

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

**PUBLIC BANK NET PROFIT SURGED 51% TO A RECORD RM717
MILLION IN THE FIRST QUARTER OF 2008**

I am pleased to announce that the Public Bank Group achieved a 51% increase in net profit attributable to shareholders to RM717 million in the first quarter of 2008 from RM476 million in the previous corresponding quarter. The net profit of RM717 million represents 29% of the market consensus of the 2008 full year net profit of RM2.47 billion. The Group's pre-tax profit improved by 44% to RM971 million over the same period.

The strong financial performance of the Public Bank Group was contributed by healthy growth in net interest and financing income and strong growth in other operating income, partially offset by an increase in operating expenses and higher loan loss allowances due to higher business volumes.

Net interest income and net income from Islamic Banking for the quarter grew by 17% to RM1,018 million, surpassing the RM1 billion mark for the first time. This was driven by the continued strong expansion in both the Public Bank Group's lending and deposit-taking businesses as well as further improvement in asset quality. Other operating income grew strongly by 93% to RM558 million as compared to RM289 million in the previous corresponding period. The Group saw a strong growth in its wealth management business, particularly the fund management business and bancassurance distribution pursuant to its 10-year regional strategic alliance with ING/Asia Pacific Limited ("ING"). In addition, a goodwill payment of RM200 million was received from ING during the quarter pursuant to this strategic alliance.

The increase in loan loss allowances during the quarter as compared to the previous corresponding quarter was partly due to additional specific allowance made for old non-performing loan accounts secured by properties which are more than seven years. These accounts are fully provided for with no value assigned to the collateral.

Highlights of the Public Bank Group's First Quarter Performance

- Net profit attributable to shareholders increased by 51% as compared to the corresponding quarter ended 31 March 2007, contributed by strong growth of 46% in operating profit.
- Annualised net return on equity for the first quarter of 2008 improved further to 34.0% as compared to 26.3% for the financial year ended 31 December 2007.
- Earnings per share increased by 51% to 21.4 sen in the first quarter of 2008 as compared to 14.2 sen in the previous corresponding period.
- Non-interest income grew by 93% during the quarter.
- Productivity and efficiency improved further as reflected by the lower cost to income ratio of 28.6% in the first quarter of 2008 as compared to 33.5% in the previous corresponding quarter.
- Public Bank Group's total assets stood at RM178.1 billion as at the end of March 2008, which was almost three times the Group's total asset size of RM61.9 billion as at the end of 2002.
- Total loans and advances grew by RM5.6 billion or an annualized rate of 22% during the first quarter of 2008 to reach RM106.6 billion as at the end of March 2008.

- Total customer deposits rose at an annualized rate of 16.4% to stand at RM144.5 billion as at the end of March 2008.
- Net non-performing loan ratio further improved from 1.2% as at the end of December 2007 to 1.1% as at the end of March 2008 and was about one third that of the banking industry's net NPL ratio of 3.1%.
- The Group's risk-weighted capital ratio remains strong at 12.2% as at the end of March 2008.

Continued Strong Loan Growth

In the first quarter of 2008, the Public Bank Group's loans and advances expanded by RM5.6 billion or 5.5% which is equivalent to an annualized rate of 22% to reach RM106.6 billion as at the end of March 2008. As a result of a higher rate of growth compared to the industry loan growth rate, the Group's domestic market share for loans and advances rose to 14.6% as at the end of February 2008 from 14.4% as at the end of 2007.

The lending activities of the Public Bank Group remained focused on the retail sector, in particular consumer loans for the financing of residential properties and purchase of passenger vehicles and loans to small- and medium-sized enterprises. These sectors accounted for 66% of the total loan portfolio of the Group as at the end of March 2008. Loan approvals for these key sectors rose by 20% in the first quarter of 2008 as compared to the previous corresponding quarter.

Sustained Strong Asset Quality

The Public Bank Group's non-performing loans ("NPL") continued to trend downwards. In the first quarter of 2008, the amount of NPL decreased by RM86 million or 6% to RM1.32 billion, despite a RM5.6 billion growth in the total loan base. Gross and net NPL ratios improved to 1.2% and 1.1% respectively as at the end of March 2008 compared to 1.4% and 1.2% as at the end of 2007. The Group's net NPL ratio of 1.1% was about one third that of the Malaysian banking industry's net NPL ratio of 3.1%. The level of net new NPL formation also declined in the first quarter of 2008, as reflected by the ratio of net new NPL to gross loans of 0.25% in the current quarter compared to 0.44% for the year ended 31 December 2007.

Apart from the healthy NPL ratio, the Public Bank Group also maintained a high level of provisioning with a loan loss coverage ratio of 132% as at the end of March 2008, significantly above the banking industry's coverage ratio of 76%. The Group's general allowance stood at RM1.58 billion as at the end of March 2008, exceeding the total NPL amount of RM1.32 billion despite that more than 90% of the NPLs are secured.

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

Healthy Growth in Customer Deposits

The Public Bank Group's total customer deposits increased by RM5.7 billion or 4.1% in the quarter, equivalent to an annualized growth rate of 16.4%, to stand at RM144.5 billion as at the end of March 2008. The growth was contributed by wholesale deposits in the form of money market deposits and negotiable instruments of deposits, which grew by 8.1% or RM3.4 billion during the quarter, as well as a healthy 2.4% growth in core customer deposits.

With the healthy growth in customer deposits, the Group's liquidity remains strong with loans to deposits ratio standing at 72.6% as at the end of March 2008.

Expansion of Overseas Operations

The international operations of the Group achieved 25% growth in profit before taxation for the first three months of 2008, before taking into account the impact of a stronger Ringgit exchange rate.

The Group's operations in Hong Kong accounted for two-thirds of the total profit from international operations. The Public Financial Holdings Group registered strong organic loan growth of 9% in the first quarter of 2008, backed by the Group's large branch network and active promotion of the "PUBLIC" brand name in Hong Kong.

The Group's wholly-owned subsidiary in Cambodia, Cambodian Public Bank Ltd ("CAMPU Bank"), delivered strong operating performance with profit before taxation increasing by 79% compared to the previous corresponding period. The profit growth was underpinned by strong loan and deposit growth of 34% and 17% respectively during the first three months of 2008. With the opening of another branch during the period, CAMPU Bank is now operating with 10 branches and is the largest lender in Cambodia.

Strong Growth in Wealth Management Products and Services

The Group achieved a significant growth of 93% in non-interest income to RM558 million in the first quarter of 2008, contributed mainly by the strong growth in the Group's fund management business and bancassurance distribution.

The 10-year regional strategic alliance between Public Bank and ING for bancassurance distribution came into effect on 1 January 2008 and a goodwill payment of RM200 million was received from ING. During the first quarter of 2008, Public Bank launched its first single premium insurance product, PB-ING Baraka Commodities Plan, which is a 3-year investment-linked insurance capital protected fund. Total sales achieved for the PB-ING Baraka Commodities Plan was RM182 million which is significantly higher than the targeted sales for investment-linked insurance products for the year. With the strategic alliance with ING, fee income from bancassurance distribution for 2008 is expected to grow by at least three fold from that of 2007.

Public Mutual, the Group's wholly-owned unit trust management subsidiary, continued to achieve strong performance in the first quarter of 2008 with a 36% increase in pre-tax profit to RM45 million as compared to RM33 million in the first three months of 2007. Unit trust management fees increased by 59% to reach RM88 million compared to RM55 million in the corresponding period in 2007. This was due to the significant growth in net asset value ("NAV") of funds under management over the last twelve months to RM26.2 billion as at the end of March 2008, 42% higher than the NAV of RM18.5 billion as at 31 March 2007. This led to an increase in Public Mutual's market share of the private sector unit trust management business to 39.4% as at the end of March 2008 compared to 35.4% a year ago.

Capital Position Remains Strong

The Public Bank Group has always maintained an efficient level of capital to support the Group's business. Public Bank had implemented the Standardised Approach under the Basel II Capital Accord with effect from 1 January 2008. The Group's risk-weighted capital ratio stood at 12.2% as at the end of March 2008, which is significantly above the statutory minimum requirement of 8.0%.

The proposed Subordinated Medium Term Note Programme for issuance of subordinated notes of up to RM5 billion, which was recently approved by Bank Negara Malaysia and pending approval from the Securities Commission, will provide greater flexibility to Public Bank over the next few years to further enhance the efficiency of its capital structure whilst supporting future business expansion.

Public Bank is the second largest bank and the fourth largest listed company on Bursa Securities, the Malaysian Stock Exchange, in terms of market capitalization. As at 11 April 2008, the market capitalization of Public Bank stood at RM 38.6 billion, a 43% increase as compared to RM26.9 billion as at the beginning of 2007.

Group Prospects

Despite the increasingly challenging environment due to high global oil prices, tighter global credit conditions and deceleration of the US economy, the Malaysian economy is expected to remain steady in 2008 supported by its strong economic fundamentals. The banking industry in Malaysia will continue to be driven by consumer financing and SME lending, strong growth in retail and wholesale deposits and rising demand for wealth management services. However, the intense competition in the financial services sector will continue to exert pressure on lending margins.

The Public Bank Group will continue to focus on its core business of lending to consumers and SMEs and to promote a wider range of deposit products in both its domestic and overseas markets. The Group will also expand the scale and scope of its fee-based revenue by widening its suite of wealth management products and services. In its pursuit of business expansion, the Public Bank Group remains committed to its tradition of prudence and the maintenance of its strong corporate governance culture to ensure the sustainable long-term growth of the Group.

Barring unforeseen circumstances, the Group is expected to maintain its earnings momentum and to continue to record satisfactory performance for the rest of 2008.

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Chairman

Dated 14 April 2008

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