



**PUBLIC BANK**

**Group Audited Financial Results  
for the Year Ended  
31 December 2009**

**Analysts Briefing By**

**Tan Sri Dato' Sri Tay Ah Lek**

**Managing Director**

**20 January 2010**





# Overview

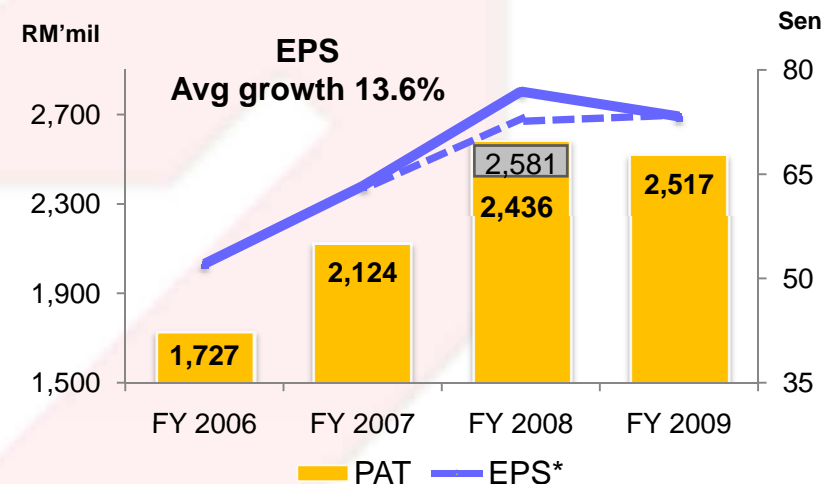
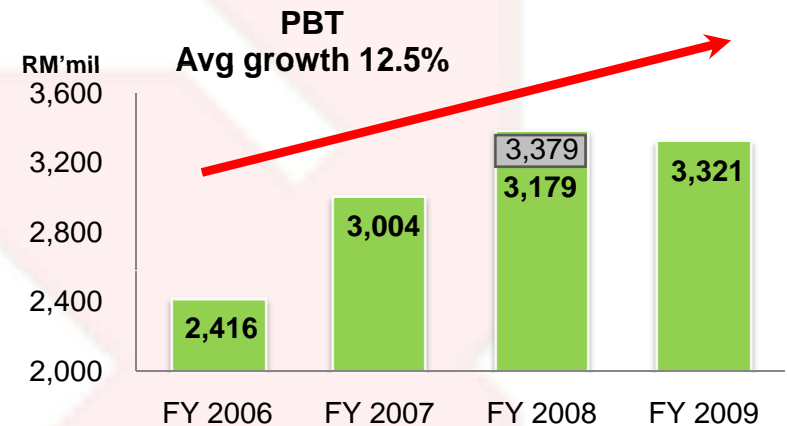
## 2009 Results

- PBT RM3.32 bil, **up 4.5%\***
- Net profit RM2.52 bil, **up 3.3%\***
- EPS 73.3 sen, **up 1.0%\***
- Above-target ROE of **26.1%**
- Net interest & financing income RM 4.71 bil, **up 10.2%**
- Low Net NPL ratio of 0.80% and credit charge off of 0.31%
- 2<sup>nd</sup> interim dividend
  - Cash dividend 25 sen
  - Share dividend 1 for 68 (equivalent to 22.2 sen)
- Total 2009 dividend of 77.2 sen<sup>^</sup>, **79% payout**

\* Growth comparing to 2008 data which excludes the one-off ING goodwill income

<sup>^</sup> Inclusive of equivalent value of share dividend of 22.2 sen

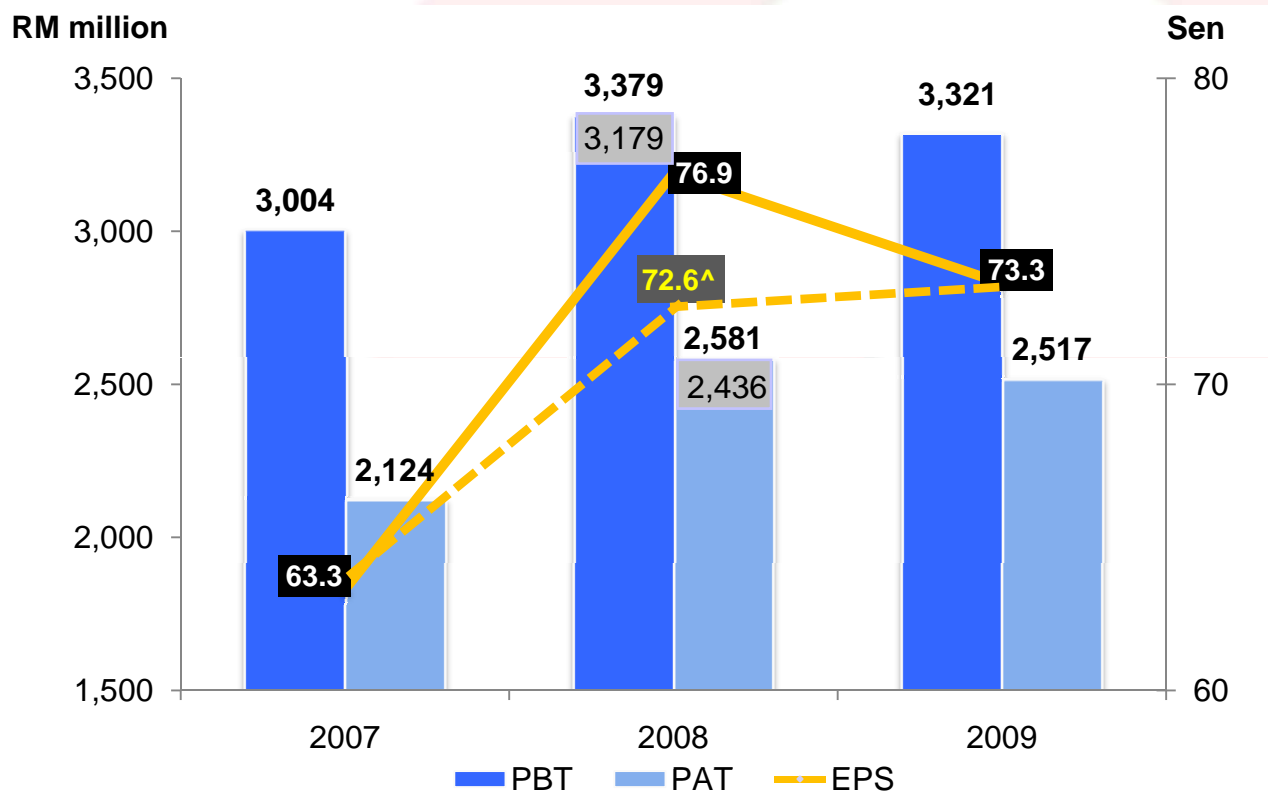
## History of Growth



■ One-off goodwill income from ING



# Improved Pre-Tax Profit & EPS



- Favourable 4.5% y-o-y growth in 2009 pre-tax profit, exclude one-off ING goodwill income of RM200m received in 2008

- EPS stood at 73.3 sen in 2009

■ One-off goodwill income from ING

^ Adjusted EPS excluded one off goodwill income from ING



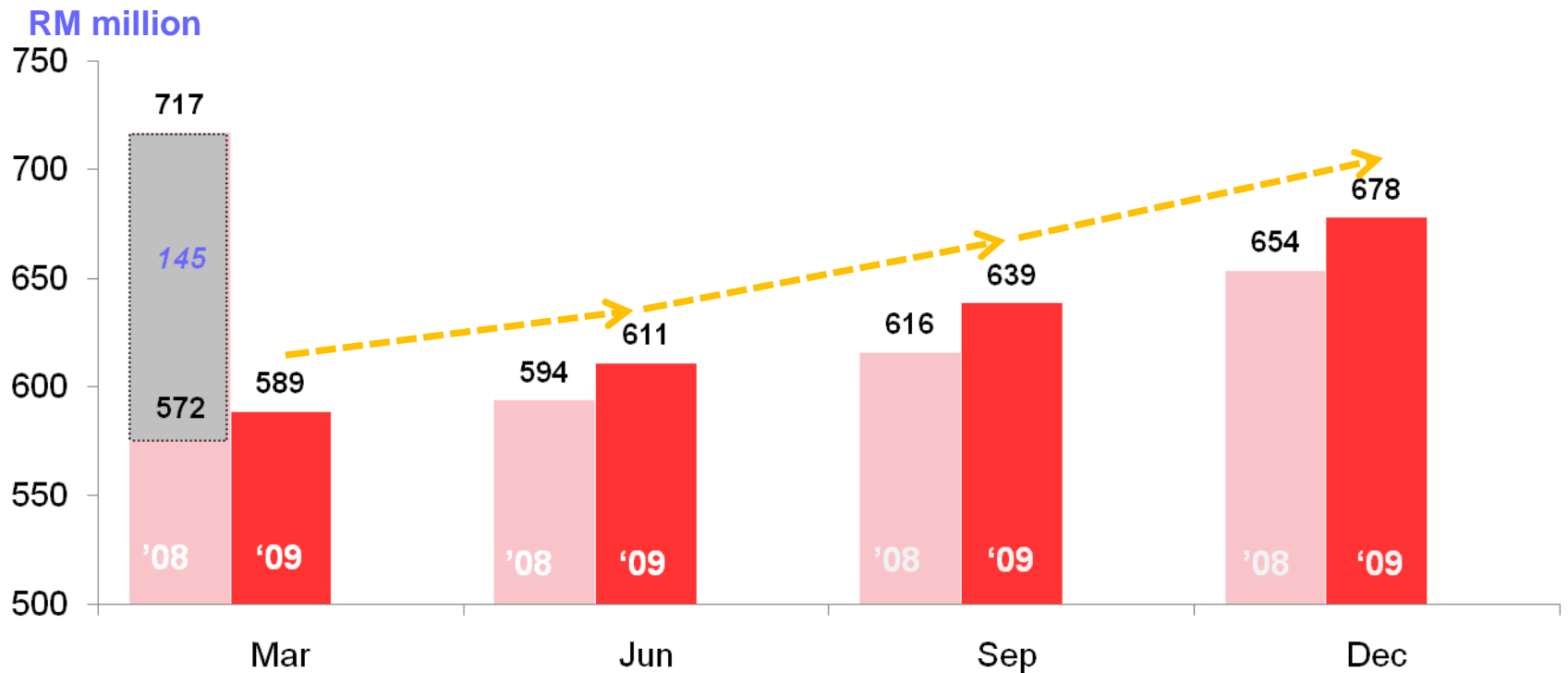
# Financial Performance

	Q4'09 RM mil	Q3'09 RM il	% q-o-q	2009 RM mil	2008 RM mil	% y-o-y
Net Interest & Islamic Banking Income	<b>1,281.8</b>	1,194.9	7.3%	<b>4,728.1</b>	4,285.7	10.3%
Other Operating Income *	<b>363.9</b>	371.6	-2.1%	<b>1,396.9</b>	1,253.5	11.4%
Other Operating Expenses	<b>561.8</b>	535.1	5.0%	<b>2,109.9</b>	1,791.1	17.8%
Operating Profit *	<b>1,083.9</b>	1,031.4	5.1%	<b>4,015.1</b>	3,748.1	7.1%
Loan Loss Allowances	<b>177.9</b>	176.4	0.9%	<b>690.9</b>	548.6	25.9%
-of which General allowances	<b>58.2</b>	78.7	-26.0%	<b>293.6</b>	232.1	26.5%
ING Goodwill	-	-	N/A	-	200.0	-100%
Pre-Tax Profit – incl ING goodwill	<b>900.2</b>	856.5	5.1%	<b>3,321.4</b>	3,379.2	-1.7%
– excl ING goodwill	<b>900.2</b>	856.5	5.1%	<b>3,321.4</b>	3,179.2	4.5%
Net Profit – incl ING goodwill	<b>678.2</b>	639.0	6.1%	<b>2,517.3</b>	2,581.2	-2.5%
– excl ING goodwill	<b>678.2</b>	639.0	6.1%	<b>2,517.3</b>	2,435.9	3.3%
EPS (sen) – incl ING goodwill	<b>19.7</b>	18.5	6.5%	<b>73.3</b>	76.9	-4.7%
– excl ING goodwill	<b>19.7</b>	18.5	6.5%	<b>73.3</b>	72.6	1.0%


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



# Rising Trend in Quarterly Net Profit



	Qtr 2 vs Qtr 1	Qtr 3 vs Qtr 2	Qtr 4 vs Qtr 3
Qtr-o-Qtr Growth - 2009	3.6%	4.6%	6.1%
Qtr-o-Qtr Growth - 2008	3.7%	3.8%	6.1%

 One-off goodwill payment from ING<sup>^</sup>, excluded in comparative quarter growth



# Key Financial Ratios

	2009	2008	Q4'09	Q3'09
Net Return on Equity* (%)	<b>26.1</b>	28.4#	<b>26.2</b>	25.8
Return on Assets (%)	<b>1.6</b>	1.7#	<b>1.7</b>	1.7
Cost Income Ratio (%)	<b>34.4</b>	32.3#	<b>34.1</b>	34.2
Overheads / Avg. Assets (%)	<b>1.0</b>	1.0	<b>1.1</b>	1.0
Net Interest Margin on Yielding Assets** (%)	<b>3.2</b>	3.2	<b>3.4</b>	3.2

\* 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 income from ING of RM200 million



# Profit Contribution By Major Group Companies

	2009	2008	Variance	
	RM mil	RM mil	RM mil	%
Public Bank & Public Islamic Bank	<b>2,805.9*</b>	2,600.7	* 205.2	7.9
Public Mutual	<b>218.9</b>	183.3	35.6	19.4
Public Investment Bank	<b>40.4</b>	33.3	7.1	21.3
Public Bank (L)	<b>96.1</b>	25.0	71.1	284.4
Overseas Operations	<b>239.9</b>	301.0	# -61.1	-20.3
Of which: Public Finance Holding Group (Hong Kong)	<b>141.6</b>	146.1	# -4.5	-3.1
Cambodian Public Bank Plc	<b>57.9</b>	126.6	-68.7	-54.3

\* Underlying operating profit contribution to the Group, excluding ING goodwill and income/expenses eliminated at group level. The Islamic banking business of Public Bank had been vested to Public Islamic Bank on 1 November 2008.

# Excluding one-off goodwill income from ING of RM20 mil to PFHL.



# Profit Contribution By Major Group Companies

Against the backdrop of declining interest environment, PBB Group's overseas operations were challenged with margin squeeze and increased credit charge offs.

## Impact Analysis to PBB Group:

- Overseas operations' contribution to the Group remain relatively small:

	2009	2008
Segment profit	7.2%	9.5%
Segment assets	8.0%	8.6%

- Loan quality of the Group's Hong Kong operations has stabilised during the year.





# Profit Contribution By Major Group Companies

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- Increased loan provisioning for the Cambodian operations, partly due to new regulatory guidelines imposed by local authorities which required more prudent provisioning, resulted in credit charge of 2.18% being recorded.
- Spill over effects from global recession on PBB's overseas operations were well within tolerable levels:
  - Full provision of HKD43 mil made on compensation for Lehman Brothers Minibonds repurchase scheme carried out in Hong Kong had only 0.6% impact on the PBB Group's profit.
  - Net NPL ratios and credit charges on overseas loans of 1.75% and 2.02% respectively are being closely managed
- Liquidity position of overseas operations improved as loan deposit ratio strengthened to 87.8% from >110% in 2008. Overall deposit growth of the overseas operations accelerated to 29%.

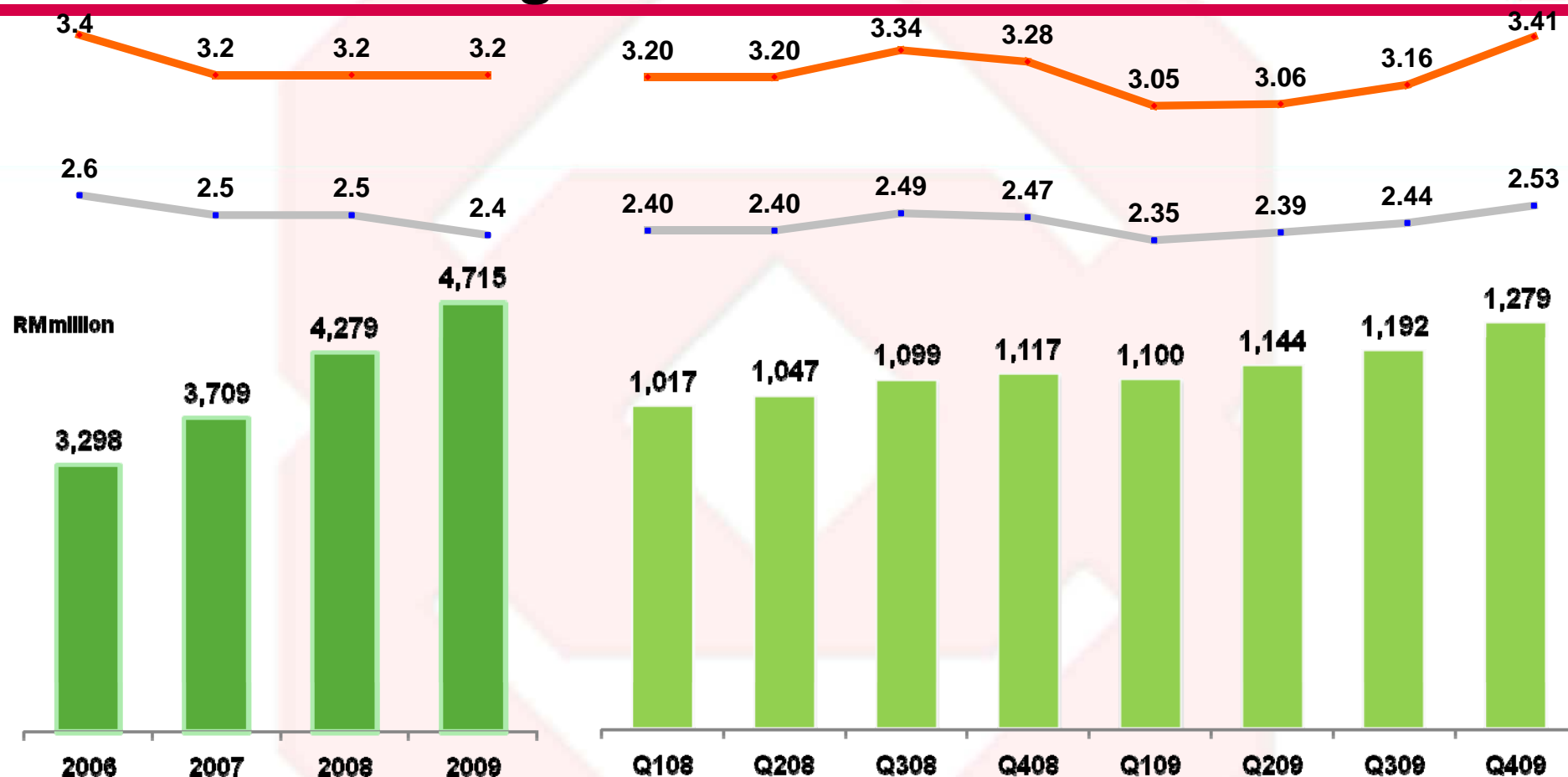


# Profit Contribution By Segments

	2009		2008		Variance
	RM mil	%	RM mil	%	
Retail Operations	1,950.7	54	2,252.0	66	-13.4
Hire Purchase	656.6	18	219.3	7	199.4
Treasury & Capital Market Operations	250.7	7	276.6	8	-9.4
Corporate Lending	239.7	7	106.8	3	124.4
Fund Management	212.8	6	183.3	5	16.1
Investment Banking	40.2	1	34.5	1	16.5
Others	9.6	*	28.0	1	-66.5
General Allowances	(278.8)		(222.3)		
<i>Total Domestic Operations</i>	<b>3,081.5</b>		<b>2,878.2</b>		203.3
Overseas Operations	254.7	7	310.8	9	-18.1
General Allowances	(14.8)		(9.8)		
<i>Total Overseas Operations</i>	<b>239.9</b>		<b>301.0</b>		-61.1
Pre-tax profit – excl ING goodwill & general allowance	3,615.0	100	3,411.3	100	
Pre-tax profit – incl ING goodwill	3,321.4		3,379.2		

\* Less than 0.5%

# Sustainable YoY and QoQ Growth in Net Interest/ Financing Income & Resilient NIM



◆ Despite the negative impact of OPR reduction on net interest margin, net interest income and financing income for year ended 31 December 09 grew by RM435.3m or 10.2% due to :

- *Strong loan growth*
- *Strong deposit growth*
- *Stable asset quality*

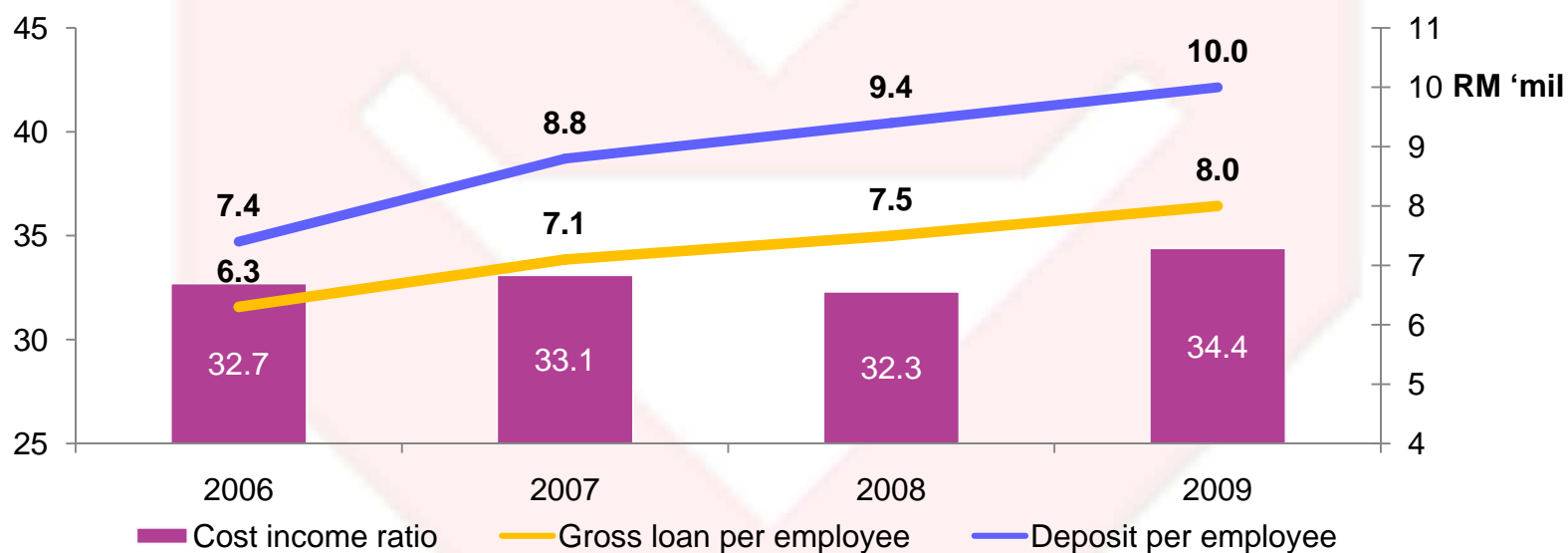
— Net Int Margin (Exclude funds from MMD and NIDs Issued)  
 — Net Int Margin



# Continued High Productivity & Efficiency

	2006	2007	2008	2009	Industry Average
Gross loan per employee (RM mil)	6.3	7.1	7.5	<b>8.0</b>	6.4
Deposit per employee (RM mil)	7.4	8.8	9.4	<b>10.0</b>	8.6
PBT per employee (RM'000)	180	210	197*	<b>194</b>	159
Cost Income Ratio (%)	32.7	33.1	32.3*	<b>34.4</b>	46.4

\* Excluding one-off goodwill income from ING of RM200 million.



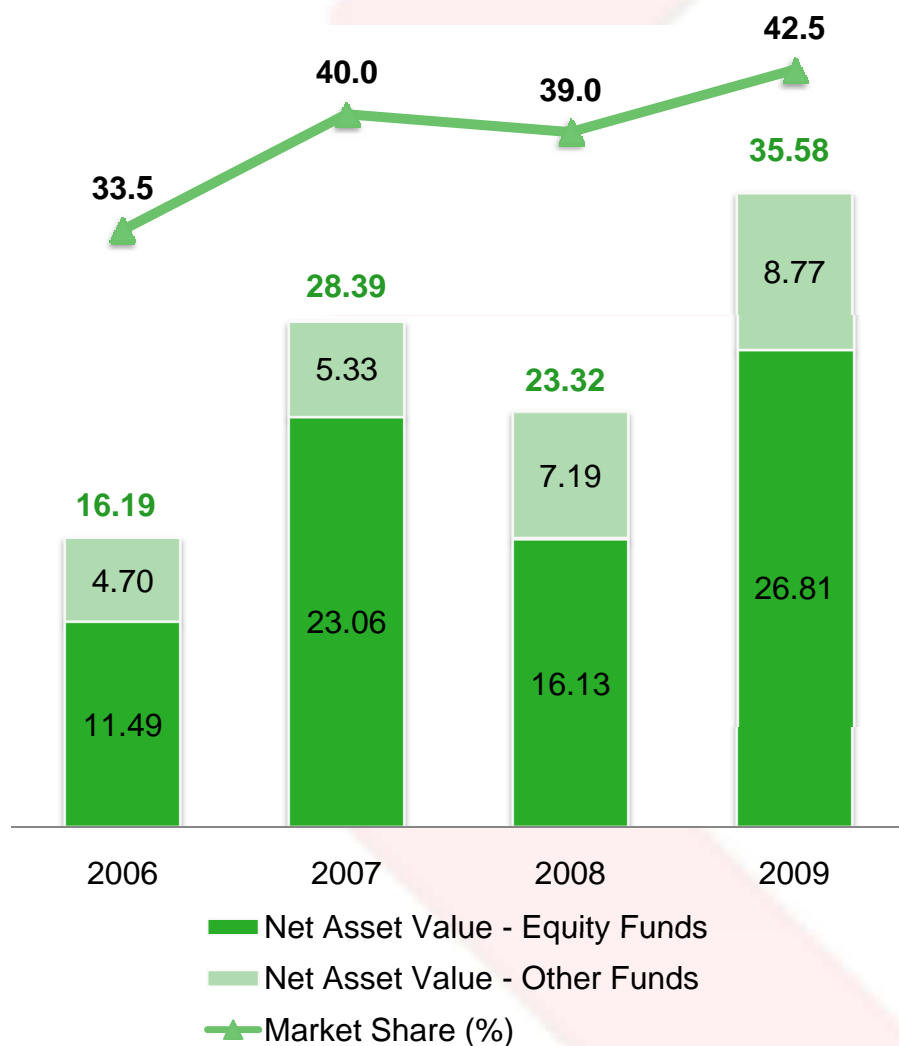


# Non-Interest Business Contribution

	Q4'09	Q3'09	%	2009	2008	%
	RM mil	RM mil	q-o-q	RM mil	RM mil	y-o-y
Fee Income	115.9	126.7	-8.5	493.5	508.8	-3.0
Unit Trust Income	129.5	126.3	2.5	442.7	396.5	11.7
Of which Unit Trust Management Fee	112.4	104.1	8.0	373.8	331.6	12.7
Fee on Sale of Trust Units	17.1	22.2	-23.0	68.9	64.9	6.2
Stockbroking Income	26.3	23.1	13.9	87.0	69.5	25.2
Investment Income	39.1	35.8	9.2	149.8	78.5	90.8
Forex / Revaluation Gain	46.2	49.8	-7.2	179.9	172.2	4.5
Others	6.9	9.9	-30.3	44.0	28.0	57.1
Sub Total	363.9	371.6	-2.1	1,396.9	1,253.5	11.4
Goodwill from ING	-	-	N/A	-	200.0	-100%
Total	363.9	371.6	-2.1	1,396.9	1,453.5	-3.9



# Growth in Fund Management Business



- Public Mutual continue to maintain its market leadership at 42.5% market share, up from 39% in 2008

- NAV of the 72 funds under management stood at RM35.6 bil, up 53%

- Total number of unit trust investors grew to 2.3 mil, 10.7% growth

- Fund management profit of RM212.8 mil, up 16.1%



# Expansion of Wealth Management Business

## A) Bancassurance

- ◆ Products launched in 2009

Type of Product	2009	Target 2010
Single Premium	1	1
Regular Premium	3	2
Others	4	2
<b>Total</b>	<b>8</b>	<b>5</b>

## B) Structured Deposits & Other Deposits in 2009

	2009	Target 2010
◆ Principal Protected Investment Products	3	4
◆ Other Deposits	1	2

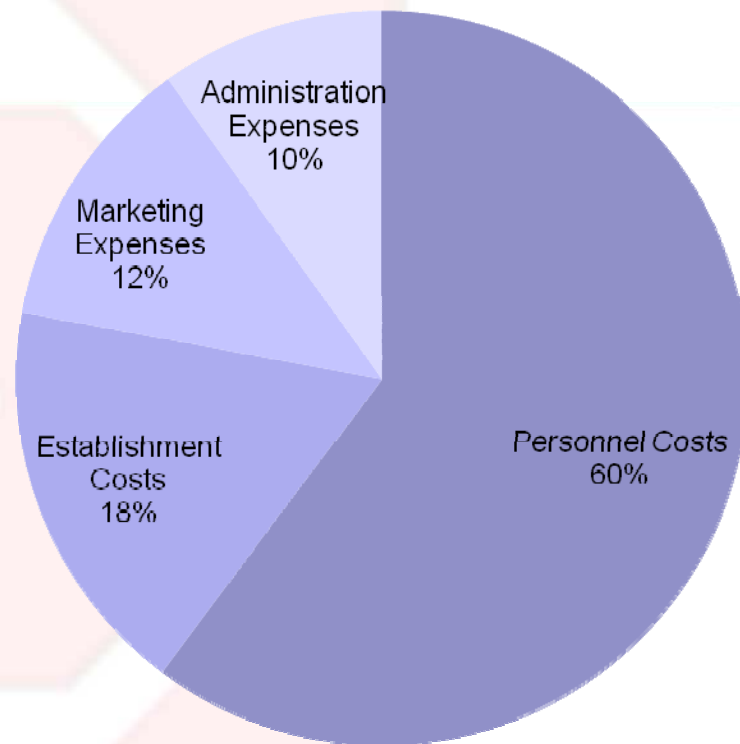
## C) Staff Strength

	As at 2008	As at 2009	Target 2010
◆ Bancassurance Sales Executives	229	265	450
◆ Personal Financial Executives (PFEs)	187	213	248
◆ OICs of Sales	22	127	248



# Overview of Other Operating Expenses

	2009 RM mil	2008 RM mil	% y-o-y
Personnel Costs	1,269.3	1,061.7	19.6
Establishment Costs	374.3	338.4	10.6
Marketing Expenses	257.4	223.9	15.0
Administration Expenses	208.9	167.1	25.0
Total	2,109.9	1,791.1	17.8



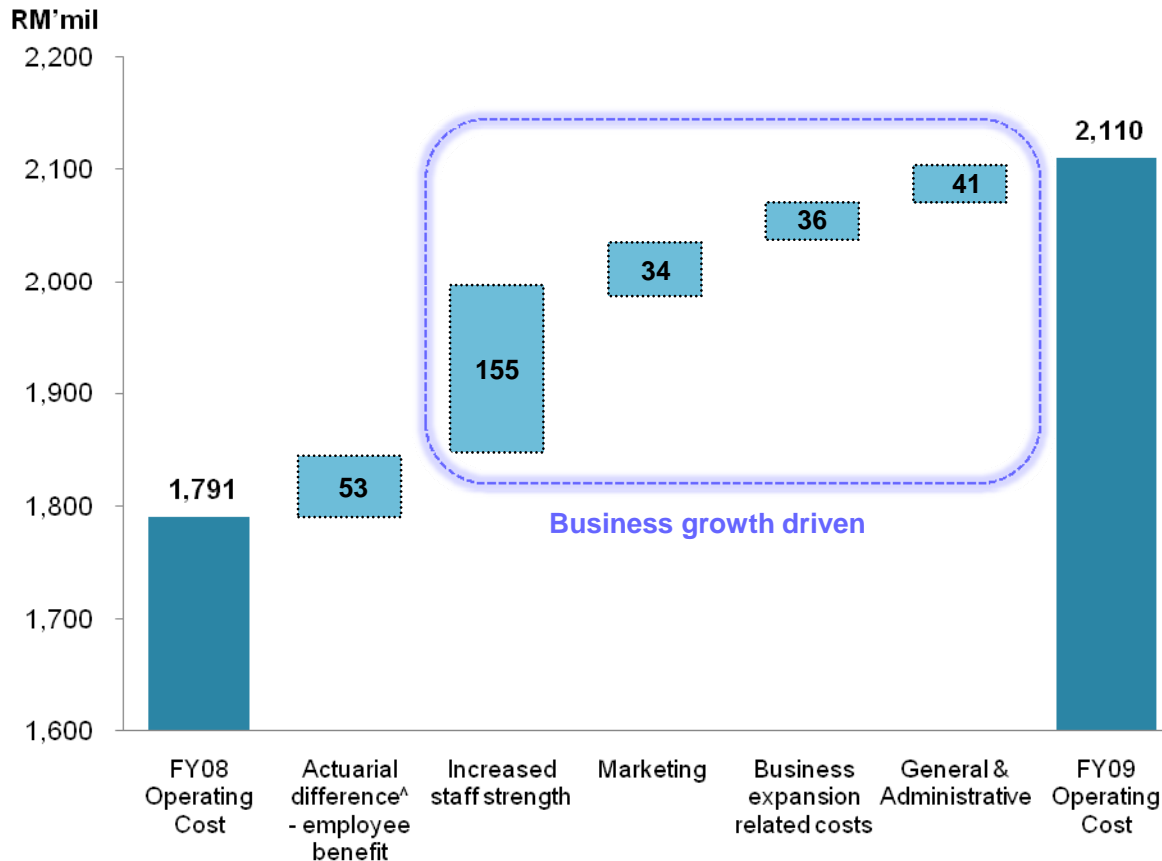
- Personnel costs remain the main operating cost as we continue to invest in our people; average staff strength grew by 6.2%





# Overview of Other Operating Expenses

## FY2008 to FY 2009 Operating Expense Bridge



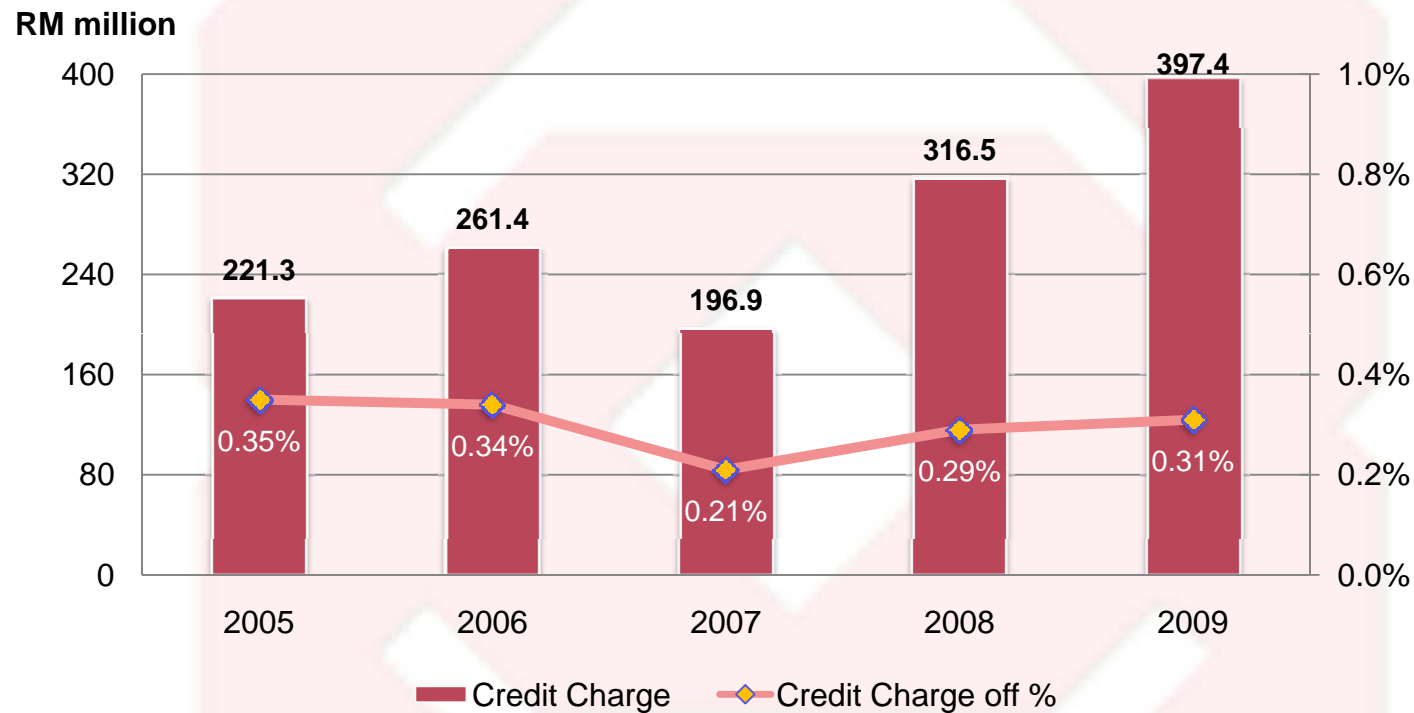
Incremental operating costs for the year were mainly due to:

- Actuarial differences on employee defined benefit plan recognised
- Incremental RM155 mil in personnel cost due to larger staff force and annual salary increments
- Higher marketing and business expansion related costs as we continue to expand our business.

<sup>^</sup> Actuarial difference on employee defined benefit plan relates to actuarial costs incurred of RM10.6 mil in 2009 as compared to RM41.9 mil actuarial gain in 2008



# Loan Loss Allowances



The higher loan loss allowance in the year 2009 is mainly due to additional provisions made on impaired loans of the Group's overseas operations.



## Loan Loss Allowances (cont.)

	Credit Charge Off Ratio		Loan Loss Allowances (RM mil)		Variance
	2009	2008	2009	2008	RM mil
Group	<b>0.31</b>	0.29	<b>397.4</b>	316.5	80.9
Of which:					
➤ Domestic	<b>0.11</b>	0.16	<b>132.8</b>	162.5	-29.7(1)
➤ Overseas	<b>2.02</b>	1.37	<b>264.6</b>	154.0	110.6(2)

- (1) Domestic loans credit charge off improved with lower loss allowance for the year, reflecting stronger loan quality.
- (2) Increase in overseas loan loss allowance was mainly due to additional impairment on the Group's Hong Kong and Cambodian operations, with close monitoring on loan credit quality whilst maintaining prudent provisioning.



## Loan Loss Allowances (cont.)

	2009 RM mil	2008 RM mil	Variance RM mil
Hire Purchase	56.2	87.5	-31.3
Retail Operations	74.0	53.5	20.5
Corporate Lending	3.1	21.9	-18.8
Investment Banking	(0.5)	(0.4)	-0.1
Overseas Operations	264.6	154.0	110.6
Total	<b>397.4</b>	316.5	<b>80.9</b>

- Overall increase contributed mainly by overseas operations, offset by net reduction from domestic operations and improvement in hire purchase and corporate lending
- Higher allowance for retail operations against RM11.8 billion loan growth



# Summary of Balance Sheet

	2009	2008	Variance	
	RM bil	RM bil	RM bil	%
Total Assets	217.1	196.2	20.9	10.7
Gross Loans and Advances:				
- including Islamic Financing Sold to Cagamas	137.6	120.7	16.9	14.0
- excluding Islamic Financing Sold to Cagamas	137.6	120.3	17.3	14.4
Domestic Gross Loans and Advances	124.1	106.1	18.0	17.0
Deposits from Customers	170.9	151.2	19.7	13.0
Core Customer Deposits	127.6	111.2	16.4	14.8
Shareholders' Funds	11.0	9.5	1.5	15.8
Net Assets per Share (RM)	3.19	2.84		
Net Loans to Deposits Ratio (%)	79.2	78.3		

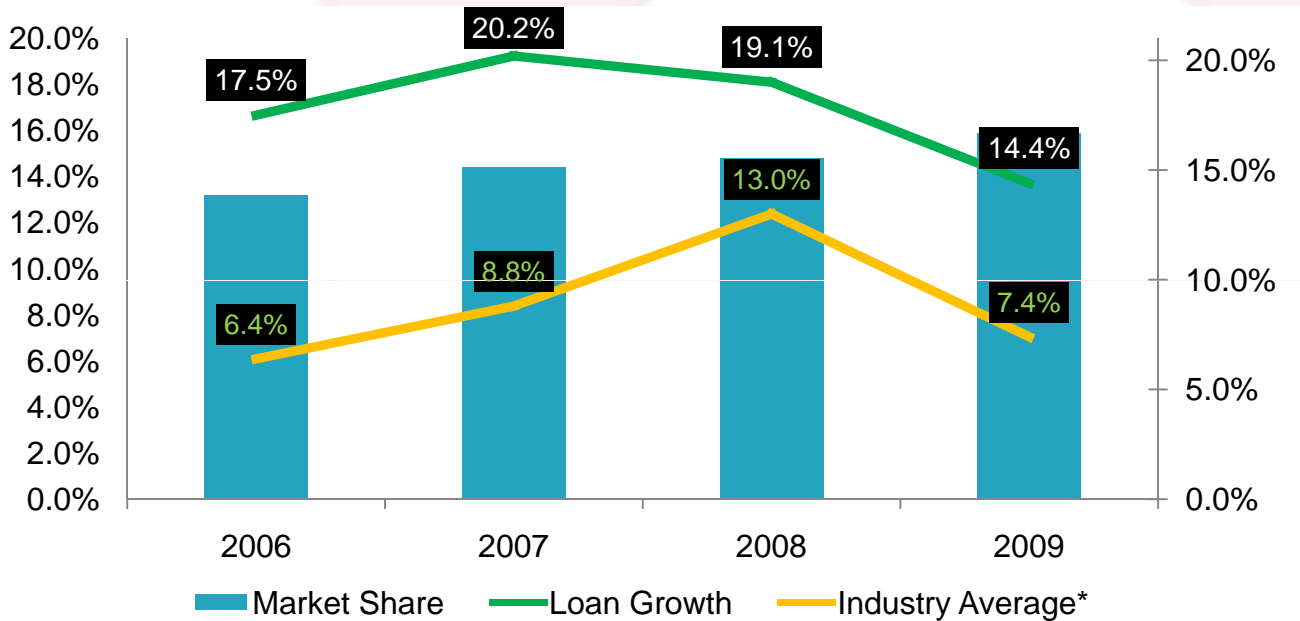


# Loans by Purpose

	2009 RM bil	% of total loans	2008 RM bil	% of total loans	Growth (%)
Purchase of Landed Properties	<b>64.9</b>	<b>48</b>	56.0	46	15.8
- Residential	<b>38.0</b>	<b>28</b>	32.2	26	17.8
- Non-residential	<b>26.9</b>	<b>20</b>	23.8	20	13.1
Purchase of Transport Vehicles	<b>31.6</b>	<b>23</b>	29.3	24	8.1
Working Capital	<b>21.1</b>	<b>15</b>	18.8	16	11.9
Personal Use	<b>8.5</b>	<b>6</b>	7.3	6	16.7
Others	<b>11.5</b>	<b>8</b>	9.3	8	24.6
	<b>137.6</b>	<b>100</b>	120.7	100	14.0
Islamic financing sold to Cagamas	-		(0.4)		
	<b>137.6</b>		<b>120.3</b>		14.4



# Strong Loans Growth & Increasing Market Share



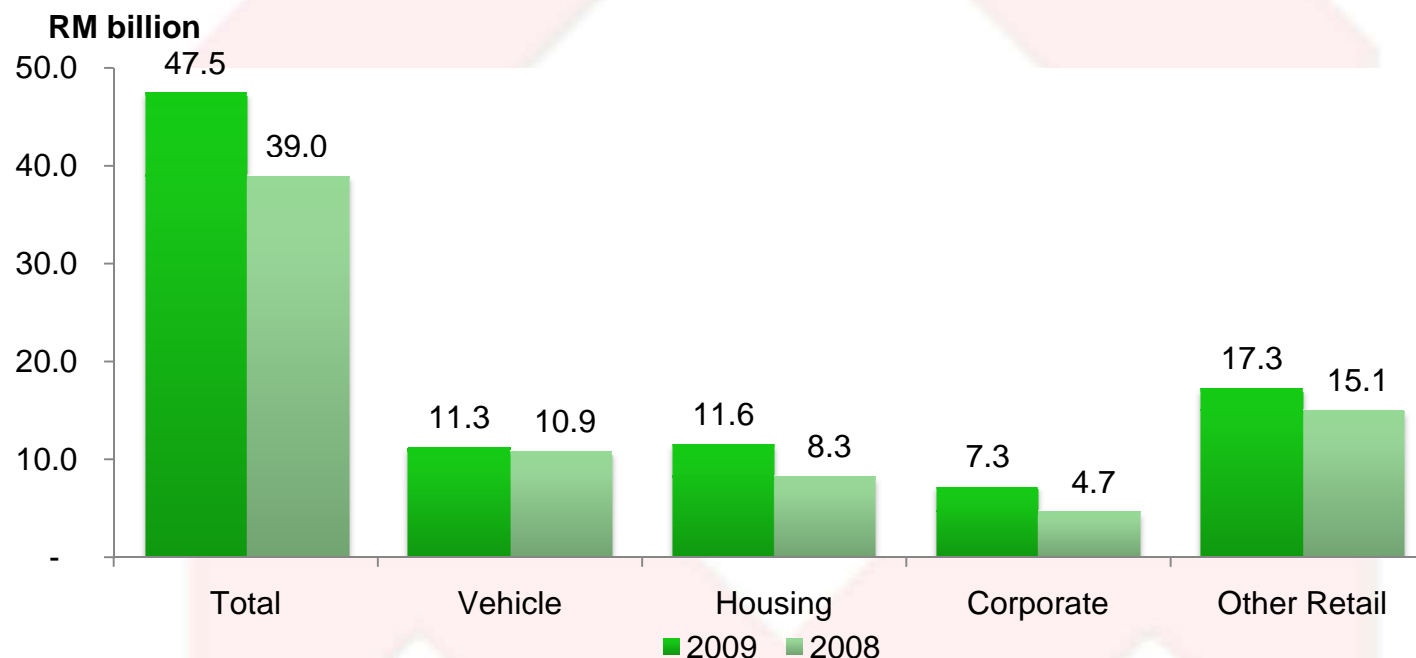
- Consistently above industry average loan growth
- Increasing market share

<b>Market Share</b>	<b>13.2%</b>	<b>14.4%</b>	<b>14.8%</b>	<b>15.9%</b>
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\* Industry loans growth is extrapolated based on position as at 30 November 2009.  
Note: Loan growth based on like-for-like growth (2006 excluded acquisition of PB(HK))



# Analysis of Loans Approval

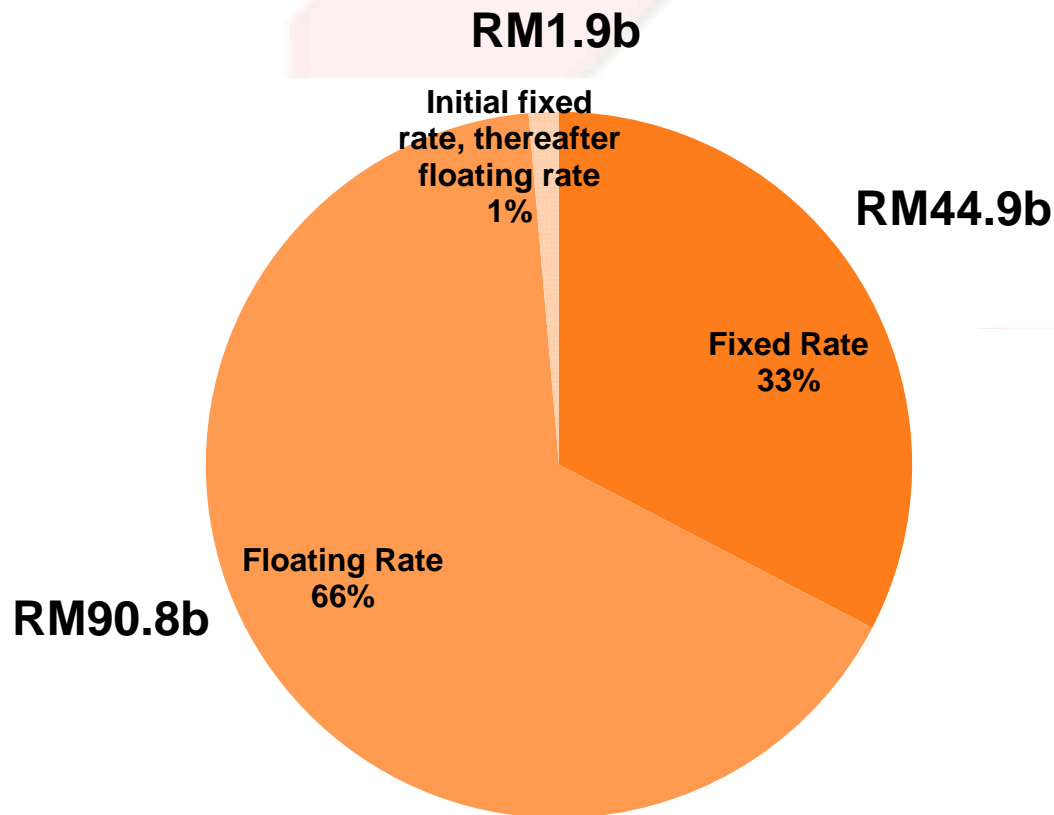


Vehicle financing	RM11.3b	4.2% increase
Housing loans	RM11.6b	39.3% increase
Corporate loans	RM7.3b	56.3% increase
Other retail loans	RM17.3b	14.5% increase
<b>Total loans</b>	<b>RM47.5b</b>	<b>21.9% increase</b>





# Loan Portfolio – Interest Type

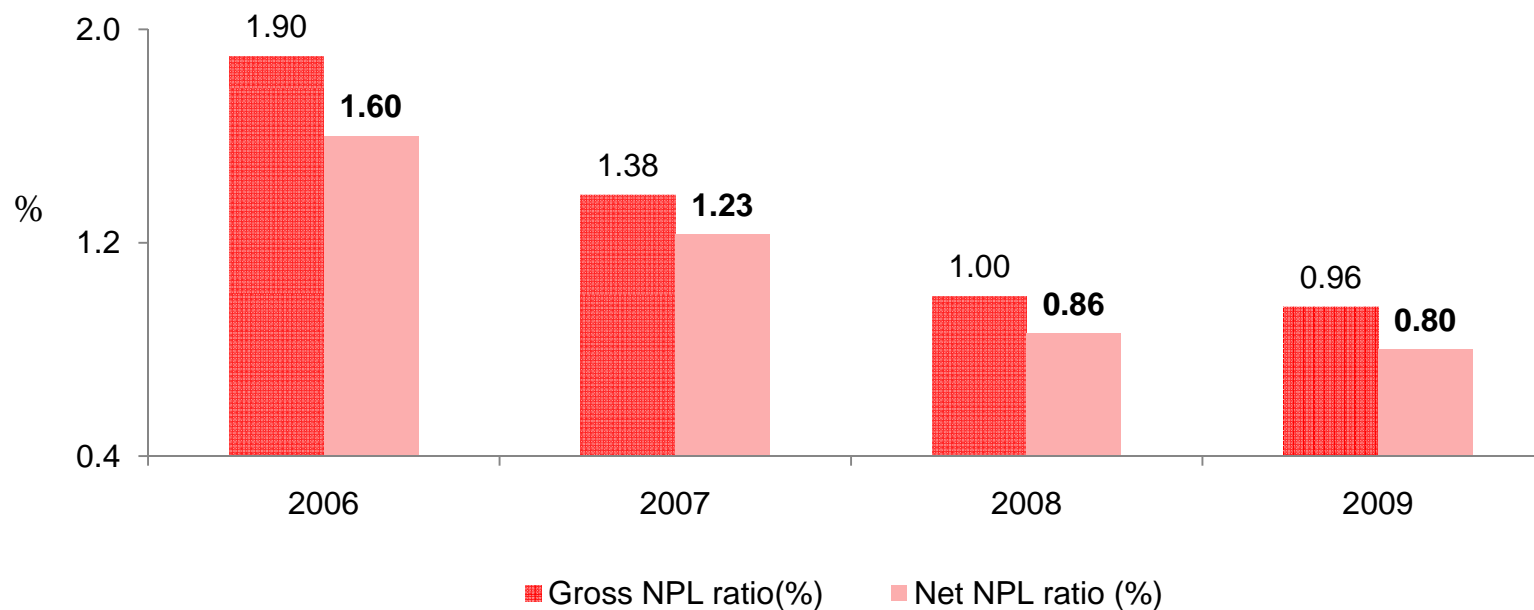


- Majority of loans are floating rate loans
- Interest rate risks monitored through interest rate sensitivity gap analysis



# Asset Quality - Gross NPL Ratio remained below 1%

	2009	2008
Gross NPL (RM mil)	1,320	1,210
Gross NPL Ratio (%)	<b>0.96</b>	1.00
Net NPL Ratio (%)	<b>0.80</b>	0.86
GP Ratio (%)	1.5	1.5
Loan Loss Coverage (%)	172.4	159.7



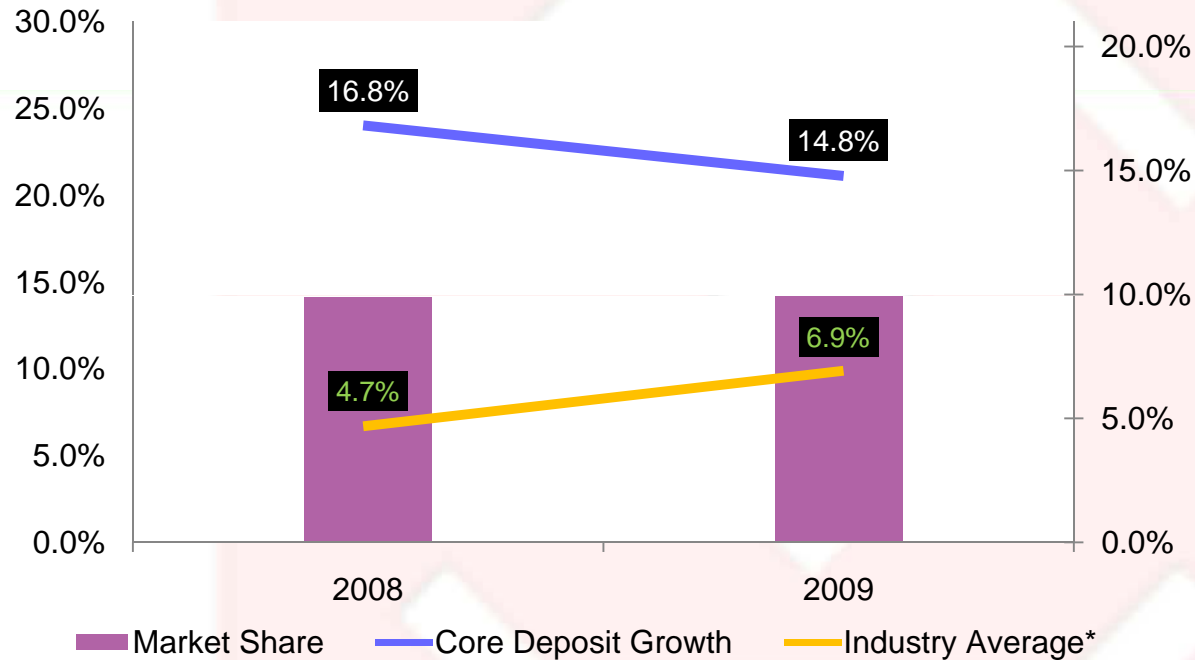


# Improving NPL Ratios for Key Lending Sectors

Key Lending Sectors	Dec'09 RM mil	Gross NPL %	Sep'09 RM mil	Gross NPL %	Dec'08 RM mil	Gross NPL %
Housing Loans	452	1.2	486	1.3	523	1.6
Hire Purchase	145	0.5	144	0.5	188	0.6
SME	176	0.8	201	0.9	222	1.1



# Core Deposit Growth of 14.8%



- Consistently above industry average core deposit growth
- Increasing market share

<b>Core Deposit Market Share</b>	<b>14.7%</b>	<b>15.1%</b>
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\* Industry annualised deposit growth is based on position as at 30 November 2009.



# Total Deposits

	2009	2008	Variance	
	RM bil	RM bil	RM bil	(%)
Demand Deposits	<b>18.9</b>	15.8	3.1	20.5
Savings Deposits	<b>22.9</b>	19.0	3.9	20.1
Fixed Deposits	<b>85.8</b>	76.4	9.4	12.3
Core Deposits	<b>127.6</b>	111.2	16.4	14.8
Wholesale Deposits	<b>42.1</b>	38.7	3.4	8.7
Others	<b>1.2</b>	1.3	-0.1	-6.8
Total	<b>170.9</b>	151.2	19.7	13.0



## Dividend – “Balanced” & Above-Average Payout

- First Interim cash dividend of 30 sen, less 25% tax, paid on 13 August 2009
- Second interim:
  - Cash dividend of 25 sen less 25% tax
  - Share dividend of one (1) share for every sixty eight (68) shares held.

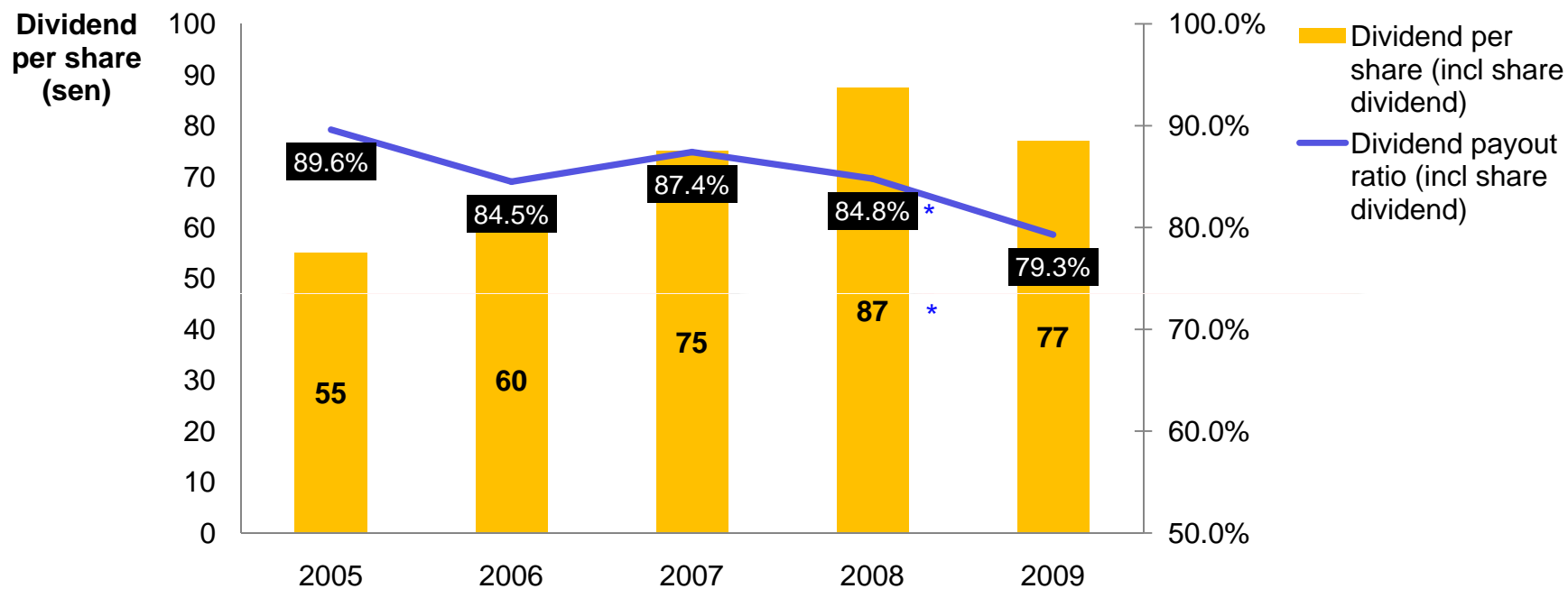
	2009	
	Gross (sen)	Net (sen)
Cash Dividend:		
▪ 1 <sup>st</sup> Interim (paid in Aug 09)	30.0	22.5
▪ 2 <sup>nd</sup> Interim	25.0	18.8
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	55.0	41.3
Share Dividends (1 for every 68 shares)	22.2	16.6
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Total	77.2	57.9

The value of the share dividend is derived based on market value of PBB (Local) share of RM11.30 as at 31 December 2009.

The equivalent value of the share dividend is a gross cash dividend of 22.2 sen.



# Dividend (Contd)



Dividend yield (incl share dividend)	8.4%	7.7%	6.8%	10.0%*	6.8%
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\* Adjusted to equivalent value of share dividend based on actual entitlement date



## Dividend (cont.)

Share dividend rationale:

- Preserve more equity capital whilst maintaining high dividend payout
- RM574 million of current year's earnings retained as equity capital
- 50.7 million treasury shares to be distributed out of 80.4 million existing shares, leaving 29.7 million treasury shares. Remaining treasury shares valued at RM335.8 million based on 31/12/2009 closing price.
- Value enhancement to capital ratios:

	No of treasury shares ('mil)	Value of treasury shares (RM'mil)	Enhancement to capital ratios
2008 share dividend	95.83	814.6	0.71%
2009 share dividend *	50.76	573.6	0.46%
	146.59	1,388.2	1.17%

\* The estimated value of the share dividend is derived based on market value of PBB local shares of RM11.30 as at 31 December 2009.





# Capital Adequacy Ratio

Before 2 <sup>nd</sup> Interim/Final Dividend	2009	2008	Variance	
	RM mil	RM mil	RM mil	%
- Equity Capital	9,161.3	8,157.2	1,004.1	12.3
- Non-innovative Tier 1	2,080.9	-	2,080.9	N/A
- Innovative Tier 1	1,883.2	1,439.5	443.7	30.8
<i>Total Tier 1 Capital</i>	<i>13,125.4</i>	<i>9,596.7</i>	<i>3,528.7</i>	<i>36.8</i>
- General Allowance	2,051.7	1,759.5	292.2	16.6
- Subordinated Notes	3,217.8	3,968.8	-751.0	-18.9
- Hybrid Capital Securities	-	450.6	-450.6	N/A
<i>Total Tier 2 Capital</i>	<i>5,269.5</i>	<i>6,178.9</i>	<i>-909.4</i>	<i>-14.7</i>
<b>Total Capital Base</b>	<b>18,393.9</b>	<b>15,774.7</b>	<b>2,619.2</b>	<b>16.6</b>
<b>Risk-Weighted Assets</b>	<b>125,277.9</b>	<b>115,341.9</b>	<b>9,936.0</b>	<b>8.6</b>

Capital Adequacy Ratio (After 2 <sup>nd</sup> Interim/Final Dividend)	Group		Bank	
	2009	2008	2009	2008
Risk-Weighted Capital Ratio	14.2	13.1	13.6	12.8
Core Capital Ratio	9.9	7.7	12.4	10.1



# Our Commitment to Improve Capital Position

	Risk Weighted Capital Ratio	Core Capital Ratio
<b>Group's position as at 1 January 2009</b>	<b>13.1</b>	<b>7.7</b>
Effects from net profits, movement in capital components and risk weighted assets	1.1	1.6
Effects of 2009 dividends:		
-Cash dividend	-1.2	-1.2
-Share dividend	-	-
	<hr/>	<hr/>
	13.0	8.1
-Effects from capital initiatives during the year:		
• Issuance of RM2.09 billion Non-Innovative Tier 1 Stapled Securities	1.8	1.8
• Issuance of 3 tranches totaling RM473 million Subordinated Notes	0.4	-
• Early redemption of USD350 million Subordinated Notes	-1.0	-
	<hr/>	<hr/>
	1.2	1.8
<b>Group's position as at 31 December 2009</b>	<b>14.2</b>	<b>9.9</b>
<b>Annual incremental</b>	<b>1.1</b>	<b>2.2</b>



# Achievements 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%	 26.1%	30%
Core capital ratio	8.0%	 9.9%	8.0%
Risk-weighted capital ratio	12.5%	 14.2%	12.5%
Net NPL ratio	1.6%	 0.80%	Below 1%
Cost income ratio	33%	 34.4%	30%
<b>Loan Portfolio &amp; Balance Sheet Size</b>			
Loan book	RM120 billion	 RM135 billion	RM200 billion
Total balance sheet	RM210 billion	 RM217 billion	RM320 billion



# Prospects for 2010

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## Maintain earning growth momentum

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

## 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

## Build on Existing Strength

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

## Opportunity

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



**THANK YOU**