

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST HALF 2012 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP ACHIEVES PRE-TAX PROFIT OF RM2.49 BILLION
FOR THE FIRST HALF OF 2012 AND DECLARES 20% FIRST INTERIM
DIVIDEND**

Chairman's Review

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow said, *"The Public Bank Group achieved another strong set of results in the first half of 2012 with a half-year pre-tax profit of RM2.49 billion."*

Tan Sri Teh highlighted that, *"As a result of the retrospective application of MFRS 139, the Public Bank Group's pre-tax profit and net profit for the corresponding first half of 2011 were restated upwards by RM175 million and RM131 million to RM2.43 billion and RM1.84 billion respectively. Hence, the Group's pre-tax profit and net profit for the first half of 2012 grew by 2.1% and 3.0% respectively as compared to the higher restated pre-tax profit and net profit for the corresponding first half of 2011. Excluding the effects of higher restated profits for the last corresponding period, the Group's pre-tax profit and net profit for the same period recorded double-digit growth of 10.0% and 10.9% respectively."*

As compared to the first quarter of 2012, the Group's net profit attributable to shareholders for the second quarter grew by RM11.9 million or 1.3% to RM953 million.

The Public Bank Group maintained its pole position amongst the Malaysian banking groups in terms of profitability with the highest net return on equity of 24.7%. The Group's asset quality and cost efficiency continued to be the best amongst its domestic

banking peers with the lowest gross impaired loan ratio of 0.8% and cost-to-income ratio of 31.4%. ”

The Public Bank Group’s balance sheet position remained healthy. *“The Group’s gross loans increased at an annualised rate of 10.8% in the first half of 2012 to reach RM187.3 billion as at the end of June 2012. In particular, domestic loans grew at a stronger annualised rate of 12.3%. The Group’s customer deposits expanded at an annualised rate of 11.3% in the first half of 2012 while domestic customer deposit growth remained strong, achieving an annualised growth rate of 12.0%,”* said Tan Sri Teh.

Despite the strong loan growth in the first half of 2012, the Public Bank Group’s loan impairment allowances decreased by 13%. 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 0.8%.

Tan Sri Teh said, *“In view of the Public Bank Group’s continued strong performance, we are pleased to announce 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.”*

Healthy Momentum in Loan and Deposit Growth

The lending activities of the Public Bank Group remained focused on the retail sector, with loans to mid-market commercial enterprises and loans for the financing of residential properties and purchase of passenger vehicles accounting for 86% of the total loan portfolio of the Group as at the end of June 2012.

Tan Sri Teh highlighted that, *“Public Bank further strengthened its leadership in the domestic core lending business. The Group’s domestic market share of residential mortgages, commercial property financing and passenger vehicles financing rose to 18.5%, 33.3% and 26.2% respectively as at the end of May 2012 from 18.1%, 32.9% and 25.9% as at beginning of the year.”*

Tan Sri Teh commented, *“The Group’s SME lending segment continues to strengthen, with loans to SME growing strongly at an annualised rate of 23.7% in the first half of 2012.”*

“The Public Bank Group’s funding position continued to be sound supported by its strong retail franchise and large domestic depositor base of over 4.8 million customers. The Group’s domestic customer deposits grew at an annualised rate of 12.0% in the first half of 2012, higher than the domestic banking industry’s annualised growth rate of 8.3%. As a result, the Group’s domestic customer deposit market share remained strong at 14.8% as at the end of May 2012,” said Tan Sri Teh. The Group’s strong domestic customer deposit growth was mainly supported by steady inflows of deposits, particularly demand deposits and savings deposits which grew at an annualised rate of 10.6% and 11.5% respectively in the first half of 2012, outperforming the Malaysian banking industry’s annualised growth rate of 0.8% and 10.8% respectively.

Growth in Fee-based Income

The Public Bank Group continued to grow 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.

“The Group’s unit trust management business carried out through its wholly-owned subsidiary, Public Mutual, remained the clear market leader in the private unit trust industry with an overall market share of 43% as at the end of May 2012 whilst its

market share in equity funds and Islamic funds stood at 61% and 56% respectively. Public Mutual reported commendable results with a pre-tax profit growth of 11.3% in the first half of 2012. Net assets under management grew by RM3.9 billion or 8.7% during the first half of 2012 from RM44.7 billion as at beginning of the year to RM48.6 billion as at 30 June 2012. Public Mutual currently manages 94 funds with more than 110 billion units in circulation. Moving forward, Public Mutual will further expand its customer base, which now stands at over 2.7 million accounts by leveraging on its large force of unit trust consultants and the Group's extensive branch network," said Tan Sri Teh.

Disciplined and Effective Cost Management

Tan Sri Teh commented, *"The Public Bank Group remained the most cost-efficient bank in Malaysia with its cost-to-income ratio of 31.4%, well below the banking industry's average cost-to-income ratio of 46.0%."* Total operating expenses increased by 8.8% mainly due to higher personnel and establishment costs to support continued business growth.

Sustained Strong Asset Quality

"The Public Bank Group has not only maintained its top ranking in asset quality but further improved its gross impaired loans ratio from 0.9% as at beginning of the year to 0.8% as at the end of June 2012, which was one third the Malaysian banking industry's gross impaired loan ratio of 2.4%." said Tan Sri Teh. The strong asset quality of the Group is due to a combination of preventive and proactive measures taken such as its prudent credit culture, stringent lending policies, efficient restructuring and rescheduling processes as well as the rehabilitation of impaired loans.

Tan Sri Teh said, *"The Public Bank Group's loan loss coverage ratio stood at 123%, which was higher and more prudent than the banking industry's coverage ratio of 93% despite the write-back of excess collective assessment allowances due to the full*

adoption of MFRS 139.” New impaired loans formation further improved to an annualised rate of 0.30% in the first half of 2012 from 0.34% in 2011.

Overseas Operations

The Public Bank Group’s overseas operations contributed 7% of the Group’s pre-tax profit for the first half of 2012. Cambodian Public Bank Plc (“Campu Bank”), a wholly-owned subsidiary of Public Bank recorded strong growth in pre-tax profit of 54% to USD20.7 million in the first half of 2012 as compared to USD13.4 million in the previous corresponding period. Campu Bank remains one of the largest banks in Cambodia by balance sheet size.

Capital Position Remained Healthy

On 20 June 2012, the Public Bank Group redeemed its USD400 million Subordinated Notes. Despite the redemption of these subordinated notes, the Group’s capital position remained healthy, with Tier 1 capital ratio and risk-weighted capital ratio standing at 10.5% and 13.9% respectively as at the end of June 2012, after deducting the first interim dividend of 2012.

Tan Sri Teh emphasised that, ***“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.”***

Group’s Prospect

Tan Sri Teh said ***“The Malaysian economy is expected to remain resilient despite ongoing external uncertainties from the Euro debt crisis, with gross domestic product anticipated to grow between 4% and 5% in 2012 driven by domestic demand and private investments. Competition is expected to intensify for loans and deposits and net interest margin will continue to be impacted.”***

The Public Bank Group will remain focused on its core retail banking and financing business whilst maintaining its prudent credit and sound risk management policies as well as strong corporate governance to support long-term sustainable growth.

Going forward, the Group is expected to maintain its earnings momentum and record satisfactory performance in the second half of 2012.”

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