

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

**PUBLIC BANK ACHIEVES 21% GROWTH IN NET PROFIT IN FIRST  
QUARTER OF 2011**

I am pleased to announce that the Public Bank Group achieved a strong start to 2011 with net profit attributable to shareholders of RM828 million for the first quarter of the year, 21% higher as compared to RM685 million in the corresponding quarter in 2010. The Group's quarterly pre-tax profit continues to surpass the billion ringgit mark, with pre-tax profit of RM1.10 billion for the first quarter of 2011, 19% higher than the corresponding quarter in 2010.

The Public Bank Group achieved an earnings per share of 23.6 sen for the first quarter of 2011 and an annualised net return on equity of 26.4%.

The Public Bank Group's domestic loan base grew healthily by 3.6% in the first quarter of 2011 as compared to the domestic banking industry's loan growth of 1.7% in the first two months of 2011.

**Highlights of the Public Bank Group's Performance in the 1<sup>st</sup> Quarter of 2011**

- Pre-tax profit of the Group grew by 19% to RM1.10 billion as compared to RM923 million in the previous corresponding quarter.
- Net profit attributable to shareholders grew by 21% to RM828 million as compared to RM685 million in the previous corresponding quarter.
- Annualised net return on equity stood at 26.4%.
- Earnings per share of 23.6 sen was 20% higher as compared to 19.7 sen in the first quarter of 2010.
- The Group remains the most cost efficient with its cost-to-income ratio maintained at 30.4%, as compared to the banking industry's cost-to-income ratio of 46.7%.
- Total assets increased to RM229 billion as at the end of March 2011.

- Total loans and advances of the Group grew by RM5.1 billion or 3.2% to reach RM162 billion as at the end of March 2011, driven by strong domestic loan growth of 3.6% in the first quarter of 2011.
- The Group's total customer deposits increased by 2.0% to reach RM180 billion as at the end of March 2011. The Group's domestic core customer deposits grew at a stronger 3.0%, as compared to the domestic banking industry's core customer deposits growth of 1.8% for the first two months of 2011.
- The gross impaired loans ratio of the Group further improved to 1.05% as at the end of March 2011, from 1.14% as at the end of 2010. This compares favourably with the banking industry's gross impaired loans ratio of 3.3%.
- The Group's loan loss coverage increased further to 155.4% and remains the highest and most prudent in the Malaysian banking industry.
- The Group's Tier I capital ratio and risk-weighted capital ratio remain healthy at 9.5% and 13.0% respectively as at the end of March 2011.

### **Strong 1<sup>st</sup> Quarter Profit Performance**

The strong profit performance of the Public Bank Group for the first quarter of 2011 was mainly attributed to the strong growth in net interest and finance income, higher non-interest income whilst loan impairment allowance charges remained stable.

The Group's net interest and finance income improved by RM136 million or 10.8% in the first quarter of 2011 as compared to the corresponding quarter in 2010, on the back of the strong organic growth in loans and core customer deposits.

Non-interest income of the Group increased by over 9% as compared to the corresponding period in 2010, mainly driven by higher income from the unit trust and stockbroking businesses and a widening and broader fee-based business.

The Public Bank Group's loan impairment allowances remained stable in the quarter. This was attributed to the continued improvement in asset quality as demonstrated by the further reduction in the Group's impaired loan ratio of 1.05%,

resulting from the continued pursuit of prudent credit policies and effective credit monitoring and management.

### **Strong Growth in the Group's Domestic Lending Portfolio**

The Public Bank Group continued to record a strong increase in total loan and advances of RM5.1 billion, a 3.2% growth for the first quarter of 2011, to reach RM162 billion as at the end of March 2011. Domestic loan growth for the quarter was stronger at 3.6%, or an annualised rate of 14.6%, with the Group's domestic market share of loans and advances standing at 16.2% as at the end of February 2011.

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 property financing grew at an impressive annualised rate of 16.8% in the first quarter of 2011. Public Bank continued to sustain its market leadership in its core lending businesses with domestic market share of residential mortgages, commercial property lending and passenger vehicles financing of 17.5%, 34.1% and 25.6% respectively as at the end of February 2011.

For the first quarter of 2011, the Public Bank Group's domestic retail loan approvals increased by 10% as compared to the corresponding period in 2010, with housing loan approvals growing at a higher 17%. The Group also approved a total of RM3.0 billion of loans to domestic SMEs, 11% higher than the corresponding quarter in 2010, with approvals of SME loans accounting for 24% of the Group's total domestic loans approved of RM12.6 billion in the first quarter of 2011.

### **Healthy Asset Quality Maintained**

The Public Bank Group's asset quality remained healthy as at the end of March 2011, with the Group's gross impaired loans ratio improving further to 1.05% as at

the end of March 2011, as compared to 1.14% as at the end of 2010. This compares favourably to the domestic banking industry's gross impaired loans ratio of 3.3% as at the end of February 2011.

The sound asset quality of the Public Bank Group is due to, inter alia, its prudent lending policies and strong risk management practices, its affluent customer base, and the prompt and timely credit recovery efforts undertaken by the Group.

As at the end of March 2011, the Public Bank Group's loan loss coverage ratio stood at 155.4%, which is significantly higher and more prudent than that of the banking industry's coverage ratio of 89.6% as at the end of February 2011, despite that more than 90% of the impaired loans outstanding are secured. Guided by Bank Negara Malaysia's requirement to maintain a minimum 1.5% collective allowance, the increasing loan loss coverage was the result of higher collective allowance set aside for the strong loan growth in the first quarter of 2011.

### **Sustainable Growth in Domestic Core Customer Deposits**

Core customer deposits, which represent a stable funding base of the Public Bank Group, grew by RM3.0 billion or 2.1% in the first quarter of 2011 to reach RM147 billion as at the end of March 2011. Domestic core customer deposits grew by a stronger 3.0% in the quarter, as compared to the domestic banking industry's core customer deposits growth of 1.8% for the first two months of 2011. In particular, domestic fixed deposits and savings deposit of the Group grew by 3.6% and 4.4% respectively in the first quarter of 2011, significantly above the banking industry's fixed deposits and savings deposit growth rates of 0.1% and 2.3% respectively in the first two months of 2011.

With core customer deposits growing healthily in tandem with the high loan growth rate, the Public Bank Group's liquidity position remains stable with net loans to deposits ratio standing at 88.1% as at the end of March 2011.

### **Expansion of Overseas Operations**

The Public Bank Group's expansion plan in its overseas operations remains focused on the Group's Hong Kong and Cambodian operations. The Public Bank Group currently has a network of 83 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China, with a further 3 branches in Hong Kong to be opened in 2011. Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, is one of the largest banks in Cambodia by balance sheet size. Cambodian Public Bank Plc presently has a total of 21 branches, with another 6 branches targeted to be opened in 2011.

### **Fee-based Income Growth Remains Upbeat**

The Public Bank Group continues to develop its fee-based income from unit trust, bancassurance and wealth management products, in order to further enhance the Group's profitability and return on equity.

Public Mutual Berhad, the Public Bank Group's wholly-owned unit trust fund management subsidiary, remained the clear market leader in the private unit trust industry with an overall market share of 45%, whilst its market share in equity funds and Islamic funds each stood at 60% as at the end of March 2011. In the first quarter of 2011, Public Mutual's pre-tax profit grew by 23% to RM77.7 million from RM63.2 million in the corresponding quarter in 2010. Net assets under management stood at RM42.4 billion as at 31 March 2011, 16% higher as compared to RM36.6 billion a year ago. Public Mutual Berhad continues to build and nurture its large force of unit trust consultants, a highly effective distribution channel to drive the Group's unit trust business, with its unit trust customer base growing to over 2.4 million accounts.

In the fourth year of its strategic alliance with the ING Group on bancassurance distribution, the Public Bank Group will continue with its efforts to build the infrastructure to drive the expansion of the Group's bancassurance business to increase its fee-based commission income. With the recent official launch of ING

PUBLIC Takaful Ehsan Berhad, the joint venture family takaful business between ING Management Holdings (Malaysia) Sdn Bhd and the Public Bank Group on 5 April 2011, the Group is set to extend further its fee-based revenue activities.

### **Capital Position Remains Healthy**

The Public Bank Group has always sought to maintain a healthy level of capital to support the growth of the Group's business, whilst maintaining healthy returns to its shareholders.

The Public Bank Group's capital position remains healthy, with its Tier I capital ratio and risk-weighted capital ratio standing at 9.5% and 13.0% respectively as at the end of March 2011. The Group is confident that it is well positioned to meet the Basel III minimum capital requirements, with its phased implementation coming into effect from 1 January 2013.

The Public Bank Group continues to proactively monitor the developments in relation to the Basel III requirements as well as additional regulatory capital requirements to be imposed by Bank Negara Malaysia. This allows the Group to address the potential impact of such requirements on the Group's capital and to realign existing capital management strategies from time to time. The Group remains committed to maintaining a healthy level of capital at all times to support the Group's business growth strategies whilst maximising its shareholders' returns.

### **Prospects**

The strong growth of 7.2% registered in 2010 in the Malaysian economy, in which the Public Bank Group largely operates, augurs well for the outlook for 2011. Despite the weaker external demand amidst challenging global economic conditions, the domestic operating environment continues to remain buoyant due to sustainable domestic demand and accommodative policy environment, with the expectation of a 5% to 6% growth in the Malaysian economy in 2011.

The Public Bank Group will continue to pursue its strategy of strong organic business growth, maintaining its superior quality loan portfolio, expand its fee-based income and further improve its productivity. At the same time, the Group will continue with its efforts to further enhance its risk management capabilities, uphold its sound corporate governance practices and further reinforce the strong PB Brand. The encouraging operating environment, both domestically as well as the regional economies in which the Group operates in, will provide further leverage for the Group to sustain its growth trajectory in 2011.

Barring unforeseen circumstances, the Group is expected to continue to record satisfactory performance for the rest of 2011.

**Tan Sri Dato' Sri Dr. Teh Hong Piow**

Chairman

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