

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST QUARTER 2016 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP ACHIEVED PRE-TAX PROFIT OF RM1.65
BILLION FOR THE FIRST QUARTER OF 2016**

Chairman's Review

Public Bank Group today announced its financial results for the first quarter ended 31 March 2016, which reflects continued growth in retail earnings against a backdrop of economic headwinds.

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow announced that, ***"The Public Bank Group recorded a pre-tax profit of RM1.65 billion, representing a growth of 10.9% as compared to the last corresponding quarter. Net profit attributable to shareholders grew by 5.0% to RM1.23 billion for the same period."***

Tan Sri Teh said that, ***"Having started the year with a positive momentum, the Public Bank Group achieved resilient growth in the first quarter of 2016, with its domestic loans and domestic deposits recording healthy annualised growth of 9.0% and 10.9% respectively. With the resilient deposits growth, the Group continued to sustain a healthy net loan-to-deposit ratio of 89.9% as at the end of March 2016."***

Tan Sri Teh further added that, ***"Despite the challenging operating environment, the Public Bank Group continued to progress and deliver a favourable set of financial results by achieving a net return on equity of 16.1% whilst maintaining***

its low gross impaired loan ratio of 0.5% and an efficient cost-to-income ratio of 31.5% in the first quarter of 2016. The results are testament to the strength of our business model and reflect the Group's continued focus on executing our organic growth strategy."

Sustaining Growth Momentum in Loans and Deposits

During the first quarter of 2016, total gross loan base of the Public Bank Group increased at an annualised rate of 5.5% to RM277.2 billion as at the end of March 2016. Excluding the effect of foreign exchange fluctuation on its overseas operations, the Group's annualised loan growth would have been 8.4% during the quarter, supported by its healthy domestic loans growth of 9.0% over the same period.

Lending to the retail banking segment remains the key focus of the Public Bank Group, with extension of credit to small and medium enterprises as well as consumer financing for purchase of residential properties and passenger vehicles. As at the end of March 2016, the Group's retail loan portfolio collectively accounted for 85% of its total loans.

Tan Sri Teh commented that, *"The Public Bank Group's funding and liquidity position remained supportive of its lending activities, backed by its strong retail deposit franchise and its superior customer service. The Group's total customer deposits grew at an annualised rate of 7.3% or 10.1% if excluding the foreign exchange fluctuation effects on its overseas operations. Domestic customer deposits recorded a stable annualised growth of 10.9%, as compared to a 0.04% contraction in the domestic banking industry's deposit in the first two months of 2016."*

Resilient Growth in Net Income

Net income of the Public Bank Group recorded a resilient growth of 10.6% in the first quarter of 2016. This was attributable to the healthy growth of 9.8% in the Group's net interest income, coupled with a 12.4% growth in its non-interest income.

Tan Sri Teh emphasised that, ***“Besides sustaining a healthy loan and deposit growth which contributes to its net interest income growth, the Group has continued to place great emphasis in growing its non-interest income, leveraging on its strong retail franchise, superior customer service and effective cross selling initiatives. Non-interest income of the Group continued to be driven by its unit trust management business, foreign exchange business and fee income from its banking operations.”***

The Public Bank Group's unit trust income constituted one-third of the Group's total non-interest income. Public Mutual Berhad ("Public Mutual"), the Group's wholly-owned subsidiary, remained as the market leader in the private unit trust industry with a total net asset value of RM67.2 billion, capturing a retail market share of 49.6%.

To further drive the Public Bank Group's unit trust business, Public Mutual will continue to maintain its strong brand and leading market position in the private unit trust industry in Malaysia through the delivery of efficient customer service to its clients as well as expand and diversify its product range to meet investors' demand.

Observing Prudent Cost Management

Tan Sri Teh highlighted that, *“The Public Bank Group’s cost-to-income ratio remained efficient at 31.5% in the first quarter of 2016, well below the banking industry’s average cost-to-income ratio of 48.8%, making the Group the most cost-efficient bank in Malaysia.”*

“To ensure cost sustainability amid the challenging business landscape, the Public Bank Group will continue to practise prudent cost discipline, deploy adequate resources to review and improve its business processes, and ensure optimum utilisation of its infrastructure to further enhance efficiency and productivity while ensuring strict compliance with internal operation standards and procedures,” added Tan Sri Teh.

Upholding Asset Quality

“The Public Bank Group continued to sustain its resilient asset quality with a stable gross impaired loans ratio of 0.5%, which was significantly lower than the Malaysian banking industry’s gross impaired loans ratio of 1.6%. This is a result of the Group’s consistent adoption of strict and prudent credit policies, coupled with its efficient and effective loan approval and recovery processes,” said Tan Sri Teh.

Despite the strong asset quality, the Group has maintained a prudent loan loss coverage ratio of 120.1% as at the end March 2016, higher than the Malaysian banking industry’s ratio of 92.8%.

Overseas Operations

For the first quarter of 2016, the Public Bank Group's overseas operations contributed 9.5% of the Group's overall pre-tax profit. Cambodian Public Bank Plc ("Campu Bank"), a wholly-owned subsidiary of Public Bank, reported a commendable growth in pre-tax profit of 18.8% to USD16.5 million as compared to the corresponding quarter in 2015.

Public Bank had on 24 March 2016 received the 100% foreign-owned bank licence from the State Bank of Vietnam in relation to the Group's acquisition of the remaining 50% equity capital in VID Public Bank (VPB), the 50:50 joint venture bank with Joint Stock Commercial Bank for Investment and Development of Vietnam.

Effective 1 April 2016, VPB has become a 100% wholly-owned subsidiary of the Public Bank Group and renamed as Public Bank Vietnam Limited (PBVN).

Tan Sri Teh said that, ***"The issuance of the 100% foreign-owned bank licence to PBVN will strengthen the Public Bank Group's regional presence in Indo-China. Campu Bank is currently the third largest bank in Cambodia with a network of 28 branches, whilst Public Bank has 4 branches in Laos PDR. The inclusion of PBVN as a wholly-owned subsidiary augurs well for the Group to maximise its synergy within Indo-China and strengthen the PB Brand within the region."***

Ensuring a Healthy Capital Position

The Public Bank Group's capital position remained stable, with its common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio standing at 10.8%, 11.8% and 15.2% respectively as at the end of March 2016.

Tan Sri Teh emphasised that, *"We will continue to be proactive in our capital management in order to ensure that the Group is well positioned to support its business growth strategies by balancing the need for higher capital retention under the Basel III capital regime whilst maximising our shareholders' return."*

Group's Prospect

"Moving forward, the Public Bank Group will remain focused on driving organic growth in its core retail banking and financing business by leveraging on its strong PB Brand, its wide and efficient branch network and its superior customer service. We will continue to maintain prudent credit policies, as well as upholding strong corporate governance," remarked Tan Sri Teh.

"Looking ahead in 2016, economic headwinds, intense competition and compression in net interest margins will remain the challenges for the banking sector. However, the Public Bank Group has withstood the challenge of times for the past 50 years and we believe our solid business model and strong footing in the domestic banking landscape will continue to lead us to navigate the challenges ahead and achieve continued sustainable growth," concluded Tan Sri Teh.

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