

PUBLIC BANK

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Investor Presentation

December 2016 Results Update

50 *Years of*
Banking Excellence

Since **1966**



Income Statement

	2016	2015	Y-o-Y chg.
Pre-tax profit	RM6,554 mil	RM6,491 mil	1.0%
Net profit attributable to shareholders	RM5,207 mil	RM5,062 mil	2.9%
Earnings per share	134.8 sen	131.1 sen	2.8%

Balance Sheet

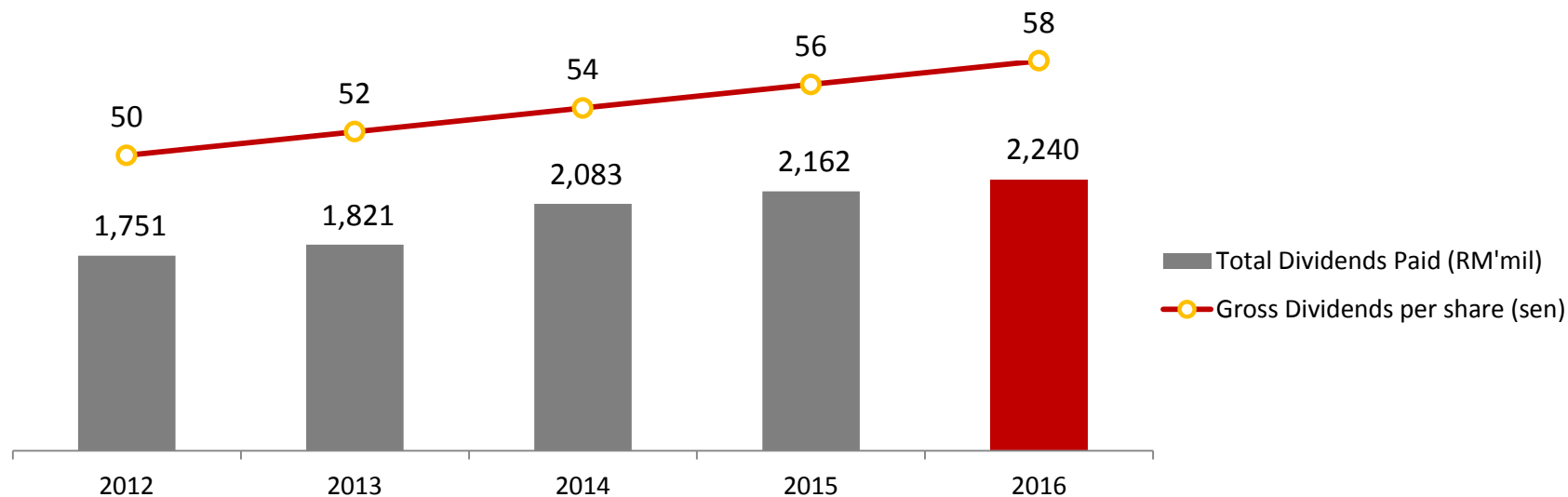
	2016	2015	Y-o-Y chg.
Total asset	RM380.1 bil	RM363.8 bil	4.5%
Loan:			
- Group	RM294.0 bil	RM273.4 bil	7.5%
- Domestic	RM269.9 bil	RM251.8 bil	7.2%
Deposit:			
- Group	RM310.0 bil	RM301.2 bil	2.9%
- Domestic	RM283.0 bil	RM277.9 bil	1.8%

Financial Indicators (%)

	2016	2015
Net return on equity	16.5	17.8
Cost to income ratio	32.3	30.5
Gross impaired loans ratio	0.5	0.5
Net loan to deposit ratio	94.3	90.3
Loan loss coverage	102.7	120.8
Common equity Tier I capital ratio ^π	11.4	10.9
Tier I capital ratio ^π	12.2	12.0
Total capital ratio ^π	15.5	15.4

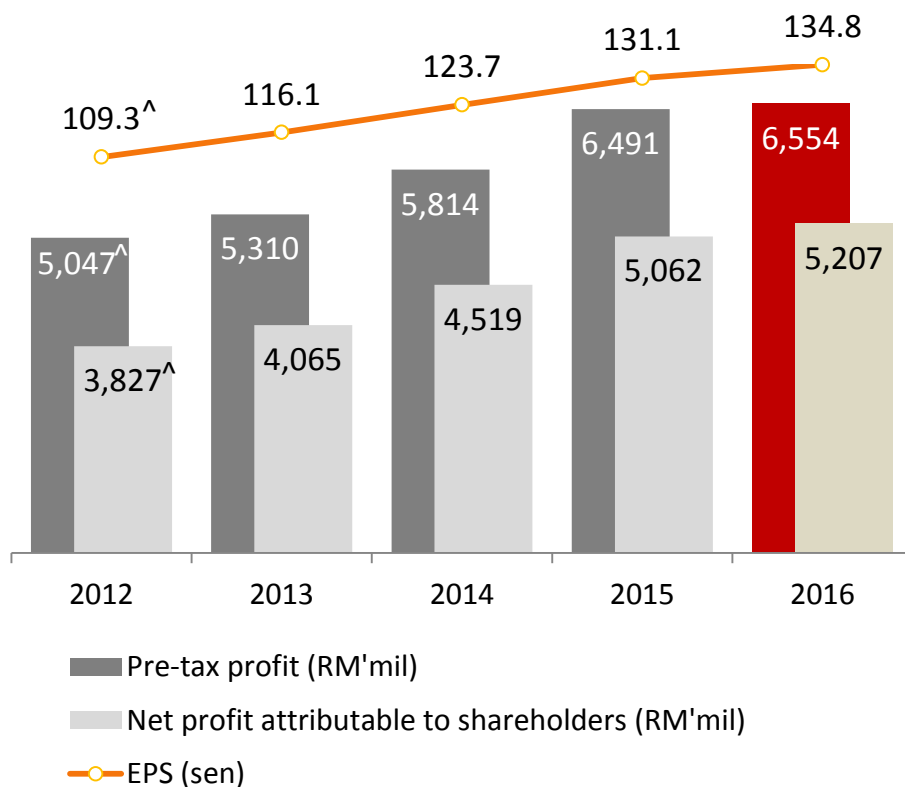
^π After deducting interim dividends declared subsequent to end of year

Strong Record of Growing Dividends



	2016	2015
First interim	26 sen	24 sen
Second interim	32 sen	32 sen
Dividend per share	58 sen	56 sen
Dividend payout	RM2.24 billion	RM2.16 billion
Dividend payout ratio	43.0%	42.7%

Steady Profit Growth



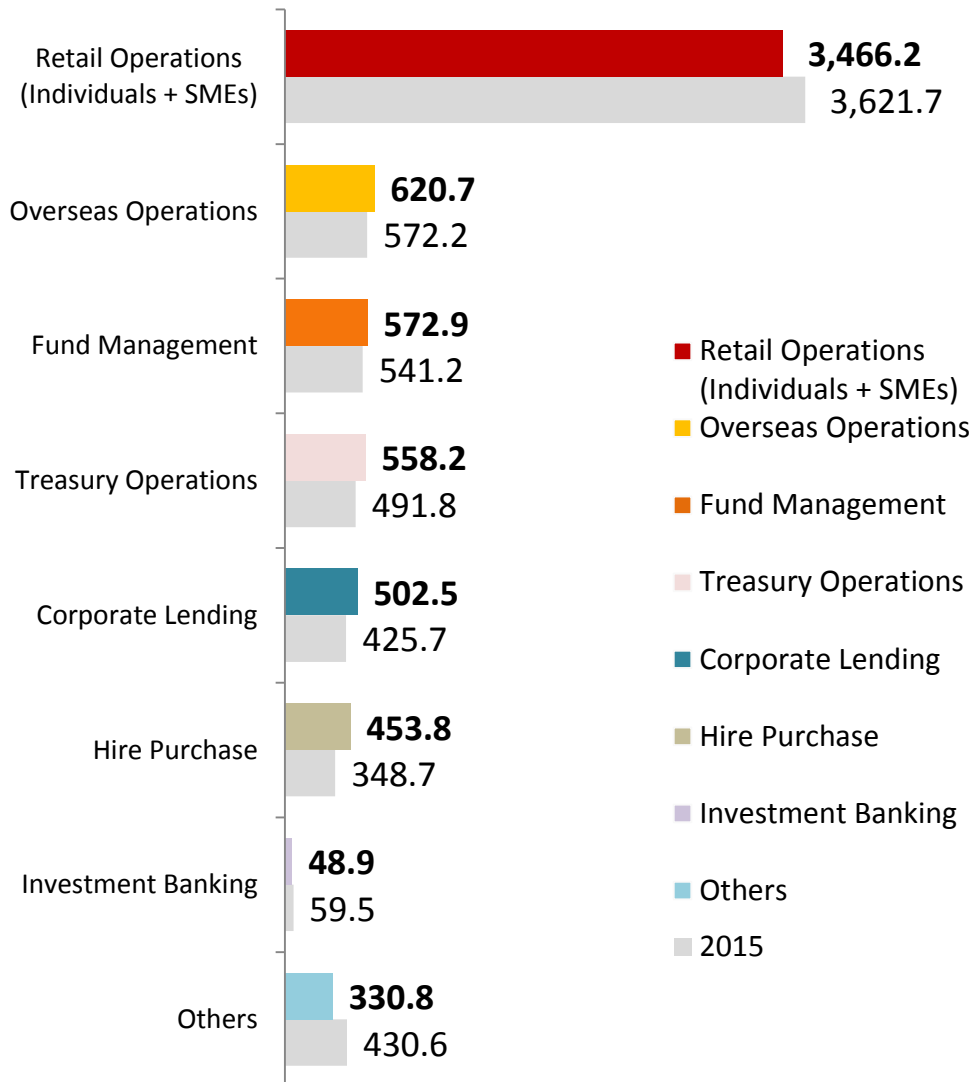
[^] Restated with retrospective application of MFRS 119

RM'mil	2016	2015	Y-o-Y chg.
Net interest income	6,920.4	6,377.0	8.5%
Net income from Islamic banking business	941.6	828.6	13.6%
Net fee and commission income	1,565.0	1,552.8	0.8%
Net gains and losses on financial instruments	74.0	236.2	-68.7%
Other operating income	455.4	551.1	-17.4%
Other operating expenses	(3,211.5)	(2,915.2)	10.2%
Loan loss allowance	(192.7)	(146.2)	31.8%
Profit before tax	6,554.0	6,491.4	1.0%
Net profit attrib. to shareholders	5,206.9	5,062.2	2.9%

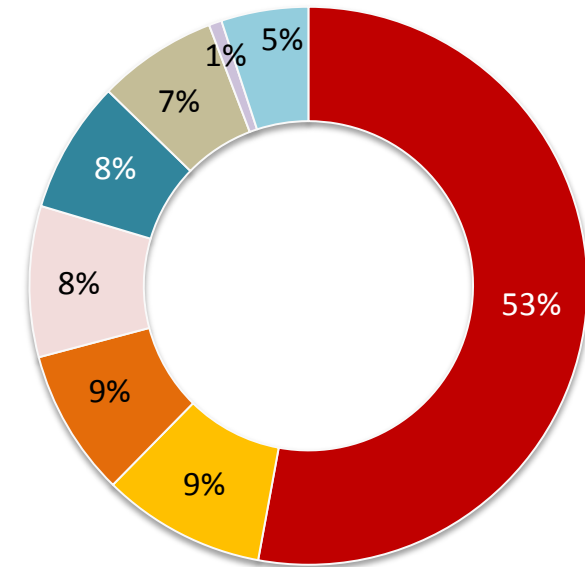
Segmental Profit – Retail Centric



FY2016 vs FY2015 PBT (RM'mil)



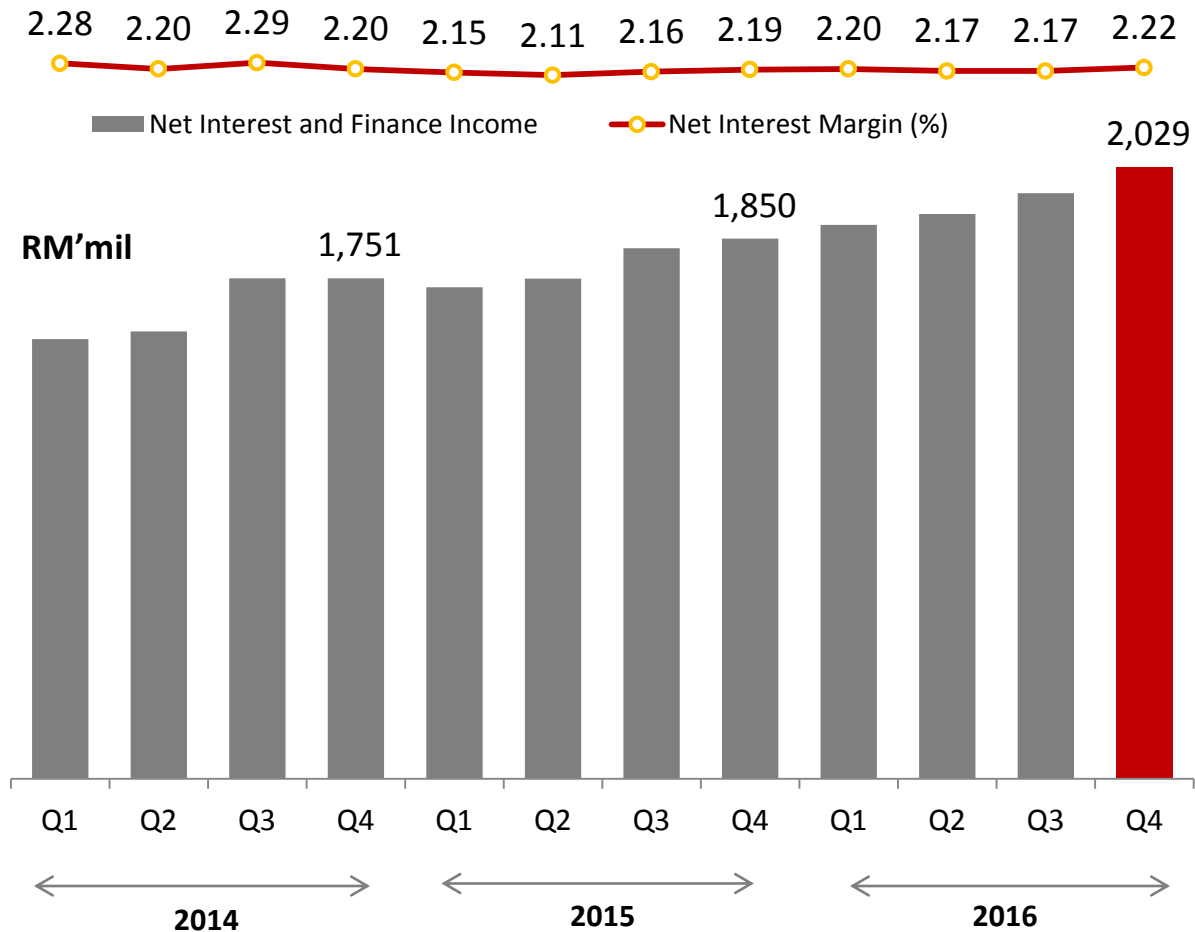
Profit Contribution



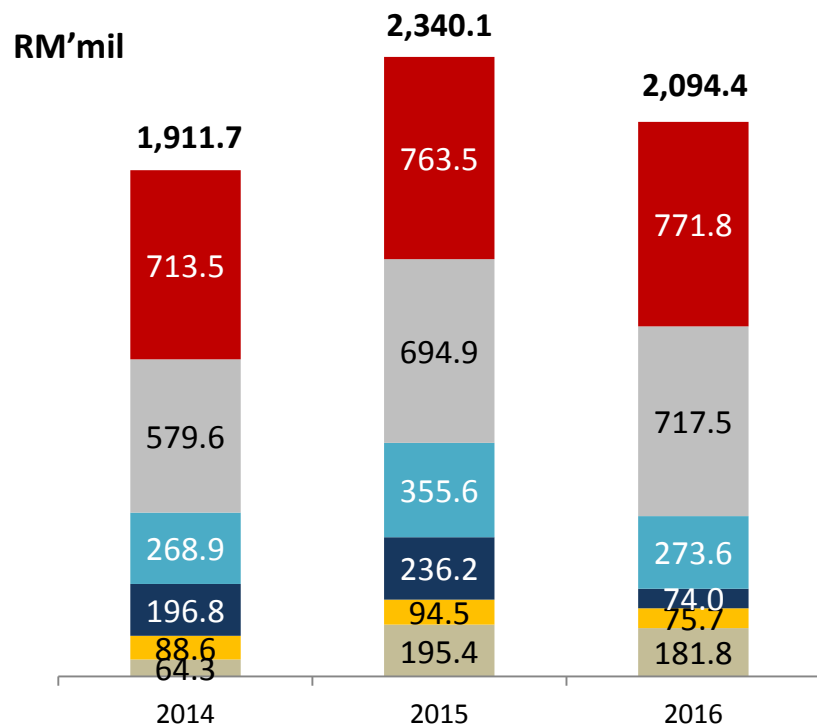
Based on financial results as at 31 December 2016

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

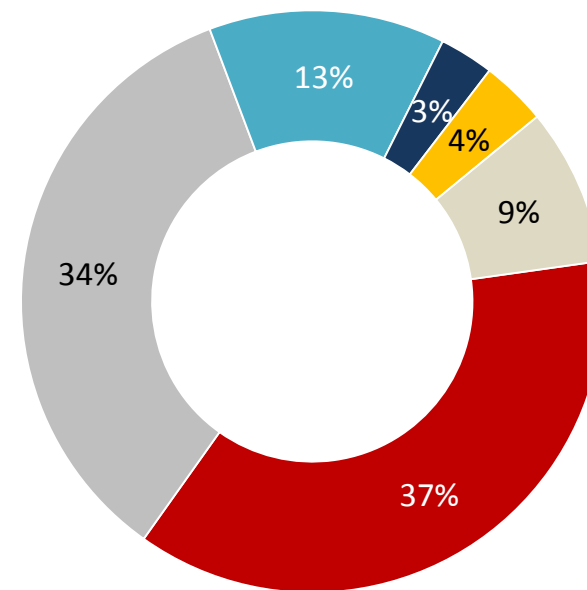
Net Interest Margin



Non-Interest Income Composition & Steady Growth



Non-Interest Income Contribution

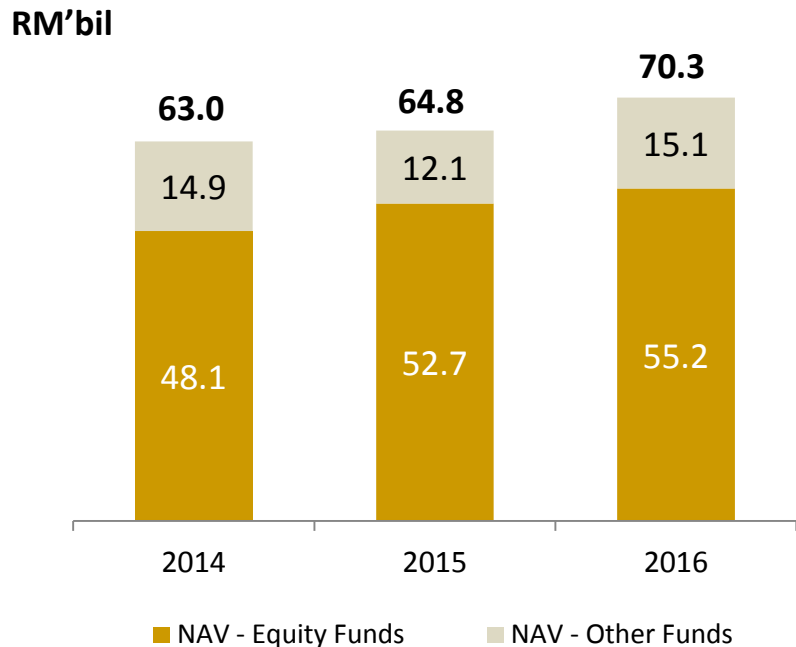


Based on financial results as at 31 December 2016

■ Unit Trust income
 ■ Fee & commission income
 ■ Foreign exchange income
 ■ Investment income
 ■ Stockbroking
 ■ Other

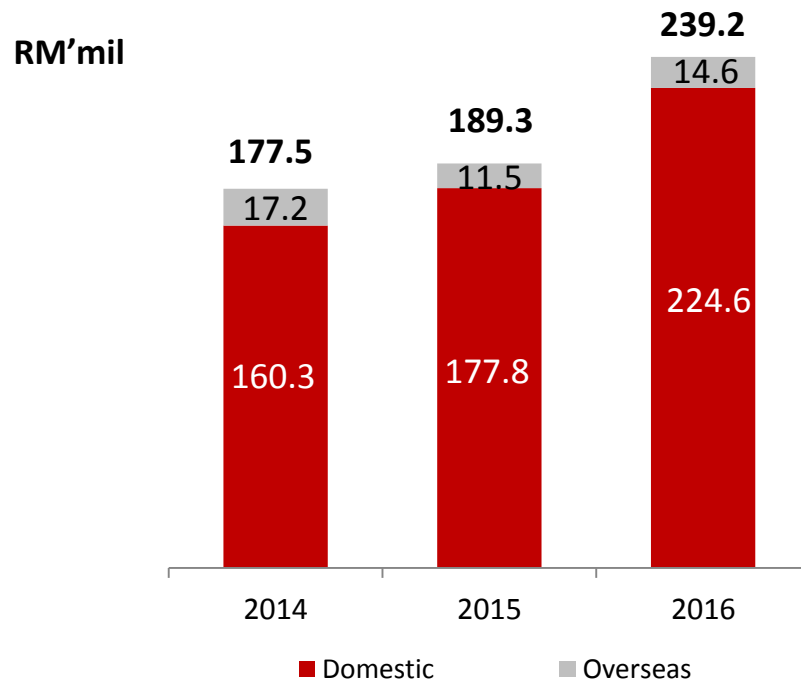


Net Asset Value of Funds Under Management



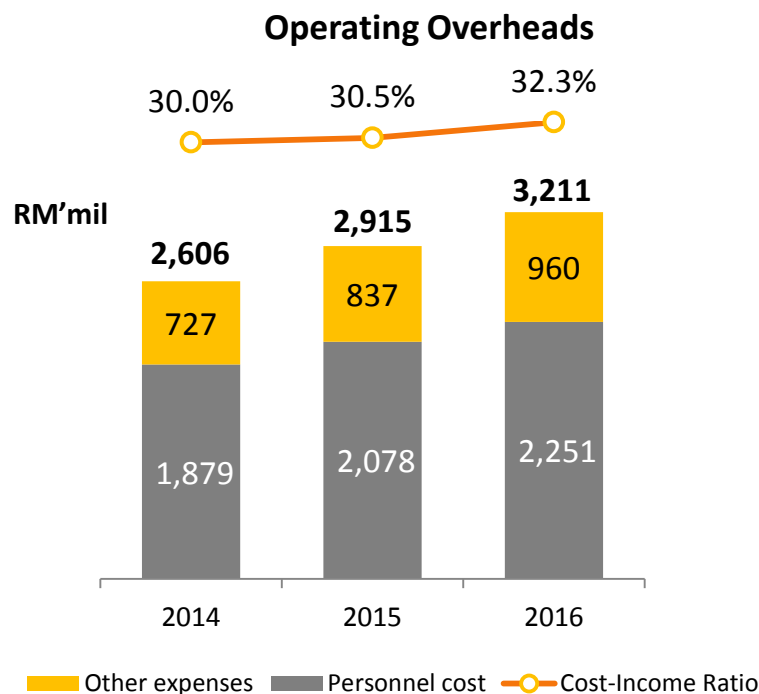
- Public Mutual stands firm as the market leader in the private unit trust industry with a total net asset value of RM70.3 billion, holding 46.8% of the retail market share

Bancassurance Business – Annualised New Premium

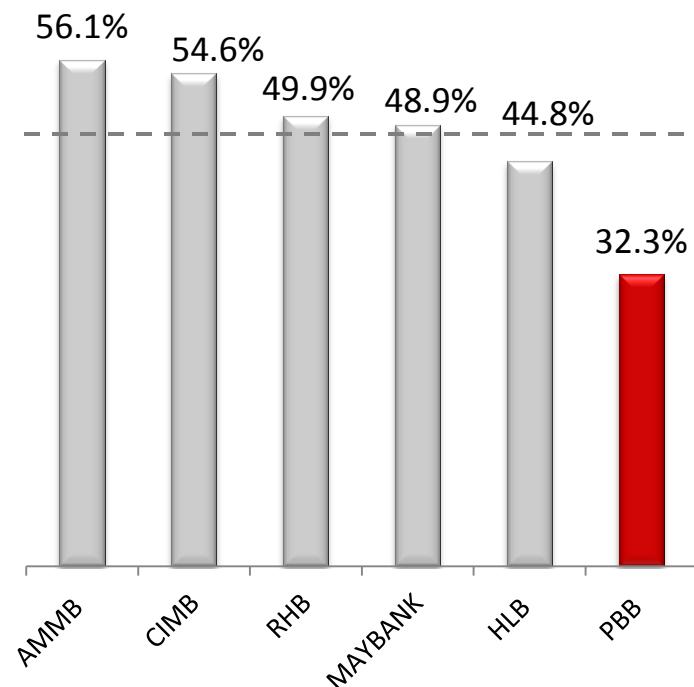


- The Group has recorded improved bancassurance sales with annualised new premium of RM239.2 million in 2016

Efficient Operating Overheads & Lowest CIR



Market leader Cost-Income Ratio among peers



--- Industry Average Cost-to-Income ratio of 48.8%

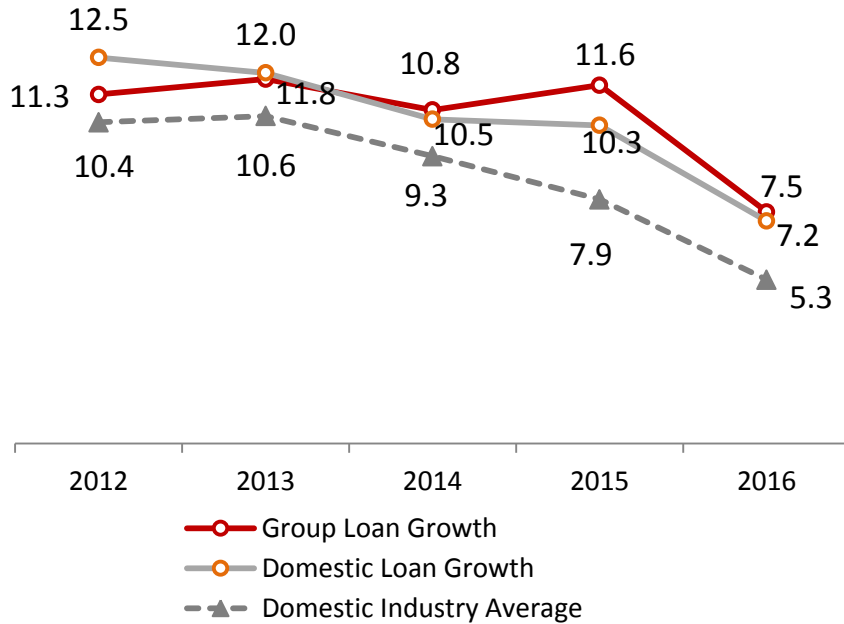
Note: CIR as extracted above are as at September 2016 position except for PBB

RM'mil	2016	2015	Industry Average
Gross loan per employee	15.8	14.9	12.1
Deposit per employee	16.6	16.4	14.0
PBT per employee	0.35	0.35	0.24

Above Industry Loan Growth

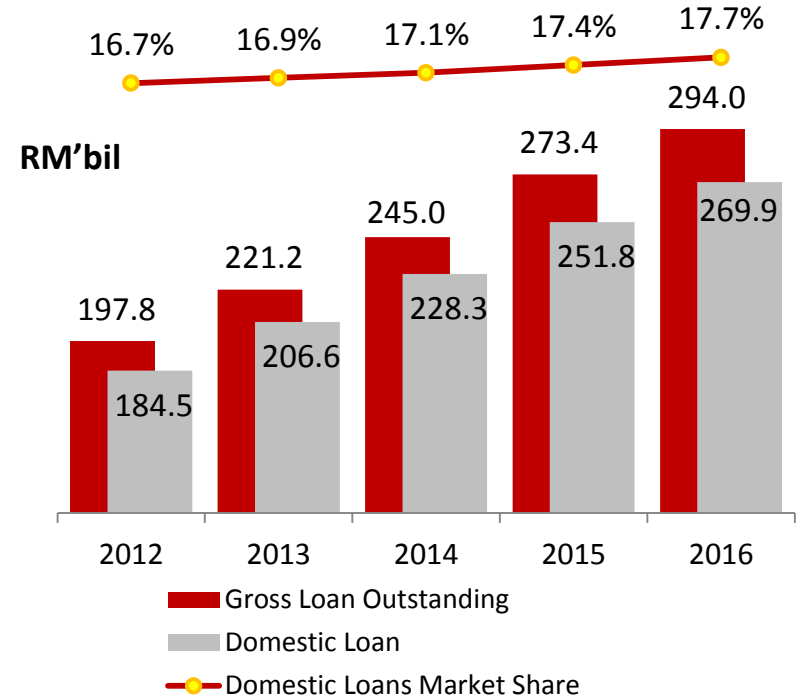


Loan Growth vs Industry (%)



- Group and domestic loan recorded a growth of 7.5% and 7.2% respectively, above the industry loan growth of 5.3%

Gross Loans and Domestic Loan Market Share

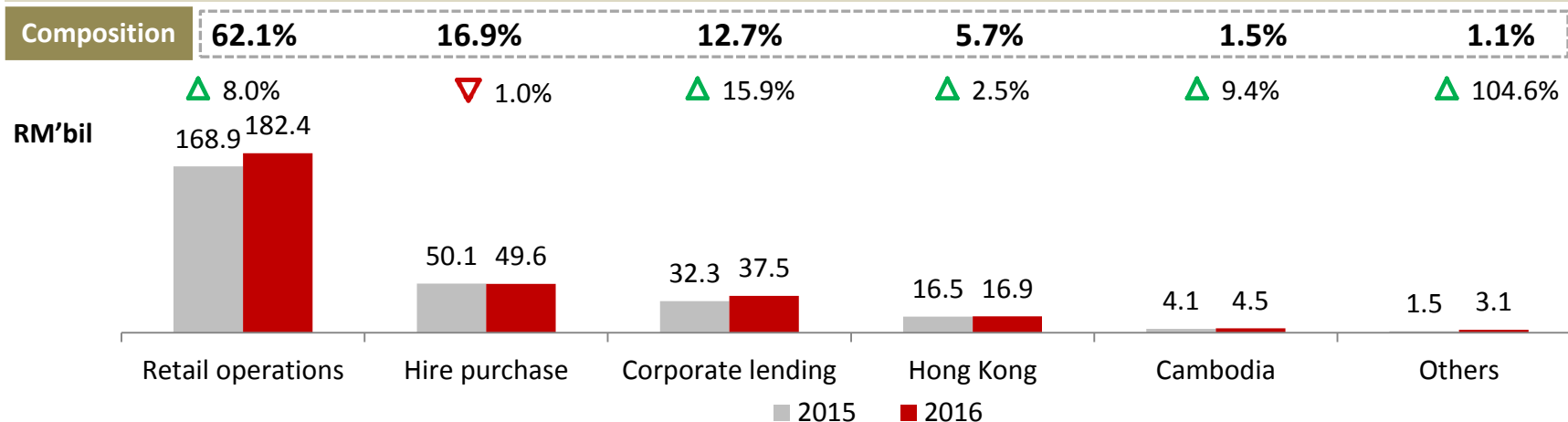


- Gross loan stood at RM294.0 billion, with an increased market share of 17.7% in the domestic lending market

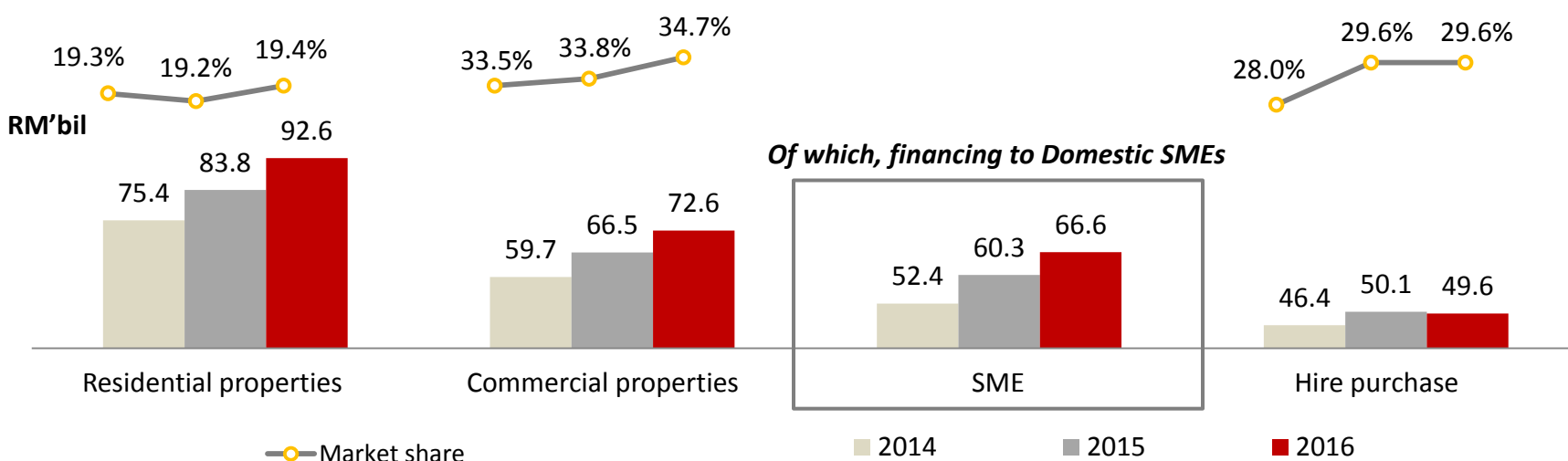
Healthy Gross Loan Growth



Gross Loan Composition by Segment



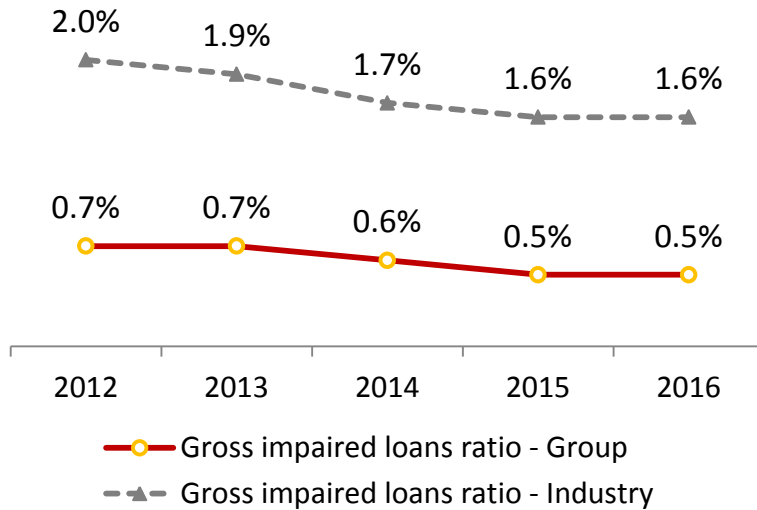
Gross Loan in Domestic Operations



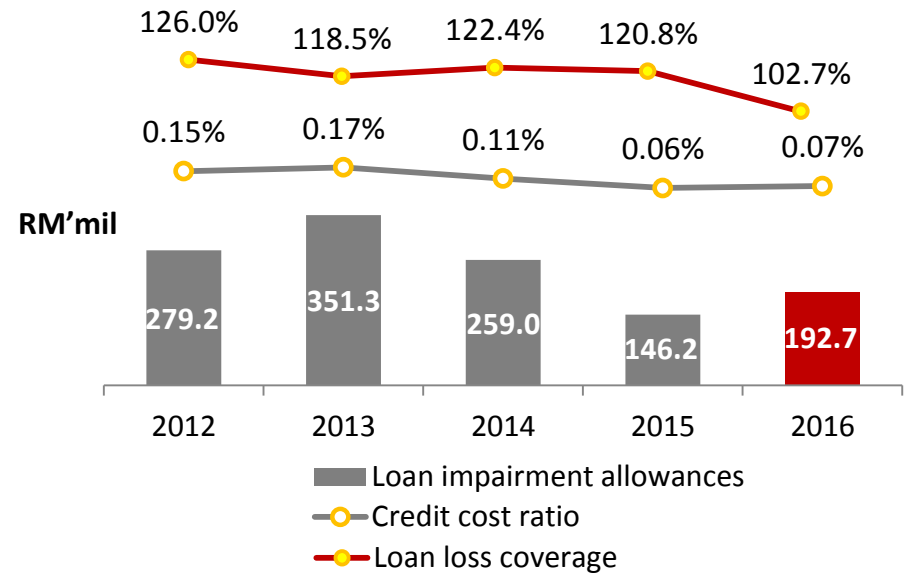
Upholding Strong Asset Quality



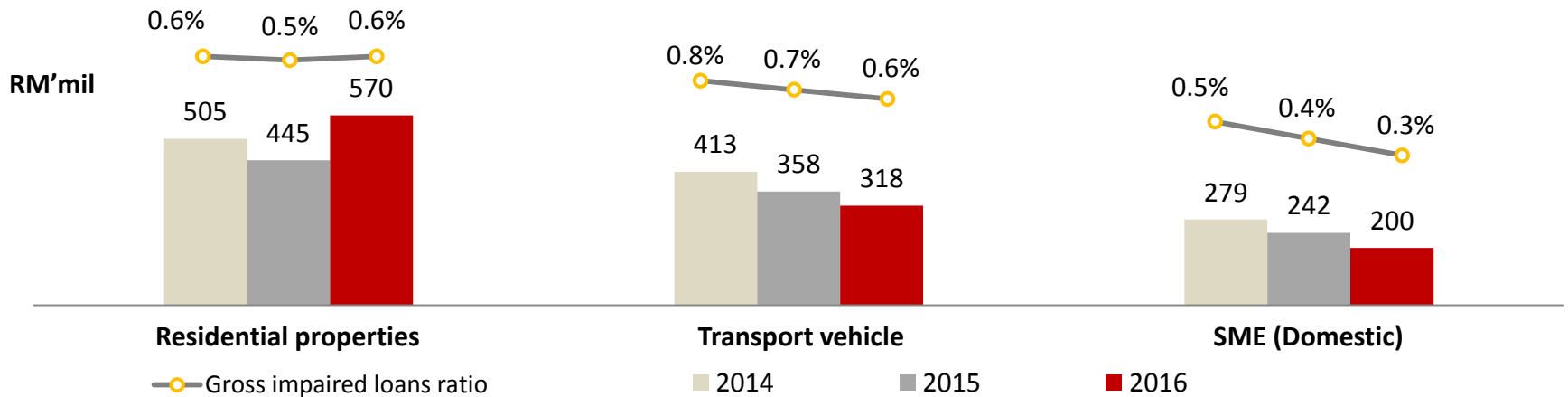
Gross impaired loans ratio



Loan Impairment Allowances (including CA)



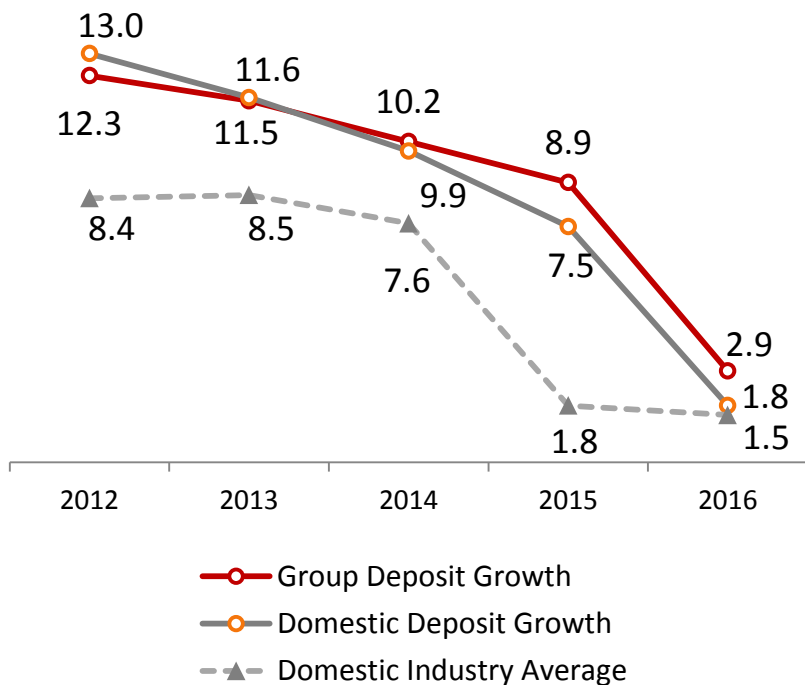
Gross impaired loans of which:



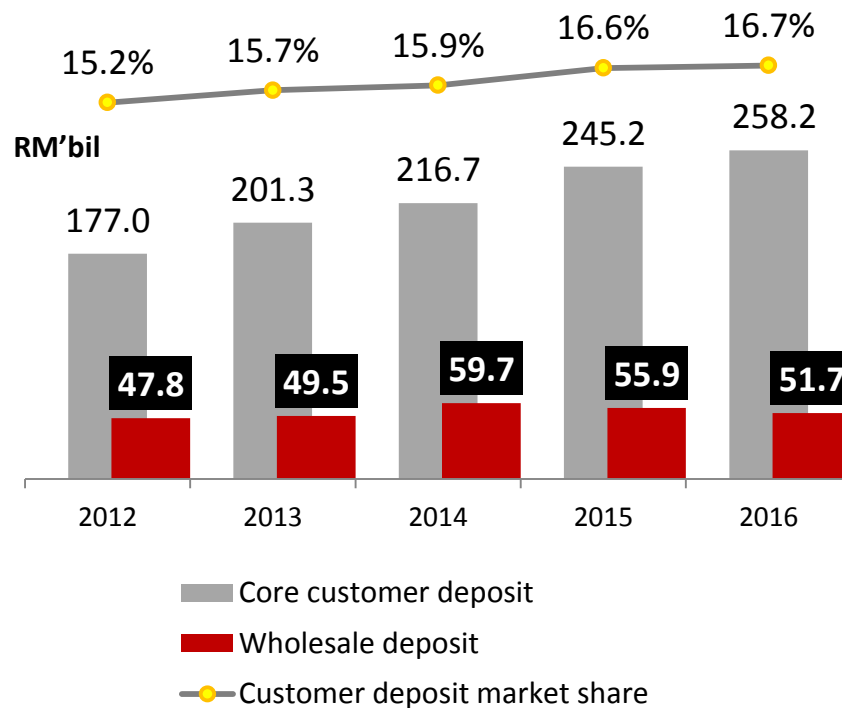
Healthy Deposit Growth in Support of Liquidity



Deposit Growth vs Industry (%)



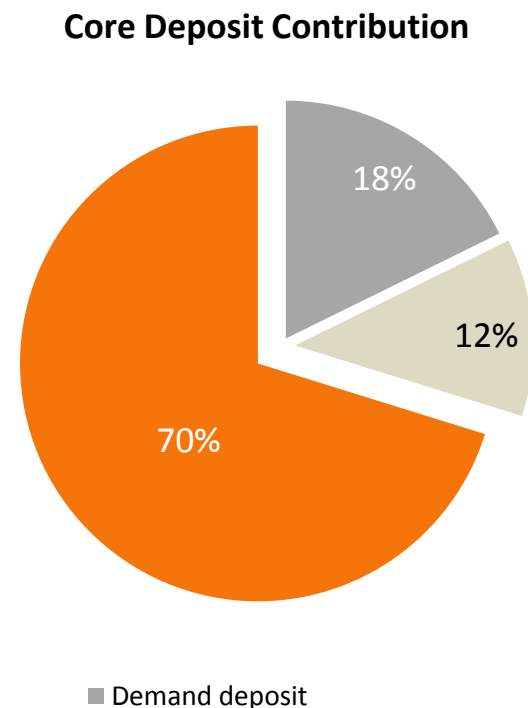
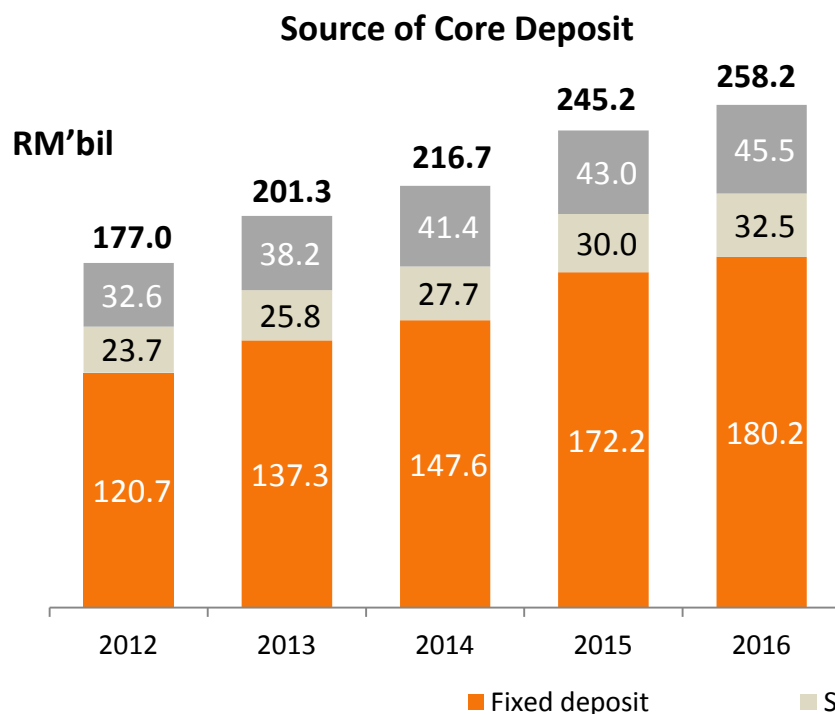
Deposits – Outstanding Balance and Market Share



- Both group and domestic deposit grew moderately by 2.9% and 1.8% respectively, above the industry average growth of 1.5%

- Core customer deposit rose from RM245.2 million to RM258.2 million, with an upward trending market share since 2012 despite the recent headwinds in 2016

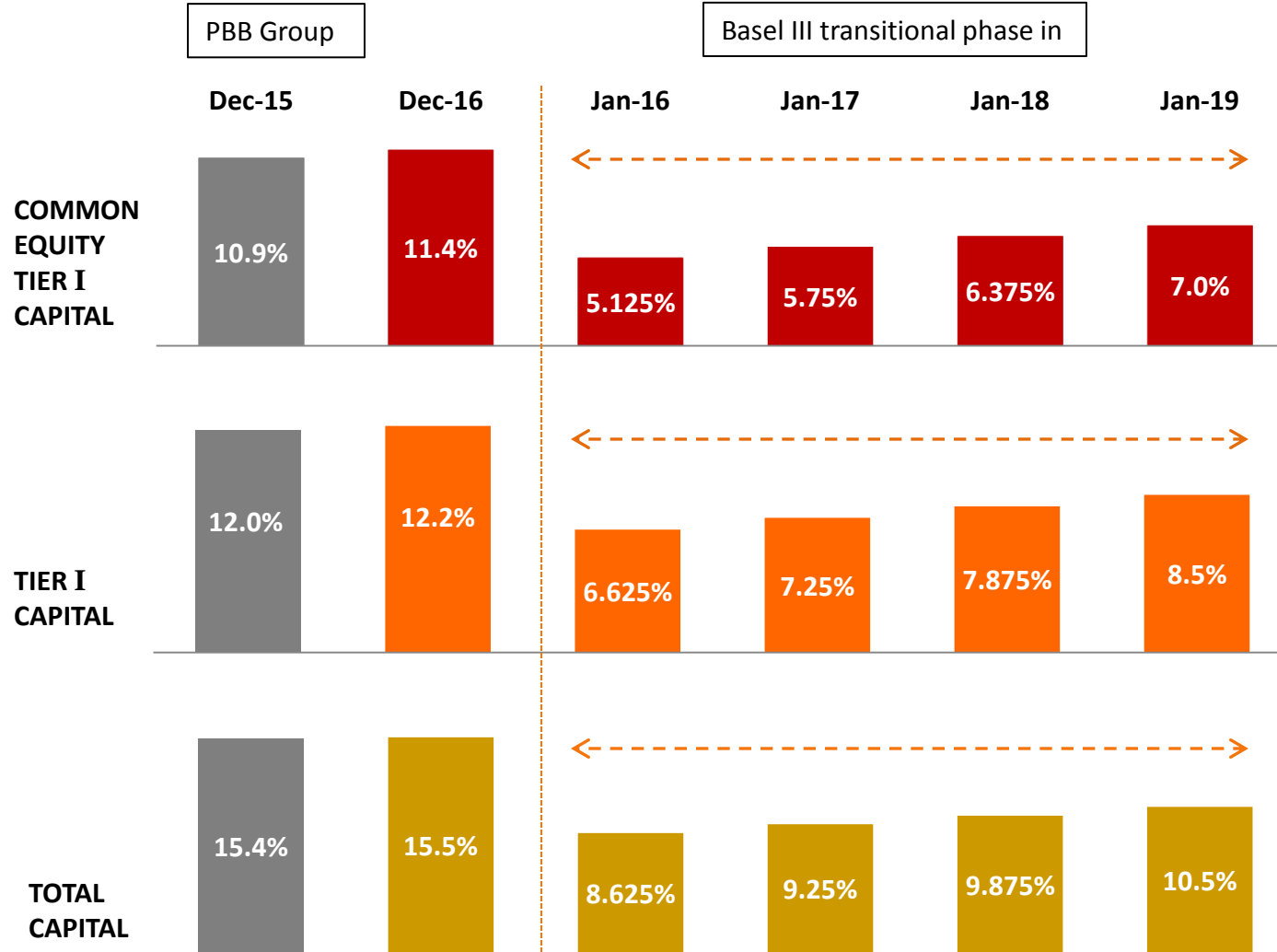
Healthy Core Deposit Growth



Core Deposit Growth in Domestic Operations

	Demand deposit	Industry		Savings deposit	Industry		Fixed deposit	Industry
2014	7.3%	4.7%	2014	4.3%	2.4%	2014	7.4%	7.3%
2015	2.5%	2.1%	2015	6.0%	0.5%	2015	15.4%	4.8%
2016	3.6%	4.1%	2016	7.9%	7.0%	2016	3.7%	2.8%

Healthy Capital Position



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



	2016	2015	2010
<u>Malaysian Operations</u>			
Public Bank - Domestic	257	257	249
- Overseas	7	7	4
Public Islamic Bank	2	2	1
Public Mutual	29	29	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	4	3	3
Winton (B.V.I) Group	8	9	9
<u>Indo-China Operations</u>			
Cambodia Public Bank	30	28	21
Public Bank Vietnam	7	7	7
	419	417	393
Self Service Terminal - domestic	2,059	2,023	1,362

Targets & Achievements



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

Key Performance Benchmarks	2016 Targets	2016 Achievement	2017 Targets
Net Return on Equity	>15%	16.5%	14% to 15%
Total Capital Ratio	>13%	15.5%	>13%
Gross Impaired Loan Ratio	<1%	0.5%	<1%
Cost to Income Ratio	<33%	32.3%	33% to 34%
Loan Growth	8% to 9%	7.5%	6% to 7%
Deposit Growth	7% to 8%	2.9%	5% to 6%



Strategic Focus: Organic growth in focus areas

Core Focus		Increased Contribution		Complementary	
Lending Business	Deposit-Taking Business	Non-Interest Income	Overseas Operations	Corporate Banking	Treasury Operations
<ul style="list-style-type: none"> Consumer lending to focus on purchases of residential and non-residential properties and passenger vehicles Continue to penetrate mid-market SME financing 	<ul style="list-style-type: none"> Secure higher retail and low cost deposits Sustain existing pool of deposits Balance between growth and escalating cost of fund 	<p>Expand existing fee-based activities such as unit-trust funds, bancassurance, card business, cash management services, remittance services and trade finance</p>	<p>Increase contribution from overseas operations in Hong Kong / China and Indo-China</p>	<p>Grow quality large and medium-sized corporate loans</p>	<p>Continue to focus on commercial foreign exchange revenue</p>





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	RM'mil	2012 [^]	2013	2014	2015	2016
Profitability	Operating profit	5,329	5,655	6,067	6,631	6,745
	Profit before tax	5,047	5,310	5,814	6,491	6,554
	Net profit	3,827	4,065	4,519	5,062	5,207
Shareholder Value	Earnings per share (sen)	109.3	116.1	123.7	131.1	134.8
	Net assets per share (RM)	5.15	5.83	7.26	8.09	8.86
	Dividend per share (sen)	50.0	52.0	54.0	56.0	58.0
	Dividend payout ratio (%)	45.3	44.8	46.1	42.7	43.0
Key Balance Sheet Data	Total assets	274,824	305,725	345,722	363,758	380,053
	Gross loan	197,783	221,176	245,044	273,447	293,959
	Domestic loan	184,542	206,635	228,338	251,802	269,915
	Deposit from customers	225,042	250,873	276,540	301,157	309,974
	Domestic deposit	210,680	235,142	258,472	277,942	282,967
	Core customer deposit	177,035	201,258	216,707	245,171	258,155
	Shareholders' equity	18,018	20,424	28,025	31,231	34,213
	Common equity Tier I capital ^π	N/A	17,477	23,578	26,093	28,620
	Tier I capital ^π	19,461	21,028	26,745	28,882	30,771
	Total capital ^π	25,322	27,486	34,636	36,975	38,970
Risk-weighted assets	179,726	199,723	218,712	239,703	251,662	

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

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



	%	2012 [^]	2013	2014	2015	2016	Industry
Profitability Ratios	Net interest margin on yielding assets	2.51	2.36	2.24	2.16	2.20	N/A
	Net return on equity ⁺	24.1	22.4	19.9	17.8	16.5	N/A
	Pre-tax return on average assets	1.9	1.8	1.8	1.8	1.8	1.3
	Cost to income ratio	31.2	30.7	30.0	30.5	32.3	48.8
	Non interest income/Total income	21.3	21.5	22.0	24.5	21.0	32.3
Liquidity	Net loan to deposit ratio	87.1	87.5	88.0	90.3	94.3	88.4
Asset Quality	Gross impaired loans ratio	0.7	0.7	0.6	0.5	0.5	1.6
	Loan loss coverage ratio	126.0	118.5	122.4	120.8	102.7	90.2
Capital Adequacy	Common equity Tier I capital ratio ^π	N/A	8.8	10.8	10.9	11.4	13.1
	Tier I capital ratio ^π	10.8	10.5	12.2	12.0	12.2	14.0
	Total capital ratio ^π	14.1	13.8	15.8	15.4	15.5	16.5
Market Share	<u>Domestic market share</u>						
	Commercial property financing	33.7	33.7	33.5	33.8	34.7	N/A
	Residential property financing	19.1	19.6	19.3	19.2	19.4	N/A
	Passenger vehicle financing	26.4	26.5	28.0	29.6	29.6	N/A
	Domestic loans	16.7	16.9	17.1	17.4	17.7	N/A
	Domestic deposits	15.2	15.7	15.9	16.6	16.7	N/A

⁺ Based on average equity adjusted with proposed dividend, if any

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

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