

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST NINE MONTHS 2011 FINANCIAL PERFORMANCE

PUBLIC BANK GROUP NINE-MONTH NET PROFIT UP 18.4%

Sustainable Strategies Drive Broad-based Growth Amidst Economic Uncertainties

- **Profitability:** Net profit growth of 18.4% and 26.7% net return on equity, driven by:
 - (i) Strong revenue growth of 9.6%
 - (ii) Continued disciplined cost management with low cost-to-income ratio of 30%;
and
 - (iii) Superior asset quality with improvement in credit charges by 15%
- **Market leadership:** Sustained No. 1 position in domestic lending for residential mortgages, commercial property financing and passenger vehicles financing
- **Growth:** Above-industry growth in loans and deposits, driven by the Group's PB Brand strong retail franchise
- **Asset Quality:** Below 1% gross impaired loans ratio, underpinned by prudent lending policies and strong risk management practices

The Public Bank Group delivers yet another strong set of results in the first nine months of 2011 with record net profit of RM2.6 billion, which is 18.4% higher compared to the corresponding period in 2010. Pre-tax profit grew by 16.6% to RM3.4 billion over the same period.

Chairman's Review

The Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow said, *"The Public Bank Group's sound financial results are a validation of the Group's effective organic growth strategies and sustainable business model. The Group continues to retain a clear lead with the highest net return on equity of 26.7% amongst the Malaysian*

banking groups. At the same time, we continue to sustain top ranking in asset quality and cost efficiency amongst the peers. We have benefited from our disciplined execution of our growth strategies whilst preserving prudent risk management practices to ensure sustainable and stable returns.

We are encouraged by the steady performance in our core businesses, with both our net interest income and fee income registering growth despite the weaker economic sentiments particularly over the past 2 quarters. Despite the competitive pressure on interest margin, the Group's net interest and finance income improved by 9.7% in the first nine months of 2011, and fee income grew by 9.1% over the same period.

Our balance sheet growth indicators remained healthy. Gross loans book stood at RM172.7 billion, which grew by 13.8% on an annualised basis. Domestic loan growth remained strong with an annualised growth rate of 14.1%. Over the same period, total customer deposits grew by an annualised rate of 12.7% to RM193.7 billion, while domestic customer deposits grew at a stronger annualised growth rate of 13.8%. We are confident that with our healthy loans pipeline and coupled with our strong PB Brand franchise, we will continue to strengthen our core revenue streams.”

Growth & Profitability Intact

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 September 2011. Domestic retail pre-tax profit grew by RM335 million or 15.9% year-on-year, with a notable 11.9% increase in net interest income and lower credit charges.

Tan Sri Teh highlighted 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 18.0%, 33.7% and 25.7% respectively. In particular, the Group's residential properties and passenger vehicles financing grew at impressive annualised rates of 17.7% and 9.7% respectively during the 9-month period, compared to lower industry growths of 12.5% and 6.7% respectively." The Group remained supportive in promoting small- and medium-sized enterprise ("SME") activities particularly for working capital and investment financing. Loans to the SME sector for the 9-month period grew strongly by an annualised rate of 15.6%.

"The Public Bank Group's funding position remained robust supported by its strong retail franchise and large domestic depositor base of over 4.5 million customers. Domestic customer deposits grew at an annualised growth rate of 13.8%, compared to the domestic banking industry's annualised growth of 9.8%," said Tan Sri Teh. The strong domestic deposit growth was mainly attributed to steady inflows of fixed deposits and savings deposits which grew at annualised growth rates of 12.2% and 11.9% respectively, outperforming the Malaysian banking industry's annualised 9.5% growth in fixed deposits and annualised 9.1% growth in savings deposits.

Growth in Fee-based Income

Non-interest income of the Public Bank Group recorded a commendable growth of 9.1% compared to the corresponding period in 2010, mainly driven by higher banking transactional income and income from Public Mutual's unit trust business as well as higher investment income.

Tan Sri Teh explained, *"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 22.3% in the nine months of 2011, and maintained its pole position in private unit trust business with RM41.3 billion of net assets under management, accounting for an overall market share of 43% as at the end*

of August 2011, and with market shares in the equity and Islamic unit trust fund sectors of 60% and 55% respectively.”

Continued Disciplined Cost Management

Tan Sri Teh further commented, *“The Public Bank Group continues to drive cost efficiency initiatives to further improve productivity with cost-to-income ratio of 30%. Compared to the banking industry’s average cost-to-income ratio of 46.7%, the Group remained the most cost-efficient bank in Malaysia.”* Operating expenses increased marginally by 4.6%, less than half the pace of the much higher income growth of 9.6%. Increase in personnel costs was in line with the investment in human resources and larger headcount to support business expansion.

Lending with Uncompromised Asset Quality

“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 September 2011, significantly lower than the Malaysian banking industry’s gross impaired loan ratio of 2.8%,” said Tan Sri Teh. The strong asset quality of the 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 recovery efforts undertaken.

The Public Bank Group's loan loss coverage ratio continued to remain one of the highest at 178.1%, compared to the banking industry's coverage ratio of 96.3% notwithstanding that more than 90% of the Group’s 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. New impaired loans formation for the first nine months of 2011 improved to an annualised 0.33% from 0.51% in 2010. As a result, the Group’s loan impairment

allowances improved by 15% during the nine months ended 30 September 2011 compared to the previous corresponding period, despite setting aside 1.5% collective assessment for loan growth.

Expansion of Overseas Operations

For the first nine months of 2011, the Public Bank Group's overseas operations contributed 6.5% of the Group's overall pre-tax profit compared to 7.6% contribution in 2010 due to the negative effect of foreign exchange differences. Excluding the impact of the foreign exchange differences, overseas profit grew by 11.8% compared to the corresponding period in 2010, led by improvement in asset quality and operational efficiency. Over the same period, Cambodian Public Bank Plc ("Campu Bank"), a wholly-owned subsidiary of Public Bank reported a strong growth in pre-tax profit of 90% to USD20.6 million compared to USD10.8 million in the last corresponding period.

Capital Position Remains Healthy

Tan Sri Teh emphasised that, *"The Public Bank Group's capital position remains healthy, with its Tier 1 capital ratio and risk-weighted capital ratio standing at 9.5% and 14.9% respectively as at the end of September 2011 compared to 10.0% and 13.7% respectively as at the beginning of the year."* The improvement in the risk-weighted capital ratio of the Group during the current period was due to the issuance of RM3 billion subordinated notes under the existing subordinated Medium Term Note programme in August 2011.

The Public Bank Group will continue to monitor further developments in relation to the Basel III requirements and any 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.

Chairman's View on Group's Prospect

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 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 franchise and its 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 implementation of sound risk management policies to support long-term growth.*

With the expectations that global uncertainties and volatility will persist over the medium term, we remain vigilant and focused in balancing growth with sustainable returns. Taking cognisance that economic growth pace will moderate further, we will focus on reinforcing our business performance through prudent and effective balance sheet management to sustain our profitability. On the service delivery front, we will continue to uphold our superior customer service and delivery excellence.

The outlook of the Malaysian banking sector, in which the Group largely operates in, continues to be stable and supportive of growth. We continue to see the Group's business performance to be in line with expectations and on track in meeting the key business targets for 2011.”

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