

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST HALF 2011 FINANCIAL PERFORMANCE

PUBLIC BANK ACHIEVES 20.3% GROWTH IN NET PROFIT IN FIRST HALF OF 2011 AND DECLARES 20% INTERIM DIVIDEND

The Public Bank Group achieved another strong set of results in the first half of 2011 with a record half-year pre-tax profit of RM2.26 billion.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Chairman of Public Bank said, "The Public Bank Group's track record of profitability remained strong, with net profit attributable to shareholders growing by 20.3% in the first half of 2011 and maintains the high net return on equity of 27.1% of the Group."

Tan Sri Teh further added, "Domestic loan growth remained strong, achieving an annualised growth rate of 14.5% whilst gross impaired loan ratio declined to below 1%."

In view of the Public Bank Group's strong performance for the period, Tan Sri Teh announced that the Board of Directors has declared a first interim single-tier dividend of 20%, which will result in a total dividend payout of RM700 million.

Highlights of the Public Bank Group's Performance in the First Half of 2011

- Pre-tax profit of the Group increased by 18.7% to RM2.26 billion as compared to RM1.90 billion in the previous corresponding period.
- Net profit attributable to shareholders grew by 20.3% to RM1.71 billion from RM1.42 billion in the previous corresponding period.
- Annualised net return on equity stood at 27.1%.

- Earnings per share of 48.8 sen was 20% higher as compared to 40.7 sen in the first half of 2010.
- Cost to income ratio further improved to 30% and is significantly lower than the industry's cost-to-income ratio of 46.7%.
- Total assets increased to RM235 billion as at the end of June 2011.
- Total loans and advances of the Group expanded by RM10.6 billion or an annualised growth rate of 13.6% to reach RM167.2 billion as at the end of June 2011, driven by strong lending growth in the domestic market at an annualised growth rate of 14.5%.
- The Group's total customer deposits increased at an annualised growth rate of 12.9% to reach RM188.3 billion as at the end of June 2011. The Group's domestic deposits grew at a stronger annualised growth rate of 14.8%.
- The gross impaired loans ratio of the Group further improved to below 1% as at the end of June 2011, from 1.14% as at the beginning of the year, significantly lower than the banking industry's gross impaired loans ratio of 3.0%.
- The Group's loan loss coverage increased further to 169.7% and continues to be the highest and most prudent in the Malaysian banking industry.
- The Group's Tier 1 capital ratio and risk-weighted capital ratio remain healthy at 9.7% and 13.2% respectively as at the end of June 2011, after accounting for the first interim dividend of 2011.

Highlights of the Public Bank Group's Performance for the Second Quarter as compared to the First Quarter of 2011

- Pre-tax profit grew by 5.9% to RM1.16 billion in the second quarter of 2011 as compared to the first quarter of 2011.
- Net profit attributable to shareholders grew by 6.4% to RM880 million in the second quarter of 2011 as compared to the first quarter of 2011.

Continued Strong Profit Performance

“The strong profit performance of the Public Bank Group for the first half of 2011 was mainly attributed to the healthy growth in net interest and finance income, higher non-interest income coupled with lower credit charges,” said Tan Sri Teh.

Tan Sri Teh further commented that, “Despite the competitive pressure on interest margins, the Group’s net interest and finance income improved by RM270 million or 10.4 % in the first half of 2011 as compared to the corresponding period of 2010 due to strong growth in loans and customer deposits as well as the sustained strong asset quality.

Non-interest income of the Public Bank Group recorded a commendable growth of 12.7% as compared to the corresponding period in 2010, mainly driven by higher fee income from Public Mutual’s unit trust business as well as higher investment income.

The Public Bank Group’s loan impairment allowances decreased by 3% despite the strong loan growth in the first half of 2011. This was directly attributed to the continued improvement in asset quality as a result of the Group’s prudent credit policies and effective credit monitoring, as evidenced by the Group’s low gross impaired loan ratio of below 1%.”

Strong Momentum in Loan Growth

The Public Bank Group sustained its strong loan growth momentum with a RM10.6 billion increase or an annualised growth rate of 13.6% in the first half of 2011. “In particular, domestic loans grew at a stronger annualised growth rate of 14.5%, leading to an increase in the Group’s domestic lending market share to 16.4%,” said Tan Sri Teh.

The lending activities of the Public Bank Group remained focused on the retail sector, with loans to mid-market commercial enterprises as well as loans for the financing of residential properties and purchase of passenger vehicles accounting for 85% of the total loan portfolio of the Group as at the end of June 2011. In particular, the Group's residential properties financing grew at an impressive annualised rate of 16.7% in the first half of 2011.

Tan Sri Teh added that, "Public Bank continued to sustain its market leadership position in domestic lending for residential mortgages, commercial property financing and passenger vehicles financing with market shares of 17.7%, 34.0% and 25.8% respectively."

In the first half of 2011, the Public Bank Group's domestic loan approvals for residential properties rose at an impressive rate of 17% as compared to the corresponding period in 2010. The Group continued its strong support of the Government's effort to promote SME activities with the approval of RM5.7 billion of loans to domestic SMEs, accounting for more than 21% of the Group's total domestic loans approved of RM26.9 billion in the same period.

Sustained Strong Asset Quality

Tan Sri Teh highlighted that, "The Public Bank Group has not only maintained its top ranking in asset quality amongst its peers, but also further improved its gross impaired loans ratio from 1.14% as at the beginning of the year to below 1% as at the end of June 2011, significantly lower than the Malaysian banking industry's gross impaired loan ratio of 3.0%."

The strong 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, as

well as the prompt and timely loan restructuring and recovery efforts undertaken by the Group.

The Public Bank Group's loan loss coverage ratio also continue to remain one of the highest at 169.7%, as compared to the banking industry's coverage ratio of 92.2% despite that more than 90% of the impaired loans outstanding are secured. In line with BNM's Guidelines to maintain a minimum of 1.5% collective assessment, the increase in the Group's loan loss coverage was a result of setting aside additional collective assessment allowance for strong loan growth while maintaining a stable level of impaired loan.

Healthy Growth of Domestic Customer Deposits

The customer deposits of the Public Bank Group grew at an annualised growth rate of 12.9% in the first half of 2011. In particular, domestic customer deposits grew at a stronger annualised growth rate of 14.8%.

“The Group's domestic core customer deposits grew at an annualised growth rate of 13% in the first half of 2011, as compared to the domestic banking industry's core customer deposits annualised growth of 8.5%,” said Tan Sri Teh. The strong domestic core deposit growth of the Group was mainly supported by steady inflows of deposits, particularly fixed deposits and savings deposits which grew at an annualised growth rate of 13.5% and 14.1% respectively in the first half of 2011, outperforming the Malaysian banking industry's annualised 8% growth in both fixed deposits and savings deposits.

Expansion of Overseas Operations

The Public Bank Group's overseas operations contributed 7% of the Group's pre-tax profit for the first half of 2011. Cambodian Public Bank Plc (“Campu Bank”), a wholly-owned subsidiary of Public Bank reported a strong growth in pre-tax profit of 33% to

USD13.4 million in the first half of 2011 as compared to USD10.1 million in the corresponding period in 2010. Campu Bank remains one of the largest banks in Cambodia by balance sheet size.

“The Public Bank Group remains committed to expanding its overseas operations, particularly the Group’s Hong Kong and Cambodian operations. The Group currently has a network of 83 branches in Hong Kong and 3 branches in Shenzhen in the People’s Republic of China, with further plans to open 3 new branches in Hong Kong by the end of 2011. In Cambodia, the Group has 21 branches, with another 6 branches targeted to be opened in the second half of 2011,” said Tan Sri Teh.

Growth in Fee-based Income

The Public Bank Group continued 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.

Tan Sri Teh said, “The Group’s unit trust management business through our wholly-owned subsidiary, Public Mutual, continued to show commendable performance with a pre-tax profit growth of 24% in the first half of 2011, and maintained its market leadership position with RM44.4 billion of net assets under management, accounting for an overall market share of 44%.”

Public Mutual’s market share in the equity and Islamic unit trust fund sectors stood at 60% and 58% respectively. Net assets under management increased by 21.7% to RM44.4 billion as at the end of June 2011 as compared to RM36.5 billion a year ago. Public Mutual currently manages 86 funds with more than 100 billion units in circulation. Leveraging on the Public Bank Group’s large branch network and a strong unit trust consultant force, Public Mutual aims to further expand its customer base, which currently stands at over 2.5 million accounts.

2011 marks the fourth year of the Public Bank Group's strategic alliance with the ING Group on bancassurance distribution. The Public Bank Group will continue with its efforts to further build the infrastructure to drive the expansion of the Group's bancassurance business to increase its fee-based commission income in the long run.

Tan Sri Teh added that, "Public Takaful Ehsan Berhad, the joint venture family takaful business between ING Management Holdings (Malaysia) Sdn Bhd and the Public Bank Group, which was launched on 5 April 2011, is also expected to contribute positively towards this end and further enhance the Group's long-term fee-based revenue flows."

Capital Position Remains Healthy

The Public Bank Group's capital position remains healthy, with its Tier 1 capital ratio and risk-weighted capital ratio standing at 9.7% and 13.2% respectively as at the end of June 2011, after the payment of the first interim dividend of 2011. The Group is confident that it is well-positioned to meet the minimum requirements of Basel III, with its phased implementation coming into effect from 1 January 2013.

The Public Bank Group will continue to monitor further developments in relation to the Basel III requirements as well as additional regulatory capital requirements to be imposed by Bank Negara Malaysia. This will allow the Group to address the potential impact of such requirements by realigning 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 shareholder value," said Tan Sri Teh.

Prospects

The Malaysian economy is expected to grow by 5% to 6% in 2011. The outlook of the Malaysian banking sector, in which the Public Bank Group largely operates in, remains positive, supported by the strong economic fundamentals, robust domestic demand and the roll-out of the Economic Transformation Programme.

Tan Sri Teh emphasised that, “The Public Bank Group will continue to focus on its core retail banking and financing business whilst maintaining its prudent credit policies, and further improve on its cost efficiency. The Group expects its strong asset quality to be sustained, and will continue to leverage on the strong PB Brand as well as wide and efficient branch network to deliver balance sheet and revenue growth. The Group remains steadfast in its commitment to upholding strong corporate governance and implement sound risk management policies to support long-term growth.”

Tan Sri Teh remarked that, “The Public Bank Group’s performance for the first half of 2011 was satisfactory and in line with expectations. The Group will continue to expand its core banking and financing business with strong credit fundamentals and remain on course to meet its key business targets for 2011. Barring unforeseen circumstances, the Group is expected to maintain its earnings momentum and record satisfactory performance in the second half of 2011.”

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