



PUBLIC BANK

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AGENDA



	<u>Index</u>
1. Operating Environment	3
2. Introduction to Public Bank	7
3. Financial Results and Historical Performance	11
4. Business Strategies	23
5. Market Capitalisation and Analysts Poll	28
6. Summary	29



1. OPERATING ENVIRONMENT

❖ Supportive but challenging economic environment

- > GDP growth : 1Q08: 7.4% 2Q08: 6.7% 3Q08: 4.7%
- > Growth in 9M08 – led by services and domestic demand
- > More accommodative fiscal and monetary policy

❖ Ample liquidity

- > LD-ratio : 2007: 74.1% Nov 2008: 76.7%
- > Large current account surplus (% of GDP): 2007: 15.6 Jan-Sep: 17.7
- > Healthy international reserves : Nov 2008: US\$97.7 billion
Mid-Dec 2008: US\$96.0 billion
 - Months of Retained Import: 7.8
 - Short-Term External Debt (Times): 3.4



OPERATING ENVIRONMENT - cont'd

- ❖ Preemptive/ precautionary measures to maintain confidence in banking system:
 - > BNM standing ready to provide liquidity
 - > Full guarantee to all ringgit and foreign currency deposits

- ❖ Strong banking sector
 - > Capital Adequacy:
 - Risk Weighted Capital Ratio (%): Nov 2008: 12.5%
 - Core Capital Ratio (%): Nov 2008: 10.4%



OPERATING ENVIRONMENT - cont'd

> Asset Quality:

Net NPL Ratio (%): Nov 2008: 2.4%

Gross NPL Ratio (%): Nov 2008: 4.3%

> Annual loan growth (%): Nov 2008: 10.7%

> Annual deposits growth (%): Nov 2008: 12.4%

> Negligible exposure to sub-prime related securities and other affected financial institutions of other countries



OPERATING ENVIRONMENT - cont'd

Challenges:

- ❖ Global recession
- ❖ Softening domestic demand
- ❖ High fiscal deficit:
 - > 2008: 4.8% of GDP
 - > 2009: 4.8% of GDP
- ❖ Risk of higher unemployment



2. INTRODUCTION TO PUBLIC BANK

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

	Profit Before Tax			Total Assets		
	YTD Sep 2008	2007	2006	Sep 2008	2007	2006
Malaysia	89%	85%	86%	91%	91%	92%
Overseas	11%	15%	14%	9%	9%	8%



Group Structure – Main Companies

	<u>No. of Branches</u>
❖ Malaysian Operations	
> Public Bank Berhad	242
	5 (one each in Sri Lanka & Hong Kong and 3 in Laos)
> Public Mutual Berhad	26
> Public Investment Bank Berhad	1
❖ Hong Kong Operations	
> Public Finance Limited	42
> Public Bank (HK) Limited	28
	3 (China)
❖ Indo-China Operations	
> Cambodian Public Bank	12
> VID Public Bank (Vietnam)	7



-
- ❖ Growth strategy
 - > 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



- Deposits
 - Retail deposits: Fixed, savings and demand deposits
 - Wholesale deposits
 - Foreign currencies deposits
 - Structured deposit products

- Financial planning/wealth management products: unit trusts, bancassurance and structured investment products

3. FINANCIAL RESULTS AND HISTORICAL PERFORMANCE



A) Profit Contribution By Business Segment

	2007		YTD Sep 2008	
	RM million	%	RM million	%
Retail operations	2,308	73	2,089	77
Treasury & capital market operations	390	12	394	15
Fund management	183	6	137	5
Investment banking	166	5	35	1
Corporate lending	105	3	24*	1
Others	19	1	21	1
	3,171	100	2,700	100
Unallocated expenses	(167)	-	(134)	-
Profit before tax	3,004	-	2,566	-

* Decrease in profit due to high general provision resulting from higher loan growth and SP made on certain corporate loan accounts secured by properties exceeding 7 years whereby full provision is made with zero value assigned to collateral



B) Loans & Deposits Growth Since 2001

	2001	2002	2003	2004	2005	2006	2007	Sep 2008 (Annualised)
Loans Growth (%)	11.8*	22.3	21.3	22.4	19.9	17.5*	20.2**	22.0
Core Customer Deposits Growth (%)	5.1*	19.3	6.3	20.4	9.8	13.1*	20.1	14.5

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

** Including Islamic financing sold to Cagamas

CAGR (2001 – 2007)

Loans : **21.3%**

Core Customer Deposits : **16.1%**



C) Domestic Market Share Gains Since 2001

	2001	2002	2003	2004	2005	2006	2007	Aug 2008
Loans Market Share (%)	6.4	8.2	9.6	11.1	12.0	13.2	14.4	14.8
Deposits Market Share (%)	8.2	9.3	9.5	12.4	13.2	14.1	14.8	14.6



D) Profit Track Record

- ❖ 42 years of unbroken profitability
- ❖ Strong profit growth in past 5 years

	RM million						y-o-y growth (%)				
	2003	2004	2005	2006	2007	YTD Sep 2008	2004	2005	2006	2007	YTD Sep 2008 vs YTD Sep 2007
Profit before tax	1,435	1,884	2,059	2,416	3,004	2,566	31.3	9.3	17.3	24.3	17.6
Net profit	989	1,294	1,459	1,727	2,124	1,927	30.8	12.8	18.4	23.0	24.8



E) Balance Sheet Highlights

	2005	2006	2007	Sep 2008
	RM	RM	RM	RM
	million	million	million	million
Total assets	116,689	147,790	174,155	190,730
Gross loans and advances	68,102	84,365	101,005**	117,760**
Domestic gross loans and advances	65,199	76,326	90,540	104,274
Deposits from customers	84,130	111,793	138,765	155,818
Shareholders' funds	8,564	9,034	9,342	9,182
Net assets per share (RM)	2.60	2.71	2.79	2.74

** Excluding Islamic financing sold to Cagamas



F) Key Financial Ratios

	2005	2006	2007	YTD Sep 2008 (Annualised)
Net Return on Equity (%)*	19.1	21.9	26.3	29.7
EPS (sen)	44.5	52.1	63.3	76.5
Return on Assets (%)	2.0	1.9	1.9	1.9
Net Interest Margin on Yielding Assets (%)**	3.6	3.4	3.2	3.2
Cost Income Ratio (%)	33.8	32.7	33.1	30.7
Cost/ Average Assets (%)	1.3	1.2	1.1	1.0
Net Loans to Deposits ratio (%)	79.4	74.1	71.6	74.4

* Based on average equity after deducting proposed dividend

** Excluding Negotiable Instrument of Deposits and Money Market Deposits which are on-lent to interbank



G) Asset Quality Track Record

	2005 (%)	2006 (%)	2007 (%)	Sep 2008 (%)
Net NPL Ratio	1.7	1.6	1.2	0.87
Gross NPL Ratio	2.1	1.9	1.4	0.99
Industry Gross NPL Ratio	8.4	7.4	5.6	4.3
Gross NPL Ratio for Key Lending Sectors :				
- Housing Loans	3.3	3.1	2.4	1.7
- SME Loans	1.8	1.6	1.3	1.1
- Hire Purchase	1.0	1.1	0.9	0.6



H) Sustaining Strong Asset Quality

- ❖ Focus on lower risk customer segments
 - > traditional urban/ suburban mortgages
 - > passenger vehicle hire purchase
 - > middle market business enterprises
- ❖ Sound credit appraisal and approval process
- ❖ Strong credit risk culture
- ❖ Loan restructuring and rescheduling



I) Public Mutual

	2003	2004	2005	2006	2007	YTD Sep 2008
No. of Funds	18	19	26	34	55	67
Net Asset Value (RM' Bil)	8.23	9.88	12.08	16.19	28.39	24.17
Market Share (%)	28.9	26.3	27.6	33.5	40.0	37.84
Gross New Sales (RM' Bil)	2.36	2.06	3.07	4.10	13.12	5.66

- ❖ Total % of equity funds to total funds: RM15.49b/ 70.65% (As at November 2008)
- ❖ Largest private unit trust management company in Malaysia
- ❖ Number of agents: 42,259 (As at end-November 2008)



J) Capital Adequacy Ratios (Group)

	RM million			
	2005	2006	2007	Sep 2008
Equity Capital	7,885.3	7,151.0	7,626.7	6,816.9
Hybrid Capital	-	1,262.0	1,345.9	1,203.0
Total Tier 1 Capital	7,885.3	8,413.0	8,972.6	8,019.9
Total Tier 2 Capital	3,873.0	4,587.1	4,505.1	6,343.5
Total Capital Base	11,758.3	13,000.1	13,477.7	14,362.4
Risk-Weighted Assets	68,008.9	82,425.4	99,092.4	108,705.1
Risk-Weighted Capital Ratio (%)	17.3	15.8	13.6	13.2
Core Capital Ratio (%)	11.6	10.2	9.1	7.4



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
 - > 2009-2010

CAR (Bank) Tier-1: 10%	CAR (Group) Tier-1: 8%
Overall: 13%	Overall: 13%
- ❖ Potential for Non-innovative hybrid Tier-1 capital
- ❖ Basel II Capital improved by about 0.7% effective 2008
- ❖ Another 0.5% Basel II IRB in year 2010
- ❖ Further capital improvement under FRS 139



4. BUSINESS STRATEGIES

Strategies for Business Growth

- ❖ Significant management resources to drive growth
- ❖ Competitive pricing and competitive packages and bundling
- ❖ Strong credit culture
- ❖ Strong brand franchise



❖ Strong performance driven culture

- performance related remuneration system
- stable employment and good career opportunities
- high staff morale
- strong staff performance culture through
 - commitment
 - employees' sense of belonging
 - one focus/ Group goal congruence
 - good career prospects/ sense of life-long career
(demonstrated in the past)



Strategies to address narrowing net interest margins

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



- ❖ Improve productivity
 - > highest pre-tax profit per average employee
 - > highest gross operating profit per average employee
 - > highest gross loans and deposits per employee
 - > highest asset per employee
 - > low staff cost per employee
- ❖ Maintain best asset quality – lowest NPL ratio
- ❖ Make positive spread on term deposits instead of negative spread in the past



Loan Asset Profile

> Average LTV : SME loan 50%

Housing loan 60%

Car loan 68%

> Loan customers: 90%-95% are middle income group with higher credit risk rating and higher savings



Funding (Asset Liabilities Management) – stable and retail based funding growing at the rate of 16% to 17% (Industry: 7.5% as at November 2008)



5. MARKET CAPITALISATION AND ANALYSTS POLL

- ❖ Market capitalisation (as at 28 November 2008) : RM29.92 billion
- ❖ Average daily value traded in 2007 : RM48 million

	<u>Avg Daily Vol</u>	<u>Avg Daily Val</u>
2007	5.0 million	RM 48.2 million
YTD 28 November 2008	5.6 million	RM 57.5 million

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>
	2,464.6	2,496.1	2,724.9

- ❖ Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 28 November 2008

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	15	8	3	26

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
- ❖ Proactive capital management
- ❖ Big market capitalisation
 - > high liquidity and high free-float
- ❖ Proven management record in execution
- ❖ Strong working commitment and excellent career environment



Thank you