



**Public Bank Group**

**Presentation to  
Investors**

**7<sup>th</sup> Nomura  
Asia Equity Forum**

*7 – 10 June 2010*

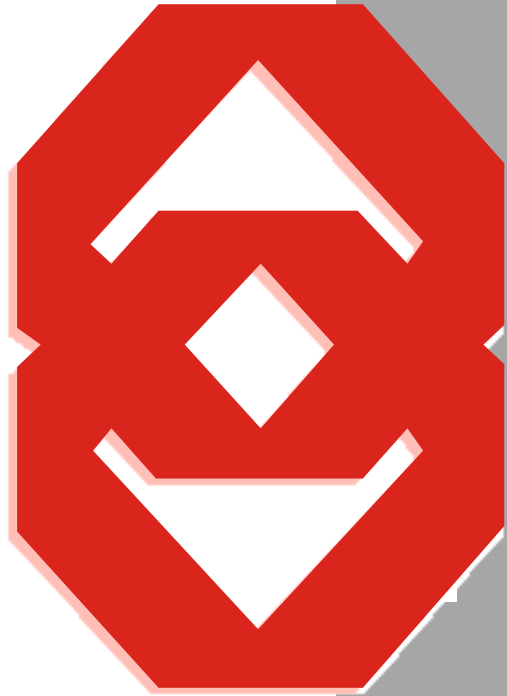




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## Quick Facts

- ▶ Top-tier bank in Malaysia
- ▶ Top 5 largest listed<sup>^</sup> corporation by market capitalisation
- ▶ Most award-winning bank in Malaysia\*
- ▶ Highly experienced management
- ▶ Unbroken profit track record since incorporation in 1966
- ▶ Strong financial ratings & corporate governance
- ▶ Valuable PB Brand & retail franchise

<sup>^</sup> Reference to listing on Bursa Malaysia

\* Certified by the Malaysia Book of Records



# Presentation to Investors

**INTRODUCTION TO PUBLIC  
BANK GROUP**

**GROUP PERFORMANCE**

**MARKET CAPITALISATION  
AND ANALYSTS' POLL**

**ACHIEVEMENT OF MEDIUM  
TERM PLANS**

**SUMMARY**

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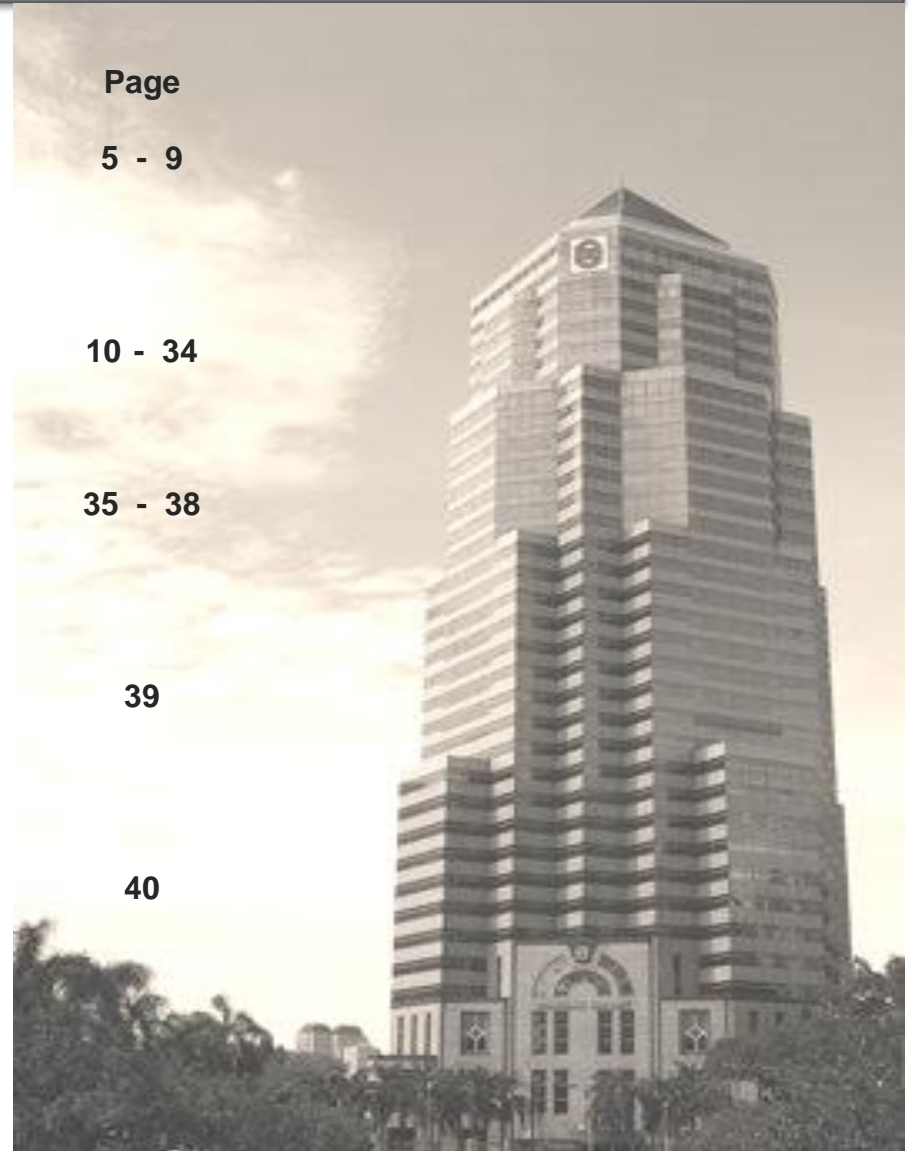
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**10 - 34**

**35 - 38**

**39**

**40**



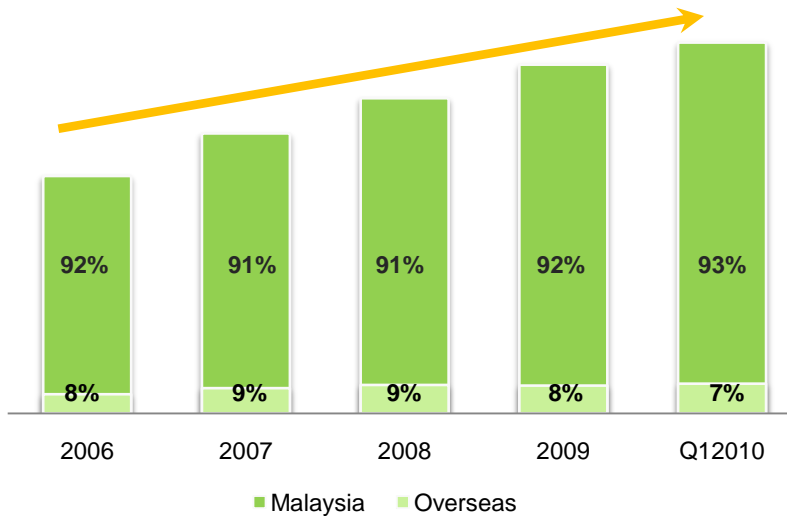


# Introduction to Public Bank Group

- Commenced operations in 1966 with one branch
- Listed in April 1967 on Bursa Malaysia Securities Berhad (*then known as Kuala Lumpur Stock Exchange*)
- Geographical Contribution

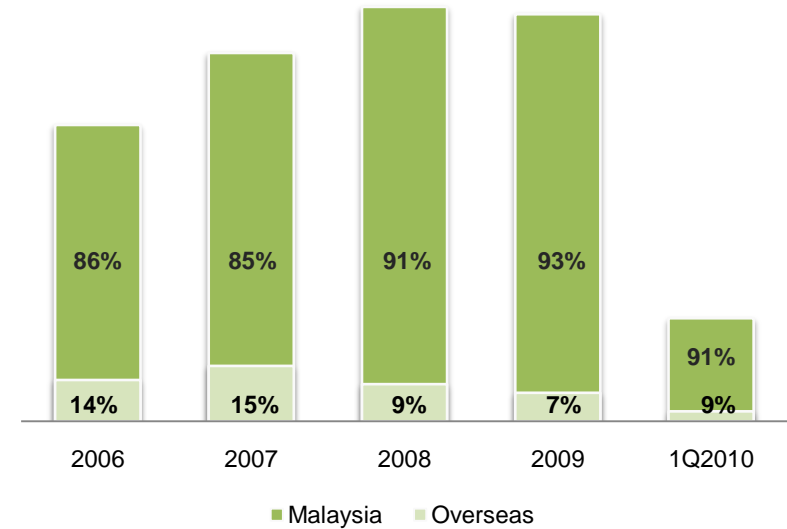
## Total Assets

Consistent & stable investment strategy



## Pre-tax Profit

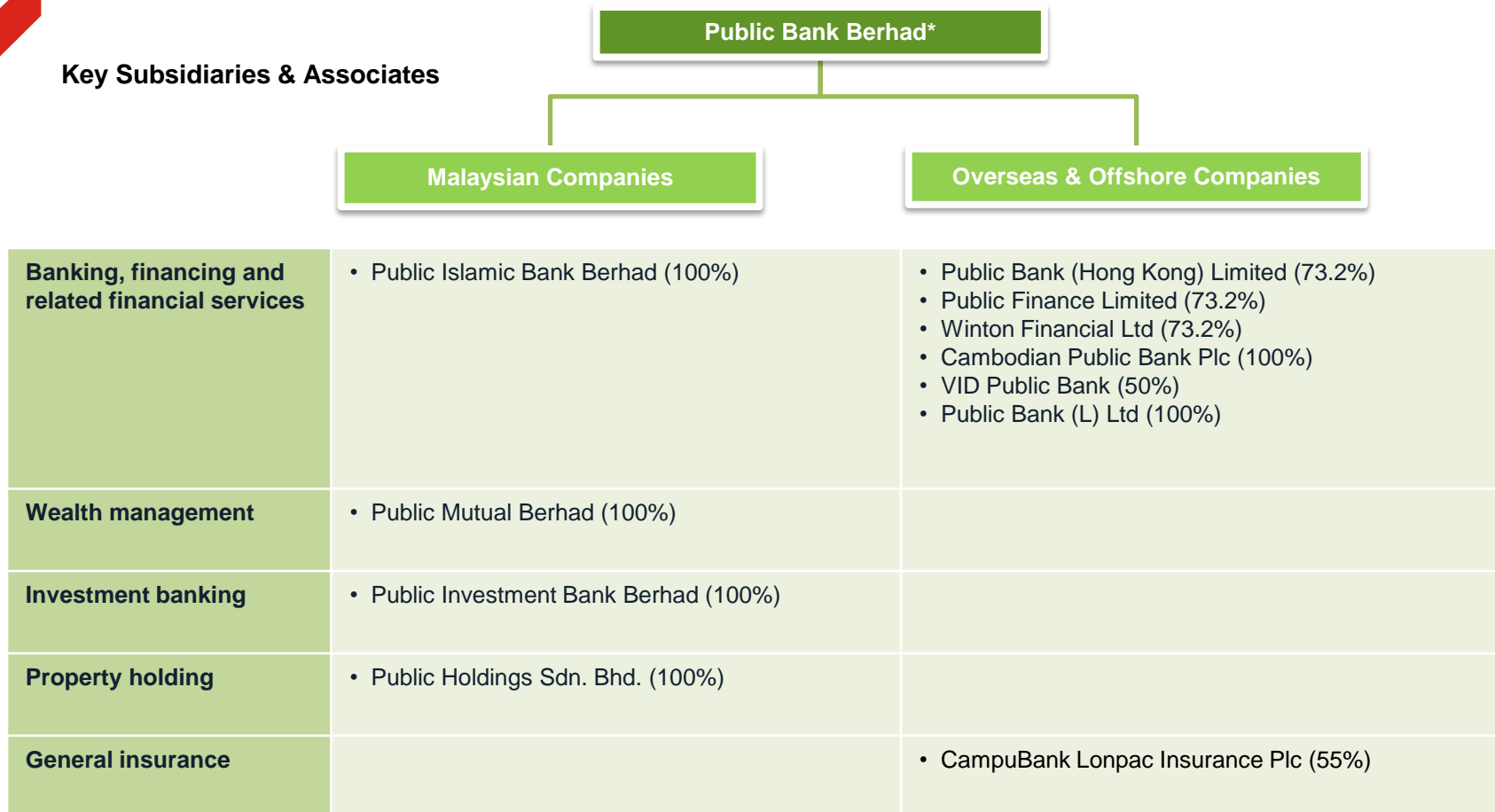
Strong domestic returns





# Group Corporate Structure

## Key Subsidiaries & Associates



\* Holding company principally engaged in all aspects of banking and finance company businesses and the provision of related services.



# Growth Strategy and Retail Business Focus

- **Growth strategy**
  - Sustainable 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 & microfinance

➤ **Deposits:**

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

➤ **Fee Based Business:**

Unit trusts, bancassurance and structured investment products

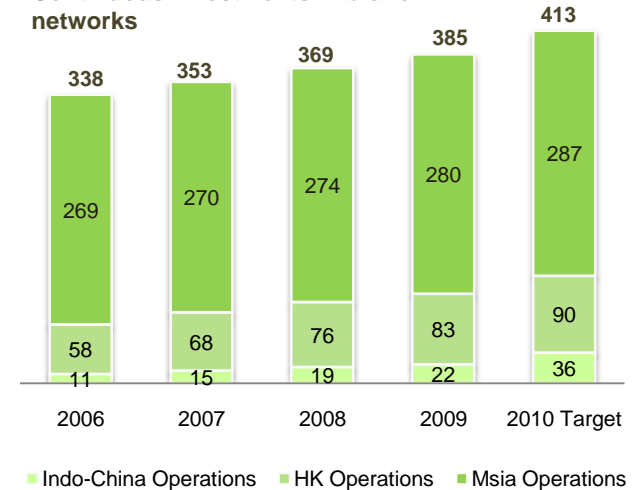


# Expansion in Business Delivery Channel

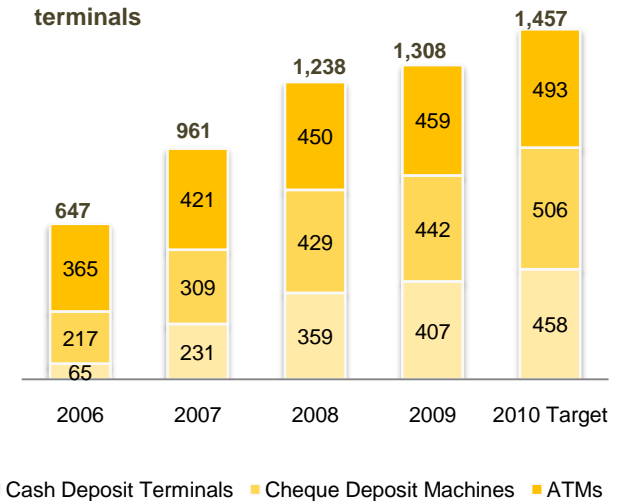
## Branch Network - Group

	2006	2009	2010 Target
<b>Malaysian Operations</b>			
Public Bank - Domestic	240	248	<b>253</b>
- Overseas	3	5	<b>5</b>
Public Mutual	25	26	<b>28</b>
Public Investment Bank	1	1	<b>1</b>
<b>Hong Kong Operations</b>			
Public Finance Ltd	40	42	<b>42</b>
Public Bank (HK) Ltd - Hong Kong	15	30	<b>32</b>
- China	1	3	<b>3</b>
Winton (B.V.I) Ltd Group	2	8	<b>13</b>
<b>Indo-China Operations</b>			
Cambodia Public Bank	5	15	<b>27</b>
VID Public Bank (Vietnam)	6	7	<b>9</b>

## Continuous investments in branch networks



## Continuous investments in self service terminals





## Reaffirmed High Credit Ratings

	Long term	Short term	Latest update
RAM	AAA	P1	April 2009
Moody's	A3	P-1	December 2009
Standard & Poor's	A-	A-2	November 2009
Standard & Poor's ASEAN Scale Rating	axAA	axA-1	May 2009

### RAM rating on Subordinated Notes and Capital Securities

	Long term	Latest update
Subordinated Medium Term Notes Programme of up to RM5.0 billion	AA1	April 2009
RM1.2 billion Innovative Tier 1 capital Securities	AA2	April 2009
Non-Cumulative Perpetual Capital Securities Programme of up to RM5.0 billion	AA2	April 2009



## Key Financials

RM mil	2005	2006	2007	2008	2009	1Q2010
<b>Total assets</b>	111,689	147,790	174,155	196,163	217,136	219,036
<b>Gross loans and advances</b>	68,102	84,365	101,005	120,319	137,610	142,428
<b>Deposits from customers</b>	75,153	98,213	126,028	151,185	170,892	175,610
<b>Net profit attributable to shareholders</b>	1,459	1,727	2,124	2,581*	2,517	685
<b>Net ROE (%)</b>	19.1	21.9	26.3	30.4*	26.1	25.3
<b>Gross impaired loans ratio (%)</b>	2.1	1.9	1.4	1.0	1.0	0.9
<b>Risk weighted capital ratio** (%)</b>	16.1	14.6	12.4	13.1	14.2	13.7
<b>Net loan deposit ratio (%)</b>	88.9	84.3	78.8	78.3	79.2	79.8

\* Figures for 2008 include RM200 million one-off goodwill income from ING

\*\* After deducting proposed dividend



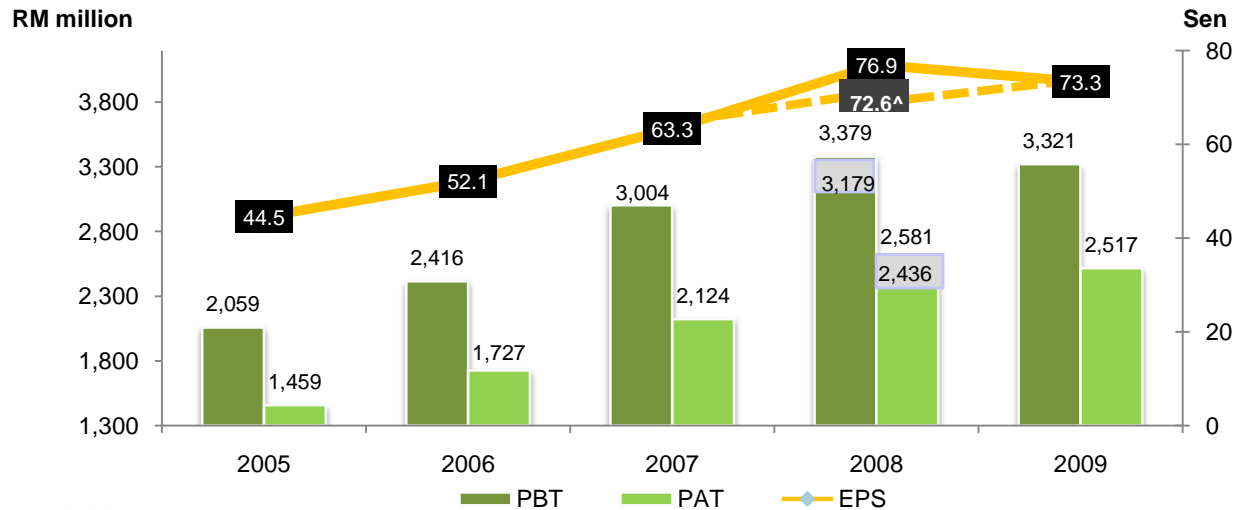
# Unbroken Profit Track Record

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

	RM million						y-o-y growth (%)					
	2005	2006	2007	2008*	2009	1Q2010	2005	2006	2007	2008*	2009	1Q2010**
<b>Pre-tax profit</b>	2,059	2,416	3,004	3,179	3,321	923	9.3	17.3	24.3	5.8	4.5	23.8
<b>Net profit</b>	1,459	1,727	2,124	2,436	2,517	685	12.8	18.4	23.0	14.7	3.3	16.3

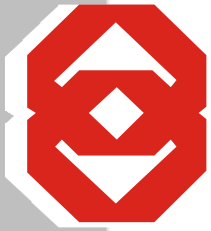
\* Figures for 2008 exclude RM200 million one-off goodwill income from ING

\*\* Growth in comparison with corresponding quarter in 2009

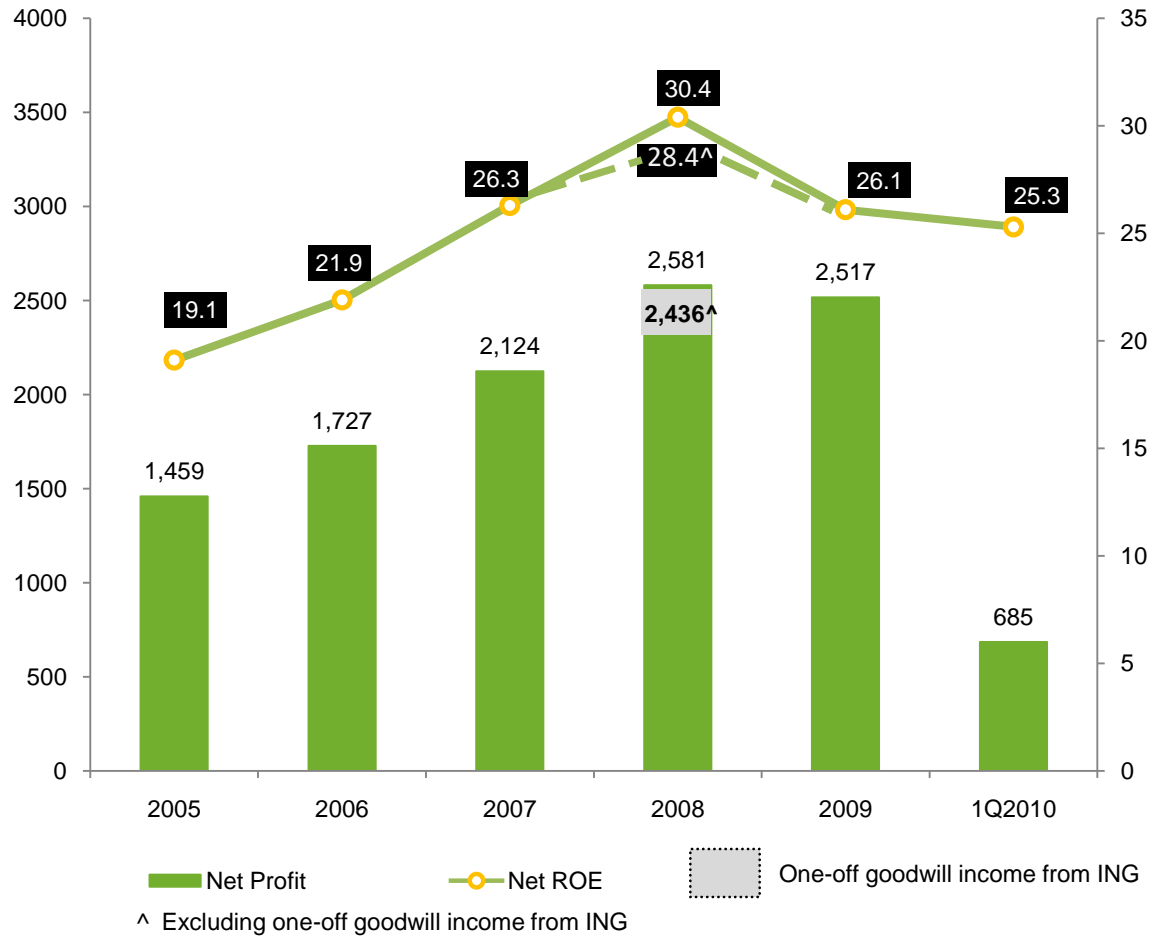


One-off goodwill income from ING

<sup>^</sup> Adjusted EPS excluded one off goodwill income from ING



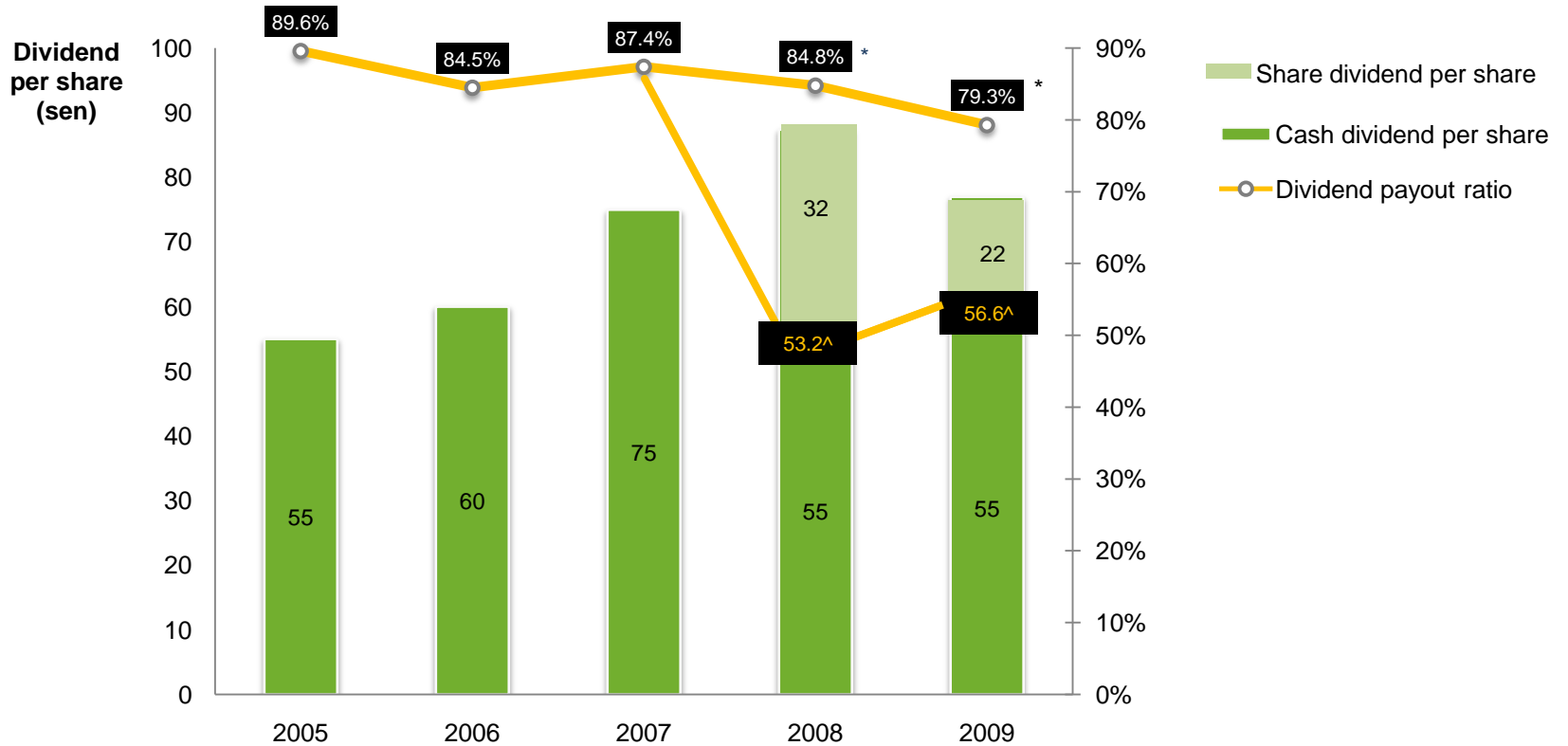
# Return on Equity





# Dividend Track Record

- Paid dividends annually since 1970



Dividend yield (incl share dividend)	8.4%	7.7%	6.8%	10.0%*	6.8%*
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^ Dividend payout based on cash dividends

\* Including share dividend



## Strong Recent Quarter Earnings Performance

RM'mil	Q1 2010	Q1 2009	Change
<b>Net interest &amp; Islamic Banking income</b>	<b>1,264.7</b>	1,103.7	14.6%
<b>Non-interest income</b>	<b>386.9</b>	294.3	31.5%
<b>Operating expenses</b>	<b>590.1</b>	497.1	18.7%
<b>Operating profit</b>	<b>1,061.5</b>	900.8	17.8%
<b>Loan impairment allowances</b>	<b>139.8</b>	156.4	10.6%
<b>Pre-tax profit</b>	<b>922.6</b>	744.9	23.8%
<b>Net profit</b>	<b>685.3</b>	589.3	16.3%

### Income:

- Strong growth in net interest and financing income and non-interest income

### Expenses:

- Higher operating expenses were incidental to business expansion and growing loan base

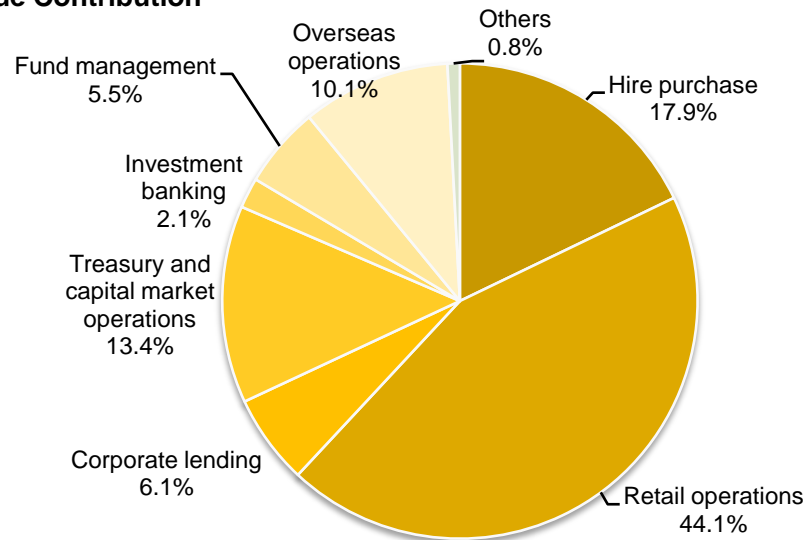
### Impairment allowance:

- Declining loan impairment allowances despite the strong loan growth, reflecting continued strengthening of asset quality



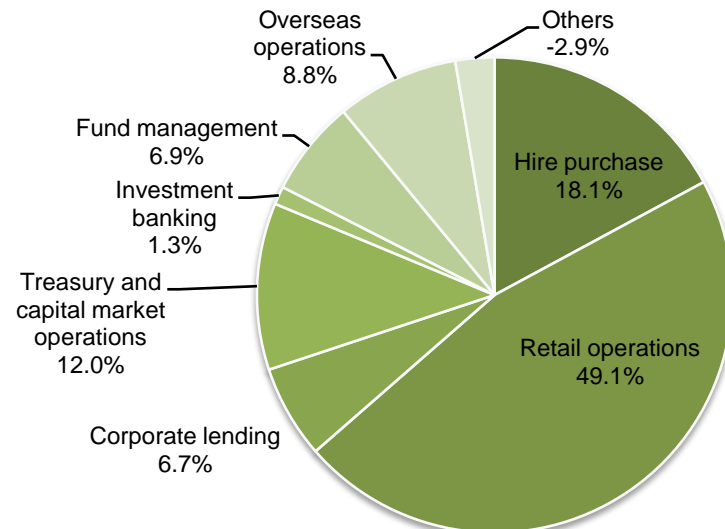
# Contribution to Revenue & Pre-tax Profit – by Business

## Revenue Contribution



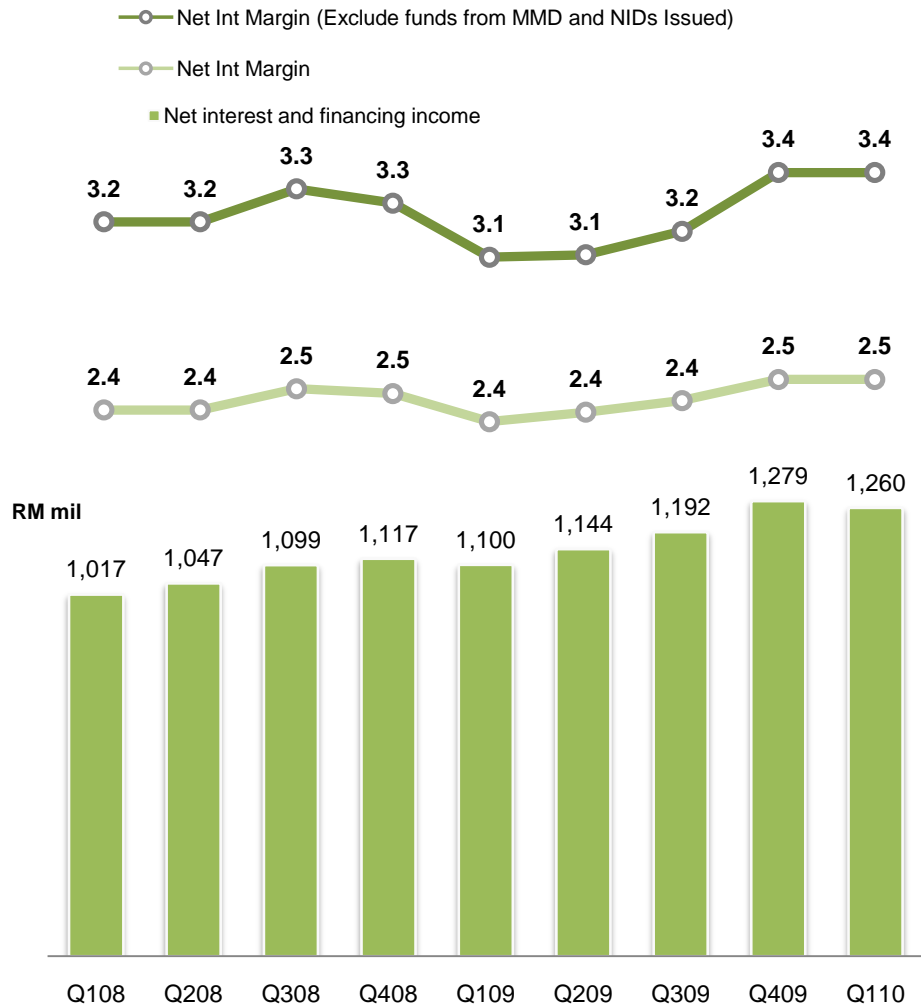
- Retail operations and hire purchase segments continue to be the major contributor to revenue and profits of the Group

## Pre-tax Profit Contribution





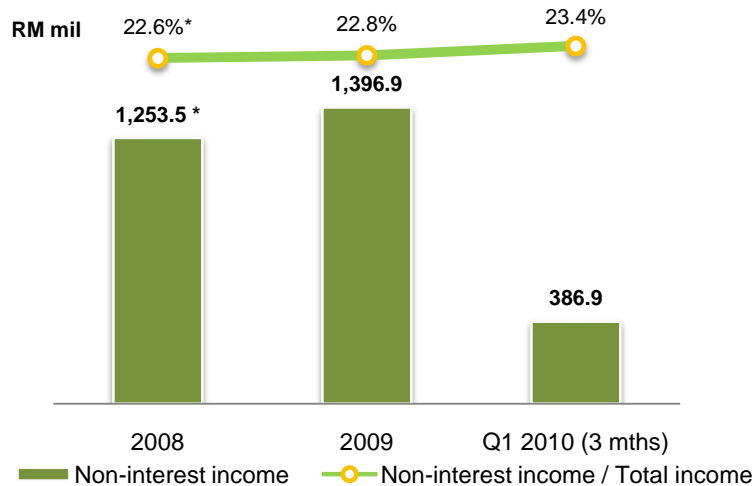
# Stable and Sustainable Growth in Net Interest Margins



- NIM for Q12010 remained stable as compared to the preceding quarter
- NIM continues to improve and stabilise since the last drop in Q12009 due to OPR drop
- Favourable impact of the OPR rise in March 2010 has not been fully reflected in the Q1 2010's results. Net interest and financing income for the current quarter remains strong despite the short month in February
- Sterling growth in net interest and financing income was driven by the Group's strong fundamentals and commitment in expanding its loan and deposit base
- Net interest and financing income is expected to continue to grow in coming quarters due to expanding loan and deposit base, coupled with expected further hike in OPR

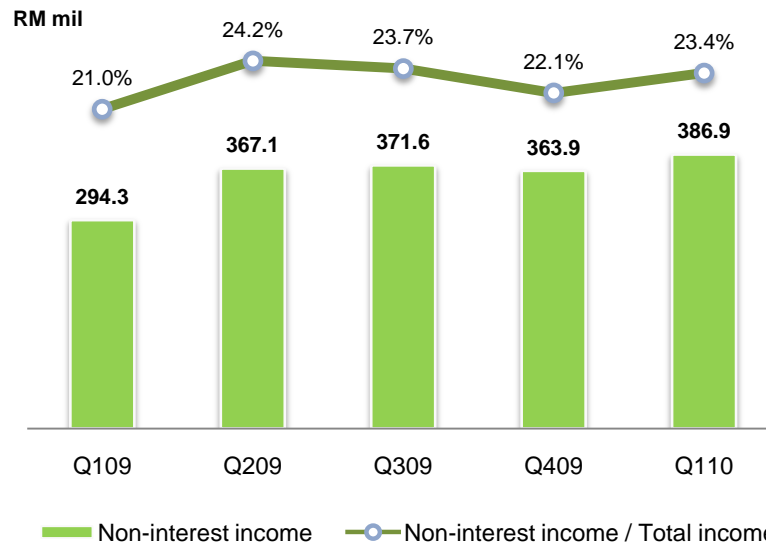


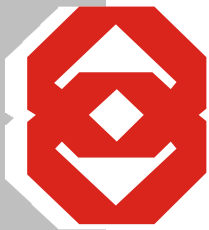
# Steady Non-Interest Income Contribution



\* Exclude RM200 million one-off goodwill income from ING

- Non-interest income of the Group see growth from the previous years, on the back of the Group's initiatives to grow its fee-based businesses
- Improved contribution of non-interest income in Qtr1 2010 was mainly contributed by the Group's unit trust and stockbroking businesses in line with the stronger equity market.

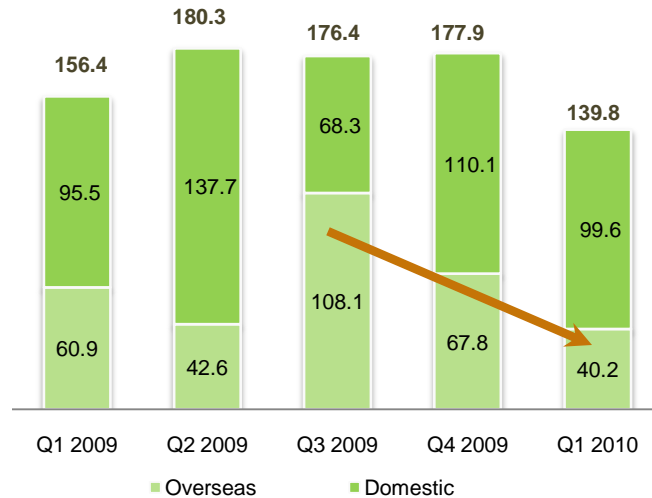




# Improving Loan Impairment Allowances

## Quarterly Loan Impairment Allowances (including general/collective allowance)

RM mil



Note: For Q1 2010 onwards, domestic loan impairment allowance is computed based on the revised BNM guidelines, which incorporates the FRS 139 accounting principles

Collective allowance for domestic loans is computed based on 1.5% requirement under the transitional provisions of the BNM guidelines on Classification and Impairment Provisions for Loans/Financing issued in January 2010

- Compared to the preceding and corresponding quarters, loan impairment allowance for Q1 2010 has favourably declined by 21.4% and 10.6% respectively
- Decreasing trend in overseas loan impairment allowance since Q4 2009 was in line with the improved asset quality, particularly in Hong Kong
- In comparison to preceding quarter Q4 2009, overseas loan impairment allowance for Q1 2010 improved by 40.7%. On annualised basis, overseas loan impairment allowance shows a decline by 42.5% as compared to 2009



# Robust Financial Position

RM'bil	Mar 2010	Dec 2009	Change
<b>Total assets</b>	<b>219.0</b>	217.1	0.9%
<b>Gross loans and advances</b>	<b>142.4</b>	137.6	3.5%
<i>Of which:</i>			
<b>Domestic loans and advances</b>	<b>129.8</b>	124.4	4.4%
<b>Overseas loans and advances</b>	<b>12.6</b>	13.2	-4.5%
<b>Deposits from customers</b>	<b>175.6</b>	170.9	2.8%
<b>Shareholders' funds</b>	<b>11.3</b>	11.0	2.8%
<b>Net assets per share (RM)</b>	<b>3.23</b>	3.19	1.3%
<b>Net loans to deposits (LD) ratio (%)</b>	<b>79.8</b>	79.2	0.6%

## Assets:

- Assets expansion driven by strong loan growth and deposit base

## Loan:

- Domestic loan growth is strong at 4.4% (annualised 17.6%) for Q1 2010
- The contraction of overseas loan growth was due to the impact of exchange rate i.e. strengthening of RM against USD

## Equity:

- Shareholders' fund grew in tandem with the strong underlying profits recorded for the quarter

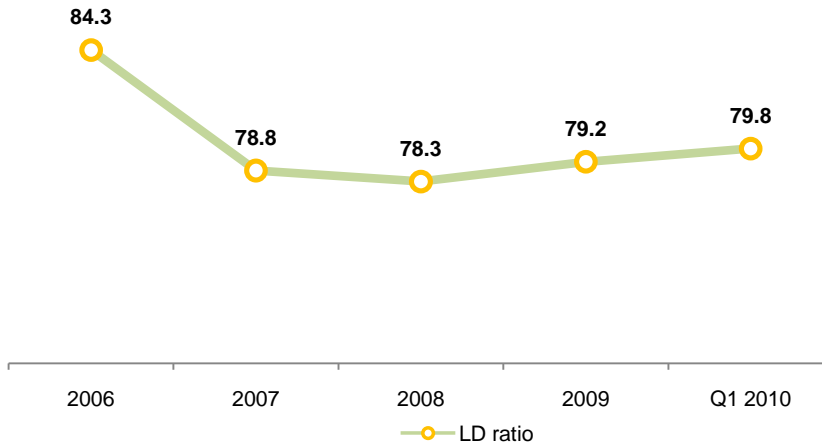
## Liquidity:

- Remain at healthy level of below 80%



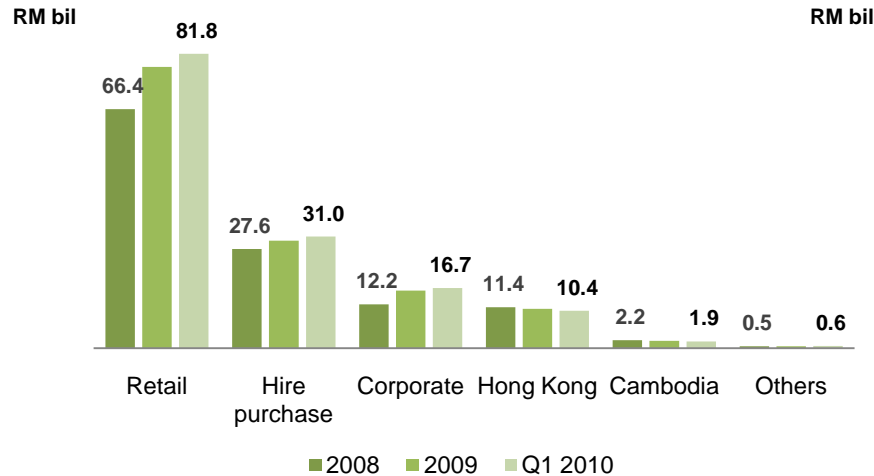
# Strong Liquidity With Healthy Loan & Deposit Growth

## Net Loan Deposit Ratio

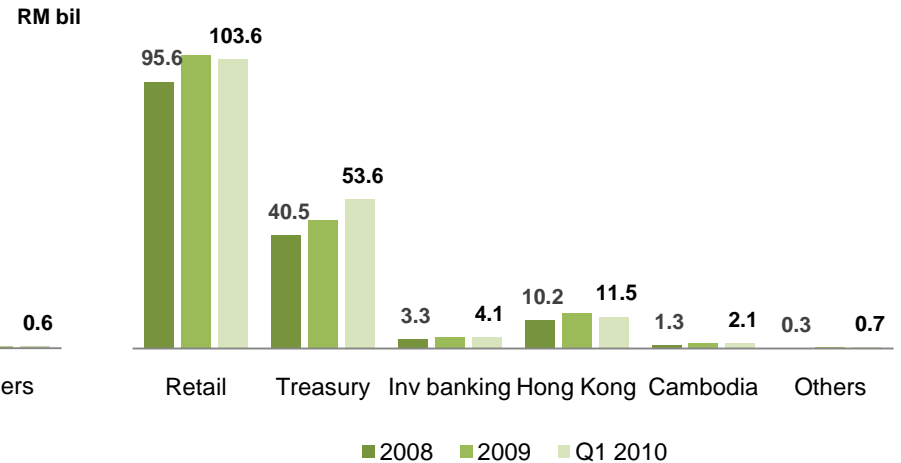


- Net loan deposit ratio remain healthy, reflecting strong liquidity position of the Group
- Loan growth continues to be supported through the Group's retail and hire purchase segments whilst retail deposits remain the main contributor to the deposit growth of the Group

## Loan Composition by Segment



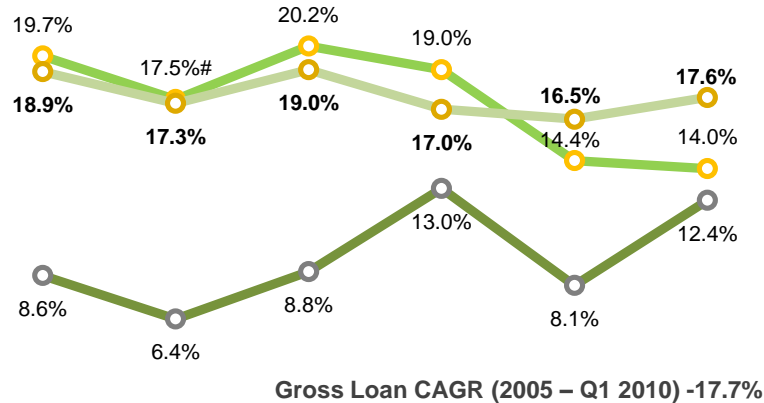
## Deposit Composition by Segment



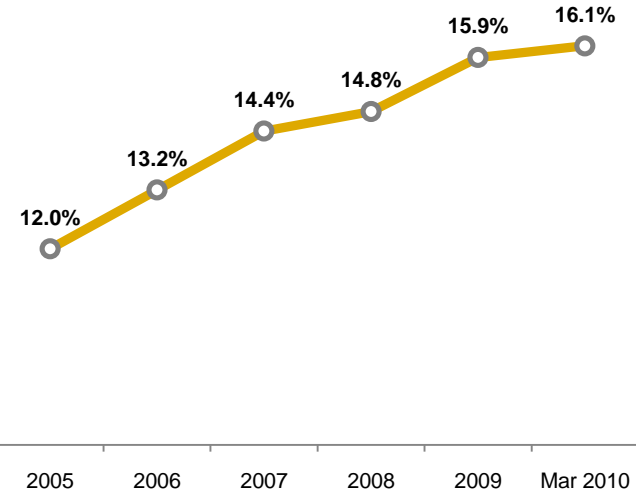


# Consistently Above-industry Loan Growth

### Loan Growth vs Industry



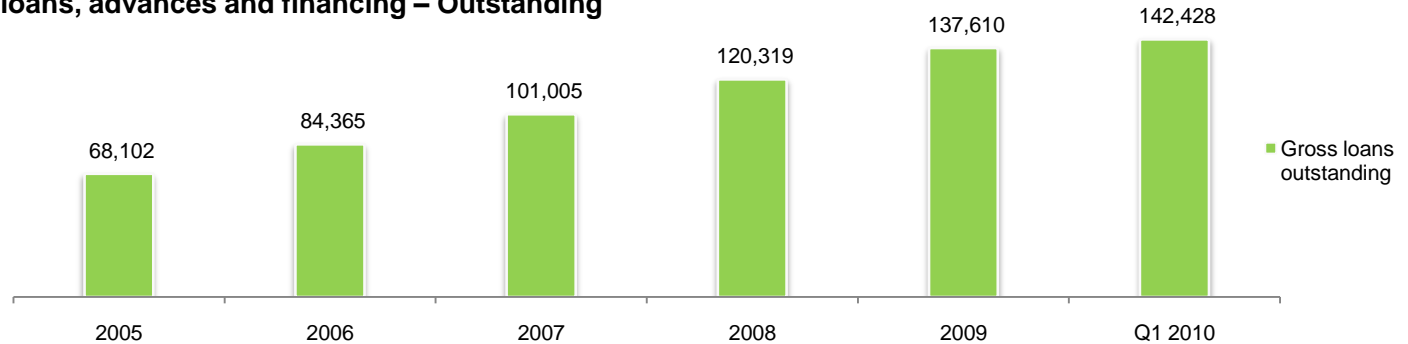
### Domestic Loan Market Share

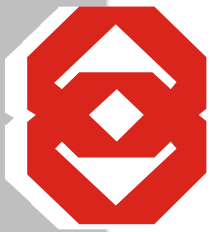


# Excluding acquisition of Public Bank (Hong Kong)  
 Note: Loan growth for Q1 2010 has been annualised based on quarter growth.

### Gross loans, advances and financing – Outstanding

RM mil



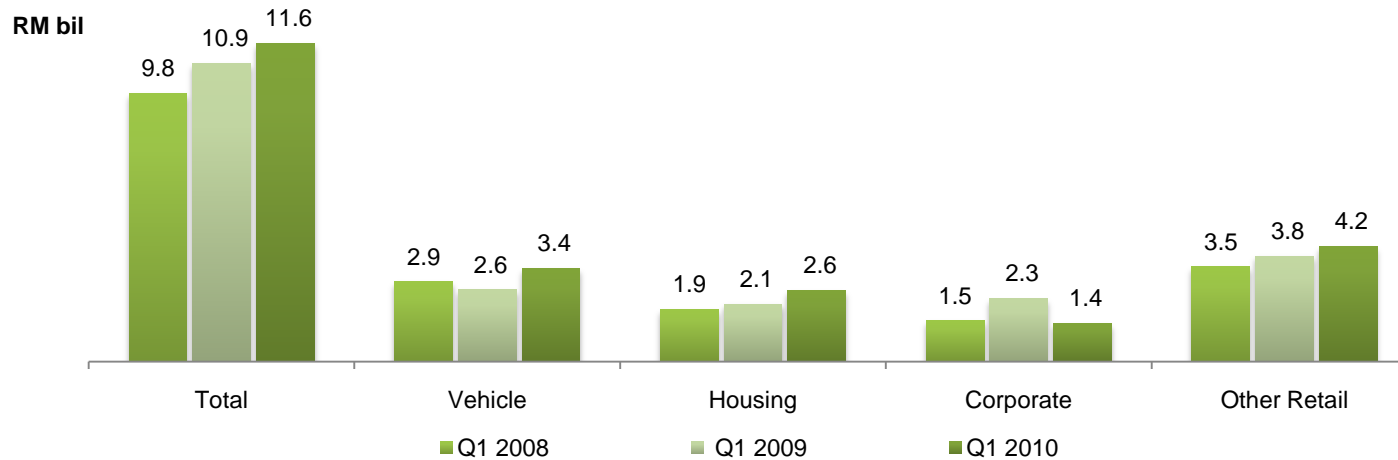


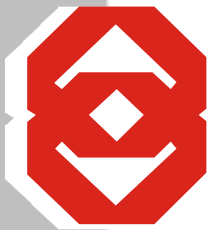
# Expect Loan Growth Momentum to Continue

## Loan Approvals

RM'mil	Q1 2010	Q1 2009	Change
Vehicle financing	3,451	2,624	↑ 31.5%
Housing loans	2,586	2,100	↑ 23.1%
Corporate loans	1,417	2,306	↓ -38.5%
Other retail loans	4,192	3,846	↑ 9.0%
Of which: SME loans	2,657	2,383	↑ 11.5%
<b>Total loans</b>	<b>11,646</b>	<b>10,876</b>	<b>↑ 7.1%</b>

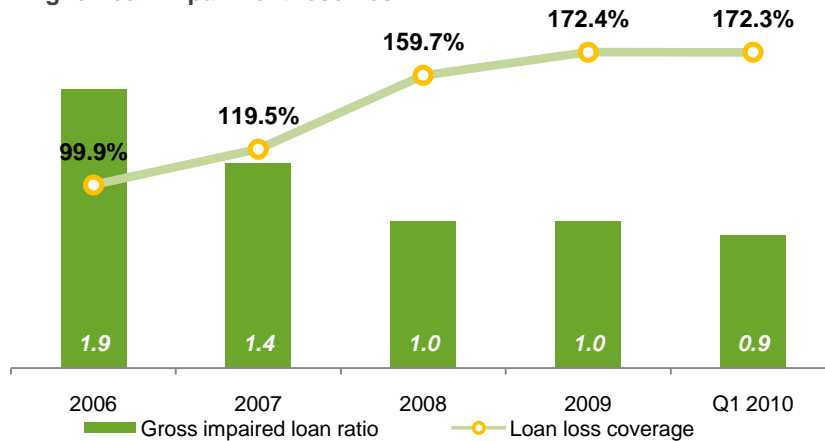
- Loan approval rate for vehicle financing and housing loan for Q1 2010 has shown strong increase from last corresponding quarter
- The strong loan approvals in Q1 2010 will continue to support loan growth momentum for the coming quarters
- SME lending represented 22.8% of the total loans approved in Q1 2010



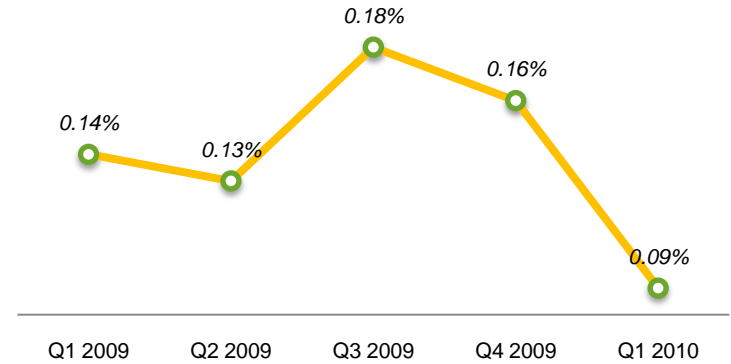


# Asset Quality Remained Strong

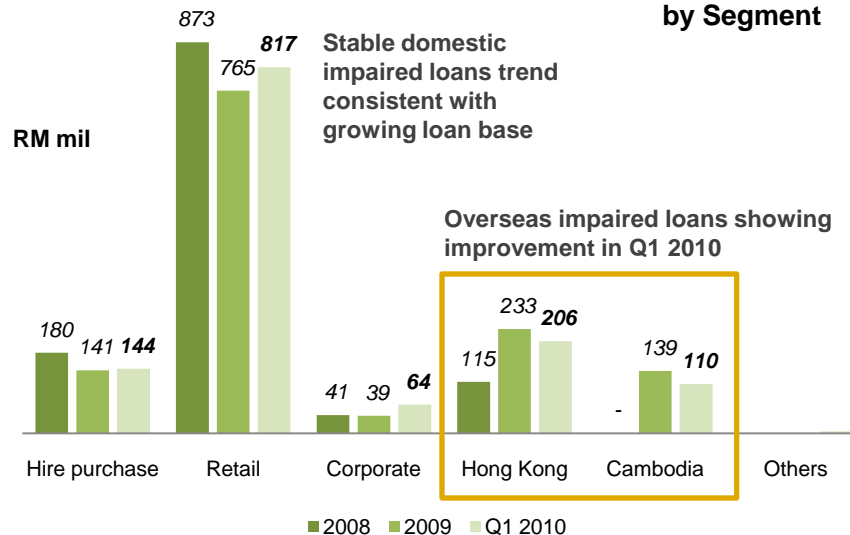
Improving gross impaired loan ratios with higher loan impairment reserves



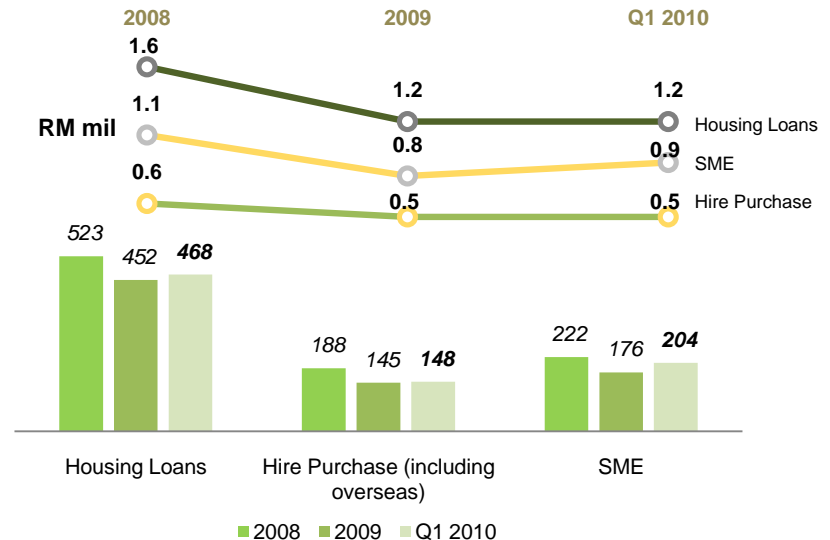
New impaired loans formation showing continuing improvement in the last 2 quarters



## Gross Impaired Loans by Segment



## Gross Impaired Loans & Impaired Loans Ratio by Key Sectors





## Sustaining Strong Asset Quality

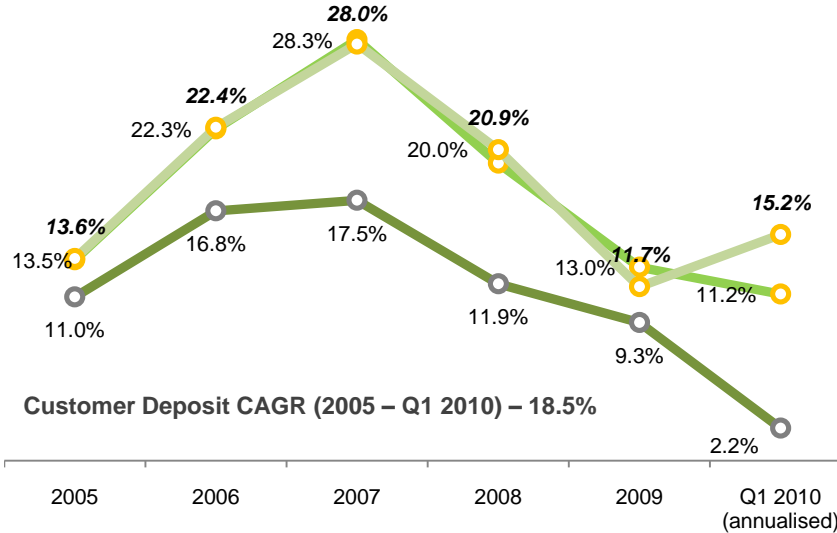
- Focus on lower risk customer segments
  - Traditional urban/ suburban mortgages
  - Passenger vehicle hire purchase
  - Middle market business enterprises
- Sound credit appraisal and approval process
- Strong credit risk culture
- Proactive loan restructuring and rescheduling





# Healthy Deposit Growth in Support of Liquidity

### Deposit Growth vs Industry

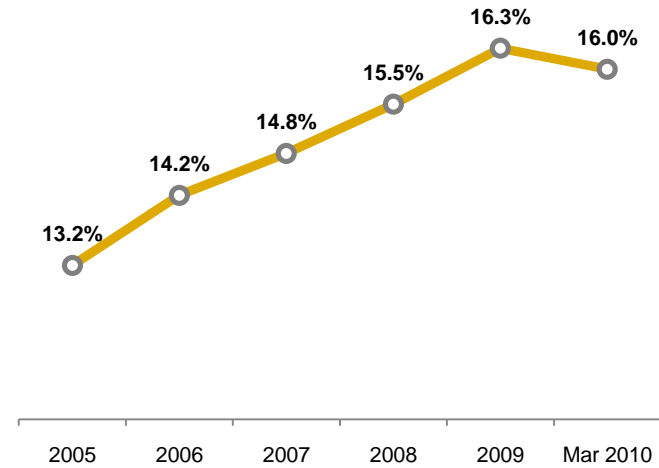


Customer Deposit CAGR (2005 – Q1 2010) – 18.5%

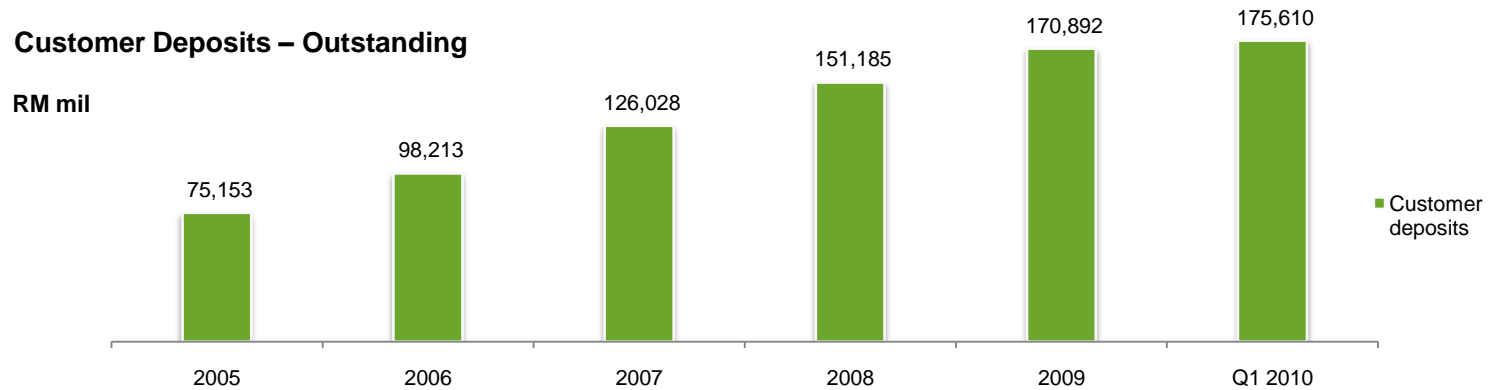
- Group Deposit Growth
- Domestic Deposit Growth
- Industry Average (latest available)

Note: Deposit growth for Q1 2010 is annualised based on quarter growth.

### Domestic Customer Deposit Market Share



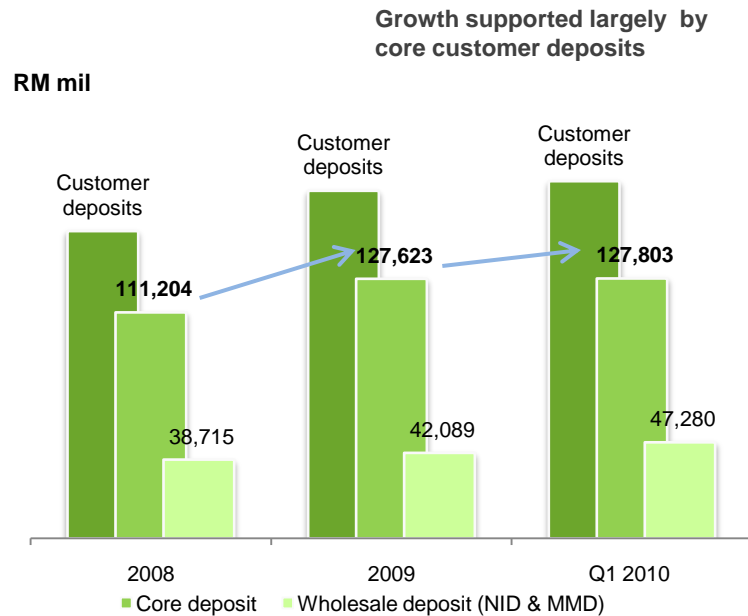
### Customer Deposits – Outstanding



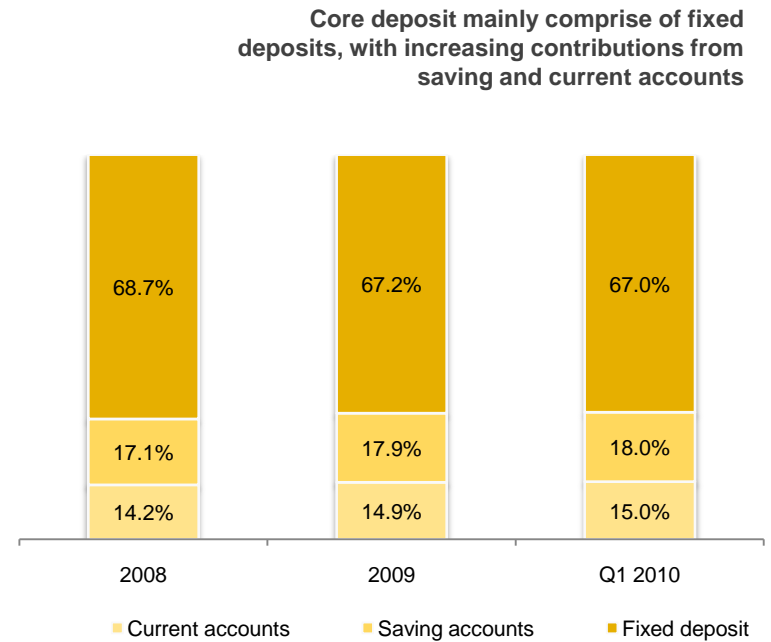


# Diversified Source of Customer Deposit

## Type of Deposit



## Source of Core Deposit



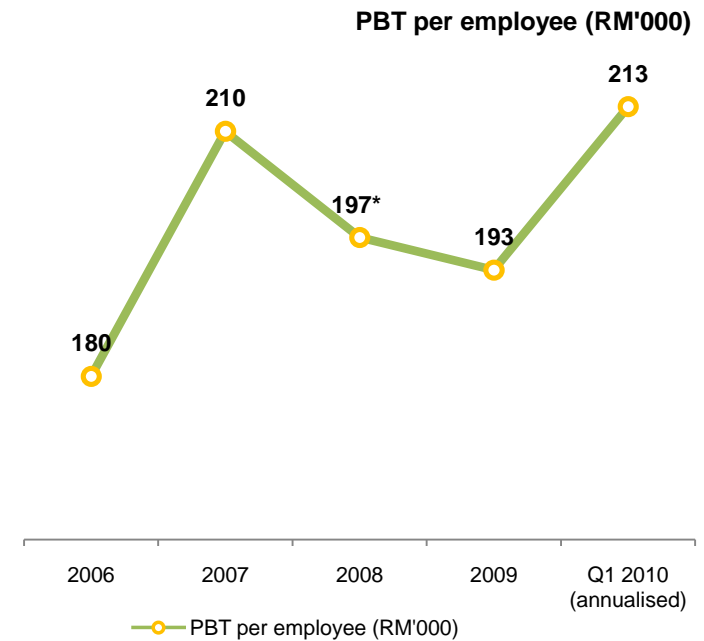
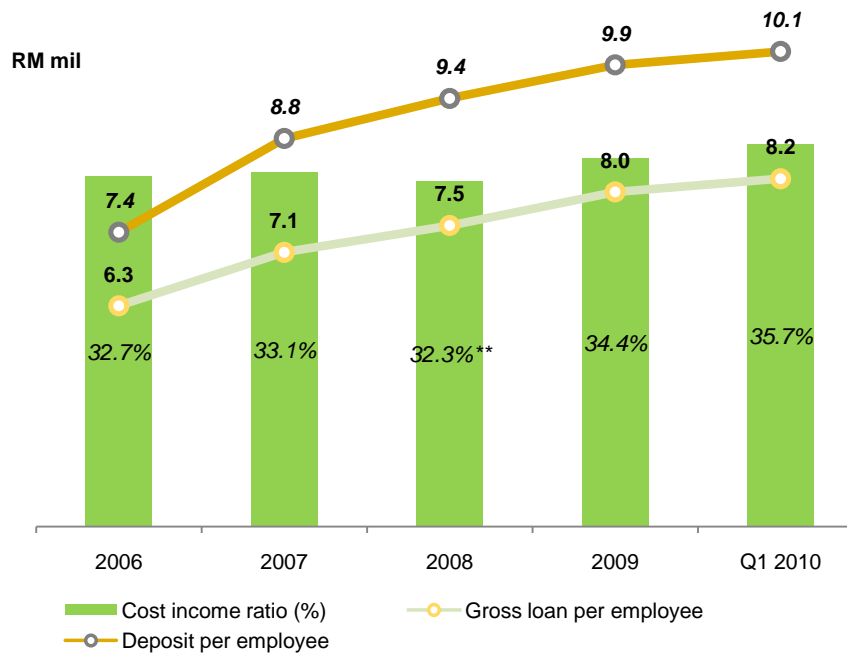


# Continued High Productivity & Cost Efficiency

RM'mil	Q1 2010	2009	Industry Average
Gross loan per employee (RM mil)	<b>8.2</b>	8.0	6.9
Deposit per employee (RM mil)	<b>10.1</b>	9.9	9.0
PBT per employee ^ (RM'000)	<b>213</b>	193	146
Cost Income Ratio (%)	<b>35.7</b>	34.4	48.4

- Improved productivity across the various indicators
- Cost income ratio increased slightly but remain the lowest in the industry

^ Annualised



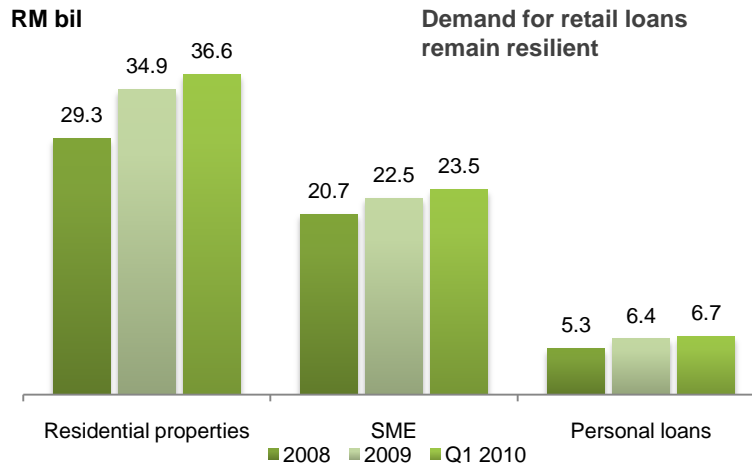
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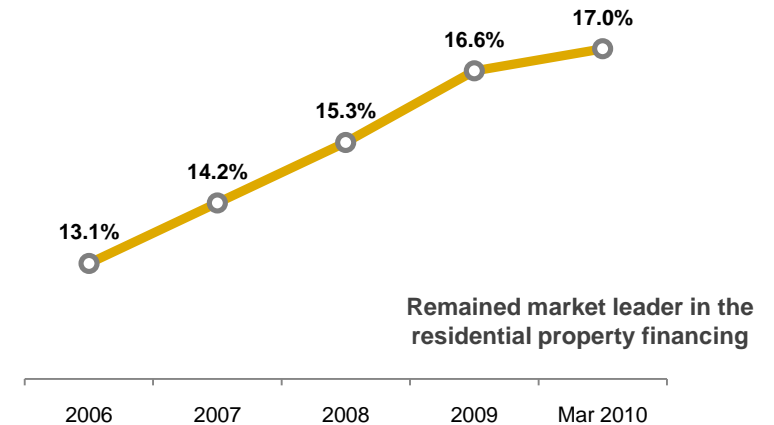


# Business Performance - Retail Operations

## Gross loan & financing in Domestic Operations



## Market Share in Retail Mortgage



## Key Drivers in Domestic Retail Banking & Financing Operations

### Residential properties financing:

- Attractive loan package under the HOME and MORE plans
- Strong sales force and marketing network with reputable developers, real estate agents and solicitors

### SME:

- Comprehensive SWIFT loan plans and full range of trade financing facilities offered
- Support government initiated financing schemes

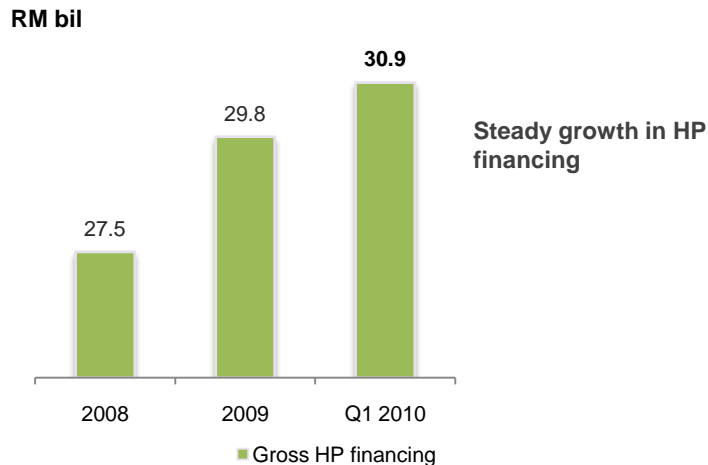
### Personal loans:

- Mainly driven by Public Islamic Bank with its Bai'-Al-Einah (BAE) Personal Financing-i offered to staff of government agencies, quasi government corporations, institutions of higher learning and GLCs
- Expect enlarged potential customer base with the tie up with Accountant General of Malaysia to enable BAE Personal Financing-I to be offered to federal government employees

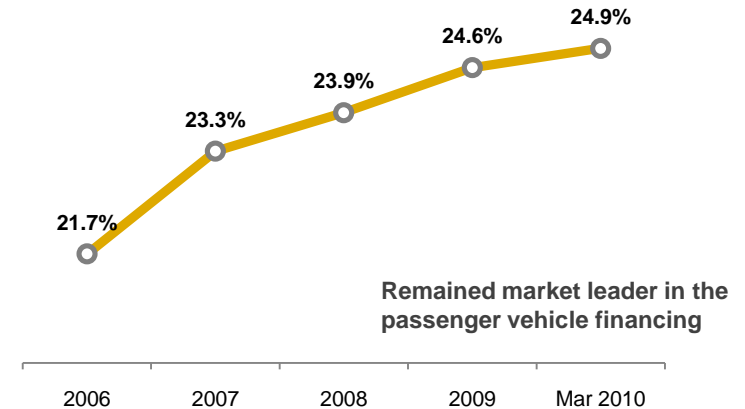


# Business Performance – Hire Purchase

## HP Financing in Domestic Operations



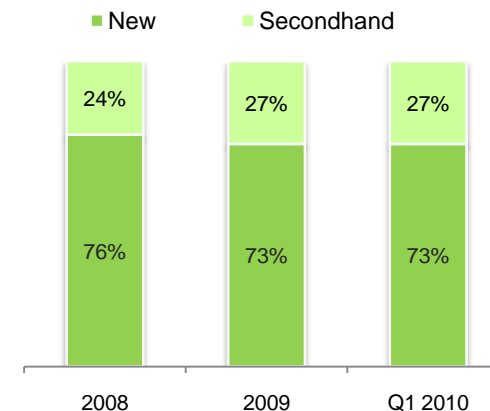
## Market Share in Passenger Vehicle Financing

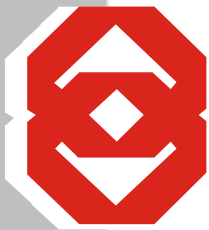


## Key Drivers in Domestic Hire Purchase Financing

- Strategy to capture bigger market share in the HP financing of used and commercial vehicles
- Improvement in overall vehicle sales
- Strong business support from major vehicle distributors and panel car dealers
- Better customer service delivery through the 27 Hire Purchase centres in key locations nationwide and continuous improvement in credit processing turnaround time
- Experienced and dedicated HP centre staff force of more than 1,000

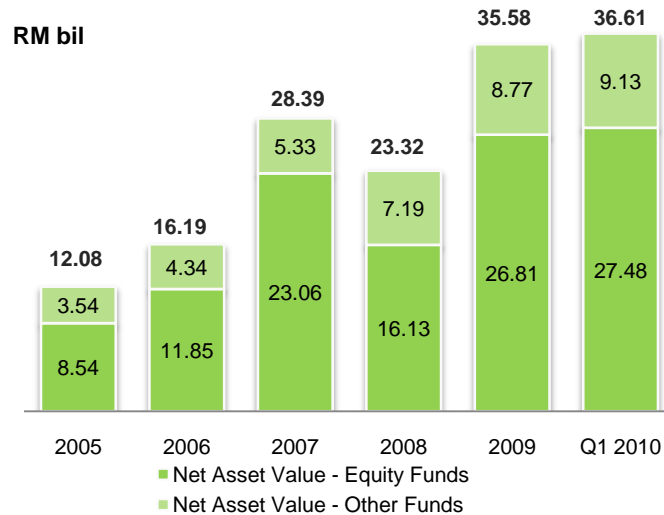
## Hire Purchase Composition





# Business Performance – Wealth Management

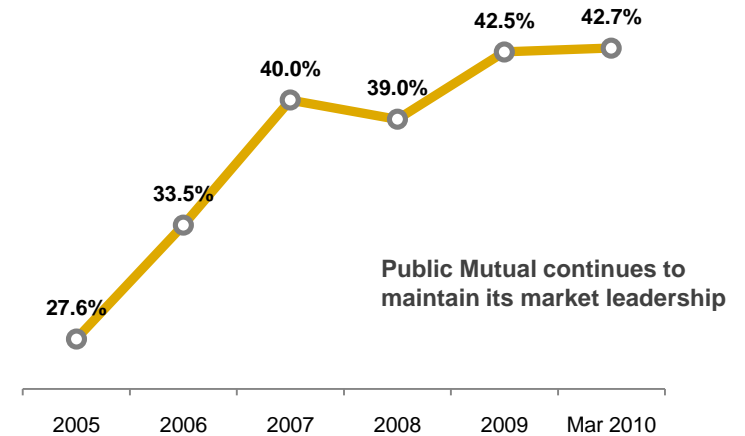
**Net Asset Value of Funds under management**



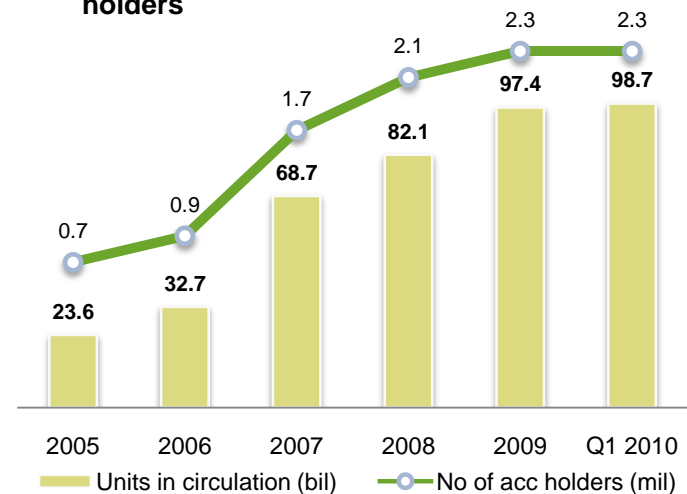
**Key Drivers in Fund Management Business**

- Outstanding fund performance with robust returns with numerous funds outperforming benchmarked indices
- Innovative range of funds under management with a total of 74 funds being offered.
- Large agency force with value-added financial planning services
- Public Mutual online e-commerce portal with full-fledged transactions and customer service platform

**Market Share in Private Unit Trust Industry**



**Expansion in units in circulation and account holders**





# Business Performance – Wealth Management (Contd)

## Bancassurance

- 2010 - 3<sup>rd</sup> year of the 10-year exclusive distribution agreement with the ING Group
- Continue to focus on building infrastructures, staff force and business volumes
- Driven by both single premium investment linked insurance, regular premium unit linked insurance and credit-related insurance products

## Structured Investment Products (SIP)

- Focus on products with simple investment themes and reasonable rewards without undue risk-taking for customers
- Promote dollar cost averaging concept for customers' wealth accumulation
- Well-trained sales personnel with excellent customer sales service and financial planning capability

To Grow Staff Force	As at 2009	Target 2010
Bancassurance Sales Executives	265	350
Personal Financial Executives	213	248
OICs of Sales	127	248

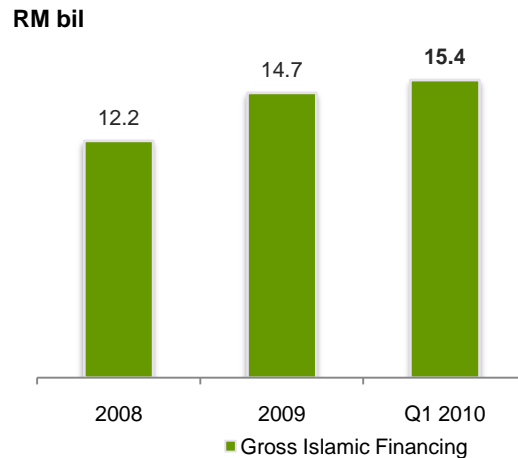
## Bancassurance and SIP 2010 Product Launches

	Launched	Target
<b>Bancassurance</b>		
Single premium	-	1
Others (telemarketing)	1	2
<b>SIP</b>		
Principal Protected Investment Products	-	2
<b>Total</b>	<b>1</b>	<b>5</b>

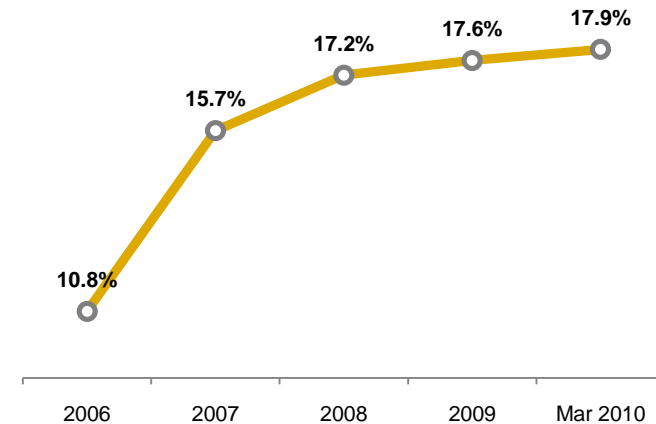


# Business Performance – Islamic Banking

## Loan Growth in Islamic Financing



## Market Share in Islamic Personal Financing



## Key Drivers in Islamic Banking

- 4<sup>th</sup> largest Islamic Bank in Malaysia
- Core financing business being vehicle financing, with impressive growth coming from BAE Personal Financing-i
- Continue to focus growing its core retail-based Islamic financing such as Al-Ijarah Al'Bai Hire Purchase-i, Al-Bai' Bithaman Ajil House Financing-i and BAE Personal Financing-i
- Developing its international currency business
- Set up its first full fledged Islamic branch in Q3 of 2010

## Growth in Islamic Deposit from Customers





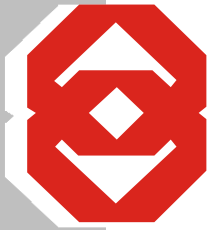
# Capital Management

(RM'mil)	Group*			Bank*		
	Mar 2010	Dec 2009	Change	Mar 2010	Dec 2009	Change
Tier 1 Capital	12,470.9	12,464.8	0.5%	12,767.7	12,799.7	-0.3%
Tier 2 Capital	5,242.9	5,283.0	-0.8%	4,895.8	4,892.0	0.1%
Deduct: Inv in subs / asso	(1.0)	(1.0)	0.0%	(3,593.4)	(3,593.4)	0.0%
<i>Total Capital Base</i>	<i>17,712.8</i>	<i>17,746.8</i>	-0.2%	<i>14,070.1</i>	<i>14,098.3</i>	-0.2%
<i>Risk-Weighted Assets</i>	<i>129,334.0</i>	<i>125,277.9</i>	3.2%	<i>106,560.9</i>	<i>103,333.2</i>	3.1%
RWCR (%)	<b>13.7</b>	<b>14.2</b>	-0.5	<b>13.2</b>	<b>13.6</b>	-0.4
Tier-1 Capital Ratio (%)	<b>9.6</b>	<b>9.9</b>	-0.3	<b>12.0</b>	<b>12.4</b>	-0.4

\* After deducting second interim dividend

## Enhancement to Group's Core Equity Capital to be achieved by:

- Strong profit generation capacity
- Strong asset quality
- Continuous enhancement of efficient capital usage, in particular emphasis on less capital-intensive fee based and non-interest income business



## Promising Prospect for 2010

### Maintain earning growth momentum

- Continued quality loans growth at above industry growth rate;
- Further expand depositor base;
- Further improve productivity and operational efficiency.

### Build on Existing Strength

- Strong brand and market position
- Healthy capital and asset quality
- Sustainable low NPL leveraging on prudent lending policy

### Prudence

- Continue to remain prudent and uphold its strong corporate governance and risk management policies.
- Maintain strong liquidity
- Proactive capital management to ensure healthy level of capital while maintaining high returns to shareholders

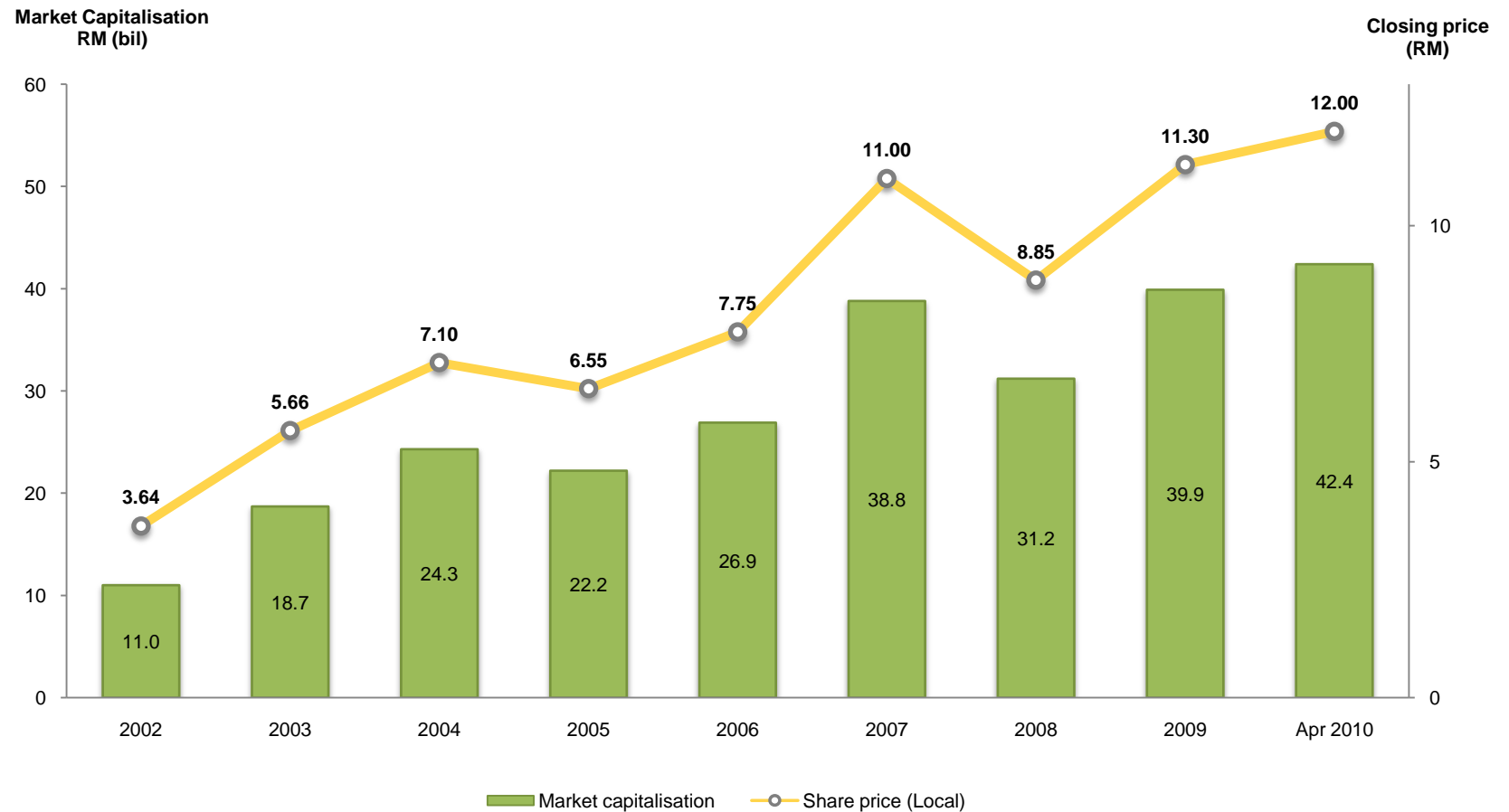
### Opportunity

- Loan growth focus on SME, mortgage and HP financing
- Growth potential in non-interest income businesses (fund management, bancassurance and other wealth management products and remittance)
- Continued organic expansion of overseas business



# Market Capitalisation and Analysts' Poll

Strong market capitalisation





# Market Capitalisation and Analysts' Poll

## Resilient share price performance





# Market Capitalisation and Analysts' Poll

- Superior investment returns

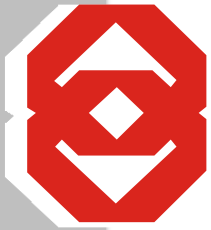
*Illustration on investment returns – assume held until 31 December 2009*

	Shares acquired since	Total returns (capital appreciation <sup>^</sup> + dividends)	Compounded annual rate of return
Short term - 1 year	1 January 2009	+37.6%	<b>+37.6%</b>
Medium term - 5 years	1 January 2005	+116%	<b>+19.4%</b>
Long term - since listing	1967	+4,335%	<b>+19.6%</b>

<sup>^</sup> Capital appreciation is calculated based on the PBB local share value at closing price as of 31/12/2009 less initial investment cost at the illustrated acquisition dates, assuming shareholders had subscribed for all rights issues to date and had not sold any Public Bank shares.

- Other share information

	2005	2006	2007	2008	2009
Price to earnings multiple (times)	14.7	14.9	17.4	11.5	15.4
Price to book multiple (times)	2.5	2.9	3.9	3.1	3.5



## Market Capitalisation and Analysts' Poll

- Average daily volume/ value traded:

	Average Daily Volume (million)	Average Daily Value (RM'million)
2009	5.3	49.2
YTD 30 April 2010	5.4	62.9

- Consensus net profit estimates (RM'mil):

2010	2011	2012
2,900.2	3,293.1	3,755.8

- Poll of analysts Buy/ Hold/ Sell recommendations on PBB Shares as at end-April 2010

	<u>Buy</u>	<u>Hold</u>	<u>Sell</u>	<u>No. of Analysts</u>
PBB	16	10	4	30

*Source: Bloomberg, Reuters and Analyst Reports*



## Achievement of Medium Term Plans

In 2006, PBB set out its 3-year medium term plans as part of the Group's mission to achieve longer term business expansion. The Group has **achieved and exceeded all except for one** of the medium term targets:

Medium term targets	Our targets	Position as of Dec'09	Next 3 years target
<b>Key Ratios</b>			
Net return on equity	25%	<b>26.1%</b>	<b>30%</b>
Core capital ratio	8.0%	<b>9.9%</b>	<b>8.0%</b>
Risk-weighted capital ratio	12.5%	<b>14.2%</b>	<b>12.5%</b>
Impaired loans ratio	1.6%	<b>0.80%</b>	<b>Below 1%</b>
Cost income ratio	33%	<b>34.4%</b>	<b>30%</b>
<b>Loan Portfolio &amp; Balance Sheet Size</b>			
Loan book	RM120 billion	<b>RM135 billion</b>	<b>RM200 billion</b>
Total balance sheet	RM210 billion	<b>RM217 billion</b>	<b>RM320 billion</b>
Deposit from customers	N/A	<b>RM171 billion</b>	<b>RM250 billion</b>



## Summary

- **Profitable retail franchise**
  - Domestic and Indo-China markets
  - Growing market share
  - Affluent and quality retail customer base for lending and wealth management business
- **Unbroken profit track record and sustained strong asset quality**
- **Strong brand**
- **Proactive capital management**
- **Large 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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