



PUBLIC BANK

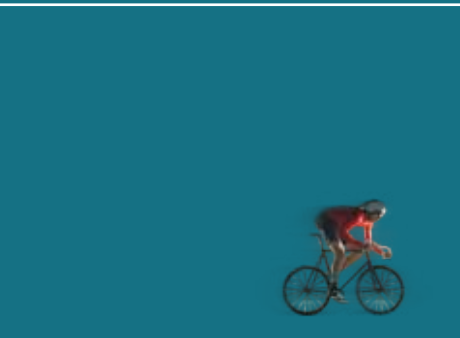
(6463-H)

2010 Annual Report



Surpassing Expectations

Through the years, our levels of accomplishment have earned us a highly regarded reputation for exemplary corporate excellence. Not one to rest on our laurels, we are determined to race towards and go beyond the expectations of our customers and shareholders alike. We will explore ways in which we can drive progress, withstand challenges and embrace opportunities that will consistently surpass expectations. And we will accomplish this by continuing to maintain the highest standards of excellence in all our endeavours.



“to sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia.”

Corporate Mission



Corporate Philosophy

Public Bank Cares ...

For Its Customers

- By providing the most courteous and efficient service in every aspect of its business
- By being innovative in the development of new banking products and services

For Its Employees

- By promoting the well-being of its staff through attractive remuneration and fringe benefits
- By promoting good staff morale through proper staff training and development and provision of opportunities for career advancement

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For Its Shareholders

- By forging ahead and consolidating its position as a stable and progressive financial institution
- By generating profits and a fair return on their investment

For the Community It Serves

- By assuming its role as a socially responsible corporate citizen in a tangible manner
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

... With Integrity

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth Annual General Meeting of Public Bank Berhad (PBB or Company) (6463-H) will be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 14 March 2011 at 11.00 a.m. for the following purposes:

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire by rotation pursuant to Article 111 of the Company's Articles of Association:
 - i. Dato' Sri Lee Kong Lam
 - ii. Dato' Haji Abdul Aziz bin Dato' Dr. Omar
3. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129 of the Companies Act, 1965:
 - i. "THAT Tan Sri Dato' Sri Dr. Teh Hong Piow, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."
 - ii. "THAT Tan Sri Datuk Seri Utama Thong Yaw Hong, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."
4. To approve the payment of Directors' fees of RM1,595,000 for the financial year ended 31 December 2010.
5. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2011 and to authorise the Directors to fix the Auditors' remuneration.

**Ordinary
Resolution 1**

**Ordinary
Resolution 2**

**Ordinary
Resolution 3**

**Ordinary
Resolution 4**

**Ordinary
Resolution 5**

**Ordinary
Resolution 6**

**Ordinary
Resolution 7**

As Special Business

To consider and if thought fit, to pass the following resolutions:

6. Proposed Renewal of Authority for the Purchase by PBB of its Own Shares (Proposed Share Buy-Back)

“THAT, subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the requirements of Bank Negara Malaysia, Bursa Malaysia Securities Berhad (Bursa Malaysia) and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in PBB as may be determined by the Directors from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per centum of the total issued and paid-up share capital of the Company;

AND THAT an amount not exceeding PBB’s total audited retained profits and share premium account at the time of purchase be allocated by PBB for the Proposed Share Buy-Back. Based on the latest audited financial statements of PBB as at 31 December 2010, the retained profits and the share premium account of PBB amounted to approximately RM3,437,380,000 (after deducting the second interim franked cash dividend and single tier cash dividend of RM936,824,000) and RM1,073,310,000 respectively;

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- i. the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless renewed by an ordinary resolution passed by the shareholders of the Company in a general meeting; or
- ii. revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT the Directors be and are hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Share Buy-Back AND FURTHER THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the ordinary shares of RM1.00 each in PBB purchased by PBB pursuant to the Proposed Share Buy-Back as treasury shares to be either distributed as share dividends or resold on Bursa Malaysia or subsequently cancelled, or to cancel the shares so purchased, or a combination of both.”

7. Proposed Amendment to Article 134 of the Articles of Association of PBB

“THAT the existing Article 134 of the Articles of Association of the Company be and is hereby deleted in its entirety and be substituted thereof with a new Article 134 as follows:

Existing Article 134

Dividends payable by cheque or warrant

Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto or to such person and to such address as the Member or person entitled thereto may in writing direct. Every such cheque or warrant shall be made payable to the order of the Member or person entitled thereto, and the payment of any such cheque or warrant shall operate as a good discharge of the Company’s obligation in respect of dividend represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

**Ordinary
Resolution 8**

**Special
Resolution 1**

New Article 134

Mode of payment of dividend

Any dividend, interest, or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post to the last registered address of the Member or person entitled thereto or paid by direct transfer or such other electronic means to the bank account provided by the Member whose name appears in the Record of Depositors. Every such cheque or warrant shall be made payable to the order of the Member or person entitled thereto, and the payment of any such cheque or warrant or the payment by direct transfer or such other electronic means to the bank account provided by the Member whose name appears in the Record of Depositors shall operate as a good discharge of the Company's obligation in respect of dividend represented thereby, notwithstanding that it may subsequently appear that the cheque has been stolen or that the endorsement thereon or the instruction for the payment by direct transfer or such other electronic means has been forged. Every such cheque or warrant sent or payment by direct transfer or such other electronic means shall be at the risk of the person entitled to the dividend thereby represented."

BY ORDER OF THE BOARD

CHIA LEE KEE (MS)

MAICSA 7008270

Company Secretary

Kuala Lumpur

18 February 2011

NOTES:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 7 March 2011 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. 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.
3. 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.
4. 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.

5. 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.
6. 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.

EXPLANATORY NOTES:

1. **Ordinary Resolution 8 – Proposed Share Buy-Back**
The proposed Ordinary Resolution 8, if passed, will empower the Directors to purchase PBB shares through Bursa Malaysia Securities Berhad up to ten per centum of the issued and paid-up share capital of the Company.
Detailed information on the Proposed Share Buy-Back is set out in the Statement to Shareholders in relation to the proposed renewal of authority for the purchase by PBB of its own shares dated 18 February 2011 despatched together with the PBB 2010 Annual Report.
2. **Special Resolution 1 – Proposed Amendment to Article 134 of the Articles of Association of PBB**
The proposed Special Resolution 1, if passed, will align Article 134 with Bursa Malaysia Securities Berhad's requirement that cash dividend must be paid to shareholders by direct credit into their bank accounts as provided to Bursa Malaysia Depository Sdn Bhd.
Detailed information on the Proposed Amendment to Article 134 of the Articles of Association is set out in Appendix 1 despatched together with the PBB 2010 Annual Report.
3. Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff who retires pursuant to Section 129 of the Companies Act, 1965, will not be seeking re-appointment at the forthcoming Annual General Meeting and therefore shall retire at the conclusion of the said Annual General Meeting.



Financial Calendar

FINANCIAL YEAR 2010

Quarterly Results

Announcement date

15 April 2010

(Thursday)

Unaudited consolidated results for the 1st quarter ended 31 March 2010

Announcement date

20 July 2010

(Tuesday)

Unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2010

Announcement date

18 October 2010

(Monday)

Unaudited consolidated results for the 3rd quarter ended 30 September 2010

Announcement date

25 January 2011

(Tuesday)

Audited consolidated results for the 4th quarter and year ended 31 December 2010

18 February 2011

(Friday)

NOTICE OF ANNUAL GENERAL MEETING

14 March 2011

(Monday)

45TH ANNUAL GENERAL MEETING

Dividends

Notice date

20 July 2010

(Tuesday)

Entitlement date

5 August 2010

(Thursday)

Payment date

13 August 2010

(Friday)

First interim dividend of 25% less 25% income tax for the financial year ended 31 December 2010

Notice date

25 January 2011

(Tuesday)

Entitlement date

14 February 2011

(Monday)

Payment date

23 February 2011

(Wednesday)

Second interim franked cash dividend of 25% less 25% income tax and single tier cash dividend of 8% for the financial year ended 31 December 2010



Financial Highlights

	GROUP		BANK	
	2010	2009	2010	2009
PROFITABILITY (RM'Million)				
Operating revenue	11,036	9,716	8,166	7,171
Operating profit	4,738	4,015	4,072	3,120
Profit before tax expense and zakat	4,086	3,321	3,678	2,789
Net profit attributable to equity holders of the Bank	3,048	2,517	2,932	2,182
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	226,329	217,136	186,410	176,577
Loans, advances and financing	153,983	135,336	125,062	107,963
Deposits from customers	176,872	170,892	140,789	135,387
Shareholders' equity	13,033	11,023	12,303	10,442
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets ¹	3.4	3.2	3.1	2.8
Net return on equity ²	27.1	26.1	27.7	23.5
Return on average assets	1.8	1.6	2.0	1.6
Return on average risk-weighted assets	3.1	2.8	3.3	2.8
Capital Adequacy Ratios				
Tier I capital ratio	10.7	10.5	13.2	13.0
Risk-weighted capital ratio	14.4	14.6	14.1	14.1
Asset Quality Ratio				
Gross impaired loans ratio ³	1.1	1.4	1.1	1.3

¹ Excluding negotiable instruments of deposit and money market deposits which are on-lent to interbank.

² Based on equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.

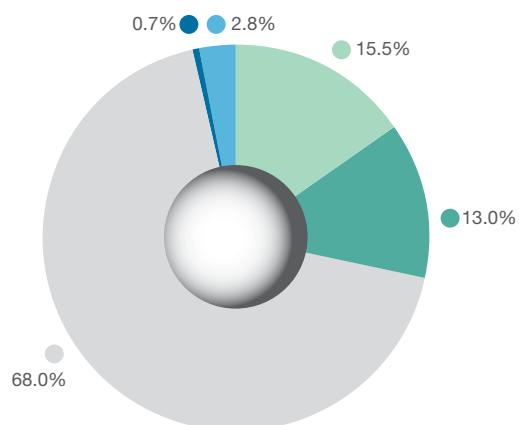
³ FYE 2009 is restated based on the more stringent criteria on classification of impaired loans under FRS 139.



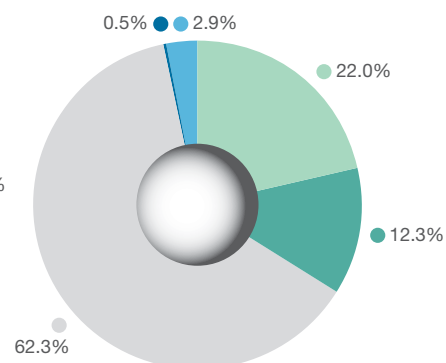
Simplified Group Balance Sheet

ASSETS

- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with Central Banks
- Others assets (including intangible assets)



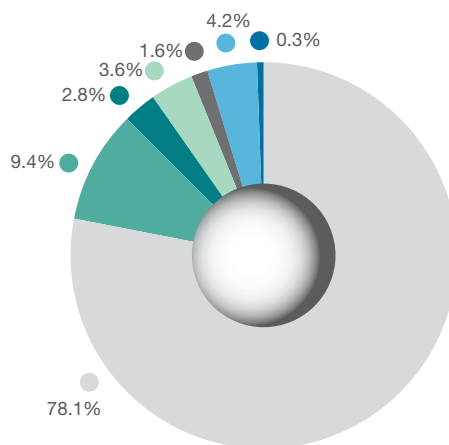
2010



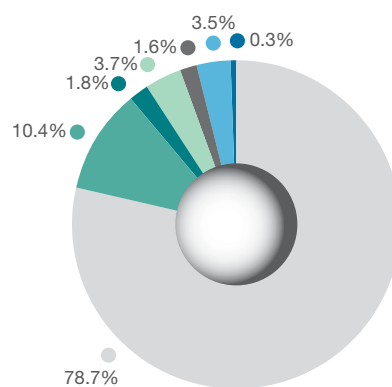
2009

LIABILITIES & EQUITY

- Deposits from customers
- Deposits from banks
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Share capital
- Reserves
- Minority interests



2010



2009



Corporate Information

Board of Directors

TAN SRI DATO' SRI DR. TEH HONG PIOW

Non-Executive Chairman

PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP, DPMJ,
Datuk Kurnia Sentosa Pahang, JP
Hon LLD (M'sia), FIBM (M'sia), EFMIM (M'sia), FCIB (UK),
FCIS (Aust), FCMI (UK), FICM (UK), FInstAM (UK)

TAN SRI DATUK SERI UTAMA THONG YAW HONG

Independent Non-Executive Co-Chairman

PSM, SUMW, SIMP, DSAP, DIMP, JMN, SMP, JBS, AMN
BA (Econs Hons), MPA (Harvard), AMP (Harvard),
D.Econ (Hon)

TAN SRI DATO' SRI TAY AH LEK

Managing Director/Chief Executive Officer

PSM, SSAP, PJN, DIMP, KMN
MBA (Henley), FIBM (M'sia), EFMIM (M'sia), F Fin (Aust)

DATO' SRI LEE KONG LAM

Executive Director

SSAP, DIMP
CA (M'sia), FCPA (Aust), FCIB (UK)

DATO' YEOH CHIN KEE

Independent Non-Executive Director

DIMP
FCPA (Aust), F Fin (Aust)

Y.A.M. TENGKU ABDUL RAHMAN IBNI

SULTAN HAJI AHMAD SHAH AL-MUSTAIN BILLAH

Independent Non-Executive Director

DK II, SSAP

DATO' HAJI ABDUL AZIZ BIN DATO' DR. OMAR

Independent Non-Executive Director

DIMP
ACA (England & Wales), CA (M'sia), FIBM (M'sia)

DATO' (DR) HAJI MOHAMED ISHAK BIN

HAJI MOHAMED ARIFF

Independent Non-Executive Director

DSIS, DSPN, JSM, DJN, SMS, KMN, PPT, PJK
FRTPI (London), FMIP (M'sia), FILA (M'sia),
D.C.L. (Hon) Newcastle-upon-Tyne

QUAH POH KEAT

Independent Non-Executive Director

FCCA (UK), CA (M'sia), CPA (M'sia), ACMA (UK),
Fellow MIT (M'sia)

Company Secretary

CHIA LEE KEE (MS)

MAICSA 7008270
Tel : 603-2176 6341
E-mail : pbbcosec@publicbank.com.my

Registered Office

27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel : 603-2176 6341, 2163 8888
Fax : 603-2163 9917

Share Registrar

TRICOR INVESTOR SERVICES SDN BHD

Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia
Tel : 603-2264 3883
Fax : 603-2282 1886
E-mail : is.enquiry@my.tricorglobal.com

Auditors

MESSRS KPMG

Chartered Accountants

Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603-7721 3388
Fax : 603-7721 3399

Head Office

Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel : 603-2176 6000, 2176 6666
2163 8888, 2163 8899
Fax : 603-2163 9917

Website

www.publicbank.com.my

Investor Relations

Tel : 603-2176 6293
E-mail : ir@publicbank.com.my

AGM Helpdesk

Tel : 603-2176 6454, 2176 6455
Fax : 603-2163 9917
E-mail : pbbcosec@publicbank.com.my

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
(Listed since 6 April 1967)



Group Corporate Structure

As at 18 February 2011



PUBLIC BANK

Malaysian Companies

- **100%** Public Islamic Bank Bhd (*Islamic Banking*)
- **20%** PB Trustee Services Bhd (*Trustee Services*) ← **20%**
- **100%** Public Investment Bank Bhd (*Investment Banking*)
- **100%** Public Invest Nominees (Tempatan) Sdn Bhd (*Nominee Services*)
- **100%** Public Invest Nominees (Asing) Sdn Bhd (*Nominee Services*)
- **100%** Public Consolidated Holdings Sdn Bhd (*Investment Holding*)
- **100%** Public Mutual Bhd (*Sale & Management of Unit Trusts*)
- **100%** Public Leasing & Factoring Sdn Bhd (*Leasing & Factoring*)
- **100%** Public Nominees (Tempatan) Sdn Bhd (*Nominee Services*)
- **100%** Public Nominees (Asing) Sdn Bhd (*Nominee Services*)
- **100%** Public Holdings Sdn Bhd (*Property Holding*)
- **100%** PB Venture Capital Sdn Bhd (*Investment Holding*)

Overseas and Offshore Companies

- **73.2%** Public Financial Holdings Ltd (*Investment & Property Holding*)
 - **100%** Public Bank (Hong Kong) Ltd (*Banking*)
 - **100%** Public Financial Securities Ltd (*Stock & Share Broking*)
 - **100%** Public Bank (Nominees) Ltd (*Nominee Services*)
 - **100%** Public Finance Ltd (*Deposit-Taking & Finance*)
 - **100%** Public Securities (Nominees) Ltd (*Nominee Services*)
 - **100%** Public Financial Ltd (*Investment Holding*)
 - **100%** Public Securities Ltd (*Stock & Share Broking*)
 - **100%** Winton (B.V.I.) Ltd (*Investment Holding*)
 - **100%** Winton Financial Ltd (*Provision of Financing*)
 - **100%** Winton Motors, Ltd (*Trading of taxi cabs and taxi licences, and leasing of taxis*)
- **100%** Cambodian Public Bank Plc (*Banking*)
 - **49%** CPB Properties Company Ltd (*Property Holding*)
 - **51%** CampuBank Lonpac Insurance Plc (*General Insurance*)
- **4%**
- **50%** VID Public Bank (*Banking*)
- **100%** Public Bank (L) Ltd (*Offshore Banking*)
- **100%** PB Trust (L) Ltd (*Offshore Trust Company*)

Notes:

- The companies reflected above are operating subsidiaries/associated companies.
- The full list of companies under the Public Bank Group is set out in Notes 13 and 14 to the Financial Statements on pages 300 to 303 of this Annual Report.

STRENGTH & STABILITY

Since inception, Public Bank has been growing from strength to strength, drawing our energy from stability in leadership, financial management, business acumen and professionalism. With this fundamental foundation in place, we will continue to spearhead the growth of our business and our people to further entrench our reputation as one of Malaysia's most respected financial institutions.

STRENGTH
STABILITY



NGTH &
BILITY



Corporate Profile

About

Us

A Leading Financial Services Provider

Established in 1966 by its Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow, Public Bank is a leading financial services provider serving over five million customers in Malaysia. As conceptualised by the Founder and Chairman, the Bank continues to be a bank for the public. The Public Bank Group is highly reputed for its prudent management, strong balance sheet, superior asset quality, superior customer service, strong corporate governance and effective corporate culture. Public Bank Brand is the best brand in financial services in Malaysia.

Continue to Focus on Core Businesses

The Public Bank Group continues to remain focused in its core business areas of consumer and retail commercial loans. In consumer financing, the Group continues to promote home mortgages, passenger vehicle hire purchase financing and personal financing. In retail commercial lending, the Group continues to focus its lending to small- and medium-sized enterprises ("SMEs"). The Group continues to focus on its retail core deposit-taking business to ensure a stable funding base. To further enhance its profitability, the Group continues to intensify efforts to grow fee-based activities by promoting sales of unit trust funds, bancassurance products, wealth management products, card business, trade finance, remittances and investment-linked products. Public Islamic



Bank - a wholly-owned subsidiary of Public Bank – started its full fledged Islamic banking business in 2008 and will continue to focus on Islamic consumer financing and retail commercial lending to SMEs.

Steady Growth Story

With its impressive growth record and resilience in overcoming economic cycles in the last forty-four years, Public Bank is now the third largest banking group in Malaysia by balance sheet and by market capitalisation. The Public Bank Group's total assets rose to RM226 billion at the end of 2010, contributed by its high business growth strategies in the last ten years. Public Bank has the highest return on equity amongst domestic banks. From a one-branch bank in 1966, the Group now has 250 branches in Malaysia and extensive presence in the region. In the domestic market, Public Bank continues to sustain its strong lending and deposit-taking franchise as shown by its strong market leadership position in home mortgages, auto financing and lending to small- and medium-sized enterprises.

Over
17,300 employees





1,440

ATMs, CDMs & CDTs

Regional Player

The Public Bank Group continues to drive its overseas business with the spreading of its best practices in Malaysia to its overseas operations. Today, the Group has 81 branches in Hong Kong, 3 branches in the People's Republic of China, 21 branches in Cambodia, 7 branches in Vietnam, 3 branches in Laos, a branch in Sri Lanka and 3 representative offices in Shanghai, Shenyang and Taipei. In Hong Kong, Public Finance continues to sustain its valuable franchise in consumer financing.

Dedicated Staff Force

In a service industry such as banking, quality staff matters. With over 17,300 qualified and knowledgeable employees in Malaysia and overseas, the Public Bank Group continues to demonstrate a strong capability of delivering exceptionally high rates of organic growth in its core businesses. Staff are set specific key performance indicators to drive their productivity. With the help of information technology, Public Bank has sustained its superior delivery standards such as its 2-minute Standard Waiting Time and fast turnaround time for loan processing and disbursement.

Strong Financial Ratings

Public Bank continues to be accorded strong credit and financial ratings for its prudent management, consistent financial performance with the highest profitability ratios in its peer group, strong asset quality, strong risk management and healthy capitalisation. Moody's Investor Service reaffirmed Public Bank's long-term deposit rating of A3 and short-term deposit rating of P-1 with stable outlook. Standard & Poor's reaffirmed Public Bank's A- long-term rating and A-2 short-term counterparty credit rating with stable outlook. Rating Agency Malaysia reaffirmed the Bank's long-term rating of AAA, the highest accorded by Rating Agency Malaysia, and its short-term rating of P1.

Efficient Multiple Delivery Channels

The Public Bank Group has a well distributed network of 250 full service and matured branches in Malaysia with superior customer service. For greater customer convenience, the Group has expanded its large sales and marketing force and its combined network of Automated Teller Machines, Cheque Deposit Machines and Cash Deposit Terminals to 1,440 machines. Public Bank continues to upgrade its Internet banking and mobile banking services. Also, the Group will continue to expand its key delivery channels in its overseas operations to enhance customer convenience and loyalty.

On 13 March 2010 Public Bank was awarded The Best Domestic Bank in Malaysia, The Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations and Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman of Public Bank was voted Asia's Banking Grandmaster by The Asset



Award Winning Bank

For its sustainable performance and superior management, Public Bank continues to receive awards and accolades. In 2010, these included best bank and corporate governance awards by international finance and banking publications. The Bank continues to be voted as the most admired company in Malaysia and also for its best return to shareholders and best corporate social responsibility ("CSR") initiatives.

Public Bank's Founder and Chairman continues to be honoured with lifetime awards such as Asia's Banking Grandmaster by The Asset and the Qatar Financial Centre - Asian Banker Lifetime Leadership Achievement Award for his sterling leadership and excellent contribution to the Public Bank Group and the banking industry in Malaysia and the region.

Responsible Corporate Citizen

As a responsible corporate citizen, the Public Bank Group has spared no effort in giving back to the community. The Group's CSR initiatives have centered around nation building, enhancement of the marketplace, promotion of the workplace, customer care, education, community support and environmental conservation to achieve multiple objectives such as community development, human capital development and environmental conservation. As a long-term business strategy, the Group will continue to invest in staff development to enhance staff core competencies to sustain the Group's superior performance and prepare them for career progression.

Continuous Commitment to Excellence

In an increasingly competitive financial landscape, the Public Bank Group will not rest on its laurels. Instead, it will continue to strive harder and commit more resources to exceed expectations of its stakeholders and sustain its legacy of strong growth and leadership. The Group too will continue to be innovative to provide competitive financial products and solutions to its customers and sustain shareholder value to its investors through consistent financial performance and strong corporate governance. The Group will continue to invest in human capital to deliver superior performance and stay ahead of its competitors.



Corporate Milestones from 1966



1966

- On 6 August 1966, Public Bank first opened its doors for business at No. 4 Jalan Gereja, Kuala Lumpur with 62 pioneer staff



1978

- Public Bank moved to Bangunan Public Bank, the first Head Office building owned by the Bank



1967

- Official opening of Public Bank on 4 April 1967 by Malaysia's first Prime Minister, the late Y.T.M. Tunku Abdul Rahman



1987

- Completed the acquisition of PB Securities Sdn Bhd (then known as GP Securities Sdn Bhd) on 1 October 1987, marking the Public Bank Group's entry into stockbroking business

1960

1970

1980

**1992**

- VID Public Bank, Public Bank's 50:50 joint venture bank with Bank for Investment and Development of Vietnam commenced business in Hanoi, Vietnam on 18 May 1992

**1996**

- Public Bank moved to Menara Public Bank, its present landmark Head Office building in the heart of Kuala Lumpur's central business district

**2001**

- Completed the acquisition of Hock Hua Bank Berhad on 31 March 2001

**2007**

- Public Bank entered into an exclusive regional strategic alliance agreement with ING Asia/Pacific Limited for the joint development of bancassurance business, Takaful business and various other services between Public Bank and ING in the Asia Pacific region for 10 years

1990

2000

2010

**1990**

- Establishment of a wholly-owned off-shore banking subsidiary, Public Bank (L) Ltd, in the Federal Territory of Labuan

**2010**

- Public Islamic Bank Berhad, a wholly-owned subsidiary, opened its first full-fledged Islamic branch offering Shariah-compliant products

1966

- On 6 August 1966, Public Bank first opened its doors for business at No. 4 Jalan Gereja, Kuala Lumpur with 62 pioneer staff
- Public Finance Berhad, then Public Bank's wholly-owned finance company subsidiary, commenced business on 24 September 1966
- The start of an expanding network of Public Bank with the opening of Public Bank's Malacca Branch on 15 September 1966 and Ipoh Branch on 7 January 1967, a domestic network that stands at 249 branches today
- 1st five months of business yielded a profit of RM71,562, the start of an unbroken profitability track record of 44 years

1967

- Official opening of Public Bank on 4 April 1967 by Malaysia's first Prime Minister, the late Y.T.M. Tunku Abdul Rahman
- On 6 April 1967, Public Bank was listed on Bursa Malaysia Securities Berhad (then known as the Kuala Lumpur Stock Exchange)

1969

- 1st RM1 million annual pre-tax profit

1970

- Public Bank paid its 1st dividend of 3.5% per ordinary share of RM1.00 each, the start of an unbroken stream of dividends paid by Public Bank to 2010

1978

- Public Bank moved to Bangunan Public Bank, the first Head Office building owned by the Bank

1980

- 1st RM10 million annual pre-tax profit with RM21 million pre-tax profit achieved for the year
- Total assets surpassed RM1 billion for the 1st time

1987

- Completed the acquisition of PB Securities Sdn Bhd (then known as GP Securities Sdn Bhd) on 1 October 1987, marking the Public Bank Group's entry into stockbroking business

1990

- Acquisition of Public Finance Limited (then known as JCG Finance Company, Limited) in Hong Kong
- Establishment of a wholly-owned off-shore banking subsidiary, Public Bank (L) Ltd, in the Federal Territory of Labuan
- 1st RM100 million annual pre-tax profit with RM128 million pre-tax profit in the year

1991

- Listing of Public Financial Holdings Limited (then known as JCG Holdings Limited) on The Stock Exchange of Hong Kong Limited
- Total assets surpassed RM10 billion for the 1st time

1992

- Listing of Public Finance Berhad (the former finance company subsidiary of Public Bank) on Bursa Malaysia Securities Berhad (then known as the Kuala Lumpur Stock Exchange) on 15 July 1992
- VID Public Bank, Public Bank's 50:50 joint venture bank with Bank for Investment and Development of Vietnam commenced business in Hanoi, Vietnam on 18 May 1992
- Establishment of Cambodian Public Bank Plc, presently a wholly-owned subsidiary in Cambodia, on 25 May 1992 and branches in Vientiane, Laos and Colombo, Sri Lanka

1993

- Commencement of Islamic Banking service with the launch of "Skim Perbankan Tanpa Faedah" and the setting-up of Public Bank's Islamic Banking Unit
- Acquisition of 55% interest in Public Mutual Berhad (then known as Kuala Lumpur Mutual Fund Berhad) on 26 May 1993

1996

- Public Bank moved to Menara Public Bank, its present landmark Head Office building in the heart of Kuala Lumpur's central business district

1998

- Paid-up capital of Public Bank reached RM1 billion

2000

- Acquisition of Public Merchant Bank Berhad (then known as Sime Merchant Bank Berhad) on 25 October 2000 expanded the Group's business into merchant banking
- 1st RM1 billion annual pre-tax profit with RM1.25 billion pre-tax profit in the year

2001

- Completed the acquisition of Hock Hua Bank Berhad on 31 March 2001

2002

- Paid-up capital of Public Bank reached RM2 billion

2003

- Public Bank started buying back its own shares, the first bank in Malaysia to do so
- Completed the privatisation of Public Finance Berhad on 13 June 2003
- Paid-up capital of Public Bank reached RM3 billion

2004

- 1st issue of subordinated debt of USD350 million
- Completed the merger of the finance company business of Public Finance Berhad with the commercial banking business of Public Bank on 4 September 2004

2005

- Pre-tax profit surpassed RM2 billion for the 1st time
- Total assets surpassed RM100 billion for the 1st time

2006

- 1st Malaysian bank to issue innovative hybrid Tier-I capital securities in both the international market in US Dollars of USD200 million and in the domestic market in Ringgit of RM1.2 billion
- Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) in Hong Kong for HKD4.5 billion
- Public Mutual Berhad, the largest private sector unit trust management company in Malaysia, became a wholly-owned subsidiary on 12 July 2006

- Public Investment Bank Berhad, a wholly-owned subsidiary, was established on 18 December 2006 upon completion of the merger of the merchant banking business of Public Merchant Bank Berhad with the stockbroking business of PB Securities Sdn Bhd

2007

- Pre-tax profit surpassed RM3 billion for the 1st time
- Total loans, advances and financing exceeded RM100 billion for the 1st time
- Public Bank entered into an exclusive regional strategic alliance agreement with ING Asia/Pacific Limited for the joint development of bancassurance business, Takaful business and various other services between Public Bank and ING in the Asia Pacific region for 10 years
- Establishment of CampuBank Lonpac Insurance Plc, a 55% subsidiary of Public Bank Group, to provide general insurance business in Cambodia

2008

- Public Islamic Bank Berhad, a wholly-owned subsidiary, commenced business on 1 November 2008 upon the completion of the transfer of the Islamic banking business of Public Bank to Public Islamic Bank Berhad
- Public Bank became the largest banking group in Malaysia by market capitalisation and the 2nd largest listed company on Bursa Malaysia Securities Berhad on 18 July 2008 with a market capitalisation of RM36.03 billion

2009

- Total assets surpassed RM200 billion for the 1st time

2010

- Pre-tax profit surpassed RM4 billion for the 1st time
- Profit after tax surpassed RM3 billion for the 1st time
- Public Bank and Public Islamic Bank Berhad jointly with ING Management Holdings (Malaysia) Sdn Bhd, obtained a Family Takaful licence to carry out family takaful business
- Public Islamic Bank Berhad, a wholly-owned subsidiary, opened its first full-fledged Islamic branch offering Shariah-compliant products



Customer Care



Commitment To Excellent Customer Care

Excellence in customer care is key to the Public Bank Group's strategy to further strengthen its customer relationship. At the Public Bank Group, customers come first. The Group is confident that excellent customer care will further cement customer loyalty, grow market share, boost revenue and strengthen its corporate image and brand which will help it stay ahead of the competition. The Group believes that excellent customer

care is critical to maintaining customer confidence in the Group's capability to meet the financing and banking needs of the customer.

All staff of the Public Bank Group continue to live by its corporate tag line "EXCELLENCE IS OUR COMMITMENT". In respect of caring for the customer, the tag line reflects the commitment by management and staff of the Group to sustain high customer satisfaction by exceeding customer expectations. The Group's commitment to customer care is manifested in its continuous investment in its already superior service delivery standards and provision of adequate resources to sustain these standards.

Reaching The Customer

The Public Bank Group applies its deep understanding of its customers and local conditions to serve and build lasting relationships with its customers. With a widely distributed network of matured branches in Malaysia and the region, the Group is close to its customers. Analytical Customer Relationship Management (“ACRM”) - an integrated approach to further enhance the Group’s customer relationship management - is being used to further enhance the Group’s understanding of the customers and their behaviour so that customers’ needs are met with the right mix of products and services at the right time. One of the objectives of the ACRM is to assist branches to improve their efficiency and effectiveness in consumer campaign management and also to assist sales personnel in targeted marketing to increase cross-selling and up-selling activities.

Continuous Improvement In Service Quality

The Public Bank Group’s emphasis on superior customer care and service is to continuously meet the increasing pressure from savvy and well-informed customers in a highly competitive financial landscape. The expectations of customers are changing rapidly as the competitive financial landscape intensifies. To seek continuous improvement, Public Bank uses its established Quality Management System and employs management tools and staff training to implement high service delivery standards and apply international best practices.

To ensure uniformly high standards of service across Public Bank’s branch network, all domestic branches continue to be certified for customer service and loan delivery under the internationally recognised ISO 9001:2008 certification. Steps are taken to ensure that the ISO certification will continue to be renewed. At the same time, the Bank’s quantitative benchmarks for its Standard Waiting Time for customers and Standard Turnaround Time for loan processing and disbursement are closely enforced. In 2010, over 80% of the Bank’s branches achieved the 2-minute Standard Waiting Time for their customers.



Prompt Complaint Resolution System

The Public Bank Group takes customer complaints seriously with continuous efforts to sustain an efficient customer complaint and resolution system. The Group believes that an efficient customer complaint resolution system is key to meeting customer expectation. The Bank's customer complaint resolution system has set quantitative benchmarks for all complaints to be acknowledged and resolved. Based on its recent performance, all customer complaints are resolved within 10 days. The Bank's efficiency in addressing customer complaints shows that it listens to the customer.



Service Ambassadors

In the services industry such as in banking and finance, quality and well-trained staff matters. Public Bank's "Service Ambassadors" programme remains a key customer service initiative to sustain superior customer service. Public Bank has over 500 Customer Service Representatives ("CSRs") to assist customers on all banking matters, including customer inquiries and complaints. These CSRs – whose Key Performance Indicators are closely monitored – provide personal service to customers and proactively gather customer feedback for business and service improvement.

Technology for Superior Service Delivery

In addition to quality staff, technology is a key enabler to support superior customer service standards. Public Bank has expanded its self-service channels such as Automated Teller Machines, Cheque Deposit Machines and Cash Deposit Terminals to 1,440 machines to serve its large customer base. The functions of these machines are regularly expanded to include new functions. The Bank has also taken steps to ensure maximum up-time of these machines to provide maximum convenience to customers. The Internet banking channel and mobile banking channel and their enhanced functions will continue to be promoted to customers based on their greater convenience and low transaction costs.

We Listen to the Customer

Customer Service Focus Groups at branches continue to remain active to sustain superior delivery standards. The Public Bank Group takes steps to ensure that it can sustain its superior delivery standards by enhancing its customer feedback system. All customer feedback are acted upon promptly to meet customer expectations. To make customers feel welcome, the practise of Greeting, Using name, Eye contact, Smiling and Thanking you ("G.U.E.S.T.") continues to be reinforced. Appropriate tools such as customer survey and mystery customers to gain customer feedback to enhance its customer relationship management will continue to be used from time to time.

Caring Bank

As a caring bank, Public Bank continues to provide Special Care Service Counters at all branches to serve senior citizens, expectant mothers and the physically challenged. These Special Care Service Counters are popular amongst these customers as they are given priority over other customers and will be served immediately.



Public Bank bersedia penuhi syarat Basel 3

Syarikat rangka strategi penuhi keperluan modal baru

Disk: Full Page

PUBLIC Bank Bhd bersedia mematuhi keperluan modal baru yang ditetapkan oleh Basel 3, syarikat ini bersedia untuk memenuhi keperluan modal baru yang ditetapkan oleh Basel 3.



Memadankan Public Bank ada keupayaan menjangka keutungan tinggi, ia boleh memperuntukkan sebahagian daripada keuntungan untuk keperluan modal tambahan.

大众银行

9个月净赚22亿 单季税前盈利破10亿

【星洲14日讯】新加坡大众银行（Public Bank）在截至2010年9月30日的九个月中，录得税前盈利10.2亿元，较前年同期增长15%。

大众银行在截至2010年9月30日的九个月中，录得税前盈利10.2亿元，较前年同期增长15%。该行的净利润则为22亿元，较前年同期增长15%。

CGC jamin 14,000 PKS



CGC jamin 14,000 PKS

推動回銀與收費收入業務

大眾保持強穩資產素質

【星洲14日讯】大众银行在截至2010年9月30日的九个月中，录得税前盈利10.2亿元，较前年同期增长15%。该行的净利润则为22亿元，较前年同期增长15%。

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The song didn't stay the same at Public Bank AGM

By Chong Pui Hoon
The song didn't stay the same at Public Bank AGM. The bank's chairman, Leong Hsuek Hym, said that the bank's strategy was to focus on the core business and to expand its operations overseas.

IJN Foundation gets bank aid

Halfway House for patients' family members receives RM500,000 grant



Continuing the existing support, the bank is providing the much-needed RM500,000 grant to the IJN Foundation.

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Public Bank to grow overseas operations

Public Bank is planning to expand its operations overseas, particularly in the Asia-Pacific region. The bank's chairman, Leong Hsuek Hym, said that the bank's strategy was to focus on the core business and to expand its operations overseas.

Banks: It's the right balance

By Chong Pui Hoon
The banks are in a good position to provide the right balance of services to their customers. The bank's chairman, Leong Hsuek Hym, said that the bank's strategy was to focus on the core business and to expand its operations overseas.

Public Bank expects 15pc loan growth this year

Public Bank expects 15pc loan growth this year. The bank's chairman, Leong Hsuek Hym, said that the bank's strategy was to focus on the core business and to expand its operations overseas.

Public Bank's high bar performance priced in

Public Bank's high bar performance is priced in. The bank's chairman, Leong Hsuek Hym, said that the bank's strategy was to focus on the core business and to expand its operations overseas.

全年净利增2.48% 大众银行末季派47.2仙股息

【星洲14日讯】大众银行（Public Bank）在截至2010年9月30日的九个月中，录得税前盈利10.2亿元，较前年同期增长15%。该行的净利润则为22亿元，较前年同期增长15%。

鄭鴻標獲銀行業大師獎



鄭鴻標獲銀行業大師獎

EXCEPTIONAL
PERFORMANCE



EXCEPTIONAL PERFORMANCE

In line with our aspirations to stay ahead of the rest, we will keep working hard to maintain profit margins and productivity to sustain the position of being one of the most efficient, profitable and esteemed financial institutions in the country. And we will continue to go above and beyond the call of duty to maintain the highest standards of performance in all that we do.



Five Year Group Financial Summary

RM **4.09** billion
Profit Before Tax

1.1 %
Gross Impaired Loans

Year Ended 31 December	2010	2009	2008	2007	2006
OPERATING RESULTS (RM'Million)					
Operating profit	4,738	4,015	3,948	3,418	2,873
Profit before tax expense and zakat	4,086	3,321	3,379	3,004	2,416
Net profit attributable to equity holders of the Bank	3,048	2,517	2,581	2,124	1,727

KEY BALANCE SHEET DATA (RM'Million)

Total assets	226,329	217,136	196,163	174,155	147,790
Loans, advances and financing	153,983	135,336	118,386	99,328	82,788
Total liabilities	212,644	205,421	185,934	164,177	138,127
Deposits from customers	176,872	170,892	151,185	126,028	98,213
Core customer deposits	143,639	127,623	111,204	95,039	79,465
Paid-up capital	3,532	3,532	3,532	3,528	3,463
Shareholders' equity	13,033	11,023	9,537	9,342	9,034
Commitments and contingencies	69,206	61,435	52,867	40,807	33,359

SHARE INFORMATION AND VALUATION

Share Information

Per share (sen)					
Basic earnings	87.2	73.3	76.9	63.3	52.1
Diluted earnings	87.2	73.3	76.9	62.9	51.6
Gross dividend					
– Cash dividend	58.0	55.0	55.0	75.0	60.0
– Share dividend	–	1 for 68	1 for 35	–	–
Net assets	372.1	319.4	284.2	278.7	270.6
Share price as at 31 December (RM)					
– Local	13.02	11.30	8.85	11.00	7.75
– Foreign	13.00	11.26	8.75	11.00	7.85
Market capitalisation (RM'Million)	45,964	39,868	31,152	38,807	26,941

Valuations (Local Share)

Gross dividend yield (%)	4.5	4.9	6.2	6.8	7.7
Gross dividend yield (including share dividend) (%) ¹	4.5	6.8	10.0	6.8	7.7
Dividend payout ratio (%)	52.3	56.6	53.2	87.4	84.5
Dividend payout ratio (including share dividend) (%)	52.3	79.3	84.8	87.4	84.5
Price to earnings multiple (times)	14.9	15.4	11.5	17.4	14.9
Price to book multiple (times)	3.5	3.5	3.1	3.9	2.9


13.8 %

Gross Loans


12.5 %
Core Customer
Deposits

Year Ended 31 December	2010	2009	2008	2007	2006

FINANCIAL RATIOS (%)**Profitability Ratios**

Net interest margin on average interest bearing assets ²	3.4	3.2	3.2	3.2	3.4
Net return on equity ³	27.1	26.1	30.4	26.3	21.9
Return on average assets	1.8	1.6	1.8	1.9	1.9
Return on average risk-weighted assets	3.1	2.8	3.2	3.3	3.2
Cost/income ratio	30.7	32.6	31.2	33.1	32.7

Asset Quality Ratios

Net loan to deposit ratio	87.1	79.2	78.3	78.8	84.3
Gross impaired loans ratio ⁴	1.1	1.4	1.0	1.4	1.9
Loan loss coverage	143.5	120.3 [^]	159.7	119.5	99.9

Capital Adequacy Ratios

Tier I capital ratio	10.7	10.5	8.3	9.1	10.2
Risk-weighted capital ratio	14.4	14.6	13.7	13.6	15.8
Capital base (RM'Million)	20,274	18,221	15,775	13,478	13,000
Tier I – equity capital	11,159	9,161	8,157	7,627	7,151
– debt capital	3,896	3,964	1,440	1,346	1,262
Tier II – loan impairment reserves	2,165	2,052	1,760	1,523	1,318
– debt capital	3,102	3,218	4,419	2,982	3,269
Deductions from capital	(48)	(174)	(1)	—	—

PRODUCTIVITY RATIOS

No. of employees	17,369	17,169	16,160	14,287	13,396
Gross loan per employee (RM'000)	9,013	8,015	7,467	7,098	6,298
Deposits per employee (RM'000)	10,183	9,953	9,356	8,821	7,331
Profit before tax per employee (RM'000)	235	193	209	210	180

MARKET SHARE (%)

Domestic market share					
Loans, advances & financing	16.2	15.9	14.8	14.4	13.2
Deposits from customers	14.5	16.3	15.5	14.8	14.2
Core customer deposits	16.0	15.4	14.7	13.7	12.1

¹ Computed based on PBB Local share price of RM13.02 per share on 31 December 2010.

² Excluding negotiable instruments of deposit and money market deposits which are on-lent to interbank.

³ Based on equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.

⁴ FYE 2010 & 2009 are based on a more stringent criteria on classification of impaired loans under FRS 139. FYE 2006 to 2008 are based on 3 months classification under BNM/GP3.

[^] Reinstated after adoption of FRS 139.

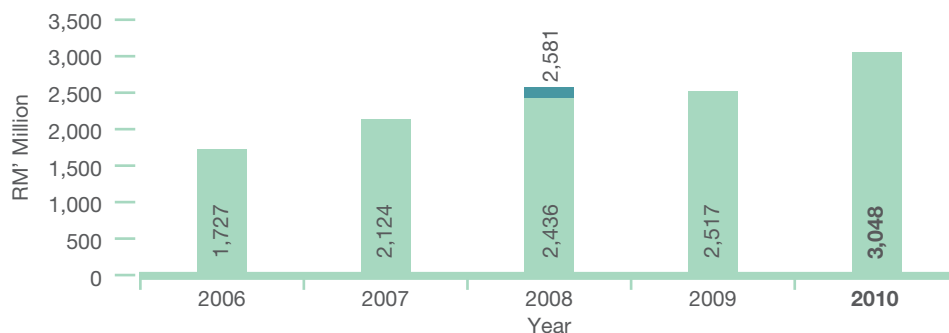
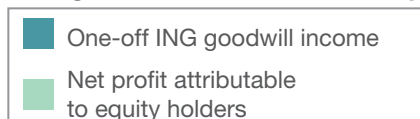


Summary of Five-Year Group Growth

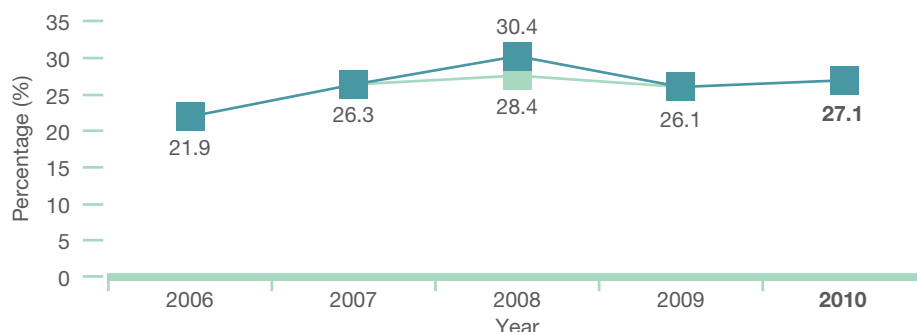
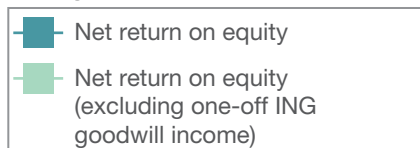
Delivering Another Year of Solid Performance

Enhancing Shareholder Value

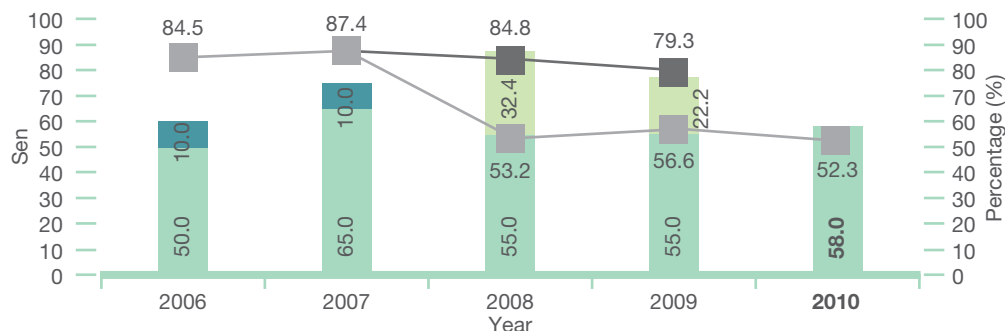
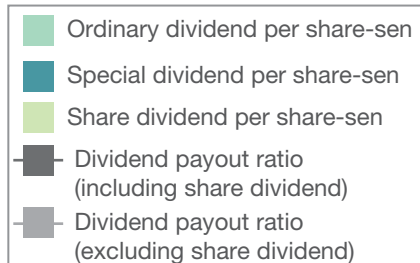
Strong Track Record of Profitability



Steady Shareholder Return



Healthy Dividend Payout

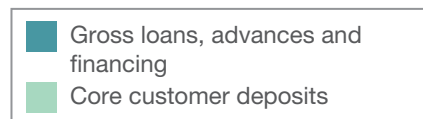


Improving Share Price



Strong Balance Sheet Growth

Continuous Strong Growth In Gross Loans and Core Customer Deposits



[^] Including Islamic financing sold to Cagamas

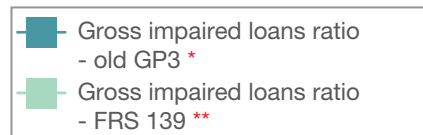


Stable Asset Growth



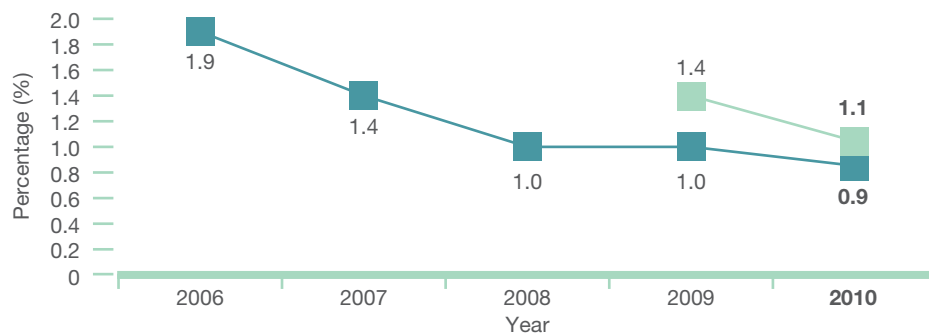
Excellent Asset Quality

Asset Quality Remained Strong



* Old GP3 - loans in arrears for 3 months or more

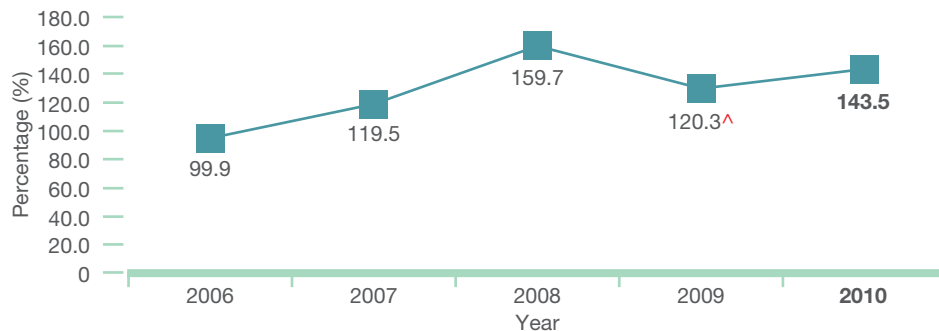
** FRS 139 - loans in arrears for 3 months or more and significant loans in arrears for less than 3 months which show indications of impairment



High Reserve vs Low Impaired Loans

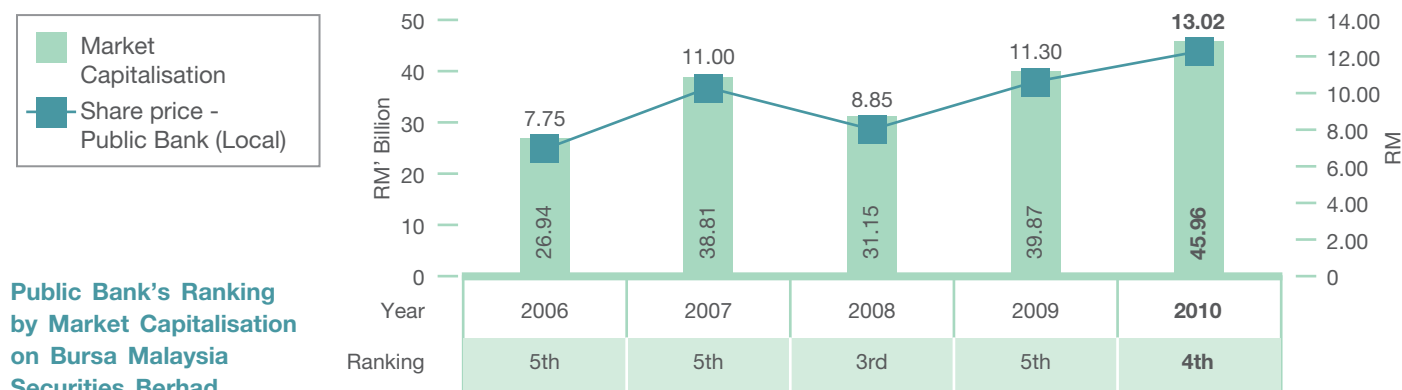


[^] Restated due to the adoption of FRS 139





Market Capitalisation & Ranking



Key Interest Bearing Assets & Liabilities

	2010			2009		
	Average Balance RM'million	Average Rate (%)	Interest RM'million	Average Balance RM'million	Average Rate (%)	Interest RM'million
INTEREST EARNING ASSETS						
Loans, advances and financing	140,467	5.57	7,830	123,251	5.47	6,746
Balances with banks	31,268	2.26	708	42,353	2.08	882
Financial assets and financial investments	23,185	2.61	605	20,620	2.60	535
Total	194,920	4.69	9,143	186,224	4.38	8,163
INTEREST BEARING LIABILITIES						
Deposits from customers	147,251	2.11	3,104	129,197	2.12	2,744
Deposits from banks	19,016	2.45	466	24,879	2.02	503
Recourse obligations on loans sold to Cagamas	20	4.22	1	1,116	3.63	41
Debt securities issued and other borrowed funds	7,930	3.34	265	7,551	2.87	216
Total	174,217	2.20	3,836	162,743	2.15	3,504



Segmental Analysis

For the year ended 31 December 2010





Group Quarterly Performance

2010

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2010
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	2,507.7	2,679.3	2,877.4	2,971.2	11,035.6
Net interest income (including income from Islamic banking business)	1,264.6	1,337.9	1,371.7	1,404.5	5,378.7
Operating profit	1,061.5	1,154.9	1,252.2	1,269.7	4,738.3
Profit before tax expense and zakat	922.5	982.0	1,051.4	1,130.3	4,086.2
Profit attributable to equity holders of the Bank	685.2	734.1	782.7	846.2	3,048.2
Earnings per share (sen)	19.7	21.0	22.3	24.2	87.2
Dividend per share					
– Cash dividend (sen)	–	25.0	–	33.0	58.0
– Share dividend	–	–	–	–	–

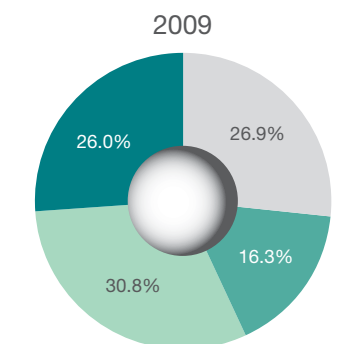
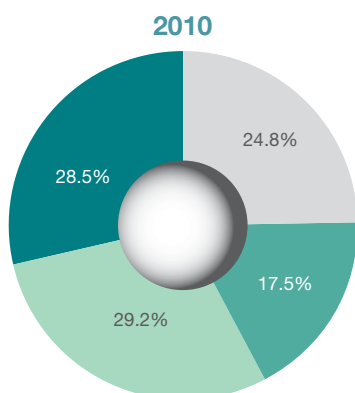
2009

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2009
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	2,431.5	2,350.6	2,438.0	2,495.5	9,715.6
Net interest income (including income from Islamic banking business)	1,103.6	1,147.7	1,194.9	1,281.8	4,728.0
Operating profit	900.8	998.9	1,031.4	1,084.0	4,015.1
Profit before tax expense and zakat	744.9	819.8	856.5	900.2	3,321.4
Profit attributable to equity holders of the Bank	589.3	610.7	639.1	678.2	2,517.3
Earnings per share (sen)	17.4	17.7	18.5	19.7	73.3
Dividend per share					
– Cash dividend (sen)	–	30.0	–	25.0	55.0
– Share dividend	–	–	–	1 for 68	1 for 68



Statement of Value Added

Value added is a measure of wealth created by the Public Bank Group through various business activities. The statement of value added shows the total wealth created and how it was distributed to stakeholders, including the Governments, as well as reinvestment for the replacement of assets and further expansion of the business of the Group.



- Employees
- Governments
- Providers of capital
- Reinvestment in the Group

	2010 RM'000	2009 RM'000
VALUE ADDED		
Net interest income	4,597,420	4,036,442
Net income from Islamic banking business	781,288	691,591
Other operating income	1,459,792	1,229,652
Operating expenses excluding staff costs and depreciation	(561,956)	(539,822)
Allowance for impairment on loans, advances and financing	(659,566)	(690,970)
Impairment on other assets	(5,188)	(15,079)
Share of results of associated companies	12,686	12,427
Value added available for distribution	5,624,476	4,724,241

DISTRIBUTION OF VALUE ADDED

To employees:		
Personnel costs	1,392,651	1,269,313
To the Governments:		
Taxation	987,120	769,893
To providers of capital:		
Dividends paid to shareholders	1,593,477	1,423,724
Minority interests	50,853	34,238
To reinvest in the Group:		
Depreciation	145,628	133,495
Retained profit	1,454,747	1,093,578
Total distributed	5,624,476	4,724,241

DISTRIBUTION OF INTERNALLY-GENERATED VALUE

To providers of capital:		
Distribution of share dividend to shareholders	–	573,550

FAIS GNING

THE BAR





RAISING THE BAR

The bar has been raised as we look ahead to creating even more value for our customers and shareholders alike. Through hard work, commitment and a dedicated workforce, we are ready to go the distance to achieve even greater heights in the banking industry.



Awards & Accolades

Public Bank Group's unwavering commitment to its corporate mission "To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia" has led to the Public Bank Group's sterling performance, evident in the many awards the Group has garnered over the years.



Prime Minister, YAB Dato' Sri Mohd. Najib bin Tun Abdul Razak presenting the Value Creator: Malaysia's Outstanding CEO to Tan Sri Dato' Sri Dr. Teh Hong Piow at The Edge Billion Ringgit Club Corporate Awards 2010 on 5 July 2010



Tan Sri Dato' Sri Dr. Teh Hong Piow receiving the Inaugural Asian Corporate Director Recognition Award from Mr. Aldrin Monsod, Managing Director and Publisher of Corporate Governance Asia on 7 August 2010



Three awards namely The Asset Asia's Banking Grandmaster award, The Asset Platinum Award for All-Round Excellence, The Asset Best Domestic Bank in Malaysia award and a certificate for the Most Award Winning Bank were accorded by The Asset and The Malaysia Book of Records respectively

These awards and recognitions of the Public Bank Group's exemplary performance, many of which were for a consecutive number of years, further enhance the Group's reputation as a profitable, strong and reliable financial institution.

Indeed, Public Bank is what it is today because of the continued pursuit of excellence in everything it does and by each and everyone in the Public Bank Group.

Datuk Danny Ooi, Founder and Managing Director of the Malaysia Book of Records presenting the certificate of the Most Award Winning Bank to Tan Sri Dato' Sri Dr. Teh Hong Piow



Tan Sri Dato' Sri Dr. Teh Hong Piow is the proud recipient of the Inaugural Asian Corporate Director Recognition Award 2010 for Malaysia while Public Bank was accorded the Corporate Governance Asia Recognition Award 2010 for the sixth year



Mr. Daniel Yu, Editor-in-Chief of The Asset congratulating Tan Sri Dato' Sri Dr. Teh Hong Piow after presenting the Asia's Banking Grandmaster award on 13 March 2010





2010 Awards



- ➡ • Best Bank in Malaysia 1
 2010, 2009, 2007
 • Best SME Bank in Malaysia 2010 2
 Awarded by: **Alpha Southeast Asia**
- ➡ BrandLaureate Awards 2009-2010 3
 • Best Brands in Financial Services (Banking)
 2010, 2009, 2008, 2007, 2006
 Awarded by: **Asia Pacific Brands Foundation**
- ➡ Inaugural Putra Brand Awards 2010 4
 • Silver Award for Finance Category
 Awarded by: **Association of Accredited Advertising Agents Malaysia**
- ➡ Award for Outstanding Payment Formatting and Straight Through Rate 2009 5
 Awarded by: **Bank of New York Mellon**
- ➡ Corporate Governance Asia Recognition Award 2010 6
 2010, 2009, 2008, 2006, 2005
 Awarded by: **Corporate Governance Asia**
- ➡ Top SMI Supporter Award 2009 for Commercial Banks Category 7
 2009, 2008, 2007, 2005
 Awarded by: **Credit Guarantee Corporation**
- ➡ The 8th Asia Pacific International Honesty Enterprise Keris Award 2009 8
 Awarded by: **Entrepreneur Development Association**
- ➡ Best Managed and Governed Companies – Asia Poll 2010:
 • Ranked No. 1 in Best Corporate Governance for Malaysia
 Awarded by: **Euromoney**
- ➡ Best Asian Bank 2010 9
 Awarded by: **FinanceAsia**
- ➡ Best Bank in Malaysia 2010 10
 2010, 2009, 2008, 2007, 2006, 2004, 2003, 2002, 2001, 2000, 1999
 Awarded by: **FinanceAsia**
- ➡ Asia's Best Managed Companies 2010 Poll:
Ranked No. 1
 • Best Managed Company
 2010, 2009, 2008, 2007
 • Best Corporate Governance
 2010, 2009, 2008, 2007
 • Most Committed to a Strong Dividend Policy 2010
 • Best Corporate Social Responsibility 2010
Ranked No. 2
 • Best Investor Relations
 2010, 2009, 2008
 Awarded by: **FinanceAsia**
- ➡ Automotive Finance Company of the Year 2010
 2010, 2009, 2007 11A 11B
 Awarded by: **Frost & Sullivan**
- ➡ Best Emerging Market Bank in Malaysia 2010
 2010, 2009, 2003, 2002, 2000 12
 Awarded by: **Global Finance**
- ➡ Best Foreign Exchange Provider in Malaysia 2011
 Awarded by: **Global Finance**
- ➡ JP Morgan Chase Quality Recognition Award 2010 for the High Performance of the Bank's Fund Transfer Operations
 • Elite Quality Recognition Award for MT202 Category
 • Elite Quality Recognition Award for MT103 Category
 2010, 2009, 2008, 2007, 2006, 2005 13
 • Best-in-Class STP Rate Certificate for MT103 14
 • Best-in Class STP Rate Certificate for MT202 15
 • Best-in Class Book Transfer Rate Certificate
 2010, 2009
 Awarded by: **JP Morgan**
- ➡ Malaysian Business-CIMA Enterprise Governance Awards 2010
 • Overall Winner 16
 • Best Return to Shareholders 17
 • Corporate Social Responsibility
 2010, 2009, 2008 18
 Awarded by: **Malaysian Business**

► Malaysian Corporate Governance Index 2010 Awards

- Corporate Governance Hall of Fame Award 2010 [19](#)
- Overall Excellence Award 2010 2010, 2009, 2008 [20](#)
- Distinction Award [21](#)
- Industry Excellence Award for Finance Sector 2010 2010, 2009, 2008 [22](#)
- Best Conduct of AGM Award [23](#)

Awarded by: Minority Shareholder Watchdog Group and Nottingham University Business School, Malaysia Campus

► National Annual Corporate Report Awards 2010

- Overall Excellence Award for Most Outstanding Annual Report – Platinum Award [24](#) 2010, 2009, 2008, 2007
- Industry Excellence Award for Main Board Companies in the Finance Sector [25](#) 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997
- Best Annual Report in Bahasa Malaysia – Gold Award 2010 [26](#)

► The RAM Heritage Hall Awards 2010

- Evolutionary Award [27](#)

Awarded by: RAM Rating Services Bhd

► Reader's Digest Trusted Brands Gold Award 2010 for the Bank category in Malaysia [28](#) 2010, 2009, 2008, 2007, 2006, 2005, 2004

Awarded by: Reader's Digest

► Best Retail Bank in Malaysia 2009 2009, 2005, 2004, 2003, 2001

Awarded by: The Asian Banker

► Best Domestic Bank in Malaysia [29](#) 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002

Awarded by: The Asset

► The Asset Platinum Award for All-Round Excellence 2010: [30](#)

- Financial Performance
- Management
- Corporate Governance
- Investor Relations
- Social Responsibility
- Environmental Responsibility 2010, 2009

Awarded by: The Asset

► The Inaugural The Edge Billion Ringgit Club Corporate Awards 2010:

- Highest Returns to Shareholders Over Three Years [31](#)
- Highest Return on Equity Over Three Years [32](#)

Awarded by: The Edge

► The Most Award-Winning Bank Certification 2010 [33](#)

Awarded by: The Malaysia Book of Records

► Ranked No. 1 Most Admired Company in Malaysia 2010, 2009

Awarded by: The Wall Street Journal Asia

► Best Banking Group in Malaysia 2010 2010, 2009

Awarded by: World Finance

► Ranked Top 20 Chinese Businesses in Malaysia 2009 [34](#)

Awarded by: Yazhou Zhoukan

► Ranked 2nd in the Top 10 Malaysian Banks in terms of total assets

Awarded by: Yazhou Zhoukan

Chairman's Awards 2010

► Value Creator: Malaysia's Outstanding CEO in the Inaugural The Edge Billion Ringgit Club Corporate Awards 2010 [35](#)

Awarded by: The Edge

► Asian Corporate Director Recognition Award 2010 [36](#)

Awarded by: Corporate Governance Asia

► Asia Banking Grandmaster [37](#)

Awarded by: The Asset





Past Awards

- ➡ Asiamoney's Poll of Polls Best Overall Company in Malaysia for Corporate Governance 2004-2008
- ➡ Asiamoney Corporate Governance Poll 2008
 - Overall Best Company in Malaysia
 - Best for Disclosure and Transparency in Malaysia
 - Best for Responsibilities of Management and the Board of Directors in Malaysia
 - Corporate Governance – Best for Shareholders' Rights and Equitable Treatment in Malaysia
- ➡ Asiamoney Award For Overall Best – Managed Company In Malaysia – Large Cap 2008, 2007
- ➡ Asiamoney Best Domestic Bank in Malaysia 2008, 2007, 2004, 2003, 2002, 2001, 1999
- ➡ Asiamoney Award For Overall Best – Managed Company In Malaysia 2004
- ➡ Asiamoney Award For The Best Company Overall For Investor Relations In Malaysia 2001
- ➡ The Strongest Bank In Malaysia and Fourth Strongest Bank In Asia 2001 by Asiamoney
- ➡ The 5th Malaysia Best Managed Companies Awards 1999 by Asiamoney
- ➡ Retail Bank of the Year – Malaysia by Asian Banking & Finance 2009, 2007
- ➡ Management Awards Of Asia 1996 by Asian Institute of Management
- ➡ The Asia Pacific Super Excellent Brand 2008 Award by Asia Entrepreneur Alliance Worldwide
- ➡ Ranked No. 1 in Malaysia's 30 Most Valuable Brands by the Association of Accredited Advertising Agents Malaysia 2009, 2008, 2007
- ➡ Banking Institution Language Award (Commercial Bank Category) by Dewan Bahasa dan Pustaka
- ➡ Anugerah Citra Wangsa Malaysia For The Private Sector Annual Report by Dewan Bahasa dan Pustaka 2007, 2006, 2000
- ➡ Anugerah Citra Wangsa Malaysia 2006 Incentive Award for Financial Institution by Dewan Bahasa dan Pustaka
- ➡ Anugerah Citra Wangsa Malaysia Merit Award For Bahasa Malaysia Annual Report by Dewan Bahasa dan Pustaka 2005, 2003
- ➡ Anugerah Citra Wangsa Malaysia Special Jury's Award For Bahasa Malaysia Annual Report by Dewan Bahasa dan Pustaka 2002, 2001
- ➡ Best Bank In Malaysia 2001 by Emerging Markets Investor Magazine
- ➡ Euromoney Asia's Best Managed and Governed Companies Poll
 - Ranked 1st in Best Corporate Governance for Malaysia 2008
 - Ranked 1st in Most Convincing and Coherent Strategy 2007
 - Ranked 2nd in Best Corporate Governance 2007
- ➡ Far Eastern Economic Review Magazine Asia's Leading Companies Award Ranked 2nd In The Review 200: 2003, 2002, 2001, 2000
- ➡ FIABCI'S Award Of Distinction For The Best Commercial Development Building 1999
- ➡ FinanceAsia's "Asia's Best Managed Companies 2009" poll:
 - Ranked 2nd Most Committed to a Strong Dividend Policy 2009, 2008, 2007
 - Ranked 2nd Best Corporate Social Responsibility 2009, 2007
- ➡ FinanceAsia Best Bank in Asia 2008
- ➡ FinanceAsia Deal Of The Month – Public Bank's USD200 Million Hybrid Tier-I Offering 2006
- ➡ FinanceAsia Best Bank Capital Deal Of The Year – Public Bank's USD200 Million Hybrid Tier-I Offering 2006
- ➡ FinanceAsia's 6th Annual Asia's Best Companies 2006 Poll:
 - 3rd In 'Best Managed Company'
 - 3rd In 'Best Corporate Governance'
 - 2nd In 'Best Commitment To Strong Dividends'
- ➡ FinanceAsia Asia's Best Managed Companies 2005, 2004
- ➡ Financial Insights Innovation Awards 2007 for Operational Processes
- ➡ Best Investor Relations 2004 by Institutional Investor Research Group
- ➡ Anugerah Kristal 2004 (Special Mention) Consumer Public Relations Category:
 - PB Manchester United MasterCard 2004 by Institute of Public Relations Malaysia
- ➡ Best Investor Relations In The Singapore Market By A Malaysian Company by Investor Relations 2007, 2006
- ➡ Federal Territory Kuala Lumpur 2007 Building Beautification & Illumination Competition by Kuala Lumpur City Hall
 - Champion, Bank Category
 - Datuk Bandar Trophy, Bank Category
- ➡ Winner Of The 'Beautiful Compound Competition' For Private Sector Complex/ Building Category 1994 by Kuala Lumpur City Hall
- ➡ KLSE Corporate Excellence Awards by Kuala Lumpur Stock Exchange Berhad 2003, 2002, 2001, 2000
- ➡ KLSE Corporate Award For Best Corporate Disclosure In Annual Report 2003 by Kuala Lumpur Stock Exchange Berhad
- ➡ KLSE Corporate Sectoral Award For The Finance And Closed-End Fund Sector by Kuala Lumpur Stock Exchange Berhad 2001, 2000
- ➡ The Best of Malaysia Branded Service Champion 2009 Award for Local Consumer Banking category by MarkPlus Inc. 2009
- ➡ Corporate Governance Survey Awards 2009 by Minority Shareholder Watchdog Group and Nottingham University Business School, Malaysia Campus
 - Overall Excellence Award 2009 2009, 2008
 - Industry Excellence Award for Finance Sector 2009 2009, 2008
 - Corporate Governance Challenge Trophy 2009 2009, 2008, 2007, 2006, 2005
- ➡ Malaysian Corporate Report Award (MACPA)
 - Gold Award For The Most Outstanding Annual Report 1989
 - Best Corporate Information 1989, 1988, 1987
 - Silver Award For The Most Outstanding Annual Report 1984
- ➡ National Mergers And Acquisitions Award 2007 For The Category Of Cross Border Deal Of The Year For the Acquisition of Asia Commercial Bank Limited 2007 by Malaysian Mergers and Acquisitions Association
- ➡ MIM Valued Partner Award 2006 by Malaysian Institute of Management

- ➡ Malaysian Business Corporate Governance Award by Malaysian Business 2006, 2005, 2004, 2003, 2002
- ➡ Malaysian Business Corporate Governance Merit Award by Malaysian Business 2006, 2005, 2004, 2003, 2002
- ➡ Malaysian Business CSR Awards 2007 by Malaysian Business
 - Overall Winner
 - Best Innovation in CSR
- ➡ Malaysian Business Corporate Social Responsibility Category Award 2004 by Malaysian Business
- ➡ National Creative & Innovation Award 2004 by Malaysia Design Technology Centre
- Industry Excellence Award Under The Service Export Excellence For The Financial Category 1994 by Ministry Of International Trade & Industry
- ➡ National Annual Corporate Report Awards (NACRA)
 - Overall Excellence Award For Most Outstanding Annual Report – Gold Award 2006
 - ~ Overall Excellence Award For Most Outstanding Annual Report 2005, 2004, 2003, 2002, 1997, 1990
 - ~ Best Designed Annual Report – Platinum Award 2007
 - ~ Best Annual Report in Bahasa Malaysia – Platinum Award 2009, 2008, 2007, 2006, 2005, 2004, 1998, 1996
 - ~ Commendation Awards For:
 - > Corporate Information 1994, 1989
 - > Accounting Information 1995, 1994, 1989
 - > Bahasa Malaysia Annual Report 1995, 1994, 1989
- ➡ Best Local Currency Structured Product, Malaysia – PB Asian ACES by The Asset 2009
- ➡ The Asset Award For Best Company In Malaysia For Corporate Governance 2007 by The Asset
- ➡ Asia's Best Bank Capital Issue For 2006 – Public Bank's USD200 Million Hybrid Tier-I Offering 2007
- ➡ The Asset Triple A Regional Awards For Best Bank Bond 2005
- ➡ The Asset Award For A Leader In Corporate Governance In Malaysia 2003
- ➡ The Asian Banker Excellence in Retail Financial Services Awards 2009:
 - Best Retail Bank in Asia Pacific 2009
 - Best Deposit Product/Campaign 2009
 - Excellence in Automobile Lending 2009
- ➡ The Asian Banker Achievement Award for Commitment to Investors 2008
- ➡ The Asian Banking Awards For The Most Outstanding Customer Service Programme Category 2000
- ➡ The Banker Awards for Bank of the Year 2009, 2008, 2005, 2001
- ➡ The Wall Street Journal Asia's 200 Most Admired Companies Survey:
 - 1st in Long Term Vision 2009, 2008
 - 1st in Financial Reputation 2009, 2008, 2006
 - 2nd in Corporate Reputation 2009, 2008, 2006
- 2nd in Quality 2009
- 3rd in Innovation 2009
- 3rd Most Admired Company in Malaysia 2008
- 2nd Of Top 10 Malaysian Companies 2006
- ➡ Bank-wide ISO 9001:2000 Quality Management Systems Certification by SIRIM Berhad for
 - Provision Of Customer Service In Loan Delivery 2003
 - Provision Of Customer Service At The Front-office 2001
- ➡ Sahabat SMI Award 2005 by SMI Association Of Malaysia
- ➡ Medal "For The Course Of Vietnamese Banking" 2002 by State Bank Of Vietnam
- ➡ Technology Business Review Industry Award For Excellence In Banking & Finance For Local Bank 2006

Chairman's Past Awards

- ➡ Best CEO in Malaysia 2009 by FinanceAsia
- ➡ Best Strategist Award in the Malaysia Independence Award 1957 by Selangor Petaling Business & Industry Association
- ➡ Honourable Medal for National Contribution to Education in Cambodia 2008 by the Government of Cambodia
- ➡ FinanceAsia Asian Banker Par Excellence 2008
- ➡ The BrandLaureate Brand Personality Award 2007 by Asia Pacific Brands Foundation
- ➡ ASEAN Most Astute Banker Award 2007 by The Asset
- ➡ The Asia Pacific Lifetime Entrepreneurship Achievement Award 2007 by Enterprise Asia
- ➡ The PILA Recognition Award 2007 by Institute of Public Relations Malaysia
- ➡ Recognition Award 2007 by National Bank Of Cambodia
- ➡ Euromoney Award For Outstanding Contribution To The Development Of Financial Services In Asia 2006
- ➡ FinanceAsia Lifetime Achievement Award 2006
- ➡ FinanceAsia Asia's 50 Most Influential 1996-2006
- ➡ MIM Gold Medal Award Of The 'Confre D'Honneur' (Honoured Companion) 2006 by Malaysian Institute Of Management
- ➡ Technology Business Review Award For Lifetime Achievement In Corporate Excellence, Dedication & Industry 2006
- ➡ The Asset Asia's Banker Of High Distinction Award 2006
- ➡ The Most PR Savvy CEO 2004 by Institute of Public Relations Malaysia
- ➡ The Asian Banker Leadership Achievement Award For Malaysia 2005
- ➡ Best CEO In Malaysia 2004 by Asiamoney
- ➡ Malaysia's CEO Of The Year Award 1999 by Business Times and American Express
- ➡ ASEAN Businessman Of The Year Award 1994 by ASEAN Business Forum
- ➡ Asia's Commercial Banker Of The Year 1991 by Asia Money & Finance
- ➡ Yazhou Zhoukan Top 500 International Chinese Entrepreneurs:
 - 33rd Amongst Top 500 International Chinese Entrepreneurs 2006
 - 1st Amongst Top 10 Malaysian Chinese Entrepreneurs 2006
 - 6th Amongst Top 10 Banking & Finance Entrepreneurs 2006
- ➡ The Business Achiever Of The Year 1997 by Yazhou Zhoukan

VISIONARY
LEADERSHIP

VISIONARY
LEADERSHIP VISIONARY
LEADERSHIP
VISIONARY LEADER

VISIONARY
LEADERSHIP

NARY LEADERSHIP VISION

VISIONARY
LEADERSHIP LEADER

VISIONARY

VISIONARY
ADERSHIP VISION

VISIONARY LEADERSHIP

Having a shared vision, common objectives and a clear sense of purpose allows us to focus on the big picture. With visionary leadership at the helm, we will implement effective strategies, best practices and consolidate our position as a stable and progressive financial institution that contributes positively towards the advancement of the nation.





Board of Directors



**Tan Sri Dato' Sri
Tay Ah Lek**
*Managing Director/
Chief Executive Officer*

**Tan Sri Datuk
Seri Utama Thong
Yaw Hong**
*Independent
Non-Executive
Co-Chairman*

**Tan Sri Dato' Sri Dr.
Teh Hong Piow**
*Non-Executive
Chairman*

**Dato' Sri
Lee Kong Lam**
Executive Director

Dato' Yeoh Chin Kee
*Independent
Non-Executive Director*



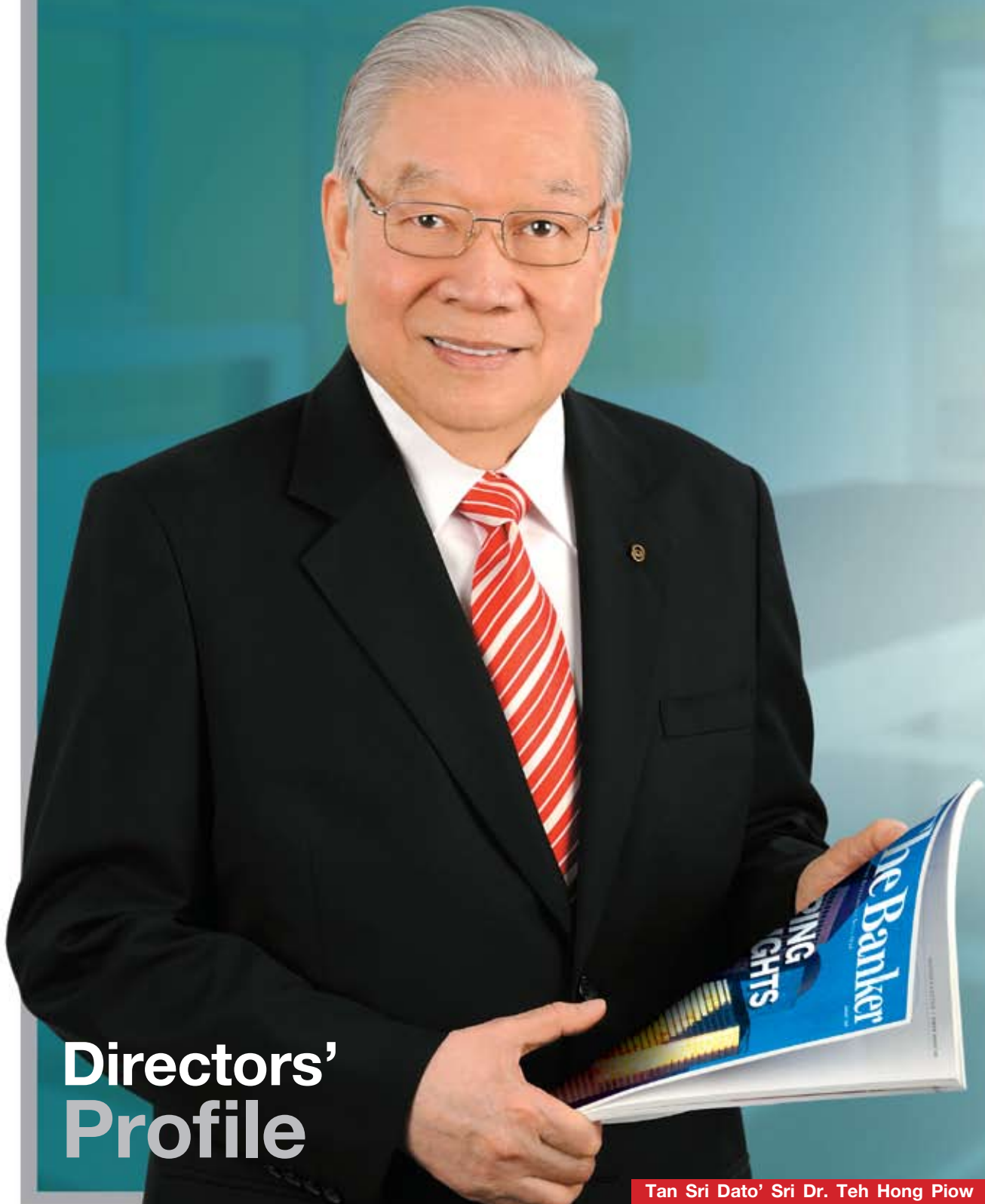
**Dato' Haji Abdul Aziz
bin Dato' Dr. Omar**
*Independent
Non-Executive Director*

**Dato' (Dr) Haji
Mohamed Ishak bin
Haji Mohamed Ariff**
*Independent
Non-Executive Director*

**Y.A.M. Tengku Abdul
Rahman Ibni Sultan Haji
Ahmad Shah Al-Mustain
Billah**
*Independent
Non-Executive Director*

Chia Lee Kee
Company Secretary

Quah Poh Keat
*Independent
Non-Executive Director*



Directors' Profile

Tan Sri Dato' Sri Dr. Teh Hong Piow

Non-Executive Chairman

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 80, began his banking career in 1950 and has 61 years experience in the banking and finance industry. He founded Public Bank in 1965 at the age of 35. He was appointed as a Director of Public Bank on 30 December 1965 and had been the Chief Executive Officer of Public Bank since its commencement of business operations in August 1966. He was re-designated as Chairman of Public Bank and Chairman of Public Bank Group with effect from 1 July 2002. He serves as Chairman of the Board Executive Committee and the Group Human Resource Committee.

Tan Sri Dato' Sri Dr. Teh Hong Piow had won both domestic and international acclaim for his outstanding achievements as a banker and the Chief Executive Officer of a leading financial services group. Awards and accolades that he had received include:

- Asia's Commercial Banker of the Year 1991
- The ASEAN Businessman of the Year 1994
- Malaysia's Business Achiever of the Year 1997
- Malaysia's CEO of the Year 1998
- Best CEO in Malaysia 2004
- The Most PR Savvy CEO 2004
- The Asian Banker Leadership Achievement Award 2005 for Malaysia
- Award for Outstanding Contribution to the Development of Financial Services in Asia 2006
- Lifetime Achievement Award 2006
- Award for Lifetime Achievement in Corporate Excellence, Dedication and Industry 2006
- Asia's Banker of High Distinction Award 2006
- The BrandLaureate Brand Personality Award 2007
- ASEAN Most Astute Banker Award 2007
- Lifetime Entrepreneurship Achievement Award 2007
- The Pila Recognition Award 2007
- Asian Banker Par Excellence Award 2008
- Best CEO in Malaysia 2009
- Asia's Banking Grandmaster 2010
- Asian Corporate Director Recognition Award 2010
- Value Creator: Malaysia's Outstanding CEO 2010

Tan Sri Dato' Sri Dr. Teh Hong Piow was awarded the Medal 'For the Course of Vietnamese Banking' by the State Bank of Vietnam in 2002 for his contributions to the Vietnamese banking industry over the past years. Tan Sri Dato' Sri Dr. Teh Hong Piow was conferred the Recognition Award 2007 by the National Bank of Cambodia in appreciation of his excellent achievement and significant contribution to the banking industry in Cambodia.

In recognition of his contributions to society and the economy, he was conferred the Doctor of Laws (Honorary) from University of Malaya in 1989.

He had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council. He is a Fellow of several institutes which include the Institute of Bankers Malaysia; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; the Institute of Chartered Secretaries and Administrators, Australia and the Malaysian Institute of Management.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd (Chairman), Public Mutual Bhd (Chairman), Public Islamic Bank Bhd (Chairman), Public Financial Holdings Ltd (Chairman), Public Bank (Hong Kong) Ltd (Chairman) and Cambodian Public Bank Plc (Chairman); he is the Chairman of several other subsidiaries of the Public Bank Group. His directorships in other public companies are in LPI Capital Bhd (Chairman), Lonpac Insurance Bhd (Chairman) and Tong Meng Industries Ltd (Chairman).

Tan Sri Dato' Sri Dr. Teh Hong Piow attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.

Tan Sri Datuk Seri Utama Thong Yaw Hong, aged 80, was appointed as a Director of Public Bank on 23 June 1986 and was made its Chairman in October 1986. He was re-designated as Co-Chairman of Public Bank with effect from 1 July 2002. He serves as Chairman of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He graduated with a Bachelor of Arts (Hons) degree in Economics from University of Malaya and a Master's degree in Public Administration from Harvard University. He attended the Advanced Management Program at Harvard Business School. In June 1998, he was appointed a Pro-Chancellor of University Putra Malaysia from which he had retired in end June 2006. In September 2006, he was conferred the Doctor of Economics (Honorary) from University Putra Malaysia.

He has had a distinguished career with the Government of Malaysia, primarily in the fields of socio-economic development planning and finance. He had served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978 and served as Secretary-General, Ministry of Finance from 1979 until his retirement in 1986.

Tan Sri Datuk Seri Utama Thong Yaw Hong also serves as member on the Boards of Trustees of Program Pertukaran Fellowship Perdana Menteri Malaysia, Tun Razak Foundation and the Malaysian Institute of Economic Research, among others. He is a member of the National Economic Council and is also a Senior Member of the Working Group of the Executive Committee for the National Economic Council. Tan Sri Datuk Seri Utama Thong Yaw Hong is a Distinguished Fellow of the Institute of Strategic and International Studies (ISIS) Malaysia and is also a Fellow of the Institute of Bankers Malaysia.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd (Co-Chairman), Public Mutual Bhd (Co-Chairman), Public Islamic Bank Bhd (Co-Chairman), Public Financial Holdings Ltd (Co-Chairman), Public Bank (Hong Kong) Ltd (Co-Chairman), Cambodian Public Bank Plc (Co-Chairman) and CampuBank Lonpac Insurance Plc (Chairman); he is also a Director of several subsidiaries of the Public Bank Group. His directorships in other public companies are in Berjaya Sports Toto Bhd (Chairman), LPI Capital Bhd (Co-Chairman), Lonpac Insurance Bhd (Co-Chairman), Batu Kawan Bhd, Kuala Lumpur Kepong Bhd, Glenealy Plantations (Malaya) Bhd and Malaysian South-South Corporation Bhd. He is also the Chairman of Malaysia Property Incorporated.

Tan Sri Datuk Seri Utama Thong Yaw Hong attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.



Tan Sri Datuk Seri Utama Thong Yaw Hong

Independent Non-Executive Co-Chairman

Tan Sri Dato' Sri Tay Ah Lek, aged 68, has 50 years experience in the banking and finance industry. He was appointed as an Executive Director of Public Bank on 18 June 1997 and was re-designated as Managing Director/Chief Executive Officer with effect from 1 July 2002. He joined the Public Bank Group as a pioneer staff in 1966. He was the Executive Vice-President of Public Bank from 1995 to 1997 and prior to this appointment, he was the Executive Vice-President of the former Public Finance Berhad. He is a member of the Board Executive Committee. He is the Chairman of the Credit Committee, the IT Steering Committee, the Assets & Liabilities Management Committee and the Share Investment Committee, and is a member of the Group Human Resource Committee.

Tan Sri Dato' Sri Tay Ah Lek holds a Master's degree in Business Administration from Henley, United Kingdom and attended the Advanced Management Program at Harvard Business School. He is a Fellow of the Financial Services Institute of Australasia, the Institute of Bankers Malaysia and the Malaysian Institute of Management.

He is presently the Chairman of the Association of Finance Companies of Malaysia and the Association of Hire Purchase Companies Malaysia. He is a Member of the National Payments Advisory Board.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd and Cambodian Public Bank Plc; he is also a Director of several other subsidiaries of the Public Bank Group. His directorships in other public companies are in Cagamas Bhd, ASEAN Finance Corporation Ltd and Financial Mediation Bureau.

Tan Sri Dato' Sri Tay Ah Lek attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.

Dato' Sri Lee Kong Lam, aged 69, has 43 years experience in the banking and finance industry. He was appointed as an Executive Director of Public Bank on 28 November 2001. He joined Public Bank in November 1996 as General Manager and was subsequently appointed Senior General Manager in 1997 and Executive Vice-President in 1998. He is a member of the Board Executive Committee. He is the Chairman of the Operational Risk Management Committee and the Business Continuity Management Committee; and is a member of the Credit Committee, the IT Steering Committee, the Assets & Liabilities Management Committee, the Share Investment Committee and the Group Human Resource Committee.

Prior to joining Public Bank, he was with Bank Negara Malaysia (BNM) and was involved primarily in the supervision and examination of banking institutions. He retired in August 1996 as the Head of BNM's Examination Department and as a member of BNM's Management Committee.

He is a Fellow of the Certified Practising Accountants of Australia; a Fellow of the Chartered Institute of Bankers, United Kingdom; and a Chartered Accountant of the Malaysian Institute of Accountants.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd, Cambodian Public Bank Plc and CampuBank Lonpac Insurance Plc; he is also a Director of several other subsidiaries of the Public Bank Group.

Dato' Sri Lee Kong Lam attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.



Tan Sri Dato' Sri Tay Ah Lek

Managing Director/Chief Executive Officer



Dato' Sri Lee Kong Lam

Executive Director



Dato' Yeoh Chin Kee

Independent Non-Executive Director

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

Independent Non-Executive Director

**Dato' Haji Abdul Aziz bin
Dato' Dr. Omar**

Independent Non-Executive Director

Dato' Yeoh Chin Kee, aged 68, began his banking career in 1961 and has 50 years experience in the banking and finance industry. He was appointed as a Director of Public Bank on 9 May 1978. He was the Executive Director of Public Bank from May 1978 to May 1997. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. He is the Chairman of the Credit Risk Management Committee.

He is a Fellow of the Certified Practising Accountants of Australia and the Financial Services Institute of Australasia.

His directorships in other public companies in the Public Bank Group are in PB Trustee Services Bhd (Chairman), Public Investment Bank Bhd and Public Islamic Bank Bhd; he is also the Chairman of Public Bank (L) Ltd, the offshore bank subsidiary of Public Bank. His directorships in other public companies are in LPI Capital Bhd and Lonpac Insurance Bhd.

Dato' Yeoh Chin Kee attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah, aged 50, was appointed as a Director of Public Bank on 16 July 1984. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He was educated at Harrow College, United Kingdom in Business Administration.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd and Public Islamic Bank Bhd. His directorship in other public company is in Atlan Holdings Bhd.

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah attended 15 out of the 16 Board meetings which were held in the financial year ended 31 December 2010.

Dato' Haji Abdul Aziz bin Dato' Dr. Omar, aged 63, was appointed as a Director of Public Bank on 5 January 2000. He is the Co-Chairman of the Audit Committee and Risk Management Committee, and is a member of the Nomination Committee and the Remuneration Committee. He is the Co-Chairman of the Credit Risk Management Committee.

He qualified as a Chartered Accountant from the Institute of Chartered Accountants in England & Wales, and is also a Chartered Accountant of the Malaysian Institute of Accountants.

During his previous banking experiences, he became a Fellow of the Institute of Bankers Malaysia. His other past experiences had been in the areas of audit and accounting, taxation, property, plantation, hotelling, trading and manufacturing.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd and PB Trustee Services Bhd. His directorships in other public companies are in LPI Capital Bhd and Lonpac Insurance Bhd.

Dato' Haji Abdul Aziz bin Dato' Dr. Omar attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.

Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff, aged 75, was appointed as a Director of Public Bank on 28 November 2001. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He is a qualified Professional Chartered Town Planner and a Professional Landscape Architect from the University of Newcastle-upon-Tyne, England. He was honoured by the University of Newcastle-upon-Tyne, England with the Honorary Degree of Doctor in Civil Law in May 1993. He is a Fellow of the Royal Town Planning Institute London; Fellow of Malaysian Institute of Planners; and Fellow of Institute of Landscape Architects Malaysia.

He had served in various State and Federal Governments before retiring in 1993. He was a member of the Advisory Board of the City of Kuala Lumpur (Dewan Bandaraya Kuala Lumpur) until December 2004. Over the years and through his involvement as a Director of several public listed companies, he has accumulated vast experiences in various sectors namely, property and housing development, hotel management, food manufacturing and expressway management.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd and Public Islamic Bank Bhd. His directorship in other public company is in Yee Lee Corporation Bhd (Chairman).

Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.

Quah Poh Keat, aged 58, was appointed as a Director of Public Bank on 30 July 2008. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He is a Fellow of the Malaysian Institute of Taxation and the Association of Chartered Certified Accountants; and a Member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

He was a partner of KPMG since October 1982 and appointed Senior Partner (also known as Managing Partner in other practices) in October 2000 until 30 September 2007. He retired from the firm on 31 December 2007.

He is experienced in auditing, tax and insolvency practices and had worked in Malaysia and United Kingdom; his experiences include restructuring, demergers and privatisation.

He is active in the banking and service sectors and was one of the tax advisers to the Association of Banks in Malaysia on taxation of interest-in-suspense. He was involved in providing tax and audit services to various domestic and foreign banks in Malaysia.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd, Cambodian Public Bank Plc and CampuBank Lonpac Insurance Plc. His directorships in other public companies are in LPI Capital Bhd, Lonpac Insurance Bhd, IOI Corporation Bhd, PLUS Expressways Bhd and Telekom Malaysia Bhd.

Quah Poh Keat attended all the 16 Board meetings which were held in the financial year ended 31 December 2010.



Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff

Independent Non-Executive Director



Chia Lee Kee was appointed as the Company Secretary of Public Bank on 2 September 1996. She is also the Company Secretary of several Malaysian and overseas subsidiaries, and she oversees the Public Bank Group's company secretarial matters. She is the Secretary of various Board Committees of Public Bank Group.

She heads the Bank's Secretariat Division.

She is a Chartered Secretary (ICSA) and is a Fellow of The Malaysian Institute of Chartered Secretaries and Administrators.

None of the Directors has:

- Any family relationship with any Director and/or major shareholder of Public Bank.
- Any conflict of interest with Public Bank.
- Any conviction for offences within the past 10 years other than traffic offences.

All of the Directors are Malaysians.

Quah Poh Keat

Independent Non-Executive Director

Chia Lee Kee (Ms)

Company Secretary



Letter to Stakeholders



The Public Bank Group achieved a new milestone in 2010 with a record pre-tax profit of RM4.09 billion.



2010 witnessed a broad economic recovery from the unprecedented financial crisis which adversely affected global economies in 2008 and 2009. Advanced economies experienced moderate recoveries but the pace of recovery remained subdued amidst persistently weak labour markets in the United States and escalating turmoil in the sovereign debt markets and the prospect of fiscal austerity measures in the European Union. In contrast, emerging economies particularly in Asia, which were relatively less affected by the global financial crisis, led the global economic recovery. In most of the Asian countries, domestic economies remained resilient, with consumption- and private-sector led growth being well under way.

Malaysia registered commendable recovery in economic growth underpinned by strong domestic demand and recovery in exports. Supported by the Government's proactive stimulus packages and accommodative monetary policies, the Malaysian economy grew at an annual rate of 8% in the first nine months of 2010 and is expected to register 7% growth for the whole year. The Malaysian banking system, which remained unscathed through the recent global financial and economic crisis, remained well capitalised and maintained healthy liquidity conditions and stable credit quality. The favourable conditions in the domestic market and in the region continue to provide the avenue for Malaysian banks to adapt and compete for new business and customers in the pursuit of business growth. The financial services sector remained a key enabler of the Malaysian economy. Bank Negara Malaysia had in 2010 taken steps to further liberalise the foreign exchange rules in allowing the use of the ringgit for offshore trade settlement and the abolition of limits on anticipatory hedging for exporters on foreign exchange risks. Given the resilience of the Malaysian banking sector, Bank Negara Malaysia issued 7 new banking licences to international banking groups with global and regional presence in the continuing process of the liberalisation and development of the Malaysian financial services sector in accordance with the Financial Sector Master Plan.

Capitalising on the improved economic conditions in the region, the Public Bank Group continued to deliver yet another year of record profitability with pre-tax profit surpassing the RM4 billion mark for the first time. The Group continued to gain market share in its domestic core lending and deposit-taking businesses whilst maintaining its superior asset quality. Having overcome the challenging economic and market environment in 2008 and 2009, the Group continues to demonstrate its resilience in withstanding economic adversity and the soundness of its proven core business strategies whilst reaffirming the Group's unfaltering commitment to all its stakeholders in its delivery of excellence. The Group's commitment to excellence includes, but is not limited to, the delivery of superior shareholder value and distinctive customer value propositions, and fulfilling the Group's obligations to its dedicated employees and the community at large.

To Our Shareholders

Record Financial Performance

A 44-year track record of unbroken profitability is a compelling testament to the success of a corporation in delivering consistent profits to its shareholders. Whilst pursuing sustainable profitability, the Public Bank Group achieved a new milestone in 2010 with a record pre-tax profit of RM4.09 billion, representing an improvement of 23.0% as compared to the preceding year, whilst net profit attributable to shareholders grew by 21.1% to RM3.05 billion. This translates to an improved earnings per share of 87.2 sen and a net return on equity of 27.1% in 2010.

The Public Bank Group will continue to pursue its strategy of strong organic business growth with a superior quality loan portfolio, improve productivity as well as building a broader and deeper customer franchise. The Group will also continue to uphold its risk management capabilities and maintain its strong corporate governance culture and practices in its pursuit of profitability and business growth.

Strong Organic Business Growth

Lending business

Growth in the lending business of the Public Bank Group remained healthy with total gross loans expanding by RM18.93 billion in 2010 to RM156.54 billion as at the end of 2010. This translates to a growth rate of 13.8%, which was above the Malaysian banking industry's annualised growth rate of 13.5% as at the end of November 2010.

Domestic lending expanded at a faster pace during the year, growing by 15.6%, driven mainly by sterling growth in retail lending, particularly for purchase of residential properties and passenger vehicles as well as commercial lending to small- and medium-sized enterprises ("SMEs"). This led to an increase in the Group's domestic market share for loans and advances from 15.9% as at the end of 2009 to 16.2% as at the end of November 2010. In particular, the Group maintained its market leadership in both residential mortgages and passenger vehicle hire purchase financing in the Malaysian banking systems.

Deposit-taking business

The Public Bank Group continued with its pursuit of the expansion of its core customer deposits. The Group's total customer deposits increased by RM5.98 billion or 3.5% to RM176.87 billion as at the end of 2010 from RM170.89 billion as at the end of 2009. However, domestic core customer deposits grew at a much faster pace of 15.0% against the backdrop of a 5.9% annualised growth in the industry's core customer deposits as at the end of November 2010, which boosted the Group's domestic market share of core customer deposits to 16.0%. The sustained growth in the Group's deposit base is a reflection of the customers' high level of trust and confidence in the Group.

Strong asset quality

The Public Bank Group has not only maintained its top ranking in asset quality amongst its peers, but also further improved its impaired loans ratio. Commencing in 2010, the Group adopted a more stringent criteria on the classification of impaired loans under FRS 139, the financial reporting standard in respect of the recognition and measurement of financial instruments. Under this more stringent impaired loan classification criteria, certain loans which are less than 3

months in default are now classified as impaired. Despite the more stringent criteria, the Group's impaired loans ratio as at the end of 2010 remained low at 1.1%, which is approximately one-third that of the banking industry's impaired loans ratio of 3.2% as at the end of November 2010. This represented an improvement from the gross impaired loans ratio of 1.4% as at the beginning of 2010.

The Public Bank Group's strong asset quality is further supported by its healthy loan loss coverage ratio of 143.5% as at the end of 2010, which was higher than the coverage ratio of 97.4% for the banking industry as at the end of November 2010.

Medium-Term Performance

The consistent strong financial and business performance of the Public Bank Group is clearly demonstrated by the Group's outstanding and resilient track record over the past five years, notwithstanding the more challenging economic environment during the global financial crisis in 2008 and 2009. Since the end of 2005, the Public Bank Group has:

- More than doubled its loan portfolio from RM68.10 billion to RM156.54 billion, increasing the Group's market share of the domestic banking industry's loans from 12.0% to 16.2% as at the end of November 2010
- More than doubled its customer deposits from RM75.15 billion to RM176.87 billion, with its market share of domestic customer deposits rising to 14.5% as at end of November 2010, from 13.2%
- More than doubled its balance sheet with total assets of RM226.33 billion from RM111.69 billion
- Grown its profit before tax by 98.4% from RM2.06 billion to RM4.09 billion
- Increased its net profit attributable to shareholders by 108.9% from RM1.46 billion to RM3.05 billion
- Enhanced its net return on equity from 19.1% to 27.1%

	2005 RM'billion	2010 RM'billion	Change
Loans, advances and financing	68.10	156.54	↑ 129.9%
Deposits from customers	75.15	176.87	↑ 135.3%
Total assets	111.69	226.33	↑ 102.6%
Profit before tax	2.06	4.09	↑ 98.4%
Net profit attributable to shareholders	1.46	3.05	↑ 108.9%
Net return on equity (%)	19.1%	27.1%	↑ 8.0%

Based on these key performance indicators, the Public Bank Group has clearly delivered to shareholders in the medium-term.

Strategic Business Direction

Retail consumer and commercial banking businesses remained the core focus of the Public Bank Group, as these businesses contribute to more than 80% of the Group's total profit. In particular, the Group's lending business will continue to be supported by growth in home mortgages, hire purchase financing for passenger vehicles and retail commercial loans to SMEs. Leveraging on its leading market share in key retail lending segments, the Group continues to enhance its profitability through its pursuit of a strong organic growth strategy in its lending business, whilst prudently managing the asset quality of its balance sheet. In a market place that is intensely competitive, the Group continued to gain market share. With the aim to build a strong and long-term core customer deposit funding base, the Group will also focus on organic growth of its deposit-taking business to ensure that it continues to maintain a healthy and liquid balance sheet.

The global financial crisis in 2008 and 2009 has further validated the Public Bank Group's banking business model which is based on prudent banking practices. This is also evidenced by the fact that the Group remained unaffected by any credit default risks associated with the sovereign debt turmoil in the European Union. The Group's prudent credit culture and robust credit risk management infrastructure have enabled the Group to sustain the lowest impaired loans ratio in the Malaysian banking industry, despite the consistent double-digit growth in its loan portfolio year after year.

Guided by its long term goals, the Public Bank Group continued to pursue the expansion of its fee-based revenue, a strategy adopted by the Group since 2006. The pursuit of fee-based revenue initiatives had led to the extensive investment in resources by the Group, particularly in human capital, as this is a key driver in building the necessary foundation for generating long-term fee-based revenue. The fee-based revenue strategy which carries a low or zero capital cost becomes more relevant in the context of the more stringent capital requirements and rules to be imposed on financial institutions post the recent global financial crisis.

With the increasing competitive pressure on net interest margins as banks sought to capture new business, the Public Bank Group recognises the importance of maintaining its core business strategies. In delivering healthy bottom line growth and long-term value to shareholders, the Group continues to focus on its efforts in pursuing strong organic volume growth, maintaining strong asset quality, increasing contribution from fee-based income, driving increased productivity and improving operational cost efficiency.

Strong volume growth in loans

Leveraging on its strong balance sheet and credit risk management capabilities, the Public Bank Group continued with a prudent but fast pace expansion of its lending portfolio. The Group's ability to deepen relationship with its core customers, who are primarily retail consumers and SME customers, has effectively driven the momentum in its lending business. Proactive product innovation and packaging, competitive pricing, focused marketing and the strong PB brand have also contributed to the strong loan growth registered by the Group.

The expansion in the loan portfolio remained well diversified, with equally consistent growth in the retail consumer banking sector for the financing of residential properties and transport vehicles as well as commercial lending to SMEs, which collectively accounted for 69% of the Public Bank Group's loan portfolio as at the end of 2010. The Group remained supportive of the Government's efforts to develop the domestic economy and Malaysian businesses with the Group's commitment to meeting the needs of SMEs, particularly in respect of working capital and investment financing. A total of RM10.80 billion of loans to domestic SMEs was approved in 2010, which accounted for 21.2% of the Group's total domestic loans approved of RM51.02 billion in 2010.

Maintaining a liquid balance sheet

One of the lessons of the global financial crisis and the subsequent liquidity crunch is the value of a strong and stable retail deposit funding base as the foundation of a banking business. For its funding base, the Public Bank Group has been successful in maintaining its strong retail deposit franchise and a healthy and liquid balance sheet with the Group's net loan to deposit ratio standing at 87.1% as at the end of 2010, despite the robust growth in its lending assets. This was a result of the Group's strategy of building a long-term retail core customer deposit base so that its lending business expansion is adequately funded by a stable source of funds without being overly dependent on funding from the much more volatile interbank market.

The Public Bank Group's practice of self-sufficiency in funding its lending business is consistently applied to its overseas operations, where each overseas unit adopts business plans to build and maintain a stable customer deposit base over the longer-term to fund their lending business.

Maintaining asset quality

In maintaining its credit prudence, the Public Bank Group continued to expand its loan portfolio without sacrificing credit standards which could compromise the asset quality of the Group's balance sheet by having in place a rigorous credit risk management infrastructure and thorough and stringent policies at various stages of assessing loans from loan origination to loan approval. In addition, the Group is

vigilant and proactive in identifying potential impaired loans, putting in significant resources to identify and monitor such loan accounts, as well as taking proactive recovery efforts in actively interacting with customers to advise, restructure, reschedule or rehabilitate distressed loans. Such preventive and proactive as well as interactive measures taken by the Group have enhanced customer relationship and loyalty while at the same time contributed to the Group consistently having the lowest impaired loans ratios in the Malaysian banking industry.

Islamic banking

Public Islamic Bank Berhad ("Public Islamic") further expanded its business in 2010, reflecting the Public Bank Group's strong commitment to further enhance the Group's Islamic banking business in line with the objective of Bank Negara Malaysia to position Malaysia as a major international Islamic financial services centre. During the year, Public Islamic established its first full-fledged Islamic banking branch.

Total assets of the Public Bank Group's Islamic banking business grew by 3.5% or RM0.80 billion to RM23.66 billion as at the end of 2010, making Public Islamic the 4th largest Islamic bank in Malaysia. The Group's Islamic financing and Islamic deposits recorded double-digit growth, increasing by 12.7% and 17.1% respectively to RM16.59 billion and RM15.31 billion respectively as at the end of 2010.

Developing fee-based revenue infrastructure

The expansion of the scale and scope of fee- or transaction-based revenue remains a key long-term strategic initiative of the Public Bank Group to sustain long-term profitability growth and improvement of its return on equity. With significantly low capital requirements to support fee-based revenue generation, this strategy promotes greater regulatory capital efficiency in light of the changes to the global regulatory capital framework which imposes higher capital requirements on banks.

In 2010, the Public Bank Group further built on its strategic initiatives to increase fee-based revenue from unit trust, bancassurance and wealth management products by strengthening the underlying infrastructure to enhance long-term fee-based revenue flows.

Public Mutual Unit Trust

As equity and other asset markets in Malaysia and globally stabilised or improved in 2010, Public Mutual Berhad, a wholly-owned subsidiary of Public Bank, delivered another year of strong business performance and outperformed the Malaysian unit trust industry in 2010. With sustained upward market momentum, Public Mutual's net asset value ("NAV") of funds under management further improved to RM40.60 billion as at the end of 2010, 14.1% higher than the NAV of funds under management of RM35.58 billion as at the end of 2009. Public Mutual's overall market share of the private sector unit trust management business rose to 43.5%, from 42.5% as at the end of 2009. With 12 new unit trust funds launched during the year, Public Mutual currently manages a total of 84 funds with nearly 100 billion units in circulation. Leveraging on Public Mutual's large force of unit trust consultants and distribution of trust units through the branches of Public Bank, the Public Bank Group aims to further expand its unit trust customer base, which currently exceeds 2.39 million accounts.

Bancassurance

In the third year of its strategic alliance with ING Asia/Pacific to provide life, health, and investment-linked insurance products to customers in Malaysia and Hong Kong through the various distribution channels of the Public Bank Group, the Group continued its efforts to further build the bancassurance sales force and infrastructure to drive expansion of the Group's bancassurance business over the long-term.

As part of the bancassurance initiative, the Public Bank Group and ING Management Holdings (Malaysia) Sdn Bhd ("ING") had jointly applied to Bank Negara Malaysia for a Family Takaful licence, and which approval was obtained on 1 September 2010, to establish a family takaful operation. The family takaful operation will be undertaken through a new joint venture company, in which ING and the Public Bank Group will hold 60% and 40% of the equity interest respectively. The joint venture for the family takaful business will provide the Group with another avenue to expand its fee-based revenue when the joint venture company commences operations as planned by the first half of 2011.

Wealth Management

In widening the range of saving and investment options to its customers beyond conventional deposit products, the Public Bank Group actively marketed alternative savings products such as foreign currency deposit accounts and gold investment accounts. Public Bank's foreign currency deposits expanded by 37.6% in 2010 to stand at RM5.64 billion whilst gold investment accounts totalled 2.42 tonnes of gold valued at RM339.8 million. The Group has also launched several structured investment products over the years and will continue to introduce such products in the future.

Maintaining cost efficiency

The Public Bank Group remains committed to further improving its operational excellence in the running of the Group's operations. This strategy to improve operating cost efficiency is even more pertinent in sustaining profitability growth in a competitive banking environment of narrowing margins. Some of the key initiatives undertaken in this direction include recruiting the right human resource, effective training and staff competency upscaling, continuous enhancement in work process efficiencies and effective deployment of resources and technology. When benchmarked against its peers, the Group's cost income ratio of 30.7% for 2010 remained the most efficient and cost-effective amongst Malaysian banking groups and was also the lowest when compared against leading regional banks in the Asia Pacific region.

Shareholder Value

The ultimate measure of a company's success is through the enrichment of its shareholders. Hence, the delivery of superior shareholder value remains a high priority for the Public Bank Group. Whilst financial institutions in various economies have either failed or were severely shaken during the global financial crisis, the Group's consistency in delivering returns to shareholders and other stakeholders through such adverse and trying conditions continues to preserve shareholder value.

The ability of the Public Bank Group to deliver strong and consistent financial performance as demonstrated in its unbroken profitability track record of more than four decades underpins the value of the investment of shareholders in Public Bank. The demonstrated capability of the Group in capitalising on its sustainable business model and the success of the Group in its execution of its strategies builds long-term intrinsic value of an investment in Public Bank.

Proactive Capital Management

Maintaining a disciplined capital and balance sheet management process, the Public Bank Group seeks to proactively manage its capital structure to maximise the efficiency of its capital and drive return on equity whilst maintaining a balance between the need for capital to support the organic growth strategies of the Group, the need to meet with a more stringent regulatory capital regime post the global financial crisis as well as shareholders' expectation of return.

The strong and consistent earnings generation capacity of the Public Bank Group and the well-managed risk of its balance sheet is the foundation of the Group's ability to support the capital requirements of the Group's healthy expansion of its core businesses and growing domestic market shares, without the need for fresh capital injection from shareholders.

Arising from the failure of international banking institutions and the need for massive government bailout of banks, including some with global reach during the global financial crisis, the Basel Committee of Banking Supervision and the central banks of the G-20 nations have developed a reform programme aimed at strengthening regulations which will raise the resilience of banking institutions in periods of stress. Some of the key changes introduced under the new global capital and prudential standards commonly referred to as the Basel III standards, would have an impact on the regulatory capital requirements of banks and financial institutions, including the Public Bank Group.

Such key changes include the following:

- A focus on high quality capital, substantially in the form of equity capital that has the highest loss absorption capacity and the introduction of minimum capital requirements for equity capital in the form of a common equity ratio

- The level and quality of calibrated minimum capital requirements will increase over time
- Capital requirements would include both a capital conservation buffer and a countercyclical buffer which promotes the building up of capital buffers during good times which can be drawn down during difficult periods
- Additional capital requirements for large and systemically significant banks and financial institutions
- Adjusting risk measurements to best reflect the riskiness of the financial institution operations
- Raising the quality, consistency and transparency of the Tier 1 capital base of financial institutions, as well as the standards of supervisory review processes and public disclosures
- Introduction of an internationally harmonised leverage ratio and minimum global liquidity standards

The effect of the gradual implementation of the Basel III standards, which currently are subject to adaptation and application by national banking regulators, will lead to banks and financial institutions generally having to maintain a higher level of shareholders' capital in order to support their businesses. The commencement of the implementation of the new Basel III minimum capital requirements is expected to be on 1 January 2013, with a transitional phase-in period from 2013 to 2018.

The Public Bank Group is confident that its proactively-managed capital structure will be able to meet the challenges of this broadly more prudent capital regime without compromising on the Group's organic growth strategies. This is more so in view of the strong earnings generation capacity of the Group and its low risk balance sheet profile, in particular in relation to market risk and the exceptionally strong asset quality of the Group's loan portfolio. Within the context of the regulatory capital regime reforms, the Group will continue to effectively manage its capital structure and maintain maximum financial flexibility to pursue strategic objectives whilst maximising shareholder value.

Consistent Dividend Payout

Public Bank will pay a 2nd interim dividend of 33 sen per share, comprising a 25 sen less 25% tax franked dividend and a 8 sen single-tier dividend. The Board of Directors does not propose the payment of any final dividend.

The 2nd interim cash dividend of a 25 sen less 25% tax franked dividend and a 8 sen single-tier dividend, together with the 1st interim dividend of 25 sen less 25% tax franked dividend paid in August 2010 will mean that shareholders would receive a total net cash dividend of 45.5 sen per share for 2010. The total cash dividends paid and to be paid to shareholders for 2010 would amount to RM1.59 billion, representing 52.3% of the Group's net profit for 2010. This translates into a gross dividend yield of 4.5% based on the share price of RM13.02 per Public Bank (Local) share as at the end of 2010.

Taking into consideration the allocation of capital resources by the Public Bank Group to support its high organic business growth strategies, the Group endeavours to maintain a consistent and regular dividend payment policy that promotes a stable stream of return to shareholders, subject to the approval of Bank Negara Malaysia as required by the Banking and Financial Institutions Act, 1989.

Strong Corporate Governance

The Public Bank Group's excellence in corporate governance is a key factor to the success of the Group's multi-faceted business growth strategies and rising domestic market share. The highest level of corporate governance practice, accountability and culture remain essential for continued public trust in the Group as a financial services provider. The strong corporate governance of the Group forms the foundation of a long-term relationship between the Group and its stakeholders, which include customers, regulators, employees and shareholders.

An examination of the causes of the dismal failure of some iconic banking institutions and massive government bailouts of financial institutions during the recent global financial crisis point to shortcomings in corporate governance practices including the lack of transparency and accountability.

Rising investors' expectations of good corporate conduct, transparency and accountability of banking institutions would see investors channelling their investments to well-governed banking institutions with the highest level of transparency. As such, the Public Bank Group will continue to leverage on its strong governance infrastructure and enhance its above-par corporate governance practices as the Group seeks to deliver higher shareholder value to investors in Public Bank.

Public Bank's publicly recognised record of excellence in corporate governance and corporate conduct continued to be validated in 2010 by several corporate governance awards and recognition by international publications and surveys. Public Bank was awarded the Corporate Governance Hall of Fame Award, Best Conduct of AGM Award and three other Malaysian Corporate Governance Index 2010 awards by the Minority Shareholder Watchdog Group. Public Bank was also awarded the Malaysian Business – CIMA Enterprise Governance Awards 2010 by Malaysian Business as the Overall Winner for the 3rd consecutive year, as well as for Best Corporate Governance and Best Corporate Social Responsibility and the Corporate Governance Asia Recognition Award 2010 by Corporate Governance Asia. Public Bank also ranked top in corporate governance in Euromoney's Best Managed and Governed Companies – Asia Poll 2010 and in FinanceAsia's Asia's Best Managed Companies 2010 Poll.

Superior Returns to Shareholders

The Public Bank Group's ability to deliver superior returns to shareholders, both over the medium-term and the long-term, demonstrates its standing as a blue-chip stock.

Over the medium-term of 5 years, a shareholder of Public Bank who purchased 1,000 Public Bank (Local) shares at a price of RM6.55 per Public Bank (Local) share at the end of 2005 with an investment outlay of RM6,550 and held it for 5 years to the end of 2010 would have received gross dividends totalling RM3,420 and have 1,043 Public Bank (Local) shares worth RM13,580 based on the closing share price of RM13.02 per share as at the end of 2010. Together with the dividends received, this investment would have given the shareholder an annual rate of return on investment of 24.3% or a total return of 159.5% for the 5-year period.

If a shareholder of Public Bank had bought 1,000 shares in Public Bank when it was listed in 1967, and assuming the shareholder had subscribed for all rights issues to date and had not sold any of his or her Public Bank shares, he or she would have, at the end of 2010, 135,398 Public Bank shares worth RM1,762,882 based on the share price of Public Bank (Local) shares of RM13.02 per share as at the end of 2010. In addition, he or she would have received a total gross dividend of RM711,146 whilst having only invested a capital outlay of RM48,760, including subscription for all rights issues. The dividends received and the appreciation in value translates to a remarkable compounded annual rate of return of 19.7% for each of the 43 years that this shareholder has held the shares in Public Bank since it was listed in 1967.

To Our Customers

The domestic banking system remains intensely competitive as both Malaysian banking groups and foreign-controlled domestic banks compete aggressively for customers and market share. The entrance of new foreign commercial banks following the further liberalisation of the financial services sector in Malaysia, as well as the continued expansion of the Islamic banking sector, further intensified the competitive bid for customers. Customers, whether consumers or businesses, are aggressively being sought after with the offering of a diversified range of competitive product and service options. This aggressive courting of customers, together with greater products and services transparency, create more knowledgeable and more demanding customers. With increasingly well-informed customers, and continued commoditisation of products and services, the Public Bank Group differentiates itself from other financial services providers with distinctive customer propositions through the efficient product and service delivery channels, as well as excellent customer service.

Always placing the customer first, the Public Bank Group's continued investment in the Group's multi-channel customer service delivery infrastructure which meets international ISO standards, clearly demonstrates the Group's commitment to excellence in delivering distinctive service to each and every customer.

Meeting Customers' Needs

With its extensive reach and presence in the community that it serves, together with strong customer relationships, the Public Bank Group seeks to meet customers' expectations by proactively identifying and fulfilling their needs with effective banking solutions. In its lending business, the Public Bank Group continued to support businesses, particularly SMEs which seek to participate in the growing domestic economy, with access to credit at competitive terms. For SMEs, Public Bank has been actively providing credit facilities under various loan schemes provided by Credit Guarantee Corporation including the newly launched SmallBiz Express Guarantee Scheme. The strong and above industry rate of growth of the Group's lending business of 13.8% in 2010, which is primarily focused on retail consumers and SMEs, is clear demonstration of the Group's continued support of the needs of its loan customers.

Given the Public Bank Group's consistently strong financial performance, expanding market share and superior asset quality even during periods of financial uncertainty such as the recent global financial crisis, the Group provides depositors with the comfort of a strong and sound repository for their hard earned savings. The Group also offers a wide range of alternate savings and investment products for customers who seek to enhance returns on their savings in the prevailing low interest rate environment whilst taking on moderate levels of risk with such wealth management products and services.

ISO Standards

Using the internationally recognised ISO 9001:2008 standards as a yardstick, the Public Bank Group sought to further improve its customer service standards. The Group continued to take steps to increase the compliance levels of its stringent quantitative customer service delivery standards at customer counters of branches and in loan service delivery. The quantitative customer service delivery standards for the Public Bank Group's "Provision of Customer Service at the Front Office" includes a 2-minute standard waiting time for customers at branch counters and the Group's "Provision of Customer Service in Loan Delivery" continued to be certified under the ISO 9001:2008 standards. The ISO certification of customer service delivery standards also enables the Group to achieve consistently high customer service delivery standards across its entire branch network, thereby assuring

customers that whenever and wherever they require the services of the Group, the customers can expect to experience the same consistent high level of customer service.

An extensive and close monitoring system is in place to evaluate the delivery of the quantitative customer service delivery standards for every customer encounter. This system includes processes for the rapid detection of operational lapses in meeting these standards and the taking of proactive steps to help service providers meet these standards. Re-training and skill-set development of service providers, redeployment of resources as well as the increased availability of self-service terminals at branch premises are part of the proactive actions taken to continuously meet the high customer service delivery standards of the Group.

Enhancing Customer Service Infrastructure

The Public Bank Group further invested significant resources in enhancing the physical infrastructure to promote the delivery of a high level of customer service. In 2010, the Group added to its domestic distribution capability by opening 2 new branches in strategic locations. At the same time, Public Islamic Bank also established its first full-fledged Islamic banking branch, bringing the Group's domestic network to a total of 250 branches.

The Public Bank Group also expanded its wide network of self-services machines by adding 29 ATMs, 11 cheque deposit machines ("CDM") and 14 cash deposit terminals ("CDT") with a total capital outlay of RM2.6 million, bringing the Group's total domestic network of self-service machines to 1,362 ATMs, CDMs and CDTs. The banking vestibules, which house the self-service terminals in almost all of its domestic branches, were also upgraded to house more self-service terminals and to improve customer comfort and convenience in accessing the network of self-service terminals of the Group.

A key support to the customer service infrastructure of the Public Bank Group is the continued investment in information and communication technology and technological innovation in customer self-service channels such as self-service machines with more functionalities and improved internet banking services.

High market share of individual customers

The Public Bank Group's persistent pursuit of the delivery of distinctive customer service and its commitment of significant resources invested in this crucial aspect of the business has brought about a higher level of customer loyalty and retention, as well as brand reinforcement. This strong customer allegiance is reflected in the Group's high market share of individual customers. The Group has a 17.7% domestic market share of individual savings deposits as compared to an overall domestic market share of total core customer deposits of 16.0%. Deposits from individuals accounted for 59.6% of core customer deposits of the Group. The Group also has the largest market share of domestic residential mortgages and passenger vehicle hire purchase financing at 17.4% and 25.0% respectively, which are mainly financing of individual borrowers.

To Our Staff

The remarkable success of the Public Bank Group in fulfilling stakeholders' expectations over its 44-year history and its consistent award-winning performance is due, in no small part, to the significant contribution of a team of committed, competent and dedicated employees who are focused on a common goal of performance excellence. Building on its high performance culture, the Group has been proactively managing its human capital to produce an effective, integrated and focused staff force. Collectively, the staff force represents the most valuable asset of the Group in paving the way to greater achievements.

Strengthening the Staff Force

The Public Bank Group continued to strengthen and expand its work force in 2010 in support of its business expansion strategies. The number of employees expanded further from 17,169 as at the end of 2009 to 17,369 employees as at the end of 2010.

The expanding work force reflects the Public Bank Group's planned investment in the long-term development of the Group's human assets, particularly in the Group's retail fee-based business and its expanding regional presence. With its commitment to human capital development, the Group provides its staff force with a sense of job security and good career prospects, which in turn helps to inculcate a deeper commitment on the part of the staff force to the Group.

Skill and Knowledge Development

In its commitment to enhance the value of its human capital and in aligning its people strategy with its business strategy, the Public Bank Group allocates significant management and financial resources to skill and knowledge development initiatives. The Group has long had a policy of mandatory training for all levels of staff, together with the building of special skills and expertise to meet the business needs of the Group. In 2010, 51,822 man-days of classroom courses were conducted. The Group also achieved a healthy utilisation rate of its e-learning platform, which provided a total of 162 internal training courses on the internet, with 59,202 participants completing e-learning courses. Reflecting its commitment to invest in its human capital, the Group incurred training expenditure of RM25.9 million in 2010.

Besides equipping the staff with the necessary skills and capability to deliver the highest possible standards of performance, the skill and knowledge development imparted to all levels of staff also prepare the staff for the structured career progression within the Group and fulfills the structured management succession planning aspirations of the Group. A well-trained and skilled workforce also has a greater capacity to adapt to the changing needs of the Group in its quest for excellence, giving the Group a competitive edge, as well as providing the Group with the flexibility to redeploy staff without compromising on service delivery standards.

Structured Management Succession

In line with the Public Bank Group's objective of building long-term sustainable performance excellence, the Group has established a structured succession planning process for senior management staff in all key business areas. Instituted for many years, there are at least two candidates identified and earmarked for the succession of every senior managerial position. Whilst the identification or earmarking for the senior management succession process is not expressly made known to such candidates, the earmarked candidates are nurtured with the relevant training and skill development programmes and job-related exposures to the relevant areas of the positions and responsibilities being planned for and in preparation of such candidates to assume the higher levels of responsibilities as set out in the structured management succession plan.

Performance-based Rewards

The fair and transparent performance-based remuneration system and structured career progression path of the Public Bank Group underpins the human capital development investment of the Group. The principle of the performance-based remuneration system, where rewards are closely and transparently correlated to the delivery of long-term superior performance, is based on the measurement of the staff's contribution to the core business performance of the Group with reference to key performance indicators that are aligned with the Group's targets and mission. The performance-based compensation system in place provides a strong motivational incentive for staff to perform to the peak of their capabilities.

In 2010, a total of RM129 million was paid in performance bonuses to all levels of staff, with top performers being paid bonuses of up to 22 months of salary. These performance bonuses are closely tied to the performance of the individual staff, as well as the delivery of financial and business performance of the Public Bank Group that is in line with the Group's long-term prudent risk profile. With this alignment in place, the risk of bonus payments for short-term performance with high risk tail-end profiles, that is the subject of much debate and controversy surrounding major global financial institutions, is significantly mitigated.

The Public Bank Group's track record of high performance driven rewards over an extended time frame also promotes longer-term performance as the Group's staff push the boundaries of performance year after year in striving for such high rewards and the satisfaction of personal achievement.

Rising Productivity

In the intensely competitive environment in which the Public Bank Group operates, and faced with continued narrowing of margins, a key strategy for the Group to continue delivering profitability growth is to improve operational efficiency by enhancing the productivity of the Group's entire staff force. This is reinforced and supported by significant investment in the training and knowledge development of its staff force, and by implementing the transparent and equitable performance-based remuneration system. As a result, the productivity of the Group's staff force has continued to rise even as the staff force is expanding.

As measured by standard industry indicators, the productivity of the Public Bank Group's staff has risen consistently over the years. Loans per staff, deposits per staff and profits per staff have risen over the past 5 years from RM5,320,000 per staff, RM5,871,000 per staff and RM161,000 per staff respectively in 2005 to RM9,013,000 per staff, RM10,183,000 per staff and RM235,000 per staff respectively in 2010.

Staff Conduct

The Public Bank Group continues to uphold, and to instill in all its staff, a culture of trust, honesty and integrity as well as promote an environment of exemplary corporate conduct and meticulous regulatory compliance to which each and every staff is held accountable. The stringent and uncompromising adherence to the Group's policy of zero tolerance of dishonesty and the lack of integrity is absolutely necessary to engender and sustain the trust of the public implicit in the role of the Group as a custodian of public funds and a trusted and respected leading financial institution in Malaysia and in the Asia-Pacific region.

Long-term careers

The Public Bank Group's commitment to its expanding staff force, its transparent performance-based remuneration system, the meritocracy driven career progression path and priority accorded to internal filling of vacancies by existing well trained, qualified and experienced staff have created a workforce that is passionately performance driven and one that seeks career advancement within the Group. It is no wonder that the desire of the staff force seeking career progression with the Group remains strong with over 90% of current managerial appointments being filled from within the Group.

The staff of the Public Bank Group does proudly and professionally have a sense of dedication and commitment to serve and serve with a spirit of camaraderie, mutual trust, respect and sociability.

To The Community

The Public Bank Group's commitment of excellence to its stakeholders clearly extends to encompass the communities that the Group serves and where it conducts its business activities. The Group, in fulfilling its corporate responsibility, seeks to conduct its business activities prudently, ethically and responsibly, whilst engaging the community and environment in which it operates.

Contribution to the Country's Economy

The Public Bank Group, as a major anchor financial services provider, has played a significant role in contributing to the development and growth of Malaysia's financial system. A strong and stable financial system forms the cornerstone of a healthy economy. This was most apparent during the recent financial crisis affecting the global financial centres, which had consequent contractionary effects on the major economies and far reaching fallout that affected the rest of the world. The stability of the Malaysian financial system, which remained unscathed, has allowed the Government and Bank Negara Malaysia to focus on continued socio-economic development as well as returning the country to a healthy growth path much earlier than the major economies.

By contributing to the strong and stable financial system with its consistently strong financial performance, the Public Bank Group is playing its role in promoting a robust and resilient Malaysian economy, in addition to being a key component of the financial services sector, a sector which the Government accords priority in driving socio-economic development. Anchored by the Public Bank Group's prudent credit culture and lending policies, it is also the Group's steadfast commitment to exercise socially-responsible lending practices with thorough credit vetting process which takes into account of the aggregate debt obligations and the financial health of borrowers to avoid over gearing of borrowers and its attendant ill effects. The Group's long established stringent lending policies closely mirror Bank Negara Malaysia's call for greater vigilance on the rising level of household sector indebtedness due to historically low interest rates and ready access to credit.

The core of the Public Bank Group's business strategies in serving consumers and SMEs continue to benefit the wider community. The financial strength of the Group and its strong corporate governance culture continue to promote a high level of savings and hence the healthy liquidity position of the country's domestic financial system. With the largest market share of the residential mortgage business, the Group is helping to promote a higher level of home ownership by Malaysians. The Group provided financing to 55,694 home purchasers in 2010, of which 2,295 housing loans were for low cost homes to promote home ownership amongst low-income Malaysians.

The Public Bank Group's focus on serving SMEs to promote the expansion of their businesses will directly benefit the community by, inter alia, generating employment opportunities. The Group's microcredit product, PB Microfinance, will continue to help the development and growth of another segment of the business community, that of the very small businesses and micro enterprises. In support of SMEs, the Group had in 2010 actively promoted the various loan schemes of the Credit Guarantee Corporation in providing SMEs with access to banking facilities and funding, thereby helping these SMEs to sustain their business operations in challenging competitive economic environment. The Group remains committed to supporting the financing needs of SMEs, all the more so in response to the Government's initiatives as announced under the 10th Malaysia Plan to enhance financing access to SMEs, including the impending plan to reintroduce the Government's Working Capital Guarantee Scheme.

With consistently strong profitability, the Public Bank Group is a major contributor to the fiscal revenue of the country with tax payments totalling RM3.45 billion in the five years since 2005, with the Group paying RM0.74 billion of taxes in 2010 alone. Given the continued healthy profitability performance expected in the next few years as envisaged in the Group's medium-term scenario planning, the Group will, to be sure, contribute significantly to the finances of the country as Malaysia continues to strengthen its economy as well as to the financing of the development efforts of the nation over the longer term.

Community Activities

The corporate responsibility of the Public Bank Group extends into a wide range of corporate social responsibility ("CSR") initiatives in the Group's commitment to give back meaningfully to the community that supports its business and corporate activities. The Group's contribution to and participation in, both financial or otherwise, activities for the benefit and betterment of the welfare of the community have been geared towards benefiting as many in the community as possible.

Some of the key CSR initiatives undertaken in 2010 included providing financial assistance for the setup of a "Halfway House" initiated by Institute Jantung Negara ("IJN") Foundation to house families of needy patients undergoing treatment at IJN to enable closer family support, as well as the continued pledge to Universiti Tunku Abdul Rahman for research studies in the field of banking and finance.

Other CSR activities of the Group in 2010 included support of projects and events promoting healthcare, education, professional development, disaster relief, preservation of the environment and national pride, besides direct charitable contributions to the welfare of the needy and the less fortunate. All these efforts reflect the integration of sustainability into our corporate culture, mission and strategies for the Public Bank Group's banking business operations.

Awards and Recognition

Independent recognition of achievements is a key measure of the success of an organisation in the fulfillment of its goals. The awards and recognition accorded by reputable domestic and international publications and independent organisations to the Public Bank Group, Public Bank and its management, are affirmation of the high degree of success of the Public Bank Group in delivering on its commitment of excellence to all its stakeholders. In 2010 alone, the Group was recognised with a total of 52 awards and recognition of excellence conferred on the Group and its management. Public Bank was also certified as the "Most Award-Winning Bank" by the Malaysia Book of Records for having received 270 awards by 45 reputable institutions and publications between 1990 and 2009.

Excellent Corporate Governance

Public Bank's pursuit of excellence in, and its championing of, good corporate governance and its long entrenched culture of transparency and integrity continued to be recognised with the following in 2010:

- The Malaysian Corporate Governance Index 2010 Awards by the Minority Shareholder Watchdog Group for the Corporate Governance Hall of Fame Award, Best Conduct of AGM Award, Top Three (Overall) Award, Distinction Award and Industry Excellence Award (Finance)
- The Malaysian Business – CIMA Enterprise Governance Awards 2010 for being the Overall Winner (for the 3rd consecutive year), Best Returns to Shareholders and Corporate Social Responsibility
- Corporate Governance Asia Recognition Award 2010 by Corporate Governance Asia
- No.1 ranking for Best Managed Company, Best Corporate Governance, Best Corporate Social Responsibility in the FinanceAsia's "Asia's Best Managed Companies 2010" poll
- No. 1 ranking in Best Corporate Governance (for Malaysia) in the Euromoney Best Managed and Governed Companies – Asia Poll 2010 and No. 1 ranking for Most Admired Company in Malaysia by The Wall Street Journal Asia's 200 Most Admired Companies 2010 Survey.

Banking Excellence

Public Bank's leading position in Malaysia, its strong financial performance, strong profitability ratios, excellent asset quality and its delivery of excellence in customer service, together with its stellar record of 44 years of unbroken profitability continued to garner best bank or best managed company awards in 2010 with the award of the Best Retail Bank in Malaysia by The Asian Banker and 8 Best Bank or Best Company in Malaysia awards by various international organisations and publications.

At the National Annual Corporate Report Awards ("NACRA") 2010, the Annual Report 2009 of Public Bank won the Platinum Award of the NACRA Overall Excellence Award, the Industry Excellence Award for the Main Board Companies in the Finance Sector and the Gold Award for the Best Annual Report in Bahasa Malaysia.

The Public Bank Group is also delighted and honoured that Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Chairman of Public Bank, was again recognised for his sterling achievements and contribution to the banking industry with the "Asia's Banking Grandmaster" award by The Asset.

Apart from acknowledging the outstanding achievements of the Public Bank Group and its Founder and Chairman, these awards and accolades will, to be sure, further motivate and reaffirm the commitment of the Group and all its staff to continue its relentless pursuit of the delivery of excellence to all its stakeholders.

Medium-Term Scenario Planning

In managing the strategic positioning of the Public Bank Group and upholding the Group's market leadership position, the Group is guided by its medium-term planning processes which include putting into place medium-term plans for the next 3 years to deliver continued growth and profitability as well as to enhance stakeholder value.

For the 3-year period from 2011 to 2013, the Public Bank Group's macro key performance targets include the following:

Key Performance Indicators	Target for 2013
Net Return on average equity	Above 26.0%
Cost to income ratio	Below 33.0%
Impaired Loans Ratio	Below 1.0%
Total Assets	RM330 billion
Total Loans and Advances	RM230 billion
Total Deposits from customers	RM270 billion

Prospects

Whilst the impact of the global financial crisis has clearly abated with clear signs of economic recovery, the global economic outlook remains weighed down by the lingering effects of the financial crisis on key developed economies, structural issues such as the continued high unemployment and high fiscal deficits in developed nations, continued risk of commodity price and foreign exchange volatility as well as the debt crisis in the European Union. As such, the Malaysian economy which has seen a healthy recovery in 2010 may still be vulnerable to global developments against which the domestic economy cannot insulate itself.

With the expectation that the Malaysian economy will grow by 5% to 6% in 2011, there remain some key challenges that the Public Bank Group has to face up to and overcome. These challenges include:

- Greater intensity of competitiveness amongst participants in the Malaysian banking and financial services sector, including new foreign entrants in light of the further liberalisation of the banking and financial services sector. The increased competition in the banking industry may exert greater competitive pressure on product and services pricing, service delivery as well as on the industry's human capital.
- The Government's prudent budget strategies in its desire to reduce its budget deficit and lower development expenditure in its Budget 2011 suggest a shift of economic growth focus to private sector-led initiatives.
- Imminent changes to the regulatory capital framework by the Basel Committee of Banking Supervision will lead to generally higher capital requirements for financial institutions globally and in Malaysia.

In the face of these and other challenges, the Public Bank Group will need to embrace an even more aggressive pursuit of business innovation and operational efficiency delivering on its commitment to excellence to all of its stakeholders. The steady market share gains by the Group over the past several years, together with the continued strengthening of the asset quality of its balance sheet provide the Group with the leverage to face up to the challenges in 2011 from a position of strength.

Given the Public Bank Group's extensive and expanding network of branches and electronic delivery channels, customer service delivery standards that are benchmarked to international ISO standards and the PB Brand promise of delivering excellence, the Group is not only well positioned to meet the challenges of a more liberalised and competitive market place in 2011 but is also well positioned to maximise the benefits derived from a recovering economy to speed up the Group's growth of its core lending and deposit-taking businesses that had been expanding at a pace well above the rate of growth of the banking industry in the past few years.

A stable long-term source of retail deposit funding which is cost efficient is a critical determinant for the capability of the Group to continue to compete effectively for market share in its core lending business. The strong deposit franchise of the Public Bank Group and the confidence and trust of customers and the public in entrusting their hard-earned savings to the Group has been built on the consistent and strong financial performance of the Group with its 44 years of unbroken profitability track record and in serving the Malaysian public.

The Public Bank Group's medium-term strategy to put in place a robust broad retail-based fee-income infrastructure remains on course. The Group's focus on building its fee-income stream from unit trusts, bancassurance and mass affluent wealth management products and services takes on greater significance in 2011 and beyond. As the economic recovery continues to become more entrenched in 2011, the improved market sentiment will also support the Group's retail-based fee-income growth strategy as savers and investors expand their investment horizon.

With greater clarity of the Basel III proposals and its impending implementation in 2013, the Public Bank Group is well positioned to meet the challenges of the broadly higher capital requirements of the impending changes to the regulatory capital framework given the Group's strong earnings generation capability and its consistently strong asset quality.

With the financial services sector being identified as one of the 12 National Key Economic Areas under the Economic Transformation Programme and the New Economic Model's emphasis on a public-private partnership, the Public Bank Group envisage partaking in fund raising activities through the banking system in support of the New Economic Model. In this respect, the Group will continue to position itself to offer innovative and competitive banking and financing products and services, including Islamic banking and financing products and services.

With the Public Bank Group's resilient financial performance track record of rising profitability, excellent asset quality arising from the Group's stringently uncompromising prudent credit culture and its efficient capital structure, and most importantly, the unwavering commitment to excellence of all levels of staff, the Group has the capacity to flexibly implement its key strategies to meet the challenges in 2011 and beyond and emerge even stronger and more profitable, thereby continuing to contribute to the stability and integrity of the financial system and play its proper role in the long-term development and well being of the Malaysian economy.

Certainly, the Public Bank Group, having overcome all the challenges faced in its 44-year journey thus far, will be ever much stronger and resilient as a leading financial services provider, and is well set to forge ahead and continue to deliver excellence to its stakeholders in the next several decades and beyond.

Acknowledgement

We wish to express our deep appreciation to the management and all staff of the Public Bank Group for their untiring commitment, dedication and loyalty in contributing to the continuing success of the Group.

We also wish to express our sincere appreciation and gratitude to all our customers and our shareholders, for their continued support of, and confidence in, the Public Bank Group.

Once again, the Board and Management would also like to thank Bank Negara Malaysia and all other relevant authorities for their on-going invaluable advice, guidance and support.

TAN SRI DATO' SRI DR. TEH HONG PIOW

Chairman

TAN SRI DATO' THONG YAW HONG

Co-Chairman

TAN SRI DATO' SRI TAY AH LEK

Managing Director

DATO' SRI LEE KONG LAM

Executive Director

DATO' YEOH CHIN KEE

Director

**Y.A.M. TENGKU ABDUL RAHMAN IBNI SULTAN HAJI
AHMAD SHAH AL-MUSTAIN BILLAH**

Director

DATO' HAJI ABDUL AZIZ BIN DATO' DR. OMAR

Director

**DATO' (DR) HAJI MOHAMED ISHAK BIN
HAJI MOHAMED ARIFF**

Director

MR QUAH POH KEAT

Director





INTEGRITY & ACCOUNTABILITY

As a top-tier bank in Malaysia, we are well-reputed for our strong culture of integrity and accountability. This is practised in every sector of our prudent management, superior customer service and uncompromising service delivery standards. As a leader, we strive to steer the way for our industry.





Statement on Corporate Governance

Corporate Governance is a shared responsibility; the Board of Directors and Management of Public Bank are firmly committed to maintaining excellent corporate governance, by ensuring that Public Bank's corporate governance framework and governance best practices remain robust, relevant and facilitate Public Bank's consistent achievement of the highest standards of corporate conduct.

Public Bank adheres to the principles and best practices of corporate governance as prescribed by the following:

- Malaysian Code on Corporate Governance (Revised 2007)
- Bank Negara Malaysia (BNM)'s Guidelines on Corporate Governance for Licensed Institutions (Guidelines on Corporate Governance)
- Bursa Malaysia Securities Berhad (Bursa Malaysia)'s Main Market Listing Requirements and Corporate Governance Guide: Towards Boardroom Excellence (CG Guide)

Public Bank's excellent corporate governance has led it to achieve long-term sustainable financial performance, and attain growth from strength to strength. The Bank's record of excellence in corporate governance has been re-affirmed by the numerous awards received by Public Bank in 2010, which included the following:

Corporate Governance Awards

- Malaysian Corporate Governance Index 2010 awards by Minority Shareholder Watchdog Group:
 - Corporate Governance Hall of Fame Award
 - Top Three (Overall) Award
 - Distinction Award
 - Industry Excellence Award (Finance)
 - Best Conduct of AGM Award
- Overall Winner in the Malaysian Business-CIMA Enterprise Governance Awards 2010
- Corporate Governance Asia Recognition Award 2010 by Corporate Governance Asia
- Ranked No. 1 in Best Corporate Governance (for Malaysia) in the Euromoney Best Managed and Governed Companies – Asia Poll 2010
- Best Corporate Governance in FinanceAsia "Asia's Best Managed Companies 2010" Poll



Best Bank Awards

- Best Bank in Malaysia 2010 award by FinanceAsia
- Best Bank in Malaysia 2010 award by Alpha Southeast Asia
- Best Domestic Bank in Malaysia 2010 award by The Asset
- Best Retail Bank in Malaysia 2009 award by The Asian Banker
- Best Emerging Market Bank in Malaysia 2010 award by Global Finance
- Best SME Bank in Malaysia 2010 award by Alpha Southeast Asia
- Best Managed Company in FinanceAsia “Asia’s Best Managed Companies 2010” Poll
- Best Asian Bank 2010 Award by FinanceAsia

National Annual Corporate Report Awards (NACRA) 2010

- Overall Excellence Award for Most Outstanding Annual Report of the Year (Platinum Award)
- Industry Excellence Award for Companies Listed on Main Market in the Finance Sector

The complete listing of the awards received by the Public Bank Group in 2010 and to-date is as presented on pages 40 to 47 of this Annual Report.

Board of Directors

Well Experienced and Optimum Board

The Board of Directors currently comprises 9 Members, of whom 6 are Independent Non-Executive Directors, 1 is a Non-Independent Non-Executive Director, and 2 are Executive Directors. The high proportion of Independent Non-Executive Directors provides for effective oversight over management and reflects Public Bank’s commitment to uphold excellent corporate governance.

The 6 Independent Non-Executive Directors fulfill the criteria of independence as defined in the Bursa Malaysia Main Market Listing Requirements and the BNM Guidelines on Corporate Governance. The Independent Non-Executive Directors do not participate in the day-to-day management of the Bank and do not involve themselves in business transactions or relationships with the Bank, in order not to compromise their objectivity. In staying clear of any potential conflict of interest, the Independent Non-Executive Directors remain in a position to fulfill their responsibility to provide check and balance to the Board.

The current size of the Board is appropriate and commensurate with the complexity, scope and operations of Public Bank. Furthermore, the current number of Board members is conducive for efficient deliberations at Board meetings and effective conduct of Board decision making.

The Members of the Board are persons of high calibre and integrity, and they collectively possess rich experience primarily in banking and finance, and in Government and private sector enterprises. They fulfill the standards for 'fit and proper' criteria for appointment as Directors as established by the Board in accordance with the Banking and Financial Institutions Act, 1989 (BAFIA) and the BNM Guidelines on Corporate Governance.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman of Public Bank, holds an impeccable record as one of the most outstanding Chief Executive Officers in the banking industry and in the Asean region. His par excellence stewardship of Public Bank through these past 44 years has led to immense value creation at Public Bank, as reflected in the outstanding market valuation of Public Bank, high returns to shareholders, very healthy annual revenue and profit growth and large employment creation. Tan Sri Dato' Sri Dr. Teh Hong Piow has received countless prestigious awards in recognition of his significant contributions to the banking and finance industries, and for his socio-economic development initiatives, both locally and abroad.

Tan Sri Dato' Sri Tay Ah Lek, the Managing Director/Chief Executive Officer, is a pioneer staff of Public Bank; his expertise and finance industry knowledge is recognised by his appointment as the Chairman of the Association of Finance Companies of Malaysia and the Association of Hire Purchase Companies Malaysia, and his appointment as a member/director of several organisations/companies of the banking industry. Dato' Sri Lee Kong Lam, the Executive Director, had served BNM for 29 years prior to joining the Bank in 1996; he had held several senior management positions while he was with BNM. The extensive experience and depth of knowledge which he acquired while serving the Malaysian banking regulator, have contributed significantly to his effectiveness as Executive Director of Public Bank.

The Independent Non-Executive Co-Chairman, Tan Sri Datuk Seri Utama Thong Yaw Hong, had served the Government for 32 years, during which time he had held various distinguished and senior positions. Upon retiring from civil service, he joined the private sector and was appointed as Chairman/Director of several large public listed corporations. Tan Sri Datuk Seri Utama Thong Yaw Hong's depth of expertise and professionalism is reflected by his appointment as a Member of the National Economic Council and also as a Senior Member of the Working Group of the Executive Committee for the National Economic Council.

The other 5 Independent Non-Executive Directors possess vast experience in areas such as banking, accounting, audit and taxation, economics and business management. Their knowledge and expertise in their respective fields bring perspectives from other businesses, thereby enhancing the effectiveness of the Board and Board Committees.

The profile of each of the Member of the Board is as presented on pages 52 to 59 of this Annual Report.

Directors' Code of Ethics

The Directors observe a code of ethics in accordance with the code of conduct expected of Directors of financial institutions as set out in the BNM/GP7-Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry, and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Duties and Responsibilities of the Board

The Board Members, in carrying out their duties and responsibilities, are firmly committed to ensuring that the highest corporate governance standards are adhered to, in order that Public Bank achieves strong financial performance for each financial year, and more importantly delivers long term and sustainable value to stakeholders.

The Board is responsible for formulating and reviewing the Bank's strategic plans and key policies, and to chart the course of the Bank's business operations whilst providing effective oversight of the Management's performance, risk assessment and controls over business operations.

The principal responsibilities of the Board include the following:

- Formulates the Bank's annual business plans, and the medium-term and long-term strategic plans
- Approves the Bank's annual budget and carries out periodic review of the achievements by the various operating divisions against their respective business targets
- Prescribes the minimum standards and establishes policies on the management of credit risks and other key areas of the Bank's operations
- Oversight of the Bank's business operations and financial performance
- Ensures that the operating infrastructure, systems of control, systems for risk management, financial and operational controls, are in place and properly implemented
- Undertakes various functions and responsibilities as specified in guidelines and directives issued by BNM from time to time

The Board has established the roles and responsibilities of the Non-Executive Chairman and the Independent Non-Executive Co-Chairman, which are distinct and separate from the duties and responsibilities of the Managing Director/Chief Executive Officer. This segregation between the duties of the Non-Executive Chairman and Non-Executive Co-Chairman, and the Managing Director, ensures an appropriate balance of role, responsibility and accountability at the Board level.

The 6 Independent Directors by virtue of their roles and responsibilities, in effect represent the interests of minority shareholders. The Independent Directors engage with the Management, and with the external and internal auditors to address matters concerning the management and oversight of the Bank's business and operations. This is particularly so in the case of Tan Sri Datuk Seri Utama Thong Yaw Hong who is the Chairman of the Audit Committee and Risk Management Committee; Dato' Haji Abdul Aziz who is the Co-Chairman of the Audit Committee, Risk Management Committee and Credit Risk Management Committee; and Dato' Yeoh Chin Kee who is the Chairman of the Credit Risk Management Committee.

The Independent Non-Executive Directors play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, and also serve to stimulate and challenge the Management in an objective and constructive manner. To further enhance the functions of the Independent Non-Executive Directors, the Board has also defined their roles and responsibilities, which include the following:

- Provide independent and objective views, assessment and suggestions in deliberations of the Board
- Ensure effective check and balance in the proceedings of the Board
- Mitigate any possible conflict of interest between the policy-making process and day-to-day management of the Bank
- Constructively challenge and contribute to the development of the business strategies and direction of the Bank

The Board has identified the Independent Non-Executive Co-Chairman, Tan Sri Datuk Seri Utama Thong Yaw Hong, as the Senior Independent Non-Executive Director to whom concerns of shareholders and other stakeholders may be conveyed.

The Directors are at liberty to seek independent professional advice on matters relating to the fulfilment of their roles and responsibilities. The cost of procuring these professional services will be borne by the Bank.

Board Meetings and Supply of Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and pencil the next year's Board meetings into their respective meeting schedules.

The Board holds regular meetings of no less than 16 times a year. In addition to monthly Board meetings, the Board also meets as soon as the Bank's quarterly and annual results are finalised in order to review and approve the results for submission to BNM. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration.

At the monthly Board meetings, the Board reviews management reports on the business performance of the Bank as well as the Group and major subsidiaries, and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also the comparison against pro-rated business targets and against the industry. As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Board Committees and main Management Committees through minutes of these committees. The Board Members deliberate, and in the process, assess the viability of business propositions and corporate proposals, and the principal risks that may have significant impact on the Bank's business or on its financial position, and the mitigating factors. The Board also assesses various types of credit propositions and matters that are required to be submitted to the Board for concurrence or approval, in accordance with the guidelines issued by BNM.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters raised at the Audit Committee meetings and which require the Board's notice or direction.

The Board meetings are chaired by the Independent Non-Executive Co-Chairman, Tan Sri Datuk Seri Utama Thong Yaw Hong, who has the responsibility of ensuring that each of the agenda items is adequately reviewed and thoroughly deliberated within a reasonable timeframe.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance to a structured agenda. The structured agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least 7 days before the Board meeting. This is to accord sufficient time for the Directors to apprise the Board papers and to seek any clarification or further details that they may need from the Management or the Company Secretary, or to consult independent advisers, if they deem necessary. Confidential papers or urgent proposals are presented and tabled at the Board meetings under supplemental agenda.

The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors have a proper and relevant depiction of the issues at hand, in order that the Board deliberations and decision-making are performed systematically and in a well-informed manner.

Meeting papers tabled to the Board include progress reports on business operations; detailed information on business propositions and corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisers. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed highly confidential and sensitive, would only be distributed to Directors at the Board meeting itself.

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Bank. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction. In the event a corporate proposal is required to be approved by shareholders, interested Directors are required to abstain from voting in respect of their shareholdings in Public Bank on the resolutions pertaining to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

The minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board meeting. The Directors may request for clarification or raise comments before the minutes are tabled for confirmation and upon receiving confirmation from all the members at the Board meetings, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.

The Board has direct access to the Senior Management and has unrestricted and immediate access to any information relating to the Bank's business and affairs in the discharge of their duties. The Directors may request to be furnished with additional information or clarification, particularly in respect of complex and technical issues tabled to the Board. The Chief Operating Officers and Senior Management Officers are invited to attend the Board meetings to report to the Board on matters relating to their areas of responsibility, and also to brief and provide details to the Directors on recommendations or reports submitted to the Board. The Chief Financial Officer also attends Board meetings by invitation to update the Board on financial guidelines issued by BNM and new accounting standards, and to brief the Board on matters relating to the finance portfolio such as guidelines and policies to be implemented by the Bank pursuant to BNM requirements or new accounting standards.

The Directors remain fully committed in carrying out their duties and responsibilities as reflected by their attendance at the 16 Board meetings held during the financial year ended 31 December 2010 as follows:

Directors	Attendance at Board Meetings
Non-Independent	
Tan Sri Dato' Sri Dr. Teh Hong Piow <i>Non-Executive Chairman</i>	16/16
Tan Sri Dato' Sri Tay Ah Lek <i>Managing Director/Chief Executive Officer</i>	16/16
Dato' Sri Lee Kong Lam <i>Executive Director</i>	16/16
Independent	
Tan Sri Datuk Seri Utama Thong Yaw Hong <i>Non-Executive Co-Chairman</i>	16/16
Dato' Yeoh Chin Kee <i>Non-Executive Director</i>	16/16
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah <i>Non-Executive Director</i>	15/16
Dato' Haji Abdul Aziz bin Dato' Dr. Omar <i>Non-Executive Director</i>	16/16
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff <i>Non-Executive Director</i>	16/16
Quah Poh Keat <i>Non-Executive Director</i>	16/16

All Directors have thus more than adequately complied with the minimum requirements on attendance at Board meetings as stipulated in the BNM Guidelines on Corporate Governance (minimum 75% attendance) and the Bursa Malaysia Main Market Listing Requirements (minimum 50% attendance).

Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and apprised by the Company Secretary who is very experienced, skillful and knowledgeable, on new statutes and directives issued by regulatory authorities, and the resultant implications to the Company and the Directors in relation to their duties and responsibilities. The Company Secretary briefs the Board on the proposed contents and timing of material announcements to be made to Bursa Malaysia. The Company Secretary also serves notice to Directors and Principal Officers to notify them of the closed period for trading in Public Bank shares, in accordance with the black-out periods stated in Chapter 14 on Dealings in Securities of the Bursa Malaysia Main Market Listing Requirements.

The Company Secretary attends and ensures that all Board meetings are properly convened, and that an accurate and proper record of the proceedings and resolutions passed are taken and maintained in the statutory register at the registered office of the Bank. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings to the Senior Management for action.

Training and Development of Directors

Pursuant to the requirements of Bursa Malaysia, a newly appointed Director is required to attend the Mandatory Accreditation Programme (MAP) in full and procure a certificate from the programme organiser approved by Bursa Malaysia to confirm his completion of the MAP. He is required to complete the MAP within 4 months of his appointment.

The existing Members of the Public Bank Board have attended seminars and briefings during the financial year 2010 to strengthen their skill sets and knowledge in order to effectively discharge their responsibilities, and to acquire sound understanding of current issues and developments in the financial and business environment. The Directors have attended the high level Financial Institutions Directors Education (FIDE) Programme developed by BNM and Perbadanan Insurans Deposit Malaysia in collaboration with the International Centre for Leadership in Finance (ICLIF). The FIDE Programme was designed with a specific focus on financial sector issues and challenges, and leveraged on international and local experts in the field of the corporate governance and financial services industry. The Directors also keep up-to-date with market developments and related issues through Board discussion meetings with the Chief Operating Officers, Chief Financial Officer and other Senior Management Officers, and through the Bank's management seminars.

The Company Secretary facilitates the organisation of internal training programmes and Directors' attendance of external programmes, and keeps a complete record of the training received or attended by the Directors.

Conferences, seminars and training programmes attended by Directors in 2010 and early 2011 were in respect of the following areas:

Corporate Governance

- Corporate Governance Guide
- Moral Foundation for Good Governance
- Views from the Boardroom – Challenges Directors Face
- Independent Directors – Actual Versus Perceived Independence
- Going Forward: Risk & Reform – Implications for Audit Committee Oversight
- Building Audit Committee for Tomorrow
- Board Risk Management Committee
- Board IT Governance and Risk Management – Breaking the Technology Code

Board Leadership

- The Role of the Board in Enterprise-Wide Risk Management
- The Board's Responsibility for Internal Controls, Financial Reporting and Capital Management
- Building Board Teams and Role of the Board in Strategy and Stakeholder Relations
- Building Organisational Capability for Strategic Transformation
- Issues Boards Face Today

Islamic Banking

- Islamic Institution and Governance
- Risk Management in Islamic Finance

Banking, Finance & Economy

- Financial Industry Conference 2010
- Banking Insights
- Managing Risks on Mortgage Financing
- Risk Management of Derivatives
- Updates on Financial Reporting Standards
- Goods & Service Tax
- Presentation on National Key Economic Areas (NKEA) from the Government's Perspective and Expectations

New Appointment and Re-Appointment of Director

Pursuant to provisions of the BAFIA and guidelines issued by BNM, the appointment of a new Director is subject to the prior approval of BNM, and the BNM approval will be for a specified term of appointment. The re-appointment of a Director, upon expiry of his current term of office as approved by BNM, is also subject to the prior approval of BNM for the re-appointment.

The Nomination Committee established by the Board is responsible for assessing the nominee(s) for directorship and Board Committee membership, and thereupon submitting their recommendation to the Board for decision.

The Nomination Committee is also responsible for assessing the performance of Directors whose term of appointment as approved by BNM is due to expire, and submitting their recommendation to the Board for decision on the submission of application to BNM for the re-appointment of the Director concerned.

Re-Appointment and Re-Election of Directors

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of 70 years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

The Articles of Association of Public Bank provide that at every annual general meeting of Public Bank, one-third of Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election. The Articles further provide that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election.

The performance of those Directors who are subject to re-appointment and re-election of Directors at the annual general meeting of Public Bank will be subject to assessment by the Nomination Committee whereupon the recommendations are submitted to the Board for decision on the tabling of the proposed re-appointment or re-election of the Director concerned for shareholders' approval at the next annual general meeting.

The Board does not fix a maximum tenure limit for Directors as the Board is of the view that there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Bank's affairs. Furthermore, the Board is of the view that there is no need to set a time-frame on how long an Independent Director should serve on the Board in view of the following reasons:

- i. The ability of a Director to serve effectively as an Independent Director is very much a function of his calibre, qualification, experience and personal qualities, particularly of his integrity and objectivity, and has no compelling relationship to his tenure as an Independent Director.
- ii. In accordance with the Malaysian Code on Corporate Governance (Revised 2007) and BNM Guidelines on Corporate Governance, the Nomination Committee conducts annual assessment of Independent Directors in respect of inter-alia their skills, experience and contributions, and whether the Independent Directors are able to discharge their duties with unbiased judgement.

- iii. BNM's approval of the appointment of a new Independent Director is for a specified term, and applications need to be submitted to BNM for approval of subsequent terms of appointment.

BNM, in assessing applications for the appointment of a new Independent Director or for the re-appointment of an existing Independent Director, would inter-alia evaluate that the Director is capable of discharging his duties and responsibilities as an Independent Director effectively.

Directors' Remuneration

The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, CEO and key Senior Management Officers whereupon recommendations are submitted to the Board for approval. The Remuneration Committee and the Board ensure that the Bank's remuneration policy remains supportive of the Bank's corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors, CEO and key Senior Management Officers are sufficiently attractive to attract and to retain persons of high calibre.

The Remuneration Committee reviews annually the performance of the CEO and the Executive Directors and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are competitive and are in tandem with the Bank's corporate objectives, culture and strategy.

The Board as a whole determines the remuneration of Non-Executive Directors.

The Directors are paid annual fees, and attendance allowance of RM1,000 each for each Board meeting that they attend.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2010 are as follows:

	RM'000					
	Salary	Fees	Bonus	Other Emoluments	Benefits-in-kind	Total
Executive Directors						
Tan Sri Dato' Sri Tay Ah Lek	1,296	165	3,877	1,180	30	6,548
Dato' Sri Lee Kong Lam	1,080	165	2,877	915	24	5,061
	2,376	330	6,754	2,095	54	11,609
Non-Executive Directors						
Tan Sri Dato' Sri Dr. Teh Hong Piow	—	220	—	9,053	29	9,302
Tan Sri Datuk Seri Utama Thong Yaw Hong	—	220	—	447	—	667
Dato' Yeoh Chin Kee	—	165	—	119	—	284
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	—	165	—	101	—	266
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	—	165	—	183	—	348
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff	—	165	—	118	—	283
Quah Poh Keat	—	165	—	118	—	283
	—	1,265	—	10,139	29	11,433
Total	2,376	1,595	6,754	12,234	83	23,042

Committees Established by the Board

To assist the Board in discharging its duties, the Board has established several Board Committees whose compositions and terms of reference are in accordance with the BNM Guidelines on Corporate Governance as well as the best practices prescribed by the Malaysian Code on Corporate Governance (Revised 2007).

The functions and terms of reference of Board Committees and Management Committees, as well as authority delegated by the Board to these Committees, are reviewed from time to time to ensure that they are relevant and up-to-date.

Board Committees

- Audit Committee**

Public Bank's Audit Committee is comprised exclusively of Independent Non-Executive Directors; all the 6 Independent Non-Executive Directors are Members of the Audit Committee.

The terms of reference of the Audit Committee are set out in the Audit Committee Report in pages 109 and 111 of this Annual Report.

The Audit Committee meets at least once a month.

The attendance of Members at the Audit Committee meetings held in 2010 are reflected as follows:

Committee Members	Attendance
Tan Sri Datuk Seri Utama Thong Yaw Hong <i>Independent Non-Executive</i>	16/16
Dato' Yeoh Chin Kee <i>Independent Non-Executive</i>	16/16
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah <i>Independent Non-Executive</i>	15/16
Dato' Haji Abdul Aziz bin Dato' Dr. Omar <i>Independent Non-Executive</i>	16/16
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff <i>Independent Non-Executive</i>	16/16
Quah Poh Keat <i>Independent Non-Executive</i>	16/16

• **Nomination Committee**

Public Bank's Nomination Committee is comprised exclusively of Independent Non-Executive Directors; all the 6 Independent Non-Executive Directors are Members of the Nomination Committee.

The terms of reference of the Nomination Committee are as follows:

- To establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the Chief Executive Officer (CEO)
- To assess and recommend to the Board the nominees for appointment as Directors, Board Committee Members as well as CEO
- In the case of persons for the position of Independent Non-Executive Director, to evaluate the persons' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors
- To assess and recommend to the Board, the re-appointment of Directors/CEO upon the expiry of their respective terms of appointment as approved by BNM
- To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review
- To determine annually whether a Director is independent as may be defined in the guidelines issued by BNM and in the Bursa Malaysia Main Market Listing Requirements
- To establish the mechanisms for the formal assessment on the effectiveness of the Board as a whole; the effectiveness of each Director; and the performance of the CEO. The annual assessment to be conducted would be based on objective performance criteria as approved by the Board
- To assess, on an annual basis, that the Directors/CEO and key Senior Management Officers are not disqualified under Section 56 of the BAFIA and that the Directors and CEO continue to comply with the standards for "fit and proper" criteria as approved by the Board
- To ensure that all Directors receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements
- To recommend to the Board the removal of a Director/CEO if he is ineffective, errant or negligent in discharging his responsibilities
- To oversee the appointment, management succession planning and performance evaluation of the key Senior Management Officers
- To recommend to the Board the removal of key Senior Management Officers if they are ineffective, errant or negligent in discharging their responsibilities

- To assess and recommend to the Board, the terms of reference of Board Committees and to review the adequacy of committee structure of Board Committees
- To carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time

The Nomination Committee upon its annual review carried out for financial year 2010, was satisfied that:

- the size and composition of the Public Bank Board is optimum with appropriate mix of knowledge, skills, attributes and core competencies
- the Board has been able to discharge its duties professionally and effectively in consideration of the scale and breadth of the Bank's operations
- all the Directors have continued to uphold the highest governance standards in their conduct and that of the Board
- all the Members of the Board are suitably qualified to hold their positions as Directors of Public Bank in view of their respective academic and professional qualifications, experience and qualities

Furthermore, all the Directors had been assessed as complying with the standards for "fit and proper" criteria which are consistent with the BNM Guidelines on Corporate Governance. The Independent Directors had also been assessed as complying with the definition of Independent Director as defined in the BNM Guidelines on Corporate Governance and the Bursa Malaysia Main Market Listing Requirements.

The Nomination Committee had also reviewed the Board Members' directorships in companies other than Public Bank; the number of directorships held are well within the restriction of not more than 10 directorships in public listed companies and not more than 15 directorships in non-public listed companies as stated in the Bursa Malaysia Main Market Listing Requirements.

The Nomination Committee meets as and when required, and at least once a year.

The attendance of Members at the Nomination Committee meetings held in 2010 is reflected as follows:

Committee Members	Attendance
Tan Sri Datuk Seri Utama Thong Yaw Hong <i>Independent Non-Executive</i>	8/8
Dato' Yeoh Chin Kee <i>Independent Non-Executive</i>	8/8
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah <i>Independent Non-Executive</i>	4/8
Dato' Haji Abdul Aziz bin Dato' Dr. Omar <i>Independent Non-Executive</i>	8/8
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff <i>Independent Non-Executive</i>	8/8
Quah Poh Keat <i>Independent Non-Executive</i>	8/8

• Remuneration Committee

The Remuneration Committee is made up exclusively of Independent Non-Executive Directors; all the 6 Independent Non-Executive Directors are Members of the Remuneration Committee.

The terms of reference of the Remuneration Committee are as follows:

- To review annually and recommend to the Board the overall remuneration policy for Directors, CEO and key Senior Management Officers to ensure that rewards commensurate with their contributions to the Bank's growth and profitability; and that the remuneration policy supports the Bank's objectives and shareholder value and is consistent with the Bank's culture and strategy
- To review annually the performance of the CEO and the Executive Director and recommend to the Board specific adjustments in remuneration and/or reward payments if any, reflecting their contributions for the year; and which are competitive and consistent with the Bank's objectives, culture and strategy

- To ensure that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board
- Keeps abreast of the terms and conditions of service of the CEO, the Executive Director and key Senior Management Officers including their total remuneration package for market comparability; and reviews and recommends changes to the Board whenever necessary
- Keeps abreast of the remuneration packages for Members of Board Committees to ensure that they commensurate with the scope of responsibilities held and reviews and recommends changes to the Board whenever necessary

The Remuneration Committee meets as and when required, and at least once a year.

The attendance of Members at the Remuneration Committee meetings held in 2010 is reflected as follows:

Committee Members	Attendance
Tan Sri Datuk Seri Utama Thong Yaw Hong <i>Independent Non-Executive</i>	6/6
Dato' Yeoh Chin Kee <i>Independent Non-Executive</i>	6/6
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah <i>Independent Non-Executive</i>	5/6
Dato' Haji Abdul Aziz bin Dato' Dr. Omar <i>Independent Non-Executive</i>	6/6
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff <i>Independent Non-Executive</i>	6/6
Quah Poh Keat <i>Independent Non-Executive</i>	6/6

• Risk Management Committee

The Risk Management Committee is made up exclusively of Independent Non-Executive Directors; all the 6 Independent Non-Executive Directors are Members of the Risk Management Committee.

The salient terms of reference of the Risk Management Committee are as follows:

- Oversees the overall management of all risks covering market risk management, liquidity risk management, credit risk management, reputational risk and operational risk management
- Reviews and approves risk management policies and risk tolerance limits
- Ensures infrastructure, resources, processes and systems are in place for risk management

The Risk Management Committee holds monthly meetings.

The attendance of Members at the Risk Management Committee meetings held in 2010 is reflected as follows:

Committee Members	Attendance
Tan Sri Datuk Seri Utama Thong Yaw Hong <i>Independent Non-Executive</i>	12/12
Dato' Yeoh Chin Kee <i>Independent Non-Executive</i>	12/12
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah <i>Independent Non-Executive</i>	11/12
Dato' Haji Abdul Aziz bin Dato' Dr. Omar <i>Independent Non-Executive</i>	12/12
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff <i>Independent Non-Executive</i>	12/12
Quah Poh Keat <i>Independent Non-Executive</i>	12/12

Board Executive Committee

The Board has established the Board Executive Committee to assist it in the running of the Bank.

The salient terms of reference of the Board Executive Committee are as follows:

- Manages the Bank in all aspects of its business
- Implements strategic business plans and policies as approved by the Board of Directors
- Identifies, formulates and prioritises strategic issues and charts strategic directions for action by the Management and staff

The Board Executive Committee holds meetings with Heads of Divisions and Senior Management staff twice every week.

Management Committees

The main Management Committees and their salient terms of reference and frequency of meetings are as set out below:

• Group Human Resource Committee

- Formulates human resource policies and practices for the Bank and wholly-owned subsidiaries of the Bank
- Deliberates and decides on human resource operational issues which do not fall within the ambit of authorised individual officers
- The Group Human Resource Committee holds meetings twice a month

• Credit Committee

- Approves loan applications which are beyond the individual discretionary powers of senior officers
- Recommends credit policy and direction of lending
- The Credit Committee holds meetings twice every week

• Credit Risk Management Committee

- Evaluates and assesses the adequacy of strategies to manage the overall credit risk associated with the Bank's activities
- Evaluates risks under stress scenarios and the capacity of the capital to sustain such risk
- The Credit Risk Management Committee holds monthly meetings

• Operational Risk Management Committee

- Oversees the formal development of operational risk management policies encompassing all business activities, and ensuring the development of policy manuals, processes, procedures and practices
- Evaluates and assesses the adequacy of controls to manage the overall operational risks associated with business activities including physical/premises security
- The Operational Risk Management Committee holds monthly meetings

• Assets & Liabilities Management Committee

- Develops the framework and sets the objectives for the asset and liability management function
- Develops adequate policies, procedures and internal control measures for the carrying out of the asset and liability management function
- The Assets & Liabilities Management Committee holds monthly meetings

• Share Investment Committee

- Formulates investment strategies and policies relating to the Bank's investment in shares and interest in shares
- Ensures risk processes and systems are put in place and that all risks on the Bank's investment in shares and interest in shares are clearly identified and monitored
- The Share Investment Committee holds quarterly meetings

- **IT Steering Committee**

- Formulates short term and long term IT plans and the budgets to be allocated
- Ensures that the IT short term and long term strategic plans support the overall organisational strategic business plan and, where necessary, the group IT strategic plan
- The IT Steering Committee holds monthly meetings

- **Business Continuity Management Committee**

- Manages the overall formulation, implementation and maintenance of the Bank's business continuity plan
- Compiles the overall schedule for carrying out the Bank's business continuity plan from all Head Office Divisions (including branches and IT systems) and plans for its testing at least once a year or as and when appropriate
- The Business Continuity Management Committee holds meetings twice a year

Indemnification of Directors and Officers

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Whistle-Blowing

In addition to the extensive fraud prevention and detection infrastructure that is in place, the Bank also has formalised an effective framework on whistle-blowing, specifically the Anti-Fraud Policy.

The policy sets out the responsibility of employees of Public Bank for preventing and detecting defalcations, misappropriations and other irregularities, the specific roles of employees in prevention and detection of fraud and fraud discovery reporting as well as the steps the Bank will take in respect of employees involved in fraudulent acts. The strict enforcement of the anti-fraud policy reduces the risk to the Bank's reputation from fraudulent acts.

Further details of the Anti-Fraud Policy are as set out on page 105 of this Annual Report.

Accountability and Audit

Financial Reporting

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of Public Bank and the Public Bank Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely release of announcements on quarterly financial statements reflects the Board's commitment to provide transparent and up-to-date disclosures of the performance of Public Bank and the Public Bank Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Public Bank Group. The Audit Committee reviews and monitors the integrity of Public Bank's and the Group's annual and interim financial statements. It also reviews the appropriateness of the Bank's and the Group's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of Public Bank and the Public Bank Group is set out on page 222 of this Annual Report.

Related Party Transactions

All related party transactions are reviewed by the internal auditors on a monthly basis and a report is submitted to the Audit Committee for their monitoring on a quarterly basis.

Details of these transactions are set out under Notes to the Financial Statements on pages 347 to 352 of this Annual Report.

Internal Control

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with the applicable laws and regulations, as well as with internal procedures and guidelines.

The size and complexity of the operations of Public Bank and the Public Bank Group involve the acceptance and management of a wide variety of risks. The nature of these risks means that events may occur which would give rise to unanticipated or unavoidable losses. The Bank's and the Group's systems of internal controls are designed to provide reasonable and not absolute assurance against the risk of material errors, frauds or losses occurring. The Risk Management Committee meets monthly to ensure that the accountability for managing the significant risks identified is clearly assigned and that identified risks affecting the Bank and the Group are being satisfactorily addressed on an ongoing basis.

The effectiveness of the system of internal controls of Public Bank and the Public Bank Group is reviewed by the Audit Committee during its monthly meetings. This review covers the financial, operational and compliance controls as well as the process for the identification, evaluation and management of the significant risks faced by the Bank and the Group. Internal Audit Division checks for compliance with policies and standards and the effectiveness of internal control structures across the Bank and the Group.

The Statement on Internal Control, which provides an overview of the state of internal controls within the Bank and the Group, is set out on pages 106 and 107 of this Annual Report.

Audit Committee

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal control, risk management and governance processes of Public Bank and the Public Bank Group.

The Group Chief Internal Auditor attends every Audit Committee meeting.

The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board where appropriate.

The activities carried out by the Audit Committee during the year are set out in the Audit Committee Report on pages 111 and 112 of this Annual Report.

Relationship With External Auditors

It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and Public Bank's financial statements. These meetings are held without the presence of the Executive Directors and the Management. The Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are invited to attend the annual general meeting of the Bank and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and content of their audit report.

The Audit Committee is responsible for approving audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services. Terms of engagement for these services are reviewed by the Audit Committee and approved by the Board. The Audit Committee approves all adhoc non-audit services on a case to case basis. In approving such cases, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised.

The Audit Committee has considered the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence and objectivity as the amount of the fees paid for these services was not significant when compared to the total fees paid to the external auditors.

The details of the statutory audit, audit-related and non-audit fees paid/payable in 2010 to the external auditors are set out below:

	Bank RM'000	Group RM'000
Fees paid/payable to KPMG		
• Audit	989	1,246
• Audit-Related Service	278	368
– Half-year limited review	110	125
– Review of Statement on Internal Control	13	13
– Validation of Perbadanan Insurans Deposit Malaysia Returns	155	230
• Non-Audit Service*	61	126
Fees paid/payable to other auditors		
• Audit	—	1,667
• Audit-Related Service	—	83
– Half-year limited review	—	61
– Review of Statement on Internal Control	—	22
• Non-Audit Service*	25	102
Total	1,353	3,592

- The non-audit fees paid/payable to the external auditors were for advice on accounting and taxation matters and for preparation, review and submission of tax returns. The provision of these services by the external auditors to the Bank and the Group were cost effective and efficient due to their knowledge and understanding of the operations of the Bank and the Group.

Effective Communication with Shareholders

As part of the Public Bank Group's institutionalised corporate governance policies and practices, the Group is fully committed to maintaining transparency and accountability to all stakeholders. This commitment to transparency is manifested in the communication of clear, relevant and comprehensive information which is timely and readily accessible to all stakeholders.

In addition to meeting its obligations fully under its regulatory reporting requirements, the Public Bank Group consistently maintains a high level of disclosure and extensive communication with its stakeholders. The Group believes that this is especially important to shareholders and investors to make informed investment decisions.

The annual report is a key channel of communication between the Public Bank Group and its stakeholders. The information and disclosures made available in Public Bank's annual report extend well beyond the Bursa Malaysia Main Market Listing Requirements. As a licensed financial institution, Public Bank is required to prepare and present its financial statements in accordance with BNM Revised Guidelines on Financial Reporting for Banking Institutions in respect of the contents and format of financial statements which mandates significantly higher levels of disclosure of financial and risk management information than that of a non-financial corporation. The extensive information and disclosure requirements also extend to the listed financial institutions' quarterly results announcements to Bursa Malaysia, and therefore increasing the level of transparency of financial institutions in general.

Commencing from financial reporting year beginning 1 January 2010, banking institutions are required to comply with the Pillar 3 disclosures under BNM's Risk Weighted Capital Adequacy Framework (RWCAF). Such disclosures under Pillar 3 aim to provide a consistent and comprehensive disclosure framework that enhances comparability among banking institutions and further promote improvements in their risk management practices. Public Bank has adhered to the requirements by providing the required disclosures and information in its annual report. These disclosures and additional risk management information would aid in providing greater transparency and further clarity on the risk exposures, risk assessment processes, the capital structure and capital adequacy of the Public Bank Group.

The Public Bank Group disseminates its annual report, together with an executive summary, to its shareholders either in hard copy or in CD ROM media. The executive summary highlights the Group's key financial and corporate information, aiming to facilitate shareholders' easy access to such key information. All shareholder information is available electronically as soon as they are announced or published.

Another key forum of communication and dialogue with shareholders is Public Bank's general meetings of shareholders, particularly its annual general meetings. The general meeting represents the principal platform for open communication between the shareholders, Directors and senior management of Public Bank. During the general meeting, shareholders are at a liberty to raise questions on the agenda items of the general meeting. Answers and clarifications, where appropriate, are provided by the Directors and senior management officers of Public Bank.

At the annual general meetings of Public Bank, the Chairman of Public Bank presents a comprehensive, yet concise review of the Public Bank Group's financial performance and value created for shareholders. This review is supported by visual and graphical presentation of key points and key financial figures. Printed copies of this review are also made available to shareholders upon their request and to the media. The attendance of shareholders at the general meetings of Public Bank has always been high as evidenced by the presence of over 3,700 shareholders at each of the annual general meetings held in 2009 and 2010. Such high turnout is a clear indication of the extensive engagement of shareholders.

In addition to engagement with stakeholders through annual reports and general meetings, Public Bank also makes announcement of quarterly results and other announcements to Bursa Malaysia to provide stakeholders with key information which affects their decision making, thus enhancing the level of transparency. Public Bank also provides press releases to the media on all significant corporate developments and business initiatives to keep the investing community and shareholders updated on the progress and strategic development of the business of the Public Bank Group.

For the media and research analysts, Public Bank conducts briefings in conjunction with the release of its half year and annual results announcements. The media briefings are intended to facilitate timely dissemination of the announcement of the financial results of the Public Bank Group to as wide an audience of investors and shareholders as possible. The presentation slides for the research analyst briefings and the press releases are also made available to the public via the Group's website, www.publicbank.com.my.

In addition to the annual reports, press releases and analyst briefings presentation slides, the Group's website also stores in archive all other corporate and financial information that had been made public, such as the quarterly announcement of the financial results of the Public Bank Group, announcements and disclosures made pursuant to the disclosure requirements of Bursa Malaysia Main Market Listing Requirements and other corporate information on Public Bank.

The Public Bank Group firmly believes that prompt and timely information should be provided to shareholders and investors, in order for these stakeholders to be able to make informed investments decisions. The Group is of the view that information that is out-of-date, albeit comprehensive and accurate, would be less relevant for such investment purposes. As such, Public Bank accords a high priority in ensuring that information is made available and disseminated as early as possible. The release of Public Bank's annual report and the Group's quarterly financial results are generally the earliest amongst the large listed companies and financial institutions in Malaysia, and we are always well ahead of the announcement deadlines specified in the Bursa Malaysia Main Market Listing Requirements.

Release of Annual Report and Quarterly Financial Results

	Date of Issue/Release	Number of Days after end of Year/Quarter	Bursa Malaysia Deadline
Annual Report 2010	18 February 2011	49	30 June 2011
Annual Report 2009	8 February 2010	39	30 June 2010
2010 Quarterly Results			
1st Quarter	15 April 2010	15	31 May 2010
2nd Quarter	20 July 2010	20	31 August 2010
3rd Quarter	18 October 2010	18	30 November 2010
4th Quarter	25 January 2011	25	28 February 2011

Despite operating in a highly regulated environment, the Public Bank Group has consistently been able to achieve early issuance of annual reports and releases of quarterly financial results, while at the same time maintaining an extensive level of disclosure of financial information which are essential to shareholders and investors, notwithstanding the fact that BNM's approval is needed prior to the issuance of these financial reports. The prompt and timely availability of information clearly enhances its value to shareholders and investors while reflecting the high standard of transparency that the Group seeks to achieve.

Investor Relations

The Public Bank Group has a strong following amongst domestic and international institutional investors, fund managers and equity research analysts. A direct channel of communication with them is in the investor relations function of the Group which plays a pivotal role in communicating with shareholders, investors and the investment community broadly, both in Malaysia and internationally.

In the current uncertain and potential volatile capital market conditions, it is crucial for the Public Bank Group to maintain its transparency through active dialogue and effective communication with shareholders and investors for informed investment decisions. As part of the Group's commitment towards this objective, experienced and senior level management personnel are directly involved in the Group's investor relations activities. With the active involvement of senior level management personnel, the investment community is assured of views and information on the Group that is appropriate, accurate and substantive.

Senior Management Personnel in Investor Relations Activities**Public Bank**

- Tan Sri Dato' Sri Tay Ah Lek, Managing Director/Chief Executive Officer
- Leong Kwok Nyem, Chief Operating Officer
- Nasaruddin Arshad, Group Economist
- Chang Siew Yen, Chief Financial Officer

Public Financial Holdings Limited

- Tan Yoke Kong, Executive Director

Apart from the regulatory public statements required by Bursa Malaysia, Public Bank also conducts briefings to the media and equity research analysts and fund managers in conjunction with the release of the Public Bank Group's half yearly and annual results announcements. In addition to providing comprehensive insight into its financial performance, the Group recognises the importance of communicating its business strategy as well as updates on the progress of the Group's current business initiatives during these briefings. The information presented during these briefings is concurrently posted on the Group's corporate website at www.publicbank.com.my to promote accessibility of information to all market participants.

Management representatives of the Public Bank Group continue to participate in presentations and investor meetings at investor conferences and forums that are held domestically and regionally. In addition, management personnel responsible for investor relations activities meet regularly with a large number of equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis as well as host teleconferences with them.

Investor Relations Activities in 2010

	Number Attended/Hosted	Number of Investors Met
Investors Conferences/Forums/Roadshows	8	209
Direct one-on-one Meetings	182	217
Teleconferences Hosted	11	—

The high level of investor interest in Public Bank and the extensive investor relations activities of the Public Bank Group have led to a wide coverage of the Group by stock brokerages and equity research companies. This is reflected in the high number of contributors to the earnings estimates for Public Bank.

	Public Bank	Public Financial Holdings Ltd
No. of contributors to earnings estimates	31	4

To provide greater transparent accessibility by equity research analysts, fund managers and institutional shareholders and the investment community, Public Bank has in place an Investor Relations Unit within the Bank's Corporate Planning & Strategy Department to serve as a one-stop centre for the management of investor relations activities.

In addition to the above, shareholders and investors could made inquiries about investor relations matters with certain management personnel directly responsible for investor relations, via dedicated email addresses. These email addresses are made available on the Group's corporate website.

Primary Contacts for Investor Relations Matters

PUBLIC BANK

Leong Kwok Nyem

Chief Operating Officer

Leong Kwok Nyem is an accountant by profession and was attached to the accounting and auditing industry for 8 years before joining the Public Bank Group in 1988. Attached initially to the Finance Division in Head Office, he was transferred to Public Finance Limited in Hong Kong in 1990. He returned to Head Office in 1994 and was appointed Senior General Manager in 2001 and Chief Operating Officer in 2008.

Contact Details

Telephone number: 603-21766270

E-mail: leongkn@publicbank.com.my

Chang Siew Yen*Chief Financial Officer*

Chang Siew Yen is an accountant by profession. She joined Public Bank in 2005 as Deputy Director of Finance Division. She was subsequently promoted to Head of Finance Division and Chief Financial Officer in 2006. She was appointed General Manager of Finance Division and Corporate Planning & Strategy Department in 2009.

Contact Details

Telephone number: 603-21767460

E-mail: changsiewyen@publicbank.com.my

PUBLIC FINANCIAL HOLDINGS LIMITED**Tan Yoke Kong***Executive Director*

Tan Yoke Kong is an accountant by profession. He was appointed a Director of Public Financial Holdings Limited in 1992 and has more than 28 years of experience in the banking and finance industry, all of which were with the Public Bank Group since 1981. He is also the Chief Executive and Director of Public Bank (Hong Kong) Limited. He was seconded to Public Finance Ltd in 1991 and was the Chief Executive of Public Finance Limited, a wholly-owned subsidiary of Public Bank (Hong Kong) Ltd. prior to his current appointment in 2006.

Contact Details

Telephone number: 852-28534228

E-mail: yktan@publicbank.com.hk

INVESTOR RELATIONS UNIT**Denise Fong Po Yen***Corporate Planning & Strategy Department***Contact Details**

Telephone number: 603-21766293

E-mail: ir@publicbank.com.my

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 12 January 2011.



Risk Management

Overview

The Public Bank Group's commitment to sound risk management principles and the adoption of a prudent management culture have enabled the Group to achieve sustainable profitability and strong asset quality under consistently challenging business and market conditions. Following on from the global financial crisis in 2008 and 2009, the international banking supervisory community have taken or are proposing unprecedented levels of prudential measures to strengthen the regulatory framework and standards of banking institutions to avoid another financial crisis. In order to keep abreast with the evolving developments in the financial markets and the regulatory landscape, the Group will continue to align and enhance its business activities and risk management capabilities to proactively manage the key areas of risk. Reviewing, refining and establishing the appropriate framework, policies, systems, procedures and processes to facilitate business growth within an effective enterprise-wide risk management framework remain the key risk management priorities. Details of the Group's risk management approach are set out in the Pillar 3 disclosure on pages 455 to 509 of the Annual Report 2010 and Note 44 to the financial statements.

The key developments during the year are as follows:

Implementation of Financial Reporting Standard 139

The adoption of Financial Reporting Standard 139 ("FRS 139") and Bank Negara Malaysia's ("BNM") guidelines on Classification and Impairment Provisions for Loans/Financing ("Guidelines") issued on 8 January 2010 has resulted in a change in the Public Bank Group's accounting policy relating to the assessment of the impairment of the Group's financial assets, particularly loans and advances, with effect from 1 January 2010. The time-based provisioning under BNM's Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3") was replaced by individual assessment allowance and collective assessment allowance under FRS 139.

For individual assessment allowance, the Public Bank Group assesses, at the end of each reporting period, whether there is any objective evidence that an individually significant loan is impaired. For any loan which shows objective evidence of impairment, further assessment is performed on the estimated recovery to determine whether individual impairment allowance is required to be made. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. The collective assessment allowance of Public Bank and its domestic banking subsidiary companies has been arrived at based on the transitional arrangement as prescribed by BNM, whereby banking institutions are required to maintain a collective assessment allowance of at least 1.5% of total outstanding loans, net of individual assessment allowance. For Public Bank's other banking subsidiary companies, the collective assessment allowance is made based on any shortfall between the discounted cash flows, estimated on the basis of historical loss experience, and the carrying value of the group of loans.

The Board of Directors' approved impairment provision framework and policy have been implemented to govern the Public Bank Group's practices relating to the classification and provisioning of impaired loans. The Group undertook a comprehensive review of its credit control, administration and supervision functions and adopted a set of stringent criteria

that have considered all known internal and external factors which may affect the collectability of the Group's loans to determine the impairment loss allowance of both individually and collectively assessed impaired loans under FRS 139. This is to ensure that the assessment methodology is sufficiently robust to meet the stringent expectations under BNM's guidelines. Arising from that, the Group's impaired loan ratio of 1.1% as at 31 December 2010, which was derived based on more stringent criteria was higher, as compared to 0.9% if based on the replaced BNM/GP3. A more stringent approach is also adopted on the collective impairment allowance whereby the minimum 1.5% allowance is made based on BNM's transitional provision as compared to a lower actual allowance required if collective allowance is made based on FRS 139 methodologies.

Enhancements were also made to the Public Bank Group's credit guidelines, systems and processes for identifying, classifying, monitoring and addressing loans with indications of credit quality problems to facilitate early detection for review of impairment allowance, if necessary. The review conducted by the independent control units and internal auditors on the methodologies and bases applied would provide the necessary assurance of compliance with BNM's requirements and the Group's internal policies and procedures on classification and provisioning for impaired loans.

Additional Disclosures under Pillar 3 of Basel II

Commencing with financial reporting periods beginning 1 January 2010, banking institutions are required to comply with the Pillar 3 disclosures under BNM's Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is based on the Basel II standards introduced by the Basel Committee on Banking Supervision and the Islamic Financial Services Board. Such disclosures under Pillar 3 aim to provide a consistent and comprehensive disclosure framework that enhances comparability amongst banking institutions and further promote improvements in their risk management practices. Included in the Pillar 3 disclosure section, which forms part of the Annual Report 2010, are the disclosures and additional information on the risk management organisation and approaches, processes, risk portfolios analysis and capital management of the Public Bank Group for enhanced public disclosure.

Getting Ready for Pillar 2 Requirements Under Basel II

Pillar 2 is another area of focus where banking institutions are required to assess their internal capital requirements in relation to the level of risk and the risk profile of their businesses and control environment through the Internal Capital Adequacy Assessment Process ("ICAAP"). Pillar 2 sets out the requirements for banking institutions to assess risks in a holistic manner and beyond the capital requirements for credit, market and operational risks that are covered under Pillar 1 requirements under Basel II. This promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management techniques.

The Public Bank Group has taken preparatory steps to put in place its ICAAP ahead of the issuance of BNM's guidelines on Pillar 2 dated 3 December 2010. The BNM guidelines set out the requirements for banking institutions to undertake a comprehensive self-assessment to evaluate existing capital and risk management practices against the expectations set forth in the guidelines, as well as action plans to close the gaps.

The ICAAP is anticipated to be a major catalyst for further enhancement of the risk management process as well as capital management in the future. The Public Bank Group strives to identify areas of potential challenges as early as possible whilst working towards a rigorous ICAAP. Investment in human capital and skill sets, improvements to the systems and tools, including refinements to the reporting system and the management information system as well as the commitment of the Board of Directors and senior management and support from stakeholders are necessary ingredients for Pillar 2 implementation. The Group believes that by implementing ICAAP, apart from the systematic identification and assessment of additional risk areas beyond Pillar 1, risk measurements will also be further enhanced through the use of new risk mitigation and monitoring techniques.

Basel III

The Basel Committee on Banking Supervision has on 16 December 2010 issued the Global Regulatory Framework for More Resilient Banks and Banking Systems and the International Framework for Liquidity Risk Measurement, Standards and Monitoring, commonly referred to as Basel III. Basel III aims at strengthening banking institutions' resilience to withstand periods of economic and financial stress to safeguard long-term financial stability and promote sustainable economic growth. The Basel Committee on Banking Supervision also made provisions for a phased transition arrangements to implement Basel III to enable banking institutions to meet the new standards while supporting the economic recovery.

Capital

The salient features of the Global Regulatory Framework for More Resilient Banks and Banking Systems of the Basel III are as follows:

- increase in minimum common equity requirement from 2% to 4.5%
- increase in minimum Tier 1 capital from 4% to 6%
- requirement to hold a capital conservation buffer of 2.5% to be phased in from 1 January 2016 at 0.625% per year over a period of four years
- a countercyclical buffer within a range of 0% to 2.5% of common equity or other fully loss absorbing capital, to be determined by national central banks during periods of excessive credit growth
- a leverage ratio of 3% as a supplementary measure by 1 January 2018
- investments in financial institution's subsidiary companies and deferred tax assets will be deducted from common equity capital if the aggregate amount exceeds 15% of the banking institution's common equity capital, to be phased in commencing 1 January 2014
- phasing out capital instruments that no longer qualify as non-core Tier 1 or Tier 2 capital over a 10-year period commencing 1 January 2013

The table below summarises the phase-in arrangements of the Basel III capital reforms. National central banks are accorded the discretion to impose shorter transition periods where appropriate.

1 January (all in %)	2013	2014	2015	2016	2017	2018	2019
Minimum common equity capital	3.5	4.0	4.5	4.5	4.5	4.5	4.5
Capital conservation buffer	—	—	—	0.625	1.25	1.875	2.5
Minimum common equity plus capital conservation buffer	3.5	4.0	4.5	5.125	5.75	6.375	7.0
Minimum Tier 1 capital	4.5	5.5	6.0	6.0	6.0	6.0	6.0
Minimum total capital	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Minimum total capital plus capital conservation buffer	8.0	8.0	8.0	8.625	9.25	9.875	10.5

Liquidity

The International Framework for Liquidity Risk Measurement, Standards and Monitoring of the Basel III introduces two new minimum liquidity requirements, designed to enhance both the ability of banking institutions to repay their liabilities as they fall due and the matching of the maturity of banking institutions' balance sheets. There is a particular emphasis on moving banking institutions away from relying too heavily on short-term wholesale funding. The two minimum liquidity requirements are as follows:

- Liquidity coverage ratio where banking institutions must hold sufficient high quality liquid assets (cash, government bonds, covered bonds and highly rated corporate bonds) to enable them to withstand for a period of 30 days, the loss of a proportion of their retail deposits and the inability to roll over corporate or wholesale deposits in an extreme stress scenario
- Net stable funding ratio where banking institutions must have sufficient stable sources of funding to match their required amount of funds over a one year period under conditions of extended stress

After an observation period beginning in 2011, the liquidity coverage ratio will be introduced on 1 January 2015 and the net stable funding ratio will move to a minimum standard on 1 January 2018.

Public Bank Group's Preparedness for Basel III

The Public Bank Group has assessed the implications of the Basel III proposals on both its capital and liquidity management. Based on this assessment, the Group is able to meet the more prudent capital requirements under Basel III which commence from 1 January 2013 without the need to raise fresh equity capital, subject to the level of additional capital buffer that will be imposed by BNM. The Group will continue to ensure its capital is used in an efficient manner and is able to withstand unexpected adverse market conditions. Capital planning will continue to factor in possible capital requirements under stressed scenarios.

The impending new minimum liquidity standards will bring about significant changes to the liquidity risk management of all banking institutions. Notwithstanding this, the Public Bank Group will continue to emphasise on maintaining stable

funding sources from retail deposits and highly liquid assets in managing the liquidity requirements of the Group. The Group is well-positioned with its core deposits constituting approximately 81.2% of its total deposits as at end 2010. The Group will take into account the liquidity requirements of Basel III in formulating the Group's business plans to ensure its readiness to meet the global minimum liquidity standards.

Managing Islamic Liquidity

The liquidity management of the Public Bank Group's Islamic banking business is expected to benefit from the planned setting up of the International Islamic Liquidity Management Corporation ("IILM"). The IILM will provide an avenue for the Group to tap on Islamic funding to further reduce the existing liquidity mismatches between assets and liabilities and the rate of return risk in the banking book of Public Islamic Bank and therefore will improve the Public Islamic Bank's resilience to liquidity stress as well as assist in the management of the volatility in earnings and the economic value of equity. The proposed issuance of high-quality Shariah compliant financial instruments will also complement the global minimum liquidity requirements of Basel III from the perspective of facilitating the build-up of highly liquid assets.

Enhancing Stress Testing

Increasingly, stress testing is expected to play a pivotal role in managing risks in a banking institution. Banking regulators continue to emphasise the role of stress testing in identifying early warning indicators of stress so that banking institutions are aware of the potential impact on its capital and liquidity under these stress scenarios and more importantly, to determine pre-emptive measures that can be put in place to address the gaps identified. Guided by these regulatory requirements, the Public Bank Group continuously seeks to enhance its stress testing processes to make it more robust and forward-looking to ensure factors that may have an adverse impact on the Group are considered. In the Group's stress tests, the results show that the Group's risk-weighted adequacy ratio is above the minimum regulatory requirements even under the worst case scenario.

Risk Governance

The management of risk within the Public Bank Group is governed by the Group Risk Management Framework which sets out the risk management governance and infrastructure, risk management processes and control responsibilities. In the Group, the most important aspect of an effective risk management is the inculcation of a risk awareness culture across all levels of staff in the Group through effective communication, training, clear policies, procedures and organisational structure, clearly defined roles and responsibilities as well as the commitment of all employees to the Group Risk Management Framework. The risk governance structure of the Group is as set out below:

ESTABLISH RISK APPETITE & POLICY	Board of Directors	AUDIT COMMITTEE
	Risk Management Committee	
ENSURE IMPLEMENTATION OF RISK POLICY AND COMPLIANCE	Dedicated Committees	
	Assets & Liabilities Management Committee Credit Risk Management Committee Operational Risk Management Committee Shariah Committee	
	Independent Risk Management and Control Units	
	Banking Operations and Compliance Credit Control, Administration & Supervision Risk Management	
IMPLEMENT AND COMPLY WITH RISK POLICY	Business Units	
	Corporate Lending Investment Banking Islamic Banking Retail Banking and Financing Operations Share Broking and Fund Management Treasury and Capital Market Operations	

The Board of Directors ("Board") is ultimately responsible for the management of risk. The Board, through the Risk Management Committee ("RMC"), maintains overall responsibility for risk oversight within the Public Bank Group. The risk appetite statement embodies the Group's stance towards the levels of risk and serves as a guide in the formulation of the Group's strategic direction and business objectives which are set out in the annual Business Plans approved by the Board.

The Assets & Liabilities Management Committee, the Credit Risk Management Committee and the Operational Risk Management Committee assist the RMC in managing market and liquidity risk, credit risk and operational risk respectively. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies and for reviewing risk exposure and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for effective risk management activities. The Shariah Committee advises the Board of Public Islamic Bank on Shariah matters to ensure compliance with Shariah principles in the Islamic operations.

The independent risk management and control units provide crucial support to the dedicated risk management committees and are responsible for ensuring the risk policies are implemented and complied with. They are also responsible for the identification, measurement and monitoring of risk.

The business units, being the first line of defense against risk, are responsible for identifying, mitigating and managing risk within their lines of business. These units ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

The Audit Committee, supported by the Internal Audit Division, provides an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The Public Bank Group has established, within its enterprise-wide risk management framework, a structured approach to risk management which balances risks against returns, as well as integrated risk management processes across key risk areas. The risk management activities encompass four broad processes namely risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring which lead to a balanced risk-return framework.

It is the Public Bank Group's policy that all risk management policies are subject to frequent reviews to ensure that they remain relevant and effective in managing the associated risks brought about by the changing market place and regulatory environment.



Ethics, Integrity and Trust

As a public listed financial institution and a custodian of public funds, the Public Bank Group belongs to a special class of business and service provider where honesty and integrity is of utmost importance to its business and long-term sustainability. The Group devotes substantial resources to reinforce its foundation of trust garnered over the years to ensure continued public confidence. The explicit initiatives and measures articulated by the Group to instil the value of integrity and honesty amongst its employee are as follows:-

Code of Ethics

Adopting the Code of Ethics as set out in Bank Negara Malaysia's ("BNM") guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry (BNM/GP7) as part of Public Bank's rules and regulations to guide employees based on the following key principles:-

- Avoid conflict of interest
- Avoid misuse of position
- Prevent misuse of information
- Ensure integrity and completeness of records
- Ensure confidentiality of communication and transactions with customers
- Fair and equitable treatment of customers



Anti-Fraud Policy

Establishment of the Anti-Fraud Policy aims to spell out the roles and responsibilities of each employee in the Public Bank Group in preventing, detecting and reporting any defalcations, misappropriations and irregularities, as well as the steps the Group will take in respect of employees involved in fraudulent acts.

The Group's Anti-Fraud Policy seeks to:-

- Ensure the Group's business is conducted in accordance with the law
- Promote an environment of honesty and integrity
- Enhance awareness of the Group's stand on improper, illegal and dishonest acts and the consequences of such acts
- Create staff awareness of their roles, rights and responsibilities in relation to improper, illegal and dishonest acts

As a proactive measure, the Public Bank Group incorporates the above guidelines and policies in the letter of offer/service undertaking to be read, understood and acknowledged by all staff upon their appointment. These guidelines and policies are again reiterated during their induction programmes. Reminders are also sent out via staff circulars from time to time to facilitate internalisation of such values by employees.

Anti-Money Laundering Policy

In tandem with the Government's and BNM's initiatives and efforts in the prevention of the use of the banking system for illicit and money laundering activities as well as the financing of terrorist activities, the Public Bank Group has set up an extensive infrastructure and processes to support such initiatives. A key component of this infrastructure is the Group's Anti-Money Laundering Policy which sets out the following:-

- Expectations of employees in implementing the anti-money laundering policy
- Accountability of employees for money laundering detection and prevention

- Education and training in preventing and detecting money laundering
- Extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions

To ensure that the various codes of conduct are complied with and to detect and prevent actual unethical behaviour or fraud by staff of the Public Bank Group, the following initiatives are undertaken:-

- Extensive training on the standards of conduct expected of employees in the Group with emphasis on:-
 - * Enhancing staff knowledge on regulatory requirements
 - * Enabling staff to understand and realise the ethical standards set by the Group
 - * Equipping staff with skills to handle ethical dilemmas with integrity
 - * Equipping staff with skills to detect early warning sign of fraud and malpractices
 - * Enabling staff to comply with the Group's various codes of conduct
- Conducting stringent character reference and background checking on potential employees prior to offering employment to applicants for employment.
- Conducting checks on and monitoring employee compliance with such guidelines and policies by Internal Audit Division on a regular basis.
- Strict enforcement of appropriate disciplinary action based on established disciplinary procedures on employees who are found to have contravened or breached such guidelines and policies.

The Public Bank Group's commitment to ethical conduct and integrity has created a high level of awareness among employees with respect to the Group's stand on illegal or illicit activities and the implication and consequences of such activities. The negligible cases of breaches amongst the Group's employees provide clear evidence that integrity and impeccability continues to feature prominently in the DNA of the Group's corporate culture.



Statement on Internal Control

Responsibility

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the Public Bank Group's ("the Group") system of internal controls. However, such a system is designed to manage the Group's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the *Statement on Internal Control: Guidance for Directors of Public Listed Companies*.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and adequate to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Key Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- The Board Executive Committee was established by the Board to manage the business of the Bank and to ensure that the Bank's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved by the Board. The Board Executive Committee implements strategies approved by the Board and addresses issues arising from changes in both the external business environment and internal operating conditions. Management committees are established by the respective Boards of major operating subsidiaries in the Group to assume the functions as stated above in these subsidiaries.
- The Internal Audit Divisions of the Bank and its major subsidiaries check for compliance with policies and procedures and the effectiveness of the internal control systems and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the Bank's and its respective subsidiaries' Audit Committees and the findings of the audits are submitted to the Bank's and such said subsidiaries' Audit Committees for review at their monthly or periodic meetings.
- The Audit Committees of the Bank and its major subsidiaries review internal control issues identified by the respective Internal Audit Divisions, the external auditors, regulatory authorities and management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the

Audit Committee meetings are tabled to the Boards of the Bank and its major subsidiaries on a monthly or periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report.

- The Risk Management Committee was established by the Board to assist the Board to oversee the overall management of the principal areas of risk of the Group. The other committees set up to manage specific areas of risk for the Group are the Assets & Liabilities Management Committee which manages market and liquidity risks; the Credit Risk Management Committee which manages credit risk and the Operational Risk Management Committee which manages operational risk.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Group's core areas of business operations. These committees include the Group Human Resource Committee, the Credit Committee, the Share Investment Committee, the Business Continuity Management Committee and the IT Steering Committee.
- Annual business plans are prepared by the Bank and all major operating subsidiaries and are reviewed and approved by their respective Boards. Annual budgets are also approved by the respective Boards and the Bank's business units and operating subsidiaries performance are assessed against the approved budgets and explanations are provided for significant variances on a monthly or periodic basis to the respective Boards.
- There are guidelines within the Group for hiring and termination of staff, formal training programmes for staff, annual or semi-annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their duties and responsibilities.
- The Boards of the Bank and its major subsidiaries receive and review reports from management on a regular basis. In addition to the monthly accounts and financial information reports and reports on monitoring of compliance with banking laws and Bank Negara Malaysia's and other central bank's guidelines on lending, capital adequacy and other regulatory requirements, monthly or periodic progress reports on business operations are tabled to the respective Boards at their monthly or periodic meetings.
- There are policy guidelines and authority limits imposed on executive directors and management within the Group in respect of the day-to-day banking and financing operations, extension of credits, investments, acquisitions and disposals of assets.
- Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Bank and its major subsidiaries which are updated from time to time.

Review of The Statement by External Auditors

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report of the Bank for the year ended 31 December 2010 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.



Audit Committee Report

Tan Sri Datuk Seri Utama Thong Yaw Hong 1

Chairman/Independent

Non-Executive Director

PSM, SUMW, SIMP, DSAP,
DIMP, JMN, SMP, JBS, AMN,
BA (Econs Hons), MPA
(Harvard), AMP (Harvard),
D.Econ (Hon)

Dato' Haji Abdul Aziz bin Dato' Dr. Omar 2

Co-Chairman/Independent

Non-Executive Director

DIMP, ACA (England &
Wales), CA (M'sia), FIBM
(M'sia)

Dato' Yeoh Chin Kee 3

Member/Independent

Non-Executive Director

DIMP, FCPA (Aust), F Fin
(Aust)



1

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1. Attendance of Meetings

The details of attendance of each member at the Audit Committee ("Committee") meetings held during 2010 are as follows:

Name of Committee Member	Number of Committee Meetings	
	Held	Attended
Tan Sri Datuk Seri Utama Thong Yaw Hong <i>Chairman/Independent Non-Executive Director</i>	16	16
Dato' Haji Abdul Aziz bin Dato' Dr. Omar <i>Co-Chairman/Independent Non-Executive Director</i>	16	16
Dato' Yeoh Chin Kee <i>Member/Independent Non-Executive Director</i>	16	16
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah <i>Member/Independent Non-Executive Director</i>	16	15
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff <i>Member/Independent Non-Executive Director</i>	16	16
Mr Quah Poh Keat <i>Member/Independent Non-Executive Director</i>	16	16



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

*Member/Independent
Non-Executive Director
DK II, SSAP*

5 Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff

*Member/Independent
Non-Executive Director
DSIS, DSPN, JSM, DJN,
SMS, KMN, PPT, PJK,
FRTPI (London), FMIP (M'sia),
FILA (M'sia), D.C.L. (Hon)
Newcastle-upon-Tyne*

6 Quah Poh Keat

*Member/Independent
Non-Executive Director
FCCA (UK), CA (M'sia), CPA
(M'sia), ACMA (UK),
Fellow MIT (M'sia)*

2. Composition and Terms of Reference

2.1 Composition

- a. The Committee shall be appointed by the Board of Directors and shall consist of not less than three members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.
- b. **Chairman/Co-Chairman**
 - The Chairman and the Co-Chairman of the Committee shall be approved by the Board of Directors and shall be an independent non-executive director.
 - The Chairman or the Co-Chairman shall be a member of the Malaysian Institute of Accountants ("MIA").
- c. At least one member of the Committee:
 - i. must be a member of the MIA; or
 - ii. if he is not a member of the MIA, he must have at least three years working experience and:
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
 - iii. fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

2.2 Frequency of Meetings

Meetings shall be held not less than four times a year.

2.3 Quorum

A quorum shall consist of two members and shall comprise of independent directors.

2.4 Secretary

The Secretary of the Committee shall be the Head of Internal Audit Division.

2.5 Rights

The Committee shall have the authority to:

- seek any information relevant to its activities from employees of Public Bank and the Public Bank Group.
- obtain such independent professional advice as it considers necessary.
- have full and unrestricted access to any information and documents pertaining to Public Bank and the Public Bank Group.
- to convene meetings with the internal auditors without the presence of the Executive Directors and Management staff whenever deemed necessary.
- to meet with the external auditors at least twice a year without the presence of the Executive Directors and Management staff.

2.6 Responsibilities and Duties

The responsibilities and duties of the Committee shall be:

a. Risk Management

To review the adequacy and effectiveness of risk management, internal control and governance systems instituted in Public Bank and the Public Bank Group.

b. Internal Audit

- To approve the appointment, replacement and dismissal of the Chief Internal Auditor.
- To review the adequacy of the scope, functions, competency and resources of Internal Audit Division and that it has the necessary authority to carry out its work.
- To evaluate the performance and decide on the remuneration of the internal auditors.

c. External Audit

- To review the external auditors' audit plan, scope of their audits and their audit reports.
- To assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- To approve the provision of non-audit services by the external auditors.

d. Audit Reports

To review the:

- Internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by management on significant lapses in controls and procedures that are identified.
- Significant internal and external audit findings and Management's response.

e. **Financial Reporting**

To review the quarterly and annual financial statements of Public Bank and the Public Bank Group for recommendation to the Board of Directors for approval, focusing particularly on:

- changes in or implementation of new accounting policies and practices;
- significant and unusual events; and
- compliance with the applicable approved accounting standards and other legal and regulatory requirements.

f. **Related Party Transactions**

To monitor and review any related party transactions that may arise within Public Bank and the Public Bank Group.

g. **Other Matters**

To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.

3. Summary of Activities

During the year, the Committee carried out the following activities:

3.1 Financial Reporting

- a. Reviewed the quarterly and half-yearly unaudited financial results of Public Bank and the Public Bank Group before recommending them for approval by the Board of Directors.
- b. Reviewed the annual audited financial statements of Public Bank and the Public Bank Group with the external auditors prior to submission to the Board of Directors for their approval. The review was to ensure that the financial reporting and disclosures are in compliance with:
 - Provisions of the Companies Act, 1965 and the Banking and Financial Institutions Act, 1989;

- Listing Requirements of Bursa Malaysia Securities Berhad;
- Applicable approved accounting standards in Malaysia;
- Guidelines issued by Bank Negara Malaysia; and
- Other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with Management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

3.2 Internal Audit

- a. Reviewed the Internal Audit Charter in relation to the new Guidelines on Internal Audit Function of Licensed Institutions issued by Bank Negara Malaysia to ensure its adequacy of scope and compliance with the Guidelines.
- b. Reviewed the annual audit plan to ensure adequate scope and comprehensive coverage over the activities of Public Bank and the Public Bank Group and ensured that all high risk areas are audited annually.
- c. Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of Internal Audit Division.
- d. Reviewed the internal audit reports which were tabled during the year, the audit recommendations made and Management's response to these recommendations. Where appropriate, the Committee has directed Management to rectify and improve control procedures and workflow processes based on the internal auditors' recommendations and suggestions for improvement.

- e. Monitored the corrective actions taken on the outstanding audit issues to ensure that all the key risks and control lapses have been addressed.
- f. Conducted half-yearly reviews of the performance, progress and adequacy of coverage of the internal audit function.
- g. Reviewed the staffing requirements of Internal Audit Division and the skills and the core competencies of the internal auditors.

3.3 External Audit

- a. Reviewed with the external auditors:
 - their audit plan, audit strategy and scope of work for the year.
 - the results of their annual audit, audit report and management letter together with Management's response to their findings.
- b. Assessed the independence and objectivity of the external auditors during the year and prior to the appointment of the external auditors for adhoc non-audit services. The Committee also received reports from the external auditors on their own policies regarding independence and the measures used to control the quality of their work.
- c. Evaluate the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.
- d. Reviewed the inspection and examination reports issued by Bank Negara Malaysia and other regulatory authorities and the remedial actions taken in respect of the issues raised by them.

3.4 Related Party Transactions

Reviewed the related party transactions entered into by Public Bank and the Public Bank Group.

4. Training

During the year, the Committee members have attended conferences, seminars and training programmes on the following areas:

a. Corporate Governance

- Corporate Governance Guide
- Moral Foundation for Good Governance
- Views from the Boardroom – Challenges Directors Face
- Independent Directors – Actual Versus Perceived Independence
- Going Forward: Risk & Reform – Implications for Audit Committee Oversight
- Building Audit Committee for Tomorrow
- Board Risk Management Committee
- Board IT Governance and Risk Management – Breaking the Technology Code

b. Board Leadership

- Building Organisational Capability for Strategic Transformation

c. Islamic Banking

- Islamic Institution & Governance
- Risk Management in Islamic Finance

d. Banking, Finance & Economy

- Financial Industry Conference 2010
- Banking Insights
- Managing Risks on Mortgage Financing
- Risk Management of Derivatives
- Updates on Financial Reporting Standards
- Goods & Service Tax
- Presentation on National Key Economic Areas (NKEA) from the Government's Perspective and Expectations

5. Internal Audit Function

The Committee is supported by the Internal Audit Division in the discharge of its duties and responsibilities. Internal Audit Division provides independent and objective assessment on the adequacy and effectiveness of the risk management, internal control and governance processes.

The internal audit function reviews the effectiveness of the internal control structures over the Public Bank Group's activities focussing on high risk areas as determined using a risk-based approach. All high risk activities in each auditable area are audited annually.

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, management efficiency and level of customer services, amongst others. These audits are to ensure that the established controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with Public Bank's and the Public Bank Group's risk management policy. In performing such reviews, recommendations for improvement and enhancements to the existing system of internal controls and work processes are made.

Internal Audit Division also audits the information systems and data communications network of Public Bank and the Public Bank Group.

Internal Audit Division provides consulting or advisory functions in the evaluation of risk exposures of new systems, business products and services to assess the controls that should be in place to mitigate the risks identified prior to implementation. When providing such consulting or advisory functions, Internal Audit Division is not involved in the system selection or implementation process in order to maintain its objectivity and independence.

Internal Audit Division works collaboratively with Risk Management Division to review and assess the risk governance framework and the risk management processes of Public Bank and the Public Bank Group in respect of their adequacy and effectiveness.

The total costs incurred for the internal audit function of the Bank and the Public Bank Group for 2010 are as follows:

	RM'000
Bank	18,412
Group	25,813

Further details of the activities of Internal Audit Division are set out in the Statement on Internal Control.



SKILL & ABILITY



SKILLS & ABILITY

Our strong brand presence comes from having the right set of skills and abilities at our disposal. This helps us to provide and deliver only the best to our customers and stakeholders. We have also taken initiatives to train our staff to ensure satisfactory customer experience. And to further reinforce the PB brand we have our eye firmly on the ball to achieve even greater success in the future.



Board Executive Committee



Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman

A respected banking entrepreneur with a banking career spanning more than 59 years. Commencing his banking career in Singapore, he founded Public Bank in 1965 after spending 6 years in a senior management position in another prominent local bank. Since inception Tan Sri Teh has been at the helm of Public Bank and personally steered its growth till today.

Tan Sri Dato' Sri Tay Ah Lek*Managing Director/Chief Executive Officer*

Holder of a Masters degree in Business Administration, Tan Sri Tay is a veteran in the financial services industry with 50 years experience. A pioneer staff of Public Bank in 1966, he held several portfolios over the years including the Executive Vice President position in Public Finance and Public Bank. He was appointed Executive Director of Public Bank in 1997 and Managing Director/Chief Executive Officer in 2002. He sits on the Board of Directors of several subsidiary companies in the Public Bank Group.

Dato' Sri Lee Kong Lam*Executive Director*

An accountant by profession, Dato' Sri Lee was attached to Bank Negara Malaysia for 29 years and retired as Head of its Examination Department. He joined Public Bank as General Manager in 1996 and was subsequently appointed Senior General Manager and Executive Vice President. He was appointed Executive Director in 2001. He is also a member on the Board of Directors of several subsidiary companies in the Public Bank Group.





Group Management Profile

Dato' Chang Kat Kiam

*Chief Operating Officer,
Public Bank Berhad*

Holder of a Masters degree in Business Administration, Dato' Chang has been with Public Bank since 1975. He is experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. Appointed Senior General Manager in 2001 and Chief Operating Officer in 2006. He oversees the Bank's Retail Lending Operations, Overseas Operations, Share Investment Services, Deposit & Channel Management, Retail Financial Services, Retail Loans Marketing, Product Development & Trade Finance, Corporate Banking and Knowledge & Learning.

Leong Kwok Nyem

*Chief Operating Officer,
Public Bank Berhad*

An accountant by profession. Mr Leong was attached to the accounting and auditing industry for 8 years before joining the Public Bank Group in 1988. Attached initially to the Finance Division in Head Office, he was transferred to Public Finance Limited in Hong Kong in 1990. He returned to Head Office in 1994 and was appointed Senior General Manager in 2001 and Chief Operating Officer in 2008. His portfolio includes supervision of the Bank's Banking Operations, Finance, Property, Treasury, Information Technology, Corporate Structure, Credit Administration & Supervision and HP Credit Control.

Teoh Cheng Soon

*Chief Executive Officer,
Public Investment Bank Berhad*

Holder of a Bachelor of Arts (Economics) degree, Mr Teoh started his career as an Assistant Economist with Bank Negara Malaysia in 1968. He held several positions during the 16 years he was attached to the central bank. He was attached to several companies in the financial services industry before joining the Public Bank Group in 1998 initially as the Chief Operating Officer of the Group's stock broking company and has been the Chief Executive Officer of Public Investment Bank since 2006.

Abu Hassan Assari bin Ibrahim

*Chief Executive Officer,
Public Islamic Bank Berhad*

Holder of a Bachelor of Arts degree. En. Abu Hassan has more than 30 years experience in the banking industry. He joined the Public Bank Group in 1989. Has held several managerial positions at Head Office attached to Credit Operations, Retail Banking with his last position being Director of Credit Operations Division. En. Abu Hassan was transferred to Public Islamic Bank in 2010 as General Manager and appointed to his current position in early 2011.

Yeoh Kim Hong (Ms)

*Chief Executive Officer,
Public Mutual Berhad*

A chartered accountant by profession. Ms Yeoh has more than 15 years experience in the unit trust industry. Prior to joining Public Mutual, she was attached to an international public accounting firm for more than 12 years during which she gained exposures in auditing and management consultancy and advisory, both locally and in the United States of America. She joined Public Mutual in 1996 and was promoted to General Manager – Finance & Operations in 1999. In 2004, she was promoted to the position of Senior General Manager. Ms Yeoh assumed the position of Chief Executive Officer of Public Mutual in 2007. She is currently a council member of the Federation of Investment Managers Malaysia.

Tan Yoke Kong

*Executive Director & Chief Executive,
Public Bank (Hong Kong) Limited*

An accountant by profession, Mr Tan has over 29 years experience in the banking and finance industry. He was seconded from Public Bank to Hong Kong in 1991 and was appointed Executive Director of Public Financial Holdings Limited, a company listed on the Stock Exchange of Hong Kong, in 1992. Mr Tan was appointed to his current position as Executive Director & Chief Executive of Public Bank (Hong Kong) Limited after its acquisition by the Group in 2006. Prior to this, he was the General Manager & Chief Executive of Public Finance Limited. Mr Tan had served as the Vice Chairman of the Deposit Taking Companies Association and as a member of the Deposit-Taking Companies Advisory Committee in Hong Kong for several years.

**Lee Huat Oon**

*General Manager/Chief Executive,
Public Finance Limited*

Holder of a Bachelor of Accounting degree and a Chartered Accountant with the Malaysian Institute of Accountants. Mr Lee has more than 23 years experience in the banking and finance industry. He joined the Public Bank Group's Hong Kong operations in 1995 and was appointed Chief Executive of Public Finance Limited in 2006. Mr Lee is also an Executive Director of Public Finance Limited and Public Financial Holdings Limited, a company listed on the Hong Kong Stock Exchange. He is currently the Vice Chairman of the Deposit-Taking Companies Association and a member of the Deposit-Taking Companies Advisory Committee in Hong Kong.

**Phan Ying Tong**

*Country Head,
Cambodian Public Bank Plc*

Holder of a Diploma in Management, Mr Phan has a total of 29 years service with the Public Bank Group. He was a Branch Manager of several branches in Public Bank before his appointment as General Manager of Cambodian Public Bank Plc in 2002. Mr Phan is the Country Head of Cambodian Public Bank Plc which has 21 branches located throughout Cambodia.





Heads of Division



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from left: 7 8 9

1 Abd Razak bin Md Dali

*Senior General Manager,
Public Affairs Division*

Holder of Masters degree in Science (Corporate Communication). Joined Public Bank in 1977 and appointed Head of Public Affairs Division in 1994. Responsible for the Bank's PR, corporate communication, advertising and sports portfolio.

2 Chia Lee Kee (Ms)

*Senior General Manager,
Secretariat Division*

Holder of ICSA degree and FCIS. Joined Public Bank in 1978 and was appointed Head of Secretariat Division in 1997. Ms Chia is the Bank's Company Secretary and oversees the Group's company secretarial matters.

3 Chong You Lin (Ms)

*Senior General Manager,
PB Card Services & Support*

Holder of Bachelor of Arts (Economics) degree with 30 years experience in the card industry. Having joined Public Bank in 1991, she was appointed Head of Division in 2000 and promoted to General Manager in 2004 and to Senior General Manager in 2010.

4 Sulaiman bin Abd Manap

*Senior General Manager,
Credit Operations Division*

Holder of Masters degree in Business Administration. Joined Public Bank in 1981 and experienced in both branch banking and Head Office credit. Was appointed Head of Credit Operations in 2003.

5 Nasaruddin bin Arshad

*Group Economist,
Economics Division*

Holder of Masters degree in Agriculture Economics. Was in the academic field for 17 years before joining the Public Bank Group in 1995 as Director of Economics Division. Appointed Group Economist in 1999.

6 Chan Chew Fung (Ms)

*General Manager,
Corporate Banking*

Holder of Bachelor of Arts (Economics) degree. Joined Public Bank in 1982 and appointed Head of Corporate Banking & Trade Finance Division in 1995. Ms Chan was promoted to General Manager in 2009.

7 Chang Siew Yen (Ms)

*Chief Financial Officer/
General Manager,
Finance and Corporate Planning &
Strategy*

An accountant by profession. Joined Public Bank in 2005 as Deputy Director of Finance Division and subsequently appointed Head of Finance Division and Chief Financial Officer in 2006. Ms Chang was promoted to General Manager in 2009 to also oversee the Corporate Planning & Strategy Department.

8 Chew Han Kang

*General Manager,
HP Operations*

Holder of Diploma in Management. Has a total of 34 years experience in HP financing. Joined the Public Bank Group in 1976 and appointed Director of HP Financing in 1997. Responsible for the Bank's HP Operations since 2008. Mr Chew was promoted to General Manager in 2011.

9 Eddie Chan Kok Kwai

*General Manager,
Credit Administration & Supervision
Division*

Holder of Bachelor of Economics degree, FSD and AIBM. Joined Public Bank in 1982 and appointed Head of Credit Administration and Supervision Division in 1992. Responsible for credit control and recovery of impaired loans for retail loans. Mr Chan was promoted to General Manager in 2011.

10 Koay Seok Khim (Ms)

*General Manager,
Knowledge & Learning*

Holder of Bachelor of Arts/Economics degree. Joined Public Bank in 1981 as a Trainer. Has been the Head of Knowledge & Learning Centre since 1993.

11 Salmah bt Mohd Yunus (Cik)

*General Manager,
Human Resource Division*

Holder of Bachelor of Economics degree and has been in the HR field for the past 29 years. Has been with the Public Bank Group since 1984. She oversees the Group's Human Resource portfolio.

12 Tan Teck Kong

*General Manager,
Information Technology Division*

Holder of Bachelor of Science/Mathematics degree. Joined Public Bank in 1983 and was appointed Director in 2000 to head the Bank's IT Division. Mr Tan was promoted to General Manager in 2011.

13 Chai Ming Kiat

Group Chief Internal Auditor

An accountant by profession. Has a total of 20 years experience in Auditing and Risk Management. Appointed Group Chief Internal Auditor in 2010 to oversee the Group's Internal Audit portfolio.

14 Lim Then Fui

*Director,
Risk Management Division*

An accountant by profession. Has a total of 31 years experience in Bank Negara Malaysia and commercial banking. Joined Public Bank in 2001 and appointed Head of Risk Management Division in 2007.

15 Patrick Lim Yoong Leng

*Director,
Banking Operations Division*

Holder of Diploma in Management. Has a total of 30 years experience in Auditing and Banking Systems and Processes. Appointed Director of Banking Operations Division in 2010.

16 Sim Goay Chye

*Director,
Property Division*

Holder of Masters degree in Business Management. Joined the Public Bank Group in 1983. Held several managerial portfolios at Head Office before his appointment as Head of Property Division in 2004.

17 Tang Hong Keat

*Director,
Treasury Division*

Joined Public Bank in 1979. Experienced in Finance and Treasury Operations. Has been Director of Treasury Division since 2005.

18 Nizam bin Hj Zainal Abidin

*Director,
Security Division*

En Nizam was attached to the Royal Malaysian Police for 13 years before joining Public Bank in 1993 as Head of Security Division.



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JS & FAR-SIGHTEDNESS

FOCUS & FAR-SIGHTEDNESS

We are committed to focusing our attentions and energies on our customers by offering them the right products and financial tools and satisfying them with outstanding value in all our services. Through hard work, commitment and a dedicated workforce, we are ready to go further to expand our market share and keep growing our business.



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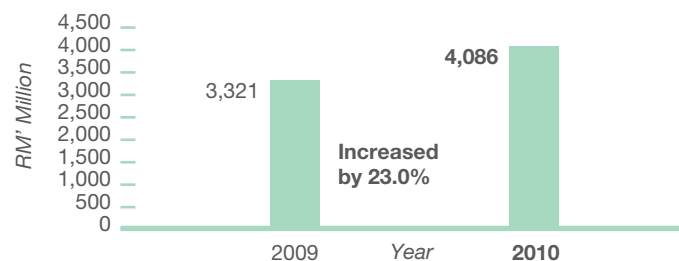


Overview



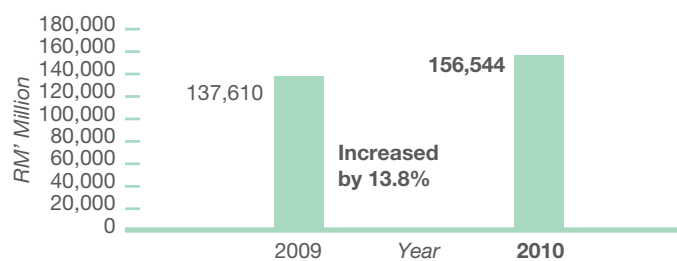
Another Set of Strong Results

Profit Before Tax



The Public Bank Group's profit before tax increased by 23.0% on the back of improved economic conditions and healthy expansion of the Group's core banking and financing businesses, whilst asset quality continued to improve.

Gross Loans, Advances and Financing



The Group's gross loans, advances and financing recorded strong growth of 13.8% in 2010, with the Group's domestic lending business growing by 15.6% during the year.

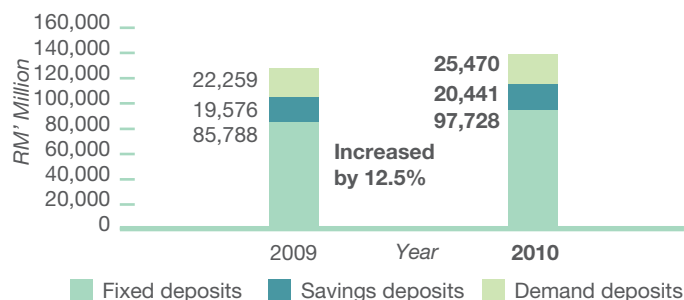


Overall Business Environment

The financial pandemic in late 2008 and 2009 that threatened to push the global economy into a deep recession was largely contained through the concerted efforts of the world's major governments and central banks. The developed economies recovered although at a lackluster pace with the Asian economies powering much of global economic growth.

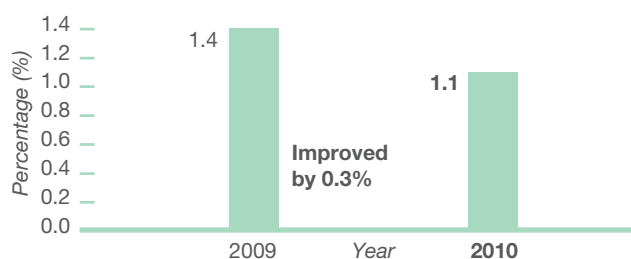
On the domestic front, the timely and well-targeted implementation of the stimulus packages amounting to RM67 billion in 2009 enabled the Malaysian economy to rebound in the fourth quarter of 2009 and expected to register strong GDP growth of 7.0% in 2010. Moderate inflation, strong business and consumer confidence coupled with firm recovery in the region provided a good environment for the Malaysian economy. While growth in advanced economies is expected to be slow and uneven in the immediate future, developments in emerging economies remain positive and will provide impetus to the export sector. In Malaysia, the strong fundamentals and revival of private investment will continue to support domestic demand, with GDP growth forecasted to expand by between 5.0% and 6.0% in 2011.

Core Customer Deposits



The Group's core customer deposits registered healthy growth of 12.5% in 2010, providing a stable source of funding to the Group.

Gross Impaired Loans Ratio



Gross impaired loans ratio of the Group remained low at 1.1% despite more stringent criteria on impaired loans classification under FRS 139, improving from 1.4% as at the beginning of the year.

Healthy liquidity, sound capitalisation and stable asset quality were the cornerstones of the Malaysian banking system as evidenced by the continued resilience of the banking sector. Malaysian banks reaped the benefits of financial reforms that had been put in place over the past few years. Bank Negara Malaysia's accommodative monetary policies and its vigilance during the recent global financial turbulence have been instrumental in safeguarding the health of the banking system. Monetary policy remains supportive of growth even as the Overnight Policy Rate ("OPR") was raised three times, by 25 basis points in March, May and July 2010, increasing the rate from 2.00% to 2.75% which reflected the improving economic outlook. With further liberalisation of the banking industry and the entry of more foreign banks as well as the consolidation of domestic banks, competition will intensify. The banking system is well-capitalised with the risk-weighted capital ratio and Tier I capital ratio standing at 14.4% and 12.7% as at November 2010 respectively whilst the level of impaired loans stood at 3.2% as at November 2010, reflecting strong capital levels and asset quality.

2010 has been another successful year for the Public Bank Group. The record financial results demonstrate that the Group is in a strong financial position with a proven and sustainable business model. The fragility of financial institutions which have put short-term gains above long-term interests in the past few years reinforces the virtues of the Group's strategy to remain focused on its core businesses of lending to retail customers and small- and medium-sized enterprises ("SME") as well as in retail deposit-taking. The Group, with its track record of profitability and strong asset quality as well as healthy liquidity profile, is well placed to seize opportunities when they arise to enable the Group to scale greater heights.

Summary of Group Financial Performance

At A Glance

Our Strong Fundamentals

	2010 RM'million	2009 RM'million	Growth %
Profit before tax expense and zakat	4,086	3,321	23.0
Net profit attributable to shareholders	3,048	2,517	21.1
Earnings per share (sen)	87.2	73.3	19.0
Total assets	226,329	217,136	4.2
Gross loans, advances and financing	156,544	137,610	13.8
Deposits from customers	176,872	170,892	3.5
Core customer deposits*	143,639	127,623	12.5
Shareholders' equity	13,033	11,023	18.2
Net return on equity	27.1%	26.1%	1.0
Cost to income ratio	30.7%	32.6%	(1.9)
Gross impaired loans ratio	1.1%	1.4%^	(0.3)
Loan loss coverage	143.5%	120.3%^	23.2
Net loan to deposit ratio	87.1%	79.2%	7.9
Risk-weighted capital ratio	14.4%	14.6%	(0.2)
Tier I capital ratio	10.7%	10.5%	0.2

* Comprise demand deposits, savings deposits and fixed deposits

^ Restated due to the adoption of FRS 139

Profits and Dividends

- The Public Bank Group registered a pre-tax profit of RM4.09 billion in 2010, an increase of 23.0% as compared to RM3.32 billion in 2009. This strong growth was achieved on the back of a healthy 13.8% growth in net interest and finance income as a result of improved net interest margins and the strong growth in loans and core customer deposits as well as stable asset quality. The Group's net profit attributable to shareholders also rose by 21.1% to RM3.05 billion in 2010.
- Earnings per share and net return on equity increased to 87.2 sen and 27.1% respectively in 2010 from 73.3 sen and 26.1% respectively in 2009.
- The Group's cost to income ratio continued to improve from 32.6% in 2009 to 30.7% in 2010, reflecting continued improvement in productivity and efficiency.
- The Board of Directors declared a second interim dividend of 33 sen per share, comprising 25 sen per ordinary share less 25% tax franked dividend and 8 sen single-tier dividend. Together with the first interim dividend of 25 sen per ordinary share less 25% tax franked dividend, the total dividend for 2010 would amount to 58 sen gross dividend or 45.5 sen net dividend per ordinary share. Total dividend payment for 2010 represents a payout of 52.3% of the Public Bank Group's net earnings for 2010.

Profit Before Tax by Business Segment

	2010		2009	
	RM'million	% of contribution	RM'million	% of contribution
Domestic Operations				
Comprise of:				
Retail Operations	2,295	56.2	1,764	53.1
Hire Purchase	666	16.3	622	18.7
Fund Management	274	6.7	213	6.4
Corporate Lending	245	6.0	182	5.5
Treasury and Capital Market Operations	178	4.4	251	7.6
Investment Banking	50	1.2	40	1.2
Others*	67	1.6	9	0.3
Total domestic operations	3,775	92.4	3,081	92.8
Overseas Operations	299		228	
Share of associated companies' net profit	12		12	
Total overseas operations	311	7.6	240	7.2
Profit before taxation	4,086	100.0	3,321	100.0

* Including unallocated head office expenses

- Retail Operations, being the core business of the Public Bank Group, accounted for 56.2% of the Group's profit before tax in 2010, followed by Hire Purchase Operations and Fund Management Operations which contributed 16.3% and 6.7% respectively to the Group's profit before tax.
- In 2010, Retail Operations' pre-tax profit increased by a sterling 30.1% from RM1,764.1 million in 2009 to RM2,294.5 million in 2010. The impressive growth in Retail Operations' profits was a result of strong loans and deposits growth and the lagged impact from deposit re-pricing resulting from the OPR increases during the year.
- Hire Purchase Operations reported a growth in pre-tax profit of RM43.9 million or 7.1% from RM621.7 million in 2009 to RM665.6 million in 2010. The increase in pre-tax profit was mainly driven by strong growth in hire purchase loans which was partially offset by lower lending margins due to higher cost of funds from the increases in OPR during the year.



- Fund Management operations achieved a 28.7% growth in its pre-tax profit from RM212.8 million in 2009 to RM273.8 million in 2010. The strong results were achieved on the back of healthy growth in net asset value of funds under management as well as continuous marketing efforts and launches of new unit trust funds during the year. The improved economic conditions and stronger asset markets in 2010 were supportive of the fund management business.

- Corporate lending reported an increase in pre-tax profit by 34.2% from RM182.2 million in 2009 to RM244.5 million in 2010. This increase was mainly contributed by improved net interest income and lower allowance for impairment on loans, advances and financing in 2010.
- Treasury and Capital Market Operations achieved satisfactory results with pre-tax profit of RM177.8 million in 2010.
- Investment Banking reported a higher pre-tax profit of RM50.2 million in 2010, an increase of 24.1% from RM40.4 million in 2009, mainly contributed by the strong performance and high trading volume on Bursa Malaysia.

Profit Before Tax by Geographical Locations and Major Companies

	2010		2009	
	RM'million	% of contribution	RM'million	% of contribution
In Malaysia	3,775	92.4	3,081	92.8
<i>of which:</i>				
Public Bank Berhad*	2,850	69.8	2,346	70.6
Public Islamic Bank Berhad	522	12.8	460	13.9
Public Mutual Berhad	274	6.7	219	6.6
Public Investment Bank Berhad	50	1.2	40	1.2
Outside Malaysia	311	7.6	240	7.2
<i>of which:</i>				
Public Finance Ltd*	158	3.9	103	3.1
Public Bank (Hong Kong) Ltd*	52	1.3	2	0.1
Cambodian Public Bank Plc	61	1.5	58	1.7
Profit before taxation	4,086	100.0	3,321	100.0

* Profit excluding dividends from subsidiaries and associated companies

- Domestic operations accounted for 92.4% of the Public Bank Group's pre-tax profits in 2010 while overseas operations accounted for the remaining 7.6%.
- Overseas operations' contribution to the Group's pre-tax profits increased by 29.9% from RM239.9 million in 2009 to RM311.5 million in 2010 mainly due to the improvement in the Group's Hong Kong operations resulting from lower allowance for impaired loans amidst improved economic conditions.



Balance Sheet Growth, Asset Quality and Capital Position

- The Public Bank Group's total assets grew by RM9.19 billion or 4.2% from RM217.14 billion as at the end of 2009 to RM226.33 billion as at the end of 2010. This expansion in total assets was mainly due to healthy loans and core deposits growth.
- Total gross loans and advances increased by RM18.93 billion to RM156.54 billion as at the end of 2010, representing a growth of 13.8%, driven mainly by strong lending growth in the domestic market of 15.6%.
- Total customer deposits grew by RM5.98 billion or 3.5% to stand at RM176.87 billion as at the end of 2010. The growth was mainly supported by the strong growth in the Group's core customer deposits which increased by RM16.02 billion or 12.5% in 2010 partially offset by a drop in wholesale deposits of RM9.32 billion. In particular, domestic core customer deposits grew at an impressive rate of 15.0%.
- Under the new FRS 139 regime:
 - Gross impaired loans ratio has improved from 1.4% as at the beginning of 2010 to 1.1% as at the end of 2010, approximately one-third that of the Malaysian banking industry's gross impaired loans ratio of 3.2% as at November 2010.
 - Loan loss coverage increased from 120.3% as at the beginning of 2010 to 143.5% as at the end of 2010 and is the highest in the Malaysian banking industry.
- The liquidity position of the Group remained healthy as reflected by the Group's net loan to deposit ratio of 87.1% as at the end of 2010.
- The Group's risk-weighted capital ratio and Tier I capital ratio remained healthy at 14.4% and 10.7% respectively as at the end of 2010.

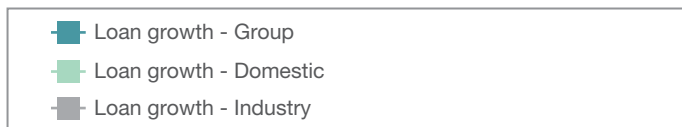
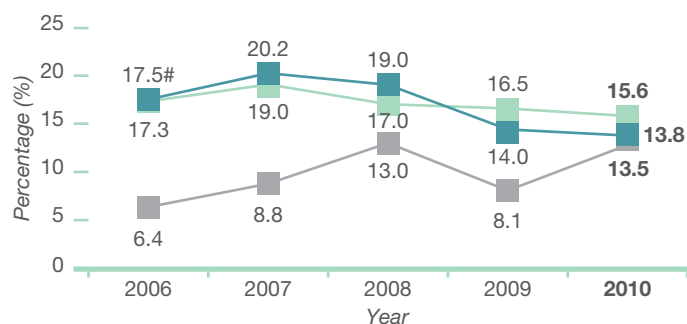
Loans, Advances and Financing

Consistently Above Industry Loan Growth

	Outstanding (Gross)		Growth	
	2010	2009	2010 %	2009 %
Loans, Advances and Financing				
Domestic (RM'mil)	143,822	124,362	15.6	16.8
<i>of which:</i>				
<i>Public Bank (RM'mil)</i>	127,143	109,689	15.9	15.8
<i>Public Islamic Bank Berhad (RM'mil)</i>	16,590	14,590	13.7	17.3
Overseas (RM'mil)	12,722	13,248	(4.0)	(4.5)
<i>of which:</i>				
<i>Public Bank (Hong Kong) Ltd (HKD'mil)</i>	22,471	20,314	10.6	0.9
<i>Public Finance Ltd (HKD'mil)</i>	4,360	4,195	3.9	(1.2)
<i>Cambodian Public Bank Plc (USD'mil)</i>	574	606	(5.4)	(5.9)
Group (RM'mil)	156,544	137,610	13.8	14.4

- The Public Bank Group reported a strong growth in gross loans, advances and financing of 13.8% from RM137.61 billion as at the end of 2009 to RM156.54 billion as at the end of 2010. In particular, domestic loans grew at a faster rate of 15.6% in 2010. The contraction of the overseas loan portfolio by 4.0% in 2010 was mainly due to the impact of the strengthening of RM against USD during the year. In terms of HKD, the Group's Hong Kong operations achieved loans growth of 9.3% in 2010.

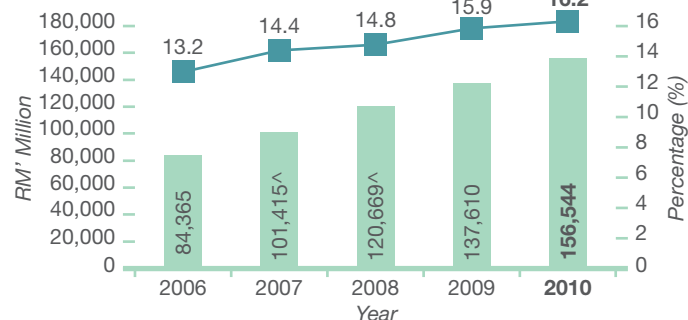
Loan Growth vs Industry



Excluding acquisition of Public Bank (Hong Kong) Ltd

- The Group's loan growth rates were consistently well above the industry's loan growth rates over the years.

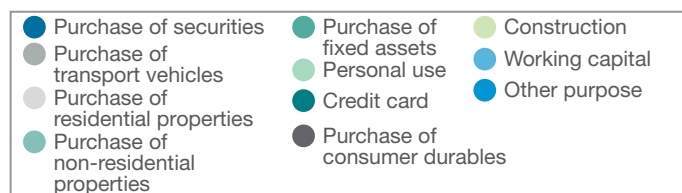
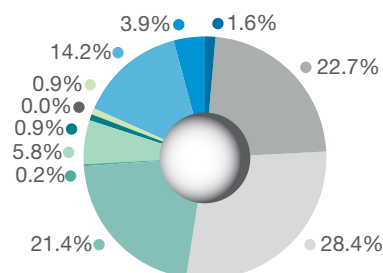
Gross Loans – Outstanding Balance and Market Share



^ Including Islamic financing sold to Cagamas

- Despite intense competition, the Public Bank Group strengthened its position in the domestic market. The Group's domestic loan market share continued to grow from 13.2% as at the end of 2006 to 16.2% as at the end of November 2010, a testament to the Group's strong franchise and superior delivery of service to customers.

2010 Gross Loans – Economic Purposes

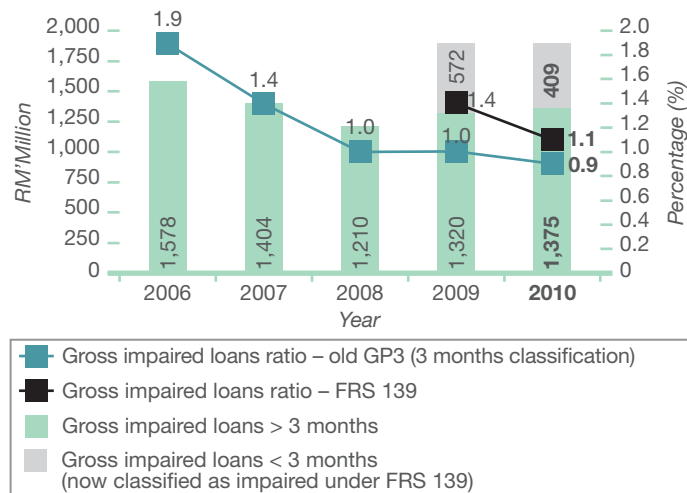


- Retail loans, in particular for the financing of residential properties and transport vehicles as well as commercial lending to SMEs continued to be the core of the Public Bank Group's lending activities, which collectively accounted for 69.0% of the Group total gross loans as at the end of 2010.



Asset Quality

Asset Quality Remained Strong



- With effect from 1 January 2010, the Public Bank Group has adopted a more stringent criteria on the classification of impaired loans due to the adoption of FRS 139. The more stringent criteria under the FRS 139 principles had resulted in a higher impaired loans ratio across the banking industry. However, the gross impaired loans ratio for the Group as at the end of 2010 remained low at 1.1%, which was approximately one-third of the banking industry's gross impaired loans ratio of 3.2% as at the end of November 2010. The Group's asset quality has remained the best in the banking industry, a testimony to the Group's prudent credit culture, stringent lending policies, efficient restructuring and rescheduling efforts as well as the rehabilitation of impaired loans.

- Over the past 5 years, the Group's gross impaired loans ratios had consistently improved from an already low 1.9% as at the end of 2006 to 0.9% as at the end of 2010 under the old GP3 classification of impaired loans when they are past due for three (3) months or more. Based on the more stringent criteria on classification of impaired loans under FRS 139, the Group's gross impaired loans ratio has also improved to 1.1% as at the end of 2010 from 1.4% as at the beginning of 2010.

- Whilst the Group reported a RM18.93 billion growth in total gross loans, advances and financing, total gross impaired loans dropped by RM0.11 billion to RM1.78 billion as at the end of 2010 as compared to RM1.89 billion a year ago.
- The Group's gross impaired loans ratio in the consumer and SME sectors remained well below the industry's average. The Group's gross impaired loans ratio for housing loans of 1.1% as at the end of 2010 was one-third that of the industry average of 3.3% whilst the gross impaired loans ratio for hire purchase receivables of 0.5% as at the end of 2010 was also lower than the industry's average of 1.3%.

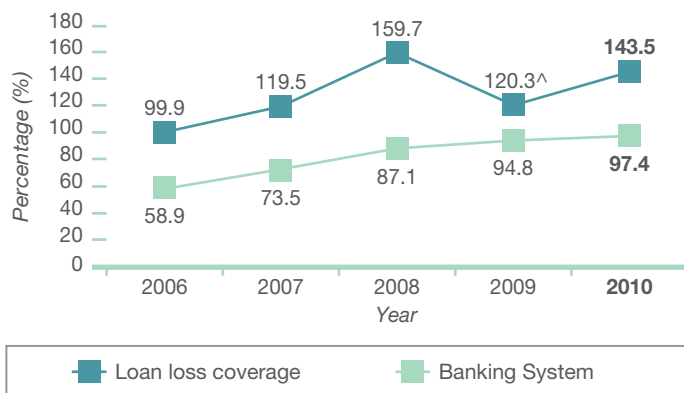
	Public Bank Group		Latest available industry average
	2010 %	2009^ %	
Gross Impaired Loans Ratio by Type			
Consumer:			
Housing Loans	1.1	1.2	3.3
Hire Purchase	0.5	0.5	1.3
SME	1.8	1.8	5.7

^ Restated due to the adoption of FRS 139

Gross Impaired Loans by Geographical Locations	2010 RM'mil	2009 [^] RM'mil
Gross impaired loans	1,784	1,892
Domestic	1,580	1,499
Overseas	204	393

[^] Restated due to the adoption of FRS 139

- The Group's domestic asset quality remained strong, with its gross impaired loans ratio of 1.1% as at the end of 2010 being the lowest amongst domestic banking groups. The Group's overseas operations in Hong Kong and Cambodia, which faced more pronounced deterioration in their credit markets in the past 2 years have shown improvement in their impaired loans in 2010 consistent with the improved credit environment. This was reflected by the lower gross impaired loans ratio of 1.6% as at the end of 2010 as compared to 3.0% as at the beginning of 2010.



[^] Restated due to the adoption of FRS 139



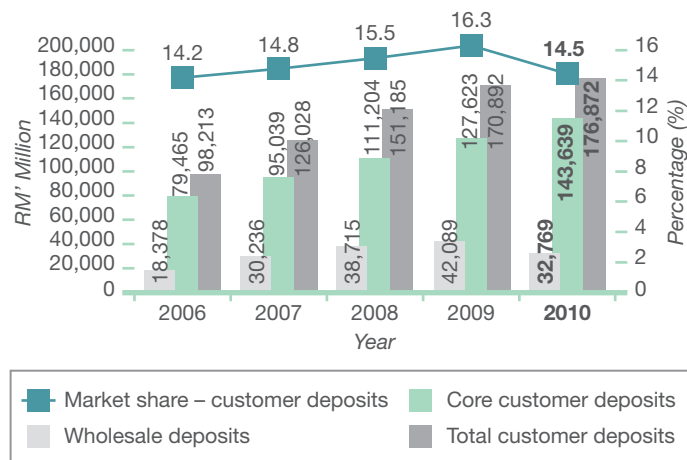
Public Bank Group		
Gross Impaired Loans Ratio	2010 %	2009 [^] %
Domestic	1.1	1.2
of which:		
Public Bank	1.1	1.3
Public Islamic Bank	1.0	1.0
Overseas	1.6	3.0
of which:		
Public Bank (Hong Kong) Ltd	0.9	1.7
Public Finance Ltd	3.1	4.3
Cambodian Public Bank Plc	3.4	6.7
Group	1.1	1.4

[^] Restated due to the adoption of FRS 139

- The Public Bank Group's excellent asset quality is further evidenced by its healthy loan loss coverage, before taking into account collateral, of 143.5%, which is much higher than the banking industry's ratio of 97.4% as at the end of November 2010. The increase in the Group's loan loss coverage was a result of setting aside additional collective assessment allowance while maintaining stable levels of impaired loans.
- With effect from 1 January 2010, the Public Bank Group's domestic loan impairment allowance is computed based on the transitional provision under BNM's guidelines on Classification and Impairment Provision for Loans/Financing whereby collective assessment allowance is computed based on 1.5% of total outstanding loans/financing, net of individual assessment allowance. This is in spite of the Group's strong asset quality which would have resulted in a lower collective impairment allowance under FRS 139.
- The Group's collective assessment allowance as at the end of 2010 stood at RM2.30 billion, which was one and a half times of the net impaired loans amount of RM1.52 billion, despite that more than 90% of the impaired loans are secured, reflecting the Group's prudent impairment policies.

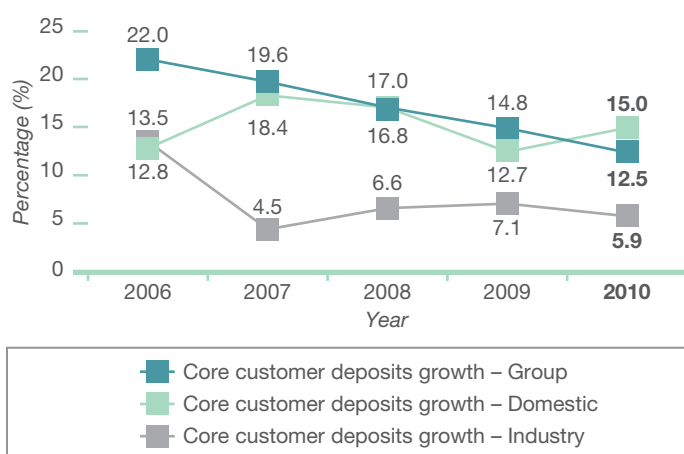
Customer Deposits

Healthy Deposit Growth in Support of Liquidity



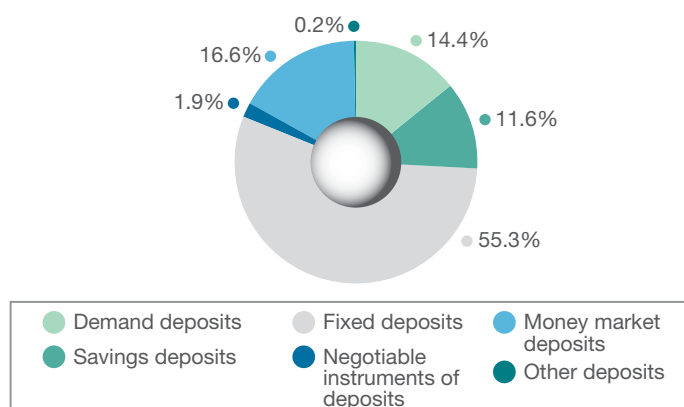
- The Public Bank Group continued to grow its customer deposits from RM170.89 billion as at the end of 2009 to RM176.87 billion as at the end of 2010. Growth in core customer deposits was much stronger at 12.5%, from RM127.62 billion as at the end of 2009 to RM143.64 billion as at the end of 2010.
- The Group's wholesale funding position which comprise mainly money market deposits and negotiable instruments of deposits declined by RM9.32 billion to RM32.77 billion as at the end of 2010, in line with the Group's strategy to focus on growing core customer deposits.

Core Customer Deposits Growth vs Industry



- Core customer deposits comprising of demand deposits, savings deposits and fixed deposits accounted for 81.2% of the Group's total deposits from customers.
- The Group's domestic core customer deposits grew by 15.0% in 2010 as compared to the domestic banking industry's annualised growth of 5.9% in 2010. The healthy core customer deposit growth is mainly supported by steady inflows of deposits which outperformed the domestic banking system. In particular, the Group's fixed deposits and savings deposits grew by 13.9% and 4.4% respectively in 2010 which were significantly higher than the domestic industry's annualised growth rate of 5.5% and 0.4% respectively. The Group's demand deposits also expanded by 14.4% in 2010 as compared to the domestic banking industry's annualised growth of 10.4% in 2010.
- The Group's robust core customer deposits growth was mainly attributable to the Group's strong domestic franchise, highly acclaimed PB Brand and superior standards of customer service delivery at its branch network.

2010 - Customer Deposits Mix

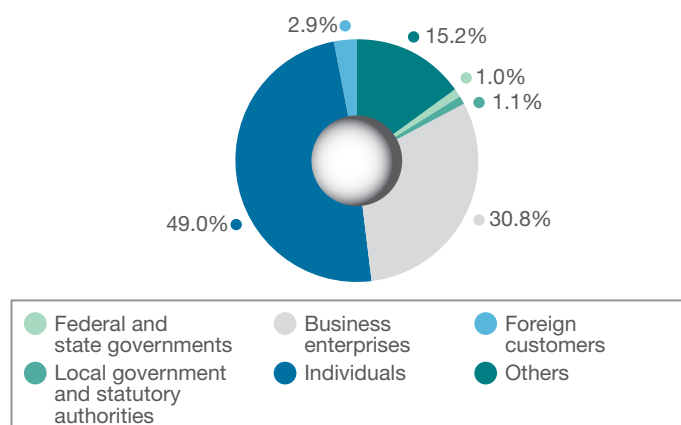


	Outstanding		Growth rate %	Latest available industry average %
	2010 RM'mil	2009 RM'mil		
Core Customer Deposits				
Demand deposits	25,470	22,259	14.4	10.4
Savings deposits	20,441	19,576	4.4	0.4
Fixed deposits	97,728	85,788	13.9	5.5
	143,639	127,623	12.5	5.9

Core Customer Deposits by Entity	Outstanding		Growth	
	2010 RM'mil	2009 RM'mil	2010 %	2009 %
Domestic	129,425	112,543	15.0	12.6
of which:				
Public Bank (RM'mil)	112,218	97,365	15.3	9.8
Public Islamic Bank Berhad (RM'mil)	12,254	9,465	29.5	26.6
Overseas	14,214	15,080	(5.7)	33.5
of which:				
Public Bank (Hong Kong) Ltd (HKD'mil)	26,249	26,057	0.7	25.3
Public Finance Ltd (HKD'mil)	3,124	3,449	(9.4)	(8.2)
Cambodian Public Bank Plc (USD'mil)	792	613	29.1	64.4
Group	143,639	127,623	12.5	14.8

- The customer deposits of the various major subsidiaries of the Group also showed respectable increase despite tight liquidity conditions, with Cambodian Public Bank Plc registering core customer deposits growth of 29.1% as a result of ongoing efforts to augment its deposits base.
- The Group's net loan to deposit ratio remained healthy in spite of an increase from 79.2% as at the end of 2009 to 87.1% as at the end of 2010.

2010 Customer Deposits by Type of Customers

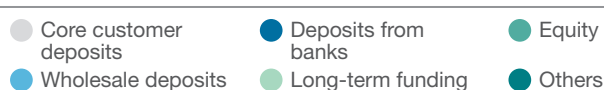
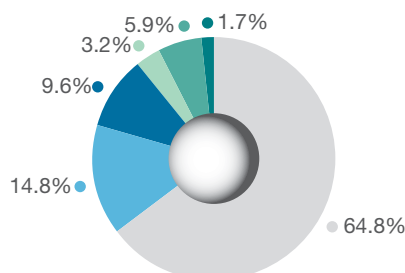


- Customer deposits mobilised from individuals accounted for 49.0% of the Public Bank Group's total customer deposits as at the end of 2010. This represented a 17.5% domestic market share of customer deposits by individuals as at the end of November 2010, providing the Group with a lower cost and stable deposit base.

Funding and Liquidity

Stable Funding and Liquidity Position

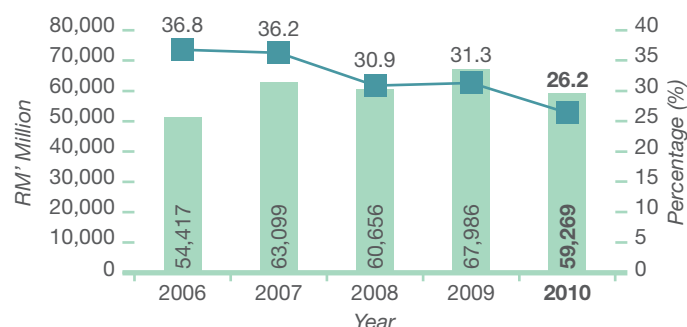
2010 Group Funding Profile



- The funding composition of the Public Bank Group has remained stable over the years, providing diversity and stability to its funding profile. The Group's total funding grew by 4.0% or RM8.46 billion to RM221.65 billion as at the end of 2010, mainly contributed by core customer deposits and wholesale deposits which accounted for 64.8% and 14.8% respectively of total funding. These stable sources of funding ensure the strong liquidity level of the Group.
- Subordinated notes, Innovative Tier I capital securities and Non-innovative Tier I stapled securities issued provide long-term funding and form 3.2% of the Group's total funding base.

Funding Profile	Outstanding		Growth %
	2010 RM'mil	2009 RM'mil	
Core customer deposits	143,639	127,623	12.5
Wholesale deposits	32,769	42,089	(22.1)
Other deposits	464	1,179	(60.6)
Deposits from banks	21,327	22,614	(5.7)
Bills and acceptances payable	2,309	613	276.7
Borrowings	898	653	37.5
Recourse obligations on loans sold to Cagamas	16	22	(25.0)
Tier II subordinated notes	3,188	3,335	(4.4)
Innovative Tier I capital securities	1,918	1,972	(2.7)
Non-innovative Tier I stapled securities	2,090	2,072	0.9
Equity	13,033	11,023	18.2
	221,651	213,195	4.0

Liquid Assets Profile



- The Public Bank Group's liquid assets stood at RM59.27 billion as at the end of 2010, and accounted for 26.2% of the Group's total assets, providing a strong buffer against any adverse funding conditions.

Key Performance Indicators

Robust Financial Position

The table below summarises the key performance indicators of the Public Bank Group and the medium-term targets set by the Group:

Key Performance Indicators	2006	2007	2008	2009	2010	Medium Term Targets
Profitability (%)						
Net return on equity	21.9	26.3	30.4	26.1	27.1	> 26.0%
Cost to income	32.7	33.1	31.2	32.6	30.7	< 33.0%
Asset Quality (%)						
Gross impaired loans ratio (FRS 139)	—	—	—	1.4	1.1	below 1%
Gross impaired loans ratio (old GP3)	1.9	1.4	1.0	1.0	0.9	—
Balance sheet (RM'billion)						
Assets	147.8	174.2	196.2	217.1	226.3	330.0
Gross loans	84.4	101.4	120.7	137.6	156.5	230.0
Deposits	98.2	126.0	151.2	170.9	176.9	270.0

The Public Bank Group has consistently pursued a clear strategy to strive for long-term expansion whilst maintaining its market leadership position and further enhancing its shareholders' returns. To achieve this goal, the Group has set macro key performance objectives which include strong organic business growth, maintaining its superior asset quality and improving productivity.

In terms of profitability, the Public Bank Group continues to show sterling performance with a net return on equity of 27.1% in 2010 as compared to 21.9% in 2006. The Group's net return on equity is the highest in the domestic banking industry. In terms of cost efficiency, the Group's cost to income ratio has also improved to 30.7% in 2010 as compared to 32.6% in 2009, maintaining the lowest cost to income ratio amongst Malaysian banking groups.

The Public Bank Group's asset quality remains the best in the banking industry, a testimony to the Group's prudent lending and credit policies. Over the past 5 years, the Group had managed to consistently maintain strong and improving asset quality as reflected by

its low gross impaired loans ratio of 1.9% as at the end of 2006 which improved to 0.9% as at the end of 2010 under the old GP3 classification of impaired loans. While the gross impaired loans of the Group had inched up to RM1.89 billion as at the beginning of 2010 due to the adoption of FRS 139, the overall gross impaired loans ratio of the Group remained low at 1.4% as at the beginning of 2010, which improved to 1.1% as at the end of 2010.

The Public Bank Group's strategy of pursuing strong organic business growth has yielded remarkable results in terms of balance sheet growth. Capitalising on the Group's stable funding base, the Group's total assets had increased by 53.1% or RM78.54 billion to RM226.33 billion as at the end of 2010 as compared to RM147.79 billion as at the end of 2006. Over the same period, the Group's total gross loans and deposits from customers also grew at an impressive rate, from RM84.37 billion and RM98.21 billion respectively as at the end of 2006 to RM156.54 billion and RM176.87 billion respectively as at the end of 2010, consistently achieving double digit growth annually.

Over the next 3 years from 2011 to 2013, the Group's medium-term plan is to continue to achieve a high net return on equity of more than 26.0%, cost to income ratio of less than 33.0% whilst maintaining gross impaired loans ratio below 1.0%. The Group also aims to grow its total assets, gross loans and deposits to RM330 billion, RM230 billion and RM270 billion respectively.

Benchmarking Against Banking Industry's Performance

The table below compares the key financial indicators of the Public Bank Group with those of the banking system in Malaysia.

Key Financial Indicators	2010			2009		
	Public Bank Group	Latest Industry Average	Rank#	Public Bank Group	Latest Industry Average	Rank#
Profitability (%)						
Pre-tax return on average equity	34.3	16.6	1	32.1	13.9	1
Pre-tax return on average assets	1.8	1.6	1	1.6	1.2	1
Cost to income ratio	30.7	48.4	1	32.6	48.4	1
Productivity (RM'000)						
Pre-tax profit/employee	235	200	1	193	148	1
Gross loans/employee	9,013	7,633	1	8,015	6,825	1
Deposits/employee	10,183	9,857	1	9,953	9,259	1
Asset quality (%)						
Gross impaired/non-performing loans ratio	1.1	3.2	1	1.0	3.7	1
Loan loss coverage	143.5	97.4	1	172.4	94.8	1
Growth rate (%)						
Gross loans	13.8	13.5*	NA	14.4	8.1	NA
Core customer deposits	12.5	5.9*	NA	14.8	7.3	NA

* Banking industry annualised growth rate

Latest available ranking for domestic commercial banking operations

NA Not available

The Public Bank Group continued to strengthen its domestic market share of total loans from 15.9% as at the end of 2009 to 16.2% as at the end of November 2010 whilst its market share of total deposits remained strong at 14.5% as at the end of November 2010. The Group's total assets represent a sizeable 13.1% share of the domestic industry's total assets as at the end of November 2010.

The Public Bank Group continued to maintain its leading position in the domestic commercial banking sector in terms of profitability and cost efficiency. The Group's pre-tax return on average equity and pre-tax return on average asset of 34.3% and 1.8% respectively were well above the banking industry average of 16.6% and 1.6% respectively. Both the Group's pre-tax return on average equity and pre-tax return on average asset were also ranked No. 1 among its domestic banking peers. The Group's cost to income ratio improved from 32.6% in 2009 to 30.7% in 2010, which was the lowest amongst Malaysian banking groups and was much lower than the industry average of 48.4%.

A key strategy of the Public Bank Group to maintain its profitability growth is to enhance the productivity of its staff force. The Group's continuous focus on improving staff productivity has earned the Group its no. 1 ranking amongst domestic commercial banking peers in terms of productivity as reflected by the Group's pre-tax profit per employee, gross loans per employee and deposits per employee which grew from RM193,000, RM8.0 million and RM10.0 million respectively as at the end of 2009 to RM235,000, RM9.0 million and RM10.2 million respectively as at the end of 2010, achieving a growth of 21.8%, 12.5% and 2.3% respectively.

The Public Bank Group maintained its top ranking position in terms of asset quality and loan loss coverage amongst Malaysian banking groups. As at the end of 2010, the Group's gross impaired loans ratio stood at 1.1% which was approximately one-third of the industry average of 3.2%. Despite more stringent criteria on classification of impaired loans due to the adoption of FRS 139 with effect from 1 January 2010, the Group maintained a high level of provisioning as reflected by its loan loss coverage of 143.5% as at the end of 2010, the highest in the industry and well above the industry average of 97.4%.

The table below compares the key financial indicators of the Public Bank Group with those of the leading regional banks in the Asia Pacific region.

Banks	Net return on equity %	Cost to income %
Public Bank Group	27.1	30.7
MALAYSIA		
Malayan Banking Berhad	14.8	48.5
CIMB Group Holdings Berhad	16.7	54.8
SINGAPORE		
DBS Group	11.1	40.1
UOB	14.1	38.7
OCBC	12.7	40.9
HONG KONG		
Hang Seng Bank	22.8	33.8
Hongkong and Shanghai Bank Corporation Limited of Hong Kong ("HSBC HK")	22.8	44.0
AUSTRALIA		
ANZ Bank	13.9	44.2
Commonwealth Bank of Australia	18.7	45.7
National Australia Bank	13.2	45.9
CHINA		
Industrial and Commercial Bank of China	23.9	34.2
Bank of China	19.5	41.8
China Construction Bank	24.9	33.9
Agricultural Bank of China	23.5	42.1

When compared against the leading regional banks, the Public Bank Group's key performance indicators remain outstanding. In the Asia Pacific region, the Group's net return on equity of 27.1% was the highest. In terms of cost efficiency, the Group's cost to income ratio of 30.7% was the lowest, even surpassing that of Hang Seng Bank and HSBC HK which are reputed for their capital efficiency and high profitability.

Capital Management

Capital Management Framework and Strategies

The Public Bank Group has always been proactive in the management of its capital structure to improve shareholders' returns whilst maintaining a strong and robust capital position to support the growth of the Group's business. This involves ongoing review and monitoring by the Board of Directors of the level and composition of the Group's capital, assessed based on the following key objectives:

- Meeting regulatory capital requirements
- Optimising returns to shareholders
- Maintaining adequate levels of capital and an optimum mix of the different components of capital in order to:
 - a. support the underlying risks of the Group's business;
 - b. optimise growth; and
 - c. be able to withstand capital demands under market shocks and stress conditions.
- Maintaining Public Bank's strong external credit ratings
- Allocating appropriate levels of capital to the business units and subsidiaries to optimise return on capital

The Group seeks to achieve these objectives through the establishment of a strategic capital management plan over

a medium-term time horizon which incorporates the following key initiatives:

- Assigning return on equity as one of the key performance indicators for assessing branch managers' and business heads' performance
- Growing non-interest income sources which are less capital intensive
- Significant focus on measuring risk adjusted return on capital in evaluating business proposals
- Continuous monitoring of the robustness of its capital position and an efficient mix of capital through a 3-year capital plan
- Early planning to meet Basel III requirements in the transitional period and potential capital buffer requirements as well as ensuring that capital requirements under stressed scenarios are taken into account in capital planning

Healthy capitalisation

	Public Bank Group		Public Bank	
	2010 RM'mil	2009 RM'mil	2010 RM'mil	2009 RM'mil
Shareholders' equity	13,033	11,023	12,303	10,442
Capital base	20,274	18,221	16,409	14,572
of which:				
Tier I capital	15,055	13,125	15,322	13,447
– equity capital	11,159	9,161	11,426	9,483
– debt capital	3,896	3,964	3,896	3,964
Tier II capital	5,267	5,269	4,921	4,892
– loan loss reserves	2,165	2,051	1,819	1,654
– debt capital	3,102	3,218	3,102	3,238
Risk-weighted assets	141,096	125,197	116,319	103,252

	Public Bank Group		Public Bank		Banking System ¹
	2010	2009	2010	2009	
Tier I capital ratio	10.7%	10.5%	13.2%	13.0%	12.7
Risk-weighted capital ratio	14.4%	14.6%	14.1%	14.1%	14.4

¹ As at 30 November 2010

The Public Bank Group's capital base stood at RM20.27 billion as at the end of 2010 and comprised 74.3% of Tier I capital and 26.0% of Tier II capital, of which 41.1% was collective assessment allowance. The Group's shareholders' equity increased by 18.2% from RM11.02 billion as at the end of 2009 to RM13.03 billion as at the end of 2010. The Group and the Bank's Tier I capital ratio improved from 10.5% and 13.0% respectively as at the end of 2009 to 10.7% and 13.2% respectively as at the end of 2010 while the Group and the Bank's risk-weighted capital ratio ("RWCR") remained stable at 14.4% and 14.1% respectively as at the end of 2010, well above the 8% statutory requirement.

Basel III

The recent global financial crisis which led to the failure of international banking institutions and necessitating massive government bailout of banks, including some with global reach, has prompted the Basel Committee of Banking Supervision ("BCBS") and the central banks of the G-20 nations to develop a reform programme which aims to raise the resilience of the banking sector by strengthening the regulatory capital framework governing financial institutions. In December 2010, the BCBS announced the final calibrated guidelines and the timeline for implementation of the revised minimum capital requirements and liquidity standards for banks, commonly referred to as Basel III standards.

As part of the forthcoming Basel III standards, banking institutions are expected to be better capitalised, particularly in the form of common equity. Banking institutions are now required to increase their common equity and maintain a higher Tier I capital, including a capital conservation buffer and a countercyclical buffer. Certain capital instruments that no longer meet the Basel III standards will be phased-out over 10 years beginning 2013, and banking institutions are expected to supplement them with high loss-absorbing capacity capital instruments. These new capital requirements will be phased-in gradually, commencing 1 January 2013, with final implementation in 2019. Besides this, the Basel III standards also introduced liquidity standards to ensure that banks have sufficient high quality liquid resources and to encourage banks to fund its activities with more stable sources of funding. National banking regulators are accorded certain discretion in the implementation of the Basel III standards.

In preparation for the implementation of the Basel III standards, the Public Bank Group has realigned its 3-year capital plan, which was prepared in accordance with the Group's Capital Management Framework to take into account the revised capital requirements set out in the Basel III standards. The new capital plan will retain most of the Group's existing capital management strategies, with realignment to meet the Basel III requirements. The impact of the Basel III standards

on the Group's key initiatives undertaken in prior years is as follows:

Gearing of capital

Under the new Basel III requirements, banks are required to maintain high quality capital, substantially in the form of common equity capital that has the highest loss absorption capacity. Debt capital that no longer meets the Basel III standards would be gradually phased-out.

Since 2006, Public Bank had raised a total of RM3.28 billion and USD200 million of Tier I capital securities. The Bank had also raised a total of RM1.9 billion and USD750 million of Tier II subordinated debt securities, of which USD350 million has been redeemed. With the implementation of the Basel III standards, certain Public Bank's capital instruments would be gradually phased-out. However, this would not significantly impact the Public Bank Group's capital structure as the Basel III transition provisions allow for these capital instruments to continue to be included as part of total capital whilst being phased-out. The impact of phasing-out these capital instruments will be cushioned by the 10-year transitional period commencing on 1 January 2013. Future issuances of capital instruments will contain features which comply with Basel III requirements, subject to adaptation and application by national banking regulators.

Share buy back

To date, Public Bank had bought back a total of 176.3 million of the Bank's shares at a total cost of RM1.27 billion. These shares were held as treasury shares. The Bank had distributed a total of 146.6 million treasury shares to shareholders of the Bank as share dividends. As at the end of 2010, the remaining treasury shares held amounted to 29.8 million shares. These treasury shares are available for sale, which will improve the Group's common equity capital.

Healthy dividend payout

The Public Bank Group had maintained a healthy dividend payout over the years, in line with its capital management strategies. Based on its unbroken profitability track record, the Group is confident that it will be able to maintain its healthy dividend payout even after the more stringent capital requirements of the Basel III standards.

The Public Bank Group is mindful of the need to balance between providing healthy dividend income to shareholders and ensuring future capital requirements of the Group are adequately met to support the business growth of the Group. Based on the Group's strong earnings generation capacity and its low risk balance sheet profile, in particular in relation to market risk and the exceptionally strong asset quality of its loan portfolio, the Group is well-positioned to meet the challenges of this broadly more prudent capital regime without hampering the Group's strong organic growth strategies.

Credit Ratings

Public Bank Berhad	Long-Term	Short-Term
RAM	AAA	P1
Moody's	A3	P-1
Standard & Poor's	A-	A-2
Standard & Poor's ASEAN Regional Scale Rating	axAA	axA-1

In June 2010, Public Bank's long-term and short-term general banking ratings of AAA and P1 respectively were reaffirmed by Rating Agency Malaysia ("RAM"). The AAA rating is the highest rating assigned by RAM and reflects the ability to offer the highest level of safety for timely payment of its financial obligations. The reaffirmation of the highest ratings accorded to the Bank was based on its robust financial profile and excellent franchise in the domestic market, underscored by its superior asset quality and strong profitability. Concurrently, RAM also reaffirmed the long-term ratings of the Bank's Subordinated Medium Term Notes Programme of up to RM5.0 billion, RM1.2 billion Innovative Tier I Capital Securities and the Non-Cumulative Perpetual Capital Securities Programme of up to RM5.0 billion at AA1, AA2 and AA2 respectively.

In July 2010, Moody's Investors Service reaffirmed Public Bank's long-term deposit rating of A3 and short-term deposit rating of P-1. Moody's Investors Services also reaffirmed the Bank's Financial Strength Rating of C due to its well-established and profitable franchise, as well as its very liquid and superior asset quality relative to its local peers.

In December 2010, Standard & Poor's reaffirmed Public Bank's long-term credit rating of A- and short-term credit rating of A-2 with a stable outlook. The high credit ratings reflect Public Bank's good track record and strong position in the domestic market, particularly in the consumer and middle-market segments, supported by the Bank's superior asset quality and strong income generation capability. Standard & Poor's also affirmed Public Bank's long-term credit rating of axAA and short-term credit rating of axA-1 under its ASEAN Regional Scale Rating.



Business Operations Review

Domestic Retail Banking and Financing Operations

At A Glance

	2010	2009	Growth %
Segment profit (RM'mil)	2,960.1	2,385.8	24.1
Retail operations	2,294.5	1,764.1	30.1
Hire purchase	665.6	621.7	7.1
Gross loans, advances and financing (RM'bil)	124.92	108.11	15.6
Retail operations	91.33	78.19	16.8
of which:			
– Residential properties	41.42	34.86	18.8
– Personal loans	7.34	6.39	14.8
– SME	26.04	22.49	15.8
Hire purchase	33.59	29.92	12.3
Loans approval (RM'bil)	43.34	40.20	7.8
Retail operations	29.97	28.89	3.7
of which:			
– Residential properties	11.78	11.58	1.7
– SME	10.80	10.29	5.0
Hire purchase	13.37	11.31	18.2
Gross impaired loans ratio (%)	1.2	1.3 [^]	(0.1)
Retail operations	1.4	1.6 [^]	(0.2)
of which:			
– Residential properties	1.2	1.4 [^]	(0.2)
– SME	1.8	1.8 [^]	—
Hire purchase	0.5	0.5 [^]	—

[^] Restated due to the adoption of FRS 139





In 2010, the Public Bank Group's domestic retail banking and financing operations accounted for 79.8% of the Group's total loans, advances and financing. The Group's domestic retail banking and financing loan portfolio comprised mainly of consumer credit and SME lending. As at the end of 2010, consumer credit accounted for 73.7% of the domestic retail banking and financing loan portfolio whilst SME lending accounted for 20.8% of the domestic retail banking and financing loan portfolio.

In 2010, consumer credit and SME lending grew by 16.6% and 15.8% respectively to RM92.05 billion and RM26.04 billion respectively. The growth in consumer credit was mainly supported by strong growth in loans for residential properties of 18.8%, passenger vehicle hire purchase financing of 12.3% and personal loans of 14.8% in 2010. The Group's robust growth in consumer credit has allowed the Group to capture a significant domestic market share of these businesses. In particular, the Group had the largest market share of both residential properties financing and passenger vehicle hire purchase financing in the Malaysian banking system.

Domestic Consumer Credit

The Public Bank Group's domestic consumer credit comprise primarily:

- (i) Residential property financing
- (ii) Passenger vehicle hire purchase financing
- (iii) Personal consumer financing
- (iv) Credit and debit cards
- (v) Share margin financing

Residential Property Financing

The financing of residential properties remained a key lending business activity of the Public Bank Group. The steadily improving economy, accommodative interest rate policy and healthy liquidity conditions supported consumer lending and a buoyant property market. This is reflected in the domestic banking industry's annualised growth in residential property loans of 13.0% in 2010 as compared to 9.3% in 2009. With the robust demand for residential houses, the Group's domestic lending to the residential property sector increased by 18.8% or RM6.56 billion to stand at RM41.42 billion as at the end of 2010 and accounted for 26.5% of the Group's total loan portfolio. The Group continued to be the largest residential property financier in Malaysia, and the Group's domestic market share of the residential property financing sector increased from 16.6% at the beginning of 2010 to 17.4% as at the end of November 2010. One of the factors that contributed to the Group's strong growth in residential property financing is its fast loan processing time. In 2010, the average time from the point of application to issuance of offer letter to customers for residential property loans is 2.4 days.

During the year, the Public Bank Group approved a total of RM11.78 billion residential property loans, which accounted for 27.2% of total domestic retail loans approved during the year. Public Bank's residential property financing were predominantly given for the financing of residential properties costing between RM100,000 to RM350,000 which enabled middle income households to purchase their own houses. In 2010, 35,271 residential property loans were approved for properties in this price range, accounting for 63.3% of the total number of residential property loans approved during the year. Total loans outstanding for properties in this cost range amounted to RM24.48 billion or 59.1% of the Group's domestic residential property financing portfolio as at the end of 2010.

The Public Bank Group's ability to maintain a lower risk exposure in residential property financing mainly stems from its prudent credit evaluation and approval processes which take into account the location of the properties, the pricing of residential properties and the track record of developers. As a result of this proactive credit risk management, the Group's domestic residential property financing achieved a low gross impaired loans ratio of 1.2%, which was well below the industry's average gross impaired loans ratio of 3.3% as at the end of November 2010.

The Public Bank Group's flagship residential property loan packages, the 5HOME ("Home Ownership Made Easy") Plan and MORE ("Mortgage Refinancing") Plan continued to be the core lending products for residential property loans. During the year, a total of RM11.27 billion of residential property loans were approved under the 5HOME Plan and the MORE Plan.

To further penetrate the residential property financing market, Public Bank continued its aggressive marketing efforts through its well distributed network of 250 branches and its sales force of 496 Sales and Marketing Executives. In addition, the Bank also continued to work with reputable and reliable developers, real estate agents and solicitors for potential customer leads. During the year, the Bank participated in various industry events, road shows and exhibitions as well as developers' project launches held nationwide such as the Malaysian Property Expo ("MAPEX") 2010 and Minggu Kesedaran Kewangan as part of its marketing efforts to promote its residential property financing business. Given the intense competition and low interest rate regime, the Bank continued to offer special end-financing packages with attractive and flexible terms in order to be the preferred financial solutions provider for individuals looking to acquire their homes.

The recent implementation of a maximum loan-to-value ("LTV") ratio of 70% for buyers' third residential property financing by Bank Negara Malaysia is expected to have minimal impact on the Public Bank Group's residential property financing business as the Group already enforces a lower LTV ratio on residential property loans for the purpose of investing in multiple residential properties.

The Public Bank Group also supports Bank Negara Malaysia's priority sector lending in the housing sector as part of the Group's corporate responsibility. The housing sector priority lending comprise loans for properties costing RM100,000 and below for Peninsular Malaysia and RM120,000 and below for properties in East Malaysia. In 2010, the Group had committed to finance a total of 2,295 houses under this priority sector. As at the end of 2010, total loans outstanding for this segment amounted to RM2.29 billion for Peninsular Malaysia and RM237.8 million for East Malaysia.



Passenger Vehicle Hire Purchase Financing

Domestic Passenger vehicle hire purchase financing remained a core retail lending business of the Public Bank Group and accounted for 21.5% of the Group's total loan portfolio.

The automobile industry recorded total sales of 494,264 units of new passenger vehicles in Malaysia during the first eleven months of 2010 which translates to a year-on-year growth of 11.4% as compared to 2009. Under this scenario, the Public Bank Group's domestic vehicle hire purchase financing operations achieved another year of stellar performance. The Group's domestic vehicle hire purchase financing portfolio posted an impressive growth of RM3.67 billion or 12.3% to RM33.59 billion as at the end of 2010, as compared to RM29.92 billion a year ago. As this growth rate outpaced the industry's annualised growth rate of 9.0%, the Group's market share of passenger vehicle hire purchase financing rose further to 25.0% as at the end of November 2010, from 24.3% a year ago. The Group continued to maintain its market leadership position in this business.

The strong performance of Public Bank's vehicle hire purchase financing business was achieved through its aggressive marketing strategies which was well supported by competitive pricing and efficient service delivery at 27 Hire Purchase Centres located in key locations nationwide, as well as its large network of 250 branches. The experienced and dedicated staff of the Hire Purchase Centres are fully focused on providing value added services to an enlarged network of 8,000 car dealers, as well as to reach out to more customers to provide them with hire purchase financing. Through its aggressive marketing efforts, the Bank participated in 1,495 joint sale promotions with various panel car dealers throughout the country as part of its on going efforts to further cement the close business relationship with the panel car dealers. During the year, the Bank had also introduced the PB-ING Hire Purchase Decreasing Term Assurance plan that offers protection to hire purchase customers as part of the Bank's bancassurance tie-up with ING Group.

Given the Public Bank Group's commitment to preserve the strong asset quality of its loan portfolio, Public Bank has a dedicated compliance team to fully focus on and manage the operational risk of the vehicle hire purchase financing business. Coupled with the Group's prudent lending practices and proactive credit risk management policy, the Group's gross impaired loans ratio for vehicle hire purchase financing remained healthy at 0.5% as at the end of 2010 and was well below the industry's ratio of 1.3% as at the end of November 2010.



Personal Consumer Financing

The Public Bank Group's domestic personal consumer financing loans increased by 14.8% or RM0.95 billion to reach RM7.34 billion as at the end of 2010. The Group's domestic personal consumer financing business is mainly driven by its subsidiary, Public Islamic Bank. Public Islamic Bank's personal financing product, the Bai' Al-Einah ("BAE") Personal Financing-i, grew by RM737.7 million or 30.0% from RM2.46 billion as at the end of 2009 to RM3.20 billion as at the end of 2010.

The BAE Personal Financing-i is mainly offered to the staff of government agencies, quasi government corporations, institutions of higher learning and government-linked corporations. As at the end of 2010, Public Islamic Bank added another 30 such entities to its list of approved agencies, making a total of 280 such agencies and corporations as at the end of 2010. Public Islamic Bank conducted numerous marketing visits in order to build better rapport and secure greater access to employees of these entities. As a result, Public Islamic Bank recorded total personal consumer financing approvals of RM1.81 billion in 2010 as compared to RM1.61 billion approved in 2009.

To further expand the personal financing base, Public Islamic Bank also offers PLUS BAE Personal Financing-i to customers of Al-Bai' Bithaman Ajil ("ABBA") House Financing-i and Term Financing-i as well as Cash Line Facility-i ("CLF-i") who have paid down part of their facilities and have healthy repayment track record.

Credit and Debit Cards

The Malaysian credit card industry recorded a negative growth of 22.0% in the number of credit cards in circulation as a result of the imposition of the new credit card service tax. Despite the lower number of credit cards in circulation, Public Bank's total sales and total receivables increased by 19.7% and 14.6% respectively in 2010 as compared to the growth rate of 15.3% and 12.6% respectively for the card industry.

The Public Bank Group took steps during the year to enhance its credit card branding by re-positioning its generic cards, launching of co-brand cards and introducing exciting marketing and usage campaigns. At the same time, the Group accelerated its efforts to promote its debit cards, in anticipation of the impact of the new credit card service tax on credit card acquisition and attrition.

Public Bank further strengthened its card co-branding with Esso Malaysia Berhad and ExxonMobil Malaysia Sdn Bhd through the launching of the PB-Esso Mobil Visa Co-Brand Gold credit and debit cards. The PB-Esso Mobil Gold Visa Credit Card and PB-Esso Mobil Visa Debit Card are consumer friendly cards that are offered with life time annual fee waivers and cash rebates for purchase transactions at Esso or Mobil petrol stations, as well as for other retail purchases.

The Public Bank Group also offered attractive prizes and rewards tailored to meet cardholders' needs in its efforts to retain cardholders and increase card sales figures. A number of usage and loyalty programmes were introduced which offer attractive cash rebates to cardholders while they shop, dine or travel with their PB Credit Cards. New marketing campaigns such as the "Card Activation Cash Back" and "0% Interest for 8 Months" were also introduced to attract new card applications. Public Bank continued to participate as the acquiring bank or official sponsor of major exhibitions and events such as HOMEDEC'10, Popular Bookfest'10 and "Doraemon Brings Fortune" shopping fair at The Mines Shopping Centre. Balance Transfer and FlexiPayment schemes were revised to offer interest rates from as low as 0% to support the changing trend in consumer behaviour.

Whilst the credit card industry grappled with declining cards in circulation, the debit card industry thrived. The number of debit cards issued by Public Bank increased by 181.6% in 2010, largely attributable to the launch of the Manchester United Debit Card at the end of 2009 and the PB Esso Mobil Debit Card in 2010, as well as the move to make the PB Day2Day Card available to a wider retail customer base. Exclusive debit card marketing campaigns were also held during the year, featuring attractive cash rebates and gifts.

The Public Bank Group continued to focus its merchant acquiring business on retail merchants, in particular the Group's strong SME customer base. Despite stiff competition, it retained its stronghold on its existing merchants such as Esso Malaysia Berhad and ExxonMobil Malaysia Sdn Bhd. In addition, the successful implementation of Multi Currency Conversion ("MCC") acceptance under the 3D secured e-commerce payment allows card users to transact in alternative currency options besides Ringgit Malaysia at participating merchants. The 3D secured e-commerce business registered a growth of 189.8% in 2010. The Group's active retention efforts coupled with its expanding merchant base saw the Group's merchant sales grow by 45.8% in 2010 as compared to 2009.

Share Margin Financing

The Public Bank Group's share trading and share margin business in Malaysia, PB Sharelink, registered an increase of RM1.91 billion or 23.7% in share trading volume to RM9.98 billion in 2010, as compared to RM8.07 billion in 2009. The number of accounts and approved share loans

of Public Bank rose by 20.4% and 19.8% respectively to reach 38,011 and RM1,925 million respectively in 2010. As a result of the growth in customer base and higher share trading volume, total gross brokerage and interest income grew from RM41.4 million in 2009 to RM53.1 million in 2010, an increase of RM11.7 million or 28.3% as compared to 2009.

The Public Bank Group undertook various initiatives to grow its customer share trading and share margin business in 2010. These initiatives included promoting cross border trading in Hong Kong and other foreign stock markets as well as providing IPO/ESOS financing to increase the Group's interest and brokerage income. The number of Share Investment Units at strategically located branches increased from 40 to 43 to tap on the branch customer base and to offer more convenient access by customers to the PB Sharelink service.

SME Lending

The small- and medium-sized enterprises ("SMEs") business segment is a major driver of the country's economy and constitutes the Public Bank Group's main commercial loan customers. In 2010, the Group approved RM10.80 billion of commercial loans to domestic SMEs for their working capital and business expansion needs, and this lending business segment accounted for 21.2% of the Group's total new domestic loans approved for 2010. Arising from the higher volume of loans approved to SMEs, the Group's portfolio of domestic loans granted to SMEs grew by 15.8% from RM22.49 billion as at the end of 2009 to RM26.04 billion as at the end of 2010. Loans to domestic SMEs accounted for 16.6% of the Group's total loan portfolio as at the end of 2010.

The Public Bank Group's flagship commercial lending product, the SWIFT ("Shophouse, Warehouse, Industrial Factory and Trade Financing") Plan continued to be the key lending product for SME financing. This product offers financing for asset acquisition, working capital as well as to facilitate business via trade finance lines. As part of the continuous review and enhancements of the SWIFT Plan, Public Bank launched the "ShopSave" solution, which gives SMEs greater interest savings as more cash can be plowed back into the business under the features of this product. The Group approved a total of RM5.68 billion under the SWIFT Plan to 8,928 customers in 2010.

To facilitate SMEs to purchase or import materials for their production activities and to support the growth of SMEs in the export market, the Public Bank Group provides a full range of trade finance facilities geared towards meeting the financing needs of these SMEs. In 2010, Public Bank and Public Islamic Bank extended trade finance facilities amounting to RM152.37 billion, a growth of 2.3% or RM3.46 billion as compared to 2009. Existing SME customers with good conduct of their trade bills facilities and overdraft facilities benefited from the "Utilisation Incentive Programme", which offers preferential pricing for incremental utilisation of these facilities.

A new commercial lending product, "PB TradePlus", was launched by Public Bank during the year with a targeted growth of RM1 billion. The introduction of this new trade financing facility will further enhance the attractiveness of the Bank's SME loan packaging.

The Public Bank Group continued to leverage on its large domestic network of 250 branches nationwide to reach out to its SME customers. In order to build and establish long-term business relationships with SMEs and to obtain a better understanding of their operations and financing requirements, the Group had also participated in major trade exhibitions and business events related to the promotion and development of SMEs such as SMIDEX 2010, SMI One Stop Solution 2010 and Minggu Kesedaran Kewangan 2010.

The Public Bank Group is a strong supporter of Government initiated financing schemes to promote SME activities. Among those schemes, in which the Group is an active participant are:

- Bank Negara Malaysia's priority sector lending to SMEs. Since its launch in 2006, Public Bank Group has consistently achieved commitment in excess of Bank Negara Malaysia's target. In 2010, the Group approved a total of RM11.06 billion in loans under this scheme, far exceeding its combined two year commitment of RM8.2 billion for 2010 and 2011

- Bank Negara Malaysia's subsidised schemes such as the "New Entrepreneurs Fund" and the "Fund for Small and Medium Industries"
- Funds promoted by the Government such as the Micro Enterprise Fund, the SME Assistance Facility, the SME Modernisation Facility, the SME Assistance Guaranteed Facility, the Working Capital Guaranteed Scheme and the Industry Restructuring Financing Guaranteed Scheme

Public Bank commitment and strong support of these Government initiatives is evidenced in the following tables:

Loan Scheme	Outstanding balance		Market share %
	Public Bank Group RM'mil	Industry [^] RM'mil	
Fund for Small & Medium Industries	600.9	5,488.7	10.9
Rehabilitation Fund for Small and Medium Industries	6.3	7.6	82.9
Micro Enterprise Fund	35.6	139.2	25.6

[^] Industry figures as at November 2010

Public Bank actively promotes competitive loan products including those which provide an avenue for SMEs to seek low interest rate loans to enhance their efficiency and productivity. Such schemes include those which leverage on Credit Guarantee Corporation Bhd ("CGC") that provide guarantee cover by CGC without any guarantee fees charged to the SMEs. The CGC has recognised Public Bank as one of the top SMI Supporters for three (3) consecutive years since 2007. In view of the Bank's track record with CGC, more favourable terms of guarantee such as a higher guaranteed portion of unsecured loans has also been accorded to the Bank. The Bank's loan portfolio which are secured by various types of CGC's guarantee schemes has now exceeded RM850 million granted to more than 8,000 customers.

Public Bank has signed an agreement with CGC on the implementation of the SmallBiz Express Guarantee Scheme which is targeted at micro enterprises. This newly launched scheme is based on a portfolio concept with the initial portfolio size of RM5 million. Public Bank is the first financial institution to tie-up with CGC for this new scheme.



Wealth Management

Customer Deposits

Domestic Core Customer Deposits

	2010 RM'billion	2009 RM'billion	Growth %
Demand Deposits	24.11	21.12	14.1
Savings Deposits	17.83	16.40	8.7
Fixed Deposits	87.49	75.02	16.6
Total Core Customer Deposits	129.43	112.54	15.0
Of which:			
Foreign Currency Deposits	5.64	4.10	37.6

The Public Bank Group's domestic core customer deposits grew by RM16.89 billion or 15.0% in 2010, which was nearly three times the annualised growth rate of 5.9% registered by the domestic banking industry as at the end of November 2010. This resulted in the Group achieving a higher market share of core customer deposits of 16.0% as at the end of November 2010, as compared to 15.4% as at the beginning of 2010.

The Public Bank Group's growth in core customer deposits contributed to 40.3% of the industry's total growth for the year. The strong growth was contributed by expansion of domestic fixed deposits, demand deposits and savings deposits of 16.6%, 14.1% and 8.7% respectively as compared to the Malaysian banking industry's annualised growth rate of 5.5%, 10.4% and 0.4% respectively as at the end of November 2010. In particular, the Group's domestic foreign currency deposits grew by an impressive 37.6% as compared to an increase of 2.4% for the domestic banking system. Public Bank's healthy deposit growth is due to its strong PB Brand, superior customer service delivery at its branches and the strength of its balance sheet.

On 1 June 2010, Public Bank launched its 'PB Step Up Rates' fixed deposit campaign. The campaign offered higher interest rates to customers who placed new funds in 1-month fixed deposit and continued to roll over the fixed deposits for longer periods. The campaign, which was to attract and retain new fixed deposits, was successful in capturing total new fixed deposits of RM3.79 billion in 2010.

With the continued liberalisation of the Foreign Exchange Administration rules by Bank Negara Malaysia, Public Bank has executed various strategies to increase the Bank's foreign currency ("FCY") deposits by way of product enhancements and promotional campaigns. In 2010, the Public Bank Group's FCY deposits in Malaysia recorded a robust growth of 37.6% as compared to the Malaysian banking industry's annualised growth rate of only 2.4% as at the end of November 2010. Consequently, the Group's domestic market share of FCY deposits rose from 8.2% in December 2009 to 9.9% as at the end of November 2010, with Public Bank's total FCY deposits standing at RM5.64 billion as at the end of the year.

In January 2010, Public Bank introduced the Chinese Renminbi Fixed Deposit ("CNY FD") and Chinese Renminbi Current Account ("CNY CA"), taking advantage of the move by the People's Bank of China to liberalise the Chinese Renminbi business in the international market. The CNY business will provide more options for the Bank's customers to invest in the People's Republic of China's ("PRC") booming economy. In conjunction with the launch of the CNY deposit products, the Bank implemented a 3 month promotional campaign to create awareness and publicity for CNY deposits by offering higher interest rates and preferential foreign exchange rates to customers. As at 31 December 2010, a total of 7,922 CNY accounts with deposits amounting to RM396.1 million equivalent were captured. With further liberalisation by the People's Bank of China, Public Bank has marketed CNY accounts to companies for trade related purposes. At the same time, all CNY account holders are allowed to remit funds in CNY direct from their CNY accounts maintained with Public Bank to the PRC.

Public Bank's Gold Investment Account ("GIA") is an account which allows individual customers to invest in gold. In 2010, the Bank's GIA was enhanced to allow GIA account holders to perform online gold trading via the Bank's web portal. Public Bank is the first bank in Malaysia to offer such online service for gold investment.

To attract new customers and encourage existing customers to sign up for new products covering deposits, loans, unit trust investment, hire purchase and bancassurance, the Public Bank Group launched a 'Public Bank Gold Rush' Campaign. The campaign, which ran from 10 February 2010 to 31 July 2010, offered more than RM800,000 worth of gold in the form of GIA accounts as a reward to customers. The Public Bank Gold Rush campaign successfully attracted 166,152 new accounts.

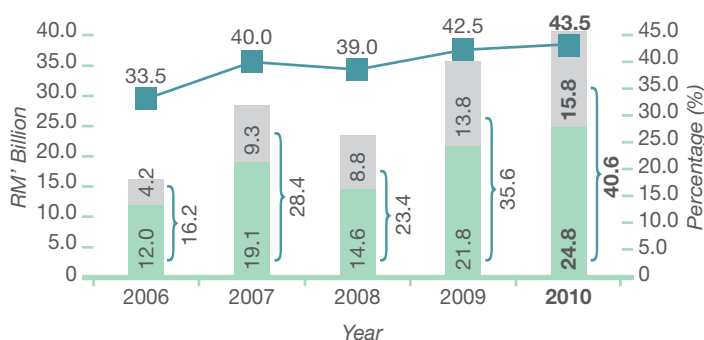
Fund Management

At A Glance

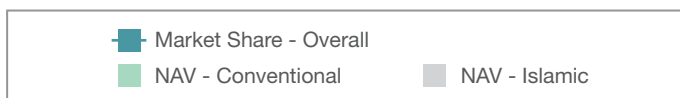
Public Mutual Berhad	2010 RM'million	2009 RM'million	Growth %
Operating revenue*	539.3	420.0	28.4
Profit before tax	273.8	218.9	25.1
Total assets	616.8	482.6	27.8
Shareholders' funds	99.4	73.9	34.5

* After offsetting direct sales commission and including interest income of RM6.6 million received and receivable from the Public Bank Group (RM2.9 million in 2009).

Net Asset Value



Units in Circulation



Public Mutual Berhad ("Public Mutual"), the wholly-owned unit trust fund management subsidiary of Public Bank, registered a 25.1% increase in profit before tax in 2010 to RM273.8 million as compared to RM218.9 million in 2009. Public Mutual's total operating revenue rose by 28.4% to RM539.3 million as compared to RM420.0 million in 2009 on the back of higher sales volume.

Global and regional markets started on a positive note in 2010 but consolidated in the second quarter of 2010 following measures to tighten credit conditions in the People's Republic of China and on concerns over the sovereign debt crisis in several European nations. However, additional monetary stimulus measures by the U.S. Federal Reserve subsequently led to a rebound in global equity markets in the fourth quarter of 2010.

Against this backdrop, the total assets under management ("AUM") of the Malaysian private unit trust industry recorded a growth rate of 11.5% in 2010 as compared to a 39.9% growth in 2009. Public Mutual registered a higher growth rate of 14.1% in total AUM over the same period, and reached a new high of RM40.60 billion as at the end of 2010. As a result, Public Mutual continued to maintain its market leadership position in the private unit trust industry.

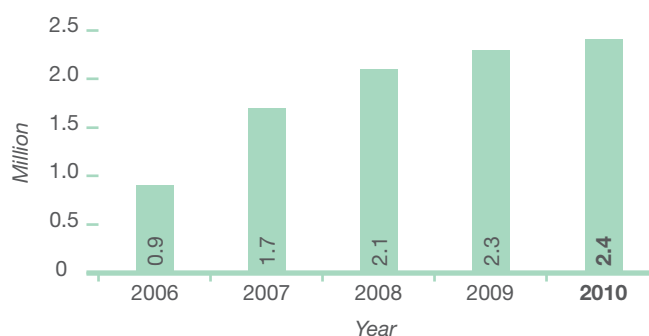
Public Mutual is the clear leader in the private unit trust industry with an overall market share of 43.5% as at the end of 2010 as compared to 42.5% as at the end of 2009. Public Mutual's market share in the equity and Islamic unit trust fund sectors expanded to 59.2% and 59.8% respectively. Public Mutual's market share of bond assets also increased to 38.1% boosted by the sale of existing bond funds. Despite the volatility in offshore markets, Public Mutual sustained its lead in the market share of foreign assets of 53.0%.



Number of Funds



Number of Account Holders



In 2010, Public Mutual launched a total of 12 new unit trust funds comprising 7 equity funds, 1 balanced fund and 4 bond funds as set out below:

No.	Fund Name	Fund Category/Type/ Geographical Coverage	Date of Launch	Approved Fund Size	
				Units (million)	RM (million)
1.	Public Islamic Asia Leaders Equity Fund	Equity/Capital Growth/Regional	19 January 2010	1,500	375
2.	PB China Australia Equity Fund	Equity/Capital Growth/Regional	2 March 2010	1,500	375
3.	Public Far-East Alpha-30 Fund	Equity/Capital Growth/Regional	6 April 2010	1,500	375
4.	PB Singapore Advantage-30 Equity Fund	Equity/Capital Growth/Regional	11 May 2010	1,500	375
5.	PB Infrastructure Bond Fund	Bond/Income/Local	11 May 2010	500	500
6.	Public Optimal Growth Fund	Equity/Income & Capital Growth/ Local	8 June 2010	1,500	375
7.	Public Indonesia Select Fund	Equity/Capital Growth/Regional	1 September 2010	1,500	375
8.	PB Indonesia Balanced Fund	Balanced/Income & Capital Growth/Regional	12 October 2010	1,500	375
9.	Public Islamic Alpha-40 Growth Fund	Equity/Capital Growth/Local	16 November 2010	1,500	375
10.	Public Islamic Infrastructure Bond Fund	Bond/Income/Local	16 November 2010	500	500
11.	Public Strategic Bond Fund	Bond/Income/Local	30 December 2010	500	500
12.	Public Islamic Strategic Bond Fund	Bond/Income/Local	30 December 2010	500	500

Following the new fund launches, the number of unit trusts funds managed by Public Mutual rose to 84 funds comprising 60 equity and balanced funds, 15 bond funds, 6 money market funds and 3 capital protected funds.

In terms of fund performance, conventional domestic equity funds managed by Public Mutual registered robust annual returns of up to 29.3% in 2010. In comparison, the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("FBM KLCI") rose by 19.3% over the same period. The funds under this category which outperformed the FBM KLCI were the Public Sector Select Fund, Public Regular Savings Fund, Public Dividend Select Fund, Public Index Fund and Public Aggressive Growth Fund with returns ranging from 19.5% to 29.3%. The domestic Islamic funds managed by Public Mutual registered returns ranging from 14.1% to 30.6% in 2010 as compared to the benchmark FTSE Bursa Malaysia EMAS Shariah Index which increased by 18.2% over the same period.

On the regional front, Public Mutual's Asia Pacific equity funds achieved returns of up to 18.4% in 2010. The top performing regional funds were the Public South-East Asia Select Fund which registered a strong return of 18.4% while the PB ASEAN Dividend Fund chalked up a gain of 17.6% over the same period.

Improving domestic economic conditions and a moderate inflationary environment helped to support domestic bond prices in 2010. Consequently, the returns for all of Public Mutual's bond funds exceeded their respective benchmarks with returns ranging from 4.0% to 10.7% for the year.

Public Mutual remains Malaysia's most awarded private unit trust company with a total of 21 awards received in 2010. In terms of fund performance awards, Public Mutual continued its winning streak by sweeping 10 awards at The Edge-Lipper Malaysia Fund Awards 2010, including the esteemed Best Overall Fund Group Award. For the second year in a row, Public Mutual was also the recipient of two Asia Asset Management Awards, namely the Best Retail House – Malaysia and the Best House for Offshore Funds – Malaysia. Public Mutual was also named the Best Malaysia Onshore Fund House at the AsianInvestor 2010 Investment Performance Awards for the third successive year.

In addition, Public Mutual received four awards at the Failaka Islamic Fund Awards 2009. Public Islamic Bond Fund was named the Best Malaysia Sukuk Fund in the 1-year, 3-year and 5-year category while Public Islamic Opportunities Fund was the Best Malaysian Equity Fund in the 3-year category.

Public Islamic Bond Fund also won an award for the Malaysian Ringgit Islamic Bond category at the prestigious Morningstar 2009 Fund Awards (Malaysia) whilst PB Fixed Income Fund was the winner of the Malaysian Ringgit Bond category.

Fund Performance Awards		Total Awards
The Edge-Lipper Malaysia Fund Awards 2010		
3-Year Category	1) Best Overall Fund Group 2) Best Equity Asia Pacific Fund: Public Regional Sector Fund 3) Best Equity Asia Pacific ex Japan Fund: Public Far-East Dividend Fund 4) Best Equity Malaysia Small and Mid Caps Fund: Public SmallCap Fund 5) Best Bond Malaysian Ringgit Islamic Fund: Public Islamic Bond Fund	10
5-Year Category	1) Best Equity Malaysia Small and Mid Caps Fund: Public SmallCap Fund 2) Best Bond Malaysian Ringgit Islamic Fund: Public Islamic Bond Fund	
10-Year Category	1) Best Equity Malaysia Islamic Fund: Public Ittikal Fund 2) Best Mixed Asset MYR Balanced Fund: PB Balanced Fund 3) Best Bond Malaysian Ringgit Fund: Public Bond Fund	

Fund Performance Awards		Total Awards
2009 Asia Asset Management Awards		
	1) Best Retail House – Malaysia	2
	2) Best House for Offshore Funds – Malaysia	
Morningstar 2009 Fund Awards (Malaysia)		
	1) Malaysian Ringgit Islamic Bond: Public Islamic Bond Fund	2
	2) Malaysian Ringgit Bond: PB Fixed Income Fund	
Failaka Islamic Fund Awards 2009		
1-Year Category	1) Best Malaysia Sukuk Fund: Public Islamic Bond Fund	4
3-Year Category	1) Best Malaysia Sukuk Fund: Public Islamic Bond Fund	
	2) Best Malaysian Equity Fund: Public Islamic Opportunities Fund	
5-Year Category	1) Best Malaysia Sukuk Fund: Public Islamic Bond Fund	
AsianInvestor 2010 Investment Performance Awards		
	1) Best Malaysia Onshore Fund House	1

Public Mutual's strong branding was recognised by two major awards in 2010. Public Mutual received the outstanding Reader's Digest Trusted Brand Platinum Award for the Investment Fund Company category in Malaysia 2010, having received the Gold Award in that category for the past four years. Winning this award is an outstanding achievement for Public Mutual as this award is only bestowed on brands that top their categories with scores that are triple that of their nearest competitor. Public Mutual also won the 2009 – 2010 BrandLaureate Award for the Best Brand in Financial Services for Unit Trust category for the fourth consecutive year.

To maintain "top-of-mind-recall" among investors, Public Mutual continues to invest in its branding efforts to position itself as the No.1 unit trust company in Malaysia. Throughout the year, a series of corporate advertisements were published in major newspapers and magazines. Public Mutual also revamped its Public Mutual Corporate No.1 advertisement on 15 billboards at strategic locations throughout the country.

The number of high net worth customers of Public Mutual, namely Mutual Gold Elite Members and Mutual Gold Members, continued to grow, increasing by 7.2% and 10.3% respectively in 2010. Public Mutual continued to hold investment and financial planning talks for these Members throughout the country whilst promoting the benefits of free will writing and free trust nominations.

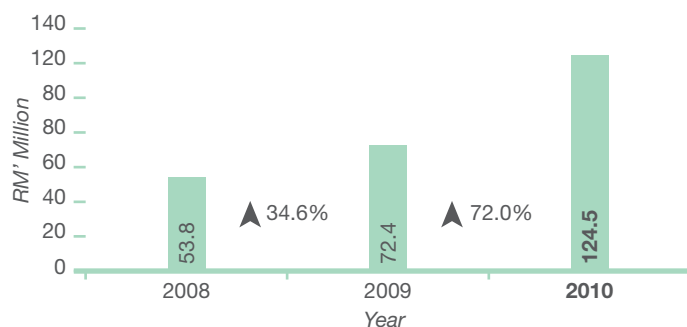
In 2010, Public Mutual continued to invest in the recruitment and training of unit trust consultants ("UTCs"), focusing on skills and knowledge improvement, sales motivation and leadership mentoring.

In 2010, Public Mutual's branch offices in Cheras, Johor Bahru, Kuala Terengganu, Batu Pahat were further expanded and its Miri branch office was relocated to bigger and more centrally located premises in 2011. To further support the growth of the UTC distribution channel and provide better service to unitholders, Shah Alam and Termerloh branch offices were opened in early January 2011, bringing the total number of branches to 28 nationwide.

The Public Bank Group's fund management operation is supported by the extensive reach of Public Bank Berhad's branch network of 250 branches acting as an Institutional Unit Trust Agent of Public Mutual, marketing and promoting a separate and dedicated PB-series of unit trust funds.

Bancassurance

Annualised Premium Equivalent ("APE")



The strategic bancassurance alliance between the Public Bank Group and ING Group entered its third year in 2010. The PB-ING business partnership was ranked 2nd amongst bancassurance providers in the country in both 2009 and the first half of 2010 based on the volume of new business, leap-frogging from 7th place in the first year of operations in 2008.

Over the first three years of the bancassurance distribution alliance, the Public Bank Group achieved total annualised premium equivalent ("APE") of RM250.7 million. In 2010, in addition to commission income earned from bancassurance sales, Public Bank also earned further income of €4.6 million from ING for exceeding the minimum business targets set for the first three years of operations under the 10-year exclusive PB-ING distribution agreement.

The Public Bank Group's bancassurance products cover a wide spectrum of regular premium investment-linked insurance, single premium capital guaranteed insurance products, credit related insurance products and telemarketing product offerings.

In Malaysia, the core bancassurance offering known as the One Solution Plan ("OSP") is a regular premium investment-linked product that currently comprise 8 packages. The existing packages comprise One Protect, One Care, One Health, One Educate, One Lady, One Lady Premier and One Health Junior, while One Basic, which is a new package targeted at the lower income group of customers was launched in October 2010. All these packaged insurance plans are designed to meet the different needs of the broad customer base of Public Bank and, depending on the choice of packages, the insurance benefits cover death, total & permanent disability ("TPD"), critical illness, hospitalisation, illnesses affecting ladies and a savings fund for children's further education.

In addition to the consumer and commercial credit related insurance products which provide life protection for mortgage

customers, Public Bank launched the Hire Purchase Decreasing Term Assurance in February 2010 to provide credit life protection to hire purchase financing customers.

A 100% capital guaranteed 5-year endowment plan with 2 years premium paying duration, the PB-ING Power Plus Plan was launched in June 2010. This plan provides both fixed annual coupon of up to 5% p.a. and life insurance protection benefits against death or TPD. This was followed by the launch of a 5-year single premium Australian Dollar denominated investment-linked product known as the PB-ING BIC Income Plan in September 2010, which is 100% capital guaranteed with life insurance protection against death or TPD. Other than providing a fixed annual coupon of 4.37% p.a., it also provides unlimited upside potential returns based on the performance of a basket of indices in Brazil, India and China. These two plans generated a combined sales premium of RM226.0 million in 2010.

Public Bank regularly mobilises branch resources nationwide to carry out marketing activities such as weekend sales events based on various themes such as "Investment Opportunity", "Health is Wealth" and "Save for Your Children's Future". The Bank also launched various sales incentive campaigns and OSP sales booster campaigns to garner higher sales and motivate the sales personnel to increase their productivity.



Public Bank currently offers 4 simplified insurance products namely, PB-ING Credit Sure Plan, PB-ING Cash Secure Plan, PB-ING Family PA Plan and PB-ING Cash Care Plan via its telemarketing channel. With the implementation of a robust customer profiling strategy based on behavioural and spending pattern, the APE for these products increased by 5 times in 2010 as compared to 2009.

In Hong Kong, there are 18 bancassurance products covering endowment annuity plans, mortgage life plans, term life plans and medical plans being distributed by Public Bank (Hong Kong) Limited. Public Finance Limited's focus is on the distribution of the refundable hospital income and endowment plan to low-to middle-income customers. In 2010, the sales premium and APE achieved in Hong Kong were HKD107.6 million and HKD60.7 million respectively, representing a growth rate of 53.3% and 190.4% respectively as compared to 2009.

In September 2010, Bank Negara Malaysia approved a family takaful licence to a joint venture company with equity participation of 60% by ING Management Holdings (Malaysia) Sdn

Bhd, 20% by Public Bank Berhad and 20% by Public Islamic Bank Berhad. The grant of the family takaful licence is a significant step for both ING and the Public Bank Group to expand further in the growing Islamic financial services market. The joint venture family takaful company will offer consumers more choices and meet the growing needs of Shariah-compliant products. The joint venture family takaful company is targeted to be fully operational by the first half of 2011 and is poised to contribute towards the Malaysia International Islamic Financial Centre's aspiration to establish Malaysia as the centre of takaful and retakaful.

Structured Investment Product

In view of the volatile market conditions, demand for structured investment products was affected in 2010. Public Bank adopted a more cautious stance during the year, closely monitoring market conditions and focused on the performance of existing structured investment products instead of launching new products.

Despite the slowdown in the recovery of major developed economies, Public Bank's existing PB Templeton BRIC Fund benefited from the growth of the emerging countries of Brazil, Russia, India and China and enjoyed its first annual variable coupon of 3% in October 2010 as the performance of the reference asset appreciated above the defined strike level. Going forward, Public Bank plans to launch structured investment products with straightforward investment themes offering 100% capital protection with annual coupon payment to cater to customers with different investment risk appetite.

Transactional Services



Remittances

Public Bank's remittance services provided through the Bank's network of 250 domestic branches and comprise inward and outward telegraphic transfers and outward foreign demand drafts to major cities in Asia, Europe and North America and Western Union money transfers, recorded a strong performance in 2010. The Bank's outbound remittances grew by 51.5% in terms of value of funds remitted and by 21.0% in terms of the number of transactions, while its inbound transactions grew by 80.2% in terms of value of funds received and by 14.5% in terms of the number of transactions.

Public Bank was the first bank in Malaysia to partner with Bank of China to offer Renminbi remittance services to the People's Republic of China. Since the start of the Renminbi remittance service in 2008, the Bank has established itself as the bank of choice for Renminbi remittances from Malaysia channelled through Bank of China to the People's Republic of China. In 2010, Public Bank accounted for 64.6% of such remittances from Malaysia.

The Public Bank – Western Union Money Transfer Service, which is offered through Public Bank's domestic branches in partnership with the Western Union Company and targeted mainly at foreign workers in Malaysia, continued to grow at a steady pace. In 2010, the value of funds and the number of transactions remitted through this channel increased by 52.6% and 52.5% respectively. The improved performance in 2010 is partly attributed to the inclusion of this service in Public Bank's e-banking portal in late 2009.

In August 2010, Public Bank established a tie-up with Barclays Bank PLC to offer pre-departure opening of accounts for Malaysian students intending to study in the United Kingdom. The Public Bank Group will continue to seek opportunities and new products to enhance its offering of remittance services, especially to countries in which the Group maintains a presence.



Cash and Channel Management Services

The Public Bank Group is committed to supporting the Government's move towards electronic payments. The Group has been working closely with government agencies that subscribe to the Group's cash management services to offer alternative payment services via electronic channels to the public. This includes the introduction of an enhanced electronic credit payment ("ECP") service that provides the Group's corporate customers a one-stop facility for statutory payments involving the Inland Revenue Board ("IRB"), the Employees Provident Fund and Social Security Organisation.

The Public Bank Group's cash management service has seen a 20.2% growth in terms of the number of payee corporations, with 61 new payee corporations whilst the ECP services customer base has also grown by 29.7% in 2010.

To further encourage the migration of payments made at branch counters to electronic payment channels, the Public Bank Group has launched tax collection services via Cheque Deposit Machines. This service is expected to provide customers with greater convenience in making their tax payments. Public Bank was the first bank in Malaysia to tie-up with the IRB in providing this alternate electronic channel. In 2010, Public Bank collected RM8.65 billion of tax payments through its electronic payment channels.

The growing of usage of the internet has facilitated the promotion of receivable management services that focus on real-time "payment agent service". This service allows customers to make payments from their current account or savings account on a real-time basis into the payee corporation account maintained with Public Bank. This service also allows non-account holders of the Bank to make payments from their accounts via the Financial Process Exchange platform.

Public Bank's internet banking channel, Pbebank.com, continues to see growth in transaction volume and newly registered users, with an increase of 19.4% and 24.0% respectively in 2010. The PB Mobile Banking channel that offers customers the convenience of doing their banking 'anywhere anytime' also saw strong growth in active users by 42.9% in 2010 as compared to 2009.

Capital Market Operations

Treasury

With the strong recovery of the Malaysian economy in 2010, Bank Negara Malaysia was amongst the first central banks in Asia to normalise domestic interest rates by raising its OPR three times in 2010, from 2.00% to 2.75%. To meet the twin challenges of a more competitive marketplace for customer deposits and expectations of higher interest rates, the treasury operations of the Public Bank Group continued to deploy resources to market for customers' deposits from corporate and institutional depositors. As at 31 December 2010, short term money market deposits of the Group stood at RM29.38 billion.

The treasury operations of Public Bank sought to further raise its profile as a provider of foreign exchange services amongst its customers which are small- and medium-sized enterprises, by stepping up its marketing activities. In 2010, Public Bank's corporate dealers organised a total of thirteen seminars on foreign exchange and trade finance held in various locations throughout Malaysia, which were well attended by the customers of Public Bank's domestic branches. These efforts helped increase the volume of foreign exchange business of Public Bank by 22.0% in 2010 as compared to 2009. In 2010, Bank Negara Malaysia announced several measures to enhance Malaysia's competitiveness and reduce the cost of doing business. One of those measures was the liberalisation of exchange control regulations to allow the Ringgit to be used in the settlement of trade between residents and non-residents. This move is expected to lead to greater opportunities for the Public Bank Group to expand its foreign exchange business further.

As a principal dealer appointed by Bank Negara Malaysia to deal in specified securities, Public Bank continued to play an active role as a liquidity provider in these securities, accounting for 4.9% of the total transactions in the secondary market for such specified securities in 2010.



Public Bank and Public Bank (Hong Kong) Limited undertake proprietary foreign exchange trading activities within prudential limits under the Public Bank Group's risk management framework, particularly in their domestic currencies as well as in the major currencies. Throughout 2010, the money market and swap market also provided arbitrage opportunities for Public Bank to generate low-risk returns.

Public Islamic Bank and Public Investment Bank accept deposits from customers and actively participate in the domestic Islamic and conventional wholesale money markets to fund their operations.

The Public Bank Group maintains a liquid balance sheet by inter alia, holding high-grade liquefiable securities denominated in Ringgit and other major currencies. In September 2010, the Bank for International Settlement through the Basel Committee on Banking Supervision proposed new measures to substantially strengthen existing capital and liquidity requirements for banks. The Group has taken steps to prepare to meet these new proposed requirements, by increasing its efforts to further build up its core customer deposit base and to continue to invest in high-grade liquefiable assets.

Domestic Corporate Lending

At A Glance

	2010	2009	Growth %
Segment profit (RM'mil)	244.5	182.2	34.2
Gross loans, advances and financing (RM'bil)	18.62	15.99	16.5
Gross impaired loans ratio (%)	0.7	0.8 [^]	(0.1)

[^] Restated due to the adoption of FRS 139

The Public Bank Group's domestic corporate lending portfolio registered a 16.5% growth in 2010 from RM15.99 billion as at the end of 2009 to RM18.62 billion as at the end of 2010. The Group's corporate lending was mainly channelled to real estate, construction, agriculture and finance sectors. The asset quality of the domestic corporate lending portfolio remained healthy with gross impaired loans ratio improving from 0.8% as at the beginning of 2010 to 0.7% as at the end of 2010.

Even as lending margins continued to be squeezed due to stiff competition, the strong volume growth in corporate loans had translated to higher net interest income of RM247.7 million in 2010 as compared to RM202.1 million in 2009. Profit before tax of the Public Bank Group's domestic corporate lending operations increased by 34.2% from RM182.2 million in 2009 to RM244.5 million in 2010 as a result of improved net interest income and lower allowance for impairment on loans, advances and financing.

Investment Banking

At A Glance

Public Investment Bank Berhad	2010	2009	Growth %
Operating revenue (RM'mil)	241.9	230.0	5.2
Profit before tax (RM'mil)	50.2	40.4	24.3
Total assets (RM'mil)	5,421.8	7,851.8	(30.9)
Shareholders' funds (RM'mil)	286.5	261.9	9.4
Risk-weighted capital ratio (%)	19.6	18.7	0.9

Public Investment Bank provides an extensive array of services to corporate and retail clients, covering corporate advisory services, placement and underwriting of securities ranging from listed shares to private debt securities, share broking and provision of financial solutions to corporate clients.

In 2010, the investment banking landscape remained challenging with more liberal accommodative policies adopted by the regulators to encourage the entry of foreign and more local intermediaries into the capital market. The competition was intense with the large number of licenced financial institutions comprising 15 licenced investment banks, 20 licenced stockbrokers, as well as increased presence of boutique players.

Despite the challenging operating environment in 2010, Public Investment Bank successfully completed 32 corporate exercise mandates, including initial public offerings, corporate restructuring exercises, independent advice for general offers and participated in a number of merger and acquisition exercises. In addition, Public Investment Bank, through

its debt capital market arm, jointly with 2 other financial institutions, generated funding of RM1 billion for a large local corporate client.

Investor sentiments in the capital market improved in 2010 and foreign funds showed increased interest in the local equity market. The FTSE Bursa Malaysia Kuala Lumpur Composite Index performed better as compared to 2009. These positive factors, coupled with its enhanced internet share trading service and continuous marketing efforts, enabled Public Investment Bank to maintain its market share of the share broking business. Public Investment Bank increased its retail business by tapping on the synergistic benefits of the Public Bank Group's large branch network and retail customer base with Public Investment Bank achieving a 21.5% increase in brokerage and commission income in 2010.

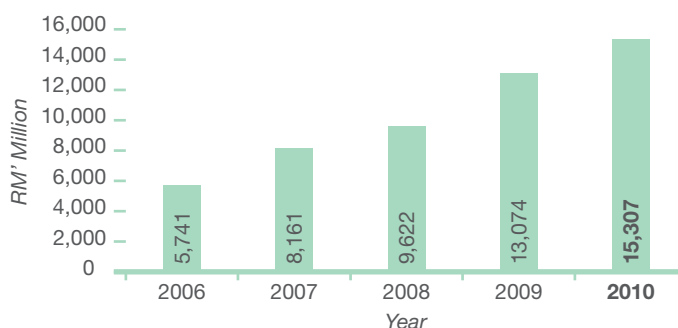
Public Investment Bank recorded operating revenue and profit before tax of RM241.9 million and RM50.2 million respectively in 2010, a 5.2% and 24.3% improvement from 2009.

Islamic Banking

Total Gross Islamic Financing



Total Islamic Customer Deposits



Islamic Banking

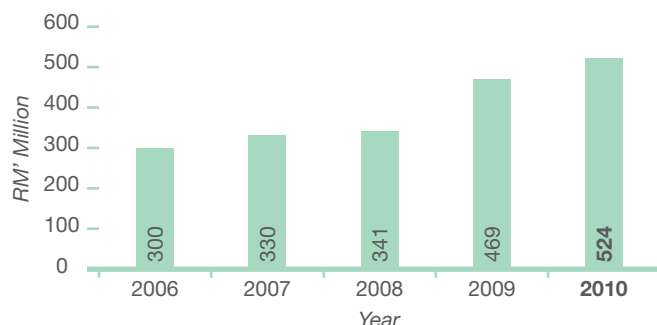
Public Islamic Bank Berhad ("Public Islamic") is in its second year as a full-fledged Islamic bank. The Public Bank Group's Islamic banking business registered a pre-tax profit growth of 11.7% to RM524.0 million in 2010, representing a contribution of 12.8% to the Public Bank Group's profit before taxation. Public Islamic's net return on equity stood at 25.3%.

The Public Bank Group's Islamic banking business achieved healthy growth in Islamic assets, financing and customer deposits in 2010. Total assets grew by 3.5% from RM22.86 billion as at the end of 2009 to RM23.66 billion as at the end of 2010, making Public Islamic the 4th largest Islamic bank in Malaysia. Gross Islamic financing and Islamic deposits contributed 10.6% and 8.7% respectively to the Group's total gross loans and deposits respectively.

The financing portfolio of the Public Bank Group's Islamic banking business expanded by RM1.87 billion or 12.7% from RM14.72 billion as at the end of 2009 to RM16.59 billion as at the end of 2010. Significant growth was recorded in retail financing, primarily in BAE Personal Financing-i, ABBA House Financing-i and AITAB Hire Purchase-i which expanded by 30.0%, 24.7% and 3.5% respectively. Public Islamic's customer deposits stood at RM15.31 billion as at the end of 2010 as compared to RM13.07 billion a year before, a strong increase of RM2.24 billion or 17.1%. Low cost Wadiah Savings Account-i and Wadiah Current Account-i made up 38.8% of Public Islamic's total customer deposits.

The quality of Public Islamic's financing assets remained strong with gross impaired financing ratio of 1.0% in 2010 as compared to the industry average of 3.4% as at the end of November 2010. Public Islamic's capital position continued to be healthy as reflected by its risk-weighted capital ratio of 14.2% and Tier I capital ratio of 12.6% as at the end of 2010.

Public Islamic strives to grow its core business in consumer and retail commercial financing by focusing on efficient customer service and competitive products delivered through multi-delivery channels. Public Islamic opened its maiden full-

Profit Before Tax and Zakat

fledged Islamic branch on 9 August 2010 in Kg Baru, Kuala Lumpur and plans to open more full-fledged Islamic branches in selected locations in 2011 to enhance its visibility and prominence.

Public Islamic continues to develop new Islamic financial products to meet the varied needs of its customers. Among the products in the pipeline are Home Equity-i, Term Equity-i, Wakalah Investment Account-i, Trust Receipt-i, Accepted Bills-i and PB Golden 50 Investment Account-i. To cater for a wide range of Islamic products and services in foreign currencies to residents and non-residents, several products namely, Murabahah Term Financing-i, Revolving Credit Facility-i, Qardh Current Account-i and Islamic Negotiable Instruments are at an advanced stage of development and are targeted to be launched in early 2011.

To increase the staff's level of understanding and proficiency in Islamic banking and services, Public Islamic sponsored its staff to pursue various Islamic banking and finance courses. In 2010, 2 sponsored staff graduated from the Chartered Islamic Finance Professional programme conducted by the International Centre for Education in Islamic Finance. Another 85 staff completed the Certificate in Islamic Law, a tailor-made certification programme jointly with International Islamic University, Malaysia. Public Islamic's



staff participated in the Islamic Awareness Programme for Frontliners, jointly conducted by Islamic Banking and Finance Institute Malaysia and National Union of Bank Employees. In July 2010, Shariah e-learning, an in house e-learning series on Islamic banking consisting of 5 modules was launched, and since then 10,449 staff have completed all the 5 modules.

In June 2010, Public Islamic's long- and short-term financial institution ratings was reaffirmed by Rating Agency Malaysia at AAA and P1 respectively. The reaffirmation of Public Islamic's rating reflects Public Islamic's strong credit profile which mirrors that of Public Bank as a result of Public Islamic leveraging significantly on Public Bank's risk management system, branch network and e-channels.

Role and Authority of the Shariah Committee

Public Islamic has enhanced its Shariah Governance Framework in line with the new Bank Negara Malaysia's Shariah Governance Framework for Islamic Financial Institution. The Shariah Department has since been strengthened by recruiting two additional staff to cover the following functions:

- i) Shariah Compliance
 - Shariah Review
 - Shariah Research
- ii) Shariah Risk Management Control
- iii) Shariah Audit

Guided by the Framework, the Shariah Committee's ("SC") roles are as follows:

- i) Responsible and accountable for all Shariah decisions, opinions and views provided.
- ii) Advise the Board on Shariah matters.
- iii) Endorse Shariah policies and procedures.
- iv) Endorse and validate relevant documentations.
- v) Assess work carried out by Shariah review and Shariah audit.
- vi) Assist related parties on Shariah matters.
- vii) Advise on matters to be referred to the Shariah Advisory Council.
- viii) Provide written Shariah opinions.

Shariah Committee members and details of attendance of each member at Committee meetings held during 2010:

Composition of Shariah Committee	Number of Committee Meetings	
	Held	Attended
Professor Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid (Chairman of Shariah Committee)	10	10
Associate Professor Mohd Ridzuan bin Awang	10	10
Assistant Professor Dr. Mohd Afandi bin Awang Hamat	10	10

All three individuals have been members of the Shariah Committee for Public Bank since 1 April 2005. Effective 1 November 2008, they were appointed members of the Shariah Committee for Public Islamic.

Profile of Group Shariah Committee Members

Professor Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid

Professor Dato' Dr. Mahmood Zuhdi bin Ab Majid, aged 63 years, is currently a Senior Fellow at the Department of Fiqh and Usul Fiqh of International Islamic University Malaysia. He has a Masters Degree in Shariah from Al-Azhar University, Cairo. He obtained a Master in Philosophy from Kent University, United Kingdom and has a Doctorate from University of Malaya. Professor Dato' Dr. Mahmood Zuhdi is a member of several Shariah supervisory boards.

Associate Professor Mohd Ridzuan bin Awang

Associate Professor Mohd Ridzuan bin Awang, aged 60 years, is attached to the Shariah Department, Faculty of Islamic Studies, Universiti Kebangsaan Malaysia ("UKM"). He obtained his degree in Islamic Study from UKM and has a Master in Comparative Law from University Malaya. His core specialisation is in Fara'id (Islamic Asset Management) and he is a frequent contributor to academic journals and books in the related field.

Assistant Professor Dr. Mohd Afandi bin Awang Hamat

Assistant Professor Dr. Mohd Afandi bin Awang Hamat, 40 years, received his Doctorate in Fiqh and Usul Fiqh from International Islamic University Malaysia ("IIUM") in 2004, specialising in Muamalat. Currently, he is a lecturer and Head of Academic Advisors at Fiqh and Usul Department in IIUM. Assistant Professor Dr. Mohd Afandi has conducted various research in the field of Usul Fiqh and published several academic papers.

Zakat Obligations

For its 2009 operations, Public Islamic paid a higher zakat of RM250,000 as compared to RM190,000 in respect of its 2008 operations. The zakat was paid to eight zakat collection centres and three orphanage homes.

Zakat payment 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 Public Bank.



International Operations

At A Glance

	2010	2009	Growth %
Total overseas operations			
Operating revenue	RM1,024.1 mil	RM1,437.4 mil	(28.8)
Profit before tax	RM311.5 mil	RM239.9 mil	29.9
Profit before tax			
Public Financial Holdings Group	HKD539.9 mil	HKD308.5 mil	75.0
of which:			
Public Bank (Hong Kong) Limited [^]	HKD138.2 mil	HKD23.4 mil	491.8
Public Finance Limited [^]	HKD371.4 mil	HKD202.6 mil	83.3
Cambodian Public Bank Plc	USD18.8 mil	USD16.5 mil	14.1
Gross loans, advances and financing			
Public Bank (Hong Kong) Limited	HKD22,471.0 mil	HKD20,313.6 mil	10.6
Public Finance Limited	HKD4,360.1 mil	HKD4,195.0 mil	3.9
Cambodian Public Bank Plc	USD574.0 mil	USD606.5 mil	(5.4)
Deposits from customers			
Public Bank (Hong Kong) Limited	HKD26,448.7 mil	HKD26,057.3 mil	1.5
Public Finance Limited	HKD3,124.1 mil	HKD3,448.6 mil	(9.4)
Cambodian Public Bank Plc	USD791.6 mil	USD612.9 mil	29.2
Gross impaired loans ratio (%)			
Public Bank (Hong Kong) Limited	0.9	1.7	(0.8)
Public Finance Limited	3.1	4.3	(1.2)
Cambodian Public Bank Plc	3.4	6.7	(3.3)
Risk-weighted capital ratio			
Public Bank (Hong Kong) Limited *	15.2	15.9	(0.7)
Public Finance Limited *	32.6	32.2	0.4
Cambodian Public Bank Plc **	24.4	24.0	0.4

[^] Profit excluding dividends from subsidiaries and intercompany transactions

* presented in accordance with the Banking (Capital) Rules under Section 98A of the Banking Ordinance issued by the Hong Kong Monetary Authority

** represents the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent local regulatory compliance ratio

The Public Bank Group has overseas operations in five countries with branches in Sri Lanka and Laos, subsidiaries in Hong Kong and Cambodia and a joint venture bank in Vietnam. Against the backdrop of an improving business and economic landscape, particularly in Hong Kong, the Group's earnings from international operations improved by 29.9% or RM71.6 million to reach RM311.5 million in 2010, accounting for 7.6% of the Group's profit before tax, higher than the 7.2% contribution in the previous year.

Hong Kong

The Public Bank Group's operations in Hong Kong focuses on two key businesses:

- i) retail and commercial banking
- ii) wealth management and stockbroking

The Hong Kong economy recovered with a higher expected growth of 6.5% in 2010, driven particularly by the strong economic growth in the People's Republic of China ("PRC"). The Group's Hong Kong operations will seek to capitalise on the improving business environment to expand its banking and financing business and seek out growth opportunities.

The retail and commercial banking business is primarily driven by Public Bank (Hong Kong) Limited and Public Finance Limited. Total loans of Public Bank (Hong Kong) Limited grew by HKD2.16 billion or 10.6% to HKD22.47 billion as at the end of 2010. The personal loans business undertaken by Public Finance Limited to serve the middle- to lower-income households and overseas contract workers registered a small increase of HKD118.6 million or 3.5% in 2010. With the improved Hong Kong economy giving rise to lower unemployment rates and lower personal bankruptcy, the asset quality of Public Finance Limited improved, as reflected by the reduction in its gross impaired loans ratio to 3.1% as at the end of 2010, from 4.3% as at the end of 2009. Public Bank (Hong Kong) Limited's gross impaired loans ratio had also improved from 1.7% to 0.9% over the same period.

Competitive pressures intensified in 2010 as banks sought to capture customer deposits in the recovering market to fund lending growth. Public Bank (Hong Kong) Limited and Public Finance Limited launched several initiatives to step up deposits mobilisation, such as Public Bank (Hong Kong) Limited's Mega-Interest Rates Fixed Deposit Promotion, Privileged Deposit Rate Promotion and the Public Finance's Customer-Get-Customer for Fixed Deposits Campaign, all of which generated encouraging response from depositors.

Total customer deposits of Public Bank (Hong Kong) Limited grew by HKD391.4 million or 1.5% to HKD26.45 billion as at the end of 2010, mainly due to growth in core customer deposits. Public Finance Limited, the largest deposit-taking company in Hong Kong maintained its leading position, with a market share of 48.7% of customer deposits amongst deposit-taking companies in Hong Kong.



The Public Bank Group continued to leverage on its strategic alliance with ING Group to market bancassurance products through its combined network of branches in Hong Kong. At the same time, the Group also expanded its bancassurance marketing force in Hong Kong by recruiting more dedicated insurance advisors to support bancassurance sales in branches. As a result, bancassurance sales in Hong Kong increased to HKD107.6 million in 2010, representing a growth of 53.3% as compared to 2009. The Group aims to increase its non-interest income in Hong Kong through the bancassurance business by leveraging on the distribution strength of the Group's network of branches in Hong Kong and the expertise of ING as a leading player in the insurance industry.

In 2010, Public Financial Holdings Group recorded a pre-tax profit of HKD539.9 million, a significant increase of HKD231.4 million or 75.0% over the previous year. The improvement was mainly due to the decline in impairment allowances for loans and advances of HKD231.4 million as a result of the improved credit environment and growth in fee income amounting to HKD44.6 million in 2010.

As at the end of 2010, the Public Bank Group's network of branches in Hong Kong and the PRC stood at 84 branches, comprising 81 branches in Hong Kong, 3 branches in Shenzhen and a representative office each in Shanghai and Shenyang in the PRC and in Taipei, Taiwan.

Cambodia

The Public Bank Group established its presence in Cambodia in 1992 when its wholly-owned subsidiary, Cambodian Public Bank Plc ("Campu Bank") was set up. As at the end of 2010, Campu Bank has 21 branches strategically located throughout Cambodia, with 6 new branches opened in 2010. Plans

are in place to open 6 more branches in 2011 to widen Campu Bank's market reach and tap into new business opportunities.

The Cambodian economy stabilised with a growth of 5.5% in 2010, largely led by improvements in the garment, tourism, construction and agriculture sectors. Even though the economy showed signs of improvement, Campu Bank remained cautious in its lending business and was focused on maintaining a prudent credit policy, mobilising customer deposits and strengthening asset quality. Campu Bank's customer deposits grew strongly by USD178.7 million or 29.2% to USD791.6 million as at the end of 2010 as compared to USD612.9 million as at the end of 2009. The strong growth in deposits was a result of competitive interest rates and delivery of excellent customer service.

In its effort to pursue prudent and selective lending, Campu Bank registered a decline in loans and advances by USD32.5 million or 5.4% to USD574.0 million as at the end of 2010. Asset quality, on the other hand, had shown improvement in 2010. Gross impaired loans ratio of Campu Bank declined steadily from 6.7% as at the end of 2009 to 3.4% as at the end of 2010 as a result of rigorous credit restructuring programmes and stringent monitoring of existing loans.

Despite the challenging business environment, a competitive banking landscape, high credit costs and higher operating costs arising from the expansion of its branch network and



staff force, Campu Bank improved its pre-tax profit from USD16.5 million in 2009 to USD18.8 million in 2010. As at the end of 2010, Campu Bank remains the largest bank in Cambodia in terms of capitalisation.

During the year, Campu Bank's ATM network was further expanded to 38 ATMs with the installation of 7 new ATMs in 2010. Campu Bank is also part of the EasyCash Network, a shared ATM network in Cambodia, which enables customers from 5 participating banks to perform ATM transactions at any participating banks. During the year, Campu Bank also launched its Khmer Riel Savings Account which allows customers to deposit and withdraw in the local currency instead of in US Dollars. This new savings product is aimed at expanding Campu Bank's presence in the local market.

Campu Bank's insurance subsidiary, CampuBank Lonpac Insurance Plc ("CLIP"), remains a major player in the Cambodian insurance sector, with a market share of 19.0%. CLIP reported a satisfactory set of financial results for 2010, with gross premium of USD3.4 million and pre-tax profits of USD0.9 million in 2010. CLIP will seek to introduce more value added products to its customers and optimise its distribution capabilities by leveraging on Campu Bank's customer base and expanding network of branches.

In October 2010, CampuBank Securities, a wholly-owned subsidiary of Campu Bank, was granted a securities licence by the Securities and Exchange Commission of Cambodia to carry out securities underwriting and dealing business, share broking as well as investment advisory business in Cambodia. CampuBank Securities is expected to contribute positively to the earnings of the Public Bank Group in the future.

Vietnam

Vietnam was not spared the effects of the financial crisis with operating conditions remaining challenging in 2010. Despite this, the Public Bank Group's joint venture bank, VID Public Bank recorded an increase in loans and advances of USD28.1 million or 12.5% to USD253.4 million in 2010. Customer deposits also grew by USD11.8 million or 4.9% to USD252.9 million in 2010, in line with its business focus on customer deposits mobilisation.

VID Public Bank reported a higher profit before tax of USD9.6 million in 2010, an increase of 4.7% as compared to 2009 despite the difficult operating conditions which saw capping of lending rates. The Public Bank Group remains fully committed to expanding the business of VID Public Bank.

For 2011, VID Public Bank is targeting to open 4 new branches, bringing the branch network of VID Public Bank to 11 branches.

Laos

Total loans and customer deposits of Public Bank's Laos branches grew by USD7.5 million and USD13.4 million respectively to USD67.9 million and USD73.5 million respectively in 2010 even though the operating and economic conditions in Laos continued to be challenging.

Public Bank's Laos branches recorded lower pre-tax profits of USD3.9 million in 2010, a decrease of 17.2% as compared to 2009 mainly due to higher allowance for impairment on loans and advances as a result of the weaker credit conditions. To further penetrate the market in this developing country, Public Bank intends to open another branch in 2011.

Sri Lanka

The post-war economy of Sri Lanka has shown improvement in 2010 as the country continues its investor-friendly policies to hasten economic recovery with a projected GDP growth of 7% in 2010. Buoyed by the renewed confidence in the banking industry, total loans and deposits of Public Bank's Colombo branch grew by 11.8% and 19.1% respectively in 2010. The Bank's Colombo branch recorded a higher pre-tax profit of LKR190.6 million in 2010, an increase of 26.8% as compared to the previous year.

Serving The Customer



Customer Service

The Public Bank Group is fully committed to delivering excellent customer service at all times, always going the extra mile in seeking to satisfy and delight its customers. The Group's strong service culture has reaped significant benefits over the years. The key initiatives undertaken by the Group in its pursuit of customer service excellence are as follows:

Service Ambassadors at the Banking Halls

The key service objective of a Service Ambassador ("SA") is to be the customers' first contact point at the branches of Public Bank. This is achieved by attending to customers' enquiries on banking transactions and directing the flow of customers in the banking hall. To better manage customers at the branches, the role of the SA includes assessing the customers' financial needs and directing customers to subject matter experts such as Personal Financial Executives and the Bancassurance Sales Executives, who are trained to assist customers' more specific needs. The SA will also obtain, identify and match the customers' requests to the relevant product offerings to ensure that their banking needs are met.

Maintaining Excellent Counter Service Delivery

One of the hallmarks of the Public Bank Group's customer service excellence culture is Public Bank's Queue Management System, particularly for front-line counter service. The Queue Management System monitors and effectively manages customers' waiting times. A Standard Waiting Time ("SWT") for serving the customer is 2 minutes. Over the years, the SWT has been constantly maintained at high conformance levels at all branches. Compliance to the 2-minute SWT has improved in 2010 to 84.0% as compared to 78.0% in 2009. In 2010, Public Bank had satisfactorily served 26,100,134 customers over the branch counters, an increase of 4.0% over the previous year.

Ensuring Customers' Convenience

To offer a hassle free banking experience to customers, the Public Bank Group's team of Sales and Marketing Executives are equipped with portable biometrics reader devices. This device is used to authenticate a customer's identity and provide a secure identification mechanism during the processing of a prospective customer's loan application. The portable device has allowed the Sales and Marketing Executives to reach out to customers at a location and time of their choice. Customers are not restricted to being served only during banking hours at branches. The user-friendly device has also speeded up the loan application process with its quick and accurate results.

Efficient and simplified operational processes

The Public Bank Group believes in continuous improvement in operational processes and procedures to ensure more efficient service delivery at the branches of the Group. As a result of such initiatives, many customer transactions are reduced to a simple step of presenting their MyKad at the branches to conduct their transactions.

Uninterrupted essential banking services

The Public Bank Group has put in place a comprehensive Business Continuity Plan to ensure seamless delivery of banking services in the unlikely event of natural or man-made disasters occurring. This plan had been invoked occasionally and has proven to be successful. In 2010, when parts of the country were experiencing flood problems, banks were inaccessible to customers in the flooded areas. Public Bank had ensured that essential banking services were provided as usual by relocating the operations of affected branches to unaffected branches. This has facilitated uninterrupted banking services to customers and lessened the hardship faced by customers in the affected areas.



Self Service Terminals

To ensure efficient service delivery and to minimise downtime of Self Service Terminals ("SSTs"), preventive maintenance of the SSTs are conducted on a continuous basis. The Self Service Terminal Centre ("SSTC") at Head Office also monitors the performance of these SSTs to maintain the effectiveness of the service delivery of SSTs. This is to keep service disruptions to a minimum and maximise SSTs uptime, particularly during festive seasons and public holidays.

The SSTC is also responsible for reviewing and analysing the causes of service disruption of the SSTs, with immediate remedial actions taken to resolve such issues. These include the enhancement of the operating or application software of the SSTs and the installation of machines with improved user facilities such as enhanced models of Cheque Deposit Machines ("CDMs") with multiple cheques deposit capabilities which offers greater convenience with increased efficiency.

External Independent Certification

The customer service delivery standards for the Public Bank's "Provision of Customer Service at the Front Office", which include a 2-minute standard waiting time for customers at branch counter, has been certified under the ISO 9001:2008 standards by SIRIM since 2000. In order to maintain the ISO certification, the Bank monitors closely the compliance levels of these customer service delivery standards and takes steps to achieve consistently high levels of compliance.

The above initiatives clearly demonstrate the Public Bank Group's long-term commitment to provide outstanding service delivery. The Group will continue to review and enhance its operational processes and procedures to reinforce a customer focused culture in all aspects of the Group's customer service delivery.

Loan Service Delivery

Public Bank and a number of subsidiaries, including some overseas, have implemented standard turnaround times to track and monitor the processing of loan applications from the point of application to acceptance by the customers to ensure complete customer satisfaction with the Bank's loan service delivery.

Since 2002, Public Bank's standard operating procedures for the provision of customer service in Loan Service Delivery has been certified by SIRIM based on the ISO 9001:2008 standards, which covers retail and corporate loans, credit cards and trade financing transaction. Under the scope of the ISO 9001:2008 standards, Public Bank implemented standard operating procedures, continuous work process improvement and compliance with the standard turnaround time for processes from loan origination to loan disbursement. The Public Bank Group's ISO 9001:2008 certification for the "Provision of Customer Service in Loan Delivery" was reaffirmed in 2009 by SIRIM.

Public Bank conducts regular meetings at working and management level to review deficiencies in service delivery and implement action to further improve service delivery. In an intense competitive environment, the Bank understands that managing customers' satisfaction and expectation level is of the utmost importance. By providing the highest level of service delivery, the Bank seeks to build customer loyalty and retention, and ultimately improve profitability.

Public Bank initiated a Customer Feedback survey to gauge its customer satisfaction levels in November 2009. The results showed that more than 90% of the Bank's customers were more than satisfied with the level of its loan delivery services. Notwithstanding the strong feedback, the Bank will continue its efforts to ensure total customer satisfaction and further reduce the Bank's loan delivery turnaround time.

Information & Communication Technology

The Public Bank Group continues to apply Information and Communication Technology ("ICT") as an integral part of its business strategies. New technology is constantly evaluated for appropriate adoption to support the Group's business strategies whilst the time-tested principle of straight-through-processing is applied rigorously system-wide for increased productivity and operational efficiency. The Group made greater use of business data and intelligence to provide insights into customer needs and to identify key business areas for growth. Technical collaboration with business partners such as the ING Group has also allowed the Group to develop and enhance existing bancassurance products as well as expand into new areas such as Bancatakaful.

In line with the strategy to harness ICT advances for greater levels of productivity and business flexibility, the Public Bank Group intensified the shift from out-of-support systems to systems with long term sustainability. In 2010, the end-of-support OS/2-based Branch Delivery System ("BDS") was fully replaced by the new BDS based on Microsoft .NET technology. This represented a major step forward in the Group's system modernisation, and provides a powerful platform for future system development and expansion. The new BDS adopts the latest smart client architecture to provide a rich, intuitive user interface while allowing deployment to be carried out in a centralised, easy-to-manage manner. Designed from scratch and developed in-house over a three-year period at a cost of RM5 million, the



new BDS internalises straight-through-processing from its inception and incorporates the use of generic electronic devices such as biometric thumbprint readers to minimise error-prone manual data entry. Integration with the mission critical host applications was achieved seamlessly using the purpose-built host integration server. The new BDS now serves as the portal for all the systems used by Public Bank branches and all related processes are combined into a single cohesive transaction irrespective of where they are processed. The data captured at source is reused throughout the processing of a business transaction to eliminate redundant data entry and reduce input errors. Among others, the new BDS system allows multiple accounts such as current accounts and savings accounts to be opened with various facilities such as the issue of an ATM card and accessing e-Banking facilities in a single transaction. This has enabled branches to reduce the time taken to open new accounts by at least 15 minutes. To further improve customer service, the standalone Queue Management System ("QMS") in the branches was fully integrated with the new BDS for monitoring adherence to Public Bank's hallmark 2-minute Standard Waiting Time. This tightly coupled QMS allows customer service times to be analysed in real-time to identify performance bottlenecks and enable immediate remedial action to be taken. If the QMS threshold settings are breached, the BDS portal can independently activate the CCTV cameras at the relevant branches for the surveillance desk at customer service department in head office to have a firsthand visual of the counter operations remotely. With



its centralised design, the new BDS is able to eliminate end-of-day processing and various IT maintenance tasks at branches, thus freeing branch staff to concentrate on serving the customers. The centralised approach also facilitates system administration and allows for a combination of high performance, high availability and load balancing technologies to be implemented. End-to-end response time for inquiry and maintenance functions has reduced tenfold to one second. The new BDS was implemented on Microsoft Windows 7 to provide better security and performance as it was designed to take advantage of the many features available in the latest multi-core processors in current personal computing.

The Electronic Loan Delivery System ("eLDS") continued to be enhanced and realigned for higher levels of straight-through-processing. New features in the eLDS were built for greater customer convenience and faster loan approval turnaround time. For example, customers who choose to take fire insurance from Lonpac Insurance Bhd benefit from a hassle-free application incorporated as part of their loan approval. Similarly, customers can immediately apply for an ING Mortgage Term Reducing Assurance policy when submitting their mortgage loan applications and have their proposal transmitted online to ING for immediate approval. Due to the streamlined workflow, customers need not fill in a separate application form to apply for Public Bank credit cards as their details are automatically routed to the credit card system for approval. The eLDS now supports Syariah-based Islamic loan products for Public Islamic Bank. The use of the eLDS is being introduced in Public Bank Hong Kong, the third overseas operations to adopt eLDS after Campubank and Laos branch.

With the growth in the use of the Internet for conducting business-to-consumer ("B2C") transactions, more banks are offering 3D Secure compliant e-commerce acquiring for e-commerce merchants. To maintain its leading position in the e-commerce acquiring business, Public Bank has embarked on a significant upgrade of its 3D Secure compliant Internet payment gateway. This included application enhancements to support multi-currency transactions, an upgrade in the processing power of its 3D Secure web server and the introduction of new transaction management capabilities for merchants in the form of merchant reporting tools. To ensure consistently fast transaction response time, the Internet bandwidth across the Public Bank Group was doubled to 48Mbps. The high speed links were procured from multiple Internet Service Providers at a cost of RM1.5 million for full network redundancy and to prevent service interruption due to single-point-of-failure. Network traffic is also intelligently distributed across the various links using the latest F5 load balancers to avert congestion and to improve network throughput. These new F5s provide advanced features such as server load balancing for high availability, traffic prioritisation and performance improvements by reducing TCP protocol overheads.

Another service delivery channel undergoing expansion and ongoing improvement is in the area of Self-Service Terminals ("SST"), comprising Automated Teller Machines ("ATM"), Cash Deposit Terminals ("CDT") and Cheque Deposit Machines ("CDM"). To provide a higher level of customer service, new SST models from various suppliers were evaluated for a variety of new capabilities. This included cash recycling CDTs and EMV-compliant ATMs. While the former will allow cash to be deposited as well as dispensed, thus improving the availability of cash for withdrawals, the latter EMV-compliant ATMs will ensure stronger security control during credit card transactions. The CDTs will also have enhanced currency notes authentication capabilities, as well as more advanced foreign object detection to avoid input feeder jams, further ensuring the uptime of the CDTs. For the convenience of customers with multiple cheques to be deposited, the CDMs in selected branches will now be installed with a bulk cheque processing function.

The Bangi Data Centre operation was also improved with the implementation of various automation and consolidation initiatives. The state-of-the-art Opcon/xps cross-platform scheduler was deployed for automated triggering of file transfers and batch jobs across multiple diverse servers. Tape backup was further centralised to automated tape libraries. Critical systems were migrated to EMC storage area network for better disk input-output throughput and improved disaster recovery capabilities. A universal real-time system performance dashboard was implemented to enable potential issues to be quickly detected and proactive measures escalated before a degradation becomes problematic.

The Public Bank Group has also undertaken various measures towards reducing the carbon footprint of its Bangi Data Centre. Some early successes have been achieved, especially in the lowering of paper usage by 20%. Paperless options such as electronic statements were implemented, beginning with the Public Bank customer share investment and financing service. Where paper statements are still required, account statements are provided to customers in a consolidated format with duplex printing to cut down on paper usage. In addition, action is underway to evaluate reduction in electricity usage through deployment of energy efficient blade servers and green technology air-conditioning such as water cooled rear-door heat exchangers to reduce dependency on entire room air-conditioning.

Throughout the year, the security of the Public Bank Group's IT systems was continuously strengthened and fortified. To provide secure and unified access control, the existing enterprise web-based single sign-on infrastructure was expanded to encompass additional existing and new applications. More robust end-to-end encryption of transaction data between the teller terminals and the central servers was implemented as part of the new BDS. File transfers between the various internal servers were also protected with stronger encryption. Advanced data leakage protection software was implemented Group-wide to prevent theft or unauthorised disclosure of confidential information by scanning both 'data-at-rest' and 'data-in-motion'. To keep ahead of potential data security threats, the latest advances in security technology were also evaluated. These included the use of mobile and desktop biometric readers and stronger two-factor authentication schemes that are both chip- and software-based.

In 2010, the Public Bank Group spent an additional RM2 million to enhance the Analytic Customer Relationship Management ("ACRM") system. In this initiative, advanced predictive and descriptive models based on dimension reduction techniques, linear and logistic regression, and decision trees are used to study customer behaviour. Analysis was performed using data extracted from the existing CRM data warehouse. The ACRM system will enable more effective marketing and cross-selling activities that target the right customers thus maximising the value of each customer relationship. In addition, customer retention analysis will also identify customers who are likely to leave or cancel a service so that proactive measures can be taken to rectify issues and retain the customer. Public Bank has also upgraded its financial reporting system from the obsolete version of Essbase to SAS Financial Management System for more flexible indepth analysis and reporting on cost management and profitability by lines of business.

Branch Performance – KPIs and Awards



Branch Key Performance Indices

Public Bank evaluates the business performance and operational efficiency of branches with the use of Key Performance Indices ("KPIs"). These KPIs serve as a performance measurement tool to measure the progress of branches towards meeting the Bank's operational and strategic business goals as well as form the basis for allocation of resources and for appraisal of branch managers and other key staff in branches. All the key performance factors which are critical in determining branch performance, such as profitability, loans and deposits performance, asset quality, service delivery and staff productivity are incorporated into the KPIs. The KPIs are reviewed annually and changes or adjustments are made to adapt and align the KPIs to changes in the operating environment as well as the current business strategies and objectives of the Bank.

At the start of each year, Public Bank sets the KPIs which are then communicated to the branches. The performance of each branch and its ranking among its peer group of branches is monitored and fed back to all branches on a monthly basis to enable them to benchmark themselves against their peer group of branches and to take necessary remedial actions. The regular and close monitoring of branches' KPIs by Head Office drives branches in the achievement of their KPIs.

The KPIs included in the performance measurement of branches, branch managers and other key business drivers of branches are tabulated below:-

KPI	Measurement Criteria
A. Profitability	
a) Retail Profit	• Achievement of profit targets. • Incremental profit per staff. • Profit contribution compared to peer group of branches.
b) Return on Equity ("ROE")	• Actual ROE vs budgeted ROE. • Improvement in ROE from the previous year.
c) Non-Interest Income	• Achievement of non-interest income targets and improvement from the previous year. • Achievement of targets for fee-based income products.
B. Loans Performance	
a) Retail Loans	• Achievement of retail loan growth targets. • Growth in % and quantum from the previous year compared to peer group of branches.
b) Hire-Purchase Financing	• Achievement of hire-purchase financing growth targets. • Growth in % and quantum from the previous year compared to peer group of branches.
C. Deposits Performance	
a) Demand, Savings and Fixed Deposits	• Achievement of demand, savings and fixed deposits growth targets. • Growth in % and quantum from the previous year compared to peer group of branches.
D. Asset Quality	
a) Credit Control	• Reduction in impaired loans. • Achievement of recovery targets. • Increase in new delinquent accounts. • Operational and credit lapses.
E. Productivity/Efficiency	
a) Customer Service in Frontline Delivery	• Achievement of benchmark for standard waiting time. • Number of counter transactions and productivity per teller.
b) Loan Service Delivery	• Achievement of benchmark for loan processing turnaround time. • Volume of loans processed compared to peer group of branches.
c) Cost Efficiency	• Achievement of targeted cost to income ratio. • Improvement in cost to income ratio from the previous year.
d) Product Holding (Cross-selling)	• Achievement of targeted product holding per customer. • Improvement in average product holding from the previous year.
e) Controls & Compliance	• Internal controls and general management of the branch.

Branch Performance Awards

As part of Public Bank Group's performance-based reward structure, the Group accords recognition to branches, including those of its overseas business units, with outstanding performance in the various key performance areas. On a yearly basis, these Branch Performance Awards, together with attractive monetary prizes, are awarded to both domestic and overseas branches to motivate branches to strive for outstanding business performance, higher efficiency and productivity.

Branches are assessed in the key areas of business performance, loan asset quality, risk management, cost efficiency and productivity, as well as customer service delivery. The assessment is based on very stringent criteria with each branch rated against their peer group of branches. In the key areas of business performance, branches are assessed on specific performance measures in respect of profitability, retail loans, hire purchase financing, Islamic banking business, deposits, non-interest income and sales of credit cards, unit trusts and structured investment products and bancassurance products. The performance measures are based on achievement against management targets, growth rates and on a per staff basis. For cost efficiency and risk management, branches are assessed on credit risk management, branch internal controls and cost-income management whilst for customer service, branches are assessed on achievement of frontline and loan service delivery standards and channel management performance.



The Branch Performance Awards for 2010 comprised 16 Special Awards, 10 Best Branch Awards and the prestigious Founder and Chairman's Award for the overall best branch for the year.

The winners of the Best Branch Awards for 2010 were as follows:-

Domestic Branches

Group 1	Kota Bharu Branch
Group 2	Segamat Branch
Group 3	Lahad Datu Branch
Group 4	Inanam Branch
Group 5	Taman Melaka Raya Branch
Group 6	Bandar Bukit Tinggi Branch

Overseas Business Units

Public Bank (Hong Kong) Limited
Hunghom Branch

Public Finance Limited
Tsuen Wan Branch

Cambodian Public Bank Plc
Olympic Branch

VID Public Bank
Binhduong Branch

For 2010, the Founder and Chairman's Award, which included a cash prize of RM50,000 and a gold crafted challenge trophy went to Segamat Branch. A total of 100 awards with cash prizes exceeding RM1 million were awarded to the winners of the Branch Performance Awards for 2010.

Outlook for 2011



Outlook for the Malaysian Economy and Banking Industry

The Malaysian economy is expected to grow between 5.0% and 6.0% in 2011, driven by healthy domestic demand as advanced economies continue to be saddled with slow economic recovery, weak labour markets and high budget deficits putting pressure on sovereign debt, particularly in the European Union. Most Asian economies are likely to post strong growth and intra-regional trade is forecast to remain healthy.

With strong economic fundamentals such as low inflation, low unemployment and strong balance of payments, Malaysia's economic growth is expected to be led by private investment and private consumption, supported by a revival in capital expenditure and higher disposable household income. The various initiatives and measures in the Budget 2011, the New Economic Model, the 10th Malaysia Plan and the Economic Transformation Programme will support economic activity.

On the supply side, growth is expected to be broad-based. The services sector will benefit from the roll-out of programmes and initiatives under the National Key Economic Areas while strong domestic investment and consumption activities will fuel expansion in the manufacturing sector. The construction and agriculture sectors are expected to remain healthy. Monetary policy will continue to be accommodative as inflation is likely to remain modest. However, the flow of short-term capital into emerging market economies, including Malaysia, will pose a challenge for the conduct of macroeconomic policies.

The banking industry in Malaysia is expected to sustain its profitability with healthy capital and strong asset quality in 2011. The competitive landscape will intensify further due to the more liberal operating environment for incumbent foreign controlled banks, the entry of new players and ample liquidity in the banking system, leading to greater pressure on interest margins.

Loan growth in 2011 is expected to remain robust due to strong consumer sentiment, healthy business confidence and a low interest rate environment. The introduction of a maximum loan-to-value ratio of 70% on the third house financing facility is not expected to significantly affect loan growth. Asset quality of the banking system is also expected to remain stable due to low unemployment, improved risk

management practices and prudent credit underwriting by banks. The current low rate of new impaired loan formation is expected to be maintained in 2011. With high domestic savings and low interest rates, household debt burden is expected to stay manageable.

The banking system will continue to maintain satisfactory funding and liquidity profiles with stable loan to deposit ratios. Following the expiry of the blanket deposit guarantee in Malaysia at the end of 2010, core customer deposits are protected up to RM250,000 from 2011. Banks in Malaysia are expected to aggressively pursue deposit growth to support their lending business.

Expectations and Opportunities

In consumer lending, there will be strong demand for home mortgages, passenger vehicle hire purchase financing, personal loans and credit cards. Passenger vehicle hire purchase financing is likely to sustain based on expectations that car sales will remain robust. Household gearing in Malaysia is projected to remain within prudential levels.

Strong demand for business loans by SMEs is expected in 2011. SMEs will continue to play a vital role, not only in generating income and growth for the economy, but also in providing steady employment. Coupled with continued public expenditure, the implementation of projects under the 10th Malaysia Plan and the Economic Transformation Programme will support SMEs and their requirements for funding. Capital expenditure is expected to return gradually.

There are ample opportunities for banks to promote their deposit-taking business in 2011 due to positive real interest rates, steady growth in household income and business profits. To mobilise deposits, banks are expected to introduce more innovative products and services, improve delivery channels and customer service and further strengthen their customer relationship management. Banks will also offer more customised and personalised services to increase their market share and make use of technology and customer analytics to segmentise markets for more effective market penetration.

In an environment of heightened competition in the lending business, banks will seek to strengthen their fee-based activities. In particular, opportunities exist to expand the wealth management business in Malaysia, given rising income levels and growing demand for such products and services by the higher income consumer segment. Growth opportunities are also seen in the areas of developing an efficient payment system based on e-payment and mobile banking platforms.

Islamic banking and finance is expected to accelerate in the next few years, as it had shown resilient performance during the recent global financial crisis. Efforts to promote greater understanding of Shariah principles and develop expertise in Islamic banking and finance will provide further impetus to the growth of Islamic banking and finance in Malaysia.

Strategies and Direction

The Public Bank Group will seek to tap all growth opportunities arising from the improving economic and business environment, with the aim of delivering superior shareholder value over the long-term. Retail consumer and commercial banking will remain the core focus of the Group. In consumer financing, the Group will continue to promote home mortgages, passenger vehicle hire purchase financing and personal financing. In retail commercial lending, the Group will focus on SMEs across all the broad economic sectors. The Group will maintain its sound credit appraisal and approval process and strong credit culture to sustain the quality of its loan assets. On the liability side, the Group will continue to mobilise core customer deposits to ensure a stable funding base and a liquid balance sheet, as well as to sustain its low funding cost. Public Islamic Bank will continue to expand its core business of retail-based consumer and business financing such as Bai'-Al-Einah Personal Financing-i.

The Public Bank Group will expand the scale and scope of its fee- and transaction-based revenue to sustain long-term profitability growth and improvement of its return on equity. The Group will focus on its unit trust business, bancassurance and wealth management products, its card business and investment-linked products as well as further tap on its large branch distribution network, its large agency force and expanding sales and marketing resource. Together with the ING Group, the Group will start to promote family takaful business in 2011.

To sustain its competitive position, the Public Bank Group will continue to upgrade its information and communication technologies, staff core competencies and delivery standards. The Group plans for selective branch expansion in new growth areas. Efforts to increase customer product-holding through cross-selling activities and improve cost efficiency will continue.

The Public Bank Group will maintain its prudent management culture and good corporate governance practices which are the cornerstones of the Group's long-term success. The Group's efforts to further strengthen its risk management capacity will continue.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

25 January 2011



Corporate Responsibility

Corporate Responsibility (“CR”) is de rigueur in corporate corridors today as stakeholders increasingly demand higher levels of accountability, transparency, ethics and integrity in the conduct of business as well as the impact of the business on the environment. There is also a growing demand for separate sustainability reporting globally as it is seen as contributing towards the advancement of sustainable development.



An appropriate definition of CR is provided by the World Business Council for Sustained Development which says, “Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

In Bursa Malaysia Corporate Social Responsibility Framework, corporate social responsibility is defined as “open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders. It is designed to deliver sustainable value to society at large”.

When the business of a corporate is conducted responsibly, the reputation and standing of the corporate is enhanced and the high level of stakeholders engagement in the corporate could lead to greater competitiveness and higher stock market valuations of a listed company.

Although not expressly referred to as CR and well before it became part of the corporate vocabulary, the Public Bank Group had already subscribed to the notion of conducting its business in an ethically, socially and environmentally sustainable manner which is embodied in its long held corporate philosophy which states that:

Public Bank Cares ...

For Its Customers

- By providing the most courteous and efficient service in every aspect of its business
- By being innovative in the development of new banking products and services

For Its Employees

- By promoting the well-being of its staff through attractive remuneration and fringe benefits
- By promoting good staff morale through proper staff training and development and provision of opportunities for career advancement

For Its Shareholders

- By forging ahead and consolidating its position as a stable and progressive financial institution
- By generating profits and a fair return on their investment

For the Community It Serves

- By assuming its role as a socially responsible corporate citizen in a tangible manner
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

... With Integrity



As a leading financial services group in the country, the Public Bank Group is fully committed to responsible corporate practices, which have a positive impact on the social and economic development of the countries that the Group operates in, by conducting its business activities in a sustainable manner.

The CR initiatives of the Public Bank Group are focused on:

- Nation building
- Enhancement of the market place
- Promotion of the workplace
- Customer care
- Building the future through education
- Support of the community
- Preserving the environment

CR in Nation Building

As the largest non-government linked corporation on Bursa Malaysia with total assets and market capitalisation of RM226.33 billion and RM45.96 billion respectively as at the end of 2010, the Public Bank Group forms an integral and vital part of the financial system in Malaysia. The Public Bank Group with its unbroken track record of 44 years of profitability has contributed significantly to the stability of the Malaysian financial system. As a strong and stable financial system is a pre-requisite to a healthy economy, the Public Bank Group has played, and continues to play, a key role in the progress of the economic development of Malaysia and in contributing to nation building.

Supporting Home Ownership

One of the core businesses of the Public Bank Group is the financing of home purchases with more than a quarter of the Group's total loan portfolio comprising of residential mortgages. In 2010, the Group approved a total of 55,694 housing loans, of which 63.3% was for the purchase of

residential properties costing between RM100,000 and RM350,000 which enabled middle income households to purchase their own homes. Public Bank and Public Islamic Bank also consistently exceed the minimum commitment levels for the financing of low cost housing required by Bank Negara Malaysia. In 2010, Public Bank and Public Islamic Bank had committed to finance 2,295 units of low-cost houses. As at the end of 2010, total loans outstanding for this segment amounted to RM2.29 billion for Peninsula Malaysia and RM237.8 million for East Malaysia. This core business of the Group is therefore assisting the average Malaysian and also low income families to achieve their dreams of becoming home owners and generally promoting the level of home ownership in the country.

Firm Supporter of SMEs and Micro Enterprise

The majority of business establishments in the country are small- and medium-sized enterprises ("SMEs") and the bulk of the Public Bank Group's lending to commercial customers is to SMEs for the financing of their working capital and business expansion needs. In 2010, this business segment accounted for 21.2% of the Group's total new domestic loans approved. Besides the focus of the Group's commercial lending business on the financing of SMEs, Public Bank and Public Islamic Bank have also been an active supporter of the Bank Negara Malaysia's priority sector lending to SMEs. In 2010, Public Bank and Public Islamic Bank committed a total of RM11.06 billion in financing to SMEs, which far exceeded its combined two year allocation of commitment of RM8.2 billion in 2010 and 2011 required by BNM. Public Bank and Public Islamic Bank have always supported the Government's initiatives and financing schemes to promote SMEs activities. Public Bank's strong support of the Fund for Small & Medium Industries initiated by the Government has reached RM601 million in 2010. To facilitate SMEs seeking funding, Public Bank also actively promotes schemes which leverage on the guarantee cover provided by Credit Guarantee Corporation Berhad ("CGC"). To date, Public Bank has assisted more than 8,000 business customers

obtain financing exceeding RM850 million under the various CGC guarantee schemes. With the Group's excellent track record in supporting SMEs, Corporate Guarantee Corporation Berhad had recognised Public Bank as one of the top SMI Supporters for three consecutive years since 2007.

Public Bank continues to promote schemes which provide access for micro enterprises to grow. Public Bank has signed an agreement with CGC on the implementation of the SmallBiz Express guarantee scheme which is targeted at micro enterprises and has an initial portfolio size of RM5 million. Public Bank is the first financial institution to tie-up with GCG for this new scheme.

Along with the support of SMEs, the commercial lending business of the Public Bank Group is helping SMEs and micro enterprises to expand which, in the medium- to long-term, will benefit the country through higher tax revenues and the creation of employment opportunities for Malaysians.

Significant Tax Payer

The strong and record profitability of the Public Bank Group mean the Group has been a significant contributor to the fiscal revenue of the country. With total tax payments of RM3.45 billion since the end of 2005, Public Bank has contributed significantly to the financial well-being and development of Malaysia.

CR in the Market Place

Commitment to Corporate Governance

The Public Bank Group's excellent corporate governance track record is recognised by market participants such as the Minority Shareholder Watchdog Group ("MSWG") which awarded Public Bank with five awards namely the Hall of Fame Award, the Overall (Top Three) Award, the Distinction Award, the Industry Excellence Award (Finance) and the Best Conduct of AGM Award in recognition of its exemplary performance, from amongst the top 100 public listed companies on the Malaysian Corporate Governance



Index 2010. Corporate Governance Asia, an authoritative journal on corporate governance in the region, awarded the Corporate Governance Asia Recognition Award 2010 to Public Bank. The award of the Malaysian Business-CIMA Enterprise Governance Awards 2010 by Malaysian Business to Public Bank as the Overall Winner for the 3rd. consecutive year and for Best Return to Shareholders and Best Corporate Social Responsibility for the 2nd consecutive year, together with top ratings in several corporate governance polls by international publications serve to reaffirm the commitment of Public Bank to the highest level of corporate governance.

Ethical Business Culture

The creation and proactive management of a culture of integrity, ethical behaviour and honesty that is pervasive throughout the Public Bank Group, and a zero tolerance of fraud and unethical conduct means that the way in which the Group behaves in making its profits is just as important as the profits that it makes. The promotion of the strong ethical business culture by the Group will also help promote a healthy market place.

Development of the Malaysian Capital Markets

The extensive engagement of shareholders and investors through the various channels of communication such as the high level of investor relation activities, well attended general meetings of shareholders, regular financial results briefings of the investor community and the media, and the participation in international road shows and investor conferences ensure that the Public Bank Group remains at the forefront of the investing public, including global institutional investors. These activities contribute to the promotion of investments in, and the development of the capital markets of, Malaysia at a time when there is stiff competition regionally and globally for international investors' money.

Professional Development

The Public Bank Group continues to support the development of the market place with its contribution to a broad spectrum of professional development activities which will benefit the market place in the long-term.

Public Bank continued to be the main sponsor of the "MIM-Public Bank Manager of the Year" award programme for the fourth year in collaboration with the Malaysian Institute of Management. The programme is aimed at promoting the development of managerial talent and excellence in management practices in the country with Public Bank committing to a total funding of RM300,000 for the 5-year programme.



Public Bank contributed RM60,000 as the main sponsor of the National Award for Management Accounting ("NAfMA") for the seventh consecutive year.

In addition, Public Bank also gave support to the Malaysian Institute of Accountants ("MIA") with a sponsorship of RM50,000 for the 18th World Congress of Accountants co-hosted by MIA and the International Federation of Accountants and which was attended by 6,500 delegates comprising accounting professionals and academicians worldwide.

Public Bank also contributed RM25,000 to the Malaysia National Tax Conference 2010 organised by the Lembaga Hasil Dalam Negeri Malaysia ("LHDNM") and the Chartered Tax Institute of Malaysia.

CR in the Workplace

Reputed as a “Caring Employer of Choice”, the Public Bank Group continues to invest significant resources in caring for its 17,369 employees all over Malaysia and those overseas in its regional operations.

Amongst the various programmes designed to enhance the employees’ quality of life and well-being are the provision of:

- A safe and healthy working environment
- Skill and competency development
- Work-life balance
- Conducive industrial climate at the workplace
- Employee welfare

Health and Safety

The Public Bank Group is committed to provide a safe and healthy working environment for its employees. Guided by the provisions of the Occupational Safety and Health Act (OSHA), the 93 Safety & Health Committees, comprising representatives of management and employees at Head Office and branches, continue to play their roles in reviewing safety and health issues at the workplace on a quarterly basis. Such reviews serve to foster joint ownership and create a conducive and comfortable working environment for all staff and customers. Periodic in-house safety and health audits are also conducted to ensure compliance of Public Bank’s safety rules & regulations. Members of the Safety & Health Committees were nominated to participate in relevant training and seminars to enhance their skills and knowledge in safety and health.



All employees are encouraged to attend biennial medical check-ups at Public Bank’s panel of clinics to ensure they maintain a healthy lifestyle and to facilitate early detection and treatment of any serious illness. This is further supplemented with a comprehensive medical benefit scheme including specialist treatment and hospitalisation for staff and their immediate families. The Public Bank Group believes “a sound mind needs a sound body”. To inculcate awareness on the importance of personal health and to promote a healthy lifestyle amongst staff, the Public Bank Group regularly works with health service providers including specialist hospitals and fitness centres to co-ordinate health related talks and fitness programmes for staff participation.

Training and Development

To ensure that the Public Bank Group is supported by a pool of competent and motivated employees, human resource development strategies are employed to enhance the long-term value of the Group’s human capital. This is to empower its employees to deliver the highest performance standard expected as well as to prepare them for career progression. The development programmes encompass both structured in-house classroom training and interactive training through the e-training platform. In 2010, 2,335 classroom training days were conducted for a total of 26,096 participants while 59,177 participants completed the relevant e-Learning courses.

To further enhance professionalism among staff to achieve workplace excellence, the Public Bank Group sponsors staff for various certification programmes and award incentives to staff upon attainment of such work-related qualifications.

Quality of Life

The Public Bank Group's 44 years of unbroken track record of profitability and strong financial performance continue to support its aim of providing its employees with long-term stable employment with the Group. Besides a competitive salary structure, the Public Bank Group seeks to provide a sustainable quality of life to its employee with a holistic and wide ranging benefits programmes. Included amongst these programmes are the provision of staff loan schemes providing low interest or interest-free loans for housing, vehicles and other forms of financial assistance in times of need.

To promote a work/life balance for its staff, the Public Bank Group organises various sporting activities such as aerobics and yoga classes for staff to pursue recreation through exercise and sporting activities. Social gatherings and annual dinners which involve significant levels of staff participation in the organizing committees and staff performances are also held to promote cohesiveness and team spirit amongst staff.

The Public Bank Group's care for its employees extends beyond their tenure of employment. Over and above the statutory EPF contribution for all employees, the Group provides a defined benefit retirement scheme for eligible officers of Public Bank and certain subsidiary companies. This long-term benefit provides the social safety net for employees to sustain a quality lifestyle after they retire from the Group. In 2010, RM19.4 million was paid out under the defined benefits scheme.

In the unfortunate event of death and long term disability, the Group provides different forms of relief via its gratuity and insurance schemes. In 2010, RM643,000 was paid to employees in respect of death and disability benefits.

Conducive Industrial Climate

The Public Bank Group is committed to maintaining a conducive industrial climate for its employees by providing fair and equitable employment terms to a diverse workforce of various ethnicity regardless of gender and creed. As part of its commitment, the Group not only provide assistance and support to its employees who suffer disability, but also provide employment opportunities to the disabled public such as the visually challenged. The provision of paternity leave and 90 days of maternity leave is the Public Bank Group's commitment to its employees to fulfill their domestic roles before returning to the workforce. Subsidised child care for selected employee groups are also provided.

The Public Bank Group's policy on sexual harassment further seeks to maintain a work environment that is free from discrimination and harassment for its employees. Employees of the Group enjoy equal opportunity for career development based on their own merits. This is complemented by a highly quantitative and transparent appraisal system to provide the basis of a performance-based reward structure and career path progression.

To foster a harmonious working environment, the Public Bank Group maintains a cordial relationship with the various bank employee unions and adheres closely to the Code of Conduct for Industrial Harmony. It also adopts an open door policy to allow employee access to appropriate channels of communication for feedback and grievance resolution.

Performance Data

	2010 %	2009 %
Human Resource Malaysia		
Supervisory	56.5	57.1
Non-supervisory	43.5	42.9
Female	59.2	58.9
Male	40.8	41.1
Union members	27.3	25.5
Non-union members	72.7	74.5
Age group: <30	40.6	41.5
30 to <40	36.8	38.0
40 to <50	17.7	16.5
50 and above	4.9	4.0
Diversity: Malay	38.9	38.7
Chinese	53.7	53.9
Indian	7.1	7.1
Others	0.3	0.3
Women in management	35.2	33.3
Women in top management	39.7	39.1
Employee turnover rates:		
Supervisory	12.3	9.5
Non-supervisory	7.5	7.7
Service in the Group:		
<1 year	7.8	10.8
1 to <5 years	27.4	25.7
5 to <15 years	31.3	33.6
15 years and above	33.5	29.9

	2010 %	2009 %
Staff Development		
Employee participation in training:		
Classroom (headcount)	27,199	26,304
E-learning (headcount)	59,202	59,380
Average no of participants per training programme (headcount)	26	23
Average training budget per employee	RM1,832	RM1,728
Total hours of training per employee	25 hours	22 hours
Employee Welfare		
Benefits paid under the Group's protection insurance policies:		
i) Personal Accident Insurance (RM'000)	RM121	RM453
ii) Group Term Life Insurance (RM'000)	RM522	RM726

Staff Welfare

The Public Bank Group constantly keeps abreast with market development on compensation and benefits in the financial services industry and the market place in general. The Group participated in 2 annual total rewards surveys as well as several quarterly pulse surveys to benchmark its remuneration package to that of the marketplace so as to provide all employees with a competitive and equitable remuneration that commensurate with their contribution to the Group.

For 2010, the Public Bank Group continued to reward performing staff generously. RM129 million was paid in performance bonus to all levels of staff with top performers being paid bonuses of up to 22 months of salary. Branches were also given generous cash awards for emerging top in selected KPIs to encourage team spirit and engagement.

Long service with the Public Bank Group is recognized tangibly with long service gold medallions awards. In 2010, 1,797 employees were recognized with long service award medallions with a total value of RM2.6 million.

Led by its unwavering belief that it is its people who will define the Public Bank Group, management will continue to seek and create a fulfilling, conducive and caring environment for its employees and be their “Employer of Choice”.

CR to Customers

The Public Bank Group is fully committed to providing the best service to its customers. A range of initiatives have been put in place to enrich the service delivery to its customers. This ranges from an ISO-certified Quality Management System for counter customer service, customer transparency on the terms and conditions of the Group’s products, to an efficient complaint resolution system.

Quality Management System

The Public Bank Group has in place a Quality Management System (“QMS”) that is accredited with the internationally recognized ISO 9001:2008 standard. The QMS measures



and monitors compliance to the Group’s standard on service delivery such as its iconic 2-minutes Standard Waiting Time for customer service at the front office counter. Loan service delivery is also monitored for compliance to the Standard Turnaround Time for loan processing and loan disbursement.

Specialised counter services are provided via special care counters at branches to reinforce Public Bank’s commitment to be a more caring corporate citizen. Senior citizens, expectant mothers and the physically disabled are accorded priority service at these counters throughout all branches.

Complaint Resolution System

As part of its corporate responsibility to ensure that customers are treated fairly, the Public Bank Group has established an efficient customer complaint resolution system. A maximum number of days has been set for all types of customer complaints whether related to customer service, product or fraud – to be acknowledged, resolved and notified to customers promptly. In 2010, Public Bank handled all cases of customers’ complaints well within the maximum number of days set.

Customer Transparency

The Public Bank Group seeks to ensure that customers are provided with sufficient and reliable information on products, pricing and services to facilitate informed decisions by customers. Such information is easily available on the Public Bank’s e-banking platform and from brochures and posters placed at all the Bank’s branches. Various personnel at branches are also trained to provide comprehensive product

knowledge and to effectively assist customers in meeting their financial requirements. Personal Financial Executives will analyse customers' investment needs and provide investment advice based on customers' risk appetite. Bancassurance Sales Executives provide adequate and complete information on financial protection plans to cater to customers' varied needs. Information on various types of loans are provided by staff in branches, whilst enquiries on credit cards and deposits are handled by the Customer Service Representatives at the banking halls of branches. Thus, customers are provided with professional, current and up-to-date information to assist them in their decision making process to fulfill their needs.

Extending Assistance to Borrowers

With the interest of customers in mind, the Public Bank Group has taken various proactive steps to assist customers facing difficulties in meeting their repayment obligations. The steps taken include extension of the loan tenor and using EPF withdrawals for housing loan repayments. Being mindful of helping customers avoid foreclosure of the properties pledged as security for their loans, the Group actively engages with customers who encounter financial difficulties in servicing their loans to restructure and reschedule their loans. These restructuring and rescheduling exercise seeks to match customer commitments to their reduced capacity to service their loans due to distress economic conditions or cash flow disruption. In 2010, Public Bank restructured and rescheduled over 6,357 loans totalling RM0.73 billion, of which RM0.42 billion were in respect of residential mortgages.

CR in the Community

In fulfilling its corporate responsibility to society and the community that it serves, the Public Bank Group had in 2010 focused on CSR initiatives and activities in the areas of:

- Education
- Healthcare
- Culture and community activities
- Support of the underprivileged

Building the Future Through Education

The Public Bank Group continues with its support of the education of the nation's youth.

Public Bank contributed RM250,000 in 2010 to Universiti Tunku Abdul Rahman ("Universiti TAR") for the Tan Sri Dato' Sri Dr. Teh Hong Piow Chair in Banking and Finance. This is the second instalment of the RM1.25 million contribution over a period of five years which has seen the appointment of a distinguished professor to hold the Chair and to conduct applied research in the fields of banking and finance in the Universiti TAR Perak Campus in Kampar.

The Tan Sri Dato' Sri Dr. Teh Hong Piow Chair in Banking and Finance is to promote exchange of technical expertise between industry and academia, develop and achieve excellence in research and development in respect of banking and financial services, products and services to facilitate and organize activities in the enhancement of the banking and finance industry as well as to establish a strong pool of experts consisting of both academia and industry representatives to facilitate such research.

Universiti TAR and TAR College students continue to benefit from the RM2.0 million "UTAR-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund" and the RM1.5 million "TARC-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund" established in 2007 to support Malaysian youths who have the capacity and intellect but lack the means to pursue a higher education.

Public Bank's branches in Kota Baru, Sibul and Port Dickson also participated in the Student Financial Club Leadership Workshops in 2010, jointly organized by the Ministry of Education and Bank Negara Malaysia to inculcate financial knowledge amongst school children.



Healthcare

Public Bank extended financial assistance to the Institut Jantung Negara (“IJN”) Foundation to assist with the operational and management costs in running a newly setup “Halfway House”. The Halfway House or Dormitori Yayasan IJN-Public Bank provides free accommodation to the families of needy patients undergoing treatment at the IJN to facilitate close family support which will provide comfort and promote faster recovery of heart patients. Public Bank’s donation totalling RM500,000 comprise of an annual grant of RM100,000 for five years to cover the cost to operate, maintain and administer the halfway house.

The Persatuan Dialisis Kurnia Petaling Jaya received RM200,000 from Public Bank to enable the Persatuan to purchase new dialysis machines to help care for patients suffering from kidney failure and requiring haemodialysis treatment.

Culture and Arts

In promoting Malaysian culture and art, Public Bank responded to the call initiated by the Ministry of Information, Communication and Culture by providing financial assistance of RM50,000 to support the production of a Malaysia-themed musical entitled “KITA – The Musical” which was staged at the Istana Budaya, Kuala Lumpur.

Community Activities

The Public Bank Group continues to recognise the contribution of the country’s police force by supporting the activities of police associations with Public Bank donating RM50,000 to the Kelab Polis Trafik Kuala Lumpur and Public Islamic Bank donating RM20,000 to the Koperasi Polis DiRaja Malaysia for the enhancement of welfare of policemen and their families.

Sharing the grief with Cambodians over the Water Festival bridge tragedy which occurred on 22 November 2010 at Diamond Island, Cambodia, Cambodian Public Bank Plc and CampuBank Lonpac Insurance Plc jointly donated USD21,618 to the victims of the tragedy.

Support of the Underprivileged

In conjunction with the Chinese New Year celebration, Public Bank distributed hampers and ang paws totalling RM7,000 to senior citizens of Seri Kembangan Old Folks Home.

Public Mutual Berhad, a wholly owned subsidiary of Public Bank organised a book donation drive with 300 used books collected from the staff and which were donated to Rita House, a residential institution devoted to the care of the orphaned, physically challenged and the elderly.

Environmental CSR

The issue of climate change is taking on greater prominence on the global stage as the world suffers from the effects of environmental change and global warming. The Public Bank Group is mindful of its role in helping to sustain and improve the environment by promoting awareness and conservation of the environment.

Public Bank – MNS Tree Planting Climate Change Programme

The Public Bank Group together with the Malaysian Nature Society (“MNS”) and in collaboration with the Ministry of Natural Resources and Environment had been involved in a multi-year tree planting project at the Kolam Takungan Banjir Seri Johor in Cheras, Kuala Lumpur. The objective of this project is to help improve the urban ecosystem and reduce the carbon footprint at the flood retention pond which forms part of the Kuala Lumpur city flood management system.

Into its third year since Public Bank embarked on this project in 2007, it was originally targeted for a total of 20,000 trees to be planted on a 45-acre site owned by the Drainage and Irrigation Department. However, to avoid overcrowding of the trees, only a total of 12,241 trees were planted at the site by the end of the project period in June 2010. Reducing the number of trees will allow the earlier planted trees to thrive and survive.

Besides having a lasting impact on the environment, Public Bank also promotes the preservation of selected species of indigenous trees such as the Meranti, Cengal, Tembusu and Merbau as only indigenous species are planted at the site through the employment of appropriate planting techniques. The planting of the trees will significantly enhance the flood retention capabilities of the Kolam Takungan Banjir Seri Johor.

With the planting of the 12,241 trees, the site would still have an annual carbon absorption capacity equivalent to 275,423 kilograms of environmentally harmful carbon dioxide emission upon the maturity of the trees, on the basis of a single mature tree having a carbon absorption rate of 22.5 kg per annum.

Besides establishing a green lung in the midst of an urban landscape, the project is beginning to provide the local community with an amenity to enjoy nature with the flora and fauna of the site as the trees begin to mature. The Public Bank Group is also committed to the subsequent maintenance of the site in collaboration with the local authorities and with the assistance of the MNS.

Green Building

Public Mutual Berhad has obtained the Development Order from the authorities to build its 40-storey Head Office building located in Jalan Raja Chulan, Kuala Lumpur. The proposed building, which will be based on an environmentally friendly design concept encompassing six key criteria – energy



efficiency, indoor environmental quality, sustainable site planning and management, materials and resources, water efficiency and innovation, has been awarded a pre-certification “Gold” rating by the US Green Building Council under the Leadership in Energy and Environmental Design (“LEED”) Green Building Rating System.

In an effort to attain a double rating for this building, the Public Bank Group has also submitted its application for a “Gold” rating accreditation under the Green Building Index (“GBI”) certification system administered by the Malaysia Green Building Index Sdn. Bhd. The application is still being evaluated for the “Gold” certification by the GBI Council.

As a responsible corporate citizen, the Public Bank Group is confident that the proposed building, which is designed to achieve energy and resource conservation, will help to create awareness among the general public on the importance of environmental sustainability.

“Go Green” Campaign

Public Mutual Berhad also raised its efforts to give back to the community and environment by contributing to the conservation of the environment. In May 2010, Public Mutual unit trust consultants and staff pledged RM22,775 to plant 911 trees under the “Go Green Campaign”. This collaborative effort between Public Mutual and the Malaysian Nature Society led to the tree planting activity held in Kota Damansara Community Forest, Selangor.

The Public Bank Group continued with its effort in promoting the preservation of the environment by continuing to adopt a flora and fauna theme in the promotion of its corporate image through its annual corporate gifts such as corporate calendars, desktop calendars and diaries.



Human Capital Development

ONBOARDING

**It's not what you know It's also what you do
with what you know that makes a difference**

As an organisation that cares for its people, the Public Bank Group seeks to ensure that the Group not only increase its pool of appropriate talent but also take care of the emotional, psychological and professional issues that the Group's talents face as they journey through their careers. As such the Group has put in place strategies as follow:



Getting It Right from the ONSET

Developing and equipping new employees with the appropriate knowledge, capability and skills – key to the Group's future prosperity



Public Bank wants to be recognised and be recommended as a trusted brand by customers and it all starts with the people.

The story at Public Bank begins with a thorough 10 day Onboarding Programme where new staff are engaged through:

- Induction programmes which familiarise them with the values and beliefs of their “corporate family”
- Introduction to banking where they are equipped with the necessary skills and knowledge so that becoming functional is made painless and they also understand their job in a wider context

They are then guided through on-the-job programmes by their immediate supervisors to ease them into their new responsibilities and to effectively fill their positions.

Public Bank's broad policy has always been to get onboard those who are committed to a long term career with the organisation since trust and relationships are built over time.



Preparing for NEW Responsibilities

Stepping up the Group's future leaders to ensure smooth management transitions



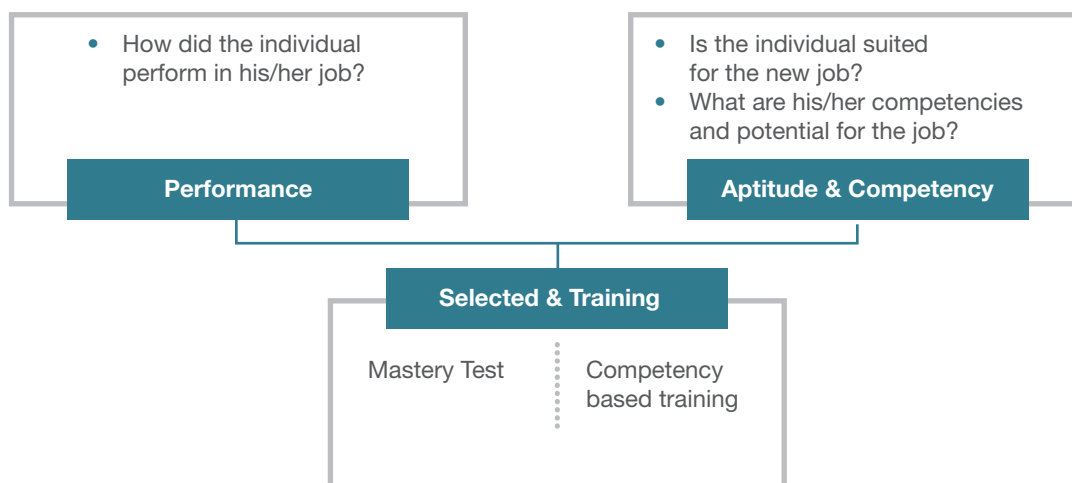
Growing talent internally forms an important part of Public Bank's pipeline for the Bank to grow and compete in the future.

Public Bank's commitment to this process is reflected in:

- the selection of appropriate candidates through mastery tests
- preparing them for their new responsibilities and building their expertise through:

- career programmes to cascade process and controls, legal and regulatory requirements, mould leadership capabilities as well as customer orientation skills
- mentoring and on-the-job coaching

For 2010, a total of 8 mastery tests were held to evaluate and assess 747 candidates for various positions nationwide.





BUILDING Core Skills to Meet Ongoing Challenges

Creating a profile that fits Public Bank's vision and mission

Onboarding requires the setting of priorities; amongst them, mass skill upgrading through formal classroom-based training, informal on-the-job training, coaching and mentoring.

Online learning programmes are also developed so that staff have the flexibility of learning at anytime, any place and at their pace while meeting Public Bank's criteria of fulfilling specific training requirements and mandatory training days.

In advocating workplace collaboration and knowledge management, staff are also provided with immediate and easy access to information that are pertinent to their job functions on Public Bank's Learning Management System.

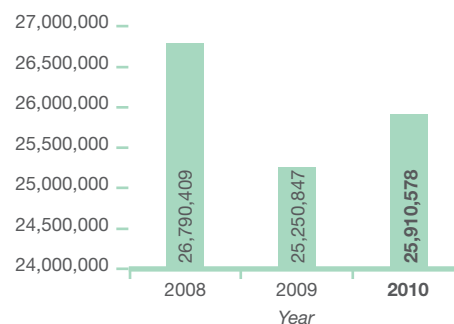
While Public Bank's Knowledge and Learning Centre in Bangi remains the hub of learning activities, training is also extended to and carried out in the Public Bank Group's overseas operations - both in terms of the content as well as human resources allocation. Training centres are also set up in Cambodia in addition to that in Hong Kong to accelerate the learning and development process.

The Public Bank Group's overseas staff is therefore very much wrapped in the culture of Public Bank and in sync with the Group's objective to build an even more solid business base in the respective countries in which the Group operates.

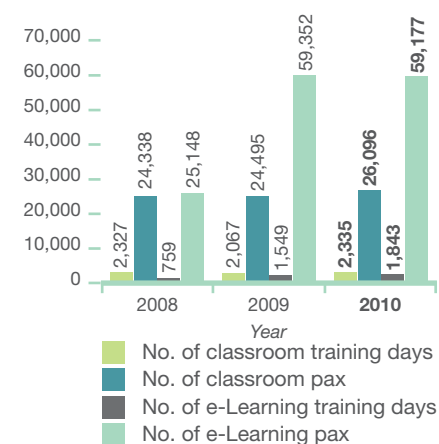
The challenge in the Public Bank Group's commitment to develop its human capital is always to achieve the Group's aspiration of maximising its reach to create a pool of quality staff while minimising cost per participant.

For 2010, Public Bank invested about RM25.9 million in its human capital; training a total of 26,096 participants over 2,335 classroom days while over 59,177 staff log onto the e-learning platform to upscale themselves over an equivalent of 1,582 training days.

Actual Training Expenditure

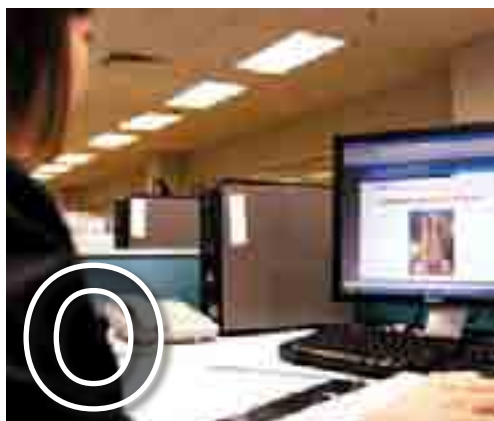


Training Days & Participants



OPPORTUNITIES for Career Development

Helping staff to manage what is important to them



Employee placements are made to ensure that staff are put in positions where they can most effectively display their abilities and fulfill their potential. Clear career paths and development plans are designed and made known to staff so that they are able to chart their future, especially important to the Gen Y-ers.

As a strategy to retain and build future capabilities, laid down as a principle to be observed, is a transparent appraisal system where staff will be provided and be given opportunity to provide feedback so as to improve performance.

Equally, Public Bank's Learning Management System allows staff to manage their career development by allowing them to address competency gaps in consultation with their immediate supervisors.

Active communication also goes a long way to ensure that staff are well-informed about Public Bank's operations, business strategies and management decisions in order for them to carry out their duties effectively.

Public Bank makes it easy for staff to achieve accreditation for the various certification programmes which are mandatory for their job functions. In addition to being tutored and granted study leave, the staff are given incentives upon attainment of such qualifications.

Where necessary, specialised courses are organised for staff on a group basis to ensure that they are able to comply with the necessary Continuous Professional Development requirements of such accreditation or qualifications.

ALIGNING Staff with the Group's Business Goals and Needs

Embedding sustainability into the Group's business

Human capital development has always been an important component in Public Bank's loop to create momentum and position the Bank for long-term growth and profitability. The Bank recognises the value of its human capital in determining its success.

The Public Bank Group seeks to ensure continuous upscaling of competencies which directly contributes to the bottomline such as accreditation of staff for the Certified Credit Professional Programme, Pasaran Kewangan Malaysia Certificate, Certified Documentary Credit Specialist, Computerised Unit Trust Examination and Certificate Examination for Investment-linked Life Insurance.

In particular, Public Bank has surpassed the banking industry's rate of passes for the Certified Credit Professional Programme.

Sales activities drive business growth. Accordingly, Public Bank has been intensifying training of its sales personnel with curriculum customised to the various job streams spanning from foundation to advanced levels as well as briefings on product launches.

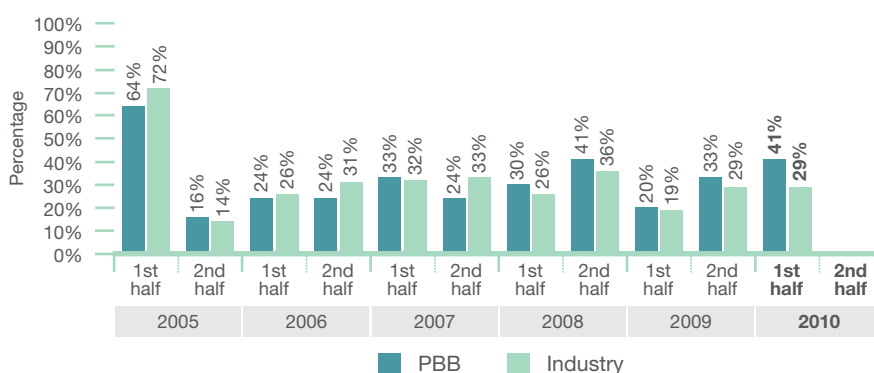
To keep all Public Bank's key producers energised and charged up so that they can be at the forefront of the marketplace, events designed to motivate and align them include:

Management Seminars
National Sales Convention

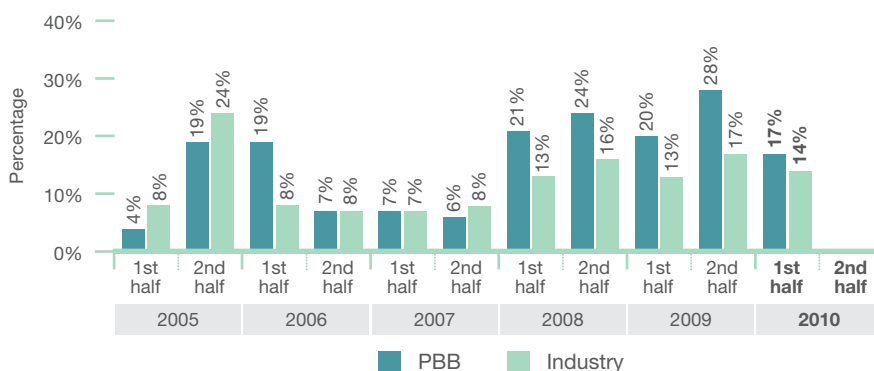
which are graced by the Bank's Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow.



Trend Analysis of PBB CCP Paper 4 Passes vs Industry Passes



Trend Analysis of PBB CCP Paper 5 Passes vs Industry Passes



RECOGNISING Staff Performance, Potential and Needs

Attracting and retaining staff through different sets of motivation



Monetary compensation is no longer the only factor in becoming an employer of choice. A sense of self-worth, identification with the team, opportunities for development, conducive work environment and work-balance activities are also important considerations to attract and retain staff.

Compensation philosophies and practices based on meritocracy are constantly benchmarked against the marketplace to ensure that the Public Bank Group is contemporary and market-driven in its remuneration package to attract, motivate and retain quality staff.

For 2010, Public Bank continued its generous reward policy for superior performance with RM162 million being paid in performance bonus to all levels of staff. Top performers were paid up to 24 months of salary in performance related bonuses.

While Public Bank continuously injects new intakes to enrich the Bank's talent pool, loyal staff are recognised with long service gold medallion awards totaling RM2.6 million in 2010. Branches were also awarded for excelling in selected KPIs to encourage team spirit and employee engagement.

Having proper breaks and taking time to relax and refresh is a vital part of maintaining good health and wellbeing. To support this, Public Bank upgraded its Leave Management System which allows staff to better plan their leave.

Other measures taken to provide a conducive work environment include:

- ensuring a conducive industrial climate
- providing assistance and support to employees who suffer disability
- providing paternity and maternity leave
- respecting individual rights through strict enforcement of the Sexual Harassment Act
- setting up of Safety and Health committees guided by provisions of the Occupational Safety and Health Act

The DIFFERENCE starts with ME

Building a unique and differentiated culture that acknowledges and encourages the way we work as well as the results we produce/seek/are looking for



It has always been Public Bank's philosophy that the Bank grows and prospers together with its main stakeholders; among them are the shareholders and customers. At the same time, as the financial landscape evolves, there will always be new frontiers that the Bank needs to overcome.

Public Bank has therefore commenced on a new initiative "Live Our Value, Grow Our Business" which re-examines the Bank's Service Charter so that it can bring its customer service to a higher level to retain and expand the Bank's customer base.

As competition becomes more intense, besides their operational skills, Public Bank's service providers will also need to exercise their "best serve" to live up to the expectations and requirements of customers and to build a relationship of trust with them.

Public Bank believes that increasing its focus on engagement with staff to articulate shared beliefs and values will be the sustaining factor that inspire, motivate and guide the staff in embedding the Bank's desired behaviour.

Acting, thinking and behaving the Public Bank Way will ensure consistency in the way the staff listen, engage and deliver to customers. Imbibing these behaviour will make staff Own it, Do it and Make it easier ... for the Bank's stakeholders.

Work on our initiative of "Live Our Values" will continue to be underway for the coming year as a major thrust to "Grow Our Business".

The Public Bank Group believes that ONBOARDing of its talents is key to capitalising opportunities and neutralising threats. As such, the Group's talent management function is coordinated and integrated to ensure that the Group have the right people with the right skills to do the right job in the right way at the right time.



Calendar of Significant Events 2010

Corporate



18 January

JANUARY

18 January

1,400 of the Public Bank Group sales and marketing staff, including those from the overseas operations, participated in the two-day 6th National Sales Convention 2010 held at the Sunway Resort Hotel and Spa, Selangor.

MARCH

2 March



2 March

A large crowd of 3,800 shareholders attended Public Bank's 44th Annual General Meeting held at the Shangri-La Hotel, Kuala Lumpur. Public Bank's Co-Chairman, Tan Sri Datuk Seri Utama Thong Yaw Hong presented the review of the Public Bank Group's performance for 2009.



13 March

13 March

The Public Bank Management Seminar was held at the Sunway Resort Hotel & Spa, Selangor with over 1,400 staff from the Public Bank Group's domestic and overseas business units in attendance.

Public Bank's Managing Director, Tan Sri Dato' Sri Tay Ah Lek inaugurated the seminar and reviewed the Public Bank Group's performance for 2009. Participants were urged to remain focused on the strategies to achieve greater business growth and to sustain the Group's strong asset quality.

MAY

5 May

Cambodian Public Bank Plc opened its 18th branch in Steung Meanchey, Phnom Penh.

28 May

Kampot branch situated at the Kampot Province officially opened for business in Cambodia, making it the 19th branch of Cambodian Public Bank Plc.

5 & 28 May



21 July

**JULY** 21 July

Winton Financial Limited opened the Sheung Wan branch, its 9th branch in Hong Kong.

AUGUST**9 August**

Public Islamic Bank opened its first dedicated Islamic banking branch in Kampung Baru, Kuala Lumpur.



9 August

13 to 20 August

Business Meetings with Branch Managers and HP Centre Heads were held over four days at Menara Public Bank. A total of 247 Branch Managers, 27 HP Centre Heads and 48 selected HP Business Managers nationwide participated in the business meetings.



13 to 20 August

9 September

**SEPTEMBER****9 September**

Cambodian Public Bank Plc opened its 20th branch in Street 271, Phnom Penh.

OCTOBER

12 October

Investment Seminars for high net worth customers in Ipoh, Penang and the Klang Valley were organised by Public Bank in the Central, Northern and the Wilayah Persekutuan/Selangor Regions.



13-15 October

Cambodian Public Bank Plc participated in the Malaysia Solo Fair organized by MATRADE in Phnom Penh. The exhibition was officiated by the Minister of the Ministry of Commerce, His Excellency Cham Prasith.



NOVEMBER

2 November



2 November

CampuBank Securities Plc, a wholly owned subsidiary of Cambodian Public Bank Plc officially received a license to become an underwriter, dealer, broker and investment advisor from the Securities and Exchange Commission of Cambodia which was presented by Cambodian Deputy Prime Minister, His Excellency Keat Chhon.

25 November

In honour of the official visit of the President of the Lao People's Democratic Republic, His Excellency Chaummaly Sayasone to Malaysia, Public Bank hosted a luncheon for the President at the Royale Chulan Hotel, Kuala Lumpur.

25 November



Corporate Social Responsibility

MARCH		11 March	11 March	Institut Jantung Negara (“IJN”) Foundation received a donation of RM500,000 from Public Bank to assists with the operational and management cost of the newly setup “Halfway House”, a facility that provide free accommodation to the families of needy patients undergoing treatment at IJN.
25 March & 4 November		25 March & 4 November	Two blood donation drives were organised in 2010 which was held at the Grand Lobby of Menara Public Bank. A total of 433 staff and customers stepped forward to donate blood to the National Blood Centre.	
7 May	25 May	7 May	25 May	The Malaysian Institute of Management received a sponsorship of RM60,000 for the Manager of The Year Award programme which entered its fourth year since its inception in 2007.
				Public Bank donated RM200,000 to the Persatuan Dialisis Kurnia, Petaling Jaya, Selangor for the purchase of new dialysis machines.
MAY		25 May	25 May	Public Bank responded to a call by the Ministry of Information, Communication and Culture by donating RM50,000 as financial assistance to support the 1Malaysia themed musical entitled ‘KITA – The Musical’ which was staged at the Istana Budaya, Kuala Lumpur from 17 to 27 June 2010.

JUNE

6 June

Public Bank contributed RM60,000 to the National Award for Management Accounting ("NAfMA") 2010, as the main sponsor of the programme for the seventh consecutive year since 2004.



23 June

Public Islamic Bank donated RM20,000 to the Koperasi Polis Diraja Malaysia Berhad.



SEPTEMBER

7 September

7 September

In support of the World Congress of Accountants 2010 attended by 6,500 delegates comprising of accounting professionals worldwide, Public Bank donated RM50,000 to help with the organisation of the Congress.



7 September

7 September

Public Bank contributed RM50,000 to the Kuala Lumpur Traffic Police Club to assist the club in organising social, welfare and sports activities for the well-being of the city traffic police personnel and their families.



NOVEMBER

26 November

Cambodian Public Bank Plc and CampuBank Lonpac Insurance Plc donated a sum of USD21,618 to the victims of the Water Festival tragedy at the Diamond Island, Cambodia. The cheque was presented to His Excellency Sok An, the Deputy Prime Minister of Cambodia and witnessed by the Malaysian Ambassador, His Excellency TYT Datuk Pengiran Haji Mohd Hussein.

26 November



Staff Relations

JANUARY



18 January

18 January

Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman presented awards to the top sales performers and the three national achievers for their outstanding sales performance for 2009.

2 & 3 February



2 & 3 February



FEBRUARY

2 & 3 February

As part of Public Bank's Corporate Social Responsibility programme, staff of the Bank participated in a tree planting project at Bandar Tasik Permaisuri, Kuala Lumpur. The effort was aimed at creating a greener environment by planting more trees. Public Bank also contributed hampers and angpows to the senior citizens of the Seri Kembangan Old Folks Home in conjunction with the Chinese New Year celebration.

16 February



16 February

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow hosted a Chinese New Year Open House for staff of the Public Bank Group at the Mandarin Oriental Hotel, Kuala Lumpur.

MARCH

13 March

A total of 100 awards were presented to the winning branches for the 2009 Branch Performance Awards, including the coveted Founder and Chairman Award for the Overall Best Branch which was won by Segamat branch.



13 March

MAY**8 May**

In support of the Government's effort towards promoting racial harmony, a contingent of 100 Public Bank staff participated in the 2010 Labour Day Rally organised by the Ministry of Human Resource at the Mines International Exhibition and Convention Centre, Selangor.

8 May

**AUGUST****7 August**

Staff of Public Bank Head Office and its subsidiaries celebrated the 44th Anniversary of Public Bank with the theme Mediterranean Fiesta at the Mines International Exhibition and Convention Centre, Selangor which was graced by the Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow.

7 August

**OCTOBER****4 October****4 October**

13 Bancassurance Sales Executives departed for Los Angeles, USA for their trip to Los Angeles-Las Vegas as a reward for being the winners of the PB-ING Los Angeles-Las Vegas 2009/2010 Sales Challenge.

Awards and Accolades

JANUARY

31 January



31 January

Chief Operating Officer, Dato' Chang Kat Kiam accepted the Keris Award for and on behalf of Public Bank at the Mines International Exhibition and Convention Centre, Selangor.

MARCH

13 March

Public Bank was accorded: The Asset Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility and Investor Relations in The Asset Corporate Awards 2009; The Asset Best Domestic Bank in Malaysia award for the eight consecutive year and the 'Most Award Winning Bank' by The Malaysia Book of Records.

The Asset Asia's Banking Grandmaster Award was presented to the Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow at the Public Bank Group's Management Seminar Dinner held at the Mines International Exhibition and Convention Centre, Selangor.



13 March

24 March

Public Bank won the Silver Award in the Finance Category of the inaugural Putra Brand Awards 2010 organised by the Association of Accredited Advertising Agents Malaysia.



24 March

25 March

For the fifth consecutive year, Public Bank was the recipient of the Best Brand in the Financial Services Category in the BrandLaureatte Award 2009-2010 for Corporate Branding organised by the Asia Pacific Brands Foundation.



25 March



6 May



12 May

MAY

6 May

Public Bank was accorded the Gold Winner Award (Bank Category) for the 5th year in the Reader's Digest Trusted Brands Awards 2010.

12 May

Public Bank was awarded the 2010 Malaysia Excellence Awards – Automotive Finance Company of The Year by Frost & Sullivan (Malaysia) Sdn. Bhd. for the third time.

JUNE

1 June

Public Bank was recognised with the Top SMI Supporter Award 2009 in the Commercial Banks Category for the 4th time by CGC Malaysia Berhad.

1 June



JULY

5 July



5 July

Tan Sri Dato' Sri Dr. Teh Hong Piow was named Value Creator: Malaysia's Outstanding CEO and Public Bank was the recipient of two categories of the finance sector awards, that for the Highest Return to Shareholders and the Highest Return on Equity at The Edge Billion Ringgit Club Corporate Awards.

AUGUST

3 August

Public Bank was honoured with two awards by Alpha Southeast Asia, a Hong Kong based financial publication, namely the Best Bank in Malaysia and the Best SME Bank in Malaysia.

7 August

Corporate Governance Asia, an authoritative journal on corporate governance, bestowed upon the Founder and Chairman Tan Sri Dato' Sri Dr. Teh Hong Piow, the inaugural Asian Corporate Director Recognition Award 2010 for Malaysia and awarded Public Bank with the Corporate Governance Asia Recognition Award for the 6th time.

3 August



7 August



1 October



OCTOBER

1 October

Public Bank was the recipient of the Malaysian Business - CIMA Enterprise Governance Awards 2010 Overall Award for the 3rd consecutive year. Public Bank also won the Best Return to Shareholders and the Best Corporate Social Responsibility categories.

10 November



NOVEMBER

10 November

Public Bank's ability to maintain the outstanding STP performance was honoured with five coveted Elite JP Morgan Quality Recognition Awards for 2009/2010. This is the 9th consecutive year that Public Bank received these awards.

DECEMBER

14 December

Public Bank received five awards in the Malaysian Corporate Governance Index 2010 Awards namely the Corporate Governance Hall of Fame Excellence Award, the Overall Excellence Award, the Distinction Award, the Overall Industry Excellence Award for the Finance Sector and the Best Conduct of AGM Award. The awards were presented by Deputy Finance Minister, YB Datuk Dr. Awang Adek Hussein at a ceremony held at Renaissance Hotel, Kuala Lumpur.

14 December



Products and Services

JANUARY

4 January

The brand new Manchester United Visa Debit Card and the new card design for the Manchester United Visa Credit Card which carry the tagline “One Glorious Team, Two Distinct Cards” were launched.



18 January

A promotional campaign was held from 18 January 2010 to 31 March 2010 to create awareness and publicity for the new Chinese Yuan Fixed Deposits and Chinese Yuan Current Accounts offerings. The Chinese Yuan accounts were introduced to provide a wider range of foreign currency deposits option for customers of Public Bank.



31 January

An Investment and Feng Shui seminar was organised to reward Public Bank's high net-worth customers for their support and to further cross-sell the Bank's products and services. About 300 guests and staff attended the seminar.



FEBRUARY

19 February



19 February

The 'PB Gold Rush' campaign was launched offering more than RM800,000 worth of gold as a reward to the customers. The campaign ran from 19 February 2010 to 31 July 2010.



February – August

Public Bank announced the winners of the 'PB Gold Rush' Campaign which offered more than RM800,000 worth of 6 kilograms of gold at 999.9% fineness in the form of Public Bank Gold Investment accounts.



3 April

APRIL

3 April

Three Manchester United fans won a trip to watch the EPL game between Manchester United and Chelsea at Old Trafford for being the winners of the "One Red Day" prize, exclusively arranged for Public Bank Manchester United Credit Card members. The prize included a visit to the Old Trafford Museum, stadium tour and a fun football training session.



22 May

MAY

22 May

Public Bank organised an Investment Talk for its high net-worth customers at Sunway Pyramid Convention Centre to promote the newly launched funds, the PB Singapore Advantage-30 Equity Fund and PB Infrastructure Bond Fund.



1 September

SEPTEMBER

1 September

Public Bank and ING Insurance launched the PB-ING BIC Income Plan, a five year plan single premium Australian Dollar denominated investment-linked bancaassurance product.

28 September

In a co-branding venture between Public Bank, Esso Malaysia and Exxon Malaysia, a PB-Esso Mobil Visa Co-Brand Gold Credit and Debit Cards was launched.



28 September

OCTOBER

16 October to 23 October

In conjunction with the launch of the PB Trust Balanced Fund, Public Bank organised three investment seminars in the Central, Northern and Wilayah Persekutuan/Selangor Regions. The seminar was aimed at creating awareness on the investment opportunities of the newly launched product and its features.



16 October to 23 October



FINANCIALS





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Analysis of the Financial Statements

Analysis of the Income Statement

Net Income

The Public Bank Group recorded an overall increase in net income by 14.8% from RM5,957.7 million in 2009 to RM6,838.5 million in 2010.

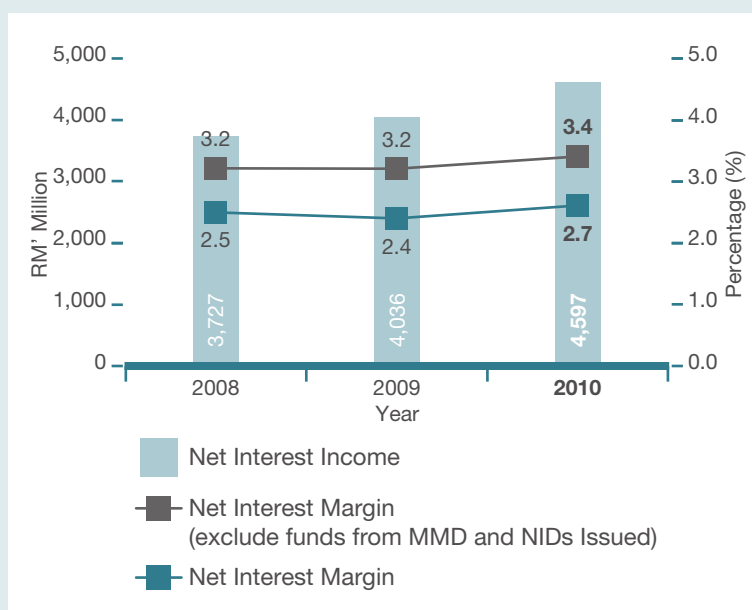
	2010 RM'000	2009 RM'000	Variance		Contribution %
			RM'000	%	
Net interest income	4,597,420	4,036,442	560,978	↑ 13.9%	67.2%
Net income from Islamic banking business	781,288	691,591	89,697	↑ 13.0%	11.4%
Other operating income	1,459,792	1,229,652	230,140	↑ 18.7%	21.4%
Net income	6,838,500	5,957,685	880,815	↑ 14.8%	100.0%

Net interest income

The Public Bank Group's net interest income increased by 13.9% or RM561.0 million to RM4,597.4 million for 2010 as compared to RM4,036.4 million for 2009. The growth in the Group's net interest income was driven by continued strong loans and core deposits growth of 13.8% and 12.5% respectively coupled with sustained strong asset quality, as well as the impact of three increases in Overnight Policy Rate ("OPR") from 2.00% to 2.75% during the year.

Net interest income was the main contributor of total net income, accounting for 67.2% of the Public Bank Group's total net income in 2010 as compared to 67.8% in 2009.

Net interest margin improved to 3.4% in 2010 as compared to 3.2% in 2009. The favourable impact from the increases in OPR during the year supported the improvement in net interest margin in the year under review.



Net income from Islamic banking business

The Public Bank Group's Islamic banking business continued to expand in 2010, registering a 13.0% or RM89.7 million growth in net income to RM781.3 million in 2010. This increase was mainly due to the higher net financing income of RM86.9 million arising from strong growth in Islamic financing and Islamic deposit taking. The Group's Islamic banking business accounted for 11.4% of the Group's total net income in 2010.

Other operating income

Other operating income of the Public Bank Group increased by 18.7% or RM230.1 million in 2010 to RM1,459.8 million, from RM1,229.7 million in 2009. Other operating income accounted for 21.4% of the Group's total net income in 2010. The current year growth was mainly attributed to the increase in the Group's fund management activities as well as higher profits from foreign exchange business.

	2010 RM'000	2009 RM'000	Variance	
			RM'000	%
Net fee and commission income Of which:	1,031,770	855,881	175,889	↑ 20.6%
Commission	202,236	147,999	54,237	↑ 36.6%
Service charges and fees	213,675	202,203	11,472	↑ 5.7%
Net brokerage and commission	105,237	87,044	18,193	↑ 20.9%
Income from fund management activities	470,255	357,238	113,017	↑ 31.6%
Net gains and losses on financial instruments	129,745	159,942	(30,197)	↓ (18.9%)
Other income Of which:	298,277	213,829	84,448	↑ 39.5%
Profits from foreign exchange business	250,563	169,792	80,771	↑ 47.6%
Total other operating income	1,459,792	1,229,652	230,140	↑ 18.7%

The Group's fee income increased by 20.6% or RM175.9 million to RM1,031.8 million in 2010 on the back of the Group's deliberate measures to grow its fee-based businesses. The Group's fund management business contributed RM470.3 million in 2010 which is an increase of 31.6% or RM113.0 million as compared to RM357.2 million in 2009. The strong growth of the fund management business was mainly due to the strong increase in net asset value of unit trust funds under management by 14.1% to RM40.60 billion as at the end of 2010. The increase in fee income was also due to strong growth in commission income of 36.6% or RM54.2 million to RM202.2 million in 2010 whilst service charges and fees grew by 5.7% to RM213.7 million in 2010. Net brokerage and commission from stock-broking activities increased by RM18.2 million or 20.9% to RM105.2 million in 2010 due to the improved performance of Bursa Malaysia.

Net gains and losses on financial instruments dropped by RM30.2 million to RM129.7 million in 2010 as compared to RM159.9 million in 2009. The decrease was mainly due to lower net gain from financial investments available-for-sale of RM11.8 million from RM130.4 million in 2009 to RM118.6 million in 2010.

Other income grew by 39.5% or RM84.4 million to RM298.3 million in 2010, mainly due to the Group's higher volume of foreign exchange business.

Other operating expenses

The Public Bank Group's other operating expenses reported an increase of 8.1% or RM157.6 million to RM2,100.2 million in 2010, primarily due to higher personnel and establishment expenses.

	2010 RM'000	2009 RM'000	Variance	
			RM'000	%
Personnel cost	1,392,651	1,269,313	123,338	↑ 9.7%
Establishment cost	396,283	372,397	23,886	↑ 6.4%
Marketing expenses	159,821	149,114	10,707	↑ 7.2%
Administration and general expenses	151,480	151,806	(326)	↓ (0.2%)
Total other operating expenses	2,100,235	1,942,630	157,605	↑ 8.1%

Personnel cost increased to RM1,392.7 million in 2010 as compared to RM1,269.3 million in 2009 and accounted for 66.3% of total other operating expenses. This increase was mainly due to annual salary increments and an expansion of the Group's marketing sales force. The number of employees of the Group increased to 17,369 as at the end of 2010 as compared to 17,169 as at the end of 2009.

Establishment cost grew by 6.4% to RM396.3 million in 2010 from RM372.4 million in 2009 mainly due to the opening of new branches during the year as well as higher information technology expenses in 2010. Establishment cost accounted for 18.9% of total other operating expenses.

The Group's marketing expenses increased by 7.2% or RM10.7 million to RM159.8 million in 2010 whilst administration and general expenses dropped marginally by 0.2% to RM151.5 million in 2010. Marketing expenses and administration and general expenses accounted for 14.8% of the Group's total other operating expenses.

Allowance for impairment on loans, advances and financing

	2010 RM'000	2009 RM'000	Variance	
			RM'000	%
Domestic	474,599	411,553	63,046	↑ 15.3%
Overseas	184,967	279,417	(94,450)	↓ (33.8%)
Total allowance for impairment on loans, advances and financing	659,566	690,970	(31,404)	↓ (4.5%)

With effect from 1 January 2010, the Public Bank Group's domestic loan impairment allowance was computed based on BNM's guidelines on Classification and Impairment Provision for Loans/Financing issued in January 2010 which incorporates the FRS 139 accounting principles. Collective assessment allowance for domestic loans is computed based on 1.5% of total outstanding loans/financing, net of individual assessment allowance.

The domestic allowance for impairment on loans, advances and financing increased by RM63.0 million in 2010 from RM411.6 million in 2009 mainly due to higher collective allowances as a result of strong domestic loan growth. The overseas allowance for impairment on loan, advances and financing declined from RM279.4 million in 2009 to RM185.0 million in 2010 due to improved credit conditions, particularly in the Group's Hong Kong operations.

Impairment loss

The Public Bank Group reported a lower impairment loss of RM5.2 million in 2010 as compared to RM15.1 million in 2009. The decline was mainly due to lower impairment loss on foreclosed properties in 2010.

Tax expenses and zakat

The tax expense of the Public Bank Group increased by RM217.2 million or 28.2% from RM769.9 million in 2009 to RM987.1 million in 2010, consistent with the overall increase in the pre-tax profits of the Group in 2010.

The Group's effective tax rate for 2010 was 24.1%, which was lower than the Malaysia's 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 Statement of Financial Position

	2010 RM'mil	2009 RM'mil	Variance	
			RM'mil	%
ASSETS				
Cash and balances with banks	34,690.4	46,663.2	(11,972.8)	↓ (25.7%)
Reverse repurchase agreements	365.9	1,200.2	(834.3)	↓ (69.5%)
Financial assets held-for-trading	6,360.6	7,957.3	(1,596.7)	↓ (20.1%)
Derivative financial assets	326.6	310.3	16.3	↑ 5.3%
Financial investments available-for-sale	17,852.3	12,165.8	5,686.5	↑ 46.7%
Financial investments held-to-maturity	5,229.6	6,620.2	(1,390.6)	↓ (21.0%)
Loans, advances and financing	153,983.0	135,335.8	18,647.2	↑ 13.8%
Statutory deposits with Central Banks	1,612.6	1,022.2	590.4	↑ 57.8%
Others	5,908.0	5,861.2	46.8	↑ 0.8%
TOTAL ASSETS	226,329.0	217,136.2	9,192.8	↑ 4.2%
LIABILITIES				
Deposits from customers	176,872.1	170,891.6	5,980.5	↑ 3.5%
Deposits from banks	21,327.5	22,614.3	(1,286.8)	↓ (5.7%)
Derivative financial liabilities	375.5	270.1	105.4	↑ 39.0%
Debt securities issued and other borrowed funds	8,094.9	8,032.3	62.6	↑ 0.8%
Others	5,973.9	3,612.6	2,361.3	↑ 65.4%
TOTAL LIABILITIES	212,643.9	205,420.9	7,223.0	↑ 3.5%
TOTAL EQUITY	13,685.1	11,715.3	1,969.8	↑ 16.8%
TOTAL LIABILITIES AND EQUITY	226,329.0	217,136.2	9,192.8	↑ 4.2%

Total assets

The Public Bank Group's total assets stood at RM226.33 billion as at 31 December 2010, an increase of 4.2% over the previous financial year. This was contributed by the increase in net loans, advances and financing of 13.8%, partially offset by a decrease in the cash and balances with banks by 25.7%.

As at the end of December 2010, net loans, advances and financing represented 68.0% of total Group assets compared to 62.3% in 2009 and the proportion of interest-bearing assets to total assets was 94.0%.

Cash and balances with banks

Excess liquidity in the Group was mainly held as interbank placements with financial institutions and Bank Negara Malaysia. As at 31 December 2010, cash and balances with banks decreased by RM11.97 billion.

Financial investments

The Group holds financial investments mainly for yield and liquidity purposes. Holdings of trading book positions are classified under financial assets held-for-trading. The Group's trading book position has decreased by RM1.60 billion, mainly due to a reduction in holdings of secondary negotiable instruments of deposit.

The Group's banking book positions are held under its financial investments available-for-sale and financial investments held-to-maturity portfolios.

Financial investments available-for-sale, saw a sharp increase of RM5.69 billion, whereas financial investments held for yield purposes under financial investments held-to-maturity showed a drop of RM1.39 billion. The increase in financial investments available-for-sale was mainly attributable to a shift to government securities and treasury bills which were mainly held for liquidity compliance purposes.

Loans, advances and financing

The Group was able to maintain its strong growth momentum by expanding its loans base by 13.8% to RM153.98 billion as at end 2010. Domestic loan growth was stronger at 15.6% in 2010, mainly driven by the growth in financing of residential properties, transport vehicles and small- and medium-sized enterprises lending of 18.8%, 12.5% and 15.8% respectively. The Group's loan growth has consistently outpaced that of the Malaysian banking industry, resulting in an enlarged domestic loan market share of 16.2% as at November 2010.

Total liabilities and equity

The Public Bank Group's total liabilities grew by RM7.22 billion in 2010, mainly due to an increase in deposits from customers. The Public Bank Group's shareholders' equity remained strong at RM13.69 billion even after the payment of dividends amounting to RM1.30 billion during the year, mainly due to strong profits earned for 2010 of RM3.05 billion.

Deposits from customers

The Public Bank Group's deposits from customers grew by 3.5% in 2010 to RM176.87 billion, mainly due to strong growth in its core customer deposits. The levels of wholesale deposits eased by RM9.32 billion, in line with the Group's strategy to focus on its retail core deposits growth. The Group's net loan to deposit ratio remained healthy at 87.1% as at 31 December 2010.

Deposits from banks

Deposits from banks mainly consist of interbank money market borrowings. The decrease of RM1.29 billion to RM21.33 billion represents movements due to the Group's normal funding and gapping activities.

Debt securities issued and other borrowed funds

The Group's debt securities consists of subordinated notes, innovative Tier I capital securities and non-innovative Tier I stapled securities which were issued in previous years. Besides funding the expansion of its total assets, these issuances have also strengthened the Group's capital position and improved its return on equity. There were no new issuances or redemptions during the year.



Statement of Responsibility by Directors

In respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Bank are drawn up in accordance with the requirements of the 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 2010 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.



Directors' Report

for the financial year ended 31 December 2010

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 2010.

Principal Activities

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

The principal activities of the subsidiary and associated companies are as disclosed in Notes 13 and 14 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	4,086,197	3,677,657
Tax expense and zakat	(987,120)	(746,096)
Profit for the year	3,099,077	2,931,561
Attributable to:		
Equity holders of the Bank	3,048,224	2,931,561
Minority interests	50,853	—
Profit for the year	3,099,077	2,931,561

Dividends

The amount of dividends paid by the Bank since 31 December 2009 were as follows:

	RM'000
Cash dividend:	
In respect of financial year ended 31 December 2009:	
Second interim dividend of 25% on 3,451,438,666 ordinary shares of RM1.00 each, less 25% tax, paid on 13 February 2010	647,143
In respect of financial year ended 31 December 2010:	
First interim dividend of 25% on 3,502,145,130 ordinary shares of RM1.00 each, less 25% tax, paid on 13 August 2010	656,653
	1,303,796

Dividends (Cont'd.)

The second interim dividend in respect of the financial year ended 31 December 2009 also included a share dividend distribution of 50,716,464 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 sixty-eight (68) ordinary shares of RM1.00 each held in PBB on 5 February 2010. The distribution of the share dividend was completed on 13 February 2010.

Subsequent to the financial year end, on 25 January 2011, the Directors declared a second interim franked cash dividend of 25.0% less 25.0% tax and single tier cash dividend of 8.0%, with the total amounting to approximately RM936,823,822 (representing 26.75 sen net per share) in respect of the current financial year. This is computed based on the issued and paid-up capital as at 31 December 2010, excluding treasury shares held by the Bank, of 3,502,145,130 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 14 February 2011. 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 during the financial year ending 31 December 2011. The Directors do not propose any final dividend for the financial year ended 31 December 2010.

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 2 March 2010, 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, 20,000 PBB Shares listed and quoted as "Local" on the Main Market of Bursa Malaysia at an average buy-back price of RM11.97 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 RM240,250 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 50,716,464 treasury shares were distributed as share dividend on 13 February 2010 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.

As at 31 December 2010, the Bank held 29,780,704 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 RM215,303,037. Further information is disclosed in Note 27 to the financial statements.

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 10 and Note 28 to the financial statements.

Bad and Doubtful Debts and Financing

Before the income statements and statements of financial position 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 statements of financial position 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 liability 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 54 to the financial statements.

Subsequent Events

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

Compliance with Bank Negara Malaysia's Expectations on Financial Reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

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 Dato' Dr. 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' Sri Lee Kong Lam and Dato' Haji Abdul Aziz bin Dato' Dr. Omar 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 and Tan Sri Dato' Thong Yaw Hong 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.

Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff who retires pursuant to Section 129 of the Companies Act, 1965, will not be seeking re-appointment at the forthcoming Annual General Meeting and therefore shall retire at the conclusion of the said Annual General Meeting.

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

	Number of Ordinary Shares of RM1.00 Each				
	Balance at 1.1.2010	Acquired	Disposed	Share Dividend ⁺	Balance at 31.12.2010
Direct interests:					
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,139,228	—	—	325,574	22,464,802
Tan Sri Dato' Thong Yaw Hong	7,522,714	—	—	110,628	7,633,342
Tan Sri Dato' Sri Tay Ah Lek	6,798,968	—	—	99,983	6,898,951
Dato' Sri Lee Kong Lam	375,347	—	—	5,519	380,866
Dato' Yeoh Chin Kee	205,714	—	—	3,025	208,739
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	721,428	—	100,000	10,609	632,037
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff	360,000	—	—	5,294	365,294
	Number of Ordinary Shares of RM1.00 Each				
	Balance at 1.1.2010	Acquired	Disposed	Share Dividend ⁺	Balance at 31.12.2010

Indirect interests:

Tan Sri Dato' Sri Dr. Teh Hong Piow	808,939,118	—	—	11,896,143	820,835,261
Tan Sri Dato' Thong Yaw Hong	845,356	—	—	12,429	857,785
Tan Sri Dato' Sri Tay Ah Lek	349,181	—	—	5,134	354,315
Dato' Sri Lee Kong Lam	822,857	—	400,000	12,100	434,957
Dato' Yeoh Chin Kee	308,571	—	—	4,536	313,107

⁺ 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 sixty-eight (68) ordinary shares of RM1.00 each held in PBB, fractions of treasury shares disregarded.

Directors' Interests (Cont'd.)**Shares Held in a Subsidiary Company****– Shares Held in Public Financial Holdings Limited ("PFHL")**

	Number of Ordinary Shares of HKD0.10 Each			
	Balance at 1.1.2010	Acquired	Disposed	Balance at 31.12.2010
Direct interests:				
Tan Sri Dato' Sri Tay Ah Lek	350,000	—	—	350,000
Dato' Yeoh Chin Kee	150,000	—	150,000	—

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

	Number of PFHL Share Options					
	Option Price HKD	Balance at 1.1.2010	Granted	Exercised	Lapsed	Balance at 31.12.2010
Tan Sri Dato' Sri Tay Ah Lek	6.35	1,230,000	—	—	—	1,230,000

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

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 843,300,063 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 36 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 42(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 Dato' Dr. Omar

Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff

Quah Poh Keat

Business Review 2010

Supported by favourable economic conditions in 2010, the Public Bank Group continued to grow its core lending and deposit-taking businesses steadily. However, competition in its lending and deposit-taking businesses was keen, as reflected in the competitive interest rates for loans and deposits and pressure on net interest margins.

In 2010, the Group's lending activities remained focused on consumer financing and retail commercial lending to small- and medium-sized enterprises ("SMEs"). During the year, the Group's total loans outstanding increased by 13.8%, with home mortgages increasing by 17.1% and passenger vehicle hire purchase financing increasing by 12.4% due to robust growth in car sales, whilst loans to SMEs increased by 12.8%.

To fund its strong lending growth, the Public Bank Group recorded strong growth and higher market share in core customer deposits in 2010, despite the increasing competition for customer deposits in the domestic market. The Group's fixed deposits increased by 13.9%, savings deposits by 4.4% and current accounts by 14.4%.

The Group's asset quality remained strong across all economic sectors. This was achieved despite the more stringent classification of impaired loans under FRS 139. The strong asset quality was contributed by the Group's prudent lending policies, strong risk management practices and efficient recoveries, coupled with low unemployment, low interest rates and healthy household and corporate balance sheets. To assist borrowers, the Bank – on a need basis – proactively engaged borrowers to restructure and reschedule their loans to improve their cashflows.

As a long-term business strategy, the Public Bank Group continued to develop its fee-based income from sales of unit trust, bancassurance and wealth management products and services. Public Mutual, a wholly-owned unit trust fund management subsidiary of the Bank, maintained its market leadership position and exhibited high growth in its net asset value of funds under management. The Public Bank Group and ING Management Holdings (Malaysia) Sdn Bhd ("ING") was granted a Family Takaful licence on 1 September 2010, which is expected to commence operation in the first half of 2011.

To serve its customers, the Public Bank Group added two new domestic branches and seven new overseas branches in 2010. The Group continued to expand its strong sales force and network of self-service machines, and invest in its superior service delivery standards.

Business Review 2010 (Cont'd.)

The Public Bank Group continued to drive its overseas business, particularly in deposit-taking business. The Group currently has a network of 81 branches in Hong Kong, 3 branches in China, 21 branches in Cambodia, 7 branches in Vietnam, 3 branches in Laos, a branch in Sri Lanka and 3 representative offices in Shanghai, Shenyang and Taipei. Cambodian Public Bank Plc ("Campu Bank"), a wholly-owned subsidiary of Public Bank, remained the largest commercial bank in Cambodia in terms of capitalisation. In addition, Campu Bank also obtained a securities company licence for securities underwriting, dealing and brokerage businesses in Cambodia.

In 2010, the Public Bank Group remained committed to its corporate social responsibility ("CSR") programmes in nation building, enhancement of the marketplace, promotion of the workplace, education, community support and environmental conservation.

Economic Outlook and Prospects for 2011

The Malaysian economy is expected to grow between 5.0% and 6.0% in 2011, driven by healthy domestic demand as advanced economies continue to be saddled with slow economic recovery. Most Asian economies are likely to post strong growth and intra-regional trade is forecast to remain healthy.

With strong economic fundamentals such as low inflation, low unemployment and strong balance of payments, Malaysia's economic growth is expected to be led by private investment and private consumption, supported by a revival in capital expenditure and higher disposable household income. The various initiatives and measures in the Budget 2011, the New Economic Model, the 10th Malaysia Plan and the Economic Transformation Programme will support economic activity.

On the supply side, growth is expected to be broad-based. The services sector will benefit from the roll-out of programmes and initiatives under the National Key Economic Areas while strong domestic investment and consumption activities will fuel expansion in the manufacturing sector. The construction and agriculture sectors are expected to remain healthy. Monetary policy will continue to be accommodative as inflation is likely to remain modest. However, the flow of short term capital into emerging market economies, including Malaysia, will pose a challenge for the conduct of macroeconomic policies.

The banking industry in Malaysia is expected to sustain its profitability with healthy capital and strong asset quality in 2011. The competitive landscape will intensify further due to the more liberal operating environment for incumbent foreign controlled banks, the entry of new players and ample liquidity in the banking system, leading to greater pressure on interest margins.

Loan growth in 2011 is expected to remain robust due to strong consumer sentiment, healthy business confidence and a low interest rate environment. The introduction of a maximum loan to value ratio of 70% on the third house financing facility is not expected to significantly affect loan growth. Asset quality of the banking system is also expected to remain stable due to low unemployment, improved risk management practices and prudent credit underwriting by banks.

The banking system will continue to maintain satisfactory funding and liquidity profiles with stable loan to deposit ratios. Banks in Malaysia are expected to aggressively pursue deposit growth to support their lending business. Following the expiry of the blanket deposit guarantee in Malaysia at the end of 2010, core customer deposits are protected up to RM250,000 from 2011.

Business Outlook for 2011

The Public Bank Group's business is expected to remain strong in 2011 based on the favourable economic outlook for Malaysia and the regional economies. The Public Bank Group will seek to tap all growth opportunities arising from the improving economic and business environment, with the aim of delivering superior shareholder value over the long-term. Retail consumer and commercial banking will remain the core focus of the Group. In consumer financing, the Group will continue to promote home mortgages, passenger vehicle hire purchase financing and personal financing. In retail commercial lending, the Group will focus on SMEs across all the broad economic sectors. The Group will maintain its sound credit appraisal and approval process and strong credit culture to sustain the quality of its loan assets. On the liability side, the Group will continue to mobilise core customer deposits to ensure a stable funding base and a liquid balance sheet, as well as to sustain its low funding cost. Public Islamic Bank will continue to expand its core business of retail-based consumer and business financing such as Bai'-Al-Einah Personal Financing-i.

The Public Bank Group will expand the scale and scope of its fee and transaction based revenue to sustain long-term profitability growth and improvement of its return on equity. The Group will focus on its unit trust business, bancassurance and wealth management products, its card business and investment-linked products as well as further tap on its large branch distribution network, its large agency force and expanding sales and marketing resource. Together with the ING group, the Group will start to promote family takaful business in 2011.

The Public Bank Group is well positioned to meet the challenges of the imminent changes to the regulatory capital framework by the Basel Committee of Banking Supervision, which generally requires higher capital requirements and liquidity standards for banks globally and in Malaysia (commonly referred to as the Basel III standards), due to the Group's strong earnings capacity and its low risk balance sheet profile.

To sustain its competitive position, the Public Bank Group will continue to upgrade its information and communication technologies, staff core competencies and delivery standards. The Group have also plans for branch expansion in selective new growth areas. Efforts to increase customer product-holding through cross-selling activities and improve cost efficiency will continue as well.

The Public Bank Group will maintain its prudent management culture and good corporate governance practices which are the cornerstones of the Group's long-term success. The Group's efforts to further strengthen its risk management capacity will continue.

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

Date: 25 January 2011



Statement by Directors

We, TAN SRI DATO' SRI DR. TEH HONG PIOW and TAN SRI DATO' THONG YAW HONG, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 235 to 453 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 at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 57 to the financial statements have been compiled in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

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

Date: 25 January 2011

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 235 to 454, 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 25 January 2011

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur



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 statements of financial position as at 31 December 2010 of the Group and of the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 235 to 453.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the financial statements that give a true and fair view 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 at 31 December 2010 and of their financial performance and cash flows for the financial 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 13 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 Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 57 to the financial statements has been compiled by the Group and the Bank as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

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

Petaling Jaya

Date: 25 January 2011



Statements of Financial Position

as at 31 December 2010

		Group		Bank	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Cash and balances with banks	3	34,690,439	46,663,156	27,172,447	34,984,593
Reverse repurchase agreements	4	365,877	1,200,243	10,737	—
Financial assets held-for-trading	5	6,360,620	7,957,275	5,812,736	7,655,815
Derivative financial assets	6	326,622	310,311	322,596	302,861
Financial investments available-for-sale	7	17,852,284	12,165,777	14,269,479	10,458,159
Financial investments held-to-maturity	8	5,229,617	6,620,207	5,230,399	7,637,258
Loans, advances and financing	9	153,982,980	135,335,784	125,062,183	107,962,807
Other assets	10	1,995,880	1,758,578	1,703,642	1,453,540
Statutory deposits with Central Banks	11	1,612,575	1,022,181	1,106,330	588,362
Deferred tax assets	12	519,215	506,607	416,470	390,826
Investment in subsidiary companies	13	—	—	3,888,581	3,694,681
Investment in associated companies	14	118,624	128,318	101,325	101,325
Investment properties	15	65,552	69,327	—	—
Property and equipment	16	1,278,319	1,340,779	617,544	650,981
Intangible assets	17	1,930,372	2,057,611	695,393	695,393
TOTAL ASSETS		226,328,976	217,136,154	186,409,862	176,576,601
LIABILITIES					
Deposits from customers	18	176,872,119	170,891,589	140,789,266	135,387,490
Deposits from banks	19	21,327,476	22,614,300	21,069,781	20,783,929
Bills and acceptances payable	20	2,308,836	612,730	2,450,006	612,730
Recourse obligations on loans sold to Cagamas	21	16,319	21,763	16,319	21,763
Derivative financial liabilities	6	375,529	270,056	340,995	243,396
Debt securities issued and other borrowed funds	22	8,094,880	8,032,345	7,196,528	7,399,461
Other liabilities	23	2,839,874	2,511,757	1,675,651	1,399,378
Provision for tax expense and zakat	25	800,464	464,290	568,565	286,242
Deferred tax liabilities	12	8,391	2,000	—	—
TOTAL LIABILITIES		212,643,888	205,420,830	174,107,111	166,134,389

	Note	Group		Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
EQUITY					
Share capital	26	3,531,926	3,531,926	3,531,926	3,531,926
Reserves		9,716,277	8,072,918	8,986,128	7,491,924
Treasury shares	27	(215,303)	(581,638)	(215,303)	(581,638)
Equity attributable to equity holders of the Bank		13,032,900	11,023,206	12,302,751	10,442,212
Minority interests		652,188	692,118	—	—
TOTAL EQUITY		13,685,088	11,715,324	12,302,751	10,442,212
TOTAL LIABILITIES AND EQUITY		226,328,976	217,136,154	186,409,862	176,576,601
COMMITMENTS AND CONTINGENCIES		48	69,205,908	61,435,239	64,532,682
Net assets per share attributable to ordinary equity holders of the Bank (RM)		3.72	3.19	3.51	3.03

The accompanying notes form an integral part of the financial statements



Income Statements

for the year ended 31 December 2010

	Note	Group		Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Operating revenue	2(x)	11,035,597	9,715,568	8,165,635	7,171,221
Interest income	30	8,113,531	7,353,051	7,145,714	6,391,787
Interest expense	31	(3,516,111)	(3,316,609)	(3,256,730)	(3,093,687)
Net interest income		4,597,420	4,036,442	3,888,984	3,298,100
Net income from Islamic banking business	56	781,288	691,591	—	—
		5,378,708	4,728,033	3,888,984	3,298,100
Net fee and commission income	32	1,031,770	855,881	411,589	367,262
Net gains and losses on financial instruments	33	129,745	159,942	137,372	146,462
Other operating income	34	298,277	213,829	1,054,567	631,276
Net income		6,838,500	5,957,685	5,492,512	4,443,100
Other operating expenses	35	(2,100,235)	(1,942,630)	(1,420,637)	(1,323,157)
Operating profit		4,738,265	4,015,055	4,071,875	3,119,943
Allowance for impairment on loans, advances and financing	37	(659,566)	(690,970)	(383,940)	(321,237)
Impairment on other assets	38	(5,188)	(15,079)	(10,278)	(9,536)
		4,073,511	3,309,006	3,677,657	2,789,170
Share of profit after tax of equity accounted associated companies		12,686	12,427	—	—
Profit before tax expense and zakat		4,086,197	3,321,433	3,677,657	2,789,170
Tax expense and zakat	39	(987,120)	(769,893)	(746,096)	(607,505)
Profit for the year		3,099,077	2,551,540	2,931,561	2,181,665
Attributable to:					
Equity holders of the Bank		3,048,224	2,517,302	2,931,561	2,181,665
Minority interests		50,853	34,238	—	—
Profit for the year		3,099,077	2,551,540	2,931,561	2,181,665
Earnings per RM1.00 share:					
– basic/diluted (sen)	40	87.2	73.3		

The accompanying notes form an integral part of the financial statements



Statements of Comprehensive Income

for the year ended 31 December 2010

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit for the year	3,099,077	2,551,540	2,931,561	2,181,665
Other comprehensive (loss)/income, net of tax:				
Currency translation differences in respect of foreign operations	(386,680)	(44,162)	—	—
Currency translation differences in respect of net investment hedge	292,272	35,193	—	—
Net gain on revaluation of financial investments available-for-sale	53,931	476,941	37,617	374,220
Net change in cash flow hedges	(4,361)	(3,320)	(4,361)	(3,320)
Income tax relating to components of other comprehensive income	(11,795)	(100,333)	(8,314)	(96,287)
Other comprehensive (loss)/income for the year, net of tax	(56,633)	364,319	24,942	274,613
Total comprehensive income for the year	3,042,444	2,915,859	2,956,503	2,456,278
Total comprehensive income/(loss) for the year attributable to:				
– Equity holders of the Bank	3,065,105	2,892,395	2,956,503	2,456,278
– Minority interests	(22,661)	23,464	—	—
	3,042,444	2,915,859	2,956,503	2,456,278

The accompanying notes form an integral part of the financial statements



Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

2010 Group	Note	Attributable to Equity Holders of the Bank					Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
		Non-distributable Reserves			Distributable Reserves				
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000			
At 1 January 2010									
– as previously stated		3,531,926	1,439,885	3,762,784	2,870,249	(581,638)	11,023,206	692,118	11,715,324
– effect of adopting FRS 139	52	–	–	24,487	224,138	–	248,625	7,169	255,794
At 1 January 2010, as restated		3,531,926	1,439,885	3,787,271	3,094,387	(581,638)	11,271,831	699,287	11,971,118
Profit for the year		–	–	–	3,048,224	–	3,048,224	50,853	3,099,077
Other comprehensive income/(loss)		–	–	16,881	–	–	16,881	(73,514)	(56,633)
Total comprehensive income/(loss) for the year		–	–	16,881	3,048,224	–	3,065,105	(22,661)	3,042,444
Transactions with owners:									
Buy-back of shares	27	–	–	–	–	(240)	(240)	–	(240)
Transfer to statutory reserves		–	–	68,189	(68,189)	–	–	–	–
Transfer to regulatory reserves		–	–	16,221	(16,221)	–	–	–	–
Dividends paid	41	–	–	–	(1,303,796)	–	(1,303,796)	(24,438)	(1,328,234)
Share dividends	41	–	(366,575)	–	–	366,575	–	–	–
		–	(366,575)	84,410	(1,388,206)	366,335	(1,304,036)	(24,438)	(1,328,474)
At 31 December 2010		3,531,926	1,073,310	3,888,562	4,754,405	(215,303)	13,032,900	652,188	13,685,088
		Note 26		Note 28		Note 27			
							2010	2009	
Net dividends per RM1.00 share declared for the financial year:									
Cash dividends									
– First interim dividend (sen)							18.75		22.50
– Second interim dividend (sen)							26.75		18.75
							45.50		41.25
Share dividends (no. of shares)								–	1 for 68

The accompanying notes form an integral part of the financial statements

2009 Group	Note	Attributable to Equity Holders of the Bank					Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
		Non-distributable Reserves			Distributable Reserves				
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares 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
Profit for the year		—	—	—	2,517,302	—	2,517,302	34,238	2,551,540
Other comprehensive income/(loss)		—	—	375,093	—	—	375,093	(10,774)	364,319
Total comprehensive income for the year		—	—	375,093	2,517,302	—	2,892,395	23,464	2,915,859
Transactions with owners:									
Buy-back of shares	27	—	—	—	—	(140)	(140)	—	(140)
Transfer to statutory reserves		—	—	133,961	(133,961)	—	—	—	—
Transfer to regulatory reserves		—	—	9,995	(9,995)	—	—	—	—
Dividends paid	41	—	—	—	(1,405,755)	—	(1,405,755)	(23,372)	(1,429,127)
Share dividends	41	—	(692,614)	—	—	692,614	—	—	—
		—	(692,614)	143,956	(1,549,711)	692,474	(1,405,895)	(23,372)	(1,429,267)
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 26		Note 28		Note 27			

The accompanying notes form an integral part of the financial statements



Statement of Changes in Equity

for the year ended 31 December 2010

2010 Bank	Note	Attributable to Equity Holders of the Bank					
		Non-distributable Reserves			Distributable Reserves		Total RM'000
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	
At 1 January 2010							
– as previously stated		3,531,926	1,439,885	3,513,672	2,538,367	(581,638)	10,442,212
– effect of adopting FRS 139	52	—	—	—	208,072	—	208,072
At 1 January 2010, as restated		3,531,926	1,439,885	3,513,672	2,746,439	(581,638)	10,650,284
Profit for the year		—	—	—	2,931,561	—	2,931,561
Other comprehensive income		—	—	24,942	—	—	24,942
Total comprehensive income for the year		—	—	24,942	2,931,561	—	2,956,503
Transactions with owners:							
Buy-back of shares	27	—	—	—	—	(240)	(240)
Dividends paid	41	—	—	—	(1,303,796)	—	(1,303,796)
Share dividends	41	—	(366,575)	—	—	366,575	—
		—	(366,575)	—	(1,303,796)	366,335	(1,304,036)
At 31 December 2010		3,531,926	1,073,310	3,538,614	4,374,204	(215,303)	12,302,751
		Note 26		Note 28	Note 29	Note 27	
2009 Bank							
At 1 January 2009		3,531,926	2,132,499	3,239,059	1,762,457	(1,274,112)	9,391,829
Profit for the year		—	—	—	2,181,665	—	2,181,665
Other comprehensive income		—	—	274,613	—	—	274,613
Total comprehensive income for the year		—	—	274,613	2,181,665	—	2,456,278
Transactions with owners:							
Buy-back of shares	27	—	—	—	—	(140)	(140)
Dividends paid	41	—	—	—	(1,405,755)	—	(1,405,755)
Share dividends	41	—	(692,614)	—	—	692,614	—
		—	(692,614)	—	(1,405,755)	692,474	(1,405,895)
At 31 December 2009		3,531,926	1,439,885	3,513,672	2,538,367	(581,638)	10,442,212
		Note 26		Note 28	Note 29	Note 27	

The accompanying notes form an integral part of the financial statements



Statements of Cash Flows

for the year ended 31 December 2010

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	4,086,197	3,321,433	3,677,657	2,789,170
Adjustments for:				
Share of profit after tax of equity accounted associated companies	(12,686)	(12,427)	—	—
Depreciation of property and equipment	145,628	133,495	107,847	104,121
Net gain on disposal of property and equipment	(1,827)	(1,171)	(1,584)	(864)
Net loss on disposal of foreclosed properties	902	3,144	2,770	3,304
Gain on disposal of investment properties	—	(4)	—	—
Allowance for impaired loans and financing	833,404	841,334	485,062	411,600
Net gain arising from sale of financial investments available-for-sale	(4,974)	(46,113)	(4,734)	(33,354)
Amortisation of cost and accretion of discount relating to debt securities issued	3,341	4,194	3,341	4,194
Unrealised gain on revaluation of financial assets held-for-trading	(7,285)	(14,946)	(7,107)	(15,273)
Unrealised (gain)/loss on revaluation of trading derivatives	(5,774)	9,047	(18,380)	(763)
Unrealised loss/(gain) on hedging derivatives	8,543	(4,271)	6,231	(3,130)
Pension costs – defined benefit plan	(6,752)	10,577	(6,726)	10,144
Transfer to/(from) profit equalisation reserve	21,560	(22,908)	—	—
Dividends from financial investments available-for-sale	(113,634)	(84,295)	(106,913)	(78,211)
Dividends from financial investments held-to-maturity	—	(7,644)	—	(7,488)
Dividends from subsidiary companies	—	—	(633,926)	(399,636)
Dividends from associated companies	—	—	(9,035)	(10,379)
Property and equipment written off	67	1,437	67	862
Gain on revaluation of investment properties	(3,751)	(8,396)	—	—
Impairment loss on financial investments available-for-sale	992	5,572	—	129
Impairment loss on foreclosed properties	4,196	9,407	4,178	9,407
Impairment loss on property and equipment	—	100	—	—
Impairment loss on subsidiary company	—	—	6,100	—
Operating profit before working capital changes	4,948,147	4,137,565	3,504,848	2,783,833

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities (cont'd.)				
Decrease/(Increase) in operating assets:				
Placements with banks maturing after one month	574,834	(1,241,259)	635,149	718,359
Reverse repurchase agreements	834,366	3,941,503	(10,737)	4,762,407
Financial assets held-for-trading	1,603,587	3,391,510	1,843,382	3,190,196
Loans, advances and financing	(19,170,378)	(17,832,259)	(17,335,356)	(15,240,573)
Derivative financial assets	—	(21,153)	—	(21,153)
Other assets	(245,648)	(203,625)	(223,240)	884,174
Statutory deposits with Central Banks	(590,394)	1,614,527	(517,968)	1,409,838
Increase/(Decrease) in operating liabilities:				
Deposits from customers	5,993,573	19,726,739	5,421,064	11,317,079
Deposits from banks	(1,286,824)	5,930,155	285,852	3,691,023
Bills and acceptances payable	1,695,886	(2,449,644)	1,837,276	(2,449,644)
Recourse obligations on loans sold to Cagamas	(5,444)	(4,515,514)	(5,444)	(4,515,514)
Derivative financial liabilities	—	2,184	—	2,184
Other liabilities	781,605	99,130	147,404	(180,971)
Cash (used in)/generated from operations	(4,866,690)	12,579,859	(4,417,770)	6,351,238
Income tax expense and zakat paid	(748,164)	(805,189)	(564,623)	(645,557)
Net cash (used in)/generated from operating activities	(5,614,854)	11,774,670	(4,982,393)	5,705,681
Cash flows from investing activities				
Purchase of property and equipment	(128,040)	(174,919)	(75,806)	(108,583)
Proceeds from disposal of property and equipment	2,355	3,445	2,264	1,774
Proceeds from disposal of foreclosed properties	31,603	22,604	28,740	22,438
Proceeds from disposal of investment properties	114	76	—	—
Net purchase of financial investments	(4,238,340)	(4,480,887)	(1,358,972)	(3,308,393)
Additional investment in a subsidiary company	—	—	(200,000)	(275,000)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from investing activities (cont'd.)				
Dividends received from associated companies	9,035	10,379	9,035	10,379
Dividends received from subsidiary companies	—	—	597,359	235,329
Dividends received from financial investments available-for-sale	113,533	84,132	106,812	78,048
Dividends received from financial investments held-to-maturity	—	6,827	—	6,671
Purchase of share-broking trading rights	—	(159)	—	—
Net cash used in investing activities	(4,209,740)	(4,528,502)	(890,568)	(3,337,337)
Cash flows from financing activities				
Drawdown/(Repayment) of borrowings	245,251	(207,133)	—	—
Dividends paid to equity holders of the Bank	(1,303,796)	(1,405,755)	(1,303,796)	(1,405,755)
Dividends paid to minority interests	(24,438)	(23,372)	—	—
Buy-back of shares	(240)	(140)	(240)	(140)
Net proceeds from issuance of debt securities	—	2,553,443	—	2,553,443
Redemption of debt securities	—	(1,212,225)	—	(1,212,225)
Net cash used in financing activities	(1,083,223)	(295,182)	(1,304,036)	(64,677)
Net (decrease)/increase in cash and cash equivalents	(10,907,817)	6,950,986	(7,176,997)	2,303,667
Cash and cash equivalents at beginning of year	43,480,452	36,597,027	31,868,626	29,564,959
Exchange differences on translation of opening balances	(490,066)	(67,561)	—	—
Cash and cash equivalents at end of year	32,082,569	43,480,452	24,691,629	31,868,626
Note:				
Cash and balances with banks (Note 3)	34,690,439	46,663,156	27,172,447	34,984,593
Less: Balances with banks with maturity more than one month	(2,607,870)	(3,182,704)	(2,480,818)	(3,115,967)
Cash and cash equivalents at end of year	32,082,569	43,480,452	24,691,629	31,868,626

The accompanying notes form an integral part of the financial statements



Notes to the Financial Statements

– 31 December 2010

1. Principal Activities and General Information

The Group is principally engaged in all aspects of commercial banking, investment banking, financing and other Islamic banking activities, stock-broking, provision of related financial services, management of unit trust funds and sale of trust units, underwriting of general insurance and investment holding.

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

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main 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 25 January 2011.

2. Summary of Significant Accounting Policies

The accounting policies adopted by the Group and the Bank are consistent with those adopted in previous years, except for the adoption of the following Financial Reporting Standards ("FRS"), Amendments to FRSs, IC Interpretation and Technical Release, which became effective on 1 January 2010:

FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 132	Financial Instruments: Presentation – Separation of Compound Instruments
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions

The main effects of the adoption of the FRSs, Amendments to FRSs, IC Interpretations and Technical Releases above are summarised below. A more detailed discussion, together with the related financial impact, is presented in Note 52.

2. Summary of Significant Accounting Policies (Cont'd.)

- (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. However, since the adoption of Bank Negara Malaysia's ("BNM") revised BNM/GP8 – Guidelines on Financial Reporting for Licensed Financial Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative financial instruments, and hedge accounting which are similar to those prescribed by FRS 139 have already been adopted by the Group and the Bank. Therefore, the adoption of FRS 139 on 1 January 2010 has resulted in changes in accounting policies mainly pertaining to the following:
- (a) impairment of loans, advances and financing ("loan(s)") – the Group and the Bank now assesses at the end of each reporting period whether there is any objective evidence that a loan or a group of loans is impaired, as a result of one or more events that have occurred after the initial recognition. Allowances for loan impairment are determined either via the individual assessment or collective assessment basis.
 - (b) interest income recognition – financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. Interest income on loans, advances and financing which were previously recognised on contractual interest rates are now recognised using effective interest rates. Interest-in-suspense is also no longer recognised on loans, advances and financing.
 - (c) classification of loans, advances and financing as impaired – loans are now classified as impaired when they fulfill the criteria listed in Note 2(h)(i).

In the Amendments to FRS 139 listed above, the Malaysian Accounting Standards Board ("MASB") had included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment for banking institutions. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. The collective assessment impairment allowance of the Bank and its domestic subsidiaries as at the reporting date have been derived based on this transitional arrangement issued by BNM.

Upon the adoption of FRS 139, the Group and the Bank had reclassified its holdings of equity instruments held for socio-economic purposes out of the financial investments held-to-maturity into the financial investments available-for-sale.

Further, the Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives above allows for the reclassification of certain non-derivative financial assets classified as held-for-trading to either held-to-maturity, loans and receivables or available-for sale, and permits the transfer of certain financial assets from available-for-sale to loans and receivables. The Group and the Bank have not effected any such transfers in its financial statements since the date of adoption.

IC Interpretation 9 Embedded Derivatives 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. The adoption of this IC Interpretation did not have any impact on the financial statements of the Group and the Bank.

2. Summary of Significant Accounting Policies (Cont'd.)

- (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 did not 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.
- (iii) **FRS 7 Financial Instruments: Disclosures** – This standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for an 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 qualitative disclosures regarding management’s objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which the entity is exposed to risk, based on information provided internally to the entity’s key management personnel.

The adoption of FRS 7 resulted in changes to disclosures of financial instruments, whereby disclosures are now made either by categories or classes of financial assets and liabilities. Accordingly, disclosures on financial instruments and the related risks are also more robust and extensive. Comparative information has been re-presented so that it conforms with the current year’s presentation. Since these changes only affect presentation, there is no impact on the financial results of the Group and the Bank.

- (iv) **FRS 101 Presentation of Financial Statements** – This standard sets out 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 includes only details of transactions with owners, and all non-owner changes in equity are presented separately in the statement of comprehensive income.

Where comparative information is reclassified or restated, the entity will need to present a statement of financial position as at the beginning of the comparative period.

All non-owner changes in equity (ie. comprehensive income) are required to be presented in either one statement of comprehensive income or in two linked statements (ie. a separate income statement and a statement of comprehensive income). The Group and the Bank have elected to present comprehensive income in two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. These changes are only presentational in nature and does not have any impact on the financial results of the Group and the Bank.

- (v) **Amendments to FRS 132 Financial Instruments: Presentation – Separation of Compound Instruments** – This amendment removes the transitional provision in relation to compound instruments which exempts entities from applying split accounting for compound instruments issued before reporting periods of 1 January 2003.

2. Summary of Significant Accounting Policies (Cont'd.)

- (vi) **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 are the same as that of FRS 101, except for the additional guidance specific to Islamic financial institutions. The application of this technical release does not have any financial impact on the Group and the Bank as the changes introduced are presentational in nature.

The following revised FRSs, new IC Interpretations, Amendments to FRSs, Amendments to IC Interpretations and Technical Releases have been issued by the MASB but are not yet effective.

Effective for annual periods commencing on or after 1 March 2010:

Amendments to FRS 132	Financial Instruments: Presentation – Classification of Rights Issues

Effective for annual periods commencing on or after 1 July 2010:

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 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution 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 IC Interpretation 9	Reassessment of Embedded Derivatives

Effective for annual periods commencing on or after 1 January 2011:

IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters	
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions	
Amendments to FRS 7 Improving Disclosures about Financial Instruments	
TR i-4	Shariah Compliant Sale Contracts
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"	

Effective for annual periods commencing on or after 1 July 2011:

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement

Effective for annual periods commencing on or after 1 January 2012:

FRS 124	Related Party Disclosures
IC Interpretation 15	Agreements for the Construction of Real Estate

2. Summary of Significant Accounting Policies (Cont'd.)

The adoption of FRS 1 and Amendments to FRS 1 does not have any impact on the Group and the Bank as FRSs are not being adopted for the first time. The adoption of IC Interpretations 12 and 15 does not have any impact on the financial statements of the Group and the Bank as they are not relevant to the business operations of the Group and the Bank. Amendments to FRSs 2, 5 and 138, help to clarify the requirements of or provide further explanation to existing FRSs and do not have any impact to the financial results of the Group and the Bank. The Group and the Bank have chosen to early adopt the following Amendment to FRS, IC Interpretations and Amendment to IC Interpretations:

- (i) **IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation** – This interpretation provides guidance on identifying foreign currency risks that qualify as a hedged risk in a hedge of a net investment in a foreign operation, as well as where, within a group, such hedging instruments can be held in order to qualify as hedges of net investments in foreign operations. The interpretation also provides guidance on the determination of the amount to be reclassified from equity to the income statement in the event of a disposal of the related foreign operation. The adoption of this interpretation did not have any impact on the financial statements of the Group, even though the Group applies net investment hedge accounting.
- (ii) **IC Interpretation 17 Distribution of Non-cash Assets to Owners** – This interpretation refers to cases where an entity distributes non-cash assets as dividends to owners, by providing guidance on recognition and measurement of the dividends payable. The adoption of this interpretation did not have any impact on the financial statements of the Group and the Bank, as there were no declarations of any such non-cash dividends during the year.
- (iii) **Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions** – This amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods and services, regardless of which entity within the group settles the transaction, and whether the transaction is settled in shares or in cash. The adoption of this amendment has resulted in the impact of subsidiary companies whose staff receive the holding company's shares under a group share-based payment scheme having to also account for such transactions. The adoption of this amendment did not have any impact on the financial statements of the Group and the Bank, as there were no such share-based payment transactions since the initial adoption of FRS 2 Share-based Payment.
- (iv) **IC Interpretation 18 Transfers of Assets from Customers** – This interpretation clarifies that entities that receive property, plant and equipment ("PPE") from their customers in exchange for the supply of goods or services should recognise these items of PPE in accordance with FRS 116 Property, Plant and Equipment, if such PPE meets the definition of an asset. The adoption of this interpretation did not have any impact on the financial statements of the Group and the Bank as there were no such transactions during the year.
- (v) **Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement** – This amendment applies in the limited circumstances when an entity is subject to a minimum funding requirement in respect of its defined benefit asset and makes an early payment of contributions to cover those requirements. This amendment allows the entity to treat such early payments as an asset. The adoption of this amendment did not have any impact on the financial statements of the Group and the Bank, as the Group and the Bank do not have any minimum funding requirements in respect of their defined benefit plan.

2. Summary of Significant Accounting Policies (Cont'd.)

The FRSs, Amendments to FRSs, IC Interpretations, Amendments to IC Interpretation and Technical Releases which have been issued but which the Group and the Bank have not early adopted are summarised below:

- (i) **FRS 3 Business Combinations and FRS 127 Consolidated and Separate Financial Statements** – The revisions to the two standards will result in several changes in accounting for business combinations and the preparation of consolidated financial statements. Amongst the changes introduced under FRS 127 is that minority interest in a business combination is henceforth referred to as “non-controlling interest”. Total comprehensive income will be proportionately allocated to non-controlling interests, even if it results in the non-controlling interests to be in a deficit position. Changes in ownership interest which does not result in a loss of control (ie. “piecemeal disposal”) is accounted for in equity instead of the income statement. Where changes in ownership interest results in loss of control, any remaining interest in the entity is remeasured at fair value and a gain or loss is recognised in the income statement.

The revised FRS 3 introduces the option, on an acquisition-by-acquisition basis, to measure non-controlling interest in a business combination either at fair value or at the non-controlling interest’s proportionate share of the net identifiable assets acquired. Goodwill on acquisition will be measured as the difference between the aggregate of fair value of consideration transferred, any non-controlling interest in the acquiree and the fair value at acquisition date of any previously-held equity interest in the acquiree (if acquired via “piecemeal acquisition”), and the net identifiable assets acquired. Any bargain purchase (ie. “negative goodwill”) will be recognised directly in the income statement. Any consideration transferred is to be measured at fair value as of the acquisition date. All acquisition-related costs are expensed off in the income statement.

As the revised accounting standards above only have prospective effect, their adoption will only have an impact on future acquisitions of the Group and the Bank. There may also be impact on goodwill, should the Group increase its controlling stake in entities in which it currently has a non-controlling interest.

- (ii) **Amendments to FRS 132 Financial Instruments: Presentation – Classification of Rights Issues** – This amendment deals with accounting for rights issues which are denominated in a currency other than the functional currency of the issuer, where provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This amendment is not expected to have any impact on the financial statements of the Group and the Bank.
- (iii) **Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives** – This amendment clarifies that IC Interpretation 9 does not apply to embedded derivatives acquired via business combinations, as the accounting treatment is already addressed in the revised FRS 3 Business Combinations. This amendment is not expected to have any impact on the financial statements of the Group and the Bank.
- (iv) **IC Interpretation 4 Determining Whether an Arrangement Contains a Lease** – This interpretation clarifies that an arrangement should be accounted for as a lease under FRS 117 Leases when the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, even if the arrangement does not take the legal form of a lease. This interpretation is not expected to have any material impact on the financial statements of the Group and the Bank.

2. Summary of Significant Accounting Policies (Cont'd.)

- (v) **Amendments to FRS 7 Improving Disclosures about Financial Instruments** – These amendments are intended to enhance disclosures on fair value and liquidity. The amendments require the disclosure of a three-level fair value hierarchy, by class for all financial instruments recognised at fair value and specific disclosures related to transfers between levels in the hierarchy and detailed disclosures on level three of the fair value hierarchy. In addition, certain disclosures on liquidity are also modified. These changes are only presentational in nature and does not have any impact on the financial results of the Group and the Bank.
- (vi) **Technical Release i-4 Shariah Compliant Sale Contracts** – This technical release requires entities to refer to MASB approved accounting standards for guidance on the treatment transactions under Shariah compliant sale contracts, such as in respect of recognition and derecognition, and the treatment of financing contracts. This technical release is not expected to have any material impact of the financial statements of the Group's Islamic banking business, as it already applies MASB approved accounting standards.
- (vii) **Amendments to FRSs contained in the document entitled "Improvements to FRSs (2010)"** – This document contains amendments to ten FRSs and one Interpretation, primarily to provide guidance, to clarify wordings or to remove inconsistencies. The amendments contained therein mainly relate to consequential amendments to FRSs as a result of the adoption of the revised FRS 127 and the amendments to FRS 3 contained in this same document. These amendments to FRSs are not expected to have any material impact on the financial statements of the Group and the Bank.

In addition, these amendments also extend some of the disclosure requirements under FRS 7, such as the quantification of the extent to which collateral and other credit enhancements mitigate credit risk; and removes certain disclosure requirements such as the carrying amount of renegotiated assets. These changes are only presentational in nature and does not have any impact on the financial results of the Group and the Bank.
- (viii) **IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments** – This interpretation clarifies the accounting treatment by an entity in cases where the terms of its financial liabilities are renegotiated and results in the issuance of equity instruments to extinguish its debt, in a transaction commonly referred to as a "debt for equity swap". This interpretation only addresses the accounting by the debtor, but not by the creditor. This interpretation is not expected to have any impact on the financial statements of the Group and the Bank.
- (ix) **FRS 124 Related Party Disclosures** – The revisions to this standard simplify the definition of related parties, clarifies its intended meaning and eliminates inconsistencies from the definition and gives partial exemption from disclosure for government-related entities. These changes affect disclosures in the financial statements only and will not have any impact on the financial results of the Group and the Bank.

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 still being assessed.

2. Summary of Significant Accounting Policies (Cont'd.)

(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: financial assets held-for-trading, financial investments 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.

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 is 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 of financial instruments** – For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement 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 losses on loans, advances and financing (Note 9)** – For impaired loans, advances and financing ("loan(s)") which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ from this, hence resulting in changes to impairment losses.

2. Summary of Significant Accounting Policies (Cont'd.)

(a) Basis of Accounting (Cont'd.)

For loans of the Bank and its domestic banking subsidiary companies which are collectively assessed for impairment under BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, judgement is exercised in the determination of the adequacy of the collective assessment allowance provided based on 1.5% of total outstanding loans net of individual assessment impairment allowance to cover credit losses within the portfolio. In the exercise of such judgement, management assesses the historical loss experience of the various loan asset pools within the portfolio in order to determine the actual incurred impairment levels for those portfolios.

For loans of other banking subsidiaries which are collectively assessed, judgements are made based on loan portfolio data (eg. credit quality, default rates, recovery rates, etc), credit concentration and economic data (eg. unemployment rates, GDP growth rates, etc) in order to arrive at impairment levels appropriate to the portfolio.

- (iii) **Impairment of goodwill and intangible assets (Note 17)** – 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.
- (iv) **Impairment of financial investments available-for-sale (Note 7)** – For equity investments classified as available-for-sale, impairment is recognised when there has been a significant and prolonged decline in the fair value below the investment's cost. Management judgement is required to evaluate the duration and extent by which the fair value of these equity investments is below their cost. In making this judgement, management considers the historical price movements of the individual equity investment, as well as that of the benchmark indicators of the market in which the equity is listed.
- (v) **Impairment of other assets** – The assessment of properties held under property and equipment (Note 16) requires management judgement in the assessment of whether negative fluctuations in values of similar properties in the same location represent an indication of impairment in the value of the individual properties.
- (vi) **Valuation of investment properties (Note 15)** – 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 (Cont'd.)

(a) Basis of Accounting (Cont'd.)

- (vii) **Income taxes (Note 39)** – 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.
- (viii) **Deferred tax assets (Note 12)** – 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.
- (ix) **Defined Benefit Plan (Note 24)** – The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding discount rates, expected rate of return on fund assets, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainty due to other assumptions made regarding fund membership levels and future salary increases.

(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(l)(i).

2. Summary of Significant Accounting Policies (Cont'd.)

(b) Basis of Consolidation (Cont'd.)

(i) Subsidiary Companies (Cont'd.)

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 statement of financial position within equity and is presented in the consolidated statement of changes in equity separately from equity attributable to equity holders of the Bank. Minority interest in the results of the Group is presented in the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and equity holders of the Bank. Where losses applicable to the minority in a subsidiary company exceed the minority interest in the equity of that subsidiary company, the excess and any further losses applicable to the minority are attributable against the Group's interest except to the extent that the minority has a binding obligation to, and is able to make additional investment to cover the losses. If the subsidiary company subsequently reports profits, such profits are allocated to the Group's interest until the minority's share of losses previously absorbed by the Group has been recovered.

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

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.

2. Summary of Significant Accounting Policies (Cont'd.)

(b) Basis of Consolidation (Cont'd.)

(ii) Associated Companies (Cont'd.)

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

Goodwill relating to an associated company is included in the carrying amount of the investment. 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.

(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 reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting 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 other comprehensive income if the gain or loss on the fair value of the non-monetary item is recognised directly in other comprehensive income. 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.

2. Summary of Significant Accounting Policies (Cont'd.)

(c) Foreign Currency (Cont'd.)

(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 companies 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 reporting 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 reporting 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:

	2010	2009
1 USD	RM3.0825	RM3.4280
1 HKD	RM0.3960	RM0.4418

(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 (1) month.

2. Summary of Significant Accounting Policies (Cont'd.)

(e) Financial Assets and Liabilities

(i) Initial Recognition and Subsequent Measurement

Financial instruments are classified in the following categories - financial instruments at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. Management determines the classification of financial instruments at initial recognition.

(1) *Financial Instruments at Fair Value through Profit or Loss*

Financial assets classified in this category consist of financial assets held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing it in the near term. Derivative financial instruments not designated in an effective hedge transaction are also classified in this category. The Group and the Bank do not have any financial instruments designated at fair value through profit or loss.

Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the income statement. Gains and losses from changes in fair value and dividend income are included directly in "Net gains and losses on financial instruments" in the income statement. Interest income is recognised as "Interest income" in the income statement. Regular way purchases and sales of financial assets held-for-trading are recognised on settlement date.

(2) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks, reverse repurchase agreements and loans, advances and financing. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest income on loans and receivables is recognised in "Interest income" in the income statement. Impairment losses on loans, advances and financing are recognised in the income statement as "Allowance for impairment on loans, advances and financing". Regular way recognition of loans, advances and financing is recorded on settlement date, when all the conditions under the loan contract have been fulfilled.

(3) *Financial Investments Held-to-Maturity*

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments that management has the intention and ability to hold to maturity. These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest on investments held-to-maturity is included in "Interest income" in the income statement. Impairment losses, if any, are recognised in the income statement as "Impairment on other assets". Regular way purchases and sales of financial investments held-to-maturity are recognised at settlement date.

If the Group or the Bank were to sell or reclassify more than an insignificant amount of financial investments held-to-maturity before maturity, the entire category would be tainted and be reclassified to available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial assets as held-to-maturity for the following two years.

2. Summary of Significant Accounting Policies (Cont'd.)

(e) Financial Assets and Liabilities (Cont'd.)

(i) Initial Recognition and Subsequent Measurement (Cont'd.)

(4) *Financial Investments Available-for-Sale*

Financial investments available-for-sale are non-derivative financial assets that are designated as available-for-sale and are not categorised into any of the other categories above. Financial investments available-for-sale include financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in market conditions.

These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in the income statement. If an investment available-for-sale is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement. Likewise, upon disposal of investments available-for-sale, the cumulative fair value gain or loss recognised in the statement of comprehensive income is also transferred to the income statement. Interest income on financial investments available-for-sale is included in "Interest income" and dividend income is recognised in "Net gains and losses on financial instruments" in the income statement. Regular way purchases and sales of financial investments available-for-sale are recognised at settlement date.

Investments in unquoted equity instruments which are classified as available-for-sale and whose fair value cannot be reliably measured are measured at cost. These investments are assessed for impairment at each reporting date.

(5) *Financial Liabilities*

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds.

(ii) **Derecognition**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or when the rights to receive further cash flows from the assets have been transferred to a third party and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they are redeemed or extinguished.

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain substantially all the risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

2. Summary of Significant Accounting Policies (Cont'd.)

(e) Financial Assets and Liabilities (Cont'd.)

(iii) Reclassification of Financial Assets

The Group and the Bank may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the income statement is not reversed.

As at reporting date, the Group and the Bank have not made any such reclassifications of financial assets.

(iv) Determination of Fair Value

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. For financial instruments with observable market prices which are traded in active markets, the fair values are based on their quoted market price or dealer price quotations. These include listed equity securities and broker quotes from Bloomberg and Reuters.

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Group and the Bank generally use widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

(v) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

(f) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are classified as financial assets when their fair values are positive and financial liabilities when their fair values are negative.

2. Summary of Significant Accounting Policies (Cont'd.)

(f) Derivative Financial Instruments and Hedge Accounting (Cont'd.)

Derivatives which are not designated in an effective hedge transaction are classified as held-for-trading, with changes in fair value recognised in "Net gains and losses on financial instruments" in the income statement. For derivative transactions which meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At inception of the hedge relationship, the Group and the Bank formally documents the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship. Hedges are expected to be highly effective in offsetting the designated risk in the hedged item, and are assessed at inception of the hedge relationship and on an ongoing basis to ensure that they remain highly effective throughout the hedge period. A hedge is deemed as highly effective if the changes in the fair value or cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the period for which the hedge is designated.

The Group and the Bank discontinue 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 designated and qualifying fair value hedges, changes in the fair value of the hedging instrument are recognised in the income statement, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The net result is reported as hedge ineffectiveness under "Net gains and losses on financial instruments" in the income statement.

If the hedging instrument is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to the income statement over the remaining period to maturity using the effective interest rate.

(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 designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in equity via other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged forecast cash flows affect the income statement. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gain or loss previously recognised in other comprehensive income is transferred from equity and adjusted to the initial cost of the asset or liability.

2. Summary of Significant Accounting Policies (Cont'd.)

(f) Derivative Financial Instruments and Hedge Accounting (Cont'd.)

(ii) Cash Flow Hedge (Cont'd.)

When a hedging instrument expires or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement as hedge ineffectiveness.

(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. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity while any gain or loss relating to the ineffective portion is recognised directly in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the income statement.

(g) Embedded Derivatives

Some hybrid financial instruments contain both an embedded derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and separately accounted for at fair value, with changes in fair value recognised in the income statement.

(h) Impairment of Financial Assets

(i) Loans, Advances and Financing

Loans, advances and financing ("loan(s)") of the Group and the Bank are classified as impaired when they fulfill either of the following criteria:

- (1) principal or interest or both are past due for three (3) months or more;
- (2) where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses;
or
- (3) where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

For the determination of impairment on loans, the Group and the Bank assess at each reporting date whether there is any objective evidence that a loan or a group of loans is impaired. A loan or a group of loans is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (ie. an "incurred loss event") and that loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

2. Summary of Significant Accounting Policies (Cont'd.)

(h) Impairment of Financial Assets (Cont'd.)

(i) Loans, Advances and Financing (Cont'd.)

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment include:

- (1) any significant financial difficulty of the obligor;
- (2) a breach of contract, such as a default or delinquency in interest or principal payments;
- (3) a high probability of bankruptcy or other financial reorganisation of the obligor;
- (4) concerns over the viability of the obligor's business operations and its capacity to trade successfully out of financial difficulties and to generate sufficient cash flows to service its debt obligations; and
- (5) any adverse news or developments affecting the local economic conditions or business environment which will adversely affect the repayment capacity of the borrower.

The Group and the Bank first assess individually whether objective evidence of impairment exists individually for loans which are individually significant, or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of loss is recognised in the income statement. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For loans which are collectively assessed, the Bank and its domestic banking subsidiary companies have applied the transitional arrangement issued by BNM via its guideline on Classification and Impairment Provisions for Loans/Financing, whereby collective assessment impairment allowance is maintained at 1.5% of total outstanding loans, net of individual assessment impairment allowance.

Collective assessment of loans of other banking subsidiary companies which are not subject to this transitional arrangement is done via grouping of these loans on the basis of similar credit risk characteristics. Future cash flows of each of these groups of loans are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment impairment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the income statement.

2. Summary of Significant Accounting Policies (Cont'd.)

(h) Impairment of Financial Assets (Cont'd.)

(ii) Financial Investments Available-for-Sale

The Group and the Bank assess at each reporting date whether there is objective evidence that a financial investment classified as available-for-sale is impaired.

In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in the income statement. For unquoted equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

For debt instruments, impairment is assessed based on the same criteria as other financial investments available-for-sale. Where impairment losses have been previously recognised in the income statement, if there is a subsequent increase in the fair value of the debt instrument that can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(iii) Financial Investments Held-to-Maturity

The Group and the Bank assess at each reporting date whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognised.

(iv) Rescheduled and Restructured Loans

Where a loan shows evidence of credit weaknesses, the Group and the Bank may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated loan to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period. Where an impaired loan is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the loan is classified as non-impaired. These loans continue to be subjected to individual or collective impairment assessment.

(i) 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.

2. Summary of Significant Accounting Policies (Cont'd.)

(i) Investment Properties (Cont'd.)

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

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.

(j) 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.

(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, are not recognised on the statement of financial position. 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 (Cont'd.)

(k) 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(n).

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:

Leasehold land	Over the remaining leasehold period
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. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal, any surplus previously recorded in equity is transferred directly to retained profits.

2. Summary of Significant Accounting Policies (Cont'd.)

(l) 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 financial year end.

(m) 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.

2. Summary of Significant Accounting Policies (Cont'd.)

(n) Impairment of Non-Financial Assets

For non-financial assets other than goodwill, such as property and equipment, investments in subsidiary and associated companies and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in the income statement, and is reversed only if there is change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment of goodwill is discussed under the accounting policy on goodwill in Note 2(l)(i).

(o) 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 statement of financial position.

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 statement of financial position. The securities sold under repurchase agreements are treated as pledged assets and are not derecognised from the statement of financial position.

(p) Bills and Acceptances Payable

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

(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 reporting 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 reporting date. Provision is also made for the cost of claims together with related expenses incurred but not reported at reporting date based on an actuarial estimation by a qualified actuary using a mathematical method of estimation.

2. Summary of Significant Accounting Policies (Cont'd.)

(r) Profit Equalisation Reserve ("PER")

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

(s) Provisions

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

Provisions are reviewed at each reporting 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 Securities Issued

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's debt securities issued consist mainly of subordinated notes, Innovative Tier I capital securities and borrowings. These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the debt securities 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 security is classified as a liability in the statement of financial position 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.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost. Generally, it is the Group's policy to hedge the fixed interest rate risk on these debt securities, and apply fair value hedge accounting. When hedge accounting is applied to fixed-rate debt instruments, the carrying values of the debt securities 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.

2. Summary of Significant Accounting Policies (Cont'd.)

(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.

(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 commercial banking, investment banking, financing and other Islamic banking activities, stock-broking, general insurance, management of unit trust funds and sale of trust units but excluding all related companies transactions.

Operating revenue of the Bank comprises gross interest income, commissions earned and other income derived from commercial banking operations.

(y) Interest and financing income and expense

For all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as held-for-trading and available-for-sale, interest and financing income and expense are recognised under "Interest income", "Interest expense" and "Net income from Islamic banking business" respectively in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest/financing income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts are also considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. Summary of Significant Accounting Policies (Cont'd.)

(z) Fee and Commission Income

The Group and the Bank earn fee and commission income from a diverse range of services provided to its customers. Such income are generally recognised on an accrual basis when the services have been provided.

Fees earned for the provision of services over a period of time, such as asset management and loan arrangement and management, are accrued over the period. Fee income from the provision of transaction services, such as funds remittances and stockbroking, are recognised upon completion of the underlying transaction. Fees that are linked to the performance of a certain activity or service, such as corporate advisory services, are recognised upon completion of the performance criteria.

(aa) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(ab) Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Defined Contribution Plan

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

(iii) Defined Benefit Plan

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

The amount recognised in the statement of financial position 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.

2. Summary of Significant Accounting Policies (Cont'd.)

(ab) Employee Benefits (Cont'd.)

(iii) Defined Benefit Plan (Cont'd.)

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 reporting 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.

(ac) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense in the income statement except to the extent that it relates to items that are charged or credited in other comprehensive income or directly to equity. In such cases, tax expense is charged or credited to other comprehensive income or to equity.

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

Deferred tax is recognised using the liability 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 reporting date.

2. Summary of Significant Accounting Policies (Cont'd.)

(ad) Dividends

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

(ae) 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.

(af) Segment Reporting

Segment reporting in the financial statements are presented on the same basis as it 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.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

3. Cash and Balances with Banks

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances	2,220,245	1,091,451	1,382,876	783,917
Money market deposit placements:				
– maturing within one month	29,862,324	42,389,001	23,308,753	31,084,709
– maturing after one month	2,607,870	3,182,704	2,480,818	3,115,967
	32,470,194	45,571,705	25,789,571	34,200,676
	34,690,439	46,663,156	27,172,447	34,984,593

4. Reverse Repurchase Agreements

The fair value of securities accepted as collateral under reverse repurchase agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by their owner was RM384,290,000 (2009 – RM1,225,137,000) and RM10,737,000 (2009 – Nil) respectively, of which none (2009 – none) have been resold.

5. Financial Assets Held-for-Trading

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	—	66,735	—	66,735
Malaysian Government Securities	75,734	433,224	75,734	433,224
Malaysian Government Investment Certificates	—	131,661	—	101,356
Bank Negara Malaysia Monetary Notes	412,508	744,463	412,508	744,463
Bank Negara Malaysia Bills	99,803	124,937	—	—
	588,045	1,501,020	488,242	1,345,778
Money market instruments:				
Negotiable instruments of deposit	5,622,472	6,243,362	5,323,626	6,193,679
Non-money market instruments:				
Equity securities				
– Quoted shares in Malaysia	868	925	868	925
Debt securities				
– Cagamas bonds	15,134	125,367	—	100,323
– Unquoted private debt securities	134,101	86,601	—	15,110
	150,103	212,893	868	116,358
	6,360,620	7,957,275	5,812,736	7,655,815

6. 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 equity prices) of the underlying instruments. These instruments allow the Group and the Bank 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' transactions are classified as trading derivatives. The Group and the Bank may also take conservative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates via its trading derivatives.

6. Derivative Financial Assets/Liabilities (Cont'd.)

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 reporting 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 44 to the financial statements.

Group	2010			2009		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	1,168,602	6,144	18,402	806,819	4,760	4,955
– Currency swaps	13,018,376	80,072	175,499	10,354,354	35,292	68,989
– Currency options purchased	—	—	—	47,045	1,291	—
Interest rate related contracts						
– Interest rate swaps	159,190	65	76	84,350	84	36
Equity related contracts						
– Options purchased	408,167	21,048	—	480,456	22,096	—
Precious metal contracts						
– Forwards	929	—	—	3,767	17	1
	14,755,264	107,329	193,977	11,776,791	63,540	73,981
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	9,879,746	212,544	181,371	10,458,170	235,459	195,688
Cash flow hedge						
Interest rate related contracts						
– Interest rate swaps	484,000	6,749	181	534,000	11,312	387
	10,363,746	219,293	181,552	10,992,170	246,771	196,075
Total	25,119,010	326,622	375,529	22,768,961	310,311	270,056

6. Derivative Financial Assets/Liabilities (Cont'd.)

Bank	2010			2009		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	1,140,748	6,106	18,371	761,996	4,663	4,786
– Currency swaps	12,816,888	76,093	173,378	9,717,788	30,239	68,421
– Currency options purchased	—	—	—	47,045	1,291	—
Interest rate related contracts						
– Interest rate swaps	471,478	6,518	19,649	567,698	6,461	34,085
Equity related contracts						
– Options purchased	408,167	21,048	—	480,456	22,096	—
Precious metal contracts						
– Forwards	929	—	—	3,767	17	1
	14,838,210	109,765	211,398	11,578,750	64,767	107,293
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	9,010,480	206,082	129,416	9,443,482	226,782	135,716
Cash flow hedge						
Interest rate related contracts						
– Interest rate swaps	484,000	6,749	181	534,000	11,312	387
	9,494,480	212,831	129,597	9,977,482	238,094	136,103
Total	24,332,690	322,596	340,995	21,556,232	302,861	243,396

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

6. Derivative Financial Assets/Liabilities (Cont'd.)

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 and/or index.

As at 31 December 2010, 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.

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.

Over-the-counter derivatives may expose the Group and the Bank to the risks associated with the absence of an exchange to close out an open position. This credit risk represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation. To control the level of credit risk, the Group and the Bank continually monitor and assess the credit standing of these counterparties.

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 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 debt securities issued and financial investments available-for-sale. 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Losses on hedging instruments	(8,818)	(107,038)	(14,619)	(148,398)
Gains on the hedged items attributable to the hedged risk	253	99,235	8,384	144,244

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 "Net gains and losses on financial instruments".

6. Derivative Financial Assets/Liabilities (Cont'd.)

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.

Set out below is a schedule indicating as at the financial year end, the periods when the hedged cash flows are expected to occur and when they are expected to impact the income statement:

Group and Bank	Within 1 year RM'000	1-3 years RM'000	3-5 years RM'000	Over 5 years RM'000
2010				
Cash inflows on assets	2,556	1,991	(42)	—
Cash outflows on liabilities	(206)	1,799	465	—
Net cash inflows	2,350	3,790	423	—
2009				
Cash inflows on assets	4,579	3,567	(525)	—
Cash outflows on liabilities	(1,849)	1,584	3,568	—
Net cash inflows	2,730	5,151	3,043	—

There were no transactions during the year for which cash flow hedge accounting had to be discontinued as a result of the highly probable cash flows being no longer expected to occur.

The net gain on cash flow hedges reclassified from equity to the income statement are recognised in “Net gains and losses on financial instruments”. During the financial year, a net gain of RM80,000 (2009 – net gain of RM1,204,000) 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 “Net gains and losses on financial instruments”. During the financial year, a gain of RM4,000 (2009 – loss 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 statement of financial position 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 RM170,000 (2009 – loss of RM583,000).

7. Financial Investments Available-for-Sale

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Securities	2,115,849	2,772,548	2,105,763	2,762,225
Malaysian Government Investment Certificates	2,002,864	2,066,106	1,199,611	1,199,819
Bank Negara Malaysia Monetary Notes	5,485,605	—	4,568,078	—
Bank Negara Malaysia Bills	1,063,115	—	—	—
	10,667,433	4,838,654	7,873,452	3,962,044
Money market instruments:				
Negotiable instruments of deposit	—	50,637	272,599	310,039
Non-money market instruments:				
Equity securities #				
– Quoted shares and convertible loan stocks in Malaysia	37,212	49,765	34,947	46,323
– Quoted shares and convertible loan stocks outside Malaysia	8,674	6,846	—	—
– Unquoted shares	108,193	23,646	104,479	20,070
Debt securities				
– Unquoted private debt securities	2,358,606	2,783,624	1,833,351	2,215,291
Unit trust funds				
– Public Institutional Bond Fund	1,609,313	1,415,767	1,505,140	1,315,851
– Others	3,062,853	2,996,838	2,645,511	2,588,541
	7,184,851	7,276,486	6,123,428	6,186,076
	17,852,284	12,165,777	14,269,479	10,458,159
# Stated at cost, net of impairment loss amounting to	39,914	41,851	33,482	36,408

There were no Malaysian Government Securities of the Bank which were utilised to meet the Statutory Reserve Requirement set by Bank Negara Malaysia as at the reporting date (2009 – RM350,000,000) (refer to Note 11).

7. Financial Investments Available-for-Sale (Cont'd.)

A reconciliation of accumulated impairment loss by class of financial instrument is as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-money market instruments				
Equity securities				
At 1 January				
– as previously stated	41,851	44,436	36,408	44,436
– reclassified from financial investments held-to-maturity as a result of adopting FRS 139 (Note 8)	564	—	564	—
	42,415	44,436	36,972	44,436
Impairment made during the year (Note 38)	992	5,572	—	129
Amount written off	(3,490)	(8,157)	(3,490)	(8,157)
Exchange differences	(3)	—	—	—
At 31 December	39,914	41,851	33,482	36,408

8. Financial Investments Held-to-Maturity

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	3,654	9,826	3,654	9,826
Malaysian Government Securities	1,933,735	2,702,667	1,772,055	2,620,859
Malaysian Government Investment Certificates	549,330	566,529	549,330	566,529
Foreign government treasury bills	515,429	274,311	80,010	53,523
	3,002,148	3,553,333	2,405,049	3,250,737
Money market instruments:				
Negotiable instruments of deposit	1,010,727	513,121	2,689,862	4,028,238
Bankers' acceptances and Islamic accepted bills	492,166	1,020,955	—	129,387
	1,502,893	1,534,076	2,689,862	4,157,625

8. Financial Investments Held-to-Maturity (Cont'd.)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-money market instruments:				
Equity securities				
– Unquoted shares	—	88,016	—	87,573
Debt securities				
– Cagamas bonds	5,059	15,107	5,059	5,059
– Unquoted private debt securities	729,530	1,442,387	140,442	148,976
	734,589	1,545,510	145,501	241,608
Accumulated impairment losses	(10,013)	(12,712)	(10,013)	(12,712)
	5,229,617	6,620,207	5,230,399	7,637,258

The maturity structure of government securities and treasury bills and money market instruments held are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Maturity within one year	2,833,384	2,769,764	2,658,186	4,511,639
More than one year to three years	965,868	1,324,204	1,730,936	1,923,619
More than three years to five years	700,644	869,691	700,644	849,354
More than five years	5,145	123,750	5,145	123,750
	4,505,041	5,087,409	5,094,911	7,408,362

8. Financial Investments Held-to-Maturity (Cont'd.)

The indicative market value of government securities and treasury bills and money market instruments are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian Government Treasury Bills	3,652	9,823	3,652	9,823
Malaysian Government Securities	1,946,257	2,721,601	1,784,640	2,639,660
Malaysian Government Investment Certificates	554,266	570,115	554,267	570,115
Foreign government treasury bills	515,605	275,050	80,186	54,316
Negotiable instruments of deposit	1,004,047	513,694	2,683,223	4,035,376
Bankers' acceptances and Islamic accepted bills	492,175	1,020,951	—	129,383

A reconciliation of accumulated impairment loss by class of financial instrument is as follows:

Group and Bank	Non-money Market Instruments			
	Equity Securities		Debt Securities	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January				
– as previously stated	564	564	12,148	13,501
– reclassified to financial investments available-for-sale as a result of adopting FRS 139 (Note 7)	(564)	—	—	—
	—	564	12,148	13,501
Amount written off	—	—	(1,104)	(1,244)
Exchange differences	—	—	(1,031)	(109)
	—	564	10,013	12,148

9. Loans, Advances and Financing

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At amortised cost				
Overdrafts	9,597,674	9,624,895	8,500,942	8,183,430
Term loans/financing				
Housing loans/financing	43,891,024	37,518,424	38,382,386	32,520,706
Syndicated term loans/financing	2,871,817	2,263,231	1,635,281	1,101,921
Hire purchase receivables	35,328,422	31,510,038	24,839,999	21,478,839
Other term loans/financing	54,989,863	48,078,431	44,069,685	37,935,351
Credit card receivables	1,348,902	1,178,526	1,340,914	1,169,668
Bills receivables	108,856	114,876	95,828	83,335
Trust receipts	377,087	407,432	329,412	333,042
Claims on customers under acceptance credits #	3,582,630	3,121,018	3,572,220	3,109,337
Revolving credits	3,486,986	2,961,241	3,473,437	2,997,450
Staff loans*	960,811	832,315	903,078	776,225
Gross loans, advances and financing	156,544,072	137,610,427	127,143,182	109,689,304
Less: Allowance for impaired loans and financing				
– collective assessment allowance	(2,296,158)	—	(1,914,653)	—
– individual assessment allowance	(264,934)	—	(166,346)	—
– general allowance	—	(2,051,659)	—	(1,645,143)
– specific allowance	—	(222,984)	—	(81,354)
Net loans, advances and financing	153,982,980	135,335,784	125,062,183	107,962,807

Included in claims on customers under acceptance credits of the Group and the Bank are bankers' acceptance rediscounted of RM1,707,306,000 (2009 – RM22,444,000) and RM1,706,661,000 (2009 – RM22,444,000) respectively.

* Included in staff loans of the Group and the Bank are loans to directors of subsidiary companies amounting to RM3,505,221 (2009 – RM1,426,094) and RM2,891,154 (2009 – RM711,601) respectively.

9. Loans, Advances and Financing (Cont'd.)

Gross loans, advances and financing presented by class of financial instruments are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Retail loans/financing				
– Housing loans/financing	43,891,024	37,518,424	38,382,386	32,520,706
– Hire purchase	35,328,422	31,510,038	24,839,999	21,478,839
– Credit cards	1,348,902	1,178,526	1,340,914	1,169,668
– Other loans/financing ^	52,904,601	47,173,845	44,786,687	39,081,995
	133,472,949	117,380,833	109,349,986	94,251,208
Corporate loans/financing	23,071,123	20,229,594	17,793,196	15,438,096
	156,544,072	137,610,427	127,143,182	109,689,304

^ Included in other loans/financing are term loans, trade financing, overdrafts and revolving credits.

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Maturity within one year	25,130,683	23,963,064	21,330,140	19,380,641
More than one year to three years	16,618,501	14,871,529	12,363,350	10,813,628
More than three years to five years	18,258,072	16,104,439	14,188,733	12,116,481
More than five years	96,536,816	82,671,395	79,260,959	67,378,554
	156,544,072	137,610,427	127,143,182	109,689,304

9. Loans, Advances and Financing (Cont'd.)

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Banking institutions	92,478	68,625	—	—
Non-bank financial institutions				
– Stock-broking companies	2,010	2,010	2,010	2,010
– Others	5,751,848	3,669,909	5,530,247	3,655,532
Business enterprises				
– Small and medium enterprises	28,022,864	24,840,973	25,109,061	21,520,341
– Others	22,226,128	22,424,951	17,595,432	17,072,519
Government and statutory bodies	326,226	316,353	371	534
Individuals	98,089,469	83,606,472	77,045,005	65,745,217
Other entities	30,207	26,919	27,340	25,438
Foreign entities	2,002,842	2,654,215	1,833,716	1,667,713
	156,544,072	137,610,427	127,143,182	109,689,304

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	143,821,595	124,362,486	126,889,859	109,439,708
Hong Kong SAR and the People's Republic of China	10,699,655	10,919,276	—	—
Cambodia	1,769,499	2,079,069	—	—
Other countries	253,323	249,596	253,323	249,596
	156,544,072	137,610,427	127,143,182	109,689,304

9. Loans, Advances and Financing (Cont'd.)

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate				
– Housing loans/financing	1,928,071	2,399,719	1,005,466	1,375,787
– Hire purchase receivables	33,750,002	30,149,942	24,832,082	21,473,821
– Other fixed rate loans/financing	16,155,876	14,283,642	8,827,158	7,114,932
Variable rate				
– Base lending rate plus	83,051,326	69,865,606	80,438,068	68,141,186
– Cost plus	12,370,856	11,802,092	11,565,882	10,958,834
– Other variable rates	9,287,941	9,109,426	474,526	624,744
	156,544,072	137,610,427	127,143,182	109,689,304

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of securities	2,445,735	2,383,280	2,302,077	2,233,886
Purchase of transport vehicles	35,560,624	31,628,208	25,044,969	21,601,524
Purchase of landed properties	77,877,177	64,887,271	68,574,344	56,783,539
(of which: – residential	44,440,429	37,953,145	38,942,235	32,962,816
– non-residential)	33,436,748	26,934,126	29,632,109	23,820,723
Purchase of fixed assets (excluding landed properties)	282,626	390,129	276,826	317,880
Personal use	9,035,621	8,477,853	4,018,917	3,847,006
Credit card	1,348,902	1,178,526	1,340,914	1,169,668
Purchase of consumer durables	16,351	16,495	13,110	12,644
Construction	1,490,749	1,552,576	910,135	947,445
Mergers and acquisitions	8,183	99,835	8,183	99,835
Working capital	22,321,467	21,053,154	18,781,703	17,083,443
Other purpose	6,156,637	5,943,100	5,872,004	5,592,434
	156,544,072	137,610,427	127,143,182	109,689,304

9. Loans, Advances and Financing (Cont'd.)

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Agriculture, hunting, forestry and fishing	3,119,426	3,080,074	2,890,865	2,776,774
Mining and quarrying	120,644	102,570	112,315	93,681
Manufacturing	7,100,555	6,573,612	6,457,253	5,751,532
Electricity, gas and water	348,775	46,053	299,389	25,004
Construction	6,027,594	5,836,418	5,237,417	5,052,239
Wholesale & retail trade and restaurants & hotels	14,258,932	12,797,310	13,100,713	11,590,257
Transport, storage and communication	1,428,781	1,556,251	1,366,257	1,492,542
Finance, insurance and business services	10,173,718	7,680,286	9,055,447	6,815,720
Real estate	10,377,626	9,403,595	9,745,025	8,732,707
Community, social and personal services	1,484,692	1,260,033	1,097,004	887,750
Households	101,345,038	88,179,612	77,486,033	66,143,492
Others	758,291	1,094,613	295,464	327,606
	156,544,072	137,610,427	127,143,182	109,689,304

Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At 1 January				
– as previously stated	1,319,627	1,210,099	813,356	956,329
– effect of adopting FRS 139 (Note 52)	572,596	—	562,275	—
At 1 January, as restated #	1,892,223	1,210,099	1,375,631	956,329
Impaired during the year	3,006,563	2,483,525	2,352,332	1,652,963
Reclassified as non-impaired	(2,263,308)	(1,694,775)	(1,929,911)	(1,435,151)
Recoveries	(263,362)	(145,601)	(181,379)	(116,824)
Amount written off	(516,878)	(490,821)	(184,565)	(203,478)
Loans/financing converted to foreclosed properties/investments	(30,435)	(41,436)	(28,670)	(40,457)
Exchange differences	(40,526)	(1,364)	(2,117)	(26)
	1,784,277	1,319,627	1,401,321	813,356

9. Loans, Advances and Financing (Cont'd.)

Movements in impaired loans, advances and financing ("impaired loans") are as follows: (Cont'd.)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gross impaired loans as % of gross loans, advances and financing	1.14%	0.96%	1.10%	0.74%
# Gross impaired loans as % of gross loans, advances and financing as at 1 January 2010, restated for the effect of adopting FRS 139	1.37%		1.25%	

Impaired loans analysed by geographical distribution are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysia	1,579,947	945,809	1,387,671	811,737
Hong Kong SAR and the People's Republic of China	131,135	232,902	—	—
Cambodia	59,545	139,297	—	—
Other countries	13,650	1,619	13,650	1,619
	1,784,277	1,319,627	1,401,321	813,356

9. Loans, Advances and Financing (Cont'd.)

Impaired loans analysed by economic purpose are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of securities	7,596	2,722	7,588	2,722
Purchase of transport vehicles	278,520	145,096	205,589	91,048
Purchase of landed properties	789,082	564,424	704,487	478,758
(of which: – residential	500,289	451,954	449,634	402,129
– non-residential)	288,793	112,470	254,853	76,629
Purchase of fixed assets (excluding landed properties)	9,041	7,021	8,918	6,843
Personal use	172,963	153,777	54,842	47,513
Credit card	27,296	13,998	27,290	13,955
Purchase of consumer durables	104	242	104	222
Construction	14,677	4,861	14,677	—
Working capital	442,712	410,861	335,777	155,944
Other purpose	42,286	16,625	42,049	16,351
	1,784,277	1,319,627	1,401,321	813,356

Impaired loans analysed by sectors are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Agriculture, hunting, forestry and fishing	16,545	5,823	16,407	2,188
Mining and quarrying	1,287	104	215	104
Manufacturing	198,787	176,694	160,018	74,987
Electricity, gas and water	1,579	394	—	394
Construction	147,581	50,741	146,236	44,881
Wholesale & retail trade and restaurants & hotels	140,202	129,710	125,235	67,159
Transport, storage and communication	150,638	4,772	145,537	4,527
Finance, insurance and business services	89,454	44,188	50,318	16,249
Real estate	77,710	25,145	76,781	14,823
Community, social and personal services	13,701	3,710	13,569	3,659
Households	930,141	820,172	665,025	582,405
Others	16,652	58,174	1,980	1,980
	1,784,277	1,319,627	1,401,321	813,356

9. Loans, Advances and Financing (Cont'd.)

A reconciliation of the allowance for impaired loans by class of financial instrument is as follows:

	Retail Loans/Financing				Corporate Loans/Financing RM'000	Total RM'000
	Housing Loans/Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/Financing RM'000		
Group						
2010						
Collective Assessment Allowance						
At 1 January						
– as previously stated	—	—	—	—	—	—
– effect of adopting FRS 139 (Note 52)	523,011	449,835	17,575	773,119	255,403	2,018,943
At 1 January, as restated	523,011	449,835	17,575	773,119	255,403	2,018,943
Allowance made during the year (Note 37)	136,243	145,819	34,059	164,423	38,940	519,484
Amount written off	(42,891)	(92,509)	(31,497)	(68,732)	—	(235,629)
Exchange differences	(340)	(157)	(3)	(4,823)	(1,317)	(6,640)
At 31 December 2010	616,023	502,988	20,134	863,987	293,026	2,296,158
Bank						
2010						
Collective Assessment Allowance						
At 1 January						
– as previously stated	—	—	—	—	—	—
– effect of adopting FRS 139 (Note 52)	490,223	322,253	17,559	587,361	230,935	1,648,331
At 1 January, as restated	490,223	322,253	17,559	587,361	230,935	1,648,331
Allowance made during the year (Note 37)	125,611	110,683	34,052	142,511	34,828	447,685
Amount written off	(40,098)	(60,336)	(31,497)	(49,082)	—	(181,013)
Exchange differences	—	—	—	(350)	—	(350)
At 31 December 2010	575,736	372,600	20,114	680,440	265,763	1,914,653

9. Loans, Advances and Financing (Cont'd.)

A reconciliation of the allowance for impaired loans by class of financial instrument is as follows: (Cont'd.)

	Retail Loans/Financing				Corporate Loans/Financing RM'000	Total RM'000
	Housing Loans/Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/Financing RM'000		
Group						
2010						
Individual Assessment Allowance						
At 1 January						
– as previously stated	—	—	—	—	—	—
– effect of adopting FRS 139 (Note 52)	192	3,951	—	163,582	89,740	257,465
At 1 January, as restated	192	3,951	—	163,582	89,740	257,465
Allowance made during the year (Note 37)	187	4,284	—	410,009	30,250	444,730
Amount written back in respect of recoveries (Note 37)	—	(1,465)	—	(124,025)	(5,320)	(130,810)
Amount written off	(164)	(4,036)	—	(271,343)	(5,706)	(281,249)
Exchange differences	(27)	(535)	—	(21,867)	(2,773)	(25,202)
At 31 December 2010	188	2,199	—	156,356	106,191	264,934
Bank						
2010						
Individual Assessment Allowance						
At 1 January						
– as previously stated	—	—	—	—	—	—
– effect of adopting FRS 139 (Note 52)	—	—	—	66,864	65,657	132,521
At 1 January, as restated	—	—	—	66,864	65,657	132,521
Allowance made during the year (Note 37)	—	—	—	108,228	15,876	124,104
Amount written back in respect of recoveries (Note 37)	—	—	—	(82,004)	(4,723)	(86,727)
Amount written off	—	—	—	(2,397)	(1,155)	(3,552)
At 31 December 2010	—	—	—	90,691	75,655	166,346

Comparative information is not presented as the information above is derived based on FRS 139, which was effective only from 1 January 2010.

9. Loans, Advances and Financing (Cont'd.)

Movements in the allowance for impaired loans, advances and financing accounts are as follows: (Cont'd.)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
General allowance				
At 1 January				
– as previously stated	2,051,659	1,759,487	1,645,143	1,419,932
– effect of adopting FRS 139 (Note 52)	(2,051,659)	—	(1,645,143)	—
At 1 January, as restated	—	1,759,487	—	1,419,932
Allowance made during the year (Note 37)	—	293,607	—	225,120
Exchange differences	—	(1,435)	—	91
At 31 December	—	2,051,659	—	1,645,143
As % of gross loans, advances and financing less specific allowance	—	1.49%	—	1.50%

The general allowance of the Group in the previous year was 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 28) in equity as an additional credit risk absorbent in accordance with the local regulatory requirements of certain overseas subsidiary companies.

9. Loans, Advances and Financing (Cont'd.)

Movements in the allowance for impaired loans, advances and financing accounts are as follows: (Cont'd.)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Specific allowance				
At 1 January				
– as previously stated	222,984	172,802	81,354	96,509
– effect of adopting FRS 139 (Note 52)	(222,984)	—	(81,354)	—
At 1 January, as restated	—	172,802	—	96,509
Allowance made during the year (Note 37)	—	621,338	—	244,243
Amount written back in respect of recoveries (Note 37)	—	(73,611)	—	(57,763)
Amount written off	—	(490,821)	—	(203,478)
Reinstatement of amount written off previously due to restructuring/rescheduling, now classified as non-impaired loan	—	6,286	—	5,745
Amount transferred to accumulated impairment loss on foreclosed properties/investments	—	(3,960)	—	(3,880)
Exchange differences	—	(9,050)	—	(22)
At 31 December	—	222,984	—	81,354

10. Other Assets

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred handling fees *	215,499	185,114	158,187	130,372
Interest/Income receivable	51,236	54,184	39,624	38,196
Other receivables, deposits and prepayments	1,078,469	968,160	941,235	736,148
Manager's stocks **	15,717	40,730	—	—
Amount due from trust funds ^	147,197	154,740	—	—
Foreclosed properties #	125,539	131,371	123,178	130,369
Taxi licenses	6,082	6,664	—	—
Outstanding contracts on clients' accounts @	356,141	217,615	—	—
Amount due from subsidiary companies ^^	—	—	41,882	51,966
Dividend receivable from subsidiary companies (Note 42(b))	—	—	399,536	366,489
	1,995,880	1,758,578	1,703,642	1,453,540

10. Other Assets (Cont'd.)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
# Stated net of accumulated allowance for impairment loss amounting to	52,336	52,300	51,191	47,035
@ Stated net of accumulated allowance for bad and doubtful debts amounting to	26,104	25,026	—	—

* 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 are repayable on demand.

@ 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.

11. Statutory Deposits with Central Banks

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Statutory deposits with Bank Negara Malaysia *	1,294,861	732,885	1,106,330	588,362
Statutory deposits with the National Bank of Cambodia #	317,714	289,296	—	—
	1,612,575	1,022,181	1,106,330	588,362

* 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. There were no Malaysian Government Securities used to meet the Statutory Reserve Requirement as at the end of the financial year (2009 – RM350,000,000).

11. Statutory Deposits with Central Banks (Cont'd.)

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

- i) 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
- ii) 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.

12. Deferred Tax

	Group		Bank	
	2010 RM’000	2009 RM’000	2010 RM’000	2009 RM’000
At 1 January				
– as previously stated	504,607	486,905	390,826	387,572
– effect of adopting FRS 139 (Note 52)	(41,039)	—	(32,219)	—
At 1 January, as restated	463,568	486,905	358,607	387,572
Recognised in income statement (net) (Note 39)				
– relating to origination and reversal of temporary differences	58,565	118,112	66,638	99,541
Recognised in equity (net) (Note 39)	(11,795)	(100,333)	(8,314)	(96,287)
Others	—	—	(461)	—
Exchange differences	486	(77)	—	—
At 31 December	510,824	504,607	416,470	390,826

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 statement of financial position after appropriate offsetting are as follows:

	Group		Bank	
	2010 RM’000	2009 RM’000	2010 RM’000	2009 RM’000
Deferred tax assets, net	519,215	506,607	416,470	390,826
Deferred tax liabilities, net	(8,391)	(2,000)	—	—
	510,824	504,607	416,470	390,826

12. Deferred Tax (Cont'd.)

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred tax assets	588,773	579,456	480,357	451,091
Deferred tax liabilities	(77,949)	(74,849)	(63,887)	(60,265)
	510,824	504,607	416,470	390,826

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 Impaired Loans RM'000	Tax Losses RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2009	448,724	26,685	128,610	604,019
Recognised in income statement (Note 39)				
– relating to origination and reversal of temporary differences	67,731	1,623	6,178	75,532
Recognised in equity (Note 39)	—	—	(99,874)	(99,874)
Exchange differences	(155)	(66)	—	(221)
At 31 December 2009	516,300	28,242	34,914	579,456
At 1 January 2010				
– as previously stated	516,300	28,242	34,914	579,456
– effect of adopting FRS 139 (Note 52)	(41,039)	—	—	(41,039)
At 1 January 2010, as restated	475,261	28,242	34,914	538,417
Recognised in income statement (Note 39)				
– relating to origination and reversal of temporary differences	74,428	(27,689)	16,051	62,790
Recognised in equity (Note 39)	—	—	(11,795)	(11,795)
Exchange differences	(405)	(222)	(12)	(639)
At 31 December 2010	549,284	331	39,158	588,773

12. Deferred Tax (Cont'd.)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (Cont'd.)

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 2009	65,744	41,573	9,797	117,114
Recognised in income statement (Note 39)				
– relating to origination and reversal of temporary differences	8,577	(41,573)	(9,584)	(42,580)
Recognised in equity (Note 39)	—	—	459	459
Exchange differences	(144)	—	—	(144)
At 31 December 2009	74,177	—	672	74,849
Recognised in income statement (Note 39)				
– relating to origination and reversal of temporary differences	2,382	—	1,843	4,225
Exchange differences	(1,125)	—	—	(1,125)
At 31 December 2010	75,434	—	2,515	77,949

Deferred tax assets of the Bank	Allowances for Impaired Loans RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2009	387,702	95,357	483,059
Recognised in income statement (Note 39)			
– relating to origination and reversal of temporary differences	56,822	7,497	64,319
Recognised in equity (Note 39)	—	(96,287)	(96,287)
At 31 December 2009	444,524	6,567	451,091

12. Deferred Tax (Cont'd.)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (Cont'd.)

Deferred tax assets of the Bank	Allowances for Impaired Loans RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2010			
– as previously stated	444,524	6,567	451,091
– effect of adopting FRS 139 (Note 52)	(32,219)	—	(32,219)
At 1 January 2010, as restated	412,305	6,567	418,872
Recognised in income statement (Note 39)			
– relating to origination and reversal of temporary differences	66,641	3,619	70,260
Recognised in equity (Note 39)	—	(8,314)	(8,314)
Others	(461)	—	(461)
At 31 December 2010	478,485	1,872	480,357

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 2009	52,890	28,637	13,960	95,487
Recognised in income statement (Note 39)				
– 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
Recognised in income statement (Note 39)				
– relating to origination and reversal of temporary differences	3,655	—	(33)	3,622
At 31 December 2010	64,261	—	(374)	63,887

12. Deferred Tax (Cont'd.)

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	
	2010 RM'000	2009 RM'000
Unutilised tax losses	14,462	16,687
Unutilised capital allowances	24,674	24,674

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 RM16,468,000 (2009 – RM126,696,000) and RM24,674,000 (2009 – RM24,674,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.

13. Investment in Subsidiary Companies

Bank	2010		2009	
	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	1,795,499	1,672,195	1,577,155
Unquoted shares				
– In Malaysia	1,950,747		1,750,747	
– Outside Malaysia	272,169		272,169	
	3,895,111		3,695,111	
Less: Accumulated impairment losses (Note 38)	(6,530)		(430)	
	3,888,581		3,694,681	

13. Investment in Subsidiary Companies (Cont'd.)

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest	
		2010 %	2009 %
Local subsidiary companies			
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

13. Investment in Subsidiary Companies (Cont'd.)

Details of the subsidiary companies are as follows: (Cont'd.)

Name	Principal Activities	Effective Interest	
		2010 %	2009 %
Overseas subsidiary companies			
Cambodian Public Bank Plc +	Banking	100.0	100.0
CampuBank Securities Plc +	Dormant	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.

13. Investment in Subsidiary Companies (Cont'd.)

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, CampuBank Securities 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.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

Significant events affecting the Group's subsidiary companies during the year are as follows:

(a) Increase in paid-up share capital of Public Islamic Bank Berhad

During the financial year, the Bank subscribed to 8,000,000 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 RM200,000,000.

(b) Establishment of a wholly-owned securities company, CampuBank Securities Plc

During the year, the Bank's wholly-owned subsidiary company, Cambodian Public Bank Plc ("Campu Bank"), established a wholly-owned subsidiary company in Cambodia, CampuBank Securities Plc ("CampuBank Securities"). CampuBank Securities had obtained a securities company licence from the Securities and Exchange Commission of Cambodia, which will enable it to carry out the business of securities underwriting, securities dealing, securities brokerage and investment advisory in Cambodia. The issued and paid-up capital of CampuBank Securities is 40.0 billion Khmer Riels (equivalent to approximately RM31.1 million).

14. Investment in Associated Companies

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares, at cost	101,365	101,365	101,325	101,325
Share of post-acquisition reserves	17,259	26,953	—	—
	118,624	128,318	101,325	101,325
Represented by:				
Group's share of net assets	118,624	128,318		

14. Investment in Associated Companies (Cont'd.)

The summarised financial information of associated companies is as follows:

	Group	
	2010 RM'000	2009 RM'000
Total assets	1,224,416	1,225,568
Total liabilities	983,207	965,163
Operating revenue	117,609	102,931
Profit after tax	25,534	25,003

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

Name	Principal Activities	Place of Incorporation	Effective Interest	
			2010 %	2009 %
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

There are no significant restrictions on the ability of the associated companies to transfer funds to the Group in the form of cash dividends.

15. Investment Properties

	Note	Group	
		2010 RM'000	2009 RM'000
At valuation			
At 1 January		69,327	66,012
Transfer from/(to) owner-occupied property			
– Property and equipment	16	907	(3,844)
Revaluation gain from fair value adjustment	34	3,751	8,396
Disposals		(114)	(72)
Exchange differences		(8,319)	(1,165)
At 31 December		65,552	69,327
Included in the above are:			
Short-term leasehold land and building		60,269	23,679
Long-term leasehold land and building		5,283	45,648
		65,552	69,327

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 RM1,850,000 (2009 – RM1,977,000) 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 RM63,702,000 (2009 – RM67,350,000) have been revalued by CS Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The increase in the fair values of RM3,751,000 (2009 – RM8,396,000) 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 RM5,310,000 (2009 – RM5,695,000) (Note 34) during the year.

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

16. Property and Equipment

Group 2010	Note	Office equipment, furniture & fittings							Motor vehicles	Work-in-progress	Total
		Freehold land	Long term leasehold land	Buildings	Renovations	Office equipment, furniture & fittings	Computer equipment & software				
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
Cost											
At 1 January 2010		175,877	317,625	568,919	271,604	462,091	783,982		21,930	15,336	2,617,364
Additions		—	—	12,969	30,982	25,018	41,448		10,232	7,391	128,040
Disposals		—	—	(231)	(810)	(5,825)	(15,269)		(8,440)	—	(30,575)
Transfer to investment properties	15	—	(453)	(454)	—	—	—		—	—	(907)
Reclassification		—	—	—	(13,592)	13,596	—		(4)	—	—
Write-offs	35	—	—	—	(1,120)	(2,874)	(12,971)		(132)	—	(17,097)
Exchange differences		—	(31,796)	(10,196)	(3,879)	(1,036)	(6,608)		(517)	—	(54,032)
At 31 December 2010		175,877	285,376	571,007	283,185	490,970	790,582		23,069	22,727	2,642,793
Accumulated depreciation											
At 1 January 2010		—	25,668	135,754	186,563	338,390	560,201		18,910	—	1,265,486
Depreciation charge for the year		—	3,236	13,655	17,853	31,480	77,546		1,858	—	145,628
Disposals	35	—	—	(89)	(810)	(5,588)	(15,201)		(8,359)	—	(30,047)
Write-offs	35	—	—	—	(1,119)	(2,838)	(12,941)		(132)	—	(17,030)
Exchange differences		—	(2,542)	(819)	(2,411)	(697)	(3,862)		(331)	—	(10,662)
At 31 December 2010		—	26,362	148,501	200,076	360,747	605,743		11,946	—	1,353,375
Accumulated impairment loss											
At 1 January 2010		1,064	2,729	7,306	—	—	—		—	—	11,099
Reclassification		—	(2,696)	2,696	—	—	—		—	—	—
At 31 December 2010		1,064	33	10,002	—	—	—		—	—	11,099
Carrying amounts											
At 31 December 2010		174,813	258,981	412,504	83,109	130,223	184,839		11,123	22,727	1,278,319
Property and equipment that have been fully depreciated which are still in use are as follows:											
At cost		—	—	395	139,736	172,433	429,403		8,283	—	750,250
At 31 December 2010		—	—	395	139,736	172,433	429,403		8,283	—	750,250

16. Property and Equipment (Cont'd.)

Group 2009	Note	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fixtures RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Cost											
At 1 January 2009		175,877	114,230	202,915	504,565	241,708	435,724	764,603	20,937	40,579	2,501,138
Additions		—	—	637	37,432	41,894	28,462	63,206	1,168	2,120	174,919
Disposals		—	—	(48)	(70)	(3,785)	(6,836)	(17,528)	(120)	—	(28,387)
Transfer from investment properties	15	—	—	3,489	355	—	—	—	—	—	3,844
Reclassification		—	(112,888)	112,888	27,074	(6,696)	6,645	51	—	(27,074)	—
Write-offs	35	—	—	—	—	(1,163)	(1,765)	(25,652)	(5)	—	(28,585)
Exchange differences		—	(1,342)	(2,256)	(437)	(354)	(139)	(698)	(50)	(289)	(5,565)
At 31 December 2009		175,877	—	317,625	568,919	271,604	462,091	783,982	21,930	15,336	2,617,364
Accumulated depreciation											
At 1 January 2009		—	13,484	9,060	125,724	173,707	319,460	528,561	16,781	—	1,186,777
Depreciation charge for the year	35	—	—	3,449	10,144	16,508	26,358	74,745	2,291	—	133,495
Disposals		—	—	—	(29)	(2,765)	(5,848)	(17,354)	(117)	—	(26,113)
Reclassification		—	(13,326)	13,326	—	25	(74)	49	—	—	—
Write-offs	35	—	—	—	—	(584)	(1,387)	(25,180)	3	—	(27,148)
Exchange differences		—	(158)	(167)	(85)	(328)	(119)	(620)	(48)	—	(1,525)
At 31 December 2009		—	—	25,668	135,754	186,563	338,390	560,201	18,910	—	1,265,486
Accumulated impairment loss											
At 1 January 2009		1,064	—	2,728	7,207	—	—	—	—	—	10,999
Impairment loss	38	—	—	33	67	—	—	—	—	—	100
Exchange differences		—	—	(32)	32	—	—	—	—	—	—
At 31 December 2009		1,064	—	2,729	7,306	—	—	—	—	—	11,099
Carrying amounts											
At 31 December 2009		174,813	—	289,228	425,859	85,041	123,701	223,781	3,020	15,336	1,340,779
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

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

16. Property and Equipment (Cont'd.)

Bank 2010	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 January 2010		81,092	58	262,076	216,933	357,526	707,498	16,142	1,641,325
Additions		—	—	—	21,553	13,722	32,023	8,508	75,806
Disposals		—	—	(34)	(64)	(5,592)	(9,565)	(7,744)	(22,999)
Reclassification		—	—	—	(13,592)	13,596	—	(4)	—
Write-offs	35	—	—	—	(1,120)	(2,869)	(12,935)	(132)	(17,056)
Exchange differences		—	—	—	(446)	(134)	(545)	(60)	(1,185)
At 31 December 2010		81,092	58	262,042	223,264	376,249	716,476	16,710	1,675,891
Accumulated depreciation									
At 1 January 2010		—	45	73,888	145,015	241,654	514,395	15,347	990,344
Depreciation charge for the year	35	—	2	5,231	10,837	25,035	65,623	1,119	107,847
Disposals		—	—	(34)	(51)	(5,209)	(9,362)	(7,663)	(22,319)
Write-offs	35	—	—	—	(1,119)	(2,833)	(12,905)	(132)	(16,989)
Exchange differences		—	—	—	(95)	(82)	(313)	(46)	(536)
At 31 December 2010		—	47	79,085	154,587	258,565	557,438	8,625	1,058,347
Carrying amounts									
At 31 December 2010		81,092	11	182,957	68,677	117,684	159,038	8,085	617,544
Property and equipment that have been fully depreciated which are still in use are as follows:									
At cost									
At 31 December 2010		—	—	395	114,213	157,893	397,775	7,191	677,467

16. Property and Equipment (Cont'd.)

Bank 2009	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 January 2009		81,092	58	262,076	191,530	330,603	699,490	16,013	1,580,862
Additions		—	—	—	32,710	24,918	50,697	258	108,583
Disposals		—	—	—	(20)	(3,038)	(17,156)	(115)	(20,329)
Reclassification		—	—	—	(6,721)	6,721	—	—	—
Write-offs	35	—	—	—	(530)	(1,654)	(25,395)	(5)	(27,584)
Exchange differences		—	—	—	(36)	(24)	(138)	(9)	(207)
At 31 December 2009		81,092	58	262,076	216,933	357,526	707,498	16,142	1,641,325
Accumulated depreciation									
At 1 January 2009		—	43	68,657	133,938	222,033	493,993	13,861	932,525
Depreciation charge for the year	35	—	2	5,231	11,614	23,079	62,585	1,610	104,121
Disposals		—	—	—	—	(2,165)	(17,142)	(112)	(19,419)
Write-offs	35	—	—	—	(519)	(1,276)	(24,923)	(4)	(26,722)
Exchange differences		—	—	—	(18)	(17)	(118)	(8)	(161)
At 31 December 2009		—	45	73,888	145,015	241,654	514,395	15,347	990,344
Carrying amounts									
At 31 December 2009		81,092	13	188,188	71,918	115,872	193,103	795	650,981
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

No land and buildings of the Bank were pledged as security for banking facilities at the reporting 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 RM41,850,000 (2009 – RM58,035,000) which will expire in one year.

Details of the terms and conditions of the finance lease arrangement are disclosed in Note 23.

17. Intangible Assets

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Goodwill				
At 1 January	2,031,105	2,045,670	695,393	695,393
Exchange differences	(127,207)	(14,565)	—	—
At 31 December	1,903,898	2,031,105	695,393	695,393
Intangible Assets				
At 1 January	26,506	26,348	—	—
Additions	—	159	—	—
Exchange differences	(32)	(1)	—	—
At 31 December	26,474	26,506	—	—
Total carrying amounts of goodwill and intangible assets	1,930,372	2,057,611	695,393	695,393

Impairment Assessment on Goodwill and Intangible Assets

For purposes of impairment assessment, 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, as follows:

As at 31 December 2010	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	11.5	6.0
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	10.5	6.0
Hong Kong operations	1,161,121	—	7.5	5.7
Fund management	19,555	—	10.5	6.0
Investment banking	54,303	—	11.5	6.0
	1,930,372	695,393		

17. Intangible Assets (Cont'd.)**Impairment Assessment on Goodwill and Intangible Assets (Cont'd.)**

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		

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.

18. Deposits from Customers

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At amortised cost				
Core deposits:				
– Demand deposits	25,470,214	22,258,977	22,142,587	19,218,621
– Savings deposits	20,440,705	19,576,012	14,035,444	12,842,016
– Fixed deposits	97,727,833	85,787,925	76,311,260	65,550,396
	143,638,752	127,622,914	112,489,291	97,611,033
Wholesale deposits:				
– Negotiable instruments of deposit	3,389,826	3,394,628	899,029	2,540,777
– Money market deposits	29,379,017	38,694,799	26,938,395	34,058,387
	32,768,843	42,089,427	27,837,424	36,599,164
Other deposits	464,524	1,179,248	462,551	1,177,293
	176,872,119	170,891,589	140,789,266	135,387,490

During the year, 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, were 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 until 31 December 2010 and 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.

Upon the expiry of the full guarantee by the Government of Malaysia on 31 December 2010, the guarantee of deposits reverted to the previous arrangement of a partial guarantee by PIDM, up to a maximum limit of RM250,000 per depositor per PIDM member bank. The deposit insurance covers all Ringgit Malaysia and foreign currency deposits held under current accounts, savings accounts and fixed deposits, inclusive of Islamic deposits. This guarantee excludes money market deposits and negotiable instruments of deposits.

Included in Deposits from Customers of the Group and the Bank are deposits of RM2,133,616,000 (2009 – RM2,307,695,000) and RM1,565,574,000 (2009 – RM1,697,028,000) respectively held as collateral for loans, advances and financing.

18. Deposits from Customers (Cont'd.)

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Due within six months	116,981,551	112,029,003	91,366,911	87,562,161
More than six months to one year	13,333,704	15,189,248	12,668,349	14,073,917
More than one year to three years	166,430	621,041	100,669	494,807
More than three years to five years	14,991	38,060	12,755	18,675
	130,496,676	127,877,352	104,148,684	102,149,560

The deposits are sourced from the following types of customers:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Federal and state governments	1,721,576	1,034,892	576,428	548,678
Local government and statutory authorities	2,010,704	2,440,787	1,333,049	1,759,750
Business enterprises	54,490,618	55,506,241	41,172,876	41,257,683
Individuals	86,653,048	80,493,668	73,187,600	66,868,296
Foreign customers	5,206,065	4,203,078	4,738,222	5,345,529
Others	26,790,108	27,212,923	19,781,091	19,607,554
	176,872,119	170,891,589	140,789,266	135,387,490

19. Deposits from Banks

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At amortised cost				
Licensed banks	3,956,369	15,331,108	1,982,454	12,524,465
Licensed Islamic banks	1,656,812	1,923,325	416,138	—
Licensed investment banks	8,334,268	2,027,848	8,310,404	2,594,024
Bank Negara Malaysia	2,820,178	3,651	2,817,551	—
Other financial institutions	4,559,849	3,328,368	7,543,234	5,665,440
	21,327,476	22,614,300	21,069,781	20,783,929

20. Bills and Acceptances Payable

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

21. 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. These financial liabilities are stated at amortised cost.

22. Debt Securities Issued and Other Borrowed Funds

	Note	Group		Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At amortised cost					
Borrowings	(a)	898,352	653,101	—	—
At amortised cost, modified for change in value as a result of fair value hedges					
Subordinated notes	(b)	3,188,194	3,335,322	3,188,194	3,355,539
Innovative Tier I capital securities	(c)	1,918,480	1,972,333	1,918,480	1,972,333
Non-innovative Tier I stapled securities	(d)	2,089,854	2,071,589	2,089,854	2,071,589
		7,196,528	7,379,244	7,196,528	7,399,461
		8,094,880	8,032,345	7,196,528	7,399,461

(a) Borrowings

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unsecured:				
Term loans	866,676	653,101	—	—
Revolving credit	31,676	—	—	—
	898,352	653,101	—	—

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)**(a) Borrowings (Cont'd.)**

The unsecured term loans are denominated in Hong Kong Dollars. The loans are for a tenure ranging from one to four years and bear interest at HIBOR plus 0.95% to 1.20% (2009 – HIBOR plus 1.65%).

The unsecured revolving credit is denominated in Hong Kong Dollars. The loan is for a tenure of one year and bears interest at Cost of Funds plus 0.80% (2009 – Nil).

(b) Subordinated Notes

	Note	Group		Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
USD400 million 5.00% Subordinated Notes due in 2017, callable with step-up in 2012	(i)	1,230,513	1,366,653	1,230,513	1,366,653
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	(ii)(a)	1,398,869	1,378,175	1,398,869	1,398,392
Second tranche:					
RM200 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(ii)(b)	199,846	200,000	199,846	200,000
Third tranche:					
RM223 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(ii)(c)	222,824	223,000	222,824	223,000
Fourth tranche:					
RM50 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(ii)(d)	49,960	50,000	49,960	50,000
		3,102,012	3,217,828	3,102,012	3,238,045
Unrealised fair value loss arising from fair value hedge		86,182	117,494	86,182	117,494
		3,188,194	3,335,322	3,188,194	3,355,539

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)

(b) Subordinated Notes (Cont'd.)

- (i) 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 percent of the principal amount of the Notes. The Notes will, subject to the prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or on 20 June 2012 at their principal amount plus accrued interest (if applicable).
- (ii) 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:

- (a) 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.
- (b) 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.

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)**(b) Subordinated Notes (Cont'd.)**

- (c) 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.
- (d) 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.

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 in line with the requirements of BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) 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 interest rate volatility, resulting in a change in the value of the Subordinated Notes. The Bank does not restate the value of its Subordinated Notes as a result of changes in its own credit risk.

(c) Innovative Tier I Capital Securities

	Note	Group and Bank	
		2010 RM'000	2009 RM'000
USD200 million 6.84% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(i)	615,631	684,462
RM1,200 million 5.10% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(ii)	1,198,907	1,198,725
		1,814,538	1,883,187
Unrealised fair value loss arising from fair value hedge		103,942	89,146
		1,918,480	1,972,333

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)**(c) Innovative Tier I Capital Securities (Cont'd.)**

- (i) On 22 August 2006, the Bank issued USD200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the USD IT-I Securities") due in 2036 and callable with step-up in 2016. The USD IT-I 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 percent of the aggregate principal of the USD IT-I 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-I Securities. The USD IT-I Securities were issued at a price of 100.0 percent of the principal amount of the USD IT-I Securities. The USD IT-I 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-I 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).

- (ii) On 22 December 2006, the Bank issued RM1,200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the RM IT-I Securities") due in 2036 and callable with step-up in 2016. The RM IT-I 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 percent of the aggregate principal of the RM IT-I 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-I Securities. The RM IT-I Securities were issued at a price of 100.0 percent of the principal amount of the RM IT-I Securities. The RM IT-I 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-I 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).

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)**(c) Innovative Tier I Capital Securities (Cont'd.)**

The Innovative Tier I Capital Securities above are unsecured liabilities of the Bank and rank pari passu among themselves and equally with the Non-innovative Tier I Stapled Securities, 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 in line with the requirements of BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) 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 interest rate volatility, resulting in a change in the value of the capital securities. The Bank does not restate the value of its Innovative Tier I Capital Securities as a result of changes in its own credit risk.

(d) Non-Innovative Tier I Stapled Securities

	Note	Group and Bank	
		2010 RM'000	2009 RM'000
Issued under the RM5.0 billion Non-Innovative Tier I Stapled Securities Programme:			
First tranche:			
RM1,200 million 7.50% Stapled Securities callable in 2019	(i)	1,193,633	1,192,878
Second tranche:			
RM888 million 7.20% Stapled Securities callable in 2019	(ii)	888,000	888,000
		2,081,633	2,080,878
Unrealised fair value loss/(gain) arising from fair value hedge		8,221	(9,289)
		2,089,854	2,071,589

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 I Stapled Securities ("Stapled Securities") Programme ("the NIT-I Programme") for the issuance of up to RM5.0 billion in nominal value of Stapled Securities, comprising the following securities:

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

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

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)

(d) Non-Innovative Tier I Stapled Securities (Cont'd.)

Under the NIT-I 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-I Programme:

- (i) 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.
- (ii) 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-I 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.

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

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)

(d) Non-Innovative Tier I Stapled Securities (Cont'd.)

- (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 I Capital Instruments in line with the requirements of BNM's Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components), and qualify for inclusion as Tier I Capital for the purpose of determining the capital adequacy ratios of the Group and the Bank, up to a total limit of 50% for Innovative and Non-Innovative Tier I Capital Securities, with the excess qualifying as Tier II Capital.

22. Debt Securities Issued and Other Borrowed Funds (Cont'd.)**(d) Non-Innovative Tier I Stapled Securities (Cont'd.)**

The Group has entered into interest rate swap contracts as fair value hedges of its Stapled Securities in order to minimise its exposure to interest rate volatility, resulting in a change in the value of the capital securities. The Bank does not restate the value of its Non-Innovative Tier I Capital Securities as a result of changes in its own credit risk.

23. Other Liabilities

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest/Income payable	749,173	687,036	660,711	607,897
Other payables and accruals	1,579,007	1,463,226	1,050,122	794,835
Amount due to trust funds *	89,858	78,827	—	—
Unprocessed sales and/or redemptions #	83,708	64,761	—	—
Employee benefits (Note 24(a))	(73,076)	(66,325)	(70,569)	(63,844)
Profit Equalisation Reserve (Note 56(m))	33,436	11,876	—	—
Finance lease liabilities **	14,548	42,852	14,548	42,852
Outstanding contracts on clients' accounts ^	341,637	208,912	—	—
Dividend payable to shareholders	21,583	20,592	2,964	3,712
Amount due to subsidiary companies @	—	—	17,875	13,926
	2,839,874	2,511,757	1,675,651	1,399,378

* 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:

	2010			2009		
	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	14,750	202	14,548	29,500	1,196	28,304
Between one and three years	—	—	—	14,750	202	14,548
	14,750	202	14,548	44,250	1,398	42,852

23. Other Liabilities (Cont'd.)

** Finance lease liabilities of the Group and the Bank are payable as follows: (Cont'd.)

The Bank leases computer equipment and software under finance lease expiring in one year (Note 16). 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.

24. 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 statements of financial position are determined as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Present value of funded obligations	(447,908)	(397,078)	(432,545)	(382,227)
Fair value of plan assets	689,234	563,614	665,593	542,534
	241,326	166,536	233,048	160,307
Unrecognised actuarial gain	(168,250)	(100,211)	(162,479)	(96,463)
Net assets (Note 23)	73,076	66,325	70,569	63,844

24. Employee Benefits (Cont'd.)**(a) Defined Benefit Plan (Cont'd.)**

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Obligation at 1 January	397,078	373,995	382,227	360,009
Allocation adjustment	—	—	1,232	—
Current service cost	27,147	25,601	26,216	24,644
Interest cost	21,356	19,952	20,623	19,206
Benefits paid – the Fund	(19,339)	(20,214)	(18,676)	(19,459)
Actuarial loss/(gain) on funded obligations	21,666	(2,256)	20,923	(2,173)
Obligation at 31 December	447,908	397,078	432,545	382,227

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fair value at 1 January	563,614	437,201	542,534	420,850
Allocation adjustment	—	—	1,748	—
Expected return on plan assets	44,292	34,976	42,773	33,668
Benefits paid – the Fund	(19,339)	(20,214)	(18,676)	(19,459)
Actuarial gain on plan assets	100,667	111,651	97,214	107,475
Fair value at 31 December	689,234	563,614	665,593	542,534

24. Employee Benefits (Cont'd.)**(a) Defined Benefit Plan (Cont'd.)**

The fair value of plan assets constitutes the following:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposit placements and cash	25	48,931	24	47,101
Government Securities	389,584	399,150	376,221	384,222
Equity securities *	525,307	203,253	507,289	195,651
Unit trust funds	309,102	290,550	298,500	279,683
Properties #	303,651	261,265	293,236	251,494
Other assets (net)	14,942	27,465	14,429	26,437
Borrowings	(853,377)	(667,000)	(824,106)	(642,054)
	689,234	563,614	665,593	542,534

* Included in the fair value of equity securities are ordinary shares of the Bank held by the Fund with a fair value of RM341,792,000 (2009 – RM78,706,000).

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

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current service cost	27,147	25,601	26,216	24,644
Interest cost	21,356	19,952	20,623	19,206
Expected return on plan assets	(44,292)	(34,976)	(42,773)	(33,668)
Actuarial gains recognised	(10,963)	—	(10,587)	—
Allocation adjustment	—	—	(205)	(38)
Amount included under “personnel costs” (Note 35(a))	(6,752)	10,577	(6,726)	10,144
Expected return on plan assets	44,292	34,976	42,773	33,668
Actuarial gain on plan assets	100,667	111,651	97,214	107,475
Actual return on plan assets	144,959	146,627	139,987	141,143

24. Employee Benefits (Cont'd.)**(a) Defined Benefit Plan (Cont'd.)**

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

	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000
Group					
Present value of funded obligations	(447,908)	(397,078)	(373,995)	(342,574)	(259,619)
Fair value of plan assets	689,234	563,614	437,201	590,401	410,368
Plan surplus	241,326	166,536	63,206	247,827	150,749
Experience adjustment on plan liabilities	21,666	(2,256)	8,397	65,911	(8,452)
Experience adjustment on plan assets	100,667	111,651	(179,710)	170,040	50,467
Bank					
Present value of funded obligations	(432,545)	(382,227)	(360,009)	(335,894)	(246,714)
Fair value of plan assets	665,593	542,534	420,850	578,888	389,973
Plan surplus	233,048	160,307	60,841	242,994	143,259
Experience adjustment on plan liabilities	20,923	(2,173)	8,221	64,626	(8,030)
Experience adjustment on plan assets	97,214	107,475	(175,937)	166,725	47,958

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

24. Employee Benefits (Cont'd.)

(a) Defined Benefit Plan (Cont'd.)

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

	Group and Bank	
	2010	2009
Discount rate	6.25%	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 latest actuarial valuation performed as of 31 December 2010.

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.

24. Employee Benefits (Cont'd.)**(b) Equity Compensation Benefits (Cont'd.)**

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

	2010		2009	
	Number of share options '000	Weighted average exercise price HKD	Number of share options '000	Weighted average exercise price HKD
At 1 January	29,325	6.35	35,119	6.35
Lapsed	(816)	6.35	(5,794)	6.35
At 31 December	28,509	6.35	29,325	6.35
Options exercisable at end of financial year	28,509	6.35	29,325	6.35
Weighted average share price during the financial year		4.53		2.94

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

Grand Date	Exercise Period	Exercise Price	Number of share options outstanding '000
18 May 2005	10 June 2005 to 9 June 2015	HKD6.35	28,509

The weighted average remaining contractual maturity of the PFHL ESOS outstanding as at the end of the financial year was 4.44 years (2009 – 5.44 years).

There were no new PFHL ESOS granted during the financial year (2009 – 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.

25. Provision for Tax Expense and Zakat

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tax expense	800,138	464,060	568,565	286,242
Zakat	326	230	—	—
	800,464	464,290	568,565	286,242

26. Share Capital

Group and Bank	Number of Ordinary Shares of RM1.00 Each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 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	3,531,926	3,531,926	3,531,926	3,531,926

27. Treasury Shares

The amount relates to the acquisition cost of treasury shares.

On 2 March 2010, 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, 20,000 (2009 – 10,000) of its issued ordinary shares of RM1.00 each ("PBB Shares") listed and quoted as "Local" on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). 5,000 PBB Shares listed and quoted as "Foreign" on the Main Market of Bursa Malaysia was also bought back in 2009. The average buy-back price was RM11.97 (2009 – 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 RM240,250 (2009 – 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. On 13 February 2010, a total of 50,716,464 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 sixty-eight (68) ordinary shares of RM1.00 each held in PBB.

Of the total 3,531,925,834 (2009 – 3,531,925,834) issued and paid-up PBB Shares as at 31 December 2010, 29,780,704 (2009 – 80,477,168) 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 2010, the number of outstanding PBB Shares in issue after the set-off is therefore 3,502,145,130 (2009 – 3,451,448,666) ordinary shares of RM1.00 each.

28. 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 2010							
– as previously stated	3,753,022	60,442	(72,878)	8,194	(46,327)	60,331	3,762,784
– effect of adopting FRS 139 (Note 52)	—	—	—	—	—	24,487	24,487
At 1 January 2010, as restated	3,753,022	60,442	(72,878)	8,194	(46,327)	84,818	3,787,271
Currency translation differences in respect of foreign operations	—	—	(313,166)	—	—	—	(313,166)
Currency translation differences in respect of net investment hedge	—	—	292,272	—	—	—	292,272
Net unrealised gain on change in fair value of financial investments available-for-sale	—	—	—	—	58,905	—	58,905
Net realised gain on financial investments available-for-sale reclassified to income statement (Note 33)	—	—	—	—	(4,974)	—	(4,974)
Net unrealised loss on change in fair value of derivatives designated as cash flow hedges	—	—	—	(4,281)	—	—	(4,281)
Net realised gain on cash flow hedges reclassified to the income statement	—	—	—	(80)	—	—	(80)
Deferred tax (Note 39)	—	—	—	1,090	(12,885)	—	(11,795)
Transfer from retained profits	68,189	—	—	—	—	16,221	84,410
At 31 December 2010	3,821,211	60,442	(93,772)	4,923	(5,281)	101,039	3,888,562

28. Other Reserves (Cont'd.)

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 financial investments available-for-sale	—	—	—	—	522,620	—	522,620
Net realised gain on financial investments available-for-sale reclassified to income statement (Note 33)	—	—	—	—	(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 39)	—	—	—	(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

28. Other Reserves (Cont'd.)

Bank	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2010	3,531,926	8,194	(26,448)	3,513,672
Net unrealised gain on change in fair value of financial investments available-for-sale	—	—	42,351	42,351
Net realised gain on financial investments available-for-sale reclassified to income statement (Note 33)	—	—	(4,734)	(4,734)
Net unrealised loss on change in fair value of derivatives designated as cash flow hedges	—	(4,281)	—	(4,281)
Net realised gain on cash flow hedges reclassified to the income statement	—	(80)	—	(80)
Deferred tax (Note 39)	—	1,090	(9,404)	(8,314)
At 31 December 2010	3,531,926	4,923	1,765	3,538,614
At 1 January 2009	3,531,926	14,245	(307,112)	3,239,059
Net unrealised gain on change in fair value of financial investments available-for-sale	—	—	407,574	407,574
Net realised gain on financial investments available-for-sale reclassified to income statement (Note 33)	—	—	(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 39)	—	(2,731)	(93,556)	(96,287)
At 31 December 2009	3,531,926	8,194	(26,448)	3,513,672

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.

28. Other Reserves (Cont'd.)

The foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiary companies and the subsidiary companies incorporated in the Federal Territory of Labuan, after off-setting 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 financial investments available-for-sale, after off-setting the impact of related fair value hedges.

The regulatory reserves maintained by the Group's banking subsidiary companies in Hong Kong SAR are in line with the requirements of the Hong Kong Monetary Authority. The reserve is held as a buffer to absorb potential credit losses in excess of the requirements of accounting standards.

29. 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.

As at 31 December 2010, 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.

As at 31 December 2010, the Bank has a credit balance of RM282,782,000 (2009 – RM717,381,000) in its Section 108 account and tax exempt profits of RM424,971,000 (2009 – RM377,076,000), subject to agreement by the Inland Revenue Board.

Subsequent to the financial year ended 31 December 2010, on 25 January 2011, the Board of Directors had declared a second interim cash dividend for the financial year ended 31 December 2010 as disclosed in Note 41. The franked portion of this cash dividend amounting to RM875,536,283, will be franked out from the available Section 108 credit balance. Consequently the Bank has a remaining net credit balance of RM63,898,000 in its Section 108 account, subject to agreement by the Inland Revenue Board. The Bank will elect for the irrevocable option to disregard this remaining available Section 108 balance before the payment of the single tier dividend as disclosed in Note 41.

30. Interest Income

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and advances	6,793,220	5,858,349	5,997,346	5,090,416
Balances with banks	556,710	783,059	481,056	662,643
Financial investments available-for-sale	204,233	127,481	183,652	108,601
Financial investments held-to-maturity	308,098	299,399	260,808	267,072
Others	77,677	63,164	77,502	63,229
	7,939,938	7,131,452	7,000,364	6,191,961
Financial assets held-for-trading	173,593	221,599	145,350	199,826
	8,113,531	7,353,051	7,145,714	6,391,787

Included in interest income on loans and advances for the current year is interest accrued on impaired loans of the Group and the Bank of RM70,162,000 and RM65,552,000 respectively. Interest income accrued on impaired loans for the comparative financial year, prior to the adoption of FRS 139, was suspended.

31. Interest Expense

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposits from banks	270,312	127,246	220,942	77,446
Deposits from customers	2,977,139	2,927,871	2,784,639	2,763,455
Loans sold to Cagamas	827	40,512	827	40,512
Debt securities issued and other borrowed funds	264,583	216,851	247,465	208,499
Others	3,250	4,129	2,857	3,775
	3,516,111	3,316,609	3,256,730	3,093,687

32. Fee and Commission Income and Expense

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fee and commission income:				
Commissions	202,236	147,999	240,085	168,100
Service charges and fees	213,675	202,203	150,569	152,913
Guarantee fees	29,328	29,540	23,556	22,798
Processing fees	14,018	14,511	2,954	1,369
Commitment fees	60,212	53,301	56,791	49,474
Unit trust management fees	485,094	373,752	—	—
Fee on sale of trust units	251,526	207,156	—	—
Net brokerage and commissions from stock-broking activities	105,237	87,044	—	—
Other fee and commission income	32,612	45,873	22,263	41,566
	1,393,938	1,161,379	496,218	436,220
Fee and commission expense:				
Loan-related fees	(84,026)	(71,159)	(75,483)	(60,504)
Unit trust agency fees	(266,365)	(223,670)	—	—
Other fee and commission expense	(11,777)	(10,669)	(9,146)	(8,454)
	(362,168)	(305,498)	(84,629)	(68,958)
Net fee and commission income	1,031,770	855,881	411,589	367,262

33. Net Gains and Losses on Financial Instruments

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net gain arising on financial assets held-for-trading:				
– net gain on disposal	6,596	11,678	6,444	8,201
– gross dividend income	25	42	25	42
– unrealised revaluation gain	7,285	14,946	7,107	15,273
	13,906	26,666	13,576	23,516
Unrealised net gain/(loss) on revaluation of trading derivatives	5,774	(9,047)	18,380	763
Net gain arising on financial investments available-for-sale:				
– net gain on disposal (Note 28)	4,974	46,113	4,734	33,354
– gross dividend income	113,634	84,295	106,913	78,211
	118,608	130,408	111,647	111,565
Gross dividend income from financial investments held-to-maturity	—	7,644	—	7,488
(Loss)/gain representing ineffective portions of hedging derivatives:				
– fair value hedge	(8,547)	4,461	(6,235)	3,320
– cash flow hedge	4	(190)	4	(190)
	(8,543)	4,271	(6,231)	3,130
	129,745	159,942	137,372	146,462

34. Other Operating Income

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gross dividend income from:				
Associated companies	—	—	9,035	10,379
Subsidiary companies:				
– quoted outside Malaysia	—	—	67,923	64,452
– unquoted in Malaysia	—	—	566,003	335,184
	—	—	642,961	410,015
Other income:				
Foreign exchange profit	250,563	169,792	380,664	194,874
Rental income from:				
– investment properties (Note 15)	5,310	5,695	—	—
– other properties	10,513	8,830	6,641	5,038
Net gain on disposal of property and equipment	1,827	1,171	1,584	864
Net loss on disposal of foreclosed properties	(902)	(3,144)	(2,770)	(3,304)
Gain on revaluation of investment properties (Note 15)	3,751	8,396	—	—
Gain on disposal of investment properties	—	4	—	—
Others	27,215	23,085	25,487	23,789
	298,277	213,829	411,606	221,261
	298,277	213,829	1,054,567	631,276

35. Other Operating Expenses

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Personnel costs				
– Salaries, allowances and bonuses	1,162,832	1,041,399	888,385	801,873
– Pension costs	120,933	127,455	103,994	110,920
– Others	108,886	100,459	98,083	88,348
	1,392,651	1,269,313	1,090,462	1,001,141
Establishment costs				
– Depreciation	145,628	133,495	107,847	104,121
– Rental	75,310	71,096	74,231	71,175
– Insurance	17,265	16,812	13,548	13,352
– Water and electricity	39,239	37,780	28,775	27,895
– General repairs and maintenance	61,982	62,024	55,286	54,880
– Information technology expenses	25,789	22,016	14,518	11,076
– Others	31,070	29,174	21,193	19,833
	396,283	372,397	315,398	302,332
Marketing expenses				
– Advertisement and publicity	78,473	82,187	25,665	32,092
– Others	81,348	66,927	40,217	36,653
	159,821	149,114	65,882	68,745
Administration and general expenses				
– Communication expenses	34,675	26,499	29,820	24,141
– Legal and professional fees	49,022	52,511	38,627	41,892
– Others	67,783	72,796	40,799	21,321
	151,480	151,806	109,246	87,354
Shared service cost charged to Public Islamic Bank Berhad	—	—	(160,351)	(136,415)
Total other operating expenses	2,100,235	1,942,630	1,420,637	1,323,157

35. Other Operating Expenses (Cont'd.)**(a) Included in other operating expenses are the following statutory disclosures:**

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Auditors' remuneration: *				
– statutory audit fees	2,913	2,903	989	853
– audit related services	451	448	278	279
– other services	228	258	86	109
Depreciation of property and equipment (Note 16)	145,628	133,495	107,847	104,121
Direct operating expenses of investment properties that:				
– generated rental income	38	50	—	—
Directors' remuneration (Note 36)	32,028	25,376	23,000	18,559
Pension costs				
– defined contribution plan	127,685	116,878	110,720	100,776
– defined benefit plan (Note 24(a))	(6,752)	10,577	(6,726)	10,144
Property and equipment written off (Note 16)	67	1,437	67	862
Rental of premises	75,310	71,096	74,231	71,175

* Included in the auditors' remuneration of the Group are fees paid to accounting firms other than the Bank's auditors for statutory audit fees, audit related services and other services amounting to RM1,667,000 (2009 – RM1,842,000), RM83,000 (2009 – RM124,000) and RM102,000 (2009 – RM78,000) respectively.

Included in the auditors' remuneration of the Bank are fees paid in relation to the Bank's overseas branches for statutory audit fees, audit related services and other services of RM89,000 (2009 – RM153,000), RM Nil (2009 – RM36,000) and RM6,000 (2009 – 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 17,369 (2009 – 17,169) and 14,292 (2009 – 14,319) respectively.

36. Directors' Remuneration

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors of the Bank:				
Executive Directors:				
Fees	1,045	905	330	270
Salary and other remuneration, including meeting allowances	4,611	3,823	4,471	3,711
Bonuses	6,754	5,400	6,754	5,400
Benefits-in-kind	54	49	54	49
	12,464	10,177	11,609	9,430
Non-Executive Directors:				
Fees	3,298	2,743	1,265	1,035
Other remuneration	11,026	8,410	10,139	8,111
Benefits-in-kind	29	59	29	59
	14,353	11,212	11,433	9,205
Past Director:				
Other remuneration	41	32	41	32
Benefits-in-kind	13	13	13	13
	54	45	54	45
Directors of subsidiary companies:				
Executive Directors:				
Fees	265	204	—	—
Salary and other remuneration, including meeting allowances	2,868	2,331	—	—
Bonuses	1,775	1,228	—	—
Benefits-in-kind	256	201	—	—
	5,164	3,964	—	—
Non-Executive Directors:				
Fees	299	266	—	—
Other remuneration	46	34	—	—
	345	300	—	—
Grand total	32,380	25,698	23,096	18,680
Total (excluding benefits-in-kind) (Note 35)	32,028	25,376	23,000	18,559

Included in the remuneration of the Executive Directors is the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounting to RM6,548,000 (2009 – RM5,312,000).

36. Directors' Remuneration (Cont'd.)

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			
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits- in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Group Total RM'000	
2010										
Executive Directors:										
Tan Sri Dato' Sri Tay Ah Lek	1,296	165	3,877	1,180	30	6,548	417	69	7,034	
Dato' Sri Lee Kong Lam	1,080	165	2,877	915	24	5,061	298	71	5,430	
	2,376	330	6,754	2,095	54	11,609	715	140	12,464	
Non-Executive Directors:										
Tan Sri Dato' Sri Dr. Teh Hong Piow	—	220	—	9,053	29	9,302	525	46	9,873	
Tan Sri Dato' Thong Yaw Hong	—	220	—	447	—	667	446	169	1,282	
Dato' Yeoh Chin Kee	—	165	—	119	—	284	117	109	510	
Y.A.M. Tengku Abdul Rahman										
Ibni Sultan Haji Ahmad										
Shah Al-Mustain Billah	—	165	—	101	—	266	105	98	469	
Dato' Haji Abdul Aziz bin										
Dato' Dr. Omar	—	165	—	183	—	348	235	168	751	
Dato' (Dr) Haji Mohamed Ishak bin										
Haji Mohamed Ariff	—	165	—	118	—	283	235	150	668	
Quah Poh Keat	—	165	—	118	—	283	370	147	800	
	—	1,265	—	10,139	29	11,433	2,033	887	14,353	
Total Directors' remuneration	2,376	1,595	6,754	12,234	83	23,042	2,748	1,027	26,817	

36. Directors' Remuneration (Cont'd.)

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

2009	Remuneration received from the Bank						Remuneration received from Subsidiary Companies				
	Salary RM'000	Fees RM'000	Bonus RM'000	Other		Benefits- in-kind RM'000	Bank Total RM'000	Fees RM'000	Other		Group Total RM'000
				Emoluments RM'000	Emoluments RM'000				Emoluments RM'000	Emoluments RM'000	
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 Plow	—	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											
Dato' Dr. 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

37. Allowance for Impairment on Loans, Advances and Financing

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Allowance for impaired loans and financing:				
Collective assessment allowance (Note 9)	519,484	—	447,685	—
– Retail loans/financing				
– housing loans/financing	136,243	—	125,611	—
– hire purchase	145,819	—	110,683	—
– credit cards	34,059	—	34,052	—
– other loans/financing	164,423	—	142,511	—
– Corporate loans/financing	38,940	—	34,828	—
Individual assessment allowance (Note 9)	313,920	—	37,377	—
– Retail loans/financing				
– housing loans/financing	187	—	—	—
– hire purchase	2,819	—	—	—
– other loans/financing	285,984	—	26,224	—
– Corporate loans/financing	24,930	—	11,153	—
General allowance (Note 9)	—	293,607	—	225,120
Specific allowance (Note 9)	—	547,727	—	186,480
Bad debts recovered from stock-broking activities	(47)	(512)	—	—
Impaired loans and financing written off	607	2,308	450	599
Impaired loans and financing recovered	(174,398)	(152,160)	(101,572)	(90,962)
	659,566	690,970	383,940	321,237

38. Impairment on Other Assets

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Financial investments available-for-sale				
– Non-money market instruments				
– equity securities (Note 7)	992	5,572	—	129
Foreclosed properties	4,196	9,407	4,178	9,407
Property and equipment (Note 16)	—	100	—	—
Investment in subsidiary company (Note 13)	—	—	6,100	—
	5,188	15,079	10,278	9,536

39. Tax Expense and Zakat

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian income tax	995,220	851,970	806,874	701,413
Overseas income tax	56,908	37,061	5,053	4,691
	1,052,128	889,031	811,927	706,104
(Over)/Under provision in prior years				
– Malaysian income tax	(6,032)	(3,062)	—	—
– Overseas income tax	(667)	1,786	807	942
	1,045,429	887,755	812,734	707,046
Deferred tax (income)/expense (Note 12) relating to origination and reversal of temporary differences arising from:	(58,565)	(118,112)	(66,638)	(99,541)
– allowance for losses on loans	(74,428)	(67,731)	(66,641)	(56,822)
– tax losses	27,689	(1,623)	—	—
– excess of capital allowances over depreciation	2,382	8,577	3,655	7,716
– deferred handling fees	—	(41,573)	—	(28,637)
– other temporary differences	(14,208)	(15,762)	(3,652)	(21,798)
Tax expense	986,864	769,643	746,096	607,505
Zakat	256	250	—	—
	987,120	769,893	746,096	607,505

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% 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.

39. Tax Expense and Zakat (Cont'd.)

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:

		2010 RM'000		2009 RM'000
	%		%	
Group				
Profit before tax expense		4,086,197		3,321,433
Income tax using Malaysian tax rate of 25%	25.0	1,021,549	25.0	830,358
Effects of different tax rates in foreign jurisdictions	(1.1)	(43,151)	(1.1)	(34,999)
Income not subject to tax	(1.7)	(71,743)	(2.2)	(73,393)
Effects of utilisation of unrecognised benefit of tax losses	0.0	(6)	0.0	(1,059)
Expenses not deductible for tax purposes	1.0	40,639	1.3	41,738
Income subject to tax at Bank but eliminated at Group	1.1	46,275	0.2	8,274
Over provision in prior years	24.3 (0.2)	993,563 (6,699)	23.2 —	770,919 (1,276)
Tax expense for the year	24.1	986,864	23.2	769,643
Bank				
Profit before tax expense		3,677,657		2,789,170
Income tax using Malaysian tax rate of 25%	25.0	919,414	25.0	697,293
Income not subject to tax	(5.2)	(193,092)	(3.8)	(107,191)
Expenses not deductible for tax purposes	0.5	18,967	0.6	16,461
Under provision in prior years	20.3 —	745,289 807	21.8 —	606,563 942
Tax expense for the year	20.3	746,096	21.8	607,505

39. Tax Expense and Zakat (Cont'd.)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tax recognised directly in equity				
Relating to unrealised gain on financial investments available-for-sale (Note 28)	12,885	97,602	9,404	93,556
Relating to net (loss)/gain on cash flow hedges (Note 28)	(1,090)	2,731	(1,090)	2,731
Tax recognised directly in equity (Note 12)	11,795	100,333	8,314	96,287
Tax savings arising from tax losses				
Tax savings arising from utilisation of tax losses	6	1,059	—	—

40. Earnings Per Share**(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	
	2010	2009	2010	2009
Net profit attributable to equity holders of the Bank (RM'000)	3,048,224	2,517,302	2,931,561	2,181,665
'000				
Number of ordinary shares at beginning of the year	3,451,449	3,355,629	3,451,449	3,355,629
Effect of share dividend distributed during the year	44,881	77,718	44,881	77,718
Effects of shares bought back and held as treasury shares	(14)	(11)	(14)	(11)
Weighted average number of ordinary shares in issue	3,496,316	3,433,336	3,496,316	3,433,336
Basic earnings per share (sen)	87.2	73.3	83.8	63.5

40. Earnings Per Share (Cont'd.)**(b) Diluted Earnings Per Share**

The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

41. Dividends

	Group and Bank	
	2010 RM'000	2009 RM'000
Dividends recognised as distribution to ordinary equity holders of the Bank:		
First interim dividend of 25.0% less 25.0% tax (2009 – 30.0% less 25.0% tax) in respect of the financial year ended 31 December 2010	656,653	776,577
Final dividend of 25.0% less 25.0% tax in respect of the financial year ended 31 December 2008	—	629,178
Second interim dividend of 25.0% less 25.0% tax in respect of the financial year ended 31 December 2009	647,143	—
	1,303,796	1,405,755

The second interim dividend in respect of the financial year ended 31 December 2009 also included a share dividend distribution of 50,716,464 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 for every sixty-eight (68) ordinary shares of RM1.00 each held in PBB.

Subsequent to the financial year end, on 25 January 2011, the Directors declared a second interim franked cash dividend of 25.0%, less 25.0% tax and single tier cash dividend of 8.0%, with the total amounting to approximately RM936,823,822 computed based on the outstanding issued and paid-up capital, excluding treasury shares held by the Bank, of 3,502,145,130 ordinary shares of RM1.00 each, in respect of the financial year ended 31 December 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 during the financial year ending 31 December 2011. The Directors do not propose any final dividend in respect of the year ended 31 December 2010.

41. Dividends (Cont'd.)

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	
	2010 Sen	2009 Sen	2010 Sen	2009 Sen
Dividends per RM1.00 ordinary share:				
Cash Dividends				
Paid:				
First interim dividend of 25.0% less 25.0% tax (2009 – 30.0% less 25.0% tax)	25.00	30.00	18.75	22.50
Declared subsequent to the financial year end:				
Second interim dividend:				
– Franked dividend of 25.0% less 25.0% tax (2009 – 25.0% less 25.0% tax)	25.00	25.00	18.75	18.75
– Single tier dividend of 8.0% (2009 – Nil)	8.00	—	8.00	—
	58.00	55.00	45.50	41.25

Share Dividends

In the previous financial year, there was a 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. Based on the share price of PBB Local shares of RM11.30 per share on 31 December 2009, the value of the share dividends attributable to shareholders was 16.6 sen per RM1.00 ordinary share. There are no share dividends declared in the current financial year.

42. 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 13.

(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 14.

42. Related Party Transactions (Cont'd.)**(iii) Key Management Personnel**

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

(iv) Public Bank Group Officers' Retirement Benefits Fund

Details of the retirement benefit fund are shown in Note 24(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:

	Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group						
Income earned:						
Interest on loans, advances and financing	—	2	—	—	23,539	16,320
Commission income	—	—	26,765	22,777	—	—
Rental income	147	147	2,435	2,435	—	—
Brokerage income	6	4	—	249	260	7
Others	—	—	1,194	—	—	—
	153	153	30,394	25,461	23,799	16,327
Expenditure incurred:						
Interest on deposits	61,850	56,173	5,198	7,306	1	1
Interest on debt securities issued and other borrowed funds	113	65	—	—	—	—
Rental of premises	—	—	584	580	17,988	15,878
Insurance premiums	—	—	23,966	23,286	—	—
	61,963	56,238	29,748	31,172	17,989	15,879

42. Related Party Transactions (Cont'd.)

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

	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank										
Income earned:										
Interest on loans, advances and financing	32,853	57,306	8	49	—	2	—	—	23,539	16,320
Dividend income (Note 34)	633,926	399,636	9,035	10,379	—	—	—	—	—	—
Overhead expenses recharged	8,736	8,819	—	—	—	—	—	—	—	—
Shared service costs charged (Note 35)	160,351	136,415	—	—	—	—	—	—	—	—
Commission income	52,344	29,860	—	—	—	—	26,494	22,496	—	—
Rental income	1,111	1,147	—	—	147	147	11	11	—	—
	889,321	633,183	9,043	10,428	147	149	26,505	22,507	23,539	16,320
Expenditure incurred:										
Interest on deposits	80,129	68,029	—	—	61,829	56,145	4,785	6,556	1	1
Interest on debt securities issued and other borrowed funds	—	—	—	—	113	65	—	—	—	—
Rental of premises	24,219	24,423	—	—	—	—	584	580	17,472	15,362
Insurance premiums	—	—	—	—	—	—	19,556	19,235	—	—
Brokerage commission	328	67	—	—	—	—	—	—	—	—
Corporate advisory fees	5	5	—	—	—	—	—	—	—	—
Others	3,075	2,613	—	—	—	—	—	—	—	—
	107,756	95,137	—	—	61,942	56,210	24,925	26,371	17,473	15,363

42. Related Party Transactions (Cont'd.)

- (a) The significant transactions of the Group and the Bank with its related parties are as follows: (Cont'd.)

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 RM61,719,000 (2009 – RM56,126,000) and rental received from a Director of the Bank amounting to RM147,000 (2009 – 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 RM61,717,000 (2009 – RM56,102,000) and rental received from a Director of the Bank amounting to RM147,000 (2009 – RM147,000).

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

	Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Group								
Amount due from related parties								
Interbank lending	51,472	46,887	—	—	—	—	—	—
Loans, advances and financing	—	—	—	132	—	—	850,440	667,737
Rental deposits	—	—	—	—	—	—	4,671	4,091
	51,472	46,887	—	132	—	—	855,111	671,828
Amount due to related parties								
Demand deposits	907	1,393	10,708	27,385	6,705	5,031	15	1,459
Short-term deposits	107,397	58,984	2,649,993	2,318,289	256,737	148,691	—	—
Debt securities issued	—	—	1,500	1,650	—	—	—	—
Others	—	—	435	243	—	—	23	47
	108,304	60,377	2,662,636	2,347,567	263,442	153,722	38	1,506

42. Related Party Transactions (Cont'd.)

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

	Subsidiary Companies		Associated Companies		Key Management Personnel		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bank										
Amount due from related parties										
Interbank lending	3,606,797	5,328,245	51,472	46,887	—	—	—	—	—	—
Loans, advances and financing	258,553	323,794	—	—	—	132	—	—	850,440	667,737
Dividend receivable (Note 10)	399,536	366,489	—	—	—	—	—	—	—	—
Rental deposits	32,648	32,635	—	—	—	—	—	—	4,542	3,962
Interest receivable	226	797	—	—	—	—	—	—	—	—
Others	9,008	18,534	—	—	—	—	—	—	—	—
	4,306,768	6,070,494	51,472	46,887	—	132	—	—	854,982	671,699
Amount due to related parties										
Demand deposits	95,391	61,624	907	1,393	10,592	27,352	6,705	5,031	15	1,459
Short-term deposits	1,952,097	1,773,829	107,397	58,984	2,648,674	2,317,333	254,535	139,000	—	—
Debt securities issued	—	—	—	—	1,500	1,650	—	—	—	—
Interbank borrowing	3,989,611	4,957,133	—	—	—	—	—	—	—	—
Subordinated notes	—	20,217	—	—	—	—	—	—	—	—
Interest payable	6,088	2,140	—	—	—	—	—	—	—	—
Others	11,787	11,786	—	—	154	—	—	—	23	47
	6,054,974	6,826,729	108,304	60,377	2,660,920	2,346,335	261,240	144,031	38	1,506

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 RM2,653,871,000 (2009 – RM2,342,941,000).

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 RM2,653,787,000 (2009 – RM2,342,781,000).

42. Related Party Transactions (Cont'd.)

- (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.

None of the loans granted to key management personnel (2009 – Nil) are impaired.

- (d) Key Management Personnel Compensation

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits				
Fees	4,343	3,648	1,595	1,305
Salary and other remuneration, including meeting allowances	27,275	22,609	22,119	18,638
Benefits-in-kind	545	598	123	158
Post-employment benefits	4,415	3,727	3,945	3,301
	36,578	30,582	27,782	23,402

Included in the total key management personnel compensation are:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors' remuneration including benefits-in-kind				
– Directors of the Bank	26,817	21,389	23,042	18,635

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

	PFHL ESOS	
	2010 '000	2009 '000
At 1 January	3,928	4,478
Lapsed	—	(550)
At 31 December	3,928	3,928

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

43. Credit Transactions and Exposures with Connected Parties

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Oustanding credit exposures with connected parties	591,821	713,200	802,278	922,351
of which:				
Total credit exposure which is impaired or in default	658	163	658	156
Total credit exposures	154,614,268	134,203,958	137,802,923	119,388,052
Percentage of outstanding credit exposures to connected parties				
– as a proportion of total credit exposures	0.38%	0.53%	0.58%	0.77%
– as a proportion of capital base	2.92%	3.88%	4.89%	6.26%
– which is impaired or in default	0.11%	0.02%	0.08%	0.02%

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.

43. Credit Transactions and Exposures with Connected Parties (Cont'd.)

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.

44. Financial Risk Management

Overview

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, market risk and liquidity risk.

The Group's financial risks are managed by the Board of Directors, through the Risk Management Committee ("RMC") which oversees the establishment of enterprise-wide risk management policies and processes. To provide risk oversight, risk committees are mandated to focus on specific risk areas. These oversight committees are the Assets & Liabilities Committee ("ALCO"), the Credit Risk Management Committee ("CRMC") and the Operational Risk Management Committee.

Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, Small- and Medium-sized Enterprises ("SMEs") and corporate customers. Trading and investing the surplus funds of the Group, such as trading or holding of debt securities, settlement of transactions, also expose the Group to credit risk and counterparty credit risk.

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk framework and policies, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. All credit approving officers are guided by credit policies, guidelines and procedures which are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division, the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing Group-wide risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the risk policies are implemented and complied with.

44. Financial Risk Management (Cont'd.)

Credit Risk (Cont'd.)

Risk Management Approach

The management of credit risk starts with experienced key personnel appointed to the Credit Committee which is chaired by the respective entities' chief executive officers. The Credit Committee approves major credit decisions, guidelines and procedures to control and monitor credit risk. All application of significant loans are approved at Head Office or by the Credit Committee while experienced senior officers at branches are given authority to approve loans with lower risk exposure. The Board of Directors of the respective entities has the authority to reject or modify terms and conditions of loans which have been approved by the Credit Committee. The credit approval authorities are assigned Discretionary Powers based on their seniority and track record.

(a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer through the use of an internal credit risk ratingsheets. The credit approving authority and credit approving officers have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the loan application.

(b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the Credit Committee. In addition, the Group's investment policy also stipulates the minimum investment grade for debt securities, types of permissible transactions and the maximum tenure. The investment policy is also subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board. As at reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

(d) Counterparty Credit Risk on Derivative Financial Instruments

Counterparty credit risk ("CCR") on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to maturity date of the contract and the Group, at the relevant time, has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes. The Group may also take conservative trading derivative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

44. Financial Risk Management (Cont'd.)

Credit Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(d) Counterparty Credit Risk on Derivative Financial Instruments (Cont'd.)

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any shortfall in threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' associated positions and promptly follows up with the requirements to post collateral upon any shortfall in the threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.

Independent credit reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Internal risk management reports are presented to both the CRMC and the RMC, containing information on economic trends across major portfolios, quality of credit portfolios, results of independent credit review, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management to identify adverse credit trends, take corrective actions and formulate business strategies.

There has been no changes to the process for managing credit risk and the methods used to measure credit risk.

(i) Credit Risk Exposures and Credit Risk Concentration

The following table presents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

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.

By Industry Analysis

The analysis of credit risk concentration presented relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.

44. Financial Risk Management (Cont'd.)

Credit Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)

By Industry Analysis

Group 2010	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 Exposures									
Cash and balances with banks	28,397,686	6,292,753	—	—	—	—	—	—	34,690,439
Reverse repurchase agreements	365,877	—	—	—	—	—	—	—	365,877
Financial assets held-for-trading	—	—	—	—	—	—	—	—	—
– Government securities and treasury bills	588,045	—	—	—	—	—	—	—	588,045
– Money market instruments	—	5,622,472	—	—	—	—	—	—	5,622,472
– Non-money market instruments	63,454	20,242	868	—	65,539	—	—	—	150,103
Derivative financial assets	—	326,622	—	—	—	—	—	—	326,622
Financial investments	—	—	—	—	—	—	—	—	—
available-for-sale	—	—	—	—	—	—	—	—	—
– Government securities and treasury bills	10,667,433	—	—	—	—	—	—	—	10,667,433
– Non-money market instruments	15	4,832,608	1,150,690	1,199,811	1,727	—	—	—	7,184,851
Financial investments held-to-maturity	—	—	—	—	—	—	—	—	—
– Government securities and treasury bills	3,002,148	—	—	—	—	—	—	—	3,002,148
– Money market instruments	—	1,502,893	—	—	—	—	—	—	1,502,893
– Non-money market instruments	1,086	584,068	69,109	5,068	65,245	—	—	—	724,576
Gross loans, advances and financing	—	—	—	—	—	—	—	—	—
– Retail loans/financing	—	—	—	—	—	43,891,024	—	—	43,891,024
– housing loans/financing	158	4,007	1,746,743	3,013,575	1,146,431	—	29,416,721	787	35,328,422
– hire purchase	—	—	—	—	—	—	—	1,348,902	1,348,902
– credit cards	—	—	—	—	—	—	—	—	—
– other loans/financing	25,120	37,093	3,455,163	16,866,005	8,420,862	2,502,355	201,093	21,396,910	52,904,601
– Corporate loans/financing	—	6,378,583	1,463,390	5,400,730	9,822,778	—	—	5,642	23,071,123
Statutory deposits with Central Banks	1,612,575	—	—	—	—	—	—	—	1,612,575
	44,723,597	25,601,341	7,885,963	26,485,189	19,522,582	46,393,379	29,617,814	22,752,241	222,982,106
Commitments and Contingencies									
Contingent liabilities	625	246,745	655,102	1,106,575	884,005	—	—	18,867	2,911,919
Commitments	501,134	4,584,592	3,123,421	10,281,416	4,462,845	7,717,766	364	10,503,441	41,174,979
	501,759	4,831,337	3,778,523	11,387,991	5,346,850	7,717,766	364	10,522,308	44,086,898
Total Credit Exposures	45,225,356	30,432,678	11,664,486	37,873,180	24,869,432	54,111,145	29,618,178	33,274,549	267,069,004

44. Financial Risk Management (Cont'd.)

Credit Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)

By Industry Analysis (Cont'd.)

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 Exposures									
Cash and balances with banks	41,497,566	5,165,590	—	—	—	—	—	—	46,663,156
Reverse repurchase agreements	1,200,243	—	—	—	—	—	—	—	1,200,243
Financial assets held-for-trading									
– Government securities and treasury bills	1,501,020	—	—	—	—	—	—	—	1,501,020
– Money market instruments	—	6,243,362	—	—	—	—	—	—	6,243,362
– Non-money market instruments	35,952	145,614	31,257	—	70	—	—	—	212,893
Derivative financial assets	—	310,311	—	—	—	—	—	—	310,311
Financial investments									
– available-for-sale									
– Government securities and treasury bills	4,838,654	—	—	—	—	—	—	—	4,838,654
– Money market instruments	—	50,637	—	—	—	—	—	—	50,637
– Non-money market instruments	—	4,616,921	1,531,616	1,126,142	1,807	—	—	—	7,276,486
Financial investments held-to-maturity									
– Government securities and treasury bills	3,553,333	—	—	—	—	—	—	—	3,553,333
– Money market instruments	—	1,534,076	—	—	—	—	—	—	1,534,076
– Non-money market instruments	1,086	1,385,891	75,587	5,073	65,161	—	—	—	1,532,798
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/financing	—	—	—	—	—	37,518,424	—	—	37,518,424
– hire purchase	522	4,290	1,538,870	2,773,927	1,050,934	—	26,140,342	1,153	31,510,038
– credit cards	—	—	—	—	—	—	—	1,178,526	1,178,526
– other loans/financing	15,441	58,097	3,084,521	15,523,066	7,781,694	2,430,156	174,779	18,106,091	47,173,845
– Corporate loans/financing	—	4,322,757	1,518,982	5,296,340	9,081,379	—	—	10,136	20,229,594
Statutory deposits with Central Banks	1,022,181	—	—	—	—	—	—	—	1,022,181
	53,665,998	23,837,546	7,780,833	24,724,548	17,981,045	39,948,580	26,315,121	19,295,906	213,549,577
Commitments and Contingencies									
Contingent liabilities	316	238,915	504,113	918,978	1,039,275	—	—	8,125	2,709,722
Commitments	526,016	1,638,874	2,743,069	10,492,425	4,607,273	6,260,522	12,687	9,675,690	35,956,556
	526,332	1,877,789	3,247,182	11,411,403	5,646,548	6,260,522	12,687	9,683,815	38,666,278
Total Credit Exposures	54,192,330	25,715,335	11,028,015	36,135,951	23,627,593	46,209,102	26,327,808	28,979,721	252,215,855

44. Financial Risk Management (Cont'd.)

Credit Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)

By Industry Analysis (Cont'd.)

Bank 2010	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 Exposures									
Cash and balances with banks	22,943,533	4,228,914	—	—	—	—	—	—	27,172,447
Reverse repurchase agreements	10,737	—	—	—	—	—	—	—	10,737
Financial assets held-for-trading									
– Government securities and treasury bills	488,242	—	—	—	—	—	—	—	488,242
– Money market instruments	—	5,323,626	—	—	—	—	—	—	5,323,626
– Non-money market instruments	—	—	868	—	—	—	—	—	868
Derivative financial assets	—	322,596	—	—	—	—	—	—	322,596
Financial investments									
available-for-sale									
– Government securities and treasury bills	7,873,452	—	—	—	—	—	—	—	7,873,452
– Money market instruments	—	272,599	—	—	—	—	—	—	272,599
– Non-money market instruments	—	4,308,028	1,018,597	795,076	1,727	—	—	—	6,123,428
Financial investments held-to-maturity									
– Government securities and treasury bills	2,405,049	—	—	—	—	—	—	—	2,405,049
– Money market instruments	—	2,689,862	—	—	—	—	—	—	2,689,862
– Non-money market instruments	1,086	5,059	64,052	46	65,245	—	—	—	135,488
Gross loans, advances and financing									
– Retail loans/financing	—	—	—	—	—	38,382,386	—	—	38,382,386
– housing loans/financing	110	3,572	1,618,548	2,798,876	1,040,922	—	19,377,971	—	24,839,999
– hire purchase	—	—	—	—	—	—	—	1,340,914	1,340,914
– credit cards	—	—	2,882,829	15,736,860	7,710,766	2,415,581	190,225	15,824,807	44,786,687
– other loans/financing	—	25,619	1,111,073	4,587,532	6,218,739	—	—	5,642	17,793,196
– Corporate loans/financing	—	5,870,210	—	—	—	—	—	—	5,870,210
Statutory deposits with Central Banks	1,106,330	—	—	—	—	—	—	—	1,106,330
	34,828,539	23,050,085	6,695,967	23,918,390	15,037,399	40,797,967	19,568,196	17,171,363	181,067,906
Commitments and Contingencies									
Contingent liabilities	625	95,604	655,102	818,491	878,336	—	—	11,296	2,459,454
Commitments	501,134	4,380,223	1,525,152	9,919,312	4,266,927	7,069,717	—	10,078,073	37,740,538
	501,759	4,475,827	2,180,254	10,737,803	5,145,263	7,069,717	—	10,089,369	40,199,992
Total Credit Exposures	35,330,298	27,525,912	8,876,221	34,656,193	20,182,662	47,867,684	19,568,196	27,260,732	221,267,898

44. Financial Risk Management (Cont'd.)

Credit Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)

By Industry Analysis (Cont'd.)

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 Exposures									
Cash and balances with banks	31,625,500	3,359,093	—	—	—	—	—	—	34,984,593
Financial assets held-for-trading									
– Government securities and treasury bills	1,345,778	—	—	—	—	—	—	—	1,345,778
– Money market instruments	—	6,193,679	—	—	—	—	—	—	6,193,679
– Non-money market instruments	—	115,433	855	—	70	—	—	—	116,358
Derivative financial assets	—	302,861	—	—	—	—	—	—	302,861
Financial investments									
available-for-sale									
– Government securities and treasury bills	3,962,044	—	—	—	—	—	—	—	3,962,044
– Money market instruments	—	310,039	—	—	—	—	—	—	310,039
– Non-money market instruments	—	4,105,774	1,200,588	877,979	1,735	—	—	—	6,186,076
Financial investments held-to-maturity									
– Government securities and treasury bills	3,250,737	—	—	—	—	—	—	—	3,250,737
– Money market instruments	—	4,157,625	—	—	—	—	—	—	4,157,625
– Non-money market instruments	1,086	92,068	70,530	51	65,161	—	—	—	228,896
Gross loans, advances and financing									
– Retail loans/financing	—	—	—	—	—	32,520,706	—	—	32,520,706
– housing loans/financing	441	3,950	1,399,349	2,514,925	934,617	—	16,625,557	—	21,478,839
– hire purchase	—	—	—	—	—	—	—	1,169,668	1,169,668
– credit cards	—	—	—	—	—	—	—	—	—
– other loans/financing	57	29,420	2,574,753	13,904,656	6,706,287	2,357,071	156,311	13,353,440	39,081,995
– Corporate loans/financing	—	4,024,994	1,148,219	4,116,517	6,138,230	—	—	10,136	15,438,096
Statutory deposits with Central Banks	588,362	—	—	—	—	—	—	—	588,362
	40,774,005	22,694,936	6,394,294	21,414,128	13,846,100	34,877,777	16,781,868	14,533,244	171,316,352
Commitments and Contingencies									
Contingent liabilities	316	80,074	497,154	799,512	1,016,386	—	—	3,673	2,397,115
Commitments	516,403	1,540,846	1,505,961	10,128,087	4,319,932	5,689,784	9,865	9,214,708	32,925,586
	516,719	1,620,920	2,003,115	10,927,599	5,336,318	5,689,784	9,865	9,218,381	35,322,701
Total Credit Exposures	41,290,724	24,315,856	8,397,409	32,341,727	19,182,418	40,567,561	16,791,733	23,751,625	206,639,053

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)****By Geographical Analysis**

The analysis of credit concentration risk of financial assets of the Group and the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) are as follows:

Group 2010	Malaysia RM'000	Hong Kong & China PRC RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	30,487,145	2,162,429	505,966	1,534,899	34,690,439
Reverse repurchase agreements	365,877	—	—	—	365,877
Financial assets held-for-trading					
– Government securities and treasury bills	588,045	—	—	—	588,045
– Money market instruments	5,622,472	—	—	—	5,622,472
– Non-money market instruments	150,103	—	—	—	150,103
Derivative financial assets	62,311	11,366	—	252,945	326,622
Financial investments available-for-sale					
– Government securities and treasury bills	10,667,433	—	—	—	10,667,433
– Non-money market instruments	7,179,304	2,694	15	2,838	7,184,851
Financial investments held-to-maturity					
– Government securities and treasury bills	2,486,720	435,418	—	80,010	3,002,148
– Money market instruments	1,444,385	934	—	57,574	1,502,893
– Non-money market instruments	145,567	—	—	579,009	724,576
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	40,890,669	2,961,043	31,161	8,151	43,891,024
– hire purchase	33,486,157	1,810,869	23,479	7,917	35,328,422
– credit cards	1,340,914	6,222	1,766	—	1,348,902
– other loans/financing	49,231,483	1,693,655	1,713,093	266,370	52,904,601
– Corporate loans/financing	18,085,213	4,584,429	—	401,481	23,071,123
Statutory deposits with Central Banks	1,294,861	—	317,714	—	1,612,575
	203,528,659	13,669,059	2,593,194	3,191,194	222,982,106
Commitments and Contingencies					
Contingent liabilities	2,427,806	156,531	303,192	24,390	2,911,919
Commitments	38,472,535	2,302,920	303,265	96,259	41,174,979
	40,900,341	2,459,451	606,457	120,649	44,086,898
Total Credit Exposures	244,429,000	16,128,510	3,199,651	3,311,843	267,069,004

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)****By Geographical Analysis (Cont'd.)**

Group 2009	Malaysia RM'000	Hong Kong & China PRC RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	43,261,690	1,869,659	331,179	1,200,628	46,663,156
Reverse repurchase agreements	1,200,243	—	—	—	1,200,243
Financial assets held-for-trading					
– Government securities and treasury bills	1,501,020	—	—	—	1,501,020
– Money market instruments	6,243,362	—	—	—	6,243,362
– Non-money market instruments	212,893	—	—	—	212,893
Derivative financial assets	88,515	5,079	—	216,717	310,311
Financial investments available-for-sale					
– Government securities and treasury bills	4,838,654	—	—	—	4,838,654
– Money market instruments	50,637	—	—	—	50,637
– Non-money market instruments	7,271,462	3,006	—	2,018	7,276,486
Financial investments held-to-maturity					
– Government securities and treasury bills	3,279,022	220,788	—	53,523	3,553,333
– Money market instruments	1,175,277	—	—	358,799	1,534,076
– Non-money market instruments	249,475	—	—	1,283,323	1,532,798
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	34,457,885	3,019,626	37,290	3,623	37,518,424
– hire purchase	29,832,340	1,631,133	41,547	5,018	31,510,038
– credit cards	1,169,668	8,001	857	—	1,178,526
– other loans/financing	42,644,288	2,236,549	1,999,374	293,634	47,173,845
– Corporate loans/financing	15,371,878	4,731,017	—	126,699	20,229,594
Statutory deposits with Central Banks	732,885	—	289,296	—	1,022,181
	193,581,194	13,724,858	2,699,543	3,543,982	213,549,577
Commitments and Contingencies					
Contingent liabilities	2,311,727	172,095	184,656	41,244	2,709,722
Commitments	33,546,895	1,941,557	336,722	131,382	35,956,556
	35,858,622	2,113,652	521,378	172,626	38,666,278
Total Credit Exposures	229,439,816	15,838,510	3,220,921	3,716,608	252,215,855

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)****By Geographical Analysis (Cont'd.)**

Bank 2010	Malaysia RM'000	Hong Kong & China PRC RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	25,816,135	234,752	—	1,121,560	27,172,447
Reverse repurchase agreements	10,737	—	—	—	10,737
Financial assets held-for-trading					
– Government securities and treasury bills	488,242	—	—	—	488,242
– Money market instruments	5,323,626	—	—	—	5,323,626
– Non-money market instruments	868	—	—	—	868
Derivative financial assets	62,311	11,318	—	248,967	322,596
Financial investments available-for-sale					
– Government securities and treasury bills	7,873,452	—	—	—	7,873,452
– Money market instruments	272,599	—	—	—	272,599
– Non-money market instruments	6,123,428	—	—	—	6,123,428
Financial investments held-to-maturity					
– Government securities and treasury bills	2,325,039	—	—	80,010	2,405,049
– Money market instruments	2,689,862	—	—	—	2,689,862
– Non-money market instruments	135,488	—	—	—	135,488
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	38,374,235	—	—	8,151	38,382,386
– hire purchase	24,832,082	—	—	7,917	24,839,999
– credit cards	1,340,914	—	—	—	1,340,914
– other loans/financing	44,549,431	—	—	237,256	44,786,687
– Corporate loans/financing	17,129,705	356,563	—	306,928	17,793,196
Statutory deposits with Central Banks	1,106,330	—	—	—	1,106,330
	178,454,484	602,633	—	2,010,789	181,067,906
Commitments and Contingencies					
Contingent liabilities	2,423,185	11,879	—	24,390	2,459,454
Commitments	37,186,334	462,375	—	91,829	37,740,538
	39,609,519	474,254	—	116,219	40,199,992
Total Credit Exposures	218,064,003	1,076,887	—	2,127,008	221,267,898

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(i) Credit Risk Exposures and Credit Risk Concentration (Cont'd.)****By Geographical Analysis (Cont'd.)**

Bank 2009	Malaysia RM'000	Hong Kong & China PRC RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	33,929,672	269,076	—	785,845	34,984,593
Financial assets held-for-trading					
– Government securities and treasury bills	1,345,778	—	—	—	1,345,778
– Money market instruments	6,193,679	—	—	—	6,193,679
– Non-money market instruments	116,358	—	—	—	116,358
Derivative financial assets	86,212	3,945	—	212,704	302,861
Financial investments available-for-sale					
– Government securities and treasury bills	3,962,044	—	—	—	3,962,044
– Money market instruments	310,039	—	—	—	310,039
– Non-money market instruments	6,186,076	—	—	—	6,186,076
Financial investments held-to-maturity					
– Government securities and treasury bills	3,197,214	—	—	53,523	3,250,737
– Money market instruments	4,157,625	—	—	—	4,157,625
– Non-money market instruments	228,896	—	—	—	228,896
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	32,517,083	—	—	3,623	32,520,706
– hire purchase	21,473,821	—	—	5,018	21,478,839
– credit cards	1,169,668	—	—	—	1,169,668
– other loans/financing	38,841,039	—	—	240,956	39,081,995
– Corporate loans/financing	14,992,305	397,610	—	48,181	15,438,096
Statutory deposits with Central Banks	588,362	—	—	—	588,362
	169,295,871	670,631	—	1,349,850	171,316,352
Commitments and contingencies					
Contingent liabilities	2,311,727	13,254	36,032	36,102	2,397,115
Commitments	32,322,933	514,200	—	88,453	32,925,586
	34,634,660	527,454	36,032	124,555	35,322,701
Total Credit Exposures	203,930,531	1,198,085	36,032	1,474,405	206,639,053

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(ii) Collateral**

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

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

(iii) Credit Quality of Gross Loans, Advances and Financing

Gross loans, advances and financing are analysed as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Neither past due nor impaired	134,883,902	118,870,898	110,018,054	95,081,018
Past due but not impaired	19,875,893	17,419,902	15,723,807	13,794,930
Impaired	1,784,277	1,319,627	1,401,321	813,356
	156,544,072	137,610,427	127,143,182	109,689,304

(a) Neither Past Due Nor Impaired

Gross loans, advances and financing which are neither past due nor impaired are identified into the following grades:

- “Good Grade” refers to loans, advances and financing which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- “Satisfactory Grade” refers to loans, advances and financing which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iii) Credit Quality of Gross Loans, Advances and Financing (Cont'd.)****(a) Neither Past Due Nor Impaired (Cont'd.)**

The credit quality of gross loans, advances and financing which are neither past due nor impaired are analysed as follows:

	2010			2009		
	Good RM'000	Satisfactory RM'000	Total RM'000	Good RM'000	Satisfactory RM'000	Total RM'000
Group						
Retail loans/financing						
– housing loans/financing	31,739,228	4,780,714	36,519,942	25,877,489	5,155,128	31,032,617
– hire purchase	21,603,635	4,968,184	26,571,819	19,145,879	4,779,137	23,925,016
– credit cards	784,750	300,966	1,085,716	694,534	262,821	957,355
– other loans/financing	43,313,871	4,762,383	48,076,254	38,184,945	5,011,550	43,196,495
Corporate loans/financing	20,668,331	1,961,840	22,630,171	17,889,032	1,870,383	19,759,415
	118,109,815	16,774,087	134,883,902	101,791,879	17,079,019	118,870,898
Bank						
Retail loans/financing						
– housing loans/financing	27,428,816	4,285,071	31,713,887	21,845,182	4,749,578	26,594,760
– hire purchase	15,168,358	3,699,855	18,868,213	13,026,575	3,321,705	16,348,280
– credit cards	778,347	299,783	1,078,130	687,417	261,669	949,086
– other loans/financing	36,854,708	3,936,639	40,791,347	31,880,129	4,190,892	36,071,021
Corporate loans/financing	15,750,327	1,816,150	17,566,477	13,691,960	1,425,911	15,117,871
	95,980,556	14,037,498	110,018,054	81,131,263	13,949,755	95,081,018

(b) Past Due But Not Impaired

Past due but not impaired loans are loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than three (3) months.

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iii) Credit Quality of Gross Loans, Advances and Financing (Cont'd.)****(b) Past Due But Not Impaired (Cont'd.)**

An aging analysis of loans, advances and financing which are past due but not impaired is as follows:

Group	1 day to < 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	Total RM'000
2010				
Retail loans/financing				
– housing loans/financing	3,764,421	2,159,629	941,477	6,865,527
– hire purchase	5,277,407	2,708,855	595,913	8,582,175
– credit cards	154,321	56,888	24,681	235,890
– other loans/financing	2,472,329	1,167,686	311,085	3,951,100
Corporate loans/financing	233,026	6,247	1,928	241,201
	11,901,504	6,099,305	1,875,084	19,875,893
2009				
Retail loans/financing				
– housing loans/financing	3,340,276	1,890,058	802,172	6,032,506
– hire purchase	4,590,288	2,288,987	557,798	7,437,073
– credit cards	137,770	46,759	22,645	207,174
– other loans/financing	1,896,889	1,147,537	390,602	3,435,028
Corporate loans/financing	253,267	51,497	3,357	308,121
	10,218,490	5,424,838	1,776,574	17,419,902
Bank	1 day to < 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	Total RM'000
2010				
Retail loans/financing				
– housing loans/financing	3,407,304	1,956,769	854,564	6,218,637
– hire purchase	3,704,150	1,791,891	369,724	5,865,765
– credit cards	154,189	56,720	24,585	235,494
– other loans/financing	2,102,649	945,264	255,894	3,303,807
Corporate loans/financing	92,984	5,825	1,295	100,104
	9,461,276	4,756,469	1,506,062	15,723,807

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iii) Credit Quality of Gross Loans, Advances and Financing (Cont'd.)****(b) Past Due But Not Impaired (Cont'd.)**

Bank	1 day to < 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	Total RM'000
2009				
Retail loans/financing				
– housing loans/financing	3,062,265	1,734,539	729,728	5,526,532
– hire purchase	3,166,305	1,523,329	349,230	5,038,864
– credit cards	137,447	46,562	22,618	206,627
– other loans/financing	1,545,011	917,012	279,751	2,741,774
Corporate loans/financing	230,638	50,097	398	281,133
	8,141,666	4,271,539	1,381,725	13,794,930

(c) Impaired loans

Loans are classified as impaired when they fulfill either of the following criteria:

- (i) principal or interest or both are past due for three (3) months or more;
- (ii) where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses;
or
- (iii) where an impaired loan has been rescheduled or restructured, the loan continues to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

In addition, for all loans that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

- (a) any significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) high probability of bankruptcy or other financial reorganisation of the borrower;
- (d) the viability of the customer's business operations and its capability to trade successfully out of financial difficulties and to generate sufficient cash flow to service its debt obligations; and
- (e) any adverse news or developments affecting the local economic conditions or business environment of the borrower which will adversely affect the repayment capacity of the borrower.

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iii) Credit Quality of Gross Loans, Advances and Financing (Cont'd.)****(c) Impaired loans (Cont'd.)**

The breakdown of the gross amount of loans, advances and financing individually assessed as impaired, by class, along with the fair value of related collateral held by the Group and the Bank as security are as follows:

	Total Gross Impaired Loans, Advances and Financing RM'000	of which Individually Assessed as Impaired		
		Gross Individually Assessed Impaired Loans RM'000	Individual Assessment Allowance RM'000	Fair Value of Collateral RM'000
Group				
2010				
Retail loans/financing				
– housing loans/financing	505,555	619	188	841
– hire purchase	174,428	3,803	2,199	3,669
– credit cards	27,290	—	—	—
– other loans/financing	877,252	564,537	156,356	554,246
Corporate loans/financing	199,751	199,751	106,191	113,437
	1,784,276	768,710	264,934	672,193
Bank				
2010				
Retail loans/financing				
– housing loans/financing	449,862	—	—	—
– hire purchase	106,021	—	—	—
– credit cards	27,290	—	—	—
– other loans/financing	691,533	416,672	90,691	430,020
Corporate loans/financing	126,615	126,615	75,655	110,212
	1,401,321	543,287	166,346	540,232

Comparatives are not presented as FRS 139 is only effective from 1 January 2010.

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iii) Credit Quality of Gross Loans, Advances and Financing (Cont'd.)**

- (d) Rescheduled/restructured loans, advances and financing

Rescheduling/restructuring activities include extended payment arrangements, and the modification and deferral of payments. The status of rescheduled/restructured loans, advances and financing are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current	755,473	1,201,319	568,586	905,610
Past due	567,022	664,551	413,619	522,109
Impaired	447,835	212,301	293,418	62,157
	1,770,330	2,078,171	1,275,623	1,489,876

Loans that would have been past due or impaired had they not been rescheduled/restructured are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Retail loans/financing				
– housing loans/financing	115,887	137,350	113,222	132,468
– hire purchase	80,819	97,107	54,973	60,048
– credit cards	12,703	14,761	12,703	14,761
– other loans/financing	278,464	393,467	147,831	172,522
Corporate loans/financing	267,600	558,634	239,857	525,811
	755,473	1,201,319	568,586	905,610

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iii) Credit Quality of Gross Loans, Advances and Financing (Cont'd.)****(e) Repossessed Collateral**

Assets obtained by taking possession of collateral held as security against loans, advances and financing, and held as at the end of the year are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Residential properties	82,319	90,907	80,111	90,058
Non-residential properties	43,220	40,464	43,067	40,311
	125,539	131,371	123,178	130,369

Reposessed collateral are sold as soon as practicable. Repossessed collateral are recognised in Other Assets on the Statement of Financial Position. The Group and the Bank do not occupy reposessed properties for its business use.

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iv) Credit Quality of Financial Investments**

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies:

Financial Assets Held-for-trading

	As at 31 December 2010				As at 31 December 2009					
	Money Market Instruments		Non-money Market Instruments - Debt Securities		Money Market Instruments			Non-money Market Instruments - Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000
Group										
AAA+ to AA-	-	3,563,206	3,563,206	-	83,696	83,696	-	2,859,086	2,859,086	211,968
A+ to A-	-	1,909,026	1,909,026	-	-	-	-	3,384,276	3,384,276	-
Unrated	-	150,240	150,240	-	65,539	65,539	-	-	-	-
	-	5,622,472	5,622,472	-	149,235	149,235	-	6,243,362	6,243,362	211,968
Bank										
AAA+ to AA-	-	3,264,360	3,264,360	-	-	-	-	2,859,086	2,859,086	115,433
A+ to A-	-	1,909,026	1,909,026	-	-	-	-	3,334,593	3,334,593	-
Unrated	-	150,240	150,240	-	-	-	-	-	-	-
	-	5,323,626	5,323,626	-	-	-	-	6,193,679	6,193,679	115,433

44. Financial Risk Management (Cont'd.)

Credit Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(iv) Credit Quality of Financial Investments (Cont'd.)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies: (Cont'd.)

Financial Investments Available-for-sale

	As at 31 December 2010				As at 31 December 2009					
	Money Market Instruments		Non-money Market Instruments - Debt Securities		Money Market Instruments			Non-money Market Instruments - Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000
Group										
AAA+ to AA-	-	-	-	-	15,575	15,575	-	44,248	44,248	40,596
A+ to A-	-	-	-	953,499	-	953,499	-	-	-	61,064
BBB+ to BBB-	-	-	-	1,379,483	-	1,379,483	-	-	-	-
Unrated	-	-	-	-	10,049	10,049	-	6,389	6,389	10,032
	-	-	-	2,332,982	25,624	2,358,606	-	50,637	50,637	111,692
										2,783,624
Bank										
AAA+ to AA-	-	-	-	-	15,575	15,575	-	44,248	44,248	40,596
A+ to A-	-	-	-	731,645	-	731,645	-	-	-	61,064
BBB+ to BBB-	-	-	-	1,086,131	-	1,086,131	-	-	-	-
Unrated	-	272,599	272,599	-	-	-	-	265,791	265,791	-
	-	272,599	272,599	1,817,776	15,575	1,833,351	-	310,039	310,039	101,660
										2,215,291

44. Financial Risk Management (Cont'd.)**Credit Risk (Cont'd.)****Risk Management Approach (Cont'd.)****(iv) Credit Quality of Financial Investments (Cont'd.)**

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies: (Cont'd.)

Financial Investments Held-to-maturity

	As at 31 December 2010				As at 31 December 2009					
	Money Market Instruments		Non-money Market Instruments - Debt Securities		Money Market Instruments			Non-money Market Instruments - Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Domestic Ratings RM'000
Group										
AAA+ to AA-	58,508	983,166	1,041,674	523,300	134,321	657,621	321,248	976,527	1,297,775	145,557
A+ to A-	-	210,214	210,214	55,709	-	55,709	37,551	92,290	129,841	-
BBB+ to BBB-	-	-	-	-	-	-	-	-	-	-
Unrated	-	251,005	251,005	-	11,200	11,200	-	106,460	106,460	-
Defaulted *	-	-	-	-	46	46	-	-	-	51
	58,508	1,444,385	1,502,893	579,009	145,567	724,576	358,799	1,175,277	1,534,076	162,024
										1,445,346
Bank										
AAA+ to AA-	-	2,589,878	2,589,878	-	124,242	124,242	-	4,147,518	4,147,518	130,487
A+ to A-	-	99,984	99,984	-	-	-	-	10,107	10,107	-
BBB+ to BBB-	-	-	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	11,200	11,200	-	-	-	-
Defaulted *	-	-	-	-	46	46	-	-	-	51
	-	2,689,862	2,689,862	-	135,488	135,488	-	4,157,625	4,157,625	141,887

* Stated net of accumulated impairment losses

The ratings shown for money market instruments (e.g. negotiable instruments of deposit and bankers' acceptances) are based on the ratings assigned to the respective financial institution issuing the financial instruments. The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance.

As at the reporting date, none of the financial investment above are past due, except for a defaulted private debt security of the Group and the Bank held under financial investments held-to-maturity with carrying value of RM46,000 (2009 – RM51,000), which has been classified as impaired.

44. Financial Risk Management (Cont'd.)

Market Risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In addition, the market risk of Islamic banking activities of the Group includes rate of return risk and displaced commercial risk.

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk framework and policies, aligns market risk management with business strategies and planning, and recommends actions to ensure that the market risks remain within established risk tolerance. The market risk of the Group is identified into traded market risk and non-traded market risk.

Types of Market Risk

(i) Traded Market Risk

Traded market risk, primarily interest rate risk and credit spread risk, exists in the Group's trading positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk Measurement Approach

The Group's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's traded market risk for its interest-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Compliance Unit on a daily basis against approved market risk limits. In addition, the Compliance Unit is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Division. Changes to market risk limits must be approved by the Board. The trading positions and limits are regularly reported to the ALCO. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

During the year, the Group's and the Bank's traded market risk exposures on fixed income securities as measured by PV01, averaged at RM173,000 and RM153,000 respectively (2009 – RM194,000 and RM162,000 respectively). The composition of the Group's and the Bank's trading portfolio is as set out in Note 5 to the financial statements.

(ii) Non-Traded Market Risk

The Group's core non-traded market risks are interest rate risk in the banking book, the rate of return risk and displaced commercial risk in the Group's Islamic banking business, foreign exchange risk and equity risk.

(a) Interest Rate Risk in the Banking Book

Interest rate risk in the banking book ("IRRBB") emanates from the re-pricing mismatches of the Group's banking assets and liabilities and also from the Group's investment of its surplus funds.

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Risk Measurement Approach

The primary objective in managing the IRRBB is to manage the volatility in the Group's net interest income ("NII") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in interest rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge interest rate risk is set out on Note 6 to the financial statements.

The Group uses various tools including re-pricing gap reports, sensitivity analysis and income scenario simulations to measure its IRRBB. The impact on earnings and EVE is considered at all times in measuring the IRRBB and is subject to limits approved by the RMC.

The following tables indicate the effective interest rates at the reporting 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.

Group 2010	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS											
Cash and balances with banks	30,539,997	2,495,700	107,600	-	-	-	-	-	1,547,142	-	34,690,439
Reverse repurchase agreements	10,737	-	-	-	-	-	-	-	-	355,140	365,877
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	6,360,620	6,360,620
Financial investments available-for-sale	3,022,835	2,784,189	4,564,408	300,633	42,948	1,334,342	741,430	115,944	4,945,555	-	17,852,284
Financial investments held-to-maturity	986,027	964,958	1,485,915	664,092	347,538	599,745	134,839	45,371	1,132	-	5,229,617
Loans, advances and financing											
- non-impaired	101,810,775	7,693,242	9,268,805	9,053,927	7,462,739	5,060,930	4,497,391	9,911,986	-	-	154,759,795
- impaired *	-	-	-	-	-	-	-	-	(776,815)	-	(776,815)
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,741,729	105,430	7,847,159
TOTAL ASSETS	136,370,371	13,938,089	15,426,728	10,018,652	7,853,225	6,995,017	5,373,660	10,073,301	13,458,743	6,821,190	226,328,976

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Group 2010	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES AND EQUITY											
Deposits from customers	92,554,997	31,477,938	30,051,704	142,642	23,458	6,401	9,081	-	22,605,898	-	176,872,119
Deposits from banks	9,566,939	9,142,193	1,810,708	182,768	231,806	157,477	89,128	-	146,457	-	21,327,476
Bills and acceptances payable	482,503	971,928	106,167	-	-	-	-	-	748,238	-	2,308,836
Recourse obligations on loans sold to Cagamas	2,093	1,518	6,587	5,797	324	-	-	-	-	-	16,319
Debt securities issued and other borrowed funds	898,352	-	-	1,233,000	1,400,000	473,000	-	3,904,500	186,028	-	8,094,880
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	3,835,188	188,070	4,024,258
Total Liabilities	103,504,884	41,593,577	31,975,166	1,564,207	1,655,588	636,878	98,209	3,904,500	27,521,809	188,070	212,643,888
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	13,032,900	-	13,032,900
Minority interests	-	-	-	-	-	-	-	-	652,188	-	652,188
TOTAL LIABILITIES AND EQUITY	103,504,884	41,593,577	31,975,166	1,564,207	1,655,588	636,878	98,209	3,904,500	41,206,897	188,070	226,328,976
On-balance sheet interest sensitivity gap	32,865,487	(27,655,488)	(16,548,438)	8,454,445	6,197,637	6,358,139	5,275,451	6,168,801	(27,748,154)	6,632,120	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	764,500	(4,214,405)	(1,187,012)	912,492	1,552,000	(915,213)	(724,387)	3,812,025	-	-	-
TOTAL INTEREST SENSITIVITY GAP	33,629,987	(31,869,893)	(17,735,450)	9,366,937	7,749,637	5,442,926	4,551,064	9,980,826	(27,748,154)	6,632,120	-

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Group 2009	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS											
Cash and balances with banks	42,372,710	3,088,957	89,320	—	—	—	—	—	1,112,169	—	46,663,156
Reverse repurchase agreements	—	—	—	—	—	—	—	—	—	1,200,243	1,200,243
Financial assets held-for-trading	—	—	—	—	—	—	—	—	—	7,957,275	7,957,275
Financial investments 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
Financial investments 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
Loans, advances and financing											
– non-impaired	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
– impaired #	—	—	—	—	—	—	—	—	(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	9,186,055	217,136,154

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Group 2009	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
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
Deposits from banks	13,023,409	8,783,194	634,522	8,506	—	—	—	—	164,669	—	22,614,300
Bills and acceptances payable	7,481	14,963	—	—	—	—	—	—	590,286	—	612,730
Recourse obligations on loans sold to Cagamas	2,402	2,382	7,848	5,547	3,584	—	—	—	—	—	21,763
Debt securities issued and other borrowed funds	653,101	—	—	—	1,371,200	1,379,783	473,000	3,973,600	181,661	—	8,032,345
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
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 general allowance and specific allowance from the outstanding gross impaired loans.

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Bank 2010	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS											
Cash and balances with banks	23,415,833	2,451,011	29,807	-	-	-	-	-	1,275,796	-	27,172,447
Reverse repurchase agreements	10,737	-	-	-	-	-	-	-	-	-	10,737
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	5,812,736	5,812,736
Financial investments available-for-sale	2,004,129	2,266,508	3,525,727	280,508	42,948	1,212,858	511,833	15,575	4,409,393	-	14,269,479
Financial investments held-to-maturity	503,115	528,230	1,652,282	1,444,433	326,309	594,688	134,839	45,371	1,132	-	5,230,399
Loans, advances and financing											
- non-impaired	90,620,306	5,465,720	6,474,888	6,386,257	5,387,044	3,398,137	3,210,892	4,798,617	-	-	125,741,861
- impaired *	-	-	-	-	-	-	-	-	(679,678)	-	(679,678)
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	8,742,116	109,765	8,851,881
TOTAL ASSETS	116,554,120	10,711,469	11,682,704	8,111,198	5,756,301	5,205,683	3,857,564	4,859,563	13,748,759	5,922,501	186,409,862

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Bank 2010	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES AND EQUITY											
Deposits from customers	73,720,431	21,205,735	25,941,293	80,245	15,515	4,947	8,299	-	19,812,801	-	140,789,266
Deposits from banks	8,373,409	10,658,843	1,152,097	148,292	231,806	157,477	89,129	-	258,728	-	21,069,781
Bills and acceptances payable	590,488	1,010,006	106,167	-	-	-	-	-	743,345	-	2,450,006
Recourse obligations on loans sold to Cagamas	2,093	1,518	6,587	5,797	324	-	-	-	-	-	16,319
Debt securities issued and other borrowed funds	-	-	-	1,233,000	1,400,000	473,000	-	3,904,500	186,028	-	7,196,528
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	2,373,814	211,397	2,585,211
Total Liabilities	82,686,421	32,876,102	27,206,144	1,467,334	1,647,645	635,424	97,428	3,904,500	23,374,716	211,397	174,107,111
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	12,302,751	-	12,302,751
TOTAL LIABILITIES AND EQUITY	82,686,421	32,876,102	27,206,144	1,467,334	1,647,645	635,424	97,428	3,904,500	35,677,467	211,397	186,409,862
On-balance sheet interest sensitivity gap	33,867,699	(22,164,633)	(15,523,440)	6,643,864	4,106,656	4,570,259	3,760,136	955,063	(21,928,708)	5,711,104	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	656,613	(4,522,655)	(1,187,012)	912,492	1,552,000	(807,326)	(508,612)	3,904,500	-	-	-
TOTAL INTEREST SENSITIVITY GAP	34,524,312	(26,687,288)	(16,710,452)	7,556,356	5,660,656	3,762,933	3,251,524	4,859,563	(21,928,708)	5,711,104	-

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans.

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Bank 2009	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS											
Cash and balances with banks	31,084,709	3,115,967	—	—	—	—	—	—	783,917	—	34,984,593
Financial assets held-for-trading	—	—	—	—	—	—	—	—	—	7,655,815	7,655,815
Financial investments available-for-sale	—	—	92,240	3,913,097	311,948	42,710	1,283,288	735,840	4,079,036	—	10,458,159
Financial investments 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
Loans, advances and financing											
– non-impaired	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
– impaired #	—	—	—	—	—	—	—	—	(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

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Bank 2009	Non trading book										Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
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
Deposits from banks	12,118,917	8,150,076	19,862	273,636	—	—	—	—	221,438	—	20,783,929
Bills and acceptances payable	7,481	14,963	—	—	—	—	—	—	590,286	—	612,730
Recurse obligations on loans sold to Cagamas	2,402	2,382	7,848	5,547	3,584	—	—	—	—	—	21,763
Debt securities issued and other borrowed funds	—	—	—	—	1,371,200	1,400,000	473,000	3,973,600	181,661	—	7,399,461
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
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 general allowance and specific allowance from the outstanding gross impaired loans.

44. Financial Risk Management (Cont'd.)**Market Risk (Cont'd.)****Types of Market Risk (Cont'd.)**

(ii) Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

The following tables present the projected Group's and Bank's sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Group's and Bank's interest sensitivity gap as at reporting date. Where the current interest rates are lower than 1%, the downward rate shock applied is restricted to the prevailing interest rates.

	2010		2009	
	-100 bps	+100 bps	-100 bps	+100 bps
	Increase/(Decrease)			
	RM'000	RM'000	RM'000	RM'000
Group				
Impact on NII	(60,715)	31,795	(68,776)	(5,747)
Impact on EVE	1,197,751	(1,201,809)	1,111,852	(1,115,703)
Bank				
Impact on NII	(167,956)	83,542	(117,721)	40,366
Impact on EVE	715,262	(707,499)	684,157	(681,150)

The reported amounts do not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate risk. In reality, treasury operations seek 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 the NII and EVE of some rates changing while others remain unchanged. The projection also assumes a constant statement of financial position and that all positions run to maturity.

The repricing profile of loans that do not have maturities is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Loan prepayment is generally estimated based on past statistics and trends, where possible and material. The impact on the NII is measured on a monthly basis and the impact on the EVE is on a quarterly basis, both of which are reported to the ALCO and the RMC.

Stress testing is conducted semi-annually to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the Group's and the Bank's statements of financial position. Stress testing is performed to provide early warnings of potential losses, facilitating the proactive management of interest rate risks.

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(b) Rate of Return Risk in the Banking Book

Rate of return risk in the banking book ("RoRBB") is the potential loss of income arising from changes in market rates on the return on assets and on the returns payable on funding. RoRBB is inherent in the Group's Islamic banking activities via Public Islamic Bank Berhad ("PIBB") due to the maturity gaps between PIBB's profit rate sensitive assets and liabilities.

Risk Management Approach

Periodically, PIBB performs sensitivity testing to identify the rate of return risk in the banking book, whereby the risk arising is measured in terms of its adverse impact on Net Financing Income ("NFI") and on EVE. PIBB strives to reduce the maturity gaps by matching the duration of its rate of return sensitive assets and liabilities. This is achieved via the active sourcing of longer tenure Negotiable Instruments Deposits-i funds.

(c) Displaced Commercial Risk

Displaced commercial risk is the risk that PIBB is not able to pay its mudharabah depositors a rate of return which is competitive to the market rates. PIBB does not have any Profit Sharing Investment Accounts ("PSIA") which are eligible for risk absorbent treatment.

Risk Management Approach

PIBB manages this risk by optimising the employment of mudharabah funds through prudent credit management and effective product pricing. In addition, the maintenance of the Profit Equalisation Reserve ("PER") account and the ability of PIBB to adjust the Mudarib's profit sharing rate in order to smoothen the returns payable to the mudharabah depositors serve as an important tool for PIBB to mitigate the displaced commercial risk.

(d) Foreign Exchange Risk

Foreign currency exchange risk refers to adverse 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 United States Dollars and Hong Kong Dollars.

Risk Management Approach

The Group manages such risk through funding in the same functional currencies, where possible. In addition, Net Open Position ("NOP") limits are set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on its potential economic benefit and is periodically assessed by the ALCO.

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

44. Financial Risk Management (Cont'd.)**Market Risk (Cont'd.)****Types of Market Risk (Cont'd.)**

- (ii) Non-Traded Market Risk (Cont'd.)
 (d) Foreign Exchange Risk (Cont'd.)

Group 2010	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	29,982,339	1,769,392	1,996,739	941,969	34,690,439
Reverse repurchase agreements	355,140	—	—	10,737	365,877
Financial assets held-for-trading	6,360,620	—	—	—	6,360,620
Derivative financial assets	154,318	4,026	168,278	—	326,622
Financial investments available-for-sale	15,484,632	2,694	2,356,154	8,804	17,852,284
Financial investments held-to-maturity	4,076,624	435,419	137,350	580,224	5,229,617
Loans, advances and financing	139,748,466	10,271,192	3,612,735	350,587	153,982,980
Other assets	1,258,010	210,026	145,396	382,448	1,995,880
Statutory deposits with Central Banks	1,277,681	—	333,753	1,141	1,612,575
Deferred tax assets	515,821	—	3,322	72	519,215
Investment in associated companies	2,035	—	116,589	—	118,624
Investment properties	1,850	63,702	—	—	65,552
Property and equipment	882,630	302,238	91,552	1,899	1,278,319
Intangible assets	769,251	1,161,121	—	—	1,930,372
TOTAL ASSETS	200,869,417	14,219,810	8,961,868	2,277,881	226,328,976
LIABILITIES					
Deposits from customers	152,061,430	9,541,746	11,302,857	3,966,086	176,872,119
Deposits from banks	17,499,324	87,551	3,740,601	—	21,327,476
Bills and acceptances payable	2,304,563	—	2,379	1,894	2,308,836
Recourse obligations on loans sold to Cagamas	16,319	—	—	—	16,319
Derivative financial liabilities	192,317	2,152	181,060	—	375,529
Other liabilities	1,787,540	410,584	269,174	372,576	2,839,874
Debt securities issued and other borrowed funds	5,188,569	898,352	2,007,959	—	8,094,880
Provision for tax expense and zakat	771,828	15,902	11,100	1,634	800,464
Deferred tax liabilities	3,499	4,892	—	—	8,391
TOTAL LIABILITIES	179,825,389	10,961,179	17,515,130	4,342,190	212,643,888
Minority interests	—	640,398	11,790	—	652,188
On-Balance Sheet Open Position	21,044,028	2,618,233	(8,565,052)	(2,064,309)	13,032,900
Off-Balance Sheet Open Position	(8,350,139)	(1,636,880)	7,674,686	2,312,333	—
NET OPEN POSITION	12,693,889	981,353	(890,366)	248,024	13,032,900

44. Financial Risk Management (Cont'd.)**Market Risk (Cont'd.)****Types of Market Risk (Cont'd.)**

(ii) Non-Traded Market Risk (Cont'd.)

(d) Foreign Exchange Risk (Cont'd.)

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 balances with banks	43,110,581	1,242,878	1,888,336	421,361	46,663,156
Reverse repurchase agreements	1,200,243	—	—	—	1,200,243
Financial assets held-for-trading	7,957,275	—	—	—	7,957,275
Derivative financial assets	126,560	5,150	178,601	—	310,311
Financial investments available-for-sale	9,458,287	3,006	2,697,505	6,979	12,165,777
Financial investments 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
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
Property and equipment	908,826	343,722	86,797	1,434	1,340,779
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 from banks	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
Debt securities issued and other borrowed funds	5,158,205	653,101	2,221,039	—	8,032,345
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

44. Financial Risk Management (Cont'd.)**Market Risk (Cont'd.)****Types of Market Risk (Cont'd.)**

- (ii) Non-Traded Market Risk (Cont'd.)
- (d) Foreign Exchange Risk (Cont'd.)

Bank 2010	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	25,268,063	542,280	842,832	519,272	27,172,447
Reverse repurchase agreements	—	—	—	10,737	10,737
Financial assets held-for-trading	5,812,736	—	—	—	5,812,736
Derivative financial assets	154,318	—	168,278	—	322,596
Financial investments available-for-sale	12,428,490	—	1,840,933	56	14,269,479
Financial investments held-to-maturity	5,150,342	—	23,509	56,548	5,230,399
Loans, advances and financing	123,396,046	356,363	1,266,245	43,529	125,062,183
Other assets	1,096,092	104,556	126,354	376,640	1,703,642
Statutory deposits with Central Banks	1,089,150	—	17,180	—	1,106,330
Deferred tax assets	416,398	—	—	72	416,470
Investment in subsidiary companies	1,741,626	1,672,194	474,761	—	3,888,581
Investment in associated companies	30	—	101,295	—	101,325
Property and equipment	610,770	—	4,875	1,899	617,544
Intangible assets	695,393	—	—	—	695,393
TOTAL ASSETS	177,859,454	2,675,393	4,866,262	1,008,753	186,409,862
LIABILITIES					
Deposits from customers	134,880,381	7,857	3,039,915	2,861,113	140,789,266
Deposits from banks	13,865,518	—	7,204,263	—	21,069,781
Bills and acceptances payable	2,445,733	—	2,379	1,894	2,450,006
Recourse obligations on loans sold to Cagamas	16,319	—	—	—	16,319
Derivative financial liabilities	192,316	—	148,679	—	340,995
Other liabilities	870,836	219,261	216,043	369,511	1,675,651
Debt securities issued and other borrowed funds	5,188,569	—	2,007,959	—	7,196,528
Provision for tax expense and zakat	567,226	—	—	1,339	568,565
TOTAL LIABILITIES	158,026,898	227,118	12,619,238	3,233,857	174,107,111
On-Balance Sheet Open Position	19,832,556	2,448,275	(7,752,976)	(2,225,104)	12,302,751
Off-Balance Sheet Open Position	(8,350,139)	(1,572,812)	7,623,185	2,299,766	—
NET OPEN POSITION	11,482,417	875,463	(129,791)	74,662	12,302,751

44. Financial Risk Management (Cont'd.)**Market Risk (Cont'd.)****Types of Market Risk (Cont'd.)**

- (ii) Non-Traded Market Risk (Cont'd.)
- (d) Foreign Exchange Risk (Cont'd.)

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 balances with banks	33,374,418	626,332	804,002	179,841	34,984,593
Financial assets held-for-trading	7,655,815	—	—	—	7,655,815
Derivative financial assets	126,560	—	176,301	—	302,861
Financial investments available-for-sale	8,318,894	—	2,139,204	61	10,458,159
Financial investments 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
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
Property and equipment	643,437	—	6,110	1,434	650,981
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 from banks	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
Debt securities issued and other borrowed funds	5,178,422	—	2,221,039	—	7,399,461
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

44. Financial Risk Management (Cont'd.)**Market Risk (Cont'd.)****Types of Market Risk (Cont'd.)**

(ii) Non-Traded Market Risk (Cont'd.)

(d) Foreign Exchange Risk (Cont'd.)

- (ii) Structural Foreign Exchange Risk represents 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. In addition, 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. The structural currency exposures of the Group as at the reporting date are as follows:

Group	Hedged RM'000	Unhedged RM'000	Total RM'000
2010			
United States Dollars	1,109,700	(224,830)	884,870
Hong Kong Dollars	1,704,623	244,871	1,949,494
Others	—	333,686	333,686
	2,814,323	353,727	3,168,050
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

(iii) Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its non-trading unhedged positions as at each reporting date is summarised below:

Group	Change in Currency Rates %	Revaluation Sensitivity RM'000
2010		
United States Dollars	+/-5	-/+11,242
Hong Kong Dollars	+/-5	+/-12,244
2009		
United States Dollars	+/-5	-/+695
Hong Kong Dollars	+/-5	—

44. Financial Risk Management (Cont'd.)

Market Risk (Cont'd.)

Types of Market Risk (Cont'd.)

(ii) Non-Traded Market Risk (Cont'd.)

(e) Equity Risk

Equity risk refers to the adverse impact of change in equity prices on equity positions held by the Group and the Bank for yield purposes.

Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee and the Sub-Committee on Share Investment.

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

Group	Change in Equity Market Prices %	Sensitivity of Equity RM'000
2010	+/-20	+/-9,351
2009	+/-20	+/-7,163

Liquidity and Funding Risk

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk Governance

The ALCO is the primary party responsible for liquidity management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALCO and approved by the RMC prior to implementation.

Risk Management Approach

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by BNM, and is measured and managed based on projected cash flows. In addition to ensuring compliance with the New Liquidity Framework, the Group maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of highly liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flow and the replenishment of funds as they mature or are borrowed by customers. As at 31 December 2010, the Group holds a sizeable balance of government securities amounting to RM14,257.6 million or 48% of its portfolio of securities.

44. Financial Risk Management (Cont'd.)

Liquidity and Funding Risk (Cont'd.)

Risk Management Approach (Cont'd.)

The Group's liquidity and funding position is supported by the Group's significant retail deposit base, accompanied by funding from wholesale markets. The Group's retail deposit base comprises current and savings deposits which, although payable on demand, have traditionally in aggregate provided stable sources of funding. The Group's reputation, earnings generation capacity, strong credit rating, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Group accesses the wholesale markets through the issuance of certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

The primary tools for monitoring liquidity is the maturity mismatch analysis, assessment on the concentration of funding, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity positions are reported to the ALCO on a monthly basis and in major currencies i.e. in Ringgit Malaysia and in United States Dollars.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed by the various entities under the Group to determine the cash flow mismatches under the "Specific Institution Liquidity Problem" and "Systemic Liquidity Problem" scenarios and the possible source of funding to meet the shortfalls during a liquidity crisis.

Overseas branches and overseas subsidiary companies are required to comply with their respective local regulatory liquidity requirements and internal liquidity limits set by Head Office. Similar risk management processes as practiced by the Bank are adopted by its subsidiary companies and overseas branches. It is the Group policy that the overseas subsidiary companies and branches strive to attain a self-funding position in funding their respective operations.

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity:

The following tables show the maturity analysis of the carrying value of the Group's and the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group has significant amounts of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but which are historically a stable source of long-term funding for the Group and the Bank.

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and commitments as disclosed under Note 48. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expects many of these commitments (such as direct credit substitutes) to expire or be unconditionally cancelled without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

44. Financial Risk Management (Cont'd.)

Liquidity and Funding Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity: (Cont'd.)

Group 2010	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 and balances with banks	16,362,576	15,724,563	2,495,700	77,793	29,807	–	34,690,439
Reverse repurchase agreements	3,799	6,938	355,140	–	–	–	365,877
Financial investments	7,381,710	4,250,130	7,228,400	5,068,842	1,062,222	4,451,217	29,442,521
Loans, advances and financing	10,654,320	3,855,170	6,008,602	7,999,952	14,304,778	111,160,158	153,982,980
Other asset balances	22,505	24,538	4,143	–	50	7,795,923	7,847,159
TOTAL ASSETS	34,424,910	23,861,339	16,091,985	13,146,587	15,396,857	123,407,298	226,328,976
LIABILITIES							
Deposits from customers	69,715,759	44,998,677	31,473,157	16,739,528	13,300,857	644,141	176,872,119
Deposits from banks	4,033,253	5,680,142	9,142,193	1,249,480	561,228	661,180	21,327,476
Recourse obligations on loans sold to Cagamas	–	–	1,335	–	1,177	13,807	16,319
Debt securities issued and other borrowed funds	–	–	–	–	–	8,094,880	8,094,880
Other liability balances	211,655	623,372	1,161,944	211,372	100,145	4,024,606	6,333,094
TOTAL LIABILITIES	73,960,667	51,302,191	41,778,629	18,200,380	13,963,407	13,438,614	212,643,888
EQUITY							
Equity attributable to equity holders of the Bank	–	–	–	–	–	13,032,900	13,032,900
Minority interests	–	–	–	–	–	652,188	652,188
TOTAL EQUITY	–	–	–	–	–	13,685,088	13,685,088
NET MATURITY MISMATCH	(39,535,757)	(27,440,852)	(25,686,644)	(5,053,793)	1,433,450	96,283,596	–

44. Financial Risk Management (Cont'd.)

Liquidity and Funding Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity: (Cont'd.)

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 and balances with banks	25,723,947	17,760,932	3,088,957	89,320	—	—	46,663,156
Reverse repurchase agreements	—	899,970	300,273	—	—	—	1,200,243
Financial investments	5,658,174	3,445,187	4,818,569	2,058,362	335,004	10,427,963	26,743,259
Loans, advances and financing	10,138,077	3,766,149	6,572,491	6,824,464	11,887,453	96,147,150	135,335,784
Other asset balances	31,030	19,017	4,137	—	—	7,139,528	7,193,712
TOTAL ASSETS	41,551,228	25,891,255	14,784,427	8,972,146	12,222,457	113,714,641	217,136,154
LIABILITIES							
Deposits from customers	61,780,498	44,174,539	36,224,723	12,261,469	14,930,002	1,520,358	170,891,589
Deposits from banks	4,465,665	8,624,835	8,785,496	646,125	43,825	48,354	22,614,300
Recourse obligations on loans sold to Cagamas	—	1,209	—	2,025	2,447	16,082	21,763
Debt securities issued and other borrowed funds	—	—	—	—	—	8,032,345	8,032,345
Other liability balances	79,562	231,310	196,461	82,681	118,361	3,152,458	3,860,833
TOTAL LIABILITIES	66,325,725	53,031,893	45,206,680	12,992,300	15,094,635	12,769,597	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	(24,774,497)	(27,140,638)	(30,422,253)	(4,020,154)	(2,872,178)	89,229,720	—

44. Financial Risk Management (Cont'd.)

Liquidity and Funding Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity: (Cont'd.)

Bank 2010	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 and balances with banks	11,692,501	12,999,128	2,451,011	–	29,807	–	27,172,447
Reverse repurchase agreements	3,799	6,938	–	–	–	–	10,737
Financial investments	6,172,965	3,221,529	6,055,015	3,636,777	1,616,966	4,609,362	25,312,614
Loans, advances and financing	9,942,173	3,045,517	4,891,813	6,624,557	11,382,916	89,175,207	125,062,183
Other asset balances	15,810	20,003	3,766	–	46	8,812,256	8,851,881
TOTAL ASSETS	27,827,248	19,293,115	13,401,605	10,261,334	13,029,735	102,596,825	186,409,862
LIABILITIES							
Deposits from customers	56,073,940	37,000,695	21,205,688	13,286,459	12,652,482	570,002	140,789,266
Deposits from banks	2,155,485	6,476,652	10,658,843	1,108,079	44,018	626,704	21,069,781
Recourse obligations on loans sold to Cagamas	–	–	1,335	–	1,177	13,807	16,319
Debt securities issued and other borrowed funds	–	–	–	–	–	7,196,528	7,196,528
Other liability balances	197,657	700,520	1,162,765	208,938	101,793	2,663,544	5,035,217
TOTAL LIABILITIES	58,427,082	44,177,867	33,028,631	14,603,476	12,799,470	11,070,585	174,107,111
EQUITY							
Equity attributable to equity holders of the Bank	–	–	–	–	–	12,302,751	12,302,751
TOTAL EQUITY	–	–	–	–	–	12,302,751	12,302,751
NET MATURITY MISMATCH	(30,599,834)	(24,884,752)	(19,627,026)	(4,342,142)	230,265	79,223,489	–

44. Financial Risk Management (Cont'd.)

Liquidity and Funding Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity: (Cont'd.)

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 and balances with banks	20,473,634	11,394,992	3,115,967	—	—	—	34,984,593
Financial investments	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	9,365,690	2,514,000	5,162,866	5,587,503	9,061,746	76,271,002	107,962,807
Other asset balances	21,990	12,726	3,480	—	—	7,839,773	7,877,969
TOTAL ASSETS	34,365,395	16,896,880	12,581,375	7,880,986	10,883,696	93,968,269	176,576,601
LIABILITIES							
Deposits from customers	46,232,735	37,022,553	27,457,604	9,224,988	14,062,102	1,387,508	135,387,490
Deposits from banks	4,927,851	7,412,504	8,150,076	18,772	1,090	273,636	20,783,929
Recourse obligations on loans sold to Cagamas	—	1,209	—	2,025	2,447	16,082	21,763
Debt securities issued and other borrowed funds	—	—	—	—	—	7,399,461	7,399,461
Other liability balances	61,179	209,485	150,404	88,983	125,073	1,906,622	2,541,746
TOTAL LIABILITIES	51,221,765	44,645,751	35,758,084	9,334,768	14,190,712	10,983,309	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	(16,856,370)	(27,748,871)	(23,176,709)	(1,453,782)	(3,307,016)	72,542,748	—

44. Financial Risk Management (Cont'd.)**Liquidity and Funding Risk (Cont'd.)****Risk Management Approach (Cont'd.)**

(b) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

Group	Deposits from Customers						Total RM'000
	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	
2010							
By contractual maturity	69,715,759	44,998,677	31,473,157	16,739,528	13,300,857	644,141	176,872,119
By behavioural maturity	21,188,070	16,508,417	13,046,580	5,717,290	12,167,603	108,244,159	176,872,119
Difference	48,527,689	28,490,260	18,426,577	11,022,238	1,133,254	(107,600,018)	–
2009							
By contractual maturity	61,780,498	44,174,539	36,224,723	12,261,469	14,930,002	1,520,358	170,891,589
By behavioural maturity	20,944,154	15,499,053	18,483,832	10,564,317	4,280,724	101,119,509	170,891,589
Difference	40,836,344	28,675,486	17,740,891	1,697,152	10,649,278	(99,599,151)	–
Bank	Deposits from Customers						Total RM'000
	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	
2010							
By contractual maturity	56,073,940	37,000,695	21,205,688	13,286,459	12,652,482	570,002	140,789,266
By behavioural maturity	12,857,364	9,673,967	3,806,290	3,107,860	10,340,052	101,003,733	140,789,266
Difference	43,216,576	27,326,728	17,399,398	10,178,599	2,312,430	(100,433,731)	–
2009							
By contractual maturity	46,232,735	37,022,553	27,457,604	9,224,988	14,062,102	1,387,508	135,387,490
By behavioural maturity	13,179,219	8,121,040	9,340,429	6,285,077	1,792,679	96,669,046	135,387,490
Difference	33,053,516	28,901,513	18,117,175	2,939,911	12,269,423	(95,281,538)	–

44. Financial Risk Management (Cont'd.)**Liquidity and Funding Risk (Cont'd.)****Risk Management Approach (Cont'd.)**

(c) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances reported in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Within the "More than 1 year" maturity band are financial liabilities of RM2,088.0 million, all of which relate to Non-Innovative Tier 1 Stapled Securities whereby the interest payments are computed up to the first optional redemption date.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

Group	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
2010							
Deposits from customers	69,722,032	45,047,432	31,605,410	16,894,432	13,550,508	651,706	177,471,520
Deposits from banks	4,049,500	5,685,893	9,179,219	1,260,866	571,456	705,064	21,451,998
Debt securities issued and other borrowed funds	—	—	51,391	53,569	142,086	9,692,725	9,939,771
Others	415,103	625,222	1,181,347	231,502	140,434	3,800,350	6,393,958
Total Liabilities	74,186,635	51,358,547	42,017,367	18,440,369	14,404,484	14,849,845	215,257,247
2009							
Deposits from customers	61,784,579	44,213,417	36,352,457	12,357,084	15,160,335	1,564,941	171,432,813
Deposits from banks	4,466,548	8,632,245	8,815,688	651,121	44,503	50,584	22,660,689
Debt securities issued and other borrowed funds	—	—	44,224	45,370	125,828	10,163,089	10,378,511
Others	163,979	232,591	216,861	108,002	166,501	3,025,941	3,913,875
Total Liabilities	66,415,106	53,078,253	45,429,230	13,161,577	15,497,167	14,804,555	208,385,888

44. Financial Risk Management (Cont'd.)

Liquidity and Funding Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(c) Maturity analysis of financial liabilities on an undiscounted basis (Cont'd.)

Bank	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
2010							
Deposits from customers	56,079,364	37,043,706	21,306,795	13,423,529	12,929,127	576,627	141,359,148
Deposits from banks	2,155,939	6,482,580	10,696,548	1,114,978	44,802	653,017	21,147,864
Debt securities issued and other borrowed funds	–	–	51,391	53,569	142,086	8,756,698	9,003,744
Others	415,866	702,546	1,178,303	216,872	128,059	2,440,842	5,082,488
Total Liabilities	58,651,169	44,228,832	33,233,037	14,808,948	13,244,074	12,427,184	176,593,244
2009							
Deposits from customers	46,235,671	37,055,750	27,561,990	9,308,176	14,327,688	1,409,861	135,899,136
Deposits from banks	4,928,645	7,417,696	8,172,961	19,058	1,112	291,734	20,831,206
Debt securities issued and other borrowed funds	–	–	44,224	45,370	125,828	9,492,230	9,707,652
Others	175,941	210,790	168,696	99,513	156,842	1,771,808	2,583,590
Total Liabilities	51,340,257	44,684,236	35,947,871	9,472,117	14,611,470	12,965,633	169,021,584

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 an operational risk management framework with established operational risk management processes. To manage and control operational risk, the Group places great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and the Board of Directors, and independent assessment of the adequacy and reliability of the risk management processes by the Internal Audit Division.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

45. 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 reporting 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 7 Financial Instruments: Disclosures. These include investment in subsidiary companies, investment in associated companies, investment properties, 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 statements of financial position, except for the following financial assets and financial liabilities:

	2010		2009	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial assets				
Financial investments held-to-maturity				
– Government securities and treasury bills	3,002,148	3,019,780	3,553,333	3,576,589
– Money market instruments	1,502,893	1,496,222	1,534,076	1,534,645
– Non-money market instruments #	724,576	728,388	1,532,798	1,532,683
Loans, advances and financing *				
– Retail loans/financing				
– housing loans/financing	43,890,836	44,001,718	37,503,561	37,527,728
– hire purchase	35,326,223	35,828,882	31,468,685	31,345,503
– credit cards	1,348,902	1,348,902	1,170,360	1,170,360
– other loans/financing	52,748,245	52,758,724	47,061,687	47,134,131
– Corporate loans/financing	22,964,932	22,852,900	20,183,150	20,119,230

45. Fair Values of Financial Assets and Liabilities (Cont'd.)

	2010		2009	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial liabilities				
Deposits from customers				
– Core deposits	143,638,752	143,639,242	127,622,914	127,624,072
– Wholesale deposits	32,768,843	32,767,051	42,089,427	42,083,347
– Other deposits	464,524	464,524	1,179,248	1,179,250
Deposits from banks	21,327,476	21,327,476	22,614,300	22,614,300
Recourse obligations on loans sold to Cagamas	16,319	16,934	21,763	24,478
Debt securities issued and other borrowed funds	8,094,880	8,507,405	8,032,345	8,123,834
Bank				
Financial assets				
Financial investments held-to-maturity				
– Government securities and treasury bills	2,405,049	2,422,745	3,250,737	3,273,914
– Money market instruments	2,689,862	2,683,223	4,157,625	4,164,759
– Non-money market instruments #	135,488	139,588	228,896	229,713
Loans, advances and financing *				
– Retail loans/financing				
– housing loans/financing	38,382,386	38,382,742	32,507,884	32,494,773
– hire purchase	24,839,999	25,210,496	21,455,217	21,362,558
– credit cards	1,340,914	1,340,914	1,161,550	1,161,550
– other loans/financing	44,695,996	44,695,996	39,068,542	39,070,837
– Corporate loans/financing	17,717,541	17,602,847	15,414,757	15,350,840
Financial liabilities				
Deposits from customers				
– Core deposits	112,489,291	112,489,368	97,611,033	97,612,145
– Wholesale deposits	27,837,424	27,835,632	36,599,164	36,592,505
– Other deposits	462,551	462,551	1,177,293	1,177,293
Deposits from banks	21,069,781	21,069,781	20,783,929	20,791,450
Recourse obligations on loans sold to Cagamas	16,319	16,934	21,763	24,478
Debt securities issued and other borrowed funds	7,196,528	7,609,053	7,399,461	7,491,189

The accumulated impairment losses of the Group and the Bank of RM10,013,000 (2009 – RM12,712,000) was netted off against the carrying amount.

* The collective assessment allowance of the Group and the Bank of RM2,296,158,000 (2009 – general allowance of RM2,051,659,000) and RM1,914,653,000 (2009 – general allowance of RM1,645,143,000) respectively, are not included in the carrying amounts.

45. Fair Values of Financial Assets and Liabilities (Cont'd.)

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

- (a) **Cash and balances with banks and reverse repurchase agreements** – The carrying amount of cash and bank balances approximate fair value due to the relatively short maturity of the financial instruments. The fair values of money market placements and reverse repurchase agreements with remaining maturity of less than one year also 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 placements would be made with financial institutions of similar credit risks and remaining period to maturity.
- (b) **Financial assets held-for-trading, financial investments available-for-sale and financial investments 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.
- (c) **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.
- (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 impaired loans are represented by their carrying amounts, net of any individual assessment allowance, being the expected recoverable amount.

- (e) **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 wholesale deposits are estimated based on quoted or observable market prices. Where such quoted or observable market prices are not available, the fair values of these wholesale deposits are estimated using the discounted cash flow technique.
- (f) **Deposits from banks 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.

45. Fair Values of Financial Assets and Liabilities (Cont'd.)

- (g) **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.
- (h) **Debt securities issued and other borrowed funds** – The fair values of borrowings approximate their carrying amounts as these are variable rate borrowings. The fair values of debt securities issued are estimated based on quoted or observable market prices.

46. 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	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within one year	19,555	20,093	1,155	1,203
Between one and five years	14,547	18,251	534	1,348
More than five years	7,894	8,250	—	—
	41,996	46,594	1,689	2,551

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	
	2010 RM'000	2009 RM'000
Within one year	2,512	3,403
Between one and five years	1,938	1,197
	4,450	4,600

47. Capital and Other Commitments

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Capital expenditure:				
Authorised and contracted for:				
– Land and buildings	83,601	—	—	—
– Renovations	3,226	3,022	—	—
– Office equipment, furniture and fittings	3,487	4,464	2,842	3,157
– Computer equipment and software	26,574	18,911	23,589	16,639
– Motor vehicles	62	62	—	—
	116,950	26,459	26,431	19,796
Authorised but not contracted for:				
– Land and buildings	5,900	16,500	—	—
– Renovations	5,310	3,224	—	—
– Office equipment, furniture and fittings	339	220	39	—
– Computer equipment and software	4,674	2,596	96	—
– Motor vehicles	85	95	—	—
– Additional investment in an associated company	158,579	191,071	158,579	191,071
	174,887	213,706	158,714	191,071
	291,837	240,165	185,145	210,867

48. Commitments and Contingencies

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

48. Commitments and Contingencies (Cont'd.)

The notional amounts of the commitments and contingencies of the Group and the Bank are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Contingent liabilities				
Direct credit substitutes	1,580,171	1,439,868	1,476,910	1,321,526
Transaction-related contingent items	772,945	627,016	676,528	577,945
Short term self-liquidating trade-related contingencies	483,803	567,838	231,016	422,644
Obligations under an on-going underwriting agreement	75,000	75,000	75,000	75,000
	2,911,919	2,709,722	2,459,454	2,397,115
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	15,412,139	13,477,346	14,338,422	12,381,050
– not exceeding one year	22,717,264	19,148,076	20,522,993	17,481,585
Unutilised credit card lines	3,038,271	3,239,933	2,875,523	3,047,607
Forward asset purchases	7,305	91,201	3,600	15,344
	41,174,979	35,956,556	37,740,538	32,925,586
Derivative financial instruments				
Foreign exchange related contracts:				
– less than one year	14,180,707	11,203,156	13,951,365	10,521,767
– one year to less than five years	6,271	5,062	6,271	5,062
Interest rate related contracts:				
– less than one year	710,853	166,552	570,013	166,552
– one year to less than five years	5,815,108	5,962,948	5,491,445	5,774,408
– five years and above	3,996,975	4,947,020	3,904,500	4,604,220
Commodity related contracts:				
– less than one year	929	3,767	929	3,767
Equity related contracts:				
– less than one year	227,140	—	227,140	—
– one year to less than five years	181,027	480,456	181,027	480,456
	25,119,010	22,768,961	24,332,690	21,556,232
	69,205,908	61,435,239	64,532,682	56,878,933

Disclosure of the credit equivalent amount and risk-weighted asset amount of the commitments and contingencies above, as required by Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), is presented in the Pillar 3 disclosures section of the Annual Report.

49. Capital Adequacy

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

	Group		Bank	
	2010	2009	2010	2009
Before deducting second interim dividends				
Tier I capital ratio	10.7%	10.5%	13.2%	13.0%
Risk-weighted capital ratio	14.4%	14.6%	14.1%	14.1%
After deducting second interim dividends				
Tier I capital ratio	10.0%	9.9%	12.4%	12.4%
Risk-weighted capital ratio	13.7%	14.0%	13.3%	13.5%

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% (2009 - 8.0%) for the risk-weighted capital ratio.

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

2010	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
Before deducting interim dividends *:						
Tier I capital ratio	12.6%	19.4%	11.8%	15.2%	31.5%	N/A
Risk-weighted capital ratio	14.2%	19.6%	12.1%	15.2%	32.6%	24.4%
After deducting interim dividends *:						
Tier I capital ratio	11.3%	18.2%	11.8%	15.2%	28.2%	N/A
Risk-weighted capital ratio	12.9%	18.4%	12.1%	15.2%	29.3%	24.4%

49. Capital Adequacy (Cont'd.)

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

The capital adequacy ratios of the banking subsidiary companies of the Group are as follows: (Cont'd.)

2009	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
Before deducting interim dividends *:						
Tier I capital ratio	11.6%	18.7%	8.9%	15.9%	31.1%	N/A
Risk-weighted capital ratio	13.4%	18.7%	9.2%	15.9%	32.2%	24.0%
After deducting interim dividends *:						
Tier I capital ratio	10.5%	17.6%	8.9%	15.4%	28.6%	N/A
Risk-weighted capital ratio	12.3%	17.6%	9.2%	15.4%	29.8%	24.0%

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

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 Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I 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%.

49. Capital Adequacy (Cont'd.)

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tier I Capital				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,439,885	1,073,310	1,439,885
Other reserves	3,787,881	3,740,586	3,508,238	3,548,569
Retained profits	4,754,405	2,870,249	4,641,801	2,624,153
Innovative Tier I capital securities	1,814,538	1,883,186	1,814,538	1,883,186
Non-Innovative Tier I stapled securities	2,081,633	2,080,878	2,081,633	2,080,878
Treasury shares	(215,303)	(581,638)	(215,303)	(581,638)
Minority interests	652,188	692,118	—	—
Less: Goodwill	(1,903,898)	(2,031,105)	(695,393)	(695,393)
Less: Deferred tax assets, net	(521,359)	(500,684)	(418,699)	(384,741)
Total Tier I Capital	15,055,321	13,125,401	15,322,051	13,446,825
Tier II Capital				
Collective assessment allowance #	2,164,761	—	1,819,307	—
General allowance	—	2,051,659	—	1,653,936
Subordinated notes	3,102,012	3,217,828	3,102,012	3,238,045
Total Tier II Capital	5,266,773	5,269,487	4,921,319	4,891,981
Total capital	20,322,094	18,394,888	20,243,370	18,338,806
Less: Investment in subsidiary and associated companies	(960)	(960)	(3,787,284)	(3,593,384)
Less: Holdings of other financial institutions' capital instruments	(47,439)	(173,381)	(47,439)	(173,381)
Capital base	20,273,695	18,220,547	16,408,647	14,572,041

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

Excludes collective assessment allowance on impaired loans restricted from Tier II capital by BNM of the Group and the Bank of RM131,397,000 and RM104,039,000 respectively.

49. Capital Adequacy (Cont'd.)

(c) The breakdown of risk-weighted assets by each major risk category is as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Credit risk	128,486,892	113,598,587	106,083,803	93,354,990
Market risk	1,063,445	1,161,618	1,788,639	2,080,980
Operational risk	11,546,113	10,436,307	8,446,853	7,815,769
	141,096,450	125,196,512	116,319,295	103,251,739

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures section of the Annual Report.

50. 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, regulatory requirements 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 49 (a) and (b).

51. 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 (the chief operating decision-maker) reviews the internal management reports monthly in order to assess their 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.

(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.

51. Segment Information (Cont'd.)

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 the Socialist Republic of Vietnam, Lao People's Democratic Republic and Sri Lanka.

There are no changes in the operating segments during the year.

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. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. 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 (2009 – none).

51. Segment Information (Cont'd.)

By Business Segments:

	Domestic Operating Segments										Overseas Operating Segments				
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Markets 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
2010															
External revenue	1,903,486	5,055,933	705,024	1,245,269	201,138	576,100	4,990	323,323	10,015,263	746,630	242,824	30,880	1,020,334	—	11,035,597
Revenue from other segments	—	780,971	9,386	527,236	40,727	(36,820)	27,431	1,186,117	2,535,048	552	3,176	—	3,728	(2,538,776)	—
Total revenue	1,903,486	5,836,904	714,410	1,772,505	241,865	539,280	32,421	1,509,440	12,550,311	747,182	246,000	30,880	1,024,062	(2,538,776)	11,035,597
Net interest income and Islamic banking income	932,515	3,258,586	247,726	70,361	10,767	6,649	(6,121)	181,379	4,701,862	513,093	137,298	26,455	676,846	—	5,378,708
Other income	1,695	537,480	52,268	126,446	74,427	431,386	32,303	144,725	1,400,730	113,142	36,783	(3,366)	146,559	(87,497)	1,459,792
Net income	934,210	3,796,066	299,994	196,807	85,194	438,035	26,182	326,104	6,102,592	626,235	174,081	23,089	823,405	(87,497)	6,838,500
Other operating expenses of which:	(157,107)	(1,181,846)	(7,839)	(18,936)	(34,077)	(164,198)	(14,310)	(270,133)	(1,843,446)	(285,529)	(43,060)	(10,697)	(339,286)	87,497	(2,100,235)
Depreciation	(1,963)	(65,261)	(95)	(517)	(863)	(9,779)	(4,530)	(38,258)	(121,266)	(13,210)	(9,175)	(1,977)	(24,362)	—	(145,628)
Allowance for impairment on loans, advances and financing	(111,512)	(315,476)	(47,620)	—	4	—	—	5	(474,599)	(118,168)	(67,608)	809	(184,967)	—	(659,566)
Impairment loss	—	(4,196)	—	(71)	(921)	—	—	—	(5,188)	—	—	—	—	—	(5,188)
Profit by segments	665,591	2,294,548	244,535	177,800	50,200	273,837	11,872	55,976	3,774,359	222,538	63,413	13,201	299,152	—	4,073,511
Reconciliation of segment profits to consolidated profits:															
Share of profit after tax of equity accounted associated companies									325				12,361		12,686
Profit before tax expense and zakat									3,774,684				311,513		4,086,197
Cost-to-income ratio	16.8%	31.1%	2.6%	9.6%	40.0%	37.5%	54.7%	82.8%	30.3%	45.6%	24.7%	46.3%	41.2%		30.7%

51. Segment Information (Cont'd.)
By Business Segments: (Cont'd.)

	Domestic Operating Segments										Overseas Operating Segments				
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Markets 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
2010															
Gross loans	33,537,286	91,328,598	18,622,935	-	238,340	42,242	2,194	-	143,821,595	10,699,655	1,769,499	253,323	12,722,477	-	155,544,072
Loan growth	12.3%	16.8%	16.5%	-	1.2%	22.9%	8.7%	-	15.6%	-2.0%	-14.9%	1.5%	-4.0%	-	13.8%
Impaired loans	170,625	1,281,482	127,840	-	-	-	-	-	1,579,947	131,135	59,545	13,650	204,330	-	1,784,277
Impaired loan ratio	0.5%	1.4%	0.7%	-	-	-	-	-	1.1%	1.2%	3.4%	5.4%	1.6%	-	1.1%
Deposits from customers	-	119,138,035	219,982	40,988,996	2,250,895	-	-	-	162,577,908	11,637,297	2,383,889	273,025	14,294,211	-	176,872,119
Deposit growth	-	13.3%	-27.7%	-11.3%	-46.4%	-	-	-	4.3%	-8.8%	15.0%	10.1%	-5.2%	-	3.5%
Addition to non-current assets	2,358	48,485	525	176	1,192	10,612	8,765	23,366	95,479	7,667	23,011	1,883	32,561	-	128,040
Segment assets	33,309,944	125,962,460	18,272,729	60,618,548	4,487,882	274,857	254,947	12,494,619	255,675,986	14,856,076	3,055,204	485,632	18,396,912	(50,878,944)	223,193,954
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									2,035				116,589		118,624
Unallocated assets									1,086,026				-		1,086,026
Intangible assets									769,251				1,161,121		1,930,372
Total assets									257,533,298				19,674,622		226,328,976

51. Segment Information (Cont'd.) By Business Segments: (Cont'd.)

	Domestic Operating Segments							Overseas Operating Segments									
	Treasury and Capital Market							Total Domestic Operations			Hong Kong SAR		Cambodia	Other Countries	Total Overseas Operations	Inter-segment Elimination	Group Total
	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	RM'000	SAR RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2009																	
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	10,064	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 income	(2,864)	431,899	47,285	127,237	67,045	337,706	31,705	98,327	1,138,340	123,455	35,690	2,902	162,047	(70,735)	1,229,652		
Net income	839,655	3,131,489	249,394	264,669	84,260	338,806	28,431	242,391	5,179,095	657,070	161,494	30,761	849,325	(70,735)	5,957,685		
Other operating expenses of which:	(126,818)	(1,097,222)	(6,662)	(13,929)	(39,098)	(125,868)	(14,214)	(247,377)	(1,671,188)	(286,864)	(45,186)	(10,127)	(342,177)	70,735	(1,942,630)		
Depreciation	(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 impairment on loans, advances and financing	(91,149)	(260,583)	(60,543)	—	722	—	—	—	(411,553)	(223,789)	(55,580)	(48)	(279,417)	—	(690,970)		
Impairment loss	—	(9,536)	—	—	(5,443)	(100)	—	—	(15,079)	—	—	—	—	—	(15,079)		
Profit by segments	621,688	1,764,148	182,189	250,740	40,441	212,838	14,217	(4,986)	3,081,275	146,417	60,728	20,586	227,731	—	3,309,006		

Reconciliation of segment profits to consolidated profits:

Share of profit after tax of equity accounted associated companies

Profit before tax expense and zakat

Cost-to-income ratio

51. Segment Information (Cont'd.)

By Business Segments: (Cont'd.)

	Domestic Operating Segments							Overseas Operating Segments															
	Treasury and Capital							Total Domestic			Hong Kong SAR			Cambodia		Other Countries		Total Overseas Operations		Inter-segment Elimination		Group Total	
	Hire Purchase	Retail Operations	Corporate Lending	Market Operations	Investment Banking	Fund Management	Others	Head Office	Operations	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2009																							
Gross loans	29,915,177	78,189,838	15,985,587	—	235,494	34,372	2,018	—	124,362,486		10,919,276	2,079,069	249,596	13,247,941	—						—	137,610,427	
Loan growth	8.4%	17.1%	31.5%	—	-0.9%	49.1%	2.1%	—	16.5%		-4.4%	-6.8%	9.7%	-4.5%								14.0%	
Impaired loans	141,427	765,631	38,751	—	—	—	—	—	945,809		232,902	139,297	1,619	373,818	—						—	1,319,627	
Impaired loan ratio	0.5%	1.0%	0.2%	—	—	—	—	—	0.8%		2.1%	6.7%	0.6%	2.8%							—	1.0%#	
Deposits from customers	—	105,132,084	304,110	46,174,346	4,199,258	—	—	—	155,809,798		12,761,056	2,072,737	247,998	15,081,791							—	170,891,589	
Deposit growth	—	10.0%	—	13.9%	26.2%	—	—	—	11.7%		25.2%	61.1%	17.5%	29.0%							—	13.0%	
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					126,606								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	

Impaired loan ratio as at 1 January 2010, restated for the effect of adopting FRS 139 is 1.4%.

52. Changes in Accounting Policies

- a) The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 December 2010. The adoption of the following new FRSs, amendments to FRSs and IC Interpretations during the financial year have resulted in changes in accounting policies:
- (i) FRS 139 Financial Instruments: Recognition and Measurement
 - (ii) IC Interpretation 9 Reassessment of Embedded Derivatives
 - (iii) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
 - (iv) Amendments to FRS 139 Financial Instruments: Recognition and Measurement

The adoption of FRS 139 is with prospective effect, hence there are no restatements of comparative figures. The main changes in accounting policies as a result of adopting FRS 139 and its related amendments and IC Interpretations above, and their related financial effects are set out below.

(i) Impairment of Loans and Advances

Prior to the adoption of FRS 139, allowances for impaired loans and advances (previously referred to as “non-performing loans”) were computed in conformity with BNM/GP3 Guidelines on Classification of Non-performing Loans and Provision for Substandard, Bad and Doubtful Debts. Specific credit loss allowances were made using set percentages based on ageing of the respective loans and advances (“loan(s)”). In addition, a general allowance of 1.5% was made on the overall credit portfolio to cover unidentified credit losses.

Upon the adoption of FRS 139, allowances for credit losses are made using the incurred loss approach, whereby individual loans or groups of loans are assessed whether there is objective evidence that they are impaired. Loans which are significant are assessed individually whether such evidence of impairment exist, and if yes, impairment losses are determined based on the shortfall of the present value of the loan’s discounted cash flows as compared to the carrying value of the loan. Loans which are not individually significant are assessed under collective assessment.

For collective assessment, the Amendments to FRS 139 listed above includes an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. The Bank and its domestic banking subsidiary companies have applied this transitional arrangement based on BNM’s guideline on Classification and Impairment Provisions for Loans/Financing, whereby collective assessment impairment allowance is determined as at least 1.5% of total outstanding loans, net of individual assessment impairment allowance. These transitional provisions are effective until 31 December 2011. Collective assessment impairment allowance of other banking subsidiary companies are determined via the grouping of loans based on similar credit risk characteristics and the discounting of expected future cash flows of these groups of loans based on historical loss experience for such loans.

52. Changes in Accounting Policies (Cont'd.)**(i) Impairment of Loans and Advances (Cont'd.)**

The impact on opening retained profits as a result of the change in accounting policy in relation to impairment of loans and advances is as follows:

	Group RM'000	Bank RM'000
Individual assessment impairment allowance recognised	(257,465)	(132,521)
Collective assessment impairment allowance recognised	(2,018,943)	(1,648,331)
Reversal of specific allowance	222,984	81,354
Reversal of general allowance	2,051,659	1,645,143
	(1,765)	(54,355)
Income tax relating to adjustments to opening retained profits	417	13,479
	(1,348)	(40,876)

Any additions in individual assessment impairment allowance and collective assessment impairment allowance recognised subsequent to the initial adoption of FRS 139 is recognised as an allowance for impairment on loans, advances and financing in the income statement.

(ii) Classification of Loans and Advances as Impaired

As a result of the adoption of FRS 139, the criteria for the classification of loans and advances as impaired has changed from a time-based criterion to one based on qualitative criteria. Previously, loans were classified as non-performing when principal or interest or both are past due for three (3) months or more. Upon the adoption of FRS 139, loans and advances are classified as impaired when they meet any of the following criteria:

- when principal or interest or both are past due for three (3) months or more;
- where loans in arrears for less than three (3) months exhibit indications of credit weaknesses; or
- where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

The change in the criteria for classification of impaired loans above has resulted in an increase in opening impaired loans of RM572,596,000 and RM562,275,000 for the Group and the Bank respectively.

52. Changes in Accounting Policies (Cont'd.)**(iii) Recognition of Interest Income**

FRS 139 prescribes that interest income on financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest rate method. Whilst the Group's and the Bank's financial investments held-to-maturity were already measured on this basis even prior to adoption of FRS 139, interest income on loans and advances were previously recognised based on contractual interest rates. Upon adoption of FRS 139 on 1 January 2010, interest income on loans and advances is now recognised using the effective interest rate.

In addition, prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account (ie. the "interest-in-suspense" account) in the statements of financial position. Thereafter, interest is recognised on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The changes in accounting policies in relation to interest recognition on loans and advances above have resulted in the following changes to opening retained profits:

	Group RM'000	Bank RM'000
Increase in interest income recognised using the effective interest rate basis	274,139	266,880
Reversal of interest-in-suspense	68,715	65,049
	342,854	331,929
Income tax relating to adjustments to opening retained profits	(85,712)	(82,981)
	257,142	248,948

(iv) Classification of Unquoted Equity Instruments

Prior to the adoption of FRS 139, the Group and the Bank had classified certain equity instruments into Financial Investments Held-to-Maturity in accordance with the BNM/GP8 Revised Guidelines on Financial Reporting for Licensed Institutions issued on 5 October 2004. These equity instruments consisted of unquoted shares held in organisations which were set up for specific socio-economic purposes.

Upon the adoption of FRS 139, the Group and the Bank had reclassified its entire holdings of such equity instruments held for socio-economic purposes out of Financial Investments Held-to-Maturity into Financial Investments Available-for-Sale. As provided in Bank Negara Malaysia's Guidelines on Financial Reporting for Banking Institutions issued on 5 February 2010, such reclassification of equity instruments held for socio-economic purposes will not be subject to the tainting rules when the banking institution first adopts FRS 139. The reclassification made by the Group and the Bank upon initial adoption of FRS 139 was RM87,452,000 and RM87,009,000 respectively.

52. Changes in Accounting Policies (Cont'd.)**b) Financial Impact of Changes in Accounting Policies**

- (i) The changes in accounting policies above had the following financial impact on the opening statements of financial position of the Group and the Bank respectively:

Group	As at 1 January 2010 – as previously stated RM'000	Effect of adopting FRS 139		As at 1 January 2010 – as restated RM'000
		Recognition & Measurement RM'000	Reclassification RM'000	
Cash and balances with banks	46,663,156			46,663,156
Reverse repurchase agreements	1,200,243			1,200,243
Financial assets held-for-trading	7,957,275			7,957,275
Derivative financial assets	310,311			310,311
Financial investments available-for-sale	12,165,777		87,452	12,253,229
Financial investments held-to-maturity	6,620,207		(87,452)	6,532,755
Loans, advances and financing	135,335,784	341,089		135,676,873
Other assets	1,758,578			1,758,578
Statutory deposits with Central Banks	1,022,181			1,022,181
Deferred tax assets	506,607	(41,039)		465,568
Investment in associated companies	128,318			128,318
Investment properties	69,327			69,327
Property and equipment	1,340,779			1,340,779
Intangible assets	2,057,611			2,057,611
TOTAL ASSETS	217,136,154			217,436,204
Deposits from customers	170,891,589			170,891,589
Deposits from banks	22,614,300			22,614,300
Bills and acceptances payable	612,730			612,730
Recourse obligations on loans sold to Cagamas	21,763			21,763
Derivative financial liabilities	270,056			270,056
Debt securities issued and other borrowed funds	8,032,345			8,032,345
Other liabilities	2,511,757			2,511,757
Provision for tax expense and zakat	464,290	44,256		508,546
Deferred tax liabilities	2,000			2,000
TOTAL LIABILITIES	205,420,830			205,465,086
Share capital	3,531,926			3,531,926
Reserves	8,072,918	248,625		8,321,543
Treasury shares	(581,638)			(581,638)
Minority interests	692,118	7,169		699,287
TOTAL EQUITY	11,715,324			11,971,118
TOTAL LIABILITIES AND EQUITY	217,136,154			217,436,204

52. Changes in Accounting Policies (Cont'd.)**b) Financial Impact of Changes in Accounting Policies (Cont'd.)**

- (i) The changes in accounting policies above had the following financial impact on the opening statements of financial position of the Group and the Bank respectively: (Cont'd.)

Bank	As at 1 January 2010 – as previously stated RM'000	Effect of adopting FRS 139		As at 1 January 2010 – as restated RM'000
		Recognition & Measurement RM'000	Reclassification RM'000	
Cash and balances with banks	34,984,593			34,984,593
Financial assets held-for-trading	7,655,815			7,655,815
Derivative financial assets	302,861			302,861
Financial investments available-for-sale	10,458,159		87,009	10,545,168
Financial investments held-to-maturity	7,637,258		(87,009)	7,550,249
Loans, advances and financing	107,962,807	277,574		108,240,381
Other assets	1,453,540			1,453,540
Statutory deposits with Central Banks	588,362			588,362
Deferred tax assets	390,826	(32,219)		358,607
Investment in subsidiary companies	3,694,681			3,694,681
Investment in associated companies	101,325			101,325
Property and equipment	650,981			650,981
Intangible assets	695,393			695,393
TOTAL ASSETS	176,576,601			176,821,956
Deposits from customers	135,387,490			135,387,490
Deposits from banks	20,783,929			20,783,929
Bills and acceptances payable	612,730			612,730
Recourse obligations on loans sold to Cagamas	21,763			21,763
Derivative financial liabilities	243,396			243,396
Debt securities issued and other borrowed funds	7,399,461			7,399,461
Other liabilities	1,399,378			1,399,378
Provision for tax expense and zakat	286,242	37,283		323,525
TOTAL LIABILITIES	166,134,389			166,171,672
Share capital	3,531,926			3,531,926
Reserves	7,491,924	208,072		7,699,996
Treasury shares	(581,638)			(581,638)
TOTAL EQUITY	10,442,212			10,650,284
TOTAL LIABILITIES AND EQUITY	176,576,601			176,821,956

52. Changes in Accounting Policies (Cont'd.)

b) Financial Impact of Changes in Accounting Policies (Cont'd.)

- (ii) The quantification of the financial effect of the changes in accounting policies above on the current year's income statement and its consequential effect on earnings per share is impracticable, as the previous basis of quantifying loan impairment allowances and loan interest recognition has been discontinued upon the adoption of FRS 139.

c) Comparative Figures

Whilst the changes in accounting policies in the current year have all been applied prospectively, and hence do not affect comparative figures, the adoption of the following accounting standards affecting presentation and disclosure have resulted in changes in presentation of comparative information. These changes only affect the presentation of the comparative information and do not have any impact on the financial results and earnings per share of the comparative financial year.

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, the income statements of the Group and the Bank for the comparative financial year have been re-presented as two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity for the comparative financial year are now shown in the statement of comprehensive income.

(ii) FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 has resulted in some changes to the disclosure of financial instruments, whereby the disclosures are now made either by categories or classes of financial assets and liabilities. The disclosure of comparative figures in the statement of financial position and the income statement have been restated to conform with the current year's presentation.

53. Rating Statement

As at 31 December 2010, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
Rating Agency Malaysia Berhad	8 June 2010 (Reaffirmed)	Long-Term Rating: AAA
	8 June 2010 (Reaffirmed)	Short-Term Rating: P1
	8 June 2010 (Reaffirmed)	Outlook: Stable
	8 June 2010 (Reaffirmed)	Subordinated Medium-Term Notes Programme: AA1
	8 June 2010 (Reaffirmed)	Innovative Tier I Capital Securities: AA2
	8 June 2010 (Reaffirmed)	Non-Cumulative Perpetual Capital Securities Programme: AA2

53. Rating Statement (Cont'd.)

As at 31 December 2010, the Bank was accorded the following ratings: (Cont'd.)

Agencies	Date accorded/Reaffirmed	Ratings
Moody's Investors Services	21 July 2010 (Reaffirmed)	Long-Term Deposits Rating: A3
	21 July 2010 (Reaffirmed)	Short-Term Deposits Rating: P-1
	21 July 2010 (Reaffirmed)	Financial Strength: C
	21 July 2010 (Reaffirmed)	Outlook: Stable
	21 July 2010 (Reaffirmed)	Subordinated Notes: A3
Standard & Poor's	27 December 2010 (Reaffirmed)	Long-Term Rating: A-
	27 December 2010 (Reaffirmed)	Short-Term Rating: A-2
		Asean Regional Scale Rating:
	27 December 2010 (Affirmed)	Long-Term Rating: axAA
	27 December 2010 (Affirmed)	Short-Term Rating: axA-1
	27 December 2010 (Reaffirmed)	Bank Fundamental Strength: B
	27 December 2010 (Reaffirmed)	Outlook: Stable
	27 December 2010 (Reaffirmed)	Subordinated Notes (due 2017): BBB+
	27 December 2010 (Reaffirmed)	Innovative Tier-I Capital Securities: BBB

54. Significant Events

The significant events relating to changes in the composition of the Group are disclosed in Note 13. The other significant events relating to the Group are as follows:

BNM's approval of the joint application for Family Takaful licence by ING and the Group

On 1 September 2010, BNM had granted approval to the joint application by ING Management Holdings (Malaysia) Sdn Bhd ("ING"), the Bank and its wholly-owned subsidiary, Public Islamic Bank Berhad ("PIBB"), for a Family Takaful licence.

ING, the Bank and PIBB will set up a joint venture company to carry out the family takaful business with equity participation of 60% by ING, 20% by the Bank and 20% by PIBB. The joint venture company is targeted to be fully operational by the first half of 2011.

55. Subsequent Events

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

56. Islamic Banking Business

The financial position as at 31 December 2010 and results for the financial year ended on this date under the Islamic banking business of the Group, which is mainly conducted by its wholly-owned subsidiary company, Public Islamic Bank Berhad, are summarised as follows:

Statement of Financial Position as at 31 December 2010

		Group	
	Note	2010 RM'000	2009 RM'000
ASSETS			
Cash and balances with banks	(c)	4,571,596	6,727,664
Financial assets held-for-trading	(d)	298,846	79,988
Financial investments available-for-sale	(e)	2,138,048	1,274,512
Financial investments held-to-maturity	(f)	5,022	5,022
Financing and advances	(g)	16,339,975	14,472,828
Other assets	(h)	68,446	70,551
Statutory deposits with Bank Negara Malaysia		167,000	144,000
Deferred tax assets	(i)	70,407	84,102
Property and equipment		1,545	464
Total Assets		23,660,885	22,859,131
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(j)	15,306,731	13,073,701
Deposits from banks	(k)	6,379,985	8,051,182
Bills and acceptances payable	(l)	4,893	—
Other liabilities	(m)	70,471	48,915
Provision for zakat and taxation	(n)	83,417	50,921
Total Liabilities		21,845,497	21,224,719
Islamic Banking Funds		1,815,388	1,634,412
Total Liabilities and Islamic Banking Funds		23,660,885	22,859,131
COMMITMENTS AND CONTINGENCIES			
	(w)	1,171,568	1,144,291

The accompanying notes form an integral part of the financial statements

56. Islamic Banking Business (Cont'd.)**Income Statement for the financial year ended 31 December 2010**

	Note	Group	
		2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	(o)	1,163,021	916,568
Income derived from investment of Islamic Banking Funds	(p)	84,583	72,940
Allowance for impairment on financing and advances	(q)	(72,531)	(68,263)
Impairment on other assets	(r)	(18)	—
Profit equalisation reserve	(m)	(21,560)	22,908
Total distributable income		1,153,495	944,153
Income attributable to the depositors	(s)	(444,756)	(320,825)
Total net income		708,739	623,328
Personnel expenses	(t)	(17,176)	(14,406)
Other overheads and expenditures	(u)	(167,602)	(140,001)
Profit before zakat and taxation		523,961	468,921
Zakat	(v)	(256)	(250)
Taxation	(v)	(126,445)	(112,942)
Profit for the year		397,260	355,729

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

	Note	Group	
		2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	(o)	1,163,021	916,568
Income derived from investment of Islamic Banking Funds	(p)	84,583	72,940
Income attributable to the depositors	(s)	(444,756)	(320,825)
Profit equalisation reserve	(m)	(21,560)	22,908
Net income from Islamic banking business reported in the income statement of the Group		781,288	691,591

The accompanying notes form an integral part of the financial statements

56. Islamic Banking Business (Cont'd.)**Statement of Comprehensive Income for the financial year ended 31 December 2010**

	Group	
	2010 RM'000	2009 RM'000
Profit for the year	397,260	355,729
Other comprehensive income:		
Net (loss)/gain on revaluation of financial investments available-for-sale	(988)	193
Income tax relating to components of other comprehensive income	247	(48)
Other comprehensive income for the year, net of tax	(741)	145
Total comprehensive income for the year	396,519	355,874

The accompanying notes form an integral part of the financial statements

56. Islamic Banking Business (Cont'd.)**Statement of Changes in Islamic Banking Funds for the year ended 31 December 2010**

Group	Non-distributable Reserves				Distributable Reserves	
	Capital Funds RM'000	Share Premium RM'000	Statutory Reserves RM'000	Revaluation Reserves RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2010						
– as previously stated	290,217	1,037,500	140,374	486	165,835	1,634,412
– effect of adopting FRS 139	—	—	—	—	25,332	25,332
At 1 January 2010, as restated	290,217	1,037,500	140,374	486	191,167	1,659,744
Profit for the year	—	—	—	—	397,260	397,260
Other comprehensive income	—	—	—	(741)	—	(741)
Total comprehensive income for the year	—	—	—	(741)	397,260	396,519
Issue of shares	8,000	192,000	—	—	—	200,000
Transfer to statutory reserves	—	—	47,172	—	(47,172)	—
Transfer to conventional business	(120,000)	—	—	—	(10,484)	(130,484)
Dividends paid	—	—	—	—	(310,391)	(310,391)
At 31 December 2010	178,217	1,229,500	187,546	(255)	220,380	1,815,388
At 1 January 2009	279,217	773,500	23,819	341	26,991	1,103,868
Profit for the year	—	—	—	—	355,729	355,729
Other comprehensive income	—	—	—	145	—	145
Total comprehensive income for the year	—	—	—	145	355,729	355,874
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

56. Islamic Banking Business (Cont'd.)**Statement of Cash Flows for the year ended 31 December 2010**

	Group	
	2010 RM'000	2009 RM'000
Cash flows from operating activities		
Profit before zakat and taxation	523,961	468,921
Adjustments for:		
Depreciation	174	124
Allowance for impairment on financing and advances	85,193	78,580
Net gain arising from sale of financial investments available-for-sale	(220)	(117)
Dividends from financial investments available-for-sale	(7,766)	(8,838)
Unrealised gain on revaluation of financial assets held-for-trading	(7)	(83)
Pension cost – defined benefit plan	(221)	208
Profit equalisation reserve	21,560	(22,908)
Impairment loss on foreclosed properties	18	—
Operating profit before working capital changes	622,692	515,887
(Increase)/Decrease in operating assets:		
Financial assets held-for-trading	(218,851)	302,391
Financing and advances	(1,918,563)	(2,527,743)
Statutory deposits with Bank Negara Malaysia	(23,000)	197,600
Other assets	1,627	(5,512)
Increase/(Decrease) in operating liabilities:		
Deposits from customers	2,233,030	3,451,376
Deposits from banks	(1,671,197)	3,186,357
Bills and acceptances payable	4,893	—
Other liabilities	217	(950,835)
Cash (used in)/generated from operations	(969,152)	4,169,521
Tax expense and zakat paid	(88,248)	(69,946)
Net cash (used in)/generated from operating activities	(1,057,400)	4,099,575

56. Islamic Banking Business (Cont'd.)**Statement of Cash Flows for the year ended 31 December 2010 (Cont'd.)**

	Group	
	2010 RM'000	2009 RM'000
Cash flows from investing activities		
Purchase of property and equipment	(1,255)	(229)
Dividends received from financial investments	7,766	8,838
Net purchase of financial investments	(864,304)	(878,770)
Net cash used in investing activities	(857,793)	(870,161)
Cash flows from financing activities		
Proceeds from issuance of shares	200,000	275,000
Net capital funds transferred to conventional business	(130,484)	—
Dividend paid	(310,391)	(100,330)
Net cash (used in)/generated from financing activities	(240,875)	174,670
Net (decrease)/increase in cash and cash equivalents	(2,156,068)	3,404,084
Cash and cash equivalents at beginning of year	6,727,664	3,323,580
Cash and cash equivalents at end of year	4,571,596	6,727,664

The accompanying notes form an integral part of the financial statements

56. Islamic Banking Business (Cont'd.)**Notes to the Financial Statements for the financial year ended 31 December 2010****(a) Significant Accounting Policies**

The accounting policies adopted by the Islamic banking business are consistent with those adopted by the Group and the Bank as disclosed in Note 2 to the financial statements of the Group and the Bank. The significant accounting policies and methods of computation are consistent with those adopted in previous years, except for the adoption of the Financial Reporting Standards ("FRS"), Amendments to FRSs, IC Interpretation and Technical Release, which became effective on 1 January 2010 as disclosed in Note 2 to the financial statements of the Group and the Bank.

(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. These financial statements have been prepared under the accrual basis of accounting and comply with Shariah requirements.

(c) Cash and Balances with Banks

	Group	
	2010 RM'000	2009 RM'000
Cash and bank balances	47,556	113,654
Money market deposit placements maturing within one month	4,524,040	6,614,010
	4,571,596	6,727,664

(d) Financial Assets Held-for-Trading

	Group	
	2010 RM'000	2009 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Certificates	—	30,305
Money market instruments:		
Negotiable instruments of deposit	298,846	49,683
	298,846	79,988

56. Islamic Banking Business (Cont'd.)**(e) Financial Investments Available-for-Sale**

	Group	
	2010 RM'000	2009 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Certificates	803,253	866,287
Bank Negara Malaysia Monetary Notes	917,527	—
	1,720,780	866,287
Non-money market instruments:		
Unit trusts	417,268	408,225
	2,138,048	1,274,512

(f) Financial Investments Held-to-Maturity

	Group	
	2010 RM'000	2009 RM'000
At amortised cost		
Non-money market instruments:		
Debt securities		
– Unquoted private debt securities	5,022	5,022

56. Islamic Banking Business (Cont'd.)**(g) Financing and Advances**

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

	Group	
	2010 RM'000	2009 RM'000
At amortised cost		
Cash line	159,508	143,949
Term financing		
House financing	2,516,434	2,018,306
Syndicated financing	381,496	366,469
Hire purchase receivables	8,654,075	8,358,519
Other term financing	4,798,625	3,824,196
Revolving credit	79,390	5,607
Gross financing and advances	16,589,528	14,717,046
Less: Allowance for impaired financing and advances		
– collective assessment allowance	(248,832)	—
– individual assessment allowance	(721)	—
– general allowance	—	(223,048)
– specific allowance	—	(21,170)
Net financing and advances	16,339,975	14,472,828

All the Group's Islamic banking financing and advances are located in Malaysia.

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

	Group	
	2010 RM'000	2009 RM'000
Maturity within one year	438,079	331,615
More than one year to three years	1,491,039	1,429,739
More than three years to five years	2,762,752	2,649,174
More than five years	11,897,658	10,306,518
Gross financing and advances	16,589,528	14,717,046

56. Islamic Banking Business (Cont'd.)**(g) Financing and Advances (Cont'd.)**

(iii) Gross financing and advances presented by class of financial instrument are as follows:

	Group	
	2010 RM'000	2009 RM'000
Retail financing		
– House financing	2,516,434	2,018,306
– Hire purchase	8,654,075	8,358,519
– Other financing	4,617,979	3,798,962
Corporate financing	801,040	541,259
	16,589,528	14,717,046

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

	Group	
	2010 RM'000	2009 RM'000
Bai' Bithaman Ajil-i (deferred payment sale)	4,656,767	3,832,218
Ijarah Thamma Al-Bai'-i (leasing)	8,654,075	8,358,519
Ijarah Muntahia Bittamlik	80,809	66,105
Bai-Al-Einah-i	3,197,877	2,460,204
	16,589,528	14,717,046

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

	Group	
	2010 RM'000	2009 RM'000
Other domestic non-bank financial institutions	208,585	9,380
Domestic business enterprises		
– Small and medium enterprises	973,451	991,172
– Others	537,497	514,489
Government and statutory authorities	325,855	315,819
Individuals	14,495,813	12,840,659
Other domestic entities	2,867	2,925
Foreign customers	45,460	42,602
	16,589,528	14,717,046

56. Islamic Banking Business (Cont'd.)**(g) Financing and Advances (Cont'd.)**

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

	Group	
	2010 RM'000	2009 RM'000
Fixed rate		
– House financing	891,323	1,043,782
– Hire purchase receivables	8,654,075	8,358,519
– Other fixed rate financing	4,085,444	3,176,146
Variable rate		
– BFR plus	2,529,065	1,679,479
– Cost plus	429,621	459,120
	16,589,528	14,717,046

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

	Group	
	2010 RM'000	2009 RM'000
Purchase of securities	8	12
Purchase of transport vehicles	8,655,897	8,361,467
Purchase of landed properties	3,744,874	2,898,826
(of which: – residential	2,469,002	1,970,676
– non-residential)	1,275,872	928,150
Purchase of fixed assets (excluding landed properties)	5,800	72,898
Personal use	3,308,884	2,538,796
Purchase of consumer durables	3,241	3,851
Construction	28,536	19,452
Working capital	571,026	471,747
Other purpose	271,262	349,997
	16,589,528	14,717,046

56. Islamic Banking Business (Cont'd.)**(g) Financing and Advances (Cont'd.)**

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

	Group	
	2010 RM'000	2009 RM'000
Agriculture, hunting, forestry and fishing	179,429	218,135
Mining and quarrying	7,296	7,305
Manufacturing	96,625	115,199
Electricity, gas and water	1,191	937
Construction	246,503	232,114
Wholesale & retail trade and restaurants & hotels	276,127	280,053
Transport, storage and communication	62,191	60,758
Finance, insurance and business services	319,444	124,889
Real estate	449,141	378,113
Community, social and personal services	387,688	376,589
Households	14,541,272	12,883,031
Others	22,621	39,923
	16,589,528	14,717,046

(ix) Movements in impaired financing and advances are as follows:

	Group	
	2010 RM'000	2009 RM'000
At 1 January		
– as previously stated	138,064	144,359
– effect of adopting FRS 139	8,451	—
At 1 January, as restated	146,515	144,359
Impaired during the year	412,215	339,566
Reclassified as non-impaired during the year	(304,277)	(266,451)
Recoveries	(33,497)	(28,844)
Amount written off	(56,562)	(49,587)
Financing converted to foreclosed properties	(1,765)	(979)
Gross impaired financing and advances	162,629	138,064
Gross impaired financing as a percentage of gross financing and advances	0.98%	0.94%

56. Islamic Banking Business (Cont'd.)**(g) Financing and Advances (Cont'd.)**

(x) Impaired financing and advances analysed by economic purpose are as follows:

	Group	
	2010 RM'000	2009 RM'000
Purchase of securities	8	—
Purchase of transport vehicles	69,469	49,677
Purchase of landed properties	56,227	60,767
(of which: – residential	50,036	51,722
– non-residential)	6,191	9,045
Purchase of fixed assets (excluding landed properties)	123	178
Personal use	35,805	25,382
Purchase of consumer durables	—	20
Working capital	760	1,766
Other purpose	237	274
	162,629	138,064

	Group	
	2010 RM'000	2009 RM'000
Impaired financing and advances analysed by sectors are as follows:		
Agriculture, hunting, forestry and fishing	138	118
Mining and quarrying	132	—
Manufacturing	933	5,675
Electricity, gas and water	—	39
Construction	1,345	999
Wholesale & retail trade and restaurants & hotels	2,977	2,138
Transport, storage and communication	5,101	245
Finance, insurance and business services	814	1,214
Real estate	41	—
Community, social and personal services	132	51
Households	150,975	127,572
Others	41	13
	162,629	138,064

All the Group's Islamic banking business' impaired financing and advances are located in Malaysia.

56. Islamic Banking Business (Cont'd.)**(g) Financing and Advances (Cont'd.)**

(xi) A reconciliation of the allowance for impaired financing and advances are as follows:

	Retail Financing			Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Other Financing RM'000		
2010					
Collective Assessment Allowance					
At 1 January					
– as previously stated	—	—	—	—	—
– effect of adopting FRS 139	31,096	125,400	56,307	8,119	220,922
At 1 January, as restated	31,096	125,400	56,307	8,119	220,922
Allowance made during the year (Note 56(q))	11,390	36,585	32,600	3,897	84,472
Amount written off	(4,739)	(32,173)	(19,650)	—	(56,562)
At 31 December	37,747	129,812	69,257	12,016	248,832

	Retail Financing			Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Other Financing RM'000		
2010					
Individual Assessment Allowance					
At 1 January					
– as previously stated	—	—	—	—	—
– effect of adopting FRS 139	—	—	—	—	—
At 1 January, as restated	—	—	—	—	—
Allowance made during the year (Note 56(q))	—	—	721	—	721
At 31 December	—	—	721	—	721

56. Islamic Banking Business (Cont'd.)**(g) Financing and Advances (Cont'd.)**

(xi) A reconciliation of the allowance for impaired financing and advances are as follows: (Cont'd.)

	Group	
	2010 RM'000	2009 RM'000
General Allowance		
At 1 January		
– as previously stated	223,048	190,746
– effect of adopting FRS 139	(223,048)	—
At 1 January, as restated	—	190,746
Allowance made during the year (Note 56(q))	—	32,302
At 31 December	—	223,048
As % of gross financing and advances	—	1.52%

	Group	
	2010 RM'000	2009 RM'000
Specific Allowance		
At 1 January		
– as previously stated	21,170	24,018
– effect of adopting FRS 139	(21,170)	—
At 1 January, as restated	—	24,018
Allowance made during the year (Note 56(q))	—	62,155
Amount written back in respect of recoveries (Note 56(q))	—	(15,877)
Amount written off	—	(49,587)
Reinstatement of amount written off previously due to restructuring/ rescheduling, now being classified as non-impaired financing	—	541
Amount transferred to accumulated impairment loss on foreclosed properties	—	(80)
At 31 December	—	21,170

56. Islamic Banking Business (Cont'd.)**(h) Other Assets**

	Group	
	2010 RM'000	2009 RM'000
Deferred handling fees *	57,312	54,742
Income receivable	8,445	7,773
Other receivables, deposits and prepayments	335	7,137
Foreclosed properties #	2,354	899
	68,446	70,551
# Stated net of accumulated allowance for impairment loss	845	413

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

(i) Deferred Tax Assets

	Group	
	2010 RM'000	2009 RM'000
At 1 January		
– as previously stated	84,102	72,304
– effect of adopting FRS 139	(1,472)	—
At 1 January, as restated	82,630	72,304
Recognised in income statement (Note 56(v))		
– relating to origination and reversal of temporary differences	11,876	11,846
Recognised in equity	247	(48)
Transfer of tax credit on tax losses	(24,807)	—
Others	461	—
At 31 December	70,407	84,102

56. Islamic Banking Business (Cont'd.)**(i) Deferred Tax Assets (Cont'd.)**

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 statement of financial position is as follows:

	Group	
	2010 RM'000	2009 RM'000
Deferred tax assets	70,567	84,002
Deferred tax liabilities	(160)	100
Deferred tax assets, net	70,407	84,102

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 Impaired Financing and Advances RM'000	Profit Equalisation Reserve RM'000	Tax Losses RM'000	Total RM'000
At 1 January 2009	47,123	8,696	24,807	80,626
Recognised in income statement (Note 56(v))				
– relating to origination and reversal of temporary differences	9,103	(5,727)	—	3,376
At 31 December 2009	56,226	2,969	24,807	84,002
At 1 January 2010				
– as previously stated	56,226	2,969	24,807	84,002
– effect of adopting FRS 139	(1,472)	—	—	(1,472)
At 1 January 2010, as restated	54,754	2,969	24,807	82,530
Recognised in income statement (Note 56(v))				
– relating to origination and reversal of temporary differences	6,993	5,390	—	12,383
Transfer of tax credit on tax losses	—	—	(24,807)	(24,807)
Others	461	—	—	461
At 31 December 2010	62,208	8,359	—	70,567

56. Islamic Banking Business (Cont'd.)**(i) Deferred Tax Assets (Cont'd.)**

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (Cont'd.)

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 2009	(11)	12,936	(4,603)	8,322
Recognised in income statement (Note 56(v))				
– relating to origination and reversal of temporary differences	101	(12,936)	4,365	(8,470)
Recognised in equity	—	—	48	48
At 31 December 2009	90	—	(190)	(100)
Recognised in income statement (Note 56(v))				
– relating to origination and reversal of temporary differences	73	—	434	507
Recognised in equity	—	—	(247)	(247)
At 31 December 2010	163	—	(3)	160

(j) Deposits From Customers

(i) By contract and type of deposit:

	Group	
	2010 RM'000	2009 RM'000
At amortised cost		
Non-Mudharabah Fund		
Wadiah current deposits-i	2,075,047	1,999,422
Wadiah savings deposits-i	3,861,945	3,591,720
Negotiable instruments of deposit-i	2,188,896	1,326,084
	8,125,888	6,917,226

56. Islamic Banking Business (Cont'd.)**(j) Deposits From Customers (Cont'd.)****(i) By contract and type of deposit: (Cont'd.)**

	Group	
	2010 RM'000	2009 RM'000
Mudharabah Fund		
Mudharabah savings deposits-i	75,642	78,626
Mudharabah general investment deposits-i	6,241,737	3,795,302
Mudharabah special investment deposits-i	863,464	2,282,547
	7,180,843	6,156,475
	15,306,731	13,073,701

(ii) By class of financial instrument:

	Group	
	2010 RM'000	2009 RM'000
Core deposits	12,254,371	9,465,070
Wholesale deposits	3,052,360	3,608,631
	15,306,731	13,073,701

(iii) By type of customers:

	Group	
	2010 RM'000	2009 RM'000
Federal and state governments	1,145,148	486,214
Local government and statutory authorities	677,655	677,386
Business enterprises	3,804,140	3,413,567
Individuals	4,266,189	3,998,549
Foreign customers	97,021	89,632
Others	5,316,578	4,408,353
	15,306,731	13,073,701

56. Islamic Banking Business (Cont'd.)**(j) Deposits From Customers (Cont'd.)**

- (iv) The maturity structure of negotiable instruments of deposit-i and Mudharabah general and special investment deposits-i are as follows:

	Group	
	2010 RM'000	2009 RM'000
Due within six months	8,954,324	6,673,520
More than six months to one year	326,722	609,714
More than one year to three years	10,892	118,568
More than three years to five years	2,159	2,131
	9,294,097	7,403,933

(k) Deposits from Banks

	Group	
	2010 RM'000	2009 RM'000
At amortised cost		
Non-Mudharabah Fund		
Licensed banks	2,746,812	3,924,019
Licensed Islamic banks	1,240,674	1,923,325
Licensed investment banks	414,504	508,496
Bank Negara Malaysia	2,627	3,651
Other financial institutions	1,875,112	306,713
	6,279,729	6,666,204
Mudharabah Fund		
Licensed investment banks	—	20
Other financial institutions	100,256	1,384,958
	100,256	1,384,978
	6,379,985	8,051,182

- (l) Bills and acceptances payable represents the Group's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

56. Islamic Banking Business (Cont'd.)**(m) Other Liabilities**

	Group	
	2010 RM'000	2009 RM'000
Income payable	33,350	15,690
Other payables and accruals	5,212	22,656
Employee benefits	(1,527)	(1,307)
Profit Equalisation Reserve (Note 23)	33,436	11,876
	70,471	48,915

The movements in Profit Equalisation Reserve are as follows:

At 1 January	11,876	34,784
Net increase/(decrease):	21,560	(22,908)
– Amount arising during the year	36,777	10,107
– Amount written back	(15,217)	(33,015)
At 31 December	33,436	11,876

(n) Provision for Zakat and Taxation

	Group	
	2010 RM'000	2009 RM'000
Zakat	326	230
Tax expense	83,091	50,691
	83,417	50,921

56. Islamic Banking Business (Cont'd.)**(o) Income Derived from Investment of Depositors' Funds and Others**

	Group	
	2010 RM'000	2009 RM'000
Income derived from investment of:		
(i) General investment deposits	345,314	280,010
(ii) Other deposits	817,707	636,558
	1,163,021	916,568
(i) Income derived from investment of general investment deposits:		
Finance income and Hibah		
Financing and advances	286,770	240,468
Financial investments available-for-sale	7,408	2,934
Financial investments held-to-maturity	49	6
Balances with banks	41,926	28,313
	336,153	271,721
Financial assets held-for-trading	1,869	1,578
Total finance income and Hibah	338,022	273,299
Other operating income		
Fee and commission income:		
– Commissions	658	774
– Service charges and fees	3,462	2,391
– Other fee income	909	922
Net gains and losses on financial instruments:		
– Gross dividend income from financial investments available-for-sale	2,153	2,525
– Net gain arising from sale of financial investments available-for-sale	61	33
– Others	5	26
Other income	44	40
Total other operating income	7,292	6,711
	345,314	280,010
Of which:		
Financing income earned on impaired financing	2,423	—

56. Islamic Banking Business (Cont'd.)**(o) Income Derived from Investment of Depositors' Funds and Others (Cont'd.)**

	Group	
	2010 RM'000	2009 RM'000
(ii) Income derived from investment of other deposits:		
Finance income and Hibah		
Financing and advances	679,074	546,665
Financial investments available-for-sale	17,542	6,670
Financial investments held-to-maturity	116	15
Balances with banks	99,281	64,365
	796,013	617,715
Financial assets held-for-trading	4,427	3,586
Total finance income and Hibah	800,440	621,301
Other operating income		
Fee and commission income:		
– Commissions	1,559	1,759
– Service charges and fees	8,197	5,436
– Other fee income	2,152	2,095
Net gains and losses on financial instruments:		
– Gross dividend income from financial investments available-for-sale	5,097	5,741
– Net gain arising from sale of financial investments available-for-sale	144	76
– Others	13	60
Other income	105	90
Total other operating income	17,267	15,257
	817,707	636,558
Of which:		
Financing income earned on impaired financing	5,738	—

56. Islamic Banking Business (Cont'd.)**(p) Income Derived from Investment of Islamic Banking Funds**

	Group	
	2010 RM'000	2009 RM'000
Finance income and Hibah		
Financing and advances	70,563	63,968
Financial investments available-for-sale	1,774	665
Financial investments held-to-maturity	12	1
Balances with banks	10,040	6,419
	82,389	71,053
Financial assets held-for-trading	448	358
Total finance income and Hibah	82,837	71,411
Other operating income		
Fee and commission income:		
– Commissions	158	183
– Service charges and fees	829	542
– Other fee income	217	209
Net gains and losses on financial instruments:		
– Gross dividend income from financial investments available-for-sale	516	572
– Net gain arising from sale of financial investments available-for-sale	15	8
– Others	—	6
Other income	11	9
Total other operating income	1,746	1,529
	84,583	72,940
Of which:		
Financing income earned on impaired financing	580	—

56. Islamic Banking Business (Cont'd.)**(q) Allowance for Impairment on Financing and Advances**

	Group	
	2010 RM'000	2009 RM'000
Allowance for impaired financing:		
Collective assessment allowance (Note 56(g)(xi))	84,472	—
– Retail financing		
– house financing	11,390	—
– hire purchase	36,585	—
– other financing	32,600	—
– Corporate financing	3,897	—
Individual assessment allowance (Note 56(g)(xi))	721	—
– Retail financing		
– other financing	721	—
General allowance (Note 56(g)(xi))	—	32,302
Specific allowance (Note 56(g)(xi))	—	46,278
Impaired financing written off	157	150
Impaired financing recovered	(12,819)	(10,467)
	72,531	68,263

(r) Impairment on Other Assets

	Group	
	2010 RM'000	2009 RM'000
Foreclosed properties	18	—

56. Islamic Banking Business (Cont'd.)**(s) Income Attributable to the Depositors**

	Group	
	2010 RM'000	2009 RM'000
Deposits from customers		
– Mudharabah fund	169,722	97,932
– Non-Mudharabah fund	117,513	66,676
Deposits from banks		
– Mudharabah fund	1,293	27,216
– Non-Mudharabah fund	156,228	129,001
	444,756	320,825

(t) Personnel Expenses

	Group	
	2010 RM'000	2009 RM'000
Salaries, allowances and bonuses	14,444	11,588
Pension costs	1,397	1,547
Others	1,335	1,271
	17,176	14,406

56. Islamic Banking Business (Cont'd.)**(u) Other Overheads and Expenditures**

	Group	
	2010 RM'000	2009 RM'000
Establishment costs		
– Depreciation	174	124
– Rental	744	265
– Insurance	721	497
– Water and electricity	116	88
– General repairs and maintenance	189	78
– Others	83	48
	2,027	1,100
Marketing expenses		
– Advertisement and publicity	1,096	1,080
– Others	6,593	7,345
	7,689	8,425
Administration and general expenses		
– Communication expenses	1,949	1,673
– Legal and professional fees	4,117	4,046
– Others	2,930	963
	8,996	6,682
Shared service cost charged by conventional business	160,351	136,415
Recovery of expenses	(11,461)	(12,621)
	167,602	140,001

Included in other overheads and expenditures of the Group is the Shariah Committee's remuneration of RM87,000 (2009 – RM82,500).

56. Islamic Banking Business (Cont'd.)**(v) Zakat and Taxation**

	Group	
	2010 RM'000	2009 RM'000
Zakat	256	250
Malaysian income tax	141,000	124,788
Deferred tax expense (Note 56(ii))		
– relating to origination and reversal of temporary differences arising from:	(11,876)	(11,846)
• allowance for impaired financing and advances	(6,993)	(9,103)
• profit equalisation reserve	(5,390)	5,727
• excess of capital allowances over depreciation	73	101
• deferred handling fees	—	(12,936)
• other temporary differences	434	4,365
– over provision in prior years	(2,679)	—
Tax expense	126,445	112,942
	126,701	113,192

(w) Commitments and Contingencies

In the normal course of its Islamic banking business, the Group makes various commitments with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments are not secured against the Group's Islamic banking assets. The Group does not have any exposure to contingencies as at the reporting date.

The notional amounts of the commitments of the Group's Islamic banking business are as follows:

	Group	
	2010 RM'000	2009 RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
– exceeding one year	960,986	965,794
– not exceeding one year	210,582	178,497
	1,171,568	1,144,291

56. Islamic Banking Business (Cont'd.)**(x) Capital Adequacy**

The capital adequacy ratios under the Islamic banking business of the Group as at 31 December are as follows:

	Group	
	2010	2009
Tier I capital ratio	12.3%	12.2%
Risk-weighted capital ratio	13.9%	13.9%

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.

Components of Tier I and Tier II Capital:

	Group	
	2010 RM'000	2009 RM'000
Tier I Capital		
Capital funds	178,217	290,217
Share premium	1,229,500	1,037,500
Other reserves	187,546	140,374
Retained profits	220,380	165,835
Less: Deferred tax assets, net	(70,322)	(84,264)
Total Tier I Capital	1,745,321	1,549,662
Tier II Capital		
Collective assessment allowance #	221,474	—
General allowance	—	223,048
Total Tier II Capital	221,474	223,048
Capital base	1,966,795	1,772,710

Excludes collective assessment allowance on impaired loans restricted from Tier II capital by BNM of the Group of RM27,358,000.

56. Islamic Banking Business (Cont'd.)**(x) Capital Adequacy (Cont'd.)**

The breakdown of risk-weighted assets by each major risk category is as follows:

	Group	
	2010 RM'000	2009 RM'000
Credit risk	12,906,044	11,645,642
Market risk	14,746	12,228
Operational risk	1,272,153	1,079,201
	14,192,943	12,737,071

(y) 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 statements of financial position, except for the following financial assets and financial liabilities:

	2010		2009	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Group				
Financial assets				
Financial investments held-to-maturity				
– Non-money market instruments	5,022	5,018	5,022	5,029
Financing and advances*				
– Retail financing				
– house financing	2,516,434	2,626,446	2,016,361	2,052,738
– hire purchase	8,654,075	8,789,295	8,344,686	8,313,256
– other financing	4,617,258	4,634,647	3,793,570	3,851,678
– Corporate financing	801,040	803,702	541,259	541,259
Financial liabilities				
Deposits from customers				
– core deposits	12,254,371	12,254,371	9,465,070	9,465,070
– wholesale deposits	3,052,360	3,052,360	3,608,631	3,609,211
Deposits from banks	6,379,985	6,373,818	8,051,182	8,042,472

* The collective assessment allowance of the Group of RM248,832,000 (2009 – general allowance of RM223,048,000) is not included in the carrying amounts.

56. Islamic Banking Business (Cont'd.)**(z) 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.

(aa) 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.

(ab) Zakat Obligations

This represents business zakat payable by the Group to comply with Shariah principles. Zakat provision is calculated based on 2.5% of the estimated Muslim individual shareholders using the profit and loss method.

57. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 2010 RM'000
Total retained profits of Public Bank Berhad and its subsidiaries:	
– Realised	5,162,942
– Unrealised – in respect of deferred tax recognised in the income statement	513,414
– in respect of other items of income and expense	51,092
	5,727,448
Total share of retained profits from associated companies:	
– Realised	13,648
– Unrealised	–
	5,741,096
Less: Consolidation adjustments	(986,691)
Total Group retained profits as per consolidated accounts	4,754,405
	Bank 2010 RM'000
Total retained profits of Public Bank Berhad:	
– Realised	3,950,498
– Unrealised – in respect of deferred tax recognised in the income statement	418,699
– in respect of other items of income and expense	5,007
Total Bank retained profits as per accounts	4,374,204

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group and the Bank as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these gains and losses are incurred in the ordinary course of business of the Group and the Bank, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.



Basel II

Pillar 3 Disclosure

as at 31 December 2010

Overview

The Pillar 3 Disclosure for financial reporting beginning 1 January 2010 is introduced under the Bank Negara Malaysia (“BNM”)’s Risk-Weighted Capital Adequacy Framework (“RWCAF”), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision and the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

- (a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume.
- (b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the board of directors and senior management on internal controls and corporate governance practices, to ensure that banking institutions have an appropriate level and quality of capital commensurate with their risk profile and business plan at all times.
- (c) Pillar 3 aims to harness the power of market discipline through enhanced disclosure to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

The Public Bank Group (“the Group”) adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM’s RWCAF. Under the Standardised Approach, standard risk weights are used to assess the capital requirements for exposures in credit risk and market risk whilst the capital required for operational risk under the Basic Indicator Approach is computed based on a fixed percentage over the Group’s average gross income for a fixed number of quarterly periods.

The Group’s Pillar 3 Disclosure is governed by the Group Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework – Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by internal auditors and certified by Public Bank Berhad (“the Bank”)’s Managing Director/Chief Executive Officer. The information is not audited as there is no requirement for external auditing of these disclosures under the BNM’s RWCAF. The Pillar 3 Disclosure will be published in the Bank’s website, www.publicbank.com.my

The Group's main business activity is commercial banking which focuses on retail banking and financing operations. The following tables present the minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets.

	2010		2009	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	128,486,892	10,278,951	113,598,587	9,087,887
Market Risk	1,063,445	85,076	1,161,618	92,929
Operational Risk	11,546,113	923,689	10,436,307	834,905
Total	141,096,450	11,287,716	125,196,512	10,015,721
Bank				
Credit Risk	106,083,803	8,486,704	93,354,990	7,468,399
Market Risk	1,788,639	143,091	2,080,980	166,478
Operational Risk	8,446,853	675,748	7,815,769	625,262
Total	116,319,295	9,305,543	103,251,739	8,260,139

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

1.0 Scope of Application

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on Public Bank Berhad and its subsidiary and associated companies. The Public Bank Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("Public Islamic"). Information on subsidiary and associated companies of the Group is available in Notes 13 and 14 to the financial statements respectively.

The basis of consolidation for financial accounting purposes is described in Note 2(b) to the financial statements, and differs from that used for regulatory capital purposes. The investment in its banking associated company, which is equity-accounted in the financial accounting consolidation, is proportionately consolidated for regulatory capital purposes. The investment in the subsidiary company engaged in insurance activities is excluded from the regulatory consolidation and is deducted from the regulatory capital.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

All information in the ensuing paragraphs is based on the Group's positions. Certain information on capital adequacy relating to the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Bank, which is presented on a global basis, includes its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd, as determined under the RWCAF.

2.0 Capital Management

The Group's capital management is guided by the Group Capital Management Framework which sets out the capital risk appetite and outlines the Group's objective to diversify its sources of capital and to allocate capital efficiently, directed by the need to maintain a prudent relationship between available capital and risks in the underlying businesses to meet the expectations of key constituencies, including investors, regulators and rating agencies. Internal capital targets are set for Tier I capital ratio and risk-weighted capital ratio. The capital target for risk-weighted capital ratio is above the minimum regulatory capital requirements and has factored in the expected capital required under the current and future operating environment to support the credit, market and operational risks as well as the Group's business growth.

Annually, the Board of Directors of the Bank ("the Board") approves the Group's capital plan which defines the Group's required level of optimal capital and the optimal mix between the different components of capital for the next 3 years. The Group's policy is to hold capital in a range of different forms and from diverse sources. The Bank oversees the capital raising exercise of its subsidiary companies to ensure that actions to manage and to raise capital are aligned to the overall objectives of the Group's capital plan. Similarly, at the subsidiary level, the management of its capital is all within the context of the Group's capital plan differentiated only by the local regulatory requirements. As part of the Group Capital Management Framework, capital generated in excess of planned requirements at the subsidiary level is returned to the Bank, normally by way of dividends.

The performance against internal capital levels is reviewed regularly by senior management. One of the key drivers in the Group's budgeting and planning process is the regulatory ratio and the Group's internal capital ratios. The Board reviews the Group's capital plan semi-annually. Proposals to address any deviation from capital targets or the need for capital raising exercise must be approved by the Board prior to implementation.

The group-wide stress testing process forecasts the Group's capital requirements under extreme, but plausible, stress events to assess the ability of the Group's capital to withstand market shocks. The results of the stress test are also to facilitate the formulation of action plans in advance if the stress test reveals that the Group's capital will be adversely affected under such events. The results of the stress test together with remedial actions, if any, are tabled to the Risk Management Committee ("RMC") and the Board for deliberations.

2.1 Capital Adequacy Ratios

The tables below present the capital adequacy ratios of the Group and the Bank.

	Group		Bank	
	2010	2009	2010	2009
Before deducting second interim dividends:				
Tier I capital ratio	10.7%	10.5%	13.2%	13.0%
Risk-weighted capital ratio	14.4%	14.6%	14.1%	14.1%
After deducting second interim dividends:				
Tier I capital ratio	10.0%	9.9%	12.4%	12.4%
Risk-weighted capital ratio	13.7%	14.0%	13.3%	13.5%

The capital adequacy ratios of the banking subsidiary companies of the Group are set out in Note 49 to the financial statements.

2.0 Capital Management (Cont'd.)

2.2 Capital Structure

The following tables present the components of Tier I and Tier II capital and deductions from capital.

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tier I capital				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,439,885	1,073,310	1,439,885
Other reserves	3,787,881	3,740,586	3,508,238	3,548,569
Retained profits	4,754,405	2,870,249	4,641,801	2,624,153
Innovative Tier I capital securities	1,814,538	1,883,186	1,814,538	1,883,186
Non-innovative Tier I stapled securities	2,081,633	2,080,878	2,081,633	2,080,878
Treasury shares	(215,303)	(581,638)	(215,303)	(581,638)
Minority interests	652,188	692,118	—	—
Less: Goodwill	(1,903,898)	(2,031,105)	(695,393)	(695,393)
Less: Deferred tax assets, net	(521,359)	(500,684)	(418,699)	(384,741)
	15,055,321	13,125,401	15,322,051	13,446,825
	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tier II capital				
Collective assessment allowance #	2,164,761	—	1,819,307	—
General allowance	—	2,051,659	—	1,653,936
Subordinated notes	3,102,012	3,217,828	3,102,012	3,238,045
	5,266,773	5,269,487	4,921,319	4,891,981
Total capital	20,322,094	18,394,888	20,243,370	18,338,806
Less: Investment in subsidiary companies and associated companies	(960)	(960)	(3,787,284)	(3,593,384)
Less: Holdings of other financial institutions' capital instruments	(47,439)	(173,381)	(47,439)	(173,381)
Capital base	20,273,695	18,220,547	16,408,647	14,572,041

Excludes collective assessment allowance on impaired loans restricted from Tier II capital by BNM of the Group and the Bank of RM131.4 million and RM104.0 million respectively.

2.0 Capital Management (Cont'd.)

2.2 Capital Structure (Cont'd.)

The Bank has issued various capital instruments and debt instruments which qualify as components of regulatory capital, as summarised in the following table:

Capital Instruments	Capital Component	Main Features
(a) Non-Innovative Tier I stapled securities ("NIT-1")	Tier I Capital	• Subordinated to all liabilities, including depositors and Sub Notes. Rank pari passu with IT-1 • Unsecured • Perpetual, with optional redemption after 10 years. No step-up • Able to defer interest but will trigger an assignment event, resulting in unstapling of the NIT-1. Investors will end up holding the perpetual securities • Right of Bank not to pay distribution, upon which the only restriction is on payment of ordinary dividend to shareholders
(b) Innovative Tier I capital securities ("IT-1")	Tier I Capital	• Subordinated to all liabilities, including depositors and Sub Notes. Rank pari passu with NIT-1 • Unsecured • Optional redemption with step-up after 10 years • Option to defer interest up to 50% of aggregate principal • Principal and interest stock settlement provision
(c) Subordinated notes ("Sub Notes")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to IT-1 and NIT-1 • Unsecured • Optional redemption with step-up after 5 or 7 years • No provisions for deferral of interest. Non-payment will result in default

The details of the capital and debt instruments are found in Note 22 to the financial statements.

3.0 Group Risk Management Framework

The management of risk within the Group is governed by the Group Risk Management Framework (“GRMF”) which sets out the risk management governance and infrastructure, risk management processes and control responsibilities. In the Group, the most important aspect of an effective risk management is the inculcation of a risk awareness culture across all levels of staff in the Group through effective communication, training, clear policies, procedures and organisational structure, clearly defined roles and responsibilities as well as the commitment of all employees to the GRMF. The risk governance of the Group is as set out below:

ESTABLISH RISK APPETITE & POLICY	Board of Directors	AUDIT COMMITTEE
	Risk Management Committee	
ENSURE IMPLEMENTATION OF RISK POLICY AND COMPLIANCE	Dedicated Committees	
	Assets & Liabilities Management Committee Credit Risk Management Committee Operational Risk Management Committee Shariah Committee	
	Independent Risk Management and Control Units	
	Banking Operations and Compliance Credit Control, Administration & Supervision Risk Management	
IMPLEMENT AND COMPLY WITH RISK POLICY	Business Units	
	Corporate Lending Investment Banking Islamic Banking Retail Banking and Financing Operations Share Broking and Fund Management Treasury and Capital Market Operations	

The Board is ultimately responsible for the management of risk. The Board, through the RMC, maintains overall responsibility for risk oversight within the Group. The risk appetite statement embodies the Group’s stance towards the levels of risk and serves as a guide in the formulation of the Group’s strategic direction and business objectives which are set out in the annual Business Plans approved by the Board.

The Assets & Liabilities Management Committee (“ALCO”), the Credit Risk Management Committee (“CRMC”) and the Operational Risk Management Committee (“ORMC”) assist the RMC in managing market and liquidity risk, credit risk and operational risk respectively. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies and for reviewing risk exposure and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for effective risk management activities. The Shariah Committee advises the Board of Directors of Public Islamic on Shariah matters to ensure compliance with Shariah principles in the Islamic operations.

The independent risk management and control units provide crucial support to the dedicated risk management committees and are responsible for ensuring the risk policies are implemented and complied with. They are also responsible for the identification, measurement and monitoring of risk.

3.0 Group Risk Management Framework (Cont'd.)

The business units, being the first line of defense against risk, are responsible for identifying, mitigating and managing risk within their lines of business. These units ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

The Audit Committee, supported by the Internal Audit Division, provides an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

The Group has established, within its enterprise-wide risk management framework, a structured approach to risk management which balances risks against returns, as well as integrated risk management processes across key risk areas. The risk management activities encompass four broad processes namely risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring which lead to a balanced risk-return.

It is the Group's policy that all risk management policies are subject to frequent reviews to ensure that they remain relevant and effective in managing the associated risks brought about by the changing market place and regulatory environments.

4.0 Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small- and medium-sized enterprises ("SMEs") and corporate customers. Trading and investing the surplus funds of the Group, such as trading or holding of debt securities, settlement of transactions, also expose the Group to credit risk and counterparty credit risk.

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement on credit risk of the Group.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2010				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	44,104,464	44,104,464	90,747	7,260
Public Sector Entities	447,508	447,508	29,364	2,349
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	8,322,852	8,322,852	2,071,255	165,700
Insurance Companies, Securities Firms and Fund Managers	239,194	234,305	203,733	16,299
Corporates	42,392,177	40,587,301	36,398,140	2,911,851
Regulatory Retail	78,591,298	77,940,697	58,453,942	4,676,315
Residential Mortgages	34,676,113	34,623,953	14,172,646	1,133,812
Higher Risk Assets	121,392	121,297	181,945	14,556
Other Assets	3,952,394	3,952,394	2,874,080	229,926
Equity Exposures	4,795,823	4,795,823	4,771,065	381,685
Defaulted Exposures	1,818,833	1,811,878	2,542,324	203,386
	219,462,048	216,942,472	121,789,241	9,743,139
Off-Balance Sheet Exposures				
Credit-related Exposures	9,241,639	8,849,321	6,455,981	516,478
Derivative Financial Instruments	930,694	930,694	216,914	17,353
Other Treasury-related Exposures	7,305	7,305	1,461	117
Defaulted Exposures	15,545	15,545	23,295	1,864
	10,195,183	9,802,865	6,697,651	535,812
Total Credit Exposures	229,657,231	226,745,337	128,486,892	10,278,951

4.0 Credit Risk (Cont'd.)

Regulatory Capital Requirements (Cont'd.)

The following tables present the minimum regulatory capital requirement on credit risk of the Group. (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2009				
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, DFIs and MDBs	7,916,638	7,916,638	2,023,282	161,863
Insurance Companies, Securities Firms and Fund Managers	169,785	163,740	132,239	10,579
Corporates	38,173,771	36,175,906	32,103,005	2,568,240
Regulatory Retail	69,011,161	68,337,446	51,250,645	4,100,052
Residential Mortgages	30,048,157	30,004,938	12,271,591	981,727
Higher Risk Assets	149,174	149,031	223,547	17,884
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
Defaulted Exposures	1,634,084	1,630,096	2,282,068	182,565
	208,202,947	204,277,729	107,783,715	8,622,697
Off-Balance Sheet Exposures				
Credit-related Exposures	8,137,334	7,750,358	5,552,429	444,194
Derivative Financial Instruments	997,257	997,257	227,612	18,209
Other Treasury-related Exposures	91,201	91,201	15,171	1,214
Defaulted Exposures	13,401	13,401	19,660	1,573
	9,239,193	8,852,217	5,814,872	465,190
Total Credit Exposures	217,442,140	213,129,946	113,598,587	9,087,887

4.0 Credit Risk (Cont'd.)

Regulatory Capital Requirements (Cont'd.)

The following tables present the minimum regulatory capital requirement on credit risk of the Bank.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2010				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	34,362,141	34,362,141	90,748	7,260
Public Sector Entities	371	371	74	6
Banks, DFIs and MDBs	6,840,815	6,840,815	1,848,666	147,893
Insurance Companies, Securities Firms and Fund Managers	36,516	36,516	36,516	2,921
Corporates	37,987,835	36,469,072	32,269,553	2,581,564
Regulatory Retail	60,615,667	60,000,880	44,999,079	3,599,926
Residential Mortgages	29,162,832	29,121,775	12,130,651	970,452
Higher Risk Assets	108,795	108,724	163,085	13,047
Other Assets	2,826,458	2,826,458	1,958,045	156,644
Equity Exposures	4,271,683	4,271,683	4,246,925	339,754
Defaulted Exposures	1,496,847	1,490,043	2,069,180	165,534
	177,709,960	175,528,478	99,812,522	7,985,001
Off-Balance Sheet Exposures				
Credit-related Exposures	8,576,289	8,298,203	6,037,732	483,019
Derivative Financial Instruments	924,236	924,236	215,618	17,249
Other Treasury-related Exposures	3,600	3,600	720	58
Defaulted Exposures	11,489	11,489	17,211	1,377
	9,515,614	9,237,528	6,271,281	501,703
Total Credit Exposures	187,225,574	184,766,006	106,083,803	8,486,704

4.0 Credit Risk (Cont'd.)

Regulatory Capital Requirements (Cont'd.)

The following tables present the minimum regulatory capital requirement on credit risk of the Bank. (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2009				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	39,398,350	39,398,350	—	—
Public Sector Entities	533	533	107	9
Banks, DFIs and MDBs	7,503,293	7,503,293	2,956,129	236,490
Insurance Companies, Securities Firms and Fund Managers	350	350	350	28
Corporates	33,907,508	32,158,035	28,085,442	2,246,835
Regulatory Retail	52,224,821	51,656,571	38,739,991	3,099,199
Residential Mortgages	24,884,974	24,856,909	10,376,495	830,120
Higher Risk Assets	135,662	135,552	203,327	16,266
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
Defaulted Exposures	1,215,599	1,211,663	1,678,663	134,293
	165,979,524	163,629,690	87,961,022	7,036,882
Off-Balance Sheet Exposures				
Credit-related Exposures	7,489,315	7,222,882	5,150,557	412,044
Derivative Financial Instruments	982,574	982,574	224,676	17,974
Other Treasury-related Exposures	15,344	15,344	—	—
Defaulted Exposures	12,664	12,664	18,735	1,499
	8,499,897	8,233,464	5,393,968	431,517
Total Credit Exposures	174,479,421	171,863,154	93,354,990	7,468,399

4.0 Credit Risk (Cont'd.)

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk framework and policies, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. All credit approving officers are guided by credit policies, guidelines and procedures which are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division, the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing group-wide risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the risk policies are implemented and complied with.

Risk Management Approach

The management of credit risk starts with experienced key personnel appointed to the Credit Committee which is chaired by the respective entities' chief executive officers. The Credit Committee approves major credit decisions, guidelines and procedures to control and monitor credit risk. All applications of significant loans are approved at Head Office or by the Credit Committee while experienced senior officers at branches are given authority to approve loans with lower risk exposure. The Board of Directors of the respective entities has the authority to reject or modify terms and conditions of loans which have been approved by the Credit Committee. The credit approving authorities are assigned Discretionary Powers based on their seniority and track record.

(a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer through the use of an internal credit risk rating scoresheet. The credit approving authorities and credit approving officers have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the loan application.

(b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated. Credit officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

4.0 Credit Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the Credit Committee. In addition, the Group's investment policy also stipulates the minimum investment grade for debt securities, types of permissible transactions and the maximum tenure. The investment policy is also subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board. As at reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

(d) Counterparty Credit Risk on Derivative Financial Instruments

The management of the counterparty credit risk on derivative financial instruments is set out in item 4.2 (b) of the Pillar 3 Disclosure.

Independent credit reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and competency of credit personnel. Internal risk management reports are presented to both the CRMC and the RMC, containing information on economic trends across major portfolios, quality of credit portfolios, results of independent credit review, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management to identify adverse credit trends, take corrective actions and formulate business strategies.

4.1 Distribution of Credit Exposures

The following tables present the credit exposures of financial assets before the effect of credit risk mitigation, broken down by the relevant category and class of financial assets against the relevant industry, geography and maturity. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

4.0 Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis

The following tables present the credit exposures of financial assets of the Group analysed by industrial distribution.

	Government and Central Banks RM'000	Financial Services RM'000	Transport & 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
2010									
On-Balance Sheet Exposures									
Cash and balances with banks	28,397,686	6,292,753	—	—	—	—	—	—	34,690,439
Reverse repurchase agreements	365,877	—	—	—	—	—	—	—	365,877
Financial assets held-for-trading									
– Government securities and treasury bills	588,045	—	—	—	—	—	—	—	588,045
– Money market instruments	—	5,622,472	—	—	—	—	—	—	5,622,472
– Non-money market instruments	63,454	20,242	868	—	65,539	—	—	—	150,103
Derivative financial assets	—	326,622	—	—	—	—	—	—	326,622
Financial investments available-for-sale									
– Government securities and treasury bills	10,667,433	—	—	—	—	—	—	—	10,667,433
– Non-money market instruments	15	4,832,608	1,150,690	1,199,811	1,727	—	—	—	7,184,851
Financial investments held-to-maturity									
– Government securities and treasury bills	3,002,148	—	—	—	—	—	—	—	3,002,148
– Money market instruments	—	1,502,893	—	—	—	—	—	—	1,502,893
– Non-money market instruments	1,086	584,068	69,109	5,068	65,245	—	—	—	724,576
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/financing	—	—	—	—	—	43,891,024	—	—	43,891,024
– hire purchase	158	4,007	1,746,743	3,013,575	1,146,431	—	29,416,721	787	35,328,422
– credit cards	—	—	—	—	—	—	—	1,348,902	1,348,902
– other loans/financing	25,120	37,093	3,455,163	16,866,005	8,420,862	2,502,355	201,093	21,396,910	52,904,601
– Corporate loans/financing	—	6,378,583	1,463,390	5,400,730	9,822,778	—	—	5,642	23,071,123
Statutory deposits with Central Banks	1,612,575	—	—	—	—	—	—	—	1,612,575
	44,723,597	25,601,341	7,885,963	26,485,189	19,522,582	46,393,379	29,617,814	22,752,241	222,982,106
Commitments and Contingencies									
Contingent liabilities	625	246,745	655,102	1,106,575	884,005	—	—	18,867	2,911,919
Commitments	501,134	4,584,592	3,123,421	10,281,416	4,462,845	7,717,766	364	10,503,441	41,174,979
	501,759	4,831,337	3,778,523	11,387,991	5,346,850	7,717,766	364	10,522,308	44,086,898
Total Credit Exposures	45,225,356	30,432,678	11,664,486	37,873,180	24,869,432	54,111,145	29,618,178	33,274,549	267,069,004

4.0 Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

The following tables present the credit exposures of financial assets of the Group analysed by industrial distribution. (Cont'd.)

	Government and Central Banks RM'000	Financial Services RM'000	Transport & 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
2009									
On-Balance Sheet Exposures									
Cash and balances with banks	41,497,566	5,165,590	—	—	—	—	—	—	46,663,156
Reverse repurchase agreements	1,200,243	—	—	—	—	—	—	—	1,200,243
Financial assets held-for-trading									
– Government securities and treasury bills	1,501,020	—	—	—	—	—	—	—	1,501,020
– Money market instruments	—	6,243,362	—	—	—	—	—	—	6,243,362
– Non-money market instruments	35,952	145,614	31,257	—	70	—	—	—	212,893
Derivative financial assets	—	310,311	—	—	—	—	—	—	310,311
Financial investments available-for-sale									
– Government securities and treasury bills	4,838,654	—	—	—	—	—	—	—	4,838,654
– Money market instruments	—	50,637	—	—	—	—	—	—	50,637
– Non-money market instruments	—	4,616,921	1,531,616	1,126,142	1,807	—	—	—	7,276,486
Financial investments held-to-maturity									
– Government securities and treasury bills	3,553,333	—	—	—	—	—	—	—	3,553,333
– Money market instruments	—	1,534,076	—	—	—	—	—	—	1,534,076
– Non-money market instruments	1,086	1,385,891	75,587	5,073	65,161	—	—	—	1,532,798
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/financing	—	—	—	—	—	37,518,424	—	—	37,518,424
– hire purchase	522	4,290	1,538,870	2,773,927	1,050,934	—	26,140,342	1,153	31,510,038
– credit cards	—	—	—	—	—	—	—	1,178,526	1,178,526
– other loans/financing	15,441	58,097	3,084,521	15,523,066	7,781,694	2,430,156	174,779	18,106,091	47,173,845
– Corporate loans/financing	—	4,322,757	1,518,982	5,296,340	9,081,379	—	—	10,136	20,229,594
Statutory deposits with Central Banks	1,022,181	—	—	—	—	—	—	—	1,022,181
	53,665,998	23,837,546	7,780,833	24,724,548	17,981,045	39,948,580	26,315,121	19,295,906	213,549,577
Commitments and Contingencies									
Contingent liabilities	316	238,915	504,113	918,978	1,039,275	—	—	8,125	2,709,722
Commitments	526,016	1,638,874	2,743,069	10,492,425	4,607,273	6,260,522	12,687	9,675,690	35,956,556
	526,332	1,877,789	3,247,182	11,411,403	5,646,548	6,260,522	12,687	9,683,815	38,666,278
Total Credit Exposures	54,192,330	25,715,335	11,028,015	36,135,951	23,627,593	46,209,102	26,327,808	28,979,721	252,215,855

4.0 Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd.)

(b) Geographical Analysis

The following tables present the credit exposures of financial assets analysed by geographical distribution based on the geographical location where the credit risk resides.

	Malaysia RM'000	Hong Kong & China PRC RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2010					
On-Balance Sheet Exposures	203,528,659	13,669,059	2,593,194	3,191,194	222,982,106
Commitments and Contingencies	40,900,341	2,459,451	606,457	120,649	44,086,898
Total Credit Exposures	244,429,000	16,128,510	3,199,651	3,311,843	267,069,004
2009					
On-Balance Sheet Exposures	193,581,194	13,724,858	2,699,543	3,543,982	213,549,577
Commitments and Contingencies	35,858,622	2,113,652	521,378	172,626	38,666,278
Total Credit Exposures	229,439,816	15,838,510	3,220,921	3,716,608	252,215,855

4.0 Credit Risk (Cont'd.)

4.1 Distribution of Credit Exposures (Cont'd.)

(c) Maturity Analysis

The following tables present the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets. Approximately 38% of the Group's exposures to customers is short term, having contractual maturity of one year or less. About 62% of the Group's gross loans, advances and financing has residual maturity of more than 5 years. The longer maturity is driven by the housing loans and hire purchase financing which made up 51% of the portfolio and are traditionally longer term in nature and well secured.

	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2010					
On-Balance Sheet Exposures					
Cash and balances with banks	34,690,439	—	—	—	34,690,439
Reverse repurchase agreements	365,877	—	—	—	365,877
Financial assets held-for-trading	6,236,285	93,149	31,186	—	6,360,620
Derivative financial assets	93,786	95,776	24,897	112,163	326,622
Financial investments available-for-sale	15,316,987	343,581	2,075,772	115,944	17,852,284
Financial investments held-to-maturity	3,438,032	1,011,630	734,584	45,371	5,229,617
Gross loans, advances and financing	25,130,683	16,618,501	18,258,072	96,536,816	156,544,072
Statutory deposits with Central Banks	—	—	—	1,612,575	1,612,575
Total On-Balance Sheet Exposures	85,272,089	18,162,637	21,124,511	98,422,869	222,982,106
2009					
On-Balance Sheet Exposures					
Cash and balances with banks	46,663,156	—	—	—	46,663,156
Reverse repurchase agreements	1,200,243	—	—	—	1,200,243
Financial assets held-for-trading	7,543,890	383,359	30,026	—	7,957,275
Derivative financial assets	43,943	101,221	72,289	92,858	310,311
Financial investments available-for-sale	4,708,271	4,769,423	1,458,027	1,230,056	12,165,777
Financial investments held-to-maturity	4,063,135	1,364,548	919,611	272,913	6,620,207
Gross loans, advances and financing	23,963,064	14,871,529	16,104,439	82,671,395	137,610,427
Statutory deposits with Central Banks	—	—	—	1,022,181	1,022,181
Total On-Balance Sheet Exposures	88,185,702	21,490,080	18,584,392	85,289,403	213,549,577

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future receivables since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire or unconditionally cancelled by the Group without them being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

- Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature
- Documentary and commercial letters of credit, which are undertakings by the Group on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate
- Commitments to extend credit including the unutilised or undrawn portions of credit facilities
- Unutilised credit card lines
- Principal/notional amount of derivative financial instruments

The management of off-balance sheet exposures is in accordance to the credit risk management approach as set out in item 4.0 of the Pillar 3 Disclosure.

(b) Counterparty Credit Risk on Derivative Financial Instruments

Counterparty Credit Risk ("CCR") on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to maturity date of the contract and that the Group at the relevant time has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes. The Group may also take conservative trading derivative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(b) Counterparty Credit Risk on Derivative Financial Instruments (Cont'd.)

(i) *Risk Management Approach*

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any shortfall in threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any shortfall in the threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.

(ii) *Credit Ratings Downgrade*

Some netting and collateral arrangements may contain rating triggers, although the threshold levels in the majority of the Group's agreements are identical in the event of a one-notch rating downgrade. As at 31 December 2010, the estimated additional collateral required to be posted for one notch downgrade was RM34.1 million (2009: RM26.4 million).

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

(c) Composition of Off-Balance Sheet Exposures

The following tables present a breakdown of the off-balance sheet exposures of the Group.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2010				
Contingent Liabilities				
Direct credit substitutes	1,580,171		1,580,171	1,043,487
Transaction-related contingent items	772,945		386,473	237,180
Short term self-liquidating trade-related contingencies	483,803		96,761	75,686
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
	2,911,919		2,100,905	1,393,853
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	15,412,139		6,548,625	4,629,682
– not exceeding one year	22,717,264		—	—
Unutilised credit card lines	3,038,271		607,654	455,741
Forward asset purchases	7,305		7,305	1,461
	41,174,979		7,163,584	5,086,884
Derivative Financial Instruments				
Foreign exchange related contracts:				
– less than one year	14,180,707	86,216	261,714	80,736
– one year to less than five years	6,271	—	416	416
Interest rate related contracts:				
– less than one year	710,853	7,672	8,441	1,694
– one year to less than five years	5,815,108	99,523	233,529	48,741
– five years and above	3,996,975	112,163	377,426	75,486
Commodity related contracts:				
– less than one year	929	—	9	9
Equity related contracts:				
– less than one year	227,140	—	13,628	2,726
– one year to less than five years	181,027	21,048	35,531	7,106
	25,119,010	326,622	930,694	216,914
Total Off-Balance Sheet Exposures	69,205,908	326,622	10,195,183	6,697,651

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

(c) Composition of Off-Balance Sheet Exposures (Cont'd.)

The following tables present a breakdown of the off-balance sheet exposures of the Group. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2009				
Contingent Liabilities				
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
	2,709,722		1,904,444	1,165,143
Commitments				
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
Forward asset purchases	91,201		91,201	15,171
	35,956,556		6,337,492	4,422,117
Derivative Financial Instruments				
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
Total Off-Balance Sheet Exposures	61,435,239	310,311	9,239,193	5,814,872

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

(c) Composition of Off-Balance Sheet Exposures (Cont'd.)

The following tables present the breakdown of the off-balance sheet exposures of the Bank.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2010				
Bank (excluding Public Bank (L) Ltd)				
Contingent Liabilities				
Direct credit substitutes	1,476,910		1,476,910	1,027,132
Transaction-related contingent items	676,528		338,264	206,138
Short term self-liquidating trade-related contingencies	231,016		46,203	39,067
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
	2,459,454		1,898,877	1,309,837
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	14,338,422		6,109,173	4,309,154
– not exceeding one year	20,522,993		—	—
Unutilised credit card lines	2,875,523		575,105	431,329
Forward asset purchases	3,600		3,600	720
	37,740,538		6,687,878	4,741,203
Derivative Financial Instruments				
Foreign exchange related contracts:				
– less than one year	13,951,365	82,199	255,349	79,463
– one year to less than five years	6,271	—	416	416
Interest rate related contracts:				
– less than one year	570,013	7,663	8,286	1,657
– one year to less than five years	5,491,445	99,523	221,662	46,366
– five years and above	3,904,500	112,163	370,028	74,005
Commodity related contracts:				
– less than one year	929	—	9	9
Equity related contracts:				
– less than one year	227,140	—	13,628	2,726
– one year to less than five years	181,027	21,048	35,531	7,106
	24,332,690	322,596	904,909	211,748
Total	64,532,682	322,596	9,491,664	6,262,788

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

(c) Composition of Off-Balance Sheet Exposures (Cont'd.)

The following tables present the breakdown of the off-balance sheet exposures of the Bank. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Public Bank (L) Ltd				
Contingent Liabilities				
Direct credit substitutes	4,623		4,623	4,623
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	—		—	—
– not exceeding one year	130,941		—	—
	130,941		—	—
Derivative Financial Instruments				
Interest rate related contracts:				
– less than one year	61,650	—	62	17
– one year to less than five years	323,663	—	11,867	2,373
– five years and above	92,475	—	7,398	1,480
	477,788	—	19,327	3,870
Total	613,352	—	23,950	8,493
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd	65,146,034	322,596	9,515,614	6,271,281

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

(c) Composition of Off-Balance Sheet Exposures (Cont'd.)

The following tables present the breakdown of the off-balance sheet exposures of the Bank. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
2009				
Bank (excluding Public Bank (L) Ltd)				
Contingent Liabilities				
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
	2,397,115		1,732,528	1,117,860
Commitments				
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
Forward asset purchases	15,344		15,344	—
	32,925,586		5,762,513	4,029,150
Derivative Financial Instruments				
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
Total	56,878,933	302,861	8,448,576	5,365,828

4.0 Credit Risk (Cont'd.)

4.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

(c) Composition of Off-Balance Sheet Exposures (Cont'd.)

The following tables present the breakdown of the off-balance sheet exposures of the Bank. (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Public Bank (L) Ltd				
Contingent Liabilities				
Direct credit substitutes	5,142		5,142	5,142
Commitments				
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		—	—
	50,818		17,140	17,140
Derivative Financial Instruments				
Interest rate related contracts:				
– less than one year	—	—	—	—
– 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
Total	587,300	2,300	51,321	28,140
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd	57,466,233	305,161	8,499,897	5,393,968

4.0 Credit Risk (Cont'd.)

4.3 Credit Risk Mitigation

The Group's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on Credit Risk Mitigants ("CRM"). Depending on a customer's standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Group to mitigate credit risk are as follows:

- (a) for residential mortgages – charges over residential properties
- (b) for commercial property loans – charges over the properties being financed
- (c) for motor vehicle financing – ownership claims over the vehicles financed
- (d) for share margin financing – pledge over securities from listed exchange
- (e) for other loans – charges over business assets such as premises, inventories, trade receivables or deposits

There is no material concentration of CRM held. Presently, CRM including bank guarantees, shares and marketable securities are governed by various monitoring limits to ensure such concentration risk is properly managed.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and counterparty credit risk of the guarantor. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. Especially in mortgage financing, the collateral is required to be insured at all times against major risks, for instance, fire, with the respective banking entities as the loss payee under the insurance policy. In addition, customers are generally insured against major risks, such as, death and permanent disability.

The Group also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Group's credit exposures. In addition, the Group enters into master netting arrangements with its derivative counterparties to reduce the credit risk where in the event of default, all amounts with the counterparty are settled on a net basis.

4.0 Credit Risk (Cont'd.)

4.3 Credit Risk Mitigation (Cont'd.)

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2010				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	44,104,464	—	—	—
Public Sector Entities	447,508	300,687	—	—
Banks, DFIs and MDBs	8,322,852	369,900	—	—
Insurance Companies, Securities Firms and Fund Managers	239,194	—	4,889	—
Corporates	42,392,177	1,293,160	1,804,876	—
Regulatory Retail	78,591,298	5,032	650,601	—
Residential Mortgages	34,676,113	—	52,160	—
Higher Risk Assets	121,392	—	95	—
Other Assets	3,952,394	—	—	—
Equity Exposures	4,795,823	—	—	—
Defaulted Exposures	1,818,833	—	6,955	—
	219,462,048	1,968,779	2,519,576	—
Off-Balance Sheet Exposures				
Credit-related Exposures	9,241,639	347,573	392,318	—
Derivative Financial Instruments	930,694	—	—	—
Other Treasury-related Exposures	7,305	—	—	—
Defaulted Exposures	15,545	—	—	—
	10,195,183	347,573	392,318	—
Total Credit Exposures	229,657,231	2,316,352	2,911,894	—

4.0 Credit Risk (Cont'd.)

4.3 Credit Risk Mitigation (Cont'd.)

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral. (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2009				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	52,147,725	—	1,200,243	—
Public Sector Entities	522,950	—	—	—
Banks, DFIs and MDBs	7,916,638	411,360	—	—
Insurance Companies, Securities Firms and Fund Managers	169,785	—	6,045	—
Corporates	38,173,771	1,511,804	1,997,865	—
Regulatory Retail	69,011,161	6,898	673,715	—
Residential Mortgages	30,048,157	—	43,219	—
Higher Risk Assets	149,174	—	143	—
Other Assets	3,884,280	—	—	—
Equity Exposures	4,545,222	—	—	—
Defaulted Exposures	1,634,084	—	3,988	—
	208,202,947	1,930,062	3,925,218	—
Off-Balance Sheet Exposures				
Credit-related Exposures	8,137,334	389,525	386,976	—
Derivative Financial Instruments	997,257	—	—	—
Other Treasury-related Exposures	91,201	—	—	—
Defaulted Exposures	13,401	—	—	—
	9,239,193	389,525	386,976	—
Total Credit Exposures	217,442,140	2,319,587	4,312,194	—

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions (“ECAI”) ratings used by the Group and are recognised by BNM in the RWCAF:

- (a) Standard & Poor’s (“S&P”)
- (b) Moody’s Investors Services (“Moody’s”)
- (c) Fitch Ratings (“Fitch”)
- (d) Rating Agency Malaysia Berhad (“RAM”)
- (e) Malaysian Rating Corporation Berhad (“MARC”)

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- (a) Sovereigns and central banks
- (b) Banking institutions
- (c) Corporates

Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the RWCAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each exposure must be assigned to one of the six credit quality rating categories defined in the table below.

Rating Category	S & P	Moody’s	Fitch	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The Group uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a simplified version of the risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
	Sovereigns and Central Banks	Corporates	Banking Institutions	
			For Exposure Greater than Six Months Original Maturity	For Exposure Less than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of below three months and denominated in RM, are all risk-weighted at 20% regardless of credit rating.

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures before the effect of credit risk mitigation, broken down by credit quality rating categories.

	Rating Categories							
Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2010								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
– Corporates	2,896,348	1,873,710	1,483,860	19,761	–	–		6,273,679
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
– Sovereigns and Central Banks	511,127	42,594,029	–	–	698,491	–		43,803,647
– Public Sector Entities	–	300,687	–	–	–	–		300,687
– Corporates	–	10,116	–	–	–	–		10,116
	511,127	42,904,832	–	–	698,491	–		44,114,450
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	3,143,090	2,866,482	896,379	5,177	–	–		6,911,128
– Corporates	920,673	338,531	4,803	–	–	–		1,264,007
– Regulatory Retail	1,076	3,198	474	–	–	–		4,748
	4,064,839	3,208,211	901,656	5,177	–	–		8,179,883
Total Rated Exposures	7,472,314	47,986,753	2,385,516	24,938	698,491	–		58,568,012
(b) Total Unrated Exposures							160,894,036	160,894,036
	7,472,314	47,986,753	2,385,516	24,938	698,491	–	160,894,036	219,462,048

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures before the effect of credit risk mitigation, broken down by credit quality rating categories. (Cont'd.)

Exposure Class	Rating Categories							Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	
2010								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
– Corporates	100	–	–	–	–	–		100
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
– Sovereigns and Central Banks	–	–	–	–	–	–		–
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	750,451	27,036	38,258	–	–	–		815,745
– Corporates	324,667	20,000	–	–	–	–		344,667
– Regulatory Retail	–	1,162	–	–	–	–		1,162
	1,075,118	48,198	38,258	–	–	–		1,161,574
Total Rated Exposures	1,075,218	48,198	38,258	–	–	–		1,161,674
(b) Total Unrated Exposures							9,033,509	9,033,509
	1,075,218	48,198	38,258	–	–	–	9,033,509	10,195,183
Total Credit Exposures before Credit Risk Mitigation								
	8,547,532	48,034,951	2,423,774	24,938	698,491	–	169,927,545	229,657,231

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures before the effect of credit risk mitigation, broken down by credit quality rating categories. (Cont'd.)

	Rating Categories							
Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2009								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates								
– Corporates	2,609,889	1,994,858	1,633,773	—	—	—		6,238,520
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
– Sovereigns and Central Banks	341,767	51,102,513	—	—	543,907	—		51,988,187
– Public Sector Entities	—	—	—	—	—	—		—
– Corporates	—	10,117	—	—	—	—		10,117
	341,767	51,112,630	—	—	543,907	—		51,998,304
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	4,011,365	1,678,477	1,943,323	5,261	—	—		7,638,426
– Corporates	976,229	364,379	4,484	—	—	—		1,345,092
– Regulatory Retail	2,376	4,101	421	—	—	—		6,898
	4,989,970	2,046,957	1,948,228	5,261	—	—		8,990,416
Total Rated Exposures	7,941,626	55,154,445	3,582,001	5,261	543,907	—		67,227,240
(b) Total Unrated Exposures							140,975,707	140,975,707
	7,941,626	55,154,445	3,582,001	5,261	543,907	—	140,975,707	208,202,947

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures before the effect of credit risk mitigation, broken down by credit quality rating categories. (Cont'd.)

	Rating Categories							
Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2009								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Credit exposures risk-weighted using ratings of Corporates – Corporates	100	–	–	–	–	–		100
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks # – Sovereigns and Central Banks	28,867	15,344	171	–	–	–		44,382
(iii) Exposures risk-weighted using ratings of Banking Institutions – Banks, DFIs and MDBs	805,047	74,876	40,027	–	7,206	–		927,156
– Corporates	350,614	34,000	–	–	–	–		384,614
– Regulatory Retail	–	911	–	–	–	–		911
	1,155,661	109,787	40,027	–	7,206	–		1,312,681
Total Rated Exposures	1,184,628	125,131	40,198	–	7,206	–		1,357,163
(b) Total Unrated Exposures							7,882,030	7,882,030
	1,184,628	125,131	40,198	–	7,206	–	7,882,030	9,239,193
Total Credit Exposures before Credit Risk Mitigation								
	9,126,254	55,279,576	3,622,199	5,261	551,113	–	148,857,737	217,442,140

Under the RWCAF, exposures to and/or guaranteed by the Federal Government of Malaysia, Bank Negara Malaysia, overseas federal governments and central banks of their respective jurisdictions are accorded a preferential sovereign risk weight of 0%.

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Group.

Risk Weights	Exposures after Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Funds Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2010												
0%	44,013,720	300,687	—	—	25,210	—	—	—	945,789	—	45,285,406	—
20%	—	146,850	7,921,258	—	4,141,587	1,077	—	—	165,656	30,948	12,407,376	2,481,475
35%	—	—	—	—	—	—	21,409,463	—	—	—	21,409,463	7,493,312
50%	—	—	1,272,577	61,144	2,253,817	8,496	14,401,266	—	—	—	17,997,300	8,998,650
75%	—	—	—	—	—	83,771,709	—	—	—	—	83,771,709	62,828,782
100%	90,747	—	51,490	177,411	36,133,031	17,156	177,244	—	2,840,949	4,764,875	44,252,903	44,252,903
150%	—	—	—	2,010	327,569	1,144,563	7,606	139,432	—	—	1,621,180	2,431,770
Total	44,104,467	447,537	9,245,325	240,565	42,881,214	84,943,001	35,995,579	139,432	3,952,394	4,795,823	226,745,337	128,486,892
Risk-Weighted Assets by Exposures	90,747	29,370	2,272,030	210,998	38,579,610	64,567,246	14,882,598	209,148	2,874,080	4,771,065	128,486,892	
Average Risk Weights	0.2%	6.6%	24.6%	87.7%	90.0%	76.0%	41.3%	150.0%	72.7%	99.5%	56.7%	
Deduction from Capital Base			47,439							—	47,439	

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Group. (Cont'd.)

Risk Weights	Exposures after Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Funds Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2009												
0%	50,962,829	—	—	—	25,203	—	—	—	924,074	—	51,912,106	—
20%	—	522,980	7,531,439	—	3,936,830	2,376	—	—	109,903	30,948	12,134,476	2,426,895
35%	—	—	—	—	—	—	18,715,667	—	—	—	18,715,667	6,550,483
50%	—	—	1,399,014	63,004	2,395,836	28,161	12,551,548	—	—	—	16,437,563	8,218,782
75%	—	—	—	—	—	73,109,604	—	—	—	—	73,109,604	54,832,203
100%	—	—	54,396	102,459	31,530,539	34,186	234,986	—	2,850,303	4,514,274	39,321,143	39,321,143
150%	—	—	—	2,010	227,965	1,102,360	783	166,269	—	—	1,499,387	2,249,081
Total	50,962,829	522,980	8,984,849	167,473	38,116,373	74,276,687	31,502,984	166,269	3,884,280	4,545,222	213,129,946	113,598,587
Risk-Weighted Assets by Exposures	—	104,596	2,260,191	136,976	33,857,770	56,534,485	13,062,418	249,403	2,872,284	4,520,464	113,598,587	
Average Risk Weights	0.0%	20.0%	25.2%	81.8%	88.8%	76.1%	41.5%	150.0%	73.9%	99.5%	53.3%	
Deduction from Capital Base			173,381							—	173,381	

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank.

Risk Weights	Exposures after Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Funds Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2010												
0%	34,271,397	—	—	—	10,114	—	—	—	868,413	—	35,149,924	—
20%	—	401	6,182,969	—	4,136,564	1,076	—	—	—	30,948	10,351,958	2,070,392
35%	—	—	—	—	—	—	16,658,724	—	—	—	16,658,724	5,830,553
50%	—	—	1,518,689	—	2,312,765	8,496	13,585,652	—	—	—	17,425,602	8,712,801
75%	—	—	—	—	—	65,440,965	—	—	—	—	65,440,965	49,080,724
100%	90,747	—	51,472	40,767	31,879,432	17,156	159,478	—	1,958,045	4,240,735	38,437,832	38,437,832
150%	—	—	—	2,010	260,390	913,752	—	124,849	—	—	1,301,001	1,951,501
Total	34,362,144	401	7,753,130	42,777	38,599,265	66,381,445	30,403,854	124,849	2,826,458	4,271,683	184,766,006	106,083,803
Risk-Weighted Assets by Exposures	90,747	80	2,047,410	43,782	34,253,712	50,472,971	12,782,857	187,274	1,958,045	4,246,925	106,083,803	
Average Risk Weights	0.3%	20.0%	26.4%	102.3%	88.7%	76.0%	42.0%	150.0%	69.3%	99.4%	57.4%	
Deduction from Capital Base			47,439							—	47,439	

4.0 Credit Risk (Cont'd.)

4.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

The following tables present the credit exposures by risk weights and after credit risk mitigation of the Bank. (Cont'd.)

Risk Weights	Exposures after Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Funds Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2009												
0%	39,413,697	—	—	—	10,115	—	—	—	763,157	—	40,186,969	—
20%	—	563	3,641,997	—	3,921,760	2,376	—	—	—	30,948	7,597,644	1,519,529
35%	—	—	—	—	—	—	14,168,172	—	—	—	14,168,172	4,958,860
50%	—	—	4,784,875	—	2,449,509	22,663	11,892,036	—	—	—	19,149,083	9,574,542
75%	—	—	—	—	—	56,050,351	—	—	—	—	56,050,351	42,037,763
100%	—	—	54,093	2,073	27,401,799	19,917	212,003	—	1,912,073	4,002,256	33,604,214	33,604,214
150%	—	—	—	2,010	105,797	847,883	65	150,966	—	—	1,106,721	1,660,082
Total	39,413,697	563	8,480,965	4,083	33,888,980	56,943,190	26,272,276	150,966	2,675,230	4,033,204	171,863,154	93,354,990
Risk-Weighted Assets by Exposures	—	113	3,174,930	5,088	29,569,602	43,341,311	11,116,979	226,449	1,912,073	4,008,445	93,354,990	
Average Risk Weights	0.0%	20.0%	37.4%	124.6%	87.3%	76.1%	42.3%	150.0%	71.5%	99.4%	54.3%	
Deduction from Capital Base			173,381							—	173,381	

4.0 Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Loans, Advances and Financing

The tables below present the gross loans, advances and financing analysed by credit quality.

	2010 RM'000	2009 RM'000
Neither past due nor impaired	134,883,902	118,870,898
Past due but not impaired	19,875,893	17,419,902
Impaired	1,784,277	1,319,627
	156,544,072	137,610,427
Gross impaired loans as a percentage of gross loans, advances and financing	1.14%	0.96%

(a) Neither Past Due Nor Impaired

The credit quality of gross loans, advances and financing which are neither past due nor impaired is set out in Note 44 to the financial statements.

(b) Past Due But Not Impaired

Past due but not impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due, and includes loans which are due one or more days after the contractual due date but less than 3 months. 60% of the past due loans and advances of the Group are past due for less than 1 month.

The following tables present an analysis of the past due but not impaired loans, advances and financing by economic purpose.

	2010 RM'000	2009 RM'000
Purchase of securities	3,597	343
Purchase of transport vehicles	8,567,503	7,408,450
Purchase of landed properties	9,135,149	8,058,109
(Of which: – residential	6,667,962	5,852,448
– non-residential)	2,467,187	2,205,661
Purchase of fixed assets (excluding landed properties)	19,560	32,572
Personal use	731,672	717,643
Credit card	235,889	207,179
Purchase of consumer durables	1,328	820
Construction	28,930	86,214
Mergers and acquisitions	—	7,003
Working capital	1,058,833	801,498
Other purpose	93,432	100,071
	19,875,893	17,419,902

4.0 Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Past Due But Not Impaired (Cont'd.)

The following tables present an analysis of the past due but not impaired loans, advances and financing by geographical distribution.

	2010 RM'000	2009 RM'000
Malaysia	19,345,314	16,798,572
Hong Kong & China PRC	214,114	205,683
Cambodia	260,333	330,534
Other countries	56,132	85,113
	19,875,893	17,419,902

The following tables present an analysis of the past due but not impaired loans, advances and financing by aging analysis.

	2010 RM'000	2009 RM'000
1 day to <1 month	11,901,504	10,218,490
1 month to <2 months	6,099,305	5,424,838
2 months to <3 months	1,875,084	1,776,574
	19,875,893	17,419,902

(c) Impaired Loans, Advances and Financing

The Group assesses, at each reporting period, whether there is any objective evidence that an individually significant loan is impaired. "Objective evidence of impairment" exists when one or more events that have occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated. The criteria that the Group uses to determine whether there is any objective evidence of impairment are set out in Note 44 to the financial statements.

Loans, advances and financing which are not individually significant are collectively assessed. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics for collective impairment assessment.

4.0 Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(c) Impaired Loans, Advances and Financing (Cont'd.)

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The Bank and its domestic banking subsidiaries' collective assessment allowance is made at 1.5% of total outstanding loans, advances and financing, net of individual assessment allowance, being the transitional arrangement as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010.

Impaired loans, advances and financing are loans whereby payments of principal or interest or both are past due for three (3) months or more, or loans which are past due for less than three (3) months which exhibit indications of credit weaknesses, or impaired loans which have been restructured/rescheduled, but where repayments based on the revised terms have yet to fulfill the six (6) consecutive months of observation period.

The above credit policies were adopted in connection with the adoption of the Financial Reporting Standard 139 Financial Instruments: Recognition and Measurement ("FRS 139") issued by the Malaysian Accounting Standards Board, which was adopted with prospective effect from 1 January 2010. The comparative figures were not restated.

4.0 Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(c) Impaired Loans, Advances and Financing (Cont'd.)

The following tables present an analysis of the impaired loans, advances and financing and the related impairment allowances for loans, advances and financing by economic purpose.

	2010							2009
	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000	Non-Performing Loans RM'000
Purchase of securities	7,596	—	3,698	(2,169)	1,529	35,017	36,546	2,722
Purchase of transport vehicles	278,520	2,261	38,554	(416)	40,399	506,218	546,617	145,096
Purchase of landed properties	789,082	36,562	6,115	(10,758)	31,919	1,178,753	1,210,672	564,424
(Of which: – residential	500,289	905	11,181	(10,730)	1,356	675,217	676,573	451,954
– non-residential)	288,793	35,657	(5,066)	(28)	30,563	503,536	534,099	112,470
Purchase of fixed assets (excluding landed properties)	9,041	1,451	(936)	—	515	4,232	4,747	7,021
Personal use	172,963	29,432	192,938	(178,492)	43,878	116,369	160,247	153,777
Credit card	27,296	—	—	—	—	20,119	20,119	13,998
Purchase of consumer durables	104	—	—	—	—	246	246	242
Construction	14,677	6,553	21,229	(21,010)	6,772	16,768	23,540	4,861
Mergers and acquisitions	—	—	—	—	—	123	123	—
Working capital	442,712	172,076	52,297	(93,606)	130,767	326,105	456,872	410,861
Other purpose	42,286	9,130	25	—	9,155	92,208	101,363	16,625
	1,784,277	257,465	313,920	(306,451)	264,934	2,296,158	2,561,092	1,319,627

The non-performing loans balances for 2009 were determined based on the previous BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. The comparative figures were not restated as FRS 139 is only effective from 1 January 2010. Similarly, the movements for the individual assessment allowance and collective assessment allowance were not provided for the comparative period of 31 December 2009.

The movements in the collective assessment allowance for 2010 are set out in Note 9 to the financial statements.

4.0 Credit Risk (Cont'd.)

4.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(c) Impaired Loans, Advances and Financing (Cont'd.)

The following tables present the distribution of the impaired loans, advances and financing and the related impairment allowances for loans, advances and financing by geographical distribution.

	2010							2009
	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000	Non- Performing Loans RM'000
Malaysia	1,551,478	133,772	38,194	(3,721)	168,245	2,168,940	2,337,185	945,809
Hong Kong & China PRC	131,135	69,304	207,001	(208,215)	68,090	86,741	154,831	232,902
Cambodia	59,545	45,517	70,373	(93,733)	22,157	34,917	57,074	139,297
Other countries	42,119	8,872	(1,648)	(782)	6,442	5,560	12,002	1,619
	1,784,277	257,465	313,920	(306,451)	264,934	2,296,158	2,561,092	1,319,627

The non-performing loans balances for 2009 were determined based on the previous BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. The comparative figures were not restated as FRS 139 is only effective from 1 January 2010. Similarly, the movements for the individual assessment allowance and collective assessment allowance were not provided for the comparative period of 31 December 2009.

The movements in the collective assessment allowance for 2010 are set out in Note 9 to the financial statements.

5.0 Market Risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In addition, the market risk of Islamic activities of the Group includes rate of return risk and displaced commercial risk.

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement on market risk.

	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
2010				
Interest rate risk	21,004,339	(14,263,287)	462,113	36,969
Foreign exchange risk	600,244	(375,715)	600,244	48,020
Equity risk	869	—	1,088	87
Total	21,605,452	(14,639,002)	1,063,445	85,076
2009				
Interest rate risk	20,281,782	(11,104,063)	539,239	43,139
Foreign exchange risk	520,324	(620,549)	621,165	49,693
Equity risk	925	—	1,214	97
Total	20,803,031	(11,724,612)	1,161,618	92,929
Bank				
2010				
Interest rate risk	20,254,384	(14,456,570)	410,690	32,855
Foreign exchange risk	997,355	(1,376,577)	1,376,862	110,149
Equity risk	869	—	1,087	87
Total	21,252,608	(15,833,147)	1,788,639	143,091
2009				
Interest rate risk	18,659,428	(11,036,933)	508,288	40,663
Foreign exchange risk	966,173	(1,571,235)	1,571,478	125,718
Equity risk	925	—	1,214	97
Total	19,626,526	(12,608,168)	2,080,980	166,478

5.0 Market Risk (Cont'd.)

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk framework and policies, aligns market risk management with business strategies and planning, and recommends actions to ensure that the market risks remain within established risk tolerance level. The market risk of the Group is identified into traded market risk and non-traded market risk.

5.1 Traded Market Risk

Traded market risk, primarily the interest rate risk and credit spread risk, exist in the Group's trading book positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk Management Approach

The Group's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's traded market risk for its interest rate sensitive fixed income instruments is measured by the present value of one basis point change ("PV01") and is monitored independently by the Compliance Unit on a daily basis against approved market risk limits. In addition, the Compliance Unit is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Division. Changes to market risk limits must be approved by the Board. The trading book positions and limits are regularly reported to the ALCO. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board.

During the year, the Group's traded market risk exposures on fixed income securities as measured by PV01, averaged at RM173,000 (2009: RM194,000). The composition of the Group's trading portfolio is as set out in Note 5 to the financial statements.

5.2 Non-Traded Market Risk

The Group's core non-traded market risks are interest rate risk and the rate of return risk in the banking book, displaced commercial risk in the Group's Islamic banking business, foreign exchange risk and equity risk.

(a) Interest Rate Risk in the Banking Book

Interest rate risk in the banking book ("IRRBB") emanates from the repricing mismatches of the Group's banking assets and liabilities and also from the Group's investment of its surplus funds.

Risk Management Approach

The primary objective in managing the IRRBB is to manage the volatility in the Group's net interest income ("NII") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in interest rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge interest rate risk is set out in Note 6 to the financial statements.

The Group uses various tools including repricing gap reports, sensitivity analysis and income scenario simulations to measure its IRRBB. The impact on earnings and EVE is considered at all times in measuring the IRRBB and is subject to limits approved by the RMC.

5.0 Market Risk (Cont'd.)

5.2 Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Risk Management Approach (Cont'd.)

- (i) The table in Note 44 to the financial statements sets out the Group'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. As at 31 December 2010, the Group had an overall positive interest rate gap of RM27,748.2 million (2009: RM23,234.0 million), being the net difference between interest sensitive assets and liabilities.
- (ii) Interest Rate Risk Sensitivity Analysis
The following tables present the projected Group's sensitivity to a 100 basis point parallel shock to interest rates across all maturities applied on the Group's interest sensitivity gap as at reporting date. Where the current interest rate is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rates.

Impact on NII	2010		2009	
	(100) bps	100 bps	(100) bps	100 bps
	Increase/(Decrease)			
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	(158,661)	114,974	(133,753)	55,941
United States Dollars	85,358	(78,042)	54,538	(56,081)
Hong Kong Dollars	(3,689)	11,392	(2,018)	6,727
Others	16,277	(16,529)	12,457	(12,334)
Total	(60,715)	31,795	(68,776)	(5,747)

Impact on EVE	2010		2009	
	(100) bps	100 bps	(100) bps	100 bps
	Increase/(Decrease)			
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	1,192,978	(1,192,119)	1,101,295	(1,100,361)
United States Dollars	7,346	(7,346)	10,347	(10,347)
Hong Kong Dollars	2,108	(7,025)	2,050	(6,835)
Others	(4,681)	4,681	(1,840)	1,840
Total	1,197,751	(1,201,809)	1,111,852	(1,115,703)

5.0 Market Risk (Cont'd.)

5.2 Non-Traded Market Risk (Cont'd.)

(a) Interest Rate Risk in the Banking Book (Cont'd.)

Risk Management Approach (Cont'd.)

(ii) Interest Rate Risk Sensitivity Analysis (Cont'd.)

The reported amounts do not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate risk. In reality, treasury operations seek 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 the NII and EVE of some rates changing while others remain unchanged. The projection also assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Loan prepayment is generally estimated based on past statistics and trends, where possible and material. The impact on the NII is measured on a monthly basis and the impact on the EVE is on a quarterly basis, both of which are reported to the ALCO and the RMC.

- (iii) Stress testing is conducted semi-annually to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the Group's statement of financial position. Stress testing is performed to provide early warnings of potential losses to facilitate the proactive management of interest rate risk.

(b) Rate of Return Risk in the Banking Book

Rate of return risk in the banking book ("RoRBB") is the potential loss of income arising from changes in market rates on the return on assets and on the returns payable on funding. RoRBB is inherent in the Group's Islamic banking activities via Public Islamic due to the maturity gaps between Public Islamic's rate of return sensitive assets and liabilities.

Risk Management Approach

Periodically, Public Islamic performs sensitivity testing to identify the rate of return risk in the banking book, whereby the risk arising is measured in terms of its adverse impact on Net Financing Income and on EVE. Public Islamic strives to reduce the maturity gaps by matching the duration of its rate of return sensitive assets and liabilities. This is achieved via the active sourcing of longer tenure Negotiable Instruments Deposits-i funds.

(c) Displaced Commercial Risk

Displaced commercial risk is the risk that Public Islamic is not able to pay its mudharabah depositors a rate of return which is competitive to the market rates. Public Islamic does not have Profit Sharing Investment Accounts ("PSIA") which are eligible for risk absorbent treatment.

Risk Management Approach

Public Islamic manages this risk by optimising the employment of the mudharabah funds through prudent credit management and effective product pricing. In addition, the maintenance of the Profit Equalisation Reserve ("PER") account and the ability of Public Islamic to adjust the Mudarib's profit sharing rate in order to smoothen the returns payable to the mudharabah depositors serve as an important tool for Public Islamic to mitigate the displaced commercial risk.

5.0 Market Risk (Cont'd.)

5.2 Non-Traded Market Risk (Cont'd.)

(d) Foreign Exchange Risk

Foreign currency exchange risk refers to adverse 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 United States Dollars and Hong Kong Dollars.

Risk Management Approach

The Group manages such risk through funding in the same functional currencies, where possible. In addition, Net Open Position ("NOP") limits are set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on its potential economic benefit and is periodically assessed by the ALCO.

The table in Note 44 to the financial statements sets out the Group's assets, liabilities and net open positions by currencies and the Group's structural foreign exchange positions. As at 31 December 2010, only RM353.7 million or 11% of the Group's structural foreign exchange positions remained unhedged.

(e) Equity Risk

Equity risk refers to the adverse impact of change in equity prices on equity positions held by the Group for yield purposes.

Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee and the Sub-Committee on Share Investment.

6.0 Equity Exposures in Banking Book

The tables below present the equity exposures in banking book.

	2010		2009	
	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000
Publicly traded				
Investments in unit trust funds	4,672,166	4,672,166	4,412,605	4,412,605
Holdings of equity investments	36,218	36,218	45,174	45,174
	4,708,384	4,708,384	4,457,779	4,457,779
Privately held				
For socio-economic purposes	87,439	62,681	87,443	62,685
Not for socio-economic purposes	17,474	26,211	20,070	30,105
	104,913	88,892	107,513	92,790
Total	4,813,297	4,797,276	4,565,292	4,550,569

(i) Publicly Traded

The investment in unit trust funds, comprises of bond fund and money market funds, is held for yield purposes. Holdings of equity investments comprise mainly of shares listed in an exchange, are held for dividend yield purpose and to take advantage of favourable movements in equity prices. Decisions concerning investing in equity shares are made by Share Investment Committee and the Sub-Committee on Share Investment. Equity positions are monitored against pre-determined cut-loss limits. All publicly traded equity exposures are stated at fair value.

(ii) Privately Held

The privately held equity investments are unquoted and stated at cost adjusted for impairment loss, if any.

(iii) Gains and Losses on Equity Exposures in the Banking Book

The tables below present the gains and losses on equity exposures in banking book.

	2010 RM'000	2009 RM'000
Realised gains recognised in the income statement		
– Publicly traded equity investments	3,477	1,022
Unrealised gains/(losses) recognised in revaluation reserve		
– Investments in unit trust funds	33,191	14,464
– Publicly traded equity investments	(4,479)	(4,295)
	28,712	10,169

7.0 Liquidity and Funding Risk

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk Governance

The ALCO is the primary party responsible for liquidity management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALCO and approved by the RMC prior to implementation.

Risk Management Approach

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by BNM, and is measured and managed based on projected cash flow. In addition to ensuring the compliance with the New Liquidity Framework, the Group maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of highly liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flow and the replenishment of funds as they matured or are borrowed by customers. As at 31 December 2010, the Group holds a sizeable balance of government securities amounting to RM14,257.6 million or 48% of its portfolio of securities.

The Group's liquidity and funding position is supported by the Group's significant retail deposit base, accompanied by funding from wholesale markets. The Group's retail deposit base comprises current and savings deposits which, although payable on demand, have traditionally in aggregate provided stable sources of funding. The Group's reputation, earnings generation capacity, strong credit rating, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Group accesses the wholesale markets through the issuance of certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

The primary tools for monitoring liquidity is the maturity mismatch analysis, assessment on the concentration of fundings, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity positions are reported to the ALCO on a monthly basis and in major currencies i.e. in Ringgit Malaysia and in United States Dollars.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed by the various entities under the Group to determine the cash flow mismatches under the "Specific Institution Liquidity Problem" and "Systemic Liquidity Problem" scenarios and the possible source of funding to meet the shortfalls during a liquidity crisis.

Overseas branches and overseas subsidiary companies are required to comply with their respective local regulatory liquidity requirements and internal liquidity limits set by Head Office. Similar risk management processes as practised by the Bank are adopted by its overseas subsidiary companies and overseas branches. It is the Group's policy that the overseas subsidiary companies and overseas branches strive to attain a self-funding position in funding their respective operations.

8.0 Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable for the Group as it is inherent in its business operations. The objective of the operational risk management of the Group is to manage its operational risk within an acceptable level.

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement on operational risk, computed using the Basic Indicator Approach.

	2010		2009	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	11,546,113	923,689	10,436,307	834,905
Bank	8,446,853	675,748	7,815,769	625,262

Risk Governance

The Group's operational risk management is guided by the operational risk management framework designed to provide a sound and well-controlled operational environment within the Group. The framework sets out the Group's approach to identifying, assessing, monitoring and mitigating operational risk.

The ORMC assists the RMC in operational risk management oversight. The ORMC is responsible for overseeing the development and assessing the effectiveness of risk management policies in relation to operational risk. To ensure effective oversight and management of operational risk, dedicated independent risk management and control units are put in place for ensuring the operational risk policies are implemented and complied with.

The various business units are responsible for identifying, managing and mitigating operational risks within their lines of business and ensure that their business activities are carried out within the established operational risk policies, guidelines, procedures and limits.

Risk Management Approach

The day-to-day management of operational risk exposures is through a comprehensive system of internal controls to ensure that operational policies, guidelines and procedures are being adhered to at all levels throughout the Group. As events and business conditions evolve, the Group continues to strengthen and refine its operational risk management processes to ensure that the current and potential operational risk exposures are properly understood and managed.

8.0 Operational Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(a) Strategy and Processes

The Group has put in place a disciplined product evaluation process. The Group's product evaluation process is governed by the Group's Policy and Procedures on Risk Management Practices for New Products. Each new product or service introduced as well as variations to existing products or services are subject to a rigorous risk review and sign-off process where risks are identified and assessed by divisions independent of the risk taking unit that proposes the product or service. This is further augmented by the Group Framework on Product Transparency and Disclosure which emphasises the importance of safeguarding customers' confidentiality and promoting their awareness and understanding of banking products and services, and informed decision making.

The Group continues to direct group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates in. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to support compliance with regulations governing anti money-laundering and counter financing of terrorism.

To further enhance operational risk management in response to threat of external fraud, losses arising from frauds or control lapses are analysed in depth to identify the causes of such losses and to implement remedial actions to prevent recurrence. Analyses of impaired loans attributed to operational lapses are also conducted diligently and the findings are disseminated to all business units as learning points.

The Group manages its outsourcing activities through the Guidelines on Outsourcing Activities which stipulate the requirements and the operating procedures to be observed in managing activities that are outsourced to third party service providers. This is to ensure that the risks associated with outsourcing activities are managed effectively.

Disaster recovery and business continuity plans are put in place as an integral part of the Group's strategy to mitigate risk and manage the impact of loss events. Where appropriate, the Group mitigates risk of high impact loss events by relevant insurance coverage.

The Group protects and ensures information security through continuous assessment of the security features on all computer platforms and network infrastructure, and implementation of appropriate security controls to protect against the misuse or compromise of information assets. In addition, the Group continues to undertake initiatives to maintain 100% systems availability and robust system performance in the Group's computer systems, peripherals and network infrastructure to ensure uninterrupted transmission.

8.0 Operational Risk (Cont'd.)

Risk Management Approach (Cont'd.)

(b) Tools and Methods for Risk Mitigation

To manage and mitigate operational risk, the Group uses various tools including:

- Control self-assessment – to enhance management assessment of the state of the control environment
- Key risk indicators – to collect statistical data on an ongoing basis to facilitate early detection of operational control deficiencies
- Operational risk incident reporting and data collection – to facilitate an enhanced analysis and timely reporting of operational risk data which are useful in assessing the Group's operational risk exposure and in strengthening the internal control environment

The Group employs the following key methods to mitigate its operational risk:

- System of internal controls based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes
- Documented operational risk management policies and procedural manuals to mitigate errors by users
- Processes to ensure compliance with internal policies, guidelines, controls and procedures and appropriate punitive actions are taken against errant staff
- Review and enhancement of operational risk limits and control strategies periodically
- Disaster recovery and business continuity plans put in place to mitigate risk and manage the impact of loss events
- Insurance coverage is obtained to mitigate risk of high impact loss events, where appropriate
- Review of outsourcing activities to ensure that service providers adhere to the terms and conditions in the service agreement and that their integrity and service quality are not compromised

(c) Reporting

Reporting forms an essential part of operational risk management. The Group's risk management processes are designed to ensure that operational issues are identified, escalated and managed on a timely manner.

Operational risk areas for the key business and control units are reported through monthly operational risk management reports, which provide analyses and action plans for each significant business operation. The operational risk areas considered include premises controls and safety, losses due to fraud or control lapses, system availability, disaster recovery and business continuity plan simulations, outsourcing activities and legal actions taken against the Group. The operational risk management reports are tabled to the ORMC and the RMC for deliberations.

9.0 Shariah Non-Compliance Risk and Governance

Shariah non-compliance risk arises from Public Islamic's failure to comply with the Shariah rules and principles as determined by the Shariah Committee of Public Islamic or the relevant body, such as the Shariah Advisory Council of Bank Negara Malaysia ("BNM").

This risk is managed through the Shariah Compliance Framework which is endorsed by the Shariah Committee and approved by the Board of Directors of Public Islamic ("the Board of Public Islamic"). The Framework, amongst others, sets out the roles and responsibilities of the Board of Public Islamic and the Shariah Committee, a systematic approach in reviewing Shariah compliance and the reporting process on Shariah matters. The Board of Public Islamic is ultimately responsible for Shariah compliance, performs diligence over the effective functioning of the Framework and ensures that policies relating to Shariah matters are implemented accordingly. The Shariah Committee is preceded by qualified members who deliberate and endorse all Shariah matters which are subsequently noted and/or approved by the Board of Public Islamic. On a periodic basis, the Shariah Committee members perform on-site inspections at branches to review the operations of Public Islamic to ensure the operations are conducted in accordance to Shariah rules and principles.

The Shariah Compliance Unit, which comprises Shariah review and Shariah research functions, is responsible for the continuous assessment on Shariah compliance for all activities and business operations of Public Islamic. Shariah review's role is to examine and evaluate Public Islamic's level of compliance to the Shariah through the end-to-end product development process and operational review including the review of the application for financing for possible use of financing for Shariah non-compliance activities. Shariah research is responsible for conducting research on Shariah issues and providing Shariah advisory support to branches and business units. In addition, internal audits are performed periodically to verify that the Islamic operations conducted by the branches or business units are in compliance with the decisions endorsed by the Shariah Committee. Any incidences of Shariah non-compliance are reported to both the Shariah Committee and the Audit Committee. Remedial actions, including but not limited to the immediate termination of the Shariah non-compliant products or services to address Shariah non-compliant income or activities are proposed for the endorsement of the Shariah Committee and the approval by the Board of Public Islamic. There is no Shariah non-compliant income nor events during the financial year under review.

Subsequent to the reporting date, Public Islamic has drawn up the Shariah Governance Framework in accordance to the Shariah Governance Framework for Islamic Financial Institutions issued by BNM on 22 October 2010. The Shariah Governance Framework will further strengthen the Shariah governance of Public Islamic and supplements the existing policies and procedures relating to Shariah compliance of Public Islamic.



Bursa Malaysia Listing Requirements Compliance Information

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"):

(i) Utilisation of Proceeds Raised from Corporate Proposals

The proceeds raised from corporate proposals in prior years have been used for working capital, general banking and other corporate purposes, as intended.

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

(ii) Share Buy Back

During the financial year ended 31 December 2010, Public Bank bought back a total of 20,000 of its ordinary shares of RM1.00 each ("PBB Shares") which are listed and quoted as "Local" on the Main Market of Bursa Malaysia ("PBB Local Shares") in the open market. The details of the PBB Local Shares bought back during the year were as follows:

Monthly Breakdown 2010	Number of PBB Local Shares Bought Back	Buy Back Price Per PBB Local Share (RM)			Average Cost Per PBB Local Share* (RM)	Total Cost* (RM)
		Lowest	Highest	Average		
January	10,000	11.74	11.74	11.74	11.78	117,817
July	10,000	12.20	12.20	12.20	12.24	122,433
Total	20,000	11.74	12.20	11.97	12.01	240,250

* Inclusive of transaction cost

All the PBB Local Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. A total of 50,716,464 treasury shares were distributed as a share dividend on the basis of 1 PBB Local Share held as a treasury share for every 68 PBB shares of RM1.00 each held in Public Bank on 5 February 2010. The distribution of the share dividend was completed on 13 February 2010. As at 31 December 2010, the number of treasury shares held after deducting share dividend distributed were 29,780,704 PBB Shares. None of the treasury shares held were resold or cancelled during the financial year.

Disclosed in accordance with Paragraph 12.23, Appendix 12D of the Listing Requirements of Bursa Malaysia.

(iii) Options or Convertible Securities

No options or convertible securities were issued by Public Bank during the financial year ended 31 December 2010 and there are no options or convertible securities outstanding and exercisable at the end of the financial year ended 31 December 2010.

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

(iv) Depository Receipt Programme

Public Bank did not sponsor any depository receipt programme during the financial year ended 31 December 2010.

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

(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 2010.

Disclosed in accordance with Appendix 9C, Part A, item 17 of the Listing Requirements of Bursa Malaysia.

(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 2010 amounted to RM679,000 and RM364,000 respectively.

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

(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 2010.

Disclosed in accordance with Appendix 9C, Part A, item 19 of the Listing Requirements of Bursa Malaysia.

(viii) Profit Guarantee

There was no profit guarantee given by Public Bank and its subsidiary companies during the financial year ended 31 December 2010.

Disclosed in accordance with Appendix 9C, Part A, item 20 of the Listing Requirements of Bursa Malaysia.

(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 2010 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 Malaysia.

(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 is as disclosed in Note 2(i) to the financial statements.

Disclosed in accordance with Appendix 9C, Part A, item 24 of the Listing Requirements of Bursa Malaysia.

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

Public Bank did not seek any mandate from its shareholders as required under Paragraph 10.09(2)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Malaysia 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 Malaysia.

Disclosed in accordance with Paragraph 10.09(2)(b) of the Listing Requirements of Bursa Malaysia.



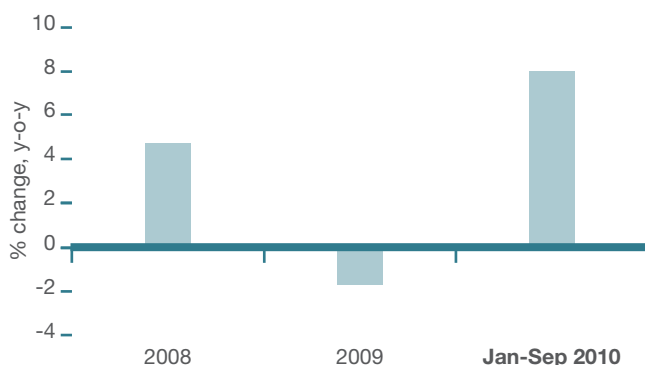
Malaysian Economy: Review and Outlook

I. Review, 2010

Gross Domestic Product 2010

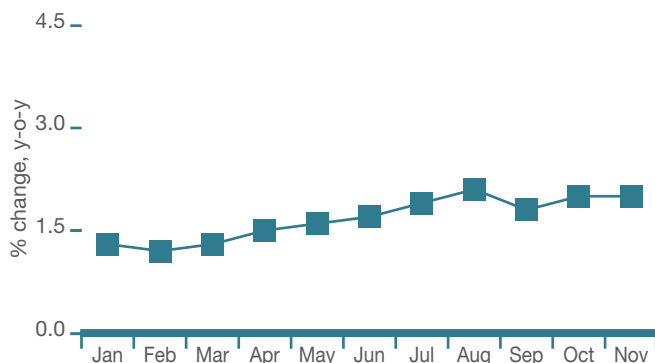
The Malaysian economy rebounded strongly in 2010 from a recession in 2009. Coupled with stimulative monetary and fiscal policies, growth was supported by domestic and external demand during the year. For the whole year of 2010, the economy is expected to grow by 7%.

Graph 1
Malaysia: Real GDP Growth, 2008-2010



Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2010.

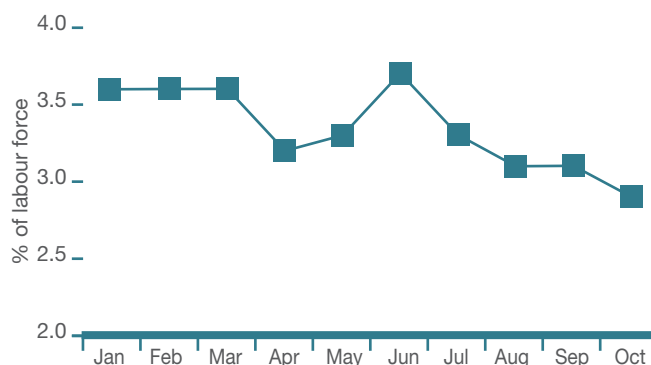
Graph 2
Malaysia: Inflation, 2010



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

In the first nine months of this year, the Malaysian economy expanded by 8% compared to the corresponding period of last year (Graph 1). Inflation edged up from 1.3% in January 2010 to 2% in November 2010, as a result of cuts in fuel and food subsidies and recovery in domestic demand during the period (Graph 2). The labour market conditions remained stable with the unemployment rate improving to 2.9% in October 2010 (Graph 3).

Graph 3
Malaysia: Unemployment Rate, 2010



Source: Department of Statistics, Malaysia, Principal Statistics of Labour Force, October 2010.

Supply Side

On the supply side, growth in the first nine months of the year was supported by a broad recovery in major economic sectors (Table 1). In particular, the manufacturing sector rebounded by 13.3%, up from a contraction of 9.4% in 2009, supported by broad-based recoveries in both domestic-oriented (such as construction related and transport equipment industries) and export-oriented industries (such as electronics and electrical products industries). The capacity utilisation rate of the manufacturing sector was stable at 75% to 76% during the year.

Table 1
Malaysia: Real GDP by Economic Activity, 2009-2010
(at constant 2000 Prices)

	% Annual Change	
	2009	Jan-Sep '10
Real GDP	-1.7	8.0
Agriculture	0.4	3.8
Mining	-3.8	0.7
Manufacturing	-9.4	13.3
Construction	5.8	5.0
Services	2.6	7.0

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2010.

Services Sector

The services sector proved to be more resilient compared to the manufacturing sector. In the first nine months of this year, the services sector expanded by 7%, up from 2.6% in 2009 due to favourable domestic demand. Within the services sector, intermediate services (such as transport, finance and business services) expanded by 7.4% and final services (such as wholesale and retail trade and utilities) expanded by 6.8% in the nine months period (Table 2).

Construction Sector

In the first nine months of this year, the construction sector continued to expand strongly by 5%, supported by activities in the non-residential and civil engineering sub-sectors. The implementation of construction projects and the continued effects of the stimulus packages introduced in 2008 and 2009 supported activities in the sector.

Agriculture Sector

Growth in the agriculture sector increased to 3.8% in the first nine months of this year, up from 0.4% in 2009. The stronger growth was due to higher production of major commodities such as rubber and crude palm oil. The growth was also supported by expansion in the non-plantation sub-sectors such as fishing, livestock and food crops (Table 3).

Table 2
Malaysia: Performance of the Services Sector, 2009-2010
(at constant 2000 Prices)

	% Annual Change	
	2009	Jan-Sep '10
Intermediate Services	3.4	7.4
Transport, Storage & Communication	1.6	7.8
Finance, Insurance, Real Estate & Business Services	4.2	7.2
Final Services	2.0	6.8
Utilities	0.4	9.5
Wholesale & Retail Trade, Accommodation & Restaurant	1.4	7.4
Other Services	4.4	4.0
Government Services	2.0	6.3
Total Services	2.6	7.0

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2010.

Table 3
Malaysia: Performance of the Agriculture Sector, 2009-2010
(at constant 2000 Prices)

	% Annual Change	
	2009	Jan-Sep '10
Agriculture	0.4	3.8
Rubber	-19.8	11.1
Oil palm	-1.1	1.5
Cocoa	-33.8	-21.4
Livestock	7.2	11.7
Other agriculture	9.0	7.7
Forestry and logging	-5.9	-3.8
Fishing	5.5	6.2

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2010.

Demand Side

On the demand side, domestic demand expanded by 6.4% in the first nine months of this year, a reversal of the contraction of 0.5% in 2009 (Table 4). The recovery in domestic demand was led by growth in private consumption and investment. Private consumption grew by 6.7%, up from 0.7% in 2009 due to higher disposable income and stronger consumer confidence, amidst the environment of low inflation. Public consumption grew marginally by only 0.2% during the nine months period due to lower public spending in the third quarter of the year. Investment or gross fixed capital formation grew strongly by 9.5%, a turnaround from the contraction of 5.6% in 2009, due to higher capital expenditure by the private sector amidst rising levels of capacity utilisation of the manufacturing sector and positive business sentiment.

Table 4
Malaysia: Real GDP by Expenditure Components, 2009-2010 (at constant 2000 Prices)

	% Annual Change	
	2009	Jan-Sep '10
Aggregate Domestic Demand	-0.5	6.4
Consumption	1.2	5.4
Private sector	0.7	6.7
Public sector	3.1	0.2
Gross Fixed Capital Formation	-5.6	9.5
Exports of Goods and Services	-10.4	12.9
Imports of Goods and Services	-12.3	19.4
GDP	-1.7	8.0

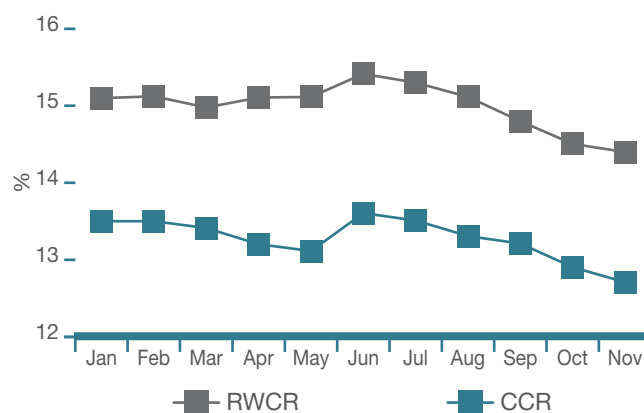
Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2010.

Banking System

The banking system supported the recovery of the Malaysian economy as it remained strong, underpinned by high capitalisation and low non-performing and impaired loans. The

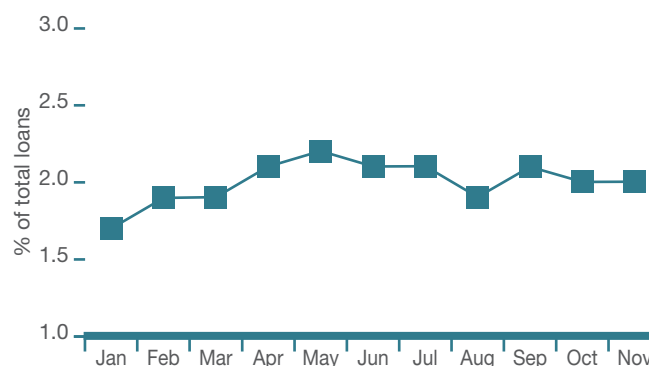
banking system continued to receive loan applications from households and businesses. The risk-weighted capital ratio and the core capital ratio of the banking system remained healthy at 14.4% and 12.7%, respectively in November 2010 (Graph 4). The ratio of net non-performing loans, including impaired loans, remained low at 2% in November 2010 (Graph 5). The ratio of loans to deposits was 77.4% as at end-November 2010 (Graph 6). For 2010, annual loan growth and deposit growth are estimated at 13% and 7%, respectively (Graph 7).

Graph 4
Banking System: Capital Strength, 2010



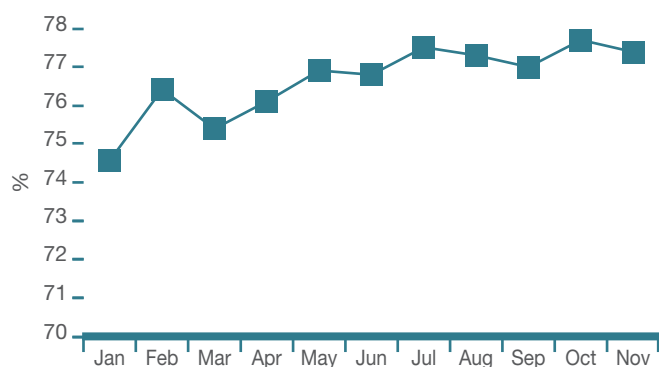
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2010.

Graph 5
Banking System: Net Non-Performing Loans Ratio, 2010



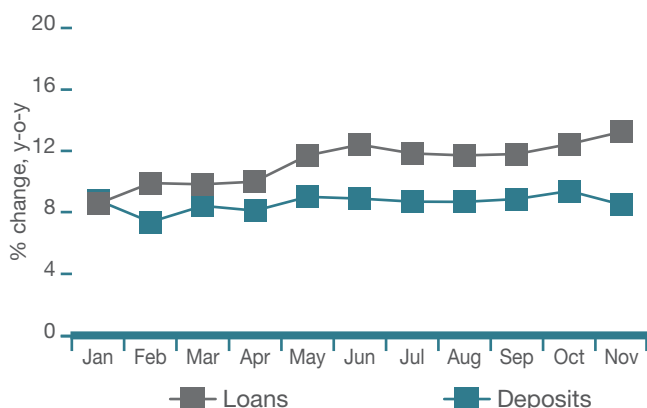
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2010.

Graph 6
Banking System: Loan-Deposit Ratio, 2010



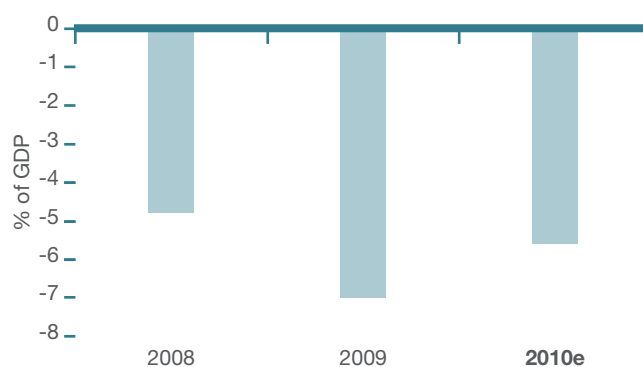
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2010.

Graph 7
Banking System: Loan and Deposit Growth, 2010



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2010.

Graph 8
Malaysia: Federal Government Fiscal Deficit, 2008-2010



Note: e Estimate

Source: Ministry of Finance, Malaysia, Economic Report 2010/2011.

Fiscal Policy

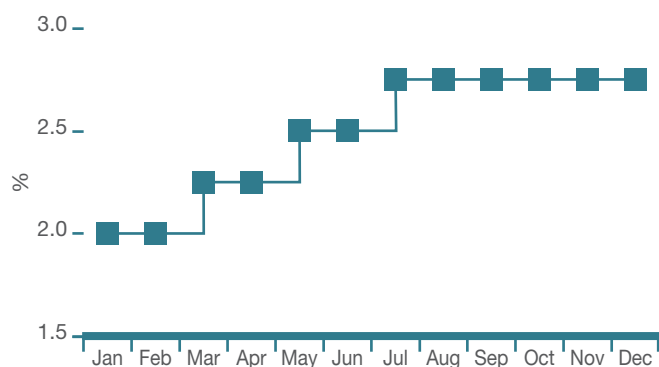
While public spending continued to support economic activities, the Government has been pursuing fiscal consolidation to address the rising public sector deficit. The Government is expected to contain its fiscal deficit at 5.6% of gross domestic product ("GDP") in 2010, down from 7% of GDP in 2009 (Graph 8). In 2010, the Government launched several initiatives such as the Economic Transformation Programme ("ETP") to reinvigorate the economy by stimulating private investment and improving public sector delivery. In the Tenth Malaysia Plan ("10MP"), covering the period from 2011 to 2015, efforts will be taken to further enhance public revenue and further improve the country's business climate.

Monetary Policy

While the overall stance of monetary policy remained accommodative in 2010, Bank Negara Malaysia ("BNM") increased its Overnight Policy Rate ("OPR") at a measured pace, as part of BNM's monetary policy normalisation process (Graph 9). Between March 2010 and July 2010, BNM raised the OPR by a cumulative 75 basis points to 2.75% as a pre-emptive measure to prevent build-up of potential financial imbalances due to a prolonged period of low interest rates.

Graph 9

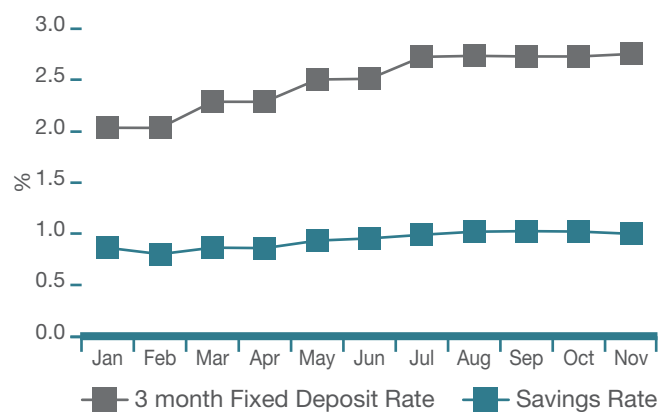
Malaysia: Bank Negara Malaysia Overnight Policy Rate, 2010



Source: Bank Negara Malaysia, Monetary Policy Statements.

Graph 10

Malaysia: Average Deposit Rates of Commercial Banks, 2010

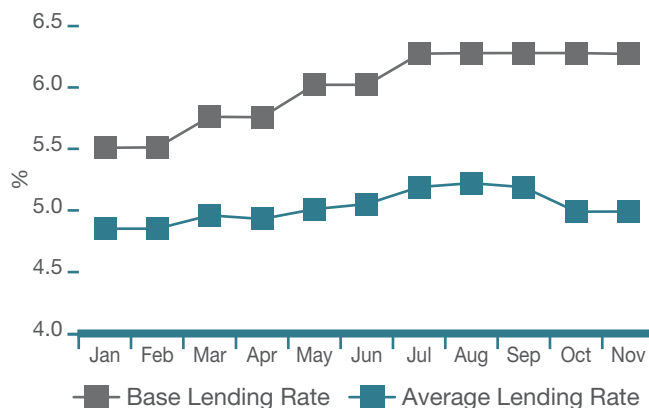


Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2010.

Following the increases in the OPR, the deposit and lending rates edged up (Graphs 10 and 11). The statutory reserve requirement was left unchanged at 1%. BNM also imposed a cap on the loan-to-value ratio of 70% from the third house financing facility taken out by a borrower to moderate potential excessive investment and speculative activities in the residential property market.

Graph 11

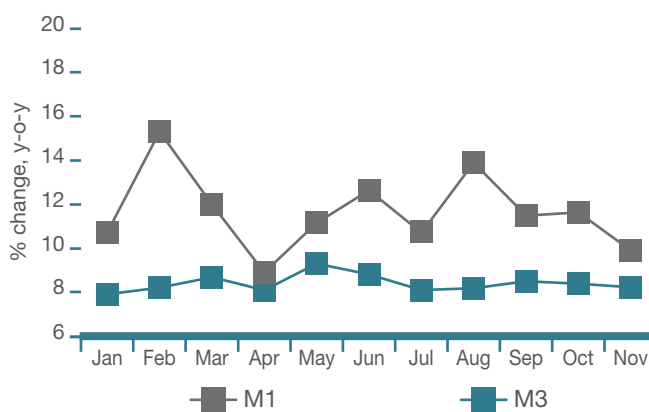
Malaysia: Average Lending Rates of Commercial Banks, 2010



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2010.

Graph 12

Malaysia: Monetary Aggregates, 2010



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, November 2010.

Monetary Aggregates

Monetary aggregates continued to expand steadily during the year. As at end-November 2010, M1 or narrow money expanded by 9.9% and M3 or broad money expanded by 8.2% (Graph 12). The main impetus for the increase in M3 was higher credit extension to the private sector by the banking system. Foreign inflows also contributed to the expansion of broad money.

External Position

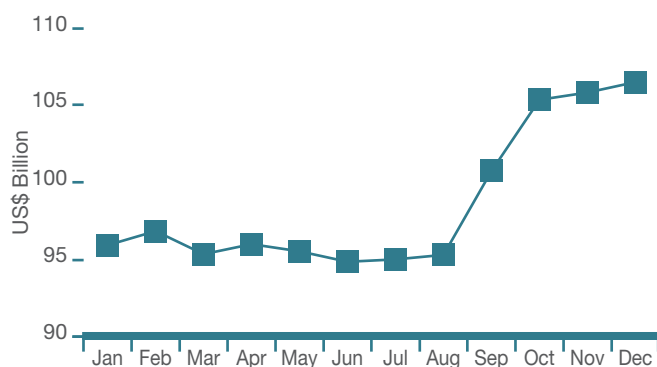
Malaysia's external position remained healthy (Table 5). The country's total external debt stood at only 30.3% of gross national income ("GNI"). The international reserves of BNM rose to USD106.5 billion as at end-December 2010 (Graph 13), sufficient to finance 8.5 months of retained imports and was 4.1 times that of the country's short-term external debt. Helped by large surplus in the trade account, the current account of the balance of payments is expected to register a large surplus of 13.8% of GNI in 2010.

Table 5
Malaysia: External Debt Outstanding, 2009-2010

	2009	end-Sep '10
Total External Debt (RM billion)	233.9	227.5
% of GNI	34.3	30.3

Source: Bank Negara Malaysia, Quarterly Bulletin, various issues.

Graph 13
Malaysia: International Reserves, 2010



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

Ringgit Exchange Rate

Reflecting strong economic fundamentals, the Malaysian ringgit (MYR) appreciated against major global currencies (Table 6). From January 2010 to December 2010, MYR appreciated by 11.1% against the US dollar, 20.6% against the euro and 15% against the pound sterling. During the year, MYR appreciated between 0.4% and 8.5% against various regional currencies, whilst depreciated marginally against the Japanese yen.

Table 6
Malaysia: Performance of Ringgit against Selected Currencies, 2009-2010

RM per foreign currency	As at end		% change
	Dec 2009	Dec 2010	
USD	3.4245	3.0835	11.1
Euro	4.9191	4.0804	20.6
Pound Sterling	5.5001	4.7817	15.0
100 Japanese Yen	3.7076	3.7869	-2.1
Singapore Dollar	2.4401	2.3859	2.3
100 Thai Baht	10.2714	10.2272	0.4
100 Philippines Peso	7.4196	7.0400	5.4
100 Indonesian Rupiah	0.0364	0.0344	5.8
100 Korean Won	0.2937	0.2707	8.5
Chinese Renminbi	0.5016	0.4662	7.6

Source: Bank Negara Malaysia, Quarterly Bulletin, Fourth Quarter 2009 and Exchange Rates Historical Lookup.

II. Prospects, 2011

Weak Recovery in Advanced Economies

The outlook for the external environment remains uncertain as growth in the advanced economies is likely to remain sluggish and fragile (Table 7). In particular, the advanced economies will continue to be saddled with weak labour markets, large and rising budget deficits and government debt for longer than expected.

Concern over the pace of economic growth in the advanced economies is compounded by unsustainable public debt levels, budget austerity policies in many countries in the European Union ("EU") and possible contagion effect of government debt problems in the EU. Because of the fragile recovery, interest rates in the US, the EU and Japan will continue to be kept low. At the same time, the US Federal Reserve and the Bank of Japan have introduced a new round of quantitative easing to support the recovery of the economy and to avoid deflation.

Healthy Growth in Asia

Against the backdrop of weak advanced economies, the Asian economies (ex-Japan) are likely to remain healthy in 2011 due to sustained strength in domestic demand, stable banking systems, modest inflation and low unemployment (Table 8). Private consumption in the region will continue to be supported by low interest rates, high savings and healthy household balance sheet, despite increased market volatility in the financial markets. Investment and export activities are expected to be sustained due to higher levels of international trade. While there are incipient signs of increasing inflationary pressures, the overall stance of macroeconomic policies in the region is likely to remain accommodative.

Sustaining Domestic Demand

Back by the healthy domestic economy, the Malaysian Government expects the economy to grow by 5% to 6% in 2011, supported by sustained domestic economic activities (Table 9). On the supply side, growth is expected to remain broad-based, with the services and manufacturing sectors continue to lead growth. Malaysia should gain from intra-regional trade, in particular with the ASEAN countries and the People's Republic of China. With modest inflation, Malaysia is not likely to tighten its accommodative policies anytime soon.

Table 7

Advanced Countries: Real GDP Growth, 2010-2011

	% Annual Change	
	2010	2011
United States	2.6	2.3
Euro Area	1.7	1.5
Japan	2.8	1.5

Source: International Monetary Fund, *World Economic Outlook*, October 2010.

Table 8

Regional Countries: Real GDP Growth, 2010-2011

	% Annual Change	
	2010	2011
Emerging Asia	9.4	8.1
Newly Industrialised Economies	7.8	4.5
Hong Kong	6.0	4.7
Korea	6.1	4.5
Singapore	15.0	4.5
Taiwan	9.3	4.4
China	10.5	9.6
India	9.7	8.4
ASEAN-5	6.6	5.4
Indonesia	6.0	6.2
Malaysia	6.7	5.3
Philippines	7.0	4.5
Thailand	7.5	4.0
Vietnam	6.5	6.8

Source: International Monetary Fund, *Regional Economic Outlook: Asia and Pacific*, October 2010.

Table 9
Malaysia: Real GDP by Economic Activity, 2011
(at constant 2000 Prices)

	% Annual Change
Real GDP	5.0-6.0
Agriculture	4.5
Mining	2.9
Manufacturing	6.7
Construction	4.4
Services	5.3

Source: Ministry of Finance, Malaysia, *Economic Report 2010/2011*.

Table 10
Malaysia: Real GDP by Expenditure Components, 2011
(at constant 2000 Prices)

	% Annual Change
Aggregate Domestic Demand	5.8
Consumption	6.0
Private sector	6.3
Public sector	4.6
Gross Fixed Capital Formation	5.3
Exports of Goods and Services	6.7
Imports of Goods and Services	7.2
GDP	5.0-6.0

Source: Ministry of Finance, Malaysia, *Economic Report 2010/2011*.

Domestic demand is expected to further strengthen in 2011 (Table 10) with private consumption remaining strong due to high household income, low interest rates, stable labour market conditions and high commodity prices. Key measures in the Budget 2010 and Budget 2011 such as the reduction in the maximum rate of individual income tax and the abolishment of import duties on a wide range of goods are expected to support private consumption.

Measures to Increase Private Investment

To increase private investment, key initiatives in the Budget 2011 include the implementation of public-private partnership projects such as new highways, power plants and medical institutions. The Government will also implement high-impact strategic development projects such as the Kuala Lumpur International Financial District and the Mass Rapid Transit for Greater Kuala Lumpur. Measures to further enhance high value-added activities in the electrical and electronics industry; oil, gas and energy industry; agricultural sector including the palm oil sector; tourism industry and the information and communication technology sector will promote private investment. Efforts will also be taken to revitalise the domestic capital markets and strengthen Malaysia's position as a premier Islamic capital and financial services market. Initiatives to intensify human capital development and retain talent, expand access to quality education and enhance employees productivity will contribute to long term economic growth.

Accommodative Monetary Policy

Inflation is expected to remain modest in 2011 as plans to remove subsidies are likely to be gradual. The strong Malaysian ringgit will continue to keep pressure of imported inflation under control. Monetary policy is expected to remain accommodative to support domestic growth. While domestic financial conditions remain orderly, the surge of short term capital flows into emerging market economies will pose a significant challenge to the conduct of macroeconomic policy in 2011.

Supportive Fiscal Spending

On the fiscal front, the Government will continue to support growth, although it needs to strike a balance between the need to support the economy and the need to ensure the sustainability of public finances. The Government plans to reduce its fiscal deficit to 5.4% of GDP in 2011, from 5.6% in 2010.



Investor Information

Stock Market Performance in 2010

Following a strong stock market recovery in 2009, the FTSE Bursa Malaysia KLCI ("FBM KLCI") started 2010 on a cautious note, dropping to a low of 1,233.86 points on 9 February 2010 before resuming its upward trend on improved investor sentiment as the global economy stabilised.

Bank Negara Malaysia's ("BNM") decision to increase its Overnight Policy Rate ("OPR") by 25 basis points to 2.25% in March 2010 was within the market's expectations and spurred interest in financial stocks, which were re-rated on improved earnings and healthier economic outlook.

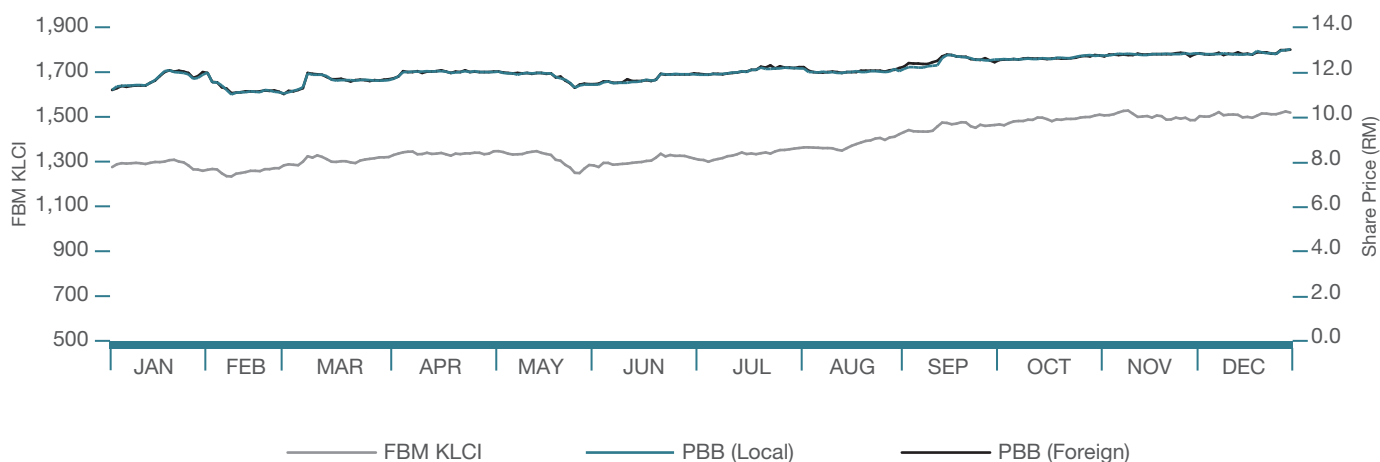
The FBM KLCI maintained a tight range of 1,300 points to 1,350 points until mid May 2010, supported by improved first quarter 2010 corporate earnings amongst the FBM KLCI component stocks. However, fears of an adverse global contagion effect triggered by the European Union ("EU") debt crisis created uncertainty and added downside risks to the local bourse. From the May 2010 high of 1,346.92 points, the FBM KLCI retreated by almost 100 points to close at 1,248.94 points on 26 May 2010. The swift and coordinated actions by various monetary authorities of the EU and other international monetary agencies to support the Euro provided relief and restored some calm to the global equities and currency markets. As a result, the FBM KLCI stabilised and resumed its uptrend from the end of May 2010. Despite BNM's decision to increase the OPR again by 25 basis points on 13 May 2010 and a further 25 basis points on 8 July 2010 bringing the OPR to the current 2.75%, investors' sentiment continued to improve on growing optimism that the worst of the global financial and economic crisis was over and that the outlook of the global economy had taken a positive turn. Meanwhile, Malaysia unveiled the New Economic Model in March 2010, the 10th Malaysia Plan in June 2010 and the Economic Transformation Programme in October 2010 that are expected to transform the Malaysian economy to a high income economy by 2020. Buoyed by investors' interest and influx of foreign funds in the third quarter of 2010, the FBM KLCI broke through 1,400 points on 23 August 2010, precipitated by strong growth in Malaysia's Gross Domestic Product ("GDP") in the first half of 2010, which expanded by 9.5% year on year.

The FBM KLCI rose past 1,500 points on 14 October 2010 on the back of optimism surrounding the construction, property, building materials and plantation sectors. Privatisation and merger and acquisition activities by some large corporates in the second half of 2010 and improved crude palm oil futures prices, which hit a 33-month high of RM3,792 on 28 December 2010, propelled the FBM KLCI further to reach a historical high of 1,528.01 points on 10 November 2010.

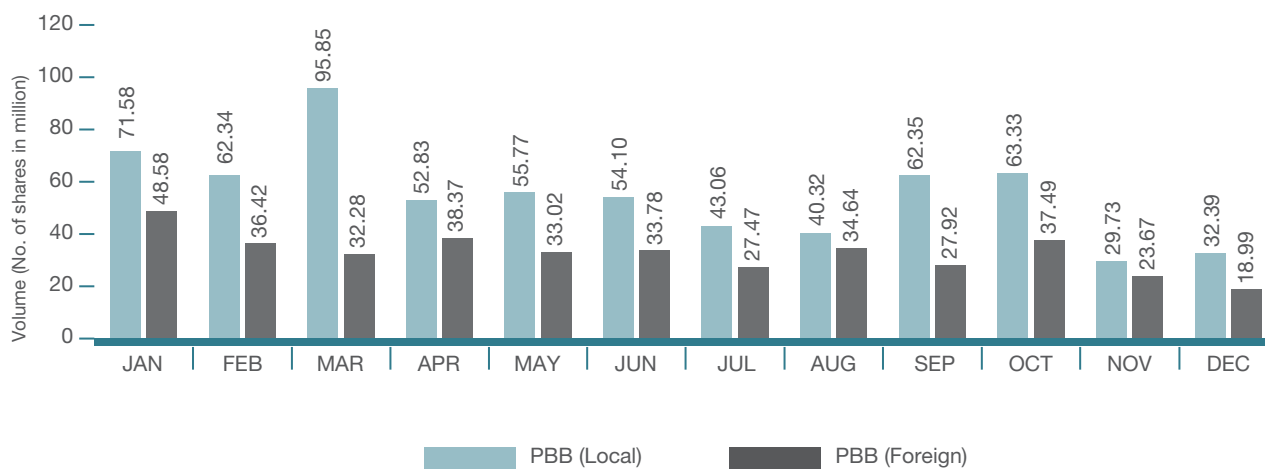
In 2010, the FBM KLCI gained 246.13 points or 19.3% to close at 1,518.91 points on 31 December 2010, despite external concerns such as the high unemployment rate in the United States of America, European sovereign debt problems and the People's Republic of China's efforts to control inflationary pressures and rising asset prices.

Moving forward to 2011, the outlook for the Malaysian economy is expected to be positive with GDP forecast to grow by 5.0% to 6.0%. The banking system remains resilient with healthy business expansion, robust capital position, low impaired loans ratios and healthy liquidity conditions. Headline inflation is forecast by BNM to be benign. Risks to the Malaysian economy is likely to come from adverse external factors coupled with the stronger Ringgit relative to the US Dollar that could affect exports, thus dampening the supply side of the economy.

Public Bank (Local) Share and Public Bank (Foreign) Share Prices and FBM KLCI in 2010



Public Bank (Local) Share and Public Bank (Foreign) Share Transactions in 2010



Public Bank Share Price Performance in 2010

From the 31 December 2009 closing share prices of RM11.30 and RM11.26 for Public Bank (Local) shares and Public Bank (Foreign) shares respectively, Public Bank share prices have appreciated broadly in line with the stock market performance in 2010. The announcement of Public Bank's strong 2009 financial results, which surpassed analysts' expectations, and a second interim dividend comprising of a cash dividend of 25% less 25% income tax and a share dividend of 1 Public Bank (Local) treasury share for every 68 ordinary shares of RM1.00 each held, also supported the Bank's share prices.

In April 2010, both Public Bank (Local) share and Public Bank (Foreign) share prices surpassed the RM12.00 mark, driven by the 25 basis points increase in OPR by BNM on 4 March 2010. The OPR increase reflected BNM's positive outlook of improved economic conditions in Malaysia and was followed by a consensus revision of earnings forecast and target prices for the entire banking sector on expectations of improved profitability from better net interest margins and strong business growth.

However, May 2010 saw the global equity markets react adversely to concerns over the sovereign debt of some countries in the European Union, leading to a sell down in the major equity and bond markets. These external factors resulted in both Public Bank (Local) share and Public Bank (Foreign) share prices falling to a low of RM11.30 on 25 May 2010, in tandem with the decline in prices of other stocks on Bursa Malaysia. A gradual share price recovery from the May 2010 lows, in line with the recovery of the FBM KLCI, saw Public Bank (Local) share and Public Bank (Foreign) share prices regain the RM12.00 mark on 12 July 2010 and 13 July 2010 respectively.

Public Bank (Local) share and Public Bank (Foreign) share prices continued their ascent in the second half of July 2010. The improvement in share prices was consistent with the better performance of the local bourse and regional markets buoyed by local catalysts of stronger GDP outlook for the second half of 2010 coupled with increased demand for quality stocks by foreign funds. Both Public Bank (Local)

share and Public Bank (Foreign) share prices continued to rise following the announcement of strong second quarter results together with an interim dividend of 25% less 25% income tax on 20 July 2010. The positive results announcement saw both Public Bank (Local) shares and Public Bank (Foreign) shares traded to intraday highs of RM12.32 and RM12.30 respectively on 21 July 2010.

Having traded ex-2010 interim dividend on 3 August 2010, share prices of Public Bank (Local) shares and Public Bank (Foreign) shares consolidated within a tight range of RM11.90 and RM12.20 before trending higher in September 2010, rising in tandem with regional and global equity markets. The announcement of Public Bank's third quarter results on 18 October 2010 helped boost investor interest in stocks of the financial services sector. Renewed interest from local and foreign investors in the third and fourth quarter of 2010 underpinned by the Government's Economic Transformation Programme and efforts to transform Malaysia into a high income nation propelled the FBM KLCI to a new high of 1,528.01 points on 10 November 2010. In line with the rise in the FBM KLCI, Public Bank (Local) share and Public Bank (Foreign) share prices rose to close at the 2010 high of RM13.02 and RM13.00 respectively on 30 December 2010.

In 2010, the share price performance of Public Bank (Local) shares and Public Bank (Foreign) shares, after including the 50 sen gross cash and 1 for 68 treasury share dividend paid in 2010, outperformed the FBM KLCI with returns of 21.3% and 21.5% respectively when compared to the 2010 FBM KLCI's return of 19.3%.

Public Bank's value in terms of market capitalisation rose by 15.3% or RM6.09 billion to RM45.96 billion as at the end of 2010. Although the total average daily volume of Public Bank shares traded in 2010 was lower by 1.0 million shares per day when compared to 2009, the average daily value of Public Bank shares traded in 2010 increased by RM2.8 million per day, bringing the average daily volume and value of Public Bank shares traded in 2010 to 4.3 million shares and RM52.0 million respectively.



Analysis of Shareholdings

as at 27 January 2011

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	9,637	11.11	332	0.38	312,065	0.01	12,632	*1
100 – 1,000	11,965	13.79	527	0.61	5,693,752	0.16	263,041	0.01
1,001 – 10,000	44,666	51.49	4,202	4.84	140,642,619	4.02	17,713,732	0.50
10,001 – 100,000	11,041	12.73	2,671	3.08	279,459,753	7.98	72,536,595	2.07
100,001 – 175,106,756 (less than 5% of issued shares* ²)	1,100	1.27	604	0.70	1,535,189,485	43.84	841,911,985	24.04
175,106,757 (5% of issued shares* ²) and above	2	*1	—	—	608,399,471	17.37	—	—
Total	78,411	90.39	8,336	9.61	2,569,697,145	73.38	932,437,985	26.62
Grand Total	86,747 (100%)				3,502,135,130 (100%)			

Notes:

*1 Less than 0.01%.

*2 Excluding a total of 29,790,704 Public Bank (PBB) shares bought-back by PBB and retained as treasury shares as at 27 January 2011.

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	22,464,802	0.64	820,835,261* ¹	23.44	843,300,063	24.08
Tan Sri Datuk Seri Utama Thong Yaw Hong	7,633,342	0.22	857,785* ²	0.02	8,491,127	0.24
Tan Sri Dato' Sri Tay Ah Lek	6,898,951	0.20	354,315* ²	0.01	7,253,266	0.21
Dato' Sri Lee Kong Lam	380,866	0.01	434,957* ³	0.01	815,823	0.02
Dato' Yeoh Chin Kee	208,739	* ⁴	313,107* ³	0.01	521,846	0.01
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	632,037	0.02	–	–	632,037	0.02
Dato' (Dr) Haji Mohamed Ishak bin Haji Mohamed Ariff	365,294	0.01	–	–	365,294	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 29,790,704 PBB shares bought-back by PBB and retained as treasury shares as at 27 January 2011.

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

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 843,300,063 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	22,464,802	0.64	820,835,261* ¹	23.44	843,300,063	24.08
Employees Provident Fund Board	447,183,392	12.77	—	—	447,183,392	12.77
Consolidated Teh Holdings Sdn Bhd	82,952,747	2.37	172,952,816* ¹	4.94	255,905,563	7.31
Sekuriti Pejal Sdn Bhd	210,195,124	6.00	40,412,856* ¹	1.15	250,607,980	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 29,790,704 PBB shares bought-back by PBB and retained as treasury shares as at 27 January 2011.

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.	Citigroup Nominees (Tempatan) Sdn Bhd – <i>Employees Provident Fund Board</i>	398,204,347	11.37
2.	Sekuriti Pejal Sdn Berhad	108,127,058	3.09
3.	Sekuriti Pejal Sdn Berhad	102,068,066	2.91
4.	Kumpulan Wang Persaraan (Diperbadankan)	92,916,748	2.65
5.	AmanahRaya Trustees Berhad – <i>Skim Amanah Saham Bumiputera</i>	72,364,995	2.07
6.	Valuecap Sdn Bhd	72,153,200	2.06
7.	Kepunyaan Chintamani Sdn Bhd	70,867,058	2.02
8.	Consolidated Teh Holdings Sdn Berhad	61,332,882	1.75
9.	Selected Securities Sdn Bhd	51,753,368	1.48
10.	HSBC Nominees (Asing) Sdn Bhd – <i>BNP Paribas Secs Svs Lux for Aberdeen Global</i>	45,894,914	1.31
11.	AmanahRaya Trustees Berhad – <i>Amanah Saham Wawasan 2020</i>	45,057,163	1.29
12.	HSBC Nominees (Asing) Sdn Bhd – <i>TNTC for Saudi Arabian Monetary Agency</i>	42,364,763	1.21

	Name	No. of Shares Held	% of Issued Shares*
13.	Selected Holdings Sdn Berhad	39,397,539	1.13
14.	Kayakita Corporation Sdn Bhd	35,068,235	1.00
15.	Citigroup Nominees (Tempatan) Sdn Bhd – <i>Exempt An For Prudential Fund Management Berhad</i>	33,213,771	0.95
16.	Kepunyaan Perindustrian Sdn Berhad	32,876,470	0.94
17.	AmanahRaya Trustees Berhad – <i>Amanah Saham Malaysia</i>	31,908,497	0.91
18.	Malaysia Nominees (Tempatan) Sendirian Berhad – <i>Great Eastern Life Assurance (Malaysia) Berhad (Par 1)</i>	29,203,592	0.83
19.	LPI Capital Bhd	28,812,490	0.82
20.	Tong Meng Industries Limited	28,091,117	0.80
21.	Selected Securities Sdn Bhd	27,689,294	0.79
22.	Kayakita Corporation Sdn Bhd	27,506,647	0.79
23.	LPI Capital Bhd	26,864,332	0.77
24.	Selected Holdings Sdn Berhad	25,935,882	0.74
25.	HSBC Nominees (Asing) Sdn Bhd – <i>BBH and Co Boston For Matthews Pacific Tiger Fund</i>	25,411,386	0.73
26.	Securities Holdings Sdn Berhad	23,778,200	0.68
27.	Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	0.64
28.	AmanahRaya Trustees Berhad – <i>AS 1Malaysia</i>	21,722,982	0.62
29.	Cartaban Nominees (Asing) Sdn Bhd – <i>Exempt An For State Street Bank & Trust Company (West CLT OD67)</i>	20,958,606	0.60
30.	Luhur Management Sdn Bhd	20,091,176	0.57
		1,664,099,580	47.52

Note:

* Excluding a total of 29,790,704 PBB shares bought-back by PBB and retained as treasury shares as at 27 January 2011.



Authorised and Issued Share Capital

Authorised Share Capital

The authorised share capital as at 27 January 2011 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 27 January 2011 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
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

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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
12.09.2003	7,001,644*	Exercise of share options under PBB ESOS as follows: – 54,489 shares at option price of RM1.64 per share – 4,948,530 shares at option price of RM3.56 per share – 1,998,625 shares at option price of RM3.40 per share	3,167,692,398
24.09.2003	1,216,063*	Exercise of share options under PBB ESOS as follows: – 6,250 shares at option price of RM1.64 per share – 915,688 shares at option price of RM3.56 per share – 294,125 shares at option price of RM3.40 per share	3,168,908,461
15.10.2003	3,518,818*	Exercise of share options under PBB ESOS as follows: – 15,169 shares at option price of RM1.64 per share – 2,515,399 shares at option price of RM3.56 per share – 988,250 shares at option price of RM3.40 per share	3,172,427,279
27.10.2003	2,054,251*	Exercise of share options under PBB ESOS as follows: – 3,313 shares at option price of RM1.64 per share – 1,457,938 shares at option price of RM3.56 per share – 593,000 shares at option price of RM3.40 per share	3,174,481,530
29.10.2003	6,748,111*	Exercise of share options under PBB ESOS as follows: – 32,993 shares at option price of RM1.64 per share – 3,781,268 shares at option price of RM3.56 per share – 2,933,850 shares at option price of RM3.40 per share	3,181,229,641
06.11.2003	4,913,239*	Exercise of share options under PBB ESOS as follows: – 39,115 shares at option price of RM1.64 per share – 3,806,374 shares at option price of RM3.56 per share – 1,067,750 shares at option price of RM3.40 per share	3,186,142,880
13.11.2003	1,202,135*	Exercise of share options under PBB ESOS as follows: – 5,040 shares at option price of RM1.64 per share – 961,220 shares at option price of RM3.56 per share – 235,875 shares at option price of RM3.40 per share	3,187,345,015
18.11.2003	455,750*	Exercise of share options under PBB ESOS as follows: – 406,250 shares at option price of RM3.56 per share – 49,500 shares at option price of RM3.40 per share	3,187,800,765
21.11.2003	5,801,710*	Exercise of share options under PBB ESOS as follows: – 33,297 shares at option price of RM1.64 per share – 2,989,788 shares at option price of RM3.56 per share – 2,778,625 shares at option price of RM3.40 per share	3,193,602,475
01.12.2003	1,417,894*	Exercise of share options under PBB ESOS as follows: – 16,324 shares at option price of RM1.64 per share – 1,062,070 shares at option price of RM3.56 per share – 339,500 shares at option price of RM3.40 per share	3,195,020,369
04.12.2003	68,000*	Exercise of share options under PBB ESOS at option price of RM3.56 per share	3,195,088,369
22.12.2003	2,297,250*	Exercise of share options under PBB ESOS as follows: – 13,484 shares at option price of RM1.64 per share – 1,889,391 shares at option price of RM3.56 per share – 394,375 shares at option price of RM3.40 per share	3,197,385,619

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
26.12.2003	9,214,108*	Exercise of share options under PBB ESOS as follows: – 20,525 shares at option price of RM1.64 per share – 6,642,458 shares at option price of RM3.56 per share – 2,551,125 shares at option price of RM3.40 per share	3,206,599,727
27.01.2004	1,883,267*	Exercise of share options under PBB ESOS as follows: – 4,547 shares at option price of RM1.64 per share – 1,680,345 shares at option price of RM3.56 per share – 198,375 shares at option price of RM3.40 per share	3,208,482,994
20.02.2004	483,813*	Exercise of share options under PBB ESOS as follows: – 457,313 shares at option price of RM3.56 per share – 26,500 shares at option price of RM3.40 per share	3,208,966,807
01.03.2004	1,024,066*	Exercise of share options under PBB ESOS as follows: – 886,316 shares at option price of RM3.56 per share – 137,750 shares at option price of RM3.40 per share	3,209,990,873
03.03.2004	13,717,282*	Exercise of share options under PBB ESOS as follows: – 38,231 shares at option price of RM1.64 per share – 10,718,176 shares at option price of RM3.56 per share – 1,647,375 shares at option price of RM3.40 per share – 1,313,500 shares at option price of RM4.60 per share	3,223,708,155
05.03.2004	28,660,157*	Exercise of share options under PBB ESOS as follows: – 253,907 shares at option price of RM1.64 per share – 28,406,250 shares at option price of RM3.56 per share	3,252,368,312
11.03.2004	13,177,700*	Exercise of share options under PBB ESOS as follows: – 36,366 shares at option price of RM1.64 per share – 10,361,459 shares at option price of RM3.56 per share – 940,875 shares at option price of RM3.40 per share – 1,839,000 shares at option price of RM4.60 per share	3,265,546,012
17.03.2004	12,271,286*	Exercise of share options under PBB ESOS as follows: – 46,892 shares at option price of RM1.64 per share – 10,183,769 shares at option price of RM3.56 per share – 597,125 shares at option price of RM3.40 per share – 1,443,500 shares at option price of RM4.60 per share	3,277,817,298
23.03.2004	8,575,825*	Exercise of share options under PBB ESOS as follows: – 38,252 shares at option price of RM1.64 per share – 6,166,723 shares at option price of RM3.56 per share – 867,350 shares at option price of RM3.40 per share – 1,503,500 shares at option price of RM4.60 per share	3,286,393,123
06.04.2004	1,919,157*	Exercise of share options under PBB ESOS as follows: – 1,703,532 shares at option price of RM3.56 per share – 69,625 shares at option price of RM3.40 per share – 146,000 shares at option price of RM4.60 per share	3,288,312,280
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
16.04.2004	1,233,902*	Exercise of share options under PBB ESOS as follows: – 10,500 shares at option price of RM1.64 per share – 1,017,652 shares at option price of RM3.56 per share – 85,750 shares at option price of RM3.40 per share – 120,000 shares at option price of RM4.60 per share	3,293,563,072
17.08.2004	11,152,166	Exercise of share options under PBB ESOS as follows: – 13,349 shares at option price of RM1.64 per share – 6,270,567 shares at option price of RM3.56 per share – 857,550 shares at option price of RM3.40 per share – 2,299,700 shares at option price of RM4.60 per share – 1,711,000 shares at option price of RM4.92 per share	3,304,715,238
30.08.2004	12,767,404	Exercise of share options under PBB ESOS as follows: – 57,078 shares at option price of RM1.64 per share – 7,127,076 shares at option price of RM3.56 per share – 618,450 shares at option price of RM3.40 per share – 2,372,800 shares at option price of RM4.60 per share – 2,592,000 shares at option price of RM4.92 per share	3,317,482,642
09.09.2004	1,649,681	Exercise of share options under PBB ESOS as follows: – 908,831 shares at option price of RM3.56 per share – 67,350 shares at option price of RM3.40 per share – 260,500 shares at option price of RM4.60 per share – 413,000 shares at option price of RM4.92 per share	3,319,132,323
27.09.2004	623,819	Exercise of share options under PBB ESOS as follows: – 8,125 shares at option price of RM1.64 per share – 344,819 shares at option price of RM3.56 per share – 63,375 shares at option price of RM3.40 per share – 136,000 shares at option price of RM4.60 per share – 71,500 shares at option price of RM4.92 per share	3,319,756,142
28.09.2004	1,737,912	Exercise of share options under PBB ESOS as follows: – 795,637 shares at option price of RM3.56 per share – 120,875 shares at option price of RM3.40 per share – 347,900 shares at option price of RM4.60 per share – 473,500 shares at option price of RM4.92 per share	3,321,494,054
04.10.2004	4,621,593	Exercise of share options under PBB ESOS as follows: – 33,767 shares at option price of RM1.64 per share – 2,569,876 shares at option price of RM3.56 per share – 267,650 shares at option price of RM3.40 per share – 1,187,300 shares at option price of RM4.60 per share – 563,000 shares at option price of RM4.92 per share	3,326,115,647
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
19.11.2004	4,569,277	Exercise of share options under PBB ESOS as follows: – 187,546 shares at option price of RM1.64 per share – 2,491,856 shares at option price of RM3.56 per share – 289,375 shares at option price of RM3.40 per share – 1,212,000 shares at option price of RM4.60 per share – 388,500 shares at option price of RM4.92 per share	3,332,439,972
25.11.2004	20,935,350	Exercise of share options under PBB ESOS as follows: – 31,710 shares at option price of RM1.64 per share – 9,479,777 shares at option price of RM3.56 per share – 653,600 shares at option price of RM3.40 per share – 4,162,263 shares at option price of RM4.60 per share – 6,608,000 shares at option price of RM4.92 per share	3,353,375,322
03.12.2004	2,392,002	Exercise of share options under PBB ESOS as follows: – 1,183,077 shares at option price of RM3.56 per share – 140,300 shares at option price of RM3.40 per share – 604,125 shares at option price of RM4.60 per share – 464,500 shares at option price of RM4.92 per share	3,355,767,324
28.01.2005	20,743,000	Exercise of share options under PBB ESOS at option price of RM4.92 per share	3,376,510,324
31.01.2005	2,415,001	Exercise of share options under PBB ESOS as follows: – 15,475 shares at option price of RM1.64 per share – 985,926 shares at option price of RM3.56 per share – 104,200 shares at option price of RM3.40 per share – 954,400 shares at option price of RM4.60 per share – 355,000 shares at option price of RM4.92 per share	3,378,925,325
07.02.2005	10,466,250	Exercise of share options under PBB ESOS as follows: – 2,406,250 shares at option price of RM3.56 per share – 2,250,000 shares at option price of RM4.60 per share – 5,810,000 shares at option price of RM4.92 per share	3,389,391,575
21.02.2005	7,511,743	Exercise of share options under PBB ESOS as follows: – 26,106 shares at option price of RM1.64 per share – 3,364,187 shares at option price of RM3.56 per share – 377,950 shares at option price of RM3.40 per share – 2,883,000 shares at option price of RM4.60 per share – 860,500 shares at option price of RM4.92 per share	3,396,903,318
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
01.08.2005	12,813,748	Exercise of share options under PBB ESOS as follows: – 14,482 shares at option price of RM1.64 per share – 1,382,291 shares at option price of RM3.56 per share – 194,275 shares at option price of RM3.40 per share – 1,397,700 shares at option price of RM4.60 per share – 6,670,000 shares at option price of RM4.92 per share – 3,155,000 shares at option price of RM6.37 per share	3,410,356,408
31.10.2005	2,114,074	Exercise of share options under PBB ESOS as follows: – 1,063 shares at option price of RM1.64 per share – 442,561 shares at option price of RM3.56 per share – 96,950 shares at option price of RM3.40 per share – 424,800 shares at option price of RM4.60 per share – 1,014,500 shares at option price of RM4.92 per share – 134,200 shares at option price of RM6.37 per share	3,412,470,482
09.11.2005	3,737,523	Exercise of share options under PBB ESOS as follows: – 1,269 shares at option price of RM1.64 per share – 1,429,354 shares at option price of RM3.56 per share – 238,525 shares at option price of RM3.40 per share – 1,537,875 shares at option price of RM4.60 per share – 204,000 shares at option price of RM4.92 per share – 326,500 shares at option price of RM6.37 per share	3,416,208,005
15.11.2005	660,400	Exercise of share options under PBB ESOS as follows: – 163,100 shares at option price of RM3.56 per share – 61,700 shares at option price of RM3.40 per share – 390,100 shares at option price of RM4.60 per share – 45,500 shares at option price of RM4.92 per share	3,416,868,405
05.12.2005	504,684	Exercise of share options under PBB ESOS as follows: – 217,309 shares at option price of RM3.56 per share – 35,375 shares at option price of RM3.40 per share – 202,500 shares at option price of RM4.60 per share – 23,500 shares at option price of RM4.92 per share – 26,000 shares at option price of RM6.37 per share	3,417,373,089
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
08.02.2006	329,363	Exercise of share options under PBB ESOS as follows: - 45,938 shares at option price of RM3.56 per share - 2,425 shares at option price of RM3.40 per share - 27,500 shares at option price of RM4.60 per share - 7,500 shares at option price of RM4.92 per share - 7,000 shares at option price of RM6.37 per share - 239,000 shares at option price of RM5.67 per share	3,421,370,915
28.02.2006	3,922,364	Exercise of share options under PBB ESOS as follows: - 302 shares at option price of RM1.64 per share - 234,931 shares at option price of RM3.56 per share - 20,125 shares at option price of RM3.40 per share - 293,500 shares at option price of RM4.60 per share - 63,500 shares at option price of RM4.92 per share - 255,000 shares at option price of RM6.37 per share - 3,055,006 shares at option price of RM5.67 per share	3,425,293,279
09.03.2006	8,050,287	Exercise of share options under PBB ESOS as follows: - 1,282 shares at option price of RM1.64 per share - 296,195 shares at option price of RM3.56 per share - 3,125 shares at option price of RM3.40 per share - 314,600 shares at option price of RM4.60 per share - 108,000 shares at option price of RM4.92 per share - 402,390 shares at option price of RM6.37 per share - 6,924,695 shares at option price of RM5.67 per share	3,433,343,566
14.03.2006	12,000	Exercise of share options under PBB ESOS at option price of RM5.67 per share	3,433,355,566
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

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

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

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

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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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 2010

Area	No. of Properties		Net Book Value (RM'000)
	Freehold	Leasehold	
DOMESTIC			
PUBLIC BANK BERHAD			
Kuala Lumpur	2	–	263,765
Perak Darul Ridzuan	1	–	272
Sarawak	–	1	23
PUBLIC MUTUAL BERHAD			
Kuala Lumpur	1	3	9,475
Johor Darul Takzim	–	1	847
Pulau Pinang	1	–	1,869
Sarawak	–	2	2,600
Selangor Darul Ehsan	1	1	5,909
PUBLIC HOLDINGS SDN BHD			
Kuala Lumpur	5	4	109,492
Johor Darul Takzim	4	–	46,855
Kedah Darul Aman	1	–	1,465
Melaka	–	2	1,301
Pahang Darul Makmur	1	–	98
Perak Darul Ridzuan	3	1	5,309
Pulau Pinang	7	–	5,340
Sabah	–	2	1,850
Sarawak	1	3	4,997
Selangor Darul Ehsan	1	2	44,771
OVERSEAS			
CAMBODIAN PUBLIC BANK PLC			
Phnom Penh	1	–	65,056
PUBLIC FINANCIAL HOLDINGS GROUP			
Hong Kong	–	31	340,556

Note:

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



Top 10 List of Properties Owned by Public Bank Group

as at 31 December 2010

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	–	16 Years	46,436	2-1-1995	263,569
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	832 Years (26-6-2842)	33 Years	5,451	30-5-2006 **	98,019
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	–	1 Year	18,149	14-10-2009	65,056
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	50 Years (18-2-2060)	28 Years	1,465	2-5-1994 (R)	53,638

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)
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	–	16 Years	36,222	12-8-1991	43,463
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	40 Years (27-5-2050)	23 Years	2,215	30-6-1994 (R)	41,402
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	86 Years (2-9-2096)	13 Years	31,669	3-9-1997	37,350
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	Leasehold 999 Years	892 Years (14-8-2902)	43 Years	1,464	11-6-1993	35,270
Wisma Public Bank 300 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	14-storey office building (L/B)	Public Bank's Tiong Nam Branch	Freehold	–	23 Years	10,395	27-8-2003	22,921

Notes:

(L/B) Land and building

(R) Revaluation was performed as at 31 December 2010

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

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



International Network



1. Malaysia



2. Cambodia



3. Vietnam



4. Laos



5. Sri Lanka



6. Hong Kong



7. People's Republic
of China



Group Corporate Directory



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

www.publicbank.com.my

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	03-22828917
Bintang Walk	150, Jalan Bukit Bintang 55100 Kuala Lumpur	03-21427969	03-21421241
Bukit Damansara	36 – 40, Medan Setia 2 Plaza Damansara, Bukit Damansara 50490 Kuala Lumpur	03-20954278 03-20954922	03-20943844
Changkat Thambi Dollah	85 & 87, Changkat Thambi Dollah Off Jalan Pudu, 55100 Kuala Lumpur	03-21454492 03-21454498	03-21415266 03-21454462
Jalan Bukit Bintang	Sun Complex, Jalan Bukit Bintang 55100 Kuala Lumpur	03-21445755 03-21445759	03-21445751
Jalan Hang Lekiu	20 – 26, Jalan Hang Lekiu 50100 Kuala Lumpur	03-20781115 03-20787077	03-20726155
Jalan Ipoh	480, Wisma Yap Ka, 3rd Mile, Jalan Ipoh 51200 Kuala Lumpur	03-40427487 03-40427488	03-40420032
Jalan Kelang Lama	3045 – 3051, Batu 4½ Jalan Kelang Lama, 58000 Kuala Lumpur	03-79811211 03-79811212	03-79816939
Jalan Kuchai Lama	44, 46, 48 & 50, Jalan 6/116B Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur	03-79804377 03-79804575 03-79804683	03-79843411
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
Jalan Sultan Sulaiman	Bangunan Public Bank 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur	03-20702711	03-22732101 03-22722145

BRANCH	ADDRESS	TELEPHONE	FAX
FEDERAL TERRITORY (Cont'd.)			
Jalan Sungei Besi	12, Jalan Sungei Besi 57100 Kuala Lumpur	03-92214771 03-92215655	03-92212968
Jalan Tun H.S. Lee	Lot G. 01, Plaza First Nationwide 161, Jalan Tun H.S. Lee 50000 Kuala Lumpur	03-20702121 03-20702234	03-20702250
Jalan Tun Sambanthan	68, Jalan Tun Sambanthan 50470 Brickfields, Kuala Lumpur	03-22725930 03-22736494	03-22736513
Jinjang	3476 & 3477, Garden Street Jinjang Utara, 52000 Kuala Lumpur	03-62523355 03-62523356	03-62522422
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, Jalan 2/21D Medan Idaman Business Centre Batu 5, Jalan Gombak 53000 Kuala Lumpur	03-40234467 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	03-77856412
Pandan Indah	1, 3 & 5, Jalan Pandan Indah 1/23 Pandan Indah, 55100 Kuala Lumpur	03-92742495 03-92747494	03-92746497
Pandan Jaya	44, Jalan Pandan 2/2 Pandan Jaya, 55100 Kuala Lumpur	03-92812199 03-92863149	03-92812206
Salak South	31 – 33, Ground Floor, Jalan 3/108C Taman Sungai Besi, Salak South 57100 Kuala Lumpur	03-79802921 03-79805190	03-79805230
Segambut	75 & 77, Jalan Segambut Pusat 51200 Kuala Lumpur	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

BRANCH	ADDRESS	TELEPHONE	FAX
FEDERAL TERRITORY (Cont'd.)			
Sentul	36, 38 & 40, Jalan 14/48A Sentul Raya Off Jalan Sentul 51000 Kuala Lumpur	03-40421509 03-40421811	03-40421822
Seri Petaling	40 – 42, Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur	03-90585711 03-90585712	03-90570415 03-90582026
Setapak	263, 265, 267 & 269 Jalan Genting Kelang, Setapak 53300 Kuala Lumpur	03-40219341 03-40219343	03-40219351
Taman Cheras	1, 3 & 5, Jalan 4/96A Taman Cheras Makmur 56100 Kuala Lumpur	03-91307840 03-91314182 03-91314367	03-91304586
Taman Connaught	80 & 82, Jalan Cerdas Taman Connaught, Cheras 56000 Kuala Lumpur	03-91023649	03-91023645
Taman Desa	Lot 1A – 3A, Business Centre Taman Desa, Off Jalan Kelang Lama 58100 Kuala Lumpur	03-79837811 03-79837812	03-79818069
Taman Maluri	275 & 277, Jalan Mahkota Taman Maluri, Cheras, 55100 Kuala Lumpur	03-92859994	03-92856811
Taman Melawati	262 – 265, Jalan Bandar 12 Taman Melawati, 53100 Kuala Lumpur	03-41052003 03-41052004	03-41052009
Taman Midah	2, Jalan Midah 3, Taman Midah, Cheras 56000 Kuala Lumpur	03-91300234 03-91300533	03-91309226
Taman Tun Dr. Ismail	66, 68 & 70, Jalan Burhanuddin Helmi Taman Tun Dr. Ismail, 60000 Kuala Lumpur	03-77294672 03-77299440	03-77298754 03-77223719
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	03-41429281
FEDERAL TERRITORY – PUTRAJAYA			
Putrajaya	66, Jalan Diplomatik, Presint 15 62050 Putrajaya	03-88887878	03-88811366
FEDERAL TERRITORY – LABUAN			
Labuan	Lucas Kong Building, 5, Jalan Merdeka 87007 Wilayah Persekutuan, Labuan	087-414201 087-414278	087-412388

BRANCH	ADDRESS	TELEPHONE	FAX
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	03-58821299 03-58822340
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	03-56363556
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 03-60282170	03-60282173
Damansara Jaya	1, 3 & 5, Jalan SS 22/23 Damansara Jaya 47400 Petaling Jaya, Selangor	03-77298588	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
Jalan Tapah	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

BRANCH	ADDRESS	TELEPHONE	FAX
SELANGOR (Cont'd.)			
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	03-78463351
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
Kota Damansara	A-1, A-2 & A-3, Sunway Giza Wall Jalan PJU 5/14 Dataran Sunway, Kota Damansara 47810 Petaling Jaya, Selangor	03-61483766	03-61482677 03-61481677
Kuala Selangor	1 & 3, Jalan Raja Lumu 45000 Kuala Selangor, Selangor	03-32894193 03-32894194 03-32894195	03-32894133
Pandamaran	306, Jalan Besar, Pandamaran 42000 Port Klang, Selangor	03-31672830 03-31672831	03-31675440
Petaling Jaya New Town	1, 3 & 5, Jalan 52/2 46200 Petaling Jaya, Selangor	03-79570007 03-79570211	03-79579601
Petaling Jaya Old Town	N19 & O19, Jalan Pasar Off Jalan Othman 46000 Petaling Jaya, Selangor	03-77835785 03-77836566	03-77836562
Port Klang	82, Lebuhr Beringin, Off Jalan Berangan 42000 Port Klang, Selangor	03-31674550 03-31674668	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	03-32162809
SEA Park	8 & 10, Jalan 21/12, Sea Park 46300 Petaling Jaya, Selangor	03-78738931 03-78738932	03-78744798
Section 14	12, 14 & 16, Jalan 14/14 46100 Petaling Jaya, Selangor	03-79582585 03-79582586	03-79582593
Sekinchan	102, Jalan Sabak Bernam 45400 Sekinchan, Selangor	03-32411263 03-32411264	03-32411644

BRANCH	ADDRESS	TELEPHONE	FAX
SELANGOR (Cont'd.)			
Semenyih	22B & 23, Jalan Besar 43500 Semenyih, Selangor	03-87238811 03-87238812	03-87237455
Seri Gombak	19, 21 & 23, Jalan SG 1/6 Taman Seri Gombak 68100 Batu Caves, Selangor	03-61889611	03-61886236 03-61852979
Seri Kembangan	Lot 255, Jalan Kolej 43300 Seri Kembangan, Selangor	03-89421096 03-89422671	03-89422537
Seri Setia	B01 & G01, Plaza Seri Setia 1, Jalan SS9A/2 47300 Petaling Jaya, Selangor	03-78741944 03-78741966	03-78769411
Shah Alam	2, 4 & 6, Jalan Pahat G15/G Kompleks Otomobil Persiaran Selangor, Section 15 40200 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	03-56347713
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	03-31912080
Sungai Pelek	24-C, Jalan Besar 43950 Sungai Pelek, Selangor	03-31411236 03-31411237	03-31411233
Taman Chi Liung	22, 24, 26 & 28, Lintang Menalu Taman Chi Liung, 41200 Klang, Selangor	03-33718899 03-33718482	03-33720319
Taman Indah	23, Jalan Kasturi 1, Plaza Kasturi Off Jalan Balakong, Batu 11 43200 Cheras, Selangor	03-90755202/211	03-90755769
Taman Mayang	21 & 23, Jalan SS 25/23 Taman Plaza, 47301 Petaling Jaya Selangor	03-78039247 03-78030124 03-78030151	03-78039447

BRANCH	ADDRESS	TELEPHONE	FAX
SELANGOR (Cont'd.)			
Taman Muda	1 & 3, Jalan Bunga Tanjung 6A 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	03-51613524
Taman Sri Muda	2, Jalan Sepadu B25/B Taman Perindustrian Axis, Section 25 40400 Shah Alam, Selangor	03-51216394 03-51216395	03-51216372
Taman Taming Jaya	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	03-56329196
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, 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
Kahang	12, Jalan Parang 1, Taman Sri Kahang 86700 Kahang, Johor	07-7882294 07-7882295	07-7882297
Kluang	3A, 3B & 3C, Jalan Dato' Teoh Siew Khor 86000 Kluang, Johor	07-7735112 07-7735113	07-7735117

BRANCH	ADDRESS	TELEPHONE	FAX
JOHOR (Cont'd.)			
Kota Tinggi	10A, 10B & 10C, Jalan Tun Habab 81900 Kota Tinggi, Johor	07-8834192	07-8834852
Kulai	42-1, 42-2 & 42-3, Jalan Raya Kulai Besar, 81000 Kulai, Johor	07-6634166 07-6634167	07-6635761
Masai	1 & 3, Jalan Suria 3 Bandar Seri Alam, 81750 Masai, Johor	07-2522498 07-2522500	07-2511795
Mersing	21 & 22, Jalan Sulaiman 86800 Mersing, Johor	07-7992695 07-7992697	07-7992530 07-7993912
Muar	47, 48, 49 & 50 Jalan Sayang, 84000 Muar, Johor	06-9517505 06-9517520	06-9523033
Parit Raja	11 & 12, Jalan Kristal, Taman Kristal 2 86400 Parit Raja, Batu Pahat, Johor	07-4542855 07-4542857 07-4542859	07-4542844
Pekan Nenas	SH9 & SH10, Main Road 81500 Pekan Nenas, Johor	07-6995352 07-6995594	07-6995351
Pontian Kecil	761 & 762, Jalan Taib 82000 Pontian, Johor	07-6879601 07-6879602	07-6876144 07-6877844 07-6878424
Segamat	62H & 62I, Jalan Genuang 85000 Segamat, Johor	07-9313900 07-9313930	07-9310854
Simpang Renggam	17 & 19, Jalan Bintang Ria 1 Taman Bintang Ria 86200 Simpang Renggam, Johor	07-7550510 07-7550511 07-7550512	07-7550513
Skudai	2 & 4, Jalan Nakhoda 12 Taman Ungku Tun Aminah 81300 Skudai, Johor	07-5570007 07-5570008	07-5560303
Tangkak	125, Jalan Muar, 84900 Tangkak Johor	06-9782123 06-9782124	06-9783733
Taman Desa Cemerlang	2, 4 & 6, Jalan Johar 2 Taman Desa Cemerlang 81800 Ulu Tiram, Johor	07-8616450	07-8616884
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	07-2346790

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JOHOR (Cont'd.)			
Taman Perling	31, 33 & 35, Jalan Persisiran Perling Taman Perling, 81200 Johor Bahru, Johor	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	07-2378042
Ulu Tiram	8 & 9, Jalan Raya, Taman Tiram Baru 81800 Ulu Tiram, Johor	07-8613291 07-8613292	07-8612666
PULAU PINANG			
Bandar Baru Air Itam	54, 56 & 58, Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang	04-8284088	04-8280678
Bagan Ajam	6862 – 6864, Jalan Bagan Jermal Bagan Ajam, 13000 Butterworth Pulau Pinang	04-3317822 04-3317823	04-3312248
Bandar Bayan Baru	5, 7, 9 & 11, Lorong Kampung Jawa Bandar Bayan Baru 11900 Bayan Lepas, Pulau Pinang	04-6438200 04-6438390	04-6441877
Bandar Seberang Jaya	11, Jalan Todak 2 Pusat Bandar Seberang Jaya 13700 Seberang Jaya, Pulau Pinang	04-3971096 04-3971105	04-3971107
Bukit Mertajam	2644 – 2648, Jalan Che Bee Noor 14000 Bukit Mertajam, Pulau Pinang	04-5392205 04-5392207	04-5392164
Butterworth	85, 87 & 89, Jalan Selat, Taman Selat 12000 Butterworth, Pulau Pinang	04-3329837 04-3329839	04-3329836
Jalan Air Itam	27A-G-1, 27B-G-1 & 27C-G-1 Jalan Air Itam, 11500 Air Itam Pulau Pinang	04-8288591/95	04-8288537
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	04-2276850
Jalan Raja Uda	7320-7322, Ground & 1st Floor Jalan Raja Uda 12300 Butterworth, Pulau Pinang	04-3245297 04-3245298	04-3245301

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PULAU PINANG (Cont'd.)			
Jelutong	407-A & 409-A, Jalan Jelutong 11600 Jelutong, Pulau Pinang	04-2813227 04-2825230	04-2825232
Kepala Batas	21 & 23, Jalan Bertam 13200 Kepala Batas Seberang Perai Utara, Pulau Pinang	04-5759085 04-5759086	04-5759088
Lebuh Macallum	Harbour Trade Centre, 2-1-20 & 2-1-30 2, Gat Lebuh Macallum 10300 Pulau Pinang	04-2628442 04-2627732	04-2630057
Nibong Tebal	3619 – 3620, Jalan Che Ahmad 14300 Nibong Tebal Seberang Perai Selatan, Pulau Pinang	04-5932216 04-5931433	04-5931590
Prai	2684 & 2685, Jalan Chain Ferry Taman Inderawasih, 13600 Prai Pulau Pinang	04-3901241 04-3901246	04-3902394
Pulau Pinang	87, Lebuh Bishop 10200 Pulau Pinang	04-2613415 04-2616755	04-2617417
Pulau Tikus	58, Jalan Cantonment, Pulau Tikus 10250 Pulau Pinang	04-2286017 04-2286018 04-2286019	04-2287075
Relau	1 & 3, Jalan Relau 11900 Pulau Pinang	04-6443112 04-6443102	04-6443128
Simpang Ampat	19, 21 & 23, Jalan Keruing Kawasan Perniagaan Simpang Ampat 14100 Seberang Perai Selatan Pulau Pinang	04-5887000 04-5886744	04-5888080
Sungai Nibong	33, 35 & 37, Jalan Pantai Jerjak 13 Sungai Nibong, 11900 Pulau Pinang	04-6586000	04-6576212
Taman Bandar Raya	15 & 16, Lorong Sepakat 1 Taman Bandar Raya 14000 Bukit Mertajam, Pulau Pinang	04-5300288 04-5306327	04-5377288
MELAKA			
Air Keroh	26 & 27, Lorong Setia Satu Air Keroh Heights, 75450 Melaka	06-2327208 06-2327209	06-2327205
Batu Berendam	1, 3 & 5, Jalan Mutiara Melaka 4 Taman Mutiara Melaka, Batu Berendam 75350 Melaka	06-3176200 06-3176205	06-3170513
Masjid Tanah	Lot 367 & 368, Kompleks Perniagaan 78300 Masjid Tanah, Melaka	06-3847712 06-3847713	06-3847717

BRANCH	ADDRESS	TELEPHONE	FAX
MELAKA (Cont'd.)			
Melaka	60-68, Jalan Laksamana 75000 Melaka	06-2830233	06-2844552
Taman Malim Jaya	6 & 8, Jalan Suria 2 Taman Malim Jaya, 75250 Melaka	06-3346397 06-3346404	06-3346412
Taman Melaka Raya	566, 567 & 568, Jalan Merdeka Taman Melaka Raya, 75000 Melaka	06-2817527 06-2817528	06-2818806
Tengkera	300, 300A, 300B & 300-1 Jalan Ong Kim Wee, 75300 Melaka	06-2832052 06-2832054 06-2832072	06-2832159
NEGERI SEMBILAN			
Bahau	120 & 121, Jalan Gurney 72100 Bahau, Negeri Sembilan	06-4544102 06-4544103	06-4545270
Gemas	12, Jalan Mahkamah 73400 Gemas, Negeri Sembilan	07-9481770 07-9481780	07-9481110
Kuala Pilah	564, Jalan 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	06-6137110
Nilai	168 – 170, Jalan Besar 71800 Nilai, Negeri Sembilan	06-7991066 06-7991067	06-7991337
Port Dickson	866 & 867, Jalan Pantai 71000 Port Dickson, Negeri Sembilan	06-6472942 06-6472943	06-6474831 06-6474708
Rasah	1281 – 1284, Jalan Rasah 70300 Seremban, Negeri Sembilan	06-7620623 06-7628289	06-7637622 06-7616671
Seremban	44 – 46, Jalan Dato' Lee Fong Yee 70000 Seremban, Negeri Sembilan	06-7630661 06-7630662	06-7634500
Tampin	4707 & 4708, Jalan Besar 73000 Tampin, Negeri Sembilan	06-4412511 06-4412512	06-4414814
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

BRANCH	ADDRESS	TELEPHONE	FAX
PERAK (Cont'd.)			
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
Ipoh Garden	133, 133A-D, Jalan Dato' Lau Pak Khuan 31400 Ipoh, Perak	05-5480951 05-5480952	05-5480958
Ipoh Main Office	7 – 13, Jalan Dato' Maharajalela 30000 Ipoh, Perak	05-2530115 05-2531034	05-2535505
Jalan Pasir Putih	137 & 139, Jalan Pengkalan Barat Off Jalan Pasir Putih, 31650 Ipoh, Perak	05-3222453 05-3219892	05-3225714
Jalan Sultan Idris Shah	76, Jalan Sultan Idris Shah 30000 Ipoh, Perak	05-2551068 05-2551069	05-2556555
Jalan Yang Kalsom	46 – 54, Jalan Yang Kalsom 30250 Ipoh, Perak	05-2531998 05-2531514	05-2535528 05-2558430
Jelapang	291, 293 & 295, Jalan Silibin 30100 Ipoh, Perak	05-5264014 05-5264015	05-5264485
Kampar	3 & 4, Jalan Balai 31900 Kampar, Perak	05-4651044 05-4652160	05-4651400
Kamunting	27 – 29, Regat Kamunting Off Jalan Kamunting 34600 Kamunting, Perak	05-8081110 05-8081112	05-8079363
Kuala Kangsar	12, Jalan Daeng Selili 33000 Kuala Kangsar, Perak	05-7701006	05-7769892
Menglembu	67 – 73, Jalan Besar 31450 Menglembu, Perak	05-2811014 05-2814978	05-2815015 05-2815580
Parit Buntar	135 & 137, Jalan Taiping 34200 Parit Buntar, Perak	05-7160078 05-7160079 05-7160080	05-7160077
Pantai Remis	66 – 70, Jalan Damar Laut 34900 Pantai Remis, Perak	05-6771251 05-6771252	05-6771495
Pusing	293, Jalan Besar 31550 Pusing, Perak	05-2884077 05-2884078 05-2883942	05-2883975

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PERAK (Cont'd.)			
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
Sungai Siput	161 & 162, Jalan Besar 31100 Sungai Siput, Perak	05-5986116 05-5984114	05-5986081
Taiping	178 & 180, Jalan Kota 34000 Taiping, Perak	05-8085070 05-8085071	05-8077362
Tanjong Malim	Lot 336-337, Jalan Chong Ah Peng 35900 Tanjong Malim, Perak	05-4597602 05-4597603	05-4597605
Tanjong Piandang	12 & 14, Jalan Piandang 1 Taman Piandang Indah 34250 Tanjong Piandang, Perak	05-7257941 05-7257942	05-7257943
Teluk Intan	Wisma Boltex, Jalan Pasar 36000 Teluk Intan, Perak	05-6223282 05-6212325	05-6215518
KEDAH			
Alor Setar	1070 & 1071, Jalan Telok Wanjah 05200 Alor Setar, Kedah	04-7315411 04-7315412	04-7315778
Changlun	73, Jalan Sintok Pekan Baru, 06010 Changlun, Kedah	04-9241457 04-9241085	04-9241870
Gurun	39 – 41, Jalan Raya 08300 Gurun, Kedah	04-4686143 04-4686325	04-4687024
Jalan Kota	1557, Jalan Kota 05000 Alor Setar, Kedah	04-7310559 04-7311384	04-7317716
Jitra	9 & 10, Kompleks Jitra 06000 Jitra, Kedah	04-9174926 04-9174927	04-9174931
Kuala Ketil	45 & 46, Jalan Putra, Taman Tanjung Peteri 09300 Kuala Ketil, Kedah	04-4163318 04-4163278	04-4163103
Kulim	No. 2, Jalan Tunku Putra 09000 Kulim, Kedah	04-4901090 04-4901096 04-4901097	04-4907502
Pokok Sena	A-01, Jalan Semarak 1 Taman Bandar Baru 06400 Pokok Sena, Kedah	04-7822000 04-7822008 04-7825872	04-7821019

BRANCH	ADDRESS	TELEPHONE	FAX
KEDAH (Cont'd.)			
Pulau Langkawi	23, 25 & 27, Jalan Pandak Mayah 4 Pusat Bandar Kuah 07000 Pulau Langkawi, Kedah	04-9667372 04-9667373	04-9667435
Sik	443 & 444, Jalan Tunku Ibrahim 08200 Sik, Kedah	04-4695691 04-4695764	04-4695664
Sungai Petani	83A-D, 84A-D & 85A-D Jalan Pengkalan, Susur Kiri Taman Pekan Baru 08000 Sungai Petani, Kedah	04-4217622 04-4217623 04-4217624	04-4211979
PERLIS			
Kangar	9, Jalan Raja Syed Alwi 01000 Kangar, Perlis	04-9763311 04-9763432	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 7th Floor, Resorts Hotel Genting Highlands Resorts 69000 Genting Highlands, Pahang	03-61011237	03-61011257
Brinchang	MDCH 41 – 43, Bandar Baru Brinchang 39100 Brinchang, Cameron Highlands Pahang	05-4911590 05-4912682	05-4911508
Genting Highlands	Lot F/L 1.2, First World Hotel Genting Highlands Resort 69000 Genting Highlands, Pahang	03-64360088 03-64360145	03-64360099
Jalan Beserah	A379/1, A379/2, A379/3 & A379/4 Jalan Beserah, 25300 Kuantan, Pahang	09-5678461 09-5688088	09-5686366
Jerantut	1 & 2 Jalan Inderapura Bandar Inderapura 27000 Jerantut, Pahang	09-2661972 09-2661917 09-2662351	09-2661875
Kemayan	30 & 32, Ground Floor Jalan Besar, 28380 Kemayan, Pahang	09-2409824 09-2409866	09-2409825
Kuala Lipis	5G & 5H, Jalan Pekeliling 27200 Kuala Lipis, Pahang	09-3122077	09-3123588
Kuantan	79 – 85, Jalan Haji Abdul Aziz 25000 Kuantan, Pahang	09-5179822	09-5161519

BRANCH	ADDRESS	TELEPHONE	FAX
PAHANG (Cont'd.)			
Mentakab	16 – 18, Jalan Bunga Matahari 28400 Mentakab, Pahang	09-2775800 09-2775801	09-2773011
Raub	18 & 19, Bandar Raub Perdana Jalan Lipis, 27600 Raub, Pahang	09-3553471 09-3553502	09-3554918
Temerloh	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	09-2553486
TERENGGANU			
Chukai	KCP 1, Kemaman Centre Point 24000 Kemaman, Terengganu	09-8595962 09-8594069	09-8594943
Kuala Dungun	K-156 & K-157, Jalan Paka, Batu 48 23000 Kuala Dungun, Terengganu	09-8482511	09-8484549
Kuala Terengganu	No. 1849, Bangunan Wisma Maju Jalan Sultan Ismail 20200 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	PT272 – PT285, Jalan Kebun Sultan 15300 Kota Bharu, Kelantan	09-7447143 09-7446944	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
SABAH			
Beaufort	Lot 6 & 7, Lo Chung Park 89808 Beaufort, Sabah	087-214844 087-214869	087-214839
City Parade	Lot No. 1-0-M45-M51, 1 Jalan Centre Point City Parade Centre Point Sabah 88000 Kota Kinabalu, P.O. Box 13026 88833 Kota Kinabalu, Sabah	088-251812 088-251813 088-258812	088-251816
Donggongan	Lot A-5 & A-6, Donggongan New Township Jalan Tapikong, 89500 Penampang, Sabah	088-722780 088-723780	088-727780

BRANCH	ADDRESS	TELEPHONE	FAX
SABAH (Cont'd.)			
Inanam	Lot No. 1, 2 & 3, Block C, K.K. Taipan Inanam New Township, Jalan Tuaran 88450 Kota Kinabalu, Sabah	088-429113 088-429114 088-429112	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	088-238863
Keningau	1 & 2, Block A, Keningau Plaza 89000 Keningau, Sabah	087-335841 087-335846	087-335842
Kota Belud	Lot B6 & B7, Kompleks Centenary Jalan Sabar, 89150 Kota Belud, Sabah	088-977784 088-977807	088-977798
Kota Kinabalu	Lot G.1 & Lot 1.1, Menara MAA 6, Lorong Api-Api 1, Api-Api Centre 88000 Kota Kinabalu, Sabah	088-239611 088-239612	088-236630
Lahad Datu	MDLD 0088, Jalan Teratai 91100 Lahad Datu, Sabah	089-884020 089-884021	089-884087 089-882971
Lido	Lot 8, 9 & 10, Block P Taman Che Mei Shophouse KM 5, Jalan Penampang, Lido 88300 Kota Kinabalu, Sabah	088-245687 088-217125	088-245496
Papar	Lot 8023, 162, Jalan Besar Pekan Papar, 89600 Papar, Sabah	088-912522 088-912523	088-912211
Sandakan	Wisma Sandaraya Third Avenue, 90000 Sandakan, Sabah	089-214257 089-214258	089-272815
Tawau	TB 304A & 304B, Block 34 Fajar Complex, 91000 Tawau, Sabah	089-761311 089-761322 089-761333	089-761355 089-771355 089-761270
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

BRANCH	ADDRESS	TELEPHONE	FAX
SARAWAK (Cont'd.)			
Jalan Central	3, Jalan Central 96000 Sibu, Sarawak	084-335677	084-320052
Jalan Penrissen	384 – 388, 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 Aduce 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	082-424248
Limbang	Lot 1082 – 1083, Jalan Buangsiol 98700 Limbang, Sarawak	085-212511 085-212443	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
Medan Sentral	1, 2 & 3, Medan Sentral Commercial Centre 97000 Bintulu, Sarawak	086-318883	086-318886
Miri	Moh Heng Building, 14, Jalan Bendahara 98000 Miri, Sarawak	085-412944 085-412955	085-417273
Mukah	41 & 42, Block 68, Mukah New Township 96400 Mukah, Sarawak	084-871900	084-871319
Padungan	7, 8 & 9, Jalan Chan Bee Kiew Off Jalan Padungan, 93100 Kuching, Sarawak	082-489904 082-489905	082-330488
Sarikei	51-52, Jalan Masjid, 96100 Sarikei, Sarawak	084-652490	084-653137
Sibu	2, 4, 6 & 8, Lorong 2, Jalan Tuanku Osman 96000 Sibu, Sarawak P.O. Box 591, 96007 Sibu, Sarawak	084-320088 084-316511	084-314088 084-335739
Sri Aman	840 & 841, Jalan Sabu Simanggang Town, Land District 95000 Sri Aman, Sarawak	083-323031 083-323032	083-323034
Stutong	71, 72 & 73, Stutong Parade Jalan Setia Raja 93350 Kuching, Sarawak	082-363889	082-368839
Wisma Saberka	Lot G.01 & G.02A, Wisma Saberka Off Jalan Green, Jalan Tun Abang Haji Openg 93000 Kuching, Sarawak	082-419889 082-428800	082-424662

BRANCH	ADDRESS	TELEPHONE	FAX
OVERSEAS BRANCHES			
Sri Lanka	340, R A de Mel Mawatha Colombo 00030, Sri Lanka Email Address: pbbslk@publicbank.com.lk Swift: PBBELKLX	94-11-2576288 (Country Head) 94-11-2576287 (Banking Service Manager) 94-11-7206060 (Hotline) 94-11-2576289 94-11-2576290 94-11-2576291 94-11-2576292 (General Lines) 94-11-7290200-1	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 Phoanvihan 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 Islamic Bank Berhad	Head Office: 14th Floor, Menara Public Bank 146, Jalan Ampang 50450 Kuala Lumpur, Malaysia Email: islamicbkg@publicislamicbank.com.my Website: www.publicislamicbank.com	03-21766000	03-21622224
	Branch: Kampung Baru 1-1, 1-2, 2-3, Plaza RAH, No. 111 Jalan Raja Abdullah, Kg. Baru 50300 Kuala Lumpur	03-26927269 03-26928749	03-26927188 03-26987699
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	03-21626078
Public Nominess (Tempatan) Sdn. Bhd.	6th Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-21626077	03-21626078
PB International Factors Sdn. Bhd.	7th Floor, Menara Public Bank 146, Jalan Ampang, 50450 Kuala Lumpur	03-2162955	03-21622962

SUBSIDIARIES	ADDRESS	TELEPHONE	FAX
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: PBLLMYKA	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
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, Shenyang, 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 (9 branches in Hong Kong)	852-23919388	852-23915366
Public Securities (Nominees) Limited	Room 1108, Wing On House 71, Des Voeux Road Central, Hong Kong	852-39292850	852-28455240

SUBSIDIARIES	ADDRESS	TELEPHONE	FAX
Public Securities Limited	Room 1101-3 and 1108, Wing On House 71, Des Voeux Road Central, Hong Kong	852-39292850	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 (21 branches in Cambodia)	855-23-222880 855-23-222881 855-23-222882 (General Lines)	855-23-222887
CampuBank Lonpac Insurance Plc	7th Floor, Campu Bank Building No. 23, Street No. 114 Sangkat Phsar Thmey II Khan Daun Penh, Phnom Penh, Cambodia P.O. Box 1556 Email: enquiries@campubanklonpac.com.kh	855-23-966966 855-23-966998 855-23-986279 855-23-998200	855-23-986308 855-23-986273
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

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PUBLIC BANK
(6463-H)

Number of shares held	CDS Account No.											
			-			-						

of _____
(FULL ADDRESS)

(FULL NAME IN BLOCK LETTERS AS PER NRIC) NRIC No. _____

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

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-Fifth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 14 March 2011 at 11.00 a.m., or any adjournment thereof.

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

(FULL NAME IN BLOCK LETTERS AS PER NRIC) NRIC No. _____

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

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-Fifth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 14 March 2011 at 11.00 a.m., or any adjournment thereof.

First Proxy "A"	%
Second Proxy "B"	%
	100%

(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 2010 and the Reports of the Directors and Auditors thereon				
2.	Re-election of Dato' Sri Lee Kong Lam as Director				
3.	Re-election of Dato' Haji Abdul Aziz bin Dato' Dr. Omar as Director				
4.	Re-appointment of Tan Sri Dato' Sri Dr. Teh Hong Piow as Director				
5.	Re-appointment of Tan Sri Datuk Seri Utama Thong Yaw Hong as Director				
6.	Approval of payment of Directors' fees				
7.	Re-appointment of Messrs KPMG as Auditors and authority to the Directors to fix the Auditors' remuneration				
8.	Proposed Share Buy-Back				
NO.	SPECIAL RESOLUTION				
1.	Proposed Amendment to Article 134 of the Articles of Association of PBB				

* Delete if inapplicable.

Signature of Member/Common Seal

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 7 March 2011 (General Meeting Record of Depositors) shall be eligible to attend the Meeting.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.

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STAMP

To: **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

2010 NACRA Award

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



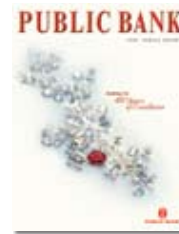
2009



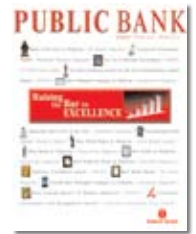
2008



2007



2006



2005



2004



2003



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2001



2000



1999



1998



1997



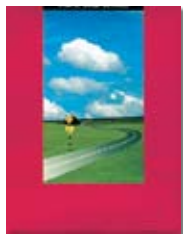
1996



1995



1994



1991



1990



1989



1988



1987



1986



1983

2009 NACRA Award

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

- 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
- 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
- Best Annual Report – Finance Sector

1986 MACRA Award

- Best Corporate Information

1983 MACRA Award

- Silver Award