

PRESS RELEASE BY TAN SRI DATO' SRI DR. TEH HONG PIOW,  
CHAIRMAN OF PUBLIC BANK

**PUBLIC BANK POSTS 3% GROWTH IN OPERATING NET PROFIT AND  
7.2% LOAN GROWTH IN FIRST HALF OF 2009**

I am pleased to announce that the Public Bank Group achieved a net profit of RM1.2 billion in the first half of 2009 as compared to RM1.3 billion in the corresponding period of 2008 which included a one-off goodwill payment of RM200 million from ING Asia/Pacific Limited (“ING”) in January 2008 in respect of the Group’s regional bancassurance distribution alliance with ING. Excluding the non-recurring one-off goodwill payment, the Group’s underlying operating net profit improved by 3% over the same period in 2008 despite the more challenging operating environment and the negative impact on net interest margin arising from the Overnight Policy Rate (“OPR”) reductions between November 2008 and February 2009 totalling 1.50%.

On a quarter-to-quarter comparison, the Group turned in a profit before taxation of RM820 million in the second quarter of 2009, a healthy 10% growth from RM745 million in the first quarter of 2009.

The growth in the Group’s half-year profit was mainly due to continued healthy growth in net interest and financing income by RM180 million or 9%, driven by the Group’s expanding loan and deposits businesses and sustained strong asset quality, despite the negative impact of the OPR reductions on net interest margin and the lagging effect of deposits re-pricing. The improved net profit performance translates into an annualized net return on equity of 26.0% and earnings per share of 35.1 sen for the first half of 2009.

The Public Bank Group's total gross loans increased by a healthy 7.2% in the first half of 2009, whilst asset quality remained strong with the Group's net NPL ratio capped at below 1%.

In view of the sustained strong performance of the Public Bank Group, the Board of Directors is pleased to declare an interim dividend of 30% less 25% taxation, which will result in a total payout of RM777 million.

### **Highlights of the Public Bank Group's Performance in the First Half of 2009**

- Net profit attributable to shareholders was RM1.2 billion as compared to RM1.3 billion in the previous corresponding period. Excluding the one-off RM200 million goodwill payment received in January 2008, the Group's underlying operating net profit increased by RM34 million or 3% as compared to the corresponding period last year.
- Annualised net return on equity ("ROE") stood at 26.0%.
- Earnings per share ("EPS") was 35.1 sen, with EPS showing an uptrend on a quarter-to-quarter comparison of 17.4 sen in the first quarter of 2009 and 17.7 sen in the second quarter of 2009.
- Total assets crossed the RM200 billion mark for the first time, standing at RM204.0 billion as at the end of June 2009.
- Total loans and advances grew by RM8.7 billion or 7.2% in the first six months of 2009, to reach RM129.4 billion as at the end of June 2009, significantly above the banking industry's loan growth of 1.2% for the first five months of 2009.

- Core customer deposits grew strongly by 11.5% in the first six months of 2009 to stand at RM125.3 billion as at the end of June 2009 as compared to the banking industry's growth rate of 2.9% during the first five months of 2009.
- As at the end of May 2009, Public Bank's domestic market share of total loans and core customer deposits rose to 15.5% and 15.2% respectively as compared to 14.8% and 14.7% respectively as at 31 December 2008.
- Net non-performing loans ("NPL") ratio of the Group remained below 1% as at the end of June 2009, significantly lower than the banking industry's net NPL ratio of 2.2% in May 2009. The Group's loan loss coverage of 173% is about twice the banking industry's ratio of 87%, and continues to be the highest and most prudent in the Malaysian banking industry.
- The Group's risk-weighted capital ratio ("RWCR") rose to 13.9% as at the end of June 2009 from 13.1% as at the end of 2008, after deducting the interim dividend for 2009.

### **Highlights of the Public Bank Group's Performance for the Second Quarter as compared to the First Quarter of 2009**

- Profit before taxation grew by 10% or RM75 million to RM820 million from RM745 million in the first quarter of 2009.
- Other operating income grew by 25% or RM73 million, mainly attributed to the increase in unit trust management fees as well as net brokerage and commission from stockbroking activities.
- Net interest and financing income expanded by 4% or RM44 million to RM1.1 billion due to continued healthy loan and deposits growth.

- Cost to income ratio improved to 34.1% as compared to 35.6% in the first quarter of 2009, reflecting continued improvement in productivity and efficiency.
- Credit charge-off ratio remains low and stable at 0.29%.
- The quantum of NPLs decreased by RM24 million from the end of previous quarter to stand at RM1.2 billion as at the end of June 2009, despite a RM3.7 billion loan growth in the second quarter of 2009.

### **Continued Strong Growth in Quality Loans**

Over the six-month period, the Public Bank Group's loans and advances to customers grew by RM8.7 billion or 7.2% to reach RM129.4 billion as at the end of June 2009. This rate of growth significantly exceeded the 1.2% loan growth rate recorded by the banking industry for the first five months of 2009. As a result, the Group's domestic market share of loans and advances rose to 15.5% as at the end of May 2009 from 14.8% as at the end of 2008.

The Public Bank Group's retail banking franchise remained strong, with loans for the financing of residential properties and passenger vehicles and lending to mid-market commercial enterprises accounting for 77% of the Group's total loan portfolio as at the end of June 2009. The Group continued to record strong loan approvals during the period. Total loans approved and loan applications for the first half of 2009 increased by 17% and 18% respectively as compared to the corresponding period in 2008. Comparing the second quarter of 2009 against the first quarter of 2009, loan approvals and loan applications recorded a much higher growth of 25% and 21% respectively.

In support of the Government's efforts to ensure accessibility to bank credit by small- and medium-sized enterprises ("SMEs") as these SMEs meet the challenges of the slowing economy, Public Bank and Public Islamic Bank have been actively promoting the Government's Working Capital Guarantee Scheme for their SME customers to finance their working capital needs. In the first six months of 2009, the Group approved a total of RM5.0 billion of domestic SMEs loans, which accounted for 21% of the Group's total new domestic loans approved of RM24.4 billion for the same period.

### **Sustained Strong Asset Quality**

Amidst the more challenging operating environment, the Public Bank Group's asset quality had remained strong. Over the six-month period, the amount of NPLs decreased by RM2 million to stand at RM1.2 billion as at the end of June 2009, despite a RM8.7 billion growth in the total loan base. The Group's gross and net NPL ratios stood at below 1% as at the end of June 2009, as compared to the banking industry's gross and net NPL ratios of 4.0% and 2.2% respectively as at the end of May 2009.

The sustained low NPL position of the Public Bank Group is due to its prudent lending policies and quality customer base as well as various proactive initiatives taken to assist borrowers to meet their repayment obligations.

On a quarter-to-quarter comparison, the Public Bank Group's stable level of new net NPL formation was reflected by the ratio of net new NPL to gross loans of 0.13% in the second quarter of 2009 as compared to 0.14% in the preceding quarter. Over the three-month period, the quantum of NPLs has decreased by RM24 million despite a RM3.7 billion growth in the total loan base in the second quarter of 2009. The Public Bank Group's credit charge-off rate remained low at 0.29% in the first half of 2009.

The NPLs of the Public Bank Group is well-covered, with loan loss coverage ratio further increasing to 173% as at the end of June 2009, as compared to the banking industry's coverage ratio of 87% as at the end of May 2009. The increase in the Group's loan loss coverage from 160% as at the end of 2008 was mainly contributed by additional general allowance set aside for the strong loan growth rate during the period. The Group's general allowance of RM1.9 billion as at the end of June 2009 was almost two times that of the entire net NPL amount of RM1 billion, despite that more than 90% of the NPLs outstanding are secured.

### **Strong Expansion in Core Customer Deposits**

The Public Bank Group also achieved a healthy growth of 7% in its total customer deposits during the first half of 2009 to RM173.8 billion, mainly attributed to the strong growth in core customer deposits.

The Public Bank Group's core customer deposits increased by RM12.9 billion or 11.5%, which was more than three times the pace of the banking industry's core deposit growth of 2.9% for the first five months of 2009. Fixed deposits, savings deposits and demand deposits of the Group registered strong growth of 12%, 10% and 9% respectively which resulted in the Group's domestic market share of core customer deposits increasing to 15.2 % as at the end of May 2009 as compared to 14.7% as at the end of 2008.

The Public Bank Group's overseas operations also contributed to the deposits growth, in particular Public Financial Holdings Group ("PFHG") in Hong Kong and Cambodian Public Bank Plc ("Campu Bank"). PFHG and CAMPU Bank registered deposits growth of 9% and 20% respectively during the first half of 2009 as a result of their extensive efforts in growing their respective deposit bases. Presently, PFHG has 72 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic

of China with another 2 branches scheduled to be opened before the end of 2009. CAMPU Bank is currently the largest bank in Cambodia by balance sheet size, operating with 13 branches as at the end of June 2009 and with a further 5 branches scheduled to be opened in the second half of 2009.

As a result of the healthy customer deposits growth, the Public Bank Group's liquidity position remained strong with net loans to deposits ratio standing at 73.2% as at the end of June 2009.

### **Wealth Management Products and Services**

The Public Bank Group's unit trust and fund management business, carried on by its wholly-owned subsidiary, Public Mutual Berhad, continued to maintain its market leadership in the private unit trust industry despite the weaker market conditions which prevailed in the first quarter of 2009. Public Mutual's market share of the Malaysian private sector unit trust management industry increased from 39% at the end of 2008 to 44% as at the end of June 2009. The number of Public Mutual unit trust consultants currently stands at over 40,000 while the number of investors in Public Mutual unit trusts has grown to 2.15 million. In the second quarter of 2009, Public Mutual achieved an improved unit trusts sales of RM1.7 billion as compared to RM727 million in the first quarter of 2009. Public Mutual's net assets under management stood at a record RM30.6 billion as at the end of June 2009, an increase of RM7.3 billion or 31% over the six-month period to June 2009.

The Public Bank Group is quickly building its bancassurance and wealth management businesses and continues to expand its sales force which currently number 529. In the second quarter of 2009, Public Bank launched a new principal protected structured investment product called the PB USA Recovery, which generated good response from customers.

## **Capital Position Remains Strong**

On 5 June 2009, Public Bank issued RM1.2 billion of Stapled Securities to enhance its capital adequacy ratios. The Stapled Securities comprised Non-Cumulative Perpetual Capital Securities (“NCPCS”) of RM1.2 billion issued by Public Bank, and an equivalent nominal value of Subordinated Notes issued by a wholly-owned subsidiary, PBFIN Berhad. The tenor of the NCPCS is perpetual whilst the Subordinated Notes have a maturity of fifty years due on 5 June 2059, with the first optional redemption date of the NCPCS of 5 June 2019. The issuance of the Stapled Securities had strengthened Public Bank’s RWCR and core capital ratio (“CCR”) by 1.2% and 1.4% respectively.

The Public Bank Group’s RWCR improved to 13.9% as at the end of June 2009 from 13.1% at the beginning of the year, after accounting for the interim dividend for 2009 and was well above the statutory minimum requirement of 8%. As at the end of June 2009, Public Bank’s RWCR and CCR rose to 13.6% and 11.2% respectively from 12.8% and 10.1% as at the end of 2008.

The forthcoming adoption of FRS 139 with effect from 1 January 2010 and the adoption of the Basel II Internal Rating Based approach will result in further enhancement of Public Bank’s and the Public Bank Group’s core capital ratios and risk-weighted capital ratios.

## **Group Prospects**

Despite the slowing economy, the banking industry in Malaysia remained resilient, supported by its strong capitalization, stable asset quality and improved risk management practices.



The Public Bank Group will continue to pursue its strategy of strong organic business growth, as well as maintain a high quality loan portfolio and improved productivity. Barring unforeseen circumstances, the Group is expected to continue to record satisfactory performance for the rest of 2009.

**Tan Sri Dato' Sri Dr. Teh Hong Piow**

Chairman

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