

**PRESS RELEASE BY PUBLIC BANK BERHAD  
FIRST HALF 2014 FINANCIAL PERFORMANCE**

**PUBLIC BANK GROUP ACHIEVED HALF-YEAR NET PROFIT  
ATTRIBUTABLE TO SHAREHOLDERS EXCEEDING THE RM2 BILLION  
MARK AND DECLARES 23 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 net profit attributable to shareholders of RM2.1 billion for the half year ended 30 June 2014, representing a growth of 4.1% as compared to the corresponding period in 2013 and exceeding the RM2 billion mark for the first time. The Group's pre-tax profit grew by 3.2% to RM2.7 billion during the same period.”*

Tan Sri Teh commented that, *“Although there are signs of moderation in the growth of certain sectors and concerns on inflation, the overall Malaysian economy continues to demonstrate resilience in the first half of 2014, supported by strong domestic demand. On that accord, I am delighted that the Public Bank Group is able to maintain its momentum by recording a commendable domestic loan growth of 10.6% on an annualised basis during the six-month period ended June 2014. The Group's domestic customer deposits also registered a strong annualised growth of 11.4% during the same period.”*

Tan Sri Teh added that *“The Public Bank Group continues to be the leader amongst its Malaysian banking peers by achieving the highest net return on equity of 20.8% and sustaining its strong asset quality and cost efficiency by continuously maintaining its low gross impaired loan ratio of 0.7% and cost-to-income ratio of 31.8% in the first half of 2014.”*

*“In view of the steady performance of the Group, I am pleased to announce that the Board of Directors has declared a first interim single-tier dividend of 23 sen, which will result in a total dividend payout of RM886 million. The new shares to be issued under the current rights issue exercise will also be entitled to the first interim dividend,”* said Tan Sri Teh.

### **Commendable Growth in Loans and Deposits**

The Public Bank Group continued to maintain traction in its loan growth with an annualised growth rate of 10% in the first half of 2014. This was driven by its commendable annualised domestic loan growth of 10.6%, which outpaced the domestic banking industry’s annualised loan growth rate of 6.9%.

The Group’s loan growth was mainly supported by lending to the retail banking segment, comprising extension of credit mainly to small and medium enterprises as well as for purchasing of residential properties and passenger vehicles. As at 30 June 2014, the Group’s retail loan portfolio collectively accounted for 87% of its total loans, while the lending to small and medium enterprises recorded a strong annualised growth of 23% in the first half of 2014.

*“Despite operating in a more subdued and regulated business environment as well as facing intense competition for market share, 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 share of 19.5%, 33.4% and 27.2% respectively,”* commented Tan Sri Teh.

Tan Sri Teh added that, *“The Public Bank Group’s funding and liquidity position remained stable and healthy with loan-to-deposit ratio of 87.1%, supported by its strong retail deposit franchise with a large domestic depositor base of over 5 million customers. The Group’s total customer deposits grew at an annualised rate of 11%, mainly contributed by the Group’s strong domestic customer deposits annualised growth of 11.4%, which surpassed the domestic banking industry’s annualised growth of 4.5%.”*

The strong deposit growth was mainly attributed to the steady inflow of fixed deposits, savings and current accounts, which grew by an annualised rate of 12.8%, 10.0% and 7.1% respectively.

### **Steady Growth in Non-Interest Income**

The Public Bank Group remains focused in putting in place various 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 improved by 6.9% in the first half of 2014 as compared to the corresponding period in 2013. This was mainly attributed to higher income from its unit trust business.

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 by achieving a strong double-digit pre-tax profit growth of 16.8% as compared to the corresponding period in 2013. As at the end of June 2014, Public Mutual manages 105 funds with a total net asset*

*value of RM64.2 billion and remains as the market leader in the private unit trust business, capturing 41.1% of the overall market share, with 58.5% and 53.7% market share in the equity and Islamic unit trust fund sectors respectively.”*

### **Sustainable Cost**

The Group’s operating expenses in the first half of 2014 increased by 4.8%, mainly attributable to the increase in personnel costs which were in line with the increased headcount to support business expansion and nurturing of talent.

Tan Sri Teh highlighted that, *“The Public Bank Group continues to be the most efficiently managed bank in Malaysia with a cost-to-income ratio of 31.8% in the first half of 2014 as compared to the banking industry’s average cost-to-income ratio of 45.6%. The Group will continue to place strong emphasis in prudent cost management to ensure cost sustainability by leveraging on existing resources to further enhance efficiency, particularly in this challenging and competitive operating environment, but without compromising on service quality and compliance.”*

### **Strong Asset Quality**

*“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. The Group’s gross impaired loan ratio of 0.7% as at the end of June 2014 is significantly lower than the banking industry’s ratio of 1.8%. The Group also maintained a higher and more prudent loan loss coverage ratio of 117.6% as compared to the banking industry’s coverage ratio of 104.9%,”* said Tan Sri Teh.

## **Overseas Operations**

For the half year ended June 2014, the Public Bank Group's overseas operations contributed 7.4% of the Group's overall pre-tax profit. Cambodian Public Bank Plc ("Campu Bank"), a wholly-owned subsidiary of Public Bank, reported another set of strong pre-tax profit growth of 36.2% to USD22.9 million as compared to the corresponding period in 2013, amid the challenging business environment. Campu Bank remains as one of the top three largest banks in Cambodia.

## **Stable and Healthy Capital Position**

The Public Bank Group's capital position remained healthy and supportive of its business growth strategies. As at the end of June 2014, the Group's common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio stood at 8.9%, 10.4% and 13.8% respectively, after taking into account the provision for first interim dividend.

As part of the capital management strategy to further strengthen its capital position to support the continuous business growth of the Public Bank Group as well as to prepare for the forthcoming regulatory requirements under the Basel III framework, the Bank is currently undertaking a renounceable rights issue exercise which is expected to raise RM4.8 billion in equity capital. The exercise is targeted to be completed soon in the third quarter of 2014.

## **Group's Prospect**

*“Our strategies for the Public Bank Group remain unchanged. 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 continue to leverage on its strong PB brand and its wide and efficient branch network as well as its excellent customer service to support long term sustainable growth.*

*With the expectation that the Malaysian economy will remain on a steady growth path of between 4.5% to 5.5%, supported by improving external sector amid moderation in the domestic demand, the Public Bank Group is expected to maintain its earnings momentum for the rest of 2014,”* remarked Tan Sri Teh.

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