

Financial Statements



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Analysis Of The Financial Statements

ANALYSIS OF THE BALANCE SHEET

Total Assets

The Public Bank Group's total assets stood at RM174.16 billion as at 31 December 2007, an increase of 17.8% over the previous financial year. The asset growth in 2007 was mainly driven by an increase in deposit placements by customers and financial institutions, 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 and invested in short-term money market instruments such as securities purchased under resale agreements.

At the end of December 2007, net loans, advances and financing represented 57.0% of total Group assets and the proportion of interest-bearing assets to total assets was 95.5% compared to 95.0% in 2006.

Cash and Short-Term Funds

The Public Bank Group's cash and short-term funds registered a growth of 45.8% to RM35.55 billion as at 31 December 2007. The increase was mainly due to funds from increased customer deposits, particularly through the introduction of new products such as short-term Money Market Deposits, which were then invested in short-term placements with 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 RM1.97 billion or 42.4% in 2007. 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 RM0.35 billion as at 31 December 2007 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 decreased by RM1.05 billion mainly due to the disposal 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 2007 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 18.6% due to increased holdings of money market instruments, particularly Bank Negara Malaysia Monetary Notes.

Loans, Advances and Financing

The Public Bank Group's total loans, advances and financing, including Islamic financing sold to Cagamas has grown strongly by 20.2% to RM101.41 billion in 2007. This is about 2 times the growth rate for the Malaysian banking industry of 10.5% in 2007. 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 14.0% as at November 2007 compared to 13.2% as at end of 2006.

The Public Bank Group's lending direction continued to be focused on the retail sector. In 2007, 90.0% or RM91.27 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 11.0% to RM21.09 billion representing 20.8% of the total gross loans, advances and financing as at end of 2007. Total lending for the purchase of residential properties and transport vehicles grew by 16.0% and 11.9% respectively and accounted for 52.0% of gross loans, advances and financing at the end of 2007.

The Public Bank Group's Islamic financing registered commendable growth of 19.8% in 2007. Total gross Islamic financing stood at RM11.00 billion as at end 2007 and accounted for 10.9% of the Group's overall 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 49.8% to RM10.14 billion. Lending to corporate customers accounts for 10.0% of the Group's total loans, advances and financing as at the end of 31 December 2007.

Non-performing loans ("NPL") of the Public Bank Group decreased slightly by RM174.1 million in 2007 to RM1.40 billion. The gross NPL ratio improved to 1.4% from 1.9% and the net NPL ratio improved to 1.2% from 1.6% a year ago. The net NPL ratio of 1.2% is approximately one-third of the banking system's net NPL ratio of 3.3% as at November 2007. The Group's continued improvement in asset quality is the result of a consistently prudent credit culture, policies and practices, which is complemented by strong credit risk management and pro-active recovery processes. The Group maintained a high level of loan loss coverage for its NPLs at 119.5% as at 31 December 2007 as compared to 73.0% for the banking industry. Its ratio of general allowance was 1.5% as at the end of 2007.

Total Liabilities and Shareholders' Equity

The Public Bank Group's total liabilities grew by RM26.05 billion in 2007, mainly from increases in deposits from customers, deposits and placements with banks and other financial institutions.

The Public Bank Group's shareholders' funds remained strong at RM9.34 billion even after the payment of dividends of RM1.59 billion during the year. This is due to the strong net profit after tax registered for 2007 of RM2.12 billion and proceeds of RM395.2 million from shares issued pursuant to the exercise of employees' share options under the Public Bank Berhad Employees' Share Option Scheme. There was significant buyback of treasury shares during the year of 52.1 million shares for a total consideration of RM489.1 million.

Deposits from Customers

The Public Bank Group's customer deposits grew by 24.1% in 2007 to RM138.76 billion. The Group registered healthy growth in low cost current accounts and savings accounts as well as fixed deposit accounts of 24.2%, 14.4% and 20.8% respectively, as compared to the growth in the banking industry of 16.3%, 12.1% and 8.5% respectively. The growth was mainly supported by the Group's extensive branch network and its high standards of customer service delivery as well as the wealth effect from the buoyant stock market. In addition, to develop the corporate customer deposit base, the Group had

introduced a new product called short-term Money Market Deposits, which had attracted RM24.45 billion in deposits during the year.

Deposits from individuals, a stable source of funds, continued to be the Group's main source of deposits, accounting for approximately 70% of the Group's core customer deposits of demand deposits, savings deposits and fixed deposits.

With the 24.1% increase in customer deposits outpacing the 20.2% increase in gross loans, advances and financing, the net loans to deposits ratio decreased to 71.6% as at 31 December 2007 from 74.1% a year ago.

Deposits and Placements of Banks and Other Financial Institutions

Deposits and placements of banks and other financial institutions increased by RM4.80 billion to RM10.44 billion as part of the Group's funding of its gapping operations.

Obligations on Securities Sold under Repurchase Agreements

Obligations on securities sold under repurchase agreements dropped by RM10.07 billion primarily due to the shift of customers' funds to short-term Money Market Deposits.

Bills and Acceptances Payable

The Public Bank Group's Bills and Acceptances Payable increased by RM0.83 billion in 2007, as a result of higher volume of bankers' acceptances rediscounted.

Recourse Obligations on Loans Sold to Cagamas

There was an increase in loans sold to Cagamas by RM3.70 billion during the year, to partly fund the growth in housing loans.

Commitments and Contingencies

Commitments and contingencies increased by RM7.45 billion to RM40.81 billion mainly on account of higher foreign exchange related contracts as well as the increase in irrevocable commitments to extend credit. Credit equivalent of the commitments and contingencies recorded a growth of 33.0% in year 2007.

ANALYSIS OF THE INCOME STATEMENT

Net Interest Income

Net interest income of Public Bank Group grew by 13.0% to RM3,243.6 million for 2007 from RM2,870.1 million for 2006. The increase was largely due to strong loan and deposit growth coupled with sustained strong asset quality. This was partially offset by the squeeze in lending margins due to intense competition in the retail lending market and higher interest expense incurred on Innovative Tier 1 capital securities of USD200 million and RM1.2 billion issued in 2006.

The average net interest margin on interest bearing assets excluding funds from the issuance of wholesale deposits fell by 20 basis points to 3.2% in 2007 from 3.4% in 2006.

Net interest income continued to be the main contributor of total income, accounting for 63.5% (2006: 67.2%) of the Group's total income.

Net Income from Islamic Banking Business

Net income from Islamic Banking operations rose by 11.7% or RM50.2 million from RM428.0 million in 2006 to RM478.2 million in 2007. This was mainly due to higher net financing income of RM465.0 million arising from the growth in Islamic financing. Islamic Banking income accounted for 9.4% of the Group's total net income.

Other Operating Income

Other operating income of Public Bank Group grew strongly by RM416.1 million or 42.7% from RM973.4 million in 2006 to RM1,389.5 million in 2007. The growth was primarily derived from higher income from the Group's fund management activities, higher brokerage and commission income from stockbroking activities and gain from sale of securities.

Total income from the fund management activities increased by RM249.1 million or 105.2% to RM485.8 million in 2007. This comprises fee on sale of trust units which increased by 220.6% to RM200.5 million and management fees from unit trust funds under management which increased by 63.8% to RM285.4 million. These were contributed by the significant growth of 220% in the trust units sales volume, coupled with strong growth in net asset value of unit trust funds under management by 75.4% to RM28.39 billion as at end of 2007.

Net brokerage and commissions from stockbroking activities also grew by RM65.4 million or 174.8% to RM102.8 million in 2007 as a result of the strong performance and higher volumes on Bursa Securities. Net gain from sale of securities rose by RM86.1 million to RM100.5 million mainly as a result of increased investment and trading activities.

Other operating income for 2007 accounted for 27.2% (2006: 22.8%) of the Group's total income.

Other Operating Expenses

Other operating expenses amounted to RM1,693.7 million in 2007, which was 21.1% higher than the RM1,398.6 million

incurred in 2006 mainly due to increase in personnel and marketing expenses.

Personnel cost increased by 18.4% to RM960.6 million due to annual salary increment, stronger staff strength and additional provision made for salary increment of unionised staff. Personnel cost accounted for 56.7% of total other operating expenses. The staff strength of the Group increased from 13,396 at the end of 2006 to 14,287 at the end of 2007.

Marketing expenses rose by RM112.9 million to RM278.8 million in 2007. The increase in marketing expenses was primarily due to higher commission, marketing and promotional expenses incurred as a result of the increased business volume of the fund management business. Establishment costs and administration and general expenses, which in total contributed 26.8% of other operating expenses, increased by 6.7% and 10.3% respectively in 2007.

The cost income ratio of the Group increased marginally to 33.1% in 2007 from 32.7% in 2006 due to higher business volume of the unit trust management business and higher cost income ratio of the Hong Kong operations.

Allowance for Losses on Loans, Advances and Financing

Total allowance for losses on loans, advances and financing of the Public Bank Group decreased to RM407.2 million in 2007 from RM466.0 million in 2006. This was primarily due to higher recoveries of bad debts and financing which increased by RM47.4 million or 40.7%. Net specific allowance also fell by RM17.3 million in tandem with the decline in non-performing loans. The higher recoveries and lower specific allowance were partially offset by higher general allowance which increased by RM5.6 million or 2.7% to RM210.3 million in 2007 due to higher loans growth achieved.

Impairment Loss / Written Back

Impairment loss in 2007 was RM12.2 million as compared to impairment written back of RM4.6 million in 2006. The impairment charge in 2007 was mainly due to the adoption of a more prudent policy on impairment loss on foreclosed properties during the year as well as impairment loss on securities held-to-maturity. The impairment written back of RM4.6 million in the previous year was mainly in respect of securities held-to-maturity and prepaid land lease payments.

Tax Expenses and Zakat

The Public Bank Group's tax expense for 2007 included an amount of RM12.6 million adjustment to deferred tax asset resulting from the change of Malaysian corporate tax rate from 26% to 25% with effect from the year of assessment 2009.

Excluding non-recurring charges, the Group's effective tax rate was 26.2% in 2007, lower than the statutory tax rate of 27.0% mainly due to the effects of lower tax rates in jurisdictions outside Malaysia.

Statement of Responsibility by Directors

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 Financial Reporting Standards 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 2007, 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 2007

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 2007.

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 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	3,003,638	2,850,783
Tax expense and zakat	(801,852)	(744,586)
Profit for the year	2,201,786	2,106,197
Attributable to :		
Equity holders of the Bank	2,123,915	2,106,197
Minority interests	77,871	-
Profit for the year	2,201,786	2,106,197

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2006 were as follows:

	RM'000
In respect of financial year ended 31 December 2006 as approved by the shareholders:	
Final dividend of 30% and special dividend of 10% on 3,357,992,923 ordinary shares of RM1.00 each, less 27% tax, paid on 28 March 2007	980,534
In respect of financial year ended 31 December 2007:	
Interim dividend of 25% on 3,364,792,884 ordinary shares of RM1.00 each, less 27% tax, paid on 13 August 2007	614,074
	1,594,608

The Directors recommend the payment of a final dividend of 40% and a special dividend of 10%, less 26% tax respectively, amounting to approximately RM1,240,097,396 (representing a total of 37.0 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 2007, excluding treasury shares held by the Bank, of 3,351,614,583 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 2008.

ISSUE OF SHARES

During the financial year, the issued and paid-up share capital of the Bank was increased from 3,462,824,872 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,527,891,383 PBB Shares by the issuance of 65,066,511 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
32,670	RM1.64
170,957	RM3.40
761,700	RM3.56
1,573,575	RM4.60
377,600	RM4.92
18,784,570	RM5.67
43,365,439	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 15 March 2007, 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, 52,062,300 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 RM9.37 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 RM489,095,879 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 2007, the Bank held 176,276,800 PBB Shares as treasury shares out of its total issued and paid-up share capital of 3,527,891,383 PBB Shares. Such treasury shares are held at a carrying amount of RM1,273,897,049. Further information is disclosed in Note 31 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 25(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 Note 9, Note 11 and Note 32 to 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 would 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.

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 Note 14 and Note 55 to the financial statements.

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
 Dato' Haji Abdul Aziz bin Omar
 Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff
 Lee Chin Guan (resigned on 3 July 2007)

In accordance with Article 111 of the Bank's Articles of Association, Dato' Lee Kong Lam and Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah 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 31.12.2007
	Balance at 1.1.2007	Exercise of PBB Share Options	Acquired	Disposed	
Direct interests:					
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	-	-	-	21,524,250
Tan Sri Dato' Thong Yaw Hong	5,518,750	2,000,000	-	205,000	7,313,750
Dato' Sri Tay Ah Lek	7,810,109	4,500,000	-	3,700,000	8,610,109
Dato' Lee Kong Lam	1,054,921	2,925,000	-	2,400,000	1,579,921
Dato' Yeoh Chin Kee	200,000	4,025,000	750,000	3,725,000	1,250,000
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,900,000	1,800,000	-	3,575,000	125,000
Dato' Haji Abdul Aziz bin Omar	292,000	2,375,000	-	1,792,000	875,000
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	350,000	2,175,000	-	2,160,000	365,000

	Number of Ordinary Shares of RM1.00 Each			Balance at 31.12.2007
	Balance at 1.1.2007	Acquired	Disposed	
Indirect interests:				
Tan Sri Dato' Sri Dr. Teh Hong Piow	786,468,596	-	-	786,468,596
Tan Sri Dato' Thong Yaw Hong	771,875	50,000	-	821,875
Dato' Sri Tay Ah Lek	139,482	200,000	-	339,482
Dato' Lee Kong Lam	800,000	-	-	800,000
Dato' Yeoh Chin Kee	650,000	200,000	850,000	-

DIRECTORS' INTERESTS (continued)
Share Options Held in the Bank
- Share Options Held under the Public Bank Berhad ("PBB") Employees' Share Option Scheme ("PBB Share Options")

	Option Price RM	Number of PBB Share Options			Balance at 31.12.2007
		Balance at 1.1.2007	Granted	Exercised	
Tan Sri Dato' Thong Yaw Hong	6.37	2,000,000	-	2,000,000	-
Dato' Sri Tay Ah Lek	6.37	4,500,000	-	4,500,000	-
Dato' Lee Kong Lam	6.37	2,925,000	-	2,925,000	-
Dato' Yeoh Chin Kee	6.37	2,025,000	-	2,025,000	-
	5.67	2,000,000	-	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	-
Dato' 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	925,000	-	925,000	-
	5.67	1,250,000	-	1,250,000	-

Shares Held in Subsidiary Company
- Shares Held in Public Financial Holdings Limited ("PFHL")

	Number of Ordinary Shares of HKD0.10 Each			Balance at 31.12.2007
	Balance at 1.1.2007	Acquired	Disposed	
Direct interests:				
Tan Sri Dato' Thong Yaw Hong	498,000	-	-	498,000
Dato' Yeoh Chin Kee	80,000	-	-	80,000

Share Options Held in Subsidiary Company
- Share Options Held under the PFHL Employees' Share Option Scheme ("PFHL Share Options")

	Option Price HKD	Number of PFHL Share Options			Balance at 31.12.2007
		Balance at 1.1.2007	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

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 PBB Share Options and PFHL Share Options.

DIRECTORS' BENEFITS (continued)

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 38 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 44(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

Dato' Haji Abdul Aziz bin Omar

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff

Lee Chin Guan (resigned on 3 July 2007)

BUSINESS REVIEW 2007

In 2007, despite increased competition, Public Bank Group continued to grow its lending and deposit-taking business and maintained its strong profitability, high asset quality and superior delivery standards.

Public Bank remained focused in growing market share in its core business of consumer financing such as home mortgages, car hire-purchase financing, credit card business, personal financing and retail commercial lending to small- and medium-sized enterprises ("SMEs"). This was complemented by corporate banking services and Islamic banking businesses.

During the year, Public Bank continued to offer competitive and innovative products and services to its customers. Besides the introduction of more competitive new loan packages, the Bank also promoted its PBMicro Finance for micro enterprises as well as Islamic deposits and financing business.

Public Bank continued to mobilise its retail and wholesale deposits from its customers. Several campaigns were launched during the year to grow the customer deposits and new structured deposit products were also introduced during the year for its affluent customers.

The Group expanded its non-interest income strongly in 2007 particularly through sales of unit trust funds, fund management services, treasury activities and other banking services. During the year, Public Bank signed a 10-year regional strategic alliance with the ING Group to distribute ING bancassurance products in the Asia Pacific region. The strategic alliance provides the opportunity for Public Bank to jointly develop a wider range of bancassurance business, Takaful business and other businesses such as wealth management and co-branded credit cards with ING. During the year, the Group also ventured into the general insurance business via the setting-up of a general insurance subsidiary in Cambodia, namely CampuBank Lonpac Insurance Plc.

To grow its business, Public Bank continued to leverage on its wide branch network of 241 domestic branches and other delivery channels including its e-banking channel and strong sales and marketing teams. The Group also continued to leverage on its strong PB brand and sustained superior service delivery standards. In order to enhance customer service, the Bank had installed more cheque deposit machines and cash deposit terminals and improved its Internet banking and ATM services.

In the Group's effort to further improve its operational efficiency and staff productivity, the Group continued to invest in human resource development, upgrade its IT systems and closely monitor staff and branches' key performance indicators.

BUSINESS REVIEW 2007 (continued)

To grow its business overseas, the Public Bank Group offered a wider range of loan and deposit products, employed sales and marketing staff and expanded its branch network, particularly in Hong Kong, China and Cambodia.

To ensure sustainable growth and to maintain its superior asset quality, the Group continued to maintain its prudent credit policy, strong credit culture and strong risk management policy.

During the year, the Bank continued to implement its Corporate Social Responsibility programmes particularly in the areas of education and nation building, health care, enhancement of market place, promotion of workplace and environmental conservation.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2008

The Malaysian economy is expected to remain steady in 2008. While the US economy is expected to decelerate, growth in Europe, Japan and China will continue to remain positive for Malaysia. Malaysia should continue to be insulated from the direct impact of the sub-prime mortgage crisis and credit tightening in the global economy. The banking system has no direct exposure to the securities backed by the sub-prime assets and collateralised debt obligation-related securities. The banking system should continue to have large liquidity.

Malaysia's gross domestic product is projected to grow by 6.0-6.5% in 2008, based on strong domestic demand and investment. Private consumption should remain robust due to rising disposable income, low interest rates, modest inflation and high commodity prices. Private investment should sustain because of high capacity utilisation in the manufacturing sector, positive business sentiment and lower corporate tax rate. Higher public spending under the Ninth Malaysia Plan projects should support growth. Export growth is expected to remain modest due to weak electrical and electronics cycle.

Inflationary pressures are expected to edge up slightly in 2008 due to high global oil prices and the expectation that the Government will further cut fuel subsidies. However, the strong ringgit will help moderate the pressures.

The Malaysian economy should continue to be supported by strong fundamentals such as large current account surplus, high national savings and high international reserves. The Government is expected to continue to implement its expansionary fiscal policy and accommodative monetary policy. In line with the positive economic outlook, the banking industry should remain strong in 2008 with steady loan growth and profitability, high capitalisation and high asset quality.

BUSINESS OUTLOOK FOR 2008

Despite the competitive financial landscape, the banking industry will continue to be supported by the positive outlook for the Malaysian economy in 2008.

Lending by the banking industry will continue to be driven by consumer financing and SME lending. Demand for home mortgages, hire purchase loans and SME loans should continue to remain high because of rising income, stable and low interest rates and stable employment conditions. The Government remains committed to promote SMEs. However, growth in the industry's lending to large corporates is expected to remain moderate as they continue to access the capital market.

Retail and wholesale deposits should continue to grow strongly in 2008. Demand for sophisticated wealth management and structured deposit products from affluent customers is expected to rise.

Islamic banking business should see further expansion and most domestic banks would have their Islamic banking windows transformed into Islamic bank subsidiaries. Growth in Islamic banking should accelerate in 2008 in line with the Malaysia International Islamic Financial Centre (MIFC) incentives.

The competitive landscape of the banking industry will continue to exert pressure on net interest margins. To mitigate this, industry players will promote non-interest income activities such as sales of unit trust funds and insurance products and credit card business.

Banks are expected to introduce new delivery channels such as mobile banking and further promote e-payment and e-debit in line with the e-Payment Roadmap.

Asset quality of the banking system should remain high because of the positive economic outlook, rising income and low and stable interest rates. Risk management framework would be strengthened with the implementation of the Basel II - Standardised Approach in 2008.

BUSINESS OUTLOOK FOR 2008 (continued)

Public Bank will continue to focus on its core business of lending to consumers and SMEs by offering competitive and innovative financial products and services and attractive product bundling. Specifically, the Bank will continue to grow its home mortgages, car hire purchase financing and SME loans. This will be complemented by corporate banking, treasury operations and Islamic banking. Public Bank will also continue to promote micro financing.

Public Bank will continue to promote a wider range of deposit products including foreign currency deposits and structured deposit products.

Public Bank will also continue to grow its Islamic banking business by offering a wider range of Islamic deposit and financing products. It will establish its full-fledged Islamic banking subsidiary company in 2008.

Continuous initiatives will be taken to accelerate the Group's non-interest income activities such as sales of unit trust funds and fund management, sales of general insurance and bancassurance products, credit card business, trade finance, cash management services and remittance business.

The Bank will continue to leverage on its 241 domestic branch network, strong sales and marketing teams, strong PB brand, superior service delivery standards, competitive products and service packages, and on-line channels to grow its market share in lending and deposit-taking businesses. The Bank will continue to promote e-payment, e-debit and FPX in line with the e-Payment Roadmap. The Bank will also explore the feasibility of introducing new delivery channels such as mobile banking.

The Group will continue to accelerate growth in its overseas operations in Hong Kong and China, Cambodia, Laos, Vietnam and Sri Lanka by focusing on lending to consumers and SMEs and on deposit-taking. The Group will accelerate cross-selling activities, further strengthen its sales and marketing teams overseas, continuous expansion of branch network and harness business synergies between Malaysia and its overseas operations. Feasibility study will be taken on new business opportunities overseas such as securities trading and sales of wealth management products. ATM network and on-line services will be expanded in selected overseas branches.

The Group will continue to maintain its prudent credit policies and practices and uphold strong corporate governance and practices. It will further strengthen its risk management policies to ensure sustainable growth. The Group will also remain committed to its Corporate Social Responsibility programmes.

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 : 21 January 2008

Statement by Directors

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 174 to 294 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Financial Reporting Standards 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 2007 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: 21 January 2008

Statutory Declaration

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 174 to 294, 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 21 January 2008

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur

Report of the Auditors to the Members

We have audited the financial statements set out on pages 174 to 294. The preparation of the financial statements is the responsibility of the Bank's Directors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. 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 Financial Reporting Standards 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 2007 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.

The audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG

Firm Number : AF 0758
Chartered Accountants

ADRIAN LEE LYE WANG

Partner
Approval Number : 2679/11/09(J)

Kuala Lumpur,

Dated : 21 January 2008

Balance Sheets

as at 31 December 2007

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
ASSETS					
Cash and short-term funds	3	35,548,788	24,380,630	32,606,147	22,890,702
Deposits and placements with banks and other financial institutions	4	2,683,773	4,657,417	3,069,166	3,954,803
Securities purchased under resale agreements	5	12,723,490	12,375,287	12,006,597	10,797,358
Securities held-for-trading	6	8,061,927	9,107,661	8,051,599	9,061,244
Securities available-for-sale	7	4,081,321	3,895,738	3,648,862	3,437,739
Securities held-to-maturity	8	3,872,395	3,264,818	1,688,005	997,429
Loans, advances and financing	9	99,327,993	82,787,652	89,805,707	75,891,397
Derivative financial assets	10	112,249	73,056	110,900	65,369
Other assets	11	1,812,188	1,256,779	1,309,416	1,101,257
Statutory deposits with Central Banks	12	2,373,927	2,318,708	2,272,000	2,254,000
Deferred tax assets	13	321,762	336,776	276,975	266,750
Investment in subsidiary companies	14	–	–	2,353,761	2,275,564
Investment in associated companies	15	46,318	45,481	28,465	28,465
Investment properties	16	54,390	64,175	–	–
Prepaid land lease payments	17	259,561	280,421	17	267
Property and equipment	18	864,809	853,883	548,090	549,285
Intangible assets	19	2,010,296	2,091,061	695,393	695,393
TOTAL ASSETS		174,155,187	147,789,543	158,471,100	134,267,022
LIABILITIES					
Deposits from customers	20	138,764,571	111,793,149	126,424,828	102,642,918
Deposits and placements of banks and other financial institutions	21	10,438,118	5,637,964	9,346,834	4,305,478
Obligations on securities sold under repurchase agreements		2,279	10,075,829	2,279	9,598,557
Bills and acceptances payable	22	3,452,296	2,623,644	3,452,296	2,623,644
Recourse obligations on loans sold to Cagamas	23	3,956,404	261,284	3,956,404	261,284
Derivative financial liabilities	10	153,186	181,959	147,084	171,129
Other liabilities	24	2,347,682	2,043,363	1,199,506	957,644
Borrowings	26	349,730	679,341	–	–
Subordinated notes	27	2,468,571	2,561,131	2,468,571	2,561,131
Hybrid capital securities	28	1,855,854	1,918,925	1,855,854	1,918,925
Provision for tax expense and zakat	29	365,871	333,584	266,829	255,985
Deferred tax liabilities	13	22,202	17,061	–	–
TOTAL LIABILITIES		164,176,764	138,127,234	149,120,485	125,296,695

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
EQUITY					
Share capital	30	3,527,891	3,462,825	3,527,891	3,462,825
Reserves		7,088,180	6,355,975	7,096,621	6,292,303
Treasury shares	31	(1,273,897)	(784,801)	(1,273,897)	(784,801)
Equity attributable to equity holders of the Bank					
		9,342,174	9,033,999	9,350,615	8,970,327
Minority interests		636,249	628,310	-	-
TOTAL EQUITY					
		9,978,423	9,662,309	9,350,615	8,970,327
TOTAL LIABILITIES AND EQUITY					
		174,155,187	147,789,543	158,471,100	134,267,022
COMMITMENTS AND CONTINGENCIES					
	45	40,807,470	33,359,052	36,690,143	28,386,655

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

Income Statements

for the year ended 31 December 2007

	Note	Group		Bank	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Operating revenue	2(x)	9,557,599	7,710,224	7,832,708	6,370,944
Interest income	34	7,451,804	6,144,617	6,409,578	5,303,581
Interest expense	35	(4,208,207)	(3,274,548)	(3,711,746)	(2,955,441)
Net interest income		3,243,597	2,870,069	2,697,832	2,348,140
Net income from Islamic banking business	57	478,224	428,026	478,224	428,026
		3,721,821	3,298,095	3,176,056	2,776,166
Other operating income	36	1,389,466	973,369	1,253,834	1,077,150
Net income		5,111,287	4,271,464	4,429,890	3,853,316
Other operating expenses	37	(1,693,708)	(1,398,592)	(1,217,225)	(1,071,093)
Operating profit		3,417,579	2,872,872	3,212,665	2,782,223
Allowance for losses on loans, advances and financing	39	(407,162)	(466,045)	(354,134)	(344,516)
- General allowances		(210,302)	(204,683)	(218,687)	(172,561)
- Other loan loss allowances		(196,860)	(261,362)	(135,447)	(171,955)
Impairment (loss) / written back	40	(12,159)	4,646	(7,748)	2,430
		2,998,258	2,411,473	2,850,783	2,440,137
Share of profit after tax of equity accounted associated companies		5,380	4,888	-	-
Profit before tax expense and zakat		3,003,638	2,416,361	2,850,783	2,440,137
Tax expense and zakat	41	(801,852)	(621,200)	(744,586)	(650,702)
Profit for the year		2,201,786	1,795,161	2,106,197	1,789,435
Attributable to:					
Equity holders of the Bank		2,123,915	1,726,688	2,106,197	1,789,435
Minority interests		77,871	68,473	-	-
Profit for the year		2,201,786	1,795,161	2,106,197	1,789,435
Earnings per RM1.00 share:	42				
- basic (sen)		63.3	52.1		
- diluted (sen)		62.9	51.6		
Net dividends per RM1.00 share:	43				
- Special dividends (sen)		7.4	7.3		
- Interim dividends (sen)		18.3	14.4		
- Final dividends (sen)		29.6	21.9		

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

2007 Group	Note	Attributable to Equity Holders of the Bank				Treasury Shares RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
		Non-distributable Reserves		Distributable Reserves					
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000				
At 1 January 2007		3,462,825	1,782,081	3,308,738	1,265,156	(784,801)	9,033,999	628,310	9,662,309
Currency translation differences in respect of foreign operations		-	-	(136,279)	-	-	(136,279)	(40,843)	(177,122)
Currency translation differences in respect of net investment hedge		-	-	73,917	-	-	73,917	-	73,917
Unrealised net loss on revaluation of securities available-for-sale		-	-	(65,244)	-	-	(65,244)	(2,740)	(67,984)
Unrealised net gain on cash flow hedge		-	-	381	-	-	381	-	381
Acquisition of shares in a subsidiary company		-	-	-	-	-	-	10,516	10,516
Net expense recognised directly in equity		-	-	(127,225)	-	-	(127,225)	(33,067)	(160,292)
Net profit for the year		-	-	-	2,123,915	-	2,123,915	77,871	2,201,786
Total recognised (expense) / income for the year		-	-	(127,225)	2,123,915	-	1,996,690	44,804	2,041,494
Issue of shares pursuant to the exercise of share options	25(b)(1)	65,066	330,123	-	-	-	395,189	-	395,189
Buy-back of shares	31	-	-	-	-	(489,096)	(489,096)	-	(489,096)
Transfer to statutory reserves		-	-	395,953	(395,953)	-	-	-	-
Transfer to regulatory reserves		-	-	36,258	(36,258)	-	-	-	-
Dividends paid	43	-	-	-	(1,594,608)	-	(1,594,608)	(36,865)	(1,631,473)
At 31 December 2007		3,527,891	2,112,204	3,613,724	1,362,252	(1,273,897)	9,342,174	636,249	9,978,423
		Note 30		Note 32		Note 31			

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

2006 Group	Note	← Attributable to Equity Holders of the Bank →					Treasury Shares RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
		Non-distributable Reserves			Distributable Reserves					
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Total				
At 1 January 2006		3,417,373	1,574,180	2,943,825	1,412,528	(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 (expense)/income 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 (expense)/income for the year		-	-	(60,101)	1,590,577	-	1,530,476	225,668	1,756,144	
Issue of shares pursuant to the exercise of share options	25(b)(1)	45,452	207,901	-	-	-	253,353	-	253,353	
Buy-back of shares	31	-	-	-	-	(201)	(201)	-	(201)	
Transfer to statutory reserves		-	-	425,014	(425,014)	-	-	-	-	
Dividends paid	43	-	-	-	(1,312,935)	-	(1,312,935)	(33,099)	(1,346,034)	
At 31 December 2006		3,462,825	1,782,081	3,308,738	1,265,156	(784,801)	9,033,999	628,310	9,662,309	
		Note 30		Note 32		Note 31				

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

Statement of Changes in Equity

for the year ended 31 December 2007

2007 Bank	Note	Attributable to Equity Holders of the Bank					Total RM'000
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
At 1 January 2007		3,462,825	1,782,081	3,183,133	1,327,089	(784,801)	8,970,327
Unrealised net loss on revaluation of securities available-for-sale		-	-	(37,775)	-	-	(37,775)
Unrealised net gain on cash flow hedge		-	-	381	-	-	381
Net expense recognised directly in equity		-	-	(37,394)	-	-	(37,394)
Net profit for the year		-	-	-	2,106,197	-	2,106,197
Total recognised (expense) / income for the year		-	-	(37,394)	2,106,197	-	2,068,803
Issue of shares pursuant to the exercise of share options	25(b)(1)	65,066	330,123	-	-	-	395,189
Buy-back of shares	31	-	-	-	-	(489,096)	(489,096)
Transfer to statutory reserves		-	-	358,740	(358,740)	-	-
Dividends paid	43	-	-	-	(1,594,608)	-	(1,594,608)
At 31 December 2007		3,527,891	2,112,204	3,504,479	1,479,938	(1,273,897)	9,350,615
		Note 30		Note 32	Note 33	Note 31	

2006 Bank	Note	Attributable to Equity Holders of the Bank					Total RM'000
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
At 1 January 2006		3,417,373	1,574,180	2,715,473	1,297,948	(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 the exercise of share options	25(b)(1)	45,452	207,901	-	-	-	253,353
Buy-back of shares	31	-	-	-	-	(201)	(201)
Transfer to statutory reserves		-	-	447,359	(447,359)	-	-
Dividends paid	43	-	-	-	(1,312,935)	-	(1,312,935)
At 31 December 2006		3,462,825	1,782,081	3,183,133	1,327,089	(784,801)	8,970,327
		Note 30		Note 32	Note 33	Note 31	

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

Cash Flow Statements

for the year ended 31 December 2007

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	3,003,638	2,416,361	2,850,783	2,440,137
Adjustments for:				
Share of profit after tax of equity accounted associated companies	(5,380)	(4,888)	-	-
Amortisation of prepaid land lease payments	7,532	2,320	2	1
Depreciation of property and equipment	95,589	97,084	80,873	78,651
Net gain on disposal of property and equipment	(6,040)	(153)	(1,155)	(61)
Net loss on disposal of foreclosed properties	3,648	1,077	3,648	1,077
Gain on disposal of prepaid land lease payments	(1,580)	-	-	-
Allowance for bad and doubtful debts and financing	677,322	636,121	565,013	479,953
Write back of allowance for bad and doubtful debts and financing	(107,563)	(54,712)	(104,974)	(54,328)
Net gain arising from sale of securities held-for-trading	(7,239)	(10,422)	(6,950)	(9,012)
Net gain arising from sale of securities available-for-sale	(93,305)	(4,014)	(45,515)	(4,014)
Amortisation of premium less accretion of discount	14,807	22,210	22,425	30,382
Amortisation of cost and accretion of discount relating to the issuance of the subordinated notes	2,441	2,625	2,441	2,625
Amortisation of cost relating to the issuance of the hybrid capital securities	349	64	349	64
Unrealised (gain) / loss on revaluation of securities held-for-trading	(2,951)	(2,388)	1,106	(4,453)
Unrealised (gain) / loss on revaluation of trading derivatives	(60,098)	61,184	(49,172)	64,099
Unrealised loss / (gain) on hedging derivatives	291	(2,112)	276	(275)
Pension cost - defined benefit plan	(15,517)	(6,488)	(15,797)	(6,164)
Transfer to / (from) profit equalisation reserves	7,929	(16,727)	7,929	(16,727)
Dividends from securities available-for-sale	(46,604)	(47,860)	(36,836)	(40,985)
Dividends from securities held-to-maturity	(8,112)	(3,408)	(6,610)	(3,294)
Dividends from subsidiary companies	-	-	(504,132)	(608,134)
Dividends from associated companies	-	-	(3,692)	(3,335)
Gain on disposal of shares in a subsidiary company	-	(22,082)	-	(25,844)
Goodwill written off	47	-	-	-
Property and equipment written off	108	331	107	331
Gain on revaluation of investment properties	(3,475)	(10,846)	-	-
Impairment loss / (written back) on securities held-to-maturity	4,315	(2,269)	-	(2,269)
Impairment loss / (written back) on foreclosed properties	7,748	(161)	7,748	(161)
Impairment written back on property and equipment	(2,687)	-	-	-
Impairment loss / (written back) on prepaid land lease payments	2,621	(2,216)	-	-
Impairment loss on intangible assets	162	-	-	-
Operating profit before working capital changes	3,467,996	3,048,631	2,767,867	2,318,264

for the year ended 31 December 2007

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash flows from operating activities (continued)				
Decrease / (Increase) in operating assets:				
Deposits and placements with banks and other financial institutions	1,973,644	4,055,433	885,637	4,782,065
Securities purchased under resale agreements	(348,203)	(7,505,899)	(1,209,239)	(6,775,230)
Securities held-for-trading	1,055,924	(7,526,586)	1,015,489	(7,384,321)
Loans, advances and financing	(17,136,587)	(12,348,969)	(14,400,836)	(11,756,400)
Other assets	(559,924)	(378,342)	(482,491)	168,865
Statutory deposits with Central Banks	(55,219)	(219,359)	(18,000)	(204,000)
Increase / (Decrease) in operating liabilities:				
Deposits from customers	26,971,422	21,363,358	23,781,910	20,437,736
Deposits and placements of banks and other financial institutions	4,800,154	(2,403,615)	5,041,356	(2,478,122)
Obligations on securities sold under repurchase agreements	(10,073,550)	6,033,880	(9,596,278)	5,901,573
Bills and acceptances payable	828,652	493,929	828,652	495,985
Recourse obligations on loans sold to Cagamas	3,695,120	(23,721)	3,695,120	(23,721)
Other liabilities	215,023	516,940	46,156	(270,843)
Cash generated from operations	14,834,452	5,105,680	12,355,343	5,211,851
Income tax expense and zakat paid	(740,674)	(593,490)	(631,854)	(503,356)
Pension cost paid – defined benefit plan	–	(6,769)	–	(6,769)
Net cash generated from operating activities	14,093,778	4,505,421	11,723,489	4,701,726
Cash flows from investing activities				
Purchase of property and equipment	(118,876)	(134,438)	(83,242)	(58,472)
Prepaid land lease payments made	(657)	(1,042)	–	–
Proceeds from disposal of property and equipment	19,655	1,263	4,503	352
Proceeds from disposal of foreclosed properties	19,502	12,989	19,502	12,989
Proceeds from disposal of prepaid land lease payments	3,233	29	248	–
Proceeds from disposal of investment properties	424	1,676	–	–
Net (purchase) / disposal of securities	(758,210)	883,560	(900,009)	837,907
Additional investment in subsidiary companies	–	(51,153)	(305,384)	(1,334,966)

Cash Flow Statements

for the year ended 31 December 2007

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash flows from investing activities (continued)				
Dividends received from associated companies	3,692	3,427	3,692	3,335
Dividends received from securities available-for-sale	46,604	47,860	36,836	40,985
Dividends received from securities held-to-maturity	8,112	3,408	6,610	3,294
Cash received from capital reduction exercise of subsidiary companies	-	-	227,037	319,069
Proceeds from disposal of shares in a subsidiary company	-	82,323	-	82,323
Acquisition of Public Bank (Hong Kong) Limited, net of cash acquired	-	(800,278)	-	-
Proceeds from issuance of shares in a subsidiary company to minority shareholders	10,516	-	-	-
Dividends received from subsidiary companies	-	-	670,678	238,143
Net cash (used in) / generated from investing activities	(766,005)	49,624	(319,529)	144,959
Cash flows from financing activities				
Subscription of rights issue by minority shareholders	-	778	-	-
Proceeds from issuance of shares	395,189	253,353	395,189	253,353
(Repayment)/Drawdown of borrowings	(329,611)	679,341	-	-
Dividends paid to equity holders of the Bank	(1,594,608)	(1,312,935)	(1,594,608)	(1,312,935)
Dividends paid to minority interests	(36,865)	(58,313)	-	-
Share issuance expenses	-	(162)	-	-
Buy-back of shares	(489,096)	(201)	(489,096)	(201)
Net proceeds from issuance of hybrid capital securities	-	1,933,462	-	1,933,462
Net cash (used in) / generated from financing activities	(2,054,991)	1,495,323	(1,688,515)	873,679
Net increase in cash and cash equivalents	11,272,782	6,050,368	9,715,445	5,720,364
Cash and cash equivalents at beginning of year	24,380,630	18,357,737	22,890,702	17,170,338
Exchange differences on translation of opening balances	(104,624)	(27,475)	-	-
Cash and cash equivalents at end of year	35,548,788	24,380,630	32,606,147	22,890,702

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

Notes to the Financial Statements

– 31 December 2007

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, underwriting of general insurance 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 21 January 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- (i) FRS 117 Leases issued by the Malaysian Accounting Standards Board ("MASB") that is effective for the Group's annual reporting date, 31 December 2007. The principal effects of the change in accounting policy resulting from the adoption of FRS 117 are disclosed in Note 51.
- (ii) During the financial year, the following Financial Reporting Standards ("FRS"), amendments to FRS and IC Interpretations were issued by MASB. These are effective for financial years beginning 1 July 2007, and are available for early adoption. The Group and the Bank have chosen to early adopt all these FRSs, amendments to FRS and IC Interpretations:
 - FRS 107 Cash Flow Statements
 - FRS 111 Construction Contracts
 - FRS 112 Income Taxes
 - FRS 118 Revenue
 - FRS 119 Employee Benefits
 - FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
 - FRS 126 Accounting and Reporting by Retirement Benefit Plans
 - FRS 129 Financial Reporting in Hyperinflationary Economies
 - FRS 134 Interim Financial Reporting
 - FRS 137 Provisions, Contingent Liabilities and Contingent Assets
 - Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
 - IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
 - IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments
 - IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
 - IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
 - IC Interpretation 7 Applying the Restatement Approach to FRS 129 Financial Accounting in Hyperinflationary Economies
 - IC Interpretation 8 Scope of FRS 2 Share-based Payments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of the above FRSs, amendments to FRS and IC Interpretations does not have any significant financial impact on the Group and the Bank.

In the previous financial year, the MASB had also issued FRS 139 Financial Instruments: Recognition and Measurement for which the MASB has yet to announce the effective date. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

(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 applicable approved FRSs issued by the MASB as modified by Bank Negara Malaysia 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.

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 19) – 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) Allowance for losses on loans, advances and financing (Note 9 and Note 39) – whilst the assessment of allowance for losses required for loans, advances and financing is made in accordance with the requirements of BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts, the Bank exercises judgement in ascertaining the recoverable amount when assessing the levels of loan loss allowance required.
- (iv) Impairment of assets – assessment of impairment of securities available-for-sale (Note 7) and securities held-to-maturity (Note 8) is made in line with the guidance in the revised BNM/GP8 Guidelines on Financial Reporting for Licensed Institutions to determine when the investment is impaired. Management judgement is required to evaluate the duration and extent by which the fair value of the financial instruments are below its carrying value and when there is indication of impairment in the carrying value of the financial instruments. The assessment of impairment of properties held under prepaid land lease payments (Note 17) and property and equipment (Note 18) also requires management judgement in the assessment of whether negative fluctuations in values of similar properties in the same location represents an indication of impairment in the value of the properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Accounting (continued)

- (v) 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 flow methods.
- (vi) 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. 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.

(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(j)(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)

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary company being disposed. All gains or losses on disposal of subsidiary companies are recognised in the consolidated income statement.

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 recognised as gain or loss on disposal in the Bank's income statement.

(ii) Associated Companies

Associated companies are those enterprises in which the Group has significant influence but not control, generally where the Group has long term equity interest and voting rights of between 20 to 50 percent. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not the power to exercise control over the policies.

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.

The gain or loss on disposal of an associated company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the associated company being disposed. All gains or losses on disposal of associated companies are recognised in the consolidated income statement.

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign Currency (continued)

(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.

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:

	2007	2006
1 USD	RM3.3065	RM3.5220
1 HKD	RM0.4239	RM0.4529

(d) 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.

(e) Securities

Investments in securities of the Group and the Bank are classified according to the following categories at initial recognition 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. The fair value of quoted securities is derived from market bid prices. For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Securities (continued)

(ii) Securities Held-to-Maturity (continued)

The securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method, less impairment losses, if any. 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 any 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. 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. The fair value of quoted securities is derived from market bid prices. For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method. Interest earned on securities available-for-sale is recognised in the income statement based on the effective yield basis.

(f) Derivative Financial Instruments and Hedge Accounting

Financial derivatives are recognised at fair value upon inception in the balance sheet, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. 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, cash flow or net investment 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. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Derivative Financial Instruments and Hedge Accounting (continued)

(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 equity as a cash flow hedging reserve. 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. If the hedged forecast transactions result in the recognition of a non-financial asset or a non-financial liability, the gain and loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

(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.

(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 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 or prepaid land lease payments 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.

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 of 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) Leases

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and, except for leasehold land classified as investment property, the leased assets are not recognised on the balance sheet. All lease rentals payable are accounted for on a straight-line basis over the lease term and included in 'other operating expenses'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leases (continued)

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid land lease payments at the balance sheet date. In the case of a lease of land and buildings, the prepaid lease payments are allocated, whenever necessary, between the land element and the buildings element of the lease at the inception of the lease in proportion to their relative fair value. The prepaid lease payments are amortised over the lease term in accordance with the pattern of benefits provided.

(i) 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 replaced parts are 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(m)(iv).

Freehold land and work-in-progress are 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:

Buildings	2.0%
Renovations	Over the term of the leases ranging from 2 – 7 years
Office equipment, furniture and fittings	10.0% –33.3%
Computer equipment and software	20.0% –33.3%
Motor vehicles	20.0%

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.

(j) 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 allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Goodwill and Intangible Assets (continued)

(i) Goodwill (continued)

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.

(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.

(k) 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.

(l) 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.

(m) 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)

(m) 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. A significant or prolonged decline in the fair value of the equity instrument below its cost is considered in determining whether the instrument is impaired. 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.

(n) Repurchase Agreements

Securities purchased under resale agreements represent collateralised lending 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Bills and Acceptance Payable

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

(p) 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.

(q) General Insurance

General insurance underwriting results are determined after taking into account reinsurances, unearned premium reserves, net commissions and net claims incurred.

Unearned premium reserves ("UPR") represent the unexpired risks at the end of the financial year. A fixed percentage method or time apportionment method is used in determining the UPR at balance sheet date.

Provision is made for outstanding claims based on the estimated costs of all claims together with related expenses less reinsurance recoveries in respect of claims notified but not settled at balance sheet date. Provision is also made for the cost of claims together with related expenses incurred but not reported at balance sheet date based on an actuarial estimation by a qualified actuary using a mathematical method of estimation.

(r) 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.

(s) 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.

(t) Subordinated Notes, Hybrid Capital Securities and Borrowings

Subordinated notes, hybrid capital securities and borrowings 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.

Subordinated notes, hybrid capital securities and borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Share Capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

(v) 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.

(w) Contingent Liabilities and Contingent Assets

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.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(x) Operating Revenue

Operating revenue of the Group comprises all types of revenue derived from banking, investment banking, financing, stock-broking, leasing and factoring, general insurance, 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.

(y) 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's Circular on the Accounting Treatment of Handling Fees for Hire Purchase Loans 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)

(z) 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) Fee on 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;
- (viii) Premium income from general insurance is recognised in a financial period in respect of risks assumed during the particular financial year; and
- (ix) Rental income is recognised on an accrual basis when it falls due.

(aa) 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.

(ab) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Allowance for Bad and Doubtful Debts and Financing (continued)

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.

Accordingly, the Group has also adopted a more stringent basis for specific allowances on non-performing loans by making a twenty percent (20%) specific allowance on non-performing loans which are three (3) months to less than six (6) months-in-arrears. The Directors are of the view that such treatment will reflect a more prudent provisioning policy for loans, advances and financing.

(ac) 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.

(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 ten percent (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 net defined benefit surplus 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) Employee Benefits (continued)

(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, Cambodian Public Bank Limited and CampuBank Lonpac Insurance Plc, 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.

(ad) 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.

(ae) Dividends

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

3. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Cash and balances with banks and other financial institutions	3,592,965	1,196,658	1,079,561	807,800
Money at call and deposit placements maturing within one month	31,955,823	23,183,972	31,526,586	22,082,902
	35,548,788	24,380,630	32,606,147	22,890,702

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4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Licensed banks / Islamic banks	908,118	267,380	714,996	10,566
Licensed investment banks	379,061	–	379,061	240,000
Central Banks	–	4,077,000	–	3,391,200
Other financial institutions	1,396,594	313,037	1,975,109	313,037
	2,683,773	4,657,417	3,069,166	3,954,803

A fixed deposit of RM100,000 (2006 - 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.

5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

The fair value of securities accepted as collateral under resale agreements that the Group and the Bank are permitted to sell or repledge was RM12,723,490,000 (2006 - RM12,375,287,000) and RM12,006,597,000 (2006 - RM10,797,358,000) respectively, of which RM Nil (2006 - RM1,440,900,000) and RM Nil (2006 - RM1,440,900,000) respectively, have been resold.

6. SECURITIES HELD-FOR-TRADING

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At fair value				
Money market instruments:				
Malaysian Government Treasury Bills	25,695	30,649	25,695	28,979
Malaysian Government Securities	–	146,881	–	146,881
Malaysian Government Investment Certificates	–	136,707	–	136,707
Cagamas bonds	4,188,824	–	4,188,824	–
Negotiable instruments of deposit	3,702,506	8,302,944	3,702,506	8,302,944
Bank Negara Malaysia Monetary Notes	92,756	343,012	92,756	343,012
	8,009,781	8,960,193	8,009,781	8,958,523
Quoted securities:				
Shares in Malaysia	1,793	5,082	1,793	5,082
Trust units outside Malaysia	5,198	4,626	–	–
	6,991	9,708	1,793	5,082
Unquoted securities:				
Private debt securities in Malaysia	45,155	137,760	40,025	97,639
	8,061,927	9,107,661	8,051,599	9,061,244

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Negotiable instruments of deposit	–	8,122,728	–	8,122,728

7. SECURITIES AVAILABLE -FOR-SALE

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At fair value				
Quoted securities:				
Shares and convertible loan stocks in Malaysia	39,109	31,235	39,109	31,235
Shares outside Malaysia	33,653	45,510	–	–
Trust units in Malaysia				
- Public Institutional Bond Fund	1,218,730	1,179,541	1,116,383	1,080,489
- Others	100,392	109	100,303	–
	1,391,884	1,256,395	1,255,795	1,111,724
Unquoted securities:				
Shares in Malaysia	19,668	13,919	19,098	13,349
Shares outside Malaysia	3,003	3,116	119	34
Private debt securities in Malaysia	2,666,766	2,622,308	2,373,850	2,312,632
	2,689,437	2,639,343	2,393,067	2,326,015
	4,081,321	3,895,738	3,648,862	3,437,739

8. SECURITIES HELD-TO-MATURITY

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Treasury Bills	58,554	9,902	58,554	9,902
Malaysian Government Securities	128,745	425,406	128,745	425,406
Malaysian Government Investment Certificates	231,613	60,400	231,613	60,400
Bankers' acceptances and Islamic accepted bills	500,021	-	-	-
Cagamas bonds	-	116,390	-	116,390
Cagamas Mudharabah bonds	1,371	51,736	1,371	51,736
Negotiable instruments of deposit	577,836	1,063,695	60,983	238,234
Bank Negara Malaysia Monetary Notes	1,039,568	-	1,039,568	-
Bank Negara Malaysia Bills	29,853	-	-	-
Hong Kong Government Treasury Bills	126,104	44,943	-	-
Sri Lanka Government Treasury Bills	7,993	6,872	7,993	6,872
	2,701,658	1,779,344	1,528,827	908,940
Quoted securities:				
Private debt securities outside Malaysia	8,472	30,184	-	-
Unquoted securities:				
Shares in Malaysia	87,499	87,512	87,201	87,057
Private debt securities in Malaysia	86,325	47,120	86,315	16,744
Private debt securities outside Malaysia	1,006,933	1,335,970	-	-
	1,180,757	1,470,602	173,516	103,801
Accumulated impairment losses	(18,492)	(15,312)	(14,338)	(15,312)
	3,872,395	3,264,818	1,688,005	997,429

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Maturity within one year	2,373,633	1,492,292	1,200,802	665,487
More than one year to three years	253,256	268,482	253,256	233,690
More than three years to five years	74,769	18,570	74,769	9,763
	2,701,658	1,779,344	1,528,827	908,940

8. SECURITIES HELD-TO-MATURITY (continued)

The market value of money market instruments are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian Government Treasury Bills	58,575	9,904	58,575	9,904
Malaysian Government Securities	129,103	425,345	129,103	425,345
Malaysian Government Investment Certificates	231,893	60,615	231,893	60,615
Bankers' acceptances and Islamic accepted bills	500,065	-	-	-
Cagamas bonds	-	116,308	-	116,308
Cagamas Mudharabah bonds	1,371	51,736	1,371	51,736
Negotiable instruments of deposit	577,960	1,066,173	61,087	238,262
Bank Negara Malaysia Monetary Notes	1,039,915	-	1,039,915	-
Bank Negara Malaysia Bills	29,857	-	-	-
Hong Kong Government Treasury Bills	125,503	45,182	-	-
Sri Lanka Government Treasury Bills	8,001	6,859	8,001	6,859

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Sri Lanka Government Treasury Bills	2,279	-	2,279	-
Negotiable instruments of deposit	-	590,785	-	32,347
Malaysian Government Treasury Bills	-	2,582	-	2,582
	2,279	593,367	2,279	34,929

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Overdrafts	8,815,494	7,958,576	7,943,843	7,441,141
Term loans / financing				
Housing loans / financing	27,661,139	24,004,682	25,795,082	22,656,307
Syndicated term loans / financing	1,323,723	1,153,748	585,536	640,055
Hire purchase receivables	29,601,425	26,512,369	28,382,885	25,441,418
Other term loans / financing	31,039,123	23,690,266	26,311,247	20,139,762
Credit card receivables	944,308	760,432	936,974	754,785
Bills receivables	171,365	134,359	100,048	88,898
Trust receipts	442,169	417,562	343,691	300,552
Claims on customers under acceptance credits #	2,568,945	2,072,886	2,539,170	2,050,687
Lease, factored and confirming receivables	22,020	23,926	-	-
Revolving credits	3,537,039	1,807,528	3,542,341	1,908,787
Staff loans*	648,133	653,640	604,957	621,200
	106,774,883	89,189,974	97,085,774	82,043,592
Less : Unearned interest and income	(5,359,964)	(4,825,456)	(5,359,347)	(4,824,910)
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	101,414,919	84,364,518	91,726,427	77,218,682
Less : Islamic house financing sold to Cagamas	(410,003)	-	(410,003)	-
Gross loans, advances and financing (excluding Islamic house financing sold to Cagamas)	101,004,916	84,364,518	91,316,424	77,218,682
Less : Allowance for bad and doubtful debts and financing:				
- general	(1,522,964)	(1,318,546)	(1,374,846)	(1,156,721)
- specific	(153,959)	(258,320)	(135,871)	(170,564)
Net loans, advances and financing	99,327,993	82,787,652	89,805,707	75,891,397

Included in claims on customers under acceptance credits of the Group and the Bank are bankers' acceptance rediscounted of RM2,400,341,000 (2006 - RM1,833,881,000).

* Included in staff loans of the Group and the Bank are loans to directors of subsidiary companies amounting to RM2,247,572 (2006 - RM2,488,368) and RM1,373,922 (2006 - RM1,232,670) respectively.

9. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Maturity within one year	21,203,269	16,560,079	18,035,532	13,876,007
More than one year to three years	9,655,329	9,021,002	7,634,484	7,618,744
More than three years to five years	13,451,376	11,137,583	12,106,395	10,304,887
More than five years	57,104,945	47,645,854	53,950,016	45,419,044
	101,414,919	84,364,518	91,726,427	77,218,682
Less: Islamic house financing sold to Cagamas	(410,003)	–	(410,003)	–
	101,004,916	84,364,518	91,316,424	77,218,682

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Domestic non-bank financial institutions				
- Stock-broking companies	2,010	2,010	2,010	2,010
- Others	2,196,329	2,208,408	2,181,319	2,193,398
Domestic business enterprises				
- Small and medium enterprises	19,270,067	17,712,724	19,161,679	17,597,689
- Others	9,192,084	3,903,743	9,184,871	4,029,835
Government and statutory bodies	703	1,250	703	1,250
Individuals	59,614,801	51,952,188	59,579,440	51,921,475
Other domestic entities	50,616	66,622	50,616	66,622
Foreign entities	11,088,309	8,517,573	1,565,789	1,406,403
	101,414,919	84,364,518	91,726,427	77,218,682
Less: Islamic house financing sold to Cagamas	(410,003)	–	(410,003)	–
	101,004,916	84,364,518	91,316,424	77,218,682

9. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fixed rate				
- Housing loans / financing	4,160,813	5,718,791	4,146,421	5,699,351
- Hire purchase receivables	25,117,733	22,354,521	24,852,968	22,089,714
- Other fixed rate loans / financing	12,598,679	10,978,798	9,865,834	8,907,989
Variable rate				
- Base lending rate plus	48,175,532	37,581,971	48,154,822	37,556,120
- Cost plus	3,551,075	1,904,128	3,565,312	1,950,243
- Other variable rates	7,811,087	5,826,309	1,141,070	1,015,265
	101,414,919	84,364,518	91,726,427	77,218,682
Less: Islamic house financing sold to Cagamas	(410,003)	-	(410,003)	-
	101,004,916	84,364,518	91,316,424	77,218,682

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Purchase of securities	518,412	494,181	503,696	480,276
Purchase of transport vehicles	26,128,719	23,349,045	24,916,702	22,288,045
Purchase of landed properties	45,165,708	37,265,024	41,725,519	35,181,267
(of which: - residential	26,654,819	22,968,404	24,748,931	21,591,211
- non-residential)	18,510,889	14,296,620	16,976,588	13,590,056
Purchase of fixed assets (excluding landed properties)	232,203	139,377	231,981	135,517
Personal use	6,327,245	5,433,782	4,780,760	3,979,748
Credit card	944,308	760,432	936,974	754,785
Purchase of consumer durables	30,529	22,090	30,529	22,090
Construction	720,719	477,839	195,874	95,571
Mergers & Acquisitions	10,979	-	10,979	-
Working capital	17,174,645	13,517,832	14,233,933	11,378,447
Other purpose	4,161,452	2,904,916	4,159,480	2,902,936
	101,414,919	84,364,518	91,726,427	77,218,682
Less: Islamic house financing sold to Cagamas	(410,003)	-	(410,003)	-
	101,004,916	84,364,518	91,316,424	77,218,682

9. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Agriculture, hunting, forestry and fishing	1,136,294	853,833	1,081,634	836,237
Mining and quarrying	98,160	56,161	80,913	54,970
Manufacturing	5,085,443	4,309,424	4,962,254	4,214,002
Electricity, gas and water	64,883	69,431	36,008	36,780
Construction	4,441,394	3,309,769	3,984,639	3,040,829
Wholesale & retail trade and restaurants & hotels	9,659,509	7,686,170	9,245,876	7,466,772
Transport, storage and communication	1,490,088	632,033	1,473,806	622,204
Finance, insurance and business services	5,023,632	4,398,634	4,509,446	3,892,897
Real estate	5,408,706	2,883,867	5,232,575	2,932,951
Community, social and personal services	815,434	761,166	815,434	750,339
Households	66,247,380	57,198,598	60,011,333	52,522,975
(of which: - purchase of residential properties	26,195,108	22,551,747	24,289,220	21,174,554
- purchase of transport vehicles	21,770,900	19,669,245	20,558,679	18,610,833
- others)	18,281,372	14,977,606	15,163,434	12,737,588
Others	1,943,996	2,205,432	292,509	847,726
	101,414,919	84,364,518	91,726,427	77,218,682
Less: Islamic house financing sold to Cagamas	(410,003)	-	(410,003)	-
	101,004,916	84,364,518	91,316,424	77,218,682

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 January	1,577,831	1,406,479	1,435,315	1,290,208
Non-performing during the year	2,583,593	2,539,955	2,468,728	2,425,170
Reclassified as performing	(2,176,984)	(1,944,453)	(2,176,804)	(1,943,441)
Recoveries	(91,631)	(80,622)	(83,491)	(79,634)
Amounts written off	(453,719)	(361,506)	(275,697)	(233,235)
Loans / financing converted to foreclosed properties / securities	(26,487)	(23,560)	(26,487)	(23,560)
Amount arising from acquisition of Public Bank (Hong Kong) Limited	-	51,819	-	-
Exchange differences	(8,843)	(10,281)	(194)	(193)
At 31 December	1,403,760	1,577,831	1,341,370	1,435,315
Specific allowance	(153,959)	(258,320)	(135,871)	(170,564)
Net non-performing loans, advances and financing	1,249,801	1,319,511	1,205,499	1,264,751
Net NPL as % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance	1.23%	1.57%	1.32%	1.64%

9. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
General allowance				
At 1 January	1,318,546	1,056,199	1,156,721	984,830
Allowance made during the year (Note 39)	210,302	204,683	218,687	172,561
Amount arising from acquisition of Public Bank (Hong Kong) Limited	-	64,071	-	-
Exchange differences	(5,884)	(6,407)	(562)	(670)
At 31 December	1,522,964	1,318,546	1,374,846	1,156,721
As % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance				
	1.50%	1.57%	1.50%	1.50%

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Specific allowance				
At 1 January	258,320	233,007	170,564	151,746
Allowance made during the year (Note 39)	467,020	431,438	346,326	307,392
Amount written back in respect of recoveries (Note 39)	(107,563)	(54,712)	(104,974)	(54,328)
Amount written off	(453,719)	(361,506)	(275,697)	(233,235)
Amount transferred to accumulated impairment loss of foreclosed properties / securities	(237)	(982)	(237)	(982)
Amount arising from acquisition of Public Bank (Hong Kong) Limited	-	22,546	-	-
Exchange differences	(9,862)	(11,471)	(111)	(29)
At 31 December	153,959	258,320	135,871	170,564

9. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Purchase of securities	7,265	29,138	7,265	25,784
Purchase of transport vehicles	230,398	247,552	227,287	242,943
Purchase of landed properties	771,764	822,736	761,765	814,195
(of which: - residential	647,805	706,007	645,403	697,466
- non-residential)	123,959	116,729	116,362	116,729
Purchase of fixed assets (excluding landed properties)	1,938	2,621	1,914	1,580
Personal use	116,345	154,066	86,480	82,230
Credit card	15,253	14,375	15,253	14,375
Purchase of consumer durables	888	988	888	988
Construction	-	26,928	-	-
Working capital	232,489	244,391	213,098	218,196
Other purpose	27,420	35,036	27,420	35,024
	1,403,760	1,577,831	1,341,370	1,435,315

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Agriculture, hunting, forestry and fishing	3,283	3,823	3,283	3,772
Mining and quarrying	127	57	127	57
Manufacturing	96,291	96,925	96,272	96,431
Electricity, gas and water	92	58	92	51
Construction	53,997	87,448	53,997	60,382
Wholesale & retail trade and restaurants & hotels	117,030	132,254	117,030	132,121
Transport, storage and communication	8,189	8,574	8,184	5,552
Finance, insurance and business services	14,234	20,189	14,234	19,928
Real estate	22,355	18,883	22,355	18,883
Community, social and personal services	7,625	11,739	7,625	11,739
Households	1,060,219	1,169,002	1,017,244	1,083,693
(of which: - purchase of residential properties	643,271	697,122	640,869	688,581
- purchase of transport vehicles	196,900	210,495	193,789	208,917
- others)	220,048	261,385	182,586	186,195
Others	20,318	28,879	927	2,706
	1,403,760	1,577,831	1,341,370	1,435,315

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 via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the hedge effectiveness criteria. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 46.

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

Group	Contract/ Notional Amount RM'000	2007 Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	2006 Positive Fair Value RM'000	Negative Fair Value RM'000
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards	1,528,460	2,220	13,459	897,677	4,368	9,209
- Currency swaps	6,886,698	46,572	24,495	5,924,378	6,948	49,976
Interest rate related contracts						
- Forwards	-	-	-	35,230	-	18
- Interest rate swaps	169,564	22	17	67,941	610	709
	8,584,722	48,814	37,971	6,925,226	11,926	59,912
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
- Interest rate swaps	6,922,415	63,435	114,051	7,042,498	61,130	122,047
Cash flow hedge						
Foreign exchange contracts						
- Currency forwards	199,610	-	1,164	-	-	-
	7,122,025	63,435	115,215	7,042,498	61,130	122,047
Total	15,706,747	112,249	153,186	13,967,724	73,056	181,959

10. DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

Bank	Contract/ Notional Amount RM'000	2007 Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	2006 Positive Fair Value RM'000	Negative Fair Value RM'000
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards	1,190,705	1,781	13,084	757,152	4,064	8,993
- Currency swaps	6,367,677	45,912	23,877	3,670,479	2,073	46,510
Interest rate related contracts						
- Interest rate swaps	1,047,896	17,042	24,962	1,094,265	22,849	19,843
	8,606,278	64,735	61,923	5,521,896	28,986	75,346
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
- Interest rate swaps	5,594,339	46,165	83,997	5,655,330	36,383	95,783
Cash flow hedge						
Foreign exchange contracts						
- Currency forwards	199,610	-	1,164	-	-	-
	5,793,949	46,165	85,161	5,655,330	36,383	95,783
Total	14,400,227	110,900	147,084	11,177,226	65,369	171,129

As at 31 December 2007, the Group and the Bank have positions in the following types of derivative financial instruments:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates.

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. Currency forwards are used as cash flow hedges to hedge expected future cash flows receivable in order to minimise its exposure to adverse exchange rate movements on foreign currency positions.

11. OTHER ASSETS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred handling fees **	151,847	133,215	151,847	133,215
Interest / Income receivable	105,569	73,695	81,442	45,195
Other debtors, deposits and prepayments	862,764	413,097	557,435	282,993
Manager's stocks *	76,255	161,958	-	-
Amount due from trust funds ^	208,031	121,359	-	-
Foreclosed properties #	105,880	110,540	105,766	110,426
Taxi licenses	10,724	10,918	-	-
Outstanding contracts on clients' accounts @	291,118	231,997	-	-
Amount due from subsidiary companies ^^	-	-	281,330	128,605
Dividend receivable from subsidiary companies (Note 44(b))	-	-	131,596	400,823
	1,812,188	1,256,779	1,309,416	1,101,257

# Stated net of accumulated allowance for impairment loss amounting to	37,532	30,736	32,174	25,378
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@ Stated net of accumulated allowance for bad and doubtful debts amounting to	24,762	23,581	-	-
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** This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase loans.

* Manager's stocks represent trust units held by the fund management subsidiary company.

^ This balance refers to amount due from trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units. It also includes management fee receivable from trust funds.

^^ These balances are unsecured, non-interest bearing and have no fixed terms of repayment.

@ This balance represents outstanding purchase contracts in respect of the stock-broking business of the investment banking subsidiary company entered into on behalf of clients where settlements have yet to be made by clients. The trade settlement is 3 market days according to the Bursa Malaysia Securities Clearing Sdn Bhd's trading rules.

12. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Statutory deposits with Bank Negara Malaysia *	2,274,070	2,257,073	2,272,000	2,254,000
Statutory deposits with the National Bank of Cambodia #	99,857	61,635	-	-
	2,373,927	2,318,708	2,272,000	2,254,000

* 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 are 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 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
At 1 January	319,715	312,573	266,750	256,957
Recognised in income statement (net) (Note 41)				
- relating to origination and reversal of temporary differences	(17,419)	52,577	12,349	36,052
- relating to changes in tax rate	(12,587)	(25,659)	(10,860)	(20,562)
Recognised in equity (net) (Note 41)	8,736	(5,697)	8,736	(5,697)
Amount arising from acquisition of Public Bank (Hong Kong) Limited	-	(14,345)	-	-
Exchange differences	1,115	266	-	-
At 31 December	299,560	319,715	276,975	266,750

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets, net	321,762	336,776	276,975	266,750
Deferred tax liabilities, net	(22,202)	(17,061)	-	-
	299,560	319,715	276,975	266,750

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deferred tax assets	432,923	446,447	378,055	360,070
Deferred tax liabilities	(133,363)	(126,732)	(101,080)	(93,320)
	299,560	319,715	276,975	266,750

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 Losses on Loans RM'000	Tax Losses RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2006	339,950	33,918	32,512	406,380
Recognised in income statement (Note 41)				
- relating to origination and reversal of temporary differences	42,439	22,678	897	66,014
- relating to changes in tax rate	(26,683)	(3,149)	(3,079)	(32,911)
Amount arising from acquisition of Public Bank (Hong Kong) Limited	1,762	-	6,092	7,854
Exchange differences	(683)	(8)	(199)	(890)
At 31 December 2006	356,785	53,439	36,223	446,447
Recognised in income statement (Note 41)				
- relating to origination and reversal of temporary differences	38,924	(24,948)	(9,732)	4,244
- relating to changes in tax rate	(14,882)	(1,095)	(989)	(16,966)
Exchange differences	(621)	-	(181)	(802)
At 31 December 2007	380,206	27,396	25,321	432,923

13. DEFERRED TAX (continued)

Deferred tax liabilities of the Group	Excess of Capital Allowances Over Depreciation RM'000	Deferred Handling Fees RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2006	59,223	32,051	2,533	93,807
Recognised in income statement (Note 41)				
- relating to origination and reversal of temporary differences	7,821	5,105	511	13,437
- relating to changes in tax rate	(4,207)	(2,654)	(391)	(7,252)
Recognised in equity (Note 41)	-	-	5,697	5,697
Amount arising from acquisition of Public Bank (Hong Kong) Limited	22,199	-	-	22,199
Exchange differences	(1,156)	-	-	(1,156)
At 31 December 2006	83,880	34,502	8,350	126,732
Recognised in income statement (Note 41)				
- relating to origination and reversal of temporary differences	1,950	4,978	14,735	21,663
- relating to changes in tax rate	(2,099)	(1,518)	(762)	(4,379)
Recognised in equity (Note 41)	-	-	(8,736)	(8,736)
Exchange differences	(1,917)	-	-	(1,917)
At 31 December 2007	81,814	37,962	13,587	133,363

Deferred tax assets of the Bank	Allowance for Losses on Loans RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2006		26,019	341,995
Recognised in income statement (Note 41)			
- relating to origination and reversal of temporary differences	53,512	(7,947)	45,565
- relating to changes in tax rate	(26,392)	(1,098)	(27,490)
At 31 December 2006	343,096	16,974	360,070
Recognised in income statement (Note 41)			
- relating to origination and reversal of temporary differences	38,798	(5,691)	33,107
- relating to changes in tax rate	(14,688)	(434)	(15,122)
At 31 December 2007	367,206	10,849	378,055

13. DEFERRED TAX (continued)

Deferred tax liabilities of the Bank	Excess of Capital Allowances Over Depreciation RM'000	Deferred Handling Fees RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2006	50,607	32,051	2,380	85,038
Recognised in income statement (Note 41)				
- relating to origination and reversal of temporary differences	4,390	5,105	18	9,513
- relating to changes in tax rate	(3,929)	(2,654)	(345)	(6,928)
Recognised in equity (Note 41)	-	-	5,697	5,697
At 31 December 2006	51,068	34,502	7,750	93,320
Recognised in income statement (Note 41)				
- relating to origination and reversal of temporary differences	1,003	4,978	14,777	20,758
- relating to changes in tax rate	(2,003)	(1,518)	(741)	(4,262)
Recognised in equity (Note 41)	-	-	(8,736)	(8,736)
At 31 December 2007	50,068	37,962	13,050	101,080

Deferred tax assets have not been recognised in respect of 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	
	2007 RM'000	2006 RM'000
Unutilised tax losses	16,306	19,640
Unutilised capital allowances	26,991	13,847

Subject to the agreement by the relevant tax authorities and subject to changes in the Group's shareholdings of the subsidiary companies under Section 44(5A) and (5B) of the Income Tax Act, 1967, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM128,020,000 (2006 – RM225,255,000) and RM26,991,000 (2006 – RM13,847,000) 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	2007		2006	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Quoted shares outside Malaysia				
- Quoted shares in Hong Kong	1,672,195	1,707,564	1,672,195	2,239,657
Unquoted shares				
- In Malaysia	551,847		559,905	
- Outside Malaysia	130,149		43,894	
	2,354,191		2,275,994	
Less: Accumulated impairment losses	(430)		(430)	
	2,353,761		2,275,564	

14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest	
		2007 %	2006 %
<u>Local subsidiary companies</u>			
PBFIN Berhad	Dormant	100.0	100.0
Public Nominees (Tempatan) Sdn. Bhd.	Nominee services	100.0	100.0
Public Nominees (Asing) Sdn. Bhd.	Nominee services	100.0	100.0
Public Holdings Sdn. Bhd.	Property holding	100.0	100.0
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	100.0	100.0
PB International Factors Sdn. Bhd.	Factoring	100.0	100.0
Public Investment Bank Berhad +	Investment banking	100.0	100.0
Public Invest Nominees (Tempatan) Sdn. Bhd. (formerly known as PB Securities Nominees (Tempatan) Sdn. Bhd.) +	Nominee services	100.0	100.0
Public Invest Nominees (Asing) Sdn. Bhd. (formerly known as PB Securities Nominees (Asing) Sdn. Bhd.) +	Nominee services	100.0	100.0
Public Consolidated Holdings Sdn. Bhd. +	Investment holding	100.0	100.0
Public Mutual Berhad +	Sale of trust units and management of unit trusts	100.0	100.0
Business Premium Sdn. Bhd. + #	Dormant	-	100.0
Public Bank (L) Ltd.	Offshore banking	100.0	100.0
PB Trust (L) Ltd.	Trustee services	100.0	100.0
PB Venture Capital Sdn. Bhd.	Investment holding	100.0	100.0
Public Islamic Bank Berhad (formerly known as Public Merchant Bank Berhad) +	Dormant	100.0	100.0
HHB Holdings Berhad +	Dormant	100.0	100.0
PB Properties Sdn. Bhd.	Property holding	100.0	100.0
PB Trust Company Sdn. Bhd. ##	Dormant	-	100.0
<u>Overseas subsidiary companies</u>			
Cambodian Public Bank Limited ++	Banking	100.0	100.0
CampuBank Lonpac Insurance Plc ++	General insurance	55.0	-
Public Financial Holdings Limited +*	Investment holding	73.5	73.5
Public Finance Limited +	Deposit-taking and finance	73.5	73.5
Public Financial Limited +	Investment holding	73.5	73.5
Public Securities Limited +	Stock and share broking	73.5	73.5
Public Securities (Nominees) Limited +	Nominee services	73.5	73.5
Winton (B.V.I.) Limited +	Investment and property holding	73.5	73.5
Winton Holdings (Hong Kong) Limited +	Property holding	73.5	73.5
Winsure Company, Limited +	Dormant	71.2	71.2
Winton Financial Limited +	Provision of financing for licensed public vehicles and provision of personal and short-term loans	73.5	73.5
Winton Motors, Limited +	Trading of taxi cabs and taxi licences and leasing of taxis	73.5	73.5
Public Bank (Hong Kong) Limited +	Banking	73.5	73.5
Public Financial Securities Limited +	Stock and share broking	73.5	73.5
Public Bank (Nominees) Limited +	Nominee services	73.5	73.5
Public Futures Limited +	Dormant	73.5	73.5
Public Credit Limited +	Dormant	73.5	73.5
Public Pacific Securities Limited +	Dormant	73.5	73.5

14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest	
		2007 %	2006 %
<u>Overseas subsidiary companies (continued)</u>			
PB Finance Limited +	Dormant	73.5	73.5
Public Investments Limited +	Dormant	73.5	73.5
Public Realty Limited +	Dormant	73.5	73.5

This company has commenced Member's Voluntary Winding-up on 10 August 2007.

This company has commenced Member's Voluntary Winding-up on 29 October 2007.

* Shares quoted on The Stock Exchange of Hong Kong Limited.

+ Subsidiary companies not audited by KPMG.

++ Subsidiary companies 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 and CampuBank Lonpac Insurance Plc which are incorporated in Cambodia, and Winton (B.V.I.) Limited which is incorporated in the British Virgin Islands.

(a) Acquisition by the Bank of the entire equity interest in Public Investment Bank Berhad from Public Consolidated Holdings Sdn. Bhd.

On 23 July 2007, the Bank completed the acquisition of the entire issued and paid-up share capital of 170,000,000 ordinary shares of RM1.00 each in Public Investment Bank Berhad ("PIVB") from Public Consolidated Holdings Sdn. Bhd., its wholly-owned direct subsidiary company, for a cash consideration of RM219,129,000, based on the audited net asset value of PIVB as at 31 December 2006. With the completion of this acquisition, PIVB became a wholly-owned direct subsidiary company of the Bank.

The acquisition by the Bank of the entire equity interest in PIVB does not have any effect on the earnings and net assets of the Group for the financial year ended 31 December 2007.

(b) Establishment of 55% insurance subsidiary company in Cambodia known as CampuBank Lonpac Insurance Plc ("CampuBank Lonpac")

The Group has established a 55% directly and indirectly held subsidiary company, CampuBank Lonpac in Cambodia to carry on general insurance business in Cambodia, pursuant to approvals received from Bank Negara Malaysia and the relevant authorities in Cambodia. CampuBank Lonpac commenced operations in Phnom Penh, Cambodia on 30 August 2007 upon obtaining its insurance licence from the Ministry of Economy and Finance of Cambodia.

The operations of CampuBank Lonpac does not have a material effect on the earnings and net assets of the Group for the financial year ended 31 December 2007.

(c) Establishment of an Islamic banking subsidiary company known as Public Islamic Bank Berhad ("PIBB")

On 18 December 2006, the Bank obtained the approval of Bank Negara Malaysia ("BNM") for the Bank to carry out its Islamic banking business through Public Merchant Bank Berhad, a dormant wholly-owned subsidiary company. Pursuant to this, Public Merchant Bank Berhad changed its name to Public Islamic Bank Berhad on 15 November 2007. PIBB will commence operations upon obtaining the Vesting Order from the High Court of Malaya and upon issuance of an Islamic banking licence by BNM.

14. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

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

On 10 August 2007, Business Premium Sdn. Bhd., a dormant indirect wholly-owned subsidiary company of the Bank, commenced Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.

On 29 October 2007, PB Trust Company Sdn. Bhd., a dormant direct wholly-owned subsidiary company of the Bank, commenced Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.

The winding-up proceedings have no material effect on the earnings and net assets of the Group for the financial year ended 31 December 2007.

(e) Capital reduction exercise of Public Consolidated Holdings Sdn. Bhd.

On 10 December 2007, pursuant to Section 64(1)(c) of the Companies Act 1965, Public Consolidated Holdings Sdn. Bhd. ("PCHSB"), a direct wholly-owned subsidiary company of the Bank, undertook a capital reduction exercise to distribute RM227,037,473 to its shareholder via the cancellation of 46,000,000 ordinary shares of RM0.50 each amounting to RM23,000,000 and the cancellation of its entire share premium account amounting to RM204,037,473.

The capital reduction of PCHSB does not have any effect on the earnings and net assets of the Group for the financial year ended 31 December 2007.

15. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unquoted shares, at cost	28,505	28,505	28,465	28,465
Share of post acquisition reserves	17,813	16,976	-	-
	46,318	45,481	28,465	28,465
Represented by:				
Group's share of net assets	46,318	45,481	-	-

The summarised financial information of associated companies is as follows:

	Group	
	2007 RM'000	2006 RM'000
Total Assets	914,806	624,444
Total Liabilities	818,624	529,792
Operating Revenue	63,151	49,679
Profit after tax	10,827	9,947

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

Name	Principal Activities	Place of Incorporation	Effective Interest	
			2007 %	2006 %
PB Trustee Services Berhad	Trustee services	Malaysia	40.0	40.0
VID Public Bank	Banking	Socialist Republic of Vietnam	50.0	50.0
CPB Properties Company Ltd.	Property holding	Cambodia	49.0	49.0

16. INVESTMENT PROPERTIES

	Note	Group	
		2007 RM'000	2006 RM'000
<u>At valuation</u>			
At 1 January		64,175	49,004
Transfer to owner-occupied property			
- Prepaid land lease payments	17	(7,407)	-
- Property and equipment	18	(1,106)	-
Transfer from owner-occupied property			
- Prepaid land lease payments	17	56	-
- Property and equipment	18	2	-
Revaluation gain from fair value adjustment	36	3,475	10,846
Amount arising from acquisition of Public Bank (Hong Kong) Limited		-	10,135
Disposals		(424)	(1,676)
Exchange differences		(4,381)	(4,134)
At 31 December		54,390	64,175
<hr/>			
Included in the above are:			
Short-term leasehold land and building		19,713	27,843
Long-term leasehold land and building		34,677	36,332
		54,390	64,175

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 RM2,089,000 (2006 - 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 RM52,301,000 (2006 - RM62,536,000) have been revalued by CS 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 RM3,475,000 (2006 - 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 RM4,947,000 (2006 - RM3,320,000) during the year.

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

17. PREPAID LAND LEASE PAYMENTS

	Note	Short term leasehold land RM'000	Long term leasehold land RM'000	Total RM'000
Group				
2007				
<u>Cost</u>				
At 1 January 2007		91,431	201,773	293,204
Additions		-	657	657
Disposals		-	(2,149)	(2,149)
Transfer to investment properties	16	(98)	-	(98)
Transfer from investment properties	16	3,577	3,830	7,407
Exchange differences		(5,858)	(12,223)	(18,081)
At 31 December 2007		89,052	191,888	280,940
<u>Accumulated amortisation</u>				
At 1 January 2007		9,446	3,269	12,715
Amortisation charge for the year	37	2,043	5,489	7,532
Disposals		-	(496)	(496)
Transfer to investment properties	16	(42)	-	(42)
Exchange differences		(681)	(236)	(917)
At 31 December 2007		10,766	8,026	18,792
<u>Accumulated impairment loss</u>				
At 1 January 2007		-	68	68
Impairment loss for the year	40	-	2,621	2,621
Exchange differences		-	(102)	(102)
At 31 December 2007		-	2,587	2,587
<u>Carrying amounts</u>				
At 31 December 2007		78,286	181,275	259,561

17. PREPAID LAND LEASE PAYMENTS (continued)

	Note	Short term leasehold land RM'000	Long term leasehold land RM'000	Total RM'000
Group				
2006				
<u>Cost</u>				
At 1 January 2006		-	-	-
Reclassification from property and equipment upon adoption of FRS 117	18	48,678	103,673	152,351
At 1 January 2006, as restated		48,678	103,673	152,351
Additions		-	1,042	1,042
Disposals		(39)	-	(39)
Amount arising from acquisition of Public Bank (Hong Kong) Limited		47,768	105,944	153,712
Transfers from property and equipment	18	-	1,225	1,225
Exchange differences		(4,976)	(10,111)	(15,087)
At 31 December 2006		91,431	201,773	293,204
<u>Accumulated amortisation</u>				
At 1 January 2006		-	-	-
Reclassification from property and equipment upon adoption of FRS 117	18	8,415	2,680	11,095
At 1 January 2006, as restated		8,415	2,680	11,095
Amortisation charge for the year	37	1,706	614	2,320
Disposals		(10)	-	(10)
Exchange differences		(665)	(25)	(690)
At 31 December 2006		9,446	3,269	12,715
<u>Accumulated impairment loss</u>				
At 1 January 2006		-	-	-
Reclassification from property and equipment upon adoption of FRS 117	18	-	2,361	2,361
At 1 January 2006, as restated		-	2,361	2,361
Impairment loss written back	40	-	(2,216)	(2,216)
Exchange differences		-	(77)	(77)
At 31 December 2006		-	68	68
Carrying amounts				
At 31 December 2006		81,985	198,436	280,421

17. PREPAID LAND LEASE PAYMENTS (continued)

No leasehold land of the Group were pledged as security for banking facilities at the balance sheet date.

The leasehold land are stated at recoverable amount subject to an impairment test in accordance with FRS 136 Impairment of Assets which is based on the higher of fair value less costs to sell and value in use. The recoverable amount of one leasehold land of the Group was stated at fair value, which was lower than its value in use. An impairment loss of RM2,621,000 (2006 - impairment written back of RM2,216,000) was charged to the income statement due to the decrease in fair value as at 31 December 2007. The fair value less costs to sell of the leasehold land was determined with reference to a qualified external valuer's valuation.

Bank	Note	Long term leasehold land	
		2007	2006
		RM'000	RM'000
<u>Cost</u>			
At 1 January		306	–
Reclassification from property and equipment upon adoption of FRS 117	18	–	306
At 1 January, as restated		306	306
Disposals		(248)	–
At 31 December		58	306
<u>Accumulated amortisation</u>			
At 1 January		39	–
Reclassification from property and equipment upon adoption of FRS 117	18	–	38
At 1 January, as restated		39	38
Amortisation charge for the year	37	2	1
At 31 December		41	39
Carrying amounts			
At 31 December		17	267

No leasehold land of the Bank were pledged as security for banking facilities at the balance sheet date.

18. PROPERTY AND EQUIPMENT

Group 2007	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
<u>Cost</u>									
At 1 January 2007		173,613	519,125	217,035	389,989	581,421	20,789	-	1,901,972
Additions		1,064	2,741	15,924	18,381	75,259	1,595	3,912	118,876
Disposals		-	(16,091)	(2,142)	(5,672)	(6,546)	(1,269)	-	(31,720)
Transfer to investment properties	16	-	(28)	-	-	-	-	-	(28)
Transfer from investment properties	16	-	1,106	-	-	-	-	-	1,106
Transfers		-	(7,140)	(6,427)	6,427	-	-	7,140	-
Write-offs		-	-	(1,954)	(3,854)	(20,006)	(8)	-	(25,822)
Exchange differences		-	(2,217)	(1,474)	(638)	(6,390)	(172)	-	(10,891)
At 31 December 2007		174,677	497,496	220,962	404,633	623,738	20,935	11,052	1,953,493
<u>Accumulated depreciation</u>									
At 1 January 2007		-	116,845	145,623	281,103	479,589	13,930	-	1,037,090
Depreciation charge for the year	37	-	2,728	15,277	26,224	48,782	2,578	-	95,589
Disposals		-	(3,583)	(2,123)	(5,543)	(6,055)	(801)	-	(18,105)
Transfer to investment properties	16	-	(26)	-	-	-	-	-	(26)
Write-offs		-	-	(1,887)	(3,814)	(20,005)	(8)	-	(25,714)
Exchange differences		-	(486)	(1,288)	(489)	(6,158)	(141)	-	(8,562)
At 31 December 2007		-	115,478	155,602	297,481	496,153	15,558	-	1,080,272
<u>Accumulated impairment loss</u>									
At 1 January 2007		-	10,999	-	-	-	-	-	10,999
Impairment loss written back	40	-	(2,687)	-	-	-	-	-	(2,687)
Transfers		1,064	(1,064)	-	-	-	-	-	-
Exchange differences		-	100	-	-	-	-	-	100
At 31 December 2007		1,064	7,348	-	-	-	-	-	8,412
<u>Carrying amounts</u>									
At 31 December 2007		173,613	374,670	65,360	107,152	127,585	5,377	11,052	864,809
Property and equipment that have been fully depreciated which are still in use are as follows:									
<u>At cost</u>									
At 31 December 2007		-	395	97,027	131,638	391,967	9,777	-	630,804

18. PROPERTY AND EQUIPMENT (continued)

Group 2006	Note	Short term		Long term	Buildings RM'000	Renovations RM'000	Office	Computer	Motor	Total RM'000
		Freehold land RM'000	leasehold land RM'000	leasehold land RM'000			equipment, furniture & fittings RM'000	equipment & software RM'000	vehicles RM'000	
<u>Cost</u>										
At 1 January 2006										
- as previously stated		117,271	48,678	103,673	496,134	207,729	378,018	563,871	20,924	1,936,298
- reclassification to prepaid land lease payments upon adoption of FRS 117	17	-	(48,678)	(103,673)	-	-	-	-	-	(152,351)
As restated		117,271	-	-	496,134	207,729	378,018	563,871	20,924	1,783,947
Additions		53,623	-	-	9,227	22,963	15,580	32,056	989	134,438
Disposals		-	-	-	(5)	(1,871)	(1,578)	(3,081)	(1,228)	(7,763)
Amount arising from acquisition of Public Bank (Hong Kong) Limited										
Transfers		2,719	-	1,225	(3,944)	(8,441)	8,441	-	-	-
Transfers to prepaid land lease payments	17	-	-	(1,225)	-	-	-	-	-	(1,225)
Write-offs		-	-	-	-	(1,726)	(9,783)	(12,385)	(29)	(23,923)
Exchange differences		-	-	-	(1,824)	(1,619)	(689)	(4,018)	(192)	(8,342)
At 31 December 2006		173,613	-	-	519,125	217,035	389,989	581,421	20,789	1,901,972
<u>Accumulated depreciation</u>										
At 1 January 2006										
- as previously stated		-	8,415	2,680	107,508	137,038	266,486	454,408	11,579	988,114
- reclassification to prepaid land lease payments upon adoption of FRS 117	17	-	(8,415)	(2,680)	-	-	-	-	-	(11,095)
As restated		-	-	-	107,508	137,038	266,486	454,408	11,579	977,019
Depreciation charge for the year	37	-	-	-	10,183	13,457	26,502	44,043	2,899	97,084
Disposals		-	-	-	(3)	(1,694)	(1,547)	(3,048)	(361)	(6,653)
Write-offs		-	-	-	-	(1,677)	(9,777)	(12,109)	(29)	(23,592)
Exchange differences		-	-	-	(843)	(1,501)	(561)	(3,705)	(158)	(6,768)
At 31 December 2006		-	-	-	116,845	145,623	281,103	479,589	13,930	1,037,090
<u>Accumulated impairment loss</u>										
At 1 January 2006										
- as previously stated		-	-	2,361	10,999	-	-	-	-	13,360
- reclassification to prepaid land lease payments upon adoption of FRS 117	17	-	-	(2,361)	-	-	-	-	-	(2,361)
At 31 December 2006		-	-	-	10,999	-	-	-	-	10,999
Carrying amounts										
At 31 December 2006		173,613	-	-	391,281	71,412	108,886	101,832	6,859	853,883

No land and buildings of the Group were pledged as security for banking facilities at the balance sheet date.

18. PROPERTY AND EQUIPMENT (continued)

Bank 2007	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
<u>Cost</u>								
At 1 January 2007		81,092	265,744	178,847	285,211	544,749	17,041	1,372,684
Additions		-	-	9,500	16,352	57,138	252	83,242
Disposals		-	(3,668)	-	(2,225)	(4,069)	(483)	(10,445)
Transfers		-	-	(6,427)	6,427	-	-	-
Write-offs		-	-	(1,954)	(3,681)	(19,872)	(8)	(25,515)
Exchange differences		-	-	(78)	(74)	(386)	(24)	(562)
At 31 December 2007		81,092	262,076	179,888	302,010	577,560	16,778	1,419,404
<u>Accumulated depreciation</u>								
At 1 January 2007		-	58,984	113,228	189,533	450,065	11,589	823,399
Depreciation charge for the year	37	-	5,250	11,310	19,774	42,386	2,153	80,873
Disposals		-	(809)	-	(2,130)	(3,715)	(443)	(7,097)
Write-offs		-	-	(1,887)	(3,642)	(19,871)	(8)	(25,408)
Exchange differences		-	-	(41)	(46)	(341)	(25)	(453)
At 31 December 2007		-	63,425	122,610	203,489	468,524	13,266	871,314
Carrying amounts								
At 31 December 2007		81,092	198,651	57,278	98,521	109,036	3,512	548,090
Property and equipment that have been fully depreciated which are still in use are as follows:								
At cost								
At 31 December 2007		-	395	78,698	118,432	365,634	8,265	571,424

Bank 2006	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
<u>Cost</u>									
At 1 January 2006									
- as previously stated		81,092	306	265,744	172,018	275,017	531,849	17,157	1,343,183
- reclassification to prepaid land lease payments upon adoption of FRS 117	17	-	(306)	-	-	-	-	-	(306)
As restated		81,092	-	265,744	172,018	275,017	531,849	17,157	1,342,877
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	-	265,744	178,847	285,211	544,749	17,041	1,372,684

18. PROPERTY AND EQUIPMENT (continued)

Bank 2006	Note	Long term		Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
		Freehold land RM'000	leasehold land RM'000						
<u>Accumulated depreciation</u>									
At 1 January 2006									
- as previously stated		-	38	53,709	103,872	180,456	424,984	9,453	772,512
- reclassification to prepaid land lease payments upon adoption of FRS 117	17	-	(38)	-	-	-	-	-	(38)
As restated		-	-	53,709	103,872	180,456	424,984	9,453	772,474
Depreciation charge for the year	37	-	-	5,275	11,093	19,820	40,016	2,447	78,651
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		-	-	58,984	113,228	189,533	450,065	11,589	823,399
Carrying amounts									
At 31 December 2006		81,092	-	206,760	65,619	95,678	94,684	5,452	549,285

No land and buildings of the Bank were pledged as security for banking facilities at the balance sheet date.

19. INTANGIBLE ASSETS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<u>Goodwill</u>				
At 1 January	2,064,544	738,907	695,393	695,393
Arising from acquisition of Public Bank (Hong Kong) Limited	-	1,348,850	-	-
Arising from acquisition of additional shares in subsidiary companies	-	18,648	-	-
Write-off upon Member's Voluntary Winding-up of a subsidiary company (Note 37)	(47)	-	-	-
Exchange differences	(80,541)	(41,861)	-	-
At 31 December	1,983,956	2,064,544	695,393	695,393
<u>Intangible Assets</u>				
At 1 January	26,517	26,250	-	-
Arising from acquisition of Public Bank (Hong Kong) Limited	-	258	-	-
Impairment loss (Note 40)	(162)	-	-	-
Exchange differences	(15)	9	-	-
At 31 December	26,340	26,517	-	-
Total carrying amounts of goodwill and intangible assets	2,010,296	2,091,061	695,393	695,393

19. INTANGIBLE ASSETS (continued)

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 geographical location of the subsidiary companies' operations or business segment as follows:

As at 31 December 2007	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
Hire purchase financing	395,953	395,953	12.5	6.7
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	11.5	6.7
Hong Kong operations	1,238,559	–	7.2	5.0
Fund management	19,555	–	11.5	6.7
Investment banking	54,303	–	12.5	6.7
Leasing and factoring business	2,486	–	11.5	*
	2,010,296	695,393		

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 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	*
	2,091,061	695,393		

* 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 in the income statement 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. Based on this review, there is no evidence of impairment on the Group's and the Bank's goodwill and intangible assets, other than an impairment loss of RM162,000 on intangible assets held under its Hong Kong operations CGU.

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Demand deposits	14,021,578	11,288,760	13,442,332	10,894,214
Savings deposits	16,937,439	14,809,282	15,602,146	13,682,121
Fixed deposits	64,507,901	53,390,659	54,324,640	46,440,761
Negotiable instruments of deposit	18,090,499	31,934,104	17,779,103	31,258,887
Money market deposits	24,454,491	–	24,524,797	–
Other deposits	752,663	370,344	751,810	366,935
	138,764,571	111,793,149	126,424,828	102,642,918

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Due within six months	94,427,233	74,605,106	84,699,478	67,427,549
More than six months to one year	11,878,231	10,245,448	11,533,717	9,862,168
More than one year to three years	732,433	454,574	380,351	390,296
More than three years to five years	14,994	19,635	14,994	19,635
	107,052,891	85,324,763	96,628,540	77,699,648

The deposits are sourced from the following types of customers:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Federal and state governments	1,869,627	702,378	1,869,627	702,378
Local government and statutory authorities	1,744,602	1,094,394	1,744,602	1,094,394
Business enterprises	33,022,180	25,198,953	32,748,956	24,927,098
Individuals	59,706,057	52,214,314	59,694,196	52,209,475
Foreign customers	12,889,139	9,762,215	2,319,849	2,017,535
Others	29,532,966	22,820,895	28,047,598	21,692,038
	138,764,571	111,793,149	126,424,828	102,642,918

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Licensed banks / Islamic banks	4,216,021	2,101,240	3,552,180	952,132
Licensed investment banks	285,000	174,500	85,833	54,500
Bank Negara Malaysia	2,380,680	–	2,380,680	–
Other financial institutions	3,556,417	3,362,224	3,328,141	3,298,846
	10,438,118	5,637,964	9,346,834	4,305,478

22. BILLS AND ACCEPTANCES PAYABLE

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

23. 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.

24. OTHER LIABILITIES

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Interest / Income payable	794,437	673,743	739,717	631,709
Other creditors and accruals	1,130,519	872,032	462,058	321,908
Amount due to trust funds *	70,616	195,497	-	-
Unprocessed sales and / or redemptions #	86,023	62,553	-	-
Employee benefits (Note 25(a))	(34,956)	(19,439)	(34,274)	(18,477)
Profit Equalisation Reserves (Note 57(l))	12,725	4,796	12,725	4,796
Outstanding contracts on clients' accounts ^	284,459	223,285	-	-
Dividend payable to shareholders	3,859	30,896	3,859	4,636
Amount due to subsidiary companies @	-	-	15,421	13,072
	2,347,682	2,043,363	1,199,506	957,644

* This balance refers to amount due to trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units.

The unprocessed sales and/or redemptions are in respect of the fund management activities of a subsidiary company.

^ These balances relate to contracts entered by the stock-broking business of the investment banking subsidiary company on behalf of clients where settlements are yet to be made and amount due to Bursa Malaysia Securities Clearing Sdn. Bhd. The trade settlement is 3 market days according to Bursa Securities' trading rules.

@ These balances are unsecured, non-interest bearing and have no fixed terms of repayment.

25. EMPLOYEE BENEFITS
(a) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a fully funded defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Present value of funded obligations	(342,574)	(259,619)	(335,894)	(246,714)
Fair value of plan assets	590,401	410,368	578,888	389,973
	247,827	150,749	242,994	143,259
Unrecognised actuarial gains	(212,871)	(131,310)	(208,720)	(124,782)
Net asset (Note 24)	34,956	19,439	34,274	18,477

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Obligation at 1 January	259,619	245,841	246,714	237,900
Allocation adjustment	-	-	7,842	(3,947)
Current service cost	18,182	17,701	17,827	16,822
Interest cost	15,452	14,230	15,151	13,523
Benefits paid - the Bank	-	(6,769)	-	(6,769)
- the Fund	(16,590)	(2,932)	(16,266)	(2,785)
Actuarial loss / (gain) on funded obligations	65,911	(8,452)	64,626	(8,030)
Obligation at 31 December	342,574	259,619	335,894	246,714

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Fair value at 1 January	410,368	337,301	389,973	326,406
Allocation adjustment	-	-	12,391	(5,868)
Expected return on plan assets	26,583	25,532	26,065	24,262
Benefits paid - the Fund	(16,590)	(2,932)	(16,266)	(2,785)
Actuarial gain on plan assets	170,040	50,467	166,725	47,958
Fair value at 31 December	590,401	410,368	578,888	389,973

25. EMPLOYEE BENEFITS (continued)

(a) Defined Benefit Plan (continued)

The fair value of plan assets constitutes the following:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposit placements and cash	28	5,779	27	5,493
Money market instruments	295,798	488,990	290,030	464,687
Equity instruments *	416,753	315,632	408,626	299,945
Trust units	385,001	–	377,493	–
Properties #	198,698	154,219	194,823	146,554
Other assets (net)	37,691	32,839	36,957	31,207
Overdrafts	(3,268)	(891)	(3,204)	(847)
Borrowings	(740,300)	(586,200)	(725,864)	(557,066)
	590,401	410,368	578,888	389,973

* Included in the fair value of equity instruments are ordinary shares of the Bank held by the Fund with a fair value of RM293,557,000 (2006 – RM242,330,000).

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

The amounts recognised in the income statements are as follows:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Current service cost	18,182	17,701	17,827	16,822
Interest cost	15,452	14,230	15,151	13,523
Expected return on plan assets	(26,583)	(25,532)	(26,065)	(24,262)
Actuarial gains recognised	(22,568)	(12,887)	(22,128)	(12,247)
Allocation adjustment	–	–	(582)	–
Amount included under “personnel costs” (Note 37(a))	(15,517)	(6,488)	(15,797)	(6,164)
Expected return on plan assets	26,583	25,532	26,065	24,262
Actuarial gain on plan assets	170,040	50,467	166,725	47,958
Actual return on plan assets	196,623	75,999	192,790	72,220

The surplus of the defined benefit plan for the past five years are as follows:

	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
Group					
Present value of funded obligations	(342,574)	(259,619)	(245,841)	(188,072)	(171,703)
Fair value of plan assets	590,401	410,368	337,301	292,812	197,964
Plan surplus	247,827	150,749	91,460	104,740	26,261
Experience adjustment on fund liabilities	65,911	(8,452)	37,953	(1,442)	2,612
Experience adjustment on fund assets	170,040	50,467	33,048	69,881	44,635

25. EMPLOYEE BENEFITS (continued)

(a) Defined Benefit Plan (continued)

	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000
Bank					
Present value of funded obligations	(335,894)	(246,714)	(237,900)	(180,888)	(117,634)
Fair value of plan assets	578,888	389,973	326,406	281,627	135,626
Plan surplus	242,994	143,259	88,506	100,739	17,992
Experience adjustment on fund liabilities	64,626	(8,030)	36,293	(987)	1,789
Experience adjustment on fund assets	166,725	47,958	31,980	47,876	30,580

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	
	2007 RM'000	2006 RM'000
Discount rate	5.50%	6.25%
Expected return on plan assets	8.00%	8.00%
Expected rate of salary increases	7.00%	6.50%

The principal actuarial assumptions are based on the latest actuarial valuation performed as of 31 December 2007.

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.

(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; and
- (2) the Public Financial Holdings Limited Group Employees' Share Option Scheme.

The details of the two equity compensation plans 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

25. EMPLOYEE BENEFITS (continued)

(b) Equity Compensation Benefits (continued)

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

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;
- (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:

	2007		2006	
	Number of share options '000	Weighted average exercise price RM	Number of share options '000	Weighted average exercise price RM
At 1 January	69,465	6.07	116,391	5.88
Exercised	(65,066)	6.07	(45,452)	5.57
Lapsed	(140)	5.88	(1,474)	6.11
At 31 December	<u>4,259</u>	<u>5.99</u>	<u>69,465</u>	6.07
Options exercisable at end of financial year	<u>4,259</u>	<u>5.99</u>	<u>69,465</u>	6.07
Weighted average share price during the financial year		<u>9.36</u>		<u>6.86</u>

25. 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 *	18
06 June 2002	06 June 2002 to 25 February 2008	RM3.56 *	143
11 June 2003	11 June 2003 to 25 February 2008	RM3.40 *	6
22 December 2003	22 December 2003 to 25 February 2008	RM4.60 *	157
21 May 2004	21 May 2004 to 25 February 2008	RM4.92 *	65
10 January 2005	10 January 2005 to 25 February 2008	RM6.37	2,809
05 December 2005	05 December 2005 to 25 February 2008	RM5.67	1,061
			4,259

* 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 0.16 years (2006 – 1.16 years)

There were no new PBB ESOS granted during the financial year (2006 – Nil). All share options issued have been vested prior to 1 January 2006 and, as allowed by the transitional provisions in FRS 2 Share-based Payments, the recognition and measurement principles in FRS 2 have not been applied.

(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 for 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.

25. 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:

	2007		2006	
	Number of share options '000	Weighted average exercise price HKD	Number of share options '000	Weighted average exercise price HKD
At 1 January	43,068	6.35	43,878	7.29
Lapsed	(2,504)	6.35	(810)	6.35
At 31 December	<u>40,564</u>	<u>6.35</u>	<u>43,068</u>	<u>6.35</u>
Options exercisable at end of financial year	<u>40,564</u>	<u>6.35</u>	<u>43,068</u>	<u>6.35</u>
Weighted average share price during the financial year		<u>5.52</u>		<u>6.53</u>

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 '000
18 May 2005	10 June 2005 to 9 June 2015	HKD6.35	40,564

The weighted average remaining contractual maturity of the PFHL ESOS outstanding as at the end of the financial year was 7.44 years (2006 – 8.44 years).

There were no new PFHL ESOS granted during the financial year (2006 – Nil). All share options issued have been vested prior to 1 January 2006 and, as allowed by the transitional provisions in FRS 2 Share-based Payments, the recognition and measurement principles in FRS 2 have not been applied.

26. BORROWINGS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Unsecured:				
Syndicated term loan	<u>349,730</u>	679,341	–	–

The unsecured syndicated term loan was obtained on 31 July 2006 for the purpose of financing the acquisition of Public Bank (Hong Kong) Limited. The loan is for a tenure of 3 years and bears interest at 0.525% per annum above the Hong Kong interbank offer rate.

27. SUBORDINATED NOTES

	Note	Group and Bank	
		2007 RM'000	2006 RM'000
USD350 million 5.625% Subordinated Notes due in 2014, callable with step-up in 2009	(a)	1,157,275	1,232,700
USD400 million 5.000% Subordinated Notes due in 2017, callable with step-up in 2012	(b)	1,322,600	1,408,800
		2,479,875	2,641,500
Less : Transaction costs		(6,778)	(7,250)
Discount on issuance		(11,447)	(12,193)
Unrealised fair value gain		(1,259)	(66,665)
		2,460,391	2,555,392
Accumulated accretion of discount and amortisation of transaction costs		8,180	5,739
		2,468,571	2,561,131

- (a) On 22 June 2004, the Bank issued USD350 million in aggregate principal amount of Subordinated Notes due in 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 in 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.

28. HYBRID CAPITAL SECURITIES

	Note	Group and Bank	
		2007 RM'000	2006 RM'000
USD200 million 6.84% Hybrid Capital Securities due in 2036, callable with step-up in 2016	(a)	661,300	704,400
RM1,200 million 5.10% Hybrid Capital Securities due in 2036, callable with step-up in 2016	(b)	1,200,000	1,200,000
		1,861,300	1,904,400
Less : Transaction costs		(3,483)	(1,761)
Unrealised fair value (gain) / loss		(2,376)	16,222
		1,855,441	1,918,861
Accumulated amortisation of transaction costs		413	64
		1,855,854	1,918,925

- (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).

- (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).

28. HYBRID CAPITAL SECURITIES (continued)

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.

29. PROVISION FOR TAX EXPENSE AND ZAKAT

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax expense	365,705	333,434	266,663	255,835
Zakat	166	150	166	150
	365,871	333,584	266,829	255,985

30. SHARE CAPITAL

Group and Bank	Number of Ordinary Shares of RM1.00 Each		Amount	
	2007 '000	2006 '000	2007 RM'000	2006 RM'000
Authorised:				
Ordinary shares of RM1.00 each	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	3,462,825	3,417,373	3,462,825	3,417,373
Issued pursuant to the exercise of share options	65,066	45,452	65,066	45,452
At 31 December	3,527,891	3,462,825	3,527,891	3,462,825

31. TREASURY SHARES

The amount relates to the acquisition cost of treasury shares.

On 15 March 2007, 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, 52,062,300 (2006 - 30,000) 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 RM9.37 (2006 - 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 RM489,095,879 (2006 - 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.

Of the total 3,527,891,383 (2006 - 3,462,824,872) issued and paid-up PBB Shares as at 31 December 2007, 176,276,800 (2006 - 124,214,500) PBB Shares are held as treasury shares by the Bank. As at 31 December 2007, the number of outstanding PBB Shares in issue after the setoff is therefore 3,351,614,583 (2006 - 3,338,610,372) 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.

32. OTHER RESERVES

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Regulatory Reserves RM'000	Total RM'000
At 1 January 2006	2,757,523	79,943	70,374	-	35,985	-	2,943,825
Currency translation differences in respect of foreign operations	-	-	(137,963)	-	-	-	(137,963)
Currency translation differences in respect of net investment hedge	-	-	56,661	-	-	-	56,661
Unrealised net gain on revaluation of securities available-for-sale	-	8,855	-	-	44,156	-	53,011
Dilution in share of net assets of a subsidiary company upon subscription of the subsidiary company's share rights issue	-	(28,356)	-	-	-	-	(28,356)
Disposal of shares in a subsidiary company	-	-	(3,454)	-	-	-	(3,454)
Transfer from retained profits	425,014	-	-	-	-	-	425,014
At 31 December 2006	3,182,537	60,442	(14,382)	-	80,141	-	3,308,738
Currency translation differences in respect of foreign operations	-	-	(136,279)	-	-	-	(136,279)
Currency translation differences in respect of net investment hedge	-	-	73,917	-	-	-	73,917
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	(65,244)	-	(65,244)
Unrealised net gain on cash flow hedge	-	-	-	381	-	-	381
Transfer from retained profits	395,953	-	-	-	-	36,258	432,211
At 31 December 2007	3,578,490	60,442	(76,744)	381	14,897	36,258	3,613,724

32. OTHER RESERVES (continued)

Bank	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2006	2,721,792	–	(6,319)	2,715,473
Unrealised net gain on revaluation of securities available-for-sale	–	–	20,301	20,301
Transfer from retained profits	447,359	–	–	447,359
At 31 December 2006	3,169,151	–	13,982	3,183,133
Unrealised net loss on revaluation of securities available-for-sale	–	–	(37,775)	(37,775)
Unrealised net gain on cash flow hedge	–	381	–	381
Transfer from retained profits	358,740	–	–	358,740
At 31 December 2007	3,527,891	381	(23,793)	3,504,479

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 hedging reserves are in respect of the unrealised fair value gains and losses on cash flow hedging instruments.

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

The regulatory reserves are maintained by the Group's Hong Kong banking subsidiary companies in line with the requirements of the Hong Kong Monetary Authority.

33. RETAINED PROFITS

As at 31 December 2007, the Bank has tax exempt profits available for distribution of approximately RM320,619,000 (2006 – RM284,192,000), subject to agreement by the Inland Revenue Board.

Under the full dividend imputation system, 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 2007.

The Malaysian Budget 2008 introduced a single tier company income tax system with effect from the year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Bank until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

34. INTEREST INCOME

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	5,247,765	4,495,126	4,524,461	3,864,506
- Recoveries from NPLs	96,244	79,896	95,762	79,818
Money at call and deposit placements with financial institutions	1,549,546	1,203,656	1,387,015	1,094,028
Securities held-for-trading	345,153	189,414	322,054	187,231
Securities available-for-sale	158,341	156,948	140,153	136,410
Securities held-to-maturity	165,282	136,355	58,298	66,876
Others	40,125	32,751	40,100	32,374
	7,602,456	6,294,146	6,567,843	5,461,243
Amortisation of premium less accretion of discount	(14,807)	(22,210)	(22,425)	(30,382)
Net interest / income suspended	(135,845)	(127,319)	(135,840)	(127,280)
	7,451,804	6,144,617	6,409,578	5,303,581

35. INTEREST EXPENSE

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Deposits and placements of banks and other financial institutions	386,686	443,666	346,564	422,193
Deposits from customers	3,408,930	2,592,014	2,984,509	2,335,616
Loans sold to Cagamas	102,672	10,375	102,672	10,375
Subordinated notes	162,777	165,913	162,777	165,913
Hybrid capital securities	100,515	19,466	100,515	19,466
Borrowings	23,747	26,358	-	-
Others	22,880	16,756	14,709	1,878
	4,208,207	3,274,548	3,711,746	2,955,441

36. OTHER OPERATING INCOME

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(a) Fee income:				
Commissions	143,302	126,946	180,330	122,166
Service charges and fees	184,920	189,290	128,580	125,080
Guarantee fees	20,628	21,604	18,321	18,710
Processing fees	16,983	9,931	1,977	1,284
Commitment fees	39,880	34,720	37,710	33,522
Unit trust management fees	285,360	174,193	-	-
Fee on sale of trust units	200,455	62,521	-	-
Net brokerage and commissions from stock-broking activities	102,811	37,409	-	-
Other fee income	34,083	21,492	24,537	15,960
	1,028,422	678,106	391,455	316,722

36. OTHER OPERATING INCOME (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
(b) Net gain arising from sale of:				
Securities held-for-trading	7,239	10,422	6,950	9,012
Securities available-for-sale	93,305	4,014	45,515	4,014
	100,544	14,436	52,465	13,026
(c) Gross dividend income from:				
Securities held-for-trading	239	622	235	386
Securities available-for-sale	46,604	47,860	36,836	40,985
Securities held-to-maturity	8,112	3,408	6,610	3,294
Associated companies	-	-	3,692	3,335
Subsidiary companies:				
- quoted outside Malaysia	-	-	103,411	92,044
- unquoted in Malaysia	-	-	400,721	516,090
	54,955	51,890	551,505	656,134
(d) Unrealised gain / (loss) on revaluation of:				
Securities held-for-trading	2,951	2,388	(1,106)	4,453
Trading derivatives	60,098	(61,184)	49,172	(64,099)
	63,049	(58,796)	48,066	(59,646)
(e) Unrealised (loss) / gain on hedging derivatives	(291)	2,112	(276)	275
(f) Other income:				
Foreign exchange profit	116,770	223,180	198,646	107,433
Rental income from:				
- investment properties (Note 16)	4,947	3,320	-	-
- other properties	6,861	7,647	3,218	2,895
Net gain on disposal of property and equipment	6,040	153	1,155	61
Net loss on disposal of foreclosed properties	(3,648)	(1,077)	(3,648)	(1,077)
Gain on revaluation of investment properties (Note 16)	3,475	10,846	-	-
Lease income and factoring charges	1,364	1,667	-	-
Gain on disposal of prepaid land lease payments	1,580	-	-	-
Gain on disposal of shares in a subsidiary company	-	22,082	-	25,844
Others	5,398	17,803	11,248	15,483
	142,787	285,621	210,619	150,639
Total other operating income	1,389,466	973,369	1,253,834	1,077,150

37. OTHER OPERATING EXPENSES

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Personnel costs				
- Salaries, allowances and bonuses	814,885	663,517	645,381	539,001
- Pension costs	74,423	81,523	65,892	72,541
- Others	71,281	66,504	64,196	61,038
	960,589	811,544	775,469	672,580
Establishment costs				
- Depreciation and amortisation	103,121	99,404	80,875	78,652
- Rental	56,014	52,993	65,637	65,545
- Insurance	15,528	15,640	13,382	14,065
- Water and electricity	27,095	24,320	20,479	18,874
- General repairs and maintenance	54,689	55,780	50,880	51,957
- Information technology expenses	17,711	17,505	9,108	10,997
- Others	32,228	21,424	19,718	13,172
	306,386	287,066	260,079	253,262
Marketing expenses				
- Sales commission	126,364	63,627	-	-
- Advertisement and publicity	70,855	51,562	25,653	14,625
- Others	81,576	50,725	38,611	27,440
	278,795	165,914	64,264	42,065
Administration and general expenses				
- Communication expenses	54,004	46,423	42,597	37,149
- Legal and professional fees	40,628	38,308	35,041	34,925
- Others	53,306	49,337	39,775	31,112
	147,938	134,068	117,413	103,186
Total other operating expenses	1,693,708	1,398,592	1,217,225	1,071,093

37. OTHER OPERATING EXPENSES (continued)

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Auditors' remuneration: *				
- statutory audit fees	2,558	2,430	840	721
- audit related services	285	749	161	247
- other services	181	341	50	47
Depreciation of property and equipment (Note 18)	95,589	97,084	80,873	78,651
Amortisation of prepaid land lease payments (Note 17)	7,532	2,320	2	1
Goodwill written off (Note 19)	47	-	-	-
Direct operating expenses of investment properties that:				
- generated rental income	75	4,392	-	-
Directors' remuneration (Note 38)	19,797	16,471	13,744	11,347
Pension costs				
- defined contribution plan	92,101	81,013	81,689	72,265
- defined benefit plan (Note 25(a))	(15,517)	(6,488)	(15,797)	(6,164)
Property and equipment written off	108	331	107	331
Rental of premises	56,014	52,993	65,637	65,545

* Included in the auditors' remuneration for statutory audit fees, audit related services and other services of the Group are fees paid to accounting firms other than the Bank's auditors amounting to RM1,584,000 (2006 - RM1,589,000), RM124,000 (2006 - RM502,000) and RM57,000 (2006 - RM197,000) respectively.

Included in the auditors' remuneration for statutory audit fees and other services of the Bank are fees paid in relation to the Bank's overseas branches of RM140,000 (2006 - RM151,000) and RM6,000 (2006 - RM6,000) respectively.

Audit related services included half year limited review, special audit, review of statement of internal control, withholding tax and Cagamas loan audit.

(b) Employees

The number of persons employed by the Group and the Bank (excluding Directors) as at the end of the financial year was 14,287 (2006 - 13,396) and 12,279 (2006 - 11,688) respectively.

38. DIRECTORS' REMUNERATION

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors of the Bank:				
Executive Directors:				
Fees	573	505	220	200
Salary and other remuneration, including meeting allowances	2,961	2,616	2,850	2,577
Bonuses	3,700	2,800	3,700	2,800
Benefits-in-kind				
- arising from exercise of share options	3,935	4,158	3,935	4,158
- others	73	74	73	74
	11,242	10,153	10,778	9,809

38. DIRECTORS' REMUNERATION (continued)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Non-Executive Directors:				
Fees	1,822	1,697	795	770
Other remuneration	6,393	5,033	6,139	4,982
Benefits-in-kind				
- arising from exercise of share options	8,015	3,433	8,015	3,433
- others	116	109	116	109
	16,346	10,272	15,065	9,294
Past Director:				
Other remuneration	40	18	40	18
Benefits-in-kind	25	25	25	25
	65	43	65	43
Directors of subsidiary companies:				
Executive Directors:				
Fees	184	221	-	-
Salary and other remuneration, including meeting allowances	2,388	2,155	-	-
Bonuses	1,620	1,319	-	-
Benefits-in-kind				
- arising from exercise of share options	459	325	-	-
- others	180	177	-	-
	4,831	4,197	-	-
Non-Executive Directors:				
Fees	104	107	-	-
Other remuneration	12	-	-	-
	116	107	-	-
Grand Total	32,600	24,772	25,908	19,146
Total (excluding benefits-in-kind) (Note 37)	19,797	16,471	13,744	11,347

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 RM6,177,000 (2006 - RM5,538,000).

38. DIRECTORS' REMUNERATION (continued)

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

	Remuneration received from the Bank						Remuneration received from Subsidiary Companies			Group Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Others Emoluments RM'000	Benefits-in-kind ESOS RM'000	Others RM'000	Bank Total RM'000	Fees RM'000	Others Emoluments RM'000	
2007										
Executive Directors:										
Dato' Sri Tay Ah Lek	846	110	2,100	699	2,385	37	6,177	214	83	6,474
Dato' Lee Kong Lam	737	110	1,600	568	1,550	36	4,601	139	28	4,768
	1,583	220	3,700	1,267	3,935	73	10,778	353	111	11,242
Non-Executive Directors:										
Tan Sri Dato' Sri Dr. Teh Hong Plow	-	150	-	5,417	-	91	5,658	301	38	5,997
Tan Sri Dato' Thong Yaw Hong	-	150	-	363	1,060	25	1,598	252	58	1,908
Dato' Yeoh Chin Kee	-	110	-	76	2,333	-	2,519	129	31	2,679
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	-	110	-	76	954	-	1,140	30	26	1,196
Dato' Haji Abdul Aziz bin Omar	-	110	-	94	1,384	-	1,588	115	52	1,755
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	-	110	-	76	1,278	-	1,464	115	46	1,625
Lee Chin Guan *	-	55	-	37	1,006	-	1,098	85	3	1,186
	-	795	-	6,139	8,015	116	15,065	1,027	254	16,346
Total Directors' Remuneration	1,583	1,015	3,700	7,406	11,950	189	25,843	1,380	365	27,588

* This represents remuneration paid to this Director during the financial year until his resignation on 3 July 2007.

	Remuneration received from the Bank						Remuneration received from Subsidiary Companies			Group Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Others Emoluments RM'000	Benefits-in-kind ESOS RM'000	Others RM'000	Bank Total RM'000	Fees RM'000	Others Emoluments RM'000	
2006										
Executive Directors:										
Dato' Sri Tay Ah Lek	798	100	1,500	583	2,520	37	5,538	175	19	5,732
Dato' Lee Kong Lam	695	100	1,300	501	1,638	37	4,271	130	20	4,421
	1,493	200	2,800	1,084	4,158	74	9,809	305	39	10,153
Non-Executive Directors:										
Tan Sri Dato' Sri Dr. Teh Hong Plow	-	135	-	4,231	-	84	4,450	262	5	4,717
Tan Sri Dato' Thong Yaw Hong	-	135	-	359	1,575	25	2,094	184	7	2,285
Dato' Yeoh Chin Kee	-	100	-	75	158	-	333	127	-	460
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	-	100	-	90	1,260	-	1,450	33	-	1,483
Dato' Haji Abdul Aziz bin Omar	-	100	-	76	-	-	176	115	20	311
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	-	100	-	75	62	-	237	104	19	360
Lee Chin Guan	-	100	-	76	378	-	554	102	-	656
	-	770	-	4,982	3,433	109	9,294	927	51	10,272
Total Directors' Remuneration	1,493	970	2,800	6,066	7,591	183	19,103	1,232	90	20,425

39. ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Allowance for bad and doubtful debts and financing:				
- general allowance (net) (Note 9)	210,302	204,683	218,687	172,561
- specific allowance (Note 9)	467,020	431,438	346,326	307,392
- specific allowance written back (Note 9)	(107,563)	(54,712)	(104,974)	(54,328)
Bad debts recovered from stock broking activities	(26,278)	(2,408)	-	-
Bad debts and financing written off	1,064	934	1,045	737
Bad debts and financing recovered	(137,383)	(113,890)	(106,950)	(81,846)
	407,162	466,045	354,134	344,516

40. IMPAIRMENT LOSS / (WRITTEN BACK)

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Securities held-to-maturity	4,315	(2,269)	-	(2,269)
Foreclosed properties	7,748	(161)	7,748	(161)
Property and equipment (Note 18)	(2,687)	-	-	-
Prepaid land lease payments (Note 17)	2,621	(2,216)	-	-
Intangible assets (Note 19)	162	-	-	-
	12,159	(4,646)	7,748	(2,430)

41. TAX EXPENSE AND ZAKAT

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Malaysian income tax	703,961	588,053	744,824	663,600
Overseas income tax	64,254	58,448	1,085	2,447
	768,215	646,501	745,909	666,047
Under / (Over) provision in prior years				
- Malaysian income tax	324	2,312	-	-
- Overseas income tax	3,141	(906)	-	(66)
	771,680	647,907	745,909	665,981
Deferred tax expense / (income) (Note 13)				
- relating to origination and reversal of temporary differences arising from:	17,419	(52,577)	(12,349)	(36,052)
• allowance for losses on loans	(38,924)	(42,439)	(38,798)	(53,512)
• tax losses	24,948	(22,678)	-	-
• excess of capital allowances over depreciation	1,950	7,821	1,003	4,390
• deferred handling fees	4,978	5,105	4,978	5,105
• other temporary differences	24,467	(386)	20,468	7,965
- relating to changes in tax rate	12,587	25,659	10,860	20,562
Tax expense	801,686	620,989	744,420	650,491
Zakat	166	211	166	211
	801,852	621,200	744,586	650,702

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006 – 28%) on the estimated chargeable profit for the year. Subsequent to the announcement of reduction in the corporate tax rate to 25% with effect from year of assessment 2009 in the Malaysian Budget 2008, the computation of deferred tax assets and deferred tax liabilities has been adjusted accordingly to reflect such changes.

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

41. 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	%	2007	%	2006
		RM'000		RM'000
Profit before tax expense		3,003,638		2,416,361
Income tax using Malaysian tax rate of 27% (2006 – 28%)	27.0	810,982	28.0	676,581
Effects of different tax rates in foreign jurisdictions	(1.5)	(47,068)	(1.6)	(38,295)
Income not subject to tax	(0.7)	(21,104)	(1.9)	(45,319)
Effects of utilisation of unrecognised benefit of tax losses	0.0	(398)	(1.2)	(29,789)
Expenses not deductible for tax purposes	0.8	26,133	0.9	20,623
Income subject to tax at Bank but eliminated at Group	0.6	17,089	0.4	10,123
	26.2	785,634	24.6	593,924
Deferred tax relating to changes in tax rate	0.4	12,587	1.1	25,659
Under provision in prior years	0.1	3,465	–	1,406
Tax expense for the year	26.7	801,686	25.7	620,989

Bank	%	2007	%	2006
		RM'000		RM'000
Profit before tax expense		2,850,783		2,440,137
Income tax using Malaysian tax rate of 27% (2006 – 28%)	27.0	769,712	28.0	683,238
Income not subject to tax	(1.6)	(45,210)	(2.9)	(70,994)
Expenses not deductible for tax purposes	0.3	9,058	0.7	17,751
	25.7	733,560	25.8	629,995
Deferred tax relating to changes in tax rate	0.4	10,860	0.8	20,562
Over provision in prior years	–	–	–	(66)
Tax expense for the year	26.1	744,420	26.6	650,491

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Tax recognised directly in equity				
Relating to unrealised gain / (loss) on securities available-for-sale:				
At 1 January	3,239	(2,458)	3,239	(2,458)
(Decrease) / Increase during the year (Note 13)	(8,736)	5,697	(8,736)	5,697
At 31 December	(5,497)	3,239	(5,497)	3,239
Tax savings arising from tax losses				
Tax savings arising from utilisation of tax losses	398	29,789	–	–

42. 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.

	Group		Bank	
	2007	2006	2007	2006
Net profit attributable to equity holders of the Bank (RM'000)	2,123,915	1,726,688	2,106,197	1,789,435
'000				
Number of ordinary shares at beginning of the year	3,338,610	3,293,188	3,338,610	3,293,188
Effects of share options exercised during the year	43,270	20,901	43,270	20,901
Effects of shares bought back and held as treasury shares	(29,001)	(23)	(29,001)	(23)
Weighted average number of ordinary shares in issue	3,352,879	3,314,066	3,352,879	3,314,066
Basic earnings per share (sen)	63.3	52.1	62.8	54.0

(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	
	2007	2006	2007	2006
'000				
Weighted average number of ordinary shares	3,352,879	3,314,066	3,352,879	3,314,066
Effects of share options	23,360	32,059	23,360	32,059
Adjusted weighted average number of ordinary shares in issue or issuable	3,376,239	3,346,125	3,376,239	3,346,125
Diluted earnings per share (sen)	62.9	51.6	62.4	53.5

43. DIVIDENDS

	Group and Bank	
	2007 RM'000	2006 RM'000
Dividends recognised as distribution to ordinary equity holders of the Bank:		
Interim dividend of 25.0% less 27.0% tax (2006 – 20.0% less 28.0% tax)	614,074	479,029
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	–	833,906
Final dividend of 30.0% less 27.0% tax and special dividend of 10.0% less 27.0% tax in respect of the financial year ended 31 December 2006	980,534	–
	1,594,608	1,312,935

43. DIVIDENDS (continued)

A proposed final dividend of 40.0% and special dividend of 10.0%, less 26.0% tax respectively, in respect of financial year ended 31 December 2007 amounting to approximately RM1,240,097,396 computed based on the outstanding issued and paid-up capital, excluding treasury shares held by the Bank, of 3,351,614,583 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 2008.

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

	Gross per share		Net per share	
	2007	2006	2007	2006
Dividends per RM1.00 share:	Sen	Sen	Sen	Sen
Proposed:				
Final dividend of 40.0% less 26.0% tax	40.0	–	29.6	–
Special dividend of 10.0% less 26.0% tax	10.0	–	7.4	–
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
Paid:				
Interim dividend of 25.0% less 27.0% tax (2006 – 20.0% less 28.0% tax)	25.0	20.0	18.3	14.4
Total dividends	75.0	60.0	55.3	43.6

44. 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 are those entities in which the Group has significant influence but not control, and where it generally 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 Executive Directors and Non-Executive Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiary companies (including close members of their families) of the Group.

(iv) Public Bank Group Officers' Retirement Benefits Fund

Details of the retirement benefit fund are shown in Note 25(a).

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

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

44. 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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income earned:						
Interest on loans, advances and financing	26	11	-	-	23,003	14,928
Commission income	-	-	18,066	15,474	-	-
Rental income	147	147	2,165	2,161	-	-
Brokerage income	-	-	106	23	14	16
	173	158	20,337	17,658	23,017	14,944
Expenditure incurred:						
Interest on deposits	59,254	41,522	9,752	8,704	4	41
Rental of premises	-	-	313	308	11,390	10,420
Insurance premiums	-	-	19,733	16,222	-	-
	59,254	41,522	29,798	25,234	11,394	10,461

Bank	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefit Fund	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Income earned:										
Interest on loans, advances and financing	87,580	57,632	-	-	7	11	-	-	23,003	14,928
Dividend income (Note 36(c))	504,132	608,134	3,692	3,335	-	-	-	-	-	-
Overhead expenses recharged	841	923	-	-	-	-	-	-	-	-
Commission income	64,860	15,254	-	-	-	-	17,882	15,380	-	-
Commitment fees and bank charges received	6,184	1,062	-	-	-	-	-	-	-	-
Rental income	945	1,032	-	-	147	147	11	12	-	-
	664,542	684,037	3,692	3,335	154	158	17,893	15,392	23,003	14,928
Expenditure incurred:										
Interest on deposits	62,802	64,457	-	-	59,251	41,522	6,558	6,805	4	41
Rental of premises	25,192	26,229	-	-	-	-	313	308	11,048	10,097
Insurance premiums	-	-	-	-	-	-	16,623	13,687	-	-
Brokerage commission	1,600	151	-	-	-	-	-	-	-	-
Corporate advisory fees	1,085	242	-	-	-	-	-	-	-	-
Commission on loans	15	63	-	-	-	-	-	-	-	-
Others	1,730	1,531	-	-	-	-	-	-	-	-
	92,424	92,673	-	-	59,251	41,522	23,494	20,800	11,052	10,138

Included in the significant transactions of the Group and the Bank are interest on deposits paid to Directors of the Bank amounting to RM58,856,000 (2006 - RM41,512,000) and rental received from a Director of the Bank amounting to RM147,000 (2006 - RM147,000).

44. 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			
	2007	2006	2007	2006	2007	2006	2007	2006		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Amount due from related parties										
Loans, advances and financing	-	-	647	303	-	-	743,912	587,281		
Others	-	-	-	-	-	-	-	730		
	-	-	647	303	-	-	743,912	588,011		
Amount due to related parties										
Demand deposits	156	-	43,169	22,531	2,333	2,584	17	754		
Short-term deposits	-	-	1,825,700	1,426,275	189,722	189,706	-	-		
Others	103,973	244,809	-	-	-	-	3,113	2,707		
	104,129	244,809	1,868,869	1,448,806	192,055	192,290	3,130	3,461		
Bank										
Bank	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefit Fund	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from related parties										
Interbank loans	3,011,025	880,883	-	-	-	-	-	-	-	-
Loans, advances and financing	195,459	198,330	-	-	182	303	-	-	743,912	587,281
Dividend receivable (Note 11)	131,596	400,823	-	-	-	-	-	-	-	-
Rental deposits	33,671	33,673	-	-	-	-	-	-	-	-
Interest receivable	7,525	3,360	-	-	-	-	-	-	-	-
Others	240,135	91,572	-	-	-	-	-	-	-	730
	3,619,411	1,608,641	-	-	182	303	-	-	743,912	588,011
Amount due to related parties										
Demand deposits	111,402	151,298	156	-	43,077	22,531	2,333	2,584	17	754
Short-term deposits	605,670	289,157	-	-	1,825,527	1,426,275	93,953	101,396	-	-
Interbank borrowings	1,094,424	509,533	-	-	-	-	-	-	-	-
Interest payable	3,609	1,240	-	-	-	-	-	-	-	-
Others	11,811	11,832	103,973	244,809	-	-	-	-	2,948	2,627
	1,826,916	963,060	104,129	244,809	1,868,604	1,448,806	96,286	103,980	2,965	3,381

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 RM1,864,591,000 (2006- RM1,448,333,000).

44. 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.

No provisions have been recognised in respect of loans given to key management personnel (2006 - RM Nil).

- (d) Key Management Personnel Compensation

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Short-term employee benefits				
Fees	2,395	2,202	1,015	970
Salary and other remuneration, including meeting allowances	16,514	13,163	13,824	11,034
Benefits-in-kind				
- arising from exercise of share options	12,156	7,779	12,140	7,729
- others	612	260	238	237
Post-employment benefits	2,692	2,143	2,426	1,917
	34,369	25,547	29,643	21,887

Included in the total key management personnel compensation are:

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Directors' remuneration including benefits-in-kind				
- Directors of the Bank	27,588	20,425	25,843	19,103

The movement in share options of key management personnel is as follows:

	PBB ESOS		PFHL ESOS	
	2007 '000	2006 '000	2007 '000	2006 '000
At 1 January	22,196	34,644	6,338	6,338
Exercised	(22,196)	(12,448)	-	-
Lapsed	-	-	(350)	-
At 31 December	-	22,196	5,988	6,338

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 25(b)).

45. 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	2007			2006		
	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	1,362,071	1,362,071	787,538	1,285,521	1,285,521	985,048
Certain transaction-related contingent items	520,122	260,061	165,025	446,720	223,360	145,914
Short-term self-liquidating trade-related contingencies	675,466	135,093	110,918	581,445	116,289	96,993
Other assets sold with recourse and commitments with certain drawdown	606,386	606,386	21,262	10,640	10,640	2,128
Islamic house financing sold to Cagamas	397,670	397,670	198,835	-	-	-
Obligations under underwriting agreements	201,648	159,148	159,148	80,000	40,000	40,000
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,873,728	2,436,864	2,166,834	4,365,655	2,182,828	1,988,665
- maturity not exceeding one year	16,463,632	-	-	12,621,347	-	-
Foreign exchange related contracts:						
- less than one year	8,614,768	128,072	28,975	6,594,858	106,927	38,682
- one year to less than five years	-	-	-	227,197	12,094	6,046
Interest rate related contracts:						
- less than one year	318,357	468	94	103,171	258	129
- one year to less than five years	3,804,644	93,826	18,765	2,489,554	56,800	11,361
- five years and above	2,968,978	220,325	44,065	4,552,944	326,963	65,392
	40,807,470	5,799,984	3,701,459	33,359,052	4,361,680	3,380,358

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

45. COMMITMENTS AND CONTINGENCIES (continued)

Bank	2007			2006		
	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	1,240,028	1,240,028	752,948	1,244,706	1,244,706	955,127
Certain transaction-related contingent items	467,985	233,993	159,569	392,580	196,290	131,815
Short-term self-liquidating trade-related contingencies	479,284	95,857	90,645	427,885	85,576	81,189
Other assets sold with recourse and commitments with certain drawdown	569,973	569,973	13,979	-	-	-
Islamic house financing sold to Cagamas	397,670	397,670	198,835	-	-	-
Obligations under underwriting agreements	75,000	37,500	37,500	70,000	35,000	35,000
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,562,584	2,281,292	2,011,262	4,229,216	2,114,608	1,920,445
- maturity not exceeding one year	14,497,392	-	-	10,845,042	-	-
Foreign exchange related contracts:						
- less than one year	7,757,992	120,020	27,307	4,427,631	60,456	15,446
Interest rate related contracts:						
- less than one year	148,793	298	60	-	-	-
- one year to less than five years	3,557,529	90,033	18,007	2,231,871	50,237	10,047
- five years and above	2,935,913	218,010	43,602	4,517,724	324,145	64,829
	36,690,143	5,284,674	3,353,714	28,386,655	4,111,018	3,213,898

* 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.

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Foreign exchange related contracts				
- Forward contracts	1,728,070	897,677	1,390,315	757,152
- Currency swaps	6,886,698	5,924,378	6,367,677	3,670,479
Interest rate related contracts				
- Forwards	-	35,230	-	-
- Swaps	7,091,979	7,110,439	6,642,235	6,749,595
	15,706,747	13,967,724	14,400,227	11,177,226

45. COMMITMENTS AND CONTINGENCIES (continued)

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 2007, the amount of contracts which were not hedged in the Group and in the Bank and, hence, exposed to market risk was RM907,520,000 (2006 - RM824,196,000) and RM907,520,000 (2006 - RM824,196,000) 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 2007, the amounts of credit risk in the Group and in the Bank, measured in terms of the cost to replace the profitable contracts, was RM48,792,000 (2006 - RM42,747,000) and RM47,693,000 (2006 - RM6,137,000) 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.

46. 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, credit risk rating and policies on rehabilitation and restructuring of problematic and delinquent loans.

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 45.

46. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(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.

Market risk arising from trading activities is governed by the Trading Book Policy Statement. 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's 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.

47. 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				
2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS												
Cash and short-term funds	34,357,299	-	-	-	-	-	-	-	1,191,489	-	35,548,788	3.80
Deposits and placements with banks and other financial institutions	5,821	1,911,878	513,990	-	-	-	-	-	252,084	-	2,683,773	5.05
Securities purchased under resale agreements	5,328,081	7,395,409	-	-	-	-	-	-	-	-	12,723,490	3.52
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,061,927	8,061,927	3.66
Securities available-for-sale	51,074	-	100,269	621,358	117,921	380,835	291,669	1,103,640	1,340,210	74,345	4,081,321	5.57
Securities held-to-maturity	882,173	1,327,708	1,167,428	261,789	-	14,862	69,850	60,506	88,079	-	3,872,395	3.77
Loans, advances and financing												
- performing	58,850,731	5,038,905	9,873,179	7,062,926	5,159,824	4,233,608	3,005,290	6,786,696	-	-	100,011,159	6.45
- non-performing *	-	-	-	-	-	-	-	-	(273,163)	-	(273,163)	-
- Islamic house financing sold to Cagamas	-	-	(410,003)	-	-	-	-	-	-	-	(410,003)	3.73
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,789,644	65,856	7,855,500	-
TOTAL ASSETS	99,475,179	15,673,900	11,244,863	7,946,073	5,277,745	4,629,305	3,366,809	7,950,842	10,388,343	8,202,128	174,155,187	

47. INTEREST RATE RISK (continued)

Group 2007	Non trading book									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	Non- interest sensitive RM'000			
LIABILITIES AND EQUITY												
Deposits from customers	78,561,261	23,844,494	21,332,733	187,445	31,247	74,509	190,048	22,874	14,519,960	-	138,764,571	3.25
Deposits and placements of banks and other financial institutions	8,193,015	2,003,199	68,467	-	-	-	-	-	173,437	-	10,438,118	4.47
Obligations on securities sold under repurchase agreements	2,279	-	-	-	-	-	-	-	-	-	2,279	14.31
Bills and acceptances payable	805,940	1,177,689	416,712	-	-	-	-	-	1,051,955	-	3,452,296	3.62
Recourse obligations on loans sold to Cagamas	9,804	3,585,374	345,508	14,271	1,447	-	-	-	-	-	3,956,404	3.73
Borrowings	349,730	-	-	-	-	-	-	-	-	-	349,730	3.78
Subordinated notes	-	-	-	1,164,266	-	-	1,304,305	-	-	-	2,468,571	5.79
Hybrid capital securities	-	-	-	-	-	-	-	1,855,854	-	-	1,855,854	5.26
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	2,826,008	62,933	2,888,941	-
Total Liabilities	87,922,029	30,610,756	22,163,420	1,365,982	32,694	74,509	1,494,353	1,878,728	18,571,360	62,933	164,176,764	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,342,174	-	9,342,174	-
Minority interests	-	-	-	-	-	-	-	-	636,249	-	636,249	-
Total Liabilities and Equity	87,922,029	30,610,756	22,163,420	1,365,982	32,694	74,509	1,494,353	1,878,728	28,549,783	62,933	174,155,187	
On-balance sheet interest sensitivity gap	11,553,150	(14,936,856)	(10,918,557)	6,580,091	5,245,051	4,554,796	1,872,456	6,072,114	(18,161,440)	8,139,195	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	800,173	(1,605,464)	(1,103,438)	559,936	(112,421)	(347,183)	1,054,774	753,623	-	-	-	
Total interest sensitivity gap	12,353,323	(16,542,320)	(12,021,995)	7,140,027	5,132,630	4,207,613	2,927,230	6,825,737	(18,161,440)	8,139,195	-	

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

47. INTEREST RATE RISK (continued)

Group 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				
ASSETS												
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	-
TOTAL ASSETS	71,512,377	17,371,008	13,705,409	7,835,389	5,518,381	3,406,953	2,902,393	6,656,294	9,699,212	9,182,127	147,789,543	

47. INTEREST RATE RISK (continued)

Group 2006	Non trading book									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	Non- interest sensitive RM'000			
LIABILITIES AND EQUITY												
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
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	-
Total Liabilities	74,301,595	23,652,863	19,843,046	370,781	1,244,862	17,398	171,730	3,290,137	15,174,910	59,912	138,127,234	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,033,999	-	9,033,999	-
Minority interests	-	-	-	-	-	-	-	-	628,310	-	628,310	-
Total Liabilities and Equity	74,301,595	23,652,863	19,843,046	370,781	1,244,862	17,398	171,730	3,290,137	24,837,219	59,912	147,789,543	
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	-	-	-	
Total interest sensitivity gap	(1,952,005)	(7,986,001)	(7,320,006)	7,306,118	4,897,413	3,269,807	2,360,853	5,439,613	(15,138,007)	9,122,215	-	

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

47. INTEREST RATE RISK (continued)

Bank 2007	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				
ASSETS												
Cash and short-term funds	31,607,242	-	-	-	-	-	-	-	998,905	-	32,606,147	3.73
Deposits and placements with banks and other financial institutions	-	2,362,592	454,488	-	-	-	-	-	252,086	-	3,069,166	4.99
Securities purchased under resale agreements	4,945,822	7,060,775	-	-	-	-	-	-	-	-	12,006,597	3.52
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,051,599	8,051,599	3.66
Securities available-for-sale	51,074	-	100,269	432,911	117,921	308,320	291,669	1,071,686	1,237,774	37,238	3,648,862	5.53
Securities held-to-maturity	33,183	603,102	565,396	253,334	-	14,862	69,850	60,506	87,772	-	1,688,005	3.82
Loans, advances and financing												
- performing	52,681,532	3,649,924	8,960,732	6,534,579	4,830,546	4,076,060	2,939,072	6,712,612	-	-	90,385,057	6.25
- non-performing *	-	-	-	-	-	-	-	-	(169,347)	-	(169,347)	-
- Islamic house financing sold to Cagamas	-	-	(410,003)	-	-	-	-	-	-	-	(410,003)	3.73
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,530,282	64,735	7,595,017	-
TOTAL ASSETS	89,318,853	13,676,393	9,670,882	7,220,824	4,948,467	4,399,242	3,300,591	7,844,804	9,937,472	8,153,572	158,471,100	

47. INTEREST RATE RISK (continued)

Bank 2007	Non trading book									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	Non- interest sensitive RM'000			
LIABILITIES AND EQUITY												
Deposits from customers	69,891,101	20,804,250	20,951,058	459,532	30,999	74,509	190,048	22,874	14,000,457	-	126,424,828	3.16
Deposits and placements of banks and other financial institutions	7,083,223	2,052,848	52,612	-	-	-	-	-	158,151	-	9,346,834	4.70
Obligations on securities sold under repurchase agreements	2,279	-	-	-	-	-	-	-	-	-	2,279	14.31
Bills and acceptances payable	805,940	1,177,689	416,712	-	-	-	-	-	1,051,955	-	3,452,296	3.62
Recourse obligations on loans sold to Cagamas	9,804	3,585,374	345,508	14,271	1,447	-	-	-	-	-	3,956,404	3.73
Subordinated notes	-	-	-	1,164,266	-	-	1,304,305	-	-	-	2,468,571	5.79
Hybrid capital securities	-	-	-	-	-	-	-	1,855,854	-	-	1,855,854	5.26
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	1,551,496	61,923	1,613,419	-
Total Liabilities	77,792,347	27,620,161	21,765,890	1,638,069	32,446	74,509	1,494,353	1,878,728	16,762,059	61,923	149,120,485	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,350,615	-	9,350,615	-
Total Liabilities and Equity	77,792,347	27,620,161	21,765,890	1,638,069	32,446	74,509	1,494,353	1,878,728	26,112,674	61,923	158,471,100	
On-balance sheet interest sensitivity gap	11,526,506	(13,943,768)	(12,095,008)	5,582,755	4,916,021	4,324,733	1,806,238	5,966,076	(16,175,202)	8,091,649	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	700,978	(1,517,690)	(1,372,197)	740,921	(112,421)	(281,053)	1,054,774	786,688	-	-	-	
Total interest sensitivity gap	12,227,484	(15,461,458)	(13,467,205)	6,323,676	4,803,600	4,043,680	2,861,012	6,752,764	(16,175,202)	8,091,649	-	

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

47. 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				
ASSETS												
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	-
TOTAL ASSETS	65,139,628	13,683,248	12,142,944	7,323,775	5,012,009	3,304,377	2,770,364	6,543,770	9,243,294	9,103,613	134,267,022	

47. INTEREST RATE RISK (continued)

Bank 2006	Non trading book									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	Non- interest sensitive RM'000			
LIABILITIES AND 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
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	-
Total Liabilities	65,569,280	21,532,347	19,296,253	352,050	1,429,584	17,398	171,730	3,290,137	13,562,570	75,346	125,296,695	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	8,970,327	-	8,970,327	-
Total Liabilities and Equity	65,569,280	21,532,347	19,296,253	352,050	1,429,584	17,398	171,730	3,290,137	22,532,897	75,346	134,267,022	
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	-	-	-	
Total interest sensitivity gap	369,842	(9,634,862)	(8,509,279)	6,813,235	4,393,596	3,167,231	2,299,264	5,362,309	(13,289,603)	9,028,267	-	

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

48. 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. Changes in the assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets 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 subsidiary companies, investment in associated companies, investment properties, prepaid land lease payments, property and equipment and intangible assets.

The estimated fair values of the financial instruments of the Group and the Bank approximate their respective carrying amounts as shown on the balance sheets, except for the following financial assets and financial liabilities:

	2007		2006	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial assets				
Securities held-to-maturity	3,872,395	3,881,802	3,264,818	3,288,733
Loans, advances and financing *	100,850,957	100,860,356	84,106,198	84,170,802
Financial liabilities				
Deposits from customers	138,764,571	138,759,442	111,793,149	111,786,993
Recourse obligations on loans sold to Cagamas	3,956,404	3,955,513	261,284	258,656
Subordinated notes	2,468,571	2,486,880	2,561,131	2,607,661
Hybrid capital securities	1,855,854	1,903,601	1,918,925	1,967,644
Bank				
Financial assets				
Securities held-to-maturity	1,688,005	1,692,515	997,429	1,001,751
Loans, advances and financing *	91,180,553	91,204,546	77,048,118	77,114,975
Financial liabilities				
Deposits from customers	126,424,828	126,424,058	102,642,918	102,634,524
Recourse obligations on loans sold to Cagamas	3,956,404	3,955,513	261,284	258,656
Subordinated notes	2,468,571	2,486,880	2,561,131	2,607,661
Hybrid capital securities	1,855,854	1,903,601	1,918,925	1,967,644

* The general allowance of the Group and the Bank of RM1,522,964,000 (2006 – RM1,318,546,000) and RM1,374,846,000 (2006 - RM1,156,721,000) respectively, are not included in the carrying amounts.

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

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

- (a) **Cash and Short-Term Funds** – The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.
- (b) **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 market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risks and remaining period to maturity.
- (c) **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. 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 market interest rates for similar instruments.
- (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 amounts. For fixed rate loans with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates of loans of similar credit risks and maturity.

The fair values of non-performing loans are represented by their carrying amounts, net of specific allowance for bad and doubtful debts and financing, being the expected recoverable amount.

- (e) **Derivative Financial Instruments** – The fair values of derivative financial instruments are obtained from quoted market rates in active markets, including recent market transactions and valuation techniques, such as discounted cash flow models, as appropriate.
- (f) **Deposits from Customers** – The fair values of deposits 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 deposits with remaining maturities of more than one year are estimated using discounted cash flows based on market rates for similar deposits from customers. 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 and money market deposits are estimated based on quoted or observable market prices. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposit and money market deposits 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 with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of recourse obligations on loans sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.
- (i) **Borrowings** – The fair values approximate carrying amounts as these are 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.

49. OPERATING LEASES

The Group and the Bank as a Lessee

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	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Within one year	14,189	14,032	1,032	1,787
Between one and five years	8,736	10,962	343	2,221
More than five years	5,427	5,933	–	–
	28,352	30,927	1,375	4,008

The Group as a Lessor

The Group leases out its investment properties under operating leases with the term of the leases ranging from one to five years. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Group	
	2007 RM'000	2006 RM'000
Within one year	3,350	4,582
Between one and five years	1,095	3,848
More than five years	391	391
	4,836	8,821

50. CAPITAL AND OTHER COMMITMENTS

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Capital expenditure:				
Authorised and contracted for:				
- Land and buildings	25,847	–	–	–
- Renovations	3,158	3,731	449	–
- Office equipment, furniture and fittings	9,142	2,144	8,604	1,414
- Computer equipment and software	27,382	26,260	23,695	25,275
- Motor vehicles	–	5	–	5
	65,529	32,140	32,748	26,694
Authorised but not contracted for:				
- Land and buildings	4,500	3,600	–	–
- Renovations	5,677	2,224	464	–
- Office equipment, furniture and fittings	1,651	896	294	–
- Computer equipment and software	6,717	8,317	1,113	3,684
- Motor vehicles	94	–	–	–
	18,639	15,037	1,871	3,684
	84,168	47,177	34,619	30,378

51. CHANGE IN ACCOUNTING POLICY 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 2007.

The impact resulting from the change in accounting policy arising from the adoption of FRS 117 Leases is summarised below:

FRS 117 Leases

Leasehold land held for own use

Prior to 1 January 2007, leases of land and buildings held for own use was classified as property and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of FRS 117 Leases in 2007 resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Under FRS 117, leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group and the Bank have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. Certain comparatives of the balance sheets of the Group and the Bank as at 31 December 2006 have been restated. There were no effects on the income statements of the Group and the Bank for the financial year ended 31 December 2006.

The above changes in accounting policy have resulted in the following impact on prepaid land lease payments and property and equipment of the Group and the Bank:

	Group RM'000	Bank RM'000
Effects on opening carrying amounts of Prepaid Land Lease Payments:		
At 1 January 2006, as previously stated	–	–
Effects of adopting FRS 117 Leases	138,895	268
At 1 January 2006, as restated	138,895	268
Effects on opening carrying amounts of Property and Equipment:		
At 1 January 2006, as previously stated	934,824	570,671
Effects of adopting FRS 117 Leases	(138,895)	(268)
At 1 January 2006, as restated	795,929	570,403

**51. CHANGE IN ACCOUNTING POLICY 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:

- (i) Effects of adoption of FRS 117 Leases

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Balance Sheets				
as at 31 December 2006:				
Prepaid land lease payments	280,421	–	267	–
Property and equipment	853,883	1,134,304	549,285	549,552

- (ii) During the financial year, the fund management subsidiary company of the Group reclassified certain direct commission in relation to the sale of trust units from other operating expenses to offset against the fee on sale of trust units as included in the other operating income. As a result, the following comparative income statement figures have been restated 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
Income Statements for the year ended 31 December 2006:				
Operating revenue	7,710,224	7,843,522	–	–
Other operating income	973,369	1,106,667	–	–
Net income	4,271,464	4,404,762	–	–
Other operating expenses	(1,398,592)	(1,531,890)	–	–

Notes to the financial statements:
- Income statements for the year ended 31 December 2006

Other operating income (Note 36)

Fee income

- Fee on sale of trust units	62,521	195,819	–	–
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Other operating expenses (Note 37)

Marketing expenses

- Sales commission	63,627	196,925	–	–
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52. CAPITAL ADEQUACY

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

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
<u>Before deducting proposed dividends*:</u>				
Core capital ratio	9.1%	10.2%	11.1%	12.5%
Risk-weighted capital ratio	13.6%	15.8%	13.3%	15.3%
<u>After deducting proposed dividends:</u>				
Core capital ratio	7.6%	8.8%	9.5%	11.0%
Risk-weighted capital ratio	12.4%	14.6%	11.9%	14.0%

* 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 2007 have incorporated the market risk pursuant to Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

	Group		Bank	
	2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,527,891	3,462,825	3,527,891	3,462,825
Share premium	2,112,204	1,782,081	2,112,204	1,782,081
Other reserves	3,562,188	3,228,596	3,538,858	3,189,473
Retained profits (before proposed dividend)	1,362,252	1,265,156	1,491,238	1,330,328
Hybrid capital securities	1,345,882	1,261,957	1,487,546	1,414,327
Treasury shares	(1,273,897)	(784,801)	(1,273,897)	(784,801)
Minority interests	636,249	628,310	-	-
Less: Intangible assets	(1,983,956)	(2,091,061)	(695,393)	(695,393)
Less: Deferred tax assets, net	(316,265)	(340,016)	(271,478)	(269,990)
Total Tier I capital	8,972,548	8,413,047	9,916,969	9,428,850
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,522,964	1,318,546	1,381,714	1,164,889
Subordinated notes	2,469,830	2,627,797	2,469,830	2,627,797
Hybrid capital securities	512,348	640,745	370,684	488,375
Total Tier II capital	4,505,142	4,587,088	4,222,228	4,281,061
Total capital	13,477,690	13,000,135	14,139,197	13,709,911
Less: Investment in subsidiary companies	-	-	(2,270,069)	(2,191,871)
Capital base	13,477,690	13,000,135	11,869,128	11,518,040

52. CAPITAL ADEQUACY (continued)

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

Group	2007		2006	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
0%	48,711,241	–	43,721,125	–
10%	385,400	38,540	175,507	17,551
20%	14,891,588	2,978,318	7,765,565	1,553,113
50%	25,985,302	12,992,651	22,369,335	11,184,668
100%	80,860,623	80,860,623	67,757,129	67,757,129
Risk-weighted assets for market risk	–	2,222,304	–	1,912,975
	170,834,154	99,092,436	141,788,661	82,425,436

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	2007		2006	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
0%	45,294,849	–	40,218,481	–
10%	385,400	38,540	175,507	17,551
20%	11,250,047	2,250,009	4,419,560	883,912
50%	24,099,651	12,049,826	20,932,718	10,466,359
100%	72,903,520	72,903,520	61,942,816	61,942,816
Risk-weighted assets for market risk	–	1,909,634	–	1,857,504
	153,933,467	89,151,529	127,689,082	75,168,142

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

53. 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.

(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.

53. SEGMENT INFORMATION (continued)

(a) By Business Segments: (continued)

The Group comprises the following main business segments: (continued)

(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) 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.

(iv) 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.

(v) Fund Management

The fund management operations comprise of sale of trust units and the management of unit trust funds as conducted by the Bank's wholly owned subsidiary company, Public Mutual Berhad.

	Retail Operations	Corporate Lending	Treasury and Capital Market Operations	Investment Banking	Fund Management	Others	Inter- segment Elimination	Total
2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	5,968,167	483,086	2,390,896	281,161	429,782	4,507	-	9,557,599
Revenue from other segments	23,973	5,530	234,456	-	-	-	(263,959)	-
Total revenue	5,992,140	488,616	2,625,352	281,161	429,782	4,507	(263,959)	9,557,599
Segment results	2,307,792	105,221	390,208	166,469	182,880	13,601	-	3,166,171
Unallocated expenses								(167,913)
Profit from operations								2,998,258
Share of profit after tax of equity accounted associated companies								5,380
Profit before tax expense and zakat								3,003,638
Tax expense and zakat								(801,852)
Profit for the year								2,201,786

53. 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
2007								
Other information:								
Segment assets	91,986,688	11,388,416	62,628,896	5,031,507	409,872	188,547	-	171,633,926
Investment in associated companies								46,318
Unallocated assets								464,647
Intangible assets								2,010,296
Total assets								<u>174,155,187</u>
Segment liabilities	90,150,359	9,632,754	59,280,031	4,119,152	323,747	16,271	-	163,522,314
Unallocated liabilities								654,450
Total liabilities								<u>164,176,764</u>
Other segment items								
Capital expenditure	100,541	210	3,899	381	10,634	3,868	-	119,533
Depreciation and amortisation	70,383	1,775	16,546	553	5,102	8,762	-	103,121
Impairment loss / (written back)	12,159	-	-	-	-	-	-	12,159
Other non-cash expenses	519,721	46,932	2,277	829	-	-	-	569,759
2006								
External revenue	5,225,547	278,717	1,790,610	172,429	238,538	4,383	-	7,710,224
Revenue from other segments	725,933	(77,266)	108,361	-	-	-	(757,028)	-
Total revenue	5,951,480	201,451	1,898,971	172,429	238,538	4,383	(757,028)	7,710,224
Segment results	1,892,975	35,767	477,836	40,861	97,288	7,972	-	2,552,699
Unallocated expenses								(141,226)
Profit from operations								<u>2,411,473</u>
Share of profit after tax of equity accounted associated companies								4,888
Profit before tax expense and zakat								<u>2,416,361</u>
Tax expense and zakat								(621,200)
Profit for the year								<u>1,795,161</u>

53. SEGMENT INFORMATION (continued)

(a) By Business Segments: (continued)

2006	Retail	Corporate	Treasury and Capital Market	Investment	Fund	Others	Inter- segment Elimination	Total
	Operations RM'000	Lending RM'000	Operations RM'000	Banking RM'000	Management RM'000	RM'000	RM'000	RM'000
Other information:								
Segment assets	83,546,287	5,710,577	51,034,368	4,309,617	391,663	200,783	-	145,193,295
Investment in associated companies								45,481
Unallocated assets								459,706
Intangible assets								2,091,061
Total assets								147,789,543
Segment liabilities	79,968,942	6,099,946	47,197,891	3,544,206	731,507	16,960	-	137,559,452
Unallocated liabilities								567,782
Total liabilities								138,127,234
Other segment items								
Capital expenditure	61,668	593	3,671	172	69,293	83	-	135,480
Depreciation and amortisation	68,043	1,592	698	661	3,278	25,132	-	99,404
Impairment loss / (written back)	(4,646)	-	-	-	-	-	-	(4,646)
Other non-cash expenses	512,424	52,528	45	-	180	16,232	-	581,409

(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.

2007	Operating Revenue RM'000	Profit Before Tax Expense and Zakat RM'000	Total Assets RM'000	Total Liabilities RM'000	Capital Expenditure RM'000
	Malaysia	8,455,998	2,568,060	158,595,294	151,663,006
Overseas	1,101,601	435,578	15,559,893	12,513,758	21,842
Total	9,557,599	3,003,638	174,155,187	164,176,764	119,533

2006	Operating Revenue RM'000	Profit Before Tax Expense and Zakat RM'000	Total Assets RM'000	Total Liabilities RM'000	Capital Expenditure RM'000
	Malaysia	6,879,711	2,085,318	136,110,279	129,121,395
Overseas	830,513	331,043	11,679,264	9,005,839	7,394
Total	7,710,224	2,416,361	147,789,543	138,127,234	135,480

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

54. RATING STATEMENT

As at 31 December 2007, the Bank was accorded the following ratings:

Agencies	Date accorded/ Reaffirmed	Ratings
Rating Agency Malaysia Berhad	28 May 2007 (Reaffirmed) 28 May 2007 (Reaffirmed) 28 May 2007 (Reaffirmed) 28 May 2007 (Reaffirmed)	Long-Term Rating: AAA Short-Term Rating: P1 Outlook : Stable Hybrid Tier-1 Capital Securities: AA2
Moody's Investors Services	24 December 2007 (Affirmed) 24 December 2007 (Affirmed) 24 December 2007 (Affirmed) 4 May 2007 (Upgraded)	Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-1 Financial Strength: C Subordinated notes: A3
Standard & Poor's	31 July 2007 (Affirmed) 31 July 2007 (Affirmed) 9 June 2004 (Assigned) 11 July 2005 (Assigned) 31 July 2007 (Revised) 30 May 2006 (Assigned)	Long-Term Rating: A- Short-Term Rating: A-2 Subordinated notes: BBB+ Bank Fundamental Strength: B Outlook : Positive Hybrid Tier-1 Capital Securities: BBB

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55. SIGNIFICANT EVENTS

The significant events of the Group relating to corporate exercises have been disclosed in Note 14. The other significant event of the Group is as follows:

Long term regional strategic alliance with ING Asia/Pacific Limited

On 7 November 2007, the Group entered into a long term regional strategic alliance agreement ("the Strategic Alliance") with ING Asia/Pacific Limited ("ING"). The Strategic Alliance involves the joint development of bancassurance business, Takaful business and various other services between the Group and ING in the Asia-Pacific region for ten (10) years commencing 1 January 2008.

Pursuant to the Strategic Alliance, the Bank and two of its subsidiary companies in Hong Kong, namely Public Bank (Hong Kong) Limited ("PB(HK)") and Public Finance Limited ("PFL") have entered into separate distribution agreements with the local operations of ING in Malaysia and Hong Kong respectively. Pursuant to the distribution agreements, the Bank, PB(HK) and PFL will distribute life, health and personal accident insurance products sourced exclusively from ING to their customers in Malaysia and Hong Kong respectively.

The Strategic Alliance will be for a duration of ten (10) years from 1 January 2008 to 31 December 2017, subject to an extension of up to five (5) years. ING will make a goodwill payment of Euro 41.218 million (equivalent to approximately RM200 million) to the Group upon commencement of the Strategic Alliance. A further amount of up to Euro 12.363 million (equivalent to approximately RM60 million) will be paid over the duration of the agreement upon fulfillment of certain conditions as set out in the Strategic Alliance agreement.

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 2007 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 2007

	Note	Group and Bank	
		2007 RM'000	2006 RM'000
ASSETS			
Cash and short-term funds	(c)	2,007,898	690,139
Securities held-for-trading	(d)	391,299	–
Securities held-to-maturity	(e)	1,371	51,736
Financing, advances and other loans	(f)	10,401,229	9,023,636
Other assets	(h)	521,709	120,664
Statutory deposits with Bank Negara Malaysia		387,000	309,000
Deferred tax assets	(i)	32,798	26,459
Property and equipment		256	183
Total Assets		13,743,560	10,221,817
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(j)	10,149,037	7,737,769
Deposits and placements of banks and other financial institutions	(k)	1,599,539	818,010
Bills and acceptances payable		46,942	29,298
Other liabilities	(l)	34,026	15,268
Provision for tax expense and zakat	(m)	101,160	47,776
Total Liabilities		11,930,704	8,648,121
Islamic Banking Funds		1,812,856	1,573,696
Total Liabilities and Islamic Banking Funds		13,743,560	10,221,817
COMMITMENTS AND CONTINGENCIES	(t)	1,273,244	155,165

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 2007

	Note	Group and Bank	
		2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and financial institutions	(n)	641,260	480,117
Allowance for losses on financing, advances and other loans	(o)	(75,149)	(66,053)
- General allowances		(27,600)	(23,300)
- Other loan loss allowances		(47,549)	(42,753)
Transfer (to) / from Profit Equalisation Reserve, net	(l)	(7,929)	16,727
Total attributable income		558,182	430,791
Income attributable to depositors and financial institutions	(p)	(250,936)	(158,751)
Income attributable to the reporting institution		307,246	272,040
Income derived from investment of Islamic Banking Funds	(q)	95,829	89,933
Total net income		403,075	361,973
Other operating expenses	(r)	(73,091)	(61,637)
Profit before zakat and tax expense		329,984	300,336
Tax expense	(s)	(90,658)	(87,898)
Zakat	(s)	(166)	(211)
Profit for the year		239,160	212,227

Net income from Islamic banking business as reported in the income statements of the Group and the Bank is derived as follows :-

	Note	Group and Bank	
		2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and financial institutions	(n)	641,260	480,117
Income derived from investment of Islamic Banking Funds	(q)	95,829	89,933
Income attributable to depositors and financial institutions	(p)	(250,936)	(158,751)
Transfer (to) / from Profit Equalisation Reserve, net	(l)	(7,929)	16,727
Net income from Islamic banking business reported in the income statements of the Group and the Bank		478,224	428,026

57. ISLAMIC BANKING BUSINESS (continued)

Statement of Changes in Islamic Banking Funds

	Capital Funds RM'000	Group and Bank Retained Profits RM'000	Total RM'000
At 1 January 2006	924,140	437,329	1,361,469
Net profit for the year	-	212,227	212,227
At 31 December 2006	924,140	649,556	1,573,696
Net profit for the year	-	239,160	239,160
At 31 December 2007	924,140	888,716	1,812,856

Cash Flow Statements for the year ended 31 December 2007

	Group and Bank 2007 RM'000	2006 RM'000
Cash flows from operating activities		
Profit before zakat and tax expense	329,984	300,336
Adjustments for:		
Depreciation	54	22
Allowance for bad and doubtful debts and financing	110,846	81,947
Write-back of allowance for bad and doubtful debts and financing	(27,872)	(10,180)
Amortisation of premium less accretion of discount	109	-
Transfer to / (from) Profit Equalisation Reserves, net	7,929	(16,727)
Operating profit before working capital changes	421,050	355,398
Increase in operating assets :		
Securities held-for-trading	(391,299)	-
Financing, advances and other loans	(1,460,567)	(1,878,385)
Statutory deposits with Bank Negara Malaysia	(78,000)	(73,000)
Other assets	(401,045)	(86,917)
Increase / (Decrease) in operating liabilities :		
Deposits from customers	2,411,268	1,644,682
Deposits and placements of banks and other financial institutions	781,529	816,536
Bills and acceptances payable	17,644	4,930
Other liabilities	10,829	(515,917)
Cash generated from operations	1,311,409	267,327
Tax expense and zakat paid	(43,779)	(79,056)
Net cash generated from operating activities	1,267,630	188,271
Cash flows from investing activities		
Purchase of property and equipment	(127)	(136)
Proceeds from redemption of securities held-to-maturity	50,256	75,743
Net cash generated from investing activities	50,129	75,607
Net increase in cash and cash equivalents	1,317,759	263,878
Cash and cash equivalents at beginning of year	690,139	426,261
Cash and cash equivalents at end of year	2,007,898	690,139

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 2007
(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 adoption of FRS 117 Leases issued by MASB that is effective for the current financial year, and the early adoption of the FRSs, amendments to FRSs and IC Interpretations issued by MASB which are effective for the financial year beginning 1 July 2007, as disclosed in Note 2 to the financial statements of the Group and the Bank.

The above changes in accounting policies have no effect to these 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	
	2007	2006
	RM'000	RM'000
Cash and balances with banks and other financial institutions	97,668	85,139
Money at call and deposit placements maturing within one month	1,910,230	605,000
	2,007,898	690,139

(d) Securities Held-for-Trading

	Group and Bank	
	2007	2006
	RM'000	RM'000
At Fair Value		
Money market instruments:		
Malaysian Government Treasury Bills	25,695	-
Cagamas bonds	272,848	-
Bank Negara Malaysia Monetary Notes	92,756	-
	391,299	-

(e) Securities Held-to-Maturity

	Group and Bank	
	2007	2006
	RM'000	RM'000
At Amortised Cost		
Money market instruments:		
Cagamas Mudharabah bonds	1,371	51,736
Market value:		
Cagamas Mudharabah bonds	1,371	51,736

57. ISLAMIC BANKING BUSINESS (continued)

(e) Securities Held-to-Maturity (continued)

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

	Group and Bank	
	2007 RM'000	2006 RM'000
Maturity within one year	1,371	50,365
More than one year to three years	-	1,371
	1,371	51,736

(f) Financing, Advances and Other Loans

(i) Net financing, advances and other loans analysed by type are as follows:

	Group and Bank	
	2007 RM'000	2006 RM'000
Cash line	82,882	40,745
Term financing		
House financing	2,638,157	2,484,893
Syndicated financing	-	14,601
Hire purchase receivables	8,326,371	7,367,486
Other term financing	2,913,806	1,892,084
	13,961,216	11,799,809
Less : Unearned income	(2,957,006)	(2,612,664)
Gross financing, advances and other loans (including Islamic house financing sold to Cagamas)	11,004,210	9,187,145
Less : Islamic house financing sold to Cagamas	(410,003)	-
Gross financing, advances and other loans (excluding Islamic house financing sold to Cagamas)	10,594,207	9,187,145
Less: Allowance for bad and doubtful debts and financing		
- General	(165,095)	(137,495)
- Specific	(27,883)	(26,014)
Total net financing, advances and other loans	10,401,229	9,023,636

(ii) The maturity structure of gross financing, advances and other loans are as follows:

	Group and Bank	
	2007 RM'000	2006 RM'000
Maturity within one year	234,194	163,949
More than one year to three years	1,285,076	1,069,499
More than three years to five years	2,370,127	2,125,174
More than five years	7,114,813	5,828,523
	11,004,210	9,187,145
Less : Islamic house financing sold to Cagamas	(410,003)	-
Gross financing, advances and other loans	10,594,207	9,187,145

57. ISLAMIC BANKING BUSINESS (continued)
(f) Financing, Advances and Other Loans (continued)

(iii) Gross financing, advances and other loans analysed by contract are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Bai' Bithaman Ajil-i (deferred payment sale)	2,670,820	2,300,479
Ijarah Thamma Al-Bai'-i (leasing)	7,201,502	6,344,674
Qardhassan-i (overdraft)	82,882	40,745
Bai-Al-Einah-i	1,049,006	501,247
	11,004,210	9,187,145
Less : Islamic house financing sold to Cagamas	(410,003)	-
	10,594,207	9,187,145

(iv) Gross financing, advances and other loans analysed by type of customer are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	129,816	129,570
Domestic business enterprises		
- Small and medium enterprises	974,366	909,165
- Others	187,984	116,376
Government and statutory authorities	240	692
Individuals	9,678,754	8,008,530
Other domestic entities	3,359	3,358
Foreign customers	29,691	19,454
	11,004,210	9,187,145
Less : Islamic house financing sold to Cagamas	(410,003)	-
	10,594,207	9,187,145

(v) Gross financing, advances and other loans analysed by profit rate sensitivity are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Fixed rate		
- House financing	1,420,274	1,393,231
- Hire purchase receivables	7,201,502	6,344,674
- Other fixed rate financing	1,912,588	1,374,675
Variable rate		
- BFR plus	415,846	-
- Cost plus	54,000	74,565
	11,004,210	9,187,145
Less : Islamic house financing sold to Cagamas	(410,003)	-
	10,594,207	9,187,145

57. ISLAMIC BANKING BUSINESS (continued)

(f) Financing, Advances and Other Loans (continued)

(vi) Gross financing, advances and other loans analysed by economic purpose are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Purchase of securities	1,573	2,088
Purchase of transport vehicles	7,207,898	6,350,033
Purchase of landed properties	2,309,164	1,917,525
(of which: - residential	1,555,789	1,359,431
- non-residential)	753,375	558,094
Purchase of fixed assets (excluding landed properties)	7,479	3,245
Personal use	1,115,551	575,727
Purchase of consumer durables	20,493	14,006
Construction	2,257	780
Working capital	231,897	192,114
Other purpose	107,898	131,627
	11,004,210	9,187,145
Less : Islamic house financing sold to Cagamas	(410,003)	-
	10,594,207	9,187,145

(vii) Gross financing, advances and other loans analysed by sectors are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	123,795	89,310
Mining and quarrying	6,835	1,706
Manufacturing	152,168	159,748
Electricity, gas and water	916	909
Construction	223,645	177,700
Wholesale & retail trade and restaurants & hotels	325,447	306,377
Transport, storage and communication	50,600	42,762
Finance, insurance and business services	243,644	222,944
Real estate	102,062	70,914
Community, social and personal services	49,303	43,964
Households	9,708,202	8,027,958
(of which: - purchase of residential properties	1,529,790	1,339,895
- purchase of transport vehicles	6,615,794	5,778,623
- others)	1,562,618	909,440
Others	17,593	42,853
	11,004,210	9,187,145
Less : Islamic house financing sold to Cagamas	(410,003)	-
	10,594,207	9,187,145

57. ISLAMIC BANKING BUSINESS (continued)
(g) Non-performing Financing

- (i) Movements in non-performing financing, advances and other loans ("NPF") including income receivable are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
At 1 January	176,357	156,196
Non-performing during the year	412,190	391,438
Reclassified as performing	(330,764)	(299,843)
Recoveries	(34,791)	(29,687)
Amount written off	(53,502)	(41,747)
At 31 December	169,490	176,357
Specific allowance	(27,883)	(26,014)
Net non-performing financing, advances and other loans	141,607	150,343
Net NPF as % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	1.29%	1.64%

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

	Group and Bank	
	2007	2006
	RM'000	RM'000
<u>General allowance</u>		
At 1 January	137,495	114,195
Allowance made during the year (Note 57 (o))	27,600	23,300
At 31 December	165,095	137,495
As % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	1.50%	1.50%
<u>Specific allowance</u>		
At 1 January	26,014	19,294
Allowance made during the year (Note 57 (o))	83,246	58,647
Amount written back (Note 57 (o))	(27,872)	(10,180)
Amount written off	(53,502)	(41,747)
Amount transferred to accumulated impairment losses on foreclosed properties	(3)	-
At 31 December	27,883	26,014

57. ISLAMIC BANKING BUSINESS (continued)

(g) Non-performing Financing (continued)

(iii) Non-performing financing by purpose

	Group and Bank	
	2007 RM'000	2006 RM'000
Purchase of securities	14	2
Purchase of transport vehicles	75,519	80,352
Purchase of landed properties	80,828	86,143
(of which: - residential	68,564	73,663
- non-residential)	12,264	12,480
Purchase of fixed assets (excluding landed properties)	1,000	1,045
Personal use	10,803	6,066
Purchase of consumer durables	751	739
Working capital	471	512
Other purpose	104	1,498
	169,490	176,357
Non-performing financing by sectors		
Agriculture, hunting, forestry and fishing	51	15
Mining and quarrying	154	-
Manufacturing	2,332	3,147
Electricity, gas and water	47	51
Construction	2,498	4,259
Wholesale & retail trade and restaurants & hotels	5,768	6,009
Transport, storage and communication	1,123	410
Finance, insurance and business services	1,452	2,139
Real estate	112	491
Community, social and personal services	843	1,020
Households	155,093	158,503
(of which: - purchase of residential properties	67,157	72,301
- purchase of transport vehicles	68,347	72,786
- others)	19,589	13,416
Others	17	313
	169,490	176,357

(h) Other Assets

	Group and Bank	
	2007 RM'000	2006 RM'000
Deferred handling fees	46,622	40,528
Income receivable	2,509	875
Other debtors, deposits and prepayments	472,578	79,261
	521,709	120,664

57. ISLAMIC BANKING BUSINESS (continued)

(i) Deferred Tax Assets

	Group and Bank	
	2007	2006
	RM'000	RM'000
At 1 January	26,459	28,865
Recognised in income statement (Note 57(s))		
- relating to origination and reversal of temporary difference	7,651	(371)
- relating to changes in tax rate	(1,312)	(2,035)
At 31 December	32,798	26,459

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 shown on the balance sheet is as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Deferred tax assets	44,456	36,996
Deferred tax liabilities	(11,658)	(10,537)
Deferred tax assets, net	32,798	26,459

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 and Bank	Allowance for Losses on Loans RM'000	Profit	Total RM'000
		Equalisation Reserve RM'000	
At 1 January 2006	29,628	8,390	38,018
Recognised in income statement (Note 57(s))			
- relating to origination and reversal of temporary difference	8,871	(7,047)	1,824
- relating to changes in tax rate	(2,750)	(96)	(2,846)
At 31 December 2006	35,749	1,247	36,996
Recognised in income statement (Note 57(s))			
- relating to origination and reversal of temporary difference	7,176	2,062	9,238
- relating to changes in tax rate	(1,651)	(127)	(1,778)
At 31 December 2007	41,274	3,182	44,456

57. ISLAMIC BANKING BUSINESS (continued)

(i) Deferred Tax Assets (continued)

Deferred tax liabilities of the Group and Bank	Deferred Handling Fees RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2006	9,153	–	9,153
Recognised in income statement (Note 57(s))			
- relating to origination and reversal of temporary difference	2,195	–	2,195
- relating to changes in tax rate	(811)	–	(811)
At 31 December 2006	10,537	–	10,537
Recognised in income statement (Note 57(s))			
- relating to origination and reversal of temporary difference	1,584	3	1,587
- relating to changes in tax rate	(466)	–	(466)
At 31 December 2007	11,655	3	11,658

(j) Deposits From Customers

(i) By type of deposit

	Group and Bank	
	2007 RM'000	2006 RM'000
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	1,769,188	1,312,608
Wadiah savings deposits-i	2,922,341	2,435,543
Negotiable Debt Certificate-i	3,351,212	2,728,912
Others	2,410	–
	8,045,151	6,477,063
<u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	66,894	64,542
Mudharabah general investment deposits-i	2,036,992	1,196,164
	2,103,886	1,260,706
	10,149,037	7,737,769
<u>(ii) By type of customer</u>		
Federal and state governments	660,318	337,836
Local government and statutory authorities	559,992	427,608
Business enterprises	1,548,048	1,099,102
Individuals	3,277,366	2,770,048
Foreign customers	81,277	70,741
Others	4,022,036	3,032,434
	10,149,037	7,737,769

57. ISLAMIC BANKING BUSINESS (continued)

(j) Deposits From Customers (continued)

(iii) The maturity structure of Mudharabah general investment deposits-i are as follows:

	Group and Bank	
	2007	2006
	RM'000	RM'000
Due within six months	1,875,425	1,059,134
More than six months to one year	139,918	117,078
More than one year to three years	16,912	13,483
More than three years to five years	4,737	6,469
	2,036,992	1,196,164

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(k) Deposits and Placements of Banks and Other Financial Institutions

	Group and Bank	
	2007	2006
	RM'000	RM'000
<u>Mudharabah Fund</u>		
Licensed banks / Islamic banks	1,550,259	330,010
Licensed investment banks	-	47,000
Other financial institutions	49,280	441,000
	1,599,539	818,010

(l) Other Liabilities

	Group and Bank	
	2007	2006
	RM'000	RM'000
Income payable	20,222	9,617
Other creditors and accruals	1,079	855
Profit Equalisation Reserves (Note 24)	12,725	4,796
	34,026	15,268

The movements in Profit Equalisation Reserves are as follows:

At 1 January	4,796	21,523
Net increase / (decrease):	7,929	(16,727)
- Amount arising during the year	16,370	3,560
- Amount written back	(8,441)	(20,287)
At 31 December	12,725	4,796

(m) Provision for Tax Expense and Zakat

	Group and Bank	
	2007	2006
	RM'000	RM'000
Tax expense	100,994	47,626
Zakat	166	150
	101,160	47,776

57. ISLAMIC BANKING BUSINESS (continued)

(n) Income Derived from Investment of Depositors' Funds and Financial Institutions

	Group and Bank	
	2007	2006
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	100,555	83,446
(ii) Other deposits	540,705	396,671
	641,260	480,117
<hr/>		
(i) Income derived from investment of general investment deposits:		
Finance income and Hibah		
Financing, advances and other loans	87,923	77,006
Securities held-to-maturity	1,155	384
Money at call and deposits with financial institutions	9,612	4,918
Others	74	-
	98,764	82,308
Amortisation of premium less accretion of discount	(15)	-
Total finance income and Hibah	98,749	82,308
<hr/>		
Other operating income		
Fee income	1,799	1,133
Other income	7	5
	1,806	1,138
	100,555	83,446
<hr/>		
(ii) Income derived from investment of other deposits:		
Finance income and Hibah		
Financing, advances and other loans	472,778	366,057
Securities held-to-maturity	6,211	1,826
Money at call and deposits with financial institutions	51,687	23,375
Others	398	-
	531,074	391,258
Amortisation of premium less accretion of discount	(80)	-
Total finance income and Hibah	530,994	391,258
<hr/>		
Other operating income		
Fee income	9,673	5,389
Other income	38	24
	9,711	5,413
	540,705	396,671

57. ISLAMIC BANKING BUSINESS (continued)

(o) Allowance for Losses on Financing, Advances and Other Loans

	Group and Bank	
	2007	2006
	RM'000	RM'000
Allowance for bad and doubtful debts and financing:		
- general allowance (Note 57(g)(ii))	27,600	23,300
- specific allowance (Note 57(g)(ii))	83,246	58,647
- specific allowance written back (Note 57(g)(ii))	(27,872)	(10,180)
Bad debts and financing recovered	(8,008)	(5,871)
Bad debts and financing written off	183	157
	75,149	66,053

(p) Income Attributable to Depositors and Financial Institutions

	Group and Bank	
	2007	2006
	RM'000	RM'000
Deposits from customers		
- Mudharabah fund	58,598	43,083
- Non-Mudharabah fund	142,414	82,797
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	49,924	32,871
	250,936	158,751

(q) Income Derived from Investment of Islamic Banking Funds

	Group and Bank	
	2007	2006
	RM'000	RM'000
Finance Income and Hibah		
Financing, advances and other loans	83,790	82,992
Securities held-to-maturity	1,101	414
Money at call and deposits with financial institutions	9,160	5,300
Others	71	-
	94,122	88,706
Amortisation of premium less accretion of discount	(14)	-
Total finance income and Hibah	94,108	88,706
Operating Income		
Fee income	1,714	1,222
Other income	7	5
	1,721	1,227
	95,829	89,933

57. ISLAMIC BANKING BUSINESS (continued)

(r) Other Operating Expenses

	Group and Bank	
	2007 RM'000	2006 RM'000
Personnel costs		
- Salaries, allowances and bonuses	41,630	37,380
- Pension costs	4,891	5,092
- Others	3,782	4,274
	50,303	46,746
Establishment costs		
- Depreciation	54	22
- Rental	6,936	7,172
- Insurance	920	1,777
- Water and electricity	2,173	2,106
- General repairs and maintenance	7,260	7,020
- Information technology expenses	954	1,204
- Others	12	1,531
	18,309	20,832
Marketing expenses		
- Advertisement and publicity	694	306
- Others	3,858	(6,234)
	4,552	(5,928)
Administration and general expenses		
- Communication expenses	(6,262)	(4,667)
- Legal and professional fees	3,369	2,610
- Others	2,820	2,044
	(73)	(13)
	73,091	61,637

Included in other operating expenses is the Shariah Committee's remuneration of RM63,000 (2006 - RM65,000).

57. ISLAMIC BANKING BUSINESS (continued)

(s) Tax Expense and Zakat

	Group and Bank	
	2007	2006
	RM'000	RM'000
Malaysian income tax	96,997	85,492
Deferred tax expense (Note 57(i))		
- relating to origination and reversal of temporary differences arising from:	(7,651)	371
• allowance for losses on loans	(7,176)	(8,871)
• Profit Equalisation Reserve	(2,062)	7,047
• deferred handling fees	1,584	2,195
• other temporary differences	3	-
- relating to changes in tax rate	1,312	2,035
Tax expense	90,658	87,898
Zakat	166	211
	90,824	88,109

(t) 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:

	2007			2006		
	Notional	Credit	Risk	Notional	Credit	Risk
	Amount	Equivalent	Weighted	Amount	Equivalent	Weighted
Group and Bank	RM'000	Amount*	Amount*	RM'000	Amount*	Amount*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Other assets sold with recourse and commitment with certain drawdown	569,973	569,973	13,979	-	-	-
Islamic house financing sold to Cagamas	397,670	397,670	198,835	-	-	-
Irrevocable commitments to extend credit:						
- maturity exceeding one year	228,416	114,208	77,800	123,354	61,677	40,796
- maturity not exceeding one year	77,185	-	-	31,811	-	-
	1,273,244	1,081,851	290,614	155,165	61,677	40,796

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

57. ISLAMIC BANKING BUSINESS (continued)

(u) Capital Adequacy

	Group and Bank	
	2007	2006
Core capital ratio	17.0%	17.8%
Risk-weighted capital ratio	18.5%	19.4%

Components of Tier I and Tier II capital :

	Group and Bank	
	2007 RM'000	2006 RM'000
<u>Tier I capital</u>		
Capital funds	924,140	924,140
Retained profits	888,716	649,556
Less : Deferred tax assets, net	(32,798)	(26,459)
Total Tier I capital	1,780,058	1,547,237
<u>Tier II capital</u>		
General allowance for bad and doubtful debts	165,095	137,495
Total Tier II capital	165,095	137,495
Capital base	1,945,153	1,684,732

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

Group and Bank	2007		2006	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
0%	2,740,930	–	920,637	–
10%	141,162	14,116	51,736	5,174
20%	564,444	112,889	125,770	25,154
50%	1,523,694	761,847	1,304,555	652,278
100%	9,572,641	9,572,641	7,991,829	7,991,829
Risk-weighted assets for market risk	–	30,598	–	–
	14,542,871	10,492,091	10,394,527	8,674,435

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.

57. ISLAMIC BANKING BUSINESS (continued)
(v) Yield / Profit Rate Risk

The Group and the Bank are exposed to various risk 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.

Group and Bank 2007	Non trading book								Non-yield/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit 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				
ASSETS												
Cash and short-term funds	1,990,886	-	-	-	-	-	-	-	17,012	-	2,007,898	3.53
Securities held-for-trading	-	-	-	-	-	-	-	-	-	391,299	391,299	3.62
Securities held-to-maturity	-	-	1,371	-	-	-	-	-	-	-	1,371	3.48
Financing, advances and other loans												
- performing	706,502	329,269	1,403,773	1,628,904	1,416,096	1,280,876	985,834	3,083,466	-	-	10,834,720	5.98
- non-performing *	-	-	-	-	-	-	-	-	(23,488)	-	(23,488)	-
- Islamic house financing sold to Cagamas	-	-	(410,003)	-	-	-	-	-	-	-	(410,003)	3.73
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	941,763	-	941,763	-
Total Assets	2,697,388	329,269	995,141	1,628,904	1,416,096	1,280,876	985,834	3,083,466	935,287	391,299	13,743,560	
LIABILITIES AND ISLAMIC BANKING FUNDS												
Deposits from customers	4,917,816	1,132,459	1,437,570	509,991	482,919	3,923	814	-	1,663,545	-	10,149,037	2.55
Deposits and placements of banks and other financial institutions	1,599,280	-	-	-	-	-	-	-	259	-	1,599,539	3.50
Bills and acceptances payable	-	-	-	-	-	-	-	-	46,942	-	46,942	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	135,186	-	135,186	-
Total Liabilities	6,517,096	1,132,459	1,437,570	509,991	482,919	3,923	814	-	1,845,932	-	11,930,704	
Islamic Banking Funds	-	-	-	-	-	-	-	-	1,812,856	-	1,812,856	-
Total Liabilities and Islamic Banking Funds	6,517,096	1,132,459	1,437,570	509,991	482,919	3,923	814	-	3,658,788	-	13,743,560	
On-balance sheet profit sensitivity gap	(3,819,708)	(803,190)	(442,429)	1,118,913	933,177	1,276,953	985,020	3,083,466	(2,723,501)	391,299	-	-
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	-	-	-
Total profit sensitivity gap	(3,819,708)	(803,190)	(442,429)	1,118,913	933,177	1,276,953	985,020	3,083,466	(2,723,501)	391,299	-	-

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

57. ISLAMIC BANKING BUSINESS (continued)

(v) Yield / Profit Rate Risk (continued)

Group and Bank 2006	Non trading book									Trading book RM'000	Total RM'000	Effective profit 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	Non-yield/ profit sensitive RM'000			
ASSETS												
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	-
Total Assets	1,093,407	254,139	1,178,523	1,435,189	1,237,925	1,018,286	894,356	2,634,954	475,038	-	10,221,817	
LIABILITIES AND ISLAMIC BANKING FUNDS												
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
Bills and acceptances payable	-	-	-	-	-	-	-	-	29,298	-	29,298	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	63,044	-	63,044	-
Total Liabilities	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	-
Total Liabilities and Islamic Banking Funds	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	-	-	-	-	-	-	-	-	-	-	-	-
Total 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)	-	-	-

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

57. ISLAMIC BANKING BUSINESS (continued)
(w) Fair Values of Financial Assets and Liabilities

The estimated fair values of the financial instruments of the Group and the Bank approximate their respective carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities :

Group and Bank	2007		2006	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
Securities held-to-maturity	1,371	1,371	51,736	51,736
Financing, advances and other loans*	10,566,324	10,609,858	9,161,131	9,262,806
Financial liabilities				
Deposits from customers	10,149,037	10,147,984	7,737,769	7,734,279

* The general allowance of the Group and of the Bank of RM165,095,000 (2006 - RM137,495,000) are not included in the carrying amounts.

(x) 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.

(y) 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.

(z) 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.

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

The proceeds raised from the issuances of Subordinated Notes and Hybrid Capital securities in prior years have been used for working capital, general banking and other corporate purposes, as intended.

Disclosed in accordance with Appendix 9C, Part A, item 13 of the Listing Requirements of Bursa Securities.

(ii) Share Buy Back

During the financial year, Public Bank bought back a total of 52,062,300 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 2007	Number of PBB Local Shares Bought Back	Buy Back Price Per PBB Local Share (RM)			Average Cost Per PBB Local Share* (RM)	Total Cost* (RM)
		Lowest	Highest	Average		
February	20,000	9.10	9.10	9.10	9.13	182,664
March	13,117,900	8.30	9.00	8.79	8.81	115,564,607
April	4,743,400	9.35	9.55	9.45	9.48	44,945,260
May	4,675,400	9.60	9.90	9.76	9.79	45,751,858
June	6,202,200	9.75	9.90	9.82	9.84	61,059,475
July	1,359,100	9.90	10.00	9.98	10.01	13,598,063
August	18,423,600	8.50	9.90	9.46	9.48	174,602,949
September	3,520,700	9.30	9.65	9.46	9.48	33,391,003
Total	52,062,300	8.30	10.00	9.37	9.39	489,095,879

*Inclusive of transaction cost

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 2007, a total of 176,276,800 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 2007, except for the exercise of share options under the Public Bank Berhad Employees' Share Option Scheme as disclosed in Note 25 (b) to the financial statements.

Disclosed in accordance with Appendix 9C, Part A, item 15 of the Listing Requirements of Bursa Securities.

(iv) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

Public Bank did not sponsor any ADR or GDR programme during the financial year under review.

Disclosed in accordance with Appendix 9C, Part A, item 16 of the Listing Requirements of Bursa Securities.

(v) 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 17 of the Listing Requirements of Bursa Securities.

(vi) 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 RM466,000 and RM211,000 respectively.

Disclosed in accordance with Appendix 9C, Part A, item 18 of the Listing Requirements of Bursa Securities.

(vii) 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 19 of the Listing Requirements of Bursa Securities.

(viii) 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 20 of the Listing Requirements of Bursa Securities.

(ix) Material Contracts

There were no material contracts 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 2007 or, if not then subsisting, entered into since the end of the previous financial year.

Disclosed in accordance with Appendix 9C, Part A, item 21 of the Listing Requirements of Bursa Securities.

(x) 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 24 of the Listing Requirements of Bursa Securities.

(xi) Recurrent Related Party Transactions of a Revenue or Trading Nature

The recurrent related party transactions of a revenue or trading nature entered into by the Public Bank Group qualified as exempted transactions as defined under Paragraph 10.08(9)(e) and Paragraph 10.09(1)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Securities.

Disclosed in accordance with Paragraph 10.09(1)(b) of the Listing Requirements of Bursa Securities.

Malaysia: Economic Review and Outlook

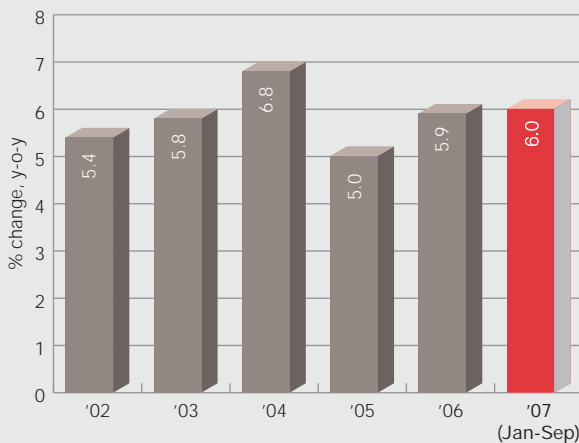
FAVOURABLE GROWTH

The Malaysian economy continued to record favourable growth in 2007, despite high global oil prices, tightened global financial market conditions and a slowdown in the United States of America ("US") economy. In the first nine months of the year, Malaysia's gross domestic product ("GDP") expanded by 6%, supported by strong private and public consumption and strong investment (Graph 1). To a large extent, the Malaysian economy has been insulated from the credit crisis in the US.

MODEST INFLATION

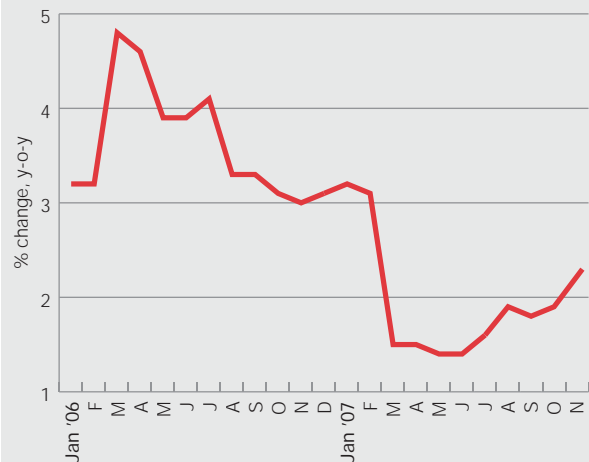
Inflation remained modest. The headline Consumer Price Index ("CPI") only inched up from 1.5% in March 2007 to 2.3% in November 2007 (Graph 2). For January-November 2007, the CPI remained low at 2.0% due to expanded production capacity and increased competition in goods and services markets. The Ringgit continued to appreciate against the US dollar, which in turn helped reduce inflationary pressures. As at the end of November 2007, the exchange rate was RM3.3585 per US dollar, appreciating from RM3.585 as at the end of 2006.

Graph 1
Malaysia: Gross Domestic Product, 2002-2007



Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter, 2007.

Graph 2
Malaysia: Inflation, 2006-2007



Source: Department of Statistics, Malaysia, Consumer Price Index, various issues.

BROAD-BASED GROWTH

Growth remained broad-based. In the first nine months of 2007, the services sector accelerated by 9.9% (Table 1). The construction sector rebounded by 4.5% after three years of negative growth due to the new projects under the 9th Malaysia Plan ("9MP") and increased activities in residential and non-residential sectors. The mining sector turned around to grow by 3.1% due to higher production of crude oil and natural gas. The manufacturing sector grew by 2.4%. The agriculture sector slowed to 0.6% from 5.2% last year.

Table 1
Malaysia: GDP by Economic Activity, 2006-2007
(at constant 2000 prices)

	% Annual Change	
	2006	2007 Jan-Sep
Real Gross Domestic Product	5.9	6.0
Agriculture, forestry and fishing	5.2	0.6
Mining and quarrying	-0.4	3.1
Manufacturing	7.1	2.4
Construction	-0.5	4.5
Services	7.2	9.9

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter, 2007.

Growth also continued to be driven by the private sector (Table 2). In the first nine months of the year, private consumption grew by 11.9%, supported by higher disposable income, stable labour market conditions and strong commodity prices. Public consumption expanded by 7.4%. Investment grew by 10% due to higher capital spending by private and public investment. Private investment was supported by activities in the manufacturing, construction and upstream oil and gas sectors. Public investment was helped by the Government's 9MP projects.

Table 2
Malaysia: GDP by Expenditure Components,
2006-2007 (at constant 2000 prices)

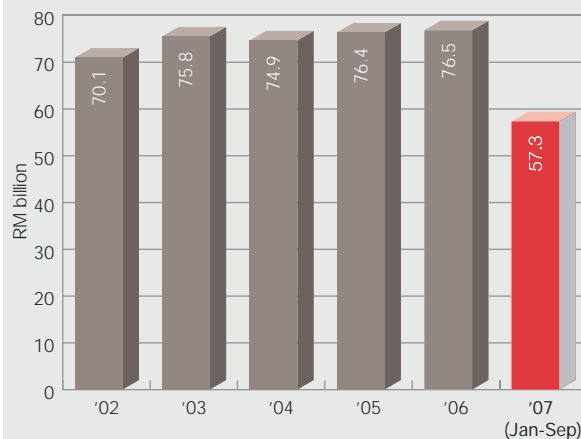
	% Annual Change	
	2006	2007 Jan-Sep
Aggregate Domestic Demand	7.0	10.8
Consumption	6.6	11.1
Public sector	7.1	7.4
Private sector	5.0	11.9
Gross Fixed Capital Formation	7.9	10.0
Exports of Goods and Services	7.4	2.0
Imports of Goods and Services	8.6	2.0
GDP	5.9	6.0

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter, 2007.

MODEST TRADE PERFORMANCE

Malaysia's external sector registered modest growth in 2007 (Graph 3). In the first nine months of the year, net exports of goods and services (in real terms) recorded a surplus of RM57.3 billion compared to RM56.2 billion in the same period of last year. During this period, real exports of goods and services grew by 2% due to weaknesses in electronics and electrical exports. Imports of goods and services expanded by 2% due to lower imports of intermediate and capital goods.

Graph 3
Malaysia: Net Exports of Goods and Services,
2002-2007

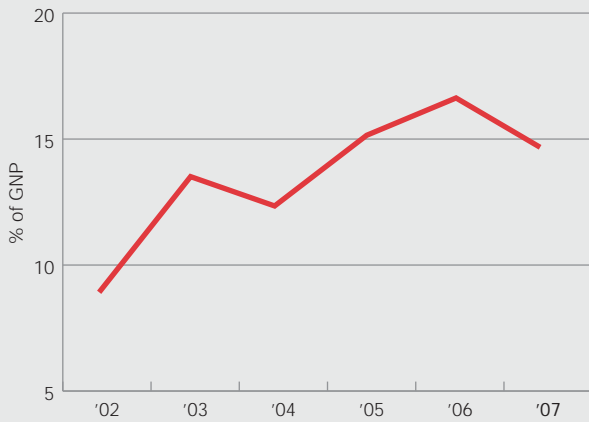


Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter, 2007.

HEALTHY EXTERNAL FINANCES

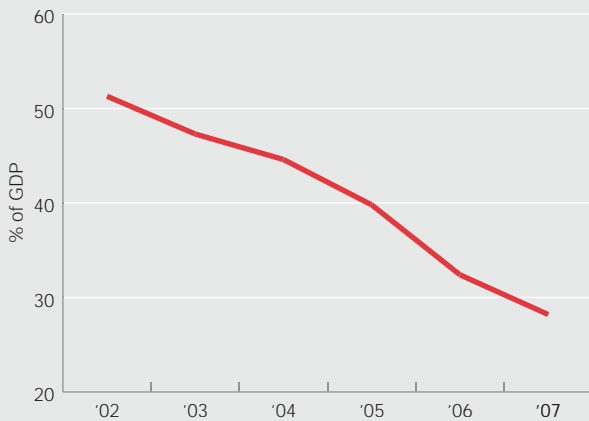
Malaysia's external position remained strong in 2007. The surplus in the current account of the balance of payments remained high at 14.8% of gross national product ("GNP") (2006: 16.8% of GNP) (Graph 4). The ratio of external debt to GDP improved to 28.2% for 2007 from 32.4% in 2006 ("GNP") (Graph 5). The international reserves of Bank Negara Malaysia further increased during the year (Graph 6). From December 2006 to mid-November 2007, the reserves increased by 22.7% to US\$101.2 billion, sufficient to finance 8.9 months of retained imports and 7.4 times the short-term external debt.

Graph 4
Malaysia: Current Account Surplus, 2002-2007



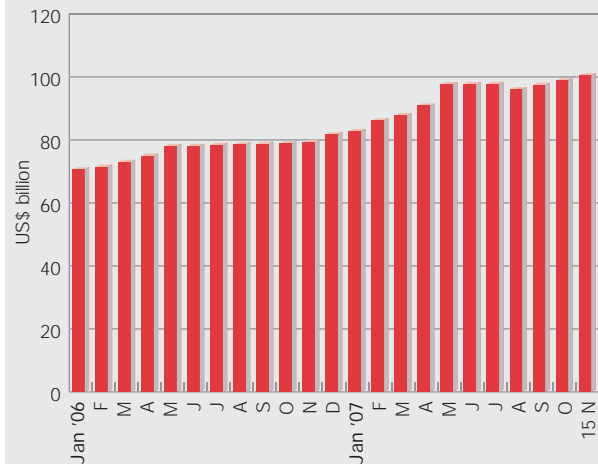
Source: Ministry of Finance, Malaysia, Economic Report, various issues.

Graph 5
Malaysia: External Debt, 2002-2007



Source: Ministry of Finance, Malaysia, Economic Report, various issues.

Graph 6
Malaysia: International Reserves, 2006-2007

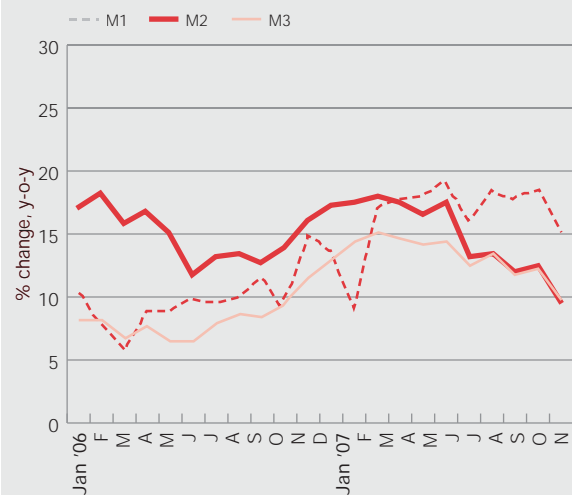


Source: Bank Negara Malaysia, Monthly Statistical Bulletin, various issues.

EXPANSIONARY MONETARY AGGREGATES

Monetary aggregates expanded in line with the growth in the real economy. As at the end of November 2007, M1 grew by 15.1%, M2 by 9.5% and M3 by 9.7% (Graph 7). The growth in M3 was due to higher financing by the banking system to the private sector and higher net external inflows.

Graph 7
Malaysia: Monetary Aggregates, 2006-2007



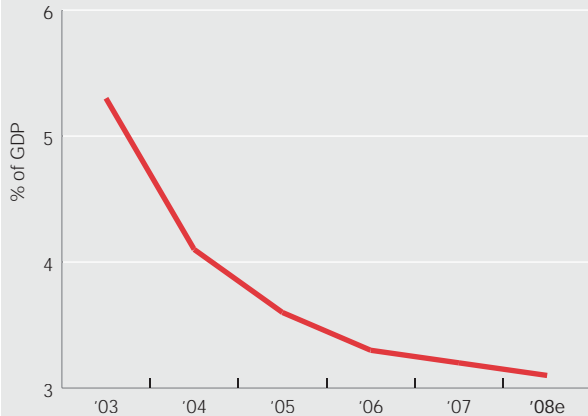
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, various issues.

MACROECONOMIC MANAGEMENT

The Government continued to manage the expectations of slower global economic growth by implementing anti-cyclical macro policies. The Government's fiscal deficit is expected to be around 3.2% of GDP for 2007 and 3.1% for 2008 (Graph 8). In the Budget 2007, the Government has reduced the corporate tax rate to 27% for 2007 and 26% for 2008 to stimulate private investment.

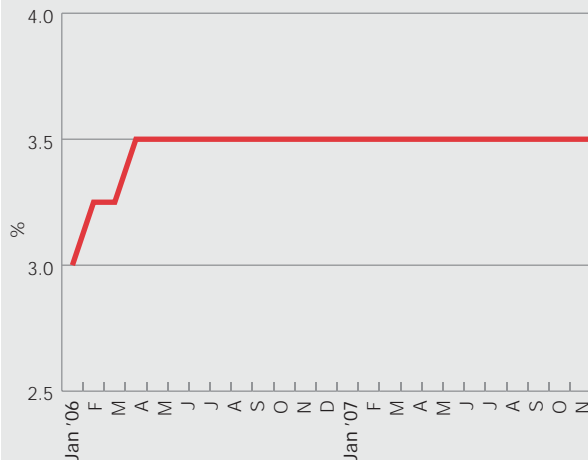
Monetary policy remained accommodative to support economic activity. Since May 2006, BNM has left its Overnight Policy Rate unchanged at 3.5% (Graph 9), amidst concerns in the external environment.

Graph 8
Malaysia: Fiscal Deficit, 2003-2008



Note: e Budget estimate
Source: Ministry of Finance, Malaysia, Economic Report, various issues.

Graph 9
Malaysia: Overnight Policy Rate, 2006-2007

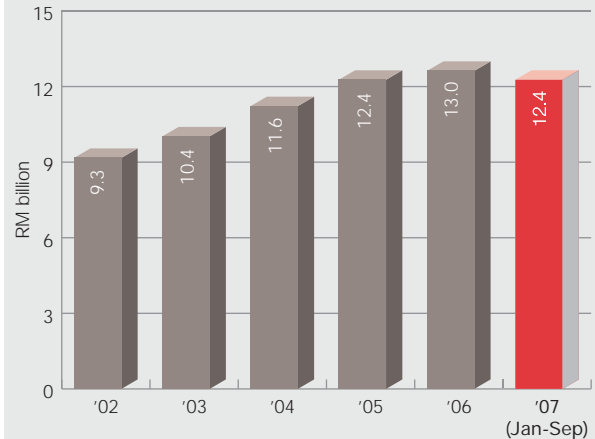


Source: Bank Negara Malaysia, Monthly Statistical Bulletin, various issues.

STRONG BANKING SECTOR

The banking sector remained strong and supportive of economic growth in 2007. The banking industry continued to sustain its strong profitability, high capitalisation and healthy asset quality. In the first nine months of 2007, the pre-tax profit of the banking system rose by 29.2% to RM12.4 billion, compared to that of the same period of last year (Graph 10). The risk-weighted capital ratio and core capital ratio of the banking system was high at 13.2% and 10.1% respectively as at the end of November 2007 (Table 3).

Graph 10
Malaysia: Banking System Pre-Tax Profit, 2002-2007



Source: Bank Negara Malaysia, Annual Report, various issues and Quarterly Bulletin, Third Quarter, 2007.

Table 3
Banking System: Risk-Weighted Capital Ratio and Core Capital Ratio, 2006-2007

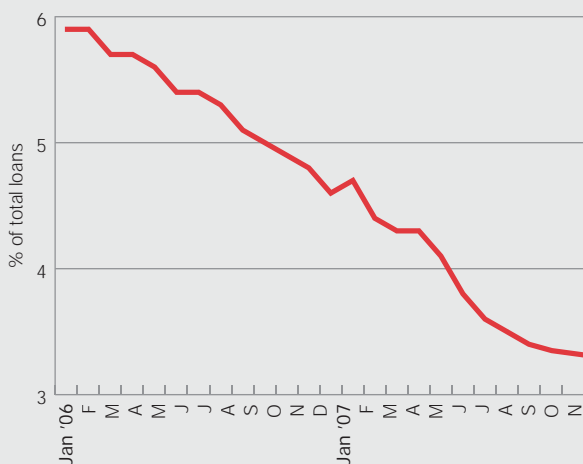
	2006	2007				
		Mar	Jun	Sep	Oct	Nov
Risk-Weighted Capital Ratio (%)	13.5	13.1	13.9	13.1	13.2	13.2
Core Capital Ratio (%)	10.7	10.4	10.7	10.2	10.3	10.1

Source: Bank Negara Malaysia, Monthly Statistical Bulletin, October 2007.

The level of non-performing loans ("NPLs") improved due to recoveries, reclassifications of NPLs to performing status and write-offs. The ratio of net NPLs to total loans dropped from 4.8% as at the end of 2006 to 3.3% as at the end of November 2007 (Graph 11). The loan loss coverage increased from 58.9% as at the end of 2006 to 73% as at the end of November 2007.

Lending activity was healthy, supported by lending to households and small and medium sized enterprises. Annual loan growth of the banking system rose to 10.2%

Graph 11
Malaysia: Banking System Net Non-Performing Loans, 2006-2007 (3-month classification)



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, various issues.

as at the end of November 2007 (2006: 6.3%) due to higher growth in business loans. Total deposits of the banking system (including NIDs), grew strongly by 8% for the eleven month period to November 2007. The loan-to-deposit ratio of the banking system rose from 72% in January 2007 to 78% in November 2007. In the first eleven months of 2007, total new loans approved by the banking system rose to RM271.80 billion (2006: RM188.30 billion).

OUTLOOK FOR 2008

Looking forward, the Malaysian economy is expected to remain positive in 2008, amidst signs of a slowing global economy due to deceleration in the US economy. However, to some extent, the slack in the US economy is expected to be offset by growth in Europe, Japan, and China. The sub-prime mortgage crisis and credit tightening in the US is not expected to have material impact on economic activities in Malaysia.

Growth in 2008 will continue to be supported by domestic demand. Strong private consumption is likely to sustain, given the low unemployment, low interest rates, high commodity prices, modest inflation and a recent pay hike for government servants. Private investment is expected to sustain because of high capacity utilisation in the manufacturing sector, positive business sentiment and higher public spending on 9MP projects. Exports is expected to remain modest.

Inflation is expected to remain modestly high. Current conditions suggest that inflation could have some upward bias due to high oil prices and other factors such as the expectations of lower fuel subsidy and upward revision in road toll charges. A stronger Ringgit, however, will moderate inflationary pressures.

Monetary and fiscal policies are expected to remain supportive of growth. The Overnight Policy Rate is expected to remain at the current level and the deficit in public spending is expected to remain at 3.1% of GDP in 2008. Given the strong economic fundamentals such as low inflation, strong banking system, high international reserves, large current account surplus and low external debt, the Malaysian economy has the flexibility to respond positively if the global economy grows slower than expected.

Investor Information

STOCK MARKET PERFORMANCE IN 2007

Following the healthy performance of the local stock market in the fourth quarter of 2006, the stock market continued to rally into 2007 with the Kuala Lumpur Composite Index ("KLCI") reaching 1,285.15 points on 26 February 2007. However, a sell down in regional and global markets in late February 2007 and early March 2007 caused the KLCI to fall to the 2007 intra day low of 1,090.39 points on 5 March 2007. The subsequent recovery of regional and global equity markets together with the Malaysian Government's announcement of the 9th Malaysia Plan, incentives for the Iskandar Development Region and abolishment of real property gains tax helped the local stock market and the KLCI to a higher close at 1,246.87 points as at the end of March 2007, a gain of 13.7% for the first quarter of 2007.

In the second quarter of 2007, the strengthening of the Ringgit and corporate earnings upgrades together with strong investor sentiment and stronger regional and global equity markets led to more funds flowing into the local stock market. On 16 April 2007, the KLCI closed at 1,322.91 points, surpassing its 13 year closing high of 1,314.46 set on 5 January 1994. The KLCI continued its climb above the 1,350 points level where it consolidated for several weeks until mid-June 2007. The KLCI rose to a high of 1,391.57 points on 22 June 2007 before easing to close the second quarter of 2007 at 1,354.38 points.

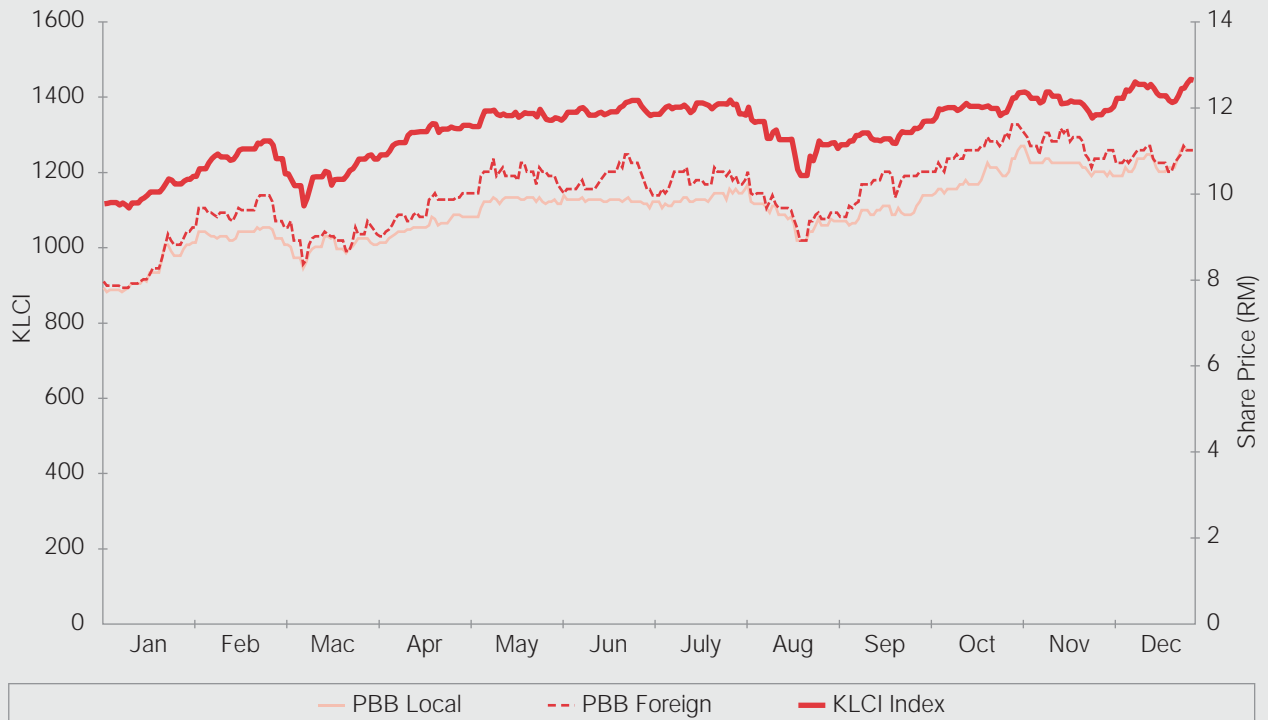
In the third quarter of 2007, the KLCI continued its advance to a then record high of 1,392.18 points on 24 July 2007. Thereafter, the KLCI consolidated above 1,350 points until early August 2007. The KLCI fell in early August 2007 on contagion fears following concerns on the United States of America ("US") sub-prime mortgage and credit markets. The KLCI fell sharply to below the 1,200 points mark to a 5-month intra-day low of 1,141.56 points on 17 August 2007, in line with the sell down of regional and global equity markets. The KLCI, together with global and regional equity indices subsequently rebounded following the cut in US

interest rate by 50 basis points on 18 September 2007 by the US Federal Reserve. The KLCI continued to recover following the strong recovery of the US and regional equity markets to close the third quarter at 1,336.30 points.

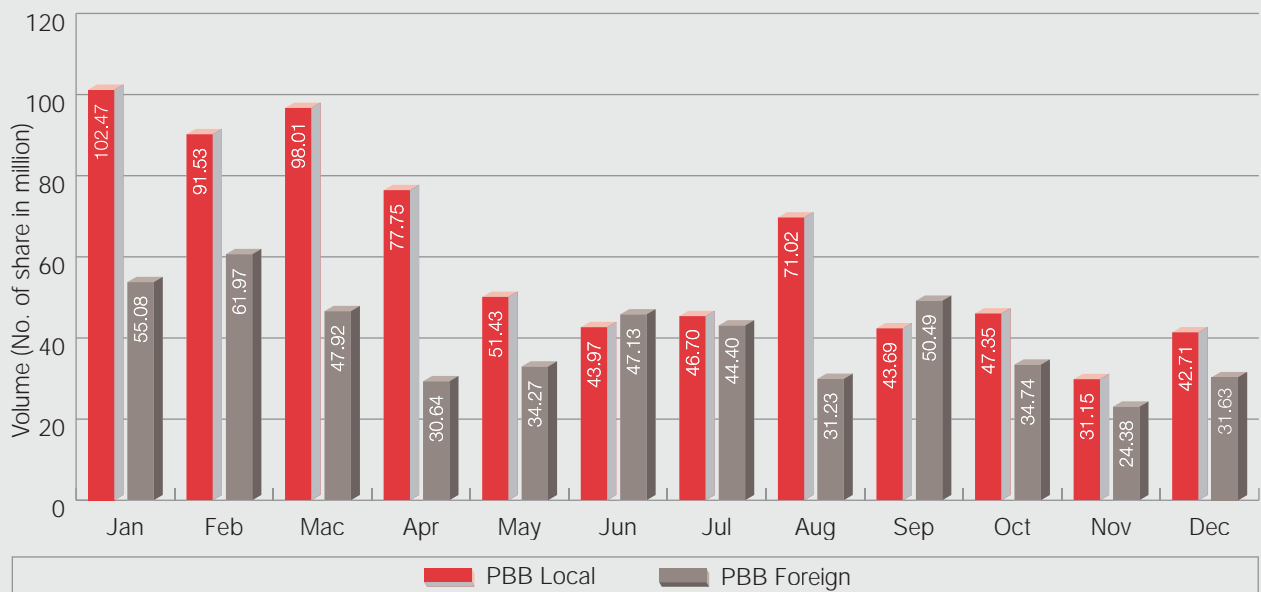
In the fourth quarter of 2007, the KLCI advanced to its all time intra-day high of 1,452.57 points on 31 December 2007 following the strong performance of regional markets and the strengthening of the Ringgit. However, continued concerns on the US sub-prime mortgage and credit markets and China's decision to delay its Direct Investor Investment Scheme saw global and regional markets falling from 2007 highs. The KLCI rose in tandem with the regional equity markets and closed the fourth quarter of 2007 at 1,445.03 points on 31 December 2007, registering a gain of 8.1% for the last quarter of the year. For 2007, the KLCI gained 348.79 points or 31.8% when compared to the gain of 21.8% for 2006.

On the outlook for the stock market in 2008, equity markets regionally and globally are expected to remain cautious on bearish outlook from the US housing and credit markets and record high crude oil prices. However, regional and global equity markets remain underpinned by low real interest rates and high levels of liquidity, manageable inflationary pressures and reasonable equity valuations. Despite the recent volatility in global financial markets, Malaysia's real economy is relatively insulated from the direct effects of the US housing and sub-prime mortgage crisis. Domestic demand is expected to remain strong following the civil servants pay rise and the Government's ongoing roll-out of infrastructure and construction projects under the 9th Malaysia Plan. The KLCI is expected to remain well supported as domestic interest rates are expected to remain unchanged in the medium term as Bank Negara Malaysia continues to pursue an accommodative monetary policy amidst easing inflationary pressures. 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 further rises in the Ringgit.

PUBLIC BANK (LOCAL) & PUBLIC BANK (FOREIGN) SHARE PRICES AND KLCI IN 2007



PUBLIC BANK LOCAL AND FOREIGN SHARE TRANSACTION 2007



PUBLIC BANK SHARE PRICE PERFORMANCE IN 2007

Public Bank (Local) share and Public Bank (Foreign) share prices rose from RM7.75 and RM7.85 respectively as at the end of 2006 to RM9.20 and RM9.95 respectively on 23 February 2007 following the announcement of the Public Bank Group's better than expected financial results for 2006 on 22 January 2007 and a final dividend of 30 sen less 27% tax and a special dividend of 10 sen less 27% tax. Following a sell down in regional and global equity markets, Public Bank (Local) share and Public Bank (Foreign) share prices fell to a low of RM7.85 and RM8.10 respectively on 5 March 2007.

Thereafter, Public Bank (Local) and Public Bank (Foreign) share prices gradually improved in line with the general up trend of the Kuala Lumpur Composite Index ("KLCI") and regional equity markets. On 16 March 2007, both Public Bank (Local) shares and Public Bank (Foreign) shares opened the day at an ex-dividend price of RM8.70 and continued to rise in line with the general up trend of the KLCI. Both Public Bank (Local) share and Public Bank (Foreign) share prices rose to a high of RM10.00 and RM10.90 respectively in the month of May 2007 before consolidating above RM9.50 and RM10.00 respectively.

The announcement of an interim dividend of 25 sen less 27% tax on 17 July 2007 saw Public Bank share prices traded higher up to the end of July 2007 but soon started to trend lower along with the sharp declines in regional and global stock markets on concerns of the United States of America sub-prime mortgage and credit market crisis. In tandem with the lower KLCI, Public Bank (Local) share and Public Bank (Foreign) share prices eased to a low of RM8.30 and RM8.50 respectively on 17 August 2007.

Public Bank share prices gradually improved in September 2007 along with the improvement of the KLCI. Both Public Bank (Local) share and Public Bank (Foreign) share prices rose above RM10.00 and RM10.50 respectively at the beginning of October 2007. The announcement of Public Bank's third quarter financial results on 16 October 2007, which was at the higher end of consensus expectations led to positive investor sentiment and upgrades in earnings expectations of Public Bank. This saw both Public Bank (Local) share and Public Bank (Foreign) share prices close at RM11.10 and RM11.50 respectively on 30 October 2007, bringing Public Bank's market capitalisation to a record high of RM39.5 billion.

For 2007, Public Bank's value in terms of market capitalisation rose by 44.0% or RM11.87 billion to RM38.81 billion compared to the rise of 31.8% of the KLCI. On 24 October 2007, Public Bank achieved another historical milestone after it was ranked the third largest company by market capitalisation on Bursa Securities Malaysia Berhad, its highest ever ranking. The total average daily volume and value of Public Bank shares traded in 2007 increased by 1.53 million shares and RM24.2 million to 5.03 million shares and RM48.2 million respectively per day, an increase of 43.7% and 101.1% respectively when compared to the previous year. Including the total gross dividend of 65 sen paid during the year, shareholders of Public Bank (Local) share and Public Bank (Foreign) share would have enjoyed a total return of approximately 50.3% and 48.4% respectively for 2007 based on the closing share prices of RM11.00 for both Public Bank (Local) shares and Public Bank (Foreign) shares as at the end of 2007.

Analysis of Shareholdings AS AT 31 DECEMBER 2007

Authorised Share Capital	: RM10,000,000,000
Issued and Paid-up Share Capital	: RM3,527,891,383 comprising 3,527,891,383 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	5,774	6.54	240	0.27	183,698	0.01	9,230	*1
100 - 1,000	18,853	21.35	794	0.90	13,180,381	0.39	491,959	0.01
1,001 - 10,000	40,550	45.92	5,476	6.20	152,177,948	4.54	24,790,082	0.74
10,001 - 100,000	11,461	12.98	3,296	3.73	300,553,511	8.97	92,808,702	2.77
100,001 - 167,580,729 (less than 5% of issued shares ^{*2})	1,133	1.28	727	0.83	1,270,406,435	37.90	1,010,713,045	30.16
167,580,730 (5% of issued shares ^{*2}) and above	2	*1	-	-	486,299,592	14.51	-	-
Total	77,773	88.07	10,533	11.93	2,222,801,565	66.32	1,128,813,018	33.68

Notes:

*1 Less than 0.01%.

*2 Excluding a total of 176,276,800 Public Bank ("PBB") shares bought-back by PBB and retained as treasury shares as at 31 December 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 based on the Register of Directors' Shareholdings are as follows:

Shares Held in the Company

Name	Direct Interests		Indirect Interests		Total Interests	
	No. of Shares Held	% of Issued Shares ⁵	No. of Shares Held	% of Issued Shares ⁵	No. of Shares Held	% of Issued Shares ⁵
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	0.64	786,468,596 ¹	23.47	807,992,846	24.11
Tan Sri Dato' Thong Yaw Hong	7,313,750	0.22	821,875 ²	0.02	8,135,625	0.24
Dato' Sri Tay Ah Lek	8,610,109	0.26	339,482 ²	0.01	8,949,591	0.27
Dato' Lee Kong Lam	1,579,921	0.05	800,000 ³	0.02	2,379,921	0.07
Dato' Yeoh Chin Kee	1,250,000	0.04	-	-	1,250,000	0.04
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	125,000	*4	-	-	125,000	*4
Dato' Haji Abdul Aziz bin Omar	875,000	0.03	-	-	875,000	0.03
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	365,000	0.01	-	-	365,000	0.01

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 Deemed to have interests in PBB shares held by person(s) 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 connected as defined per Section 122A of the Companies Act, 1965.

*4 Less than 0.01%.

*5 Excluding a total of 176,276,800 PBB shares bought-back by PBB and retained as treasury shares as at 31 December 2007.

Shares Held in Subsidiary Company

- Shares Held in Public Financial Holdings Limited ("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

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 ²	No. of Shares Held	% of Issued Shares ²	No. of Shares Held	% of Issued Shares ²
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	0.64	786,468,596 ¹	23.47	807,992,846	24.11
Employees Provident Fund Board	324,448,936	9.68	-	-	324,448,936	9.68
Consolidated Teh Holdings Sdn Bhd	79,479,687	2.37	165,711,639 ¹	4.95	245,191,326	7.32
Sekuriti Pejal Sdn Bhd	201,394,686	6.01	38,720,856 ¹	1.15	240,115,542	7.16

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 176,276,800 PBB shares bought-back by PBB and retained as treasury shares as at 31 December 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	284,904,906	8.50
2. Sekuriti Pejal Sdn Berhad	201,394,686	6.01
3. Kepunyaan Chintamani Sdn Bhd	84,482,031	2.52
4. Consolidated Teh Holdings Sdn Berhad	79,479,687	2.37
5. Selected Securities Sdn Bhd	76,116,562	2.27
6. Kayakita Corporation Sdn Bhd	70,180,937	2.09
7. Selected Holdings Sdn Berhad	62,598,046	1.87

Name	No. of Shares Held	% of Issued Shares*
8. HSBC Nominees (Asing) Sdn Bhd - Exempt An for BNP Paribas Securities Services (convert in USD)	54,551,729	1.63
9. Valuecap Sdn Bhd	53,653,000	1.60
10. HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	41,103,665	1.23
11. LPI Capital Bhd	38,216,453	1.14
12. Kepunyaan Perindustrian Sdn Berhad	35,620,233	1.06
13. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	33,680,153	1.01
14. Securities Holdings Sdn Berhad	32,932,656	0.98
15. HSBC Nominees (Asing) Sdn Bhd - TNTC for Saudi Arabian Monetary Agency	30,463,900	0.91
16. Tong Meng Industries Limited	28,497,421	0.85
17. Citigroup Nominees (Asing) Sdn Bhd - Exempt An for Mellon Bank (Mellon)	27,940,973	0.83
18. Luhur Management Sdn Bhd	24,426,015	0.73
19. HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (U.A.E.)	22,424,000	0.67
20. Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	0.64
21. HSBC Nominees (Asing) Sdn Bhd - Exempt An for JPMorgan Chase Bank, National Association (U.K.)	20,216,221	0.60
22. Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputera	19,509,800	0.58
23. HSBC Nominees (Asing) Sdn Bhd - BNP Paribas Securities Services Paris for Aberdeen Asia Pacific Fund	19,400,450	0.58
24. HSBC Nominees (Asing) Sdn Bhd - TNTC for Sanderson International Value Fund	18,568,000	0.55
25. HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for Matthews Pacific Tiger Fund	16,107,900	0.48
26. HSBC Nominees (Asing) Sdn Bhd - Exempt An for the Hongkong and Shanghai Banking Corporation Limited HBFS-I CLT ACCT)	14,601,500	0.44
27. HSBC Nominees (Asing) Sdn Bhd - BBH and Co Boston for GMO Emerging Markets Fund	13,753,600	0.41
28. Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	13,594,800	0.41
29. Lonpac Insurance Bhd	12,687,937	0.38
30. Cartaban Nominees (Asing) Sdn Bhd - Investors Bank and Trust Company for Ishares, Inc	12,628,000	0.38
Total	1,465,259,511	43.72

Note:

* Excluding a total of 176,276,800 PBB shares bought-back by PBB and retained as treasury shares as at 31 December 2007.

Authorised and Issued Share Capital

AUTHORISED SHARE CAPITAL

The authorised share capital as at 31 December 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

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ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 31 December 2007 is RM3,527,891,383 comprising 3,527,891,383 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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
25.02.2005	639,342	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
14.08.2006	1,960,920	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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
30.11.2006	3,142,529	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
25.01.2007	7,252,589	Exercise of share options under PBB ESOS as follows: - 473 shares at option price of RM1.64 per share - 184,208 shares at option price of RM3.56 per share - 14,800 shares at option price of RM3.40 per share - 234,500 shares at option price of RM4.60 per share - 43,500 shares at option price of RM4.92 per share - 3,230,108 shares at option price of RM6.37 per share - 3,545,000 shares at option price of RM5.67 per share	3,470,077,461
30.01.2007	16,102,248	Exercise of share options under PBB ESOS as follows: - 5,228 shares at option price of RM1.64 per share - 68,187 shares at option price of RM3.56 per share - 29,000 shares at option price of RM3.40 per share - 254,031 shares at option price of RM4.60 per share - 60,200 shares at option price of RM4.92 per share - 11,004,802 shares at option price of RM6.37 per share - 4,680,800 shares at option price of RM5.67 per share	3,486,179,709
05.02.2007	2,798,614	Exercise of share options under PBB ESOS as follows: - 16,239 shares at option price of RM3.56 per share - 775 shares at option price of RM3.40 per share - 35,100 shares at option price of RM4.60 per share - 11,000 shares at option price of RM4.92 per share - 1,971,000 shares at option price of RM6.37 per share - 764,500 shares at option price of RM5.67 per share	3,488,978,323

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
15.02.2007	3,449,000	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 8,000 shares at option price of RM3.56 per share - 1,000 shares at option price of RM3.40 per share - 48,500 shares at option price of RM4.60 per share - 25,500 shares at option price of RM4.92 per share - 2,387,000 shares at option price of RM6.37 per share - 979,000 shares at option price of RM5.67 per share 	3,492,427,323
23.02.2007	118,000	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 3,500 shares at option price of RM4.60 per share - 49,000 shares at option price of RM6.37 per share - 65,500 shares at option price of RM5.67 per share 	3,492,545,323
14.05.2007	5,659,529	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 22,492 shares at option price of RM1.64 per share - 75,283 shares at option price of RM3.56 per share - 24,350 shares at option price of RM3.40 per share - 185,000 shares at option price of RM4.60 per share - 43,500 shares at option price of RM4.92 per share - 3,516,279 shares at option price of RM6.37 per share - 1,792,625 shares at option price of RM5.67 per share 	3,498,204,852
17.05.2007	7,553,346	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 3,371 shares at option price of RM1.64 per share - 114,070 shares at option price of RM3.56 per share - 31,507 shares at option price of RM3.40 per share - 216,500 shares at option price of RM4.60 per share - 54,300 shares at option price of RM4.92 per share - 4,608,696 shares at option price of RM6.37 per share - 2,524,902 shares at option price of RM5.67 per share 	3,505,758,198
30.05.2007	224,369	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 9,369 shares at option price of RM3.56 per share - 6,500 shares at option price of RM4.60 per share - 2,500 shares at option price of RM4.92 per share - 128,000 shares at option price of RM6.37 per share - 78,000 shares at option price of RM5.67 per share 	3,505,982,567
04.06.2007	2,962,800	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 43,000 shares at option price of RM3.56 per share - 1,000 shares at option price of RM3.40 per share - 117,000 shares at option price of RM4.60 per share - 34,000 shares at option price of RM4.92 per share - 1,931,000 shares at option price of RM6.37 per share - 836,800 shares at option price of RM5.67 per share 	3,508,945,367
07.06.2007	33,900	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 400 shares at option price of RM3.56 per share - 1,500 shares at option price of RM4.60 per share - 25,000 shares at option price of RM6.37 per share - 7,000 shares at option price of RM5.67 per share 	3,508,979,267

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
10.07.2007	1,974,411	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 379 shares at option price of RM1.64 per share - 47,133 shares at option price of RM3.56 per share - 91,000 shares at option price of RM4.60 per share - 15,500 shares at option price of RM4.92 per share - 1,201,900 shares at option price of RM6.37 per share - 618,499 shares at option price of RM5.67 per share 	3,510,953,678
17.07.2007	7,444,206	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 82,283 shares at option price of RM3.56 per share - 19,925 shares at option price of RM3.40 per share - 95,575 shares at option price of RM4.60 per share - 16,100 shares at option price of RM4.92 per share - 6,428,923 shares at option price of RM6.37 per share - 801,400 shares at option price of RM5.67 per share 	3,518,397,884
20.07.2007	727,500	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 3,000 shares at option price of RM3.56 per share - 21,000 shares at option price of RM4.60 per share - 10,000 shares at option price of RM4.92 per share - 512,000 shares at option price of RM6.37 per share - 181,500 shares at option price of RM5.67 per share 	3,519,125,384
14.11.2007	6,071,344	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 727 shares at option price of RM1.64 per share - 68,822 shares at option price of RM3.56 per share - 450 shares at option price of RM3.40 per share - 138,900 shares at option price of RM4.60 per share - 26,000 shares at option price of RM4.92 per share - 4,763,700 shares at option price of RM6.37 per share - 1,072,745 shares at option price of RM5.67 per share 	3,525,196,728
16.11.2007	1,834,280	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 32,006 shares at option price of RM3.56 per share - 29,075 shares at option price of RM3.40 per share - 86,969 shares at option price of RM4.60 per share - 16,000 shares at option price of RM4.92 per share - 1,117,231 shares at option price of RM6.37 per share - 552,999 shares at option price of RM5.67 per share 	3,527,031,008
26.11.2007	849,375	Exercise of share options under PBB ESOS as follows: <ul style="list-style-type: none"> - 9,700 shares at option price of RM3.56 per share - 19,075 shares at option price of RM3.40 per share - 38,000 shares at option price of RM4.60 per share - 19,500 shares at option price of RM4.92 per share - 479,800 shares at option price of RM6.37 per share - 283,300 shares at option price of RM5.67 per share 	3,527,880,383
17.12.2007	11,000	Exercise of share options under PBB ESOS at option price of RM6.37 per share	3,527,891,383

* 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.

Summary Of Properties Owned By Public Bank Group

As At 31 December 2007

Area	No. of Properties		Net Book Value (RM'000)
	Freehold	Leasehold	
DOMESTIC			
PUBLIC BANK BERHAD			
Kuala Lumpur	2	-	279,438
Perak	1	-	291
Sarawak	-	1	31
PUBLIC MUTUAL BERHAD			
Kuala Lumpur	2	2	72,729
Johor	-	1	1,000
Pulau Pinang	1	-	1,951
Sabah	-	1	81
Sarawak	-	1	1,993
PUBLIC HOLDINGS SDN BHD			
Kuala Lumpur	2	3	30,539
Johor	3	-	49,890
Melaka	-	1	878
Perak	1	1	4,783
Pulau Pinang	4	-	3,383
Sarawak	-	1	3,131
Selangor	1	2	48,102
PB PROPERTIES SDN BHD			
Kuala Lumpur	2	-	27,349
Johor	1	-	222
Kedah	1	-	1,489
Melaka	-	1	540
Perak	2	-	852
Pulau Pinang	3	-	2,104
Sabah	-	2	1,850
Sarawak	1	2	2,216
PUBLIC BANK (L) LTD			
Federal Territory of Labuan	-	1	400
OVERSEAS			
PUBLIC FINANCIAL HOLDINGS GROUP			
Hong Kong	-	30	338,044

Note:

The details of the top 10 properties as included in the above summary are disclosed in the following pages.

Top 10 List Of Properties Owned By Public Bank Group

As At 31 December 2007

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)
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	-	13 Years	46,436	02-01-1995	279,233
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	Leasehold 999 Years	835 Years (26-06-2842)	30 Years	5,451	30-05-2006**	105,992
Lot 59 Jalan Raja Chulan 50200 Kuala Lumpur Malaysia	Vacant land	Public Mutual's future new Headquarters	Freehold	-	-	5,393	24-04-2006	64,673
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	-	13 Years	36,222	12-08-1991	46,557
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 Bank (HK) Ltd. & Public Finance Ltd.'s Mongkok Branch; storeroom of Public Financial Holdings Group; office space leased to third parties	Leasehold 150 Years	43 Years (27-05-2050)	20 Years	2,215	30-06-1994 (R)	42,768
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	89 Years (02-09-2096)	10 Years	31,669	03-09-1997	40,250

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)
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	Public Financial Holdings Group office; office space leased to third parties	Leasehold 150 Years	53 Years (18-02-2060)	25 Years	1,465	02-05-1994 (R)	38,340
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 Public Financial Holdings Group. A portion is leased to Public Bank Berhad, Hong Kong branch as office	Leasehold 999 Years	895 Years (14-08-2902)	40 Years	1,464	11-06-1993	36,014
Wisma Public Bank 300 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	14-storey office building (L/B)	Public Bank's Tiong Nam Branch	Freehold	-	20 Years	10,395	27-08-2003	24,240
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; Public Investment Bank Bhd's business premises; office space rented to related parties	Freehold	-	30 Years	18,277	09-12-1977	20,641

Notes:

(L/B) Land and building

(R) Revaluation was performed as at 31 December 2007

** The acquisition date of 30 May 2006 is the date such property was acquired upon acquisition of Public Bank (Hong Kong) Limited by Public Financial Holdings Group

Public Financial Holdings Group hold the land portion of all properties by means of leases, in Hong Kong SAR.

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GROUP CORPORATE DIRECTORY



PUBLIC BANK

HEAD OFFICE:

Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur
 Tel: 03-21766000, 03-21766666, 03-21638888, 03-21638899
 Fax: 03-21639917 Telex: MA031664/MA032321
 Website: www.publicbank.com.my

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
FEDERAL TERRITORY			
Bandar Sri Damansara	6, Jalan Tembaga SD5/2A Bandar Sri Damansara 52200 Kuala Lumpur	03-62725741 03-62744126	03-62725767
Bangsar	36 & 38, Jalan Maarof, Bangsar 59100 Kuala Lumpur	03-22828929 03-22828930	03-22828917
Bintang Walk	150, Jalan Bukit Bintang 55100 Kuala Lumpur	03-21427969	03-21421241
Bukit Damansara	36-40, Medan Setia 2 Plaza Damansara, Bukit Damansara 50490 Kuala Lumpur	03-20954278 03-20954922	03-20949403 03-20943844 03-20956417
Changkat Thambi Dollah	85 & 87, Changkat Thambi Dollah Off Jalan Pudu, 55100 Kuala Lumpur	03-21454492 03-21454498	03-21454462 03-21415266
Jalan Bukit Bintang	Sun Complex, Jalan Bukit Bintang 55100 Kuala Lumpur	03-21445755 03-21445759	03-21445751
Jalan Hang Lekiu	20-26, Jalan Hang Lekiu 50100 Kuala Lumpur	03-20787077 03-20781115	03-20726155
Jalan Ipoh	Wisma Yap Ka, 480, Batu 3 Jalan Ipoh, 51200 Kuala Lumpur	03-40427487 03-40427488	03-40420032
Jalan Kelang Lama	3045-3051, Batu 4 1/2 Jalan Kelang Lama 58000 Kuala Lumpur	03-79811211 03-79811212	03-79816939
Jalan Kuchai Lama	44, 46, 48 & 50, Jalan 6/116B Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur	03-79804377 03-79804575 03-79804683 03-79807349	03-79843411
Jalan Pasar	44 & 46, Jalan Pasar 55100 Kuala Lumpur	03-21429160 03-21429110 03-21429144	03-21429916
Jalan Raja Chulan	Ground Floor, Wisma Lim Foo Yong 86, Jalan Raja Chulan 50200 Kuala Lumpur	03-21418255 03-21418366	03-21487721 03-21422893
Jalan Raja Laut	Lot G3 & 1A.2, Bangunan KWSP 5, Jalan Raja Laut 50350 Kuala Lumpur	03-26930722	03-26914624

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
FEDERAL TERRITORY			
Jalan Sultan Sulaiman	Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20702711	03-22732101 03-22722145
Jalan Sungei Besi	12, Jalan Sungei Besi 57100 Kuala Lumpur	03-92214771 03-92215655	03-92212968
Jalan Tun H.S. Lee	Lot G.01, Plaza First Nationwide 161, Jalan Tun H.S. Lee 50000 Kuala Lumpur	03-20702121 03-20702234	03-20702250
Jalan Tun Sambanthan	68, Jalan Tun Sambanthan 50470 Brickfields, Kuala Lumpur	03-22725930 03-22736494	03-22736513
Jinjang	3476 & 3477, Garden Street Jinjang Utara, 52000 Kuala Lumpur	03-62523355 03-62523356	03-62522422
Kampung Baru	Wisma Le Proton 134, Jalan Raja Abdullah Kampung Baru, 50300 Kuala Lumpur	03-26927269 03-26928749	03-26927188
Kepong	17, 19 & 21, Jalan Ambong Kiri Dua Kepong Baru, 52100 Kuala Lumpur	03-62570032 03-62574690	03-62516611 03-62519386
KL City Main Office	Ground Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-21767888 03-21638866	03-21639901
Medan Idaman	Medan Idaman Business Centre 4 & 6, Jalan 2/21D, Batu 5 Jalan Gombak, 53000 Kuala Lumpur	03-40234478 03-40234467	03-40234497
Mont' Kiara	1 & 3, Jalan Solaris 1 Solaris Mont' Kiara 50480 Kuala Lumpur	03-62036363	03-62037878 03-62036619 03-62036639
Overseas Union Garden	3 & 5, Medan Hujan Rahmat Taman Overseas Union 58200 Kuala Lumpur	03-77856409 03-77856410	03-77856412
Pandan Indah	1, 3 & 5, Jalan Pandan Indah 1/23 Pandan Indah, 55100 Kuala Lumpur	03-92747494 03-92742495	03-92746497
Pandan Jaya	44, Jalan Pandan 2/2, Pandan Jaya 55100 Kuala Lumpur	03-92812199 03-92863149	03-92812206
Salak South	31 & 33, Ground Floor, Jalan 3/108C Taman Sungai Besi, Salak South 57100 Kuala Lumpur	03-79805190 03-79802921 03-79805224	03-79805230
Segambut	75 & 77, Jalan Segambut Pusat 51200 Kuala Lumpur	03-62527052 03-62527054	03-62527057 03-62526620
Selayang	45, 47 & 49, Jalan 2/3A Pusat Bandar Utara Selayang Batu Caves, 68100 Kuala Lumpur	03-61368644 03-61368645 03-61368649 03-61385290	03-61368651 03-61374918 03-61383723

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
FEDERAL TERRITORY			
Sentul	36, 38 & 40, Jalan 14/48A Sentul Raya Off Jalan Sentul 51000 Kuala Lumpur	03-40421811 03-40421509	03-40421822
Seri Petaling	40-42, Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur	03-90585711 03-90585712	03-90570415 03-90582026
Setapak	263, 265, 267 & 269 Jalan Genting Kelang, Setapak 53300 Kuala Lumpur	03-40219341 03-40219343	03-40219351
Taman Cheras	1, 3 & 5, Jalan 4/96A Taman Cheras Makmur 56100 Kuala Lumpur	03-91307840 03-91314182 03-91314367	03-91304586
Taman Connaught	80 & 82, Jalan Cerdas Taman Connaught, Cheras 56000 Kuala Lumpur	03-91017152 03-91023649	03-91023645
Taman Desa	Lot 1A-3A, Business Centre Taman Desa, Off Jalan Kelang Lama 58100 Kuala Lumpur	03-79837811 03-79837812	03-79818069
Taman Maluri	275 & 277, Jalan Mahkota Taman Maluri, Cheras 55100 Kuala Lumpur	03-92859994 03-92857203	03-92856811
Taman Melawati	262-265, Jalan Bandar 12 Taman Melawati 53100 Kuala Lumpur	03-41052003 03-41052004	03-41052009
Taman Midah	2, Jalan Midah 3, Taman Midah 56000 Kuala Lumpur	03-91300533 03-91300234	03-91309226
Taman Tun Dr. Ismail	66, 68 & 70, Jalan Burhanuddin Helmi Taman Tun Dr. Ismail 60000 Kuala Lumpur	03-7729 4672 03-7729 9440	03-77298754 03-77223719
Tiong Nam	Wisma Public Bank 300, Jalan Raja Laut 50350 Kuala Lumpur	03-26939555 03-26939528 03-26939526 03-26939718	03-26914673
Wangsa Maju	24-26, Jalan 1A/27A, Section 1 Wangsa Maju, 53300 Kuala Lumpur	03-41428577 03-41428579	03-41429281
Labuan	Lucas Kong Building 5, Jalan Merdeka 87007 Wilayah Persekutuan, Labuan	087-414201 087-414278	087-412388

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
JOHOR			
Bandar Baru Permas Jaya	17 & 19, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai, Johor	07-3883252 07-3883253 07-3883254	07-3883259
Batu Pahat	116, 117 & 118, Jalan Chengal Taman Makmur, 83000 Batu Pahat, Johor	07-4344941 07-4344942	07-4319120
Bukit Pasir	31, Taman Bahagia, Jalan Panchor Bukit Pasir, 84300 Muar, Johor	06-9856878 06-9857261	06-9856811
Chaah	3 & 5, Jalan Yong Peng 85400 Chaah, Johor	07-9262001 07-9262002	07-9262008
Endau	811 & 812, Jalan Aman Taman Bahagia, 86900 Endau, Johor	07-7944051 07-7944155	07-7944086
Jalan Abdullah	74 & 76, Jalan Abdullah 84000 Muar, Johor	06-9518753 06-9518760	06-951 9550 06-953 3659
Johor Bahru	Level 1, 2 & 12, Public Bank Tower 19, Jalan Wong Ah Fook 80000 Johor Bahru, Johor	07-2241733	07-2223813 07-2241527 07-2221988
Kahang	12, Jalan Parang 1, Taman Sri Kahang 86700 Kahang, Johor	07-7882294 07-7882295	07-7882297
Kluang	3A, 3B & 3C Jalan Dato' Teoh Siew Khor 86000 Kluang, Johor	07-7735112 07-7735113 07-7727643 07-7712185	07-7735117 07-7727640 07-7724946
Kota Tinggi	8L & 8M, Jalan Tun Habab 81900 Kota Tinggi, Johor	07-8834835 07-8834687	07-8834852
Kulai	42-1, 42-2 & 42-3, Jalan Raya Kulai Besar, 81000 Kulai, Johor	07-6634166 07-6634167	07-6635761
Masai	1 & 3, Jalan Suria 3, Bandar Seri Alam 81750 Masai, Johor	07-2522498 07-2522500	07-2511795
Mersing	21 & 22, Jalan Sulaiman 86800 Mersing, Johor	07-7992695 07-7992697	07-7992530 07-7993912
Muar	47, 48, 49 & 50, Jalan Sayang 84000 Muar, Johor	06-9517505 06-9517520	06-9523033
Parit Raja	11 & 12, Jalan Kristal Taman Kristal 2 86400 Parit Raja, Batu Pahat, Johor	07-4542855 07-4542857 07-4542859	07-4542844
Pekan Nenas	SH9 & SH10, Main Road 81500 Pekan Nenas, Johor	07-6995352 07-6995594	07-6995351

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
JOHOR			
Pontian Kecil	761 & 762, Jalan Taib 82000 Pontian, Johor	07-6879601 07-6879602	07-6876144 07-6877844 07-6878424
Segamat	62H & 62I, Jalan Genuang 85000 Segamat, Johor	07-9313900 07-9313930	07-9310854
Simpang Renggam	29, Jalan Kijang, Taman Mohd Yassin 86200 Simpang Renggam, Johor	07-7550511 07-7550512	07-7550513
Skudai	2 & 4, Jalan Nakhoda 12 Taman Ungku Tun Aminah 81300 Skudai, Johor	07-5570007 07-5570008	07-5560303
Tangkak	125, Jalan Muar 84900 Tangkak, Johor	06-9782123 06-9782124	06-9783733
Taman Desa Cemerlang	2, 4 & 6, Jalan Johar 2 Taman Desa Cemerlang 81800 Ulu Tiram, Johor	07-8616450	07-8616884 07-8618934
Taman Johor Jaya	29, 31, 33 & 35, Jalan Rosmerah 2/10 Taman Johor Jaya 81100 Johor Bahru, Johor	07-3546755 07-3550095	07-3547113 07-3550512
Taman Munsyi Ibrahim	48 & 50, Jalan Dian 8 Taman Munsyi Ibrahim 81200 Johor Bahru, Johor	07-2346820 07-2346821	07-2346790
Taman Perling	31, 33 & 35, Jalan Persisiran Perling Taman Perling, 81200 Johor Bahru, Johor	07-2344919 07-2344608	07-2345850
Taman Sentosa	G1 & G2, Wisma Daiman 64, Jalan Sulam, Taman Sentosa 80150 Johor Bahru, Johor	07-3316521 07-3312266	07-3312666
Tampoi	14 & 16, Jalan Sri Bahagia 10 Taman Sri Bahagia, Off Jalan Tampoi 81200 Johor Bahru, Johor	07-2377184 07-2377519	07-2378042
Ulu Tiram	8 & 9, Jalan Raya, Taman Tiram Baru 81800 Ulu Tiram, Johor	07-8613291 07-8613292	07-8612666
KEDAH			
Alor Setar	1070 & 1071, Jalan Telok Wanjah 05200 Alor Setar, Kedah	04-7315411 04-7315412	04-7315778
Changlun	73, Jalan Sintok, Pekan Baru 06010 Changlun, Kedah	04-9241457 04-9241085	04-9241870
Gurun	39-41, Jalan Raya 08300 Gurun, Kedah	04-4686143 04-4686325	04-4687024
Jalan Kota	1557, Jalan Kota 05000 Alor Setar, Kedah	04-7310559 04-7311384	04-7317716

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
KEDAH			
Jitra	9 & 10, Kompleks Jitra 06000 Jitra, Kedah	04-9174926 04-9174927	04-9174931
Kuala Ketil	45 & 46, Jalan Putra Taman Tanjung Peteri 09300 Kuala Ketil, Kedah	04-4163318 04-4163278	04-4163103
Kulim	173 & 174, Jalan Tunku Putra 09000 Kulim, Kedah	04-4901090 04-4901096	04-4907502
Pokok Sena	A-01, Jalan Semarak 1 Taman Bandar Baru 06400 Pokok Sena, Kedah	04-7822000 04-7822008 04-7825872	04-7821019
Pulau Langkawi	23, 25 & 27, Jalan Pandak Mayah 4 Pusat Bandar Kuah 07000 Pulau Langkawi, Kedah	04-9667372 04-9667373	04-9667435
Sik	443 & 444, Jalan Tunku Ibrahim 08200 Sik, Kedah	04-4695691 04-4695764	04-4695664
Sungai Petani	83A-D, 84A-D & 85A-D Jalan Pengkalan, Susur Kiri Taman Pekan Baru 08000 Sungai Petani, Kedah	04-4217622 04-4217623 04-4217624 04-4217625	04-4211979 04-4213393
KELANTAN			
Gua Musang	42, Jalan Besar 18300 Gua Musang, Kelantan	09-9122600 09-9122602	09-9122603
Kota Bharu	PT 272, 282, 283, 284 & 285 Jalan Kebun Sultan 15300 Kota Bharu, Kelantan	09-7447143 09-7446944 09-7448562 09-7478550	09-7482110 09-7482810
Kuala Krai	91 & 92, Jalan Chin Hua 18000 Kuala Krai, Kelantan	09-9664027 09-9664028	09-9664042
Tanah Merah	443-444, Jalan Dato' Nik Mustapha 17500 Tanah Merah, Kelantan	09-9556139 09-9556244	09-9556944
MELAKA			
Air Keroh	26 & 27, Lorong Setia Satu Air Keroh Heights, 75450 Melaka	06-2327208 06-2327209	06-2327205
Batu Berendam	46 & 48, Jalan Mutiara Melaka 2 Mutiara Melaka, Batu Berendam 75350 Melaka	06-3176204 06-3176205	06-3176203
Masjid Tanah	Lot 367 & 368, Kompleks Perniagaan 78300 Masjid Tanah, Melaka	06-3847712 06-3847713	06-3847717

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
MELAKA			
Melaka	60-68, Jalan Laksamana, 75000 Melaka	06-2830233	06-2844552
Taman Malim Jaya	6 & 8, Jalan Suria 2, Taman Malim Jaya 75250 Melaka	06-3346397 06-3346404	06-3346412
Taman Melaka Raya	566, 567 & 568, Jalan Merdeka Taman Melaka Raya, 75000 Melaka	06-2817527 06-2817528	06-2818806
Tengkera	300, 300A, 300B & 300-1 Jalan Ong Kim Wee 75300 Melaka	06-2832052 06-2832054 06-2832072	06-2832159
NEGERI SEMBILAN			
Bahau	120 & 121, Jalan Gurney 72100 Bahau, Negeri Sembilan	06-4544102 06-4544103	06-4545270
Gemas	12, Jalan Mahkamah 73400 Gemas, Negeri Sembilan	07-9481770 07-9481780	07-9481110
Kuala Pilah	564, Jalan Perpatteh, 72000 Kuala Pilah, Negeri Sembilan	06-4812277 06-4812299	06-4815544
Kuala Kelawang	128A & 128B, Jalan Syed Ali 71600 Kuala Kelawang, Jelebu Negeri Sembilan	06-6136925 06-6136926	06-6137110
Nilai	168-170, Jalan Besar 71800 Nilai, Negeri Sembilan	06-7991066 06-7991067	06-7991337
Port Dickson	866 & 867, Jalan Pantai 71000 Port Dickson, Negeri Sembilan	06-6472942 06-6472943	06-6474831 06-6474708
Rasah	1281-1284, Jalan Rasah 70300 Seremban Negeri Sembilan	06-7620623 06-7625544 06-7628289	06-7637622 06-7616671
Seremban	44-46, Jalan Dato' Lee Fong Yee 70000 Seremban, Negeri Sembilan	06-7630661 06-7630662	06-7634500
Tampin	4707 & 4708, Jalan Besar 73000 Tampin, Negeri Sembilan	06-4412511 06-4412512 06-4415785	06-4414814
PAHANG			
Benta	21 & 22, Rumahkedai LKNP 27300 Benta, Pahang	09-3238622 09-3238621	09-323 8614
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

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
PAHANG			
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	09-2662351 09-2661917	09-2661875
Kemayan	30 & 32, Ground Floor, Jalan Besar 28380 Kemayan, Pahang	09-2409824 09-2409866	09-2409825
Kuala Lipis	5G & 5H, Jalan Pekelling 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
PERAK			
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 05-5482462 05-5468444	05-5480333 05-5473888
Chemor	12-16, Laluan Chemor Sinaran Desa Chemor Sinaran 31200 Chemor, Perak	05-2011124 05-2011125	05-2011573

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
PERAK			
Gunung Rapat	296 & 298, Jalan Raja Dr. Nazrin Shah Gunung Rapat 31350 Ipoh, Perak	05-3131646 05-3131649 05-3113144	05-3132023
Ipoh Garden	133, 133A-D, Jalan Dato' Lau Pak Khuan 31400 Ipoh, Perak	05-5480951 05-5480952	05-5480958
Ipoh Main Office	7-13, Jalan Dato' Maharajalela 30000 Ipoh, Perak	05-2530115 05-2531034	05-2535505
Jalan Pasir Putih	137 & 139, Jalan Pengkalan Barat Off Jalan Pasir Putih 31650 Ipoh, Perak	05-3222453 05-3219892	05-3225714
Jalan Sultan Idris Shah	76, Jalan Sultan Idris Shah 30000 Ipoh, Perak	05-2551068 05-2551069	05-2556555
Jalan Yang Kalsom	46-54, Jalan Yang Kalsom 30250 Ipoh, Perak	05-2531998 05-2531514	05-2535528 05-2558430
Jelapang	291, 293 & 295, Jalan Silibin 30100 Ipoh, Perak	05-5264014 05-5264015	05-5264485
Kampar	3 & 4, Jalan Balai 31900 Kampar, Perak	05-4651044 05-4652160	05-4651400
Kamunting	27-29, Regat Kamunting Off Jalan Kamunting 34600 Kamunting, Perak	05-8081110 05-8081112	05-8079363
Kuala Kangsar	12, Jalan Daeng Selili 33000 Kuala Kangsar, Perak	05-7769895 05-7769896	05-7769892
Menglembu	67-73, Jalan Besar 31450 Menglembu, Perak	05-2811014 05-2814978	05-2815015 05-2815580
Parit Buntar	135 & 137, Jalan Taiping 34200 Parit Buntar, Perak	05-7160078 05-7160079 05-7160080	05-7160077
Pantai Remis	66-70, Jalan Damar Laut 34900 Pantai Remis, Perak	05-6771251 05-6771252	05-6771495
Pusing	293, Jalan Besar 31550 Pusing, Perak	05-2884077 05-2884078 05-2883942	05-2883975
Seri Manjung	Lot 2274-2277 Taman Samudera 32040 Seri Manjung, Perak	05-6882927 05-6882987	05-6884952
Simpang Pulai	39 & 41, Persiaran Sengat Baru 2 Taman Bersatu, 31300 Simpang Pulai, Ipoh, Perak	05-3575360 05-3575361	05-3575358

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
PERAK			
Sitiawan	Lot 166-168, Jalan Raja Omar 32000 Sitiawan, Perak	05-6913526 05-6913527	05-6917198
Sungai Siput	161 & 162, Jalan Besar 31100 Sungai Siput, Perak	05-5986116 05-5984114	05-5986081
Taiping	178 & 180, Jalan Kota 34000 Taiping, Perak	05-8085070 05-8085071	05-8077362
Tanjong Malim	Lot 336-337, Jalan Chong Ah Peng 35900 Tanjong Malim, Perak	05-4597602 05-4597603	05-4597605
Tanjong Piandang	12 & 14, Jalan Piandang 1 Taman Piandang Indah 34250 Tanjong Piandang, Perak	05-7257941 05-7257942	05-7257943
Teluk Intan	Wisma Boltex, Jalan Pasar 36000 Teluk Intan, Perak	05-6223282 05-6212325	05-6215518
PERLIS			
Kangar	9, Jalan Raja Syed Alwi P.O. Box 43, 01000 Kangar, Perlis	04-9763311 04-9763432	04-9760503
PULAU PINANG			
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

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
PULAU PINANG			
Jalan Datuk Keramat	Ground & 1st Floor 456, Jalan Datuk Keramat 10460 Pulau Pinang	04-2264571 04-2281045 04-2282435 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 & 409-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 04-2286019	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 04-5888021 04-5886744	04-5888080
Sungai Nibong	33, 35 & 37 Jalan Pantai Jerjak 13 Sungai Nibong, 11900 Pulau Pinang	04-6586000	04-6576212
Taman Bandar Raya	15 & 16, Lorong Sepakat 1 Taman Bandar Raya 14000 Bukit Mertajam, Pulau Pinang	04-5300288 04-5306327	04-5377288

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
SABAH			
Beaufort	Lot 6 & 7, Lo Chung Park 89808 Beaufort, Sabah	087-214844 087-214869	087-214839
City Parade	Lot No. 1-0-M45-M51 1, Jalan Centre Point City Parade Centre Point Sabah 88000 Kota Kinabalu P. O. Box 13026 88833 Kota Kinabalu, Sabah	088-251812 088-251813 088-258812 088-259812	088-251816
Donggongon	Lot A-5 & A-6 Donggongon New Township Jalan Tapikong 89500 Penampang, Sabah	088-722780 088-723780	088-727780
Inanam	36 & 38, Block F, Lorong Inanam Inanam New Township Phase 2 88450 Kota Kinabalu, Sabah	088-429112 088-429113 088-429114	088-429987
Keningau	Lots 2 & 3, Juta Commercial Centre Block A3, Jalan Sodomon 89000 Keningau, Sabah	087-335841 087-335846	087-335842
Kota Belud	Lot B6 & B7, Kompleks Centenary Jalan Sabar, 89150 Kota Belud, Sabah	088-977784 088-977807	088-977798
Kota Kinabalu	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
Lahad Datu	MDLD 0088, Jalan Teratai 91100 Lahad Datu, Sabah	089-884020 089-884021	089-884087 089-882971
Lido	Lot 8, 9 & 10, Block P Taman Che Mei KM 5 Jalan Penampang, Lido 88300 Kota Kinabalu, Sabah	088-245687 088-217125	088-245496
Papar	Lot 8023, 162, Jalan Besar Pekan Papar 89600 Papar, Sabah	088-912522 088-912523	088-912211
Sandakan	Wisma Sandaraya, Third Avenue 90000 Sandakan, Sabah	089-214257 089-214258	089-272815
Tawau	TB 304A & 304B Block 34, Fajar Complex 91000 Tawau, Sabah	089-761311 089-761322 089-761333 089-761344	089-761355 089-771355 089-761270

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
SARAWAK			
Batu Niah	Lot 643, Batu Niah Town Extension 98200 Batu Niah, Sarawak	085-737111	085-737110
Bintangor	19, Teo Kui Ngo Road 96500 Bintangor, Sarawak	084-693622	084-693255
Bintulu	29-32, Jalan Sommerville 97000 Bintulu, Sarawak	086-331433	086-336028
China Street	28, China Street 98000 Miri, Sarawak	085-417227 085-417228	085-419855
Jalan Central	3, Jalan Central, 96000 Sibu, Sarawak	084-335677	084-320052
Jalan Penrissen	143A-145A, Kota Sentosa, Batu 7 Jalan Penrissen, 93250 Kuching, Sarawak	082-613377	082-615961
Jalan Tun Zaidi	Lots 2775 & 2776, Block 10 3rd Mile, Jalan Tun Ahmad Zaidi Adruce 93250 Kuching, Sarawak	082-245271	082-245542
Kapit	63-64, Jalan Wharf 96800 Kapit, Sarawak	084-797677 084-797652	084-797628
Wisma Saberkas	Lot G.01 & G.02A, Wisma Saberkas Jalan Tun Abang Haji Openg 93000 Kuching, Sarawak	082-419889 082-428800	082-424662
Kuching City	102-110, Jalan Song Thian Cheok 93100 Kuching, Sarawak	082-417922 082-417923 082-417924 082-417925	082-424248
Limbang	Lot 1082-1083, Jalan Buangsiol 98700 Limbang, Sarawak	085-212511 085-212443	085-212676
Marudi	59 & 60, Jalan Kapitan Lim Ching Kiat Marudi, 98050 Baram, Sarawak	085-755000 085-755009	085-755018
Miri	Moh Heng Building, 14, Jalan Bendahara 98000 Miri, Sarawak	085-412944 085-412955	085-417273
Mukah	41 & 42, Block 68, Mukah New Township 96400 Mukah, Sarawak	084-871900	084-871319
Padungan	7, 8 & 9, Jalan Chan Bee Kiew Off Jalan Padungan 93100 Kuching, Sarawak	082-489904 082-489905	082-330488
Sarikei	51-52, Jalan Masjid 96100 Sarikei, Sarawak	084-652490	084-653137
Sibu	2, 4, 6 & 8, Lorong 2 Jalan Tuanku Osman 96000 Sibu, Sarawak	084-320088 084-316511	084-314088 084-335739
Sri Aman	840 & 841, Jalan Sabu Simanggang Town, Land District 95000 Sri Aman, Sarawak	083-323031 083-323032	083-323034

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
SELANGOR			
Ampang	Wisma Saudagar 420, Batu 5, Jalan Ampang 68000 Ampang, Selangor	03-42562333 03-42562636	03-42578964
Bandar Bukit Tinggi	69 & 71, Jalan Batu Nilam 1 Bandar Bukit Tinggi 41200 Klang, Selangor	03-33236006 03-33231661 03-33236996	03-33237700 03-33237117
Bandar Puchong Jaya	9 & 10, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong, Selangor	03-58821888 03-58821889	03-58821299 03-58822340
Bandar Sunway	48 & 50, Jalan PJS 11/28A Bandar Sunway 46150 Petaling Jaya, Selangor	03-56364138 03-56362256	03-56363556
Banting	251, Jalan Besar 42700 Banting, Selangor	03-31878387 03-31878587	03-31872708
Batang Kali	4 & 5, Jalan CKC 1 Bandar Baru Batang Kali 44300 Batang Kali, Selangor	03-60572401 03-60572402 03-60572403	03-60572405 03-60572277
Bukit Beruntung	23 & 25, Jalan Melati 2B, Seksyen BB11 Bandar Bukit Beruntung 48300 Rawang, Selangor	03-60282170 03-60282168	03-60282173
Damansara Jaya	1, 3 & 5, Jalan SS 22/23 Damansara Jaya 47400 Petaling Jaya, Selangor	03-7729 8588	03-77288125
Damansara Utama	49, 51 & 53, Jalan SS 21/60 Damansara Utama 47400 Petaling Jaya, Selangor	03-77289376 03-77289406	03-77278064
Jalan SK 10/4	Bangunan MCA Seri Kembangan 1260, Jalan SK 10/4 43300 Seri Kembangan, Selangor	03-89488700 03-89483557	03-89485700 03-89481412
Jalan Tapah	64 & 66, Jalan Tapah Off Jalan Goh Hock Huat 41400 Kelang, Selangor	03-33435193 03-33419036 03-33419037 03-33414889	03-33411353 03-33417455
Kapar	65 & 67, Lintang Dato' Tahir 1 42200 Kapar, Selangor	03-32502799	03-32500915
Kajang	14, 15 & 16 Jalan Raja Haroun 43000 Kajang, Selangor	03-87335752 03-87335754 03-87344240	03-87365369 03-87367278
Kampung Baru Subang	34-36, Jalan Lebuhs Besar Kampung Baru Subang 40150 Shah Alam, Selangor	03-78468986 03-78468012	03-78463351 03-78458713

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
SELANGOR			
Kelana Jaya	F-07, F-08 & F-09 Jalan SS 6/5B, Dataran Glomac Pusat Bandar Kelana Jaya 47301 Petaling Jaya, Selangor	03-78034928 03-78031267 03-78034981	03-78032478
Klang	28-32, Persiaran Sultan Ibrahim 41300 Klang, Selangor	03-33423567 03-33424048	03-33423566
Kuala Selangor	1 & 3, Jalan Raja Lumu 45000 Kuala Selangor, Selangor	03-32894193 03-32894194 03-32894195	03-32894133
Pandamaran	306, Jalan Besar, Pandamaran 42000 Port Klang, Selangor	03-31672830 03-31672831	03-31675440
Petaling Jaya New Town	1, 3 & 5, Jalan 52/2 46200 Petaling Jaya, Selangor	03-79570211 03-79570007	03-79579601
Petaling Jaya Old Town	N19 & O19, Jalan Pasar Off Jalan Othman 46000 Petaling Jaya, Selangor	03-77836566 03-77835785	03-77836562
Port Klang	82, Lebuhr Beringin, Off Jalan Berangan 42000 Port Klang, Selangor	03-31674550 03-31674668	03-31685510
Rawang	20, Jalan Bersatu 10, Taman Bersatu 48000 Rawang, Selangor	03-60924936 03-60924937	03-60924935
Sabak Bernam	2180 & 2181, Jalan Menteri 45200, Sabak Bernam, Selangor	03-32162500 03-32162805	03-32162809
SEA Park	8 & 10, Jalan 21/12, Sea Park 46300 Petaling Jaya, Selangor	03-78738931 03-78738932	03-78744798 03-78772086
Section 14	12, 14 & 16, Jalan 14/14 46100 Petaling Jaya, Selangor	03-79582585 03-79582586	03-79582593
Sekinchan	102, Jalan Sabak Bernam 45400 Sekinchan, Selangor	03-32411263 03-32411264	03-32411644
Semenyih	22B & 23, Jalan Besar 43500 Semenyih, Selangor	03-87238811 03-87238812	03-87237455
Seri Gombak	19, 21 & 23, Jalan SG 1/6 Taman Seri Gombak 68100 Batu Caves, Selangor	03-61886712 03-61889611	03-61886236 03-61852979
Seri Kembangan	Lot 255, Jalan Kolej 43300 Seri Kembangan, Selangor	03-89421096 03-89422671	03-89422537
Seri Setia	B01 & G01, Plaza Seri Setia 1, Jalan SS9A/2, 47300 Petaling Jaya, Selangor	03-78741944 03-78741966	03-78769411

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
SELANGOR			
Shah Alam	Lot 31-35 Jalan Utas B, Seksyen 15/B 40000 Shah Alam, Selangor	03-55100567 03-55101313	03-55101288
SS 2	61-1, 61-2 & 61-3 Jalan SS 2/75 47300 Petaling Jaya, Selangor	03-78740436 03-78741933 03-78741977 03-78742989	03-78741491
Subang Jaya	B1- B4, Jalan SS 15/4D, Subang Jaya 47500 Petaling Jaya, Selangor	03-56332420 03-56332421	03-56347713
Sungai Buloh	Lot 403 & 404, Jalan 1A/1 Bandar Baru Sungai Buloh 47000 Sungai Buloh, Selangor	03-61562083 03-61562056 03-61561983 03-61571324	03-61562138
Sungai Chua	1 & 3, Jalan M/J 2, Taman Majlis Jaya Jalan Sungai Chua 43000 Kajang, Selangor	03-87370228	03-87345570
Sungai Jarom	S11-12, Jalan Rajawali 42600 Sungai Jarom, Selangor	03-31912031 03-31912032	03-31912080
Sungai Pelek	24-C, Jalan Besar 43950 Sungai Pelek, Selangor	03-31411236 03-31411237	03-31411233
Taman Chi Liung	22, 24, 26 & 28, Lintang Menalu Taman Chi Liung 41200 Klang, Selangor	03-33718899 03-33718482	03-33720319
Taman Indah	23, Jalan Kasturi 1, Plaza Kasturi Off Jalan Balakong, Batu 11 43200 Cheras, Selangor	03-90755202 03-90755211	03-90755769
Taman Mayang	21 & 23, Jalan SS 25/23, Taman Plaza 47301 Petaling Jaya, Selangor	03-78039247 03-78030124	03-78039447 03-78030151
Taman Muda	36, Jalan Bunga Tanjung 8A Taman Muda 68000 Ampang, Selangor	03-42979335 03-42969506	03-42961810
Taman Sentosa, Klang	2, Jalan Dato' Yusof Shahbudin 30 Taman Sentosa 41200 Klang, Selangor	03-51613369	03-51613524
Taman Sri Muda	2, Jalan Sepadu B25/B Taman Perindustrian Axis, Section 25 40400 Shah Alam, Selangor	03-51216394 03-51216395	03-51216372
Taman Taming Jaya	1 & 1-1, Medan Taming Satu Taman Taming Jaya, 43300 Balakong, Selangor	03-89614980 03-89614984	03-89614985
USJ	3, 5 & 7, Jalan USJ 10/1F 47620 UEP Subang Jaya, Selangor	03-56310776 03-56350617	03-56329196

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
TERENGGANU			
Chukai	KCP 1, Kemaman Centre Point 24000 Kemaman, Terengganu	09-8595962 09-8594069	09-8594943
Kuala Dungun	K-156 & K-157, Jalan Paka, Batu 48 23000 Kuala Dungun, Terengganu	09-8482511	09-8484549
Kuala Terengganu	1, 1A & 1B, Jalan Batas Baru 20300 Kuala Terengganu, Terengganu	09-6226998	09-6233409
OVERSEAS BRANCHES/OFFICES			
Hong Kong Branch	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
Colombo Branch	340, R A de Mel Mawatha Colombo 03, Sri Lanka Telex: 23507 PBBTRY CE E-mail: pbbslk@publicbank.slt.lk SWIFT: PBBELKLX	9411-2576289 9411-2576290 9411-2576291 9411-2576292	9411-2573958
Vientiane Branch	100/1-4 Talat Sao Road P.O. Box 6614, Vientiane, Lao P.D.R. Cable: 'PBBVTE' Telex: 4310 PBBVTE LS E-mail: pbbvte@laotel.com SWIFT: PBBELALA	856-21-216614 856-21-223394 856-21-223395 856-21-213886 856-21-217087	856-21-222743
SUBSIDIARIES			
Public Investment Bank Berhad	Head Office: 25th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur E-mail: pivb@publicinvestbank.com.my Website: www.publicinvestbank.com Branch Office: 27th Floor, Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-21669382	03-21669362
Public Mutual Berhad	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

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
SUBSIDIARIES			
Public Invest Nominees (Asing) Sdn. Bhd.	27th Floor, Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20313011	03-20312533
Public Invest Nominees (Tempatan) Sdn. Bhd.	27th Floor, Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20313011	03-20312533
Public Nominees (Asing) Sdn. Bhd.	6th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur	03-21626077	03-21626078
Public Nominees (Tempatan) Sdn. Bhd.	6th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur	03-21626077	03-21626078
PB International Factors Sdn. Bhd.	7th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur (2 branches – Johor Bahru, Pulau Pinang)	03-21622955	03-21622962
PB Trust (L) Ltd.	Level 8(B), Main Office Tower Financial Park Labuan Jalan Merdeka 87000 Federal Territory, Labuan E-mail: pbtrust@streamyx.com	6087-412336 6087-411898	6087-451193
Public Holdings Sdn. Bhd.	8th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur	03-21766000 03-21766666	03-21639903
PB Properties Sdn. Bhd.	8th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur	03-21766000 03-21766666	03-21639903
Public Bank (L) Ltd.	Level 8(A), Main Office Tower Financial Park Labuan Jalan Merdeka 87000 Federal Territory, Labuan Telex: MA 87012 SWIFT: PBLLMYKA	6087-411898	6087-413220
Public Financial Holdings Limited	Room 1105-07, Wing On House 71, Des Voeux Road Central, Hong Kong Website: www.publicfinancial.com.hk	852-2525-9351	852-2845-0681
Public Finance Ltd.	Room 1105-07, Wing On House 71, Des Voeux Road Central, Hong Kong E-mail: info@publicfinance.com.hk Website: www.publicfinance.com.hk	852-2391-9351	852-2845-0681
Winton (B.V.I.) Ltd.	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

BRANCH	ADDRESS	TELEPHONE	FACSIMILE
SUBSIDIARIES			
Public Financial Limited	Room 1105-07, Wing On House 71, Des Voeux Road Central, Hong Kong	852-2525-9351	852-2845-0681
Public Securities (Nominees) Limited	Room 1108, Wing On House 71, Des Voeux Road Central, Hong Kong	852-2877-8622	852-2845-5240
Public Securities Limited	Room 1108, Wing On House 71, Des Voeux Road Central, Hong Kong	852-2877-8622	852-2845-5240
Public Bank (Hong Kong) Limited	120, Des Voeux Road Central, Hong Kong E-mail: contact@publicbank.com.hk Website: www.publicbank.com.hk Telex: 73085 HKACB HX SWIFT: CBHKHKHH (22 branches in Hong Kong, 2 branches in Shenzhen, China and 1 representative office in each of Shanghai, Shengyang, China and Taipei, Taiwan)	852-2541 9222	852-254-10009
Cambodian Public Bank Ltd.	2nd & 3rd Floor No. 23, Street 114 Corner Street 67, Sangkat Phsar Thmey II Khan Daun Penh, Phnom Penh Royal Kingdom of Cambodia Telex: (51) 940 79463 CPBBG SWIFT: CPBLKHPP E-mail: campuhoe@campubank.com.kh (9 branches in Cambodia)	023-222-880 023-222-881 023-222-882	023-222-887
ASSOCIATED COMPANIES			
PB Trustee Services Berhad	17th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur	03-21761169 03-21766650 03-21767674 03-21766651	03-21643285
VID Public Bank	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
CPB Properties Company Ltd.	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



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PUBLIC BANK

(6463-H)

Form Of Proxy

Number of shares held	CDS Account No.												

"A" I/We _____ NRIC/Co. No. _____
(FULL NAME IN BLOCK LETTERS)

of _____ Tel No. _____
(FULL ADDRESS)

being a Member of PUBLIC BANK BERHAD, hereby appoint _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

_____ NRIC No. _____

of _____
(FULL ADDRESS)

or failing him, _____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

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-Second Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 26 February 2008 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 _____ Tel No. _____
(FULL ADDRESS)

being a Member of PUBLIC BANK BERHAD, hereby appoint _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

_____ NRIC No. _____

of _____
(FULL ADDRESS)

or failing him, _____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

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-Second Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 26 February 2008 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"	%
	100%

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.	RESOLUTIONS	FIRST PROXY "A"		SECOND PROXY "B"	
		FOR	AGAINST	FOR	AGAINST
	ORDINARY RESOLUTIONS				
1.	Receive the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors thereon				
2.	Declaration of final and special dividends				
3.	Re-election of Dato' Lee Kong Lam as Director				
4.	Re-election of Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah 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				
	SPECIAL RESOLUTION				
	Proposed Amendments to the Articles of Association of PBB				

Signed this _____ day of _____ 2008

* Delete if inapplicable.

Signature of Member/Common Seal

NOTES:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 19 February 2008 ("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

Please fold here to seal

STAMP

Company Secretary
PUBLIC BANK BERHAD
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia

Please fold here to seal

Past Award-Winning Annual Reports

2006 - NACRA Award

- Most Outstanding Annual Report - Platinum Award
- Industry Excellence Award - Finance Sector
- Best Annual Report in Bahasa Malaysia - Platinum Award
- Best Design Annual Report - Platinum Award

2005 - NACRA Award

- Most Outstanding Annual Report - Gold Award
- Industry Excellence Award - Finance Sector
- Best Annual Report in Bahasa Malaysia - Platinum Award

Citra Wangsa Malaysia

- Main Award

2004 - NACRA Award

- Most Outstanding Annual Report
- Industry Excellence Award - Finance Sector
- Best Annual Report in Bahasa Malaysia

Citra Wangsa Malaysia

- 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 Wangsa Malaysia

- Merit Award

2001 - NACRA Award

- Most Outstanding Annual Report
- Industry Excellence Award - Finance Sector

Citra Wangsa Malaysia

- Special Jury Award

2000 - NACRA Award

- Industry Excellence Award - Finance Sector

Citra Wangsa Malaysia

- Special Jury Award

1999 - NACRA Award

- Industry Excellence Award - Finance Sector

Citra Wangsa Malaysia

- 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

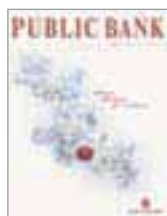
- Best Corporate Information

1985 - MACRA Commendation Award

- Graphic Presentation
- Corporate Information

1983 - MACRA Award

- Silver Award



2006



2005



2004



2003



2002



2001



2000



1999



1998



1997



1996



1995



1994



1993



1992



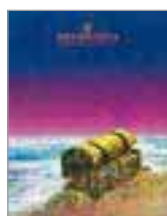
1991



1990



1989



1988



1987



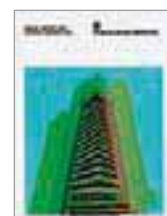
1986



1985



1984



1983

PUBLIC BANK BERHAD (6463-H)

Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur

Tel : 603-2163 8888 / 603-2163 8899 • Fax : 603-2163 9917 • Website : www.publicbank.com.my