

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST QUARTER 2012 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP ACHIEVED RECORD PRE-TAX PROFIT OF RM1.25
BILLION FOR THE FIRST QUARTER OF 2012**

Chairman's Review

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow said, *“The Public Bank Group delivered another strong set of results with a record pre-tax profit of RM1.25 billion and net profit of RM941 million for the first quarter of 2012.”*

With effect from this year, the Group adopted fully the Malaysian Financial Reporting Standards (MFRS) 139, which resulted in a lower collective assessment allowances on the Group's loans and financing. This resulted in a write-back of excess collective assessment allowances, leading to an increase in the Group's shareholders' funds as at the beginning of 2012 by RM859 million, which in turn enhanced the Group's core equity capital ratio by 0.5%.

Tan Sri Teh highlighted that, *“As a result of the retrospective application of MFRS 139, comparative pre-tax profit and net profit for the corresponding quarter in 2011 have been restated upwards by RM75 million and RM56 million respectively to RM1.17 billion and RM884 million respectively. Against the restated profits for the previous corresponding quarter, the Group's pre-tax profit and net profit growth for the first quarter of 2012 are 6.2% and 6.4% respectively.*

Excluding the impact of the higher restated profits in the previous corresponding quarter, the Public Bank Group's pre-tax profit and net profit for the first quarter of 2012 would have shown a higher growth of 13.5% and 13.7% respectively.

Despite the higher restated shareholders' equity base, the Group continued to lead in terms of having the highest net return on equity of 24.7% amongst the Malaysian banking groups. The Group also maintained its top ranking in asset quality and cost efficiency in the banking industry with notably lower gross impaired loan ratio of 0.8% and cost-to-income ratio of 31.8% for the first quarter of 2012."

The Public Bank Group's balance sheet growth indicators remained healthy. In the first quarter of 2012, the Group's gross loans grew by RM4.2 billion, or 2.4% to reach RM 181.9 billion as at the end of March 2012. Domestic loan book grew at a faster pace of 3.1%. The Group's customer deposits grew by 3.4% to reach RM207.1 billion as at the end of March 2012, while domestic customer deposits grew at a stronger rate of 3.6%. *"On an annualised basis, both domestic loans and domestic customer deposits recorded healthy double-digit growth of 12.3% and 14.5% respectively."* said Tan Sri Teh.

Healthy Loan and Deposit Growth

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.

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 18.2%, 33.2% and 26.0% respectively. The Group's financing in residential and commercial properties grew by an annualised rate of 13.7% and 21.5% respectively during the quarter, compared to the industry's annualised growth of 11.8% and 16.0% respectively in the first two months of the year."*

Tan Sri Teh added, *“The Group remained supportive in promoting small- and medium-sized enterprise (SME) activities particularly for working capital and investment financing. Financing to SME expanded strongly by an annualised rate of 18.2% in the first quarter of 2012”*

“The Public Bank Group’s funding position remained robust supported by its strong retail franchise and large domestic depositor base of over 4.7 million customers. Domestic core customer deposits grew at an annualised rate of 17.9%, compared to the domestic banking industry’s annualised growth of 9.7%,” said Tan Sri Teh. The strong domestic core deposit growth was mainly attributed to steady inflows of fixed deposits and savings deposits which grew by an annualised rate of 23.1% and 12.5% respectively, outperforming the Malaysian banking industry’s annualised growth of 13.1% and 0.5% respectively.

Growth in Fee-based Income

Non-interest income of the Public Bank Group grew by 4.8% in the first quarter of 2012 as compared to the corresponding quarter in 2011, mainly driven by higher banking transactional income and income from the Group’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 12.9% in the first quarter of 2012. Public Mutual’s net assets under management grew by 6.0% during the quarter from RM44.8 billion as at the beginning of the year to RM47.4 billion as at the end of March 2012. Public Mutual had continued to maintain its pole position in the private unit trust business with an overall market share of 44% as at the end of February 2012, and with market shares in the equity and Islamic unit trust fund sectors of 61% and 57% respectively. Public Mutual 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 2.7 million accounts."

Continued Disciplined Cost Management

Tan Sri Teh further commented, *"The Public Bank Group continues to drive cost efficiency initiatives to further improve its productivity. The Group remained the most cost-efficient bank in Malaysia with its cost-to-income ratio of 31.8% as compared to the banking industry's average cost-to-income ratio of 46.0%."* Increase in operating expenses in the first quarter was mainly attributed to increase in personnel costs which were 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 0.9% as at the beginning of the year to 0.8% as at the end of March 2012, 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, *"Despite the write-back of excess collective assessment allowances as a result of the full adoption of MFRS 139, the Public Bank Group's loan loss coverage ratio continued to remain high at 117%, compared to the banking industry's coverage ratio of 97%."* New impaired loans formation further improved to an annualised rate of 0.32% in the first quarter of 2012 from 0.34% in 2011.

Overseas Operations

The Public Bank Group's overseas operations contributed 6.1% of the Group's overall pre-tax profit for the first quarter of 2012. Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, reported a strong growth in pre-tax profit of 79% in the current quarter as compared to the corresponding quarter in 2011 with the improved business sentiment and higher loan recoveries. Campu Bank remains one of the largest banks in Cambodia by balance sheet size.

Capital Position Remained Healthy

The Public Bank Group's capital position remained healthy, with its Tier 1 capital ratio and risk-weighted capital ratio standing at 10.3% and 14.4% respectively as at the end of March 2012. 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 return.”*

Group's Prospect

Tan Sri Teh remarked that, *“Along with the expectation that the Malaysian economy will grow by 4% to 5% in 2012, the Public Bank Group continues to strive in a healthy domestic operating environment due to the stable financial system, favourable employment conditions, sustained consumer and business sentiment as well as the accommodative monetary policy environment promoted by Bank Negara Malaysia.*

The 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 remains steadfast in its commitment to upholding strong corporate governance and implementation of sound risk management policies to support long-term growth.

Moving forward, the Group is expected to maintain its earnings momentum and continue to record satisfactory performance for the rest of 2012.”

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