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# Financial Statements

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## Analysis of the Financial Statements

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### ANALYSIS OF THE BALANCE SHEET

#### Total Assets

The Public Bank Group's total assets stood at RM147.789 billion as at 31 December 2006, an increase of 32.3% over the previous financial year. Excluding the assets acquired as a result of the acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("Public Bank (Hong Kong)") in May 2006, total asset growth for the Group was 25.4%. The asset growth in 2006 was mainly driven by an increase in deposit placements by customers and funds from the issuance of innovative Tier-1 capital securities, which were channelled to fund the continued strong growth in loans, advances and financing. Excess liquidity was mainly held as interbank placements with financial institutions, particularly with Bank Negara Malaysia.

#### Cash and Short-Term Funds

The Public Bank Group's cash and short-term funds registered a growth of 32.8% to RM24.381 billion as at 31 December 2006. The increase was mainly due to funds from increased customer deposits, particularly the issuance of Negotiable Instruments of Deposits which were invested in short-term placements with Bank Negara Malaysia and other financial institutions.

#### Deposits and Placements with Banks and Other Financial Institutions

The Public Bank Group's deposits and placements with banks and other financial institutions decreased by RM4.055 billion or 46.5% in 2006. The decline was due to the shift of inter-bank deposits to short-term funds and securities purchased under resale agreements.

#### Securities Purchased under Resale Agreements

The securities purchased under resale agreements increased by RM7.506 billion in 2006 primarily on account of higher Malaysian Government Securities purchased under resale agreements with Bank Negara Malaysia.

#### Securities Held-for-Trading

The Public Bank Group's holdings of securities held-for-trading increased by RM7.553 billion mainly due to the purchase of secondary Negotiable Instruments of Deposits.

#### Securities Available-for-Sale

The Public Bank Group's holdings of securities available-for-sale as at 31 December 2006 mainly consist of highly rated private debt securities, as part of the Group's continued efforts to invest in the capital market to enhance returns.

#### Securities Held-to-Maturity

The Public Bank Group's securities held-to-maturity increased by RM1.030 billion or 46.1% primarily due to increased holdings of unquoted private debt securities arising from the portfolio of securities held-to-maturity of Public Bank (Hong Kong) which was acquired by the Group in 2006.



### **Loans, Advances and Financing**

The Public Bank Group's total gross loans, advances and financing grew strongly by 23.9% to RM84.365 billion in 2006. Excluding the loans acquired as a result of the acquisition of Public Bank (Hong Kong), loans growth of the Group was 17.5%, which is about 2.7 times that of the Malaysian banking industry's growth rate of 6.4%. The Group has consistently achieved a high level of loan growth annually since 2001 through competitive pricing, innovative product packaging and proactive product enhancement as well as improved loan service delivery standards, including fast approval turnaround time and efficient documentation and disbursement processes. The Group's overall domestic loans market share improved to 13.2% as at the end of 2006 compared to 12.0% as at the end of 2005.

The Public Bank Group's lending direction continued to be focused on the retail sector. In 2006, 92.0% or RM77.599 billion of the Group's gross loans, advances and financing was channelled to finance the retail sector, in particular to cater for the business needs of small- and medium-sized enterprises ("SMEs") and for the purchase of residential properties and passenger vehicles. Lending to SMEs expanded by 16.6% to RM17.713 billion and accounting for 21.0% of the total gross loans, advances and financing of the Group as at the end of 2006. Total lending for the purchase of residential properties and transport vehicles grew strongly by 28.3% and 17.5% respectively and accounted for 54.9% of gross loans, advances and financing as at the end of 2006.

The Public Bank Group's Islamic financing registered commendable growth of 25.0% in 2006 as compared to 16.4% growth in 2005. Total gross Islamic financing stood at RM9.187 billion as at the end of 2006 and accounted for 10.9% of the Group's total loans, advances and financing. The strong growth reflects the Group's continued commitment to Bank Negara Malaysia's efforts to further develop the Islamic banking sector.

Lending to the corporate sector recorded a growth of 27.0% to RM6.766 billion. Lending to corporate customers accounted for 8.0% of the Public Bank Group's total loans, advances and financing as at 31 December 2006.

Non-performing loans ("NPL") of the Public Bank Group increased by RM171.4 million in 2006 to RM1.578 billion. However, the gross NPL ratio improved to 1.9% from 2.1% and the net NPL ratio improved to 1.6% from 1.7% a year ago. The net NPL ratio of 1.6% is one-third of the banking system's net NPL ratio of 4.8%. The Group's continued improvement in asset quality is the result of a consistently prudent credit culture, policies and practices, which are complemented by strong credit risk management and pro-active recovery processes. The Group maintained the highest level of loan loss coverage for its NPLs in the banking industry at 99.9% as at 31 December 2006 as compared to 58.9% for the banking industry. Its ratio of general allowance was 1.6% as at the end of 2006.

### **Total Liabilities and Shareholders' Equity**

The Public Bank Group's total liabilities grew by RM35.438 billion in 2006, mainly from increases in deposits from customers and funds from the issuance of Innovative Tier 1 capital securities.

The Public Bank Group's shareholders' equity remained strong at RM9.034 billion even after the payment of dividends of RM1.313 billion during the year. This is due to the strong net profit after tax registered for 2006 of RM1.727 billion and proceeds of RM253.4 million from shares issued pursuant to the exercise of employees' share options under the Public Bank Berhad Employees' Share Option Scheme.



### **Deposits from Customers**

The Public Bank Group's customer deposits grew by 32.9% in 2006 to RM111.793 billion. Excluding the increase in deposits arising from the acquisition of Public Bank (Hong Kong), the growth in customers' deposits was 25.4%. The Group continued to register healthy growth in low cost current accounts and savings accounts as well as fixed deposit accounts of 18.0%, 17.8% and 23.6% respectively, as compared to the growth in the banking industry of 15.6%, 7.4% and 13.2% respectively. The growth was mainly supported by the Group's extensive branch network and its high standards of customer service delivery. In addition, as a result of concerted marketing efforts, the Group also expanded its issuance of Negotiable Instruments of Deposits by RM13.442 billion to fund the growth in its loan base as well as to develop the corporate deposit customer base.

Deposits from individuals, a stable source of funds, continued to be the Public Bank Group's main source of deposits, accounting for 63.4% of the Group's core customer deposits of demand deposits, savings deposits and fixed deposits.

With the 32.9% increase in customer deposits outpacing the 23.9% increase in gross loans, advances and financing, the Public Bank Group's liquidity position improved with its gross loans to deposits ratio decreasing to 75.5% as at 31 December 2006 from 80.9% a year ago.

### **Deposits and Placements of Banks and Other Financial Institutions**

Deposits and placements of banks and other financial institutions decreased by RM2.043 billion to RM5.638 billion due to lower inter-bank borrowings as part of the Public Bank Group's funding of its gapping operations.

### **Obligations on Securities Sold under Repurchase Agreements**

Obligations on securities sold under repurchase agreements grew by RM6.034 billion due the Public Bank Group's efforts to develop the short-term corporate deposit customer base.

### **Bills and Acceptances Payable**

The Public Bank Group's Bills and Acceptances Payable increased by RM493.9 million in 2006, as a result of higher volume of bankers' acceptances rediscounted.

### **Recourse Obligations on Loans Sold to Cagamas**

The decrease in loans sold to Cagamas by 8.3% during the year was due to repayment to Cagamas.

### **Hybrid Capital Securities**

The Public Bank Group issued two Innovative Tier 1 capital securities issues in 2006, with the objective of providing the Group with the capacity to expand its business and balance sheet without burdening shareholders for more equity capital, as well as improving the Group's capital efficiency and return on equity. The first issue of USD200.0 million in the international capital market was made in August 2006 which was followed by a larger issue of RM1.200 billion in the Malaysian bond market in December 2006.

### **Commitments and Contingencies**

Commitments and contingencies increased by RM4.407 billion to RM33.359 billion mainly on account of higher interest rate related contracts as well as an increase in irrevocable commitments to extend credit which was mainly due to the acquisition of Public Bank (Hong Kong). However, the credit equivalent of commitments and contingencies only recorded an increase of RM444.3 million.



## **ANALYSIS OF THE INCOME STATEMENT**

### **Net interest income**

Net interest income of the Public Bank Group increased by 17.5% to RM2,870.1 million for 2006 compared to RM2,442.7 million for 2005. The increase was mainly due to strong organic growth of the Group's lending and deposit-taking businesses as well as its sustained strong asset quality. The Group's continued proactive asset-liability management in 2006 had also resulted in higher net interest margin earned on its fund-based portfolio.

The higher net interest income due to loan and deposit growth was partially offset by the continued decline in lending margins due to intense competition in the lending market. The Public Bank Group's average net interest margin on interest bearing assets excluding funds from the issuance of NIDs, fell by 20 basis points to 3.4% in 2006 from 3.6% in 2005, mainly due to further margin contraction of the passenger vehicle hire purchase financing business in 2006.

Net interest income was the main contributor of total income, accounting for 65.2% (2005: 65.1%) of the total income of the Public Bank Group.

### **Net income from Islamic Banking Business**

Net income from the Public Bank Group's Islamic Banking operations increased by RM36.4 million or 9.3% to RM428.0 million. This was largely the result of higher net financing income of RM36.0 million arising from the growth in Islamic financing. Islamic Banking income accounted for 9.5% of the Group's total net income.

### **Other operating income**

Other operating income of the Public Bank Group improved by RM188.8 million or 20.6% to RM1,106.7 million for 2006 as compared to RM917.9 million for 2005. The growth was mainly attributed to higher income from the Group's fund management activities as well as higher fees and transaction income from retail banking operations. The Group's gains from the sale of trust units rose by 47.5% to RM195.8 million while management fees from unit trust funds under management grew by 28.1% to RM174.2 million. Foreign exchange profits and revaluation gain on trading securities and derivatives rose by 60.9% to RM164.4 million mainly as a result of higher business volume. Commission and fee income and service charges grew by RM46.8 million or 11.8%.

Other operating income for 2006 accounted for 25.1% (2005: 24.5%) of total income.



### **Other operating expenses**

The Public Bank Group's other operating expenses increased by 15.1% to RM1,531.9 million for 2006 as compared to RM1,330.4 million for 2005, partly attributed to the acquisition of Public Bank (Hong Kong) in May 2006. Personnel cost increased by 15.3% to RM811.5 million and accounted for 53.0% of other operating expenses. The staff strength of the Group stood at 13,396 at the end of 2006 compared to 12,800 a year ago. Establishment costs increased by 10.0%, while marketing expenses rose by RM100.9 million or 50.9% primarily due to higher sales commission paid for increased gross sales of trust units by the Group's fund management business. These increases were partially offset by the decline in administration and general expenses by RM33.3 million or 19.9% largely due to the cessation of goodwill amortisation with effect from 2006 in accordance with new financial reporting standard, FRS 3 Business Combinations.

As the 15.1% increase in other operating expenses was lower than the growth of net income of 17.4%, the cost income ratio of the Group improved to 34.8% for 2006 from 35.5% for 2005 reflecting continued improvement in operational efficiency and productivity of the Group.

### **Allowance for Losses on Loans, Advances and Financing**

The allowance for losses on loans, advances and financing of the Public Bank Group amounted to RM466.0 million for 2006, an increase of RM84.0 million compared to the previous year. This was mainly attributed to higher specific allowance and higher general allowance by RM54.6 million and RM43.9 million respectively, partially offset by higher recoveries of bad debts and financing by RM11.7 million. The increase in specific allowance was partly due to the adoption of a more stringent provisioning basis for non-performing loans which are less than six months in arrears which resulted in an additional specific allowance charge of RM13.8 million in 2006. The higher general allowance set aside for 2006 was due to the higher loans growth achieved.

### **Impairment written back**

Impairment written back in 2006 was RM4.6 million as compared to RM15.4 million in 2005. The decrease in 2006 was mainly due to higher impairment written back for investment properties of RM8.2 million in the previous year.

### **Tax expenses and Zakat**

The Public Bank Group's tax expense for 2006 included an amount of RM25.7 million deferred tax charge related to the change of Malaysian corporate tax rate, from the current rate of 28% to 27% for the year of assessment 2007, followed by 26% with effect from the year of assessment 2008.

Excluding this non-recurring charge, the Group's effective tax rate was 24.6% in 2006, lower than the statutory tax rate of 28.0% mainly due to the effects of lower tax rates in jurisdictions outside Malaysia.



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## Statement of **Responsibility by Directors**

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in respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Bank are drawn up in accordance with the requirements of the applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board, the provisions of the Companies Act, 1965, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Bank are prepared with reasonable accuracy from the accounting records of the Group and the Bank so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2006, and of the results of their operations and cash flows for the year ended on that date.

In preparing the annual audited financial statements, the Directors have:

- a. applied the appropriate and relevant accounting policies on a consistent basis;
- b. made judgments and estimates that are reasonable and prudent; and
- c. prepared the annual audited financial statements on a going concern basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.



## Directors' Report for the financial year ended 31 December 2006

The Directors have pleasure in presenting to the members their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2006.

### PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of banking and finance company businesses which include Islamic banking and the provision of related financial services.

The principal activities of the subsidiary and associated companies, including the subsidiary company, Public Bank (Hong Kong) Limited that was acquired during the year are as disclosed in Notes 14 and 15 to the financial statements respectively.

There have been no significant changes to these principal activities during the financial year.

### FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	2,416,361	2,440,137
Tax expense and zakat	(621,200)	(650,702)
Profit for the year	1,795,161	1,789,435
Attributable to:		
Equity holders of the Bank	1,726,688	1,789,435
Minority interests	68,473	—
Profit for the year	1,795,161	1,789,435





## DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2005 were as follows:

	RM'000
<hr/>	
In respect of financial year ended 31 December 2005 as approved by the shareholders:	
Final dividend of 20% and special dividend of 15% on 3,309,151,066 ordinary shares of RM1.00 each, less 28% tax, paid on 31 March 2006	833,906
In respect of financial year ended 31 December 2006:	
Interim dividend of 20% on 3,326,591,863 ordinary shares of RM1.00 each, less 28% tax, paid on 16 October 2006	479,029
	1,312,935

The Directors recommend the payment of a final dividend of 30% and a special dividend of 10%, less 27% tax respectively, amounting to approximately RM974,874,229 (representing a total of 29.2 sen net per share) in respect of the current financial year. This is computed based on the issued and paid-up capital as at 31 December 2006, excluding treasury shares held by the Bank, of 3,338,610,372 ordinary shares of RM1.00 each, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the Directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend when approved by the shareholders will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2007.

## ISSUE OF SHARES

During the financial year, the issued and paid-up share capital of the Bank was increased from 3,417,373,089 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,462,824,872 PBB Shares by the issuance of 45,451,783 PBB Shares, pursuant to the exercise of options granted under the Public Bank Berhad Group Employees' Share Option Scheme at the following option prices:

Number of PBB Shares issued:	Option price per share
32,336	RM1.64
189,968	RM3.40
1,848,357	RM3.56
2,879,700	RM4.60
643,900	RM4.92
34,597,132	RM5.67
5,260,390	RM6.37

All the new ordinary shares that were issued rank pari passu in all respects with the existing ordinary shares of the Bank.



## SHARE BUY-BACK

On 20 March 2006, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial year, the Bank bought back from the open market, 30,000 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM6.68 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial year, including transaction costs, was RM201,232 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the financial year.

As at 31 December 2006, the Bank held 124,214,500 PBB Shares as treasury shares out of its total issued and paid-up share capital of 3,462,824,872 PBB Shares. Such treasury shares are held at a carrying amount of RM784,801,169. Further information is disclosed in Note 30 to the financial statements.

## PUBLIC BANK BERHAD GROUP EMPLOYEES' SHARE OPTION SCHEME

The Public Bank Berhad Group Employees' Share Option Scheme ("PBB ESOS") is governed by the by-laws approved by the shareholders at the Extraordinary General Meeting held on 10 April 1998. The expiry date of the PBB ESOS is on 25 February 2008. The salient features and other terms of the PBB ESOS are disclosed in Note 24(b) to the financial statements.

There were no options granted to any person to take up unissued shares of the Bank during the year.

## RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those disclosed in the financial statements.

## BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and the Bank, inadequate to any substantial extent.



## CURRENT ASSETS

Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps to ensure that current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

## VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the Group and the Bank misleading or inappropriate.

## CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group or the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Bank to meet their obligations as and when they fall due.

## CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank, which would render any amount stated in the financial statements misleading.



## ITEMS OF UNUSUAL NATURE

The results of the operations of the Group and the Bank during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature other than the following, which are due to changes in accounting policies, as disclosed in Note 50 to the financial statements:

- (a) cessation of goodwill amortisation and fair value changes on investment properties as a result of adoption of new Financial Reporting Standards issued by the Malaysian Accounting Standards Board; and
- (b) net impact of capitalisation and amortisation of handling fees pursuant to the adoption of accounting treatment prescribed by Bank Negara Malaysia's Circular on Handling Fees for hire purchase loans.

The above have resulted in an increase in the Group's and the Bank's profit for the year by RM70,537,000 and RM56,089,000 respectively, as disclosed in detail in Note 50 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Bank for the current financial year in which this report is made.

## SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as disclosed in Notes 14 and 27 to the financial statements in respect of corporate exercises/acquisitions and issuance of hybrid capital securities.

## SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.

## DIRECTORS OF THE BANK

The Directors who served since the date of the last report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow

Tan Sri Dato' Thong Yaw Hong

Dato' Sri Tay Ah Lek

Dato' Lee Kong Lam

Dato' Yeoh Chin Kee

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah

Haji Abdul Aziz bin Omar

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff

Lee Chin Guan



## DIRECTORS OF THE BANK (continued)

In accordance with Article 111 of the Bank's Articles of Association, Dato' Sri Tay Ah Lek and Dato' Yeoh Chin Kee retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Tan Sri Dato' Thong Yaw Hong and Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff retire pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 129 of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting of the Bank.

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares and in options of the Bank and its subsidiary company during the financial year were as follows:

Shares Held in the Bank	Number of Ordinary Shares of RM1.00 Each			
	Balance at 1.1.2006	Exercise of PBB Share Options	Disposed	Balance at 31.12.2006
<b>Direct shareholdings:</b>				
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	—	—	21,524,250
Tan Sri Dato' Thong Yaw Hong	3,018,750	2,500,000	—	5,518,750
Dato' Sri Tay Ah Lek	5,810,109	4,000,000	2,000,000	7,810,109
Dato' Lee Kong Lam	2,454,921	2,600,000	4,000,000	1,054,921
Dato' Yeoh Chin Kee	1,110,000	250,000	1,160,000	200,000
Y.A.M. Tengku Abdul Rahman Ibni Sultan				
Haji Ahmad Shah Al-Mustain Billah	300,000	2,000,000	400,000	1,900,000
Haji Abdul Aziz bin Omar	362,000	—	70,000	292,000
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	450,000	200,000	300,000	350,000
Lee Chin Guan	1,250,000	600,000	650,000	1,200,000

Deemed interests:	Number of Ordinary Shares of RM1.00 Each			
	Balance at 1.1.2006	Acquired	Disposed	Balance at 31.12.2006
Tan Sri Dato' Sri Dr. Teh Hong Piow	786,468,596	—	—	786,468,596
Tan Sri Dato' Thong Yaw Hong	771,875	—	—	771,875
Dato' Sri Tay Ah Lek	139,482	—	—	139,482
Dato' Lee Kong Lam	800,000	—	—	800,000
Dato' Yeoh Chin Kee	400,000	250,000	—	650,000



## DIRECTORS' INTERESTS (continued)

### Share Options Held in the Bank

#### - Share Options Held under the Public Bank Berhad ("PBB") Group Employees' Share Option Scheme

	Option Price RM	Number of PBB Share Options			Balance at 31.12.2006
		Balance at 1.1.2006	Granted	Exercised	
Tan Sri Dato' Thong Yaw Hong	6.37	2,000,000	—	—	2,000,000
	5.67	2,500,000	—	2,500,000	—
Dato' Sri Tay Ah Lek	6.37	4,500,000	—	—	4,500,000
	5.67	4,000,000	—	4,000,000	—
Dato' Lee Kong Lam	6.37	2,925,000	—	—	2,925,000
	5.67	2,600,000	—	2,600,000	—
Dato' Yeoh Chin Kee	6.37	2,025,000	—	—	2,025,000
	5.67	2,250,000	—	250,000	2,000,000
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	6.37	1,800,000	—	—	1,800,000
	5.67	2,000,000	—	2,000,000	—
Haji Abdul Aziz bin Omar	6.37	1,125,000	—	—	1,125,000
	5.67	1,250,000	—	—	1,250,000
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	6.37	1,125,000	—	200,000	925,000
	5.67	1,250,000	—	—	1,250,000
Lee Chin Guan	6.37	1,125,000	—	—	1,125,000
	5.67	1,250,000	—	600,000	650,000

#### Shares Held in Subsidiary Company, Public Financial Holdings Limited (formerly known as JCG Holdings Limited) ("PFHL")

Direct shareholdings:	Number of Ordinary Shares of HKD0.10 Each			Balance at 31.12.2006
	Balance at 1.1.2006	Acquired	Disposed	
Tan Sri Dato' Thong Yaw Hong	—	498,000	—	498,000
Dato' Yeoh Chin Kee	—	80,000	—	80,000



## DIRECTORS' INTERESTS (continued)

### Share Options Held in Subsidiary Company

#### - Share Options Held under the PFHL Group Employees' Share Option Scheme ("PFHL ESOS")

	Option Price*	Number of PFHL Share Options			Balance at 31.12.2006
		Balance at 1.1.2006	Granted	Exercised	
Dato' Sri Tay Ah Lek	6.35	1,680,000	—	—	1,680,000
Dato' Yeoh Chin Kee	6.35	700,000	—	—	700,000
Lee Chin Guan	6.35	350,000	—	—	350,000

#### Note:

\* The option price was adjusted from HKD7.29 to HKD6.35 arising from the PFHL rights issue of 1 new PFHL share for every 2 existing PFHL shares held completed on 11 April 2006.

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 807,992,846 shares in the Bank, and pursuant to Section 6A(4)(c) of the Companies Act, 1965 is deemed interested in the shares in all of the Bank's subsidiary companies to the extent that the Bank has interests.

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary companies is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than the share options granted pursuant to the PBB ESOS and PFHL ESOS.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 37 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 43(a) to the financial statements.



## REMUNERATION COMMITTEE

The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, the Chief Executive Officer and key senior management officers whereupon recommendations are made to the Board of Directors for approval.

The members of the Remuneration Committee comprising of all the independent Non-Executive Directors of the Bank, who have served since the date of the last report are:

Tan Sri Dato' Thong Yaw Hong

Dato' Yeoh Chin Kee

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah

Haji Abdul Aziz bin Omar

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff

Lee Chin Guan

## BUSINESS REVIEW 2006

The competitiveness of the banking industry intensified further due to the opening of new branches by the incumbent foreign-controlled domestic banks with retail focus, the entry of two new foreign Islamic banks and the merger and acquisition of certain local banks. Industry players continued to use competitive pricing and marketing strategies, improve delivery standards and introduce innovative products and services to increase customer base and market share.

Lending activity remained focused on consumer financing and small- and medium-sized enterprises ("SME") lending as corporate lending remained soft. Loan growth softened during the year due to slower growth in consumer financing. In addition to home mortgages and car financing, the banking industry continued to promote personal financing, credit card business and Islamic banking. On liability management, deposit taking activity gathered a strong momentum during the year due to higher interbank rates. Banks competed for retail and corporate deposits. The increased competition in lending business, amidst firm deposit rates, continued to exert pressures on net interest margins.

Amidst the competitive environment, Public Bank continued to expand its core retail banking business, complemented by corporate banking and treasury operations. In consumer financing, the Bank continued to promote home mortgages, hire purchase financing, personal financing, credit card business and share margin financing. The Bank also continued to grow its lending business to mid-market SMEs. During the year, the Bank introduced micro financing and continued to promote Islamic banking. On liability management, Public Bank promoted retail and corporate deposits.

The Bank further intensified its efforts to expand its fee-based activities such as cash management services, credit card business, trade bill business, share trading activities, treasury and corporate banking services, sales of unit trust and management of unit trust funds, bancassurance and general insurance products and trustee and nominee services. The Bank also took steps to grow its existing overseas business, particularly in Hong Kong and Greater China, Cambodia, Laos, Vietnam and Sri Lanka.





## **BUSINESS REVIEW 2006 (continued)**

The Bank continued to leverage on its extensive branch network, strong sales and marketing force, strong brand name and efficient delivery channels to grow its market share in loans and deposits. To provide greater customer convenience, the Bank increased its cheque deposit machines and cash deposit terminals and enhanced its internet banking and ATM services. Public Bank also continued to implement measures to sustain its strong asset quality, contain operational costs and improve staff productivity through efficient cost management, staff training, close monitoring of key performance indicators and headcount. To ensure sustainable growth, the Bank continued to adhere to its prudent credit culture, strong risk management policy and maintain strong corporate governance.

## **ECONOMIC OUTLOOK AND PROSPECTS FOR 2007**

The Malaysian economy is expected to remain positive and resilient in 2007. While the global economy is expected to moderate, the risks of a global recession are low as major growth headwinds such as high oil prices and high inflation have subsided considerably. The deceleration in the US will be offset by growth in the Euro area, Japan and Asia.

Based on strengths in aggregate domestic demand and diversified industry structure, the Malaysian economy is projected to remain firm in 2007 and inflation is expected to moderate to below 3%. The private sector is expected to remain strong whereby private consumption and investment will be further boosted by the implementation of projects under the Ninth Malaysia Plan. Private sector activities will also continue to be supported by the low and stable interest rate environment. The increase of public spending as announced in the 2007 budget will continue to support growth based on strong public revenue.

The Malaysian economy will also continue to be supported by strong fundamentals such as healthy current account surplus, strong and stable ringgit, high national savings, high international reserves and healthy external finances. The Government is expected to continue to implement pro-growth macroeconomic policies to foster private investments. Monetary policy is expected to remain accommodative to support the economy. The banking sector is expected to continue to thrive with strong capitalisation and high asset quality.

## **BUSINESS OUTLOOK FOR 2007**

The banking industry is expected to continue to remain sound but more challenging in 2007 as the Malaysian economy is projected to remain firm. However, competition in the banking industry is expected to further intensify due to the deregulated operating environment for the incumbent foreign-controlled domestic banks and high liquidity in the banking system. The competition is expected to intensify as the industry has greater capacity to introduce quickly new innovative products and services and delivery channels.

Growth in the banking industry is expected to continue to be driven by consumer financing and retail commercial lending to SMEs. Corporate lending is expected to remain slow as corporates continue to access the capital market. Household gearing is expected to remain within prudential levels. Asset quality of the banking system is expected to remain stable due to the healthy economy, rising household income, low and stable interest rates and strengthened risk management.



## **BUSINESS OUTLOOK FOR 2007 (continued)**

Public Bank will continue to focus and increase its market share in consumer financing and retail commercial lending to the mid-market SMEs by offering solution-based and innovative financial products and services, and attractive product bundling at competitive prices and terms. The Bank will continue to promote its unit trust and fund management businesses, trade finance services, cash management services, credit card business and treasury operations to increase non interest income. On liability management, the Bank will continue to mobilise retail and corporate deposits. The Bank will also continue to focus on Islamic banking by offering a wider range of Islamic deposit and lending products.

To grow its business, Public Bank will continue to leverage on its wide branch network, efficient multiple delivery channels, strong sales and marketing force, strong PB brand and superior service standards to gain further market share in both lending and deposit-taking businesses. Public Bank will continue to intensify its efforts to grow its overseas business by expanding its loans and deposits in Hong Kong and Greater China, Cambodia, Laos, Vietnam and Sri Lanka.

In pursuit of its growth strategy, Public Bank will continue to remain prudent, maintain strong corporate governance and implement sound risk management policies to ensure sustainable growth performance in 2007.

## **AUDITORS**

The retiring auditors, Messrs. KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

**TAN SRI DATO' SRI DR. TEH HONG PIOW**

Director

**TAN SRI DATO' THONG YAW HONG**

Director

Kuala Lumpur,

Dated: 19 January 2007



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## Statement by Directors

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We, TAN SRI DATO' SRI DR. TEH HONG PIOW and TAN SRI DATO' THONG YAW HONG, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 243 to 415 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

**TAN SRI DATO' SRI DR. TEH HONG PIOW**

Director

**TAN SRI DATO' THONG YAW HONG**

Director

Kuala Lumpur,

Dated: 19 January 2007

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## Statutory Declaration

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I, CHANG SIEW YEN, being the officer primarily responsible for the financial management of PUBLIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 243 to 415, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed **CHANG SIEW YEN** at KUALA LUMPUR  
in WILAYAH PERSEKUTUAN this 19 January 2007

BEFORE ME:

Commissioner for Oaths  
Kuala Lumpur



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## Report of the Auditors to the Members

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We have audited the financial statements set out on pages 243 to 415. The preparation of the financial statements is the responsibility of the Bank's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
  - (i) the state of affairs of the Group and of the Bank as at 31 December 2006 and the results of their operations and cash flows for the year ended on that date; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Bank;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank and the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary companies in respect of which we have not acted as auditors are identified in Note 14 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

None of the audit reports on the financial statements of the subsidiary companies were subject to any qualification nor included any comment under sub-section (3) of Section 174 of the Act.

**KPMG**

Firm Number: AF 0758  
Chartered Accountants

**KHAW HOCK HOE**

Partner  
Approval Number: 2229/04/08(J)

Kuala Lumpur,  
Dated: 19 January 2007



## Balance Sheets as at 31 December 2006

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	24,380,630	18,357,737	22,890,702	17,170,338
Deposits and placements with banks and other financial institutions	4	4,657,417	8,712,850	3,954,803	8,736,868
Securities purchased under resale agreements	5	12,375,287	4,869,388	10,797,358	4,022,128
Securities held-for-trading	6	9,107,661	1,554,685	9,061,244	1,666,465
Securities available-for-sale	7	3,895,738	4,072,682	3,437,739	3,563,556
Securities held-to-maturity	8	3,264,818	2,235,067	997,429	1,736,713
Loans, advances and financing	9	82,787,652	66,812,784	75,891,397	64,579,905
Derivative financial assets	10	73,056	40,912	65,369	40,065
Other assets	11	1,256,779	820,586	1,101,257	1,013,641
Statutory deposits with Central Banks	12	2,318,708	2,099,349	2,254,000	2,050,000
Deferred tax assets	13	336,776	315,653	266,750	256,957
Investment in subsidiary companies	14	—	—	2,275,564	1,316,156
Investment in associated companies	15	45,481	47,378	28,465	28,465
Investment properties	16	64,175	47,351	—	—
Property and equipment	17	1,134,304	937,098	549,552	570,671
Intangible assets	18	2,091,061	765,157	695,393	695,393
<b>TOTAL ASSETS</b>		<b>147,789,543</b>	<b>111,688,677</b>	<b>134,267,022</b>	<b>107,447,321</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	111,793,149	84,129,641	102,642,918	82,205,182
Deposits and placements of banks and other financial institutions	20	5,637,964	7,680,690	4,305,478	6,783,600
Obligations on securities sold under repurchase agreements		10,075,829	4,041,949	9,598,557	3,696,984
Bills and acceptances payable	21	2,623,644	2,129,715	2,623,644	2,127,659
Recourse obligations on loans sold to Cagamas	22	261,284	285,005	261,284	285,005
Derivative financial liabilities	10	181,959	157,298	171,129	145,869
Other liabilities	23	2,043,363	1,253,621	957,644	1,012,989
Borrowings	25	679,341	—	—	—
Subordinated notes	26	2,561,131	2,757,622	2,561,131	2,757,622
Hybrid capital securities	27	1,918,925	—	1,918,925	—
Provision for tax expense and zakat	28	333,584	250,388	255,985	212,037
Deferred tax liabilities	13	17,061	3,080	—	—
<b>TOTAL LIABILITIES</b>		<b>138,127,234</b>	<b>102,689,009</b>	<b>125,296,695</b>	<b>99,226,947</b>



**Balance Sheets** as at 31 December 2006

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>EQUITY</b>					
Share capital	29	<b>3,462,825</b>	3,417,373	<b>3,462,825</b>	3,417,373
Reserves		<b>5,381,101</b>	5,101,270	<b>5,317,429</b>	4,757,717
Proposed dividends		<b>974,874</b>	829,884	<b>974,874</b>	829,884
Treasury shares	30	<b>(784,801)</b>	(784,600)	<b>(784,801)</b>	(784,600)
<b>Equity attributable to equity holders</b>					
<b>of the Bank</b>		<b>9,033,999</b>	8,563,927	<b>8,970,327</b>	8,220,374
Minority interests		<b>628,310</b>	435,741	—	—
<b>TOTAL EQUITY</b>		<b>9,662,309</b>	8,999,668	<b>8,970,327</b>	8,220,374
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>147,789,543</b>	111,688,677	<b>134,267,022</b>	107,447,321
<b>COMMITMENTS AND CONTINGENCIES</b>	44	<b>33,359,052</b>	28,951,601	<b>28,386,655</b>	28,754,773

The accompanying notes form an integral part of the financial statements.



## Income Statements for the year ended 31 December 2006

	Note	Group		Bank	
		2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Operating revenue	2(v)	<b>7,843,522</b>	5,863,392	<b>6,370,944</b>	4,992,762
Interest income	33	<b>6,144,617</b>	4,574,361	<b>5,303,581</b>	4,079,838
Interest expense	34	<b>(3,274,548)</b>	(2,131,641)	<b>(2,955,441)</b>	(2,078,632)
Net interest income		<b>2,870,069</b>	2,442,720	<b>2,348,140</b>	2,001,206
Net income from Islamic Banking business	57	<b>428,026</b>	391,594	<b>428,026</b>	391,594
Other operating income	35	<b>3,298,095</b> <b>1,106,667</b>	2,834,314 917,944	<b>2,776,166</b> <b>1,077,150</b>	2,392,800 673,138
Net income		<b>4,404,762</b>	3,752,258	<b>3,853,316</b>	3,065,938
Other operating expenses	36	<b>(1,531,890)</b>	(1,330,373)	<b>(1,071,093)</b>	(1,015,638)
Operating profit		<b>2,872,872</b>	2,421,885	<b>2,782,223</b>	2,050,300
Allowance for losses on loans, advances and financing	38	<b>(466,045)</b>	(382,006)	<b>(344,516)</b>	(310,346)
Impairment written back	39	<b>4,646</b>	15,443	<b>2,430</b>	5,528
Share of profit after tax of equity accounted associated companies		<b>2,411,473</b> <b>4,888</b>	2,055,322 4,114	<b>2,440,137</b> —	1,745,482 —
Profit before tax expense and zakat		<b>2,416,361</b>	2,059,436	<b>2,440,137</b>	1,745,482
Tax expense and zakat	40	<b>(621,200)</b>	(514,146)	<b>(650,702)</b>	(455,732)
Profit for the year		<b>1,795,161</b>	1,545,290	<b>1,789,435</b>	1,289,750
Attributable to:					
Equity holders of the Bank		<b>1,726,688</b>	1,459,139	<b>1,789,435</b>	1,289,750
Minority interests		<b>68,473</b>	86,151	—	—
Profit for the year		<b>1,795,161</b>	1,545,290	<b>1,789,435</b>	1,289,750
Earnings per RM1.00 share:	41				
– basic (sen)		<b>52.1</b>	44.5		
– diluted (sen)		<b>51.6</b>	44.1		
Net dividends per RM1.00 share:	42				
– Special dividends (sen)		<b>7.3</b>	10.8		
– Interim dividends (sen)		<b>14.4</b>	14.4		
– Final dividends (sen)		<b>21.9</b>	14.4		

The accompanying notes form an integral part of the financial statements.



## Consolidated Statement of Changes in Equity for the year ended 31 December 2006

2006 Group	Note	← Attributable to Equity Holders of the Bank →								Total Equity RM'000	
		Share Capital RM'000	Non-distributable Reserves		Distributable Reserves		Proposed Dividends RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000		Minority Interests RM'000
			Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000						
At 1 January 2006, as previously stated		3,417,373	1,574,180	2,943,825	500,846	829,884	(784,600)	8,481,508	435,741	8,917,249	
Effects of adopting BNM Circular on Handling Fees	50(d)	—	—	—	82,419	—	—	82,419	—	82,419	
		3,417,373	1,574,180	2,943,825	583,265	829,884	(784,600)	8,563,927	435,741	8,999,668	
Effects of prospective adoption of FRS 140	50(b)	—	—	—	(621)	—	—	(621)	—	(621)	
At 1 January 2006, as restated		3,417,373	1,574,180	2,943,825	582,644	829,884	(784,600)	8,563,306	435,741	8,999,047	
Currency translation differences in respect of foreign operations		—	—	(137,963)	—	—	—	(137,963)	(41,130)	(179,093)	
Currency translation differences in respect of net investment hedge		—	—	56,661	—	—	—	56,661	—	56,661	
Unrealised net gain on revaluation of securities available-for-sale		—	—	53,011	—	—	—	53,011	5,643	58,654	
Dilution in share of net assets of a subsidiary company upon subscription of the subsidiary company's share rights issue		—	—	(28,356)	(136,111)	—	—	(164,467)	164,467	—	
Acquisition of shares in a subsidiary company		—	—	—	—	—	—	—	(32,505)	(32,505)	
Disposal of shares in a subsidiary company		—	—	(3,454)	—	—	—	(3,454)	60,720	57,266	
Net income/(expense) recognised directly in equity		—	—	(60,101)	(136,111)	—	—	(196,212)	157,195	(39,017)	
Net profit for the year		—	—	—	1,726,688	—	—	1,726,688	68,473	1,795,161	
Total recognised income/(expense) for the year		—	—	(60,101)	1,590,577	—	—	1,530,476	225,668	1,756,144	
Issue of shares pursuant to exercise of share options	24(b)(1)	45,452	207,901	—	—	—	—	253,353	—	253,353	
Buy-back of shares	30	—	—	—	—	—	(201)	(201)	—	(201)	
Transfer to statutory reserves		—	—	425,014	(425,014)	—	—	—	—	—	
Transfer to proposed dividends	42	—	—	—	(483,051)	483,051	—	—	—	—	
Dividends paid	42	—	—	—	—	(1,312,935)	—	(1,312,935)	(33,099)	(1,346,034)	
Dividends proposed	42	—	—	—	(974,874)	974,874	—	—	—	—	
At 31 December 2006		3,462,825	1,782,081	3,308,738	290,282	974,874	(784,801)	9,033,999	628,310	9,662,309	
		Note 29		Note 31		Note 30					

The accompanying notes form an integral part of the financial statements.





## Consolidated Statement of Changes in Equity for the year ended 31 December 2006

2005 Group	Note	← Attributable to Equity Holders of the Bank →								Minority Interests RM'000	Total Equity RM'000
		Share Capital RM'000	Non-distributable Reserves		Distributable Reserves		Proposed Dividends RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000		
			Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000						
At 1 January 2005, as previously stated		3,355,767	1,347,084	2,676,794	684,490	1,172,012	(601,441)	8,634,706	368,111	9,002,817	
Effects of adopting BNM Circular on Handling Fees	50(d)	–	–	–	73,561	–	–	73,561	–	73,561	
At 1 January 2005, as restated		3,355,767	1,347,084	2,676,794	758,051	1,172,012	(601,441)	8,708,267	368,111	9,076,378	
Currency translation differences in respect of foreign operations		–	–	(33,736)	–	–	–	(33,736)	29,358	(4,378)	
Currency translation differences in respect of net investment hedge		–	–	2,155	–	–	–	2,155	–	2,155	
Unrealised net loss on revaluation of securities available-for-sale		–	–	(25,820)	–	–	–	(25,820)	–	(25,820)	
Net income/(expense) recognised directly in equity		–	–	(57,401)	–	–	–	(57,401)	29,358	(28,043)	
Net profit for the year, as restated		–	–	–	1,459,139	–	–	1,459,139	86,151	1,545,290	
Total recognised income/(expense) for the year		–	–	(57,401)	1,459,139	–	–	1,401,738	115,509	1,517,247	
Issue of shares pursuant to exercise of share options	24(b)(1)	61,606	227,096	–	–	–	–	288,702	–	288,702	
Buy-back of shares	30	–	–	–	–	–	(183,159)	(183,159)	–	(183,159)	
Transfer to statutory reserves		–	–	324,432	(324,432)	–	–	–	–	–	
Transfer to proposed dividends	42	–	–	–	(479,609)	479,609	–	–	–	–	
Minority interests' subscription of shares of a subsidiary		–	–	–	–	–	–	–	48,332	48,332	
Dividends paid	42	–	–	–	–	(1,651,621)	–	(1,651,621)	(96,211)	(1,747,832)	
Dividends proposed		–	–	–	(829,884)	829,884	–	–	–	–	
At 31 December 2005		3,417,373	1,574,180	2,943,825	583,265	829,884	(784,600)	8,563,927	435,741	8,999,668	
		Note 29		Note 31			Note 30				

The accompanying notes form an integral part of the financial statements.



## Statement of Changes in Equity for the year ended 31 December 2006

		← Attributable to Equity Holders of the Bank →						
		Non-distributable Reserves			Distributable Reserves			
2006 Bank	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Proposed Dividends RM'000	Treasury Shares RM'000	Total RM'000
At 1 January 2006, as previously stated		3,417,373	1,574,180	2,715,473	385,645	829,884	(784,600)	8,137,955
Effects of adopting BNM Circular on Handling Fees		50(d)	-	-	82,419	-	-	82,419
At 1 January 2006, as restated		3,417,373	1,574,180	2,715,473	468,064	829,884	(784,600)	8,220,374
Unrealised net gain on revaluation of securities available-for-sale		-	-	20,301	-	-	-	20,301
Net income recognised directly in equity		-	-	20,301	-	-	-	20,301
Net profit for the year		-	-	-	1,789,435	-	-	1,789,435
Total recognised income for the year		-	-	20,301	1,789,435	-	-	1,809,736
Issue of shares pursuant to exercise of share options		24(b)(1)	45,452	207,901	-	-	-	253,353
Buy-back of shares		30	-	-	-	-	(201)	(201)
Transfer to statutory reserves		-	-	447,359	(447,359)	-	-	-
Transfer to proposed dividends		42	-	-	(483,051)	483,051	-	-
Dividends paid		42	-	-	-	(1,312,935)	-	(1,312,935)
Dividends proposed		42	-	-	(974,874)	974,874	-	-
At 31 December 2006		3,462,825	1,782,081	3,183,133	352,215	974,874	(784,801)	8,970,327
		Note 29		Note 31	Note 32		Note 30	

The accompanying notes form an integral part of the financial statements.



Statement of **Changes in Equity** for the year ended 31 December 2006

		← Attributable to Equity Holders of the Bank →						
		Non-distributable			Distributable			
		Reserves			Reserves			
		Share	Share	Other	Retained	Proposed	Treasury	Total
2005		Capital	Premium	Reserves	Profits	Dividends	Shares	RM'000
Bank	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005,								
as previously stated		3,355,767	1,347,084	2,406,900	734,469	1,172,012	(601,441)	8,414,791
Effects of adopting BNM								
Circular on Handling Fees		50(d)	—	—	73,561	—	—	73,561
At 1 January 2005, as restated		3,355,767	1,347,084	2,406,900	808,030	1,172,012	(601,441)	8,488,352
Unrealised net loss on revaluation of securities available-for-sale		—	—	(11,650)	—	—	—	(11,650)
Net expense recognised directly in equity		—	—	(11,650)	—	—	—	(11,650)
Net profit for the year, as restated		—	—	—	1,289,750	—	—	1,289,750
Total recognised income/ (expense) for the year		—	—	(11,650)	1,289,750	—	—	1,278,100
Issue of shares pursuant to exercise of share options		24(b)(1)	61,606	227,096	—	—	—	288,702
Buy-back of shares		30	—	—	—	—	(183,159)	(183,159)
Transfer to statutory reserves		—	—	320,223	(320,223)	—	—	—
Transfer to proposed dividends		42	—	—	(479,609)	479,609	—	—
Dividends paid		42	—	—	—	(1,651,621)	—	(1,651,621)
Dividend proposed		—	—	—	(829,884)	829,884	—	—
At 31 December 2005		3,417,373	1,574,180	2,715,473	468,064	829,884	(784,600)	8,220,374
		Note 29			Note 31	Note 32	Note 30	

The accompanying notes form an integral part of the financial statements.



## Cash Flow Statements for the year ended 31 December 2006

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax expense and zakat	<b>2,416,361</b>	2,059,436	<b>2,440,137</b>	1,745,482
Adjustments for:				
Share of profit after tax of equity accounted associated companies	<b>(4,888)</b>	(4,114)	—	—
Depreciation of property and equipment	<b>99,404</b>	92,371	<b>78,652</b>	75,534
Amortisation of intangible assets	—	46,262	—	42,963
Net gain on disposal of property and equipment	<b>(153)</b>	(2,322)	<b>(61)</b>	(1,764)
Net loss on disposal of foreclosed properties	<b>1,077</b>	807	<b>1,077</b>	807
Allowance for bad and doubtful debts and financing	<b>638,121</b>	530,277	<b>479,953</b>	412,533
Write back of allowance for bad and doubtful debts and financing	<b>(56,712)</b>	(47,375)	<b>(54,328)</b>	(34,315)
Net gain on sale of securities held-for-trading	<b>(10,422)</b>	(10,149)	<b>(9,012)</b>	(9,763)
Net gain on sale of securities available-for-sale	<b>(4,014)</b>	(4,162)	<b>(4,014)</b>	—
Amortisation of premium less accretion of discount	<b>22,210</b>	18,867	<b>30,382</b>	27,245
Amortisation of cost and accretion of discount relating to the issuance of the subordinated notes	<b>2,625</b>	2,333	<b>2,625</b>	2,333
Amortisation of cost relating to the issuance of the hybrid capital	<b>64</b>	—	<b>64</b>	—
Unrealised loss/(gain) on securities held-for-trading and trading derivatives	<b>58,796</b>	(20,785)	<b>59,646</b>	(18,744)
Unrealised gain on hedging derivatives	<b>(2,112)</b>	—	<b>(275)</b>	—
Pension cost – defined benefit plan	<b>(6,488)</b>	(7,044)	<b>(6,164)</b>	(6,803)
Transfer from profit equalisation reserves	<b>(16,727)</b>	(6,870)	<b>(16,727)</b>	(6,870)
Dividends from securities held-for-trading	<b>(622)</b>	(567)	<b>(386)</b>	(391)
Dividends from securities available-for-sale	<b>(47,860)</b>	(41,693)	<b>(40,985)</b>	(37,430)
Dividends from securities held-to-maturity	<b>(3,408)</b>	(3,281)	<b>(3,294)</b>	(3,191)
Dividends from subsidiary companies	—	—	<b>(608,134)</b>	(212,944)
Dividends from associated companies	—	—	<b>(3,335)</b>	(2,311)
Gain on dilution of interest in a subsidiary company	—	(27,837)	—	—
Gain on disposal of interest in a subsidiary company	<b>(22,082)</b>	—	<b>(25,844)</b>	—
Property and equipment written off	<b>331</b>	72	<b>331</b>	68
Net gain on revaluation of investment properties	<b>(10,846)</b>	—	—	—
Impairment written back on investment properties	—	(8,202)	—	—
Impairment (written back)/loss on foreclosed property	<b>(161)</b>	2,677	<b>(161)</b>	2,677
Impairment loss on securities available-for-sale	—	1,795	—	1,795
Impairment written back on securities held-to-maturity	<b>(2,269)</b>	(10,000)	<b>(2,269)</b>	(10,000)
Impairment written back on property and equipment	<b>(2,216)</b>	(1,713)	—	—
Operating profit before working capital changes	<b>3,048,009</b>	2,558,783	<b>2,317,878</b>	1,966,911



Cash Flow **Statements** for the year ended 31 December 2006

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>(continued)</b>				
(Increase)/Decrease in operating assets:				
Deposits and placements with banks and other financial institutions	<b>4,055,433</b>	(7,252,541)	<b>4,782,065</b>	(7,163,741)
Securities purchased under resale agreements	<b>(7,505,899)</b>	(3,373,950)	<b>(6,775,230)</b>	(3,043,576)
Loans, advances and financing	<b>(12,348,969)</b>	(11,549,372)	<b>(11,756,400)</b>	(11,074,426)
Other assets	<b>(378,342)</b>	(66,128)	<b>168,865</b>	(76,322)
Statutory deposits with Central Banks	<b>(219,359)</b>	(230,093)	<b>(204,000)</b>	(227,000)
Increase/(Decrease) in operating liabilities:				
Deposits from customers	<b>21,363,358</b>	11,883,338	<b>20,437,736</b>	13,939,543
Deposits and placements of banks and other financial institutions	<b>(2,403,615)</b>	4,722,209	<b>(2,478,122)</b>	2,017,870
Obligations on securities sold under repurchase agreements	<b>6,033,880</b>	783,518	<b>5,901,573</b>	678,667
Bills and acceptances payable	<b>493,929</b>	868,723	<b>495,985</b>	868,742
Recourse obligations on loans sold to Cagamas	<b>(23,721)</b>	(61,208)	<b>(23,721)</b>	(61,208)
Other liabilities	<b>516,940</b>	(258,614)	<b>(270,843)</b>	(282,868)
Cash generated from/(used in) operations	<b>12,631,644</b>	(1,975,335)	<b>12,595,786</b>	(2,457,408)
Income tax expense and zakat paid	<b>(593,490)</b>	(556,117)	<b>(503,356)</b>	(446,613)
Pension cost paid – defined benefit plan	<b>(6,769)</b>	(4,879)	<b>(6,769)</b>	(4,879)
<b>Net cash generated from/(used in) operating activities</b>	<b>12,031,385</b>	(2,536,331)	<b>12,085,661</b>	(2,908,900)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(135,480)</b>	(93,487)	<b>(58,472)</b>	(80,451)
Proceeds from disposal of property and equipment	<b>1,292</b>	3,970	<b>352</b>	2,873
Proceeds from disposal of foreclosed properties	<b>12,989</b>	11,439	<b>12,989</b>	11,439
Proceeds from disposal of investment property	<b>1,676</b>	—	<b>—</b>	—
Net (purchase)/disposal of securities	<b>(6,643,026)</b>	1,310,431	<b>(6,546,414)</b>	(13,419)
Additional investment in subsidiary companies	<b>(51,153)</b>	(20)	<b>(1,334,966)</b>	—
Dividend received from associated companies	<b>3,427</b>	2,413	<b>3,335</b>	2,247
Dividend received from securities held-for-trading	<b>622</b>	567	<b>386</b>	391
Dividend received from securities available-for-sale	<b>47,860</b>	41,693	<b>40,985</b>	37,430
Dividend received from securities held-to-maturity	<b>3,408</b>	3,281	<b>3,294</b>	3,191



## Cash Flow Statements for the year ended 31 December 2006

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>(continued)</b>				
Cash received from capital reduction exercise at subsidiary companies	—	—	<b>319,069</b>	60,000
Proceeds from disposal of shares in a subsidiary company	<b>82,323</b>	—	<b>82,323</b>	—
Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited), net of cash acquired (Note 14(b))	<b>(800,278)</b>	—	—	—
Dividends received from subsidiary companies	—	—	<b>238,143</b>	201,557
<b>Net cash (used in)/generated from investing activities</b>	<b>(7,476,340)</b>	1,280,287	<b>(7,238,976)</b>	225,258
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Subscription of rights issue by minority shareholders	<b>778</b>	—	—	—
Exercise of share options by minority shareholders	—	76,169	—	—
Proceeds from issuance of shares	<b>253,353</b>	288,702	<b>253,353</b>	288,702
Borrowings	<b>679,341</b>	—	—	—
Dividends paid to equity holders of the Bank	<b>(1,312,935)</b>	(1,651,621)	<b>(1,312,935)</b>	(1,651,621)
Dividends paid to minority interests	<b>(58,313)</b>	(92,140)	—	—
Share issuance expenses	<b>(162)</b>	—	—	—
Buy-back of shares	<b>(201)</b>	(183,159)	<b>(201)</b>	(183,159)
Net proceeds from issuance of subordinated notes	—	1,506,822	—	1,506,822
Net proceeds from issuance of hybrid capital	<b>1,933,462</b>	—	<b>1,933,462</b>	—
<b>Net cash generated from/(used in) financing activities</b>	<b>1,495,323</b>	(55,227)	<b>873,679</b>	(39,256)
Net increase/(decrease) in cash and cash equivalents	<b>6,050,368</b>	(1,311,271)	<b>5,720,364</b>	(2,722,898)
Cash and cash equivalents at beginning of year	<b>18,357,737</b>	19,670,005	<b>17,170,338</b>	19,893,236
Exchange differences on translation of opening balances	<b>(27,475)</b>	(997)	—	—
<b>Cash and cash equivalents at end of year</b>	<b>24,380,630</b>	18,357,737	<b>22,890,702</b>	17,170,338

The accompanying notes form an integral part of the financial statements.



## Notes to the Financial Statements – 31 December 2006

### 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Group is principally engaged in all aspects of banking, investment banking, financing, stock-broking, provision of finance to purchasers of licensed public vehicles, provision of related financial services, management of unit trusts and sale of trust units and investment holding.

The Bank is principally engaged in all aspects of banking and finance company businesses which include Islamic banking and the provision of related financial services.

There have been no significant changes to these principal activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 19 January 2007.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following:

- (i) The new and revised Financial Reporting Standards (“FRS”) issued by the Malaysian Accounting Standards Board (“MASB”) that are effective for accounting periods beginning on or after 1 January 2006 or available for early adoption.

On 1 January 2006, the Group and the Bank adopted the following new and revised FRSs which became mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- (i) The MASB has also issued a number of FRSs that are effective for financial years beginning subsequent to 1 January 2006, which are available for early adoption. In this set of financial statements, the Group and the Bank have chosen to early adopt the Amendment to FRS 119<sub>2004</sub> Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures, which is effective for annual periods beginning on or after 1 January 2007 and FRS 124 Related Party Disclosures, which is effective for annual periods beginning on or after 1 October 2006.

For this set of financial statements, the Group and the Bank have chosen not to early adopt the following FRSs:

FRS 117 Leases, which is effective for financial periods beginning on or after 1 October 2006

FRS 139 Financial Instruments: Recognition and Measurement, for which the MASB has yet to announce the effective date of the standard.

- (ii) Bank Negara Malaysia's ("BNM") circular dated 16 October 2006 on the Accounting Treatment of Handling Fees for Hire Purchase Loans ("Circular on Handling Fees").

The impact of applying FRS 117 Leases and FRS 139 Financial Instruments: Recognition and Measurement on this financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors are not required to be disclosed by virtue of exemptions provided under paragraph 67B of FRS 117 and paragraph 103AB of FRS 139 respectively.

The adoption of FRS 5, 101, 108, 110, 116, 121, 124, 127, 128, 132, 133 and 119<sub>2004</sub> does not have any significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs and BNM's Circular on Handling Fees are disclosed in Note 50.

### (a) Basis of Accounting

The financial statements of the Group and the Bank have been prepared on the historical cost basis, except for the following assets and liabilities which are stated at fair value: securities held-for-trading, securities available-for-sale, derivative financial instruments and investment properties, as disclosed in the notes to the financial statements and are in accordance with the applicable approved accounting standards in Malaysia for entities other than private entities issued by the Malaysian Accounting Standards Board as modified by BNM Guidelines and comply with the provisions of the Companies Act, 1965.

The financial statements incorporate all activities relating to the Islamic Banking business which have been undertaken by the Bank. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of Accounting (continued)

In the preparation of the financial statements, management has been required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

- (i) Annual testing for impairment of goodwill and intangible assets (Note 18) – the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 5-year period, estimated growth rates for cash flows beyond the fifth year extrapolated up to fifty years and discount rates applied to the cash flow projections.
- (ii) Valuation of investment properties (Note 16) – the measurement of the fair value for investment properties performed by management is determined with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.
- (iii) Fair value estimation for securities held-for-trading (Note 6), securities available-for-sale (Note 7) and derivative financial assets and liabilities (Note 10) – the fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flows method.
- (iv) Deferred tax assets (Note 13) – deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of Consolidation

#### (i) Subsidiary Companies

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies made up to the end of the financial year.

Subsidiary companies are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the cost of acquisition is measured as the fair value of the assets given, liabilities incurred or assumed, and the equity instruments issued at the date of exchange plus costs directly attributable to the business combination. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. Any difference between the cost of the business combination and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill or negative goodwill. The accounting policy on goodwill and negative goodwill is set out in Note 2(d)(i).

Intragroup transactions, balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

Minority interest represents the portion of the net assets of a subsidiary company attributable to equity interests that are not owned directly or indirectly by the Group. Minority interest is presented in the consolidated balance sheet within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Bank. Minority interest in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and equity holders of the Bank. Where losses applicable to the minority in a subsidiary company exceed the minority interest in the equity of that subsidiary company, the excess and any further losses applicable to the minority are attributable against the Group's interest except to the extent that the minority has a binding obligation to, and is able to make additional investment to cover the losses. If the subsidiary company subsequently reports profits, such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

For business combinations where the Group's equity interest in a subsidiary company is increased by virtue of a subscription to a higher proportion of the subsidiary company's new issue of shares as compared to its existing equity interest and where the share issue price is above or below the subsidiary company's net asset value, the resultant dilution or accretion of its share of net assets in the subsidiary company is recognised in equity.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of Consolidation (continued)

#### (i) Subsidiary Companies (continued)

In the Bank's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses, if any. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the income statement.

#### (ii) Associated Companies

Associated companies are those enterprises in which the Group has significant influence but not control through management participation, generally where the Group has long term equity interest and voting rights of between 20 to 50 percent.

Investment in associated companies are accounted for in the Group's consolidated financial statements using the equity method. The Group's investment in associated companies is recognised in the consolidated balance sheet at cost plus the Group's share of post-acquisition net results of the associated company less impairment loss, if any, determined on an individual basis. The Group's share of results of the associated company is recognised in the consolidated income statement from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company. Consistent accounting policies are applied for transactions and events in similar circumstances.

Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.

In the Bank's separate financial statements, investment in associated companies is stated at cost less impairment losses, if any, determined on an individual basis. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is included in the income statement.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Foreign Currency

#### (i) Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, ie. the functional currency. The financial statements of the Group and the Bank are presented in Ringgit Malaysia (RM), which is the Bank's functional and presentation currency.

#### (ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency, ie. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the income statement.

#### (iii) Net Investment in Foreign Operations

Exchange differences arising from monetary items that form part of the Bank's net investment in foreign operations and that are denominated in the functional currency of the Bank or the foreign operation are recognised in the income statement of the Bank. In the Group financial statements, such exchange differences are recognised initially in equity and will be recognised in the income statement only upon disposal of the net investment.

#### (iv) Consolidation of Financial Statements of Foreign Operations

The results and financial position of the Group's foreign operations and its subsidiary company incorporated in the Federal Territory of Labuan (whose functional currency is not the currency of a hyperinflationary economy) are translated into the presentation currency at average exchange rates for the year and at the closing exchange rate as at balance sheet date respectively. All resulting exchange differences are recognised in a separate component of equity as a foreign currency translation reserve and are subsequently recognised in the income statement upon disposal of the foreign operation. Exchange differences arising from foreign currency borrowings designated as hedges of a net investment in a foreign operation are recognised in the foreign currency translation reserve in equity until the disposal of the net investment, at which time the accumulated translation differences are taken to the income statement.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) Foreign Currency (continued)****(iv) Consolidation of Financial Statements of Foreign Operations (continued)**

Goodwill and fair value adjustments arising from the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and are translated at the closing rate at the balance sheet date. For acquisitions prior to 1 January 2006, the exchange rates as at the date of initial acquisition were used.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2006	2005
1 USD	<b>RM3.5220</b>	RM3.7795
1 HKD	<b>RM0.4529</b>	RM0.4875

**(d) Goodwill and Intangible Assets****(i) Goodwill**

For acquisitions prior to 1 January 2006, goodwill acquired in a business combination represents the excess of the cost of the acquisition of subsidiary companies over the Group's interest in the fair values of the net identifiable assets (including intangible assets) at the date of acquisition. With the adoption of FRS 3 Business Combinations beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary companies.

Goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is no longer amortised. Instead it is allocated to cash-generating units which are expected to benefit from the synergies of the business combination. Each cash-generating unit represents the lowest level at which the goodwill is monitored and is not larger than a segment based on either the Group's primary or secondary reporting format. The carrying amount of goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill, which represents the excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over the cost of the acquisition of the subsidiary companies, is recognised immediately in the income statement.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(d) Goodwill and Intangible Assets (continued)**

#### **(ii) Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Intangible assets are recognised only when identifiability and economic benefit probability criterion are met. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with an indefinite useful life are not amortised but are tested annually for impairment or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. The intangible asset with an indefinite useful life is reviewed annually to determine whether the indefinite useful life assessment continues to be supportable.

Intangible assets with a finite useful life, if any, will be amortised on a straight line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

### **(e) Derivative Financial Instruments and Hedge Accounting**

Financial derivatives are recognised at fair values upon inception in the balance sheet, and are subsequently remeasured at fair values. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statement. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value or cash flow hedge accounting.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Derivative Financial Instruments and Hedge Accounting (continued)

#### (i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the expected life of the hedged item.

The Group has adopted fair value hedge accounting for its fixed-rate subordinated notes and hybrid capital securities issued, as well as for certain fixed-rate private debt securities investments.

#### (ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to a separate component in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement.

#### (iii) Net Investment Hedge

The Group also applies net investment hedge accounting, which are for hedges against the exposure to exchange rate fluctuations on the net assets of its foreign operations. The hedge is accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statement. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statement.

### (f) Securities

Investments in securities of the Group and the Bank are classified according to the following categories depending on the purpose for which the securities were acquired.

#### (i) Securities Held-for-Trading

Securities are classified as held-for-trading if these financial assets are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. Securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) **Securities (continued)**

#### (ii) **Securities Held-to-Maturity**

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and Bank have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method. Amortisation of premium, accretion of discount and impairment loss as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

Any sale or reclassification of a significant amount of securities held-to-maturity not close to their maturity would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Group and the Bank from classifying the similar class of securities as securities held-to-maturity for the current and following two financial years.

#### (iii) **Securities Available-for-Sale**

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

### (g) **Investment Properties**

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Properties that are occupied by the companies in the Group for conduct of business operations are accounted for as owner-occupied rather than as investment properties.

In accordance with FRS 140, investment properties can be measured using either the cost or fair value method. The Group has adopted the fair value method in measuring investment properties. Investment properties are measured initially at its cost, including transaction cost. Subsequent to initial recognition, all properties are measured at fair value, with any changes recognised in the income statement. When an item of property and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation reserve. If a fair value gain reverses a previously recognised impairment loss, the gain is recognised in the income statement. Upon disposal of the investment property, any surplus previously recorded in equity is transferred to retained earnings.





## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Investment Properties (continued)

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Fair values of investment properties are determined either by independent professional valuers or by management based on their judgement and estimates. Management's estimates have been made with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the income statement.

### (h) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement when they are incurred.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(i)(iv).

Freehold land is not depreciated. Depreciation of other property and equipment is provided on a straight line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives at the following principal annual rates:

Leasehold land	Over the remaining leasehold period or 50 years, whichever is lower
Buildings	2.0%
Renovations	Over the term of the leases ranging from 2 to 50 years
Office equipment, furniture and fittings	10.0% – 33.3%
Computer equipment and software	20.0% – 33.3%
Motor vehicles	20.0%



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Property and Equipment and Depreciation (continued)

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised directly in equity. Any loss is recognised immediately in the income statement.

### (i) Impairment of Assets

The carrying amount of the Group's assets except for deferred tax assets, financial assets (other than securities held-to-maturity and available-for-sale) and investment properties are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement. The policies on impairment of assets are summarised as follows:

#### (i) Securities Held-to-Maturity

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Impairment of Assets (continued)

#### (ii) Securities Available-for-Sale

For securities available-for-sale in which there are objective evidence of impairment, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

#### (iii) Goodwill/Intangible Assets

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For impairment testing, goodwill from business combinations or the intangible asset is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination or intangible asset.

The recoverable amount is determined for each CGU based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for intangible assets is reversed if and only if there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment loss was recognised and such reversal is through the income statement.

#### (iv) Other Assets

Other assets such as property and equipment, foreclosed properties and investments in subsidiary companies and associated companies are reviewed for objective indications of impairment at each balance sheet date or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment loss is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the income statement. Any reversal of an impairment loss for these assets is recognised in the income statement. The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) **Foreclosed Properties**

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

### (k) **Bills and Acceptances Payable**

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

### (l) **Repurchase Agreements**

Securities purchased under resale agreements represent collateralised lending of securities which the Group and the Bank are committed to resell at future dates and are reflected as an asset on the balance sheet.

Obligations on securities sold under repurchase agreements represent collateralised borrowing obligations which the Group and the Bank are committed to repurchase at future dates and are reflected as a liability on the balance sheet. The securities sold under repurchase agreements are treated as pledged assets and continue to be recognised as assets in the balance sheet.

### (m) **Receivables**

Receivables are recognised when there is a contractual right to receive cash or another financial asset from another entity. Receivables are initially recognised at cost and subsequently stated at cost less allowance for doubtful debts.

### (n) **Provisions**

A provision is recognised when there is a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where the effect of the value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

### (o) **Liabilities**

Liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity. Deposits from customers are stated at placement values and adjusted for accrued interest. Deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Profit Equalisation Reserve (“PER”)

PER is the amount appropriated out of the total Islamic Banking gross income in order to maintain a certain level of return to depositors which is as stipulated by Bank Negara Malaysia’s Circular on “Framework of Rate of Return”. PER is deducted from the total Islamic Banking gross income in deriving the net distributable gross income at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income and other income. The amount appropriated is shared by the depositors and the Group/Bank. PER is maintained up to the maximum of 30% of total Islamic Banking capital fund.

### (q) Interest-Bearing Borrowings

Interest-bearing borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the borrowings on an effective interest method.

Generally, it is the Group’s policy to hedge the fixed interest rate risk on these borrowings, and apply fair value hedge accounting. When hedge accounting is applied to fixed-rate borrowings, the carrying values of the borrowings are adjusted for changes in fair value related to the hedged exposure, instead of being carried at amortised cost.

### (r) Hybrid Capital Securities

Hybrid capital securities are classified as liabilities in the balance sheet as there is a contractual obligation by the Bank to make cash payments of either principal or interest or both to holders of the instruments and that the Bank is contractually obliged to settle the financial instrument in cash or another financial instrument.

### (s) Share Capital

Ordinary shares are classified as equity in the balance sheet. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

### (t) Treasury Shares

When the Bank re-acquires its own equity shares, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Shares re-acquired are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of the treasury shares. When treasury shares are re-issued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) **Contingent Liabilities**

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (v) **Operating Revenue**

Operating revenue of the Group comprises all types of revenue derived from banking, investment banking, financing, stock-broking, leasing and factoring, management of unit trust and sales of trust units as well as trustee services but excluding all related companies transactions.

Operating revenue of the Bank comprises gross interest income, commission and other income derived from banking and finance operations.

### (w) **Recognition of Interest and Financing Income**

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Interest income on securities are recognised on an effective yield basis.

Interest income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to rest periods as stipulated in the loan agreements, which are either monthly or daily. Interest income on hire purchase, block discounting and leasing business is recognised using the “sum-of-digits” method. Income from Islamic Banking financing is recognised on an accrual basis in accordance with the principles of Shariah.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan in accordance with Bank Negara Malaysia Circular on Handling Fees dated 16 October 2006 and is set off against interest income recognised on the hire purchase loans.

When an account becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis. Customers’ accounts are deemed to be non-performing where repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

The policy on interest recognition on non-performing loans is in conformity with the revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia on 5 October 2004.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) Recognition of Fees and Other Income

Income from the various business activities of the Group and the Bank is recognised using the following bases:

- (i) Loan arrangement, management and participation fees are recognised upfront as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantees;
- (ii) Dividend income is recognised when the right to receive payment is established;
- (iii) Factoring commission income is recognised upon acceptance of the factored invoices. Factoring interest is recognised on an accrual basis;
- (iv) Revenue from the sale of trust units is recognised upon allotment of units, net of cost of units sold;
- (v) Management fees from the management of unit trusts, net brokerage income, margin interest and rollover fees are recognised on an accrual basis;
- (vi) Other fees and commissions on services and facilities extended to customers are recognised on inception of such transactions;
- (vii) Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the assignment; and
- (viii) Rental income is recognised on an accrual basis when it falls due.

### (y) Recognition of Interest, Financing and Related Expenses

Interest expense and attributable profit (on activities relating to Islamic Banking business) on deposits and borrowings of the Group and the Bank are recognised on an accrual basis.

### (z) Allowance for Bad and Doubtful Debts and Financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing.

Allowance for bad and doubtful debts and financing are made with regard to specific risks and relate to those loans or trade receivables that have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

A general allowance based on a percentage of total outstanding loans (including accrued interest), net of specific allowance for bad and doubtful debts, is maintained by the Group and the Bank against risks which are not specifically identified.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (z) Allowance for Bad and Doubtful Debts and Financing (continued)

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties, being the forced sale value provided by independent parties/valuers, on the following basis:

- (i) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
- (ii) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.

The portion of non-performing loans where no realisable value has been assigned will be written-off.

The allowance for bad and doubtful debts and financing are computed in conformity with BNM/GP3. Consistent with previous years, the Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

During the year, the Group adopted a more stringent basis for specific allowances on non-performing loans by making a 20% specific allowance on non-performing loans which are 3 to less than 6 months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears of 6 months and above. The financial impact of this adoption was an additional specific allowance charge of RM13,814,000 for the financial year ended 31 December 2006. The Directors are of the view that such treatment will reflect a more prudent provisioning policy for loans, advances and financing.

### (aa) Employee Benefits

#### (i) Short-Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Overseas subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statement as incurred.





## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(aa) Employee Benefits (continued)**

#### **(iii) Defined Benefit Plan**

The Bank and certain subsidiary companies contribute to a fully funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund") for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over four years when the cumulative unrecognised actuarial gains or losses for the Fund exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Where there are any improvements in benefits for the Fund, past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service cost, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the Fund.

The amount recognised under personnel costs in the income statement includes the current service cost, interest cost, the expected return on plan assets and actuarial gains or losses recognised on the Fund.

#### **(iv) Equity Compensation Benefits**

The Bank's employees' share option scheme allows the Group's Directors and employees, except the employees of Public Financial Holdings Limited ("PFHL") and its subsidiary companies and Cambodian Public Bank Limited, to acquire shares of the Bank. PFHL's share option scheme allows the directors and employees of PFHL and its subsidiary companies to acquire shares in PFHL.

Where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by the vesting date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. At the balance sheet date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (bb) Operating Leases

Payments made under operating leases are recognised in the income statement on an accrual basis in accordance with the terms of the leases.

### (cc) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off under the same taxable entity and taxation authority.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the balance sheet date.

### (dd) Dividends

Dividends on ordinary shares are accounted for as an appropriation of retained profits in the period in which they are approved.

### (ee) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one month.



**3. CASH AND SHORT-TERM FUNDS**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Cash and balances with banks and other financial institutions	<b>1,196,658</b>	788,986	<b>807,800</b>	687,742
Money at call and deposit placements maturing within one month	<b>23,183,972</b>	17,568,751	<b>22,082,902</b>	16,482,596
	<b>24,380,630</b>	18,357,737	<b>22,890,702</b>	17,170,338

**4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	<b>267,380</b>	345,962	<b>10,566</b>	302,360
Licensed finance companies	—	47,000	—	25,000
Licensed investment/merchant banks	—	10,000	<b>240,000</b>	—
Central Banks	<b>4,077,000</b>	8,105,070	<b>3,391,200</b>	7,910,200
Other financial institutions	<b>313,037</b>	204,818	<b>313,037</b>	499,308
	<b>4,657,417</b>	8,712,850	<b>3,954,803</b>	8,736,868

A fixed deposit of RM100,000 (2005 – RM100,000) included in the Group balance favouring the Accountant General has been placed by a subsidiary company with a licensed bank in accordance with Section 4(2) of the Labuan Trust Companies Act, 1990.

Deposits totalling RM Nil (2005 – RM2,437,000) have been pledged to certain banks by a foreign subsidiary company for facilities obtained.



## 5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysian Government Securities	<b>12,375,287</b>	4,853,770	<b>10,797,358</b>	4,006,510
Malaysian Government Treasury Bills	–	15,618	–	15,618
	<b>12,375,287</b>	4,869,388	<b>10,797,358</b>	4,022,128

The fair value of securities accepted as collateral under resale agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by the counterparties was RM12,375,287,000 (2005 – RM4,869,388,000) and RM10,797,358,000 (2005 – RM4,022,128,000) respectively, of which RM1,440,900,000 (2005 – RM2,190,413,000) and RM1,440,900,000 (2005 – RM2,190,413,000) respectively, have been resold.

## 6. SECURITIES HELD-FOR-TRADING

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Treasury Bills	<b>30,649</b>	9,694	<b>28,979</b>	9,694
Malaysian Government Securities	<b>146,881</b>	10,490	<b>146,881</b>	–
Malaysian Government Investment Certificates	<b>136,707</b>	15,031	<b>136,707</b>	15,031
Negotiable instruments of deposit	<b>8,302,944</b>	1,315,477	<b>8,302,944</b>	1,465,477
Bank Negara Malaysia Negotiable notes	<b>343,012</b>	–	<b>343,012</b>	–
Bank Negara Malaysia Bills	–	24,802	–	–
	<b>8,960,193</b>	1,375,494	<b>8,958,523</b>	1,490,202



**6. SECURITIES HELD-FOR-TRADING (continued)**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Quoted securities:				
Shares in Malaysia	5,082	10,886	5,082	7,958
Bonds trust units outside Malaysia	4,626	—	—	—
	<b>9,708</b>	10,886	<b>5,082</b>	7,958
Unquoted securities:				
Private debt securities	137,760	168,305	97,639	168,305
	<b>9,107,661</b>	1,554,685	<b>9,061,244</b>	1,666,465

Included in securities held-for-trading are the following securities sold under repurchase agreements:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Negotiable instruments of deposit	8,122,728	1,303,336	8,122,728	1,453,336

**7. SECURITIES AVAILABLE-FOR-SALE**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>At fair value</b>				
Quoted securities:				
Shares and convertible loan stocks in Malaysia	31,235	17,764	31,235	17,764
Shares outside Malaysia	45,510	22,613	—	—
Bonds trust units in Malaysia	1,179,650	1,141,103	1,080,489	1,045,140
	<b>1,256,395</b>	1,181,480	<b>1,111,724</b>	1,062,904
Unquoted securities:				
Shares	17,035	13,947	13,383	13,377
Private debt securities	2,622,308	2,877,255	2,312,632	2,487,275
	<b>2,639,343</b>	2,891,202	<b>2,326,015</b>	2,500,652
	<b>3,895,738</b>	4,072,682	<b>3,437,739</b>	3,563,556



## 8. SECURITIES HELD-TO-MATURITY

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>At amortised cost</b>				
Money market instruments:				
Malaysian Government Treasury Bills	9,902	109,559	9,902	109,559
Malaysian Government Securities	425,406	577,310	425,406	577,310
Malaysian Government Investment Certificates	60,400	4,768	60,400	4,768
Cagamas bonds	116,390	323,773	116,390	323,773
Cagamas Mudharabah bonds	51,736	127,479	51,736	127,479
Negotiable instruments of deposit	1,063,695	865,821	238,234	398,867
Bank Negara Malaysia Bills	—	104,308	—	104,308
Hong Kong Government Treasury Bills	44,943	—	—	—
Sri Lanka Government Treasury Bills	6,872	—	6,872	—
	<b>1,779,344</b>	2,113,018	<b>908,940</b>	1,646,064
Quoted securities:				
Private debt securities	30,184	—	—	—
	<b>30,184</b>	—	—	—
Unquoted securities:				
Shares	87,512	87,502	87,057	87,057
Private debt securities	1,383,090	70,442	16,744	39,487
	<b>1,470,602</b>	157,944	<b>103,801</b>	126,544
Accumulated impairment losses	(15,312)	(35,895)	(15,312)	(35,895)
	<b>3,264,818</b>	2,235,067	<b>997,429</b>	1,736,713



**8. SECURITIES HELD-TO-MATURITY (continued)**

The maturity structure of money market instruments held are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Maturity within one year	<b>1,492,292</b>	1,256,691	<b>665,487</b>	916,131
More than one year to three years	<b>268,482</b>	856,327	<b>233,690</b>	729,933
More than three years to five years	<b>18,570</b>	—	<b>9,763</b>	—
	<b>1,779,344</b>	2,113,018	<b>908,940</b>	1,646,064

The market value of money market instruments are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysian Government Treasury Bills	<b>9,904</b>	109,178	<b>9,904</b>	109,178
Malaysian Government Securities	<b>425,345</b>	576,705	<b>425,345</b>	576,705
Malaysian Government Investment Certificates	<b>60,615</b>	4,773	<b>60,615</b>	4,773
Cagamas bonds	<b>116,308</b>	323,130	<b>116,308</b>	323,130
Cagamas Mudharabah bonds	<b>51,736</b>	127,479	<b>51,736</b>	127,479
Negotiable instruments of deposit	<b>1,066,173</b>	864,866	<b>238,262</b>	398,662
Bank Negara Malaysia Bills	—	104,269	—	104,269
Hong Kong Government Treasury Bills	<b>45,182</b>	—	—	—
Sri Lanka Government Treasury Bills	<b>6,859</b>	—	<b>6,859</b>	—

Included in securities held-to-maturity are the following securities sold under repurchase agreements:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Negotiable instruments of deposit	<b>590,785</b>	478,826	<b>32,347</b>	53,235
Malaysian Government Treasury Bills	<b>2,582</b>	—	<b>2,582</b>	—
	<b>593,367</b>	478,826	<b>34,929</b>	53,235



## 9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Overdrafts	<b>7,958,576</b>	6,980,718	<b>7,441,141</b>	6,780,784
Term loans/financing				
Housing loans/financing	<b>24,004,682</b>	18,990,594	<b>22,656,307</b>	18,902,511
Syndicated term loans/financing	<b>1,153,748</b>	223,062	<b>640,055</b>	223,062
Hire purchase receivables	<b>26,512,369</b>	22,661,200	<b>25,441,418</b>	22,372,548
Other term loans/financing	<b>23,690,266</b>	17,715,911	<b>20,139,762</b>	15,954,181
Credit card receivables	<b>760,432</b>	581,341	<b>754,785</b>	581,341
Bills receivables	<b>134,359</b>	71,909	<b>88,898</b>	71,909
Trust receipts	<b>417,562</b>	311,772	<b>300,552</b>	290,079
Claims on customers under acceptance credits#	<b>2,072,886</b>	1,717,953	<b>2,050,687</b>	1,717,953
Lease, factored and confirming receivables	<b>23,926</b>	33,927	—	31,665
Revolving credits	<b>1,807,528</b>	2,430,478	<b>1,908,787</b>	2,432,554
Staff loans*	<b>653,640</b>	646,310	<b>621,200</b>	619,849
	<b>89,189,974</b>	72,365,175	<b>82,043,592</b>	69,978,436
Unearned interest and income	<b>(4,825,456)</b>	(4,263,185)	<b>(4,824,910)</b>	(4,261,955)
Gross loans, advances and financing	<b>84,364,518</b>	68,101,990	<b>77,218,682</b>	65,716,481
Allowance for bad and doubtful debts and financing:				
– general	<b>(1,318,546)</b>	(1,056,199)	<b>(1,156,721)</b>	(984,830)
– specific	<b>(258,320)</b>	(233,007)	<b>(170,564)</b>	(151,746)
Net loans, advances and financing	<b>82,787,652</b>	66,812,784	<b>75,891,397</b>	64,579,905

# Included in claims on customers under acceptance credits are bankers' acceptance rediscounted of RM1,833,881,000 (2005 – RM1,492,479,000).

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM2,488,368 (2005 – RM2,946,287) and RM1,232,670 (2005 – RM1,639,020) respectively.





**9. LOANS, ADVANCES AND FINANCING (continued)**

The maturity structure of gross loans, advances and financing are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Maturity within one year	<b>16,560,079</b>	14,472,020	<b>13,876,007</b>	13,220,129
More than one year to three years	<b>9,021,002</b>	6,770,034	<b>7,618,744</b>	6,151,800
More than three years to five years	<b>11,137,583</b>	9,696,062	<b>10,304,887</b>	9,500,227
More than five years	<b>47,645,854</b>	37,163,874	<b>45,419,044</b>	36,844,325
	<b>84,364,518</b>	68,101,990	<b>77,218,682</b>	65,716,481

Gross loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Domestic non-bank financial institutions				
– Stock-broking companies	<b>2,010</b>	2,113	<b>2,010</b>	2,113
– Others	<b>2,208,408</b>	1,973,938	<b>2,193,398</b>	1,953,914
Domestic business enterprises				
– Small and medium enterprises	<b>17,712,724</b>	15,190,062	<b>17,597,689</b>	15,093,309
– Others	<b>3,903,743</b>	4,574,606	<b>4,029,835</b>	4,318,898
Government and statutory bodies	<b>1,250</b>	1,613	<b>1,250</b>	1,613
Individuals	<b>51,952,188</b>	44,170,199	<b>51,921,475</b>	44,108,417
Other domestic entities	<b>66,622</b>	95,038	<b>66,622</b>	95,038
Foreign entities	<b>8,517,573</b>	2,094,421	<b>1,406,403</b>	143,179
	<b>84,364,518</b>	68,101,990	<b>77,218,682</b>	65,716,481



**9. LOANS, ADVANCES AND FINANCING (continued)**

Gross loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fixed rate				
– Housing loans/financing	<b>5,718,791</b>	7,381,411	<b>5,699,351</b>	7,379,003
– Hire purchase receivables	<b>22,354,521</b>	19,387,926	<b>22,089,714</b>	19,342,375
– Other fixed rate loans/financing	<b>10,978,798</b>	11,473,182	<b>8,907,989</b>	9,690,159
Variable rate				
– Base lending rate plus	<b>37,581,971</b>	26,125,091	<b>37,556,120</b>	26,096,187
– Cost plus	<b>1,904,128</b>	2,487,226	<b>1,950,243</b>	2,432,493
– Other variable rates	<b>5,826,309</b>	1,247,154	<b>1,015,265</b>	776,264
	<b>84,364,518</b>	68,101,990	<b>77,218,682</b>	65,716,481

Gross loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Purchase of securities	<b>494,181</b>	536,562	<b>480,276</b>	531,651
Purchase of transport vehicles	<b>23,349,045</b>	19,863,234	<b>22,288,045</b>	19,600,345
Purchase of landed properties	<b>37,265,024</b>	28,777,943	<b>35,181,267</b>	28,856,639
(of which: – residential	<b>22,968,404</b>	17,905,752	<b>21,591,211</b>	17,874,399
– non-residential)	<b>14,296,620</b>	10,872,191	<b>13,590,056</b>	10,982,240
Purchase of fixed assets (excluding landed properties)	<b>139,377</b>	94,068	<b>135,517</b>	76,932
Personal use	<b>5,433,782</b>	4,765,411	<b>3,979,748</b>	3,282,762
Credit card	<b>760,432</b>	581,341	<b>754,785</b>	581,341
Purchase of consumer durables	<b>22,090</b>	13,942	<b>22,090</b>	13,882
Construction	<b>477,839</b>	234,697	<b>95,571</b>	3,623
Working capital	<b>13,517,832</b>	9,764,807	<b>11,378,447</b>	9,337,885
Other purpose	<b>2,904,916</b>	3,469,985	<b>2,902,936</b>	3,431,421
	<b>84,364,518</b>	68,101,990	<b>77,218,682</b>	65,716,481



**9. LOANS, ADVANCES AND FINANCING (continued)**

Gross loans, advances and financing analysed by sectors are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture, hunting, forestry and fishing	<b>853,833</b>	655,348	<b>836,237</b>	654,449
Mining and quarrying	<b>56,161</b>	47,593	<b>54,970</b>	46,605
Manufacturing	<b>4,309,424</b>	3,646,694	<b>4,214,002</b>	3,585,619
Electricity, gas and water	<b>69,431</b>	45,853	<b>36,780</b>	39,472
Construction	<b>3,309,769</b>	2,515,172	<b>3,040,829</b>	2,406,591
Wholesale & retail trade and restaurants & hotels	<b>7,686,170</b>	7,260,624	<b>7,466,772</b>	7,042,318
Transport, storage and communication	<b>632,033</b>	561,423	<b>622,204</b>	553,098
Finance, insurance and business services	<b>4,398,634</b>	3,145,237	<b>3,892,897</b>	3,006,230
Real estate	<b>2,883,867</b>	3,008,381	<b>2,932,951</b>	3,018,638
Community, social and personal services	<b>761,166</b>	723,482	<b>750,339</b>	723,482
Households	<b>57,198,598</b>	46,145,898	<b>52,522,975</b>	44,366,985
(of which: – purchase of residential properties	<b>22,551,747</b>	17,651,253	<b>21,174,554</b>	17,619,900
– purchase of transport vehicles	<b>19,669,245</b>	16,552,377	<b>18,610,833</b>	16,293,205
– others)	<b>14,977,606</b>	11,942,268	<b>12,737,588</b>	10,453,880
Others	<b>2,205,432</b>	346,285	<b>847,726</b>	272,994
	<b>84,364,518</b>	68,101,990	<b>77,218,682</b>	65,716,481

Movements in non-performing loans, advances and financing (“NPL”) are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January	<b>1,406,479</b>	1,510,215	<b>1,290,208</b>	1,405,815
Non-performing during the year	<b>2,539,955</b>	2,401,800	<b>2,425,170</b>	2,267,240
Reclassified as performing	<b>(1,944,453)</b>	(2,015,119)	<b>(1,943,441)</b>	(2,001,713)
Recoveries	<b>(80,622)</b>	(72,351)	<b>(79,634)</b>	(66,665)
Amounts written off	<b>(361,506)</b>	(383,364)	<b>(233,235)</b>	(280,029)
Loans/financing converted to foreclosed properties/securities	<b>(23,560)</b>	(34,461)	<b>(23,560)</b>	(34,461)
Amount arising from acquisition of Public Bank (Hong Kong) Limited ( <i>formerly known as Asia Commercial Bank Limited</i> )	<b>51,819</b>	–	–	–
Exchange differences	<b>(10,281)</b>	(241)	<b>(193)</b>	21
At 31 December	<b>1,577,831</b>	1,406,479	<b>1,435,315</b>	1,290,208



## 9. LOANS, ADVANCES AND FINANCING (continued)

Movements in non-performing loans, advances and financing (“NPL”) are as follows (continued):

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 31 December	<b>1,577,831</b>	1,406,479	<b>1,435,315</b>	1,290,208
Specific allowance	<b>(258,320)</b>	(233,007)	<b>(170,564)</b>	(151,746)
Net non-performing loans, advances and financing	<b>1,319,511</b>	1,173,472	<b>1,264,751</b>	1,138,462
Net NPL as % of gross loans, advances and financing less specific allowance	<b>1.57%</b>	1.73%	<b>1.64%</b>	1.74%

Movements in the allowance for bad and doubtful debts and financing accounts are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>General allowance</u>				
At 1 January	<b>1,056,199</b>	895,833	<b>984,830</b>	821,318
Allowance made during the year (Note 38)	<b>206,683</b>	170,787	<b>172,561</b>	163,539
Amount written back (Note 38)	<b>(2,000)</b>	(10,038)	—	—
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	<b>64,071</b>	—	—	—
Exchange differences	<b>(6,407)</b>	(383)	<b>(670)</b>	(27)
At 31 December	<b>1,318,546</b>	1,056,199	<b>1,156,721</b>	984,830
As % of gross loans, advances and financing less specific allowance	<b>1.57%</b>	1.56%	<b>1.50%</b>	1.50%



**9. LOANS, ADVANCES AND FINANCING (continued)**

Movements in the allowance for bad and doubtful debts and financing accounts are as follows (continued):

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Specific allowance</u>				
At 1 January	<b>233,007</b>	297,891	<b>151,746</b>	220,579
Allowance made during the year (Note 38)	<b>431,438</b>	359,490	<b>307,392</b>	248,994
Amount written back in respect of recoveries (Note 38)	<b>(54,712)</b>	(37,337)	<b>(54,328)</b>	(34,315)
Amount written off	<b>(361,506)</b>	(383,341)	<b>(233,235)</b>	(280,006)
Amount transferred to accumulated impairment loss in value of foreclosed properties/securities	<b>(982)</b>	(3,508)	<b>(982)</b>	(3,508)
Amount arising from acquisition of Public Bank (Hong Kong) Limited ( <i>formerly known as Asia Commercial Bank Limited</i> )	<b>22,546</b>	—	—	—
Exchange differences	<b>(11,471)</b>	(188)	<b>(29)</b>	2
At 31 December	<b>258,320</b>	233,007	<b>170,564</b>	151,746

Non-performing loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Purchase of securities	<b>29,138</b>	32,059	<b>25,784</b>	32,059
Purchase of transport vehicles	<b>247,552</b>	207,880	<b>242,943</b>	204,942
Purchase of landed properties	<b>822,736</b>	688,064	<b>814,195</b>	687,454
(of which: – residential	<b>706,007</b>	588,537	<b>697,466</b>	587,927
– non-residential)	<b>116,729</b>	99,527	<b>116,729</b>	99,527
Purchase of fixed assets (excluding landed properties)	<b>2,621</b>	2,264	<b>1,580</b>	429
Personal use	<b>154,066</b>	140,852	<b>82,230</b>	68,582
Credit card	<b>14,375</b>	12,831	<b>14,375</b>	12,831
Purchase of consumer durables	<b>988</b>	300	<b>988</b>	300
Construction	<b>26,928</b>	38,242	—	—
Working capital	<b>244,391</b>	233,119	<b>218,196</b>	232,795
Other purpose	<b>35,036</b>	50,868	<b>35,024</b>	50,816
	<b>1,577,831</b>	1,406,479	<b>1,435,315</b>	1,290,208



## 9. LOANS, ADVANCES AND FINANCING (continued)

Non-performing loans, advances and financing analysed by sectors are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Agriculture, hunting, forestry and fishing	<b>3,823</b>	4,774	<b>3,772</b>	4,689
Mining and quarrying	<b>57</b>	81	<b>57</b>	81
Manufacturing	<b>96,925</b>	79,749	<b>96,431</b>	78,937
Electricity, gas and water	<b>58</b>	8,167	<b>51</b>	8,167
Construction	<b>87,448</b>	93,181	<b>60,382</b>	54,715
Wholesale & retail trade and restaurants & hotels	<b>132,254</b>	136,439	<b>132,121</b>	136,180
Transport, storage and communication	<b>8,574</b>	11,188	<b>5,552</b>	8,269
Finance, insurance and business services	<b>20,189</b>	23,080	<b>19,928</b>	22,357
Real estate	<b>18,883</b>	51,489	<b>18,883</b>	51,489
Community, social and personal services	<b>11,739</b>	11,379	<b>11,739</b>	11,379
Households	<b>1,169,002</b>	981,080	<b>1,083,693</b>	908,083
(of which: – purchase of residential properties	<b>697,122</b>	584,654	<b>668,581</b>	584,044
– purchase of transport vehicles	<b>210,495</b>	171,417	<b>208,917</b>	171,386
– others)	<b>261,385</b>	225,009	<b>186,195</b>	152,653
Others	<b>28,879</b>	5,872	<b>2,706</b>	5,862
	<b>1,577,831</b>	1,406,479	<b>1,435,315</b>	1,290,208

## 10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks. The Group also transacts in these derivatives for proprietary trading purposes. The risks associated with the use of derivatives, as well as management's policy for controlling these risks are set out in Note 45.



**10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)**

The table below shows the Group's and the Bank's financial derivative instruments as at the balance sheet date. The contractual or underlying principal amounts of these financial derivative instruments and their corresponding gross positive (derivative asset) and gross negative (derivative liability) fair values at balance sheet date are analysed below.

Group	Contract/ Notional Amount RM'000	2006		Contract/ Notional Amount RM'000	2005	
		Positive Fair Value RM'000	Negative Fair Value RM'000		Positive Fair Value RM'000	Negative Fair Value RM'000
<b>Derivatives held-for-trading:</b>						
<b>Foreign exchange contracts</b>						
Currency forwards	897,677	4,368	9,209	610,574	4,627	1,352
Currency swaps	5,924,378	6,948	49,976	6,612,494	20,110	8,652
<b>Interest rate related contracts</b>						
Forwards	35,230	—	18	—	—	—
Interest rate swaps	67,941	610	709	—	—	—
	6,925,226	11,926	59,912	7,223,068	24,737	10,004
<b>Derivatives held-for-hedging:</b>						
<b>Interest rate related contracts</b>						
Interest rate swaps	7,042,498	61,130	122,047	5,545,689	16,175	147,294
<b>Total</b>	<b>13,967,724</b>	<b>73,056</b>	<b>181,959</b>	<b>12,768,757</b>	<b>40,912</b>	<b>157,298</b>



**10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)**

Bank	Contract/ Notional Amount RM'000	2006		Contract/ Notional Amount RM'000	2005	
		Positive Fair Value RM'000	Negative Fair Value RM'000		Positive Fair Value RM'000	Negative Fair Value RM'000
<b>Derivatives held-for-trading:</b>						
<b>Foreign exchange contracts</b>						
Currency forwards	757,152	4,064	8,993	610,574	4,627	1,352
Currency swaps	3,670,479	2,073	46,510	6,612,494	20,110	8,652
<b>Interest rate related contracts</b>						
Interest rate swaps	1,094,265	22,849	19,843	—	—	—
	<b>5,521,896</b>	<b>28,986</b>	<b>75,346</b>	7,223,068	24,737	10,004
<b>Derivatives held-for-hedging:</b>						
<b>Interest rate related contracts</b>						
Interest rate swaps	5,655,330	36,383	95,783	5,526,791	15,328	135,865
<b>Total</b>	<b>11,177,226</b>	<b>65,369</b>	<b>171,129</b>	12,749,859	40,065	145,869

The Group and the Bank uses interest rate swaps as fair value hedges of its fixed-rate long-term subordinated borrowings, fixed-rate hybrid capital securities and for certain fixed-rate private debt securities in order to minimise its exposure to changes in fair value due to interest rate volatility.





**11. OTHER ASSETS**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest/Income receivable	<b>73,695</b>	67,736	<b>45,195</b>	63,221
Other debtors, deposits and prepayments	<b>829,629</b>	539,478	<b>416,208</b>	535,052
Foreclosed properties*	<b>110,540</b>	110,741	<b>110,426</b>	110,477
Taxi licenses	<b>10,918</b>	13,156	—	—
Amount due from clients #@	—	10,422	—	—
Outstanding contracts on clients' accounts	<b>231,997</b>	79,053	—	—
Amount due from subsidiary companies	—	—	<b>128,605</b>	155,171
Dividend receivable from subsidiary companies (Note 43(b))	—	—	<b>400,823</b>	149,720
	<b>1,256,779</b>	820,586	<b>1,101,257</b>	1,013,641

\* Stated net of allowance for impairment in value amounting to

	<b>30,736</b>	25,084	<b>25,378</b>	25,084
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@ Stated net of allowance for bad debts amounting to

	—	13,161	—	—
--	---	--------	---	---

# The amount due from clients in the previous year are in respect of the share-broking activities of a subsidiary company. These balances have been reclassified to loans and advances during the year, upon the transformation of the share-broking subsidiary company into an investment bank.

**12. STATUTORY DEPOSITS WITH CENTRAL BANKS**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Statutory deposits with Bank Negara Malaysia*	<b>2,257,073</b>	2,053,995	<b>2,254,000</b>	2,050,000
Statutory deposits with National Bank of Cambodia#	<b>61,635</b>	45,354	—	—
	<b>2,318,708</b>	2,099,349	<b>2,254,000</b>	2,050,000



## 12. STATUTORY DEPOSITS WITH CENTRAL BANKS (continued)

\* The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act 1958 (revised 1994), the amounts of which is determined as set percentages of total eligible liabilities.

# The non-interest bearing statutory deposits are maintained with the National Bank of Cambodia in compliance with Cambodian banking law and are determined as set percentages of the Cambodian Public Bank Limited's issued share capital and deposits from customers as required by the National Bank of Cambodia.

## 13. DEFERRED TAX

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 January				
– as previously stated	<b>344,624</b>	277,474	<b>289,008</b>	220,646
– effects of adopting BNM Circular on Handling Fees (Note 50(d))	<b>(32,051)</b>	(28,606)	<b>(32,051)</b>	(28,606)
At 1 January, as restated	<b>312,573</b>	248,868	<b>256,957</b>	192,040
Recognised in income statement (net) (Note 40)				
– relating to origination and reversal of temporary differences	<b>52,577</b>	59,189	<b>36,052</b>	60,386
– as previously stated	<b>52,577</b>	62,634	<b>36,052</b>	63,831
– effects of adopting BNM Circular on Handling Fees	–	(3,445)	–	(3,445)
– relating to changes in tax rate	<b>(25,659)</b>	–	<b>(20,562)</b>	–
Recognised in equity (net) (Note 40)	<b>(5,697)</b>	4,531	<b>(5,697)</b>	4,531
Amount arising from acquisition of Public Bank (Hong Kong) Limited ( <i>formerly known as Asia Commercial Bank Limited</i> )	<b>(14,345)</b>	–	–	–
Exchange differences	<b>266</b>	(15)	–	–
At 31 December	<b>319,715</b>	312,573	<b>266,750</b>	256,957



**13. DEFERRED TAX (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the balance sheet after appropriate offsetting are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deferred tax assets, net	<b>336,776</b>	315,653	<b>266,750</b>	256,957
Deferred tax liabilities, net	<b>(17,061)</b>	(3,080)	—	—
	<b>319,715</b>	312,573	<b>266,750</b>	256,957

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group	Allowance for Loan Loss RM'000	Tax Losses RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2005	289,921	34,196	17,922	342,039
Recognised in income statement	50,044	(278)	14,590	64,356
Exchange differences	(15)	—	—	(15)
At 31 December 2005	339,950	33,918	32,512	406,380
Recognised in income statement				
– relating to origination and reversal of temporary differences	<b>42,439</b>	<b>22,678</b>	<b>897</b>	<b>66,014</b>
– relating to changes in tax rate	<b>(26,683)</b>	<b>(3,149)</b>	<b>(3,079)</b>	<b>(32,911)</b>
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) (Note 14(b))	<b>1,762</b>	—	<b>6,092</b>	<b>7,854</b>
Exchange differences	<b>(683)</b>	<b>(8)</b>	<b>(199)</b>	<b>(890)</b>
At 31 December 2006	<b>356,785</b>	<b>53,439</b>	<b>36,223</b>	<b>446,447</b>



**13. DEFERRED TAX (continued)**

Deferred tax liabilities of the Group	Excess of Capital Allowances Over Depreciation RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2005			
– as previously stated	55,743	8,822	64,565
– effects of adopting BNM Circular on Handling Fees (Note 50(d))	–	28,606	28,606
At 1 January 2005, as restated	55,743	37,428	93,171
Recognised in income statement	3,480	1,687	5,167
– as previously stated	3,480	(1,758)	1,722
– effects of adopting BNM Circular on Handling Fees (Note 40)	–	3,445	3,445
Recognised in equity (Note 40)	–	(4,531)	(4,531)
At 31 December 2005	59,223	34,584	93,807
Recognised in income statement			
– relating to origination and reversal of temporary differences	<b>7,821</b>	<b>5,616</b>	<b>13,437</b>
– relating to changes in tax rate	<b>(4,207)</b>	<b>(3,045)</b>	<b>(7,252)</b>
Recognised in equity (Note 40)	–	<b>5,697</b>	<b>5,697</b>
Amount arising from acquisition of Public Bank (Hong Kong) Limited ( <i>formerly known as Asia Commercial Bank Limited</i> ) (Note 14(b))	<b>22,199</b>	–	<b>22,199</b>
Exchange differences	<b>(1,156)</b>	–	<b>(1,156)</b>
At 31 December 2006	<b>83,880</b>	<b>42,852</b>	<b>126,732</b>

Deferred tax assets of the Bank	Allowance for Loan Loss RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2005	263,447	13,909	277,356
Recognised in income statement	52,529	12,110	64,639
At 31 December 2005	315,976	26,019	341,995
Recognised in income statement			
– relating to origination and reversal of temporary differences	<b>53,512</b>	<b>(7,947)</b>	<b>45,565</b>
– relating to changes in tax rate	<b>(26,392)</b>	<b>(1,098)</b>	<b>(27,490)</b>
At 31 December 2006	<b>343,096</b>	<b>16,974</b>	<b>360,070</b>



**13. DEFERRED TAX (continued)**

Deferred tax liabilities of the Bank	Excess of Capital Allowances Over Depreciation RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2005			
– as previously stated	49,032	7,678	56,710
– effects of adopting BNM circular on Handling Fees (Note 50(d))	–	28,606	28,606
At 1 January 2005, as restated	49,032	36,284	85,316
Recognised in income statement	1,575	2,678	4,253
– as previously stated	1,575	(767)	808
– effects of adopting BNM circular on Handling Fees (Note 40)	–	3,445	3,445
Recognised in equity (Note 40)	–	(4,531)	(4,531)
At 31 December 2005	50,607	34,431	85,038
Recognised in income statement			
– relating to origination and reversal of temporary differences	<b>4,390</b>	<b>5,123</b>	<b>9,513</b>
– relating to changes in tax rate	<b>(3,929)</b>	<b>(2,999)</b>	<b>(6,928)</b>
Recognised in equity (Note 40)	–	<b>5,697</b>	<b>5,697</b>
At 31 December 2006	<b>51,068</b>	<b>42,252</b>	<b>93,320</b>

Deferred tax assets have not been recognised on the following items as it is not probable that the respective subsidiary companies will generate sufficient future taxable profits available against which it can be utilised:

	Group	
	2006 RM'000	2005 RM'000
Unutilised tax losses	<b>19,640</b>	101,372
Unutilised capital allowances	<b>13,847</b>	13,722

Subject to the agreement by the relevant tax authorities and subject to changes in shareholdings of the Group's subsidiaries under Section 44(5A) and 5(B) of the Income Tax Act 1967, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM225,255,000 (2005 – RM221,254,000) and RM13,847,000 (2005 – RM13,722,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.



#### 14. INVESTMENT IN SUBSIDIARY COMPANIES

Bank	2006		2005	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Quoted shares outside Malaysia				
– Quoted shares in Hong Kong	<b>1,672,195</b>	<b>2,239,657</b>	466,607	1,854,376
Unquoted shares	<b>603,799</b>		849,979	
	<b>2,275,994</b>		1,316,586	
Less: Accumulated impairment losses	<b>(430)</b>		(430)	
	<b>2,275,564</b>		1,316,156	

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest	
		2006 %	2005 %
<u>Local subsidiary companies</u>			
PBFIN Berhad	Dormant	<b>100.0</b>	100.0
Public Nominees (Tempatan) Sdn. Bhd.	Nominees services	<b>100.0</b>	100.0
Public Nominees (Asing) Sdn. Bhd.	Nominees services	<b>100.0</b>	100.0
Public Holdings Sdn. Bhd.	Property holding	<b>100.0</b>	100.0
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	<b>100.0</b>	100.0
PB International Factors Sdn. Bhd.	Factoring	<b>100.0</b>	100.0
Public Consolidated Holdings Sdn. Bhd. +	Investment holding	<b>100.0</b>	100.0
Public Investment Bank Berhad (formerly known as PB Securities Sdn. Bhd.) +	Investment banking	<b>100.0</b>	100.0
PB Securities Nominees (Tempatan) Sdn. Bhd. +	Nominees services	<b>100.0</b>	100.0
PB Securities Nominees (Asing) Sdn. Bhd. +	Nominees services	<b>100.0</b>	100.0
Public Mutual Berhad +	Sale of trust units and management of unit trusts	<b>100.0</b>	90.0
Business Premium Sdn. Bhd. +	Investment holding	<b>100.0</b>	100.0



**14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)**

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest	
		2006 %	2005 %
<u>Local subsidiary companies (continued)</u>			
Public Bank (L) Ltd.	Offshore banking	<b>100.0</b>	100.0
PB Trust Company Sdn. Bhd.	Dormant	<b>100.0</b>	100.0
PB Trust (L) Ltd.	Trustee services	<b>100.0</b>	100.0
PB Venture Capital Sdn. Bhd.	Investment holding	<b>100.0</b>	100.0
Public Merchant Bank Berhad +	Dormant	<b>100.0</b>	100.0
Public Merchant Nominees (Tempatan) Sdn. Bhd. + #	Dormant	–	100.0
Public Merchant Nominees (Asing) Sdn. Bhd. + #	Dormant	–	100.0
HHB Holdings Berhad +	Dormant	<b>100.0</b>	100.0
PB Properties Sdn. Bhd.	Property holding	<b>100.0</b>	100.0
Hock Hua Finance Berhad #	Dormant	–	100.0
Hock Hua Nominees (Tempatan) Sdn. Bhd. ##	Dormant	–	100.0
Hock Hua Finance Nominees (Tempatan) Sdn. Bhd. #	Dormant	–	100.0
<u>Overseas subsidiary companies</u>			
Cambodian Public Bank Limited ++	Banking	<b>100.0</b>	100.0
Public Financial Holdings Limited (formerly known as JCG Holdings Limited) +*	Investment holding	<b>73.5</b>	64.0
Public Finance Limited +	Deposit-taking and finance	<b>73.5</b>	64.0
Public Financial Limited +	Investment holding	<b>73.5</b>	64.0
Public Securities Limited (formerly known as JCG Securities Limited) +	Stock and share-broking	<b>73.5</b>	64.0
Public Securities (Nominees) Limited (formerly known as JCG Nominees Limited) +	Nominees services	<b>73.5</b>	64.0



#### 14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest	
		2006 %	2005 %
<u>Overseas subsidiary companies (continued)</u>			
Winton (B.V.I.) Limited +	Investment and property holding	<b>73.5</b>	64.0
Winton Holdings (Hong Kong) Limited +	Property holding	<b>73.5</b>	64.0
Winsure Company, Limited +	Dormant	<b>71.2</b>	62.0
Winton Financial Limited +	Provision of financing for licensed public vehicles and provision of personal and short-term loans	<b>73.5</b>	64.0
Winton Motors, Limited +	Trading of taxi cabs and taxi licenses and leasing of taxis	<b>73.5</b>	64.0
Public Bank (Hong Kong) Limited <i>(formerly known as Asia Commercial Bank Limited)</i> +	Banking	<b>73.5</b>	—
Public Financial Securities Limited <i>(formerly known as Asia Financial (Securities) Limited)</i> +	Stock and share broking	<b>73.5</b>	—
Public Bank (Nominees) Limited <i>(formerly known as Asia Commercial Bank (Nominees) Limited)</i> +	Nominees services	<b>73.5</b>	—
Public Futures Limited <i>(formerly known as Asia Financial (Futures) Limited)</i> +	Dormant	<b>73.5</b>	—
Public Credit Limited <i>(formerly known as AFH Credit Limited)</i> +	Dormant	<b>73.5</b>	—
Public Pacific Securities Limited <i>(formerly known as Asia Financial Pacific (Securities) Limited)</i> +	Dormant	<b>73.5</b>	—
PB Finance Limited <i>(formerly known as ACB Finance Limited)</i> +	Dormant	<b>73.5</b>	—
Public Investments Limited <i>(formerly known as Hocomban Investments Limited)</i> +	Property holding	<b>73.5</b>	—
Public Realty Limited <i>(formerly known as Hocomban Realty Limited)</i> +	Dormant	<b>73.5</b>	—





#### 14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

- # *These companies have been placed under Member's Voluntary Winding-up on 6 September 2006.*
- ## *This company has been placed under Member's Voluntary Winding-up on 19 December 2006.*
- \* *Shares quoted on the Stock Exchange of Hong Kong Limited.*
- + *Subsidiary companies not audited by KPMG.*
- ++ *Subsidiary company audited by KPMG Cambodia.*

All the local subsidiary companies are incorporated in Malaysia. All the overseas subsidiary companies are incorporated in Hong Kong SAR except for Public Financial Holdings Limited which is incorporated in Bermuda, Cambodian Public Bank Limited which is incorporated in Cambodia and Winton (B.V.I.) Limited which is incorporated in the British Virgin Islands.

##### **(a) Increase in equity interest in Public Financial Holdings Limited ("PFHL") (formerly known as JCG Holdings Limited)**

On 11 April 2006, the Bank increased its investment in PFHL, a 64% owned subsidiary company of the Bank via the subscription of its entitlement to the 1 for 2 rights issue of PFHL ("PFHL Rights Issue") of 233,384,055 new ordinary shares of HKD0.10 each in PFHL ("PFHL Shares") at HKD7.30 per PFHL Share. The Bank had also subscribed for an additional 131,021,755 PFHL Shares at HKD7.30 per PFHL Share, being the portion of the PFHL Rights Issue underwritten by the Bank. Upon the completion of the PFHL Rights Issue, the Bank's equity interest in PFHL had increased to 75.98%. In order to comply with Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited in relation to the requirement to maintain a minimum public float of not less than 25%, the Bank had disposed off 27,156,000 PFHL Shares in April and May 2006, resulting in the Bank's equity interest in PFHL decreasing to 73.50%.

##### **(b) Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)**

On 30 May 2006, PFHL, a 73.50% owned subsidiary company of the Bank, completed the acquisition of 8,100,000 ordinary shares of HKD100 each representing the entire issued and paid-up share capital of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)"), an authorised institution under the Hong Kong Banking Ordinance providing a comprehensive range of banking, financial and related services, from Asia Financial Holdings Limited for a total cash consideration of HKD4,585.0 million.



**14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)**

**(b) Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) (continued)**

The carrying value and fair value of the net assets of PB(HK) acquired are summarised below:

	Acquiree's Carrying Value RM'000	Fair Value Recognised on Acquisition RM'000
Cash and short-term funds	1,349,040	1,349,040
Securities held-for-trading	12,044	12,044
Securities available-for-sale	3,184	3,184
Securities held-to-maturity	1,789,079	1,754,267
Loans, advances and financing	4,259,859	4,207,308
Other assets	166,168	166,168
Deferred tax assets	1,762	7,854
Investment properties	10,135	10,135
Property and equipment	178,552	178,552
Intangible assets	258	258
<b>Total assets</b>	<b>7,770,081</b>	<b>7,688,810</b>
Deposits from customers	6,300,150	6,300,150
Deposits and placements of banks and other financial institutions	360,889	360,889
Other liabilities	200,189	202,062
Provision for tax expense	3,042	3,042
Deferred tax liabilities	22,199	22,199
<b>Total liabilities</b>	<b>6,886,469</b>	<b>6,888,342</b>
Net assets acquired	883,612	800,468
Excess of acquisition cost over the fair value of net assets acquired		1,348,850
Total cost of acquisition (including acquisition expense of RM4.3 million)		2,149,318
Less: Cash and cash equivalents at PB(HK)		(1,349,040)
Cash flow on acquisition net of cash acquired		800,278



#### **14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)**

**(b) Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) (continued)**

The operating revenue and profit after taxation of PB(HK) included in the Group's consolidated financial statements during the year amounted to RM294,157,000 and RM36,742,000 respectively. Had the acquisition occurred at the beginning of the financial year, the operating revenue and profit after taxation and minority interests of PB(HK) for the year amounting to RM429,143,000 and RM53,292,000 respectively would have been included in the Group's consolidated financial statements and the Group's operating revenue and profit attributable to equity holders of the Bank for the year would have been RM7,978,508,000 and RM1,743,238,000 respectively.

**(c) Acquisition of the remaining 10% equity interest in Public Mutual Berhad**

On 12 July 2006, Public Consolidated Holdings Sdn. Bhd., a wholly-owned subsidiary company of the Bank, completed the acquisition of 600,000 ordinary shares of RM1.00 each in Public Mutual Berhad from Cheng Poh Holdings Sdn. Bhd., representing 10% of the issued and paid-up share capital of Public Mutual Berhad, for a cash consideration of RM51.153 million. With the completion of the acquisition, Public Mutual Berhad became a wholly-owned indirect subsidiary company of the Bank. The goodwill recognised on this acquisition amounted to RM18.648 million.

**(d) Member's Voluntary Winding-up of five dormant wholly-owned subsidiary companies**

On 6 September 2006, the Group commenced Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 on the following wholly-owned dormant subsidiary companies:

- (i) Hock Hua Finance Berhad
- (ii) Hock Hua Finance Nominees (Tempatan) Sdn. Bhd.
- (iii) Public Merchant Nominees (Tempatan) Sdn. Bhd.
- (iv) Public Merchant Nominees (Asing) Sdn. Bhd.

On 19 December 2006, the Group commenced Member's Voluntary Winding-up on another wholly-owned dormant subsidiary company, Hock Hua Nominees (Tempatan) Sdn. Bhd. pursuant to Section 254(1)(b) of the Companies Act, 1965.

The winding-up proceedings have no material effect on the balance sheets and results of the Group and the Bank for the financial year.



#### 14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

**(e) Completion of establishment of an investment bank subsidiary company known as Public Investment Bank Berhad**

On 18 December 2006, the establishment of a wholly-owned investment bank subsidiary company of the Bank was completed, in accordance with the Guidelines on Investment Banks issued jointly by Bank Negara Malaysia (“BNM”) and the Securities Commission (“SC”) on 1 July 2005. The investment bank subsidiary company was established upon approvals granted by Y.A.B. Minister of Finance, BNM, the SC and the Foreign Investment Committee.

The establishment of the investment bank subsidiary company, known as Public Investment Bank Berhad, involved the merger of the entire merchant banking business of Public Merchant Bank Berhad, a wholly-owned subsidiary company of the Bank, with the stock-broking business of PB Securities Sdn. Bhd., an indirect wholly-owned subsidiary company of the Bank. The entire merchant banking business of Public Merchant Bank Berhad was vested in PB Securities Sdn. Bhd. pursuant to an Order of the High Court of Malaya. In the process, PB Securities Sdn. Bhd. has been transformed into an investment bank and changed its name to Public Investment Bank Berhad.

The consideration for the acquisition of the merchant banking business of Public Merchant Bank Berhad by PB Securities Sdn. Bhd. was based on the net asset value of the merchant banking business as at the date of the completion of the acquisition on 18 December 2006.

Subsequent to the vesting of its merchant banking business to PB Securities Sdn. Bhd., Public Merchant Bank Berhad has become a dormant company.

#### 15. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unquoted shares, at cost	<b>28,505</b>	28,505	<b>28,465</b>	28,465
Share of post acquisition reserves	<b>16,976</b>	18,873	—	—
	<b>45,481</b>	47,378	<b>28,465</b>	28,465
Represented by:				
Group's share of net assets	<b>45,481</b>	47,378	—	—



**15. INVESTMENT IN ASSOCIATED COMPANIES (continued)**

The summarised financial information of associated companies is as follows:

	Group	
	2006 RM'000	2005 RM'000
Total Assets	<b>624,444</b>	591,164
Total Liabilities	<b>529,792</b>	492,832
Operating Revenue	<b>49,679</b>	36,380
Profit after tax expense	<b>9,947</b>	8,329

Details of the associated companies, all of which are unquoted are as follows:

Name	Principal Activities	Place of Incorporation	Effective Interest	
			2006 %	2005 %
PB Trustee Services Berhad	Trustee services	Malaysia	<b>40.0</b>	40.0
VID Public Bank	Banking	Socialist Republic of Vietnam	<b>50.0</b>	50.0
CPB Properties Company Ltd.	Property holding	Cambodia	<b>49.0</b>	49.0

**16. INVESTMENT PROPERTIES**

	Group	
	2006 RM'000	2005 RM'000
<u>At valuation</u>		
At 1 January		
– as previously reported	<b>47,351</b>	33,594
– effect of adoption of FRS 140 (Note 50(b))		
– transfer from property and equipment (Note 17)		
– cost	<b>2,536</b>	–
– accumulated depreciation	<b>(262)</b>	–
– revaluation loss from fair value adjustment	<b>(621)</b>	–
At 1 January, as restated	<b>49,004</b>	33,594



**16. INVESTMENT PROPERTIES (continued)**

	Group	
	2006	2005
	RM'000	RM'000
<u>At valuation (continued)</u>		
At 1 January, as restated	<b>49,004</b>	33,594
Transfer from owner-occupied property	–	5,641
Impairment written back (Note 39)	–	8,202
Revaluation gain from fair value adjustment (Note 35)	<b>10,846</b>	–
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) (Note 14(b))	<b>10,135</b>	–
Disposal	<b>(1,676)</b>	–
Exchange differences	<b>(4,134)</b>	(86)
<b>At 31 December</b>	<b>64,175</b>	47,351
Included in the above are:		
Short-term leasehold land and building	<b>27,843</b>	21,834
Long-term leasehold land and building	<b>36,332</b>	25,517
	<b>64,175</b>	47,351

The Group's investment properties are stated at fair value and are situated in Malaysia and Hong Kong SAR. The investment properties in Malaysia amounting to RM1,639,000 have been valued on the basis of management's valuations based on current prices in an active market for similar properties in the same location and condition. The investment properties in Hong Kong SAR amounting to RM62,536,000 have been revalued by Chung Sen Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The increase in the fair values of RM10,846,000 has been recognised in the income statement during the financial year.

The investment properties held by the Group are let under operating leases to third parties, from which the Group earned rental income of RM3,320,000 (2005 – RM2,198,000) during the year.

No investment properties were pledged as security for banking facilities at the balance sheet date.

## 17. PROPERTY AND EQUIPMENT

Group		Freehold	Short term	Long term			Office	Computer	Motor	Work-in-	Total
2006	Note	land	leasehold	leasehold	Buildings	Renovations	equipment,	equipment	vehicles	progress	RM'000
		RM'000	land	land	RM'000	RM'000	furniture & fittings	& software	RM'000	RM'000	RM'000
<u>Cost</u>											
At 1 January 2006											
- as previously stated		117,271	48,678	104,946	497,397	207,729	378,018	563,871	20,924	-	1,938,834
- effects of adoption of FRS 140	16	-	-	(1,273)	(1,263)	-	-	-	-	-	(2,536)
As restated		117,271	48,678	103,673	496,134	207,729	378,018	563,871	20,924	-	1,936,298
Additions		53,623	-	1,042	9,227	22,963	15,580	32,056	989	-	135,480
Disposals		-	(39)	-	(5)	(1,871)	(1,578)	(3,081)	(1,228)	-	(7,802)
Amount arising from											
acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)											
	14(b)	-	47,768	105,944	19,537	-	-	81,661	493	-	255,403
Transfers		2,719	-	1,225	(3,944)	(8,441)	8,441	-	-	-	-
Write-offs		-	-	-	-	(1,726)	(9,783)	(12,385)	(29)	-	(23,923)
Exchange differences		-	(4,976)	(10,111)	(1,824)	(1,619)	(689)	(4,018)	(192)	-	(23,429)
At 31 December 2006		173,613	91,431	201,773	519,125	217,035	389,989	658,104	20,957	-	2,272,027
<u>Depreciation and impairment losses</u>											
Accumulated depreciation		-	8,415	2,694	107,756	137,038	266,486	454,408	11,579	-	988,376
Accumulated impairment losses		-	-	2,361	10,999	-	-	-	-	-	13,360
At 1 January 2006											
- as previously stated		-	8,415	5,055	118,755	137,038	266,486	454,408	11,579	-	1,001,736
- effects of adoption of FRS 140		-	-	-	-	-	-	-	-	-	-
- accumulated depreciation	16	-	-	(14)	(248)	-	-	-	-	-	(262)
As restated		-	8,415	5,041	118,507	137,038	266,486	454,408	11,579	-	1,001,474
Depreciation charge for the year	36	-	1,706	614	10,183	13,457	26,502	44,043	2,899	-	99,404
Impairment loss written back	39	-	-	(2,216)	-	-	-	-	-	-	(2,216)
Disposals		-	-	-	-	-	-	-	-	-	-
- accumulated depreciation		-	(10)	-	(3)	(1,694)	(1,547)	(3,048)	(361)	-	(6,663)



17. PROPERTY AND EQUIPMENT (continued)

Group		Freehold	Short term	Long term			Office	Computer	Motor	Work-in-	Total
2006	Note	land	leasehold	leasehold	Buildings	Renovations	equipment,	equipment	vehicles	progress	RM'000
		RM'000	land	land	RM'000	RM'000	furniture & fittings	& software	RM'000	RM'000	RM'000
<u>Depreciation and impairment losses (continued)</u>											
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)											
- accumulated depreciation	14(b)	-	-	-	-	-	-	76,683	168	-	76,851
Write-offs		-	-	-	-	(1,677)	(9,777)	(12,109)	(29)	-	(23,592)
Exchange differences											
- accumulated depreciation		-	(665)	(25)	(843)	(1,501)	(561)	(3,705)	(158)	-	(7,458)
- impairment loss		-	-	(77)	-	-	-	-	-	-	(77)
Accumulated depreciation		-	9,446	3,269	116,845	145,623	281,103	556,272	14,098	-	1,126,656
Accumulated impairment losses		-	-	68	10,999	-	-	-	-	-	11,067
At 31 December 2006		-	9,446	3,337	127,844	145,623	281,103	556,272	14,098	-	1,137,723
Carrying amounts											
At 31 December 2006		173,613	81,985	198,436	391,281	71,412	108,886	101,832	6,859	-	1,134,304
2005											
<u>Cost</u>											
At 1 January 2005		116,889	48,804	77,872	530,483	203,168	354,926	533,241	20,350	2,711	1,888,444
Additions		382	-	578	4,822	16,716	16,480	45,889	8,620	-	93,487
Disposals		-	-	(517)	(250)	(1,915)	(1,772)	(7,003)	(7,631)	-	(19,088)
Transfer to investment properties		-	-	(11,850)	(1,178)	-	-	-	-	-	(13,028)
Transfers		-	-	39,038	(36,327)	(9,742)	9,393	188	-	(2,711)	(161)
Write-offs		-	-	-	-	(430)	(990)	(8,411)	(410)	-	(10,241)
Exchange differences		-	(126)	(175)	(153)	(68)	(19)	(33)	(5)	-	(579)
At 31 December 2005		117,271	48,678	104,946	497,397	207,729	378,018	563,871	20,924	-	1,938,834





## 17. PROPERTY AND EQUIPMENT (continued)

Group		Freehold	Short term	Long term	Buildings	Renovations	Office	Computer	Motor	Work-in-	Total
2005	Note	land	leasehold	leasehold			equipment,	equipment	vehicles	progress	
		land	land	land	RM'000	RM'000	furniture & fittings	& software	RM'000	RM'000	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Depreciation and impairment losses</u>											
Accumulated depreciation		–	7,506	4,304	98,597	125,719	244,527	429,062	16,592	–	926,307
Accumulated impairment losses		–	–	5,964	13,981	–	–	–	–	–	19,945
At 1 January 2005		–	7,506	10,268	112,578	125,719	244,527	429,062	16,592	–	946,252
Depreciation charge for the year	36	–	924	574	9,818	13,706	24,676	39,657	3,016	–	92,371
Impairment loss written back	39	–	–	(1,713)	–	–	–	–	–	–	(1,713)
Disposals											
– accumulated depreciation		–	–	(178)	(86)	(1,909)	(1,741)	(5,905)	(7,621)	–	(17,440)
Transfers											
– impairment loss		–	–	2,974	(2,974)	–	–	–	–	–	–
Transfer to investment properties											
– accumulated depreciation		–	–	(1,997)	(542)	–	–	–	–	–	(2,539)
– impairment loss		–	–	(4,848)	–	–	–	–	–	–	(4,848)
Write-offs		–	–	–	–	(422)	(955)	(8,382)	(410)	–	(10,169)
Exchange differences											
– accumulated depreciation		–	(15)	(9)	(31)	(56)	(21)	(24)	2	–	(154)
– impairment loss		–	–	(16)	(8)	–	–	–	–	–	(24)
Accumulated depreciation		–	8,415	2,694	107,756	137,038	266,486	454,408	11,579	–	988,376
Accumulated impairment losses		–	–	2,361	10,999	–	–	–	–	–	13,360
At 31 December 2005		–	8,415	5,055	118,755	137,038	266,486	454,408	11,579	–	1,001,736
Carrying amounts											
At 31 December 2005		117,271	40,263	99,891	378,642	70,691	111,532	109,463	9,345	–	937,098

No land and buildings of the Group were pledged to secure banking facilities to the Group at the balance sheet date.



17. PROPERTY AND EQUIPMENT (continued)

Bank	Note	Short term		Long term	Buildings	Renovations	Office	Computer	Motor	Work-in-	Total
		Freehold	leasehold	leasehold			equipment, furniture & fittings	equipment & software			
2006		land	land	land	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>											
At 1 January 2006		81,092	–	306	265,744	172,018	275,017	531,849	17,157	–	1,343,183
Additions		–	–	–	–	17,135	12,563	28,305	469	–	58,472
Disposals		–	–	–	–	–	(1,089)	(2,760)	(520)	–	(4,369)
Transfers		–	–	–	–	(8,441)	8,441	–	–	–	–
Write-offs		–	–	–	–	(1,726)	(9,601)	(12,159)	(29)	–	(23,515)
Exchange differences		–	–	–	–	(139)	(120)	(486)	(36)	–	(781)
At 31 December 2006		81,092	–	306	265,744	178,847	285,211	544,749	17,041	–	1,372,990
<u>Depreciation</u>											
At 1 January 2006		–	–	38	53,709	103,872	180,456	424,984	9,453	–	772,512
Depreciation charge											
for the year	36	–	–	1	5,275	11,093	19,820	40,016	2,447	–	78,652
Disposals		–	–	–	–	–	(1,075)	(2,758)	(245)	–	(4,078)
Write-offs		–	–	–	–	(1,677)	(9,595)	(11,883)	(29)	–	(23,184)
Exchange differences		–	–	–	–	(60)	(73)	(294)	(37)	–	(464)
At 31 December 2006		–	–	39	58,984	113,228	189,533	450,065	11,589	–	823,438
<u>Carrying amounts</u>											
At 31 December 2006		81,092	–	267	206,760	65,619	95,678	94,684	5,452	–	549,552



## 17. PROPERTY AND EQUIPMENT (continued)

Bank	Note	Short term			Long term			Office	Computer	Motor	Work-in-	Total
		Freehold	leasehold	leasehold	Buildings	Renovations	equipment, furniture & fittings	equipment & software	vehicles			
2005		land	land	land	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>												
At 1 January 2005		81,092	–	306	263,033	167,303	253,056	501,868	16,601	2,711	1,285,970	
Additions		–	–	–	–	14,831	14,695	43,833	7,092	–	80,451	
Disposals		–	–	–	–	(2)	(1,251)	(5,797)	(6,536)	–	(13,586)	
Transfers		–	–	–	2,711	(9,742)	9,393	188	–	(2,711)	(161)	
Write-offs		–	–	–	–	(372)	(880)	(8,247)	(2)	–	(9,501)	
Exchange differences		–	–	–	–	–	4	4	2	–	10	
At 31 December 2005		81,092	–	306	265,744	172,018	275,017	531,849	17,157	–	1,343,183	
<u>Depreciation</u>												
At 1 January 2005		–	–	37	48,432	93,086	164,003	400,022	13,289	–	718,869	
Depreciation charge												
for the year	36	–	–	1	5,277	11,150	18,539	37,869	2,698	–	75,534	
Disposals		–	–	–	–	(2)	(1,241)	(4,700)	(6,534)	–	(12,477)	
Write-offs		–	–	–	–	(364)	(849)	(8,218)	(2)	–	(9,433)	
Exchange differences		–	–	–	–	2	4	11	2	–	19	
At 31 December 2005		–	–	38	53,709	103,872	180,456	424,984	9,453	–	772,512	
<u>Carrying amounts</u>												
At 31 December 2005		81,092	–	268	212,035	68,146	94,561	106,865	7,704	–	570,671	

No land and buildings of the Bank were pledged to secure banking facilities to the Bank at the balance sheet date.



**18. INTANGIBLE ASSETS**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Goodwill</u>				
At 1 January	<b>738,907</b>	783,749	<b>695,393</b>	738,356
Arising from acquisition of Public Bank (Hong Kong) Limited ( <i>formerly known as Asia Commercial Bank Limited</i> ) (Note 14(b))	<b>1,348,850</b>	—	—	—
Arising from acquisition of additional shares in subsidiary companies (Note 14(c))	<b>18,648</b>	20	—	—
Amortisation charged to income statement	—	(44,862)	—	(42,963)
Exchange differences	<b>(41,861)</b>	—	—	—
At 31 December	<b>2,064,544</b>	738,907	<b>695,393</b>	695,393
<u>Intangible Assets</u>				
At 1 January	<b>26,250</b>	27,650	—	—
Arising from acquisition of Public Bank (Hong Kong) Limited ( <i>formerly known as Asia Commercial Bank Limited</i> ) (Note 14(b))	<b>258</b>	—	—	—
Amortisation charged to income statement	—	(1,400)	—	—
Exchange differences	<b>9</b>	—	—	—
At 31 December	<b>26,517</b>	26,250	—	—
Total carrying amounts of goodwill and intangible assets	<b>2,091,061</b>	765,157	<b>695,393</b>	695,393



**18. INTANGIBLE ASSETS (continued)**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Analysed as follows:				
Gross goodwill from acquisition of subsidiary companies	<b>2,064,544</b>	913,217	<b>695,393</b>	820,154
Accumulated amortisation*	—	(174,310)	—	(124,761)
	<b>2,064,544</b>	738,907	<b>695,393</b>	695,393
Intangible asset, at cost	<b>26,517</b>	28,000	—	—
Accumulated amortisation*	—	(1,750)	—	—
	<b>26,517</b>	26,250	—	—
Total carrying values of goodwill and intangible assets	<b>2,091,061</b>	765,157	<b>695,393</b>	695,393

\* Upon adoption of FRS 3 Business Combinations on 1 January 2006, goodwill and intangible assets with indefinite life ceased to be amortised and the accumulated amortisation has been netted off against the gross cost of goodwill and intangible assets.



## 18. INTANGIBLE ASSETS (continued)

### (b) Impairment Test on Goodwill and Intangible Assets

Goodwill and intangible assets have been allocated to the Group's cash-generating units' ("CGU") identified according to either the country of the subsidiary companies' operation or business segment as follows:

As at 31 December 2006	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
Hire purchase financing	395,953	395,953	10.6	6.5
East Malaysia's operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	9.6	6.5
Hong Kong operations	1,319,277	—	7.0	5.0
Fund management	19,602	—	9.6	6.5
Investment banking	54,303	—	10.6	6.5
Leasing and factoring business	2,486	—	9.6	*
	<b>2,091,061</b>	<b>695,393</b>		

\* No growth rate was projected.

Goodwill is allocated to the Group's CGU expected to benefit from the synergies of the acquisitions. For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable business and geographical segments, are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the date of assessment of the respective CGU. Cash flow projections are based on five year financial budgets approved by management. Cash flows beyond the fifth year are extrapolated to fifty years using a nominal long-term growth rate based on the average of the last twenty years' inflation-adjusted Gross Domestic Product growth rates of the respective countries where the CGUs operate. Impairment is recognised in the income statement when the carrying amount of a CGU exceeds its recoverable amount.

The intangible assets consist mainly of a share-broking license which is deemed to have an indefinite useful life as there is no expiry date. The recoverable amount of the license has been assessed using the value-in-use method, by discounting the estimated cash flows from its CGU and impairment is recognised when the carrying amount of the CGU exceeds its recoverable amount.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill and intangible assets to exceed the recoverable amount of the CGU.



**19. DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Demand deposits	<b>11,288,760</b>	9,566,341	<b>10,894,214</b>	9,531,145
Savings deposits	<b>14,809,282</b>	12,566,703	<b>13,682,121</b>	12,367,962
Fixed deposits	<b>53,390,659</b>	43,209,440	<b>46,440,761</b>	41,747,537
Negotiable instruments of deposit	<b>31,934,104</b>	18,492,176	<b>31,258,887</b>	18,266,271
Other deposits	<b>370,344</b>	294,981	<b>366,935</b>	292,267
	<b>111,793,149</b>	84,129,641	<b>102,642,918</b>	82,205,182

The maturity structure of fixed deposits and negotiable instruments of deposit are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Due within six months	<b>74,605,106</b>	52,242,681	<b>67,427,549</b>	50,586,121
More than six months to one year	<b>10,245,448</b>	8,848,375	<b>9,862,168</b>	8,817,745
More than one year to three years	<b>454,574</b>	433,510	<b>390,296</b>	432,892
More than three years to five years	<b>19,635</b>	177,050	<b>19,635</b>	177,050
	<b>85,324,763</b>	61,701,616	<b>77,699,648</b>	60,013,808

The deposits are sourced from the following types of customers:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Federal and state governments	<b>702,378</b>	222,874	<b>702,378</b>	222,874
Local government and statutory authorities	<b>1,094,394</b>	994,303	<b>1,094,394</b>	994,303
Business enterprises	<b>25,198,953</b>	20,621,483	<b>24,927,098</b>	20,545,851
Individuals	<b>52,214,314</b>	46,518,735	<b>52,209,475</b>	46,266,816
Foreign customers	<b>9,762,215</b>	3,066,866	<b>2,017,535</b>	2,313,030
Others	<b>22,820,895</b>	12,705,380	<b>21,692,038</b>	11,862,308
	<b>111,793,149</b>	84,129,641	<b>102,642,918</b>	82,205,182



## 20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Licensed banks	<b>2,101,240</b>	2,268,249	<b>952,132</b>	1,242,196
Licensed investment/merchant banks	<b>174,500</b>	65,000	<b>54,500</b>	4,189
Other financial institutions	<b>3,362,224</b>	5,347,441	<b>3,298,846</b>	5,537,215
	<b>5,637,964</b>	7,680,690	<b>4,305,478</b>	6,783,600

## 21. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market.

## 22. RECOURSE OBLIGATIONS ON LOANS SOLD TO CAGAMAS

This represents the proceeds received from housing loans (excluding Islamic financing) sold directly to Cagamas Berhad with recourse to the Bank. Under this agreement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy-back any loans which are regarded as defective based on prudential criteria set by Cagamas Berhad.

## 23. OTHER LIABILITIES

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Interest/Profit payable	<b>673,743</b>	508,851	<b>631,709</b>	499,070
Other creditors and accruals	<b>1,117,010</b>	594,419	<b>314,243</b>	289,566
Employee benefits (Note 24(a))	<b>(19,439)</b>	(6,182)	<b>(18,477)</b>	(5,941)
Accrued restoration cost	<b>13,072</b>	7,665	<b>7,665</b>	7,665
Profit Equalisation Reserves (Note 57(k))	<b>4,796</b>	21,523	<b>4,796</b>	21,523
Outstanding contracts on clients' accounts	<b>223,285</b>	72,412	—	—
Dividend payable to shareholders	<b>30,896</b>	54,933	<b>4,636</b>	3,750
Amount due to subsidiary companies	—	—	<b>13,072</b>	197,356
	<b>2,043,363</b>	1,253,621	<b>957,644</b>	1,012,989

The outstanding contracts on clients' accounts are in respect of the stock-broking activities of a subsidiary company.





**24. EMPLOYEE BENEFITS****(a) Defined Benefit Plan**

The Bank and certain subsidiary companies contribute to a fully funded defined benefit scheme known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Contributions to the Fund are made to a separately administered fund. Under the Fund, eligible employees are entitled to one month of the final/last drawn salary for each completed year of service with the Group upon attainment of the retirement age of 55. For employees who leave before the attainment of the retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund.

The amounts recognised in the balance sheets are determined as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Present value of funded obligations	<b>(259,619)</b>	(245,841)	<b>(246,714)</b>	(237,900)
Fair value of plan assets	<b>410,368</b>	337,301	<b>389,973</b>	326,406
	<b>150,749</b>	91,460	<b>143,259</b>	88,506
Unrecognised actuarial gains	<b>(131,310)</b>	(85,278)	<b>(124,782)</b>	(82,565)
Net asset (Note 23)	<b>19,439</b>	6,182	<b>18,477</b>	5,941

Movements in the present value of funded obligations are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Obligation at 1 January	<b>245,841</b>	188,072	<b>237,900</b>	180,888
Allocation adjustment	–	–	<b>(3,947)</b>	–
Current service cost	<b>17,701</b>	13,849	<b>16,822</b>	13,404
Interest cost	<b>14,230</b>	13,167	<b>13,523</b>	12,740
Benefits paid – the Bank	<b>(6,769)</b>	(4,879)	<b>(6,769)</b>	(4,879)
– the Fund	<b>(2,932)</b>	(2,321)	<b>(2,785)</b>	(546)
Actuarial (gain)/loss on funded obligations	<b>(8,452)</b>	37,953	<b>(8,030)</b>	36,293
Obligation at 31 December	<b>259,619</b>	245,841	<b>246,714</b>	237,900



## 24. EMPLOYEE BENEFITS (continued)

### (a) Defined Benefit Plan (continued)

Movements in the fair value of plan assets are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Fair value at 1 January	<b>337,301</b>	292,812	<b>326,406</b>	281,627
Allocation adjustment	—	—	<b>(5,868)</b>	—
Expected return on plan assets	<b>25,532</b>	13,762	<b>24,262</b>	13,345
Benefits paid – the Fund	<b>(2,932)</b>	(2,321)	<b>(2,785)</b>	(546)
Actuarial gain on plan assets	<b>50,467</b>	33,048	<b>47,958</b>	31,980
Fair value at 31 December	<b>410,368</b>	337,301	<b>389,973</b>	326,406

The fair value of plan assets constitutes the following:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposit placements and cash	<b>4,888</b>	127,176	<b>4,646</b>	123,068
Money market instruments	<b>488,990</b>	467,399	<b>464,687</b>	452,302
Equity instruments*	<b>315,632</b>	267,170	<b>299,945</b>	258,540
Properties#	<b>154,219</b>	139,886	<b>146,554</b>	135,368
Other assets (net)	<b>32,839</b>	29,670	<b>31,207</b>	28,712
Borrowings	<b>(586,200)</b>	(694,000)	<b>(557,066)</b>	(671,584)
	<b>410,368</b>	337,301	<b>389,973</b>	326,406

\* Included in the fair value of equity instruments are ordinary shares of the Bank held by the Fund with a fair value of RM242,330,000 (2005 – RM203,178,000).

# All the properties held as plan assets of the Group and the Bank are occupied by the Group and Bank.



**24. EMPLOYEE BENEFITS (continued)****(a) Defined Benefit Plan (continued)**

The amounts recognised in the income statements are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current service cost	<b>17,701</b>	13,849	<b>16,822</b>	13,404
Interest cost	<b>14,230</b>	13,167	<b>13,523</b>	12,740
Expected return on plan assets	<b>(25,532)</b>	(13,762)	<b>(24,262)</b>	(13,345)
Actuarial gains recognised	<b>(12,887)</b>	(20,298)	<b>(12,247)</b>	(19,602)
Amount included under “personnel costs” (Note 36(a))	<b>(6,488)</b>	(7,044)	<b>(6,164)</b>	(6,803)
Expected return on plan assets	<b>25,532</b>	13,762	<b>24,262</b>	13,345
Actuarial gain on plan assets	<b>50,467</b>	33,048	<b>47,958</b>	31,980
Actual return on plan assets	<b>75,999</b>	46,810	<b>72,220</b>	45,325

The surplus/(deficit) of the defined benefit plan for the past five years are as follows:

	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
<b>Group</b>					
Present value of funded obligations	<b>(259,619)</b>	(245,841)	(188,072)	(171,703)	(153,877)
Fair value of plan assets	<b>410,368</b>	337,301	292,812	197,964	121,185
Plan surplus/(deficit)	<b>150,749</b>	91,460	104,740	26,261	(32,692)
Experience adjustment on fund liabilities	<b>(8,452)</b>	37,953	(1,442)	2,612	– @
Experience adjustment on fund assets	<b>50,467</b>	33,048	69,881	44,635	– @



## 24. EMPLOYEE BENEFITS (continued)

### (a) Defined Benefit Plan (continued)

The surplus/(deficit) of the defined benefit plan for the past five years are as follows (continued):

	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
<b>Bank</b>					
Present value of funded obligations	<b>(246,714)</b>	(237,900)	(180,888)	(117,634)	(105,421)
Fair value of plan assets	<b>389,973</b>	326,406	281,627	135,626	83,024
Plan surplus/(deficit)	<b>143,259</b>	88,506	100,739	17,992	(22,397)
Experience adjustment on fund liabilities	<b>(8,030)</b>	36,293	(987)	1,789	– @
Experience adjustment on fund assets	<b>47,958</b>	31,980	47,876	30,580	– @

@ There are no experience adjustment figures available for the Group and the Bank disclosure for 2002 as no actuarial valuation reports were required prior to the adoption of MASB 29 Employee Benefits on 1 January 2003.

No estimated contributions are expected to be paid to the plan in the forthcoming financial year by the Group and the Bank.

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	Group and Bank	
	2006	2005
Discount rate	<b>6.25%</b>	6.25%
Expected return on plan assets	<b>8.00%</b>	8.00%
Expected rate of salary increases	<b>6.50%</b>	6.50%

The principal actuarial assumptions are based on the latest actuarial valuation performed as of 31 December 2005.

The expected rate of return on plan assets is based on the average rate of earnings expected on the funds invested to provide for the benefits included in the projected benefit obligation.



**24. EMPLOYEE BENEFITS (continued)****(b) Equity Compensation Benefits**

The Group currently operates two separate equity compensation plans, to which the directors and employees of the Group are eligible for as follows:

- (1) the Public Bank Berhad Group Employees' Share Option Scheme
- (2) the Public Financial Holdings Limited Group Employees' Share Option Scheme

The details of the two Share Option schemes are as follows:

**(1) Public Bank Berhad Group Employees' Share Option Scheme**

On 10 April 1998, an offer of options under the Public Bank Berhad Group Employees' Share Option Scheme ("PBB ESOS") to subscribe for ordinary shares of RM0.50 each (before share consolidation) at an option price of RM1.66 was made to eligible employees. The initial expiry date of the PBB ESOS of 25 February 2003 was extended at the following Extraordinary General Meetings ("EGM") of the Bank:

EGM Date	Expiry Date	
	From	To
20 May 2002	25 February 2003	25 February 2005
20 April 2004	25 February 2005	25 February 2006
30 March 2005	25 February 2006	25 February 2008

The salient features of the PBB ESOS are as follows:

- (i) The PBB ESOS Committee appointed by the Board of Directors to administer the PBB ESOS, may from time to time grant options to Directors and employees of the Group to subscribe for new ordinary shares of RM1.00 each in the Bank;
- (ii) The eligibility of a Director or employee of the Group to participate in the PBB ESOS shall be at the discretion of the PBB ESOS Committee, who shall take into consideration factors such as years of service and performance track record;
- (iii) The total number of shares to be issued under the PBB ESOS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up share capital of the Bank at any point of time during the tenure of the PBB ESOS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than ten percent (10%) of the shares available under the PBB ESOS shall be allocated to any individual director or eligible employee who, either singly or collectively through persons connected, holds twenty percent (20%) or more in the issued and paid-up capital of the Bank and no option shall be granted for less than 1,000 shares;



**24. EMPLOYEE BENEFITS (continued)**

**(b) Equity Compensation Benefits (continued)**

**(1) Public Bank Berhad Group Employees' Share Option Scheme (continued)**

- (iv) The option exercise price for each ordinary share of RM1.00 each shall be at a discount of not more than ten percent (10%) of the five (5)-day weighted average market price of PBB shares quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad and as shown in the Daily Official List issued by Bursa Malaysia Securities Berhad at the time the option is granted;
- (v) The number of outstanding options to subscribe for shares or the option price or both may be adjusted following any issue of additional shares by way of rights issues, bonus issues or other capitalisation issue carried out by the Bank while an option remains unexercised;
- (vi) The Group is not legally bound or obliged to repurchase or settle the options in cash; and
- (vii) All new ordinary shares issued upon exercise of the options granted under the PBB ESOS will rank pari passu in all respects with the existing ordinary shares of the Bank.

A summary of the movements in the number of PBB ESOS and the weighted average exercise prices are as follows:

	2006		2005	
	Number of share options '000	Weighted average exercise price RM	Number of share options '000	Weighted average exercise price RM
At 1 January	116,391	5.88	67,149	4.53
Granted	—	—	111,811	6.03
Exercised	(45,452)	5.57	(61,606)	4.69
Lapsed	(1,474)	6.11	(963)	5.94
At 31 December	69,465	6.07	116,391	5.88
Options exercisable at end of financial year	69,465	6.07	116,391	5.88
Weighted average share price during the financial year		6.86		6.95



**24. EMPLOYEE BENEFITS (continued)****(b) Equity Compensation Benefits (continued)****(1) Public Bank Berhad Group Employees' Share Option Scheme (continued)**

Details of PBB ESOS outstanding as at the end of the financial year are as follows:

Grant Date	Exercise Period	Exercise Price	Number of share options outstanding '000
10 April 1998	10 April 1998 to 25 February 2008	RM1.64*	51
06 June 2002	06 June 2002 to 25 February 2008	RM3.56*	905
16 June 2003	16 June 2003 to 25 February 2008	RM3.40*	177
22 December 2003	22 December 2003 to 25 February 2008	RM4.60*	1,754
21 May 2004	21 May 2004 to 25 February 2008	RM4.92*	440
10 January 2005	10 January 2005 to 25 February 2008	RM6.37	46,252
05 December 2005	05 December 2005 to 25 February 2008	RM5.67	19,886
			69,465

\* These exercise prices have been adjusted for the effects of bonus issues and share consolidation from RM0.50 to RM1.00.

The weighted average remaining contractual maturity of the PBB ESOS outstanding as at the end of the financial year was 1.16 years (2005 – 2.16 years).

There were no new PBB ESOS granted during the financial year (2005 – 111,811,000 share options). There were no new share options granted after 31 December 2004 which had not yet vested on 1 January 2006. All options granted in 2005 were immediately vested upon grant being accepted by the eligible directors and employees. As allowed by the transitional provisions in FRS 2 Share-based Payment, the recognition and measurement principles in FRS 2 have not been applied.



## 24. EMPLOYEE BENEFITS (continued)

### (b) Equity Compensation Benefits (continued)

#### (2) Public Financial Holdings Limited Group Employees' Share Option Scheme

On 18 May 2005, an offer of options under the Public Financial Holdings Limited Group Employees' Share Option Scheme ("PFHL ESOS") was made to eligible participants to subscribe to 66,526,000 ordinary shares of Public Financial Holdings Limited ("PFHL"). The expiry date of granting of share options under the PFHL ESOS is 27 February 2012 with the exercise period of 10 years from the grant date.

The salient features of the PFHL ESOS are as follows:

- (i) Eligible participants of the PFHL ESOS include directors and employees working under "continuous contracts" for the purposes of the Hong Kong Employment Ordinance.
- (ii) The total number of shares to be issued under the PFHL ESOS shall not exceed in aggregate 30% of the issued and paid up share capital of PFHL at any point of time during the tenure of the PFHL ESOS.

In addition, any individual director or employee's maximum entitlement shall not exceed 1% of the ordinary shares of PFHL in issue in the 12 months period up to (and including) the date of the grant. Any substantial shareholder or independent non-executive director's maximum entitlement shall not exceed 0.1% of the ordinary shares of PFHL in issue and have an aggregate value based on the closing price of the ordinary shares of PFHL at the date of each grant, in excess of HKD5 million in the 12 months period up to (and including) the date of grant.

- (iii) The option exercise price for each ordinary share of HKD0.10 each of PFHL shall be determined by the directors at their discretion based on the higher of the closing price of the ordinary shares of PFHL on the Hong Kong Stock Exchange ("HKSE") at the offer date and the average closing price of the ordinary shares of PFHL on the HKSE for 5 business days immediately preceding the offer date and the nominal value of an ordinary share of PFHL.
- (iv) The Group is not legally bound or obliged to repurchase or settle the options in cash.





**24. EMPLOYEE BENEFITS (continued)****(b) Equity Compensation Benefits (continued)****(2) Public Financial Holdings Limited Group Employees' Share Option Scheme (continued)**

A summary of the movements in the number of PFHL ESOS and the weighted average exercise prices are as follows:

	2006		2005	
	Number of share options '000	Weighted average exercise price HKD	Number of share options '000	Weighted average exercise price HKD
At 1 January	43,878	7.29	—	—
Granted	—	—	65,976	7.29
Exercised	—	—	(21,506)	7.29
Lapsed	(810)	6.35	(592)	7.29
At 31 December	43,068	6.35	43,878	7.29
Options exercisable at end of financial year	43,068	6.35	43,878	7.29
Weighted average share price during the financial year		6.53		7.76

Details of PFHL ESOS outstanding as at the end of the financial year are as follows:

Grant Date	Exercise Period	Exercise Price	Number of share options outstanding
18 May 2005	10 June 2005 to 9 June 2015	HKD6.35	43,068

The weighted average remaining contractual maturity of the PFHL ESOS outstanding as at the end of the financial year was 8.44 years (2005 – 9.44 years). The exercise price of the share options was adjusted from HKD7.29 per share to HKD6.35 per share due to the completion of the rights issue by PFHL during the year.



## 24. EMPLOYEE BENEFITS (continued)

### (b) Equity Compensation Benefits (continued)

#### (2) Public Financial Holdings Limited Group Employees' Share Option Scheme (continued)

There were no new PFHL ESOS granted during the financial year (2005 – 65,976,000 share options). There were no new share options granted after 31 December 2004 which had not yet vested on 1 January 2006. All options granted in 2005 were immediately vested upon grant being accepted by the eligible directors and employees. As allowed by the transitional provisions in FRS 2 Share-based Payment, the recognition and measurement principles in FRS 2 have not been applied.

## 25. BORROWINGS

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Unsecured:				
Syndicated Term Loan	679,341	—	—	—

On 31 July 2006, the Bank's subsidiary company in Hong Kong, Public Financial Holdings Limited (*formerly known as JCG Holdings Limited*), obtained a HKD2,000 million unsecured Syndicated Term Loan, of which HKD500 million being borrowed from another subsidiary company of the Group, for the purpose of financing the acquisition of Public Bank (Hong Kong) Limited (*formerly known as Asia Commercial Bank Limited*). The loan is for a tenure of 3 years and bears interest at 0.525% above the Hong Kong Interbank Offer Rate.

## 26. SUBORDINATED NOTES

	Note	Group and Bank	
		2006 RM'000	2005 RM'000
USD350 million 5.625% Subordinated Notes due in 2014, callable with step-up in 2009	(a)	1,232,700	1,322,825
USD400 million 5.000% Subordinated Notes due in 2017, callable with step-up in 2012	(b)	1,408,800	1,511,800
		2,641,500	2,834,625
Less: Transaction costs		(7,250)	(7,790)
Discount on issuance		(12,193)	(13,154)
Unrealised fair value gain		(66,665)	(59,173)
		2,555,392	2,754,508
Accumulated accretion of discount and amortisation of transaction costs		5,739	3,114
		2,561,131	2,757,622



## 26. SUBORDINATED NOTES (continued)

- (a) On 22 June 2004, the Bank issued USD350 million in aggregate principal amount of Subordinated Notes due 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5.625% per annum from (and including) 22 June 2004 to (but excluding) 22 September 2009 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 3.10%. The interest is payable semi-annually in arrears on 22 March and 22 September in each year commencing on 22 March 2005. The Notes were issued at a price of 99.716 percent of the principal amount of the Notes. The Notes will, subject to the prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or on 22 September 2009 at their principal amount plus accrued interest (if applicable).
- (b) On 20 June 2005, the Bank issued USD400 million in aggregate principal amount of Subordinated Notes due 2017 callable with step-up in 2012. The Notes bear interest at the rate of 5.000% per annum from (and including) 20 June 2005 to (but excluding) 20 June 2012 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 2.827%. The interest is payable semi-annually in arrears on 20 June and 20 December in each year commencing on 20 December 2005. The Notes were issued at a price of 99.383 per cent of the principal amount of the Notes. The Notes will, subject to prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or on 20 June 2012 at their principal amount plus accrued interest (if applicable).

The Subordinated Notes above constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities, excluding the hybrid capital securities of the Bank in accordance with the terms and conditions of the Subordinated Notes. The Subordinated Notes qualify as Tier II capital for the purpose of determining the capital adequacy ratios of the Group and the Bank.

The Bank has entered into interest rate swap contracts as fair value hedges of its Subordinated Notes in order to minimise its exposure to changes in fair value due to interest rate volatility.



## 27. HYBRID CAPITAL SECURITIES

	Note	Group and Bank	
		2006 RM'000	2005 RM'000
USD200 million 6.84% Hybrid Capital Securities due 2036, callable with step-up in 2016	(a)	704,400	—
RM1,200 million 5.10% Hybrid Capital Securities due 2036, callable with step-up in 2016	(b)	1,200,000	—
		<b>1,904,400</b>	—
Less: Transaction costs		(1,761)	—
Add: Unrealised fair value loss		16,222	—
		<b>1,918,861</b>	—
Accumulated amortisation of transaction costs		64	—
		<b>1,918,925</b>	—

- (a) On 22 August 2006, the Bank issued USD200 million in aggregate principal amount of Hybrid Capital Securities (“the USD Securities”) due in 2036 and callable with step-up in 2016. The USD Securities bear interest at the rate of 6.84% per annum from (and including) 22 August 2006 to (but excluding) 22 August 2016 and thereafter, at a rate per annum of 2.30% above the London interbank offer rate for three-month US dollar deposits. The interest is payable semi-annually in arrears on 22 February and 22 August each year commencing on 22 February 2007 to (but excluding) 22 August 2016, and thereafter quarterly in arrears on 22 February, 22 May, 22 August and 22 November of each year.

The Bank may, at its option, defer the payment of interest up to a limit of 50 per cent of the aggregate principal of the USD Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the USD Securities. The USD Securities were issued at a price of 100.0 percent of the principal amount of the USD Securities. The USD Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the USD Securities will no longer qualify as Tier 1 capital for the purposes of BNM’s capital adequacy requirement or on 22 August 2016 at their principal amount plus accrued interest (if applicable).



**27. HYBRID CAPITAL SECURITIES (continued)**

- (b) On 22 December 2006, the Bank issued RM1,200 million in aggregate principal amount of Hybrid Capital Securities (“the RM Securities”) due in 2036 and callable with step-up in 2016. The RM Securities bear interest at the rate of 5.10% per annum from (and including) 22 December 2006 to (but excluding) 22 December 2016 and thereafter, at a rate per annum of 1.82% above the three-month Kuala Lumpur interbank offer rate. The interest is payable semi-annually in arrears on 22 June and 22 December each year commencing on 22 June 2007 to (but excluding) 22 December 2016, and thereafter quarterly in arrears on 22 March, 22 June, 22 September and 22 December of each year.

The Bank may, at its option, defer the payment of interest up to a limit of 50 per cent of the aggregate principal of the RM Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the RM Securities. The RM Securities were issued at a price of 100.0 percent of the principal amount of the RM Securities. The RM Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the RM Securities will no longer qualify as Tier 1 capital for the purposes of BNM’s capital adequacy requirement or on 22 December 2016 at their principal amount plus accrued interest (if applicable).

The Hybrid Capital Securities above rank pari passu with each other and constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities inclusion of subordinated notes of the Bank in accordance with the terms and conditions of the Hybrid Capital Securities. The Hybrid Capital Securities qualify as Tier I capital for the purpose of determining the capital adequacy ratios of the Group and the Bank, up to a maximum of 15% of Tier I Capital, with the excess qualifying as Tier II Capital.

The Bank has entered into interest rate swap contracts as fair value hedges of its Hybrid Capital Securities in order to minimise its exposure to changes in fair value due to interest rate volatility.

**28. PROVISION FOR TAX EXPENSE AND ZAKAT**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Tax expense	<b>333,434</b>	250,333	<b>255,835</b>	211,982
Zakat	<b>150</b>	55	<b>150</b>	55
	<b>333,584</b>	250,388	<b>255,985</b>	212,037



## 29. SHARE CAPITAL

Group and Bank	Number of Ordinary Shares of RM1.00 Each		Amount	
	2006 '000	2005 '000	2006 RM'000	2005 RM'000
Authorised:				
Ordinary shares of RM1.00 each				
At 1 January	10,000,000	5,000,000	10,000,000	5,000,000
Increase during the year	—	5,000,000	—	5,000,000
At 31 December	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	3,417,373	3,355,767	3,417,373	3,355,767
Issued pursuant to the exercise of share options	45,452	61,606	45,452	61,606
At 31 December	3,462,825	3,417,373	3,462,825	3,417,373

## 30. TREASURY SHARES

The amount relates to the acquisition cost of treasury shares.

On 20 March 2006, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial year, the Bank bought back from the open market, 30,000 (2005 – 24,007,100) of its issued ordinary shares of RM1.00 each (“PBB Shares”) listed and quoted as “Local” on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) at an average buy-back price of RM6.68 (2005 – RM7.61) per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial year, including transaction costs, was RM201,232 (2005 – RM183,158,887) and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

Of the total 3,462,824,872 (2005 – 3,417,373,089) issued and paid-up PBB Shares as at 31 December 2006, 124,214,500 (2005 – 124,184,500) PBB Shares are held as treasury shares by the Bank. As at 31 December 2006, the number of outstanding PBB Shares in issue and paid-up is therefore 3,338,610,372 (2005 – 3,293,188,589) ordinary shares of RM1.00 each.

None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends and participation in other distribution.



**31. OTHER RESERVES**

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2005	2,433,091	79,943	101,955	61,805	2,676,794
Currency translation differences in respect of foreign operations	—	—	(33,736)	—	(33,736)
Currency translation differences in respect of net investment hedge	—	—	2,155	—	2,155
Unrealised net loss on revaluation of securities available-for-sale	—	—	—	(25,820)	(25,820)
Transfer from income statement	324,432	—	—	—	324,432
At 31 December 2005	2,757,523	79,943	70,374	35,985	2,943,825
Currency translation differences in respect of foreign operations	—	—	<b>(137,963)</b>	—	<b>(137,963)</b>
Currency translation differences in respect of net investment hedge	—	—	<b>56,661</b>	—	<b>56,661</b>
Unrealised net gain on revaluation of securities available-for-sale	—	<b>8,855</b>	—	<b>44,156</b>	<b>53,011</b>
Dilution in share of net assets of a subsidiary company upon subscription of the subsidiary company's share rights issue	—	<b>(28,356)</b>	—	—	<b>(28,356)</b>
Disposal of shares in a subsidiary company	—	—	<b>(3,454)</b>	—	<b>(3,454)</b>
Transfer from income statement	<b>425,014</b>	—	—	—	<b>425,014</b>
At 31 December 2006	<b>3,182,537</b>	<b>60,442</b>	<b>(14,382)</b>	<b>80,141</b>	<b>3,308,738</b>



### 31. OTHER RESERVES (continued)

Bank	Statutory Reserves RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2005	2,401,569	5,331	2,406,900
Unrealised net loss on revaluation of securities available-for-sale	—	(11,650)	(11,650)
Transfer from income statement	320,223	—	320,223
At 31 December 2005	2,721,792	(6,319)	2,715,473
Unrealised net gain on revaluation of securities available-for-sale	—	20,301	20,301
Transfer from income statement	447,359	—	447,359
At 31 December 2006	<b>3,169,151</b>	<b>13,982</b>	<b>3,183,133</b>

The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

The capital reserves of the Group arose mainly from the capitalisation of retained profits that resulted from bonus issues by subsidiary companies and the restructuring exercise involving certain subsidiary companies undertaken by the Group in previous years.

The foreign currency translation reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiary companies and its subsidiary company incorporated in the Federal Territory of Labuan, after offsetting the impact of the net investment hedge.

The revaluation reserves are in respect of unrealised fair value gains and losses on securities available-for-sale.

### 32. RETAINED PROFITS

As at 31 December 2006, the Bank has tax exempt profits available for distribution of approximately RM284,192,000 (2005 – RM284,000,000), subject to agreement by the Inland Revenue Board.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt account to frank the payment of dividends out of the Bank's entire retained profits as at 31 December 2006.





**33. INTEREST INCOME**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Loans, advances and financing				
– Interest income other than recoveries from NPLs	<b>4,495,126</b>	3,587,254	<b>3,864,506</b>	3,182,700
– Recoveries from NPLs	<b>79,896</b>	80,908	<b>79,818</b>	80,254
Money at call and deposit placements				
with financial institutions	<b>1,203,656</b>	759,499	<b>1,094,028</b>	722,917
Securities held-for-trading	<b>189,414</b>	88,309	<b>187,231</b>	86,152
Securities available-for-sale	<b>156,948</b>	90,015	<b>136,410</b>	62,323
Securities held-to-maturity	<b>136,355</b>	75,899	<b>66,876</b>	61,609
Others	<b>32,751</b>	26,495	<b>32,374</b>	26,104
	<b>6,294,146</b>	4,708,379	<b>5,461,243</b>	4,222,059
Amortisation of premium less accretion of discount	<b>(22,210)</b>	(18,867)	<b>(30,382)</b>	(27,245)
Net interest/income suspended	<b>(127,319)</b>	(115,151)	<b>(127,280)</b>	(114,976)
	<b>6,144,617</b>	4,574,361	<b>5,303,581</b>	4,079,838

**34. INTEREST EXPENSE**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits and placements of banks and other financial institutions	<b>443,666</b>	128,310	<b>422,193</b>	139,619
Deposits from customers	<b>2,592,014</b>	1,884,890	<b>2,335,616</b>	1,831,092
Loans sold to Cagamas	<b>10,375</b>	12,070	<b>10,375</b>	12,070
Subordinated notes	<b>165,913</b>	95,696	<b>165,913</b>	95,696
Hybrid capital securities	<b>19,466</b>	–	<b>19,466</b>	–
Borrowings	<b>26,358</b>	–	–	–
Others	<b>16,756</b>	10,675	<b>1,878</b>	155
	<b>3,274,548</b>	2,131,641	<b>2,955,441</b>	2,078,632



### 35. OTHER OPERATING INCOME

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(a) Fee income:				
Commissions	<b>126,946</b>	98,150	<b>122,166</b>	98,468
Service charges and fees	<b>189,290</b>	175,954	<b>125,080</b>	117,664
Guarantee fees	<b>21,604</b>	19,891	<b>18,710</b>	16,973
Processing fees	<b>9,931</b>	25,022	<b>1,284</b>	814
Commitment fees	<b>34,720</b>	32,632	<b>33,522</b>	31,884
Unit trust management fees	<b>174,193</b>	136,006	—	—
Net brokerage and commissions from stock-broking activities	<b>37,409</b>	18,559	—	—
Other fee income	<b>21,492</b>	24,427	<b>15,960</b>	17,198
	<b>615,585</b>	530,641	<b>316,722</b>	283,001
(b) Net gain arising from sale of securities:				
Net gain from sale of securities held-for-trading	<b>10,422</b>	10,149	<b>9,012</b>	9,763
Net gain from sale of securities available-for-sale	<b>4,014</b>	4,162	<b>4,014</b>	—
	<b>14,436</b>	14,311	<b>13,026</b>	9,763
(c) Gross dividend income from:				
Securities held-for-trading	<b>622</b>	567	<b>386</b>	391
Securities available-for-sale	<b>47,860</b>	41,693	<b>40,985</b>	37,430
Securities held-to-maturity	<b>3,408</b>	3,281	<b>3,294</b>	3,191
Associated companies	—	—	<b>3,335</b>	2,311
Subsidiary companies:				
– quoted outside Malaysia	—	—	<b>92,044</b>	170,890
– unquoted in Malaysia	—	—	<b>516,090</b>	42,054
	<b>51,890</b>	45,541	<b>656,134</b>	256,267



**35. OTHER OPERATING INCOME (continued)**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
(d) Unrealised (loss)/gain on revaluation of securities held-for-trading and trading derivatives	<b>(58,796)</b>	20,785	<b>(59,646)</b>	18,744
(e) Unrealised gain on hedging derivatives	<b>2,112</b>	—	<b>275</b>	—
(f) Other income:				
Foreign exchange profit	<b>223,180</b>	81,377	<b>107,433</b>	82,273
Rental income from:				
– investment properties (Note 16)	<b>3,320</b>	2,198	—	—
– other properties	<b>7,647</b>	5,632	<b>2,895</b>	2,545
Net gain on disposal of property and equipment	<b>153</b>	2,322	<b>61</b>	1,764
Net loss on disposal of foreclosed properties	<b>(1,077)</b>	(807)	<b>(1,077)</b>	(807)
Gain on revaluation of investment properties (Note 16)	<b>10,846</b>	—	—	—
Gain on sale of trust units	<b>195,819</b>	132,729	—	—
Lease income and factoring charges	<b>1,667</b>	1,995	—	—
Gain on disposal of shares in a subsidiary company	<b>22,082</b>	—	<b>25,844</b>	—
Others	<b>17,803</b>	81,220	<b>15,483</b>	19,588
	<b>481,440</b>	306,666	<b>150,639</b>	105,363
Total other operating income	<b>1,106,667</b>	917,944	<b>1,077,150</b>	673,138



### 36. OTHER OPERATING EXPENSES

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Personnel costs				
– Salaries, allowances and bonuses	<b>663,517</b>	579,924	<b>539,001</b>	496,311
– Pension costs	<b>81,523</b>	68,128	<b>72,541</b>	60,837
– Others	<b>66,504</b>	55,783	<b>61,038</b>	52,119
	<b>811,544</b>	703,835	<b>672,580</b>	609,267
Establishment costs				
– Depreciation	<b>99,404</b>	92,371	<b>78,652</b>	75,534
– Rental	<b>52,993</b>	49,888	<b>65,545</b>	64,824
– Insurance	<b>15,640</b>	11,985	<b>14,065</b>	10,911
– Water and electricity	<b>24,320</b>	21,544	<b>18,874</b>	17,318
– General repairs	<b>19,787</b>	18,152	<b>15,964</b>	14,823
– Others	<b>74,922</b>	66,978	<b>60,162</b>	57,101
	<b>287,066</b>	260,918	<b>253,262</b>	240,511
Marketing expenses				
– Sales commission	<b>196,925</b>	139,452	–	–
– Advertisement and publicity	<b>51,562</b>	47,836	<b>14,625</b>	22,144
– Others	<b>50,725</b>	10,994	<b>27,440</b>	(2,404)
	<b>299,212</b>	198,282	<b>42,065</b>	19,740
Administration and general expenses				
– Amortisation of intangible assets	–	46,262	–	42,963
– Communication expenses	<b>46,423</b>	55,705	<b>37,149</b>	46,478
– Others	<b>87,645</b>	65,371	<b>66,037</b>	56,679
	<b>134,068</b>	167,338	<b>103,186</b>	146,120
	<b>1,531,890</b>	1,330,373	<b>1,071,093</b>	1,015,638



**36. OTHER OPERATING EXPENSES (continued)**

(a) Included in other operating expenses are the following statutory disclosures:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Amortisation of intangible assets	—	46,262	—	42,963
Auditors' remuneration:				
– statutory audit fees	<b>2,430</b>	1,669	<b>721</b>	710
– half year review	<b>100</b>	100	<b>100</b>	100
– other services	<b>990</b>	239	<b>194</b>	159
Depreciation of property and equipment (Note 17)	<b>99,404</b>	92,371	<b>78,652</b>	75,534
Direct operating expenses of investment properties that:				
– generated rental income	<b>4,392</b>	129	—	—
Directors' remuneration (Note 37)	<b>16,471</b>	13,725	<b>11,347</b>	8,845
Pension costs				
– defined contribution plan	<b>81,013</b>	70,062	<b>72,265</b>	62,970
– defined benefit plan (Note 24(a))	<b>(6,488)</b>	(7,044)	<b>(6,164)</b>	(6,803)
Property and equipment written off	<b>331</b>	72	<b>331</b>	68
Rental of premises	<b>52,993</b>	49,888	<b>65,545</b>	64,824

Included in the statutory audit fees and other services fees of the Group are fees paid to accounting firms other than the Bank's auditors amounting to RM1,589,000 (2005 – RM839,000) and RM699,000 (2005 – RM30,000) respectively.

The statutory audit fees for the year of the Group includes an amount of RM662,000 (2005 – RM Nil) in respect of the new subsidiary company, Public Bank (Hong Kong) Limited (*formerly known as Asia Commercial Bank Limited*).

**(b) Employees**

The number of persons employed by the Group and the Bank (excluding Directors) as at the end of the financial year was 13,396 (2005 – 12,800) and 11,688 (2005 – 11,546) respectively.



### 37. DIRECTORS' REMUNERATION

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors of the Bank:				
Executive Directors:				
Fees	505	428	200	180
Salary and other remuneration, including meeting allowances	2,084	1,912	2,045	1,873
Bonuses	3,332	2,164	3,332	2,164
Benefits-in-kind				
– arising from exercise of share options	4,158	7,684	4,158	6,488
– others	74	74	74	74
	<b>10,153</b>	12,262	<b>9,809</b>	10,779
Non-Executive Directors:				
Fees	1,697	1,278	770	690
Other remuneration	5,033	4,004	4,982	3,931
Benefits-in-kind				
– arising from exercise of share options	3,433	16,076	3,433	15,431
– others	109	96	109	96
	<b>10,272</b>	21,454	<b>9,294</b>	20,148
Past Director:				
Other remuneration	18	7	18	7
Benefits-in-kind	25	25	25	25
	<b>43</b>	32	<b>43</b>	32
Directors of subsidiary companies:				
Executive Directors:				
Fees	221	206	–	–
Salary and other remuneration, including meeting allowances	2,155	2,291	–	–
Bonuses	1,319	1,307	–	–
Benefits-in-kind				
– arising from exercise of share options	325	2,691	–	–
– others	177	183	–	–
	<b>4,197</b>	6,678	–	–



**37. DIRECTORS' REMUNERATION (continued)**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Non-Executive Directors:				
Fees	107	128	–	–
Benefits-in-kind				
– arising from exercise of share options	–	1,421	–	–
	107	1,549	–	–
Grand Total	24,772	41,975	19,146	30,959
Total (excluding benefits-in-kind) (Note 36)	16,471	13,725	11,347	8,845

Included in the remuneration of the Executive Directors is the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounting to RM5,538,000 (2005 – RM6,780,000).

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Executive Directors:</u>				
Dato' Sri Tay Ah Lek	5,732	8,137	5,538	6,780
Dato' Lee Kong Lam	4,421	4,125	4,271	3,999
	10,153	12,262	9,809	10,779

Of which relating to benefits-in-kind from the exercise of share options:

Dato' Sri Tay Ah Lek	2,520	5,616	2,520	4,420
Dato' Lee Kong Lam	1,638	2,068	1,638	2,068
	4,158	7,684	4,158	6,488



### 37. DIRECTORS' REMUNERATION (continued)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (continued):

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<u>Non-Executive Directors:</u>				
Tan Sri Dato' Sri Dr. Teh Hong Piow	<b>4,717</b>	16,504	<b>4,450</b>	15,964
Tan Sri Dato' Thong Yaw Hong	<b>2,285</b>	1,514	<b>2,094</b>	1,462
Dato' Yeoh Chin Kee	<b>460</b>	1,463	<b>333</b>	1,355
Y.A.M. Tengku Abdul Rahman Ibni Sultan				
Haji Ahmad Shah Al-Mustain Billah	<b>1,483</b>	185	<b>1,450</b>	152
Haji Abdul Aziz bin Omar	<b>311</b>	1,024	<b>176</b>	905
Dato' Dr. Haji Mohamed Ishak				
bin Haji Mohamed Ariff	<b>360</b>	261	<b>237</b>	155
Lee Chin Guan	<b>656</b>	503	<b>554</b>	155
	<b>10,272</b>	21,454	<b>9,294</b>	20,148
Of which relating to benefits-in-kind				
from the exercise of share options:				
Tan Sri Dato' Sri Dr. Teh Hong Piow	—	12,825	—	12,446
Tan Sri Dato' Thong Yaw Hong	<b>1,575</b>	1,035	<b>1,575</b>	1,035
Dato' Yeoh Chin Kee	<b>158</b>	1,200	<b>158</b>	1,200
Y.A.M. Tengku Abdul Rahman Ibni Sultan				
Haji Ahmad Shah Al-Mustain Billah	<b>1,260</b>	—	<b>1,260</b>	—
Haji Abdul Aziz bin Omar	—	750	—	750
Dato' Dr. Haji Mohamed Ishak				
bin Haji Mohamed Ariff	<b>62</b>	—	<b>62</b>	—
Lee Chin Guan	<b>378</b>	266	<b>378</b>	—
	<b>3,433</b>	16,076	<b>3,433</b>	15,431
<u>Past Director:</u>				
Datuk Tan Cheng Swee	<b>43</b>	32	<b>43</b>	32





**38. ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Allowance for bad and doubtful debts and financing:				
– general allowance (Note 9)	<b>206,683</b>	170,787	<b>172,561</b>	163,539
– general allowance written back (Note 9)	<b>(2,000)</b>	(10,038)	–	–
– specific allowance (Note 9)	<b>431,438</b>	359,490	<b>307,392</b>	248,994
– specific allowance written back (Note 9)	<b>(54,712)</b>	(37,337)	<b>(54,328)</b>	(34,315)
Net write back of allowance in stock broking activities	<b>(2,408)</b>	(302)	–	–
Bad debts and financing written off	<b>934</b>	1,590	<b>737</b>	1,582
Bad debts and financing recovered	<b>(113,890)</b>	(102,184)	<b>(81,846)</b>	(69,454)
	<b>466,045</b>	382,006	<b>344,516</b>	310,346

**39. IMPAIRMENT WRITTEN BACK**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Securities available-for-sale	–	(1,795)	–	(1,795)
Securities held-to maturity	<b>2,269</b>	10,000	<b>2,269</b>	10,000
Foreclosed properties	<b>161</b>	(2,677)	<b>161</b>	(2,677)
Investment properties (Note 16)	–	8,202	–	–
Property and equipment (Note 17)	<b>2,216</b>	1,713	–	–
	<b>4,646</b>	15,443	<b>2,430</b>	5,528



40. TAX EXPENSE AND ZAKAT

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Malaysian income tax	<b>588,053</b>	530,005	<b>663,600</b>	514,169
Overseas income tax	<b>58,448</b>	48,495	<b>2,447</b>	1,801
	<b>646,501</b>	578,500	<b>666,047</b>	515,970
Under/(Over) provision in prior years				
– Malaysian income tax	<b>2,312</b>	(5,317)	–	–
– Overseas income tax	<b>(906)</b>	4	<b>(66)</b>	–
	<b>647,907</b>	573,187	<b>665,981</b>	515,970
Deferred tax expense (Note 13)				
– relating to origination and reversal of temporary differences	<b>(52,577)</b>	(59,189)	<b>(36,052)</b>	(60,386)
As previously stated	<b>(52,577)</b>	(62,634)	<b>(36,052)</b>	(63,831)
Effects of adopting BNM Circular on Handling Fees	–	3,445	–	3,445
– relating to changes in tax rate	<b>25,659</b>	–	<b>20,562</b>	–
Tax expense	<b>620,989</b>	513,998	<b>650,491</b>	455,584
Zakat	<b>211</b>	148	<b>211</b>	148
	<b>621,200</b>	514,146	<b>650,702</b>	455,732

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005 – 28%) on the estimated chargeable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective for year of assessment 2007 and 26% effective for year of assessment 2008, as announced in the 2007 Malaysian Budget. The computation of deferred tax as at 31 December 2006 has reflected these changes.

Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



**40. TAX EXPENSE AND ZAKAT (continued)**

A reconciliation of income tax expense applicable to profit before tax expense at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

Group	%	2006	%	2005
		RM'000		RM'000
Profit before tax expense		<b>2,416,361</b>		2,059,436
Income tax using Malaysian tax rate of 28% (2005 – 28%)	<b>28.0</b>	<b>676,581</b>	28.0	576,642
Effects of different tax rates in foreign jurisdictions	<b>(1.6)</b>	<b>(38,295)</b>	(2.4)	(49,217)
Deferred tax relating to changes in tax rate	<b>1.1</b>	<b>25,659</b>	–	–
Income not subject to tax	<b>(1.5)</b>	<b>(35,523)</b>	(1.4)	(28,132)
Effects of utilisation of unrecognised benefit of tax losses	<b>(1.2)</b>	<b>(29,789)</b>	(0.4)	(7,741)
Expenses not deductible for tax purposes	<b>0.9</b>	<b>20,950</b>	1.4	27,759
	<b>25.7</b>	<b>619,583</b>	25.2	519,311
Under/(Over) provision in prior years	–	<b>1,406</b>	(0.3)	(5,313)
Tax expense for the year	<b>25.7</b>	<b>620,989</b>	24.9	513,998
Bank	%	2006	%	2005
		RM'000		RM'000
Profit before tax expense		<b>2,440,137</b>		1,745,482
Income tax using Malaysian tax rate of 28% (2005 – 28%)	<b>28.0</b>	<b>683,238</b>	28.0	488,735
Deferred tax relating to changes in tax rate	<b>0.8</b>	<b>20,562</b>	–	–
Income not subject to tax	<b>(2.9)</b>	<b>(70,994)</b>	(3.4)	(59,406)
Expenses not deductible for tax purposes	<b>0.7</b>	<b>17,751</b>	1.5	26,255
Over provision in prior years	–	<b>(66)</b>	–	–
Tax expense for the year	<b>26.6</b>	<b>650,491</b>	26.1	455,584



#### 40. TAX EXPENSE AND ZAKAT (continued)

##### Tax recognised directly in equity

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Relating to unrealised (loss)/gain on securities available-for-sale:				
At 1 January	<b>(2,458)</b>	2,073	<b>(2,458)</b>	2,073
Increase/(decrease) during the year (Note 13)	<b>5,697</b>	(4,531)	<b>5,697</b>	(4,531)
At 31 December	<b>3,239</b>	(2,458)	<b>3,239</b>	(2,458)
<b>Tax savings arising from tax losses</b>				
Tax savings arising from utilisation of tax losses	<b>29,789</b>	7,741	—	—

#### 41. EARNINGS PER SHARE (EPS)

##### (a) Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Bank for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year excluding the weighted average treasury shares held by the Bank. The comparatives' net profit attributable to equity holders of the Bank for the year have been restated as a result of change in accounting policies as set out in Note 50.

	Group		Bank	
	2006	2005	2006	2005
Net profit attributable to equity holders of the Bank (RM'000)	<b>1,726,688</b>	1,459,139	<b>1,789,435</b>	1,289,750



**41. EARNINGS PER SHARE (EPS) (continued)**(a) Basic Earnings Per Share (continued)

	Group		Bank	
	2006	2005	2006	2005
'000				
Number of ordinary shares at beginning of the year	<b>3,293,188</b>	3,255,590	<b>3,293,188</b>	3,255,590
Effects of share options exercised during the year	<b>20,901</b>	44,231	<b>20,901</b>	44,231
Effects of shares bought back and held as treasury shares	<b>(23)</b>	(20,704)	<b>(23)</b>	(20,704)
Weighted average number of ordinary shares in issue	<b>3,314,066</b>	3,279,117	<b>3,314,066</b>	3,279,117
Basic earnings per share (sen)	<b>52.1</b>	44.5	<b>54.0</b>	39.3

(b) Diluted Earnings Per Share

The calculation of the diluted earnings per share is based on the net profit attributable to equity holders of the Bank for the year divided by the adjusted weighted average number of ordinary shares of RM1.00 each in issue and issuable under the exercise of share options granted under the Public Bank Berhad Group Employees' Share Option Scheme which is set out as follows:

	Group		Bank	
	2006	2005	2006	2005
'000				
Weighted average number of ordinary shares	<b>3,314,066</b>	3,279,117	<b>3,314,066</b>	3,279,117
Effects of share options	<b>32,059</b>	31,466	<b>32,059</b>	31,466
Adjusted weighted average number of ordinary shares in issue or issuable	<b>3,346,125</b>	3,310,583	<b>3,346,125</b>	3,310,583
Diluted earnings per share (sen)	<b>51.6</b>	44.1	<b>53.5</b>	39.0



## 42. DIVIDENDS

	Group and Bank	
	2006 RM'000	2005 RM'000
Dividends paid:		
Interim dividend of 20.0% (2005 – 20.0%) less 28.0% tax	<b>479,029</b>	473,209
Final dividend of 35.0% less 28.0% tax and special dividend of 15.0% less 28.0% tax in respect of the financial year ended 31 December 2004	–	1,178,412
Final dividend of 20.0% less 28.0% tax and special dividend of 15.0% less 28.0% tax in respect of financial year ended 31 December 2005	<b>833,906</b>	–
	<b>1,312,935</b>	1,651,621
Transfer to proposed dividend (as disclosed in the statement of changes in equity):		
Interim dividend of 20.0% (2005 – 20.0%) less 28.0% tax	<b>479,029</b>	473,209
Under provision for final dividend of 35.0% less 28.0% tax and special dividend of 15.0% less 28.0% tax in respect of the financial year ended 31 December 2004	–	6,400
Under provision for final dividend of 20.0% less 28.0% tax and special dividend of 15.0% less 28.0% tax in respect of the financial year ended 31 December 2005	<b>4,022</b>	–
	<b>483,051</b>	479,609

A proposed final dividend of 30.0% and special dividend of 10.0%, less 27.0% tax respectively, in respect of financial year ended 31 December 2006 amounting to approximately RM974,874,229 computed based on the outstanding issued and paid-up capital, excluding treasury shares held by the Bank, of 3,338,610,372 ordinary shares of RM1.00 each, have been proposed by the Directors for shareholders' approval at the forthcoming Annual General Meeting. Consistent with the treatment adopted in prior years, the financial statements for the current financial year do not recognise this proposed dividend as a liability. Such dividend, when approved by the shareholders, will be excluded from shareholders' equity as an appropriation of retained profits during the financial year ending 31 December 2007.



**42. DIVIDENDS (continued)**

Accordingly, based on the above, the gross and net dividend per share for each financial year are as follows:

	Gross per share		Net per share	
	2006	2005	2006	2005
Dividends per RM1.00 share:	Sen	Sen	Sen	Sen
Proposed:				
Final dividend of 30.0% less 27.0% tax	30.0	—	21.9	—
Special dividend of 10.0% less 27.0% tax	10.0	—	7.3	—
Final dividend of 20.0% less 28.0% tax	—	20.0	—	14.4
Special dividend of 15.0%, less 28.0% tax	—	15.0	—	10.8
Paid:				
Interim dividend of 20.0% less 28.0% tax	20.0	20.0	14.4	14.4
<b>Total</b>	<b>60.0</b>	<b>55.0</b>	<b>43.6</b>	<b>39.6</b>

**43. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Group and the Bank are:

**(i) Subsidiary Companies**

Details of the subsidiary companies are shown in Note 14.

**(ii) Associated Companies**

Associated companies in which the Group holds interest of between 20% to 50% in the entities as disclosed in Note 15.

**(iii) Key Management Personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank includes all the Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiary companies of the Group.

**(iv) Public Bank Group Officers' Retirement Benefits Fund**

Details of the retirement benefit fund are shown in Note 24(a).

**(v) Companies in Which Certain Directors Have Substantial Financial Interest**

These are entities in which significant voting power in such entities resides with, directly or indirectly, certain Directors of the Bank.



**43. RELATED PARTY TRANSACTIONS (continued)**

(a) The significant transactions of the Group and the Bank with its related parties are as follows:

Group	Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefit Fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Income earned:</b>						
Interest on loans, advances and financing	<b>11</b>	14	—	—	<b>14,928</b>	15,029
Commission income	—	—	<b>15,474</b>	13,866	—	—
Rental income	<b>147</b>	147	<b>2,161</b>	1,998	—	—
Brokerage income	—	—	<b>23</b>	19	<b>16</b>	52
	<b>158</b>	161	<b>17,658</b>	15,883	<b>14,944</b>	15,081
<b>Expenditure incurred:</b>						
Interest on deposits	<b>41,522</b>	20,497	<b>8,704</b>	4,224	<b>41</b>	15
Rental of premises	—	—	<b>308</b>	294	<b>10,420</b>	9,866
Dividend paid	—	—	<b>30,077</b>	38,280	<b>17,149</b>	26,269
Insurance premiums	—	—	<b>16,222</b>	17,668	—	—
	<b>41,522</b>	20,497	<b>55,311</b>	60,466	<b>27,610</b>	36,150





## 43. RELATED PARTY TRANSACTIONS (continued)

Bank	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefit Fund	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Income earned:</b>										
Interest on loans, advances and financing	57,632	46,797	—	—	11	14	—	—	14,928	15,029
Dividend income (Note 35)	608,134	212,944	3,335	2,311	—	—	—	—	—	—
Overhead expenses recharged	923	658	—	—	—	—	—	—	—	—
Commission income	15,254	8,365	—	—	—	—	15,380	13,852	—	—
Commitment fees and bank charges received	1,062	614	—	—	—	—	—	—	—	—
Rental income	1,032	1,288	—	—	147	147	12	12	—	—
	<b>684,037</b>	<b>270,666</b>	<b>3,335</b>	<b>2,311</b>	<b>158</b>	<b>161</b>	<b>15,392</b>	<b>13,864</b>	<b>14,928</b>	<b>15,029</b>
<b>Expenditure incurred:</b>										
Interest on deposits	64,457	54,222	—	—	41,522	20,497	6,805	2,936	41	15
Rental of premises	26,229	26,408	—	—	—	—	308	294	10,097	9,542
Dividend paid	—	—	—	—	—	—	30,077	38,280	17,121	26,238
Insurance premiums	—	—	—	—	—	—	13,687	15,295	—	—
Brokerage commission	151	586	—	—	—	—	—	—	—	—
Corporate advisory fees	242	490	—	—	—	—	—	—	—	—
Commission on loans	63	96	—	—	—	—	—	—	—	—
Others	1,531	1,435	—	—	—	—	—	—	—	—
	<b>92,673</b>	<b>83,237</b>	<b>—</b>	<b>—</b>	<b>41,522</b>	<b>20,497</b>	<b>50,877</b>	<b>56,805</b>	<b>27,259</b>	<b>35,795</b>

Included in the significant transactions of the Group and the Bank are interest on deposits paid to Directors of the Bank amounting to RM41,512,000 (2005 – RM20,477,000) and rental received from a Director of the Bank amounting to RM147,000 (2005 – RM147,000).



**43. RELATED PARTY TRANSACTIONS (continued)**

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows:

Group	Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefit Fund	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Amount due from related parties</b>								
Loans, advances and financing	–	–	303	387	–	–	587,281	696,756
Others	–	–	–	–	–	–	730	–
	–	–	303	387	–	–	588,011	696,756
<b>Amount due to related parties</b>								
Demand deposits	–	–	22,531	15,889	2,584	3,364	754	24
Short-term deposits	–	–	1,426,275	946,315	189,706	106,838	–	–
Others	244,809	222,202	–	–	–	–	2,707	2,715
	244,809	222,202	1,448,806	962,204	192,290	110,202	3,461	2,739



## 43. RELATED PARTY TRANSACTIONS (continued)

Bank	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefit Fund	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due from related parties</b>										
Interbank loans	880,883	808,963	—	—	—	—	—	—	—	—
Loans, advances and financing	198,330	146,678	—	—	303	387	—	—	587,281	696,756
Securities held-for-trading	—	150,000	—	—	—	—	—	—	—	—
Dividend receivable (Note 11)	400,823	149,720	—	—	—	—	—	—	—	—
Rental deposits	33,673	36,489	—	—	—	—	—	—	—	—
Interest receivable	3,360	3,479	—	—	—	—	—	—	—	—
Others	91,572	115,203	—	—	—	—	—	—	730	—
	<b>1,608,641</b>	<b>1,410,532</b>	<b>—</b>	<b>—</b>	<b>303</b>	<b>387</b>	<b>—</b>	<b>—</b>	<b>588,011</b>	<b>696,756</b>
<b>Amount due to related parties</b>										
Demand deposits	151,298	186,237	—	—	22,531	15,889	2,584	3,364	754	24
Short-term deposits	289,157	549,259	—	—	1,426,275	946,315	101,396	32,802	—	—
Interbank borrowings	509,533	387,978	—	—	—	—	—	—	—	—
Interest payable	1,240	1,098	—	—	—	—	—	—	—	—
Others	11,832	196,258*	244,809	222,202	—	—	—	—	2,627	2,634
	<b>963,060</b>	<b>1,320,830</b>	<b>244,809</b>	<b>222,202</b>	<b>1,448,806</b>	<b>962,204</b>	<b>103,980</b>	<b>36,166</b>	<b>3,381</b>	<b>2,658</b>

\* The amount in the previous year was mainly the balance payable to HHB Holdings Berhad for the transfer of the banking business of Hock Hua Bank Berhad to the Bank on 31 March 2001.

Included in the significant outstanding balances of the Group and the Bank are demand deposits and short-term deposits payable to Directors of the Bank amounting to RM1,448,333,000 (2005 – RM961,223,000).



**43. RELATED PARTY TRANSACTIONS (continued)**

- (c) There were no granting of loans to the Directors of the Bank. Loans made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group.

All related party transactions are conducted at arm's length basis and on normal commercial terms which are not more favourable than those generally available to the public.

- (d) Key Management Personnel Compensation

The remuneration of directors and other members of key management during the year are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Short-term employee benefits				
Fees	970	870	970	870
Salary and other remuneration, including meeting allowances	13,163	10,652	11,034	8,639
Benefits-in-kind				
– arising from exercise of share options	7,779	23,850	7,729	22,009
– others	260	242	237	218
Post-employment benefits	2,143	1,640	1,917	1,425
	<b>24,315</b>	<b>37,254</b>	<b>21,887</b>	<b>33,161</b>

Included in the total key management personnel compensation are:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Directors' remuneration including benefits-in-kind				
– directors of the Bank	20,425	33,716	19,103	30,927
– directors of subsidiary companies	1,853	1,710	–	–



**43. RELATED PARTY TRANSACTIONS (continued)**

## (d) Key Management Personnel Compensation (continued)

Key management personnel have been granted the following number of share options:

	PBB ESOS		PFHL ESOS	
	2006 '000	2005 '000	2006 '000	2005 '000
At 1 January	<b>34,644</b>	38,424	<b>6,338</b>	—
Granted	—	34,944	—	14,658
Exercised	<b>(12,448)</b>	(38,724)	—	(8,320)
At 31 December	<b>22,196</b>	34,644	<b>6,338</b>	6,338

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 24(b)).

**44. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposures of the Group and the Bank as at the end of financial year are as follows:

Group	2006			2005		
	Notional Amount RM'000	Credit Equivalent Amount*	Risk Weighted Amount*	Notional Amount RM'000	Credit Equivalent Amount*	Risk Weighted Amount*
Direct credit substitutes	<b>1,285,521</b>	<b>1,285,521</b>	<b>985,048</b>	1,085,495	1,085,495	858,181
Certain transaction-related contingent items	<b>446,720</b>	<b>223,360</b>	<b>145,914</b>	392,547	196,274	102,554
Short-term self-liquidating trade-related contingencies	<b>581,445</b>	<b>116,289</b>	<b>96,993</b>	541,501	108,300	102,011
Other assets sold with recourse and commitments with certain drawdown	<b>10,640</b>	<b>10,640</b>	<b>2,128</b>	15,040	15,040	—



#### 44. COMMITMENTS AND CONTINGENCIES (continued)

The risk-weighted exposures of the Group and the Bank as at the end of financial year are as follows (continued):

Group	2006			2005		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Obligations under underwriting agreements	80,000	40,000	40,000	83,750	41,875	41,875
Irrevocable commitments to extend credit:						
– maturity exceeding one year	4,365,655	2,182,828	1,988,665	4,154,284	2,077,142	1,776,275
– maturity not exceeding one year	12,621,347	–	–	9,910,227	–	–
Foreign exchange related contracts:						
– less than one year	6,594,858	106,927	38,682	7,223,068	114,044	26,213
– one year to less than five years	227,197	12,094	6,046	–	–	–
Interest rate related contracts:						
– less than one year	103,171	258	129	113,385	283	57
– one year to less than five years	2,489,554	56,800	11,361	2,249,965	67,083	13,417
– five years and above	4,552,944	326,963	65,392	3,182,339	211,803	42,361
	<b>33,359,052</b>	<b>4,361,680</b>	<b>3,380,358</b>	<b>28,951,601</b>	<b>3,917,339</b>	<b>2,962,944</b>

\* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors as per Bank Negara Malaysia's Guidelines.



**44. COMMITMENTS AND CONTINGENCIES (continued)**

Bank	2006			2005		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount* RM'000
Direct credit substitutes	1,244,706	1,244,706	955,127	1,084,395	1,084,395	857,961
Certain transaction-related contingent items	392,580	196,290	131,815	381,946	190,975	127,627
Short-term self-liquidating trade-related contingencies	427,885	85,576	81,189	434,058	86,810	80,609
Other assets sold with recourse and commitments with certain drawdown	–	–	–	15,040	15,040	–
Obligations under underwriting agreements	70,000	35,000	35,000	70,000	35,000	35,000
Irrevocable commitments to extended credit:						
– maturity exceeding one year	4,229,216	2,114,608	1,920,445	4,154,028	2,077,014	1,776,211
– maturity not exceeding one year	10,845,042	–	–	9,740,724	–	–
Forward placements	–	–	–	124,723	–	–
Foreign exchange related contracts:						
– less than one year	4,427,631	60,456	15,446	7,223,068	114,044	26,213
– one year to less than five years	–	–	–	–	–	–
Interest rate related contracts:						
– less than one year	–	–	–	113,385	283	57
– one year to less than five years	2,231,871	50,237	10,047	2,249,965	67,083	13,417
– five years and above	4,517,724	324,145	64,829	3,163,441	210,858	42,172
	<b>28,386,655</b>	<b>4,111,018</b>	<b>3,213,898</b>	<b>28,754,773</b>	<b>3,881,502</b>	<b>2,959,267</b>

\* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors as per Bank Negara Malaysia's Guidelines.

The Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its wholly owned subsidiary company, Public Bank (L) Ltd., arising from its offshore banking business in the Federal Territory of Labuan.



#### 44. COMMITMENTS AND CONTINGENCIES (continued)

Principal amounts of the foreign exchange related contracts and interest rate related contracts are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Foreign exchange related contracts				
– Forward contracts	<b>897,677</b>	610,574	<b>757,152</b>	610,574
– Currency swaps	<b>5,924,378</b>	6,612,494	<b>3,670,479</b>	6,612,494
Interest rate related contracts				
– Forwards	<b>35,230</b>	–	–	–
– Swaps	<b>7,110,439</b>	5,545,689	<b>6,749,595</b>	5,526,791
	<b>13,967,724</b>	12,768,757	<b>11,177,226</b>	12,749,859

The foreign exchange related contracts and interest rate related contracts are subject to market risk and credit risk.

##### Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2006, the amount of contracts which were not hedged in the Group and in the Bank and, hence, exposed to market risk was RM824,196,000 (2005 – RM1,485,257,000) and RM824,196,000 (2005 – RM1,485,257,000) respectively.

##### Credit Risk

Credit risk arises from the possibility that a counter party may be unable to meet the terms of a contract in which the Group or the Bank has a gain in a contract. As at 31 December 2006, the amounts of credit risk in the Group and in the Bank, measured in terms of the cost to replace the profitable contracts, was RM42,747,000 (2005 – RM24,737,000) and RM6,137,000 (2005 – RM24,737,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.





## 45. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Bank's risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Bank's businesses whilst managing its interest rates, foreign exchange, liquidity, operational and credit risks. The guidelines and policies adopted by the Group and the Bank to manage the following risks that arise in the conduct of the business activities are as follows:

### (a) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management and the Board.

The operational risk management processes include appropriate documentation of processes and procedures. Back-up procedures, regular contingency planning, self-compliance audit and internal audits also form an integral part of the operational risk management processes.

### (b) Credit Risk

Credit risk is the potential loss of revenue as a result of defaults by the borrowers or counterparties through its lending, hedging, trading and investing activities.

The primary exposure to credit risk arises through its loans, advances and financing. The amount of credit exposure in this area is represented by the carrying amounts of the assets in the balance sheet. The lending activities are guided by the Credit Policy which has been established to ensure that the overall objectives in the area of lending are achieved i.e. the loans portfolio is strong and healthy, credit risks are well diversified and there is no significant concentration of credit risk. The Credit Policy documents the lending policy, collateral policy and credit approval processes including an internal grading system known as the Credit Risk Rating.

Credit exposure also arises from financial transactions with counter parties including interbank market activities, derivative instruments used for hedging and debt instruments of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. This exposure is monitored on an on-going basis against predetermined counter party limits.

The credit exposure arising from off-balance sheet activities i.e. commitments and contingencies are explained in Note 44.

### (c) Market Risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the three key components being foreign currency exchange risk, interest rate risk and equity risk.



## 45. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### (c) **Market Risk (continued)**

Market risk arising from trading activities is governed by the Trading Book Policy Statement which is approved by the Board and Bank Negara Malaysia. The Trading Book Policy Statement sets out the trading limits which include, inter alia, the Overall Open Position, Daily and Cumulative Cut Loss Position and Maximum Holding Periods to ensure that dealers day-to-day trading activities are within the risk parameters set, independent mark-to-market valuation and validation procedures, policy on hedged transactions and prohibition on the transfer of financial instruments from the trading book to the banking book.

#### (i) **Foreign Currency Exchange Risk**

Foreign currency exchange risk refers to adverse exchange rate movements on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiaries, branches and associated companies, whose functional currencies are not in Ringgit.

Foreign currency exchange open positions are monitored against predetermined position limits and cut-loss limits. Where possible, the foreign currency-denominated assets are generally funded by borrowings and deposits received in the same foreign currencies.

#### (ii) **Interest Rate Risk**

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through interest rate sensitivity gap analysis. The potential reduction in net interest income from an adverse interest rate movement is monitored against the risk tolerance limits set.

The effects of changes in the levels of interest rates on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to management. Hedging instruments such as interest rate swaps are used to minimise exposure to interest rate volatility.

#### (iii) **Equity Risk**

Equity risk refers to the adverse movements in the price of equities on the equity positions taken from time to time. Equity positions are monitored against predetermined cut-loss limits.

### (d) **Liquidity Risk**

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity risk is primarily managed through the Bank Negara Malaysia New Liquidity Framework which takes into consideration the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, and also the realisable cash value of eligible liquefiable assets. Liquidity risk management is supplemented by internal liquidity risk management policy.

In addition, the Liquidity Contingency Funding Plan ensures that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risk that may arise due to unforeseen adverse changes in the market place.



#### 46. INTEREST RATE RISK

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The following tables indicate the effective interest rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group	Non trading book								Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 2 years	> 2 – 3 years	> 3 – 4 years	> 4 – 5 years	Over 5 years				
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>												
Cash and short-term funds	23,290,272	–	–	–	–	–	–	–	1,090,358	–	24,380,630	3.63
Deposits and placements with banks and other financial institutions	100	4,618,905	38,412	–	–	–	–	–	–	–	4,657,417	3.75
Securities purchased under resale agreements	2,135,006	6,464,886	3,775,395	–	–	–	–	–	–	–	12,375,287	3.58
Securities held-for-trading	–	–	–	–	–	–	–	–	–	9,107,661	9,107,661	3.63
Securities available-for-sale	–	–	–	160,772	642,181	125,269	408,937	1,285,149	1,210,887	62,543	3,895,738	6.11
Securities held-to-maturity	493,641	1,421,176	838,452	158,625	211,380	25,927	27,032	–	88,585	–	3,264,818	3.94
Loans, advances and financing – performing	45,593,358	4,866,041	9,053,150	7,515,992	4,664,820	3,255,757	2,466,424	5,371,145	–	–	82,786,687	6.69
– non-performing*	–	–	–	–	–	–	–	–	965	–	965	–
Other non-interest sensitive balances	–	–	–	–	–	–	–	–	7,308,417	11,923	7,320,340	–
<b>TOTAL ASSETS</b>	<b>71,512,377</b>	<b>17,371,008</b>	<b>13,705,409</b>	<b>7,835,389</b>	<b>5,518,381</b>	<b>3,406,953</b>	<b>2,902,393</b>	<b>6,656,294</b>	<b>9,699,212</b>	<b>9,182,127</b>	<b>147,789,543</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>												
Deposits from customers	57,260,431	22,643,389	19,542,156	336,968	22,138	17,398	171,730	24,810	11,774,129	–	111,793,149	3.22
Deposits and placements of banks and other financial institutions	5,522,698	10,375	9,928	–	–	–	–	–	94,963	–	5,637,964	4.37
Obligations on securities sold under repurchase agreements	10,057,342	18,487	–	–	–	–	–	–	–	–	10,075,829	3.48
Bills and acceptances payable	617,134	969,070	247,677	–	–	–	–	–	789,763	–	2,623,644	3.69



46. INTEREST RATE RISK (continued)

Group	Non trading book									Trading book	Total	Effective interest rate
	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 2 years	> 2 – 3 years	> 3 – 4 years	> 4 – 5 years	Over 5 years	Non-interest sensitive			
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (continued)</b>												
Recourse obligations on												
loans sold to Cagamas	164,649	11,542	43,285	33,813	7,995	–	–	–	–	–	261,284	3.87
Borrowings	679,341	–	–	–	–	–	–	–	–	–	679,341	4.74
Subordinated notes	–	–	–	–	1,214,729	–	–	1,346,402	–	–	2,561,131	6.24
Hybrid capital securities	–	–	–	–	–	–	–	1,918,925	–	–	1,918,925	5.39
Other non-interest sensitive balances	–	–	–	–	–	–	–	–	2,516,055	59,912	2,575,967	–
<b>Total Liabilities</b>	<b>74,301,595</b>	<b>23,652,863</b>	<b>19,843,046</b>	<b>370,781</b>	<b>1,244,862</b>	<b>17,398</b>	<b>171,730</b>	<b>3,290,137</b>	<b>15,174,910</b>	<b>59,912</b>	<b>138,127,234</b>	
Shareholders' equity	–	–	–	–	–	–	–	–	9,033,999	–	9,033,999	–
Minority interests	–	–	–	–	–	–	–	–	628,310	–	628,310	–
<b>Total Liabilities and Shareholders' Equity</b>	<b>74,301,595</b>	<b>23,652,863</b>	<b>19,843,046</b>	<b>370,781</b>	<b>1,244,862</b>	<b>17,398</b>	<b>171,730</b>	<b>3,290,137</b>	<b>24,837,219</b>	<b>59,912</b>	<b>147,789,543</b>	
On-balance sheet interest												
sensitivity gap	(2,789,218)	(6,281,855)	(6,137,637)	7,464,608	4,273,519	3,389,555	2,730,663	3,366,157	(15,138,007)	9,122,215	–	
Off-balance sheet interest												
sensitivity gap (interest rate swaps)	837,213	(1,704,146)	(1,182,369)	(158,490)	623,894	(119,748)	(369,810)	2,073,456	–	–	–	
<b>Total interest sensitivity gap</b>	<b>(1,952,005)</b>	<b>(7,986,001)</b>	<b>(7,320,006)</b>	<b>7,306,118</b>	<b>4,897,413</b>	<b>3,269,807</b>	<b>2,360,853</b>	<b>5,439,613</b>	<b>(15,138,007)</b>	<b>9,122,215</b>	<b>–</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing loans.



## 46. INTEREST RATE RISK (continued)

Group	Non trading book								Non-interest sensitive	Trading book	Total	Effective interest rate %
	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 2 years	> 2 – 3 years	> 3 – 4 years	> 4 – 5 years	Over 5 years				
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>												
Cash and short-term funds	17,638,823	–	–	–	–	–	–	–	718,914	–	18,357,737	3.09
Deposits and placements with banks and other financial institutions	–	8,445,253	267,597	–	–	–	–	–	–	–	8,712,850	3.22
Securities purchased under resale agreements	115,312	762,701	108,600	–	–	–	–	–	–	3,882,775	4,869,388	3.11
Securities held-for-trading	–	–	–	–	–	–	–	–	–	1,554,685	1,554,685	3.21
Securities available-for-sale	–	–	117,000	–	172,793	981,817	135,862	1,469,783	1,181,480	13,947	4,072,682	5.02
Securities held-to-maturity	154,937	248,671	856,239	819,623	67,517	–	–	–	88,080	–	2,235,067	3.25
Loans, advances and financing												
– performing	31,631,977	4,024,160	10,703,257	5,220,412	4,993,659	3,397,211	2,007,340	4,717,495	–	–	66,695,511	6.56
– non-performing*	–	–	–	–	–	–	–	–	117,273	–	117,273	–
Other non-interest sensitive balances	–	–	–	–	–	–	–	–	5,048,747	24,737	5,073,484	–
<b>TOTAL ASSETS</b>	<b>49,541,049</b>	<b>13,480,785</b>	<b>12,052,693</b>	<b>6,040,035</b>	<b>5,233,969</b>	<b>4,379,028</b>	<b>2,143,202</b>	<b>6,187,278</b>	<b>7,154,494</b>	<b>5,476,144</b>	<b>111,688,677</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>												
Deposits from customers	42,603,448	16,793,201	15,318,846	146,304	277,679	12,942	9,809	6,627	8,960,785	–	84,129,641	2.74
Deposits and placements of banks and other financial institutions	5,766,675	1,778,441	72,212	–	–	–	–	–	63,362	–	7,680,690	3.97
Obligations on securities sold under repurchase agreements	4,001,628	30,000	–	–	–	–	–	–	–	10,321	4,041,949	2.89
Bills and acceptances payable	567,488	782,241	142,750	–	–	–	–	–	637,236	–	2,129,715	3.04



#### 46. INTEREST RATE RISK (continued)

Group	Non trading book								Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 2 years	> 2 – 3 years	> 3 – 4 years	> 4 – 5 years	Over 5 years				
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (continued)</b>												
Recourse obligations on												
loans sold to Cagamas	21,190	40,300	163,785	44,010	15,246	474	–	–	–	–	285,005	3.77
Subordinated notes	–	–	–	–	–	1,308,786	–	1,448,836	–	–	2,757,622	5.29
Other non-interest sensitive balances	–	–	–	–	–	–	–	–	1,654,383	10,004	1,664,387	–
<b>Total Liabilities</b>	<b>52,960,429</b>	<b>19,424,183</b>	<b>15,697,593</b>	<b>190,314</b>	<b>292,925</b>	<b>1,322,202</b>	<b>9,809</b>	<b>1,455,463</b>	<b>11,315,766</b>	<b>20,325</b>	<b>102,689,009</b>	
Shareholders' equity	–	–	–	–	–	–	–	–	8,563,927	–	8,563,927	–
Minority interests	–	–	–	–	–	–	–	–	435,741	–	435,741	–
<b>Total Liabilities and Shareholders' Equity</b>	<b>52,960,429</b>	<b>19,424,183</b>	<b>15,697,593</b>	<b>190,314</b>	<b>292,925</b>	<b>1,322,202</b>	<b>9,809</b>	<b>1,455,463</b>	<b>20,315,434</b>	<b>20,325</b>	<b>111,688,677</b>	
On-balance sheet interest												
sensitivity gap	(3,419,380)	(5,943,398)	(3,644,900)	5,849,721	4,941,044	3,056,826	2,133,393	4,731,815	(13,160,940)	5,455,819	–	
Off-balance sheet interest												
sensitivity gap (interest rate swaps)	971,332	190,137	(1,398,416)	–	(170,078)	694,266	(128,503)	(158,738)	–	–	–	
<b>Total interest sensitivity gap</b>	<b>(2,448,048)</b>	<b>(5,753,261)</b>	<b>(5,043,316)</b>	<b>5,849,721</b>	<b>4,770,966</b>	<b>3,751,092</b>	<b>2,004,890</b>	<b>4,573,077</b>	<b>(13,160,940)</b>	<b>5,455,819</b>	<b>–</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing loans.



## 46. INTEREST RATE RISK (continued)

Bank	Non trading book									Trading book	Total	Effective interest rate %	
	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 2 years	> 2 – 3 years	> 3 – 4 years	> 4 – 5 years	Over 5 years	Non-interest sensitive				
2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>													
Cash and short-term funds	22,162,157	–	–	–	–	–	–	–	–	728,545	–	22,890,702	3.59
Deposits and placements with banks and other financial institutions	–	3,954,803	–	–	–	–	–	–	–	–	–	3,954,803	3.66
Securities purchased under resale agreements	1,826,418	5,501,020	3,469,920	–	–	–	–	–	–	–	–	10,797,358	3.58
Securities held-for-trading	–	–	–	–	–	–	–	–	–	–	9,061,244	9,061,244	3.62
Securities available-for-sale	–	–	–	160,772	445,741	125,269	331,062	1,249,788	1,111,724	13,383	–	3,437,739	5.73
Securities held-to-maturity	3,299	181,563	481,483	96,385	137,305	–	9,763	–	87,631	–	–	997,429	3.59
Loans, advances and financing													
– performing	41,147,754	4,045,862	8,191,541	7,066,618	4,428,963	3,179,108	2,429,539	5,293,982	–	–	–	75,783,367	6.37
– non-performing*	–	–	–	–	–	–	–	–	108,030	–	–	108,030	–
Other non-interest sensitive balances	–	–	–	–	–	–	–	–	7,207,364	28,986	–	7,236,350	–
<b>TOTAL ASSETS</b>	<b>65,139,628</b>	<b>13,683,248</b>	<b>12,142,944</b>	<b>7,323,775</b>	<b>5,012,009</b>	<b>3,304,377</b>	<b>2,770,364</b>	<b>6,543,770</b>	<b>9,243,294</b>	<b>9,103,613</b>	<b>–</b>	<b>134,267,022</b>	

## LIABILITIES AND

## SHAREHOLDERS' EQUITY

Deposits from customers	51,044,439	20,509,752	18,971,481	318,237	206,860	17,398	171,730	24,810	11,378,211	–	–	102,642,918	3.14
Deposits and placements of banks and other financial institutions	4,162,988	23,496	33,810	–	–	–	–	–	85,184	–	–	4,305,478	4.81
Obligations on securities sold under repurchase agreements	9,580,070	18,487	–	–	–	–	–	–	–	–	–	9,598,557	3.48
Bills and acceptances payable	617,134	969,070	247,677	–	–	–	–	–	789,763	–	–	2,623,644	3.69



46. INTEREST RATE RISK (continued)

Bank 2006	Non trading book								Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (continued)</b>												
Recourse obligations on												
loans sold to Cagamas	164,649	11,542	43,285	33,813	7,995	—	—	—	—	—	261,284	3.87
Subordinated notes	—	—	—	—	1,214,729	—	—	1,346,402	—	—	2,561,131	6.24
Hybrid capital securities	—	—	—	—	—	—	—	1,918,925	—	—	1,918,925	5.39
Other non-interest sensitive balances												
	—	—	—	—	—	—	—	—	1,309,412	75,346	1,384,758	—
<b>Total Liabilities</b>	<b>65,569,280</b>	<b>21,532,347</b>	<b>19,296,253</b>	<b>352,050</b>	<b>1,429,584</b>	<b>17,398</b>	<b>171,730</b>	<b>3,290,137</b>	<b>13,562,570</b>	<b>75,346</b>	<b>125,296,695</b>	
Shareholders' equity	—	—	—	—	—	—	—	—	8,970,327	—	8,970,327	—
<b>Total Liabilities and Shareholders' Equity</b>	<b>65,569,280</b>	<b>21,532,347</b>	<b>19,296,253</b>	<b>352,050</b>	<b>1,429,584</b>	<b>17,398</b>	<b>171,730</b>	<b>3,290,137</b>	<b>22,532,897</b>	<b>75,346</b>	<b>134,267,022</b>	
On-balance sheet interest sensitivity gap												
	(429,652)	(7,849,099)	(7,153,309)	6,971,725	3,582,425	3,286,979	2,598,634	3,253,633	(13,289,603)	9,028,267	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)												
	799,494	(1,785,763)	(1,355,970)	(158,490)	811,171	(119,748)	(299,370)	2,108,676	—	—	—	
<b>Total interest sensitivity gap</b>	<b>369,842</b>	<b>(9,634,862)</b>	<b>(8,509,279)</b>	<b>6,813,235</b>	<b>4,393,596</b>	<b>3,167,231</b>	<b>2,299,264</b>	<b>5,362,309</b>	<b>(13,289,603)</b>	<b>9,028,267</b>	<b>—</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing loans.





## 46. INTEREST RATE RISK (continued)

Bank	Non trading book								Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 – 3 months	> 3 – 12 months	> 1 – 2 years	> 2 – 3 years	> 3 – 4 years	> 4 – 5 years	Over 5 years				
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>												
Cash and short-term funds	16,492,083	–	–	–	–	–	–	–	678,255	–	17,170,338	3.08
Deposits and placements with banks and other financial institutions	–	8,487,289	249,579	–	–	–	–	–	–	–	8,736,868	3.23
Securities purchased under resale agreements	66,529	72,824	–	–	–	–	–	–	–	3,882,775	4,022,128	3.14
Securities held-for-trading	–	–	–	–	–	–	–	–	–	1,666,465	1,666,465	3.20
Securities available-for-sale	–	–	58,513	–	172,793	772,830	135,862	1,347,278	1,062,903	13,377	3,563,556	4.63
Securities held-to-maturity	52,829	126,216	740,099	662,417	67,517	–	–	–	87,635	–	1,736,713	3.31
Loans, advances and financing												
– performing	30,968,477	3,681,474	10,105,682	4,832,870	4,843,104	3,360,552	1,994,365	4,639,749	–	–	64,426,273	6.11
– non-performing*	–	–	–	–	–	–	–	–	153,632	–	153,632	–
Other non-interest sensitive balances	–	–	–	–	–	–	–	–	5,946,611	24,737	5,971,348	–
<b>TOTAL ASSETS</b>	<b>47,579,918</b>	<b>12,367,803</b>	<b>11,153,873</b>	<b>5,495,287</b>	<b>5,083,414</b>	<b>4,133,382</b>	<b>2,130,227</b>	<b>5,987,027</b>	<b>7,929,036</b>	<b>5,587,354</b>	<b>107,447,321</b>	

## LIABILITIES AND

## SHAREHOLDERS' EQUITY

Deposits from customers	41,062,453	16,135,909	15,241,801	370,686	277,713	197,942	9,809	6,627	8,902,242	–	82,205,182	2.73
Deposits and placements of banks and other financial institutions	4,748,825	1,845,878	128,085	–	–	–	–	–	60,812	–	6,783,600	4.18
Obligations on securities sold under repurchase agreements	3,656,663	30,000	–	–	–	–	–	–	–	10,321	3,696,984	2.88
Bills and acceptances payable	567,488	782,241	142,750	–	–	–	–	–	635,180	–	2,127,659	3.04



#### 46. INTEREST RATE RISK (continued)

Bank	Non trading book								Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	Over 5 years				
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (continued)</b>												
Recourse obligations on												
loans sold to Cagamas	21,190	40,300	163,785	44,010	15,246	474	—	—	—	—	285,005	3.77
Subordinated notes	—	—	—	—	—	1,308,786	—	1,448,836	—	—	2,757,622	5.29
Other non-interest sensitive balances												
	—	—	—	—	—	—	—	—	1,360,891	10,004	1,370,895	—
<b>Total Liabilities</b>	<b>50,056,619</b>	<b>18,834,328</b>	<b>15,676,421</b>	<b>414,696</b>	<b>292,959</b>	<b>1,507,202</b>	<b>9,809</b>	<b>1,455,463</b>	<b>10,959,125</b>	<b>20,325</b>	<b>99,226,947</b>	<b>—</b>
Shareholders' equity	—	—	—	—	—	—	—	—	8,220,374	—	8,220,374	—
<b>Total Liabilities and Shareholders' Equity</b>	<b>50,056,619</b>	<b>18,834,328</b>	<b>15,676,421</b>	<b>414,696</b>	<b>292,959</b>	<b>1,507,202</b>	<b>9,809</b>	<b>1,455,463</b>	<b>19,179,499</b>	<b>20,325</b>	<b>107,447,321</b>	
On-balance sheet												
interest sensitivity gap	(2,476,701)	(6,466,525)	(4,522,548)	5,080,591	4,790,455	2,626,180	2,120,418	4,531,564	(11,250,463)	5,567,029	—	—
Off-balance sheet interest sensitivity gap												
(interest rate swaps)	971,332	190,137	(1,417,313)	—	(170,078)	694,266	(128,503)	(139,841)	—	—	—	—
<b>Total interest sensitivity gap</b>	<b>(1,505,369)</b>	<b>(6,276,388)</b>	<b>(5,939,861)</b>	<b>5,080,591</b>	<b>4,620,377</b>	<b>3,320,446</b>	<b>1,991,915</b>	<b>4,391,723</b>	<b>(11,250,463)</b>	<b>5,567,029</b>	<b>—</b>	<b>—</b>

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing loans.



#### 47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial asset and non-financial liabilities are excluded as they do not fall within the scope of FRS 132 Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed. These include investment in subsidiaries, investment in associated companies, property and equipment and intangible assets.

The following summarises the carrying values and the estimated fair values of those financial assets and financial liabilities which fall within the scope of FRS 132.

##### Recognised financial instruments

Group	2006		2005	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Cash and short-term funds	24,380,630	24,380,630	18,357,737	18,357,737
Deposits and placements with banks and other financial institutions	4,657,417	4,657,417	8,712,850	8,712,850
Securities purchased under resale agreements	12,375,287	12,375,287	4,869,388	4,869,388
Securities held-for-trading	9,107,661	9,107,661	1,554,685	1,554,685
Securities available-for-sale	3,895,738	3,895,738	4,072,682	4,072,682
Securities held-to-maturity	3,264,818	3,288,733	2,235,067	2,233,622
Derivative financial assets	73,056	73,056	40,912	40,912
* Loans, advances and financing	84,106,198	84,170,802	67,868,983	68,173,639



47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

**Recognised financial instruments (continued)**

Group	2006		2005	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial liabilities</b>				
Deposits from customers	111,793,149	111,786,993	84,129,641	84,131,414
Deposits and placements of banks and other financial institutions	5,637,964	5,637,964	7,680,690	7,680,690
Obligations on securities sold under repurchase agreements	10,075,829	10,075,829	4,041,949	4,041,949
Bills and acceptances payable	2,623,644	2,623,644	2,129,715	2,129,715
Recourse obligations on loans sold to Cagamas	261,284	258,656	285,005	288,710
Derivative financial liabilities	181,959	181,959	157,298	157,298
Borrowings	679,341	679,341	—	—
Subordinated notes	2,561,131	2,607,661	2,757,622	2,788,840
Hybrid capital securities	1,918,925	1,967,644	—	—

Bank	2006		2005	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Cash and short-term funds	22,890,702	22,890,702	17,170,338	17,170,338
Deposits and placements with banks and other financial institutions	3,954,803	3,954,803	8,736,868	8,736,868
Securities purchased under resale agreements	10,797,358	10,797,358	4,022,128	4,022,128
Securities held-for-trading	9,061,244	9,061,244	1,666,465	1,666,465
Securities available-for-sale	3,437,739	3,437,739	3,563,556	3,563,556
Securities held-to-maturity	997,429	1,001,751	1,736,713	1,736,217
Derivative financial assets	65,369	65,369	40,065	40,065
* Loans, advances and financing	77,048,118	77,114,975	65,564,735	65,893,940



## 47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

**Recognised financial instruments (continued)**

Bank	2006		2005	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial liabilities</b>				
Deposits from customers	102,642,918	102,634,524	82,205,182	82,203,682
Deposits and placements of banks and other financial institutions	4,305,478	4,305,478	6,783,600	6,783,600
Obligations on securities sold under repurchase agreements	9,598,557	9,598,557	3,696,984	3,696,984
Bills and acceptances payable	2,623,644	2,623,644	2,127,659	2,127,659
Recourse obligations on loans sold to Cagamas	261,284	258,656	285,005	288,710
Derivative financial liabilities	171,129	171,129	145,869	145,869
Subordinated notes	2,561,131	2,607,661	2,757,622	2,788,840
Hybrid capital securities	1,918,925	1,967,644	—	—

\* The general allowance of the Group and the Bank of RM1,318,546,000 (2005 – RM1,056,199,000) and RM1,156,721,000 (2005 – RM984,830,000) respectively, are not included in the carrying amounts.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- Cash and Short-Term Funds* – The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.
- Deposits and Placements with Banks and Other Financial Institutions and Securities Purchased under Resale Agreements* – The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. For those financial instruments with maturity of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates for placements of similar credit risk and similar remaining maturity as at balance sheet date.
- Securities Held-for-Trading, Securities Available-for-Sale and Securities Held-to-Maturity* – The fair values of these financial instruments are estimated based on quoted or observable market prices as at the balance sheet date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using prevailing market rates for similar instruments as at balance sheet date.



#### 47. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

- (d) *Loans, Advances and Financing* – The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment and discounted at applicable prevailing rates as at balance sheet date offered to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.
- (e) *Derivative Financial Instruments* – Derivative financial instruments comprised mainly foreign exchange contracts and interest rate swap contracts. The fair values of the derivative financial instruments are estimated amounts the Bank or the Group will receive or pay to terminate the contracts as at balance sheet date. The fair values of the foreign exchange contracts are estimated with reference to spot rates as at balance sheet date and the fair values of the interest rate swap contracts are estimated using discounted cash flow techniques based on independent quoted swap rates.
- (f) *Deposits from Customers* – The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable prevailing rates offered for deposits of similar remaining maturities. The fair values of Islamic deposits are deemed to approximate their carrying amounts as profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. The fair values of negotiable instruments of deposit are estimated based on quoted or observable market prices as at the balance sheet date. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposit are estimated using discounted cash flow technique.
- (g) *Deposits and Placements of Banks and Other Financial Institutions, Obligations on Securities Sold under Repurchase Agreements and Bills and Acceptances Payable* – The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.
- (h) *Recourse Obligations on Loans Sold to Cagamas* – The fair values of recourse obligations on loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at balance sheet date.
- (i) *Borrowings* – The fair values approximate carrying amounts as this is a variable rate borrowings.
- (j) *Subordinated Notes and Hybrid Capital Securities* – The fair values of these financial instruments are estimated based on quoted or observable market prices as at the balance sheet date.



**48. OPERATING LEASES**

The Group and the Bank leases a number of premises under operating leases. The leases typically run for an initial period of three years, with an option to renew the leases. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Within one year	<b>14,032</b>	9,633	<b>1,787</b>	1,074
Between one and five years	<b>10,962</b>	6,940	<b>2,221</b>	719
More than five years	<b>5,933</b>	201	—	—
	<b>30,927</b>	16,774	<b>4,008</b>	1,793

**49. CAPITAL AND OTHER COMMITMENTS**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Capital expenditure:				
Authorised and contracted for	<b>32,140</b>	18,875	<b>26,694</b>	17,735
Authorised but not contracted for	<b>15,037</b>	8,641	<b>3,684</b>	8,444
	<b>47,177</b>	27,516	<b>30,378</b>	26,179
Uncalled share capital of associate company	<b>60</b>	60	<b>30</b>	30
	<b>47,237</b>	27,576	<b>30,408</b>	26,209



## 50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2006. As indicated in Note 2, there was no financial impact on adopting FRS 5, 101, 108, 110, 116, 121, 124, 127, 128, 132, 133 and 119<sub>2004</sub>.

The impact resulting from changes in accounting policies arising from the adoption of FRS 3 Business Combinations, FRS 136 Impairment of Assets, FRS 138 Intangible Assets, FRS 140 Investment Property and FRS 2 Share-based Payment and the change in accounting policy in respect of the accounting treatment of handling fees on hire purchase loans are summarised below:

### (a) FRS 3 Business Combinations, FRS 136 Impairment of Assets and FRS 138 Intangible Assets

The adoption of FRS 3 Business Combinations and the consequential changes to FRS 136 Impairment of Assets and FRS 138 Intangible Assets, has resulted in a change in the accounting policy relating to purchased goodwill.

Goodwill acquired in a business combination is now stated at cost less any accumulated impairment losses. The adoption of these new FRSs has resulted in the Group ceasing annual amortisation of goodwill. Instead, such goodwill is allocated to cash-generating units and the carrying amount is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group and the Bank to eliminate the carrying accumulated amortisation as at 1 January 2006 of RM174,310,000 and RM124,761,000 respectively against the carrying amount of goodwill. The carrying amount of goodwill for the Group and the Bank as at 1 January 2006 of RM738,907,000 and RM695,393,000 respectively ceased to be amortised. This has the effect of reducing the amortisation charge of the Group and the Bank by RM45,140,000 and RM42,964,000 respectively for the year ended 31 December 2006. No impairment loss on goodwill has been recognised in the year ended 31 December 2006.

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 January 2006, negative goodwill not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/amortisable and negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised in the income statement immediately. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 January 2006.





## 50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)

### (a) **FRS 3 Business Combinations, FRS 136 Impairment of Assets and FRS 138 Intangible Assets (continued)**

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually. Intangible assets with a finite useful life, if any, will continue to be amortised over the estimated useful life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the Group's intangible asset, which consists of the cost of the dealer license of a local stock-broking company acquired by a stock-broking subsidiary company, is regarded to have an indefinite useful life and is not amortised but instead, is tested for impairment annually. This change in accounting policy has been accounted for prospectively and the carrying amount of the dealer license of RM26,250,000 as at 1 January 2006 ceased to be amortised. This has the effect of reducing the amortisation charges by RM1,400,000 for the Group for the financial year ended 31 December 2006.

For business combinations where the Group's equity interest in a subsidiary company is increased by virtue of a subscription to a higher proportion of the subsidiary company's new issue of shares as compared to its existing equity interest and where the share issue price is above the subsidiary company's net asset value, the resultant dilution of its share of net assets in the subsidiary company is recognised in equity. In accordance with this policy, dilution on accretion of interest amounting to RM164,467,000 has been recognised in equity during the financial year ended 31 December 2006. Prior to this, any such dilution of share in net assets in a subsidiary company was recorded as goodwill on acquisition and such goodwill had been written off to the income statement. As such, there is no impact to the comparatives resulting from the change in this policy.

The above change in accounting policy was adopted in line with the current accounting practices. In addition, the presentation of minority interests within equity as required by FRS 101 Presentation of Financial Statements supports the recognition of such dilution in the share of net assets in subsidiary companies without a change in control as an equity transaction in the consolidated financial statements.

### (b) **FRS 140 Investment Property**

The adoption of FRS 140 has resulted in a change in the accounting policy for investment properties, as well as the reclassification of certain properties previously recognised as property and equipment to investment properties.

As a result of the adoption of FRS 140, certain properties of the Group which are held for rental to external parties have been reclassified to Investment Properties. Investment properties are stated at fair value and any gain or loss arising from a change in fair value is recognised in the income statement. Prior to 1 January 2006, changes in the value of investment properties were reflected as movements in the capital reserve account. If the total outstanding of this capital reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement immediately as an impairment loss and any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.



## **50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)**

### **(b) FRS 140 Investment Property (continued)**

When an item of property and equipment is reclassified to investment property upon initial adoption of FRS 140, any difference between the carrying amount of the item and its fair value arising on the date of initial adoption is recognised as an adjustment to the opening retained profits. The adoption of this FRS has resulted in a decrease in the opening retained profits as at 1 January 2006 of RM621,000.

### **(c) FRS 2 Share-based Payment**

The adoption of FRS 2 has resulted in a change in accounting policy for staff costs of the Group and the Bank arising from share options granted by Public Bank Berhad and its subsidiary company, Public Financial Holdings Limited (formerly known as JCG Holdings Limited), to employees (including directors) of the Group.

Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted to employees of the Group. Upon the adoption of FRS 2, where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by vesting date. At each balance sheet date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006. The adoption of this FRS has not resulted in any financial impact to the Group as there were no new share options granted by the Group after 31 December 2004 which remain unvested on 1 January 2006.

### **(d) BNM's Circular on Handling Fees**

The adoption of BNM's Circular on Handling Fees dated 16 October 2006 resulted in the Group and the Bank capitalising the handling fees paid for hire purchase loans in the balance sheet and amortising the amount to the income statement over the life of the loans with retrospective effect. The amount amortised is offset against interest income earned on the hire purchase loans. Previously, such handling fees were expensed off in the income statement as operating expenses when incurred.



**50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)**

The above changes in accounting policies have resulted in the following impact on deferred tax, property and equipment, investment properties, retained profits and results of the Group and the Bank:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Effects on opening Deferred Tax:</b>				
At 1 January, as previously stated	<b>344,624</b>	277,474	<b>289,008</b>	220,646
Effects of adopting BNM Circular on Handling Fees	<b>(32,051)</b>	(28,606)	<b>(32,051)</b>	(28,606)
At 1 January, as restated	<b>312,573</b>	248,868	<b>256,957</b>	192,040
<b>Effects on opening Property and Equipment:</b>				
At 1 January, as previously stated	<b>937,098</b>	942,192	<b>570,671</b>	567,101
Effects of adopting FRS 140 Investment Property	<b>(2,274)</b>	—	—	—
At 1 January, as restated	<b>934,824</b>	942,192	<b>570,671</b>	567,101
<b>Effects on opening Investment Properties:</b>				
At 1 January, as previously stated	<b>47,351</b>	33,594	—	—
Effects of adopting FRS 140 Investment Property	<b>1,653</b>	—	—	—
At 1 January, as restated	<b>49,004</b>	33,594	—	—
<b>Effects on opening Retained Profits:</b>				
At 1 January, as previously stated	<b>500,846</b>	684,490	<b>385,645</b>	734,469
Effects of adopting FRS 140 Investment Property	<b>(621)</b>	—	—	—
Effects of adopting BNM Circular on Handling Fees	<b>82,419</b>	73,561	<b>82,419</b>	73,561
At 1 January, as restated	<b>582,644</b>	758,051	<b>468,064</b>	808,030



**50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)**

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Effects on income statement for the year:</b>				
Profit for the year before changes in accounting policies	<b>1,724,624</b>	1,536,432	<b>1,733,346</b>	1,280,892
Effects of adopting FRS 3 Business Combinations – goodwill amortisation no longer charged to Income Statement	<b>45,140</b>	–	<b>42,964</b>	–
Effects of adopting FRS 138 Intangible Assets – amortisation of intangible assets no longer charged to Income Statement	<b>1,400</b>	–	–	–
Effects of adopting FRS 140 Investment Property – revaluation gain on investment property	<b>10,846</b>	–	–	–
Effects of adopting FRS 140 Investment Property – depreciation charge on properties reclassified as investment property	<b>26</b>	–	–	–
Effects of adopting BNM Circular on Handling Fees	<b>13,125</b>	8,858	<b>13,125</b>	8,858
	<b>70,537</b>	8,858	<b>56,089</b>	8,858

Profit for the year after changes in accounting policies	<b>1,795,161</b>	1,545,290	<b>1,789,435</b>	1,289,750
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	Group	
	2006 sen	2005 sen
<b>Effects on earnings per share:</b>		
<u>Basic</u>		
Basic earnings per share before adjustments	<b>50.0</b>	44.2
Effects of adjustments as a result of changes in accounting policies	<b>2.1</b>	0.3
Basic earnings per share after adjustments	<b>52.1</b>	44.5
<u>Diluted</u>		
Diluted earnings per share before adjustments	<b>49.5</b>	43.8
Effects of adjustments as a result of changes in accounting policies	<b>2.1</b>	0.3
Diluted earnings per share after adjustments	<b>51.6</b>	44.1



**50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)****Comparative Figures:**

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated for the effects of adopting the above changes in accounting policies and to conform with current year's presentation:

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Balance Sheet as at 31 December 2005:</b>				
Derivative financial assets	40,912	—	40,065	—
Other assets	820,586	747,028	1,013,641	939,236
Deferred tax assets	315,653	347,704	256,957	289,008
Derivative financial liabilities	157,298	—	145,869	—
Other liabilities	1,253,621	1,410,919	1,012,989	1,158,858
Reserves	5,101,270	5,018,851	4,757,717	4,675,298
<b>Income Statement</b>				
<b>for the year ended 31 December 2005:</b>				
Operating revenue	5,863,392	5,919,711	4,992,762	5,049,081
Interest income	4,574,361	4,615,500	4,079,838	4,120,977
Net interest income	2,442,720	2,483,859	2,001,206	2,042,345
Net income from Islamic Banking business	391,594	406,774	391,594	406,774
Net income	3,752,258	3,808,577	3,065,938	3,122,257
Other operating expenses	(1,330,373)	(1,398,995)	(1,015,638)	(1,084,260)
Operating profit	2,421,885	2,409,582	2,050,300	2,037,997
Share of profit after tax of equity accounted associated companies	4,114	5,651	—	—
Profit before tax expense and zakat	2,059,436	2,048,670	1,745,482	1,733,179
Tax expense and zakat	(514,146)	(512,238)	(455,732)	(452,287)
Profit for the year	1,545,290	1,536,432	1,289,750	1,280,892
Profit attributable to equity holders of the Bank	1,459,139	1,450,281	1,289,750	1,280,892



**50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)**

**Comparative Figures (continued):**

Following the adoption of FRS 101 Presentation of Financial Statements:

- (i) minority interest is reclassified into equity and likewise, in arriving at profit for the year, minority interest is not deducted.
- (ii) the Group's share of taxation of its equity accounted associated companies is now included in its share of profits of these associated companies reported in the consolidated income statement before arriving at the Group's profit before tax expense and zakat.

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>Capital Adequacy as at 31 December 2005:</b>				
<u>Before deducting proposed dividend:</u>				
Core capital ratio	11.6%	11.4%	11.2%	11.1%
Risk-weighted capital ratio	17.3%	17.1%	15.0%	14.9%
<u>After deducting proposed dividend:</u>				
Core capital ratio	10.4%	10.2%	10.0%	9.8%
Risk-weighted capital ratio	16.1%	15.9%	13.8%	13.6%
Capital base	11,758,325	11,643,855	9,882,748	9,768,278

**Notes to the accounts:**

**– Balance sheet as at 31 December 2005**

Other assets (Note 11)				
Other debtors, deposits and prepayments	539,478	425,008	535,052	420,582
Derivatives	—	40,912	—	40,065
Deferred tax assets (Note 13)				
Deferred tax liabilities				
– Total	93,807	61,756	85,038	52,987
– Other temporary differences	34,584	2,533	34,431	2,380
Other liabilities (Note 23)				
Derivatives	—	157,298	—	145,869



**50. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)****Comparative Figures (continued):**

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
<b>– Income statements</b>				
<b>for the year ended 31 December 2005</b>				
Interest income (Note 33)				
Loans, advances and financing				
– Interest income other than recoveries from NPLs	3,587,254	3,628,393	3,182,700	3,223,839
Other operating expenses (Note 36)				
Marketing expenses	198,282	266,904	19,740	88,362
Tax expense and zakat (Note 40)				
Share of tax expense of associated companies	–	1,537	–	–
Deferred tax expense				
– relating to origination and reversal of temporary differences	(59,189)	(62,634)	(60,386)	(63,831)
Net income from Islamic Banking business (Note 57)				
Income derived from investment of depositors' funds and financial institutions	394,859	407,369	394,859	407,369
Income derived from investment of Islamic Banking Funds	84,256	86,926	84,256	86,926



## 51. CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank as at 31 December are as follows:

	Group		Bank	
	2006	2005	2006	2005
<u>Before deducting proposed dividends*:</u>				
Core capital ratio	<b>10.2%</b>	11.6%	<b>12.5%</b>	11.2%
Risk-weighted capital ratio	<b>15.8%</b>	17.3%	<b>15.3%</b>	15.0%
<u>After deducting proposed dividends:</u>				
Core capital ratio	<b>8.8%</b>	10.4%	<b>11.0%</b>	10.0%
Risk-weighted capital ratio	<b>14.6%</b>	16.1%	<b>14.0%</b>	13.8%

\* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends were not deducted.

The capital adequacy ratios of the Group and the Bank as at 31 December 2006 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	<b>3,462,825</b>	3,417,373	<b>3,462,825</b>	3,417,373
Share premium	<b>1,782,081</b>	1,574,180	<b>1,782,081</b>	1,574,180
Other reserves	<b>3,228,596</b>	2,907,840	<b>3,189,473</b>	2,754,847
Retained profits, (before proposed dividend), as restated	<b>1,265,156</b>	1,413,149	<b>1,330,328</b>	1,371,580
As previously stated	<b>1,265,156</b>	1,330,730	<b>1,330,328</b>	1,289,161
Prior year adjustments (Note 50(d))	–	82,419	–	82,419
Hybrid capital securities	<b>1,261,957</b>	–	<b>1,414,327</b>	–
Treasury shares	<b>(784,801)</b>	(784,600)	<b>(784,801)</b>	(784,600)
Minority interests	<b>628,310</b>	435,741	–	–





## 51. CAPITAL ADEQUACY (continued)

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Less: Intangible assets	(2,091,061)	(765,157)	(695,393)	(695,393)
Less: Deferred tax assets, net, as restated	(340,016)	(313,195)	(269,990)	(254,499)
As previously stated	(340,016)	(345,246)	(269,990)	(286,550)
Prior year adjustments (Note 50(d))	—	32,051	—	32,051
Total Tier I capital	8,413,047	7,885,331	9,428,850	7,383,488
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,318,546	1,056,199	1,164,889	987,830
Subordinated notes	2,627,797	2,816,795	2,627,797	2,816,795
Hybrid capital securities	640,745	—	488,375	—
Total Tier II capital	4,587,088	3,872,994	4,281,061	3,804,625
Total capital	13,000,135	11,758,325	13,709,911	11,188,113
Less: Investment in subsidiary companies	—	—	(2,191,871)	(1,305,365)
Capital base	13,000,135	11,758,325	11,518,040	9,882,748

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

Group	2006		2005	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
0%	43,721,125	—	30,457,944	—
10%	175,507	17,551	683,103	68,310
20%	7,765,565	1,553,113	5,695,342	1,139,068
50%	22,369,335	11,184,668	17,406,401	8,703,201
100%	67,757,129	67,757,129	56,614,971	56,614,971
Risk-weighted assets for market risk	—	1,912,975	—	1,483,335
	141,788,661	82,425,436	110,857,761	68,008,885



## 51. CAPITAL ADEQUACY (continued)

The components of the capital base and risk-weighted assets of the Group above comprise the consolidated balances of the Bank and its subsidiary companies.

Bank	2006		2005	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
0%	<b>40,218,481</b>	—	28,094,706	—
10%	<b>175,507</b>	<b>17,551</b>	621,177	62,118
20%	<b>4,419,560</b>	<b>883,912</b>	3,916,447	783,289
50%	<b>20,932,718</b>	<b>10,466,359</b>	17,372,179	8,686,090
100%	<b>61,942,816</b>	<b>61,942,816</b>	54,618,169	54,618,169
Risk-weighted assets for market risk	—	<b>1,857,504</b>	—	1,546,405
	<b>127,689,082</b>	<b>75,168,142</b>	104,622,678	65,696,071

The components of the capital base and risk-weighted assets of the Bank include the balances of the Bank's offshore banking subsidiary company, Public Bank (L) Ltd.

## 52. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segments, is prepared based on the internal financial reporting system to reflect the Group's management reporting structure. The amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Inter-segment pricing is determined on a negotiated basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise Head Office assets, payables and expenses to support the operating business segments.

Segmental capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.



## 52. SEGMENT INFORMATION (continued)

### (a) By Business Segments:

The Group comprises the following main business segments:

#### (i) Retail Operations

Retail operations focuses on providing products and services to individual customers and small- and medium-sized enterprises. The products and services offered to customers include credit facilities (mortgages, trade, personal loans and hire purchase financing), credit cards, remittance services, deposit collection and investment products.

#### (ii) Corporate Lending

The corporate lending operations caters to the funding needs of large corporate customers which are primarily public listed companies and their related corporations.

#### (iii) Investment Banking

The investment banking operations caters to the business needs of large corporate customers through the provision of financial solutions and direct lending. The services offered include structured financing, corporate advisory services, merger and acquisition, share-broking and debt restructuring advisory services.

In previous years' disclosures, the operations of the Group's share-broking subsidiary company had been included under the Share-broking and Fund Management business segment. The results and financial position of this operation have been reclassified in the current year to the Investment Banking business segment with retrospective effect upon the establishment of the investment bank subsidiary company via the merger of the Group's existing merchant banking and share-broking business segments.

#### (iv) Treasury and Capital Market Operations

The treasury and capital market operations is involved in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading. Income from customer trading is reflected under Retail Operations.

#### (v) Fund Management

The fund management operations is conducted by Public Mutual Berhad.



**52. SEGMENT INFORMATION (continued)**

**(a) By Business Segments (continued)**

2006	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
External revenue	5,225,547	278,717	1,790,610	172,429	371,836	4,383	–	7,843,522
Revenue from other segments	725,933	(77,266)	108,361	–	–	–	(757,028)	–
<b>Total revenue</b>	<b>5,951,480</b>	<b>201,451</b>	<b>1,898,971</b>	<b>172,429</b>	<b>371,836</b>	<b>4,383</b>	<b>(757,028)</b>	<b>7,843,522</b>
Segment results	1,892,975	35,767	477,836	40,861	97,288	7,972	–	2,552,699
Unallocated expenses								(141,226)
<b>Profit from operations</b>								<b>2,411,473</b>
Share of profit after tax of equity accounted associated companies								4,888
<b>Profit before tax expense and zakat</b>								<b>2,416,361</b>
Tax expense and zakat								(621,200)
<b>Profit for the year</b>								<b>1,795,161</b>
<b>Other information:</b>								
<b>Segment assets</b>	<b>83,546,287</b>	<b>5,710,577</b>	<b>51,034,368</b>	<b>4,309,617</b>	<b>391,663</b>	<b>200,783</b>	<b>–</b>	<b>145,193,295</b>
Investment in associated companies								45,481
Unallocated assets								459,706
Intangible assets								2,091,061
<b>Total assets</b>								<b>147,789,543</b>
<b>Segment liabilities</b>	<b>79,968,942</b>	<b>6,099,946</b>	<b>47,197,891</b>	<b>3,544,206</b>	<b>731,507</b>	<b>16,960</b>	<b>–</b>	<b>137,559,452</b>
Unallocated liabilities								567,782
<b>Total liabilities</b>								<b>138,127,234</b>



## 52. SEGMENT INFORMATION (continued)

## (a) By Business Segments (continued)

	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
2006								
<b>Other segment items</b>								
Capital expenditure	61,668	593	3,671	172	69,293	83	–	135,480
Depreciation net of impairment written back on property and equipment	65,827	1,592	698	661	3,278	25,132	–	97,188
Other non-cash expenses	512,424	52,528	45	–	180	16,232	–	581,409
2005								
External revenue	4,153,081	254,789	1,072,916	109,581	268,953	4,072	–	5,863,392
Revenue from other segments	631,669	–	58,349	–	–	–	(690,018)	–
<b>Total revenue</b>	4,784,750	254,789	1,131,265	109,581	268,953	4,072	(690,018)	5,863,392
<b>Segment results</b>	1,696,376	75,652	323,881	30,775	73,168	25,230	–	2,225,082
Unallocated expenses								(123,498)
Amortisation of intangible assets								(46,262)
<b>Profit from operations</b>								2,055,322
Share of profit after tax of equity accounted associated companies								4,114
<b>Profit before tax expense and zakat</b>								2,059,436
Tax expense and zakat								(514,146)
<b>Profit for the year</b>								1,545,290



**52. SEGMENT INFORMATION (continued)**

**(a) By Business Segments (continued)**

2005	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
<b>Other information:</b>								
<b>Segment assets</b>	63,563,956	4,751,326	38,268,373	3,279,198	296,109	210,069	–	110,369,031
Investment in associated companies								47,378
Unallocated assets								507,111
Intangible assets								765,157
<b>Total assets</b>								<b>111,688,677</b>
<b>Segment liabilities</b>	60,143,990	5,053,936	33,860,038	2,944,967	93,229	22,001	–	102,118,161
Unallocated liabilities								570,848
<b>Total liabilities</b>								<b>102,689,009</b>
<b>Other segment items</b>								
Capital expenditure	69,052	626	13,654	961	5,375	3,819	–	93,487
Depreciation net of impairment written back on property and equipment	58,526	1,727	630	847	3,695	25,233	–	90,658
Amortisation of intangible assets	–	–	–	1,400	–	44,862	–	46,262
Other non-cash (income)/ expenses	438,715	45,054	(26,567)	–	–	25,700	–	482,902

Certain comparative figures for the financial year ended 31 December 2005 have been reclassified to conform with the current year's internal transfer pricing and cost allocation methodology.



**52. SEGMENT INFORMATION (continued)****(b) By Geographical Locations**

In presenting information by geographical locations, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical locations of assets.

	Operating Revenue RM'000	Profit Before Tax Expense and Zakat RM'000	Total Assets RM'000	Total Liabilities RM'000	Capital Expenditure RM'000
<b>2006</b>					
Malaysia	7,013,009	2,085,318	136,110,279	129,121,395	128,086
Overseas	830,513	331,043	11,679,264	9,005,839	7,394
<b>Total</b>	<b>7,843,522</b>	<b>2,416,361</b>	<b>147,789,543</b>	<b>138,127,234</b>	<b>135,480</b>

	Operating Revenue RM'000	Profit Before Tax Expense and Zakat RM'000	Total Assets RM'000	Total Liabilities RM'000	Capital Expenditure RM'000
<b>2005</b>					
Malaysia	5,370,709	1,749,205	109,042,856	101,498,527	90,675
Overseas	492,683	310,231	2,645,821	1,190,482	2,812
<b>Total</b>	<b>5,863,392</b>	<b>2,059,436</b>	<b>111,688,677</b>	<b>102,689,009</b>	<b>93,487</b>

The Group has operations in Hong Kong SAR, People's Republic of China, Sri Lanka, Socialist Republic of Vietnam, Cambodia and the People's Democratic Republic of Laos.

**53. CURRENCY**

All amounts are in Ringgit Malaysia unless otherwise stated.



## 54. RATING STATEMENT

As at 31 December 2006, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
Rating Agency Malaysia Berhad	4 July 2006 (Reaffirmed)	Long-Term Rating: AAA
	4 July 2006 (Reaffirmed)	Short-Term Rating: P1
	4 July 2006	Outlook: Stable
	16 November 2006 (Assigned)	Innovative Tier-1 Capital Securities: AA2
Moody's Investors Services	16 December 2004 (Upgraded)	Long-Term Deposits Rating: A3
	16 December 2004 (Upgraded)	Short-Term Deposits Rating: Prime-1
	16 December 2004 (Confirmed)	Financial Strength: C
	16 December 2004 (Confirmed)	Subordinated notes: Baa1
	17 February 2006 (Affirmed)	Outlook: Stable
Standard & Poor's	7 June 2004 (Assigned)	Long-Term Rating: A-
	7 June 2004 (Assigned)	Short-Term Rating: A-2
	10 June 2004 (Assigned)	Subordinated notes: BBB+
	11 July 2005 (Assigned)	Bank Fundamental Strength: B
	17 February 2006 (Affirmed)	Outlook: Stable
Fitch IBCA Limited	27 June 2000 (Upgraded)	Individual Rating: B/C
	22 July 2003 (Revised rating)	Support Rating: 2

## 55. SIGNIFICANT EVENTS

The significant events of the Group relating to corporate exercises have been disclosed in Note 14, whereas those significant events in respect of issuance of debt capital have been disclosed in Note 27.

## 56. SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.





**57. ISLAMIC BANKING BUSINESS**

The state of affairs as at 31 December 2006 and results for the financial year ended on this date under the Islamic Banking business of the Group and the Bank are summarised as follows:

**Balance Sheets as at 31 December 2006**

	Note	Group and Bank	
		2006 RM'000	2005 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(c)	690,139	426,261
Securities held-to-maturity	(d)	51,736	127,479
Financing, advances and other loans	(e)	9,023,636	7,217,018
Other assets	(g)	120,664	33,747
Statutory deposits with Bank Negara Malaysia		309,000	236,000
Deferred tax assets	(h)	26,459	28,865
Property and equipment		183	69
<b>Total Assets</b>		<b>10,221,817</b>	<b>8,069,439</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	(i)	7,737,769	6,093,087
Deposits and placements of banks and other financial institutions	(j)	818,010	1,474
Bills and acceptances payable		29,298	24,368
Other liabilities	(k)	15,268	547,912
Provision for tax expense and zakat	(l)	47,776	41,129
<b>Total Liabilities</b>		<b>8,648,121</b>	<b>6,707,970</b>
Islamic Banking Funds		1,573,696	1,361,469
<b>Total Liabilities and Islamic Banking Funds</b>		<b>10,221,817</b>	<b>8,069,439</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	(s)	<b>155,165</b>	<b>102,954</b>

The accompanying notes form an integral part of the financial statements.



**57. ISLAMIC BANKING BUSINESS (continued)**

**Income Statements for the financial year ended 31 December 2006**

	Note	Group and Bank	
		2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and financial institutions	(m)	<b>480,117</b>	394,859
Allowance for losses on financing, advances and other loans	(n)	<b>(66,053)</b>	(37,948)
Transfer from profit equalisation reserve, net	(k)	<b>16,727</b>	6,870
<b>Total attributable income</b>		<b>430,791</b>	363,781
Income attributable to depositors and financial institutions	(o)	<b>(158,751)</b>	(94,391)
<b>Income attributable to the reporting institution</b>		<b>272,040</b>	269,390
Income derived from investment of Islamic Banking Funds	(p)	<b>89,933</b>	84,256
<b>Total net income</b>		<b>361,973</b>	353,646
Other operating expenses	(q)	<b>(61,637)</b>	(57,169)
<b>Profit before zakat and tax expense</b>		<b>300,336</b>	296,477
Tax expense	(r)	<b>(87,898)</b>	(83,223)
Zakat	(r)	<b>(211)</b>	(148)
<b>Profit for the year</b>		<b>212,227</b>	213,106

Net income from Islamic Banking business as reported in the income statement of the Group and the Bank is derived as follows:-

	Note	Group and Bank	
		2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and financial institutions	(m)	<b>480,117</b>	394,859
Income derived from investment of Islamic Banking Funds	(p)	<b>89,933</b>	84,256
Income attributable to the depositors and financial institutions	(o)	<b>(158,751)</b>	(94,391)
Transfer from profit equalisation reserve reserve, net	(k)	<b>16,727</b>	6,870
Net income from Islamic Banking business reported in the income statement of the Group and the Bank		<b>428,026</b>	391,594

The accompanying notes form an integral part of the financial statements.



**57. ISLAMIC BANKING BUSINESS (continued)****Statement of Changes in Islamic Banking Funds**

2006	Note	Group			Bank		
		Capital Funds RM'000	Retained Profits RM'000	Total RM'000	Capital Funds RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2006, as previously stated		924,140	413,790	1,337,930	924,140	413,790	1,337,930
Effects of adoption of BNM's Circular on Handling Fees	57(z)	—	23,539	23,539	—	23,539	23,539
At 1 January 2006, as restated		924,140	437,329	1,361,469	924,140	437,329	1,361,469
Recognised income for the year:							
Net profit for the year		—	212,227	212,227	—	212,227	212,227
At 31 December 2006		924,140	649,556	1,573,696	924,140	649,556	1,573,696
<b>2005</b>							
At 1 January 2005, as previously stated		824,140	202,881	1,027,021	824,140	202,910	1,027,050
Effects of adoption of BNM's Circular on Handling Fees	57(z)	—	21,313	21,313	—	21,313	21,313
At 1 January 2005, as restated		824,140	224,194	1,048,334	824,140	224,223	1,048,363
Recognised income for the year:							
Net profit for the year, as restated	57(z)	—	213,106	213,106	—	213,106	213,106
Increase of Capital funds		100,000	—	100,000	100,000	—	100,000
Retained profits transferred to Head Office		—	29	29	—	—	—
At 31 December 2005		924,140	437,329	1,361,469	924,140	437,329	1,361,469

The accompanying notes form an integral part of the financial statements.



**57. ISLAMIC BANKING BUSINESS (continued)**

**Cash Flow Statements for the year ended 31 December 2006**

	Group and Bank	
	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before zakat and tax expense	<b>300,336</b>	296,477
Adjustments for:		
Depreciation	<b>22</b>	19
Amortisation of intangible assets	<b>—</b>	823
Allowance for bad and doubtful debts and financing	<b>81,947</b>	47,245
Write-back of allowance for bad and doubtful debts and financing	<b>(10,180)</b>	(4,084)
Transfer from profit equalisation reserves, net	<b>(16,727)</b>	(6,870)
Operating profit before working capital changes	<b>355,398</b>	333,610
Increase in operating assets:		
Financing, advances and other loans	<b>(1,878,385)</b>	(1,081,012)
Statutory deposits with Bank Negara Malaysia	<b>(73,000)</b>	(157,300)
Other assets	<b>(86,917)</b>	(2,925)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	<b>1,644,682</b>	2,601,732
Deposits and placements of banks and other financial institutions	<b>816,536</b>	(1,929,139)
Bills and acceptances payable	<b>4,930</b>	(5,462)
Other liabilities	<b>(515,917)</b>	437,522
Cash generated from operations	<b>267,327</b>	197,026
Tax expense and zakat paid	<b>(79,056)</b>	(75,133)
<b>Net cash generated from operating activities</b>	<b>188,271</b>	121,893



**57. ISLAMIC BANKING BUSINESS (continued)****Cash Flow Statements for the year ended 31 December 2006 (continued)**

	Group and Bank	
	2006 RM'000	2005 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(136)	(17)
Net sale of securities held-to-maturity	75,743	—
<b>Net cash generated from/(used in) investing activities</b>	<b>75,607</b>	<b>(17)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Funds allocated from Head Office	—	100,000
<b>Net cash generated from financing activities</b>	<b>—</b>	<b>100,000</b>
Net increase in cash and cash equivalents	<b>263,878</b>	221,876
Cash and cash equivalents at beginning of year	<b>426,261</b>	204,385
<b>Cash and cash equivalents at end of year</b>	<b>690,139</b>	426,261

The accompanying notes form an integral part of the financial statements.



## 57. ISLAMIC BANKING BUSINESS (continued)

### Notes to the Financial Statements for the financial year ended 31 December 2006

#### (a) Significant Accounting Policies

The accounting policies adopted by the Islamic Banking business are consistent with those adopted by the Group and the Bank as disclosed in Note 2 to the financial statements of the Group and the Bank. The significant accounting policies and methods of computation are consistent with those adopted in previous years, except for the following:

- (i) the adoption of the new and revised Financial Reporting Standards issued by MASB that are effective for the current financial year, as disclosed in Note 2 to the financial statements of the Group and the Bank;
- (ii) the adoption of BNM's circular on handling fees, whereby handling fees incurred are capitalised and amortised over the life of the loan.

The effect of the above changes in accounting policies are disclosed in Note 57(z) to this financial statements.

#### (b) Basis of Accounting

The financial statements of the Islamic Banking business have been prepared on a basis consistent with that of the Group and the Bank as disclosed in Note 2 to the financial statements of the Group and the Bank, and have been prepared under the accrual basis of accounting.

#### (c) Cash and Short-Term Funds

	Group and Bank	
	2006	2005
	RM'000	RM'000
Cash and balances with banks and other financial institutions	<b>85,139</b>	10,261
Money at call and deposit placements maturing within one month	<b>605,000</b>	416,000
	<b>690,139</b>	426,261



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(d) Securities Held-to-Maturity (At Amortised Cost)**

	Group and Bank	
	2006 RM'000	2005 RM'000
Money market instruments:		
Cagamas Mudharabah bonds	<b>51,736</b>	127,479
Market value:		
Cagamas Mudharabah bonds	<b>51,736</b>	127,479

The maturity structure of money market instruments held are as follows:

	Group and Bank	
	2006 RM'000	2005 RM'000
Maturity within one year	<b>50,365</b>	75,725
More than one year to three years	<b>1,371</b>	51,754
	<b>51,736</b>	127,479



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(e) Financing, Advances and Other Loans**

**(i) By type**

	Group and Bank	
	2006 RM'000	2005 RM'000
Cash line	40,745	20,840
Term financing		
House financing	2,484,893	2,298,887
Syndicated financing	14,601	16,028
Hire purchase receivables	7,367,486	6,002,663
Lease receivables	—	31,665
Other term financing	1,892,084	1,204,286
	<b>11,799,809</b>	9,574,369
Less: Unearned income	<b>(2,612,664)</b>	(2,223,862)
	<b>9,187,145</b>	7,350,507
Gross financing, advances and other loans		
Less: Allowance for bad and doubtful debts and financing:		
– General	<b>(137,495)</b>	(114,195)
– Specific	<b>(26,014)</b>	(19,294)
	<b>9,023,636</b>	7,217,018

**(ii) By contract**

	Group and Bank	
	2006 RM'000	2005 RM'000
Bai' Bithaman Ajil-i (deferred payment sale)	2,300,479	1,921,862
Ijarah Thamma Al-Bai'-i (leasing)	6,344,674	5,167,446
Qardhassan-i (overdraft)	40,745	20,840
Bai-Al-Einah-i	501,247	240,359
	<b>9,187,145</b>	7,350,507
Gross financing, advances and other loans		





**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(e) Financing, Advances and Other Loans (continued)**

	Group and Bank	
	2006 RM'000	2005 RM'000
<b>(iii) By type of customer:</b>		
Domestic non-bank financial institutions		
– Others	<b>129,570</b>	15,608
Domestic business enterprises		
– Small and medium enterprises	<b>909,165</b>	807,689
– Others	<b>116,376</b>	71,256
Government and statutory authorities	<b>692</b>	1,107
Individuals	<b>8,008,530</b>	6,436,679
Other domestic entities	<b>3,358</b>	3,432
Foreign customers	<b>19,454</b>	14,736
Gross financing, advances and other loans	<b>9,187,145</b>	7,350,507
<b>(iv) By profit rate sensitivity</b>		
Fixed rate		
– House financing	<b>1,393,231</b>	1,274,749
– Hire purchase receivables	<b>6,344,674</b>	5,167,446
– Other fixed rate financing	<b>1,374,675</b>	908,312
Variable rate		
– Cost plus	<b>74,565</b>	–
Gross financing, advances and other loans	<b>9,187,145</b>	7,350,507



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

(e) **Financing, Advances and Other Loans (continued)**

(v) **By economic purpose**

	Group and Bank	
	2006 RM'000	2005 RM'000
Purchase of securities	2,088	2,549
Purchase of transport vehicles	6,350,033	5,169,395
Purchase of landed properties	1,917,525	1,694,940
(of which: – residential	1,359,431	1,239,967
– non-residential)	558,094	454,973
Purchase of fixed assets (excluding landed properties)	3,245	1,908
Personal use	575,727	309,077
Purchase of consumer durables	14,006	6,177
Construction	780	–
Working capital	192,114	75,286
Other purpose	131,627	91,175
<b>Gross financing, advances and other loans</b>	<b>9,187,145</b>	<b>7,350,507</b>
<b>By sectors</b>		
Agriculture, hunting, forestry and fishing	89,310	17,820
Mining and quarrying	1,706	853
Manufacturing	159,748	138,665
Electricity, gas and water	909	608
Construction	177,700	147,541
Wholesale & retail trade and restaurants & hotels	306,377	302,326
Transport, storage and communication	42,762	30,241
Finance, insurance and business services	222,944	104,181
Real estate	70,914	87,230
Community, social and personal services	43,964	43,984
Households	8,027,958	6,451,415
(of which: – purchase of residential properties	1,339,895	1,227,346
– purchase of transport vehicles	5,778,623	4,657,404
– others)	909,440	566,665
Others	42,853	25,643
	<b>9,187,145</b>	<b>7,350,507</b>



**57. ISLAMIC BANKING BUSINESS (continued)****Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)****(e) Financing, Advances and Other Loans (continued)**

(vi) The maturity structure of gross financing, advances and other loans are as follows:

	Group and Bank	
	2006	2005
	RM'000	RM'000
Maturity within one year	<b>163,949</b>	144,361
More than one year to three years	<b>1,069,499</b>	828,212
More than three years to five years	<b>2,125,174</b>	2,109,807
More than five years	<b>5,828,523</b>	4,268,127
Gross financing, advances and other loans	<b>9,187,145</b>	7,350,507

**(f) Non-performing Financing (NPF)**

(i) Movements in non-performing financing, advances and other loans (“NPF”) including income receivable are as follows:

	Group and Bank	
	2006	2005
	RM'000	RM'000
At 1 January	<b>156,196</b>	150,538
Non-performing during the year	<b>391,438</b>	379,672
Reclassified as performing	<b>(299,843)</b>	(296,761)
Recoveries	<b>(29,687)</b>	(34,239)
Amount written off	<b>(41,747)</b>	(43,014)
At 31 December	<b>176,357</b>	156,196
Specific allowance	<b>(26,014)</b>	(19,294)
Net non-performing financing, advances and other loans	<b>150,343</b>	136,902
Net NPF as % of gross financing, advances and other loans less specific allowance	<b>1.64%</b>	1.87%



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(f) Non-performing Financing (NPF) (continued)**

(ii) Movements in the allowance for bad and doubtful debts and financing accounts are as follows:

	Group and Bank	
	2006 RM'000	2005 RM'000
<u>General allowance</u>		
At 1 January	<b>114,195</b>	107,295
Allowance made during the year (Note 57(n))	<b>23,300</b>	6,900
At 31 December	<b>137,495</b>	114,195
As % of gross financing, advances and other loans less specific allowance	<b>1.50%</b>	1.56%
<u>Specific allowance</u>		
At 1 January	<b>19,294</b>	26,070
Allowance made during the year (Note 57(n))	<b>58,647</b>	40,345
Amount written back (Note 57(n))	<b>(10,180)</b>	(4,084)
Amount written off	<b>(41,747)</b>	(43,014)
Amount transferred to accumulated impairment losses on foreclosed properties	—	(23)
At 31 December	<b>26,014</b>	19,294



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(f) Non-performing Financing (NPF) (continued)**

(iii) Non-performing financing by purpose

	Group and Bank	
	2006 RM'000	2005 RM'000
Purchase of securities	2	1
Purchase of transport vehicles	80,352	71,029
Purchase of landed properties	86,143	78,743
(of which: – residential	73,663	68,966
– non-residential)	12,480	9,777
Purchase of fixed assets (excluding landed properties)	1,045	–
Personal use	6,066	4,298
Purchase of consumer durables	739	5
Working capital	512	103
Other purpose	1,498	2,017
	<b>176,357</b>	156,196
Non-performing financing by sectors		
Agriculture, hunting, forestry and fishing	15	153
Manufacturing	3,147	3,831
Electricity, gas and water	51	–
Construction	4,259	1,971
Wholesale & retail trade and restaurants & hotels	6,009	6,486
Transport, storage and communication	410	400
Finance, insurance and business services	2,139	2,488
Real estate	491	–
Community, social and personal services	1,020	1,831
Households	158,503	138,755
(of which: – purchase of residential properties	72,301	68,897
– purchase of transport vehicles	72,786	61,657
– others)	13,416	8,201
Others	313	281
	<b>176,357</b>	156,196



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(g) Other Assets**

	Group and Bank	
	2006	2005
	RM'000	RM'000
Income receivable	875	65
Other receivables, deposits and prepayments	119,789	33,682
	<b>120,664</b>	<b>33,747</b>

**(h) Deferred Tax**

	Group and Bank	
	2006	2005
	RM'000	RM'000
At 1 January		
– as previously stated	38,018	38,273
– effects of adopting BNM Circular on Handling Fees (Note 57(z))	(9,153)	(8,287)
At 1 January, restated	28,865	29,986
Recognised in income statement (Note 57(r))		
– relating to origination and reversal of temporary difference	(371)	(1,121)
– as previously stated	(371)	(255)
– effect of adopting BNM Circular on Handling Fees	–	(866)
– relating to changes in tax rate	(2,035)	–
At 31 December	<b>26,459</b>	<b>28,865</b>



**57. ISLAMIC BANKING BUSINESS (continued)****Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)****(h) Deferred Tax (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The components of the net deferred tax assets shown on the balance sheet are as follows:

	Allowance for Loan Loss RM'000	Profit Equalisation Reserve RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2005				
– as previously stated	28,536	9,737	–	38,273
– effects of adopting BNM Circular on Handling Fees (Note 57(z))	–	–	(8,287)	(8,287)
At 1 January 2005, as restated	28,536	9,737	(8,287)	29,986
Recognised in income statement (Note 57(r))	1,092	(1,347)	(866)	(1,121)
– as previously stated	1,092	(1,347)	–	(255)
– effects of adopting BNM Circular on Handling Fees	–	–	(866)	(866)
At 31 December 2005	29,628	8,390	(9,153)	28,865
Recognised in income statement (Note 57(r))				
– relating to origination and reversal of temporary difference	8,871	(7,047)	(2,195)	(371)
– relating to changes in tax rate	(2,750)	(96)	811	(2,035)
At 31 December 2006	<b>35,749</b>	<b>1,247</b>	<b>(10,537)</b>	<b>26,459</b>



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(i) Deposits From Customers**

(i) By type of deposit

	Group and Bank	
	2006 RM'000	2005 RM'000
<b>Non-Mudharabah Fund</b>		
Wadiah current deposits-i	<b>1,312,608</b>	1,021,990
Wadiah savings deposits-i	<b>2,435,543</b>	2,065,872
Negotiable Debt Certificate-i	<b>2,728,912</b>	1,752,534
Others	—	150
	<b>6,477,063</b>	4,840,546
<b>Mudharabah Fund</b>		
Mudharabah savings deposits-i	<b>64,542</b>	59,368
Mudharabah general investment deposits-i	<b>1,196,164</b>	1,193,173
	<b>1,260,706</b>	1,252,541
	<b>7,737,769</b>	6,093,087
<b>(ii) By type of customer</b>		
Federal and state governments	<b>337,836</b>	133,054
Local government and statutory authorities	<b>427,608</b>	224,606
Business enterprises	<b>1,099,102</b>	806,509
Individuals	<b>2,770,048</b>	2,380,492
Foreign customers	<b>70,741</b>	57,348
Others	<b>3,032,434</b>	2,491,078
	<b>7,737,769</b>	6,093,087





**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(i) Deposits From Customers (continued)**

(iii) The maturity structure of Mudharabah general investment deposits-i are as follows:

	Group and Bank	
	2006	2005
	RM'000	RM'000
Due within six months	<b>1,059,134</b>	1,032,865
More than six months to one year	<b>117,078</b>	120,228
More than one year to three years	<b>13,483</b>	32,170
More than three years to five years	<b>6,469</b>	7,910
	<b>1,196,164</b>	1,193,173

**(j) Deposits and Placements of Banks and Other Financial Institutions**

	Group and Bank	
	2006	2005
	RM'000	RM'000
<u>Mudharabah Fund</u>		
Licensed banks	<b>330,010</b>	1,474
Licensed investment/merchant banks	<b>47,000</b>	—
Other financial institutions	<b>441,000</b>	—
	<b>818,010</b>	1,474



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(k) Other Liabilities**

	Group and Bank	
	2006 RM'000	2005 RM'000
Income payable	9,617	6,386
Other liabilities	855	520,003
Profit equalisation reserves	4,796	21,523
	<b>15,268</b>	547,912

The movements in profit equalisation reserves are as follows:

At 1 January	21,523	28,393
Net (decrease)/increase:	(16,727)	(6,870)
– Amount arising during the year	3,560	3,089
– Amount written back	(20,287)	(9,959)
At 31 December	4,796	21,523

**(l) Provision for Tax Expense and Zakat**

	Group and Bank	
	2006 RM'000	2005 RM'000
Tax expense	47,626	41,074
Zakat	150	55
	<b>47,776</b>	41,129



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(m) Income Derived from Investment of Depositors' Funds and Financial Institutions**

	Group and Bank	
	2006 RM'000	2005 RM'000
Income derived from investment of:		
(i) General investment deposits	<b>83,446</b>	57,182
(ii) Other deposits	<b>396,671</b>	337,677
	<b>480,117</b>	394,859
(i) Income derived from investment of general investment deposits:		
<b>Finance income and Hibah</b>		
Financing, advances and other loans	<b>77,006</b>	56,033
Securities held-to-maturity	<b>384</b>	525
Money at call and deposit with financial institutions	<b>4,918</b>	624
Total finance income and Hibah	<b>82,308</b>	57,182
<b>Other operating income</b>		
Fee income	<b>1,133</b>	–
Other income	<b>5</b>	–
	<b>1,138</b>	–
	<b>83,446</b>	57,182



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(m) Income Derived from Investment of Depositors' Funds and Financial Institutions (continued)**

(ii) Income derived from investment of other deposits:

	Group and Bank	
	2006	2005
	RM'000	RM'000
<b>Finance income and Hibah</b>		
Financing, advances and other loans	<b>366,057</b>	330,897
Securities held-to-maturity	<b>1,826</b>	3,099
Money at call and deposit with financial institutions	<b>23,375</b>	3,681
<b>Total finance income and Hibah</b>	<b>391,258</b>	337,677
<b>Other operating income</b>		
Fee income	<b>5,389</b>	—
Other income	<b>24</b>	—
	<b>5,413</b>	—
	<b>396,671</b>	337,677

**(n) Allowance for Losses on Financing, Advances and Other Loans**

	Group and Bank	
	2006	2005
	RM'000	RM'000
Allowance for bad and doubtful debts and financing:		
– general allowance (Note 57(f)(ii))	<b>23,300</b>	6,900
– specific allowance (Note 57(f)(ii))	<b>58,647</b>	40,345
– specific allowance written back (Note 57(f)(ii))	<b>(10,180)</b>	(4,084)
Bad debts and financing recovered	<b>(5,871)</b>	(5,369)
Bad debts and financing written off	<b>157</b>	156
	<b>66,053</b>	37,948



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(o) Income Attributable to Depositors and Financial Institutions**

	Group and Bank	
	2006 RM'000	2005 RM'000
Deposits from customers		
– Mudharabah fund	<b>43,083</b>	22,566
– Non-Mudharabah fund	<b>82,797</b>	15,666
Deposits and placements of banks and other financial institutions		
– Mudharabah fund	<b>32,871</b>	56,159
	<b>158,751</b>	94,391

**(p) Income Derived from Investment of Islamic Banking Funds**

	Group and Bank	
	2006 RM'000	2005 RM'000
<b>Finance Income and Hibah</b>		
Financing, advances and other loans	<b>82,992</b>	75,341
Securities held-to-maturity	<b>414</b>	708
Money at call and deposit with financial institutions	<b>5,300</b>	841
Total finance income and Hibah	<b>88,706</b>	76,890
<b>Operating Income</b>		
Fee income	<b>1,222</b>	7,340
Other income	<b>5</b>	26
	<b>1,227</b>	7,366
	<b>89,933</b>	84,256



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(q) Other Operating Expenses**

	Group and Bank	
	2006 RM'000	2005 RM'000
Personnel costs		
– Salaries, allowances and bonuses	<b>37,380</b>	35,760
– Pension costs	<b>5,092</b>	4,435
– Others	<b>4,274</b>	3,805
	<b>46,746</b>	44,000
Establishment costs		
– Depreciation	<b>22</b>	19
– Rental	<b>7,172</b>	5,105
– Insurance	<b>1,777</b>	1,669
– Water and electricity	<b>2,106</b>	1,359
– General repairs	<b>2,045</b>	1,490
– Others	<b>7,710</b>	9,839
	<b>20,832</b>	19,481
Marketing expenses		
– Advertisement and publicity	<b>306</b>	966
– Others	<b>(6,234)</b>	(12,158)
	<b>(5,928)</b>	(11,192)
Administration and general expenses		
– Amortisation of intangible assets	–	823
– Communication expenses	<b>(4,667)</b>	1,341
– Others	<b>4,654</b>	2,716
	<b>(13)</b>	4,880
	<b>61,637</b>	57,169

Included in other operating expenses is the Shariah Committee's remuneration of RM65,000 (2005: RM55,000).



**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(r) Tax Expense and Zakat**

	Group and Bank	
	2006 RM'000	2005 RM'000
Malaysian income tax	85,492	82,102
Deferred tax expense (Note 57(h))		
– relating to origination and reversal of temporary differences	371	1,121
As previously stated	371	255
Prior year adjustments	–	866
– relating to changes in tax rate	2,035	–
Tax expense	87,898	83,223
Zakat	211	148
	88,109	83,371

**(s) Commitments and Contingencies**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposures of the Group and the Bank as at the end of financial year are as follows:

Group and Bank	2006			2005		
	Notional Amount RM'000	Credit Equivalent Amount*	Risk Weighted Amount*	Notional Amount RM'000	Credit Equivalent Amount*	Risk Weighted Amount*
Irrevocable commitments to extend credit:						
– maturity exceeding one year	123,354	61,677	40,796	86,442	43,221	27,314
– maturity not exceeding one year	31,811	–	–	16,512	–	–
	155,165	61,677	40,796	102,954	43,221	27,314

\* The credit equivalent and risk weighted amounts are arrived at using the credit conversion factors as specified by Bank Negara Malaysia.



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(t) Capital Adequacy**

The capital adequacy ratios under the Islamic Banking business as at 31 December are as follows:

	<b>Group and Bank</b>	
	<b>2006</b>	<b>2005</b>
Core capital ratio	<b>17.8%</b>	19.6%
Risk-weighted capital ratio	<b>19.4%</b>	21.3%

Components of Tier I and Tier II capital:

Tier I capital

Capital funds	<b>924,140</b>	924,140
Retained profits:		
As restated	<b>649,556</b>	437,329
As previously stated	<b>649,556</b>	413,790
Prior year adjustments (Note 57(z))	–	23,539
Less: Deferred tax assets:		
As restated	<b>(26,459)</b>	(28,865)
As previously stated	<b>(26,459)</b>	(38,018)
Prior year adjustments (Note 57(z))	–	9,153
<b>Total Tier I capital</b>	<b>1,547,237</b>	1,332,604

Tier II capital

General allowance for bad and doubtful debts	<b>137,495</b>	114,195
<b>Total Tier II capital</b>	<b>137,495</b>	114,195
<b>Capital base</b>	<b>1,684,732</b>	1,446,799





**57. ISLAMIC BANKING BUSINESS (continued)****Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)****(t) Capital Adequacy (continued)**

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

Group and Bank	2006		2005	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
0%	920,637	—	624,698	—
10%	51,736	5,174	127,480	12,748
20%	125,770	25,154	56,193	11,239
50%	1,304,555	652,278	1,178,394	589,197
100%	7,991,829	7,991,829	6,178,116	6,178,116
	<b>10,394,527</b>	<b>8,674,435</b>	8,164,881	6,791,300

The disclosure of the capital adequacy ratios of the Group's and the Bank's Islamic Banking business as set out above is in accordance with the Bank Negara Malaysia circular dated 19 November 2002 on "Pematuhan Nisbah Modal Berwajaran Risiko Bagi Portfolio Perbankan Islam". In this circular, it is stipulated that all financial institutions participating in the Islamic Banking Scheme are required to comply with a minimum core capital ratio of 4% and a minimum risk-weighted capital ratio of 8% with effect from 2 January 2002.

**(u) Yield/Profit Rate Risk**

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The following tables indicate the effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(u) Yield/Profit Rate Risk (continued)**

Group and Bank 2006	← Non trading book →								Non-yield/ profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	Over 5 years				
<b>ASSETS</b>												
Cash and short-term funds	684,255	–	–	–	–	–	–	–	5,884	–	690,139	3.53
Securities held-to-maturity	–	–	50,365	1,371	–	–	–	–	–	–	51,736	3.74
Financing, advances and other loans												
– performing	409,152	254,139	1,128,158	1,433,818	1,237,925	1,018,286	894,356	2,634,954	–	–	9,010,788	6.07
– non-performing*	–	–	–	–	–	–	–	–	12,848	–	12,848	–
Other non-profit sensitive balances	–	–	–	–	–	–	–	–	456,306	–	456,306	–
<b>TOTAL ASSETS</b>	<b>1,093,407</b>	<b>254,139</b>	<b>1,178,523</b>	<b>1,435,189</b>	<b>1,237,925</b>	<b>1,018,286</b>	<b>894,356</b>	<b>2,634,954</b>	<b>475,038</b>	<b>–</b>	<b>10,221,817</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>												
Deposits from customers	3,586,397	272,571	1,499,896	844,517	208,966	2,429	4,040	–	1,318,953	–	7,737,769	2.51
Deposits and placements of banks and other financial institutions	818,010	–	–	–	–	–	–	–	–	–	818,010	3.49
Other non-profit sensitive balances	–	–	–	–	–	–	–	–	92,342	–	92,342	–
<b>Total Liabilities</b>	<b>4,404,407</b>	<b>272,571</b>	<b>1,499,896</b>	<b>844,517</b>	<b>208,966</b>	<b>2,429</b>	<b>4,040</b>	<b>–</b>	<b>1,411,295</b>	<b>–</b>	<b>8,648,121</b>	



## 57. ISLAMIC BANKING BUSINESS (continued)

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

## (u) Yield/Profit Rate Risk (continued)

Group and Bank 2006	Non trading book								Non-yield/ profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>												
<b>(continued)</b>												
<b>Total Liabilities</b>	4,404,407	272,571	1,499,896	844,517	208,966	2,429	4,040	–	1,411,295	–	8,648,121	
Islamic Banking Funds	–	–	–	–	–	–	–	–	1,573,696	–	1,573,696	–
<b>Total Liabilities and Islamic Banking Funds</b>	4,404,407	272,571	1,499,896	844,517	208,966	2,429	4,040	–	2,984,991	–	10,221,817	
On-balance sheet profit sensitivity gap	(3,311,000)	(18,432)	(321,373)	590,672	1,028,959	1,015,857	890,316	2,634,954	(2,509,953)	–	–	
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–	–	–	–	
<b>Total profit sensitivity gap</b>	<b>(3,311,000)</b>	<b>(18,432)</b>	<b>(321,373)</b>	<b>590,672</b>	<b>1,028,959</b>	<b>1,015,857</b>	<b>890,316</b>	<b>2,634,954</b>	<b>(2,509,953)</b>	<b>–</b>	<b>–</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing financing.



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(u) Yield/Profit Rate Risk (continued)**

Group and Bank	← Non trading book →								Non-yield/ profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	Over 5 years				
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>												
Cash and short-term funds	425,486	–	–	–	–	–	–	–	775	–	426,261	2.96
Securities held-to-maturity	–	75,725	–	50,383	1,371	–	–	–	–	–	127,479	3.45
Financing, advances and other loans												
– performing	198,850	213,986	931,944	1,153,587	1,037,828	858,881	637,331	2,161,904	–	–	7,194,311	6.29
– non-performing*	–	–	–	–	–	–	–	–	22,707	–	22,707	–
Other non-profit sensitive balances	–	–	–	–	–	–	–	–	298,681	–	298,681	–
<b>TOTAL ASSETS</b>	<b>624,336</b>	<b>289,711</b>	<b>931,944</b>	<b>1,203,970</b>	<b>1,039,199</b>	<b>858,881</b>	<b>637,331</b>	<b>2,161,904</b>	<b>322,163</b>	<b>–</b>	<b>8,069,439</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>												
Deposits from customers	2,837,694	258,585	327,598	1,028,243	919,927	5,454	2,456	–	713,130	–	6,093,087	2.21
Deposits and placements of banks and other financial institutions	500	–	–	–	–	–	–	–	974	–	1,474	2.96
Other non-profit sensitive balances	–	–	–	–	–	–	–	–	613,409	–	613,409	–
<b>Total Liabilities</b>	<b>2,838,194</b>	<b>258,585</b>	<b>327,598</b>	<b>1,028,243</b>	<b>919,927</b>	<b>5,454</b>	<b>2,456</b>	<b>–</b>	<b>1,327,513</b>	<b>–</b>	<b>6,707,970</b>	



## 57. ISLAMIC BANKING BUSINESS (continued)

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

## (u) Yield/Profit Rate Risk (continued)

Group and Bank	← Non trading book →								Non-yield/ profit sensitive	Trading book	Total	Effective profit rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	Over 5 years				
2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>												
<b>(continued)</b>												
<b>Total Liabilities</b>	2,838,194	258,585	327,598	1,028,243	919,927	5,454	2,456	–	1,327,513	–	6,707,970	
Islamic Banking Funds	–	–	–	–	–	–	–	–	1,361,469	–	1,361,469	–
<b>Total Liabilities and Islamic Banking Funds</b>	<b>2,838,194</b>	<b>258,585</b>	<b>327,598</b>	<b>1,028,243</b>	<b>919,927</b>	<b>5,454</b>	<b>2,456</b>	<b>–</b>	<b>2,688,982</b>	<b>–</b>	<b>8,069,439</b>	
On-balance sheet profit sensitivity gap	(2,213,858)	31,126	604,346	175,727	119,272	853,427	634,875	2,161,904	(2,366,819)	–	–	
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–	–	–	–	
<b>Total profit sensitivity gap</b>	<b>(2,213,858)</b>	<b>31,126</b>	<b>604,346</b>	<b>175,727</b>	<b>119,272</b>	<b>853,427</b>	<b>634,875</b>	<b>2,161,904</b>	<b>(2,366,819)</b>	<b>–</b>	<b>–</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing financing.



## 57. ISLAMIC BANKING BUSINESS (continued)

### Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

#### (v) Fair Values of Financial Assets and Liabilities

The following summarises the carrying amounts and the estimated fair values of the financial assets and liabilities of the Group and the Bank:

#### *Recognised financial instruments*

Group and Bank	2006		2005	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Cash and short-term funds	690,139	690,139	426,261	426,261
Securities held-to-maturity	51,736	51,736	127,479	127,479
Financing, advances and other loans*	9,161,131	9,262,806	7,331,213	7,486,637
<b>Financial liabilities</b>				
Deposits from customers	7,737,769	7,734,279	6,093,087	6,087,594
Deposits and placements of banks and other financial institutions	818,010	818,010	1,474	1,474
Bills and acceptances payable	29,298	29,298	24,368	24,368

\* The general allowance of the Group and of the Bank of RM137,495,000 (2005 – RM114,195,000) are not included in the carrying amounts.

#### (w) Allocation of Income

The method of allocation of income to the types of deposits is based on “The Framework on Rate of Return” issued by Bank Negara Malaysia. This Framework on Rate of Return which is based on the return on assets concept, calculates the income on assets. The return on assets after deducting incidental expenses and allowances for losses on financing, advances and other loans are distributed to the depositors using the weighted average method.

#### (x) Shariah Committee

The Shariah Committee was established under Bank Negara Malaysia’s “Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions” (BNM/GPS1) to advise the Board of Directors on Shariah matters in its business operations and to provide technical assistance in ensuring the Islamic Banking products and services offered by the Group and the Bank are in compliance with Shariah principles. The Shariah Committee also provides guidance on legal matters on Islamic Banking products and services.



**57. ISLAMIC BANKING BUSINESS (continued)****Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)****(y) Zakat Obligations**

This represents business zakat payable by the Bank to comply with Shariah principles. Zakat provision is calculated based on 2.5% of the estimated Muslim individual shareholders using the profit and loss method.

**(z) Change in Accounting Policy and Prior Year Adjustments**

The prior year adjustments relate to the change in accounting policy in respect of the Bank Negara Malaysia's prescribed accounting treatment of handling fees as described in Note 50(d) to the financial statements.

The change in accounting policy which was applied retrospectively has the following impact on deferred tax, retained profits and results:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Effects on opening deferred tax:</b>				
At 1 January, as previously stated	<b>38,018</b>	38,273	<b>38,018</b>	38,273
Effects of adopting BNM Circular on Handling Fees	<b>(9,153)</b>	(8,287)	<b>(9,153)</b>	(8,287)
At 1 January, as restated	<b>28,865</b>	29,986	<b>28,865</b>	29,986
<b>Effects on opening retained profits:</b>				
At 1 January, as previously stated	<b>413,790</b>	202,881	<b>413,790</b>	202,910
Effects of adopting BNM Circular on Handling Fees	<b>23,539</b>	21,313	<b>23,539</b>	21,313
At 1 January, as restated	<b>437,329</b>	224,194	<b>437,329</b>	224,223



**57. ISLAMIC BANKING BUSINESS (continued)**

**Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)**

**(z) Change in Accounting Policy and Prior Year Adjustments (continued)**

	Group and Bank	
	2006 RM'000	2005 RM'000
<b>Effects on income statement for the year:</b>		
Profit for the year before changes in accounting policy	<b>206,586</b>	210,880
Effects of adopting BNM Circular on Handling Fees	<b>5,641</b>	2,226
Profit for the year after changes in accounting policy	<b>212,227</b>	213,106

**Comparative Figures:**

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated for the effects of adopting the above accounting policy:

	Group and Bank	
	As restated RM'000	As previously stated RM'000
<b>Balance Sheet as at 31 December 2005:</b>		
Other assets	33,747	1,055
Deferred tax assets	28,865	38,018
Islamic Banking Funds	1,361,469	1,337,930
<b>Income Statement for the year ended 31 December 2005:</b>		
Income derived from investment of depositors' funds and financial institutions	394,859	407,369
Total attributable income	363,781	376,291
Income attributable to the reporting institution	269,390	281,900
Income derived from investment of Islamic Banking Funds	84,256	86,926
Total net income	353,646	368,826
Other operating expenses	(57,169)	(75,441)
Profit before zakat and tax expense	296,477	293,385
Tax expense	(83,223)	(82,357)
Profit for the year	213,106	210,880





**57. ISLAMIC BANKING BUSINESS (continued)**

Notes to the Financial Statements for the financial year ended 31 December 2006 (continued)

**(z) Change in Accounting Policy and Prior Year Adjustments (continued)**

	Group and Bank	
	As restated RM'000	As previously stated RM'000
<b>Notes to the accounts:</b>		
<b>- Balance sheet as at 31 December 2005</b>		
Other assets (Note 57(g))		
Other receivables, deposits and prepayments	33,682	990
Deferred tax assets (Note 57(h))		
Other temporary differences	(9,153)	–
<b>- Income statement for the year ended 31 December 2005</b>		
Income derived from investment of depositors' funds and financial institutions (Note 57(m))		
Income derived from investment of:		
(i) general investment deposits		
– Finance income and Hibah	57,182	58,994
– Financing, advances and other loans	56,033	57,845
(ii) other deposits		
– Finance income and Hibah	337,677	348,375
– Financing, advances and other loans	330,897	341,595
Income derived from investment of Islamic Banking Funds (Note 57(p))		
Finance, Income and Hibah	76,890	79,560
– Financing, advances and other loans	75,341	78,011
Other operating expenses (Note 57(q))		
Marketing expenses	(11,192)	7,080
Tax expense (Note 57(r))		
Deferred tax expense		
– relating to origination and reversal of temporary differences	1,121	255



## Bursa Securities Listing Requirements Compliance Information

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

### (i) Utilisation of Proceeds Raised from Corporate Proposals

- (a) On 22 August 2006, Public Bank issued USD200 million in aggregate principal amount of Innovative Tier 1 Capital Securities ("the USD HT-1 Securities") due in 2036 and callable with step-up in 2016. The USD HT-1 Securities bear interest at the rate of 6.84% per annum from (and including) 22 August 2006 to (but excluding) 22 August 2016 and thereafter, at a rate per annum of 2.30% above the London interbank offer rate for three-month US dollar deposits. The proceeds from the issuance of the USD HT-1 Securities has been used for working capital, general banking and other corporate purposes.
- (b) On 22 December 2006, Public Bank issued RM1,200 million in aggregate principal amount of Innovative Tier 1 Capital Securities ("the RM HT-1 Securities") due in 2036 and callable with step-up in 2016. The RM HT-1 Securities bear interest at the rate of 5.10% per annum from (and including) 22 December 2006 to (but excluding) 22 December 2016 and thereafter, at a rate per annum of 1.82% above the three-month Kuala Lumpur interbank offer rate. The proceeds from the issuance of the RM HT-1 Securities has been used for working capital, general banking and other corporate purposes.

*Disclosed in accordance with Appendix 9C, Part A, item 12 of the Listing Requirements of Bursa Securities.*

### (ii) Share Buy Back

During the financial year, Public Bank bought back a total of 30,000 of its ordinary shares of RM1.00 each ("PBB Shares") which are listed and quoted as "Local" on the Main Board of Bursa Securities ("PBB Local Shares") in the open market. The details of the PBB Local Shares bought back during the year are as follows:

Monthly Breakdown 2006	No. of PBB Local Shares Bought Back	Buy-back Price Per PBB Local Share (RM)			Average Cost Per PBB Local Share*	Total Cost*
		Lowest	Highest	Average	RM	RM
January	20,000	6.70	6.70	6.70	6.72	134,489
July	10,000	6.65	6.65	6.65	6.67	66,743
<b>Total</b>	<b>30,000</b>	<b>6.65</b>	<b>6.70</b>	<b>6.68</b>	<b>6.71</b>	<b>201,232</b>

*\*Inclusive of transaction cost*



**(ii) Share Buy Back (continued)**

All the PBB Local Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 31 December 2006, a total of 124,214,500 PBB Shares bought back were held as treasury shares. None of the treasury shares held were resold or cancelled during the financial year.

*Disclosed in accordance with Paragraph 12.24, Appendix 12D of the Listing Requirements of Bursa Securities.*

**(iii) Options, Warrants or Convertible Securities**

No options, warrants or convertible securities were issued by Public Bank or exercised during the financial year ended 31 December 2006, except for the exercise of share options under the Public Bank Berhad Employees' Share Option Scheme as disclosed in Note 24(b) to the financial statements.

*Disclosed in accordance with Appendix 9C, Part A, item 14 of the Listing Requirements of Bursa Securities.*

**(iv) Sanctions and/or Penalties**

There were no sanctions and/or penalties imposed on Public Bank and its subsidiary companies, directors or management by the relevant regulatory bodies during the financial year.

*Disclosed in accordance with Appendix 9C, Part A, item 16 of the Listing Requirements of Bursa Securities.*

**(v) Non-audit Fees**

The amount of non-audit fees paid to external auditors by the Group and the Bank for the financial year amounted to RM1,090,000 and RM294,000 respectively.

*Disclosed in accordance with Appendix 9C, Part A, item 17 of the Listing Requirements of Bursa Securities.*

**(vi) Variation in Results**

There were no profit estimate, forecast or projection issued by Public Bank and its subsidiary companies during the financial year.

*Disclosed in accordance with Appendix 9C, Part A, item 18 of the Listing Requirements of Bursa Securities.*

**(vii) Profit Guarantee**

There were no profit guarantees given by Public Bank and its subsidiary companies during the financial year.

*Disclosed in accordance with Appendix 9C, Part A, item 19 of the Listing Requirements of Bursa Securities.*

**(viii) Material Contracts**

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by Public Bank and its subsidiary companies involving directors' and major shareholders' interests, which subsisted at the end of the financial year ended 31 December 2006 or, if not then subsisting, entered into since the end of the previous financial year.

*Disclosed in accordance with Appendix 9C, Part A, item 20 of the Listing Requirements of Bursa Securities.*



**(ix) Revaluation Policy**

The Public Bank Group does not revalue its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Properties are as disclosed in Note 2 (g) to the financial statements.

*Disclosed in accordance with Appendix 9C, Part A, item 23 of the Listing Requirements of Bursa Securities.*

**(x) Recurrent Related Party Transactions of a Revenue or Trading Nature**

At the Annual General Meeting held on 20 March 2006, Public Bank had obtained a mandate from its shareholders to allow the Public Bank Group to enter into recurrent related party transactions of a revenue or trading nature.

The details of the recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2006 pursuant to the said shareholders' mandate are as follows:

Companies in the Group Involved in Recurrent Transactions	Related Parties	Interested Related Parties	Nature of Relationship	Nature of Transaction	Value of Transactions RM'000
Public Bank Berhad ("PBB"), Public Holdings Sdn. Bhd., PB International Factors Sdn. Bhd., Public Investment Bank Berhad (formerly known as PB Securities Sdn. Bhd.), Public Merchant Bank Berhad, Public Mutual Berhad, PB Properties Sdn. Bhd.	LPI Capital Berhad ("LPI") and Lonpac Insurance Berhad ("LIB").	Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee and Mr. Lee Chin Guan.	Tan Sri Dato' Sri Dr. Teh Hong Piow is a Director and a substantial shareholder of PBB and LPI.  Dato' Yeoh Chin Kee is a Director and a direct shareholder of PBB and LPI.  Mr. Lee Chin Guan is a Director and a direct shareholder of PBB and LPI.	Premiums for insurance coverage of the Group by LIB <sup>1</sup> .	4,789

**Note 1:** Comprises insurance premium that do not qualify as exempted transactions as defined under Paragraph 10.08(9)(g), Part E of Chapter 10 of the Listing Requirements of Bursa Securities. The types of insurance coverage provided to the Public Bank Group by LIB include group all benefits personal accident ("ABPA"), group travellers' inconvenience, burglary, group health and safe deposit box.

*Disclosed in accordance with Paragraph 10.09(1)(b) of the Listing Requirements of Bursa Securities.*



## Review and Prospects of the **Malaysian Economy**

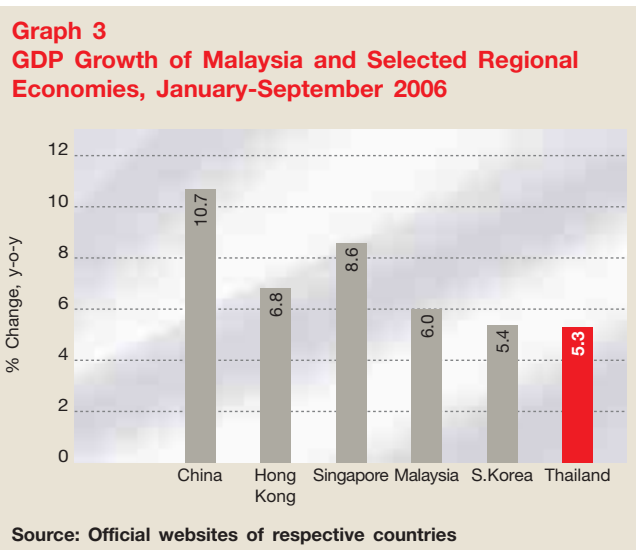
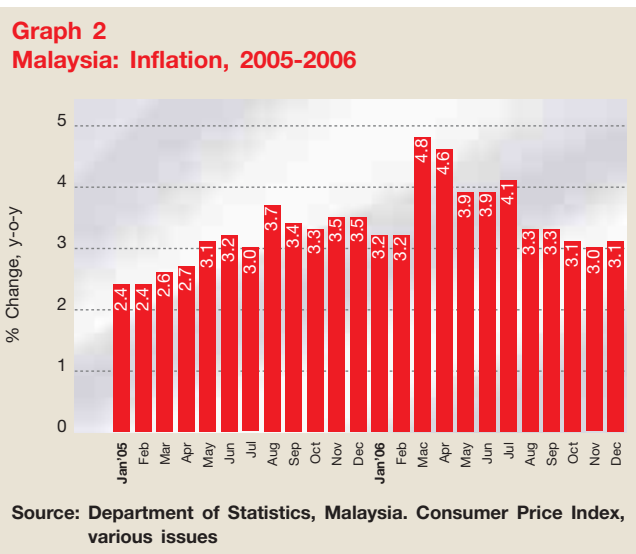
### GROWTH AND INFLATION

Notwithstanding global growth headwinds such as moderation of growth in the US economy, high global oil prices, high inflation, and high interest rates, the Malaysian economy remained strong in 2006. In the first nine months of the year, the economy grew by 6.0% (Graph 1), supported by domestic and external demand. Based on current trends, the economy is expected to remain on track to achieve at least 5.8% growth for 2006.

Despite high global oil prices, inflation in Malaysia improved significantly this year when it moderated from its peak of 4.8% in March 2006 to 3.1% in December 2006 (Graph 2). There were no secondary effects from higher fuel prices and higher electricity tariff on inflation. Also, there were no indications of demand-induced inflationary pressures. The stronger Ringgit this year also helped reduce inflationary pressures.

### COMPARATIVE PERFORMANCE

Malaysia's Gross Domestic Product ("GDP") growth in the first nine months of the year was comparable with that of major economies in the region. As shown in Graph 3,



Malaysia had the fourth fastest growth in the region after China (10.7%), Singapore (8.6%) and Hong Kong (6.8%). During this period, Malaysia's economy accelerated faster than that of Thailand (5.3%) and South Korea (5.4%).

## SOURCES OF GROWTH

From the supply side, growth was broad-based. As showed in Table 1, in the first nine months of the year, the services sector grew by 6.3%, supported by expansion in intermediate and final services, including government services. The manufacturing sector expanded by 8.0% due to expansion in the export- and domestic-oriented industries. The agriculture sector expanded by 6.3%, helped by expansion in palm oil and rubber production. The construction sector improved as indicated by a smaller contraction of 0.9%.

**Table 1**  
**Malaysia: GDP Growth by Economic Activity, 2005 and 2006 (at constant 1987 prices)**

	% Annual Change	
	2005	2006 Jan-Sep
<b>Real Gross Domestic Product</b>	<b>5.2</b>	<b>6.0</b>
<b>Agriculture, forestry and fishing</b>	<b>2.5</b>	<b>6.3</b>
<b>Mining and quarrying</b>	<b>0.8</b>	<b>-1.2</b>
<b>Manufacturing</b>	<b>5.1</b>	<b>8.0</b>
<b>Construction</b>	<b>-1.6</b>	<b>-0.9</b>
<b>Services</b>	<b>6.5</b>	<b>6.3</b>

Source: Department of Statistics, Malaysia. National Product and Expenditure Accounts, Third Quarter 2006

From the demand side, the private sector continued to drive growth. As showed in Table 2, in the first nine months of 2006, private consumption expanded by 7.2%, supported by stable labour market, strong export earnings and firm commodity prices. Public consumption expanded by 6.6%, partly due to higher expenditure in the second and third quarters of the year. Public consumption is expected to remain strong in the fourth quarter of 2006.

**Table 2**  
**Malaysia: GDP by Expenditure Components, 2005 and 2006 (at constant 1987 prices)**

	% Annual Change	
	2005	2006 Jan-Sep
<b>Aggregate Domestic Demand</b>		
<b>Consumption</b>	<b>8.3</b>	<b>7.1</b>
<b>Public sector</b>	<b>5.4</b>	<b>6.6</b>
<b>Private sector</b>	<b>9.2</b>	<b>7.2</b>
<b>Gross Fixed Capital Formation</b>	<b>4.7</b>	<b>7.3</b>
<b>Exports of Goods and Services</b>	<b>8.6</b>	<b>7.1</b>
<b>Imports of Goods and Services</b>	<b>8.0</b>	<b>8.6</b>

Source: Department of Statistics, Malaysia. National Product and Expenditure Accounts, Third Quarter 2006

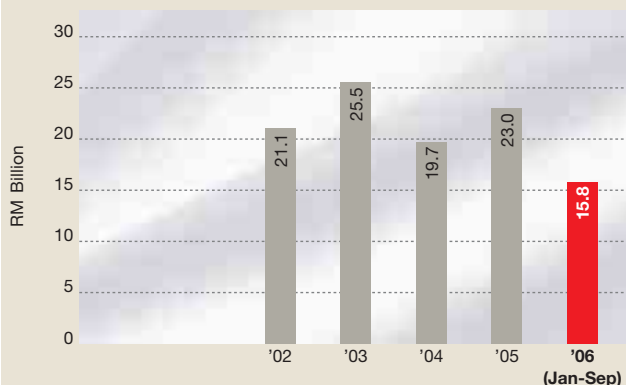
Investment continued to increase in 2006. For the first nine months of 2006, fixed investment increased by 7.3%, supported by private and public investment. Private investment was helped by high capacity utilisation in the manufacturing sector (80.0% in the third quarter) and also by improved business sentiment.

## TRADE PERFORMANCE

The external sector continued to remain healthy, driven by the regional markets. As showed in Graph 4, in the first nine months of the year, the net exports of goods and services (in real terms) registered a large surplus of RM15.8 billion (2005: RM23.0 billion). In this period, real exports of goods and services expanded by 7.1%, mainly due to higher exports of manufactured goods and agriculture products. Imports of goods and services increased by 8.6% due to strong imports of intermediate goods to support industrial activity.

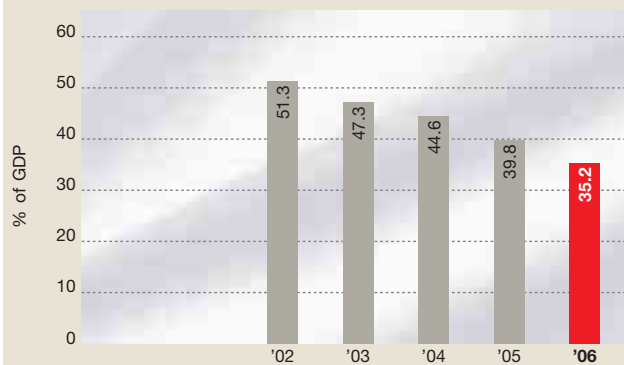


**Graph 4**  
**Malaysia: Net Exports of Goods and Services, 2002-2006**



Source: Department of Statistics, Malaysia. National Product and Expenditure Accounts, Third Quarter 2006

**Graph 6**  
**Malaysia: External Debt, 2002-2006**



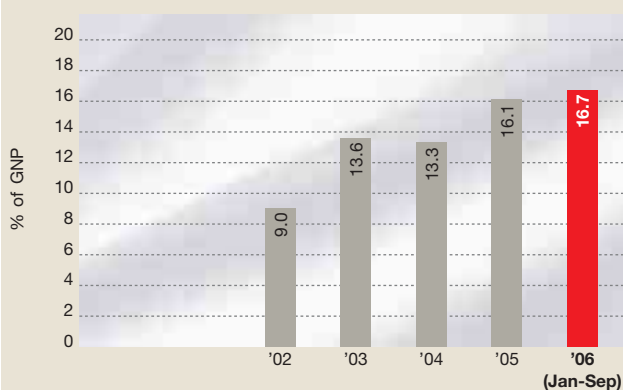
Source: Ministry of Finance, Malaysia. Economic Report, various issues

### STRONG EXTERNAL FINANCES

Malaysia's external finances continued to remain robust in 2006 which has helped the country sustain a high sovereign rating. The surplus in the current account of the balance of payments is projected to increase to 16.7% of gross national product ("GNP") by the end of 2006 from 16.1% in 2005 (Graph 5). The ratio of external debt to GDP is expected to further improve from 39.8% of GDP in 2005 to 35.2% in 2006 (Graph 6).

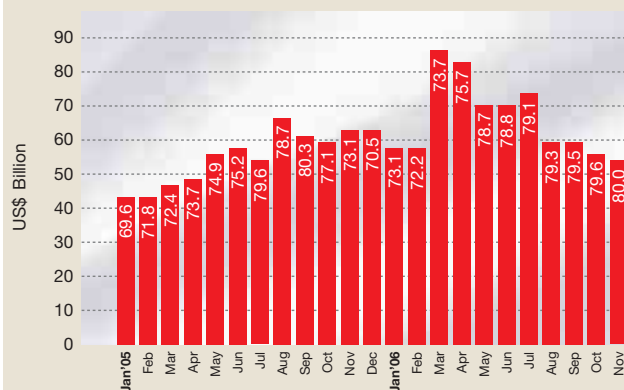
Also, the international reserves of Bank Negara Malaysia ("BNM") remained high and stable. From December 2005 to November 2006, total international reserves increased by US\$9.5 billion or 13.5% to US\$80.0 billion (Graph 7). The international reserves were sufficient to finance 8.2 months of retained imports and were six times the country's short-term external debt.

**Graph 5**  
**Malaysia: Current Account Surplus, 2002-2006**



Source: Ministry of Finance, Malaysia. Economic Report, various issues

**Graph 7**  
**Malaysia: International Reserves, 2005-2006**



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, various issues



### MONETARY AGGREGATES

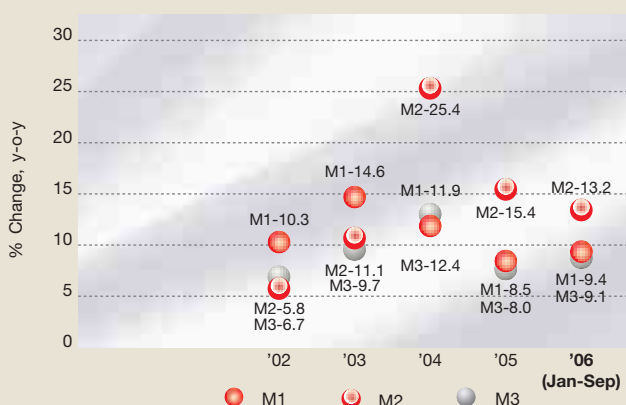
Monetary aggregates continued to expand, consistent with the growth in the real economy. As at the end of October 2006, M1 expanded by 9.4%, M2 by 13.2% and M3 by 9.1% (Graph 8). Growth in M3 was partly due to expansionary external operations.

### MACROECONOMIC MANAGEMENT

Because of increased external uncertainties, the Government continued to manage the expectations of slower economic growth. The Government's fiscal spending for 2006 strikes a balance between the need to support domestic growth and to remain prudent as the Government remains committed to achieve a balanced budget in the long term. For 2006 and 2007, the Government is expected to keep its budget deficit at 3.5% and 3.4%, respectively of GDP (Graph 9).

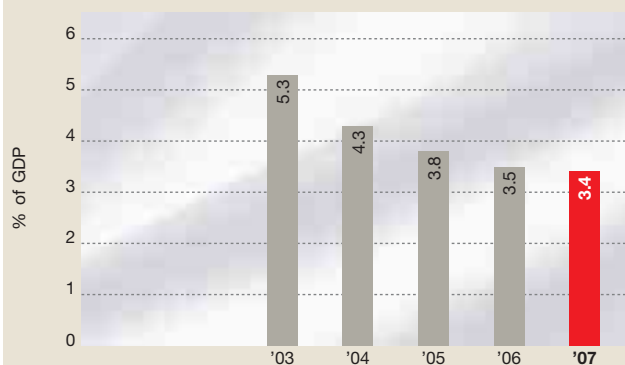
Monetary policy continued to remain accommodative to support economic activity. As part of its policy to normalise interest rates and align monetary conditions to the prevailing condition, BNM raised its Overnight Policy Rate (OPR) by 80 basis points in the period from

**Graph 8**  
**Malaysia: Monetary Aggregates, 2002-2006**



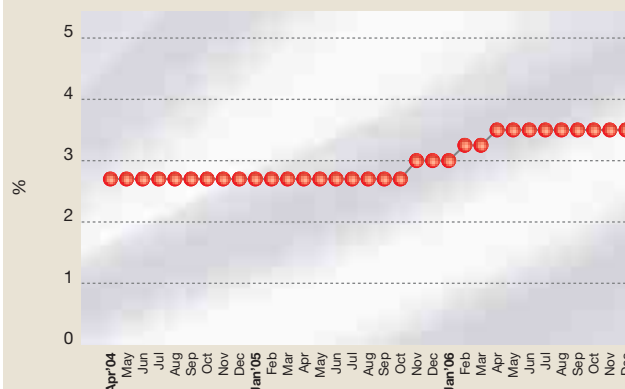
Source: Bank Negara Malaysia. Monthly Statistical Bulletin, various issues

**Graph 9**  
**Malaysia: Federal Government's Budget Deficit, 2003-2007**



Source: Ministry of Finance, Malaysia. Economic Report 2006/2007

**Graph 10**  
**Malaysia: Overnight Policy Rate, 2004-2006**



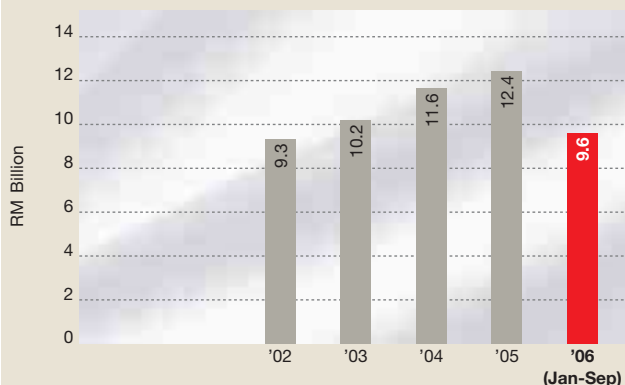
Source: Bank Negara Malaysia. Monthly Statistical Bulletin, various issues

November 2005 to April 2006 (Graph 10). Since May 2006, BNM left the OPR unchanged at 3.5% due to increased external uncertainties, amidst lower inflationary expectations. Despite this, BNM continued to remain vigilant on inflation.



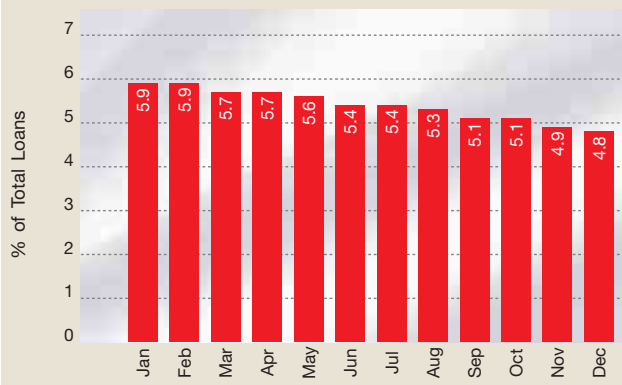


**Graph 11**  
**Malaysia: Banking System Pre-Tax Profit, 2002-2006**



Sources: Bank Negara Malaysia. Annual Report, various issues and Quarterly Bulletin, Third Quarter 2006

**Graph 12**  
**Malaysia: Banking System Net Non-Performing Loans, January-December 2006 (3-mth classification)**



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, December 2006

## BANKING SYSTEM

Malaysia's banking system continued to strengthen in 2006 with sustained profitability, strong capital and improved asset quality. In the first nine months of the year, the banking system recorded an increase of 8.1% in pre-tax profit to RM9.6 billion compared to the corresponding period last year (Graph 11). The risk-weighted capital ratio and core capital ratio of the banking system remained high at 12.8% and 10.0%, respectively in December 2006.

Despite concerns of high household gearing, the net NPL ratio of the banking system improved from 5.9% in January 2006 to 4.8% in December 2006 due to higher reclassifications of non-performing loans to performing status, recoveries and write-offs (Graph 12). The loan loss coverage of the banking system also increased further from 52.6% at the end of 2005 to 58.9% at the end of 2006.

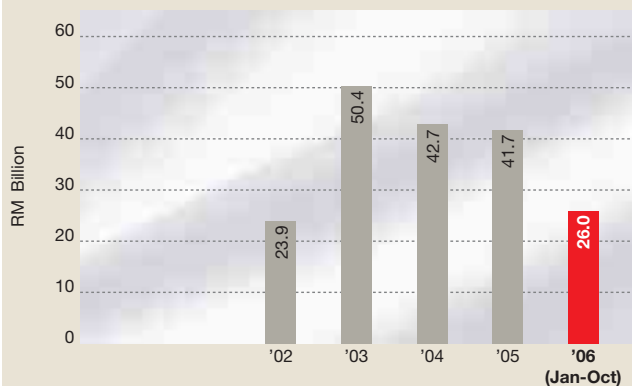
Lending activity continued to be supported by retail lending, particularly to households, and small- and medium-size enterprises ("SMEs"). However, the banking system's loan growth rate softened to 6.4% in 2006. Total new loans approved by the banking system stood at RM190.7 billion in 2006 compared to RM192.2 billion in 2005. Liquidity in the banking system remained high as the loan-to-deposit ratio of the industry dropped to 73.3% in December 2006 from 81.0% in January 2006 due to faster deposit growth relative to that of loans.

## CAPITAL MARKET

In addition to the banking system, the capital market continued to provide financing to the economy. Net funds raised stood at RM26.0 billion in the first ten months of 2006 compared to RM37.4 billion in the same period of last year (Graph 13). Of the total funds raised, 62.4% were raised by the public sector through the issuance of Malaysian Government Securities and Government Investment Issues.



**Graph 13**  
**Malaysia: Funds Raised in the Capital Market,**  
**2002-2006**



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, October 2006

Net funds raised by the private sector accounted for 37.6% of total net funds raised in the first ten months of 2006 mainly through the issuance of private debt securities. Funds raised through the equity market was only at RM1.4 billion in the first ten months of 2006.

### PROSPECTS FOR 2007

The Malaysian economy is expected to remain resilient and register another respectable performance in 2007. GDP growth for 2007 is projected to remain firm and inflation moderating to below 3.0%. The outlook is based on several factors. First, the global economy is expected to remain on a growth track as the decelerating trend in the US economy will be offset by sustainable growth in the euro area, Japan and Asia.

With more than one engine of global growth, the global economy is expected to remain sound and the risk of a global recession is minimal. The outlook for the global economy will continue to maintain a steady external environment which is critical for open economies such as Malaysia.

Second, growth headwinds such as high global oil prices, high inflation and high interest rates are expected to remain sideline next year. Global oil prices are expected to remain stable at current levels with a downside bias if the demand for oil softens due to the deceleration in the US economy.

Also, given that inflation in major developed economies are likely to remain contained, global interest rates are likely to remain at current levels. For the US economy, because of the expected economic slowdown, there are expectations that the US Federal Reserve will cut its interest rates in early 2007.

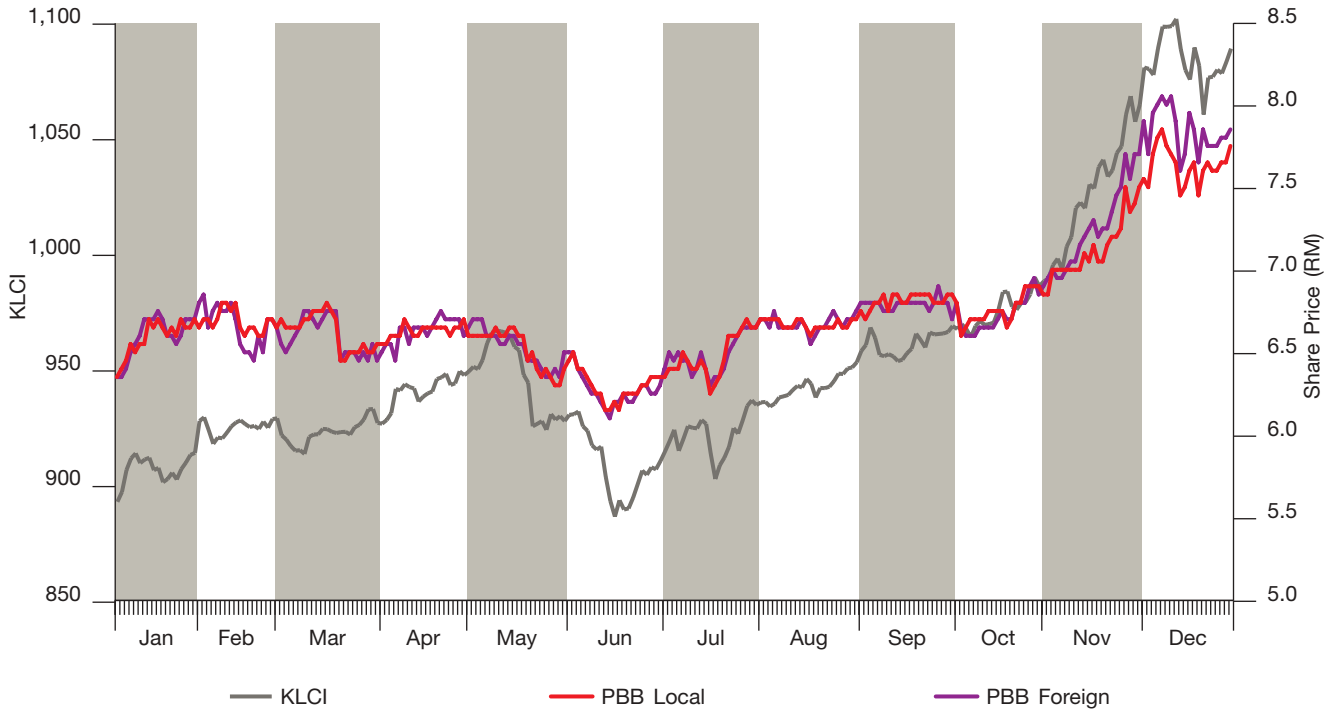
The Malaysian economy is expected to be supported by several factors. Supplemented by public sector spending, overall domestic demand is expected to remain strong. In particular, private investment activity is expected to be boosted by the implementation of projects under the 9th Malaysia Plan. To support economic activity, the Government has identified 20 high impact projects worth at least RM100.0 billion to be implemented in the 9th Malaysia Plan.

Private consumption is expected to remain strong due to stable interest rates, stable employment conditions and lower inflation. On the direction of interest rates, it is expected BNM will continue to maintain its accommodative monetary policy to support growth. To support the economy, the Government has budgeted a higher development expenditure for 2007 which is expected to increase by 24.3% on the back of strong government revenue. The financial services industry, in particular the banking sector, is expected to remain strong in 2007.

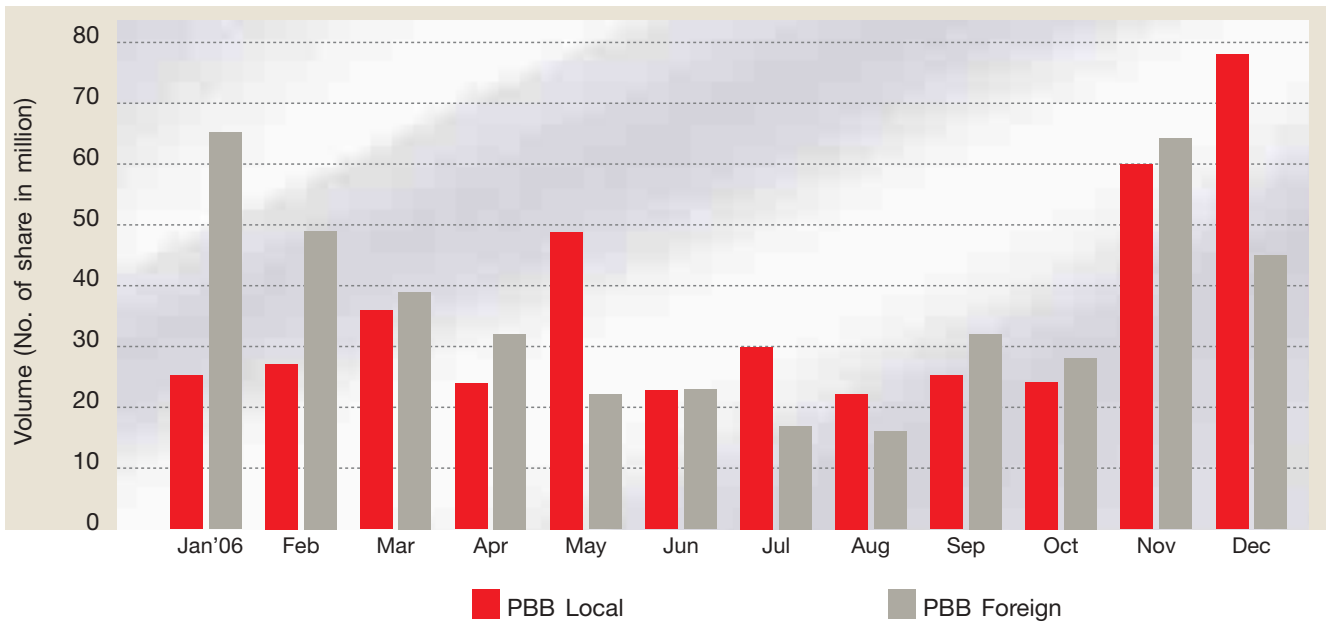


## Investor Information

### PUBLIC BANK (LOCAL) & PUBLIC BANK (FOREIGN) SHARE PRICES AND KLCI IN 2006



### PUBLIC BANK LOCAL AND FOREIGN SHARE TRANSACTION 2006



## **STOCK MARKET PERFORMANCE IN 2006**

The stock market started the year on a positive note. From 899.79 points, the Kuala Lumpur Composite Index (“KLCI”) rose to 929.39 points on 6 February 2006 on buying by foreign and local institutional funds following rises in regional markets. However, caution over Bank Negara Malaysia’s (“BNM”) decision to raise interest rates and concerns that increases in retail petrol prices may dampen consumer spending caused the KLCI to fall back to 913.53 points in early March 2006. However, expectations that the construction sector will benefit from the 9th Malaysia Plan and BNM’s forecast of 6% GDP growth for 2006 caused the KLCI to rally and closed the first quarter of 2006 at 926.63 points.

Market sentiment improved further in the second quarter of 2006 and, with steady inflows of foreign funds following the continued strengthening of the Ringgit, pushed the KLCI to a high of 966.88 points on 9 May 2006. However, fears of rising inflation as well as higher US interest rates brought about cautious investment sentiment, causing global markets to turn bearish. The correction in commodity prices had also weakened sentiment as investors turned cautious over valuations and prospects. These series of events caused sharp slides in Asian equity markets and the KLCI trended downwards to reach its year low of 886.48 points on 15 June 2006.

In the third quarter of 2006, the KLCI traded higher in tandem with higher regional markets on expectations that the U.S. monetary tightening cycle was close to an end and on better than expected quarterly earnings results of selected blue chips. Sentiment was also lifted by BNM’s decision to keep the overnight policy rate unchanged at 3.5%. The KLCI rallied to 968.22 points in early September 2006 on optimism over Malaysia’s 2007 Budget announcement of a cut in corporate tax rate and the Ministry of Finance raising its GDP growth forecast for 2006 from 5.5% to 5.8%.

In the fourth quarter of 2006, global and regional equity markets improved further following the easing of oil prices, lower inflationary pressures and the diminished risk of continued monetary tightening by the US Federal Reserve for the near term. The KLCI advanced to its 6½-year high of 983.79 points on 16 October 2006 following the strong August 2006 trade surplus and export numbers, coupled with moderating inflation outlook. The KLCI continued to advance in December 2006 breaching the 1,000 points mark to reach its 13-year high of 1,101.70 points on 11 December 2006. For the year as a whole, the KLCI gained 196.45 points or 21.8% from 899.79 points on 31 December 2005 to close 2006 at 1,096.24 points.

On the outlook for the stock market in 2007, market analysts expect a more buoyant market. Several key factors are likely to influence the near term future performance of the KLCI, such as stable interest rates, the rising value of the Ringgit, falling crude oil prices, rollout of 9th Malaysia Plan projects, the launch of the South Johor Economic Region, mergers and acquisitions, and privatisations.

The KLCI is expected to remain well supported as domestic interest rates are expected to remain unchanged in the medium term. The downside of the local stock market is cushioned by fair valuations, reasonably attractive dividend yields, resilient consumer and investment spending, high levels of domestic liquidity and expectations of a rising Ringgit.



## **PUBLIC BANK SHARE PRICE PERFORMANCE IN 2006**

Public Bank (Local) share and Public Bank (Foreign) share prices rose from RM6.55 and RM6.40 respectively as at the end of 2005 to RM6.80 and RM6.75 respectively on 10 February 2006 following the announcement of the Public Bank Group's better than expected financial results for 2005 and a proposed final dividend of 20% less 28% tax and a special dividend of 15% less 28% tax on 23 January 2006.

On 16 February 2006, Public Bank announced the proposed acquisition of Asia Commercial Bank Limited in Hong Kong for HKD4.5 billion cash. Public Bank's share prices had initially eased on the news but gradually improved in line with the general uptrend of the KLCI and on improved investor sentiment from expectations of further merger and acquisition news in the banking sector. On 21 March 2006, Public Bank (Local) shares and Public Bank (Foreign) shares opened the day's trading at an ex-dividend price of RM6.50 and RM6.40 respectively. Thereafter, Public Bank's share prices started to rise in line with the general uptrend of the KLCI component stocks on steady inflows of foreign funds following the strengthening of the Ringgit. Both Public Bank (Local) share and Public Bank (Foreign) share prices rose to an ex-dividend RM6.70 and RM6.65 respectively on 10 April 2006.

The stock market's bullish sentiment lasted until the beginning of May 2006 when it started to trend downwards on both local and global concerns over rising interest rates and inflationary pressures, which subsequently led to sharp declines in regional and global stock markets. In tandem with the lower KLCI, Public Bank (Local) share and Public Bank (Foreign) share prices eased to its year low of RM6.15 and RM6.10 respectively on 15 June 2006.

In the second half of 2006, Public Bank share prices gradually improved in tandem with the improvement of the KLCI and expectations of better earnings. Public Bank's second quarter financial results announced on 20 July 2006 was at the higher end of consensus expectations. The announcement of an interim dividend of 20% less 28% tax together with the upgrade in earnings expectations of Public Bank for 2006 saw both Public Bank (Local) share and Public Bank (Foreign) share prices rising to a high of RM6.80 and RM6.90 respectively on 26 September 2006.

On 3 October 2006, both Public Bank (Local) shares and Public Bank (Foreign) shares opened the day's trading at an ex-dividend price of RM6.70. Thereafter, Public Bank shares started to trade higher following the general uptrend of the KLCI. Reported inflow of foreign funds and further upgrades in earnings expectations of Public Bank following the positive third quarter financial results announcement on 17 October 2006 saw both Public Bank (Local) share and Public Bank (Foreign) share prices traded to an intraday year high of RM7.90 and RM8.20 respectively on 7 December 2006, resulting in Public Bank's market capitalisation reaching a record high of RM27.6 billion.

For 2006, Public Bank's value in terms of market capitalisation rose by 21.2% or RM4.7 billion to RM26.9 billion. Including the total gross dividend of 55 sen paid during the year, shareholders of Public Bank (Local) shares and Public Bank (Foreign) shares would have enjoyed a total return of approximately 26.7% and 31.3% respectively for 2006 based on the closing share prices of RM7.75 and RM7.85 for the Public Bank (Local) share and Public Bank (Foreign) share respectively as at the end of 2006.



## Analysis of Shareholdings as at 5 January 2007

Authorised Share Capital	: RM10,000,000,000
Issued and Paid-up Share Capital	: RM3,462,824,872 comprising 3,462,824,872 ordinary shares of RM1.00 each
Class of Shares	: Ordinary shares of RM1.00 each
Voting Rights	: One vote per ordinary share

### DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Shareholders				No. of Shares Held			
	Malaysian		Foreigner		Malaysian		Foreigner	
	No.	%	No.	%	No.	%	No.	%
Less than 100	4,838	4.69	196	0.19	154,860	*1	7,189	*1
100 – 1,000	21,060	20.41	843	0.82	14,960,829	0.45	521,564	0.02
1,001 – 10,000	49,793	48.26	6,441	6.24	188,596,280	5.65	29,373,551	0.88
10,001 – 100,000	13,965	13.54	4,044	3.92	364,103,639	10.90	112,621,084	3.37
100,001 – 166,930,518 (less than 5% of issued shares* <sup>2</sup> )	1,253	1.21	744	0.72	1,343,381,262	40.24	827,881,122	24.80
166,930,519 (5% of issued shares* <sup>2</sup> ) and above	2	*1	—	—	457,008,992	13.69	—	—
<b>Total</b>	<b>90,911</b>	<b>88.11</b>	<b>12,268</b>	<b>11.89</b>	<b>2,368,205,862</b>	<b>70.93*<sup>2</sup></b>	<b>970,404,510</b>	<b>29.07*<sup>2</sup></b>

#### Notes:

\*1 Less than 0.01%.

\*2 Excluding a total of 124,214,500 Public Bank ("PBB") shares bought-back by PBB and retained as treasury shares as at 5 January 2007.

### DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND IN SUBSIDIARY COMPANY

The Directors' direct and indirect interests in shares in the Company and its subsidiary company are as follows based on the Register of Directors' Shareholdings:

#### Shares Held in the Company

	Direct Interests		Indirect Interests	
	No. of Shares Held	% of Issued Shares * <sup>5</sup>	No. of Shares Held	% of Issued Shares * <sup>5</sup>
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	0.64	786,468,596 * <sup>1</sup>	23.56
Tan Sri Dato' Thong Yaw Hong	5,518,750	0.17	771,875 * <sup>2</sup>	0.02
Dato' Sri Tay Ah Lek	7,810,109	0.23	139,482 * <sup>1</sup>	* <sup>4</sup>
Dato' Lee Kong Lam	1,054,921	0.03	800,000 * <sup>3</sup>	0.02
Dato' Yeoh Chin Kee	200,000	0.01	650,000 * <sup>3</sup>	0.02
Y.A.M. Tengku Abdul Rahman				
Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,900,000	0.06	—	—
Haji Abdul Aziz bin Omar	292,000	0.01	—	—
Dato' Dr. Haji Mohamed Ishak				
bin Haji Mohamed Ariff	350,000	0.01	—	—
Lee Chin Guan	1,200,000	0.04	—	—

#### Notes:

\*1 Deemed to have interests in PBB shares held by other corporation(s) by virtue of Section 6A(4) of the Companies Act, 1965.

\*2 Deemed to have interests in PBB shares held by persons connected as defined per Section 122A of the Companies Act, 1965 and held by other corporation by virtue of Section 6A(4) of the Companies Act, 1965.

\*3 Deemed to have interests in PBB shares held by person(s) connected as defined per Section 122A of the Companies Act, 1965.

\*4 Less than 0.01%.

\*5 Excluding a total of 124,214,500 PBB shares bought-back by PBB and retained as treasury shares as at 5 January 2007.



**DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY  
AND IN SUBSIDIARY COMPANY**

**Share Options Held in the Company**

**- Share Options Held under the Public Bank Berhad Employees' Share Option Scheme**

	No. of Share Options Held	Option Price (RM)
Tan Sri Dato' Thong Yaw Hong	2,000,000	6.37
Dato' Sri Tay Ah Lek	4,500,000	6.37
Dato' Lee Kong Lam	2,925,000	6.37
Dato' Yeoh Chin Kee	2,025,000	6.37
	2,000,000	5.67
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,800,000	6.37
Haji Abdul Aziz bin Omar	1,125,000	6.37
	1,250,000	5.67
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	925,000	6.37
	1,250,000	5.67
Lee Chin Guan	1,125,000	6.37
	650,000	5.67

**Shares Held in Subsidiary Company**

**- Shares Held in Public Financial Holdings Limited (formerly known as JCG Holdings Ltd) ("PFHL")**

	Direct Interests		Indirect Interests	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Tan Sri Dato' Thong Yaw Hong	498,000	0.05	—	—
Dato' Yeoh Chin Kee	80,000	0.01	—	—

**Share Options Held in Subsidiary Company**

**- Share Options Held under the PFHL Employees' Share Option Scheme**

	No. of Share Options Held	Option Price* (HKD)
Dato' Sri Tay Ah Lek	1,680,000	6.35
Dato' Yeoh Chin Kee	700,000	6.35
Lee Chin Guan	350,000	6.35

\* The option price was adjusted from HKD7.29 to HKD6.35 arising from the PFHL rights issue of 1 new PFHL share for every 2 existing PFHL shares held completed on 11 April 2006.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 807,992,846 shares in PBB, and pursuant to Section 6A(4)(c) of the Companies Act, 1965, is deemed interested in the shares in all of PBB's subsidiary companies to the extent that PBB has interests.



**SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS**

Name	Direct Interests		Indirect Interests		Total Interests	
	No. of Shares Held	% of Issued Shares <sup>*2</sup>	No. of Shares Held	% of Issued Shares <sup>*2</sup>	No. of Shares Held	% of Issued Shares <sup>*2</sup>
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	0.64	786,468,596 <sup>*1</sup>	23.56	807,992,846	24.20
Employees Provident Fund Board	295,301,636	8.85	—	—	295,301,636	8.85
Consolidated Teh Holdings Sdn Bhd	79,479,687	2.38	165,711,639 <sup>*1</sup>	4.96	245,191,326	7.34
Sekuriti Pejal Sdn Bhd	201,394,686	6.03	38,720,856 <sup>*1</sup>	1.16	240,115,542	7.19

**Notes:**

\*1 Deemed to have interests in PBB shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965.

\*2 Excluding a total of 124,214,500 PBB shares bought-back by PBB and retained as treasury shares as at 5 January 2007.

**TOP THIRTY SECURITIES ACCOUNT HOLDERS**

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Shares*
1. Employees Provident Fund Board	255,614,306	7.66
2. Sekuriti Pejal Sdn Berhad	103,724,186	3.11
3. Sekuriti Pejal Sdn Berhad	97,670,500	2.93
4. Valuecap Sdn Bhd	70,779,600	2.12
5. Kepunyaan Chintamani Sdn Bhd	67,919,531	2.03
6. Consolidated Teh Holdings Sdn Berhad	58,770,687	1.76
7. HSBC Nominees (Asing) Sdn Bhd – Exempt An for BNP Paribas Securities Services (convert in USD)	52,594,677	1.58
8. Selected Securities Sdn Bhd	49,580,000	1.48
9. Selected Holdings Sdn Berhad	37,684,000	1.13
10. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	35,380,153	1.06
11. Kayakita Corporation Sdn Bhd	33,660,437	1.01
12. Kepunyaan Perindustrian Sdn Berhad	31,751,233	0.95
13. Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera	30,284,500	0.91
14. HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)	27,500,000	0.82





**TOP THIRTY SECURITIES ACCOUNT HOLDERS**

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Shares*
15. Tong Meng Industries Limited	26,946,921	0.81
16. Selected Securities Sdn Bhd	26,536,562	0.79
17. Kayakita Corporation Sdn Bhd	26,364,500	0.79
18. LPI Capital Bhd	25,739,578	0.77
19. Selected Holdings Sdn Berhad	24,914,046	0.75
20. Citigroup Nominees (Asing) Sdn Bhd – Exempt An for Mellon Bank (ABNAMRO Mellon)	22,869,175	0.68
21. Securities Holdings Sdn Berhad	22,776,156	0.68
22. Tan Sri Dato' Sri Dr. Teh Hong Piow	21,055,500	0.63
23. HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Securities Services Paris for Aberdeen Asia Pacific Fund	21,033,450	0.63
24. Luhur Management Sdn Bhd	19,348,015	0.58
25. Amanah Raya Nominees (Tempatan) Sdn Bhd – Amanah Saham Wawasan 2020	18,583,800	0.56
26. HSBC Nominees (Asing) Sdn Bhd – Exempt An for Morgan Stanley & Co. Incorporated	18,299,959	0.55
27. Citigroup Nominees (Asing) Sdn Bhd – Exempt An for Mellon Bank (Mellon)	17,526,073	0.52
28. HSBC Nominees (Asing) Sdn Bhd – TNTC for Sanderson International Value Fund	15,120,000	0.45
29. HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	14,873,116	0.45
30. Consolidated Teh Holdings Sdn Berhad	14,171,500	0.42
<b>Total</b>	<b>1,289,072,161</b>	<b>38.61</b>

**Note:**

\* Excluding a total of 124,214,500 PBB shares bought-back by PBB and retained as treasury shares as at 5 January 2007.



## Authorised and Issued Share Capital

### AUTHORISED SHARE CAPITAL

The authorised share capital as at 5 January 2007 is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each. The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Total Authorised Share Capital (RM)
30.12.1965	50,000,000	50,000,000
06.01.1982	250,000,000	300,000,000
30.09.1986	200,000,000	500,000,000
08.06.1987	500,000,000	1,000,000,000
17.06.1997	4,000,000,000	5,000,000,000
30.03.2005	5,000,000,000	10,000,000,000

### ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 5 January 2007 is RM3,462,824,872 comprising 3,462,824,872 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
Up to 30.08.1966	16,000,000	Cash	16,000,000
15.11.1978	4,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	20,000,000
22.07.1981	5,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	25,000,000
07.01.1982	10,000,000	Capitalisation of capital reserve account and general reserve account (Bonus Issue 2:5)	35,000,000
11.02.1982	35,000,000	Rights Issue 1:1 at RM2.00 per share	70,000,000
22.06.1983	42,000,000	Capitalisation of share premium account and general reserve account (Bonus Issue 3:5)	112,000,000
22.08.1983	56,000,000*	Rights Issue 1:2 at RM2.00 per share	168,000,000
05.07.1984	42,000,000*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:4)	210,000,000
05.02.1988	42,000,000*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:5)	252,000,000
03.08.1988	105,000,000*	Rights Issue 1:2 at RM1.60 per share	357,000,000
11.10.1989	218,500*	Exercise of share options under Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS") at option price of RM3.80 per share	357,218,500
02.05.1990	1,237,500*	Exercise of share options under PBB ESOS at option price of RM3.80 per share	358,456,000



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
15.06.1990	119,485,333*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:3)	477,941,333
06.08.1990	71,691,200*	Rights Issue 1:5 at RM2.20 per share	549,632,533
08.10.1990	138,500*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	549,771,033
12.04.1991	3,828,850*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,599,883
24.09.1991	334,300*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,934,183
25.03.1992	114,700*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	554,048,883
15.04.1993	1,038,701*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	555,087,584
01.10.1993	9,912,337*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	564,999,921
20.04.1994	3,434,479*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	568,434,400
05.10.1994	1,113,000*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	569,547,400
27.12.1994	50,000,000*	Issue and private placement of 50,000,000 new shares as follows: – 35,000,000 PBB local shares at RM8.28 per share – 15,000,000 PBB foreign shares at RM10.62 per share	619,547,400
18.04.1996	25,500*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	619,572,900
07.08.1996	206,524,300*	Capitalisation of share premium account (Bonus Issue 1:3)	826,097,200
25.10.1996	143,541*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,240,741
12.05.1997	358,850*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,599,591
06.01.1998	165,319,918*	Capitalisation of share premium account (Bonus Issue 1:5)	991,919,509
09.03.1998	165,319,918*	Rights Issue 1:5 at RM2.00 per PBB local share and at RM2.28 per PBB foreign share	1,157,239,427
11.02.1999	8,007,750*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,165,247,177



## Authorised and Issued **Share Capital**

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
11.05.1999	35,500*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,165,282,677
19.05.1999	4,736,865*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,170,019,542
07.06.1999	1,077,950*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,171,097,492
02.07.1999	12,063,250*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,183,160,742
08.12.2000	11,899,125*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,195,059,867
15.02.2001	1,662,500*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,196,722,367
31.03.2001	213,140,892*	New PBB local shares issued in exchange for 125,377,000 ordinary shares of RM1.00 each in Hock Hua Bank Bhd ("HHB") pursuant to terms of merger of PBB and HHB	1,409,863,259
23.04.2001	422,958,977*	Capitalisation of share premium account and retained profits (Bonus Issue 3:10)	1,832,822,236
11.12.2001	996,387*	Exercise of share options under PBB ESOS at option price of RM2.54 per share	1,833,818,623
12.03.2002	1,025,362*	Exercise of share options under PBB ESOS at option price of RM2.54 per share	1,834,843,985
12.07.2002	458,710,997*	Capitalisation of share premium account (Bonus Issue 1:4)	2,293,554,982
13.09.2002	13,570,954*	Exercise of share options under PBB ESOS as follows: – 1,488,329 shares at option price of RM2.04 per share – 12,082,625 shares at option price of RM4.44 per share	2,307,125,936
08.10.2002	7,153,442*	Exercise of share options under PBB ESOS as follows: – 412,567 shares at option price of RM2.04 per share – 6,740,875 shares at option price of RM4.44 per share	2,314,279,378
12.12.2002	247,675*	Exercise of share options under PBB ESOS as follows: – 130,050 shares at option price of RM2.04 per share – 117,625 shares at option price of RM4.44 per share	2,314,527,053
14.03.2003	153,158*	Exercise of share options under PBB ESOS as follows: – 112,408 shares at option price of RM2.04 per share – 40,750 shares at option price of RM4.44 per share	2,314,680,211
09.04.2003	37,907*	Exercise of share options under PBB ESOS at option price of RM2.04 per share	2,314,718,118



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
13.06.2003	202,598,923*	New PBB local shares issued in exchange for 135,065,949 ordinary shares of RM1.00 each in Public Finance Bhd ("PFB") pursuant to terms of privatisation of PFB	2,517,317,041
16.07.2003	629,329,261*	Capitalisation of share premium account (Bonus Issue 1:4)	3,146,646,302
14.08.2003	8,337,798*	Exercise of share options under PBB ESOS as follows: – 250,423 shares at option price of RM1.64 per share – 8,087,375 shares at option price of RM3.56 per share	3,154,984,100
05.09.2003	2,804,031*	Exercise of share options under PBB ESOS as follows: – 75,156 shares at option price of RM1.64 per share – 2,728,875 shares at option price of RM3.56 per share	3,157,788,131
08.09.2003	2,902,623*	Exercise of share options under PBB ESOS as follows: – 67,856 shares at option price of RM1.64 per share – 1,595,142 shares at option price of RM3.56 per share – 1,239,625 shares at option price of RM3.40 per share	3,160,690,754
12.09.2003	7,001,644*	Exercise of share options under PBB ESOS as follows: – 54,489 shares at option price of RM1.64 per share – 4,948,530 shares at option price of RM3.56 per share – 1,998,625 shares at option price of RM3.40 per share	3,167,692,398
24.09.2003	1,216,063*	Exercise of share options under PBB ESOS as follows: – 6,250 shares at option price of RM1.64 per share – 915,688 shares at option price of RM3.56 per share – 294,125 shares at option price of RM3.40 per share	3,168,908,461
15.10.2003	3,518,818*	Exercise of share options under PBB ESOS as follows: – 15,169 shares at option price of RM1.64 per share – 2,515,399 shares at option price of RM3.56 per share – 988,250 shares at option price of RM3.40 per share	3,172,427,279
27.10.2003	2,054,251*	Exercise of share options under PBB ESOS as follows: – 3,313 shares at option price of RM1.64 per share – 1,457,938 shares at option price of RM3.56 per share – 593,000 shares at option price of RM3.40 per share	3,174,481,530
29.10.2003	6,748,111*	Exercise of share options under PBB ESOS as follows: – 32,993 shares at option price of RM1.64 per share – 3,781,268 shares at option price of RM3.56 per share – 2,933,850 shares at option price of RM3.40 per share	3,181,229,641
06.11.2003	4,913,239*	Exercise of share options under PBB ESOS as follows: – 39,115 shares at option price of RM1.64 per share – 3,806,374 shares at option price of RM3.56 per share – 1,067,750 shares at option price of RM3.40 per share	3,186,142,880



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
13.11.2003	1,202,135*	Exercise of share options under PBB ESOS as follows: – 5,040 shares at option price of RM1.64 per share – 961,220 shares at option price of RM3.56 per share – 235,875 shares at option price of RM3.40 per share	3,187,345,015
18.11.2003	455,750*	Exercise of share options under PBB ESOS as follows: – 406,250 shares at option price of RM3.56 per share – 49,500 shares at option price of RM3.40 per share	3,187,800,765
21.11.2003	5,801,710*	Exercise of share options under PBB ESOS as follows: – 33,297 shares at option price of RM1.64 per share – 2,989,788 shares at option price of RM3.56 per share – 2,778,625 shares at option price of RM3.40 per share	3,193,602,475
01.12.2003	1,417,894*	Exercise of share options under PBB ESOS as follows: – 16,324 shares at option price of RM1.64 per share – 1,062,070 shares at option price of RM3.56 per share – 339,500 shares at option price of RM3.40 per share	3,195,020,369
04.12.2003	68,000*	Exercise of share options under PBB ESOS at option price of RM3.56 per share	3,195,088,369
22.12.2003	2,297,250*	Exercise of share options under PBB ESOS as follows: – 13,484 shares at option price of RM1.64 per share – 1,889,391 shares at option price of RM3.56 per share – 394,375 shares at option price of RM3.40 per share	3,197,385,619
26.12.2003	9,214,108*	Exercise of share options under PBB ESOS as follows: – 20,525 shares at option price of RM1.64 per share – 6,642,458 shares at option price of RM3.56 per share – 2,551,125 shares at option price of RM3.40 per share	3,206,599,727
27.01.2004	1,883,267*	Exercise of share options under PBB ESOS as follows: – 4,547 shares at option price of RM1.64 per share – 1,680,345 shares at option price of RM3.56 per share – 198,375 shares at option price of RM3.40 per share	3,208,482,994
20.02.2004	483,813*	Exercise of share options under PBB ESOS as follows: – 457,313 shares at option price of RM3.56 per share – 26,500 shares at option price of RM3.40 per share	3,208,966,807
01.03.2004	1,024,066*	Exercise of share options under PBB ESOS as follows: – 886,316 shares at option price of RM3.56 per share – 137,750 shares at option price of RM3.40 per share	3,209,990,873



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
03.03.2004	13,717,282*	Exercise of share options under PBB ESOS as follows: – 38,231 shares at option price of RM1.64 per share – 10,718,176 shares at option price of RM3.56 per share – 1,647,375 shares at option price of RM3.40 per share – 1,313,500 shares at option price of RM4.60 per share	3,223,708,155
05.03.2004	28,660,157*	Exercise of share options under PBB ESOS as follows: – 253,907 shares at option price of RM1.64 per share – 28,406,250 shares at option price of RM3.56 per share	3,252,368,312
11.03.2004	13,177,700*	Exercise of share options under PBB ESOS as follows: – 36,366 shares at option price of RM1.64 per share – 10,361,459 shares at option price of RM3.56 per share – 940,875 shares at option price of RM3.40 per share – 1,839,000 shares at option price of RM4.60 per share	3,265,546,012
17.03.2004	12,271,286*	Exercise of share options under PBB ESOS as follows: – 46,892 shares at option price of RM1.64 per share – 10,183,769 shares at option price of RM3.56 per share – 597,125 shares at option price of RM3.40 per share – 1,443,500 shares at option price of RM4.60 per share	3,277,817,298
23.03.2004	8,575,825*	Exercise of share options under PBB ESOS as follows: – 38,252 shares at option price of RM1.64 per share – 6,166,723 shares at option price of RM3.56 per share – 867,350 shares at option price of RM3.40 per share – 1,503,500 shares at option price of RM4.60 per share	3,286,393,123
06.04.2004	1,919,157*	Exercise of share options under PBB ESOS as follows: – 1,703,532 shares at option price of RM3.56 per share – 69,625 shares at option price of RM3.40 per share – 146,000 shares at option price of RM4.60 per share	3,288,312,280
13.04.2004	4,016,890*	Exercise of share options under PBB ESOS as follows: – 3,078,890 shares at option price of RM3.56 per share – 405,000 shares at option price of RM3.40 per share – 533,000 shares at option price of RM4.60 per share	3,292,329,170
16.04.2004	1,233,902*	Exercise of share options under PBB ESOS as follows: – 10,500 shares at option price of RM1.64 per share – 1,017,652 shares at option price of RM3.56 per share – 85,750 shares at option price of RM3.40 per share – 120,000 shares at option price of RM4.60 per share	3,293,563,072



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
17.08.2004	11,152,166	Exercise of share options under PBB ESOS as follows: – 13,349 shares at option price of RM1.64 per share – 6,270,567 shares at option price of RM3.56 per share – 857,550 shares at option price of RM3.40 per share – 2,299,700 shares at option price of RM4.60 per share – 1,711,000 shares at option price of RM4.92 per share	3,304,715,238
30.08.2004	12,767,404	Exercise of share options under PBB ESOS as follows: – 57,078 shares at option price of RM1.64 per share – 7,127,076 shares at option price of RM3.56 per share – 618,450 shares at option price of RM3.40 per share – 2,372,800 shares at option price of RM4.60 per share – 2,592,000 shares at option price of RM4.92 per share	3,317,482,642
09.09.2004	1,649,681	Exercise of share options under PBB ESOS as follows: – 908,831 shares at option price of RM3.56 per share – 67,350 shares at option price of RM3.40 per share – 260,500 shares at option price of RM4.60 per share – 413,000 shares at option price of RM4.92 per share	3,319,132,323
27.09.2004	623,819	Exercise of share options under PBB ESOS as follows: – 8,125 shares at option price of RM1.64 per share – 344,819 shares at option price of RM3.56 per share – 63,375 shares at option price of RM3.40 per share – 136,000 shares at option price of RM4.60 per share – 71,500 shares at option price of RM4.92 per share	3,319,756,142
28.09.2004	1,737,912	Exercise of share options under PBB ESOS as follows: – 795,637 shares at option price of RM3.56 per share – 120,875 shares at option price of RM3.40 per share – 347,900 shares at option price of RM4.60 per share – 473,500 shares at option price of RM4.92 per share	3,321,494,054
04.10.2004	4,621,593	Exercise of share options under PBB ESOS as follows: – 33,767 shares at option price of RM1.64 per share – 2,569,876 shares at option price of RM3.56 per share – 267,650 shares at option price of RM3.40 per share – 1,187,300 shares at option price of RM4.60 per share – 563,000 shares at option price of RM4.92 per share	3,326,115,647
26.10.2004	1,755,048	Exercise of share options under PBB ESOS as follows: – 665,498 shares at option price of RM3.56 per share – 71,650 shares at option price of RM3.40 per share – 527,400 shares at option price of RM4.60 per share – 490,500 shares at option price of RM4.92 per share	3,327,870,695





**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
19.11.2004	4,569,277	Exercise of share options under PBB ESOS as follows: – 187,546 shares at option price of RM1.64 per share – 2,491,856 shares at option price of RM3.56 per share – 289,375 shares at option price of RM3.40 per share – 1,212,000 shares at option price of RM4.60 per share – 388,500 shares at option price of RM4.92 per share	3,332,439,972
25.11.2004	20,935,350	Exercise of share options under PBB ESOS as follows: – 31,710 shares at option price of RM1.64 per share – 9,479,777 shares at option price of RM3.56 per share – 653,600 shares at option price of RM3.40 per share – 4,162,263 shares at option price of RM4.60 per share – 6,608,000 shares at option price of RM4.92 per share	3,353,375,322
03.12.2004	2,392,002	Exercise of share options under PBB ESOS as follows: – 1,183,077 shares at option price of RM3.56 per share – 140,300 shares at option price of RM3.40 per share – 604,125 shares at option price of RM4.60 per share – 464,500 shares at option price of RM4.92 per share	3,355,767,324
28.01.2005	20,743,000	Exercise of share options under PBB ESOS at option price of RM4.92 per share	3,376,510,324
31.01.2005	2,415,001	Exercise of share options under PBB ESOS as follows: – 15,475 shares at option price of RM1.64 per share – 985,926 shares at option price of RM3.56 per share – 104,200 shares at option price of RM3.40 per share – 954,400 shares at option price of RM4.60 per share – 355,000 shares at option price of RM4.92 per share	3,378,925,325
07.02.2005	10,466,250	Exercise of share options under PBB ESOS as follows: – 2,406,250 shares at option price of RM3.56 per share – 2,250,000 shares at option price of RM4.60 per share – 5,810,000 shares at option price of RM4.92 per share	3,389,391,575
21.02.2005	7,511,743	Exercise of share options under PBB ESOS as follows: – 26,106 shares at option price of RM1.64 per share – 3,364,187 shares at option price of RM3.56 per share – 377,950 shares at option price of RM3.40 per share – 2,883,000 shares at option price of RM4.60 per share – 860,500 shares at option price of RM4.92 per share	3,396,903,318



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
25.02.2005	639,342	Exercise of share options under PBB ESOS as follows: – 6,094 shares at option price of RM1.64 per share – 236,373 shares at option price of RM3.56 per share – 14,875 shares at option price of RM3.40 per share – 291,000 shares at option price of RM4.60 per share – 91,000 shares at option price of RM4.92 per share	3,397,542,660
01.08.2005	12,813,748	Exercise of share options under PBB ESOS as follows: – 14,482 shares at option price of RM1.64 per share – 1,382,291 shares at option price of RM3.56 per share – 194,275 shares at option price of RM3.40 per share – 1,397,700 shares at option price of RM4.60 per share – 6,670,000 shares at option price of RM4.92 per share – 3,155,000 shares at option price of RM6.37 per share	3,410,356,408
31.10.2005	2,114,074	Exercise of share options under PBB ESOS as follows: – 1,063 shares at option price of RM1.64 per share – 442,561 shares at option price of RM3.56 per share – 96,950 shares at option price of RM3.40 per share – 424,800 shares at option price of RM4.60 per share – 1,014,500 shares at option price of RM4.92 per share – 134,200 shares at option price of RM6.37 per share	3,412,470,482
09.11.2005	3,737,523	Exercise of share options under PBB ESOS as follows: – 1,269 shares at option price of RM1.64 per share – 1,429,354 shares at option price of RM3.56 per share – 238,525 shares at option price of RM3.40 per share – 1,537,875 shares at option price of RM4.60 per share – 204,000 shares at option price of RM4.92 per share – 326,500 shares at option price of RM6.37 per share	3,416,208,005
15.11.2005	660,400	Exercise of share options under PBB ESOS as follows: – 163,100 shares at option price of RM3.56 per share – 61,700 shares at option price of RM3.40 per share – 390,100 shares at option price of RM4.60 per share – 45,500 shares at option price of RM4.92 per share	3,416,868,405
05.12.2005	504,684	Exercise of share options under PBB ESOS as follows: – 217,309 shares at option price of RM3.56 per share – 35,375 shares at option price of RM3.40 per share – 202,500 shares at option price of RM4.60 per share – 23,500 shares at option price of RM4.92 per share – 26,000 shares at option price of RM6.37 per share	3,417,373,089



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
13.01.2006	3,553,363	Exercise of share options under PBB ESOS as follows: – 2,587 shares at option price of RM1.64 per share – 391,750 shares at option price of RM3.56 per share – 77,325 shares at option price of RM3.40 per share – 519,300 shares at option price of RM4.60 per share – 71,000 shares at option price of RM4.92 per share – 86,000 shares at option price of RM6.37 per share – 2,405,401 shares at option price of RM5.67 per share	3,420,926,452
18.01.2006	115,100	Exercise of share options under PBB ESOS as follows: – 8,600 shares at option price of RM3.56 per share – 83,500 shares at option price of RM4.60 per share – 23,000 shares at option price of RM4.92 per share	3,421,041,552
08.02.2006	329,363	Exercise of share options under PBB ESOS as follows: – 45,938 shares at option price of RM3.56 per share – 2,425 shares at option price of RM3.40 per share – 27,500 shares at option price of RM4.60 per share – 7,500 shares at option price of RM4.92 per share – 7,000 shares at option price of RM6.37 per share – 239,000 shares at option price of RM5.67 per share	3,421,370,915
28.02.2006	3,922,364	Exercise of share options under PBB ESOS as follows: – 302 shares at option price of RM1.64 per share – 234,931 shares at option price of RM3.56 per share – 20,125 shares at option price of RM3.40 per share – 293,500 shares at option price of RM4.60 per share – 63,500 shares at option price of RM4.92 per share – 255,000 shares at option price of RM6.37 per share – 3,055,006 shares at option price of RM5.67 per share	3,425,293,279
09.03.2006	8,050,287	Exercise of share options under PBB ESOS as follows: – 1,282 shares at option price of RM1.64 per share – 296,195 shares at option price of RM3.56 per share – 3,125 shares at option price of RM3.40 per share – 314,600 shares at option price of RM4.60 per share – 108,000 shares at option price of RM4.92 per share – 402,390 shares at option price of RM6.37 per share – 6,924,695 shares at option price of RM5.67 per share	3,433,343,566
14.03.2006	12,000	Exercise of share options under PBB ESOS at option price of RM5.67 per share	3,433,355,566



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
14.08.2006	1,960,920	Exercise of share options under PBB ESOS as follows: – 2,094 shares at option price of RM1.64 per share – 94,596 shares at option price of RM3.56 per share – 11,625 shares at option price of RM3.40 per share – 212,500 shares at option price of RM4.60 per share – 40,000 shares at option price of RM4.92 per share – 115,000 shares at option price of RM6.37 per share – 1,485,105 shares at option price of RM5.67 per share	3,435,316,486
22.08.2006	13,588,150	Exercise of share options under PBB ESOS as follows: – 17,923 shares at option price of RM1.64 per share – 411,452 shares at option price of RM3.56 per share – 44,250 shares at option price of RM3.40 per share – 555,000 shares at option price of RM4.60 per share – 72,900 shares at option price of RM4.92 per share – 319,000 shares at option price of RM6.37 per share – 12,167,625 shares at option price of RM5.67 per share	3,448,904,636
04.09.2006	1,147,600	Exercise of share options under PBB ESOS as follows: – 34,600 shares at option price of RM3.56 per share – 83,500 shares at option price of RM4.60 per share – 51,500 shares at option price of RM4.92 per share – 978,000 shares at option price of RM5.67 per share	3,450,052,236
22.09.2006	754,127	Exercise of share options under PBB ESOS as follows: – 16,127 shares at option price of RM3.56 per share – 22,000 shares at option price of RM4.60 per share – 7,000 shares at option price of RM4.92 per share – 16,000 shares at option price of RM6.37 per share – 693,000 shares at option price of RM5.67 per share	3,450,806,363
20.11.2006	1,735,884	Exercise of share options under PBB ESOS as follows: – 2,698 shares at option price of RM1.64 per share – 31,886 shares at option price of RM3.56 per share – 6,500 shares at option price of RM3.40 per share – 130,500 shares at option price of RM4.60 per share – 19,000 shares at option price of RM4.92 per share – 542,500 shares at option price of RM6.37 per share – 1,002,800 shares at option price of RM5.67 per share	3,452,542,247



**ISSUED AND PAID-UP SHARE CAPITAL**

<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Consideration</b>	<b>Total Issued and Paid-up Share Capital (RM)</b>
30.11.2006	3,142,529	Exercise of share options under PBB ESOS as follows: – 1,358 shares at option price of RM1.64 per share – 90,371 shares at option price of RM3.56 per share – 4,000 shares at option price of RM3.40 per share – 188,500 shares at option price of RM4.60 per share – 43,500 shares at option price of RM4.92 per share – 1,083,300 shares at option price of RM6.37 per share – 1,731,500 shares at option price of RM5.67 per share	3,455,684,776
05.12.2006	4,553,096	Exercise of share options under PBB ESOS as follows: – 4,092 shares at option price of RM1.64 per share – 161,211 shares at option price of RM3.56 per share – 18,793 shares at option price of RM3.40 per share – 349,600 shares at option price of RM4.60 per share – 78,000 shares at option price of RM4.92 per share – 1,655,200 shares at option price of RM6.37 per share – 2,286,200 shares at option price of RM5.67 per share	3,460,237,872
15.12.2006	2,407,500	Exercise of share options under PBB ESOS as follows: – 30,700 shares at option price of RM3.56 per share – 1,800 shares at option price of RM3.40 per share – 82,200 shares at option price of RM4.60 per share – 59,000 shares at option price of RM4.92 per share – 729,000 shares at option price of RM6.37 per share – 1,504,800 shares at option price of RM5.67 per share	3,462,645,372
22.12.2006	179,500	Exercise of share options under PBB ESOS as follows: – 17,500 shares at option price of RM4.60 per share – 50,000 shares at option price of RM6.37 per share – 112,000 shares at option price of RM5.67 per share	3,462,824,872

\* The number of shares allotted has been adjusted to reflect the consolidation of PBB shares from par value of RM0.50 to par value of RM1.00 on 2 June 2004.



## List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
<b>PUBLIC BANK BERHAD</b> Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Malaysia	36-storey office tower and 5-storey podium (L/B)	Public Bank's Head Office and Kuala Lumpur City Main Office; business premises of subsidiary and associated companies	Freehold	—	12 Years	46,436	2-1-1995	284,456
3 Jalan Central 96000 Sibul Sarawak Malaysia	5-storey shop lot (L/B)	Public Bank's Jalan Central Branch	Leasehold 60 years	10 Years (8-11-2016)	50 Years	1,392 ) ) ) )		34
28 – 29 Jalan Tun Haji Openg 93000 Kuching Sarawak Malaysia	Two 5-storey shop lots (L/B)	Vacant	Leasehold 847 years	778 Years (4-8-2784)	40 Years	1,308 ) ) ) ) )	31-3-2001* ) ) ) ) )	414
30 Jalan Tun Haji Openg 93000 Kuching Sarawak Malaysia	2-storey shop lot (L/B)	Vacant	Leasehold 844 years	775 Years (2-8-2781)	67 Years	198 ) ) ) )		
150 Jalan Bukit Bintang 55100 Kuala Lumpur Malaysia	5-storey shop lot (L/B)	Public Bank's Bintang Walk Branch	Freehold	—	35 Years	680	31-3-2001*	207
Parcels 2.18, 3.18 & 4.18 Merdeka Plaza 93000 Kuching Sarawak Malaysia	3 units of office space (ML)	Vacant	Leasehold 60 years	49 Years (27-8-2055)	—	1,197	31-3-2001*	2,711
7 & 9 Jalan Dato' Maharajalela 30000 Ipoh Perak Darul Ridzuan Malaysia	4½-storey office building (L/B)	Public Bank's Ipoh Main Office	Freehold	—	39 Years	1,339	4-1-1967	297



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
<b>PUBLIC MUTUAL BERHAD</b> Lot No: B045/B and Lot No: B045/C/1-3 to C/6-1 Sri Damansara Business Park Persiaran Industri Bandar Sri Damansara 52200 Kuala Lumpur Malaysia	5-storey commercial building (ML)	Public Mutual's Head Office	Freehold	—	9 Years	3,319	Block B 12-6-1995  Block C 20-6-1997	4,833
11 Jalan Bangsar Utama 3 Bangsar Utama 59000 Kuala Lumpur Malaysia	5-storey shop lot (L/B)	Public Mutual's Bangsar Branch	Leasehold 99 years	79 Years (3-12-2085)	18 Years	1,795	2-2-1990	1,277
15 Jalan Bangsar Utama 3 Bangsar Utama 59000 Kuala Lumpur Malaysia	5-storey shop lot (L/B)	Public Mutual's Bangsar Branch	Leasehold 99 years	79 Years (3-12-2085)	18 Years	816	13-10-2006	2,090
2nd Floor TB 323 (Lot 20) Block 38 Fajar Complex Jalan Haji Karim 91000 Tawau Sabah Malaysia	2nd floor of a 4-storey shop lot (SL)	Public Mutual's Tawau Branch	Leasehold 999 years	889 Years (31-12-2895)	36 Years	153	19-3-1992	83
Lot 205 & 206 Section 49 Jalan Tunku Rahman 93100 Kuching Sarawak Malaysia	2 lots of 4-storey office building (L/B)	Public Mutual's Kuching Branch	Leasehold 999 years	Lot 205 767 Years (31-12-2773)  Lot 206 767 Years (5-5-2773)	26 Years	365	14-2-2003	2,023



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
No. 16 Lintang Burma Pulau Tikus Georgetown 10250 Pulau Pinang Malaysia	5-storey office building (L/B)	Public Mutual's Penang Branch	Freehold	—	11 Years	1,241	6-4-2005	1,978
No. 3 Jalan Dato Teoh Siew Khor Bandar Kluang 86000 Johor Darul Takzim Malaysia	4-storey office building	Public Mutual's Kluang Branch	Leasehold 99 years	67 Years (17-2-2073)	Newly Completed	732	27-9-2006	1,019
Geran 652, Lot 59 Seksyen 57 Bandar Kuala Lumpur Daerah Kuala Lumpur Malaysia	Vacant land	Public Mutual's future new Head Quarters	Freehold	—	—	6,541	18-4-2006	60,761
<b>PUBLIC HOLDINGS SDN. BHD.</b> 87 Lebuhr Bishop 10200 Pulau Pinang Malaysia	3-storey shop lot (L/B)	Public Bank's Penang Branch	Freehold	—	84 Years	2,836	20-5-1994	464
60 – 68 Jalan Laksamana 75000 Melaka Malaysia	3-storey office building (L/B)	Public Bank's Melaka Branch	Leasehold 99 years	60 Years (14-7-2066)	36 Years	4,128	20-5-1994	901
Bangunan Public Bank 6 Jalan Sultan Sulaiman 50000 Kuala Lumpur Malaysia	30-storey office tower (L/B)	Public Bank's Jalan Sultan Sulaiman Branch and Head Office Division; PB Securities Sdn. Bhd.'s business premises; office space rented to related parties	Freehold	—	29 Years	18,277	9-12-1977	21,297





List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
40 & 42 Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Seri Petaling Branch	Leasehold 99 years	72 Years (5-4-2078)	24 Years	1,070	10-11-1992	562
3619 & 3620 Jalan Che' Ahmad 14300 Nibong Tebal Seberang Prai Selatan Pulau Pinang Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Nibong Tebal Branch	Freehold	—	24 Years	870	10-4-1986	561
11 & 13 Jalan Dato' Maharajalela 30000 Ipoh Perak Darul Ridzuan Malaysia	7½-storey office building (L/B)	Public Bank's Ipoh Main Office; office space rented to third parties	Freehold	—	35 Years	2,410	1-8-1990	2,748
Public Bank Tower 19 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Malaysia	30-storey office tower (L/B)	Public Bank's Johor Bahru Branch; office space rented to third parties and a related party	Freehold	—	12 Years	36,222	12-8-1991	47,589
1 Jalan Air Hitam Kawasan Institusi Bandar Baru Bangi 43000 Kajang Selangor Darul Ehsan Malaysia	Purpose built 5 multi-storey blocks building (L/B)	Public Bank's IT & Training Centre	Leasehold 99 years	90 Years (2-9-2096)	9 Years	31,669	3-9-1997	41,217
9 & 10 Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Malaysia	Two 3½-storey shop lots (L/B)	Public Bank's Bandar Puchong Jaya Branch	Freehold	—	12 Years	2,515	25-11-2002	5,800



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
1 & 3 Jalan MJ/2 Taman Majlis Jaya Jalan Sungai Chua 43000 Kajang Selangor Darul Ehsan Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Sungai Chua Branch	Leasehold 60 years	48 Years (19-12-2054)	10 Years	1,351	2-5-2003	2,196
66, 68 & 70 Jalan Burhanuddin Helmi Taman Tun Dr Ismail 60000 Kuala Lumpur Malaysia	Three 3-storey shop lots (L/B)	Public Bank's Taman Tun Dr Ismail Branch	Freehold	—	24 Years	1,526	15-7-2003	5,875
31, 33 & 35 Jalan Persiaran Perling Taman Perling 81200 Johor Bahru Johor Darul Takzim Malaysia	Three 3-storey shop lots (L/B)	Public Bank's Taman Perling Branch	Freehold	—	21 Years	1,135	22-1-2003	1,931
45, 47 & 49 Jalan 2/3A Off KM12 Pusat Bandar Utara Selayang 68100 Batu Caves Kuala Lumpur Malaysia	Three 4-storey shop lots (L/B)	Public Bank's Selayang Branch	Leasehold 99 years	80 Years (2086)	12 Years	1,609	3-10-2003	2,483
48 & 50, Jalan 6/116B Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Malaysia	Two ground and mezzanine floors of 4½-storey shop office/ apartment (ML)	Public Bank's Jalan Kuchai Lama Branch	Leasehold 90 years	75 Years (2081)	15 Years	495	12-4-2004	1,162
85, 87 & 89, Jalan Selat Taman Selat 12000 Butterworth Pulau Pinang Malaysia	Three 4-storey shop lots (L/B)	Public Bank's Butterworth Branch	Freehold	—	23 Years	2,012	14-7-2003	2,261



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
11 & 12, Jalan Kristal 2 Taman Kristal 86400 Parit Raja Johor Darul Takzim Malaysia	Two 3-storey shop lots	Public Bank's Parit Raja Branch	Freehold	—	2 Years	374	3-3-2005	1,451
4, 6, 8 & 10 Persiaran Bercham Selatan 2, 31400 Ipoh Perak Darul Ridzuan Malaysia	Four 3-storey shop lots	Public Bank's Bercham Branch	Leasehold 99 years	85 Years (1-11-2091)	2 Years	486	3-3-2005	2,137
<b>PB PROPERTIES SDN. BHD.</b> 33 & 35 Jalan Pantai Jerjak 13 Sungai Nibong 11900 Pulau Pinang Malaysia	Two 2-storey shop lots (L/B)	Public Bank's Sg. Nibong Branch	Freehold	—	26 Years	483	15-12-1986	454
37 Jalan Pantai Jerjak 13 Sungai Nibong 11900 Pulau Pinang Malaysia	2-storey shop lots (L/B)	Public Bank's Sg. Nibong Branch	Freehold	—	26 Years	242	27-2-2004	598
2 Jalan Nakhoda 12 Taman Ungku Tun Aminah 81300 Skudai Johor Darul Takzim Malaysia	2-storey shop lot (L/B)	Public Bank's Skudai Branch	Freehold	—	26 Years	389	10-12-1987	225
Wisma Public Bank 15 Jalan Pulau 96000 Sibul Sarawak Malaysia	13-storey office building (L/B)	Vacant	Leasehold 60 years	53 Years (24-2-2059)	12 Years	12,737	29-8-1988	11,053
Lot 336 Jalan Chong Ah Peng 35900 Tanjung Malim Perak Darul Ridzuan Malaysia	2-storey shop lot (L/B)	Public Bank's Tanjung Malim Branch	Freehold	—	23 Years	353	23-6-1989	168



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
28 China Street 98000 Miri Sarawak Malaysia	4-storey shop lot (L/B)	Public Bank's China Street Branch	Leasehold 60 years	45 Years (7-7-2051)	17 Years	1,159	10-8-1989	1,385
160 & 162 Kompleks Munshi Abdullah Jalan Munshi Abdullah 75100 Melaka Malaysia	2½ floors of two 4½-storey shop lots (ML)	Public Bank's Melaka Credit Control Centre/Securities Documentation Centre	Leasehold 99 years	78 Years (24-2-2084)	16 Years	719	2-5-1991	556
Lot 643, Batu Niah Town Extension 98200 Batu Niah Sarawak Malaysia	2-storey shop lot (L/B)	Public Bank's Batu Niah Branch	Freehold	—	11 Years	383	4-10-1996	333
76 Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Malaysia	2-storey shop lot (L/B)	Public Bank's Jalan Sultan Idris Shah Branch	Freehold	—	67 Years	815	15-7-1991	690
Lot 1 Block B-8 Jalan Arusap 89000 Keningau Sabah Malaysia	3-storey shop lot (L/B)	Rented to third party	Leasehold 999 years	918 Years (27-4-2924)	14 Years	558	8-1-1993	500
Sublots 110 & 111 Mukah New Township 96400 Mukah Sarawak Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Mukah Branch	Leasehold 58 years	45 Years (3-9-2051)	12 Years	632	21-11-1995	552
Lot 3 & 4, Block A Hiong Tiong Industrial Centre KM11.2 Jalan Tuaran 88450 Inanam Kota Kinabalu Sabah Malaysia	Two 4-storey shop lots (L/B)	Rented to third party	Leasehold 999 years	909 Years (31-12-2915)	11 Years	870	26-12-1996	900



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
Wisma Public Bank 300 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	14-storey office building (L/B)	Public Bank's Tiong Nam Branch	Freehold	—	19 Years	10,395	27-8-2003	24,680
4223 Jalan Bagan Luar 12000 Butterworth Pulau Pinang Malaysia	3-storey shop lot (L/B)	Public Mutual's Butterworth Branch	Freehold	—	41 Years	542	6-10-1997	1,070
20-26 Jalan Hang Lekiu 50100 Kuala Lumpur Malaysia	4-storey office building (L/B)	Public Bank's Jalan Hang Lekiu Branch	Freehold	—	9 Years	1,551	27-8-1998	3,142
9D & 9E Jalan Kampung Baru 08000 Sg. Petani Kedah Darul Aman Malaysia	Two 4-storey shop lots (L/B)	Public Bank's Jalan Kampung Baru Branch	Freehold	—	12 Years	866	26-9-1998	1,497

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (USD'000)
<b>PUBLIC BANK (L) LTD.</b> Block D (02-3, 03-1, 03-3) & Block C (04-01) Kerupang II Apartments Jalan Batu Arang 87000 Federal Territory of Labuan Malaysia	4 apartment units (ML)	Apartments rented to staff of Public Bank (L) Ltd. and third parties	Leasehold 99 years	52 Years (26-4-2058)	11 Years	303	6-7-1996	118



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
<b>PUBLIC FINANCIAL HOLDINGS GROUP ("PFH GROUP")</b>								
Shop 7 Ground Floor Mei Hang Building 15/17, 21/25, 29/33, 37/41 & 45 Kai Man Path Tuen Mun New Territories Hong Kong	A shop unit on the ground floor of a 5-storey composite building	Public Finance Ltd's Tuen Mun Branch	Leasehold 149 years	41 Years (30-6-2047)	33 Years	84	30-6-1980	1,718
Shop A Ground Floor Kong Kai Building 184 Aberdeen Main Road Aberdeen Hong Kong	A shop unit on the ground floor of a 22-storey residential building built on a 2-storey commercial podium	Public Finance Ltd's Aberdeen Branch	Leasehold 999 years	853 Years (26-12-2859)	17 Years	68	9-3-1990	3,610
Ground Floor Yue Yee Mansion 92 Shung Ling Street San Po Kong Kowloon Hong Kong	Ground floor of a 7-storey Chinese tenement building	Public Finance Ltd's San Po Kong Branch	Leasehold 149 years	41 Years (30-6-2047)	42 Years	94	9-6-1990	2,658
Fiat F 29th Floor Pine Mansion Harbour View Gardens 26 Taikoo Wan Road Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 30-storey residential building	Leased to Public Bank Berhad	Leasehold 999 years	893 Years (18-4-2899)	23 Years	91	3-10-1990 (R)	5,064



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
Units 1003-1005 10th Floor Fortress Tower 250 King's Road North Point Hong Kong	3 office units on the 10th floor of a 20-storey office building built on a 4-storey commercial podium	PFH Group IT Centre	Leasehold 150 years	120 Years (26-8-2126)	23 Years	293	18-3-1992	7,961
Apartment A 14th Floor Tower II Regent on The Park 9A Kennedy Road Wanchai Hong Kong	A residential unit on the 14th floor of a 34-storey residential building	Residential quarters for staff of PFH Group	Leasehold 150 years	124 Years (19-10-2130)	21 Years	253	5-3-1993	9,091
Ground Floor & Open Yard Golden Dragon Mansion 751 Nathan Road Mongkok Kowloon Hong Kong	Ground floor of a 14-storey composite building	Public Finance Ltd's Prince Edward Road Branch	Leasehold 150 years	73 Years (18-8-2079)	36 Years	130	24-5-1993	13,587
11th Floor Wing On House 71 Des Voeux Road Central Central Hong Kong	11th floor of a 31-storey office building built on a 2-storey podium	Office of PFH Group. A portion is leased to Public Bank Berhad, Hong Kong branch as office	Leasehold 999 years	896 Years (14-8-2902)	39 Years	1,464	11-6-1993	84,413



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
Shop B Ground Floor and Office B 1st to 17th Floor JCG Building 16 Mongkok Road Mongkok Kowloon Hong Kong	A shop unit on ground floor and all B units for 1st to 17th floors of an 18-storey commercial building with shops and offices	Public Finance Ltd's Mongkok Branch; store room of PFH Group; office space leased to third parties; few floors are vacant	Leasehold 150 years	44 Years (27-5-2050)	19 Years	2,215	30-6-1994 (R)	99,928
Flat F 24th Floor Ngan Sing Mansion Sing Fai Terrace 1 Tai Fung Avenue Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 26-storey residential building built on a podium	Leased to a member of PFH Group as staff quarters	Leasehold 999 years	893 Years (18-4-2899)	22 Years	76	1-8-1995	4,297
Ground Floor Ruby Commercial Building 480 Nathan Road Yau Ma Tei Kowloon Hong Kong	Ground floor of a 16-storey commercial building	Public Finance Ltd's Nathan Road Branch	Leasehold 150 years	61 Years (22-10-2067)	24 Years	110	14-1-2000	10,864
Shop Nos. 51 to 53 1st Floor Harbour Crystal Centre 100 Granville Road Tsimshatsui Kowloon Hong Kong	3 commercial units on the 1st floor of a 16-storey commercial building	Public Finance Ltd's Tsimshatsui Branch	Leasehold 150 years	122 Years (10-12-2128)	24 Years	131	1-11-2000	2,498
Ground Floor, Section B Lot No. 3704 DD120 Yuen Long New Territories Hong Kong	Ground floor of a 5-storey composite building	Public Finance Ltd's Yuen Long Branch	Leasehold 149 years	41 Years (30-6-2047)	49 Years	102	23-4-2001	15,231





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Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
Ground Floor Wing On House 71 Des Voeux Road Central Central Hong Kong	Ground floor of a 31-storey office building built on a 2-storey podium	Leased to Public Bank Berhad, Hong Kong branch for business	Leasehold 999 years	896 Years (14-8-2902)	39 Years	113	15-10-2003 (R)	32,150
Workshops A, B and C Ground Floor and Flat E 9th Floor Hung Cheong Factory Building 742 – 748 Cheung Sha Wan Road 3 Kwong Cheung Street Cheung Sha Wan Kowloon Hong Kong	3 workshop units on the ground floor and a unit on the 9th floor of a 12-storey industrial building with 9th to 11th floor designated for workers' quarters	Portion of workshops on ground floor and whole flat E at 9th floor are leased to third parties. Other portion is occupied by PFH Group as office	Leasehold 149 years	41 Years (27-6-2047)	41 Years	Workshop A, B, C 682  Flat E 68	24-7-1992 (R)	14,945
Workshops E1 and F1 10th Floor Hang Fung Industrial Building Phase 1 2G Hok Yuen Street Hung Hom Kowloon Hong Kong	2 workshops on the 10th floor of a 13-storey industrial building	Occupied by PFH Group as store room	Leasehold 150 years	41 Years (15-9-2047)	27 Years	962	24-7-1992	2,622
11th Floor Argyle Centre Phase 1 688 Nathan Road 65 Argyle Street Mongkok Kowloon Hong Kong	Office space on the 11th Floor of a 21-storey commercial building	PFH Group office; office space leased to third parties	Leasehold 150 years	54 Years (18-2-2060)	24 Years	1,465	2-5-1994 (R)	86,800



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
4th Floor 581 Nathan Road Mongkok Kowloon Hong Kong	4th floor of a 7-storey composite building with shops and domestic flat	Used by PFH Group as store room	Leasehold 150 years	31 Years (25-12-2037)	37 Years	55	14-6-1984	163
2nd Floor 575 A Nathan Road Mongkok Kowloon Hong Kong	2nd floor of an 8-storey composite building with shops and domestic flat	Leased to third parties	Leasehold 150 years	31 Years (25-12-2037)	48 Years	65	9-1-1987 (R)	1,000
Unit 3 5th Floor Telford House 16 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	An office unit on 5th floor of a 23-storey commercial building	Leased to third parties	Leasehold 149 years	41 Years (30-6-2047)	12 Years	90	30-5-2006** (R)	4,700
Shop 3C 1st floor Telford House 16 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	A shop unit on 1st floor of a 23-storey commercial building	Leased to third parties	Leasehold 149 years	41 Years (30-6-2047)	12 Years	47	30-5-2006** (R)	8,500
Ground Floor 17 South Wall Road and the whole block of 19 South Wall Road Kowloon Hong Kong	A shop unit on ground floor of a 5-storey tenement block and whole block of a 5-storey tenement block	Public Bank (HK) Ltd's Kowloon City Branch	Leasehold 149 years	41 Years (30-6-2047)	29 Years	432	30-5-2006**	19,131



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Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
Shop 5 Ground Floor Fu Ho Building 3-7 Kau Yuk Road Yuen Long New Territories Hong Kong	A shop unit on ground floor of a 14-storey composite building	Public Bank (HK) Ltd's Yuen Long Branch	Leasehold 149 years	41 Years (30-6-2047)	27 Years	82	30-5-2006**	12,299
Shop B Ground Floor Victory Court 185-187 Castle Peak Road Tsuen Wan New Territories Hong Kong	A shop unit on ground floor of a 24-storey composite building	Public Bank (HK) Ltd's Tsuen Wan Branch	Leasehold 149 years	41 Years (30-6-2047)	26 Years	149	30-5-2006**	13,177
Units 801, 808-812 Metroplaza Tower 2 223 Hing Fong Road Kwai Fong New Territories Hong Kong	6 office units on level 8 of a 35-storey office building on 9-storey commercial carpark podium	Public Bank (HK) Ltd's Kwai Fong Branch and backup office	Leasehold 149 years	41 Years (30-6-2047)	14 Years	527	30-5-2006**	22,743
Units 1-5 24th Floor Luen Cheong Can Centre Tuen Mun New Territories Hong Kong	5 industrial units on the 24th floor of a 26-storey industrial building	Public Bank (HK) Ltd's warehouse	Leasehold 149 years	41 Years (30-6-2047)	14 Years	1,053	30-5-2006**	2,537
Basement, Ground Floor 1st – 12th Floor Flat A & B on 14th Floor, 17th Floor, Flat A on 19th Floor, 21st Floor and Main Roof Public Bank Centre 120 Des Voeux Road Central Hong Kong	A shop unit on ground floor and basement; and office floors of a 23-storey commercial building	Public Bank (HK) Ltd's Main Office and branch office; A portion of 17th floor leased to third parties	Leasehold 999 years	836 Years (26-6-2842)	29 Years	5,451	30-5-2006** (R)	250,858



List of Properties **owned by Public Bank Group** as at 31 December 2006

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
Unit 40-41 Ground Floor Hung Hom Commercial Centre 37-39 Ma Tau Wai Road Kowloon Hong Kong	2 shop units on ground floor of a 14-storey commercial building	Public Bank (HK) Ltd's Tokwawan branch	Leasehold 149 years	41 Years (15-9-2047)	24 Years	184	30-5-2006**	15,616
Shop B1 Ground Floor Hong Kong Plaza 188 Connaught Road West Hong Kong	A shop unit on ground floor of a 42-storey commercial building	Public Bank (HK) Ltd's Shek Tong Tsui branch	Leasehold 150 years (for Lot no 289)  Leasehold 999 years (for Lot no 302)	48 Years (27-12-2054)  896 Years (3-9-2902)	) 23 Years ) ) ) ) )	180	30-5-2006**	13,481
Shop 1 Ground Floor Carrianna Friendship Square Renminnan Road Shenzhen PRC	A shop unit on ground floor of a 33-storey composite building	Public Bank (HK) Ltd's Shenzhen branch	Leasehold 50 years	35 Years (17-12-2041)	9 Years	168	30-5-2006**	28,075

**NOTES:**

(L/B) - Land and building

(ML) - Building with land held under master title, pending issuance of strata land title

(SL) - Building with strata land title

(R) - Revaluation was performed as at 20 December 2006

\* The acquisition date for all properties vested over from HHB Holdings Berhad is 31 March 2001.

\*\* The acquisition date for all properties vested over from Public Bank (Hong Kong) Limited is 30 May 2006.

PFH Group hold the land portion of all properties by means of leases, in Hong Kong SAR.



## International Network



## Group Corporate Directory


**PUBLIC BANK**
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BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>FEDERAL TERRITORY</b>			
• <b>Bangsar</b>	36 & 38, Jalan Maarof, Bangsar, 59100 Kuala Lumpur	03-22828929 03-22828930	03-22828917
• <b>Bintang Walk</b>	150, Jalan Bukit Bintang, 55100 Kuala Lumpur	03-21427969	03-21421241
• <b>Bukit Damansara</b>	36 – 40, Medan Setia 2, Plaza Damansara Bukit Damansara, 50490 Kuala Lumpur	03-20954278 03-20954922	03-20949403 03-20943844 03-20956417 (RCB)
• <b>Changkat Thambi Dollah</b>	85 & 87, Changkat Thambi Dollah, Off Jalan Pudu 55100 Kuala Lumpur	03-21454492 03-21454498	03-21454462 03-21415266
• <b>Jalan Bukit Bintang</b>	Sun Complex, Jalan Bukit Bintang, 55100 Kuala Lumpur	03-21445755 03-21445759	03-21445751
• <b>Jalan Hang Lekiu</b>	20 – 26, Jalan Hang Lekiu, 50100 Kuala Lumpur	03-20787077 03-20781115	03-20726155
• <b>Jalan Ipoh</b>	Wisma Yap Ka, 480, Batu 3, Jalan Ipoh 51200 Kuala Lumpur	03-40427487 03-40427488	03-40420032
• <b>Jalan Kelang Lama</b>	3045 – 3051, Batu 4½, Jalan Kelang Lama 58000 Kuala Lumpur	03-79811211 03-79811212	03-79816939
• <b>Jalan Kuchai Lama</b>	52 & 54, Jalan 6/116B, Kuchai Entrepreneurs' Park 58200 Kuala Lumpur	03-79804377 03-79804575	03-79843411
• <b>Jalan Pasar</b>	44 & 46, Jalan Pasar, 55100 Kuala Lumpur	03-21429160 03-21429144 03-21429110	03-21429916
• <b>Jalan Raja Chulan</b>	Wisma Lim Foo Yong, 86, Jalan Raja Chulan 50200 Kuala Lumpur	03-21418255 03-21418366	03-21487721
• <b>Jalan Raja Laut</b>	Lot G3 & 1A.2 Bangunan KWSP 5, Jalan Raja Laut, 50350 Kuala Lumpur	03-26930722	03-26914624
• <b>Jalan Sultan Sulaiman</b>	Bangunan Public Bank, 6 Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20702711	03-22745909
• <b>Jalan Sungei Besi</b>	12, Jalan Sungei Besi, 57100 Kuala Lumpur	03-92214771 03-92215655	03-92212968
• <b>Jalan Tun H.S. Lee</b>	Lot G.01, Plaza First Nationwide 161, Jalan Tun H.S. Lee, 50000 Kuala Lumpur	03-20702121 03-20702234	03-20702250
• <b>Jalan Tun Sambanthan</b>	68, Jalan Tun Sambanthan, Brickfields 50470 Kuala Lumpur	03-22736494 03-22725930	03-22736513
• <b>Jinjang</b>	3476 & 3477, Garden Street Jinjang Utara, 52000 Kuala Lumpur	03-62523355 03-62523356	03-62522422
• <b>Kampung Baru</b>	Wisma Le Proton, 134, Jalan Raja Abdullah Kampung Baru, 50300 Kuala Lumpur	03-26928749 03-26927269	03-26927188



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<b>FEDERAL TERRITORY</b>			
• <b>Kepong</b>	17, 19 & 21, Jalan Ambong Kiri Dua, Kepong Baru 52100 Kuala Lumpur	03-62570032 03-62574690	03-62516611 03-62519386
• <b>KL City Main Office</b>	Ground Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21767888 03-21638866	03-21639901
• <b>Medan Idaman</b>	Medan Idaman Business Centre, 4 & 6, Jalan 2/21D Batu 5 Jalan Gombak, 53000 Kuala Lumpur	03-40234467 03-40234478	03-40234497
• <b>Overseas Union Garden</b>	3 & 5, Medan Hujan Rahmat, Taman Overseas Union 58200 Kuala Lumpur	03-77856409 03-77856410	03-77856412
• <b>Salak South</b>	31 & 33, Jalan 3/108C, Taman Sungai Besi Salak South, 57100 Kuala Lumpur	03-79805190 03-79802921 03-79805224	03-79805230
• <b>Segambut</b>	75 & 77, Jalan Segambut Pusat 51200 Kuala Lumpur	03-62527052 03-62527054	03-62527057 03-62526620
• <b>Selayang</b>	45, 47 & 49, Jalan 2/3A, Pusat Bandar Utara Selayang, Batu Caves, 68100 Kuala Lumpur	03-61368644 03-61368645	03-61368651 03-61374918
• <b>Sentul</b>	36, 38 & 40, Jalan 14/48A Sentul Raya Off Jalan Sentul, 51000 Kuala Lumpur	03-40421509 03-40421811	03-40421822
• <b>Seri Petaling</b>	40 – 42, Jalan Radin Tengah Bandar Baru Seri Petaling, 57000 Kuala Lumpur	03-90585711 03-90585712	03-90570415 03-90582026
• <b>Setapak</b>	263, 265, 267 & 269, Jalan Genting Kelang Setapak, 53300 Kuala Lumpur	03-40219343 03-40219341	03-40219351
• <b>Taman Cheras</b>	1, 3 & 5, Jalan 4/96A, Taman Cheras Makmur 56100 Kuala Lumpur	03-91313581 03-91313466	03-91304586
• <b>Taman Connaught</b>	80 & 82, Jalan Cerdas, Taman Connaught Cheras, 56000 Kuala Lumpur	03-91017152 03-91023649	03-91023645
• <b>Taman Desa</b>	Lot 1A – 3A, Business Centre, Taman Desa Off Jalan Kelang Lama, 58100 Kuala Lumpur	03-79837811 03-79837812	03-79818069
• <b>Taman Maluri</b>	275 & 277, Jalan Mahkota, Taman Maluri Cheras, 55100 Kuala Lumpur	03-92859994 03-92857203	03-92856811
• <b>Taman Midah</b>	2, Jalan Midah 3, Taman Midah, 56000 Kuala Lumpur	03-91300533 03-91300234	03-91309226
• <b>Taman Tun Dr. Ismail</b>	66, 68 & 70, Jalan Burhanuddin Helmi Taman Tun Dr. Ismail, 60000 Kuala Lumpur	03-77294672 03-77299440	03-77298754 03-77223719
• <b>Tiong Nam</b>	Wisma Public Bank, 300, Jalan Raja Laut 50350 Kuala Lumpur	03-26939555 03-26939528	03-26914673
• <b>Wangsa Maju</b>	24 – 26, Jalan 1A/27A, Section 1 Wangsa Maju, 53300 Kuala Lumpur	03-41428577 03-41428579	03-41429281
• <b>Labuan</b>	Lucas Kong Building, 5, Jalan Merdeka 87007 Wilayah Persekutuan, Labuan	087-414201 087-414278	087-412388



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<b>JOHOR</b>			
• <b>Bandar Baru Permas Jaya</b>	17 & 19, Jalan Permas 10/1 Bandar Baru Permas Jaya, 81750 Masai, Johor	07-3883252 07-3883253 07-3883254	07-3883259
• <b>Batu Pahat</b>	116, 117 & 118, Jalan Chengal, Taman Makmur 83000 Batu Pahat, Johor	07-4344941 07-4344942	07-4319120
• <b>Bukit Pasir</b>	31, Taman Bahagia, Jalan Panchor Bukit Pasir, 84300 Muar, Johor	06-9856878 06-9857261	06-9856811
• <b>Chaah</b>	3 & 5, Jalan Yong Peng 85400 Chaah, Johor	07-9262001 07-9262002	07-9262008
• <b>Endau</b>	811 & 812, Jalan Aman, Taman Bahagia 86900 Endau, Johor	07-7944051 07-7944155	07-7944086
• <b>Jalan Abdullah</b>	74 & 76, Jalan Abdullah, 84000 Muar, Johor	06-9518753 06-9518760	06-9519550
• <b>Johor Bahru</b>	Level 1, 2 & 12, Public Bank Tower 19, Jalan Wong Ah Fook, 80000 Johor Bahru, Johor	07-2241733	07-2223813 (Level 1) 07-2241527 (Level 2) 07-2221988 (Level 12)
• <b>Kahang</b>	12, Jalan Parang 1, Taman Sri Kahang 86700 Kahang, Johor	07-7882294 07-7882295	07-7882297
• <b>Kluang</b>	8D & 8E, Jalan Dato' Haji Hassan 86000 Kluang, Johor	07-7735112 07-7735113	07-7735117
• <b>Kota Tinggi</b>	8L & 8M, Jalan Tun Habab 81900 Kota Tinggi, Johor	07-8834835 07-8834687	07-8834852
• <b>Kulai</b>	42-1, 42-2 & 42-3, Jalan Raya, Kulai Besar 81000 Kulai, Johor	07-6634166 07-6634167	07-6635761
• <b>Masai</b>	1 & 3, Jalan Suria 3, Bandar Seri Alam 81750 Masai, Johor	07-2522498 07-2522500	07-2511795
• <b>Mersing</b>	21 & 22, Jalan Sulaiman 86800 Mersing, Johor	07-7992695 07-7992697	07-7992530 07-7993912
• <b>Muar</b>	47, 48, 49 & 50, Jalan Sayang 84000 Muar, Johor	06-9517505 06-9517520	06-9523033
• <b>Parit Raja</b>	11 & 12, Jalan Kristal, Taman Kristal 2 86400 Parit Raja, Batu Pahat, Johor	07-4542855 07-4542857/59	07-4542844
• <b>Pekan Nenas</b>	SH9 & SH10, Main Road 81500 Pekan Nenas, Johor	07-6995352 07-6995594	07-6995351
• <b>Pontian Kecil</b>	761 & 762, Jalan Taib, 82000 Pontian, Johor	07-6879601 07-6879602	07-6876144 07-6877844 07-6878424
• <b>Segamat</b>	62H & 62I, Jalan Genuang, 85000 Segamat, Johor	07-9313930 07-9313900	07-9310854
• <b>Simpang Renggam</b>	29, Jalan Kijang, Taman Mohd Yassin 86200 Simpang Renggam, Johor	07-7550511 07-7550512	07-7550513
• <b>Skudai</b>	2 & 4, Jalan Nakhoda 12, Taman Ungku Tun Aminah 81300 Skudai, Johor	07-5570007 07-5570008	07-5560303





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<b>JOHOR</b>			
• <b>Tangkak</b>	125, Jalan Muar, 84900 Tangkak, Johor	06-9782123 06-9782124	06-9783733
• <b>Taman Desa Cemerlang</b>	2, 4 & 6, Jalan Johar 2, Taman Desa Cemerlang 81800 Ulu Tiram, Johor	07-8616450	07-8616884 07-8618934
• <b>Taman Johor Jaya</b>	29, 31, 33 & 35, Jalan Rosmerah 2/10 Taman Johor Jaya, 81100 Johor Bahru, Johor	07-3513128 07-3523128	07-3547113
• <b>Taman Munsyi Ibrahim</b>	48 & 50, Jalan Dian 8, Taman Munsyi Ibrahim 81200 Johor Bahru, Johor	07-2346820 07-2346821	07-2346790
• <b>Taman Perling</b>	31, 33 & 35, Jalan Persisiran Perling Taman Perling, 81200 Johor Bahru, Johor	07-2344919 07-2344608	07-2345850
• <b>Taman Sentosa</b>	G1 & G2, Wisma Daiman, 64, Jalan Sulam Taman Sentosa, 80150 Johor Bahru, Johor	07-3316521 07-3312266	07-3312666
• <b>Tampoi</b>	14 & 16, Jalan Sri Bahagia 10, Taman Sri Bahagia Off Jalan Tampoi, 81200 Johor Bahru, Johor	07-2377184 07-2377519	07-2378042
• <b>Ulu Tiram</b>	8 & 9, Jalan Raya, Taman Tiram Baru 81800 Ulu Tiram, Johor	07-8613291 07-8613292	07-8612666
<b>KEDAH</b>			
• <b>Alor Setar</b>	1070 & 1071, Jalan Telok Wanjah 05200 Alor Setar, Kedah	04-7315411 04-7315412	04-7315778
• <b>Changlun</b>	73, Jalan Sintok, Pekan Baru 06010 Changlun, Kedah	04-9241457 04-9241085	04-9241870
• <b>Gurun</b>	39 – 41 Jalan Raya, 08300 Gurun, Kedah	04-4686143 04-4686325	04-4687024
• <b>Jalan Kota</b>	1557, Jalan Kota, 05000 Alor Setar, Kedah	04-7310559 04-7311384	04-7317716
• <b>Jitra</b>	9 & 10, Kompleks Jitra, 06000 Jitra, Kedah	04-9174926 04-9174927	04-9174931
• <b>Kuala Ketil</b>	45 & 46, Jalan Putra, Taman Tanjung Peteri 09300 Kuala Ketil, Kedah	04-4163278 04-4163318	04-4163103
• <b>Kulim</b>	173 & 174, Jalan Tunku Putra 09000 Kulim, Kedah	04-4901090 04-4901096	04-4907502
• <b>Pokok Sena</b>	A-01, Jalan Semarak 1, Taman Bandar Baru 06400 Pokok Sena, Kedah	04-7822000 04-7822008 04-7825872	04-7821019
• <b>Pulau Langkawi</b>	23, 25 & 27, Jalan Pandak Mayah 4 Pusat Bandar Kuah, 07000 Pulau Langkawi, Kedah	04-9667372 04-9667373	04-9667435
• <b>Sik</b>	443 & 444, Jalan Tunku Ibrahim 08200 Sik, Kedah	04-4695764 04-4695691	04-4695664
• <b>Sungai Petani</b>	83A-D, 84A-D & 85A-D, Jalan Pengkalan, Susur Kiri Taman Pekan Baru, 08000 Sungai Petani, Kedah	04-4217622 04-4217623	04-4211979 04-4213393



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<b>KELANTAN</b>			
• <b>Gua Musang</b>	42, Jalan Besar, 18300 Gua Musang, Kelantan	09-9122600 09-9122602	09-9122603
• <b>Kota Bharu</b>	PT 197-199, Jalan Pintu Pong 15000 Kota Bharu, Kelantan	09-7442269 09-7446944	09-7482110
• <b>Kuala Krai</b>	91 & 92, Jalan Chin Hua 18000 Kuala Krai, Kelantan	09-9664027 09-9664028	09-9664042
• <b>Tanah Merah</b>	443 & 444, Jalan Dato' Nik Mustapha 17500 Tanah Merah, Kelantan	09-9556244 09-9556139	09-9556944
<b>MELAKA</b>			
• <b>Air Keroh</b>	26 & 27, Lorong Setia Satu, Air Keroh Heights 75450 Melaka	06-2327208 06-2327209	06-2327205
• <b>Batu Berendam</b>	46 & 48, Jalan Mutiara Melaka 2 Mutiara Melaka, Batu Berendam, 75350 Melaka	06-3176204 06-3176205	06-3176203
• <b>Masjid Tanah</b>	Lot 367 & 368, Kompleks Perniagaan 78300 Masjid Tanah, Melaka	06-3847712 06-3847713	06-3847717
• <b>Melaka</b>	60 – 68, Jalan Laksamana, 75000 Melaka	06-2830233	06-2844552
• <b>Taman Malim Jaya</b>	6 & 8, Jalan Suria 2, Taman Malim Jaya 75250 Melaka	06-3346397 06-3346404	06-3346412
• <b>Taman Melaka Raya</b>	566, 567 & 568, Jalan Merdeka Taman Melaka Raya, 75000 Melaka	06-2817527 06-2817528	06-2818806
• <b>Tengkera</b>	300, 300A, 300B & 300-1, Jalan Ong Kim Wee 75300 Melaka	06-2832052 06-2832054/72	06-2832159
<b>NEGERI SEMBILAN</b>			
• <b>Bahau</b>	120 & 121, Jalan Gurney 72100 Bahau, Negeri Sembilan	06-4544102 06-4544103	06-4545270
• <b>Gemas</b>	12, Jalan Mahkamah 73400 Gemas, Negeri Sembilan	07-9481770 07-9481780	07-9481110
• <b>Kuala Pilah</b>	564, Jalan Perpateh 72000 Kuala Pilah, Negeri Sembilan	06-4812277 06-4812299	06-4815544
• <b>Kuala Kelawang</b>	128A & 128B, Jalan Syed Ali 71600 Kuala Kelawang, Jelebu, Negeri Sembilan	06-6136925 06-6136926	06-6137110
• <b>Nilai</b>	168 – 170, Jalan Besar 71800 Nilai, Negeri Sembilan	06-7991066 06-7991067	06-7991337
• <b>Port Dickson</b>	866 & 867, Jalan Pantai 71000 Port Dickson, Negeri Sembilan	06-6472942 06-6472943	06-6474831 06-6474708
• <b>Rasah</b>	1281 – 1284, Jalan Rasah 70300 Seremban, Negeri Sembilan	06-7620623 06-7625544	06-7637622 06-7616671
• <b>Seremban</b>	44 – 46, Jalan Dato' Lee Fong Yee 70000 Seremban, Negeri Sembilan	06-7630661 06-7630662	06-7634500
• <b>Tampin</b>	4707 & 4708, Jalan Besar 73000 Tampin, Negeri Sembilan	06-4412511/12 06-4415785	06-4414814



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<b>PAHANG</b>			
• Benta	21 & 22, Rumahkedai LKNP 27300 Benta, Pahang	09-3238622 09-3238621	09-3238614
• Bentong	25 – 27, Jalan Chui Yin 28700 Bentong, Pahang	09-2225653 09-2225659	09-2225663
• Bureau De Change Resorts Hotel Genting Highlands	7th Floor, Resorts Hotel, Genting Highlands Resort 69000 Genting Highlands, Pahang	03-61011237	03-61011257
• Brinchang	MDCH 41 – 43, Bandar Baru Brinchang 39100 Brinchang, Cameron Highlands, Pahang	05-4911590 05-4912682	05-4911508
• Genting Highlands	Lot F/L 1.2, First World Hotel, Genting Highlands Resort 69000 Genting Highlands, Pahang	03-64360088 03-64360145	03-64360099
• Jalan Beserah	B-350, Jalan Beserah, 25300 Kuantan, Pahang	09-5678461 09-5688088	09-5686366
• Jerantut	K-20 & K-21, Jalan Tahan, Bandar Baru 27000 Jerantut, Pahang	09-2661917 09-2662351	09-2661875
• Kemayan	30 & 32, Ground Floor, Jalan Besar 28380 Kemayan, Pahang	09-2409824 09-2409866	09-2409825
• Kuala Lipis	5G & 5H, Jalan Pekeliling, 27200 Kuala Lipis, Pahang	09-3122077	09-3123588
• Kuantan	79 – 85, Jalan Haji Abdul Aziz 25000 Kuantan, Pahang	09-5179822 09-5178288	09-5161519
• Mentakab	16 – 18, Jalan Bunga Matahari 28400 Mentakab, Pahang	09-2775800 09-2775801	09-2773011
• Raub	18 & 19, Bandar Raub Perdana, Jalan Lipis 27600 Raub, Pahang	09-3553471 09-3553502	09-3554918
• Temerloh	74 & 75, Jalan Ahmad Shah 1, Lurah Temerloh 28000 Temerloh, Pahang	09-2965652 09-2965662	09-2965643
• Triang	38 & 39, Jalan Temerloh, 28300 Triang, Pahang	09-2553480 09-2553481	09-2553486
<b>PERAK</b>			
• Ayer Tawar	139 & 141, Jalan Besar, 32400 Ayer Tawar, Perak	05-6726399 05-6726400	05-6726402
• Bagan Serai	244 & 244A, Jalan Besar, 34300 Bagan Serai, Perak	05-7212842 05-7212843	05-7212845
• Bidor	62D – 62E, Jalan Besar, 35500 Bidor, Perak	05-4341257 05-4340964	05-4341241
• Bercham	4, 6, 8 & 10, Persiaran Bercham Selatan 2 31400 Ipoh, Perak	05-5480058 05-5480632	05-5480333 05-5473888
• Chemor	12 – 16, Laluan Chemor Sinaran, Desa Chemor Sinaran 31200 Chemor, Perak	05-2011124 05-2011125	05-2011573
• Gunung Rapat	296 & 298, Jalan Raja Dr. Nazrin Shah Gunung Rapat, 31350 Ipoh, Perak	05-3131646 05-3131649	05-3132023



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<b>PERAK</b>			
• <b>Ipoh Garden</b>	133, 133A – D, Jalan Dato' Lau Pak Khuan Ipoh Garden, 31400 Ipoh, Perak	05-5480951 05-5480952	05-5480958
• <b>Ipoh Main Office</b>	7 – 13, Jalan Dato' Maharajalela, 30000 Ipoh, Perak	05-2530115 05-2531034	05-2535505
• <b>Jalan Pasir Putih</b>	137 & 139, Jalan Pengkalan Barat Off Jalan Pasir Putih, 31650 Ipoh, Perak	05-3222453 05-3219892	05-3225714
• <b>Jalan Sultan Idris Shah</b>	76, Jalan Sultan Idris Shah 30000 Ipoh, Perak	05-2551068 05-2551069	05-2556555
• <b>Jalan Yang Kalsom</b>	46 – 54, Jalan Yang Kalsom 30250 Ipoh, Perak	05-2531998 05-2531514	05-2535528 05-2558430
• <b>Jelapang</b>	291, 293 & 295, Jalan Silibin 30100 Ipoh, Perak	05-5264014 05-5264015	05-5264485
• <b>Kampar</b>	3 & 4, Jalan Balai 31900 Kampar, Perak	05-4651044 05-4652160	05-4651400
• <b>Kamunting</b>	27 – 29, Regat Kamunting, Off Jalan Kamunting 34600 Kamunting, Perak	05-8081110 05-8081112	05-8079363
• <b>Kuala Kangsar</b>	12, Jalan Daeng Selili, 33000 Kuala Kangsar, Perak	05-7769895 05-7769896	05-7769892
• <b>Menglembu</b>	67 – 73, Jalan Besar 31450 Menglembu, Perak	05-2811014 05-2814978	05-2815015 05-2815580
• <b>Pantai Remis</b>	66 – 70, Jalan Damar Laut 34900 Pantai Remis, Perak	05-6771251 05-6771252	05-6771495
• <b>Parit Buntar</b>	135 & 137, Jalan Taiping 34200 Parit Buntar, Perak	05-7160078 05-7160079/80	05-7160077
• <b>Pusing</b>	293, Jalan Besar 31550 Pusing, Perak	05-2884077 05-2884078	05-2883975
• <b>Seri Manjung</b>	Lot No. 2274 – 2277, Taman Samudera 32040 Seri Manjung, Perak	05-6882927 05-6882987	05-6884952
• <b>Simpang Pulai</b>	39 & 41, Persiaran Sengat Baru 2, Taman Bersatu 31300 Simpang Pulai, Ipoh, Perak	05-3575360 05-3575361	05-3575358
• <b>Sitiawan</b>	Lot 166 – 168, Jalan Raja Omar 32000 Sitiawan, Perak	05-6913526 05-6913527	05-6917198
• <b>Sungai Siput</b>	161 & 162, Jalan Besar 31100 Sungai Siput, Perak	05-5986116 05-5984114	05-5986081
• <b>Taiping</b>	178 & 180, Jalan Kota 34000 Taiping, Perak	05-8085070 05-8085071	05-8077362
• <b>Tanjong Malim</b>	Lot 336 & 337, Jalan Chong Ah Peng 35900 Tanjong Malim, Perak	05-4597602 05-4597603	05-4597605
• <b>Tanjong Piandang</b>	12 & 14, Jalan Piandang 1, Taman Piandang Indah 34250 Tanjong Piandang, Perak	05-7257941 05-7257942	05-7257943
• <b>Teluk Intan</b>	Wisma Boltex, Jalan Pasar, 36000 Teluk Intan, Perak	05-6223282 05-6212325	05-6215518



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<b>PERLIS</b>			
• Kangar	9, Jalan Raja Syed Alwi, P. O. Box 43 01000 Kangar, Perlis	04-9763311 04-9763432	04-9760503
<b>PULAU PINANG</b>			
• Bandar Baru Air Itam	54, 56 & 58, Lintang Angsana, Bandar Baru Air Itam 11500 Pulau Pinang	04-8284088 04-8286088	04-8280678
• Bagan Ajam	6862 – 6864, Jalan Bagan Jermal, Bagan Ajam 13000 Butterworth, Pulau Pinang	04-3317822 04-3317823	04-3312248
• Bandar Bayan Baru	5, 7, 9 & 11, Lorong Kampung Jawa Bandar Bayan Baru, 11900 Bayan Lepas, Pulau Pinang	04-6438200 04-6438390	04-6441877
• Bandar Seberang Jaya	11, Jalan Todak 2, Pusat Bandar Seberang Jaya 13700 Seberang Jaya, Pulau Pinang	04-3971096 04-3971105	04-3971107
• Bukit Mertajam	2644 – 2648, Jalan Che Bee Noor 14000 Bukit Mertajam, Pulau Pinang	04-5392205 04-5392207	04-5392164
• Butterworth	85, 87 & 89, Jalan Selat, Taman Selat 12000 Butterworth, Pulau Pinang	04-3329837 04-3329839	04-3329836 04-3321498
• Jalan Air Itam	27A-G-1, 27B-G-1 & 27C-G-1, Jalan Air Itam 11500 Air Itam, Pulau Pinang	04-8288591 04-8288595	04-8288537
• Jalan Datuk Keramat	456, Jalan Datuk Keramat 10460 Pulau Pinang	04-2293500 04-2292459	04-2291978
• Jalan Macalister	104, 104A & 104B, Jalan Macalister 10400 Pulau Pinang	04-2276842 04-2276843	04-2276850
• Jalan Raja Uda	5031 – 5033, Jalan Raja Uda 12300 Butterworth, Pulau Pinang	04-3245297 04-3245298	04-3245301
• Jelutong	407-A, Jalan Jelutong 11600 Jelutong, Pulau Pinang	04-2813227 04-2825230	04-2825232
• Kepala Batas	21 & 23, Jalan Bertam, 13200 Kepala Batas Seberang Perai Utara, Pulau Pinang	04-5759085 04-5759086	04-5759088
• Lebuh Macallum	Harbour Trade Centre, 2-1-20 & 2-1-30 2, Gat Lebuh Macallum, 10300 Pulau Pinang	04-2628442 04-2627732	04-2630057
• Nibong Tebal	3619 & 3620, Jalan Che Ahmad 14300 Nibong Tebal, Seberang Perai Selatan, Pulau Pinang	04-5932216 04-5931433	04-5931590
• Prai	2684 & 2685, Jalan Chain Ferry, Taman Inderawasih 13600 Prai, Pulau Pinang	04-3901241 04-3901246	04-3902394
• Pulau Pinang	87, Lebuh Bishop, 10200 Pulau Pinang	04-2613415 04-2616755	04-2617417
• Pulau Tikus	58, Jalan Cantonment, Pulau Tikus, 10250 Pulau Pinang	04-2286017 04-2286018	04-2287075
• Relau	1 & 3, Jalan Relau, 11900 Pulau Pinang	04-6443112 04-6443102	04-6443128
• Simpang Ampat	19, 21 & 23, Jalan Keruing Kawasan Perniagaan Simpang Ampat 14100 Seberang Perai Selatan, Pulau Pinang	04-5887000 04-5887248	04-5888080



## Group Corporate Directory

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>PULAU PINANG</b>			
• <b>Sungai Nibong</b>	33, 35 & 37, Jalan Pantai Jerjak 13 Sungai Nibong, 11900 Pulau Pinang	04-6586000	04-6576212
• <b>Taman Bandar Raya</b>	15 & 16, Lorong Sepakat 1, Taman Bandar Raya 14000 Bukit Mertajam, Pulau Pinang	04-5300288 04-5306327	04-5377288
<b>SABAH</b>			
• <b>Beaufort</b>	Lot 6 & 7, Lo Chung Park, 89808 Beaufort, Sabah	087-214869 087-214844	087-214839
• <b>City Parade</b>	Lot No. 1-0-M48-M51, 1, Jalan Centre Point City Parade, Centre Point Sabah 88000 Kota Kinabalu, Sabah	088-251812 088-251813	088-251816
• <b>Donggongon</b>	Lot A-5 & A-6, Donggongon New Township Jalan Tapikong, 89500 Penampang, Sabah	088-722780 088-723780	088-727780
• <b>Inanam</b>	36 & 38, Block F, Lorong Inanam Inanam New Township Phase 2 88450 Kota Kinabalu, Sabah	088-429112 088-429113	088-429987
• <b>Keningau</b>	Lots 2 & 3, Juta Commercial Centre Block A3, Jalan Sodomon, 89000 Keningau, Sabah	087-335841 087-335846	087-335842
• <b>Kota Belud</b>	Lot B6 & B7, Kompleks Centernary, Jalan Sabar 89150 Kota Belud, Sabah	088-977807 088-977784	088-977798
• <b>Kota Kinabalu</b>	Lot G.1 & Lot 1.1, Menara MAA, 6 Lorong Api-Api 1 Api-Api Centre, 88000 Kota Kinabalu, Sabah	088-239611 088-239612	088-236630
• <b>Lahad Datu</b>	MDLD 0088, Jalan Teratai, 91100 Lahad Datu, Sabah	089-884020 089-884021	089-884087 089-882971
• <b>Lido</b>	Lot 8, 9 & 10, Block P, Taman Che Mei KM 5 Jalan Penampang, Lido, 88300 Kota Kinabalu, Sabah	088-217125 088-245687	088-245496
• <b>Papar</b>	Lot 8023, 162, Jalan Besar, Pekan Papar 89600 Papar, Sabah	088-912522 088-912523	088-912211
• <b>Sandakan</b>	Wisma Sandaraya, Third Avenue 90000 Sandakan, Sabah	089-214257 089-214258	089-272815
• <b>Tawau</b>	TB 304A & 304B, Block 34, Fajar Complex 91000 Tawau, Sabah	089-761311 089-761322	089-761355 089-761270
<b>SARAWAK</b>			
• <b>Batu Niah</b>	Lot 643, Batu Niah Town Extension 98200 Batu Niah, Sarawak	085-737111	085-737110
• <b>Bintangor</b>	19, Teo Kui Ngo Road, 96500 Bintangor, Sarawak	084-693622	084-693255
• <b>Bintulu</b>	29 – 32, Jalan Sommerville, 97000 Bintulu, Sarawak	086-331433	086-336028
• <b>China Street</b>	28, China Street, 98000 Miri, Sarawak	085-417227 085-417228	085-419855
• <b>Jalan Central</b>	3, Jalan Central, 96000 Sibul, Sarawak	084-335677	084-320052
• <b>Jalan Penrissen</b>	143A – 145A, Kota Sentosa, Batu 7, Jalan Penrissen 93250 Kuching, Sarawak	082-613377	082-615961



BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>SARAWAK</b>			
• <b>Jalan Tun Zaidi</b>	Lots 2775 & 2776, Block 10, 3rd Mile Jalan Tun Ahmad Zaidi Aduce, 93250 Kuching, Sarawak	082-245271	082-245542
• <b>Kapit</b>	63 & 64, Jalan Wharf, 96800 Kapit, Sarawak	084-797677 084-797652	084-797628
• <b>Kuching City</b>	102 – 110, Jalan Song Thian Cheok 93100 Kuching, Sarawak	082-417922 082-417923	082-424248
• <b>Limbang</b>	Lot 1082 – 1083, Jalan Buangsiol 98700 Limbang, Sarawak	085-212511 085-212443	085-212676
• <b>Marudi</b>	59 & 60, Jalan Kapitan Lim Ching Kiat Marudi, 98050 Baram, Sarawak	085-755000 085-755009	085-755018
• <b>Miri</b>	Moh Heng Building, 14, Jalan Bendahara 98000 Miri, Sarawak	085-412944 085-412955	085-417273
• <b>Mukah</b>	41 & 42, Block 68, Mukah New Township 96400 Mukah, Sarawak	084-871900	084-871319
• <b>Padungan</b>	7, 8 & 9, Jalan Chan Bee Kiew, Off Jalan Padungan 93100 Kuching, Sarawak	082-489904 082-489905	082-330488
• <b>Sarikei</b>	51 – 52, Jalan Masjid, 96100 Sarikei, Sarawak	084-652490	084-653137
• <b>Sibu</b>	2, 4, 6 & 8, Lorong 2, Jalan Tuanku Osman 96000 Sibu, Sarawak	084-316511 084-320088	084-335739 084-314088
• <b>Sri Aman</b>	840 & 841, Jalan Sabu, Simanggang Town, Land District 95000 Sri Aman, Sarawak	083-323031 083-323032	083-323034
• <b>Wisma Saberka</b>	Lot G.01 & G.02A, Wisma Saberka Jalan Tun Abang Hj. Openg, 93000 Kuching, Sarawak	082-419889 082-428800	082-424662
<b>SELANGOR</b>			
• <b>Ampang</b>	Wisma Saudagar, 420, Batu 5, Jalan Ampang 68000 Ampang, Selangor	03-42562333 03-42562636	03-42578964
• <b>Bandar Puchong Jaya</b>	9 & 10, Jalan Kenari 1, Bandar Puchong Jaya 47100 Puchong, Selangor	03-58821888 03-58821889	03-58821299 03-58822340
• <b>Bandar Sri Damansara</b>	6, Jalan Tembaga SD 5/2A Bandar Sri Damansara, 52200 Kuala Lumpur	03-62725742 03-62725694	03-62725767
• <b>Bandar Sunway</b>	48 & 50, Jalan PJS 11/28A, Bandar Sunway 46150 Petaling Jaya, Selangor	03-56364138 03-56362256	03-56363556
• <b>Banting</b>	251, Jalan Besar, 42700 Banting, Selangor	03-31878387 03-31878587	03-31872708
• <b>Batang Kali</b>	4 & 5, Jalan CKC 1, Bandar Baru Batang Kali 44300 Batang Kali, Selangor	03-60572401 03-60572402	03-60572405 03-60572277
• <b>Bukit Beruntung</b>	23 & 25, Jalan Melati 2B, Seksyen BB11 Bandar Bukit Beruntung, 48300 Rawang, Selangor	03-60282168 03-60282170	03-60282173
• <b>Damansara Jaya</b>	1, 3 & 5, Jalan SS 22/23, Damansara Jaya 47400 Petaling Jaya, Selangor	03-77298588	03-77288125



BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>SELANGOR</b>			
• <b>Damansara Utama</b>	49, 51 & 53, Jalan SS 21/60, Damansara Utama 47400 Petaling Jaya, Selangor	03-77289376 03-77289406	03-77278064
• <b>Jalan Tapah</b>	64 & 66, Jalan Tapah Off Jalan Goh Hock Huat 41400 Kelang, Selangor	03-33411372 03-33414420	03-33411353
• <b>Jalan SK 10/4</b>	Bangunan MCA Seri Kembangan, 1260, Jalan SK 10/4 43300 Seri Kembangan, Selangor	03-89488700 03-89483557	03-89485700 03-89481412
• <b>Kajang</b>	14, 15 & 16, Jalan Raja Haroun 43000 Kajang, Selangor	03-87368891 03-87368894	03-87365369 03-87367278
• <b>Kampung Baru Subang</b>	34 – 36, Jalan Lebuhs Besar, Kampung Baru Subang 40150 Shah Alam, Selangor	03-78468986 03-78468012	03-78463351
• <b>Kapar</b>	65 & 67, Lintang Dato' Tahir 1, 42200 Kapar, Selangor	03-32502799	03-32500915
• <b>Kelana Jaya</b>	F-07, F-08 & F-09, Jalan SS 6/5B, Dataran Glomac Pusat Bandar Kelana Jaya, 47301 Petaling Jaya, Selangor	03-78031267 03-78034928	03-78032478
• <b>Klang</b>	28 – 32, Persiaran Sultan Ibrahim, 41300 Klang, Selangor	03-33423567 03-33423569	03-33423566
• <b>Kuala Selangor</b>	1 & 3, Jalan Raja Lumu, 45000 Kuala Selangor, Selangor	03-32894193 03-32894194/95	03-32894133
• <b>Pandamaran</b>	306 Jalan Besar, Pandamaran 42000 Port Klang, Selangor	03-31672830 03-31672831	03-31675440
• <b>Pandan Indah</b>	1, 3 & 5, Jalan Pandan Indah 1/23 Pandan Indah, 55100 Kuala Lumpur	03-92742495 03-92747494	03-92746497
• <b>Pandan Jaya</b>	44, Jalan Pandan 2/2, Pandan Jaya 55100 Kuala Lumpur	03-92812199 03-92863149	03-92812206
• <b>Petaling Jaya New Town</b>	1, 3 & 5, Jalan 52/2, 46200 Petaling Jaya, Selangor	03-79570007 03-79570211	03-79579601
• <b>Petaling Jaya Old Town</b>	N19 & O19, Jalan Pasar, Off Jalan Othman 46000 Petaling Jaya, Selangor	03-77836566 03-77835785	03-77836562
• <b>Port Klang</b>	82, Lebuhs Beringin, Off Jalan Berangan 42000 Port Klang, Selangor	03-31674668 03-31674550	03-31685510
• <b>Rawang</b>	20, Jalan Bersatu 10, Taman Bersatu 48000 Rawang, Selangor	03-60924936 03-60924937	03-60924935
• <b>Sabak Bernam</b>	2180 & 2181, Jalan Menteri 45200 Sabak Bernam, Selangor	03-32162805 03-32162500	03-32162809
• <b>Sea Park</b>	8 & 10, Jalan 21/12, Sea Park 46300 Petaling Jaya, Selangor	03-78738931 03-78738932	03-78744798 (Ground Floor) 03-78772086 (1st Floor)
• <b>Section 14</b>	12, 14 & 16, Jalan 14/14 46100 Petaling Jaya, Selangor	03-79582585 03-79582586	03-79582593 03-79550710
• <b>Sekinchan</b>	102, Jalan Sabak Bernam 45400 Sekinchan, Selangor	03-32411263 03-32411264	03-32411644





BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>SELANGOR</b>			
• <b>Semenyih</b>	22B & 23, Jalan Besar, 43500 Semenyih, Selangor	03-87238811 03-87238812	03-87237455
• <b>Seri Gombak</b>	19, 21 & 23, Jalan SG 1/6, Taman Seri Gombak 68100 Batu Caves, Selangor	03-61886712 03-61889611	03-61886236 03-61852979
• <b>Seri Kembangan</b>	Lot 255, Jalan Kolej, 43300 Seri Kembangan, Selangor	03-89421096 03-89422671	03-89422537
• <b>Seri Setia</b>	B01 & G01, Plaza Seri Setia, 1, Jalan SS 9A/2 47300 Petaling Jaya, Selangor	03-78741944 03-78741966	03-78769411
• <b>Shah Alam</b>	Lot 31 – 35, Jalan Utas B, Seksyen 15/B 40000 Shah Alam, Selangor	03-55100567 03-55101313	03-55101288
• <b>SS2</b>	61-1, 61-2 & 61-3, Jalan SS 2/75 47300 Petaling Jaya, Selangor	03-78741911	03-78741491
• <b>Subang Jaya</b>	B1-B4, Jalan SS 15/4D, Subang Jaya 47500 Petaling Jaya, Selangor	03-56332420 03-56332421	03-56347713
• <b>Sungai Buloh</b>	Lot 403 & 404, Jalan 1A/1, Bandar Baru Sungai Buloh 47000 Sungai Buloh, Selangor	03-61562083 03-61562056	03-61562138
• <b>Sungai Chua</b>	1 & 3, Jalan M/J 2, Taman Majlis Jaya Jalan Sungai Chua, 43000 Kajang, Selangor	03-87370228	03-87345570
• <b>Sungai Jarom</b>	S11-12, Jalan Rajawali 42600 Sungai Jarom, Selangor	03-31912031 03-31912032	03-31912080
• <b>Sungai Pelek</b>	24-C, Jalan Besar, 43950 Sungai Pelek, Selangor	03-31411236 03-31411237	03-31411233
• <b>Taman Chi Liung</b>	22, 24, 26 & 28, Lintang Menalu, Taman Chi Liung 41200 Klang, Selangor	03-33718899 03-33718482	03-33720319
• <b>Taman Eng Ann</b>	14 & 16, Jalan Kasawari 5, Taman Eng Ann 41150 Klang, Selangor	03-33430506 03-33430507	03-33430480
• <b>Taman Indah</b>	23, Jalan Kasturi 1, Plaza Kasturi Off Jalan Balakong, Batu 11, 43200 Cheras, Selangor	03-90755202 03-90755211	03-90755769
• <b>Taman Mayang</b>	21 & 23, Jalan SS 25/23, Taman Plaza 47301 Petaling Jaya, Selangor	03-78030124 03-78039247	03-78039447
• <b>Taman Muda</b>	36, Jalan Bunga Tanjung 8A, Taman Muda 68000 Ampang, Selangor	03-42979335 03-42969506	03-42961810
• <b>Taman Melawati</b>	262 – 265, Jalan Bandar 12, Taman Melawati 53100 Kuala Lumpur	03-41052003 03-41052004	03-41052009
• <b>Taman Sentosa, Klang</b>	2, Jalan Dato' Yusof Shahbudin 30 Taman Sentosa, 41200 Klang, Selangor	03-51613369	03-51613524
• <b>Taman Sri Muda</b>	2, Jalan Sepadu B 25/B, Taman Perindustrian Axis Section 25, 40400 Shah Alam, Selangor	03-51216394 03-51216395	03-51216372
• <b>Taman Taming Jaya</b>	1 & 1-1, Medan Taming Satu, Taman Taming Jaya 43300 Balakong, Selangor	03-89614980 03-89614984	03-89614985
• <b>USJ</b>	3, 5 & 7, Jalan USJ 10/1F 47620 UEP Subang Jaya, Selangor	03-56350617 03-56310776	03-56329196



BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>TERENGGANU</b>			
• <b>Chukai</b>	KCP1, Kemaman Centre Point 24000 Kemaman, Terengganu	09-8595962 09-8594069	09-8594943
• <b>Kuala Dungun</b>	K-156 & K-157, Jalan Paka, Batu 48 23000 Kuala Dungun, Terengganu	09-8482511 09-8483377	09-8484549
• <b>Kuala Terengganu</b>	1, 1A & 1B, Jalan Batas Baru 20300 Kuala Terengganu, Terengganu	09-6226998	09-6233409
<b>OVERSEAS BRANCHES/OFFICES</b>			
• <b>Hong Kong Branch</b>	Ground Floor & Room 1101-1103, Wing On House 71 Des Voeux Road Central, Hong Kong Telex : 65279 PBB HX E-mail : gmgr@publicbank.biz.com.hk SWIFT : PBBEHKHH	852-2525-9351	852-2868-9803
• <b>Colombo Branch</b>	340, R A de Mel Mawatha, Colombo 00300, Sri Lanka Telex : 23507 PBBTRY CE E-mail : pbbslk@publicbank.slt.lk SWIFT : PBBELKLX	9411-2576289 9411-2576290 9411-2576291 9411-2576292	9411-2573958
• <b>Vientiane Branch</b>	100/1-4 Talat Sao Road P. O. Box 6614, Vientiane, Lao PDR Cable : 'PBBVTE' Telex : 4310 PBBVTE LS E-mail : pbbvte@laotel.com SWIFT : PBBELALA	856-21-216614 856-21-223394 856-21-223395	856-21-222743
<b>SUBSIDIARIES</b>			
• <b>Public Investment Bank Bhd.</b>	25th Floor, Menara Public Bank, 146 Jalan Ampang 50450 Kuala Lumpur	03-21669382	03-21669362
• <b>Public Consolidated Holdings Sdn. Bhd.</b>	Registered Office, 27th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21639668	03-21638899
• <b>Public Mutal Berhad</b>	Block B, Sri Damansara Business Park, Persiaran Industri Bandar Sri Damansara, 52200 Kuala Lumpur E-mail : mktg@publicmutual.com.my Website : www.publicmutual.com.my (25 branches and 4 agency offices nationwide)	03-62796800	03-62779800
• <b>PB Securities Nominees (Asing) Sdn. Bhd.</b>	27th Floor, Bangunan Public Bank 6 Jalan Sultan Sulaiman, 50000 Kuala Lumpur	03-20313011	03-20312533
• <b>PB Securities Nominees (Tempatan) Sdn. Bhd.</b>	27th Floor, Bangunan Public Bank 6 Jalan Sultan Sulaiman, 50000 Kuala Lumpur	03-20313011	03-20312533
• <b>Public Nominees (Asing) Sdn. Bhd.</b>	6th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21626077	03-21626078
• <b>Public Nominees (Tempatan) Sdn. Bhd.</b>	6th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21626077	03-21626078



BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>SUBSIDIARIES</b>			
• <b>PB International Factors Sdn. Bhd.</b>	7th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur (2 branches – Johor Bahru, Pulau Pinang)	03-21622955	03-21622962
• <b>PB Trust (L) Ltd.</b>	Level 8(B), Main Office Tower, Financial Park Labuan Jalan Merdeka, 87000 Federal Territory Labuan E-mail : pbtrust@tm.net.my	6087-412336 6087-411898	6087-451193
• <b>Public Holdings Sdn. Bhd.</b>	8th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21766000 03-21766666	03-21639903
• <b>PB Properties Sdn. Bhd.</b>	8th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21766000 03-21766666	03-21639903
• <b>PB Venture Capital Sdn. Bhd.</b>	Registered Office, 27th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21638899	03-21639917
• <b>Public Bank (L) Ltd.</b>	Level 8(A) & (B), Main Office Tower Financial Park Labuan Jalan Merdeka 87000 Federal Territory Labuan Telex : MA 87012 SWIFT : PBLLMYKA	6087-411898	6087-413220
• <b>Public Financial Holdings Limited</b>	Room 1105-07, Wing On House 71 Des Voeux Road Central, Hong Kong Website : www.publicfinance.com.hk	852-2525-9351	852-2845-0681
• <b>Public Finance Ltd.</b>	Room 1105-07, Wing On House 71 Des Voeux Road Central, Hong Kong E-mail : info@publicfinance.com.hk Website : www.publicfinance.com.hk (40 branches in Hong Kong)	852-2525-9351	852-2845-0681
• <b>Winton (B.V.I.) Ltd.</b>	Room 1101-1110, 11th Floor, Phase 1, Argyle Centre 688 Nathan Road, Mongkok, Kowloon, Hong Kong Website : www.wintonholdings.com.hk	852-2391-9388	852-2391-5366
• <b>Public Financial Limited</b>	Room 1105-07, Wing On House 71 Des Voeux Road Central, Hong Kong	852-2525-9351	852-2845-0681
• <b>Public Securities (Nominees) Limited</b> (Formerly known as JCG Nominees Limited)	Room 1108, Wing On House 71 Des Voeux Road Central, Hong Kong	852-2877-8622	852-2845-5240
• <b>Public Securities Limited</b> (Formerly known as JCG Securities Limited)	Room 1108, Wing On House 71 Des Voeux Road Central, Hong Kong	852-2877-8622	852-2845-5240
• <b>Public Bank (Hong Kong) Limited</b>	120 Des Voeux Road Central, Hong Kong E-mail : contact@publicbank.com.hk Website : www.publicbank.com.hk Telex : 73085 HKACB HX SWIFT : CBHKHKHH (15 branches in Hong Kong, 1 branch in Shenzhen, China and 1 representative office in each of Shanghai, Shenyang, China & Taipei, Taiwan)	852-2541-9222	852-2541-0009



BRANCH	ADDRESS	TELEPHONE	FACSIMILE
<b>SUBSIDIARIES</b>			
<ul style="list-style-type: none"> <li>• <b>Cambodian Public Bank Ltd.</b></li> </ul>	Villa No. 23, Street 114, Corner Street 67 Sangkat Phsar Thmey 2, Khan Daun Penh Phnom Penh, Royal Kingdom of Cambodia Telex : (51) 940 79463 CPBBG SWIFT : CPBLKHPP E-mail : campuhoe@campubank.com.kh (5 branches in Cambodia)	023-222-880 023-222-881 023-222-882	023-222-887
<b>ASSOCIATED COMPANIES</b>			
<ul style="list-style-type: none"> <li>• <b>PB Trustee Services Berhad</b></li> </ul>	17th Floor, Menara Public Bank 146 Jalan Ampang, 50450 Kuala Lumpur	03-21761169 03-21766650 03-21767674 03-21766651	03-21643285
<ul style="list-style-type: none"> <li>• <b>VID Public Bank</b></li> </ul>	<b>Head Office</b> 7th Floor, Prime Centre Building 53 Quang Trung Street, Hanoi, Vietnam Telex : 412241VPBVT SWIFT : VIDPVNV5 E-mail : vpb.han@hn.vnn.vn (6 branches – Hanoi Operations Centre, Ho Chi Minh City, Haiphong, Danang, Binhduong, Cholon)	844-9438999	844-9439005
<ul style="list-style-type: none"> <li>• <b>CPB Properties Company Ltd.</b></li> </ul>	No. 1, St. 29, Sangkat Tonle Basac Khan Chamkamon, Phnom Penh Royal Kingdom of Cambodia Telex : (51) 940 79463 SWIFT : CPBLKHPP E-mail : campuhoe@campubank.com.kh	855-23-222880	855-23-222887





# PUBLIC BANK BERHAD

(6463-H)

## Form of Proxy

Number of shares held	CDS Account No.

"A" I/We \_\_\_\_\_ NRIC/Co. No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a Member of PUBLIC BANK BERHAD, hereby appoint \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

\_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him, \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our \*first proxy to attend and vote for me/us on my/our behalf at the Forty-First Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 15 March 2007 at 11.00 a.m., or any adjournment thereof.

"B" Where it is desired to appoint a second proxy, this section must also be completed, otherwise it should be deleted.

I/We \_\_\_\_\_ NRIC/Co. No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

being a Member of PUBLIC BANK BERHAD, hereby appoint \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

\_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him, \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our second proxy to attend and vote for me/us on my/our behalf at the Forty-First Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Thursday, 15 March 2007 at 11.00 a.m., or any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy "A"	%
Second Proxy "B"	%
	<u>100%</u>

In case of a vote taken by a show of hands, \*First Proxy "A"/\*Second Proxy "B" shall vote on my/our behalf.

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the space provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote, or abstain from voting on the resolutions as he/they may think fit.)

NO.	ORDINARY RESOLUTIONS	FIRST PROXY "A"		SECOND PROXY "B"	
		FOR	AGAINST	FOR	AGAINST
1.	Receive the Audited Financial Statements for the financial year ended 31 December 2006 and the Reports of the Directors and Auditors thereon				
2.	Declaration of final and special dividends				
3.	Re-election of Dato' Sri Tay Ah Lek as Director				
4.	Re-election of Dato' Yeoh Chin Kee as Director				
5.	Re-appointment of Tan Sri Dato' Sri Dr. Teh Hong Piow as Director				
6.	Re-appointment of Tan Sri Dato' Thong Yaw Hong as Director				
7.	Re-appointment of Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff as Director				
8.	Approval of payment of Directors' fees				
9.	Re-appointment of Messrs KPMG as Auditors and to authorise the Directors to fix the Auditors' remuneration				
10.	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares				
11.	Proposed Share Buy-Back				

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007

\_\_\_\_\_  
Signature of Member/Common Seal

\*Delete if inapplicable.

### NOTES:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 8 March 2007 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
- The right of Foreigners to vote in respect of deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Association of the Company. Where a Foreigner, based on the General Meeting Record of Depositors, holds deposited securities in a Securities Account and such securities raise the ownership of shares in the Company by Foreigners beyond the Company's foreign shareholding limit of 30%, such Foreigner or the proxy appointed by him, in respect of such securities, shall not be entitled to exercise in any manner whatsoever any voting rights in respect of the aforesaid securities at the Meeting.
- A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.
- A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at 27th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the Meeting.

Please fold here to seal

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STAMP

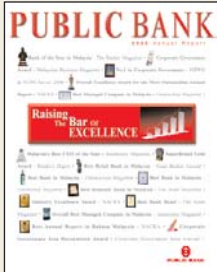
**Company Secretary**  
**PUBLIC BANK BERHAD**  
27th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

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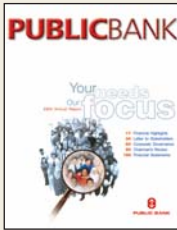
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# PAST 25 YEARS

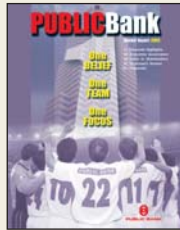
## PUBLIC BANK ANNUAL REPORT



2005



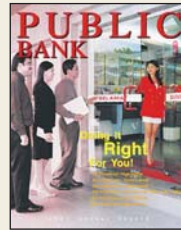
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2002



2001



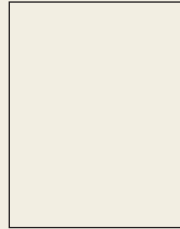
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1998



1997



1996



1995



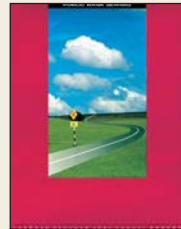
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1992



1991



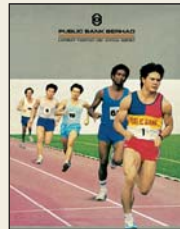
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1989



1988



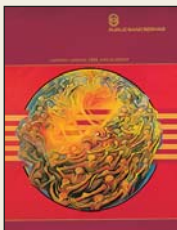
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1986



1985



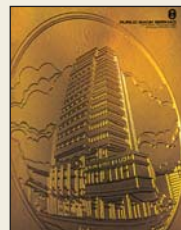
1984



1983



1982



1981

## AWARD WINNING Annual Reports

- 2005 - **NACRA Award**
  - ¥ Most Outstanding Annual Report
  - Gold Award
  - ¥ Industry Excellence Award Finance Sector
  - ¥ Best Annual Report in Bahasa Malaysia
  - Platinum Award
- 2004 - **NACRA Award**
  - ¥ Most Outstanding Annual Report
  - ¥ Industry Excellence Award Finance Sector
  - ¥ Best Annual Report in Bahasa Malaysia
  - **CITRA Award**
  - ¥ Merit Award
- 2003 - **NACRA Award**
  - ¥ Most Outstanding Annual Report
  - ¥ Industry Excellence Award Finance Sector
  - ¥ Best Annual Report in Bahasa Malaysia
- 2002 - **NACRA Award**
  - ¥ Most Outstanding Annual Report
  - ¥ Industry Excellence Award Finance Sector
  - **CITRA Award**
  - ¥ Merit Award
- 2001 - **NACRA Award**
  - ¥ Most Outstanding Annual Report
  - ¥ Industry Excellence Award Finance Sector
  - **CITRA Award**
  - ¥ Special Jury Award
- 2000 - **NACRA Award**
  - ¥ Industry Excellence Award Finance Sector
  - **CITRA Award**
  - ¥ Special Jury Award
- 1999 - **NACRA Award**
  - ¥ Industry Excellence Award Finance Sector
  - **CITRA Award**
  - ¥ Main Award
- 1998 - **NACRA Award**
  - ¥ Industry Excellence Award Finance Sector
- 1997 - **NACRA Award**
  - ¥ Best Annual Report in Bahasa Malaysia
  - ¥ Industry Excellence Award Finance Sector
- 1996 - **NACRA Award**
  - ¥ Most Outstanding Annual Report
  - ¥ Industry Excellence Award Finance Sector
- 1995 - **NACRA Commendation Award**
  - ¥ Accounting Information
  - ¥ Annual Report in Bahasa Malaysia
- 1994 - **NACRA Commendation Award**
  - ¥ Accounting Information
  - ¥ Corporate Information
  - ¥ Annual Report in Bahasa Malaysia
- 1991 - **NACRA Award**
  - ¥ Best Accounting Information
  - **NACRA Commendation Award**
  - ¥ Corporate Information
- 1990 - **NACRA Award**
  - ¥ Best Accounting Information
- 1989 - **NACRA Award**
  - ¥ Most Outstanding Annual Report
  - ¥ Best Annual Report Finance Sector
  - **NACRA Commendation Award**
  - ¥ Corporate Information
  - ¥ Accounting Information
  - ¥ Annual Report in Bahasa Malaysia
- 1988 - **MACRA Award**
  - ¥ Best Overall Annual Report
  - ¥ Best Corporate Information
  - **NARA Award**
  - ¥ Best Annual Report Finance Sector
- 1987 - **MACRA Award**
  - ¥ Best Corporate Information
  - **NARA Award**
  - ¥ Best Annual Report Finance Sector
- 1986 - **MACRA Award**
  - ¥ Best Corporate Information
- 1985 - **MACRA Commendation Award**
  - ¥ Graphic Presentation
  - ¥ Corporate Information
- 1983 - **MACRA Award**
  - ¥ Silver Award