

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

**PUBLIC BANK RECORDS RM1.15 BILLION PRE-TAX PROFIT IN FIRST
HALF OF 2006 AND DECLARES AN INTERIM DIVIDEND OF 20%**

I am pleased to announce that the Public Bank Group achieved a pre-tax profit of RM1.15 billion for the first six months of 2006, an increase of 15% compared to the corresponding period in 2005. The Group's profit attributable to shareholders rose by RM128 million or 18% to RM839 million over the same period last year. The improved profit was mainly contributed by the increase in net interest income, net income from Islamic Banking operations as well as higher other operating income, partially offset by the increase in other operating expenses and higher general allowance on loans.

The Group's net interest income and net income from Islamic Banking operations rose by RM208 million or 15% compared to the previous corresponding period. This was driven by continued strong growth in both quality loans and deposits, as well as further improvement in asset quality. Other operating income increased by RM85 million or 20%, mainly attributable to higher gains on sales of trust units, increase in management fees from higher net asset value of unit trust funds under management and higher fees and transaction income from retail banking operations.

The increase of 9.5% equity interest in Public Financial Holdings Limited (formerly known as JCG Holdings Limited) ("PFHL") during the period, as a result of the underwriting and subscription of PFHL's rights issue had also contributed favourably to the Group's result.

The Board of Directors is pleased to declare an interim dividend of 20% less 28% taxation, which will result in a payout totalling RM477 million. The Group's risk-weighted capital adequacy ratio would continue to remain strong at 12.7% after the payment of the interim dividend.

Financial Highlights of the Public Bank Group

- For the second quarter of 2006, net profit attributable to shareholders increased by 17% to RM453 million compared to the first quarter of 2006. Consequently, earnings per share improved to 13.7 sen in the second quarter of 2006 compared to 11.7 sen in the preceding quarter.
- Net profit attributable to shareholders for the first half of 2006 increased by 18% to RM839 million compared to the same period in 2005, leading to an improved earnings per share of 25.4 sen in 2006 compared to 21.7 sen in the previous corresponding period.
- Annualised net return on equity was higher at 21.6% compared to 19.2% in 2005.
- Efficiency continued to rise with the cost to income ratio improving to 35.8% from 36.7% in 2005.
- Public Bank Group's total assets expanded by 21% to stand at RM134.6 billion as at the end of June 2006.

- Public Bank Group's total loans increased by RM10.1 billion or 15% to reach RM78.2 billion as at the end of June 2006, of which RM4.3 billion arose from the acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)").
- Excluding loans from PB(HK), the Group's total loans grew by 8.6% for the first half of 2006, almost 2.5 times that of the loan growth rate recorded by the banking industry.
- Net non-performing loan ratio improved to 1.6% in June 2006 as compared to 1.7% in December 2005, and was significantly lower than the banking industry's ratio of 5.6% as at the end of May 2006.

Continued Strong Growth in Retail Loans

The Public Bank Group's domestic loans and advances increased by 8.4% or RM5.5 billion to stand at RM70.7 billion at the end of June 2006, increasing its market share to 12.6% compared to 12.0% at the end of 2005. The Group's lending activities continued to be focused on the retail sector, with consumer loans for the financing of residential properties and transport vehicles as well as commercial lending to SMEs accounting for 71% of the Group's total loan portfolio as at the end of June 2006.

The strong growth of domestic loans coupled with the acquisition of PB(HK) led to loans for residential properties growing by 18% to RM21.2 billion in first six months of 2006. Meanwhile, loans for the purchase of transport vehicles increased by 8% to RM21.4 billion.

Further Improvement in Asset Quality

The Public Bank Group's gross non-performing loans ("NPL") and net NPL ratios as at the end of June 2006 had improved to 1.9% and 1.6% respectively from 2.1% and 1.7% respectively as at the end of December 2005. The level of new NPL formation remained relatively stable, as reflected by the ratio of net new NPL to gross loans of 0.3% in the first half of 2006 compared to 0.4% for the preceding six months period. The consistently low NPL ratios of the Group reflect the Group's prudent lending policies and practices which were complemented by strong credit management and proactive credit recovery process.

The Group's loan loss coverage ratio continued to increase to 98% as at the end of June 2006 from 92% as at the end of December 2005 with additional general allowance set aside while the level of NPL remained relatively unchanged. The Group's loan loss coverage ratio was also significantly above the 54% coverage for the banking industry at the end of May 2006.

Higher Growth in Customer Deposits

Excluding customer deposits of PB(HK), the Group's total deposits from customers grew by 12% for the first half of 2006, compared to the 3.5% growth recorded by the banking industry for the first five months of 2006. The Group's liquidity improved with the strong deposit growth, with loans to deposits ratio standing at 76% as at the end of June 2006 as compared to 79% as at the end of 2005.

Improved Net Interest Income

The Public Bank Group's net interest income improved by 8% in the current quarter compared to the preceding quarter on the back of improved interest margins. The Group's average lending rate increased from 6.03% in the first three months of 2006 to 6.40% in the second quarter of 2006 while average deposit rate increased marginally from 2.29% to 2.34% in the respective periods. In addition, the net interest margin on wholesale deposits on-lent to the interbank market increased from 0.13% in the first quarter of 2006 to 0.18% in the current quarter.

Capital Position Remains Strong

The Public Bank Group's capital base stood at RM10.4 billion as at 30 June 2006 compared to RM11.6 billion at the end of 2005. With the consolidation of PB(HK), the Group's risk-weighted capital ratio still remained strong at 12.7% as at 30 June 2006, after the payment of the interim dividend, and is well above the statutory minimum requirement of 8%.

Expansion in Hong Kong and Greater China

The acquisition of Asia Commercial Bank Limited by Public Financial Holdings Limited, a 73.5% subsidiary of Public Bank, was completed on 30 May 2006. Asia Commercial Bank Limited changed its name to Public Bank (Hong Kong) Limited on 30 June 2006. The acquisition of Public Bank (Hong Kong) Limited provides the Public Bank Group with the opportunity for an immediate expansion of its banking business in Hong Kong, as well as an entry to the banking business in Greater China.

Group Prospects

The Malaysian economy is expected to maintain its growth momentum in 2006 despite the increasing challenges of high oil prices, wide global imbalances and high global interest rates. Public Bank Group will continue to build on the momentum of its strong loans growth, whilst maintaining strong asset quality by keeping to the Group's uncompromising prudent credit standards and practices. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance for 2006.

Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman

Dated 20 July 2006

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