

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST HALF 2015 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP ACHIEVED 14.2% GROWTH IN NET PROFIT
ATTRIBUTABLE TO SHAREHOLDERS FOR THE FIRST HALF OF 2015 AND
DECLARES 24 SEN FIRST INTERIM DIVIDEND**

Chairman's Review

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow is pleased to announce that, *"The Public Bank Group recorded a commendable set of half year results with its net profit attributable to shareholders increasing by 14.2% year-on-year to RM2.37 billion for the half year ended 30 June 2015. The Group's pre-tax profit grew by 12.1% to RM3.02 billion during the same period. The profit growth during the period was mainly attributed to the healthy growth in loans and deposits, and stable asset quality. Gains arising from foreign exchange fluctuation in respect of the Group's foreign operations have also partially contributed to the profit growth for the period. "*

Tan Sri Teh commented that, *"The operating environment in the first half of 2015 has become more challenging with increasing concerns in growth sentiment, following the uncertainties in the global economic developments as well as domestic factors. Despite facing the challenging environment, the Public Bank Group has remained steadfast and continued to perform well in the first half of 2015, recording a healthy loan growth of 11.2% on an annualised basis to RM258.8 billion as at the end of June 2015.*

In tandem with the Group's healthy loan growth, its customer deposits recorded an annualised growth of 13.6% to RM295.3 billion as at the end of June 2015. As a result, the Group maintained a stable and healthy loan-to-deposit ratio of 87.0% as at 30 June 2015."

Tan Sri Teh further added that, ***“The Public Bank Group continues to rank highly amongst its banking peers in Malaysia in term of profitability and cost efficiency with the highest net return on equity of 17.2%, while maintaining the lowest gross impaired loan ratio of 0.54% and cost-to-income ratio of 31.1%.”***

“In view of the Public Bank Group’s commendable performance, I am pleased to announce that the Board of Directors has declared a first interim dividend of 24 sen, which will result in a total dividend payout of RM926.8 million. The first interim dividend will be paid on 24 August 2015 based on the dividend entitlement date of 14 August 2015.” said Tan Sri Teh.

Healthy Growth Momentum in Loans and Deposits

For the first half year ended 30 June 2015, the Group recorded a healthy loan growth at an annualised rate of 11.2%, largely supported by its annualised domestic loan growth of 10.5%, which significantly outpaced the domestic banking industry’s annualised loan growth rate of 6.1%.

As at the end of June 2015, the Group’s retail lending portfolio collectively accounted for 86% of its total loan, comprising mainly loans to small and medium enterprises (“SMEs”), loans for the financing of residential properties and purchase of passenger vehicles. The Group’s SME lending continued to register strong growth momentum with an annualised growth rate of 16.1%.

In line with the healthy loan growth, the Group’s total customer deposits grew at an annualised rate of 13.6%. The Group’s domestic customer deposits grew at an annualised rate of 11.9%, which surpassed the domestic banking industry’s annualised growth rate of 5.3%.

The Group's strong deposit growth was mainly attributed to the steady inflow of core deposit comprising fixed deposits, low-cost savings and current accounts, which grew by an annualised rate of 15.0%.

Tan Sri Teh highlighted that, ***“The Public Bank Group’s funding and liquidity position remained stable and healthy, supported by its strong retail deposit franchise with a large domestic depositor base of over 5 million customers that continue to place their trust and confidence in the Group in safeguarding their funds.*”**

Steady Growth in Non-Interest Income

Arising from the Public Bank Group's initiatives to drive the growth of its non-interest income in order to sustain better return for its shareholders, the Group's non-interest income recorded a steady growth of 15.3% in the first half of 2015 as compared to the corresponding period in 2014. This was mainly attributed to higher income from its unit trust business, foreign-exchange related transactions and transactional banking services.

Tan Sri Teh said that, ***“The Public Bank Group’s unit trust management business through its wholly-owned subsidiary, Public Mutual Berhad (“Public Mutual”), continued to contribute positively to the Group’s financial performance by registering a consistent double-digit growth of 16.5% in its pre-tax profit as compared to the corresponding period in 2014. To-date, Public Mutual manages 114 funds with a total net asset value of RM64.7 billion. It continues to be the market leader in the private unit trust business, capturing an overall market share of 38.4% with 57.1% and 50.6% market share in the equity and Islamic unit trust fund sectors respectively.”***

Sustainable and efficient cost management

In the first half of 2015, the Public Bank Group continued to maintain an efficient cost-to-income ratio of 31.1% as compared to the banking industry's average cost-to-income ratio of 45.5%. Tan Sri Teh commented that, ***“The Public Bank Group continues to remain as the most cost-efficient bank in Malaysia. The Group’s consistent pursuit of high productivity and cost efficiency in all aspects of its operations has enabled the Group’s operating costs to remain low and efficient. The ability of the Group to operate in such an efficient cost structure certainly puts the Group in a better financial position, especially in times of challenges.”***

Superior Asset Quality

As at the end of June 2015, the Public Bank Group's gross impaired loan ratio stood at 0.54%, which is significantly lower than the banking industry's impaired loan ratio of 1.6%. The Group also maintained a higher and more prudent loan loss coverage ratio of 129.2% as compared to the banking industry's coverage ratio of 100.6%. Tan Sri Teh highlighted that, ***“The Public Bank Group continues to adopt a prudent approach in managing its credit risks. This is achieved by consistently carrying out a combination of both preventive and proactive measures in its lending activities, such as establishing strict and prudent credit policies, and putting in place efficient and effective approval and recovery processes. As a result, the Group is able to maintain its strong asset quality.”***

Overseas Operations

For the half year ended June 2015, the Public Bank Group's overseas operations contributed 9.1% of the Group's overall pre-tax profit. Tan Sri Teh added, ***“Cambodian Public Bank Plc (“Campu Bank”), a wholly-owned subsidiary of Public Bank, reported another set of strong pre-tax profit growth of 26.0% to USD28.8 million as compared to the corresponding period in 2014, amidst the challenging business environment. Campu Bank remains as one of the top three largest banks in Cambodia.”***

Healthy Capital Position

The Public Bank Group is well-capitalised to support the Group's organic business growth strategy. As at the end of June 2015, the Group's common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio were at a healthy level of 10.7%, 11.9% and 15.4% respectively, after taking into account the provision for first interim dividend.

Tan Sri Teh reiterated that, ***“We will ensure that the Group continues to maintain a healthy level of capital to support the Group's business growth, as well as to meet the more stringent requirements under the Basel III regime. In this respect, we will continue to balance the need of profit retention for capital growth and maximising return to our shareholders.”***

Group's Prospect

Tan Sri Teh concluded that, ***“Looking ahead, amidst the challenges and moderating sentiment, the Malaysian economy is expected to still remain on a steady growth path although at a moderate pace. Steady domestic demand will continue to be supportive of the banking sector and drives growth in the banking business. However, banks are expected to continue to face with net interest margins pressure due to the intense market competition.*”**

The Group will continue to focus on its core retail banking and financing business, whilst maintaining its prudent credit policies, as well as upholding strong corporate governance. The Group will also continue to leverage on its strong market position, recognised PB brand, wide and efficient branch network, as well as its excellent customer service to support its long term sustainable growth.

Leveraging on these strong fundamentals, the Public Bank Group will continue to enhance its strengths to maintain satisfactory performance for the remaining of 2015.”

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