



For Immediate Release

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PUBLIC BANK GROUP ACHIEVED PRE-TAX PROFIT OF RM1.63 BILLION FOR THE FIRST QUARTER OF 2017

Chairman's Review

The Public Bank Group today announced a pre-tax profit of RM1.63 billion for the first quarter of 2017 on the back of a stable gross revenue of RM5.03 billion achieved during the quarter. Net profit attributable to shareholders grew by 1.5% to RM1.25 billion for the first quarter of 2017, as compared to RM1.23 billion achieved in the previous corresponding quarter.

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow said that, *"The Public Bank Group has placed itself for a positive start in 2017, as the Group has continued to achieve stable profitability even in times of persistent headwinds facing the banking environment. The Group's profitability continued to be driven by its core retail banking business underpinned by healthy growth in loans and deposits during the quarter, coupled with its sustained strong asset quality."*

Tan Sri Teh added that, *"The Public Bank Group continued to sustain a satisfactory set of financial performance indicators as reflected in its net return on equity of 14.9%, gross impaired loans ratio of 0.5% and an efficient cost-to-income ratio of 34.3%."*

Sustaining Growth in Loans and Deposits

In the first quarter of 2017, total gross loans of the Public Bank Group increased at an annualised rate of 3.6%, with domestic loans growing faster at an annualised rate of 4.7%. The Group's growing loans portfolio focusing on the financing of residential properties and commercial lending to small and medium enterprises, continued to capture major market share in the domestic lending market.

In the deposit-taking business, the Group achieved an annualised 8.1% growth in total customer deposits for the first quarter of 2017, underpinning a stable base for the Group's funding position. On the domestic front, the Group's total deposits grew at an annualised rate of 7.9%.

Tan Sri Teh commented that, ***“As the Public Bank Group’s loan base expands, the Group places great emphasis on maintaining a healthy funding structure to support its loan business. The Group’s healthy deposit growth has continued to form a stable funding base for the Group in managing its liquidity needs.”***

Contribution from Non-interest Income

The Public Bank Group’s unit trust income remained one of the main contributors to the Group’s non-interest revenue. Through the Group’s wholly-owned subsidiary, Public Mutual Berhad, the Group’s unit trust business has continued to contribute positively to its financial performance.

Tan Sri Teh said, ***“The Group’s unit trust business through Public Mutual recorded a double-digit growth of 11.1% in pre-tax profit for the first quarter of 2017, as compared to the previous corresponding period. Public Mutual also continued to maintain its strong market position, capturing 45.8% retail market share of the private unit trust industry. As at the end of March 2017, Public Mutual has 135 unit trust funds under its management with a total net asset value of RM74.4 billion.”***

The Public Bank Group’s non-interest income also continued to be driven by its foreign exchange business and transactional fee income from its banking operations. Tan Sri Teh reiterated, ***“The Group will continue to reinforce its efforts to drive non-interest revenue as a key strategy to generate higher income in sustaining the Group’s return on equity.”***

Prudent Cost Management

The Public Bank Group’s cost-to-income ratio increased from 32.3% in 2016 to 34.3% in the first quarter of 2017, but still remained efficient as compared to the banking industry’s cost-to-income ratio of 45.8%.

Tan Sri Teh highlighted that, ***“As rising prices linger in the business environment, the banking sector is not immune from the impact of it. Further, banks are faced with increasing cost of compliance for the enhancement of banking stability. While the Public Bank Group’s cost-to-income ratio has increased, it has remained the lowest in the domestic banking industry, reflecting the Group’s prudent cost management while pursuing continued business growth.”***

Tan Sri Teh further added, ***“High productivity and cost efficiency will remain a top agenda of the Public Bank Group in sustaining the Group’s competitiveness moving forward.”***

Upholding Strong Asset Quality

The Public Bank Group continued to uphold its strong asset quality, with its gross impaired loans ratio remaining low at 0.5% as at the end of March 2017, as compared to the Malaysian banking industry’s gross impaired loans ratio of 1.6%.

Tan Sri Teh said, ***“The Public Bank Group is strongly committed to strict and prudent credit risk management. Resilient asset quality has remained a quality attribute of the Group in challenging times.”***

Further, the Public Bank Group's strong asset quality was complemented by its healthy loan loss coverage ratio of 104.0% as at the end of March 2017, higher than the banking industry's coverage ratio of 90.8%.

Overseas Operations

For the first quarter of 2017, the Public Bank Group's overseas operations contributed 10% of the Group's overall pre-tax profit. Public Financial Holdings Limited Group in Hong Kong and Cambodian Public Bank Plc are the main contributors to the Group's overseas business profits.

The Public Bank Group has also recorded commendable growth in its Vietnam's operation, through its wholly-owned subsidiary, Public Bank Vietnam Limited (PBVN). Tan Sri Teh added, ***"The acquisition of the remaining equity interest in PBVN in 2016 has resulted in very encouraging performance. The Group will continue to undertake expansion exercise in Vietnam, with targeted opening of six new branches in 2017."***

"The Public Bank Group continues to see huge growth potential in Indochina. Expansion through the opening of branches, and enhancement of products and services remain on the agenda in strengthening Public Bank's presence in Cambodia, Vietnam and Laos." Tan Sri Teh added.

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 11.4%, 12.2% and 15.2% respectively as at the end of March 2017.

Tan Sri Teh emphasised that, ***"Ensuring a stable and healthy capital position has continued to be the impetus for the Public Bank Group to grow further. The Group's proactive capital management is a key competency in support of its growth strategies while ensuring the fulfillment of regulatory requirement."***

Group's Prospect

"The prospect of the domestic banking industry will continue to hinge largely on the operating environment condition. For 2017, the ongoing expansion of the Malaysian economy anchored by sustained domestic demand is expected to remain conducive to banking business growth." Tan Sri Teh said.

"However, the various headwinds facing the economy will continue to place downside pressure to banks' operation. While the Public Bank Group is confident that its strong market position and PB Brand will continue to drive business growth, the Group will remain agile and responsive to various challenges and opportunities. The Group will continue to take proactive efforts to ensure it remains on the trajectory towards meeting its 2017 growth targets." concluded Tan Sri Teh.



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