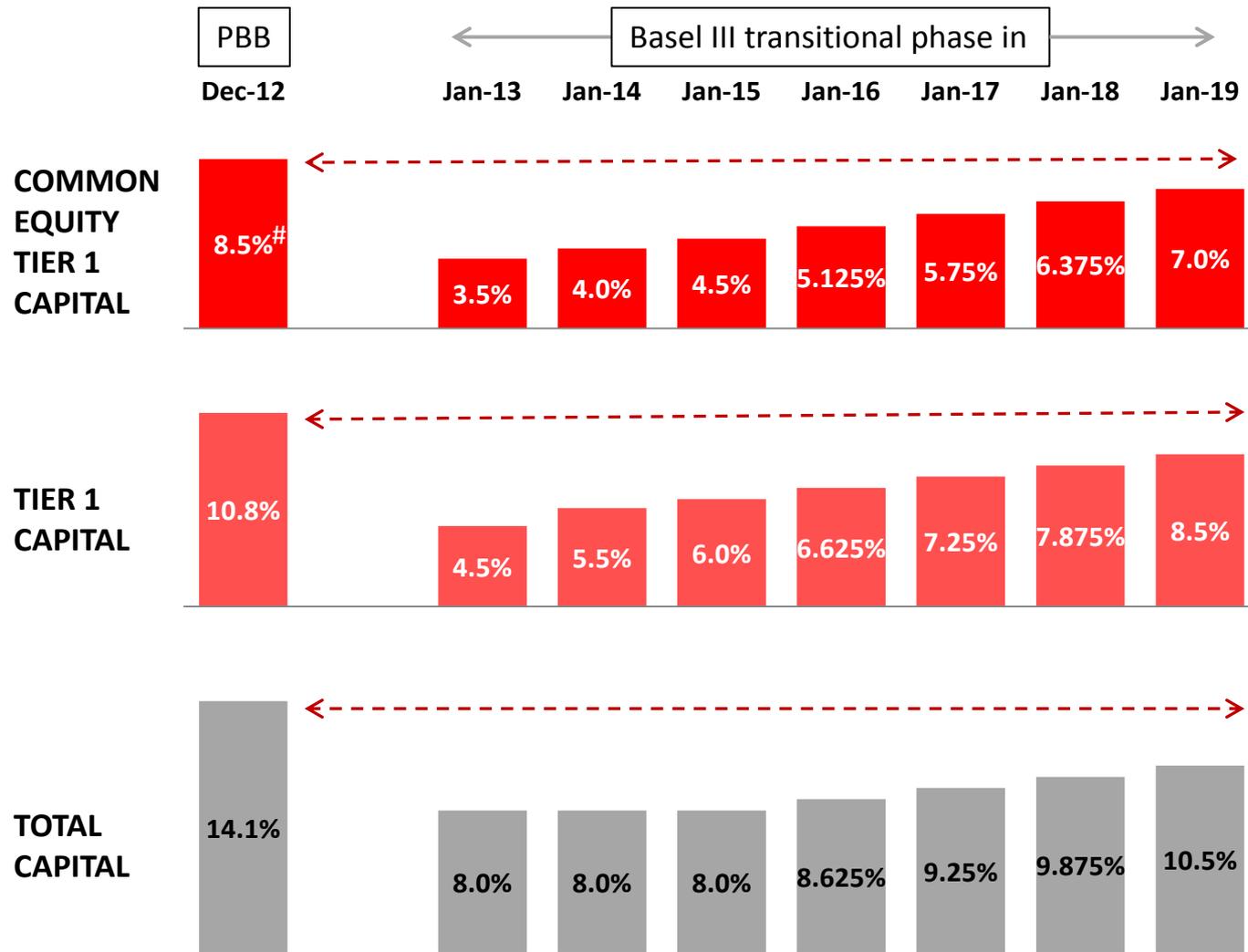
- BNM's latest guideline had adopted the International Basel III capital requirement as follows with transitional phase-in from January 2013 – January 2019

Common Equity Tier-1 capital ratio	7.0%
Tier-1 capital ratio	8.5%
Total capital ratio	10.5%

- Further capital buffer, such as counter-cyclical buffer, is yet to be introduced by BNM
- The counter-cyclical buffer to be introduced will be gradually phased in over a 4-year period commencing 2016



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

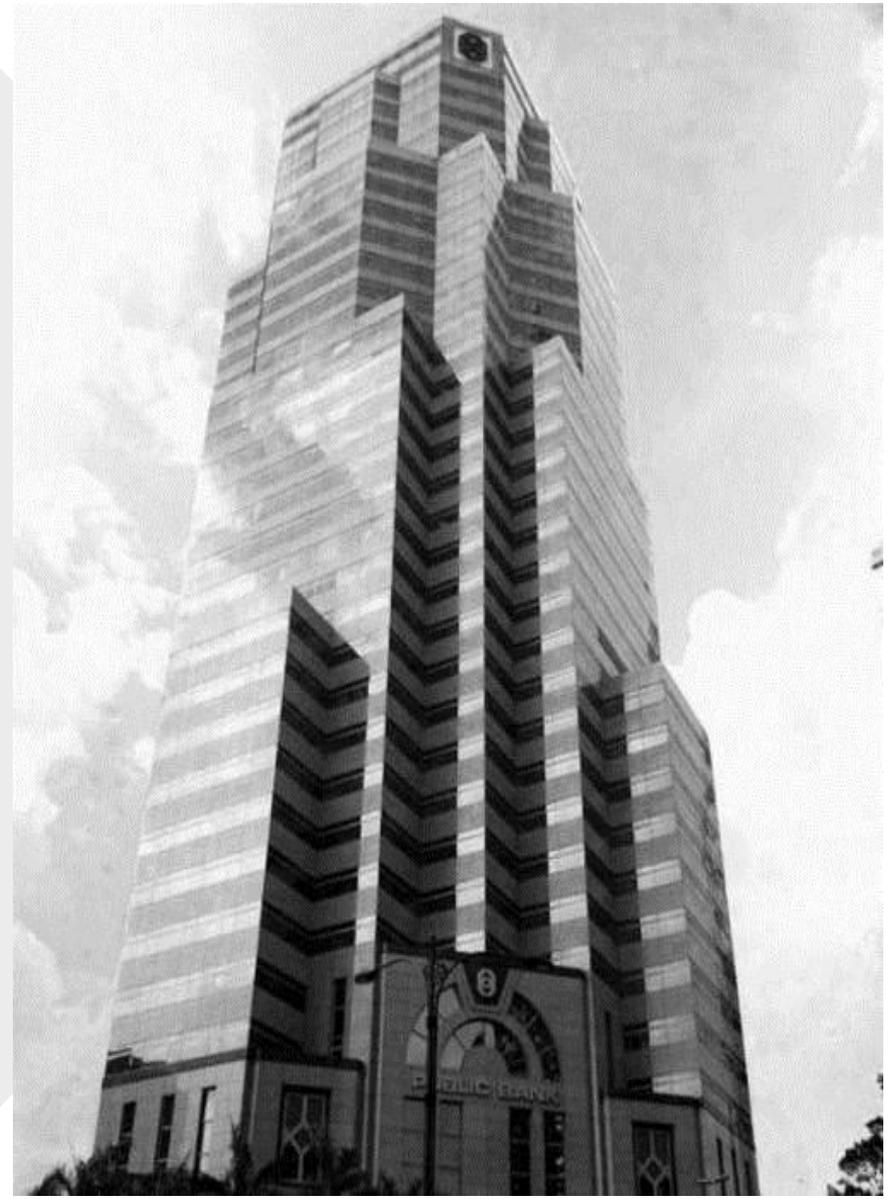
Based on Basel III definition

Note: The Basel III capital ratio requirements are inclusive of the 2.5% capital conservation buffer, but excluding other buffers eg. any counter-cyclical buffer which is subject to regulator's discretion



Investor Presentation

- Executive Summary
- Financial Performance
- Growth Performance
- Business Performance
- Capital Management
- Other Highlights**



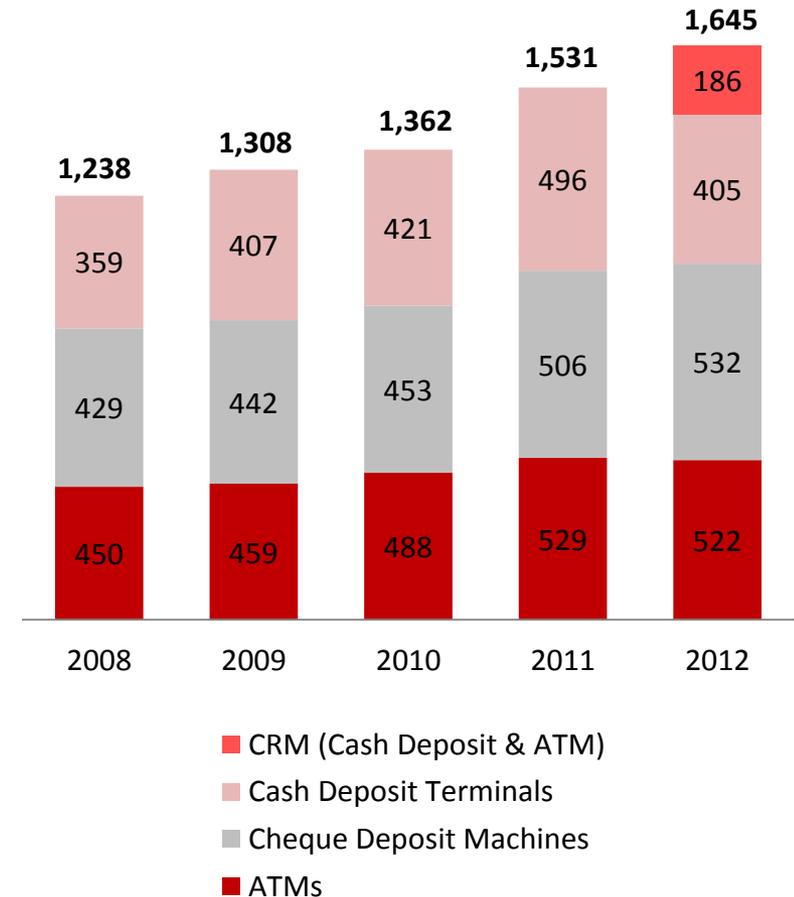


Expansion in Business Delivery Channel

	Dec 2012	Dec 2011	Dec 2008
Malaysian Operations			
Public Bank – Domestic	254	251	242
– Overseas	5	4	5
Public Islamic Bank	1	1	-
Public Mutual	28	28	26
Public Investment Bank	1	1	1
Hong Kong & China Operations			
Public Finance	42	42	42
Public Bank (HK) – Hong Kong	32	32	28
– China	3	3	3
Winton (B.V.I) Group	9	9	3
Indo-China Operations			
Cambodia Public Bank	24	23	12
VID Public Bank (Vietnam)	7	7	7
	406	401	369

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: Customer 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



Targets for 2013

For 2013, the Public Bank Group's key performance targets are:

Key Performance Benchmarks	2013 Targets
Return on Equity	>20%
Risk Weighted Capital Ratio	>12%
Gross Impaired Loan Ratio	<1%
Cost to Income Ratio	<32%
Loan Growth	11% to 12%
Deposit Growth	11% to 12%

- The setting of the Public Bank Group's key performance targets for 2013 has taken into account the Group's achievements in 2012, together with the risk appetite of the Group, the regulatory requirements under the Basel III capital regime and the prevailing medium-term economic outlook.



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