



## **PRESS RELEASE**

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

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### **PUBLIC BANK ACHIEVES 13% INCREASE IN PRE-TAX PROFIT TO RM544 MILLION IN FIRST QUARTER 2006**

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I am pleased to announce that the Public Bank Group posted a pre-tax profit of RM544 million for the first three months of 2006, an increase of 13% compared to the corresponding period in 2005. The Group's net profit attributable to shareholders rose to RM387 million, an increase of RM41 million or 12% over the same period last year. The higher profit was contributed by growth in net interest income, net income from Islamic Banking business and higher other operating income.

The Public Bank Group's net interest income grew by 12% to RM672 million compared to the same period last year due to continued strong loans growth and sustained strong asset quality.

Net income from Islamic Banking business rose 9% to RM105 million from the corresponding period in 2005 on the back of strong deposit and financing growth.

Other operating income posted a 16% growth compared to the corresponding period in 2005 to reach RM230 million, mainly due to higher foreign exchange gains, higher fees and transaction income from retail banking operations.

The Group's commercial bank, Public Bank, registered a 25% increase in pre-tax profit compared to the first three months of 2005, and accounted for 80% of the Group's pre-tax profit.

### **Key Highlights of the Public Bank Group's Results**

- Earnings per share improved 10% to 11.7 sen from 10.6 sen in the previous corresponding period.
- Total assets increased by 6% and was close to RM120 billion as at the end of March 2006.
- Loans grew by 17.6% on an annualised basis, compared to the banking industry's annualised growth rate of 6.6%.
- Total deposits from customers, including repos, grew by 7.8% compared to the end of December 2005 to RM95 billion. Despite the Group's higher loans growth compared to the industry's loans growth, the Group was able to maintain high liquidity with a loans to deposits ratio of 73% as at the end of March 2006.
- Annualised net return on equity improved further to 21.7% from 21.4% in 2005.

- Risk-weighted capital ratio remained strong at 15.4% as compared to the banking industry's ratio of 13.4% as at the end of February 2006.
- Cost to income ratio improved to 36.5% from 36.7% in 2005 and compared favourably to the banking industry's ratio of 42.7% in 2005.
- Net non-performing loan ratio remained below 1.7% recorded at the end of December 2005. This was less than one-third of the banking industry's ratio of 5.9% as at the end of February 2006.
- Credit losses for every RM1 of loans decreased to 0.31% from 0.35% in 2005.

### **Continued Robust Loans Growth**

In the first 3 months of 2006, the Public Bank Group's loans and advances grew by RM3 billion or 4.4% to stand at RM71 billion as at the end of March 2006. As a result, the Group's market share for loans and advances improved to 12.4% from 12.0 % in December 2005. The Group's lending business continued to be directed at the retail sector, in particular loans for the financing of residential mortgages, purchase of passenger vehicles, and SMEs. Together, these sectors accounted for 73% of the total loan portfolio as at the end of March 2006.

Loans for residential mortgages expanded by 5.9%, while loans for the purchase of passenger vehicles and SMEs grew by 2.7% and 6.4% respectively in the first 3 months of 2006. The Group was able to sustain its growth momentum despite the intense competition in the retail credit and SME lending market due to Public Bank's strong brand name, wide range of innovative and competitively priced products and services, and efficient extensive service delivery network.

### **Sustained Asset Quality**

The Public Bank Group's gross non-performing loans ("NPL") and net NPL ratios as at the end of March 2006 were well-sustained from the position as at the end of December 2005. The NPL ratios on loans for residential mortgages and purchase of passenger vehicles remained generally stable as compared to the end of December 2005.

The Group's low NPL ratios is a reflection of its continued prudent lending policies and practices complemented by strong credit management and proactive recovery processes. This is evident when compared to the past 5 years with the Group's NPL dropping by 20% to RM1.4 billion despite a significant increase in the loan base to almost 3 times that of 5 years ago.

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 98% at the end of March 2006 as compared to 55% coverage as at the end of 2001. The Group's loan loss coverage was almost double the 51% coverage for the banking industry at the end of February 2006.

## **Strong Capital Position Sustained**

The Public Bank Group's capital base stood at RM10.9 billion as at 31 March 2006. The Group's risk-weighted capital ratio of 15.4% was almost two times the minimum requirement of 8% and higher than the banking system's risk-weighted capital ratio of 13.4% as at the end of February 2006.

Marching into 2006, the Public Bank Group expects the banking industry to be more challenging and competitive in an increasingly liberalised environment. The Group will continue to build on its strong loans growth momentum, and is well positioned to meet the challenges with its profitability track record, strong branding, superior asset quality and prudent credit management. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the rest of 2006.

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

Chairman

Dated 18 April 2006

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