



PUBLIC BANK

2020 ANNUAL REPORT

Joint Statement by Chairman and Managing Director / Chief Executive Officer

The onset of the COVID-19 pandemic in 2020 brought about rapid and wide-ranging implications across the world. It inflicted extensive damage to public health, caused economic distress and negatively impacted people's livelihood.

Malaysia was not spared from the COVID-19 pandemic. As the first wave of the pandemic started in early 2020, the Malaysian Government swiftly announced the Movement Control Order to restrict movements and operations of various economic sectors, in an attempt to prevent the spread of the COVID-19 pandemic.

As the movement control restrictions gradually eased in the second half of 2020, coupled with the proactive stimulus and relief supports from the Government and Bank Negara Malaysia, economic activities progressively resumed. However, consumer and business sentiment remained subdued due to resurgence of the COVID-19 and uncertainties surrounding the pandemic.

The Public Bank Group was not immune to the effects of the COVID-19 pandemic. Weak economic condition and reductions in the Overnight Policy Rate weighed on the Group's profit growth in 2020. The Group's financial performance was also affected by the one-off modification loss incurred during the year due to the COVID-19 relief measures offered to individuals and businesses. The Group also prudently set aside higher provisions as a pre-emptive measure amid economic uncertainty, which exerted further pressure on its profitability.

Nonetheless, the Public Bank Group continued to sustain unbroken profitability in 2020. The Group achieved RM6.29 billion pre-tax profit and RM4.87 billion net profit attributable to shareholders, supported by the continued expansion in its loans and deposits as well as the increase in its non-interest income.

LAI WAN
Chairman



TAN SRI DATO' SRI
TAY AH LEK
Managing Director /
Chief Executive Officer

In 2020, the Public Bank Group achieved total loans growth of 4.6%. Domestically, the Group achieved an above-industry loans growth of 5.4%, compared to the industry loans growth of 3.4%. For its key loan segments, the Group's total domestic loans for the purchase of residential properties increased by 8.2%. Meanwhile, hire purchase business recorded commendable loans growth of 6.6%.

The Public Bank Group's credit extended to small and medium enterprises ("SMEs") registered favourable growth, driven by the Group's active participation in promoting special financing schemes initiated by the Government and Bank Negara Malaysia to assist the SMEs in overcoming the COVID-19 challenges. Underpinned by its proactive initiatives, the Group approved more than RM3.4 billion for over 16,000 SME businesses under these special financing schemes.

In terms of funding, the Public Bank Group's total deposits grew by 3.5%, while domestic deposits increased by 3.8%. The Group's strong deposits franchise and long-standing PB brand continued to be value drivers, mobilising higher deposits for the Group.

In addition, the Public Bank Group's non-interest income grew favourably in 2020, predominantly contributed by higher investment and stockbroking income as well as higher income from its unit trust management business undertaken by Public Mutual, the Group's wholly-owned subsidiary. During the year, Public Mutual recorded profit growth of 10.5% and maintained its leading market position with the largest market share of 33.4% in the retail private unit trust industry.

The Public Bank Group's strong asset quality continued to set the Group apart from its peers. The Group's gross impaired loans ratio stood at 0.4% as at the end of 2020, compared to the banking industry's gross impaired loans ratio of 1.6%.

The COVID-19 pandemic has heavily weighed on economic activities and labour market, posing downside risks to the banking industry's asset quality. However, the Government's and Bank Negara Malaysia's relief measures, particularly the automatic moratorium and the targeted repayment assistance, have helped to mitigate the pressure on asset quality. Furthermore, the Public Bank Group has taken proactive initiatives to engage and provide assistance to customers with financial difficulties by offering various flexible repayment packages and debt rehabilitation support. Of significance, the Group's strong credit risk culture and its resilient loan portfolio, coupled with the prudent reserves for loan losses that has been set aside will provide a strong buffer for the Group to weather any potential challenges in asset quality.

2020 was a year of unprecedented change. The new normal accelerated the pace of digital adoption in many areas due to mobility restrictions. The Public Bank Group adapted quickly and responded appropriately to the various changes. To ensure continued customers' accessibility to banking services, the Group further intensified its efforts on digitalisation and technological innovation to enhance the effectiveness and responsiveness of its delivery channels. The Group made tremendous efforts and investments in revamping and enhancing its internet and mobile banking platforms to bring more seamless and efficient online banking to its customers.

The Public Bank Group's proactive initiatives in promoting electronic payment continued to gain recognition from prestigious organisations. In the Malaysian e-Payments Excellence Awards 2020 by PayNet, the Group emerged as the biggest winner by clinching eight awards for its outstanding contribution in promoting e-payment.

Amid disruptions from the COVID-19 pandemic, the Public Bank Group has not lost sight on talent management initiatives. The Group continued to invest extensively on employee development and engagement programmes to strengthen the knowledge and skills of its employees. The Group also implemented various online training programmes to harness self learning in employees.

On environmental, social and governance (“ESG”) management, the Public Bank Group has taken on a more proactive role in promoting sustainable financing and Value-based Intermediation. Going forward, the Group will continue to make further progress in fulfilling its corporate citizen role in promoting ESG awareness and practices.

Looking ahead in 2021, the Malaysian economy is expected to continue on a recovery path, supported by various stimulus and relief support, improvement in global demand as well as roll out of the COVID-19 vaccine. With the improvement in the operating environment, the Public Bank Group is expected to achieve better performance in 2021. Its solid underlying fundamental and entrenched market position will continue to provide strong support in driving the Group’s business growth. As headwinds remain, the Group will proactively manage risks by ensuring that its business activities and risk management are promptly reviewed and realigned. Above all, the Group will remain focused on optimising stakeholder values without compromising its bottom line.

2021 will mark the 55th year of the Public Bank Group in the banking industry. The Group will continue to stand tall and remain steadfast in its commitment to integrity in its pursuit of serving the financial needs of its stakeholders. Along this journey, we are fortunate to have Tan Sri Dato’ Sri Dr. Teh Hong Piow, our Founder, Chairman Emeritus, Director and Adviser, to provide invaluable guidance. On behalf of the Group, we would like to express our greatest appreciation and utmost respect to Tan Sri Teh. With his great foresight, incredible experience and remarkable agility, the Group will continue to strengthen the trusted and reputable PB brand, achieving greater milestones in its way forward.

Lai Wan
Chairman

Tan Sri Dato’ Sri Tay Ah Lek
Managing Director / Chief Executive Officer

5 April 2021