



PUBLIC BANK

Invest Malaysia 2008

25 – 26 March 2008



AGENDA



	<u>Index</u>
1. Malaysia: Operating Environment	3
2. Introduction to Public Bank and Business Focus	8
3. Financial Results and Historical Performance	12
4. Strategies for Business Growth and Addressing Narrowing Net Interest Margins	24
5. Market Capitalisation and Analysts Poll	26
6. Summary	27

1. Malaysia: Operating Environment



A) Source of Growth

	% change, y-o-y		
	2006	2007	2008f
GDP Growth	5.9	6.3	6.0-6.5
<u>Industry by Origin</u>			
◆ Services	7.2	9.7	8.6
◆ Manufacturing	7.1	3.1	3.8
◆ Agriculture	5.2	2.2	3.5
◆ Mining	-0.4	3.2	4.0
◆ Construction	-0.5	4.6	6.3
<u>Aggregate Demand</u>			
◆ Domestic Demand	7.0	10.5	6.8
Consumption	6.6	10.6	7.4
- Private	7.1	11.7	7.9
- Public	5.0	6.4	5.5
◆ Gross Fixed Capital Formation	7.9	10.2	5.0
◆ Exports of Goods & Services	7.4	3.7	5.7
◆ Imports of Goods & Services	8.6	4.1	6.6

Notes: f Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia. Economic Report 2007/2008



B) External Position

	2006	2007
Strong Current Account Surplus (% GDP)	16.3	15.6 (YTD Sep'07)
International Reserves (US\$ billion)	82.5	110.9 (mid-Feb'08)
◆ Months of Retained Import	7.9	9.2
◆ Short-Term External Debt (Times)	5.9	6.5
External Debt		
◆ Total External Debt/GDP (%)	32.4	29.2
◆ Short-Term Debt/GDP (%)	7.4	8.5



C) Banking Indicators

	2006	2007
Loans Growth (% growth, end-period)	6.3	8.6
Loan Applications (RM'billion)	300.8	457.4
◆ Businesses	161.0	262.1
◆ Households	139.8	195.3
Capital Adequacy		
◆ Risk Weighted Capital Ratio (%)	13.5	13.0
◆ Core Capital Ratio (%)	10.7	9.9
Asset Quality		
◆ Net NPL Ratio (%)	4.8	3.2
◆ Gross NPL Ratio (%)	7.4	5.6



D) Property Market

Positive outlook in 2008 due to:

- Abolishment of real property gain tax
- Relaxation on Foreign Investment Committee rules for purchases over RM250k
- Government's efforts to promote "Malaysia My Second Home Programme"
- Easy availability of funding in the banking system
- Withdrawal from Employees Provident Fund account for payment for mortgages
- Stable prices of residential properties
- Market expects greater foreign investments from Middle East



E) Sales of Motor Vehicles

	2006	2007
Total Vehicles (unit)	490,738	487,176
% change y-o-y	-11.0	-0.7

Optimistic outlook supported by new models, low HP rates, availability of hire purchase loans, high consumer confidence, steady job markets, good economic conditions and stable second-hand car market.

2. Introduction to Public Bank and Business Focus



- ❖ Commenced operations in 1966 with one branch
- ❖ Listed in April 1967
- ❖ Geographical Contribution

	Profit before tax			Total Assets		
	2007	2006	2005	2007	2006	2005
Malaysia	85%	86%	85%	91%	92%	98%
Overseas	15%	14%	15%	9%	8%	2%



Group Structure – Main Companies

	<u>No. of Branches</u>
❖ Malaysian Operations	
> Public Bank Berhad	241
	5 (one each in Sri Lanka & Hong Kong and 3 in Laos)
> Public Mutual Berhad	25
> Public Investment Bank Berhad	1
❖ Hong Kong Operations	
> Public Finance Limited	41
> Public Bank (HK) Limited	24
	2 (China)
❖ Indo-China Operations	
> Cambodian Public Bank	10
> VID Public Bank (Vietnam)	6



Business Focus

- ❖ Growth strategy
 - > Malaysia & Indo-China - organic growth
 - > Hong Kong - acquisition of Public Bank (Hong Kong), organic growth

- ❖ Retail business focus
 - > Lending
 - Consumer financing: home mortgages, vehicle financing, credit cards, personal financing
 - Lending to SMEs: working capital, purchase of business premises, trade finance and microfinance.



Business Focus – cont'd

- > Deposits
 - Fixed deposits, savings and demand
- > Financial planning/wealth management products i/e unit trusts and bancassurance

3. Financial Results and Historical Performance



A) Profit Contribution By Segments

	2006		2007	
	RM million	%	RM million	%
Retail operations	1,893	74	2,308	73
Treasury & capital market operations	478	19	390	12
Fund management	97	4	183	6
Investment banking	41	2	166	5
Corporate lending	36	1	105	3
Others	13	(*)	19	1
	2,558	100	3,171	100
Unallocated expenses	(142)	-	(167)	-
Profit before tax	2,416	-	3,004	-

* Less than 0.5%



B) Loans & Deposits Growth Since 2000

	2000	2001	2002	2003	2004	2005	2006	2007
Loans Growth (%)	10.0	11.8*	22.3	21.3	22.4	19.9	17.5*	20.2**
Core Customer Deposits Growth (%)	5.4	5.1*	19.3	6.3	20.4	9.8	13.1*	20.1

* Excluding acquisition of Hock Hua Bank in 2001 and Public Bank (Hong Kong) in 2006

** Including Islamic financing sold to Cagamas

CAGR (2000 – 2007)

Loans : **22.6%**

Core Customer Deposits : **16.5%**



C) Domestic Market Share Gains Since 2000

	2000	2001	2002	2003	2004	2005	2006	2007
Loans Market Share (%)	5.2	6.4	8.2	9.6	11.1	12.0	13.2	14.4
Deposits Market Share (%)	7.0	8.2	9.3	8.9	12.4	13.2	14.2	14.9



D) Profit Track Record

- ❖ 40 years of unbroken profitability
- ❖ Strong growth in past 5 years

	RM million						y-o-y growth (%)				
	2002	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
Profit before tax	1,254	1,435	1,884	2,059	2,416	3,004	14.4	31.3	9.3	17.3	24.3
Net profit	779	989	1,294	1,459	1,727	2,124	27.0	30.8	12.8	18.4	23.0



E) Balance Sheet Highlights

	2004	2005	2006	2007
	RM million	RM million	RM million	RM million
Total assets	92,403	116,689	147,790	174,155
Gross loans and advances	56,912	68,102	84,365	101,415
Domestic gross loans and advances	54,587	65,199	76,326	90,540
Deposits from customers	72,246	84,130	111,793	138,765
Shareholders' funds	8,708	8,564	9,034	9,342
Net assets per share (RM)	2.68	2.60	2.71	2.79
Net Loans to Deposits ratio (%)	77.1	79.4	74.1	71.6



F) Key Financial Ratios

	2004	2005	2006	2007
Net Return on Equity (%)	16.5	19.1	21.9	26.3
EPS (sen)	40.2	44.5	52.1	63.3
Return on Assets (%)	2.4	2.0	1.9	1.9
Net Interest Margin on Yielding Assets (%)	4.1	3.6	3.4	3.2
Cost Income Ratio (%)	35.3	33.8	32.7	33.1
Cost/ Average Assets (%)	1.6	1.3	1.2	1.1



G) Asset Quality Track Record

	2004 (%)	2005 (%)	2006 (%)	2007 (%)
Net NPL Ratio	2.1	1.7	1.6	1.2
Gross NPL Ratio	2.7	2.1	1.9	1.4
Industry gross NPL Ratio	10.3	8.4	7.4	5.6
Gross NPL Ratio for Key Lending Sectors :				
- Housing Loans	3.6	3.3	3.1	2.5
- SME	2.3	1.8	1.6	1.2
- Hire Purchase	1.3	1.0	1.1	0.9



H) Public Mutual

	2002	2003	2004	2005	2006	2007
No. of Funds	15	18	19	26	34	55
Net Asset Value (RM' Bil)	5.80	8.23	9.88	12.08	16.19	28.39
Market Share (%)	27.9	28.9	26.3	27.6	33.5	40.0
Gross New Sales (RM' Bil)	1.10	2.36	2.06	3.07	4.10	13.12

- ❖ Total % of equity funds to total funds: RM22.45b/ 79.08% (YTD Dec 2007)
- ❖ Largest private unit trust management company in Malaysia
- ❖ Strong growth due to good performance of its funds



I) Sustaining Strong Asset Quality

- ❖ Focus on lower risk lending sectors
- ❖ Sound credit appraisal and approval process
- ❖ Strong credit risk culture
- ❖ Focus on lower risk customer segments
 - > traditional urban/ suburban mortgages
 - > consumer and middle market segments of the Chinese community



J) Capital Adequacy Ratios

	RM million			
	2004	2005	2006	2007
Equity Capital	7,847	7,885.3	7,151.0	7,626.7
Hybrid Capital	-	-	1,262.0	1,345.9
Total Tier 1 Capital	7,847	7,885.3	8,413.0	8,972.6
Total Tier 2 Capital	2,254.0	3,873.0	4,587.1	4,505.1
Total Capital Base	10,101	11,758.3	13,000.1	13,477.7
Risk-Weighted Assets	56,795.3	68,008.9	82,425.4	99,092.4
Risk-Weighted Capital Ratio (%)	18.0	17.3	15.8	13.6
Core Capital Ratio (%)	14.0	11.6	10.2	9.1



K) Dividend Track Record

	2003 (%)	2004 (%)	2005 (%)	2006 (%)	2007 (%)
Gross dividend yield	3.9	12.7	8.4	7.7	6.8
Dividend payout ratio	51.7	163.6	89.6	84.5	87.3

❖ Paid dividends annually since 1970



L) Improving Capital Efficiency

- ❖ High dividend payout ratio
- ❖ Gearing up of equity capital
 - > Subordinated debt capital
 - > Innovative hybrid Tier- 1 capital
- ❖ Potential for Non-innovative hybrid Tier-1 capital
- ❖ Basel II Capital expected to improve by 0.7% for both Group and Bank effective 2008

4. Strategies for Business Growth and Addressing Narrowing Net Interest Margins



A) Strategies for Business Growth

- ❖ Significant management resources to drive growth
- ❖ Competitive pricing
- ❖ Strong credit culture
- ❖ Strong brand franchise
- ❖ Strong performance driven culture
 - > performance related remuneration system
 - > stable employment and good career opportunities
 - > high staff morale



B) Strategies to address narrowing Net Interest Margins

- ❖ Continued volume growth
- ❖ Improving productivity
- ❖ Increase non-interest income
 - > high growth in Unit Trust business
 - > affluent customer base with good potential for wealth management products



5. Market Capitalisation and Analysts Poll

- ❖ Market capitalisation (as at end-February 2008) : RM37.2 billion
- ❖ Average daily value traded in 2007 : RM48 million

	<u>Avg Daily Vol</u>	<u>Avg Daily Val (RM)</u>
2007	5,026,916	48,188,448
YTD Feb 2008	6,245,066	69,418,731

- ❖ Consensus net profit estimates (RM'mil):

	<u>2008</u>	<u>2009</u>	<u>2010</u>
	2,481	2,716	3,062

- ❖ Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 5 March 2008

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	21	6	1	28

Source: Bloomberg, Reuters and Analyst Reports



6. Summary

- ❖ Profitable retail franchise
 - > domestic and Indo-China market
 - > growing market share
 - > affluent and quality retail customer base for lending and wealth management business
- ❖ Unbroken profit track record
- ❖ Sustained strong asset quality



Summary – cont'd

- ❖ Strong brand – Ranked second in the Top 30 Malaysia's Most Valuable Brands 2007 by Association of Accredited Advertising Agents Malaysia
- ❖ Proactive capital management
- ❖ Big market capitalisation
 - > high liquidity and high free-float
- ❖ Proven management record in execution



Thank you