

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

**PUBLIC BANK GROUP ACHIEVED RECORD PROFIT OF RM1.5
BILLION FOR NINE MONTHS ENDED 30 SEPTEMBER 2005**

I am pleased to announce that the Public Bank Group achieved a pre-tax profit of RM1,501 million for the nine months ended 30 September 2005, an increase of 11% from RM1,347 million recorded in the corresponding period in 2004. The Group's net profit attributable to shareholders rose by 14% to RM1,059 million over the same period.

The higher Group pre-tax profits was attributable to the increase in net interest income and Islamic banking net financing income, coupled with higher other operating income.

Despite the pressure on lending margin due to intense competition, the Group's net interest income and net financing income from Islamic Banking business grew by RM146 million or 7% for the first nine months of 2005, on the back of continued strong loans growth, improvement in asset quality and the increasing pool of lower-cost customer deposits.

Other operating income rose by 25% to RM677 million during the same period, mainly as a result of higher gains from sale of trust units due to the launch of new unit trust funds and increase in management fees from higher net value of unit trust funds under management. Other operating income accounted for 24% of total income compared to 21% for the corresponding period in 2004.

The Public Bank Group's overseas operations, based primarily in Hong Kong, achieved a 35% improvement in pre-tax profit on the back of lower loan loss

provisioning. Public Bank's domestic operations registered an 8% increase in pre-tax profit, and accounted for 85% of the Group's pre-tax profit.

FINANCIAL HIGHLIGHTS OF THE PUBLIC BANK GROUP

- Earnings per share improved by 11% to 32.3 sen for the nine months ended 30 September 2005 from 29.0 sen in the same period in 2004.
- Return on assets stood at 2.0% for the nine months ended 30 September 2005.
- Net return on equity increased to 20.2% from 18.2% in 2004.
- Productivity continued to rise with the cost income ratio improving to 36.8% from 38.1% for the same period in 2004. Operating overheads to average assets ratio has also improved to 1.4% in the current period from 1.7% in 2004.
- Loans grew by 19.2% on an annualised basis compared to the banking industry's annualised growth rate of 7.5%.
- Total assets stood at RM106.4 billion in September 2005, more than twice the Group's asset size of RM45.3 billion at the end of 2000.
- Demand deposits grew by 6% in the first nine months of 2005, outpacing the industry's growth rate of 4% for the first eight months of 2005. During the same period, Public Bank's savings deposits expanded by 5% against 0.2% registered by the banking industry.
- Net non-performing loans ratio further improved to 1.8% in September 2005 from 2.1% at the end of 2004, and was 72% lower than the banking industry's ratio of 6.4% as at August 2005.

CONTINUED ROBUST LOANS GROWTH

The Public Bank Group has consistently achieved a high level of loans growth, in the region of 20% annually since 2001. During the first nine months of 2005, loans and advances increased by RM8.2 billion or 14% to stand at RM65.1 billion as at the end of September 2005. This represents a 2.5 fold increase in the Group's lending compared to RM25.8 billion at the end of 2000.

The Group's lending direction continued to be focused on the retail sector, with loans for the financing of residential mortgages, purchase of passenger vehicles and small- and medium-scale enterprises accounting for 73 % of the total loan portfolio as at the end of September 2005, and 77% of total new loans approved during the first nine months of 2005.

Loans for residential mortgages grew by 21% to RM16.9 billion as at the end of September 2005 compared to the 8% growth registered by the banking industry for this sector during the first eight months of 2005. Meanwhile, loans for the purchase of passenger vehicles increased by 15% to RM16.3 billion as at the end of September 2005 from RM14.2 billion as at the end of December 2004. In addition, loans to SMEs expanded by 10% to RM14.4 billion as at the end of September 2005 from RM13.1 billion nine months earlier.

ASSET QUALITY FURTHER IMPROVED

The Public Bank Group's non-performing loans ("NPL") fell by 7% or RM112 million during the nine months ended 30 September 2005. As a result, the Group's gross and net NPL, based on 3-month classification, improved to 2.1% and 1.8% respectively, from 2.7% and 2.1% at the end of December 2004 respectively. This is significantly less than the banking industry's gross NPL ratio of 9.0% and net NPL ratio of 6.4% at the end of August 2005.

Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality. The NPL of the Group has charted a consistently improving trend since 2001 both in terms of quantum as well as the NPL ratio. The consistently improving asset quality is a result of consistently prudent lending policies and practices which were complemented by strong credit management and pro-active recovery processes.

The Group maintained a high level of provisioning with its ratio of general allowance to net loans of 1.6%, and a loan loss coverage of 90% as at the end of September 2005, compared to 50% coverage for the banking industry at the end of August 2005.

CAPITAL POSITION REMAINED STRONG

The Group's capital base stood at RM10.8 billion as at 30 September 2005, a 7% increase from the end of 2004. Public Bank is the second largest lender by market capitalisation, with strong shareholders' funds of RM8.1 billion. The capital base also included Subordinated Notes totalling USD750 million, of which USD400 million was issued in June 2005.

The strength of the Public Bank Group was also reflected in its risk weighted capital ratio (RWCR) of 16.6% as at the end September 2005, which was higher than the RWCR of 13.6% for the banking industry at the end of August 2005 and more than twice the statutory minimum of 8%.

GROUP PROSPECTS FOR 4Q05

The Malaysian economy is expected to continue to support the growth of the banking industry. Going forward, the Public Bank Group will continue to focus on its core activities of lending to the retail sector, with loans to small- and medium-sized enterprises, residential mortgages and passenger vehicle financing. The Public Bank

Group will also focus on growing its low-cost deposits to mitigate the competitive pressures on interest margins. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the rest of 2005.

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