

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST QUARTER 2013 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP ACHIEVED PRE-TAX PROFIT OF RM1.3 BILLION
FOR THE FIRST QUARTER OF 2013**

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 remains resilient and recorded a pre-tax profit of RM1.3 billion and net profit of RM968.3 million for the first quarter of 2013. Against the profits for the corresponding quarter in the prior year, the Group's pre-tax profit and net profit growth for the first quarter of 2013 were 3.1% and 4.1% respectively.”*

Tan Sri Teh highlighted that *“Having started the year with a positive momentum, the Public Bank Group recorded a healthy loan growth in the first quarter of 2013, with gross loans increasing by 11.8% on an annualised basis to RM203.6 billion. The loan growth was largely funded by customer deposits, which also recorded a steady growth of 12.9% on an annualised basis. This resulted in the Group sustaining a stable and healthy loan-to-deposit ratio of 86.9% as at the end of March 2013.”*

Tan Sri Teh said that *“The Public Bank Group continues to be at the forefront amongst the Malaysian banking groups with the highest net return on equity of 22.2%. The Group is also leading in terms of asset quality and cost efficiency in the banking industry with notably low gross impaired loan ratio of 0.7% and cost-to-income ratio of 31.9% in the first quarter of 2013.”*

Steady Growth Momentum in Loans and Deposits

The Public Bank Group sustained its steady loan growth momentum at an annualised rate of 11.8%, with domestic loans growing at a stronger pace of 12.5% over the same period.

The lending activities to the retail banking segment remained the main strategic focus of the Public Bank Group, driven mainly by loans to small- and medium-sized enterprises (“SMEs”), as well as loans for the financing of residential properties and purchase of passenger vehicles. As at the end of March 2013, the Group’s retail loan portfolio collectively accounted for 86% of its total loans.

“I am deeply encouraged by the unwavering support given by our valued customers which had enabled the Public Bank Group to maintain its market leadership position in domestic lending for residential mortgages, commercial property financing and passenger vehicles financing with market shares of 19.2%, 33.8% and 26.4% respectively.” Tan Sri Teh shared.

For the first quarter of 2013, the Public Bank Group’s domestic loan approvals continued to record stable trend with an increase of 12% compared to the corresponding period in 2012. A total of RM4.9 billion of loans were approved to domestic SMEs, accounting for 33% of the Group’s total domestic loans approved in the first quarter of 2013.

Tan Sri Teh added that, *“The Public Bank Group’s funding and liquidity position remained healthy and robust, supported by its strong retail deposit franchise with a large domestic depositor base of over 5 million customers. In tandem with the overall loan growth, the Group’s total customer deposits grew at an annualised rate of 12.9%, with domestic customer deposits growing at a stronger annualised rate of 13.3%.”*

The strong domestic deposit growth was mainly backed by the steady inflows of fixed deposits, low cost savings and current accounts, which grew by an annualised rate of 16.8%, 14.2% and 8.0% respectively.

Growth in Non-Interest Income

Non-interest income of the Public Bank Group grew by 8.7% in the first quarter of 2013 as compared to the corresponding quarter in 2012, mainly driven by income from higher transactional banking services and unit trust business.

Tan Sri Teh said that, *“The Group’s unit trust management business through its wholly-owned subsidiary, Public Mutual Berhad (“Public Mutual”), continued to register commendable performance during the quarter under review with a pre-tax profit growth of 9.8% compared to the corresponding quarter in 2012. With a total net asset value of RM55.5 billion and 101 funds under its management, Public Mutual remained as the market leader in the private unit trust business, capturing 40.5% of the overall market share as at the end of February 2013, with 59.7% and 53.5% market share in the equity and Islamic unit trust fund sectors respectively. To further drive the Group’s unit trust business, Public Mutual will continue to place strong emphasis on building and nurturing its large force of unit trust consultants which is a highly effective distribution channel, to serve its unit trust customer base that has grown to over 2.8 million accounts as at the end of March 2013.”*

Prudent Cost Management

The increase in operating expenses in the first quarter of 2013 was mainly attributed to the increase in personnel costs which were in line with the investment in human resources and larger headcount to support business expansion.

Tan Sri Teh commented that, *“Being appreciative of the importance of ensuring cost efficiency in enhancing shareholders’ return, the Public Bank Group adopted prudent cost management discipline by actively promoting higher levels of productivity in its resources, enhancing efficiency in processes and ensuring optimum utilisation of infrastructures. This has resulted in the Group being able to maintain an efficient cost-to-income ratio of 31.9% as compared to the banking industry’s average cost-to-income ratio of 46.6%.”*

Uphold Asset Quality

“Despite the consistent double-digit growth in its loan portfolio year after year, the Public Bank Group continued to sustain its strong asset quality with gross impaired loan ratio of 0.7% as at the end of March 2013, significantly lower than the Malaysian banking industry’s gross impaired loan ratio of 2.0%.” said Tan Sri Teh.

The strong asset quality is a result of the Group consistently carrying out a combination of both preventive and proactive measures in its lending activities, such as establishing strict and prudent credit policies, and putting in place efficient and effective approval and recovery processes.

Tan Sri Teh added that, *“The Public Bank Group’s loan loss coverage ratio stood at 123.9%, which was higher and more prudent than the banking industry’s coverage ratio of 98.5%.”*

Stable and Healthy Capital Position

The Public Bank Group’s capital position remained healthy, with its common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio standing at 8.2%, 10.1% and 13.0% respectively as at the end of March 2013.

Tan Sri Teh emphasised that, *“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 requirements under the Basel III capital regime whilst maximising our shareholders’ return.”*

Group’s Prospect

“Our strategies for the Public Bank Group remain unchanged. The 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. 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 support long term sustainable growth.

Along with the expectation that the Malaysian economy will remain on a steady growth path of 5.0% to 6.0% in 2013, anchored by the continued resilience of domestic demand, and supported by gradual improvement externally, the Public Bank Group is expected to maintain its earnings momentum for the rest of 2013.” remarked Tan Sri Teh.

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