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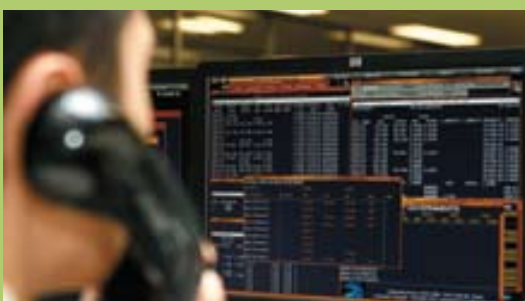
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ANALYSIS OF THE INCOME STATEMENT

Net Interest Income

The Public Bank Group's net interest income improved by 8.3% or RM309.1 million to RM4,036.4 million for 2009 as compared to RM3,727.3 million for 2008. The increase in net interest income was mainly attributed to strong loan growth of 14.4%, which more than offset the negative impact on net interest margin resulting from the 3 consecutive cuts in Overnight Policy Rate ("OPR") between November 2008 and February 2009.

Net interest margin on interest-bearing assets (excluding funds from wholesale deposits) in 2009 remained stable at 3.2%.

Net interest income is the main source of revenue for the Public Bank Group, contributing 65.9% of the total net income of the Group in 2009 as compared to 65.0% in 2008.

Net Income from Islamic Banking Business

The Public Bank Group's Islamic banking business continued to flourish in 2009 with an increase in net income by RM133.2 million or 23.8% to RM691.6 million from RM558.4 million in 2008. This was mainly due to higher net financing income of RM126.2 million arising from lower cost of fund due to the drop in OPR, coupled with the growth in Islamic financing and deposit. In 2009, the Group's Islamic banking business accounted for 11.3% of the Group's total net income, as compared to 9.7% in 2008.

Other Operating Income

In 2008, the Public Bank Group's other operating income included a significant one-off goodwill income of RM200.0 million in respect of the bancassurance distribution alliance with ING Asia/Pacific Limited. Excluding this one-off income, the Group's other operating income increased by 11.4% or RM143.4 million to RM1,396.9 million. The increase was primarily due to higher income from the Group's fund management activities, higher brokerage and commission income from stock-broking activities and higher investment and trading income as a result of improved market conditions in the Malaysian equities and bonds market.

Total income from the fund management activities increased by RM46.2 million or 11.7% to RM442.7 million in 2009. This comprises unit trust management fees which increased by 12.7% to RM373.8 million and fee on sale of trust units which increased by 6.2% to RM68.9 million. These were contributed by exceptional growth in net asset value of unit trust funds under management of 52.6% to a record RM35.58 billion as at the end of 2009.

Net brokerage and commissions from stock-broking activities also grew by RM17.5 million or 25.2% to RM87.0 million in 2009 as a result of higher volumes on Bursa Securities. Investment and trading income increased significantly by RM83.6 million or 109.4% due mainly to increased investment and trading activities arising from improved market conditions.

In 2009, the Public Bank Group's other operating income accounted for 22.8% of the Group's total income as compared to 25.3% in 2008.

Other Operating Expenses

The Public Bank Group's other operating expenses increased by 17.8% to RM2,109.9 million for 2009 as compared to RM1,791.1 million for 2008, mainly due to higher personnel costs.

Personnel cost increased by RM207.6 million or 19.6% to RM1,269.3 million in 2009 and accounted for 60.2% of the Group's other operating expenses. The increase was due to annual salary increments, increased staff strength as well as a non-recurring recognition of actuarial gain on employee retirement fund of RM41.9 million in the previous year. The number of employees of the Group increased from 16,160 as at the end of 2008 to 17,169 as at the end of 2009.

Marketing expenses rose by RM33.5 million or 15.0% to RM257.4 million in 2009. The increase in marketing expenses was primarily due to higher sales commission, marketing and promotional expenses incurred as a result of the increased business volume of the fund management business. Establishment costs and administration and general expenses, which accounted for 27.6% of total other operating expenses, increased by 10.6% and 25.0% respectively in 2009.

The Public Bank Group remains the most cost efficient amongst domestic banking groups with a cost to income ratio of 34.4% in 2009 as a result of the Group's continued focus on improving efficiency and productivity.

Allowance for Losses on Loans, Advances and Financing

The Public Bank Group's allowance for losses on loans, advances and financing increased by RM142.4 million or 26.0% to RM691.0 million in 2009 as compared to RM548.6 million in 2008. This was primarily due to higher specific allowance of RM79.7 million, higher general allowance of RM61.5 million as a result of the Group's strong loan growth and lower recoveries of bad debts and financing of RM1.2 million. The increase in specific allowance was primarily due to additional specific allowances made for impaired loans of the Group's overseas operations as a result of worsening

economic conditions in 2009, partially offset by a decline in specific allowance of RM75.4 million for the Group's domestic operations.

Impairment Loss

The Public Bank Group made an impairment charge of RM15.1 million in 2009 as compared to a charge of RM32.9 million in 2008. The decline was mainly due to lower impairment loss on investment securities as market conditions for equity and bond market improved in 2009.

Tax Expenses and Zakat

The Public Bank Group's tax expense for 2009 increased by RM13.4 million or 1.8% due mainly to prior years' over provision of tax expenses which was written back in the previous year. The Group's effective tax rate was 23.2% in 2009, lower than the statutory tax rate of 25.0% mainly due to certain income not subject to tax and the effects of lower tax rates in jurisdictions outside Malaysia.

ANALYSIS OF THE BALANCE SHEET

Total Assets

The Public Bank Group's total assets stood at RM217.14 billion as at 31 December 2009, an increase of 10.7% over the previous financial year. Total asset growth in 2009 was driven mainly by the increase in deposit placements by customers and the issuance of non-innovative Tier 1 stapled securities and subordinated notes, which were channelled to fund the continued strong growth in loans, advances and financing.

At the end of December 2009, net loans, advances and financing represented 62.3% of total Group assets and the proportion of interest-bearing assets to total assets was 94.5% compared to 93.1% in 2008.

Cash and Short Term Funds and Interbank Placements

Excess liquidity in the Group was mainly held as interbank placements with financial institutions and Bank Negara Malaysia. As at 31 December, Cash and Short Term Funds and interbank placements with maturities above one month increased by RM6.88 billion and RM1.24 billion respectively.

Investments in Securities

The Group holds investments in securities mainly for yield and liquidity purposes. Holdings of trading book positions are classified under Securities Held-for-Trading. The Group's trading book position has decreased by RM3.39 billion, mainly due to the liquidation of its holdings of Cagamas bonds. The Group's banking book positions are held under its Securities Available-for-Sale and Securities Held-to-Maturity portfolios. Securities Available-for-Sale, which are held for liquidity and yield purposes, saw a sharp increase of RM6.54 billion whereas securities held for yield purposes under Securities Held-to-Maturity reduced by RM1.67 billion in 2009. The increase in Securities Available-for-Sale was mainly attributable to higher holdings of Malaysian government securities and investment issues which offered opportunities for yield enhancement and money market unit trust funds which offered a steady return at minimal risk.

Loans, Advances and Financing

Despite the slowdown in economic growth across the region, the Group was able to maintain its strong growth momentum by expanding its loan base by 14.4% to RM137.61 billion in 2009. Over the past decade, the Group's loans growth has consistently outpaced that of the Malaysian banking industry, resulting in an enlarged domestic loan market share of 15.9% as at November 2009 as compared to only 5.2% in 2000.

The Group's lending has remained focused on the retail sector, where there was continued demand for financing of residential properties and passenger vehicles and commercial lending to small- and medium-sized business enterprises. Collectively, the retail sector loans grew by RM13.60 billion or 13.1% and accounted for 85.3% of the Group's loan portfolio as at end 2009. Lending to the corporate sector also experienced encouraging growth of RM3.34 billion or 19.8% despite the challenging economic environment, as many corporate clients turned to financial institutions for their financing needs due to the lacklustre corporate bond market.

Loan Asset Quality

The Public Bank Group's non-performing loans ("NPL") remained stable as compared to the previous year. During the year, NPLs increased slightly by RM0.11 billion to RM1.32 billion despite a RM17.29 billion growth in the loan base during the same period. The gross NPL ratio remained stable at 1.0% and the net NPL ratio improved to 0.8% from 0.9% a year ago. The net NPL ratio is less than half of the banking system's net NPL ratio of 1.9% as at November 2009. The Group's

consistent strong asset quality is the result of its prudent credit culture, which is complemented by strong credit risk management and pro-active recovery processes. The Group maintained a high level of loan loss coverage for its NPLs at 172.4% as at 31 December 2009 as compared to 92.3% for the banking industry as at November 2009.

Statutory Deposits with Central Banks

The Public Bank Group's statutory deposits with Central Banks dropped by RM1.61 billion in 2009, due to a reduction in the Statutory Reserve Ratio requirement from 3.5% to 1.0% as a result of monetary easing by Bank Negara Malaysia and the use of government securities to partially meet this requirement as permitted by Bank Negara Malaysia.

Total Liabilities and Shareholders' Equity

The Public Bank Group's total liabilities grew by RM19.49 billion in 2009, mainly from an increase in deposits from customers, deposits and placements of banks and other financial institutions and debt issuances.

The Public Bank Group's shareholders' funds remained strong at RM11.02 billion even after the payment of dividends of RM1.41 billion during the year. This is due to the strong net profit after tax and minority interests registered for 2009 of RM2.52 billion.

Deposits from Customers

The Public Bank Group's deposits from customers grew by 13.0% in 2009 to RM170.89 billion. The Group achieved strong growth in its core customer deposits, registering broad-based growth across all product groups, with savings account, current accounts and fixed deposit accounts growing at 20.1%, 20.5% and 12.3% respectively, as compared to the growth in the banking industry of 8.7%, 12.3%, and 4.7% respectively. The growth was mainly supported by the Group's extensive branch network, its high standards of customer service delivery and the expansion of its product offerings. Deposits from individuals, a stable source of funds, continued to be the Group's main source of deposits, accounting for approximately 61.1% of the Group's core customer deposits.

Wholesale deposits in the form of Money Market Deposits and Negotiable Instruments of Deposit rose by RM3.37 billion due to efforts to expand the corporate customer deposit base.

The Group's net loan to deposit ratio remained healthy at 79.2% as at 31 December 2009 as compared to 78.3% a year ago.

Deposits and Placements of Banks and Other Financial Institutions

Deposits and placements of banks and other financial institutions mainly consist of interbank money market borrowings. The increase of RM5.93 billion to RM22.61 billion represents movements due to the Group's normal funding and gapping activities.

Recourse Obligations on Loans Sold to Cagamas

Recourse obligations on loans sold to Cagamas decreased by RM4.52 billion due to repayment to Cagamas.

Debt Instruments Issued

The Group's debt instruments consist of issuances of subordinated notes, innovative Tier I capital securities and non-innovative Tier I stapled securities.

During the year, the Group redeemed its USD350 million subordinated notes on its call date on 22 September 2009. Subsequently, there were a further three issuances under its RM5.0 billion Subordinated Medium Term Note Programme totalling RM473 million, comprising a second tranche of RM200 million on 6 November 2009, a third tranche of RM223 million on 10 December 2009 and a fourth tranche of RM50 million on 31 December 2009.

During the year, the Group made its initial issuances of stapled securities under its RM5.0 billion Non-Innovative Tier I Stapled Securities Programme, which was approved earlier in the year. The issuances consisted of two tranches of non-innovative Tier I stapled securities, comprising an issuance of RM1.2 billion on 5 June 2009 and a further issuance of RM888 million on 13 November 2009.

Besides funding the expansion of its balance sheet, these issuances have also strengthened the Group's capital position and improved its return on equity.

Off-Balance Sheet Exposures

Off-balance sheet exposures increased by RM8.57 billion to RM61.44 billion mainly due to higher credit-related exposures and foreign exchange-related contracts. There was a marked increase in commitments to extend credit of RM5.27 billion, in line with the strong loan growth momentum.

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IN RESPECT OF THE PREPARATION OF THE ANNUAL AUDITED FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Bank are drawn up in accordance with the requirements of the Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines, the provisions of the Companies Act, 1965 and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Bank are prepared with reasonable accuracy from the accounting records of the Group and the Bank so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

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

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

The Directors have pleasure in presenting to the members their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary and associated companies are as disclosed in Notes 14 and 15 to the financial statements respectively.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	3,321,433	2,789,170
Tax expense and zakat	(769,893)	(607,505)
Profit for the year	2,551,540	2,181,665
Attributable to:		
Equity holders of the Bank	2,517,302	2,181,665
Minority interests	34,238	—
Profit for the year	2,551,540	2,181,665

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2008 were as follows:

Cash dividend:

In respect of financial year ended 31 December 2008 as approved by the shareholders:

Final dividend of 25% on 3,355,619,034 ordinary shares of RM1.00 each,
less 25% tax, paid on 11 March 2009

In respect of financial year ended 31 December 2009:

First interim dividend of 30% on 3,451,448,666 ordinary shares of RM1.00 each,
less 25% tax, paid on 13 August 2009

	RM'000
	629,178
	776,577
	1,405,755

The final dividend in respect of the financial year ended 31 December 2008 also included a share dividend distribution of 95,834,632 treasury shares on the basis of one (1) Public Bank Berhad ("PBB") treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") for every thirty-five (35) ordinary shares of RM1.00 each held in PBB on 11 March 2009.

DIVIDENDS (CONTINUED)

Subsequent to the financial year end, on 19 January 2010, the Directors declared a second interim cash dividend of 25% less 25% tax, amounting to approximately RM647,146,625 (representing 18.8 sen net per share) and the distribution of share dividend on the basis of one (1) PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia for every sixty-eight (68) ordinary shares of RM1.00 each held in PBB, fractions of treasury shares to be disregarded, in respect of the current financial year. This is computed based on the issued and paid-up capital as at 31 December 2009, excluding treasury shares held by the Bank, of 3,451,448,666 ordinary shares of RM1.00 each, to be paid and distributed to shareholders whose names appear in the Record of Depositors at the close of business on 5 February 2010. The financial statements for the current financial year do not reflect these dividends. Upon declaration, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings and the share dividend distributed will be accounted for as a transfer of reserves, during the financial year ending 31 December 2010. The Directors do not propose any final dividend for the financial year ended 31 December 2009.

ISSUE OF SHARES

There were no changes to the authorised, issued and paid-up capital of the Bank during the financial year.

SHARE BUY-BACK

On 25 February 2009, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial year, the Bank bought back from the open market, 10,000 PBB Shares listed and quoted as "Local" and 5,000 PBB shares listed and quoted as "Foreign" on the Main Market of Bursa Malaysia at an average buy-back price of RM9.27 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial year, including transaction costs, was RM139,494 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the financial year.

A total of 95,834,632 treasury shares were distributed as share dividend on 11 March 2009 on the basis of one (1) PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia for every thirty-five (35) ordinary shares of RM1.00 each held in PBB.

As at 31 December 2009, the Bank held 80,477,168 PBB Shares as treasury shares out of its total issued and paid-up share capital of 3,531,925,834 PBB Shares. Such treasury shares are held at a carrying amount of RM581,637,906. Further information is disclosed in Note 32 to the financial statements.

Subsequent to the financial year ended 31 December 2009, a total of approximately 50,756,598 treasury shares were declared by the Directors on 19 January 2010 to be distributed to the shareholders as share dividend for the financial year ended 31 December 2009, on the basis of one (1) treasury share for every sixty-eight (68) ordinary shares of RM1.00 each held in PBB, fractions of treasury shares to be disregarded. Subsequent to the distribution of the share dividend, the treasury shares balance will be approximately 29,720,570 PBB shares at a carrying amount of RM214,801,422.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those disclosed in Note 9, Note 11 and Note 33 to the financial statements.

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

The results of the operations of the Group and the Bank during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

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

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as disclosed in Note 55 to the financial statements.

SUBSEQUENT EVENTS

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

DIRECTORS OF THE BANK

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

Tan Sri Dato' Sri Dr. Teh Hong Piow
Tan Sri Dato' Thong Yaw Hong
Tan Sri Dato' Sri Tay Ah Lek
Dato' Sri Lee Kong Lam
Dato' Yeoh Chin Kee
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah
Dato' Haji Abdul Aziz bin Omar
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff
Quah Poh Keat

In accordance with Article 111 of the Bank's Articles of Association, Dato' Yeoh Chin Kee and Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS

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

Shares Held in the Bank

Direct interests:

	Balance at 1.1.2009	Number of Ordinary Shares of RM1.00 Each			Balance at 31.12.2009
		Acquired	Disposed	Share ⁺ Dividend	
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	—	—	614,978	22,139,228
Tan Sri Dato' Thong Yaw Hong	7,313,750	—	—	208,964	7,522,714
Tan Sri Dato' Sri Tay Ah Lek	8,610,109	—	2,000,000	188,859	6,798,968
Dato' Sri Lee Kong Lam	1,079,921	—	715,000	10,426	375,347
Dato' Yeoh Chin Kee	200,000	—	—	5,714	205,714
Dato' Haji Abdul Aziz bin Omar	750,000	—	50,000	21,428	721,428
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	350,000	—	—	10,000	360,000

Indirect interests:

	Balance at 1.1.2009	Number of Ordinary Shares of RM1.00 Each			Balance at 31.12.2009
		Acquired	Disposed	Share ⁺ Dividend	
Tan Sri Dato' Sri Dr. Teh Hong Piow	786,468,596	—	—	22,470,522	808,939,118
Tan Sri Dato' Thong Yaw Hong	821,875	—	—	23,481	845,356
Tan Sri Dato' Sri Tay Ah Lek	339,482	—	—	9,699	349,181
Dato' Sri Lee Kong Lam	800,000	—	—	22,857	822,857
Dato' Yeoh Chin Kee	300,000	—	—	8,571	308,571

+ Arising from the distribution by Public Bank Berhad ("PBB") of a share dividend on the basis of one (1) PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia Securities Berhad for every thirty-five (35) ordinary shares of RM1.00 each held in PBB, fractions of treasury shares disregarded.

Shares Held in a Subsidiary Company

– Shares Held in Public Financial Holdings Limited ("PFHL")

Direct interests:

	Balance at 1.1.2009	Number of Ordinary Shares of HKD0.10 Each			Balance at 31.12.2009
		Acquired	Disposed		
Tan Sri Dato' Sri Tay Ah Lek	350,000	—	—		350,000
Dato' Yeoh Chin Kee	150,000	—	—		150,000

DIRECTORS' INTERESTS (CONTINUED)

Share Options Held in a Subsidiary Company

– Share Options Held under the PFHL Employees' Share Option Scheme ("PFHL Share Options")

	Option Price HKD	Number of PFHL Share Options				Balance at 31.12.2009
		Balance at 1.1.2009	Granted	Exercised	Lapsed	
Tan Sri Dato' Sri Tay Ah Lek	6.35	1,230,000	—	—	—	1,230,000
Dato' Yeoh Chin Kee	6.35	550,000	—	—	550,000*	—

* Lapsed on 16 July 2009 as Dato' Yeoh Chin Kee did not exercise the share options within a period of six months following his resignation as Director of PFHL on 15 January 2009.

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

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 831,078,346 shares in the Bank, and pursuant to Section 6A(4)(c) of the Companies Act, 1965, is deemed interested in the shares in all of the Bank's subsidiary and associated companies to the extent that the Bank has interests.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 39 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 45(a) to the financial statements.

REMUNERATION COMMITTEE

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

The members of the Remuneration Committee comprising of all the Independent Non-Executive Directors of the Bank are:

Tan Sri Dato' Thong Yaw Hong
Dato' Yeoh Chin Kee
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah
Dato' Haji Abdul Aziz bin Omar
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff
Quah Poh Keat

BUSINESS REVIEW 2009

The business operating environment in Malaysia was challenging, particularly in the first quarter of 2009 when the Malaysian economy contracted sharply by 6.2%. Malaysia's external sector contracted mostly due to contraction in demand in its major trading partners such as the United States. However, "green shoots" which were emerging in the second quarter of this year had become more visible in the second half of 2009.

Despite the sharp economic contraction, the Malaysian banking industry remained resilient with strong capitalisation and strong asset quality. Banks continued to compete in retail space for market share, partly due to the ample liquidity in the banking system. Demand for loans continued to remain steady due to healthy household and corporate balance sheets. Core customer deposits continued to grow steadily.

During the year, the Public Bank Group continued to sustain a satisfactory performance, underpinned by continued strong growth in loans and deposits and sustained strong asset quality. The Group continued to focus on its core businesses of lending to consumers, particularly in home mortgages, passenger vehicle hire purchase financing and in retail commercial lending to small- and medium-sized enterprises ("SMEs"). Public Bank revised its lending rates down in line with the drop in the Overnight Policy Rate ("OPR"). Public Bank had actively promoted funds for SMEs and also the Government's guarantee schemes for SMEs to support viable SMEs.

To sustain its strong asset quality, the Public Bank Group continued to observe its prudent credit appraisal and approval process and strong credit risk culture. The Group took proactive measures to assist customers to restructure and reschedule their loans to improve their cash flows on a need basis.

On deposit-taking business, the Public Bank Group continued to expand the range and the competitiveness of its deposit products, including foreign currency deposits and structured deposit products. The Group's strong growth in deposits was supported by the high growth in core customer deposits.

The Public Bank Group accelerated its efforts to expand fee-based activities by expanding the distribution channels for unit trust funds, introducing new unit trust funds, promoting foreign currency deposit accounts and investment-linked products, expanding sales force for bancassurance products and promoting other businesses such as remittance, trade finance and credit card business. In 2009, the Bank and ING jointly launched 8 bancassurance products. Public Mutual, a wholly-owned subsidiary company of Public Bank, delivered strong performance, exhibiting high growth in its net asset value of funds under management.

During the year, the Public Bank Group further expanded its delivery channels to better serve its customers. Public Bank opened 6 new domestic branches in 2009, increasing the number of Public Bank branches in Malaysia to 248 branches. Domestically, Public Bank put in place 459 ATMs, 442 Cheque Deposit Machines and 407 Cash Deposit Terminals as at 31 December 2009. The Group also expanded its Internet banking and mobile banking services for greater banking access by its customers.

The Group continued to stay committed to its overseas operations. To grow its business overseas, the Public Bank Group had expanded its regional network to 109 branches from 70 branches in 2006, comprising 80 branches in Hong Kong, 3 branches in the People's Republic of China, 15 branches in Cambodia, 7 branches in Vietnam, 3 branches in Laos and 1 branch in Sri Lanka. The Group's other key delivery channels such as ATMs and self-service machines in its overseas operations had also been further expanded.

During the year, the Bank continued to implement its Corporate Social Responsibility programmes in key areas such as nation building, enhancement of the market place, promotion of the work place, promotion of education, support of the community, greening the environment and customer care.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2010

The Malaysian economy is expected to further improve in 2010, on the back of the Government's fiscal stimulus, accommodative monetary policy and the expected recovery in major developed economies. The "green shoots" such as industrial production and exports which have emerged since the second quarter of 2009 are expected to become more visible in 2010. Both the services and construction sectors are expected to lead growth in 2010. The steady upward trend in the Leading Index for the Malaysian economy and improved consumer and business sentiment in recent months support the positive outlook for the economy in 2010.

In 2010, gross domestic product is expected to increase by 3% from a contraction of 2.5% in 2009. Like other Asian economies, Malaysia is well placed to recover early because of credible macro policies and healthy corporate, household and bank balance sheets. In addition to the large fiscal stimulus, recent trends in inventory restocking, fiscal impulse from the aggressive countercyclical response and healthy intra-regional trade will support the Malaysian economy.

As domestic economic conditions strengthen, inflation in Malaysia is projected to turn positive in 2010. However, in the absence of unanticipated price adjustments and rapid rise in global commodity prices, inflation is expected to remain modest. Furthermore, the current large output gap in Malaysia and the strong Ringgit exchange rate will keep inflation in check.

In the growth process, private consumption and private investment are expected to further strengthen due to improved labour market conditions, low interest rates and large fiscal stimulus. Specific measures in the Budget 2010, such as the reduction in the maximum personal income tax rate and increased personal relief, will result in higher household disposable income which in turn will support private consumption.

On the supply side, growth will remain broad-based and led by the services sector. The recent liberalisation of 27 services sub-sectors and the financial services sector will support investment growth. The construction sector will continue to benefit from the economic recovery and fiscal stimulus by the Government. Manufacturing – in particular export-oriented industries – is expected to slowly improve in line with the global recovery. As the economic growth gains further traction in 2010, the Malaysian Government will have room to consolidate its fiscal position. The economy too will continue to enjoy high sovereign ratings, reflecting Malaysia's strong external liquidity, robust balance of payments and strong financial sector.

BUSINESS OUTLOOK FOR 2010

The business operating environment is expected to improve in 2010 as the Malaysian economy is projected to grow by 3% due to higher private consumption and public spending. The external sector is expected to improve based on the expected recovery in the United States and healthy growth in Asia. As the external environment is expected to remain fragile, the Public Bank Group will remain vigilant.

The banking industry in Malaysia is expected to remain healthy in 2010. Competition, however, will continue to intensify due to strong domestic players, liberal operating environment, the potential of new entrants and ample liquidity. Domestic banks are expected to further build their capacity and capability to compete, differentiate their business strategies and focus on new products and services. Product pricing will remain competitive. Retail lending and retail deposit-taking businesses are expected to further improve next year, based on the positive outlook for the Malaysian economy, low interest rates, high public spending, healthy labour market condition, and improved consumer and business sentiment. Corporate lending is expected to increase but remain soft as they continue to access the capital market for their funding and investment requirements.

Based on the positive economic outlook, Public Bank will continue to grow its market share in its core business of consumer financing (mainly home mortgages, passenger vehicle hire purchase financing and personal financing) and lending to viable SMEs across economic sectors. The Group will remain prudent and take proactive measures to ensure that its strong asset quality continues to be maintained.

On liability management, the Public Bank Group will continue to promote retail low cost deposits, foreign currency deposits and structured deposit products. To supplement its core retail customer deposits, the Group will also promote wholesale deposits. Based on its strong deposit franchise, the Group is expected to sustain its healthy loan-deposit ratio in 2010.

BUSINESS OUTLOOK FOR 2010 (CONTINUED)

As a long-term business strategy, the Public Bank Group will also continue to promote its fee-based activities such as sales of unit trust funds, fund management, sales of general insurance and bancassurance products, credit card business, trade finance, cash management and remittance business. The Group's unit trust sales agency force and key distribution channels and dedicated sales teams for fee-based businesses will continue to be expanded, while new products will be launched.

The Public Bank Group will continue to grow its overseas business by expanding its retail loans and deposits and maintaining a healthy loan-deposit ratio. In addition to new lending and deposits products, the Group will continue to strengthen its marketing force and strategies to grow its market share, particularly in the Indo-china market. The process of transferring the Group's best banking practices in Malaysia to accelerate its business growth overseas will continue.

To sustain its strong business growth, the Group will continue to focus on improving its superior delivery standards and infrastructure, cost efficiency, customer analytics and marketing strategy. In addition, the Group will continue to tap on its extensive branch network and strong franchise, wide array of innovative products and packages, and multiple delivery channels such as Internet banking, mobile banking, ATMs, cheque deposit machines and cash deposit terminals to pull in new customers and retain the existing ones. The Group will continue to enhance its risk management capabilities and uphold its strong corporate governance culture and practices.

AUDITORS

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

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW

Director

TAN SRI DATO' THONG YAW HONG

Director

Kuala Lumpur,

Dated: 19 January 2010

STATEMENT BY DIRECTORS 215

We, TAN SRI DATO' SRI DR. TEH HONG PIOW and TAN SRI DATO' THONG YAW HONG, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 218 to 397 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Director

TAN SRI DATO' THONG YAW HONG
Director

Kuala Lumpur,
Dated: 19 January 2010

STATUTORY DECLARATION

I, CHANG SIEW YEN, being the officer primarily responsible for the financial management of PUBLIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 218 to 397, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **CHANG SIEW YEN**
at KUALA LUMPUR in WILAYAH PERSEKUTUAN this 19 January 2010.

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur

216 INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PUBLIC BANK BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Public Bank Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 218 to 397.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiary companies that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang

Partner
Approval Number: 2679/11/11(J)
Chartered Accountant

Petaling Jaya
Dated: 19 January 2010

		Group		Bank	
	Note	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
ASSETS					
Cash and short-term funds	3	43,480,452	36,597,027	31,868,626	29,564,959
Deposits and placements with banks and other financial institutions	4	3,182,704	1,941,445	3,115,967	3,834,326
Securities purchased under resale agreements	5	1,200,243	5,141,746	—	4,762,407
Securities held-for-trading	6	7,957,275	11,349,842	7,655,815	10,846,741
Securities available-for-sale	7	12,165,777	5,626,372	10,458,159	4,914,144
Securities held-to-maturity	8	6,620,207	8,286,719	7,637,258	9,564,579
Loans, advances and financing	9	135,335,784	118,386,295	107,962,807	93,174,291
Derivative financial assets	10	310,311	590,229	302,861	589,715
Other assets	11	1,758,578	1,548,674	1,453,540	2,197,184
Statutory deposits with Central Banks	12	1,022,181	2,636,708	588,362	1,998,200
Deferred tax assets	13	506,607	488,855	390,826	387,572
Investment in subsidiary companies	14	—	—	3,694,681	3,419,681
Investment in associated companies	15	128,318	127,802	101,325	101,325
Investment properties	16	69,327	66,012	—	—
Prepaid land lease payments	17	289,228	291,873	13	15
Property and equipment	18	1,051,551	1,011,489	650,968	648,322
Intangible assets	19	2,057,611	2,072,018	695,393	695,393
TOTAL ASSETS		217,136,154	196,163,106	176,576,601	166,698,854
LIABILITIES					
Deposits from customers	20	170,891,589	151,185,298	135,387,490	124,090,859
Deposits and placements of banks and other financial institutions	21	22,614,300	16,684,145	20,783,929	17,092,906
Bills and acceptances payable	22	612,730	3,062,374	612,730	3,062,374
Recourse obligations on loans sold to Cagamas	23	21,763	4,537,277	21,763	4,537,277
Derivative financial liabilities	10	270,056	495,146	243,396	442,654
Other liabilities	24	2,511,757	2,422,817	1,399,378	1,503,433
Borrowings	26	653,101	860,234	—	—
Subordinated notes	27	3,335,322	4,178,195	3,355,539	4,198,220
Innovative Tier I capital securities	28	1,972,333	2,124,484	1,972,333	2,124,484
Non-innovative Tier I stapled securities	29	2,071,589	—	2,071,589	—
Provision for tax expense and zakat	30	464,290	382,454	286,242	254,818
Deferred tax liabilities	13	2,000	1,950	—	—
TOTAL LIABILITIES		205,420,830	185,934,374	166,134,389	157,307,025

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
EQUITY					
Share capital	31	3,531,926	3,531,926	3,531,926	3,531,926
Reserves		8,072,918	7,278,892	7,491,924	7,134,015
Treasury shares	32	(581,638)	(1,274,112)	(581,638)	(1,274,112)
Equity attributable to equity holders of the Bank		11,023,206	9,536,706	10,442,212	9,391,829
Minority interests		692,118	692,026	—	—
TOTAL EQUITY		11,715,324	10,228,732	10,442,212	9,391,829
TOTAL LIABILITIES AND EQUITY		217,136,154	196,163,106	176,576,601	166,698,854
OFF-BALANCE SHEET EXPOSURES	51(e)	61,435,239	52,866,868	56,878,933	47,752,572
Net assets per share attributable to ordinary equity holders of the Bank (RM)		3.19	2.84	3.03	2.80

220 INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Operating revenue	2(x)	9,715,568	10,500,307	7,171,221	8,556,614
Interest income	35	7,353,051	8,289,708	6,391,787	7,313,616
Interest expense	36	(3,316,609)	(4,562,396)	(3,093,687)	(4,185,840)
Net interest income		4,036,442	3,727,312	3,298,100	3,127,776
Net income from Islamic banking business	57	691,591	558,417	—	445,884
Other operating income	37	4,728,033 1,396,935	4,285,729 1,453,527	3,298,100 1,213,958	3,573,660 1,028,098
Net income		6,124,968	5,739,256	4,512,058	4,601,758
Other operating expenses	38	(2,109,913)	(1,791,101)	(1,392,115)	(1,308,529)
Operating profit		4,015,055	3,948,155	3,119,943	3,293,229
Allowance for losses on loans, advances and financing	40	(690,970)	(548,562)	(321,237)	(394,189)
– General allowance		(293,607)	(232,101)	(225,120)	(232,437)
– Other loan loss allowances		(397,363)	(316,461)	(96,117)	(161,752)
Impairment loss	41	(15,079)	(32,862)	(9,536)	(1,324)
Share of profit after tax of equity accounted associated companies		3,309,006 12,427	3,366,731 12,457	2,789,170 —	2,897,716 —
Profit before tax expense and zakat		3,321,433	3,379,188	2,789,170	2,897,716
Tax expense and zakat	42	(769,893)	(756,528)	(607,505)	(624,980)
Profit for the year		2,551,540	2,622,660	2,181,665	2,272,736

	Note	Group		Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Attributable to:					
Equity holders of the Bank		2,517,302	2,581,237	2,181,665	2,272,736
Minority interests		34,238	41,423	—	—
Profit for the year		2,551,540	2,622,660	2,181,665	2,272,736
Earnings per RM1.00 share:	43				
– basic (sen)		73.3	76.9		
– diluted (sen)		73.3	76.9		
Net dividends per RM1.00 share declared for the financial year:	44				
Cash dividends					
– First interim dividend (sen)		22.5	22.2		
– Second interim dividend (sen)		18.8	—		
– Final dividend (sen)		—	18.8		
		41.3	41.0		
Share dividends (no. of shares)		1 for 68	1 for 35		

The accompanying notes form an integral part of the financial statements

222 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

2009 Group	Note	<----- Attributable to Equity Holders of the Bank ----->							
		Non-distributable Reserves			Distributable Reserves		Total	Minority Interests RM'000	Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Shareholders' Equity RM'000		
At 1 January 2009		3,531,926	2,132,499	3,243,735	1,902,658	(1,274,112)	9,536,706	692,026	10,228,732
Currency translation differences in respect of foreign operations		—	—	(32,954)	—	—	(32,954)	(11,208)	(44,162)
Currency translation differences in respect of net investment hedge		—	—	35,193	—	—	35,193	—	35,193
Net gain on revaluation of securities available-for-sale		—	—	378,905	—	—	378,905	434	379,339
Net change in cash flow hedges		—	—	(6,051)	—	—	(6,051)	—	(6,051)
Net income/(expense) recognised directly in equity		—	—	375,093	—	—	375,093	(10,774)	364,319
Net profit for the year		—	—	—	2,517,302	—	2,517,302	34,238	2,551,540
Total recognised income for the year		—	—	375,093	2,517,302	—	2,892,395	23,464	2,915,859
Buy-back of shares	32	—	—	—	—	(140)	(140)	—	(140)
Transfer to statutory reserves		—	—	133,961	(133,961)	—	—	—	—
Transfer to regulatory reserves		—	—	9,995	(9,995)	—	—	—	—
Dividends paid	44	—	—	—	(1,405,755)	—	(1,405,755)	(23,372)	(1,429,127)
Share dividends		—	(692,614)	—	—	692,614	—	—	—
At 31 December 2009		3,531,926	1,439,885	3,762,784	2,870,249	(581,638)	11,023,206	692,118	11,715,324

Note 31

Note 33

Note 32

		<----- Attributable to Equity Holders of the Bank ----->								
		Non-distributable Reserves			Distributable Reserves		Total			
2008 Group	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000	
At 1 January 2008		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		—	—	145,173	—	—	145,173	38,810	183,983	
Currency translation differences in respect of net investment hedge		—	—	(143,546)	—	—	(143,546)	—	(143,546)	
Net loss on revaluation of securities available-for-sale		—	—	(440,129)	—	—	(440,129)	(3,337)	(443,466)	
Net change in cash flow hedges		—	—	13,864	—	—	13,864	—	13,864	
Net (expense)/income recognised directly in equity		—	—	(424,638)	—	—	(424,638)	35,473	(389,165)	
Net profit for the year		—	—	—	2,581,237	—	2,581,237	41,423	2,622,660	
Total recognised (expense)/income for the year		—	—	(424,638)	2,581,237	—	2,156,599	76,896	2,233,495	
Issue of shares pursuant to the exercise of share options		4,035	20,295	—	—	—	24,330	—	24,330	
Buy-back of shares	32	—	—	—	—	(215)	(215)	—	(215)	
Minority interests' subscription of shares of a subsidiary company (net)		—	—	—	—	—	—	9,100	9,100	
Transfer to statutory reserves		—	—	40,571	(40,571)	—	—	—	—	
Transfer to regulatory reserves		—	—	14,078	(14,078)	—	—	—	—	
Dividends paid	44	—	—	—	(1,986,182)	—	(1,986,182)	(30,219)	(2,016,401)	
At 31 December 2008		3,531,926	2,132,499	3,243,735	1,902,658	(1,274,112)	9,536,706	692,026	10,228,732	
		Note 31		Note 33		Note 32				

224 STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

2009 Bank	Note	<----- Attributable to Equity Holders of the Bank ----->					
		Share Capital RM'000	Non-distributable Share Premium RM'000	Reserves Other Reserves RM'000	Distributable Reserves Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
At 1 January 2009		3,531,926	2,132,499	3,239,059	1,762,457	(1,274,112)	9,391,829
Net gain on revaluation of securities available-for-sale		—	—	280,664	—	—	280,664
Net change in cash flow hedges		—	—	(6,051)	—	—	(6,051)
Net income recognised directly in equity		—	—	274,613	—	—	274,613
Net profit for the year		—	—	—	2,181,665	—	2,181,665
Total recognised income for the year		—	—	274,613	2,181,665	—	2,456,278
Buy-back of shares	32	—	—	—	—	(140)	(140)
Dividends paid	44	—	—	—	(1,405,755)	—	(1,405,755)
Share dividends		—	(692,614)	—	—	692,614	—
At 31 December 2009		3,531,926	1,439,885	3,513,672	2,538,367	(581,638)	10,442,212
		Note 31		Note 33	Note 34	Note 32	
2008 Bank							
At 1 January 2008		3,527,891	2,112,204	3,504,479	1,479,938	(1,273,897)	9,350,615
Net loss on revaluation of securities available-for-sale		—	—	(283,319)	—	—	(283,319)
Net change in cash flow hedges		—	—	13,864	—	—	13,864
Net expense recognised directly in equity		—	—	(269,455)	—	—	(269,455)
Net profit for the year		—	—	—	2,272,736	—	2,272,736
Total recognised (expense)/ income for the year		—	—	(269,455)	2,272,736	—	2,003,281
Issue of shares pursuant to the exercise of share options		4,035	20,295	—	—	—	24,330
Buy-back of shares	32	—	—	—	—	(215)	(215)
Transfer to statutory reserves		—	—	4,035	(4,035)	—	—
Dividends paid	44	—	—	—	(1,986,182)	—	(1,986,182)
At 31 December 2008		3,531,926	2,132,499	3,239,059	1,762,457	(1,274,112)	9,391,829
		Note 31		Note 33	Note 34	Note 32	

The accompanying notes form an integral part of the financial statements



CASH FLOW STATEMENTS

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FOR THE YEAR ENDED 31 DECEMBER 2009

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax expense and zakat	3,321,433	3,379,188	2,789,170	2,897,716
Adjustments for:				
Share of profit after tax of equity accounted associated companies	(12,427)	(12,457)	—	—
Amortisation of prepaid land lease payments	3,449	2,737	2	2
Depreciation of property and equipment	130,046	116,122	104,119	92,518
Net (gain)/loss on disposal of property and equipment	(1,159)	1,773	(864)	1,748
Net loss on disposal of foreclosed properties	3,144	8,652	3,304	8,812
Gain on disposal of prepaid land lease payments	(12)	—	—	—
Gain on disposal of investment properties	(4)	—	—	—
Allowance for bad and doubtful debts and financing	914,945	774,752	469,363	562,804
Write back of allowance for bad and doubtful debts and financing	(73,611)	(74,660)	(57,763)	(70,419)
Net gain arising from sale of securities available-for-sale	(46,113)	(13,514)	(33,354)	(13,491)
Amortisation of premium less accretion of discount	39,362	6,777	43,352	12,685
Amortisation of cost and accretion of discount relating to the issuance of the subordinated notes	3,408	3,745	3,408	3,745
Amortisation of cost relating to the issuance of the Innovative Tier I capital securities	351	367	351	367
Amortisation of cost relating to the issuance of the Non-innovative Tier I stapled securities	435	—	435	—
Unrealised gain on revaluation of securities held-for-trading	(14,946)	(1,700)	(15,273)	(1,417)
Unrealised loss/(gain) on revaluation of trading derivatives	9,047	3,815	(763)	37,036
Unrealised (gain)/loss on hedging derivatives	(4,271)	44	(3,130)	(190)
Pension costs – defined benefit plan	10,577	(41,943)	10,144	(41,063)
Transfer (from)/to profit equalisation reserves	(22,908)	22,059	—	18,083
Dividends from securities available-for-sale	(84,295)	(47,345)	(78,211)	(43,215)
Dividends from securities held-to-maturity	(7,644)	(6,657)	(7,488)	(6,461)
Dividends from subsidiary companies	—	—	(399,636)	(354,026)
Dividends from associated companies	—	—	(10,379)	(5,130)
Property and equipment written off	1,437	4,243	862	4,238
Gain on revaluation of investment properties	(8,396)	(7,956)	—	—
Impairment loss on securities available-for-sale	5,572	—	129	—
Impairment loss on securities held-to-maturity	—	29,197	—	145
Impairment loss on foreclosed properties	9,407	1,179	9,407	1,179
Impairment loss on property and equipment	67	—	—	—
Impairment loss on prepaid land lease payments	33	—	—	—
Impairment loss on intangible assets	—	2,486	—	—
Operating profit before working capital changes	4,176,927	4,150,904	2,827,185	3,105,666

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)				
(Increase)/Decrease in operating assets:				
Deposits and placements with banks and other financial institutions	(1,241,259)	742,328	718,359	(765,160)
Securities purchased under resale agreements	3,941,503	7,581,744	4,762,407	7,244,190
Securities held-for-trading	3,391,510	(3,304,644)	3,190,196	(2,883,596)
Loans, advances and financing	(17,832,259)	(19,808,401)	(15,240,573)	(15,684,262)
Derivative financial assets	(21,153)	(18,818)	(21,153)	(18,818)
Other assets	(203,625)	287,712	884,174	(1,183,513)
Statutory deposits with Central Banks	1,614,527	(262,781)	1,409,838	273,800
Increase/(Decrease) in operating liabilities:				
Deposits from customers	19,726,739	24,948,975	11,317,079	22,367,461
Deposits and placements of banks and other financial institutions	5,930,155	(6,282,395)	3,691,023	(5,027,302)
Obligations on securities sold under repurchase agreements	—	(2,279)	—	(2,279)
Bills and acceptances payable	(2,449,644)	(389,922)	(2,449,644)	(389,922)
Recourse obligations on loans sold to Cagamas	(4,515,514)	580,873	(4,515,514)	580,873
Derivative financial liabilities	2,184	—	2,184	—
Other liabilities	99,130	108,441	(180,971)	1,419,266
Cash generated from operations	12,619,221	8,331,737	6,394,590	9,036,404
Income tax expense and zakat paid	(805,189)	(819,042)	(645,557)	(693,684)
Net cash generated from operating activities	11,814,032	7,512,695	5,749,033	8,342,720
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(174,282)	(268,745)	(108,583)	(201,582)
Prepaid land lease payments made	(637)	(21,393)	—	—
Proceeds from disposal of property and equipment	3,385	2,590	1,774	2,561
Proceeds from disposal of foreclosed properties	22,604	15,978	22,438	15,813
Proceeds from disposal of prepaid land lease payments	60	—	—	—
Proceeds from disposal of investment properties	76	66	—	—
Net purchase of securities	(4,520,249)	(6,266,306)	(3,351,745)	(9,340,366)
Additional investment in subsidiary companies	—	—	(275,000)	(1,065,920)
Additional investment in associated company	—	(72,860)	—	(72,860)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONTINUED)				
Dividends received from associated companies	10,379	5,130	10,379	5,130
Dividends received from securities available-for-sale	84,132	47,010	78,048	42,880
Dividends received from securities held-to-maturity	6,827	5,945	6,671	5,749
Purchase of share-broking trading rights	(159)	—	—	—
Net cash vested over to Public Islamic Bank Berhad	—	—	—	(463,141)
Dividends received from subsidiary companies	—	—	235,329	252,281
Net cash used in investing activities	(4,567,864)	(6,552,585)	(3,380,689)	(10,819,455)
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of share options of a subsidiary company by minority shareholders	—	9,100	—	—
Proceeds from issuance of shares	—	24,330	—	24,330
(Repayment)/Drawdown of borrowings	(207,133)	510,504	—	—
Dividends paid to equity holders of the Bank	(1,405,755)	(1,986,182)	(1,405,755)	(1,986,182)
Dividends paid to minority interests	(23,372)	(30,219)	—	—
Buy-back of shares	(140)	(215)	(140)	(215)
Net proceeds from issuance of subordinated notes	473,000	1,377,589	473,000	1,397,614
Redemption of subordinated notes	(1,212,225)	—	(1,212,225)	—
Net proceeds from issuance of Non-innovative Tier I stapled securities	2,080,443	—	2,080,443	—
Net cash used in financing activities	(295,182)	(95,093)	(64,677)	(564,453)
Net increase/(decrease) in cash and cash equivalents	6,950,986	865,017	2,303,667	(3,041,188)
Cash and cash equivalents at beginning of year	36,597,027	35,548,788	29,564,959	32,606,147
Exchange differences on translation of opening balances	(67,561)	183,222	—	—
Cash and cash equivalents at end of year (Note 3)	43,480,452	36,597,027	31,868,626	29,564,959

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– 31 DECEMBER 2009

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors on 19 January 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in previous years.

The following are the Financial Reporting Standards (“FRS”), amendments to FRSs, IC Interpretations, Technical Release (“TR”) and Statement of Principle (“SOP”) which have been issued by the Malaysian Accounting Standards Board (“MASB”) as of the balance sheet date but are not yet effective for these financial statements:

FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs
FRS 101	Presentation of Financial Statements
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations	
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	
Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives	
Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”	
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions
SOP i-1	Financial Reporting from an Islamic Perspective

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All the new FRSs, amendments to FRSs, IC Interpretations, TR and SOP above are effective from 1 January 2010, with the exception of FRS 8, which is effective from 1 July 2009. The Group and the Bank have early adopted FRS 8 in the previous financial year and have chosen to early adopt the following FRSs, amendments to FRS, IC Interpretations and SOP in the current financial year:

- (i) FRS 123 Borrowing Costs – This standard replaces FRS 123₂₀₀₄, with the main difference being the removal of the option to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, and instead requires an entity to capitalise all such borrowing costs as part of the cost of that asset. In accordance with the transitional provisions, the Group and the Bank have elected to apply FRS 123 to borrowing costs related to qualifying assets for which the commencement date of capitalisation is on or after 1 January 2009. The adoption of this standard does not have any impact on the financial statements of the Group and the Bank, as there were no qualifying assets acquired, constructed or produced during the year.
- (ii) IC Interpretation 10 Interim Financial Reporting and Impairment – This interpretation clarifies that an entity shall not reverse impairment losses on goodwill, investments in equity instruments or financial assets carried at cost recognised in an interim period. In accordance with the transitional provisions, the Group and the Bank will apply this interpretation prospectively from the date that the Group and the Bank first applied the measurement criteria of FRS 136 Impairment of Assets. The adoption of this interpretation does not have any impact on the financial statements of the Group and the Bank, as there have not been any such reversals of impairment losses recognised in interim periods.
- (iii) IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions – This interpretation clarifies how share-based payment transactions involving an entity's own or another entity's equity instruments in the same group are to be treated. The adoption of this IC interpretation does not have any impact on the financial statements of the Group and the Bank, as there were no such share-based payment transactions during the year.
- (iv) IC Interpretation 13 Customer Loyalty Programmes – This interpretation explains how entities that operate or grant loyalty award points to their customers should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. The adoption of this IC interpretation does not have any material impact on the financial statements of the Group and the Bank.
- (v) IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – This interpretation provides guidance on how entities should determine the limit placed on the amount of a surplus in a pension plan, which can be recognised as a defined benefit asset. This interpretation also addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under FRS 119. The adoption of this IC interpretation does not have any impact on the financial statements of the Group and the Bank as the Group's and the Bank's defined benefit assets are not in excess of the limits determined under this interpretation.
- (vi) Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations – This amendment clarifies that vesting conditions are limited to service conditions and performance conditions only and do not include other features of a share-based payment, and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity. The adoption of this amendment does not have any impact on the financial statements of the Group and the Bank, as there were no such share-based payment transactions during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (vii) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – The amendment to FRS 1 allows first-time adopters of the FRS framework to measure the initial cost of investments in subsidiaries, jointly controlled entities and associated companies at fair value or the previous carrying amount, instead of having to adopt the measurement requirements of FRS 127 retrospectively. The amendment to FRS 1 is not applicable to the Group and the Bank as it is not adopting the FRS framework for the first time. The amendment to FRS 127 removes the requirement for a parent entity to recognise dividends only to the extent that it represents distributions from profits of the investee arising after the date of acquisition, with any excess dividends recognised as a reduction of the cost of investment. The amendment to FRS 127 also deals with situations where a parent entity reorganises its group by establishing a new entity as the parent, whereby the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The adoption of the amendment to FRS 127 does not have any impact on the financial statements of the Group and the Bank, as there were no such dividend distributions and group reorganisations during the year.
- (viii) Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation – This amendment requires that some financial instruments that meet the definition of a liability are to be classified as equity, namely puttable financial instruments and instruments or components of instruments that impose on the entity the obligation to deliver a pro rata share of the net assets of the entity only on liquidation. The adoption of this amendment does not have any impact on the financial statements of the Group and the Bank, as it has not issued any such financial instruments.
- (ix) Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)” – This contains amendments to 21 FRSs that result in changes in presentation, recognition or measurement. The adoption of these amendments to FRSs do not have any material impact on the financial statements of the Group and the Bank.
- (x) SOP i-1 Financial Reporting from an Islamic Perspective – This statement sets out the underlying principles on financial reporting from an Islamic perspective. The statement complements, and is to be read in conjunction with the Framework for the Preparation and Presentation of Financial Statements, with the main principle of this statement being that Shariah-compliant transactions and events are to be accounted for in accordance with MASB approved accounting standards, unless there is a Shariah prohibition. The Group has applied this statement in accounting for transactions of its Islamic banking business.

The FRSs, amendments to FRSs, IC Interpretations and TR which have been issued but which the Group and the Bank have not early adopted are as follows:

- (i) FRS 139 Financial Instruments: Recognition and Measurement – This standard establishes the principles for the recognition, derecognition and measurement of an entity’s financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

With effect from 1 January 2005, upon the Group’s and the Bank’s adoption of Bank Negara Malaysia’s (“BNM”) revised BNM/GP8 – Guidelines on Financial Reporting for Licensed Institutions, certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting which are similar to those prescribed by FRS 139 have been adopted by the Group and the Bank. These accounting policies are set out in Notes 2(e) and (f) to the financial statements.

On 8 January 2010, BNM issued the guidelines on Classification and Impairment Provisions for Loans/Financing which is effective for annual periods beginning on and after 1 January 2010. The guidelines set out the minimum requirements on classification of impaired loans/financing, provisioning for impaired loans/financing and expectations that must be met by banking institutions with the adoption of FRS 139. With the issuance of the guidelines, the existing revised BNM/GP3 which was issued on 7 August 2008 will be withdrawn and replaced with the requirements of the guidelines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with the transitional provisions under the Amendments to FRS 139 Financial Instruments: Recognition and Measurement, the Financial Services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. During the transitional period, banking institutions will be required to comply with the requirements on collective assessment of impairment of loans and financing under the BNM's guidelines on Classification and Impairment Provisions for Loans/Financing. Banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment provisions under the transitional provisions in the guidelines. Subject to the prior written approval from BNM, banking institutions are allowed to maintain a lower collective impairment provision.

- (ii) FRS 4 Insurance Contracts – This standard specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts (“insurers”). In particular, it requires disclosures that identify and explain the amounts in an insurer’s financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. The application of this standard is not expected to have a material impact on the financial results of the Group as the Group has only an immaterial amount of revenue generated from the insurance business. The impact of applying FRS 4 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 41AA of FRS 4.
- (iii) FRS 7 Financial Instruments: Disclosures – This standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity’s financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management’s objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity’s key management personnel. An entity shall not apply this standard for annual periods beginning prior to 1 January 2010 unless it also applies FRS 139. The impact of applying FRS 7 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 44AB of FRS 7.
- (iv) FRS 101 Presentation of Financial Statements – This standard sets the overall requirements for the presentation of financial statements, guidelines for their structure and the minimum requirements for their content. The standard separates owner and non-owner changes in equity, whereby the statement of changes in equity will include only details of transactions with owners, and all non-owner changes in equity presented separately. In addition, the standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit and loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The application of this standard is not expected to have any impact on the financial results of the Group and the Bank as the changes introduced are presentational in nature.
- (v) IC Interpretation 9 Reassessment of Embedded Derivatives – This interpretation clarifies that the reassessment of an embedded derivative after its initial recognition is forbidden unless the instrument’s terms have changed and this has affected its cash flows significantly. This IC Interpretation is not expected to have any material impact on the financial statements of the Group and the Bank.
- (vi) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives – These amendments allow for the reclassification of certain non-derivative financial assets classified as held-for-trading to either held-to-maturity, loans and advances or available-for-sale, and permits the transfer of certain financial assets from available-for-sale to loans and advances. These amendments are not expected to have any material impact on the financial statements of the Group and the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (vii) TR i-3 Presentation of Financial Statements of Islamic Financial Institutions – This technical release is to be read in conjunction with FRS 101 Presentation of Financial Statements. The overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content is the same as that of FRS 101, except for additional guidance specific to Islamic financial institutions. The application of this technical release is not expected to have any impact on the financial results of the Group and the Bank as the changes introduced are presentational in nature.

Subsequent to the end of the financial year, on 8 January 2010, the MASB issued the following revised FRSs, new IC Interpretations and Amendments to FRSs:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The new requirements above take effect for annual periods beginning on or after 1 July 2010, except for Amendments to FRS 139 which applies for annual periods beginning on or after 1 January 2010. IC Interpretations 12 and 15 are not expected to have any impact on the Financial Statements of the Group and the Bank as they are not relevant to the operations of the Group and the Bank. The adoption of the other revised FRSs, amendments to FRSs and IC Interpretations is not expected to have a significant financial impact on the Group and the Bank, other than the Amendments to FRS 139. However, the impact of applying the Amendments to FRS 139, as required to be disclosed by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, is not disclosed by virtue of the exemption provided under paragraph 103AB of FRS 139.

The Amendments to FRS 139 include an additional transitional arrangement for entities in the financial services sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions. This transitional arrangement as prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 is described earlier on page 230 to these financial statements.

In August 2008, the MASB had announced its plan to bring Malaysia to full convergence with International Financial Reporting Standards ("IFRS") by 1 January 2012. The financial impact and effects on disclosures and measurement ensuing from such convergence are currently still being assessed pending the issuance of such revised FRSs incorporating the full convergence.

(a) Basis of Accounting

The financial statements of the Group and the Bank have been prepared on the historical cost basis, except for the following assets and liabilities which are stated at fair value: securities held-for-trading, securities available-for-sale, derivative financial instruments, recognised financial assets and liabilities designated as hedged items in qualifying fair value hedge relationships which are adjusted for changes in fair value attributable to the risk being hedged and investment properties, as disclosed in the notes to the financial statements and are in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Accounting (continued)

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

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

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

- (i) Fair value estimation for securities held-for-trading (Note 6), securities available-for-sale (Note 7) and derivative financial assets and liabilities (Note 10) – Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market, the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data are not available, judgement is required in the determination of model inputs, which normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and prepayment and default rates.
- (ii) Impairment of goodwill and intangible assets (Note 19) – the Group and the Bank perform an annual assessment of the carrying value of its goodwill and intangible assets against the recoverable amount of the cash-generating units (“CGU”) to which the goodwill and intangible assets have been allocated. The measurement of the recoverable amount of CGUs are determined based on the value-in-use method, incorporating the present value of estimated future cash flows expected to arise from the respective CGU’s ongoing operations. Management judgement is used in the determination of the assumptions made, particularly the cash flow projections, discount rate and the growth rates used. The estimation of pre-tax cash flows is sensitive to the periods for which the forecasts are available and to assumptions regarding the long-term sustainable cash flows, and reflect management’s view of future performance.
- (iii) Allowance for losses on loans, advances and financing (Note 9 and Note 40) – whilst the assessment of allowance for losses required for loans, advances and financing is made in accordance with the requirements of the BNM/ GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts, the Bank exercises judgement in ascertaining the recoverable amount when assessing the levels of loan loss allowance required.
- (iv) Impairment of assets – assessment of impairment of securities available-for-sale (Note 7) and securities held-to-maturity (Note 8) is made in line with the guidance in the revised BNM/GP8 Guidelines on Financial Reporting for Licensed Institutions to determine when the investment is impaired. Management judgement is required to evaluate the duration and extent by which the fair value of the financial instrument is below its cost and/or carrying value. The assessment of impairment of properties held under prepaid land lease payments (Note 17) and property and equipment (Note 18) also requires management judgement in the assessment of whether negative fluctuations in values of similar properties in the same location represents an indication of impairment in the value of the properties.
- (v) Valuation of investment properties (Note 16) – the measurement of the fair value for investment properties performed by management is determined with reference to current prices in an active market for similar properties in the same location and condition and subject to similar lease and other contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Accounting (continued)

- (vi) Income taxes (Note 42) – The Group and the Bank are subject to income taxes in many jurisdictions. Significant management judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.
- (vii) Deferred tax assets (Note 13) – deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(b) Basis of Consolidation

(i) Subsidiary Companies

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

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

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

In preparing the consolidated financial statements, intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses resulting from intragroup transactions are also eliminated unless there is evidence of impairment of the assets transferred. Consistent accounting policies are applied by the subsidiary companies for transactions and events in similar circumstances.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

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

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

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

(ii) Associated Companies

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

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

Goodwill relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign Currency

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions and Balances

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

(iii) Net Investment in Foreign Operations

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

(iv) Consolidation of Financial Statements of Foreign Operations

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

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

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

	2009	2008
1 USD	RM3.4280	RM3.4645
1 HKD	RM0.4418	RM0.4471

(d) Cash and Cash Equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Securities

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

(i) Securities Held-for-Trading

Securities are classified as held-for-trading if these financial assets are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. Securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement. The fair value of quoted securities is derived from market bid prices. For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method. Securities classified as held-for-trading are not reclassified to securities held-to-maturity or securities available-for-sale while they are held. However, for the period from 1 July 2008 to 31 December 2009, BNM's circular dated 20 October 2008 allows the reclassification of securities held-for-trading to securities available-for-sale and securities held-to-maturity under certain limited circumstances. As at 31 December 2009, the Group and the Bank have not made any such reclassification of securities.

(ii) Securities Held-to-Maturity

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

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

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

(iii) Securities Available-for-Sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. These securities are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in market conditions.

Securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement. The fair value of quoted securities is derived from market bid prices. For securities denominated in a foreign currency, changes in the fair value are analysed between foreign currency translation differences and changes in the market bid price. Foreign currency translation differences are recognised in the income statement and changes due to the market bid price are recognised in equity.

For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method. Interest earned on securities available-for-sale is recognised in the income statement based on the effective yield basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(i) Fair Value Hedge

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

The Group has adopted fair value hedge accounting for its fixed-rate subordinated notes, Innovative Tier I capital securities and Non-innovative Tier I stapled securities issued, certain fixed-rate private debt securities and Malaysian government securities investments and certain negotiable instruments of deposit issued.

(ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement. If the hedged forecast transactions result in the recognition of a non-financial asset or a non-financial liability, the gain and loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

(iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations and are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment Properties

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

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

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

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

(h) Assets Acquired Under Lease

Leases in which the Group is a lessee and assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases in which the Group is a lessee are classified as operating leases. Leasehold land held for own use that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is also classified as an operating lease. Leasehold land and building held under operating lease that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and is accounted for using the fair value model for investment properties, as set out in Note 2(g).

(i) Finance Lease

Upon initial recognition, the leased asset and the corresponding lease obligations are measured at an amount equal to the lower of the fair value of the leased asset at the beginning of the lease term and the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to property and equipment. Depreciation is provided at rates which write off the cost or valuation of the asset over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to the income statement over the period of the lease so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating Lease – Other Assets

All assets under operating leases, other than leasehold land, are not recognised on the balance sheet. All lease rentals payable are accounted for on a straight-line basis over the lease term and are charged to the income statement. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in the income statement in the period the termination takes place.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Assets Acquired Under Lease (continued)

(iii) Operating Lease – Leasehold Land

The payment made upon entering into or acquiring a leasehold land is accounted for as prepaid land lease payments in the balance sheet. In the case of a lease of land and buildings, the prepaid land lease payments are allocated, whenever necessary, between the land element and the buildings element of the lease at the inception of the lease in proportion to their relative fair values. The prepaid land lease payments are amortised over the lease term in accordance with the pattern of benefits provided. Prepaid land lease payments are classified as short term where the remaining lease term is 50 years or less and long term where the remaining lease term exceeds 50 years.

(i) Property and Equipment and Depreciation

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

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

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

Freehold land with an unlimited useful life and work-in-progress which are not yet available for use are not depreciated. Depreciation of other property and equipment is provided on a straight line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives at the following principal annual rates:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goodwill and Intangible Assets

(i) Goodwill

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

Goodwill is measured at cost less accumulated impairment losses, if any. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with FRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(ii) Intangible Assets

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

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

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

(k) Foreclosed Properties

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

(l) Receivables

Receivables are recognised when there is a contractual right to receive cash or another financial asset from another entity. Receivables are initially recognised at cost and subsequently stated at cost less allowance for doubtful debts, which is made based on estimates of possible losses which may arise if any receivable account becomes irrecoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Assets

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

(i) Securities Held-to-Maturity

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

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

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

(ii) Securities Available-for-Sale

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

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

(iii) Goodwill/Intangible Assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Assets (continued)

(iv) Other Assets

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

(n) Repurchase and Reverse Repurchase Agreements

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

Obligations on securities sold under repurchase agreements (ie. repurchase agreements) represent collateralised borrowing obligations which the Group and the Bank are committed to repurchase at future dates and are reflected as a liability on the balance sheet. The securities sold under repurchase agreements are treated as pledged assets and are not derecognised from the balance sheet.

(o) Bills and Acceptances Payable

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

(p) Liabilities

Liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity. Deposits from customers are stated at placement values and adjusted for accrued interest. Deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost, which is the consideration expected to be paid in the future for goods and services received.

(q) General Insurance

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

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

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

(r) Profit Equalisation Reserves ("PER")

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Provisions

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

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

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

(t) Debt Instruments

Debt instruments are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's debt instruments consist mainly of subordinated notes, Innovative Tier I capital securities and borrowings. These debt instruments are classified as liabilities in the balance sheet as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the instruments and that the Group is contractually obliged to settle the financial instrument in cash or another financial instrument.

The Group has also issued Non-innovative Tier I stapled securities which are potentially perpetual debt instruments, subject to the occurrence of certain events. This debt instrument is classified as a liability in the balance sheet as there is a contractual obligation to deliver cash or other financial instruments to its holders in the form of regular interest payments, potentially extending into the indefinite future.

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

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

(u) Share Capital

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

(v) Treasury Shares

When the Bank re-acquires its own equity shares, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Shares re-acquired are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of the treasury shares. Should such treasury shares be reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount are shown as a movement in equity, as appropriate. Where treasury shares are distributed as share dividends, the cost of the treasury shares are applied in the reduction of the share premium reserve or distributable retained profits or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contingent Liabilities and Contingent Assets

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

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

(x) Operating Revenue

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

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

(y) Recognition of Interest and Financing Income

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Recognition of Fees and Other Income

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

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

(aa) Recognition of Interest, Financing and Related Expenses

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

(ab) Allowance for Bad and Doubtful Debts and Financing

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Loans, advances and financing are renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower, whereby the renegotiation can result in an extension of the repayment period or a modification of the terms of the loan.

In conformity with the BNM/GP3, non-performing loans, advances and financing which have been rescheduled or restructured are reclassified as performing upon completion of the relevant documentation in relation to the rescheduling or restructuring exercise. Where the Group incurs a loss as a result of the rescheduling or restructuring, the loss is written off immediately to the income statement.

(ac) Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Defined Contribution Plan

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

(iii) Defined Benefit Plan

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Employee Benefits (continued)

(iii) Defined Benefit Plan (continued)

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

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

(iv) Share-based Compensation Benefits

The Group operates a share-based compensation scheme which allows the eligible directors and employees of Public Financial Holdings Limited ("PFHL") and its subsidiary companies to acquire shares in PFHL.

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

(ad) Tax Expense

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

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

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

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

(ae) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(af) Earnings Per Share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(ag) Segment Reporting

Segment reporting in the financial statements are presented on the same basis as is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

3. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	1,091,451	6,078,656	783,917	2,147,105
Money at call and deposit placements maturing within one month	42,389,001	30,518,371	31,084,709	27,417,854
	43,480,452	36,597,027	31,868,626	29,564,959

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	239,144	310,476	—	228,485
Licensed investment banks	50,000	200,000	250,000	200,000
Central Banks	2,825,000	1,000,000	2,625,000	1,000,000
Other financial institutions	68,560	430,969	240,967	2,405,841
	3,182,704	1,941,445	3,115,967	3,834,326

5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

The fair value of securities accepted as collateral under resale agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by their owner was RM1,234,967,000 (2008 – RM5,141,746,000) and Nil (2008 – RM4,762,407,000) respectively, of which none (2008 – none) have been resold.

6. SECURITIES HELD-FOR-TRADING

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Money market instruments:				
Malaysian Government Treasury Bills	66,735	—	66,735	—
Malaysian Government Securities	433,224	255,573	433,224	255,573
Malaysian Government Investment Certificates	131,661	—	101,356	—
Cagamas bonds	125,367	4,896,761	100,323	4,514,465
Negotiable instruments of deposit	6,243,362	5,139,352	6,193,679	5,139,352
Bank Negara Malaysia Monetary Notes	744,463	890,201	744,463	890,201
Bank Negara Malaysia Bills	124,937	49,807	—	—
	7,869,749	11,231,694	7,639,780	10,799,591
Quoted securities:				
Shares in Malaysia	925	980	925	980
Unquoted securities:				
Private debt securities in Malaysia	86,601	117,168	15,110	46,170
	7,957,275	11,349,842	7,655,815	10,846,741

7. SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	2,772,548	—	2,762,225	—
Malaysian Government Investment Certificates	2,066,106	—	1,199,819	—
Negotiable instruments of deposit	50,637	42,363	310,039	464,017
	4,889,291	42,363	4,272,083	464,017
Quoted securities:				
Shares and convertible loan stocks in Malaysia	49,765	44,964	46,323	41,954
Shares outside Malaysia	6,846	11,546	—	—
Trust units in Malaysia				
– Public Institutional Bond Fund	1,415,767	1,256,645	1,315,851	1,160,239
– Others	2,996,838	1,257,839	2,588,541	857,336
	4,469,216	2,570,994	3,950,715	2,059,529
Unquoted securities:				
Shares in Malaysia	20,579	20,853	20,009	20,283
Shares outside Malaysia	3,067	3,295	61	253
Private debt securities in Malaysia	2,783,624	2,988,867	2,215,291	2,370,062
	2,807,270	3,013,015	2,235,361	2,390,598
	12,165,777	5,626,372	10,458,159	4,914,144

Included in securities available-for-sale are Malaysian Government Securities of the Bank which are utilised to meet the Statutory Reserve Requirement set by Bank Negara Malaysia amounting to RM350,000,000 (2008 – Nil). (Refer to Note 12).

8. SECURITIES HELD-TO-MATURITY

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Treasury Bills	9,826	44,557	9,826	44,557
Malaysian Government Securities	2,702,667	3,220,432	2,620,859	3,215,441
Malaysian Government Investment Certificates	566,529	378,828	566,529	378,828
Bankers' acceptances and Islamic accepted bills	1,020,955	21,326	129,387	—
Cagamas bonds	15,107	15,164	5,059	15,164
Negotiable instruments of deposit	513,121	3,864,744	4,028,238	5,594,802
Bank Negara Malaysia Monetary Notes	—	100,651	—	100,651
Hong Kong Government Treasury Bills	220,788	142,931	—	—
Sri Lanka Government Treasury Bills	53,523	1,554	53,523	1,554
	5,102,516	7,790,187	7,413,421	9,350,997
Quoted securities:				
Private debt securities outside Malaysia	—	8,938	—	—
Unquoted securities:				
Shares in Malaysia	88,016	88,021	87,573	87,578
Private debt securities in Malaysia	159,065	150,102	148,976	140,069
Private debt securities outside Malaysia	1,283,322	263,536	—	—
	1,530,403	501,659	236,549	227,647
Accumulated impairment losses	(12,712)	(14,065)	(12,712)	(14,065)
	6,620,207	8,286,719	7,637,258	9,564,579

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Maturity within one year	2,779,812	5,929,049	4,511,639	5,789,307
More than one year to three years	1,324,204	1,257,694	1,923,619	2,963,237
More than three years to five years	874,750	400,455	854,413	395,464
More than five years	123,750	202,989	123,750	202,989
	5,102,516	7,790,187	7,413,421	9,350,997

8. SECURITIES HELD-TO-MATURITY (CONTINUED)

The indicative market value of money market instruments are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysian Government Treasury Bills	9,823	44,622	9,823	44,622
Malaysian Government Securities	2,721,601	3,254,849	2,639,660	3,249,790
Malaysian Government Investment Certificates	570,115	387,188	570,115	387,188
Bankers' acceptances and Islamic accepted bills	1,020,951	21,327	129,383	—
Cagamas bonds	15,277	15,182	5,090	15,182
Negotiable instruments of deposit	513,694	3,867,045	4,035,376	5,599,325
Bank Negara Malaysia Monetary Notes	—	100,651	—	100,651
Hong Kong Government Treasury Bills	220,734	143,004	—	—
Sri Lanka Government Treasury Bills	54,316	1,463	54,316	1,463

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Overdrafts	9,624,895	9,607,890	8,183,430	8,071,878
Term loans/financing				
Housing loans/financing	38,239,258	32,699,324	32,520,706	27,275,929
Syndicated term loans/financing	2,263,231	2,085,055	1,101,921	1,136,904
Hire purchase receivables	35,999,213	33,172,280	24,572,823	22,153,569
Other term loans/financing	49,605,543	39,999,452	37,995,612	29,955,354
Credit card receivables	1,178,526	1,028,806	1,169,668	1,019,464
Bills receivables	114,879	129,934	83,338	105,869
Trust receipts	407,432	481,078	333,042	352,593
Claims on customers under acceptance credits#	3,132,655	3,071,979	3,120,974	3,057,674
Lease, factored and confirming receivables	—	1,581	—	—
Revolving credits	2,961,241	3,659,977	2,997,450	3,660,214
Staff loans*	832,315	693,402	776,225	652,119
Less: Unearned interest and income	144,359,188 (6,748,761)	126,630,758 (5,962,165)	112,855,189 (3,165,885)	97,441,567 (2,750,835)
Gross loans, advances and financing (including Islamic house financing sold to Cagamas)	137,610,427	120,668,593	109,689,304	94,690,732
Less: Islamic house financing sold to Cagamas	—	(350,009)	—	—
Gross loans, advances and financing (excluding Islamic house financing sold to Cagamas)	137,610,427	120,318,584	109,689,304	94,690,732
Less: Allowance for bad and doubtful debts and financing				
– general	(2,051,659)	(1,759,487)	(1,645,143)	(1,419,932)
– specific	(222,984)	(172,802)	(81,354)	(96,509)
Net loans, advances and financing	135,335,784	118,386,295	107,962,807	93,174,291

Included in claims on customers under acceptance credits of the Group and the Bank are bankers' acceptance rediscounted of RM22,444,000 (2008 – RM2,550,896,000).

* Included in staff loans of the Group and the Bank are loans to directors of subsidiary companies amounting to RM1,426,094 (2008 – RM1,753,341) and RM711,601 (2008 – RM959,654) respectively.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Maturity within one year	23,963,064	22,490,549	19,380,641	18,072,749
More than one year to three years	14,871,529	12,117,023	10,813,628	8,079,915
More than three years to five years	16,104,439	16,108,654	12,116,481	11,753,430
More than five years	82,671,395	69,952,367	67,378,554	56,784,638
	137,610,427	120,668,593	109,689,304	94,690,732
Less: Islamic house financing sold to Cagamas	—	(350,009)	—	—
	137,610,427	120,318,584	109,689,304	94,690,732

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Domestic banking institutions	68,625	—	—	—
Domestic non-bank financial institutions				
– Stock-broking companies	2,010	2,053	2,010	2,053
– Others	3,663,839	3,162,348	3,649,462	3,156,663
Domestic business enterprises				
– Small and medium enterprises	22,485,538	20,664,386	21,405,515	19,657,035
– Others	17,554,970	13,292,658	17,066,195	12,972,116
Government and statutory bodies	316,353	774	534	687
Individuals	78,402,722	68,150,416	65,622,842	56,944,505
Other domestic entities	26,919	25,636	25,438	24,223
Foreign entities	15,089,451	15,370,322	1,917,308	1,933,450
	137,610,427	120,668,593	109,689,304	94,690,732
Less: Islamic house financing sold to Cagamas	—	(350,009)	—	—
	137,610,427	120,318,584	109,689,304	94,690,732

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fixed rate				
– Housing loans/financing	2,399,719	3,909,425	1,375,787	2,579,080
– Hire purchase receivables	30,149,942	27,920,958	21,473,821	19,479,396
– Other fixed rate loans/financing	14,283,642	12,869,448	7,114,932	6,431,674
Variable rate				
– Base lending rate plus	69,865,606	57,224,661	68,141,186	56,544,122
– Cost plus	11,802,092	9,199,229	10,958,834	8,696,698
– Other variable rates	9,109,426	9,544,872	624,744	959,762
Less: Islamic house financing sold to Cagamas	137,610,427 —	120,668,593 (350,009)	109,689,304 —	94,690,732 —
	137,610,427	120,318,584	109,689,304	94,690,732

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Purchase of securities	2,383,280	1,811,257	2,233,886	1,794,046
Purchase of transport vehicles	31,628,208	29,268,666	21,601,524	19,572,613
Purchase of landed properties	64,887,271	56,032,168	56,783,539	47,971,151
(of which: – residential	37,953,145	32,223,660	32,962,816	27,680,839
– non-residential)	26,934,126	23,808,508	23,820,723	20,290,312
Purchase of fixed assets (excluding landed properties)	390,129	272,420	317,880	265,548
Personal use	8,477,853	7,264,917	3,847,006	3,570,301
Credit card	1,178,526	1,028,806	1,169,668	1,019,464
Purchase of consumer durables	16,495	59,064	12,644	41,853
Construction	1,552,576	1,399,355	947,445	780,484
Mergers & Acquisitions	99,835	10,204	99,835	10,204
Working capital	21,053,154	18,820,617	17,083,443	15,107,077
Other purpose	5,943,100	4,701,119	5,592,434	4,557,991
Less: Islamic house financing sold to Cagamas	137,610,427 —	120,668,593 (350,009)	109,689,304 —	94,690,732 —
	137,610,427	120,318,584	109,689,304	94,690,732

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Agriculture, hunting, forestry and fishing	3,080,074	1,706,516	2,776,774	1,462,438
Mining and quarrying	102,570	93,749	93,681	84,729
Manufacturing	6,573,612	5,739,672	5,751,532	5,331,885
Electricity, gas and water	46,053	47,600	25,004	34,157
Construction	5,836,418	4,973,467	5,052,239	4,213,719
Wholesale & retail trade and restaurants & hotels	12,797,310	11,599,187	11,590,257	10,550,164
Transport, storage and communication	1,556,251	1,353,015	1,492,542	1,300,761
Finance, insurance and business services	7,680,286	6,785,617	6,815,720	6,155,949
Real estate	9,403,595	7,461,501	8,732,707	7,080,740
Community, social and personal services	1,260,033	897,690	887,750	837,748
Households	88,179,612	77,695,951	66,143,492	57,359,675
(of which: – purchase of residential properties	37,211,245	31,578,669	32,243,051	27,062,600
– purchase of transport vehicles	26,326,889	24,345,338	16,789,954	15,220,212
– others)	24,641,478	21,771,944	17,110,487	15,076,863
Others	1,094,613	2,314,628	327,606	278,767
Less: Islamic house financing sold to Cagamas	137,610,427	120,668,593	109,689,304	94,690,732
	—	(350,009)	—	—
	137,610,427	120,318,584	109,689,304	94,690,732

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	1,210,099	1,403,760	956,329	1,341,370
Non-performing during the year	2,483,525	2,314,078	1,652,963	2,023,579
Reclassified as performing	(1,694,775)	(1,906,369)	(1,435,151)	(1,839,860)
Recoveries	(145,601)	(94,853)	(116,824)	(90,270)
Amount written off	(490,821)	(460,099)	(203,478)	(272,082)
Loans/financing converted to foreclosed properties/securities	(41,436)	(50,006)	(40,457)	(50,006)
Amount vested over to Public Islamic Bank Berhad	—	—	—	(156,585)
Exchange differences	(1,364)	3,588	(26)	183
At 31 December	1,319,627	1,210,099	813,356	956,329
Specific allowance	(222,984)	(172,802)	(81,354)	(96,509)
Net non-performing loans, advances and financing ("Net NPL")	1,096,643	1,037,297	732,002	859,820
Net NPL as % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance	0.80%	0.86%	0.67%	0.91%

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Substandard (> 3-9 months in arrears)	658,448	545,024	330,724	394,217
Doubtful (> 9-12 months in arrears)	177,958	160,308	90,103	112,352
Bad (> 12 months in arrears)	483,221	504,767	392,529	449,760
	1,319,627	1,210,099	813,356	956,329

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<u>General allowance</u>				
At 1 January	1,759,487	1,522,964	1,419,932	1,374,846
Allowance made during the year (Note 40)	293,607	232,101	225,120	232,437
Amount vested over to Public Islamic Bank Berhad	—	—	—	(187,085)
Exchange differences	(1,435)	4,422	91	(266)
At 31 December	2,051,659	1,759,487	1,645,143	1,419,932
As % of gross loans, advances and financing (including Islamic house financing sold to Cagamas) less specific allowance	1.49%	1.46%	1.50%	1.50%

The general allowance of the Group is below 1.50% due to the local regulatory requirements and applicable accounting standards of the Group's overseas subsidiary companies in their respective jurisdictions. In addition to general allowance, the Group also maintains regulatory reserves (Note 33) in equity as an additional credit risk absorbent in accordance with the local regulatory requirements of certain overseas subsidiary companies.

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<u>Specific allowance</u>				
At 1 January	172,802	153,959	96,509	135,871
Allowance made during the year (Note 40)	621,338	542,651	244,243	330,367
Amount written back in respect of recoveries (Note 40)	(73,611)	(74,660)	(57,763)	(70,419)
Amount written off	(490,821)	(460,099)	(203,478)	(272,082)
Reinstatement of amount written off previously due to restructuring/rescheduling, now classified as performing loan	6,286	721	5,745	670
Amount transferred to accumulated impairment loss of foreclosed properties/securities	(3,960)	(295)	(3,880)	(295)
Amount vested over to Public Islamic Bank Berhad	—	—	—	(28,263)
Exchange differences	(9,050)	10,525	(22)	660
At 31 December	222,984	172,802	81,354	96,509

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Purchase of securities	2,722	4,084	2,722	4,084
Purchase of transport vehicles	145,096	187,630	91,048	118,786
Purchase of landed properties	564,424	622,538	478,758	558,438
(of which: – residential	451,954	523,429	402,129	470,132
– non-residential)	112,470	99,109	76,629	88,306
Purchase of fixed assets (excluding landed properties)	7,021	535	6,843	405
Personal use	153,777	111,530	47,513	57,280
Credit card	13,998	15,943	13,955	15,943
Purchase of consumer durables	242	1,757	222	1,582
Construction	4,861	—	—	—
Working capital	410,861	251,964	155,944	185,935
Other purpose	16,625	14,118	16,351	13,876
	1,319,627	1,210,099	813,356	956,329

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Agriculture, hunting, forestry and fishing	5,823	3,086	2,188	3,033
Mining and quarrying	104	162	104	162
Manufacturing	176,694	83,890	74,987	82,340
Electricity, gas and water	394	264	394	264
Construction	50,741	43,705	44,881	42,439
Wholesale & retail trade and restaurants & hotels	129,710	81,805	67,159	78,447
Transport, storage and communication	4,772	5,901	4,527	5,667
Finance, insurance and business services	44,188	19,302	16,249	18,964
Real estate	25,145	20,147	14,823	19,352
Community, social and personal services	3,710	4,337	3,659	3,681
Households	820,172	880,247	582,405	700,497
(of which: – purchase of residential properties	444,561	517,762	394,870	464,644
– purchase of transport vehicles	124,827	163,315	74,438	98,429
– others)	250,784	199,170	113,097	137,424
Others	58,174	67,253	1,980	1,483
	1,319,627	1,210,099	813,356	956,329

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Group to transfer, modify or reduce its foreign exchange and interest rate risks via hedge relationships. Derivative financial instruments that are entered into for hedging purposes but which do not meet the hedge effectiveness criteria or which relate to customers' deals are classified as trading derivatives.

The table below shows the Group's and the Bank's derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts as at the balance sheet date. The notional amounts of these derivative financial instruments refers to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the financial year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 47.

Group	2009			2008		
	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	806,819	4,760	4,955	1,468,420	21,990	9,379
– Currency swaps	10,354,354	35,292	68,989	7,646,775	68,955	165,752
– Currency options purchased	47,045	1,291	–	37,532	592	–
Interest rate related contracts						
– Interest rate swaps	84,350	84	36	–	–	–
Equity related contracts						
– Options purchased	480,456	22,096	–	272,106	15,250	–
Precious metal contracts						
– Forwards	3,767	17	1	–	–	–
	11,776,791	63,540	73,981	9,424,833	106,787	175,131
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	10,458,170	235,459	195,688	9,208,962	469,007	320,015
Cash flow hedge						
Interest rate related contracts						
– Interest rate swaps	534,000	11,312	387	565,000	14,435	–
	10,992,170	246,771	196,075	9,773,962	483,442	320,015
Total	22,768,961	310,311	270,056	19,198,795	590,229	495,146

Note 51(e)

Note 51(e)

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Bank	2009			2008		
	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	761,996	4,663	4,786	1,286,047	21,743	9,134
– Currency swaps	9,717,788	30,239	68,421	6,968,435	68,688	164,142
– Currency options purchased	47,045	1,291	—	37,532	592	—
Interest rate related contracts						
– Interest rate swaps	567,698	6,461	34,085	933,289	12,142	54,160
Equity related contracts						
– Options purchased	480,456	22,096	—	272,106	15,250	—
Precious metal contracts						
– Forwards	3,767	17	1	—	—	—
	11,578,750	64,767	107,293	9,497,409	118,415	227,436
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	9,443,482	226,782	135,716	7,655,190	456,865	215,218
Cash flow hedge						
Interest rate related contracts						
– Interest rate swaps	534,000	11,312	387	565,000	14,435	—
	9,977,482	238,094	136,103	8,220,190	471,300	215,218
Total	21,556,232	302,861	243,396	17,717,599	589,715	442,654

Note 51(e)

Note 51(e)

With the exception of options contracts, the fair values of derivative financial instruments are normally zero or negligible at inception and the subsequent change in value is favourable or unfavourable as a result of fluctuations in market interest rates and/or foreign exchange rates relative to the terms of the respective contracts.

The fair value at inception of options contracts purchased represents the consideration paid for these contracts, with subsequent changes in the fair value dependent on the movements in the value of the underlying asset.

As at 31 December 2009, the Group and the Bank have positions in the following types of derivative financial instruments:

Forwards

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

Swaps

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

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a predetermined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

Where derivatives of the Group and the Bank have been designated for the purpose of hedging and meets the hedge effectiveness criteria, the accounting treatment of these derivatives will depend on the nature of the instrument hedged and the type of hedge transaction, as described in Note 2(f). These hedge transactions include:

Fair Value Hedges

The Group and the Bank use fair value hedges to protect it against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk include the Bank's subordinated notes, Innovative Tier I capital securities, Non-innovative Tier I stapled securities, investments in certain private debt securities and Malaysian government securities and certain negotiable instruments of deposit issued. The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

The net gains and losses arising from fair value hedges during the year are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(Losses)/Gains on hedging instruments	(107,038)	208,501	(148,398)	288,370
Gains/(Losses) on the hedged items attributable to the hedged risk	99,235	(197,700)	144,244	(280,896)

The gains and losses on the ineffective portions of the Group's and the Bank's fair value hedges are recognised immediately in the income statement under other operating income.

Cash Flow Hedges

The Group and the Bank principally use interest rate swaps to protect against exposures to variability in future interest cash flows on non-trading financial assets and liabilities which bear interest at variable rates, or which are expected to be refunded or reinvested in the future.

The net gain on cash flow hedges reclassified from equity to the income statement are recognised in other operating income. During the financial year, a net gain of RM1,204,000 (2008 – net gain of RM381,000) was recognised by the Group and the Bank in the income statement.

The gains and losses on the ineffective portions of such derivatives are recognised immediately in the income statement under other operating income. During the financial year, a loss of RM189,000 (2008 – gain of RM190,000) was recognised by the Group and the Bank due to hedge ineffectiveness.

Hedge of Net Investment in Foreign Operations

The Group's balance sheet is affected by gains and losses as a result of the revaluation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of certain long-term borrowings and short-term interbank borrowing funding pools.

The gains and losses on the ineffective portions recognised in the income statement under other operating income during the financial year that arose from hedges of net investment in foreign operations was a loss of RM583,407 (2008 – gain of RM753,560).

11. OTHER ASSETS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred handling fees *	185,114	166,293	130,372	114,548
Interest/Income receivable	54,184	70,803	38,196	51,803
Other receivables, deposits and prepayments	968,160	984,417	736,148	845,488
Manager's stocks **	40,730	25,696	—	—
Amount due from trust funds ^	154,740	96,108	—	—
Foreclosed properties #	131,371	129,713	130,369	129,604
Taxi licenses	6,664	9,748	—	—
Outstanding contracts on clients' accounts @	217,615	65,896	—	—
Amount due from subsidiary companies ^^	—	—	51,966	824,476
Dividend receivable from subsidiary companies (Note 45(b))	—	—	366,489	231,265
	1,758,578	1,548,674	1,453,540	2,197,184
# Stated net of accumulated allowance for impairment loss amounting to	52,300	38,511	47,035	33,399
@ Stated net of accumulated allowance for bad and doubtful debts amounting to	25,026	25,974	—	—

* This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase loans.

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

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

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

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

12. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Statutory deposits with Bank Negara Malaysia *	732,885	2,339,800	588,362	1,998,200
Statutory deposits with the National Bank of Cambodia #	289,296	296,908	—	—
	1,022,181	2,636,708	588,362	1,998,200

* The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1) (c) of the Central Bank of Malaysia Act, 1958 (revised 1994). The amount of the Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

With effect from 25 June 2009, Bank Negara Malaysia has allowed the Bank, as a Principal Dealer for Government and Bank Negara Malaysia issuances and sukuk, to utilise its holdings of Malaysian Government Securities and Government Investment Certificates in place of cash deposits to meet the Statutory Reserve Requirement, up to a nominal amount of RM350,000,000 on a daily basis. The amount of Malaysian Government Securities used to meet the Statutory Reserve Requirement as at the end of the financial year was RM350,000,000 (2008 – Nil).

These statutory deposits are maintained with the National Bank of Cambodia ("NBC") in respect of:

- Cambodian Public Bank Plc and are maintained in compliance with Article 5 of NBC Prakas No. B701-136, the amounts of which are determined as set percentages of Cambodian Public Bank Plc's issued share capital and deposits from customers; and
- CampuBank Lonpac Insurance Plc and are maintained in compliance with Article 53 of the Royale Government's Sub-Decree on Insurance dated 22 October 2001 and Article 1 of the Ministry of Economy and Finance's Circular No. 009 SHV dated 9 December 2002, the amounts are determined as a set percentage of the issued share capital of CampuBank Lonpac Insurance Plc.

13. DEFERRED TAX

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At 1 January	486,905	299,560	387,572	276,975
Recognised in income statement (net) (Note 42) – relating to origination and reversal of temporary differences	118,112	80,144	99,541	59,977
Recognised in equity (net) (Note 42)	(100,333)	107,362	(96,287)	96,875
Amount vested over to Public Islamic Bank Berhad	—	—	—	(46,255)
Exchange differences	(77)	(161)	—	—
At 31 December	504,607	486,905	390,826	387,572

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets, net	506,607	488,855	390,826	387,572
Deferred tax liabilities, net	(2,000)	(1,950)	—	—
	504,607	486,905	390,826	387,572

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred tax assets	579,456	604,019	451,091	483,059
Deferred tax liabilities	(74,849)	(117,114)	(60,265)	(95,487)
	504,607	486,905	390,826	387,572

13. DEFERRED TAX (CONTINUED)

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

Deferred tax assets of the Group	Allowance for Losses on Loans RM'000	Tax Losses RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2008	380,206	27,396	25,321	432,923
Recognised in income statement (Note 42)				
– relating to origination and reversal of temporary differences	68,028	(791)	(4,085)	63,152
Recognised in equity (Note 42)	—	—	107,362	107,362
Exchange differences	490	80	12	582
At 31 December 2008	448,724	26,685	128,610	604,019
Recognised in income statement (Note 42)				
– relating to origination and reversal of temporary differences	67,731	1,623	6,178	75,532
Recognised in equity (Note 42)	—	—	(99,874)	(99,874)
Exchange differences	(155)	(66)	—	(221)
At 31 December 2009	516,300	28,242	34,914	579,456

Deferred tax liabilities of the Group	Excess of Capital Allowances Over Depreciation RM'000	Deferred Handling Fees RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2008	81,814	37,962	13,587	133,363
Recognised in income statement (Note 42)				
– relating to origination and reversal of temporary differences	(16,813)	3,611	(3,790)	(16,992)
Exchange differences	743	—	—	743
At 31 December 2008	65,744	41,573	9,797	117,114
Recognised in income statement (Note 42)				
– relating to origination and reversal of temporary differences	8,577	(41,573)	(9,584)	(42,580)
Recognised in equity (Note 42)	—	—	459	459
Exchange differences	(144)	—	—	(144)
At 31 December 2009	74,177	—	672	74,849

13. DEFERRED TAX (CONTINUED)

Deferred tax assets of the Bank	Allowance for Losses on Loans RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2008	367,206	10,849	378,055
Recognised in income statement (Note 42)			
– relating to origination and reversal of temporary differences	67,267	(4,664)	62,603
Recognised in equity (Note 42)	—	96,875	96,875
Amount vested over to Public Islamic Bank Berhad	(46,771)	(7,703)	(54,474)
At 31 December 2008	387,702	95,357	483,059
Recognised in income statement (Note 42)			
– relating to origination and reversal of temporary differences	56,822	7,497	64,319
Recognised in equity (Note 42)	—	(96,287)	(96,287)
At 31 December 2009	444,524	6,567	451,091

Deferred tax liabilities of the Bank	Excess of Capital Allowances Over Depreciation RM'000	Deferred Handling Fees RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2008	50,068	37,962	13,050	101,080
Recognised in income statement (Note 42)				
– relating to origination and reversal of temporary differences	2,822	3,912	(4,108)	2,626
Amount vested over to Public Islamic Bank Berhad	—	(13,237)	5,018	(8,219)
At 31 December 2008	52,890	28,637	13,960	95,487
Recognised in income statement (Note 42)				
– relating to origination and reversal of temporary differences	7,716	(28,637)	(14,301)	(35,222)
At 31 December 2009	60,606	—	(341)	60,265

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

	Group	
	2009 RM'000	2008 RM'000
Unutilised tax losses	16,687	28,132
Unutilised capital allowances	24,674	24,619

13. DEFERRED TAX (CONTINUED)

Subject to the agreement by the relevant tax authorities and subject to changes in the Group's shareholdings of the subsidiary companies under Section 44(5A) and (5B) of the Income Tax Act, 1967, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM126,696,000 (2008 – RM138,257,000) and RM24,674,000 (2008 – RM24,619,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.

14. INVESTMENT IN SUBSIDIARY COMPANIES

Bank	2009		2008	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Quoted shares outside Malaysia				
– Quoted shares in Hong Kong SAR	1,672,195	1,577,155	1,672,195	1,042,365
Unquoted shares				
– In Malaysia	1,750,747		1,475,747	
– Outside Malaysia	272,169		272,169	
	3,695,111		3,420,111	
Less: Accumulated impairment losses	(430)		(430)	
	3,694,681		3,419,681	

Details of the subsidiary companies are as follows:

		Effective Interest	
Name	Principal Activities	2009 %	2008 %
<u>Local subsidiary companies</u>			
Public Islamic Bank Berhad	Islamic banking	100.0	100.0
Public Investment Bank Berhad +	Investment banking	100.0	100.0
Public Invest Nominees (Tempatan) Sdn. Bhd. +	Nominee services	100.0	100.0
Public Invest Nominees (Asing) Sdn. Bhd. +	Nominee services	100.0	100.0
Public Consolidated Holdings Sdn. Bhd. +	Investment holding	100.0	100.0
Public Mutual Berhad +	Sale of trust units and management of unit trusts	100.0	100.0
Public Holdings Sdn. Bhd.	Property holding	100.0	100.0
Public Nominees (Tempatan) Sdn. Bhd.	Nominee services	100.0	100.0
Public Nominees (Asing) Sdn. Bhd.	Nominee services	100.0	100.0
Public Bank (L) Ltd.	Offshore banking	100.0	100.0
PB Trust (L) Ltd.	Offshore trust company	100.0	100.0
PB Venture Capital Sdn. Bhd.	Investment holding	100.0	100.0
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	100.0	100.0
PB International Factors Sdn. Bhd.	Dormant	100.0	100.0
PB Properties Sdn. Bhd.	Dormant	100.0	100.0
PBFIN Berhad	Dormant	100.0	100.0
HHB Holdings Berhad +	Dormant	100.0	100.0

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows (continued):

		Effective Interest	
Name	Principal Activities	2009 %	2008 %
<u>Overseas subsidiary companies</u>			
Cambodian Public Bank Plc +	Banking	100.0	100.0
CampuBank Lonpac Insurance Plc ++	General insurance	55.0	55.0
Public Financial Holdings Limited +*	Investment and property holding	73.2	73.2
Public Bank (Hong Kong) Limited +	Banking	73.2	73.2
Public Finance Limited +	Deposit-taking and finance	73.2	73.2
Public Financial Limited +	Investment holding	73.2	73.2
Public Securities Limited +	Stock and share-broking	73.2	73.2
Public Securities (Nominees) Limited +	Nominee services	73.2	73.2
Public Financial Securities Limited +	Stock and share-broking	73.2	73.2
Public Bank (Nominees) Limited +	Nominee services	73.2	73.2
Public Futures Limited +	Dormant	73.2	73.2
Public Credit Limited +	Dormant	73.2	73.2
Public Pacific Securities Limited +	Dormant	73.2	73.2
Public Investments Limited +	Dormant	73.2	73.2
Public Realty Limited +	Dormant	73.2	73.2
Winton (B.V.I.) Limited +	Investment holding	73.2	73.2
Winton Financial Limited +	Provision of financing	73.2	73.2
Winton Motors, Limited +	Trading of taxi cabs and taxi licences, and leasing of taxis	73.2	73.2
Winton Holdings (Hong Kong) Limited +	Dormant	73.2	73.2
Winsure Company, Limited +	Dormant	70.9	70.9

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

+ Subsidiary companies not audited by KPMG.

++ Subsidiary company audited by KPMG Cambodia.

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

During the financial year, the Bank subscribed to 11,000,000 ordinary shares of RM1.00 each issued by Public Islamic Bank Berhad at an issue price of RM25.00 per ordinary share for a total consideration of RM275,000,000.

15. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted shares, at cost	101,365	101,365	101,325	101,325
Share of post-acquisition reserves	26,953	26,437	—	—
	128,318	127,802	101,325	101,325
Represented by: Group's share of net assets	128,318	127,802		

The summarised financial information of associated companies is as follows:

	Group	
	2009 RM'000	2008 RM'000
Total assets	1,228,814	1,011,173
Total liabilities	968,382	751,918
Operating revenue	103,027	115,784
Profit after tax	25,003	24,957

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

Name	Principal Activities	Place of Incorporation	Effective Interest	
			2009 %	2008 %
PB Trustee Services Berhad	Trustee services	Malaysia	40.0	40.0
VID Public Bank	Banking	Socialist Republic of Vietnam	50.0	50.0
CPB Properties Company Ltd.	Property holding	Cambodia	49.0	49.0

16. INVESTMENT PROPERTIES

	Note	Group	
		2009 RM'000	2008 RM'000
<u>At valuation</u>			
At 1 January		66,012	54,390
Transfer to owner-occupied property			
– Prepaid land lease payments	17	(3,489)	—
– Property and equipment	18	(355)	—
Revaluation gain from fair value adjustment	37	8,396	7,956
Disposals		(72)	(66)
Exchange differences		(1,165)	3,732
At 31 December		69,327	66,012
Included in the above are:			
Short-term leasehold land and building		23,679	23,837
Long-term leasehold land and building		45,648	42,175
		69,327	66,012

The Group's investment properties are stated at fair value and are situated in Malaysia and Hong Kong SAR. The investment properties in Malaysia amounting to RM1,977,000 (2008 – RM2,044,000) have been valued on the basis of management's valuations based on current prices in an active market for similar properties in the same location and condition. The investment properties in Hong Kong SAR amounting to RM67,350,000 (2008 – RM63,968,000) have been revalued by CS Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The increase in the fair values of RM8,396,000 (2008 – RM7,956,000) has been recognised in the income statement during the financial year.

The investment properties held by the Group are let under operating leases to third parties, from which the Group earned rental income of RM5,695,000 (2008 – RM5,201,000) (Note 37) during the year.

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

17. PREPAID LAND LEASE PAYMENTS

Group 2009	Note	Short-term leasehold land RM'000	Long-term leasehold land RM'000	Total RM'000
<u>Cost</u>				
At 1 January 2009		114,230	202,915	317,145
Additions		—	637	637
Disposals		—	(48)	(48)
Transfer		(112,888)	112,888	—
Transfer from investment properties	16	—	3,489	3,489
Exchange differences		(1,342)	(2,256)	(3,598)
At 31 December 2009		—	317,625	317,625
<u>Accumulated amortisation</u>				
At 1 January 2009		13,484	9,060	22,544
Amortisation charge for the year	38	—	3,449	3,449
Transfer		(13,326)	13,326	—
Exchange differences		(158)	(167)	(325)
At 31 December 2009		—	25,668	25,668
<u>Accumulated impairment loss</u>				
At 1 January 2009		—	2,728	2,728
Impairment loss for the year	41	—	33	33
Exchange differences		—	(32)	(32)
At 31 December 2009		—	2,729	2,729
<u>Carrying amounts</u>				
At 31 December 2009		—	289,228	289,228

Group 2008

<u>Cost</u>			
At 1 January 2008	89,052	191,888	280,940
Additions	20,317	1,076	21,393
Exchange differences	4,861	9,951	14,812
At 31 December 2008	114,230	202,915	317,145

17. PREPAID LAND LEASE PAYMENTS (CONTINUED)

Group		Short-term	Long-term	
2008 (continued)	Note	leasehold	leasehold	Total
		land	land	RM'000
		RM'000	RM'000	
<u>Accumulated amortisation</u>				
At 1 January 2008		10,766	8,026	18,792
Amortisation charge for the year	38	2,040	697	2,737
Exchange differences		678	337	1,015
At 31 December 2008		13,484	9,060	22,544
<u>Accumulated impairment loss</u>				
At 1 January 2008		—	2,587	2,587
Exchange differences		—	141	141
At 31 December 2008		—	2,728	2,728
<u>Carrying amounts</u>				
At 31 December 2008		100,746	191,127	291,873

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

The leasehold land are subject to an impairment test in accordance with FRS 136 Impairment of Assets which is based on the higher of fair value less costs to sell and value in use. The fair value less costs to sell of the leasehold land was determined with reference to a qualified external valuer's valuation.

		Long-term leasehold land	
Bank	Note	2009	2008
		RM'000	RM'000
<u>Cost</u>			
At 31 December		58	58
<u>Accumulated amortisation</u>			
At 1 January		43	41
Amortisation charge for the year	38	2	2
At 31 December		45	43
<u>Carrying amounts</u>			
At 31 December		13	15

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

18. PROPERTY AND EQUIPMENT

Group	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
2009									
Cost									
At 1 January 2009		175,877	504,565	241,708	435,724	764,603	20,937	40,579	2,183,993
Additions		—	37,432	41,894	28,462	63,206	1,168	2,120	174,282
Disposals		—	(70)	(3,785)	(6,836)	(17,528)	(120)	—	(28,339)
Transfer from investment properties	16	—	355	—	—	—	—	—	355
Transfers		—	27,074	(6,696)	6,645	51	—	(27,074)	—
Write-offs	38	—	—	(1,163)	(1,765)	(25,652)	(5)	—	(28,585)
Exchange differences		—	(437)	(354)	(139)	(698)	(50)	(289)	(1,967)
At 31 December 2009		175,877	568,919	271,604	462,091	783,982	21,930	15,336	2,299,739
Accumulated depreciation									
At 1 January 2009		—	125,724	173,707	319,460	528,561	16,781	—	1,164,233
Depreciation charge for the year	38	—	10,144	16,508	26,358	74,745	2,291	—	130,046
Disposals		—	(29)	(2,765)	(5,848)	(17,354)	(117)	—	(26,113)
Transfers		—	—	25	(74)	49	—	—	—
Write-offs	38	—	—	(584)	(1,387)	(25,180)	3	—	(27,148)
Exchange differences		—	(85)	(328)	(119)	(620)	(48)	—	(1,200)
At 31 December 2009		—	135,754	186,563	338,390	560,201	18,910	—	1,239,818
Accumulated impairment loss									
At 1 January 2009		1,064	7,207	—	—	—	—	—	8,271
Impairment loss	41	—	67	—	—	—	—	—	67
Exchange differences		—	32	—	—	—	—	—	32
At 31 December 2009		1,064	7,306	—	—	—	—	—	8,370
Carrying amounts									
At 31 December 2009		174,813	425,859	85,041	123,701	223,781	3,020	15,336	1,051,551
Property and equipment that have been fully depreciated which are still in use are as follows:									
At cost									
At 31 December 2009		—	395	105,267	144,357	401,815	8,320	—	660,154

18. PROPERTY AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
2008									
Cost									
At 1 January 2008		174,677	497,496	220,962	404,633	623,738	20,935	11,052	1,953,493
Additions		1,200	5,182	28,296	25,861	177,615	1,064	29,527	268,745
Disposals		—	—	—	(1,563)	(23,437)	(1,229)	—	(26,229)
Transfers		—	—	(7,859)	7,858	1	—	—	—
Write-offs	38	—	—	(874)	(1,575)	(15,339)	—	—	(17,788)
Exchange differences		—	1,887	1,183	510	2,025	167	—	5,772
At 31 December 2008		175,877	504,565	241,708	435,724	764,603	20,937	40,579	2,183,993
Accumulated depreciation									
At 1 January 2008		—	115,478	155,602	297,481	496,153	15,558	—	1,080,272
Depreciation charge for the year	38	—	9,960	17,942	24,665	61,293	2,262	—	116,122
Disposals		—	—	—	(1,513)	(19,198)	(1,155)	—	(21,866)
Write-offs	38	—	—	(867)	(1,563)	(11,115)	—	—	(13,545)
Exchange differences		—	286	1,030	390	1,428	116	—	3,250
At 31 December 2008		—	125,724	173,707	319,460	528,561	16,781	—	1,164,233
Accumulated impairment loss									
At 1 January 2008		1,064	7,348	—	—	—	—	—	8,412
Exchange differences		—	(141)	—	—	—	—	—	(141)
At 31 December 2008		1,064	7,207	—	—	—	—	—	8,271
Carrying amounts									
At 31 December 2008		174,813	371,634	68,001	116,264	236,042	4,156	40,579	1,011,489
Property and equipment that have been fully depreciated which are still in use are as follows:									
At cost									
At 31 December 2008		—	395	86,651	131,701	387,998	8,161	—	614,906

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

18. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
2009								
Cost								
At 1 January 2009		81,092	262,076	191,530	330,603	699,490	16,013	1,580,804
Additions		—	—	32,710	24,918	50,697	258	108,583
Disposals		—	—	(20)	(3,038)	(17,156)	(115)	(20,329)
Transfers		—	—	(6,721)	6,721	—	—	—
Write-offs	38	—	—	(530)	(1,654)	(25,395)	(5)	(27,584)
Exchange differences		—	—	(36)	(24)	(138)	(9)	(207)
At 31 December 2009		81,092	262,076	216,933	357,526	707,498	16,142	1,641,267
Accumulated depreciation								
At 1 January 2009		—	68,657	133,938	222,033	493,993	13,861	932,482
Depreciation charge for the year	38	—	5,231	11,614	23,079	62,585	1,610	104,119
Disposals		—	—	—	(2,165)	(17,142)	(112)	(19,419)
Write-offs	38	—	—	(519)	(1,276)	(24,923)	(4)	(26,722)
Exchange differences		—	—	(18)	(17)	(118)	(8)	(161)
At 31 December 2009		—	73,888	145,015	241,654	514,395	15,347	990,299
Carrying amounts								
At 31 December 2009		81,092	188,188	71,918	115,872	193,103	795	650,968
Property and equipment that have been fully depreciated which are still in use are as follows:								
At cost								
At 31 December 2009		—	395	88,507	135,129	386,597	8,054	618,682

18. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
2008								
Cost								
At 1 January 2008		81,092	262,076	179,888	302,010	577,560	16,778	1,419,404
Additions		—	—	20,386	23,377	157,374	445	201,582
Disposals		—	—	—	(1,050)	(22,825)	(1,226)	(25,101)
Transfers		—	—	(7,859)	7,859	—	—	—
Write-offs	38	—	—	(874)	(1,501)	(12,535)	—	(14,910)
Amount vested over to Public Islamic Bank Berhad		—	—	(52)	(130)	(373)	—	(555)
Exchange differences		—	—	41	38	289	16	384
At 31 December 2008		81,092	262,076	191,530	330,603	699,490	16,013	1,580,804
Accumulated depreciation								
At 1 January 2008		—	63,425	122,610	203,489	468,524	13,266	871,314
Depreciation charge for the year	38	—	5,232	12,181	21,078	52,290	1,737	92,518
Disposals		—	—	—	(1,029)	(18,608)	(1,155)	(20,792)
Write-offs	38	—	—	(867)	(1,490)	(8,315)	—	(10,672)
Amount vested over to Public Islamic Bank Berhad		—	—	(16)	(43)	(164)	—	(223)
Exchange differences		—	—	30	28	266	13	337
At 31 December 2008		—	68,657	133,938	222,033	493,993	13,861	932,482
Carrying amounts								
At 31 December 2008		81,092	193,419	57,592	108,570	205,497	2,152	648,322
Property and equipment that have been fully depreciated which are still in use are as follows:								
At cost								
At 31 December 2008		—	395	80,962	129,170	384,696	8,079	603,302

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

Included in property and equipment of the Group and the Bank are computer equipment and software under finance lease with a carrying amount of RM58,035,000 (2008 – RM74,221,000) which will expire in two years.

Details of the terms and conditions of the finance lease arrangement are disclosed in Note 24.

19. INTANGIBLE ASSETS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<u>Goodwill</u>				
At 1 January	2,045,670	1,983,956	695,393	695,393
Impairment loss (Note 41)	—	(2,486)	—	—
Exchange differences	(14,565)	64,200	—	—
At 31 December	2,031,105	2,045,670	695,393	695,393
<u>Intangible Assets</u>				
At 1 January	26,348	26,340	—	—
Additions	159	—	—	—
Exchange differences	(1)	8	—	—
At 31 December	26,506	26,348	—	—
Total carrying amounts of goodwill and intangible assets	2,057,611	2,072,018	695,393	695,393

Impairment Assessment on Goodwill and Intangible Assets

Goodwill and intangible assets have been allocated to the Group's cash-generating units ("CGU"), which are either operating segments or at a level not larger than an operating segment, for impairment assessment as follows:

As at 31 December 2009

	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
Cash-generating unit:				
Hire purchase financing	395,953	395,953	10.6	6.5
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	9.6	6.5
Hong Kong operations	1,288,360	—	7.5	5.0
Fund management	19,555	—	9.6	6.5
Investment banking	54,303	—	10.6	6.5
	2,057,611	695,393		

19. INTANGIBLE ASSETS (CONTINUED)

Impairment Assessment on Goodwill and Intangible Assets (continued)

As at 31 December 2008

	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
<u>Cash-generating unit:</u>				
Hire purchase financing	395,953	395,953	12.5	6.8
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	11.5	6.8
Hong Kong operations	1,302,767	—	6.5	5.0
Fund management	19,555	—	11.5	6.8
Investment banking	54,303	—	12.5	6.8
	2,072,018	695,393		

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. For annual impairment assessment purposes, the recoverable amount of the CGUs are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the date of assessment of the respective CGU. Cash flow projections are based on five year financial budgets approved by management. Cash flows beyond the fifth year are extrapolated to fifty years using a nominal long-term growth rate which does not exceed the average of the last twenty years' inflation-adjusted Gross Domestic Product growth rates of the respective countries where the CGUs operate. Impairment is recognised in the income statement when the carrying amount of a CGU exceeds its recoverable amount.

The intangible assets consist mainly of a share-broking licence and stock exchange trading rights which are deemed to have indefinite useful lives as there are no expiry dates. The recoverable amount of the intangible assets have been assessed using the value-in-use method, by discounting the estimated cash flows from their CGUs. Impairment is recognised in the income statement when the carrying amount of the CGUs exceeds their recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill and intangible assets to exceed the recoverable amount of the CGU. Based on this review, there is no evidence of impairment on the Group's and the Bank's goodwill and intangible assets.

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Demand deposits	18,976,859	15,751,979	15,936,503	13,316,359
Savings deposits	22,858,130	19,036,598	16,124,134	14,083,581
Fixed deposits	85,787,925	76,415,563	65,550,396	61,500,482
Negotiable instruments of deposit	3,394,628	6,287,168	2,540,777	3,496,321
Money market deposits	38,694,799	32,428,323	34,058,387	30,430,866
Other deposits	1,179,248	1,265,667	1,177,293	1,263,250
	170,891,589	151,185,298	135,387,490	124,090,859

The full amount of deposits of the Bank and its banking subsidiary companies in Malaysia, namely Public Islamic Bank Berhad and Public Investment Bank Berhad, are guaranteed by the Government of Malaysia via Perbadanan Insurans Deposit Malaysia ("PIDM"), an independent statutory body established under the Malaysia Deposit Insurance Corporation Act, 2005. This full deposit guarantee is effective from 16 October 2008 until 31 December 2010. This guarantee covers all Ringgit Malaysia and foreign currency deposits held under fixed deposits, current accounts, savings accounts, principal guaranteed conventional structured deposits and negotiable instruments of deposit held by non-bank customers, inclusive of all Islamic deposits. This guarantee excludes inter-bank money market placements, non-principal guaranteed conventional structured products and negotiable instruments of deposit held by banks.

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Due within six months	112,029,003	100,423,101	87,562,161	81,525,784
More than six months to one year	15,189,248	14,070,005	14,073,917	13,574,329
More than one year to three years	621,041	632,700	494,807	323,482
More than three years to five years	38,060	5,248	18,675	4,074
	127,877,352	115,131,054	102,149,560	95,427,669

20. DEPOSITS FROM CUSTOMERS (CONTINUED)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Federal and state governments	1,031,886	1,264,639	545,672	952,163
Local government and statutory authorities	2,440,356	2,195,715	1,759,319	1,658,138
Business enterprises	50,290,996	39,923,804	41,227,046	34,495,900
Individuals	70,755,509	69,735,065	66,742,087	66,117,793
Foreign customers	19,232,990	13,924,463	5,541,648	1,997,651
Others	27,139,852	24,141,612	19,571,718	18,869,214
	170,891,589	151,185,298	135,387,490	124,090,859

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	15,331,108	10,016,033	12,524,465	8,435,209
Licensed Islamic banks	1,923,325	149,824	—	—
Licensed investment banks	2,027,848	733,510	2,594,024	973,879
Bank Negara Malaysia	3,651	869,270	—	866,435
Other financial institutions	3,328,368	4,915,508	5,665,440	6,817,383
	22,614,300	16,684,145	20,783,929	17,092,906

22. BILLS AND ACCEPTANCES PAYABLE

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

23. RECOURSE OBLIGATIONS ON LOANS SOLD TO CAGAMAS

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

24. OTHER LIABILITIES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest/Income payable	687,036	878,147	607,897	776,927
Other payables and accruals	1,463,226	1,365,328	794,835	708,733
Amount due to trust funds *	78,827	37,625	—	—
Unprocessed sales and/or redemptions #	64,761	22,873	—	—
Employee benefits (Note 25(a))	(66,325)	(76,901)	(63,844)	(74,024)
Profit Equalisation Reserves (Note 57(l))	11,876	34,784	—	—
Finance lease liabilities **	42,852	70,133	42,852	70,133
Outstanding contracts on clients' accounts ^	208,912	63,115	—	—
Dividend payable to shareholders	20,592	27,713	3,712	4,063
Amount due to subsidiary companies @	—	—	13,926	17,601
	2,511,757	2,422,817	1,399,378	1,503,433

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

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

** Finance lease liabilities of the Group and the Bank are payable as follows:

	2009			2008		
	Future Minimum Lease Payments RM'000	Future Finance Charges RM'000	Present Value of Finance Lease Liabilities RM'000	Future Minimum Lease Payments RM'000	Future Finance Charges RM'000	Present Value of Finance Lease Liabilities RM'000
Less than one year	29,500	1,196	28,304	29,500	2,219	27,281
Between one and three years	14,750	202	14,548	44,250	1,398	42,852
	44,250	1,398	42,852	73,750	3,617	70,133

The Bank leases computer equipment and software under finance lease expiring in two years (Note 18). At the end of the lease term, the Bank has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

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

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

25. EMPLOYEE BENEFITS

(a) Defined Benefit Plan

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

Governance

The assets of the Fund are held separately from the assets of the Group and the Bank and are administered by a board of trustees. There are six (6) trustees currently, all of whom are members of senior management of the Bank.

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Present value of funded obligations	(397,078)	(373,995)	(382,227)	(360,009)
Fair value of plan assets	563,614	437,201	542,534	420,850
Unrecognised actuarial (gain)/loss	166,536 (100,211)	63,206 13,695	160,307 (96,463)	60,841 13,183
Net assets (Note 24)	66,325	76,901	63,844	74,024

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Obligation at 1 January	373,995	342,574	360,009	335,894
Allocation adjustment	—	—	—	620
Current service cost	25,601	24,756	24,644	24,237
Interest cost	19,952	18,516	19,206	18,126
Benefits paid – the Fund	(20,214)	(20,248)	(19,459)	(19,825)
Actuarial (gain)/loss on funded obligations	(2,256)	8,397	(2,173)	8,221
Amount vested over to Public Islamic Bank Berhad	—	—	—	(7,264)
Obligation at 31 December	397,078	373,995	382,227	360,009

25. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fair value at 1 January	437,201	590,401	420,850	578,888
Allocation adjustment	—	—	—	1,063
Expected return on plan assets	34,976	46,758	33,668	45,776
Benefits paid – the Fund	(20,214)	(20,248)	(19,459)	(19,825)
Actuarial gain/(loss) on plan assets	111,651	(179,710)	107,475	(175,937)
Amount vested over to Public Islamic Bank Berhad	—	—	—	(9,115)
Fair value at 31 December	563,614	437,201	542,534	420,850

The fair value of plan assets constitutes the following:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposit placements and cash	48,931	603	47,101	580
Money market instruments	399,150	210,286	384,222	202,421
Equity instruments *	203,253	320,623	195,651	308,632
Trust units	290,550	211,976	279,683	204,048
Properties #	261,265	237,765	251,494	228,873
Other assets (net)	27,465	30,948	26,437	29,791
Borrowings	(667,000)	(575,000)	(642,054)	(553,495)
	563,614	437,201	542,534	420,850

* Included in the fair value of equity instruments are ordinary shares of the Bank held by the Fund with a fair value of RM78,706,000 (2008 – RM236,662,000).

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

25. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

The amounts recognised in other operating expenses in the income statements are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current service cost	25,601	24,756	24,644	24,237
Interest cost	19,952	18,516	19,206	18,126
Expected return on plan assets	(34,976)	(46,758)	(33,668)	(45,776)
Actuarial gains recognised	—	(38,457)	—	(37,650)
Allocation adjustment	—	—	(38)	—
Amount included under “personnel costs” (Note 38(a))	10,577	(41,943)	10,144	(41,063)
Expected return on plan assets	34,976	46,758	33,668	45,776
Actuarial gain/(loss) on plan assets	111,651	(179,710)	107,475	(175,937)
Actual return/(loss) on plan assets	146,627	(132,952)	141,143	(130,161)

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

	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
Group					
Present value of funded obligations	(397,078)	(373,995)	(342,574)	(259,619)	(245,841)
Fair value of plan assets	563,614	437,201	590,401	410,368	337,301
Plan surplus	166,536	63,206	247,827	150,749	91,460
Experience adjustment on plan liabilities	(2,256)	8,397	65,911	(8,452)	37,953
Experience adjustment on plan assets	111,651	(179,710)	170,040	50,467	33,048
Bank					
Present value of funded obligations	(382,227)	(360,009)	(335,894)	(246,714)	(237,900)
Fair value of plan assets	542,534	420,850	578,888	389,973	326,406
Plan surplus	160,307	60,841	242,994	143,259	88,506
Experience adjustment on plan liabilities	(2,173)	8,221	64,626	(8,030)	36,293
Experience adjustment on plan assets	107,475	(175,937)	166,725	47,958	31,980

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

25. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

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

	Group and Bank	
	2009	2008
Discount rate	5.50%	5.50%
Expected return on plan assets	8.00%	8.00%
Expected rate of salary increases	7.00%	7.00%

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

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

(b) Equity Compensation Benefits

Public Financial Holdings Limited Group Employees' Share Option Scheme

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

The salient features of the PFHL ESOS are as follows:

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

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

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

25. EMPLOYEE BENEFITS (CONTINUED)

(b) Equity Compensation Benefits (continued)

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

	2009		2008	
	Number of share options '000	Weighted average exercise price HKD	Number of share options '000	Weighted average exercise price HKD
At 1 January	35,119	6.35	40,564	6.35
Exercised	—	—	(4,021)	6.35
Lapsed	(5,794)	6.35	(1,424)	6.35
At 31 December	29,325	6.35	35,119	6.35
Options exercisable at end of financial year	29,325	6.35	35,119	6.35
Weighted average share price during the financial year		2.94		5.47

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

Grant Date	Exercise Period	Exercise Price	Number of share options outstanding '000
18 May 2005	10 June 2005 to 9 June 2015	HKD6.35	29,325

The weighted average remaining contractual maturity of the PFHL ESOS outstanding as at the end of the financial year was 5.44 years (2008 – 6.44 years).

There were no new PFHL ESOS granted during the financial year (2008 - Nil). All share options issued have been vested prior to 1 January 2006 and, as allowed by the transitional provisions in FRS 2 Share-based Payments, the recognition and measurement principles in FRS 2 have not been applied.

26. BORROWINGS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unsecured: Term loan	653,101	860,234	—	—

The unsecured term loan is denominated in Hong Kong Dollars. The loan is for a tenure of 3 years and bears interest at HIBOR plus 1.65% (2008 – HIBOR plus 0.525% to HIBOR plus 0.65%).

27. SUBORDINATED NOTES

Note	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
USD350 million 5.625% Subordinated Notes due in 2014, callable with step-up in 2009	(a) —	1,212,575	—	1,212,575
USD400 million 5.00% Subordinated Notes due in 2017, callable with step-up in 2012	(b) 1,371,200	1,385,800	1,371,200	1,385,800
Issued under the RM5.0 billion Subordinated Medium Term Note Programme:				
First tranche: RM1,400 million 4.73% Subordinated Notes due in 2018, callable with step-up in 2013	(c)(i) 1,379,783	1,379,975	1,400,000	1,400,000
Second tranche: RM200 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(c)(ii) 200,000	—	200,000	—
Third tranche: RM223 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(c)(iii) 223,000	—	223,000	—
Fourth tranche: RM50 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(c)(iv) 50,000	—	50,000	—
	3,223,983	3,978,350	3,244,200	3,998,375
Less: Transaction costs	(5,814)	(9,488)	(5,814)	(9,488)
Discount on issuance	(8,460)	(11,994)	(8,460)	(11,994)
Unrealised fair value loss arising from fair value hedge	117,494	209,402	117,494	209,402
	3,327,203	4,166,270	3,347,420	4,186,295
Accumulated accretion of discount and amortisation of transaction costs	8,119	11,925	8,119	11,925
	3,335,322	4,178,195	3,355,539	4,198,220

- (a) On 22 June 2004, the Bank issued USD350 million in aggregate principal amount of Subordinated Notes due in 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5.625% per annum from (and including) 22 June 2004 to (but excluding) 22 September 2009 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 3.100%. The interest is payable semi-annually in arrears on 22 March and 22 September in each year commencing on 22 March 2005. The Notes were issued at a price of 99.716 percent of the principal amount of the Notes. These Notes were fully redeemed on 22 September 2009 together with accrued interest.

27. SUBORDINATED NOTES (CONTINUED)

- (b) On 20 June 2005, the Bank issued USD400 million in aggregate principal amount of Subordinated Notes due in 2017 callable with step-up in 2012. The Notes bear interest at the rate of 5.000% per annum from (and including) 20 June 2005 to (but excluding) 20 June 2012 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 2.827%. The interest is payable semi-annually in arrears on 20 June and 20 December in each year commencing on 20 December 2005. The Notes were issued at a price of 99.383 per cent of the principal amount of the Notes. The Notes will, subject to the prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or on 20 June 2012 at their principal amount plus accrued interest (if applicable).
- (c) On 13 March 2008, the Bank obtained approval from Bank Negara Malaysia for a Subordinated Medium Term Note Programme ("the MTN Programme") for the issuance of up to RM5.0 billion in aggregate principal value of Subordinated Notes. The tenor of the MTN Programme will be up to fifteen (15) years, with the maturity for each issuance to range between ten (10) to fifteen (15) years, and callable from five (5) years prior to the relevant maturity date of each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Subordinated Notes to be issued under the MTN Programme shall be 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 II Capital for the purposes of Bank Negara Malaysia's capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable).

The Bank has issued the following tranches of Subordinated Notes under the MTN Programme:

- (i) On 16 May 2008, the Bank issued the first tranche of RM1,400 million in aggregate principal amount of Subordinated Notes due in 2018 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 the rate of 5.73% per annum from (and including) 16 May 2013 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 16 November 2008.
- (ii) On 6 November 2009, the Bank issued the second tranche of RM200 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 6 November 2009 to (but excluding) 6 November 2014 and thereafter, at the rate of 5.60% per annum from (and including) 6 November 2014 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 6 May and 6 November each year commencing 6 May 2010.
- (iii) On 10 December 2009, the Bank issued the third tranche of RM223 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 10 December 2009 to (but excluding) 10 December 2014 and thereafter, at the rate of 5.60% per annum from (and including) 10 December 2014 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 10 June and 10 December each year commencing 10 June 2010.
- (iv) On 31 December 2009, the Bank issued the fourth tranche of RM50 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 31 December 2009 to (but excluding) 31 December 2014 and thereafter, at the rate of 5.60% per annum from (and including) 31 December 2014 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 30 June and 31 December each year commencing 30 June 2010.

27. SUBORDINATED NOTES (CONTINUED)

The above Subordinated Notes constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank, other than the Innovative Tier I Capital Securities and the Non-innovative Tier I Stapled Securities, which are subordinated to the Subordinated Notes, in accordance with the terms and conditions of the Subordinated Notes. The Subordinated Notes qualify as Tier II Capital for the purpose of determining the capital adequacy ratios of the Group and the Bank.

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

28. INNOVATIVE TIER I CAPITAL SECURITIES

Group and Bank			
	Note	2009 RM'000	2008 RM'000
USD200 million 6.84% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(a)	685,600	692,900
RM1,200 million 5.10% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(b)	1,200,000	1,200,000
		1,885,600	1,892,900
Less: Transaction costs		(3,544)	(3,562)
Unrealised fair value loss arising from fair value hedge		89,146	234,366
		1,971,202	2,123,704
Accumulated amortisation of transaction costs		1,131	780
		1,972,333	2,124,484

- (a) On 22 August 2006, the Bank issued USD200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the USD IT-1 Securities") due in 2036 and callable with step-up in 2016. The USD IT-1 Securities bear interest at the rate of 6.84% per annum from (and including) 22 August 2006 to (but excluding) 22 August 2016 and thereafter, at the interest rate per annum of 2.30% above the London Interbank Offered Rate for three-month US Dollar deposits. The interest is payable semi-annually in arrears on 22 February and 22 August each year commencing on 22 February 2007 to 22 August 2016, and thereafter quarterly in arrears on 22 February, 22 May, 22 August and 22 November of each year.

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

28. INNOVATIVE TIER I CAPITAL SECURITIES (CONTINUED)

- (b) On 22 December 2006, the Bank issued RM1,200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the RM IT-1 Securities") due in 2036 and callable with step-up in 2016. The RM IT-1 Securities bear interest at the rate of 5.10% per annum from (and including) 22 December 2006 to (but excluding) 22 December 2016 and thereafter, at the interest rate per annum of 1.82% above the three-month Kuala Lumpur Interbank Offered Rate. The interest is payable semi-annually in arrears on 22 June and 22 December each year commencing on 22 June 2007 to 22 December 2016, and thereafter quarterly in arrears on 22 March, 22 June, 22 September and 22 December of each year.

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

The Innovative Tier I Capital Securities above rank pari passu among themselves and equally with the Non-innovative Tier I Stapled Securities and constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities including the Subordinated Notes of the Bank in accordance with the terms and conditions of the Innovative Tier I Capital Securities. The Innovative Tier I Capital Securities qualify as Tier I Capital for the purpose of determining the capital adequacy ratios of the Group and the Bank, up to a maximum of 15% of the Tier I Capital, with the excess qualifying as Tier II Capital.

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

29. NON-INNOVATIVE TIER I STAPLED SECURITIES

		Group and Bank	
		2009 RM'000	2008 RM'000
Issued under the RM5.0 billion Non-Innovative Tier 1 Stapled Securities Programme:			
First tranche:			
RM1,200 million 7.50% Stapled Securities callable in 2019	(a)	1,200,000	—
Second tranche:			
RM888 million 7.20% Stapled Securities callable in 2019	(b)	888,000	—
		2,088,000	—
Less: Transaction costs		(7,557)	—
Unrealised fair value gain arising from fair value hedge		(9,289)	—
		2,071,154	—
Accumulated amortisation of transaction costs		435	—
		2,071,589	—

29. NON-INNOVATIVE TIER 1 STAPLED SECURITIES (CONTINUED)

On 16 March 2009, the Bank and PBFIN Berhad ("PBFIN"), a wholly-owned subsidiary company of the Bank, obtained approval from Bank Negara Malaysia for a Non-Innovative Tier 1 Stapled Securities ("Stapled Securities") Programme ("the NIT-1 Programme") for the issuance of up to RM5.0 billion in nominal value of Stapled Securities, comprising the following securities:

- (i) Non-Cumulative Perpetual Capital Securities ("NCPCS") issued by the Bank; and
- (ii) Subordinated Notes ("Sub-Notes") issued by PBFIN.

The NCPCS are stapled to an equivalent amount in nominal value of the Sub-Notes.

Under the NIT-1 Programme, the tenor of the NCPCS will be perpetual, with the first optional redemption date to be on a date falling no earlier than the fifth (5th) anniversary of the first issue date, whilst the Sub-Notes have a maturity of fifty (50) years. The NCPCS will not be subject to the payment of any distribution until the occurrence of an assignment event, upon which distribution will be accrued at a fixed interest rate to be determined prior to each issuance of NCPCS. The Sub-Notes will bear interest at a rate which is the same rate as the distribution of the NCPCS together with which the Sub-Notes is stapled, payable semi-annually in arrears. Therefore, the Stapled Securities are effectively issued by the Bank and PBFIN at a pre-determined fixed interest rate.

The Bank and PBFIN have issued the following tranches of Stapled Securities under the NIT-1 Programme:

- (a) On 5 June 2009, the Bank and PBFIN issued the first tranche of RM1,200 million in nominal value of Stapled Securities. The first optional redemption date of the NCPCS will be on 5 June 2019, whilst the Sub-Notes are due on 5 June 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.50% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.50% per annum.
- (b) On 13 November 2009, the Bank and PBFIN issued the second tranche of RM888 million in nominal value of Stapled Securities. The first optional redemption date of the NCPCS will be on 13 November 2019, whilst the Sub-Notes are due on 13 November 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.20% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.20% per annum.

The other salient features of the NIT-1 Programme are as follows:

The Bank may, at its option, redeem the NCPCS in whole but not in part, on a date falling no earlier than the fifth (5th) anniversary of the first issue date or on any distribution payment date thereafter, subject to fulfilling the following redemption conditions:

- (i) the Bank is solvent at the time of redemption and immediately thereafter;
- (ii) the Bank is not in breach of BNM's minimum capital adequacy ratio requirements; and
- (iii) the Bank has obtained written approval from BNM prior to the redemption.

29. NON-INNOVATIVE TIER I STAPLED SECURITIES (CONTINUED)

The NCPCS will cease to be stapled to the Sub-Notes only upon the occurrence of an assignment event. Once unstapled, ownership of the Sub-Notes will be assigned to the Bank pursuant to a note assignment agreement entered into between the Bank and investors of the Stapled Securities on the date of the issue of the Stapled Securities. These investors will then hold only the NCPCS. An assignment event means the occurrence of any of the following events:

- (i) the Bank elects that an assignment event occurs; or
- (ii) BNM determines that an assignment event should occur; or
- (iii) the redemption of the NCPCS pursuant to:
 - (a) A tax redemption, whereby there is a more than an insubstantial risk that, as a result of changes in the applicable tax regulations, the Bank and/or PBFIN would become obliged to pay additional amounts or will no longer be able to obtain tax deductions for interest payments on the Sub-Notes or the inter-company loan between the Bank and PBFIN; or
 - (b) a regulatory redemption, whereby the NCPCS no longer qualify as Non-Innovative Tier I Capital of the Bank for the purposes of BNM's capital adequacy ratio requirements; or
 - (c) redemption of the NCPCS on the optional redemption date.
- (iv) the deferral of any interest on the Sub-Notes; or
- (v) the Bank is in breach of BNM's minimum capital adequacy ratio requirements; or
- (vi) the commencement of winding up proceeding in respect of the Bank or PBFIN; or
- (vii) the appointment of an administrator in connection with the restructuring of the Bank or PBFIN; or
- (viii) the occurrence of the optional redemption date; or
- (ix) PBFIN ceases to be, directly or indirectly, a wholly-owned subsidiary company of the Bank.

The Bank will not be able to pay any dividends to its shareholders or make any interest payments on any securities ranking pari passu with or junior to the NCPCS or acquire any of its ordinary shares or redeem any securities ranking pari passu with or junior to the NCPCS (collectively referred to as the "Dividend and Capital Stopper") if, following the occurrence of an assignment event, the Bank does not pay a distribution on the NCPCS on its due date for payment. The Dividend and Capital Stopper will only cease to be effective upon the resumption of payments of distribution on the NCPCS for a continuous period of one year.

The NCPCS are direct and unsecured obligations of the Bank. The NCPCS rank pari passu and without preference among themselves, with the existing RM1,200 million and USD200 million Innovative Tier I Capital Securities and with the most junior class of preference shares (if any), but in priority to the rights and claims of holders of ordinary shares of the Bank. The NCPCS are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank including the Subordinated Notes of the Bank.

The Sub-Notes constitute direct and unsecured obligations of PBFIN. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of preference shares (if any) of PBFIN, but in priority to the rights and claims of holders of ordinary shares of PBFIN. The Sub-Notes will be subordinated in right of payment upon the occurrence of any winding up proceeding of PBFIN to the prior payment in full of all liabilities of PBFIN except to those liabilities which rank equal with or junior to the Sub-Notes.

The NCPCS qualify as Non-Innovative Tier 1 Capital in line with the requirements of BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components).

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

30. PROVISION FOR TAX EXPENSE AND ZAKAT

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax expense	464,060	382,284	286,242	254,818
Zakat	230	170	—	—
	464,290	382,454	286,242	254,818

31. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
Group and Bank	2009 '000	2008 '000	2009 RM'000	2008 RM'000
Authorised: Ordinary shares of RM1.00 each	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid: Ordinary shares of RM1.00 each				
At 1 January	3,531,926	3,527,891	3,531,926	3,527,891
Issued pursuant to the exercise of share options	—	4,035	—	4,035
At 31 December	3,531,926	3,531,926	3,531,926	3,531,926

32. TREASURY SHARES

The amount relates to the acquisition cost of treasury shares.

On 25 February 2009, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial year, the Bank bought back from the open market, 10,000 (2008 – 20,000) of its issued ordinary shares of RM1.00 each ("PBB Shares") listed and quoted as "Local" and 5,000 (2008 – Nil) of its PBB Shares listed and quoted as "Foreign" on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM9.27 (2008 – RM10.70) per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial year, including transaction costs, was RM139,494 (2008 – 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.

None of the treasury shares held were resold or cancelled during the financial year. On 11 March 2009, a total of 95,834,632 treasury shares were distributed as share dividend on the basis of one (1) PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia for every thirty-five (35) ordinary shares of RM1.00 each held in PBB.

Of the total 3,531,925,834 (2008 – 3,531,925,834) issued and paid-up PBB Shares as at 31 December 2009, 80,477,168 (2008 – 176,296,800) PBB Shares are held as treasury shares by the Bank. Treasury shares have no rights to voting, dividends and participation in other distribution. As at 31 December 2009, the number of outstanding PBB Shares in issue after the set-off is therefore 3,451,448,666 (2008 – 3,355,629,034) ordinary shares of RM1.00 each.

32. TREASURY SHARES (CONTINUED)

Subsequent to the financial year end, on 19 January 2010, a total of approximately 50,756,598 treasury shares were declared by the Directors to be distributed to the shareholders as share dividend for the financial year ended 31 December 2009, on the basis of one (1) treasury share for every sixty-eight (68) shares of RM1.00 each held, fractions of treasury shares to be disregarded. Subsequent to the distribution of the share dividend, the treasury shares balance will be approximately 29,720,570 PBB shares at a carrying value of RM214,801,422.

33. OTHER RESERVES

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Regulatory Reserves RM'000	Total RM'000
At 1 January 2009	3,619,061	60,442	(75,117)	14,245	(425,232)	50,336	3,243,735
Currency translation differences in respect of foreign operations	—	—	(32,954)	—	—	—	(32,954)
Currency translation differences in respect of net investment hedge	—	—	35,193	—	—	—	35,193
Net unrealised gain on change in fair value of securities available-for-sale	—	—	—	—	522,620	—	522,620
Net realised gain on securities available-for-sale reclassified to income statement (Note 37)	—	—	—	—	(46,113)	—	(46,113)
Net unrealised loss on change in fair value of derivatives designated as cash flow hedges	—	—	—	(2,116)	—	—	(2,116)
Net realised gain on cash flow hedges reclassified to the income statement	—	—	—	(1,204)	—	—	(1,204)
Deferred tax (Note 42)	—	—	—	(2,731)	(97,602)	—	(100,333)
Transfer from retained profits	133,961	—	—	—	—	9,995	143,956
At 31 December 2009	3,753,022	60,442	(72,878)	8,194	(46,327)	60,331	3,762,784

33. OTHER RESERVES (CONTINUED)

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Regulatory Reserves RM'000	Total RM'000
At 1 January 2008	3,578,490	60,442	(76,744)	381	14,897	36,258	3,613,724
Currency translation differences in respect of foreign operations	—	—	145,173	—	—	—	145,173
Currency translation differences in respect of net investment hedge	—	—	(143,546)	—	—	—	(143,546)
Net unrealised loss on change in fair value of securities available-for-sale	—	—	—	—	(533,977)	—	(533,977)
Net realised gain on securities available-for-sale reclassified to income statement (Note 37)	—	—	—	—	(13,514)	—	(13,514)
Net unrealised gain on change in fair value of derivatives designated as cash flow hedges	—	—	—	14,245	—	—	14,245
Net realised gain on cash flow hedges reclassified to the income statement	—	—	—	(381)	—	—	(381)
Deferred tax (Note 42)	—	—	—	—	107,362	—	107,362
Transfer from retained profits	40,571	—	—	—	—	14,078	54,649
At 31 December 2008	3,619,061	60,442	(75,117)	14,245	(425,232)	50,336	3,243,735

Bank	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2009	3,531,926	14,245	(307,112)	3,239,059
Net unrealised gain on change in fair value of securities available-for-sale	—	—	407,574	407,574
Net realised gain on securities available-for-sale reclassified to income statement (Note 37)	—	—	(33,354)	(33,354)
Net unrealised loss on change in fair value of derivatives designated as cash flow hedges	—	(2,116)	—	(2,116)
Net realised gain on cash flow hedges reclassified to the income statement	—	(1,204)	—	(1,204)
Deferred tax (Note 42)	—	(2,731)	(93,556)	(96,287)
At 31 December 2009	3,531,926	8,194	(26,448)	3,513,672

33. OTHER RESERVES (CONTINUED)

Bank	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2008	3,527,891	381	(23,793)	3,504,479
Net unrealised loss on change in fair value of securities available-for-sale	—	—	(366,703)	(366,703)
Net realised gain on securities available-for-sale reclassified to income statement (Note 37)	—	—	(13,491)	(13,491)
Net unrealised gain on change in fair value of derivatives designated as cash flow hedges	—	14,245	—	14,245
Net realised gain on cash flow hedges reclassified to the income statement	—	(381)	—	(381)
Deferred tax (Note 42)	—	—	96,875	96,875
Transfer from retained profits	4,035	—	—	4,035
At 31 December 2008	3,531,926	14,245	(307,112)	3,239,059

The statutory reserves of the Group and the Bank are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and Section 15 of the Islamic Banking Act, 1983 and are not distributable as cash dividends.

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

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

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

The revaluation reserves are in respect of unrealised fair value gains and losses on securities available-for-sale, after offsetting the impact of related fair value hedges.

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

34. RETAINED PROFITS

Prior to the year of assessment 2008, company income tax was based on the full imputation system where tax on dividend was imposed at both the company's and shareholders' level. The tax at shareholders' level took into account the tax imputed at the company's level through tax credits.

Pursuant to the Finance Act, 2007, the single tier system was introduced and took effect from the year of assessment 2008. Under the single tier system, tax on a company's profit is a final tax and dividend distributed to shareholders will be exempted from tax. With the implementation of the single tier system, companies with a credit balance in the Section 108 account are allowed either to elect for an irrevocable option to switch over to the single tier system or to continue using the available credit balance as at 31 December 2007 after adjusting for any tax deductions for the purpose of dividend distribution, until 31 December 2013.

34. RETAINED PROFITS (CONTINUED)

The Bank did not elect for the irrevocable option to disregard the available Section 108 balance accumulated until 31 December 2007. Therefore, the Bank is allowed to continue utilising its available Section 108 balance for the purpose of dividend distribution until the credit balances are fully utilised or upon expiry of the six year transitional period on 31 December 2013, whichever is earlier.

As at 31 December 2009, the Bank has a credit balance of RM717,381,000 (2008 – RM1,197,442,000) in its Section 108 account and tax exempt profits of RM377,076,000 (2008 – RM355,332,000), subject to agreement by the Inland Revenue Board.

Subsequent to the financial year ended 31 December 2009, on 19 January 2010, the Board of Directors had declared a second interim cash dividend and a share dividend for the financial year ended 31 December 2009 as disclosed in Note 44. The Bank will adopt parallel distribution of both franked and single tier dividend whereby the cash dividend will be franked out from the available Section 108 credit balance while the share dividend will be distributed as single tier dividend.

35. INTEREST INCOME

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans, advances and financing				
– Interest income other than recoveries from NPLs	5,894,413	6,012,156	5,126,445	5,312,156
– Recoveries from NPLs	74,611	82,389	74,611	82,389
Money at call and deposit placements with financial institutions	783,059	1,552,005	662,643	1,398,635
Securities held-for-trading	225,590	296,899	203,608	266,999
Securities available-for-sale	151,511	144,185	137,246	118,868
Securities held-to-maturity	310,740	268,460	277,997	206,878
Others	63,164	57,911	63,229	57,896
	7,503,088	8,414,005	6,545,779	7,443,821
Amortisation of premium less accretion of discount	(39,362)	(6,777)	(43,352)	(12,685)
Net interest/income suspended	(110,675)	(117,520)	(110,640)	(117,520)
	7,353,051	8,289,708	6,391,787	7,313,616

36. INTEREST EXPENSE

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits and placements of banks and other financial institutions	127,246	232,420	77,446	186,551
Deposits from customers	2,927,871	3,932,019	2,763,455	3,612,358
Loans sold to Cagamas	40,512	144,646	40,512	144,646
Subordinated notes	105,800	152,319	106,746	152,915
Innovative Tier I capital securities	60,340	86,193	60,340	86,193
Non-innovative Tier I stapled securities	41,413	—	41,413	—
Borrowings	9,298	11,337	—	—
Others	4,129	3,462	3,775	3,177
	3,316,609	4,562,396	3,093,687	4,185,840

37. OTHER OPERATING INCOME

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) Fee income:				
Commissions	147,999	157,612	168,100	166,245
Service charges and fees	202,203	200,692	152,913	139,445
Guarantee fees	29,540	29,153	22,798	23,316
Processing fees	14,511	22,032	1,369	1,046
Commitment fees	53,301	47,561	49,474	43,995
Unit trust management fees	373,752	331,588	—	—
Fee on sale of trust units	68,941	64,899	—	—
Net brokerage and commissions				
from stock-broking activities	87,044	69,526	—	—
Other fee income	45,873	51,783	41,566	40,600
	1,023,164	974,846	436,220	414,647
(b) Net gain arising from disposal of:				
Securities held-for-trading	11,678	10,919	8,201	11,344
Securities available-for-sale (Note 33)	46,113	13,514	33,354	13,491
	57,791	24,433	41,555	24,835

37. OTHER OPERATING INCOME (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(c) Gross dividend income from:				
Securities held-for-trading	42	89	42	89
Securities available-for-sale	84,295	47,345	78,211	43,215
Securities held-to-maturity	7,644	6,657	7,488	6,461
Associated companies	—	—	10,379	5,130
Subsidiary companies:				
– quoted outside Malaysia	—	—	64,452	81,468
– unquoted in Malaysia	—	—	335,184	272,558
	91,981	54,091	495,756	408,921
(d) Unrealised gain/(loss) on revaluation of:				
Securities held-for-trading	14,946	1,700	15,273	1,417
Trading derivatives	(9,047)	(3,815)	763	(37,036)
	5,899	(2,115)	16,036	(35,619)
(e) Unrealised gain/(loss) on hedging derivatives	4,271	(44)	3,130	190
(f) Other income:				
Foreign exchange profit	169,792	174,300	194,874	25,120
Rental income from:				
– investment properties (Note 16)	5,695	5,201	—	—
– other properties	8,830	7,434	5,038	4,123
Net gain/(loss) on disposal of property and equipment	1,159	(1,773)	864	(1,748)
Net loss on disposal of foreclosed properties	(3,144)	(8,652)	(3,304)	(8,812)
Gain on revaluation of investment properties (Note 16)	8,396	7,956	—	—
Lease income and factoring charges	—	44	—	—
Gain on disposal of prepaid land lease payments	12	—	—	—
Gain on disposal of investment properties	4	—	—	—
Goodwill income *	—	200,000	—	180,000
Others	23,085	17,806	23,789	16,441
	213,829	402,316	221,261	215,124
Total other operating income	1,396,935	1,453,527	1,213,958	1,028,098

* The goodwill income was received pursuant to a long-term regional strategic alliance agreement entered into with ING Asia/Pacific Limited (“ING”) on 7 November 2007, which involves the joint development of bancassurance business, Takaful business and various other services between the Group and ING in the Asia Pacific region for ten (10) years commencing 1 January 2008.

38. OTHER OPERATING EXPENSES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel costs				
– Salaries, allowances and bonuses	1,041,399	913,011	801,873	721,562
– Pension costs	127,455	62,475	110,920	49,451
– Others	100,459	86,185	88,348	75,888
	1,269,313	1,061,671	1,001,141	846,901
Establishment costs				
– Depreciation and amortisation	133,495	118,859	104,121	92,520
– Rental	71,096	62,666	71,175	67,502
– Insurance	16,812	14,985	13,352	12,181
– Water and electricity	37,780	32,492	27,895	24,115
– General repairs and maintenance	62,024	57,141	54,880	51,817
– Information technology expenses	22,016	22,136	11,076	13,080
– Others	31,065	30,126	19,833	19,807
	374,288	338,405	302,332	281,022
Marketing expenses				
– Sales commission	91,364	82,041	—	—
– Advertisement and publicity	82,187	71,747	32,092	29,524
– Others	83,838	70,110	53,564	48,769
	257,389	223,898	85,656	78,293
Administration and general expenses				
– Communication expenses	73,003	62,551	70,339	51,401
– Legal and professional fees	52,511	48,304	41,892	40,065
– Others	83,409	56,272	27,170	31,947
	208,923	167,127	139,401	123,413
Shared service cost charged to Public Islamic Bank Berhad	—	—	(136,415)	(21,100)
Total other operating expenses	2,109,913	1,791,101	1,392,115	1,308,529

38. OTHER OPERATING EXPENSES (CONTINUED)

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Auditors' remuneration:*				
– statutory audit fees	2,903	2,778	853	891
– audit related services	448	424	279	158
– other services	258	183	109	52
Depreciation of property and equipment (Note 18)	130,046	116,122	104,119	92,518
Amortisation of prepaid land lease payments (Note 17)	3,449	2,737	2	2
Direct operating expenses of investment properties that:				
– generated rental income	50	63	—	—
Directors' remuneration (Note 39)	25,376	22,132	18,559	16,204
Pension costs				
– defined contribution plan	116,878	104,333	100,776	90,353
– defined benefit plan (Note 25(a))	10,577	(41,943)	10,144	(41,063)
Property and equipment written off (Note 18)	1,437	4,243	862	4,238
Rental of premises	71,096	62,666	71,175	67,502

* Included in the auditors' remuneration for statutory audit fees, audit related services and other services of the Group are fees paid to accounting firms other than the Bank's auditors amounting to RM1,842,000 (2008 – RM1,652,000), RM124,000 (2008 – RM91,000) and RM78,000 (2008 – RM59,000) respectively.

Included in the auditors' remuneration for statutory audit fees, audit related services and other services of the Bank are fees paid in relation to the Bank's overseas branches of RM153,000 (2008 – RM151,000), RM36,000 (2008 – Nil) and RM8,000 (2008 – RM8,000) respectively.

Audit related services included half year limited review, validation review based on agreed-upon procedures and review of statement of internal control.

(b) Employees

The number of persons employed by the Group and the Bank (excluding Directors) as at the end of the financial year was 17,169 (2008 – 16,160) and 14,319 (2008 – 13,511) respectively.

39. DIRECTORS' REMUNERATION

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors of the Bank:				
Executive Directors:				
Fees	905	678	270	250
Salary and other remuneration, including meeting allowances	3,823	3,373	3,711	3,267
Bonuses	5,400	4,704	5,400	4,704
Benefits-in-kind				
– arising from exercise of share options	—	174	—	—
– others	49	73	49	73
	10,177	9,002	9,430	8,294
Non-Executive Directors:				
Fees	2,743	2,018	1,035	892
Other remuneration	8,410	7,307	8,111	7,055
Benefits-in-kind				
– arising from exercise of share options	—	24	—	—
– others	59	113	59	113
	11,212	9,462	9,205	8,060
Past Director:				
Other remuneration	32	36	32	36
Benefits-in-kind	13	25	13	25
	45	61	45	61
Directors of subsidiary companies:				
Executive Directors:				
Fees	204	186	—	—
Salary and other remuneration, including meeting allowances	2,331	2,181	—	—
Bonuses	1,228	1,423	—	—
Benefits-in-kind				
– arising from exercise of share options	—	268	—	—
– others	201	200	—	—
	3,964	4,258	—	—

39. DIRECTORS' REMUNERATION (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors of subsidiary companies (continued):				
Non-Executive Directors:				
Fees	266	211	—	—
Other remuneration	34	15	—	—
Benefits-in-kind				
– arising from exercise of share options	—	116	—	—
	300	342	—	—
Grand total	25,698	23,125	18,680	16,415
Total (excluding benefits-in-kind) (Note 38)	25,376	22,132	18,559	16,204

Included in the remuneration of the Executive Directors is the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounting to RM5,312,000 (2008 – RM4,650,000).

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

	Remuneration received from the Bank					Remuneration received from Subsidiary Companies				Group Total RM'000
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind Others RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Benefits-in-kind ESOS RM'000	
2009										
Executive Directors:										
Tan Sri Dato' Sri Tay Ah Lek	1,080	135	3,100	972	25	5,312	363	76	—	5,751
Dato' Sri Lee Kong Lam	900	135	2,300	759	24	4,118	272	36	—	4,426
	1,980	270	5,400	1,731	49	9,430	635	112	—	10,177
Non-Executive Directors:										
Tan Sri Dato' Sri										
Dr. Teh Hong Piow	—	180	—	7,314	59	7,553	484	23	—	8,060
Tan Sri Dato' Thong Yaw Hong	—	180	—	369	—	549	420	61	—	1,030
Dato' Yeoh Chin Kee	—	135	—	82	—	217	106	34	—	357
Y.A.M. Tengku Abdul Rahman										
Ibni Sultan Haji Ahmad Shah										
Al-Mustain Billah	—	135	—	82	—	217	90	34	—	341
Dato' Haji Abdul Aziz bin Omar	—	135	—	100	—	235	203	60	—	498
Dato' Dr. Haji Mohamed Ishak										
bin Haji Mohamed Ariff	—	135	—	82	—	217	203	53	—	473
Quah Poh Keat	—	135	—	82	—	217	202	34	—	453
	—	1,035	—	8,111	59	9,205	1,708	299	—	11,212
Total Directors' remuneration	1,980	1,305	5,400	9,842	108	18,635	2,343	411	—	21,389

39. DIRECTORS' REMUNERATION (CONTINUED)

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

	<----- Remuneration received from the Bank ----->					<----- Remuneration received from Subsidiary Companies ----->				
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind Others RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Benefits- in-kind ESOS RM'000	Group Total RM'000
2008										
Executive Directors:										
Tan Sri Dato' Sri Tay Ah Lek	936	125	2,702	850	37	4,650	253	78	174	5,155
Dato' Sri Lee Kong Lam	816	125	2,002	665	36	3,644	175	28	—	3,847
	1,752	250	4,704	1,515	73	8,294	428	106	174	9,002
Non-Executive Directors:										
Tan Sri Dato' Sri Dr. Teh Hong Piow	—	170	—	6,303	88	6,561	364	36	—	6,961
Tan Sri Dato' Thong Yaw Hong	—	170	—	371	25	566	296	50	—	912
Dato' Yeoh Chin Kee	—	125	—	82	—	207	128	29	24	388
Y.A.M. Tengku Abdul Rahman										
Ibni Sultan Haji Ahmad Shah										
Al-Mustain Billah	—	125	—	82	—	207	30	26	—	263
Dato' Haji Abdul Aziz bin Omar	—	125	—	100	—	225	130	52	—	407
Dato' Dr. Haji Mohamed Ishak										
bin Haji Mohamed Ariff	—	125	—	82	—	207	130	46	—	383
Quah Poh Keat	—	52	—	35	—	87	48	13	—	148
	—	892	—	7,055	113	8,060	1,126	252	24	9,462
Total Directors' remuneration	1,752	1,142	4,704	8,570	186	16,354	1,554	358	198	18,464

40. ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Allowance for bad and doubtful debts and financing:				
– general allowance (net) (Note 9)	293,607	232,101	225,120	232,437
– specific allowance (Note 9)	621,338	542,651	244,243	330,367
– specific allowance written back (Note 9)	(73,611)	(74,660)	(57,763)	(70,419)
Bad debts recovered from stock-broking activities	(512)	(9)	—	—
Bad debts and financing written off	2,308	539	599	385
Bad debts and financing recovered	(152,160)	(152,060)	(90,962)	(98,581)
	690,970	548,562	321,237	394,189

41. IMPAIRMENT LOSS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Securities available-for-sale	5,572	—	129	—
Securities held-to-maturity	—	29,197	—	145
Foreclosed properties	9,407	1,179	9,407	1,179
Property and equipment (Note 18)	67	—	—	—
Prepaid land lease payments (Note 17)	33	—	—	—
Intangible assets (Note 19)	—	2,486	—	—
	15,079	32,862	9,536	1,324

42. TAX EXPENSE AND ZAKAT

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Malaysian income tax	851,970	798,283	701,413	679,512
Overseas income tax	37,061	63,153	4,691	2,777
	889,031	861,436	706,104	682,289
(Over)/Under provision in prior years				
– Malaysian income tax	(3,062)	(26,532)	—	—
– Overseas income tax	1,786	1,589	942	2,519
	887,755	836,493	707,046	684,808
Deferred tax (income)/expense (Note 13) relating to origination and reversal of temporary differences arising from:	(118,112)	(80,144)	(99,541)	(59,977)
• allowance for losses on loans	(67,731)	(68,028)	(56,822)	(67,267)
• tax losses	(1,623)	791	—	—
• excess of capital allowances over depreciation	8,577	(16,813)	7,716	2,822
• deferred handling fees	(41,573)	3,611	(28,637)	3,912
• other temporary differences	(15,762)	295	(21,798)	556
Tax expense	769,643	756,349	607,505	624,831
Zakat	250	179	—	149
	769,893	756,528	607,505	624,980

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008 – 26%) on the estimated chargeable profit for the year. The computation of deferred tax assets and deferred tax liabilities is also based on the statutory tax rate of 25%.

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

42. TAX EXPENSE AND ZAKAT (CONTINUED)

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

Group	2009		2008	
	%	RM'000	%	RM'000
Profit before tax expense		3,321,433		3,379,188
Income tax using Malaysian tax rate of 25% (2008 – 26%)	25.0	830,358	26.0	878,588
Effects of different tax rates in foreign jurisdictions	(1.1)	(34,999)	(0.9)	(30,006)
Income not subject to tax	(2.2)	(73,393)	(2.9)	(97,548)
Effects of utilisation of unrecognised benefit of tax losses	0.0	(1,059)	0.0	(12)
Expenses not deductible for tax purposes	1.3	41,738	0.9	30,270
Income subject to tax at Bank but eliminated at Group	0.2	8,274	0.0	—
Over provision in prior years	23.2	770,919	23.1	781,292
	—	(1,276)	(0.7)	(24,943)
Tax expense for the year	23.2	769,643	22.4	756,349
Bank	2009		2008	
	%	RM'000	%	RM'000
Profit before tax expense		2,789,170		2,897,716
Income tax using Malaysian tax rate of 25% (2008 – 26%)	25.0	697,293	26.0	753,406
Income not subject to tax	(3.8)	(107,191)	(5.2)	(151,551)
Expenses not deductible for tax purposes	0.6	16,461	0.7	20,457
Under provision in prior years	21.8	606,563	21.5	622,312
	—	942	0.1	2,519
Tax expense for the year	21.8	607,505	21.6	624,831

42. TAX EXPENSE AND ZAKAT (CONTINUED)

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tax recognised directly in equity				
Relating to unrealised gain/(loss) on securities available-for-sale (Note 33)	97,602	(107,362)	93,556	(96,875)
Relating to net gain on cash flow hedges (Note 33)	2,731	—	2,731	—
Tax recognised directly in equity (Note 13)	100,333	(107,362)	96,287	(96,875)
Tax savings arising from tax losses				
Tax savings arising from utilisation of tax losses	1,059	12	—	—

43. EARNINGS PER SHARE (EPS)

(a) Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Bank for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year excluding the weighted average treasury shares held by the Bank.

	Group		Bank	
	2009	2008	2009	2008
Net profit attributable to equity holders of the Bank (RM'000)	2,517,302	2,581,237	2,181,665	2,272,736
'000				
Number of ordinary shares at beginning of the year	3,355,629	3,351,614	3,355,629	3,351,614
Effect of share dividend distributed during the year	77,718	—	77,718	—
Effects of share options exercised during the year	—	3,527	—	3,527
Effects of shares bought back and held as treasury shares	(11)	(13)	(11)	(13)
Weighted average number of ordinary shares in issue	3,433,336	3,355,128	3,433,336	3,355,128
Basic earnings per share (sen)	73.3	76.9	63.5	67.7

43. EARNINGS PER SHARE (EPS) (CONTINUED)

(b) Diluted Earnings Per Share

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

	Group		Bank	
	2009	2008	2009	2008
'000				
Weighted average number of ordinary shares	3,433,336	3,355,128	3,433,336	3,355,128
Effects of share options	—	508	—	508
Adjusted weighted average number of ordinary shares in issue or issuable	3,433,336	3,355,636	3,433,336	3,355,636
Diluted earnings per share (sen)	73.3	76.9	63.5	67.7

44. DIVIDENDS

	Group and Bank	
	2009 RM'000	2008 RM'000
Dividends recognised as distribution to ordinary equity holders of the Bank:		
First interim dividend of 30.0% less 25.0% tax (2008 – 30.0% less 26.0% tax)	776,577	744,952
Final dividend of 40.0% less 26.0% tax and special dividend of 10.0% less 26.0% tax in respect of the financial year ended 31 December 2007	—	1,241,230
Final dividend of 25.0% less 25.0% tax in respect of the financial year ended 31 December 2008	629,178	—
	1,405,755	1,986,182

The final dividend in respect of the financial year ended 31 December 2008 also included a share dividend distribution of 95,834,632 treasury shares on the basis of one (1) PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia for every thirty-five (35) ordinary shares of RM1.00 each held in PBB.

Subsequent to the financial year end, on 19 January 2010, the Directors declared a second interim cash dividend of 25.0%, less 25.0% tax, amounting to approximately RM647,146,625 computed based on the outstanding issued and paid-up capital, excluding treasury shares held by the Bank, of 3,451,448,666 ordinary shares of RM1.00 each and a share dividend distribution from the treasury shares held by the Bank, on the basis of one (1) PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia for every sixty-eight (68) ordinary shares of RM1.00 each held, fractions of treasury shares to be disregarded, in respect of the financial year ended 31 December 2009. The financial statements for the current financial year do not reflect these dividends. Upon declaration, the cash dividend payment will be accounted for in equity as an appropriation of retained earnings and the share dividend distributed will be accounted for as a transfer of reserves, during the financial year ending 31 December 2010. The Directors do not propose any final dividend in respect of the financial year ended 31 December 2009.

44. DIVIDENDS (CONTINUED)

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

	Gross per share		Net per share	
	2009 Sen	2008 Sen	2009 Sen	2008 Sen
Dividends per RM1.00 share:				
<u>Cash Dividends</u>				
Paid:				
First interim dividend of 30.0% less 25.0% tax (2008 – 30.0% less 26.0% tax)	30.0	30.0	22.5	22.2
Declared subsequent to the financial year end:				
Final dividend of 25.0% less 25.0% tax	—	25.0	—	18.8
Second interim dividend of 25.0% less 25.0% tax	25.0	—	18.8	—
	55.0	55.0	41.3	41.0

Share Dividends

Declaration of share dividend on the basis of one (1) PBB treasury share listed and quoted as “Local” on the Main Market of Bursa Malaysia for every sixty-eight (68) ordinary shares of RM1.00 each held, fractions of treasury shares to be disregarded (2008 – 1 for 35). Based on the share price of PBB Local shares of RM11.30 per share on 31 December 2009 (2008 – RM8.85 per share), the value of the share dividends attributable to shareholders would be 16.6 sen (2008 – 25.3 sen) per RM1.00 share.

45. RELATED PARTY TRANSACTIONS

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

(i) Subsidiary Companies

Details of the subsidiary companies are shown in Note 14.

(ii) Associated Companies

Associated companies are those entities in which the Group has significant influence but not control, and where it generally holds interest of between 20% to 50% in the entities as disclosed in Note 15.

(iii) Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank includes Executive Directors and Non-Executive Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiary companies (including close members of their families) of the Group.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(iv) Public Bank Group Officers' Retirement Benefits Fund

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

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

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

All related party transactions are conducted on normal commercial terms which are not more favourable than those generally available to the public.

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

Group	Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income earned:						
Interest on loans, advances and financing	2	4	—	—	16,320	24,746
Commission income	—	—	22,777	20,335	—	—
Rental income	147	147	2,435	2,277	—	—
Brokerage income	4	2	249	100	7	4
	153	153	25,461	22,712	16,327	24,750
Expenditure incurred:						
Interest on deposits	56,173	81,922	7,306	10,769	1	—
Interest on non-innovative Tier I stapled securities	65	—	—	—	—	—
Rental of premises	—	—	580	357	15,878	13,612
Insurance premiums	—	—	23,286	21,610	—	—
	56,238	81,922	31,172	32,736	15,879	13,612

45. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
Bank	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income earned:										
Interest on loans, advances and financing	57,306	125,054	49	—	2	4	—	—	16,320	24,746
Dividend income (Note 37(c))	399,636	354,026	10,379	5,130	—	—	—	—	—	—
Overhead expenses recharged	8,819	1,713	—	—	—	—	—	—	—	—
Shared service costs charged (Note 38)	136,415	21,100	—	—	—	—	—	—	—	—
Commission income	29,860	33,318	—	—	—	—	22,496	20,103	—	—
Commitment fees and bank charges received	—	1,838	—	—	—	—	—	—	—	—
Rental income	1,147	1,165	—	—	147	147	11	11	—	—
	633,183	538,214	10,428	5,130	149	151	22,507	20,114	16,320	24,746
Expenditure incurred:										
Interest on deposits	68,029	82,910	—	—	56,145	81,644	6,556	8,241	1	—
Interest on non-innovative Tier 1 stapled securities	—	—	—	—	65	—	—	—	—	—
Rental of premises	24,423	24,403	—	—	—	—	580	357	15,362	13,096
Insurance premiums	—	—	—	—	—	—	19,235	17,938	—	—
Brokerage commission	67	110	—	—	—	—	—	—	—	—
Corporate advisory fees	5	2,253	—	—	—	—	—	—	—	—
Others	2,613	1,993	—	—	—	—	—	—	—	—
	95,137	111,669	—	—	56,210	81,644	26,371	26,536	15,363	13,096

Included in the significant transactions of the Group are interest on deposits paid to Directors of the Bank (including close members of their families) amounting to RM56,126,000 (2008 – RM81,823,000) and rental received from a Director of the Bank amounting to RM147,000 (2008 – RM147,000).

Included in the significant transactions of the Bank are interest on deposits paid to Directors of the Bank (including close members of their families) amounting to RM56,102,000 (2008 – RM81,568,000) and rental received from a Director of the Bank amounting to RM147,000 (2008 – RM147,000).

45. RELATED PARTY TRANSACTIONS (CONTINUED)

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

Group	Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amount due from related parties								
Interbank lending	46,887	36,476	—	—	—	—	—	—
Loans, advances and financing	—	—	132	161	—	—	667,737	575,524
Rental deposits	—	—	—	—	—	—	4,091	3,625
	46,887	36,476	132	161	—	—	671,828	579,149
Amount due to related parties								
Demand deposits	1,393	650	27,385	57,889	5,031	5,066	1,459	1,429
Short-term deposits	58,984	271,217	2,318,289	2,216,244	148,691	141,387	—	—
Non-innovative Tier I stapled securities	—	—	1,650	—	—	—	—	—
Others	—	—	243	4	—	—	47	154
	60,377	271,867	2,347,567	2,274,137	153,722	146,453	1,506	1,583

45. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
Bank	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amount due from related parties										
Interbank lending	5,328,245	6,427,728	46,887	36,476	—	—	—	—	—	—
Loans, advances and financing	323,794	254,394	—	—	132	161	—	—	667,737	575,524
Dividend receivable (Note 11)	366,489	231,265	—	—	—	—	—	—	—	—
Rental deposits	32,635	32,601	—	—	—	—	—	—	3,962	3,496
Interest receivable	797	25,260	—	—	—	—	—	—	—	—
Others	18,534	766,615	—	—	—	—	—	—	—	—
	6,070,494	7,737,863	46,887	36,476	132	161	—	—	671,699	579,020
Amount due to related parties										
Demand deposits	61,624	141,503	1,393	650	27,352	57,781	5,031	5,066	1,459	1,429
Short-term deposits	1,773,829	507,991	58,984	271,217	2,317,333	2,205,883	139,000	88,488	—	—
Non-innovative Tier I stapled securities	—	—	—	—	1,650	—	—	—	—	—
Interbank borrowing	4,957,133	3,680,054	—	—	—	—	—	—	—	—
Subordinated notes	20,217	20,025	—	—	—	—	—	—	—	—
Interest payable	2,140	5,773	—	—	—	—	—	—	—	—
Others	11,786	11,828	—	—	—	—	—	—	47	154
	6,826,729	4,367,174	60,377	271,867	2,346,335	2,263,664	144,031	93,554	1,506	1,583

Included in the significant outstanding balances of the Group are demand deposits and short-term deposits payable to Directors of the Bank (including close members of their families) amounting to RM2,342,941,000 (2008 – RM2,270,913,000).

Included in the significant outstanding balances of the Bank are demand deposits and short-term deposits payable to Directors of the Bank (including close members of their families) amounting to RM2,342,781,000 (2008 – RM2,261,482,000).

45. RELATED PARTY TRANSACTIONS (CONTINUED)

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

No provisions have been recognised in respect of loans granted to key management personnel (2008 – Nil).

- (d) Key Management Personnel Compensation

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits				
Fees	3,648	2,696	1,305	1,142
Salary and other remuneration, including meeting allowances	22,609	19,912	18,638	16,534
Benefits-in-kind				
– arising from exercise of share options	—	198	—	—
– others	598	655	158	235
Post-employment benefits	3,727	3,250	3,301	2,903
	30,582	26,711	23,402	20,814

Included in the total key management personnel compensation are:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration including benefits-in-kind				
– Directors of the Bank	21,389	18,464	18,635	16,354

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key Management Personnel Compensation (continued)

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

	PFHL ESOS	
	2009 '000	2008 '000
At 1 January	4,478	5,988
Exercised	—	(1,510)
Lapsed	(550)	—
At 31 December	3,928	4,478

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

46. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Outstanding credit exposures with connected parties	713,200	1,031,884	922,351	1,319,862
of which:				
Total credit exposure which is non-performing or in default	163	1,278	156	1,278
Total credit exposures	134,203,958	120,017,622	119,388,052	107,573,353
Percentage of outstanding credit exposures to connected parties				
– as a proportion of total credit exposures	0.53%	0.86%	0.77%	1.23%
– as a proportion of capital base	3.88%	6.54%	6.26%	10.37%
– which is non-performing or in default	0.02%	0.12%	0.02%	0.10%

46. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTINUED)

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

47. FINANCIAL RISK MANAGEMENT

Overview

The Group's and the Bank's risk management practice seeks to ensure that adequate financial resources are available for the development of the Group's and the Bank's businesses whilst managing its key areas of credit, market, liquidity and operational risks.

The Group's overall risk management framework, including the risk governance and the Group's risk management process are set out in the Risk Management section of the Annual Report.

(a) Credit Risk

Credit risk is the potential loss of revenue as a result of defaults by borrowers or counterparties through the Group's lending, hedging, trading and investing activities. The primary exposure to credit risk arises through its loans, advances and financing as well as financial transactions with counterparties including interbank money market activities, derivative instruments used for hedging and debt securities. The amount of credit exposure is represented by the carrying amounts of the assets in the balance sheet.

The management of credit risk is governed by credit policies and guidelines documenting the lending standards, discretionary power for loans approval, credit risk rating, collateral and valuation, review, rehabilitation and restructuring of problematic and delinquent loans. The management of counterparties are guided by counterparty limit, counterparty ratings, tenure and types of permissible transactions and these are subject to regular review.

- (i) The credit exposure arising from credit concentration risk are set out below:

Credit Risk Concentration

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The analyses of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the customer is engaged.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit Risk Concentration (continued)

Group 2009	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet									
Financial Assets									
Cash and short-term funds	38,672,566	4,807,886	—	—	—	—	—	—	43,480,452
Deposits and placements with banks and other financial institutions	2,825,000	357,704	—	—	—	—	—	—	3,182,704
Securities purchased under resale agreements	1,200,243	—	—	—	—	—	—	—	1,200,243
Securities held-for-trading	1,501,020	6,424,928	31,257	—	70	—	—	—	7,957,275
Securities available-for-sale	4,838,654	4,667,560	1,531,614	1,126,142	1,807	—	—	—	12,165,777
Securities held-to-maturity	3,554,419	2,919,967	75,587	5,073	65,161	—	—	—	6,620,207
Gross loans, advances and financing	—	7,680,286	2,816,284	23,694,232	15,240,013	37,211,245	26,326,889	24,641,478	137,610,427
Derivative financial assets	—	310,311	—	—	—	—	—	—	310,311
Statutory deposits with Central Banks	1,022,181	—	—	—	—	—	—	—	1,022,181
Total	53,614,083	27,168,642	4,454,742	24,825,447	15,307,051	37,211,245	26,326,889	24,641,478	213,549,577

Group
2008

On-Balance Sheet

Financial Assets

Cash and short-term funds	32,798,470	3,798,557	—	—	—	—	—	—	36,597,027
Deposits and placements with banks and other financial institutions	1,000,000	941,445	—	—	—	—	—	—	1,941,445
Securities purchased under resale agreements	5,141,746	—	—	—	—	—	—	—	5,141,746
Securities held-for-trading	1,195,581	10,138,161	10,833	5,212	55	—	—	—	11,349,842
Securities available-for-sale	88,502	2,916,302	1,580,619	1,037,381	3,568	—	—	—	5,626,372
Securities held-to-maturity	3,890,039	4,271,196	60,463	52	64,969	—	—	—	8,286,719
Gross loans, advances and financing	—	6,785,617	2,250,705	21,501,352	12,434,968	31,228,660	24,345,338	21,771,944	120,318,584
Derivative financial assets	—	590,229	—	—	—	—	—	—	590,229
Statutory deposits with Central Banks	2,636,708	—	—	—	—	—	—	—	2,636,708
Total	46,751,046	29,441,507	3,902,620	22,543,997	12,503,560	31,228,660	24,345,338	21,771,944	192,488,672

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

Credit Risk Concentration (continued)

Bank 2009	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet									
Financial Assets									
Cash and short-term funds	29,000,500	2,868,126	—	—	—	—	—	—	31,868,626
Deposits and placements with banks and other financial institutions	2,625,000	490,967	—	—	—	—	—	—	3,115,967
Securities held-for-trading	1,345,778	6,309,112	855	—	70	—	—	—	7,655,815
Securities available-for-sale	3,962,044	4,415,814	1,200,587	877,979	1,735	—	—	—	10,458,159
Securities held-to-maturity	3,251,823	4,249,693	70,530	51	65,161	—	—	—	7,637,258
Gross loans, advances and financing	—	6,815,720	2,380,292	20,564,854	13,784,946	32,243,051	16,789,954	17,110,487	109,689,304
Derivative financial assets	—	302,861	—	—	—	—	—	—	302,861
Statutory deposits with Central Banks	588,362	—	—	—	—	—	—	—	588,362
Total	40,773,507	25,452,293	3,652,264	21,442,884	13,851,912	32,243,051	16,789,954	17,110,487	171,316,352

Bank
2008

On-Balance Sheet

Financial Assets

Cash and short-term funds	25,681,066	3,883,893	—	—	—	—	—	—	29,564,959
Deposits and placements with banks and other financial institutions	1,000,000	2,834,326	—	—	—	—	—	—	3,834,326
Securities purchased under resale agreements	4,762,407	—	—	—	—	—	—	—	4,762,407
Securities held-for-trading	1,145,774	9,699,987	813	112	55	—	—	—	10,846,741
Securities available-for-sale	53,105	2,795,466	1,190,833	871,221	3,519	—	—	—	4,914,144
Securities held-to-maturity	3,742,117	5,696,978	60,463	52	64,969	—	—	—	9,564,579
Gross loans, advances and financing	—	6,155,949	2,138,509	17,742,140	11,294,459	27,062,600	15,220,212	15,076,863	94,690,732
Derivative financial assets	—	589,715	—	—	—	—	—	—	589,715
Statutory deposits with Central Banks	1,998,200	—	—	—	—	—	—	—	1,998,200
Total	38,382,669	31,656,314	3,390,618	18,613,525	11,363,002	27,062,600	15,220,212	15,076,863	160,765,803

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit Risk (continued)

(ii) The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- for personal housing loans – mortgages over residential properties
- for commercial property loans – charges over the properties being financed
- for motor vehicle financing – charges over the vehicles financed
- for share margin financing – securities from listed exchange
- for other loans – charges over business assets such as premises, inventories, trade receivables or deposits

(iii) The status of loans, advances and financing of the Group and the Bank that had been rescheduled/restructured are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current	2,079,190	1,909,454	1,793,981	1,844,493
Past Due	711,936	186,062	522,109	158,499
Non-performing	154,474	31,587	62,157	27,147
	2,945,600	2,127,103	2,378,247	2,030,139

(b) Market Risk

Market risk is the risk of loss arising from adverse movements in the level of market prices or rates. The market risk of the Group and the Bank can be identified into trading market risk and non-trading market risk.

Trading Market Risk – Trading market risk arises from changes in interest rates, foreign exchange rates, equity prices and credit spreads on the value of assets held for trading.

Non-Trading Market Risk – Non-trading market risk arises from changes in interest rates, foreign exchange rates and equity prices. The Group's and the Bank's main non-trading market risk is interest rate risk, arising from the re-pricing mismatches of its assets and liabilities from its banking activities and also the Group's and the Bank's investment of surplus funds.

(i) Interest Rate Risk

Interest rate risk is the impact to earnings and economic value of the Group due to fluctuations in interest rates. Interest rate exposure arises from differences in the maturity and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the Risk Management Committee.

(a) The following tables indicate the effective interest rates at the balance sheet date and the Group's and the Bank's sensitivity to interest rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans or early withdrawal of deposits.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Interest Rate Risk (continued)

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

Group 2009	Non trading book								Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
ASSETS												
Cash and short-term funds	42,368,283	—	—	—	—	—	—	—	1,112,169	—	43,480,452	1.95
Deposits and placements with banks and other financial institutions	4,427	3,088,957	89,320	—	—	—	—	—	—	—	3,182,704	2.00
Securities purchased under resale agreements	—	—	—	—	—	—	—	—	—	1,200,243	1,200,243	2.01
Securities held-for-trading	—	—	—	—	—	—	—	—	—	7,957,275	7,957,275	2.20
Securities available-for-sale	—	157,102	92,240	4,447,443	321,980	42,710	1,415,317	1,087,872	4,601,113	—	12,165,777	2.16
Securities held-to-maturity	1,673,687	960,226	1,429,223	847,321	517,227	315,929	603,682	184,166	88,746	—	6,620,207	2.99
Loans, advances and financing												
– performing	86,823,139	8,118,975	9,954,579	7,977,834	6,575,325	5,151,787	3,286,607	8,402,554	—	—	136,290,800	5.34
– non-performing *	—	—	—	—	—	—	—	—	(955,016)	—	(955,016)	—
Other non-interest sensitive balances	—	—	—	—	—	—	—	—	7,165,175	28,537	7,193,712	—
TOTAL ASSETS	130,869,536	12,325,260	11,565,362	13,272,598	7,414,532	5,510,426	5,305,606	9,674,592	12,012,187	9,186,955	217,136,154	
LIABILITIES AND EQUITY												
Deposits from customers	86,999,103	36,225,731	27,192,665	385,139	171,199	269,979	173,724	—	19,474,049	—	170,891,589	1.87
Deposits and placements of banks and other financial institutions	13,023,409	8,783,194	634,522	8,506	—	—	—	—	164,669	—	22,614,300	2.06
Bills and acceptances payable	7,481	14,963	—	—	—	—	—	—	590,286	—	612,730	2.15
Recourse obligations on loans sold to Cagamas	2,402	2,382	7,848	5,547	3,584	—	—	—	—	—	21,763	4.19
Borrowings	653,101	—	—	—	—	—	—	—	—	—	653,101	1.72
Subordinated notes	—	—	—	—	1,371,200	1,379,783	473,000	—	111,339	—	3,335,322	2.14
Innovative Tier I capital securities	—	—	—	—	—	—	—	1,885,600	86,733	—	1,972,333	2.71
Non-innovative Tier I stapled securities	—	—	—	—	—	—	—	2,088,000	(16,411)	—	2,071,589	5.05
Other non-interest sensitive balances	—	—	—	—	—	—	—	—	3,120,230	127,873	3,248,103	—
Total Liabilities	100,685,496	45,026,270	27,835,035	399,192	1,545,983	1,649,762	646,724	3,973,600	23,530,895	127,873	205,420,830	
Equity attributable to equity holders of the Bank	—	—	—	—	—	—	—	—	11,023,206	—	11,023,206	—
Minority interests	—	—	—	—	—	—	—	—	692,118	—	692,118	—
TOTAL LIABILITIES AND EQUITY	100,685,496	45,026,270	27,835,035	399,192	1,545,983	1,649,762	646,724	3,973,600	35,246,219	127,873	217,136,154	

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Interest Rate Risk (continued)

Group 2009	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				
On-balance sheet interest sensitivity gap	30,184,040	(32,701,010)	(16,269,673)	12,873,406	5,868,549	3,860,664	4,658,882	5,700,992	(23,234,032)	9,058,182	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	833,600	(3,884,040)	(1,419,192)	(51,940)	1,019,252	1,552,000	(1,049,860)	3,000,180	—	—	—	
TOTAL INTEREST SENSITIVITY GAP	31,017,640	(36,585,050)	(17,688,865)	12,821,466	6,887,801	5,412,664	3,609,022	8,701,172	(23,234,032)	9,058,182	—	

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

Group 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				
ASSETS												
Cash and short-term funds	33,979,116	—	—	—	—	—	—	—	2,617,911	—	36,597,027	3.24
Deposits and placements with banks and other financial institutions	4,496	1,581,038	179,393	—	—	—	—	—	176,518	—	1,941,445	3.74
Securities purchased under resale agreements	3,962,485	799,922	—	—	—	—	—	—	—	379,339	5,141,746	2.96
Securities held-for-trading	—	—	—	—	—	—	—	—	—	11,349,842	11,349,842	3.39
Securities available-for-sale	87,591	—	553,321	161,004	411,816	332,671	—	1,494,450	2,585,519	—	5,626,372	3.71
Securities held-to-maturity	2,722,137	2,422,240	1,057,146	984,232	308,723	312,084	127,921	263,451	88,785	—	8,286,719	3.76
Loans, advances and financing												
– performing	74,633,947	6,187,337	9,973,247	7,192,884	6,048,162	4,628,514	3,655,891	7,138,512	—	—	119,458,494	6.12
– non-performing *	—	—	—	—	—	—	—	—	(722,190)	—	(722,190)	—
– Islamic house financing sold to Cagamas	(200,008)	(150,001)	—	—	—	—	—	—	—	—	(350,009)	3.74
Other non-interest sensitive balances	—	—	—	—	—	—	—	—	8,730,572	103,088	8,833,660	—
TOTAL ASSETS	115,189,764	10,840,536	11,763,107	8,338,120	6,768,701	5,273,269	3,783,812	8,896,413	13,477,115	11,832,269	196,163,106	

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Interest Rate Risk (continued)

	Non trading book											
Group 2008	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	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND EQUITY												
Deposits from customers	87,995,916	21,186,551	24,350,228	345,119	334,486	179,881	257,695	12,560	16,522,862	—	151,185,298	2.98
Deposits and placements of banks and other financial institutions	10,011,625	4,481,695	1,225,826	—	—	—	—	—	964,999	—	16,684,145	3.15
Bills and acceptances payable	848,427	1,392,527	309,942	—	—	—	—	—	511,478	—	3,062,374	3.59
Recourse obligations on loans sold to Cagamas	1,206,190	3,309,160	18,090	3,379	458	—	—	—	—	—	4,537,277	3.63
Borrowings	860,234	—	—	—	—	—	—	—	—	—	860,234	1.11
Subordinated notes	—	—	1,233,361	—	—	1,494,279	1,450,555	—	—	—	4,178,195	3.65
Innovative Tier I capital securities	—	—	—	—	—	—	—	2,124,484	—	—	2,124,484	4.33
Other non-interest sensitive balances	—	—	—	—	—	—	—	—	3,073,076	229,291	3,302,367	—
Total Liabilities	100,922,392	30,369,933	27,137,447	348,498	334,944	1,674,160	1,708,250	2,137,044	21,072,415	229,291	185,934,374	
Equity attributable to equity holders of the Bank	—	—	—	—	—	—	—	—	9,536,706	—	9,536,706	—
Minority interests	—	—	—	—	—	—	—	—	692,026	—	692,026	—
TOTAL LIABILITIES AND EQUITY												
	100,922,392	30,369,933	27,137,447	348,498	334,944	1,674,160	1,708,250	2,137,044	31,301,147	229,291	196,163,106	
On-balance sheet interest sensitivity gap	14,267,372	(19,529,397)	(15,374,340)	7,989,622	6,433,757	3,599,109	2,075,562	6,759,369	(17,824,032)	11,602,978	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	391,480	(2,810,423)	(257,962)	(67,793)	(55,773)	1,070,531	1,500,000	229,940	—	—	—	
TOTAL INTEREST SENSITIVITY GAP												
	14,658,852	(22,339,820)	(15,632,302)	7,921,829	6,377,984	4,669,640	3,575,562	6,989,309	(17,824,032)	11,602,978	—	

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

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Interest Rate Risk (continued)

Bank 2009	Non trading book								Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
ASSETS												
Cash and short-term funds	31,084,709	-	-	-	-	-	-	-	783,917	-	31,868,626	2.00
Deposits and placements with banks and other financial institutions	-	3,115,967	-	-	-	-	-	-	-	-	3,115,967	1.93
Securities held-for-trading	-	-	-	-	-	-	-	-	-	7,655,815	7,655,815	2.19
Securities available-for-sale	-	-	92,240	3,913,097	311,948	42,710	1,283,288	735,840	4,079,036	-	10,458,159	2.27
Securities held-to-maturity	682,719	597,821	3,231,100	882,313	1,076,628	295,592	598,625	184,166	88,294	-	7,637,258	3.30
Loans, advances and financing												
- performing	75,980,384	6,294,293	7,133,200	5,350,893	4,456,673	3,543,717	2,037,082	4,079,706	-	-	108,875,948	5.08
- non-performing *	-	-	-	-	-	-	-	-	(913,141)	-	(913,141)	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,854,582	23,387	7,877,969	-
TOTAL ASSETS	107,747,812	10,008,081	10,456,540	10,146,303	5,845,249	3,882,019	3,918,995	4,999,712	11,892,688	7,679,202	176,576,601	
LIABILITIES AND EQUITY												
Deposits from customers	66,969,784	27,457,604	23,287,497	254,755	168,135	269,324	172,067	-	16,808,324	-	135,387,490	2.04
Deposits and placements of banks and other financial institutions	12,118,917	8,150,076	19,862	273,636	-	-	-	-	221,438	-	20,783,929	1.68
Bills and acceptances payable	7,481	14,963	-	-	-	-	-	-	590,286	-	612,730	2.15
Recourse obligations on loans sold to Cagamas	2,402	2,382	7,848	5,547	3,584	-	-	-	-	-	21,763	4.19
Subordinated notes	-	-	-	-	1,371,200	1,400,000	473,000	-	111,339	-	3,355,539	2.14
Innovative Tier I capital securities	-	-	-	-	-	-	-	1,885,600	86,733	-	1,972,333	2.71
Non-innovative Tier I stapled securities	-	-	-	-	-	-	-	2,088,000	(16,411)	-	2,071,589	5.05
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	1,801,880	127,136	1,929,016	-
Total Liabilities	79,098,584	35,625,025	23,315,207	533,938	1,542,919	1,669,324	645,067	3,973,600	19,603,589	127,136	166,134,389	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	10,442,212	-	10,442,212	-
TOTAL LIABILITIES AND EQUITY	79,098,584	35,625,025	23,315,207	533,938	1,542,919	1,669,324	645,067	3,973,600	30,045,801	127,136	176,576,601	

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Interest Rate Risk (continued)

Bank 2009	----- 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				
On-balance sheet interest sensitivity gap	28,649,228	(25,616,944)	(12,858,667)	9,612,365	4,302,330	2,212,695	3,273,928	1,026,112	(18,153,113)	7,552,066	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	713,620	(4,226,840)	(1,487,752)	16,620	1,019,252	1,552,000	(929,880)	3,342,980	—	—	—	
TOTAL INTEREST SENSITIVITY GAP	29,362,848	(29,843,784)	(14,346,419)	9,628,985	5,321,582	3,764,695	2,344,048	4,369,092	(18,153,113)	7,552,066	—	

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

Bank 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				
ASSETS												
Cash and short-term funds	27,458,539	—	—	—	—	—	—	—	2,106,420	—	29,564,959	3.22
Deposits and placements with banks and other financial institutions	—	2,605,145	1,052,664	—	—	—	—	—	176,517	—	3,834,326	3.99
Securities purchased under resale agreements	3,962,485	799,922	—	—	—	—	—	—	—	—	4,762,407	2.91
Securities held-for-trading	—	—	—	—	—	—	—	—	—	10,846,741	10,846,741	3.38
Securities available-for-sale	77,968	—	528,153	161,004	557,770	332,671	—	1,176,513	2,080,065	—	4,914,144	3.46
Securities held-to-maturity	2,578,577	1,919,408	1,291,322	2,589,255	399,220	312,084	122,930	263,451	88,332	—	9,564,579	3.73
Loans, advances and financing												
– performing	65,590,132	3,929,734	6,592,174	4,639,410	3,978,219	3,012,085	2,430,455	3,562,194	—	—	93,734,403	5.98
– non-performing *	—	—	—	—	—	—	—	—	(560,112)	—	(560,112)	—
Other non-interest sensitive balances	—	—	—	—	—	—	—	—	9,934,833	102,574	10,037,407	—
TOTAL ASSETS	99,667,701	9,254,209	9,464,313	7,389,669	4,935,209	3,656,840	2,553,385	5,002,158	13,826,055	10,949,315	166,698,854	

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Interest Rate Risk (continued)

	Non trading book											
Bank 2008	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	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND EQUITY												
Deposits from customers	69,620,395	16,235,247	23,062,244	208,907	190,523	179,289	256,930	12,560	14,324,764	—	124,090,859	3.08
Deposits and placements of banks and other financial institutions	10,742,387	4,438,079	1,403,970	—	266,817	—	—	—	241,653	—	17,092,906	2.91
Bills and acceptances payable	848,427	1,392,527	309,942	—	—	—	—	—	511,478	—	3,062,374	3.59
Recourse obligations on loans sold to Cagamas	1,206,190	3,309,160	18,090	3,379	458	—	—	—	—	—	4,537,277	3.63
Subordinated notes	—	—	1,233,361	—	—	1,494,279	1,470,580	—	—	—	4,198,220	3.65
Innovative Tier I capital securities	—	—	—	—	—	—	—	2,124,484	—	—	2,124,484	4.33
Other non-interest sensitive balances	—	—	—	—	—	—	—	—	1,973,469	227,436	2,200,905	—
Total Liabilities	82,417,399	25,375,013	26,027,607	212,286	457,798	1,673,568	1,727,510	2,137,044	17,051,364	227,436	157,307,025	
Equity attributable to equity holders of the Bank	—	—	—	—	—	—	—	—	9,391,829	—	9,391,829	—
TOTAL LIABILITIES AND EQUITY												
	82,417,399	25,375,013	26,027,607	212,286	457,798	1,673,568	1,727,510	2,137,044	26,443,193	227,436	166,698,854	
On-balance sheet												
interest sensitivity gap	17,250,302	(16,120,804)	(16,563,294)	7,177,383	4,477,411	1,983,272	825,875	2,865,114	(12,617,138)	10,721,879	—	
Off-balance sheet												
interest sensitivity gap (interest rate swaps)	166,288	(3,101,777)	(174,478)	(67,793)	13,517	1,070,531	1,500,000	593,712	—	—	—	
TOTAL INTEREST SENSITIVITY GAP												
	17,416,590	(19,222,581)	(16,737,772)	7,109,590	4,490,928	3,053,803	2,325,875	3,458,826	(12,617,138)	10,721,879	—	

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

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Interest Rate Risk (continued)

- (b) The impact on net interest income is simulated under various interest rate assumptions. The following table sets out the impact on net interest income based on a 50 bps parallel shift in interest rates at the beginning of the year from 1 January for a period of 12 months, as follows:

	2009 RM'000	2008 RM'000
Group		
+/-50bps	+/-106,752	+/-81,403
Bank		
+/-50bps	+/- 95,773	+/-80,214

The 50 bps shock impact on net interest income is based on simplified scenarios, using the Group's interest rate risk profile as at the reporting date. It does not take into account actions that would be taken by the Treasury Division or business units to mitigate the impact of the interest rate risk. In reality, Treasury Division seeks to proactively change the interest rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections also assume a constant balance sheet position and that all positions run to maturity.

(ii) Foreign Currency Exchange Risk

Foreign currency exchange risk refers to adverse exchange rate movements on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiary companies, branches and associated companies, whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Group's businesses are transacted in are Hong Kong Dollars and US Dollars.

- (a) The following table summarises the assets, liabilities and net open position by currency as at the balance sheet date, which are mainly in Ringgit Malaysia, Hong Kong Dollars and US Dollars. Others mainly include exposure to Euros, Australian Dollars, Chinese Renminbi, New Zealand Dollars, Sri Lanka Rupees, Great Britain Pounds and Japanese Yen.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(ii) Foreign Currency Exchange Risk (continued)

Group 2009	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and short-term funds	40,037,476	1,163,389	1,888,336	391,251	43,480,452
Deposits and placements with banks and other financial institutions	3,073,105	79,489	—	30,110	3,182,704
Securities purchased under resale agreements	1,200,243	—	—	—	1,200,243
Securities held-for-trading	7,957,275	—	—	—	7,957,275
Securities available-for-sale	9,458,287	3,006	2,697,505	6,979	12,165,777
Securities held-to-maturity	4,703,680	400,144	280,518	1,235,865	6,620,207
Loans, advances and financing	120,846,789	10,543,175	3,540,110	405,710	135,335,784
Derivative financial assets	126,560	5,150	178,601	—	310,311
Other assets	1,194,791	202,783	129,088	231,916	1,758,578
Statutory deposits with Central Banks	716,923	—	305,258	—	1,022,181
Deferred tax assets	496,327	3,227	7,014	39	506,607
Investment in associated companies	1,708	—	126,610	—	128,318
Investment properties	1,850	67,350	127	—	69,327
Prepaid land lease payments	9,335	279,893	—	—	289,228
Property and equipment	899,491	63,829	86,797	1,434	1,051,551
Intangible assets	769,251	1,288,360	—	—	2,057,611
TOTAL ASSETS	191,493,091	14,099,795	9,239,964	2,303,304	217,136,154
LIABILITIES					
Deposits from customers	146,604,285	10,238,536	10,277,105	3,771,663	170,891,589
Deposits and placements of banks and other financial institutions	20,404,703	28,108	2,053,217	128,272	22,614,300
Bills and acceptances payable	610,861	—	745	1,124	612,730
Recourse obligations on loans sold to Cagamas	21,763	—	—	—	21,763
Derivative financial liabilities	85,094	737	184,225	—	270,056
Other liabilities	1,710,983	134,459	319,041	347,274	2,511,757
Borrowings	—	653,101	—	—	653,101
Subordinated notes	1,883,776	—	1,451,546	—	3,335,322
Innovative Tier I capital securities	1,202,840	—	769,493	—	1,972,333
Non-innovative Tier I stapled securities	2,071,589	—	—	—	2,071,589
Provision for tax expense and zakat	453,684	1,522	8,985	99	464,290
Deferred tax liabilities	2,000	—	—	—	2,000
TOTAL LIABILITIES	175,051,578	11,056,463	15,064,357	4,248,432	205,420,830
Minority interests	—	679,834	12,284	—	692,118
On Balance Sheet Open Position	16,441,513	2,363,498	(5,836,677)	(1,945,128)	11,023,206
Off Balance Sheet Open Position	(5,408,601)	(1,379,079)	4,656,034	2,131,646	—
NET OPEN POSITION	11,032,912	984,419	(1,180,643)	186,518	11,023,206

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(ii) Foreign Currency Exchange Risk (continued)

Group 2008	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and short-term funds	31,348,350	451,285	3,599,203	1,198,189	36,597,027
Deposits and placements with banks and other financial institutions	1,756,588	46,943	91,456	46,458	1,941,445
Securities purchased under resale agreements	5,126,053	—	—	15,693	5,141,746
Securities held-for-trading	11,349,842	—	—	—	11,349,842
Securities available-for-sale	2,669,414	9,623	2,687,159	260,176	5,626,372
Securities held-to-maturity	7,851,780	169,981	93,552	171,406	8,286,719
Loans, advances and financing	103,493,306	10,412,901	4,034,067	446,021	118,386,295
Derivative financial assets	284,771	514	295,338	9,606	590,229
Other assets	600,212	136,487	734,946	77,029	1,548,674
Statutory deposits with Central Banks	2,339,800	—	296,908	—	2,636,708
Deferred tax assets	477,346	751	10,601	157	488,855
Investment in associated companies	1,411	—	126,391	—	127,802
Investment properties	1,850	63,968	194	—	66,012
Prepaid land lease payments	8,910	282,963	—	—	291,873
Property and equipment	902,844	62,547	44,494	1,604	1,011,489
Intangible assets	769,251	1,302,767	—	—	2,072,018
TOTAL ASSETS	168,981,728	12,940,730	12,014,309	2,226,339	196,163,106
LIABILITIES					
Deposits from customers	133,193,051	7,326,696	7,017,389	3,648,162	151,185,298
Deposits and placements of banks and other financial institutions	11,713,948	309,059	4,385,611	275,527	16,684,145
Bills and acceptances payable	3,062,077	—	28	269	3,062,374
Recourse obligations on loans sold to Cagamas	4,537,277	—	—	—	4,537,277
Derivative financial liabilities	173,277	1,855	318,849	1,165	495,146
Other liabilities	1,875,064	161,826	251,264	134,663	2,422,817
Borrowings	—	860,234	—	—	860,234
Subordinated notes	1,450,555	—	2,727,640	—	4,178,195
Innovative Tier I capital securities	1,276,840	—	847,644	—	2,124,484
Provision for tax expense and zakat	354,796	2,862	24,297	499	382,454
Deferred tax liabilities	1,950	—	—	—	1,950
TOTAL LIABILITIES	157,638,835	8,662,532	15,572,722	4,060,285	185,934,374
Minority interests	—	680,483	11,543	—	692,026
On Balance Sheet Open Position	11,342,893	3,597,715	(3,569,956)	(1,833,946)	9,536,706
Off Balance Sheet Open Position	(2,909,324)	(2,669,166)	3,650,663	1,927,827	—
NET OPEN POSITION	8,433,569	928,549	80,707	93,881	9,536,706

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(ii) Foreign Currency Exchange Risk (continued)

Bank 2009	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and short-term funds	30,361,078	523,705	804,002	179,841	31,868,626
Deposits and placements with banks and other financial institutions	3,013,340	102,627	—	—	3,115,967
Securities held-for-trading	7,655,815	—	—	—	7,655,815
Securities available-for-sale	8,318,894	—	2,139,204	61	10,458,159
Securities held-to-maturity	7,583,640	—	95	53,523	7,637,258
Loans, advances and financing	106,478,154	397,610	1,045,033	42,010	107,962,807
Derivative financial assets	126,560	—	176,301	—	302,861
Other assets	1,102,966	6,787	114,233	229,554	1,453,540
Statutory deposits with Central Banks	572,400	—	15,962	—	588,362
Deferred tax assets	390,787	—	—	39	390,826
Investment in subsidiary companies	1,547,725	1,672,195	474,761	—	3,694,681
Investment in associated companies	30	—	101,295	—	101,325
Prepaid land lease payments	13	—	—	—	13
Property and equipment	643,424	—	6,110	1,434	650,968
Intangible assets	695,393	—	—	—	695,393
TOTAL ASSETS	168,490,219	2,702,924	4,876,996	506,462	176,576,601
LIABILITIES					
Deposits from customers	131,035,012	179,223	1,815,349	2,357,906	135,387,490
Deposits and placements of banks and other financial institutions	15,101,777	—	5,624,617	57,535	20,783,929
Bills and acceptances payable	610,861	—	745	1,124	612,730
Recourse obligations on loans sold to Cagamas	21,763	—	—	—	21,763
Derivative financial liabilities	85,094	—	158,302	—	243,396
Other liabilities	1,043,668	389	128,476	226,845	1,399,378
Subordinated notes	1,903,993	—	1,451,546	—	3,355,539
Innovative Tier I capital securities	1,202,840	—	769,493	—	1,972,333
Non-innovative Tier I stapled securities	2,071,589	—	—	—	2,071,589
Provision for tax expense and zakat	285,825	—	—	417	286,242
TOTAL LIABILITIES	153,362,422	179,612	9,948,528	2,643,827	166,134,389
On Balance Sheet Open Position	15,127,797	2,523,312	(5,071,532)	(2,137,365)	10,442,212
Off Balance Sheet Open Position	(5,408,602)	(1,665,471)	4,884,022	2,190,051	—
NET OPEN POSITION	9,719,195	857,841	(187,510)	52,686	10,442,212

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(ii) Foreign Currency Exchange Risk (continued)

Bank 2008	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and short-term funds	25,413,556	820,485	2,849,946	480,972	29,564,959
Deposits and placements with banks and other financial institutions	3,834,326	—	—	—	3,834,326
Securities purchased under resale agreements	4,746,714	—	—	15,693	4,762,407
Securities held-for-trading	10,846,741	—	—	—	10,846,741
Securities available-for-sale	2,554,622	—	2,155,459	204,063	4,914,144
Securities held-to-maturity	9,562,928	—	97	1,554	9,564,579
Loans, advances and financing	91,605,875	427,182	1,082,414	58,820	93,174,291
Derivative financial assets	284,771	—	295,338	9,606	589,715
Other assets	1,365,023	34,540	725,733	71,888	2,197,184
Statutory deposits with Central Banks	1,998,200	—	—	—	1,998,200
Deferred tax assets	387,415	—	—	157	387,572
Investment in subsidiary companies	1,272,725	1,672,195	474,761	—	3,419,681
Investment in associated companies	30	—	101,295	—	101,325
Prepaid land lease payments	15	—	—	—	15
Property and equipment	642,505	118	4,095	1,604	648,322
Intangible assets	695,393	—	—	—	695,393
TOTAL ASSETS	155,210,839	2,954,520	7,689,138	844,357	166,698,854
LIABILITIES					
Deposits from customers	120,792,175	129,188	743,412	2,426,084	124,090,859
Deposits and placements of banks and other financial institutions	10,777,803	—	6,027,236	287,867	17,092,906
Bills and acceptances payable	3,062,077	—	28	269	3,062,374
Recourse obligations on loans sold to Cagamas	4,537,277	—	—	—	4,537,277
Derivative financial liabilities	173,277	—	268,596	781	442,654
Other liabilities	1,176,888	240	212,010	114,295	1,503,433
Subordinated notes	1,470,580	—	2,727,640	—	4,198,220
Innovative Tier I capital securities	1,276,840	—	847,644	—	2,124,484
Provision for tax expense and zakat	254,319	—	—	499	254,818
TOTAL LIABILITIES	143,521,236	129,428	10,826,566	2,829,795	157,307,025
On Balance Sheet Open Position	11,689,603	2,825,092	(3,137,428)	(1,985,438)	9,391,829
Off Balance Sheet Open Position	(2,909,324)	(2,051,964)	2,974,349	1,986,939	—
NET OPEN POSITION	8,780,279	773,128	(163,079)	1,501	9,391,829

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(ii) Foreign Currency Exchange Risk (continued)

(b) Structural foreign exchange risk

Structural currency exposures represent the Group's currency exposure in its net investments in overseas operations and capital funds/retained earnings of overseas branches operations. The Group manages such risk through funding investments in functional currencies, where possible. The structural currency exposures of the Group as at the balance sheet date are as follows:

Group	Hedged RM'000	Unhedged RM'000	Total RM'000
2009			
United States Dollars	1,469,324	(13,894)	1,455,430
Hong Kong Dollars	2,763,435	—	2,763,435
Others	—	45,623	45,623
	4,232,759	31,729	4,264,488
2008			
United States Dollars	1,129,566	80,809	1,210,375
Hong Kong Dollars	1,695,241	1,011,057	2,706,298
Others	—	43,830	43,830
	2,824,807	1,135,696	3,960,503

As part of its risk management strategy, the Group has designated certain funding in United States Dollars to hedge part of its Hong Kong Dollars structural currency exposure, as Hong Kong Dollars are pegged to United States Dollars.

(c) Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its unhedged structural positions as at the balance sheet date is summarised below:

Group	Change in Currency Rates %	Revaluation Sensitivity RM'000
2009		
United States Dollars	+/-5	-/+ 695
Hong Kong Dollars	+/-5	—
2008		
United States Dollars	+/-5	+/- 4,040
Hong Kong Dollars	+/-5	+/-50,553

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(iii) Equity Price Risk

Equity price risk arises from the impact of changes in equity prices on equity positions taken from time to time. Decisions concerning such investments are made by the Share Investment Committee and the Sub-Committee on Share Investment. Equity positions are monitored against pre-determined cut-loss limits.

Considering that other risk variables remain constant, the table below summarises the impact on the carrying amount of equity positions as at the balance sheet date should there be a change in equity market prices:

Group	Change in Equity Market Prices %	Sensitivity of Equity RM'000
2009	+/-20	+/-7,163
2008	+/-20	+/-5,096

(c) Liquidity Risk

Liquidity risk relates to the ability of the Group and the Bank to maintain sufficient liquid assets to meet financial commitments and obligations when they fall due at a reasonable cost. The Group Assets and Liabilities Management Committee is the primary party responsible for liquidity management based on guidelines approved by the Group Risk Management Committee. The management of the Group's liquidity risk is aligned to the New Liquidity Framework issued by Bank Negara Malaysia supplemented by liquidity risk management control and limits and a liquidity stress testing program. Liquidity limits are set for cash flow mismatches. In addition, liquidity trigger limits and concentration ratios are in place to serve as liquidity early warning indicators. Liquidity stress test programs are used to analyse the cash flow liquidity under "Systemic Wide Problem" and "Institutional Specific Problem" scenarios.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (continued)

The following tables show the maturity analysis of the Group's assets and liabilities incorporating behavioural adjustments on significant balance sheet items (for Malaysia and Hong Kong). The maturity profile for loans and deposits that do not have maturity dates and fixed deposits that are frequently rolled-over, is estimated based on the behavioural patterns of the customers. There may be some differences in the assumptions across geographical locations due to variation in local conditions.

Group 2009	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash, balances and placements with banks	25,723,947	18,660,902	3,389,230	89,320	—	—	47,863,399
Securities	5,658,174	3,445,187	4,818,569	2,058,362	335,004	10,427,963	26,743,259
Loans, advances and financing	1,683,446	3,099,625	6,704,732	6,933,751	11,921,842	104,992,388	135,335,784
Other asset balances	—	—	—	—	—	7,193,712	7,193,712
TOTAL ASSETS	33,065,567	25,205,714	14,912,531	9,081,433	12,256,846	122,614,063	217,136,154
LIABILITIES							
Deposits from customers	20,944,154	15,499,053	18,483,832	10,564,317	4,280,724	101,119,509	170,891,589
Deposits and placements of banks and other financial institutions	2,001,126	9,536,743	3,273,273	2,582,287	121,331	5,099,540	22,614,300
Recourse obligations on loans sold to Cagamas	—	2,402	2,382	3,363	4,485	9,131	21,763
Borrowings	—	—	—	—	—	653,101	653,101
Debts issued	—	—	—	—	—	7,379,244	7,379,244
Other liabilities balances	768	6,713	14,963	—	—	3,838,389	3,860,833
TOTAL LIABILITIES	22,946,048	25,044,911	21,774,450	13,149,967	4,406,540	118,098,914	205,420,830
EQUITY							
Equity attributable to equity holders of the Bank	—	—	—	—	—	11,023,206	11,023,206
Minority interests	—	—	—	—	—	692,118	692,118
TOTAL EQUITY	—	—	—	—	—	11,715,324	11,715,324
NET MATURITY MISMATCH	10,119,519	160,803	(6,861,919)	(4,068,534)	7,850,306	(7,200,175)	—

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (continued)

Group 2008	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash, balances and placements with banks	18,148,418	22,898,144	2,454,263	179,393	—	—	43,680,218
Securities	2,901,719	5,202,261	10,320,351	1,740,990	483,211	4,614,401	25,262,933
Loans, advances and financing	1,839,664	2,745,763	5,740,966	6,495,467	10,556,888	91,007,547	118,386,295
Other asset balances	—	—	—	—	—	8,833,660	8,833,660
TOTAL ASSETS	22,889,801	30,846,168	18,515,580	8,415,850	11,040,099	104,455,608	196,163,106
LIABILITIES							
Deposits from customers	18,313,652	11,256,429	8,172,850	6,423,572	11,964,270	95,054,525	151,185,298
Deposits and placements of banks and other financial institutions	6,769,184	1,978,996	542,754	146,878	216,917	7,029,416	16,684,145
Recourse obligations on loans sold to Cagamas	—	1,206,190	3,309,160	8,540	9,550	3,837	4,537,277
Borrowings	—	—	—	—	860,234	—	860,234
Debts issued	—	—	—	—	1,233,361	5,069,318	6,302,679
Other liabilities balances	168,302	680,125	1,392,527	309,942	—	3,813,845	6,364,741
TOTAL LIABILITIES	25,251,138	15,121,740	13,417,291	6,888,932	14,284,332	110,970,941	185,934,374
EQUITY							
Equity attributable to equity holders of the Bank	—	—	—	—	—	9,536,706	9,536,706
Minority interests	—	—	—	—	—	692,026	692,026
TOTAL EQUITY	—	—	—	—	—	10,228,732	10,228,732
NET MATURITY MISMATCH	(2,361,337)	15,724,428	5,098,289	1,526,918	(3,244,233)	(16,744,065)	—

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (continued)

Bank 2009	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash, balances and placements with banks	20,473,634	11,394,992	3,115,967	—	—	—	34,984,593
Securities	4,504,081	2,975,162	4,299,062	2,293,483	1,821,950	9,857,494	25,751,232
Loans, advances and financing	1,063,829	1,851,883	5,290,781	5,694,293	9,098,816	84,963,205	107,962,807
Other asset balances	—	—	—	—	—	7,877,969	7,877,969
TOTAL ASSETS	26,041,544	16,222,037	12,705,810	7,987,776	10,920,766	102,698,668	176,576,601
LIABILITIES							
Deposits from customers	13,179,219	8,121,040	9,340,429	6,285,077	1,792,679	96,669,046	135,387,490
Deposits and placements of banks and other financial institutions	5,444,498	8,165,927	454,105	1,671,468	1,154	5,046,777	20,783,929
Recourse obligations on loans sold to Cagamas	—	2,402	2,382	3,363	4,485	9,131	21,763
Debts issued	—	—	—	—	—	7,399,461	7,399,461
Other liabilities balances	768	6,713	14,963	—	—	2,519,302	2,541,746
TOTAL LIABILITIES	18,624,485	16,296,082	9,811,879	7,959,908	1,798,318	111,643,717	166,134,389
EQUITY							
Equity attributable to equity holders of the Bank	—	—	—	—	—	10,442,212	10,442,212
TOTAL EQUITY	—	—	—	—	—	10,442,212	10,442,212
NET MATURITY MISMATCH	7,417,059	(74,045)	2,893,931	27,868	9,122,448	(19,387,261)	—

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk (continued)

Bank 2008	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash, balances and placements with banks	10,557,981	23,145,980	3,405,067	1,052,664	—	—	38,161,692
Securities	2,369,791	4,900,050	9,661,001	1,517,062	802,958	6,074,602	25,325,464
Loans, advances and financing	1,202,869	2,004,801	4,269,734	4,941,829	7,944,837	72,810,221	93,174,291
Other asset balances	—	—	—	—	—	10,037,407	10,037,407
TOTAL ASSETS	14,130,641	30,050,831	17,335,802	7,511,555	8,747,795	88,922,230	166,698,854
LIABILITIES							
Deposits from customers	10,605,883	5,047,197	3,270,622	3,396,325	10,196,440	91,574,392	124,090,859
Deposits and placements of banks and other financial institutions	5,547,776	4,731,788	472,105	124,508	112,045	6,104,684	17,092,906
Recourse obligations on loans sold to Cagamas	—	1,206,190	3,309,160	8,540	9,550	3,837	4,537,277
Debts issued	—	—	—	—	1,233,361	5,089,343	6,322,704
Other liabilities balances	168,302	680,125	1,392,527	309,942	—	2,712,383	5,263,279
TOTAL LIABILITIES	16,321,961	11,665,300	8,444,414	3,839,315	11,551,396	105,484,639	157,307,025
EQUITY							
Equity attributable to equity holders of the Bank	—	—	—	—	—	9,391,829	9,391,829
TOTAL EQUITY	—	—	—	—	—	9,391,829	9,391,829
NET MATURITY MISMATCH	(2,191,320)	18,385,531	8,891,388	3,672,240	(2,803,601)	(25,954,238)	—

(d) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business units' adherence to established risk policies, procedures and limits by independent control and support units, and oversight provided by the management and the Board.

The operational risk management processes encompass appropriate documentation of processes and procedures within the framework of system of internal controls, regular disaster recovery and business continuity planning and simulations, self-compliance audit and internal audit.

48. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Where available, quoted and observable market prices or dealer price quotations are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. In the determination of fair values, assumptions are made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the resulting fair value estimates.

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

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

	2009		2008	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial assets				
Securities held-to-maturity	6,620,207	6,643,917	8,286,719	8,331,232
Loans, advances and financing *	137,387,443	137,296,952	120,145,782	119,797,090
Financial liabilities				
Deposits from customers	170,891,589	170,886,669	151,185,298	151,190,768
Deposits and placements of banks and other financial institutions	22,614,300	22,614,300	16,684,145	16,684,145
Recourse obligations on loans sold to Cagamas	21,763	24,478	4,537,277	4,538,483
Subordinated notes	3,335,322	3,392,188	4,178,195	4,219,502
Innovative Tier I capital securities	1,972,333	1,924,106	2,124,484	1,962,496
Non-innovative Tier I stapled securities	2,071,589	2,154,439	—	—

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

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

	2009		2008	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Bank				
Financial assets				
Securities held-to-maturity	7,637,258	7,668,386	9,564,579	9,615,605
Loans, advances and financing *	109,607,950	109,440,558	94,594,223	94,353,352
Financial liabilities				
Deposits from customers	135,387,490	135,381,943	124,090,859	124,094,341
Deposits and placements of banks and other financial institutions	20,783,929	20,791,450	17,092,906	17,085,972
Recourse obligations on loans sold to Cagamas	21,763	24,478	4,537,277	4,538,483
Subordinated notes	3,355,539	3,412,644	4,198,220	4,239,600
Innovative Tier I capital securities	1,972,333	1,924,106	2,124,484	1,962,496
Non-innovative Tier I stapled securities	2,071,589	2,154,439	—	—

* The general allowance of the Group and the Bank of RM2,051,659,000 (2008 – RM1,759,487,000) and RM1,645,143,000 (2008 – RM1,419,932,000) respectively, are not included in the carrying amounts.

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

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

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

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

- (d) *Loans, Advances and Financing* – The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying amounts. For fixed rate loans with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates of loans of similar credit risks and maturity.

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

- (e) *Derivative Financial Instruments* – The fair values of derivative financial instruments are obtained from quoted market rates in active markets, including recent market transactions and valuation techniques, such as discounted cash flow models, as appropriate.
- (f) *Deposits from Customers* – The fair values of deposits payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on market rates for similar deposits from customers. The fair values of Islamic deposits are deemed to approximate their carrying amounts as profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. The fair values of negotiable instruments of deposit and money market deposits are estimated based on quoted or observable market prices. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposit and money market deposits are estimated using the discounted cash flow technique.
- (g) *Deposits and Placements of Banks and Other Financial Institutions and Bills and Acceptances Payable* – The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.
- (h) *Recourse Obligations on Loans Sold to Cagamas* – The fair values of recourse obligations on loans sold to Cagamas with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of recourse obligations on loans sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.
- (i) *Borrowings* – The fair values approximate carrying amounts as these are variable rate borrowings.
- (j) *Subordinated Notes, Innovative Tier I Capital Securities and Non-innovative Tier I Stapled Securities* – The fair values of these financial instruments are estimated based on quoted or observable market prices.

49. OPERATING LEASES

The Group and the Bank as a Lessee

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

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Within one year	20,093	18,824	1,203	615
Between one and five years	18,251	18,453	1,348	594
More than five years	8,250	5,839	—	—
	46,594	43,116	2,551	1,209

The Group as a Lessor

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

	Group	
	2009 RM'000	2008 RM'000
Within one year	3,403	3,982
Between one and five years	1,197	1,891
	4,600	5,873

50. CAPITAL AND OTHER COMMITMENTS

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Capital expenditure:				
Authorised and contracted for:				
– Renovations	3,022	3,597	—	—
– Office equipment, furniture and fittings	4,464	2,155	3,157	1,925
– Computer equipment and software	18,911	21,920	16,639	19,563
– Motor vehicles	62	—	—	—
	26,459	27,672	19,796	21,488
Authorised but not contracted for:				
– Land and buildings	16,500	490,500	—	—
– Renovations	3,224	2,342	—	—
– Office equipment, furniture and fittings	220	616	—	—
– Computer equipment and software	2,596	2,924	—	105
– Motor vehicles	95	—	—	—
– Additional investment in an associated company	191,071	217,000	191,071	217,000
	213,706	713,382	191,071	217,105
	240,165	741,054	210,867	238,593

51. CAPITAL ADEQUACY

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

	Group		Bank	
	2009	2008	2009	2008
<u>Before deducting second interim/final dividends*:</u>				
Core capital ratio	10.5%	8.3%	13.0%	10.9%
Risk-weighted capital ratio	14.7%	13.7%	14.3%	13.4%
<u>After deducting second interim/final dividends:</u>				
Core capital ratio	9.9%	7.7%	12.4%	10.1%
Risk-weighted capital ratio	14.2%	13.1%	13.6%	12.8%

* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the second interim/final dividends were not deducted.

51. CAPITAL ADEQUACY (CONTINUED)

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

The capital adequacy ratios of the Group consist of capital base and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd.

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 (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2008 – 8.0%) for the risk-weighted capital ratio.

The detailed disclosures on the capital base and risk-weighted assets, as set out in Note 51(c) – (f) are presented in accordance with para 4.3 of Bank Negara Malaysia's Concept Paper – Risk-Weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Disclosure Requirements (Pillar 3).

The capital adequacy ratios of the banking subsidiary companies of the Group are as follows:

	Public Islamic Bank Berhad ¹	Public Investment Bank Berhad ²	Public Bank (L) Ltd ³	Public Bank (Hong Kong) Limited ⁴	Public Finance Limited ⁴	Cambodian Public Bank Plc ⁵
2009						
<u>Before deducting interim dividends*:</u>						
Core capital ratio	11.6%	19.8%	8.9%	15.9%	31.1%	N/A
Risk-weighted capital ratio	13.4%	20.1%	9.2%	15.9%	32.2%	20.3%
<u>After deducting interim dividends*:</u>						
Core capital ratio	10.5%	18.7%	8.9%	15.4%	28.6%	N/A
Risk-weighted capital ratio	12.3%	19.0%	9.2%	15.4%	29.8%	20.3%
2008						
<u>Before deducting proposed dividends:</u>						
Core capital ratio	9.1%	20.6%	8.3%	15.3%	20.6%	N/A
Risk-weighted capital ratio	11.0%	20.9%	8.8%	15.3%	21.8%	21.1%
<u>After deducting proposed dividends:</u>						
Core capital ratio	9.1%	19.7%	8.3%	15.3%	20.6%	N/A
Risk-weighted capital ratio	11.0%	20.0%	8.8%	15.3%	21.8%	21.1%

* Refers to interim dividends which have been declared subsequent to the financial year end.

51. CAPITAL ADEQUACY (CONTINUED)

- (a) The capital adequacy ratios of the Group and the Bank as at 31 December are as follows (continued):

The capital adequacy ratios of the banking subsidiary companies of the Group are as follows (continued):

- ¹ The capital adequacy ratios of Public Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Public Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- ² The capital adequacy ratios of Public Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Public Investment Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- ³ The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Offshore Financial Services Authority (LOFSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the core capital ratio and risk-weighted capital ratio respectively.
- ⁴ The capital adequacy ratios of these two subsidiary companies, which are located in Hong Kong SAR, are computed in accordance with the Banking (Capital) Rules under section 98A of the Banking Ordinance issued by the Hong Kong Monetary Authority, which is based on the Basel II capital accord. These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- ⁵ The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory Solvency Ratio requirement is 15.0%.

51. CAPITAL ADEQUACY (CONTINUED)

(b) The components of Tier I and Tier II Capital of the Group and of the Bank are as follows:

	Group		Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Components of Tier I and Tier II Capital:				
<u>Tier I Capital</u>				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,439,885	2,132,499	1,439,885	2,132,499
Other reserves	3,740,586	3,604,386	3,548,569	3,552,599
Retained profits	2,870,249	1,902,658	2,624,153	1,772,724
Innovative Tier I capital securities	1,883,186	1,439,510	1,883,186	1,541,477
Non-innovative Tier I stapled securities	2,080,878	—	2,080,878	—
Treasury shares	(581,638)	(1,274,112)	(581,638)	(1,274,112)
Minority interests	692,118	692,026	—	—
Less: Goodwill	(2,031,105)	(2,045,669)	(695,393)	(695,393)
Less: Deferred tax assets, net	(500,684)	(386,484)	(384,741)	(285,201)
Total Tier I Capital	13,125,401	9,596,740	13,446,825	10,276,519
<u>Tier II Capital</u>				
General allowance for bad and doubtful debts and financing	2,051,659	1,759,487	1,653,936	1,433,444
Subordinated notes	3,217,828	3,968,793	3,238,045	3,988,818
Innovative Tier I capital securities	—	450,609	—	348,642
Total Tier II Capital	5,269,487	6,178,889	4,891,981	5,770,904
Total capital funds	18,394,888	15,775,629	18,338,806	16,047,423
Less: Investment in subsidiary and associated companies	(960)	(960)	(3,593,384)	(3,318,384)
Capital base	18,393,928	15,774,669	14,745,422	12,729,039

In arriving at the capital base of the Group and the Bank above, the second interim/final dividends were not deducted.

51. CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

Group 2009 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	52,147,725	50,947,482	—	—
Public Sector Entities	522,950	522,950	104,590	8,367
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	8,038,717	8,038,717	2,084,322	166,746
Insurance companies, Securities Firms and Fund Managers	171,795	165,750	135,253	10,820
Corporates	38,464,275	36,465,866	32,475,929	2,598,074
Regulatory Retail	70,159,269	69,482,194	52,928,455	4,234,276
Residential Mortgages	30,284,816	30,241,515	12,508,156	1,000,653
Higher Risk Assets	157,279	157,134	235,701	18,856
Other Assets	3,884,280	3,884,280	2,872,284	229,783
Equity Exposures	4,545,222	4,545,222	4,520,464	361,637
Total On-Balance Sheet Exposures	208,376,328	204,451,110	107,865,154	8,629,212
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	8,150,735	7,763,759	5,572,089	445,767
Derivative Financial Instruments	997,257	997,257	227,612	18,209
Other Treasury-related Off-Balance Sheet Exposures	91,201	91,201	15,171	1,214
Total Off-Balance Sheet Exposures (Note 51(e))	9,239,193	8,852,217	5,814,872	465,190
Total On and Off-Balance Sheet Exposures	217,615,521	213,303,327	113,680,026	9,094,402
(ii) Large Exposure Risk Requirement	—	—	—	—
(iii) <u>Market Risk</u>	Long Position	Short Position		
Interest Rate Risk	20,281,782	(11,104,063)	539,239	43,139
Foreign Currency Risk	520,324	(620,549)	621,165	49,693
Equity Risk	925	—	1,214	97
Total (Note 51(f))	20,803,031	(11,724,612)	1,161,618	92,929
(iv) Operational Risk			10,436,307	834,905
Total RWA and Capital Requirements			125,277,951	10,022,236

51. CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows (continued):

Group 2008 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	45,529,703	40,392,203	7,079	566
Public Sector Entities	226,399	226,399	45,280	3,622
Banks, DFIs and MDBs	9,647,008	9,647,008	2,656,110	212,489
Insurance companies, Securities Firms and Fund Managers	30,192	24,538	14,711	1,177
Corporates	31,587,342	29,788,698	27,412,005	2,192,960
Regulatory Retail	59,098,305	58,514,484	44,325,939	3,546,075
Residential Mortgages	31,354,081	31,331,706	15,754,491	1,260,359
Higher Risk Assets	144,845	144,817	217,225	17,378
Other Assets	3,166,272	3,166,272	2,133,482	170,679
Equity Exposures	2,657,984	2,657,984	2,633,226	210,658
Total On-Balance Sheet Exposures	183,442,131	175,894,109	95,199,548	7,615,963
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	11,553,542	11,077,426	8,691,505	695,320
Derivative Financial Instruments	1,062,516	1,062,516	269,196	21,536
Other Treasury-related Off-Balance Sheet Exposures	15,874	15,874	3,175	254
Total Off-Balance Sheet Exposures (Note 51(e))	12,631,932	12,155,816	8,963,876	717,110
Total On and Off-Balance Sheet Exposures	196,074,063	188,049,925	104,163,424	8,333,073
(ii) <u>Large Exposure Risk Requirement</u>	—	—	—	—
(iii) <u>Market Risk</u>	Long Position	Short Position		
Interest Rate Risk	20,841,662	(9,101,710)	732,535	58,603
Foreign Currency Risk	1,101,726	(42,943)	1,101,726	88,138
Equity Risk	980	—	1,363	109
Total (Note 51(f))	21,944,368	(9,144,653)	1,835,624	146,850
(iv) <u>Operational Risk</u>			9,342,863	747,429
Total RWA and Capital Requirements			115,341,911	9,227,352

51. CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows (continued):

Bank 2009 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	39,398,350	39,398,350	—	—
Public Sector Entities	533	533	107	9
Banks, DFIs and MDBs	7,625,372	7,625,372	3,017,168	241,373
Insurance companies, Securities Firms and Fund Managers	2,361	2,361	3,365	269
Corporates	34,075,354	32,325,336	28,274,623	2,261,970
Regulatory Retail	53,101,775	52,530,194	40,023,498	3,201,880
Residential Mortgages	25,097,787	25,069,662	10,588,938	847,115
Higher Risk Assets	142,939	142,829	214,244	17,139
Other Assets	2,675,230	2,675,230	1,912,073	152,966
Equity Exposures	4,033,204	4,033,204	4,008,445	320,676
Total On-Balance Sheet Exposures	166,152,905	163,803,071	88,042,461	7,043,397
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	7,501,979	7,235,546	5,169,292	413,543
Derivative Financial Instruments	982,574	982,574	224,676	17,974
Other Treasury-related Off-Balance Sheet Exposures	15,344	15,344	—	—
Total Off-Balance Sheet Exposures (Note 51(e))	8,499,897	8,233,464	5,393,968	431,517
Total On and Off-Balance Sheet Exposures	174,652,802	172,036,535	93,436,429	7,474,914
(ii) <u>Large Exposure Risk Requirement</u>	—	—	—	—
(iii) <u>Market Risk</u>	Long Position	Short Position		
Interest Rate Risk	18,659,428	(11,036,933)	508,288	40,663
Foreign Currency Risk	966,173	(1,571,235)	1,571,478	125,718
Equity Risk	925	—	1,214	97
Total (Note 51(f))	19,626,526	(12,608,168)	2,080,980	166,478
(iv) <u>Operational Risk</u>			7,815,769	625,262
Total RWA and Capital Requirements			103,333,178	8,266,654

51. CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows (continued):

Bank 2008 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	37,240,902	32,487,731	7,080	566
Public Sector Entities	687	687	137	11
Banks, DFIs and MDBs	13,097,186	13,097,186	3,554,021	284,322
Insurance companies, Securities Firms and Fund Managers	2,847	2,847	3,851	308
Corporates	27,739,697	26,119,513	23,717,302	1,897,384
Regulatory Retail	42,385,979	41,844,274	31,731,983	2,538,559
Residential Mortgages	27,421,752	27,404,232	14,149,127	1,131,930
Higher Risk Assets	135,867	135,853	203,779	16,302
Other Assets	2,984,616	2,984,616	2,075,270	166,022
Equity Exposures	2,154,635	2,154,635	2,129,876	170,390
Total On-Balance Sheet Exposures	153,164,168	146,231,574	77,572,426	6,205,794
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	10,219,352	9,931,894	7,818,361	625,469
Derivative Financial Instruments	1,051,784	1,051,784	267,050	21,364
Other Treasury-related Off-Balance Sheet Exposures	1,594	1,594	319	26
Total Off-Balance Sheet Exposures (Note 51(e))	11,272,730	10,985,272	8,085,730	646,859
Total On and Off-Balance Sheet Exposures	164,436,898	157,216,846	85,658,156	6,852,653
(ii) <u>Large Exposure Risk Requirement</u>	—	—	—	—
(iii) <u>Market Risk</u>	Long Position	Short Position		
Interest Rate Risk	20,082,657	(9,273,390)	827,062	66,165
Foreign Currency Risk	924,347	(306,358)	924,347	73,948
Equity Risk	980	—	1,363	109
Total (Note 51(f))	21,007,984	(9,579,748)	1,752,772	140,222
(iv) <u>Operational Risk</u>			7,236,385	578,911
Total RWA and Capital Requirements			94,647,313	7,571,786

The Group and the Bank do not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

51. CAPITAL ADEQUACY (CONTINUED)

(e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows:

2009 Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related Exposures</u>				
Direct credit substitutes	1,439,868		1,439,868	864,160
Transaction-related contingent items	627,016		313,508	181,889
Short term self-liquidating trade-related contingencies	567,838		113,568	81,594
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	13,477,346		5,598,305	3,920,956
– not exceeding one year	19,148,076		—	—
Unutilised credit card lines	3,239,933		647,986	485,990
	38,575,077		8,150,735	5,572,089
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
– less than one year	11,203,156	41,303	165,755	47,586
– one year to less than five years	5,062	40	293	293
Interest rate related contracts:				
– less than one year	166,552	2,623	2,964	593
– one year to less than five years	5,962,948	151,373	318,358	64,546
– five years and above	4,947,020	92,859	449,300	91,916
Commodity related contracts:				
– less than one year	3,767	17	55	55
Equity related contracts:				
– one year to less than five years	480,456	22,096	60,532	22,623
	22,768,961	310,311	997,257	227,612
<u>Other Treasury-related Exposures</u>				
Forward asset purchases	91,201		91,201	15,171
	61,435,239	310,311	9,239,193	5,814,872

Note 10 ←————— Note 51 (c) —————→

51. CAPITAL ADEQUACY (CONTINUED)

- (e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank were as follows (continued):

2008 Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related Exposures</u>				
Direct credit substitutes	1,707,324		1,707,324	967,059
Transaction-related contingent items	597,837		298,918	179,717
Short term self-liquidating trade-related contingencies	662,108		132,422	82,666
Assets sold with recourse	341,988		341,988	163,770
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	9,939,339		4,969,670	3,959,368
– not exceeding one year	17,418,621		3,483,724	2,864,928
Unutilised credit card lines	2,909,982		581,996	436,497
	33,652,199		11,553,542	8,691,505
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
– less than one year	9,115,195	90,945	184,974	78,183
– one year to less than five years	37,532	592	2,468	1,234
Interest rate related contracts:				
– less than one year	2,177,466	32,880	37,557	7,533
– one year to less than five years	4,040,636	216,196	342,340	68,572
– five years and above	3,555,860	234,366	458,159	95,165
Equity related contracts:				
– one year to less than five years	272,106	15,250	37,018	18,509
	19,198,795	590,229	1,062,516	269,196
<u>Other Treasury-related Exposures</u>				
Forward asset purchases	15,874		15,874	3,175
	52,866,868	590,229	12,631,932	8,963,876

Note 10 ←————— Note 51 (c) —————→

51. CAPITAL ADEQUACY (CONTINUED)

- (e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows (continued):

2009 Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
(Excluding of Public Bank (L) Ltd.)				
<u>Credit-related Exposures</u>				
Direct credit substitutes	1,321,526		1,321,526	836,660
Transaction-related contingent items	577,945		288,973	166,195
Short term self-liquidating trade-related contingencies	422,644		84,529	77,505
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	12,381,050		5,137,648	3,572,009
– not exceeding one year	17,481,585		—	—
Unutilised credit card lines	3,047,607		609,521	457,141
	35,307,357		7,479,697	5,147,010
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
– less than one year	10,521,767	36,153	151,072	44,650
– one year to less than five years	5,062	40	293	293
Interest rate related contracts:				
– less than one year	166,552	2,623	2,964	593
– one year to less than five years	5,774,408	151,373	312,873	63,398
– five years and above	4,604,220	90,559	425,746	87,206
Commodity related contracts:				
– less than one year	3,767	17	55	55
Equity related contracts:				
– one year to less than five years	480,456	22,096	60,532	22,623
	21,556,232	302,861	953,535	218,818
<u>Other Treasury-related Exposures</u>				
Forward asset purchases	15,344		15,344	—
	56,878,933	302,861	8,448,576	5,365,828

Note 10

51. CAPITAL ADEQUACY (CONTINUED)

- (e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows (continued):

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2009				
Bank (continued)				
Public Bank (L) Ltd.				
<u>Credit-related Exposures</u>				
Direct credit substitutes	5,142		5,142	5,142
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	34,280		17,140	17,140
– not exceeding one year	16,538		–	–
	55,960		22,282	22,282
<u>Derivative Financial Contracts</u>				
<u>Interest rate related contracts:</u>				
– one year to less than five years	188,540	–	5,485	1,147
– five years and above	342,800	2,300	23,554	4,711
	531,340	2,300	29,039	5,858
	587,300	2,300	51,321	28,140
	57,466,233	305,161	8,499,897	5,393,968

← Note 51 (c) →

The Off-Balance Sheet exposures of the Bank include those of its wholly-owned offshore banking subsidiary, Public Bank (L) Ltd, for capital adequacy compliance purposes.

51. CAPITAL ADEQUACY (CONTINUED)

- (e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows (continued):

2008 Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
(Excluding Public Bank (L) Ltd.)				
<u>Credit-related Exposures</u>				
Direct credit substitutes	1,564,420		1,564,420	997,053
Transaction-related contingent items	549,206		274,603	162,481
Short term self-liquidating trade-related contingencies	498,861		99,773	63,237
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	9,224,333		4,612,166	3,666,939
– not exceeding one year	15,380,577		3,076,116	2,473,726
Unutilised credit card lines	2,740,982		548,196	411,147
	30,033,379		10,212,774	7,812,083
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
– less than one year	8,254,482	90,431	174,241	76,038
– one year to less than five years	37,532	592	2,468	1,234
Interest rate related contracts:				
– less than one year	1,990,047	32,880	37,214	7,443
– one year to less than five years	3,971,345	216,196	340,955	68,191
– five years and above	3,192,087	234,366	437,545	91,042
Equity related contracts:				
– one year to less than five years	272,106	15,250	37,018	18,509
	17,717,599	589,715	1,029,441	262,457
<u>Other Treasury-related Exposures</u>				
Forward asset purchases	1,594		1,594	319
	47,752,572	589,715	11,243,809	8,074,859

Note 10

51. CAPITAL ADEQUACY (CONTINUED)

- (e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Group and the Bank are as follows (continued):

2008	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Bank (continued)				
Public Bank (L) Ltd.				
<u>Credit-related Exposures</u>				
Direct credit substitutes	2,772		2,772	2,772
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	19,032		3,806	3,506
	21,804		6,578	6,278
<u>Derivative Financial Contracts</u>				
<u>Interest rate related contracts:</u>				
– less than one year	187,419	—	343	89
– one year to less than five years	69,291	—	1,386	381
– five years and above	363,773	—	20,614	4,123
	620,483	—	22,343	4,593
	642,287	—	28,921	10,871
	48,394,859	589,715	11,272,730	8,085,730

← Note 51 (c) →

The Off-Balance Sheet exposures of the Bank include those of its wholly-owned offshore banking subsidiary, Public Bank (L) Ltd, for capital adequacy compliance purposes.

51. CAPITAL ADEQUACY (CONTINUED)

(f) The risk-weighted assets and capital requirements for the various categories of risk under Market Risk are as follows:

Group	2009		2008	
	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000
Interest rate risk				
– General interest rate risk	319,689	25,575	403,760	32,301
– Specific interest rate risk	219,550	17,564	328,775	26,302
	539,239	43,139	732,535	58,603
Equity position risk				
– General risk	925	74	975	78
– Specific risk	289	23	388	31
	1,214	97	1,363	109
Foreign exchange risk	621,165	49,693	1,101,726	88,138
Total (Note 51(c))	1,161,618	92,929	1,835,624	146,850
Bank				
Interest rate risk				
– General interest rate risk	309,713	24,777	519,612	41,569
– Specific interest rate risk	198,575	15,886	307,450	24,596
	508,288	40,663	827,062	66,165
Equity position risk				
– General risk	925	74	975	78
– Specific risk	289	23	388	31
	1,214	97	1,363	109
Foreign exchange risk	1,571,478	125,718	924,347	73,948
Total (Note 51(c))	2,080,980	166,478	1,752,772	140,222

52. CAPITAL MANAGEMENT

The Group actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholder value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

The Group's capital is managed in line with the objectives of the Group Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital, maintaining strong external credit ratings and allocation of capital across business units and subsidiaries. In order to meet these objectives, the Group actively manages its capital structure and makes adjustments to address changes in the economic environment and risk characteristics inherent in its business operations. These initiatives include issuances of capital securities, share buy-back activities, adjustments to the amount of dividends distributed to shareholders and a focus on growth in non-interest income and other less capital-intensive business activities.

The Group's and Bank's regulatory capital are determined under Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework and their capital ratios have complied with the minimum requirements set under this guideline. Information on the Group's and Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of capital base are disclosed in Note 51 (a) and (b).

53. SEGMENT INFORMATION

The following segment information has been prepared in accordance with FRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group's operating and reportable segments are business units engaged in providing different products or services and business units operating in different geographical locations. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic, competitive, geographical and regulatory environment in which it operates. For each operating segment, the Board Executive Committee reviews the internal management reports monthly in order to assess their performance.

During the current financial year, the presentation of the Group's operating segments has been realigned to the Group's overall basis for assessment of segment performance.

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments:

(i) Hire Purchase

The hire purchase operations is focused on the provision of passenger vehicle financing to all levels of customers.

(ii) Retail Operations

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

(iii) Corporate Lending

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

53. SEGMENT INFORMATION (CONTINUED)

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments (continued):

(iv) Treasury and Capital Market Operations

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

(v) Investment Banking

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

(vi) Fund Management

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

(vii) Others

Others refer mainly to non-core operations such as property holding.

The Group's overseas business operations is organised according to the following geographical locations:

(i) Hong Kong SAR

This includes all business operations conducted by the Group's subsidiaries in Hong Kong SAR and the People's Republic of China, including retail and commercial banking and lending, wealth management services, stockbroking and other related financial services.

(ii) Cambodia

This comprises all business operations conducted by the Group's subsidiary companies in Cambodia, which includes mainly financing, deposit-taking and general insurance businesses.

(iii) Other Countries

This refers to the Group's banking business operations in Vietnam, Laos and Sri Lanka.

Measurement and Evaluation of Segment Performance

The Board Executive Committee evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loans and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. In addition to the operating segments, the segment information disclosed also includes internal service providers (head office), which operate on a non-profit basis, and inter-segment eliminations.

Major Customers

Revenues from no one single customer amounted to greater than 10% of the Group's revenues for the current financial year (2008 – none).



53. SEGMENT INFORMATION (CONTINUED)

By Business Segments:

2009	Domestic Operating Segments ----->										<--- Overseas Operating Segments --->				
	Treasury and Capital										Total				
	Hire Purchase Operations RM'000	Retail Operations RM'000	Corporate Lending RM'000	Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
External revenue	1,641,665	4,264,940	544,676	1,261,726	194,142	437,049	4,482	263,132	8,611,812	782,077	283,106	38,573	1,103,756	-	9,715,568
Revenue from other segments	-	819,292	8,576	268,613	35,875	(13,519)	27,401	885,179	2,031,417	242,802	10,084	80,740	333,626	(2,365,043)	-
Total revenue	1,641,665	5,084,232	553,252	1,530,339	230,017	423,530	31,883	1,148,311	10,643,229	1,024,879	293,190	119,313	1,437,382	(2,365,043)	9,715,568
Net interest income and Islamic banking income	842,519	2,699,590	202,109	137,432	17,215	1,100	(3,274)	144,064	4,040,755	533,615	125,804	27,859	687,278	-	4,728,033
Other operating income	3,244	491,415	47,285	131,341	68,936	423,161	31,705	100,615	1,297,702	129,346	40,472	2,938	172,756	(73,523)	1,396,935
Net income	845,763	3,191,005	249,394	268,773	86,151	424,261	28,431	244,679	5,338,457	662,961	166,276	30,797	860,034	(73,523)	6,124,968
Other operating expenses of which:	(132,926)	(1,156,738)	(6,662)	(18,033)	(40,989)	(211,323)	(14,214)	(249,665)	(1,830,550)	(292,755)	(49,968)	(10,163)	(352,886)	73,523	(2,109,913)
Depreciation and amortisation	(1,625)	(61,118)	(817)	(429)	(665)	(5,870)	(4,564)	(38,754)	(113,842)	(13,868)	(4,251)	(1,534)	(19,653)	-	(133,495)
Allowance for losses on loans, advances and financing excluding general allowance	(56,237)	(73,998)	(3,076)	-	512	-	-	-	(132,799)	(216,714)	(48,047)	197	(264,564)	-	(397,363)
Impairment loss	-	(9,536)	-	-	(5,443)	(100)	-	-	(15,079)	-	-	-	-	-	(15,079)
Profit by segments	656,600	1,950,733	239,656	250,740	40,231	212,838	14,217	(4,986)	3,360,029	153,492	68,261	20,831	242,584	-	3,602,613
Reconciliation of segment profits to consolidated profits:															
General allowance									(278,754)				(14,853)		(293,607)
Share of profit after tax of equity accounted associated companies									297				12,130		12,427
Profit before tax expense and zakat									3,081,572				239,861		3,321,433

53. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2009 (continued)	Domestic Operating Segments ----->										<--- Overseas Operating Segments --->				
	Treasury and Capital														
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
Cost-to-income ratio	15.7%	36.2%	2.7%	6.7%	47.6%	49.8%	50.0%	102.0%	34.3%	44.2%	30.1%	33.0%	41.0%		34.4%
Gross loans	29,915,177	78,189,838	15,985,587	-	235,494	34,372	2,018	-	124,382,486	10,919,276	2,079,069	248,596	13,247,941	-	137,610,427
Net non-performing loans	103,972	721,393	13,468	-	-	-	-	-	838,833	163,588	93,780	432	257,810	-	1,096,643
Deposits from customers	-	105,132,084	304,110	46,174,346	4,199,258	-	-	-	155,809,798	12,761,056	2,072,737	247,988	15,081,791	-	170,891,589
Addition to non-current assets	2,076	98,098	178	1,050	1,160	6,466	185	4,017	113,230	13,231	45,034	3,424	61,689	-	174,919
Segment assets	29,632,808	108,792,451	15,732,505	67,347,468	6,671,519	279,817	256,640	11,547,524	240,260,732	16,127,527	3,227,460	421,834	19,776,821	(46,003,504)	214,034,049
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									1,712				126,506		128,318
Unallocated assets									916,176				-		916,176
Intangible assets									769,251				1,288,360		2,057,611
Total assets									241,947,871				21,191,787		217,136,154



53. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2008	Domestic Operating Segments ----->										<--- Overseas Operating Segments --->				
	Treasury and Capital														
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
External revenue	1,502,996	4,421,113	556,460	2,042,254	229,060	396,949	5,891	208,449	9,363,172	875,867	234,232	27,036	1,137,135	—	10,500,307
Revenue from other segments	—	1,026,378	20,204	451,338	27,475	(24,149)	25,674	918,713	2,445,633	14,976	6,776	1,809	23,561	(2,469,194)	—
Total revenue	1,502,996	5,447,491	576,664	2,493,592	256,535	372,800	31,565	1,127,162	11,808,805	890,843	241,008	28,845	1,160,696	(2,469,194)	10,500,307
Net interest income and Islamic banking income	422,479	2,814,987	110,334	155,085	10,936	(1,386)	(5,631)	179,153	3,685,957	453,027	124,770	21,975	599,772	—	4,285,729
Other operating income	4,083	667,273	34,018	136,343	56,643	369,925	33,036	39,711	1,341,032	137,357	43,604	(821)	180,140	(67,645)	1,453,527
Net income	426,562	3,482,260	144,352	291,428	67,579	368,539	27,405	218,864	5,026,989	590,384	168,374	21,154	779,912	(67,645)	5,739,256
Other operating expenses of which:	(119,773)	(993,009)	(15,623)	(14,868)	(33,571)	(185,214)	(14,296)	(204,144)	(1,580,498)	(235,770)	(35,252)	(7,226)	(278,248)	67,645	(1,791,101)
Depreciation and amortisation	(1,353)	(56,512)	(1,292)	(484)	(493)	(6,886)	(5,672)	(31,734)	(104,426)	(10,356)	(2,908)	(1,169)	(14,433)	—	(118,859)
Allowance for losses on loans, advances and financing excluding general allowance	(87,484)	(53,827)	(21,940)	—	446	—	—	—	(162,505)	(153,663)	(60)	(233)	(153,956)	—	(316,461)
Impairment loss	—	(3,665)	—	—	—	—	—	—	(3,665)	(29,197)	—	—	(29,197)	—	(32,862)
Profit by segments	219,305	2,432,059	106,789	276,560	34,454	183,325	13,109	14,720	3,280,321	171,754	133,062	13,695	318,511	—	3,598,832
Reconciliation of segment profits to consolidated profits:															
General allowance									(222,315)				(9,786)		(232,101)
Share of profit after tax of equity accounted associated companies									155				12,302		12,457
Profit before tax expense and zakat									3,058,161				321,027		3,379,188

53. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2008 (continued)	Domestic Operating Segments ----->										<--- Overseas Operating Segments --->				
	Treasury and Capital														
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
Cost-to-income ratio	28.1%	28.5%	10.8%	5.1%	49.7%	50.3%	52.2%	93.3%	31.4%	39.9%	20.9%	34.2%	35.7%		31.2%
Gross loans	27,603,883	66,418,999	12,155,796	—	237,747	23,049	1,977	—	106,441,451	11,419,055	2,230,626	227,452	13,877,133	—	120,318,584
Net non-performing loans	126,361	828,793	15,589	—	—	—	—	—	970,743	66,435	—	119	66,554	—	1,037,297
Deposits from customers	—	95,615,974	—	40,549,900	3,328,134	—	—	—	139,494,008	10,193,519	1,286,625	211,146	11,691,290	—	151,185,298
Addition to non-current assets	2,905	189,657	558	556	943	15,758	3	3,954	214,334	37,738	34,008	4,058	75,804	—	290,138
Segment assets	27,268,706	101,964,329	11,968,047	53,606,494	4,867,926	260,965	186,358	10,789,710	210,912,535	14,935,815	3,441,080	248,154	18,625,049	(36,211,503)	193,326,081
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									1,414				126,388		127,802
Unallocated assets									637,205				—		637,205
Intangible assets									769,251				1,302,767		2,072,018
Total assets									212,320,405				20,054,204		196,163,106

54. RATING STATEMENT

As at 31 December 2009, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
Rating Agency Malaysia Berhad	22 April 2009 (Reaffirmed)	Long-Term Rating: AAA
	22 April 2009 (Reaffirmed)	Short-Term Rating: P1
	22 April 2009 (Reaffirmed)	Outlook: Stable
	22 April 2009 (Reaffirmed)	Subordinated Medium-Term Notes Programme: AA1
	22 April 2009 (Reaffirmed)	Innovative Tier I Capital Securities: AA2
	22 April 2009 (Assigned)	Non-Cumulative Perpetual Capital Securities Programme: AA2
Moody's Investors Services	3 December 2009 (Reaffirmed)	Long-Term Deposits Rating: A3
	3 December 2009 (Reaffirmed)	Short-Term Deposits Rating: P-1
	3 December 2009 (Reaffirmed)	Financial Strength: C
	3 December 2009 (Reaffirmed)	Outlook: Stable
	3 December 2009 (Reaffirmed)	Subordinated notes: A3
Standard & Poor's	23 November 2009 (Reaffirmed)	Long-Term Rating: A-
	23 November 2009 (Reaffirmed)	Short-Term Rating: A-2
		Asean Regional Scale Rating:
	3 May 2009 (Assigned)	Long-Term Rating: axAA
	3 May 2009 (Assigned)	Short-Term Rating: axA-1
	23 November 2009 (Reaffirmed)	Bank Fundamental Strength: B
	23 November 2009 (Reaffirmed)	Outlook: Stable
	30 May 2006 (Affirmed)	Subordinated Notes (due 2017): BBB+
	30 May 2006 (Assigned)	Innovative Tier-1 Capital Securities: BBB

55. SIGNIFICANT EVENTS

(a) Non-Innovative Tier I Stapled Securities Programme

On 16 March 2009, the Bank had obtained the approval of Bank Negara Malaysia for the issuance of up to RM5.0 billion of Non-Cumulative Perpetual Capital Securities which are stapled to Subordinated Notes issued by a wholly-owned subsidiary company, PBFIN Berhad. The issuance structure is collectively referred to as the 'Stapled Securities'. Approval was also obtained for these Stapled Securities to be classified as Tier I Capital for inclusion in the computation of the risk-weighted capital adequacy ratios for the Group and the Bank. The approval of the Securities Commission for the above programme was obtained on 5 May 2009.

On 5 June 2009, the Bank issued its first tranche of Stapled Securities amounting to RM1,200 million under this Non-Innovative Tier I Stapled Securities Programme (Note 29). The Bank subsequently issued its second tranche of Stapled Securities amounting to RM888 million on 13 November 2009.

(b) Subordinated Notes

On 22 September 2009, the Bank fully redeemed the USD350 million Subordinated Notes together with accrued interest.

Subsequently, the Bank issued the following tranches of Subordinated Notes under its RM5.0 billion Subordinated Medium Term Note Programme:

- (i) Second tranche of RM200 million issued on 6 November 2009;
- (ii) Third tranche of RM223 million issued on 10 December 2009; and
- (iii) Fourth tranche of RM50 million issued on 31 December 2009.

56. SUBSEQUENT EVENTS

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

57. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2009 and results for the financial year ended on this date under the Islamic banking business of the Group, which is conducted by its wholly-owned subsidiary Public Islamic Bank Berhad, are summarised as follows:

Balance Sheets as at 31 December 2009

		Group	
	Note	2009 RM'000	2008 RM'000
ASSETS			
Cash and short-term funds	(c)	6,727,664	3,323,580
Securities held-for-trading	(d)	79,988	382,296
Securities available-for-sale	(e)	1,274,512	400,454
Securities held-to-maturity	(f)	5,022	—
Financing and advances	(g)	14,472,828	12,023,665
Other assets	(h)	70,551	65,039
Statutory deposits with Bank Negara Malaysia		144,000	341,600
Deferred tax assets	(i)	84,102	72,304
Property and equipment		464	359
Total Assets		22,859,131	16,609,297
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(j)	13,073,701	9,622,325
Deposits and placements of banks and other financial institutions	(k)	8,051,182	4,864,825
Other liabilities	(l)	48,915	974,266
Provision for zakat and taxation	(m)	50,921	44,013
Total Liabilities		21,224,719	15,505,429
Islamic Banking Funds		1,634,412	1,103,868
Total Liabilities and Islamic Banking Funds		22,859,131	16,609,297
OFF-BALANCE SHEET EXPOSURES			
	(t)	1,144,291	1,050,966

The accompanying notes form an integral part of the financial statements

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Income Statements for the financial year ended 31 December 2009

	Note	Group	
		2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds and others	(n)	916,568	751,646
Allowance for losses on financing and advances	(o)	(68,263)	(64,372)
– General allowances		(32,302)	(25,651)
– Other financing loss allowances		(35,961)	(38,721)
Transfer from/(to) Profit Equalisation Reserves, net	(l)	22,908	(22,059)
Total attributable income		871,213	665,215
Income attributable to the depositors	(p)	(320,825)	(276,778)
Income attributable to the reporting institution		550,388	388,437
Income derived from investment of Islamic Banking Funds	(q)	72,940	105,608
Total net income		623,328	494,045
Other operating expenses	(r)	(154,407)	(152,631)
Profit before zakat and taxation		468,921	341,414
Zakat	(s)	(250)	(179)
Taxation	(s)	(112,942)	(90,316)
Profit for the year		355,729	250,919

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Income Statements for the financial year ended 31 December 2009 (continued)

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

	Note	Group	
		2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds and others	(n)	916,568	751,646
Income derived from investment of Islamic Banking Funds	(q)	72,940	105,608
Income attributable to the depositors	(p)	(320,825)	(276,778)
Transfer from/(to) Profit Equalisation Reserves, net	(l)	22,908	(22,059)
Net income from Islamic banking business reported in the income statement of the Group		691,591	558,417

The accompanying notes form an integral part of the financial statements

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Statements of Changes in Islamic Banking Funds for the year ended 31 December 2009

Group	Capital Funds RM'000	<----- Non-distributable Reserves ----->			Distributable Reserves Retained Profits RM'000	Total RM'000
		Share Premium RM'000	Statutory Reserves RM'000	Revaluation Reserves RM'000		
At 1 January 2008	924,140	—	—	—	888,716	1,812,856
Existing share capital and reserves of Islamic banking subsidiary company, Public Islamic Bank Berhad	127,717	—	—	—	3,736	131,453
Issuance of share capital by Public Islamic Bank Berhad upon commencement of Islamic banking operations	31,500	773,500	—	—	—	805,000
Net gain on revaluation of securities available-for-sale	—	—	—	341	—	341
Net profit for the year	—	—	—	—	250,919	250,919
Transfer to statutory reserves	—	—	23,819	—	(23,819)	—
Amount retained by the Bank	(804,140)	—	—	—	(1,092,561)	(1,896,701)
At 31 December 2008	279,217	773,500	23,819	341	26,991	1,103,868
Net gain on revaluation of securities available-for-sale	—	—	—	145	—	145
Net profit for the year	—	—	—	—	355,729	355,729
Issue of shares	11,000	264,000	—	—	—	275,000
Transfer to statutory reserves	—	—	116,555	—	(116,555)	—
Dividends paid	—	—	—	—	(100,330)	(100,330)
At 31 December 2009	290,217	1,037,500	140,374	486	165,835	1,634,412

The accompanying notes form an integral part of the financial statements

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Cash Flow Statements for the year ended 31 December 2009

	Group	
	2009 RM'000	2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and taxation	468,921	341,414
Adjustments for:		
Depreciation	124	72
Allowance for losses on financing and advances	94,457	92,417
Write-back of allowance for losses on financing and advances	(15,877)	(18,589)
Amortisation of premium less accretion of discount	6,738	130
Net gain arising from sale of securities available-for-sale	(117)	—
Dividends from securities available-for-sale	(8,838)	—
Unrealised gain on revaluation of securities held-for-trading	(83)	—
Pension cost – defined benefit plan	208	—
Transfer (from)/to Profit Equalisation Reserves, net	(22,908)	22,059
Operating profit before working capital changes	522,625	437,503
Decrease/(Increase) in operating assets:		
Securities held-for-trading	302,263	8,873
Financing and advances	(2,527,743)	(1,696,264)
Statutory deposits with Bank Negara Malaysia	197,600	45,400
Other assets	(5,512)	456,670
Increase/(Decrease) in operating liabilities:		
Deposits from customers	3,451,376	6,193,126
Deposits and placements of banks and other financial institutions	3,186,357	(3,454,552)
Bills and acceptances payable	—	(46,942)
Other liabilities	(950,835)	918,182
Cash generated from operations	4,176,131	2,861,996
Tax expense and zakat paid	(69,946)	(187,262)
Net cash generated from operating activities	4,106,185	2,674,734
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(229)	(175)
Dividends received from securities	8,838	—
Net purchase of securities	(885,380)	(398,629)
Net cash used in investing activities	(876,771)	(398,804)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	275,000	936,453
Net capital funds transferred to conventional business	—	(1,896,701)
Dividend paid	(100,330)	—
Net cash generated from/(used in) financing activities	174,670	(960,248)
Net increase in cash and cash equivalents	3,404,084	1,315,682
Cash and cash equivalents at beginning of year	3,323,580	2,007,898
Cash and cash equivalents at end of year	6,727,664	3,323,580

The accompanying notes form an integral part of the financial statements

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009

(a) Significant Accounting Policies

The accounting policies adopted by the Islamic banking business are consistent with those adopted by the Group and the Bank as disclosed in Note 2 to the financial statements of the Group and the Bank. The significant accounting policies and methods of computation are consistent with those adopted in previous years.

(b) Basis of Accounting

The financial statements of the Islamic banking business have been prepared on a basis consistent with that of the Group and the Bank as disclosed in Note 2 to the financial statements of the Group and the Bank, and have been prepared under the accrual basis of accounting.

(c) Cash and Short-Term Funds

	Group	
	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	113,654	14,760
Money at call and deposit placements maturing within one month	6,614,010	3,308,820
	6,727,664	3,323,580

(d) Securities Held-for-Trading

	Group	
	2009 RM'000	2008 RM'000
At Fair Value		
Money market instruments:		
Malaysian Government Investment Certificates	30,305	—
Cagamas bonds	—	382,296
Negotiable instruments of deposit	49,683	—
	79,988	382,296

(e) Securities Available-for-Sale

	Group	
	2009 RM'000	2008 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Certificates	866,287	—
Quoted securities:		
Trust units in Malaysia	408,225	400,454
	1,274,512	400,454

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(f) Securities Held-to-Maturity

	Group	
	2009 RM'000	2008 RM'000
At Amortised Cost		
Unquoted securities:		
Private debt securities in Malaysia	5,022	—

(g) Financing and Advances

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

	Group	
	2009 RM'000	2008 RM'000
Cash line	143,949	109,713
Term financing		
House financing	2,783,550	2,680,000
Syndicated financing	366,469	—
Hire purchase receivables	9,753,338	9,345,331
Other term financing	5,306,869	3,735,357
Revolving credit	5,607	2,104
	18,359,782	15,872,505
Less: Unearned income	(3,642,736)	(3,284,067)
Gross financing and advances (including Islamic house financing sold to Cagamas)	14,717,046	12,588,438
Less: Islamic house financing sold to Cagamas	—	(350,009)
Gross financing and advances (excluding Islamic house financing sold to Cagamas)	14,717,046	12,238,429
Less: Allowance for losses on financing and advances		
– General	(223,048)	(190,746)
– Specific	(21,170)	(24,018)
Net financing and advances	14,472,828	12,023,665

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(g) Financing and Advances (continued)

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

	Group	
	2009 RM'000	2008 RM'000
Maturity within one year	331,615	277,105
More than one year to three years	1,429,739	1,188,316
More than three years to five years	2,649,174	2,587,214
More than five years	10,306,518	8,535,803
	14,717,046	12,588,438
Less: Islamic house financing sold to Cagamas	—	(350,009)
Gross financing and advances	14,717,046	12,238,429

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

	Group	
	2009 RM'000	2008 RM'000
Bai' Bithaman Ajil-i (deferred payment sale)	3,832,218	2,911,232
Ijarah Thamma Al-Bai'-i (leasing)	8,358,519	8,057,261
Ijarah Muntahia Bittamlik	66,105	—
Bai-Al-Einah-i	2,460,204	1,619,945
	14,717,046	12,588,438
Less: Islamic house financing sold to Cagamas	—	(350,009)
	14,717,046	12,238,429

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(g) Financing and Advances (continued)

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

	Group	
	2009 RM'000	2008 RM'000
Other domestic non-bank financial institutions	9,380	655
Domestic business enterprises		
– Small and medium enterprises	991,172	906,855
– Others	514,489	335,575
Government and statutory authorities	315,819	87
Individuals	12,840,659	11,308,252
Other domestic entities	2,925	1,413
Foreign customers	42,602	35,601
	14,717,046	12,588,438
Less: Islamic house financing sold to Cagamas	—	(350,009)
	14,717,046	12,238,429

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

	Group	
	2009 RM'000	2008 RM'000
Fixed rate		
– House financing	1,043,782	1,385,679
– Hire purchase receivables	8,358,519	8,057,261
– Other fixed rate financing	3,176,146	2,416,985
Variable rate		
– BFR plus	1,679,479	652,083
– Cost plus	459,120	76,430
	14,717,046	12,588,438
Less: Islamic house financing sold to Cagamas	—	(350,009)
	14,717,046	12,238,429

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(g) Financing and Advances (continued)

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

	Group	
	2009 RM'000	2008 RM'000
Purchase of securities	12	799
Purchase of transport vehicles	8,361,467	8,060,891
Purchase of landed properties	2,898,826	2,535,370
(of which: – residential	1,970,676	1,704,867
– non-residential)	928,150	830,503
Purchase of fixed assets (excluding landed properties)	72,898	7,521
Personal use	2,538,796	1,700,566
Purchase of consumer durables	3,851	17,211
Construction	19,452	9,822
Working capital	471,747	140,490
Other purpose	349,997	115,768
	14,717,046	12,588,438
Less: Islamic house financing sold to Cagamas	–	(350,009)
	14,717,046	12,238,429

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(g) Financing and Advances (continued)

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

	Group	
	2009 RM'000	2008 RM'000
Agriculture, hunting, forestry and fishing	218,135	186,364
Mining and quarrying	7,305	7,298
Manufacturing	115,199	138,351
Electricity, gas and water	937	921
Construction	232,114	230,762
Wholesale & retail trade and restaurants & hotels	280,053	310,519
Transport, storage and communication	60,758	51,056
Finance, insurance and business services	124,889	124,697
Real estate	378,113	94,723
Community, social and personal services	376,589	63,125
Households	12,883,031	11,343,522
(of which: – purchase of residential properties	1,946,466	1,676,028
– purchase of transport vehicles	7,872,414	7,494,181
– others)	3,064,151	2,173,313
Others	39,923	37,100
	14,717,046	12,588,438
Less: Islamic house financing sold to Cagamas	—	(350,009)
	14,717,046	12,238,429

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(g) Financing and Advances (continued)

(viii) Movements in non-performing financing and advances ("NPF") are as follows:

	Group	
	2009 RM'000	2008 RM'000
At 1 January	144,359	169,490
Non-performing during the year	339,566	350,014
Reclassified as performing	(266,451)	(295,926)
Recoveries	(28,844)	(27,151)
Amount written off	(49,587)	(52,068)
Financing converted to foreclosed properties	(979)	—
At 31 December	138,064	144,359
Specific allowance	(21,170)	(24,018)
Net non-performing financing and advances	116,894	120,341
Net NPF as % of gross financing and advances (including Islamic house financing sold to Cagamas) less specific allowance	0.80%	0.96%

Non-performing financing and advances by classifications are as follows:

	Group	
	2009 RM'000	2008 RM'000
Substandard (> 3-9 months)	84,463	81,135
Doubtful (> 9-12 months)	18,497	16,551
Bad (> 12 months)	35,104	46,673
	138,064	144,359

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(g) Financing and Advances (continued)

(ix) Movements in the allowance for losses on financing and advances are as follows:

	Group	
	2009 RM'000	2008 RM'000
<u>General allowance</u>		
At 1 January	190,746	165,095
Allowance made during the year (Note 57(o))	32,302	25,651
At 31 December	223,048	190,746
As % of gross financing and advances (including Islamic house financing sold to Cagamas) less specific allowance	1.52%	1.52%
<u>Specific allowance</u>		
At 1 January	24,018	27,883
Allowance made during the year (Note 57(o))	62,155	66,766
Amount written back (Note 57(o))	(15,877)	(18,589)
Amount written off	(49,587)	(52,068)
Reinstatement of amount written off previously due to restructuring/rescheduling, now being classified as performing financing	541	51
Amount transferred to accumulated impairment losses in value of foreclosed properties	(80)	(25)
At 31 December	21,170	24,018

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(g) Financing and Advances (continued)

(x) Non-performing financing and advances by purpose

	Group	
	2009 RM'000	2008 RM'000
Purchase of transport vehicles	49,677	61,939
Purchase of landed properties	60,767	64,969
(of which: – residential	51,722	55,656
– non-residential)	9,045	9,313
Purchase of fixed assets (excluding landed properties)	178	124
Personal use	25,382	16,349
Purchase of consumer durables	20	175
Working capital	1,766	561
Other purpose	274	242
	138,064	144,359
Non-performing financing and advances by sectors		
Agriculture, hunting, forestry and fishing	118	52
Manufacturing	5,675	1,546
Electricity, gas and water	39	44
Construction	999	1,266
Wholesale & retail trade and restaurants & hotels	2,138	3,395
Transport, storage and communication	245	233
Finance, insurance and business services	1,214	338
Real estate	–	795
Community, social and personal services	51	656
Households	127,572	135,813
(of which: – purchase of residential properties	51,588	55,477
– purchase of transport vehicles	46,018	57,981
– others)	29,966	22,355
Others	13	221
	138,064	144,359

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(h) Other Assets

	Group	
	2009 RM'000	2008 RM'000
Deferred handling fees *	54,742	51,745
Income receivable	7,773	388
Other receivables, deposits and prepayments	7,137	12,906
Foreclosed properties #	899	—
	70,551	65,039
# Stated net of accumulated allowance for impairment loss amounting to	413	—

* This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase financing.

(i) Deferred Tax Assets

	Group	
	2009 RM'000	2008 RM'000
At 1 January	72,304	32,798
Existing deferred tax assets of Islamic banking subsidiary company, Public Islamic Bank Berhad	—	24,807
Recognised in income statement (Note 57(s))	11,846	14,813
– relating to origination and reversal of temporary difference	(48)	(114)
Recognised in equity		
At 31 December	84,102	72,304

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

	Group	
	2009 RM'000	2008 RM'000
Deferred tax assets	84,002	80,626
Deferred tax liabilities	100	(8,322)
Deferred tax assets, net	84,102	72,304

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(i) Deferred Tax Assets (continued)

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

Deferred tax assets of the Group	Allowance for Losses on Financing and Advances RM'000	Profit Equalisation Reserves RM'000	Tax Losses RM'000	Total RM'000
At 1 January 2008	41,274	3,182	—	44,456
Existing deferred tax assets of Islamic banking subsidiary company, Public Islamic Bank Berhad	—	—	24,807	24,807
Recognised in income statement (Note 57(s)) – relating to origination and reversal of temporary difference	5,849	5,514	—	11,363
At 31 December 2008	47,123	8,696	24,807	80,626
Recognised in income statement (Note 57(s)) – relating to origination and reversal of temporary difference	9,103	(5,727)	—	3,376
At 31 December 2009	56,226	2,969	24,807	84,002

Deferred tax liabilities of the Group	Excess of Capital Allowances Over Depreciation RM'000	Deferred Handling Fees RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2008	—	11,655	3	11,658
Recognised in income statement (Note 57(s)) – relating to origination and reversal of temporary difference	(11)	1,281	(4,720)	(3,450)
Recognised in equity	—	—	114	114
At 31 December 2008	(11)	12,936	(4,603)	8,322
Recognised in income statement (Note 57(s)) – relating to origination and reversal of temporary difference	101	(12,936)	4,365	(8,470)
Recognised in equity	—	—	48	48
At 31 December 2009	90	—	(190)	(100)

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(j) Deposits From Customers

	Group	
	2009 RM'000	2008 RM'000
(i) By type of deposit:		
Non-Mudharabah Fund		
Wadiah current deposits-i	1,999,422	1,816,947
Wadiah savings deposits-i	3,591,720	3,232,046
Negotiable instruments of deposit-i	1,326,084	1,681,055
	6,917,226	6,730,048
Mudharabah Fund		
Mudharabah savings deposits-i	78,626	74,033
Mudharabah general investment deposits-i	3,795,302	2,350,894
Mudharabah special investment deposits-i	2,282,547	467,350
	6,156,475	2,892,277
	13,073,701	9,622,325
(ii) By type of customers:		
Federal and state governments	486,214	312,476
Local government and statutory authorities	677,386	537,577
Business enterprises	3,413,567	1,980,917
Individuals	3,998,549	3,604,440
Foreign customers	89,632	79,812
Others	4,408,353	3,107,103
	13,073,701	9,622,325
(iii) The maturity structure of Negotiable instruments of deposit-i and Mudharabah general and special investment deposits-i are as follows:		

	Group	
	2009 RM'000	2008 RM'000
Due within six months	6,673,520	4,279,608
More than six months to one year	609,714	106,040
More than one year to three years	118,568	112,477
More than three years to five years	2,131	1,174
	7,403,933	4,499,299

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

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

	Group	
	2009 RM'000	2008 RM'000
<u>Non-Mudharabah Fund</u>		
Licensed banks	3,924,019	2,261,456
Licensed Islamic banks	1,923,325	149,852
Licensed investment banks	508,496	395,607
Other financial institutions	306,713	—
	6,662,553	2,806,915
<u>Mudharabah Fund</u>		
Licensed banks	—	700,576
Licensed investment banks	20	62
Bank Negara Malaysia	3,651	2,835
Other financial institutions	1,384,958	1,354,437
	1,388,629	2,057,910
	8,051,182	4,864,825

(l) Other Liabilities

	Group	
	2009 RM'000	2008 RM'000
Income payable	15,690	16,126
Other payables and accruals	22,656	924,871
Employee benefits	(1,307)	(1,515)
Profit Equalisation Reserves (Note 24)	11,876	34,784
	48,915	974,266
The movements in Profit Equalisation Reserves are as follows:		
At 1 January	34,784	12,725
Net (decrease)/increase:	(22,908)	22,059
– Amount arising during the year	10,107	25,059
– Amount written back	(33,015)	(3,000)
At 31 December	11,876	34,784

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(m) Provision for Zakat and Taxation

	Group	
	2009 RM'000	2008 RM'000
Tax expense	50,691	43,843
Zakat	230	170
	50,921	44,013

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

	Group	
	2009 RM'000	2008 RM'000
Income derived from investment of:		
(i) General investment deposits	280,010	164,802
(ii) Other deposits	636,558	586,844
	916,568	751,646
(i) Income derived from investment of general investment deposits:		
Finance income and Hibah		
Financing and advances	240,468	143,079
Securities held-for-trading	1,614	1,294
Securities available-for-sale	4,823	—
Securities held-to-maturity	6	—
Money at call and deposits with financial institutions	28,313	18,746
	275,224	163,119
Amortisation of premium less accretion of discount	(1,925)	(26)
Total finance income and Hibah	273,299	163,093
Other operating income		
Fee income	4,087	1,524
Gross dividend income from securities available-for-sale	2,525	—
Other income	99	185
	6,711	1,709
	280,010	164,802

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(n) Income Derived from Investment of Depositors' Funds and Others (continued)

	Group	
	2009 RM'000	2008 RM'000
(ii) Income derived from investment of other deposits:		
Finance income and Hibah		
Financing and advances	546,665	508,829
Securities held-for-trading	3,669	4,670
Securities available-for-sale	10,964	—
Securities held-to-maturity	15	—
Money at call and deposits with financial institutions	64,365	67,361
	625,678	580,860
Amortisation of premium less accretion of discount	(4,377)	(89)
Total finance income and Hibah	621,301	580,771
Other operating income		
Fee income	9,290	5,370
Gross dividend income from securities available-for-sale	5,741	—
Other income	226	703
	15,257	6,073
	636,558	586,844

(o) Allowance for Losses on Financing and Advances

	Group	
	2009 RM'000	2008 RM'000
Allowance for bad and doubtful financing		
– general allowance (Note 57(g)(ix))	32,302	25,651
– specific allowance (Note 57(g)(ix))	62,155	66,766
– specific allowance written back (Note 57(g)(ix))	(15,877)	(18,589)
Bad financing recovered	(10,467)	(9,686)
Bad financing written off	150	230
	68,263	64,372

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(p) Income Attributable to the Depositors

	Group	
	2009 RM'000	2008 RM'000
Deposits from customers		
– Mudharabah fund	97,932	92,004
– Non-Mudharabah fund	66,676	59,472
Deposits and placements of banks and other financial institutions		
– Mudharabah fund	27,216	62,506
– Non-Mudharabah fund	129,001	62,796
	320,825	276,778

(q) Income Derived from Investment of Islamic Banking Funds

	Group	
	2009 RM'000	2008 RM'000
Finance Income and Hibah		
Financing and advances	63,968	91,384
Securities held-for-trading	366	867
Securities available-for-sale	1,093	—
Securities held-to-maturity	1	—
Money at call and deposits with financial institutions	6,419	12,306
	71,847	104,557
Amortisation of premium less accretion of discount	(436)	(15)
Total finance income and Hibah	71,411	104,542
Operating Income		
Fee income	934	916
Gross dividend income from securities available-for-sale	572	—
Other income	23	150
	1,529	1,066
	72,940	105,608

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(r) Other Operating Expenses

	Group	
	2009 RM'000	2008 RM'000
Personnel costs		
– Salaries, allowances and bonuses	11,588	6,068
– Pension costs	1,547	615
– Others	1,271	483
	14,406	7,166
Establishment costs		
– Depreciation	124	72
– Rental	265	241
– Insurance	497	314
– Water and electricity	88	50
– General repairs and maintenance	78	36
– Others	48	64
	1,100	777
Marketing expenses		
– Advertisement and publicity	1,080	1,072
– Others	7,345	3,656
	8,425	4,728
Administration and general expenses		
– Communication expenses	1,673	923
– Legal and professional fees	4,046	3,465
– Others	963	1,627
	6,682	6,015
Shared service cost charged	136,415	143,226
Recovery of expenses	(12,621)	(9,281)
	154,407	152,631

Included in other operating expenses of the Group is the Shariah Committee's remuneration of RM82,500 (2008 – RM63,000).

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(s) Zakat and Taxation

	Group	
	2009 RM'000	2008 RM'000
Malaysian income tax	124,788	105,129
Deferred tax expense (Note 57(ii))		
– relating to origination and reversal of temporary differences arising from:	(11,846)	(14,813)
• allowance for losses on financing and advances	(9,103)	(5,849)
• profit equalisation reserves	5,727	(5,514)
• excess of capital allowances over depreciation	101	(11)
• deferred handling fees	(12,936)	1,281
• other temporary differences	4,365	(4,720)
Tax expense	112,942	90,316
Zakat	250	179
	113,192	90,495

(t) Capital Adequacy

The capital adequacy ratios under the Islamic banking business of the Group as at 31 December are as follows:

	Group	
	2009	2008
Core capital ratio	12.2%	9.5%
Risk-weighted capital ratio	13.9%	11.2%

The capital adequacy ratios of the Islamic banking business of the Group are computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(t) Capital Adequacy (continued)

Components of Tier I and Tier II Capital:

	Group	
	2009 RM'000	2008 RM'000
<u>Tier I Capital</u>		
Capital funds	290,217	279,217
Share premium	1,037,500	773,500
Other reserves	140,374	23,819
Retained profits	165,835	26,991
Less: Deferred tax assets, net	(84,264)	(72,418)
Total Tier I Capital	1,549,662	1,031,109
<u>Tier II Capital</u>		
General allowance for bad and doubtful debts	223,048	190,746
Total Tier II Capital	223,048	190,746
Capital base	1,772,710	1,221,855

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(t) Capital Adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows:

Group 2009 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	7,131,951	7,131,951	—	—
Public Sector Entities	315,819	315,819	63,164	5,053
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	613,773	613,773	122,755	9,820
Insurance companies, Securities Firms and Fund Managers	6	6	6	—
Corporates	742,675	741,404	731,267	58,501
Regulatory Retail	12,308,884	12,303,459	9,346,760	747,741
Residential Mortgages	1,322,340	1,319,723	562,600	45,008
Higher Risk Assets	11,175	11,138	16,707	1,337
Other Assets	63,805	63,805	59,760	4,781
Equity Exposures	408,225	408,225	408,225	32,658
Total On-Balance Sheet Exposures	22,918,653	22,909,303	11,311,244	904,899
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	446,522	446,522	334,398	26,752
Total Off-Balance Sheet Exposures	446,522	446,522	334,398	26,752
Total On and Off Balance Sheet Exposures	23,365,175	23,355,825	11,645,642	931,651
(ii) Large Exposure Risk Requirement	—	—	—	—
(iii) <u>Market Risk</u>	Long Position	Short Position		
Profit Rate Risk	79,988	—	11,855	948
Foreign Exchange/Gold Position Risk	373	—	373	30
	80,361	—	12,228	978
(iv) Operational Risk			1,079,201	86,336
Total RWA and Capital Requirements			12,737,071	1,018,965

The Group does not have any issuances of Profit-Sharing Investment Account ("PSA") used as a risk absorbent.

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(t) Capital Adequacy (continued)

The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category are as follows (continued):

Group 2008 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns/Central Banks	3,650,858	3,650,858	—	—
Public Sector Entities	87	87	17	1
Banks, DFIs and MDBs	14,710	14,710	2,942	235
Insurance companies, Securities Firms and Fund Managers	29	29	29	2
Corporates	383,239	381,571	382,355	30,588
Regulatory Retail	10,544,896	10,535,615	7,970,906	637,672
Residential Mortgages	1,276,764	1,275,578	683,986	54,719
Higher Risk Assets	9,397	9,384	14,075	1,126
Other Assets	65,009	65,009	54,658	4,373
Equity Exposures	400,454	400,454	400,454	32,036
Total On-Balance Sheet Exposures	16,345,443	16,333,295	9,509,422	760,752
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	658,875	658,875	409,331	32,746
Total Off-Balance Sheet Exposures	658,875	658,875	409,331	32,746
Total On and Off Balance Sheet Exposures	17,004,318	16,992,170	9,918,753	793,498
(ii) Large Exposure Risk Requirement	—	—	—	—
(iii) <u>Market Risk</u>	Long Position	Short Position		
Profit Rate Risk	382,296	—	21,504	1,720
Foreign Exchange/Gold Position Risk	297	—	297	24
	382,593	—	21,801	1,744
(iv) Operational Risk			947,972	75,838
Total RWA and Capital Requirements			10,888,526	871,080

The Group does not have any issuances of Profit-Sharing Investment Account ("PSA") used as a risk absorbent.

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(t) Capital Adequacy (continued)

The Off-Balance Sheet exposures and their related counterparty credit risk of the Group are as follows:

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2009			
Group			
<u>Credit-related Exposures</u>			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
– exceeding one year	965,794	446,522	334,398
– not exceeding one year	178,497	—	—
	1,144,291	446,522	334,398
2008			
Group			
<u>Credit-related Exposures</u>			
Assets sold with recourse	341,989	341,989	163,769
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
– exceeding one year	583,635	291,818	225,063
– not exceeding one year	125,342	25,068	20,499
	1,050,966	658,875	409,331

The risk-weighted assets and capital requirements for the various categories of risk under Market Risk are as follows:

	2009		2008	
Group	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000
Profit rate risk				
– General interest rate risk	10,305	824	9,557	765
– Specific interest rate risk	1,550	124	11,947	955
	11,855	948	21,504	1,720
Foreign exchange/Gold position risk	373	30	297	24
	12,228	978	21,801	1,744

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(u) Profit Rate Risk

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

Group 2009	<----- Non trading book ----->								Non-yield/ profit sensitive	Trading book	Total	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				
ASSETS												
Cash and short-term funds	6,664,970	-	-	-	-	-	-	-	62,694	-	6,727,664	2.07
Securities held-for-trading	-	-	-	-	-	-	-	-	-	79,988	79,988	2.48
Securities available-for-sale	-	157,102	-	709,185	-	-	-	-	408,225	-	1,274,512	2.50
Securities held-to-maturity	-	-	-	-	5,022	-	-	-	-	-	5,022	3.55
Financing and advances												
- performing	2,480,681	369,309	1,563,645	1,892,714	1,637,421	1,380,342	1,144,734	4,110,136	-	-	14,578,982	6.48
- non-performing *	-	-	-	-	-	-	-	-	(106,154)	-	(106,154)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	299,117	-	299,117	-
TOTAL ASSETS	9,145,651	526,411	1,563,645	2,601,899	1,642,443	1,380,342	1,144,734	4,110,136	663,882	79,988	22,859,131	
LIABILITIES AND ISLAMIC BANKING FUNDS												
Deposits from customers	6,829,428	2,003,050	2,032,528	105,752	2,956	474	1,657	-	2,097,856	-	13,073,701	1.64
Deposits and placements of banks and other financial institutions	2,332,212	1,867,476	3,226,000	115,000	600,000	-	-	-	(89,506)	-	8,051,182	2.60
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	99,836	-	99,836	-
Total Liabilities	9,161,640	3,870,526	5,258,528	220,752	602,956	474	1,657	-	2,108,186	-	21,224,719	
Islamic Banking Funds	-	-	-	-	-	-	-	-	1,634,412	-	1,634,412	-
Total Liabilities and Islamic Banking Funds	9,161,640	3,870,526	5,258,528	220,752	602,956	474	1,657	-	3,742,598	-	22,859,131	
On-balance sheet profit sensitivity gap	(15,989)	(3,344,115)	(3,694,883)	2,381,147	1,039,487	1,379,868	1,143,077	4,110,136	(3,078,716)	79,988	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(15,989)	(3,344,115)	(3,694,883)	2,381,147	1,039,487	1,379,868	1,143,077	4,110,136	(3,078,716)	79,988	-	

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

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(u) Profit Rate Risk (continued)

	Non trading book											
Group 2008	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-yield/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	3,308,820	—	—	—	—	—	—	—	14,760	—	3,323,580	3.21
Securities held-for-trading	—	—	—	—	—	—	—	—	—	382,296	382,296	3.47
Securities available-for-sale	—	—	—	—	—	—	—	—	400,454	—	400,454	—
Financing and advances												
– performing	1,011,995	357,800	1,589,239	1,844,253	1,584,328	1,369,668	1,103,412	3,583,384	—	—	12,444,079	6.48
– non-performing *	—	—	—	—	—	—	—	—	(70,405)	—	(70,405)	—
– Islamic house financing sold to Cagamas	(200,008)	(150,001)	—	—	—	—	—	—	—	—	(350,009)	3.74
Other non-profit sensitive balances	—	—	—	—	—	—	—	—	479,302	—	479,302	—
TOTAL ASSETS	4,120,807	207,799	1,589,239	1,844,253	1,584,328	1,369,668	1,103,412	3,583,384	824,111	382,296	16,609,297	
LIABILITIES AND ISLAMIC BANKING FUNDS												
Deposits from customers	6,471,029	860,940	325,654	130,075	114,013	592	582	—	1,719,440	—	9,622,325	2.23
Deposits and placements of banks and other financial institutions	1,492,411	—	649,659	1,900,461	106,943	—	—	—	715,351	—	4,864,825	3.53
Other non-profit sensitive balances	—	—	—	—	—	—	—	—	1,018,279	—	1,018,279	—
Total Liabilities	7,963,440	860,940	975,313	2,030,536	220,956	592	582	—	3,453,070	—	15,505,429	
Islamic Banking Funds	—	—	—	—	—	—	—	—	1,103,868	—	1,103,868	—
Total Liabilities and Islamic Banking Funds	7,963,440	860,940	975,313	2,030,536	220,956	592	582	—	4,556,938	—	16,609,297	
On-balance sheet profit sensitivity gap	(3,842,633)	(653,141)	613,926	(186,283)	1,363,372	1,369,076	1,102,830	3,583,384	(3,732,827)	382,296	—	
Off-balance sheet profit sensitivity gap	—	—	—	—	—	—	—	—	—	—	—	
Total profit sensitivity gap	(3,842,633)	(653,141)	613,926	(186,283)	1,363,372	1,369,076	1,102,830	3,583,384	(3,732,827)	382,296	—	

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

57. ISLAMIC BANKING BUSINESS (CONTINUED)

Notes to the Financial Statements for the financial year ended 31 December 2009 (continued)

(v) Fair Values of Financial Assets and Liabilities

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

	2009		2008	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial assets				
Securities held-to-maturity	5,022	5,029	—	—
Financing and advances*	14,695,876	14,758,931	12,214,411	12,110,995
Financial liabilities				
Deposits from customers	13,073,701	13,074,281	9,622,325	9,622,621
Deposits and placements of banks and other financial institutions	8,051,182	8,042,472	4,864,825	4,866,098

* The general allowance of the Group of RM223,048,000 (2008 – RM190,746,000) is not included in the carrying amounts.

(w) Allocation of Income

The method of allocation of income to the types of deposits is based on “The Framework on Rate of Return” issued by Bank Negara Malaysia. This Framework on Rate of Return which is based on the return on assets concept, calculates the income on assets. The return on assets after deducting incidental expenses and allowances for losses on financing and advances are distributed to the depositors using the weighted average method.

(x) Shariah Committee

The Shariah Committee was established under Bank Negara Malaysia’s “Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions” (BNM/GPS1) to advise the Board of Directors on Shariah matters in its business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Group and the relevant documentation are in compliance with Shariah principles. The Shariah Committee also provides written Shariah opinions on new Islamic banking products and in instances where the Group makes reference to Bank Negara Malaysia’s Shariah Advisory Council for advice.

(y) Zakat Obligations

This represents business zakat payable by the Group to comply with Shariah principles. Zakat provision is calculated using the profit and loss method at a zakat rate of 2.5% and is based on the percentage of estimated Muslim individual shareholders of the Bank.



398 BURSA SECURITIES LISTING REQUIREMENTS COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"):

(I) UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

a) Subordinated Medium Term Note Programme

On 13 March 2008, Public Bank had obtained approval from Bank Negara Malaysia for a Subordinated Medium Term Note Programme ("the MTN Programme") for the issuance of up to RM5.0 billion in aggregate principal value of Subordinated Notes. The tenor of the MTN Programme will be up to fifteen (15) years, with the maturity for each issuance to range between ten (10) to fifteen (15) years, and callable from five (5) years prior to the relevant maturity date at each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Subordinated Notes to be issued under the MTN Programme shall be 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 Public 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 II Capital for the purposes of Bank Negara Malaysia's capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable).

Public Bank has issued the following tranches of Subordinated Notes under the MTN Programme during the year:

- i) On 6 November 2009, Public Bank issued the second tranche of RM200 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 6 November 2009 to (but excluding) 6 November 2014 and thereafter, at the rate of 5.60% per annum from (and including) 6 November 2014 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 6 May and 6 November each year commencing 6 May 2010.

- ii) On 10 December 2009, Public Bank issued the third tranche of RM223 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 10 December 2009 to (but excluding) 10 December 2014 and thereafter, at the rate of 5.60% per annum from (and including) 10 December 2014 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 10 June and 10 December each year commencing 10 June 2010.
- iii) On 31 December 2009, Public Bank issued the fourth tranche of RM50 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 31 December 2009 to (but excluding) 31 December 2014 and thereafter, at the rate of 5.60% per annum from (and including) 31 December 2014 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 30 June and 31 December each year commencing 30 June 2010.

The other salient features of the MTN Programme are as disclosed in Note 27 to the financial statements.

The proceeds arising from the issuances of the second, third and fourth tranches of the Notes have been used for working capital, general banking and other corporate purposes.

b) Non-Innovative Tier I Stapled Securities

On 16 March 2009, Public Bank and PBFIN Berhad ("PBFIN"), a wholly-owned subsidiary company of Public Bank obtained approval from Bank Negara Malaysia for a Non-Innovative Tier I Stapled Securities ("Stapled Securities") Programme ("the NIT-1

Programme”) for the issuance of up to RM5.0 billion in nominal value of Stapled Securities, comprising the following securities:

- i) Non-Cumulative Perpetual Capital Securities (“NCPCS”) issued by Public Bank; and
- ii) Subordinated Notes (“Sub-Notes”) issued by PBFIN

The NCPCS are stapled to an equivalent amount in nominal value of the Sub-Notes.

Under the NIT-1 Programme, the tenor of the NCPCS will be perpetual, with the first optional redemption date to be on a date falling no earlier than the fifth (5th) anniversary of the first issue date, whilst the Sub-Notes have a maturity of fifty (50) years. The NCPCS will not be subject to the payment of any distribution until the occurrence of an assignment event, upon which distribution will be accrued at a fixed interest rate to be determined prior to each issuance of NCPCS. The Sub-Notes will bear interest at a rate which is the same rate as the distribution of the NCPCS together with which the Sub-Notes is stapled, payable semi-annually in arrears. Therefore, the Stapled Securities are effectively issued by Public Bank and PBFIN at a pre-determined fixed interest rate.

Public Bank and PBFIN have issued the following tranches of Stapled Securities under the NIT-1 Programme:

- i) On 5 June 2009, Public Bank and PBFIN issued the first tranche of RM1,200 million in nominal value of Stapled Securities. The first optional

redemption date of the NCPCS will be on 5 June 2019, whilst the Sub-Notes are due on 5 June 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.50% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.50% per annum.

- ii) On 13 November 2009, Public Bank and PBFIN issued the second tranche of RM888 million in nominal value of Stapled Securities. The first optional redemption date of the NCPCS will be on 13 November 2019, whilst the Sub-Notes are due on 13 November 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.20% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.20% per annum.

The other salient features of the NIT-1 Programme are as disclosed in Note 29 to the financial statements.

The proceeds arising from the issuance of the RM1,200 million and RM888 million Stapled Securities have been used for working capital, general banking and other corporate purposes.

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

(II) SHARE BUY BACK

During the financial year ended 31 December 2009, Public Bank bought back from the open market, 10,000 of its ordinary shares of RM1.00 each which are listed and quoted as “Local” (“PBB Local Shares”) and 5,000 of its ordinary shares of RM1.00 each which are listed and quoted as “Foreign” (“PBB Foreign Shares”) on the Main Market of Bursa Securities. The details of the PBB Local and Foreign Shares bought back during the year are as follows:

Monthly Breakdown 2009	Number of PBB Local and Foreign Shares Bought Back	Buy Back Price Per PBB Local and Foreign Share (RM)			Average Cost Per PBB Local and Foreign Share* (RM)	Total Cost* (RM)
		Lowest	Highest	Average		
January	10,000	8.75	8.75	8.75	8.78	87,811
July	5,000	10.30	10.30	10.30	10.34	51,683
Total	15,000	8.75	10.30	9.27	9.30	139,494

* Inclusive of transaction cost

All the PBB Local and Foreign Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. On 11 March 2009, a total of 95,834,632 treasury shares were distributed as a share dividend on the basis of 1 PBB Local Share held as a treasury share for every 35 PBB shares held. As at 31 December 2009, the number of treasury shares held after deducting the share dividend distributed on 11 March 2009 was 80,477,168 treasury shares. None of the treasury shares held were resold or cancelled during the financial year.



On 19 January 2010, the Board of Directors declared the distribution of a share dividend of 1 PBB Local Share held as a treasury share for every 68 PBB shares held, fraction shares to be disregarded, amounting to approximately 50,756,598 PBB Local Shares held as treasury shares. This is computed based on the issued and paid-up share capital of the Bank as at 31 December 2009, excluding treasury shares held by the Bank, of 3,451,448,666 PBB Shares. Subsequent to the share dividend distribution, the remaining number of PBB shares held as treasury shares will be approximately 29,720,570.

Disclosed in accordance with Paragraph 12.23, Appendix 12D of the Listing Requirements of Bursa Securities.

(III) OPTIONS OR CONVERTIBLE SECURITIES

No options or convertible securities were issued by Public Bank during the financial year ended 31 December 2009 and there are no options or convertible securities outstanding and exercisable at the end of the financial year ended 31 December 2009.

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

(IV) DEPOSITORY RECEIPT PROGRAMME

Public Bank did not sponsor any depository receipt programme during the financial year ended 31 December 2009.

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

(V) SANCTIONS AND/OR PENALTIES

There was no sanction and/or penalty imposed on Public Bank and its subsidiary companies, directors or management by the relevant regulatory bodies during the financial year ended 31 December 2009.

Disclosed in accordance with Appendix 9C, Part A, item 17 of the Listing Requirements of Bursa Securities.

(VI) NON-AUDIT FEES

The amount of non-audit fees paid to external auditors by the Group and the Bank for the financial year ended 31 December 2009 amounted to RM504,000 and RM388,000 respectively.

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

(VII) VARIATION IN RESULTS

There were no profit estimate, forecast or projection issued by Public Bank and its subsidiary companies during the financial year ended 31 December 2009.

Disclosed in accordance with Appendix 9C, Part A, item 19 of the Listing Requirements of Bursa Securities.

(VIII) PROFIT GUARANTEE

There was no profit guarantee given by Public Bank and its subsidiary companies during the financial year ended 31 December 2009.

Disclosed in accordance with Appendix 9C, Part A, item 20 of the Listing Requirements of Bursa Securities.

(IX) MATERIAL CONTRACTS

There were no material contracts entered into by Public Bank and its subsidiary companies involving directors' and major shareholders' interests, which subsisted at the end of the financial year ended 31 December 2009 or, if not then subsisting, entered into since the end of the previous financial year.

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

(X) REVALUATION POLICY

The Public Bank Group does not revalue its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Properties are as disclosed in Note 2 (g) to the financial statements.

Disclosed in accordance with Appendix 9C, Part A, item 24 of the Listing Requirements of Bursa Securities.

(XI) RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE

Public Bank did not seek any mandate from its shareholders under Paragraph 10.09(2)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Securities as the recurrent related party transactions of a revenue or trading nature entered into by the Public Bank Group qualified as exempted transactions as defined under Paragraph 10.08(11)(e), Part E of Chapter 10 of the Listing Requirements of Bursa Securities.

Disclosed in accordance with Paragraph 10.09(2)(b) of the Listing Requirements of Bursa Securities.



MALAYSIAN ECONOMY: 401

MANAGING A SUSTAINED RECOVERY

I. GLOBAL PERSPECTIVE

2009 – particularly in the first half of the year – had been very challenging for the global economy due to the global financial crisis and the subsequent sharp fall in global output and trade. The financial crisis which was triggered by problems in the subprime mortgage loan and mortgage-backed securities markets in the United States (“US”) in July 2007 has had far reaching impact on the global financial system and the real economy. As a result of huge losses, major global financial institutions had to be rescued by governments through massive capital injections of public funds. Some had failed and disappeared. Credit and interbank markets froze in some of the developed countries. However, despite the massive efforts to rebuild the financial system in the west, some financial institutions remained impaired.

Although the global economy has avoided a second Great Depression due to the unprecedented scale and scope of monetary and fiscal intervention by central banks and governments, global output and trade have contracted significantly in 2009. The International Monetary Fund (“IMF”) projected world output to contract by 1.1% in 2009 from a 3% growth in 2008. World trade volume would be down 11.9% in 2009 from a 3% expansion in 2008. The Organisation for Economic Co-operation and Development (“OECD”) economies, which account for about 67% of global output, are expected to contract by 3.5% in 2009 with the US – the world’s largest economy – contracting by 2.5%, Japan by 5.3% and the euro area by 4% as a result of the compression in private demand and investment. The present high level of unemployment in these major economies is likely to remain high into 2010 and 2011 (Table 1).

Table 1

Major Advanced Countries: Unemployment, 2009-2011

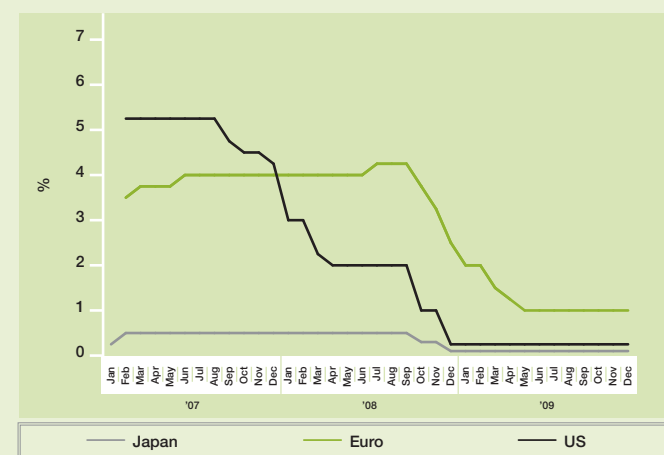
	% of labour force		
	2009	2010	2011
United States	9.2	9.9	9.1
Japan	5.2	5.6	5.4
Euro area	9.4	10.6	10.8

Source: Organisation for Economic Co-operation and Development (OECD), Economic Outlook No. 86, November 2009.

To support the global economy, policy intervention by major developed economies broke new ground. In the case of monetary policy, policy interest rates were brought down close to zero and kept at historical lows (Graph 1) to support economic activity and curb deflationary pressure due to the large output gap. To support credit markets, major global central banks had injected huge amounts of liquidity into the global financial system by directly injecting capital and purchasing toxic assets held by financial institutions. In addition to historically low interest rates, other monetary policy tools, such as quantitative easing, have been used extensively by central banks globally to stabilise financial systems. To restore and ensure financial stability in the future, major financial reforms related to capital adequacy, risk management and governance are being discussed at various international forums.

Graph 1

Major Advanced Countries: Monetary Policy Rates, 2007-2009



Sources: US Federal Reserve; Bank of Japan; and European Central Bank.

402 Malaysian Economy: Managing a Sustained Recovery

On the fiscal front, a Keynesian approach to stimulate aggregate demand had been widely used. In many economies, fiscal deficits have ballooned. By the end of 2009, most governments are expected to register large fiscal deficits. For example, the deficit in the OECD economy is estimated to surge to 8.2% of gross domestic product ("GDP") in 2009 and 8.3% in 2010, before falling slightly to 7.6% in 2011. Public sector debt as a proportion of GDP across major developed economies will rise significantly in the next few years.

The sharp economic downturn had adversely affected Asia, in particular the more open economies such as Singapore, South Korea, Hong Kong and Malaysia. In the first quarter of 2009, Asia's economy contracted significantly before stabilising in the second quarter of the year (Table 2). Helped by strong fundamentals and healthy domestic demand, most Asian economies – like the developed economies – had pursued exceptional levels of fiscal stimulus by reducing and maintaining low policy interest rates and also implementing large fiscal stimulus (such as the People's Republic of China) to support economic activity. Other measures to restore growth included measures to support financial markets such as blanket guarantees on bank deposits and assurance to banks needing foreign currency.

Table 2

Regional Countries: Real GDP Growth, 2008-2009

	% Annual Change			
	2008	2009		
		1Q	2Q	3Q
People's Republic of China	9.0	6.1	7.9	8.9
Hong Kong	2.4	-7.8	-3.6	-2.4
South Korea	2.2	-4.2	-2.2	0.9
Taiwan	0.1	-9.1	-6.9	-1.3
Singapore	1.1	-9.4	-3.2	0.9

Sources: Reuters and International Monetary Fund, World Economic Outlook, October 2009.

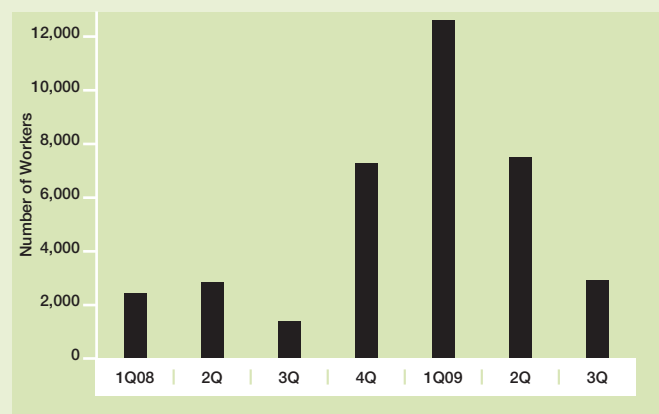
II. MALAYSIAN ECONOMY: Review

As an open economy, Malaysia is exposed to volatilities in the global economy, particularly in that of its large trading partners such as the US, the European Union and Japan. However, as Malaysia entered the challenging period from a position of strength, with its high level of savings, low inflation, strong international reserves and large current account surplus, the

Malaysian economy remained resilient. The flexible ringgit exchange rate had helped the economy to adjust to the new economic environment. Labour market conditions remained healthy with the number of employees retrenched declining sharply from 12,590 in the first quarter of 2009 to 2,879 in the third quarter of 2009 (Graph 2). Headline inflation fell from 3.9% in January 2009 to -2.4% in August 2009, -2% in September 2009, -1.6% in October 2009 and -0.1% in November 2009 (Graph 3). The negative inflation – which is expected to be temporary – was due to the cumulative effect of the sharp fall in fuel prices in August 2008 to December 2008.

Graph 2

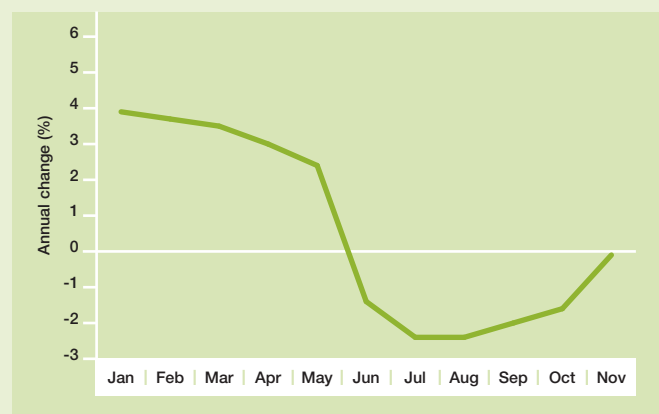
Malaysia: Number of Retrenchments, 2008-2009



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, October 2009.

Graph 3

Malaysia: Consumer Price Inflation, 2009



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

After a sharp 6.2% fall in GDP in the first quarter of 2009 due to a drastic drop in exports and large inventory drawdowns, the Malaysian economy had improved significantly since the second quarter of the year. In the second quarter, the contraction slowed to 3.9% due to higher public spending and private consumption. The economy further recovered in the third quarter of the year with a much milder contraction of only 1.2% due to improved private consumption and higher public spending (Table 3). On the supply side, improvements in the third quarter of 2009 were contributed by a broad-based recovery, led by the services and construction sectors. The manufacturing sector also improved, as a result of higher activity in domestic-oriented industries and a modest improvement in the electronics and electrical industries.

Table 3
Malaysia: GDP by Expenditure Components, 2008-2009
(at constant 2000 Prices)

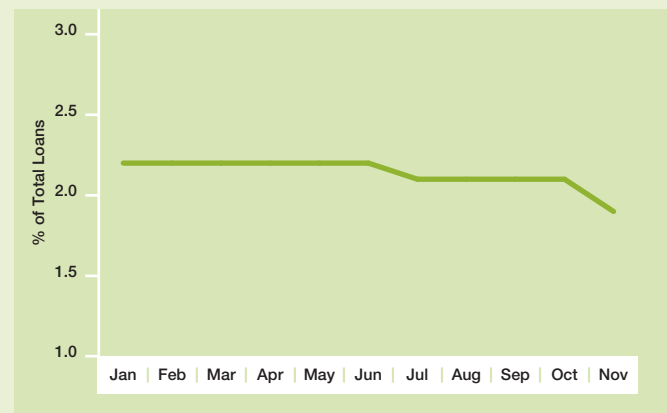
	% Annual Change			
	2008	2009		
		1Q	2Q	3Q
Aggregate Domestic Demand	6.8	-2.9	-2.2	0.4
Consumption	9.0	-0.2	0.6	3.3
Private sector	8.5	-0.7	0.5	1.5
Public sector	10.9	2.1	1.0	10.9
Gross Fixed Capital Formation	0.8	-10.8	-9.6	-7.9
Exports of Goods and Services	1.3	-15.2	-17.3	-13.4
Imports of Goods and Services	1.9	-23.5	-19.7	-12.9
GDP	4.6	-6.2	-3.9	-1.2

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2009.

Supporting the recovery was the banking system in Malaysia which continued to remain strong. The banking system remains well capitalised with low levels of non-performing loans and strong liquidity buffers (Graphs 4 and 5). The risk-weighted capital ratio and the core capital ratio of the banking system strengthened to 14.6% and 13%, respectively in November

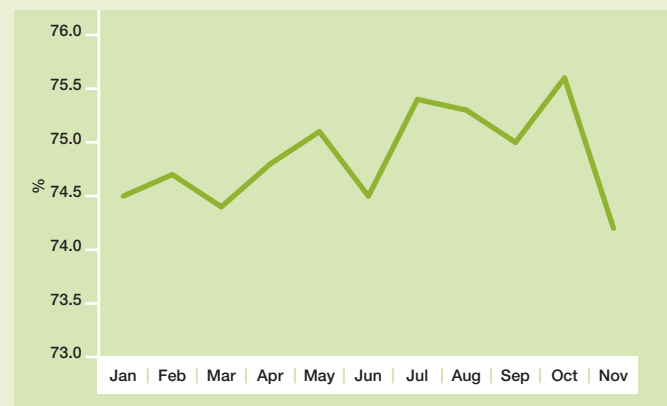
2009 (Graph 6) and the net non-performing loans ratio was low at 1.9% in November 2009, due to resilient households and businesses. Malaysia's financial institutions had very little exposure to subprime related securities and to the affected financial institutions of other countries. Past consolidation and efforts to build capacity of domestic banks, particularly to compete and improve risk management practices have strengthened the banking system. During the peak of the global financial crisis, the interbank money market and the credit market in Malaysia remained intact with little disruptions. Credit flows to the real economy was sustained as shown by the 7.0% annualised loan growth of the banking system in November 2009.

Graph 4
Banking System: Net Non-Performing Loans Ratio, 2009



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2009.

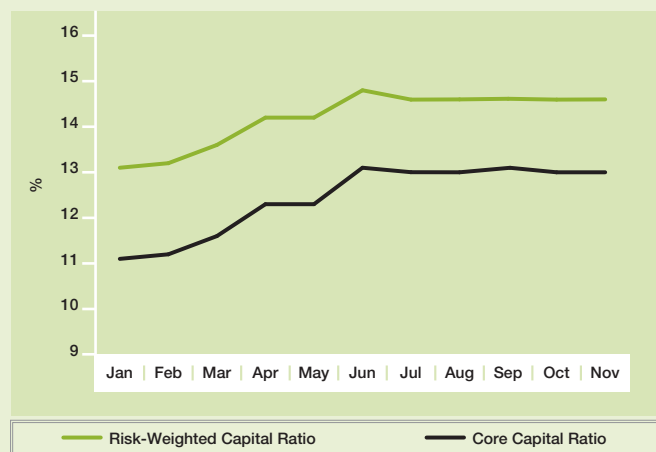
Graph 5
Banking System: Loan-Deposit Ratio, 2009



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2009.

Graph 6

Banking System: Capital Adequacy Ratios, 2009



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2009.

In managing the early stages of a sharply contracting economy, the Government implemented two economic stimulus packages in 2008 and 2009, amounting to RM67 billion. The packages were aimed at stimulating private consumption and investment and creating employment. As a result of the large fiscal stimulus, the Government's fiscal deficit is expected to widen to 7.4% of GDP in 2009 from 4.8% in 2008. There are 27 selected services sub-sectors which have been liberalised to attract domestic and foreign investment. The financial services sector had also been further liberalised to strengthen Malaysia's economic inter-linkages with other economies.

In terms of monetary policy, Bank Negara Malaysia ("BNM") had loosened its monetary policy decisively to support economic recovery. BNM cut its Overnight Policy Rate ("OPR") by 1.5% from 3.5% in November 2008 to 2% in February 2009, bringing down the base lending rate from 6.75% to 5.55%. The OPR had remained unchanged at 2% in 2009 to spur recovery. To reduce the cost of financial intermediation, BNM cut its Statutory Reserve Ratio ("SRR") for banking institutions from 4% in November 2008 to 1% by March 2009. To ensure uninterrupted monetary policy transmission to the real economy, BNM introduced preemptive measures to ensure continued access to financing by businesses, particularly small- and medium-sized enterprises ("SMEs"), by establishing new funds and guarantee schemes for working capital and industry restructuring. The Government established Danajamin – a national bond guarantee institution – to provide credit enhancement to facilitate corporations with viable businesses to access the Malaysian bond market.

III. MALAYSIAN ECONOMY: Prospects for 2010

The Malaysian economy is expected to further improve in 2010 with the private sector taking up the slack in the economy. The Malaysian Government has conservatively projected that the Malaysian economy will grow by 2% to 3% in 2010 (Tables 4 and 5), based on higher domestic demand and a stable external environment, with the global economy and global trade projected to grow at a measured pace by 3% and 6% respectively in 2010. The steady upward trend in the Leading Index for the Malaysian economy and improved consumer and business sentiment in recent months support the positive outlook for the economy in 2010 (Graph 7). The positive outlook for the Malaysian economy is also based on the increasingly positive view of the economies of the US and the euro area. Inflation is projected to remain low in 2010 due to the large output gap. The strong ringgit exchange rates will keep imported inflationary pressures down.

Table 4

Malaysia: GDP by Expenditure Components, 2010
(at constant 2000 Prices)

	% Annual Change
Aggregate Domestic Demand	1.2
Consumption	1.6
Private sector	2.9
Public sector	-3.4
Gross Fixed Capital Formation	-0.02
Exports of Goods and Services	3.5
Imports of Goods and Services	5.2
GDP	2.0 – 3.0

Source: Ministry of Finance, Malaysia, Economic Report 2009/2010.

Table 5

Malaysia: GDP by Economic Activity, 2010
(at constant 2000 Prices)

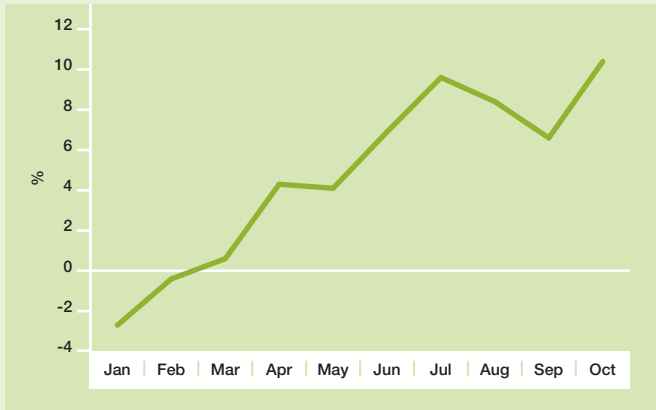
	% Annual Change
Real GDP	2.0 – 3.0
Agriculture	2.5
Mining	1.1
Manufacturing	1.7
Construction	3.2
Services	3.6

Source: Ministry of Finance, Malaysia, Economic Report 2009/2010.



Graph 7

Malaysia: Leading Index, 2009

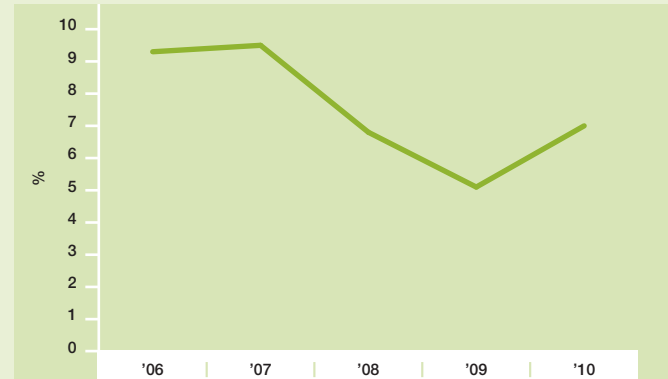


Source: Department of Statistics, Malaysia, Leading, Coincident and Lagging Indices, October 2009.

In contrast to the official forecast, other forecasts for the Malaysian economy in 2010 are pointing to a more robust recovery of between 4% and 6% GDP growth based on a stronger than expected recovery in global economy, and particularly in Asia, which will boost intra-regional trade. Asia's relatively strong conditions at the onset of the financial crisis such as sound fiscal positions, credible monetary policies and healthy corporate, household and bank balance sheets give Asia the edge to recover and more flexible policy options to stimulate domestic demand. In 2009, despite the massive financial crisis, domestic demand in Asia, including Malaysia, held up relatively well, partly due to the high level of savings and low interest rates. Based on low household and corporate gearing as well as steady credit flows in Asia, there is ample room for the Asian economies to boost domestic demand in 2010. Recent trends in inventory restocking, fiscal impulses from the region's aggressive countercyclical response and healthy intra-regional trade activity suggest that growth in emerging Asia is likely to accelerate to 7% in 2010 (Graph 8).

Graph 8

Emerging Asia: Real GDP Growth, 2006-2010



Source: International Monetary Fund, Regional Economic Outlook, Asia and Pacific, various issues.

Specific to Malaysia, domestic demand is expected to strengthen in 2010. Private consumption, in particular, is expected to resume growing due to higher household disposable income, low interest rates, large fiscal stimulus and healthy labour market conditions. Specific measures in the Budget 2010 – such as the reduction in the maximum personal income tax rate and increased personal relief – will result in higher household disposable income which in turn will support private consumption.

Several key measures in the Budget 2010 are expected to support growth in domestic and foreign investment. In particular, initiatives to provide a more business-friendly environment, implementation of a second wave of privatisation programmes and new incentives to attract foreign investment will support growth in 2010. New initiatives to support tourism, promote the agriculture sector and ensure efficient access to financing by SMEs will further support economic activity. In addition, the liberalisation of 27 services sub-sectors and the financial services sector will enhance Malaysia's value proposition to long-term investors. As the economic growth gains traction, the Malaysian Government will have room to consolidate its fiscal position. The Malaysian Government continues to enjoy high sovereign ratings, reflecting Malaysia's strong external liquidity, robust balance of payments position and a sound financial sector.

In 2010 and beyond, the banking system will continue to remain a catalyst to support growth. Based on their strong capital position, asset quality and liquidity position, banks in Malaysia will remain an effective conduit for an efficient transmission of monetary policy to the real economy. Based on a stable interest rate outlook and positive economic environment, credit flows to finance the economy, in particular to households and businesses, will remain ample and steady.

STOCK MARKET PERFORMANCE IN 2009

Following the poor performance of the local stock market in 2008, investors' interest was fairly lacklustre at the beginning of 2009 as the global economy continued to grapple with the downturn. The world's biggest economies, including the United States of America ("US"), Japan, and the Euro zone, were in recession. Shrinking consumer demand led to sharp contractions in exports for Asia's emerging economies. This also affected Malaysia as our economy is highly dependent on exports.

The Kuala Lumpur Composite Index ("KLCI") started the year 2009 on shaky footing, on rising fear of an economic recession, as investors remained sidelined. The KLCI was weighed down by finance stocks in early February 2009, as this sector was seen to be most affected in this crisis. The KLCI showed little improvement even after Bank Negara Malaysia cut its Overnight Policy Rate by another 50 basis points on 24 February 2009 and the announcement of a second stimulus package worth RM60 billion by the Government on 10 March 2009. The KLCI continued to slide reaching a low of 836.51 points on 12 March 2009. However, global equity markets bottomed in March 2009 after the US Treasury unveiled a much awaited plan to get rid of toxic assets in the banking system to aid the recovery of the financial industry. Furthermore, this was boosted by the US\$800 billion fiscal stimulus and the G-20 meeting in April 2009 which indicated stronger resolve to restart the growth engine of the global economy.

The KLCI rebounded strongly in April 2009, following a smooth transition of Malaysia's Prime Ministership from Datuk Seri Abdullah Ahmad Badawi to Datuk Seri Najib Tun Abdul Razak. Investor sentiment continued to improve as there was growing optimism that the worst had been seen and that the global economy was on the mend. The KLCI continued its rally, breaking above the psychological 1,000 points level when the Prime Minister announced further liberalisation measures for the financial sector on 27 April 2009. The optimism was further fuelled when the first quarter 2009 corporate results season was better than expected, pushing the KLCI to a high of 1,091.17 points on 15 June 2009. For the first half of 2009, the KLCI was up by 198.49 points or 22.6% to close at 1,075.24 points.

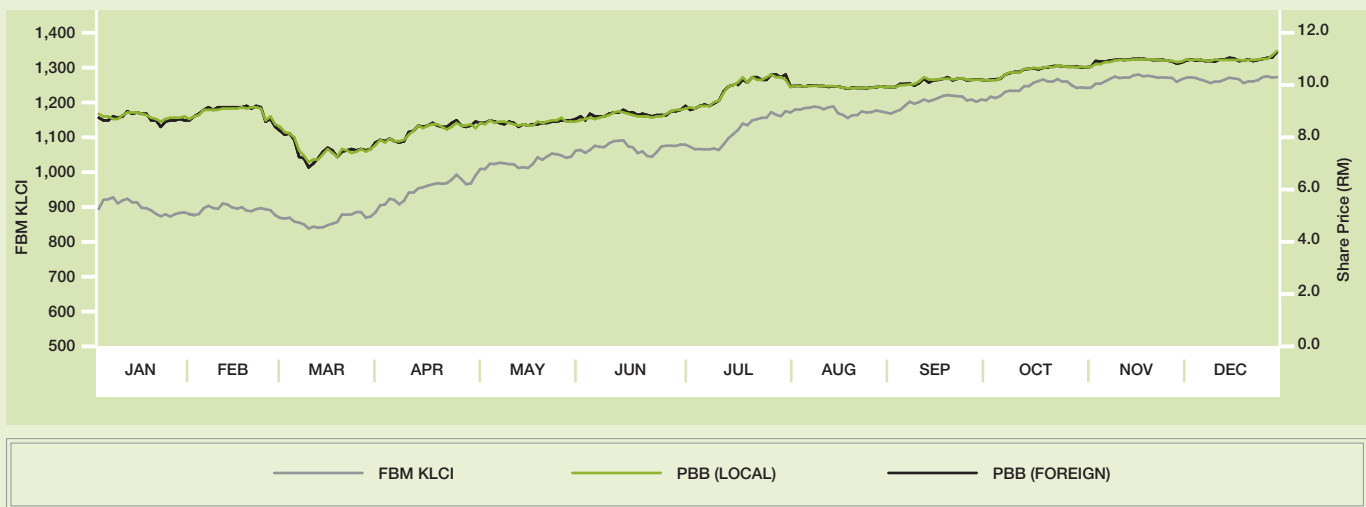
In the second half of 2009, the benchmark KLCI was replaced by FTSE Bursa Malaysia KLCI ("FBM KLCI") on 6 July 2009. The FBM KLCI continued its upward trend in July 2009 in line with gains in the US and regional markets. However, in mid August 2009, the investors turned cautious amid intermittent corrections in some regional markets, especially the Shanghai market which fell sharply. With some negative news flows coming into the picture, investors took the opportunity to lock in some profits as valuations had run ahead of fundamentals. In September 2009, global equity markets continued to trend higher driven by liquidity. The FBM KLCI subsequently rose to a 15 month high of 1,231.49 points in late September 2009 before easing towards the end of the quarter on profit-taking and closed at 1,202.08 points to register a gain of 11.8% for the third quarter of 2009.

In the fourth quarter of 2009, the FBM KLCI continued to rise in tandem with the rise of the global and regional equity markets. Thereafter, the FBM KLCI began to consolidate in line with the flattish performance of regional markets on the belief that the rally may have overshot underlying fundamentals.

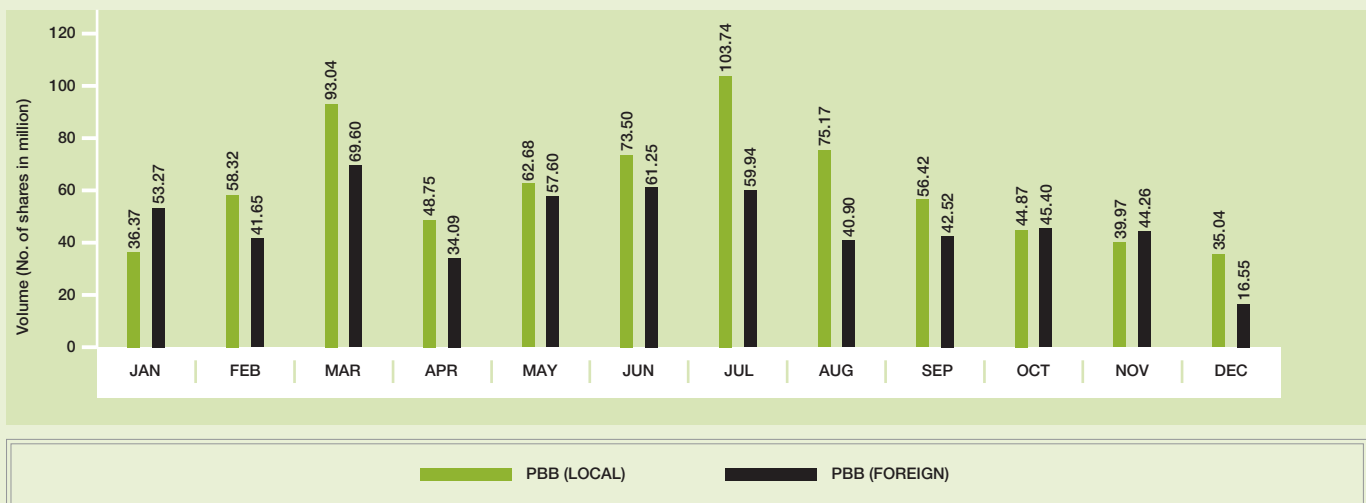
For the year 2009, the FBM KLCI gained 396.03 points or 45.2% when compared to the loss of 39.3% for the year 2008 to close at 1,272.78 points on 31 December 2009.

On the outlook for the stock market in 2010, equity markets regionally and globally are expected to improve further on positive outlook from the US. The key economic indicators suggest that the global economy has passed its worst and is currently experiencing a more moderate pace of contraction. This is reflected in global services and manufacturing activities, which are on a recovery path, although they have yet to recover to positive growth. In the US, economic data continues to suggest that it is close to emerging from what has been the longest recession in post World War II history. The overall tone on the market still remains positive with some of the research houses raising the target for FBM KLCI for 2010 to between 1,300 to 1,400 points.

Public Bank (Local) Share and Public Bank (Foreign) Share Prices and FBM KLCI in 2009



Public Bank (Local) Share and Public Bank (Foreign) Share Transactions in 2009



PUBLIC BANK SHARE PRICE PERFORMANCE IN 2009

Both Public Bank (Local) share and Public Bank (Foreign) share prices consolidated between RM8.50 and RM9.00 at the beginning of year 2009 from the end 2008 closing share prices of RM8.85 and RM8.75 respectively. In early February 2009, both the Public Bank Local and Foreign share prices surpassed RM9.00 following the announcement of the Public Bank Group's better than expected financial results for 2008 on 20 January 2009 and the announcement of a final dividend of 25% per share less 25% income tax together with a distribution of share dividend on the basis of 1 Public Bank treasury share for every 35 ordinary shares of RM1.00 each held.

However, a sell down in regional and global equity markets towards the end of February 2009 on rising fears of a global economic recession saw Public Bank (Local) share and Public Bank (Foreign) share prices falling to a low of RM7.05 and RM6.85 respectively on 12 March 2009.

As regional and global equity markets recovered from the March 2009 lows, Public Bank (Local) and Public Bank (Foreign) share prices gradually improved in line with the recovery of the FBM Kuala Lumpur Composite Index ("FBM KLCI") and regional equity markets. Both Public Bank (Local) share and Public Bank (Foreign) share prices consolidated above RM8.50 in late April and held that level until end of May 2009.

Public Bank (Local) and Public Bank (Foreign) share prices continued their ascendancy in June 2009, in line with the strong performance of the local and regional equity markets. Both stocks continued their rally following the announcement of Public Bank's good second quarter results together with an interim dividend of 30% less 25% income tax on 20 July 2009, rising to close at RM10.40 respectively on 28 July 2009. Having traded ex-interim dividend on 3 August 2009, both Public Bank (Local) and Public Bank (Foreign) share consolidated around RM10.00 in August and September 2009.

The beginning of October 2009 saw Public Bank (Local) and Public Bank (Foreign) share prices rising in tandem with regional and global equity markets. The announcement of Public Bank's third quarter financial results on 15 October 2009, which was in line with consensus expectations helped boost investor interest on finance stocks.

For 2009, Public Bank's value in terms of market capitalisation rose by 28% or RM8.72 billion to RM39.87 billion compared to the rise of 45.2% of the KLCI. The total average daily volume and value of both Public Bank (Local) and Public Bank (Foreign) shares traded in 2009 decreased by 0.1 million shares and RM5.4 million to 5.3 million shares and RM49.2 million respectively per day, a decrease of 1.9% and 9.9% respectively when compared to the previous year. Including the total gross dividend of 87.4 sen paid during the year, shareholders of Public Bank (Local) shares and Public Bank (Foreign) shares would have enjoyed a total return of approximately 37.6% and 38.7% respectively for 2009 based on the closing share prices of RM11.30 and RM11.26 for Public Bank (Local) share and Public Bank (Foreign) share respectively as at the end of 2009.

Authorised Share Capital : RM10,000,000,000
 Issued and Paid-up Share Capital : RM3,531,925,834 comprising 3,531,925,834 ordinary shares of RM1.00 each
 Class of Shares : Ordinary shares of RM1.00 each
 Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Shareholders				No. of Shares Held			
	Malaysian		Foreigner		Malaysian		Foreigner	
	No.	%	No.	%	No.	%	No.	%
Less than 100	7,908	8.76	290	0.32	257,072	0.01	10,967	^{*1}
100 – 1,000	13,252	14.68	572	0.63	6,987,309	0.20	294,839	0.01
1,001 – 10,000	47,344	52.44	4,490	4.97	151,020,947	4.37	18,909,320	0.55
10,001 – 100,000	11,791	13.06	2,850	3.16	296,507,288	8.59	78,522,127	2.28
100,001 – 172,572,432 (less than 5% of issued shares ^{*2})	1,150	1.27	637	0.71	1,469,189,037	42.57	816,271,101	23.65
172,572,433 (5% of issued shares ^{*2}) and above	2	^{*1}	—	—	613,478,659	17.77	—	—
Total	81,447	90.21	8,839	9.79	2,537,440,312	73.51	914,008,354	26.49

Notes:

^{*1} Less than 0.01%.

^{*2} Excluding a total of 80,477,168 Public Bank ("PBB") shares bought-back by PBB and retained as treasury shares as at 31 December 2009.

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND IN SUBSIDIARY COMPANY

The Directors' direct and indirect interests in shares in the Company and its subsidiary company based on the Register of Directors' Shareholdings are as follows:

Shares Held in the Company

Name	Direct Interests		Indirect Interests		Total Interests	
	No. of Shares Held	% of Issued Shares ^{*5}	No. of Shares Held	% of Issued Shares ^{*5}	No. of Shares Held	% of Issued Shares ^{*5}
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,139,228	0.64	808,939,118 ^{*1}	23.44	831,078,346	24.08
Tan Sri Dato' Thong Yaw Hong	7,522,714	0.22	845,356 ^{*2}	0.02	8,368,070	0.24
Tan Sri Dato' Sri Tay Ah Lek	6,798,968	0.20	349,181 ^{*2}	0.01	7,148,149	0.21
Dato' Sri Lee Kong Lam	375,347	0.01	822,857 ^{*3}	0.02	1,198,204	0.03
Dato' Yeoh Chin Kee	205,714	^{*4}	308,571 ^{*3}	0.01	514,285	0.01
Dato' Haji Abdul Aziz bin Omar	721,428	0.02	—	—	721,428	0.02
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	360,000	0.01	—	—	360,000	0.01

Notes:

^{*1} Deemed to have interests in PBB shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965.

^{*2} Deemed to have interests in PBB shares held by person(s) connected as defined per Section 122A of the Companies Act, 1965 and held by other corporation by virtue of Section 6A(4) of the Companies Act, 1965.

^{*3} Deemed to have interests in PBB shares held by person(s) connected as defined per Section 122A of the Companies Act, 1965.

^{*4} Less than 0.01%.

^{*5} Excluding a total of 80,477,168 PBB shares bought-back by PBB and retained as treasury shares as at 31 December 2009.

Shares Held in Subsidiary Company

– Shares Held in Public Financial Holdings Limited (“PFHL”)

Name	Direct Interests	
	No. of Shares Held	% of Issued Shares
Tan Sri Dato' Sri Tay Ah Lek	350,000	0.03
Dato' Yeoh Chin Kee	150,000	0.01

Share Options Held in Subsidiary Company

– Share Options Held under the PFHL Employees' Share Option Scheme

Name	No. of Options Held	Option Price (HKD)
Tan Sri Dato' Sri Tay Ah Lek	1,230,000	6.35

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 831,078,346 shares in PBB, and pursuant to Section 6A(4)(c) of the Companies Act, 1965, is deemed interested in the shares in all of PBB's subsidiary and associated companies to the extent that PBB has interests.

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct Interests		Indirect Interests		Total Interests	
	No. of Shares Held	% of Issued Shares ²	No. of Shares Held	% of Issued Shares ²	No. of Shares Held	% of Issued Shares ²
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,139,228	0.64	808,939,118 ¹	23.44	831,078,346	24.08
Employees Provident Fund Board	467,616,735	13.55	—	—	467,616,735	13.55
Consolidated Teh Holdings Sdn Bhd	81,750,535	2.37	170,446,256 ¹	4.94	252,196,791	7.31
Sekuriti Pejal Sdn Bhd	207,148,819	6.00	39,827,165 ¹	1.15	246,975,984	7.15

Notes:

¹ Deemed to have interests in PBB shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965.

² Excluding a total of 80,477,168 PBB shares bought-back by PBB and retained as treasury shares as at 31 December 2009.

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares Held	% of Issued Shares*
1.	Employees Provident Fund Board	331,904,881	9.62
2.	Sekuriti Pejal Sdn Berhad	106,560,000	3.09
3.	Valuecap Sdn Bhd	102,318,045	2.96
4.	Sekuriti Pejal Sdn Berhad	100,588,819	2.91
5.	Employees Provident Fund Board	74,424,959	2.16
6.	Kepunyaan Chintamani Sdn Bhd	69,840,000	2.02
7.	Consolidated Teh Holdings Sdn Berhad	60,444,000	1.75
8.	Selected Securities Sdn Bhd	51,003,320	1.48
9.	Kumpulan Wang Persaraan (Diperbadankan)	50,432,288	1.46
10.	HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Secs Svs Lux for Aberdeen Global	44,290,914	1.28
11.	HSBC Nominees (Asing) Sdn Bhd – TNTC for Saudi Arabian Monetary Agency	39,064,000	1.13
12.	Selected Holdings Sdn Berhad	38,826,561	1.12
13.	Kayakita Corporation Sdn Bhd	34,560,000	1.00
14.	Amanah Raya Nominees (Tempatan) Sdn Bhd – Amanah Saham Malaysia	33,165,299	0.96
15.	Kepunyaan Perindustrian Sdn Berhad	32,400,000	0.94
16.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	29,273,347	0.85
17.	LPI Capital Bhd	27,924,918	0.81

	Name	No. of Shares Held	% of Issued Shares*
18.	Selected Securities Sdn Bhd	27,288,000	0.79
19.	Kayakita Corporation Sdn Bhd	27,108,000	0.79
20.	Tong Meng Industries Limited	26,915,000	0.78
21.	LPI Capital Bhd	26,474,994	0.77
22.	Selected Holdings Sdn Berhad	25,560,000	0.74
23.	Securities Holdings Sdn Berhad	23,433,589	0.68
24.	Tan Sri Dato' Sri Dr. Teh Hong Piow	21,707,228	0.63
25.	Citigroup Nominees (Tempatan) Sdn Bhd – <i>Exempt An for Prudential Fund Management Berhad</i>	20,724,344	0.60
26.	HSBC Nominees (Asing) Sdn Bhd – <i>Exempt An for JPMorgan Chase Bank, National Association (U.K.)</i>	20,277,117	0.59
27.	Luhur Management Sdn Bhd	19,800,000	0.57
28.	Amanah Raya Nominees (Tempatan) Sdn Bhd – <i>Skim Amanah Saham Bumiputera</i>	19,144,480	0.55
29.	Amanah Raya Nominees (Tempatan) Sdn Bhd – <i>Amanah Saham Wawasan 2020</i>	17,546,200	0.51
30.	HSBC Nominees (Asing) Sdn Bhd – <i>BNP Paribas Secs Svs Paris for Aberdeen Asia Pacific Fund</i>	16,777,450	0.49
		1,519,777,753	44.03

Note:

* Excluding a total of 80,477,168 PBB shares bought-back by PBB and retained as treasury shares as at 31 December 2009.

AUTHORISED AND ISSUED SHARE CAPITAL 413

AUTHORISED SHARE CAPITAL

The authorised share capital as at 31 December 2009 is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each. The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Total Authorised Share Capital (RM)
30.12.1965	50,000,000	50,000,000
06.01.1982	250,000,000	300,000,000
30.09.1986	200,000,000	500,000,000
08.06.1987	500,000,000	1,000,000,000
17.06.1997	4,000,000,000	5,000,000,000
30.03.2005	5,000,000,000	10,000,000,000

ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 31 December 2009 is RM3,531,925,834 comprising 3,531,925,834 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
Up to 30.08.1966	16,000,000	Cash	16,000,000
15.11.1978	4,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	20,000,000
22.07.1981	5,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	25,000,000
07.01.1982	10,000,000	Capitalisation of capital reserve account and general reserve account (Bonus Issue 2:5)	35,000,000
11.02.1982	35,000,000	Rights Issue 1:1 at RM2.00 per share	70,000,000
22.06.1983	42,000,000	Capitalisation of share premium account and general reserve account (Bonus Issue 3:5)	112,000,000
22.08.1983	56,000,000*	Rights Issue 1:2 at RM2.00 per share	168,000,000
05.07.1984	42,000,000*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:4)	210,000,000
05.02.1988	42,000,000*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:5)	252,000,000
03.08.1988	105,000,000*	Rights Issue 1:2 at RM1.60 per share	357,000,000
11.10.1989	218,500*	Exercise of share options under Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS") at option price of RM3.80 per share	357,218,500
02.05.1990	1,237,500*	Exercise of share options under PBB ESOS at option price of RM3.80 per share	358,456,000

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
15.06.1990	119,485,333*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:3)	477,941,333
06.08.1990	71,691,200*	Rights Issue 1:5 at RM2.20 per share	549,632,533
08.10.1990	138,500*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	549,771,033
12.04.1991	3,828,850*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,599,883
24.09.1991	334,300*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,934,183
25.03.1992	114,700*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	554,048,883
15.04.1993	1,038,701*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	555,087,584
01.10.1993	9,912,337*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	564,999,921
20.04.1994	3,434,479*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	568,434,400
05.10.1994	1,113,000*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	569,547,400
27.12.1994	50,000,000*	Issue and private placement of 50,000,000 new shares as follows: – 35,000,000 PBB local shares at RM8.28 per share – 15,000,000 PBB foreign shares at RM10.62 per share	619,547,400
18.04.1996	25,500*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	619,572,900
07.08.1996	206,524,300*	Capitalisation of share premium account (Bonus Issue 1:3)	826,097,200
25.10.1996	143,541*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,240,741
12.05.1997	358,850*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,599,591
06.01.1998	165,319,918*	Capitalisation of share premium account (Bonus Issue 1:5)	991,919,509
09.03.1998	165,319,918*	Rights Issue 1:5 at RM2.00 per PBB local share and at RM2.28 per PBB foreign share	1,157,239,427
11.02.1999	8,007,750*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,165,247,177
11.05.1999	35,500*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,165,282,677
19.05.1999	4,736,865*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,170,019,542
07.06.1999	1,077,950*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,171,097,492
02.07.1999	12,063,250*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,183,160,742
08.12.2000	11,899,125*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,195,059,867

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
15.02.2001	1,662,500*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,196,722,367
31.03.2001	213,140,892*	New PBB local shares issued in exchange for 125,377,000 ordinary shares of RM1.00 each in Hock Hua Bank Bhd ("HHB") pursuant to terms of merger of PBB and HHB	1,409,863,259
23.04.2001	422,958,977*	Capitalisation of share premium account and retained profits (Bonus Issue 3:10)	1,832,822,236
11.12.2001	996,387*	Exercise of share options under PBB ESOS at option price of RM2.54 per share	1,833,818,623
12.03.2002	1,025,362*	Exercise of share options under PBB ESOS at option price of RM2.54 per share	1,834,843,985
12.07.2002	458,710,997*	Capitalisation of share premium account (Bonus Issue 1:4)	2,293,554,982
13.09.2002	13,570,954*	Exercise of share options under PBB ESOS as follows: – 1,488,329 shares at option price of RM2.04 per share – 12,082,625 shares at option price of RM4.44 per share	2,307,125,936
08.10.2002	7,153,442*	Exercise of share options under PBB ESOS as follows: – 412,567 shares at option price of RM2.04 per share – 6,740,875 shares at option price of RM4.44 per share	2,314,279,378
12.12.2002	247,675*	Exercise of share options under PBB ESOS as follows: – 130,050 shares at option price of RM2.04 per share – 117,625 shares at option price of RM4.44 per share	2,314,527,053
14.03.2003	153,158*	Exercise of share options under PBB ESOS as follows: – 112,408 shares at option price of RM2.04 per share – 40,750 shares at option price of RM4.44 per share	2,314,680,211
09.04.2003	37,907*	Exercise of share options under PBB ESOS at option price of RM2.04 per share	2,314,718,118
13.06.2003	202,598,923*	New PBB local shares issued in exchange for 135,065,949 ordinary shares of RM1.00 each in Public Finance Bhd ("PFB") pursuant to terms of privatisation of PFB	2,517,317,041
16.07.2003	629,329,261*	Capitalisation of share premium account (Bonus Issue 1:4)	3,146,646,302
14.08.2003	8,337,798*	Exercise of share options under PBB ESOS as follows: – 250,423 shares at option price of RM1.64 per share – 8,087,375 shares at option price of RM3.56 per share	3,154,984,100
05.09.2003	2,804,031*	Exercise of share options under PBB ESOS as follows: – 75,156 shares at option price of RM1.64 per share – 2,728,875 shares at option price of RM3.56 per share	3,157,788,131
08.09.2003	2,902,623*	Exercise of share options under PBB ESOS as follows: – 67,856 shares at option price of RM1.64 per share – 1,595,142 shares at option price of RM3.56 per share – 1,239,625 shares at option price of RM3.40 per share	3,160,690,754
12.09.2003	7,001,644*	Exercise of share options under PBB ESOS as follows: – 54,489 shares at option price of RM1.64 per share – 4,948,530 shares at option price of RM3.56 per share – 1,998,625 shares at option price of RM3.40 per share	3,167,692,398

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
24.09.2003	1,216,063*	Exercise of share options under PBB ESOS as follows: – 6,250 shares at option price of RM1.64 per share – 915,688 shares at option price of RM3.56 per share – 294,125 shares at option price of RM3.40 per share	3,168,908,461
15.10.2003	3,518,818*	Exercise of share options under PBB ESOS as follows: – 15,169 shares at option price of RM1.64 per share – 2,515,399 shares at option price of RM3.56 per share – 988,250 shares at option price of RM3.40 per share	3,172,427,279
27.10.2003	2,054,251*	Exercise of share options under PBB ESOS as follows: – 3,313 shares at option price of RM1.64 per share – 1,457,938 shares at option price of RM3.56 per share – 593,000 shares at option price of RM3.40 per share	3,174,481,530
29.10.2003	6,748,111*	Exercise of share options under PBB ESOS as follows: – 32,993 shares at option price of RM1.64 per share – 3,781,268 shares at option price of RM3.56 per share – 2,933,850 shares at option price of RM3.40 per share	3,181,229,641
06.11.2003	4,913,239*	Exercise of share options under PBB ESOS as follows: – 39,115 shares at option price of RM1.64 per share – 3,806,374 shares at option price of RM3.56 per share – 1,067,750 shares at option price of RM3.40 per share	3,186,142,880
13.11.2003	1,202,135*	Exercise of share options under PBB ESOS as follows: – 5,040 shares at option price of RM1.64 per share – 961,220 shares at option price of RM3.56 per share – 235,875 shares at option price of RM3.40 per share	3,187,345,015
18.11.2003	455,750*	Exercise of share options under PBB ESOS as follows: – 406,250 shares at option price of RM3.56 per share – 49,500 shares at option price of RM3.40 per share	3,187,800,765
21.11.2003	5,801,710*	Exercise of share options under PBB ESOS as follows: – 33,297 shares at option price of RM1.64 per share – 2,989,788 shares at option price of RM3.56 per share – 2,778,625 shares at option price of RM3.40 per share	3,193,602,475
01.12.2003	1,417,894*	Exercise of share options under PBB ESOS as follows: – 16,324 shares at option price of RM1.64 per share – 1,062,070 shares at option price of RM3.56 per share – 339,500 shares at option price of RM3.40 per share	3,195,020,369
04.12.2003	68,000*	Exercise of share options under PBB ESOS at option price of RM3.56 per share	3,195,088,369
22.12.2003	2,297,250*	Exercise of share options under PBB ESOS as follows: – 13,484 shares at option price of RM1.64 per share – 1,889,391 shares at option price of RM3.56 per share – 394,375 shares at option price of RM3.40 per share	3,197,385,619
26.12.2003	9,214,108*	Exercise of share options under PBB ESOS as follows: – 20,525 shares at option price of RM1.64 per share – 6,642,458 shares at option price of RM3.56 per share – 2,551,125 shares at option price of RM3.40 per share	3,206,599,727

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
27.01.2004	1,883,267*	Exercise of share options under PBB ESOS as follows: – 4,547 shares at option price of RM1.64 per share – 1,680,345 shares at option price of RM3.56 per share – 198,375 shares at option price of RM3.40 per share	3,208,482,994
20.02.2004	483,813*	Exercise of share options under PBB ESOS as follows: – 457,313 shares at option price of RM3.56 per share – 26,500 shares at option price of RM3.40 per share	3,208,966,807
01.03.2004	1,024,066*	Exercise of share options under PBB ESOS as follows: – 886,316 shares at option price of RM3.56 per share – 137,750 shares at option price of RM3.40 per share	3,209,990,873
03.03.2004	13,717,282*	Exercise of share options under PBB ESOS as follows: – 38,231 shares at option price of RM1.64 per share – 10,718,176 shares at option price of RM3.56 per share – 1,647,375 shares at option price of RM3.40 per share – 1,313,500 shares at option price of RM4.60 per share	3,223,708,155
05.03.2004	28,660,157*	Exercise of share options under PBB ESOS as follows: – 253,907 shares at option price of RM1.64 per share – 28,406,250 shares at option price of RM3.56 per share	3,252,368,312
11.03.2004	13,177,700*	Exercise of share options under PBB ESOS as follows: – 36,366 shares at option price of RM1.64 per share – 10,361,459 shares at option price of RM3.56 per share – 940,875 shares at option price of RM3.40 per share – 1,839,000 shares at option price of RM4.60 per share	3,265,546,012
17.03.2004	12,271,286*	Exercise of share options under PBB ESOS as follows: – 46,892 shares at option price of RM1.64 per share – 10,183,769 shares at option price of RM3.56 per share – 597,125 shares at option price of RM3.40 per share – 1,443,500 shares at option price of RM4.60 per share	3,277,817,298
23.03.2004	8,575,825*	Exercise of share options under PBB ESOS as follows: – 38,252 shares at option price of RM1.64 per share – 6,166,723 shares at option price of RM3.56 per share – 867,350 shares at option price of RM3.40 per share – 1,503,500 shares at option price of RM4.60 per share	3,286,393,123
06.04.2004	1,919,157*	Exercise of share options under PBB ESOS as follows: – 1,703,532 shares at option price of RM3.56 per share – 69,625 shares at option price of RM3.40 per share – 146,000 shares at option price of RM4.60 per share	3,288,312,280
13.04.2004	4,016,890*	Exercise of share options under PBB ESOS as follows: – 3,078,890 shares at option price of RM3.56 per share – 405,000 shares at option price of RM3.40 per share – 533,000 shares at option price of RM4.60 per share	3,292,329,170
16.04.2004	1,233,902*	Exercise of share options under PBB ESOS as follows: – 10,500 shares at option price of RM1.64 per share – 1,017,652 shares at option price of RM3.56 per share – 85,750 shares at option price of RM3.40 per share – 120,000 shares at option price of RM4.60 per share	3,293,563,072

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
17.08.2004	11,152,166	Exercise of share options under PBB ESOS as follows: – 13,349 shares at option price of RM1.64 per share – 6,270,567 shares at option price of RM3.56 per share – 857,550 shares at option price of RM3.40 per share – 2,299,700 shares at option price of RM4.60 per share – 1,711,000 shares at option price of RM4.92 per share	3,304,715,238
30.08.2004	12,767,404	Exercise of share options under PBB ESOS as follows: – 57,078 shares at option price of RM1.64 per share – 7,127,076 shares at option price of RM3.56 per share – 618,450 shares at option price of RM3.40 per share – 2,372,800 shares at option price of RM4.60 per share – 2,592,000 shares at option price of RM4.92 per share	3,317,482,642
09.09.2004	1,649,681	Exercise of share options under PBB ESOS as follows: – 908,831 shares at option price of RM3.56 per share – 67,350 shares at option price of RM3.40 per share – 260,500 shares at option price of RM4.60 per share – 413,000 shares at option price of RM4.92 per share	3,319,132,323
27.09.2004	623,819	Exercise of share options under PBB ESOS as follows: – 8,125 shares at option price of RM1.64 per share – 344,819 shares at option price of RM3.56 per share – 63,375 shares at option price of RM3.40 per share – 136,000 shares at option price of RM4.60 per share – 71,500 shares at option price of RM4.92 per share	3,319,756,142
28.09.2004	1,737,912	Exercise of share options under PBB ESOS as follows: – 795,637 shares at option price of RM3.56 per share – 120,875 shares at option price of RM3.40 per share – 347,900 shares at option price of RM4.60 per share – 473,500 shares at option price of RM4.92 per share	3,321,494,054
04.10.2004	4,621,593	Exercise of share options under PBB ESOS as follows: – 33,767 shares at option price of RM1.64 per share – 2,569,876 shares at option price of RM3.56 per share – 267,650 shares at option price of RM3.40 per share – 1,187,300 shares at option price of RM4.60 per share – 563,000 shares at option price of RM4.92 per share	3,326,115,647
26.10.2004	1,755,048	Exercise of share options under PBB ESOS as follows: – 665,498 shares at option price of RM3.56 per share – 71,650 shares at option price of RM3.40 per share – 527,400 shares at option price of RM4.60 per share – 490,500 shares at option price of RM4.92 per share	3,327,870,695
19.11.2004	4,569,277	Exercise of share options under PBB ESOS as follows: – 187,546 shares at option price of RM1.64 per share – 2,491,856 shares at option price of RM3.56 per share – 289,375 shares at option price of RM3.40 per share – 1,212,000 shares at option price of RM4.60 per share – 388,500 shares at option price of RM4.92 per share	3,332,439,972

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
25.11.2004	20,935,350	Exercise of share options under PBB ESOS as follows: – 31,710 shares at option price of RM1.64 per share – 9,479,777 shares at option price of RM3.56 per share – 653,600 shares at option price of RM3.40 per share – 4,162,263 shares at option price of RM4.60 per share – 6,608,000 shares at option price of RM4.92 per share	3,353,375,322
03.12.2004	2,392,002	Exercise of share options under PBB ESOS as follows: – 1,183,077 shares at option price of RM3.56 per share – 140,300 shares at option price of RM3.40 per share – 604,125 shares at option price of RM4.60 per share – 464,500 shares at option price of RM4.92 per share	3,355,767,324
28.01.2005	20,743,000	Exercise of share options under PBB ESOS at option price of RM4.92 per share	3,376,510,324
31.01.2005	2,415,001	Exercise of share options under PBB ESOS as follows: – 15,475 shares at option price of RM1.64 per share – 985,926 shares at option price of RM3.56 per share – 104,200 shares at option price of RM3.40 per share – 954,400 shares at option price of RM4.60 per share – 355,000 shares at option price of RM4.92 per share	3,378,925,325
07.02.2005	10,466,250	Exercise of share options under PBB ESOS as follows: – 2,406,250 shares at option price of RM3.56 per share – 2,250,000 shares at option price of RM4.60 per share – 5,810,000 shares at option price of RM4.92 per share	3,389,391,575
21.02.2005	7,511,743	Exercise of share options under PBB ESOS as follows: – 26,106 shares at option price of RM1.64 per share – 3,364,187 shares at option price of RM3.56 per share – 377,950 shares at option price of RM3.40 per share – 2,883,000 shares at option price of RM4.60 per share – 860,500 shares at option price of RM4.92 per share	3,396,903,318
25.02.2005	639,342	Exercise of share options under PBB ESOS as follows: – 6,094 shares at option price of RM1.64 per share – 236,373 shares at option price of RM3.56 per share – 14,875 shares at option price of RM3.40 per share – 291,000 shares at option price of RM4.60 per share – 91,000 shares at option price of RM4.92 per share	3,397,542,660
01.08.2005	12,813,748	Exercise of share options under PBB ESOS as follows: – 14,482 shares at option price of RM1.64 per share – 1,382,291 shares at option price of RM3.56 per share – 194,275 shares at option price of RM3.40 per share – 1,397,700 shares at option price of RM4.60 per share – 6,670,000 shares at option price of RM4.92 per share – 3,155,000 shares at option price of RM6.37 per share	3,410,356,408
31.10.2005	2,114,074	Exercise of share options under PBB ESOS as follows: – 1,063 shares at option price of RM1.64 per share – 442,561 shares at option price of RM3.56 per share – 96,950 shares at option price of RM3.40 per share – 424,800 shares at option price of RM4.60 per share – 1,014,500 shares at option price of RM4.92 per share – 134,200 shares at option price of RM6.37 per share	3,412,470,482

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
09.11.2005	3,737,523	Exercise of share options under PBB ESOS as follows: – 1,269 shares at option price of RM1.64 per share – 1,429,354 shares at option price of RM3.56 per share – 238,525 shares at option price of RM3.40 per share – 1,537,875 shares at option price of RM4.60 per share – 204,000 shares at option price of RM4.92 per share – 326,500 shares at option price of RM6.37 per share	3,416,208,005
15.11.2005	660,400	Exercise of share options under PBB ESOS as follows: – 163,100 shares at option price of RM3.56 per share – 61,700 shares at option price of RM3.40 per share – 390,100 shares at option price of RM4.60 per share – 45,500 shares at option price of RM4.92 per share	3,416,868,405
05.12.2005	504,684	Exercise of share options under PBB ESOS as follows: – 217,309 shares at option price of RM3.56 per share – 35,375 shares at option price of RM3.40 per share – 202,500 shares at option price of RM4.60 per share – 23,500 shares at option price of RM4.92 per share – 26,000 shares at option price of RM6.37 per share	3,417,373,089
13.01.2006	3,553,363	Exercise of share options under PBB ESOS as follows: – 2,587 shares at option price of RM1.64 per share – 391,750 shares at option price of RM3.56 per share – 77,325 shares at option price of RM3.40 per share – 519,300 shares at option price of RM4.60 per share – 71,000 shares at option price of RM4.92 per share – 86,000 shares at option price of RM6.37 per share – 2,405,401 shares at option price of RM5.67 per share	3,420,926,452
18.01.2006	115,100	Exercise of share options under PBB ESOS as follows: – 8,600 shares at option price of RM3.56 per share – 83,500 shares at option price of RM4.60 per share – 23,000 shares at option price of RM4.92 per share	3,421,041,552
08.02.2006	329,363	Exercise of share options under PBB ESOS as follows: – 45,938 shares at option price of RM3.56 per share – 2,425 shares at option price of RM3.40 per share – 27,500 shares at option price of RM4.60 per share – 7,500 shares at option price of RM4.92 per share – 7,000 shares at option price of RM6.37 per share – 239,000 shares at option price of RM5.67 per share	3,421,370,915
28.02.2006	3,922,364	Exercise of share options under PBB ESOS as follows: – 302 shares at option price of RM1.64 per share – 234,931 shares at option price of RM3.56 per share – 20,125 shares at option price of RM3.40 per share – 293,500 shares at option price of RM4.60 per share – 63,500 shares at option price of RM4.92 per share – 255,000 shares at option price of RM6.37 per share – 3,055,006 shares at option price of RM5.67 per share	3,425,293,279

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
09.03.2006	8,050,287	Exercise of share options under PBB ESOS as follows: – 1,282 shares at option price of RM1.64 per share – 296,195 shares at option price of RM3.56 per share – 3,125 shares at option price of RM3.40 per share – 314,600 shares at option price of RM4.60 per share – 108,000 shares at option price of RM4.92 per share – 402,390 shares at option price of RM6.37 per share – 6,924,695 shares at option price of RM5.67 per share	3,433,343,566
14.03.2006	12,000	Exercise of share options under PBB ESOS at option price of RM5.67 per share	3,433,355,566
14.08.2006	1,960,920	Exercise of share options under PBB ESOS as follows: – 2,094 shares at option price of RM1.64 per share – 94,596 shares at option price of RM3.56 per share – 11,625 shares at option price of RM3.40 per share – 212,500 shares at option price of RM4.60 per share – 40,000 shares at option price of RM4.92 per share – 115,000 shares at option price of RM6.37 per share – 1,485,105 shares at option price of RM5.67 per share	3,435,316,486
22.08.2006	13,588,150	Exercise of share options under PBB ESOS as follows: – 17,923 shares at option price of RM1.64 per share – 411,452 shares at option price of RM3.56 per share – 44,250 shares at option price of RM3.40 per share – 555,000 shares at option price of RM4.60 per share – 72,900 shares at option price of RM4.92 per share – 319,000 shares at option price of RM6.37 per share – 12,167,625 shares at option price of RM5.67 per share	3,448,904,636
04.09.2006	1,147,600	Exercise of share options under PBB ESOS as follows: – 34,600 shares at option price of RM3.56 per share – 83,500 shares at option price of RM4.60 per share – 51,500 shares at option price of RM4.92 per share – 978,000 shares at option price of RM5.67 per share	3,450,052,236
22.09.2006	754,127	Exercise of share options under PBB ESOS as follows: – 16,127 shares at option price of RM3.56 per share – 22,000 shares at option price of RM4.60 per share – 7,000 shares at option price of RM4.92 per share – 16,000 shares at option price of RM6.37 per share – 693,000 shares at option price of RM5.67 per share	3,450,806,363
20.11.2006	1,735,884	Exercise of share options under PBB ESOS as follows: – 2,698 shares at option price of RM1.64 per share – 31,886 shares at option price of RM3.56 per share – 6,500 shares at option price of RM3.40 per share – 130,500 shares at option price of RM4.60 per share – 19,000 shares at option price of RM4.92 per share – 542,500 shares at option price of RM6.37 per share – 1,002,800 shares at option price of RM5.67 per share	3,452,542,247

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
30.11.2006	3,142,529	Exercise of share options under PBB ESOS as follows: – 1,358 shares at option price of RM1.64 per share – 90,371 shares at option price of RM3.56 per share – 4,000 shares at option price of RM3.40 per share – 188,500 shares at option price of RM4.60 per share – 43,500 shares at option price of RM4.92 per share – 1,083,300 shares at option price of RM6.37 per share – 1,731,500 shares at option price of RM5.67 per share	3,455,684,776
05.12.2006	4,553,096	Exercise of share options under PBB ESOS as follows: – 4,092 shares at option price of RM1.64 per share – 161,211 shares at option price of RM3.56 per share – 18,793 shares at option price of RM3.40 per share – 349,600 shares at option price of RM4.60 per share – 78,000 shares at option price of RM4.92 per share – 1,655,200 shares at option price of RM6.37 per share – 2,286,200 shares at option price of RM5.67 per share	3,460,237,872
15.12.2006	2,407,500	Exercise of share options under PBB ESOS as follows: – 30,700 shares at option price of RM3.56 per share – 1,800 shares at option price of RM3.40 per share – 82,200 shares at option price of RM4.60 per share – 59,000 shares at option price of RM4.92 per share – 729,000 shares at option price of RM6.37 per share – 1,504,800 shares at option price of RM5.67 per share	3,462,645,372
22.12.2006	179,500	Exercise of share options under PBB ESOS as follows: – 17,500 shares at option price of RM4.60 per share – 50,000 shares at option price of RM6.37 per share – 112,000 shares at option price of RM5.67 per share	3,462,824,872
25.01.2007	7,252,589	Exercise of share options under PBB ESOS as follows: – 473 shares at option price of RM1.64 per share – 184,208 shares at option price of RM3.56 per share – 14,800 shares at option price of RM3.40 per share – 234,500 shares at option price of RM4.60 per share – 43,500 shares at option price of RM4.92 per share – 3,230,108 shares at option price of RM6.37 per share – 3,545,000 shares at option price of RM5.67 per share	3,470,077,461
30.01.2007	16,102,248	Exercise of share options under PBB ESOS as follows: – 5,228 shares at option price of RM1.64 per share – 68,187 shares at option price of RM3.56 per share – 29,000 shares at option price of RM3.40 per share – 254,031 shares at option price of RM4.60 per share – 60,200 shares at option price of RM4.92 per share – 11,004,802 shares at option price of RM6.37 per share – 4,680,800 shares at option price of RM5.67 per share	3,486,179,709
05.02.2007	2,798,614	Exercise of share options under PBB ESOS as follows: – 16,239 shares at option price of RM3.56 per share – 775 shares at option price of RM3.40 per share – 35,100 shares at option price of RM4.60 per share – 11,000 shares at option price of RM4.92 per share – 1,971,000 shares at option price of RM6.37 per share – 764,500 shares at option price of RM5.67 per share	3,488,978,323

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
15.02.2007	3,449,000	Exercise of share options under PBB ESOS as follows: – 8,000 shares at option price of RM3.56 per share – 1,000 shares at option price of RM3.40 per share – 48,500 shares at option price of RM4.60 per share – 25,500 shares at option price of RM4.92 per share – 2,387,000 shares at option price of RM6.37 per share – 979,000 shares at option price of RM5.67 per share	3,492,427,323
23.02.2007	118,000	Exercise of share options under PBB ESOS as follows: – 3,500 shares at option price of RM4.60 per share – 49,000 shares at option price of RM6.37 per share – 65,500 shares at option price of RM5.67 per share	3,492,545,323
14.05.2007	5,659,529	Exercise of share options under PBB ESOS as follows: – 22,492 shares at option price of RM1.64 per share – 75,283 shares at option price of RM3.56 per share – 24,350 shares at option price of RM3.40 per share – 185,000 shares at option price of RM4.60 per share – 43,500 shares at option price of RM4.92 per share – 3,516,279 shares at option price of RM6.37 per share – 1,792,625 shares at option price of RM5.67 per share	3,498,204,852
17.05.2007	7,553,346	Exercise of share options under PBB ESOS as follows: – 3,371 shares at option price of RM1.64 per share – 114,070 shares at option price of RM3.56 per share – 31,507 shares at option price of RM3.40 per share – 216,500 shares at option price of RM4.60 per share – 54,300 shares at option price of RM4.92 per share – 4,608,696 shares at option price of RM6.37 per share – 2,524,902 shares at option price of RM5.67 per share	3,505,758,198
30.05.2007	224,369	Exercise of share options under PBB ESOS as follows: – 9,369 shares at option price of RM3.56 per share – 6,500 shares at option price of RM4.60 per share – 2,500 shares at option price of RM4.92 per share – 128,000 shares at option price of RM6.37 per share – 78,000 shares at option price of RM5.67 per share	3,505,982,567
04.06.2007	2,962,800	Exercise of share options under PBB ESOS as follows: – 43,000 shares at option price of RM3.56 per share – 1,000 shares at option price of RM3.40 per share – 117,000 shares at option price of RM4.60 per share – 34,000 shares at option price of RM4.92 per share – 1,931,000 shares at option price of RM6.37 per share – 836,800 shares at option price of RM5.67 per share	3,508,945,367
07.06.2007	33,900	Exercise of share options under PBB ESOS as follows: – 400 shares at option price of RM3.56 per share – 1,500 shares at option price of RM4.60 per share – 25,000 shares at option price of RM6.37 per share – 7,000 shares at option price of RM5.67 per share	3,508,979,267

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
10.07.2007	1,974,411	Exercise of share options under PBB ESOS as follows: – 379 shares at option price of RM1.64 per share – 47,133 shares at option price of RM3.56 per share – 91,000 shares at option price of RM4.60 per share – 15,500 shares at option price of RM4.92 per share – 1,201,900 shares at option price of RM6.37 per share – 618,499 shares at option price of RM5.67 per share	3,510,953,678
17.07.2007	7,444,206	Exercise of share options under PBB ESOS as follows: – 82,283 shares at option price of RM3.56 per share – 19,925 shares at option price of RM3.40 per share – 95,575 shares at option price of RM4.60 per share – 16,100 shares at option price of RM4.92 per share – 6,428,923 shares at option price of RM6.37 per share – 801,400 shares at option price of RM5.67 per share	3,518,397,884
20.07.2007	727,500	Exercise of share options under PBB ESOS as follows: – 3,000 shares at option price of RM3.56 per share – 21,000 shares at option price of RM4.60 per share – 10,000 shares at option price of RM4.92 per share – 512,000 shares at option price of RM6.37 per share – 181,500 shares at option price of RM5.67 per share	3,519,125,384
14.11.2007	6,071,344	Exercise of share options under PBB ESOS as follows: – 727 shares at option price of RM1.64 per share – 68,822 shares at option price of RM3.56 per share – 450 shares at option price of RM3.40 per share – 138,900 shares at option price of RM4.60 per share – 26,000 shares at option price of RM4.92 per share – 4,763,700 shares at option price of RM6.37 per share – 1,072,745 shares at option price of RM5.67 per share	3,525,196,728
16.11.2007	1,834,280	Exercise of share options under PBB ESOS as follows: – 32,006 shares at option price of RM3.56 per share – 29,075 shares at option price of RM3.40 per share – 86,969 shares at option price of RM4.60 per share – 16,000 shares at option price of RM4.92 per share – 1,117,231 shares at option price of RM6.37 per share – 552,999 shares at option price of RM5.67 per share	3,527,031,008
26.11.2007	849,375	Exercise of share options under PBB ESOS as follows: – 9,700 shares at option price of RM3.56 per share – 19,075 shares at option price of RM3.40 per share – 38,000 shares at option price of RM4.60 per share – 19,500 shares at option price of RM4.92 per share – 479,800 shares at option price of RM6.37 per share – 283,300 shares at option price of RM5.67 per share	3,527,880,383
17.12.2007	11,000	Exercise of share options under PBB ESOS at option price of RM6.37 per share	3,527,891,383

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
21.01.2008	701,527	Exercise of share options under PBB ESOS as follows: – 46,600 shares at option price of RM3.56 per share – 125 shares at option price of RM3.40 per share – 19,000 shares at option price of RM4.60 per share – 8,500 shares at option price of RM4.92 per share – 481,302 shares at option price of RM6.37 per share – 146,000 shares at option price of RM5.67 per share	3,528,592,910
05.02.2008	710,476	Exercise of share options under PBB ESOS as follows: – 11,109 shares at option price of RM3.56 per share – 4,700 shares at option price of RM4.60 per share – 8,000 shares at option price of RM4.92 per share – 502,167 shares at option price of RM6.37 per share – 184,500 shares at option price of RM5.67 per share	3,529,303,386
18.02.2008	1,595,474	Exercise of share options under PBB ESOS as follows: – 10,262 shares at option price of RM3.56 per share – 50 shares at option price of RM3.40 per share – 61,862 shares at option price of RM4.60 per share – 10,500 shares at option price of RM4.92 per share – 1,090,800 shares at option price of RM6.37 per share – 422,000 shares at option price of RM5.67 per share	3,530,898,860
21.02.2008	65,000	Exercise of share options under PBB ESOS as follows: – 2,500 shares at option price of RM4.60 per share – 41,500 shares at option price of RM6.37 per share – 21,000 shares at option price of RM5.67 per share	3,530,963,860
05.03.2008	748,792	Exercise of share options under PBB ESOS as follows: – 2,121 shares at option price of RM1.64 per share – 23,221 shares at option price of RM3.56 per share – 4,750 shares at option price of RM3.40 per share – 37,700 shares at option price of RM4.60 per share – 17,500 shares at option price of RM4.92 per share – 462,400 shares at option price of RM6.37 per share – 201,100 shares at option price of RM5.67 per share	3,531,712,652
12.03.2008	213,182	Exercise of share options under PBB ESOS as follows: – 18,982 shares at option price of RM3.56 per share – 11,500 shares at option price of RM4.60 per share – 5,500 shares at option price of RM4.92 per share – 123,000 shares at option price of RM6.37 per share – 54,200 shares at option price of RM5.67 per share	3,531,925,834

* The number of shares allotted has been adjusted to reflect the consolidation of PBB shares from par value of RM0.50 to par value of RM1.00 on 2 June 2004.



SUMMARY OF PROPERTIES OWNED BY PUBLIC BANK GROUP

AS AT 31 DECEMBER 2009

No. of Properties			
Area	Freehold	Leasehold	Net Book Value (RM'000)
DOMESTIC			
PUBLIC BANK BERHAD			
Kuala Lumpur	2	—	268,989
Perak	1	—	278
Sarawak	—	1	26
PUBLIC MUTUAL BERHAD			
Kuala Lumpur	1	3	9,652
Johor Darul Takzim	—	1	864
Pulau Pinang	1	—	1,896
Sarawak	—	2	2,645
Selangor Darul Ehsan	1	1	5,999
PUBLIC HOLDINGS SDN BHD			
Kuala Lumpur	5	3	109,649
Johor Darul Takzim	4	—	47,938
Kedah Darul Aman	1	—	1,473
Melaka	—	2	1,340
Pahang	1	—	100
Perak	3	1	5,418
Pulau Pinang	7	—	5,415
Sabah	—	2	1,850
Sarawak	1	3	5,113
Selangor Darul Ehsan	1	2	45,881
PUBLIC BANK (L) LTD			
Federal Territory of Labuan	—	1	285
OVERSEAS			
CAMBODIAN PUBLIC BANK PLC			
Phnom Penh	1	—	63,055
PUBLIC FINANCIAL HOLDINGS GROUP			
Hong Kong	—	31	381,361

Note:

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

LIST OF TOP 10 PROPERTIES OWNED BY PUBLIC BANK GROUP 427

AS AT 31 DECEMBER 2009

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date Of Last Revaluation/ Acquisition	Net Book Value (RM'000)
Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Malaysia	36-storey office tower and 5-storey podium (L/B)	Public Bank's Head Office and Kuala Lumpur City Main Office; business premises of subsidiary and associated companies	Freehold	—	15 Years	46,436	2-1-1995	268,790
Basement, Ground Floor 1st-12th Floor, Flat A & B on 14th Floor, 17th Floor, Flat A on 19th Floor, 21st Floor and Main Roof Public Bank Centre 120 Des Voeux Road Central Hong Kong	A shop unit on ground floor and basement; and office floors of a 23-storey commercial building	Public Bank (HK) Ltd's Main Branch and office	Leasehold 999 Years	833 Years (26-6-2842)	32 Years	5,451	30-5-2006**	109,735
Lot 59, Section 57 Jalan Raja Chulan 50200 Kuala Lumpur Malaysia	Vacant land	Public Mutual's future new Head Quarters	Freehold	—	—	5,393	24-4-2006	68,957
Building No. 23 Street 114, Khan Daun Penh Phnom Penh Cambodia	10 storey building 2½ Basement on lot 23 & 24	Head Office, Phnom Penh Main Branch and Campu Bank Lonpac Insurance PLC	Freehold	—	new	18,149	14-10-2009	63,055
11th Floor Argyle Centre Phase 1 688 Nathan Road 65 Argyle Street Mongkok Kowloon Hong Kong	Office space on the 11th Floor of a 21-storey commercial building	Public Financial Holdings Group office; part of office space leased to third parties	Leasehold 150 Years	51 Years (18-2-2060)	27 Years	1,465	2-5-1994 (R)	57,648

428 List of Top 10 Properties Owned by Public Bank Group

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date Of Last Revaluation/ Acquisition	Net Book Value (RM'000)
Shop B Ground Floor and Office B 1st to 17th Floor JCG Building 16 Mongkok Road Mongkok Kowloon Hong Kong	A shop unit on ground floor and all B units from 1st to 17th floors of an 18-storey commercial building with shops and offices	Public Bank (HK) Ltd. & Public Finance Ltd.'s Mongkok Branch; storeroom of Public Financial Holdings Group; office space leased to third parties	Leasehold 150 Years	41 Years (27-5-2050)	22 Years	2,215	30-6-1994 (R)	46,549
Public Bank Tower 19 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Malaysia	30-storey office tower (L/B)	Public Bank's Johor Bahru Branch; office space rented to third parties and a related party	Freehold	—	15 Years	36,222	12-8-1991	44,494
11th Floor Wing On House 71 Des Voeux Road Central Central Hong Kong	11th floor of a 31-storey office building built on a 2-storey podium	Office of Public Financial Holdings Group. A portion is leased to Public Bank Berhad, Hong Kong branch as office	Leasehold 999 Years	893 Years (14-8-2902)	42 Years	1,464	11-6-1993	39,442
1 Jalan Air Hitam Kawasan Institusi Bandar Baru Bangi 43000 Kajang Selangor Darul Ehsan Malaysia	5 blocks of integrated multi-storey building (L/B)	Public Bank's IT & Training Centre	Leasehold 99 Years	87 Years (2-9-2096)	12 Years	31,669	3-9-1997	38,316
Wisma Public Bank 300 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	14-storey office building (L/B)	Public Bank's Tiong Nam Branch	Freehold	—	22 Years	10,395	27-8-2003	23,361

Notes:

(L/B) Land and building

(R) Revaluation was performed as at 31 December 2009

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

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



**PUBLIC BANK**

HEAD OFFICE:

Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur, Malaysia

Tel : 03-21766000, 03-21766666, 03-21638888, 03-21638899

Fax : 03-21639917 Swift: PBBEMYKL

Cable : "PBBKLCITY" Kuala Lumpur Telex : MA28290/MA28291

BRANCH	ADDRESS	TELEPHONE	FAX
FEDERAL TERRITORY			
Bandar Sri Damansara	6, Jalan Tembaga SD5/2A Bandar Sri Damansara 52200 Kuala Lumpur	03-62725694 03-62725742 03-62725741	03-62725767 03-62747185
Bangsar	36 & 38, Jalan Maarof Bangsar, 59100 Kuala Lumpur	03-22828929 03-22828930 03-22828931	03-22828917
Bintang Walk	150, Jalan Bukit Bintang 55100 Kuala Lumpur	03-21427833 03-21427886 03-21427969	03-21421241
Bukit Damansara	36 – 40, Medan Setia 2 Plaza Damansara, Bukit Damansara 50490 Kuala Lumpur	03-20945541 03-20945573 03-20951757	03-20943844
Changkat Thambi Dollah	85, 86 & 87, Changkat Thambi Dollah Off Jalan Pudu, 55100 Kuala Lumpur	03-21426300 03-21454492 03-21454498	03-21415266 03-21454462
Jalan Bukit Bintang	Sun Complex, Jalan Bukit Bintang 55100 Kuala Lumpur	03-21445755 03-21445759 03-21445760	03-21445751
Jalan Hang Lekiu	20 – 26, Jalan Hang Lekiu 50100 Kuala Lumpur	03-20781115 03-20787077	03-20726155
Jalan Ipoh	480, Wisma Yap Ka, 3rd Mile, Jalan Ipoh 51200 Kuala Lumpur	03-40427487 03-40427488 03-40427489	03-40420032
Jalan Kelang Lama	3045 – 3051, Batu 4½ Jalan Kelang Lama, 58000 Kuala Lumpur	03-79811211 03-79811212 03-79811213	03-79816939
Jalan Kuchai Lama	44, 46, 48 & 50, Jalan 6/116B Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur	03-79804377 03-79804575 03-79804683	03-79843411
Jalan Pasar	44 & 46, Jalan Pasar 55100 Kuala Lumpur	03-21429110 03-21429144 03-21429160	03-21429916
Jalan Raja Chulan	Wisma Lim Foo Yong 86, Jalan Raja Chulan, 50200 Kuala Lumpur	03-21418255 03-21418366	03-21422893 03-21487721
Jalan Raja Laut	Lot G3 & 1A.2, Bangunan KWSP 5, Jalan Raja Laut, 50350 Kuala Lumpur	03-26930722	03-26914624

BRANCH	ADDRESS	TELEPHONE	FAX
FEDERAL TERRITORY			
Jalan Sultan Sulaiman	Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20702711	03-22745909 03-22732101 03-22722145
Jalan Sungei Besi	12, Jalan Sungei Besi 57100 Kuala Lumpur	03-92214771 03-92215650 03-92215655	03-92212968
Jalan Tun H.S. Lee	Lot G. 01, Plaza First Nationwide 161, Jalan Tun H.S. Lee 50000 Kuala Lumpur	03-20702121 03-20702234 03-20702235	03-20702250
Jalan Tun Sambanthan	68, Jalan Tun Sambanthan 50470 Brickfields, Kuala Lumpur	03-22725930 03-22736494 03-22736495	03-22736513
Jinjang	3476 & 3477, Garden Street Jinjang Utara, 52000 Kuala Lumpur	03-62523355 03-62523356 03-62523357	03-62522422 03-62588627
Kampung Baru	Wisma Le Proton, 134 Jalan Raja Abdullah, Kampung Baru 50300 Kuala Lumpur	03-26927269 03-26928749	03-26927188
Kepong	147, 149, 151 & 153 Jalan Rimbunan Raya 1, Laman Rimbunan Kepong, 52100 Kuala Lumpur	03-62570032 03-62574690	03-62516611
KL City Main Office	Ground Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur	03-21638866 03-21767888	03-21639901
Medan Idaman	4, 6 & 8 Jalan 2/21D Medan Idaman Business Centre Batu 5, Jalan Gombak 53000 Kuala Lumpur	03-40234467 03-40234468 03-40234478	03-40234497
Mont' Kiara	1 & 3, Jalan Solaris 1 Solaris Mont' Kiara 50480 Kuala Lumpur	03-62036363	03-62036639 03-62037878
Overseas Union Garden	3 & 5, Medan Hujan Rahmat Taman Overseas Union 58200 Kuala Lumpur	03-77856409 03-77856410 03-77856411	03-77856412
Pandan Indah	1, 3 & 5, Jalan Pandan Indah 1/23 Pandan Indah, 55100 Kuala Lumpur	03-92742495 03-92742496 03-92747494	03-92746497

BRANCH	ADDRESS	TELEPHONE	FAX
FEDERAL TERRITORY			
Pandan Jaya	44, Jalan Pandan 2/2 Pandan Jaya, 55100 Kuala Lumpur	03-92812199 03-92863149 03-92863160	03-92812206
Salak South	31 – 33, Ground Floor, Jalan 3/108C Taman Sungai Besi, Salak South 57100 Kuala Lumpur	03-79802921 03-79804293 03-79805190	03-79805230
Segambut	75 & 77, Jalan Segambut Pusat 51200 Kuala Lumpur	03-62526636 03-62527052 03-62527054	03-62526620 03-62527057
Selayang	45, 47 & 49, Jalan 2/3A Pusat Bandar Utara Selayang 68100 Batu Caves, Kuala Lumpur	03-61205099 03-61368644 03-61368645	03-61368651 03-61383723
Sentul	36, 38 & 40, Jalan 14/48A Sentul Raya Off Jalan Sentul 51000 Kuala Lumpur	03-40421509 03-40421652 03-40421811	03-40421822
Seri Petaling	40 – 42, Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur	03-90585711 03-90585712 03-90585713	03-90570415 03-90582026
Setapak	263, 265, 267 & 269 Jalan Genting Kelang, Setapak 53300 Kuala Lumpur	03-40219341 03-40219343	03-40219351
Taman Cheras	1, 3 & 5, Jalan 4/96A Taman Cheras Makmur 56100 Kuala Lumpur	03-91313581 03-91313466 03-91313534	03-91304586
Taman Connaught	80 & 82, Jalan Cerdas Taman Connaught, Cheras 56000 Kuala Lumpur	03-91023649 03-91023650	03-91023645
Taman Desa	Lot 1A – 3A, Business Centre Taman Desa, Off Jalan Kelang Lama 58100 Kuala Lumpur	03-79837811 03-79837812 03-79837813	03-79818069
Taman Maluri	275 & 277, Jalan Mahkota Taman Maluri, Cheras, 55100 Kuala Lumpur	03-92859994 03-92859995 03-92859996	03-92855197 03-92856811
Taman Melawati	262 – 265, Jalan Bandar 12 Taman Melawati, 53100 Kuala Lumpur	03-41052003 03-41052004 03-41052005	03-41052009
Taman Midah	2, Jalan Midah 3, Taman Midah, Cheras 56000 Kuala Lumpur	03-91300234 03-91300533 03-91300906	03-91309226
Taman Tun Dr. Ismail	66, 68 & 70, Jalan Burhanuddin Helmi Taman Tun Dr. Ismail, 60000 Kuala Lumpur	03-77294672 03-77299440 03-77296671	03-77298754 03-77223719

BRANCH	ADDRESS	TELEPHONE	FAX
FEDERAL TERRITORY			
Tiong Nam	Wisma Public Bank, 300, Jalan Raja Laut 50350 Kuala Lumpur	03-26939526 03-26939528 03-26939555	03-26914673
Wangsa Maju	24 – 26, Jalan 1A/27A, Section 1 Wangsa Maju, 53300 Kuala Lumpur	03-41428577 03-41428579 03-41428581	03-41429281 03-41425445
FEDERAL TERRITORY – LABUAN			
Labuan	Lucas Kong Building, 5, Jalan Merdeka 87007 Wilayah Persekutuan, Labuan	087-414201 087-414278 087-414373	087-412388
SELANGOR			
Ampang	Wisma Saudagar, 420, Batu 5, Jalan Ampang 68000 Ampang, Selangor	03-42562333 03-42562636	03-42578964
Bandar Bukit Tinggi	69 & 71, Jalan Batu Nilam 1 Bandar Bukit Tinggi 41200 Klang, Selangor	03-33231661 03-33236006 03-33236996	03-33237700 03-33237117
Bandar Puchong Jaya	9 & 10, Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong, Selangor	03-58821888 03-58821889 03-58821890	03-58821299 03-80766093
Bandar Puteri Puchong	1 & 3, Jalan Puteri 2/3 Bandar Puteri, 47100 Puchong, Selangor	03-80627799 03-80628899	03-80627788
Bandar Sunway	48 & 50, Jalan PJS 11/28A Bandar Sunway 46150 Petaling Jaya, Selangor	03-56364138 03-56362256 03-56361050	03-56363556
Banting	5, 7, 9, Jalan Sultan Abdul Samad 42700 Banting, Selangor	03-31872466 03-31878586 03-31875992	03-31872488 03-31872708
Batang Kali	3, 4 & 5, Jalan CKC 1 Bandar Baru Batang Kali 44300 Ulu Selangor, Selangor	03-60571200 03-60572401 03-60572402	03-60572277 03-60572405
Bukit Beruntung	23 & 25, Jalan Melati 2B, Seksyen BB11 Bandar Bukit Beruntung 48300 Rawang, Selangor	03-60282168 03-60282169 03-60282170	03-60282173
Damansara Jaya	1, 3 & 5, Jalan SS 22/23 Damansara Jaya 47400 Petaling Jaya, Selangor	03-77287353 03-77298588 03-77298589	03-77288125
Damansara Utama	49, 51 & 53, Jalan SS 21/60 Damansara Utama 47400 Petaling Jaya, Selangor	03-77289376 03-77289406	03-77278064
Jalan SK 10/4	Bangunan MCA Seri Kembangan 1260, Jalan SK 10/4 43300 Seri Kembangan, Selangor	03-89483557 03-89488700	03-89481412 03-89485700

BRANCH	ADDRESS	TELEPHONE	FAX
SELANGOR			
Jalan Tapah	62, 64 & 66, Jalan Tapah Off Jalan Goh Hock Huat 41400 Kelang, Selangor	03-33419036 03-33419037 03-33414889	03-33411353
Kapar	252, 252A & 256, Jalan Besar 42200 Kapar, Selangor	03-32500916 03-32500917 03-32502799	03-32500915
Kajang	14, 15 & 16, Jalan Raja Haroun 43000 Kajang, Selangor	03-87335752 03-87368891 03-87368894	03-87365369 03-87367278
Kampung Baru Subang	34 – 36, Jalan Lebuhr Besar Kampung Baru Subang 40150 Shah Alam, Selangor	03-78468986 03-78468012 03-78468714	03-78463351
Kelana Jaya	F-07, F-08 & F-09, Jalan SS 6/5B Dataran Glomac, Pusat Bandar Kelana Jaya 47301 Petaling Jaya, Selangor	03-78034928 03-78031267 03-78034981	03-78032478
Klang	28 – 32, Persiaran Sultan Ibrahim 41300 Klang, Selangor	03-33423567	03-33423566
Kuala Selangor	1 & 3, Jalan Raja Lumu 45000 Kuala Selangor, Selangor	03-32894193 03-32894194 03-32894195	03-32894133
Pandamaran	306, Jalan Besar, Pandamaran 42000 Port Klang, Selangor	03-31672830 03-31672831 03-31672832	03-31675440
Petaling Jaya New Town	1, 3 & 5, Jalan 52/2 46200 Petaling Jaya, Selangor	03-79570007 03-79569924 03-79570211	03-79579601
Petaling Jaya Old Town	N19 & O19, Jalan Pasar Off Jalan Othman 46000 Petaling Jaya, Selangor	03-77835763 03-77835785 03-77836566	03-77836562
Port Klang	82, Lebuhr Beringin, Off Jalan Berangan 42000 Port Klang, Selangor	03-31674550 03-31674668 03-31673987	03-31685510
Rawang	45, Jalan 1B, Batu 17, Taman Jati 48000 Rawang, Selangor	03-60924936 03-60924937 03-60924934	03-60924935
Sabak Bernam	2180 & 2181, Jalan Menteri 45200 Sabak Bernam, Selangor	03-32162500 03-32162805 03-32162612	03-32162809
SEA Park	8 & 10, Jalan 21/12, Sea Park 46300 Petaling Jaya, Selangor	03-78738931 03-78738932 03-78738934	03-78744798

BRANCH	ADDRESS	TELEPHONE	FAX
SELANGOR			
Section 14	12, 14 & 16, Jalan 14/14 46100 Petaling Jaya, Selangor	03-79582585 03-79582586 03-79582591	03-79582593
Sekinchan	102, Jalan Bernam 45400 Sekinchan, Selangor	03-32411263 03-32411264 03-32410093	03-32411644 03-32411229
Semenyih	22B & 23, Jalan Besar 43500 Semenyih, Selangor	03-87238811 03-87238812 03-87238706	03-87237455
Seri Gombak	19, 21 & 23, Jalan SG 1/6 Taman Seri Gombak 68100 Batu Caves, Selangor	03-61852980 03-61889611 03-61889612	03-61886236 03-61852979
Seri Kembangan	Lot 255, Jalan Kolej 43300 Seri Kembangan, Selangor	03-89421096 03-89422671 03-89422916	03-89422537
Seri Setia	B01 & G01, Plaza Seri Setia 1, Jalan SS9A/2 47300 Petaling Jaya, Selangor	03-78741944 03-78741966 03-78754009	03-78769411
Shah Alam	Lot 31 – 35, Jalan Utas B, Seksyen 15/B 40000 Shah Alam, Selangor	03-55100567 03-55101313 03-55101323	03-55101288
SS 2	61-1, 61-2 & 61-3, Jalan SS 2/75 47300 Petaling Jaya, Selangor	03-78740436 03-78741911 03-78741933	03-78741491
Subang Jaya	B1 – B4, Jalan SS 15/4D, Subang Jaya 47500 Petaling Jaya, Selangor	03-56332420 03-56332421 03-56341132	03-56347713
Sungai Buloh	Lot 403 & 404, Jalan 1A/1 Bandar Baru Sungai Buloh 47000 Sungai Buloh, Selangor	03-61561983 03-61562056 03-61562083	03-61562138
Sungai Chua	1 & 3, Jalan M/J 2, Taman Majlis Jaya Jalan Sungai Chua, 43000 Kajang Selangor	03-87370228	03-87345570
Sungai Jarom	S11 – 12, Jalan Rajawali 42600 Sungai Jarom, Selangor	03-31912031 03-31912032 03-31912033	03-31912080
Sungai Pelek	24-C, Jalan Besar 43950 Sungai Pelek, Selangor	03-31411236 03-31411237	03-31411233
Taman Chi Liung	22, 24, 26 & 28, Lintang Menalu Taman Chi Liung, 41200 Klang, Selangor	03-33718899 03-33718482 03-33718433	03-33720319

BRANCH	ADDRESS	TELEPHONE	FAX
SELANGOR			
Taman Indah	23, Jalan Kasturi 1, Plaza Kasturi Off Jalan Balakong, Batu 11 43200 Cheras, Selangor	03-90755202/211 03-90755200	03-90755769 03-90802915
Taman Mayang	21 & 23, Jalan SS 25/23 Taman Plaza, 47301 Petaling Jaya Selangor	03-78039247 03-78030124 03-78030151	03-78039447
Taman Muda	36, Jalan Bunga Tanjung 8A Taman Muda, 68000 Ampang, Selangor	03-42979335 03-42969506 03-42961806	03-42961810
Taman Sentosa Klang	2, Jalan Dato' Yusof Shahbudin 30 Taman Sentosa, 41200 Klang, Selangor	03-51613369 03-51613414 03-51613449	03-51613524
Taman Sri Muda	2, Jalan Sepadu B25/B Taman Perindustrian Axis, Section 25 40400 Shah Alam, Selangor	03-51216394 03-51216395 03-51216397	03-51216372
Taman Taming Jaya	No. 2-1-G, 2-1-1 & 2-1-2, Wisma Pauson Jalan Taming Kanan 1 Taman Taming Jaya 43300 Balakong, Selangor	03-89614980 03-89614984 03-89614990	03-89614985
USJ	3, 5 & 7, Jalan USJ 10/1F 47620 UEP Subang Jaya, Selangor	03-56350617 03-56350760	03-56329196
JOHOR			
Bandar Baru Permas Jaya	17 & 19, Jalan Permas 10/1 Bandar Baru Permas Jaya 81750 Masai, Johor	07-3883252 07-3883253 07-3883254	07-3883259
Batu Pahat	116, 117 & 118 Jalan Chengal, Taman Makmur 83000 Batu Pahat, Johor	07-4344941 07-4344942	07-4319120
Bukit Pasir	36-2 & 36-3, Taman Bahagia Jalan Panchor, Bukit Pasir 84300 Muar, Johor	06-9857261 06-9856878	06-9856811
Chaah	3 & 5, Taman Sri Chaah, Jalan Yong Peng 85400 Chaah, Johor	07-9262001 07-9262002	07-9262008
Endau	811 & 812, Jalan Aman Taman Bahagia, 86900 Endau, Johor	07-7944051 07-7944155	07-7944086
Jalan Abdullah	74, 76 & 78, Jalan Abdullah 84000 Muar, Johor	06-9518753/60	06-9519550 06-9533659
Johor Bahru	Level 1 & 12, Public Bank Tower 19, Jalan Wong Ah Fook 80000 Johor Bahru, Johor P.O. Box 231, 80720 Johor Bahru, Johor	07-2186888	07-2221988

BRANCH	ADDRESS	TELEPHONE	FAX
JOHOR			
Kahang	11 & 12, Jalan Parang 1, Taman Sri Kahang 86700 Kahang, Johor	07-7882294 07-7882295 07-7882296	07-7882297
Kluang	3A, 3B & 3C, Jalan Dato' Teoh Siew Khor 86000 Kluang, Johor	07-7735112 07-7735113	07-7735117
Kota Tinggi	10A, 10B & 10C, Jalan Tun Habab 81900 Kota Tinggi, Johor	07-8834192 07-8834195 07-8834835	07-8834852
Kulai	42-1, 42-2 & 42-3, Jalan Raya Kulai Besar, 81000 Kulai, Johor	07-6634166 07-6634167 07-6634171	07-6635761
Masai	1 & 3, Jalan Suria 3 Bandar Seri Alam, 81750 Masai, Johor	07-2522498 07-2522500 07-2522501	07-2511795
Mersing	21 & 22, Jalan Sulaiman 86800 Mersing, Johor	07-7992477 07-7992478	07-7992530 07-7993912
Muar	47, 48, 49 & 50 Jalan Sayang, 84000 Muar, Johor	06-9517505 06-9517520 06-9517521	06-9523033
Parit Raja	11 & 12, Jalan Kristal, Taman Kristal 2 86400 Parit Raja, Batu Pahat, Johor	07-4542855 07-4542857 07-4542859	07-4542844
Pekan Nenas	SH 9 & SH 10, Main Road 81500 Pekan Nenas, Johor	07-6995352 07-6995594 07-6995597	07-6995351
Pontian Kecil	761 & 762, Jalan Taib 82000 Pontian, Johor	07-6877861 07-6879601 07-6879602	07-6876144 07-6877844 07-6878424
Segamat	62H & 62I, Jalan Genuang 85000 Segamat, Johor	07-9313900 07-9313930 07-9313931	07-9310854
Simpang Renggam	17 & 19, Jalan Bintang Ria 1 Taman Bintang Ria 86200 Simpang Renggam, Johor	07-7550510 07-7550511 07-7550512	07-7550513 07-7550523
Skudai	2 & 4, Jalan Nakhoda 12 Taman Ungku Tun Aminah 81300 Skudai, Johor	07-5570007 07-5570008 07-5564625	07-5560303
Tangkak	125, Jalan Muar, 84900 Tangkak Johor	06-9782123 06-9782124	06-9783733
Taman Desa Cemerlang	2, 4 & 6, Jalan Johar 2 Taman Desa Cemerlang 81800 Ulu Tiram, Johor	07-8616450	07-8616884

BRANCH	ADDRESS	TELEPHONE	FAX
JOHOR			
Taman Johor Jaya	29, 31, 33 & 35, Jalan Rosmerah 2/10 Taman Johor Jaya 81100 Johor Bahru, Johor	07-3546755	07-3547113
Taman Munsyi Ibrahim	48 & 50, Jalan Dian 8 Taman Munsyi Ibrahim 81200 Johor Bahru, Johor	07-2346820 07-2346821 07-2346859	07-2346790
Taman Perling	31, 33 & 35, Jalan Persisiran Perling Taman Perling, 81200 Johor Bahru, Johor	07-2344426 07-2344608 07-2344919	07-2345850
Taman Sentosa	G1 & G2, Wisma Daiman 64 Jalan Sulam, Taman Sentosa 80150 Johor Bahru, Johor	07-3312266	07-3312666
Tampoi	14 & 16, Jalan Sri Bahagia 10 Taman Sri Bahagia, Off Jalan Tampoi 81200 Johor Bahru, Johor	07-2377184 07-2377519 07-2377801	07-2378042
Ulu Tiram	8 & 9, Jalan Raya, Taman Tiram Baru 81800 Ulu Tiram, Johor	07-8613291 07-8613292 07-8613293	07-8612666
PULAU PINANG			
Bandar Baru Air Itam	54, 56 & 58, Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang	04-8273742 04-8284088 04-8285088	04-8280678
Bagan Ajam	6862 – 6864, Jalan Bagan Jermal Bagan Ajam, 13000 Butterworth Pulau Pinang	04-3317822 04-3317823 04-3317824	04-3312248
Bandar Bayan Baru	5, 7, 9 & 11, Lorong Kampung Jawa Bandar Bayan Baru 11900 Bayan Lepas, Pulau Pinang	04-6438200 04-6438390 04-6438723	04-6441877
Bandar Seberang Jaya	11, Jalan Todak 2 Pusat Bandar Seberang Jaya 13700 Seberang Jaya, Pulau Pinang	04-3971096 04-3971105 04-3971106	04-3971107
Bukit Mertajam	2644 – 2648, Jalan Che Bee Noor 14000 Bukit Mertajam, Pulau Pinang	04-5392205 04-5392207 04-5392209	04-5392164
Butterworth	85, 87 & 89, Jalan Selat, Taman Selat 12000 Butterworth, Pulau Pinang	04-3329837 04-3329839 04-3326416	04-3329836 04-3230349
Jalan Air Itam	27A-G-1, 27B-G-1 & 27C-G-1 Jalan Air Itam, 11500 Air Itam Pulau Pinang	04-8288591/95 04-8265261	04-8288537

BRANCH	ADDRESS	TELEPHONE	FAX
PULAU PINANG			
Jalan Datuk Keramat	Ground & 1st Floor 456 Jalan Datuk Keramat 10460 Pulau Pinang	04-2264571 04-2292459 04-2281045	04-2291978
Jalan Macalister	104, 104A & 104B, Jalan Macalister 10400 Pulau Pinang	04-2276842 04-2276843/45	04-2276850
Jalan Raja Uda	7320-7322, Ground & 1st Floor Jalan Raja Uda 12300 Butterworth, Pulau Pinang	04-3245297 04-3245298	04-3245301
Jelutong	407-A & 409-A, Jalan Jelutong 11600 Jelutong, Pulau Pinang	04-2813227 04-2825230	04-2825232
Kepala Batas	21 & 23, Jalan Bertam 13200 Kepala Batas Seberang Perai Utara, Pulau Pinang	04-5759085 04-5759086 04-5759087	04-5759088
Lebuh Macallum	Harbour Trade Centre, 2-1-20 & 2-1-30 2, Gat Lebuh Macallum 10300 Pulau Pinang	04-2628442 04-2627732 04-2627886	04-2630057
Nibong Tebal	3619 – 3620, Jalan Che Ahmad 14300 Nibong Tebal Seberang Perai Selatan, Pulau Pinang	04-5932216 04-5931433 04-5931460	04-5931590
Prai	2684 & 2685, Jalan Chain Ferry Taman Inderawasih, 13600 Prai Pulau Pinang	04-3901241 04-3901246 04-3901981	04-3902394
Pulau Pinang	87, Lebuh Bishop 10200 Pulau Pinang	04-2613415 04-2616755 04-2611416	04-2617417
Pulau Tikus	58, Jalan Cantonment 10250 Pulau Pinang	04-2286017 04-2286018 04-2286019	04-2287075
Relau	1 & 3, Jalan Relau 11900 Pulau Pinang	04-6443112 04-6443102 04-6443097	04-6443128
Simpang Ampat	19, 21 & 23, Jalan Keruing Kawasan Perniagaan Simpang Ampat 14100 Seberang Perai Selatan Pulau Pinang	04-5887000 04-5886744 04-5883431	04-5888080
Sungai Nibong	33, 35 & 37, Jalan Pantai Jerjak 13 Sungai Nibong, 11900 Pulau Pinang	04-6586000	04-6576212
Taman Bandar Raya	15 – 18, Lorong Sepakat 1 Taman Bandar Raya 14000 Bukit Mertajam, Pulau Pinang	04-5300288 04-5306327 04-5306328	04-5377288 04-5306195

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MELAKA			
Air Keroh	26 & 27, Lorong Setia Satu Air Keroh Heights, 75450 Melaka	06-2327208 06-2327209 06-2327210	06-2327205
Batu Berendam	1, 3 & 5, Jalan Mutiara Melaka 4 Taman Mutiara Melaka, Batu Berendam 75350 Melaka	06-3176200 06-3176205 06-3179688	06-3191822
Masjid Tanah	Lot 367 & 368, Kompleks Perniagaan 78300 Masjid Tanah, Melaka	06-3847712 06-3847713	06-3847717
Melaka	60-68, Jalan Laksamana 75000 Melaka	06-2830233	06-2844552
Taman Malim Jaya	4, 6 & 8, Jalan Suria 2 Taman Malim Jaya, 75250 Melaka	06-3346397 06-3346404 06-3346405	06-3346412
Taman Melaka Raya	566, 567 & 568, Jalan Merdeka Taman Melaka Raya, 75000 Melaka	06-2817527 06-2817528 06-2817529	06-2818806
Tengkera	300, 300A, 300B & 300-1 Jalan Ong Kim Wee, 75300 Melaka	06-2832052 06-2832054 06-2832072	06-2832159 06-2839591
NEGERI SEMBILAN			
Bahau	120 & 121, Jalan Gurney 72100 Bahau, Negeri Sembilan	06-4544102 06-4544103/104	06-4545270
Gemas	12, Jalan Mahkamah 73400 Gemas, Negeri Sembilan	07-9481770 07-9481780	07-9481110
Kuala Pilah	564, Jalan Perpateh 72000 Kuala Pilah, Negeri Sembilan	06-4812277/99	06-4815544
Kuala Kelawang	128A & 128B, Jalan Syed Ali 71600 Kuala Kelawang, Jelebu Negeri Sembilan	06-6136925 06-6136926 06-6136939	06-6137110
Nilai	168 – 170, Jalan Besar 71800 Nilai, Negeri Sembilan	06-7991066 06-7991067 06-7991391	06-7991337
Port Dickson	866 & 867, Jalan Pantai 71000 Port Dickson, Negeri Sembilan	06-6472942 06-6472943 06-6471655	06-6474831 06-6474709
Rasah	1281 – 1284, Jalan Rasah 70300 Seremban, Negeri Sembilan	06-7620623 06-7625144 06-7628289	06-7637622 06-7616671
Seremban	44 – 46, Jalan Dato' Lee Fong Yee 70000 Seremban, Negeri Sembilan	06-7630661 06-7630662	06-7634500

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NEGERI SEMBILAN			
Tampin	4707 & 4708, Jalan Besar 73000 Tampin, Negeri Sembilan	06-4412511 06-4412512 06-4412513	06-4414814
PERAK			
Ayer Tawar	139 & 141, Jalan Besar 32400 Ayer Tawar, Perak	05-6726399 05-6726400	05-6726402
Bagan Serai	244 & 244A, Jalan Besar 34300 Bagan Serai, Perak	05-7212842 05-7212843	05-7212845
Bidor	62D & 62E, Jalan Besar 35500 Bidor, Perak	05-4341257 05-4340964	05-4341241
Bercham	4, 6, 8, & 10, Persiaran Bercham Selatan 2 31400 Ipoh, Perak	05-5480058 05-5480632 05-5482462 05-5468444	05-5480333 05-5473888
Chemor	12 – 16, Laluan Chemor Sinaran Desa Chemor Sinaran 31200 Chemor, Perak	05-2011124 05-2011125	05-2011573
Gunung Rapat	296 & 298, Jalan Raja Dr. Nazrin Shah Gunung Rapat, 31350 Ipoh, Perak	05-3131646 05-3131649 05-3113144	05-3132023 05-3112593
Ipoh Garden	133, 133A-D, Jalan Dato' Lau Pak Khuan 31400 Ipoh, Perak	05-5480951 05-5480952	05-5480958
Ipoh Main Office	7 – 13, Jalan Dato' Maharajalela 30000 Ipoh, Perak	05-2530115 05-2531034	05-2535505
Jalan Pasir Putih	135 – 139, Jalan Pengkalan Barat Off Jalan Pasir Putih, 31650 Ipoh, Perak	05-3222453 05-3219892	05-3225714
Jalan Sultan Idris Shah	76 – 80, Jalan Sultan Idris Shah 30000 Ipoh, Perak	05-2551068 05-2551069 05-2551070	05-2556555 05-2413679
Jalan Yang Kalsom	46 – 54, Jalan Yang Kalsom 30250 Ipoh, Perak	05-2531998 05-2531514	05-2535528 05-2558430
Jelapang	291, 293 & 295, Jalan Silibin 30100 Ipoh, Perak	05-5264014 05-5264015	05-5264485
Kampar	3 & 4, Jalan Balai 31900 Kampar, Perak	05-4651044 05-4652160	05-4651400
Kamunting	27 – 29, Regat Kamunting Off Jalan Kamunting 34600 Kamunting, Perak	05-8081110 05-8081112	05-8079363
Kuala Kangsar	12, Jalan Daeng Selili 33000 Kuala Kangsar, Perak	05-7769895 05-7769896	05-7769892

BRANCH	ADDRESS	TELEPHONE	FAX
PERAK			
Menglembu	67 – 73, Jalan Besar 31450 Menglembu, Perak	05-2811014 05-2814978	05-2815015 05-2815580
Parit Buntar	135 & 137, Jalan Taiping 34200 Parit Buntar, Perak	05-7160078/9/80	05-7160077
Pantai Remis	66 – 70, Jalan Damar Laut 34900 Pantai Remis, Perak	05-6771251 05-6771252	05-6771495
Pusing	293, Jalan Besar 31550 Pusing, Perak	05-2884077 05-2884078 05-2883942	05-2883975
Seri Manjung	Lot No. 2274 – 2277, Taman Samudera 32040 Seri Manjung, Perak	05-6882927 05-6882987	05-6884952
Simpang Pulai	39 & 41, Persiaran Sengat Baru 2 Taman Bersatu 31300 Simpang Pulai, Ipoh, Perak	05-3575360 05-3575361	05-3575358
Sitiawan	Lot 166 – 168, Jalan Raja Omar 32000 Sitiawan, Perak	05-6913526 05-6913527	05-6917198 05-6926875
Sungai Siput	161 & 162, Jalan Besar 31100 Sungai Siput, Perak	05-5986116 05-5984114	05-5986081
Taiping	29 – 35, Jalan Kota 34000 Taiping, Perak	05-8085070 05-8085071	05-8077362 05-8057145
Tanjong Malim	Lot 336-337, Jalan Chong Ah Peng 35900 Tanjong Malim, Perak	05-4597602 05-4597603	05-4597605
Tanjong Piandang	12 & 14, Jalan Piandang 1 Taman Piandang Indah 34250 Tanjong Piandang, Perak	05-7257941 05-7257942	05-7257943
Teluk Intan	Wisma Boltex, Jalan Pasar 36000 Teluk Intan, Perak	05-6223282 05-6212325	05-6215518
KEDAH			
Alor Setar	1070 & 1071, Jalan Telok Wanjah 05200 Alor Setar, Kedah	04-7315411 04-7315412 04-7317509	04-7315778
Changlun	73, Jalan Sintok Pekan Baru, 06010 Changlun, Kedah	04-9241457 04-9241085	04-9241870
Gurun	39 – 41, Jalan Raya 08300 Gurun, Kedah	04-4686143 04-4686325 04-4686326	04-4687024
Jalan Kota	1557, Jalan Kota 05000 Alor Setar, Kedah	04-7310559 04-7311384	04-7317716
Jitra	9 & 10, Kompleks Jitra 06000 Jitra, Kedah	04-9174926/27	04-9174931

BRANCH	ADDRESS	TELEPHONE	FAX
KEDAH			
Kuala Ketil	45 & 46, Jalan Putra, Taman Tanjung Peteri 09300 Kuala Ketil, Kedah	04-4163318 04-4163278 04-4163624	04-4163103
Kulim	No. 2, Jalan Tunku Putra 09000 Kulim, Kedah	04-4901090 04-4901096/97	04-4907502
Pokok Sena	A-01, Jalan Semarak 1 Taman Bandar Baru 06400 Pokok Sena, Kedah	04-7822000 04-7822008 04-7825872	04-7821019
Pulau Langkawi	23, 25 & 27, Jalan Pandak Mayah 4 Pusat Bandar Kuah, Pejabat Pos Kuah 07000 Pulau Langkawi, Kedah	04-9667372 04-9667373	04-9667435
Sik	443 & 444, Jalan Tunku Ibrahim 08200 Sik, Kedah	04-4695691 04-4695764	04-4695664
Sungai Petani	83A-D, 84A-D & 85A-D Jalan Pengkalan, Susur Kiri Taman Pekan Baru 08000 Sungai Petani, Kedah	04-4217622 04-4217623 04-4217624	04-4211979 04-4210475
PERLIS			
Kangar	9, Jalan Raja Syed Alwi 01000 Kangar, Perlis	04-9763311 04-9763432 04-9763413	04-9760503
PAHANG			
Benta	21 & 22, Rumah Kedai LKNP 27300 Benta, Pahang	09-3238622 09-3238621	09-3238614
Bentong	25 – 27, Jalan Chui Yin 28700 Bentong, Pahang	09-2225653 09-2225659	09-2225663
Bureau de Change Resorts Hotel Genting Highlands	Bureau Change Resorts Hotel @ Latte Casino 5th Floor, Resorts Hotel Genting Highlands Resorts 69000 Genting Highlands, Pahang	03-61011239	03-61011257
Brinchang	MDCH 41 – 43, Bandar Baru Brinchang 39100 Brinchang, Cameron Highlands Pahang	05-4911590 05-4912682 05-4913045	05-4911508
Genting Highlands	Lot F/L 1.2, First World Hotel Genting Highlands Resort 69000 Genting Highlands, Pahang	03-64360088 03-64360145	03-64360099
Jalan Beserah	A379/1, A379/2, A379/3, A379/4 Jalan Beserah, 25300 Kuantan, Pahang	09-5678461 09-5688088 09-5673862	09-5686366 09-5669272
Jerantut	1 & 2 Jalan Inderapura Bandar Inderapura 27000 Jerantut, Pahang	09-2661972 09-2661917 09-2662351	09-2661875

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PAHANG			
Kemayan	30 & 32, Ground Floor Jalan Besar, 28380 Kemayan, Pahang	09-2409824 09-2409866	09-2409825
Kuala Lipis	5G & 5H, Jalan Pekeliling 27200 Kuala Lipis, Pahang	09-3122077 09-3121722 09-3121723	09-3123588
Kuantan	79 – 85, Jalan Haji Abdul Aziz 25000 Kuantan, Pahang	09-5161217 09-5161218 09-5178216	09-5161519
Mentakab	16 – 18, Jalan Bunga Matahari 28400 Mentakab, Pahang	09-2775800 09-2775801 09-2775802	09-2773011
Raub	18 & 19, Bandar Raub Perdana Jalan Lipis, 27600 Raub, Pahang	09-3553471 09-3553502 09-3551850	09-3554918
Temerloh	10, 11 & 12, Jalan Ahmad Shah Bandar Sri Semantan 28000 Temerloh, Pahang	09-2965652 09-2965662 09-2965653	09-2965643 09-2965714
Triang	38 & 39, Jalan Temerloh 28300 Triang, Pahang	09-2553480 09-2553481 09-2553484	09-2553486
TERENGGANU			
Chukai	KCP 1, Kemaman Centre Point 24000 Kemaman, Terengganu	09-8595962 09-8594069 09-8594139	09-8594943
Kuala Dungun	K-156 & K-157, Jalan Paka, Batu 48 23000 Kuala Dungun, Terengganu	09-8482511 09-8483377 09-8482507	09-8484549
Kuala Terengganu	No. 1849, Bangunan Wisma Maju Jalan Sultan Ismail 20300 Kuala Terengganu, Terengganu	09-6226998	09-6233409
KELANTAN			
Gua Musang	42, Jalan Besar 18300 Gua Musang, Kelantan	09-9122600 09-9122602	09-9122603
Kota Bharu	PT282 – PT285, Jalan Kebun Sultan 15300 Kota Bharu, Kelantan	09-7447143 09-7446944 09-7442269	09-7482110 09-7482810
Kuala Krai	91 & 92, Jalan Chin Hua 18000 Kuala Krai, Kelantan	09-9664027 09-9664028	09-9664042
Tanah Merah	443 – 444, Jalan Dato' Nik Mustapha 17500 Tanah Merah, Kelantan	09-9556244 09-9556139	09-9556944
Wakaf Siku	6-9, Wakaf Siku, Jalan Sultan Yahya Petra 15200 Kota Bharu, Kelantan	09-7470111	09-7461177 09-7477676

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SABAH			
Beaufort	Lot 6 & 7, Lo Chung Park 89808 Beaufort, Sabah	087-214871 087-214844 087-214869	087-214839
City Parade	Lot No. 1-0-M45-M51, 1 Jalan Centre Point City Parade Centre Point Sabah 88000 Kota Kinabalu, P. O. Box 13026 88833 Kota Kinabalu, Sabah	088-251812 088-251813 088-258812	088-251816
Donggongon	Lot A-5 & A-6, Donggongon New Township Jalan Tapikong, 89500 Penampang, Sabah	088-722780 088-723780 088-726780	088-727780
Inanam	Lot No. 1, 2 & 3, Block C, K.K. Taipan Inanam New Township, Jalan Tuaran 88450 Kota Kinabalu, Sabah	088-429113/114/112	088-429987
Jalan Apas	TB 1280 & TB 1281, Bintang Garden 3rd Mile, Jalan Apas 91000 Tawau, Sabah	089-913262	089-913936 089-913693
Jalan Pantai	39, Jalan Pantai 88000 Kota Kinabalu, Sabah	088-236800 088-237883	088-238863
Keningau	1 & 2, Block A, Keningau Plaza 89000 Keningau, Sabah	087-335841 087-335846 087-336103	087-335842
Kota Belud	Lot B6 & B7, Kompleks Centenary Jalan Sabar, 89150 Kota Belud, Sabah	088-977784 088-977807/809	088-977798
Kota Kinabalu	Lot G.1 & Lot 1.1, Menara MAA 6, Lorong Api-Api 1, Api-Api Centre 88000 Kota Kinabalu, Sabah	088-239611 088-239612 088-239613	088-236630
Lahad Datu	MDLD 0088, Jalan Teratai 91100 Lahad Datu, Sabah	089-882472 089-884357 089-882962	089-884087 089-882971
Lido	Lot 8, 9 & 10, Block P Taman Che Mei Shophouse Jalan Penampang, Lido 88300 Kota Kinabalu, Sabah	088-245687 088-217125 088-217669	088-245496
Papar	Lot 8023, 162, Jalan Besar Pekan Papar, 89600 Papar, Sabah	088-912522 088-912523/524	088-912211
Sandakan	Wisma Sandaraya Third Avenue, 90009 Sandakan, Sabah	089-214257 089-214258/259	089-272815 089-213120
Tawau	TB 304A & 304B, Block 34 Fajar Complex, 91000 Tawau, Sabah	089-761311 089-761322 089-761333	089-761355 089-771355 089-761270

BRANCH	ADDRESS	TELEPHONE	FAX
SARAWAK			
Batu Niah	Lot 643, Batu Niah Town Extension 98200 Batu Niah, Sarawak	085-737111	085-737110
Bintangor	Lot No. 1585 & 1586, Jalan Kelupu 96500 Bintangor, Sarawak	084-693622	084-693255
Bintulu	29 – 32, Jalan Sommerville 97000 Bintulu, Sarawak	086-331433	086-336028
China Street	28, China Street 98000 Miri, Sarawak	085-417227 085-417228	085-419855
Jalan Central	3, Jalan Central 96000 Sibu, Sarawak	084-335677	084-320052
Jalan Penrissen	143A – 145A, Kota Sentosa, Batu 7 Jalan Penrissen, 93250 Kuching, Sarawak	082-613377	082-615961
Jalan Tun Zaidi	Lots 2775 & 2776, Block 10, 3rd Mile Jalan Tun Ahmad Zaidi Adruce 93250 Kuching, Sarawak	082-245271	082-245542
Kapit	63 – 64, Jalan Wharf 96800 Kapit, Sarawak	084-797677 084-797652	084-797628
Kuching City	Nos. 102 – 110, Jalan Song Thian Cheok 93100 Kuching, Sarawak	082-417922 082-417923 082-417924	082-424248
Limbang	Lot 1082 – 1083, Jalan Buangsiol 98700 Limbang, Sarawak	085-212511 085-212443 085-212933	085-212676
Li Hua	No. 2, Lorong Pahlawan 7B1 Jaya Li Hua Commercial Centre 96000 Sibu, Sarawak	084-216996	084-216236
Marudi	59 & 60, Jalan Kapitan Lim Ching Kiat Marudi, 98050 Baram, Sarawak	085-755000 085-755009	085-755018
Miri	Moh Heng Building, 14, Jalan Bendahara 98000 Miri, Sarawak	085-412944 085-412955/57	085-417273
Mukah	41 & 42, Block 68, Mukah New Township 96400 Mukah, Sarawak	084-871900	084-871319
Medan Sentral	1, 2 & 3, Medan Sentral Commercial Centre 97000 Bintulu, Sarawak	086-318883 086-311116	086-318886
Padungan	7, 8 & 9, Jalan Chan Bee Kiew Off Jalan Padungan, 93100 Kuching, Sarawak	082-489904 082-489905/906	082-330488
Sarikei	51-52, Jalan Masjid, 96100 Sarikei, Sarawak	084-652490	084-653137
Sibu	2, 4, 6 & 8, Lorong 2, Jalan Tuanku Osman 96000 Sibu, Sarawak P.O. Box 591, 96007 Sibu, Sarawak	084-320088 084-316511	084-314088 084-335739

BRANCH	ADDRESS	TELEPHONE	FAX
SARAWAK			
Sri Aman	840 & 841, Jalan Sabu Simanggang Town, Land District 95000 Sri Aman, Sarawak	083-323031 083-323032 083-322110	083-323034
Stutong	71, 72 & 73, Stutong Parade Jalan Setia Raja 93350 Kuching, Sarawak	082-363889 082-369389	082-368839
Wisma Saberkas	Lot G.01 & G.02A, Wisma Saberkas Off Jalan Green, Jalan Tun Abang Haji Openg 93000 Kuching, Sarawak	082-419889 082-428800 082-428802	082-424662 082-412016
OVERSEAS BRANCHES			
Sri Lanka	340, R A de Mel Mawatha Colombo 3, Sri Lanka Email Address: pbbslk@publicbank.lk Swift: PBBELKX	94-11-2576288 (Country Head) 94-11-2576287 (Banking Service Manager) 94-11-2576289 94-11-2576290 94-11-2576291 94-11-2576292 (General Lines)	94-11-2573958
Lao P.D.R Vientiane Branch	100/1-4 Talat Sao Road P.O. Box 6614 Vientiane, Lao P.D.R. Email: pbbvte@publicbank.com.la Swift: PBBELALA Telex: 4310 PBBVTE LS	856-21-223395 (Country Head) 856-21-223394 856-21-216614 (General Lines)	856-21-222743
Savannakhet Branch	308/3 Sisavangvong Road Group 24 Sainuntha Village Kaisone Phovanvihan District Savannakhet Province, Lao P.D.R. Email: pbbsvn@publicbank.com.la	856-41-252134 (Branch Manager) 856-41-252131 856-41-252132 (General Lines)	856-41-252133
Sikhai Branch	006, Luangphabang Road Meuangwa Tha Village Sikhottabong District Vientiane Capital, Lao P.D.R.	856-21-219868 (Branch Manager) 856-21-219869 856-21-219870 (General Lines)	856-21-219876

SUBSIDIARIES	ADDRESS	TELEPHONE	FAX
Public Investment Bank Berhad	Head Office: 25th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur, Malaysia Email: pivb@publicinvestbank.com.my Website: www.publicbankinvestbank.com	03-21669382	03-21669362
	Branch Office: 27th Floor, Bangunan Public Bank 6, Jalan Sultan Sulaiman, 50000 Kuala Lumpur	03-20313011 03-20313733	03-20312533 03-20312530
Public Mutual Berhad	Block B, Sri Damansara Business Park Persiaran Industri, Bandar Sri Damansara 52200 Kuala Lumpur Email: mktg@publicmutual.com.my Website: www.publicmutual.com.my (26 branches and 2 agency offices nationwide)	03-62796800	03-62779800
Public Invest Nominees (Asing) Sdn. Bhd.	27th Floor, Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20313011	03-20312533
Public Invest Nominees (Tempatan) Sdn. Bhd.	27th Floor, Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20313011	03-20312533
Public Nominess (Asing) Sdn. Bhd.	6th Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-21626077	03-20626078
Public Nominess (Tempatan) Sdn. Bhd.	6th Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-21626077	03-20626078
PB International Factors Sdn. Bhd.	7th Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-2162955	03-21622962
PB Trust (L) Ltd	Level 8(B), Main Office Tower Financial Park Labuan, Jalan Merdeka 87000 Federal Territory of Labuan, Malaysia Email: pbtrust@streamyx.com Website: www.pbtrust.com.my	06-087-411898	06-087-451193
Public Holdings Sdn. Bhd.	8th Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-21766000	03-21639903
PB Properties Sdn. Bhd.	8th Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-21766000	03-21639903
Public Bank (L) Ltd	Level 8(A) & (B), Main Office Tower Financial Park Labuan, Jalan Merdeka 87000 Federal Territory of Labuan, Malaysia Swift ID: PBLMYKA	06-087-411898	06-087-413220
Public Financial Holdings Limited	Room 1105-07, Wing On House 71, Des Voeux Road Central, Hong Kong Website: www.publicfinancial.com.hk	852-25419222	852-25455665

SUBSIDIARIES	ADDRESS	TELEPHONE	FAX
Public Bank (Hong Kong) Limited	Public Bank Centre 120, Des Voeux Road Central, Hong Kong Email: contact@publicbank.com.hk Website: www.publicbank.com.hk (30 branches in Hong Kong, 3 branches in Shenzhen, China & 1 representative office in each of Shanghai, Shangyang, China & Taipei, Taiwan)	852-25419222	852-25410009
Public Finance Limited	Room 1105-07, Wing On House 71, Des Voeux Road Central, Hong Kong Email: info@publicfinance.com.hk Website: www.publicfinance.com.hk (42 branches in Hong Kong)	852-25259351	852-28450681
Winton (B.V.I.) Limited	Room 1101 – 1110, 11/F, Phase 1 Argyle Centre, 688 Nathan Road Mongkok, Kowloon, Hong Kong Website: www.wintongroup.com.hk (8 branches in Hong Kong)	852-23919388	852-23915366
Public Securities (Nominees) Limited	Room 1108, Wing On House 71, Des Voeux Road Central, Hong Kong	852-28778622	852-28455240
Public Securities Limited	Room 1108, Wing On House 71, Des Voeux Road Central, Hong Kong	852-28778622	852-28455240
Cambodian Public Bank Plc	Campu Bank Building No. 23, Street No. 114 Sangkat Phsar Thmey II Khan Daun Penh, Phnom Penh, Cambodia Telex No: (51) 94079463 CPBB G Swift: CPBLKHPP Website: www.cpbebank.com Email: campuhoe@campubank.com.kh (15 branches in Cambodia)	855-23-222880 855-23-222881 855-23-222882 (General Lines)	855-23-222887
CampuBank Lonpac Insurance Plc	Campu Bank Building No. 23, Street No. 114 Sangkat Phsar Thmey II Khan Daun Penh, Phnom Penh, Cambodia Email: enquiries@campubanklonpac.com.kh	855-23-986313	855-23-986308
OVERSEAS ASSOCIATED COMPANIES			
VID Public Bank	Hanoi Head Office 7th Floor, Prime Centre Building 53, Quang Trung Street Hai Ba Trung District, Hanoi, Vietnam Swift: VIDPVNV5 Email: vpb.han@hn.vnn.vn (Hanoi HO), vidpbho@vnn.vn (GD) Website: www.vidpublicbank.com.vn (7 branches in Vietnam)	844-39439130 (General Director) 844-39438999 844-39439011 844-39439012 (General Line)	844-39439005

FORM OF
PROXY



Number of shares held	CDS Account No.												
				-				-					

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

of _____
(FULL ADDRESS)

Tel No. _____ being a Member of PUBLIC BANK BERHAD, hereby appoint

_____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

of _____
(FULL ADDRESS)

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

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our *first proxy to attend and vote for me/us on my/our behalf at the Forty-Fourth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 2 March 2010 at 11.00 a.m., or any adjournment thereof.

“B” Where it is desired to appoint a second proxy, this section must also be completed, otherwise it should be deleted.

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

of _____
(FULL ADDRESS)

Tel No. _____ being a Member of PUBLIC BANK BERHAD, hereby appoint

_____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

of _____
(FULL ADDRESS)

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

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our second proxy to attend and vote for me/us on my/our behalf at the Forty-Fourth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 2 March 2010 at 11.00 a.m., or any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy “A”	%
Second Proxy “B”	%
	100%

In case of a vote taken by a show of hands, *First Proxy “A”/*Second Proxy “B” shall vote on my/our behalf.

My/our proxy/proxies shall vote as follows:

(Please indicate with an “X” in the space provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote, or abstain from voting on the resolutions as he/they may think fit.)

NO.	ORDINARY RESOLUTIONS	FIRST PROXY “A”		SECOND PROXY “B”	
		FOR	AGAINST	FOR	AGAINST
1.	Receipt of Audited Financial Statements for the financial year ended 31 December 2009 and the Reports of the Directors and Auditors thereon				
2.	Re-election of Dato’ Yeoh Chin Kee as Director				
3.	Re-election of Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah as Director				
4.	Re-appointment of Tan Sri Dato’ Sri Dr. Teh Hong Piow as Director				
5.	Re-appointment of Tan Sri Dato’ Thong Yaw Hong as Director				
6.	Re-appointment of Dato’ Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff as Director				
7.	Approval of payment of Directors’ fees				
8.	Re-appointment of Messrs KPMG as Auditors and authority to the Directors to fix the Auditors’ remuneration				
9.	Proposed Share Buy-Back				

Signed this _____ day of _____ 2010

Signature of Member/Common Seal

* Delete if inapplicable.

- NOTES:**
- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 22 February 2010 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
 - The right of Foreigners to vote in respect of deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Association of the Company. Where a Foreigner, based on the General Meeting Record of Depositors, holds deposited securities in a Securities Account and such securities raise the ownership of shares in the Company by Foreigners beyond the Company’s foreign shareholding limit of 30%, such Foreigner or the proxy appointed by him, in respect of such securities, shall not be entitled to exercise in any manner whatsoever any voting rights in respect of the aforesaid securities at the Meeting.
 - A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.
 - A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
Where a Member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
 - The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
 - The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the Meeting.

Please fold here to seal

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STAMP

Share Registrar
Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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PAST AWARD – WINNING ANNUAL REPORTS

2007 – NACRA Award

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

2006 – NACRA Award

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

2005 – NACRA Award

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

2004 – NACRA Award

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

– CITRA Award

- Merit Award

2003 – NACRA Award

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

2002 – NACRA Award

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

– CITRA Award

- Merit Award

2001 – NACRA Award

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

– CITRA Award

- Special Jury Award

2000 – NACRA Award

- Industry Excellence Award – Finance Sector

– CITRA Award

- Special Jury Award

1999 – NACRA Award

- Industry Excellence Award – Finance Sector
- CITRA Award
- Main Award

1998 – NACRA Award

- Industry Excellence Award – Finance Sector

1997 – NACRA Award

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

1996 – NACRA Award

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

1995 – NACRA

Commendation Award

- Accounting Information
- Annual Report in Bahasa Malaysia

1994 – NACRA

Commendation Award

- Accounting Information
- Corporate Information
- Annual Report in Bahasa Malaysia

1991 – NACRA Award

- Best Accounting Information

– NACRA

Commendation Award

- Corporate Information

1990 – NACRA Award

- Best Accounting Information

1989 – NACRA Award

- Most Outstanding Annual Report
- Best Annual Report
- Finance Sector

– NACRA

Commendation Award

- Corporate Information
- Accounting Information
- Annual Report in Bahasa Malaysia

1988 – MACRA Award

- Best Overall Annual Report
- Best Corporate Information

– NARA Award

- Best Annual Report
- Finance Sector

1987 – MACRA Award

- Best Corporate Information

– NARA Award

- Best Annual Report
- Finance Sector

1986 – MACRA Award

- Best Corporate Information

1983 – MACRA Award

- Silver Award

2008 – NACRA Award

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



2008



2007



2006



2005



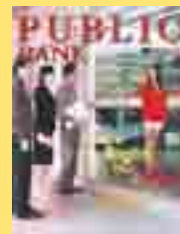
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2003



2002



2001



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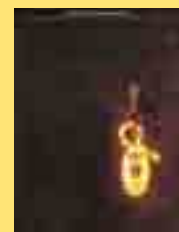
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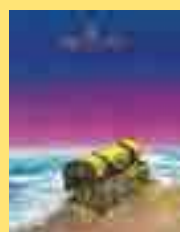
1991



1990



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