

**PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST NINE MONTHS 2014 FINANCIAL PERFORMANCE**

PUBLIC BANK GROUP RECORDED A FAVOURABLE THIRD QUARTER PERFORMANCE, LEADING TO A PRE-TAX PROFIT OF RM4.25 BILLION FOR THE FIRST NINE MONTHS OF 2014

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 registered a favourable performance in the third quarter of 2014, achieving a pre-tax profit of RM1.55 billion that translated to a 14.3% growth as compared to the corresponding quarter in 2013. Net profit attributable to shareholders also recorded an increase of 13.8% to RM1.19 billion over the same period.*

On year-on-year basis, the Public Bank Group's pre-tax profit grew by 7.0% to RM4.25 billion for the nine-month period ended September 2014. The Group's net profit attributable to shareholders increased by 7.4% to RM3.26 billion over the same period.

The favourable achievements in the third quarter 2014 performance of the Public Bank Group were mainly due to the increase in operating revenue as a result of net interest income growth and steady non-interest income growth, coupled with stable credit costs. The increase in net interest income in the current quarter was attributable to the commendable loan and deposit growth as well as the positive impact arising from the hike in the overnight policy rate and the recently completed rights issue.”

Tan Sri Teh commented that, *“While the Malaysian economy was relatively stable and resilient for the first nine months of 2014, the growth sentiment has been moderating especially towards the third quarter of 2014. Despite facing the challenging operating environment, the Public Bank Group continued to perform well, particularly in its domestic commercial banking operations with a commendable double-digit annualised loan growth of 10.2%, outpacing the banking system’s annualised loan growth of 6.9%. The Group’s annualised customer deposits growth in respect of its domestic commercial banking operations was also strong at 11.0%, significantly surpassing the banking system’s annualised deposit growth of 4.0%. The positive results reinforce the Group’s steadfast commitment in its pursuit of organic growth strategy in the core retail banking business.”*

Tan Sri Teh further added that, *“The Public Bank Group continues to deliver the best in return on equity, cost efficiency and asset quality when compared to its Malaysian banking peers. For the nine-month period ended September 2014, the Group recorded an efficient cost-to-income ratio of 30.7% and maintained its low gross impaired loans ratio of 0.7%. The Group also continued to record the highest net return on equity of 20.0%.”*

Commendable Growth in Loans and Deposits

The Public Bank Group maintained commendable loan growth with an annualised growth rate of 9.8% in the first nine months of 2014 despite a subdued operating environment, supported by its commendable annualised domestic commercial banking loan growth of 10.2%.

The Public Bank Group’s loan growth was mainly attributed to the lending growth in its retail banking segment, comprising extension of financing for the purchase of residential properties, commercial properties and passenger vehicles. As at 30 September 2014, the Group’s retail loan portfolio collectively accounted for 87% of its total loans.

“Despite operating in a moderating business environment thus far this year, where competition for market share remained intense, the Public Bank Group has continued to sustain its market leadership position in the retail banking segment. Lending to small and medium enterprises had been particularly strong, recording an annualised growth of 21% in the first nine months of 2014,” remarked Tan Sri Teh.

Tan Sri Teh added that, *“On the funding side, the Public Bank Group’s total customer deposits grew at an annualised rate of 9.3%, supported mainly from the Group’s strong growth in the domestic commercial banking customer deposits of 11.0%, which was more than 2.7 times of the domestic banking industry’s annualised growth of 4.0%.”*

Steady Growth in Non-Interest Income

The Public Bank Group’s non-interest income increased steadily by 7.8% for the period ended September 2014 as compared to the corresponding period in 2013. This was mainly attributed to higher income from its unit trust business, investment income and fee income from banking operations.

The Public Bank Group will continue to focus on implementing various initiatives aimed at further improving the non-interest income contribution to the Group in order to sustain its high return on equity.

Tan Sri Teh commented that, *“The Public Bank Group’s unit trust management business through its wholly-owned subsidiary, Public Mutual Berhad (“Public Mutual”), continued to contribute favourably to the Group’s overall profit by registering a consistent double-digit pre-tax profit growth of 16.3% as compared to the corresponding period in 2013. As at the end of September 2014, Public Mutual manages 107 funds with a total net asset value of RM62.3 billion and remains as the market leader with an overall market share of 40% in the private unit trusts*

business. Public Mutual also commands market leader position in the equity and Islamic unit trust fund sectors with 58% and 52% market share respectively as at the end of August 2014.”

Sustainable Cost

The Public Bank Group’s operating expenses for the period ended September 2014 increased by 5.2%, 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 efficiently managed bank in Malaysia with a low cost-to-income ratio of 30.7% as compared to the banking industry’s average cost-to-income ratio of 45.6%.*

The Group will continue to emphasise on high productivity and efficiency in ensuring cost sustainability without compromising on compliance and service quality.”

Strong Asset Quality

“Relative to the banking industry’s gross impaired loans ratio of 1.7%, the Public Bank Group recorded a significantly lower impaired loans ratio of 0.7% as at the end of September 2014. The Group also maintained a higher and more prudent loan loss coverage ratio of 117.1% as compared to the banking industry’s coverage ratio of 104.8%.

To ensure its competitive edge is well preserved, the Public Bank Group will continue to adopt a prudent approach in its credit risk management. This will be achieved through 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 7.5% of the Group’s overall pre-tax profit for the nine-month period ended September 2014.

Tan Sri Teh commented that *“Cambodian Public Bank Plc (“Campu Bank”), a wholly-owned subsidiary of Public Bank, registered a strong double-digit pre-tax profit growth of 48.7% to USD40.0 million as compared to the corresponding period in 2013 and is amongst the top three largest banks in Cambodia.”*

In July 2014, Public Bank has entered into a conditional agreement with its joint venture partner to acquire the remaining 50% equity interest in VID Public Bank (VPB) not held by the Group. Upon completion of the exercise, VPB will become a wholly-owned subsidiary of the Group.

Healthy Capital Position

The Bank has successfully completed the renounceable rights issue exercise in August 2014 which raised RM4.8 billion equity capital. The rights issue exercise is 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 prepare for the forthcoming regulatory requirements under the Basel III framework.

With the completion of the rights issue exercise, the Public Bank Group's capital position has been further enhanced with its common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio standing at 10.4%, 11.9% and 15.8% respectively as at the end of September 2014, and became the second highest capitalised banking group in Malaysia in terms of Tier 1 capital ratio.

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 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 remain on a steady growth path, supported by moderating domestic demand but improving exports. 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 facing these challenges, the Public Bank Group is expected to maintain its earnings momentum for the rest of 2014,” concluded Tan Sri Teh.

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