



Safeguarding Our

Brand Value

PUBLIC BANK
PUBLIC BANK

Investor Presentation

June 2014 Results Update



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Key Highlights



Pre-tax profit

RM2,695m
(+3.2%)

1H 2013: RM2,611m

Net profit attributable to shareholders

RM2,073m
(+4.1%)

1H 2013: RM1,992m

Earnings per share

59.2sen
(+4.0%)

1H 2013: 56.9sen

Total assets

RM323.7b
(+11.7%)*

Dec 2013: RM305.7b

Net return on equity

20.8%

Dec 2013: 22.4%

Loan - Group

RM232.2b
(+9.9%)*

Dec 2013: RM221.2b

Loan - Domestic

RM217.6b
(+10.6%)*

Dec 2013: RM206.6b

Deposit - Group

RM264.5b
(+10.9%)*

Dec 2013: RM250.9b

Deposit - Domestic

RM248.5b
(+11.4%)*

Dec 2013: RM235.1b

Net loan to deposit ratio

87.1%

Dec 2013: 87.5%

* Annualised growth

Key Highlights



**Cost to
income ratio**

31.8%

Dec 2013: 30.7%

**Gross
impaired
loans ratio**

0.7%

Dec 2013: 0.7%

**Loan loss
coverage**

117.6%

Dec 2013: 118.5%

**Common
equity Tier I
capital ratio**

8.9%^π

Dec 2013: 8.8%^π

**Tier I capital
ratio**

10.4%^π

Dec 2013: 10.5%^π

**Total capital
ratio**

13.8%^π

Dec 2013: 13.8%^π

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



1st Interim Dividend for 1H2014

Single tier dividend

23 sen per share

Dividend payout

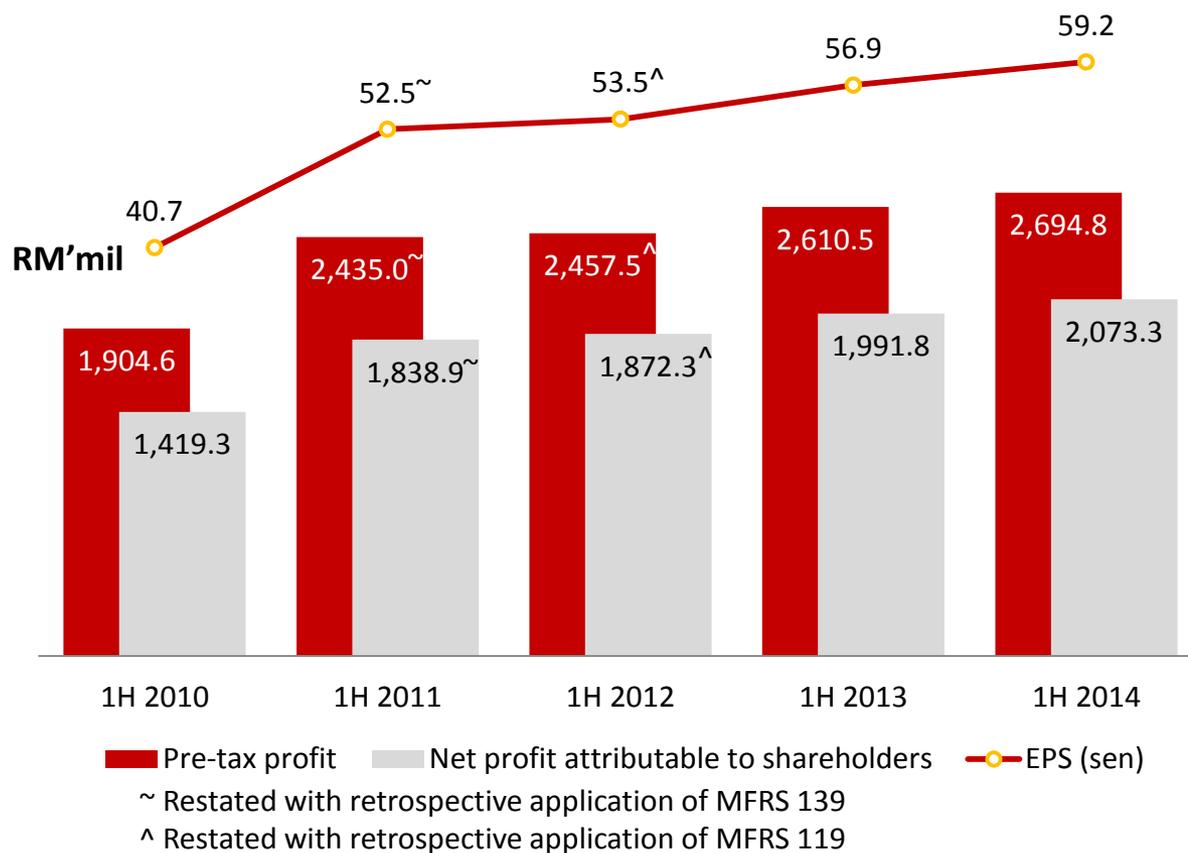
RM886 million



Steady Profit Growth



Profits and EPS



Segmental Profit – Retail Centric



RM'mil

Retail operations



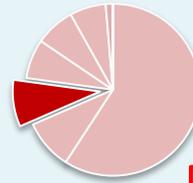
59.1%

Hire purchase



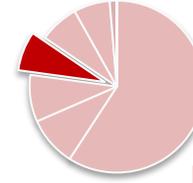
9.3%

Fund management



8.8%

Treasury operations



7.4%

1H 2014

1,593.8

249.9

236.8

198.8

1H 2013

1,593.3

272.0

202.8

185.9

Change

0.03%

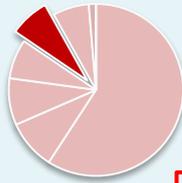
-8.2%

16.8%

6.9%

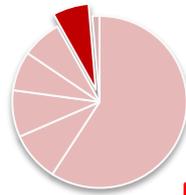
Retail and HP operations contributed >2/3 of the Group's pre-tax profit

Overseas operations



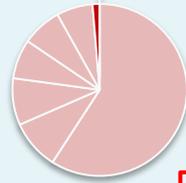
7.4%

Corporate lending



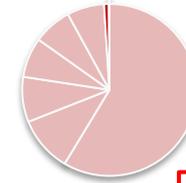
6.7%

Investment banking



1.3%

Others^Y



0.02%

1H 2014

198.7

181.4

34.8

0.6

1H 2013

176.5

160.5

23.3

-3.8

Change

12.6%

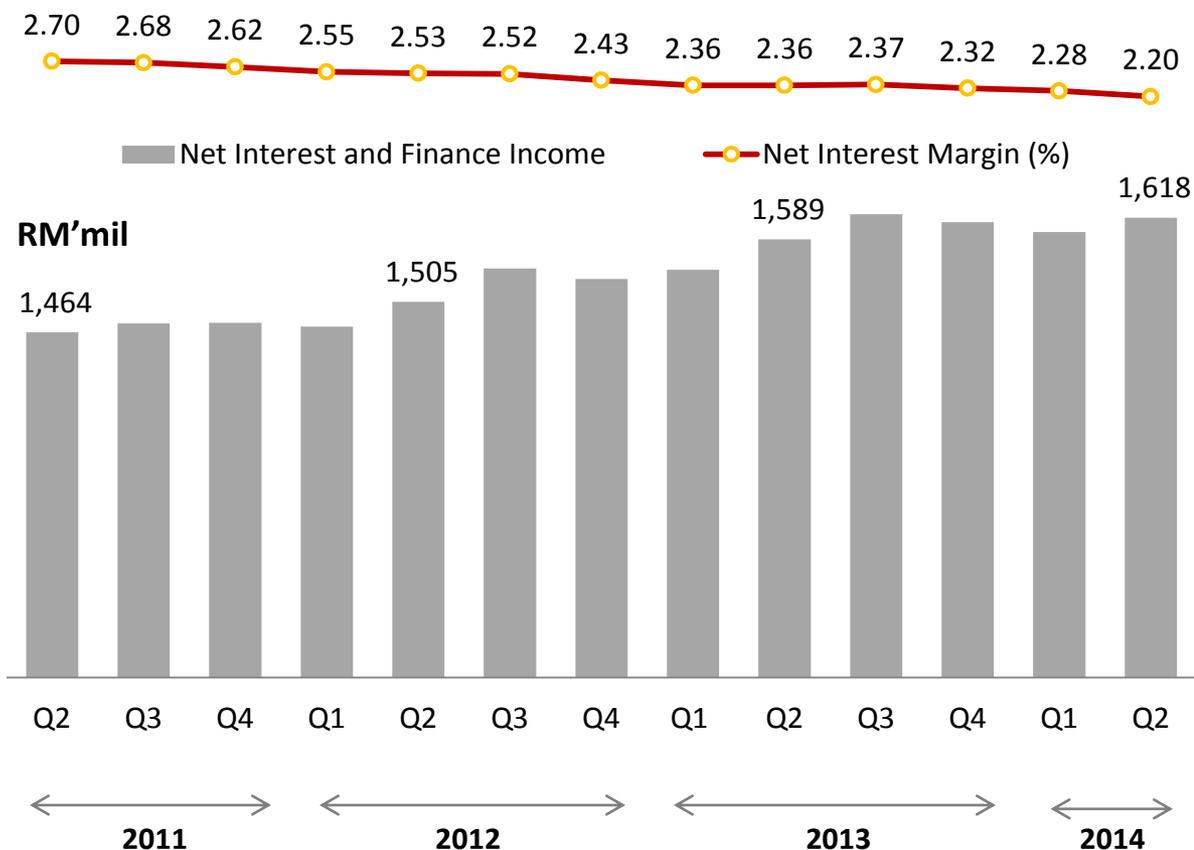
13.0%

49.3%

> 100%

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

Net Interest Margin – Continued to be under pressure

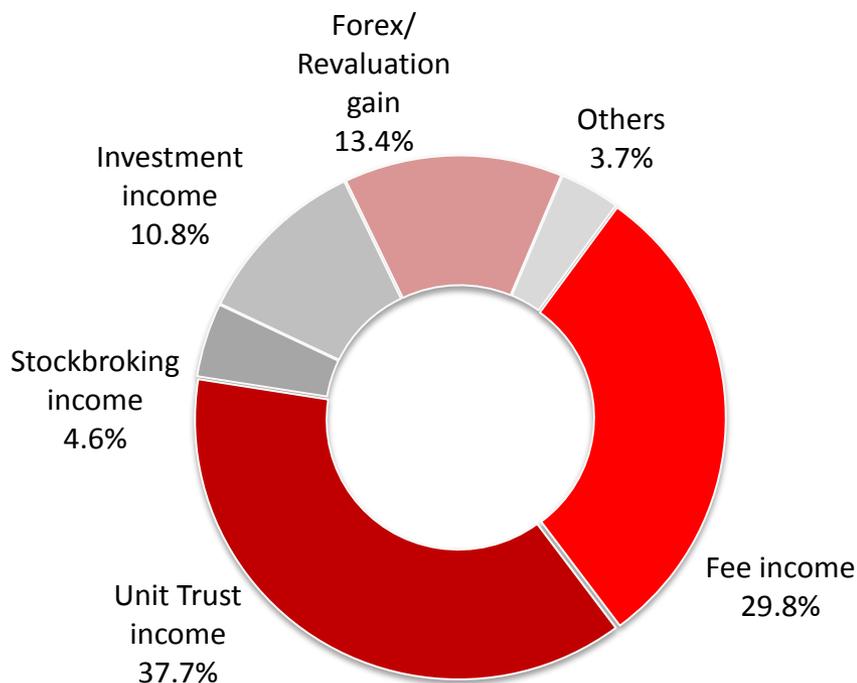


Net interest margin continued to be under pressure as a result of intense market competition

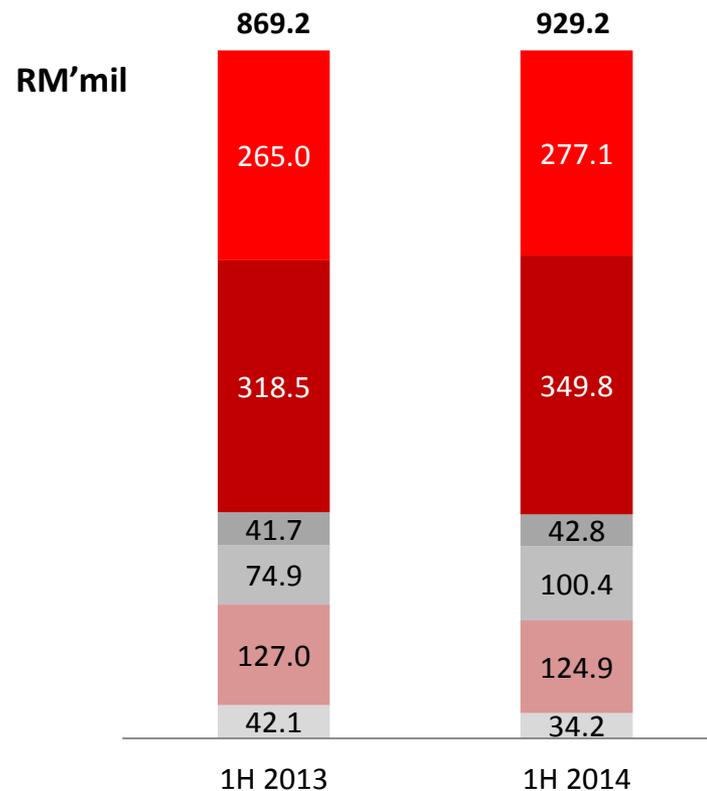
Non-Interest Income Composition & Growth



Non-interest Income Contribution



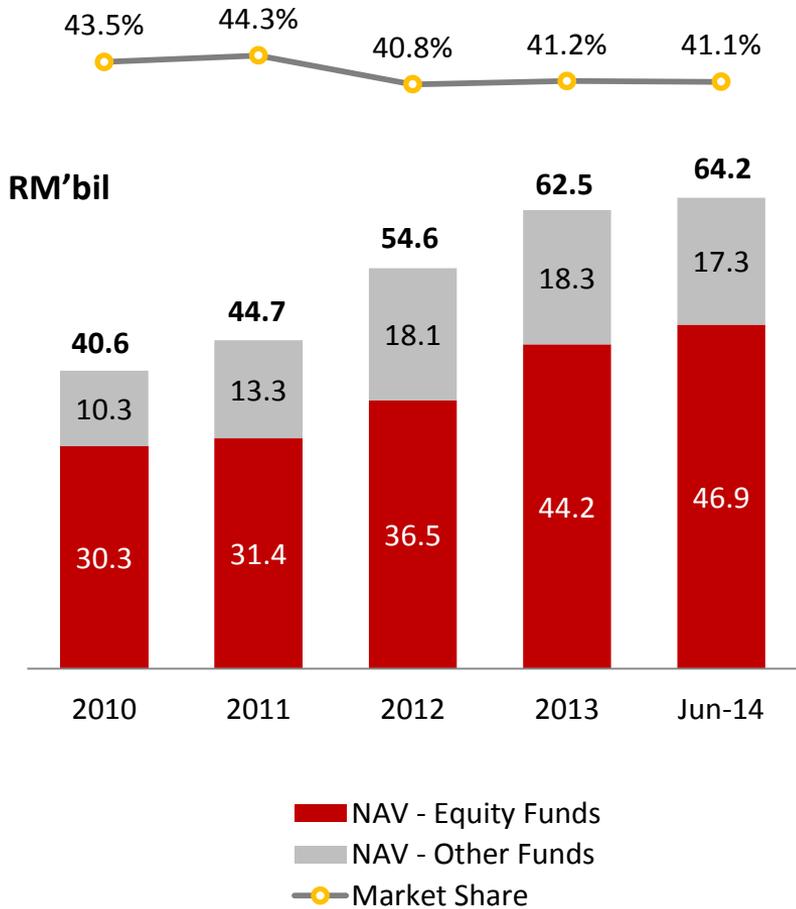
Based on financial results as at 30 June 2014



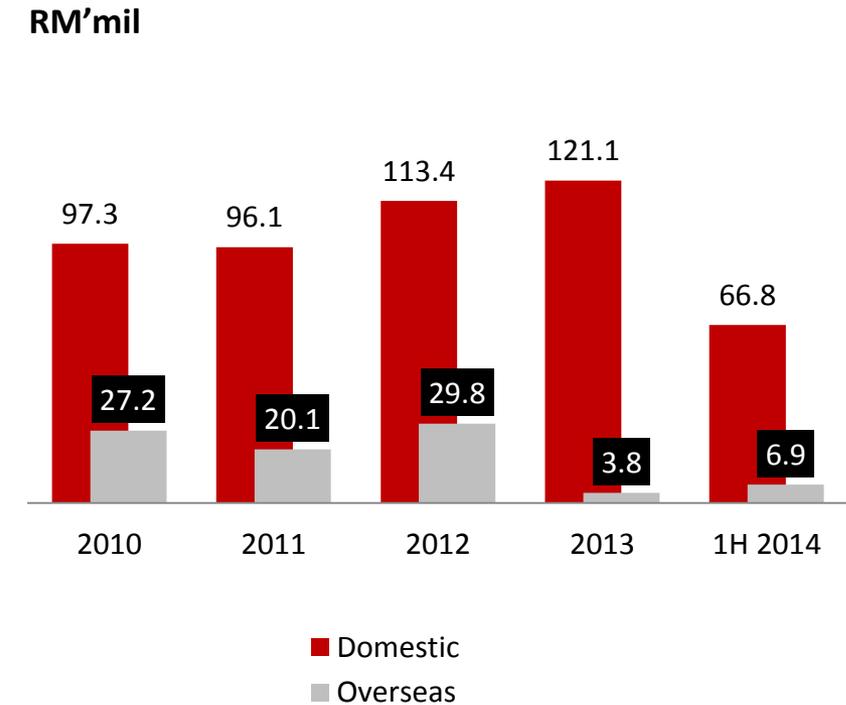
- Fee income
- Unit Trust income
- Stockbroking income
- Investment income
- Forex/Revaluation gain
- Others



Net Asset Value of Funds under management



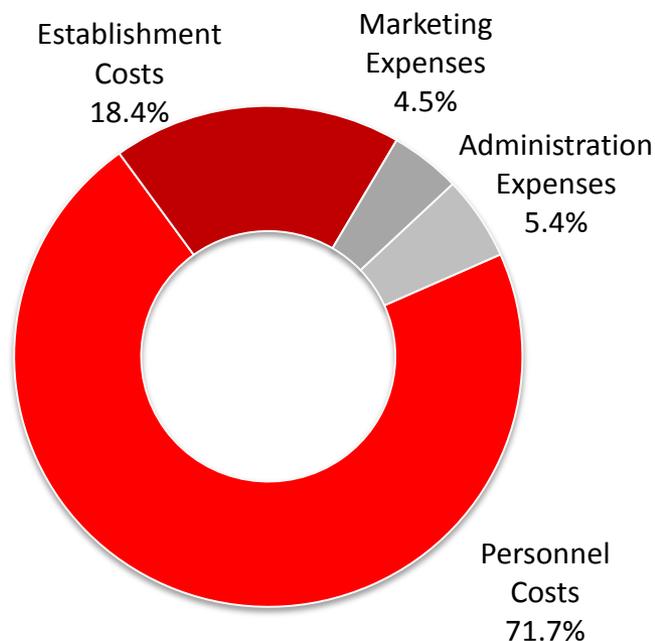
Bancassurance Business – Annualised Premium Equivalent



Efficient Operating Overheads



Operating Costs Composition



Based on financial results as at 30 June 2014

RM'mil	1H 2014	1H 2013	Changes
Personnel Costs	947.6	873.9	↑ 8.4%
Establishment Costs	243.0	231.8	↑ 4.9%
Marketing Expenses	59.5	76.5	↓ 22.2%
Administration Expenses	71.8	79.3	↓ 9.5%
Total	1,321.9	1,261.5	↑ 4.8%

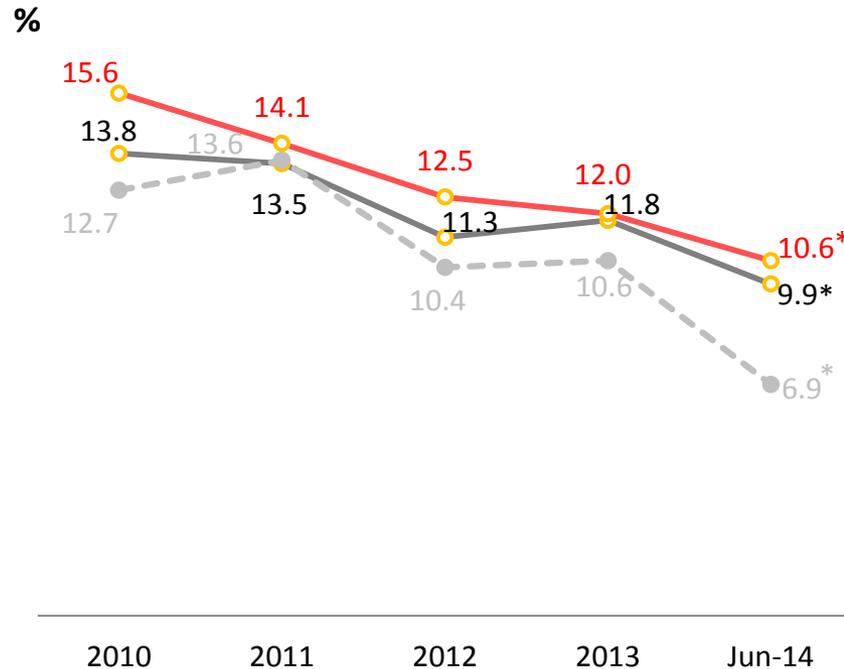
	1H 2014	2013	Industry Average
Gross loan per employee (RM'mil)	13.0	12.3	9.7
Deposit per employee (RM'mil)	14.8	14.0	12.1
PBT per employee (RM'000)	302*	296	236
Cost to Income Ratio (%)	31.8	30.7	45.6

* Annualised

Consistently Above-Industry Loan Growth

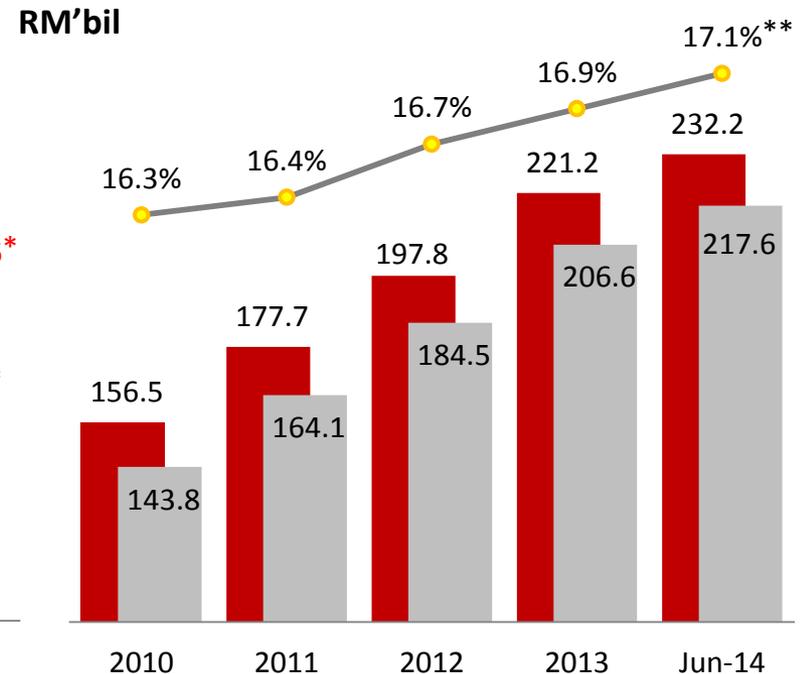


Loan Growth vs Industry



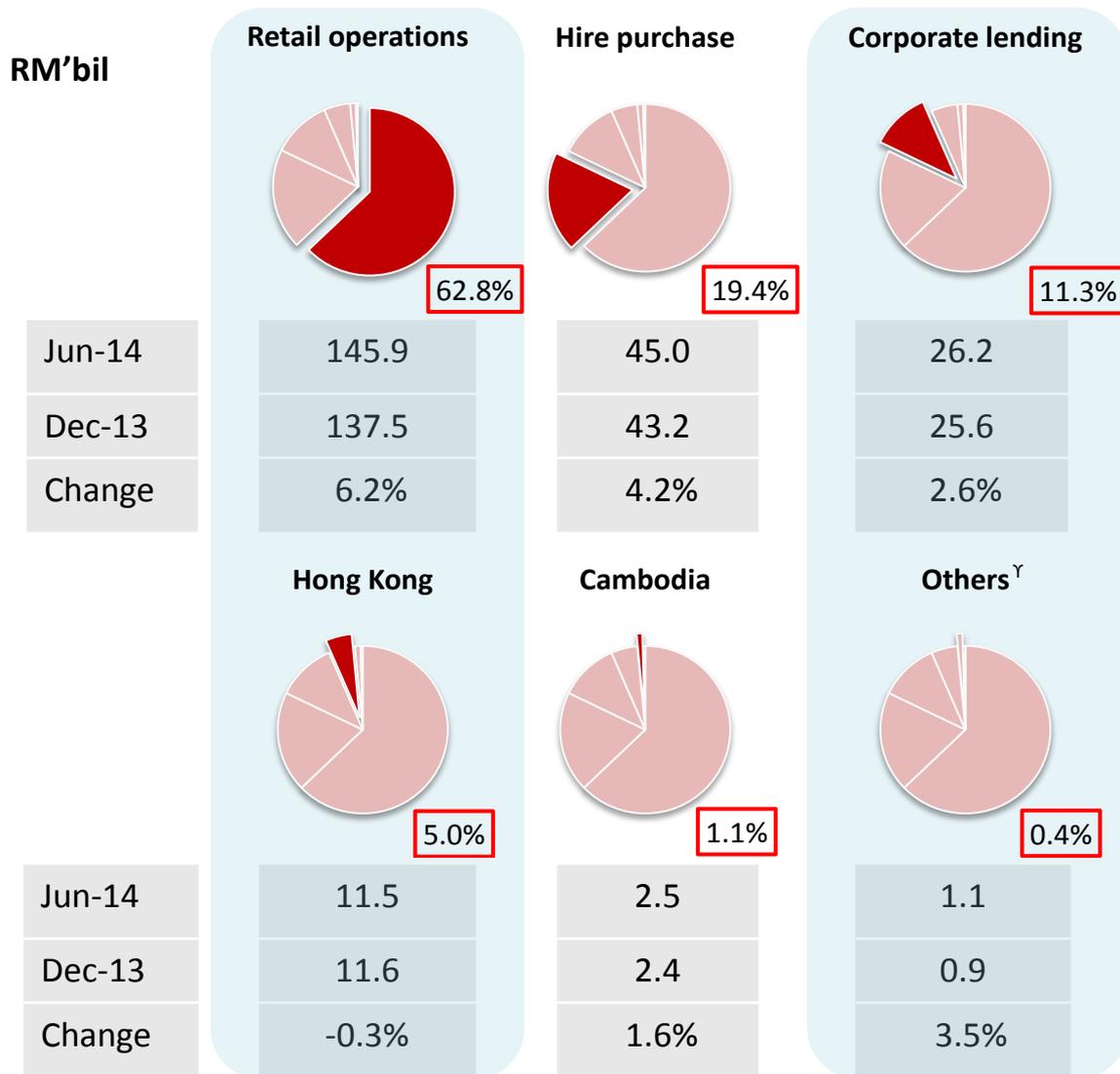
- Group Loan Growth
- Domestic Loan Growth
- -●- Domestic Industry Average (latest available)
- * Annualised growth

Gross Loans and Domestic Loan Market Share



- Gross Loan Outstanding
- Domestic Loan
- Domestic Loans Market Share (%)
- ** Market Share as at May 2014

Gross Loan Composition by Segment



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

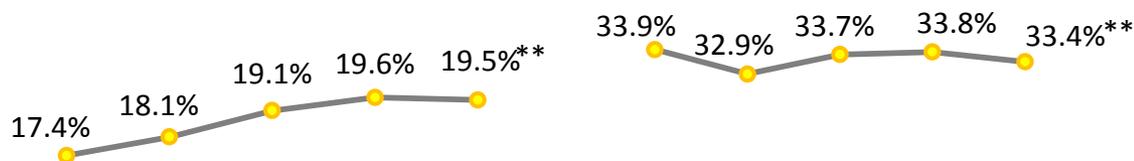
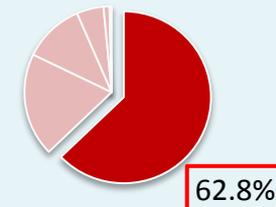
^Y Others comprise mainly of other miscellaneous domestic segments and other countries



Gross loan & financing in Domestic Operations

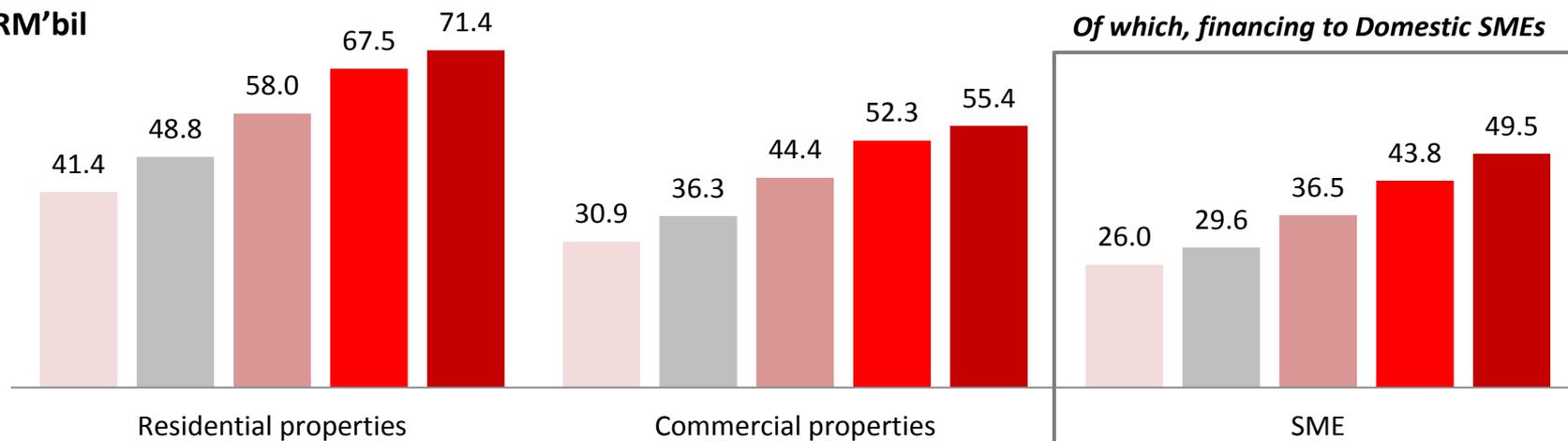
- Steady growth trend in residential properties financing & commercial properties financing
- Remained market leader in the residential properties financing & commercial properties financing

Retail operations



RM'bil

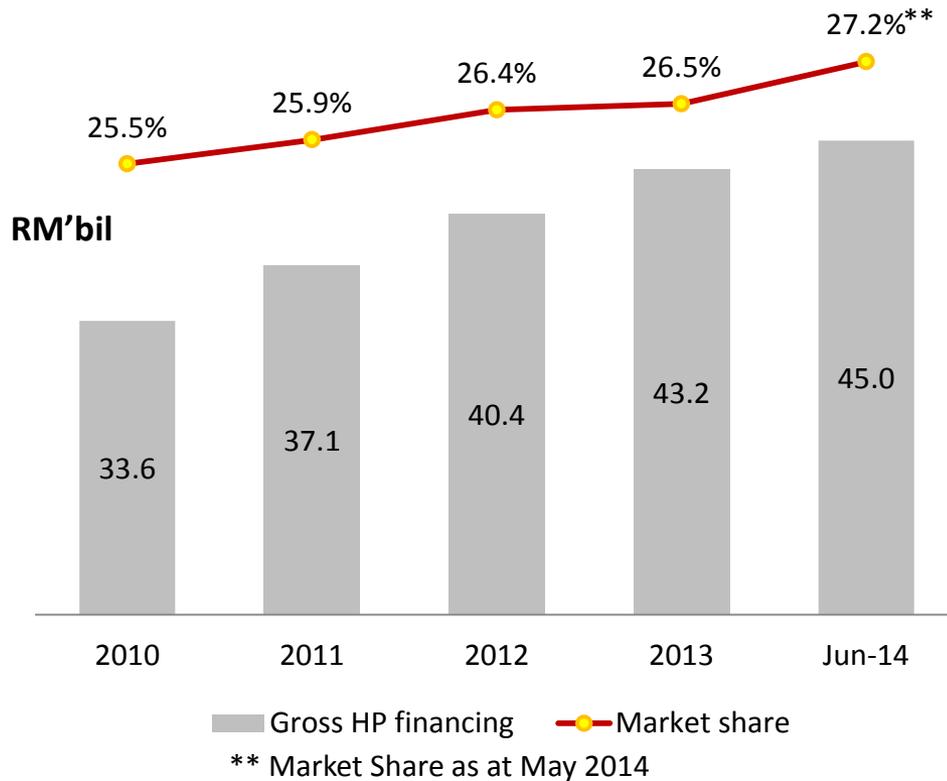
Of which, financing to Domestic SMEs



● Market share
 ■ 2010
 ■ 2011
 ■ 2012
 ■ 2013
 ■ Jun-14
 ** Market Share as at May 2014



HP Financing in Domestic Operations

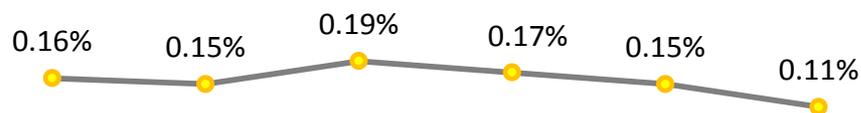


- Remained market leader in the domestic passenger vehicle financing
- Consistent growth trend in hire purchase financing

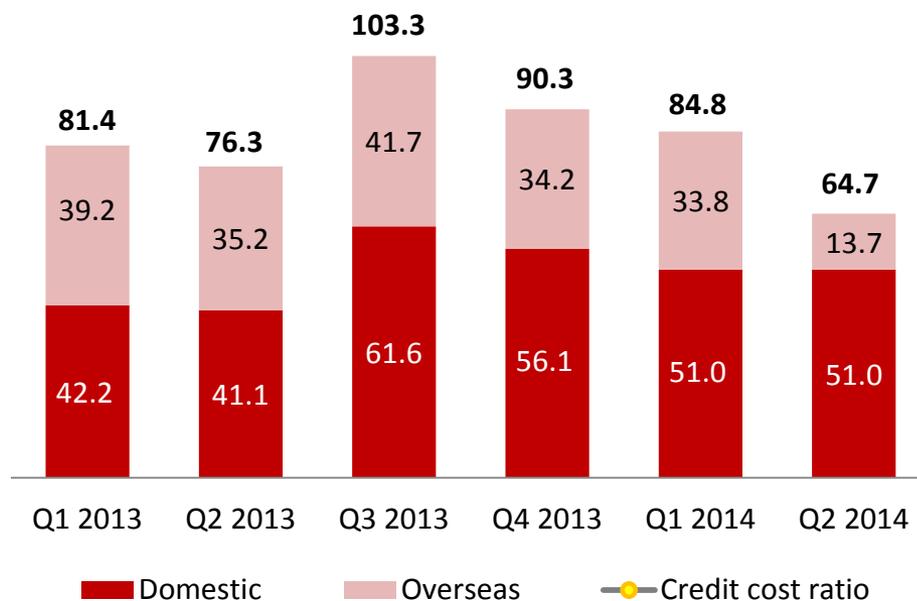
Upholding Strong Asset Quality



Quarterly Loan Impairment Allowances (including collective allowances)



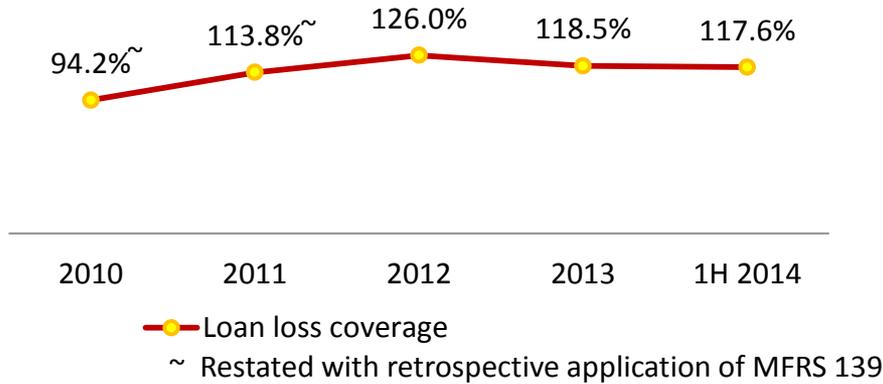
RM'mil



Gross Impaired Loan

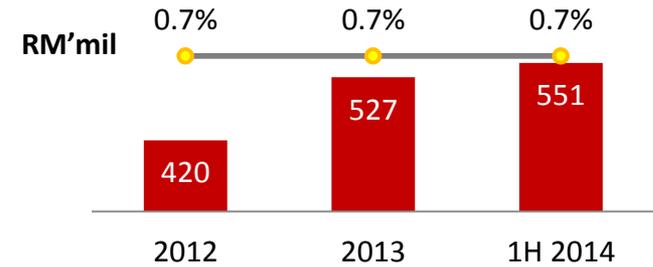


High loan loss coverage

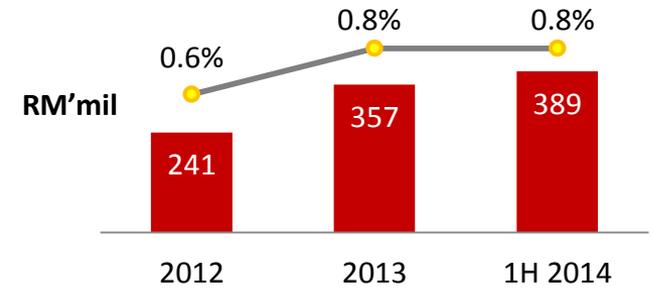


Of which:

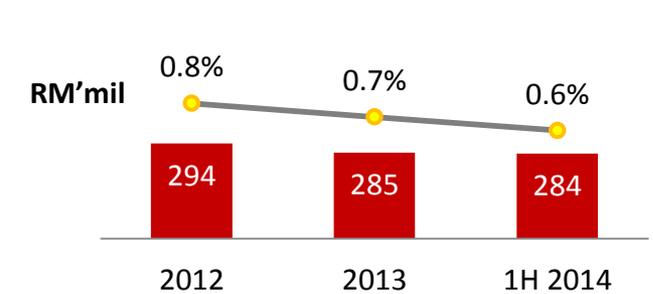
Residential properties financing



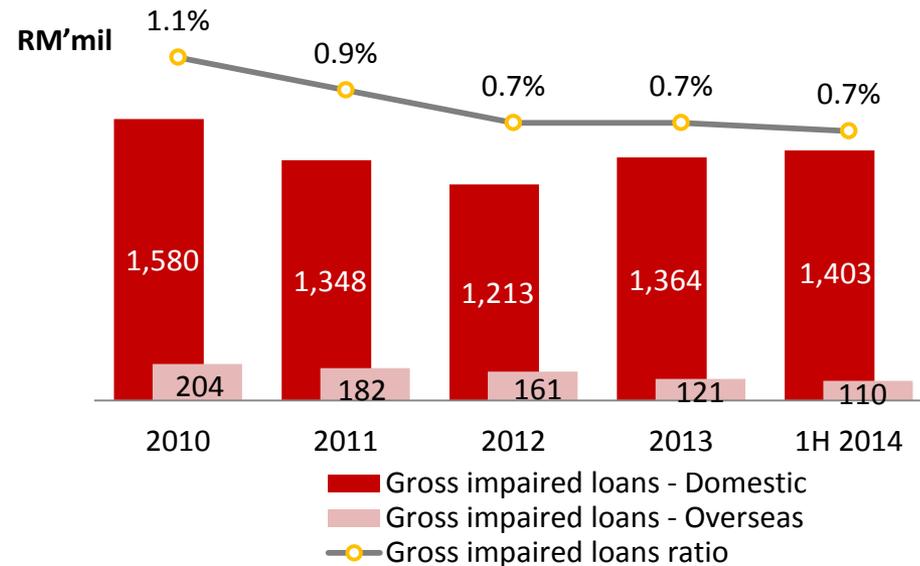
Passenger vehicle financing



SME financing (Domestic)



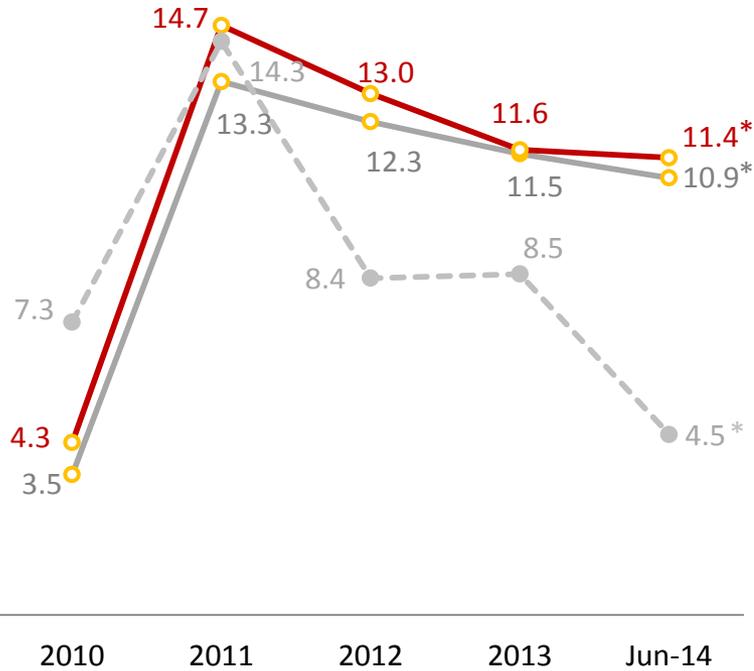
Low gross impaired loans ratios



Healthy Deposit Growth in Support of Liquidity

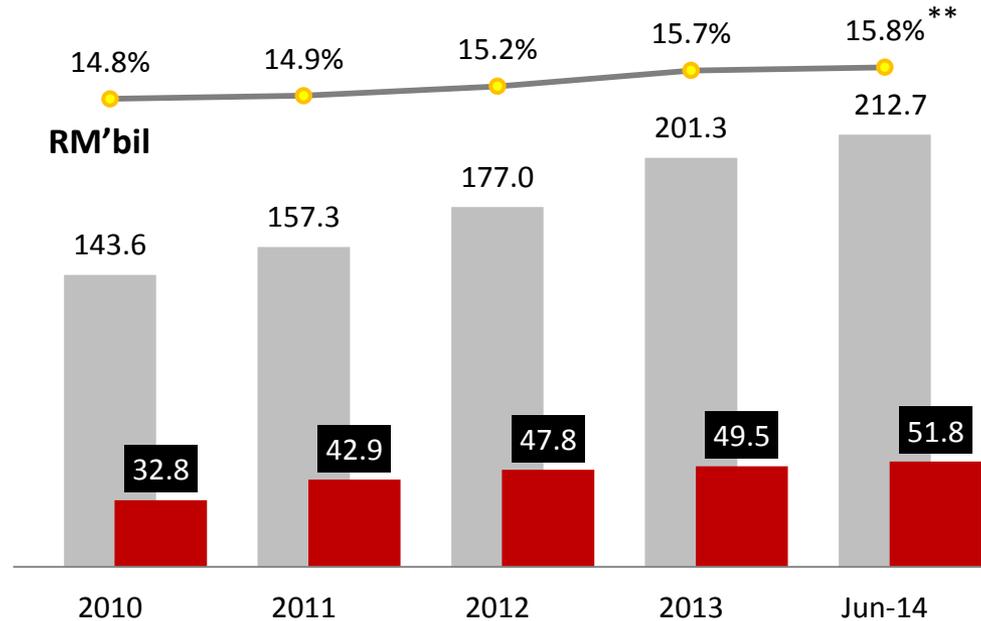


Deposit Growth vs Industry
%



- Group Deposit Growth
- Domestic Deposit Growth
- Domestic Industry Average (latest available)
- * Annualised growth

Deposits – Outstanding Balance and Market Share

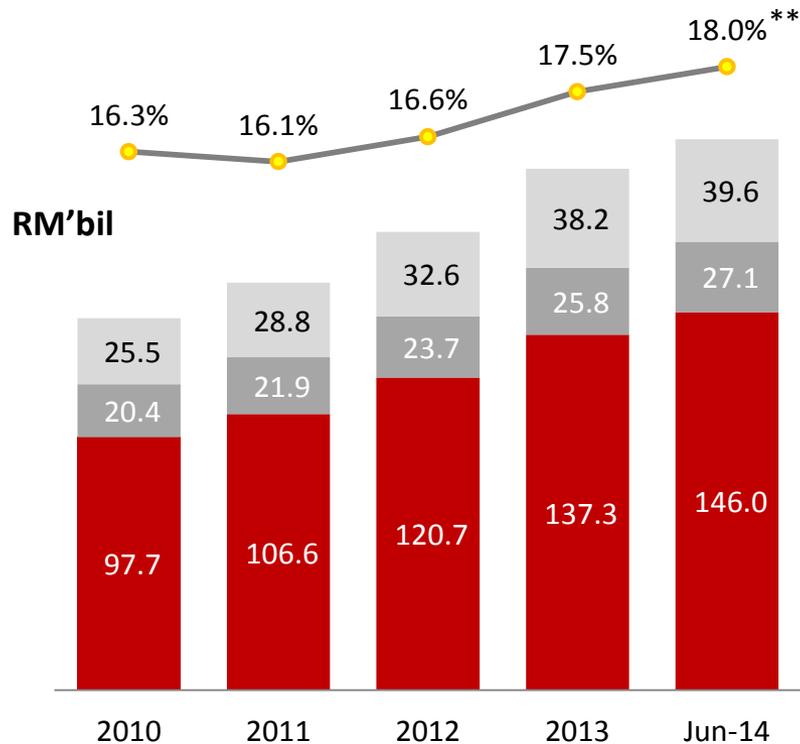


- Core customer deposit
- Wholesale deposit
- Customer deposit market share
- ** Market Share as at May 2014

Strong Core Deposit Growth

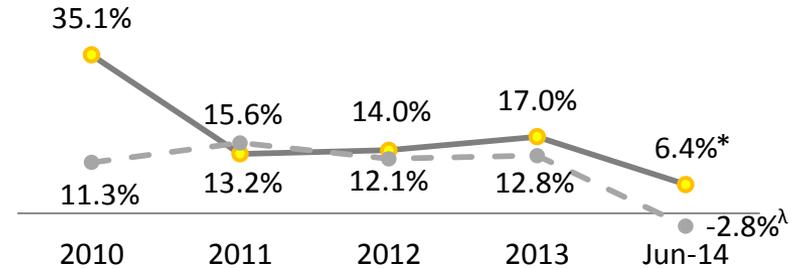


Source of Core Deposit



- Current accounts
- Saving accounts
- Fixed deposit
- Domestic core deposits market share
- ** Market Share as at May 2014

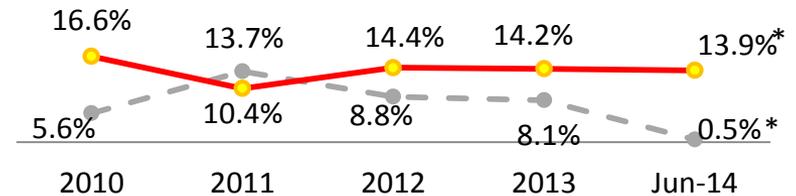
Domestic Current Deposit



Domestic Savings Deposit



Domestic Fixed Deposit



- Industry growth
- Current accounts
- Fixed deposit
- Saving accounts
- * Annualised growth
- ^λ Negative growth as at May 2014

Ensuring Healthy Capital Position



	RM'bil	Group ^π		Bank ^π	
		Jun-14	Dec-13	Jun-14	Dec-13
Common Equity Tier I Capital		18.5	17.5	17.3	17.2
Tier I Capital		21.7	21.0	20.5	20.8
Total Capital		28.7	27.5	23.1	22.5
Risk-weighted Assets		207.8	199.7	174.3	167.4
Common Equity Tier I Capital Ratio		8.9%	8.8%	9.9%	10.3%
Tier I Capital Ratio		10.4%	10.5%	11.7%	12.4%
Total Capital Ratio		13.8%	13.8%	13.3%	13.5%

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



The regulatory reserves requirement by Bank Negara Malaysia (“BNM”) and impacts towards the Group are as follows:

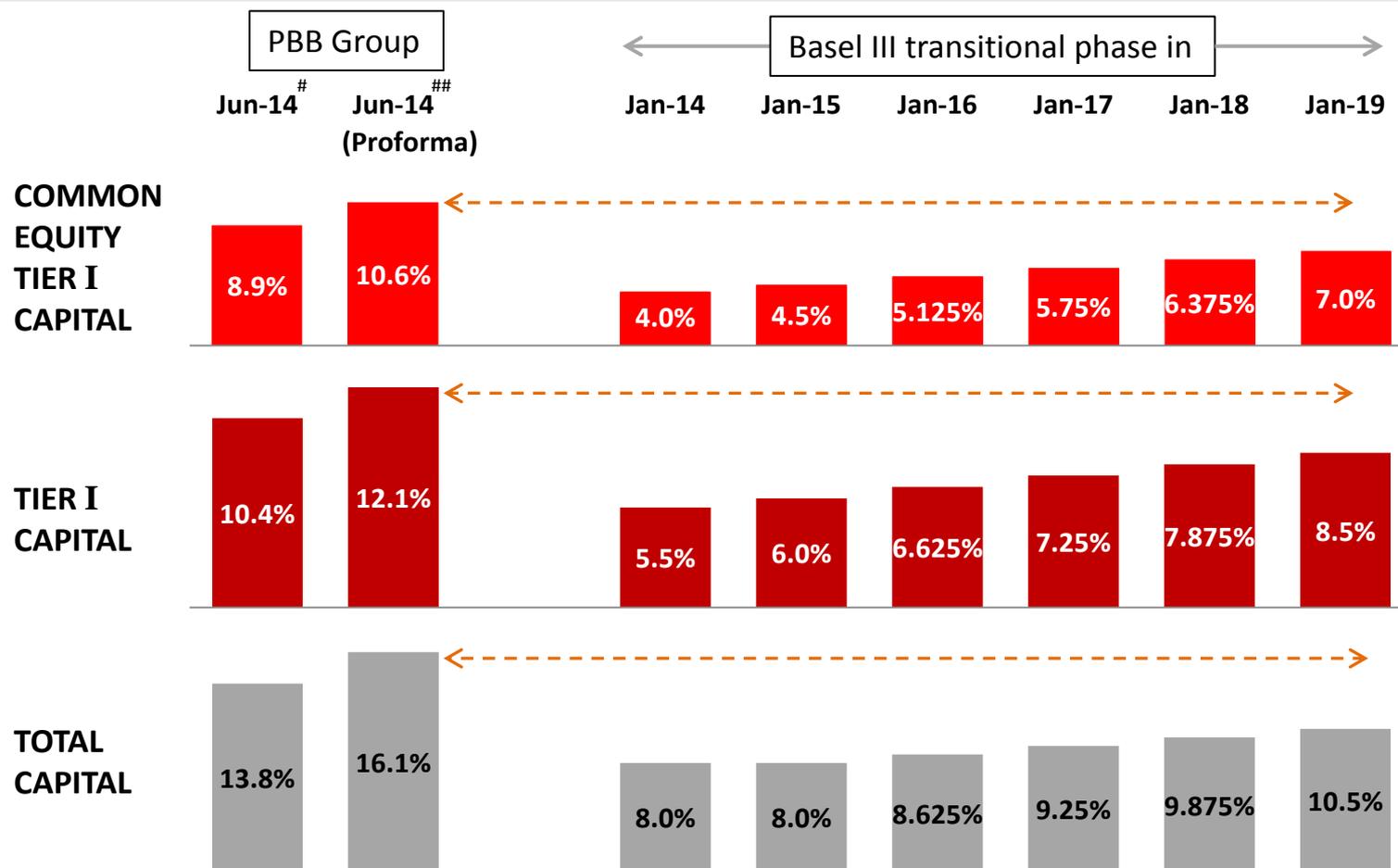
- To maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing net of individual impairment provisions
- To comply with this requirement by 31 December 2015
- There will be no impact to the profit or loss of the Group/Bank as the regulatory reserves required to be set aside will be transferred from retained earnings
- Regulatory reserves is treated as a Tier II capital and does not qualify as Common Equity Tier (“CET”) I capital under BNM’s Capital Adequacy Framework (Capital Components). Hence, the setting aside of the regulatory reserves will result in a transfer from CET I capital to Tier II capital of approximately 0.6%



Undertaking a Rights Issue

- Public Bank is currently undertaking a rights issue of 1 for 10 at a rights issue price of RM13.80 per share
- The rights issue will raise proceeds of approximately RM4.83 billion
- The rights issue exercise is to support the continuous business growth of the Group and to build up adequate level of capital buffer in preparation for the forthcoming regulatory capital requirement under the Basel III framework
- The rights issue exercise is expected to complete in August 2014

Proactive Capital Management Initiative



Based on Basel III definition

Proforma effects after incorporating the proceeds from the Public Bank rights issue of RM4.83 billion and the setting aside of the regulatory reserves as required by BNM

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)

	Jun-14	2013	2009
Public Bank - Domestic	257	257	248
- Overseas	6	6	5
Public Islamic Bank	2	1	-
Public Mutual	28	28	26
Public Investment Bank	1	1	1
<u>Hong Kong & China Operations</u>			
Public Finance	42	42	42
Public Bank (HK) - Hong Kong	32	32	30
- China	3	3	3
Winton (B.V.I) Group	9	9	8
<u>Indo-China Operations</u>			
Cambodia Public Bank	25	25	15
VID Public Bank (Vietnam)	7	7	7
	412	411	385
Self Service Terminal - domestic	1,778	1,738	1,308





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

<u>Key Performance Benchmarks</u>	2014 Targets	Achievement
Net Return on Equity	>20% [€]	20.8%
Total Capital Ratio	>12%	13.8%
Gross Impaired Loan Ratio	<1%	0.7%
Cost to Income Ratio	<32%	31.8%
Loan Growth – Domestic – Group	10% to 11%	10.6%* 9.9%*
Deposit Growth – Domestic – Group	10% to 11%	11.4%* 10.9%*

* Annualised

[€] Will be revised to 18% after incorporating effect of the rights issue

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



Investor Relations

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RM'mil		2009	2010~	2011~^	2012^	2013	1H 2014
Profitability	Operating profit	4,015	4,738	5,200	5,329	5,655	2,841
	Profit before tax	3,321	4,086	4,878	5,047	5,310	2,695
	Net profit	2,517	3,048	3,684	3,827	4,065	2,073
Shareholder Value	Earnings per share (sen)	73.3	87.2	105.2	109.3	116.1	59.2
	Net assets per share (RM)	3.19	3.91	4.52	5.15	5.83	6.12
	Net dividend per share (sen)						
	- Cash dividend	41.3	45.5	48.0	50.0	52.0	23.0
	- Share dividend	1 for 68	-	-	-	-	-
	Dividend payout ratio (%)	56.6	52.3	48.3	45.3	44.8	42.7
	Dividend payout ratio (including share dividend) (%)	79.3	52.3	48.3	45.3	44.8	42.7
Key Balance Sheet Data	Total assets	217,136	226,988	250,773	274,824	305,725	323,657
	Gross loan	137,610	156,544	177,694	197,783	221,176	232,159
	Domestic loan	124,362	143,822	164,081	184,542	206,635	217,570
	Deposit from customers	170,892	176,872	200,371	225,042	250,873	264,537
	Domestic deposit	155,810	162,578	186,445	210,680	235,142	248,513
	Core customer deposit	127,623	143,639	157,297	177,035	201,258	212,689
	Shareholders' equity	11,023	13,692	15,813	18,018	20,424	21,432

~ 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)



	%	2009	2010~	2011~^	2012^	2013	1H 2014	Industry
Profitability Ratios	Net interest margin on yielding assets	2.4	2.7	2.7	2.5	2.4	2.2	N/A
	Net return on equity ⁺	26.1	27.1	26.8	24.1	22.4	20.8	N/A
	Pre-tax return on average assets	1.6	1.8	2.0	1.9	1.8	1.7	1.5
	Cost to income ratio	32.6	30.7	29.8	31.2	30.7	31.8	45.6
	Non interest income/Total income	20.6	21.3	21.1	21.3	21.5	22.3	N/A
Liquidity	Net loan to deposit ratio	79.2	87.6	87.8	87.1	87.5	87.1	79.6
Asset Quality	Gross impaired loans ratio	1.4 ⁺⁺	1.1	0.9	0.7	0.7	0.7	1.8
	Loan loss coverage ratio	120.3 ⁺⁺	94.2	113.8	126.0	118.5	117.6	104.9
Capital Adequacy	Common equity Tier I capital ratio ^π	N/A	N/A	N/A	N/A	8.8	8.9	12.1
	Tier I capital ratio ^π	9.9	10.6	10.6	10.8	10.5	10.4	12.8
	Total capital ratio ^π	14.0	13.5	15.0	14.1	13.8	13.8	14.5
Market Share	<u>Domestic market share</u>							
	Commercial property financing	33.2	33.9	32.9	33.7	33.8	33.4 ^{**}	N/A
	Residential property financing	16.6	17.4	18.1	19.1	19.6	19.5 ^{**}	N/A
	Passenger vehicle financing	24.6	25.5	25.9	26.4	26.5	27.2 ^{**}	N/A
	Private unit trust	42.5	43.5	44.3	40.8	41.2	41.1	N/A
	Domestic loans	15.9	16.3	16.4	16.7	16.9	17.1 ^{**}	N/A
	Domestic deposits	16.3	14.8	14.9	15.2	15.7	15.8 ^{**}	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
- ^{**} Market Share as at May 2014

- [^] 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 period/year