

PRESS RELEASE BY PUBLIC BANK BERHAD  
FIRST QUARTER 2014 FINANCIAL PERFORMANCE

**PUBLIC BANK GROUP ACHIEVED PRE-TAX PROFIT OF RM1.33 BILLION  
FOR THE FIRST QUARTER OF 2014**

**Chairman's Review**

The Founder and Chairman of Public Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow is pleased to announce that, *"The Public Bank Group recorded a pre-tax profit of RM1.33 billion and net profit attributable to shareholders of RM1.02 billion for the first quarter of 2014. Against the profits for the corresponding quarter in the prior year, the Group's pre-tax profit and net profit for the first quarter of 2014 grew by 4.5% and 5.0% respectively."*

Tan Sri Teh highlighted that, *"Despite the protracted external uncertainties and challenging operating environment with expected moderation in the overall domestic demand, the Public Bank Group continued to demonstrate resilience in performance, particularly for its domestic operations which recorded a healthy annualised loan growth of 10.7% and an annualised deposit growth of 14.2%."*

Tan Sri Teh further added that, *"We are certainly encouraged that the Public Bank Group continued to be at the forefront amongst its banking peers in Malaysia, achieving the highest net return on equity of 20.5% whilst maintaining the lowest gross impaired loan ratio of 0.7% and cost-to-income ratio of 31.8% in the first quarter of 2014."*

## **Sustaining Growth Momentum in Loans and Deposits**

The Public Bank Group sustained a healthy loan growth momentum at an annualised rate of 9.8% in the first quarter of 2014. Domestic loans grew at a stronger annualised rate of 10.7% over the same period. The Group maintained its market leadership position in its domestic lending for residential mortgages, commercial property financing and passenger vehicles financing with market shares of 19.6%, 33.7% and 26.9% respectively.

Lending to the retail banking segment remained the key focus of the Public Bank Group, with extension of credit mainly to small and medium enterprises as well as for purchasing of residential properties and passenger vehicles. As at the end of March 2014, the Group's retail loan portfolio collectively accounted for 86% of its total loans. The Group's lending to small and medium enterprises recorded an annualised growth of 25.2% in the first quarter of 2014.

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 with a large domestic depositor base of over 5 million customers. The Group’s total customer deposits grew at an annualised rate of 12.8%, with domestic customer deposits growing at a stronger annualised rate of 14.2%.”***

The strong domestic deposit growth was mainly backed by the steady inflows of fixed deposits, low cost savings and current accounts, which grew by an annualised rate of 20.5%, 17.1% and 5.0% respectively.

## **Maintaining Growth in Non-Interest Income**

Non-interest income of the Public Bank Group grew by 7.5% in the first quarter of 2014 as compared to the corresponding quarter in 2013, mainly driven by income from higher unit trust business and transactional banking services.

Tan Sri Teh said that, *“The Group’s unit trust management business through its wholly-owned subsidiary, Public Mutual Berhad (“Public Mutual”), registered a strong double-digit performance during the quarter under review with a pre-tax profit growth of 17.1% as compared to the corresponding quarter in 2013. As at 31 March 2014, Public Mutual had 105 funds with total net asset value of RM62.6 billion under its management. It remained as the market leader in the private unit trust business, capturing 40.7% of the overall market share as at the end of February 2014, with 59.1% and 53.0% market share in the equity and Islamic unit trust fund sectors respectively. To further drive the Group’s unit trust business, Public Mutual will continue to place strong emphasis on building and nurturing unit trust consultants who are a highly effective distribution channel, to serve its unit trust customer base that has grown to over 3.0 million accounts as at the end of March 2014.”*

## **Observing Prudent Cost Management**

Tan Sri Teh highlighted that, *“The Public Bank Group remained the most cost-efficient bank in Malaysia with its cost-to-income ratio of 31.8% in the first quarter of 2014 as compared to the banking industry’s average ratio of 45.6%.”*

*“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 utilization 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**

*“Despite the strong growth in its loan portfolio year after year amid the continuously challenging environment in the markets in which it operates, the asset quality of the Public Bank Group remained resilient with a low gross impaired loan ratio of 0.7% as at the end of March 2014, significantly lower than the Malaysian banking industry’s gross impaired loan ratio of 1.8%,”* said Tan Sri Teh.

The strong asset quality is a result of the Group’s consistent approach of carrying out a combination of both preventive and proactive measures in its lending activities, such as establishing strict and prudent credit policies, advocating strong discipline and “know your customer” culture in the credit assessment and approval processes as well as ensuring effective and efficient recovery processes.

Tan Sri Teh added that, *“The Public Bank Group’s loan loss coverage ratio stood at 119.1%, which was higher and more prudent than the banking industry’s coverage ratio of 104.5%.”*

## **Overseas Operations**

For the first quarter of 2014, the Public Bank Group's overseas operations contributed 6.9% 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 32.2% to USD9.6 million as compared to the corresponding quarter in 2013, amid the challenging business environment, and remains as one of the top three largest banks in Cambodia.

## **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 8.5%, 10.1% and 13.3% respectively as at the end of March 2014.

Tan Sri Teh emphasised that, *"We will continue to assess the Group's capital requirements to ensure that it is well positioned to support the Group's business growth strategies by balancing the need for higher capital retention in view of the requirements under the Basel III capital regime whilst maximising our shareholders' return."*

## **Group's Prospect**

*"Our strategies for the Public Bank Group remain unchanged. The Group will continue to focus on its core retail banking and financing business, whilst maintaining its prudent credit policies, as well as upholding strong corporate governance. The Group will continue to leverage on its strong PB brand and its wide and efficient branch network as well as its excellent customer service to support long term sustainable growth."*

*With the expectation that the Malaysian economy will remain on a steady growth path of 4.5% to 5.5% in 2014, backed by domestic demand, albeit at a more moderate pace, the Public Bank Group is expected to maintain its earnings momentum for the rest of 2014,”* remarked Tan Sri Teh.

21 April 2014

For more information, please contact:

Ms Chang Siew Yen  
Chief Operating Officer

Tel: (603) 2176 7460

Fax: (603) 2163 9925

Email: [changsiweyen@publicbank.com.my](mailto:changsiweyen@publicbank.com.my)

Ms Yik Sook Ling

Chief Financial Officer

Tel: (603) 2177 3310

Fax: (603) 2164 9002

Email: [yiksookling@publicbank.com.my](mailto:yiksookling@publicbank.com.my)