PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST HALF 2013 FINANCIAL PERFORMANCE

PUBLIC BANK GROUP ACHIEVED PRE-TAX PROFIT OF RM2.6 BILLION FOR THE FIRST HALF OF 2013 AND DECLARES 22% 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 achieved yet another set of commendable financial performance in the first half of 2013 with pre-tax profit and net profit growing by 6.2% to RM2.6 billion and 6.4% to RM2.0 billion respectively, as compared to the corresponding period in 2012.***

Against the profits for the first quarter of 2013, the Group's pre-tax profit and net profit for the second quarter of 2013 grew by 5.6% and 5.7% respectively."

Tan Sri Teh commented that ***"Despite the challenging external environment, the Malaysian economy demonstrated resilience in the first half of 2013, supported by strong domestic demand. This had in turn, enabled the Group to record a healthy loan growth of 11.8% on an annualised basis to RM209.4 billion as at the end of June 2013.***

The Group's customer deposits also recorded a strong annualised growth of 13.6% to RM240.4 billion as at the end of June 2013. As a result, the Group maintained a stable and healthy loan-to-deposit ratio of 86.4% as at 30 June 2013."

Tan Sri Teh commented that ***"The Public Bank Group continues to be at the forefront amongst its Malaysian banking peers with the highest net return on equity of 22.6%. The Group also excels in sustaining its strong asset quality and cost efficiency with its low gross impaired loan ratio of 0.7% and cost-to-income ratio of 31.4% in the first half of 2013."***

"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 single-tier dividend of 22%, which will result in a total dividend payout of RM770.5 million" said Tan Sri Teh**.**

<u>Healthy Growth in Loans and Deposits</u>

In the first half of 2013, the Group recorded an annualised loan growth of 11.8%, driven by its strong annualised domestic loan growth of 12.1%, which outpaced the domestic banking industry's annualised loan growth rate of 9.0%.

The Group's loan growth was mainly spurred by the lending activities to the retail banking segment, comprising loans to small- and medium-sized enterprises ("SMEs"), loans for the financing of residential properties and purchase of passenger vehicles. As at 30 June 2013, the Group's retail loan portfolio collectively accounted for 86% of its total loans.

"The Public Bank Group continues to maintain its market leadership position in domestic lending for residential mortgages, commercial property financing and passenger vehicles financing with market shares of 19.4%, 33.8% and 26.3% respectively. This achievement will not be possible without the continuous strong support of our valued customers" said Tan Sri Teh.

Tan Sri Teh added 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.***

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 14.2%, higher than the domestic banking industry's annualised growth rate of 10.1%, resulting in an improved market share of 15.4% as at the end of May 2013."

The strong domestic deposit growth was mainly attributed to the steady inflows of fixed deposits, low cost savings and current accounts, which grew by an annualised rate of 20.3%, 10.7% and 15.1% respectively.

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 its high return on equity, the Group's non-interest income recorded a steady growth of 9.3% in the first half of 2013 as compared to the corresponding period in 2012. This was mainly attributed to higher income from its unit trust business, foreign-exchange related transactions and transactional banking services.

Tan Sri Teh remarked that, ***"The Group's unit trust management business through its wholly-owned subsidiary, Public Mutual Berhad ("Public Mutual"), continued to contribute positively to the Group's overall profit with a commendable pre-tax profit growth of 12.7% as compared to the corresponding period in 2012. To date, Public Mutual manages 102 funds with a total net asset value of RM58.9 billion and remains as the market leader in the private unit trust business, capturing 41.0% of the overall***

market share, with 59.3% and 53.8% market share in the equity and Islamic unit trust fund sectors respectively. To further drive the Group's unit trust business, Public Mutual will continue to place strong emphasis on building and nurturing its large force of unit trust consultants which is a highly effective distribution channel, to serve its unit trust customer base that has grown to over 2.85 million accounts as at the end of June 2013."

Effective Cost Management

The Group's operating expenses in the first half of 2013 increased by 3.7%, mainly attributable to the increase in personnel costs which were in line with the increased headcounts to support business expansion and nurturing of human capital.

Tan Sri Teh commented that, ***"The Public Bank Group continues to be the most efficiently managed bank in Malaysia with a cost-to-income ratio of 31.4% in the first half of 2013 as compared to the banking industry's average cost-to-income ratio of 46.6%. This achievement is due to the prudent cost management discipline adopted by the Group that encourages high productivity performance amongst its staff force; and continuous enhancement and review in processes to ensure high efficiency and optimum utilisation of innovative infrastructure. The Group will continue to place strong emphasis in prudent cost management to ensure cost sustainability, particularly in this challenging and competitive operating environment."***

Sustained Strong Asset Quality

"The Public Bank Group continues to sustain its strong asset quality with gross impaired loan ratio of 0.7% as at the end of June 2013, a significantly stronger benchmark as compared to the banking industry's ratio of 2.0%. Net credit charge remained low and stable at 0.15% in the first half of 2013. The Group also maintained

a higher and more prudent loan loss coverage ratio of 123.2% as compared to the banking industry's coverage ratio of 99.2%." said Tan Sri Teh.

The strong asset quality is a result of the Group 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.

Stable and Healthy Capital Position

The Public Bank Group's capital position remained healthy and supportive of its business growth strategies despite the redemption of its RM1.4 billion subordinated notes in May 2013. As at the end of June 2013, the Group's common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio stood at 8.5%, 10.4% and 12.8% respectively, after provision for first interim dividend.

Tan Sri Teh reiterated that, ***"We will continue to assess the Group's capital requirements to ensure that it is well positioned to support the Group's business growth strategies by balancing the need for higher capital retention in view of the more stringent requirements under the Basel III capital regime whilst maximising our shareholders' return."***

Group's Prospect

Tan Sri Teh viewed that ***"The Malaysian economy is expected to remain resilient backed by strong domestic demand despite headwinds from external vulnerabilities. On the banking industry front, we expect the net interest margin compression to persist as competition for both loans and deposits market share remain intense.***

In the second half of 2013, the Public Bank Group is expected to maintain its earnings momentum by continuing to focus on its core retail banking and financing business, whilst maintaining its prudent credit policies, as well as upholding strong corporate governance."

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