

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

**PUBLIC BANK SURPASSED RM3 BILLION PROFIT MARK AND PAYS
TOTAL DIVIDEND OF 75 SEN FOR 2007**

I am pleased to announce that the Public Bank Group's pre-tax profit increased by 24% to reach a record RM3,004 million in 2007, surpassing the RM3 billion mark for the first time. The Group's earnings per share stood at 63.3 sen, up by 21% from 2006 whilst net return on equity grew strongly from 21.9% in 2006 to 26.3% in 2007.

The strong financial performance of the Public Bank Group was attributed to a healthy growth in net interest and financing income, strong other operating income as well as lower loan loss allowances, partially offset by an increase in operating expenses.

Net interest income and net income from Islamic Banking increased by RM424 million or 13% to RM3,722 million in 2007, on the back of the continued strong growth in both the Public Bank Group's lending and deposit-taking businesses, as well as further improvement in asset quality. Other operating income expanded by 43% to RM1,389 million, mainly contributed by higher fee income due to significant growth of the Group's fund management business, increase in commissions from stockbroking activities, as well as higher gain from the sale of securities. This had resulted in the ratio of non-interest income to total income increasing from 23% in 2006 to 27% in 2007. Loan loss allowances decreased by RM59 million mainly due to higher recovery of non-performing loans.

In view of the Public Bank Group's stellar performance, the Board of Directors is pleased to propose a final dividend of 40 sen and a special dividend of 10 sen,

totaling 50 sen less 26% taxation. Together with the interim dividend of 25 sen less 27% taxation, which was paid in August 2007, the dividend paid and payable for 2007 amount to 75 sen per Public Bank share or RM1,854 million in total. The Group's risk-weighted capital ratio remains strong at 12.4% after the payment of the proposed final and special dividends.

Highlights of the Public Bank Group's Performance

- Pre-tax profit for 2007 expanded by 24% to RM3,004 million as compared to 2006.
- Net profit attributable to shareholders expanded by 23% to RM2,124 million in 2007 as compared to RM1,727 million in 2006.
- Net return on equity for 2007 increased to 26.3% compared to 21.9% in 2006 and is more than double the net return on equity of 12.1% five years ago.
- Earnings per share jumped by 21% to 63.3 sen from 52.1 sen in 2006.
- Pre-tax profit and net profit for the fourth quarter increased by 6% and 7% to RM821 million and RM580 million respectively as compared to the preceding quarter ended 30 September 2007.
- Cost-to-income ratio remains low at 33.1% as compared to the industry average of 44.0%.
- Total assets grew by 18% in the year to reach RM174.2 billion as at the end of 2007, which was almost three times the Group's total asset size of RM61.9 billion as at the end of 2002.

- Total loans and advances expanded by 20% or RM17.1 billion to stand at RM101.4 billion as at end of 2007 with loan market share rising to 14.0% as at November 2007 from 13.2% as at the end of 2006.
- Total customer deposits increased by 24% to reach RM138.8 billion as at end of 2007, leading to increase in market share of deposits to 14.3% as at November 2007.
- Net non-performing loan ratio improved to 1.2% as at the end of 2007 compared to 1.6% a year ago, with loan loss coverage standing at 119% which is the highest and most prudent in the Malaysian banking industry.
- Risk-weighted capital ratio remains strong at 12.4% as at end of December 2007, after deducting the proposed final and special dividends.
- The Group's wholly-owned unit trust management subsidiary, Public Mutual, increased its total fund assets under management by 75% to RM28.4 billion as at end of 2007 and commanded an improved market share of 40.0% as at end of 2007 from 27.6% as at the beginning of 2006.

Improved Shareholder Value and High Dividend Payouts

The Public Bank Group's strong profit performance is reflected in Public Bank's outperforming share price. Public Bank (Local) share price and Public Bank (Foreign) share price both rose to RM11.00 as at the end of 2007 from RM7.75 and RM7.85 respectively at the start of the year. This together with the total gross dividend received during the year translate to an annual return of 50% in 2007 to Public Bank shareholders. Public Bank's market capitalization increased by 44% from RM26.9 billion to RM38.8 billion during the same period.

The Public Bank Group continued to pursue a high dividend payout policy in 2007 as an integral part of the Group's initiatives to improve its capital efficiency. Its dividend payout ratio for 2007 further increased to 87% from 84% in 2006.

Strong Organic Loan Growth

The Public Bank Group's loans and advances increased by 20% to stand at RM101.4 billion as at the end of 2007. The total loan growth amount of RM17.1 billion in 2007 is 43% higher than the organic loan growth amount of RM11.9 billion recorded in 2006, contributed by higher growth achieved by both the Group's domestic as well as overseas operations. The Group's domestic market share for loans and advances rose to 14.0% as at November 2007 from 13.2% at the beginning of 2007.

The Public Bank Group's lending activities continued to be focused on the retail sector, with commercial lending to small- and medium-sized enterprises ("SMEs") and consumer loans for the financing of residential properties and purchase of passenger vehicles accounting for 68% of the total loan portfolio of the Group as at the end of 2007. During the year, loan approvals for these key sectors rose by 35% compared to 2006.

Further Improvement in Asset Quality

The Public Bank Group's asset quality remains the strongest in the industry and is ranked the best amongst all banks in Malaysia, reflecting the Group's continued prudent lending policies and practices which were complemented by strong credit management.

The Public Bank Group's gross non-performing loans ("NPL") ratio improved to 1.4% from 1.9% a year earlier. Net NPL ratio further improved to 1.2% as compared to 1.6% as at the end of 2006. The Group's net NPL ratio of 1.2% was about one third that of the Malaysian banking industry's net NPL ratio of 3.3%.

The Public Bank Group's total gross NPL amount decreased by 11% or RM174 million to RM1.40 billion as at the end of 2007, despite a RM17.1 billion growth in the Group's total loan base during the year. The level of net new NPL formation improved significantly, as reflected by the ratio of net new NPL to gross loans of 0.44% in 2007 as compared to 0.78% in 2006. The lower new NPL formation coupled with strong loan recoveries had led to an improvement in the Group's credit charge-off rate to 0.21% in 2007 as compared to 0.34% in 2006.

The Public Bank Group also maintained a high level of provisioning with a loan loss coverage ratio of 119% as at the end of 2007, significantly higher than the banking industry's coverage of 73% as at the end of November 2007. The increase in the Group's loan loss coverage ratio from 100% a year ago was primarily due to additional general allowance set aside with declining level of NPLs. As at the end of 2007, the Group's general allowance of RM1.52 billion was about 1.2 times of the net NPL amount of RM1.25 billion despite that 90% of the NPLs are secured.

Strong Growth in Customer Deposits

The total customer deposits of the Public Bank Group grew by 24% or RM27.0 billion to stand at RM138.8 billion as at the end of 2007.

The Public Bank Group's wholesale deposits in the form of money market deposits and negotiable instruments of deposits issued grew by RM10.6 billion or 33% whilst core customer deposits also registered strong growth, with lower cost savings deposits and current accounts as well as fixed deposits growing by 14%, 24% and

21% respectively in 2007. The strong growth in customer deposits was further enhanced through the expansion of the Group's foreign currency deposits as well as the launch of the Group's first offering of a structured investment product. As a result, the Group's market share of domestic deposits increased to 14.3% as at the end of 2007. The Group's liquidity has also improved with loans to deposits ratio standing at 71.6% as at the end of 2007 compared to 74.1% a year earlier.

Expansion of Overseas Operations

The Public Bank Group's profit from its overseas operations recorded a 32% increase to RM436 million in 2007 despite the negative foreign exchange impact due to the strengthening of Ringgit against the Hong Kong Dollar and the US Dollar. This represented 15% of the Group's profit before taxation for 2007. Public Financial Holdings Limited Group in Hong Kong and Cambodian Public Bank in Cambodia were the main contributors to the strong performance, chalking up growth in pre-tax profit of 32% and 65% respectively.

The Group's commercial bank in Hong Kong, Public Bank (Hong Kong) Limited, continued to register strong loan and deposit growth of 51% and 44% respectively in 2007. The strong growth was supported by the active promotion of the Group's PB Brand in Hong Kong, the expansion of Public Bank (Hong Kong)'s branch network and active marketing of its loan and deposit products. Since its acquisition by the Public Bank Group in May 2006, Public Bank (Hong Kong) has opened 11 new branches in Hong Kong and 1 new branch in Shenzhen, bringing the total branch network to 25 branches currently. Together with the Group's finance company in Hong Kong, Public Finance Limited, the total branch network of the Group in Hong Kong and Greater China had expanded to 66 branches from 56 branches as at the end of 2006.

The Group's commercial banking subsidiary in Cambodia, Cambodian Public Bank Ltd ("CAMPU Bank"), also achieved rapid expansion of its lending as well as deposit-taking activities. During the year, customer deposits grew by 59% while loans grew strongly by 130% and making CAMPU Bank the largest lender in Cambodia as at the end of 2007. CAMPU Bank has 9 branches currently, an increase of 4 branches since the beginning of 2007.

In the first quarter of 2008, the Public Bank Group plans to further expand its branch network overseas with the opening of 2 branches each in Hong Kong, Cambodia and Laos and 1 branch in Vietnam.

Besides the significant expansion of the Public Bank Group's commercial banking activities overseas, the Group has also ventured into the general insurance business during the year with the setting up of a 55% owned subsidiary in Cambodia, CampuBank Lonpac Insurance Plc, on 30 August 2007. This subsidiary, whose minority shareholder is LPI Capital Bhd, contributed marginally to the Group's profit during its initial 4-month operations and is expected to make more significant contribution in the medium- to longer- term.

Outstanding Performance of Fund Management Business

Public Mutual, the wholly-owned unit trust fund management subsidiary of Public Bank, significantly outperformed the industry in 2007. Twenty one new unit trust funds were launched during the year, bringing the total number of funds managed by Public Mutual to 55. As at the end of 2007, net assets value ("NAV") of funds under management stood at RM28.4 billion, an increase of 75% in 2007. Seventy nine percent of Public Mutual's NAV of funds under management are equity linked funds. Over a period of less than 2 years, Public Mutual has increased its market share of the private sector unit trust management business to 40.0% as at the end of

2007 from 27.6% at the beginning of 2006, thus strengthening its market leadership position further.

Total unit trust sales of Public Mutual surged to a record high of RM13.1 billion, more than three times that of the total unit trust sales of RM4.1 billion achieved in 2006. Unit trust management fees and income on sale of trust units grew by 64% and 221% respectively to reach RM285 million and RM200 million respectively. As a result, Public Mutual achieved a 88% increase in pre-tax profit to RM183 million in 2007.

The number of Public Mutual unit trust agents increased to nearly 30,000 agents at the end of 2007 from 11,800 agents at the beginning of 2006. The rapid expansion in the sales agency force is backed by the strong Public Bank Group branding and reputation, and Public Mutual's excellent fund management track record and award-winning fund performances.

Capital Position Remains Strong

The Public Bank Group has always maintained a strong and efficient level of capital to support the strong growth of the Group's business. As at the end of 2007, the Group's risk-weighted capital ratio remained strong at 12.4%, after deducting the proposed final and special dividends for 2007. This was significantly above the statutory minimum requirement of 8.0%.

Public Bank's implementation of the Standardised Approach under the Basel II Capital Accord with effect from 1 January 2008 will see a strengthening of the risk-weighted capital ratio of the Bank by at least 0.6%.

Group Prospects

Economic growth in the Asian region is expected to remain positive in 2008 despite the increasingly challenging environment due to high global oil prices, tighter global credit conditions and deceleration of the US economy. The Malaysian economy is also expected to be resilient, boosted by supportive government policies to promote domestic consumption and support SMEs as well as development activities of the Ninth Malaysia Plan and regional development initiatives. Competition, however, will intensify in the financial services sector leading to further pressure on lending margins.

In this challenging environment, the Public Bank Group will continue to pursue its strategy of high organic business growth, improving cost efficiency and maintaining strong asset quality to sustain profitability growth. The Group has also embarked on initiatives to enhance long-term fee-based revenue by expanding the Group's fund management and bancassurance business as well as wealth management services, including structured investment products. The 10-year regional strategic alliance between Public Bank and ING/Asia Pacific Limited for bancassurance distribution which came into effect on 1 January 2008 is expected to boost the Group's fee-based commission income in the medium- to longer- term. In its pursuit of business expansion, the Public Bank Group will continue to adhere to good corporate governance and transparency as well as maintain its strong risk management policy.

Barring unforeseen circumstances, the Group is expected to maintain its earnings momentum and to continue to record satisfactory performance in 2008.

Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman

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