

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

**PUBLIC BANK RECORDS RM1 BILLION PROFIT IN FIRST HALF OF  
2005 AND DECLARES AN INTERIM DIVIDEND OF 20%**

I am pleased to announce that the Public Bank Group posted a record pre-tax profit of RM1.0 billion for the first six months of 2005, an increase of 14% from RM881 million achieved for the first half of 2004. The Group's profit attributable to shareholders rose by RM98 million or 16% to RM711 million over the same period. Notwithstanding the pressure on lending margin due to intense competition, the Group managed to grow its net interest income and net financing income from Islamic banking operations by RM91 million or 7% as a result of sustained strong loan growth and continued improvement in asset quality. The focused and efficient execution of marketing strategies contributed to the continued strong growth in loans and deposits. The improved pre-tax profit was also attributable to higher non-interest income, in particular from increase in gains on sale of trust units and income from investment securities.

The Public Bank Group's overseas operations, based predominantly in Hong Kong, achieved a 51% improvement in pre-tax profit on the back of lower loan loss provisioning. Public Bank's domestic operations registered a 9% increase in profit before taxation, and accounted for 86% of the Group's pre-tax profit.

The Board of Directors has declared an interim dividend of 20% less 28% taxation, which will result in a payout totalling RM471 million. The Group's risk-weighted capital ratio would continue to remain strong at 17.0% after payment of the interim dividend.

## **Financial Review**

- Earnings per share improved by 14% to 21.7 sen from 19.1 sen in the first half of 2005.
- Cost income ratio improved further to 36.9% from 38.4% in 2004.
- Net return on equity improved to 21.0% for the first six months of 2005, compared to 18.2% in 2004. Return on assets stood at 2.0%.
- Loans grew by 9.4% to RM62.3 billion in the first six months of 2005 compared to the 2.7% increase recorded by the banking industry for the first five months of 2005.
- Net non-performing loans ratio declined to 1.9% and stood at only one quarter of the banking industry's ratio of 7.2% as at May 2005.
- Total assets increased by 12% in the first half of 2005 to RM103.1 billion due to strong growth in retail as well as corporate deposits. The Public Bank Group remains the third largest banking group in Malaysia.
- The ratio of net loans to deposits was 75% compared to 77% at the end of December 2004 due to the strong growth of deposits.
- Non-interest income increased by 21% compared to the corresponding period in 2004 and accounted for 23.6% of the Group's total net income for the first half of 2005.

### **Continued strong growth in retail loans**

The Public Bank Group's loans and advances recorded strong growth of RM5.4 billion or 9.4% in the first six months of 2005. The Group approved a total of RM13.7 billion new loans during the same period, which was an increase of 14% compared to loan approvals in the first half of 2004. The Group's lending operations continued to be retail focused, with loans for residential mortgages, financing of passenger vehicles, and loans to small- and medium-sized enterprises accounting for 73% of total loans outstanding and 77% of new loans approved. Loan approvals for residential mortgages grew by 27% from RM2.6 billion in the second half of 2004 to RM3.3 billion in the first six months of 2005. Meanwhile, Public Bank's outstanding housing loans increased by 13% from RM14 billion in December 2004 to RM15.9 billion in June 2005, compared to the 3.4% growth rate registered by the industry for residential mortgages in the first five months of 2005.

### **Asset quality improves further**

The Public Bank Group's non-performing loans ("NPL") fell by 5% or RM73 million during the six months ended 30 June 2005. As a result, the Group's gross NPL ratio, based on 3-month classification, improved from 2.7% at the end of 2004 to 2.3%. The Group's net NPL ratio also improved to 1.9% at the end of June 2005 from 2.1% six months earlier. The Group's net credit charge-off ratio declined to 0.31% in the first half of 2005 compared to 0.34% in the corresponding period in 2004. Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality. The Group maintained a comfortable level of provisioning with its ratio of general allowance to net loans standing at 1.6% and its loan loss coverage ratio of 87%.

## **Capital position remains strong**

Public Bank Group's capital base stood at RM11.11 billion as at 30 June 2005, an increase of 10% from the end of 2004. The Group's capital base comprised mainly shareholders' funds of RM8.15 billion and Subordinated Notes of USD750 million, of which USD400 million was issued in June 2005. The risk-weighted capital ratio of the Group, at 17.0%, was more than twice the minimum requirement of 8% and significantly higher than the banking system's risk-weighted capital ratio of 13.3% at the end of May 2005.

Public Bank's Subordinated Notes provide the Group with the capacity to expand its business and balance sheet without burdening shareholders for more equity capital, thus improving the return on equity.

Public Bank has to date spent RM785 million to buy back a total of 111.7 million Public Bank (Local) shares and 12.5 million Public Bank (Foreign) shares, representing in total 3.7% of the issued and paid-up capital of Public Bank. The share buy-back had resulted in an improvement of the Group's return on equity by 1.8% to 21.0%.

## **Group prospects**

The Public Bank Group continues to see opportunities for revenue and profit growth given the overall healthy macro-economic outlook and low interest rate environment which are supportive of business expansion, in particular for the consumer and small- and medium-sized enterprises, markets which the Group is focused on. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the rest of 2005.

### **Tan Sri Dato' Sri Dr. Teh Hong Piow**

Chairman

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