



For Immediate Release

6 February 2013

Public Bank Group Surpassed RM5 Billion Mark In Pre-Tax Profit For 2012 And Declares 30% Second Interim Dividend

Chairman's Review

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow is pleased to announce that ***"The Public Bank Group achieved yet another milestone financial results in 2012 with a record pre-tax profit of RM5.10 billion, surpassing the RM5 billion mark for the first time; and net profit attributable to shareholders of RM3.87 billion."***

Tan Sri Teh highlighted that, ***"As a result of the retrospective application of MFRS 139, the comparative pre- tax profit and net profit for 2011 were restated upwards by RM267 million and RM200 million to RM4.88 billion and RM3.68 billion respectively. The Group's pre-tax profit and net profit for 2012 were 4.6% and 5.0% higher than the restated corresponding profits in the prior year. However, excluding the effects of such restatement, the Group's pre-tax profit and net profit for 2012 increased by 10.7% and 11.1% respectively."***

The Group's balance sheet position remained strong and continued to be supportive of loans growth. Tan Sri Teh said that ***"Maintaining upward momentum, the Group's gross loans grew by 11.3% during the year to RM198 billion as at the end of 2012, with domestic loans growing at a faster pace of 12.5% over the same period. The loan growth were funded mainly by customer deposits which also recorded a steady growth of 12.3%, with domestic customer deposits increasing by 13.0% in 2012, resulting in a stable and healthy loan-to-deposit ratio of 87.1% as at the end of 2012."***

Despite the strong loan growth in 2012, the Group's loan impairment allowance declined by 14.5% with an improved gross impaired loan ratio of 0.7%. The Group's strong asset quality was attributed to its consistent adoption of stringent credit policies and effectiveness in credit assessment, approval, monitoring and recovery processes."

Tan Sri Teh reiterated that, ***"The Public Bank Group continued to be in the forefront amongst its banking peers in Malaysia in terms of recording the highest net return on equity of 24.5% and maintaining the lowest gross impaired loan ratio of 0.7% as well as lowest cost-to-income ratio of 30.5%."***

Tan Sri Teh further added that ***"In view of the Group's consistently strong performance in***

2012, we are pleased to announce that the Board of Directors has declared a second interim single-tier dividend of 30 sen. Together with the first interim single-tier dividend of 20 sen which was paid in August 2012, the total dividend for 2012 is 50 sen."
The total dividend paid and payable for 2012 amounts to RM1.75 billion and represents a total payout of 45.3% of the Group's net profit for 2012.

Sustaining Organic Growth in Loans and Customer Deposits

The Public Bank Group sustained its strong loan growth momentum of 11.3% in 2012. In particular, the domestic loans grew at a stronger pace of 12.5% compared to the domestic banking industry's growth of 10.4%.

Lending to the retail banking segment remained the main strategic focus of the Public Bank Group with concentration in lending to small- and medium-sized enterprises, financing of residential properties and purchase of passenger vehicles. As at the end of 2012, the Group's retail loan portfolio collectively accounted for 85.9% of its total loans.

Tan Sri Teh commented that, ***"With the continuous support of our valued customers, the Public Bank Group not only managed to sustain its market leadership position in domestic lending for residential mortgages, commercial property financing and passenger vehicles financing, but also recorded increase in market share for these key lending segments to 19.1%, 33.7% and 26.4% respectively. The Group's lending to small- and medium-sized enterprises also recorded commendable growth of 22.2% in 2012."***

"The Public Bank Group's funding position remained robust, supported by its strong retail franchise and large domestic depositor base of over five million customers. Domestic customer deposits grew by 13.0%, higher than the domestic banking industry's growth of 8.4%." said Tan Sri Teh. The strong domestic deposit growth was mainly attributed to steady inflows of fixed deposits and low cost savings and current accounts ("CASA"), which grew by 14.4% and 11.6% respectively, outperforming the Malaysian banking industry's 8.8% growth in fixed deposits and 10.3% growth in CASA.

In order to create greater convenience for its large customer base as well as to tap on new business opportunities, the Group continued to expand its branch network at strategic locations. In 2012, the Group opened 3 new branches and increased its domestic branch network to 255 currently.

Maintaining Growth in Fee-based Income

The Public Bank Group continued to grow its fee-based income, targeting fee income from unit trust, bancassurance and transactional banking services to further enhance the Group's revenue stream.

"The Group's unit trust management business through its wholly-owned subsidiary, Public Mutual Berhad ("Public Mutual"), continued to demonstrate resilient performance with a pre-tax profit growth of 15.6% in 2012. Public Mutual remained as the market leader in the private unit trust business with 100 funds and total net asset value of RM54.6 billion under its management. Public Mutual captured 40.8% of the overall market share as at the end of the year, with 60.1% and 53.2% market share in the equity and Islamic unit trust fund sectors respectively. In November 2012, Public Mutual launched six private retirement scheme (PRS) funds comprising three conventional series and three Shariah-based series as one of the approved pioneer providers for the

first set of the PRS in Malaysia. This signified another milestone achievement for the Group to participate in an inaugural national initiative.”Tan Sri Teh commented.

Practising cost discipline

Tan Sri Teh highlighted that, ***“The Public Bank Group remained as the most cost-efficient bank in Malaysia with its cost-to-income ratio of 30.5% in 2012 as compared to the banking industry’s average cost-to-income ratio of 46.0%.***

The Public Bank Group places significant emphasis on cost discipline, particularly in this challenging and competitive operating environment. By embracing its belief that cost management can be achieved through efficiency, the Group will continuously review and upgrade the skills of its staff and improve its business processes to further enhance its productivity.”

Upholding Asset Quality

“The Public Bank Group continued to uphold its strong asset quality fortress with further improvement in its gross impaired loan ratio from 0.9% as at beginning of the year to 0.7% as at the end of 2012, significantly lower as compared to the Malaysian banking industry’s gross impaired loan ratio of 2.0%.

The Group takes pride in being the Malaysian banking group with the lowest impaired loan ratio, despite the consistent double-digit growth in its loan portfolio year after year.”commented Tan Sri Teh.

The strong asset quality is a result of the Group’s consistency in embracing a combination of both preventive and proactive measures in its lending activities, such as setting strict and prudent credit policies, advocating strong discipline and “know your customer” culture in the credit assessment and approval process, and ensuring timely collection, efficient restructuring and rescheduling processes, as well as rehabilitation of impaired loans.

New impaired loan formation against average total gross loans remained low at 0.35% in 2012 and the net creditcharge improved from 0.20% in 2011 to 0.15% in 2012.

Tan Sri Teh added that, ***“The Public Bank Group’s loan loss coverage ratio stood at 126.0%, which was higher and more prudent than the banking industry’s coverage ratio of 100.9% despite the write-back of excess collective assessment allowances due to the full adoption of MFRS 139.”***

Overseas Operations

For the year ended 2012, the Public Bank Group’s overseas operations contributed 6.4% of the Group’s overall pre-tax profit. Cambodian Public Bank Plc (“Campu Bank”), a wholly-owned subsidiary of Public Bank, reported a strong growth in pre-tax profit of 22.2% from RM88.9 million in 2011 to RM108.5 million in 2012 and remains as one of the top three largest banks in Cambodia.

Ensuring Healthy Capital Position

The Public Bank Group's capital position remained healthy, with its Tier 1 capital ratio and risk-weighted capital ratio standing at 10.8% and 14.1% respectively as at the end of 2012 despite the redemption of its USD400 million Subordinated Notes in the first half of 2012.

“We will continue to assess the Group’s capital requirements to ensure that it is well positioned to support the Group’s business growth strategies by balancing the need for higher capital retention in view of the implementation of Basel III standards and maximising its shareholders’ return.”Tan Sri Teh emphasised.

Group’s Prospects

“The recovery of the global economy remained slow with the major Asian economies also showing signs of growth moderations. While the Malaysian economy is not insulated from the impact of unfavourable external conditions, we are optimistic that the domestic economy, in which the Group largely operates, will continue to be stable and supportive of growth that will predominantly be spurred by domestic demands. On the Malaysian banking industry landscape, intense competition for both loans and deposits market share is expected to continue to erode net interest margin.” viewed Tan Sri Teh.

On the strategic directions for the Public Bank Group, Tan Sri Teh remarked that, ***“Our strategies remain unchanged. The Public Bank Group will continue to focus on its core retail banking and financing business, whilst maintaining its prudent credit policies, as well as upholding strong corporate governance to support long term sustainable growth. The Group will continue to leverage on its strong PB brand and its wide and efficient branch network as well as its excellent customer service to deliver continuous revenue growth.”***

The Group is expected to maintain its earnings momentum and record satisfactory performance in 2013.”

* * * * *



**Y.Bhg. Tan Sri Dato' Sri Dr. Teh
Hong Piow Founder and Chairman
of Public Bank**
* * * * *