

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

**PUBLIC BANK ACHIEVES 11% INCREASE IN PRE-TAX PROFIT TO
RM480 MILLION IN FIRST QUARTER 2005**

I am pleased to announce that the Public Bank Group achieved a pre-tax profit of RM480 million for the first three months of 2005, an increase of 11% compared to the corresponding period in 2004. The Group's profit attributable to shareholders rose by RM41 million or 14% to RM345 million over the same period. Despite competitive pressures on lending rates, the Group's net interest income and net financing income from Islamic banking operations increased by RM43 million or 7% as a result of sustained strong loan growth, continued mobilisation of lower-cost customer deposits and strong asset quality. The higher pre-tax profit was also attributable to higher fee income and improved cost-efficiency and staff productivity.

The Public Bank Group's overseas operations, based predominantly in Hong Kong, achieved a 43% improvement in pre-tax profit on the back of higher recoveries. Public Bank's domestic operations registered a 7% increase in profit before taxation, and accounted for 86% of the Group's pre-tax profit.

Financial Highlights

- Earnings per share improved by 10% to 10.6 sen from 9.6 sen in the first quarter of 2004.
- Cost income ratio improved to 36.3% from 38.2% in 2004.
- Net return on equity improved to 20.2% for the first quarter 2005, compared to 18.2% in 2004. Return on assets stood at 2.0%.

- Loans grew by 4.8% to RM59.7 billion in the first three months of 2005 compared to the 0.6% increase recorded by the banking industry for the first two months of 2005.
- Net non-performing loans ratio of 2.1% was 72% lower than the banking industry's ratio of 7.6% as at February 2005.
- Total assets stood at RM97.5 billion, an increase of 6% from the end of 2004.
- The ratio of net loans to deposits was 75% compared to 77% at the end of December 2004 due to the strong growth of wholesale deposits.

Continued strong growth in retail loans

The Public Bank Group's loans and advances recorded strong growth of RM2.7 billion or 4.8% in the first three months of 2005. The retail focus of the Group's lending operations is reflected by the composition of its loan book, with residential mortgages and financing of passenger vehicles, and loans to small-and medium-sized enterprises accounting for 72% of the total loan portfolio. During the first three months of 2005, new loan approvals to these sectors made up 76% of the RM6.7 billion of new loans approved.

Asset quality improves further

The Public Bank Group's gross non-performing loans ("NPL") ratio, based on 3-month classification, improved from 2.7% at the end of 2004 to 2.6% at the end of March 2005. The gross NPL ratios for the Group's key lending sectors stood at 3.5% for residential mortgages, 1.3% for vehicle financing and 2.3% for SME loans. In comparison, the banking industry registered gross NPL ratios of 8.5%, 3.8% and 12.0% respectively for residential mortgages, vehicle financing and SME loans at the end of 2004.

The Public Bank Group's net NPL ratio improved to 2.07% at the end of March 2005, and its credit charge-off ratio has declined to 0.35% in the first quarter of 2005 compared to 0.41% in the previous quarter. Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality. The Group maintained a comfortable level of provisioning with its ratio of general allowance to net loans standing at 1.6% and its loan loss coverage ratio of 81.1%.

Capital position remains strong

As at 31 March 2005, the Public Bank Group's risk-weighted capital ratio stood at 15.2%, above the statutory minimum requirement of 8% and the banking system's risk-weighted capital ratio of 14.2% at the end of February 2005.

As a measure to improve capital efficiency, Public Bank has to date bought back a total of 111.7 million Public Bank (Local) shares and 12.5 million Public Bank (Foreign) shares, representing in total 3.7% of the issued and paid-up capital of Public Bank, at an average price of RM6.27 and RM6.61 per share respectively. Public Bank (Local) shares and Public Bank (Foreign) shares closed at RM6.95 and RM7.05 on 12 April 2005.

Group prospects

The Malaysian economy is expected to remain strong with GDP growth of 5% to 6% in 2005. The Public Bank Group will capitalise on the positive economic conditions to expand its core business activities, and will also continue to enhance its customer services and pursue greater cost-efficiency. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for the rest of 2005.

Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman

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