

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST NINE MONTHS 2012 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP RECORDED PRE-TAX PROFIT OF RM3.80 BILLION
FOR THE FIRST NINE MONTHS OF 2012**

Chairman's Review

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow said, *“The Public Bank Group recorded another commendable set of results in the first nine months of 2012 with pre-tax profit of RM3.80 billion and net profit of RM2.88 billion respectively.”*

Tan Sri Teh highlighted that, *“As a result of the retrospective application of MFRS 139, the comparative pre-tax profit and net profit for the corresponding first nine months of 2011 were restated upwards by RM219 million and RM164 million to RM3.67 billion and RM2.77 billion respectively. Hence, the Group's pre-tax profit and net profit for the first nine months of 2012 were 3.6% and 3.8% higher than the restated corresponding period in 2011. Excluding the effects of such restatement, the Group's pre-tax profit and net profit for the same period increased by 10.2% and 10.4% respectively.*

On quarter-to-quarter comparison, the Group's pre-tax profit for the third quarter of 2012 represents a 5.8% growth over the preceding quarter ended 30 June 2012.”

The Group's balance sheet position remained strong. Tan Sri Teh said that *“The Group's gross loans grew at an annualised rate of 11.3% in the first nine months of the year to RM193 billion as at the end of September 2012, with domestic loans growing at 12.8% on annualised basis. Over the same period, the Group also recorded a steady growth of customer deposits at an annualised rate of 13.2%, with domestic customer deposits increasing by 14.0%. As a result, the Group's loan-to-deposit ratio remained stable and healthy at 86.8%.*

Despite the strong loan growth in the first nine months of 2012, the Public Bank Group's loan impairment allowance decreased by 11.6%, with low gross impaired loan ratio of 0.7%. This was directly attributed to the strong asset quality as a result of the Group's prudence in setting credit policies and effectiveness in credit assessment, approval, monitoring and recovery processes.”

Tan Sri Teh added 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 24.2% and maintaining the lowest gross impaired loan ratio of 0.7% and cost-to-income ratio of 30.8%.”

Continuous Stable Momentum in Loan and Deposit Growth

Lending to the retail sector remained the main focus of the Public Bank Group with concentration in lending to small and mid-market commercial enterprises and loans for the financing of residential properties and purchase of passenger vehicles. As at 30 September 2012, the Group's retail loan portfolio made up 85.7% of its total loans.

Tan Sri Teh shared that, *“With the continuous support of our valued customers, the Public Bank Group continued to command market leadership in domestic lending for residential mortgages, commercial property financing and passenger vehicles financing with market shares of 18.8%, 33.4% and 26.3% respectively.”* The Group’s lending to small and medium-sized enterprises also recorded commendable growth with an annualised growth rate of 23.6% in the first nine months of 2012.

“The Public Bank Group’s funding position remained robust, supported by its strong retail franchise and large domestic depositor base of over 4.8 million customers. Domestic customer deposits grew at an annualised rate of 14.0% compared to the domestic banking industry’s annualised growth of 8.8%.” 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 at annualised growth rates of 15.1% and 10.2% respectively, outperforming the Malaysian banking industry’s annualised 7.7% growth in fixed deposits and annualised 6.5% growth in CASA.

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 financial performance.

“The Group’s unit trust management business through its wholly-owned subsidiary, Public Mutual, continued to show commendable performance with a pre-tax profit growth of 13.0% in the first nine months of 2012. Public Mutual remained as market leader in the private unit trust business with 94 funds and total net asset value of RM50 billion under its management. Public Mutual captured 40.4% of the overall market share as at the end of August 2012, with 60.6% and 52.6% market share in the equity and Islamic unit trust fund sectors respectively.” Tan Sri Teh said.

Disciplined Cost Management to Ensure Sustainability

Tan Sri Teh said that, *“The Public Bank Group continued to review and improve its business processes to further enhance efficiency and productivity. The discipline of cost management is even more pertinent to ensure cost sustainability in this challenging and competitive operating environment.*

Compared to the banking industry’s average cost-to-income ratio of 46.0%, the Group remained as the most cost-efficient bank in Malaysia with its significantly lower cost-to-income ratio of 30.8%.”

Strong Asset Quality

“The Public Bank Group continued to uphold its strong asset quality record 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 September 2012. This is a commendable achievement as the Group’s ratio is substantially lower than the Malaysian banking industry’s gross impaired loan ratio of 2.2%.” said Tan Sri Teh. The strong asset quality is a result of the Group consistently embracing a combination of both preventive and proactive fundamental measures in its lending activities, such as setting strict and prudent credit policies, emphasising 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.

Tan Sri Teh added that, *“The Public Bank Group’s loan loss coverage ratio stood at 124.5%, which was higher and more prudent than the banking industry’s coverage ratio of 101.7% despite the write-back of excess collective assessment allowances due to the full adoption of MFRS 139.”*

Overseas Operations

For the first nine months of 2012, the Public Bank Group's overseas operations contributed 6.2% 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 35.7% to USD28.0 million for the first nine months ended September 2012 as compared to USD20.6 million in the last corresponding period. Campu Bank retains its position as one of the top three largest banks in Cambodia.

Capital Position Remains Healthy

"Despite the redemption of its USD400 million Subordinated Notes in the first half of 2012, the Public Bank Group's capital position remained healthy, with its Tier 1 capital ratio and risk-weighted capital ratio standing at 10.2% and 13.5% respectively as at the end of September 2012.

Public Bank will continue to assess the Group's capital requirements to ensure its robustness in supporting the Group's business growth strategies while maximising its shareholders' returns." Tan Sri Teh emphasised.

Group's Prospects

"The outlook of the Malaysian economy, in which the Group largely operates, continues to be stable and supportive of growth despite headwinds from the vulnerable external economic conditions, and the rapidly changing regulatory landscape for banks. Intense competition for both loans and deposits market share will continue to erode net interest margin." viewed Tan Sri Teh.

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 as well as upholding strong corporate governance to support long term sustainable growth. The Group will continue to leverage on its strong PB branding and its wide and efficient branch network; and our excellent customer service to deliver continuous revenue growth.***

For the fourth quarter of 2012, the Group is expected to maintain its earnings momentum and record satisfactory performance.”

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