

**PUBLIC AFFAIRS DIVISION
PUBLIC BANK BERHAD**

12TH FLOOR, MENARA PUBLIC BANK
146 JALAN AMPANG
50450 KUALA LUMPUR
MALAYSIA
TEL : 03-2163 8888/ 2163 8899
FAX : 03-2168 8619
Website: www.publicbankgroup.com



For Immediate Release

2 May 2018

Public Bank Group Achieved 12.6% Net Profit Growth In The First Quarter of 2018

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 has set a positive start for the year and achieved 12.6% growth in its net profit attributable to shareholders to RM1.41 billion for the first quarter of 2018, as compared to RM1.25 billion achieved in the previous corresponding period. Pre-tax profit grew by 10.0% to RM1.79 billion over the same period."***

The Public Bank Group's profit growth for the first quarter of 2018 continued to be underpinned by the sustained growth of 4.0% in the Group's net interest income, complemented by a strong growth of 15.6% in non-interest income.

Tan Sri Teh added, "This resulted in a continued favourable set of financial performance indicators, as reflected in the Group's net return on equity of 15.2%, gross impaired loans ratio of 0.5%, and cost-to-income ratio of 32.6%, which have remained the best in the domestic banking industry."

Sustaining Momentum in Loans and Deposits

The Public Bank Group's core revenue continued to be driven by its healthy growth in loans and deposits business. In the first quarter of 2018, total gross loans of the Group increased at an annualised rate of 3.0%, with domestic loans growing faster at an annualised rate of 5.0%. The Group continued to capture major domestic market share in the financing of residential properties and commercial lending to small and medium enterprises.

In the deposit-taking business, the Group achieved an annualised 8.3% growth in total customer deposits for the first quarter of 2018, while domestic deposits grew at an annualised rate of 10.2%.

Tan Sri Teh commented that, ***"Competition in the financing and deposit market had remained intense. However, the Public Bank Group was able to sustain a favourable***

market position, which continued to generate revenue contributing to the Group's profit growth."

"As reflected by its gross loan to fund and equity ratio of 79.9%, the Group's financing growth has remained well supported by its healthy funding structure. Further, the Group has remained vigilant and placed great emphasis on maintaining a healthy liquidity position, in the face of the challenging operating environment and stringent liquidity regulatory requirement." said Tan Sri Teh.

Sustaining strong momentum in Non-interest Income

The Public Bank Group continued to achieve good performance in growing its non-interest income, with a strong growth of 15.6% in the first quarter of 2018 compared to the corresponding period a year ago. This was mainly attributed to the commendable growth of income in the Group's unit trust business and foreign exchange business, as well as higher investment income coupled with a healthy growth of banking transactional fee income.

Tan Sri Teh said, ***"In the first quarter of 2018, Public Mutual, the Public Bank Group's wholly-owned unit trust management subsidiary, recorded an impressive pre-tax profit growth of 16.6%. The favourable performance was underpinned by its strong market position, supported by a total number of 142 unit trust funds under its management, with a total net asset value of RM81.9 billion, capturing 41.1% of retail market share in the domestic private unit trust industry."***

Prudent Cost Management

The Public Bank Group's ongoing initiatives on enhancing productivity and prudent cost management continued to deliver efficient cost optimisation, with the cost-to-income ratio sustained at 32.6% in the first quarter of 2018. The Group's cost-to-income ratio remained well below banking industry's average cost-to-income ratio of 44.8%.

Tan Sri Teh highlighted that, ***"In the face of rising prices and cost of compliance, increasing expenses are inevitable. However, the Public Bank Group's long-embedded prudent cost management has built buffers and strong foundation to meet the challenges, and enabled the Group to sustain a track record of efficiency and productivity."***

Upholding Strong Asset Quality

The Public Bank Group recorded a stable gross impaired loans ratio of 0.5% as at the end of March 2018. As compared to the Malaysian banking industry's gross impaired loans ratio of 1.6%, the Group continued to achieve the best asset quality among domestic peers.

In 2018, the Public Bank Group will continue to emphasise on sustaining its superior asset quality. Tan Sri Teh highlighted, ***"Resilient asset quality has long formed the cornerstone of the Group's robust fundamentals. Prudent credit risk management has provided stakeholders with long term confidence on the Group's business sustainability."***

With effect from 1 January 2018, the Group has adopted the Malaysian Financial Reporting Standard 9 (“MFRS 9”) which is a more forward-looking based provisioning. Due to the strong asset quality, the Group’s credit cost remained low at 0.09% in the first quarter of 2018. As at the end of March 2018, the Group also continued to maintain a healthy loan loss coverage ratio of 125.2%. Including additional regulatory reserves set aside of RM2.0 billion, the Group’s loan loss coverage ratio would be 261.0%.

Overseas Operations

The Public Bank Group’s overseas operations continued to contribute to the Group’s profits.

Tan Sri Teh said, “For the first quarter of 2018, overseas operations contributed 8.1% of the Public Bank Group’s pre-tax profit, with Public Financial Holdings Limited Group in Hong Kong and Cambodia Public Bank Plc being the main contributors to the Group’s overseas business profits.”

Healthy Capital Position

The Public Bank Group’s capital position remained stable. The Group’s common equity Tier 1 capital ratio, Tier1 capital ratio and total capital ratio were at 12.2%, 12.8% and 15.8% respectively as at the end of March 2018.

Further, the implementation of MFRS 9 on 1 January 2018 did not result in any adverse impact to the capital position of the Group due to the Group’s large regulatory reserves that has been set aside.

Tan Sri Teh reiterated, “Strong balance sheet and capital position have always been pillars of public confidence. The Public Bank Group’s capital position has remained healthy and well above regulatory requirement. The Group will continue to exercise prudent capital management to support its growth strategies, while maximising its long term shareholder value.”

Group’s Prospect

The Malaysian economy had achieved an impressive GDP growth of 5.9% in 2017. The favourable growth is expected to continue in 2018, given the prospects of better macroeconomic conditions on the global and domestic front. The positive operating environment will bode well for the domestic banking industry with continued growth opportunities.

Tan Sri Teh added, “The Malaysian banking sector has long benefited from the stable economic conditions and prudent regulatory environment over the years. Tapping on this stable and conducive environment, the Public Bank Group has been able to stay resilient to serve its customers.”

“In 2018, with domestic demand expected to remain favourable, the resilient growth in the domestic economy will continue to be a strong support to the Group’s banking business. The Group maintains a positive outlook for its core business focusing on financing of residential properties and commercial lending to small and medium

enterprises. The Group will stay agile to the advancement in financial technology, and will continue to enhance its digital capability in response to the needs of the market. Further, the Group will continue to strengthen its banking infrastructure, product innovation and service quality as the strategic enablers to drive further business growth.”
concluded Tan Sri Teh.



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

* * * * *