

PRESS RELEASE BY PUBLIC BANK BERHAD

FIRST NINE MONTHS 2015 FINANCIAL PERFORMANCE

PUBLIC BANK GROUP ACHIEVED 9.3% GROWTH IN NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS TO RM3.57 BILLION FOR THE FIRST NINE MONTHS OF 2015

Chairman's Review

“The Public Bank Group posted another favourable set of financial results for the third quarter of 2015”, announced Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman of Public Bank.

Tan Sri Teh highlighted that, *“For the first nine months ended 30 September 2015, the Public Bank Group reported 9.3% year-on-year growth in the net profit attributable to shareholders to achieve RM3.57 billion. The Group's pre-tax profit grew by 9.1% to RM4.63 billion during the same period. These results were driven by sustained growth performance in the Group's loan and deposit, as well as the Group's non-interest income which posted 20.7% growth in the first nine months of 2015. Gains arising from favourable foreign exchange movement in respect of the Group's foreign operations have also partially contributed to the profit growth for the period.”*

Although the operating environment is getting more challenging, with subdued sentiment and confidence, the Public Bank Group continued to demonstrate resilience in performance by achieving a commendable annualised loan growth of 12.5% and an annualised deposit growth of 9.5%.

Tan Sri Teh further added that, ***“The Public Bank Group continues to stand out amongst its Malaysian banking peers by achieving a high net return on equity of 16.9%. The Group’s asset quality and cost efficiency continued to be the best amongst its domestic banking peers with the lowest gross impaired loan ratio of 0.53% and cost-to-income ratio of 30.7% in the first nine months of 2015.”***

Sustaining Growth Momentum in Loans and Deposits

For the first nine months ended 30 September 2015, the Public Bank Group sustained a healthy loan growth momentum at an annualised rate of 12.5%. Domestic lending business grew at an annualised rate of 10.5% over the same period, outpacing the domestic banking industry’s annualised loan growth rate of 8.2%.

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 September 2015, 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 16.3% in the first nine months of 2015.

Tan Sri Teh added 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 9.5%, with domestic customer deposits growing at an annualised rate of 7.4%, which was significantly higher than the domestic banking industry’s annualised deposit growth of 0.4%. ”***

The healthy domestic deposit growth was mainly contributed by steady inflow of core deposit comprising fixed deposits, low cost savings and current accounts, which grew by an annualised rate of 12.9%. As a result, the Group continued to maintain a healthy loan-to-deposit ratio of 89.8% as at 30 September 2015.

Commendable Growth in Non-Interest Income

Non-interest income of the Public Bank Group grew by 20.7% in the first nine months of 2015 as compared to the corresponding period in 2014, mainly driven by income from higher unit trust business, foreign exchange related transactions 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”), continued to register a favourable performance during the period and contributed 33.8% to the total non-interest income of the Group for the 9 month period ended 30 September 2015. As at 30 September 2015, Public Mutual had 119 funds with total net asset value of RM64.2 billion under its management. It remained as the market leader in the private unit trust business, capturing 48.4% of the retail market share as at the end of August 2015, with 58.8% and 60.7% market share in the equity and Islamic unit trust fund sectors respectively.*

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 30.7% in the first nine months of 2015 as compared to the banking industry’s average ratio of 45.5%.”*

“To ensure cost sustainability amidst 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 utilisation 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 double-digit growth in its loan portfolio year after year amidst 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 0.53% as at the end of September 2015, significantly lower than the Malaysian banking industry’s gross impaired loan ratio of 1.6%,” said Tan Sri Teh.

The strong asset quality of the Group is due to a combination of preventive and proactive measures taken 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 130.8%, which was higher and more prudent than the banking industry’s coverage ratio of 97.6%.”*

Overseas Operations

For the first nine months of 2015, the Public Bank Group's overseas operations contributed 10.0% of the Group's overall pre-tax profit as compared to 7.5% contribution in the previous corresponding period, partly due to favourable foreign exchange movement. Tan Sri Teh added, ***“Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, registered another set of favourable results with pre-tax profit increasing by 14.2% to USD45.6 million as compared to USD40.0 million recorded in the last corresponding period.”***

Sustaining 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 10.2%, 11.4% and 14.8% respectively as at the end of September 2015.

Tan Sri Teh emphasised that, ***“We will continue to ensure that the Group's capital position remain healthy in support of 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

Going forward, the Malaysian economy is expected to continue growing despite increased challenges from the global and regional developments as well as moderating domestic sentiment. The continued expansion in domestic demand will remain supportive of the banking sector and drives growth in the banking business.

“Our strategies for the Public Bank Group is to remain focused 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,” remarked Tan Sri Teh.

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