4. POST MERGER & ACQUISITION

4.1 Maybank –Post M&A Performance

Maybank today announced pre-tax profit of RM1.67 billion for the financial year ended 30 June 2009 compared to RM 4.09 billion in the previous year. Operating profit totaled RM3.06 billion for the year compared to RM4.57 billion previously. The lower profit was largely due to higher loan loss provisions, interest on the additional RM9.1 billion capital securities and subordinated debts issued in 2008 and the impairment charges in relation to its investment in Bank Internasional Indonesia (BII) and MCB Bank of Pakistan of RM1.62 billion and RM353 million respectively.

Despite the impairment charges totaling RM1.97 billion, Maybank Group remained profitable with Group profit after tax and minority interest of RM691.9 million compared with RM2.93 billion previously. Excluding the impairment charges and the reversal of the allowance for the non refundable deposit for BII acquisition, Maybank Group's core profit after tax stood at RM2.18 billion. Following the completion of the RM6 billion Rights Issue in April 2009, Maybank Group's shareholders' funds increased to RM24.9 billion as at 30 June 2009. Capital Adequacy Ratio strengthened further to 14.8% (after deducting the proposed dividend), the highest among the top 3 banks in Malaysia.

Net interest income of the Group was 9% higher at RM5.92 billion this year compared to RM5.43 billion previously. This was achieved on the back of higher loans growth and improved lending margins contributed by the newly acquired BII. The higher net interest income was also achieved despite the reduction in the Overnight Policy Rate which saw the Base Lending Rate being revised on three occasions during the year from 6.75% to 5.55% currently, as well as additional interest expense of RM445.3 million due to the issuance of capital securities and subordinated debts during the financial year. The net interest margin of the Group for FY09 remained relatively stable at 2.72%. Non interest income of the Group for the year (including marked to market gain/loss on derivatives and securities held for trading) was RM3.38 billion compared to RM3.17 billion previously. The Group continues to benefit from its strong customer franchise with transactional fee income growing 4.2% to RM3 billion.

Overhead costs for the Group was higher at RM5.56 billion from RM4.25 billion previously mainly due to higher personnel costs which included salary adjustments for certain unionised employees, higher establishment cost, administrative and general expenses, increased insurance claims at Etiqa as well as the result of consolidation of BII in the current financial year. Excluding the expenses of BII, overheads grew RM584 million during the year.

The Group's loan loss provisions for the year was RM1,698.8 million or 109.7% higher than that for the preceding year mainly due to higher loan loss provision of RM401.4 million at Maybank as well as RM121.2 million at the subsidiaries level and the consolidation of BII loan loss provisions for the first time in the financial year by RM366.2 million. Despite the increase in loan loss provisions, the Group showed greater prudence in its loan loss coverage which stood at 112.9% as at June 2009 compared with 101.1% in

June 2008.For the 4th quarter ended 30 June 2009, excluding the impairment charges, Maybank Group's core profit stood at RM612.4 million.

Gross loans for the Group, including BII, grew 13% during the year. Loans at the Malaysian operations grew 6.4% while overseas loans including BII grew 28.9%. BII recorded a loans growth of 1.4% while Singapore operations saw loans grow by 5.0%.
The Group showed resilience in consumer and corporate banking segments as well as in maintaining asset quality. Consumer loans grew by 8.3% during the year led by increases in securities financing (+10.6%), credit card receivables (+11.3%), automobile financing (+11.6%) and mortgages (+1.6%). Loans to the corporate sector surged 30% offsetting a contraction of 27% in SME and business loans.

Total deposits from customers grew by 13.6% to RM212.6 billion while total assets increased by 15.4% to RM310.7 billion. Domestic market share remained strong at 21.3% for current accounts deposits, 26.6% share in savings deposits, and 13% in fixed deposits. Market share for total traditional deposits was 16.8%.

Maybank's Malaysian banking operations remains the largest contributor to the Group's results, contributing 72.5% to total Group pre-tax profit.Maybank ranked first in individual total deposits with market share of 18%. Maybank also retained its number one positions in unit trust loans, credit card and trade finance with 73.8%, 15% and 24.1% market share respectively.Maybank2u.com topped the list as the most visited local site with more than 1 million visitors reaching nearly 12% of all Malaysians online. Maybank2u.com has 3.8 million registered users and commands a market share of 54.8%.

Domestic loans account for 67.2% of total Group loans. Loans to the corporate sector amounted to 24% of total Group loans while SME loans amounted to 10.7%, consumer loans 32.5% and international loans 32.8%.Maybank Islamic remains the number one Islamic bank in Malaysia with total assets of RM37.7 billion as at 30 June 2009. For the financial year, the Bank recorded a profit before tax and zakat of RM482.1 million compared to RM273.2 million last year, driven by higher financing portfolio and customer deposits as well as improved returns on earning assets. Profit after tax and zakat for the period surged 81.6% to RM361.1 million. Maybank Islamic's financing to deposit ratio has improved to 105% from 113% and its capital adequacy ratio stood at 11.55%.

The Investment Banking Group showed lower pre-tax profit of RM120.1 million compared with RM170.8 million last year. Although net interest income was higher during the year and overhead expenses lower, the results were impacted by lower income in respect of Maybank Investment Bank's underwriting and brokerage fees which declined by RM14.4 million and RM30.6 million respectively. In addition, profit was also affected by lower write-backs in loan loss and provision this year.

Maybank Investment Bank (Maybank IB) ranked second by value in Mergers & Acquisitions, Corporate Finance, Underwriting and Fund Raising in the industry with market share of 35.4%, 30.4%, 30.2% and 29.4% respectively. In the Debt Capital Market category, Maybank IB ranked No 2 in issuance and amount raised as ranked by MARC. The Insurance Group recorded a lower pre-tax profit of RM476.7 million compared with RM515.8 million last year. The performance was mainly impacted by higher insurance claims and lower investment yields. Total premium, however, grew 12.4% in 2009 to

RM3,634 million, with improvement in both Life/Family (14.5%) and General business (9.5%) while assets grew 5.4% in 2009 to RM19.9 billion.

In the insurance industry, Etiqa is among the leader, ranking No 2 as Overall Insurer, No 1 General (Conventional + Takaful) insurer, No 1 in Life / Family new business, No 1 Takaful Insurer with Family Takaful contribution exceeding RM1 billion for the first time. Etiqa's claims ratios in all classes are below industry average. Etiqa's ratio for motor claims is 73.5% (industry 83.3%), marine, aviation & transit is 13.3% (industry 48.1%) and fire is 16.0% (industry 28.6%). In the international portfolio, Singapore contributed 61.9% of total loans, followed by Indonesia at 19.6%. Pre-tax profit at the Singapore operations grew 5.9% to SGD247.7 million from SGD233.8 million previously, supported mainly by a 24.2% increase in fund based income. Although provisions rose 42.7% due to a tougher operating environment, the gross NPL ratio decreased to 1%, demonstrating improved asset quality whilst growing the loans base. Housing loans comprise 26% of Singapore's loans portfolio, followed by car loans at 22%.

The financial results of BII for the period ended 30 June 2009 are not available as BII, being a listed company, has yet to announce the results to the stock exchange. MCB, Maybank's 20% associate, also reported a commendable profit after tax of PKR7,920 billion, despite a weakened economic environment. Total income recorded a growth of 34.5% but this was offset by higher provisions of PKR3,892 million. The gross NPL ratio stood at 7.6% while the loan to deposit ratio stood at 71.5%. Despite the challenging operating environment, Maybank's asset quality continues to improve with net NPL ratio declining to 1.64% as at 30 June 2009 from 1.92% in June 2008.The Group's risk weighted capital ratio stood at 14.8% as at 30 June 2009, after deducting the proposed dividend. At the Bank level the risk weighted capital ratio was 14.06%.

The Group completed the Purchase Price Allocation (PPA) exercise in accordance with the ‘FRS3 - Business Combination' and ‘FRS 138 - Intangible Assets' guidelines in relation to the BII and MCB acquisitions. An assessment of impairment was also conducted in accordance with the ‘FRS 136 - Impairment of Assets' guidelines. Following the robust PPA and impairment exercise, the Group made the impairment charge of RM1.97 billion comprising RM1.62 billion for BII and RM353 million for MCB.

Following the impairment charges, the carrying amount of BII and MCB as at June 2009 in the books of Maybank Group stands at RM5.77 billion and RM2.23 billion respectively. The recoverable/carrying amount is computed based on the value-in use method which applies the discounted cash flow model using Free Cash Flow to Equity projections prepared by management, covering a 10 year period with a certain compounded annual growth rate derived on historical data and economic outlook of the country in which the subsidiaries or associates operate. The impairment charges are the difference between the recoverable/carrying amount and the cost after taking into consideration foreign exchange fluctuation loss and movement in net assets and amortisation of intangible assets from the acquisition date to 30 June 2009.

The impairment charge is a non-cash charge and does not affect the capital position of Maybank because of the manner in which the Risk Weighted Ratio is calculated which has already negated any effect of impairment.

Despite the impairment, the Group continued to show steady operating profit for the financial year just ended. Had the impairment charge not been taken, the Group would have otherwise recorded a profit after tax of RM2.66 billion for the year ended 30 June 2009.

Global economic recovery is anticipated to pick up towards the end of 2009 and record positive growth in 2010 given that the United States and other developed economies have begun showing signs of stabilising following contraction in real GDP in Q109. The Malaysian economy is expected to experience a similar recovery pattern. Together with the upturn in the external sector, the recovery in domestic consumer demand and positive impact of the government stimulus plan bodes well in lifting the economy back into positive territory in 2010.

The banking industry in Malaysia is expected to remain resilient despite slower economic growth as banks continue to be supported by strong capitalisation, excess liquidity and healthy asset quality. Loans growth is expected to remain positive with improving domestic demand and higher government spending. However, the industry will remain competitive especially with the gradual introduction of liberalisation measures. Risk of margin compression and asset quality deterioration is expected to be well contained. Maybank's core commercial banking operations will remain the dominant revenue contributor and is expected to be supported by better performance from the investment banking and insurance divisions. Capitalising on its extensive network, human capital resources and brand strength, the Group is confident of enhancing loans growth and capturing lower cost deposits in the new financial year. Its prudent risk management practices and stringent asset quality management should restrain risk of deterioration in asset quality.

International operations is also expected to be a key driver of growth with special emphasis on Bank International Indonesia, which has identified various initiatives to improve loans growth and fee based income as well as derive synergies to enhance revenue generation.

It has been an extremely challenging time for the Group in the wake of global financial crisis and weakened economic situation in the financial year. Nevertheless, the Group's ability to continue to record steady operating profit and reinforce its capital strengths via a successful rights issue that was the biggest in Malaysian corporate history despite the difficult market environment, proved encouraging. The Group has made some bold moves in 2009 in the interest of future growth and will see a transformed Maybank in the years ahead, stronger in financial leadership both in the country and region. Maybank made a decision to take the necessary cuts this year both in terms of higher provisioning and the impairment for investment in BII and MCB.

Table 5: Maybank 2008 Annual Report

FINANCIAL HIGHLIGHTS

	Group 2007	Group 2008	Bank 2007	Bank 2008
PROFITABILITY (RM Million)				
Operating revenue*	15,179	16,154	12,573	13,093
Operating profit*	5,065	5,375	4,382	4,261
Profit before taxation*	4,364	4,086	3,893	3,119
Profit after taxation and minority interest	3,178	2,928	3,051	2,373
KEY BALANCE SHEET DATA (RM Million)				
Total assets	256,667	269,101	227,447	219,172
Securities portfolio	33,692	36,551	25,379	29,712
Loans, advances and financing*	140,865	164,800	118,557	138,986
Total liabilities	236,799	249,009	209,993	201,972
Deposit from customers*	163,677	187,112	133,856	156,323
Commitments and contingencies	175,392	204,217	171,957	192,079
Paid-up capital	3,889	4,881	3,889	4,881
Shareholders' equity	19,198	19,302	17,454	17,200
SHARE INFORMATION				
Per Share (sen)				
Basic earnings (sen)**	66.1	60.1	63.4	48.7
Diluted earnings (sen)**	65.9	60.0	63.3	48.7
Gross dividend (sen)	80.0	52.5	80.0	52.5
Net tangible assets (%)	493.6	395.5	448.8	352.4
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest-earning assets*	2.8	2.7	2.7	2.6
Net interest on average risk-weighted assets*	3.5	3.3	3.1	3.1
Net return on average shareholders' funds	17.6	15.2	18.6	13.7
Net return on average assets	1.3	1.1	1.4	1.1
Net return on average risk-weighted assets	1.9	1.5	2.0	1.4
Cost to income ratio*	42.8	44.2	39.3	43.0
CAPITAL ADEQUACY RATIOS (%) (AFTER DEDUCTING PROPOSED FINAL DIVIDEND)				
Based on credit risk:				
Core capital ratio	10.3	11.4	9.9	12.3
Risk-weighted capital ratio	15.9	15.8	14.6	13.7
Based on credit and market risk:				
Core capital ratio	9.4	10.2	9.1	10.9
Risk-weighted capital ratio	14.5	14.1	13.4	12.1
ASSET QUALITY RATIOS				
Net non-performing loans ratio (3 month classification) (%)	3.0	1.9	3.1	1.9
Loan loss coverage (%)*	80.3	99.2	78.3	101.7
Gross loan to deposit ratio (%)	76.3	80.9	86.4	79.2
Deposits to shareholders' fund (times)*	10.1	11.0	9.5	10.6
VALUATIONS ON SHARE				
Gross dividend yield (%)	6.7	7.4	—	—
Dividend payout ratio (%)	71.5	60.4	—	—
Price to earnings multiple (times)*	18.2	11.7	—	—
Price to book multiple (times)	2.4	1.8	—	—

* Comparative figures were reclassified to conform with current year presentation.
** Adjusted for bonus issue of 1:4.

Source: www.maybank.com.my

Table 6: Maybank Five Years Annual Report

FIVE-YEAR GROUP FINANCIAL SUMMARY

Year ended 30 June	2004	2005	2006	2007	2008
OPERATING RESULTS (RM Million)					
Operating profit*	3,876	4,338	4,872	5,065	5,375
Profit before taxation*	3,385	3,513	3,988	4,364	4,086
Profit after taxation and minority interest	2,451	2,547	2,772	3,178	2,928
KEY BALANCE SHEET DATA (RM Million)					
Total assets	179,563	191,970	224,284	256,667	269,101
Loans, advances and financing*	109,294	119,594	131,454	140,865	164,800
Total liabilities	164,434	175,036	206,807	236,799	249,009
Deposit from customers*	123,366	131,068	136,279	163,677	187,112
Commitments and contingencies	92,377	109,452	130,383	175,392	204,217
Paid-up capital	3,600	3,721	3,797	3,889	4,881
Shareholders' equity	14,689	16,481	16,867	19,198	19,302
SHARE INFORMATION					
Per share (sen)					
Basic earnings***	54.5	54.8	58.9	66.1	60.1
Diluted earnings***	54.5	54.4	58.6	65.9	60.0
Gross dividend	60.0	102.5	85.0	80.0	52.5
Net assets	408.0	442.9	444.2	493.6	395.5
Share price as at 30 June (RM)	10.10	10.90	10.70	12.00	7.05
Market capitalisation (RM Million)	36,360	40,559	40,628	46,668	34,411
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets*	2.9	2.9	2.8	2.8	2.7
Net interest on average risk-weighted assets*	2.8	3.3	3.6	3.5	3.3
Net return on average shareholders' funds	17.4	16.3	16.6	17.6	15.2
Net return on average assets	1.4	1.4	1.3	1.3	1.1
Net return on average risk-weighted assets	1.7	1.9	1.9	1.9	1.5
Cost income ratio*	40.1	39.3	39.8	42.8	44.2
Gross loan to deposit ratio	96.0	97.2	83.6	76.3	80.9
Net non-performing loans ratio (3-month classification)	6.0	4.9	3.8	3.0	1.9
Domestic market share in:					
Loans, advances and financing	20.6	20.4	20.3	19.6	19.7
Deposits from customers – Savings Account	29.8	29.1	28.9	28.6	28.0
Deposits from customers – Current Account	22.7	22.4	21.1	21.4	21.5
CAPITAL ADEQUACY RATIOS (%) (AFTER DEDUCTING PROPOSED FINAL DIVIDEND)					
Based on credit risk:					
Core capital ratio	10.4	106.0	10.1	10.3	11.4
Risk-weighted capital ratio	15.1	14.2	14.3	15.9	15.8
Based on credit and market risk:					
Core capital ratio	**	10.3	9.4	9.4	10.2
Risk-weighted capital ratio	**	13.9	13.3	14.5	14.1
VALUATIONS ON SHARE					
Gross dividend yield (%)	6.4	12.3	7.9	6.7	7.4
Dividend payout ratio (%)	37.4	113.3	82.1	71.5	60.4
Price to earnings multiple (times)	15.0	15.9	14.5	18.2	11.7

* Comparative figures were reclassified to conform with current year presentation.
** The Bank Negara Malaysia Guidelines on Market Risk Capital Adequacy Framework are effective from 1 April 2005.
*** Adjusted for bonus issue of 1:4.

Source: www.maybank.com.my

4.2 CIMB – Post M&A Performance

Bumiputra-Commerce Holdings Berhad Group ("BCHB Group") reported a net profit of RM2.793 billion for the full year ended 31st December 2007, 86% higher than the RM1.504 billion earned in 2006. Revenues and pre-tax profits were up 41% and 84% to RM9.011 billion and RM3.686 billion respectively compared to FY06. Net earnings per share of 83.9 sen was up 72% from FY06. The Group's annualised net return on equity ("ROE") for FY07 was 20%, exceeding its 2007 ROE target of 18%.

For 2007, BCHB has declared a final 25 sen dividend per share amounting to a total net payment of RM627 million. The Group has also disclosed that it plans to buy back and cancel up to RM1 billion worth of BCHB shares over the course of 2008. This signals a shift in its capital management paradigm in favour of share buybacks and cancellation. The Group is maintaining its ROE target at 18% for 2008.

For 4Q07, BCHB Group's profit after tax of RM486 million is 10% higher than that of the previous quarter core's net profit of RM442 million (which excludes the previous quarter's gain from the sale of 100% of its General insurance and 49% of its Life and Takaful businesses). Compared to 4Q06 net earnings of RM447 million, 4Q07 performance was up 9%. Excluding the gain on sale of insurance, the Group's FY07 net profit of RM2.203 billion has exceeded 2006 full year net profit of RM1.504 billion by 46%.

The Group's cost to income ratio for the full year to 31st December 2007 was 46.9% compared to 52.5% for 2006 as a whole. It is estimated that excluding the insurance sale, the FY07 cost to income ratio is about 50.4%. The total Group loans growth for the full year was 7.3% (excluding write-offs) as mortgages, credit cards and the Group's micro credit loans posted strong growth in loans of 24%, 32% and 100% respectively. The corporate lending book grew 8.2%. As for the portfolios under restructuring, business loans were down 4.5% while hire purchase continued to shrink by 9.1% reduction for the full year. Bank Niaga's loans grew 26% in IDR terms but 12.1% in RM terms. Consumer deposits at CIMB Bank grew 17.2% over the year.

The Group continued to show strong improvement in asset quality indicators with its lower net NPL ratio of 3.8% from 5.5% at the beginning of the year. Loan loss coverage ("LLC") ratio stood at 69.3% as at 31st December 2007, up from 57.5% a year ago. CIMB Bank's pre-tax profit of RM2.1 billion (net of consolidation adjustments) represented 62% of CIMB UB's pre-tax profits while CIMB Islamic made RM95.0 million and represented 3%. CIMB-GK's pre-tax profit of RM181.0 contributed to 5% of CIMB UB's pre-tax profit while CIMB Investment Bank contributed 8% at RM281 million.

The Group's shareholders funds increased from RM11.8 billion to RM15.7 billion over the year, lifting net tangible asset and book value per share to RM3.18 (51% increase) and RM4.67 (26% increase) per share respectively.

The Risk Weighted Capital Adequacy ratio for the investment banking and consumer banking operations were 20.2% and 12.5% respectively as at 31st December 2007. BCHB's double leverage and gearing stood at 116% and 33.6% respectively as at 31st December 2007.

Significant Corporate Developments

The significant corporate developments in 4Q07 were:

a) CIMB Bank / SBB merger

Â· The Group has achieved RM227.6 million in synergies for the full year exceeding the FY07 SBB-BCB synergy target by 14%.

b) CIMB-Niaga Synergy Programme

Â· The Group achieved RM28.8 million (IDR70 billion) in CIMB-Niaga synergies which exceeded target by about 7%. Synergies arose from sales of credit cards, corporate banking and treasury initiatives.

c) Streamlining of businesses

- CIMB Bank's branch in Tokyo has ceased operations on 14th December 2007.
- The Group's proposed sale of Southern Investment Bank Berhad and SBB Securities Sdn Bhd to HLG Credit Sdn Bhd announced on 19th October 2007 is still pending approval from the Bank Negara.
- On 4th December 2007, BCHB announced the proposed sale of its 60% equity interest in SEA Bank to British American Investment Co. (Mtius) Ltd.

d) Mergers & acquisitions and partnerships

- CIMB Bank, on 18th January 2008, signed a Participation Agreement with Lenlyn UK Ltd, the world's second largest retail foreign exchange provider for the management of its retail forex business.
- On 27th December 2007, BCHB announced Khazanah's decision to pursue the option to merge Bank Niaga and Bank Lippo to comply with Bank Indonesia's Single Presence Policy.

e) Capital management

Â· On 3rd December 2007, BCHB signed a Sale & Purchase agreement with Pelaburan Hartanah Bumiputera Berhad for the sale and leaseback of Menara Bumiputra-Commerce for RM460 mil.

Â· BCHB has bought back 4.135 million BCHB shares at an average price of 10.40 since 1st January to 20th February 2008. BCHB is now embarking on a more active programme with a view to buy back and cancel up to RM1 bil in shares in 2008.

The Group is delighted with overall financial results for 2007, which is the first full year post merger with SBB, with an outstanding first half in the regional capital markets and then successfully navigated the adverse conditions in the global capital markets. As a result, the bank maintained no. 1 market share in almost all segments of the Ringgit capital markets and the global Sukuk market. The consumer bank also performed commendably despite the huge resource commitment to the operational integration challenge that followed the merger. They are acknowledged by The Banker as Malaysia's "Bank of the

Year" in 2007 and by the Banking and Finance Magazine as "Asia's Most Improved Retail Bank."

Table 7: CIMB 2007 Annual Report

	2007	2006	2005	2004	2003
3. PER SHARE					
(i) Gross earnings (sen) Δ	**110.68**	64.86	48.25	39.57	48.47
(ii) Net earnings (sen) Δ	**83.87**	48.74	30.45	27.61	30.56
(iii) Net tangible asset (RM)	**3.17**	2.11	3.26	3.19	2.92
(iv) Gross dividend (sen) *	**40.00**	15.00	15.00	10.00	5.00
4. FINANCIAL RATIO (%)					
(i) Return on average equity	**20.05#**	13.98	8.89	8.71	10.38

* *Gross dividend is computed based on the actual payment made in the respective financial years.*

Δ *Based on the weighted average number of 3,330,288,000 (2006: 3,086,650,000) ordinary share of RM1.00 each in issue during the financial year ended 31 December 2007.*

\# *Return on average equity ratio is computed based on weighted average monthly shareholders' funds balances.*

Source: www.cimb.com.

Table 8: CIMB Five Years Annual Report

	2007	2006	2005	2004	2003
1. INCOME (RM'000)					
(i) Net interest income	**4,435,159**	3,656,447	2,986,247	2,690,511	2,546,633
(ii) Non-interest income	**4,576,350**	2,736,123	1,736,733	1,464,311	1,031,934
(iii) Profit before allowances	**4,783,833**	3,034,600	2,444,881	2,201,415	1,872,388
(iv) Profit before taxation	**3,685,803**	2,002,042	1,309,967	1,052,647	1,240,867
(v) Net profit for the financial year	**2,793,273**	1,504,427	826,825	734,540	782,300
2. BALANCE SHEET (RM'000)					
Assets					
(i) Total assets excluding contra	**182,831,642**	156,952,209	113,525,964	112,382,591	97,933,977
(ii) Total assets including contra	**201,053,695**	171,670,775	124,197,350	121,076,245	105,658,371
(iii) Loans, advances and financing	**95,904,058**	90,334,759	69,095,880	62,603,030	54,496,898
Liabilities and Shareholders' Funds					
(i) Total deposits	**139,751,258**	111,241,419	81,740,235	81,623,044	71,505,038
(ii) Paid-up capital	**3,374,181**	3,184,429	2,756,398	2,691,740	2,628,960
(iii) Total shareholders' funds	**15,710,051**	11,784,530	9,637,453	8,959,476	7,899,587

Source: www.cimb.com.

4.3 Public Bank – Post M&A Performance

In year 2002, saw a heightened awareness of the challenges and opportunities of continuous liberalisation of the Malaysian banking and financing industry. The increased capacity of the ten domestic banking groups in terms of larger branch networks, stronger capital base and improved management capability, after the relatively successful completion of merger integrations in 2001, resulted in intense competition for market share in the Malaysian banking and financing industry. Bank Negara Malaysia's liberalisation plans, as set out in the Financial Sector Master plan, are on track. These can be seen in the steps initiated by Bank Negara Malaysia in 2002 for the merger of the finance company business with the commercial banking business of domestic banking groups to facilitate the operation of one-stop financial centres in the pursuit of improving competitiveness, efficiency and effectiveness of domestic banking groups. Despite the intense competition among the domestic banking groups, and also from foreign controlled domestic banks, which continued to direct their resources at the retail consumer and mid-market business enterprises, the Public Bank Group has leveraged on the improvement in the Malaysian economy, which grew by 4.2% in 2002, to further expand its business. The Public Bank Group achieved strong operating revenue of RM4,046 million and another record profit before taxation of RM1,281 million for 2002. The improved performance was the result of stronger contribution from the Group's domestic operations. Profit before taxation of the Malaysian operations of the Group grew by RM148 million or 15% to RM1,135 million. The Group's overall performance was however moderated by lower contribution from its overseas operations, principally in Hong Kong SAR, due to the weak economy and adverse operating conditions in Hong Kong SAR which led to higher allowances for bad debts. At the profit after tax and minority interests level, the Public Bank Group posted an increase in net earnings of 10% to RM770 million and a higher earnings per share of 16.7 sen. This was a commendable performance given the challenging and competitive environment in 2002.The growth in the economy was driven largely by Government fiscal stimulus packages in an environment of easy monetary conditions. This has helped to promote economic activities amongst domestic-oriented industries and a healthy level of consumption activities.

With the focus on the retail consumer and middle market commercial banking and financing markets, the Public Bank Group's performance, particularly in the area of loans growth, and its overall financial performance have benefited from the expansion in the Malaysian economy and the strategies and direction of Government and private sector development efforts. The Malaysian economy is expected to register real GDP growth of about 5% in 2003, surpassing the 4.2% growth rate in 2002. The expected improved performance of the Malaysian economy in 2003 is envisaged to come from further strengthening of domestic-oriented industries, particularly in the manufacturing and services sectors. The Government's accommodative monetary policy will continue to provide a conducive business environment for the private sector, and the role of small- and medium-size enterprises (SMEs) will gain more prominence in the expansion of the economy. Consumer sentiment and business confidence in Malaysia are also expected to improve under a regime of low interest rates, low inflation and low unemployment. This positive outlook is premised on the expectations of a reasonably favourable external environment and the gradual recovery in the US economy in 2003. The world economy is expected to rebound by 2.5% in 2003 from 1.7% in 2002, led by growth in East Asia and the Pacific regions. Malaysia will continue to benefit from the increasing exports to the East Asian region, particularly China. In addition to trade in goods, Malaysia can expect to gain from trade in services, especially intra-regional tourism, education and health-related activities. The positive economic environment will have a favourable impact on the banking sector in terms of increased financing needs for investment and capacity expansion, and improving asset quality. However, the banking sector is expected to remain challengingly competitive in 2003 with net interest margins continuing to be under pressure due to the excess liquidity in the banking system and the on-going disintermediation of bank lending by the capital market. The continuing liberalisation of the banking sector, which will benefit customers in terms of easy access, quality choices and competitive prices, will also challenge banking institutions to become more innovative in product development and marketing. Banking institutions will be compelled to increase their operational efficiency to mitigate the effects of narrower lending spreads and improve service quality to fulfill the more discerning needs of customers. A key development under the Financial Sector Masterplan is the merging of the commercial banking and finance company businesses of banking groups into one single entity in the group. Under this arrangement, the domestic commercial banking institutions would, in addition to its commercial banking business, be able to undertake finance company business. This would allow commercial banks to take advantage of economies of scale, eliminate duplication and strengthen their customers and earnings base. This phase of development is expected to take place in 2003 with the forthcoming amendments of the licencing requirements and laws regulating the operations of banking institutions. The Public Bank Group has already initiated the process of merger integration with detailed planning for the alignment of Public Bank and Public Finance branches and the training of staff to ensure that the merger integration will be smooth and seamless to customers of the Group. The Group's ICT systems are also well positioned for the merger integration.

The merger of the finance company business of Public Finance with the commercial banking business of Public Bank will enhance the competitiveness, efficiency and effectiveness of the Group to compete in the increasingly challenging banking and financing environment, and strengthen our quest to be the preferred one stop financial services provider in Malaysia. Going forward, the Public Bank Group will continue to focus on its core areas of operations and competencies, and improve on its efficiency. While maintaining its prudent management of assets to achieve strong asset quality and a healthy balance sheet, the Group is always mindful of discharging its social responsibility as a good corporate citizen. The Public Bank Group will continue to leverage on its strong domestic branch network to reach the retail mass market to expand its lending business, with priority being accorded to SMEs and retail consumers especially to the relatively smaller borrowers who require scalable support for their business operations.

Table 9: Public Bank Five Years Financial Summary

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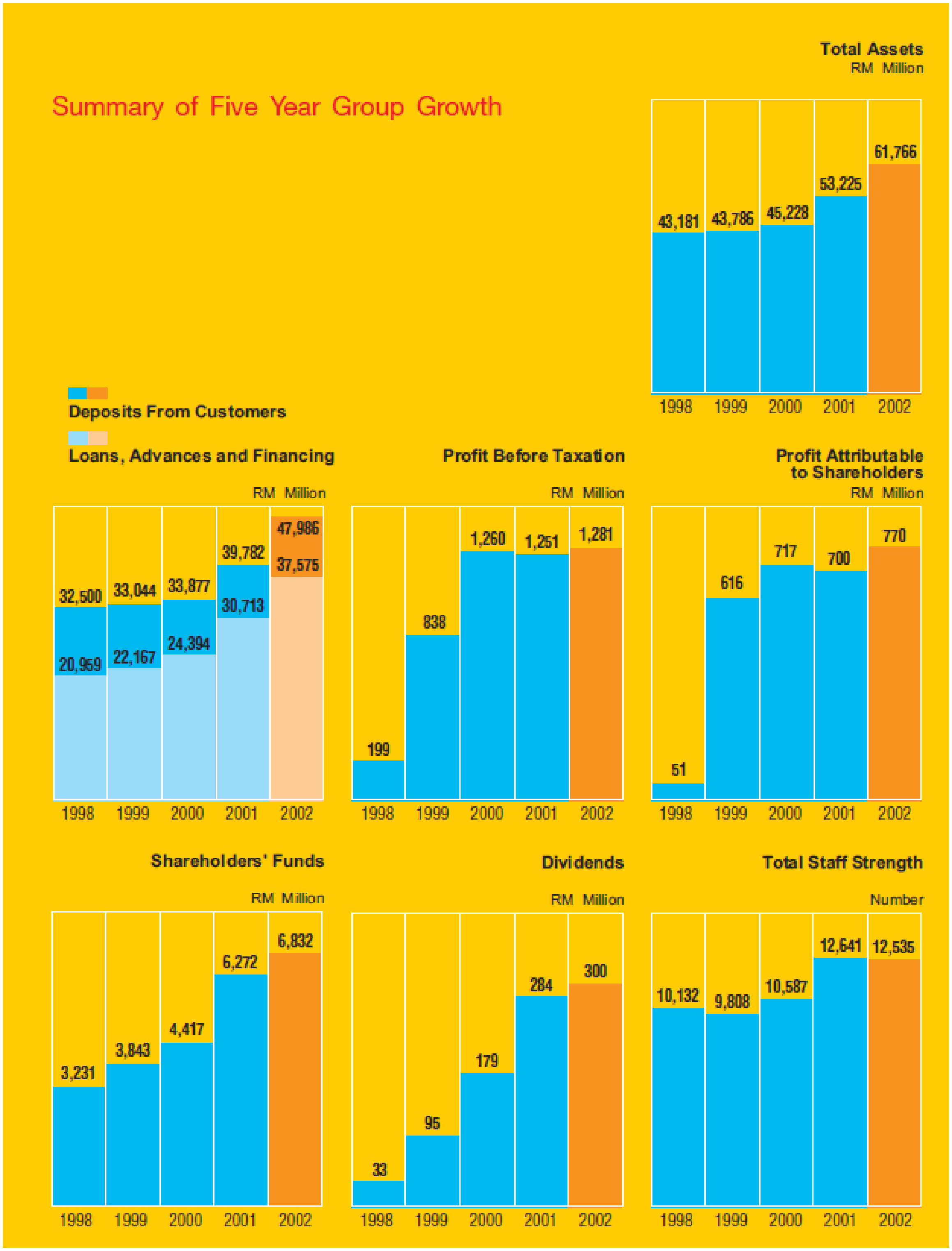
Five Year Group Financial Summary

Year ended 31 December	2002	2001	2000	1999	1998
OPERATING RESULTS (RM Million)					
Profit before taxation	1,281	1,251	1,260	838	199
Profit after taxation and minority interests	770	700	717	616	51
KEY BALANCE SHEET DATA (RM Million)					
Total assets	61,766	53,225	45,228	43,786	43,181
Loans, advances and financing	37,575	30,713	24,394	22,167	20,959
Total liabilities	53,607	45,572	39,584	38,851	38,973
Deposits from customers	47,986	39,782	33,877	33,044	32,500
Commitments and contingencies	12,316	12,147	9,762	10,874	12,110
Paid-up capital	2,315	1,834	1,195	1,183	1,157
Shareholders' funds	6,832	6,272	4,417	3,843	3,231
SHARE INFORMATION					
Per share (sen)					
Basic earnings	16.7	15.9	18.6	16.1	1.4
Diluted earnings	16.6	15.8	18.4	15.9	1.4
Gross dividend	9.0	9.0	7.5	4.0	2.0
Net tangible assets	137.3	159.6	182.1	162.3	139.5
Share price as at 31 December (RM)					
– Local*	2.27	2.00	1.81	2.04	1.23
– Foreign*	2.60	2.14	1.82	2.42	1.14
Market capitalisation (RM Million)	10,508	9,169	7,027	7,856	4,629
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin	3.8	4.1	4.0	3.5	3.4
Net interest on average risk-weighted assets	6.0	6.9	6.9	5.9	5.6
Internal rate of capital generation	17.8	18.6	24.6	27.1	14.7
Net return on average shareholders' funds	11.8	13.1	17.4	17.4	1.7
Net return on average net tangible assets	12.6	13.7	17.5	17.4	1.7
Return on average assets	2.2	2.5	2.8	1.9	0.5
Return on average risk-weighted assets	3.5	4.3	4.9	3.3	0.7
Gross loans to deposits ratio	81.3	81.0	76.1	71.3	68.6
Capital Adequacy Ratios (%)					
Core capital ratio	19.5	22.1	21.5	19.7	16.2
Risk-weighted capital ratio	21.3	23.8	23.4	21.4	17.9
Valuations					
Gross dividend yield (%)	4.0	3.6	2.6	1.2	1.0
Dividend payout ratio (%) (Bank level)	49.0	71.3	39.3	18.3	12.1
Price to earnings multiple (times)	13.6	12.6	9.7	12.7	87.9

* Adjusted for bonus issue

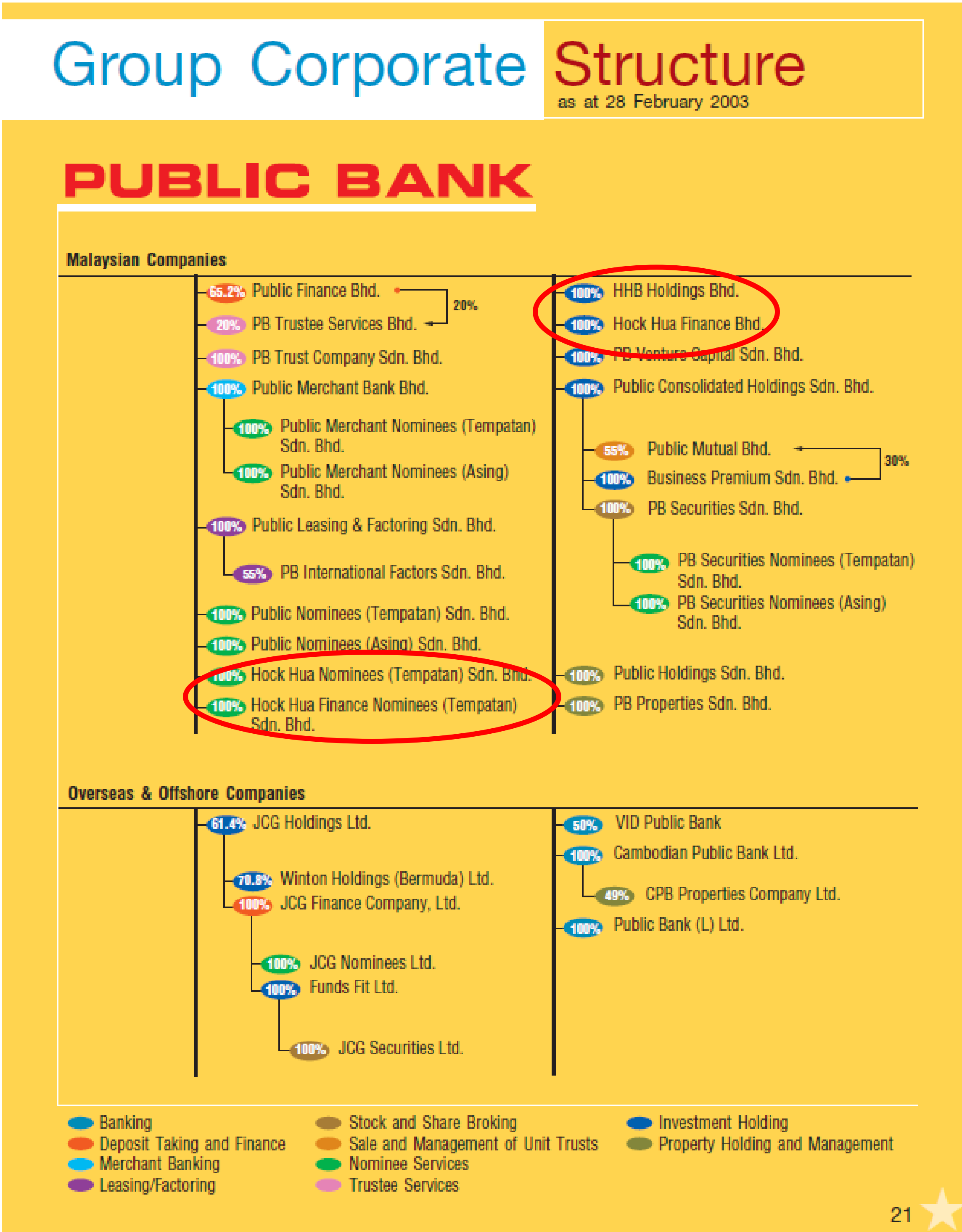
Source: www.publicbank.com.my

Table 10: Public Bank Five Years Financial Growth



Source: www.publicbank.com.my

Table 10: Public Bank Five Years Financial Growth



Source: www.publicbank.com.my