



PUBLIC BANK
PUBLC BANK

Investor Presentation

December 2013 Results Update



Investor Presentation



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Key Highlights



| | 2013 | 2012 [^] | Change (%) |
|---|--------|---------------------|------------|
| <u>Income Statement (RM'mil)</u> | | | |
| Pre-tax profit | 5,310 | 5,047 | 5.2% |
| Net profit attributable to shareholders | 4,065 | 3,827 | 6.2% |
| Earnings per share (sen) | 116.1 | 109.3 | 6.2% |
| | Dec-13 | Dec-12 [^] | Change (%) |
| <u>Balance Sheet (RM'bil)</u> | | | |
| Total assets | 305.7 | 274.8 | 11.2% |
| Loan - Group | 221.2 | 197.8 | 11.8% |
| - Domestic | 206.6 | 184.5 | 12.0% |
| Deposit - Group | 250.9 | 225.0 | 11.5% |
| - Domestic | 235.1 | 210.7 | 11.6% |
| <u>Financial Indicators</u> | | | |
| Net return on equity | 22.4% | 24.1% | -1.7% |
| Cost to income ratio | 30.7% | 31.2% | -0.5% |
| Gross impaired loans ratio | 0.7% | 0.7% | - |
| Loan loss coverage | 118.5% | 126.0% | -7.5% |
| Net loan to deposit ratio | 87.5% | 87.1% | 0.4% |
| Common equity Tier I capital ratio ^π | 8.8% | N/A | - |
| Tier I capital ratio ^π | 10.5% | 10.8% | -0.3% |
| Total capital ratio ^π | 13.8% | 14.1% | -0.3% |

[^] Restated with retrospective application of MFRS 119, where applicable

^π After deducting interim dividends declared subsequent to end of year



Key Highlights – Dividends

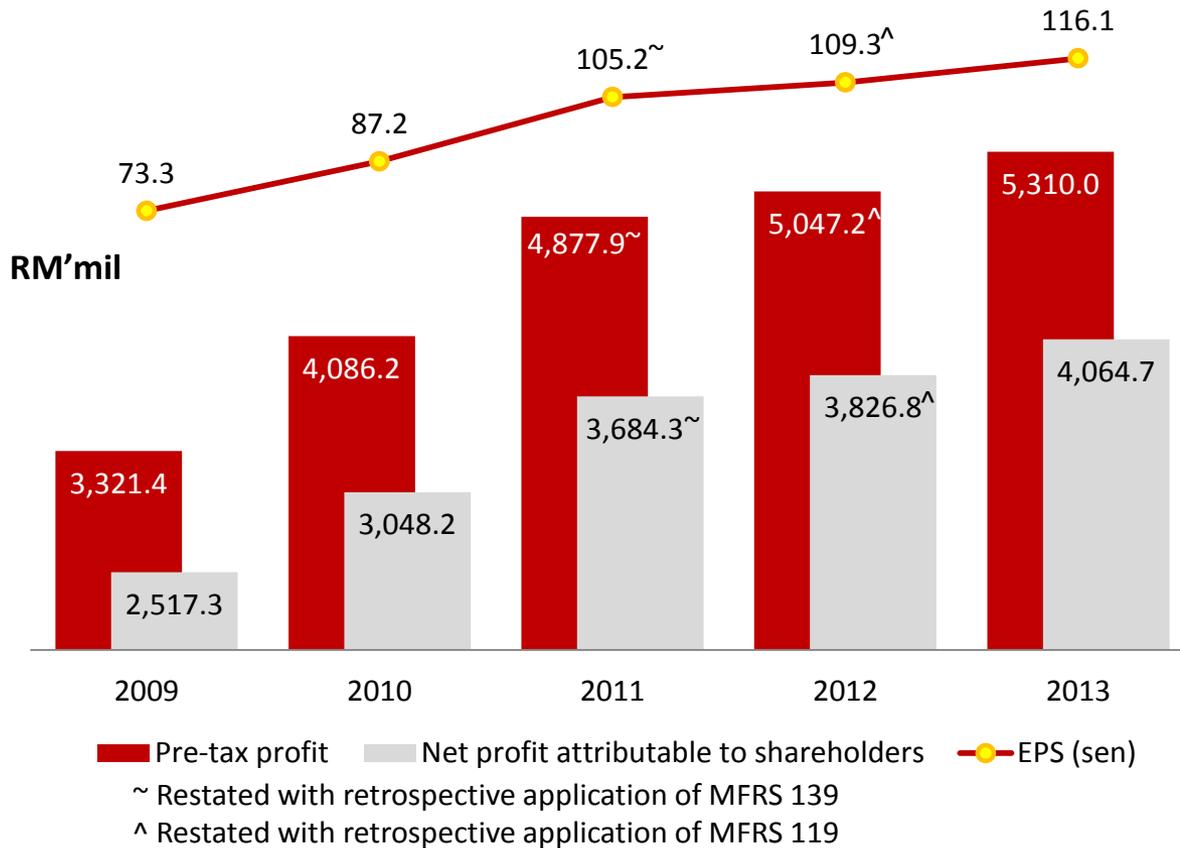
| | 2013 |
|------------------------|----------------|
| First interim | 22 sen |
| Second interim | 30 sen |
| Net dividend per share | 52 sen |
| Dividend payout | RM1.82 billion |
| Dividend payout ratio | 44.8% |





Steady Profit Growth

Profits and EPS





Adoption of MFRS 119 Employee Benefits

The adoption of the revised MFRS 119 effective 1 January 2013 affected the accounting treatment on the recognition of certain gains and losses arising from defined benefit plans. The key impacts are:

- Actuarial gains and losses are recognised immediately in other comprehensive income, as compared to recognition in the statement of profit & loss over a period of time previously
- Changes in the basis of computation of net interest income on the net assets of the defined benefit plan which is recognised in the statement of profit & loss
- Retrospective application of MFRS 119 which resulted in the restatement of comparative financial statements



Adoption of MFRS 119 Employee Benefits

Restatement of key comparatives

| | Restated | Previously reported | Change |
|--|----------|---------------------|--------|
| | 2012 | 2012 | |
| Other operating expenses (RM'mil) | 2,418 | 2,361 | 57 |
| Pre-tax profit (RM'mil) | 5,047 | 5,104 | -57 |
| Net profit attributable to shareholders (RM'mil) | 3,827 | 3,869 | -42 |
| Cost to income ratio (%) | 31.2 | 30.5 | 0.7 |

| | Restated | Previously reported | Change |
|--------------------------|----------|---------------------|--------|
| | 2012 | 2012 | |
| Net return on equity (%) | 24.1 | 24.5 | -0.4 |

Segmental Profit – Remained focus on retail operations

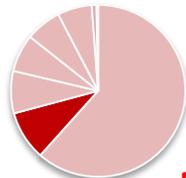
RM'mil

Retail operations



61.9%

Hire purchase



9.3%

Fund management



8.0%

Treasury operations



7.1%

2013

3,286.7

495.4

426.2

374.3

2012[^]

2,986.2

668.3

372.2

352.6

Change

10.1%

-25.9%

14.5%

6.1%

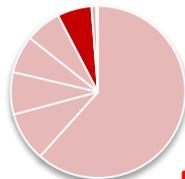
- Retail and HP operations contributed >70% of the Group's pre-tax profit

Overseas operations



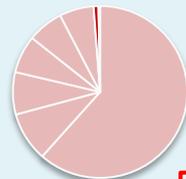
6.6%

Corporate lending



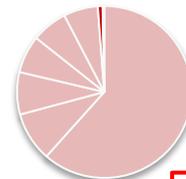
6.4%

Investment banking



0.9%

Others^Y



-0.2%

2013

352.9

339.3

48.6

-13.4

2012[^]

325.0

322.3

44.1

-23.5

Change

8.6%

5.3%

10.2%

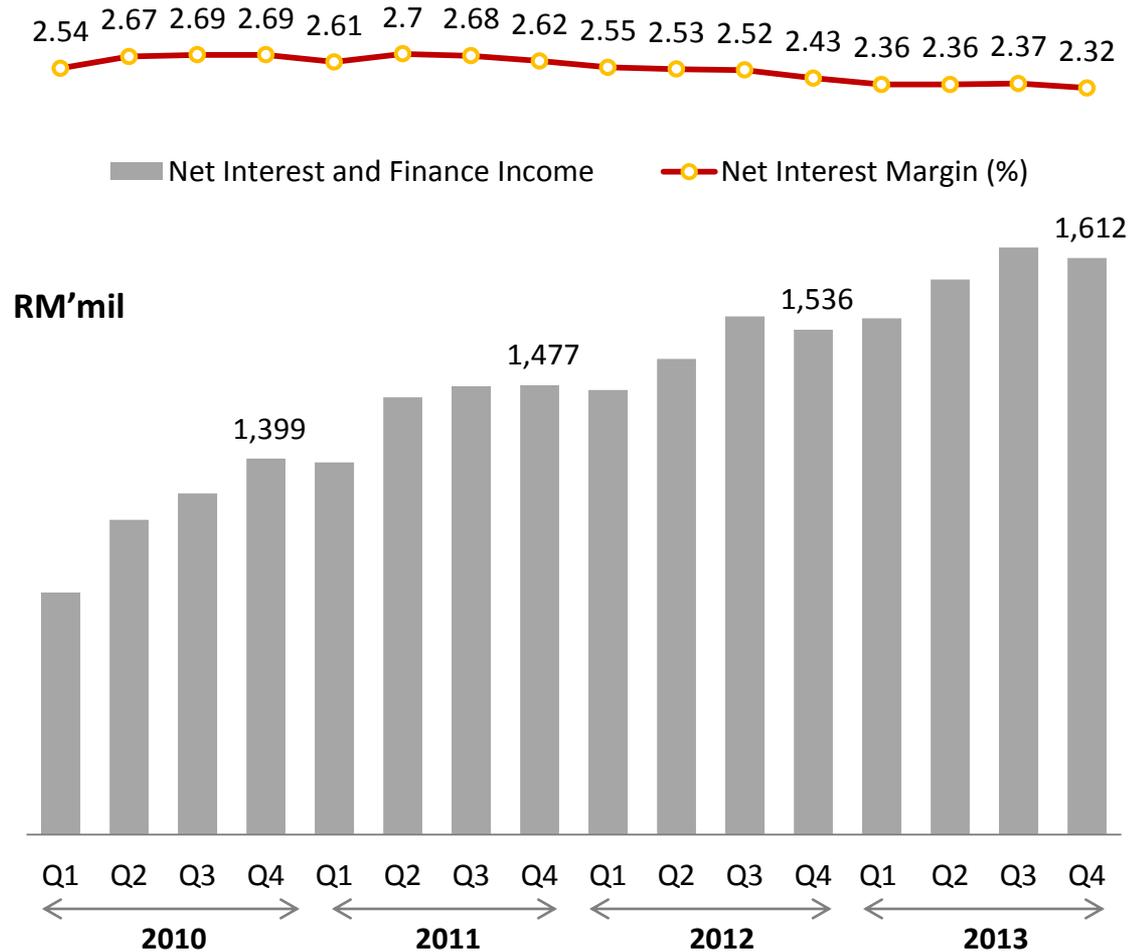
42.7%

^Y Others comprise mainly of domestic main office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies

[^] Restated with retrospective application of MFRS 119, where applicable



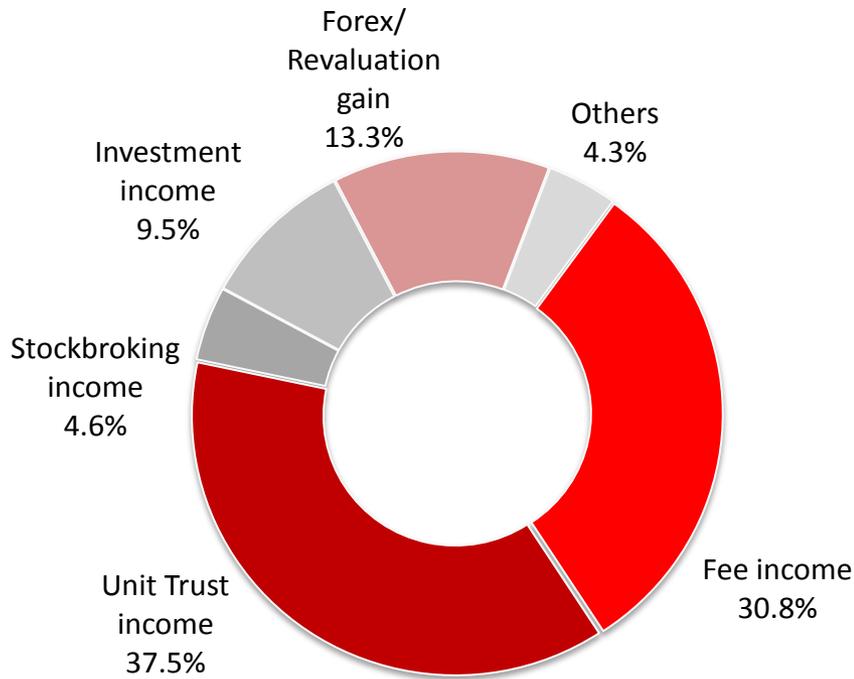
Net Interest Margin – Continue to be under pressure





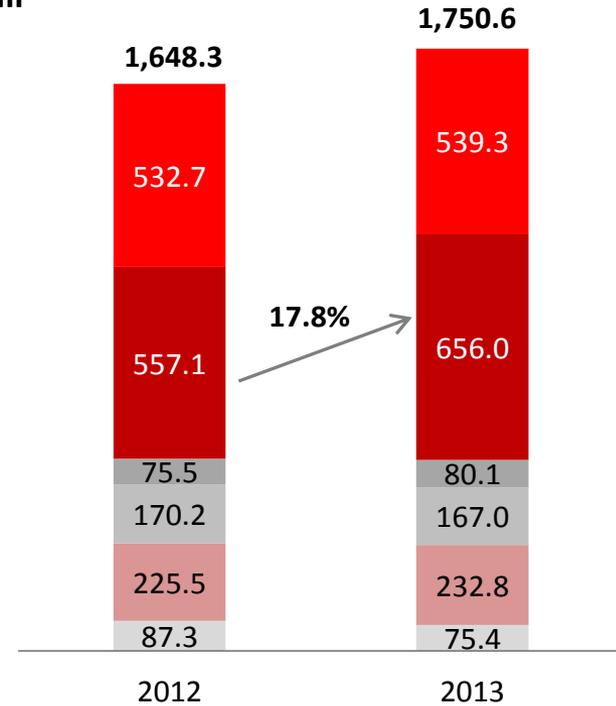
Non-Interest Income Composition & Growth

Non-interest Income Contribution



Based on financial results as at 31 December 2013

RM'mil

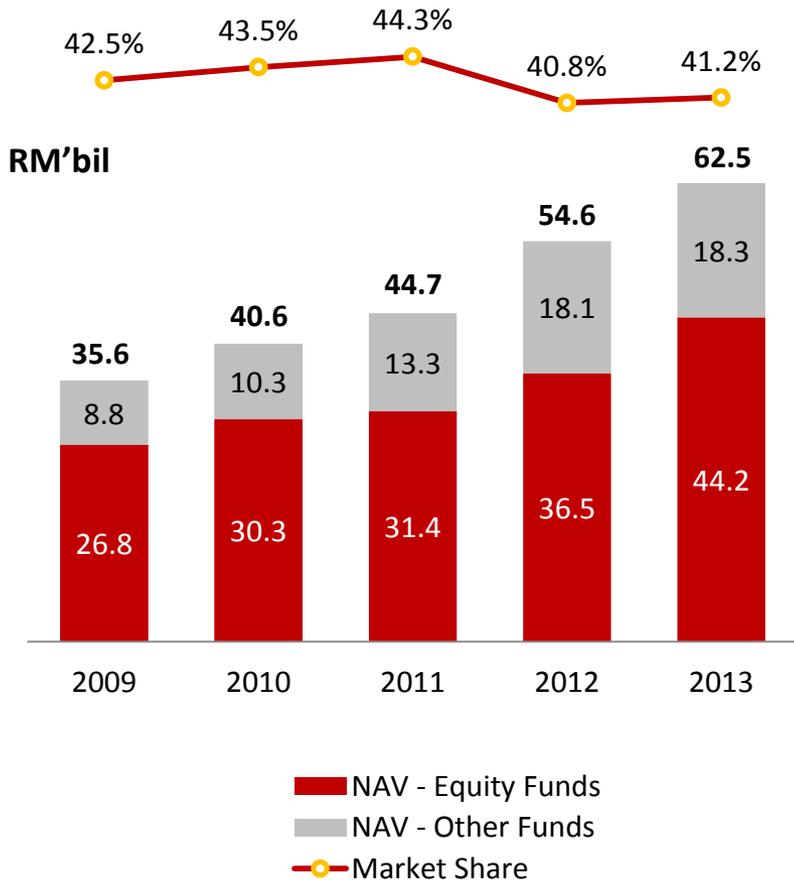


- Fee income
- Unit Trust income
- Stockbroking income
- Investment income
- Forex/Revaluation gain
- Others

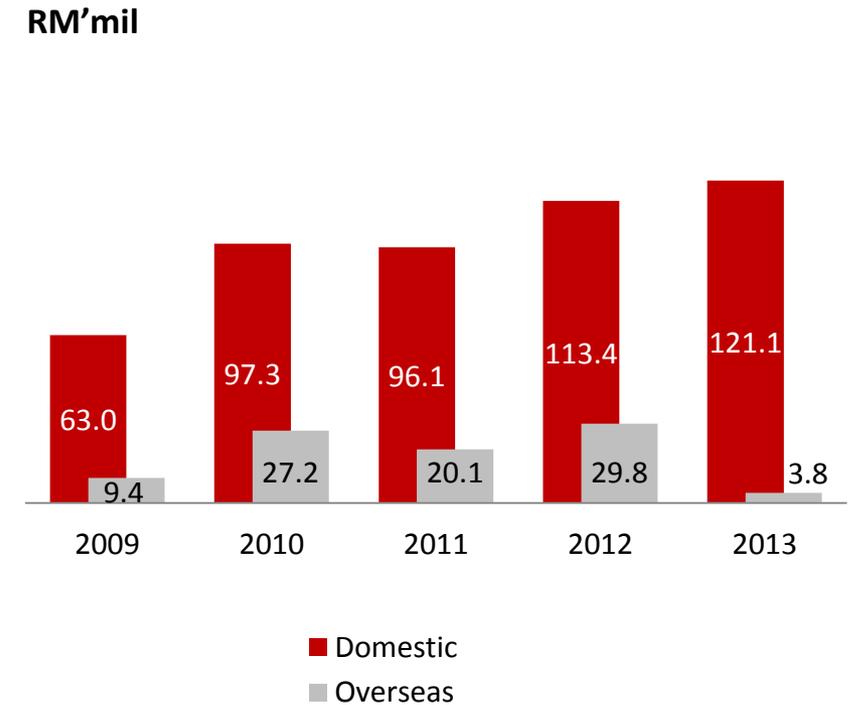


Unit Trust & Bancassurance

Net Asset Value of Funds under management



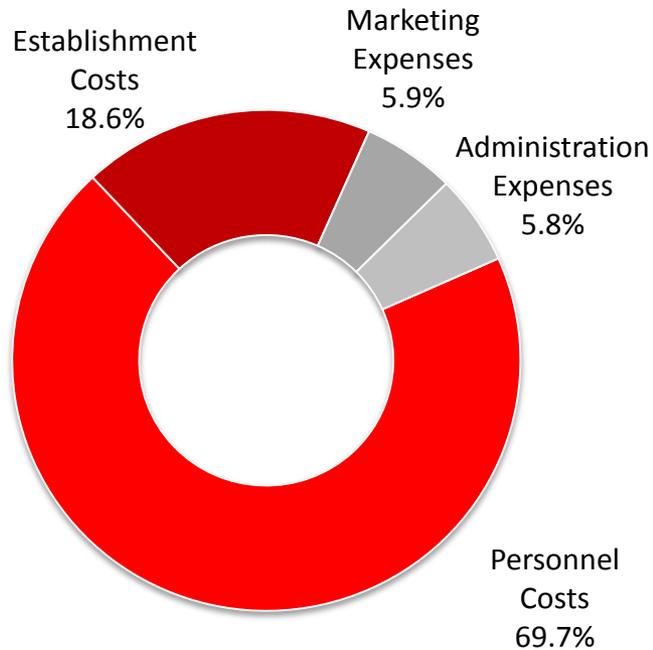
Bancassurance Business – Annualised Premium Equivalent





Efficient Operating Overheads

Operating Costs Composition



Based on financial results as at 31 December 2013

| RM'mil | 2013 | 2012 [^] | Changes |
|-------------------------|----------------|-------------------|---------------|
| Personnel Costs | 1,744.6 | 1,668.1 | ↑ 4.6% |
| Establishment Costs | 466.6 | 453.9 | ↑ 2.8% |
| Marketing Expenses | 147.4 | 152.0 | ↓ 3.0% |
| Administration Expenses | 145.0 | 143.6 | ↑ 1.0% |
| Total | 2,503.6 | 2,417.6 | ↑ 3.6% |

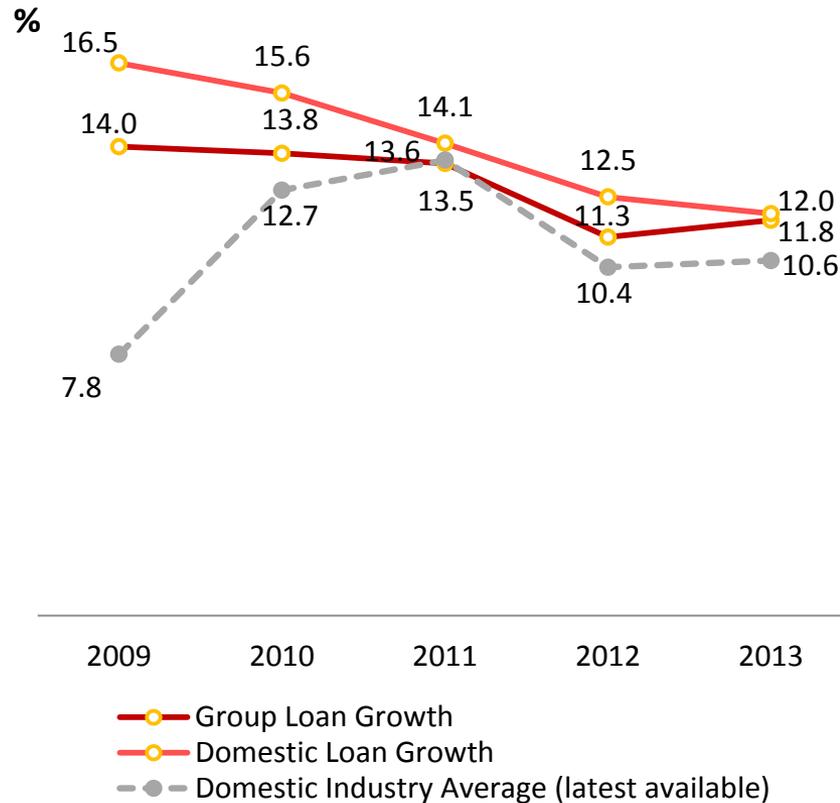
| | 2013 | 2012 [^] | Industry Average |
|----------------------------------|------|-------------------|------------------|
| Gross loan per employee (RM'mil) | 12.3 | 11.2 | 8.6 |
| Deposit per employee (RM'mil) | 14.0 | 12.8 | 11.0 |
| PBT per employee (RM'000) | 296 | 286 | 229 |
| Cost to Income Ratio (%) | 30.7 | 31.2 | 46.6 |

[^] Restated with retrospective application of MFRS 119, where applicable

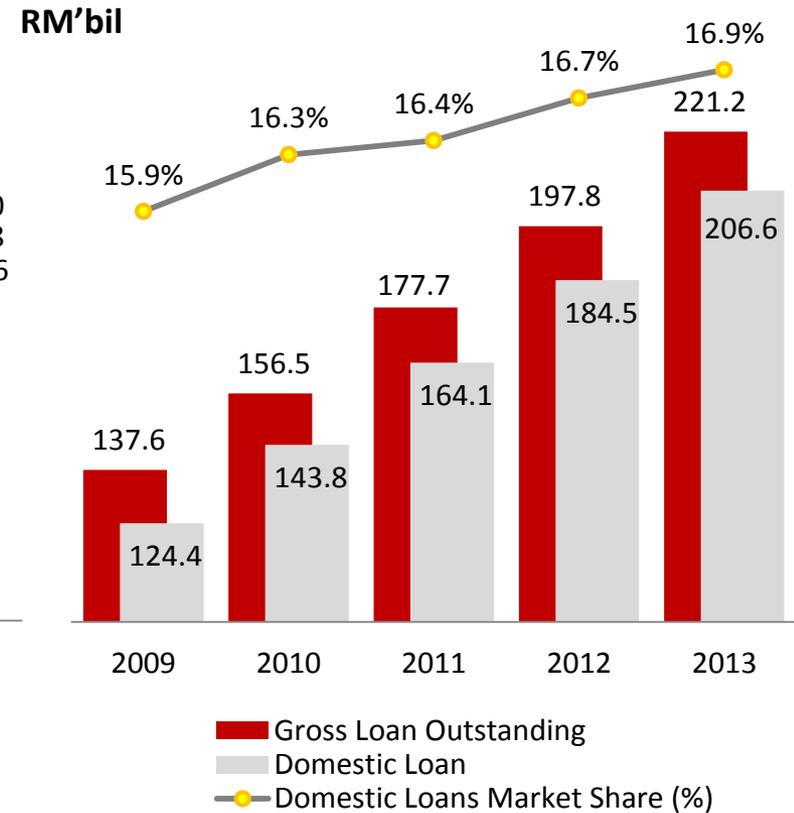


Consistently Above-Industry Loan Growth

Loan Growth vs Industry

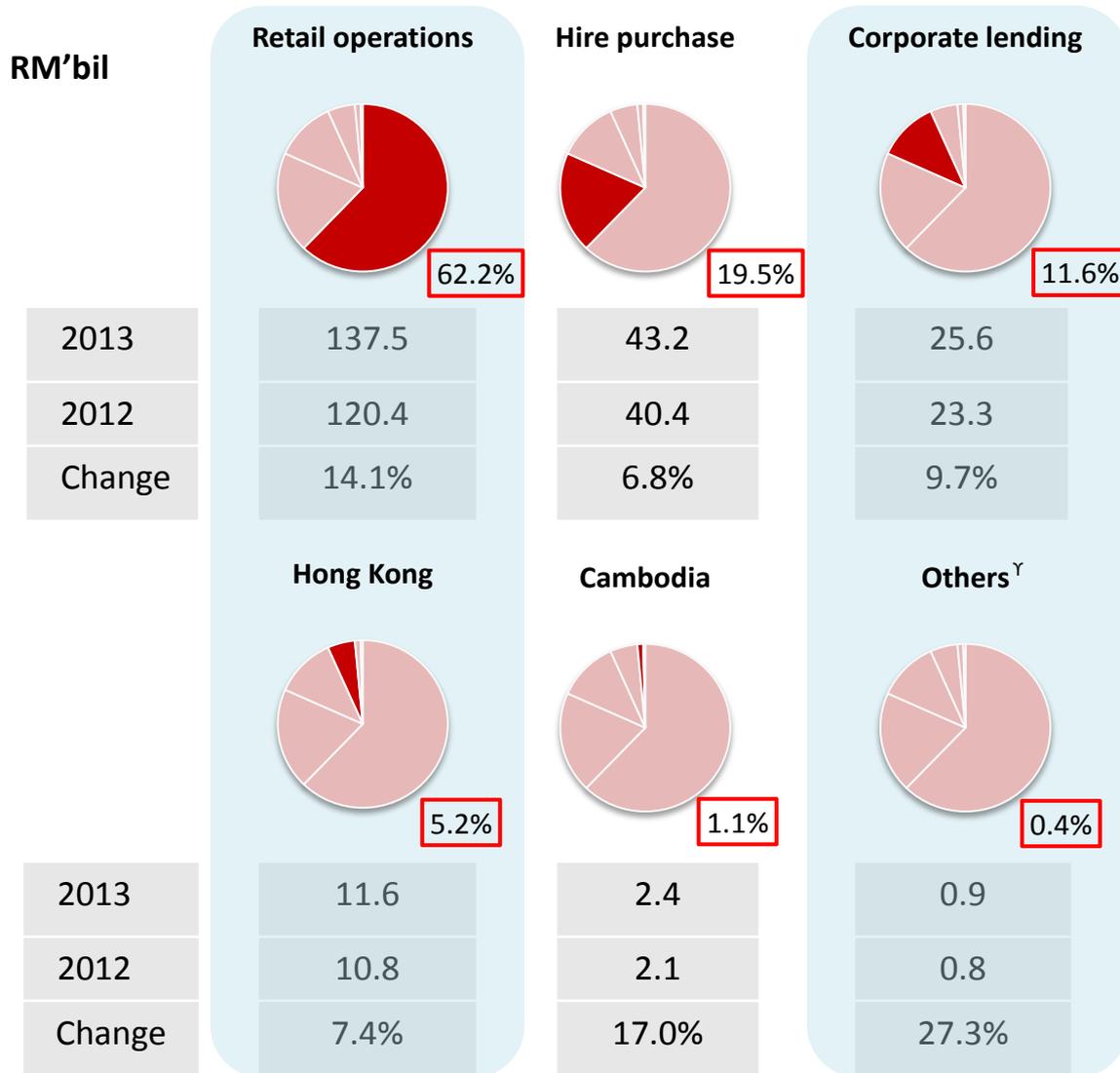


Gross Loans and Domestic Loan Market Share





Gross Loan Composition by Segment



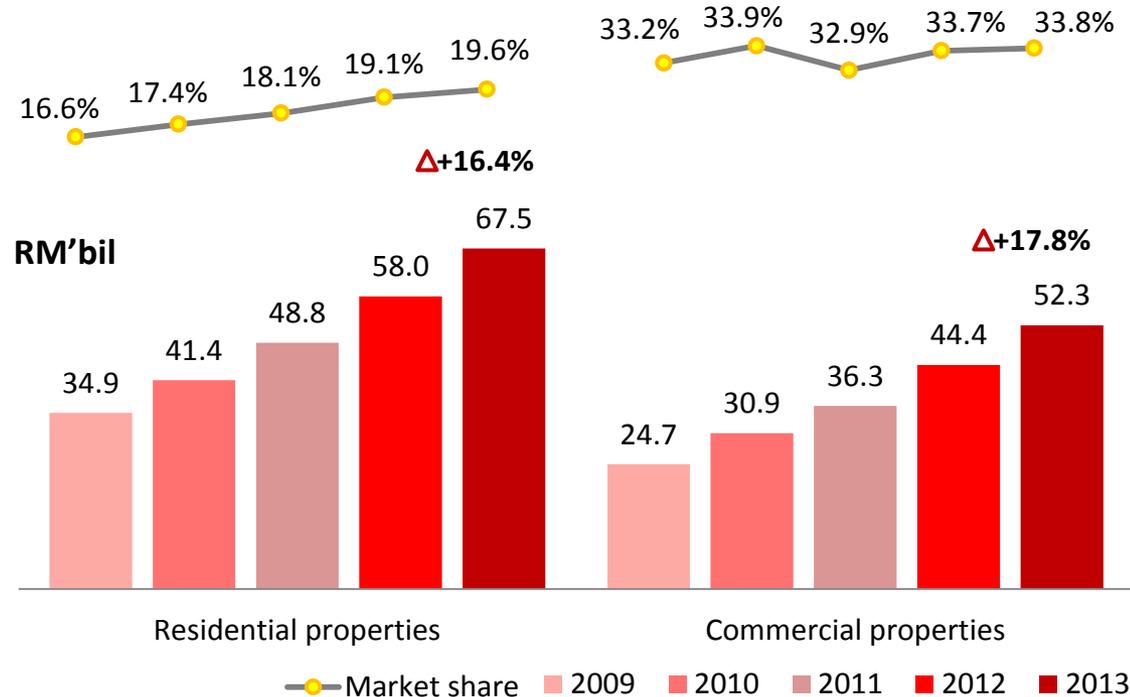
- Loan growth continues to be supported through the Group's retail and hire purchase segments

^Y Others comprise mainly of other miscellaneous domestic segments and other countries

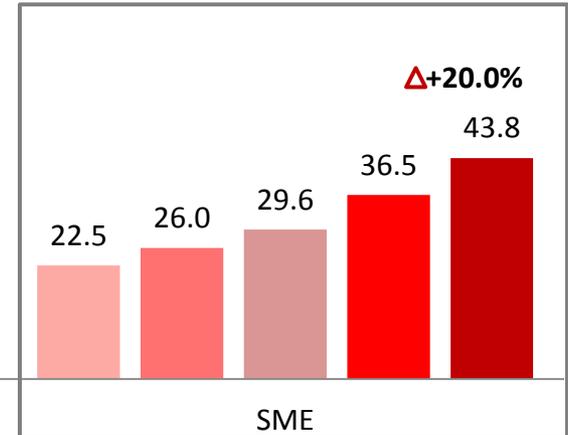


Retail Operations

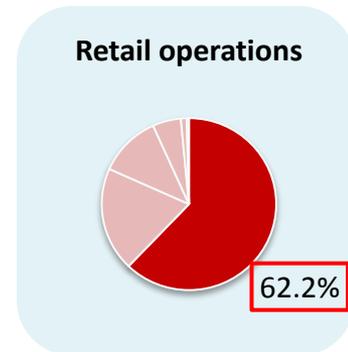
Gross loan & financing in Domestic Operations



Of which, financing to Domestic SMEs



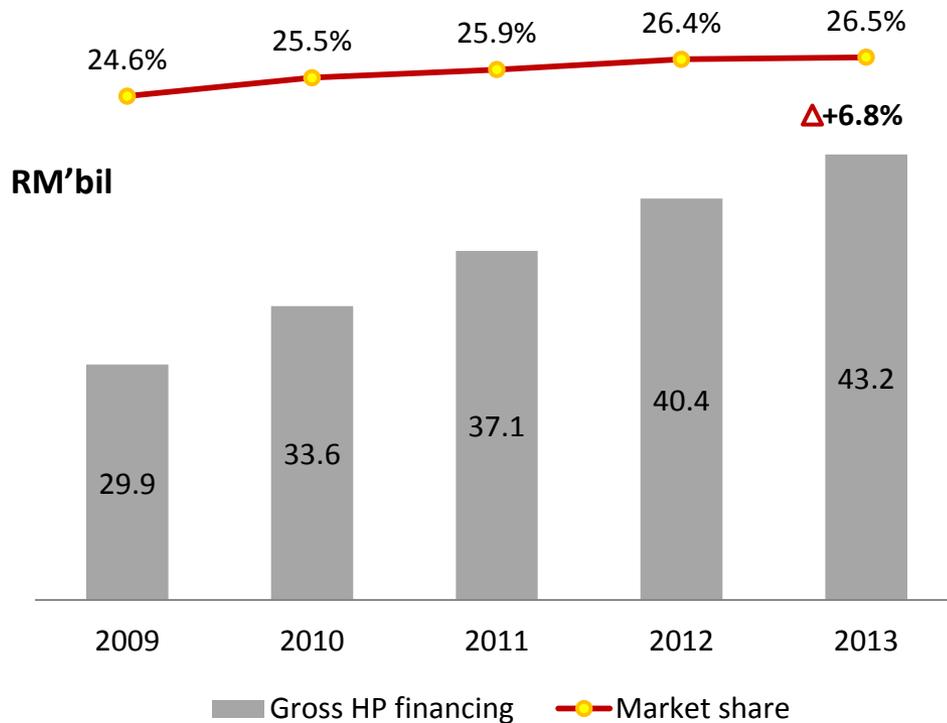
- Remained market leader in the residential properties financing & commercial properties financing
- Steady growth trend in residential properties financing & commercial properties financing





Hire Purchase

HP Financing in Domestic Operations



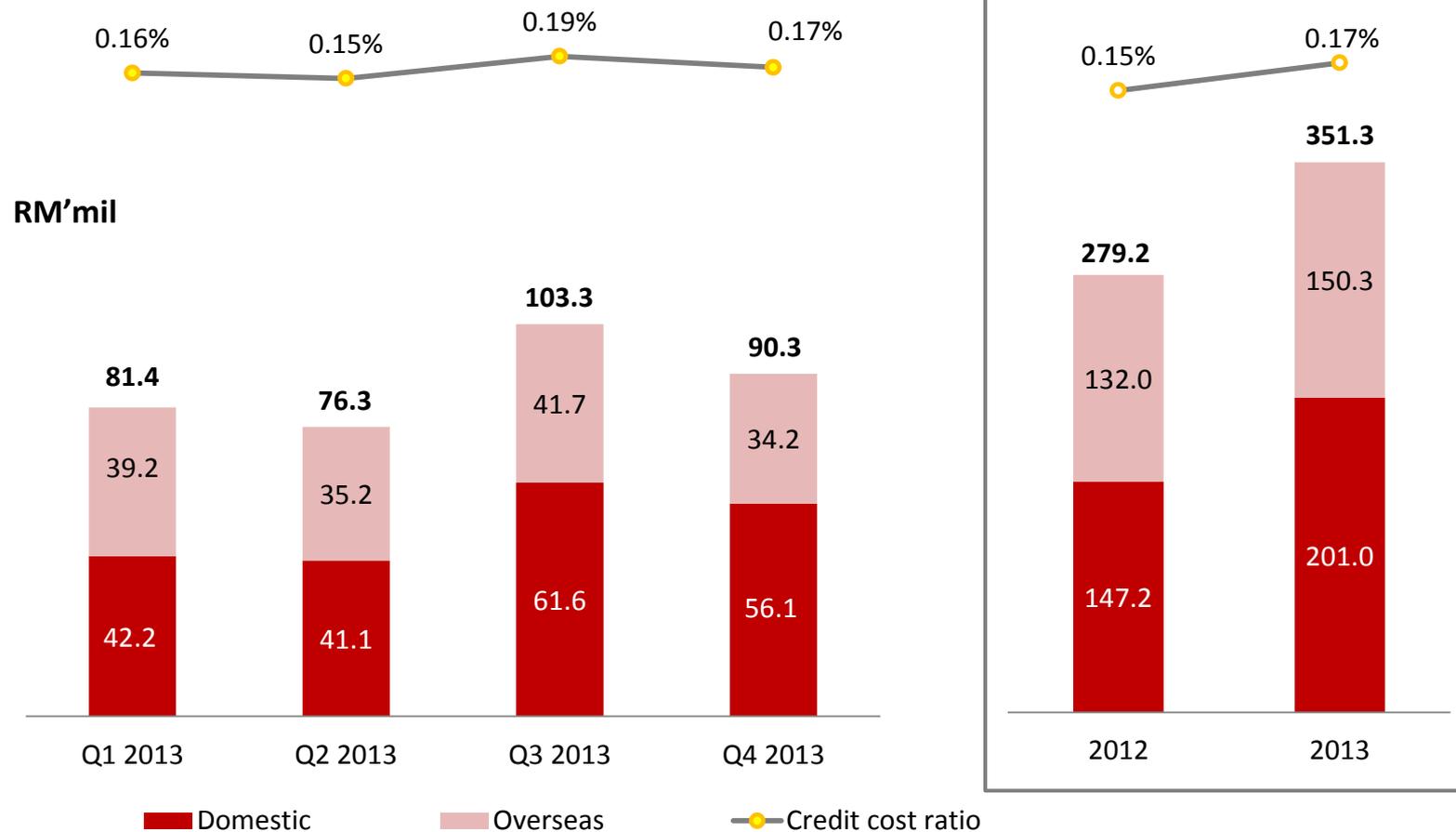
- Remained market leader in the domestic passenger vehicle financing
- Consistent growth trend in hire purchase financing





Upholding Strong Asset Quality

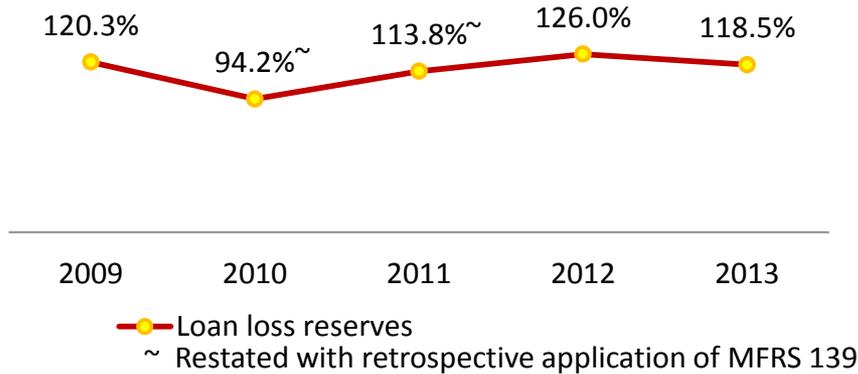
Quarterly Loan Impairment Allowances (including collective allowances)



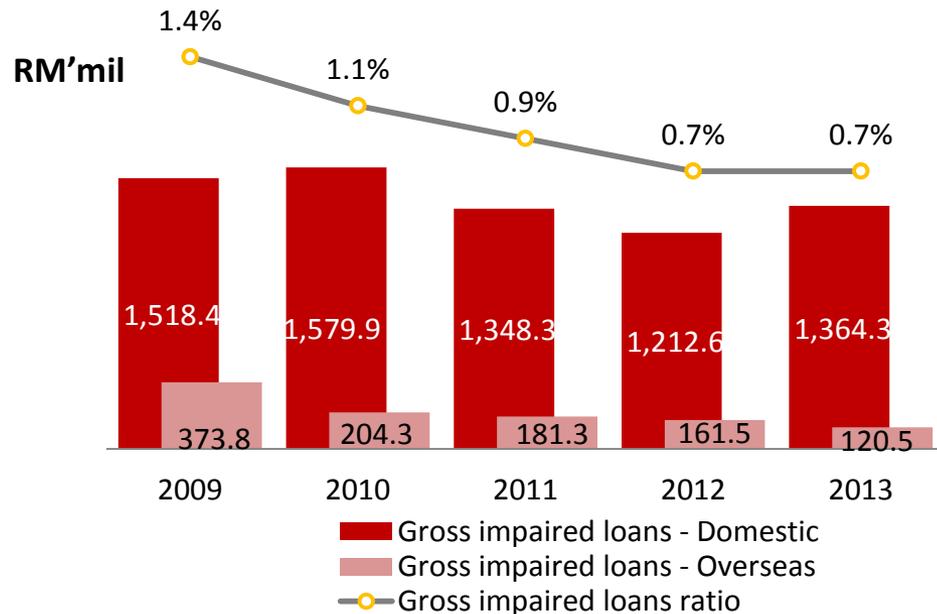


Gross Impaired Loan

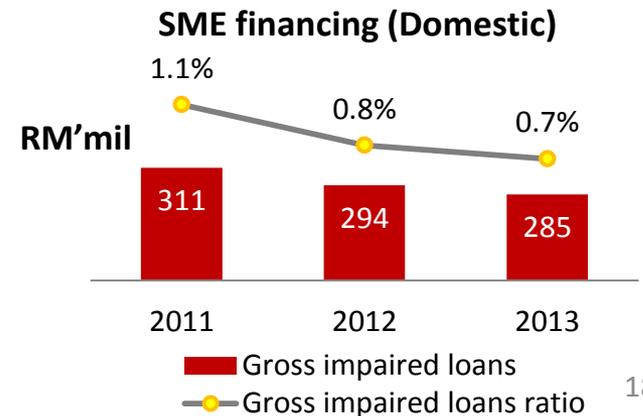
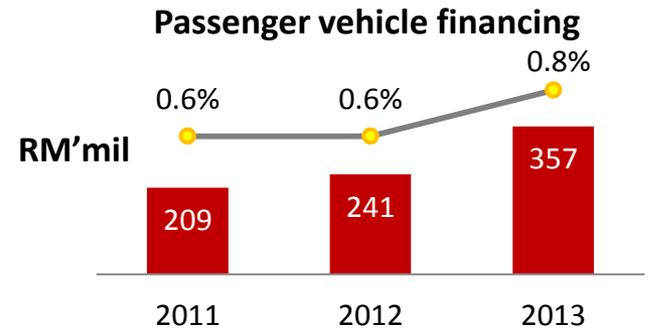
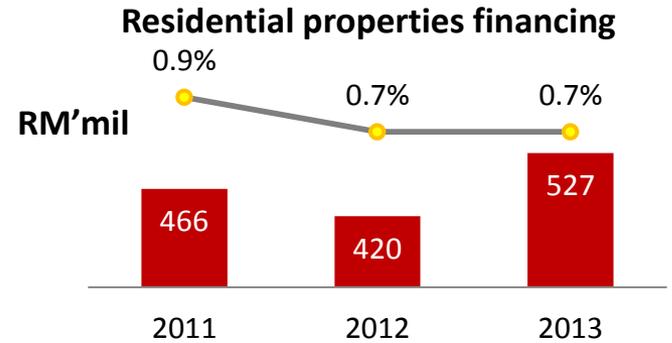
High loan loss reserves



Low gross impaired loans ratios



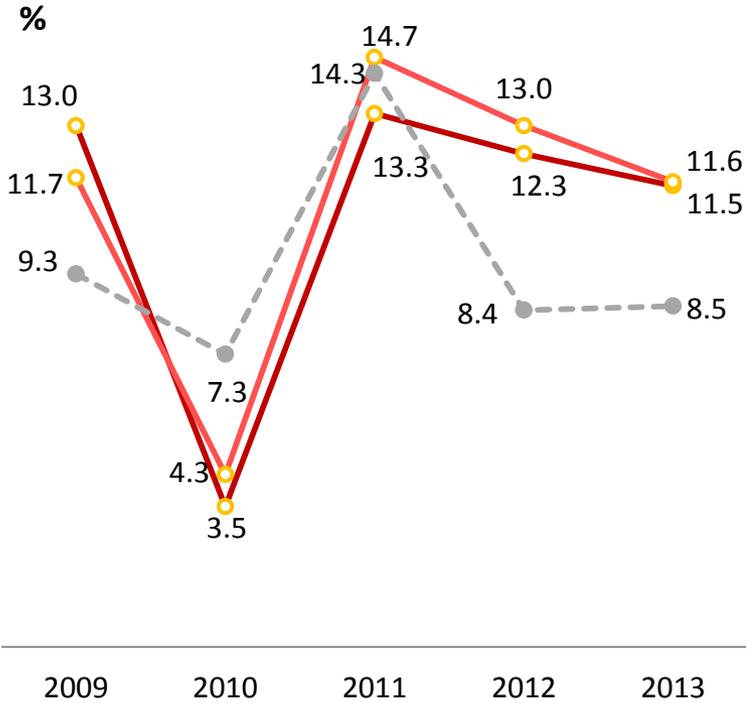
Of which:





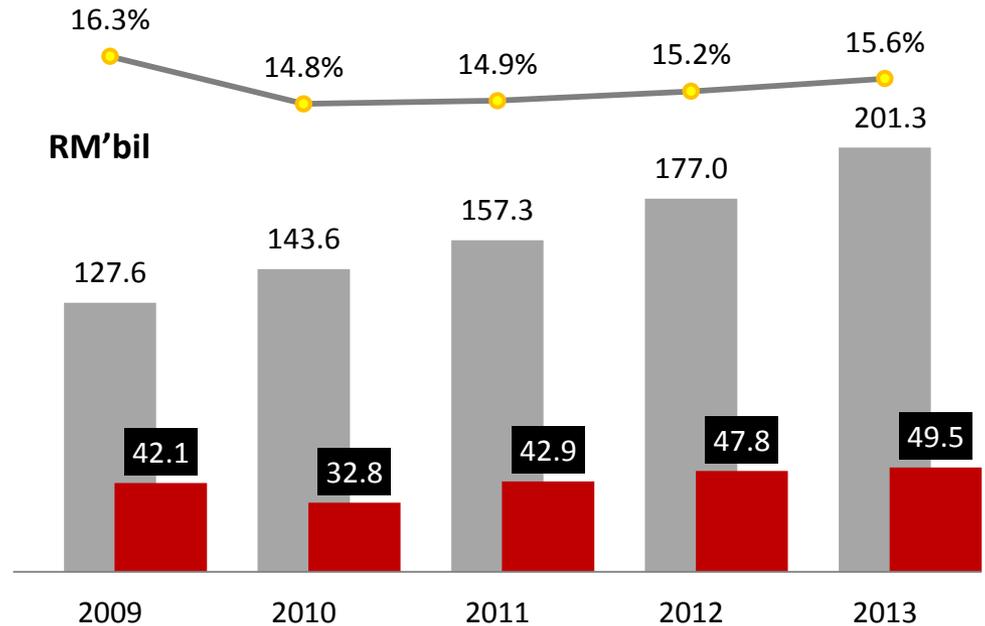
Healthy Deposit Growth in Support of Liquidity

Deposit Growth vs Industry



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

Deposits – Outstanding Balance and Market Share

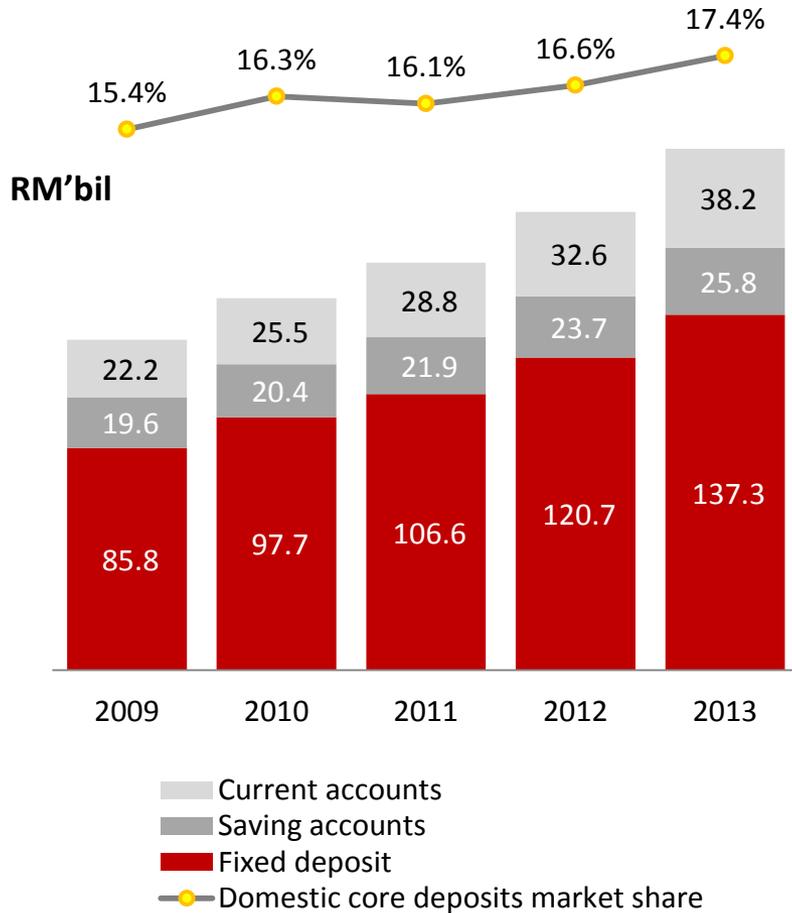


- Core customer deposit
- Wholesale deposit
- Customer deposit market share

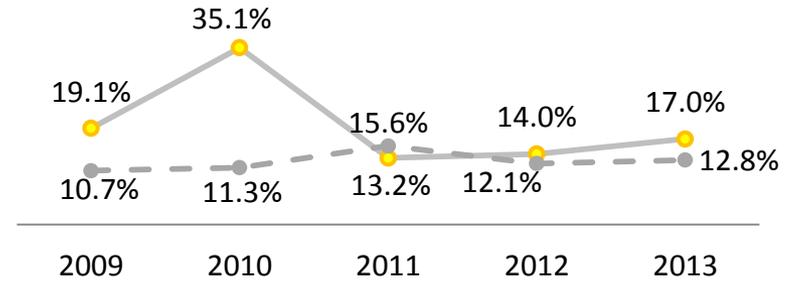


Strong Core Deposit Growth

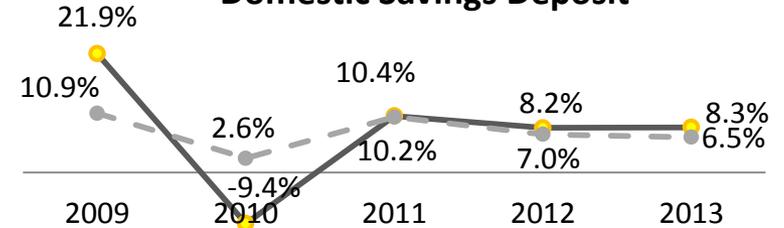
Source of Core Deposit



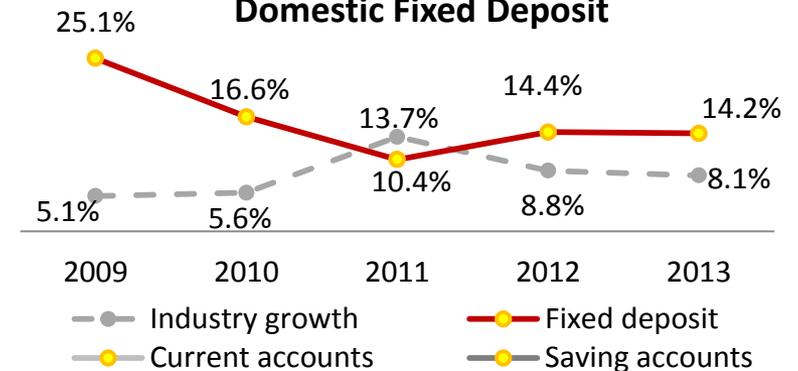
Domestic Current Deposit



Domestic Savings Deposit



Domestic Fixed Deposit





Ensuring Healthy Capital Position

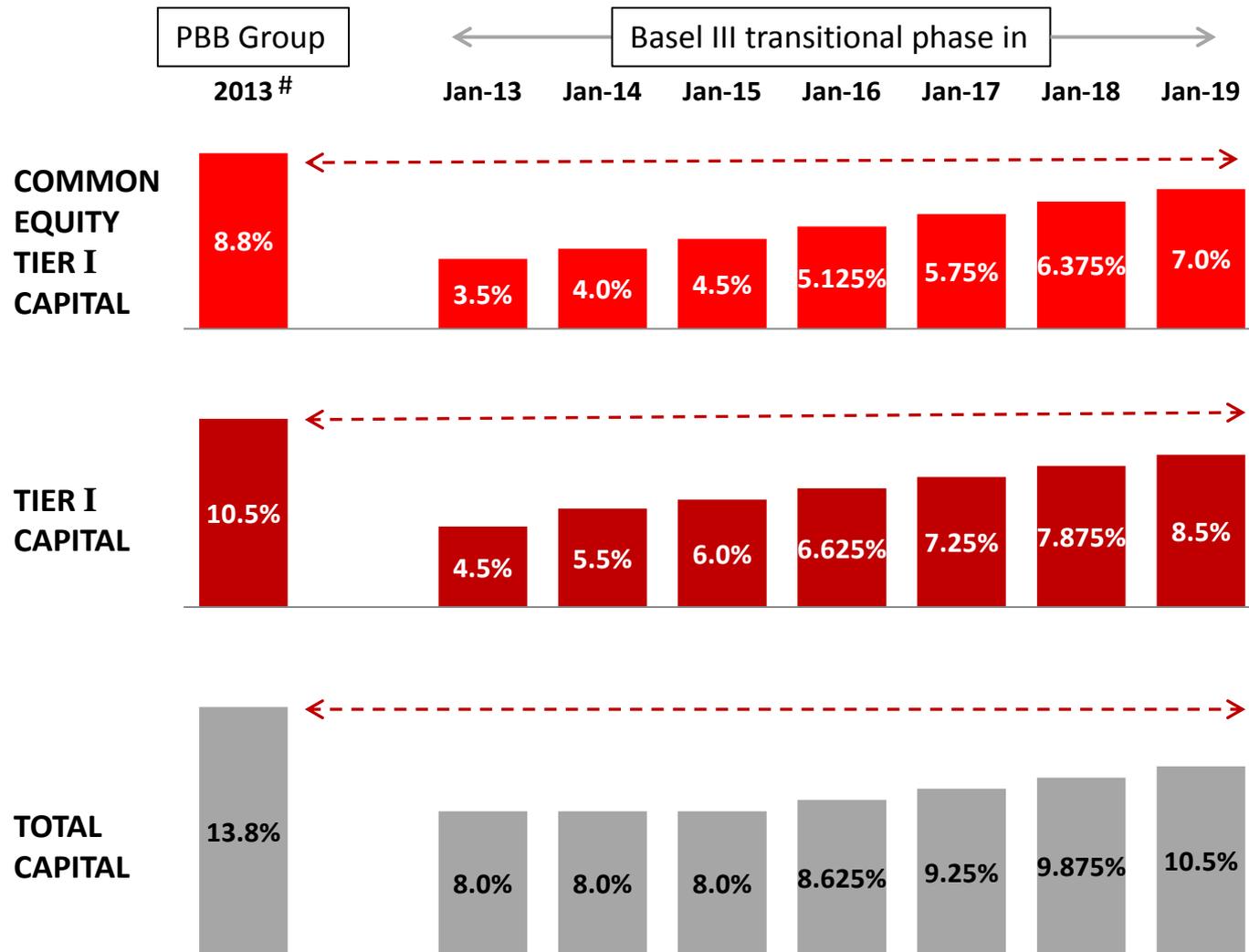
| | RM'bil | Group ^π | | Bank ^π | |
|------------------------------------|--------|--------------------|-------|-------------------|-------|
| | | 2013 [#] | 2012 | 2013 [#] | 2012 |
| Common Equity Tier I Capital | | 17.5 | 15.6 | 17.2 | 15.5 |
| Tier I Capital | | 21.0 | 19.5 | 20.8 | 19.4 |
| Total Capital Base | | 27.5 | 25.3 | 22.5 | 20.7 |
| Risk-weighted Assets | | 199.7 | 179.7 | 167.4 | 150.0 |
| Common Equity Tier I Capital Ratio | | 8.8% | N/A | 10.3% | N/A |
| Tier I Capital Ratio | | 10.5% | 10.8% | 12.4% | 12.9% |
| Total Capital Ratio | | 13.8% | 14.1% | 13.5% | 13.8% |

^π After deducting interim dividends declared subsequent to end of year

[#] Based on Basel III definition



Proactive Capital Management Initiative



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 yet to be introduced by BNM



Expansion in Business Delivery Channel

Malaysian Operations

Public Bank - Domestic
- Overseas

Public Islamic Bank

Public Mutual

Public Investment Bank

Hong Kong & China Operations

Public Finance

Public Bank (HK) - Hong Kong
- China

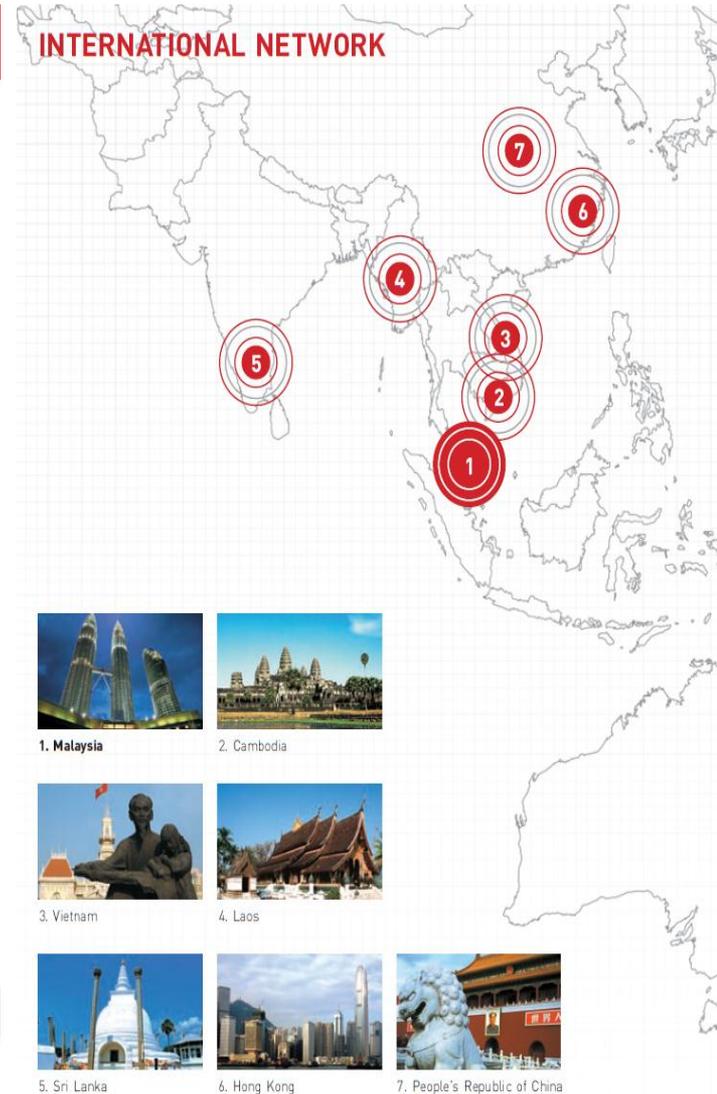
Winton (B.V.I) Group

Indo-China Operations

Cambodia Public Bank

VID Public Bank (Vietnam)

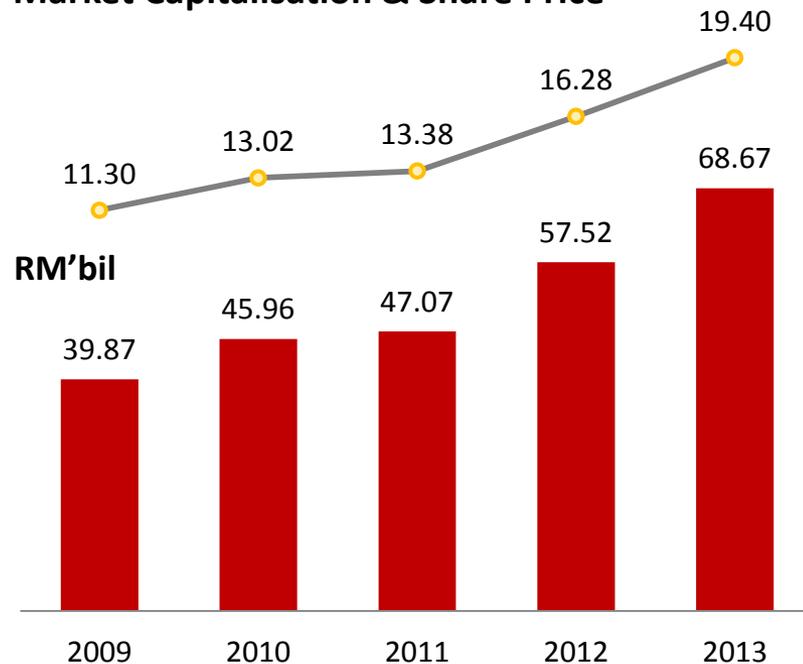
| | 2013 | 2012 | 2008 |
|---|--------------|--------------|--------------|
| Public Bank - Domestic | 257 | 254 | 242 |
| - Overseas | 6 | 5 | 5 |
| Public Islamic Bank | 1 | 1 | - |
| Public Mutual | 28 | 28 | 26 |
| Public Investment Bank | 1 | 1 | 1 |
| Public Finance | 42 | 42 | 42 |
| Public Bank (HK) - Hong Kong | 32 | 32 | 28 |
| - China | 3 | 3 | 3 |
| Winton (B.V.I) Group | 9 | 9 | 3 |
| Cambodia Public Bank | 25 | 24 | 12 |
| VID Public Bank (Vietnam) | 7 | 7 | 7 |
| | 411 | 406 | 369 |
| Self Service Terminal - domestic | 1,738 | 1,645 | 1,238 |



Improving Share Price and Continued High Productivity



Market Capitalisation & Share Price



■ Market Capitalisation (RM'bil)
—●— Share price - PBB (local) (RM)

| 31 Dec 2013 | Market Capitalisation (RM'bil) |
|-------------|--------------------------------|
| PBB | 68.7 |
| MBB | 88.1 |
| CIMB | 58.9 |
| HLB | 27.1 |
| AMMB | 21.8 |
| RHB | 20.1 |



Targets & Achievements

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

| <u>Key Performance Benchmarks</u> | 2013 Targets | 2013 Achievement | 2014 Targets |
|-----------------------------------|--------------|------------------|--------------|
| Net Return on Equity | >20% | 22.4% | >20% |
| Total Capital Ratio | >12% | 13.8% | >12% |
| Gross Impaired Loan Ratio | <1% | 0.7% | <1% |
| Cost to Income Ratio | <32% | 30.7% | <32% |
| Loan Growth | 11% to 12% | 11.8% | 10% to 11% |
| Deposit Growth | 11% to 12% | 11.5% | 10% to 11% |

- The setting of the Public Bank Group’s key performance targets for 2014 has taken into account the Group’s achievements in 2013, together with the risk appetite of the Group, the regulatory requirements under the Basel III capital regime and the prevailing medium-term economic outlook.

Our Business Growth Strategies



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

Lending Business

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



| RM'mil | | 2008 | 2009 | 2010~ | 2011~^ | 2012^ | 2013 |
|------------------------|--|----------|----------|---------|---------|---------|---------|
| Profitability | Operating profit | 3,948 | 4,015 | 4,738 | 5,200 | 5,329 | 5,655 |
| | Profit before tax | 3,379 | 3,321 | 4,086 | 4,878 | 5,047 | 5,310 |
| | Net profit | 2,581 | 2,517 | 3,048 | 3,684 | 3,827 | 4,065 |
| Shareholder Value | Earnings per share (sen) | 76.9 | 73.3 | 87.2 | 105.2 | 109.3 | 116.1 |
| | Net assets per share (RM) | 2.84 | 3.19 | 3.91 | 4.52 | 5.15 | 5.83 |
| | Net dividend per share (sen) | | | | | | |
| | - Cash dividend | 41.0 | 41.3 | 45.5 | 48.0 | 50.0 | 52.0 |
| | - Share dividend | 1 for 35 | 1 for 68 | - | - | - | - |
| | Dividend payout ratio (%) | 53.2 | 56.6 | 52.3 | 48.3 | 45.3 | 44.8 |
| | Dividend payout ratio (including share dividend) (%) | 84.8 | 79.3 | 52.3 | 48.3 | 45.3 | 44.8 |
| Key Balance Sheet Data | Total assets | 196,163 | 217,136 | 226,988 | 250,773 | 274,824 | 305,725 |
| | Gross loan | 120,669 | 137,610 | 156,544 | 177,694 | 197,783 | 221,176 |
| | Domestic loan | 106,791 | 124,362 | 143,822 | 164,081 | 184,542 | 206,635 |
| | Deposit from customers | 151,185 | 170,892 | 176,872 | 200,371 | 225,042 | 250,873 |
| | Domestic deposit | 139,494 | 155,810 | 162,578 | 186,445 | 210,680 | 235,142 |
| | Core customer deposit | 111,204 | 127,623 | 143,639 | 157,297 | 177,035 | 201,258 |
| | Shareholders' equity | 9,537 | 11,023 | 13,692 | 15,813 | 18,018 | 20,424 |

~ Restated with retrospective application of MFRS 139. For FYE 2010, only relevant balance sheet items have been restated to position as at 1 January 2011

^ Restated with retrospective application of MFRS 119, where applicable. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 January 2012

Appendix (cont'd)



| | % | 2008 | 2009 | 2010~ | 2011~^ | 2012^ | 2013 | Industry |
|----------------------|---|-------|---------------------|-------|--------|-------|-------|----------|
| Profitability Ratios | Net interest margin on yielding assets | 2.5 | 2.4 | 2.7 | 2.7 | 2.5 | 2.4 | N/A |
| | Net return on equity ⁺ | 30.4 | 26.1 | 27.1 | 26.8 | 24.1 | 22.4 | N/A |
| | Pre-tax return on average assets | 1.8 | 1.6 | 1.8 | 2.0 | 1.9 | 1.8 | 1.6 |
| | Cost to income ratio | 31.2 | 32.6 | 30.7 | 29.8 | 31.2 | 30.7 | 46.6 |
| | Non interest income/Total income | 22.6 | 20.6 | 21.3 | 21.1 | 21.3 | 21.5 | N/A |
| Liquidity | Net loan to deposit ratio | 78.3 | 79.2 | 87.6 | 87.8 | 87.1 | 87.5 | 78.7 |
| Asset Quality | Gross impaired loans ratio | 1.0 | 1.4 ^{##} | 1.1 | 0.9 | 0.7 | 0.7 | 1.9 |
| | Loan loss coverage ratio | 159.7 | 120.3 ^{##} | 94.2 | 113.8 | 126.0 | 118.5 | 107.6 |
| Capital Adequacy | Common equity Tier I capital ratio ^π | N/A | N/A | N/A | N/A | N/A | 8.8 | 12.0 |
| | Tier I capital ratio ^π | 7.7 | 9.9 | 10.6 | 10.6 | 10.8 | 10.5 | 12.8 |
| | Total capital ratio ^π | 13.1 | 14.0 | 13.5 | 15.0 | 14.1 | 13.8 | 14.3 |
| Market Share | <u>Domestic market share</u> | | | | | | | |
| | Commercial property financing | 31.9 | 33.2 | 33.9 | 32.9 | 33.7 | 33.8 | N/A |
| | Residential property financing | 15.3 | 16.6 | 17.4 | 18.1 | 19.1 | 19.6 | N/A |
| | Passenger vehicle financing | 23.9 | 24.6 | 25.5 | 25.9 | 26.4 | 26.5 | N/A |
| | Private unit trust | 39.0 | 42.5 | 43.5 | 44.3 | 40.8 | 41.2 | N/A |
| | Domestic loans | 14.8 | 15.9 | 16.3 | 16.4 | 16.7 | 16.9 | N/A |
| | Domestic deposits | 15.5 | 16.3 | 14.8 | 14.9 | 15.2 | 15.6 | N/A |

⁺ Based on average equity after deducting proposed dividend, if any

[~] Restated with retrospective application of MFRS 139. For FYE 2010, only relevant balance sheet items have been restated to position as at 1 January 2011

[^] Restated with retrospective application of MFRS 119, where applicable. For FYE 2011, only relevant balance sheet items have been restated to position as at 1 January 2012

^{##} Restated due to the adoption of FRS 139

^π After deducting interim dividends declared subsequent to end of year