

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

**PUBLIC BANK ACHIEVES RECORD PRE-TAX PROFIT OF RM1.41
BILLION IN FIRST HALF OF 2007**

I am pleased to announce that the Public Bank Group achieved a 21% increase in pre-tax profit to RM1.41 billion for the first half of 2007. The Group's net profit attributable to shareholders rose to RM1.0 billion, an increase of 18% over the same period last year. This is a significant milestone for the Public Bank Group as its net profit for the half year crossed the RM1 billion profit mark for the first time. Only three and half years ago, the Group's net profit for the full year of 2003 stood at RM989 million. Meanwhile the Group's operating revenue rose 33% to RM4.6 billion.

The strong profit performance of the Public Bank Group was attributable to sustained growth in net interest income, net income from Islamic Banking operations and other operating income as well as lower loan loss allowances, partially offset by an increase in other operating and promotional expenses.

Net interest income and net income from Islamic Banking operations increased by 12% to RM1,771 million, on the back of the continued healthy expansion in both the Public Bank Group's lending and deposit-taking businesses, as well as its strong asset quality. Other operating income expanded by RM175 million or 38% to RM639 million, mainly contributed by the strong performance of the Group's unit trust management business through its wholly-owned subsidiary, Public Mutual, higher brokerage and commissions from stock-broking activities as well as higher net gain from the sale of securities. Loan loss allowances decreased by RM33 million mainly due to recovery of non-performing loans.

The Board of Directors is pleased to declare an interim dividend of 25% less 27% taxation, which will result in a payout totalling RM612 million. The Public Bank Group's risk-weighted capital adequacy ratio remains strong at 13.7% after the payment of the interim dividend.

Highlights of the Public Bank Group's Performance

- On a quarter-on-quarter basis, net profit attributable to shareholders for the second quarter of 2007 increased by 10% to RM524 million as compared to the first quarter of 2007.
- Annualised net return on equity for the first six months of 2007 was higher at 24.2% as compared to 21.9% in 2006.
- Earnings per share increased by 16% to 29.8 sen compared to 25.6 sen for the previous corresponding six months period.
- Total assets expanded by RM14.12 billion or 10% in the first half of 2007 to stand at RM161.91 billion as at the end of June 2007.
- Total loans and advances grew by 8.5% in the first half of 2007, more than 2.5 times that of the loan growth recorded by the banking industry.
- Net non-performing loan ratio improved to 1.5% as at the end of June 2007, with loan loss coverage standing at 105% which is the highest and most prudent in the Malaysian banking industry.

- The Group's wholly-owned unit trust management subsidiary, Public Mutual, increased its total unit trust funds under management by 36% to RM22.07 billion in the first six months of 2007, and commanded an improved market share of 36.1% as at the end of May 2007. Public Mutual's total sales of trust units for the first six months of 2007 reached RM5.35 billion, which was about 3 times that of the sales of RM1.77 billion achieved in the previous corresponding period in 2006.

Continued Strong Loan Growth

In the first half of 2007, the Public Bank Group's loans and advances grew by RM7.2 billion or 8.5% to reach RM91.6 billion as at the end of June 2007. As a result, the Group's domestic market share for loans and advances rose to 13.8% as at the end of June 2007 from 13.2% six months earlier.

The Public Bank Group's lending activities continued to be focused on the retail sector, in particular loans to small- and medium-sized enterprises ("SMEs") and loans for the financing of residential properties and purchase of passenger vehicles. Together, these sectors accounted for 70% of the total loan portfolio of the Group as at the end of June 2007.

The Public Bank Group's commercial banking subsidiary in Hong Kong, Public Bank (Hong Kong) Limited, registered a strong growth of 24% in its loans and advances in the first six months of 2007. Public Bank (Hong Kong) Limited opened 6 new branches in Hong Kong and 1 new branch in Shenzhen in the People's Republic of China in the first half of 2007, bringing its network in Hong Kong and Greater China to 23 branches.

The Public Bank Group's wholly-owned subsidiary in Cambodia, Cambodian Public Bank Ltd, had also expanded its branch network to a total of 7 branches and achieved a strong loan growth rate of 34% in the first six months of 2007.

The Public Bank Group plans to further expand its branch network overseas in the next six months, with the opening of 4 branches in Hong Kong, 3 branches in Cambodia and 2 branches in Laos.

Sustained Strong Asset Quality

Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality and loan loss coverage.

The Public Bank Group's gross non-performing loans ("NPL") ratio improved to 1.7% as at the end of June 2007 compared to 1.9% as at the end of 2006 and its net NPL ratio improved from 1.6% to 1.5%. This is less than one third of the banking industry's net NPL ratio of 4.3% in May 2007. The level of net new NPL formation had declined, as reflected by the ratio of net new NPL to gross loans of 0.27% in the current period compared to 0.44% for the preceding six months period. The total gross non-performing loan amount has declined to RM1.56 billion as compared to RM1.58 billion as at end of 2006 despite a RM7.2 billion growth in the loan base.

As at end of June 2007, the Group's loan loss coverage ratio stood at 105%, significantly above the 65% coverage for the banking industry as at end of May 2007. The Group's general allowance of RM1.41 billion was sufficient to cover the entire net non-performing loan amount of RM1.34 billion as at end of June 2007 despite that more than 90% of the NPLs are secured.

Healthy Growth in Customer Deposits

Total customer deposits of the Public Bank Group increased by RM11.4 billion or 10% to RM123.2 billion as at end of June 2007. Besides the strong growth of 10% in the wholesale deposit market in the first half of 2007, the core customer deposits of the Group continued to register healthy growth, with lower cost savings deposits and current accounts as well as fixed deposit accounts growing by 7%, 8% and 12% respectively in the same six months period. The strong deposits growth boosted the Group's market share of domestic deposits to 14.3% as at end of June 2007 compared to 14.2% as at end of December 2006.

As the rate of growth of customer deposits had kept in pace with the growth in the Public Bank Group's lending business, the Group maintained its strong liquidity position with its loan to deposit ratio standing at 73% as at the end of June 2007.

Strong Performance of Fund Management Business

The Public Bank Group's unit trust and fund management business under its wholly-owned subsidiary, Public Mutual, continued to deliver outstanding results in the first half of 2007. Eleven new funds were launched during this period, bringing the total number of funds under management to 45. As at the end of June 2007, total net assets under management totalled RM22.07 billion, of which 77% were equity funds. This represented an increase of RM5.88 billion or 36% from net assets under management of RM16.19 billion at the end of December 2006, and a growth of RM8.69 billion or 65% over the past 12 months since the end of June 2006. Over a period of two and a half years, the net assets under management of Public Mutual had grown by 123% leading to an increased market share of 36.1% as at the end of May 2007 as compared to 26.3% as at the end of December 2004.

Public Mutual expanded its sales agency force by 22% in the first six months of 2007 to over 20,200 agents as at the end of June 2007.

Total unit trust sales surged to a record RM5.35 billion in the first six months of 2007 which surpassed the total sales of RM4.10 billion for the full year of 2006, and was about 10 times that of the sales of unit trust achieved 5 years ago in 2002. Public Mutual posted unit trust management fees and income on sale of trust units of RM120 million and RM86 million respectively, an increase of 50% and 271% respectively compared to the corresponding period in 2006.

Capital Position Remains Strong

The Public Bank Group's risk-weighted capital ratio remains strong at 13.7% as at the end of June 2007, after the proposed interim dividend for 2007. This was above the industry's risk-weighted capital ratio of 13.1% and the statutory minimum requirement of 8.0%.

Group Prospects

The Asian region continues to enjoy strong economic growth. Public Bank will maximize the growth opportunities presented by the favourable business environment in Malaysia as well as in Hong Kong and Indo-China to increase its market share of the retail banking business. The Group will also continue to expand its fee-based activities, particularly in fund management, bancassurance and other wealth management services. In its pursuit of business expansion, the Public Bank Group remains committed to its tradition of prudence and its belief in strong corporate governance to ensure a sustainable rate of growth for the Group.

Barring unforeseen circumstances, the Public Bank Group is expected to continue to record satisfactory performance in the second half of 2007.

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Chairman

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