

**PRESS RELEASE BY
TAN SRI DATO' SRI DR. TEH HONG PIOW, CHAIRMAN OF PUBLIC BANK**

PUBLIC BANK ACHIEVES 30% INCREASE IN PRE-TAX PROFIT TO RM1.36 BILLION

I am pleased to announce that Public Bank, the third largest banking group, achieved a pre-tax profit of RM1.36 billion for the nine months ended 30 September 2004. This is a 30% improvement compared to RM1.05 billion registered in the same period in 2003.

The Group's operating revenue grew 13% to RM3.6 billion whilst profit attributable to shareholders increased by RM230 million or 32% to RM942 million. Despite the competitive Malaysian banking environment which resulted in a decline in lending yields, the Group's net interest income and net financing income from Islamic Banking operations increased by RM233 million or 13% as a result of a sustained growth in the lending business of the Group. The improved pre-tax profit was also attributable to higher fee income and a decline in loan loss provisioning by 33% due to further strengthening of asset quality and higher recoveries.

Key performance indicators of the Public Bank Group for the first nine months of 2004 include the following:

- Pre-tax profit has been on the rising trend for nine consecutive quarters, with the third quarter of 2004 recording a 25% year-on-year increase in profit before taxation to RM469 million.
- Earnings per share improved by 24% to 29.3 sen from 23.7 sen for the corresponding period in 2003.
- Return on equity improved to 17.1% compared to 14.8% in 2003.
- Return on total assets was higher in 2004 at 2.4%, compared to 2.3% in 2003.

- Productivity continued to improve, with cost to income ratio of 38.2% compared to 38.8% in 2003. Cost to total assets also improved to 1.71% from 1.85%.
- Loans grew by 16% to RM54.5 billion in the first nine months of 2004 compared to the 5% increase recorded by the banking industry for the first eight months of 2004.
- Total assets expanded by 33% to RM86.1 billion, making Public Bank the third largest banking group in Malaysia by balance sheet size.
- Public Bank is the second largest lender by market capitalisation, with strong shareholders' funds of RM9.1 billion.

The Public Bank Group's domestic gross loans stood at RM52.5 billion in September 2004 increasing its market share to 10% compared to 9% a year ago. The Group's lending operations continued to be retail-focused, with loans to small- and medium-sized enterprises, residential mortgages and vehicle financing in aggregate accounting for 73% of the total loan portfolio. For the nine-month period ended 30 September 2004, new loan approvals to these three sectors made up 72% of the RM18 billion of new loans approved.

The asset quality of the Public Bank Group improved further for the first nine months of 2004. The Group's non-performing loans fell by 12% or RM229 million. As a result, the Group's net non-performing loans ratio, based on a 3-month non-performing loans classification, improved from 3.2% in December 2003 to 2.3% in September 2004. This is less than one-third of the banking industry's net non-performing loans ratio of 8.3% as at August 2004 and is the lowest net non-performing loans ratio amongst all banks in Malaysia. The sustained improvement in asset quality is the result of consistent prudent lending policies and practices which are complemented by strong credit management and recovery processes. The Group's ratio of general allowance to net

non-performing loans of 72% was higher than the industry average of 24% as at 31 August 2004 while loan loss coverage was high at 79%.

On the liabilities side of the balance sheet, the Public Bank Group proactively reduced its cost of deposit funding in order to mitigate the squeeze in interest margin from declining lending rates. The Group's savings deposits grew by 11% while demand deposits expanded by 13% in the first nine months of 2004, outpacing the industry's growth rate of 4% and 3% respectively for the first eight months of 2004. Deposits from individuals, which are generally more stable, continued to be Public Bank Group's main source of funding and accounted for more than half of the Group's total customer deposits.

The performance of the main business units of the Public Bank Group for the first nine months ended 30 September 2004 were as follows:

- Public Bank, the commercial bank, turned in a profit before taxation of RM2,363 million for the first nine months of 2004. Excluding dividends from subsidiaries and associated companies, Public Bank's pre-tax profit of RM760 million was 42% higher than the previous corresponding period due to strong loan growth, improved deposit-mix and higher commission and fee income. The improved profit performance was also contributed by the Bank's enlarged operations following the merger of the finance company business of Public Finance with the commercial banking business of Public Bank on 4 September 2004.
- The Group's overseas operations, based predominantly in Hong Kong, achieved a 62% improvement in pre-tax profit to RM163 million in the first nine months of 2004 due to lower bad debt provisioning.
- Public Mutual achieved a 42% growth in pre-tax profit to RM51 million in the first nine months of 2004 from RM36 million in the corresponding period in 2003, contributed by higher sales of trust units and higher management fee arising from the

growth in net asset value of unit trust funds under management which stood at RM9 billion.

- PB Securities registered an improved pre-tax profit of RM21 million in the first nine months of 2004 compared to RM13 million for the corresponding period in 2003, mainly due to higher brokerage and commission income arising from increased trading activities on Bursa Malaysia.

The Public Bank Group's shareholders' funds remained the second largest amongst banking groups in Malaysia. The risk-weighted capital ratio of the Public Bank Group, at 19.2%, was significantly above the statutory minimum requirement of 8%, and that of the banking industry's average of 14.1% at the end of August 2004.

The legal merger of the finance company business of Public Finance with the commercial banking business of Public Bank was completed on 4th September 2004, without any disruption in service or inconvenience to customers throughout the Group's network of 253 branches. Prior to the legal merger, Public Bank had already rationalised its domestic branch network to benefit customers by offering both commercial banking and finance company services business in a Public Bank branch, and to improve the Group's capacity to expand its business and revenues whilst enhancing cost-efficiency further in the medium-term.

The strong economic conditions in Malaysia will continue to provide a supportive environment for growth in the banking system. Going forward, the Public Bank Group will continue to capitalise on its established brand name and build on the strong momentum of its loan growth, particularly to consumers and small- and medium-sized enterprises, and at the same time, maintain the Group's uncompromising prudent credit standards and practices. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the rest of 2004.

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Chairman

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