

PRESS RELEASE BY PUBLIC BANK BERHAD
2011 FINANCIAL PERFORMANCE

PUBLIC BANK GROUP ACHIEVED NET PROFIT GROWTH OF 14.3% FOR 2011

Chairman's Review

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow said, *“The Public Bank Group delivered yet another strong set of results in 2011 with record net profit of RM3.48 billion, representing a 14.3% improvement as compared to 2010. Pre-tax profit increased by 12.8% to RM4.61 billion.*

With a clear lead of having the highest net return on equity of 26.8% amongst the Malaysian banking groups, the Group continues to maintain its top ranking in asset quality and cost efficiency in the banking industry with notably lower gross impaired loan ratio of 0.9% and cost-to-income ratio of below 30%”

Tan Sri Teh remarked that, *“The Public Bank Group's sound financial results for 2011 are a validation of the Group's effective organic growth strategies and sustainable business model. We have benefited from our disciplined execution of our growth strategies whilst preserving prudent risk management practices to ensure sustainable and stable returns.*

Our balance sheet growth indicators remained healthy. Gross loans as at the end of 2011 stood at RM177.7 billion, representing a growth of 13.5% as compared to a year ago. Domestic loan book grew at a faster pace of 14.1%. Customer deposits grew by 13.3% to reach RM200.4 billion as at the end of 2011, while domestic customer deposits grew at a stronger rate of 14.7%.

We are confident that with our healthy loans pipeline coupled with our strong liquidity position and PB Brand franchise, we will continue to strengthen our core revenue streams.”

Tan Sri Teh added, *“In view of the Public Bank Group’s strong performance for the year, we are pleased to announce that the Board of Directors has declared a second interim single-tier dividend of 28 sen. Together with the first interim single-tier dividend of 20 sen which was paid in August 2011, the total dividend for 2011 is 48 sen.”*

The total dividend paid and payable for 2011 amounts to RM1.68 billion and represents a total payout of 48% of the Group’s net profit for 2011. The Board of Directors does not propose any final dividend for 2011.

Growth & Profitability Intact

The lending activities of the Public Bank Group remained focused on the retail sector which accounted for 85% of the total loan portfolio of the Group, mainly comprising loans to mid-market commercial enterprises as well as loans for the financing of residential properties and purchase of passenger vehicles. Domestic retail pre-tax profit grew by RM365 million or 12.3% year-on-year, due to 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 18.1%, 33.0% and 25.8% respectively. The Group’s residential properties grew by 17.5% during the year, compared to the industry’s annualised growth of 13.1%.”*

Tan Sri Teh added, *“The Group remained supportive in promoting small- and medium-sized enterprise activities particularly for working capital and investment financing. In particular, loans for working capital financing expanded strongly by 24.0%.”*

“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 by 14.7%, compared to the domestic banking industry’s growth of 11.8%,” said Tan Sri Teh. The strong domestic deposit growth was mainly attributed to steady inflows of fixed deposits and savings deposits which grew by 10.4% and 10.4% respectively, outperforming the Malaysian banking industry’s growth of 9.8% and 7.9% respectively.

Growth in Fee-based Income

Non-interest income of the Public Bank Group grew by 7.2% compared to 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 17.5% in 2011, and maintained its pole position in private unit trust business with RM44.8 billion of net assets under management, accounting for an overall market share of 44% as at the end of December 2011, and with market shares in the equity and Islamic unit trust fund sectors of 60% and 58% 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 below 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 at a slower pace of 5.2%, as compared to the total income growth of 8.3%. Increase in operating expenses was mainly attributed to increase in personnel costs which

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 1.1% as at the beginning of the year to 0.9% as at the end of 2011, significantly lower than the Malaysian banking industry’s gross impaired loan ratio of 2.7%,” 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.

Tan Sri Teh further added, *“The Public Bank Group’s loan loss coverage ratio continued to remain one of the highest at 189%, compared to the banking industry’s coverage ratio of 96% 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 Group’s high loan loss coverage was a result of setting aside additional collective assessment allowance for strong loan growth while the level of impaired loans remained stable. New impaired loans formation for the year improved to 0.34% from 0.51% in 2010. As a result, the Group’s loan impairment allowances improved by 10% as compared to 2010, despite setting aside 1.5% collective assessment for loan growth.

Expansion of Overseas Operations

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, Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, reported a

strong growth in pre-tax profit of 55% to USD29.0 million compared to USD18.8 million in 2010.

Capital Position Remains Healthy

The Public Bank Group's capital position remained healthy, with its Tier 1 capital ratio and risk-weighted capital ratio improved to 10.1% and 15.3% respectively as at the end of 2011, after deducting second interim dividend, as 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 year was mainly due to the issuance of RM3 billion subordinated notes under the existing subordinated Medium Term Note programme in August 2011.

Based on Bank Negara Malaysia's latest circular on the Basel III implementation, the Public Bank 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. Tan Sri Teh commented, *"The Group will continue to be proactive in maintaining a healthy level of capital at all times to support the Group's business growth strategies whilst maximising its shareholder value."*

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. 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. Barring unforeseen circumstances, the Group is expected to maintain its earnings momentum and continue to record satisfactory performance in 2012.”

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For more information, please contact:

Mr Leong Kwok Nyem

Chief Operating Officer

Tel: (603) 2176 6270

Fax: (603) 2163 9925

Email: leongkn@publicbank.com.my

Ms Chang Siew Yen

Chief Financial Officer

Tel: (603) 2176 7460

Fax: (603) 2164 9002

Email: changsiewyen@publicbank.com.my