



PUBLIC BANK

Presentation

to

Investors

9 – 10 January 2008



AGENDA



	<u>Index</u>
1. Malaysia: Operating Environment	3
2. Introduction to Public Bank and Business Focus	10
3. Financial Results and Historical Performance	16
4. Strategies for Business Growth and Addressing Narrowing Net Interest Margins	28
5. Bancassurance Business	30
6. Summary	31

1. Malaysia: Operating Environment



A) Source of Growth

	% change, y-o-y		
	2006	2007e	2008f
GDP Growth	5.9	6.0	6.0-6.5
<u>Industry by Origin</u>			
◆ Services	7.2	9.0	8.6
◆ Manufacturing	7.1	3.1	3.8
◆ Agriculture	5.2	3.1	3.5
◆ Mining	-0.4	3.3	4.0
◆ Construction	-0.5	5.2	6.3
<u>Aggregate Demand</u>			
◆ Domestic Demand	7.0	9.0	6.8
Consumption	6.6	9.3	7.4
- Private	7.1	9.0	7.9
- Public	5.0	10.8	5.5
◆ Gross Fixed Capital Formation	7.9	8.2	5.0
◆ Exports of Goods & Services	7.4	4.1	5.7
◆ Imports of Goods & Services	8.6	6.2	6.6

Notes: e Estimate; f Forecast

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



B) External Position

	2006	2007e
International Reserves (US\$ billion)	82.5	101.1 (mid-Dec)
◆ Months of Retained Import	7.9	8.8
◆ Short-Term External Debt (Times)	5.9	6.1
External Debt		
◆ Total External Debt/GDP (%)	32.4	28.2
◆ Short-Term Debt/GDP (%)	7.4	6.2



C) Banking Indicators

	2006	2007		
		Q1	Q2	Q3
Loans Growth (% growth, end-period)	6.3	6.2	6.0	9.5
Loan Applications (RM'billion)	300.8	83.5	119.5	123.2
◆ Businesses	159.8	44.4	71.7	68.2
◆ Households	141.1	39.1	47.8	55.0



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
- Higher prices of high-end residential properties
- Market expects foreign investments from the Middle East



KLCC Development

ITEM	DEVELOPMENT	LOCATION	DEVELOPER	LAND TITLE	TOTAL UNITS	BUILT-UP (SQ FT)	PRICE (RATE)(RM)	SALES STATUS (%)	FOREIGNER (% ON SALES)	ESTIMATED DATE OF COMPLETION
1	Marc Services Residence	Jalan Pinang	Beverly Tower	Commercial	603	493, 627, 840, 1,006, 1,626, upwards	1,200	100	30	Completed
2	K Residence	Jalan Ampang	Olympia Bhd	Commercial	188	1,404 upwards	1,650	96	60	2Q2008
3	Dua Residency	Jalan Tun Razak	Eastern & Oriental Bhd	Residential	238	2,098 upwards	1,100	95	30	Completed
4	The Capsquare Residences	Jalan Munsyi Abdullah	BRDB	Commercial	180	1,072 to 6,300	650	80	15	4Q2007
5	Cendana	Jalan Sultan Sulaiman	IGB	Residential	144	2,195 to 5,091	800	100	40	1Q2008
6	Binjai Residency	Lorong Binjai	Amity Binjai Sdn Bhd	Commercial	100	2,096 upwards	1,100	99	20	4Q2007
7	2 Hampshire	Persiaran Hampshire	Beneton Sdn Bhd	Residential	93	1,400 to 6,000	1,000	100	15	4Q2007
8	Park Seven	Persiaran KLCC	Selangor Dredging Bhd	Residential	105	2,257 to 7,192	1,000	100	20	2Q2008
9	The Meritz	Lorong Mayang	DNP	Commercial	110	1,000 to 1,500	1,300	100	70	4Q2007
10	Idaman Residence	Off Jalan P Ramlee	TA Properties Sdn Bhd	Residential	250	922 to 2,174	1,200	78	35	4Q2008
11	The Troika	Jalan Binjai	BRDB	Residential	229	989 to 2,906 (typical)	2,000	65	55	2Q2009



KLCC Development – cont'd

ITEM	DEVELOPMENT	LOCATION	DEVELOPER	LAND TITLE	TOTAL UNITS	BUILT-UP (SQ FT)	PRICE (RATE)(RM)	SALES STATUS (%)	FOREIGNER (% ON SALES)	ESTIMATED DATE OF COMPLETION
12	The Avare	Jalan Kudalari	Magna Prima Sdn Bhd	Residential	78	3,800	2,100	95	50	1Q2009
13	Suria Stoner	Stonor	Glomac Bhd	Residential	138	3,300 upwards	1,050	80	60	2Q2008
14	163 Residence	Jalan Perak	Yu Neh Huat Bhd	Commercial	310	800 upwards	1,250	95	50	3Q2008
15	Hampshire Residences	Persiaran Hampshire	Zelan Bhd	Commercial	348	753, 1,065, 1,274 upwards	1,000	100	70	4Q2008
16	One KL	Jalan Pinang	Waterfront Sdn Bhd	Commercial	94	3,300 upwards	2,000	100	8	1Q2009
17	Hampshire Place	Off Jalan Ampang	IGB Bhd	Residential	186	736 to 1,432 (typical)	900	60	20	2Q2009
18	The Binjai	Jalan Binjai	KLCCP Bhd	Residential	168	2,500 upwards	2,000	-	-	-
19	Four Season Residence	Jalan Ampang	Venus Asset Sdn Bhd	Commercial	173	2,500 upwards	2,500	-	-	2Q2010
20	Crest, Sultan Ismail	Off Jalan Sultan Ismail	Crest Worldwide Holdings	Commercial	278	616 to 1,162 (typical)	900	-	-	2Q2010
Total units					4,013		1,335	Average		
							1,150	Median		



E) Sales of Motor Vehicles

	2006	Jan-Nov 2007
Total Vehicles (unit)	490,738	444,932
% change y-o-y	-11.0	-2.0
Passenger Vehicles (unit)	374,188	404,795
% change y-o-y	-9.0	16.9
Commercial Vehicles (unit)	116,550	40,137
% change y-o-y	-16.6	-62.8

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

<u>2006</u>	<u>Avg Daily Vol</u>	<u>Avg Daily Val</u>
PBB-L	1,731,311	11,874,709
PBB-F	1,766,763	12,093,355
Total	3,498,074	23,968,064
<u>2007</u>		
PBB-L	3,027,430	28,331,594
PBB-F	1,999,486	19,856,854
Total	5,026,916	48,188,448
% increase	44%	101%

❖ Market capitalisation (end 2007) : RM38.8 billion

❖ Average daily value traded in 2007 : RM48 million



❖ Consensus net profit estimates (RM'mil):

<u>2007</u>	<u>2008</u>	<u>2009</u>
2,039	2,344	2,619

❖ As at September 2007, net profit is 75.7% of 2007 estimates

❖ Poll of analysts Buy/ Hold/ Sell recommendations on PBB-Foreign Shares as at December 2007

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB-Foreign	19	5	1	25

Source: Bloomberg, Reuters and Analyst Reports



A) Group Structure – Main Companies

	<u>No. of Branches</u>
❖ Malaysian Operations	
> Public Bank Berhad	241
	3 (one each in Laos, Sri Lanka & Hong Kong)
> Public Mutual Berhad	25
> Public Investment Bank Berhad	1
❖ Hong Kong Operations	
> Public Finance Limited	41
> Public Bank (HK) Limited	23
	2 (China)
❖ Indo-China Operations	
> Cambodian Public Bank	9
> VID Public Bank (Vietnam)	7



B) Geographical Contribution

	Profit before tax			Total Assets		
	YTD Sep 2007	2006	2005	Sep 2007	2006	2005
Malaysia	87%	86%	85%	91%	92%	98%
Overseas	13%	14%	15%	9%	8%	2%



C) 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		YTD Sep 2007	
	RM million	%	RM million	%
Retail operations	1,893.0	74	1,688.5	73
Treasury & capital market operations	477.8	19	311.6	14
Fund management	97.3	4	115.1	5
Investment banking	40.8	2	92.9	4
Corporate lending	35.8	1	84.2	4
Others	8.0	(*)	11.2	(*)
	2,552.7	100	2,303.5	100
Unallocated expenses	(141.2)	-	(125.1)	-
Share of results of associates	4.9	-	4.0	-
Profit before tax	2,416.4	-	2,182.4	

* Less than 0.5%



B) Loans & Deposits Growth Since 2000

	2000	2001	2002	2003	2004	2005	2006	Sep 2007 (Annualised)
Loans Growth (%)	10.0	11.8*	22.3	21.3	22.4	19.9	17.5*	19.0**
Core Customer Deposits Growth (%)	5.4	5.1*	19.3	6.3	20.4	9.8	13.1*	21.3

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

** Including Islamic financing sold to Cagamas

CAGR (2000 – 2006)

Loans : **22.6%**

Core Customer Deposits : **15.8%**



C) Domestic Market Share Gains Since 2000

	2000	2001	2002	2003	2004	2005	2006	Sep 2007
Loans Market Share (%)	5.2	6.4	8.2	9.6	11.1	12.0	13.2	13.7
Deposits Market Share (%)	7.0	8.2	9.3	8.9	12.4	13.2	14.2	14.3



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	YTD Sep 2007	2003	2004	2005	2006	YTD Sep 2007 vs YTD Sep 2006
Profit before tax	1,254	1,435	1,884	2,059	2,416	2,182	14.4	31.3	9.3	17.3	23.5
Net profit	779	989	1,294	1,459	1,727	1,767	27.0	30.8	12.8	18.4	20.5



E) Balance Sheet Highlights

	2004	2005	2006	Sep 2007
	RM million	RM million	RM million	RM million
Total assets	92,403	116,689	147,790	165,618
Gross loans and advances	56,912	68,102	84,365	96,186
Domestic gross loans and advances	54,587	65,199	76,326	85,673
Deposits from customers	72,246	84,130	111,793	130,652
Shareholders' funds	8,708	8,564	9,034	8,799
Net assets per share (RM)	2.68	2.60	2.71	2.63
Net Loans to Deposits ratio (%)	77.1	79.4	74.1	72.3



F) Key Financial Ratios

	2004	2005	2006	YTD Sep 2007 (Annualised)
Net Return on Equity (%)	16.5	19.1	21.9	24.4
EPS (sen)	40.2	44.5	52.1	61.3
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 (%)	36.3	35.5	34.8	33.2
Cost/ Average Assets (%)	1.6	1.3	1.2	1.1



G) Asset Quality Track Record

	2004 (%)	2005 (%)	2006 (%)	Sep 2007 (%)
Net NPL Ratio	2.1	1.7	1.6	1.3
Gross NPL Ratio	2.7	2.1	1.9	1.6
Industry gross NPL Ratio	10.3	8.4	7.6	6.2
Gross NPL Ratio for Key Lending Sectors :				
- Housing Loans	3.6	3.3	3.1	2.6
- SME	2.3	1.8	1.8	1.7
- Hire Purchase	1.3	1.0	1.1	1.0



H) Public Mutual

	2002	2003	2004	2005	2006	YTD Dec 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	39.26 (Nov)
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	Sep 2007
Equity Capital	7,949.1	7,885.3	7,151.0	6,374.7
Hybrid Capital	-	-	1,262.0	1,124.9
Total Tier 1 Capital	7,949.1	7,885.3	8,413.0	7,499.6
Total Tier 2 Capital	2,254.0	3,873.0	4,587.1	4,771.5
Total Capital Base	10,203.1	11,758.3	13,000.1	12,271.1
Risk-Weighted Assets	56,795.3	68,008.9	82,425.4	94,967.9
Risk-Weighted Capital Ratio (%)	18.0	17.3	15.8	12.9
Core Capital Ratio (%)	14.0	11.6	10.2	7.9



K) Dividend Track Record

	2002 (%)	2003 (%)	2004 (%)	2005 (%)	2006 (%)
Gross dividend yield	4.0	3.9	12.7	8.4	7.7
Dividend payout ratio	38.5	51.7	163.6	89.6	84.2

❖ 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 improved 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 infrastructure
 - > 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. Bancassurance Business

Year	Bancassurance Business							Million
	Base	2008	2009	2010	2011	2012	2017	Total
Malaysia - RM	14	63	126	190	250	305	498	3,105
Hong Kong - RM		9	11	19	27	41	74	409
Annual Premium Equivalent (APE)	14	72	137	209	277	346	572	3,514
Fee Income (Conservative scenario)	14	25	46	74	104	138	289	1,555
As a percentage of Group's Income	0.30%					1.30%		
Compounded Annualised Growth rate (CAGR)		78.6%	81.3%	74.2%	65.1%	58.0%		
Fee Income (Likely scenario)	14	45	90	135	180	230		
As a percentage of Group's Income	0.30%					2.17%		
Compounded Annualised Growth rate (CAGR)		221.4%	153.5%	112.8%	89.4%	75.0%		

Notes:

RM Million

- i) Goodwill Payment Year 1
- * Year 3
- * Year 6
- * Year 9

200
20
20
20
260

- ii) *Additional goodwill payment will be made if 60% of the minimum expansion business has been produced in year 3 , 6 and 9
- iii) $115\% \times \text{RM}260 \text{ million} / \text{RM}3,514\text{million} \times \text{Total Sales} *$
(* Must be excess of 15% of the APE i.e RM3.51 billion)
- iv) Target to recruit Bancassurance Sales Executives Year 1: 140, Year 7: Up to 600
- v) Types of Life Insurance to be distributed

Single premium structured investment-linked
Single premium investment-linked (Life)
Regular premium investment-linked (Life)

Single premium MRTA - Housing loan
Single premium MRTA - Commercial Loan
Telemarketing - Credit Shield, Healthcare
Worksite marketing - Employee benefits, Hospitalisation



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