

**PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST NINE MONTHS 2013 FINANCIAL PERFORMANCE**

**PUBLIC BANK GROUP RECORDED PRE-TAX PROFIT OF RM3.97 BILLION
FOR THE FIRST NINE MONTHS OF 2013**

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 delivered a favourable set of results in the first nine months of 2013 with pre-tax profit of RM3.97 billion, representing a growth of 5.7% as compared to the corresponding period in 2012. Net profit attributable to shareholders grew by 6.8% over the same period to RM3.04 billion”*

Tan Sri Teh commented that, *“Despite the protracted external uncertainties, the Malaysian economy remained resilient in the first nine months of 2013, supported by strong domestic demand that continued to drive growth in the economy. The Public Bank Group recorded a healthy growth in both loans and deposits at an annualised rate of 12.0% and 13.2% respectively in the nine months ended September 2013.”*

Tan Sri Teh added that, *“With the continued healthy growth in loans and deposits, coupled with stringent credit control and prudent cost management, the Public Bank Group continued to be in the forefront amongst its banking peers in Malaysia, achieving the highest net return on equity of 22.4%, lowest gross impaired loan ratio of 0.7% as well as lowest cost-to-income ratio of 30.7%.”*

Stable Growth Momentum in Loan and Deposit

For the first nine months of 2013, the Public Bank Group recorded a strong annualised loan growth of 12.0%, with domestic loan growth of 12.1%, outpacing the domestic banking industry's annualised loan growth rate of 9.8%.

Lending to the retail sector remained the main focus of the Public Bank Group with extension of credit mainly to small- and medium-sized enterprises ("SMEs"), financing of residential properties and purchase of passenger vehicles. As at 30 September 2013, the Group's retail loan portfolio collectively accounted for 86% of its total loans.

Tan Sri Teh commented that, *"With the continuous support of our valued customers, the Public Bank Group continued to command market leadership in domestic lending for residential mortgages, commercial property financing and passenger vehicles financing with market shares of 19.6%, 33.8% and 26.4% respectively."* The Group's lending to SMEs also recorded commendable growth with an annualised growth rate of 19.8% in the first nine months of 2013.

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 tandem with its loan growth, the Group's total customer deposits grew at an annualised rate of 13.2% for the first nine months of 2013. The Group's domestic customer deposits grew at a stronger annualised rate of 13.3%, higher than the domestic banking industry's annualised growth rate of 8.1%, commanding a market share of 15.1% as at the end of August 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 16.2%, 8.7% and 15.2% respectively.

Growth in Fee-based Income

The Public Bank Group continued to grow its fee-based income, targeting fee income from unit trust, bancassurance, foreign-exchange related transactions and transactional banking services to further improve the Group's return on equity.

Tan Sri Teh remarked that, *“The Group’s unit trust management business through its wholly-owned subsidiary, Public Mutual, recorded commendable performance with a 13.7% growth in pre-tax profit in the first nine months of 2013 as compared to the corresponding period in 2012. As at the end of September 2013, Public Mutual had 104 funds with total net asset value of RM59.7 billion under its management. Public Mutual remained as the market leader in the private unit trust business, capturing 40.9% of the overall market share as at the end of September 2013, with 59.1% and 53.8% market share in the equity and Islamic unit trust fund sectors respectively.”*

Prudent Cost Management

Tan Sri Teh said that, *“As compared to the banking industry’s average cost-to-income ratio of 46.6%, the Public Bank Group remained as the most cost-efficient bank in Malaysia with its significantly lower cost-to-income ratio of 30.7%.*

To ensure cost sustainability amid the challenging operating environment, the Public Bank Group will continue to practice prudent cost management and devote significant resources to improve its business processes and ensure optimum utilisation of

infrastructure to further enhance efficiency and productivity without compromising on risk-mitigation controls. ”

Strong Asset Quality

“The Public Bank Group continues to maintain its strong asset quality with low gross impaired loan ratio of 0.7% as at the end of September 2013, which was significantly lower as compared to the banking industry’s ratio of 2.0%. The Group also maintained a higher and more prudent loan loss coverage ratio of 117.3% as compared to the banking industry’s coverage ratio of 98.2%.” said Tan Sri Teh.

The strong asset quality is a result of the Group’s strong emphasis on stringent and prudent credit policies, as well as putting in place efficient and effective credit approval and recovery processes.

Healthy Capital Position

The Public Bank Group remains well-capitalised with its common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio standing at 8.2%, 10.1% and 12.8% respectively as at the end of September 2013.

Tan Sri Teh emphasized that, *“Public Bank will continue to assess the Group’s capital requirements to ensure its robustness in supporting the Group’s business growth strategies while maximising its shareholders’ returns.”*

On 25 September 2013, the Public Bank Group made a landmark issuance of RM1.0 billion of Basel III-compliant subordinated medium-term notes which qualify as Tier 2 capital for the computation of the regulatory capital in accordance with the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia.

Outlook

“The business environment is expected to remain volatile for the rest of the year as external headwinds and vulnerabilities continue to be prevalent in various geographical parts of the world, including Malaysia.

The outlook of the Malaysian economy, in which the Public Bank Group largely operates, continues to be stable and supportive of growth, underpinned by sound fundamentals and strong domestic demand. The authorities have also introduced various pre-emptive measures to relieve the stresses in the domestic economy as well as to manage household leverage.” viewed Tan Sri Teh.

Tan Sri Teh remarked that, *“Our strategies remain unchanged. The Public Bank Group will continue to focus on its core retail banking and financing business, as well as upholding strong corporate governance to support long term sustainable growth. The Group will continue to leverage on its strong PB brand and its wide and efficient branch network, as well as its excellent customer service to deliver sustainable revenue growth. With Public Bank’s strong foothold, we remain committed to our business strategies and are well-positioned to weather any uncertainties ahead.*

For the remaining months of 2013, the Public Bank Group is expected to maintain its earnings momentum and record satisfactory performance.”

22 October 2013

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