

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

**PUBLIC BANK'S NET PROFIT SURGED 25% TO RM1.93 BILLION IN
FIRST NINE MONTHS OF 2008**

I am pleased to announce that the Public Bank Group achieved a 25% growth in net profit attributable to shareholders to RM1.93 billion for the nine months ended 30 September 2008 as compared to the corresponding period in 2007. The Group's pre-tax profit improved by 18% to RM2.57 billion over the same period despite an increase of RM41 million in general allowance made due to the higher loan growth in the current period. With the higher profit recorded, the Group's earnings per share improved to 57.4 sen for the first nine months of 2008 as compared to 46.0 sen in the corresponding period of 2007 whilst annualized net return on equity rose to 29.7% in the current period from 26.3% in 2007.

The strong financial performance was attributed mainly to healthy growth in net interest and financing income and other operating income, as well as continued improvement in asset quality to a new low net NPL ratio of 0.87%.

Net interest and financing income increased by 16% or RM447 million to RM3.16 billion for the first nine months of 2008, driven by the Group's expanded loan and deposit businesses and sustained strong asset quality. Other operating income grew by 14% to RM1.14 billion, mainly contributed by higher fee income as well as initial contribution from bancassurance distribution pursuant to the Group's 10-year regional strategic alliance with ING Asia/ Pacific Limited ("ING"), partially offset by a decrease in investment income.

Loan loss allowances increased by RM95 million mainly due to higher general allowance of RM41 million arising from loan growth as well as additional specific allowance made for certain old non-performing loan accounts secured by properties

which are more than seven years in arrears. These accounts are fully provided for with no value assigned to the collateral.

Highlights of the Public Bank Group's First Nine Months' Performance

- Net profit attributable to shareholders increased by 25% to RM1.93 billion as compared to the corresponding period ended 30 September 2007.
- Operating profit registered a strong growth of 20%.
- Annualised net return on equity for the first nine months of 2008 was higher at 29.7% as compared to 26.3% for the financial year ended 31 December 2007.
- Earnings per share increased by 25% to 57.4 sen from 46.0 sen.
- Productivity and efficiency improved further as reflected by lower cost to income ratio of 30.7% in the first nine months of 2008 as compared to 33.2% in the previous corresponding period. The Group's cost-to-income ratio of 30.7% was also significantly lower than the banking industry's ratio of 43.9% in 2007.
- Total assets expanded by RM16.6 billion or 9.5% during the current period to stand at RM190.7 billion as at the end of September 2008.
- Total loans and advances expanded by RM16.8 billion to stand at RM117.8 billion as at the end of September 2008 with loan market share rising to 14.8% as at August 2008 from 14.4% as at the end of 2007.
- Total customer deposits increased by RM17.1 billion to reach RM155.8 billion as at the end of September 2008.

- Net NPL ratio further improved to 0.87% as at the end of September 2008 from 0.93% as at the end of June 2008 and 1.23% as at the end of 2007. The Group's net NPL ratio of 0.87% was about one third that of the banking industry's net NPL ratio of 2.5% as at the end of August 2008. Loan loss coverage stood at 159% which is about two times of the banking industry ratio of 83%.
- The Group's risk-weighted capital ratio remains strong at 13.2% as at the end of September 2008.

Continued Strong Organic Loan Growth and Further Improvement in Asset Quality

In the first nine months of 2008, the Public Bank Group's loans and advances to customers grew by RM16.8 billion, or an annualized rate of 22% to reach RM117.8 billion as at the end of September 2008. The Group has consistently achieved a high level of annual loan growth since 2001 through competitive pricing, innovative product packaging and high standards of service delivery. As a result, the Group's domestic market share of loans and advances rose to 14.8% as at the end of August 2008 from 14.4% as at the end of 2007, and has more than doubled from the 6.4% market share in 2001.

The Public Bank Group's retail banking franchise remained strong, with loans for the financing of residential properties and passenger vehicles and lending to mid-market commercial enterprises accounting for 87% of the Group's total loan portfolio as at the end of September 2008. In the first nine months of 2008, housing loan approvals and hire purchase loan approvals were higher by 27% and 25% respectively as compared to the same period in 2007.

The Public Bank Group's NPLs continued to trend downwards. In the first nine months of 2008, the amount of NPL decreased by RM237 million or 17%, despite a RM16.8 billion growth in the total loan base. As a result, the Group's gross NPL ratio fell below the 1% mark for the first time, to 0.99% as at the end of September 2008 from 1.38% as at the start of the year. The Group's net NPL ratio improved to 0.87% from 1.23% over the same period, and was about one third that of the banking industry's net NPL ratio of 2.50% as at the end of August 2008. The level of new net NPL formation had also declined as reflected by the improvement in the ratio of net new NPL to gross loans of 0.26% in the first nine months of 2008 as compared to 0.44% for the year ended 31 December 2007.

The Group's asset quality showed consistent improvement on a quarter-to-quarter comparison. The Group's NPL fell continuously from RM1,404 million as at the beginning of 2008 to RM1,318 million in March 2008, RM1,219 million in June 2008 and RM1,167 million in September 2008. Public Bank Group's gross NPL ratio improved from 1.38% as at the end of 2007 to 1.23%, 1.07% and 0.99% respectively as at the end of March 2008, June 2008 and September 2008 whilst its net NPL ratio decreased from 1.23% in December 2007 to 1.09%, 0.93% and 0.87% over the respective quarters of 2008.

The Group's annualized credit charge-off rate was 0.25% for the first nine months of 2008, and registered an improving trend on a quarter-to-quarter comparison. The Group's annualized credit charge-off rate stood at 0.19% in the third quarter of 2008 compared to 0.24% in the preceding quarter and 0.32% in the first quarter of 2008.

The Public Bank Group's asset quality remains the strongest in the industry and is ranked the best amongst all banks in Malaysia. This re-affirms the Group's disciplined and prudent approach to building a quality loan portfolio.

As at the end of September 2008, the Group's loan loss coverage increased to 159%, almost two times of the banking industry coverage ratio of 83% as at the end of

August 2008. The increase in the Group's loan loss coverage from 120% as at the end of 2007 was attributed to additional general allowance set aside for the strong loan growth in the year while the amount of NPLs continued to fall. The Group's general allowance of RM1.72 billion as at the end of September 2008 significantly exceeded the entire net NPL amount of RM1.03 billion, despite that about 90% of the NPLs are secured.

Healthy Expansion in Customer Deposits

The Public Bank Group's total customer deposits grew by RM17.1 billion or an annualized rate of 16% to stand at RM155.8 billion as at the end of September 2008. The Group's market share of domestic deposits stood at 14.6% as at the end of August 2008.

The core customer deposits of the Group grew at an annualized rate of 14%, which is more than three times that of the banking industry's annualized growth rate in core deposits of 4.5%. The increase in core customer deposits was broad based, coming from across all product groups, with savings accounts, current accounts and fixed deposit accounts growing at annualized rates of 10%, 14% and 16% respectively. The strong growth in customer deposits was partly due to the Group's concerted efforts to expand its foreign currency deposits as well as the launch of principal guaranteed structured investment products which promote longer term savings.

Wholesale deposits in the form of money market deposits and negotiable instruments of deposit rose by RM6.2 billion during the nine month period ended 30 September 2008.

With the strong growth in customer deposits, the Group's liquidity remains strong with net loans to deposits ratio standing at 74.4% as at the end of September 2008.

Strong Growth of Regional Operations

In the first nine months of 2008, the regional operations of the Public Bank Group achieved an 11% growth in pre-tax profit in their respective local currencies. More than 90% of the Group's profit from overseas operations was contributed by the Public Financial Holdings Group ("PFH Group") in Hong Kong and Cambodian Public Bank Ltd ("CAMPU Bank") in Cambodia.

The PFH Group, which has 68 branches in Hong Kong and 2 branches in Shenzhen in the People's Republic of China, recorded strong organic loans growth of HKD4.4 billion or an annualized rate of 30% for the nine month period ended 30 September 2008, backed by the PFH Group's expanded branch network and active promotion of the "PUBLIC" brand name in Hong Kong.

CAMPU Bank, a wholly-owned subsidiary of Public Bank, is currently the largest bank in Cambodia. CAMPU Bank's profit before taxation of USD29 million for the first nine months of 2008 represents a more than two fold increase from USD14 million for the corresponding period in 2007. The profit growth was underpinned by strong loans and customer deposits growth. CAMPU Bank presently has 11 branches, with another 3 branches scheduled for opening before the end of 2008.

Wealth Management Products and Services

The Public Bank Group continued to invest and build long-term capabilities and infrastructure to support its growing wealth management business, in line with its aim to enhance the Group's return on equity and profitability.

The Public Bank Group's unit trust and fund management business, carried out by its wholly-owned subsidiary, Public Mutual, registered a 19% increase in profit before taxation to RM137 million for the nine months ended 30 September 2008.

Unit trust management fees rose by 33% to reach RM262 million during the nine month period, partially offset by lower fee on sale of trust units arising from lower share prices and weaker market sentiment particularly in the third quarter of 2008. As at 30 September 2008, the Group's net asset value of funds under management stood at RM24.2 billion. Public Mutual's market share of the private sector unit trust management business remained high at 38% as at the end of August 2008. Public Mutual continued to expand its agency force aggressively with the number of Public Mutual unit trust agents increasing from 30,000 agents as at the end of 2007 to more than 41,700 agents currently.

The formalization of a 10-year exclusive bancassurance distribution agreement with the ING Group at the end of 2007 provides the Public Bank Group with a long-term source of fee-based income from the distribution of ING Group's life, health and investment-linked insurance products in Malaysia and Hong Kong. In the first nine months of 2008, Public Bank has launched 2 investment linked products, 2 single premium mortgage reducing term assurance products, 4 regular premium products as well as 2 telemarketing insurance products under its bancassurance distribution agreement with ING.

Besides the unit trust and bancassurance businesses, Public Bank has increased its offerings of alternative investment products to meet the needs of its customers. In the first nine months of 2008, Public Bank has launched 3 principal protected structured investment products as well as a Gold Investment Account. All these products received good customer response.

Capital Position Remains Strong

In May 2008, Public Bank issued RM1.4 billion Subordinated Notes under its RM5.0 billion Subordinated Medium Term Note Programme to strengthen Public Bank's capital structure and to support the Group's business expansion in the

medium term. The Group's risk-weighted capital ratio remained strong at 13.2% as at the end of September 2008 and was above the statutory requirement of 8.0%.

Group Prospects

The financial crisis that emanated from the US has had widespread impact on global economies and financial markets. This has given rise to greater volatility and slower economic growth in the rest of the world. The Malaysian economy is expected to soften in the last quarter of 2008 and in 2009. The operating environment for the banking industry in Malaysia will thus be more challenging.

Notwithstanding this scenario, the Public Bank Group will remain focused on its strategy of building sustainable business growth, whilst exercising prudent risk management and maintaining strong asset quality in both its domestic and overseas operations.

The Group will continue to pursue strong growth in its deposit business, particularly in the expansion of its core customer deposits, a stable and long-term source of funding of the Group's expanding balance sheet.

The Group will also step up efforts to improve productivity and increase its fee-based revenue.

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

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