

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

**PUBLIC BANK ACHIEVES A 24% GROWTH IN PRE-TAX PROFIT TO  
RM2.18 BILLION IN THE FIRST NINE MONTHS OF 2007**

I am pleased to announce that the Public Bank Group achieved a pre-tax profit of RM2.18 billion for the nine months ended 30 September 2007, a 24% increase compared to the corresponding period in 2006. The Group's net profit attributable to shareholders rose by RM262 million or 20% to RM1.54 billion over the same period last year.

The improved profit performance of the Public Bank Group was contributed by strong topline 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 marketing and promotional expenses.

The increase in net interest income and net income from Islamic Banking operations by RM288 million or 12% to RM2,723 million was driven by a sustained high rate of growth in both quality loans as well as customer deposits and continued improvement in asset quality. Other operating income increased by 41% to RM1.0 billion, mainly attributable to higher fee income from sales of trust units, higher unit trust fund management fees and commissions from stockbroking activities, as well as higher net gain from the sale of securities. Loan loss allowances decreased by RM51 million mainly due to higher recovery of non-performing loans.

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

- Pre-tax profit for the third quarter of 2007 increased by 6% to RM774 million as compared to the preceding quarter ended 30 June 2007, contributed by strong growth of 8% in operating profit as compared to second quarter of 2007.
- Annualised net return on equity for the nine-month period ended 30 September 2007 improved further to 24.4% compared to 21.9% in 2006.
- Earnings per share for the nine-month period ended 30 September 2007 improved to 46.0 sen compared to 38.7 sen in the previous corresponding period.
- Productivity and efficiency improved further on a quarter-to-quarter basis as reflected by the lower cost to income ratio of 32.2% for third quarter of 2007 as compared to 34.0% in second quarter of 2007.
- Public Bank Group's total assets increased by 12% during the nine-month period to stand at RM165.62 billion as at the end of September 2007.
- Total loans and advances increased to RM96.19 billion as at end of September 2007, representing an annualized growth rate of 19%. This is higher than the annualized growth rate of total loans and advances for the first half of 2007 of 17%.
- Total customer deposits grew by RM18.86 billion to reach RM130.65 billion as at end of September 2007, representing an annualized growth rate of 22%.

- Net non-performing loan ratio improved to below 1.4% as at the end of September 2007 compared to banking industry's rate of 3.6% as at end of August 2007. Loan loss coverage stood at 112% which is the highest and most prudent in the Malaysian banking industry.
- Risk-weighted capital ratio remains strong at 12.9% as at end of September 2007. This ratio was also well above the statutory minimum requirement of 8.0%.
- Public Mutual's total assets under management expanded by 52% from RM16.19 billion at the end of 2006 to reach RM24.54 billion as at end of September 2007. During the nine-month period to September 2007, the total sales of trust units reached a record high of RM8.39 billion, which was over 3 times that of the total sales of RM2.77 billion achieved in the previous corresponding period in 2006 and more than doubled the total sales of trust units in the whole year of 2006 of RM4.10 billion.

### **Sustained Strong Loan Growth and Increasing Market Share**

The Public Bank Group expanded its lending business by 14% or RM11.82 billion in the first nine months of 2007, or an annualized growth rate of 19%. As a result of achieving higher than the industry loan growth rate, the Group's domestic market share for loans and advances increased further to 13.7% as at end of September 2007 from 13.2% at the beginning of 2007. The Group's market share of the Malaysian banking industry's lending business has more than doubled from 6.4% in 2001 to 13.7% currently.

The lending activities of the Public Bank Group remained focused on the financing of small- and medium-sized enterprises (“SMEs”), residential properties and passenger vehicles. As at the end of September 2007, loans to these key sectors accounted for 70% of the Group’s total loan portfolio.

### **Sustained Strong Asset Quality**

Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality and loan loss coverage.

The Public Bank Group’s total gross non-performing loans (“NPL”) amount decreased by RM62 million or 4% from the beginning of 2007 to RM1.52 billion as at end of September 2007, despite a RM11.82 billion growth in the total loan base. Gross NPL improved to 1.6% as at end of September 2007 as compared to 1.9% as at end of 2006. Net NPL further improved to below 1.4% as compared to 1.6% as at end of 2006. During the nine-month period, the Group’s annualized credit charge-off rate improved to 0.22% as compared to 0.34% in 2006. The level of net new NPL formation had also declined as reflected by improvement in the ratio of the net new NPL to gross loans of 0.34% in the first nine months of 2007 as compared to 0.47% for the corresponding period in 2006.

Apart from the healthy net NPL ratio, the Public Bank Group also maintained a comfortable level of provisioning with a loan loss coverage ratio of 112%, significantly higher than the banking industry’s coverage of 69% as at end of August 2007. The Group’s general allowance of RM1.47 billion was sufficient to cover the entire net NPL amount of RM1.29 billion as at end of September 2007 despite that more than 90% of the NPLs are secured.

## **Healthy Growth in Customer Deposits**

Total customer deposits of the Public Bank Group rose by 17% or RM18.86 billion to stand at RM130.65 billion as at end of September 2007. The Group's wholesale deposits in the form of negotiable instruments of deposits and money market deposits expanded by 19% to RM38.0 billion during the nine-month period to 30 September 2007. The core customer deposits of the Group continued to register healthy growth, with lower cost savings deposits and current accounts as well as fixed deposits accounts growing by 8%, 17% and 18% respectively in the same period. The strong growth, which was supported by the Group's established PUBLIC Brand name, high standards of customer service delivery and fast turnaround time at its extensive branch network, resulted in an increase in the Group's market share of domestic deposits to 14.3% as at end of September 2007 compared to 14.2% as at end of December 2006.

As a result of the strong deposit growth, the Group's liquidity continued to improve with loan to deposit ratio standing at 72.3% as at end of September 2007 compared to 74.1% nine months earlier.

## **Expansion of Overseas Operation**

The Public Bank Group's commercial banking subsidiary in Hong Kong, Public Bank (Hong Kong) Limited, continued to register rapid expansion of its business, with loan and deposit growths of 47% and 38% respectively during the nine-month period to 30 September 2007. The strong loan and deposit growths are backed by major expansion in branch network and active promotion of the PUBLIC Brand in Hong Kong. Public Bank (Hong Kong) has 24 branches currently, an increase of 11 branches from 13 branches when it was acquired by the Public Bank Group on 30 May 2006.

The Public Bank Group's wholly-owned subsidiary in Cambodia, Cambodian Public Bank Ltd ("CAMPU Bank"), also registered a very strong growth of 68% in its loans and advances in the nine-month period to 30 September 2007, during which CAMPU Bank opened 3 new branches, bringing the total branch network to 8 branches in Cambodia. On 30 August 2007, Public Bank's insurance subsidiary in Cambodia, CampuBank Lonpac Insurance Plc, commenced operations in Phnom Penh offering the full suite of general insurance products such as fire and motor policies. CampuBank Lonpac, in which Public Bank has a 55% interest, is a joint venture with LPI Capital Bhd.

In the fourth quarter of 2007, the Public Bank Group plans to further expand its branch network overseas with the opening of 5 branches in Hong Kong, 1 branch in Shenzhen in the People's Republic of China, 2 branches in Cambodia, 2 branches in Laos and 1 branch in Vietnam.

### **Strong Performance of Public Mutual's Business**

The Public Bank Group's unit trust and fund management business carried on by its wholly-owned subsidiary, Public Mutual, continued to achieve outstanding results in the first nine months of 2007. Fifteen new unit trusts funds were launched during this period, bringing the total number of funds under management to 49. As at end of September 2007, net assets value ("NAV") of funds under management stood at RM24.54 billion, of which 77% are equity linked funds. This represented an increase of RM8.35 billion or 52% in NAV of funds under management in the nine-month period to 30 September 2007, and a growth of RM10.20 billion or 71% over the past 12 months since September 2006.

The performance of the unit trust funds of Public Mutual has been strong over the past few years. Over a period of less than two years, Public Mutual has increased its market share of the private unit trust industry to 36.4% as at end of August 2007 from 27.6% at the beginning of 2006 and strengthened further its market leadership position.

Public Mutual increased its sales agency force by more than two-fold from 11,800 agents at the beginning of 2006 to over 24,600 agents currently, backed by the strong Public Bank Group's branding and Public Mutual's excellent fund management reputation and award-winning fund performances.

Total unit trust sales registered a record high of RM8.39 billion during the first nine months of 2007 which was more than doubled the total unit trust sales of RM4.10 billion for the full year of 2006. Public Mutual's unit trust management fees and income on sale of trust units of RM196 million and RM133 million respectively, represented an increase of 57% and 214% respectively as compared to the corresponding period in 2006.

### **Capital Position Remains Strong**

As at 30 September 2007, the Group's risk-weighted capital ratio remains strong at 12.9%, after payment of the final and special dividend for 2006 and the interim dividend for 2007. This was significantly above the statutory minimum requirement of 8.0%. The Group's capital base stood at RM12.27 billion as at end of September 2007 as compared to RM12.03 billion as at the end of 2006.

## **Group Prospects**

The strong economic conditions in Asia will continue to provide a supportive environment for growth in the region's financial services industry. The Public Bank Group will continue to capitalize on its established PUBLIC Brand name and strong customer service delivery to increase its market share of the retail banking business. The Group will also continue to expand its overseas operations. The Group targets to increase its fee-based activities, particularly in fund management, bancassurance and other wealth management service, by launching new products to meet the diverse investment needs of the Group's customers. In its pursuit of business expansion, the Group will uphold its strong corporate governance culture and practices to sustain the long-term performance of the Group and to safeguard the interests of all its stakeholders.

The Public Bank Group is not exposed to any sub-prime debt securities and has not been affected by the sub-prime event in the US. Barring unforeseen circumstances, the Group is expected to maintain its earnings momentum and to continue to record satisfactory performance for the rest of 2007.

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

Chairman

Dated 16 October 2007

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