

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

**PUBLIC BANK ACHIEVES 20% NET PROFIT GROWTH FOR THE NINE MONTHS OF 2006**

I am pleased to announce that the Public Bank Group achieved a pre-tax profit of RM1.75 billion for the nine months ended 30 September 2006, an increase of 17% compared to the corresponding period in 2005. The Group's net profit attributable to shareholders rose by RM213 million or 20% to RM1.27 billion over the same period last year.

The higher profit was mainly attributable to the increase in net interest income and net income from Islamic Banking operations as well as higher other operating income, partially offset by the increase in other operating expenses and higher loan loss allowances.

The Group's net interest income and net financing income from Islamic Banking operations grew by RM333 million or 16% compared to the previous corresponding period, on the back of continued strong loan and deposit growth, coupled with a further improvement in asset quality. Other operating income increased by RM122 million or 18%, mainly contributed by higher gains on sales of trust units due to launch of new trust funds, increase in management fees from higher net asset value of unit trust funds under management and higher fees and transaction income from retail banking operations.

The higher loan loss allowances during the period by RM65 million as compared to the previous corresponding period was mainly due to higher general allowance on loans as a result of higher loan growth achieved. In addition, the Group adopted more stringent provisioning for its non-performing loans in the quarter ended 30 September 2006 by making a 20% specific allowance on non-performing loans which are 3 to less than 6 months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears for 6 months and above. This had resulted in an additional specific allowance of RM12 million being recognised in the third quarter.

### **Financial Highlights of the Public Bank Group**

- Earnings per share improved by 19% to 38.4 sen for the nine months ended 30 September 2006 from 32.3 sen in the previous corresponding period.
- Annualised net return on equity was higher at 21.1% compared to 19.2% in 2005.
- Net income for the nine months period ended 30 September 2006 increased by RM456 million or 16% while other operating expenses increased only by RM132 million or 13% compared to the same period in 2005 as a result of continued improvement in efficiency and productivity. This is reflected by the improved cost to income ratio of 35.7% compared to 36.8% in 2005.
- Public Bank Group's total assets expanded by 26% to stand at RM140.9 billion as at the end of September 2006.

- Public Bank Group's total loans increased by RM13.5 billion or 20% to reach RM81.6 billion as at the end of September 2006. Excluding the loans arising from the acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)") of RM4.3 billion, the Group achieved an annualised loan growth of 18%, which was about 2.5 times that of the loan growth rate recorded by the banking industry.
- Net non-performing loan ratio improved to below 1.6% in September 2006 as compared to 1.7% in December 2005, and was significantly lower than the banking industry's ratio of 5.3% as at the end of August 2006.

### **Continued Strong Growth in Retail Loans**

The Public Bank Group's domestic loans and advances increased by RM8.9 billion or at an annualised growth rate of 18% to stand at RM74.9 billion at the end of September 2006, increasing its market share to 12.9% compared to 12.0% at the end of 2005. The Group's lending activities continued to be focused on the retail sector, with consumer loans for the financing of residential properties and transport vehicles as well as commercial lending to SMEs accounting for 71% of the Group's total loan portfolio as at the end of September 2006.

The strong domestic loans growth rate coupled with the loans growth from foreign operations following the acquisition of PB(HK) in May 2006 has led to loans for residential properties growing by 24% to RM22.2 billion as at end of September 2006. Meanwhile, loans for the purchase of transport vehicles increased by 14% to RM22.6 billion.

### **Further Improvement in Asset Quality**

The Public Bank Group's gross non-performing loans ("NPL") and net NPL ratios further improved to below 1.9% and 1.6% respectively as at the end of September 2006 from 2.1% and 1.7% respectively as at the end of December 2005. The level of new NPL formation remained low, with the ratio of net new NPL to gross loans maintained at 0.2% in the third quarter and the preceding quarter. The consistently low NPL ratios of the Group reflect the Group's prudent lending policies and practices which were complemented by effective risk management and proactive credit recovery process.

The Group also maintained a high level of provisioning with a loan loss coverage ratio of 100% as at the end of September 2006. This was higher than the Group's ratio of 92% as at the end of December 2005 and was significantly above the 56% coverage for the banking industry at the end of August 2006. The increase in the Group's loan loss coverage ratio was primarily due to additional general allowance set aside while maintaining a stable level of NPL. As at the end of September 2006, the Group's general allowance was almost sufficient to cover the entire NPL despite that 95% of the NPL were secured.

### **Accelerated Growth in Customer Deposits**

The Public Bank Group has been pursuing aggressive growth in both its core customer deposits as well as wholesale deposits in the form of negotiable instruments of deposits. In the first nine months of 2006, the Group expanded its customer deposits by 28% to stand at RM107.5 billion at the end of September 2006.

Excluding the deposits arising from the acquisition of PB(HK), the Group's annualised deposit growth rate was 27%, which was more than 2.5 times that of the industry growth rate. The growth was mainly contributed by the increase of 55% in negotiable instruments of deposits while demand deposits, fixed deposits and saving deposits grew by 12%, 12%, and 5% respectively.

The Group's market share of domestic customer deposits increased to 13.5% as at the end of September 2006 from 12.0% at the end of 2005. The increased market share of deposits is a reflection of the Group's high customer service delivery standard and strong credit and financial standing.

The higher deposit growth has further improved the Group's liquidity, as reflected by the loans to deposits ratio of 74.5% as at the end of September 2006 as compared to 79.4% as at the end of 2005.

### **Capital Position Further Improved**

Public Bank's issuance of USD200 million Innovative Tier-I Hybrid Capital in August 2006 has further strengthened the core capital position of Public Bank and the Group's capital efficiency. Public Bank's Innovative Tier-I Hybrid Capital was voted the "Deal of the Month" by FinanceAsia in September 2006.

The Group's capital base and risk-weighted capital ratio ("RWCR") improved to RM10.7 billion and 13.2% respectively as at 30 September 2006 as compared to RM9.9 billion and 12.7% respectively as at June 2006. The Group's RWCR of 13.2% is well above the statutory minimum requirement of 8%.

## **Group Prospects**

The Malaysian economy is expected to maintain its growth momentum for the rest of 2006. Other positive indicators include the tapering off in inflationary pressure and the low unemployment rate.

The Public Bank Group expects further improvement in its market share of loans, deposits and unit trusts, especially in the consumer and SME markets through its extensive branch delivery infrastructure and superior customer service. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the last quarter of 2006.

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

Chairman

Dated 17 October 2006

For more information, please contact:

Mr Leong Kwok Nyem

Senior General Manager

Tel: (603) 2176 6270

Fax: (603) 2163 9925

Email: [leongkn@publicbank.com.my](mailto:leongkn@publicbank.com.my)

Mr Wong Jee Seng

Senior General Manager

Tel: (603) 2176 6320

Fax: (603) 2164 9002

Email: [wongjs@publicbank.com.my](mailto:wongjs@publicbank.com.my)