



PUBLIC BANK

**JPMorgan Non-Deal-Roadshow (NDR)
London**

18-19 September 2008





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1. OPERATING ENVIRONMENT

❖ Supportive but challenging economic environment

- > GDP growth : 1Q08: 7.1% 2Q08: 6.3%
- > GDP (RM billion): 2007: 505.4 1H08: 260.5
- > Growth in 1H08 – broadbased, led by services and domestic demand
- > Accommodative fiscal and monetary policy

❖ Ample liquidity

- > LD-ratio : 2007: 74.1% Jul 2008: 73.9%
- > Large current account surplus (% of GDP): 2007: 15.6 1Q08: 13.6
- > High international reserves : 2007: US\$101.3 billion Aug 2008: US\$122.6 billion



OPERATING ENVIRONMENT - cont'd

❖ Strong banking sector

> Capital Adequacy:

Risk Weighted Capital Ratio (%): 2007: 13.2 Jul 2008: 13.2

Core Capital Ratio (%): 2007: 10.2 Jul 2008: 10.5

> Asset Quality:

Net NPL Ratio (%): 2007: 3.2 Jul 2008: 2.5

Gross NPL Ratio (%): 2007: 5.6 Jul 2008: 4.6

> Annual loan growth (%): 2007: 8.6 Jul 2008: 9.9

> Annual deposits growth (%): 2007: 7.0 Jul 2008: 12.7



OPERATING ENVIRONMENT - cont'd

Challenges:

- ❖ High headline inflation
- ❖ Softening domestic demand
- ❖ High fiscal deficit:
 - > 2008: 4.8% of GDP
 - > 2009: 3.6% of GDP
- ❖ Rising unemployment (4Q07: 3%, 1Q08: 3.6%)
- ❖ Political uncertainties
- ❖ Soft RM exchange rate



2. INTRODUCTION TO PUBLIC BANK

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

	Profit Before Tax			Total Assets		
	YTD Jun 2008	2007	2006	Jun 2008	2007	2006
Malaysia	88%	85%	86%	91%	91%	92%
Overseas	12%	15%	14%	9%	9%	8%



Group Structure – Main Companies

No. of Branches

❖	Malaysian Operations	
	> Public Bank Berhad	241
		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	26
		2 (China)
❖	Indo-China Operations	
	> Cambodian Public Bank	11
	> VID Public Bank (Vietnam)	7



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- ❖ 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



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- > 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

	FYE 2007		YTD Jun 2008	
	RM million	%	RM million	%
Retail operations	2,308	73	1,460	79
Treasury & capital market operations	390	12	259	14
Fund management	183	6	92	5
Investment banking	166	5	27	1
Corporate lending	105	3	(5)*	(**)
Others	19	1	15	1
	3,171	100	1,848	100
Unallocated expenses	(167)	-	(86)	-
Profit before tax	3,004	-	1,762	-

* Due to high general provision resulting from loan growth and full specific provision made on certain loans secured by properties exceeding 7 years

** Less than 0.5%



B) Loans & Deposits Growth Since 2001

	2001	2002	2003	2004	2005	2006	2007	Jun 2008 (Annualised)
Loans Growth (%)	11.8*	22.3	21.3	22.4	19.9	17.5*	20.2**	23.8
Core Customer Deposits Growth (%)	5.1*	19.3	6.3	20.4	9.8	13.1*	20.1	14.0

* 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	May 2008
Loans Market Share (%)	6.4	8.2	9.6	11.1	12.0	13.2	14.4	14.9
Deposits Market Share (%)	8.2	9.3	9.5	12.4	13.2	14.2	14.8	14.5



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 Jun 2008	2004	2005	2006	2007	YTD Jun 2008 vs YTD Jun 2007
Profit before tax	1,435	1,884	2,059	2,416	3,004	1,762	31.3	9.3	17.3	24.3	25.2
Net profit	989	1,294	1,459	1,727	2,124	1,311	30.8	12.8	18.4	23.0	31.1



E) Balance Sheet Highlights

	2005	2006	2007	Jun 2008
	RM million	RM million	RM million	RM million
Total assets	116,689	147,790	174,155	185,236
Gross loans and advances	68,102	84,365	101,005**	113,056**
Domestic gross loans and advances	65,199	76,326	90,540	101,082
Deposits from customers	84,130	111,793	138,765	152,174
Shareholders' funds	8,564	9,034	9,342	9,369
Net assets per share (RM)	2.60	2.71	2.79	2.79

** Excluding Islamic financing sold to Cagamas



F) Key Financial Ratios

	2005	2006	2007	Jun 08 (Annualised)	Banking Industry Jun 08
Net Return on Equity (%)*	19.1	21.9	26.3	31.3	19.7
EPS (sen)	44.5	52.1	63.3	78.2	n.a
Return on Assets (%)	2.0	1.9	1.9	2.0	1.5
Net Interest Margin on Yielding Assets (%)**	3.6	3.4	3.2	3.2	n.a
Cost Income Ratio (%)	33.8	32.7	33.1	29.3	43.9
Cost/ Average Assets (%)	1.3	1.2	1.1	1.0	1.6
Net Loans to Deposits ratio (%)	79.4	74.1	71.6	73.1	70.4

* 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 (%)	Jun 08 (%)	Banking Industry Jun08
Net NPL Ratio	1.7	1.6	1.2	0.9	2.7
Gross NPL Ratio	2.1	1.9	1.4	1.1	4.7
Gross NPL Ratio for Key Lending Sectors :					
- Housing Loans	3.3	3.1	2.4	1.9	5.7
- SME Loans	1.8	1.6	1.3	1.2	4.8
- Hire Purchase	1.0	1.1	0.9	0.7	1.9



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 Jun 2008
No. of Funds	18	19	26	34	55	62
Net Asset Value (RM' Bil)	8.23	9.88	12.08	16.19	28.39	26.70
Market Share (%)	28.9	26.3	27.6	33.5	40.0	39.2
Gross New Sales (RM' Bil)	2.36	2.06	3.07	4.10	13.12	4.23

- ❖ Total % of equity funds to total funds: RM20.51b/ 76.81% (As at Jun 2008)
- ❖ Largest private unit trust management company in Malaysia
- ❖ Agency force: 2006: 16,568 2007: 29,947 end-August 2008: 41,774
- ❖ Strong growth due to expanding unit trust agency force and good performance of its funds



J) Capital Adequacy Ratios

	RM million			
	2005	2006	2007	Jun 2008
Equity Capital	7,885.3	7,151.0	7,626.7	7,590.2
Hybrid Capital	-	1,262.0	1,345.9	1,339.4
Total Tier 1 Capital	7,885.3	8,413.0	8,972.6	8,929.6
Total Tier 2 Capital	3,873.0	4,587.1	4,505.1	5,994.8
Total Capital Base	11,758.3	13,000.1	13,477.7	14,923.5
Risk-Weighted Assets	68,008.9	82,425.4	99,092.4	104,412.2
Risk-Weighted Capital Ratio (%)	17.3	15.8	13.6	14.3
Core Capital Ratio (%)	11.6	10.2	9.1	8.6



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 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



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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 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
- ❖ Maintain best asset quality – lowest NPL ratio
- ❖ Make positive spread on term deposits instead of negative spread in the past



❖ Improve productivity

	2004	2005	2006	2007	Jun08	Benchmark Ranking against Domestic Bank as at 2H07
Gross loan per employee (RM'mil)	4.5	5.3	6.3	7.1	7.4	1st
Deposit per employee (RM'mil)	5.7	6.6	8.3	9.7	9.9	1st
PBT per employee (RM'000)	149	161	180	210	230	1st

Compounded Annual Growth Rate (CAGR)

2002 - Jun 2008	(%)
Gross Loans and Advances	21.6
Deposits from Customers	22.9
Net Profit	22.4
No. of Employees	4.6



5. MARKET CAPITALISATION AND ANALYSTS POLL

- ❖ Market capitalisation (as at end-August 2008) : RM36.03 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 August 2008	5.2 million	RM 55.9 million

❖ Consensus net profit estimates (RM'mil):	<u>2008</u>	<u>2009</u>	<u>2010</u>
	2,462	2,678	2,971

- ❖ Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 29 August 2008

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	20	6	1	27

Sources: 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 (75% free-float)
- ❖ Proven management record in execution
- ❖ Strong working commitment and excellent career environment



Thank you