

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED BALANCE SHEETS AS AT 30 SEPTEMBER 2008**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<b>ASSETS</b>				
Cash and short-term funds	27,577,858	35,548,788	26,467,166	32,606,147
Deposits and placements with banks and other financial institutions	860,075	2,683,773	2,662,254	3,069,166
Securities purchased under resale agreements	15,051,416	12,723,490	14,348,913	12,006,597
Securities held-for-trading	7,724,263	8,061,927	7,584,353	8,051,599
Securities available-for-sale	4,994,887	4,081,321	4,478,535	3,648,862
Securities held-to-maturity	9,941,007	3,872,395	8,336,301	1,688,005
Loans, advances and financing	115,903,331	99,327,993	103,232,877	89,805,707
Derivative financial assets	197,364	112,249	190,599	110,900
Other assets	1,398,846	1,812,188	1,170,169	1,309,416
Statutory deposits with Central Banks	3,228,539	2,373,927	2,800,600	2,272,000
Deferred tax assets	381,362	321,762	343,584	276,975
Investment in subsidiary companies	-	-	2,560,891	2,353,761
Investment in associated companies	88,758	46,318	63,045	28,465
Investment properties	65,209	54,390	-	-
Prepaid land lease payments	268,155	259,561	16	17
Property and equipment	991,128	864,809	641,617	548,090
Intangible assets	2,057,590	2,010,296	695,393	695,393
<b>TOTAL ASSETS</b>	<b>190,729,788</b>	<b>174,155,187</b>	<b>175,576,313</b>	<b>158,471,100</b>
<b>LIABILITIES</b>				
Deposits from customers	155,817,763	138,764,571	142,506,386	126,424,828
Deposits and placements of banks and other financial institutions	7,464,580	10,438,118	8,345,592	9,346,834
Obligations on securities sold under repurchase agreements	-	2,279	-	2,279
Bills and acceptances payable	3,195,536	3,452,296	3,195,536	3,452,296
Recourse obligations on loans sold to Cagamas	4,537,323	3,956,404	4,537,323	3,956,404
Derivative financial liabilities	376,103	153,186	358,581	147,084
Other liabilities	2,289,638	2,347,682	1,545,461	1,199,506
Borrowings	883,043	349,730	-	-
Subordinated notes	3,952,496	2,468,571	3,972,592	2,468,571
Hybrid capital securities	1,886,195	1,855,854	1,886,195	1,855,854
Provision for tax expense and zakat	413,517	365,871	298,502	266,829
Deferred tax liabilities	25,700	22,202	-	-
<b>TOTAL LIABILITIES</b>	<b>180,841,894</b>	<b>164,176,764</b>	<b>166,646,168</b>	<b>149,120,485</b>

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	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<b>EQUITY</b>				
Share capital	3,531,926	3,527,891	3,531,926	3,527,891
Reserves	6,924,136	7,088,180	6,672,331	7,096,621
Treasury shares	<u>(1,274,112)</u>	<u>(1,273,897)</u>	<u>(1,274,112)</u>	<u>(1,273,897)</u>
<b>Equity attributable to equity holders of the Bank</b>	<b>9,181,950</b>	9,342,174	<b>8,930,145</b>	9,350,615
Minority interests	<u>705,944</u>	<u>636,249</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>	<b><u>9,887,894</u></b>	<u>9,978,423</u>	<b><u>8,930,145</u></b>	<u>9,350,615</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>190,729,788</u></b>	<u>174,155,187</u>	<b><u>175,576,313</u></b>	<u>158,471,100</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b><u>56,995,267</u></b>	<u>40,807,470</u>	<b><u>51,179,923</u></b>	<u>36,690,143</u>
<b>CAPITAL ADEQUACY</b>				
Core Capital Ratio	7.4%	7.6% *	9.2%	9.5% *
Risk-Weighted Capital Ratio	<u>13.2%</u>	<u>12.4% *</u>	<u>12.9%</u>	<u>11.9% *</u>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b><u>2.74</u></b>	<u>2.79</u>	<b><u>2.66</u></b>	<u>2.79</u>

\* After deducting proposed dividend.

**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2008**

<b>Group</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2008 RM'000</b>	<b>30 September 2007 RM'000</b>	<b>30 September 2008 RM'000</b>	<b>30 September 2007 RM'000</b>
Operating revenue	<b>2,791,159</b>	2,414,474	<b>7,942,750</b>	6,984,520
Interest income	<b>2,141,691</b>	1,883,510	<b>6,171,955</b>	5,488,910
Interest expense	<b>(1,181,635)</b>	(1,057,703)	<b>(3,396,515)</b>	(3,116,714)
Net interest income	<b>960,056</b>	825,807	<b>2,775,440</b>	2,372,196
Net income from Islamic banking business				
Net financing income	<b>138,944</b>	122,723	<b>387,402</b>	344,089
Other Islamic banking income	<b>1,870</b>	3,500	<b>5,643</b>	6,972
	<b>1,100,870</b>	952,030	<b>3,168,485</b>	2,723,257
Other operating income	<b>269,246</b>	361,143	<b>1,140,287</b>	999,762
Net income	<b>1,370,116</b>	1,313,173	<b>4,308,772</b>	3,723,019
Other operating expenses	<b>(460,581)</b>	(422,457)	<b>(1,322,946)</b>	(1,235,542)
Operating profit	<b>909,535</b>	890,716	<b>2,985,826</b>	2,487,477
Allowance for losses on loans, advances and financing	<b>(106,924)</b>	(117,334)	<b>(398,363)</b>	(303,425)
- General allowances	<b>(50,758)</b>	(57,887)	<b>(193,504)</b>	(152,609)
- Other loan loss allowances	<b>(56,166)</b>	(59,447)	<b>(204,859)</b>	(150,816)
Impairment loss	<b>(1,196)</b>	(517)	<b>(31,969)</b>	(5,643)
	<b>801,415</b>	772,865	<b>2,555,494</b>	2,178,409
Share of profit after tax of equity accounted associated companies	<b>2,632</b>	1,559	<b>10,751</b>	4,028
Profit before tax expense and zakat	<b>804,047</b>	774,424	<b>2,566,245</b>	2,182,437
Tax expense and zakat	<b>(176,520)</b>	(211,485)	<b>(600,192)</b>	(588,494)
Profit for the period	<b>627,527</b>	562,939	<b>1,966,053</b>	1,593,943
Attributable to :				
Equity holders of the Bank	<b>616,340</b>	543,627	<b>1,927,262</b>	1,543,955
Minority interests	<b>11,187</b>	19,312	<b>38,791</b>	49,988
Profit for the period	<b>627,527</b>	562,939	<b>1,966,053</b>	1,593,943
Earnings per RM1.00 share:				
- basic (sen)	<b>18.4</b>	16.2	<b>57.4</b>	46.0
- diluted (sen)	<b>18.4</b>	16.2	<b>57.4</b>	45.7

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**UNAUDITED INCOME STATEMENTS**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2008**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b><u>Bank</u></b>				
Operating revenue	<b><u>2,275,926</u></b>	1,957,183	<b><u>6,586,897</u></b>	5,743,714
Interest income	<b>1,892,876</b>	1,603,013	<b>5,430,279</b>	4,726,014
Interest expense	<b><u>(1,092,377)</u></b>	<u>(914,439)</u>	<b><u>(3,106,646)</u></b>	<u>(2,746,460)</u>
Net interest income	<b>800,499</b>	688,574	<b>2,323,633</b>	1,979,554
Net income from Islamic banking business				
Net financing income	<b>138,944</b>	122,723	<b>387,402</b>	344,089
Other Islamic banking income	<b>1,870</b>	3,500	<b>5,643</b>	6,972
	<b><u>941,313</u></b>	<u>814,797</u>	<b><u>2,716,678</u></b>	<u>2,330,615</u>
Other operating income	<b>93,565</b>	166,032	<b>730,662</b>	667,522
Net income	<b>1,034,878</b>	980,829	<b>3,447,340</b>	2,998,137
Other operating expenses	<b><u>(352,929)</u></b>	<u>(290,898)</u>	<b><u>(984,910)</u></b>	<u>(887,334)</u>
Operating profit	<b>681,949</b>	689,931	<b>2,462,430</b>	2,110,803
Allowance for losses on loans, advances and financing	<b>(77,128)</b>	(91,240)	<b>(331,960)</b>	(239,096)
- General allowances	<b>(50,199)</b>	(53,212)	<b>(204,701)</b>	(149,545)
- Other loan loss allowances	<b>(26,929)</b>	(38,028)	<b>(127,259)</b>	(89,551)
Impairment loss	<b>(843)</b>	(517)	<b>(1,032)</b>	(5,643)
Profit before tax expense and zakat	<b>603,978</b>	598,174	<b>2,129,438</b>	1,866,064
Tax expense and zakat	<b><u>(136,224)</u></b>	<u>(172,787)</u>	<b><u>(510,670)</u></b>	<u>(506,573)</u>
Net profit for the period	<b><u>467,754</u></b>	<u>425,387</u>	<b><u>1,618,768</u></b>	<u>1,359,491</u>

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2008**

<u>Group</u>	<----- Attributable to Equity Holders of the Bank ----->								
	Non-distributable			Distributable		Treasury Shares	Total Shareholders' Equity	Minority Interests	Total Equity
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Reserves				
<b>At 1 January 2008</b>	3,527,891	2,112,204	3,613,724	1,362,252	(1,273,897)	9,342,174	636,249	9,978,423	
Currency translation differences in respect of foreign operations	-	-	120,426	-	-	120,426	31,151	151,577	
Currency translation differences in respect of net investment hedge	-	-	(119,047)	-	-	(119,047)	-	(119,047)	
Unrealised net loss on revaluation of securities available-for-sale	-	-	(128,567)	-	-	(128,567)	(2,859)	(131,426)	
Unrealised net gain on cash flow hedge	-	-	1,769	-	-	1,769	-	1,769	
Net expense recognised directly in equity	-	-	(125,419)	-	-	(125,419)	28,292	(97,127)	
Net profit for the period	-	-	-	1,927,262	-	1,927,262	38,791	1,966,053	
Total recognised (expense) / income for the period	-	-	(125,419)	1,927,262	-	1,801,843	67,083	1,868,926	
Issue of shares pursuant to the exercise of share options	4,035	20,295	-	-	-	24,330	-	24,330	
Buy-back of shares	-	-	-	-	(215)	(215)	-	(215)	
Minority interests' subscription of shares of a subsidiary (net)	-	-	-	-	-	-	9,105	9,105	
Transfer to statutory reserves	-	-	11,997	(11,997)	-	-	-	-	
Transfer to regulatory reserves	-	-	14,281	(14,281)	-	-	-	-	
Dividends paid	-	-	-	(1,986,182)	-	(1,986,182)	(6,493)	(1,992,675)	
<b>At 30 September 2008</b>	<b>3,531,926</b>	<b>2,132,499</b>	<b>3,514,583</b>	<b>1,277,054</b>	<b>(1,274,112)</b>	<b>9,181,950</b>	<b>705,944</b>	<b>9,887,894</b>	

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2008**

<u>Group</u>	<----- Attributable to Equity Holders of the Bank ----->								
	<b>Share Capital RM'000</b>	<b>Non-distributable Reserves</b>		<b>Distributable Reserves</b>		<b>Treasury Shares RM'000</b>	<b>Total Shareholders' Equity RM'000</b>	<b>Minority Interests RM'000</b>	<b>Total Equity RM'000</b>
		<b>Share Premium RM'000</b>	<b>Other Reserves RM'000</b>	<b>Retained Profits RM'000</b>	<b>Other Reserves RM'000</b>				
At 1 January 2007	3,462,825	1,782,081	3,308,738	1,265,156	(784,801)	9,033,999	628,310	9,662,309	
Currency translation differences in respect of foreign operations	-	-	(63,816)	-	-	(63,816)	(18,732)	(82,548)	
Currency translation differences in respect of net investment hedge	-	-	37,301	-	-	37,301	-	37,301	
Unrealised net loss on revaluation of securities available-for-sale	-	-	(10,303)	-	-	(10,303)	3,274	(7,029)	
Net expense recognised directly in equity	-	-	(36,818)	-	-	(36,818)	(15,458)	(52,276)	
Net profit for the period	-	-	-	1,543,955	-	1,543,955	49,988	1,593,943	
Total recognised (expense) / income for the period	-	-	(36,818)	1,543,955	-	1,507,137	34,530	1,541,667	
Issue of shares pursuant to the exercise of share options	56,300	285,400	-	-	-	341,700	-	341,700	
Buy-back of shares	-	-	-	-	(489,096)	(489,096)	-	(489,096)	
Transfer to statutory reserves	-	-	233,526	(233,526)	-	-	-	-	
Dividends paid	-	-	-	(1,594,608)	-	(1,594,608)	(6,374)	(1,600,982)	
At 30 September 2007	<u>3,519,125</u>	<u>2,067,481</u>	<u>3,505,446</u>	<u>980,977</u>	<u>(1,273,897)</u>	<u>8,799,132</u>	<u>656,466</u>	<u>9,455,598</u>	

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2008**

<u>Bank</u>	<----- Attributable to Equity Holders of the Bank ----->					
	Non-distributable			Distributable		Total RM'000
	Share Capital RM'000	<u>Reserves</u>		<u>Reserves</u>		
Share Premium RM'000		Other Reserves RM'000	Retained Profits RM'000	-		
<b>At 1 January 2008</b>	3,527,891	2,112,204	3,504,479	1,479,938	(1,273,897)	9,350,615
Unrealised net loss on revaluation of securities available-for-sale	-	-	(78,940)	-	-	(78,940)
Unrealised net gain on cash flow hedge	-	-	1,769	-	-	1,769
Net loss recognised directly in equity	-	-	(77,171)	-	-	(77,171)
Net profit for the period	-	-	-	1,618,768	-	1,618,768
Total recognised (expense) / income for the period	-	-	(77,171)	1,618,768	-	1,541,597
Issue of shares pursuant to the exercise of share options	4,035	20,295	-	-	-	24,330
Buy-back of shares	-	-	-	-	(215)	(215)
Transfer to statutory reserves	-	-	4,035	(4,035)	-	-
Dividends paid	-	-	-	(1,986,182)	-	(1,986,182)
<b>At 30 September 2008</b>	<u>3,531,926</u>	<u>2,132,499</u>	<u>3,431,343</u>	<u>1,108,489</u>	<u>(1,274,112)</u>	<u>8,930,145</u>

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**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2008**

<b><u>Bank</u></b>	<----- Attributable to Equity Holders of the Bank ----->					
	Non-distributable			Distributable		Total RM'000
	Share Capital RM'000	<u>Reserves</u>		<u>Reserves</u>		
	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000		
At 1 January 2007	3,462,825	1,782,081	3,183,133	1,327,089	(784,801)	8,970,327
Unrealised net loss on revaluation of securities available-for-sale	-	-	(12,129)	-	-	(12,129)
Net loss recognised directly in equity	-	-	(12,129)	-	-	(12,129)
Net profit for the period	-	-	-	1,359,491	-	1,359,491
Total recognised income for the period	-	-	(12,129)	1,359,491	-	1,347,362
Issue of shares pursuant to the exercise of share options	56,300	285,400	-	-	-	341,700
Buy-back of shares	-	-	-	-	(489,096)	(489,096)
Transfer to statutory reserves	-	-	233,526	(233,526)	-	-
Dividends paid	-	-	-	(1,594,608)	-	(1,594,608)
At 30 September 2007	<u>3,519,125</u>	<u>2,067,481</u>	<u>3,404,530</u>	<u>858,446</u>	<u>(1,273,897)</u>	<u>8,575,685</u>

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2008**

	Group		Bank	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
Profit before tax expense and zakat	2,566,245	2,182,437	2,129,438	1,866,064
Adjustments for non-cash items	<u>717,775</u>	<u>317,247</u>	<u>396,548</u>	<u>146,040</u>
Operating profit before changes in working capital	<b>3,284,020</b>	2,499,684	<b>2,525,986</b>	2,012,104
Changes in working capital:				
Net changes in operating assets	(17,721,381)	(10,324,174)	(15,734,285)	(8,346,490)
Net changes in operating liabilities	14,293,710	18,308,098	15,859,755	15,315,239
Tax expense and zakat paid	<u>(579,986)</u>	<u>(468,648)</u>	<u>(516,921)</u>	<u>(416,403)</u>
Net cash (used in) / generated from operating activities	(723,637)	10,014,960	2,134,535	8,564,450
Net cash used in investing activities	(7,341,538)	(987,631)	(7,709,063)	(1,194,705)
Net cash used in financing activities	(48,624)	(2,027,513)	(564,453)	(1,743,834)
Net change in cash and cash equivalents	<u>(8,113,799)</u>	<u>6,999,816</u>	<u>(6,138,981)</u>	<u>5,625,911</u>
Cash and cash equivalents at beginning of the period	35,548,788	24,380,630	32,606,147	22,890,702
Exchange differences on translation of opening balances	142,869	(49,447)	-	-
Cash and cash equivalents at end of the period	<u><u>27,577,858</u></u>	<u><u>31,330,999</u></u>	<u><u>26,467,166</u></u>	<u><u>28,516,613</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 interim financial statements for the 3rd quarter and nine months ended 30 September 2008 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 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 interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2007. 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 2007.

The unaudited interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2007.

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

The allowance for bad and doubtful debts and financing are computed in conformity with BNM/GP3. Consistent with previous years, the Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date with a 20% specific allowance.

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.

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**A1. Basis of Preparation** (Continued)

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 2007 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 2008.

**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 nine months ended 30 September 2008.

**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 nine months ended 30 September 2008.

**A6. Debt and Equity Securities**

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

**(a) Issuance of Shares**

During the nine months ended 30 September 2008, the issued and paid-up share capital of the Bank was increased from 3,527,891,383 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,531,925,834 PBB Shares by the issuance of 4,034,451 PBB Shares pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS") at the following option prices:

<u>Number of PBB Shares issued:</u>	<u>Option price per share:</u>
2,121	RM 1.64
4,925	RM 3.40
110,174	RM 3.56
137,262	RM 4.60
50,000	RM 4.92
1,028,800	RM 5.67
2,701,169	RM 6.37

The PBB ESOS had expired on 25 February 2008.

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**A6. Debt and Equity Securities** (Continued)

**(b) Share Buy-back**

On 26 February 2008, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the nine months ended 30 September 2008, the Bank bought back from the open market, 20,000 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 RM10.70 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the nine months ended 30 September 2008, including transaction costs, was RM214,760 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 2008, the total shares bought back, all of which are held as treasury shares, amounted to 176,296,800 PBB Shares. None of the treasury shares held were resold or cancelled during the nine months ended 30 September 2008.

**(c) Subordinated Notes**

On 16 May 2008, the Bank issued RM1.4 billion in aggregate principal amount of Subordinated Notes ("the Notes") due in 2018 and callable with step-up in 2013. The Notes bear interest at the rate of 4.73% per annum from (and including) 16 May 2008 to (but excluding) 16 May 2013 and thereafter, at a rate of 5.73% per annum from (and including) 16 May 2013 up to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest is payable semi-annually in arrears on 16 May and 16 November each year commencing on 16 November 2008. The Notes were issued at par. The Notes will, subject to the prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer qualify as Tier 2 capital for the purposes of BNM's capital adequacy requirements or on 16 May 2013 or at any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable). The Notes constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities, excluding all present and future unsecured and subordinated obligations of the Bank in accordance with the terms and conditions of the Notes.

**A7. Dividends Paid**

During the nine months ended 30 September 2008, the final dividend of 40%, less 26% tax and the special dividend of 10%, less 26% tax in respect of the financial year ended 31 December 2007, amounting to RM1,241,230,512 was paid on 10 March 2008.

An interim dividend of 30%, less 26% tax in respect of the financial year ending 31 December 2008, amounting to RM744,951,875 was paid on 13 August 2008.

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**A8. Securities Held-for-trading**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<b>At fair value</b>				
Malaysian Government Treasury Bills	-	25,695	-	25,695
Malaysian Government Securities	<b>90,379</b>	-	<b>90,379</b>	-
Cagamas bonds	<b>4,531,361</b>	4,188,824	<b>4,531,361</b>	4,188,824
Negotiable instruments of deposit	<b>2,058,751</b>	3,702,506	<b>2,058,751</b>	3,702,506
Bank Negara Malaysia Monetary Notes	<b>837,288</b>	92,756	<b>837,288</b>	92,756
Bank Negara Malaysia Bills	<b>94,454</b>	-	-	-
	<u><b>7,612,233</b></u>	<u>8,009,781</u>	<u><b>7,517,779</b></u>	<u>8,009,781</u>
Quoted securities:				
Shares in Malaysia	<b>998</b>	1,793	<b>998</b>	1,793
Trust units outside Malaysia	-	5,198	-	-
	<u><b>998</b></u>	<u>6,991</u>	<u><b>998</b></u>	<u>1,793</u>
Unquoted securities:				
Private debt securities in Malaysia	<b>111,032</b>	45,155	<b>65,576</b>	40,025
	<u><b>111,032</b></u>	<u>45,155</u>	<u><b>65,576</b></u>	<u>40,025</u>
Total securities held-for-trading	<u><u><b>7,724,263</b></u></u>	<u><u>8,061,927</u></u>	<u><u><b>7,584,353</b></u></u>	<u><u>8,051,599</u></u>

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**A9. Securities Available-for-sale**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<b>At fair value</b>				
Negotiable instruments of deposit	209,426	-	455,051	-
	<u>209,426</u>	<u>-</u>	<u>455,051</u>	<u>-</u>
Quoted securities:				
Shares and convertible loan stocks in Malaysia	51,884	39,109	47,508	39,109
Shares outside Malaysia	16,395	33,653	-	-
Trust units in Malaysia				
- Public Institutional Bond Fund	1,231,658	1,218,730	1,128,225	1,116,383
- Others	251,202	100,392	251,133	100,303
	<u>1,551,139</u>	<u>1,391,884</u>	<u>1,426,866</u>	<u>1,255,795</u>
Unquoted securities:				
Shares in Malaysia	20,607	19,668	20,037	19,098
Shares outside Malaysia	3,235	3,003	229	119
Private debt securities in Malaysia	3,210,480	2,666,766	2,576,352	2,373,850
	<u>3,234,322</u>	<u>2,689,437</u>	<u>2,596,618</u>	<u>2,393,067</u>
Total securities available-for-sale	<u><u>4,994,887</u></u>	<u><u>4,081,321</u></u>	<u><u>4,478,535</u></u>	<u><u>3,648,862</u></u>

**A10. Securities Held-to-maturity**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<b>At amortised cost</b>				
Money market instruments:				
Malaysian Government Treasury Bills	44,153	58,554	44,153	58,554
Malaysian Government Securities	2,510,167	128,745	2,510,167	128,745
Malaysian Government Investment Certificates	348,462	231,613	348,462	231,613
Bankers' acceptances and Islamic accepted bills	321,479	500,021	-	-
Cagamas bonds	15,010	-	15,010	-
Cagamas Mudharabah bonds	-	1,371	-	1,371
Negotiable instruments of deposit	5,055,582	577,836	4,733,012	60,983
Bank Negara Malaysia Monetary Notes	468,161	1,039,568	468,161	1,039,568
Bank Negara Malaysia Bills	-	29,853	-	-
Hong Kong Government Treasury Bills	141,046	126,104	-	-
Sri Lanka Government Treasury Bills	17,688	7,993	17,688	7,993
	<u>8,921,748</u>	<u>2,701,658</u>	<u>8,136,653</u>	<u>1,528,827</u>
Quoted securities:				
Private debt securities outside Malaysia	8,833	8,472	-	-
	<u>8,833</u>	<u>8,472</u>	<u>-</u>	<u>-</u>
Unquoted securities:				
Shares in Malaysia	88,021	87,499	87,578	87,201
Private debt securities in Malaysia	126,047	86,325	126,037	86,315
Private debt securities outside Malaysia	810,325	1,006,933	-	-
	<u>1,024,393</u>	<u>1,180,757</u>	<u>213,615</u>	<u>173,516</u>
Accumulated impairment losses	(13,967)	(18,492)	(13,967)	(14,338)
Total securities held-to-maturity	<u><u>9,941,007</u></u>	<u><u>3,872,395</u></u>	<u><u>8,336,301</u></u>	<u><u>1,688,005</u></u>

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**A11. Loans, Advances and Financing**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Overdrafts	9,352,103	8,815,494	8,027,651	7,943,843
Term loans				
- Housing loans / financing	31,576,920	27,661,139	29,020,677	25,795,082
- Syndicated term loan / financing	2,112,185	1,323,723	1,129,292	585,536
- Hire purchase receivables	33,014,167	29,601,425	31,451,532	28,382,885
- Other term loans / financing	38,952,211	31,039,123	32,785,175	26,311,247
Credit card receivables	965,266	944,308	956,722	936,974
Bills receivables	145,629	171,365	95,741	100,048
Trust receipts	508,983	442,169	376,470	343,691
Claims on customers under acceptance credits	3,157,349	2,568,945	3,137,216	2,539,170
Lease, factored and confirming receivables	1,581	22,020	-	-
Revolving credits	3,594,012	3,537,039	3,604,691	3,542,341
*Staff loans	662,949	648,133	622,868	604,957
	<u>124,043,355</u>	<u>106,774,883</u>	<u>111,208,035</u>	<u>97,085,774</u>
Unearned interest and income	<u>(5,883,123)</u>	<u>(5,359,964)</u>	<u>(5,880,778)</u>	<u>(5,359,347)</u>
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	118,160,232	101,414,919	105,327,257	91,726,427
Islamic house financing sold to Cagamas	<u>(400,017)</u>	<u>(410,003)</u>	<u>(400,017)</u>	<u>(410,003)</u>
Gross loans, advances and financing (excluding Islamic house financing sold to Cagamas)	117,760,215	101,004,916	104,927,240	91,316,424
Allowance for bad and doubtful debts and financing:				
- general	(1,719,641)	(1,522,964)	(1,579,226)	(1,374,846)
- specific	(137,243)	(153,959)	(115,137)	(135,871)
Net loans, advances and financing	<u>115,903,331</u>	<u>99,327,993</u>	<u>103,232,877</u>	<u>89,805,707</u>

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM1,838,944 (2007: RM2,247,572) and RM1,029,697 (2007 - RM1,373,922) respectively.

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**A11. Loans, Advances and Financing** (continued)

**A11a. By type of customer**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Domestic non-bank financial institutions				
- Stock-broking companies	2,010	2,010	2,010	2,010
- Others	3,581,054	2,196,329	3,560,478	2,181,319
Domestic business enterprises				
- Small and medium enterprises	20,633,339	19,270,067	20,521,326	19,161,679
- Others	12,600,110	9,192,084	12,652,439	9,184,871
Government and statutory bodies	818	703	818	703
Individuals	66,698,148	59,614,801	66,666,108	59,579,440
Other domestic entities	37,372	50,616	37,372	50,616
Foreign entities	14,607,381	11,088,309	1,886,706	1,565,789
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	118,160,232	101,414,919	105,327,257	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	<u>117,760,215</u>	<u>101,004,916</u>	<u>104,927,240</u>	<u>91,316,424</u>

**A11b. By interest / profit rate sensitivity**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Fixed rate				
- Housing loans / financing	4,474,021	4,160,813	4,454,134	4,146,421
- Hire purchase receivables	27,870,141	25,117,733	27,527,735	24,852,968
- Other fixed rate loans / financing	12,411,972	12,598,679	8,608,380	9,865,834
Variable rate				
- Base lending rate plus	54,557,948	48,175,532	54,522,331	48,154,822
- Cost plus	9,589,108	3,551,075	9,181,953	3,565,312
- Other variable rates	9,257,042	7,811,087	1,032,724	1,141,070
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	118,160,232	101,414,919	105,327,257	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	<u>117,760,215</u>	<u>101,004,916</u>	<u>104,927,240</u>	<u>91,316,424</u>

**A11c. Gross loans, advances and financing by economic purpose**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Purchase of securities	2,188,894	518,412	2,170,086	503,696
Purchase of transport vehicles	29,135,687	26,128,719	27,612,006	24,916,702
Purchase of landed properties	53,139,985	45,165,708	48,293,294	41,725,519
(of which: - residential	30,748,598	26,654,819	28,155,533	24,748,931
- non-residential)	22,391,387	18,510,889	20,137,761	16,976,588
Purchase of fixed assets (excluding landed properties)	268,611	232,203	268,592	231,981
Personal use	7,246,522	6,327,245	5,415,872	4,780,760
Credit card	965,266	944,308	956,722	936,974
Purchase of consumer durables	30,641	30,529	30,641	30,529
Construction	1,265,331	720,719	732,023	195,874
Mergers & Acquisitions	10,403	10,979	10,403	10,979
Working capital	19,110,281	17,174,645	15,066,035	14,233,933
Other purpose	4,798,611	4,161,452	4,771,583	4,159,480
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	118,160,232	101,414,919	105,327,257	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	<u>117,760,215</u>	<u>101,004,916</u>	<u>104,927,240</u>	<u>91,316,424</u>



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**A11. Loans, Advances and Financing** (continued)

**A11c. Gross loans, advances and financing by sectors**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Agriculture, hunting, forestry and fishing	1,636,426	1,136,294	1,544,595	1,081,634
Mining and quarrying	90,872	98,160	90,261	80,913
Manufacturing	5,734,704	5,085,443	5,489,739	4,962,254
Electricity, gas and water	40,689	64,883	36,647	36,008
Construction	4,844,860	4,441,394	4,377,707	3,984,639
Wholesale & retail trade and restaurants & hotels	11,277,823	9,659,509	10,518,845	9,245,876
Transport, storage and communication	1,612,017	1,490,088	1,610,849	1,473,806
Finance, insurance and business services	7,058,993	5,023,632	6,473,920	4,509,446
Real estate	7,096,240	5,408,706	6,873,339	5,232,575
Community, social and personal services	894,521	815,434	894,521	815,434
Households	75,269,518	66,247,380	67,104,095	60,011,333
(of which: - purchase of residential properties	30,145,454	26,195,108	27,552,389	24,289,220
- purchase of transport vehicles	24,280,979	21,770,900	22,710,956	20,558,679
- others)	20,843,085	18,281,372	16,840,750	15,163,434
Others	2,603,569	1,943,996	312,739	292,509
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	118,160,232	101,414,919	105,327,257	91,726,427
Less: Islamic house financing sold to Cagamas	(400,017)	(410,003)	(400,017)	(410,003)
	117,760,215	101,004,916	104,927,240	91,316,424

**A11d. Non-performing loans by economic purpose**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Purchase of securities	5,164	7,265	5,164	7,265
Purchase of transport vehicles	186,127	230,398	180,253	227,287
Purchase of landed properties	622,982	771,764	621,405	761,765
(of which: - residential	529,043	647,805	527,466	645,403
- non-residential)	93,939	123,959	93,939	116,362
Purchase of fixed assets (excluding landed properties)	951	1,938	944	1,914
Personal use	112,828	116,345	81,316	86,480
Credit card	11,826	15,253	11,826	15,253
Purchase of consumer durables	215	888	215	888
Construction	405	-	405	-
Working capital	214,583	232,489	179,320	213,098
Other purpose	11,672	27,420	11,672	27,420
	1,166,753	1,403,760	1,092,520	1,341,370

Non-performing loans by sectors

Agriculture, hunting, forestry and fishing	2,815	3,283	2,814	3,283
Mining and quarrying	159	127	159	127
Manufacturing	70,453	96,291	70,448	96,272
Electricity, gas and water	676	92	676	92
Construction	52,748	53,997	52,748	53,997
Wholesale & retail trade and restaurants & hotels	88,767	117,030	80,778	117,030
Transport, storage and communication	5,560	8,189	5,559	8,184
Finance, insurance and business services	16,222	14,234	16,222	14,234
Real estate	19,120	22,355	19,120	22,355
Community, social and personal services	5,372	7,625	5,372	7,625
Households	876,048	1,060,219	837,085	1,017,244
(of which: - purchase of residential properties	523,633	643,271	522,056	640,869
- purchase of transport vehicles	160,943	196,900	155,069	193,789
- others)	191,472	220,048	159,960	182,586
Others	28,813	20,318	1,539	927
	1,166,753	1,403,760	1,092,520	1,341,370

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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 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
At 1 January	1,403,760	1,577,831	1,341,370	1,435,315
Non-performing during the period / year	1,646,004	2,583,593	1,516,196	2,468,728
Reclassified as performing	(1,428,712)	(2,176,984)	(1,428,708)	(2,176,804)
Recoveries	(72,178)	(91,631)	(72,161)	(83,491)
Amount written off	(347,458)	(453,719)	(226,875)	(275,697)
Loans converted to foreclosed properties / securities	(37,467)	(26,487)	(37,467)	(26,487)
Exchange differences	2,804	(8,843)	165	(194)
Closing balance	<u>1,166,753</u>	<u>1,403,760</u>	<u>1,092,520</u>	<u>1,341,370</u>
Specific allowance	<u>(137,243)</u>	<u>(153,959)</u>	<u>(115,137)</u>	<u>(135,871)</u>
Net non-performing loans, advances and financing	<u><u>1,029,510</u></u>	<u><u>1,249,801</u></u>	<u><u>977,383</u></u>	<u><u>1,205,499</u></u>
Net NPL as % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance	<u><u>0.87%</u></u>	<u><u>1.23%</u></u>	<u><u>0.93%</u></u>	<u><u>1.32%</u></u>

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

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<u>General Allowance</u>				
At 1 January	1,522,964	1,318,546	1,374,846	1,156,721
Allowance made during the period / year	193,504	210,302	204,701	218,687
Exchange differences	3,173	(5,884)	(321)	(562)
Closing balance	<u>1,719,641</u>	<u>1,522,964</u>	<u>1,579,226</u>	<u>1,374,846</u>
As % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance	<u><u>1.46%</u></u>	<u><u>1.50%</u></u>	<u><u>1.50%</u></u>	<u><u>1.50%</u></u>

The general allowance of the Group for the current financial period is below 1.50% due to the local regulatory requirements and applicable accounting standards of the Group's overseas subsidiaries in their respective jurisdictions. In addition to general allowance, the Group also maintains regulatory reserves in equity as an additional credit risk absorbent in accordance with the local regulatory requirement of certain overseas subsidiaries.

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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 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<u>Specific Allowance</u>				
At 1 January	153,959	258,320	135,871	170,564
Allowance made during the period / year	381,674	467,020	264,150	346,326
Amount written back in respect of recoveries	(58,440)	(107,563)	(58,421)	(104,974)
Amount written off	(347,458)	(453,719)	(226,875)	(275,697)
Amount transferred to accumulated impairment losses in value of foreclosed properties / securities	(215)	(237)	(215)	(237)
Exchange differences	7,723	(9,862)	627	(111)
Closing balance	<u>137,243</u>	<u>153,959</u>	<u>115,137</u>	<u>135,871</u>

**A12. Other Assets**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Deferred handling fees	168,676	151,847	168,676	151,847
Interest / Income receivable	76,815	105,569	57,755	81,442
Other debtors, deposits and prepayments	619,160	862,764	417,050	557,435
Manager's stocks	38,928	76,255	-	-
Amount due from trust funds	266,038	208,031	-	-
Foreclosed properties	125,402	105,880	125,288	105,766
Taxi licenses	9,644	10,724	-	-
Outstanding contracts on clients' accounts	94,183	291,118	-	-
Amount due from subsidiary companies	-	-	296,334	281,330
Dividend receivable from subsidiary companies	-	-	105,066	131,596
	<u>1,398,846</u>	<u>1,812,188</u>	<u>1,170,169</u>	<u>1,309,416</u>

**A13. Deposits from Customers**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
<u>By type of customer</u>				
Federal and state governments	1,705,542	1,869,627	1,705,542	1,869,627
Local government and statutory authorities	2,421,346	1,744,602	2,421,346	1,744,602
Business enterprises	37,632,730	33,022,180	37,603,100	32,748,956
Individuals	66,436,530	59,706,057	66,423,289	59,694,196
Foreign customers	13,333,380	12,889,139	2,307,813	2,319,849
Others	34,288,235	29,532,966	32,045,296	28,047,598
	<u>155,817,763</u>	<u>138,764,571</u>	<u>142,506,386</u>	<u>126,424,828</u>

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**A14. Deposits and Placements of Banks and Other Financial Institutions**

	Group		Bank	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
	RM'000	RM'000	RM'000	RM'000
Licensed banks / Islamic banks	1,244,428	4,216,021	1,160,516	3,552,180
Licensed investment banks	90,301	285,000	20,301	85,833
Bank Negara Malaysia	1,372,700	2,380,680	1,372,700	2,380,680
Other financial institutions	4,757,151	3,556,417	5,792,075	3,328,141
	<u>7,464,580</u>	<u>10,438,118</u>	<u>8,345,592</u>	<u>9,346,834</u>

**A15. Other Liabilities**

	Group		Bank	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
	RM'000	RM'000	RM'000	RM'000
Interest / income payable	818,128	794,437	750,620	739,717
Other creditors and accruals	1,244,242	1,130,519	783,048	462,058
Amount due to trust funds	142,672	70,616	-	-
Unprocessed sales and /or redemptions	21,390	86,023	-	-
Employee benefits	(66,026)	(34,956)	(65,005)	(34,274)
Profit Equalisation Reserves	32,885	12,725	32,885	12,725
Outstanding contracts on clients' accounts	88,974	284,459	-	-
Dividend payable to shareholders	7,373	3,859	7,373	3,859
Amount due to subsidiary companies	-	-	36,540	15,421
	<u>2,289,638</u>	<u>2,347,682</u>	<u>1,545,461</u>	<u>1,199,506</u>

**A16. Interest Income**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008	30 September 2007	30 September 2008	30 September 2007
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,544,313	1,346,013	4,445,796	3,868,996
- Recoveries from NPLs	20,193	24,473	62,079	69,867
Money at call and deposit placements with financial institutions	379,986	381,196	1,222,226	1,134,154
Securities held-for-trading	86,396	75,868	234,178	278,458
Securities available-for-sale	35,013	40,881	102,268	117,546
Securities held-to-maturity	88,409	41,328	152,249	107,035
Others	16,284	11,343	41,689	28,570
	<u>2,170,594</u>	<u>1,921,102</u>	<u>6,260,485</u>	<u>5,604,626</u>
Amortisation of premium less accretion of discount	(799)	(4,039)	(1,757)	(12,478)
Net interest / income suspended	(28,104)	(33,553)	(86,773)	(103,238)
	<u>2,141,691</u>	<u>1,883,510</u>	<u>6,171,955</u>	<u>5,488,910</u>

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**A16. Interest Income** (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008	30 September 2007	30 September 2008	30 September 2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,366,579	1,158,259	3,922,721	3,322,715
- Recoveries from NPLs	20,193	24,002	62,079	69,382
Money at call and deposit placements with financial institutions	342,762	325,989	1,111,729	1,013,304
Securities held-for-trading	80,496	70,502	210,319	269,774
Securities available-for-sale	28,578	36,228	84,650	103,879
Securities held-to-maturity	68,010	16,163	90,129	39,497
Others	16,283	11,333	41,674	28,550
	<u>1,922,901</u>	<u>1,642,476</u>	<u>5,523,301</u>	<u>4,847,101</u>
Amortisation of premium less accretion of discount	(1,921)	(5,910)	(6,249)	(17,849)
Net interest / income suspended	(28,104)	(33,553)	(86,773)	(103,238)
	<u>1,892,876</u>	<u>1,603,013</u>	<u>5,430,279</u>	<u>4,726,014</u>

**A17. Interest Expense**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008	30 September 2007	30 September 2008	30 September 2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	57,124	57,903	180,935	318,772
Deposits from customers	1,027,588	884,404	2,930,195	2,484,738
Loans sold to Cagamas	32,018	33,644	101,489	67,272
Subordinated notes	39,357	41,663	109,588	123,641
Hybrid Capital Securities	21,292	25,314	64,433	75,578
Borrowings	3,270	13,943	7,797	24,556
Others	986	832	2,078	22,157
	<u>1,181,635</u>	<u>1,057,703</u>	<u>3,396,515</u>	<u>3,116,714</u>

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008	30 September 2007	30 September 2008	30 September 2007
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	46,538	51,414	143,272	287,224
Deposits from customers	951,999	761,786	2,685,733	2,178,793
Loans sold to Cagamas	32,018	33,644	101,489	67,272
Subordinated notes	39,600	41,663	109,865	123,641
Hybrid Capital Securities	21,292	25,314	64,433	75,578
Others	930	618	1,854	13,952
	<u>1,092,377</u>	<u>914,439</u>	<u>3,106,646</u>	<u>2,746,460</u>

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**A18. Other Operating Income**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b>Group</b>				
(a) Fee income:				
Commissions	41,206	36,520	117,898	104,861
Service charges and fees	53,183	46,246	149,485	139,909
Guarantee fees	8,146	5,726	23,099	15,488
Processing fees	5,006	4,111	18,418	10,397
Commitment fees	12,197	10,128	35,068	28,924
Unit trust management fees	83,243	76,089	261,793	196,142
Fee on sale of trust units	14,435	46,402	58,974	132,597
Net brokerage and commissions from stockbroking activities	13,576	27,417	56,394	75,727
Other fee income	6,461	5,792	38,647	19,449
	<u>237,453</u>	<u>258,431</u>	<u>759,776</u>	<u>723,494</u>
(b) Net gain / (loss) arising from sale of securities:				
- held-for-trading	2,222	1,191	4,137	5,791
- available-for-sale	(784)	20,507	13,491	60,653
	<u>1,438</u>	<u>21,698</u>	<u>17,628</u>	<u>66,444</u>
(c) Gross dividend income from:				
Securities held-for-trading	32	75	69	194
Securities available-for-sale	10,311	16,883	30,552	47,824
Securities held-to-maturity	3,538	3,474	6,224	4,645
	<u>13,881</u>	<u>20,432</u>	<u>36,845</u>	<u>52,663</u>
(d) Unrealised gain / (loss) on revaluation of:				
- securities held-for-trading	1,094	(4,884)	4,308	303
- trading derivatives	(10,965)	6,090	(13,078)	6,091
	<u>(9,871)</u>	<u>1,206</u>	<u>(8,770)</u>	<u>6,394</u>
(e) Unrealised (loss) / gain on hedging derivatives	<u>(3,430)</u>	1,443	<u>(3,412)</u>	1,507
(f) Other income:				
Foreign exchange profit	27,972	50,605	122,745	130,670
Rental income from:				
- investment properties	1,351	1,056	3,765	3,044
- other properties	1,909	1,830	5,319	5,334
Net (loss) / gain on disposal of property and equipment	(1,727)	4,129	(1,501)	4,466
Net loss on disposal of foreclosed properties	(463)	(602)	(7,347)	(1,661)
Gain on revaluation of investment properties	97	-	7,881	547
Lease income and factoring charges	-	315	44	1,017
Others	636	600	207,314	5,843
	<u>29,775</u>	<u>57,933</u>	<u>338,220</u>	<u>149,260</u>
Total other operating income	<u>269,246</u>	<u>361,143</u>	<u>1,140,287</u>	<u>999,762</u>

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**A18. Other Operating Income** (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b>Bank</b>				
(a) Fee income:				
Commissions	43,536	43,331	127,983	130,982
Service charges and fees	36,976	31,577	102,343	96,484
Guarantee fees	6,511	5,301	18,989	13,916
Processing fees	355	781	848	1,483
Commitment fees	11,249	9,536	32,511	27,477
Other fee income	7,448	3,217	32,240	12,407
	<u>106,075</u>	<u>93,743</u>	<u>314,914</u>	<u>282,749</u>
(b) Net gain / (loss) arising from sale of securities:				
- held-for-trading	2,243	1,181	4,763	5,539
- available-for-sale	(784)	2,958	13,491	35,192
	<u>1,459</u>	<u>4,139</u>	<u>18,254</u>	<u>40,731</u>
(c) Gross dividend income from:				
Securities held-for-trading	32	75	69	194
Securities available-for-sale	9,355	12,904	27,349	36,662
Securities held-to-maturity	3,435	3,474	6,074	4,503
Associated companies	5,130	-	5,130	-
Subsidiary companies				
- quoted outside Malaysia	-	-	16,770	17,755
- unquoted in Malaysia	78,763	-	166,214	105,401
	<u>96,715</u>	<u>16,453</u>	<u>221,606</u>	<u>164,515</u>
(d) Unrealised gain / (loss) on revaluation of:				
- securities held-for-trading	1,077	(560)	4,310	279
- trading derivatives	(7,680)	(14,962)	(11,143)	(1,589)
	<u>(6,603)</u>	<u>(15,522)</u>	<u>(6,833)</u>	<u>(1,310)</u>
(e) Unrealised (loss) / gain on hedging derivatives	(2,481)	649	(2,622)	1,004
(f) Other income:				
Foreign exchange profit	(105,559)	63,131	155	170,297
Rental income from other properties	1,005	727	2,872	1,958
Net (loss) / gain on disposal of property and equipment	(1,722)	1,112	(1,474)	1,217
Net loss on disposal of foreclosed properties	(463)	(602)	(7,347)	(1,661)
Others	5,139	2,202	191,137	8,022
	<u>(101,600)</u>	<u>66,570</u>	<u>185,343</u>	<u>179,833</u>
Total other operating income	<u>93,565</u>	<u>166,032</u>	<u>730,662</u>	<u>667,522</u>

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**A19. Other Operating Expenses**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b>Group</b>				
Personnel costs				
- Salaries, allowances and bonuses	233,585	202,244	653,210	594,216
- Pension costs	17,436	20,102	47,027	60,958
- Others	22,285	16,187	60,622	47,299
	<u>273,306</u>	<u>238,533</u>	<u>760,859</u>	<u>702,473</u>
Establishment costs				
- Depreciation and amortisation	31,476	26,786	85,820	78,909
- Rental	15,968	14,285	45,413	41,045
- Insurance	3,969	3,633	11,908	12,767
- Water and electricity	8,866	7,069	23,074	19,993
- General repairs and maintenance	17,018	13,557	50,305	43,563
- Information technology expenses	5,707	4,758	16,923	13,842
- Others	7,358	8,191	23,059	24,467
	<u>90,362</u>	<u>78,279</u>	<u>256,502</u>	<u>234,586</u>
Marketing expenses				
- Sales commission	22,080	34,556	73,165	87,193
- Advertisement and publicity	18,738	17,036	56,340	50,927
- Others	17,493	20,101	55,440	56,301
	<u>58,311</u>	<u>71,693</u>	<u>184,945</u>	<u>194,421</u>
Administration and general expenses				
- Communication expenses	14,088	13,912	44,114	38,918
- Legal and professional fees	13,751	9,868	36,361	29,574
- Others	10,763	10,172	40,165	35,570
	<u>38,602</u>	<u>33,952</u>	<u>120,640</u>	<u>104,062</u>
Total other operating expenses	<u>460,581</u>	<u>422,457</u>	<u>1,322,946</u>	<u>1,235,542</u>
	3rd Quarter Ended	3rd Quarter Ended	Nine Months Ended	Nine Months Ended
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b>Bank</b>				
Personnel costs				
- Salaries, allowances and bonuses	194,333	153,195	527,722	464,129
- Pension costs	13,889	17,421	37,072	53,205
- Others	19,869	14,493	53,432	43,835
	<u>228,091</u>	<u>185,109</u>	<u>618,226</u>	<u>561,169</u>
Establishment costs				
- Depreciation and amortisation	24,806	20,462	66,492	60,429
- Rental	16,782	16,490	49,942	48,656
- Insurance	3,380	3,102	9,943	11,122
- Water and electricity	6,441	5,373	17,101	15,268
- General repairs and maintenance	15,412	12,370	46,184	39,869
- Information technology expenses	3,495	2,574	10,485	7,722
- Others	4,705	5,047	15,342	15,111
	<u>75,021</u>	<u>65,418</u>	<u>215,489</u>	<u>198,177</u>
Marketing expenses				
- Advertisement and publicity	8,171	4,852	25,320	17,341
- Others	13,682	9,350	35,181	27,060
	<u>21,853</u>	<u>14,202</u>	<u>60,501</u>	<u>44,401</u>
Administration and general expenses				
- Communication expenses	11,487	10,835	34,622	31,371
- Legal and professional fees	11,620	8,766	31,171	25,974
- Others	4,857	6,568	24,901	26,242
	<u>27,964</u>	<u>26,169</u>	<u>90,694</u>	<u>83,587</u>
Total other operating expenses	<u>352,929</u>	<u>290,898</u>	<u>984,910</u>	<u>887,334</u>



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**A20. Allowance for Losses on Loans, Advances and Financing**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b><u>Group</u></b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	50,758	57,887	193,504	152,609
- specific allowance	115,734	121,188	381,674	338,514
- specific allowance written back	(19,828)	(31,433)	(58,440)	(77,228)
Bad debts (recovered) / provision from stock broking activities	-	15	(9)	15
Bad debts and financing written off	145	250	269	778
Bad debts and financing recovered	(39,885)	(30,573)	(118,635)	(111,263)
	<b>106,924</b>	<b>117,334</b>	<b>398,363</b>	<b>303,425</b>

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b><u>Bank</u></b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	50,199	53,212	204,701	149,545
- specific allowance	73,449	89,226	264,150	249,034
- specific allowance written back	(19,823)	(29,598)	(58,421)	(74,656)
Bad debts and financing written off	145	250	269	778
Bad debts and financing recovered	(26,842)	(21,850)	(78,739)	(85,605)
	<b>77,128</b>	<b>91,240</b>	<b>331,960</b>	<b>239,096</b>

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

**By Business Segments**

	3rd Quarter Ended 30 September 2008		Nine Months Ended 30 September 2008		
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Total Assets RM'000
<b><u>Group</u></b>					
Retail operations	1,677,837	628,561	4,898,542	2,088,530	102,725,456
Corporate lending	184,304	28,590	513,716	23,904	16,360,697
Treasury and capital market operations	924,554	135,138	2,368,675	394,298	64,022,875
Investment banking	62,626	9,024	218,551	35,745	4,250,031
Fund management	97,773	45,283	321,152	137,492	450,110
Others	1,925	3,568	4,855	9,761	184,973
	<u>2,949,019</u>	<u>850,164</u>	<u>8,325,491</u>	<u>2,689,730</u>	<u>187,994,142</u>
Inter-segment elimination	<u>(157,860)</u>	<u>-</u>	<u>(382,741)</u>	<u>-</u>	<u>-</u>
	2,791,159	850,164	7,942,750	2,689,730	187,994,142
Unallocated expenses	-	(48,749)	-	(134,236)	-
Share of profit after tax of equity accounted associated companies	-	2,632	-	10,751	-
Intangible assets	-	-	-	-	2,057,590
Unallocated assets	-	-	-	-	589,298
Investment in associated companies	-	-	-	-	88,758
	<u>2,791,159</u>	<u>804,047</u>	<u>7,942,750</u>	<u>2,566,245</u>	<u>190,729,788</u>

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

	<b>3rd Quarter Ended 30 September 2007</b>		<b>Nine Months Ended 30 September 2007</b>		<b>Total Assets RM'000</b>
	<b>Operating Revenue RM'000</b>	<b>Profit Before Tax Expense RM'000</b>	<b>Operating Revenue RM'000</b>	<b>Profit Before Tax Expense RM'000</b>	
<b><u>Group</u></b>					
Retail operations	1,524,270	601,206	4,366,407	1,688,500	87,514,669
Corporate lending	135,196	15,150	353,328	84,158	9,909,641
Treasury and capital market operations	652,119	104,766	1,953,948	311,619	59,335,745
Investment banking	65,224	40,528	203,111	92,943	5,593,024
Fund management	107,251	43,905	285,859	115,069	530,964
Others	1,027	6,704	3,051	11,232	187,989
	<u>2,485,087</u>	<u>812,259</u>	<u>7,165,704</u>	<u>2,303,521</u>	<u>163,072,032</u>
Inter-segment elimination	<u>(70,613)</u>	<u>-</u>	<u>(181,184)</u>	<u>-</u>	<u>-</u>
	2,414,474	812,259	6,984,520	2,303,521	163,072,032
Unallocated expenses	-	(39,394)	-	(125,112)	-
Share of profit after tax of equity accounted associated companies	-	1,559	-	4,028	-
Intangible assets	-	-	-	-	2,054,250
Unallocated assets	-	-	-	-	443,853
Investment in associated companies	-	-	-	-	48,186
	<u><u>2,414,474</u></u>	<u><u>774,424</u></u>	<u><u>6,984,520</u></u>	<u><u>2,182,437</u></u>	<u><u>165,618,321</u></u>

Inter-segment pricing is determined on a negotiated basis.

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

**By Geographical Locations**

	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	
<b><u>Group</u></b>					
<u>30 September 2008</u>					
Malaysia	2,534,915	715,339	7,145,798	2,274,802	173,101,697
Outside Malaysia	256,244	88,708	796,952	291,443	17,628,091
	<u>2,791,159</u>	<u>804,047</u>	<u>7,942,750</u>	<u>2,566,245</u>	<u>190,729,788</u>
 <u>30 September 2007</u>					
Malaysia	2,119,994	669,913	6,200,092	1,904,329	150,750,913
Outside Malaysia	294,480	104,511	784,428	278,108	14,867,408
	<u>2,414,474</u>	<u>774,424</u>	<u>6,984,520</u>	<u>2,182,437</u>	<u>165,618,321</u>

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

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**A22. Subsequent Events**

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

**A23. Changes in the Composition of the Group**

There were no significant changes in the composition of the Group during the 3rd quarter and nine months ended 30 September 2008.

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**A24. 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 2008			As at 31 December 2007		
	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	1,782,640	1,782,640	1,199,443	1,362,071	1,362,071	787,538
Transaction-related contingent items	553,134	276,567	158,178	520,122	260,061	165,025
Short-term self-liquidating trade-related contingencies	757,776	151,555	107,422	675,466	135,093	110,918
Assets sold with recourse	948,594	948,594	272,371	967,643	967,643	198,835
Forward asset purchases	174,626	174,626	9,959	36,413	36,413	21,262
Obligations under an on-going underwriting agreement	75,000	37,500	37,500	201,648	159,148	159,148
Foreign exchange related contracts:						
- less than one year	12,912,591	250,484	141,140	8,614,768	128,072	28,975
- one year to less than five years	45,903	3,969	928	-	-	-
Interest rate related contracts:						
- less than one year	2,267,793	24,538	6,675	318,357	468	94
- one year to less than five years	4,020,002	145,651	37,599	3,804,644	93,826	18,765
- five years and above	3,533,589	283,396	116,290	2,968,978	220,325	44,065
Equity related contracts:						
- one year to less than five years	273,334	31,287	6,257	-	-	-
Other commodity contracts:						
- less than one year	174,733	18,209	18,209	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	9,828,904	4,914,452	3,849,218	4,873,728	2,436,864	2,166,834
- not exceeding one year	16,761,615	3,352,323	2,805,160	13,825,529	-	-
Unutilised credit card lines	2,885,033	577,007	432,755	2,638,103	-	-
	<u>56,995,267</u>	<u>12,972,798</u>	<u>9,199,104</u>	<u>40,807,470</u>	<u>5,799,984</u>	<u>3,701,459</u>

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**A24. Commitments and Contingencies (continued)**

	As at 30 September 2008			As at 31 December 2007		
	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
<b><u>Bank</u></b>						
Direct credit substitutes	1,639,646	1,639,646	1,159,690	1,240,028	1,240,028	752,948
Transaction-related contingent items	517,206	258,603	147,145	467,985	233,993	159,569
Short-term self-liquidating trade-related contingencies	521,374	104,275	67,776	479,284	95,857	90,645
Assets sold with recourse	948,594	948,594	272,371	967,643	967,643	212,814
Forward asset purchases	195,528	195,528	14,139	-	-	-
Obligations under an on-going underwriting agreement	75,000	37,500	37,500	75,000	37,500	37,500
Foreign exchange related contracts:						
- less than one year	10,537,975	216,726	134,388	7,757,992	120,020	27,307
- one year to less than five years	45,903	3,969	928	-	-	-
Interest rate related contracts:						
- less than one year	2,081,212	23,989	6,511	148,793	298	60
- one year to less than five years	3,951,367	144,279	37,221	3,557,529	90,033	18,007
- five years and above	3,173,255	259,537	111,520	2,935,913	218,010	43,602
Equity related contracts:						
- one year to less than five years	273,334	31,287	6,257	-	-	-
Other commodity contracts:						
- less than one year	174,733	18,209	18,209	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	9,640,215	4,820,108	3,754,873	4,562,584	2,281,292	2,011,262
- not exceeding one year	14,678,271	2,935,654	2,397,393	11,978,248	-	-
Unutilised credit card lines	2,726,310	545,262	408,947	2,519,144	-	-
	<u>51,179,923</u>	<u>12,183,166</u>	<u>8,574,868</u>	<u>36,690,143</u>	<u>5,284,674</u>	<u>3,353,714</u>

\* With effect from 1 January 2008, the credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors as defined in Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework: Standardised Approach (Basel II).

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**A25. Derivative Financial Instruments**

Details of derivative financial instruments outstanding as at 30 September 2008 are as follows:  
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
<b>Foreign exchange related contracts</b>							
- forwards	3,078,050	1,331,608	933,370	286,636	523,840	2,596	-
- swaps	9,837,137	4,872,763	3,527,291	1,318,371	118,712	-	-
- options	43,307	-	-	-	-	43,307	-
<b>Sub total</b>	<b>12,958,494</b>	<b>6,204,371</b>	<b>4,460,661</b>	<b>1,605,007</b>	<b>642,552</b>	<b>45,903</b>	<b>-</b>
<b>Interest rate related contracts</b>							
- swaps	9,821,384	1,510,706	6,388,897	1,921,781	-	-	-
<b>Equity related contracts</b>							
- options	273,334	-	-	-	-	273,334	-
<b>Other commodity contracts</b>							
- options	174,733	-	-	-	174,733	-	-
<b>Total</b>	<b>23,227,945</b>	<b>7,715,077</b>	<b>10,849,558</b>	<b>3,526,788</b>	<b>817,285</b>	<b>319,237</b>	<b>-</b>

**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
<b>Foreign exchange related contracts</b>							
- forwards	2,219,101	814,219	930,637	283,606	188,043	2,596	-
- swaps	8,321,470	4,315,350	3,097,712	789,696	118,712	-	-
- options	43,307	-	-	-	-	43,307	-
<b>Sub total</b>	<b>10,583,878</b>	<b>5,129,569</b>	<b>4,028,349</b>	<b>1,073,302</b>	<b>306,755</b>	<b>45,903</b>	<b>-</b>
<b>Interest rate related contracts</b>							
- swaps	9,205,834	1,219,007	6,099,364	1,887,463	-	-	-
<b>Equity related contracts</b>							
- options	273,334	-	-	-	-	273,334	-
<b>Other commodity contracts</b>							
- options	174,733	-	-	-	174,733	-	-
<b>Total</b>	<b>20,237,779</b>	<b>6,348,576</b>	<b>10,127,713</b>	<b>2,960,765</b>	<b>481,488</b>	<b>319,237</b>	<b>-</b>



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**A25. Derivative Financial Instruments (continued)**

The Group and the Bank's derivative financial instruments are subject to market and credit risk, as follows:

**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 2008, the amount of contracts which were not hedged in the Group and the Bank and, hence, exposed to market risk was RM2,017,074,000 (31 December 2007 : RM907,520,000).

**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 2008, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM197,365,000 (31 December 2007 : RM48,792,000) and RM190,599,000 (31 December 2007 : RM47,693,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**Related Accounting Policies**

Financial derivatives are recognised at fair value upon inception in the balance sheet, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

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

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

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

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**A25. Derivative Financial Instruments (continued)**

Fair value hedge

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

Cash flow hedge

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

Net investment hedge

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

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**A26. Interest / Profit Rate Risk**

Group As at 30 September 2008	Non trading book								Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000				
<b>ASSETS</b>												
Cash and short-term funds	26,106,937	-	-	-	-	-	-	-	1,470,921	-	27,577,858	3.76
Deposits and placements with banks and other financial institutions	4,748	237,097	442,795	-	-	-	-	-	175,435	-	860,075	4.80
Securities purchased under resale agreements	9,761,182	4,587,731	-	-	-	-	-	-	-	702,503	15,051,416	3.46
Securities held-for-trading	-	-	-	-	-	-	-	-	-	7,724,263	7,724,263	3.74
Securities available-for-sale	106,311	-	796,502	110,323	469,781	347,104	-	1,589,883	1,574,983	-	4,994,887	3.99
Securities held-to-maturity	1,106,140	2,297,349	4,614,881	989,783	285,598	293,524	87,992	177,189	88,551	-	9,941,007	3.96
Loans, advances and financing												
- performing	71,536,860	6,892,118	10,034,061	7,112,648	5,987,642	4,622,084	3,632,599	7,175,467	-	-	116,993,479	6.21
- non-performing *	-	-	-	-	-	-	-	-	(690,131)	-	(690,131)	-
- Islamic house financing sold to Cagamas	(200,009)	(200,008)	-	-	-	-	-	-	-	-	(400,017)	3.71
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	8,543,478	133,473	8,676,951	-
<b>TOTAL ASSETS</b>	<b>108,422,169</b>	<b>13,814,287</b>	<b>15,888,239</b>	<b>8,212,754</b>	<b>6,743,021</b>	<b>5,262,712</b>	<b>3,720,591</b>	<b>8,942,539</b>	<b>11,163,237</b>	<b>8,560,239</b>	<b>190,729,788</b>	

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**A26. Interest / Profit Rate Risk (continued)**

Group As at 30 September 2008	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	85,100,140	26,644,164	26,733,513	241,959	264,903	164,582	235,037	11,905	16,421,560	-	155,817,763	3.18
Deposits and placements of banks and other financial institutions	5,159,605	1,699,311	414,135	-	-	-	-	-	191,529	-	7,464,580	4.34
Bills and acceptances payable	877,988	1,460,079	271,172	-	-	-	-	-	586,297	-	3,195,536	3.68
Recourse obligations on loans sold to Cagamas	3,646	3,307,295	1,221,521	4,410	451	-	-	-	-	-	4,537,323	3.79
Borrowings	883,043	-	-	-	-	-	-	-	-	-	883,043	3.40
Subordinated notes	-	-	1,206,978	-	-	1,373,191	1,372,327	-	-	-	3,952,496	4.13
Hybrid capital securities	-	-	-	-	-	-	-	1,886,195	-	-	1,886,195	4.52
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	2,849,043	255,915	3,104,958	-
<b>Total Liabilities</b>	<b>92,024,422</b>	<b>33,110,849</b>	<b>29,847,319</b>	<b>246,369</b>	<b>265,354</b>	<b>1,537,773</b>	<b>1,607,364</b>	<b>1,898,100</b>	<b>20,048,429</b>	<b>255,915</b>	<b>180,841,894</b>	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,181,950	-	9,181,950	-
Minority interests	-	-	-	-	-	-	-	-	705,944	-	705,944	-
<b>Total Liabilities and Equity</b>	<b>92,024,422</b>	<b>33,110,849</b>	<b>29,847,319</b>	<b>246,369</b>	<b>265,354</b>	<b>1,537,773</b>	<b>1,607,364</b>	<b>1,898,100</b>	<b>29,936,323</b>	<b>255,915</b>	<b>190,729,788</b>	
On-balance sheet interest sensitivity gap	16,397,747	(19,296,562)	(13,959,080)	7,966,385	6,477,667	3,724,939	2,113,227	7,044,439	(18,773,086)	8,304,324	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	527,753	(2,292,503)	(915,759)	(18,635)	(100,378)	1,060,411	1,500,000	239,111	-	-	-	
<b>Total interest sensitivity gap</b>	<b>16,925,500</b>	<b>(21,589,065)</b>	<b>(14,874,839)</b>	<b>7,947,750</b>	<b>6,377,289</b>	<b>4,785,350</b>	<b>3,613,227</b>	<b>7,283,550</b>	<b>(18,773,086)</b>	<b>8,304,324</b>	<b>-</b>	

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

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**A26. Interest / Profit Rate Risk (continued)**

Group As at 31 December 2007	Non trading book								Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000				
<b>ASSETS</b>												
Cash and short-term funds	34,357,299	-	-	-	-	-	-	-	1,191,489	-	35,548,788	3.80
Deposits and placements with banks and other financial institutions	5,821	1,911,878	513,990	-	-	-	-	-	252,084	-	2,683,773	5.05
Securities purchased under resale agreements	5,328,081	7,395,409	-	-	-	-	-	-	-	-	12,723,490	3.52
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,061,927	8,061,927	3.66
Securities available-for-sale	51,074	-	100,269	621,358	117,921	380,835	291,669	1,103,640	1,340,210	74,345	4,081,321	5.57
Securities held-to-maturity	882,173	1,327,708	1,167,428	261,789	-	14,862	69,850	60,506	88,079	-	3,872,395	3.77
Loans, advances and financing												
- performing	58,850,731	5,038,905	9,873,179	7,062,926	5,159,824	4,233,608	3,005,290	6,786,696	-	-	100,011,159	6.45
- non-performing *	-	-	-	-	-	-	-	-	(273,163)	-	(273,163)	-
- Islamic house financing sold to Cagamas	-	-	(410,003)	-	-	-	-	-	-	-	(410,003)	3.73
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,789,644	65,856	7,855,500	-
<b>TOTAL ASSETS</b>	<b>99,475,179</b>	<b>15,673,900</b>	<b>11,244,863</b>	<b>7,946,073</b>	<b>5,277,745</b>	<b>4,629,305</b>	<b>3,366,809</b>	<b>7,950,842</b>	<b>10,388,343</b>	<b>8,202,128</b>	<b>174,155,187</b>	

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**A26. Interest / Profit Rate Risk (continued)**

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

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

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**A26. Interest / Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>As at 30 September 2008</b>												
<b>ASSETS</b>												
Cash and short-term funds	25,225,038	-	-	-	-	-	-	-	1,242,128	-	26,467,166	3.69
Deposits and placements with banks and other financial institutions	-	948,699	1,538,121	-	-	-	-	-	175,434	-	2,662,254	4.03
Securities purchased under resale agreements	9,761,182	4,587,731	-	-	-	-	-	-	-	-	14,348,913	3.46
Securities held-for-trading	-	-	-	-	-	-	-	-	-	7,584,353	7,584,353	3.74
Securities available-for-sale	106,311	-	603,339	110,323	615,939	347,104	-	1,248,386	1,447,133	-	4,478,535	3.73
Securities held-to-maturity	623,997	1,517,417	4,281,531	980,955	285,598	293,524	87,992	177,189	88,098	-	8,336,301	3.78
Loans, advances and financing												
- performing	64,144,413	5,290,037	7,900,062	6,447,101	5,514,395	4,379,836	3,506,391	7,052,502	-	-	104,234,737	6.11
- non-performing *	-	-	-	-	-	-	-	-	(601,843)	-	(601,843)	-
- Islamic house financing sold to Cagamas	(200,009)	(200,008)	-	-	-	-	-	-	-	-	(400,017)	3.71
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	8,318,644	147,270	8,465,914	-
<b>TOTAL ASSETS</b>	<b>99,660,932</b>	<b>12,143,876</b>	<b>14,323,053</b>	<b>7,538,379</b>	<b>6,415,932</b>	<b>5,020,464</b>	<b>3,594,383</b>	<b>8,478,077</b>	<b>10,669,594</b>	<b>7,731,623</b>	<b>175,576,313</b>	

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**A26. Interest / Profit Rate Risk (continued)**

Bank As at 30 September 2008	Non trading book										Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000				
<b>LIABILITIES AND EQUITY</b>													
Deposits from customers	76,157,791	23,373,710	25,835,557	338,065	542,929	164,582	234,857	11,905	15,846,990	-	142,506,386	3.20	
Deposits and placements of banks and other financial institutions	6,212,493	1,439,986	554,972	-	-	-	-	-	138,141	-	8,345,592	4.15	
Bills and acceptances payable	877,988	1,460,079	271,172	-	-	-	-	-	586,297	-	3,195,536	3.68	
Recourse obligations on loans sold to Cagamas	3,646	3,307,295	1,221,521	4,410	451	-	-	-	-	-	4,537,323	3.79	
Subordinated notes	-	-	1,206,978	-	-	1,373,191	1,392,423	-	-	-	3,972,592	4.13	
Hybrid capital securities	-	-	-	-	-	-	-	1,886,195	-	-	1,886,195	4.52	
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	1,928,966	273,578	2,202,544	-	
<b>Total Liabilities</b>	<b>83,251,918</b>	<b>29,581,070</b>	<b>29,090,200</b>	<b>342,475</b>	<b>543,380</b>	<b>1,537,773</b>	<b>1,627,280</b>	<b>1,898,100</b>	<b>18,500,394</b>	<b>273,578</b>	<b>166,646,168</b>		
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	8,930,145	-	8,930,145	-	
<b>Total Liabilities and Equity</b>	<b>83,251,918</b>	<b>29,581,070</b>	<b>29,090,200</b>	<b>342,475</b>	<b>543,380</b>	<b>1,537,773</b>	<b>1,627,280</b>	<b>1,898,100</b>	<b>27,430,539</b>	<b>273,578</b>	<b>175,576,313</b>		
On-balance sheet interest sensitivity gap	16,409,014	(17,437,194)	(14,767,147)	7,195,904	5,872,552	3,482,691	1,967,103	6,579,977	(16,760,945)	7,458,045	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	236,054	(2,582,036)	(763,495)	(18,635)	(31,743)	1,060,411	1,500,000	599,444	-	-	-		
<b>Total interest sensitivity gap</b>	<b>16,645,068</b>	<b>(20,019,230)</b>	<b>(15,530,642)</b>	<b>7,177,269</b>	<b>5,840,809</b>	<b>4,543,102</b>	<b>3,467,103</b>	<b>7,179,421</b>	<b>(16,760,945)</b>	<b>7,458,045</b>	<b>-</b>		

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



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**A26. Interest / Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book									Trading book	Total	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
<b>As at 31 December 2007</b>												
<b>ASSETS</b>												
Cash and short-term funds	31,607,242	-	-	-	-	-	-	-	998,905	-	32,606,147	3.73
Deposits and placements with banks and other financial institutions	-	2,362,592	454,488	-	-	-	-	-	252,086	-	3,069,166	4.99
Securities purchased under resale agreements	4,945,822	7,060,775	-	-	-	-	-	-	-	-	12,006,597	3.52
Securities held-for-trading	-	-	-	-	-	-	-	-	-	8,051,599	8,051,599	3.66
Securities available-for-sale	51,074	-	100,269	432,911	117,921	308,320	291,669	1,071,686	1,237,774	37,238	3,648,862	5.53
Securities held-to-maturity	33,183	603,102	565,396	253,334	-	14,862	69,850	60,506	87,772	-	1,688,005	3.82
Loans, advances and financing												
- performing	52,681,532	3,649,924	8,960,732	6,534,579	4,830,546	4,076,060	2,939,072	6,712,612	-	-	90,385,057	6.25
- non-performing *	-	-	-	-	-	-	-	-	(169,347)	-	(169,347)	-
- Islamic house financing sold to Cagamas	-	-	(410,003)	-	-	-	-	-	-	-	(410,003)	3.73
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,530,282	64,735	7,595,017	-
<b>TOTAL ASSETS</b>	<b>89,318,853</b>	<b>13,676,393</b>	<b>9,670,882</b>	<b>7,220,824</b>	<b>4,948,467</b>	<b>4,399,242</b>	<b>3,300,591</b>	<b>7,844,804</b>	<b>9,937,472</b>	<b>8,153,572</b>	<b>158,471,100</b>	

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**A26. Interest / Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book										<b>Trading book</b>	<b>Total</b>	<b>Effective interest rate</b>
	<b>As at 31 December 2007</b>	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	over 5 years	Non-interest sensitive			
<b>LIABILITIES AND EQUITY</b>													
Deposits from customers	69,891,101	20,804,250	20,951,058	459,532	30,999	74,509	190,048	22,874	14,000,457	-	126,424,828	3.16	
Deposits and placements of banks and other financial institutions	7,083,223	2,052,848	52,612	-	-	-	-	-	158,151	-	9,346,834	4.70	
Obligations on securities sold under repurchase agreements	2,279	-	-	-	-	-	-	-	-	-	2,279	14.31	
Bills and acceptances payable	805,940	1,177,689	416,712	-	-	-	-	-	1,051,955	-	3,452,296	3.62	
Recourse obligations on loans sold to Cagamas	9,804	3,585,374	345,508	14,271	1,447	-	-	-	-	-	3,956,404	3.73	
Subordinated notes	-	-	-	1,164,266	-	-	1,304,305	-	-	-	2,468,571	5.79	
Hybrid capital securities	-	-	-	-	-	-	-	1,855,854	-	-	1,855,854	5.26	
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	1,551,496	61,923	1,613,419	-	
<b>Total Liabilities</b>	<b>77,792,347</b>	<b>27,620,161</b>	<b>21,765,890</b>	<b>1,638,069</b>	<b>32,446</b>	<b>74,509</b>	<b>1,494,353</b>	<b>1,878,728</b>	<b>16,762,059</b>	<b>61,923</b>	<b>149,120,485</b>		
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	9,350,615	-	9,350,615	-	
<b>Total Liabilities and Equity</b>	<b>77,792,347</b>	<b>27,620,161</b>	<b>21,765,890</b>	<b>1,638,069</b>	<b>32,446</b>	<b>74,509</b>	<b>1,494,353</b>	<b>1,878,728</b>	<b>26,112,674</b>	<b>61,923</b>	<b>158,471,100</b>		
On-balance sheet interest sensitivity gap	11,526,506	(13,943,768)	(12,095,008)	5,582,755	4,916,021	4,324,733	1,806,238	5,966,076	(16,175,202)	8,091,649	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	700,978	(1,517,690)	(1,372,197)	740,921	(112,421)	(281,053)	1,054,774	786,688	-	-	-		
<b>Total interest sensitivity gap</b>	<b>12,227,484</b>	<b>(15,461,458)</b>	<b>(13,467,205)</b>	<b>6,323,676</b>	<b>4,803,600</b>	<b>4,043,680</b>	<b>2,861,012</b>	<b>6,752,764</b>	<b>(16,175,202)</b>	<b>8,091,649</b>	<b>-</b>		

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

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**A27. Capital Adequacy**

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

	Group		Bank	
	30 September 2008	31 December 2007	30 September 2008	31 December 2007
Core capital ratio	7.4%	7.6% *	9.2%	9.5% *
Risk-weighted capital ratio	<u>13.2%</u>	<u>12.4% *</u>	<u>12.9%</u>	<u>11.9% *</u>

\* After deducting proposed dividends.

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,531,926	3,527,891	3,531,926	3,527,891
Share premium	2,132,499	2,112,204	2,132,499	2,112,204
Other reserves	3,566,223	3,562,188	3,542,893	3,538,858
Retained profits	523,050	1,362,252	645,328	1,491,238
Hybrid capital securities	1,202,985	1,345,882	1,338,452	1,487,546
Treasury shares	(1,274,112)	(1,273,897)	(1,274,112)	(1,273,897)
Minority interests	667,153	636,249	-	-
Less: Intangible assets	(2,031,243)	(1,983,956)	(695,393)	(695,393)
Less: Deferred tax assets, net	(298,579)	(316,265)	(298,579)	(271,478)
Total Tier I capital	<u>8,019,902</u>	<u>8,972,548</u>	<u>8,923,014</u>	<u>9,916,969</u>
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,719,641	1,522,964	1,592,435	1,381,714
Subordinated notes	3,943,356	2,469,830	3,963,452	2,469,830
Hybrid capital securities	680,507	512,348	545,040	370,684
Total Tier II capital	<u>6,343,504</u>	<u>4,505,142</u>	<u>6,100,927</u>	<u>4,222,228</u>
Total capital	<u>14,363,406</u>	<u>13,477,690</u>	<u>15,023,941</u>	<u>14,139,197</u>
Less: Investment in subsidiary companies and associate companies	(960)	-	(2,475,104)	(2,270,069)
Capital base	<u>14,362,446</u>	<u>13,477,690</u>	<u>12,548,837</u>	<u>11,869,128</u>

With effect from 1 January 2008, the capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

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**A28. Operations of Islamic Banking**

**A28a. Balance Sheets as at 30 September 2008**

	<b>Group and Bank</b>	
	<b>30 September 2008</b>	<b>31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	2,031,494	2,007,898
Securities held-for-trading	125,899	391,299
Securities held-to-maturity	-	1,371
Financing, advances and other loans	11,814,572	10,401,229
Other assets	133,514	521,709
Statutory deposits with Bank Negara Malaysia	403,000	387,000
Deferred tax assets	46,420	32,798
Property and equipment	329	256
<b>Total Assets</b>	<b>14,555,228</b>	<b>13,743,560</b>
<b>LIABILITIES AND ISLAMIC</b>		
<b>BANKING FUNDS</b>		
Deposits from customers	11,918,591	10,149,037
Deposits and placements of banks and other financial institutions	525,041	1,599,539
Bills and acceptances payable	-	46,942
Other liabilities	89,988	34,026
Provision for tax expense and zakat	30,386	101,160
<b>Total Liabilities</b>	<b>12,564,006</b>	<b>11,930,704</b>
Islamic Banking Funds	1,991,222	1,812,856
<b>Total Liabilities and Islamic Banking Funds</b>	<b>14,555,228</b>	<b>13,743,560</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	<b>1,643,722</b>	<b>1,273,244</b>

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**A28b. Income Statements for the 3rd Quarter and Nine Months Ended 30 September 2008**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2008 RM'000	30 September 2007 RM'000	30 September 2008 RM'000	30 September 2007 RM'000
<b>Group and Bank</b>				
Income derived from investment of depositors' funds and financial institutions	178,836	163,559	554,357	467,757
Allowance for losses on financing, advances and other loans	(18,046)	(20,550)	(49,996)	(54,054)
- General allowances	(9,710)	(9,900)	(20,290)	(19,900)
- Other loan loss allowances	(8,336)	(10,650)	(29,706)	(34,154)
Transfer to profit equalisation reserve	(1,644)	1,626	(20,160)	(1,182)
<b>Total attributable income</b>	<b>159,146</b>	<b>144,635</b>	<b>484,201</b>	<b>412,521</b>
Income attributable to the depositors and financial institutions	(66,425)	(63,091)	(224,260)	(184,377)
<b>Income attributable to the reporting institutions</b>	<b>92,721</b>	<b>81,544</b>	<b>259,941</b>	<b>228,144</b>
Income derived from investment of Islamic Banking Funds	30,047	24,129	83,108	68,863
<b>Total net income</b>	<b>122,768</b>	<b>105,673</b>	<b>343,049</b>	<b>297,007</b>
Other operating expenses	(35,463)	(18,105)	(100,192)	(54,212)
<b>Profit before zakat and tax expense</b>	<b>87,305</b>	<b>87,568</b>	<b>242,857</b>	<b>242,795</b>
Zakat	(45)	(42)	(134)	(125)
Tax expense	(23,136)	(23,963)	(64,357)	(66,776)
<b>Profit after zakat and tax expense</b>	<b>64,124</b>	<b>63,563</b>	<b>178,366</b>	<b>175,894</b>

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**A28c. Financing, Advances and Other Loans**

	<b>Group and Bank</b>	
	<b>30 September 2008</b>	<b>31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai Bithaman Ajil-i (deferred payment sale)	<b>4,160,821</b>	4,164,346
Ijarah Thamma Al-Bai'-i (leasing)	<b>9,351,041</b>	8,326,371
Bai-Al-Einah-i	<b>2,149,193</b>	1,470,499
	<b>15,661,055</b>	13,961,216
Unearned income	<b>(3,236,194)</b>	(2,957,006)
Gross financing, advances and other loans (including Islamic house financing sold to Cagamas)	<b>12,424,861</b>	11,004,210
Less: Islamic house financing sold to Cagamas	<b>(400,017)</b>	(410,003)
Gross financing, advances and other loans (excluding Islamic house financing sold to Cagamas)	<b>12,024,844</b>	10,594,207
Allowance for bad and doubtful debts and financing:		
- general	<b>(185,385)</b>	(165,095)
- specific	<b>(24,887)</b>	(27,883)
Net financing, advances and other loans	<b>11,814,572</b>	10,401,229

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

	<b>Group and Bank</b>	
	<b>30 September 2008</b>	<b>31 December 2007</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>169,490</b>	176,357
Non-performing during the period / year	<b>253,906</b>	412,190
Reclassified as performing	<b>(217,069)</b>	(330,764)
Recoveries	<b>(20,898)</b>	(34,791)
Amount written off	<b>(39,747)</b>	(53,502)
Closing balance	<b>145,682</b>	169,490
Specific allowance	<b>(24,887)</b>	(27,883)
Net non-performing financing, advances and other loans	<b>120,795</b>	141,607
Net NPL as % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	<b>0.97%</b>	1.29%

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**A28c. Financing, Advances and Other Loans** (continued)

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

	<b>Group and Bank</b>	
	<b>30 September 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>General allowance</u>		
At 1 January	165,095	137,495
Allowance made during the period / year	20,290	27,600
Closing balance	<u>185,385</u>	<u>165,095</u>
As % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	<u>1.50%</u>	<u>1.50%</u>

	<b>Group and Bank</b>	
	<b>30 September 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>Specific allowance</u>		
At 1 January	27,883	26,014
Allowance made during the period / year	51,427	83,246
Amount written back	(14,651)	(27,872)
Amount written off	(39,747)	(53,502)
Amount transferred to accumulated impairment losses in value of foreclosed properties	(25)	(3)
Closing balance	<u>24,887</u>	<u>27,883</u>

**A28d. Other Assets**

	<b>Group and Bank</b>	
	<b>30 September 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Deferred handling fees	52,669	46,622
Income receivable	2,293	2,509
Other receivables, deposits and prepayments	78,552	472,578
	<u>133,514</u>	<u>521,709</u>

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**A28e. Deposits from Customers**  
**i) By type of deposit**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	1,821,197	1,769,188
Wadiah savings deposits-i	3,225,874	2,922,341
Negotiable debt certificate-i	3,430,157	3,351,212
Others	2,349	2,410
	<b>8,479,577</b>	<b>8,045,151</b>
<u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	72,890	66,894
Mudharabah general investment deposits-i	3,366,124	2,036,992
	<b>3,439,014</b>	<b>2,103,886</b>
	<b>11,918,591</b>	<b>10,149,037</b>

**A28f. Other liabilities**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>RM'000</b>	<b>RM'000</b>
Income payable	24,368	20,222
Other liabilities	32,735	1,079
Profit equalisation reserves	32,885	12,725
	<b>89,988</b>	<b>34,026</b>



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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 2008 of RM2,566.2 million was RM383.8 million or 17.6% higher than the previous corresponding period of RM2,182.4 million. Net profit attributable to equity holders improved by 24.8% to RM1,927.3 million. The improvement in earnings was primarily due to higher net interest and financing income by RM446.6 million or 16.4% and higher other operating income by 14.1% or RM140.5 million. These were partially offset by higher other operating expenses by 7.1% or RM87.4 million, higher general allowance by RM40.9 million due to higher loan growth achieved as well as higher other loan loss allowances and impairment losses by RM80.4 million.

The increase in other operating income was mainly due to a goodwill payment of RM200 million received from ING in respect of a regional strategic alliance on bancassurance distribution, higher management fee income from the fund management business and higher retail banking fee income, partially offset by lower fee income on sale of trust units, lower stock brokerage income and lower gain on sale of securities. The higher specific loan loss allowance during the current period was partly due to certain non-performing loan amounts secured by properties which are more than 7 years in arrears whereby full allowance was made with zero value assigned to the collateral.

The growth in the Group's net interest and financing income was driven by strong loans and deposits growth coupled with further improvement in asset quality. Gross loan balance before deducting Islamic house financing sold to Cagamas has grown by 22.6% to RM118.2 billion as at 30 September 2008 as compared to RM96.4 billion as at 30 September 2007 mainly arising from financing of small- and medium-sized enterprises ("SMEs"), residential mortgages and financing of passenger vehicles. Total deposits from customers had also grown by 19.3% or RM25.2 billion as compared to 30 September 2007 which partly contributed to the higher net interest income for the current financial period. Despite the high loan growth, the Group's asset quality continued to improve with its gross non-performing loan ("NPL") balance decreasing by 23.0% to RM1.17 billion as at 30 September 2008 as compared to RM1.52 billion as at 30 September 2007 and the Group's net NPL ratio further improved to 0.9% from 1.3% over the same period.

The Group's domestic commercial bank, Public Bank, recorded a pre-tax profit of RM2,129.4 million for the nine months ended 30 September 2008 and was 14.1% higher than the pre-tax profit of RM1,866.1 million achieved in the previous corresponding period. This was mainly due to higher net interest and financing income and higher other operating income, partially offset by higher other operating expenses, higher general allowance and specific allowance.

Pre-tax profit contribution from the Group's overseas operations increased by RM13.3 million or 4.8% from the previous corresponding period to RM291.4 million, mainly due to loan and deposit growth achieved during the period.

For the 3rd quarter ended 30 September 2008, the Group registered a pre-tax profit of RM804.0 million, an improvement of RM29.6 million or 3.8% as compared to the previous corresponding quarter. This was achieved on the back of strong loans and deposits growth and improved asset quality which resulted in a growth of 15.9% in net interest and financing income. These were partially offset by a decrease in other operating income by RM91.9 million resulting from lower fee income from sale of trust units, lower stock brokerage fee income as well as lower gain on sale of securities. Earnings attributable to equity holders grew by 13.4% or RM72.7 million over the same period.

**B2. Variation of Results Against Preceding Quarter**

The Group's pre-tax profit of RM804.0 million for the 3rd quarter ended 30 September 2008 shows a growth of RM12.5 million or 1.6% as compared to the pre-tax profit of RM791.5 million for the preceding quarter ended 30 June 2008. Net profit attributable to equity holders increased by RM22.8 million or 3.8% over the same period. The increase was mainly due to increase in net interest income and Islamic banking income by 4.9% or RM51.6 million, lower loan loss allowance by RM40.1 million and lower impairment loss by RM16.2 million. These were partially offset by lower other operating income by RM44.3 million and higher overheads by RM48.9 million respectively.

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**B3. Prospects for 2008**

Growth in the Malaysian economy is expected to soften in the 4th quarter of 2008 due to increasing concerns in external environment and high inflation. The operating environment for the banking industry will remain challenging and competitive in retail lending with increased focus on managing asset quality. The banking industry will continue to be driven by retail financing, deposit-taking business and wealth management. The competitive landscape in the banking industry will continue to exert pressure on net interest margins.

Public Bank will continue to focus on its core business of lending to consumers and SMEs and in deposit-taking business (including structured deposits) by leveraging on its wide branch network, strong sales and marketing teams, strong PB brand, superior service delivery standards, competitive product packages and multi-channels to grow its market share. Public Bank will also accelerate its non-interest income business, particularly sale of unit trust funds, ING bancassurance products, credit card business and remittances.

Public Bank will also accelerate growth of its overseas operations through cross-selling activities and opening of new branches, particularly in Hong Kong, China and Cambodia. Public Bank will continue to remain prudent and uphold its strong corporate governance and risk management policies. Barring unforeseen circumstances, the Public Bank Group is expected to continue to record a satisfactory performance in the 4th quarter of 2008.

**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 2008 are as follows:

<b><u>Group</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2008</b>	<b>30 September 2007</b>	<b>30 September 2008</b>	<b>30 September 2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	<b>170,109</b>	179,829	<b>598,683</b>	523,331
Overseas income tax	<b>16,401</b>	15,820	<b>51,210</b>	45,948
	<b>186,510</b>	195,649	<b>649,893</b>	569,279
(Over) / under provision in prior years				
- Malaysian income tax	<b>(966)</b>	(538)	<b>(23,857)</b>	(481)
- Overseas income tax	<b>(3)</b>	-	<b>2,297</b>	-
	<b>185,541</b>	195,111	<b>628,333</b>	568,798
Deferred tax expense				
- Relating to origination and reversal of temporary differences	<b>(9,066)</b>	5,164	<b>(28,275)</b>	8,403
- Relating to changes in tax rate	<b>-</b>	11,168	<b>-</b>	11,168
Tax expense	<b>176,475</b>	211,443	<b>600,058</b>	588,369
Zakat	<b>45</b>	42	<b>134</b>	125
	<b>176,520</b>	211,485	<b>600,192</b>	588,494

The Group's effective tax rate for the 3rd quarter and nine months ended 30 September 2008 were lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions.

Excluding the effect of the additional deferred tax expense resulting from the change in Malaysian corporate tax rate, the Group's effective tax rates for the 3rd quarter and nine months ended 30 September 2007 were lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions.

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**B5. Tax Expense and Zakat (Contd.)**

<b><u>Bank</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2008 RM'000</b>	<b>30 September 2007 RM'000</b>	<b>30 September 2008 RM'000</b>	<b>30 September 2007 RM'000</b>
Malaysian income tax	<b>146,683</b>	162,109	<b>545,291</b>	507,894
Overseas income tax	<b>259</b>	298	<b>650</b>	872
	<b>146,942</b>	162,407	<b>545,941</b>	508,766
Under provision in prior years				
- Overseas income tax	<b>-</b>	-	<b>2,519</b>	-
	<b>146,942</b>	162,407	<b>548,460</b>	508,766
Deferred tax expense				
- Relating to origination and reversal of temporary differences	<b>(10,763)</b>	77	<b>(37,924)</b>	(12,579)
- Relating to changes in tax rate	<b>-</b>	10,261	<b>-</b>	10,261
Tax expense	<b>136,179</b>	172,745	<b>510,536</b>	506,448
Zakat	<b>45</b>	42	<b>134</b>	125
	<b>136,224</b>	172,787	<b>510,670</b>	506,573

The Bank's effective tax rates for the 3rd quarter and nine months ended 30 September 2008 were lower than the statutory tax rate due to certain income not subject to tax.

Excluding the effect of the additional deferred tax expense resulting from the change in Malaysian corporate tax rate, the Bank's effective tax rate for the nine months ended 30 September 2007 was lower than the statutory tax rate due to certain income not subject to tax.

The Bank's effective tax rates for the 3rd quarter ended 30 September 2007 was higher than the statutory tax rate due to certain expenses not deductible for tax purpose.

**B6. Sale of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties for the 3rd quarter and nine months ended 30 September 2008 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 2008.

**B9. Status of Utilisation of Proceeds Raised from Corporate Proposals**

The proceeds raised from the issuance of Subordinated Note in the current financial period have been used for working capital, general banking and other corporate purposes, as intended.

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

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**B10. Deposits and Placements of Customers and Financial Institutions and Debt Securities**

	Group		Bank	
	30 September 2008 RM'000	31 December 2007 RM'000	30 September 2008 RM'000	31 December 2007 RM'000
Deposits from customers				
- Fixed deposits				
One year or less	71,870,976	64,366,971	61,527,227	54,196,872
More than one year	269,946	140,930	265,399	127,768
- Negotiable instruments of deposits				
One year or less	12,793,783	17,484,002	12,732,484	17,511,526
More than one year	540,368	606,497	525,317	267,577
- Money market deposits				
One year or less	35,431,375	24,454,491	34,449,887	24,524,797
- Savings deposits	18,187,676	16,937,439	16,893,380	15,602,146
- Demand deposits	15,514,112	14,021,578	14,904,029	13,442,332
- Others	1,209,527	752,663	1,208,663	751,810
	<u>155,817,763</u>	<u>138,764,571</u>	<u>142,506,386</u>	<u>126,424,828</u>
Deposits and placements of banks and other financial institutions				
- One year or less	<u>7,464,580</u>	<u>10,438,118</u>	<u>8,345,592</u>	<u>9,346,834</u>
Borrowings denominated in HKD (unsecured)				
Term loan				
- One year or less	849,904	-	-	-
- More than one year	-	349,730	-	-
Revolving credit				
- One year or less	33,139	-	-	-
	<u>883,043</u>	<u>349,730</u>	<u>-</u>	<u>-</u>
Subordinated notes denominated in USD (unsecured)				
- More than one year	2,580,169	2,468,571	2,580,169	2,468,571
Subordinated notes denominated in RM (unsecured)				
- More than one year	1,372,327	-	1,392,423	-
	<u>3,952,496</u>	<u>2,468,571</u>	<u>3,972,592</u>	<u>2,468,571</u>
Hybrid capital securities denominated in USD (unsecured)				
- More than one year	727,120	695,624	727,120	695,624
Hybrid capital securities denominated in RM (unsecured)				
- More than one year	1,159,075	1,160,230	1,159,075	1,160,230
	<u>1,886,195</u>	<u>1,855,854</u>	<u>1,886,195</u>	<u>1,855,854</u>

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**B11. Derivative Financial Instruments**

Please refer to note A25.

**B12. 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.

**B13. Proposed Dividends**

No dividend has been proposed for the 3rd quarter ended 30 September 2008.

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**B14. 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 Bank divided by the weighted average number of ordinary shares of RM1.00 each in issue during the period excluding the weighted average treasury shares held by the Bank.

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2008</b>	<b>30 September 2007</b>	<b>30 September 2008</b>	<b>30 September 2007</b>
Net profit attributable to equity holders of the Bank (RM'000)	<b>616,340</b>	543,627	<b>1,927,262</b>	1,543,955
Weighted average number of PBB Shares ('000)	<b>3,355,633</b>	3,353,022	<b>3,354,974</b>	3,354,770
Basic earnings per share (sen)	<b>18.4</b>	16.2	<b>57.4</b>	46.0

**Diluted**

The calculation of the diluted earnings per share is based on the net profit attributable to the equity holders of the Bank 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 during the period.

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2008</b>	<b>30 September 2007</b>	<b>30 September 2008</b>	<b>30 September 2007</b>
Weighted average number of PBB Shares ('000)	<b>3,355,633</b>	3,353,022	<b>3,354,974</b>	3,354,770
Effects of share options ('000)	-	6,643	<b>664</b>	23,603
Adjusted weighted average number of PBB shares in issue or issuable ('000)	<b>3,355,633</b>	3,359,665	<b>3,355,638</b>	3,378,373
Diluted earnings per share (sen)	<b>18.4</b>	16.2	<b>57.4</b>	45.7