

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

**PUBLIC BANK ACHIEVES 22% GROWTH IN PRE-TAX PROFIT IN THE FIRST NINE MONTHS OF 2010**

The Public Bank Group achieved a pre-tax profit of RM2.96 billion for the first nine months of 2010, representing a 22% growth from the corresponding period in 2009. Over the same period, the Group recorded a net profit of RM2.20 billion, 20% higher as compared to RM1.84 billion achieved in the corresponding period in 2009.

On a quarterly basis, the Public Bank Group surpassed the RM1 billion mark for the first time by recording a pre-tax profit of RM1.05 billion in the third quarter of 2010. This represents a strong growth of 7% as compared to the pre-tax profit of RM982 million in the second quarter of 2010.

The Public Bank Group's results translate into earnings per share of 63.0 sen for the first nine months of 2010 and an annualised net return on equity of 26.0%.

**Highlights of the Public Bank Group's Performance in the First Nine Months of 2010**

- Pre-tax profit of the Group increased by 22% to RM2.96 billion as compared to RM2.42 billion in the previous corresponding period, on the back of a strong 15% growth in net interest and finance income.
- Net profit attributable to shareholders increased by 20% to RM2.20 billion as compared to RM1.84 billion in the previous corresponding period.
- Annualised net return on equity stood at 26.0%.
- Earnings per share of 63.0 sen was 17% higher as compared to 53.7 sen in the first nine months of 2009.

- Cost-to-income ratio improved further to 33.2% from 34.6% in the previous corresponding period, and is significantly lower than the industry's cost-to-income ratio of 48.4%.
- Total assets increased to RM220.6 billion as at the end of September 2010.
- Total loans and advances of the Group grew by RM14.1 billion or an annualised growth rate of 13.7% to reach RM151.7 billion as at the end of September 2010, driven by strong lending growth in the domestic market at an annualised rate of 16.1%.
- The Group's core customer deposits grew at an annualised rate of 12.2%, supported by domestic core customer deposits annualised growth rate of 14.7%.
- The gross impaired loans ratio of the Group as at the end of September 2010 remained low at 1.2% as compared to the industry's gross impaired loans ratio of 3.4% and an improvement from the gross impaired loans ratio of the Group of 1.3% as at the end of 2009.
- The Group's loan loss coverage of 140.2% continues to be one of the highest and most prudent in the Malaysian banking industry.
- The Tier 1 capital ratio and risk-weighted capital ratio of the Group remain healthy at 9.8% and 13.6% respectively as at the end of September 2010.

**Highlights of the Public Bank Group's Performance for the Third Quarter as compared to the Second Quarter of 2010**

- Pre-tax profit grew by 7% or RM69 million to RM1.05 billion in the third quarter of 2010.
- Net profit attributable to shareholders grew by 6.6% to RM783 million.

### **Profit Performance Remains Consistently Strong**

The improved profit performance of the Public Bank Group for the first nine months of 2010 was mainly attributed to the strong growth in net interest and finance income and higher non-interest income.

The three increases in the Overnight Policy Rate in 2010 totalling 0.75% translated into an improvement to the Public Bank Group's net interest margin. The improved net interest margin, coupled with the strong organic growth in loans and core customer deposits, led to the Group's net interest and finance income improving by RM525 million or 15% in the first nine months of 2010 as compared to the corresponding period in 2009.

Non-interest income of the Public Bank Group also recorded a commendable growth of 18% as compared to the corresponding period in 2009, mainly driven by the increase in fee income generated from the Group's unit trust management and foreign exchange businesses.

### **Strong Growth in Domestic Lending Business**

In tandem with the improved economic conditions in the country, the Public Bank Group recorded a strong increase in total loans and advances of RM14.1 billion, a 10.3% growth for the first nine months of 2010 or a 13.7% annualised growth rate, to reach RM151.7 billion as at the end of September 2010. In particular, domestic loans grew at a stronger annualised rate of 16.1%. This has led to a higher market share of the domestic lending business of 16.2% as at the end of August 2010, as compared to 15.9% as at the beginning of the year.

The lending activities of the Public Bank Group remained focused on the retail sector, particularly in loans to mid-market commercial enterprises as well as loans for the financing of residential properties and the purchase of passenger vehicles, which accounted for 78% of the total loan portfolio of the Group as at the end of September 2010.

In the first nine months of 2010, the Public Bank Group's loan growth indicators remain robust with domestic retail loan approvals increasing by 9% as compared to the corresponding period of 2009. In particular, domestic loan approvals for hire purchase grew at an impressive rate of 17%. Over the same period, the total loan applications received by the Group increased by 16% as compared to the corresponding period a year ago.

For the first nine months of 2010, the Public Bank Group continued its strong support of the Government's effort to promote small- and medium-sized enterprise ("SME") activities with the approval of RM7.9 billion of loans to domestic SMEs, accounting for more than 20% of the Group's total domestic loans approved of RM38.2 billion in the same period.

### **Sustained Strong Asset Quality**

The Public Bank Group's asset quality remained strong as at the end of September 2010. Under the more stringent criteria on the classification of impaired loans under FRS 139, the Group's impaired loans ratio as at the end of September 2010 remained low at 1.2%, which is approximately one-third that of the banking industry's gross impaired loans ratio of 3.4% as at the end of August 2010. The Group's impaired loans ratio has also shown improvement as compared to the impaired loans ratio of 1.3% as at the end of 2009.

The Public Bank Group's loan loss coverage ratio remains one of the highest at 140.2%, as compared to the banking industry's loan loss coverage ratio of 95.0% as at the end of August 2010 despite that more than 90% of the impaired loans outstanding are secured.

The strong asset quality of the Public Bank Group is due to, inter alia, its prudent lending policies and strong risk management practices, as well as the extensive recovery efforts undertaken by the Group.

### **Healthy Growth of Domestic Core Customer Deposits**

Domestic core customer deposits grew by 11.0% in the first nine months of 2010, or an annualised growth rate of 14.7%, against the backdrop of a marginal 2.2% growth in the domestic industry's core customer deposits for the first eight months of 2010.

The strong domestic core deposit growth of the Public Bank Group is mainly supported by steady inflows of deposits, particularly fixed deposits and savings deposits which outperformed the growth of such deposits in the domestic banking system. Domestic fixed deposits grew by 13.7% for the first nine months of 2010 against the domestic industry's fixed deposits growth of 1.3% for the first eight months of 2010. The Group's domestic savings deposits grew by 5.7% over the nine month-period as compared to the 1.6% decline in savings deposits in the domestic banking system for the first eight months of 2010.

### **Improved Earnings of the Group's Overseas Operations**

For the first nine months of 2010, the Public Bank Group's overseas operations recorded a 14% improvement in earnings, due mainly to the decline in loan impairment allowances.

The Public Bank Group's expansion plan in its overseas operations remains focused on its Hong Kong and Cambodian operations. The Group currently has a network of 81 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China, with 2 new branches to be opened in Hong Kong in the fourth quarter of 2010. Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, is the largest bank in Cambodia by balance sheet size and presently has 20 branches, with another branch targeted to be opened in the fourth quarter of 2010.

### **Expansion in Non-interest Income**

The Public Bank Group recorded an 18% growth in non-interest income in the first nine months of 2010, mainly attributed to its unit trust management business and its foreign exchange business.

The Public Bank Group continued to develop its fee-based income from unit trust, bancassurance and wealth management products, in order to further enhance the Group's profitability and return on equity.

Public Mutual Berhad ("Public Mutual"), the Public Bank Group's wholly-owned unit trust fund management subsidiary, continues to maintain its market leadership position in the private unit trust industry with an overall market share of 43%, whilst its market share in equity funds and Islamic funds stood at 59% and 55% respectively as at the end of August 2010. With 7 new unit trust funds launched over the first nine months of the year, Public Mutual currently manages a total of 79 funds with over 100 billion units in circulation. In the first nine months of 2010, Public Mutual's pre-tax profit grew by 30% to RM199 million from RM153 million in the corresponding period in 2009. Over the same period, net assets under management of Public Mutual rose to RM39.3 billion, 16% higher as compared to RM33.8 billion a year ago. Leveraging on the Group's large unit trust consultants force and distribution channels through the branches of Public Bank, the Group aims to expand its unit trust customer base which currently exceeds 2.36 million accounts.

In the third year of its strategic alliance with ING Group on bancassurance distribution, the Public Bank Group will continue its efforts to further build the bancassurance sales force and infrastructure to drive the expansion of the Group's bancassurance business in the long term.

As part of the bancassurance initiative, the Public Bank Group and ING Management Holdings (Malaysia) Sdn Bhd had jointly applied to Bank Negara

Malaysia for a Family Takaful licence, where upon approval was obtained on 1 September 2010. The Group envisages further growth avenue to expand its fee-based income through the family takaful insurance business when the operations of the joint venture commence as planned by the first half of 2011.

### **Capital Position Remains Healthy**

The Public Bank Group's capital position remains healthy, with its Tier 1 capital ratio and risk-weighted capital ratio standing at 9.8% and 13.6% respectively as at the end of September 2010.

Based on the recent announcement by the Basel Committee on Banking Supervision, the Public Bank Group's capital position under the new capital regime is expected to remain favourable in support of the Group's business growth whilst maximising shareholders' returns. The Group will continue to monitor the latest developments of the Basel III proposals and address the potential impact on the Group's capital requirements by realigning existing capital management strategies from time to time.

### **Group Prospects**

The Malaysian economy continues to register a strong growth of 8.9% in the second quarter, supported by sustained expansion in domestic demand and continued robust growth in external demand. Higher private consumption, improved conditions for SMEs and increased public sector spending contributed to the higher domestic demand. While external developments may result in a moderation in the pace of growth, the Public Bank Group continues to operate in a healthy domestic operating environment due to favourable employment conditions, sustained consumer and business sentiments as well as the accommodative policy environment promoted by Bank Negara Malaysia.

The Public Bank Group's solid performance for the first nine months of 2010 reaffirms the proven business strategies of the Group. Leveraging on its strong PB

Brand, the Group will continue to pursue strong organic growth strategies in its lending and deposit-taking businesses, accelerate its fee-based revenue and further enhance its return on equity. The Group will also continue to reinforce its prudent risk management practices in sustaining its superior asset quality whilst upholding its strong corporate governance culture and practices.

Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the rest of 2010.

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Chairman

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