

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

**PUBLIC BANK ACHIEVES A 31% GROWTH IN NET PROFIT TO RM1.31
BILLION IN THE FIRST HALF OF 2008**

I am pleased to announce that the Public Bank Group maintained its strong performance in the first six months of 2008. The Group's net profit attributable to shareholders grew 31% to RM1.31 billion for the first half year ended 30 June 2008 as compared to the corresponding period in 2007. Pre-tax profit improved by 25% to RM1.76 billion despite an increase of RM48 million in general allowance made due to the higher loan growth in the current period. The Group's earnings per share rose to 39.1 sen compared to 29.8 sen for the corresponding period of 2007 whilst net return on equity grew strongly from 26.3% in 2007 to 31.3% in the current period.

The record profit performance of the Public Bank Group in the first half of 2008 was contributed by strong growth in net interest and financing income and other operating income, partially offset by an increase in operating expenses and higher loan loss allowances due to higher business volumes.

Net interest and financing income grew by RM296 million or 17% to RM2.06 billion for the first half of 2008. This was achieved on the back of continued strong growth in both the Public Bank Group's lending and deposit-taking businesses, as well as its sustained strong asset quality. Other operating income grew strongly by 36% to RM871 million due to higher fee and foreign exchange income and strong growth in its wealth management business, particularly the fund management business and initial contribution from bancassurance distribution pursuant to the Group's 10-year regional strategic alliance with ING Asia/ Pacific Limited ("ING").

The increase in loan loss allowances during the first six months of 2008 as compared to the previous corresponding period was mainly due to higher general allowance which increased by RM48 million arising from stronger loan growth as well as

additional specific allowance made for old non-performing loan accounts secured by properties which are more than seven years in arrears. These accounts are fully provided for with no value assigned to the collateral.

In view of the sustained strong performance of the Group, the Board of Directors is pleased to declare an interim dividend of 30% less 26% taxation, which will result in a payout totalling RM745 million.

Highlights of the Public Bank Group's First Half Year Performance

- Net profit attributable to shareholders expanded by 31% to RM1.31 billion from RM1.0 billion in the first half of 2007, contributed by strong growth of 30% in operating profit.
- Annualised net return on equity increased to 31.3% as compared to 26.3% for the financial year ended 31 December 2007.
- Earnings per share rose by 31% to 39.1 sen from 29.8 sen in the first half of 2007.
- Cost to income ratio further improved to 29.3% as compared to 33.1% in 2007, reflecting continued improvement in productivity and efficiency.
- Total assets grew by 6% during the six-month period to RM185.2 billion, which was three and a half times that of the Group's total asset size of RM53.3 billion as at the end of 2001.
- Total loans and advances grew strongly by RM12.1 billion, or an annualized rate of 24%, in the first half of 2008, double that of the loan growth recorded by the banking industry.

- Total customer deposits also grew strongly at an annualized rate of 19% to reach RM152.2 billion.
- Net non-performing loan (“NPL”) ratio fell below the 1% mark for the first time. The Group’s net NPL ratio of 0.93% as at the end of June 2008 was about one third that of the banking industry’s net NPL ratio of 2.8%. Loan loss coverage stood at 150% which remains the highest and most prudent in the Malaysian banking industry.
- Risk-weighted capital ratio remains strong at 13.6% after deducting the proposed interim dividend.
- Interim dividend per share increased by 20% to 30 sen as compared to the interim dividend of 25 sen for the first half of 2007.

Sustained Strong Organic Loan Growth and Increasing Market Share

Loans and advances to customers expanded by RM12.1 billion, or an annualized rate of 24%, in the first half of 2008 to RM113.06 billion as at the end of June 2008. The Public Bank Group’s domestic market share of loans and advances rose to 14.9% as at the end of May 2008 from 14.4% as at the end of 2007, and has more than doubled from the 6.4% market share in 2001.

The growth in loans and advances was well distributed, with strong growth to the retail sector for the purchase of residential properties and passenger vehicles and commercial lending to small- and medium-sized enterprises (“SMEs”), as well as to large corporate accounts. As at the end of June 2008, 87% of the Public Bank Group’s loan portfolio was channeled to finance the retail sector, comprising the consumer sector and mid-market commercial enterprises. Loan approvals in the first six months of 2008 was very strong, registering an increase of 22% compared to the

previous corresponding period. In particular, housing loan approvals and hire purchase loan approvals rose by 40% and 35% respectively as compared to the first half of 2007. The strong loan approvals in the first half of 2008 will contribute positively to loans growth and net interest and financing income in the second half of 2008.

Further Improvement in Asset Quality

The Public Bank Group's non-performing loans ("NPL") continued to trend downwards, further strengthening Public Bank's market leadership position for asset quality. In the first six months of 2008, the amount of NPL decreased by RM185 million or 13% to RM1.22 billion, despite a RM12.1 billion growth in the total loan base. As a result, the Group's net NPL fell below the 1% mark to 0.93% as at the end of June 2008 from 1.23% as at the end of 2007.

The level of net new NPL formation also declined in the first half of 2008, as reflected by the ratio of net new NPL to gross loans of 0.18% in the first half of 2008 as compared to 0.44% for the year ended 31 December 2007.

The Public Bank Group's NPL portfolio is well-covered, with loan loss coverage ratio further increased to 150% as at the end of June 2008, almost double the banking industry's coverage ratio of 78% as at the end of May 2008. At the end of June 2008, the Group's general allowance of RM1.66 billion was about 1.58 times that of the total net NPL amount of RM1.05 billion, despite that more than 90% of the NPLs are secured.

The recent petrol price increases and heightened inflationary pressure is not expected to have a significant impact on the Public Bank Group's asset quality. Public Bank has already taken various proactive initiatives to assist borrowers to meet their repayment obligations in the more challenging economic environment,

including extension of loan tenor and EPF withdrawals for housing loans to ease customers' increased financial burden and maintain its strong asset quality.

Strong Growth in Customer Deposits

Total customer deposits of the Public Bank Group rose by RM13.4 billion or an annualized rate of 19% to stand at RM152.2 billion as at the end of June 2008.

During the six-month period ended 30 June 2008, the Public Bank Group's wholesale deposits in the form of money market deposits and negotiable instruments of deposits expanded by RM6.5 billion or an annualized rate of 31%. The core customer deposits of the Group continued to register healthy annualized growth of 14%, with lower cost savings deposits, current accounts and fixed deposit accounts, growing at annualized rates of 13%, 16% and 14% respectively in the six-month period.

As a result of the healthy customer deposits growth, the Public Bank Group's liquidity remains strong with loans to deposits ratio standing at 73.1% as at the end of June 2008.

Expansion of Overseas Operations

International operations, which contributed 12% to the Public Bank Group's profit before taxation, registered a 25% growth in profit before taxation for the first six months of 2008 in their respective local currencies.

Public Financial Holdings Group ("PFHG"), with 66 branches in Hong Kong and 2 branches in Shenzhen in the People's Republic of China, delivered strong balance sheet growth and accounted for almost two-thirds of the profits from overseas

operations. PFHG's loans and customer deposits grew by an annualized rate of 30% and 22% respectively in the first half of 2008, due to the Group's significant effort in branch expansion and building of its brand name and customer base in Hong Kong.

The Public Bank Group's operations in Cambodia, carried out by its wholly-owned subsidiary, Cambodian Public Bank Ltd ("CAMPU Bank"), continued its impressive track record of strong balance sheet and profit growth in the first half of 2008. CAMPU Bank's profit before taxation of USD19 million represents a 108% increase over the same period in 2007, and accounted for approximately one-third of the Group's profit from international operations. Loans and deposits of CAMPU Bank stood at USD555 million and USD363 million respectively as at the end of June 2008, registering an annualized growth of 106% and 42% during the six-month period ended 30 June 2008. CAMPU Bank is currently the largest bank in Cambodia with total assets of USD758 million and has 11 branches as at the end of June 2008, with a further 3 branches scheduled for opening in the second half of 2008.

Wealth Management Products and Services

The Public Bank Group had taken significant initiatives to expand its wealth management products and services, which is a low capital intensive source of revenue, with the aim of further enhancing its return on equity and profitability.

Public Mutual, the Public Bank Group's wholly-owned unit trust and fund management business, achieved a 30% improvement in profit before taxation to RM92 million in the first six months of 2008. Unit trust management fees grew by 49% in the first half of 2008 due to the growth in net asset value ("NAV") of funds under management by 21% to RM26.7 billion over the past twelve months. This was partially offset by the decline in fee on sale of trust units arising from the lower share prices and weaker market sentiment.

Public Mutual's market share of equity funds for the private sector unit trust management business remained high at 52% as at the end of June 2008 as compared to 40% as at the beginning of 2007.

The Public Bank Group is also focusing on the growth of other wealth management products and services through product innovation and higher levels of customer penetration. In the first quarter of 2008, Public Bank launched a single premium principal protected insurance product, the PB-ING Baraka Commodities Plan through its bancassurance distribution arrangement with ING. During the second quarter of 2008, Public Bank launched the Gold Investment Account and a principal protected structured investment product, PB Asian ACES. These new products received good sales response which was significantly above initial targeted sales. Public Bank will continue to launch more wealth management products and services in the second half of 2008 to boost the Group's fee-based commission income.

Capital Position Remains Strong

On 16 May 2008, Public Bank issued RM1.4 billion Subordinated Notes under its RM5.0 billion Subordinated Medium Term Note Programme to enhance the Public Bank Group's and the Bank's capital structure and support future business expansion. The Group's risk-weighted capital ratio remained strong at 13.6% as at the end of June 2008, after the proposed interim dividend for 2008. This was above the industry's risk-weighted capital ratio of 13.0% and the statutory minimum requirement of 8.0%.

Public Bank remained the largest bank in Malaysia and the third largest listed company on Bursa Securities, by market capitalization, as at 16 July 2008, with a market value of RM36.1 billion.

Group Prospects

The Malaysian economy is expected to sustain a respectable growth in the second half of 2008 despite concerns over increased external uncertainties and high inflation. Under these circumstances, the operating environment for the banking industry in Malaysia will remain challenging and competitive in both retail and corporate lending with increased focus on managing asset quality issues.

The Public Bank Group, with its proven profit generation capabilities, a track record of strong asset quality and healthy liquidity profile, is well positioned to continue growing in this challenging operating environment. The Group will remain focused on its core businesses of lending to consumers and SMEs as well as in deposit-taking by leveraging on its wide branch network, efficient multiple delivery channels and superior service standards. The Group will further reinforce the PB Brand and continue to pursue opportunities to improve productivity and increase its fee-based revenue. The Group also remains committed to its tradition of prudence and its belief in strong corporate governance to ensure a sustainable rate of growth for the Group and to safeguard the interests of all its stakeholders.

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

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Chairman

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