

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

**PUBLIC BANK ACHIEVES 22% GROWTH IN PRE-TAX PROFIT IN THE
FIRST HALF OF 2010 AND DECLARES 25% INTERIM DIVIDEND**

The Public Bank Group achieved a pre-tax profit of RM1.90 billion for the first half of 2010, representing a 22% growth from the corresponding period in 2009. Over the same period, the Group recorded a net profit of RM1.42 billion, 18% higher as compared to RM1.20 billion achieved in the corresponding period in 2009.

On a quarter-to-quarter comparison, the Public Bank Group recorded a pre-tax profit of RM982 million in the second quarter of 2010, 6% higher as compared to RM923 million in the first quarter of 2010.

The Public Bank Group's results translate into earnings per share of 40.7 sen for the first half of 2010 and an annualised net return on equity of 26.1%.

In view of the sustained strong performance of the Public Bank Group, the Board of Directors is pleased to declare a first interim dividend of 25% less 25% taxation, which will result in a total payout of RM657 million.

Highlights of the Public Bank Group's Performance in the First Half of 2010

- Pre-tax profit of the Group increased by 22% to RM1.90 billion as compared to RM1.56 billion in the previous corresponding period, on the back of a strong 16% growth in net interest and financing income.
- Net profit attributable to shareholders increased by 18% to RM1.42 billion as compared to RM1.20 billion in the previous corresponding period.
- Annualised net return on equity stood at 26.1%.
- Earnings per share of 40.7 sen was 16% higher as compared to 35.1 sen in the first half of 2009.

- Cost-to-income ratio remains efficient at 34.6%, as compared to 48% for the industry.
- Total assets increased to RM219 billion as at the end of June 2010.
- Total loans and advances of the Group grew by RM10.0 billion or an annualised growth rate of 14.6% to reach RM147.6 billion as at the end of June 2010, particularly driven by strong lending growth in the domestic market at an annualised rate of 16.8%.
- The Group's domestic core customer deposits grew at an annualised rate of 15.2%.
- The gross impaired loans ratio of the Group as at the end of June 2010 remained low at 1.2% as compared to the industry's gross impaired loans ratio of 3.5% and an improvement from the gross impaired loans ratio of the Group of 1.3% as at the end of 2009.
- The Group's loan loss coverage of 133.9% continues to be one of 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 10.0% and 13.9% respectively as at the end of June 2010, after the payment of the first interim dividend.

Highlights of the Public Bank Group's Performance for the Second Quarter as compared to the First Quarter of 2010

- Pre-tax profit grew by 6% or RM59 million to RM982 million in the second quarter of 2010.
- Net interest and financing income expanded by 6% or RM74 million to RM1.33 billion.
- Cost to income ratio improved to 33.6% for the current quarter as compared to 35.7% in the first quarter of 2010, reflecting continued improvement in productivity and efficiency.

Continued Strong Profit Performance

The improved profit performance of the Public Bank Group for the first half 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 two increases in the Overnight Policy Rate (“OPR”) in March 2010 and May 2010 totalling 0.5% translated into a direct improvement to the Public Bank Group’s net interest margin. With the improved net interest margin, coupled with the strong organic growth in loans and customer deposits, the Group’s net interest and financing income improved by RM350 million or 16% in the first half of 2010 as compared to the corresponding period in 2009. The recent further increase in OPR by 0.25% announced by Bank Negara Malaysia on 8 July 2010 should result in further improvement to the Group’s net interest margin in the second half of the year.

Non-interest income of the Public Bank Group also recorded a commendable growth of 19% as compared to the corresponding period in 2009, mainly driven by the increase in unit trust management fees, higher foreign exchange income as well as higher brokerage and commission from the Group’s stockbroking activities.

The Public Bank Group’s loan impairment allowances decreased by 7% despite the strong loan growth in the first half of 2010. This was directly attributed to the continued improvement in asset quality, particularly in the Group’s overseas operations in Hong Kong.

Continued Strong Loan Growth

In tandem with the improved economic conditions in the country, the Public Bank Group recorded a strong increase in total loan and advances of RM10 billion, a 7.3% growth for the first half of 2010 or a 14.6% annualised growth rate, to reach RM147.6 billion as at the end of June 2010. In particular, domestic loans grew at a stronger annualised rate of 16.8%, leading to the increase in the Group's domestic

lending market share to 16.2% as at the end of May 2010, from 15.9% as at beginning of the year. Based on the strong loan growth for the first half 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 June 2010.

In the first half of 2010, the Public Bank Group's domestic retail loan approvals increased by 14% as compared to the corresponding period of 2009. In particular, domestic loan approvals for hire purchase grew at an impressive rate of 23%.

For the first half of 2010, the Public Bank Group continued its strong support of the Government's effort to promote SME activities with the approval of RM5.5 billion of loans to domestic SMEs, accounting for more than 20% of the Group's total domestic loans approved of RM26.9 billion in the same period.

Sustained Strong Asset Quality

The Public Bank Group's asset quality remained strong as at the end of June 2010. Commencing from this quarter, the Group adopted a more stringent criteria on the classification of impaired loans under FRS 139, the accounting standard in respect of the recognition and measurement of financial instruments. Under the more stringent criteria, certain loans which are less than 3 months in default are now classified as impaired. Despite the more stringent criteria, the Group's impaired loans ratio as at the end of June 2010 remained low at 1.2%, which is approximately one-third that of the banking industry's gross impaired loans ratio of 3.5% as at the end of May 2010 and represents an improvement from the gross impaired loans ratio of 1.3% as at the end of 2009.

The Public Bank Group's loan loss coverage ratio also continue to remain one of the highest at 133.9%, as compared to the banking industry's coverage ratio of 92.2% as at the end of May 2010 despite that more than 90% of the impaired loans outstanding are secured.

The strong 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.

Healthy Growth of Domestic Core Customer Deposits

Domestic core customer deposits grew by 7.6% in the first half of 2010, or an annualised growth rate of 15.2%, against the backdrop of a negligible 0.15% growth in the domestic industry's core customer deposits for the first five months of 2010.

The strong domestic core deposit growth of the Public Bank Group is mainly supported by steady inflows of deposits, particularly fixed deposits and savings deposits which outperformed the contraction in such deposits in the domestic banking system. Domestic fixed deposits grew by 9.6% for the first six months of 2010 despite the contraction in the domestic industry's fixed deposits of 0.3% for the first five months of 2010. Similarly, the Group's domestic savings deposits grew by 3.7% over the 6 month-period as compared to the 2.7% decline in savings deposits in the domestic banking system for the first five months of 2010.

Improved Performance of the Group's Overseas Operations

For the first half of 2010, the Public Bank Group's overseas operations recorded an improvement in earnings, particularly in its operations in Hong Kong which recorded a significant improvement in earnings by 72% due to the decline in loan impairment allowances.

The Public Bank Group's expansion plan in its overseas operations remains focused on its Hong Kong and Cambodian operations. The 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 the second half of 2010. Cambodian Public Bank Plc, a wholly-owned subsidiary of Public Bank, the largest bank in Cambodia by balance sheet size, presently has 19 branches, with another 8 branches targeted to be opened in the second half of 2010.

Growth in Non-interest Income

The Public Bank Group recorded a 19% growth in non-interest income in the first six months of 2010, mainly attributed to its unit trust management business and its foreign exchange business.

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 Public Bank Group's wholly-owned unit trust fund management subsidiary, continue to maintain its market leadership position in the private unit trust industry with an overall market share of 43%, whilst its market share in equity funds and Islamic funds stood at 59% and 54% respectively as at the end of June 2010. In the first half of 2010, Public Mutual's pre-tax profit grew by 32% to RM130 million from RM98 million in the corresponding period in 2009. This was mainly due to strong growth in its net assets under management which stood at RM36.5 billion as at 30 June 2010, 19% higher as compared to RM30.6 billion a year ago. The Group continues to build and nurture its large unit trust consultants force, a highly effective distribution channel to drive the Group's unit trust business, besides expanding further the distribution of unit trust through the branches of Public Bank.

In the third year of its strategic alliance with ING Group on bancassurance distribution, the Public Bank Group had so far built up a total sales force of more than 260 personnel and will continue with its efforts to further build the infrastructure to drive the expansion of the Group's bancassurance business to increase its fee-based commission income in the long run.

Capital Position Remains Healthy

The Public Bank Group's capital position remains healthy, with its core capital ratio and risk-weighted capital ratio standing at 10.0% and 13.9% respectively as at the end of June 2010, after the payment of the first interim dividend.

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 first quarter of 2010, with a growth rate of 10.1% in the first quarter, amidst strengthening domestic economic activities and external demand, suggest a strong turnaround in 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 operates.

The Public Bank Group's solid performance for the first half year of 2010 reaffirms the proven business strategies of the Group. Leveraging on its strong PB brand, the Group will continue to pursue strong organic growth in its lending and deposit-taking businesses, accelerate its fee-based revenue and further improve its

productivity and cost efficiency. Meanwhile, the Group will also continue to reinforce its prudent risk management practices in sustaining its superior asset quality whilst upholding its strong corporate governance culture and practices.

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

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Chairman

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