

PRESS RELEASE BY PUBLIC BANK BERHAD
2014 FINANCIAL PERFORMANCE

PUBLIC BANK GROUP ACHIEVED 11.2% GROWTH WITH A RECORD NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF RM4.52 BILLION AND DECLARED SECOND INTERIM DIVIDEND OF 31 SEN

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 achieved another year of commendable results in 2014 with a record net profit attributable to shareholders of RM4.52 billion, representing 11.2% growth as compared to 2013. Pre-tax profit increased by 9.5% to RM5.81 billion in 2014."***

The commendable 2014 financial results of the Public Bank Group were mainly contributed by the steady growth in net interest income and non-interest income, as well as stable credit costs. Despite facing net interest margin compression, the Group's net interest income grew by 6.5% during the year, mainly contributed by continued strong loan and deposit growth as well as the positive impact arising from the hike in the overnight policy rate in July 2014 and the rights issue which was completed in August 2014.

"While the Malaysian economy remained resilient through 2014, the growth sentiment has been moderating especially towards the third quarter of 2014 amid the concerns over the volatility in the equity market, weak Ringgit and decrease in oil prices. Despite facing the headwinds, the Public Bank Group persevered and continued to perform well and recorded a strong annual loan growth of 10.8%, outpacing the banking system's loan growth of 8.7%. In tandem with that, the Group also recorded similar double-digit growth of 10.2% in customer deposits, particularly contributed by its strong customer deposits in respect of its domestic

commercial banking operations, which grew by 11.6%, and significantly surpassing the banking system's deposit growth of 7.6%," commented Tan Sri Teh.

Tan Sri Teh further added that, "The Public Bank Group continues to stand out among its Malaysian banking peers by delivering the best in return on equity, cost efficiency and asset quality. For the financial year ended 2014, the Group recorded an efficient cost-to-income ratio of 30.0% and maintained its low gross impaired loans ratio of 0.6%. The Group also recorded the highest net return on equity of 19.9% as compared to its peers. Once again, the positive results reinforce the Group's strategy in pursuing organic growth in the core retail banking business."

Tan Sri Teh said, "In view of the Public Bank Group's commendable performance for the year, I am pleased to announce that the Board of Directors has declared a second interim dividend of 31 sen. Together with the first interim dividend of 23 sen which was paid in August 2014, the total dividend for 2014 is 54 sen." The total dividend paid and payable for 2014 amounts to RM2.1 billion and represents a total payout of 46.1% of the Group's net profit for 2014.

Strong Growth in Loans and Deposits

The balance sheet of the Public Bank Group remained strong and healthy.

"Although the operating environment was subdued towards the second half of 2014, the Public Bank Group was able to continuously keep pace with strong loan growth momentum, registering a growth of 10.8% to RM245.0 billion. The Group continued to sustain its market leadership position in the retail banking segment, comprising extension of financing for the purchase of residential properties, commercial properties and passenger vehicles. Lending to small and medium enterprises had been particularly strong with a growth of 20% in 2014," remarked Tan Sri Teh.

As at the end of 2014, the Group's retail loan portfolio collectively accounted for 86% of its total loans.

Tan Sri Teh added that, ***“On the funding side, the Public Bank Group's customer deposits grew by 10.2% in 2014 to RM276.5 billion. The Group's growth in customer deposits in respect of its domestic commercial banking operations was even stronger at 11.6%, mainly due to the strong growth in its savings, current accounts and fixed deposits, which grew by 4.3%, 7.1% and 9.5% respectively as compared to the industry's savings and current accounts growth rate of 2.4% and 4.7%, and a 1.3% contraction in fixed deposits.”***

With the steady inflow of customer deposits, the Public Bank Group remains well funded with a stable net loan to deposit ratio of 88.0% as at the end of 2014.

Steady Growth in Non-Interest Income

The Public Bank Group's non-interest income improved steadily by 9.2% in 2014 as compared to 2013. This was mainly contributed by higher income from its unit trust business, investment income and fee income from banking operations.

Tan Sri Teh commented that, ***“The Public Bank Group's unit trust management business undertaken by its wholly-owned subsidiary, Public Mutual Berhad (“Public Mutual”), continued to be a key contributor to the Group's overall profit by registering a consistent double-digit pre-tax profit growth of 14.9% in 2014 as compared to 2013. As at the end of 2014, Public Mutual manages 113 funds with a total net asset value of RM63.0 billion and remains as the market leader with an overall market share of 39.4% in the private unit trusts business. Public Mutual also commands market leader position in the equity and Islamic unit trust fund sectors with 58.8% and 50.4% market share respectively as at the end of 2014.”*** The Public Bank Group will continue to mobilise its resources to focus on enhancing its cross-

selling initiatives to both existing and new customers, and strengthening its infrastructure to further increase non-interest income.

Sustained Low Cost-To-Income Ratio

The Public Bank Group's operating expenses for 2014 increased by 4.1%, mainly attributable to the increase in personnel costs which were in tandem with the increased headcount to support business expansion.

Tan Sri Teh highlighted that, ***“The Public Bank Group continues to be the most efficient banking group in Malaysia with its low cost-to-income ratio of 30.0% as compared to the banking industry's average cost-to-income ratio of 45.6%. The Group's consistent pursuit of high productivity and cost efficiency in all aspects of its operations had enabled the Group's operating costs to remain low and efficient.*”**

The Group will continue to prioritise the investment and deployment of resources and technology to where they are most effective in delivering high productivity and efficiency without compromising on compliance and service quality.”

Strong Asset Quality

As at the end of 2014, the Public Bank Group's impaired loan ratio further improved to 0.6%, significantly lower than the industry ratio of 1.7%. The Group's loan loss coverage ratio of 122.4% as at the end of 2014 was also higher as compared to the Malaysian banking industry's ratio of 106.3%.

“To safeguard its strong asset quality while maintaining steady growth in its lending business, the Group will continue to adopt a prudent approach in managing credit risk. This includes consistent and effective implementation of both preventive and proactive measures in its lending activities, such as establishing strict and

prudent credit policies as well as putting in place efficient and effective approval and recovery processes,” said Tan Sri Teh.

Overseas Operations

The Public Bank Group’s overseas operations contributed 7.4% of the Group’s overall pre-tax profit for 2014.

Tan Sri Teh commented that *“Cambodian Public Bank Plc (“Campu Bank”), a wholly-owned subsidiary of Public Bank, delivered yet another strong set of financial results, with a double-digit pre-tax profit growth of 36.5% to USD50.6 million as compared to 2013 and is amongst the top three largest banks in Cambodia.”*

Healthy Capital Position

During the year, Public Bank successfully completed the renounceable rights issue exercise which raised RM4.8 billion equity capital. Its wholly-owned subsidiary, Public Islamic Bank Berhad, also made an issuance of RM500 million Basel III-compliant Subordinated Sukuk Murabahah. Both the exercises were part of the Group’s capital management strategy aimed to further strengthen the Group’s capital position to support its continuous business growth as well as to build an adequate level of capital buffer in preparation for the more stringent capital requirements under the Basel III capital framework.

As a result, the Group’s common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio increased to a strong level of 10.8%, 12.2% and 15.8% respectively as at the end of 2014, after taking into account the provision for second interim dividend. The Group is currently the second highest capitalised banking group in Malaysia in terms of Tier 1 capital ratio.

Group's Prospect

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 leverage on its strong PB brand and its efficiently-run and wide-reach branch network as well as its delivery of excellent customer service to provide sustainable long term growth.

***“The Malaysian economy is expected to be supportive of growth, supported by domestic demand albeit at a more moderate pace. On the banking industry front, we expect the net interest margin compression to persist as the competition for both loans and deposits market share remains intense. Despite the challenges ahead, the Public Bank Group strives to remain resilient by planning to face those challenges while working towards the best.*”**

The Group is expected to maintain its earnings momentum and record satisfactory performance in 2015,” concluded Tan Sri Teh.

5 February 2015

For more information, please contact:

Ms Chang Siew Yen

Chief Operating Officer

Tel: (603) 2176 7460

Fax: (603) 2163 9925

Email: changsiewyen@publicbank.com.my

Ms Yik Sook Ling

Chief Financial Officer

Tel: (603) 2177 3310

Fax: (603) 2164 9002

Email: yiksookling@publicbank.com.my