



PUBLIC BANK

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AGENDA



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1. OPERATING ENVIRONMENT

- ❖ Slower GDP contraction in 3Q09 due to stronger private consumption and higher public sector spending:

GDP by Expenditure Components	1Q09	2Q09	3Q09
Domestic demand (% , y-o-y)	-2.9	-2.2	0.4
Consumption:	-0.2	0.6	3.3
- Private sector	-0.7	0.5	1.5
- Public sector	2.1	1.0	10.9
Gross fixed capital formation	-10.8	-9.6	-7.9

GDP by Economic Activity	1Q09	2Q09	3Q09
Real GDP (% , y-o-y)	-6.2	-3.9	-1.2
Agriculture	-4.3	0.3	-0.5
Mining	-5.2	-3.6	-3.5
Manufacturing	-17.9	-14.5	-8.6
Construction	1.1	4.5	7.9
Services	-0.2	1.6	3.4



OPERATING ENVIRONMENT – cont'd

❖ Recovery has gathered some steam:

	2009									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Industrial Production (% , m-o-m)	-1.8	-3.6	5.7	-0.7	1.6	-0.2	7.7	-1.8	-2.4	5.7
Exports (% , m-o-m)	-16.9	3.4	10.1	-5.7	4.4	5.0	8.3	-2.1	-1.2	15.0
Leading Index (% , annual rate)	-2.7	-0.4	0.6	4.3	4.1	6.9	9.6	8.4	6.6	-
No. of Retrenchment	4,325	4,821	3,444	2,871	2,739	1,860	1,209	641	1,029	1,146
International Reserves (US\$'Bil)	91.3	91.1	87.8	87.7	88.3	91.5	91.2	93.3	96.0	96.0
Capacity Utilisation (%)	66*	-	59	-	-	70	-	-	73	-
M1 (% , y-o-y)	4.7	3.9	3.5	7.4	9.3	5.5	6.0	7.8	6.5	10.6
Loan Growth (% , m-o-m)	0.2	0.2	0.6	0.4	-0.2	1.0	1.3	0.9	0.6	0.7
- Household loans (% , m-o-m)	0.7	0.3	0.4	0.7	0.8	0.8	0.8	1.0	0.9	1.0
- Business loans (% , m-o-m)	-0.5	0.02	0.9	-0.03	-1.4	1.3	2.0	0.6	0.3	0.3

Note: * end-2008



OPERATING ENVIRONMENT – cont'd

❖ Strong banking sector

	2009									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Risk-Weighted Capital Ratio (%)	13.1	13.2	13.6	14.2	14.2	14.3	14.3	14.6	14.5	14.5
Core Capital Ratio (%)	11.1	11.2	11.6	12.3	12.3	12.6	12.7	13.0	12.9	13.0
Net NPLs (%)	2.2	2.2	2.2	2.2	2.2	2.2	2.1	2.1	2.1	2.1

❖ Recovery is expected to sustain

- Supportive macro policies: Low interest rates and high public spending
- Self-reinforcing upturn in global trade
- Healthy household and corporate balance sheets



OPERATING ENVIRONMENT - cont'd

- ❖ Key challenges
 - Uncertainties in external environment
 - High fiscal deficit
 - Timing to normalise interest rates
 - Return of risk aversion by global investors



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'09	2008	2007	2006	YTD Sep'09	2008	2007	2006
Malaysia	92%	90%	85%	86%	90%	90%	91%	92%
Overseas	8%	10%	15%	14%	10%	10%	9%	8%



Group Structure – Main Companies

	<u>No. of Branches</u>
❖ Malaysian Operations	
➤ Public Bank Berhad	248
	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	30
	3 (China)
❖ Indo-China Operations	
➤ Cambodian Public Bank	14
➤ 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		2008		Sep'09	
	RM mil	%	RM mil	%	RM mil	%
Retail Operations	2,201.5	69	2,531.2	74	1,552.0	59
Hire Purchase	267.5	8	224.4	7	500.4	19
Treasury & Capital Market Operations	290.7	9	291.1	9	199.2	7
Corporate Lending	151.9	5	96.7	3	181.4	7
Fund Management	182.9	6	183.3	5	152.9	6
Investment Banking	166.5	5	74.9	2	64.1	2
Others	(52.5)	(2)	(2.8)	#	(1.6)	#
	3,208.5	100	3,398.8	100	2,648.4	100
ING Goodwill	-	-	200.0	-	-	-
General allowances	(210.3)	-	(232.1)	-	(235.4)	-
Share of Results of Associates	5.4	-	12.5	-	8.2	-
Profit Before Tax	3,003.6	-	3,379.2	-	2,421.2	-

Less than 0.1%



B) Loans & Deposits Growth Since 2001

	2001	2002	2003	2004	2005	2006	2007	2008	Sep'09 (Annualised)
Loans Growth (%)	11.8*	22.3	21.3	22.4	19.9	17.5*	20.2**	19.0**	14.3**
Core Customer Deposits Growth (%)	5.1*	19.3	6.3	20.4	9.8	13.1*	20.1	17.7	19.5

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

** Including Islamic financing sold to Cagamas

CAGR (2001 – 2009#)

Loans : 20.6%

Core Customer Deposits : 16.9%

Annualised



C) Domestic Market Share Gains Since 2001

	2001	2002	2003	2004	2005	2006	2007	2008	Sep 2009
Loans Market Share (%)	6.4	8.2	9.6	11.1	12.0	13.2	14.4	14.8	15.9
Deposits Market Share (%)	8.2	9.3	9.5	12.4	13.2	14.1	14.8	15.5	16.5



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	YTD Sep'09	2004	2005	2006	2007	2008	YTD Sep'09 Vs YTD Sep'08*
Profit before tax	1,435	1,884	2,059	2,416	3,004	3,379	2,421	31.3	9.3	17.3	24.3	12.5	2.3
Net profit	989	1,294	1,459	1,727	2,124	2,581	1,839	30.8	12.8	18.4	23.0	21.5	3.2

* Figures for Sep'08 were excluding RM200 million one-off goodwill payment from ING



E) Balance Sheet Highlights

	2005 RM billion	2006 RM billion	2007 RM billion	2008 RM billion	Sep'09 RM billion
Total assets	116.7	147.8	174.2	196.2	209.0
Gross loans and advances	68.1	84.4	101.0**	120.3**	133.6
Domestic gross loans and advances	65.2	76.3	90.5	106.1	119.9
Deposits from customers	84.1	111.8	138.8	162.3	182.7
Shareholders' funds	8.6	9.0	9.3	9.5	10.3
Net assets per share (RM)	2.60	2.71	2.79	2.84	2.98

** Excluding Islamic financing sold to Cagamas



F) Key Financial Ratios

	2005	2006	2007	2008	YTD Sep'09
Net Return on Equity (%)*	19.1	21.9	26.3	28.4 [#]	25.5
EPS (sen)	44.5	52.1	63.3	76.9	53.7
Return on Assets (%)	2.0	1.9	1.9	1.7 [#]	1.6
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	32.3 [#]	34.6
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	71.9

* Based on average equity after deducting proposed dividend, if any

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

Excluding one-off goodwill payment from ING of RM200 million



G) Asset Quality Track Record

	2005 (%)	2006 (%)	2007 (%)	2008 (%)	Sep'09 (%)
Net NPL Ratio	1.7	1.6	1.2	0.9	0.82
Gross NPL Ratio	2.1	1.9	1.4	1.0	0.95
Industry Gross NPL Ratio	8.4	7.4	5.6	4.1	3.8
Gross NPL Ratio for Key Lending Sectors:					
• Housing Loans	3.3	3.1	2.4	1.6	1.3
• SME Loans	1.8	1.6	1.3	1.1	0.9
• Hire Purchase	1.0	1.1	0.9	0.6	0.5
• Credit Cards	2.2	1.9	1.6	1.5	1.3



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	YTD Nov'09
No. of Funds	18	19	26	34	55	67	72
Net Asset Value (RM'Bil)	8.23	9.88	12.08	16.19	28.39	23.32	34.67
Market Share (%)	28.9	26.3	27.6	33.5	40.0	39.0	43.8
Gross New Sales (RM'Bil)	2.36	2.06	3.07	4.10	13.12	7.64	7.22

- ❖ Total % of equity funds to total funds: RM25.93b/ 74.8% (As at November 2009)
- ❖ Largest private unit trust management company in Malaysia
- ❖ Number of agents: > 40,000 (As at November 2009)



J) Capital Adequacy Ratios (Group)

Basel II Standardised Approach (After Proposed Dividend)	RM million	
	2008	Sep'09
Equity Capital	7,528.1	7,752.8
Hybrid Capital	1,328.5	1,578.6
Stapled Securities	-	1,192.7
Total Tier 1 Capital	8,856.6	10,524.1
Total Tier 2 Capital	6,289.9	5,066.4
Investment in subs./assoc.	(1.0)	(1.0)
Total Capital Base	15,145.5	15,589.5
Risk-Weighted Assets	115,341.9	122,866.9
Risk-Weighted Capital Ratio (%)	13.1	12.7
Core Capital Ratio (%)	7.7	8.6



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

- ❖ Continued dividend payment
- ❖ Gearing up of equity capital
 - Subordinated debt capital
 - Innovative hybrid Tier-1 capital
 - Non-innovative hybrid Tier-1 capital
 - 2009-2010
- ❖ Capital improvement under FRS 139 in 2010
- ❖ Further Basel II IRB capital improvement in 2011

CAR (Bank) Tier-1: 10%-11%

CAR (Group) Tier-1: 8%-9%

Overall: 13%-14%

Overall: 13%-14%



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



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- ❖ 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 strong 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



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- ❖ 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



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- ❖ 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 4 December 2009) : RM38.74 billion

❖ Average daily value traded:

	<u>Avg Daily Vol</u>	<u>Avg Daily Val</u>
2008	5.4 million	RM 54.6 million
YTD 4 December 2009	5.52 million	RM 50.84 million

❖ Consensus net profit estimates (RM'mil):

	<u>2009</u>	<u>2010</u>	<u>2011</u>
	2,456.1	2,791.6	3,172.0

❖ Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 4 December 2009

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	19	9	2	30

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



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