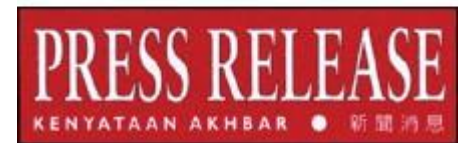


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PUBLIC BANK GROUP ACHIEVED PRE-TAX PROFIT OF RM3.37 BILLION FOR THE FIRST HALF OF 2017 AND DECLARED 27 SEN FIRST INTERIM DIVIDEND

Chairman's Review

For the first half year ended 30 June 2017, the Public Bank Group's pre-tax profit increased to RM3.37 billion, up 5.1% from the corresponding period in 2016. Over the same period, net profit attributable to shareholders increased by 3.8% to RM2.58 billion.

On its quarterly performance, the Group's net profit for the second quarter of 2017 of RM1.33 billion represents a 6.0% growth as compared to the second quarter of 2016.

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow said, ***"The Public Bank Group has continued with its positive momentum in sustaining profitability growth. The Group's clear and focused business strategy coupled with its prudent credit culture, continues to underpin its consistent financial performance under the current challenging operating environment."***

The Public Bank Group's sustained profitability continued to be driven by the expansion in its loan and deposit portfolio, which led to a growth of 8.3% in its net interest income.

"With the improved profitability, the Public Bank Group achieved a net return on equity of 15.3%. The Group's financial strength was also attributed to its strong asset quality and efficient cost management, as reflected in its gross impaired loan ratio of 0.5% and cost-to-income ratio of 33.8% as at the end of June 2017."Tan Sri Teh added.

In view of the Group's favourable performance, Tan Sri Teh is pleased to announce, ***"The Board of Directors has declared a first interim dividend of 27 Sen per share, which will result in a total dividend payout of RM1.04 billion. The first interim dividend will be paid on 17 August 2017 based on the dividend entitlement date of 9 August 2017."***

Healthy Loan and Deposit Growth

In the first half of 2017, the Public Bank Group's total loans recorded an annualised growth rate of 3.1% to RM298.5 billion. Domestic loan growth continued to stay above industry average, growing at an annualised rate of 4.3% as compared to the annualised industry loan growth of 2.8%. Tan Sri Teh commented that, ***"The focus on the financing for the purchase of residential properties, passenger vehicles and lending to small and medium enterprises, has remained a market niche for the Group as it has maintained a large market share in these lending segments despite the still challenging lending market."***

On deposit-taking, the Public Bank Group's wide market access and strong deposit franchise have enabled the Group to achieve a healthy annualised deposit growth of 4.7% to RM317.3 billion. Similarly, on the domestic front, the Group's deposit growth stayed above industry growth, registering an annualised growth of 5.3% as compared to 5.1% annualised growth in the industry.

Tan Sri Teh said that, ***"The Group's funding and liquidity position has remained healthy with its net loan-to- deposit ratio standing at 93.6% as at the end of June 2017."***

Growth in Non-interest Income

Growth momentum of the Public Bank Group's non-interest income remained positive, underpinned primarily by its unit trust management business and transactional fee income.

Public Mutual Berhad, the Group's wholly-owned subsidiary, continued to be a major contributor to the Group's non-interest income. For the first half of 2017, Public Mutual's unit trust business achieved a commendable growth of 16.2% in pre-tax profit from the same period last year. Tapping on its strong market position, Public Mutual captured a major retail market share of 43.0% in the domestic private unit trust industry. Its portfolio continued to grow as it has 135 unit trust funds with a total net asset value of RM76.9 billion under its management as at the end of June 2017.

Tan Sri Teh commented that, ***"While the Public Bank Group's core business focuses on retail financing, non- interest income has always been a significant source of revenue complementing the Group's core business. The Group also taps on its strong clientele base and retail franchise to cross-sell its wealth management products and other fee income services."***

Prudent Approach in Cost Management

As at the end of June 2017, the Public Bank Group posted a cost-to-income ratio of 33.8%, significantly better than the banking industry's average of 45.8%.

Tan Sri Teh highlighted, ***"When rising costs continued to pose earnings pressure, the Public Bank Group's long-embedded practices of good cost management has remained a competitive advantage sustaining the Group's profitability."***

Sustained Strong Asset Quality

The Public Bank Group's sustained sound asset quality continued to contribute to its stable profitability growth. Strict compliance culture, robust risk management and prudent credit practices have enabled the Group to maintain the lowest gross impaired loan ratio among peers, which stood at a low 0.5% as at the end of June 2017.

Tan Sri Teh emphasised, *"The Public Bank Group upholds a high commitment to strong asset quality. It is a key to sustain the stability of the Group and confidence of the public, hence placing the Group in good stead to grow further, particularly in times of challenges."*

Overseas Operations

For the first half of 2017, the Public Bank Group's overseas operations contributed 10.2% to the Group's pre-tax profit. Tan Sri Teh said, *"Public Financial Holdings Limited Group in Hong Kong and Cambodian Public Bank Plc, are the main contributors to the Group's overseas business growth."*

In addition, Vietnam will continue to be on the Public Bank Group's overseas expansion plan. With the 100% foreign-owned bank license obtained in 2016, the Group has further expanded its business through the opening of 2 new branches in the first half of 2017. As at to date, it has 9 branches and is planning to open 4 more branches in the near term."

Healthy Capital Position

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 11.8%, 12.6% and 16.4% respectively as at end-June 2017, after deducting the first interim dividend. Tan Sri Teh reiterated that *"Maintaining a healthy capital position provides the Public Bank Group with good growth opportunities while ensuring compliance with regulatory requirement."*

Group's Prospect

The Malaysian economy for 2017 is poised for higher growth as the macro condition in the global and domestic front have generally improved. The domestic operating environment will continue to face multiple headwinds arising from rising prices, volatility in global commodity prices and financial markets, and various uncertainties that are likely to spill into the real economy.

Tan Sri Teh added, *"In facing the evolving environment and the shift in trend in the banking landscape, the Group will continue to play its role well as a financial intermediary to serve public needs for financial services and facilitate economic development through its organic growth strategy. Banking is a business of trust, hence the Group will continue to emphasise on prudent management for sustainable performance and stability. Nevertheless, the Group will always remain agile and flexible to changes and opportunities to better serve the interests of all its stakeholders."*



**Y.Bhg. Tan Sri Dato' Sri Dr. Teh
Hong Piow Founder and Chairman
of Public Bank**
