

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

**PUBLIC BANK ACHIEVES 24% INCREASE IN PROFIT FOR THE FIRST  
QUARTER OF 2007**

I am pleased to announce that the Public Bank Group achieved a 24% growth in pre-tax profit for the first quarter of 2007 to reach RM675 million as compared to the corresponding quarter in 2006. The Group's net profit attributable to shareholders rose to RM476 million, an increase of 23% over the same period last year.

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

The Public Bank Group's revenue rose by 31% to RM2.21 billion in the first quarter of 2007 as compared to the same period last year. Net interest income and net income from Islamic Banking operations expanded by 14% to RM868 million for the current quarter, on the back of the continued healthy expansion in both the Group's lending and deposit-taking businesses, as well as its strong asset quality. Other operating income expanded by 53% to RM353 million, mainly contributed by higher income on sales of trust units, higher unit trust fund management fees, increase in brokerage and commissions from stockbroking activities as well as higher foreign exchange income. Loan loss allowances decreased by RM5.4 million despite higher general allowance of RM12.6 million arising from the healthy rate of loan growth in the first quarter of 2007.

The Public Bank Group's overseas operations recorded a growth in pre-tax profit of 22% to RM85 million in the first quarter of 2007, arising from contribution by Public Bank (Hong Kong) Limited which was acquired in May 2006 as well as high loan growth, particularly in Hong Kong and Indo-China.

### **Highlights of the Public Bank Group's Performance**

- Net profit attributable to shareholders increased by 7% as compared to the preceding quarter ended 31 December 2006 despite the first quarter of 2007 having 2 less calendar days as compared to the preceding quarter.
- Annualised net return on equity improved further to 22.9% from 21.9% in 2006.
- Earnings per share increased by 20% to 14.2 sen in the first quarter of 2007 as compared to 11.8 sen in the corresponding quarter of 2006.
- Total assets expanded by RM9.52 billion or 6% to stand at RM157.31 billion as at the end of March 2007.
- Total loans and advances grew by 4.4% to reach RM88.10 billion as at the end of March 2007.
- Net non-performing loan ratio remained below 1.6% as at the end of March 2007, with loan loss coverage standing at 102% which is the highest and most prudent in the Malaysian banking industry.
- Public Mutual's total assets under management increased by 14% to reach RM18.46 billion as at 31 March 2007, while total sales of trust units reached a record high of RM2.22 billion in the first quarter of 2007.

## **Continued Strong Loan Growth**

The Public Bank Group's loans and advances increased by RM3.73 billion or 4.4% in the first quarter of 2007 to stand at RM88.10 billion at the end of March 2007, increasing its market share to 13.6% as compared to 13.2% at the end of 2006.

The Public Bank 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 small- and medium-sized enterprises ("SMEs") accounting for 70% of the Group's total loan portfolio as at the end of March 2007.

Public Bank (Hong Kong) Limited, the Public Bank Group's commercial banking subsidiary in Hong Kong registered a strong 13% growth in its loans and advances in the first quarter of 2007. Public Bank (Hong Kong) Limited continued to add to its branch network by opening a further 2 branches in Hong Kong, bringing its network in Hong Kong and Greater China to 19 branches.

## **Sustained Strong Asset Quality**

The Public Bank Group's gross non-performing loans ("NPL") ratio improved further to 1.8% as at the end of March 2007 as compared to 1.9% as at the end of 2006, whilst its net NPL ratio remained below 1.6% and was less than one-third of the banking industry's net NPL ratio of 4.7% as at the end of February 2007. The level of net new NPL formation had declined, as reflected by the ratio of net new NPL to gross loans of 0.15% in the current quarter as compared to 0.25% in the preceding quarter ended 31 December 2006.

The Public Bank Group also maintained a high level of provisioning with its loan loss coverage ratio standing at 102% as at the end of March 2007. The Group's high loan loss coverage ratio was significantly above the 60% coverage for the banking industry at the end of February 2007. At the end of March 2007, the Group's general allowance was sufficient to cover the Group's net NPLs despite that more than 90% of the NPLs are secured.

The consistently strong asset quality of the Public Bank Group is a reflection of its prudent lending practices and proactive credit risk management. Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality as well as loan loss coverage.

### **Healthy Growth in Customer Deposits**

The Public Bank Group's customer deposits increased by 4.3% to stand at RM116.60 billion as at the end of March 2007, which was mainly supported by the growth in its core customer deposits funding base. Both demand and savings deposits expanded by 5.4% while fixed deposits grew by 5.1% in the first three months of 2007. The Group's wholesale deposits, in the form of negotiable instruments of deposits, also expanded by RM664 million in the same period.

With the healthy growth in customer deposits, the Public Bank Group's liquidity remained high with loan to deposit ratio standing at 74.2% as at the end of March 2007.

## **Fund Management**

The Public Bank Group's unit trust and fund management business continued to record strong performance in the first quarter of 2007. The five new funds launched during the first quarter achieved sales of RM1.28 billion. Total unit trust sales increased by 181% to a record RM2.22 billion for the first three months of 2007 as compared to RM0.79 billion for the corresponding quarter of 2006. Public Mutual posted income on sale of trust units and unit trust management fees of RM105 million and RM55 million respectively, an increase of 190% and 42% compared to the corresponding period in 2006. Total net asset value of unit trusts under management grew significantly to stand at RM18.46 billion as at the end of March 2007, reflecting a 14% growth during the first quarter from RM16.19 billion as at the end of December 2006 and a 43% growth for the past 12 months from RM12.88 billion as at the end of March 2006.

The significant increase in sales volume of the unit trust business had resulted in a corresponding increase in other operating expenses due to unit trust sales commission incurred. Consequently, the Public Bank Group's cost to income ratio increased to 36.9% in the first quarter of 2007 as compared to 34.8% in 2006. The Group's cost to income ratio of 36.9% was lower than the industry's cost to income ratio of 44.0%.

## **Capital Position Remains Strong**

The Public Bank Group's capital base stood at RM12.09 billion as at the end of March 2007 and its risk-weighted capital ratio remained strong at 13.9%, after the payment of final and special dividend for 2006. This was above the industry ratio of 13.4% as well as the statutory minimum requirement of 8%.

## **Group Prospects**

The banking industry is expected to remain sound in 2007 on the back of healthy and stable growth of the Malaysian economy. However, the operating environment will be very challenging due to the progressive liberalisation of the industry and the high level of liquidity in the banking system.

To sustain its profitability growth in this challenging environment, the Public Bank Group will strive to further increase its domestic market share in consumer financing and retail commercial lending to SMEs as well as its deposit-taking business by leveraging on its wide branch network, strong PB Brand and superior service quality, and continue to expand its overseas operations. The Group will also expand its fee-based activities, particularly in fund management, bancassurance and other wealth management products. In pursuit of its growth strategy and to enhance stakeholder value, the Public Bank Group will continue to be innovative, alert and vigilant; and will remain prudent, maintain strong corporate governance and implement sound risk management policies. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the rest of 2007.

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

Chairman

Dated 16 April 2007

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