



**PUBLIC BANK**

**Merrill Lynch Asian STARS Conference**

**Singapore**

**6 – 8 May 2009**



# 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

- ❖ Sharp deceleration in GDP growth: 2009: -1% ~ 1%
- ❖ Weakness in external demand
  - Net exports: 2008: -3.8% 2009: -29.7%
- ❖ Positive domestic demand but softer:

	2008p (%)	2009f (%)
<b>Domestic demand</b>	<b>6.9</b>	<b>2.9</b>
Private sector:	7.1	-0.3
- Consumption	8.4	3.5
- Investment	1.5	-17.7
Public sector:	6.5	11.4
- Consumption	11.6	7.3
- Investment	0.7	16.6

p Preliminary f Forecast

Source: Department of Statistics, Malaysia and Bank Negara Malaysia



## OPERATING ENVIRONMENT – cont'd

---

- ❖ Headline inflation is moderating: Jan 2009: 3.9% Feb 2009: 3.7%
- ❖ Countercyclical policies
  - Low interest rates
  - Deficit public spending
  - Stimulus packages
- ❖ Liquidity indicators:
  - LD-ratio : Jan 2009: 74.5% Feb 2009: 74.7%
  - Current account surplus (% of GNI): 2008: 18.1 2009: 11.5
  - International reserves : Mar 2009: US\$87.8 billion
    - Months of Retained Import: 7.9
    - Short-Term External Debt (Times): 4.0



## OPERATING ENVIRONMENT - cont'd

---

- ❖ Measures to maintain confidence in banking system:
  - BNM standing ready to provide liquidity
  - Full guarantee to all ringgit and foreign currency deposits
  
- ❖ Banking sector indicators:
  - Risk Weighted Capital Ratio: Feb 2009: 13.0%
  - Core Capital Ratio: Feb 2009: 11.1%
  - Net NPL Ratio: Feb 2009: 2.2%
  - Annual loans growth: Feb 2009: 10.9%
  - Annual deposits growth: Feb 2009: 8.3%
  - Loans to GDP ratio: 2009: 105%



## OPERATING ENVIRONMENT - cont'd

---

### Challenges:

- ❖ Deepening global recession
- ❖ Weakening domestic demand
- ❖ High fiscal deficit: 2009: 7.6% of GDP
- ❖ Risk of increasing unemployment



## 2. INTRODUCTION TO PUBLIC BANK

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

	Profit Before Tax				Total Assets			
	Q109	2008	2007	2006	Q109	2008	2007	2006
<b>Malaysia</b>	91%	90%	85%	86%	90%	90%	91%	92%
<b>Overseas</b>	9%	10%	15%	14%	10%	10%	9%	8%



## Group Structure – Main Companies

---

	<u>No. of Branches</u>
<b>❖ Malaysian Operations</b>	
> Public Bank Berhad	<b>242</b>
	<b>5</b> (one each in Sri Lanka & Hong Kong and 3 in Laos)
> Public Mutual Berhad	<b>26</b>
> Public Investment Bank Berhad	<b>1</b>
<b>❖ Hong Kong Operations</b>	
> Public Finance Limited	<b>42</b>
> Public Bank (HK) Limited	<b>29</b>
	<b>3</b> (China)
<b>❖ Indo-China Operations</b>	
> Cambodian Public Bank	<b>12</b>
> VID Public Bank (Vietnam)	<b>7</b>





- 
- ❖ 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		2008		Q109	
	RM mil	%	RM mil	%	RM mil	%
Retail Operations	2,201.5	67	2,531.2	74	476.2	59
Hire Purchase	267.5	8	224.4	7	137.3	17
Treasury & Capital Market Operations	290.7	9	291.1	9	78.7	10
Fund Management	182.9	6	183.3	5	50.6	6
Corporate Lending	151.9	5	96.7	3	46.3	6
Investment Banking	166.5	5	74.9	2	10.3	1
Others	5.7	#	15.4	#	4.6	1
	<b>3,266.7</b>	<b>100</b>	<b>3,417.0</b>	<b>100</b>	<b>804.0</b>	<b>100</b>
ING Goodwill	-	-	200.0	-	-	-
General allowances	(210.3)	-	(232.1)	-	(68.0)	-
Share of Results of Associates	5.4	-	12.5	-	2.3	-
Head Office Expenses	(58.2)	-	(18.2)	-	6.6	-
<b>Profit Before Tax</b>	<b>3,003.6</b>	<b>-</b>	<b>3,379.2</b>	<b>-</b>	<b>744.9</b>	<b>-</b>

# Less than 0.1%



## B) Loans & Deposits Growth Since 2001

	2001	2002	2003	2004	2005	2006	2007	2008	Q109
<b>Loans Growth (%)</b>	11.8*	22.3	21.3	22.4	19.9	17.5*	20.2**	19.0**	4.1**
<b>Core Customer Deposits Growth (%)</b>	5.1*	19.3	6.3	20.4	9.8	13.1*	20.1	17.7	7.5

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

\*\* Including Islamic financing sold to Cagamas

# Annualised

### **CAGR (2001 – 2009#)**

Loans : **20.9%**

Core Customer Deposits : **18.0%**



## C) Domestic Market Share Gains Since 2001

---

	2001	2002	2003	2004	2005	2006	2007	2008
<b>Loans Market Share (%)</b>	6.4	8.2	9.6	11.1	12.0	13.2	14.4	14.9
<b>Deposits Market Share (%)</b>	8.2	9.3	9.5	12.4	13.2	14.1	14.8	15.5



## D) Profit Track Record

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

	RM million							y-o-y growth (%)					
	2003	2004	2005	2006	2007	2008	Q109	2004	2005	2006	2007	2008	Q109 Vs Q108*
<b>Profit before tax</b>	1,435	1,884	2,059	2,416	3,004	3,379	745	31.3	9.3	17.3	24.3	12.5	(3.3)
<b>Net profit</b>	989	1,294	1,459	1,727	2,124	2,581	589	30.8	12.8	18.4	23.0	21.5	3.0

\* Figures for Q1'08 were excluding one-off goodwill payment from ING.



## E) Balance Sheet Highlights

	2005 RM million	2006 RM million	2007 RM million	2008 RM million	Q109 RM million
Total assets	116,689	147,790	174,155	196,163	199,227
Gross loans and advances	68,102	84,365	101,005**	120,319**	125,431**
Domestic gross loans and advances	65,199	76,326	90,540	106,129	110,874
Deposits from customers	84,130	111,793	138,765	162,280	168,133
Shareholders' funds	8,564	9,034	9,342	9,537	9,609
<b>Net assets per share (RM)</b>	<b>2.60</b>	<b>2.71</b>	<b>2.79</b>	<b>2.84</b>	<b>2.78</b>

\*\* Excluding Islamic financing sold to Cagamas



## F) Key Financial Ratios

	2005	2006	2007	2008	Q109 (annualised)
Net Return on Equity (%)*	19.1	21.9	26.3	30.4	25.5
EPS (sen)	44.5	52.1	63.3	76.9	69.6
Return on Assets (%)	2.0	1.9	1.9	1.8	1.5
Net Interest Margin on Yielding Assets (%)**	3.6	3.4	3.2	3.2	3.1
Cost Income Ratio (%)	33.8	32.7	33.1	31.2	35.6
Cost/ Average Assets (%)	1.3	1.2	1.1	1.0	1.0
Net Loans to Deposits ratio (%)	79.4	74.1	71.6	73.0	73.4

\* 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 (%)	2008 (%)	Q109 (%)
Net NPL Ratio	1.7	1.6	1.2	0.9	0.83
Gross NPL Ratio	2.1	1.9	1.4	1.0	0.98
Industry Gross NPL Ratio	8.4	7.4	5.6	4.1	4.1
Gross NPL Ratio for Key Lending Sectors :					
- Housing Loans	3.3	3.1	2.4	1.6	1.5
- SME Loans	1.8	1.6	1.3	1.1	1.1
- Hire Purchase	1.0	1.1	0.9	0.6	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
- ❖ Proactive loan restructuring and rescheduling



## I) Public Mutual

	2003	2004	2005	2006	2007	2008	Q109
No. of Funds	18	19	26	34	55	67	67
Net Asset Value (RM' Bil)	8.23	9.88	12.08	16.19	28.39	23.32	24.18
Market Share (%)	28.9	26.3	27.6	33.5	40.0	39.0	39.6
Gross New Sales (RM' Bil)	2.36	2.06	3.07	4.10	13.12	7.64	0.99

- ❖ Total % of equity funds to total funds: RM16.77b/ 69.4% (As at March 2009)
- ❖ Largest private unit trust management company in Malaysia
- ❖ Number of agents: 43,471 (As at March 2009)



## J) Capital Adequacy Ratios (Group)

	RM million				
	2005	2006	2007	2008	Q109
<b>Equity Capital</b>	7,885.3	7,151.0	7,626.6	8,157.2	7,498.9
<b>Hybrid Capital</b>	-	1,262.0	1,345.9	1,439.5	1,323.3
<b>Total Tier 1 Capital</b>	7,885.3	8,413.0	8,972.5	9,596.7	8,822.2
<b>Total Tier 2 Capital</b>	3,873.0	4,587.1	4,505.2	6,178.9	6,541.2
<b>Total Capital Base</b>	11,758.3	13,000.1	13,477.7	15,774.7	15,362.4
<b>Risk-Weighted Assets</b>	68,008.9	82,425.4	99,092.4	115,341.9	115,497.4
<b>Risk-Weighted Capital Ratio (%)</b>	17.3	15.8	13.6	13.7	13.3
<b>Core Capital Ratio (%)</b>	11.6	10.2	9.1	8.3	7.6



## K) Dividend Track Record

	2004 (%)	2005 (%)	2006 (%)	2007 (%)	2008 (%)
Gross dividend yield	12.7	8.4	7.7	6.8	10.0*
Dividend payout ratio	163.6	89.6	84.5	87.4	86.1*

\* Including equivalent value of share dividend distributed on 1 for 35 basis

❖ 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%           |
- ❖ Proposed non-innovative hybrid Tier-1 capital
  - ❖ Basel II Capital improved by about 0.7% effective 2008
  - ❖ Another 0.5% Basel II IRB in 2010
  - ❖ Further capital improvement under FRS 139



## 4. BUSINESS STRATEGIES

---

### Strategies for Business Growth

- ❖ Significant management resources to drive organic growth
- ❖ Competitive pricing, packages and product 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
  - > Unit Trust business
  - > Bancassurance products with ING
  - > affluent customer base with good potential for wealth management products
  - > structured deposit products



- 
- ❖ High 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
    - > lowest cost-to-income ratio
  
  - ❖ Maintain best asset quality – lowest NPL ratio



- ❖ 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 retail based funding



## 5. MARKET CAPITALISATION AND ANALYSTS POLL

❖ Market capitalisation (as at 15 April 2009) : RM29.54 billion

❖ Average daily value traded:

	<u>Avg Daily Vol</u>	<u>Avg Daily Val</u>
2008	5.4 million	RM 54.6 million
YTD 15 April 2009	5.7 million	RM 47.2 million

❖ Consensus net profit estimates (RM'mil):

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	2,217.8	2,427.4	2,792.6

❖ Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 15 April 2009

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	11	8	8	27

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*