

PRESS RELEASE – BY PUBLIC BANK BERHAD
2015 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP RECORDED RM6.49 BILLION PRE-TAX PROFIT
FOR 2015 AND DECLARED SECOND INTERIM DIVIDEND OF 32 SEN**

Chairman's Review

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr Teh Hong Piow announced today that *“The Public Bank Group achieved yet another milestone financial results in 2015 with pre-tax profit of RM6.49 billion, surpassing the RM6.0 billion mark for the first time. This represents 11.6% growth from the pre-tax profit of RM5.81 billion achieved a year ago. Net profit attributable to shareholders grew by 12.0% to RM5.06 billion, translating to a net return on equity of 17.8% for 2015.”* The Group's operating revenue rose by 13.8% to RM19.2 billion from RM16.9 billion a year ago.

On a quarterly basis, the Public Bank Group recorded a net profit attributable to shareholders of RM1.49 billion in the fourth quarter of 2015. This represented a growth of 19.0% as compared to RM1.25 billion achieved in the previous corresponding quarter. Similarly, pre-tax profit for the quarter also grew by 18.5% to RM1.86 billion as compared to the previous corresponding quarter.

“The Malaysian economy is faced with increasing challenges arising from low commodity prices, volatility in the financial market and the weak external environment. Against the macro backdrop, the Public Bank Group continued to demonstrate resilience in performance by achieving healthy loan growth of 11.6% and deposit growth of 8.9%. The results reflected the consistent execution of the Group's organic growth strategy which continues to deliver favourable results to our customers and our shareholders,” commented Tan Sri Teh.

Tan Sri Teh further added that, ***“With the favourable financial performance, not only did the Group continue to preserve its coveted track record of 49 years of unbroken profitability since the commencement of its operations, it also continued to stand out amongst its Malaysian banking peers by delivering the highest net return on equity of 17.8%, as well as the best in asset quality and cost efficiency.”***

In view of the Public Bank Group’s commendable performance in 2015, Tan Sri Teh announced that, ***“The Board of Directors has declared a second interim dividend of 32 sen, taking full year dividend for 2015 to 56 sen.”*** The total dividend paid and payable for 2015 amounted to RM2.16 billion and represents a total payout of 42.7% of the Group’s net profit for 2015.

Healthy Growth in Loans and Deposits

For the financial year ended 31 December 2015, the Public Bank Group sustained a healthy loan growth momentum at a rate of 11.6%. Domestic lending business grew by 10.3% over the same period, outpacing the domestic banking industry’s loan growth rate of 7.9%.

The Public Bank Group’s loan growth was mainly attributed to the lending growth in its retail banking segment, comprising financing for the purchase of residential properties and passenger vehicles, as well as extension of credits to small and medium enterprises. The Group’s retail loan portfolio collectively accounted for 86% of its total loans.

Despite the challenging operating environment, the Group’s total customer deposit has also recorded a healthy growth rate of 8.9% during the year. The Group’s domestic customer deposit grew by 7.5%, significantly higher than the domestic banking industry’s growth rate of 1.8%.

“The Group’s robust funding position was mainly supported by its strong retail franchise and large domestic depositor base of over five million customers who continue to place their trust and confidence in the Group in safeguarding their funds,” remarked Tan Sri Teh.

With the steady inflow of customer deposits, the Public Bank Group remains well funded with a healthy net loan to deposit ratio of 90.3% as at the end of 2015.

Sustaining Growth in Non-Interest Income

Tan Sri Teh highlighted that *“Growing fee-based revenue remains as a key strategic focus of the Public Bank Group.”* Arising from the Group’s initiative to drive growth of its non-interest income in order to sustain better return for its shareholders, the Group’s non-interest income increased by 22.4% in 2015 as compared to 2014. This was mainly contributed by higher income from its unit trust business, foreign exchange related transactions and fee income from banking operations.

The Public Bank Group’s unit trust management business undertaken by its wholly-owned subsidiary, Public Mutual Berhad (“Public Mutual”), continued to contribute positively to the non-interest income growth of the Group. For the year 2015, fee income from unit trust business made up 33% of the Group’s total non-interest income. As at the end of 2015, Public Mutual manages 122 funds with a total net asset value of RM64.8 billion and has remained as the market leader with an overall retail market share of 48.9% in the private unit trust business. The Public Bank Group will continue to enhance and invest in the infrastructure and the wide distribution network of Public Mutual, while ensuring appropriate risk management processes are in place to safeguard the investment of funds of its customers.

Sustained High Productivity and Cost Efficiency

“The Public Bank Group continued to be the most efficient banking group in Malaysia with its low cost-to-income ratio of 30.5% as compared to the banking industry’s average cost-to-income ratio of 45.5%,” said Tan Sri Teh.

Tan Sri Teh added that, *“The Group is committed to continue with prudent cost discipline at all times and to consistently pursue high productivity and cost efficiency in all aspects of its operations, prioritising the investment and deployment of resources and technology to where they are most effective without compromising on compliance and service quality.”*

Superior Asset Quality

Tan Sri Teh highlighted that, *“Amidst the prevailing economic uncertainties and challenges, the Public Bank Group continued to demonstrate resilience in its asset quality.”*

As at the end of 2015, the Public Bank Group’s impaired loan ratio remained low at 0.5%, significantly lower than the industry ratio of 1.6%. The Group’s loan loss coverage ratio of 120.8% as at the end of 2015 was also higher as compared to the Malaysian banking industry’s ratio of 96.2%.

Tan Sri Teh further added, *“To safeguard its strong asset quality while maintaining steady growth in its lending business, the Group will continue to adopt prudent approach and practices in managing the quality of its loan portfolio right from origination to the recovery of impaired loans. These include establishing strict and prudent credit policies, as well as putting in place efficient and effective approval and recovery processes.”*

Overseas Operations

The pre-tax profit of the Public Bank Group's overseas operations grew by 32.5% from RM431.9 million in 2014 to RM572.2 million in 2015, contributing 8.8% to the Group's overall pre-tax profit for 2015. Excluding the effect of favourable foreign exchange impact on the Group's Overseas Operations, the pre-tax profit growth was 12.5% mainly contributed by Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, which registered a pre-tax profit growth of 15.7% to USD58.5 million as compared to 2014.

Tan Sri Teh commented that, ***“The Group remains committed to expand its presence in the region through organic growth strategy and will continue to transfer its best practices from its domestic operations to accelerate business growth in its overseas operations.”***

Healthy Capital Position

The Public Bank Group continued to maintain a healthy level of capital with its common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio standing at 10.9%, 12.0% and 15.5% respectively as at the end of 2015, after deducting the second interim dividend.

Tan Sri Teh emphasised that, ***“Public Bank will continue to be proactive in its capital management in order to ensure that the Group's capital position remains healthy at all times in support of the Group's business growth strategies and maximising its shareholder value while balancing the need for higher capital retention as required under the Basel III capital regime.”***

Group's Prospect

“Outlook for the Malaysian economy is expected to remain steady, but there are challenges ahead. Gross Domestic Product growth is expected to be between 4.0% and 4.5% in 2016. On the banking industry front, we expect intense competition for market share and the more stringent capital and liquidity requirement, will continue to put pressure on net interest margin and return on equity.

The Public Bank Group will continue to pursue organic growth strategy in the core retail banking and financing business, whilst maintaining its prudent credit policies, as well as upholding strong corporate governance. Facing the challenges ahead, the Public Bank Group's key priorities are to accelerate business innovation and pursue operational efficiency in order to deliver the Group's commitment to excellence to all its stakeholders.

Public Bank has over the last 49 years, established its leading position in the banking and finance industry. Moving into our 50th year anniversary in 2016, we are confident that we are well positioned for sustainable growth into the future.”
concluded Tan Sri Teh.

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