

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

**PUBLIC BANK ACHIEVES 3% GROWTH IN UNDERLYING OPERATING
NET PROFIT AND 4% LOAN GROWTH IN FIRST QUARTER OF 2009**

I am pleased to announce that the Public Bank Group continued to record satisfactory performance in the first quarter of 2009, with a 3% increase in underlying operating net profit despite the squeeze in net interest margin arising from the three consecutive reductions in Overnight Policy Rate (“OPR”) between November 2008 and February 2009. Loan growth remained strong at 4% in the first quarter of 2009, whilst the Group’s strong asset quality was sustained and net NPL ratio continued to be capped at below 1%.

In the first quarter of 2009, the Public Bank Group recorded net profit attributable to shareholders of RM589 million as compared to RM717 million for the corresponding period of 2008 which included a one-time goodwill payment of RM200 million from ING Asia/Pacific Limited (“ING”) for Public Bank’s bancassurance distribution alliance with ING. Excluding the one-time goodwill payment in the previous corresponding quarter, the Group’s underlying operating net profit improved by 3% over the same period in 2008. The Group’s results translate into an annualized net return on equity of 25.5% and earnings per share of 17.4 sen for the first quarter of 2009.

The growth in the Public Bank Group’s underlying operating net profit was mainly contributed by an expansion in net interest and financing income as well as stable loan loss allowances. Despite the more challenging operating environment and the negative impact of the OPR reductions on the net interest margin, the Group’s net interest and financing income grew by RM84 million or 8% in the first quarter of 2009 as compared to the corresponding quarter in 2008, as a result of strong loans and deposits growth, coupled with sustained strong asset quality.

Highlights of the Public Bank Group's Performance

- Net profit attributable to shareholders was RM589 million in the first quarter of 2009 as compared to RM717 million in the previous corresponding period. Excluding the one-time goodwill payment received in the first quarter of 2008, the underlying operating net profit of the Group increased by 3% as compared to the corresponding period last year.
- Annualised net return on equity for the first quarter of 2009 stood at 25.5%.
- Earnings per share for the first quarter of 2009 was 17.4 sen.
- Total assets increased by 2% to stand at RM199.2 billion as at the end of March 2009.
- Total loans and advances grew by RM5.1 billion or 4% to reach RM125.4 billion as at the end of March 2009, significantly above the banking industry's loans growth rate of 0.4% for the first two months of 2009.
- Core customer deposits increased by 8% in the first quarter of 2009 to reach RM120.8 billion as at the end of March 2009 as compared to the banking industry's growth rate of 2% during the first two months of 2009. Public Bank's domestic market share of core customer deposits rose to 15.3% as at the end of February 2009 from 14.7% as at the end of 2008.
- Net non-performing loans ("NPL") ratio of the Group remained below 1% as at the end of March 2009, as compared to the banking industry's net NPL ratio of 2.2% as at the end of February 2009. The Group's loan loss coverage of 164% continues to be the highest and most prudent in the Malaysian banking industry.

- Risk-weighted capital ratio of the Group remains strong at 13.3% as at the end of March 2009, showing an improvement from 13.1% as at the end of December 2008.

Continued Healthy Loan Growth Despite Challenging Market Environment

Despite the challenging market environment, the Public Bank Group continued to record healthy loan growth of RM5.1 billion or 4% in the first quarter of 2009 to reach RM125.4 billion as at the end of March 2009, significantly higher than the banking industry's loan growth rate of 0.4% for the first two months of 2009. The Group's domestic loan market share remained high at 14.9% as at the end of February 2009.

In the first quarter of 2009, loan applications received by Public Bank increased by 9% as compared to the corresponding period of 2008, whilst loan approvals grew by 11% to RM10.9 billion over the same period. The lending activities of the Public Bank Group remained focused on the retail sector, particularly in loans to mid-market commercial enterprises and loans for the financing of residential properties and purchase of passenger vehicles, which accounted for 78% of the total loan portfolio of the Group as at the end of March 2009.

In line with the Government's fiscal stimulus efforts to counter the effects of global recessionary pressures on the Malaysian economy, small- and medium-sized enterprises ("SMEs") have been promoted as a major driver of the domestic economy. Responding to this, the Public Bank Group continued to provide financing to SMEs for their working capital and business expansion needs. For the first quarter of 2009, the Group approved a total of RM2.4 billion of loans to domestic SMEs which accounted for 22% of the Group's total new domestic loans approved of RM10.9 billion for the same period. Public Bank and Public Islamic Bank have been

actively promoting the Government's Working Capital Guarantee Scheme for its SME customers.

Notwithstanding the still very challenging market environment, a healthy loan growth rate was achieved in the first quarter. This was due to the extensive sales and marketing efforts of the Group, whilst continuing to maintain the Group's stringent lending policies, with the aim of expanding the Group's high quality loan portfolio to generate long-term returns.

Sustained Strong Asset Quality

The Public Bank Group's asset quality remained strong as at the end of March 2009. The Group's gross and net NPL ratios remained stable at below 1% as at the end of March 2009, as compared to the banking industry's gross and net NPL ratios of 4.10% and 2.20% respectively as at the end of February 2009.

The level of new net NPL formation of the Public Bank Group also remained stable as reflected by the ratio of net new NPL to gross loans of 0.14% in the first three months of 2009 as compared to 0.16% in the preceding quarter. The Group's credit charge-off rate was also low at 0.29% in the first quarter of 2009.

The stable NPL position of the Public Bank Group is due to, inter alia, its prudent lending policies and strong risk management practices, its affluent customer base, and the prompt and timely loan recovery and loan restructuring efforts undertaken by the Group.

As at the end of March 2009, the Public Bank Group's loan loss coverage ratio increased to 164%, almost two times that of the banking industry's coverage ratio of 87% as at the end of February 2009. The increase in the Group's loan loss coverage from 160% as at the end of 2008 was mainly attributable to additional general

allowance set aside for the strong loan growth during the period. As at the end of March 2009, the Group's general allowance of RM1.83 billion significantly exceeded the entire net NPL amount of RM1.05 billion, despite that more than 90% of the NPLs outstanding are secured.

Healthy Expansion in Core Customer Deposits

Total customer deposits of the Public Bank Group grew by RM5.9 billion or 4% during the quarter to reach RM168.1 billion as at the end of March 2009, far exceeding the growth rate of the banking industry of 0.4% for the first two months of 2009.

The growth in the Public Bank Group's total deposits was mainly contributed by its core customer deposits, which recorded an impressive growth of 8% to RM120.8 billion in the first quarter of 2009 as compared to the banking industry growth rate of only 2% for the first two months of this year. This is a result of the Group's extensive efforts in growing its depositor base. In particular, the Group's fixed deposits and savings deposits increased by 9% and 5% respectively. Consequently, Public Bank's domestic market share of core customer deposits rose to 15.3% as at the end of February 2009 from 14.7% as at the end of 2008.

The Public Bank Group's overseas' operations, in particular Public Financial Holdings Group in Hong Kong and Cambodian Public Bank Plc ("Campu Bank") also delivered strong deposit growth of 7% and 3% respectively in the first quarter of 2009, as part of their continuous efforts to build up their respective deposit base. The Public Bank Group currently has a network of 74 branches in Hong Kong and Shenzhen with plans to open 3 more branches in Hong Kong by the end of 2009. Campu Bank, a wholly-owned subsidiary of Public Bank, is the largest bank in Cambodia with 12 branches. There are plans to open another 6 branches before the end of 2009.

The Group's liquidity position remains strong with net loans to deposits ratio standing at 73.4% as at the end of March 2009.

Wealth Management Products and Services

While the current economic climate is less supportive of the wealth management business, the Public Bank Group will continue to tap on its large deposits customer base for the development of its wealth management business to enhance the Group's return on equity and profitability.

Public Mutual, the wholly-owned unit trust and fund management subsidiary of Public Bank, maintained its market leadership in the private unit trust industry with an improved overall market share of 40% and over 1 million account-holders as at the end of March 2009. The Group's net assets under management grew by RM854 million or 4% in the first quarter of 2009 to stand at RM24.2 billion as at the end of March 2009. Public Mutual continues to build and nurture its agency force which currently stands at over 43,000, a highly effective distribution channel to drive the business of Public Mutual when the market for unit trusts improves.

In the second year of its strategic alliance with ING on bancassurance distribution, and with a total bancassurance sales force of over 300 currently, the Public Bank Group will continue with its efforts to build the infrastructure to drive the expansion of the Group's bancassurance business to increase its fee-based commission income in the long run. The customers' response to the Group's bancassurance products had been encouraging. For example, the sale of the One Solution Plan, which is the traditional regular premium life insurance product, has shown an impressive monthly growth of over 30%.

Capital Position Remains Strong

The Public Bank Group has always maintained a healthy and efficient level of capital to support the Group's business and to optimize returns to its shareholders.

As at the end of March 2009, Public Bank's risk-weighted capital ratio and core capital ratio improved to 13.2% and 10.2% respectively from 12.8% and 10.1% as at the end of 2008. The Bank's risk-weighted capital ratio of 13.2% was well above the statutory minimum requirement of 8%.

Public Bank has received the approval of Bank Negara Malaysia, subject to approval from Securities Commission, for its RM5.0 billion Non-Innovative Tier-1 Capital Securities Programme, which is available for issuance over a 7-year period. Based on an estimated initial issue size of approximately RM1.0 billion of Non-Innovative Tier-1 Capital Securities under this programme, the Bank's and Group's core capital ratios and risk-weighted capital ratios are expected to strengthen by approximately 1%. The adoption of FRS 139 with effect from 1 January 2010 and the adoption of the Basel II Internal Rating Based approach will also result in further enhancement of the Bank's and Group's core capital ratios and risk-weighted capital ratios.

Group Prospects

On the international front, global economies continue to be mired in recession and financial crises even as measures are being taken to tackle the global downturn. Malaysia, while not as badly affected, is experiencing an economic slowdown and weaker market sentiments. All sectors, including the financial services sector, can expect to face a more challenging operating environment for the current year.

In such challenging conditions, the Public Bank Group will continue to focus on its niche in the retail banking and financing business whilst maintaining its prudent credit policies, and further improve on its cost efficiency. The Group expects its strong asset quality to be sustained, and will continue to leverage on its wide and efficient branch network to deliver balance sheet and revenue growth. The Group remains steadfast in its commitment to uphold strong corporate governance and implement sound risk management policies to support long-term growth.

Barring unforeseen circumstances, the Group is expected to continue to record satisfactory performance for the rest of 2009.

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Chairman

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