

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

**PUBLIC BANK ACHIEVES 4.5% GROWTH IN OPERATING PRE –TAX  
PROFIT TO RM3.32 BILLION AND 14.4% LOAN GROWTH FOR 2009**

I am pleased to announce that the Public Bank Group achieved another year of strong performance with a pre-tax profit of RM3.32 billion and net profit of RM2.52 billion for 2009, on the back of a strong 10.2% growth in net interest and financing income. In the previous year, the Group's pre-tax profit of RM3.38 billion included a significant one-off goodwill income of RM200 million in respect of the bancassurance distribution alliance with ING Asia/Pacific Limited ("ING"). Excluding this one-off income, the Group's underlying operating pre-tax profit improved by 4.5%. We are pleased to have delivered a strong set of results for the year, driven by steady revenue growth, above industry rate of loan growth, strong asset quality, cost efficiency and uncompromising prudent risk management. The Group's 2009 results are again a testament to the strength of the PB Brand and the resilience of the Group's core businesses in times of economic uncertainty.

The Public Bank Group's improved profit was mainly due to continued strong growth in net interest and financing income by RM435 million or 10.2% to stand at RM4.71 billion in 2009, despite the negative impact on net interest margins arising from the reduction in the Overnight Policy Rate on three occasions between November 2008 and February 2009. This was mainly driven by loan growth and core customer deposits growth which remained strong at 14.4% and 14.8% respectively, whilst the Group's net non-performing loans ("NPL") ratio continued to be capped at below 1%.

Other operating income amounted to RM1.40 billion in 2009, an increase of 11.4%, excluding the RM200 million one-off goodwill income from ING recorded in the previous year's other operating income. The growth was mainly due to higher

income from the unit trust management business and investment income from securities held.

The improved profit performance translated into a net return on equity of 26.1% and earnings per share of 73.3 sen for 2009.

In view of the Public Bank Group's sustained strong performance, the Board of Directors has declared a second interim cash dividend of 25 sen less 25% tax and a share dividend to be distributed from the treasury shares of Public Bank, on the basis of 1 Public Bank share for every 68 existing shares held. Based on the share price of Public Bank (Local) shares of RM11.30 each as at 31 December 2009, the value of the share dividend per Public Bank share is equivalent to a gross cash dividend of 22.2 sen. Together with the first interim dividend of 30 sen less 25% taxation, which was paid in August 2009, the total dividend for 2009, inclusive of the share dividend, is equivalent to a gross cash dividend per share of 77.2 sen. The total net dividend for 2009, including the share dividend, amounts to RM1,997 million and represents a total payout of 79.3% of the Group's net profit for the year. The Board of Directors does not propose any final dividend for 2009.

### **Highlights of the Public Bank Group's Performance**

- Net profit attributable to shareholders was RM2.52 billion as compared to RM2.58 billion in 2008. Excluding the one-off goodwill income from ING in 2008, the Group's underlying operating net profit increased by 3.3%.
- Net return on equity remained strong at 26.1%.
- Earnings per share was 73.3 sen, showing an uptrend on a quarter-to-quarter basis, with 17.4 sen in the first quarter, 17.7 sen in the second quarter, 18.5 sen in the third quarter and 19.7 sen in the fourth quarter of 2009.

- Cost to income ratio remains efficient at 34.4%, and was significantly lower than the industry average of 46.4%.
- Total assets expanded by RM20.9 billion or 10.7% to stand at RM217.1 billion as at the end of 2009.
- Total loans and advances expanded by 14.4% or RM17.3 billion in 2009 to stand at RM137.6 billion as at the end of 2009, significantly above the banking industry's annualised loan growth of 7.4% for the first eleven months of 2009.
- Total customer deposits increased by 13.0% or RM19.7 billion to stand at RM170.9 billion as at the end of 2009.
- Core customer deposits grew strongly by 14.8% or RM16.4 billion to stand at RM127.6 billion as at the end of 2009 as compared to the banking industry's annualised growth rate of core customer deposits of 6.9% for the first eleven months of 2009.
- As at the end of November 2009, the Group's domestic market share of loans and advances and core customer deposits rose to 15.9% and 15.1% respectively from 14.8% and 14.7% respectively as at 31 December 2008.
- Gross NPL ratio remained below 1%, which was significantly lower as compared to the banking industry's gross NPL ratio of 3.4% as at November 2009. Loan loss coverage stood at 172% which is almost two times of the banking industry loan loss coverage ratio of 92%.
- With the improved results in 2009, the Group's and the Bank's risk-weighted capital ratio rose to 14.2% and 13.6% respectively, from 13.1% and 12.8% respectively as at 31 December 2008, after the payment of the second interim dividend.

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

- Profit before taxation grew by 5.1% or RM44 million to RM900 million from RM856 million for the third quarter of 2009.
- Net profit grew by 6.1% to RM678 million.
- Net interest and financing income achieved a strong growth of 7.3% in the fourth quarter of 2009, due to continued healthy loans and deposits growth.

### **Continued Strong Organic Loan Growth and Increasing Market Share**

The Public Bank Group achieved a strong loan growth of 14.4% or RM17.3 billion to reach RM137.6 billion as at the end of 2009. This growth rate significantly exceeded the banking industry's annualised loan growth rate of 7.4% as at November 2009. The Group achieved its targeted loan growth for 2009 and this has translated into a stronger position in the market place.

In 2009, the Public Bank Group's domestic loans and advances expanded strongly by 16.8%, driven mainly by financing of residential properties and passenger vehicles, as well as commercial lending to small- and medium-sized enterprises ("SMEs"), which collectively accounted for 78% of the Group's loan portfolio as at the end of 2009. This has led to the Group's market share of domestic loans and advances rising to 15.9% as at the end of November 2009, from 14.8% as at the end of 2008.

Public Bank Group's domestic loan approvals and loan applications rose by 21.9 % and 26.3% respectively in 2009 as compared to the previous year. Housing loan approvals were particularly strong, recording an increase of 39.3% in 2009.

In support of the Government's fiscal stimulus efforts and the banking industry's commitment in meeting the needs of SMEs in the more challenging economic environment, particularly in respect of working capital financing, the Public Bank Group actively promoted the Government's Working Capital Guarantee Scheme for its SMEs customers. In 2009, a total of RM10.3 billion of new domestic SMEs loans was approved, which accounted for 21.7% of the Group's total domestic loans approved of RM47.5 billion for the year.

### **Sustained Strong Asset Quality**

The strong financial performance of the Public Bank Group has consistently been underpinned by its strong asset quality, with the Group's NPL ratios remaining the lowest in the Malaysian banking industry. Despite achieving significantly higher rates of loan growth as compared to that of the banking industry, the Group's gross and net NPL ratios continue to stand at below 1% as at the end of 2009, as compared to the banking industry's gross and net NPL ratios of 3.4% and 1.9% respectively as at the end of November 2009.

As at the end of 2009, the Public Bank Group's loan loss coverage ratio further increased to 172% as compared to 160% as at the end of 2008, which was almost twice the average coverage ratio of 92% for the banking industry. The growth in the Group's loan loss coverage was primarily due to additional general allowance set aside for the strong loan growth. The Group's general allowance of RM2.05 billion as at the end of 2009 was about 2 times of the entire net NPL amount of RM1.10 billion, despite that more than 90% of the NPLs outstanding are secured.

### **Strong Growth in Core Customer Deposits**

The Public Bank Group's customer deposits grew by RM19.7 billion to RM170.9 billion, representing a healthy growth rate of 13.0%, which was mainly supported by growth in its core customer deposits funding base. Core customer deposits of the

Group grew by RM16.4 billion or 14.8% to RM127.6 billion which was double that of the pace of growth of the banking industry's core customer deposits of 6.9%. For the year, core customer deposits which comprise fixed deposits, savings accounts and current accounts grew by 12.3%, 20.1% and 20.5% respectively. The overall strong deposit growth boosted the Group's market share of domestic core customer deposits to 15.1% as at the end of November 2009.

The Public Bank Group continues to experience strong core customer deposits growth which reflects on the Group's strong domestic franchise and a stable funding base to support the Group's continued strong loan growth.

The Public Bank Group's overseas subsidiaries, in particular Public Financial Holdings Group ("PFHG") in Hong Kong and Cambodian Public Bank Plc ("CAMPU Bank") also delivered strong deposits growth of 17.2% and 64.3% respectively in 2009. The growth was backed by the active expansion of branch network and sales and marketing resources, on top of the active promotion of the "PUBLIC BANK" brand name in these countries. Presently, PFHG has 72 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China. CAMPU Bank, the largest bank in Cambodia by balance sheet size, has 15 branches as at the end of 2009.

With the strong customer deposits growth matching the high loan growth rate, the Public Bank Group's liquidity position remained strong with net loans to deposits ratio standing at 79.2% as at the end of 2009.

## **Expansion of Wealth Management Products and Services**

With the continued strong support and confidence of unit holders, coupled with its large and growing force of over 40,000 unit trust consultants, Public Mutual, Public Bank's wholly-owned unit trust and fund management subsidiary delivered strong performance in 2009, with its overall market share of the private sector unit trust management business rising to 43% as at the end of 2009 from 39% as at the end of 2008. Public Mutual's market share of equity funds and Islamic funds grew to 57% and 56% respectively, from 54% and 52% respectively a year ago. For 2009, the profit contribution of the Group's fund management segment grew by 16.1% to RM212.8 million.

Public Mutual's net asset value of funds under management stood at RM35.6 billion as at 31 December 2009, representing a 53% growth from RM23.3 billion as at the end of 2008. Public Mutual's total unit trust sales for the year stood at RM7.6 billion of which RM4.9 billion was achieved during the second half of 2009. Five new unit trust funds were launched during the year and the number of account holders in Public Mutual has grown to 2.3 million. Public Mutual's large agency force of over 40,000 unit trust consultants represents a highly potent distribution channel to drive the business of Public Mutual when the market for unit trusts improves further.

In 2009, the Public Bank-ING Bancassurance partnership was considered the fastest growing bancassurance provider in the industry, moving up to 2<sup>nd</sup> position from 7<sup>th</sup> place in 2008, based on the volume of new business. The Public Bank Group continued to develop its bancassurance business through significant investment in the bancassurance business infrastructure and continued offerings of new products. The bancassurance business is supported by a dedicated sales force of 265 Bancassurance Sales Executive as at 31 December 2009, and this number is set to grow to 600 by 2014. A total of 20 products have been launched since the inception of the bancassurance partnership at the start of 2008. The core bancassurance offering known as the One Solution Plan is a whole-life regular premium unit-linked

product offering a series of 7 packages to suit a wide range of insurance needs of customers of the Group. The sales of overall bancassurance products in terms of annualised premium equivalent increased by 31% in 2009 as compared to the previous year and the trend is set to continue with more bancassurance product offerings in the pipeline.

In order to provide more investment options to its customers, Public Bank launched 3 principal protected structured investment products, namely the “PB USA Recovery”, the “PB Templeton Global Asian Focus” and the “PB Templeton BRIC” funds. Despite the difficult market condition, all these new products generated good customer response with total investments of RM219 million.

### **Capital Position Remains Strong**

The Public Bank Group proactively manages its capital position to ensure a healthy level of capital with sustainable and strong returns to shareholders. The capital position of the Group was further enhanced with the issuance of capital securities, particularly non-innovative Tier-1 stapled securities and subordinated debt securities.

During the year, Public Bank has taken various capital initiatives which included the issuance of RM2.09 billion of Non-Innovative Tier 1 Stapled Securities and RM473 million of Subordinated Notes. These were partly to refinance the early redemption of its USD350 million (RM1.2 billion equivalent) Subordinated Notes issued in 2004 on the optional redemption date of these Subordinated Notes. These initiatives were taken to further enhance both the Public Bank Group’s and the Bank’s capital structure to support business expansion plans of the Group and the Bank.

As at the end of 2009, the Public Bank Group’s risk-weighted capital ratio (“RWCR”) and core capital ratio (“CCR”) rose to 14.2% and 9.9% respectively, after deducting the second interim dividends for 2009, as compared to 13.1% and

7.7% respectively as at the beginning of the year. Public Bank's RWCR improved to 13.6% from 12.8% as at the end of 2008 and was significantly above the minimum statutory requirement of 8%.

## **Group Prospects**

As the Malaysian economy gradually builds its growth momentum on the back of improved economic conditions in the second half of 2009, the operating environment for banks in Malaysia is expected to improve in 2010.

Going forward, the Public Bank Group will continue to pursue its strategy of strong organic business growth, maintaining its superior quality loan portfolio and improving its productivity. At the same time, the Group will continue with its efforts to further reinforce the strong PB Brand, enhance its risk management capabilities and uphold its strong corporate governance culture and practices. The Group, having overcome the many challenges faced thus far, will be stronger and more resilient as a leading financial services provider and is well set to sustain its growth trajectory as the economic recovery becomes more entrenched.

Barring unforeseen circumstances, the Public Bank Group is expected to maintain its earnings momentum and continue to record satisfactory performance in 2010.

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

Chairman

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For more information, please contact:

Mr Leong Kwok Nyem

Chief Operating Officer

Tel: (603) 2176 6270

Fax: (603) 2163 9925

Email: [leongkn@publicbank.com.my](mailto:leongkn@publicbank.com.my)

Ms Chang Siew Yen

Chief Financial Officer

Tel: (603) 2176 7460

Fax: (603) 2164 9002

Email: [changsiweyen@publicbank.com.my](mailto:changsiweyen@publicbank.com.my)