

# Malayan Banking (BUY ↔, EPS ↔)

INDUSTRY: OVERWEIGHT

EARNINGS EVALUATION / BRIEFING

23 August 2011

Price Target: RM10.46 (↔)

Share price: RM8.64

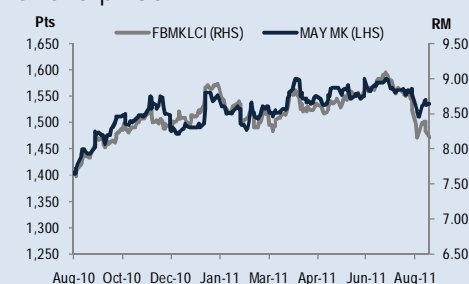
## New & Higher ROE KPI

Results	<ul style="list-style-type: none"> <li>4Q11 net profit of RM1,154.3m (+1% qoq; +26.5% yoy) took FY06/11 net profit to RM4,450.3m (+16.6% yoy) or 102.3% and 101.5% of HLIB and consensus forecasts respectively.</li> </ul>
Deviations	<ul style="list-style-type: none"> <li>Largely in line.</li> </ul>
Dividend	<ul style="list-style-type: none"> <li>Final dividend of 32 sen (of which 28 sen is under DRP), making FY06/11 total at 60 sen (52 sen DRP), ahead of our projection of 45 sen.</li> </ul>
Highlights	<ul style="list-style-type: none"> <li>4QFY06/11 earnings were boosted by lower provisions and higher insurance income but mainly offset by impairment loss on PDS, one-offs and consolidation of Kim Eng overheads as well as higher tax rate and MI.</li> <li>FY06/11 recorded higher top line across-the-board while PBT growth was mainly from Malaysia corporate banking, international banking and community financial services.</li> <li>Loans growth continued to accelerate (driven by all segments except SME) with domestic operations now exceeding industry average. Deposits growth also strong but slightly behind loans growth.</li> <li>Asset quality continued to improve while capital ratios remained strong.</li> <li>New and higher FY12/11 ROE KPI of 16%, sustain by healthy economic growth in its three "home" markets (Malaysia, Singapore and Indonesia) as well as higher fee based income expansion from Global Wholesale Banking and Regional IB (post acquisition of Kim Eng). These should more than offset erosion in NIM as well as normalized and higher credit charge.</li> <li>No change in status of BII as current share price is below its breakeven while there is still no clarity on Indonesia's foreign shareholding limit on banks.</li> <li>If Malaysia Basel III requirements are similar to Singapore, no cash call is needed until 2013.</li> </ul>
Risks	<ul style="list-style-type: none"> <li>Unexpected jump in impaired loans and lower than expected loan growth.</li> </ul>
Forecasts	<ul style="list-style-type: none"> <li>FY12/11-13 forecasts fine-tuned post final results.</li> </ul>
Rating	<p><b>BUY</b></p> <ul style="list-style-type: none"> <li>Positives – Earnings growth from Indonesia while domestic operations also improving, new business divisions to better address competitive pressure and switch from product centric to customer centric.</li> <li>Negatives – Have not entirely mitigated the dilution impact from debt raising and cash call.</li> </ul>
Valuation	<ul style="list-style-type: none"> <li>Target price fine-tuned to RM10.46 based on Gordon Growth with ROE of 15.5% and WACC of 9.4%.</li> </ul>

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KLCI	1,472.16
Expected share price return	21.1%
Expected dividend return	5.8%
Expected total return	26.9%

### Share price



### Information

Bloomberg Ticker	MAY MK
Bursa Code	1155
Issued Shares (m)	7,322.2
Market cap (RM m)	64,611.7
3-mth avg. volume ('000)	10,135.3

Price Performance	1M	3M	12M
Absolute	-2.15	-1.82	12.71
Relative	3.45	1.90	7.79

### Major shareholders

Skim Amanah Saham Bumiputera	46.7
EPF	10.2
PNB	5.7

### Summary Earnings Table

FYE Jun (RM m)	11A	11E*	12E	13E
Pre-tax Profit	6270	6779	7469	8235
Rpt. net profit	4450	4833	5324	5872
Norm. net profit	4450	4833	5324	5872
Norm. EPS (sen)	61.8	64.6	71.2	78.5
P/E (x)	14.0	13.4	13.4	13.4
P/BV (x)	2.1	2.0	1.9	1.7
Div yield (%)	5.2	4.3	4.8	5.2
ROE (%)	15.0	15.1	15.9	16.3
ROA (%)	1.2	1.1	1.2	1.2
Book Value (RM)	4.21	4.34	4.64	4.98

HLIB / \* New FY end Dec – numbers are annualized

## Briefing Highlights

- **FY12/11 KPIs.** Given that its FY06/11 results exceeded all KPIs (except NIM), management has set higher KPIs for FY12/11 with ROE of 16%, Loans and investments growth of 12%, loans growth of 12% (Malaysia 12%, Singapore 8% and Indonesia 24%), deposits growth of 14% and RWCAR of >12%. Note that the group will change its FY end from Jun to Dec with the next financial year (FY12/11) consists of only six months. Thus, the KPIs are annualized numbers. Management is banking on continued healthy economic growth in its three “home” markets to meet its loans growth KPIs as well as higher fee based income expansion arising from its Global Wholesale Banking and regional IB (post acquisition of Kim Eng).
- **NIM.** Pressure from competition (on loans and deposits) will continue while LDR will be retained within the 85-90% range (vs. 90% currently). However, it has secured some long-term funding to match with its fixed rate loans. Thus, management expects NIM to decline by circa 5-10bps.
- **Deal pipeline.** Its IB enjoyed the best time ever during Jun-Jul and pipeline for 1QFY12/11 continued to look good. However, it is still too early for any indication beyond 1QFY12/11.
- **Credit charge.** Despite significantly lower credit charge of 21bps in FY06/11, management is guiding for 30-40bps in view of continued loans growth and stabilization of FRS139.
- **Asset quality.** Potential risk will come from the property sector if prices collapse but its international portfolio should be intact given that the credits were extended to companies with strong cash flow and support Malaysian companies that have trade activities with the countries concerned. Moreover, despite issues are WOM Finance, management indicated that the situation is unlikely to deteriorate in view of new management, focus and tighter credit scoring.
- **BII.** The breakeven points to reduce its stake from 97% to 80% is 510 Rupiah (vs. current price of 450 Rupiah), thus, given that the disposal is condition on no losses, it is unlikely to materialize soon. Even if BII share price exceed its threshold, liquidity is another major stumbling block. As for the foreign shareholding limit in Indonesia, the authority there is still deliberating the issue. One argument put forward against the new ruling is banks control by locals already controls circa 70% of market share in Indonesia, similar to the situation in Malaysia.
- **Basel III.** It will continue with DRP to conserve capital and reward shareholders. However, BNM has yet to publish any guidelines. In the event the guidelines are similar to Monetary Authority of Singapore, it will not need cash call until 2013.

Figure 1) Quarterly results comparison

FYE Jun (RMm)	4Q10	3Q11	4Q11	QoQ (%)	YoY (%)	Comments
Net Interest Income	2,148.0	2,159.2	2,269.8	5.1	5.7	Driven by 8% qoq and 22.5% yoy loans growth (across-the-board from consumer and corporate segments as well as Indonesia and Singapore - see Figure 4) and higher yoy Islamic income. Partly offset by lower NIM (see Figure 3). SME loans growth still slow as it still need 6-9 months to recalibrate the whole business and credit models before turning more aggressive. Domestic loan growth accelerated to 8% qoq and 22.5% yoy (ahead of 3.9% qoq and 13.5% yoy industry average).
Non-Interest Income	1,051.2	1,095.5	1,507.9	37.6	43.5	Mainly due to higher fee income, higher income from insurance (profit transfer from life operations significantly boosted by gains on investment), gains from sale of HFT securities (vs. losses qoq), Higher dividend income and higher forex profit. Partly offset by lower gains from sale of HFT securities (yoy), lower gains from sale of AFS securities (yoy), MTM loss of HFT securities (vs. gain qoq and yoy) and MTM loss of derivatives (qoq) and higher impairment loss (as ratings of some PDS were downgraded).
<b>Operating Income</b>	<b>3,199.1</b>	<b>3,254.7</b>	<b>3,777.7</b>	<b>16.1</b>	<b>18.1</b>	
Less: Overhead Exp	-1,554.5	-1,632.2	-2,042.0	25.1	31.4	Mainly from personnel, establishment and admin costs arising from consolidation of Kim End (for two months and include one-off cost of RM35m) as well as charge for ESOS and cost of living allowances (unionized staff).
<b>Pre-provision Profit</b>	<b>1,644.6</b>	<b>1,622.5</b>	<b>1,735.7</b>	<b>7.0</b>	<b>5.5</b>	
Less: Loan Loss Provisions	-320.5	-72.2	-47.7	-33.9	-85.1	Qoq – write back in Individual Allowance (IA) and higher recovery but partly offset by higher Collective Allowance (CA). Yoy – combined CA and IA was lower than combined GP and SP but partly offset by lower recovery.

						Credit charge of 2bps vs. 3bps in 3QFY11 and 15bps in 4QFY10.
<b>Operating Profit</b>	<b>1,324.1</b>	<b>1,550.3</b>	<b>1,688.0</b>	<b>8.9</b>	<b>27.5</b>	
Associates	35.0	25.3	40.5	60.2	15.7	Mainly MCB
<b>Pretax Profit</b>	<b>1,359.1</b>	<b>1,575.6</b>	<b>1,728.5</b>	<b>9.7</b>	<b>27.2</b>	
Less: Tax	-384.1	-389.3	-475.3	22.1	23.8	
Effective Tax Rate (%)	28.3	24.7	27.5			
<b>Profit After Tax</b>	<b>975.0</b>	<b>1,186.3</b>	<b>1,253.2</b>	<b>5.6</b>	<b>28.5</b>	
Minorities	-62.6	-43.7	-98.9	126.5	58.1	
<b>Net Profit</b>	<b>912.5</b>	<b>1,142.6</b>	<b>1,154.3</b>	<b>1.0</b>	<b>26.5</b>	

Company &amp; HLIB

Figure 2) Cumulative results comparison

FYE Jun (RMm)	FY10	FY11	YoY (%)	Comments
<b>Net Interest Income</b>	<b>8,205.6</b>	<b>8,747.8</b>	<b>6.6</b>	Growth driven by 22.5% yoy loans growth (see Table 4) and higher Islamic income but partly offset by lower NIM. The 21bps decline in NIM can be attributed to 9bps from competitive pressure, 11bps from adjustment of effective interest rate and unwinding of interest under FRS139 as well as 1bp for forex. Deposits growth of 19% yoy was behind loans growth mainly due to single-digit growth in Singapore.
Non-Interest Income	4,453.6	4,921.8	10.5	Driven by higher fee income, higher income from insurance, higher gains from sale of AFS securities and higher forex profit. Partly offset by lower gains from sale of HFT securities, MTM loss of HFT securities (vs. gain), lower MTM gain of derivatives and higher impairment loss.
<b>Operating Income</b>	<b>12,659.2</b>	<b>13,669.6</b>	<b>8.0</b>	
Less: Overhead Exp	-6,193.4	-7,032.0	13.5	Mainly from personnel, marketing and admin costs arising from consolidation of Kim End (for two months and include one-off cost of RM35m) as well as charge for ESOS (RM65m) and cost of living allowances (RM22m for unionized staff).
<b>Pre-provision Profit</b>	<b>6,465.7</b>	<b>6,637.6</b>	<b>2.7</b>	
Less: Loan Loss Provisions	-1,217.2	-502.2	-58.7	Lower combined CA and IA vis-à-vis combined GP and SP while recovery was higher. Credit charge was lower at 21bps vs. 60bps.
<b>Operating Profit</b>	<b>5,248.6</b>	<b>6,135.5</b>	<b>16.9</b>	
Associates	121.8	135.0	10.8	Mainly MCB.
<b>Pretax Profit</b>	<b>5,370.4</b>	<b>6,270.5</b>	<b>16.8</b>	
Less: Tax	-1,402.0	-1,650.7	17.7	
Effective Tax Rate (%)	26.1	26.3		
<b>Profit After Tax</b>	<b>3,968.5</b>	<b>4,619.8</b>	<b>16.4</b>	
Minorities	-150.3	-169.5	12.8	
<b>Net Profit</b>	<b>3,818.2</b>	<b>4,450.3</b>	<b>16.6</b>	

Company &amp; HLIB

Figure 3) Quarterly ratios

	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
<b>Asset Quality (%)</b>									
Gross NPL/Impaired loan	3.47	3.50	3.29	3.09	2.90	4.70	4.20	3.66	3.34
Loan Loss Coverage	112.87	113.21	117.79	120.49	124.52	84.13	84.62	86.90	82.26
Core Capital Ratio	11.00	10.43	11.00	10.67	11.06	11.48	11.95	11.64	11.93
RWCAR	14.99	14.28	14.86	14.50	14.67	14.15	14.31	14.17	15.45
<b>Margins (%)</b>									
Yields On Earnings Assets	4.30	3.94	3.82	3.71	3.78	3.84	3.82	3.62	3.59
Avg. Cost Of Funds	2.15	1.73	1.60	1.56	1.47	1.64	1.65	1.62	1.66
Interest Spread	2.15	2.21	2.22	2.16	2.31	2.20	2.16	2.00	1.93
Unadj NIM (ex-Islamic Income)	2.30	2.35	2.35	2.28	2.44	2.34	2.31	2.16	2.08
Adjusted NIM (+Islamic Income)	2.77	2.90	2.85	2.75	2.92	2.79	2.82	2.63	2.58
<b>Profitability (%)</b>									
ROE	-19.67	13.87	15.04	15.31	13.32	14.64	15.73	15.55	15.06

ROA	-1.45	1.13	1.23	1.25	1.10	1.21	1.28	1.24	1.17
Interest income / Loans	1.52	1.38	1.35	1.33	1.31	1.35	1.32	1.23	1.21
Interest expense / Deposits	0.64	0.50	0.45	0.45	0.42	0.48	0.47	0.46	0.47
Cost / Income Ratio	47.79	50.36	49.12	47.64	48.59	49.84	51.31	50.15	54.05
Expenses / Avg. Assets	1.97	2.00	1.93	1.83	1.87	1.90	1.96	1.77	2.06
Provisions / Avg. Net Loans	1.68	0.89	0.52	0.46	0.64	0.51	0.22	0.13	0.08
<b>Liquidity (%)</b>									
Loan Deposit Ratio	87.39	87.27	84.52	84.82	86.77	87.25	88.43	89.78	90.07
Net / Gross Loan Growth	0.25	2.80	2.11	0.66	4.38	0.94	5.70	6.26	8.02
Deposit Growth	0.41	2.90	5.53	0.46	2.15	0.02	4.72	5.08	8.15
Company									

Figure 4) Loan growth &amp; breakdown

	4Q10	1Q11	2Q11	3Q11	4Q11	qoq (%)	yoy (%)
<b>By Purpose*</b>							
Purchase of securities	14,913.4	15,331.2	16,182.8	19,016.9	20,743.9	9.1	39.1
Purchase of transport vehicles	33,725.9	32,664.3	36,275.4	37,829.6	39,004.4	3.1	15.7
Purchase of landed properties							
Residential	37,685.0	38,647.3	41,416.7	43,665.3	46,621.8	6.8	23.7
Non-residential	9,163.8	9,614.9	12,924.5	13,102.7	14,623.3	11.6	59.6
Purchase of fixed assets	2,543.4	2,432.5	2,461.3	2,651.4	2,966.5	11.9	16.6
Personal use	5,061.6	5,259.2	5,629.6	5,978.1	6,362.1	6.4	25.7
Credit Card	4,974.3	5,035.5	5,307.3	5,436.2	5,772.3	6.2	16.0
Purchase of consumer durables	77.6	48.2	71.1	69.6	254.1	264.9	227.5
Construction	12,489.8	14,165.1	14,024.3	13,966.8	13,861.4	-0.8	11.0
Working capital	79,384.1	76,729.7	81,136.0	87,613.0	96,753.1	10.4	21.9
Others	13,239.6	15,344.5	12,115.1	12,464.6	14,216.8	14.1	7.4
<b>Total</b>	<b>213,258.4</b>	<b>215,272.3</b>	<b>227,544.0</b>	<b>241,794.3</b>	<b>261,179.8</b>	<b>8.0</b>	<b>22.5</b>
Malaysia	144,271.8	145,056.8	151,199.7	160,308.3	169,773.5	5.9	17.7
Singapore	40,589.0	41,634.0	45,545.0	48,235.6	54,830.5	13.7	35.1
HK	3,068.9	3,057.9	3,672.9	4,459.6	4,471.4	0.3	45.7
US	753.2	758.8	997.5	1,097.5	1,176.6	7.2	56.2
China	1,017.9	957.9	987.9	1,051.8	986.4	-6.2	-3.1
Vietnam	480.6	443.1	507.4	519.9	524.9	1.0	9.2
UK	994.8	855.5	797.0	1,008.0	1,358.0	34.7	36.5
Brunei	158.4	150.9	156.0	150.3	159.3	6.0	0.6
Cambodia	270.9	240.1	278.6	353.8	425.8	20.3	57.2
Bahrain	236.6	205.6	195.9	214.0	226.1	5.7	-4.4
Labuan offshore	3,268.8	3,087.3	3,437.6	3,260.6	3,875.2	18.8	18.6
Philippines	969.5	955.2	1,042.9	1,091.5	1,419.0	30.0	46.4
Indonesia	17,102.5	17,807.3	18,642.4	19,950.4	21,328.3	6.9	24.7
PNG	75.7	62.0	83.3	93.1	115.3	23.9	52.3
Thailand	-	-	-	-	466.2	NM	NM
Others	-	-	-	-	43.3	NM	NM
<b>Total</b>	<b>213,258.4</b>	<b>215,272.3</b>	<b>227,544.0</b>	<b>241,794.3</b>	<b>261,179.8</b>	<b>8.0</b>	<b>22.5</b>

Company / \* From 1Q11 onwards, classification by purpose includes both domestic and overseas vs. only domestic previously (4Q10 was adjusted retrospectively)

Figure 5) NPL/Impaired loan breakdown

NPL/Impaired loan (RMm)	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
<b>By Purpose*</b>									
Purchase of securities	131.9	119.3	112.5	99.1	47.3	63.6	54.9	84.2	116.7
Purchase of transport vehicles	122.9	153.8	150.6	150.2	239.3	290.2	289.8	325.9	276.7
Purchase of landed properties									

Residential	1,957.1	1,931.2	1,825.7	1,724.1	1,754.0	1,862.9	1,665.5	1,480.5	1,277.8
Non-residential	332.2	378.0	358.2	347.3	331.1	361.9	299.3	304.1	290.5
Purchase of fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personal use	212.6	209.7	192.2	184.1	168.1	180.1	173.2	153.3	126.3
Credit Card	53.3	53.1	52.5	55.8	68.8	90.8	85.0	86.4	77.8
Purchase of consumer durables	1.6	1.6	1.7	1.6	1.6	1.6	126.8	2.1	1.2
Construction	462.5	542.0	529.5	497.9	511.7	1,023.1	951.1	557.2	523.4
Working capital	2,392.0	2,458.9	2,447.7	2,194.0	2,824.5	5,983.9	5,327.2	5,495.8	5,575.2
Others	19.5	24.4	24.7	24.7	239.9	257.6	627.7	379.5	491.4
<b>Total</b>	<b>5,685.5</b>	<b>5,872.0</b>	<b>5,695.3</b>	<b>5,278.8</b>	<b>6,186.3</b>	<b>10,115.6</b>	<b>9,600.6</b>	<b>8,869.0</b>	<b>8,756.9</b>

Malaysia	5,685.5	5,872.0	5,695.3	5,278.8	5,129.1	8,260.1	7,754.0	7,227.7	6,712.6
Singapore	296.3	289.9	236.6	218.1	209.6	229.2	293.5	275.6	402.5
HK	74.2	79.5	95.2	115.7	114.1	134.6	87.8	84.2	84.9
US	0.0	0.0	0.0	0.0	0.0	62.8	61.8	39.8	0.0
China	22.2	21.8	21.6	20.6	20.3	54.9	31.6	30.2	0.0
Vietnam	20.9	20.5	19.1	17.6	17.5	16.4	78.0	78.6	75.7
UK	42.6	42.8	75.8	71.0	68.5	199.4	199.5	143.0	141.5
Brunei	2.8	2.4	2.4	2.8	2.1	3.9	4.7	4.4	2.6
Cambodia	0.0	13.5	13.4	23.7	24.0	27.5	11.6	11.2	12.5
Bahrain	0.0	0.0	0.0	0.0	0.0	47.7	50.4	48.8	48.7
Labuan offshore	107.2	126.0	124.5	118.7	79.9	419.3	415.6	368.1	351.1
Philippines	33.9	30.4	37.3	38.9	35.9	37.2	57.9	52.1	50.7
Indonesia	427.0	456.1	346.0	400.7	483.4	616.4	553.7	505.2	873.7
PNG	2.6	2.1	2.1	1.9	1.9	6.1	0.3	0.3	0.0
Thailand			-	-	-	-	-	-	0.5
<b>Total</b>	<b>6,715.2</b>	<b>6,957.0</b>	<b>6,669.1</b>	<b>6,308.5</b>	<b>6,186.3</b>	<b>10,115.6</b>	<b>9,600.6</b>	<b>8,869.0</b>	<b>8,756.9</b>

**By Purpose\***

Purchase of securities	1.15	1.01	0.90	0.72	0.32	0.41	0.34	0.44	0.56
Purchase of transport vehicles	0.63	0.76	0.74	0.72	0.71	0.89	0.80	0.86	0.71
Purchase of landed properties									
Residential	8.04	7.74	7.18	6.66	4.65	4.82	4.02	3.39	2.74
Non-residential	5.12	5.72	5.25	4.88	3.61	3.76	2.32	2.32	1.99
Purchase of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal use	5.62	5.24	4.47	4.16	3.32	3.42	3.08	2.56	1.98
Credit Card	1.50	1.45	1.36	1.44	1.38	1.80	1.60	1.59	1.35
Purchase of consumer durables	10.00	9.23	20.51	18.96	2.11	3.35	178.35	2.94	0.46
Construction	7.34	8.39	7.86	7.45	4.10	7.22	6.78	3.99	3.78
Working capital	4.69	4.73	4.66	4.10	3.56	7.80	6.57	6.27	5.76
Others	0.57	0.71	0.78	1.03	1.81	1.68	5.18	3.04	3.46
<b>Total</b>	<b>4.38</b>	<b>4.41</b>	<b>4.20</b>	<b>3.81</b>	<b>2.90</b>	<b>4.70</b>	<b>4.22</b>	<b>3.67</b>	<b>3.35</b>

Malaysia	4.38	4.41	4.20	3.81	3.56	5.69	5.13	4.51	3.95
Singapore	0.75	0.71	0.57	0.54	0.52	0.55	0.64	0.57	0.73
HK	2.56	2.78	3.38	3.89	3.72	4.40	2.39	1.89	1.90
US	0.00	0.00	0.00	0.00	0.00	8.27	6.19	3.62	0.00
China	2.29	2.55	2.42	2.30	1.99	5.73	3.20	2.87	0.00
Vietnam	3.81	3.50	3.72	3.76	3.64	3.69	15.38	15.12	14.42
UK	3.33	3.44	6.17	6.35	6.89	23.31	25.04	14.18	10.42
Brunei	2.13	1.65	1.59	1.73	1.30	2.61	3.03	2.92	1.64
Cambodia	0.00	5.08	5.22	10.22	8.88	11.43	4.17	3.16	2.94
Bahrain	0.00	0.00	0.00	0.00	0.00	23.21	25.72	22.79	21.54
Labuan offshore	3.43	3.93	3.99	3.94	2.44	13.58	12.09	11.29	9.06
Philippines	4.28	3.93	4.36	4.49	3.70	3.89	5.55	4.77	3.58

Indonesia	3.44	3.44	2.37	2.73	2.83	3.46	2.97	2.53	4.10
PNG	3.97	3.10	3.27	2.72	2.52	9.86	0.31	0.27	0.00
Thailand									0.10
<b>Total</b>	<b>3.47</b>	<b>3.50</b>	<b>3.29</b>	<b>3.09</b>	<b>2.90</b>	<b>4.70</b>	<b>4.22</b>	<b>3.67</b>	<b>3.35</b>

Company / \* From 1Q11 onwards, classification by purpose includes both domestic and overseas vs. only domestic previously (4Q10 was adjusted retrospectively)

Figure 6) Peer comparison

Company	Mkt Cap (RMbn)	Price (RM)	Target (RM)	+/- (%)	Reco.	EPS (sen)		P/E (x)		P/B (x)		ROE (%)		Net Yld (%)
						CY11E	CY12E	CY11E	CY12E	CY11E	CY12E	CY11E	CY12E	
Public Bank - F	43.2	12.88	14.22	10.4	Hold	101.9	113.4	12.6	11.4	2.9	2.6	24.6	24.2	3.8
Public Bank - L	43.2	12.90	14.22	10.2	Hold	101.9	113.4	12.7	11.4	2.9	2.6	24.6	24.2	3.8
Maybank	63.3	8.64	10.46	21.1	Buy	66.0	72.7	13.1	11.9	1.9	1.8	14.6	15.0	4.3
CIMB Grp	57.8	7.77	9.58	23.3	Buy	57.6	67.5	12.8	10.9	2.2	2.0	17.7	19.1	4.3
AMMB	19.3	6.40	7.71	20.5	Buy	49.1	55.1	11.1	9.9	1.4	1.3	14.1	14.4	2.3
Affin Holdings	4.6	3.07	3.54	15.3	Hold	33.3	38.4	8.9	7.8	0.8	0.8	10.0	10.6	2.4
AFG	5.2	3.39	4.19	23.6	Buy	28.7	31.4	11.8	10.8	1.4	1.3	12.9	12.7	1.9
RHB Capital	19.2	8.93	10.96	22.7	Buy	75.3	86.5	11.9	10.3	1.7	1.5	15.2	15.5	2.2
<b>Average</b>								<b>12.8</b>	<b>11.4</b>	<b>2.0</b>	<b>1.8</b>	<b>15.6</b>	<b>15.9</b>	

HLIB / ^ Under Review

Figure 7) HLIB vs. consensus

RMm	FY11f*			FY12f		
	HLIB	Consensus	%	HLIB	Consensus	%
Net Profit	4,832.8	4,946.8	(2.3)	5,324.5	5,486.7	(3.0)
EPS (sen)	64.6	67.8	(4.7)	71.2	74.5	(4.4)

HLIB & Bloomberg / \* New FY end Dec – numbers are annualized

## Financial Projections - Maybank

### Income statement

FYE 31 Jun (RMm)	2010A	2011A	2011E*	2012E	2013E
<b>Net Interest Income</b>	<b>8,205.6</b>	<b>8,747.8</b>	<b>9,673.8</b>	<b>10,289.9</b>	<b>11,053.7</b>
Non-Interest Income	4,391.1	4,867.9	5,147.7	5,559.6	6,004.3
<b>Operating Income</b>	<b>12,596.7</b>	<b>13,615.7</b>	<b>14,821.5</b>	<b>15,849.5</b>	<b>17,058.0</b>
Overhead Expenses	-6,122.1	-6,978.0	-7,222.3	-7,655.6	-8,038.4
<b>Pre-provision Profit</b>	<b>6,474.6</b>	<b>6,637.6</b>	<b>7,599.3</b>	<b>8,193.9</b>	<b>9,019.6</b>
Loan Loss Provisions	-1,226.1	-502.2	-968.3	-888.0	-964.0
BII deposit	<b>5,248.6</b>	<b>6,135.5</b>	<b>6,630.9</b>	<b>7,305.9</b>	<b>8,055.7</b>
<b>Operating Profit</b>	<b>121.8</b>	<b>135.0</b>	<b>148.5</b>	<b>163.4</b>	<b>179.7</b>
Associates	<b>5,370.4</b>	<b>6,270.5</b>	<b>6,779.5</b>	<b>7,469.3</b>	<b>8,235.3</b>
Impairment	-1,402.0	-1,650.7	-1,762.7	-1,942.0	-2,141.2
<b>Pretax Profit</b>	<b>26.1</b>	<b>26.3</b>	<b>26.0</b>	<b>26.0</b>	<b>26.0</b>
Less: Tax	<b>3,968.5</b>	<b>4,619.8</b>	<b>5,016.8</b>	<b>5,527.2</b>	<b>6,094.2</b>
<i>Tax Rate (%)</i>	-150.3	-169.5	-184.0	-202.8	-223.6
<b>Profit After Tax</b>	<b>3,818.2</b>	<b>4,450.3</b>	<b>4,832.8</b>	<b>5,324.5</b>	<b>5,871.6</b>
Minorities	7,078.0	7,200.1	7,478.2	7,478.2	7,478.2
<b>Net Profit</b>	<b>53.9</b>	<b>61.8</b>	<b>64.6</b>	<b>71.2</b>	<b>78.5</b>
Basic shares (m)	4,391.1	4,867.9	5,147.7	5,559.6	6,004.3
<b>Basic EPS (sen)</b>	<b>12,596.7</b>	<b>13,615.7</b>	<b>14,821.5</b>	<b>15,849.5</b>	<b>17,058.0</b>

### Balance sheet

FYE 31 Jun (RMm)	2010A	2011A	2011E*	2012E	2013E
Cash	37,623	49,095	51,550	54,643	57,921
Invnt securities	54,170	61,039	64,091	67,937	72,013
Loans	205,555	253,976	267,328	291,741	318,263
Stat Reserve	4,471	7,698	8,083	8,811	9,604
Goodwill	4,481	6,509	6,509	6,509	6,509
Other assets	30,399	33,641	35,064	39,529	44,876
<b>Total assets</b>	<b>336,700</b>	<b>411,959</b>	<b>432,625</b>	<b>469,169</b>	<b>509,186</b>
Deposits	260,168	315,280	333,031	364,286	398,585
Bills & acceptances	3,062	8,513	8,726	9,075	9,438
Borrowings	16,873	22,368	22,775	23,441	24,134
Other liab	27,933	33,327	34,526	36,357	38,290
<b>Shrholders' funds</b>	<b>27,877</b>	<b>31,461</b>	<b>32,467</b>	<b>34,706</b>	<b>37,213</b>
Share capital	7,078	7,478	7,478	7,478	7,478
Reserves	20,799	23,983	24,988	27,228	29,735
Minorities	788	1,009	1,101	1,304	1,527
<b>Total liab</b>	<b>336,700</b>	<b>411,959</b>	<b>432,625</b>	<b>469,169</b>	<b>509,186</b>

### Assumption Metrics

FYE 31 Jun	2010A	2011A	2011E*	2012E	2013E
<b>Asset Quality (%)</b>					
Gross Impaired Loan	2.89	3.34	3.24	3.04	2.84
Loan Loss Coverage	124.52	82.26	77.80	79.12	81.90
Core Capital Ratio	11.06	11.93	12.19	11.97	11.80
RWCAR	14.67	15.45	15.68	15.37	15.10
<b>Margins (%)</b>					
Yields On Earnings Assets	3.83	3.64	3.57	3.54	3.51
Avg. Cost of Funds	1.54	1.54	1.54	1.54	1.54
Interest Spread	2.29	2.09	2.02	1.99	1.96
Unadjusted NIM	2.37	2.17	2.12	2.08	2.04
Adjusted NIM	2.87	2.64	2.59	2.58	2.56

### Quarterly financial summary

FYE 31 Jun (RMm)	4Q10	1Q11	2Q11	3Q11	4Q11
<b>Net Interest Income</b>	<b>2,148.0</b>	<b>2,112.7</b>	<b>2,206.1</b>	<b>2,159.2</b>	<b>2,269.8</b>
Non-Interest Income	1,051.2	1,152.4	1,166.0	1,095.5	1,507.9
<b>Operating Income</b>	<b>3,199.1</b>	<b>3,265.1</b>	<b>3,372.1</b>	<b>3,254.7</b>	<b>3,777.7</b>
Overhead Expenses	-1,554.5	-1,627.4	-1,730.4	-1,632.2	-2,042.0
<b>Pre-provision Profit</b>	<b>1,644.6</b>	<b>1,637.7</b>	<b>1,641.7</b>	<b>1,622.5</b>	<b>1,735.7</b>
Loan Loss Provisions	-320.5	-264.7	-117.5	-72.2	-47.7
BII deposit	<b>1,324.1</b>	<b>1,373.0</b>	<b>1,524.2</b>	<b>1,550.3</b>	<b>1,688.0</b>
<b>Operating Profit</b>	<b>35.0</b>	<b>31.4</b>	<b>37.8</b>	<b>25.3</b>	<b>40.5</b>
Associates	<b>1,359.1</b>	<b>1,404.3</b>	<b>1,562.0</b>	<b>1,575.6</b>	<b>1,728.5</b>
Impairment	-384.1	-350.7	-435.4	-389.3	-475.3
<b>Pretax Profit</b>	<b>28.3</b>	<b>25.0</b>	<b>27.9</b>	<b>24.7</b>	<b>27.5</b>
Less: Tax	<b>975.0</b>	<b>1,053.6</b>	<b>1,126.6</b>	<b>1,186.3</b>	<b>1,253.2</b>
<i>Tax Rate (%)</i>	-62.6	-25.5	-1.4	-43.7	-98.9
<b>Profit After Tax</b>	<b>912.5</b>	<b>1,028.1</b>	<b>1,125.2</b>	<b>1,142.6</b>	<b>1,154.3</b>
Minorities	7,078.0	7,078.0	7,322.2	7,322.2	7,478.2
<b>Net Profit</b>	<b>12.9</b>	<b>14.5</b>	<b>15.4</b>	<b>15.6</b>	<b>15.4</b>
Basic shares (m)	1,051.2	1,152.4	1,166.0	1,095.5	1,507.9
<b>Basic EPS (sen)</b>	<b>3,199.1</b>	<b>3,265.1</b>	<b>3,372.1</b>	<b>3,254.7</b>	<b>3,777.7</b>

### Valuation ratios

FYE 31 Jun (RMm)	2010A	2011A	2011E*	2012E	2013E
Reported basic EPS (sen)	53.9	61.8	64.6	71.2	78.5
Normalized basic EPS (sen)	53.9	61.8	64.6	71.2	78.5
Normalized FD EPS (sen)	53.9	61.8	64.6	71.2	78.5
PER (x)	16.0	14.0	13.4	13.4	13.4
FD PER (x)	16.0	14.0	13.4	13.4	13.4
Net DPS (sen)	41.3	45.0	37.5	41.3	45.0
Net DY (%)	4.8	5.2	4.3	4.8	5.2
Book/ share (RM)	3.9	4.2	4.3	4.6	5.0
P/Book (x)	2.2	2.1	2.0	1.9	1.7
FCF/ share (sen)	NM	NM	NM	NM	NM
FCF yield (%)	NM	NM	NM	NM	NM
Market capitalization	64,612	64,612	64,612	64,612	64,612
Net cash	NM	NM	NM	NM	NM
Enterprise value	NM	NM	NM	NM	NM
EV/ EBITDA (x)	NM	NM	NM	NM	NM
ROE (%)	14.5	15.0	15.1	15.9	16.3

### Assumption Metrics

FYE 31 Jun	2010A	2011A	2011E*	2012E	2013E
<b>Profitability (%)</b>					
ROE	14.47	15.00	15.12	15.85	16.33
ROA	1.18	1.19	1.15	1.18	1.20
Int Inc / Loans	5.15	4.62	4.87	4.73	4.65
Int Exp / Deposits	1.77	1.72	1.81	1.77	1.75
Cost / Inc Ratio	48.60	51.25	48.73	48.30	47.12
Exp / Avg. Assets	1.89	1.86	1.71	1.70	1.64
Prov / Avg. Net Loans	0.63	0.22	0.74	0.32	0.32
<b>Liquidity (%)</b>					
Loan Deposit Ratio	86.77	90.07	89.44	88.73	88.00
Net Loan Growth	10.25	22.60	10.00	9.00	9.00
Deposit Growth	11.44	19.02	12.00	10.00	10.00

\* New FY end Dec – numbers are annualized

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