

PRESS RELEASE BY TAN SRI DATO' SRI DR. TEH HONG PIOW,
CHAIRMAN OF PUBLIC BANK

**PUBLIC BANK ACHIEVES 23% GROWTH IN PRE-TAX PROFIT IN 2010
SURPASSING THE RM4 BILLION MARK FOR THE FIRST TIME**

The Public Bank Group achieved another year of strong performance with a record pre-tax profit of RM4.09 billion for 2010, representing a 23% growth over 2009. In 2010, the Group recorded net profit of RM3.05 billion, 21% higher as compared to RM2.52 billion achieved in 2009. We are pleased to have delivered, yet again, a strong set of results on the back of sustainable revenue growth, efficient cost management, superior asset quality whilst maintaining prudent banking practices.

The Public Bank Group's improved financial performance in 2010 was mainly driven by the strong growth in net interest and finance income and higher non-interest income, coupled with lower loan impairment allowances. Supported by strong organic growth in loans and core customer deposits, the Group's net interest and finance income increased by RM638 million or 14% in 2010 as compared to 2009.

Non-interest income of the Public Bank Group which recorded a commendable growth of 19% as compared to 2009, was supported by higher fee income generated by the Group's unit trust and foreign exchange businesses.

On a quarterly basis, the Public Bank Group continued to surpass the RM1 billion quarterly profit mark by recording a pre-tax profit of RM1.13 billion in the fourth quarter of 2010. This represented a strong growth of 8% as compared to the pre-tax profit of RM1.05 billion in the third quarter of 2010. Similarly, net profit attributable to shareholders for the quarter also grew by 8% as compared to the preceding quarter, to RM846 million.

The Public Bank Group's results translated into improved earnings per share of 87.2 sen and higher net return on equity of 27.1% in 2010 as compared to 26.1% in previous year.

In view of the Public Bank Group's strong performance for the year, the Board of Directors has declared a second interim cash dividend of 25 sen less 25% tax and a single tier dividend of 8 sen. Together with the first interim dividend of 25 sen less 25% taxation, which was paid in August 2010, the total gross dividend for 2010 is 58 sen. The total net dividend paid and payable for 2010 amounts to RM1.59 billion and represents a total payout of 52% of the Group's net profit for the year. The Board of Directors does not propose any final dividend for 2010.

Highlights of the Public Bank Group's Performance in 2010

- Pre-tax profit of the Group increased by 23% to RM4.09 billion as compared to RM3.32 billion in 2009, on the back of a strong 14% growth in net interest and finance income.
- Net profit attributable to shareholders increased by 21% to RM3.05 billion as compared to RM2.52 billion in 2009.
- Net return on equity increased further to 27.1% as compared to 26.1% a year ago.
- Earnings per share of 87.2 sen was 19% higher as compared to 73.3 sen in 2009.
- Cost-to-income ratio improved to 30.7% from 32.6% in 2009, and is significantly lower than the industry's cost-to-income ratio of 48.4%.
- Total assets increased to RM226.3 billion as at the end of December 2010.
- Total loans and advances of the Group grew by 13.8% to reach RM156.5 billion as at the end of December 2010, driven by strong lending growth of 15.6% in the domestic market.
- The Group's core customer deposits grew at a rate of 12.5%, supported by the domestic core customer deposits growth rate of 15.0%.

- The gross impaired loans ratio of the Group as at the end of December 2010 remained low at 1.1% as compared to the industry's gross impaired loans ratio of 3.2% and was an improvement from the gross impaired loans ratio of 1.4% a year ago.
- The Group's loan loss coverage of 143.5% remains one of the highest and most prudent in the Malaysian banking industry.
- The Tier 1 capital ratio and risk-weighted capital ratio of the Group remain healthy at 10.0% and 13.7% respectively as at the end of December 2010, after the payment of the second interim dividend.

Strong Momentum in Domestic Lending Business

The Public Bank Group sustained its strong loan growth momentum with a 13.8% growth in total loans and advances to reach RM156.5 billion as at the end of December 2010. In particular, domestic loans grew at a stronger rate of 15.6%. This has led to a higher market share of the domestic lending business of 16.2% as at the end of November 2010, as compared to 15.9% as at the beginning of the year.

The lending activities of the Public Bank Group remained focused on the retail sector which accounted for 85% of the Group's total loan portfolio, mainly comprising loans to mid-market commercial enterprises as well as loans for the financing of residential properties and the purchase of passenger vehicles. In particular, the Group's loan portfolio for residential properties financing and passenger vehicles financing each grew at impressive rates of 17.1% and 12.4% respectively in 2010. Public Bank continued to sustain its market leadership in the residential mortgage and passenger vehicles financing businesses in the domestic market, with market shares of 17.4% and 25.1% respectively as at the end of November 2010.

For 2010, the Public Bank Group continued its strong support of the Government's effort to promote small- and medium-sized enterprise ("SME") activities

particularly for working capital and investment financing. Total loan approvals of RM10.8 billion to domestic SMEs accounted for a sizeable 21% of the Group's total domestic loans approved of RM51.0 billion during the year.

Sustained Strong Asset Quality

The Public Bank Group's asset quality remained strong as at the end of 2010. The strong asset quality of the Public Bank Group is due to, inter alia, its prudent lending policies and strong risk management practices, as well as the extensive recovery efforts undertaken by the Group. Despite the more stringent criteria on the classification of impaired loans under FRS 139 which was adopted during the year, the Group's impaired loans ratio as at the end of the year remained low at 1.1%, which is approximately one-third that of the banking industry's gross impaired loans ratio of 3.2%. The Group's impaired loans ratio has also improved as compared to the impaired loans ratio of 1.4% as at the end of 2009.

The Public Bank Group's loan loss coverage ratio remains one of the highest at 143.5%, as compared to the banking industry's loan loss coverage ratio of 97.4% notwithstanding that more than 90% of the impaired loans outstanding are secured. The increase in the Group's loan loss coverage was primarily due to additional collective allowance set aside for the strong loan growth, based on the guidelines of Bank Negara Malaysia which require the maintenance of a minimum 1.5% collective allowance.

Growth in Domestic Core Customer Deposits Remains Strong

In line with the Public Bank Group's strategy to build a long-term core customer deposit base, intensified efforts to grow retail deposits continued to contribute positively to the expansion of the Group's core customer deposit base. In particular, domestic core customer deposits grew by 15.0% in 2010, against the backdrop of a 5.9% annualised growth in the domestic industry's core customer deposits for the first eleven months of 2010.

The strong domestic core customer deposit growth of the Public Bank Group is mainly supported by steady inflows of deposits, outperforming the growth of the domestic banking system. Domestic fixed deposits, savings deposits and demand deposits of the Group grew by 16.6%, 8.8% and 14.0% respectively, significantly above the industry's annualised growth rates of 5.5%, 0.4% and 10.4% respectively for the first eleven months of 2010.

With the strong core customer deposits growth in tandem with the high loan growth rate, the Public Bank Group's liquidity position remained healthy with net loan to deposit ratio standing at 87.1% as at the end of 2010.

Improved Earnings of the Group's Overseas Operations

In 2010, the Public Bank Group's overseas operations recorded a 30% improvement in earnings, due mainly to the decline in loan impairment allowances and overall improved business sentiments in the region. In particular, the Hong Kong operations of the Group achieved a marked improvement of 75% growth in pre-tax profit for the year, and contributed to over 5% of the overall Group's profit. Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, recorded a marginal profit improvement and a strong customer deposit growth rate of over 29% for the year.

The Public Bank Group's expansion plan in its overseas operations remains focused on its Hong Kong and Cambodian operations. The Group currently has a network of 81 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China. Cambodian Public Bank Plc is one of the largest banks in Cambodia by balance sheet size and presently has a total of 21 branches.

Expansion in Non-interest Income

The Public Bank Group recorded a 19% growth in non-interest income in 2010, mainly attributed to its unit trust and its foreign exchange businesses. Driven by its fee-based revenue strategies which carry a low or zero capital cost, the Group

continued to develop its fee-based income from unit trust, bancassurance and wealth management products to further enhance the Group's profitability, return on equity and capital structure.

Public Mutual Berhad ("Public Mutual"), the Public Bank Group's wholly-owned unit trust fund management subsidiary, maintained its market leadership position in the private unit trust industry with an overall market share of 43%. Public Mutual's market share in equity funds and Islamic funds grew to 59% and 60% respectively as at the end of 2010, from 57% and 56% respectively at the end of 2009. Public Mutual currently manages a total of 84 funds with 12 new unit trust funds launched during the year, with a total of nearly 100 billion units in circulation. Net assets under management of Public Mutual rose to RM40.6 billion as at 31 December 2010, 14% higher as compared to RM35.6 billion a year ago. Leveraging on the Group's large unit trust consultants force and distribution capacity through the branches of Public Bank, the Group aims to expand its unit trust customer base further, which currently exceeds 2.39 million accounts. On the strength of these strong fundamentals, Public Mutual's pre-tax profit for 2010 grew by 25% to RM274 million from RM219 million in 2009.

In the third year of its strategic alliance with the ING Group on bancassurance distribution, the Public Bank Group will continue its efforts to further build its bancassurance sales force and infrastructure to drive the expansion of the Group's bancassurance business in the long-term. In 2010, the Group achieved a significant 72% increase in the sales of bancassurance products as compared to 2009, as measured by annualised premium equivalent achieved.

As part of the bancassurance initiative, the Public Bank Group and ING Management Holdings (Malaysia) Sdn Bhd ("ING") had jointly applied to Bank Negara Malaysia for a family takaful licence, which approval was obtained on 1 September 2010. The family takaful operations will be undertaken through a new joint venture company in which ING and the Public Bank Group will hold 60% and

40% equity interest respectively. The joint venture for the family takaful business will provide the Group with a further avenue to expand its fee-based revenue when the operations of the joint venture commence by the first half of 2011.

Capital Position Remains Healthy

The Public Bank Group proactively manages its capital position to ensure a healthy level of capital whilst delivering healthy and sustainable returns to shareholders, by maintaining a disciplined capital and balance sheet management process. In 2010, the Public Bank Group's capital position remains healthy, with its Tier 1 capital ratio and risk-weighted capital ratio standing at 10.0% and 13.7% respectively as at the end of 2010, after deducting the second interim dividend for 2010.

Based on the recent announcement by the Basel Committee on Banking Supervision on bank capital reforms, the Public Bank Group's capital position under the new capital regime is expected to remain supportive of the Group's business growth strategies whilst maximising shareholders' returns. Based on the finalised Basel III requirements, which are to be gradually phased in commencing 1 January 2013, the Group is confident that it is well positioned to meet the revised minimum capital requirements. In the context of the regulatory capital regime reforms, the Group will continue to monitor further developments of the Basel III proposals and address the potential impact on the Group's capital requirements by realigning its capital management strategies from time to time.

Group Prospects

The global economic outlook remains challenging whilst advanced economies continue to experience anemic growth and structural issues of high unemployment, high budget deficits and large sovereign debt burdens. The Malaysian economy is however expected to remain healthy, supported by sustained expansion in domestic demand and recovery in exports. Along with the expectation that the Malaysian economy will grow by 5% to 6% in 2011, the Public Bank Group continues to

operate in a healthy domestic operating environment due to favourable employment conditions, a stable financial system, sustained consumer and business sentiment, as well as the accommodative policy environment promoted by Bank Negara Malaysia.

The Public Bank Group's solid performance for 2010 reaffirms the proven business strategies of the Group. Leveraging on the strong PB Brand, the Group will continue to pursue strong organic growth strategies in 2011 in its lending and deposit-taking businesses, accelerate and diversify its fee-based revenue and further enhance its cost efficiency and return on equity. The Group will also continue to reinforce its prudent risk and capital management practices in sustaining its superior asset quality whilst upholding its strong corporate governance culture and practices. The Group is continuously seeking avenues to further improve its customer service delivery infrastructure and fulfill the Group's high customer experience expectations.

Barring unforeseen circumstances, the Public Bank Group is expected to maintain its earnings momentum and continue to record satisfactory performance in 2011.

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Chairman

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