

BANK ON A ROLL

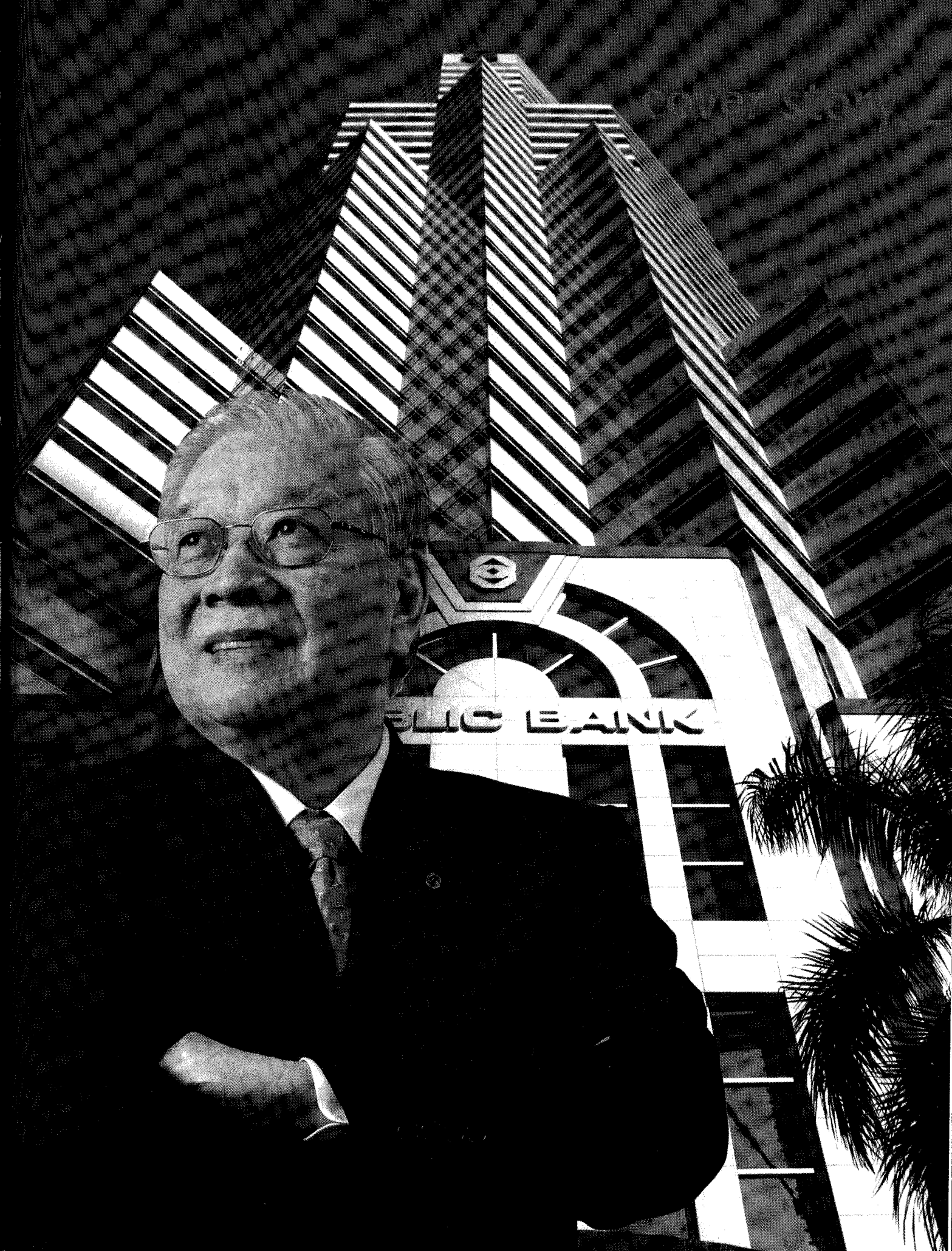
FORTY YEARS OF BANKING EXCELLENCE HAVE TURNED PUBLIC BANK FROM A ONE-BRANCH OPERATION INTO THE NATION'S SECOND-LARGEST DOMESTIC LENDER AND LARGEST NON-GOVERNMENT-LINKED COMPANY ON BURSA MALAYSIA. ■ BY GURMEET KAUR

IF THERE'S one stock you wish your father had bought in the 1960s, it must be that of Public Bank Bhd. When the then fledgling company went public in 1966, its shares were merely RM1 apiece. If good old daddy had put money down on just 1,000 shares, here's what you could have stood to inherit – cumulative dividends of more than RM300,000 and total share value of

around RM1 million today.

But to be fair to our fathers, the name Tan Sri Teh Hong Piow held little weight then, and the bank was only beginning in an industry filled with established foreign names. Why would it succeed?

Well succeed it did, and in a no-frills way, led by the single-minded Teh whose core principles saw Public Bank emerge unscathed from two financial crises that struck the country.



Teh has carefully avoided nepotism by encouraging his children, one of whom is an experienced banker abroad, to strike out on their own and be independent.

What is also amazing about Public Bank is that it has been profitable throughout its 40-year history. Defying the perceived long gestation period for banks, Public Bank recorded profits in the first five months of doing business. Three years later, the bank's profits hit more than RM1 million annually.

In 1980, that figure grew to RM10 million and 10 years later in 1990, to a phenomenal RM100 million. In 2000, the bottomline touched RM1 billion for the first time, a figure that doubled to RM2 billion in 2005.

Public Bank is now the second-largest domestic lender and the largest non-government-linked company on Bursa Malaysia by market capitalisation. At the time of writing, the figure was RM22.3 billion.

That makes Teh, who owns 24.6% of the stock, one of the country's wealthiest individuals, with an estimated net worth of RM6 billion if his stakes in insurer LPI Capital Bhd is also taken into account.

Teh's gross dividend from Public Bank in 2004 topped RM400 million, earning him more than RM1 million a day!

Against all odds too, Public Bank has emerged as one of the biggest players in Islamic finance in the country.

Teh, who is heralded as a pioneer of Malaysia's banking scene, started Public Bank in 1966 at age 36. Now 76, he says his journey in building the bank has been a challenging and satisfying one.

He started off with one branch and 62 'hardy pioneers'. 'It was not an easy task to compete with the then established foreign and domestic banks. It was also challenging to change the perception of the general public towards a local bank,' he tells **Malaysian Business**.

From the 1970s onwards, the bank rapidly expanded its branch network. Recalls Teh, 'By rapid branch expansion, responding to changes in customer needs and actively targeting the "un-banked" man-in-the-street, we overcame all our start-up challenges.'

Teh's business acumen had in fact been developed at a young age. Born into a poor family, he had grown up wearing worn-out and patched clothing and shoes two sizes too big.

As a student, he helped out in his father's

trading business, checking on newly arrived stock and typing letters and shipping documents. During the Japanese Occupation, he sold cigarettes to supplement the family's income.

In school, Teh and his girlfriend (now his wife), Tay Sock Noy, organised picnics and had people pay to attend them.

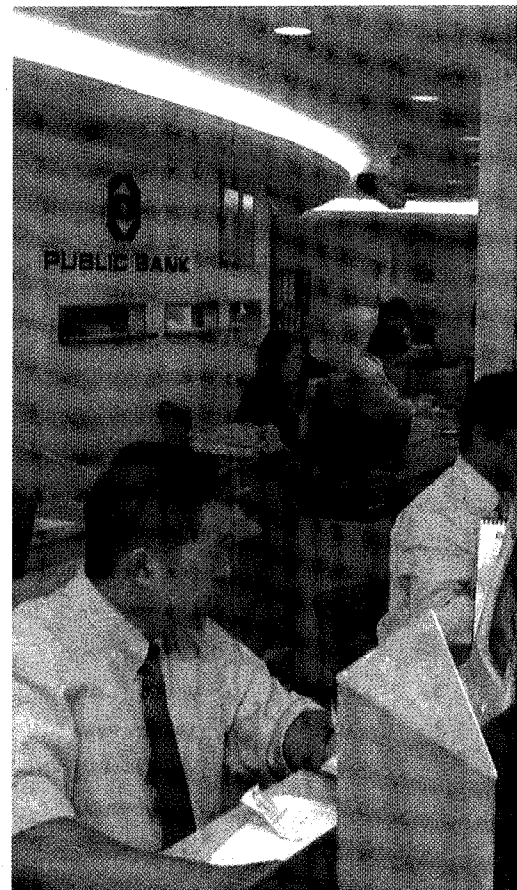
Teh, who was born in Singapore, began his banking career as a clerk in the island-nation's OCBC Bank in the 1950s. In 1960, he left for Malaysia to join the fledgling Malayan Banking as a manager at the age of 30.

It was during his 'incubation period' in OCBC and Malayan Banking that he decided to answer what he describes as his calling to own a bank.

Thus, Public Bank was born in 1966 with Teh as its managing director-cum-president until 2002, when he took the position of chairman.

Teh says the motivation to run his own bank came about as part of a quest for the 'betterment of my financial prospects'.

'I had always wanted to be a good



provider to my family,' he says.

But with the continuing success and the passing of years, Teh realises that making a lot of money is no longer everything.

Now he finds satisfaction in charity work.

What makes Public Bank stand out in the local banking scene, besides its leading position, is its non-performing loan (NPL) ratio, the lowest in the industry.

But it didn't come without hard work. Says Teh, 'We overcame the challenges with traditional prudence and strong risk management practices and policies.'

Teh is known to have stayed away from giving loans to politicians and royalty. Big loans had to be cleared by a loans committee where an affirmative decision had to be unanimous.

And consumer loans – hire purchase, and car and housing loans – had always been a preferred choice of the bank, over big loans to corporations or tycoons.

Until today, Teh is still a workaholic. Those close to him say that during the 1985/86 economic downturn and the 1997/98 Asian financial crisis, he had



Teh (centre) receiving the inaugural Award For Outstanding Contribution To The Development Of Financial Services In Asia from Euromoney magazine

worked until the wee hours sitting with senior management to map out directions for the bank.

Teh says he always saw banking as a 'people business'. 'Banking is a business of trust and at the end of the day, it is the trust of the people in the bank that convinces the customers to leave their hard-earned savings in that bank,' he says.

In the past, some investors had shunned Public Bank, dubbing it as a 'slumbering giant'. It was seen as a bank that was too conservative and not aggressive enough in growing its assets.

Notes one head of research, 'Since the 1997/1998 financial crisis though, Public Bank has shown that being prudent isn't such a bad strategy after all. And over the last few years, the bank has shed its unexciting image by being more aggressive in growing its loans and ensuring better shareholder value.'

A fund manager who still holds 'a good amount' of Public Bank shares says that the bank remains Malaysia's best-managed bank because of its excellent asset quality and strong balance sheet.

Teh attributes his success as a banker to his single-mindedness and focus. In the 1960s and early 1970s, he had delved into other areas such as property development and was one of the early developers of the Bangsar suburbs. Teh was also involved in hotels, entertainment and construction. By

1979, he had sold all those businesses to concentrate on his core business of banking.

Public Bank has won many local and international awards over the years in areas of banking and corporate governance.

When awarding Teh the Asian Banker Leadership Achievement Award for Malaysia in 2005, the *Asian Banker Journal* said Teh was one of the few bankers in the region who had been able to keep faith with all of his key stakeholders, namely his staff, shareholders and customers.

But one nagging problem Public Bank faces concerns succession planning. What happens to the bank after Teh?

Teh gives an assurance: 'Management succession is in place. There is already a team of professionals who are capable of taking the bank to the next level.'

He adds that he has carefully avoided nepotism by encouraging his children, one of whom is an experienced banker abroad, to strike out on their own and be independent.

Teh, who enjoys photography, has maintained a low profile all these years and lives in a penthouse on the top floor of the Public Bank headquarters building, which faces the KLCC Twin Towers in Kuala Lumpur. You could say he's living on the fruits of his labour. **mb**



A scene at a Public Bank banking hall