



PUBLIC BANK

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AGENDA



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1. OPERATING ENVIRONMENT

- ❖ Supportive economic environment
 - > GDP growth (%): 2007: 6.3 1Q08: 7.1
 - > Growth – led by services
 - > Strong domestic demand
 - > Accommodative macro policies

- ❖ Inflation (%): May 2008: 3.8

- ❖ Ample liquidity
 - > LD-ratio (%): 2007: 74.1 May 2008: 72.8
 - > Current account surplus (% of GDP): 2007: 15.6 1Q08: 13.6

- ❖ Strong and stable RM exchange rate



OPERATING ENVIRONMENT - cont'd

❖ Strong banking sector

> Capital Adequacy:

Risk Weighted Capital Ratio (%): 2007: 13.2 May 2008: 13.0

Core Capital Ratio (%): 2007: 10.2 May 2008: 9.9

> Asset Quality:

Net NPL Ratio (%): 2007: 3.2 May 2008: 2.8

Gross NPL Ratio (%): 2007: 5.6 May 2008: 4.8

> Annual loan growth (%): 2007: 8.6 May 2008: 11.0

> Annual deposits growth (%): 2007: 7.0 May 2008: 8.7



OPERATING ENVIRONMENT - cont'd

- ❖ Modest household gearing
- ❖ Low corporate gearing
- ❖ Low unemployment
- ❖ Higher public spending



2. INTRODUCTION TO PUBLIC BANK

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

	Profit Before Tax			Total Assets		
	YTD Mar 2008	2007	2006	Mar 2008	2007	2006
Malaysia	90%	85%	86%	91%	91%	92%
Overseas	10%	15%	14%	9%	9%	8%



Group Structure – Main Companies

	<u>No. of Branches</u>
❖ 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	41
> Public Bank (HK) Limited	25
	2 (China)
❖ Indo-China Operations	
> Cambodian Public Bank	11
> VID Public Bank (Vietnam)	7



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



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- Deposits
 - Retail deposits: Fixed deposits, savings and demand
 - Wholesale deposits

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

3. FINANCIAL RESULTS AND HISTORICAL PERFORMANCE



A) Profit Contribution By Business Segment

	2007		YTD Mar 2008	
	RM million	%	RM million	%
Retail operations	2,308	73	792	78
Treasury & capital market operations	390	12	161	16
Fund management	183	6	45	4
Investment banking	166	5	19	2
Corporate lending	105	3	(6)*	(1)
Others	19	1	6	1
	3,171	100	1,017	100
Unallocated expenses	(167)	-	(46)	-
Profit before tax	3,004	-	971	-

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



B) Loans & Deposits Growth Since 2001

	2001	2002	2003	2004	2005	2006	2007	Mar 2008 (Annualised)
Loans Growth (%)	11.8*	22.3	21.3	22.4	19.9	17.5*	20.2**	22.1
Core Customer Deposits Growth (%)	5.1*	19.3	6.3	20.4	9.8	13.1*	20.1	9.6

* 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	Mar 2008
Loans Market Share (%)	6.4	8.2	9.6	11.1	12.0	13.2	14.4	14.6
Deposits Market Share (%)	8.2	9.3	9.5	12.4	13.2	14.2	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 Mar 2008	2004	2005	2006	2007	YTD Mar 2008 vs YTD Mar 2007
Profit before tax	1,435	1,884	2,059	2,416	3,004	971	31.3	9.3	17.3	24.3	43.7
Net profit	989	1,294	1,459	1,727	2,124	717	30.8	12.8	18.4	23.0	50.7



E) Balance Sheet Highlights

	2005	2006	2007	Mar 2008
	RM million	RM million	RM million	RM million
Total assets	116,689	147,790	174,155	178,099
Gross loans and advances	68,102	84,365	101,005**	106,576**
Domestic gross loans and advances	65,199	76,326	90,540	95,538
Deposits from customers	84,130	111,793	138,765	144,500
Shareholders' funds	8,564	9,034	9,342	8,758
Net assets per share (RM)	2.60	2.71	2.79	2.61

** Excluding Islamic financing sold to Cagamas



F) Key Financial Ratios

	2005	2006	2007	YTD Mar 2008 (Annualised)
Net Return on Equity (%)	19.1	21.9	26.3	34.0
EPS (sen)	44.5	52.1	63.3	85.6
Return on Assets (%)	2.0	1.9	1.9	2.2
Net Interest Margin on Yielding Assets (%)	3.6	3.4	3.2	3.2
Cost Income Ratio (%)	33.8	32.7	33.1	28.6
Cost/ Average Assets (%)	1.3	1.2	1.1	1.0
Net Loans to Deposits ratio (%)	79.4	74.1	71.6	72.6



G) Asset Quality Track Record

	2005 (%)	2006 (%)	2007 (%)	Mar 2008 (%)
Net NPL Ratio	1.7	1.6	1.2	1.1
Gross NPL Ratio	2.1	1.9	1.4	1.2
Industry Gross NPL Ratio	8.4	7.4	5.6	5.3
Gross NPL Ratio for Key Lending Sectors :				
- Housing Loans	3.3	3.1	2.4	2.2
- SME Loans	1.8	1.6	1.3	1.1
- Hire Purchase	1.0	1.1	0.9	0.8



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



I) Public Mutual

	2003	2004	2005	2006	2007	YTD Mar 2008
No. of Funds	18	19	26	34	55	60
Net Asset Value (RM' Bil)	8.23	9.88	12.08	16.19	28.39	26.17
Market Share (%)	28.9	26.3	27.6	33.5	40.0	39.4
Gross New Sales (RM' Bil)	2.36	2.06	3.07	4.10	13.12	2.16

- ❖ Total % of equity funds to total funds: RM20.26b/ 77.42% (YTD March 2008)
- ❖ Largest private unit trust management company in Malaysia
- ❖ Strong growth due to good performance of its funds



J) Capital Adequacy Ratios

	RM million			
	2005	2006	2007	Mar 2008
Equity Capital	7,885.3	7,151.0	7,626.7	6,425.5
Hybrid Capital	-	1,262.0	1,345.9	1,133.9
Total Tier 1 Capital	7,885.3	8,413.0	8,972.6	7,559.4
Total Tier 2 Capital	3,873.0	4,587.1	4,505.1	4,673.2
Total Capital Base	11,758.3	13,000.1	13,477.7	12,231.7
Risk-Weighted Assets	68,008.9	82,425.4	99,092.4	100,055.3
Risk-Weighted Capital Ratio (%)	17.3	15.8	13.6	12.2
Core Capital Ratio (%)	11.6	10.2	9.1	7.6



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



- ❖ Strong performance driven culture
 - performance related remuneration system
 - stable employment and good career opportunities
 - high staff morale
 - strong staff performance culture through
 - commitment
 - employee sense of belongingness
 - one focus/ Group goal congruence
 - good career and always have the sense of long life career (demonstrated in the past)



Strategies to address narrowing Net interest Margins

- ❖ Continued high volume growth
- ❖ 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



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- ❖ Make good spread on long-term deposits instead of negative spread in the past
 - ❖ Opportunity to raise fixed rates portfolio
 - ❖ 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



5. MARKET CAPITALISATION AND ANALYSTS POLL

❖ Market capitalisation (as at end-June 2008) : RM36.9 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 June 2008	5.6 million	RM 61.6 million

❖ Consensus net profit estimates (RM'mil):

	<u>2008</u>	<u>2009</u>	<u>2010</u>
	2,476	2,730	3,056

❖ Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at 30 June 2008

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	20	6	1	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 – 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
- ❖ Strong working commitment and excellent career environment



Thank you