

PRESS RELEASE BY PUBLIC BANK BERHAD
FIRST HALF 2016 FINANCIAL PERFORMANCE

PUBLIC BANK GROUP ACHIEVED PRE-TAX PROFIT OF RM3.20 BILLION FOR THE FIRST HALF OF 2016 AND DECLARED 26 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 the Public Bank Group's financial results for the first half year ended 30 June 2016, ***"The Public Bank Group achieved a pre-tax profit of RM3.20 billion in the first half of 2016, an increase of 6.1% from RM3.02 billion in the corresponding period of 2015. Net profit attributable to shareholders amounted to RM2.49 billion, registering an increase of 5.0% from the same period last year. The improved profitability amid the increasing challenging operating environment shows that the Group's proactive organic growth strategy with prudent banking practices has remained an edge in the competitive banking landscape."***

The Public Bank Group's improved profit was largely driven by the Group's continued healthy expansion in loan and deposit businesses, leading to an increase of 9.4% in net interest income. The Group's domestic lending and deposit base have shown resilient performance despite the challenging operating environment, with domestic loans and deposits growing at healthy annualised rates of 8.3% and 7.4% respectively.

Tan Sri Teh added that, *“The improved net profit performance translated into a net return-on-equity of 16.2%. Meanwhile, it also reflects the Public Bank Group’s disciplined cost management, as indicated in the Group’s cost-to-income ratio of 32.3%. The Group also continued to exhibit strong asset quality despite the moderating economic environment, with its gross impaired loan ratio remaining low and stable at 0.5%.”*

“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 dividend of 26 sen, which will result in a total dividend payout of RM1.0 billion. The first interim dividend will be paid on 22 August 2016 based on the dividend entitlement date of 12 August 2016.” said Tan Sri Teh.

Healthy Loan and Deposit Growth

In the first half of 2016, the Public Bank Group’s total loans recorded an annualised growth rate of 7.3% to RM283.5 billion. Domestic loan grew stronger at an annualised rate of 8.3%, significantly higher than 2.2% annualised growth recorded by the banking industry during the period. The sustained growth performance in the Group’s loan business was mainly attributed to the continued expansion of its retail banking segment, comprising financing for the purchase of residential properties, passenger vehicles, and small and medium enterprises.

On the funding side, the Public Bank Group's total customer deposits also grew at a healthy annualised rate of 6.9%. On the domestic front, the Group's total customer deposits remained on positive momentum, registering a favourable 7.4% annualised growth, as compared to 0.1% growth in the domestic banking industry.

Tan Sri Teh further added that, ***“The Group’s funding and liquidity position has remained healthy with its loan-to-deposit ratio standing at 90.5% as at the end of June 2016.”***

Contribution from Non-interest Income

The Public Bank Group continues to widen its revenue stream by growing its non-interest income. Tan Sri Teh said, ***“The Group’s non-interest income continued to generate revenue for the Group, with the unit trust business, foreign exchange related transactions and fee income from banking operations playing a significant part. The Group has continued to enhance its cross-selling activities and widen its product offerings, while tapping on the Group’s strong retail franchise and extensive delivery channels, to expand our non-interest income.”***

The Public Bank Group's unit trust business, undertaken by Public Bank's wholly-owned subsidiary, Public Mutual, continued to maintain its market leadership in the private unit trust industry despite the challenging market condition. Public Mutual's retail market share of the Malaysian private sector unit trust industry stood at 49.6% as at the end of May 2016, with 130 funds and a total net asset value of RM67.7 billion under management.

Prudent Approach in Cost Management

As at the end of June 2016, the Public Bank Group posted a cost-to-income ratio of 32.3%, significantly better than the banking industry's average of 48.8%.

Tan Sri Teh highlighted that disciplined cost management underpins sustained profitability of the Public Bank Group, ***“The Group has continued to maintain a low cost-to-income ratio despite the prevailing cost pressure faced by industry players. To best serve the interests of all stakeholder groups, the Group executes careful approach in managing its operating model to ensure best cost efficiency and productivity are carried out while generating revenue growth.”***

Sustained Strong Asset Quality

As at end-June 2016, the Public Bank Group's gross impaired loan ratio stood at 0.5%, as compared to the banking industry's 1.6%. Tan Sri Teh emphasised, ***“The Group's low impaired loan ratio presents a good indication of the Group's prudent credit administration and risk management practices. While this strengthens customer confidence, it creates considerable headroom for the Group to further grow its business.”***

Meanwhile, the impaired loans of the Group was well covered, with loan loss coverage ratio at 116.3% as at end-June 2016, compared to the banking industry's coverage ratio of 91.2 %.

Overseas Operations

For the first half of 2016, the Public Bank Group's overseas operations contributed 9.4% to the Group's pre-tax profit. Public Financial Holdings Limited Group and Cambodian Public Bank Plc, both subsidiaries of Public Bank, continued to be the main contributors to the Group's overseas business growth, generating pre-tax profit of HKD245 million and USD30 million respectively during the period.

Having become a 100% wholly-owned subsidiary of the Public Bank Group with effect from 1 April 2016, Public Bank Vietnam Limited stands in good stead to further strengthen the Group's position in the region, and will continue to explore opportunities in pursuit of revenue growth.

Tan Sri Teh said, ***“The strengthening of Public Bank Group's business in the region augurs well for its long-term business growth.”***

Capital Position Well Buffered Against Risk

The Public Bank Group's common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio stood at a healthy level at 11.1%, 12.0% and 15.4% respectively as at end-June 2016, after deducting the first interim dividend. Tan Sri Teh reiterated that ***“The Group will continue with its proactive capital management to maintain strong and efficient level of capital to sustain growth of the Group's business.”***

Group's Prospect

As the major advanced economies remain on a slow recovery pace and growth in most Asian economies moderates, the UK decision to withdraw from the European Union has added to the uncertainties clouding the economy, posing significant downside pressure to global growth. Malaysia, while experiencing a more moderate economic growth coupled with cautious business sentiments, can expect to face continued headwinds in the near term.

In such challenging operating environment, the Public Bank Group will continue to focus on its niche in the retail banking business whilst maintaining its prudent credit policies and cost management. The Group remains steadfast in its commitment to uphold sound risk management practices to support sustainable growth. The Group is confident that its strong market position and solid banking fundamentals built over the last 50 years, will continue to lead the Group to steer through the challenges and heading towards achieving another year of favourable results.

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