

PRESS RELEASE BY TAN SRI DATO' SRI DR. TEH HONG PIOW,
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PUBLIC BANK ACHIEVES ANOTHER RECORD YEAR OF PERFORMANCE WITH AN INCREASE OF 22% IN NET PROFIT TO RM2.58 BILLION AND PAYS NET DIVIDENDS OF RM2.22 BILLION

I am pleased to announce that Public Bank, the largest bank in Malaysia in terms of market capitalisation, achieved 22% increase in its Group net profit to reach a record RM2.58 billion in 2008.

The Public Bank Group's pre-tax profit rose by RM376 million or 13% to RM3.38 billion in 2008, on the back of strong growth of 16% in operating profit. With the improved results in 2008, the Group's net return on equity increased further to 30.4% in 2008 against 26.3% in 2007 while earnings per share increased to 76.9 sen from 63.3 sen in 2007.

The Public Bank Group's strong profit performance was contributed by healthy growth in net interest and financing income and other operating income.

Net interest and Islamic banking income increased by RM564 million or 15% to RM4.29 billion in 2008, driven by the 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 5% to RM1.45 billion, mainly attributed to initial contribution from bancassurance distribution and the upfront goodwill income pursuant to the regional strategic alliance with ING Asia/ Pacific Limited ("ING") and higher unit trust fund management fees, partially offset by a decrease in investment income, fee income from sales of trust units and commissions from stockbroking activities. Included in the previous year's other operating income were non-recurring gains from the sale of certain equity investments and debt-converted investments amounting to RM85 million.

In view of the Public Bank Group's strong performance, the Board of Directors is pleased to propose a final cash dividend of 25 sen less 25% tax and a share dividend to be distributed from the treasury shares of the Bank, on the basis of 1 Public Bank share for every 35 existing shares held. Based on the share price of Public Bank Berhad (Local) share of RM8.85 as at 31 December 2008, the value of the share dividend distributed per share is equivalent to a gross cash dividend of 33.7 sen. Together with the interim dividend of 30 sen less 26% tax, which was paid in August 2008, the total dividend paid and proposed for 2008, inclusive of the share dividend, is equivalent to a gross cash dividend per share of 88.7 sen as compared to the gross dividend of 75 sen in 2007. This translates to a total gross dividend yield of 10% to the shareholders based on the market value of PBB share as at 31 December 2008. The total net dividend for 2008, including the share dividend, amounts to RM2,223 million and represents a total payout of 86% of the Group's net profit for 2008.

Highlights of the Public Bank Group's Performance

- Net profit attributable to shareholders rose by 22% to RM2.58 billion as compared to RM2.12 billion in 2007.
- Net return on equity for 2008 improved to 30.4% as compared to 26.3% in 2007 and is more than double the net return on equity of 13.3% five years ago.
- Earnings per share increased by 21% to 76.9 sen in 2008 from 63.3 sen in 2007.
- Cost to income ratio continued to improve to 31.2% from 33.1% in 2007, and was significantly lower than the industry average of 43.9%.

- Total assets stood at RM196.2 billion as at the end of 2008, up by 13% from 2007, and was more than three times the Group's total asset size of RM64.6 billion as at the end of 2003.
- Total loans and advances expanded by 19% or RM19.3 billion to stand at RM120.3 billion as at the end of 2008, with loan market share rising to 14.9% from 14.4% as at the end of 2007.
- Total customer deposits expanded by RM23.5 billion or 17% to reach RM162.3 billion as at the end of 2008, leading to a higher market share of core deposits of 15.2% as compared to 13.7% as at the end of 2007.
- Non-performing loans ("NPL") continued to trend downwards with net NPL ratio declining to 0.86% as at the end of 2008 from 0.93% as at the end of June 2008 and 1.23% a year ago. Loan loss coverage stood at 160% which is about two times of the banking industry's loan loss coverage ratio of 85%.
- Risk-weighted capital ratio remains strong at 13.1% as at the end of 2008, after deducting the proposed dividends.

Healthy Organic Loans Growth and Increasing Market Share

The Public Bank Group achieved a loan growth rate of 19% in 2008, well above the banking industry's November 2008 year-on-year growth rate of 11%, with total loans, advances and financing increasing by RM19.3 billion to RM120.3 billion as at 31 December 2008. The Group's domestic market share of loans and advances increased to 14.9% as at the end of November 2008 from 14.4% as at the end of 2007 and 13.2% as at the end of 2006, as a result of the strong loan growth in the last few years.

In 2008, the Public Bank Group's lending activities remained focused on the retail sector, in particular loans to mid-market commercial enterprises and loans for the financing of residential properties and passenger vehicles. Total loans for financing the retail sectors and mid-market commercial enterprises grew by 16% during the year, accounting for 79% of the Public Bank Group's loan portfolio as at 31 December 2008. During the year, loan approval rates remained high with housing loan approvals and hire purchase loan approvals growing by 20% and 14% respectively as compared to 2007.

The Public Bank Group continued to meet small- and medium-sized enterprises ("SMEs") financing needs in support of the Government's on-going efforts to develop and strengthen SMEs as a major driver of domestic economy by providing ready access to financing of their working capital and business expansion needs. In 2008, the Group approved a total of RM10.5 billion of domestic SMEs loans, thus benefiting a wide cross-section of about 43,000 SMEs, significantly exceeding the target set by Bank Negara Malaysia for this important sector. This translates to 18% of the total industry's year-to-date September 2008 annualized loans approval to SMEs.

The Public Bank Group's banking and finance subsidiaries in Hong Kong, namely Public Bank (Hong Kong) Limited and Public Finance Limited, registered strong loan growth of 30% and 17% respectively in 2008, backed by the active expansion of branch network and sales and marketing resources, on top of the active promotion of the "PUBLIC BANK" brand name in Hong Kong. Presently, Public Finance Limited has 42 branches whereas Public Bank (Hong Kong) Limited has 28 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China. Public Bank (Hong Kong) Limited plans to further expand its branch network with the opening of 3 branches in Hong Kong in 2009.

Cambodian Public Bank Plc ("CAMPU Bank"), the Public Bank Group's wholly-owned subsidiary in Cambodia, continued its impressive track record of strong

business growth in 2008. Loans of CAMPU Bank stood at USD644 million as at the end of 2008, representing a growth of 77% as compared to the end of 2007. CAMPU Bank presently has 12 branches, with another 7 branches scheduled to be opened in 2009.

Sustained Strong Asset Quality

The Public Bank Group maintained its prudent appetite for credit risk whilst pursuing strong lending growth in 2008. The Group's asset quality and loan loss coverage has remained the best in the industry.

The Public Bank Group's asset quality measures continued to improve, both in terms of gross and net NPL ratios, as well as in the actual reduction in the quantum of gross NPL in 2008. The amount of gross NPL decreased by RM194 million or 14% during the year to RM1.21 billion as at the end of 2008, despite a strong loan growth of RM19.3 billion during the year. This had led to further improvement in the Group's gross NPL and net NPL ratios to 1.00% and 0.86% respectively as at the end of 2008 from 1.38% and 1.23% a year ago. The net NPL ratio of 0.86% was about one third that of the banking industry's net NPL ratio of 2.40% as at the end of November 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 0.37% in 2008 as compared to 0.44% in 2007. The Public Bank Group's credit charge-off rate remained low at 0.29% in 2008.

On a quarter-to-quarter comparison, the Public Bank Group's net NPL ratio had shown a consistently improving trend from 1.23% in December 2007 to 1.09%, 0.93%, 0.87% and 0.86% as at the end of March 2008, June 2008, September 2008 and December 2008 respectively.

The Public Bank Group's strong asset quality was complemented by its healthy loan loss coverage ratio of 160% as at the end of 2008, which was significantly higher than the banking industry's coverage of 85% as at the end of November 2008. The increase in the Group's loan loss coverage from 120% as at the end of 2007 was contributed by additional general allowance set aside for the strong loan growth in the year and the declining level of NPL. As at the end of 2008, the Group's general allowance of RM1.76 billion significantly exceeded the entire net NPL amount of RM1.04 billion, despite that more than 90% of the NPLs outstanding are secured.

Public Bank has taken various proactive initiatives during the year to assist borrowers to meet their repayment obligations, including extension of loan tenor and EPF withdrawals for housing loans to ease the increased financial burden of the customers as well as actively engaging with customers to restructure their loans. These pre-emptive measures, coupled with Public Bank's prudent lending policies and the affluent customer base, will help to sustain the Group's low NPL ratios moving forward.

Healthy Growth in Customer Deposits

Total customer deposits of the Public Bank Group rose by 17% or RM23.5 billion to stand at RM162.3 billion as at the end of December 2008, almost twice the banking industry's annualized growth rate of 9.3% as at end of November 2008. The Group's market share of domestic deposits stood at 14.8% as at the end of November 2008.

In 2008, the Public Bank Group's wholesale deposits in the form of money market deposits and negotiable instruments of deposits expanded by 14% to RM48.6 billion whilst the core customer deposits of the Group expanded by 18%, with savings accounts, current accounts and fixed deposit accounts growing at 12%, 13% and 20% respectively. The Group's core customer deposits grew at almost four times the pace of the domestic banking industry's annualized growth rate of 4.7% as at the end

of November 2008. This resulted in the Group's market share of core deposits increasing to 15.2% as compared to 13.7% at the end of 2007. In particular, the strong PB Brand and the strong financial standing of the Group in times of financial turmoil have translated to a strong 17% growth in deposits from retail individual customers in 2008.

As the rate of growth of customer deposits had kept pace with the growth in the Group's lending business, the Group maintained its strong liquidity position with net loans to deposits ratio standing at 73.0% as at the end of December 2008.

Wealth Management Products and Services

The Public Bank Group continued to develop its wealth management products and services with the aim to enhance the Group's return on equity and profitability.

Despite the weak market conditions with the inevitable sharp decline in the equity market, the Public Bank Group's unit trust and fund management business undertaken by its wholly-owned subsidiary, Public Mutual, continued to maintain its market leadership in the private unit trust industry due to the strong confidence of the fund unitholders on the management of the funds. The overall market share remained high at 39% with equity funds and Islamic funds market share stood at 54% and 52% respectively as at the end of 2008. Despite the weak market sentiments, Public Mutual had launched 12 new unit trust funds and achieved total new sales of RM7.64 billion in 2008. The net asset value of the Group's 67 funds under management stood at RM23.3 billion as at 31 December 2008. In addition, Public Mutual achieved a significant milestone in 2008 with the total number of investors in its Public Mutual unit trusts increasing by 24% to 2.05 million as at the end of December 2008, breaching the 2 million accountholder mark. Public Mutual continued to expand its agency force from 30,000 unit trust consultants as at the end of 2007 to over 42,000 unit trust consultants as at the end of 2008, a very potent

distribution channel to drive the business of Public Mutual when the market for unit trust improves. With the continued strong support and confidence of unitholders, coupled with the further expansion of agency force, Public Mutual continued to achieve a marginal increase in profitability in 2008.

In January 2008, Public Bank Group commenced its 10-year strategic alliance with ING, an exclusive bancassurance distribution arrangement to provide life, health and investment-linked insurance products in Malaysia and Hong Kong to customers of the Group and the public. In the first year of the tie-up with ING, the Group had launched 10 and 19 bancassurance products in Malaysia and Hong Kong respectively, covering investment-linked plans, mortgage life/ term life plans, endowment plans, medical plans and universal plans and achieved a total of RM466 million in annual premium equivalent earned.

The Public Bank Group has also recruited a total of 229 bancassurance sales executives in 2008 and plans to expand its bancassurance sales force to 600 over the medium-term to support its bancassurance business.

In order to meet the demands of its customers seeking wider investment options, Public Bank launched 3 principal protected structured investment products as well as a Gold Investment Account in 2008. All these new products received good customer response.

Setting Up of Public Islamic Bank

On 1 November 2008, the Islamic banking business of the Public Bank Group, which had been carried out as an Islamic banking window, was vested to Public Islamic Bank Berhad, a wholly-owned subsidiary of Public Bank. Public Islamic Bank is one of the largest Islamic banks in Malaysia with total Islamic banking assets of RM16.6 billion, financing of RM12.6 billion and deposits of RM13.8

billion. By conducting its Islamic banking business via an Islamic banking subsidiary, the Group has the opportunity to expand its present focus on serving retail consumers and mid-market commercial enterprise customers to the Islamic capital market over the longer term, besides contributing towards strengthening the institutional infrastructure of the Malaysian Islamic banking system, in line with the objective of Bank Negara Malaysia to position Malaysia as a major international Islamic financial hub.

Share Dividend Distribution and Capital Management

The Public Bank Group has always sought to maintain a healthy level of capital to support the growth of the Group's business. With the recent trend of re-capitalisation by the world's largest banks in both the US and Europe, there is increasing expectation by investors, depositors as well as regulators for a higher level of capital to weather the uncertainties in the global economy.

Despite the positive macroeconomic conditions of the Malaysian economy and the strong asset quality of the Public Bank Group, a more prudent capital management strategy is being pursued by the Group.

In order to retain a higher level of equity capital for future business expansion and to meet the current expectation of stakeholders and regulators, the directors have proposed a share dividend of 1 Public Bank treasury share for every 35 existing Public Bank shares held in place of cash dividend. This has effectively resulted in an increase in the equity capital of the Group by RM850 million whilst ensuring a continued high dividend payout of 86% of the Group's earnings to its shareholders, inclusive of the total cash dividend of 55 sen for the year.

The Public Bank Group is proactively monitoring its capital position to ensure that a healthy level of capital with a sustaining return to shareholders. The capital position

of the Group is expected to be further enhanced in the coming years with further issuance of debt capital, particularly non-innovative Tier-1 capital securities and subordinated debt securities. The forthcoming adoption of FRS139 and the Basel II Internal Ratings Based approach will also result in further enhancement of the Group's core capital ratio and risk-weighted capital ratio.

As at the end of 2008, the Public Bank Group's and Public Bank's risk-weighted capital ratios increased to 13.1% and 12.8% respectively, after deducting the proposed final cash and share dividend for 2008, as compared to 12.4% and 11.9% respectively as at 31 December 2007, significantly above the statutory minimum requirement of 8%. The core capital ratio of the Group and the Bank had also been strengthened to 7.7% and 10.1% respectively as compared to 7.6% and 9.5% respectively as at 31 December 2007. The Group's capital base stood at RM15.8 billion as at the end of December 2008 as compared to RM13.5 billion as at the end of 2007.

Group Prospects

As the risk of global recession threatens the pace of economic growth in Malaysia, the banking industry is faced with the twin challenges of an economy that is expected to slow and a still intensely competitive marketplace.

The past several years of building size and market share by the Public Bank Group with continued strengthening of the asset quality of its balance sheet provides the Group with the resilience to face up to the challenges in 2009. The Group will continue to focus on its strategy of building long-term sustainable core businesses, particularly in the expansion of its core business of lending to consumers and SMEs as well as expanding the depositor base by leveraging on its wide branch network, superior service standards and efficient multiple delivery channels. The Group will also step up efforts to reinforce the PB Brand and to pursue opportunities to improve

its operational efficiency through increasing the productivity of its employees and maintaining cost efficiency in the running of the Group's business. The Group will also continue to allocate significant resources to continue building its broad retail-based fee income structure.

In these challenging times, the Public Bank Group remains, more than ever, committed to its tradition of prudence and its belief in strong corporate governance.

Barring unforeseen circumstances, the Group is expected to maintain its earnings momentum and to continue to record satisfactory performance in 2009.

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Chairman

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