

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 SEPTEMBER 2006

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
ASSETS				
Cash and short-term funds	23,758,110	18,357,737	22,008,325	17,170,338
Deposits and placements with banks and other financial institutions	3,357,442	8,712,850	3,260,926	8,736,868
Securities purchased under resale agreements	11,388,103	4,869,388	9,648,062	4,022,128
Securities held-for-trading	7,667,183	1,554,685	7,651,325	1,666,465
Securities available-for-sale	4,072,579	4,072,682	3,560,347	3,563,556
Securities held-to-maturity	3,719,626	2,235,067	1,305,736	1,736,713
Loans, advances and financing	80,101,645	66,812,784	73,329,027	64,579,905
Other assets	1,009,251	747,028	887,916	939,236
Statutory deposits with Central Banks	2,171,829	2,099,349	2,115,000	2,050,000
Deferred tax assets	379,312	347,704	325,592	289,008
Investment in subsidiary companies	-	-	2,391,564	1,316,156
Investment in associated companies	46,433	47,378	28,465	28,465
Investment properties	56,132	47,351	-	-
Property and equipment	1,139,319	937,098	544,246	570,671
Intangible assets	2,064,827	765,157	695,393	695,393
TOTAL ASSETS	140,931,791	111,606,258	127,751,924	107,364,902
LIABILITIES				
Deposits from customers	107,493,496	84,129,641	98,087,941	82,205,182
Deposits and placements of banks and other financial institutions	8,113,273	7,680,690	6,996,471	6,783,600
Obligations on securities sold under repurchase agreements	6,672,792	4,041,949	6,288,966	3,696,984
Bills and acceptances payable	2,711,224	2,129,715	2,711,224	2,127,659
Recourse obligations on loans sold to Cagamas	271,943	285,005	271,943	285,005
Other liabilities	2,068,428	1,410,919	1,508,015	1,158,858
Borrowings	710,104	-	-	-
Subordinated notes	2,676,525	2,757,622	2,676,525	2,757,622
Hybrid capital	745,786	-	745,786	-
Provision for tax expense and zakat	349,326	250,388	237,560	212,037
Deferred tax liabilities	21,501	3,080	-	-
TOTAL LIABILITIES	131,834,398	102,689,009	119,524,431	99,226,947

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2005.

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	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
EQUITY				
Share capital	3,450,806	3,417,373	3,450,806	3,417,373
Reserves	5,766,641	5,018,851	5,561,488	4,675,298
Proposed dividends	-	829,884	-	829,884
Treasury shares	(784,801)	(784,600)	(784,801)	(784,600)
Total Shareholders' Equity	8,432,646	8,481,508	8,227,493	8,137,955
Minority interests	664,747	435,741	-	-
TOTAL EQUITY	9,097,393	8,917,249	8,227,493	8,137,955
TOTAL LIABILITIES AND EQUITY	140,931,791	111,606,258	127,751,924	107,364,902
COMMITMENTS AND CONTINGENCIES	36,744,262	28,951,601	30,743,238	28,754,773
CAPITAL ADEQUACY				
Core Capital Ratio	8.3%	10.2% *	10.2%	9.8% *
Risk-Weighted Capital Ratio	13.2%	15.9% *	12.3%	13.6% *
Net assets per share attributable to ordinary equity holders of the parent (RM)	2.53	2.58	2.47	2.47

* After deducting proposed dividend.

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UNAUDITED INCOME STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Revenue	2,137,489	1,527,047	5,655,574	4,360,348
Interest income	1,681,051	1,181,567	4,496,428	3,394,696
Interest expense	(927,325)	(543,852)	(2,344,441)	(1,545,280)
Net interest income	753,726	637,715	2,151,987	1,849,416
Net income from Islamic Banking business				
Net financing income	108,696	98,792	321,864	291,411
Other Islamic banking income	2,203	2,003	6,323	5,421
	864,625	738,510	2,480,174	2,146,248
Other operating income	274,637	237,190	793,424	671,149
Net income	1,139,262	975,700	3,273,598	2,817,397
Other operating expenses	(404,435)	(357,983)	(1,169,588)	(1,037,388)
Operating profit	734,827	617,717	2,104,010	1,780,009
Allowance for losses on loans, advances and financing	(135,351)	(119,057)	(354,249)	(288,800)
Impairment (loss) / written back	30	(21)	(60)	5,883
	599,506	498,639	1,749,701	1,497,092
Share of results in associated companies	1,929	1,719	5,038	4,197
Profit before tax expense and zakat	601,435	500,358	1,754,739	1,501,289
Tax expense and zakat	(155,369)	(132,709)	(430,829)	(382,804)
Profit for the period	446,066	367,649	1,323,910	1,118,485
Attributable to :				
Equity holders of the parent	432,410	347,864	1,271,698	1,059,147
Minority interests	13,656	19,785	52,212	59,338
Profit for the period	446,066	367,649	1,323,910	1,118,485
Earnings per RM1.00 share:				
- basic (sen)	13.0	10.6	38.4	32.3
- diluted (sen)	13.0	10.5	38.1	32.0

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
<u>Bank</u>				
Revenue	1,737,241	1,307,426	4,548,545	3,721,479
Interest income	1,435,003	1,058,698	3,907,246	3,032,733
Interest expense	(816,384)	(529,323)	(2,141,434)	(1,511,732)
Net interest income	618,619	529,375	1,765,812	1,521,001
Net income from Islamic Banking business				
Net financing income	108,696	98,792	321,864	291,411
Other Islamic banking income	2,203	2,003	6,323	5,421
	729,518	630,170	2,093,999	1,817,833
Other operating income	436,050	124,895	664,787	458,670
Net income	1,165,568	755,065	2,758,786	2,276,503
Other operating expenses	(293,375)	(279,635)	(850,999)	(807,042)
Operating profit	872,193	475,430	1,907,787	1,469,461
Allowance for losses on loans, advances and financing	(106,355)	(96,618)	(256,702)	(235,763)
Impairment (loss) / written back	30	(21)	(60)	5,883
Profit before tax expense and zakat	765,868	378,791	1,651,025	1,239,581
Tax expense and zakat	(214,085)	(112,167)	(424,989)	(338,457)
Net profit for the period	551,783	266,624	1,226,036	901,124

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

<----- Attributable to Equity Holders of the Parent ----->

<u>Group</u>	Non-distributable Reserves			Distributable Reserves		Proposed Dividends RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000						
At 1 January 2006, as previously stated	3,417,373	1,574,180	2,943,825	500,846	829,884	(784,600)	8,481,508	435,741	8,917,249	
Effects of adopting FRS 140	-	-	-	(621)	-	-	(621)	-	(621)	
At 1 January 2006, as restated	3,417,373	1,574,180	2,943,825	500,225	829,884	(784,600)	8,480,887	435,741	8,916,628	
Currency translation differences	-	-	(36,580)	-	-	-	(36,580)	(11,756)	(48,336)	
Unrealised net gain on revaluation of securities available-for-sale	-	-	11,089	-	-	-	11,089	3,005	14,094	
Dilution in share of net assets of a subsidiary upon subscription of the subsidiary's share rights issue	-	-	(28,356)	(136,111)	-	-	(164,467)	164,467	-	
Acquisition of shares in a subsidiary	-	-	-	-	-	-	-	(32,505)	(32,505)	
Disposal of shares in a subsidiary	-	-	(3,454)	-	-	-	(3,454)	60,720	57,266	
Net income/(expense) recognised directly in equity	-	-	(57,301)	(136,111)	-	-	(193,412)	183,931	(9,481)	
Net profit for the period	-	-	-	1,271,698	-	-	1,271,698	52,212	1,323,910	
Total recognised income/(expense) for the period	-	-	(57,301)	1,135,587	-	-	1,078,286	236,143	1,314,429	
Issue of shares pursuant to exercise of share options	33,433	150,665	-	-	-	-	184,098	-	184,098	
Buy-back of shares	-	-	-	-	-	(201)	(201)	-	(201)	
Transfer to statutory reserves	-	-	168,564	(168,564)	-	-	-	-	-	
Transfer to proposed dividends	-	-	-	(4,022)	4,022	-	-	-	-	
Dividends paid / declared	-	-	-	-	(1,310,424)	-	(1,310,424)	(7,137)	(1,317,561)	
Dividends proposed	-	-	-	(476,518)	476,518	-	-	-	-	
At 30 September 2006	3,450,806	1,724,845	3,055,088	986,708	-	(784,801)	8,432,646	664,747	9,097,393	

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

-----<----- Attributable to Equity Holders of the Parent ----->

<u>Group</u>	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		<u>Treasury Shares</u> RM'000	<u>Total Shareholders' Equity</u> RM'000	<u>Minority Interests</u> RM'000	<u>Total Equity</u> RM'000
	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Other Reserves</u> RM'000	<u>Retained Profits</u> RM'000	<u>Proposed Dividends</u> RM'000				
At 1 January 2005	3,355,767	1,347,084	2,676,794	684,490	1,172,012	(601,441)	8,634,706	368,111	9,002,817
Currency translation differences	-	-	(3,265)	-	-	-	(3,265)	(2,104)	(5,369)
Unrealised net loss on revaluation of securities available-for-sale	-	-	(24,199)	-	-	-	(24,199)	-	(24,199)
Net expense recognised directly in equity	-	-	(27,464)	-	-	-	(27,464)	(2,104)	(29,568)
Net profit for the period	-	-	-	1,059,147	-	-	1,059,147	59,338	1,118,485
Total recognised income/(expense) for the period	-	-	(27,464)	1,059,147	-	-	1,031,683	57,234	1,088,917
Issue of shares pursuant to exercise of share options	54,589	203,431	-	-	-	-	258,020	-	258,020
Buy-back of shares	-	-	-	-	-	(183,159)	(183,159)	-	(183,159)
Transfer to statutory reserves	-	-	158,392	(158,392)	-	-	-	-	-
Transfer to proposed dividends	-	-	-	(479,609)	479,609	-	-	-	-
Minority interests' subscription of shares of a subsidiary	-	-	-	-	-	-	-	48,332	48,332
Dividends paid	-	-	-	-	(1,651,621)	-	(1,651,621)	(42,478)	(1,694,099)
At 30 September 2005	<u>3,410,356</u>	<u>1,550,515</u>	<u>2,807,722</u>	<u>1,105,636</u>	<u>-</u>	<u>(784,600)</u>	<u>8,089,629</u>	<u>431,199</u>	<u>8,520,828</u>

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

	----- Attributable to Equity Holders of the Parent ----->							
	Non-distributable			Distributable		Proposed Dividends	Treasury Shares	Total
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Reserves	Retained Profits RM'000			
Bank								
At 1 January 2006	3,417,373	1,574,180	2,715,473	385,645	829,884	(784,600)	8,137,955	
Unrealised net loss on revaluation of securities available-for-sale	-	-	(9,971)	-	-	-	(9,971)	
Net income/(expense) recognised directly in equity	-	-	(9,971)	-	-	-	(9,971)	
Net profit for the period	-	-	-	1,226,036	-	-	1,226,036	
Total recognised income/(expense) for the period	-	-	(9,971)	1,226,036	-	-	1,216,065	
Issue of shares pursuant to exercise of share options	33,433	150,665	-	-	-	-	184,098	
Buy-back of shares	-	-	-	-	-	(201)	(201)	
Transfer to statutory reserves	-	-	168,564	(168,564)	-	-	-	
Transfer to proposed dividends	-	-	-	(4,022)	4,022	-	-	
Dividends paid / declared	-	-	-	-	(1,310,424)	-	(1,310,424)	
Dividends proposed	-	-	-	(476,518)	476,518	-	-	
At 30 September 2006	3,450,806	1,724,845	2,874,066	962,577	-	(784,801)	8,227,493	

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FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

Bank	----- Attributable to Equity Holders of the Parent ----->							
	Share Capital RM'000	Non-distributable Reserves		Distributable Reserves		Proposed Dividends RM'000	Treasury Shares RM'000	Total RM'000
		Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Retained Profits RM'000			
At 1 January 2005	3,355,767	1,347,084	2,406,900	734,469	1,172,012	(601,441)	8,414,791	
Unrealised net loss on revaluation of securities available-for-sale	-	-	(13,764)	-	-	-	(13,764)	
Net expense recognised directly in equity	-	-	(13,764)	-	-	-	(13,764)	
Net profit for the period	-	-	-	901,124	-	-	901,124	
Total recognised income/(expense) for the period	-	-	(13,764)	901,124	-	-	887,360	
Issue of shares pursuant to exercise of share options	54,589	203,431	-	-	-	-	258,020	
Buy-back of shares	-	-	-	-	-	(183,159)	(183,159)	
Transfer to statutory reserves	-	-	158,625	(158,625)	-	-	-	
Transfer to proposed dividends	-	-	-	(479,609)	479,609	-	-	
Dividends paid	-	-	-	-	(1,651,621)	-	(1,651,621)	
At 30 September 2005	<u>3,410,356</u>	<u>1,550,515</u>	<u>2,551,761</u>	<u>997,359</u>	<u>-</u>	<u>(784,600)</u>	<u>7,725,391</u>	

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CASH FLOW STATEMENTS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2006

	Group		Bank	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Profit before tax expense and zakat	1,754,739	1,501,289	1,651,025	1,239,581
Adjustments for non-cash items	<u>434,304</u>	395,999	<u>46,173</u>	212,878
Operating profit before changes in working capital	2,189,043	1,897,288	1,697,198	1,452,459
Changes in working capital				
Net changes in operating assets	(16,868,958)	(12,986,056)	(15,214,022)	(12,367,088)
Net changes in operating liabilities	21,013,056	11,484,363	19,076,414	10,784,273
Tax expense and zakat paid	<u>(389,725)</u>	(376,341)	<u>(354,406)</u>	(309,950)
Net cash generated from/(used in) operating activities	5,943,416	19,254	5,205,184	(440,306)
Net cash used in investing activities	(669,056)	(1,655,024)	(450,650)	(2,583,801)
Net cash generated from financing activities	137,172	1,561,659	83,453	1,560,439
Net change in cash and cash equivalents	<u>5,411,532</u>	(74,111)	<u>4,837,987</u>	(1,463,668)
Cash and cash equivalents at beginning of the period	18,357,737	19,670,005	17,170,338	19,893,236
Exchange differences on translation of opening balances	<u>(11,159)</u>	(2,183)	-	-
Cash and cash equivalents at end of the period	<u>23,758,110</u>	19,593,711	<u>22,008,325</u>	18,429,568

Note :-

During the financial period ended 30 September 2006, the Group acquired Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)"). The fair value of assets acquired and liabilities assumed were as follows :-

	RM'000
Assets	7,744,806
Liabilities	<u>(6,861,194)</u>
Net assets acquired	883,612
Goodwill / Intangible assets	<u>1,266,102</u>
Total purchase price	2,149,714
Less : Cash and cash equivalents at PB(HK)	<u>(1,395,362)</u>
Cash flow on acquisition net of cash acquired	<u><u>754,352</u></u>

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Part A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia

A1. Basis of Preparation

The unaudited condensed interim financial statements for the 3rd quarter and nine months ended 30 September 2006 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: held-for-trading financial assets, available-for-sale financial assets, derivative financial instruments and investment properties.

The unaudited condensed interim financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the year ended 31 December 2005. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2005.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2005 except for the adoption of the following new and revised Financial Reporting Standards ("FRS") issued by MASB that are effective for the Group's first FRS annual reporting date, 31 December 2006:

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

The adoption of FRS 5, 108, 110, 116, 121, 127, 128, 132 and 133 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs are disclosed in Note A30.

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing which are computed based on the requirement of BNM/GP3.

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.

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A1. Basis of Preparation (Contd.)

With effect from the quarter ended 30 September 2006, the Group adopted a more stringent basis for specific allowances on non-performing loans by making a 20% specific allowance on non-performing loans which are 3 to less than 6 months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears of 6 months and above. The financial impact of this change in estimates was an additional specific allowance charge of RM12,172,000 in the financial quarter and period ended 30 September 2006. The Directors are of the view that such treatment will reflect a more prudent management of the loans, advances and financing.

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 force 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 will be assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.

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

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2005 was not qualified.

A3. Comments about Seasonal or Cyclical Factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 3rd quarter and the nine months ended 30 September 2006.

A4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the 3rd quarter and the nine months ended 30 September 2006.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 3rd quarter and the nine months ended 30 September 2006.

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A6. Debt and Equity Securities

Save as disclosed below, there were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Bank ("PBB"):

(a) Issuance of Shares

During the nine months ended 30 September 2006, the issued and paid-up share capital of the Bank was increased from 3,417,373,089 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,450,806,363 PBB Shares by the issuance of 33,433,274 PBB Shares pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme at the following option prices:

<u>Number of PBB Shares issued:</u>	<u>Option price per share:</u>
24,188	RM 1.64
158,875	RM 3.40
1,534,189	RM 3.56
2,111,400	RM 4.60
444,400	RM 4.92
27,959,832	RM 5.67
1,200,390	RM 6.37

(b) Share Buy-back

On 20 March 2006, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the nine months ended 30 September 2006, the Bank bought back from the open market, 30,000 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM6.70 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the nine months ended 30 September 2006, including transaction costs, was RM201,232 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 30 September 2006, the total shares bought back, all of which are held as treasury shares, amounted to 124,214,500 PBB Shares. None of the treasury shares held were resold or cancelled during the nine months ended 30 September 2006.

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A6. Debt and Equity Securities (Contd.)

(c) Hybrid Capital

On 22 August 2006, the Bank issued USD200 million in aggregate principal amount of Hybrid Capital securities ("the Securities") due on 2036 and callable with step-up in 2016. The 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 Securities, with any subsequent deferral in excess of this limit subject to the prior approval of Bank Negara Malaysia ("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 Securities. The Securities were issued at a price of 100.0 per cent of the principal amount of the Securities. The 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 Securities will no longer qualify as Tier 1 capital for the purposes of BNM's capital adequacy requirements or on 22 August 2016 at their principal amount plus accrued interest (if applicable). The Securities constitute unsecured obligations 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 of the Bank that rank senior to the Securities in accordance with the terms and conditions of the Securities. The Securities qualify as Innovative Tier 1 Capital Securities for the purpose of determining the capital adequacy ratios of the Group and the Bank.

A7. Dividends Paid

During the nine months ended 30 September 2006, the final dividend of 20%, less 28% tax and the special dividend of 15%, less 28% tax in respect of the financial year ended 31 December 2005, amounting to RM833,906,006 was paid on 31 March 2006.

An interim dividend of 20%, less 28% tax in respect of the year ending 31 December 2006, amounting to RM479,029,178 was paid on 16 October 2006.

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A8. Securities Held-for-trading

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
At fair value				
Malaysian Government Treasury Bills	36,146	9,694	34,492	9,694
Malaysian Government Securities	56,463	10,490	56,463	-
Malaysian Government Investment Certificates	5,084	15,031	5,084	15,031
Negotiable instruments of deposit	6,956,289	1,315,477	6,956,289	1,465,477
Bank Negara Malaysia Negotiable Notes	482,714	-	482,714	-
Bank Negara Malaysia Bills	-	24,802	-	-
Others	4,554	-	-	-
	<u>7,541,250</u>	<u>1,375,494</u>	<u>7,535,042</u>	<u>1,490,202</u>
Quoted securities:				
Shares in Malaysia	4,685	10,886	4,685	7,958
	<u>4,685</u>	<u>10,886</u>	<u>4,685</u>	<u>7,958</u>
Unquoted securities:				
Private debt securities	121,248	168,305	111,598	168,305
	<u>121,248</u>	<u>168,305</u>	<u>111,598</u>	<u>168,305</u>
Total securities held-for-trading	<u><u>7,667,183</u></u>	<u><u>1,554,685</u></u>	<u><u>7,651,325</u></u>	<u><u>1,666,465</u></u>

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A9. Securities Available-for-sale

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
At fair value				
Quoted securities:				
Shares and convertible loan stocks in Malaysia	27,241	17,764	27,241	17,764
Shares outside Malaysia	33,470	22,613	-	-
Bonds trust units in Malaysia	1,163,625	1,141,103	1,065,818	1,045,140
	<u>1,224,336</u>	<u>1,181,480</u>	<u>1,093,059</u>	<u>1,062,904</u>
Unquoted securities:				
Shares	17,167	13,947	13,376	13,377
Private debt securities	2,831,076	2,877,255	2,453,912	2,487,275
	<u>2,848,243</u>	<u>2,891,202</u>	<u>2,467,288</u>	<u>2,500,652</u>
Total securities available-for-sale	<u>4,072,579</u>	<u>4,072,682</u>	<u>3,560,347</u>	<u>3,563,556</u>

A10. Securities Held-to-maturity

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Treasury Bills	39,697	109,559	39,697	109,559
Malaysian Government Securities	526,969	577,310	526,969	577,310
Malaysian Government Investment Certificates	30,221	4,768	30,221	4,768
Cagamas bonds	272,872	323,773	272,872	323,773
Cagamas Mudharabah bonds	52,265	127,479	52,265	127,479
Negotiable instruments of deposit	1,158,088	865,821	287,804	398,867
Bank Negara Malaysia Bills	-	104,308	-	104,308
Other government bonds	54,425	-	7,408	-
	<u>2,134,537</u>	<u>2,113,018</u>	<u>1,217,236</u>	<u>1,646,064</u>
Unquoted securities:				
Shares	87,522	87,502	87,067	87,057
Private debt securities	1,521,579	70,442	25,445	39,487
	<u>1,609,101</u>	<u>157,944</u>	<u>112,512</u>	<u>126,544</u>
Accumulated impairment losses	(24,012)	(35,895)	(24,012)	(35,895)
Total securities held-to-maturity	<u>3,719,626</u>	<u>2,235,067</u>	<u>1,305,736</u>	<u>1,736,713</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Overdrafts	7,755,896	6,980,718	7,246,849	6,780,784
Term loans				
- Housing loans/financing	23,198,896	18,990,594	21,936,199	18,902,511
- Syndicated term loan/financing	1,107,037	223,062	644,010	223,062
- Hire purchase receivables	25,615,111	22,661,200	24,734,733	22,372,548
- Other term loans/financing	23,016,354	17,715,911	19,360,355	15,954,181
Credit card receivables	698,095	581,341	692,230	581,341
Bills receivables	112,981	71,909	96,218	71,909
Trust receipts	448,028	311,772	311,444	290,079
Claims on customers under acceptance credits	2,105,193	1,717,953	2,076,044	1,717,953
Lease, factored and confirming receivables	28,417	33,927	-	31,665
Revolving credits	1,504,117	2,430,478	1,557,888	2,432,554
*Staff loans	671,144	646,310	624,086	619,849
	86,261,269	72,365,175	79,280,056	69,978,436
Unearned interest and income	(4,675,322)	(4,263,185)	(4,674,559)	(4,261,955)
Gross loans, advances and financing	81,585,947	68,101,990	74,605,497	65,716,481
Allowance for bad and doubtful debts and financing:				
- general	(1,230,732)	(1,056,199)	(1,117,683)	(984,830)
- specific	(253,570)	(233,007)	(158,787)	(151,746)
Net loans, advances and financing	80,101,645	66,812,784	73,329,027	64,579,905

* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM2,765,817 (2005: RM2,946,287) and RM1,334,024 (2005 - RM1,639,020) respectively.

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A11. Loans, Advances and Financing (continued)

A11a. By type of customer

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Domestic non-bank financial institutions				
- Stock broking companies	2,010	2,020	2,010	2,020
- Others	1,817,891	1,888,142	1,802,883	1,868,118
Domestic business enterprises				
- Small and medium enterprises	17,652,426	14,808,430	17,529,841	14,711,677
- Others	3,469,703	4,894,024	3,569,182	4,638,316
Government and statutory bodies	1,381	1,614	1,381	1,614
Individuals	50,205,661	44,317,128	50,182,621	44,255,346
Other domestic entities	67,555	96,541	67,555	96,541
Foreign entities	8,369,320	2,094,091	1,450,024	142,849
Gross loans, advances and financing	81,585,947	68,101,990	74,605,497	65,716,481

A11b. By interest/profit rate sensitivity

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Fixed rate				
- Housing loans/financing	6,162,376	7,381,411	6,142,709	7,379,003
- Hire purchase receivables	21,735,259	19,387,926	21,448,982	19,342,375
- Other fixed rate loans/financing	11,389,150	11,473,182	9,326,206	9,690,159
Variable rate				
- Base lending rate plus	35,161,745	26,125,091	35,131,342	26,096,187
- Cost plus	1,259,136	2,487,226	1,523,230	2,432,493
- Other variable rates	5,878,281	1,247,154	1,033,028	776,264
Gross loans, advances and financing	81,585,947	68,101,990	74,605,497	65,716,481

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A11. Loans, Advances and Financing (continued)

A11c. By economic purposes

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Purchase of securities	481,037	536,562	477,499	531,651
Purchase of transport vehicles	22,560,099	19,863,234	21,692,013	19,600,345
Purchase of landed properties	35,835,845	28,777,943	33,881,598	28,856,639
(of which: - residential	22,167,115	17,905,752	20,861,089	17,874,399
- non-residential)	13,668,730	10,872,191	13,020,509	10,982,240
Purchase of fixed assets (excluding landed properties)	132,099	94,068	126,428	76,932
Personal use	5,373,395	4,765,411	3,863,082	3,282,762
Credit card	698,068	581,341	692,230	581,341
Purchase of consumer durables	18,909	13,942	18,909	13,882
Construction	445,786	234,697	69,701	3,623
Mergers & Acquisitions	701	-	701	-
Working capital	13,336,674	9,764,807	11,081,998	9,337,885
Other purpose	2,703,334	3,469,985	2,701,338	3,431,421
Gross loans, advances and financing	81,585,947	68,101,990	74,605,497	65,716,481

A11d. Non-performing loans by economic purpose

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Purchase of securities	26,638	32,059	26,638	32,059
Purchase of transport vehicles	232,341	207,880	227,715	204,942
Purchase of landed properties	770,845	688,064	759,009	687,454
(of which: - residential	668,303	588,537	656,467	587,927
- non-residential)	102,542	99,527	102,542	99,527
Purchase of fixed assets (excluding landed properties)	2,785	2,264	1,631	429
Personal use	145,076	140,852	74,537	68,582
Credit card	12,515	12,831	12,515	12,831
Purchase of consumer durables	1,484	300	1,484	300
Construction	28,147	38,242	-	-
Mergers & Acquisitions	-	-	-	-
Working capital	237,627	233,119	208,834	232,795
Other purpose	30,331	50,868	30,319	50,816
	1,487,789	1,406,479	1,342,682	1,290,208

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A11. Loans, Advances and Financing (continued)

A11e. Movements in non-performing loans, advances and financing ("NPL") are as follows:

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
At 1 January	1,406,479	1,510,215	1,290,208	1,405,815
Non-performing during the period/year	1,862,852	2,401,800	1,785,017	2,267,240
Reclassified as performing	(1,475,631)	(2,015,119)	(1,474,749)	(2,001,713)
Recoveries	(65,313)	(72,351)	(64,396)	(66,665)
Amount written off	(270,884)	(383,364)	(175,019)	(280,029)
Loans converted to foreclosed properties/ securities	(18,324)	(34,461)	(18,324)	(34,461)
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	51,819	-	-	-
Exchange differences	(3,209)	(241)	(55)	21
Closing balance	1,487,789	1,406,479	1,342,682	1,290,208
Specific allowance	(253,570)	(233,007)	(158,787)	(151,746)
Net non-performing loans, advances and financing	1,234,219	1,173,472	1,183,895	1,138,462
Net NPL as % of gross loans, advances and financing less specific allowance	1.52%	1.73%	1.59%	1.74%

A11f. Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
<u>General Allowance</u>				
At 1 January	1,056,199	895,833	984,830	821,318
Allowance made during the period/year	165,153	170,787	133,112	163,539
Amount written back	-	(10,038)	-	-
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	11,644	-	-	-
Exchange differences	(2,264)	(383)	(259)	(27)
Closing balance	1,230,732	1,056,199	1,117,683	984,830
As % of gross loans, advances and financing less specific allowance	1.51%	1.56%	1.50%	1.50%

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A11. Loans, Advances and Financing (continued)

A11f. Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows: (continued)

	Group		Bank	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
	RM'000	RM'000	RM'000	RM'000
<u>Specific Allowance</u>				
At 1 January	233,007	297,891	151,746	220,579
Allowance made during the period/year	309,323	359,490	219,678	248,994
Amount written back in respect of recoveries	(37,244)	(37,337)	(36,918)	(34,315)
Amount written off	(270,882)	(383,341)	(175,017)	(280,006)
Amount transferred to accumulated impairment losses in value of foreclosed properties / securities	(695)	(3,508)	(695)	(3,508)
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	22,546	-	-	-
Exchange differences	(2,485)	(188)	(7)	2
Closing balance	<u>253,570</u>	<u>233,007</u>	<u>158,787</u>	<u>151,746</u>

A12. Other Assets

	Group		Bank	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
	RM'000	RM'000	RM'000	RM'000
Interest/Income receivable	34,034	67,736	12,897	63,221
Other debtors, deposits and prepayments	658,356	425,008	272,453	420,582
Foreclosed properties	111,082	110,741	110,968	110,477
Taxi licenses	12,982	13,156	-	-
Amount due from clients	12,635	10,422	-	-
Outstanding contracts on clients' accounts	89,029	79,053	-	-
Amount due from subsidiary companies	-	-	164,559	155,171
Dividend receivable from subsidiary companies	-	-	239,288	149,720
Derivatives	91,133	40,912	87,751	40,065
	<u>1,009,251</u>	<u>747,028</u>	<u>887,916</u>	<u>939,236</u>

A13. Deposits from Customers

	Group		Bank	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
	RM'000	RM'000	RM'000	RM'000
<u>By type of customer</u>				
Federal and state governments	616,683	222,874	616,683	222,874
Local government and statutory authorities	1,112,293	994,303	1,112,293	994,303
Business enterprises	28,521,673	20,621,483	27,281,248	20,545,851
Individuals	50,499,706	46,518,735	50,494,822	46,266,816
Foreign customers	10,226,341	3,066,866	2,501,095	2,313,030
Others	16,516,800	12,705,380	16,081,800	11,862,308
	<u>107,493,496</u>	<u>84,129,641</u>	<u>98,087,941</u>	<u>82,205,182</u>

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A14. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Licensed banks	3,077,159	2,268,249	1,439,274	1,242,196
Licensed merchant banks	261,700	65,000	513,368	4,189
Other financial institutions	4,774,414	5,347,441	5,043,829	5,537,215
	<u>8,113,273</u>	<u>7,680,690</u>	<u>6,996,471</u>	<u>6,783,600</u>

A15. Other Liabilities

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Interest/Profit payable	614,397	508,851	576,969	499,070
Other creditors and accruals	733,412	594,419	300,259	289,566
Employees benefits	(17,065)	(6,182)	(16,682)	(5,941)
Accrued restoration cost	7,665	7,665	7,665	7,665
Profit Equalisation Reserves	7,978	21,523	7,978	21,523
Outstanding contracts on clients' accounts	85,095	72,412	-	-
Dividend payable to shareholders	479,452	54,933	479,452	3,750
Amount due to subsidiary companies	-	-	2,032	197,356
Derivatives	157,494	157,298	150,342	145,869
	<u>2,068,428</u>	<u>1,410,919</u>	<u>1,508,015</u>	<u>1,158,858</u>

A16. Interest Income

	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Group				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,198,741	924,076	3,308,457	2,674,392
- Recoveries from NPLs	21,606	19,215	61,891	66,116
Money at call and deposit placements with financial institutions	346,554	188,693	876,124	556,504
Securities held-for-trading	57,234	14,936	119,249	70,317
Securities available-for-sale	42,282	23,355	116,518	56,180
Securities held-to-maturity	45,231	35,568	100,971	56,674
Others	7,686	7,720	24,505	17,452
	<u>1,719,334</u>	<u>1,213,563</u>	<u>4,607,715</u>	<u>3,497,635</u>
Amortisation of premium less accretion of discount	(5,884)	(4,134)	(17,685)	(13,102)
Net interest/income suspended	(32,399)	(27,862)	(93,602)	(89,837)
	<u>1,681,051</u>	<u>1,181,567</u>	<u>4,496,428</u>	<u>3,394,696</u>

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A16. Interest Income (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,019,066	823,422	2,858,376	2,378,294
- Recoveries from NPLs	21,586	18,738	61,829	65,487
Money at call and deposit placements with financial institutions	311,301	177,289	803,054	531,082
Securities held-for-trading	56,545	14,625	117,369	69,013
Securities available-for-sale	36,661	20,418	100,853	34,238
Securities held-to-maturity	21,898	30,511	58,259	46,496
Others	7,780	7,646	24,223	17,144
	<u>1,474,837</u>	<u>1,092,649</u>	<u>4,023,963</u>	<u>3,141,754</u>
Amortisation of premium less accretion of discount	(7,490)	(6,001)	(23,306)	(20,027)
Net interest/income suspended	(32,344)	(27,950)	(93,411)	(88,994)
	<u>1,435,003</u>	<u>1,058,698</u>	<u>3,907,246</u>	<u>3,032,733</u>

A17. Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	119,242	27,075	333,795	76,616
Deposits from customers	740,152	479,839	1,847,546	1,391,484
Loans sold to Cagamas	2,552	2,766	7,816	9,363
Subordinated notes	44,794	32,269	121,910	61,263
Borrowings	11,288	-	17,050	-
Hybrid Capital	5,534	-	5,534	-
Others	3,763	1,903	10,790	6,554
	<u>927,325</u>	<u>543,852</u>	<u>2,344,441</u>	<u>1,545,280</u>

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	116,319	28,379	327,081	89,946
Deposits from customers	646,846	465,874	1,678,081	1,351,055
Loans sold to Cagamas	2,552	2,766	7,816	9,363
Subordinated notes	44,794	32,269	121,910	61,263
Hybrid capital	5,534	-	5,534	-
Others	339	35	1,012	105
	<u>816,384</u>	<u>529,323</u>	<u>2,141,434</u>	<u>1,511,732</u>

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A18. Other Operating Income

	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
<u>Group</u>				
(a) Fee income:				
Commissions	33,132	25,174	94,465	70,830
Service charges and fees	48,952	43,953	141,108	130,900
Guarantee fees	5,480	4,982	15,718	14,878
Processing fees	2,731	7,479	6,857	18,799
Commitment fees	8,720	8,109	25,669	23,722
Unit trust management fees	44,235	35,193	124,810	98,804
Net brokerage and commissions from stockbroking activities	7,495	4,922	24,198	14,778
Other fee income	3,738	5,289	14,874	16,514
	<u>154,483</u>	<u>135,101</u>	<u>447,699</u>	<u>389,225</u>
(b) Net gain arising from sale of securities:				
Net gain from sale of securities				
- held-for-trading	3,463	1,133	8,861	9,417
- available-for-sale	2,767	(44)	3,361	767
	<u>6,230</u>	<u>1,089</u>	<u>12,222</u>	<u>10,184</u>
(c) Gross dividend income from:				
Securities held-for-trading	23	214	555	412
Securities available-for-sale	8,698	9,202	33,011	32,034
Securities held-to-maturity	706	1,254	2,208	2,340
	<u>9,427</u>	<u>10,670</u>	<u>35,774</u>	<u>34,786</u>
(d) Unrealised (loss) / gain on revaluation of securities held-for-trading and derivatives	<u>(10,672)</u>	<u>(3,167)</u>	<u>26,391</u>	<u>14,387</u>
(e) Other income:				
Foreign exchange profit	59,396	36,894	99,924	60,472
Rental income	2,819	2,257	7,954	5,879
Gain on disposal of property and equipment (net)	121	817	134	2,967
(Loss) / Gain on disposal of foreclosed properties	(46)	(53)	121	89
Gain on sale of trust units	48,332	35,191	126,984	96,921
Lease income and factoring charges	444	513	1,270	1,562
Others	4,103	17,878	34,951	54,677
	<u>115,169</u>	<u>93,497</u>	<u>271,338</u>	<u>222,567</u>
Total other operating income	<u>274,637</u>	<u>237,190</u>	<u>793,424</u>	<u>671,149</u>

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A18. Other Operating Income (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
<u>Bank</u>				
(a) Fee income:				
Commissions	34,235	26,603	92,425	71,517
Service charges and fees	31,915	29,216	94,224	86,159
Guarantee fees	4,774	4,342	13,512	12,760
Processing fees	339	231	931	570
Commitment fees	8,422	8,109	24,839	23,722
Other fee income	2,717	3,767	11,148	11,671
	<u>82,402</u>	<u>72,268</u>	<u>237,079</u>	<u>206,399</u>
(b) Net gain arising from sale of securities:				
Net gain from sale of securities				
- held-for-trading	2,898	1,885	7,559	8,922
- available-for-sale	2,767	-	3,361	-
	<u>5,665</u>	<u>1,885</u>	<u>10,920</u>	<u>8,922</u>
(c) Gross dividend income from:				
Securities held-for-trading	175	72	319	236
Securities available-for-sale	7,498	8,257	29,119	28,588
Securities held-to-maturity	682	1,254	2,124	2,280
Associated companies	3,125	2,080	3,335	2,311
Subsidiary companies	291,500	-	384,313	118,106
	<u>302,980</u>	<u>11,663</u>	<u>419,210</u>	<u>151,521</u>
(d) Unrealised (loss) / gain on revaluation of securities held-for-trading and derivatives	<u>(10,718)</u>	<u>(3,637)</u>	<u>26,353</u>	<u>12,399</u>
(e) Other income:				
Foreign exchange profit / (loss)	51,314	37,719	(68,491)	60,936
Rental income	661	876	2,273	1,993
Gain on disposal of property and equipment (net)	39	613	52	2,404
(Loss) / Gain on disposal of foreclosed properties	(46)	(53)	121	89
Others	3,753	3,561	37,270	14,007
	<u>55,721</u>	<u>42,716</u>	<u>(28,775)</u>	<u>79,429</u>
Total other operating income	<u>436,050</u>	<u>124,895</u>	<u>664,787</u>	<u>458,670</u>

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A19. Other Operating Expenses

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Personnel costs				
- Salaries, allowances and bonuses	164,945	145,523	485,254	432,219
- Pension costs	20,158	17,269	62,085	51,183
- Others	21,386	15,603	50,818	42,342
Establishment costs				
- Depreciation	25,291	23,492	74,186	68,231
- Rental	13,866	12,545	39,422	37,095
- Insurance	4,103	4,911	12,803	10,254
- Water and electricity	6,756	5,692	17,791	15,935
- General repairs	5,081	4,516	14,599	13,412
- Others	19,221	20,160	57,520	50,042
Marketing expenses				
- Sales commission	45,202	35,483	129,446	101,303
- Advertisement and publicity	15,446	11,570	37,319	33,977
- Handling fees	7,672	4,557	20,668	14,325
- Others	17,954	16,134	53,915	45,790
Administration and general expenses				
- Amortisation of intangible assets	-	11,542	-	34,627
- Communication expenses	11,890	12,683	35,142	46,700
- Others	25,464	16,303	78,620	39,953
	404,435	357,983	1,169,588	1,037,388

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Personnel costs				
- Salaries, allowances and bonuses	136,933	125,444	399,399	369,571
- Pension costs	17,753	15,366	55,577	45,575
- Others	20,112	14,477	47,285	39,531
Establishment costs				
- Depreciation	19,574	19,377	59,086	55,902
- Rental	16,758	16,321	49,135	48,457
- Insurance	3,682	4,660	11,635	9,411
- Water and electricity	5,061	4,521	13,864	12,835
- General repairs	3,939	3,641	11,693	10,913
- Others	14,414	17,419	45,872	41,801
Marketing expenses				
- Advertisement and publicity	4,643	5,030	9,674	15,744
- Handling fees	7,672	4,556	20,668	14,318
- Others	13,240	12,207	35,891	35,171
Administration and general expenses				
- Amortisation of intangible assets	-	10,740	-	32,222
- Communication expenses	10,132	9,904	28,425	37,967
- Others	19,462	15,972	62,795	37,624
	293,375	279,635	850,999	807,042

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A20. Allowance for Losses on Loans, Advances and Financing

	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
<u>Group</u>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	52,563	43,915	165,153	117,154
- specific allowance	125,194	104,597	309,323	267,488
- specific allowance written back	(11,722)	(8,189)	(37,244)	(29,245)
Net write back of allowance in share broking activities	(129)	(163)	(120)	(183)
Bad debts and financing written off	300	309	569	879
Bad debts and financing recovered	(30,855)	(21,412)	(83,432)	(67,293)
	135,351	119,057	354,249	288,800
	3rd Quarter Ended	30 September	Nine Months Ended	30 September
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	48,637	40,570	133,112	120,106
- specific allowance	91,457	78,270	219,678	189,039
- specific allowance written back	(11,620)	(8,131)	(36,918)	(29,071)
Bad debts and financing written off	300	309	569	871
Bad debts and financing recovered	(22,419)	(14,400)	(59,739)	(45,182)
	106,355	96,618	256,702	235,763

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A21. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets

By Business Segments

	3rd Quarter ended 30 September 2006		Nine Months ended 30 September 2006		Total Assets RM'000
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	
<u>Group</u>					
Retail operations	1,599,787	501,311	4,383,170	1,313,390	79,343,496
Corporate lending	21,936	5,037	151,838	27,190	5,051,434
Treasury and capital market operations	550,050	118,357	1,303,664	383,730	49,226,145
Investment banking	40,333	2,635	93,468	6,316	3,908,082
Share broking and fund management	102,918	29,988	278,962	84,340	540,213
Others	1,087	1,678	3,294	6,131	203,708
	<u>2,316,111</u>	<u>659,006</u>	<u>6,214,396</u>	<u>1,821,097</u>	<u>138,273,078</u>
Inter-segment elimination	(178,622)	-	(558,822)	-	-
	<u>2,137,489</u>	<u>659,006</u>	<u>5,655,574</u>	<u>1,821,097</u>	<u>138,273,078</u>
Unallocated expenses	-	(59,500)	-	(71,396)	-
Share of results in associated companies	-	1,929	-	5,038	-
Intangible assets	-	-	-	-	2,064,827
Unallocated assets	-	-	-	-	547,453
Investment in associated companies	-	-	-	-	46,433
	<u>2,137,489</u>	<u>601,435</u>	<u>5,655,574</u>	<u>1,754,739</u>	<u>140,931,791</u>

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A21. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets (continued)

	3rd Quarter ended 30 September 2005		Nine Months ended 30 September 2005		Total Assets RM'000
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	
<u>Group</u>					
Retail operations	1,221,098	371,266	3,562,563	1,156,946	61,461,957
Corporate lending	77,649	30,182	200,788	81,733	3,980,482
Treasury and capital market operations	306,832	95,584	833,756	241,892	35,611,957
Investment banking	22,793	2,335	64,859	6,451	3,348,595
Share broking and fund management	75,552	24,383	211,266	70,630	497,594
Others	1,045	2,397	3,030	7,144	212,937
	<u>1,704,969</u>	<u>526,147</u>	<u>4,876,262</u>	<u>1,564,796</u>	<u>105,113,522</u>
Inter-segment elimination	(177,922)	-	(515,914)	-	-
	<u>1,527,047</u>	<u>526,147</u>	<u>4,360,348</u>	<u>1,564,796</u>	<u>105,113,522</u>
Unallocated expenses	-	(15,966)	-	(33,077)	-
Amortisation of intangible assets	-	(11,542)	-	(34,627)	-
Share of results in associated companies	-	1,719	-	4,197	-
Intangible assets	-	-	-	-	776,149
Unallocated assets	-	-	-	-	473,072
Investment in associated companies	-	-	-	-	45,229
	<u>1,527,047</u>	<u>500,358</u>	<u>4,360,348</u>	<u>1,501,289</u>	<u>106,407,972</u>

Inter-segment pricing is determined on a negotiated basis.

* Certain comparative figures for the third quarter and nine months ended 30 September 2005 have been reclassified to conform with the current year's internal transfer pricing and cost allocation methodology.

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A21. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets (continued)

By Geographical Locations

<u>Group</u>	3rd Quarter ended		Nine Months ended		Total Assets RM'000
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	
<u>30 September 2006</u>					
Malaysia	1,892,803	523,860	5,072,932	1,514,078	129,067,634
Outside Malaysia	244,686	77,575	582,642	240,661	11,864,157
	<u>2,137,489</u>	<u>601,435</u>	<u>5,655,574</u>	<u>1,754,739</u>	<u>140,931,791</u>
<u>30 September 2005</u>					
Malaysia	1,402,195	424,263	3,997,349	1,280,310	103,880,905
Outside Malaysia	124,852	76,095	362,999	220,979	2,527,067
	<u>1,527,047</u>	<u>500,358</u>	<u>4,360,348</u>	<u>1,501,289</u>	<u>106,407,972</u>

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

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A22. Carrying Amount of Revalued Assets

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements for the year ended 31 December 2005.

A23. Subsequent Events

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

A24. Changes in the Composition of the Group

a) Increase in Equity Interest in Public Financial Holdings Limited (formerly known as JCG Holdings Limited)("PFHL")

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

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

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

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A24. Changes in the Composition of the Group (continued)

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

The carrying amounts of the net assets of PB(HK) acquired are summarised below :

	RM'000
Cash and short-term funds	1,395,362
Securities held-for-trading	12,044
Securities available-for-sale	3,184
Securities held-to-maturity	1,742,758
Loans, advances and financing	4,349,138
Other assets	53,633
Investment properties	10,135
Property and equipment	178,552
Total assets	7,744,806
Deposits from customers	6,300,150
Deposits and placements of banks and other financial institutions	360,889
Other liabilities	200,155
Total liabilities	6,861,194
Carrying amount of net assets acquired	883,612
Excess of acquisition cost over the carrying amount of net assets acquired	1,266,102
Total cost of acquisition (including acquisition expense of RM4.3 million)	2,149,714

The Group is currently still in the process of assessing the fair values of the assets and liabilities acquired and the identification of the intangible assets relating to the acquisition of PB(HK). Any consequential adjustments to the financial statements of the Group will be identified and recognised before the end of the current financial year.

The operating revenue and profit after taxation of PB(HK) included in the Group's consolidated financial statements during the period amounted to RM182,297,000 and RM21,326,000 respectively. Had the acquisition occurred at the beginning of the financial year and the operating revenue and profit after taxation of PB(HK) for the nine months ended 30 September 2006 amounting to RM318,101,000 and RM37,976,000 respectively been included in the Group's consolidated financial statements, the Group's operating revenue and profit attributable to equity holders of the Parent for the nine months ended 30 September 2006 would have been RM5,791,378,000 and RM1,288,348,000 respectively.

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A24. Changes in the Composition of the Group (continued)

c) Acquisition of The Remaining 10% Equity Interest in Public Mutual Berhad

On 12 July 2006, Public Consolidated Holdings Sdn Bhd, a wholly-owned subsidiary of the Bank, completed the acquisition of 600,000 ordinary shares of RM1.00 each in Public Mutual Berhad from Cheng Poh Holdings Sdn Bhd, representing 10% of the issued and paid-up share capital of Public Mutual Berhad, for a cash consideration of RM51.0 million. With the completion of the acquisition, Public Mutual Berhad became a wholly-owned indirect subsidiary of the Bank. Public Mutual Berhad's principal activities are the sale of trust units and the management of unit trust funds.

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A25. 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 following dates are as follows:

<u>Group</u>	As at 30 September 2006			As at 31 December 2005		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,187,275	1,187,275	932,330	1,085,495	1,085,495	858,181
Certain transaction-related contingent items	383,861	191,929	126,737	392,547	196,274	102,554
Short-term self-liquidating trade-related contingencies	608,411	121,682	98,779	541,501	108,300	102,011
Other assets sold with recourse and commitment with certain drawdown	548,061	548,061	50,404	15,040	15,040	-
Obligations under underwriting agreements	80,000	40,000	40,000	83,750	41,875	41,875
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,898,192	2,449,096	2,033,270	4,154,284	2,077,142	1,776,275
- maturity not exceeding one year	12,209,231	-	-	9,910,227	-	-
Forward placements	31,365	-	-	-	-	-
Foreign exchange related contracts:						
- less than one year	9,663,625	196,721	60,691	7,223,068	114,044	26,213
- one year to less than five years	843,168	43,441	21,721	-	-	-
Interest rate related contracts:						
- less than one year	181,672	289	58	113,385	283	57
- one year to less than five years	2,597,949	60,922	12,184	2,249,965	67,083	13,417
- five years and above	3,511,452	229,867	45,973	3,182,339	211,803	42,361
	36,744,262	5,069,283	3,422,147	28,951,601	3,917,339	2,962,944

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

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A25. Commitments and Contingencies (continued)

<u>Bank</u>	As at 30 September 2006			As at 31 December 2005		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,159,120	1,159,120	908,127	1,084,395	1,084,395	857,961
Certain transaction-related contingent items	370,910	185,455	123,308	381,946	190,975	127,627
Short-term self-liquidating trade-related contingencies	420,289	84,056	79,434	434,058	86,810	80,609
Other assets sold with recourse and commitment with certain drawdown	240,811	240,811	-	15,040	15,040	-
Obligations under underwriting agreements	70,000	35,000	35,000	70,000	35,000	35,000
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,802,837	2,401,419	1,985,592	4,154,028	2,077,014	1,776,211
- maturity not exceeding one year	10,553,338	-	-	9,740,724	-	-
Forward placements	31,365	-	-	124,723	-	-
Foreign exchange related contracts:						
- less than one year	6,892,954	135,554	30,107	7,223,068	114,044	26,213
Interest rate related contracts:						
- less than one year	110,656	111	22	113,385	283	57
- one year to less than five years	2,579,506	60,184	12,037	2,249,965	67,083	13,417
- five years and above	3,511,452	229,867	45,973	3,163,441	210,858	42,172
	30,743,238	4,531,577	3,219,600	28,754,773	3,881,502	2,959,267

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

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A26. Off-Balance Sheet Financial Instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2006:

Value of contracts classified by remaining period to maturity / next repricing date (whichever is earlier).

Group

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts							
- forward	1,417,006	942,465	366,911	76,322	31,308	-	-
- swaps	9,089,787	1,697,852	4,586,199	154,157	1,808,411	843,168	-
Sub total	10,506,793	2,640,317	4,953,110	230,479	1,839,719	843,168	-
Interest rate related contracts							
- swaps	6,291,073	1,158,190	2,966,799	2,095,068	71,016	-	-
Sub total	6,291,073	1,158,190	2,966,799	2,095,068	71,016	-	-
Total	16,797,866	3,798,507	7,919,909	2,325,547	1,910,735	843,168	-

Bank

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts							
- forward	738,488	279,882	366,911	76,322	15,373	-	-
- swaps	6,154,466	1,527,432	4,558,803	44,262	23,969	-	-
Sub total	6,892,954	1,807,314	4,925,714	120,584	39,342	-	-
Interest rate related contracts							
- swaps	6,201,614	1,139,747	2,966,799	2,095,068	-	-	-
Sub total	6,201,614	1,139,747	2,966,799	2,095,068	-	-	-
Total	13,094,568	2,947,061	7,892,513	2,215,652	39,342	-	-

The Group and the Bank do not have any transaction in respect of equity and commodity related contracts. Foreign exchange and interest rate related contracts are subject to market and credit risk.

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts 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 30 September 2006, the amount of contracts which were not hedged in the Group and the Bank and, hence, exposed to market risk was RM838,878,000 (31 December 2005 : RM1,485,257,000).

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A26. Off-Balance Sheet Financial Instruments (continued)

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 and the Bank has a gain in a contract. As at 30 September 2006, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM102,661,000 (31 December 2005 : RM24,737,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related Accounting Policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

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A27. Interest/Profit Rate Risk

Group	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 - 5 years RM'000	over 5 years RM'000					
As at 30 September 2006										
ASSETS										
Cash and short-term funds	22,941,314	-	-	-	-	816,796	-	23,758,110	3.76	
Deposits and placements with banks and other financial institutions	100	3,209,783	147,559	-	-	-	-	3,357,442	3.89	
Securities purchased under resale agreements	4,790,184	6,436,879	-	-	-	-	161,040	11,388,103	3.74	
Securities held-for-trading	-	-	-	-	-	-	7,667,183	7,667,183	3.67	
Securities available-for-sale	115,180	-	-	1,390,314	1,325,581	1,190,865	50,639	4,072,579	6.16	
Securities held-to-maturity	351,621	1,213,872	1,284,185	746,626	-	123,322	-	3,719,626	3.85	
Loans, advances and financing										
- performing	42,628,619	4,978,432	9,528,819	17,710,438	5,251,850	-	-	80,098,158	6.73	
- non-performing *	-	-	-	-	-	3,487	-	3,487	-	
Other non-interest sensitive balances	-	-	-	-	-	6,823,350	43,753	6,867,103	-	
TOTAL ASSETS	70,827,018	15,838,966	10,960,563	19,847,378	6,577,431	8,957,820	7,922,615	140,931,791		

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A27. Interest/Profit Rate Risk (continued)

Group As at 30 September 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 - 5 years RM'000	over 5 years RM'000					
LIABILITIES AND EQUITY										
Deposits from customers	50,789,582	26,430,796	18,287,851	583,562	26,595	11,375,110	-	107,493,496	3.20	
Deposits and placements of banks and other financial institutions	7,311,680	653,414	57,325	-	-	90,854	-	8,113,273	4.57	
Obligations on securities sold under repurchase agreements	6,485,579	160,378	-	-	-	-	26,835	6,672,792	3.46	
Bills and acceptances payable	595,310	1,087,456	259,236	-	-	769,222	-	2,711,224	3.84	
Recourse obligations on loans sold to Cagamas	56,586	91,776	79,539	44,042	-	-	-	271,943	3.86	
Borrowings	-	710,104	-	-	-	-	-	710,104	4.75	
Subordinated notes	-	-	-	1,271,093	1,405,432	-	-	2,676,525	6.33	
Hybrid capital	-	-	-	-	745,786	-	-	745,786	6.76	
Other non-interest sensitive balances	-	-	-	-	-	2,435,399	3,856	2,439,255	-	
Total Liabilities	65,238,737	29,133,924	18,683,951	1,898,697	2,177,813	14,670,585	30,691	131,834,398		
Shareholders' equity	-	-	-	-	-	8,432,646	-	8,432,646		
Minority interests	-	-	-	-	-	664,747	-	664,747		
Total Liabilities and Equity	65,238,737	29,133,924	18,683,951	1,898,697	2,177,813	23,767,978	30,691	140,931,791		
On-balance sheet interest sensitivity gap	5,588,281	(13,294,958)	(7,723,388)	17,948,681	4,399,618	(14,810,158)	7,891,924	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	1,047,535	(55,016)	(1,891,266)	(15,999)	914,746	-	-	-		
Total interest sensitivity gap	6,635,816	(13,349,974)	(9,614,654)	17,932,682	5,314,364	(14,810,158)	7,891,924	-		

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

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A27. Interest/Profit Rate Risk (continued)

Group	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	As at 31 December 2005	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000				
ASSETS										
Cash and short-term funds	17,638,823	-	-	-	-	-	718,914	-	18,357,737	3.09
Deposits and placements with banks and other financial institutions	-	8,445,253	267,597	-	-	-	-	-	8,712,850	3.22
Securities purchased under resale agreements	115,312	762,701	108,600	-	-	-	-	3,882,775	4,869,388	3.11
Securities held-for-trading	-	-	-	-	-	-	-	1,554,685	1,554,685	3.21
Securities available-for-sale	-	-	117,000	1,290,472	1,469,783	1,181,480	13,947	-	4,072,682	5.02
Securities held-to-maturity	154,937	248,671	856,239	887,140	-	88,080	-	-	2,235,067	3.25
Loans, advances and financing										
- performing	31,631,977	4,024,160	10,703,257	15,618,622	4,717,495	-	-	-	66,695,511	6.56
- non-performing *	-	-	-	-	-	117,273	-	-	117,273	-
Other non-interest sensitive balances	-	-	-	-	-	4,966,328	24,737	-	4,991,065	-
TOTAL ASSETS	49,541,049	13,480,785	12,052,693	17,796,234	6,187,278	7,072,075	5,476,144	111,606,258		

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A27. Interest/Profit Rate Risk (continued)

Group As at 31 December 2005	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 - 5 years RM'000	over 5 years RM'000					
LIABILITIES AND EQUITY										
Deposits from customers	42,603,448	16,793,201	15,318,846	446,734	6,627	8,960,785	-	84,129,641	2.74	
Deposits and placements of banks and other financial institutions	5,766,675	1,778,441	72,212	-	-	63,362	-	7,680,690	3.97	
Obligations on securities sold under repurchase agreements	4,001,628	30,000	-	-	-	-	10,321	4,041,949	2.89	
Bills and acceptances payable	567,488	782,241	142,750	-	-	637,236	-	2,129,715	3.04	
Recourse obligations on loans sold to Cagamas	21,190	40,300	163,785	59,730	-	-	-	285,005	3.77	
Subordinated notes	-	-	-	1,308,786	1,448,836	-	-	2,757,622	5.29	
Other non-interest sensitive balances	-	-	-	-	-	1,654,383	10,004	1,664,387	-	
Total Liabilities	52,960,429	19,424,183	15,697,593	1,815,250	1,455,463	11,315,766	20,325	102,689,009		
Shareholders' equity	-	-	-	-	-	8,481,508	-	8,481,508		
Minority interests	-	-	-	-	-	435,741	-	435,741		
Total Liabilities and Equity	52,960,429	19,424,183	15,697,593	1,815,250	1,455,463	20,233,015	20,325	111,606,258		
On-balance sheet interest sensitivity gap	(3,419,380)	(5,943,398)	(3,644,900)	15,980,984	4,731,815	(13,160,940)	5,455,819	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	971,332	190,137	(1,398,416)	395,685	(158,738)	-	-	-		
Total interest sensitivity gap	(2,448,048)	(5,753,261)	(5,043,316)	16,376,669	4,573,077	(13,160,940)	5,455,819	-		

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

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A27. Interest/Profit Rate Risk (continued)

Bank	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 - 5 years RM'000	over 5 years RM'000					
As at 30 September 2006										
ASSETS										
Cash and short-term funds	21,339,898	-	-	-	-	668,427	-	22,008,325	3.73	
Deposits and placements with banks and other financial institutions	-	3,177,475	83,451	-	-	-	-	3,260,926	3.86	
Securities purchased under resale agreements	3,955,543	5,531,479	-	-	-	-	161,040	9,648,062	3.73	
Securities held-for-trading	-	-	-	-	-	-	7,651,325	7,651,325	3.67	
Securities available-for-sale	58,027	-	-	1,105,728	1,290,157	1,093,059	13,376	3,560,347	5.77	
Securities held-to-maturity	134,697	256,331	341,763	485,302	-	87,643	-	1,305,736	3.48	
Loans, advances and financing										
- performing	38,536,404	3,856,304	8,795,895	16,898,686	5,175,526	-	-	73,262,815	6.38	
- non-performing *	-	-	-	-	-	66,212	-	66,212	-	
Other non-interest sensitive balances	-	-	-	-	-	6,944,423	43,753	6,988,176	-	
TOTAL ASSETS	64,024,569	12,821,589	9,221,109	18,489,716	6,465,683	8,859,764	7,869,494	127,751,924		

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A27. Interest/Profit Rate Risk (continued)

Bank	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 - 5 years RM'000	over 5 years RM'000					
As at 30 September 2006										
LIABILITIES AND EQUITY										
Deposits from customers	44,694,885	23,868,154	17,776,802	751,298	26,595	10,970,207	-	98,087,941	3.11	
Deposits and placements of banks and other financial institutions	6,096,273	750,740	68,632	-	-	80,826	-	6,996,471	4.97	
Obligations on securities sold under repurchase agreements	6,101,753	160,378	-	-	-	-	26,835	6,288,966	3.45	
Bills and acceptances payable	595,310	1,087,456	259,236	-	-	769,222	-	2,711,224	3.84	
Recourse obligations on loans sold to Cagamas	56,586	91,776	79,539	44,042	-	-	-	271,943	3.86	
Subordinated notes	-	-	-	1,271,093	1,405,432	-	-	2,676,525	6.33	
Hybrid capital	-	-	-	-	745,786	-	-	745,786	6.76	
Other non-interest sensitive balances	-	-	-	-	-	1,741,719	3,856	1,745,575	-	
Total Liabilities	57,544,807	25,958,504	18,184,209	2,066,433	2,177,813	13,561,974	30,691	119,524,431		
Shareholders' equity	-	-	-	-	-	8,227,493	-	8,227,493		
Total Liabilities and Equity	57,544,807	25,958,504	18,184,209	2,066,433	2,177,813	21,789,467	30,691	127,751,924		
On-balance sheet interest sensitivity gap	6,479,762	(13,136,915)	(8,963,100)	16,423,283	4,287,870	(12,929,703)	7,838,803	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	863,109	(67,609)	(1,999,167)	252,035	951,632	-	-	-		
Total interest sensitivity gap	7,342,871	(13,204,524)	(10,962,267)	16,675,318	5,239,502	(12,929,703)	7,838,803	-		

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

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A27. Interest/Profit Rate Risk (continued)

Bank	Non trading book						Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 5 years	over 5 years					
As at 31 December 2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	16,492,083	-	-	-	-	678,255	-	17,170,338	3.08	
Deposits and placements with banks and other financial institutions	-	8,487,289	249,579	-	-	-	-	8,736,868	3.23	
Securities purchased under resale agreements	66,529	72,824	-	-	-	-	3,882,775	4,022,128	3.14	
Securities held-for-trading	-	-	-	-	-	-	1,666,465	1,666,465	3.20	
Securities available-for-sale	-	-	58,513	1,081,485	1,347,278	1,062,903	13,377	3,563,556	4.63	
Securities held-to-maturity	52,829	126,216	740,099	729,934	-	87,635	-	1,736,713	3.31	
Loans, advances and financing										
- performing	30,968,477	3,681,474	10,105,682	15,030,891	4,639,749	-	-	64,426,273	6.11	
- non-performing *	-	-	-	-	-	153,632	-	153,632	-	
Other non-interest sensitive balances	-	-	-	-	-	5,864,192	24,737	5,888,929	-	
TOTAL ASSETS	47,579,918	12,367,803	11,153,873	16,842,310	5,987,027	7,846,617	5,587,354	107,364,902		

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A27. Interest/Profit Rate Risk (continued)

Bank	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 - 5 years RM'000	over 5 years RM'000					
As at 31 December 2005										
LIABILITIES AND EQUITY										
Deposits from customers	41,062,453	16,135,909	15,241,801	856,150	6,627	8,902,242	-	82,205,182	2.73	
Deposits and placements of banks and other financial institutions	4,748,825	1,845,878	128,085	-	-	60,812	-	6,783,600	4.18	
Obligations on securities sold under repurchase agreements	3,656,663	30,000	-	-	-	-	10,321	3,696,984	2.88	
Bills and acceptances payable	567,488	782,241	142,750	-	-	635,180	-	2,127,659	3.04	
Recourse obligations on loans sold to Cagamas	21,190	40,300	163,785	59,730	-	-	-	285,005	3.77	
Subordinated notes	-	-	-	1,308,786	1,448,836	-	-	2,757,622	5.29	
Other non-interest sensitive balances	-	-	-	-	-	1,360,891	10,004	1,370,895	-	
Total Liabilities	50,056,619	18,834,328	15,676,421	2,224,666	1,455,463	10,959,125	20,325	99,226,947		
Shareholders' equity	-	-	-	-	-	8,137,955	-	8,137,955		
Total Liabilities and Equity	50,056,619	18,834,328	15,676,421	2,224,666	1,455,463	19,097,080	20,325	107,364,902		
On-balance sheet interest sensitivity gap	(2,476,701)	(6,466,525)	(4,522,548)	14,617,644	4,531,564	(11,250,463)	5,567,029	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	971,332	190,137	(1,417,313)	395,685	(139,841)	-	-	-		
Total interest sensitivity gap	(1,505,369)	(6,276,388)	(5,939,861)	15,013,329	4,391,723	(11,250,463)	5,567,029	-		

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

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A28. Capital Adequacy

The capital adequacy ratios of the Group and the Bank as at the following dates:

	Group		Bank	
	30 September 2006	31 December 2005	30 September 2006	31 December 2005
Core capital ratio	8.3%	10.2% *	10.2%	9.8% *
Risk-weighted capital ratio	13.2%	15.9% *	12.3%	13.6% *

* After deducting proposed dividend.

The capital adequacy ratios of the Group and the Bank as at 30 September 2006 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,450,806	3,417,373	3,450,806	3,417,373
Share premium	1,724,845	1,574,180	1,724,845	1,574,180
Other reserves	3,015,316	2,907,840	2,919,979	2,754,847
Retained profits (before deducting proposed dividend)	389,263	1,330,730	411,326	1,289,161
Hybrid capital	735,876	-	735,876	-
Treasury shares	(784,801)	(784,600)	(784,801)	(784,600)
Minority interests	612,535	435,741	-	-
Less: Intangible assets	(2,064,827)	(765,157)	(695,393)	(695,393)
Less: Deferred tax assets, net	(376,831)	(345,246)	(310,041)	(286,550)
Total Tier I capital	6,702,182	7,770,861	7,452,597	7,269,018
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,230,732	1,056,199	1,126,211	987,830
Subordinated notes, at cost	2,751,263	2,816,795	2,751,263	2,816,795
Total Tier II capital	3,981,995	3,872,994	3,877,474	3,804,625
Total capital	10,684,177	11,643,855	11,330,071	11,073,643
Less: Investment in subsidiary companies	-	-	(2,307,872)	(1,305,365)
Capital base	10,684,177	11,643,855	9,022,199	9,768,278

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A29. Operations of Islamic Banking

A29a. Balance Sheets as at 30 September 2006

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
ASSETS				
Cash and short-term funds	2,090,352	426,261	2,090,352	426,261
Securities held-to-maturity	52,265	127,479	52,265	127,479
Financing, advances and other loans	8,578,473	7,217,018	8,578,473	7,217,018
Other assets	2,093	1,055	2,093	1,055
Statutory deposits with Bank Negara Malaysia	293,000	236,000	293,000	236,000
Deferred tax assets	38,705	38,018	38,705	38,018
Property and equipment	79	69	79	69
Total Assets	11,054,967	8,045,900	11,054,967	8,045,900
LIABILITIES AND ISLAMIC BANKING FUNDS				
Deposits from customers	7,138,272	6,093,087	7,138,272	6,093,087
Deposits and placements of banks and other financial institutions	1,030,050	1,474	1,030,050	1,474
Bills and acceptances payable	25,949	24,368	25,949	24,368
Other liabilities	1,345,364	547,912	1,345,364	547,912
Provision for tax expense and zakat	21,474	41,129	21,474	41,129
Total Liabilities	9,561,109	6,707,970	9,561,109	6,707,970
Islamic Banking Funds	1,493,858	1,337,930	1,493,858	1,337,930
Total Liabilities and Islamic Banking Funds	11,054,967	8,045,900	11,054,967	8,045,900
COMMITMENTS AND CONTINGENCIES				
	124,149	102,954	124,149	102,954

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A29b. Income Statements for the Nine Months Ended 30 September 2006

	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
<u>Group</u>				
Income derived from investment of depositors' funds and financial institutions	126,539	103,504	349,206	308,570
Allowance for losses on financing, advances and other loans	(21,953)	(8,706)	(47,455)	(28,756)
Transfer from profit equalisation reserve	852	1,584	13,545	59
Total attributable income	105,438	96,382	315,296	279,873
Income attributable to the depositors and financial institutions	(40,704)	(24,508)	(104,172)	(72,230)
Income attributable to the reporting institutions	64,734	71,874	211,124	207,643
Income derived from investment of Islamic Banking Funds	24,212	20,215	69,608	60,433
Total net income	88,946	92,089	280,732	268,076
Other operating expenses	(22,410)	(18,411)	(62,384)	(54,935)
Profit before zakat and tax expense	66,536	73,678	218,348	213,141
Zakat	(119)	(36)	(157)	(112)
Tax expense	(18,914)	(25,817)	(62,262)	(65,075)
Profit after zakat and tax expense	47,503	47,825	155,929	147,954
	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
<u>Bank</u>				
Income derived from investment of depositors' funds and financial institutions	126,539	103,504	349,206	308,570
Allowance for losses on financing, advances and other loans	(21,953)	(8,706)	(47,455)	(28,756)
Transfer from profit equalisation reserve	852	1,584	13,545	59
Total attributable income	105,438	96,382	315,296	279,873
Income attributable to the depositors and financial institutions	(40,704)	(24,508)	(104,172)	(72,230)
Income attributable to the reporting institutions	64,734	71,874	211,124	207,643
Income derived from investment of Islamic Banking Funds	24,212	20,215	69,608	60,433
Total net income	88,946	92,089	280,732	268,076
Other operating expenses	(22,410)	(18,411)	(62,384)	(54,935)
Profit before zakat and tax expense	66,536	73,678	218,348	213,141
Zakat	(119)	(36)	(157)	(112)
Tax expense	(18,914)	(25,817)	(62,262)	(65,075)
Profit after zakat and tax expense	47,503	47,825	155,929	147,954

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A29c. Financing, Advances and Other Loans

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Qardhassan-i (overdraft)	34,948	20,840	34,948	20,840
Bai Bithaman Ajil-i (deferred payment sale)	3,610,195	3,211,860	3,610,195	3,211,860
Ijarah Thamma Al-Bai'-i (leasing)	7,036,544	6,034,328	7,036,544	6,034,328
Bai-Al-Einah-i	564,572	307,341	564,572	307,341
	<u>11,246,259</u>	<u>9,574,369</u>	<u>11,246,259</u>	<u>9,574,369</u>
Unearned income	(2,513,446)	(2,223,862)	(2,513,446)	(2,223,862)
Gross financing, advances and other loans	<u>8,732,813</u>	<u>7,350,507</u>	<u>8,732,813</u>	<u>7,350,507</u>
Allowance for bad and doubtful debts and financing:				
- general	(130,195)	(114,195)	(130,195)	(114,195)
- specific	(24,145)	(19,294)	(24,145)	(19,294)
Net financing, advances and other loans	<u>8,578,473</u>	<u>7,217,018</u>	<u>8,578,473</u>	<u>7,217,018</u>

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

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
At 1 January	156,196	150,538	156,196	150,538
Non-performing during the period/year	288,817	379,672	288,817	379,672
Reclassified as performing	(224,062)	(296,761)	(224,062)	(296,761)
Recoveries	(22,817)	(34,239)	(22,817)	(34,239)
Amount written off	(30,704)	(43,014)	(30,704)	(43,014)
Closing balance	<u>167,430</u>	<u>156,196</u>	<u>167,430</u>	<u>156,196</u>
Specific allowance	(24,145)	(19,294)	(24,145)	(19,294)
Net non-performing financing, advances and other loans	<u>143,285</u>	<u>136,902</u>	<u>143,285</u>	<u>136,902</u>
Net NPL as % of gross financing, advances and other loans less specific allowance	<u>1.65%</u>	<u>1.87%</u>	<u>1.65%</u>	<u>1.87%</u>

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A29c. Financing, Advances and Other Loans (continued)

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

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
<u>General allowance</u>				
At 1 January	114,195	107,295	114,195	107,295
Allowance made during the period/year	16,000	6,900	16,000	6,900
Closing balance	<u>130,195</u>	<u>114,195</u>	<u>130,195</u>	<u>114,195</u>
As % of gross financing, advances and other loans less specific allowance	<u>1.50%</u>	<u>1.56%</u>	<u>1.50%</u>	<u>1.56%</u>
	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
<u>Specific allowance</u>				
At 1 January	19,294	26,070	19,294	26,070
Allowance made during the period/year	41,451	40,345	41,451	40,345
Amount written back	(5,896)	(4,084)	(5,896)	(4,084)
Amount written off	(30,704)	(43,014)	(30,704)	(43,014)
Amount transferred to accumulated impairment losses in value of foreclosed properties	-	(23)	-	(23)
Closing balance	<u>24,145</u>	<u>19,294</u>	<u>24,145</u>	<u>19,294</u>

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A29d. Deposits from Customers
i) By type of deposit

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
<u>Non-Mudharabah Fund</u>				
Wadiah current deposits-i	1,265,810	1,021,990	1,265,810	1,021,990
Wadiah savings deposits-i	2,332,945	2,065,872	2,332,945	2,065,872
Negotiable debt certificate-i	1,925,708	1,752,534	1,925,708	1,752,534
Others	-	150	-	150
	<u>5,524,463</u>	<u>4,840,546</u>	<u>5,524,463</u>	<u>4,840,546</u>
<u>Mudharabah Fund</u>				
Mudharabah savings deposits-i	63,168	59,368	63,168	59,368
Mudharabah general investment deposits-i	1,550,641	1,193,173	1,550,641	1,193,173
	<u>1,613,809</u>	<u>1,252,541</u>	<u>1,613,809</u>	<u>1,252,541</u>
Deposits from customers	<u>7,138,272</u>	<u>6,093,087</u>	<u>7,138,272</u>	<u>6,093,087</u>

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A30. Change in Accounting Policies and Prior Year Adjustments

(a) Change in Accounting Policies

During the nine months ended 30 September 2006, the Group and the Bank have adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 January 2006 which resulted in changes in accounting policies as follows:

1) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented in the consolidated statement of changes in equity.

The presentation of the comparative financial statements of the Group have been restated to conform with the current period's presentation.

2) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

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

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

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group and the Bank to eliminate the carrying accumulated amortisation as at 1 January 2006 of RM174,310,000 and RM124,761,000 respectively against the carrying amount of goodwill. The carrying amount of goodwill for the Group and the Bank as at 1 January 2006 of RM738,907,000 and RM695,393,000 respectively ceased to be amortised. This has the effect of reducing the amortisation charge of the Group and the Bank by RM33,855,000 and RM32,223,000 respectively for the nine months ended 30 September 2006. No impairment loss on goodwill has been recognised in the nine months ended 30 September 2006.

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

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2) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Cont.)

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually. Intangible assets with a finite useful life will continue to be amortised over the estimated useful life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the Group's intangible asset, which consists of the cost of the dealer license of a local stock broking company acquired by a stockbroking subsidiary, is regarded to have an indefinite useful life and is not amortised but instead, is tested for impairment annually. This change in accounting policy has been accounted for prospectively and the carrying amount of the dealer license of RM26,250,000 as at 1 January 2006 ceased to be amortised. This has the effect of reducing the amortisation charges by RM1,050,000 for the Group for the nine months ended 30 September 2006.

For business combinations where the Group's equity interest in a subsidiary is increased by virtue of a subscription to a higher proportion of the subsidiary's new issue of shares as compared to its existing equity interest and where the share issue price is above the subsidiary's net asset value, the resultant dilution of its share of net assets in the subsidiary is recognised in equity. In accordance with this policy, dilution on accretion of interest amounting to RM164 million has been recognised in equity for the nine months ended 30 September 2006.

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

Prior to this, any such dilution of share in net assets in subsidiary was recorded as goodwill on acquisition and such goodwill had been written off to the Income Statement. As such, there is no impact to the comparatives resulting from the change in this policy.

3) FRS 140: Investment Property

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

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

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

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4) FRS 2: Share-based Payment

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

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

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

(b) **Adjustments due to Change in Accounting Policies**

The changes in accounting policies as described above which were adjusted to opening retained profits of the Group and Bank are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Effects on retained profits:				
At 1 January, as previously stated	500,846	684,490	385,645	734,469
Effects of adopting FRS 140				
- Investment Property	(621)	-	-	-
At 1 January, as restated	500,225	684,490	385,645	734,469

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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance Review

The Group's pre-tax profit for the nine months ended 30 September 2006 of RM1,754.7 million was RM253.4 million or 16.9% higher than that of the previous corresponding period of RM1,501.3 million. Profit attributable to equity holders of the parent improved by 20.1% to RM1,271.7 million. The improvement in earnings was primarily due to higher net interest income, including net financing income from Islamic Banking operations, which improved by RM333.0 million or 15.6% and higher other operating income by 18.2% or RM122.3 million. The increases were partially offset by higher other operating expenses of RM132.2 million and higher general allowance made on loans, advances and financing of RM48.0 million, as well as an additional specific allowance of RM12.2 million made during the period as a result of adoption of 20% specific allowance on all non-performing loans which are less than 6 months in arrears.

The growth in the Group's net interest income was driven by strong loans and deposits growth coupled with improved assets quality. Gross loan balance has grown by 25.3% to RM81.6 billion as at 30 September 2006 as compared to RM65.1 billion as at 30 September 2005. This includes loans arising from the acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)") amounting to RM4.3 billion. Excluding the loans from PB(HK), the Group's total loans has grown by 18.6% during the said period mainly arising from financing of small and medium-sized enterprises ("SMEs"), residential mortgages and financing of passenger vehicles. Total deposits from customers excluding deposits from PB(HK), had also grown by 18.8% or RM16.0 billion as compared to 30 September 2005 which partly contributed to the higher net interest income for the current period. The Group's net non-performing loans ratio ("NPL") improved to below 1.6% as at 30 September 2006 as compared to 1.8% as at 30 September 2005.

The Group's commercial bank, Public Bank, recorded a pre-tax profit of RM1,651.0 million for the nine months ended 30 September 2006 and was 33.2% higher than the pre-tax profit of RM1,239.6 million achieved in the previous corresponding period. This was mainly due to higher net interest income including income from Islamic Banking operations and higher dividend income from subsidiaries, partially offset by higher other operating expenses and higher loan loss allowance as a result of higher general allowance and the adoption of 20% specific allowance on all non-performing loans which are less than 6 months in arrears.

The overseas operations of the Group recorded a 8.9% improvement in pre-tax profit to RM240.7 million from the previous corresponding period. This was mainly due to loans growth achieved during the period coupled with the acquisition of PB(HK).

For the 3rd quarter ended 30 September 2006, the Group registered a pre-tax profit of RM601.4 million, an improvement of RM101.1 million or 20.2% as compared to the previous corresponding quarter. This was achieved on the back of strong loans growth in financing SMEs, vehicle hire purchase financing and residential mortgages. Earnings attributable to equity holders of the parent grew by 24.3% or RM84.5 million for the same period.

B2. Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM601.4 million for the 3rd quarter ended 30 September 2006 was RM8.3 million or 1.4% lower compared to the preceding quarter ended 30 June 2006. Net profit attributable to equity holders of the parent decreased by RM20.3 million or 4.5% over the preceding quarter ended 30 June 2006. The decrease was mainly due to a gain on disposal of shares in a subsidiary of RM22.1 million in the preceding quarter coupled with an additional specific allowance of RM12.2 million made during the 3rd quarter resulting from the adoption of 20% specific allowance on all non-performing loans which are less than 6 months in arrears. Excluding these one-off effects, the pre-tax profit had grown by RM26.0 million or 4.4% due to a growth in net interest income and income from Islamic Banking operations by RM26.2 million and other operating income by RM8.0 million, partially offset by a higher operating expenses by RM7.2 million.

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B3. Prospects for 2006

The Malaysian economy is expected to maintain its growth momentum in 2006 despite the increasing challenges of high oil prices, wide global imbalances and high global interest rates. The employment conditions are also projected to remain healthy. Public Bank Group will continue to pursue its strategy of high organic growth by building on the momentum of strong loan growth in recent years and its focus on consumer financing and retail commercial lending to SMEs, whilst keeping stringently to the uncompromising prudent credit standards and practices of the Group. The Group will also further leverage on its strategic domestic network of 241 branches, its online channels and strong *PB* brand to continue building on the momentum of its strong loan and deposit growth. The recent acquisition of PB(HK) has provided the Group with the opportunity for an immediate expansion of its banking business in Hong Kong, as well as an immediate entry to the banking business in Greater China. Barring any unforeseen circumstances, the Group's and the Bank's performance are expected to continue to record satisfactory performance in 2006.

B4. Profit Forecast or Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Bank.

B5. Tax Expense and Zakat

The analysis of the tax expense for the 3rd quarter and nine months ended 30 September 2006 are as follows:

<u>Group</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Malaysian income tax	149,758	130,098	420,220	364,769
Overseas income tax	15,451	12,654	41,741	38,417
	165,209	142,752	461,961	403,186
(Over)/Under provision in prior period				
- Malaysian income tax	894	-	894	(1,294)
- Overseas income tax	-	-	(37)	4
	166,103	142,752	462,818	401,896
Share of tax expense in associated companies	541	509	1,412	1,259
	166,644	143,261	464,230	403,155
Deferred tax expense				
- Origination and reversal of temporary differences	(11,394)	(10,588)	(33,558)	(20,463)
Tax expense	155,250	132,673	430,672	382,692
Zakat	119	36	157	112
	155,369	132,709	430,829	382,804

The Group's effective tax rate for the 3rd quarter and nine months ended 30 September 2006 are lower than the statutory tax rate due to the effects of lower tax rates in other jurisdictions.

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B5. Tax Expense and Zakat (Contd.)

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2006 RM'000	30 September 2005 RM'000	30 September 2006 RM'000	30 September 2005 RM'000
Malaysian income tax	226,200	122,539	459,998	360,491
Overseas income tax	836	291	1,394	485
	227,036	122,830	461,392	360,976
Deferred tax expense				
- Origination and reversal of temporary differences	(13,070)	(10,699)	(36,560)	(22,631)
Tax expense	213,966	112,131	424,832	338,345
Zakat	119	36	157	112
	214,085	112,167	424,989	338,457

The Bank's effective tax rate for the 3rd quarter and nine months ended 30 September 2006 are lower than the statutory tax rate due to certain income not subject to tax.

B6. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the 3rd quarter and nine months ended 30 September 2006 other than in the ordinary course of business.

B7. Quoted Securities

Financial institutions are exempted from the disclosure requirements relating to quoted securities.

B8. Status of Corporate Proposals Announced but Not Completed

There were no corporate proposals announced but not completed as at 30 September 2006.

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B9. Deposits and Placements of Customers and Financial Institutions and Debt Securities

	Group		Bank	
	30 September 2006 RM'000	31 December 2005 RM'000	30 September 2006 RM'000	31 December 2005 RM'000
Deposits from customers				
- Fixed deposits				
One year or less	52,718,711	43,090,941	45,517,226	41,629,656
More than one year	193,342	118,499	176,597	117,881
- Negotiable instruments of deposits				
One year or less	28,697,286	18,000,115	28,111,473	17,774,210
More than one year	319,087	492,061	271,776	492,061
- Savings deposits	14,168,596	12,566,703	13,033,020	12,367,962
- Demand deposits	11,037,485	9,566,341	10,625,492	9,531,145
- Others	358,989	294,981	352,357	292,267
	<u>107,493,496</u>	<u>84,129,641</u>	<u>98,087,941</u>	<u>82,205,182</u>
Deposits and placements of banks and other financial institutions				
One year or less	<u>8,113,273</u>	<u>7,680,690</u>	<u>6,996,471</u>	<u>6,783,600</u>
Borrowings denominated in HKD (unsecured)				
- Term loan				
More than one year	<u>710,104</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subordinated notes denominated in USD (unsecured)				
- More than one year	<u>2,676,525</u>	<u>2,757,622</u>	<u>2,676,525</u>	<u>2,757,622</u>
Hybrid capital denominated in USD (unsecured)				
- More than one year	<u>745,786</u>	<u>-</u>	<u>745,786</u>	<u>-</u>

B10. Off-Balance Sheet Financial Instruments

Please refer to note A26.

B11. Changes in Material Litigation

The Group and the Bank do not have any material litigation which would materially and adversely affect the financial position of the Group and the Bank.

B12. Proposed Dividends

No dividend has been proposed or declared for 3rd quarter ended 30 September 2006.

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B13. Earnings Per Share (EPS)

Basic

The calculation of the basic earnings per share is based on the net profit attributable to the equity holders of the parent for the 3rd quarter and nine months ended 30 September 2006 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 3rd quarter and nine months ended 30 September 2006 excluding the weighted average treasury shares held by the Bank.

	3rd Quarter Ended		Nine Months Ended	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
Net profit attributable to equity holders of the parent (RM'000)	<u>432,410</u>	<u>347,864</u>	<u>1,271,698</u>	<u>1,059,147</u>
Weighted average number of PBB Shares ('000)	<u>3,316,486</u>	<u>3,281,858</u>	<u>3,308,603</u>	<u>3,275,370</u>
Basic earnings per share (sen)	<u>13.0</u>	<u>10.6</u>	<u>38.4</u>	<u>32.3</u>

Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to the equity holders of the parent for the 3rd quarter and nine months ended 30 September 2006 divided by the adjusted weighted average number of PBB Shares of RM1.00 each in issue and issuable under the exercise of share options granted under the Public Bank Berhad Employees' Share Option Scheme.

	3rd Quarter Ended		Nine Months Ended	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
Weighted average number of PBB Shares ('000)	<u>3,316,486</u>	<u>3,281,858</u>	<u>3,308,603</u>	<u>3,275,370</u>
Effects of share options ('000)	<u>18,727</u>	<u>37,774</u>	<u>25,258</u>	<u>32,308</u>
Adjusted weighted average number of PBB shares in issue or issuable ('000)	<u>3,335,213</u>	<u>3,319,632</u>	<u>3,333,861</u>	<u>3,307,678</u>
Diluted earnings per share (sen)	<u>13.0</u>	<u>10.5</u>	<u>38.1</u>	<u>32.0</u>