

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

**PUBLIC BANK ACHIEVES 24% GROWTH IN PRE-TAX PROFIT
AND 4.4% DOMESTIC LOAN GROWTH IN FIRST QUARTER OF
2010**

I am pleased to announce that the Public Bank Group achieved a commendable start to 2010 with a pre-tax profit of RM923 million for the first quarter of 2010, representing a 24% growth from the corresponding period in 2009. Over the same period, the Group recorded a net profit of RM685 million, 16% higher as compared to RM589 million for the corresponding period in 2009. The Group's domestic loan base grew strongly by 4.4% in the first quarter of 2010. With the continued pursuit of prudent credit policies and effective credit monitoring, the Group continues to sustain its strong asset quality with its gross impaired loans ratio maintained at below 1%.

The Public Bank Group's results translate into an earnings per share of 19.7 sen for the first quarter of 2010 and an annualised net return on equity of 25.3%.

Highlights of the Public Bank Group's Performance

- Pre-tax profit of the Group grew by 24% to RM923 million in the first quarter of 2010 as compared to RM745 million in the previous corresponding quarter.
- Net profit attributable to shareholders grew by 16% to RM685 million in the current quarter as compared to RM589 million in the previous corresponding quarter.
- Annualised net return on equity for the first quarter of 2010 stood at 25.3%.
- Earnings per share for the first quarter of 2010 of 19.7 sen was 13% higher as compared to 17.4 sen in the first quarter of 2009.
- Cost-to-income ratio remains efficient at 35.7%.
- Total assets increased to RM219 billion as at the end of March 2010.

- Total loans and advances of the Group grew by RM4.8 billion or 3.5% in the first quarter of 2010 to reach RM142.4 billion as at the end of March 2010, driven by the strong domestic loan growth of 4.4% for the first quarter.
- The Group's total customer deposits increased by 2.8% in the first quarter of 2010 to reach RM175.6 billion as at the end of March 2010. The Group's domestic customer deposits grew at a stronger 3.8%, against the backdrop of a contraction of the domestic industry's customers deposit of 1.3% for the first two months of 2010.
- The gross impaired loans ratio of the Group remained below 1% as at the end of March 2010, as compared to the banking industry's gross impaired loans ratio of 3.4% as at the end of February 2010.
- The Group's loan loss coverage of 172.3% continues to be the highest and most prudent in the Malaysian banking industry.
- The core capital ratio and risk-weighted capital ratio of the Group remain healthy at 9.6% and 13.7% respectively as at the end of March 2010.

Continued Strong Profit Performance

The improved profit performance of the Public Bank Group for the first quarter of 2010 was mainly attributed to the strong growth in net interest and financing income, higher non-interest income and lower loan impairment allowances.

The increase in the Overnight Policy Rate ("OPR") by 0.25% in March 2010 translated into a direct improvement to the Group's net interest margin. Whilst the positive impact of the recent rate increase had not been fully reflected in the current quarter's results, the Group's net interest and financing income improved by RM160 million or 14.5% in the first quarter of 2010 as compared to the corresponding quarter in 2009, on the back of the strong organic growth in loans and customer deposits.

Non-interest income of the Group increased by 31.5% as compared to the corresponding period in 2009, mainly driven by higher income from the unit trust

and stockbroking businesses resulting from the stronger equity market, coupled with a broader fee-based business.

The Public Bank Group's loan impairment allowances decreased by 11% despite the strong loan growth for the quarter. This was directly attributed to the continued improvement in asset quality, particularly in the Group's overseas operations.

Continued Strong Loan Growth

In tandem with the improving economic sentiment, the Public Bank Group continued to record a strong increase in total loan and advances of RM4.8 billion, a 3.5% growth for the first quarter of 2010 or a 14% annualised growth rate, to reach RM142.4 billion as at the end of March 2010. Domestic loan growth for the quarter was stronger at 4.4%, growing at an annualised rate of 17.6%. With this, the Group's domestic market share of loans and advances further increased to 16% as at the end of February 2010. Based on the strong loan performance for the first quarter of 2010, the Group is on track and is well positioned to achieve its targeted loan growth rate of 15% for 2010.

The lending activities of the Public Bank Group remained focused on the retail sector, particularly in loans to mid-market commercial enterprises as well as 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 2010.

In the first quarter of 2010, the Public Bank Group's domestic retail loan approvals increased by 19% as compared to the corresponding period of 2009. In particular, domestic loan approvals for hire purchase and housing loans grew at an impressive rate of 32% and 23% respectively.

For the first quarter of 2010, the Group approved a total of RM2.7 billion of loans to domestic SMEs which accounted for 23% of the Group's total domestic loans approved of RM11.6 billion in the same period.

Sustained Strong Asset Quality

The Public Bank Group's asset quality remained strong as at the end of March 2010. The Group's gross impaired loans ratio remained stable at below 1% as at the end of March 2010, as compared to the domestic banking industry's gross impaired loans ratio of 3.4% as at the end of February 2010.

The annualised new impaired loans formation of the Public Bank Group improved significantly to 0.37% in the first quarter of 2010 as compared to 0.61% in 2009, due to the improvement of the Group's overseas new impaired loans formation rate from 3.71% to 0.50%.

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

As at the end of March 2010, the Public Bank Group's loan loss coverage ratio stood at 172.3%, almost two times that of the banking industry's coverage ratio of 93.3% as at the end of February 2010 despite that more than 90% of the impaired loans outstanding are secured.

Healthy Growth of Customer Deposits

Total customer deposits of the Public Bank Group grew by RM4.7 billion or 2.8% in the first quarter of 2010 to reach RM175.6 billion as at the end of March 2010. Domestic customer deposits grew by a stronger 3.8% as opposed to a contraction of the domestic banking industry's total customer deposits of 1.3% for the first two months of 2010.

The Group's liquidity position remains strong with net loans to deposits ratio standing at 79.8% as at the end of March 2010.

Improved Performance of the Group's Overseas Operations

For the first quarter of 2010, the Public Bank Group's overseas operations recorded significant improvements in earnings with a decline in credit charge and lower rates of new impaired loans formation. Pre-tax profit from the Group's overseas operations rose by 53% as compared to the preceding quarter ended December 2009. In comparison to the preceding quarter, overseas loan impairment allowance improved by 41%.

The Public Bank Group's expansion plan in its overseas operations remain focused on its Hong Kong and Cambodian operations. The Public Bank Group currently has a network of 80 branches in Hong Kong and 3 branches in Shenzhen in the People's Republic of China, with a further 2 branches in Hong Kong to be opened in 2010. Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, the largest bank in Cambodia by balance sheet size, presently has 17 branches, with another 10 branches targeted to be opened in 2010.

Expansion of Fee-based Income

The Public Bank Group continued to develop its fee-based income from unit trust, bancassurance and wealth management products, in order to further enhance the Group's profitability and return on equity.

Public Mutual Berhad, the Group's wholly-owned unit trust fund management subsidiary, remained the clear market leader in the private unit trust industry with an overall market share of 42%, whilst its market share in equity funds and Islamic funds stood at 57% and 55% respectively as at the end of February 2010. In the first quarter of 2010, Public Mutual's pre-tax profit grew by 25% to RM63.2 million from RM50.6 million in the corresponding period in 2009 due to higher net assets

under management of RM36.6 billion as at 31 March 2010, which was 51% higher as compared to RM24.2 billion a year ago. Public Mutual Berhad continues to build and nurture its large agency force, a highly effective distribution channel to drive the Group's unit trust business.

In the third year of its strategic alliance with ING group on bancassurance distribution, 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. Customers' response to the Group's bancassurance products has been encouraging and the trend is set to continue with more bancassurance product offerings targeted to be launched this year.

Capital Position Remains Healthy

The Public Bank Group has always sought to maintain a healthy level of capital to support the growth of the Group's business, whilst continuing to maintain healthy returns to its shareholders.

The Public Bank Group's capital position remains healthy, with its risk-weighted capital ratio and core capital ratio standing at 13.7% and 9.6% respectively as at the end of March 2010.

The Public Bank Group continues to proactively monitor the latest developments in regard to the Basel III proposals and to address its potential impact on the Group's capital requirements by realigning existing capital management strategies from time to time. The Group will pursue continued proactive capital management in order to maintain a healthy level of capital at all times to support the Group's business growth whilst maximising shareholders' returns.

Group Prospects

The economic performance of Malaysia in the last quarter of 2009, with a growth rate of 4.5% in the quarter amidst strengthening domestic economic activities and external demand, suggest a turnaround of the domestic economy in 2010. The sustained expansion in private consumption, improved conditions for SMEs and increased public sector spending contributed to higher domestic demand, which in turn translates to a healthy domestic operating environment in which the Public Bank Group largely operates.

The Public Bank Group will continue to pursue its strategy of strong organic business growth, maintaining its superior quality loan portfolio, expand its fee-based income and further improve its productivity. At the same time, the Group will continue with its efforts to further enhance its risk management capabilities, uphold its strong corporate governance culture and practices and further reinforce the strong PB Brand. The improved operating environment in 2010 will provide further leverage for the Group to sustain its growth trajectory.

Barring unforeseen circumstances, the Group is expected to continue to record satisfactory performance for the rest of 2010.

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Chairman

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