

PUBLICBANK

Your needs
Our **focus**
2004 Annual Report



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PUBLIC BANK



...we know what's important to you

Efficient Capital

Strong Growth

Internet Banking

Competitive Rates

Trustworthy

Customer Service

SME Loans

Convenience

Share Broking

Financial Strength

Efficiency

Higher Profits

Share Financing

Property Financing

Nationwide Network

High Dividends

Stability

Islamic Banking

Fund Management



FINANCIAL CALENDAR

Financial Year 2004

COVER RATIONALE

Public Bank's position as the Top Brand Bank is founded on strong customer focus. The desire to serve the needs of our customers to their fullest satisfaction is ingrained in our superior customer value delivery infrastructure.

As reflected in our theme 'Your Needs Our Focus', our clear vision from the powerful lens of the magnifying glass and substantial investments in customer delivery systems and people brings a totally new experience of excellent customer service to all our customers whoever they are, wherever they may be.

21 APRIL 2004, Wednesday

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2004

22 JULY 2004, Thursday

Announcement of the unaudited consolidated results for the 2nd quarter and half year ended 30 June 2004

25 OCTOBER 2004, Monday

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2004

26 OCTOBER 2004, Tuesday

Issuance of notice of entitlement and payment of special dividend of 40% less 28% income tax

21 DECEMBER 2004, Tuesday

Date of entitlement to the special dividend of 40% less 28% income tax

30 DECEMBER 2004, Thursday

Date of payment of the special dividend of 40% less 28% income tax

18 JANUARY 2005, Tuesday

Announcement of the audited consolidated results for the 4th quarter and year ended 31 December 2004

7 FEBRUARY 2005, Monday

Issuance of notice of entitlement and payment of final dividend of 35% less 28% income tax and second special dividend of 15% less 28% income tax

8 MARCH 2005, Tuesday

Issuance of notice of 39th Annual General Meeting and annual report for the financial year ended 31 December 2004

30 MARCH 2005, Wednesday

Date of 39th Annual General Meeting

5 APRIL 2005, Tuesday

Date of entitlement to the final dividend of 35% less 28% income tax and second special dividend of 15% less 28% income tax

12 APRIL 2005, Tuesday

Date of payment of the final dividend of 35% less 28% income tax and second special dividend of 15% less 28% income tax

Corporate Mission

To Sustain The Position
Of Being The Most
Efficient, Profitable And
Respected Premier
Financial Institution In
Malaysia



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Ninth Annual General Meeting of Public Bank Berhad will be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 30 March 2005 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 2004 and the Reports of the Directors and Auditors thereon. Ordinary Resolution 1
2. To declare a final dividend of 35% less 28% income tax and a special dividend of 15% less 28% income tax in respect of the financial year ended 31 December 2004 as recommended by the Directors. Ordinary Resolution 2
3. To re-elect the following Directors who retire by rotation pursuant to Article 111 of the Company's Articles of Association:
 - i. Dato' Lee Kong Lam Ordinary Resolution 3
 - ii. Dato' Yeoh Chin Kee Ordinary Resolution 4
 - iii. Lee Chin Guan Ordinary Resolution 5
4. 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." Ordinary Resolution 6
 - ii. "That Tan Sri Dato' 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." Ordinary Resolution 7
5. To approve the payment of Directors' fees of RM725,000 for the financial year ended 31 December 2004. Ordinary Resolution 8
6. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2005 and to authorise the Directors to fix the Auditors' remuneration. Ordinary Resolution 9

AS SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following Ordinary Resolution:

"That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities."

Ordinary Resolution 10

DATE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND AND SPECIAL DIVIDEND

NOTICE HAS BEEN GIVEN ON 7 FEBRUARY 2005 THAT subject to the approval of Members at the Annual General Meeting to be held on 30 March 2005, a final dividend of 35% less 28% income tax and a special dividend of 15% less 28% income tax for the financial year ended 31 December 2004 will be paid on 12 April 2005 to Depositors whose names appear in the Record of Depositors on 5 April 2005.

A Depositor shall qualify for entitlement to the dividends only in respect of:

- a. Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 5 April 2005 in respect of transfers;
- b. Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 1 April 2005 in respect of securities exempted from mandatory deposit; and
- c. Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.



BY ORDER OF THE BOARD

CHIA LEE KEE
Company Secretary

Kuala Lumpur
8 March 2005

NOTES:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 23 March 2005 ("General Meeting Record of Depositors") shall be eligible to attend the above 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 above Meeting.
3. A Member entitled to attend and vote at the above 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 above 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 in the credit of the said Securities Account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company, at 27th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the Meeting.

EXPLANATORY NOTE ON SPECIAL BUSINESS:

The proposed Ordinary Resolution 10 if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice of Annual General Meeting

pursuant to Paragraph 8.28(2) of Bursa Malaysia Securities Berhad Listing Requirements

1. DIRECTORS WHO ARE SEEKING RE-ELECTION OR RE-APPOINTMENT AT THE 39TH ANNUAL GENERAL MEETING OF THE COMPANY

The Directors retiring by rotation pursuant to the Articles of Association and seeking re-election are as follows:

- Dato' Lee Kong Lam
- Dato' Yeoh Chin Kee
- Lee Chin Guan

Two Directors who are over the age of seventy years are seeking re-appointment and they are as follows:

- Tan Sri Dato' Sri Dr. Teh Hong Piow
- Tan Sri Dato' Thong Yaw Hong

The details of the five Directors seeking re-election or re-appointment are set out in their respective profiles which appear in the Directors' Profiles on pages 29, 30 and 32 of this Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings which appear on pages 301 and 302 of this Annual Report.

2. BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

A total of sixteen Board meetings were held in the financial year ended 31 December 2004.

The attendance of Directors at the Board meetings held in the financial year ended 31 December 2004 was as follows:

Date of Meeting	Total Number of Directors	Attendance by Directors	
		Independent	Non-Independent
16 January 2004	9	5 (83%)	3 (100%)
27 January 2004	9	6 (100%)	3 (100%)
24 February 2004	9	6 (100%)	3 (100%)
30 March 2004	9	6 (100%)	3 (100%)
12 April 2004	9	6 (100%)	3 (100%)
28 April 2004	9	6 (100%)	3 (100%)
25 May 2004	9	6 (100%)	3 (100%)
29 June 2004	9	6 (100%)	3 (100%)
9 July 2004	9	6 (100%)	3 (100%)
28 July 2004	9	6 (100%)	3 (100%)
24 August 2004	9	6 (100%)	3 (100%)
27 September 2004	9	6 (100%)	3 (100%)
11 October 2004	9	6 (100%)	3 (100%)
27 October 2004	9	6 (100%)	3 (100%)
24 November 2004	9	6 (100%)	3 (100%)
23 December 2004	9	6 (100%)	3 (100%)

The details of attendance by each Director at the Board meetings held in the financial year ended 31 December 2004 are as follows:

	Total Meetings Attended	Percentage of Attendance
Tan Sri Dato' Sri Dr. Teh Hong Piow	16/16	100%
Tan Sri Dato' Thong Yaw Hong	16/16	100%
Datuk Tay Ah Lek	16/16	100%
Dato' Lee Kong Lam	16/16	100%
Dato' Yeoh Chin Kee	16/16	100%
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	15/16	94%
Haji Abdul Aziz bin Omar	16/16	100%
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	16/16	100%
Lee Chin Guan	16/16	100%



BOARD OF DIRECTORS

Non-Executive Chairman

TAN SRI DATO' SRI DR. TEH
HONG PIOW
PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP, DPMJ,
Datuk Kurnia Sentosa Pahang, JP
Hon LLD (M'sia), FIBM (M'sia), FCIB (UK),
FCIS (Aust), FCMI (UK), FICM (UK),
FInstAM (UK)

Independent Non-Executive Co-Chairman

TAN SRI DATO' THONG YAW HONG
PSM, SIMP, DSAP, DIMP, JMN, SMP, JBS, AMN
BA (Econs Hons), MPA (Harvard),
AMP (Harvard)

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Corporate Information

Managing Director

DATUK TAY AH LEK
PJN, DIMP, KMN
MBA (Henley), FIBM (M'sia), FAIBF (Aust)

Executive Director

DATO' LEE KONG LAM
DIMP
FCPA (Aust), CA (M'sia), FCIB (UK)

Independent Non-Executive Director

DATO' YEOH CHIN KEE
DIMP
FCPA (Aust), FAIBF (Aust)

Independent Non-Executive Director

Y.A.M. TENGKU ABDUL RAHMAN
IBNI SULTAN HAJI AHMAD SHAH
AL-MUSTAIN BILLAH
DK II, SSAP

Independent Non-Executive Director

HAJI ABDUL AZIZ BIN OMAR
ACA (England & Wales),
CA (M'sia), FIBM (M'sia)

Independent Non-Executive Director

DATO' DR. HAJI MOHAMED ISHAK
BIN HAJI MOHAMED ARIFF
DSPN, JSM, DJN, SMS, KMN, PPT, PJK
FRTPI (London), FMIP (M'sia), FILA (M'sia),
D.C.L. (Hon) Newcastle-upon-Tyne

Independent Non-Executive Director

LEE CHIN GUAN
BSc (Hons), BCL (Oxon), LL.M (Cantab),
JD (Chicago-Kent), Barrister-at-Law (Middle Temple)

COMPANY SECRETARY

CHIA LEE KEE

AUDITORS

KPMG

Chartered Accountants

SHARE REGISTRAR

EPSILON REGISTRATION SERVICES

SDN BHD

312, 3rd Floor

Block C, Kelana Square

17 Jalan SS7/26

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Tel: 03-78031126, 78062116

Fax: 03-78061261

E-mail: ers@epsilon.com

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia

Securities Berhad

(Listed since 6 April 1967)

REGISTERED OFFICE

27th Floor, Menara Public Bank

146 Jalan Ampang

50450 Kuala Lumpur

Malaysia

Tel: 03-21638888, 21638899

Fax: 03-21639917

HEAD OFFICE

Menara Public Bank

146 Jalan Ampang

50450 Kuala Lumpur

Malaysia

Tel: 03-21766000, 21766666,

21638888, 21638899

Fax: 03-21639917

WEBSITE

www.publicbank.com.my



SERVICE EXCELLENCE OUR FOCUS

Establishing the bond
between bank and customers

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Corporate Profile

PUBLIC BANK: A CUSTOMER-CENTRIC FINANCIAL INSTITUTION

THE BEGINNING

Founded on a long-term vision of its Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow, Public Bank started its business operations on 6 August 1966 at its first branch at Jalan Gereja, Kuala Lumpur. On 6 April 1967, the Bank was listed on the then Kuala Lumpur Stock Exchange with a paid-up capital of RM16 million.

THE JOURNEY

The Public Bank Group is one of the top-tier banking groups in Malaysia, achieved through strong and consistent organic growth. Today, the Group employs more than 12,600 people and has 252 domestic branches. The Group expanded regionally in the 1990s to Hong Kong, Sri Lanka, Vietnam, Laos and Cambodia. The Group also has an offshore operation in the Federal Territory of Labuan.

As an anchor bank, Public Bank participated successfully in the consolidation of the banking sector which started in 1999 by acquiring Hock Hua Bank, Advance Finance and Sime Merchant Bank. The Bank had also privatised Public Finance in 2003 and merged the finance company business of Public Finance with the banking business of Public Bank in September 2004.

FOCUSED BUSINESS STRATEGY

The Public Bank Group provides a wide range of financial products and services related to commercial banking, hire purchase financing, merchant banking, credit and debit cards, cash management services, factoring, stockbroking, sales of trust units and management of unit trust funds, and other related financial services such as nominee and trustee services. The Group also provides Islamic banking and financing products and services.

THIRD LARGEST BANKING GROUP

With total assets of RM92 billion at the end of 2004, the Public Bank Group is the third largest banking group in Malaysia. The Group is the second largest in terms of shareholders' funds. Public Bank is also among the top five companies listed on Bursa Malaysia Securities Berhad in terms of market capitalisation.

STRONG FINANCIAL PROFILE

The Public Bank Group not only continues to maintain its unbroken profit track record for the past 38 years, but also continues to maintain a sound financial profile in the key areas of profitability, asset quality and capital strength.

The Group's profitability ratios have been among the top performers in the industry. The Group's asset quality ratio, which has been around one-third of the industry's average, is the lowest in the industry. The Group maintains a strong capital base, a level that is commensurate with its existing risk profile and credit rating.

STRONG RATINGS

Public Bank continues to be assigned strong ratings based on its strong financial fundamentals, prudent management and respectable domestic franchise. In December 2004, Moody's Investor Service upgraded Public Bank's long-term deposit rating to A3 from Baa1, and short-term deposit rating to Prime-1 from Prime-2 and reaffirmed Public Bank's financial strength rating at C (with stable outlook).

Standard & Poor's also assigned Public Bank an A- long-term and A-2 short-term counterparty credit ratings with stable outlook in June 2004. Rating Agency Malaysia reaffirmed the Bank's highest long-term rating of AAA and for short-term rating of P1.

COMMITMENT TO SERVICE EXCELLENCE

The Public Bank Group commits a lot of its resources and manpower to maintain superior service delivery standards which are benchmarked against world standards. Public Bank is the only bank in Malaysia which has attained bank-wide ISO 9001: 2000 certification for both customer service at the front office and for loan delivery.





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Corporate Profile

MULTIPLE AND EFFICIENT DELIVERY CHANNELS

Public Bank now has 252 domestic branches. To provide customer convenience, Public Bank has 343 automated teller machines and 59 cheque deposit machines. By leveraging on its ICT infrastructure, the Group provides an Internet banking channel, PBeBank.com, PB Telebanking and desktop banking for customers to conduct their banking transactions with confidence. Public Bank participates in the Financial Process Exchange managed by MEPS to promote e-commerce.

MORE BANKING EXCELLENCE AWARDS

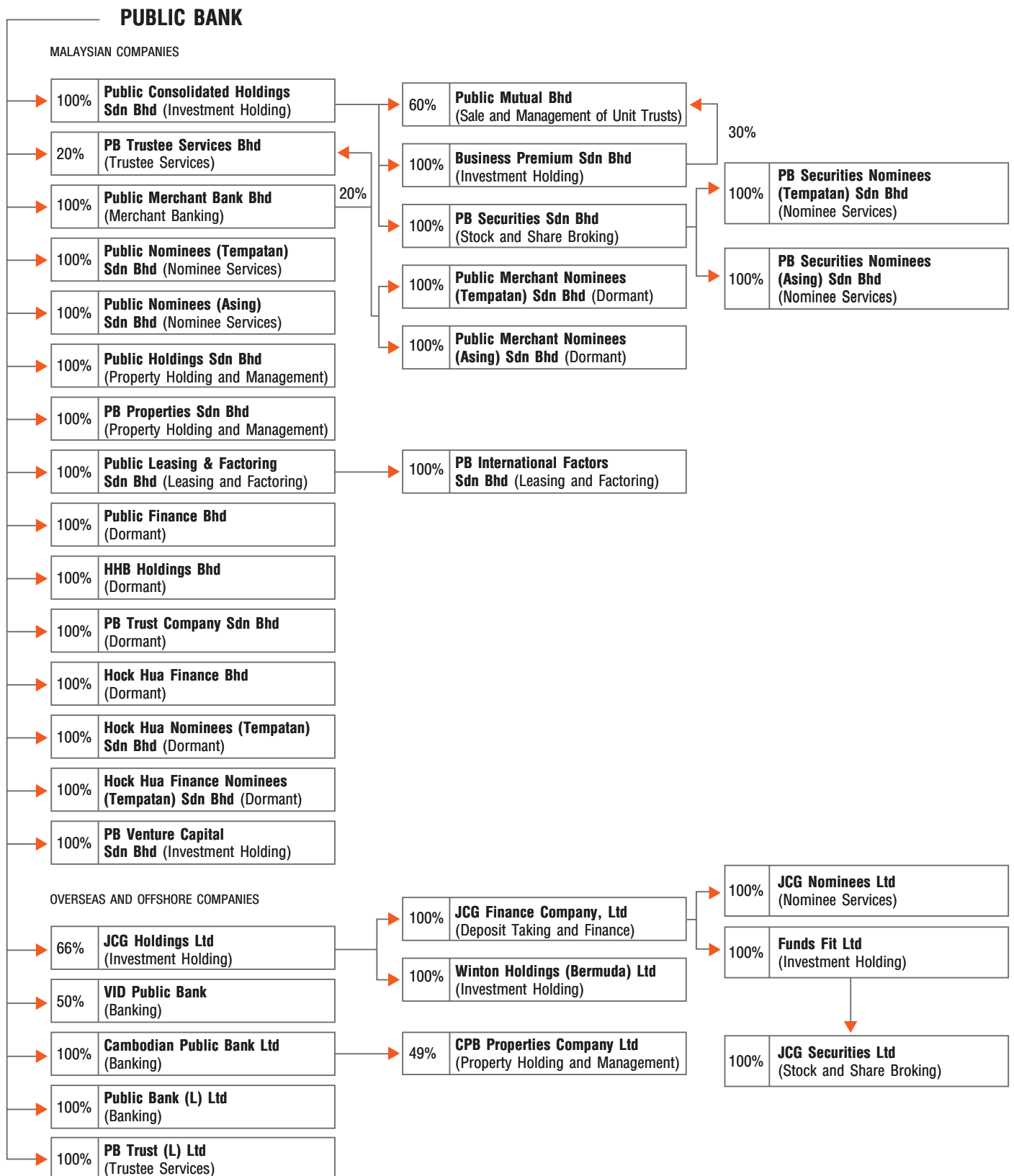
Public Bank continues to garner international and national awards of excellence in banking in 2004. The Bank won six best bank awards in 2004 from FinanceAsia (for six consecutive years), Euromoney (for the sixth time), Global Finance (for five consecutive years), The Asset (for three consecutive years), Asiamoney (for three consecutive years) and The Asian Banker (for the second time).

Public Bank also bagged the top KLSE Corporate Excellence Awards (for four consecutive years of the Awards), the Malaysian Business Corporate Governance Award (for two consecutive years) and the NACRA Most Outstanding Annual Report Award (for the third consecutive years and five times in total). These awards reaffirmed Public Bank as the standard bearer of good corporate governance in Malaysia.

RAISING THE BAR OF EXCELLENCE

The Public Bank Group is poised to achieve greater success by leveraging on its strong management team, innovative capabilities, committed staff force and excellent PB Brand. The Group is committed to strengthening its core business and competencies and achieve higher service levels, greater shareholder value and a more productive staff force. With effective leadership and undivided staff commitment, the Public Bank Group is ready to raise the bar of excellence for all its stakeholders.

Group Corporate Structure as at 25 January 2005



YOUR NEEDS OUR FOCUS

We continuously strive
to do our best for you

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Customer Care

AS A BUSINESS ENTERPRISE, THE PUBLIC BANK GROUP EXISTS TO SERVE ITS CUSTOMERS. THE GROUP HAS LONG RECOGNISED THAT COMPETING SOLELY ON PRICING WOULD NOT SUSTAIN LONG-TERM PROFITABILITY. MAKING A DIFFERENCE IN SERVING THE GROUP'S CUSTOMERS TO GAIN A COMPETITIVE EDGE CONTINUES TO BE A CORE BUSINESS STRATEGY OF THE GROUP.

A COMMITTED DRIVE TO CUSTOMER SERVICE EXCELLENCE

The importance of excellent customer service in an intensely competitive banking and financing industry is key to the Public Bank Group in staying ahead of the competition. The Group continues to commit significant resources in its pursuit of international standards of customer service. Customer service delivery excellence is a culture that permeates every level of staff in the Group. The Group continues to set the pace for the banking and financing industry in customer service excellence and remains at the forefront in delivering superior standards of customer service which not only meet but exceed customers' expectations. The Group's corporate tagline of 'Excellence Is Our Commitment' is a way of life in the Public Bank Group.

CUSTOMER SATISFACTION OUR TOP PRIORITY

A long running multi-phase Customer Care Campaign is a key initiative to develop a customer service excellence culture in the Public Bank Group. Phase V of the Customer Care Campaign was launched in May 2004. The main theme of the Customer Care Campaign remains “Doing It Right For You”. The theme for Phase V, “Your Needs Our Focus” is aimed at cultivating, as well as reinforcing, the desired attitude in customer service delivery by front-line staff as well as seeking customers’ perception of the Group’s service quality levels. Via feedback through questionnaires sent to customers and evaluations carried out on front-line staff with emphasis on the behavioural aspects through the Mystery Customer Project, the Group intends to enhance its customer service delivery standards even further.

WORLD CLASS CUSTOMER SERVICE QUALITY STANDARDS

The two critical areas of the Public Bank Group’s business covering front-line services at branches and loan service delivery remained certified to internationally benchmarked ISO 9001:2000 standards. Sustaining the bank-wide ISO 9001:2000 certification for the “Provision of Customer Service at the Front Office” and the “Provision of Customer Service in Loan Delivery” remains a top priority of the Group. The Group continues to measure and monitor the achievement of customer service delivery standards, such as the Group’s 2-minute Standard Waiting Time and 1-minute transaction time for core banking transactions, as part of the structured quality management system that is in place to maintain the ISO 9001:2000 certification of the critical areas of the Group’s business.





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C u s t o m e r C a r e

A WIDER SPECTRUM OF CUSTOMER SERVICE DELIVERY CHANNELS

With an increasingly tech-savvy customer base seeking the convenience of carrying out banking and financing transactions and accessing products and services information interactively, the multiple service delivery channels of the Public Bank Group, besides its extensive branch network, offers the convenience sought by such customers. The Group's electronic delivery channels have the capacity and capability to meet these customers' needs at any time of the day and from a location of the customers' choice, whether it be the customers' home or office or at the Group's extensive ATM network. The Group's PBeBank.com Internet banking service, its PB Telebanking service and the Group's conveniently located ATMs are structured to fulfill such needs. To further enhance customer convenience, self-service machines such as cheque deposit machines and cash deposit terminals are increasingly available, particularly in high transaction volume branches, to shorten further customers' waiting time or offer convenience of conducting such transactions outside of banking hours.

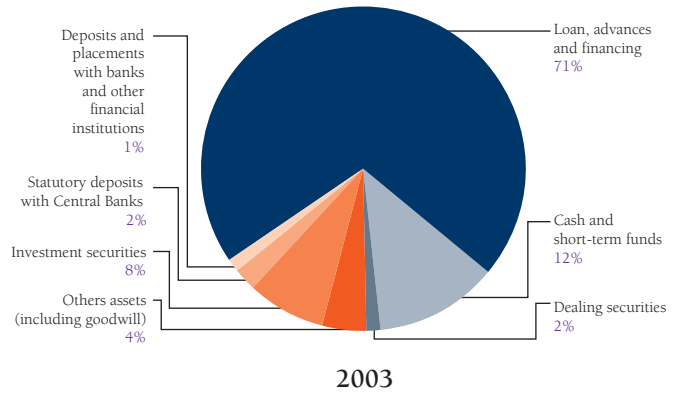
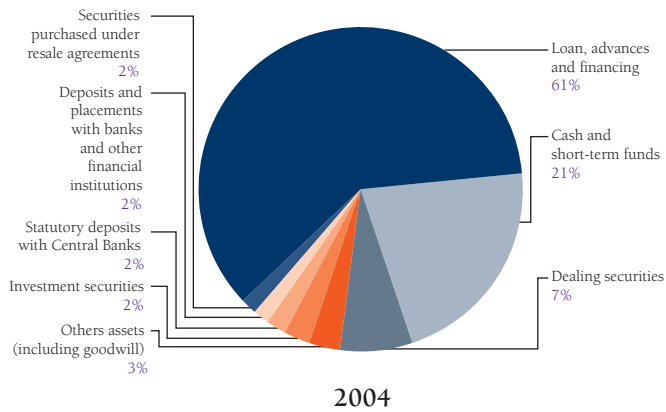
Financial Highlights

	Group		Bank	
	2004	2003	2004	2003
PROFITABILITY (RM'Million)				
Operating revenue	5,045	4,318	3,669	2,556
Operating profit	2,115	1,850	3,369	1,498
Profit before tax expense	1,848	1,415	2,915	1,379
Profit after tax expense and minority interests	1,267	974	2,238	1,028
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	92,087	64,577	88,855	57,962
Dealing and investment securities	9,078	5,980	6,933	7,351
Loans, advances and financing	55,719	45,540	53,856	27,266
Total liabilities	83,149	55,382	80,448	50,480
Deposits from customers	72,246	50,217	68,266	41,121
Shareholders' equity	8,571	8,618	8,407	7,483
Commitments and contingencies	19,781	14,246	19,535	13,249
SHARE INFORMATION				
Per share (sen)				
Basic earnings	39.4	32.0	69.5	33.8
Diluted earnings	38.7	31.2	68.3	33.0
Gross dividend	90.0	22.0	90.0	22.0
Net tangible assets	238.3	245.6	235.6	225.0
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets	4.0	4.1	2.8	2.5
Net return on equity ¹	18.3	14.4	34.1	17.5
Return on average assets	2.4	2.2	4.0	2.6
Return on average risk-weighted assets	3.6	3.3	6.8	5.0
Capital Adequacy Ratios				
Core capital ratio	13.9	17.5	13.8	15.0
Risk-weighted capital ratio	17.9	19.3	15.3	15.0
Asset Quality Ratios				
Net non-performing loans ratio (3-month classification)	2.1	3.0	2.2	3.0
Loan loss coverage	80.6	70.6	76.1	66.3
Gross loan to deposit ratio	78.9	93.5	80.6	68.1
Deposits to shareholders' funds (times)	8.4	5.8	8.1	5.5
Valuation on Local Share				
Gross dividend yield	12.7	3.9	—	—
Dividend payout ratio	166.5	52.5	94.3	49.7
Price to earnings multiple (times)	18.0	17.7	—	—
Price to book multiple (times)	3.0	2.3	—	—

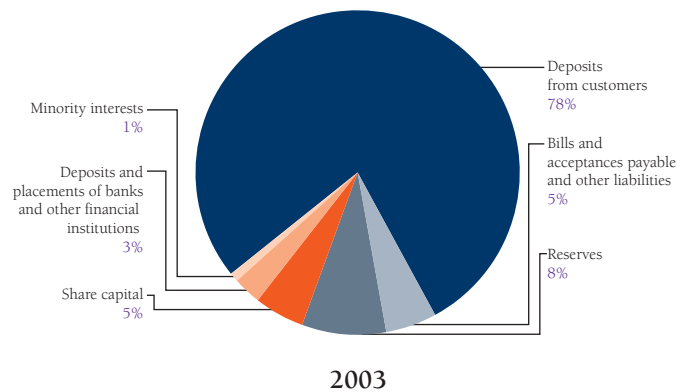
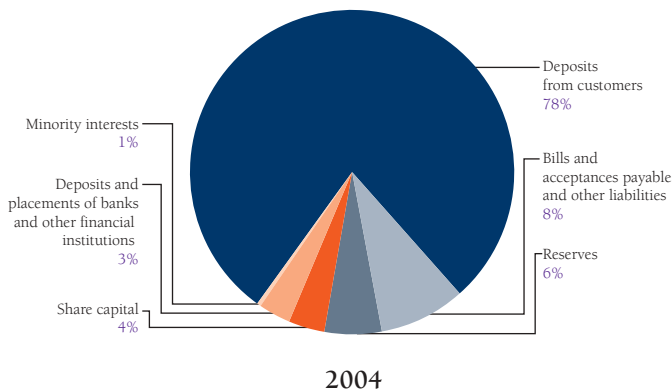
¹ Adjusted for proposed dividends and goodwill.

Simplified Group Balance Sheets

ASSETS



LIABILITIES & SHAREHOLDERS' EQUITY



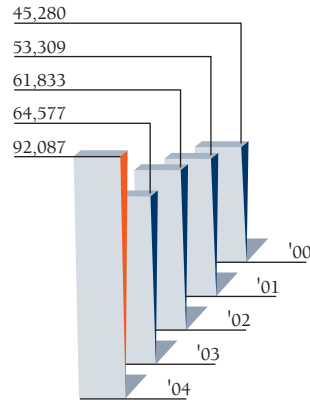
Five-Year Group Financial Summary

Year ended 31 December	2004	2003	2002	2001	2000
OPERATING RESULTS (RM'Million)					
Profit before tax expense	1,848	1,415	1,230	1,243	1,249
Profit after tax expense and minority interests	1,267	974	761	720	724
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	92,087	64,577	61,833	53,309	45,280
Loans, advances and financing	55,719	45,540	37,535	30,698	24,394
Total liabilities	83,149	55,382	53,538	45,528	39,534
Deposits from customers	72,246	50,217	47,986	39,782	33,877
Paid-up capital	3,356	3,207	2,315	1,834	1,195
Shareholders' equity	8,571	8,618	6,962	6,391	4,509
Commitments and contingencies	19,781	14,246	12,316	12,147	9,762
SHARE INFORMATION					
Per share (sen)					
Basic earnings	39.4	32.0	26.4	26.2	30.2
Diluted earnings	38.7	31.2	26.2	26.0	29.8
Gross dividend	90.0	22.0	18.0	18.0	15.0
Net tangible assets	238.3	245.6	280.1	325.8	371.8
Share price as at 31 December (RM)					
– Local	7.10	5.66	3.64	3.20	2.90
– Foreign	7.60	6.20	4.16	3.40	2.92
Market capitalisation (RM'Million)	24,329	18,669	10,966	9,356	7,041
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net interest margin on average interest bearing assets					
	4.0	4.1	4.1	4.3	4.3
Net return on equity ¹					
	18.3	14.4	12.8	14.5	17.9
Return on average assets					
	2.4	2.2	2.1	2.5	2.8
Return on average risk-weighted assets					
	3.6	3.3	3.4	4.2	4.9
Gross loan to deposit ratio					
	78.9	93.5	81.3	81.0	76.1
Net non-performing loans ratio (3-month classification)					
	2.1	3.0	3.2	5.0	4.3
Domestic market share in:					
Loans, advances and financing	11.1	9.6	8.2	6.4	5.2
Deposits from customers	11.6	8.9	9.3	8.2	7.0
Capital Adequacy Ratios					
Core capital ratio	13.9	17.5	19.4	22.0	21.6
Risk-weighted capital ratio	17.9	19.3	21.2	23.8	23.5
Valuation on Local Share					
Gross dividend yield	12.7	3.9	4.0	3.6	2.6
Dividend payout ratio (Bank level)	94.3	49.7	49.8	71.4	38.8
Price to earnings multiple (times)	18.0	17.7	13.8	12.2	9.6

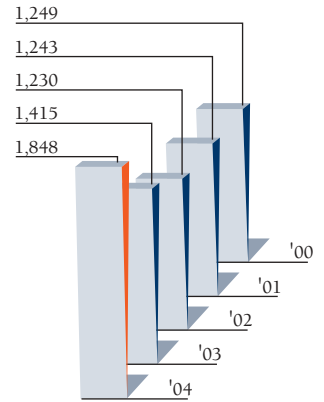
¹ Adjusted for proposed dividends and goodwill.

Summary of Five-Year Group Growth

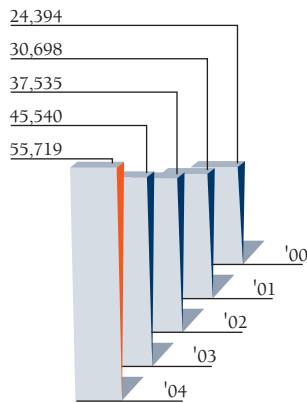
Total Assets
(RM'Million)



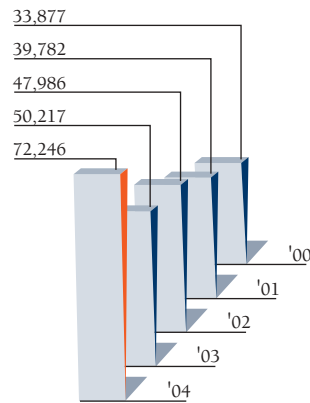
Profit Before Tax Expense
(RM'Million)



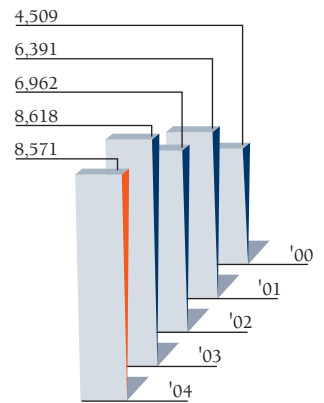
Loans, Advances and Financing
(RM'Million)



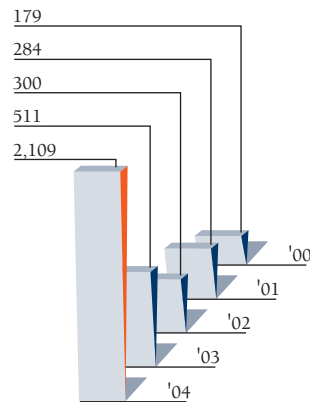
Deposits From Customers
(RM'Million)



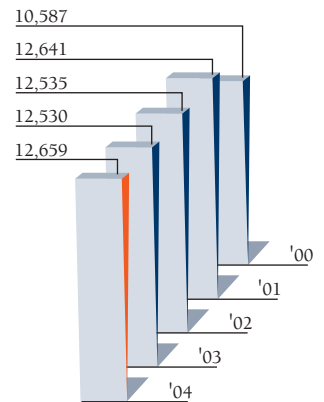
Shareholders' Equity
(RM'Million)



Dividends
(RM'Million)

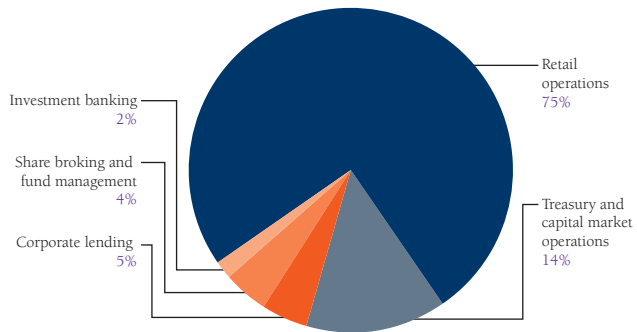


Total Staff Strength
(Number)

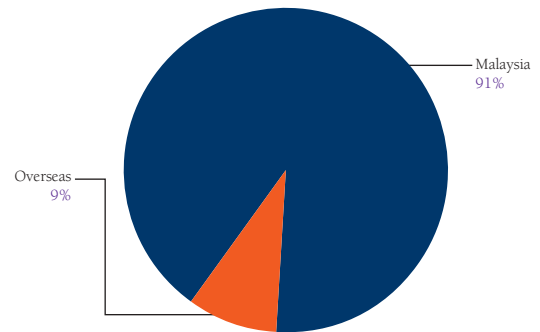


Segmental Analysis for the year ended 31 December 2004

OPERATING REVENUE

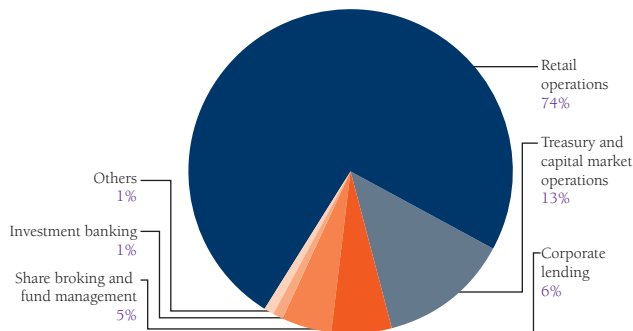


By Business Segments

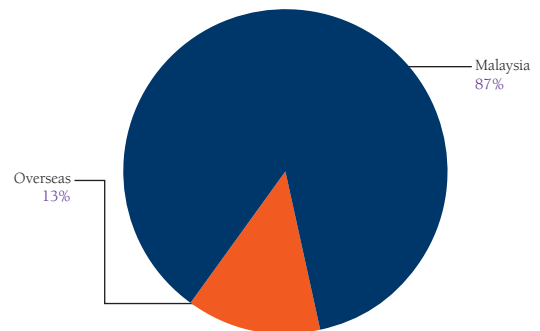


By Geographical Location

PROFIT BEFORE TAX EXPENSE

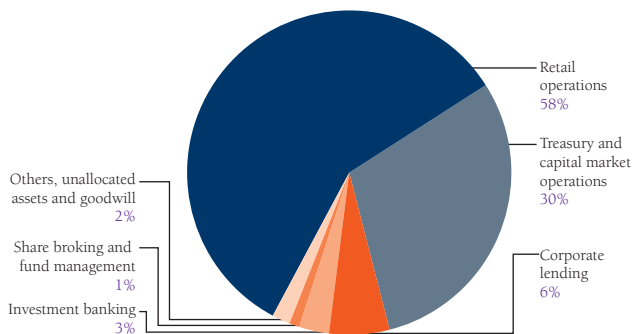


By Business Segments

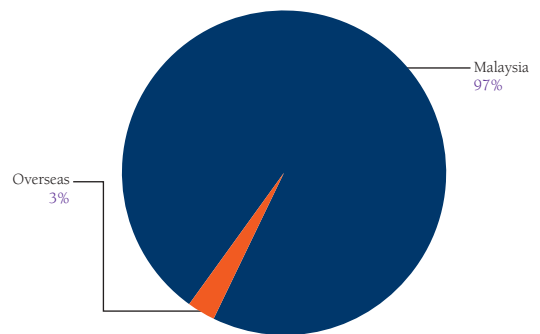


By Geographical Location

ASSETS EMPLOYED

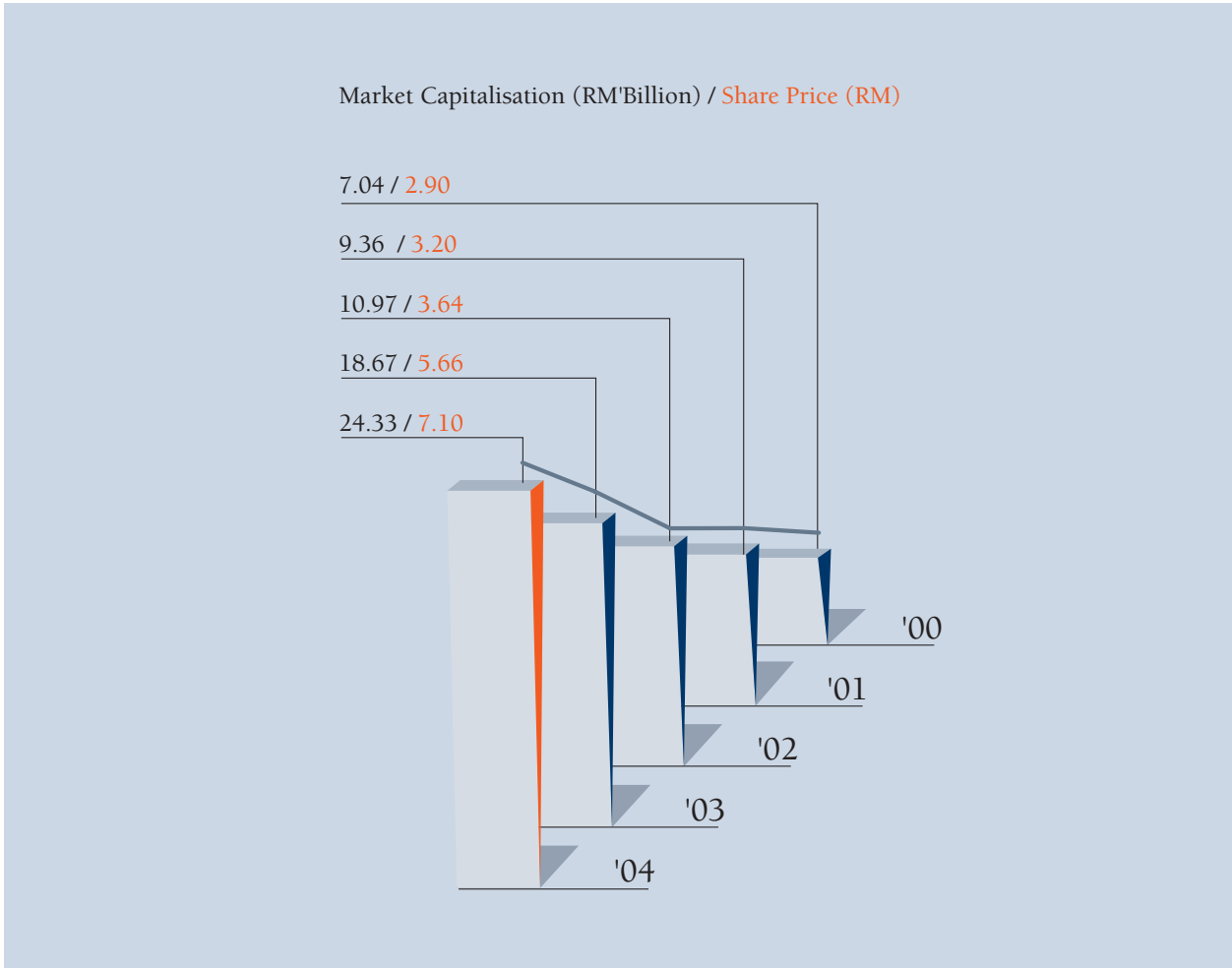


By Business Segments



By Geographical Location

Market Capitalisation & Ranking



Public Bank's Ranking by Market Capitalisation on Bursa Malaysia Securities Berhad

Year	2004	2003	2002	2001	2000
Ranking	5th	6th	8th	8th	10th



We are here to make sure you
have the wings to truly soar.
Your needs, our focus.

we support



you fly



THE BOARD







Director's Profile

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 75, began his banking career in 1950 and has more than 50 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 the Public Bank Group since its inception in December 1965. 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. He is the Chairman of the Assets & Liabilities Management Committee, the Share Investment Committee, the Group Human Resource Committee and the Public Bank Berhad Employees' Share Option Scheme 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 and The Most PR Savvy CEO 2004. 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. 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; and is a founder member of the Advisory Business Council since 2003. 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 JCG Holdings Ltd (Chairman) and Public Merchant Bank Bhd, and 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 of the 16 Board meetings which were held in the financial year ended 31 December 2004.

Tan Sri Dato' Thong Yaw Hong
Independent Non-Executive Co-Chairman



Tan Sri Dato' Thong Yaw Hong, aged 74, 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 Masters 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 Universiti 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 Dato' 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 also a member of the Working Group of the Executive Committee for the National Economic Action Council.

His directorships in other public companies in the Public Bank Group are in HHB Holdings Bhd (Chairman) and Public Merchant Bank Bhd (Chairman), and he is also a Director of several subsidiaries of the Public Bank Group. His directorships in other public companies are in Berjaya Land Bhd (Chairman), Berjaya Sports Toto Bhd (Chairman), Berjaya General Insurance Bhd (Chairman), KTM Bhd (Chairman), Batu Kawan Bhd, Kuala Lumpur Kepong Bhd, Malaysian Mining Corporation Bhd, Glenealy Plantations (Malaya) Bhd and Malaysian South-South Corporation Bhd.

Tan Sri Dato' Thong Yaw Hong attended all of the 16 Board meetings which were held in the financial year ended 31 December 2004.

Datuk Tay Ah Lek

Managing Director



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Director's Profile

Datuk Tay Ah Lek, aged 62, has 44 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 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 Public Finance. He is a member of the Board Executive Committee. He is the Chairman of the Loans Committee and the IT Steering Committee, and is a member of the Assets & Liabilities Management Committee, the Share Investment Committee, the Group Human Resource Committee and the Public Bank Berhad Employees' Share Option Scheme Committee.

Datuk Tay Ah Lek holds a Masters degree in Business Administration from Henley, United Kingdom and attended the Advanced Management Program at Harvard Business School. He is a Fellow of the Australasian Institute of Banking and Finance and the Institute of Bankers Malaysia.

He is presently the Chairman of the Association of Finance Companies of Malaysia and Honorary Advisor to the Association of Hire Purchase Companies Malaysia. He is a Council Member of the National Economic Action Council and the National Payments Advisory Board.

His directorships in other public companies in the Public Bank Group are in Public Merchant Bank Bhd, Public Mutual Bhd and JCG Holdings Ltd. He is also a Director of Public Bank (L) Ltd, the offshore bank in the Public Bank Group. His directorships in other public companies are in Cagamas Bhd, ASEAN Finance Corporation Ltd and Financial Mediation Bureau.

Datuk Tay Ah Lek attended all of the 16 Board meetings which were held in the financial year ended 31 December 2004.

Dato' Lee Kong Lam

Executive Director



Dato' Lee Kong Lam, aged 63, has 37 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 is a member of the Loans Committee, the IT Steering Committee, the Assets & Liabilities Management Committee, the Share Investment Committee, the Group Human Resource Committee and the Public Bank Berhad Employees' Share Option Scheme 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 Australian Society of Certified Practising Accountants; 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 Mutual Bhd (Chairman), Public Merchant Bank Bhd and Hock Hua Finance Bhd, and he is also a Director of several other subsidiaries of the Public Bank Group.

Dato' Lee Kong Lam attended all of the 16 Board meetings which were held in the financial year ended 31 December 2004.

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



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Director's Profile

Dato' Yeoh Chin Kee, aged 62, began his banking career in 1961 and has 44 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 1978 to 1997. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. He is also the Chairman of the Credit Risk Management Committee.

He is a Fellow of the Australian Society of Certified Practising Accountants and the Australasian Institute of Banking and Finance.

His directorships in other public companies in the Public Bank Group are in PB Trustee Services Bhd (Chairman), Public Merchant Bank Bhd and JCG Holdings Ltd. He is also a Director of several other subsidiaries of the Public Bank Group. His directorships in other public companies are in LPI Capital Bhd and Lonpac Insurance Bhd.

Dato' Yeoh Chin Kee attended all of the 16 Board meetings which were held in the financial year ended 31 December 2004.

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah, aged 44, 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 other directorship in public company in the Public Bank Group is in Public Merchant Bank Bhd. His directorship in other public company is in Atlan Holdings Bhd. He also sits on the Boards of several private limited companies.

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 2004.

Haji Abdul Aziz bin Omar
Independent Non-Executive
Director

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



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Director's Profile

Haji Abdul Aziz bin Omar, aged 57, was appointed as a Director of Public Bank on 5 January 2000. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the 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 property, plantation, hotelling, trading and manufacturing.

His directorships in other public companies in the Public Bank Group are in Public Merchant Bank Bhd and Public Mutual Bhd.

Haji Abdul Aziz bin Omar attended all of the 16 Board meetings which were held in the financial year ended 31 December 2004.

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff, aged 69, was appointed as a Director of Public Bank on 28 November 2001. He is a member of the Audit Committee and the Risk Management Committee.

He qualified as a professional Chartered Town Planner in 1964 and as a professional Landscape Architect in 1973 from the University of Newcastle-upon-Tyne, England.

He was the Director-General of the Department of Town and Country Planning from 1986 to 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 was honoured by the University of Newcastle-upon-Tyne, England with the Honorary Degree of Doctor in Civil Law in May 1993.

His directorships in other public companies in the Public Bank Group are in Public Merchant Bank Bhd and Public Mutual Bhd. His directorships in other public companies are in Yee Lee Corporation Bhd (Chairman) and Faber Group Bhd.

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff attended all of the 16 Board meetings which were held in the financial year ended 31 December 2004.



Director's Profile

Lee Chin Guan, aged 46, 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 qualified as a Barrister-at-Law from the Middle Temple, United Kingdom in 1982. He also holds a Bachelor's Degree in Science (Hons) from the University of Manchester Institute of Science & Technology, England and Degrees in Law from Cambridge University, Oxford University and University of Chicago-Kent.

His directorships in other public companies in the Public Bank Group are in Public Merchant Bank Bhd and JCG Holdings Ltd. His directorships in other public companies are in LPI Capital Bhd, Lonpac Insurance Bhd and Transmile Group Bhd.

Lee Chin Guan attended all of the 16 Board meetings which were held in the financial year ended 31 December 2004.

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.



We are here to make sure you
have all the assistance you need to prosper.
Your needs, our focus.

you reap

we assist



LETTER TO STAKEHOLDERS

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Letter to Stakeholders

The Year 2004 marks yet another remarkable and striking milestone achieved by the Public Bank Group. Shareholders have every reason to be delighted with the return on their capital investment. To be sure, the shareholders' value and wealth created have been consistently increased *pari passu* with the strong growth momentum of the Group's business and profitability of the past few years, especially the expansion of its lending business by 22% in 2004.

Riding on a robust and growing Malaysian economy, with GDP growth expected to exceed 7% from a 5.2% growth in 2003, and the Government's supportive and continued prudent fiscal and accommodative monetary policies, the Public Bank Group further expanded its core businesses and now stands as the 3rd largest banking group in Malaysia.

Recognising the further strengthening of the Malaysian economy, the stable political climate of the current administration and its commitment to government reforms, together with continued strengthening of the country's external financial position and the demonstrated commitment of the government to fiscal consolidation, international rating agencies, Fitch Ratings and Moody's Investors Services upgraded Malaysia's long-term foreign currency sovereign credit rating from BBB+ to A- in November 2004 and from Baa1 to A3 in December 2004 respectively. The third internationally recognised rating agency, Standard & Poor's had also upgraded Malaysia's long-term sovereign credit rating to A- in late 2003.

The Public Bank Group, a key player in the financial services industry which is a vital component of the Malaysian economy, continued to play a pivotal supporting role in the Government's efforts to make domestic-orientated industries a key driver of Malaysia's economic growth through the Group's focus on meeting the financial services needs of consumers and small- and medium-sized enterprises ("SMEs"). The growth of the Group's lending business reflects this commitment

to the domestic economy. The Group's loan portfolio grew by 22% in 2004, with domestic lending expanding by 22%. This is more than two times compared to the banking system's loan growth of 8.5% and is the 4th consecutive year that the Group achieved a loan growth rate exceeding 20%, despite the intense and increasingly competitive banking and financing market in the past few years.

The strong rate of growth of the Public Bank Group's lending business, which was well above the industry's rate of growth over the past few years, had been achieved without any compromise of credit standards. Continued adherence to the Group's prudent credit policies and practices ensures that a cornerstone of the Group's healthy long-term financial performance, that of a level of non-performing loans ("NPL") which is significantly and consistently below the banking industry's NPL levels, is maintained. The Group's net NPL ratio continued to fall in 2004, from 3.0% at the beginning of the year to 2.1% at the end of 2004, which was about one quarter of the industry's net NPL ratio of 7.6%.

TO OUR SHAREHOLDERS

FINANCIAL PERFORMANCE

The Public Bank Group continued to turn in record profits in 2004. Pre-tax profit of RM1.85 billion represented an increase of 30% over the previous record pre-tax profit of RM1.42 billion achieved in 2003 whilst net profit for 2004 of RM1.27 billion was also 30% higher than the RM0.97 billion achieved in 2003. Earnings per share improved to 39.4 sen from 32.0 sen in 2003 whilst return on equity continued to improve to 18.3% compared to 14.4% in 2003.

Total assets of the Public Bank Group increased from RM64.58 billion at the end of 2003 to RM92.09 billion, making the Group the 3rd largest banking group in Malaysia in terms of balance sheet size.

Growth in both the lending business and deposit-taking business of the Group contributed significantly to the expanding balance sheet. The Group's gross loans increased by RM10.11 billion or 22% to stand at RM57.03 billion at the end of 2004. Customer deposits also expanded by RM22.03 billion to reach RM72.25 billion, with lower cost saving deposits and current accounts growing by 19% and 18% respectively in 2004. With the strong growth rates in 2004, the Public Bank Group's market share continued to expand with the Group's market share for loans increasing from 9.6% at the end of 2003 to 11.1% presently, whilst the Group's customer deposits market share increased to 11.6% from 8.9%, with the Group's savings deposits having a 16.8% market share.

Net interest income and Islamic financing income increased by 13% in 2004 to RM2.70 billion despite the intense and increasingly competitive Malaysian lending market exerting continued downward pressure on lending rates and spreads. This strong top line growth was achieved on the back of the strong 22% loan growth in 2004 and lower cost of customer deposit funds.

Islamic Banking showed strong growth with net income from Islamic Banking business increasing 28% from RM296 million in 2003 to RM380 million in 2004. The Public Bank Group's Islamic Banking assets grew by 26% to RM8.21 billion representing 9% of the Group's total assets.

In spite of the strong loan growth in the past five years, asset quality of the Public Bank Group continued to strengthen. Net NPL continued to fall from RM1.40 billion at the end of 2003 to RM1.21 billion at the end of 2004 whilst the Group's gross and net NPL ratios fell from 4.2% and 3.0% in 2003 to 2.9% and 2.1% in 2004 respectively.

STRATEGIC BUSINESS DIRECTION

The Public Bank Group maintained its business strategy of focusing on meeting the banking and financing needs of the retail consumer and middle market commercial businesses, particularly the SMEs, in the Group's lending business and on building a long-term core deposit funding base of retail depositors. The Group's loan growth rate of 22% was more than two times the domestic banking system's loan growth of 8.5%. The Group's loan growth was primarily driven by a 34% growth in residential mortgages, a 16% growth in passenger vehicle financing and loans to SMEs growing by RM2.38 billion or 23%. In 2004, 73% of new loans approved were directed to retail consumers and SMEs. At the end of 2004, RM41.20 billion of gross loans outstanding or 72% were to retail consumers for residential mortgages, passenger vehicle financing and SMEs. Of the Group's core customer deposits comprising current accounts, savings deposits and fixed deposits, more than 70% were from individual depositors.

In 2004, the Public Bank Group had to contend with continued thinning interest margin arising from the intense and increasingly competitive lending business. The Group is meeting this challenge with strong above-industry rates of loan growth, offsetting narrower lending margins with high volume growth. The expansion of the customer base also provides the Group with the opportunity to develop a longer term relationship with a larger customer base and creates the solid foundation for future growth of the Group's business. At the same time, the Group also continued to address the issue of cost reduction as an on-going process of doing business in order to sustain bottom line growth when the top line is under continued pressure. Improving productivity of employees where the number of staff of the Group had remained stable at around 12,500 for the past few years, whilst both the lending and deposit-taking businesses achieve strong growth each year, will continue to be pursued. Another initiative to address the efficiency of the cost of doing business is the enhancement of electronic delivery channels both through increasing the number of self-service machines and the enhancement of PBeBank.com, the Group's e-banking channel, together with steps taken to encourage the Group's customers to migrate to these electronic channels.

The growth in the Public Bank Group's lending business of 22% in 2004 was the fourth year of strong annual growth of the Group's loans exceeding 20% per annum. Over this period, through organic growth, the Group had expanded its loan portfolio exponentially which is tantamount to that of acquiring a small bank in the sectors that the Group wants to be in and yet maintaining the strong asset quality levels that the Group has always pursued.

The steps taken by Bank Negara Malaysia ("BNM") to promote customer transparency in the banking system, a key component of the Financial Sector Masterplan, and higher levels of customer awareness of banking and financing product and service offerings driven by competitive marketing of customers by both Malaysian and foreign controlled domestic banks and banking

groups, have resulted in the increased commoditisation of products and services, particularly those to meet the banking and financing needs of the retail consumer, a customer segment that is critical to the Public Bank Group's business. The Group has been successful in not only defending but also growing its market share of such commoditised products by differentiating the Group from its competitors in rendering superior levels of service in the delivery of such commoditised products to customers. At the same time, the Group had allocated further resources to expand its marketing function, increasing the number of Sales & Marketing Executives and Personal Financial Executives to 172.

Liberalisation of the banking and financing market continued in 2004. One area of liberalisation having a direct competitive impact on the Public Bank Group is the development of alliances and joint ventures between banking groups and non-banking institutions, building on the expertise and skills of the respective alliance partners. In meeting the challenges posed by the progress of liberalisation, the Group continues to rely on the financial strength of its strong capital and growing balance sheet, its efficient nationwide branch network, its strong information and communication technology infrastructure, the Group's strong branding and a dedicated and loyal staff force.

The competitiveness of the Islamic banking market place has increased significantly and is likely to increase further with the issue of 3 new Islamic banking licences to 3 large West Asian banking groups and 3 Islamic banking subsidiary licences to Malaysian banking groups in 2004. The Group is well positioned to meet this challenge with the strength of the Group's Islamic Banking business, as reflected in the growth of its balance sheet and the increase in Islamic Banking pre-tax profit of 71%, from RM167 million in 2003 to RM285 million in 2004.

The day 4 September 2004 saw the culmination of the process which began with the privatisation of Public Finance in June 2003, with the transfer and merger of the finance company business of Public Finance with the banking business of Public Bank. Together with the completion of the rationalisation and integration of the branch networks of Public Bank and Public Finance earlier in 2004, the Public Bank Group realised another recommendation of the Financial Sector Masterplan aimed at improving the competitiveness, efficiency and effectiveness in the delivery of banking products and services through the operations of one-stop financial services providers.

BNM has set 1 January 2008 as the date for the implementation of the Basel II Capital Accord for Malaysian banks. The Public Bank Group's preparation for the implementation of the Basel II Capital Accord is well advanced and the Group will implement the Basel II Capital Accord in accordance with

BNM's deadline. Given the Group's business focus of lending to the retail consumer, particularly in the area of residential mortgages and the Group's focus on SMEs in its commercial lending business, together with the Group having the lowest gross NPL ratio in the Malaysian banking system, the implementation of the Basel II Capital Accord is expected to have a positive impact on the capital adequacy ratios of the Group, thereby providing the Group with a more efficient capital structure and a competitive edge in the Malaysian banking and financing industry.

MANAGING CAPITAL EFFICIENCY

The Public Bank Group not only has to pursue operational efficiency as part of lowering the cost of doing business but also need to manage capital efficiency in successfully meeting the challenges posed by the extremely competitive market place. The Group has embarked on a number of initiatives aimed at making the capital structure of the Group more efficient and to enhance return on equity.

Public Bank geared up on its strong core capital position with the issue of USD350 million Subordinated Notes which qualified as Tier 2 capital. The ratings assigned to the Subordinated Notes issue were BBB+ by Standard & Poor's and Baa1 by Moody's Investors Services. In the process of rating the Subordinated Notes, international rating agency, Standard & Poor's also rated Public Bank A-, making Public Bank the only single A rated bank in Malaysia by Standard & Poor's. Given the strong ratings and the high regard that international investors have of the Public Bank Group, the Subordinated Notes issue was 4 times oversubscribed, with the level of pricing that was much lower than the market benchmark for such subordinated note issues by leading Malaysian banks.

The gearing up of Public Bank's core capital with the Subordinated Notes issue increased the risk-weighted capital ratio of the Public Bank Group by 2.3% and allows the Group to pursue expansion of its business and balance sheet without burdening shareholders for more equity capital and thus improving the Group's return on equity.

Public Bank continued to buy back its own shares in 2004, having bought back 31.1 million shares in 2003. In 2004, Public Bank bought back a further 69.1 million of its own shares, making a total shares bought back of 100.2 million or 3.0% of the issued and paid-up share capital of Public Bank. All the shares bought back are held as treasury shares.

The rising return on equity of the Public Bank Group, arising from the improvement in the efficiency of the capital structure has been further enhanced by the Group's high dividend payout policy.

SHAREHOLDER VALUE

The commitment of the Public Bank Group to delivering superior shareholder value is clearly demonstrated by consistently improving profitability performance, by proactive initiatives in making its capital structure more efficient as well as the pursuit of a high dividend payout policy.

Since 2001, Public Bank had maintained a dividend payout ratio of over 95% of the Bank's net profit of each year after the transfer of profit after tax to the statutory reserve as required by the Banking and Financial Institutions Act. The special dividend declared in October 2004 of 40 sen less 28% taxation per Public Bank share, together with a second special dividend of 15 sen less 28% taxation and the final dividend of 35 sen less 28% taxation proposed by the Board of Directors, will mean that Public Bank shareholders will receive gross dividends totalling 90 sen per Public Bank share for 2004.

Public Bank (Local) share and Public Bank (Foreign) share prices closed at RM7.10 and RM7.60 respectively in 2004, compared to the closing prices at the end of 2003 of RM5.66 and RM6.20 respectively. The appreciation of the market value of Public Bank (Local) share and Public Bank (Foreign) share prices of 25.4% and 22.6% respectively in 2004, compared to a rise of 14.2% in the Kuala Lumpur Composite Index ("KLCI") in 2004 showed that Public Bank shares have outperformed the KLCI for a second straight year.

The market capitalisation of Public Bank has risen by RM5.66 billion or 30% from RM18.67 billion at the end of 2003 to RM24.33 billion at the end of 2004.

Thus the Public Bank Group has clearly delivered value to shareholders as reflected in the increase in the share prices of Public Bank shares in the past one year which significantly outperformed the general stock market. In addition, the Public Bank Group has also delivered long-term shareholder value consistently over a period of years with high return on invested capital.

In a study by Stern Stewart & Co., an international management consultancy, of Malaysia's wealth creators covering 162 Malaysian listed companies over a 5-year period from 1999 to 2004, Public Bank topped the Malaysian wealth creator league table with wealth added exceeding RM6 billion, with the second ranking company coming in at RM3.8 billion. The measure of wealth added used by Stern Stewart & Co. in the study not only measures changes in market capitalisation, but also takes into account the value of future prospects and the effects of increases in share capital from new issuance of shares. The measure of wealth added also imputes a minimum required return of an investor before counting wealth added as a measure of wealth created.

A shareholder of Public Bank who invested in Public Bank (Local) shares at the beginning of 1995 at an average price of RM3.86 per Public Bank (Local) share would have seen the value of the Public Bank (Local) share appreciate to RM13.46 at the end of 2004. This more than 3 fold increase, together with a total of RM6.24 of gross dividends paid in the period, would mean that a shareholder of Public Bank enjoyed an average rate of return of 16% per annum for the past 10 years.

Looking back even further, a shareholder of Public Bank who had bought 1,000 shares in Public Bank when it was listed in 1967, and assuming the shareholder had subscribed for all the rights issues to date and not sold any shares, he would now have 129,720 Public Bank shares worth RM921,012, based on the share price of Public Bank (Local) shares of RM7.10 at the end of 2004. This can be compared to a capital outlay of RM48,750, including subscription for all rights issues, whilst having received a total gross dividend of RM236,742 from the originally invested 1,000 shares in Public Bank in 1967. The appreciation in value and the dividends received work out to an average rate of return of 20.3% each year for the 37 years since the listing of Public Bank.

TO OUR CUSTOMERS

In a market place where banking and financial services providers compete intensively for customers and market share, the Public Bank Group firmly believes that excellence in customer service delivery standards can be a significant competitive advantage. This is more so in an environment of increasing customer awareness, product and services transparency and commoditisation, and growing maturity of the banking and financial services industry that is being fostered by BNM and the Government. The manner in which a product or service is delivered can be a key differentiation in capturing the customer.

Having achieved bank-wide ISO standards in the two key areas of the Public Bank Group's business with the ISO 9001:2000 certification for the "Provision of Customer Service at the Front Office" and the "Provision of Customer Service in Loan Delivery", the Group continued to pursue initiatives to improve upon the already high standards of customer service delivery. Through reinforcement of the "Doing It Right For You" Customer Care Campaign with Phase V of the campaign with the theme "Your Needs Our Focus", customer service delivery excellence continues to be placed at the top of the agenda for action by the staff of the Group.

During 2004 the Public Bank Group invested in further facilities for enhancing customer convenience. These include the expansion of self-service machines and the implementation of bill payment capabilities in such self-service machines. Together with resources allocated to customer education on the use of self-service machines and increasing customer sophistication, the migration rate of customers to self-service machines have been encouraging. This not only improves the efficiency of branch counter services for customer transactions carried out at branch counters, it also provides customers with added flexibility to conduct their banking transactions outside of normal banking hours.

Our firm commitment to customer service delivery excellence is evidenced by the Group's continued investment in the development of the customer service delivery infrastructure. The pursuit of initiatives to continuously reinforce delivery of excellent customer service and the setting of high customer service delivery standards such as the 2-minute standard waiting time and 1-minute standard processing time for core banking transactions have resulted in the Group achieving a strong market share of business from retail individuals. The Group's market share of savings deposits is 16.8%, compared to a total customer deposits market share of 11.6% whilst deposits from individuals accounted for over 70% of core customer deposits of the Group. Customer service delivery excellence in loan delivery was also a key factor in the Group's strong loan growth of 22% in 2004.

TO OUR STAFF

The key to the remarkable success and strong performance of the Public Bank Group is the contribution of a united team of committed, knowledgeable and dedicated employees who are constantly striving for excellence. The human capital of the Group is continuously being nurtured and proactively managed to bring out the best in each and every staff. Collectively, the staff force represents the greatest asset of the Group.

In striving to meet the objectives of the Public Bank Group to maximise the long-term value of its human capital, the Group continued allocating significant management and financial resources to implement its policy of mandatory training for all levels of staff. The investment in training all staff is not only to equip them with the capability and skills to deliver the highest standards of performance expected, it also prepares staff for career progression within the Group as part of their professional development and achieving the structured succession planning objectives of the Group.

In fulfilling the role as a trusted financial institution and a custodian of public funds, the Public Bank Group continues to nurture in all staff a culture of honesty and integrity, exemplary corporate conduct, and meticulous regulatory compliance through the Group's extensive human resource development programs and strictly adherence to a policy of zero tolerance for dishonesty and the lack of integrity.

The commitment of the Public Bank Group to its staff and the long-term view the Group takes in its human capital are clearly demonstrated in the rationalisation and integration of the branch networks and head office functions of Public Bank and Public Finance, which was completed in 2004. In all, the combined domestic network of Public Bank and Public Finance was reduced from 384 branches to 252 branches with the closure of over 130 branches. Not a single staff was shed through retrenchment or voluntary separation schemes. Those staff affected by the branch network rationalisation process were provided with appropriate retraining and the opportunity to acquire new skill-sets for career progression with the Group. Effectively the Group has maximised cost efficiencies of its branch network and developed a more proactive and cohesive sales and marketing approach to compete in an intensely competitive market place that is increasingly a "buyer's market".

The Public Bank Group continues to increase the financial resources for developing its human capital with an outlay of RM18 million on staff training expenses. This is an increase of 15% over that of 2003 and which in 2004 represented 3% of total human resource related costs, a ratio that is above the requirements of BNM in respect of staff training expense allocation.

As regards staff compensation, a performance based remuneration system is implemented where rewards are closely and transparently correlated to the delivery of superior performance levels. The Group's established, comprehensive and transparent performance appraisal system has enabled the Group to ensure fairness in rewarding its top performers with up to 10.25 months salary of performance related bonuses. This system continues to be a key factor in incentivising superior performance. An extension of the performance based remuneration system is the progress made by the Group in benchmarking the performance of branches and head office functions to key performance indicators. Whilst the primary objective is enhancing efficiency of operations, the benchmarking process also forms the basis of further development of the performance based remuneration system.

The Public Bank Group's commitment to its staff force, the established and transparent performance based remuneration structure and priority accorded to internal filling of vacancies, particularly for more senior positions, coupled with a generous employee share option scheme extended to all employees, have resulted in the high level of staff seeking career advancement within the Group. At present, about 92% of current senior management and branch management appointments are filled from within the Group and the staff do proudly and professionally have a sense of dedication and commitment to service.

TO THE COMMUNITY

As the 3rd largest Malaysian banking and financial services group with extensive reach to all parts of the country, the Public Bank Group is mindful of its obligations to the needs and welfare of the community that it serves.

The 38 years of unbroken profitability track record of Public Bank since it started in 1966 has provided the platform for the Public Bank Group to continue to play an active role as a socially responsible corporate citizen and fulfill its corporate social responsibilities. This track record of profitability which exceeded RM1 billion each year since 2000, enables the Group to be a significant contributor to the fiscal revenue of the country as a tax payer and as a partner in the development efforts of the nation.

In 2004, the Group continued to contribute directly to the community with its financial commitment and contributions to sustain initiatives in promoting education, academic excellence, health care, environmental conservation, sports and the welfare of the needy and less fortunate. Besides total financial contribution of over RM9 million to support such worthy causes, the Group also participated in and supported events in promoting national pride and unity.

AWARDS AND RECOGNITIONS

The Public Bank Group's commitment to the pursuit of excellence continued to be recognised by the awards and recognition conferred on Public Bank in 2004.

Public Bank's commitment to excellent corporate governance practices and its excellent corporate conduct was recognised by Bursa Malaysia Berhad in February 2004 with the KLSE Corporate Excellence Awards 2003 for the Main Board, the top award of the KLSE Corporate Awards, being awarded to Public Bank. The Public Bank Group also takes pride in the fact that for the years 2000 to 2003, the 4 years that Bursa Malaysia Berhad organised the KLSE Corporate Awards, the top KLSE Corporate Excellence Award for each and every one of these 4 years was won by Public Bank.

In June 2004, Public Bank was again awarded the Malaysian Business Corporate Governance Award 2003, making it the 2nd consecutive year that Public Bank has won this award since its inauguration.

Public Bank was also one of the recipients of the Corporate Governance Asia Recognition Awards 2004 – "The Best of Asia" by Corporate Governance Asia magazine in recognition of Public Bank's continuing commitment to the development of corporate governance in Malaysia.

Public Bank's Annual Report 2003 won the Overall Excellence Award at the National Annual Corporate Report Awards ("NACRA") 2004, for the 3rd consecutive year and the 5th time in total, in addition to winning the Industry Excellence Award for the Finance Sector category for the 8th consecutive year. Public Bank also won the Best Annual Report in Bahasa Malaysia at NACRA 2004.

Public Bank continued to receive best bank awards in 2004 for the strong positioning of the Public Bank Group in the Malaysian banking and financing sector and for its financial strength, its excellent asset quality and rising profitability performance. The best bank awards received by Public Bank in 2004, some of which were for a number of consecutive years, include:

- Best Bank in Malaysia by Euromoney
- Best Bank in Malaysia by Global Finance
- Best Domestic Commercial Bank in Malaysia by Asiamoney
- Best Domestic Bank in Malaysia by The Asset
- Best Retail Bank in Malaysia by The Asian Banker
- FinanceAsia Annual Country Achievement Award for Best Local Bank in Malaysia

Public Bank is also the only Malaysian company to make it to the Forbes “World’s 400 Best Big Companies”, a list of the world’s most attractive big public companies for investors compiled by Forbes Global magazine in September 2004.

In the Asiamoney Awards 2004, Public Bank was also named one of the best managed companies in Malaysia.

In addition to the awards and recognition conferred on the Public Bank Group, the exemplary leadership of Tan Sri Dato’ Sri Dr. Teh Hong Piow, the Chairman and Founder of Public Bank was recognised when he was named by Asiamoney as the Best CEO in Malaysia in 2004.

These accolades and awards in recognising the achievements of the Public Bank Group will continue to spur and motivate the Group in its relentless pursuit of excellence.

PROSPECTS

Driven by the strong momentum of a GDP growth exceeding 7% in 2004, the Malaysian economy is expected to grow by 6% in 2005, despite the slowing growth rate in the key manufactured exports sector experienced in the final quarter of 2004. Given the strong economic fundamentals of Malaysia as reflected by a healthy foreign reserve position, continued trade surpluses, strong domestic liquidity, low inflation, low interest rates and the exercise of fiscal prudence by the Government in meeting its target reduction in the fiscal deficit in 2004, the Malaysian economy is well-positioned to withstand any uncertain global economic conditions generated by volatile oil prices, rising US interest rates and slower global growth. The economic fallout from the effects of the devastating Asian tsunamis, although

with the tragic loss of many lives, on Malaysia's neighbouring economies would not adversely affect Malaysia, given its strong economic fundamentals.

The Public Bank Group is looking forward to capitalise on the conducive business conditions and strong consumer confidence brought about by the strong economic fundamentals of the country and supportive Government policies. Despite intensified competition in the Malaysian banking and financing industry, the Group will build on the momentum of the strong loan growth of 2004 and continue to focus on lending to consumers and middle market commercial enterprises, particularly SMEs, whilst keeping stringently to the uncompromising prudent credit standards and practices of the Group.

The Public Bank Group is well positioned to meet the challenges and inevitable rise in competitiveness in the market place brought about by further liberalisation of the Malaysian banking and financing industry resulting from the implementation of the Financial Sector Masterplan. New players in Islamic banking arising from the approval of the issuance of 3 new Islamic banking licences to banking groups from West Asia will put further competitive pressures on what is already an extremely competitive Malaysian banking and financing industry. The Group's unbroken and rising profitability track record and strong branding, together with its culture of prudent credit and customer service delivery that is benchmarked to international ISO standards, as well as the unwavering commitment of all levels of staff, are the key fundamentals that will see the Public Bank Group rise to meet the challenges ahead.

ACKNOWLEDGEMENT

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

We also wish to express our sincere appreciation to all our customers and shareholders for their continued valuable support.

The Board and Management would also like to thank Bank Negara Malaysia and all other relevant authorities for their invaluable advice, guidance and support.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

TAN SRI DATO' THONG YAW HONG
Co-Chairman

DATUK TAY AH LEK
Managing Director

DATO' 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

HAJI ABDUL AZIZ BIN OMAR
Director

**DATO' DR. HAJI MOHAMED ISHAK BIN
HAJI MOHAMED ARIFF**
Director

LEE CHIN GUAN
Director

26 January 2005

Awards and Recognitions

Annual Report 2004

www.publicbank.com.my

Awards and Recognitions

Public Bank's unwavering commitment to the pursuit of excellence in everything it does is central to the Group's corporate mission "To sustain the position of being the most efficient, profitable and respected financial institution in Malaysia." The success of the Group in delivering excellence has earned the Group numerous accolades and awards, many of which are for a number of consecutive years, besides enhancing the Group's reputation as a strong, safe and reliable financial institution.

2004 AWARDS

KLSE Corporate Excellence Awards
Kuala Lumpur Stock Exchange Berhad

2003, 2002, 2001, 2000

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NACRA Award for the Most Outstanding Annual Report
National Annual Corporate Report Awards

2004, 2003, 2002, 1997, 1990

2

Malaysian Business Corporate Governance Award
Malaysian Business magazine

2003, 2002

3

FinanceAsia Annual Country Achievement Awards for the Best Local Bank in Malaysia
FinanceAsia magazine

2004, 2003, 2002, 2001, 2000, 1999

4



10

2004

Reader's Digest SuperBrand Gold Award 2004
Reader's Digest SuperBrand 2004 Survey

11

2004

FinanceAsia Asia's Best Companies 2004
FinanceAsia magazine

12

2004

2004 Best Investor Relations by Institutional Investor Research Group
Institutional Investor Research Group

13

2004

National Creative & Innovation Award
Malaysia Design Technology Centre

14

2004

Anugerah Kristal 2004 (Special Mention) Consumer Public Relations Category: PB Manchester United MasterCard
Institute of Public Relations Malaysia



Mr. Neil Osborn, Managing Director of Euromoney Magazine presenting the Best Bank in Malaysia Award to Tan Sri Dato' Sri Dr. Teh Hong Piow on 7 August 2004



Mr. Nick Lord, Editorial Director of FinanceAsia Magazine presenting the FinanceAsia Annual Country Achievement Award for the Best Local Bank in Malaysia to Tan Sri Dato' Sri Dr. Teh Hong Piow on 7 August 2004



Tan Sri Dato' Sri Dr. Teh Hong Piow accepting the KLSE Corporate Excellence Awards for the fourth consecutive year from the Second Finance Minister, Y.B. Tan Sri Nor Mohamed Yakcop on 13 February 2004



Tan Sri Dato' Sri Dr. Teh Hong Piow accepting the Malaysian Business Corporate Governance Award from the Deputy Prime Minister, Y.A.B. Datuk Seri Najib Tun Razak on 25 June 2004

Asiamoney Domestic Banks Awards for the Best Domestic Commercial Bank in Malaysia
Asiamoney magazine

Euromoney Awards for Excellence for the Best Bank in Malaysia
Euromoney magazine

Global Finance Best Bank Award for the Best Bank in Malaysia
Global Finance magazine

NACRA Industry Excellence Award for the Finance Sector
National Annual Corporate Report Awards

NACRA Award for the Best Annual Report in Bahasa Malaysia
National Annual Corporate Report Awards

2004, 2003, 2002

2004, 2003, 2002, 1999, 1998, 1993

2004, 2003, 2002, 2001, 2000

2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997

2004, 1998

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2004, 2003, 2002

2003, 2001

2004

2004

The Asset Triple-A Awards for the Best Domestic Commercial Bank in Malaysia
The Asset magazine

The Asian Banker for the Best Retail Bank in Malaysia
The Asian Banker Journal

Best CEO in Malaysia 2004
Asiamoney magazine

The Most PR Savvy CEO 2004
Institute of Public Relations Malaysia

CHAIRMAN'S AWARDS AND RECOGNITIONS



Tan Sri Dato' Sri Dr. Teh Hong Piow receiving the NACRA Overall Excellence Award for the Most Outstanding Annual Report 2004 from the Minister of Domestic Trade and Consumer Affairs, Y.B. Datuk Mohd Shafie bin Hj Apdal on 30 November 2004

Records of Past Awards

 <p>2003</p> <p>KLSE Corporate Award for Best Corporate Disclosure in Annual Report Kuala Lumpur Stock Exchange Berhad</p>	 <p>2003</p> <p>The Asset Award for the Best Commercial Bank in Malaysia The Asset magazine</p>	 <p>2003</p> <p>The Asset Award for A Leader in Corporate Governance in Malaysia The Asset magazine</p>	 <p>2003 2002 2001</p> <p>Voted and ranked as No. 2 in the Review 200: Asia's Leading Companies Award Far Eastern Economic Review magazine</p>	 <p>2003</p> <p>Bank-Wide ISO 9001-2000 Quality Management Systems Certification for "Provision of Customer Service in Loan Delivery" SIRIM</p>
 <p>2003</p> <p>Merit Award for Annual Report (Bahasa Malaysia) Anugerah Citra Wangsa Malaysia sektor swasta Dewan Bahasa & Pustaka</p>	 <p>2002</p> <p>Asiamoney Award for the Best Company Overall for Investor Relations 2001 for Malaysia Asiamoney magazine</p>	 <p>2002 2001</p> <p>Special Jury's Award for Annual Report (Bahasa Malaysia) Anugerah Citra Wangsa Malaysia sektor swasta Dewan Bahasa & Pustaka</p>	 <p>2001 2000</p> <p>KLSE Corporate Sectoral Award for the Finance and Closed-End Fund sector Kuala Lumpur Stock Exchange Berhad</p>	 <p>2001</p> <p>2001 Best Retail Bank for Malaysia The Asian Banker Journal</p>
 <p>2001</p> <p>Bank-Wide ISO 9001-2000 Quality Management Systems Certification for "Provision of Customer Service at the Front-Office" SIRIM</p>	 <p>2001</p> <p>Bank of the Year in Malaysia The Banker magazine</p>	 <p>2001</p> <p>The Strongest Bank in Malaysia and Fourth Strongest Bank in Asia Asiamoney magazine</p>	 <p>2001</p> <p>Best Bank in Malaysia Emerging Markets Investor magazine</p>	 <p>2000</p> <p>CITRA Annual Report Award (Bahasa Malaysia) Dewan Bahasa & Pustaka</p>

 <p>2000</p> <p>The Asian Banking Awards for the Most Outstanding Customer Service Programme category The Asian Banking Awards</p>	 <p>1999</p> <p>The Best Bank in Malaysia and the 5th Malaysia Best Managed Companies Awards Asiamoney magazine</p>	 <p>1999</p> <p>FIABCI's Award of Distinction for the Best Commercial Building FIABCI</p>	 <p>1999 2002 2001</p> <p>NACRA Commendation Award for Accounting Information National Annual Corporate Report Awards</p>	 <p>1997</p> <p>Asiamoney Award for being voted one of the Top 10 Best Managed Companies 1996 in Malaysia in a regional poll by institutional investors Asiamoney magazine</p>
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 <p>1996 1995 1990</p> <p>NACRA Commendation Award for Bahasa Malaysia Annual Report National Annual Corporate Report Awards</p>	 <p>1996</p> <p>Management Awards of Asia Asian Institute of Management</p>	 <p>1994</p> <p>Winner of the 'Beautiful Compound Competition' for Private Sector Complex/Building Category Dewan Bandaraya Kuala Lumpur</p>	 <p>1994</p> <p>Industry Excellence Award under the Service Export Excellence for the Financial Category Ministry of International Trade & Industry</p>	 <p>1990</p> <p>Malaysian Corporate Report Award (MACPA) Gold Award for the Most Outstanding Annual Report MACPA and MIM</p>
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CHAIRMAN'S AWARDS AND RECOGNITIONS

 <p>1999</p> <p>Malaysia's CEO of The Year Award Business Times and American Express</p>	 <p>1997</p> <p>The Business Achiever of the Year Yazhou Zhoukhan magazine</p>	 <p>1994</p> <p>ASEAN Businessman of The Year Award ASEAN Business Forum</p>	 <p>1991</p> <p>Asia's Commercial Banker of the Year Asiamoney and Finance magazine</p>
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STATEMENT ON CORPORATE GOVERNANCE

Annual Report 2004
www.publicbank.com.my

Corporate Governance Statement on Corporate Governance

Adherence to the highest standards of corporate governance continues to be the cornerstone of Public Bank's corporate culture.

The mark of excellence in Public Bank's corporate conduct has been widely acclaimed by investors; financial industry professionals; financial journalists and professional investment analysts.

The distinction that Public Bank received was when it was presented the inaugural KLSE Corporate Excellence Award 2000, and went on to retain the prestigious KLSE Corporate Excellence Award for another 3 years consecutively in 2001; 2002 and 2003.

The other top honours that Public Bank had received in the KLSE Corporate Awards were as follows:

- KLSE Corporate Sectoral Award 2000
- KLSE Corporate Sectoral Award 2001
- Best Corporate Disclosure in Annual Report Award 2003 for the Main Board Category (inaugural award)

(With effect from the KLSE Corporate Awards 2002, Public Bank, being the overall winner of the KLSE Corporate Excellence Award 2002 and KLSE Corporate Excellence Award 2003, was not eligible to receive the KLSE Corporate Sectoral Award.)

The presentation of the KLSE Corporate Awards had been held annually by Bursa Malaysia Berhad ("Bursa Malaysia") from the year 2000 to 2003 to recognise and honour Malaysian listed companies which had displayed exemplary levels of corporate disclosure and corporate best practices.

According to a statement issued by Bursa Malaysia on 19 November 2004, Bursa Malaysia had decided to discontinue the KLSE Corporate Awards as it would soon be joining the ranks of public listed companies and thus it was deemed inappropriate for Bursa Malaysia to continue to judge the corporate conduct and best practices of other listed companies. The statement by Bursa Malaysia cited the National Annual Corporate Report Awards ("NACRA") and the Malaysian Business Corporate Governance Awards as

awards aimed at achieving similar objectives, that is, promoting corporate excellence through enhancing levels of disclosure and setting exemplary best practices.

The resounding attestations of Public Bank's excellent corporate conduct are the following corporate governance recognition awards (that were) cited by Bursa Malaysia in their statement issued on 19 November 2004, and which were presented to Public Bank in the preceding 3 years:

- Most Outstanding Annual Report of the Year 2002, and Industry Excellence Award for the Finance Sector in Main Board for the Year 2002, in the NACRA;
- Most Outstanding Annual Report of the Year 2003, and Industry Excellence Award for the Finance Sector in the Main Board for the Year 2003, in the NACRA;
- Most Outstanding Annual Report of the Year 2004, and Industry Excellence Award for the Finance Sector in the Main Board for the Year 2004, in the NACRA;
- Malaysian Business Corporate Governance Award for 2002 (inaugural award); and the
- Malaysian Business Corporate Governance Award for 2003

The Board of Directors, Management and staff are greatly encouraged and extremely proud that Public Bank's sound corporate conduct, transparency, and accountability to all its stakeholders, have received numerous accolades and accorded top recognition awards presented by the very stock exchange on which the Company's shares are listed and by various professional bodies and organisations.

BOARD OF DIRECTORS

Committed to Principles and Best Practices in Corporate Governance

The Board of Directors remains steadfast and committed in ensuring that the Principles and Best Practices in Corporate Governance established by the Malaysian Code on Corporate Governance are well applied in Public Bank. The Board subscribes to the policy of not just complying with, but rather exceeding, mandatory requirements in terms of the extent and timeliness of corporate disclosures and financial reporting.

Composition of the Board

The Board consists of nine (9) Members, of whom two (2) are Executive Directors, and six (6) out of the seven (7) Non-Executive Directors are independent as defined by the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements.

There is effective check and balance on the Board, with four-fifths of the Board Members being Non-Executive and four-fifths of the Non-Executive Directors being independent.

The Independent Directors, who are the majority on the Board, fulfill their role by the exercise of independent judgement and objective participation in the deliberations of the Board.

Tan Sri Dato’ Sri Dr. Teh Hong Piow, the Chairman; Datuk Tay Ah Lek, the Managing Director; and Dato’ Lee Kong Lam, the Executive Director, are real experts in Public Bank’s line of business, having been fully engaged in the banking and finance sector since the onset of their respective careers. These three (3) Directors not only possess the relevant skills and knowledge, but more significantly, they collectively bring to Public Bank 137 years of experience in banking and related businesses.

The six (6) Independent Non-Executive Directors are persons of high calibre; with their academic and professional qualifications in the fields of economics, accounting, law, banking and business management, and their experience gained from senior positions held in the public sector as well as the private sector, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. The profiles of the Members of the Board are set out on pages 26 to 32 of the Annual Report.

Duties and Responsibilities of the Board

The Board maps out and reviews the Bank’s medium term and long term strategic plans on an annual basis, so as to align the Bank’s business directions and goals with the prevailing economic and market conditions. The Board approves the Bank’s annual budget and carries out periodic review of the progress made by the various business units against the budget. The Board also reviews the action plans that are implemented by the Management to achieve business targets.

The Board prescribes minimum standards and establishes policies on the management of credit risks and other key areas of the Bank’s operations.

The Board’s other main duties include regular oversight of the Bank’s business operations and performance, and ensuring that the infrastructure, internal controls, and risk management processes that are well in place to assess and manage business risks inter-alia operational, credit, market and liquidity risks, are implemented consistently. The Board carries out various functions and responsibilities laid down by Bank Negara Malaysia (“BNM”) in guidelines and directives that are issued by BNM from time to time.

The roles of the Chairman and the Managing Director are distinct and separate, with each having his respective scope of duties and responsibilities, to ensure a proper balance of power and authority.

The Board has set up the Board Executive Committee to manage Public Bank in all aspects of its business; the Board Executive Committee comprises Tan Sri Dato’ Sri Dr. Teh Hong Piow, Datuk Tay Ah Lek and Dato’ Lee Kong Lam.

The Co-Chairman, Tan Sri Dato’ Thong Yaw Hong, is the Bank’s Senior Independent Non-Executive Director responsible for providing clarifications on issues that may be raised by shareholders at Public Bank’s general meetings, and he avails himself to clarify matters or enquiries from stakeholders.

Board Meetings and Supply of Information to the Board

Board meetings are held very regularly, once every month, whereby reports on the progress of Public Bank's business operations and minutes of meetings of Board Committees and Management Committees are tabled for review by Members of the Board. At these monthly Board meetings, the Members of the Board also evaluate business propositions and corporate proposals that require to be approved by the Board owing to statutory requirements, or because of significant financial impact on the Bank.

In addition to monthly Board meetings, adhoc Board meetings are convened for purposes such as to review and approve Public Bank's quarterly financial statements; to deliberate and assess corporate proposals or business issues that require expeditious decision from the Board.

The agenda for every Board meeting, together with comprehensive Management reports, proposal papers and supporting documents, are furnished to all Directors for their perusal well in advance of the Board meeting date, so that the Directors have ample time to review matters to be deliberated at the Board meeting and to facilitate informed decision making by the Directors.

Minutes of every Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting.

Senior Management staff; merchant bankers appointed to act as advisers; accountants or solicitors appointed in relation to corporate proposals to be undertaken by Public Bank, are invited to attend Board meetings at which the corporate proposal is deliberated, in order that they provide the Board with professional opinion and advice, and clarify issues that may be raised by any Director.

The Directors are regularly updated and advised by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors, including policy guidelines issued by BNM that concern Public Bank or the discharge of their duties as Directors of a financial institution. Every Member of the Board has ready and unrestricted access to the advice and services of the Company Secretary, and the Directors have the liberty to seek external professional advice if so required by them.

The Members of the Board attended all the 16 Board meetings held during the financial year ended 31 December 2004, except for one Member who was not able to attend one of the Board meetings as he was overseas.

Appointment of Board Members

The proposed appointment of a new Member of the Board, as well as the proposed re-appointment/re-election of Directors seeking re-appointment/re-election at the annual general meeting of Public Bank, are recommended by the Nomination Committee to the Board for their approval. Being a financial institution and pursuant to provisions in the Banking and Financial Institutions Act, 1989 (“BAFIA”) and guidelines issued by BNM, the Bank’s applications on the proposed appointment of a new Member of the Board, and the proposed re-appointment/re-election of Directors at the annual general meeting of Public Bank, are required to be submitted to BNM for prior approval.

The Nomination Committee is made up entirely of Independent Non-Executive Directors. (Tan Sri Dato’ Sri Dr. Teh Hong Piow had on his own volition, relinquished his position as a Member of the Nomination Committee in September 2004.)

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

- To recommend to the Board, the minimum requirements for the Board, ie. required mix of skills, experience, qualification and other core competencies required of a Director; and to recommend to the Board, the minimum requirements for the Chief Executive Officer (“CEO”).
- To assess and recommend to the Board technically competent persons of integrity with strong sense of professionalism and who foster and practise the highest standard of banking and finance in the country for appointment as Directors, CEO and Board Committee Members.
- To assess and recommend to the Board, the re-appointment of Directors and the 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 the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.
- To recommend to the Board the removal of a Director/CEO from the Board/Management if the Director/CEO is ineffective, errant and negligent in discharging his responsibilities.
- To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board’s various committees and the performance of the CEO and other key Senior Management Officers. The annual assessment to be conducted would be based on an objective performance criteria as approved by the Board.
- To ensure that all Directors receive appropriate continuous training programmes in order to keep abreast with developments in the financial industry and with changes in the relevant statutory and regulatory requirements.
- To oversee the appointment, management succession planning and performance evaluation of key Senior Management Officers.
- To recommend to the Board the removal of key Senior Management Officers if they are ineffective, errant and negligent in discharging their responsibilities.
- To assess, on an annual basis, that the Directors and key Senior Management Officers are not disqualified under Section 56 of the BAFIA.
- To assess and recommend to the Board, the terms of reference of Board Committees.
- To review the adequacy of committee structures of Board Committees.
- Such other responsibilities as may be delegated by the Board from time to time.

Meetings of the Nomination Committee are held as and when required, and at least once a year.

Directors' Remuneration

The Remuneration Committee carries out annual reviews whereupon recommendations are submitted to the Board on the overall remuneration policy for Directors, CEO and key Senior Management Officers, to ensure that the Bank's remuneration policy remains in support of its corporate objectives and shareholder value, and is in tandem with its culture and strategy.

The Remuneration Committee reviews annually the performance of the Executive Directors and the CEO and furnishes 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 determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole.

The Directors are paid annual fees and attendance allowances for Board meetings that they attend.

The Remuneration Committee is made up entirely of Independent Non-Executive Directors. (Tan Sri Dato' Sri Dr. Teh Hong Piow had on his own volition, relinquished his position as a Member of the Remuneration Committee in September 2004.)

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 Company's growth and profitability; and that the remuneration policy supports the Company's objectives and shareholder value and is consistent with the Company's culture and strategy.
- To review annually the performance of the Executive Directors and the CEO 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 Company'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 contribution to the effective functioning of the Board.
- Keeps abreast of the terms and conditions of service of the Executive Directors and the CEO including their total remuneration package for market comparability. 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 responsibility held. Reviews and recommends changes to the Board whenever necessary.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year.

Continuing Education of Directors

The Members of the Board keep abreast with developments in the banking and finance industry by their attendance at conferences and seminars organised by BNM.

Members of the Board have attended various training programmes accredited by Bursa Securities.

Directors are encouraged to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

In addition, seminars and conferences organised by the relevant regulatory authorities and professional bodies on, inter-alia, areas relevant to the Bank's operations; Directors' responsibilities, and corporate governance issues, as well as on changes to statutory requirements and regulatory guidelines, are informed to the Directors, for their participation in such seminars and conferences.

Re-Election of Directors

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

In accordance with the Articles of Association of Public Bank, one-third of Directors shall retire from office at every annual general meeting of Public Bank and subject to approval being obtained from BNM, may offer themselves for re-election. The Articles provide that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

COMMITTEES ESTABLISHED BY THE BOARD

The Board has established Board Committees as well as various Management Committees to assist the Board in the running of the Bank. The functions and terms of reference of the Board Committees and Management Committees, as well as authority delegated by the Board to these Committees, have been clearly defined by the Board.

The Board Committees and Management Committees in Public Bank are as follows:

Board Committees

- Board Executive Committee
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

Management Committees

- Group Human Resource Committee
- Loans Committee
- Credit Risk Management Committee
- Operational Risk Management Committee
- Assets & Liabilities Management Committee
- Share Investment Committee
- IT Steering Committee

The composition of the Board Committees and the attendance of Members at Board Committees meetings are reflected as follows:

	<i>Board Executive Committee</i>	<i>Audit Committee</i>	<i>Nomination Committee</i>	<i>Remuneration Committee</i>	<i>Risk Management Committee</i>
Tan Sri Dato' Sri Dr. Teh Hong Piow (<i>Non-Executive Chairman</i>)	C	—	—	—	—
Tan Sri Dato' Thong Yaw Hong (<i>Independent Non-Executive Co-Chairman</i>)	—	C	C	C	C
Datuk Tay Ah Lek (<i>Managing Director</i>)	M	—	—	—	—
Dato' Lee Kong Lam (<i>Executive Director</i>)	M	—	—	—	—
Dato' Yeoh Chin Kee (<i>Independent Non-Executive Director</i>)	—	M	M	M	M
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (<i>Independent Non-Executive Director</i>)	—	M	M	M	M
Haji Abdul Aziz bin Omar (<i>Independent Non-Executive Director</i>)	—	M	M	M	M
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (<i>Independent Non-Executive Director</i>)	—	M	—	—	M
Lee Chin Guan (<i>Independent Non-Executive Director</i>)	—	M	M	M	M

C – Chairman M – Member

	<i>Board Executive Committee</i>	<i>Audit Committee</i>	<i>Nomination Committee</i>	<i>Remuneration Committee</i>	<i>Risk Management Committee</i>
Tan Sri Dato' Sri Dr. Teh Hong Piow (<i>Non-Executive Chairman</i>)	99/99	—	—	—	—
Tan Sri Dato' Thong Yaw Hong (<i>Independent Non-Executive Co-Chairman</i>)	—	16/16	1/1	9/9	12/12
Datuk Tay Ah Lek (<i>Managing Director</i>)	94/99	—	—	—	—
Dato' Lee Kong Lam (<i>Executive Director</i>)	*179/99	—	—	—	—
Dato' Yeoh Chin Kee (<i>Independent Non-Executive Director</i>)	—	16/16	1/1	9/9	12/12
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (<i>Independent Non-Executive Director</i>)	—	14/16	1/1	*32/2	11/12
Haji Abdul Aziz bin Omar (<i>Independent Non-Executive Director</i>)	—	16/16	1/1	9/9	12/12
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (<i>Independent Non-Executive Director</i>)	—	16/16	—	—	12/12
Lee Chin Guan (<i>Independent Non-Executive Director</i>)	—	16/16	*2	9/9	12/12

*1 Did not attend 20 meetings as he was on medical leave.

*2 Appointed in September 2004.

*3 Attended the 2 meetings held since his appointment in September 2004.

The salient terms of reference and frequency of meetings of Board Committees are as follows:

- **Board Executive Committee**
 - 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.

- **Audit Committee**
 - The terms of reference of the Audit Committee are set out under the Audit Committee Report.
 - The Audit Committee meets at least once a month.

- **Nomination Committee**
 - The terms of reference of the Nomination Committee are set out in the paragraph on “Appointment of Board Members” in this Statement on Corporate Governance.
 - The Nomination Committee meets as and when required, and at least once a year.

- **Remuneration Committee**
 - The terms of reference of the Remuneration Committee are set out in the paragraph on “Directors’ Remuneration” in this Statement on Corporate Governance.
 - The Remuneration Committee meets as and when required, and at least once a year.

- **Risk Management Committee**
 - Oversees the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.
 - Reviews and approves risk management policies and risk tolerance limit.
 - Ensures infrastructure, resources and systems are in place for risk management.
 - The Risk Management Committee holds monthly meetings.

The salient terms of reference and frequency of meetings of Management Committees are as follows:

- **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.

- **Loans Committee**
 - Approves loan applications which are beyond the individual discretionary powers of senior officers.
 - Recommends credit policy and direction of lending.
 - The Loans Committee holds weekly meetings.

- **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 policies, strategies, and other matters relating to share investment.
 - Reviews the Bank's share investment portfolios and takes necessary measures to improve its value, profitability and risk.
 - 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.

ACCOUNTABILITY AND AUDIT

Financial Reporting

It is the Board's commitment to provide a balanced, clear and meaningful assessment of the financial position and prospects of Public Bank and the Public Bank Group in all the disclosures made to shareholders, investors and the regulatory authorities.

Early releases of announcements on quarterly financial statements and the press releases accompanying these results announcements reflect the Board's commitment to provide timely, transparent and up-to-date disclosures of the performance of Public Bank and the Public Bank Group.

The Board is assisted by the Audit Committee to oversee the financial reporting processes and the quality of financial reporting of Public Bank and the Public Bank Group.

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 157.

Internal Control

The Board has the overall responsibility of maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with 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. Public Bank's and the Public Bank Group's system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or losses occurring. During the year, the

Board has, through the Risk Management Committee, carried out the ongoing process of identifying, evaluating and management of the key operational and financial risks confronting Public Bank and the Public Bank Group.

The effectiveness of the system of internal controls of Public Bank and the Public Bank Group is reviewed periodically by the Audit Committee. The review covers the financial, operational and compliance controls as well as risk management.

The Statement on Internal Control, which provides an overview of the state of internal control within the Public Bank Group, is set out on pages 79 to 81.

Audit Committee

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee also acts as a forum for discussion of internal control and risk management issues and it contributes to the Board's review of the effectiveness of the internal control and risk management systems of Public Bank and the Public Bank Group.

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 under the Audit Committee Report on pages 77 to 78.

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 the 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.

The details of audit/non-audit fees paid/payable to KPMG, the external auditors, are set out below:

	2004 RM'000
Audit fees paid/payable to KPMG	
• Malaysia	650
• Overseas	154
Non-audit fees paid/payable to KPMG	
• Malaysia	376
Audit fees paid/payable to other auditors	
• Malaysia	122
• Overseas	653
Non-audit fees paid/payable to other auditors	
• Malaysia	16
• Overseas	53
Total	2,024



COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Public Bank Group clearly recognises the importance of transparency and accountability to all its stakeholders, particularly its shareholders and investors. Through extensive disclosures of appropriate and relevant information, using different channels on a timely basis, the Group aims to effectively provide shareholders and investors with information to fulfill transparency and accountability objectives. A key channel of communication with shareholders and investors is the annual report of Public Bank. The contents of the annual report are well beyond the minimum legal and regulatory requirements. In addition, being a financial institution, the Public Bank Group prepares its financial statements in accordance with BNM's guidelines, BNM/GP8, in respect of the format of financial statements of financial institutions, which require a significantly higher level of financial information disclosure as compared to a non-financial institution. As such, there is a greater level of disclosure of financial statement information by Public Bank.

An important forum for communication and dialogue with shareholders is the general meeting of Public Bank, whereby shareholders are accorded both the opportunity and time to raise questions on the agenda items of the general meeting. At the annual general meeting of Public Bank, the Chairman of the Bank would present a comprehensive review of the financial performance of the Public Bank Group, aided by visual presentation of key points and financial figures. Copies of the review of the Group's financial performance presented by the Chairman at the annual general meeting are also furnished to shareholders upon their request.

The turnout of shareholders at general meetings of Public Bank has always been high. A total of 2,200 shareholders had attended the annual general meeting held in 2004.

Public Bank also conducted media briefings in conjunction with the release of each quarterly financial results announcement in 2004, in order that the announcement of the financial performance of the Public Bank Group is disseminated to as wide an audience of shareholders and investors as possible.

The quarterly announcements of the financial performance of the Public Bank Group, corporate disclosures pursuant to Bursa Securities Listing Requirements and other corporate information are easily accessible on Public Bank's website, www.publicbank.com.my.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Public Bank Group. Disclosures of information requiring immediate release as specified by Bursa Securities have been complied with. The Public Bank Group has consistently released its quarterly financial results well

before the Bursa Securities deadlines for their release. Such early releases of quarterly financial results are achieved despite the regulatory requirement that the quarterly financial results are to be approved by BNM prior to their public release.

Release of Quarterly Financial Results

2004	Date of Release	Bursa Securities Deadline
1st Quarter	21 April 2004	31 May 2004
2nd Quarter	22 July 2004	31 August 2004
3rd Quarter	25 October 2004	30 November 2004
4th Quarter	18 January 2005	28 February 2005

INVESTOR RELATIONS

A key channel of communications with shareholders, investors and the investment community at large, both domestic and international, is the Public Bank Group's investor relations activities. The Public Bank Group has a strong following amongst domestic and international institutional investors and the stockbroking industry's research analysts, and a direct channel to them exists in the investor relations function of the Group.

Senior Management Personnel Responsible for Investor Relations Activities

Public Bank

- Datuk Tay Ah Lek, Managing Director
- Leong Kwok Nyem, Senior General Manager, Treasury & Corporate Operations
- Wong Jee Seng, General Manager, Finance & Risk Management
- Nasaruddin bin Arshad, Group Economist, Economics & Corporate Planning Division
- Zulkifli bin Mohd Ali, Director, Corporate Structure

JCG Holdings Ltd

- Tan Yoke Kong, Executive Director
- Lee Huat Oon, Executive Director

Public Bank conducted briefings for research analysts and fund managers immediately upon the release of the Public Bank Group's quarterly financial results for each quarter in 2004. Representatives of the Public Bank Group conducted presentations and meetings at 2 investor conferences or forums, participated in 2 corporate days with leading investment banks and conducted 4 tele-conferences in 2004.

In addition, the Management personnel responsible for investor relations activities held 209 meetings with equity research analysts, fund managers and institutional shareholders and investors in 2004.

A measurable outcome of the active investor relations function of the Public Bank Group is the high number of stock brokerages and equity research companies that covered the listed companies of the Group, as seen in the number of contributors to the Thomson Financial Institutions Brokers' Earnings System (I/B/E/S) earnings estimates:

	Public Bank	JCG Holdings Ltd
No. of contributors to I/B/E/S earnings estimates	25	10

This statement is made in accordance with the resolution of the Board of Directors dated 26 January 2005.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

RISK MANAGEMENT

Annual Report 2004
www.publicbank.com.my

Corporate Governance Risk Management

INTRODUCTION

The Public Bank Group recognises that effective risk management and risk-return management is vital as the Group strives to achieve sustainable growth in shareholders' value in today's challenging financial and economic environment. With the impending implementation of the new Basel II Capital Accord in 2008, the Group will continue to place emphasis on the strengthening of the Group's risk management infrastructure and capabilities within its integrated enterprise-wide risk management framework, not only for regulatory compliance but with a view to improving operational and financial performance and optimising capital efficiency.

OVERALL RISK MANAGEMENT FRAMEWORK

Public Bank believes that there must be clear accountability and responsibility for the risk management process. The current risk management framework within Public Bank is based on the following 6 broad principles which outline the principal risk management and control responsibilities:

1. The Board of Directors ("Board") is ultimately responsible for the management of risks. The Board, through the Risk Management Committee, maintains overall responsibility for risk oversight within Public Bank.
2. The Risk Management Committee ("RMC") is responsible for total risk oversight covering credit risk, operational risk, market risk and liquidity risk. Other key functions of the RMC include approving risk management policies and limits, reviewing the adequacy and effectiveness of such policies, reviewing reports on risk exposure and risk portfolio composition, and ensuring that infrastructure, resources and systems are in place for risk management activities.

- Dedicated committees are set up to assist the Risk Management Committee to oversee specific areas of risk. These are the Credit Risk Management Committee (“CRMC”) for credit risk, the Operational Risk Management Committee (“ORMC”) for operational risk and the Assets & Liabilities Management Committee (“ALCO”) for market and liquidity risks.

The CRMC is responsible for overseeing the development of credit policies, assessing credit risk portfolio composition and assessing risk-return of credit products. The ORMC is responsible for overseeing the development of operational policies and reviewing the adequacy of controls to manage overall operational risks. The ALCO is responsible for overseeing and providing strategic direction for the management of market risk and liquidity risk, and approving policies and strategies on the balance sheet structure.

- The dedicated independent risk management and control functions, namely, Risk Management Division (“RMD”), Credit Administration & Supervision Division (“CASD”), Branch Operations Control Department (“BOCD”) and Internal Audit Division (“IAD”) are responsible for the implementation of risk policies and monitoring of compliance with the risk policies. They are also responsible for the identification, measurement and monitoring of risks.

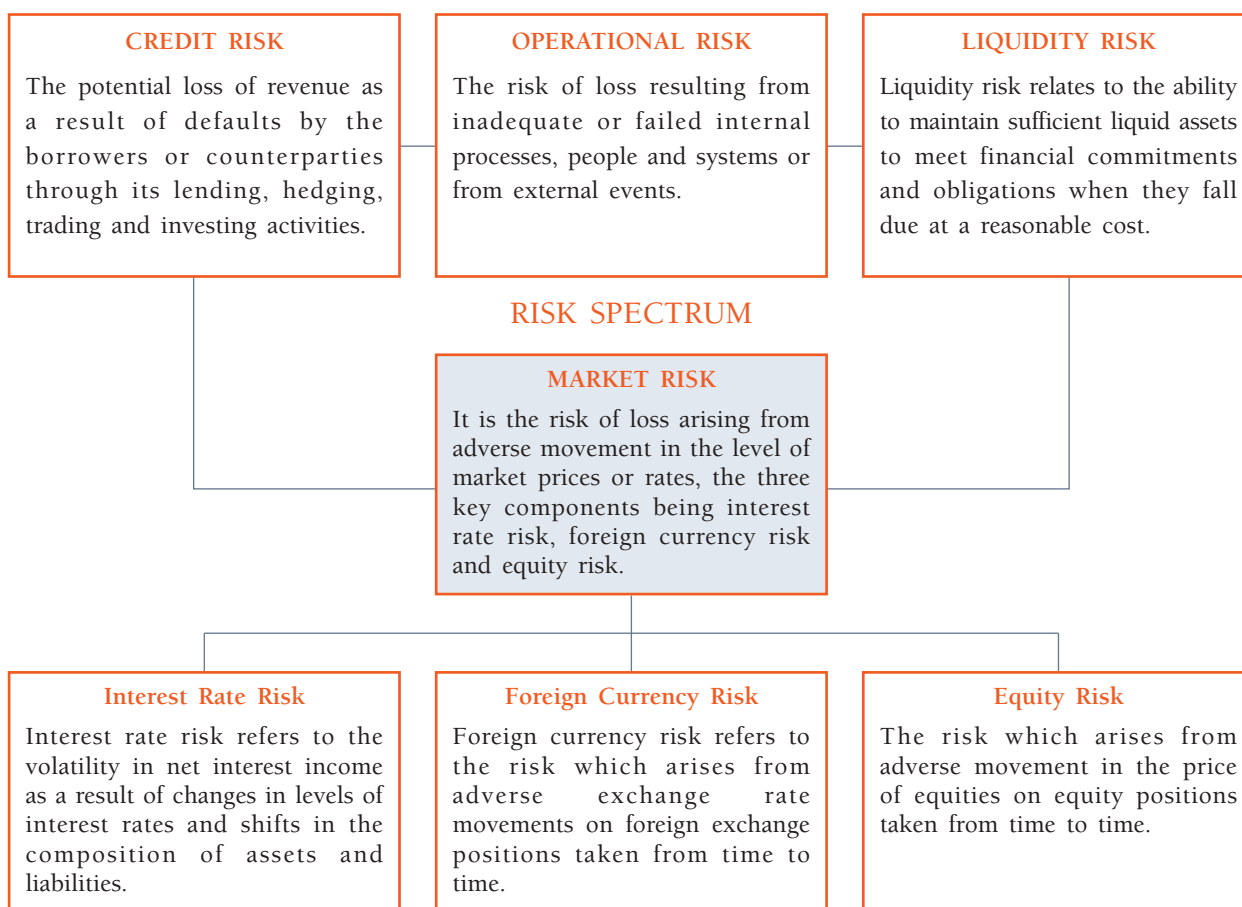
ESTABLISH RISK POLICY	Board of Directors	Audit Committee
	Risk Management Committees	
Risk Management Committee		
Credit Risk Management Committee		
Operational Risk Management Committee		
Assets & Liabilities Management Committee		
Independent Risk Management and Control Functions		
Risk Management Division		
Credit Administration & Supervision Division		
Branch Operations Control Department		
Internal Audit Division		
IMPLEMENT AND COMPLY WITH RISK POLICY	Business Risk Units	
	Retail Operations Treasury and Capital Market Operations Corporate Lending Investment Banking Share Broking and Fund Management Islamic Banking	

RMD provides the main support to the risk management committees and develops and maintains sound risk management policies and procedures for the major areas of risk. CASD performs credit reviews, rehabilitates and restructures non-performing accounts and ensures that loans are granted according to credit policies. BOCD carries out pre-emptive measures and control programmes to prevent operational control lapses by monitoring branch operational activities. IAD conducts assurance audits of all units and operations to ensure compliance.

5. The Business Risk Units are to ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.
6. The Audit Committee's role, supported by Internal Audit Division, is to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls and compliance with risk policies, laws, internal and regulatory guidelines.

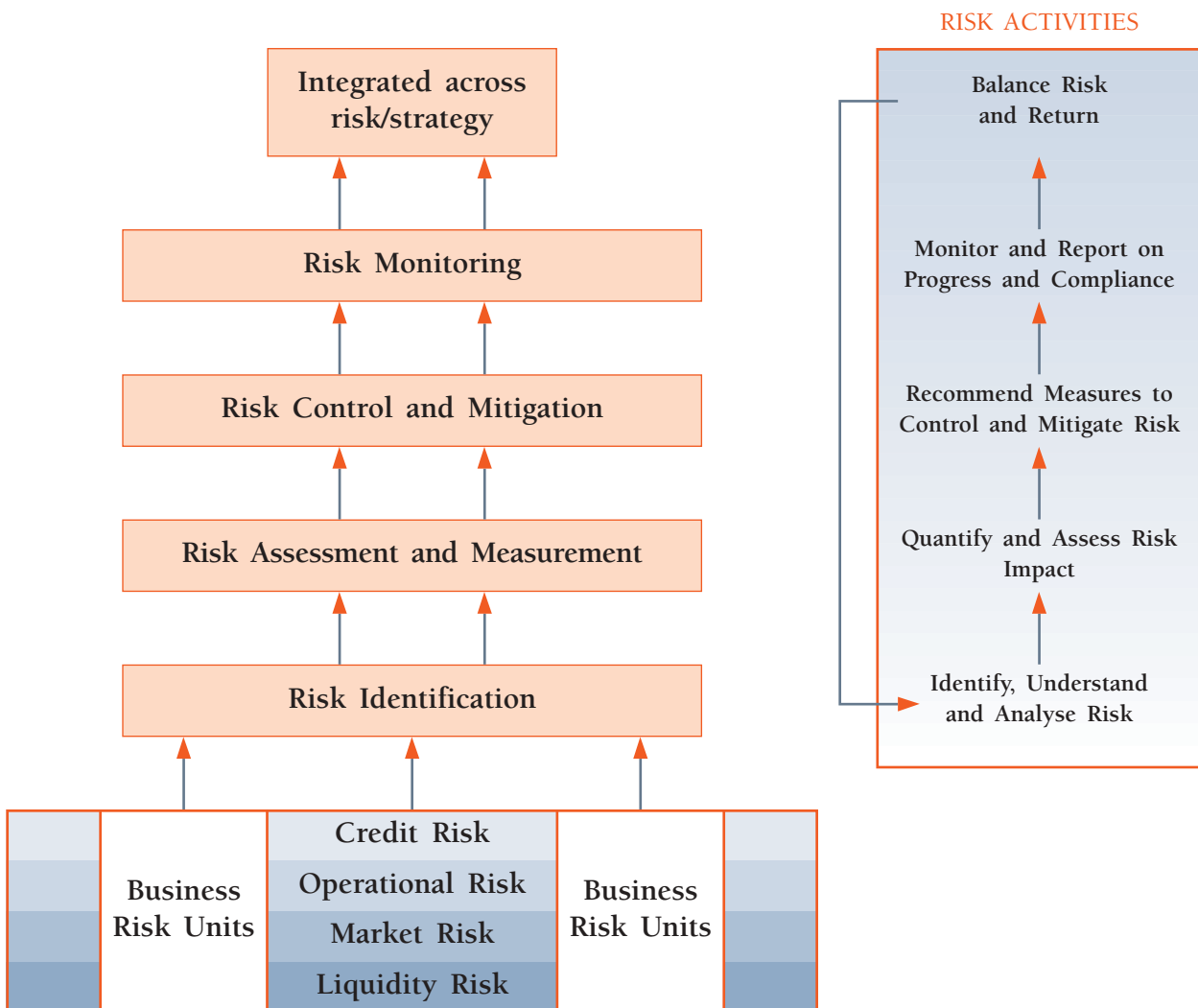
AREAS OF RISK

The major areas of risk which the activities of the Business Risk Units are exposed to are as follows:



RISK MANAGEMENT PROCESS

Public Bank has established, within its risk management framework, a structured approach to enterprise-wide risk management which balances risks and returns, and integrated risk management processes for market risk, credit risk, operational risk and liquidity risk for more effective risk management. The risk management processes are categorised into 4 broad processes: risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring as depicted in the following chart.



The key risk management processes for each type of risk are as follows:

TYPE OF RISK	CREDIT RISK
Risk Identification & Measurement	<ul style="list-style-type: none"> • Stress testing of loans portfolio asset quality. • Benchmarking of asset quality against industry. • Use of credit risk rating system to grade the quality of loans and track shifts in credit risk profile. • Post-mortem reviews of weak credit and delinquent accounts for identification of weaknesses in the credit approval and review processes.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Credit Policy which documents the credit risk rating, collateral policy and policies on rehabilitation and restructuring of problematic and delinquent loans. • Extensive reporting and analysis to Management and the Board on loans exposure, quality of loans portfolio, movements of non-performing loans (“NPLs”) and adequacy of specific provisions for NPLs. • Review and evaluation of risk-return of products and services. • Independent review of credits to monitor quality of credit appraisals and consistency in risk grading.

TYPE OF RISK	OPERATIONAL RISK
Risk Identification & Measurement	<ul style="list-style-type: none"> • Use of key risk indicators and threshold/limits. The risks are identified with reference to the relevant risk management policy manuals, processes, procedures and practices. • Benchmarking of customer service and operational efficiency against industry. • Incident reporting and analysis of causes and actions taken on losses from fraud and control lapses. • Regular review of the adequacy of premises controls and safety. • Regular review of system and network availability.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Self-Compliance Audit Programmes of business risk units. • Independent tracking of risks to ensure business risk units operate within the established policies, procedures, limits and thresholds set for key risk indicators. • Comprehensive system of internal controls based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes. • Documented and regularly tested key back-up procedures and contingency plans, including disaster recovery and business resumption plans. • Overall assurance on the adequacy and reliability of the operational risk management systems by Internal Audit Division.

TYPE OF RISK	MARKET RISK
Risk Identification & Measurement	<ul style="list-style-type: none"> • Review of trends and analysis of market movements. • Mark-to-market technique is used to revalue marketable securities, equities and foreign currency positions.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Mark-to-market of trading positions are compared against pre-determined market risk limits. • The market risk limits are set after taking into consideration the risk appetite and the risk-return relationship. • Trading positions and limits are regularly reviewed and reported.

TYPE OF RISK	FOREIGN CURRENCY RISK
Risk Identification & Measurement	<ul style="list-style-type: none"> • Review of foreign currency movements. • Mark-to-market of foreign currency positions. • Review of foreign exchange exposure for overseas operations.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Foreign exchange open positions are monitored against pre-determined position limits. • Mark-to-market valuations are monitored against pre-determined cut-loss limits and regularly reported.

TYPE OF RISK	INTEREST RATE RISK
Risk Identification & Measurement	<ul style="list-style-type: none"> • Simulations under different interest rate environments and estimation of impact on net interest income. • Review of inflation risk. • Impact on economic value of changes in interest rates measured by duration-weighted methodology. • Interest rate risk measured through the interest rate sensitivity gap analysis by currency. • Mark-to-market valuations of investment and dealing securities.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Regular reviews of the interest rate outlook, vulnerability of net interest income to movements in interest rates and development of strategies to mitigate interest rate risk. • Changes in market value of investment and dealing securities due to interest rate movements are monitored and regularly reported. • Impact on net interest income from unfavorable interest rate movements are monitored against risk tolerance limits.

TYPE OF RISK	EQUITY RISK
Risk Identification & Measurement	<ul style="list-style-type: none"> • Review of broad market and economic outlook of sectors. • Daily mark-to-market valuations of the share investment portfolio.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Mark-to-market valuations are monitored against pre-determined cut-loss limit and reported to the Share Investment Committee.

TYPE OF RISK	LIQUIDITY RISK
Risk Identification & Measurement	<ul style="list-style-type: none"> • Analysis of largest changes in deposit accounts under the behavioural maturity process. • Analysis of abnormal deposits/withdrawals. • Review of composition of large depositors. • Application of BNM's New Liquidity Framework.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Setting of internal liquidity risk management limits. • Compliance with BNM's New Liquidity Framework and internal liquidity risk management policy are monitored and regularly reported. • Liquidity contingency funding plans put in place and documented. • Monitoring of funding structure.

MAJOR INITIATIVES AND ENHANCEMENTS

The major initiatives undertaken or being undertaken to enhance the Public Bank Group's integrated risk management infrastructure and capabilities include:

1. Basel II Capital Accord and Best Risk Management Practices

A gap and impact analysis has been conducted on the current systems and operations of the Group against the Basel II Capital Accord requirements as a submission requirement by Bank Negara Malaysia ("BNM"). An action plan has been developed with clear indication of the work priorities and sequencing. The required enhancements which include resource and budgetary requirements as well as potential challenges have been duly deliberated.

As the emphasis is on having sound and robust risk management practices that are benchmarked against best industry practices, the Group will continue to initiate risk management measures which include enhancement to the credit risk management information system to facilitate more efficient and effective review of the credit quality of loans, assist in rating of credits, assess risk-return of credits in respect of pricing and default risk involved, and simulate potential losses from deteriorating credits due to adverse changes in the economy and under stressed conditions.

2. Independent Credit Review

A separate credit review function has been established within Risk Management Division to perform reviews of credits which have been approved, and to provide an independent assessment of the quality of credit appraisals, compliance with credit policies, fair valuation of collateral, competency level of credit evaluation personnel and the quality of the credit portfolio.

3. Market Risk Capital Adequacy Framework

BNM's Market Risk Capital Adequacy Framework was implemented on a trial basis in September 2004 with full implementation beginning from 1 April 2005 when the capital adequacy computation will fully incorporate market risk positions. The trading book policy statement, policies on hedge transactions and policies and procedures on the valuation of trading book positions have been put in place.

4. Bloomberg Trade Order Management System ("TOMS")

Public Bank implemented the Bloomberg TOMS for the Treasury Dealing Room in 2004. The Bloomberg TOMS provides an integrated enterprise-wide risk management system which would enhance management of Treasury Dealing Room's activities and risks. The Bloomberg TOMS also enhances the Treasury Dealing Room's performance with the availability of online real-time information for better decision making and improve operational efficiency via an integrated and straight-through processing system.

Other initiatives undertaken include aligning all IT applications for compliance with BNM's Guidelines on Management of IT Environment; taking steps to ensure compliance with BNM's Revised Guidelines on Financial Reporting for Licensed Institutions with effect from 1 January 2005; reviewing and refining the internal credit risk rating system used for consumer, retail commercial loans and corporate loans to prepare for the impending implementation of the Basel II Capital Accord; enhancing the security features on all computer platforms and network infrastructure to ensure secure data protection and transmission; and enhancing Public Bank's Self-Compliance Audit System which was automated and put on an online platform.

CODE OF ETHICS, INTEGRITY AND TRUST

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Corporate Governance Code of Ethics, Integrity and Trust

The Public Bank Group is in an industry where trust is of paramount importance given that a financial institution is a custodian of public funds. The trust and confidence that customers and the public have in the Group are vital to the continued growth and success of the Group. The Group actively seeks to conduct itself with integrity and trustworthiness to engender such trust and confidence in the Group.

A key determinant in building a trusted financial institution of high repute is the way its employees conduct themselves in their work and in the delivery of services to customers and the public. The Public Bank Group has taken, and continues to take, proactive initiatives to ensure that employees have values and principles, and conduct themselves, to standards that are consistent with the expectations of customers and the public of a trusted financial institution.

The formalisation of what constitutes acceptable conduct expected of employees of the Public Bank Group in the form of clear and documented codes and policies is a critical step in building trust and integrity in employee conduct and behaviour. Such codes and policies include a Code of Ethics, an Anti-Fraud Policy and an Anti-Money Laundering Policy.

CODE OF ETHICS

Bank Negara Malaysia (“BNM”) issues guidelines to financial institutions, amongst which is BNM/GP7 Code of Ethics. Part 1 of BNM/GP7 sets out the minimum standards of conduct expected of directors, officers and employees in the banking industry. In implementing the BNM/GP7 Code of Ethics, the Public Bank Group issued staff circulars to guide employees’ conduct based on 6 key principles:

- Avoid conflict of interest
- Avoid misuse of position
- Prevent misuse of information for personal gain or any purpose other than its intended purpose
- Ensure integrity and completeness of records
- Ensure confidentiality of communications and transactions with customers
- Fair and equitable treatment of customers

ANTI-FRAUD POLICY

Fraud undermines the integrity and erodes the confidence and trust in a financial institution and the banking system in general. In addition to the extensive infrastructure established to prevent and detect fraud and fraudulent activities, the Public Bank Group also has a formalised anti-fraud policy.

The purpose of the anti-fraud policy is 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

The anti-fraud policy sets out the responsibility of employees of the Group in preventing and detecting defalcations, misappropriations and other irregularities, the specific roles of employees in the prevention and detection of fraud and fraud discovery reporting as well as the steps the Group will take in respect of employees involved in fraudulent acts.

ANTI-MONEY LAUNDERING POLICY

The use of the global linkages of the banking and financial systems to transfer and launder illicit money by criminals and terrorists is a major concern of the Government and BNM. The Anti-Money Laundering Act, 2001 provides the legal framework to counter money laundering and terrorist financing.

The Public Bank Group, as the 3rd largest Malaysian banking group, is at the forefront of the Government's and BNM's initiatives and efforts in the prevention of the use of the banking system for illicit and laundering activities. Central to the Group's established infrastructure for the prevention and detection of illicit and money laundering activities is the Group's anti-money laundering policy.

The Group's anti-money laundering policy sets out the following:

- The purpose of the anti-money laundering policy
- Expectations of employees in effecting the anti-money laundering policy
- Accountability of each level of employee for anti-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

The exacting standards set for the behaviour of the Public Bank Group's staff is reinforced with on-going training courses on internal controls, anti-money laundering and anti-fraud, whilst conduct of staff in the Group's day-to-day business is also subject to managers' and officers' supervisory controls and procedures. The regularity of such training courses and the availability of such courses on the e-learning platform of the Group ensures that the commitment of the Group to building trust and integrity in employee conduct reaches as wide an audience as possible.

The Public Bank Group's zero tolerance of the lack of integrity in staff behaviour is supported by established disciplinary procedures which, after due process, would result in various forms of action being taken against staff who lack integrity or who are dishonest.

Audit Committee Report



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Audit Committee

Chairman

- 1 TAN SRI DATO' THONG YAW HONG
Chairman/Independent Non-Executive Director

Member

- 2 DATO' YEOH CHIN KEE
Member/Independent Non-Executive Director
- 3 Y.A.M. TENGKU ABDUL RAHMAN IBNI SULTAN
HAJI AHMAD SHAH AL-MUSTAIN BILLAH
Member/Independent Non-Executive Director
- 4 HAJI ABDUL AZIZ BIN OMAR
Member/Independent Non-Executive Director
- 5 DATO' DR. HAJI MOHAMED ISHAK BIN
HAJI MOHAMED ARIFF
Member/Independent Non-Executive Director
- 6 LEE CHIN GUAN
Member/Independent Non-Executive Director

Secretary

- 7 SOONG HOE SENG
Group Chief Internal Auditor

1. MEMBERSHIP AND ATTENDANCE

The Audit Committee (“Committee”) comprises the following members and details of attendance of each member at Committee meetings held during 2004 are as follows:

Composition of Audit Committee	Number of	
	Held	Attended
Tan Sri Dato’ Thong Yaw Hong Chairman/Independent Non-Executive Director	16	16
Dato’ Yeoh Chin Kee Member/Independent Non-Executive Director	16	16
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah Member/Independent Non-Executive Director	16	14
Haji Abdul Aziz bin Omar Member/Independent Non-Executive Director	16	16
Dato’ Dr. Haji Mohamed Ishak bin Hj Mohamed Ariff Member/Independent Non-Executive Director	16	16
Lee Chin Guan Member/Independent Non-Executive Director	16	16

2. COMPOSITION AND TERMS OF REFERENCE

2.1 Members

- a. The Committee shall be appointed by the Board of Directors and shall consist of not less than three (3) members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.
- b. At least one (1) member of the Committee:
 - i. must be a member of the Malaysian Institute of Accountants (MIA); or
 - ii. if he is not a member of MIA, he must have at least three (3) 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.
- c. Quorum
A quorum shall consist of two members and shall comprise of independent directors.

2.2 Chairman

The Chairman of the Committee shall be approved by the Board of Directors and shall be an independent non-executive director.

2.3 Secretary

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

2.4 Meetings

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

2.5 Authority

The Committee shall have the authority to:

- a. seek any information relevant to its activities from employees of Public Bank and the Public Bank Group.
- b. obtain such independent professional advice as it considers necessary.
- c. have full and unrestricted access to any information and documents pertaining to Public Bank and the Public Bank Group.

2.6 Responsibilities and Duties

The Committee shall review and, where appropriate, report to the Board of Directors on the following:

a. Risk Management

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

b. Internal Audit

- The adequacy of the scope of audits conducted by Internal Audit Division, functions and resources of Internal Audit Division and that it has the necessary authority to carry out its work.
- The performance of Internal Audit Division.

c. External Audit

- The external auditors' audit plan, scope of their audits and their audit reports.
- The performance of the external auditors and make recommendations to the Board of Directors on their appointment and remuneration.

d. Audit Reports

- 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 responses.

e. Financial Reporting

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

Any related party transactions that may arise within Public Bank and the Public Bank Group.

g. Other Matters

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 Results

- a. Reviewed the quarterly and half-yearly unaudited financial results of Public Bank and the Public Bank Group before recommending them for approval of 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, inter-alia, to ensure 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, and
 - Other legal and regulatory requirements.

3.2 Internal Audit

- a. Reviewed the annual audit plan to ensure adequate scope and comprehensive coverage on the audit activities of Public Bank and the Public Bank Group.
- b. Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of Internal Audit Division.
- c. Reviewed the internal audit reports, audit recommendations made and management's response to these recommendations. Where appropriate, the Committee has directed action to be taken by management to rectify and improve the system of internal controls and procedures based on the internal auditors' recommendations and suggestions for improvements.

The number of internal audit reports tabled to the Committee during the year was as follows:

Type of Audits	No. of Reports
• Information Systems	19
• Head Office Departments/ Divisions	27
• Branches	167
Total	213

- d. Monitored the implementation of the audit recommendations to ensure that all the key risks and controls have been addressed.

- e. Reviewed the Internal Audit Division's audit methodology in assessing and rating risks of auditable areas and ensure that all high and critical risk areas are audited annually.
- f. Reviewed the staffing requirements of Internal Audit Division and the competencies of the internal auditors to ensure that the internal audit functions can be carried out effectively and efficiently.

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 the annual audit, their audit report and management letter together with management's responses to the findings of the external auditors.
- b. Reviewed the independence and effectiveness of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.
- c. 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.

3.5 Public Bank Group Employees' Share Option Scheme (PBB ESOS)

Reviewed the allocation of options during the year under the PBB ESOS to ensure that this was in compliance with the the allocation criteria determined by the PBB ESOS Committee and in accordance with the Bye-Laws of the PBB ESOS.

4. INTERNAL AUDIT FUNCTION

Internal Audit Division assists the Committee in the discharge of its duties and responsibilities. Its role is to provide independent and reasonable assurance that the systems of internal controls are adequate and effective.

A risk based approach is used to ensure that the higher 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. In addition, the Internal Audit Division also audits the various computer application systems and telecommunications network of the Public Bank Group. These audits ensure that the instituted controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with Public Bank's and the Public Bank Group's risk management policy.

Prior to implementation of new business products and projects, the Internal Audit Division assists in the evaluation of risk exposures and ensures that control procedures are in place to mitigate the risks identified.

Internal Audit Division also works collaboratively with the Risk Management Division of Public Bank to monitor the risk governance framework and the risk management processes of Public Bank and the Public Bank Group to ensure their effectiveness.

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

STATEMENT ON INTERNAL CONTROL

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Statement on Internal Control

RESPONSIBILITY

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

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to 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 annual report and financial statements is sound and sufficient to safeguard the shareholders’ investment, the interests of customers, regulators and employees, and the Group’s assets.

The 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 is established by the Board to assist the Board in ensuring the effectiveness of Public Bank's (the "Bank") daily operations and 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. The Board Executive Committee also formulates strategies on an on-going basis 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 Audit Committee reviews internal control issues identified by the Internal Audit Division, the external auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. It also conducts a review of the internal audit functions with particular emphasis on the scope of audits, quality of internal audits and independence of the Internal Audit Division of the Group. 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 are set out in the Audit Committee Report.
- The Internal Audit Division of the Bank and its major subsidiaries monitor compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on all units or 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 or branches. The annual audit plan is reviewed and approved by the respective subsidiaries' Audit Committees and the findings of the audits are submitted to the said subsidiaries' Audit Committees for review at their monthly or periodic meetings.
- The Risk Management Committee was established by the Board to assist the Board to oversee the overall management of principal areas of risk. 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 Human Resource Committee, the Loans Committee, the Share Investment Committee and the Information Technology Steering Committee.
- Annual business plans are prepared by the Bank's business units and all operating subsidiaries and are reviewed and approved by their respective Boards. Annual budgets are also approved by the respective Boards and the business units' and operating subsidiaries' performance are assessed against the approved budgets and explanations are provided for significant variances on a monthly basis to the respective Boards.

- There are proper guidelines within the Group for hiring and termination of staff, formal training programmes for staff, annual/semi-annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.
- The Board of the Bank and the respective Boards of subsidiaries in the Group 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 banks' guidelines on lending, capital adequacy and other regulatory requirements, monthly 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 subsidiaries in the Group 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 the inclusion in the annual report of the Bank for the year ended 31 December 2004 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.

From Left to Right:

**Tan Sri Dato' Sri
Dr. Teh Hong Piow**
Chairman

Datuk Tay Ah Lek
Managing Director

Dato' Lee Kong Lam
Executive Director



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Board Executive Committee

Tan Sri Dato' Sri Dr. Teh Hong Piow Chairman

A respected banking entrepreneur in the financial services industry, with a banking career which began in Singapore and spanned more than 53 years. He founded Public Bank in 1965 after spending 6 years in a senior management position in another prominent local bank. Tan Sri Teh has been at the helm of Public Bank since its inception and personally steered its growth till today.

Datuk Tay Ah Lek Managing Director

Holder of Masters in Business Administration degree. A veteran in the financial services industry for the past 44 years. Joined the Public Bank Group in 1966 and held several portfolios over the years including the Executive Vice President position in Public Finance and Public Bank. Was appointed Executive Director of Public Bank in 1997 and Managing Director in 2002. Sits on the Board of Directors of several subsidiary companies in the Public Bank Group.

Dato' Lee Kong Lam Executive Director

An accountant by profession. Dato' Lee was attached to Bank Negara Malaysia for 28 years and retired as Head of the 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 of the Board of Directors of several subsidiary companies in the Public Bank Group.

Heads of Divisions

Chang Kat Kiam

Senior General Manager, Retail Banking

Holder of Masters in Business Administration degree. Has been with Public Bank since 1975. Experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. Mr Chang has been a Manager since 1986 and was appointed Head of Retail Banking in 1995.

Leong Kwok Nyem

Senior General Manager, Treasury & Corporate Operations

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 JCG Finance in Hong Kong in 1990. He returned to Head Office in 1994 and has been Head of Treasury since then.

Soong Hoe Seng

Group Chief Internal Auditor, Internal Audit Division

An accountant by profession. He has a total of 30 years of audit experience. He was attached to an audit firm prior to joining Public Bank in 1991 as Head of Internal Audit Division.



From Left to Right:

Leong Kwok Nyem
Senior General Manager,
Treasury & Corporate Operations

Soong Hoe Seng
Group Chief Internal Auditor,
Internal Audit Division

Chang Kat Kiam
Senior General Manager,
Retail Banking

From Left to Right:

Jenny Cheng Siew Ngoh
General Manager,
Human Resource Division

Chong You Lin
General Manager,
PB Card Services & Support

Chia Lee Kee
General Manager,
Secretariat Division



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Heads of Divisions

Jenny Cheng Siew Ngoh

General Manager, Human Resource Division

Holder of Bachelor of Economics (Public Administration) degree. A HR Practitioner with more than 28 years of experience in the banking industry. She has been with Public Bank since 1976 and was appointed Head of HR Division in 1991. She is in charge of all HR matters pertaining to the Bank.

Chia Lee Kee

General Manager, Secretariat Division

Holder of ICSA degree and is a Fellow of The Malaysian Association of The Institute of Chartered Secretaries and Administrators. Has been with Public Bank since 1978. Had 12 years of experience in banking operations until she was transferred to Secretariat Division in 1990. Ms Chia has been a Manager since 1991 and was appointed Head of Secretariat Division in 1997.

Chong You Lin

General Manager, PB Card Services & Support

Holder of Bachelor of Arts (Economics) degree. Ms Chong has been with the credit card industry for 11 years before joining Public Bank in 1991 as Manager, PB Card Services. She was promoted to Director in 1996, appointed Head of Division in 2000 and promoted to General Manager in 2004.

Ismail bin Ibrahim

General Manager, Credit Control & Islamic Banking

En. Ismail holds a Diploma in Business Studies and has been working in the banking industry since 1973. For the last 32 years, he has gained wide banking experience having served in a few financial institutions. Joined Public Bank in 1992 as Director of Credit Operations. He is now the General Manager overseeing the Credit Administration & Supervision and Islamic Banking operations of the Bank.

Sulaiman bin Abd Manap

General Manager, Credit Operations Division

Holder of Masters in Business Administration degree. Has been with Public Bank since 1981. Experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. En. Sulaiman was appointed Senior Manager of Retail Credit in 1995 and he is now the General Manager overseeing Credit Operations Division.

Wong Jee Seng

General Manager, Finance & Risk Management

An accountant by profession. He joined Public Bank in 1993 as a Manager in Finance Division. He was subsequently promoted as Senior Manager in 1997. Transferred to Treasury Division in 1998. Promoted as Director of Risk Management Division in 2000. He is now the General Manager overseeing Finance Division and Risk Management Division.

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Heads of Divisions

From Left to Right:

Ismail bin Ibrahim
General Manager,
Credit Control & Islamic Banking

Sulaiman bin Abd Manap
General Manager,
Credit Operations Division

Wong Jee Seng
General Manager,
Finance & Risk Management



From Left to Right:

Nasaruddin bin Arshad
Group Economist,
Economics and Corporate
Planning Division

Chang Chee Kong
General Manager,
HP Credit Control

A. Razak bin Md. Dali
General Manager,
Public Affairs Division



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Heads of Divisions

Nasaruddin bin Arshad

Group Economist, Economics and Corporate Planning Division

Holder of Masters in Agriculture Economics degree. En. Nasaruddin was in the academic field for 17 years. The last position he held was as the Dean of School of Economics & Public Administration, UUM. He was with the Malaysian Institute of Economic Research for 2 years before joining the Public Bank Group in 1995. He has been the Director of Economics Division since 1995 and subsequently appointed Group Economist in 1999.

A. Razak bin Md. Dali

General Manager, Public Affairs Division

Holder of Bachelor of Mass Communication & Masters of Science (Corporate Communication) degrees. He has a total of 28 years of service with the Bank, having served as a Branch Manager prior to his present appointment. He has been heading the Public Affairs Division since 1994 and is responsible for the Bank's PR, corporate communication, advertising and sports matters.

Chang Chee Kong

General Manager, HP Credit Control

Holder of a Diploma in Management. Mr Chang has been in the financial services industry for more than 30 years. He was attached to a commercial bank for 9 years before joining Public Finance in 1979. Is experienced in all aspects of the finance operations at Head Office having managed several portfolios at Director and General Manager level. He is responsible for the Bank's HP Credit Control portfolio.



From Left to Right:

Chew Han Kang
Director,
HP Financing

Chan Chew Fung
Director,
Corporate Banking &
Trade Finance Division

Eddie Chan Kok Kwai
Director,
Credit Administration &
Supervision Division

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H e a d s o f D i v i s i o n s

Chan Chew Fung

Director, Corporate Banking & Trade Finance Division

Holder of Bachelor of Arts (Economics) degree. Has been with Public Bank since 1982. Specialises in corporate banking and marketing for many years. Ms Chan has been a Manager since 1991 and was appointed Head of Corporate Banking & Trade Finance Division in 1995.

Eddie Chan Kok Kwai

Director, Credit Administration & Supervision Division

Holder of Bachelor of Economics degree, FSD and AIBM. Joined Public Bank in 1982 and has been heading the Credit Administration & Supervision Division since 1992. Directly supervises the recovery of NPLs and credit control functions for retail loans in the Bank. He was promoted Director of Credit Administration & Supervision Division in 1996.

Chew Han Kang

Director, HP Financing

Holder of Diploma in Management. Mr Chew joined Public Finance in 1976. He had a total of 28 years service with Public Finance, of which 9 years were as the Manager of several branches before his appointment as Director of HP Financing in 1997. He is now responsible for the Bank's HP Financing portfolio.

From Left to Right:

Tan Teck Kong
Director,
Information Technology Division

Nizam bin Hj Zainal Abidin
Director,
Security Division

Mohd Najeeb bin Abdullah
Director,
Islamic Banking Division



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H e a d s o f D i v i s i o n s

Tan Teck Kong

Director, Information Technology Division

An IT specialist with a Bachelor of Science/Mathematics degree. Mr Tan has been attached to IT Division for 22 years. He joined Public Bank in 1983 as a Trainee Computer Programmer. Experienced in all aspects within the IT sector in Public Bank. Mr Tan was appointed Director in 2000 to head the IT Division of the Bank.

Mohd Najeeb bin Abdullah

Director, Islamic Banking Division

Holder of Masters in Business Administration degree. En Najeeb was attached to a local bank for 10 years before joining Public Bank in 1983 as a Branch Manager. He was transferred to Head Office in 1995 as Senior Manager and is now the head of the Islamic Banking Division of the Bank.

Nizam bin Hj Zainal Abidin

Director, Security Division

En. Nizam was attached to the Royal Malaysia Police for 13 years. He joined Public Bank in 1993 as Head of Security Division. Initially he held the position of Manager and was appointed Director in 2003.

Tang Kam Hoe

Director, Banking Operations Division

Holder of Bachelor of Economics degree. Has been in the financial services industry for the last 23 years. Is experienced in all aspects of finance company operations having managed branches and several business portfolios in Head Office. Mr Tang was appointed Senior Manager of Branch Administration Division of Public Finance in 2000. He is now the Head of Banking Operations Division of the Bank.

Sim Goay Chye

Deputy Director, Property Division

Holder of Masters in Business Management degree. Mr Sim joined Public Finance in 1983. He held several managerial portfolios in the Head Office of both Public Finance and Public Bank in the past 21 years. He held the position of Senior Manager of Business Development in Public Finance since 2000, before his current appointment as the Head of the Bank's Property Division.

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Heads of Divisions



From Left to Right:

Sim Goay Chye
Deputy Director,
Property Division

Tang Kam Hoe
Director,
Banking Operations Division

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Chairman's Review

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CHAIRMAN'S

Review

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Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman

OVERVIEW

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Chairman's Review Overview

Overall Business Environment

After a strong showing in the second half of 2003, the Malaysian economy picked up the pace of economic growth in the first half of 2004 with second quarter growth reaching a high of 8.2%. Despite a slowing rate of growth of exports in the last few months of 2004, healthy domestic demand and growth in domestic-oriented industries helped maintain the growth momentum with the Malaysian economy expected to grow in excess of 7% in 2004.

The Malaysian banking and financing industry continued to perform well in 2004, in line with the robust rate of economic growth. Competitiveness amongst the ten domestic banking groups as well as foreign-controlled domestic banks intensified further in 2004, particularly in lending to consumers and small- and medium-sized enterprises ("SMEs"). Strong consumer confidence had driven both demand for residential mortgages and passenger vehicle financing by consumers whilst SMEs continued to be the backbone of an expanding domestic economy, resulting in consumers and SMEs continuing to be the focus of



attention of Malaysian banks and banking groups. Increasing customer awareness and product transparency have led to further commoditisation of banking and financing products and services and added further to the competitiveness of the banking and financing industry.

The Public Bank Group, with its focus on the banking and financing needs of the retail consumer and middle market commercial enterprises, particularly SMEs, have risen to the challenge of intense competition in the core market segments of the Group's business and continued to grow its market share. Given the Group's strong branding and its wide range of innovative and competitively priced products and services, supported by the extensive reach of its branch network and its dedicated and loyal staff force, the Group withstood the intense competitiveness of the banking and financing industry and delivered another record profitability performance in 2004.

Summary of Group Financial Performance

PROFITABILITY

The Public Bank Group charted yet another year of improved performance, turning in a record pre-tax profit of RM1.85 billion in 2004, up from RM1.42 billion in the previous financial year. The Group's net profit attributable to shareholders improved by 30% to RM1.27 billion, driven by better operating profits of Public Bank and all the major subsidiaries of the Group. As a result, the Group's return on equity improved to 18.3% against 14.4% in 2003, and earnings per share increased by 23% to 39.4 sen per share compared to 32.0 sen per share previously.

The Public Bank Group's operations comprised five core areas – Retail Operations, Corporate Lending, Treasury and Capital Market Operations, Investment Banking and Share Broking and Fund Management.

Group Profit Before Tax		
	2004 RM'Million	2003 RM'Million
Retail Operations	1,549	1,135
Treasury and Capital Market Operations	244	185
Corporate Lending	108	99
Share Broking and Fund Management	98	82
Investment Banking	17	16
Others	9	2
	2,025	1,519
Unallocated expenses and amortisation of goodwill	(177)	(104)
Profit before tax	1,848	1,415

Profit Before Tax of Major Companies in the Group

	2004 RM'Million	2003 RM'Million
Public Bank Berhad	1,512	1,111
JCG Holdings Group	241	127
Public Mutual Berhad	65	55
PB Securities Sdn Bhd	32	26
Public Merchant Bank Berhad	15	14

Retail Operations: The retail banking and financing operations of the Public Bank Group provide a wide range of financial products and services catering to the banking and financing needs of individuals and SMEs. This is the core business of the Group, accounting for 75% of the Group's total operating revenue and 76% of the Group's profit before tax in 2004. The improvement in profit performance of the Group's retail operations by 36% was the result of strong growth in the domestic retail lending business, lower cost of deposit funding as well as higher commission and fee income which partially mitigated the effects of lower lending margins

in 2004. Domestic retail lending expanded by 22% in 2004 whilst the Group's overseas operations recorded a 6% increase in retail loans. Islamic banking operations charted steady growth in 2004 and accounted for 18% of retail operations profitability.

Pre-tax profit of the JCG Holdings Group nearly doubled to HKD493 million in 2004 from HKD260 million in 2003. This was achieved on the back of lower charges for specific allowance net of recoveries due to the declining number of delinquent accounts and bankruptcies, higher write-back of general allowance and higher fee income.

JCG HOLDINGS GROUP

	2004 HKD'Million	2003 HKD'Million
Income Statement		
Net interest income	699	691
Non-interest income	200	170
	899	861
Overhead expenses	(233)	(186)
Operating profit	666	675
Allowance for losses on loans, advances and financing	(173)	(415)
Profit before tax	493	260
Key Balance Sheet Items		
Total assets	4,288	4,853
Gross loans, advances and financing	3,295	3,191
Deposits from customers	1,720	1,309
Shareholders' funds	2,163	3,304
Financial Ratios		
Net NPL ratio	1.8%	4.7%
Risk-weighted capital ratio (JCG Finance Company, Ltd)	38.7%	43.2%

Corporate Lending: Corporate lending of the Public Bank Group comprised mainly the provision of short- and medium-term financing to large corporate customers. Pre-tax profit for corporate lending operations increased by 9% from RM99 million in 2003 to RM108 million in 2004 due to a growing corporate loan portfolio and recoveries arising from the completion of debt restructuring of a few corporate accounts. Corporate lending grew by 38% in 2004 and accounted for 8% of the Group's total loans at the end of 2004.

Treasury and Capital Market Operations: Treasury and capital market operations reported a pre-tax profit of RM244 million in 2004 as compared to RM185 million for 2003 on account of higher gains derived from sale of investment and dealing securities of RM42 million, higher dividend income of RM41 million and higher foreign exchange income of RM79 million. Net interest income from this business also improved due to higher average holding of money market instruments.

Investment Banking: The investment banking operations of the Public Bank Group cater mainly to the business and capital markets needs of corporate customers through the provision of financial solutions and funding support. The investment banking operations of the Group is undertaken by Public Merchant Bank which offers structured financing, corporate advisory services, mergers and acquisitions and debt restructuring advisory services. Public Merchant Bank's pre-tax profit in 2004 was RM15 million.

PUBLIC MERCHANT BANK BERHAD

	2004 RM'Million	2003 RM'Million
Income Statement		
Net interest income	10	12
Non-interest income	12	10
	22	22
Overhead expenses	(8)	(8)
Operating profit	14	14
Allowance for losses on loans, advances and financing	1	—
Profit before tax	15	14
Key Balance Sheet Items		
Total assets	2,921	1,923
Gross loans, advances and financing	139	92
Deposits from customers	1,000	130
Shareholders' funds	178	163
Financial Ratios		
Net NPL ratio	0%	0%
Risk-weighted capital ratio	45.4%	44.6%

Share Broking and Fund Management: The Public Bank Group's share broking and fund management operations are undertaken by PB Securities and Public Mutual respectively.

Despite the competitive operating conditions in the share broking industry as a result of further liberalisation of the industry, PB Securities managed to achieve a 23% increase in pre-tax profit to RM32 million for 2004 as a result of higher brokerage and commission income arising from more active trading and higher volumes on Bursa Malaysia Securities Berhad ("Bursa Securities").

With its market leadership position in the private sector fund management industry, Public Mutual chalked up another record year of gross sales of trust units in 2004. The total net asset value of unit trust funds under management increased by 20% in the year to stand at RM9.88 billion as at the end of 2004. As a result of its strong sales of trust units and growing net asset value under management, Public Mutual achieved a 18% improvement in profit before tax to RM65 million. The improved revenue was partially offset by increased overheads due to higher sales commissions paid to agents arising from increased sales of trust units.

PUBLIC MUTUAL BERHAD

	2004 RM'Million	2003 RM'Million
Income Statement		
Revenue	204	151
Other operating income	8	7
	212	158
Overhead expenses	(147)	(103)
Profit before tax	65	55
Key Balance Sheet Items		
Total assets	373	296
Shareholders' funds	244	199
Net asset value of unit trust funds under management	9,884	8,232

PB SECURITIES SDN BHD

	2004 RM'Million	2003 RM'Million
Income Statement		
Revenue	23	19
Other operating income	25	22
	48	41
Overhead expenses	(16)	(15)
Profit before tax	32	26
Key Balance Sheet Items		
Total assets	557	520
Shareholders' funds	317	310

LENDING

Loans, Advances and Financing

	Public Bank Group				Banking System
	Outstanding (Gross)		Growth Rate		Growth Rate
	2004 RM'Million	2003 RM'Million	2004 %	2003 %	2004 %
Group	57,034	46,928	22	20	8.5
Public Bank	55,018	*44,965	22	22	9.0
JCG Holdings Group	1,610	1,562	3	(10)	Na

* Combined Public Bank and Public Finance

The Public Bank Group achieved strong loan growth of 22% with gross loans of the Group increasing by RM10.11 billion in 2004. This is the fourth consecutive year of annual loan growth in excess of 20% achieved by the Group. The growth rate of Public Bank's domestic lending was also at 22% and was more than two times the 8.5% increase in loans of the domestic banking system in 2004. Consequently the Group's market share for loans rose to 11.1% in December 2004 from 9.6% a year ago.

Lending activities of the Group remained focused on retail financing such as residential mortgage loans and financing of passenger vehicles as well as lending to SMEs. Loans to these key segments accounted for 72% of the Group's total loans outstanding and 73% of new loans approved of RM24.92 billion in 2004.

JCG Holdings Group also recorded a positive 3% growth in loans compared to a 10% contraction in 2003.



ASSET QUALITY

Group Asset Quality				
	2004		2003	
	Group	Public Bank	Group	Public Bank*
NPL – RM'Million	1,632	1,526	1,966	1,779
Net NPL Ratio	2.1%	2.2%	3.0%	3.0%
Net NPL Ratio – Banking System	7.6%	7.4%	8.9%	8.6%

* Combined Public Bank and Public Finance

Notwithstanding the strong loan growth in the past five years, the Public Bank Group's asset quality continued to improve in 2004 reflecting the Group's prudent credit culture, policies and practices. In keeping with international best practice, the Group adopted the 3-month classification policy for its non-performing loans ("NPL") in 2004. The Group's total gross NPLs decreased by RM334 million or 17% to RM1,632 million as at 31 December 2004 while the net NPL ratio stood

at 2.1% compared to 3.0% at the end of 2003. The net NPL ratio of 2.1% of the Group was about one quarter of the banking system's average net NPL ratio of 7.6% in December 2004. Apart from the healthy net NPL ratio, the Group also maintained a comfortable level of provisioning with its ratio of general allowance to net NPLs standing at 74% and its loan loss coverage ratio at 81%.

FUNDING

Group Customer Deposits					
	Outstanding		Growth Rate		Mix
	2004 RM'Million	2003 RM'Million	2004 %	2004 %	2003 %
Demand	8,683	7,358	18	12	15
Savings	11,498	9,688	19	16	19
Fixed	39,315	32,373	21	54	64
NIDs	12,482	530	> 100	17	1
Others	268	268	—	1	1
	72,246	50,217	44	100	100

The Public Bank Group's total customer deposits of RM72.25 billion as at end of 2004 represented a 44% increase from RM50.22 billion recorded at the end of 2003.

The Public Bank Group has taken proactive steps to reduce its cost of deposit funding in order to mitigate the impact of the squeeze in interest margins arising from declining lending spreads due to competitive pressures. The Group's savings deposits increased by 19% to RM11.50 billion, while non-interest bearing demand deposits expanded by 18% to RM8.68 billion, outpacing the industry's growth rate of 10% and 12% respectively in 2004.

Fixed deposits and negotiable instruments of deposit ("NIDs") recorded significant increases during 2004 to fund the strong lending activities of the Group.

Deposits from individuals continued to be the Public Bank Group's main source of deposit funding, accounting for more than 70% of the Group's core demand, savings and fixed deposits, and represented a 15% market share of deposits by individuals. This has provided the Group with a stable deposit base and has enhanced its low-cost deposit funding structure.



CAPITAL

	Group		Public Bank		Banking System
	2004	2003	2004	2003	2004
Shareholders' funds (RM'Million)	8,571	8,618	8,407	7,483	na
Core capital ratio (%)	13.9	17.5	13.8	15.0	10.7
Risk-weighted capital ratio (%)	17.9	19.3	15.3	15.0	13.7

The Public Bank Group's shareholders funds amounting to RM8.57 billion at the end of 2004 remained the second largest amongst banking groups in Malaysia. The marginal decline of the Group's shareholders funds of RM47 million was due to the higher dividend payout ratio in 2004 and further buy-back of its own shares by Public Bank amounting to RM431 million, which offset the Group's current year's earnings and fresh equity funds from the exercise of options under the Public Bank Employees' Share Option Scheme during the year. At Public Bank level, shareholders' funds increased by RM924 million due to dividends received from subsidiary companies.

As at 31 December 2004, the Group's risk-weighted capital ratio of 17.9% was more than twice the minimum requirement of 8% and well above the banking system's risk-weighted capital ratio of 13.7% at the end of 2004.

The core capital ratio and risk-weighted capital ratio of the Bank continued to be strong at 13.8% and 15.3% respectively.

Capital Management

The Public Bank Group was active in managing both the Group's and the Bank's capital in 2004. A number of initiatives were pursued with a view to improving the efficiency of the Group's capital.

The capital structure of the Public Bank Group was enhanced with the gearing up of Public Bank's core capital with the issue of USD350 million Subordinated Notes in June 2004. The increase in the equivalent of RM1.32 billion of Tier 2 capital resulted in the Group's and the Bank's risk-weighted capital ratios rising by 2.3% and 2.4% respectively. The gearing up of its core capital with debt capital allows the Bank and the Group to pursue business and balance sheet expansion without burdening shareholders for more equity capital. The gearing up of the Group's core capital also enables the Group to improve its return on equity whilst continuing to maintain a strong risk-weighted capital ratio.

The Public Bank Group also took steps to narrow the gap between the capital adequacy ratios of the Group and the Bank by the payment of dividends by the Bank's subsidiaries. The payment of the special dividend of HKD1.75 per share by JCG Holdings Ltd, whilst reducing the Group's risk-weighted capital ratio marginally by 0.4%, increased the Bank's risk-weighted capital ratio by 0.7% and reduced the gap between the Bank's and the Group's risk-weighted capital ratio from 3.7% to 2.6%.

Public Bank bought back 69.1 million of its own shares in 2004. Together with the 31.1 million shares bought back in 2003, Public Bank has bought back a total of 100.2 million of its own shares, representing 3.0% of the issued and paid-up share capital of Public Bank.

In line with its policy of creating shareholders' value and to reward shareholders, Public Bank maintained its high dividend pay out ratio in 2004 with the special dividend paid during 2004 of 40 sen less 28% taxation and the proposal to pay a special and a final dividend of 15 sen less 28% taxation and 35 sen less 28% taxation respectively, totalling 50 sen less 28% taxation per Public Bank share. The total net dividend paid and payable of RM2.11 billion amounted to 126% of the profits after taxation and after transfer to statutory reserves of Public Bank for 2004.

The active management of the capital of the Public Bank Group and the improvement in the efficiency of the Group's capital structure result in significant benefits to the Group and its shareholders. The capital management initiatives enhance shareholders' value through improved return on equity and higher share price valuation multiples, whilst positioning the Group for strong balance sheet growth without burdening shareholders for injection of more equity capital. With a more efficient capital structure, the Group is better placed to compete in an intense and increasingly competitive banking and financing industry. The focus on effective and efficient capital management also entails the continuous balancing of the need for a level of capital that will maximise returns to shareholders whilst ensuring that the level of capital can support the Group's long-term growth and cushion the impact of any unforeseen demand on the capital of the Group.

Ratings

Public Bank	Long Term	Short Term
RAM	AAA	P1
Moody's	A3	Prime-1
Standard & Poor's	A-	A-2

Public Bank enjoys the highest bank financial strength ratings in Malaysia.

In June 2004, Public Bank was assigned a long-term credit rating of A- by Standard & Poor's Rating Services. The A- credit rating by Standard & Poor's makes Public Bank the only single 'A' rated bank in Malaysia by Standard & Poor's. Standard & Poor's rating rationale included Public Bank having a sizeable market share in its core business segments of retail banking, and its strong financial profile that is underpinned by its improving asset quality over the past four years.

In assigning its initial long-term credit rating of Baa1 to Public Bank, Moody's Investors Service noted that the key factors that distinguish Public Bank's creditworthiness from that of its peers are its solid financial fundamentals and conservatism. In December 2004, Moody's Investors Service upgraded Public Bank's long-term deposit rating from Baa1 to A3 and short-term deposit rating from Prime-2 to Prime-1. Moody's Investors Service also assigned Public Bank with a Bank Financial Strength Rating ("BFSR") of C, making Public Bank one of only two Malaysian banks with a BFSR of C.

In July 2004, Rating Agency Malaysia Berhad ("RAM") reaffirmed Public Bank's long-term and short-term credit ratings at AAA and P1 respectively, with a stable outlook. The AAA rating is the highest credit rating accorded by RAM and is given only to financial institutions which are financially strong and offer the highest safety for timely payment of financial obligations.



RAM attributed Public Bank's high credit ratings to its strong fundamentals, superior asset quality, sound credit culture, sturdy capitalisation and excellent funding and liquidity positions. Public Bank's proactive measure to continuously provide excellent service to customers and group-wide risk management framework and policies were viewed positively by RAM. Despite the change to the non-performing loans classification policy from 6 months to 3 months, RAM also noted that Public Bank's asset quality indicators remained superior. With the completion of the rationalisation of the branch networks of Public Bank and Public Finance and the merger of the finance company business of Public Finance with the banking business of Public Bank, RAM viewed positively the profit performance of the merged entity as the Group would have access to an enlarged pool of customers thus creating potential cross-selling opportunities to generate new business among these customers. The AAA rating has further enhanced the public's confidence in Public Bank as a custodian of public funds as can be seen by the 49% growth of Public Bank's customer deposits in the last 2 years compared to the banking industry growth rate of 25% over the same period.

BUSINESS OPERATIONS REVIEW

Review of Group Operations

Annual Report 2004
www.publicbank.com.my

Chairman's Review Business Operations Review



Retail Banking and Financing Operations

The Public Bank Group remained focused on the Group's retail banking and financing business in 2004 with robust growth in lending to retail consumers and mid-market SMEs leading the way. Growth in both retail core customer deposits and wholesale corporate and financial institutions deposits and the strong loan growth led to a significant expansion of the Group's balance sheet by RM27.51 billion in 2004, with the Group's total assets reaching RM92.09 billion at the end of 2004, making Public Bank Group the 3rd largest banking group in Malaysia.

Public Bank Group's retail loans grew by 22% to RM52.34 billion in 2004. Outstanding consumer loans of RM38.76 billion and loans to SMEs of RM12.95 billion constituted 74% and 25% respectively of the Group's total retail loans portfolio at the end of 2004. The strong retail lending growth was achieved on the back of encouraging economic growth with strong demand for loans from consumers and business enterprises.

CONSUMER CREDIT

Residential Property Financing

Lending to the residential property sector remained one of the Public Bank Group's core business activities in 2004. Residential mortgage loans totalling RM5.56 billion were approved in 2004 as compared to RM3.14 billion in 2003. The Group's residential mortgage loan portfolio grew by 34% or RM3.58 billion to RM14.06 billion, outstripping the industry's growth rate of 14%. The Group's robust growth in residential mortgage loans was spearheaded by the Group's flagship residential mortgage loan packages – the 5HOME (“Home Ownership Made Easy”) Plan and MORE (“Mortgage Refinancing”) Plan.

The 5HOME Plan and MORE Plan are amongst the most competitive residential mortgage loan packages in the industry with pricing and benefits being continuously evaluated and regularly revised in response to changing market demand and customer needs. In 2004, following customers' feedback, enhancements of terms and benefits were carried out which included daily rest interest calculations and redraw facilities for residential mortgage loan products to meet customers' need for financing flexibility.

With daily rest interest calculations, customers enjoy greater interest savings as advance payment of residential mortgage loan installments reduces the outstanding residential mortgage loan amount immediately. The redraw facilities allow residential mortgage loan borrowers to make prepayments of any amount and the excess of such prepayments over the fixed monthly installments can be subsequently redrawn by customers.

The Public Bank Group continued with its active participation in property roadshows and exhibitions held nationwide to maximise business development and marketing opportunities. The Group's branches also continued to maintain strong business relationships with developers, real estate agents and solicitors for potential customer referrals. End-financing packages with extremely attractive pricing and financing terms continued to be offered for developers' launches to provide consumers with convenient and competitive financing of their property purchases.

In its effort to support the Government's initiatives to assist low income earners become house owners, the Public Bank Group had committed to providing financing for 28,104 units of residential properties costing RM180,000 and below in the 18 months from 1 July 2003 to 31 December 2004.



Passenger Vehicle Financing

Following the rationalisation of the finance company and banking businesses of the Public Bank Group, passenger vehicle hire purchase financing, which was traditionally the main business of Public Finance is now one of the core products of Public Bank. This will be a significant component in the retail banking business portfolio of Public Bank.

Based on a report by the Malaysian Automotive Association, the sales of new motor vehicles in Malaysia was 19% higher at 481,154 units in 2004 against 405,010 units in 2003. The higher sales of new motor vehicles was buoyed by attractive financing packages and wider choices from launches of both new models and new makes of motor vehicles.

Riding on the strong sales of new motor vehicles, the Public Bank Group continued to post strong volume growth in its passenger vehicle hire purchase financing business. The Group's passenger vehicle hire purchase loan portfolio registered a growth of 16% or RM1.96 billion in 2004 to stand at RM14.19 billion at the end of 2004, outperforming the industry growth rate of 15%. In 2004, financing of new vehicles accounted for 81% of the Group's passenger vehicle hire purchase financing business.

The Public Bank Group continued to strengthen its relationship with car dealers by actively participating in joint sales promotions, carnivals and road shows as well as offering interest subsidy schemes to car distributors and dealers throughout the country. In 2004, the Group participated in over 90 joint sales promotions and carnivals with car dealers. The Group's network of car dealers was further expanded to a total of 4,800 dealers nationwide, an increase of 12% over 2003.

The passenger vehicle hire purchase financing packages offered by the Public Bank Group remain amongst the most competitive in the market. With the fast turnaround time for approval and disbursement of loans as a result of an effective Electronic Loans Delivery System, the passenger vehicle hire purchase financing business of the Group is set to grow further with expectations of buoyant growth in sales of new motor vehicles.

Cards

The credit card business of the Public Bank Group recorded another strong year, with performance exceeding expectations in most areas of the business. The number of credit cards issued grew by a strong 51% over the previous year, reflecting increasing consumer preference for credit cards as an alternative to cash and the success of the Group's credit card cross-selling and promotional activities. The Group's card base increased by 35% in 2004 to stand at over 300,000 cards, whilst card sales also improved by 28% to RM1.58 billion in 2004.

The merchant acquiring business registered a 32% growth despite an extremely competitive market environment, where margins were squeezed continuously due to merchant discount rate sensitivity. Card receivables expanded by 19% to stand at RM480 million at the end of 2004.

As in all other businesses of the Public Bank Group, where growth is balanced by proactive risk management, particularly credit risk, the asset quality of the Group's credit card receivables is proactively managed, resulting in a delinquency rate of 7.3% against the credit card industry's delinquency rate of 13%, and a gross NPL ratio of the Group's credit card receivables of 2.5% at the end of 2004, compared to the credit card industry's average NPL ratio of 4.2%.

The Public Bank Group continued to pursue card issuance programmes to enhance customer benefits. Combining the strong branding of Public Bank and the Manchester United Football Club, the Group, in collaboration with Manchester United Football Club and Barclays Bank Plc, launched the PB Manchester United MasterCard in August 2004. This is the first co-branded Manchester United MasterCard and the first sports related MasterCard in Malaysia, and Public Bank is the exclusive issuer of this credit card in Malaysia. The special benefits of the PB Manchester United MasterCard are designed for football fans in general and the fans of Manchester United, and have been accorded the recognition of 'The Official Credit Card Partner Of Manchester United Football Club' in Malaysia.

Share Margin Financing

With the improvement in the performance of the Malaysian stock market, PB Sharelink, the share trading and share margin offering of the Public Bank Group continued to grow healthily in spite of stiff competition in the share financing business. In 2004, the number of accounts grew by 24%, approved limits grew by 52%, whilst business transactions volume registered a 28% growth, which translated to an overall increase of 28% in gross brokerage and interest income generated from the Group's share trading and share margin financing business.

In 2004, the Public Bank Group added another 3 share trading and share margin financing outlets, making a total of 31 share trading and share margin financing centres to serve the Group's customers. The Group will continue to identify suitable branches of Public Bank for extension of the PB Sharelink services to expand the Group's share margin financing business and offer greater convenience to share trading and share margin financing customers. The Group continues to proactively review and enhance the features of PB Sharelink to remain competitive. Internet share trading for the Group's share trading and share margin financing customers is planned for implementation in 2005 to enable the Group's customers to conduct their share trading activities from the convenience and comfort of their home or office.

Personal Consumer Loans

The personal consumer loans business of the Public Bank Group is carried out primarily by JCG Finance in Hong Kong through a network of 40 branches. Despite the challenging and competitive operating environment in 2004, personal consumer loans of JCG Finance increased by 11% in 2004, as a result of active promotion of its personal consumer loans as the Hong Kong economy continued to recover.

In Malaysia, personal loans under the Islamic Bai Al-Einah ("BAE") financing principle continued to be actively promoted by the Public Bank Group. At the end of 2004, the Group was offering BAE personal financing to the staff of 93 government agencies and quasi government corporations whilst BAE Plus financing continued to be made available to the Group's residential mortgage loan customers. Resources continued to be channelled to promoting and marketing BAE personal financing loans with the setting up of a dedicated marketing team to conduct direct marketing calls on government agencies and corporations. The aggressive marketing approach adopted by the Group yielded a strong 21% growth in BAE personal financing in 2004.



SME LENDING

The Public Bank Group's commercial lending activities remain focused on SMEs. A total of RM5.97 billion in new loans was approved to SMEs in 2004, an increase of RM2.54 billion over loans approved to SMEs in 2003, and accounted for more than 33% of the Group's total retail loans approved in 2004. In line with the higher volume of SME loans approved, the Group's SME loan portfolio expanded by 23% to stand at RM12.95 billion, representing 25% of the Group's total outstanding retail loans as at the end of 2004.

The Public Bank Group's flagship commercial lending products, the SWIFT (“Shophouse, Warehouse, Industrial Factory and Trade financing”) Plan and SMILAX (“Small, Medium Industries – Loan Assistance for eXpansion”) Plan continued to be the main drivers of the growth in SME lending. Regular enhancements of these commercial lending products, with improved pricing and benefits, were made to remain competitive. Apart from regular interest rate reductions, the Group also introduced a Free Legal Documentation option for the SWIFT Plan. All legal expenses are absorbed by the Group when customers refinance their credit facilities with other financial institutions with credit facilities from the Group.



The Public Bank Group continued to play an active role as an intermediary for funds under various Government promoted loan schemes geared towards financing SMEs. These include the Fund for Small and Medium Industries 2 (“FSMI2”) and the New Entrepreneurs Fund 2 (“NEF2”) as well as Credit Guarantee Corporation schemes such as the New Principal Guarantee Scheme (“NPGS”), the Flexi Guarantee Scheme (“FGS”) and the Small Entrepreneur Guarantee Scheme (“SEGS”). These loan schemes provide SMEs with access to low interest rate loan facilities designed to assist SMEs expand their capacity and enhance competitiveness. In support of these Government promoted loan schemes, the Group launched a very competitive special loan package for SMEs in 2004. This special loan package is an extension of the FSMI2 and provides SMEs with the option of longer loan tenure at competitive rates in order to ease cashflows and enhance working capital.

The SME Development Unit established by the Public Bank Group works closely with the relevant trade associations and chambers of commerce to meet the financing needs of SMEs and to serve their business requirements more effectively. The Group is also an active participant in major trade exhibitions and sponsorships of business events related to the promotion and development of SMEs, as well as seminars and dialogue sessions to obtain market feedback in order to respond effectively to the needs and challenges faced by SMEs.

In order to further improve SMEs' knowledge of banking products and services, a dedicated section for SMEs has been developed on the Public Bank's e-banking website, www.pbebank.com, to provide information on financing options, loan packages and other banking services provided by the Public Bank Group for SMEs. Through the website, SMEs can submit their enquiries on financing and banking related matters or seek an appointment with sales and marketing personnel for further discussions and advice.

The merger and integration of the finance company business of Public Finance with the banking business of Public Bank have opened up new business opportunities for the Public Bank Group. Several new products and services were introduced to cater to the banking and financing needs of a broader spectrum of customers. Two new products, the Special Working Capital Package and the Local Cheque Purchase Facility for Car Dealers were launched to provide flexible financing for car distributors and dealers. The Special Working Capital Package provides short-term financing for the purchase and importation of cars, whilst the Local Cheque Purchase Facility for Car Dealers facilitates quick short-term working capital financing for car dealers.



CUSTOMER DEPOSITS

In 2004, the Public Bank Group's strategy remained focused on attracting lower cost savings and current account funds by capitalising on the Group's superior service delivery at the front office of branches nationwide. The Group's 2-minute Standard Waiting Time and widening of delivery channels proved successful as evident by the strong growth in savings and current account deposits. The Group's savings deposits continued its growth trend with a 19% increase in 2004 whilst the Group's demand deposits increased by 18% as compared to the industry's growth rate of 10% and 12% respectively. For the year, more than 405,000 savings accounts and 84,000 current accounts were opened, registering growth rates of 16% and 20% respectively in the number of such account holders.

In support of the Public Bank Group's strategy to reduce high-cost fixed deposits funding and to generate fee income, the Group launched a single premium endowment plan known as the Guaranteed CashBack Plan ("GCP"). The GCP was underwritten by Great Eastern Life Assurance (M) Berhad. The GCP is a five-year single premium endowment plan specifically designed to provide investment and insurance protection to the Group's customers aged between 19 and 65 years. The GCP customers are guaranteed a fixed return of 4% per annum plus insurance protection of up to 125% of the single premium at no extra cost. In addition, the GCP also guaranteed an annual cash payout of 10% of the single premium.

The Public Bank Group increased the issuance of NIDs in 2004 as an additional funding source and provides depositors, particularly large corporate depositors, with greater flexibility in their short-term investment decisions. The increase in the issuance of NIDs also provides the Group with the opportunity to tap into the corporate deposit market to fund its rapidly expanding loan portfolio. At the end of 2004, the Group's gross loan to deposit ratio fell to 79% from 94% at the end of 2003, despite the Group's strong loan growth of 22%, as a result of healthy growth in core customer deposits as well as the sharp increase in the issuance of NIDs.

CASH MANAGEMENT SERVICES

The Public Bank Group's Cash Management Services ("CMS") continued to be enhanced in 2004 to provide value added and user friendly services to corporates as well as individual customers. The year 2004 saw a move towards the implementation of more e-channel collection services with the introduction of 30 new payee corporations on the Group's Internet banking channel. PBeBank.com users are now able to make payments to a large number of payee corporations ranging from government departments, colleges, direct selling, insurance, telecommunication and utility companies. As a result, the Group achieved a 117% rise in transactions performed through its Internet banking channel in 2004, with a corresponding 236% increase in transaction value compared to 2003.

Strong income growth was also registered from corporate customers with the Public Bank Group's expansion of its online payment services to provide for effective data and payments processing where administrative work has now been e-enabled, thereby reducing manpower requirements of these corporate customers. The Group is equipped with the necessary ICT infrastructure to complement business activities of these corporate customers through customised solutions resulting in significant cost savings and delivery turnaround time for these corporate customers.

The Public Bank Group's extensive branch network and electronic banking channels such as PB Telebanking, PBeBank.com and ATMs have provided both consumers and corporations with the convenience of using a wide range of services such as bill payments, fund transfers and interbank giro facilities at their convenience. In 2004, the Group posted a 36% increase in fee-based and float income compared to 2003. The Group will continue to innovate to meet the new CMS needs of the market and to seek out value for business enterprises, government departments and other organisations and their customers.

Capital Market Operations

The Public Bank Group participates in the domestic capital market principally through the activities of Public Bank's Treasury and Corporate Banking Divisions, the business of Public Merchant Bank, the fund management business of Public Mutual and the share broking business of PB Securities.

TREASURY

The Public Bank Group's treasury business focuses on serving the foreign exchange and wholesale funding needs of the Public Bank Group's retail and corporate customers, the execution of strategies approved by the Assets and Liabilities Management Committee for effective management of the Bank's balance sheet and to a limited extent, engages in proprietary trading activities.

A core business of Public Bank's Treasury Division is the sale and distribution of foreign exchange related products to customers. Income derived from foreign exchange services for customers continued to improve in 2004, totalling RM79 million compared to RM69 million in 2003. The Public Bank Group also accepts short-term deposits in the form of



repurchase agreements from corporate and institutional customers, which funds part of the Group's holding of medium-term interbank assets. Although both global and domestic interest rates continued to remain low in 2004, the Group is vigilant of the risk inherent in investing in the capital markets particularly with the rises in US interest rates in 2004, and continued to invest mainly in securities of short and medium tenures.

Public Bank is an active participant in the domestic capital market, both as principal and as an intermediary for its customers. In 2004, the Bank was re-appointed a Principal Dealer by Bank Negara Malaysia, with responsibility to provide market liquidity for specified securities and to act as a conduit for Bank Negara Malaysia to conduct its money market operations.

CORPORATE LENDING

As at 31 December 2004, the Public Bank Group's corporate lending rose to RM4.69 billion from RM3.40 billion a year ago. The robust growth in the corporate lending portfolio was primarily attributed to the Group's active participation in the corporate lending business through flexibility in meeting customers' needs and competitive pricing. For 2004, corporate lending was substantially in the form of conventional loans and trade financing lines to business enterprises in financial services, property development, manufacturing, wholesale trade and construction activities.

The Public Bank Group maintains its supportive role in the debt capital market at both primary and secondary levels to cater for the funding preferences of large corporate customers. This, coupled with the Group's focus on non-funded activities, contributed positively to the Group's fee-based income.

While more resources were channelled towards aggressive marketing for new customers and meeting existing customers' funding requirements, the Public Bank Group did not compromise on its stringent credit risk management policies.

The Public Bank Group continued to leverage and tap on the business synergy of its corporate lending and investment banking activities to expand its existing corporate customer base. These ongoing cross-selling initiatives are part of the Group's efforts to gear towards customers' demand for "one-stop" financial services providers in today's globalised market place.

INVESTMENT BANKING

The participation of the Public Bank Group in the Malaysian investment banking business is through Public Merchant Bank, a wholly-owned subsidiary of Public Bank. In 2004, Public Merchant Bank turned in pre-tax profit of RM15 million, similar to that achieved in 2003.

Despite the very challenging Malaysian investment banking environment, particularly the increased competition from the entry of universal brokers, the continued strengthening of the Malaysian capital market helped Public Merchant Bank maintain its fee-based income. In 2004, Public Merchant Bank acted as adviser in respect of a number of corporate restructuring mandates, of which eight were successfully implemented during the year, and the listing of five companies on the Malaysian Exchange for Securities Dealing and Automated Quotation ("MESDAQ") market.

In 2004, there was also an increase in the number of mandates secured for other corporate advisory activities such as mergers and acquisitions and capital raising exercises. The number of completed mandates and new mandates secured by Public Merchant Bank during the year is testimony to the growing market presence of the Public Bank Group's domestic investment banking business.

In the current competitive investment banking environment, Public Merchant Bank will continue to expand its clientele base and intensify its efforts to assist its customers access the capital market. Public Merchant Bank will continue to tap into the extensive customer base of the Public Bank Group, particularly the Group's existing and well established middle market business enterprise customers which have the capacity and desire to access the domestic capital market.

FUND MANAGEMENT

The growth of the private unit trust industry outpaced the country's sturdy economic growth and robust stock market performance in 2004. It expanded by over 24% to raise the private unit trust industry's total assets under management from RM28.52 billion at the end of 2003 to RM35.56 billion at the end of 2004, increasing the ratio of total assets under management of the private unit trust industry to the total market capitalisation of Bursa Securities to 5.2% at the end of 2004 from 4.5% at the end of 2003.

Public Mutual increased the net asset value ("NAV") of funds under its management by RM1.65 billion in 2004, from RM8.23 billion as at the end of 2003 to RM9.88 billion as at 31 December 2004. Public Mutual secured the highest share of the increase in net assets of the private unit trust industry in 2004, and maintained its leading market share of private unit trust assets in the country.

Number of Funds, NAV and Units in Circulation

Year	2000	2001	2002	2003	2004
Number of Funds	11	13	15	18	19
Net Asset Value (RM'Billions)	4.11	5.03	5.80	8.23	9.88
Units in Circulation (Billion)	7.02	9.10	11.32	14.77	16.91

Anchored by the strong performances of its funds and its strong branding and reputation in unit trust fund management, Public Mutual continued to achieve high sales of its existing unit trust funds. Both total gross sales of unit trust funds as well as sales under the EPF Members Investment Scheme achieved new record levels in 2004, boosting total units in circulation to 16.91 billion units. Public Mutual's approved size of funds increased further in 2004 by 26% to 34.75 billion units.

Public Mutual launched a new fund, the Public Focus Select Fund in November 2004 with an initial fund size of 500 million units. The Public Focus Select Fund was oversubscribed by 200% on the first day of its launch. Public Mutual applied for, and was granted approval for an additional 750 million units of the Public Focus Select Fund to meet the overwhelming response to the new fund.

Despite intermittent periods of volatile stock market performance in 2004, the equity funds of Public Mutual displayed resilience in keeping pace with market performance to achieve returns well above the average

performance of peer funds, with the equity funds achieving total returns ranging between 13% and 25% during the year. Public Mutual's balanced funds, Public Balanced Fund and PB Balanced Fund, outperformed the benchmark Public Balanced Equity Index ("PBEIX") with returns of 12% and 20% respectively against the PBEIX returns of 10% in 2004. Its retail bond funds provided a return of 9% whilst its Public Money Market Fund, launched in 2003, achieved better returns than the 3-month Kuala Lumpur Interbank Offer Rate.

In 2004, Public Mutual received the highest number of fund performance awards amongst private unit trust management companies in Malaysia. Public Mutual won 6 Lipper Fund Awards and 4 Standard & Poor's Fund Awards making a total of 10 awards. The fund performance awards bestowed on Public Mutual in 2004 encompassed a wide range of fund categories, attesting to the broadening of Public Mutual's fund management performance and expertise under different market conditions.



PUBLIC MUTUAL BERHAD
AWARD WINNING FUNDS IN 2004

			Total Awards
Lipper Fund Awards	Special Award	Fund Management Company Special Award – Highest Number of Best Performing Funds	6
	1 Year Category	1) Bond Islamic/Syariah – Public Islamic Bond Fund	
	3 Year Category	1) Equity Islamic/Syariah – Public Ittikal Fund 2) Bond General – Public Bond Fund	
	5 Year Category	1) Equity Index Tracking – Public Index Fund 2) Bond General – Public Bond Fund	
S & P Fund Awards	1 Year Category	1) Fixed Income Islamic – Public Islamic Bond Fund	4
	3 Year Category	1) Equity Islamic Syariah – Public Ittikal Fund 2) Fixed Income MYR – Public Bond Fund	
	5 Year Category	1) Fixed Income MYR – Public Bond Fund	
Total of Best Performing Funds Awards			10



In 2004, Public Mutual expanded its sales agency force to over 8,800 agents, an increase of 13% in the number of agents. The continued growth in the sales agency force is the result of Public Mutual's proactive agency recruitment programme, the strong performance of its funds, strong branding of Public Mutual and the Public Bank Group and a competitive commission structure.

Public Mutual continued to maintain the largest number of Financial Planning Association of Malaysia registered Certified Financial Planners amongst unit trust companies and institutional unit trust agents. This expanding group of financial planning professionals will help spearhead initiatives by Public Mutual to enlarge its market share and build brand loyalty amongst affluent and sophisticated investors. As part of such initiatives, additional benefits were introduced and exciting lifestyle activities were organised for Public Mutual's high net worth Mutual Gold members to foster customer loyalty and good investor relations. In addition, branch refurbishment and relocation activities continued apace to upgrade and extend Public Mutual's unit trust management services and financial planning facilities to all unitholders and investors around the country.

SHARE BROKING

The performance of Bursa Securities improved markedly in 2004 with the Kuala Lumpur Composite Index ("KLCI") closing at 907.43 points on 31 December 2004, up 113.49 points from 793.94 points on 31 December 2003, a 14% increase. The volume of transactions on Bursa Securities also increased from RM206 billion in 2003 to RM244 billion in 2004. Total market capitalisation also increase from RM640 billion as at the end of 2003 to RM722 billion as at the end of 2004.

The stockbroking industry experienced further consolidation and liberalisation in 2004. To further liberalise the capital market, increase global competitiveness and widen market coverage, the Government announced in the 2005 Budget that it will allow:

- Up to five major foreign stockbrokers to operate in Malaysia to strengthen international distribution capabilities as well as increase liquidity;
- Up to five leading global fund managers to operate in Malaysia, to enhance fund management expertise and improve the quality of services as well as to promote Malaysian investments to the global markets;
- 100% foreign ownership in futures broking companies to increase liquidity and the level of capital market risk management; and
- Local stockbroking companies which have merged with at least one other stockbroking company to open four additional branches.



In compliance with the Securities Commission's Capital Market Masterplan requirements on consolidation and Bank Negara Malaysia's Financial Sector Masterplan in relation to the structure for investment banks, PB Securities completed the acquisition of the stockbroking licence of Thong & Kay Hian Securities Sdn Bhd in October 2004.

Amidst the challenging and competitive business conditions and further liberalisation, PB Securities achieved an improved pre-tax profit of RM32 million for 2004 compared to RM26 million in 2003, a 23% increase. The improved profit was achieved on the back of higher turnover, higher recoveries and recognition of an exceptional gain of RM6 million which arose from the valuation of Bursa Malaysia Berhad shares received as a result of the demutualisation of the Kuala Lumpur Stock Exchange. The shareholders' funds of PB Securities increased to RM317 million as at end of 2004 from RM310 million a year ago arising from the retention of earnings.

It is envisaged that during 2005, more changes in the stock broking industry landscape would occur and the on-going liberalisation and deregulation of the domestic capital market has already resulted in stiffer competition from both local and foreign players. To face the challenges ahead, PB Securities will continue to strategise and to innovate in order to remain competitive. Greater focus will be made on the retail business and expansion of the number of effective producers and remisiers. PB Securities will also continue to leverage on the Public Bank Group's extensive branch network and large retail customer base to increase its market share.

In its pursuit to improve its operational efficiency and further strengthen its service delivery to customers, PB Securities continues to build operational skills and management expertise and tap the latest technological advances through the Group-wide ICT platform. At the same time, PB Securities continues to emphasise on sound risk management practices and strong internal control measures at all levels of operations in the conduct of its stockbroking business.

Islamic Banking

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The Public Bank Group's Islamic banking and financing business continued to expand strongly in 2004. The Group's Islamic banking and financing operations recorded a pre-tax profit of RM285 million in 2004, an increase of 71% from RM167 million in 2003 and accounted for 15% of the Group's pre-tax profit. For the past five years, the Islamic banking and financing business of the Group had grown at an average rate of 35% per year as compared to the Islamic banking industry's average growth rate of 20% over the same period.

The Islamic banking and financing business continued to remain focused on growing the Public Bank Group's retail-based financing. In 2004, the Group's Islamic financing recorded a growth of 7%, supported by ABBA House Financing-i, ABBA Term Financing-i, AITAB Hire Purchase-i and BAE Personal Financing-i. On Islamic deposit-taking, the Group's Islamic banking and financing business focused on growing Wadiah Savings Account-i ("WSA-i") and Wadiah Current Account-i ("WCA-i") deposits as a source of cheaper funds. WSA-i and WCA-i deposits recorded increases of 38% and 27% respectively in 2004 and accounted for 77% of the Group's Islamic deposit base at the end of 2004.



The Public Bank Group's Islamic banking and financing business continued to promote its BAE Personal Financing-i. At the end of 2004, the Group was offering its BAE Personal Financing-i services to staff of 93 Government agencies and quasi government corporations. The Group had set up a dedicated team to conduct direct marketing calls at these government agencies and corporations. The aggressive marketing approach adopted resulted in a strong 21% growth in BAE Personal Financing-i for the year.

In 2004, the Public Bank Group participated in two major Islamic banking and financing exhibitions, namely, the inaugural Malaysian International Halal Showcase 2004 and the Islamic Banking and Takaful Expo 2004. Besides promoting the Group's Islamic banking and financing business, the participation in these exhibitions also supported Bank Negara Malaysia's efforts in promoting greater awareness and knowledge of Islamic banking activities amongst the public.

For its 2004 Islamic banking and financing operations, the Public Bank Group made a zakat payment of RM100,000. A total sum of RM85,000 was paid to five state zakat centers of Wilayah Persekutuan Kuala Lumpur, Selangor, Pulau Pinang, Perak and Johor. The remaining RM15,000 was given to orphanage homes in Kuala Kangsar, Mersing and Kangar.

The Islamic banking and financing business will continue to leverage on the extensive branch network and multiple delivery channels of the Public Bank Group to deliver new and innovative products to customers for Islamic banking and financing services. The Group is fully committed to further developing and promoting Islamic banking and financing to meet the greater acceptance of Islamic banking and financing products by customers. This is also in line with the objective of Bank Negara Malaysia's Financial Sector Masterplan for Islamic banking and financing to achieve a 20% share of the banking system by 2010.

Serving The Customer

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CUSTOMER SERVICE

In a liberalised banking and financing industry and increasing customer knowledge and sophistication, being competitive in product pricing strategies alone is no longer sufficient in capturing a larger market share. The Public Bank Group, in its pursuit of customer service delivery excellence, continues to strive to deliver customer service that sets the Group apart from its competitors.

A multi-phase Customer Care Campaign, which is still on-going, was launched in 1999 with the theme "Doing It Right For You". The emphasis of Phase I of the Customer Care Campaign was the provision of the most courteous and efficient customer service, by extending the special 'GUEST' treatment to every customer. Staff were trained to greet customers by using the proper salutation and their names, with the appropriate eye contact and smile and to be concluded with a sincere thank you.

Phase II of the Customer Care Campaign, "We Listen We Care", focused on obtaining customers' feedback and complaints and turning them into opportunities to serve them. Phase III of the Customer Care Campaign,

"Our Service Commitment Continues", saw the establishment of a customer service focus group in every branch, enabling the Public Bank Group to respond much quicker to the needs and expectations of customers by speedily channelling service improvement suggestions and recommendations to Head Office for prompt action and implementation. Phase IV of the Customer Care Campaign, "First In Quality Service", was highly successful in reducing the Standard Waiting Time for customers to 2 minutes and the Standard Processing Time to 1 minute for core banking transactions.

The current Phase V of the Customer Care Campaign, "Your Needs Our Focus", was launched in May 2004. Customer service delivery went beyond complying with the quantitative standards achieved in Phase IV of the Customer Care Campaign. The aim of the current phase is to instill a positive attitude and cultivate improved behavioural habits in front-line service staff. Feedback from customers on their perception of staff attitude, staff knowledge, staff skill and the overall banking experience was sought and collated. Customers were also asked to indicate their preferences in relation to loan product features.



Phase V of the Customer Care Campaign, “Your Needs Our Focus”, comprised a two-pronged approach. In the first part, customers’ feedback was solicited via a survey questionnaire which was sent to 600,000 customers over a 6-month period. In the second part, the Mystery Customer Project, independent evaluations were carried out on front-line staff at all branches by anonymous evaluators. In 2004, a total of 84,075 survey questionnaires were completed and returned by customers. 96% of the respondents expressed satisfaction with the overall service delivery of the Public Bank Group’s branches. For the Mystery Customer Project, the anonymous evaluators graded the overall service delivery of the Group as desirable in terms of staff attitude, staff knowledge, staff skill and speed of service.

Together with enhancing the Public Bank Group’s culture of excellent customer service delivery through the Customer Care Campaign, the Group continued to deliver quantitative service standards such as its 2-minute Standard Waiting Time and 1-minute Standard Processing Time for core banking transactions consistently. The systems and processes to monitor and record achievement of such quantitative standards, together with delivery of such service standards in branches, form the core infrastructure to maintain the bank-wide ISO 9001:2000 certification of “Provision of Customer Service at the Front Office”.

LOAN SERVICE DELIVERY

Public Bank attained bank-wide ISO 9001:2000 certification for the “Provision Of Customer Service In Loan Delivery” in 2003. In maintaining this ISO certification and to support the Public Bank Group’s strategy to expand its lending business, refinements were implemented on an on-going basis to ensure a high level of conformance with the standard turnaround times.

To facilitate fast loan turnaround time, the bank-wide online Electronic Loan Delivery System (“eLDS”) was implemented for loan processing, loan approval and loan disbursement and included statutory and management reporting. With the eLDS, loan applications are input into the eLDS at branches and routed to Head Office. Key information, including scanned copies of supporting documents and digital images of photographs of properties and business premises are also captured and submitted electronically to Head Office for assessment. Decisions in respect of loan applications are routed electronically back to the respective branches to be conveyed to customers. The eLDS also provide statistics of the level of conformance with standard turnaround times set and has the capacity to prompt users when deadlines for each key step of the processing of loan applications, loan approvals and loan disbursements are due.

The eLDS has resulted in bank-wide achievement of a high conformance level with standard turnaround times in loan service delivery of over 90% as measured by the eLDS, despite a 22% increase in the volume of loan applications in 2004. These turnaround times statistics were further validated by a customer satisfaction survey conducted with loan applicants upon loan approval and loan disbursement, where 81% of loan applicants rated the Public Bank Group’s loan service delivery as excellent or good whilst 19% rated it satisfactory.

CHANNEL MANAGEMENT

The Automated Teller Machine (“ATM”) network of the Public Bank Group remains a primary electronic delivery channel for 2004. With the successful implementation of the smartcard based PB BankCard, the chip-based ATM card which provides a substantially higher degree of security compared to the previous magnetic-stripe ATM card, the Group had further enhanced its range of bill payment services via ATMs as well as enabled the registration for Internet banking services through this channel, besides providing customers with a more secured environment to conduct their ATM transactions.

The Public Bank Group’s self-service delivery channel expanded further with the installation of more cheque deposit machines and cash deposit terminals at high transaction volume branches. These self-service

machines provide greater convenience to customers to deposit cheques or cash into their accounts outside banking hours, in addition to making loan repayments, credit card payments and bill payments at these machines. The use of these machines also contributes to improved efficiency of the branches by freeing up service counters for transactions requiring personal service and automating back-office processing functions.

The Public Bank Group’s Internet banking channel, PBeBank.com, underwent a revamp in 2004 resulting in a more user-friendly website and the expansion of the contents of non-transactional pages to more marketing and sales-oriented information and has led to a wider audience of customers and potential customers accessing the website. The Group’s PBeBank.com Internet banking channel registered a strong growth of 57% in the number of users and a 117% increase in the number of Internet banking transactions in 2004. This indicates a growing level of acceptance by customers of the Internet banking channel for their banking transactions. While efforts to enhance the functionalities of PBeBank.com are on-going, security remains the highest priority for this delivery channel. The Group has implemented an added security feature for third party payments which requires the customer to enter his or her NRIC number for verification purposes when performing certain financial transactions. The Group continues to accord high priority to implementing security mechanisms to counter the increasing threat of e-mails directing customers to fraudulent Internet websites to steal the customers’ Internet banking access codes.

The Financial Process Exchange (“FPX”) interbank online payment gateway was implemented in 2004. This service enables Internet-based payments to be conducted in an online realtime manner to facilitate e-commerce transactions and provides payment solutions for both consumer-to-business as well as business-to-business transactions, with various authorisation mechanisms to cater for the differing security demands of customers. Public Bank is the only bank that has successfully implemented the full range of payment models for the FPX service. This includes both the payment model (electronic payment initiated by the buyer) as well the collection model (electronic payment initiated by the seller).

CUSTOMER LOYALTY PROGRAMMES

As part of the Public Bank Group's strategy to develop a long-term multi-product relationship with its customers, the Group has in place a number of customer loyalty programmes.

Public Bank was the first commercial bank to participate in the BonusLink Reward Programme ("BonusLink"). BonusLink is the largest multi-party customer loyalty reward programme in Asia whereby its members can redeem a wide variety of attractive gifts through the accumulation of points. The Bank's PB SaveLink Account and PB CurrentLink Account reward customers with BonusLink points based on the balances in these accounts. At the end of 2004, there were more than 118,000 such deposit accounts with total deposits exceeding RM595 million which earn BonusLink points for customers.

The PB PREMIUM Club was set up to reward our loyal customers for their continuous support of the Public Bank Group. The Club focuses on providing customers with a sense of belonging to the Group and as a strategy to mitigate customer attrition. Currently, the Club has over 267,000 members. Membership of the PB PREMIUM Club is free. Club members are provided with an array of privileges and benefits such as a free quarterly magazine, special promotions and discounts at participating merchant outlets, waiver of commission for the purchase of traveller's cheques and banker's cheques and a host of contests with attractive prizes to be won.

The Public Bank Group had initiated a number of credit card usage and loyalty programmes in 2004 to remain competitive in the credit card business. The "Catch of the Month" reward programme to encourage card usage frequency rewarded cardholders with high value gifts in a random draw of cardholders that use their cards for specified minimum amounts in a month and the "PB Ringgit Rewards" programme provided random cash rewards of up to the full amount of cardholders' spending during various festive periods. The "PB-4-U" SMS contest also offered attractive prizes to cardmembers based on the level of card usage by customers.

The Public Bank Group's "Zero-Interest-Installment-Plan" provides the Group's credit cardholders the flexibility of buying high value items for a wide range of products and paying for such purchases over an extended period.

In the promotion of the usage of the PB Manchester United MasterCard, an "Experience Old Trafford" contest is being run to reward lucky PB Manchester United MasterCard holders with an all-expense paid trip to watch Manchester United play at Old Trafford when they use their credit cards.



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International Operations

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The Public Bank Group has overseas presence in 5 Asian countries with branches located in Hong Kong, Sri Lanka and Laos, subsidiaries in Hong Kong and Cambodia and a joint venture bank in Vietnam. The Group's international operations contributed RM248 million or 13% of the Group's pre-tax profit for 2004.

The strong economic growth in the People's Republic of China and the buoyant growth in re-exports, increasing mainland China tourist arrivals and improved local spending have resulted in a sharp recovery in Hong Kong's economy in 2004. The stronger economic growth and consumer confidence had fuelled a more robust retail property market with property prices increasing by more than 20% while taxi licence prices also grew by 20%. Banks in Hong Kong continued to compete aggressively for secured residential mortgage loans and taxi loans using aggressive pricing to gain market share. Under such favourable economic

environment, the profit performance of JCG Finance Company, Ltd ("JCG Finance") improved sharply. JCG Finance recorded a profit before tax of HKD426 million, which was more than double the pre-tax profit of HKD203 million achieved in 2003. JCG Finance's loans and advances stood at HKD3.18 billion while deposits stood at HKD2.14 billion as at the end of 2004, registering growth of 11% and 19% respectively over the previous year.

Public Bank's Hong Kong Branch, which obtained full licence bank status in August 2003, registered strong growth in loans of 30% in 2004. The spill-over effects of the strong economic growth in the People's Republic of China is expected to benefit Hong Kong's economy. Public Bank's Hong Kong Branch, JCG Finance and Winton Holdings (Bermuda) Limited are well-positioned to capitalise on the opportunities arising from Hong Kong's growing economic activities. The

Public Bank Group's Hong Kong operations will continue to focus on consumer financing and trading of taxi licences and its related financing activities.

Cambodian Public Bank Limited ("Campu Bank") was voted "The Best Bank in Cambodia" by the Banker Magazine for the fourth consecutive year in 2004. The successful formation of the new government in August 2004 and the continuing financial restructuring of the banking sector in Cambodia have brought about an improved investment climate in the country which has benefited Campu Bank which again recorded strong growth in loans, deposits and profits. For 2004, Campu Bank recorded profit before tax of USD5 million, a growth of 30% over that of 2003, whilst loans and deposits stood at USD36 million and USD110 million, having grown 65% and 12% respectively in 2004.

Despite being affected by the avian flu outbreak and high global oil prices, Vietnam's economy remained healthy. The State Bank of Vietnam ("SBV") had continued its banking reform and modernisation programme. The SBV had gradually eased restrictions on non state-owned commercial banks to demonstrate the SBV's commitment to a market-oriented banking industry and gradual integration into the regional and international financial markets. Recent amendments of the banking laws are expected to create a more favourable environment for the banking industry in Vietnam, which will benefit the Public Bank Group's joint venture bank in Vietnam, VID Public Bank, which currently has five branches, namely in Hanoi, Ho Chi Minh City, Danang, Haiphong and Binh Duong.

Our branches in Sri Lanka and Laos remain profitable despite the difficult operating environment in these countries.

Information and Communications Technology

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The Public Bank Group's Information and Communications Technology ("ICT") initiatives in 2004 continued to emphasize on delivering enhanced banking products and service excellence. Various emerging technologies were deployed and new applications introduced to build on the existing solid ICT foundation of the Group. Together, these provided the basis upon which the entire suite of business applications were integrated to deliver the flexibility and reliability to support the Group's capability to capitalise on market opportunities.

One major activity undertaken in 2004 was the rationalisation of the branch networks of Public Bank and Public Finance and the merger of the finance company business of Public Finance with the banking business of Public Bank. A technology framework was developed to unify the disparate elements smoothly and securely. New high-end PCs, servers and printers replaced aged equipment. In this respect, the Public Bank Group invested a total of RM5.5 million in hardware to upgrade Public Finance branches to Public Bank branches.

The communications network of the Public Bank Group has also undergone a major transformation to a converged networking environment. The core network uses the high performance communications protocol called Asynchronous Transfer Mode. High-end network switches were installed at the core network operations centres, interconnected by high bandwidth links of 34 megabit per second ("Mbps"). The same packet-based architecture that drives data now seamlessly host other applications such as Internet Protocol telephony ("VoIP") and video links. The converged network promotes information management efficiencies, long-term operational cost benefits and increased organisational flexibility in identifying new ways of providing customer service. The Group's communications network is also used to transmit video signals from the CCTV system in branches for branch counter service to be remotely monitored. This has allowed proactive action to be taken by the Customer Service Centre to improve customer service delivery further.



A number of security measures were also instituted in credit card processing. To prevent incidents of credit card frauds involving skimming of magnetic stripe cards, the Public Bank Group incorporated end-to-end data encryption technology. Public Bank was the first bank in Malaysia to institute track-2 encryption technology in merchant terminals. Since the implementation of end-to-end data encryption, the incidents of fraud attributed to wire tapping uncovered at proprietary merchants was reduced to zero. The Group has also actively embraced technologies that are more resistible to card cloning such as chip based credit cards. The Group has adopted the EMV chip card standard for both Mastercard and Visa.

In 2004, the Public Bank Group implemented several new and updated applications. These were BankTrade, a trade finance system supplied by a major US company; eLDS-HP, a loan delivery system for hire purchase processing; Bloomberg TOMS, a front-end Treasury trade recording system and StockBanking, a share margin financing system. Both the BankTrade and eLDS-HP systems are fully automated and integrate operations at branches and in Head Office. These applications incorporated imaging technology to effect a “paperless” environment as documents are scanned and transmitted from branches via the communications network to Head Office for processing and approval. These systems also have capabilities for performance monitoring and measurement for compliance with the Group’s ISO benchmarks. The automated workflows have greatly improved the turnaround time of the trade finance and hire purchase businesses of the Group.

Recognising Top Performers

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BRANCH PERFORMANCE AWARDS

Each year, the Public Bank Group accords recognition to top performing branches in the form of the Branch Performance Awards. These awards reward and recognise branches that have delivered superior performance and also incentivise other branches to strive to improve their performance.

For the Branch Performance Awards, each branch is assessed in the areas of business performance, loan asset quality, management of risks and costs and customer service and each branch is rated against other branches within the same peer group determined according to branch size. In the area of business performance, branches are assessed on specific measures such as increases in retail loans and passenger vehicle hire purchase financing, profitability, Islamic banking business, demand and savings deposits and sales of credit cards and unit trust funds. These measures are based on growth rates or on a per staff basis. For management of risks and costs, branches are assessed on credit risk management, branch internal controls and cost income management whilst for customer service, branches are assessed on frontline and loan service delivery and channel management performance.





The Branch Performance Awards comprise 13 Special Awards, 6 Best Branch Awards and the coveted Chairman and Founder's Award for the Overall Best Branch for the year.

In March 2004, Jalan Raja Laut branch was awarded the Chairman and Founder's Award as the overall best branch for 2003 and a total of 88 individual awards were given out, with cash prizes totalling RM820,000 awarded to the winners of the Branch Performance Awards.

CROSS-SELLING AWARDS

As part of the business operations integration and rationalisation arising from the merger of the finance company business of Public Finance with the banking business of Public Bank, all branches were required to actively cross-sell the Public Bank Group's products. Business targets on specific products were assigned to all branches of Public Bank and Public Finance. As a result of the cross selling activities, new business in excess of RM1.06 billion was generated during the cross-selling campaign period from August 2002 to May 2004. Cross-selling awards, comprising 6 buddy team awards and 17 branch special awards, were presented to the top performing cross-selling branches with total cash prizes exceeding RM250,000.

In line with the strong performance of the economy, the banking and financing industry is expected to thrive on the back of increased lending opportunities and improving asset quality. On the other hand, the level of competition in the banking landscape will intensify further due to excess liquidity in the banking system as well as the proactive and aggressive marketing strategies of industry players. New players are expected in the form of the establishment of Islamic banking institutions as a result of the new Islamic banking licences issued by Bank Negara Malaysia in 2004. Further competition will also emanate from foreign-controlled domestic banks when they are allowed access to the common ATM network in the country and the lifting of restrictions on the opening of new branches by these foreign-controlled domestic banks. These challenges will compel the industry to undertake more product innovation and improve service standards.

The Public Bank Group will capitalise on the growing economy to expand its core business activities, particularly in consumer financing and retail commercial lending, without compromising on its strong asset quality. With a strategic network of 252 branches nationwide and superior customer service delivery that is benchmarked to international standards, the Group is well-positioned to consolidate its strength in lending to SMEs and providing residential mortgage loans and passenger vehicle hire purchase financing to consumers. On liability management, the Group's focus will remain on growing its low-cost customer deposits to mitigate the pressure on interest margins. The Group will continue to enhance its customer service by further expanding its cash management services and Internet banking channel, and continue to pursue greater cost efficiency and staff productivity by building on its successful business processes.

In its pursuit of a bigger market share and operational efficiency, the Public Bank Group will, as always, adhere to good corporate governance practices, sound risk management policies and prudent credit policies and practices in order to support sustainable long term growth of the Group for the benefit of all stakeholders.

Given the remarkable performance achieved in recent years, especially in 2004, the Public Bank Group looks forward to continue sharing its success by delivering shareholders' value. To be sure, it is also committed to meeting its vital socio-economic responsibilities as a good corporate citizen and an active partner in the development efforts of the country. Indeed, the Group will be mindful in addressing the rising expectations of shareholders, customers and staff as well as other stakeholders for long-term sustainable growth and profitable expansion in the years ahead.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

26 January 2005

CORPORATE PHILOSOPHY

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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

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

Caring for Our Customers...

The Public Bank Group's commitment to its customers is clearly demonstrated by the Group's continued pursuit of customer service excellence benchmarked to internationally recognised ISO-standards and new and innovative product and service offerings.

Phase Five of Public Bank Group's ongoing Customer Care Campaign was launched in May 2004 with the sub-theme "Your Needs, Our Focus". This phase of the Customer Care Campaign aims to reinforce the Group's emphasis on courtesy at all times and instilling the desired attitude and behavioural habits amongst all staff with the objective of achieving zero customer complaints.

The Public Bank Group achieved another milestone in the credit card business with the issue of the Public Bank Manchester United MasterCard, the only co-branded credit card with Manchester United Football Club in Malaysia with features and benefits designed for the ardent and passionate supporters of Manchester United and football fans in general.

In enhancing customer service and convenience, Public Bank launched a service to enable JARING subscribers to purchase their JARING Reload PIN at any Public Bank ATM or via the Bank's Internet banking channel, PBeBank.com. Public Bank is the first bank appointed by JARING to provide such a service to their prepaid subscribers.

The Public Bank Group's strong branding, built upon the Group's continuous pursuit of service excellence and its strong financial performance, underpins the Group's commitment to its customers. The strength of the Public Bank Brand is endorsed by the award of the "Anugerah Kreativiti dan Inovasi" by the Malaysia Design Technology Centre which acknowledges achievements of Malaysian Brands in the area of product branding. The Reader's Digest SuperBrands 2004 survey also voted Public Bank as the Reader's Digest SuperBrands – "Gold" under the banking services category.



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Corporate Philosophy





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Corporate Philosophy

Caring for Our Employees...

The human capital of the Public Bank Group, as a strategic resource, is nurtured and enhanced continuously with skills development to build the capability to meet the Group's demanding requirements of its people. At the same time, a transparent and fair performance reward system is in place to promote a superior performance culture whilst career progression incentives build commitment and loyalty.



88 top performing branches were rewarded with the Branch Performance Awards 2003 with cash prizes totalling close to RM0.82 million. Jalan Rala Laut branch won the coveted Chairman and Founder's Award trophy and a cash prize of RM50,000 as Overall Best Branch.



The Public Bank Group Management Seminar 2004 with the theme "One Belief, One Team, One Focus" was held in March 2004 with participation of nearly 900 members of management staff. A second Management Seminar, with a similar number of participants was held in August 2004 where the Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow reiterated the key strategies to grow revenue, contain costs and inculcate service excellence as a habit.



Between May and October 2004, the Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow together with a team of senior management, conducted a series of branch visits and branch briefing sessions. The nationwide branch visits covered Melaka, Negeri Sembilan, Johor, Selangor, Wilayah Persekutuan, the Northern region, Sabah and Sarawak. The objectives of the branch visits and briefing sessions were to motivate and lend support to branches in driving the Group's business.

In conjunction with these branch visits, each region organised their 38th Anniversary Dinners thereby providing the Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow and senior management staff the opportunity to meet and interact with all levels of staff throughout the country.

The Public Bank 38th Anniversary Banquet in August 2004 was graced by the Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow and the Board of Directors. Besides fulfilling the social needs of the staff, the Anniversary Banquet also served to build team spirit amongst staff as both the organisation of the event and performances during the Anniversary Banquet involved staff of all levels working as a team.

Caring for Our Shareholders...

The consistently strong financial performance and excellent corporate governance of the Public Bank Group, together with proactive management of the efficiency of the Group's capital structure are the key factors driving returns to shareholders and enhancement of shareholders' value.

The Annual General Meeting ("AGM") of Public Bank provides shareholders with the forum to express their views on the performance of the Public Bank Group. The AGM is an open and transparent affair with an extensive analysis of the Group's performance being presented by the Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow. In 2004, approximately 2,200 shareholders and proxy holders attended the AGM.

The corporate governance excellence of Public Bank was recognised with the award of the top KLSE Corporate Excellence Awards 2003 for the 4th consecutive year to Public Bank. Further recognition was accorded to Public Bank with the Malaysian Business Corporate Governance Award for the 2nd consecutive year. The Public Bank Group remains the benchmark for corporate governance in the country.

In 2004 Public Bank received a number of accolades from internationally recognised publications amongst which were six best bank in Malaysia awards from Asiamoney, FinanceAsia, Euromoney, Global Finance, The Asian Banker and The Asset.

Public Bank paid and proposed a total gross dividend of 90 sen per Public Bank share for 2004, of which 55 sen were special dividends. Based on closing price of Public Bank (Local) shares of RM7.10 at the end of 2004, the total gross dividend represents a gross dividend yield of 12.7%, which provides excellent returns to shareholders on top of the share price appreciation of Public Bank (Local) shares of over 21% in 2004.

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Corporate Philosophy



CORPORATE SOCIAL RESPONSIBILITY

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Corporate Social Responsibility

Caring for Our Community...

Corporate Social Responsibility (“CSR”) is essentially about how a business takes account of its economic, social and environmental impact in the way it operates, maximising the benefits and minimising the downside. The principal idea of CSR is that a company’s performance should be measured not just according to the economic value it has created but also its impact on society and the environment.

The arguments for CSR are becoming more compelling, as not only are customers and the public more aware of the wider responsibilities of businesses and corporates to society but businesses and corporates themselves have increasingly recognised and accepted that CSR make good business sense.

The Public Bank Group have always been cognizant of its corporate social responsibilities, particularly for a financial institution whose services reach out to the entire community and whose branch network extends to every part of the country. The Group also subscribes fully to the notion that in fulfilling its social responsibilities, the Group is also enhancing its

reputation, goodwill and brand, intangibles that are particularly important in a service oriented industry.

Public Bank, as the fifth largest listed company on Bursa Securities and with a strong following amongst international institutional investors recognises the development of socially responsible investment. Investors’, particularly international institutional investors, investment criteria have shifted from pure



financial returns to encompass environmental and social criteria resulting in a greater focus on how corporates fulfill their social responsibilities when investment decisions are made.

In discharging its corporate social responsibilities, the Public Bank Group have focused on the areas of education, healthcare, contribution to charity, professional development, sports and conservation of the environment.

EDUCATION

The Public Bank Group paid the final RM2 million instalment of its total contribution of RM10 million to the Universiti Tunku Abdul Rahman Education Fund as part of the Group's continuing support of education for all Malaysians.

The Public Bank Group's annual Anugerah Bestari Awards, was awarded to 33 students and two schools in 2004 in recognition of their excellent achievements in the PMR and SPM examinations. The Anugerah Bestari Awards represents the Group's on-going support of developing excellence amongst the youths of the nation.

Individual branches also contributed to schools in their vicinity for school building funds, reward programs for excellence examination results and other activities as part of their commitment to the community.

In conjunction with the 74th birthday of the Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow, Public Bank organised an art competition called "The Art of Public Bank" which was opened to art students of universities, colleges and art schools.

HEALTHCARE

Public Bank donated RM50,000 to the Persatuan Dialisis Kurnia, Petaling Jaya in response to their appeal to help the increasing number of kidney failure patients.

Public Bank donated RM100,000 to St. Johns Ambulans Malaysia, Wilayah Persekutuan to purchase a fully equipped Toyota Hi-Ace ambulance to support efforts in providing 24-hour emergency ambulance services.

Public Bank organised an annual blood donation campaign in 2004 for the 13th year to help the National Blood Bank to build its blood bank and allow staff to do their part in contributing to society.





CHARITY

The Public Bank was an early contributor to the humanitarian effort to aid the victims of the Asian tsunami disaster with a donation of RM1 million to the Star Earthquake/Tsunami Relief Fund set up by Star Publication. The donation was split equally between the Malaysian Red Crescent Society and Mercy Malaysia.

Working with the Malaysian Book of Records, Public Bank raised RM15,000 through the sale of the Malaysian Book of Records 2004 which was donated to three orphanages.

In an effort to bring festive cheer and joy to the needy, Public Bank distributed 'angpows' of RM100 each to 200 old folks from Taman Seri Sentosa in conjunction with Chinese New Year.

PROFESSIONAL DEVELOPMENT

Through sponsorship and other forms of support, the Public Bank Group helped promote development and excellence in professional organisations and NGOs.

Public Bank was the main sponsor for the inaugural National Awards for Management Accounting Best Practice organised by the Malaysian Institute of Accountants and the Chartered Institute of Management Accountants, Malaysia Division in support of excellence in the Malaysian corporate sector.

The Bank also lent support to the National Association of Women Entrepreneurs of Malaysia in celebrating its 10th anniversary.

Other organisations which received the support of the Public Bank Group in their projects are the Association of Islamic Banking Institutions Malaysia for organising



the Islamic Banking and Takaful Expo 2004 and the Sportwriters Association of Malaysia for their Annual Excellence Awards Night.

SPORTS

2004 saw the Public Bank football team become the country's most successful football club team when the team emerged as the runner-up in the inaugural Malaysian Super League. The Public Bank football team was the only club team amongst the established state teams in the Malaysian Super League. With the Bank's tradition of hard work and determination, the Bank's footballers created history by finishing as runners-up in the Malaysian Super League.

In its effort to promote sports, the Public Bank Group had teams participating in the various inter-bank competitions, set up health and fitness centres for staff and organised various in-house sports competitions.

Over the years, the Public Bank Group had groomed sports personalities like footballers Zainal Abidin Hassan, Dollah Salleh, E. Elavarasan, Reman Ragunathan; badminton players Foo Kok Keong, Rashid Sidek, Razif Sidek and Jalani Sidek and many more who have gone on to bring honour and glory to Malaysia.





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Caring for Our Environment

OUR CONTRIBUTION TOWARDS CONSERVATION OF THE ENVIRONMENT

The Public Bank Group continued to play its part in supporting conservation and environmental protection in the country. Activities to promote conservation and care for the environment included:

NATURE DAY CAMP FOR CHILDREN

In March 2004 Public Bank organised a one day nature camp at Rimba Ilmu or better known as the Garden of Knowledge of University Malaya. 62 children aged between 10 and 12 years old participated in this one day camp. The camp activities included talks and slide shows on the flora and fauna of Malaysia, visits to the conservatory which houses rare wild flowers and plants, the tropical rainforest exhibition, the nature walk and learning about paper recycling and stream ecology.

ANNUAL CORPORATE GIFTS PROMOTING BUTTERFLIES

As part of its effort to promote awareness for the preservation of the environment, the Public Bank Group's annual corporate gifts for 2005 such as

corporate calendars, desktop calendars and diaries continued to adopt designs that promotes the beauty of nature, featuring beautiful Malaysian butterflies. Public Bank contributed RM8,000 to the Penang Butterfly Farm for the use of their picture library, in the process lending financial support to the Penang Butterfly Farm. The theme for 2005 is a continuation of the Group's focus on the flora and fauna of Malaysia in the promotion of its corporate image through its annual corporate gifts.

PAPER RECYCLING CAMPAIGN

To create awareness of the effects of deforestation on global warming and the havoc caused by changing weather patterns arising from global warming, Public Bank embarked on a paper recycling campaign among the staff of the Group in the Klang Valley. Staff were encouraged to collect old newspapers, magazines, books and paper products and send them to a designated area set up at Menara Public Bank. The papers were then sold to the Malaysian Newsprint Industry for recycling and the proceeds donated to charitable organisations.

HUMAN RESOURCE DEVELOPMENT

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Human Resource Development

“A Human Capital that is agile, competent, well-trained and motivated is a necessary strategic resource to provide the competitive advantage for the Public Bank Group to thrive.”

For this to be a reality, the Public Bank Group continually nurtures its human capital with skills development backed by a performance reward system to generate a strong performance culture. The Group firmly believes in the staff sharing in the Group’s success. Hence the Group provides them with the “tools” and their remuneration is competitively geared towards performance and delivery of the Group’s business goals and strategies.

DEVELOPING HUMAN CAPITAL FOR CONTINUED EXCELLENCE

The know-how, skills and expertise of staff constitute part of the Public Bank Group’s intellectual capital. Supporting life long learning and development will continue to be one of the key drivers to help the Group outperform the competition and achieve superior results.

Providing continuous access to learning and development of both operational and management skill sets is a commitment the Public Bank Group has made to encourage upward mobility of staff. For the year 2004, 14,800 participants underwent learning and development programs over 1,800 training days.





Blended training, combining classroom and the e-learning platform, will be intensified to speed up up-scaling of skills and competency in a “just-in-time” manner to meet changing business needs.

With the onslaught of globalisation, expanding staff innovation and creativity is also given priority to arm them with the flexibility and adaptability to respond promptly to market changes and demands without compromising profitability.

EXPANDING OUR PASSION FOR SERVICE

In line with the theme “Your Needs, Our Focus”, staff are encouraged to go beyond contractual obligations to serve with a passion. The Public Bank Group maintains a strong customer focus in its service delivery which directly impact profitability. The Group’s passion for service excellence is well demonstrated through the continuous pursuit for improvement under the ISO accreditation. 40% of the Group’s training investment is targeted towards entrenching a sales and service culture in the organisation so that all staff will continually strive to build relationships, deliver superior service and apply their wealth of talent and skills to add value for customers.

The Public Bank Group’s human capital approaches are always aligned to optimise on business goals such as revenue growth, deposit growth, staff productivity, customer satisfaction, cost containment and decreased turnover to gain competitive advantage for the Group.

The Public Bank Group will continually aim for superior human capital practices as it believes that through its staff, the Group will scale new heights of excellence and achieve accelerated growth.



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Human Resource Development



CALENDAR OF SIGNIFICANT EVENTS 2004

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Calendar of Significant Events 2004

An Eventful Year

12 February 2004



13 February 2004



January 2004

Awards & Recognitions

Public Bank ranked second in Malaysia in the Review 200:Asia's Leading Companies by Far Eastern Economic Review magazine for 2003 in their January 2004 issue.

17 January 2004

Community Services

Datuk Tay Ah Lek and the Minister of Women and Family Development, Y.B. Dato' Seri Shahrizat Abdul Jalil, gave away angpows of RM100 each to 200 old folks and the needy from the Taman Seri Sentosa, Old Klang Road area during a Chinese New Year festive charity project organised by the Lembah Pantai parliamentary constituency.

12 February 2004

Awards & Recognitions

Public Bank's strong branding was recognized with the 'Anugerah Kreativiti dan Inovasi 2004' by Malaysia Design Technology Centre at a presentation ceremony held at the Securities Commission, Kuala Lumpur. The Minister of International Trade and Industry, Y.B. Dato' Seri Rafidah Aziz, presented the award to Tan Sri Dato' Sri Dr. Teh Hong Piow.

13 February 2004

Awards & Recognitions

For the fourth consecutive year, Public Bank was awarded the top KLSE Corporate Excellence Award 2003 for the Main Board category. The award was presented by the Second Finance Minister, Y.B. Tan Sri Nor Mohamed Yakcop, to Tan Sri Dato' Sri Dr. Teh Hong Piow at the awards presentation ceremony held at Mutiara Hotel, Kuala Lumpur.

28 February 2004



26 February 2004

Community Services

The Persatuan Dialisis Kurnia Petaling Jaya, Selangor received a donation of RM50,000 from Public Bank to support those suffering from kidney failure. The cheque was presented by Datuk Tay Ah Lek to Mr. Lim Toh Hoy, President of Persatuan Dialisis Kurnia Petaling Jaya.

28 February 2004

Community Services

Public Bank supported the National Association of Women Entrepreneurs of Malaysia's 10th Anniversary Celebration which was held at the Sunway Pyramid Convention Centre, Petaling Jaya which was graced by the Minister of Women and Family Development, Y.B. Dato' Seri Shahrizat Abdul Jalil, to promote women entrepreneurial development.

6 March 2004

Corporate Event

Public Bank held its first Management Seminar for 2004 with the theme 'One Belief, One Team, One Focus' at the Sunway Lagoon Resort Hotel, Petaling Jaya. The seminar was presided over by Tan Sri Dato' Sri Dr. Teh Hong Piow.

6 March 2004

Corporate Event

Jalan Raja Laut branch manager, Mr. Low Teong Keng received the Challenge trophy of the coveted Chairman and Founder's Award for the Overall Best Branch for the Branch Performance Awards 2003 at Tan Sri Dato' Sri Dr. Teh Hong Piow's 74th birthday banquet.

14 March 2004

Community Services

A one-day Nature Day Camp jointly organised by Public Bank and the Malaysian Nature Society (MNS) was held at the Garden of Knowledge, University Malaya Kuala Lumpur for a group of 62 children aged between 10 and 12 years old. In conjunction with the Nature Day Camp, Public Bank presented RM17,000 to MNS to assist the society with their research and other activities.

6 March 2004



14 March 2004



31 March 2004



31 March 2004

Corporate Event

The Public Bank Group achieved a profit before taxation of RM430 million for the first quarter of 2004, which was an increase of 31% compared to RM329 million achieved for the first quarter of 2003.

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Calendar of Significant Events 2004

20 April 2004

Corporate Event

The 38th Annual General Meeting of Public Bank was held at the Shangri-La Hotel, Kuala Lumpur. The meeting was attended by nearly 2,200 shareholders and proxy holders.

28 April 2004



28 April 2004

Awards & Recognitions

Public Bank was voted Reader's Digest SuperBrands Gold in the Reader's Digest SuperBrands 2004 Survey under the banking services category.

29 April 2004

Community Services

Public Bank supported the inaugural National Awards for Management Accounting Best Practice 2004 with a sponsorship of RM50,000.

7 & 8 May 2004



7 & 8 May 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Nilai, Seremban, Batu Berendam, Melaka, Taman Melaka Raya and Tengkeru branches and held business briefing sessions with the other 18 branches of Public Bank Melaka, Negeri Sembilan & Northern Johor Region.

8 May 2004

Staff Activities

Public Bank Melaka, Negeri Sembilan and Northern Johor Region celebrated their 38th Anniversary Dinner with the theme 'Legenda D' Melaka' at the Hotel Equatorial, Melaka. The dinner was graced by Tan Sri Dato' Sri Dr. Teh Hong Piow.

25 May 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow, made an official visit to Jalan Raja Chulan, Jalan Sultan Sulaiman, Taman Maluri and KL City Main Office branches in Wilayah Persekutuan/Selangor Region I.

26 May 2004

Corporate Event

In the Public Bank Group's pursuit of customer service excellence, Tan Sri Dato' Sri Dr. Teh Hong Piow launched the Phase Five of the Group's "Doing It Right For You" Customer Care Campaign with the theme "Your Needs Our Focus" at Menara Public Bank.

2 June 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Jalan Raja Laut, Tiong Nam, Kepong and Setapak branches in Wilayah Persekutuan/Selangor Region II.

5 June 2004

Staff Activities

The staff of Public Bank Wilayah Persekutuan/Selangor Region I celebrated their 38th Anniversary Dinner at The Palace of the Golden Horses Hotel, Selangor with the theme 'Comics... Alive'.

7 June 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Damansara Utama, Shah Alam, Subang Jaya and Seri Setia branches in Wilayah Persekutuan/Selangor Region III.

8 May 2004



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Calendar of Significant Events 2004

2 June 2004



7 June 2004



18 & 19 June 2004



18 & 19 June 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Menglembu, Jelapang, Ipoh Garden, Ipoh Main Office and Jalan Yang Kalsom branches of Perak Region and held the Public Bank Perak Region's business briefing session for the other 24 branches of the region at the Syuen Hotel, Ipoh.

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Calendar of Significant Events 2004

19 June 2004

Staff Activities

The Public Bank Perak Region celebrated its 38th Anniversary Dinner at the Syuen Hotel, Ipoh with the theme 'Fairy Tales & Fantasies'.

19 June 2004



25 June 2004

Awards & Recognitions

Public Bank won the Malaysian Business Corporate Governance Award 2003 for the second consecutive year. The Deputy Prime Minister, Y.A.B. Datuk Seri Mohd. Najib Tun Razak presented the award to Tan Sri Dato' Sri Dr. Teh Hong Piow during the award presentation ceremony held at the Nikko Hotel, Kuala Lumpur.

30 June 2004

Corporate Event

Public Bank Group achieved a 33% rise in pre-tax profit to RM891 million for the six months ended 30 June 2004, up from RM670 million for the first half of 2003.

8 July 2004



8 July 2004

Products & Services

Public Bank introduced JARING Reloads via the electronic channels of the Bank to enable JARING subscribers who are customers of the Bank to purchase their JARING Reload Pin at any Public Bank ATM or via the Bank's Internet banking channel, PBeBank.com.

15 July 2004

Awards & Recognitions

Public Bank is again the recipient of the Service Excellence Recognition Award 2003 for USD funds transfers. Mr. Alexander Caviezel, Senior Vice President and Asia Pacific Executive of JP Morgan Chase Treasury Service presented the award to Mr. Tan Hong Keat, Deputy Director of Treasury Division at the award presentation held at the Mandarin Oriental Hotel, Kuala Lumpur.

19 July 2004

Community Services

Public Bank contributed RM5,000 towards the 2004 Immigration Department dinner. The contribution was presented by En. Mohd. Najeeb bin Abdullah, Director of Islamic Banking Division to En. Saadun bin Mat Sabari, Director of Immigration, Federal Territory Kuala Lumpur at the latter's office in Wilayah Complex, Kuala Lumpur.

23 July 2004

Community Services

Public Bank supported the Islamic Banking and Takaful Expo 2004 with a contribution of RM49,100 to En. Fazlur Rahman Ebrahim, President of AIBIM in the presence of Deputy Minister of Finance II, Y.B.M. Tengku Putera bin Tengku Awang, at PWTC, Kuala Lumpur.

31 July 2004

Staff Activities

About 1,400 staff dressed to the theme 'Saturday Nite Fever' overran the Mandarin Oriental Hotel, Kuala Lumpur at the Wilayah Persekutuan/Selangor Region III 38th Anniversary Dinner.

August 2004

Awards & Recognitions

Public Bank was awarded the Best Retail Bank in Malaysia 2003 by The Asian Banker Journal magazine.

19 July 2004



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Calendar of Significant Events 2004

23 July 2004



31 July 2004



7 August 2004



7 August 2004

Staff Activities

Public Bank Head Office staff celebrated the Bank's 38th Anniversary Banquet with the theme 'Mystical Egypt' at the Sunway Pyramid Convention Centre, Petaling Jaya. 300 long service staff were presented with Service Recognition Awards.

7 August 2004

Awards & Recognitions

At a ceremony held in conjunction with the Public Bank 38th Anniversary Banquet celebrations, the 'Best Domestic Commercial Bank In Malaysia' award by Asiamoney magazine and the 'Best Bank in Malaysia' award by both Euromoney and FinanceAsia magazines were presented to Tan Sri Dato' Sri Dr. Teh Hong Piow.

11 August 2004

Products & Services

Public Bank launched the Asia-Pacific's first co-branded Manchester United MasterCard in Malaysia. The PB MU Mastercard was launched by Tan Sri Dato' Sri Dr. Teh Hong Piow together with the guest of honour, England's football legend, Sir Bobby Charlton.

14 & 18 August 2004

Products & Services

As part of the Public Bank Group's commitment to the development of Islamic banking, Public Bank, jointly with Public Mutual, took part in the Malaysia International Halal Showcase 2004 exhibition which was officially launched by the Minister of Domestic Trade and Consumer Affairs, Y.B. Datuk Mohd. Shafie Apdal, held at the Malaysian International Exhibition & Convention Centre, Mines Resort City, Selangor.

11 August 2004



14 & 18 August 2004



16 August 2004

Corporate Event

Public Bank launched the Public Bank Football Team official coach at the Prince Hotel, Kuala Lumpur and celebrated the football team's runner-up position in the inaugural Malaysian Super League 2004.

21 August 2004

Corporate Event

The second Public Bank Group Management Seminar was held at the Sunway Lagoon Resort Hotel, Petaling Jaya.

21 August 2004

Staff Activities

The staff of Wilayah Persekutuan/Selangor Region II celebrated their 38th Anniversary Dinner at the Sunway Pyramid Convention Centre, Petaling Jaya with the theme 'X'treme Las Vegas'.

3 & 4 September 2004

Corporate Event

Tan Sri Dato' Seri Dr. Teh Hong Piow made an official visit to Taman Perling, Taman Munsyi Ibrahim, Tampoi, Kulai, Taman Johor Jaya, Taman Sentosa and Johor Bahru branches in Johor Region and held business briefing sessions for the Region's other 15 branches at Eden Garden Hotel, Johor Bahru.

4 September 2004

Staff Activities

Public Bank Johor Region celebrated their 38th Anniversary Dinner at the JB Expo Centre, Eden Garden Hotel, Johor Bahru with the theme 'Night Of The Legends'.

10 & 11 September 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Prai, Butterworth, Bagan Ajam, Bandar Seberang Jaya, Pulau Pinang, Jelutong and Bandar Bayan Baru branches in the Northern Region and held business briefing sessions with the other 29 branches of Northern Region at the Equatorial Hotel, Penang.

16 August 2004



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Calendar of Significant Events 2004

3 & 4 September 2004



10 & 11 September 2004



11 September 2004



11 September 2004

Staff Activities

Public Bank Northern Region celebrated their 38th Anniversary Dinner with the theme 'Orient Exotica' at the Matahari Ballroom, Equatorial Hotel, Penang.

17 & 18 September 2004



18 September 2004



17 & 18 September 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Temerloh, Mentakab, Kuantan and Jalan Besarah branches in the East Coast Region and held business briefing sessions with the other 14 branches of the East Coast Region at Vistana Hotel, Kuantan.

18 September 2004

Staff Activities

'Funtasia Nite' was the theme of the Public Bank East Coast Region when they celebrated their 38th Anniversary Dinner at the Vistana Hotel, Kuantan.

20 September 2004

Awards & Recognitions

Public Bank marked another milestone in its long list of achievements when it became the only Malaysian company to make it to the Forbes "World's 400 Best Big Company", a list of the world's most attractive big public listed companies for investors.

30 September 2004

Corporate Event

Public Bank, the 3rd largest banking group, achieved a pre-tax profit of RM1.36 billion for the nine months ended 30 September 2004. This is a 30% improvement compared to RM1.05 billion registered in the same period in 2003.

1 & 2 October 2004

Corporate Event

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Inanam, Donggongon, Lido, Papar, City Parade and Kota Kinabalu branches in Sabah Region. The business briefing session with the other 28 branches of Sarawak, Sabah & Labuan Regions was held at Shangri-La Tanjung Aru Resort, Kota Kinabalu.

2 October 2004

Staff Activities

Public Bank Sabah & Labuan Region celebrated a colourful 38th Anniversary Dinner with the theme of 'Colours Fiesta' at the Grand Ballroom, Shangri-La Tanjung Aru Resort, Kota Kinabalu.

8 October 2004

Corporate Event

Public Bank participated in the second Islamic and Takaful Expo 2004 held at the Putra World Trade Centre, Kuala Lumpur. Public Bank took up a premier booth to showcase its Islamic Banking products and services to the public.

25 October 2004

Corporate Event

Public Bank declared a special dividend of 40% less 28% taxation amounting to RM928 million. The special dividend was part of the Public Bank Group's on-going initiatives to enhance the efficiency of its capital structure.

26 October 2004

Community Services

Public Bank and the Malaysia Book of Records donated RM15,000 to three orphanage homes, namely Pertubuhan Kebajikan Anak Yatim/Anak Muslim Kelang, Rumah Ozanam and Rumah Amal Cahaya Tengku Ampuan Rahimah in a ceremony held at Menara Public Bank. Each orphanage was presented with RM5,000 by Mr. Chang Kat Kiam, Senior General Manager, Retail Banking and Ms. Sujatha Nair of Malaysia Book of Records.

1 & 2 October 2004



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Calendar of Significant Events 2004

2 October 2004



26 October 2004



3 November 2004



3 November 2004

Community Services

In celebrating the Hari Raya, Public Bank brought cheer to the children from Kompleks Penyayang Bakti Orphanage Home. A total of 40 children were taken on a shopping excursion to Kamdar Departmental Store, Jalan Tuanku Abdul Rahman. Each of them received RM150 cash to purchase their own selection of clothes and shoes. The excursion ended with a 'berbuka puasa' treat.

11 November 2004

Media Relations

In ushering the DeepaRaya festivals and in appreciation of their support, Public Bank contributed festivity goodies to the editors and staff of the media and press agencies. The gifts were presented by Puan Shameem Abdul Jalil, Director of Corporate Communications.

11 November 2004



30 November 2004

Awards & Recognitions

Public Bank was presented an award for being one of the finalists of the KPMG Shareholder Value Awards 2003 for the Financial Services Sector.

30 November 2004



30 November 2004

Awards & Recognitions

Tan Sri Dato' Sri Dr. Teh Hong Piow received The Most PR Savvy CEO 2004 Award at the Anugerah Kristal 2004 organised by the Institute of Public Relations Malaysia (IPRM). At the same ceremony, the PB Manchester United MasterCard also received the Consumer Public Relations Category Award whilst the Bank's Environmental Awareness Campaign – Nature Day Camp received a Certificate of Merit. The awards were presented by the patron of IPRM, DYTJ Raja Muda Perak Darul Ridzuan, Raja Dr. Nazrin Shah Ibni Sultan Azlan Muhibbuddin Shah at the Shangri-La Hotel, Kuala Lumpur.

30 November 2004

Awards & Recognitions

Public Bank's Annual Report 2003 won the Most Outstanding Annual Report Award for the 3rd consecutive year and for the 5th time in total and the Industry Excellence Award for the Main Board companies in the finance sector for the 8th time. The Bank's Annual Report 2003 also won the award for the Best Annual Report in Bahasa Malaysia. Tan Sri Dato' Sri Dr. Teh Hong Piow was present to receive the three awards from the Minister of Domestic Trade and Consumer Affairs, Y.B. Datuk Mohd Shafie bin Hj. Apdal at the National Annual Corporate Reports Awards (NACRA) 2004 presentation at The Palace of the Golden Horses, Selangor.

30 November 2004



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Calendar of Significant Events 2004

9 December 2004

Corporate Event

A prize presentation ceremony to the winners of the Public Bank Group's credit card PB-4-U SMS Contest was held at Menara Public Bank. Two winners were presented with BENQ 46" Plasma Colour TV worth RM29,999 each by the General Manager of PB Card Services, Ms. Chong You Lin.

9 December 2004



21 December 2004

Community Services

The St. John Ambulans Malaysia Wilayah Persekutuan received a contribution of RM100,000 to purchase a fully equipped Toyota Hi-Ace ambulance. Tan Sri Dato' Sri Dr. Teh Hong Piow presented the cheque to Dr. Lee Hoo Teong, Regional Commander of the St. John Ambulans Wilayah Persekutuan at Menara Public Bank.

28 December 2004

28 December 2004

Community Services

The Public Bank Group donated RM1 million to the Star Earthquake/Tsunami Relief Fund as the Group's contribution to the humanitarian efforts to aid the victims of the Asian tsunami. The cheque was presented by Tan Sri Dato' Sri Dr. Teh Hong Piow to Dato' Wong Sulong, the Star Group Chief Editor at Menara Public Bank.



FINANCIALS

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Analysis of the Financial Statements

ANALYSIS OF THE BALANCE SHEET

Total Assets

The Public Bank Group's total assets stood at RM92.09 billion as at 31 December 2004, an increase of 43% over its total assets as at 31 December 2003. The increase in total assets in 2004 was primarily driven by growth in deposits from customers and funds from the issuance of USD350 million Subordinated Notes. During 2004, a significant portion of the increase in the Group's deposits from customers was used to fund the strong growth in loans, advances and financing as well as higher holdings of dealing securities and higher short-term interbank placements, particularly with Bank Negara Malaysia.

Cash and Short-Term Funds

The Group's cash and short-term funds registered a significant growth of 147% to RM19.67 billion as at 31 December 2004. This increase was the result of the funds from issuance of negotiable instruments of deposit ("NIDs") which were invested in short-term placements with other financial institutions and Bank Negara Malaysia.

Deposits and Placements with Banks and Other Financial Institutions

The Group's deposits and placements with banks and other financial institutions increased by RM0.64 billion in 2004. This was due to higher placements with Bank Negara Malaysia.

Securities Purchased Under Resale Agreements

The securities purchased under resale agreements are primarily Malaysian Government Securities arising from repurchase transactions with Bank Negara Malaysia.

Dealing Securities

The Group's holdings in dealing securities increased to RM6.65 billion from RM0.92 billion partly as a result of the reclassification from investment securities as well as increased investment in dealing securities in the application of funds arising from the increase in deposits from customers.

Investment Securities

The Group's investment securities decreased by RM2.63 billion or 52% in 2004 as a result of the reclassification to dealing securities which was partly offset by increased holdings in bond trust units in Malaysia.

Loans, Advances and Financing

The Group's total gross loans, advances and financing grew strongly by 22% to RM57.03 billion in 2004. The growth rate of domestic lending was also at 22%, which is more than two times the growth rate for the Malaysian banking industry of 8.5% in 2004. The Group's sustained strong loan growth, which exceeded 20% each year for 4 consecutive years to 2004, was achieved with competitive pricing, innovative product packaging and proactive product enhancement as well as improved loan service delivery standards, including fast approval turnaround time and efficient documentation and disbursement processes.

In 2004, 92% of the Group's gross loans, advances and financing outstanding or RM52.34 billion were loans to the retail sector, in particular to cater for the business needs of small-and medium-sized enterprises ("SMEs"), and for the purchase of residential properties and passenger vehicles by consumers. Loans to SMEs increased by 23% to stand at RM12.95 billion as at the end of 2004. Total loans for the purchase of residential properties and transport vehicles stood at RM28.26 billion and accounted for 50% of gross loans, advances and financing at the end of 2004.

The Group's Islamic financing grew by 7% in 2004. Islamic financing accounted for 11% of the Group's overall loans, advances and financing. During the last five years, Islamic financing grew by a total of RM5.90 billion to RM6.32 billion as at the end of 2004. This strong growth reflects the Group's continued commitment to Bank Negara Malaysia's efforts to further develop the Islamic banking sector.

Lending to corporate customers also recorded a strong growth of 38% to RM4.69 billion. Lending to corporate customers accounted for 8% of the Group's total loans, advances and financing as at the end of 2004 compared to 7% a year ago.

Non-performing loans of the Group fell by RM0.33 billion in 2004 to RM1.63 billion. The net non-performing loans ratio improved to 2.1% from 3.0% as at the end of 2003 and was about one quarter of the banking system's net non-performing loans ratio of 7.6%. The Group's continued improvement in asset quality is the result of consistent prudent credit culture, policies and practices which is complemented by strong credit risk management and successful recovery processes. Provision coverage for non-performing loans, taking into account collateral for these loans, was 144%.

Total Liabilities and Shareholders' Equity

The Group's total liabilities grew by RM27.77 billion in 2004, mainly from increase in deposits from customers and funds from the issuance of USD350 million Subordinated Notes.

The Group's shareholders' equity remained strong at RM8.57 billion even after the payment of a special dividend of 40%, less 28% taxation on 30 December 2004 which amounted to RM0.94 billion in total and further share buy-back during the year totalling RM0.43 billion. This is due to the strong after tax earnings of RM1.27 billion achieved by the Group for 2004 coupled with proceeds of RM0.57 billion from shares issued pursuant to the exercise of employees' share options under the Public Bank Berhad Employees' Share Option Scheme.

Deposits from Customers

The Group's customer deposits grew by 44% in 2004, with healthy growth in lower cost current accounts and savings accounts of 18% and 19% respectively. The growth in core customer deposits was mainly supported by the Group's extensive branch network and its high standards of customer service delivery. In addition, the Group also increased the issuance of NIDs by RM11.95 billion in 2004 to fund the strong expansion of the Group's loans, advances and financing as well as to develop the corporate customer deposit base.

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

The Group's overall funding structure continued to improve with the strong growth in lower cost current accounts and savings accounts. Current accounts and savings accounts comprised 12% and 16% respectively of total customer deposits as at the end of 2004. The ratio of fixed deposits to total deposits registered a decline of 10% to 54% in 2004.

With the 44% increase in customer deposits outpacing the 22% increase in gross loans, advances and financing, the gross loans to deposits ratio decreased to 79% as at 31 December 2004 from 94% a year ago.

Deposits and Placements of Banks and Other Financial Institutions

Deposits and placements of banks and other financial institutions increased by RM1.18 billion to RM2.96 billion as part of the Group's funding of its gapping operations and the Group's placements with Bank Negara Malaysia.

Obligations on Securities Sold Under Repurchase Agreements

Obligations on securities sold under repurchase agreements saw an increase of RM2.83 billion mainly due to the Group's efforts to develop the short-term corporate customer deposit base.

Bills and Acceptances Payable

There was no significant movement in bills and acceptances payable.

Recourse Obligations on Loans sold to Cagamas

Loans sold to Cagamas declined by RM138 million or 29% in 2004. The decline was mainly due to the repayment of Cagamas funding and the use of lower cost customer deposits to fund the loans, advances and financing of the Group.

Commitments and Contingencies

Commitments and contingencies increased by RM5.53 billion to RM19.78 billion. However, in terms of credit equivalent, the increase was only RM0.56 billion, of which RM0.55 billion arose from irrevocable commitments to extend credit of maturity exceeding one year, in tandem with the higher volume of loans approved in 2004.

ANALYSIS OF THE INCOME STATEMENT

Net Interest Income

Net interest income of the Group grew by 13% to RM2,702 million in 2004 compared to RM2,388 million in 2003. The increase was largely contributed by strong loan growth of 22% and was partially offset by the squeeze in lending margins due to intense competition in the retail lending market. The Group's average net interest margin on interest bearing assets, excluding funds from issuance of NIDs, fell by only 6 basis points to 4.00% in 2004 from 4.06% in 2003. The pressure on net interest margin was more pronounced for the passenger vehicle hire purchase financing segment which recorded a higher margin contraction.

Net interest suspended on non-performing loans for the Group dropped by RM24 million in 2004 as a result of further improvement in asset quality and higher number of non-performing loans which turned performing during the year.

Net interest income was the main contributor of total income, accounting for 79% (2003: 79%) of the total income of the Group.

Net Income from Islamic Banking Business

Net income from the Group's Islamic Banking operations rose by 28% or RM84 million to RM380 million. This was mainly attributed to higher net financing income of RM67 million arising from growth in Islamic financing. Islamic Banking income accounted for 11% of the Group's total income.

Non-Interest Income

Non-interest income of the Group grew by 14% to RM723 million in 2004 compared to RM633 million in 2003. The growth was primarily derived from higher income from the Group's fund management activities which achieved a strong growth in net asset value of unit trust funds under management of 20% and higher gross sales of trust units as well as higher commission, service charges, foreign exchange profits and higher gains from sale of dealing securities.

This was partially offset by an increase in the allowance for diminution in value of investment securities of RM44 million as compared to RM11 million written back in 2003.

The Group's non-interest income for 2004 accounted for 21% (2003: 21%) of total income.

Staff Costs and Overheads

The Group's overhead expenses amounted to RM1,310 million in 2004, which was 12% higher than the RM1,171 million incurred in 2003. Personnel cost increased by 10% to RM688 million due to annual salary increments and higher performance based bonus payments. The staff strength of the Group remained stable at 12,659 at the end of 2004 compared to 12,530 a year ago. Administration and general expenses increased by 46% in 2004. The increase in administration and general expenses was due to recognition of negative goodwill in the previous year. Establishment costs remained stable. Higher marketing expenses which increased by RM26 million in 2004 was mainly due to higher sales commission paid for increased gross sales of trust units as well as the launch of a new fund by the fund management business of the Group.

The cost income ratio of the Group improved further to 38.2% for 2004 from 38.8% in 2003 as a result of higher efficiency and productivity achieved through branch rationalisation and a revenue-driven staff force.

Allowance for Losses on Loans, Advances and Financing

Total loan loss allowance charged of RM271 million for the Group in 2004 was 38% lower than the RM439 million charged in 2003. This was primarily due to lower specific allowance for loans which fell by RM139 million or 28% in tandem with the decline in non-performing loans. General allowance also fell by RM61 million or 47% due to lower general allowance required for the Group's financing operations in Hong Kong. The lower charge was partially offset by a 16% decrease in recoveries which fell by RM29 million as a result of lower write-back of specific allowance in 2004.

Tax Expense and Zakat

Tax expense for the year increased by RM152 million or 43% in line with the higher profit achieved. The Public Bank Group's effective tax rate of 27.6% approximates the statutory tax rate of 28%.

Statement of Responsibility by Directors

in respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Bank are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Bank are prepared with reasonable accuracy from the accounting records of the Group and the Bank so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2004, and of the results of their operations and cash flows for the year ended on that date.

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

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

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

Directors' Report for the financial year ended 31 December 2004

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 2004.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiary and associated companies are as disclosed in Notes 11 and 12 to the financial statements respectively.

There have been no significant changes to these principal activities during the financial year except for the finance company business of the Bank's wholly-owned subsidiary being transferred and merged with commercial banking business of the Bank.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	1,848,201	2,915,137
Tax expense and zakat	(508,611)	(677,500)
Profit after tax expense and zakat	1,339,590	2,237,637
Minority interests	(72,602)	—
Net profit for the year	1,266,988	2,237,637

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2003 were as follows:

	RM'000
In respect of financial year ended 31 December 2003 as approved by the shareholders: Final dividend of 22% on 6,457,417,196 (before share consolidation) ordinary shares of RM0.50 each, less 28% tax, paid on 11 May 2004	511,427
In respect of the financial year ended 31 December 2004: Special dividend of 40% on 3,255,589,924 ordinary shares of RM1.00 each, less 28% tax, paid on 30 December 2004	937,610
	1,449,037

The Directors recommend the payment of a final dividend of 35%, less 28% tax and a special dividend of 15%, less 28% tax, respectively, amounting to approximately RM1,172.0 million (representing a total of 36.0 sen net per share) in respect of the current financial year, computed based on the issued and paid-up capital as at 31 December 2004 of 3,255,589,924 ordinary shares of RM1.00 each, excluding treasury shares held by the Bank to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the Directors.

SHARE CONSOLIDATION

On 2 June 2004, the Bank completed the consolidation and division of the Bank's entire share capital into ordinary shares of par value of RM1.00 each from ordinary shares of par value of RM0.50 each.

ISSUE OF SHARES

During the financial year, the issued and paid-up share capital of the Bank was increased from 3,206,599,727 ordinary shares of RM1.00 each (after share consolidation) in the Bank ("PBB Shares") to 3,355,767,324 PBB Shares by the issuance of 149,167,597 PBB Shares, pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme at the following option prices:

Number of PBB Shares issued:	Option price per share
760,270	RM1.64
8,125,900	RM3.40
106,498,940	RM3.56
20,006,987	RM4.60
13,775,500	RM4.92

All the new ordinary shares that were issued, rank pari passu in all respects with the existing ordinary shares of the Bank.

SHARE BUY-BACK

On 20 April 2004, 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, 56,628,800 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") at an average buy-back price of RM6.15 per share and 12,456,850 PBB Shares listed and quoted as "Foreign" on the Main Board of Bursa Securities at an average buy-back price of RM6.61 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 RM431,480,591 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the financial year.

As at 31 December 2004, the Bank held 100,177,400 PBB Shares as treasury shares out of its total issued and paid-up share capital of 3,355,767,324 PBB Shares. Such treasury shares are held at a carrying amount of RM601,441,070. Further information are as disclosed in Note 25 to the financial statements.

PUBLIC BANK BERHAD GROUP EMPLOYEES' SHARE OPTION SCHEME

Details of the Public Bank Berhad Group Employees' Share Option Scheme ("PBB ESOS") are as disclosed in Note 21(b) to the financial statements. The expiry date of the PBB ESOS is on 25 February 2006.

In respect of the offer of PBB ESOS on 21 May 2004 at an exercise price of RM4.92 per PBB Shares, the Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders who have been granted options in aggregate of less than 50,000 (100,000 before share consolidation) options. The names of option holders and the number of options granted which in aggregate are 50,000 options or more are as follows:

Name of Option Holders	Number of PBB Share Options Granted
Lum Ming Jang	50,000
Patrick Yee Chee Wai	50,000
Phang Siew Loong	50,000
Richard Tan Koon Eam	50,000
Woo Kong Chew	50,000

Details of options granted to Directors are disclosed in the section on Directors' Interests in this report.

Other than as disclosed, no other options were granted to any person to take up unissued shares of the Bank during the year.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as disclosed in Note 50 to the financial statements.

SUBSEQUENT EVENTS

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

DIRECTORS

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
 Datuk Tay Ah Lek
 Dato' Lee Kong Lam
 Dato' Yeoh Chin Kee
 Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah
 Haji Abdul Aziz bin Omar
 Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff
 Lee Chin Guan

In accordance with Article 111 of the Bank's Articles of Association, Dato' Lee Kong Lam, Dato' Yeoh Chin Kee and Lee Chin Guan 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.

DIRECTORS' INTERESTS

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

Bank	Number of Ordinary Shares of RM1.00 Each ("PBB Share")			
	Balance at 1.1.2004 +	Exercise of PBB Share Options	Disposed	Balance at 31.12.2004
Direct shareholdings:				
Tan Sri Dato' Sri Dr. Teh Hong Piow	781,250	28,660,156@	—	781,250
Tan Sri Dato' Thong Yaw Hong	268,750	1,100,000	—	1,368,750
Datuk Tay Ah Lek	1,394,874	5,677,735	1,250,000	5,822,609
Dato' Lee Kong Lam	911,171	2,000,000	1,550,000	1,361,171
Dato' Yeoh Chin Kee	—	250,000	—	250,000
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	—	1,750,000	—	1,750,000
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	—	1,250,000	—	1,250,000
Lee Chin Guan	—	1,250,000	—	1,250,000

DIRECTORS' INTERESTS (continued)

	Number of Ordinary Shares of RM1.00 Each ("PBB Share")			Balance at 31.12.2004
	Balance at 1.1.2004 +	Acquired	Disposed	
Deemed interest:				
Tan Sri Dato' Sri Dr. Teh Hong Piow	771,008,440	28,660,156@	—	799,668,596
Tan Sri Dato' Thong Yaw Hong	771,875	—	—	771,875
Datuk Tay Ah Lek	139,482	—	—	139,482
Dato' Lee Kong Lam	—	800,000	—	800,000
Dato' Yeoh Chin Kee	18,750	6,250	—	25,000

Note + : The opening balance has been adjusted to reflect the consolidation of PBB Shares from par value of RM0.50 to par value of RM1.00, which was completed on 2 June 2004.

@ : Exercise of options by Tan Sri Dato' Sri Dr. Teh Hong Piow under the Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS"), whereupon 28,660,156 PBB Shares issued and allotted to him were credited to the CDS account of Kayakita Corporation Sdn Bhd, a company deemed associated with him by virtue of Section 6A(4)(c) of the Companies Act, 1965.

Bank	Option Price # RM	Number of PBB Share Options			Balance at 31.12.2004
		Balance at 1.1.2004 +	Granted	Exercised	
Tan Sri Dato' Sri Dr. Teh Hong Piow	1.64	253,906	—	253,906	—
	3.56	28,406,250	—	28,406,250	—
	4.92	—	20,743,000	—	20,743,000
Tan Sri Dato' Thong Yaw Hong	4.92	—	2,500,000	1,100,000	1,400,000
Datuk Tay Ah Lek	1.64	177,735	—	177,735	—
	3.56	7,812,500	—	5,500,000	2,312,500
	4.60	2,000,000	—	—	2,000,000
	4.92	—	5,000,000	—	5,000,000
Dato' Lee Kong Lam	3.56	1,593,750	—	1,500,000	93,750
	4.60	750,000	—	500,000	250,000
	4.92	—	3,250,000	—	3,250,000
Dato' Yeoh Chin Kee	4.92	—	2,250,000	250,000	2,000,000
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	4.92	—	1,750,000	1,750,000	—
Haji Abdul Aziz bin Omar	4.92	—	1,250,000	—	1,250,000
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	4.92	—	1,250,000	1,250,000	—
Lee Chin Guan	4.92	—	1,250,000	1,250,000	—

Note + : The opening balance has been adjusted to reflect the consolidation of PBB Shares from par value of RM0.50 to par value of RM1.00, which was completed on 2 June 2004 ("Share Consolidation").

: Adjustment of the option prices were made pursuant to the Share Consolidation. The prices were adjusted to RM1.64, RM3.56, RM4.60 and RM4.92 from RM0.82, RM1.78, RM2.30 and RM2.46 respectively.

DIRECTORS' INTERESTS (continued)

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 direct and indirect interests of 800,449,846 shares in the Bank, and pursuant to Section 6A(4)(c) of the Companies Act, 1965 is also deemed interested in the shares of all the Bank's subsidiary companies to the extent 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 share options to be granted pursuant to the PBB ESOS.

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 32 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 37(b) to the financial statements.

BUSINESS REVIEW 2004

In 2004, Public Bank's banking business continued to remain strong, supported by healthy economic growth. However, because of the excess liquidity, Public Bank continued to operate in a more competitive environment. As a result, interest margins continued to remain under pressure. The banking environment has been further liberalised in the year with the issuance of three new Islamic banking licences to 3 large West Asian banking groups.

Public Bank continued to focus on lending to consumers and middle-market Small-and Medium-Sized Enterprises ("SMEs"), complemented by corporate lending and fee-based activities. It maintained high loan growth and captured larger market share, particularly for home mortgages, car financing and lending to SMEs. Public Bank competed based on competitive pricing, flexible terms and attractive product bundling. The Bank further leveraged on its branch network, on-line channels, strong sales and marketing force, strong PB brand, and superior service delivery standards to reach its large customer base.

BUSINESS REVIEW 2004 (continued)

On liability management, Public Bank continued to mobilise low cost customer deposits, including corporate deposits, to reduce funding costs and build its balance sheet. To further improve operational and cost efficiency, Public Bank completed its group branch rationalisation by reducing its domestic branches from 384 branches to 252 full-service bank branches. Public Bank had also developed a set of key performance indicators to drive staff productivity. The Bank maintained a stable headcount to mitigate increases in staff costs.

To further enhance customer service, Public Bank installed 59 cheque deposit machines at selected branches and further promoted on-line channels, particularly its internet banking channel. The Bank is one of the pilot banks to be a member of the Financial Process Exchange which has been established to promote e-commerce. To curb fraud, the Bank had fully migrated all of its ATM and credit cards to chip-based cards.

Public Bank remained prudent by strictly adhering to its stringent credit and risk management policies. It continued to manage its capital more efficiently, while progressively reviewing and updating its risk management framework in line with the Basel II Capital Accord.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2005

As the world economy is expected to grow around its long-term trend in 2005, Malaysia's economy is expected to be back to its sustainable growth of 6% for the year. This outlook is based on sustained domestic demand, steady growth in domestic-oriented manufacturing and services sectors and stable ringgit peg. Exports are expected to grow more slowly in the year.

While the fiscal deficit will be smaller in 2005, monetary policy is forecast to remain accommodative due to the excess liquidity and low headline inflation. Malaysia's economic fundamentals are expected to remain strong with unemployment rate to remain low and the current account surplus to remain large. The banking sector is expected to remain strong with ample liquidity, high capitalisation and high asset quality to support economic activity in 2005.

Notwithstanding the positive outlook, there are downside risks to the Malaysian economy. These include slower-than-expected growth in the world economy, sharper rise in inflation, disorderly adjustment in the US current account deficit and weaker-than-expected growth in the global electronics industry.

BUSINESS OUTLOOK FOR 2005

The banking business is expected to grow steadily in 2005 on the back of sustainable economic growth for the year. The industry's loan growth is expected to further improve. The competition, however, is expected to further increase due to ample liquidity, continued disintermediation of bank lending and the entry of new Islamic banking players.

BUSINESS OUTLOOK FOR 2005 (continued)

Amid the competitive banking landscape in 2005, Public Bank will remain focused in its core business of consumer and retail commercial lending to SMEs. In particular, the Bank expects to sustain high growth in home mortgages, car financing, personal financing, credit card business and Islamic banking business, helped by the healthy household balance sheets.

Public Bank also expects its lending to SMEs to further grow due to the steady recovery of the private sector in Malaysia. Activities in the manufacturing and services sectors are expected to remain relatively strong. SMEs are expected to spend more on capital expenditure due to the high current capacity utilisation.

To remain competitive, Public Bank will continue to introduce competitive products and new packages, maintain high service delivery standards, pursue proactive marketing strategies and further improve its cost efficiency. The strategy to reduce funding cost by mobilising savings and current account deposits will continue to be pursued. Public Bank will further leverage on its wide branch network and on-line channels and install more cheque deposit machines to enhance customer convenience. It will also continue to maintain a stable headcount.

In line with its long-term goal, Public Bank will continue to remain prudent in its credit culture and in reviewing its risk management framework, while maintaining a strong capital base and high asset quality.

AUDITORS

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

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Director

TAN SRI DATO' THONG YAW HONG
Director

Kuala Lumpur,
Dated: 17 January 2005

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 170 to 291 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2004 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Director

TAN SRI DATO' THONG YAW HONG
Director

Kuala Lumpur,
Dated: 17 January 2005

Statutory Declaration

I, WONG JEE SENG, 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 170 to 291, 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 WONG JEE SENG at KUALA LUMPUR
in WILAYAH PERSEKUTUAN this 17 January 2005

BEFORE ME:

NGUI KEE HEONG
Commissioner for Oaths
Kuala Lumpur

Report of the Auditors to the Members

We have audited the financial statements set out on pages 170 to 291. The preparation of the financial statements is the responsibility of the Bank's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Bank as at 31 December 2004 and the results of their operations and cash flows for the year ended on that date; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Bank;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Bank and the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The subsidiary companies in respect of which we have not acted as auditors are identified in Note 11 to the financial statements and we have considered their financial statements and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

None of the audit reports on the financial statements of the subsidiary companies were subject to any qualification nor included any comment under sub-section (3) of Section 174 of the Act.

KPMG
Firm Number: AF 0758
Chartered Accountants

KHAW HOCK HOE
Partner
Approval Number: 2229/04/06(J)

Kuala Lumpur,
Dated: 17 January 2005

Balance Sheets as at 31 December 2004

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
ASSETS					
Cash and short-term funds	3	19,670,005	7,970,828	19,893,236	11,498,710
Deposits and placements with banks and other financial institutions	4	1,460,309	819,085	1,573,127	6,332,508
Securities purchased under resale agreements		1,495,438	—	978,552	—
Dealing securities	5	6,645,591	921,742	5,192,470	2,864,682
Investment securities	6	2,432,848	5,058,555	1,740,071	4,486,733
Loans, advances and financing	7	55,718,729	45,539,625	53,856,112	27,266,113
Other assets	8	678,555	667,216	865,322	651,138
Statutory deposits with Central Banks	9	1,869,256	1,511,141	1,823,000	870,680
Deferred tax assets	10	283,542	251,844	223,486	116,455
Investment in subsidiary companies	11	—	—	1,376,156	2,973,873
Investment in associated companies	12	45,936	47,438	28,465	28,465
Investment properties	13	33,594	28,111	—	—
Goodwill/Intangible asset	14	811,399	818,304	738,356	338,756
Property and equipment	15	942,192	943,351	567,101	534,158
TOTAL ASSETS		92,087,394	64,577,240	88,855,454	57,962,271
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits from customers	16	72,246,303	50,217,258	68,265,639	41,120,729
Deposits and placements of banks and other financial institutions	17	2,958,481	1,779,334	4,765,730	6,628,582
Obligations on securities sold under repurchase agreements		3,258,431	425,562	3,018,317	451,992
Bills and acceptances payable	18	1,260,992	1,211,088	1,258,917	1,209,150
Recourse obligations on loans sold to Cagamas	19	346,213	484,587	346,213	141,484
Other liabilities	20	1,518,864	1,145,549	1,315,764	833,321
Subordinated notes	22	1,323,014	—	1,323,014	—
Provision for tax expense and zakat	23	233,170	115,335	154,372	94,462
Deferred tax liabilities	10	3,080	3,080	—	—
TOTAL LIABILITIES		83,148,548	55,381,793	80,447,966	50,479,720

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
SHAREHOLDERS' EQUITY					
Share capital	24	3,355,767	3,206,600	3,355,767	3,206,600
Reserves		4,644,397	5,078,155	4,481,150	3,942,911
Proposed dividends		1,172,012	503,000	1,172,012	503,000
Treasury shares	25	(601,441)	(169,960)	(601,441)	(169,960)
		8,570,735	8,617,795	8,407,488	7,482,551
Minority interests		368,111	577,652	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		92,087,394	64,577,240	88,855,454	57,962,271
COMMITMENTS AND CONTINGENCIES					
	38	19,780,677	14,246,374	19,535,337	13,248,734

The accompanying notes form an integral part of the financial statements

Income Statements for the financial year ended 31 December 2004

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Operating revenue	2(s)	5,045,340	4,318,113	3,668,892	2,556,186
Interest income	28	3,815,892	3,349,840	2,931,504	2,097,575
Interest expense	29	(1,494,564)	(1,257,926)	(1,441,136)	(1,026,480)
Net interest income		2,321,328	2,091,914	1,490,368	1,071,095
Net income from Islamic Banking business	52(k)	380,384	296,411	225,632	97,946
Non-interest income	30	2,701,712 723,494	2,388,325 633,102	1,716,000 2,483,155	1,169,041 1,021,691
Net income		3,425,206	3,021,427	4,199,155	2,190,732
Staff costs and overheads	31	(1,309,784)	(1,171,492)	(830,322)	(692,658)
Operating profit		2,115,422	1,849,935	3,368,833	1,498,074
Allowance for losses on loans, advances and financing	33	(271,034)	(439,155)	(453,696)	(119,343)
Share of results of associated companies		1,844,388 3,813	1,410,780 4,083	2,915,137 —	1,378,731 —
Profit before tax expense and zakat		1,848,201	1,414,863	2,915,137	1,378,731
Tax expense and zakat	34	(508,611)	(356,129)	(677,500)	(350,679)
Profit after tax expense and zakat		1,339,590	1,058,734	2,237,637	1,028,052
Minority interests		(72,602)	(84,548)	—	—
Net profit for the year		1,266,988	974,186	2,237,637	1,028,052
Earnings per RM1.00 share:	35				
– basic (sen)		39.4	32.0		
– diluted (sen)		38.7	31.2		
Net dividends per RM1.00 share:	36				
– Special dividends (sen)		39.6	—		
– Final dividend (sen)		25.2	15.8		

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

Group	Note	Non-distributable Reserves			Distributable Reserves		Treasury Shares	Total
		Share Capital	Share Premium	Other Reserves	Retained Profits	Proposed Dividends		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2004								
– as previously stated		3,206,600	928,433	2,387,630	1,819,978	503,000	(169,960)	8,675,681
– prior year adjustments	44	—	—	—	(57,886)	—	—	(57,886)
As restated		3,206,600	928,433	2,387,630	1,762,092	503,000	(169,960)	8,617,795
Issue of shares pursuant to:								
– exercise of share options		149,167	418,651	—	—	—	—	567,818
Currency translation differences								
		—	—	(1,348)	—	—	—	(1,348)
Net profit for the year		—	—	—	1,266,988	—	—	1,266,988
Transfer to statutory reserves								
		—	—	228,707	(228,707)	—	—	—
Buy-back of shares								
		—	—	—	—	—	(431,481)	(431,481)
Transfer to proposed dividends								
		—	—	—	(946,037)	946,037	—	—
Dividends paid	36	—	—	—	—	(1,449,037)	—	(1,449,037)
Dividends proposed	36	—	—	—	(1,172,012)	1,172,012	—	—
At 31 December 2004		3,355,767	1,347,084	2,614,989	682,324	1,172,012	(601,441)	8,570,735
		Note 24		Note 26	Note 27		Note 25	

The accompanying notes form an integral part of the financial statements

Statements of Changes in Equity

Group	Note	Non-distributable Reserves			Distributable Reserves		Treasury Shares	Total
		Share Capital	Share Premium	Other Reserves	Retained Profits	Proposed Dividends		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2003								
– as previously stated		2,314,527	676,448	1,780,499	1,919,001	299,987	—	6,990,462
– prior year adjustments	44	—	—	—	(28,934)	—	—	(28,934)
As restated		2,314,527	676,448	1,780,499	1,890,067	299,987	—	6,961,528
Issue of shares pursuant to:								
– exercise of share options		60,145	150,087	—	—	—	—	210,232
– share exchange		202,599	733,408	—	—	—	—	936,007
– bonus issue		629,329	(629,329)	—	—	—	—	—
Cost incurred for the issuance of shares		—	(2,181)	—	—	—	—	(2,181)
Currency translation differences		—	—	7,970	—	—	—	7,970
Net profit for the year		—	—	—	974,186	—	—	974,186
Transfer to statutory reserves		—	—	611,161	(611,161)	—	—	—
Buy-back of shares		—	—	—	—	—	(169,960)	(169,960)
Exchange equalisation reserves transferred to retained profits		—	—	(12,000)	12,000	—	—	—
Dividends paid	36	—	—	—	—	(299,987)	—	(299,987)
Dividends proposed	36	—	—	—	(503,000)	503,000	—	—
At 31 December 2003		3,206,600	928,433	2,387,630	1,762,092	503,000	(169,960)	8,617,795
		Note 24		Note 26	Note 27		Note 25	

The accompanying notes form an integral part of the financial statements

Bank	Note	Non-distributable Reserves			Distributable Reserves		Treasury Shares RM'000	Total RM'000
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Proposed Dividends RM'000		
At 1 January 2004								
– as previously stated		3,206,600	928,433	1,842,160	1,216,707	503,000	(169,960)	7,526,940
– prior year adjustments	44	—	—	—	(44,389)	—	—	(44,389)
As restated		3,206,600	928,433	1,842,160	1,172,318	503,000	(169,960)	7,482,551
Issue of shares pursuant to:								
– exercise of share options		149,167	418,651	—	—	—	—	567,818
Net profit for the year		—	—	—	2,237,637	—	—	2,237,637
Transfer to statutory reserves		—	—	559,409	(559,409)	—	—	—
Buy-back of shares		—	—	—	—	—	(431,481)	(431,481)
Transfer to proposed dividends		—	—	—	(946,037)	946,037	—	—
Dividends paid	36	—	—	—	—	(1,449,037)	—	(1,449,037)
Dividends proposed	36	—	—	—	(1,172,012)	1,172,012	—	—
At 31 December 2004		3,355,767	1,347,084	2,401,569	732,497	1,172,012	(601,441)	8,407,488
		Note 24		Note 26	Note 27		Note 25	
At 1 January 2003								
– as previously stated		2,314,527	676,448	1,329,164	1,182,712	299,987	—	5,802,838
– prior year adjustments	44	—	—	—	(22,450)	—	—	(22,450)
As restated		2,314,527	676,448	1,329,164	1,160,262	299,987	—	5,780,388
Issue of shares pursuant to:								
– exercise of share options		60,145	150,087	—	—	—	—	210,232
– share exchange		202,599	733,408	—	—	—	—	936,007
– bonus issue		629,329	(629,329)	—	—	—	—	—
Cost incurred for the issuance of shares		—	(2,181)	—	—	—	—	(2,181)
Net profit for the year		—	—	—	1,028,052	—	—	1,028,052
Transfer to statutory reserves		—	—	524,996	(524,996)	—	—	—
Buy-back of shares		—	—	—	—	—	(169,960)	(169,960)
Exchange equalisation reserves transferred to retained profits		—	—	(12,000)	12,000	—	—	—
Dividends paid	36	—	—	—	—	(299,987)	—	(299,987)
Dividends proposed	36	—	—	—	(503,000)	503,000	—	—
At 31 December 2003		3,206,600	928,433	1,842,160	1,172,318	503,000	(169,960)	7,482,551
		Note 24		Note 26	Note 27		Note 25	

The accompanying notes form an integral part of the financial statements

Cash Flow Statements for the year ended 31 December 2004

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	1,848,201	1,414,863	2,915,137	1,378,731
Adjustments for:				
Share of results of associated companies	(3,813)	(4,083)	—	—
Depreciation of property and equipment	90,901	84,629	65,917	55,922
Impairment losses on property and equipment	8,946	9,157	—	—
Amortisation of goodwill/intangible asset	45,710	40,364	27,425	19,656
Negative goodwill recognised	—	(45,625)	—	—
Net (gain)/loss on disposal of property and equipment	(118)	297	5	285
Net gain on disposal of foreclosed properties	(99)	(138)	(99)	(138)
Allowance for bad and doubtful debts and financing	423,103	623,081	525,265	236,319
Write back of allowance for bad and doubtful debts and financing	(69,267)	(118,783)	(24,811)	(81,004)
Net interest income suspended	36,405	58,428	24,287	35,166
Gain on sale of investment securities	(20,248)	(21,649)	(61,999)	(16,453)
Amortisation of premium less accretion of discount	13,460	12,878	13,662	12,818
Accretion of cost relating to the issuance of the subordinated notes	781	—	781	—
Net allowance/(write back of allowance) for diminution in value of investment securities	43,723	(11,085)	2,863	(1,003)
Short-term accumulating compensated absences	1,598	2,299	1,598	1,437
Pension cost charged - defined benefit plan	12,681	5,736	9,869	3,917
Profit Equalisation Reserves	1,862	19,017	8,862	12,017
Dividends from investment securities	(40,125)	(26,391)	(34,624)	(20,363)
Dividends from subsidiary companies	—	—	(2,023,593)	(695,592)
Dividends from associated companies	—	—	(2,466)	(1,707)
Allowance for diminution in value of investment in a subsidiary company	—	—	30	100
Gain on deemed disposal of a subsidiary company	—	(11,278)	—	—
Property and equipment written off	3,104	1,194	1,757	—
(Surplus)/deficit on revaluation of investment properties	(5,355)	337	—	—
Operating profit before working capital changes	2,391,450	2,033,248	1,449,866	940,108

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(Increase)/Decrease in operating assets/liabilities:				
Deposits and placements with banks and other financial institutions	(641,224)	2,252,658	4,779,377	(2,484,129)
Securities purchased under resale agreements	(1,495,438)	—	(978,552)	—
Dealing securities	(5,723,849)	2,257,943	(2,328,638)	1,287,401
Loans, advances and financing	(10,569,345)	(8,598,324)	(8,942,769)	(4,979,015)
Other assets	(17,432)	(161,883)	(26,487)	(45,728)
Statutory deposits with Central Banks	(358,115)	(277,232)	(299,220)	(110,880)
Deposits from customers	22,029,045	2,231,052	18,245,307	6,049,368
Deposits and placements of banks and other financial institutions	1,179,147	85,325	(19,336,042)	3,625,745
Obligations on securities sold under repurchase agreements	2,832,869	(393,859)	2,566,325	(211,167)
Bills and acceptances payable	49,904	75,870	49,767	74,734
Recourse obligations on loans sold to Cagamas	(138,374)	(498,814)	(13,585)	26,120
Other liabilities	79,051	307,689	32,506	195,774
Cash generated from/(used in) operations	9,617,689	(686,327)	(4,802,145)	4,368,331
Income tax expense and zakat paid	(406,233)	(430,359)	(428,061)	(210,499)
Pension cost paid – defined benefit plan	(19,837)	(16,240)	(17,025)	(14,421)
Net cash generated from/(used in) operating activities	9,191,619	(1,132,926)	(5,247,231)	4,143,411
Cash flows from investing activities				
Purchase of property and equipment	(102,355)	(129,395)	(87,486)	(83,993)
Proceeds from disposal of property and equipment	240	12,633	101	12,274
Proceeds from disposal of foreclosed properties	6,192	3,518	6,192	3,518
Net sale/(Net purchases) of investment securities	2,588,772	(278,120)	3,207,946	(520,069)
Additional investment in subsidiary companies	(22,689)	(127,917)	(11,482)	(81,746)
Purchase of share broking license	(28,000)	—	—	—
Dividends received from associated companies	2,618	1,852	2,466	1,666
Dividends received from investment securities	40,125	26,391	34,624	20,363

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash received from capital reduction exercise at subsidiary companies		—	—	862,928	—
Acquisition of finance company business, net of cash acquired	47	—	—	7,322,733	—
Dividends received from subsidiary companies		—	—	1,988,823	570,099
Funds from subscription of shares by minority interests		—	99,383	—	—
Net cash generated from/(used in) investing activities		2,484,903	(391,655)	13,326,845	(77,888)
Cash flows from financing activities					
Proceeds from issuance of shares		567,818	210,232	567,818	210,232
Dividends paid to shareholders of the Bank		(1,143,658)	(299,987)	(1,143,658)	(299,987)
Dividends paid to minority interests		(291,289)	(178,051)	—	—
Share issuance expenses		—	(2,181)	—	(2,181)
Buy-back of shares		(431,481)	(169,960)	(431,481)	(169,960)
Net proceeds from issuance of subordinated notes		1,322,233	—	1,322,233	—
Net cash generated from/(used in) in financing activities		23,623	(439,947)	314,912	(261,896)
Net increase/(decrease) in cash and cash equivalents		11,700,145	(1,964,528)	8,394,526	3,803,627
Cash and cash equivalents at beginning of year		7,970,828	9,932,135	11,498,710	7,695,083
Exchange differences on translation of opening balances		(968)	3,221	—	—
Cash and cash equivalents at end of year	3	19,670,005	7,970,828	19,893,236	11,498,710

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

Notes to the Financial Statements – 31 December 2004

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

There have been no significant changes to these principal activities during the financial year except for the finance company business of the Bank's wholly-owned subsidiary being transferred and merged with the commercial banking business of the Bank.

The financial statements were approved and authorised for issue by the Board of Directors on 17 January 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- (i) the 3-month classification for non-performing loans from the previous 6-month classification which has been adopted retrospectively; and
- (ii) the change in policy of assigning of collateral values to certain categories of non-performing loans which has been adopted retrospectively.

The effects of adopting the above retrospectively on the Group's and the Bank's retained profits are reflected as prior year adjustments in the Statement of Changes In Equity and is disclosed in Note 44 to the financial statements.

(a) Basis of Accounting

The financial statements of the Group and the Bank have been prepared on the historical cost basis except as disclosed in the notes to the financial statements and are in accordance with the applicable approved accounting standards in Malaysia and Bank Negara Malaysia Guidelines and comply with the provisions of the Companies Act, 1965.

The financial statements incorporate all activities relating to the Islamic Banking business which have been undertaken by the Bank and its finance subsidiary company in Malaysia. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the principles of Syariah.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of Consolidation

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

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

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or negative goodwill as appropriate.

Intragroup transactions, balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

(c) Investment in Subsidiary Companies

Investment in subsidiary companies which are eliminated on consolidation, are stated in the Bank's financial statements at cost, and an allowance is made in the event of any diminution in value which is other than temporary.

(d) Investment in Associated Companies

The Group treats associated companies as those companies in which a long term equity interest of between 20 to 50 percent is held and where it exercises significant influence but not control through management participation.

In the consolidated balance sheet, the Group's interests in associated companies are stated at the net asset value of associated companies at the date of acquisition and the Group's share of post acquisition results and reserves less an allowance for diminution in value where such diminution in value is other than temporary. The difference, if any, between the cost of investment and the underlying net asset value on acquisition which represents goodwill or negative goodwill is accounted for in accordance with the policy as referred to in Note 2(e).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Goodwill/Intangible Asset

Goodwill represents the difference between the purchase price and the fair values of the net identifiable assets of subsidiary companies at the dates of acquisition. Purchased goodwill represents the difference between the purchase price and the fair values of the net assets acquired at the date of acquisition.

Goodwill and purchased goodwill are amortised over an estimated useful life of not more than twenty years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Negative goodwill represents the excess of the fair values of the net identifiable assets acquired over the cost of acquisition. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the weighted average useful life of those assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised in the income statement.

The intangible asset represents cost of the dealer licence of a local stock broking company acquired by the stock broking subsidiary pursuant to the stock broking industry consolidation and is amortised on a straight line basis over its estimated useful life of not more than twenty years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

(f) Dealing Securities

Dealing securities are marketable securities that are acquired and held with the intention of resale in the short-term, and are stated at the lower of cost and market value on a portfolio basis.

Transfers, if any, between dealing and investment securities are made at the lower of cost and market value.

(g) Investment Securities

Investment securities are securities that are acquired and held for yield or capital growth or to meet minimum liquidity compliance requirements pursuant to the New Liquidity Framework and are usually held to maturity.

Malaysian Government Securities, Malaysian Government Investment Issues, Cagamas Bonds, other Government Securities, and bank or government guaranteed private debt securities held for investment are stated at cost adjusted for amortisation of premium or accretion of discount, where applicable, to maturity dates. Other non-guaranteed private debt securities are stated at lower of cost and market value determined on a portfolio basis.

Quoted investments are stated at the lower of cost and market value determined on a portfolio basis.

Other investment securities are stated at cost less allowance for diminution in value when such diminution in value is other than temporary.

Debt converted securities are stated at lower of cost and market value determined on an individual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investment Properties

Investment properties are interests in land and buildings which are intended to be held on a long term basis for their investment potential, with rental income being negotiated at arm's length. Such properties are not depreciated and are stated annually or such longer period as may be considered appropriate at their open market values on the basis of professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the capital reserve account. If the total outstanding of this capital reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to income statement immediately. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the capital reserves realised in respect of previous valuations is released to the income statement.

(i) Property and Equipment and Depreciation

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(j).

Freehold land and work-in-progress are not depreciated. Depreciation of other property and equipment is provided on a straight line basis calculated to write off the cost of each asset over the term of its estimated useful lives at the following principal annual rates:

Long term leasehold land	Over leasehold periods of 25 to 50 years
Buildings	2.0%
Renovations	Over the term of the leases ranging from 2 to 50 years
Office equipment, furniture and fitting	10.0% – 33.3%
Computer equipment and software	20.0% – 33.3%
Motor vehicles	20.0%

(j) Impairment of Assets

The carrying amount of the Group's assets, other than financial assets (other than investment in subsidiary and associated companies) and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of Assets (continued)

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. The reversal is recognised in the income statement.

(k) Foreclosed Properties

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

(l) Bills and Acceptances Payable

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

(m) Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Bank commit to resell at future dates and are reflected as an asset on the balance sheet.

Obligations on securities sold under repurchase agreements are obligations which the Group and the Bank commit to repurchase at future dates and are reflected as a liability on the balance sheet.

(n) Provisions

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

(o) Liabilities

Deposits from customers are stated at placement values and adjusted for accrued interest. Deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost.

(p) Profit Equalisation Reserves ("PER")

PER is the amount appropriated out of the total Islamic Banking gross income in order to maintain a certain level of return to depositors which is as stipulated by Bank Negara Malaysia's Circular on "Framework of Rate of Return". PER is deducted from the total Islamic Banking gross income in deriving the net distributable gross income. The amount appropriated is shared by the depositors and the Group/Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(r) Treasury Shares

When the Bank buys back its own shares, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Shares bought back are held as treasury shares and presented as a deduction from the shareholders' equity.

(s) Operating Revenue

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

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

(t) Recognition of Interest and Financing Income

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

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

Where an account becomes non-performing, interest is suspended until it is realised on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three (3) months from first day of default or after maturity date. Credit card holders are deemed non-performing when the credit card holder fails to settle its minimum monthly repayments for three (3) months or more from first day of default. The policy on suspension of interest is in conformity with Bank Negara Malaysia's Guidelines on the suspension of interest on non-performing loans and provision for bad and doubtful debts, BNM/GP3.

Prior to this year, customers' accounts, other than trade bills, bankers' acceptances and trust receipts, were deemed to be non-performing when repayments were in arrears for more than six (6) months. This change in accounting policy has been accounted for retrospectively and the effect of this change is disclosed in Note 44.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Recognition of Fees and Other Income

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

- (i) Loan arrangement, management and participation fees are recognised upfront as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantees;
- (ii) Dividends from dealing and investment securities are recognised when received. Dividends from subsidiary companies are recognised when the right to receive payment is established;
- (iii) Factoring commission income is recognised upon acceptance of the factored invoices. Factoring interest is recognised on an accrual basis;
- (iv) Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold;
- (v) Management fees from the management of unit trusts, net brokerage income, margin interest and rollover fees are recognised on an accrual basis;
- (vi) Other fees and commissions on services and facilities extended to customers are recognised on inception of such transactions; and
- (vii) Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the assignment.

(v) Recognition of Interest, Financing and Related Expenses

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

Handling fees paid to motor vehicle dealers for hire purchase loans are expensed off to income statement in the period in which the handling fees are incurred in accordance with Bank Negara Malaysia Circular dated 4 July 2003.

(w) Allowance for Bad and Doubtful Debts and Financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Previously, values assigned to collateral held for non-performing loans secured by properties were taken to be the realisable values, being the force sale value provided by independent parties/valuers.

In the current financial year, the Group had changed its policy of assigning of collateral values for non-performing loans which are secured by properties to as follows:-

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

Additional specific allowance are made on any shortfall arising from the change in policy of assigning of collateral values for non-performing loans secured by properties. The portion of non-performing loans where no realisable value has been assigned will be written-off.

The Directors are of the view that such treatment will reflect a more prudent management of the loans, advances and financing. Notwithstanding the prudent treatment adopted, the Group will still continue to pursue every possible effort to recover these non-performing loans that had been written-off.

The effects of the change in method have been accounted for retrospectively and these effects are disclosed in Note 44.

(x) Employee Benefits

(i) Short-Term 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee Benefits (continued)

(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 the expected average remaining working lives of the participating employees when cumulative unrecognised actuarial gains or losses for the Fund exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Where there are any improvements in benefits for the Fund, past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any asset 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 plan.

(iv) Equity Compensation Benefits

The employees' share option scheme allows the Group employees, except the employees of JCG Holdings Limited and its subsidiary companies and Cambodian Public Bank Limited, to acquire shares of the Bank. When the granted options are exercised, equity is increased by the amount of the proceeds received.

(y) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies during the financial year are translated into Ringgit Malaysia at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. All exchange differences are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Foreign Currency (continued)

(ii) Financial Statements of Foreign Operations

The financial statements of foreign branches are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. The results of these branches for the financial year are accounted for based on closing rates of exchange at balance sheet date. All exchange differences are recognised in the income statement.

The financial statements of foreign subsidiary companies and a subsidiary incorporated in the Federal Territory of Labuan are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average exchange rates applicable throughout the year. Foreign exchange differences arising on translation are taken to the exchange equalisation reserves.

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

	2004	2003
1 USD	RM3.8000	RM3.8000
1 HKD	RM0.4887	RM0.4895

(z) Interest Rates Swaps and Forward Contracts

The Bank acts as an intermediary with counter parties who wish to swap their interest obligations. The Bank also uses interest rate swaps and foreign exchange forward contracts to hedge its interest rate and foreign exchange risk.

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Interest rate swaps and foreign exchange forward contracts used for hedging purposes are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profits or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions.

Gains and losses on interest rate swaps and foreign exchange forward contracts that do not qualify as hedges, if any, are recognised in the year they arise using the mark-to-market method and are included in the income statement.

(aa) Foreign Exchange Related Contracts

Outstanding foreign exchange related contracts at the balance sheet date are valued based on the applicable spot rates ruling at that date adjusted for the applicable premium or discount to maturity. Gains or losses are recognised in the income statement in the year they arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(bb) Operating Leases**

Payments made under operating leases are recognised in the income statement on an accrual basis in accordance with the terms of the leases.

(cc) Income Taxes

Tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided, 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. Temporary differences are not recognised 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

(dd) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, and short-term deposits with original maturities of less than one month.

3. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash and balances with banks and other financial institutions	649,260	661,516	563,819	598,469
Money at call and deposit placements maturing within one month	19,020,745	7,309,312	19,329,417	10,900,241
	19,670,005	7,970,828	19,893,236	11,498,710

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	107,444	362,447	76,000	282,000
Licensed finance companies	65,336	72,399	—	5,357,220
Licensed merchant banks	36,029	6,239	200,000	561,347
Central Banks	819,500	209,000	675,100	—
Other financial institutions	432,000	169,000	622,027	131,941
	1,460,309	819,085	1,573,127	6,332,508

A fixed deposit of RM100,000 (2003 – RM100,000) included in the Group balance favouring the Accountant General has been placed by a subsidiary with a licensed bank in accordance with Section 4(2) of the Labuan Trust Companies Act, 1990.

Deposits totalling RM2,444,000 (2003 – RM2,447,000) have been pledged to certain banks by a foreign subsidiary company for facilities obtained.

5. DEALING SECURITIES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian Government Securities	598,600	115,816	598,600	115,816
Cagamas bonds	1,178,587	247,846	1,178,587	247,846
Private debt securities	1,708,036	71,187	273,379	19,652
Negotiable instruments of deposit	2,982,363	383,800	2,982,363	2,393,366
Khazanah Bonds	46,953	—	46,953	—
Malaysian Government Investment Certificates	60,710	—	60,710	—
Bank Negara Malaysia Negotiable notes	1,335	—	1,335	—
Bank Negara Malaysia Bills	—	85,137	—	85,137
	6,576,584	903,786	5,141,927	2,861,817
Trust units	18,865	15,091	—	—
	6,595,449	918,877	5,141,927	2,861,817
Premium/(Discounts)	50,142	2,865	50,543	2,865
	6,645,591	921,742	5,192,470	2,864,682

5. DEALING SECURITIES (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Market value:				
Malaysian Government Securities	644,872	118,861	644,872	118,861
Cagamas bonds	1,189,403	247,891	1,189,403	247,891
Private debt securities	1,783,452	71,191	273,420	19,656
Negotiable instruments of deposit	2,982,871	384,045	2,982,871	2,393,659
Khazanah Bonds	46,953	—	46,953	—
Malaysian Government Investment Certificates	55,798	—	55,798	—
Bank Negara Malaysia Negotiable notes	1,335	—	1,335	—
Bank Negara Malaysia Bills	—	85,140	—	85,140
Trust units	19,616	15,897	—	—

6. INVESTMENT SECURITIES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Money market instruments:				
Malaysian Government Treasury Bills	—	119,973	—	119,973
Malaysian Government Securities	—	368,209	—	366,198
Malaysian Government Investment Certificates	—	25,000	—	25,000
Cagamas bonds	—	873,071	—	873,071
Cagamas Mudharabah bonds	127,503	127,480	127,503	127,480
Cagamas notes	—	326,413	—	326,413
Danaharta bonds	—	5,726	—	—
Negotiable instruments of deposit	502,993	134,083	281,366	80,081
Bank Negara Malaysia Bills	—	308,289	—	308,289
Bank Negara Malaysia Negotiable notes	—	29,984	—	29,984
Other government bonds	—	5,064	—	5,064
	630,496	2,323,292	408,869	2,261,553

6. INVESTMENT SECURITIES (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Quoted securities:				
Shares and convertible loan stocks in Malaysia	84,394	88,324	84,394	53,208
Shares outside Malaysia	35,228	33,684	—	—
Bonds trust units in Malaysia	1,102,117	771,112	1,009,178	702,544
	1,221,739	893,120	1,093,572	755,752
Unquoted securities:				
Shares	110,361	110,500	109,124	96,385
Private debt securities	584,056	1,800,760	221,126	1,418,301
	694,417	1,911,260	330,250	1,514,686
Total investment securities, at cost	2,546,652	5,127,672	1,832,691	4,531,991
(Discount)/Premium	(124)	31,332	(124)	29,804
Allowance for diminution in value:				
Quoted shares and convertible loan stocks				
– in Malaysia	(33,545)	(28,719)	(33,545)	(27,746)
– outside Malaysia	(17,274)	(19,809)	—	—
Quoted bonds trust units	(907)	(1,507)	(907)	(907)
Unquoted securities				
– in Malaysia	(6,893)	(6,100)	(6,463)	(5,700)
– outside Malaysia	(2,750)	(2,500)	(2,750)	(2,500)
– private debt securities	(48,937)	(38,440)	(48,831)	(38,209)
General allowance	(3,374)	(3,374)	—	—
	(113,680)	(100,449)	(92,496)	(75,062)
	2,432,848	5,058,555	1,740,071	4,486,733

6. INVESTMENT SECURITIES (continued)

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturity within one year	280,442	1,701,630	58,815	1,620,631
One year to three years	348,684	567,897	348,684	589,168
Three years to five years	1,370	53,765	1,370	51,754
Over five years	—	—	—	—
	630,496	2,323,292	408,869	2,261,553

Market value:

Money market instruments:

Malaysian Government Treasury Bills	—	119,986	—	119,986
Malaysian Government Securities	—	377,591	—	375,558
Malaysian Government Investment Certificates	—	23,419	—	23,419
Cagamas bonds	—	871,449	—	871,449
Cagamas Mudharabah bonds	127,503	127,480	127,503	127,480
Cagamas notes	—	326,577	—	326,577
Danaharta bonds	—	7,293	—	—
Negotiable instruments of deposit	504,891	134,686	283,123	81,723
Bank Negara Malaysia Bills	—	308,327	—	308,327
Bank Negara Malaysia Negotiable notes	—	29,984	—	29,984
Other government bonds	—	5,964	—	5,964

Quoted securities:

Shares and convertible loan stocks in Malaysia	36,264	51,557	36,264	28,947
Shares outside Malaysia	17,954	13,878	—	—
Bonds trust units in Malaysia	1,108,566	769,727	1,015,368	701,637

7. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Overdrafts	6,386,314	5,995,447	6,286,051	5,993,738
Term loans	32,050,473	24,561,940	30,296,904	20,395,843
Credit card receivables	479,816	404,450	479,604	402,456
Bills receivables	74,461	65,910	73,336	64,724
Trust receipts	318,386	343,882	310,900	324,263
Claims on customers under acceptance credits	1,443,472	1,195,917	1,442,264	1,195,917
Lease, factored and confirming receivables	84,737	37,621	43,176	76
Hire purchase	19,582,366	17,336,876	19,493,316	198,651
*Staff loans	639,079	618,230	613,589	417,132
	61,059,104	50,560,273	59,039,140	28,992,800
Unearned interest and income	(4,025,116)	(3,632,141)	(4,021,191)	(974,367)
Gross loans, advances and financing	57,033,988	46,928,132	55,017,949	28,018,433
Allowance for bad and doubtful debts and financing:				
– general	(895,833)	(826,892)	(821,318)	(445,439)
– specific	(297,891)	(376,989)	(220,579)	(173,728)
Interest/Income-in-suspense	(121,535)	(184,626)	(119,940)	(133,153)
Net loans, advances and financing	55,718,729	45,539,625	53,856,112	27,266,113

* Included in staff loans of the Group and the Bank are loans to Directors amounting to RM1,376,952 (2003 – RM2,271,032) and Nil (2003 – Nil), respectively.

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturity within one year	14,013,008	12,530,197	12,943,713	10,937,027
One year to three years	5,779,484	4,892,521	5,246,715	1,789,967
Three years to five years	8,111,062	6,030,611	8,027,971	1,089,214
Over five years	29,130,434	23,474,803	28,799,550	14,202,225
	57,033,988	46,928,132	55,017,949	28,018,433

7. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Agriculture	596,602	590,442	595,639	507,975
Mining and quarrying	36,635	30,845	34,276	22,346
Manufacturing	2,861,509	2,513,805	2,777,902	2,045,902
Electricity, gas and water	34,618	26,924	27,507	19,099
Construction	1,981,310	1,873,237	1,884,738	1,234,334
Real estate	1,801,475	1,470,732	1,719,769	1,443,356
Purchase of landed properties				
(of which: – residential	14,064,291	10,480,976	14,028,627	8,593,713
– non-residential)	6,800,358	4,608,991	6,800,358	4,472,230
General commerce	5,452,799	4,960,485	5,267,263	3,432,484
Transport, storage and communication	533,962	554,192	518,778	356,762
Finance, insurance and business services	2,767,831	2,255,831	2,877,891	1,962,965
Purchase of securities	542,675	604,728	539,674	489,172
Purchase of transport vehicles	14,193,588	12,228,900	13,966,985	267,260
Consumption credit	4,502,390	3,695,261	3,156,762	2,484,364
Others	863,945	1,032,783	821,780	686,471
	57,033,988	46,928,132	55,017,949	28,018,433

Movements in non-performing loans, advances and financing (“NPL”) including interest/income receivable are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January, as previously stated	1,421,706	1,661,726	784,518	987,740
Prior year adjustments (Note a)	543,975	378,199	349,397	229,568
As restated	1,965,681	2,039,925	1,133,915	1,217,308
Non-performing during the year	1,918,361	1,200,532	1,661,428	670,750
Reclassified as performing	(1,486,936)	(322,114)	(1,425,022)	(306,657)
Recoveries	(308,716)	(280,535)	(225,226)	(172,716)
Amount written off	(451,866)	(667,788)	(234,642)	(269,242)
Loans converted to investment securities	(4,574)	(5,531)	(4,574)	(5,531)
Amount vested over from Public Finance Berhad	—	—	619,876	—
Exchange differences	(200)	1,191	—	3
At 31 December	1,631,750	1,965,680	1,525,755	1,133,915
Net NPL as % of gross loans, advances and financing less specific allowance and interest/income-in-suspense	2.14%	3.03%	2.17%	2.98%

Note a: These NPLs relate to the effect of the adoption of the 3-month classification for non-performing loans instead of the 6-month classification in previous years.

7. LOANS, ADVANCES AND FINANCING (continued)

Movements in the allowance for bad and doubtful debts and financing and interest/income-in-suspense accounts are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
General allowance				
At 1 January	826,892	695,870	445,439	366,502
Allowance made during the year	108,878	130,537	375,887	78,917
Amount written back	(39,781)	—	—	—
Exchange differences	(156)	485	(8)	20
At 31 December	895,833	826,892	821,318	445,439
As % of gross loans, advances and financing less specific allowance and interest/income-in-suspense	1.58%	1.78%	1.50%	1.61%
Specific allowance				
At 1 January, as previously stated	315,137	459,304	124,524	230,707
Prior year adjustments (Note 44)	61,852	26,411	49,204	22,657
As restated	376,989	485,715	173,728	253,364
Allowance made during the year	354,006	492,544	149,378	157,402
Amount written back in respect of recoveries	(69,267)	(118,783)	(24,811)	(81,004)
Amount written off	(363,248)	(481,357)	(157,353)	(154,630)
Amount transferred to allowance for diminution in value of investments	(500)	(1,401)	(500)	(1,401)
Amount vested over from Public Finance Berhad	—	—	80,137	—
Exchange differences	(89)	271	—	(3)
At 31 December	297,891	376,989	220,579	173,728

7. LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest/Income-in-suspense				
At 1 January, as previously stated	166,079	300,495	120,706	205,839
Prior year adjustments (Note 44)	18,547	13,775	12,447	8,523
As restated	184,626	314,270	133,153	214,362
Interest/Income suspended during the year	115,792	119,531	97,062	83,714
Amount transferred to allowance for diminution in value of investments	(4,331)	(2,000)	(4,331)	(2,000)
Amount written back in respect of recoveries	(79,387)	(61,103)	(72,775)	(48,548)
Amount written off	(95,165)	(186,136)	(83,767)	(114,371)
Amount vested over from Public Finance Berhad	—	—	50,598	—
Exchange differences	—	64	—	(4)
At 31 December	121,535	184,626	119,940	133,153

8. OTHER ASSETS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest/Income receivable	45,539	15,721	37,028	8,048
Other debtors, deposits and prepayments	301,806	424,366	353,025	414,561
* Foreclosed properties	98,080	58,975	97,816	55,409
Taxi licenses	14,490	15,574	—	—
# Amount due from clients @	12,386	15,773	—	—
# Outstanding contracts on clients' accounts	206,254	136,807	—	—
Amount due from subsidiary companies	—	—	227,345	78,604
Dividend receivable from subsidiary companies	—	—	150,108	94,516
	678,555	667,216	865,322	651,138
* Stated net of allowance for impairment in value	10,418	5,010	10,418	5,010
@ Stated net of allowance for bad debts	13,120	29,363	—	—

The amount due from clients and outstanding contracts on clients' accounts are in respect of the stock broking activities of a subsidiary company.

9. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
*Statutory deposits with Bank Negara Malaysia	1,828,596	1,473,141	1,823,000	870,680
#Statutory deposits with National Bank of Cambodia	40,660	38,000	—	—
	1,869,256	1,511,141	1,823,000	870,680

* 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 which is determined as set percentages of total eligible liabilities.

The non-interest bearing deposits are maintained with the National Bank of Cambodia in compliance with Cambodian banking law and are determined as set percentages of the Cambodian Public Bank Limited's issued share capital and its deposits from customers as required by the National Bank of Cambodia.

10. DEFERRED TAX

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January, restated	248,764	186,835	116,455	82,377
Amount vested over from Public Finance Berhad	—	—	(1,616)	—
Recognised in income statement (net) (Note 34)	31,710	61,929	108,647	34,078
Exchange differences	(12)	—	—	—
At 31 December	280,462	248,764	223,486	116,455

10. DEFERRED TAX (continued)

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deferred tax assets, net	283,542	251,844	223,486	116,455
Deferred tax liabilities, net	(3,080)	(3,080)	—	—
	280,462	248,764	223,486	116,455

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	Tax Losses RM'000	Other	Total RM'000
	Loan Loss RM'000		Temporary Differences RM'000	
At 1 January 2003				
– as previously stated	198,368	32,463	14,359	245,190
– prior year adjustments (Note 44)	7,395	—	—	7,395
As restated	205,763	32,463	14,359	252,585
Recognised in income statement	48,400	1,836	7,770	58,006
At 31 December 2003	254,163	34,299	22,129	310,591
Recognised in income statement	35,758	(103)	(4,195)	31,460
Exchange differences	—	—	(12)	(12)
At 31 December 2004	289,921	34,196	17,922	342,039

10. DEFERRED TAX (continued)

Deferred tax liabilities of the Group	Excess of Capital Allowances Over Depreciation RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2003	51,076	14,674	65,750
Recognised in income statement	5,251	(9,174)	(3,923)
At 31 December 2003	56,327	5,500	61,827
Recognised in income statement	(584)	334	(250)
At 31 December 2004	55,743	5,834	61,577

Deferred tax assets of the Bank	Allowance for Loan Loss RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2003			
– as previously stated	114,022	11,187	125,209
– prior year adjustments (Note 44)	6,344	—	6,344
As restated	120,366	11,187	131,553
Recognised in income statement	30,149	3,968	34,117
At 31 December 2003	150,515	15,155	165,670
Recognised in income statement	112,932	(1,246)	111,686
At 31 December 2004	263,447	13,909	277,356

10. DEFERRED TAX (continued)

Deferred tax liabilities of the Bank	Excess of Capital Allowances Over Depreciation RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2003	42,417	6,759	49,176
Recognised in income statement	5,461	(5,422)	39
At 31 December 2003	47,878	1,337	49,215
Amount vested over from Public Finance Berhad	1,154	462	1,616
Recognised in income statement	—	3,039	3,039
At 31 December 2004	49,032	4,838	53,870

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

	Group	
	2004 RM'000	2003 RM'000
Unutilised tax losses	136,277	145,730

Subject to the agreement by relevant tax authorities, the Group has tax losses carried forward of RM259,495,000 (2003 – RM264,273,000) which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses.

11. INVESTMENT IN SUBSIDIARY COMPANIES

Bank	2004		2003	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Quoted shares				
– in Hong Kong	466,607	1,551,209	455,277	1,380,323
– in Malaysia	203,069	*	203,069	*
– in Malaysia	—	—	1,436,805	**
	669,676	1,551,209	2,095,151	1,380,323
Unquoted shares	706,910	—	879,122	—
	1,376,586	1,551,209	2,974,273	1,380,323
Less: Allowance for diminution in value	(430)	—	(400)	—
	1,376,156	1,551,209	2,973,873	1,380,323

* No market value had been disclosed as this relates to the net investment in HHB Holdings Berhad which remained under suspension pending the completion of the proposed corporate exercise as set out in Note 50(c).

** No market value had been disclosed for 2003 as this relates to the net investment in Public Finance Berhad (“PFB”) which remained under suspension following the privatisation of PFB on 13 June 2003. On 14 October 2004, the entire issued and paid-up capital in PFB was delisted from the Official List of Bursa Malaysia Securities Berhad. Further information on this is set out in Note 50(b).

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2004 %	2003 %	2004	2003
Local subsidiary companies					
Public Finance Berhad#	Dormant	100.0	100.0	RM60,000,000	RM359,394,000
Public Nominees (Tempatan) Sdn. Bhd.	Nominees services	100.0	100.0	RM10,000	RM10,000
Public Nominees (Asing) Sdn. Bhd.	Nominees services	100.0	100.0	RM10,000	RM10,000
Public Holdings Sdn. Bhd.	Property holding	100.0	100.0	RM2,500,000	RM2,500,000

11. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2004 %	2003 %	2004	2003
Local subsidiary companies					
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	100.0	100.0	RM10,000,000	RM10,000,000
PB International Factors Sdn. Bhd.	Factoring	100.0	55.0	RM10,000,000	RM10,000,000
+Public Consolidated Holdings Sdn. Bhd.	Investment holding	100.0	100.0	RM50,000,000	RM250,000,000
+PB Securities Sdn. Bhd.	Stock and share broking	100.0	100.0	RM350,000,000	RM350,000,000
+PB Futures Sdn. Bhd.	In voluntary liquidation	100.0	100.0	RM9,500,000	RM9,500,000
+PB Securities Nominees (Tempatan) Sdn. Bhd.	Nominees services	100.0	100.0	RM10,000	RM10,000
+PB Securities Nominees (Asing) Sdn. Bhd.	Nominees services	100.0	100.0	RM10,000	RM10,000
+Public Mutual Berhad	Sale of trust units and management of unit trusts	90.0	90.0	RM6,000,000	RM6,000,000
+Business Premium Sdn. Bhd.	Investment holding	100.0	100.0	RM5,411,504	RM5,411,504
Public Bank (L) Ltd.	Offshore banking	100.0	100.0	USD10,000,000	USD10,000,000
PB Trust Company Sdn. Bhd.	Dormant	100.0	100.0	RM150,000	RM150,000
PB Trust (L) Ltd.	Trustee services	100.0	100.0	USD40,000	USD40,000
PB Venture Capital Sdn. Bhd.	Investment holding	100.0	100.0	RM1,010,000	RM1,010,000

11. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2004 %	2003 %	2004	2003
Local subsidiary companies					
+Public Merchant Bank Berhad	Merchant banking	100.0	100.0	RM127,717,000	RM165,000,000
+Public Merchant Nominees (Tempatan) Sdn. Bhd.	Nominees services	100.0	100.0	RM10,000	RM10,000
+Public Merchant Nominees (Asing) Sdn. Bhd.	Dormant	100.0	100.0	RM2	RM2
+HHB Holdings Berhad	Dormant	100.0	100.0	RM125,377,000	RM125,377,000
PB Properties Sdn. Bhd.	Property holding	100.0	100.0	RM5,200,000	RM5,200,000
Hock Hua Finance Berhad	Dormant	100.0	100.0	RM10,000	RM22,500,000
Hock Hua Nominees (Tempatan) Sdn. Bhd.	Dormant	100.0	100.0	RM3	RM3
Hock Hua Finance Nominees (Tempatan) Sdn. Bhd.	Dormant	100.0	100.0	RM2	RM2
Overseas subsidiary companies					
++Cambodian Public Bank Limited	Banking	100.0	100.0	USD20,000,000	USD20,000,000
+JCG Holdings Limited*	Investment holding	66.0	65.3	HKD70,775,841	HKD70,775,841
+JCG Finance Company, Limited	Deposit-taking and finance	66.0	65.3	HKD258,800,000	HKD258,800,000
+Funds Fit Limited	Investment holding	66.0	65.3	HKD10,100,000	HKD10,100,000
+JCG Securities Limited	Stock and share broking	66.0	65.3	HKD10,000,000	HKD10,000,000

11. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2004 %	2003 %	2004	2003
Overseas subsidiary companies					
+JCG Nominees Limited	Nominees services	66.0	65.3	HKD10,000	HKD10,000
+Winton Holdings (Bermuda) Limited	Investment holding	66.0	65.3	HKD33,394,993	HKD33,394,993
+Eternal Success Company Limited	Property holding	66.0	65.3	HKD20	HKD20
+Winsure Company, Limited	Dormant	63.9	63.3	HKD1,600,000	HKD1,600,000
+Winton (B.V.I.) Limited	Investment and property holding	66.0	65.3	HKD61,773	HKD61,773
+Winton Financial Limited	Provision of financing for licensed public vehicles and provision of personal and short-term loans	66.0	65.3	HKD4,000,010	HKD4,000,010
+Winton Financial (Factoring) Limited	Dormant	66.0	65.3	HKD1,000,000	HKD1,000,000
+Winton Investment Company (China) Limited	Investment holding, trading of taxi, cabs and taxi licenses and leasing of taxis	—	65.3	—	HKD1,000,000
+Winton Motors, Limited	Trading of taxi cabs and taxi licenses and leasing of taxis	66.0	65.3	HKD78,000	HKD78,000

11. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2004 %	2003 %	2004	2003
Overseas subsidiary companies					
+Winton Motors Trading Company Limited	Dormant	66.0	65.3	HKD2	HKD2
+Winton Trading Company Limited	Trading of taxi cabs and taxi licenses and leasing of taxis	66.0	65.3	HKD20	HKD20

The entire issued and paid-up capital of the company was delisted from the Official List of Bursa Malaysia Securities Berhad on 14 October 2004 as set out in Note 50(b).

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

+ Subsidiary companies not audited by KPMG.

++ Subsidiary company audited by KPMG Cambodia.

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

12. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Unquoted shares, at cost	28,505	33,344	28,465	28,465
Share of post acquisition results	17,431	20,972	—	—
Less: Allowance for diminution in value	—	(6,878)	—	—
	45,936	47,438	28,465	28,465
Represented by:				
Group's share of net assets	45,936	47,438	—	—

12. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

Name	Principal Activities	Place of Incorporation	Effective Interest		Issued and Paid-up Share Capital	
			2004 %	2003 %	2004 '000	2003 '000
PB Trustee Services Berhad	Trustee services	Malaysia	40.0	40.0	RM525	RM525
VID Public Bank	Banking	Socialist Republic of Vietnam	50.0	50.0	USD20,000	USD20,000
CPB Properties Company Ltd.	Property holding	Cambodia	49.0	49.0	USD8	USD8
ZKW Enterprise (Group) Co., Ltd., Zhuhai Special Economic Zone	Investment holding, general trading and automobil repairs centre	The People's Republic of China	—	26.1	—	HKD23,365 and RMB19,289

13. INVESTMENT PROPERTIES

	Group	
	2004 RM'000	2003 RM'000
At valuation		
At 1 January	28,111	29,274
(Loss)/Gain on exchange taken to exchange equalisation reserves	(44)	134
	28,067	29,408
Reclassified from/(to) long term leasehold land	144	(640)
Reclassified from/(to) leasehold buildings	28	(320)
Revaluation surplus/(deficit)	5,355	(337)
At 31 December	33,594	28,111

The Group's investment properties stated at market valuation are situated in Hong Kong SAR and are held under long term leases. The leasehold properties were revalued by independent professional valuers during the current and previous financial years on an open market value based on existing usage.

No investment properties were pledged as security for banking facilities granted to subsidiary companies at the balance sheet date. Certain of the above investment properties with an aggregate carrying amount of RM11,259,000 were pledged to secure banking facilities granted to certain subsidiary companies at the end of last financial year.

14. GOODWILL/INTANGIBLE ASSET

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Goodwill				
Cost				
At 1 January	902,392	521,378	393,129	393,129
Arising from vesting over of the net assets of a subsidiary company	—	—	427,025	—
Arising from acquisition of additional shares in subsidiary companies	10,805	—	—	—
Arising from privatisation of subsidiary company	—	384,376	—	—
Realisation of goodwill on deemed disposal	—	(3,362)	—	—
At 31 December	913,197	902,392	820,154	393,129
Accumulated amortisation				
At 1 January	84,088	43,724	54,373	34,717
Amortisation for the year	45,360	40,364	27,425	19,656
At 31 December	129,448	84,088	81,798	54,373
Net book value	783,749	818,304	738,356	338,756
Intangible Asset				
At 1 January	—	—	—	—
Purchase of share broking license	28,000	—	—	—
At 31 December	28,000	—	—	—
Accumulated amortisation				
At 1 January	—	—	—	—
Amortisation for the year	350	—	—	—
At 31 December	350	—	—	—
Net book value	27,650	—	—	—
Total net book value of goodwill/intangible asset	811,399	818,304	738,356	338,756

15. PROPERTY AND EQUIPMENT

Group	Freehold	Long term leasehold	Freehold	Leasehold	Renovations	Office equipment, furniture & fittings	Computer equipment & software	Motor vehicles	Work-in-progress	Total
	land	land	buildings	buildings	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost										
At 1 January 2004	115,181	126,520	396,258	129,676	194,154	334,223	512,680	20,339	2,711	1,831,742
Additions	688	521	2,340	3,374	20,465	25,873	48,202	892	—	102,355
Disposals	—	—	—	—	(523)	(3,661)	(1,031)	(847)	—	(6,062)
Transfers	1,020	(181)	(986)	(90)	(4,455)	4,421	—	—	—	(271)
Write-offs	—	—	—	—	(6,424)	(5,932)	(26,517)	(18)	—	(38,891)
Exchange differences	—	(184)	—	(89)	(49)	2	(93)	(16)	—	(429)
At 31 December 2004	116,889	126,676	397,612	132,871	203,168	354,926	533,241	20,350	2,711	1,888,444
Depreciation and impairment losses										
Accumulated depreciation	—	10,516	67,245	20,646	115,072	227,256	420,867	15,790	—	877,392
Accumulated impairment losses	—	—	10,999	—	—	—	—	—	—	10,999
At 1 January 2004	—	10,516	78,244	20,646	115,072	227,256	420,867	15,790	—	888,391
Depreciation charge for the year	—	1,343	7,873	2,877	15,401	26,059	35,676	1,672	—	90,901
Impairment losses for the year	—	5,964	—	2,982	—	—	—	—	—	8,946
Disposals	—	—	—	—	(510)	(3,596)	(998)	(836)	—	(5,940)
Transfers	—	(37)	34	(62)	—	(34)	—	—	—	(99)
Write-offs	—	—	—	—	(4,197)	(5,125)	(26,447)	(18)	—	(35,787)
Exchange differences	—	(12)	—	(16)	(47)	(33)	(36)	(16)	—	(160)
Accumulated depreciation	—	11,810	75,152	23,445	125,719	244,527	429,062	16,592	—	926,307
Accumulated impairment losses	—	5,964	10,999	2,982	—	—	—	—	—	19,945
At 31 December 2004	—	17,774	86,151	26,427	125,719	244,527	429,062	16,592	—	946,252

15. PROPERTY AND EQUIPMENT (continued)

Group	Freehold	Long term leasehold	Freehold	Leasehold	Renovations	Office equipment, furniture & fittings	Computer equipment & software	Motor vehicles	Work-in- progress	Total
	land	land	buildings	buildings		RM'000	RM'000	RM'000	RM'000	
Net book value										
At 31 December 2004	116,889	108,902	311,461	106,444	77,449	110,399	104,179	3,758	2,711	942,192
At 31 December 2003	115,181	116,004	318,014	109,030	79,082	106,967	91,813	4,549	2,711	943,351
For the year ended 31 December 2003										
Depreciation charge	—	1,299	7,722	2,884	14,666	25,437	31,065	1,556	—	84,629
Impairment losses	—	—	9,157	—	—	—	—	—	—	9,157

The additions for the year in respect of renovations include accrued restoration cost of RM900,000 (2003: RM150,000). No leasehold land and buildings of the Group were pledged to secure banking facilities to the Group at the balance sheet date. Certain of the above leasehold land and buildings situated in Hong Kong SAR with an aggregate carrying amount of approximately RM21,681,000 were pledged to secure banking facilities granted to certain subsidiary companies at the end of last financial year.

Bank	Freehold	Long term leasehold	Freehold	Leasehold	Renovations	Office equipment, furniture & fittings	Computer equipment & software	Motor vehicles	Work-in- progress	Total
	land	land	buildings	buildings		RM'000	RM'000	RM'000	RM'000	
Cost										
At 1 January 2004	80,894	306	261,340	1,400	143,400	201,309	445,677	12,715	2,711	1,149,752
Vested over from										
Public Finance Berhad	198	—	293	—	15,013	27,173	24,806	3,496	—	70,979
Additions	—	—	—	—	17,942	23,457	45,609	478	—	87,486
Disposals	—	—	—	—	(22)	(2,131)	(131)	(68)	—	(2,352)
Transfers	—	—	—	—	(4,455)	4,455	—	—	—	—
Write-offs	—	—	—	—	(4,556)	(1,220)	(14,018)	(6)	—	(19,800)
Exchange differences	—	—	—	—	(19)	13	(75)	(14)	—	(95)
At 31 December 2004	81,092	306	261,633	1,400	167,303	253,056	501,868	16,601	2,711	1,285,970

15. PROPERTY AND EQUIPMENT (continued)

Bank	Freehold land RM'000	Long term leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in- progress RM'000	Total RM'000
Depreciation										
At 1 January 2004	—	36	41,898	1,080	72,734	130,198	359,806	9,842	—	615,594
Vested over from Public Finance Berhad	—	—	180	—	12,902	20,618	21,500	2,522	—	57,722
Depreciation charge for the year	—	1	5,227	47	10,389	16,429	32,811	1,013	—	65,917
Disposals	—	—	—	—	(22)	(2,032)	(125)	(67)	—	(2,246)
Transfers	—	—	—	—	—	—	—	—	—	—
Write-offs	—	—	—	—	(2,899)	(1,186)	(13,952)	(6)	—	(18,043)
Exchange differences	—	—	—	—	(18)	(24)	(18)	(15)	—	(75)
At 31 December 2004	—	37	47,305	1,127	93,086	164,003	400,022	13,289	—	718,869
Net book value										
At 31 December 2004	81,092	269	214,328	273	74,217	89,053	101,846	3,312	2,711	567,101
At 31 December 2003	80,894	270	219,442	320	70,666	71,111	85,871	2,873	2,711	534,158
For the year ended 31 December 2003										
Depreciation charge	—	1	5,225	47	8,107	14,644	27,081	817	—	55,922

The additions for the year in respect of renovations include accrued restoration cost of RM900,000 (2003: RM150,000).

16. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Demand deposits	8,682,720	7,357,983	8,570,697	7,337,300
Savings deposits	11,498,368	9,687,716	11,328,835	8,255,300
Fixed deposits	39,315,447	32,372,972	35,880,955	24,544,815
Negotiable instruments of deposit	12,481,507	530,000	12,218,267	737,567
Other deposits	268,261	268,587	266,885	245,747
	72,246,303	50,217,258	68,265,639	41,120,729

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within six months	43,631,038	25,740,986	39,689,051	19,757,168
Six months to one year	8,012,524	6,629,388	8,263,733	5,093,440
One year to three years	141,046	523,668	134,093	425,125
Three years to five years	12,346	8,930	12,345	6,649
	51,796,954	32,902,972	48,099,222	25,282,382

The deposits are sourced from the following type of customers:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Federal and state governments	258,528	367,299	258,528	229,709
Local government and statutory authorities	554,184	677,465	554,184	423,851
Business enterprises	18,356,782	9,219,604	16,072,496	8,345,493
Individuals	41,668,674	36,608,062	40,903,032	28,781,441
Foreign customers	1,199,966	365,294	1,050,029	526,141
Others	10,208,169	2,979,534	9,427,370	2,814,094
	72,246,303	50,217,258	68,265,639	41,120,729

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	1,146,857	582,541	769,850	539,229
Licensed finance companies	240,000	39,700	240,000	4,743,220
Licensed merchant banks	104,000	85,500	44,878	116,455
Other financial institutions	1,467,624	1,071,593	3,711,002	1,229,678
	2,958,481	1,779,334	4,765,730	6,628,582

18. BILLS AND ACCEPTANCES PAYABLE

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

19. 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.

20. OTHER LIABILITIES

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Interest/Profit payable	422,185	322,418	407,063	242,911
Other creditors and accruals	545,956	584,201	268,535	298,774
Employee benefits (Note 21(a))	5,741	12,897	5,741	12,897
Accrued restoration cost	8,589	10,870	7,665	6,765
Profit Equalisation Reserves	28,393	26,531	28,393	19,531
Outstanding contracts on clients' accounts	202,621	188,632	—	—
Special dividend payable to shareholders	305,379	—	305,379	—
Amount due to subsidiary companies	—	—	292,988	252,443
	1,518,864	1,145,549	1,315,764	833,321

20. OTHER LIABILITIES (continued)

The outstanding contracts on clients' accounts are in respect of the stock broking activities of a subsidiary company.

The special dividend payable to shareholders represent the balance of the unrepresented dividend warrants in respect of the special dividend of 40.0%, less 28% tax per share, which was payable on 30 December 2004.

21. EMPLOYEE BENEFITS

(a) Defined Benefit Plan

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

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Present value of funded obligations	188,072	171,703	128,848	117,634
Fair value of fund assets	(292,812)	(197,964)	(200,605)	(135,626)
	(104,740)	(26,261)	(71,757)	(17,992)
Unrecognised actuarial gains	110,481	39,158	77,498	30,889
Net liability	5,741	12,897	5,741	12,897

Fund assets include ordinary shares issued by the Bank with a fair value of RM309,560,000 (2003 – RM102,520,000). Fund assets also include properties occupied by the Group and the Bank of RM124,201,000 (2003 – RM106,574,000) and RM119,966,000 (2003 – RM97,157,000) respectively.

21. EMPLOYEE BENEFITS (continued)**(a) Defined Benefit Plan (continued)**

The amounts recognised in the income statements are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Current service cost	13,067	12,327	8,952	8,445
Interest cost	12,020	10,771	8,234	7,379
Expected return on fund assets	(12,406)	(26,653)	(7,317)	(18,260)
Transition obligation recognised	—	9,291	—	6,353
Amount included under “personnel costs”	12,681	5,736	9,869	3,917
Expected return on fund assets	12,406	26,653	7,317	18,260
Actuarial gain on fund assets	69,881	44,635	47,876	30,580
Actual return on fund assets	82,287	71,288	55,193	48,840

Movements in the net liability recognised in the balance sheets are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Net liability at 1 January	12,897	23,401	12,897	23,401
Contributions	(14,338)	(9,987)	(11,526)	(8,168)
Benefits paid	(5,499)	(6,253)	(5,499)	(6,253)
Expense recognised in the income statement	12,681	5,736	9,869	3,917
Net liability at 31 December	5,741	12,897	5,741	12,897

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

	Group and Bank	
	2004	2003
Discount rate	7.00%	7.00%
Expected return on fund assets	8.00%	8.00%
Expected rate of salary increases	6.00%	6.00%

21. EMPLOYEE BENEFITS (continued)

(b) Equity Compensation Benefits

Public Bank Berhad Group Employees' Share Option Scheme

On 10 April 1998, an offer of options under the Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS") to subscribe for ordinary shares of RM0.50 each (before share consolidation) at an option price of RM1.66 was made to eligible employees. The initial expiry date of the PBB ESOS of 25 February 2003 was extended at the following Extraordinary General Meetings ("EGM") of the Bank:

EGM Date	Expiry Date	
	From	To
20 May 2002	25 February 2003	25 February 2005
20 April 2004	25 February 2005	25 February 2006

The Bank had on 20 April 2004 obtained its shareholders' approval to amend, inter alia, certain bye-laws of the PBB ESOS ("Bye-Laws") to align the Bye-Laws with amendments to the Securities Commission's Policies and Guidelines on Issue/Offer of Securities and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") in relation to employee share option schemes. The amendments to the Bye-Laws include, inter alia, participation of non-executive directors in the PBB ESOS, and increase in the maximum number of ordinary shares of RM1.00 each in the Bank available for the PBB ESOS from ten percent (10%) to fifteen percent (15%) of the total number of issued and paid-up ordinary shares of the Bank at any point of time during the duration of the PBB ESOS.

Other salient features of the PBB ESOS are as follows:

- (i) The ESOS Committee appointed by the Board of Directors to administer the PBB ESOS, may from time to time grant options to Directors and employees of the Group to subscribe for new ordinary shares of RM1.00 each in the Bank;
- (ii) The eligibility of a Director or employee of the Group to participate in the PBB ESOS shall be at the discretion of the PBB ESOS Committee, who shall take into consideration factors such as years of service and performance track record;
- (iii) The total number of shares to be issued under the PBB ESOS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up share capital of the Bank at any point of time during the tenure of the PBB ESOS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to directors and senior management. In addition, not more than ten percent (10%) of the shares available under the PBB ESOS shall be allocated to any individual director or eligible employee who, either singly or collectively through persons connected, holds twenty percent (20%) or more in the issued and paid-up capital of the Bank and no option shall be granted for less than 1,000 shares;

21. EMPLOYEE BENEFITS (continued)**(b) Equity Compensation Benefits (continued)**

- (iv) The option exercise price for each ordinary share of RM1.00 each shall be at a discount of not more than ten percent (10%) of the five (5)-day weighted average market price of PBB shares quoted as “Local” on the Main Board of the Bursa Securities and as shown in the Daily Official List issued by the Bursa Securities at the time the option is granted;
- (v) The number of outstanding options to subscribe for shares or the option price or both may be adjusted following any issue of additional shares by way of rights issues, bonus issues or other capitalisation issue carried out by the Bank while an option remains unexercised; and
- (vi) All new ordinary shares issued upon exercise of the options granted under the PBB ESOS will rank pari passu in all respects with the existing ordinary shares of the Bank.

The exercise price of the options granted under the PBB ESOS were adjusted as follows:

	Granted on 10.4.1998	Granted on 6.6.2002	Granted on 16.6.2003	Granted on 22.12.2003	Granted on 21.5.2004
Option price at date of granting of options	RM1.66	RM2.78	RM2.13	RM2.30	RM2.46
After adjusting for:					
3 for 10 bonus issue on 23 April 2001	RM1.27	—	—	—	—
1 for 4 bonus issue on 12 July 2002	RM1.02	RM2.22	—	—	—
1 for 4 bonus issue on 16 July 2003	RM0.82	RM1.78	RM1.70	—	—
Share consolidation on 2 June 2004	RM1.64	RM3.56	RM3.40	RM4.60	RM4.92

Following the completion of the consolidation and division of the Bank’s share capital into ordinary shares of par value of RM1.00 each from ordinary shares of par value of RM0.50 each (“Share Consolidation”) on 2 June 2004, all the unexercised options are also consolidated into number of share options of RM1.00 each from number of share options of RM0.50 each.

The movements in the number of options to subscribe for new ordinary shares of RM1.00 each of the PBB ESOS (“PBB Share Options”) are as follows:

Option price (adjusted)	Number of PBB Share Options					
	RM1.64 '000	RM3.56 '000	RM3.40 '000	RM4.60 '000	RM4.92 '000	Total '000
At 1 January 2004	916	120,194	9,698	35,264	—	166,072
Granted during the year	—	—	—	—	50,769	50,769
Exercised during the year	(760)	(106,497)	(8,126)	(20,008)	(13,776)	(149,167)
Lapsed due to resignation	(3)	(270)	(39)	(171)	(42)	(525)
At 31 December 2004	153	13,427	1,533	15,085	36,951	67,149

21. EMPLOYEE BENEFITS (continued)

(b) Equity Compensation Benefits (continued)

The options granted do not confer any right to participate in any share issue of any other company.

Details of PBB Share Options of RM1.00 each granted during the year are as follows:

Option Price	Number of PBB Share Options	
	2004 '000	2003 '000
RM3.40	—	20,130
RM4.60	—	35,264
RM4.92	50,769	—
	50,769	55,394

Details of PBB Share Options of RM1.00 each exercised during the year and the fair value, at exercise date, of shares issued are as follows:

Exercise Date	Option Price/Number of PBB Share Options of RM1.00 Each						Fair Value of Shares Issued
	RM1.64	RM3.56	RM3.40	RM4.60	RM4.92	Total	
January 2004	4,547	1,680,345	198,375	—	—	1,883,267	RM5.70
February 2004	—	457,313	26,500	—	—	483,813	RM6.20
March 2004	413,648	66,722,692	4,190,475	6,099,500	—	77,426,315	RM5.96 – RM6.08
April 2004	10,500	5,800,074	560,375	799,000	—	7,169,949	RM6.08 – RM6.16
August 2004	70,427	13,397,643	1,476,000	4,672,500	4,303,000	23,919,570	RM6.25 – RM6.30
September 2004	8,125	2,050,787	251,600	742,900	958,000	4,011,412	RM6.30
October 2004	33,767	3,235,374	339,300	1,714,700	1,053,500	6,376,641	RM6.35 – RM6.45
November 2004	219,256	11,971,635	942,975	5,374,263	6,996,500	25,504,629	RM6.85 – RM6.90
December 2004	—	1,183,077	140,300	604,124	464,500	2,392,001	RM7.10
	760,270	106,498,940	8,125,900	20,006,987	13,775,500	149,167,597	
Considerations received (RM)	1,246,843	379,136,226	27,628,060	92,032,140	67,775,460	567,818,729	

22. SUBORDINATED NOTES

	Group and Bank	
	2004 RM'000	2003 RM'000
Subordinated notes	1,330,000	—
Less: Transaction costs	(3,990)	—
: Discount on issuance	(3,777)	—
	1,322,233	—
Accretion during the year	781	—
	1,323,014	—

On 22 June 2004, the Bank issued USD350 million in aggregate principal amount of Subordinated Notes (“the Notes”) due 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5.625% per annum from (and including) 22 June 2004 to (but excluding) 22 September 2009 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 3.10%. The interest is payable semi-annually in arrears on 22 March and 22 September in each year commencing on 22 March 2005. The Notes were issued at a price of 99.716 percent of the principal amount of the Notes. The Notes will, subject to the prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or on 22 September 2009 at their principal amount plus accrued interest (if applicable).

The Notes constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier II capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

23. PROVISION FOR TAX EXPENSE AND ZAKAT

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax expense	233,135	115,275	154,337	94,402
Zakat	35	60	35	60
	233,170	115,335	154,372	94,462

24. SHARE CAPITAL

Group and Bank	Number of Ordinary Shares of RM1.00 Each		Amount	
	2004 '000	2003 '000	2004 RM'000	2003 RM'000
Authorised:				
Ordinary shares of RM1.00 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	3,206,600	2,314,527	3,206,600	2,314,527
Issued pursuant to the exercise of share options	149,167	60,145	149,167	60,145
Issued pursuant to share exchange	—	202,599	—	202,599
Bonus issue	—	629,329	—	629,329
At 31 December	3,355,767	3,206,600	3,355,767	3,206,600

The number of ordinary shares for 2003 have been adjusted to take into account the consolidation and division of the Bank's share capital into ordinary shares of par value of RM1.00 each from par value of RM0.50, which was completed on 2 June 2004.

25. TREASURY SHARES

The amount relates to the acquisition cost of treasury shares.

On 20 April 2004, 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, 56,628,800 of its issued ordinary shares of RM1.00 each ("PBB Shares") listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") at an average buy-back price of RM6.15 per share and 12,456,850 PBB Shares listed and quoted as "Foreign" on the Main Board of Bursa Securities at an average buy-back price of RM6.61 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 RM431,480,591 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.

25. TREASURY SHARES (continued)

Of the total 3,355,767,324 (2003 – 3,206,599,727) issued and paid-up PBB Shares as at 31 December 2004, 100,177,400 (2003 – 31,091,750) PBB Shares are held as treasury shares by the Bank. As at 31 December 2004, the number of outstanding PBB Shares in issue and paid-up is therefore 3,255,589,924 (2003 – 3,175,507,977) ordinary shares of RM1.00 each.

None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends and participation in other distribution.

26. OTHER RESERVES

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Exchange Equalisation Reserves RM'000	Total RM'000
At 1 January 2003	1,593,223	79,943	107,333	1,780,499
Currency translation differences	—	—	7,970	7,970
Transfer from income statement	611,161	—	—	611,161
Transfer to retained profits	—	—	(12,000)	(12,000)
At 31 December 2003	2,204,384	79,943	103,303	2,387,630
Currency translation differences	—	—	(1,348)	(1,348)
Transfer from income statement	228,707	—	—	228,707
At 31 December 2004	2,433,091	79,943	101,955	2,614,989

Bank	Statutory Reserves RM'000	Exchange Equalisation Reserves RM'000	Total RM'000
At 1 January 2003	1,317,164	12,000	1,329,164
Transfer from income statement	524,996	—	524,996
Transfer to retained profits	—	(12,000)	(12,000)
At 31 December 2003	1,842,160	—	1,842,160
Transfer from income statement	559,409	—	559,409
At 31 December 2004	2,401,569	—	2,401,569

26. OTHER RESERVES (continued)

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

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

27. RETAINED PROFITS

As at 31 December 2004, the Bank has tax exempt profits available for distribution of approximately RM284,000,000 (2003 – RM243,000,000), subject to agreement by Inland Revenue Board.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt account to frank the payment of dividends out of the Bank's entire retained profits as at 31 December 2004.

28. INTEREST INCOME

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Loan, advances and financing	3,146,247	2,885,313	2,162,982	1,537,959
Money at call and deposit placements with financial institutions	459,111	258,359	593,165	370,543
Dealing securities	91,155	105,908	89,566	105,402
Investment securities	143,479	155,845	111,739	128,053
Others	19,052	11,482	9,636	3,256
	3,859,044	3,416,907	2,967,088	2,145,213
Amortisation of premium less accretion of discount	(13,460)	(12,878)	(13,662)	(12,818)
Net interest/income suspended	(29,692)	(54,189)	(21,922)	(34,820)
	3,815,892	3,349,840	2,931,504	2,097,575

29. INTEREST EXPENSE

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Deposits and placements of banks and other financial institutions	56,789	35,774	224,933	137,684
Deposits from customers	1,377,649	1,164,643	1,187,577	883,555
Loans sold to Cagamas	18,288	38,527	8,455	5,143
Subordinated notes	20,101	—	20,101	—
Others	21,737	18,982	70	98
	1,494,564	1,257,926	1,441,136	1,026,480

30. NON-INTEREST INCOME

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) Fee income:				
Commissions	89,651	72,866	84,750	65,074
Service charges and fees	165,786	151,999	100,770	82,682
Guarantee fees	19,532	20,098	16,042	15,881
Processing fees	2,318	2,250	621	470
Commitment fees	29,273	29,149	28,999	25,773
Unit trust management fees	116,227	96,210	—	—
Net brokerage and commissions from stock broking activities	23,160	20,943	—	—
Other fee income	43,061	17,647	15,131	9,255
	489,008	411,162	246,313	199,135

30. NON-INTEREST INCOME (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(b) Investment and dealing income:				
Net gains from sale of dealing securities	22,060	271	19,834	257
Net gains from sale of investment securities	20,248	21,649	61,999	16,453
Gross dividends from:				
Dealing securities:				
– quoted in Malaysia	545	515	—	—
– quoted outside Malaysia	—	240	—	—
Investment securities:				
– quoted in Malaysia	33,865	14,953	33,716	11,510
– quoted outside Malaysia	2,101	517	—	—
– unquoted	4,159	10,921	908	8,853
	82,978	49,066	116,457	37,073
(c) Gross dividend income from investment in subsidiary and associated companies:				
Associated companies	—	—	2,466	1,707
Subsidiary companies:				
– quoted in Malaysia	—	—	1,165,155	455,350
– quoted outside Malaysia	—	—	496,842	82,462
– unquoted in Malaysia	—	—	361,596	102,680
– unquoted outside Malaysia	—	—	—	55,100
	—	—	2,026,059	697,299
Write back of allowance/(Allowance) for diminution in value of:				
– investment and dealing securities	(43,723)	11,085	(2,863)	1,003
– investment in subsidiary companies	—	—	(30)	(100)
	(43,723)	11,085	(2,893)	903
	(43,723)	11,085	2,023,166	698,202

30. NON-INTEREST INCOME (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(d) Other income:				
Foreign exchange profit/(loss)				
– realised	72,883	73,773	72,472	70,979
– unrealised	6,554	(4,424)	6,239	(4,424)
Rental income	6,745	6,999	2,753	3,073
(Loss)/Gain on disposal of property and equipment (net)	118	(297)	(5)	(285)
Gain on disposal of foreclosed properties	99	138	99	138
Gain on sale of trust units	87,575	55,179	—	—
Lease income and factoring charges	2,314	2,335	—	—
Others *	18,943	28,086	15,661	17,800
	195,231	161,789	97,219	87,281
Total Non-Interest Income	723,494	633,102	2,483,155	1,021,691

* Included in the 2003 balance is an amount of RM11,278,000 arising from the dilution of interest in a subsidiary company due to the issuance of shares under the subsidiary company's employees' share option scheme.

31. STAFF COSTS AND OVERHEADS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel costs	688,203	627,609	480,845	389,567
Establishment costs	260,832	258,673	194,685	170,183
Marketing expenses	203,446	177,177	40,395	37,619
Administration and general expenses	157,303	108,033	114,397	95,289
	1,309,784	1,171,492	830,322	692,658

31. STAFF COSTS AND OVERHEADS (continued)

(a) Included in the staff costs and overheads are the following statutory disclosures:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Amortisation of goodwill/intangible asset	45,710	40,364	27,425	19,656
Auditors' remuneration:				
– statutory audit fees	1,579	1,627	522	515
– non-audit services	445	442	274	74
(Surplus)/deficit on revaluation of investment properties	(5,355)	337	—	—
Depreciation of property and equipment	90,901	84,629	65,917	55,922
Directors' remuneration (Note 32)	14,323	13,084	8,710	7,865
Impairment losses of property and equipment	8,946	9,157	—	—
Negative goodwill recognised	—	(45,625)	—	—
Pension costs				
– defined contribution plan	64,951	61,959	47,248	39,281
– defined benefit plan	12,681	5,736	9,869	3,917
Rental of premises	49,702	54,376	62,996	60,471

Included in the statutory audit fees of the Bank are fees paid to accounting firms other than the Bank's auditors amounting to RM127,000 (2003 – RM109,500).

Included in the statutory audit fees and non-audit fees of the Group are fees paid to accounting firms other than the Bank's auditors amounting to RM775,000 (2003 – RM831,000) and RM69,000 (2003 – RM97,000) respectively.

(b) Employees

The number of persons employed by the Group and the Bank (excluding Directors) as at the end of the financial year was 12,659 (2003 – 12,530) and 11,463 (2003 – 8,222) respectively.

32. DIRECTORS' REMUNERATION

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Directors of the Bank:				
Executive Directors:				
Fees	482	451	150	120
Salary and other remuneration, including meeting allowances	1,930	1,917	1,879	1,856
Bonuses	2,307	1,291	2,207	1,291
Benefits-in-kind				
– arising from exercise of share options	3,819	2,424	3,819	2,424
– others	52	60	52	60
	8,590	6,143	8,107	5,751
Non-Executive Directors:				
Fees	1,478	1,344	575	460
Other remuneration	4,352	4,735	3,899	4,138
Bonuses	480	—	—	—
Benefits-in-kind				
– arising from exercise of share options	17,904	2,640	17,904	—
– others	65	58	65	58
	24,279	8,777	22,443	4,656
Past Director:				
Benefits-in-kind	15	15	15	15
	15	15	15	15
Directors of subsidiary companies:				
Executive Directors:				
Fees	121	151	—	—
Salary and other remuneration, including meeting allowances	2,086	2,134	—	—
Bonuses	977	928	—	—
Benefits-in-kind				
– arising from exercise of share options	1,406	—	—	—
– others	139	127	—	—
	4,729	3,340	—	—

32. DIRECTORS' REMUNERATION (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Non-Executive Directors:				
Fees	110	133	—	—
Benefits-in-kind				
– arising from exercise of share options	330	—	—	—
	440	133	—	—
Grand Total	38,053	18,408	30,565	10,422
Total (excluding benefits-in-kind)	14,323	13,084	8,710	7,865

Included in the remuneration of the Executive Directors is the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounting to RM5,184,383 (2003 – RM3,367,106).

The number of Directors of the Bank whose total remuneration including benefits-in-kind for the financial year which fall within the required disclosure bands is as follows:

	Number of Directors	
	2004	2003
Executive Directors		
RM2,350,001 – RM2,400,000	—	1
RM2,900,001 – RM2,950,000 (a)	1	—
RM3,350,001 – RM3,400,000	—	1
RM5,150,001 – RM5,200,000 (b)	1	—
<i>Of which relating to benefits-in-kind from the exercise of share options</i>		
RM900,001 – RM950,000	—	1
RM1,000,001 – RM1,050,000 (a)	1	—
RM1,550,001 – RM1,600,000	—	1
RM2,800,001 – RM2,850,000 (b)	1	—

32. DIRECTORS' REMUNERATION (continued)

	Number of Directors	
	2004	2003
Non-Executive Directors		
RM100,001 – RM150,000	1	5
RM250,001 – RM300,000 (c)	1	—
RM350,001 – RM400,000	—	1
RM3,650,001 – RM3,700,000	—	1
RM850,001 – RM900,000 (d)	2	—
RM1,000,001 – RM1,050,000 (e)	1	—
RM1,150,001 – RM1,200,000 (f)	1	—
RM18,000,001 – RM18,050,000 (g)	1	—
<i>Of which relating to benefits-in-kind from the exercise of share options</i>		
RM100,001 – RM150,000 (c)	1	—
RM650,001 – RM700,000 (e)	1	—
RM700,001 – RM750,000 (d)	2	—
RM1,000,001 – RM1,050,000 (f)	1	—
RM14,600,001 – RM14,650,000 (g)	1	—

33. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group		Bank	
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful debts and financing:				
– general allowance (net)	69,097	130,537	375,887	78,917
– specific allowance	354,006	492,544	149,378	157,402
– specific allowance written back	(69,267)	(118,783)	(24,811)	(81,004)
Net write back of allowance in share broking activities	(688)	(3,687)	—	—
Bad debts and financing written off	1,131	1,144	1,105	1,144
Bad debts and financing recovered	(83,245)	(62,600)	(47,863)	(37,116)
	271,034	439,155	453,696	119,343

34. TAX EXPENSE AND ZAKAT

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian income tax	502,696	401,418	785,191	385,190
Overseas income tax	39,835	20,468	881	280
	542,531	421,886	786,072	385,470
(Over)/Under provision in prior years				
– Malaysian income tax	(4,145)	(4,102)	—	—
– Overseas income tax	836	(857)	—	(773)
	539,222	416,927	786,072	384,697
Share of tax expense of associated companies	1,024	1,039	—	—
	540,246	417,966	786,072	384,697
Deferred tax expense				
– Origination and reversal of temporary differences (Note 10)	(31,710)	(61,929)	(108,647)	(34,078)
Tax expense	508,536	356,037	677,425	350,619
Zakat	75	92	75	60
	508,611	356,129	677,500	350,679

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2003 – 28%) on the estimated chargeable profit for the year. Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

34. TAX EXPENSE AND ZAKAT (continued)

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

		2004		2003
	%	RM'000	%	RM'000
Group				
Profit before tax expense		1,848,201		1,414,863
Income tax using Malaysian tax rate of 28% (2003 – 28%)	28.0	517,496	28.0	396,162
Effects of different tax rates in foreign jurisdictions	(1.4)	(27,067)	(1.5)	(20,844)
Income not subject to tax	(0.9)	(17,251)	(1.7)	(23,768)
Effects of utilisation of unrecognised tax losses	(0.7)	(12,166)	(0.9)	(13,236)
Expenses not deductible for tax purposes	2.8	50,833	1.6	22,682
	27.8	511,845	25.5	360,996
Over provision in prior years	(0.2)	(3,309)	(0.4)	(4,959)
Tax expense for the year	27.6	508,536	25.2	356,037
Bank				
Profit before tax expense		2,915,137		1,378,731
Income tax using Malaysian tax rate of 28% (2003 – 28%)	28.0	816,238	28.0	386,045
Income not subject to tax	(5.3)	(154,329)	(3.4)	(47,545)
Expenses not deductible for tax purposes	0.5	15,516	0.9	12,892
	23.2	677,425	25.5	351,392
Over provision in prior years	—	—	(0.1)	(773)
Tax expense for the year	23.2	677,425	25.4	350,619

35. EARNINGS PER SHARE (EPS)

(a) Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit for the financial year divided by the weighted average number of ordinary shares of RM1.00 in issued during the financial year excluding the weighted average treasury shares held by the Bank. The weighted average number of ordinary shares used in the previous financial year's EPS calculation have been adjusted for the effects of the share consolidation which was completed during the financial year for comparability purposes. The comparatives' net profit for the year have been restated as a result of change in accounting policies as set out in Note 44.

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Net profit for the year (RM'000)	1,266,988	974,186	2,237,637	1,028,052
'000				
Number of ordinary shares at beginning of the year	3,175,508	2,314,527	3,175,508	2,314,527
Effects of shares options exercised during the year	84,173	11,898	84,173	11,898
Effects of shares issued pursuant to share exchange	—	112,123	—	112,123
Effects of bonus issue	—	606,700	—	606,700
Effects of shares bought back and held as treasury shares	(42,127)	(344)	(42,127)	(344)
Weighted average number of ordinary shares in issue	3,217,554	3,044,904	3,217,554	3,044,904
Basic earnings per share (sen)	39.4	32.0	69.5	33.8

35. EARNINGS PER SHARE (EPS) (continued)**(b) Diluted Earnings Per Share**

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
'000				
Weighted average number of ordinary shares	3,217,554	3,044,904	3,217,554	3,044,904
Effects of share options	56,735	72,660	56,735	72,660
Adjusted weighted average number of ordinary shares in issue or issuable	3,274,289	3,117,564	3,274,289	3,117,564
Diluted earnings per share (sen)	38.7	31.2	68.3	33.0

36. DIVIDENDS

	Group and Bank	
	2004 RM'000	2003 RM'000
Dividends paid:		
Special dividend of 40.0%, (2003 – Nil) less 28% tax in respect of financial year ended 31 December 2004	937,610	—
Final dividend of 22.0%, less 28% tax in respect of financial year ended 31 December 2003	511,427	—
Final dividend of 18.0%, less 28% tax in respect of financial year ended 31 December 2002	—	299,987
	1,449,037	299,987

36. DIVIDENDS (continued)

A proposed special and a final dividend in respect of financial year ended 31 December 2004 of 15%, less 28% tax and 35%, less 28% tax, respectively amounting to approximately RM1,172.0 million based on the outstanding issued and paid-up capital of 3,255,589,924 ordinary shares of RM1.00 each, excluding treasury shares held by the Bank have been proposed by the Directors for shareholders' approval at the forthcoming Annual General Meeting. Consistent with treatment adopted in prior year, the financial statements for the current financial year do not recognise this proposed dividend as a liability. Such dividend, if approved by the shareholders, will be excluded from shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

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

	Gross per share		Net per share	
	2004	2003	2004	2003
	Sen	Sen	Sen	Sen
Dividends per RM1.00 share:				
Proposed:				
Special dividend of 15.0%, less 28% tax	15.0	—	10.8	—
Final dividend of 35.0%, less 28% tax	35.0	—	25.2	—
Final dividend of 22.0%, less 28% tax	—	22.0	—	15.8
Paid:				
Special dividend of 40.0%, less 28% tax	40.0	—	28.8	—
Total	90.0	22.0	64.8	15.8

37. RELATED PARTY TRANSACTIONS

Controlling related parties of the Bank are as follows:

- (i) Its subsidiary companies as disclosed in Note 11 to the financial statements; and
- (ii) A Director and substantial shareholder of the Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow.

37. RELATED PARTY TRANSACTIONS (continued)

(a) The significant transactions and outstanding balances of the Bank with its subsidiary companies are as follows:

	Bank	
	2004 RM'000	2003 RM'000
Income:		
Interest on loans, advances and financing	354,554	292,508
Dividend income	2,023,593	695,592
Rental income for computer time	—	36,788
Staff training recharged	2,987	3,884
Overhead expenses recharged	24,655	9,353
Commission income	4,587	2,721
Commitment fees and bank charges received	421	483
Rental income from premises	1,986	1,848
	2,412,783	1,043,177
Expenditure:		
Interest on deposits	185,175	108,031
Rental of premises	27,488	27,079
Brokerage commission	2,009	715
Corporate advisory fees	385	535
Commission on loans	2,638	4,883
Others	1,446	1,508
	219,141	142,751
Amount due from subsidiary companies:		
Interbank loans	2,997,455	12,366,247
Loans, advances and financing	207,787	187,664
Negotiable instruments of deposit	—	2,033,871
Demand deposits	—	44,410
Dividend receivable	150,108	94,516
Rental deposits	34,906	34,139
Interest receivable	3,273	22,002
Others	189,166	22,463
	3,582,695	14,805,312

37. RELATED PARTY TRANSACTIONS (continued)

	Bank	
	2004 RM'000	2003 RM'000
Amount due to subsidiary companies:		
Demand deposits	80,413	181,219
Short-term deposits	352,112	888,859
Interbank borrowings	2,340,159	4,899,756
Interest payable	3,309	2,854
Others*	289,679	249,589
	3,065,672	6,222,277

* This amount is mainly the balance payable to HHB Holdings Berhad arising from the transfer of the banking business of Hock Hua Bank Berhad to the Bank on 31 March 2001.

- (b) The significant transactions of the Bank and its subsidiary companies with the Directors of the Bank or with companies, excluding Lonpac Insurance Berhad in which certain Directors have substantial interest are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Expenditure:				
Interest paid on placements and deposits				
– to Directors of the Bank	11,610	7,105	11,396	5,861
– to companies in which certain Directors of the Bank have interest	900	876	839	708

37. RELATED PARTY TRANSACTIONS (continued)

The significant non-banking transactions of the Group and the Bank with Lonpac Insurance Berhad, in which Tan Sri Dato' Sri Dr. Teh Hong Piow is deemed to have a substantial interest, are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income:				
Commission income	11,669	10,062	11,579	5,547
Rental	1,703	1,364	159	12
Corporate advisory fees	69	30	—	—
Expenditure:				
Insurance premium	15,381	13,556	13,724	11,564
Interest expense	1,133	1,674	1,111	1,005
Dividend paid	33,905	7,874	33,905	7,874
Rental	294	—	294	—

The significant non-banking transactions of the Group and the Bank with the Group's retirement fund, Public Bank Group Officers' Retirement Benefits Fund ("the Fund"), are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Expenditure/(Income):				
Contribution to the Fund	14,338	9,987	11,526	8,168
Rental	8,880	8,204	8,857	7,760
Dividend paid	23,611	20,030	23,565	88
Brokerage income	(596)	(567)	—	—

All related party transactions are conducted at arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public.

38. 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 commitment and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposures of the Group and the Bank as at the end of financial year are as follows:

Group	2004		2003	
	Notional RM'000	Credit Equivalent RM'000	Notional RM'000	Credit Equivalent RM'000
Direct credit substitutes	864,582	864,582	877,307	877,307
Certain transaction-related contingent items	356,632	178,316	330,415	165,208
Short-term self-liquidating trade-related contingencies	549,886	109,977	509,270	101,854
Forward assets purchased	—	—	59,167	59,167
Obligations under underwriting agreements	45,850	22,925	30,000	15,000
Irrevocable commitments to extend credit:				
– maturity exceeding one year	4,086,615	2,043,308	2,992,405	1,496,202
– maturity not exceeding one year	8,342,491	—	6,845,794	—
Forward placements	—	—	38,490	—
Foreign exchange related contracts:				
– less than one year	3,445,413	50,731	1,144,020	17,603
– one year to less than five years	381,201	24,457	381,802	32,239
Interest rate related contracts:				
– less than one year	70,798	177	19,000	48
– one year to less than five years	638,209	19,918	190,000	4,180
– five years and above	999,000	73,076	828,704	53,671
	19,780,677	3,387,467	14,246,374	2,822,479

38. COMMITMENTS AND CONTINGENCIES (continued)

Bank	2004		2003	
	Notional RM'000	Credit Equivalent RM'000	Notional RM'000	Credit Equivalent RM'000
Direct credit substitutes	861,544	861,544	864,323	864,323
Certain transaction-related contingent items	348,568	174,284	323,830	161,915
Short-term self-liquidating trade-related contingencies	474,999	95,000	447,197	89,439
Forward assets purchased	—	—	59,167	59,167
Obligations under underwriting agreements	30,000	15,000	20,000	10,000
Irrevocable commitments to extend credit:				
– maturity exceeding one year	4,085,883	2,042,942	2,236,504	1,118,252
– maturity not exceeding one year	8,218,756	—	6,753,187	—
Foreign exchange related contracts:				
– less than one year	3,445,413	50,731	1,144,020	17,603
– one year to less than five years	381,201	24,457	381,802	32,239
Interest rate related contracts:				
– less than one year	70,798	177	19,000	48
– one year to less than five years	638,175	19,915	190,000	4,180
– five years and above	980,000	71,936	809,704	52,341
	19,535,337	3,355,986	13,248,734	2,409,507

The Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its wholly owned subsidiary, Public Bank (L) Ltd., arising from its offshore banking business in the Federal Territory of Labuan.

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Foreign exchange related contracts				
– Forward contracts	895,707	314,888	895,707	314,888
– Cross currency interest rate swaps	2,930,907	1,210,934	2,930,907	1,210,934
Interest rate related contracts				
– Swaps	1,708,007	1,037,704	1,688,973	1,018,704
	5,534,621	2,563,526	5,515,587	2,544,526

38. COMMITMENTS AND CONTINGENCIES (continued)

The foreign exchange related contracts and interest rate related contracts are subject to market risk and credit risk.

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2004, the amount of contracts which were not hedged in the Group and in the Bank and, hence, exposed to market risk was RM1,377,179,000 (2003 – RM162,071,000) and RM1,377,179,000 (2003 – RM162,071,000) respectively.

Credit Risk

Credit risk arises from the possibility that a counter party may be unable to meet the terms of a contract in which the Group or the Bank has a gain in a contract. As at 31 December 2004, the amounts of credit risk in the Group and in the Bank, measured in terms of the cost to replace the profitable contracts, was RM11,502,000 (2003 – RM7,659,000) and RM11,502,000 (2003 – RM7,659,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

39. FINANCIAL RISK MANAGEMENT POLICIES

The guidelines and policies adopted by the Group and the Bank to manage the following risks that arise in the conduct of the business activities are as follows:

(a) Operational Risk

Operational risk is the potential loss which would result from inadequate or failed internal processes, people and systems and is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management and the Board.

The operational risk management processes include appropriate documentation of processes and procedures. Back-up procedures, regular contingency planning, self-compliance audit and internal audits also form an integral part of the operational risk management processes.

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(b) Credit Risk

Credit risk is the potential loss of revenue and principal losses in the form of specific allowances as a result of defaults by the borrowers or counter parties through its lending, hedging, trading and investing activities.

The primary exposure to credit risk arises through its loans, advances and financing. The amount of credit exposure in this area is represented by the carrying amounts of the assets in the balance sheet. The lending activities are guided by the Credit Policy which has been established to ensure that the overall objectives in the area of lending are achieved i.e. the loans portfolio is strong and healthy and credit risks are well diversified. The Credit Policy documents the lending policy, collateral policy and credit approval processes including an internal grading system known as the Credit Risk Rating.

Credit exposure also arises from financial transactions with counter parties including interbank market activities, derivative instruments used for hedging and debt instruments of which the amount of credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. This exposure is monitored on an on-going basis against predetermined counter party limits.

The credit exposure arising from off-balance sheet activities i.e. commitments and contingencies are explained in Note 38.

(c) Market Risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the three key components being foreign currency exchange risk, interest rate risk and equity risk.

Market risk arising from trading activities is controlled by mark-to-market of trading positions against their predetermined market risk limits.

(i) Foreign Currency Exchange Risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. Foreign currency exchange open positions are monitored against predetermined position limits and cut-loss limits.

(ii) Interest Rate Risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavourable interest rate movement is monitored against the risk tolerance limits set.

The effects of changes in the levels of interest rates on the market value of investment and dealing securities are monitored closely and mark-to-market valuations are regularly reported to management.

(iii) Equity Risk

Equity risk refers to the adverse movements in the price of equities on the equity positions taken from time to time. Equity positions are monitored against predetermined cut-loss limits.

39. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(d) Liquidity Risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity risk is controlled through the Bank Negara Malaysia New Liquidity Framework and the internal liquidity risk management policy.

In addition, liquidity contingency funding plan is also established to ensure that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risk that may arise due to unforeseen adverse changes in the market place.

40. INTEREST RATE RISK

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

Group	Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	over 5 years	Non- interest sensitive	Total	Effective interest rate
2004	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	19,121,121	—	—	—	—	—	548,884	19,670,005	2.68
Deposits and placements with banks and other financial institutions	745	1,243,558	184,800	31,206	—	—	—	1,460,309	2.64
Securities purchased under resale agreements	347,700	1,147,738	—	—	—	—	—	1,495,438	2.79
Dealing securities	1,838,341	534,735	406,963	373,622	2,556,281	948,968	(13,319)	6,645,591	3.49
Investment securities	12,406	112,162	120,226	53,809	802,185	113,381	1,218,679	2,432,848	3.20
Loans, advances and financing									
– performing	24,434,545	2,761,239	3,012,642	5,961,853	15,339,420	3,892,539	—	55,402,238	6.96
– non-performing *	—	—	—	—	—	—	316,491	316,491	—
Other non-interest sensitive balances	—	—	—	—	—	—	4,664,474	4,664,474	—
TOTAL ASSETS	45,754,858	5,799,432	3,724,631	6,420,490	18,697,886	4,954,888	6,735,209	92,087,394	

40. INTEREST RATE RISK (continued)

Group 2004	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	36,612,072	12,501,026	6,691,772	8,022,790	336,916	5,258	8,076,469	72,246,303	2.63
Deposits and placements of banks and other financial institutions	1,969,618	439,163	431,315	—	—	—	118,385	2,958,481	2.38
Obligations on securities sold under repurchase agreements	3,253,431	5,000	—	—	—	—	—	3,258,431	2.64
Bills and acceptances payable	431,285	74,717	—	—	—	—	754,990	1,260,992	2.85
Recourse obligations on loans sold to Cagamas	291,747	5,674	8,511	15,270	25,011	—	—	346,213	4.00
Subordinated notes	1,323,014	—	—	—	—	—	—	1,323,014	3.44
Other non-interest sensitive balances	—	—	—	—	—	—	1,755,114	1,755,114	—
Total Liabilities	43,881,167	13,025,580	7,131,598	8,038,060	361,927	5,258	10,704,958	83,148,548	
Shareholders' equity	—	—	—	—	—	—	8,570,735	8,570,735	
Minority interests	—	—	—	—	—	—	368,111	368,111	
Total Liabilities and Shareholders' Equity	43,881,167	13,025,580	7,131,598	8,038,060	361,927	5,258	19,643,804	92,087,394	
On-balance sheet interest sensitivity gap	1,873,691	(7,226,148)	(3,406,967)	(1,617,570)	18,335,959	4,949,630	(12,908,595)		
Off-balance interest sensitivity gap (interest rate swaps)	577,200	902,807	228,000	(70,798)	(638,209)	(999,000)	—		
Total interest sensitivity gap	2,450,891	(6,323,341)	(3,178,967)	(1,688,368)	17,697,750	3,950,630	(12,908,595)		

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from the outstanding gross non-performing loans.

40. INTEREST RATE RISK (continued)

Group 2003	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
ASSETS									
Cash and short-term funds	7,357,940	—	—	—	—	—	612,888	7,970,828	2.79
Deposits and placements with banks and other financial institutions	2,738	554,478	202,804	50,579	8,486	—	—	819,085	3.10
Dealing securities	10,011	374,210	267,297	161,831	92,410	—	15,983	921,742	3.13
Investment securities	39,057	337,581	977,827	460,383	1,364,301	966,907	912,499	5,058,555	3.10
Loans, advances and financing									
– performing	21,661,355	2,670,289	2,177,551	3,196,923	12,010,627	3,245,707	—	44,962,452	7.49
– non-performing *	—	—	—	—	—	—	577,173	577,173	—
Other non-interest sensitive balances	—	—	—	—	—	—	4,267,405	4,267,405	—
TOTAL ASSETS	29,071,101	3,936,558	3,625,479	3,869,716	13,475,824	4,212,614	6,385,948	64,577,240	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	25,066,845	6,876,635	4,353,373	6,629,679	413,890	8,783	6,868,053	50,217,258	2.97
Deposits and placements of banks and other financial institutions	1,094,344	609,932	—	—	—	—	75,058	1,779,334	2.07
Obligations on securities sold under repurchase agreements	425,562	—	—	—	—	—	—	425,562	2.32
Bills and acceptances payable	355,246	148,676	—	—	—	—	707,166	1,211,088	2.89
Recourse obligations on loans sold to Cagamas	88,431	20,620	24,538	43,432	307,566	—	—	484,587	4.72
Other non-interest sensitive balances	—	—	—	—	—	—	1,263,964	1,263,964	—
Total Liabilities	27,030,428	7,655,863	4,377,911	6,673,111	721,456	8,783	8,914,241	55,381,793	
Shareholders' equity	—	—	—	—	—	—	8,617,795	8,617,795	—
Minority interests	—	—	—	—	—	—	577,652	577,652	—
Total Liabilities and Shareholders' Equity	27,030,428	7,655,863	4,377,911	6,673,111	721,456	8,783	18,109,688	64,577,240	

40. INTEREST RATE RISK (continued)

Group 2003	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
On-balance sheet									
interest sensitivity gap	2,040,673	(3,719,305)	(752,432)	(2,803,395)	12,754,368	4,203,831	(11,723,740)		
Off-balance interest									
sensitivity gap									
(interest rate swaps)	266,000	600,704	171,000	(19,000)	(190,000)	(828,704)	—		
Total interest									
sensitivity gap	2,306,673	(3,118,601)	(581,432)	(2,822,395)	12,564,368	3,375,127	(11,723,740)		

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from the outstanding gross non-performing loans.

Bank 2004	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
ASSETS									
Cash and short-term funds	19,383,268	—	—	—	—	—	509,968	19,893,236	2.68
Deposits and placements with banks and other financial institutions	—	1,497,127	76,000	—	—	—	—	1,573,127	2.43
Securities purchased under resale agreements	147,393	831,159	—	—	—	—	—	978,552	2.81
Dealing securities	1,829,764	534,735	406,784	298,794	2,122,393	—	—	5,192,470	3.00
Investment securities	12,406	1,119	29,928	53,809	496,710	35,899	1,110,200	1,740,071	3.23
Loans, advances and financing									
– performing	23,918,520	2,492,233	2,760,319	5,621,241	14,853,258	3,846,623	—	53,492,194	6.47
– non-performing *	—	—	—	—	—	—	363,918	363,918	
Other non-interest sensitive balances	—	—	—	—	—	—	5,621,886	5,621,886	
TOTAL ASSETS	45,291,351	5,356,373	3,273,031	5,973,844	17,472,361	3,882,522	7,605,972	88,855,454	

40. INTEREST RATE RISK (continued)

Bank 2004	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	33,297,789	11,817,049	6,522,672	8,328,859	329,963	5,258	7,964,049	68,265,639	2.67
Deposits and placements of banks and other financial institutions	3,696,546	493,890	471,200	—	—	—	104,094	4,765,730	2.61
Obligations on securities sold under repurchase agreements	3,013,317	5,000	—	—	—	—	—	3,018,317	2.64
Bills and acceptances payable	431,285	74,717	—	—	—	—	752,915	1,258,917	2.85
Recourse obligations on loans sold to Cagamas	291,747	5,674	8,511	15,270	25,011	—	—	346,213	4.00
Subordinated notes	1,323,014	—	—	—	—	—	—	1,323,014	3.44
Other non-interest sensitive balances	—	—	—	—	—	—	1,470,136	1,470,136	
Total Liabilities	42,053,698	12,396,330	7,002,383	8,344,129	354,974	5,258	10,291,194	80,447,966	
Shareholders' equity	—	—	—	—	—	—	8,407,488	8,407,488	
Total Liabilities and Shareholders' Equity	42,053,698	12,396,330	7,002,383	8,344,129	354,974	5,258	18,698,682	88,855,454	
On-balance sheet interest sensitivity gap	3,237,653	(7,039,957)	(3,729,352)	(2,370,285)	17,117,387	3,877,264	(11,092,710)		
Off-balance interest sensitivity gap (interest rate swaps)	444,200	850,975	57,000	(70,798)	(358,377)	(923,000)	—		
Total interest sensitivity gap	3,681,853	(6,188,982)	(3,672,352)	(2,441,083)	16,759,010	2,954,264	(11,092,710)		

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from the outstanding gross non-performing loans.

40. INTEREST RATE RISK (continued)

Bank 2003	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Total RM'000	Effective interest rate %
ASSETS									
Cash and short-term funds	10,973,732	—	—	—	—	—	524,978	11,498,710	2.85
Deposits and placements with banks and other financial institutions	—	6,164,508	168,000	—	—	—	—	6,332,508	2.97
Dealing securities	10,011	2,383,776	257,265	161,831	51,799	—	—	2,864,682	2.91
Investment securities	38,818	327,366	861,509	453,022	1,222,852	771,101	812,065	4,486,733	3.10
Loans, advances and financing									
– performing	18,773,085	1,739,492	1,026,171	1,133,895	2,546,779	1,665,096	—	26,884,518	6.40
– non-performing *	—	—	—	—	—	—	381,595	381,595	—
Other non-interest sensitive balances	—	—	—	—	—	—	5,513,525	5,513,525	—
TOTAL ASSETS	29,795,646	10,615,142	2,312,945	1,748,748	3,821,430	2,436,197	7,232,163	57,962,271	
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits from customers	20,663,284	4,798,689	3,058,621	5,093,526	650,734	8,783	6,847,092	41,120,729	2.71
Deposits and placements of banks and other financial institutions	5,899,503	609,932	45,600	—	—	—	73,547	6,628,582	2.62
Obligations on securities sold under repurchase agreements	451,992	—	—	—	—	—	—	451,992	2.30
Bills and acceptances payable	355,246	148,676	—	—	—	—	705,228	1,209,150	2.89
Recourse obligations on loans sold to Cagamas	83,305	10,313	8,936	11,714	27,216	—	—	141,484	3.74
Other non-interest sensitive balances	—	—	—	—	—	—	927,783	927,783	—
Total Liabilities	27,453,330	5,567,610	3,113,157	5,105,240	677,950	8,783	8,553,650	50,479,720	
Shareholders' equity	—	—	—	—	—	—	7,482,551	7,482,551	—
Total Liabilities and Shareholders' Equity	27,453,330	5,567,610	3,113,157	5,105,240	677,950	8,783	16,036,201	57,962,271	

40. INTEREST RATE RISK (continued)

Bank	Up to 1 month	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	over 5 years	Non- interest sensitive	Total	Effective interest rate %
2003	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
On-balance sheet									
interest sensitivity gap	2,342,316	5,047,532	(800,212)	(3,356,492)	3,143,480	2,427,414	(8,804,038)		
Off-balance interest									
sensitivity gap									
(interest rate swaps)	266,000	600,704	152,000	(19,000)	(190,000)	(809,704)	—		
Total interest									
sensitivity gap	2,608,316	5,648,236	(648,212)	(3,375,492)	2,953,480	1,617,710	(8,804,038)		

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from the outstanding gross non-performing loans.

41. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities of the Group and the Bank carried on the balance sheet date approximated their fair values except for the followings:

Recognised financial instruments

Group	2004		2003	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
Cash and short-term funds	19,670,005	19,670,005	7,970,828	7,970,828
Deposits and placements with banks and other financial institutions	1,460,309	1,460,309	819,085	819,085
Securities purchased under resale agreements	1,495,438	1,495,438	—	—
Dealing securities	6,645,591	6,680,365	921,742	923,025
Investment securities	2,432,848	2,438,220	5,058,555	5,065,629
*Loans, advances and financing	56,614,562	57,400,210	46,366,517	47,457,002

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

Group	2004		2003	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial liabilities				
Deposits from customers	72,246,303	72,245,886	50,217,258	50,221,044
Deposits and placements of banks and other financial institutions	2,958,481	2,958,481	1,779,334	1,779,334
Obligations on securities sold under repurchase agreements	3,258,431	3,258,431	425,562	425,562
Bills and acceptances payable	1,260,992	1,260,992	1,211,088	1,211,088
Recourse obligations on loans sold to Cagamas	346,213	346,346	484,587	480,272
Subordinated notes	1,323,014	1,342,408	—	—
Bank				
Financial assets				
Cash and short-term funds	19,893,236	19,893,236	11,498,710	11,498,710
Deposits and placements with banks and other financial institutions	1,573,127	1,573,127	6,332,508	6,332,508
Securities purchased under resale agreements	978,552	978,552	—	—
Dealing securities	5,192,470	5,194,652	2,864,682	2,865,207
Investment securities	1,740,071	1,736,161	4,486,733	4,522,534
*Loans, advances and financing	54,677,430	55,482,229	27,711,552	27,729,946
Financial liabilities				
Deposits from customers	68,265,639	68,265,125	41,120,729	41,139,214
Deposits and placements of banks and other financial institutions	4,765,730	4,765,730	6,628,582	6,628,582
Obligations on securities sold under repurchase agreements	3,018,317	3,018,317	451,992	451,992
Bills and acceptances payable	1,258,917	1,258,917	1,209,150	1,209,150
Recourse obligations on loans sold to Cagamas	346,213	346,346	141,484	140,972
Subordinated notes	1,323,014	1,342,408	—	—

* The general allowance of the Group and the Bank of RM895,833,000 (2003 – RM826,892,000) and RM821,318,000 (2003 – RM445,439,000) respectively, is not included in the carrying amounts.

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

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

- (a) **Cash and Short-Term Funds** – The carrying amounts are a reasonable estimate of the fair values because of their short-term nature.
- (b) **Deposits and Placements with Banks and Other Financial Institutions** – The fair values of deposits and placements with remaining maturities less than one year are estimated to approximate their carrying amounts. For deposits and placements with maturities of more than one year, the fair values are estimated based on discounted cash flows using the prevailing market rates for placements of similar remaining maturities at balance sheet date.
- (c) **Dealing and Investment Securities** – The fair values are estimated based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using the prevailing market rates for similar instruments at balance sheet date.
- (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 and Islamic loans with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment and discounted at prevailing rates at balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. In respect of non-performing loans, the fair values are deemed to approximate the carrying amounts, net of interest/income-in-suspense and specific allowance for bad and doubtful debts and financing.
- (e) **Deposits and Placements from Customers, of Banks and Other Financial Institutions** – The fair values of deposit liabilities payable on demand (demand and savings deposits) or deposits with remaining maturities of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on discounted cash flows using prevailing rates offered for deposits of similar remaining maturities. 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. For negotiable instruments of deposit, the estimated fair values are based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair values of negotiable instruments of deposit are estimated using discounted cash flow technique.
- (f) **Subordinated Notes** – The fair value of the subordinated notes is estimated based on quoted market prices of the subordinated notes net of the gains or losses arising from the mark-to-market of the interest rate swap contracts used to hedge the subordinated notes.
- (g) **Obligations on Securities Sold under Repurchase Agreements and Bills and Acceptances Payable** – The carrying amounts are a reasonable estimate of their fair values because of their short-term nature.
- (h) **Recourse Obligations on Loans Sold to Cagamas** – The fair values for recourse obligation on loans sold to Cagamas are determined based on the discounted cash flows of future instalments at prevailing Cagamas rates at balance sheet date.

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

Unrecognised financial instruments

The fair values of unrecognised financial instruments comprising of interest rate swaps contracts used to hedge the investment securities and subordinated notes are included in the fair values of the investment securities and subordinated notes.

42. OPERATING LEASES

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 RM'000	Bank RM'000
Within one year	9,709	1,889
Between one and five years	4,003	1,021
More than five years	202	—
	13,914	2,910

43. CAPITAL AND OTHER COMMITMENTS

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Capital expenditure:				
Authorised and contracted for	20,035	23,060	15,921	21,880
Authorised but not contracted for	8,262	17,212	1,176	5,446
	28,297	40,272	17,097	27,326
Uncalled share capital of:				
Associated company	60	60	30	30
Subsidiary company	—	—	—	150
	28,357	40,332	17,127	27,506

44. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

Changes in Accounting Policies

During the financial year, the Group and the Bank adopted the 3-month classification for non-performing loans instead of the 6-month classification in previous years and the change in method of assigning of collateral values to certain categories of non-performing loans in the current year's financial statements. The adoption of these have resulted in changes in accounting policies which has been applied retrospectively and accordingly, comparatives have been restated.

Prior Year Adjustments

The change in accounting policies described above were applied retrospectively and has the following impact on retained profits and results:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Effects on retained profits:				
At 1 January, as previously stated	1,819,978	1,919,001	1,216,707	1,182,712
Effects of adopting the 3-month classification for non-performing loans	(13,354)	(9,918)	(8,962)	(6,137)
Effects of change in method of assigning of collateral values to certain non-performing loans	(44,532)	(19,016)	(35,427)	(16,313)
	(57,886)	(28,934)	(44,389)	(22,450)
At 1 January, as restated	1,762,092	1,890,067	1,172,318	1,160,262
Effects on net profit for the year:				
Net profit before changes in accounting policies	1,277,729	1,003,138	2,237,343	1,049,991
Effects of adopting the 3-month classification for non-performing loans	—	(3,436)	—	(2,825)
Effects of change in method of assigning of collateral values to certain non-performing loans	(10,741)	(25,516)	294	(19,114)
	(10,741)	(28,952)	294	(21,939)
Net profit for the year	1,266,988	974,186	2,237,637	1,028,052

44. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)**Comparative Figures**

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except the following comparative figures which have been restated as a result of the change in accounting policies, which are as follows:

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
(a) Balance sheets as at 31 December 2003				
Loans, advances and financing	45,539,625	45,620,024	27,266,113	27,327,764
Deferred tax assets	251,844	234,526	116,455	102,678
Provision for tax expense and zakat	115,335	120,530	94,462	97,947
Reserves	5,078,155	5,136,041	3,942,911	3,987,300
(b) Income statements for year ended 31 December 2003				
Operating revenue	4,318,113	4,322,885	2,556,186	2,560,110
Interest income	3,349,840	3,354,215	2,097,575	2,101,499
Allowance for losses on loans, advances and financing	(439,155)	(403,714)	(119,343)	(92,796)
Profit before tax expense and zakat	1,414,863	1,455,076	1,378,731	1,409,202
Tax expenses and zakat	(356,129)	(367,390)	(350,679)	(359,211)
Net profit for the year	974,186	1,003,138	1,028,052	1,049,991

The following comparatives have been restated to conform with current year's presentation:

	Group		Bank	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
(a) Note 6				
Investment securities				
Quoted securities:				
Shares and convertible loan stocks	88,324	60,841	na	na
Private debt securities	—	27,483	na	na
(b) Note 30				
Non-interest income				
Investment and dealing income:				
Gross dividends from investment securities:				
– quoted in Malaysia	14,953	740	11,510	368
– unquoted	10,921	25,134	8,853	19,995

na: denotes not applicable

45. CAPITAL ADEQUACY

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

	Group		Bank	
	2004	2003	2004	2003
Before deducting proposed dividends*:				
Core capital ratio	13.9%	17.5%	13.8%	15.0%
Risk-weighted capital ratio	17.9%	19.3%	15.3%	15.0%
After deducting proposed dividends:				
Core capital ratio	11.8%	16.4%	11.6%	13.4%
Risk-weighted capital ratio	15.8%	18.2%	13.1%	13.4%

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Components of Tier I and Tier II capital:				
Tier I capital				
Paid-up share capital	3,355,767	3,206,600	3,355,767	3,206,600
Share premium	1,347,084	928,433	1,347,084	928,433
Other reserves	4,469,325	4,652,722	4,374,863	3,592,048
Treasury shares	(601,441)	(169,960)	(601,441)	(169,960)
Minority interests	368,111	577,652	—	—
Less: Goodwill	(811,399)	(818,304)	(738,356)	(338,756)
Less: Deferred tax assets, net	(283,542)	(251,844)	(223,486)	(116,455)
Total Tier I capital	7,843,905	8,125,299	7,514,431	7,101,910
Tier II capital				
General allowance for bad and doubtful debts	930,994	830,266	862,723	455,059
Subordinated notes	1,323,014	—	1,323,014	—
Total Tier II capital	2,254,008	830,266	2,185,737	455,059
Total capital	10,097,913	8,955,565	9,700,168	7,556,969
Less: Investment in subsidiary companies	—	—	(1,365,364)	(2,963,081)
Capital base	10,097,913	8,955,565	8,334,804	4,593,888

45. CAPITAL ADEQUACY (continued)

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

Group	2004		2003	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
0%	23,189,629	—	10,740,217	—
10%	1,574,190	157,419	1,780,696	178,070
20%	8,705,124	1,741,025	3,873,314	774,663
50%	14,360,910	7,180,455	11,130,562	5,565,281
100%	47,475,174	47,475,174	39,942,543	39,942,543
	95,305,027	56,554,073	67,467,332	46,460,557

The components of the capital base and risk-weighted assets of the Group above comprise the consolidated balances of the Bank and its subsidiary companies.

Bank	2004		2003	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
0%	20,666,531	—	7,320,720	—
10%	1,543,940	154,394	1,628,159	162,816
20%	9,164,906	1,832,981	17,251,672	3,450,334
50%	14,324,995	7,162,498	9,108,868	4,554,434
100%	45,379,639	45,379,639	22,456,907	22,456,907
	91,080,011	54,529,512	57,766,326	30,624,491

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

46. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

The primary format, business segments, is prepared based on internal financial reporting system to reflect the Group's management reporting structure. The amounts for each business segment are shown after the allocation of certain centralised costs, funding income and the application of transfer pricing, where appropriate. Inter-segment pricing is determined on a negotiated basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise of Head Office assets, payables and expenses to support the operating business segments.

Segmental capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

(a) By Business Segments:

The Group comprises the following main business segments:

(i) Retail Operations

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

(ii) Corporate Lending

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

(iii) 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 and debt restructuring advisory services.

(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) Share Broking and Fund Management

The share broking operations is carried out by PB Securities Sdn Bhd and the fund management operations is conducted by Public Mutual Berhad.

46. SEGMENT INFORMATION (continued)

(a) By Business Segments

2004	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Share Broking and Fund Management RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
External revenue	3,787,524	230,242	705,116	90,046	228,472	3,940	—	5,045,340
Revenue from other segments	488,790	—	231,228	—	—	—	(720,018)	—
Total revenue	4,276,314	230,242	936,344	90,046	228,472	3,940	(720,018)	5,045,340
Segment results	1,545,816	108,044	243,731	16,944	97,981	9,320	—	2,021,836
Unallocated expenses								(131,738)
Amortisation of goodwill/ intangible asset								(45,710)
Profit from operations								1,844,388
Share of results of associated companies								3,813
Profit before tax expense								1,848,201
Tax expense and zakat								(508,611)
Minority interests								(72,602)
Net profit for the year								1,266,988
Other information:								
Segment assets	53,772,127	5,888,106	27,243,495	2,852,410	638,859	219,062	—	90,614,059
Investment in associated companies								45,936
Unallocated assets								616,000
Goodwill/intangible asset								811,399
Total assets								92,087,394

46. SEGMENT INFORMATION (continued)

(a) By Business Segments

2004	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Share Broking and Fund Management RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
Segment liabilities	50,862,737	6,602,542	22,897,273	1,713,187	353,250	3,190	—	82,432,179
Unallocated liabilities								716,369
Total liabilities								83,148,548
Other segment items:								
Capital expenditure	81,409	4,688	4,459	251	3,526	8,022	—	102,355
Depreciation and impairment losses on property and equipment	66,626	1,266	462	119	5,661	25,713	—	99,847
Amortisation of goodwill/ intangible asset	—	—	—	—	350	45,360	—	45,710
Other non-cash (income)/ expenses	397,208	15,757	(22,724)	—	—	—	—	390,241
2003								
External revenue	3,342,335	212,524	514,153	72,342	173,020	3,739	—	4,318,113
Revenue from other segments	476,903	—	158,222	—	—	—	(635,125)	—
Total revenue	3,819,238	212,524	672,375	72,342	173,020	3,739	(635,125)	4,318,113
Segment results	1,130,933	99,354	184,640	16,018	82,164	1,978	—	1,515,087
Unallocated expenses								(109,568)
Amortisation of goodwill net of negative goodwill recognised								5,261
Profit from operations								1,410,780
Share of profit of associated companies								4,083
Profit before tax expense								1,414,863
Tax expense and zakat								(356,129)
Minority interests								(84,548)
Net profit for the year								974,186

46. SEGMENT INFORMATION (continued)

(a) By Business Segments

2003	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Share Broking and Fund Management RM'000	Others RM'000	Inter- segment Elimination RM'000	Total RM'000
Other information:								
Segment assets	43,913,264	3,676,590	12,943,443	1,826,153	501,097	219,059	—	63,079,606
Investment in associated companies								47,438
Unallocated assets								631,892
Goodwill								818,304
Total assets								64,577,240
Segment liabilities	33,449,026	3,759,491	17,203,872	141,838	312,150	6,727	—	54,873,104
Unallocated liabilities								508,689
Total liabilities								55,381,793
Other segment items:								
Capital expenditure	95,928	56	5,863	30	7,107	20,411	—	129,395
Depreciation and impairment losses on property and equipment	51,645	673	301	117	7,255	33,795	—	93,786
Amortisation of goodwill net of negative goodwill recognised	—	—	—	—	—	5,261	—	5,261
Other non-cash (income)/expenses	533,959	19,206	9,561	—	—	—	—	562,726

46. SEGMENT INFORMATION (continued)

(b) By Geographical Locations

In presenting information on by geographical locations, segment revenue is based on geographical locations of customers. Segment assets are based on the geographical locations of assets.

	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Total Assets RM'000	Total Liabilities RM'000	Capital Expenditure RM'000
2004					
Malaysia	4,589,695	1,599,998	89,534,882	82,086,194	101,020
Overseas	455,645	248,203	2,552,512	1,062,354	1,335
Total	5,045,340	1,848,201	92,087,394	83,148,548	102,355
2003					
Malaysia	3,880,470	1,232,651	62,262,580	54,287,255	112,476
Overseas	437,643	182,212	2,314,660	1,094,538	16,919
Total	4,318,113	1,414,863	64,577,240	55,381,793	129,395

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

47. SUMMARY OF EFFECTS OF THE NET ASSETS TRANSFERRED FROM THE FINANCE COMPANY BUSINESS OF PUBLIC FINANCE BERHAD TO THE BANK

The value of the assets and liabilities of the finance company business of Public Finance Berhad which were transferred to the Bank as a result of merging of operations as described in Note 50(b) are as follows:

	RM'000
Cash and short-term funds	9,418,452
Deposits and placements with banks and other financial institutions	19,996
Investment securities	414,960
Loans, advances and financing	18,217,161
Other assets	89,592
Statutory deposits with Bank Negara Malaysia	653,100
Property and equipment	13,257
Deposits from customers	(8,899,603)
Deposits and placements of banks and other financial institutions	(17,473,190)
Recourse obligations on loans sold to Cagamas	(218,314)
Other liabilities	(138,076)
Deferred tax liabilities	(1,616)
Net assets acquired	2,095,719
Less: Cash and short-term funds	(9,418,452)
Net cash used in acquiring the net assets of the finance company business	(7,322,733)

48. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

49. RATING STATEMENT

As at 31 December 2004, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
Rating Agency Malaysia Berhad	7 July 2004 (Affirmed) 7 July 2004 (Affirmed)	Long-Term Rating : AAA Short-Term Rating : P1
Moody's Investors Services	16 December 2004 (Upgraded) 16 December 2004 (Upgraded) 4 June 2004 (Upgraded) 10 June 2004 (Assigned)	Long-Term Deposits Rating : A3 Short-Term Deposits Rating : Prime 1 Financial Strength : C Subordinated notes : Baa1
Standard & Poor's	7 June 2004 (Assigned) 7 June 2004 (Assigned) 10 June 2004 (Assigned)	Long-Term Rating : A – Short-Term Rating : A – 2 Subordinated notes : BBB+
Fitch IBCA Limited	27 June 2000 (Upgraded) 22 July 2003 (Revision Rating)	Individual Rating : B/C Support Rating : 2

50. SIGNIFICANT EVENTS

- (a) On 2 June 2004, the Bank completed the consolidation and division of its entire share capital into ordinary shares of par value of RM1.00 each from ordinary shares of par value of RM0.50 each;
- (b) Pursuant to the Vesting Order obtained by the Bank and Public Finance Berhad (“PFB”), and the granting of a licence to the Bank by Y.A.B. Minister of Finance to carry on finance company business with effect from 4 September 2004, the merger of the finance company business of PFB with the commercial banking business of the Bank was completed on 4 September 2004 by way of disposal by PFB of its entire finance company business to the Bank (“Disposal of PFB Business”).

The consideration for the Disposal of PFB Business was based on the net tangible asset value of the entire finance company business of PFB as at 4 September 2004 and was satisfied wholly in cash.

The completion of the Disposal of PFB Business has resulted in PFB's assets being wholly represented by cash. Practice Note 10/2001 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) states that a listed issuer whose assets on a consolidated basis consist of seventy percent (70%) or more of cash and/or short term investments would be deemed as having an inadequate level of operations pursuant to Paragraph 8.16 of the Listing Requirements of Bursa Securities.

On 14 October 2004, the entire issued and paid-up capital of PFB was delisted from the Official List of Bursa Securities pursuant to paragraph 16.09(c) (on De-listing by the Exchange) of the Listing Requirements of Bursa Securities.

50. SIGNIFICANT EVENTS (continued)

- (c) On 23 September 2004, HHB Holdings Berhad (“HHB”), a wholly owned subsidiary of PBB had entered into a Restructuring Agreement with PBB and Magna Segmen Sdn Bhd (“MSSB”) to undertake the following proposals:
- (i) the proposed capital reduction whereby the existing issued and paid-up share capital of HHB will be reduced to RM1,000 comprising 1,000 ordinary shares of RM1.00 each (“HHB Sale Shares”) and the share premium account of HHB will be cancelled in its entirety (“Proposed Capital Reduction”);
 - (ii) the proposed sub-division of the share capital of HHB whereby the ordinary shares of RM1.00 each in HHB after the completion of the Proposed Capital Reduction will be sub-divided into ordinary shares of RM0.25 each (“New HHB Shares”) (“Proposed Share Sub-division”);
 - (iii) the proposed acquisition of the entire issued and paid-up share capital of Sandakan Power Corporation Sdn Bhd (“SPC”) and SPC Energy Services Sdn Bhd (“SPCE”) by HHB from Bumiplus Sdn Bhd (“BSB”), Elmar (Malaysia) Sdn Bhd (“EMSB”) and MSSB for a total consideration of RM123,000,000 (“Proposed Acquisitions”);
 - (iv) the proposed offer for sale by MSSB of up to 58,000,000 New HHB Shares to the Malaysian Public and/or investors to be identified (“Proposed Offer for Sale”);
 - (v) the proposed public issue of 16,000,000 New HHB Shares to the Malaysian Public (“Proposed Public Issue”); and
 - (vi) the proposed listing of the New HHB Shares on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Proposed Listing”).

Upon the completion of the Proposed Capital Reduction, PBB being the sole shareholder of HHB, will dispose of its entire shareholding in HHB to MSSB (“Proposed Sale and Purchase of HHB Sale Shares”).

The Proposed Capital Reduction, Proposed Sale and Purchase of HHB Sale Shares, Proposed Share Sub-division, Proposed Acquisitions, Proposed Offer for Sale, Proposed Public Issue and Proposed Listing are collectively referred to as the “Proposals”.

Upon the completion of the Proposed Acquisitions, HHB will have a level of operations that is adequate to warrant continued trading and listing of HHB on the Main Board of Bursa Securities and HHB would comply with the requirements of Paragraph 8.16 (on “Level of operations”) of the Listing Requirements of Bursa Securities. The Proposed Offer for Sale and Proposed Public Issue are undertaken to ensure that HHB would comply with the requirements of Paragraph 8.15 (on “Compliance with shareholding spread requirement”) of the Listing Requirements of Bursa Securities. The completion of the Proposals would facilitate the lifting of suspension of the trading of shares in HHB on the Main Board of Bursa Securities and ensure that the listing status of HHB is maintained.

50. SIGNIFICANT EVENTS (continued)

The Proposals are conditional upon the following being obtained:

- (i) the approval of Securities Commission;
- (ii) the approval of the Foreign Investment Committee;
- (iii) the confirmation of the High Court of Malaya for the Capital Reduction;
- (iv) the receipt of the written approval of the Minister of Energy, Water and Communications by SPC or MSSB for MSSB, BSB and EMSB to dispose 10,000,000 ordinary shares of RM1.00 each in SPC, 10,000 ordinary shares of RM1.00 each in SPCE, and 8,023,000 Class B preference shares of RM1.00 each in SPC (collectively, "SPC Sale Shares") to HHB (if required);
- (v) the approval of the Ministry of International Trade and Industry for the recognition of Bumiputera shareholders pursuant to National Development Policy requirements;
- (vi) the receipt of the consent from the holders of the outstanding redeemable, secured fixed serial bonds and the discount commercial paper issued by MSSB of RM70,000,000 ("MSSB Debtholders") and from the holders of the outstanding secured serial bonds issued by SPC of RM30,000,000 ("SPC Debtholders") for the sale of the SPC Sale Shares to HHB;
- (vii) the receipt of the consent of MSSB Debtholders for the bank guarantee facility of RM13,500,000 ("BG") to be granted to MSSB and for the charge of the shares in MSSB held by MSSB's shareholders to a financial institution for the BG;
- (viii) the approval of the shareholder of HHB for the Proposals;
- (ix) the respective approvals of the shareholders of BSB, EMSB and MSSB for the proposed disposal of SPC Sale Shares;
- (x) the approval-in-principle of Bursa Securities for the listing and quotation of the New HHB Shares to be issued pursuant to the Proposals and the conversion of the 50,000,000 Redeemable Convertible Preference Shares of RM0.10 each to be issued by HHB on the Official List of Bursa Securities; and
- (xi) any other relevant authorities, if required.

As at the date of this report, none of the above approvals have been obtained.

The Proposed Capital Reduction and Proposed Sale and Purchase of HHB Sale Shares are inter-conditional. The Proposed Share Sub-division, Proposed Acquisitions, Proposed Offer for Sale, Proposed Public Issue and Proposed Listing are conditional upon the Proposed Capital Reduction and Proposed Sale and Purchase of HHB Sale Shares. The Proposed Offer for Sale, Proposed Public Issue and Proposed Listing are conditional upon the Proposed Acquisitions and Proposed Share Sub-division.

51. SUBSEQUENT EVENTS

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

52. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2004 and results for the financial year ended on this date under the Islamic Banking business of the Bank and its subsidiary company, Public Finance Berhad, included in the Group financial statements are summarised as follows:

Balance Sheets as at 31 December 2004

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
ASSETS					
Cash and short-term funds	(a)	204,385	316,052	204,385	1,286,815
Deposits and placements with banks and other financial institutions		—	—	—	450,000
Investment securities	(b)	127,503	157,464	127,503	157,464
Loans, advances and financing	(c)	6,179,167	5,805,126	6,179,167	1,392,133
Other assets	(d)	1,580,488	13,734	1,580,517	3,925
Statutory deposits with Bank Negara Malaysia		78,700	187,086	78,700	30,676
Deferred tax assets	(e)	38,273	35,212	38,273	12,957
Property and equipment		52	47	52	47
Total Assets		8,208,568	6,514,721	8,208,597	3,334,017
LIABILITIES AND ISLAMIC BANKING FUNDS					
Deposits from customers	(f)	3,491,355	3,036,984	3,491,355	2,430,443
Deposits and placements of banks and other financial institutions	(g)	3,585,613	2,152,368	3,585,613	103,358
Bills and acceptances payable		29,830	27,408	29,830	27,408
Other liabilities	(h)	40,737	119,775	40,737	96,474
Provision for tax expense and zakat	(j)	34,012	28,518	34,012	15,943
Total Liabilities		7,181,547	5,365,053	7,181,547	2,673,626
Islamic Banking Funds		1,027,021	1,149,668	1,027,050	660,391
Total Liabilities and Islamic Banking Funds		8,208,568	6,514,721	8,208,597	3,334,017
COMMITMENTS AND CONTINGENCIES					
	(o)	145,575	379,820	145,575	203,790

The accompanying notes form an integral part of the financial statements

52. ISLAMIC BANKING BUSINESS (continued)

Income Statements for the financial year ended 31 December 2004

	Note	Group		Bank	
		2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income from Islamic Banking business	(k)	380,384	296,411	225,632	97,946
Staff costs and overheads	(l)	(58,783)	(71,359)	(38,884)	(26,109)
Net income		321,601	225,052	186,748	71,837
Allowance for losses on loans and financing	(m)	(36,543)	(58,105)	(94,299)	(13,589)
Profit before tax expense and zakat		285,058	166,947	92,449	58,248
Tax expense and zakat	(n)	(80,051)	(44,852)	(25,797)	(14,381)
Profit after tax expense and zakat		205,007	122,095	66,652	43,867

The accompanying notes form an integral part of the financial statements

52. ISLAMIC BANKING BUSINESS (continued)**Statement of Changes in Islamic Banking Funds**

	Note	Capital Funds RM'000	Group Retained Profits RM'000	Total RM'000	Capital Funds RM'000	Bank Retained Profits RM'000	Total RM'000
At 1 January 2003							
As previously stated		324,140	203,858	527,998	24,133	92,391	116,524
Prior year adjustment	52(t)	—	(425)	(425)	—	—	—
		324,140	203,433	527,573	24,133	92,391	116,524
Funds allocated from Head Office		500,000	—	500,000	500,000	—	500,000
Net profit for the year (restated)		—	122,095	122,095	—	43,867	43,867
At 31 December 2003		824,140	325,528	1,149,668	524,133	136,258	660,391
Net profit for the year		—	205,007	205,007	—	66,652	66,652
Capital funds vested over from Public Finance Berhad		—	—	—	300,007	—	300,007
Retained profits transferred to Head Office		—	(327,654)	(327,654)	—	—	—
At 31 December 2004		824,140	202,881	1,027,021	824,140	202,910	1,027,050

The accompanying notes form an integral part of the financial statements

52. ISLAMIC BANKING BUSINESS (continued)

Cash Flow Statements for the year ended 31 December 2004

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from operating activities				
Profit before tax expense and zakat	285,058	166,947	92,449	58,248
Adjustments for:				
Depreciation	21	17	21	17
Allowance for bad and doubtful debts and financing	41,929	59,754	96,017	13,791
Write back of allowance for bad and doubtful debts and financing	(2,467)	(1,342)	(384)	(202)
Net interest income suspended	4,105	2,339	2,366	346
Gains from sale of investment securities	(3)	(172)	(3)	(172)
Dividends from investment securities	(4,557)	(4,108)	(4,557)	(4,107)
Profit Equalisation Reserves	1,862	19,017	8,862	12,017
Operating profit before working capital changes	325,948	242,452	194,771	79,938
(Increase)/Decrease in operating assets/liabilities:				
Deposits and placements with banks and other financial institutions	—	—	450,555	300,000
Loans, advances and financing	(417,608)	(2,206,527)	(485,191)	(521,740)
Statutory deposits with Bank Negara Malaysia	108,386	(58,422)	123,866	3,824
Other assets	(1,914,891)	21,729	(1,171,366)	30,141
Deposits from customers	454,371	(920,249)	529,150	(36,279)
Deposits and placements of banks and other financial institutions	1,433,245	1,981,780	(347,535)	103,320
Bills and acceptances payable	2,423	13,526	2,423	13,526
Other liabilities	(80,901)	73,565	(75,956)	73,159
Cash (used in)/generated from operations	(89,027)	(852,146)	(779,283)	45,889
Tax expense and zakat paid	(57,136)	(59,607)	(33,044)	(20,793)
Net cash (used in)/generated from operating activities	(146,163)	(911,753)	(812,327)	25,096

52. ISLAMIC BANKING BUSINESS (continued)

Cash Flow Statements for the year ended 31 December 2004

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Cash flows from investing activities				
Purchase of property and equipment	(25)	(10)	(25)	(10)
Dividends received from investment securities	4,557	4,108	4,557	4,107
Net sale of investment securities	29,964	62,132	29,964	7,229
Acquisition of finance company business, net of cash acquired	—	—	(304,599)	—
Net cash generated from/(used in) investing activities	34,496	66,230	(270,103)	11,326
Cash flows from financing activities				
Funds allocated from Head Office	—	500,000	—	500,000
Net cash generated from financing activities	—	500,000	—	500,000
Net (decrease)/increase in cash and cash equivalents	(111,667)	(345,523)	(1,082,430)	536,422
Cash and cash equivalents at beginning of year	316,052	661,575	1,286,815	750,393
Cash and cash equivalents at end of year	204,385	316,052	204,385	1,286,815

52. ISLAMIC BANKING BUSINESS (continued)

SUMMARY OF EFFECTS OF THE NET ASSETS TRANSFERRED FROM THE ISLAMIC FINANCING BUSINESS OF PUBLIC FINANCE BERHAD TO THE BANK

	RM'000
Cash and short-term funds	23,055
Deposits and placements with banks and other financial institutions	555
Loans, advances and financing	4,399,842
Other assets	405,228
Statutory deposits with Bank Negara Malaysia	171,890
Deposits from customers	(531,762)
Deposits and placements of banks and other financial institutions	(3,829,790)
Other liabilities	(11,357)
Capital funds	(300,007)
Net assets acquired	327,654
Less: Cash and short-term funds	(23,055)
Net cash used in acquiring the net assets of the Islamic financing business	304,599

52. ISLAMIC BANKING BUSINESS (continued)

Notes to the Financial Statements for the financial year ended 31 December 2004

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
(a) Cash and Short-Term Funds				
Cash and balances with banks and other financial institutions	55,066	80,152	55,066	70,915
Money at call and deposit placements maturing within one month	149,319	235,900	149,319	1,215,900
	204,385	316,052	204,385	1,286,815
(b) Investment Securities				
Money market instruments:				
Cagamas Mudharabah bonds	127,503	127,480	127,503	127,480
Bank Negara Malaysia Bills	—	29,984	—	29,984
	127,503	157,464	127,503	157,464
Market value:				
Cagamas Mudharabah bonds	127,503	127,480	127,503	127,480
Bank Negara Malaysia Bills	—	29,984	—	29,984

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturity within one year	—	29,984	—	29,984
One year to three years	126,132	75,726	126,132	75,726
Three to five years	1,371	51,754	1,371	51,754
	127,503	157,464	127,503	157,464

52. ISLAMIC BANKING BUSINESS (continued)

(c) Loans, Advances and Financing

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Al-Qardhassan (overdraft)	9,737	1,075	9,737	1,075
Al-Bai Bithaman Ajil (deferred payment sale)	2,967,890	2,294,467	2,967,890	2,179,282
Al-Ijarah Thamma Al-Bai' (leasing)	5,194,013	5,386,256	5,194,013	46,892
Bai-Al-Einah	194,553	161,203	194,553	161,203
	8,366,193	7,843,001	8,366,193	2,388,452
Unearned income	(2,048,460)	(1,919,932)	(2,048,460)	(965,374)
Gross loans, advances and financing	6,317,733	5,923,069	6,317,733	1,423,078
Allowance for bad and doubtful debts and financing:				
– general	(107,295)	(99,224)	(107,295)	(26,744)
– specific	(26,070)	(15,337)	(26,070)	(3,164)
Income-in-suspense	(5,201)	(3,382)	(5,201)	(1,037)
Net loans, advances and financing	6,179,167	5,805,126	6,179,167	1,392,133

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Maturity within one year	137,376	65,579	137,376	33,688
One year to three years	663,157	558,222	663,157	110,122
Three years to five years	1,817,186	1,403,408	1,817,186	154,326
Over five years	3,700,014	3,895,860	3,700,014	1,124,942
	6,317,733	5,923,069	6,317,733	1,423,078

52. ISLAMIC BANKING BUSINESS (continued)**(c) Loans, Advances and Financing (continued)**

(ii) Gross loans, advances and financing analysed by economic purposes are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Agriculture	10,091	11,059	10,091	1,988
Mining and quarrying	536	712	536	—
Manufacturing	105,881	72,522	105,881	22,268
Construction	112,975	124,450	112,975	16,991
Real estate	76,443	64,788	76,443	62,815
Purchase of landed properties				
(of which: – residential	1,136,379	881,301	1,136,379	822,290
– non-residential	333,512	248,307	333,512	247,347
General commerce	239,585	260,377	239,585	40,064
Transport, storage and communication	24,464	26,137	24,464	1,488
Finance, insurance and business services	73,065	75,530	73,065	4,558
Purchase of securities	1,990	2,506	1,990	1,631
Purchase of transport vehicles	3,925,378	3,911,638	3,925,378	788
Others	277,434	243,742	277,434	200,850
	6,317,733	5,923,069	6,317,733	1,423,078

(iii) Gross loans, advances and financing analysed by type of customers are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Bank financial institutions	—	49	—	49
Non-bank financial institutions	3,443	3,165	3,443	—
Business enterprises	71,703	87,553	71,703	49,898
Other entities	6,230	5,484	6,230	5,202
Small-and medium-sized industries	724,256	673,211	724,256	186,555
Local government and statutory authorities	1,491	1,905	1,491	1,846
Individuals	5,499,181	5,138,256	5,499,181	1,177,141
Foreign customers	11,429	13,446	11,429	2,387
	6,317,733	5,923,069	6,317,733	1,423,078

52. ISLAMIC BANKING BUSINESS (continued)

(c) Loans, Advances and Financing (continued)

(iv) Movements in non-performing loans, advances and financing (“NPL”) including income receivable are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January	56,351	28,936	22,104	12,336
Prior year adjustment (Note 52(t))	35,593	20,750	—	—
As restated	91,944	49,686	22,104	12,336
Non-performing during the year	271,413	79,247	233,787	25,489
Amount vested over from Public Finance Berhad	—	—	82,818	—
Reclassified as performing	(160,396)	(12,741)	(157,754)	(11,622)
Recoveries	(24,330)	(8,995)	(14,813)	(3,703)
Amount written off	(22,892)	(15,253)	(10,403)	(396)
At 31 December	155,739	91,944	155,739	22,104
Net NPL as % of gross loan, advances and financing less specific allowance and income-in-suspense	1.97%	1.24%	1.97%	1.26%

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
General allowance				
At 1 January	99,224	62,860	26,744	15,094
Allowance made during the year	8,071	36,364	80,551	11,650
At 31 December	107,295	99,224	107,295	26,744
As % of gross loans, advances and financing less specific allowance and income-in-suspense	1.71%	1.68%	1.71%	1.88%

52. ISLAMIC BANKING BUSINESS (continued)

(c) Loans, Advances and Financing (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Specific allowance				
At 1 January	15,337	7,353	3,164	1,513
Allowance made during the year	33,858	23,390	15,466	2,141
Amount vested over from Public Finance Berhad	—	—	17,006	—
Amount written back	(2,467)	(1,342)	(384)	(202)
Amount written off	(20,658)	(14,064)	(9,182)	(288)
At 31 December	26,070	15,337	26,070	3,164
Income-in-suspense				
At 1 January	2,394	1,638	1,037	794
Prior year adjustment (Note 52(t))	988	590	—	—
As restated	3,382	2,228	1,037	794
Income suspended during the year	6,954	3,414	5,130	1,317
Amount vested over from Public Finance Berhad	—	—	3,072	—
Amount written back in respect of recoveries	(2,849)	(1,075)	(2,764)	(971)
Amount written off	(2,286)	(1,185)	(1,274)	(103)
At 31 December	5,201	3,382	5,201	1,037

52. ISLAMIC BANKING BUSINESS (continued)

(d) Other Assets

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income receivable	352	18	352	3,713
Other debtors, deposits and prepayments	1,245	13,716	1,274	212
Amount due from Head Office	1,578,891	—	1,578,891	—
	1,580,488	13,734	1,580,517	3,925

(e) Deferred Tax Assets

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January	35,212	17,600	12,957	4,226
Recognised in income statement (Note 52(n))	3,061	17,612	25,316	8,731
At 31 December	38,273	35,212	38,273	12,957

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

Deferred tax assets of the Group	Allowance for	Other	Total
	Loan Loss	Temporary	
	RM'000	Differences	RM'000
At 1 January 2003	17,600	—	17,600
Recognised in income statement	10,183	7,429	17,612
At 31 December 2003	27,783	7,429	35,212
Recognised in income statement	753	2,308	3,061
At 31 December 2004	28,536	9,737	38,273

52. ISLAMIC BANKING BUSINESS (continued)**(e) Deferred Tax Assets (continued)**

Deferred tax assets of the Bank	Allowance for Loan Loss RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2003	4,226	—	4,226
Recognised in income statement	3,262	5,469	8,731
At 31 December 2003	7,488	5,469	12,957
Recognised in income statement	21,048	4,268	25,316
At 31 December 2004	28,536	9,737	38,273

(f) Deposits From Customers

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Al-Mudharabah General Investment deposits	817,802	1,047,516	817,802	591,147
Al-Wadiah Savings deposits	1,727,501	1,247,302	1,727,501	1,074,635
Al-Wadiah Demand deposits	946,052	742,166	946,052	764,661
	3,491,355	3,036,984	3,491,355	2,430,443

The maturity structure of Al-Mudharabah General Investment deposits are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Due within six months	641,484	799,037	641,484	376,935
Six months to one year	151,126	232,377	151,126	207,081
One year to three years	16,818	9,751	16,818	2,489
Three years to five years	8,374	6,351	8,374	4,642
	817,802	1,047,516	817,802	591,147

52. ISLAMIC BANKING BUSINESS (continued)

(f) Deposits From Customers (continued)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Federal and state governments	182,340	265,183	182,340	187,835
Local government and statutory authorities	262,733	319,270	262,733	174,767
Business enterprises	709,691	595,325	709,691	449,187
Individuals	1,972,028	1,472,229	1,972,028	1,261,862
Foreign customers	49,028	32,937	49,028	31,500
Others	315,535	352,040	315,535	325,292
	3,491,355	3,036,984	3,491,355	2,430,443

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

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Licensed banks	3,585,613	2,139,298	3,585,613	103,358
Licensed finance companies	—	13,070	—	—
	3,585,613	2,152,368	3,585,613	103,358

(h) Other Liabilities

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income payable	11,137	13,169	11,137	6,001
Other liabilities	1,207	32,651	1,207	30,559
Profit Equalisation Reserves (Note 52 (i))	28,393	26,531	28,393	19,531
Amount due to Head Office	—	47,424	—	40,383
	40,737	119,775	40,737	96,474

52. ISLAMIC BANKING BUSINESS (continued)

(i) The movements in Profit Equalisation Reserves are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
At 1 January	26,531	7,514	19,531	7,514
Amount arising during the year	6,268	19,107	13,268	12,107
Amount written back	(4,406)	(90)	(4,406)	(90)
At 31 December	28,393	26,531	28,393	19,531

(j) Provision for Tax Expense and Zakat

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Tax expense	33,977	28,458	33,977	15,883
Zakat	35	60	35	60
	34,012	28,518	34,012	15,943

(k) Income from the Islamic Banking Business

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Income derived from investment of depositors' funds	427,573	361,629	226,786	129,099
Income attributable to depositors:				
– customers	(40,562)	(60,054)	(30,831)	(35,981)
– banks and financial institutions	(87,778)	(40,069)	(16,974)	(688)
	299,233	261,506	178,981	92,430
Profit Equalisation Reserves	(1,862)	(19,017)	(8,862)	(12,017)
Income attributable to the Group/Bank	297,371	242,489	170,119	80,413
Income derived from Islamic Banking Fund	83,013	53,922	55,513	17,533
	380,384	296,411	225,632	97,946

52. ISLAMIC BANKING BUSINESS (continued)

(k) Income from the Islamic Banking Business (continued)

The details of the income derived from investment of depositors' funds and Islamic Banking Funds ("IBF") are as follows:

	Group		Bank	
	Depositors' Funds RM'000	IBF RM'000	Depositors' Funds RM'000	IBF RM'000
2004				
Income from financing	394,934	69,953	194,164	42,507
Income from placements with financial institutions	28,873	6,319	28,856	6,317
Investment and dealing income:				
– profit received from investment securities	25	6	25	6
– gains from sale of investment securities	2	1	2	1
– gross dividends from investment securities	3,739	818	3,739	818
	427,573	77,097	226,786	49,649
Fee income:				
– commission	—	1,024	—	1,024
– service charges and fees	—	4,600	—	4,600
– other fee income	—	292	—	240
	—	5,916	—	5,864
	427,573	83,013	226,786	55,513
2003				
Income from financing	351,556	45,965	94,309	9,982
Income from placements with financial institutions	4,510	2,737	29,313	2,734
Investment and dealing income:				
– profit received from investment securities	1,648	158	1,563	146
– gains from sale of investment securities	157	15	157	15
– gross dividends from investment securities	3,758	350	3,757	350
	361,629	49,225	129,099	13,227
Fee income:				
– commission	—	358	—	315
– service charges and fees	—	3,728	—	3,698
– other fee income	—	611	—	293
	—	4,697	—	4,306
	361,629	53,922	129,099	17,533

52. ISLAMIC BANKING BUSINESS (continued)

(l) Staff Costs and Overheads

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Personnel costs	35,718	33,958	23,010	15,403
Establishment cost	12,819	10,138	12,236	8,281
Marketing expenses	8,101	23,732	2,004	740
Administration and general expenses	2,145	3,531	1,634	1,685
	58,783	71,359	38,884	26,109

(m) Allowance for Losses on Loans and Financing

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Allowance for bad and doubtful debts and financing:				
– general allowance	8,071	36,364	80,551	11,650
– specific allowance	33,858	23,390	15,466	2,141
– specific allowance written back	(2,467)	(1,342)	(384)	(202)
Bad debts and financing recovered	(2,945)	(307)	(1,360)	—
Bad debts written off	26	—	26	—
	36,543	58,105	94,299	13,589

(n) Tax Expense and Zakat

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Malaysian income tax	83,037	62,372	51,038	23,052
Deferred tax expense				
– Origination and reversal of temporary differences (Note 52(e))	(3,061)	(17,612)	(25,316)	(8,731)
Tax expense	79,976	44,760	25,722	14,321
Zakat	75	92	75	60
	80,051	44,852	25,797	14,381

52. ISLAMIC BANKING BUSINESS (continued)

(o) 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 commitment and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposures of the Group and the Bank as at the end of financial year are as follows:

	2004		2003	
	Notional RM'000	Credit Equivalent RM'000	Notional RM'000	Credit Equivalent RM'000
Group				
Irrevocable commitments to extend credit:				
– maturity exceeding one year	137,922	68,961	375,358	187,679
– maturity not exceeding one year	7,653	—	4,462	—
	145,575	68,961	379,820	187,679
Bank				
Irrevocable commitments to extend credit:				
– maturity exceeding one year	137,922	68,961	199,328	99,664
– maturity not exceeding one year	7,653	—	4,462	—
	145,575	68,961	203,790	99,664

(p) Capital Adequacy

The capital adequacy ratios under the Islamic Banking business as at 31 December are as follows:

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Core capital ratio	13.4%	19.6%	13.4%	45.4%
Risk-weighted capital ratio	14.8%	21.3%	14.8%	47.2%

52. ISLAMIC BANKING BUSINESS (continued)

(p) Capital Adequacy (continued)

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Components of Tier I and Tier II capital:				
Tier I capital				
Capital funds	824,140	824,140	824,140	524,133
Retained profits	202,881	325,528	202,910	136,258
Less: Deferred tax assets	(38,273)	(35,212)	(38,273)	(12,957)
Total Tier I capital	988,748	1,114,456	988,777	647,434
Tier II capital				
General allowance for bad and doubtful debts	107,295	99,224	107,295	26,744
Total Tier II capital	107,295	99,224	107,295	26,744
Capital base	1,096,043	1,213,680	1,096,072	674,178

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

	2004		2003	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
Group				
0%	99,376	—	222,436	—
10%	127,503	12,750	127,480	12,748
20%	189,565	37,913	312,927	62,585
50%	1,166,228	583,114	966,554	483,277
100%	6,763,907	6,763,907	5,137,041	5,137,041
	8,346,579	7,397,684	6,766,438	5,695,651

52. ISLAMIC BANKING BUSINESS (continued)

(p) Capital Adequacy (continued)

	2004		2003	
	Notional RM'000	Risk-weighted RM'000	Notional RM'000	Risk-weighted RM'000
Bank				
0%	99,376	—	62,915	—
10%	127,503	12,750	127,480	12,748
20%	189,565	37,913	1,740,468	348,094
50%	1,166,228	583,114	900,540	450,270
100%	6,763,907	6,763,907	616,064	616,064
	8,346,579	7,397,684	3,447,467	1,427,176

The disclosure of the capital adequacy ratios of the Bank and the Group's Islamic Banking business as set out above is in accordance with the Bank Negara Malaysia circular dated 19 November 2002 on "Pematuhan Nisbah Modal Berwajaran Risiko bagi Portfolio Perbankan Islam". In this circular, it is stipulated that all financial institutions participating in the Islamic Banking Scheme are required to comply with a minimum core capital ratio of 4% and a minimum risk-weighted capital ratio of 8% with effect from 2 January 2002.

(q) Yield/Profit Rate Risk

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

Group	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	over 5 years RM'000	Non- yield/profit sensitive RM'000	Effective profit rate %	Total
									RM'000
ASSETS									
Cash and short-term funds	203,170	—	—	—	—	—	1,215	2.89	204,385
Investment securities	—	—	—	—	127,503	—	—	3.45	127,503
Loans, advances and financing									
– performing	174,125	181,895	272,236	535,991	3,188,867	1,808,880	—	6.98	6,161,994
– non-performing *	—	—	—	—	—	—	17,173		17,173
Other non-profit sensitive balances	—	—	—	—	—	—	1,697,513		1,697,513
TOTAL ASSETS	377,295	181,895	272,236	535,991	3,316,370	1,808,880	1,715,901		8,208,568

52. ISLAMIC BANKING BUSINESS (continued)

(q) Yield/Profit Rate Risk (continued)

Group	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	over 5 years	Non- yield/profit sensitive	Total	Effective profit rate
2004	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES AND ISLAMIC BANKING FUNDS									
Deposits from customers	2,165,864	149,540	227,540	151,123	25,191	—	772,097	3,491,355	1.44
Deposits and placements of banks and other financial institutions	3,585,400	—	—	—	—	—	213	3,585,613	2.79
Other non-profit sensitive balances	—	—	—	—	—	—	104,579	104,579	
Total Liabilities	5,751,264	149,540	227,540	151,123	25,191	—	876,889	7,181,547	
Islamic Banking Funds							1,027,021	1,027,021	
Total Liabilities and Islamic Banking Funds	5,751,264	149,540	227,540	151,123	25,191	—	1,903,910	8,208,568	
On-balance sheet profit sensitivity gap	(5,373,969)	32,355	44,696	384,868	3,291,179	1,808,880	(188,009)		
Off-balance sheet profit sensitivity gap	—	—	—	—	—	—	—		
Total profit sensitivity gap	(5,373,969)	32,355	44,696	384,868	3,291,179	1,808,880	(188,009)		

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

52. ISLAMIC BANKING BUSINESS (continued)

(q) Yield/Profit Rate Risk (continued)

Group 2003	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	over 5 years RM'000	Non- yield/profit sensitive RM'000	Total RM'000	Effective profit rate %
ASSETS									
Cash and short-term funds	304,411	—	—	—	—	—	11,641	316,052	2.72
Investment securities	29,984	—	—	—	127,480	—	—	157,464	3.36
Loans, advances and financing									
– performing	148,550	167,371	250,776	494,743	3,175,636	1,594,049	—	5,831,125	7.89
– non-performing *	—	—	—	—	—	—	(25,999)	(25,999)	—
Other non-profit sensitive balances	—	—	—	—	—	—	236,079	236,079	—
TOTAL ASSETS	482,945	167,371	250,776	494,743	3,303,116	1,594,049	221,721	6,514,721	
LIABILITIES AND ISLAMIC BANKING FUNDS									
Deposits from customers	1,690,461	274,045	219,743	232,379	16,102	—	604,254	3,036,984	2.03
Deposits and placements of banks and other financial institutions	1,150,137	1,002,220	—	—	—	—	11	2,152,368	2.90
Other non-profit sensitive balances	—	—	—	—	—	—	175,701	175,701	—
Total Liabilities	2,840,598	1,276,265	219,743	232,379	16,102	—	779,966	5,365,053	
Islamic Banking Funds	—	—	—	—	—	—	1,149,668	1,149,668	
Total Liabilities and Islamic Banking Funds	2,840,598	1,276,265	219,743	232,379	16,102	—	1,929,634	6,514,721	
On-balance sheet profit sensitivity gap	(2,357,653)	(1,108,894)	31,033	262,364	3,287,014	1,594,049	(1,707,913)		
Off-balance sheet profit sensitivity gap	—	—	—	—	—	—	—		
Total profit sensitivity gap	(2,357,653)	(1,108,894)	31,033	262,364	3,287,014	1,594,049	(1,707,913)		

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

52. ISLAMIC BANKING BUSINESS (continued)

(q) Yield/Profit Rate Risk (continued)

Bank 2004	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	over 5 years RM'000	Non- yield/profit sensitive RM'000	Total RM'000	Effective profit rate %
ASSETS									
Cash and short-term funds	203,170	—	—	—	—	—	1,215	204,385	2.89
Investment securities	—	—	—	—	127,503	—	—	127,503	3.45
Loans, advances and financing									
– performing	174,125	181,895	272,236	535,991	3,188,867	1,808,880	—	6,161,994	6.98
– non-performing *	—	—	—	—	—	—	17,173	17,173	
Other non-profit sensitive balances	—	—	—	—	—	—	1,697,542	1,697,542	
TOTAL ASSETS	377,295	181,895	272,236	535,991	3,316,370	1,808,880	1,715,930	8,208,597	
LIABILITIES AND ISLAMIC BANKING FUNDS									
Deposits from customers	2,165,864	149,540	227,540	151,123	25,191	—	772,097	3,491,355	1.44
Deposits and placements of banks and other financial institutions	3,585,400	—	—	—	—	—	213	3,585,613	2.79
Other non-profit sensitive balances	—	—	—	—	—	—	104,579	104,579	
Total Liabilities	5,751,264	149,540	227,540	151,123	25,191	—	876,889	7,181,547	
Islamic Banking Funds							1,027,050	1,027,050	
Total Liabilities and Islamic Banking Funds	5,751,264	149,540	227,540	151,123	25,191	—	1,903,939	8,208,597	
On-balance sheet profit sensitivity gap	(5,373,969)	32,355	44,696	384,868	3,291,179	1,808,880	(188,009)		
Off-balance sheet profit sensitivity gap	—	—	—	—	—	—	—		
Total profit sensitivity gap	(5,373,969)	32,355	44,696	384,868	3,291,179	1,808,880	(188,009)		

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

52. ISLAMIC BANKING BUSINESS (continued)

(q) Yield/Profit Rate Risk (continued)

Bank	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	over 5 years	Non- yield/profit sensitive	Total	Effective profit rate
2003	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short-term funds	1,284,411	—	—	—	—	—	2,404	1,286,815	2.88
Deposits and placements with banks and other financial institutions	—	450,000	—	—	—	—	—	450,000	2.93
Investment securities	29,984	—	—	—	127,480	—	—	157,464	3.36
Loans, advances and financing									
– performing	10,132	12,599	19,182	39,407	338,602	981,052	—	1,400,974	8.36
– non-performing *	—	—	—	—	—	—	(8,841)	(8,841)	—
Other non-profit sensitive balances	—	—	—	—	—	—	47,605	47,605	—
TOTAL ASSETS	1,324,527	462,599	19,182	39,407	466,082	981,052	41,168	3,334,017	
LIABILITIES AND ISLAMIC BANKING FUNDS									
Deposits from customers	1,379,375	106,462	103,644	207,082	7,131	—	626,749	2,430,443	1.82
Deposits and placements of banks and other financial institutions	103,347	—	—	—	—	—	11	103,358	2.71
Other non-profit sensitive balances	—	—	—	—	—	—	139,825	139,825	—
Total Liabilities	1,482,722	106,462	103,644	207,082	7,131	—	766,585	2,673,626	
Islamic Banking Funds	—	—	—	—	—	—	660,391	660,391	—
Total Liabilities and Islamic Banking Funds	1,482,722	106,462	103,644	207,082	7,131	—	1,426,976	3,334,017	

52. ISLAMIC BANKING BUSINESS (continued)**(q) Yield/Profit Rate Risk (continued)**

Bank	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	over 5 years	Non- yield/profit sensitive	Total	Effective profit rate
2003	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
On-balance sheet									
profit sensitivity gap	(158,195)	356,137	(84,462)	(167,675)	458,951	981,052	(1,385,808)		
Off-balance sheet									
profit sensitivity gap	—	—	—	—	—	—	—		
Total profit sensitivity gap	(158,195)	356,137	(84,462)	(167,675)	458,951	981,052	(1,385,808)		

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

(r) Fair Values of Financial Assets and Liabilities

The carrying amounts of financial assets and liabilities of the Group and the Bank carried on the balance sheet date approximated their fair values except for the followings:

Recognised financial instruments

Group	2004		2003	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
Cash and short-term funds	204,385	204,385	316,052	316,052
Investment securities	127,503	127,503	157,464	157,464
*Loans, advances and financing	6,286,462	6,385,294	5,904,350	6,311,208
Financial liabilities				
Deposits from customers	3,491,355	3,491,355	3,036,984	3,036,984
Deposits and placements of banks and other financial institutions	3,585,613	3,585,613	2,152,368	2,152,368
Bills and acceptances payable	29,830	29,830	27,408	27,408

52. ISLAMIC BANKING BUSINESS (continued)

(r) Fair Values of Financial Assets and Liabilities (continued)

Bank	2004		2003	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
Cash and short-term funds	204,385	204,385	1,286,815	1,286,815
Deposits and placements with banks and other financial institutions	—	—	450,000	450,000
Investment securities	127,503	127,503	157,464	157,464
*Loans, advances and financing	6,286,462	6,385,294	1,418,877	1,431,326
Financial liabilities				
Deposits from customers	3,491,355	3,491,355	2,430,443	2,430,443
Deposits and placements of banks and other financial institutions	3,585,613	3,585,613	103,358	103,358
Bills and acceptances payable	29,830	29,830	27,408	27,408

* The general allowance of the Group and of the Bank of RM107,295,000 (2003 – RM99,224,000) and RM107,295,000 (2003 – RM26,744,000) respectively is not included in the carrying amounts.

(s) Related Party Transactions

The significant transactions and outstanding balances of the Bank with its subsidiary company are as follows:

	Bank	
	2004	2003
Amount due from		
Interbank loans	—	1,430,000
Profit receivable	—	3,695
	—	1,433,695
Amount due to		
Al-Wadiah Demand deposits	—	22,495

52. ISLAMIC BANKING BUSINESS (continued)

(t) Change in Accounting Policies and Prior Year Adjustments

During the financial year, the Group and the Bank adopted the 3-month classification for non-performing loans instead of the 6-month classification in previous years. The effect of this change is a prior year adjustment to the Group's retained profits as at 31 December 2003 of RM711,000.

(u) Allocation of Income

The method of allocation of income to the types of deposits is based on "The Framework of Rate of Return" issued by Bank Negara Malaysia. This Framework of 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 loans and financing are distributed to the depositors using the weighted average method.

(v) Syariah Advisor

The Group and the Bank hold regular meetings with appointed Syariah Panel who provides technical assistance in ensuring the Islamic Banking products and services offered by the Group and the Bank are in compliance with Syariah principles. The Syariah Panel also provides guidance on legal matters on Islamic Banking products and services.

Bursa Securities Listing Requirements Compliance Information

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”):

(i) Utilisation of Proceeds Raised from Corporate Proposals

On 22 June 2004, Public Bank issued USD350 million in aggregate principal amount of Subordinated Notes (“the Notes”) due 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5.625% per annum from (and including) 22 June 2004 to (but excluding) 22 September 2009 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 3.10%. The proceeds from the issuance of the Notes has been used for general banking and other corporate purposes.

Disclosed in accordance with Appendix 9C, Part A, item 12 of the Listing Requirements of Bursa Securities.

(ii) Share Buy Back

During the financial year, Public Bank bought back a total of 56,628,800 of its ordinary shares of RM1.00 each (“PBB Shares”) which are listed and quoted as “Local” on the Main Board of Bursa Securities (“PBB Local Shares”) and 12,456,850 of PBB Shares which are listed and quoted as “Foreign” on the Main Board of Bursa Securities (“PBB Foreign Shares”) on the open market. The details of the PBB Shares bought back during the year are as follows:

Monthly Breakdown	No. of PBB Local Shares		PBB Local Share			No. of PBB Foreign Shares		PBB Foreign Share		Total No. of PBB Shares Bought Back & Retained As Treasury Shares	Total Cost (RM)
	Bought Back	As Treasury Shares	Buy Back Price Per Share (RM)	Average Cost Per Share	Bought Back	As Treasury Shares	Buy Back Price Per Share (RM)	Average Cost Per Share			
									Lowest		
February	21,306,300		5.74	6.08	5.89	12,456,850	6.48	6.80	6.61	33,763,150	208,385,996
August	17,459,800		6.15	6.30	6.27	—	—	—	—	17,459,800	109,665,582
September	17,862,700		6.25	6.40	6.34	—	—	—	—	17,862,700	113,429,013
Total	56,628,800		5.74	6.40	6.15	12,456,850	6.48	6.80	6.61	69,085,650	431,480,591

All the PBB Local Shares and PBB Foreign Shares bought back during the year are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 31 December 2004, a total of 100,177,400 PBB Shares were held as treasury shares. None of the treasury shares held were resold or cancelled during the financial year.

Disclosed in accordance with Paragraph 12.24, Appendix 12D of the Listing Requirements of Bursa Securities.

(iii) Options, Warrants or Convertible Securities

Public Bank has not issued any options, warrants or convertible securities during the financial year ended 31 December 2004 other than the granting of options under the Public Bank Berhad Employees' Share Option Scheme as disclosed in Note 21(b) to the financial statements.

Disclosed in accordance with Appendix 9C, Part A, item 14 of the Listing Requirements of Bursa Securities.

(iv) Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on Public Bank and its subsidiary companies, directors or management by the relevant regulatory bodies during the financial year.

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

(v) Non-audit Fees

The amount of non-audit fees paid to external auditors by the Group and the Bank for the financial year amounted to RM445,000 and RM274,000 respectively.

Disclosed in accordance with Appendix 9C, Part A, item 17 of the Listing Requirements of Bursa Securities.

(vi) Variation in Results

There was no profit forecast issued by Public Bank and its subsidiary companies during the financial year.

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

(vii) Profit Guarantee

There were no profit guarantees given by Public Bank and its subsidiary companies during the financial year.

Disclosed in accordance with Appendix 9C, Part A, item 19 of the Listing Requirements of Bursa Securities.

(viii) Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by Public Bank and its subsidiary companies involving directors and major shareholders, which subsisted at the end of the financial year ended 31 December 2004 or, if not then subsisting, entered into since the end of the previous financial year.

Disclosed in accordance with Appendix 9C, Part A, item 20 of the Listing Requirements of Bursa Securities.

(ix) Revaluation Policy

The Public Bank Group does not revalue its landed properties classified as Property and Equipment. The revaluation policy on landed properties classified as Investment Properties are as disclosed in Note 2(h) to the financial statements.

Disclosed in accordance with Appendix 9C, Part A, item 23 of the Listing Requirements of Bursa Securities.

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

At an Extraordinary General Meeting on 20 April 2004, Public Bank had obtained a mandate from its shareholders to allow the Public Bank Group to enter into recurrent related party transactions of a revenue or trading nature.

The details of the recurrent related party transactions of a revenue or trading nature conducted during the financial year ended 31 December 2004 pursuant to the said shareholders' mandate are as follows:

Companies in the Group involved in Recurrent Transactions	Related Parties	Interested Related Parties	Nature of relationship	Nature of transaction	Value of transactions RM'000
Public Bank Berhad ("PBB"), Public Finance Berhad, Public Holdings Sdn. Bhd., Public Leasing & Factoring Sdn. Bhd., PB International Factors Sdn. Bhd., PB Securities Sdn. Bhd., Public Merchant Bank Berhad, Public Mutual Berhad, PB Properties Sdn. Bhd.	LPI Capital Bhd ("LPI") and Lonpac Insurance Bhd ("LIB").	Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee and Lee Chin Guan.	Tan Sri Dato' Sri Dr. Teh Hong Piow is a Director and a substantial shareholder of PBB and LPI. Dato' Yeoh Chin Kee is a Director and a direct shareholder of PBB and an indirect shareholder of LPI. Lee Chin Guan is a Director of PBB and LPI, and a direct shareholder of PBB and LPI.	Premiums for insurance coverage of the Group by LIB ¹ .	3,430

Note¹ : Comprises insurance premium that do not qualify as exempted transactions as defined under Paragraph 4.1 of Practice Note 14/2002 of the Listing Requirements of Bursa Securities. The types of insurance coverage provided to the Public Bank Group by Lonpac Insurance Berhad include group all benefits personal accident ("ABPA"), group travellers' inconvenience, burglary, group health and safe deposit box.

Disclosed in accordance with Paragraph 10.09(1)(b) and Section 4.1.5 of Practice Note 12/2001 of the Listing Requirements of Bursa Securities.

Malaysian Economy: Broad-Based Recovery with Stronger Private Sector

GROWTH EXCEEDS EXPECTATIONS

Despite high global oil prices and external uncertainties, the Malaysian economy remained resilient in 2004. Growth was more entrenched, supported by the accommodative monetary policy, fiscal expansion, stable ringgit-peg and helped by the upbeat world economy.

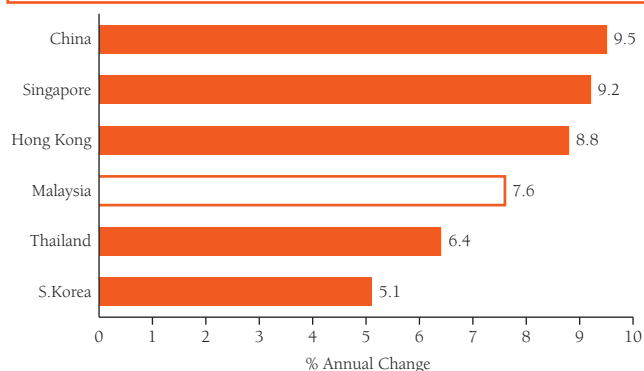
The economy had already registered 7.6% gross domestic product (“GDP”) growth for the first three quarters of 2004 compared to 5.3% for 2003. Malaysia’s GDP growth was the fourth highest in this region after China (9.5%), Singapore (9.2%), Hong Kong (8.8%), and was ahead of the growth in Thailand (6.4%) and South Korea (5.1%) (Graph 1).

BROAD-BASED EXPANSION

Growth in 2004 was driven by a strong expansion in major sectors (Table 1). In the first three quarters of the year, the manufacturing sector grew by 11.5%. The services sector grew by 6.8%, supported by strong consumption, tourism and trade-related activities.

The agriculture sector grew by 4.3% due to higher production of palm oil and rubber. The mining and quarrying sector expanded by 3.7% due to higher crude oil

Graph 1 GDP Growth of Malaysia and Selected Regional Economies, January-September 2004



Source: Official websites of respective countries

Table 1 Malaysia: GDP Growth by Economic Activity, 2003 and 2004 (at constant 1987 prices)

	% Annual Change	
	2003	2004 Jan-Sep
Real Gross Domestic Product	5.3	7.6
Agriculture	5.7	4.3
Mining and Quarrying	5.9	3.7
Manufacturing	8.3	11.5
Construction	1.9	-1.4
Services	4.4	6.8

Source: Department of Statistics, Malaysia. Quarterly National Product and Expenditure Accounts, Third Quarter 2004

Table 2 Malaysia: GDP by Expenditure Components, 2003 and 2004 (at constant 1987 prices)

	% Annual Change	
	2003	2004 Jan-Sep
Aggregate Domestic Demand	5.9	7.6
Final Consumption Expenditure	7.4	9.6
Public	10.0	7.8
Private	6.6	10.2
Gross Fixed Capital Formation	2.7	3.4
Exports of Goods and Services	6.3	17.8
Imports of Goods and Services	5.0	22.7
GDP	5.3	7.6

Source: Department of Statistics, Malaysia. Quarterly National Product and Expenditure Accounts, Third Quarter 2004

production. However, the construction sector contracted by 1.4% due to lower civil engineering activity.

HIGHER DOMESTIC DEMAND

The private sector further strengthened in 2004 (Table 2). Private consumption grew by 10.2% in the first three quarters of 2004, supported by increased disposable

income. Investment further recovered by 3.4% due to higher capacity utilisation, improved corporate earnings and low interest rates.

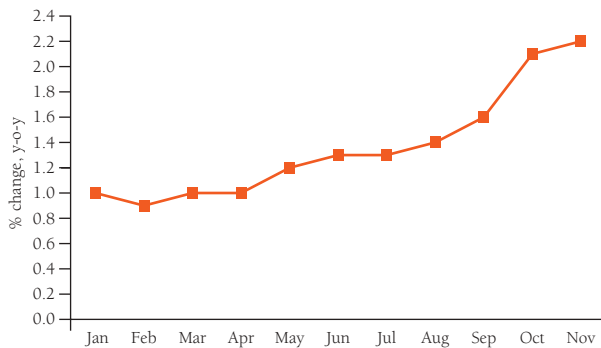
Exports surged by 17.8% for the first three quarters of 2004 due to the stronger demand for electronic products, crude petroleum and palm oil. In line with the drive towards fiscal consolidation, growth in public consumption moderated to 7.8%.

STRONG MACROECONOMIC FUNDAMENTALS

Economic fundamentals remained healthy in 2004. Inflation remained low despite the recent increase in the consumer price index (“CPI”) from 1% in January 2004 to 2.2% in November 2004 (Graph 2). The CPI only edged up slightly by 1.3% for the period January-November 2004 from 1.2% in 2003, helped by stringent price controls, adequate supply capacity and increased competition. The unemployment rate remained low at 3.4% at the end of September 2004 (Graph 3).

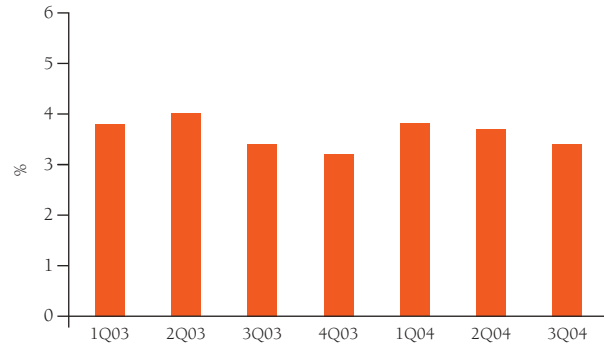
At the end of 2004, the ratio of gross national savings to gross national product (“GNP”) was estimated to remain high at 36.5%. The surplus in the current account of the balance of payments was projected to remain high at 14.1%

Graph 2 Malaysia: Consumer Price Index, January-November 2004



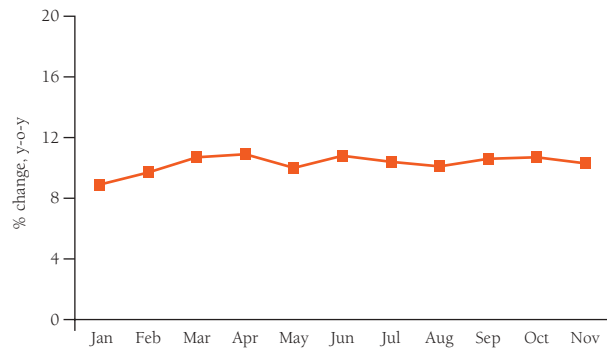
Source: Department of Statistics, Malaysia. Consumer Price Index, various issues

Graph 3 Malaysia: Unemployment Rate, 2003 and 2004



Source: Department of Statistics, Malaysia website

Graph 4 Malaysia: Growth of Broad Money, M3, January-November 2004



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

of GNP in 2004. External debt also remained stable. International reserves increased from US\$47.7 billion in January 2004 to US\$66.7 billion in December 2004 due to higher repatriation of export earnings and inflows of portfolio and foreign direct investments.

SUSTAINED EXPANSION IN BROAD MONEY

As at the end of November 2004, broad money M3 increased by 10.3% due to higher lending activity and expansionary external operations (Graph 4).

STRONG BANKING SECTOR

Amid the healthy economy, the banking sector remained strong in 2004. The risk-weighted capital ratio of the banking system was at 13.7% at the end of November 2004 and the core capital ratio stood at 10.9% (Table 3), contributed by higher earnings.

The ratio of net non-performing loans to total loans and advances of the banking system declined to 8.1% at the end of November 2004 (Graph 5), while the loan loss coverage of the banking system increased to 202% at the end of November 2004 from 192% at end-2003 (Graph 6).

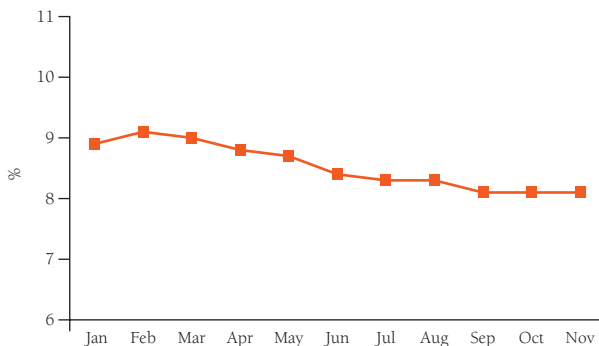
Total loans of the banking system grew by 6.7% at the end of November 2004 as a result of higher loan disbursements

Table 3 Banking System: Risk-Weighted Capital Ratio and Core Capital Ratio, 2003 and 2004

	2003	2004			
		Jan	Mar	Jun	Nov
Risk-Weighted Capital Ratio (%)	13.8	13.9	13.7	14.3	13.7
Core Capital Ratio (%)	11.1	11.2	11.0	11.7	10.9

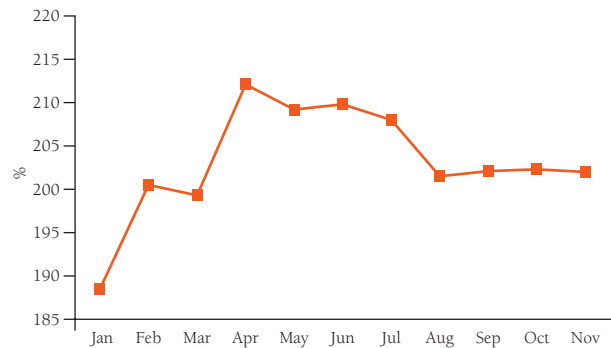
Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

Graph 5 Banking System: Ratio of Net Non-Performing Loans to Total Loans and Advances, January-November 2004



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

Graph 6 Banking System: Loan Loss Coverage, January-November 2004



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

Graph 7 Banking System: Loans Disbursed, 2003 and 2004

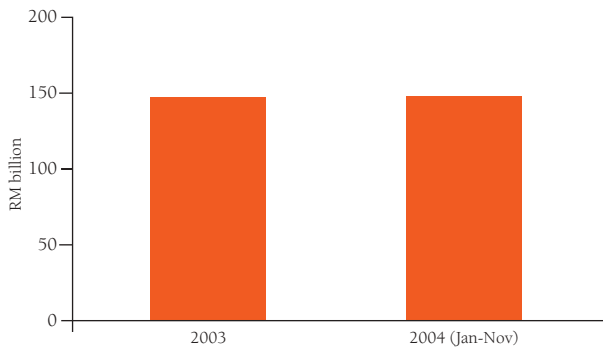


Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

and approvals. For the period January-November 2004, total loans disbursed by the banking system expanded by 11.1% and total loans approved increased by 14.7% (Graphs 7 and 8). The growth in loans disbursed and approved were notable for consumer loans (such as residential mortgages and car financing) and SME loans.

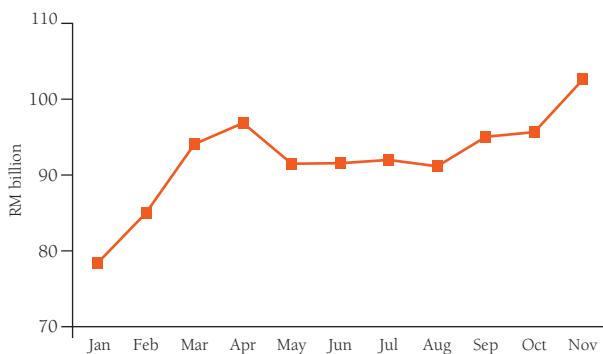
Liquidity in the banking sector remained ample as reflected in the larger increase in the resource gap of the banking system (Graph 9). As at the end of November 2004, growth of total deposits at 10.9% outpaced growth in total loans of 6.7%.

Graph 8 Banking System: Loans Approved, 2003 and 2004



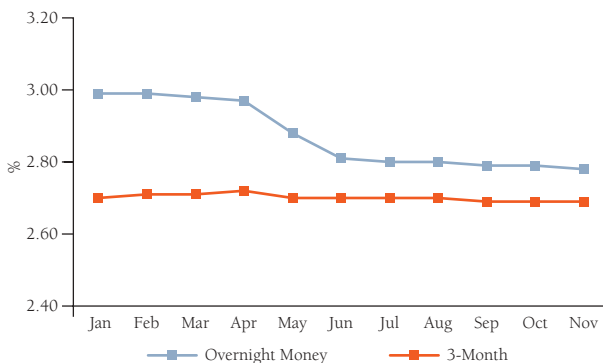
Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

Graph 9 Banking System: Resource Gap, January-November 2004



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

Graph 10 Malaysia: Weighted Average Interbank Rates, January-November 2004



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2004

Because of the ample liquidity, key interbank interest rates continued to remain low in 2004. During January-November 2004, the rate for the overnight money was around 2.7% and the rate for three-month money was between 2.80% and 2.89% (Graph 10).

OUTLOOK FOR 2005

The rate of growth of the Malaysian economy is expected to moderate slightly in 2005 due to the expected slower growth in the global economy. For 2005, growth in the world economy is likely to trend down to 3.2% – 4.3% due to higher oil prices, higher global interest rates and moderation in the US economy.

The Malaysian Government projects that the economy will grow by 6% for 2005 based on sustained domestic demand. Growth in domestic-oriented manufacturing industries and services sector is expected to remain robust. Export growth may lose some momentum due to the projected slower world economy.

Malaysia's economic fundamentals are also expected to remain strong. Unemployment and inflation are expected to remain low. Furthermore, global inflation is likely to remain well contained, despite higher global oil prices.

Malaysia's external position is also expected to remain strong. The surplus in the current account of the balance of payments is projected to stay large at around 14% of GNP. As a result, the international reserves will remain high.

The Government will continue to support the economy with a small fiscal deficit of around 3.8% of GDP. In addition, monetary policy is expected to remain accommodative to support growth.

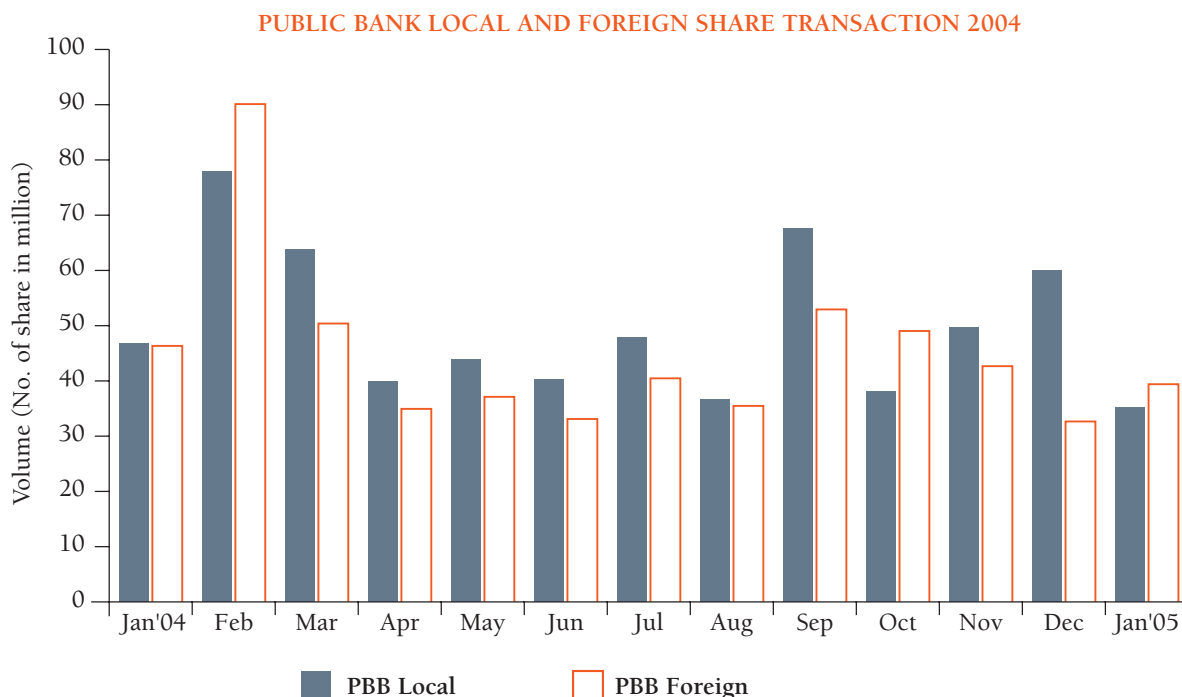
Notwithstanding the positive growth outlook, there are some downside risks in the global economy due to the large global imbalances. These risks include slower-than-expected growth in the US, Europe, Japan and China, higher global oil prices, rapid rise in global interest rates and a sharper-than-expected moderation in the global electronics industry.

Investor Information

Bursa Malaysia Securities Berhad started 2004 on a positive note. The bullish sentiment was due to the brighter economic outlook arising from improved economic data released and other positive developments including the news that Malaysia was back on the investment list of the California Public Employee Retirement Scheme (“CalPERS”). The Kuala Lumpur Composite Index (“KLCI”) advanced to a high of 908.96 points on 22 March 2004, one day following the general elections held on 21 March 2004. Thereafter, the performance of the Malaysian stock market became increasingly lackluster as investors turned cautious, undermined by negative external developments such as the outbreak of avian flu in the ASEAN region, sharp losses in the US and other major stock markets, increased geopolitical uncertainties in the Middle-East and unsettling violence in Iraq. The start of the US interest rate increase cycle, doubts over the Chinese Government’s ability to cool an overheating economy and achieve a soft landing and high crude oil prices further dampened investors’ sentiment. The weight of negative factors eventually led the KLCI to its lowest level for 2004 at 781.05 points on 17 May 2004.

The KLCI started to rise in the month of July 2004. The run-up was due to expectations of higher GDP growth in 2004 and portfolio re-balancing of foreign funds favouring Malaysian stocks. However, lack of follow through buying and fears that surging crude oil prices will cloud global growth prospects caused the market to consolidate and remain range-bound towards the end of July and August 2004. The KLCI started to move up again in the beginning of September 2004 following Malaysia’s stronger than expected second quarter GDP growth of 8% and encouraging measures in the 2005 Budget. However, the surge in crude oil prices to its all time high in late September 2004 and profit taking activities curbed further gains of the KLCI in October 2004.

The KLCI rallied again in late October 2004 on speculation of a ringgit re-peg, a sharp drop in crude oil prices and improved third quarter corporate earnings. The strong performance of regional equity markets also help to strengthen the upward trend. The KLCI rallied to a four year high of 919.97 points on 2 December 2004, before closing 2004 at 907.43 points. For the year as a whole, the KLCI gained 113.49 points or 14.3%.



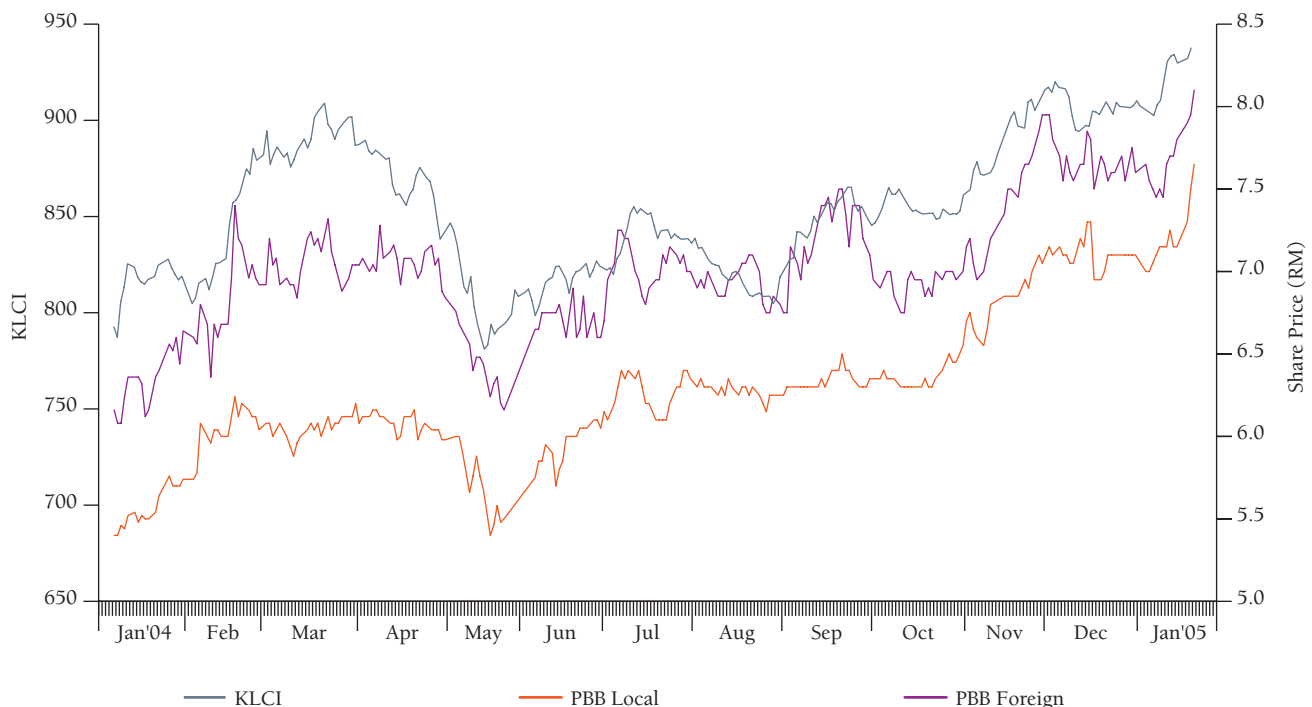
Public Bank's share prices outperformed the KLCI during the year. Public Bank (Local) share price rose from RM2.83 as at 31 December 2003 to a high of RM3.12 in February 2004 and thereafter consolidated within a broad trading range of RM3.00 to RM3.10. As for Public Bank (Foreign) shares, the share price rose from RM3.10 as at 31 December 2003 to a high of RM3.70 in February 2004 and thereafter consolidated within a broad trading range of RM3.20 to RM3.60. Public Bank shares started to fall in May 2004 in line with the general decline of the KLCI component stocks due to weak stock market conditions.

On 24 May 2004, the trading in Public Bank (Local) shares and Public Bank (Foreign) shares were suspended to facilitate the implementation of the consolidation of two RM0.50 shares into one RM1.00 share. Public Bank's shares were re-quoted on 8 June 2004 at the opening price of RM5.60 for Public Bank (Local) shares and RM6.65 for Public Bank (Foreign) shares. Both Public Bank (Local)

share and Public Bank (Foreign) share prices rose steadily to highs of RM7.30 and RM7.95 respectively. The rise was also partly due to the announcement of a special dividend of 40.0% less 28.0% income tax on 25 October 2004. Public Bank (Local) share and Public Bank (Foreign) share prices closed at RM7.10 and RM7.60 respectively on 31 December 2004.

Public Bank (Local) share and Public Bank (Foreign) share prices continued its upward momentum from the end of 2004 to close higher at RM7.50 and RM7.95 respectively when the KLCI reached its 4½ years high of 937.56 on 18 January 2005. On the same day, Public Bank announced its financial results for 2004 together with a proposed final and special dividend of 35% less 28% tax and 15% less 28% tax respectively. The market responded favourably to the Public Bank Group's sterling performance with Public Bank (Local) share and Public Bank (Foreign) share prices rising to highs of RM7.70 and RM8.15 respectively.

PUBLIC BANK (LOCAL) & PUBLIC BANK (FOREIGN) SHARE PRICES AND KLCI IN 2004



Analysis of Shareholdings as at 25 January 2005

Authorised Share Capital : RM5,000,000,000
 Issued and Paid-up Share Capital : RM3,355,767,324 comprising 3,355,767,324 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	4,382	4.51	228	0.24	141,649	*1	8,415	*1
100 – 1,000	18,132	18.66	1,021	1.05	11,789,972	0.36	595,334	0.02
1,001 – 10,000	45,792	47.12	7,768	7.99	167,984,112	5.16	34,054,177	1.04
10,001 – 100,000	12,775	13.15	4,777	4.92	328,855,959	10.10	134,121,901	4.12
100,001 – 162,779,496 (less than 5% of issued shares*2)	1,174	1.21	1,118	1.15	1,190,005,412	36.56	1,021,609,313	31.38
162,779,497 (5% of issued shares*2) and above	2	*1	—	—	366,423,680	11.26	—	—
Total	82,257	84.65	14,912	15.35	2,065,200,784*2	63.44*2	1,190,389,140*2	36.56*2

Notes:

*1 Less than 0.01%.

*2 Excluding a total of 100,177,400 Public Bank ("PBB") shares bought-back by PBB and retained as treasury shares as at 25 January 2005.

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND ITS RELATED CORPORATIONS

The Directors' direct and indirect interests in shares in the Company and its related corporations are as follows based on the Register of Directors' Shareholdings:

Shares held in the Company

	Direct Interests		Indirect Interests	
	No. of Shares Held	% of Issued Shares *5	No. of Shares Held	% of Issued Shares *5
Tan Sri Dato' Sri Dr. Teh Hong Piow	781,250	0.02	799,668,596 *1	24.56
Tan Sri Dato' Thong Yaw Hong	1,368,750	0.04	771,875 *2	0.02
Datuk Tay Ah Lek	5,822,609	0.18	139,482 *1	*4
Dato' Lee Kong Lam	561,171	0.02	800,000 *3	0.02
Dato' Yeoh Chin Kee	250,000	0.01	25,000 *3	*4
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,750,000	0.05	—	—
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	1,250,000	0.04	—	—
Lee Chin Guan	1,250,000	0.04	—	—

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 persons connected as defined per Section 122A of the Companies Act, 1965 and held by other corporation by virtue of Section 6A(4) of the Companies Act, 1965.

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

*4 Less than 0.01%.

*5 Excluding a total of 100,177,400 PBB shares bought-back by PBB and retained as treasury shares as at 25 January 2005.

Share Options Held Under the Public Bank Berhad Employees' Share Option Scheme

	No. of Share Options Held	Option Price (RM)
Tan Sri Dato' Sri Dr. Teh Hong Piow	20,743,000	4.92
Tan Sri Dato' Thong Yaw Hong	1,400,000	4.92
Datuk Tay Ah Lek	2,312,500	3.56
	2,000,000	4.60
	5,000,000	4.92
Dato' Lee Kong Lam	93,750	3.56
	250,000	4.60
	3,250,000	4.92
Dato' Yeoh Chin Kee	2,000,000	4.92
Haji Abdul Aziz bin Omar	1,250,000	4.92

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 800,449,846 shares in PBB, and pursuant to Section 6A(4)(c) of the Companies Act, 1965, is deemed interested in the shares in all of PBB's subsidiary companies to the extent that PBB has interests.

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct Interests		Indirect Interests		Total Interests	
	No. of Shares Held	% of Issued Shares *2	No. of Shares Held	% of Issued Shares *2	No. of Shares Held	% of Issued Shares *2
Tan Sri Dato' Sri Dr. Teh Hong Piow	781,250	0.02	799,668,596 *1	24.56	800,449,846	24.58
Sekuriti Pejal Sdn Bhd	201,394,686	6.19	51,920,856 *1	1.59	253,315,542	7.78
Consolidated Teh Holdings Sdn Bhd	79,479,687	2.44	165,711,639 *1	5.09	245,191,326	7.53
Employees Provident Fund Board	190,062,586	5.84	—	—	190,062,586	5.84

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 100,177,400 PBB shares bought-back by PBB and retained as treasury shares as at 25 January 2005.

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

Name	No. of Shares Held	% of Issued Shares *
1. Employees Provident Fund Board	165,028,994	5.07
2. Sekuriti Pejal Sdn Berhad	103,724,186	3.19
3. Sekuriti Pejal Sdn Berhad	97,670,500	3.00
4. Kepunyaan Chintamani Sdn Bhd	67,919,531	2.09
5. Consolidated Teh Holdings Sdn Berhad	58,770,687	1.81
6. Selected Securities Sdn Bhd	49,580,000	1.52
7. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	41,795,299	1.28
8. Valuecap Sdn Bhd	40,850,200	1.25
9. Selected Holdings Sdn Berhad	37,684,000	1.16
10. Kayakita Corporation Sdn Bhd	33,660,437	1.03
11. Kepunyaan Perindustrian Sdn Berhad	31,751,233	0.98
12. HSBC Nominees (Asing) Sdn Bhd – Emerging Markets Growth Fund	29,403,400	0.90
13. Tasec Nominees (Tempatan) Sdn Bhd – Public Bank Group Officers' Retirement Benefits Fund	27,255,350	0.84
14. Tong Meng Industries Limited	26,946,921	0.83
15. Selected Securities Sdn Bhd	26,536,562	0.82
16. Kayakita Corporation Sdn Bhd	26,364,500	0.81
17. LPI Capital Bhd	25,739,578	0.79
18. Selected Holdings Sdn Berhad	24,914,046	0.77
19. Securities Holdings Sdn Berhad	22,776,156	0.70
20. HSBC Nominees (Asing) Sdn Bhd – Stichting Pensioenfonds ABP	20,176,903	0.62
21. Luhur Management Sdn Bhd	19,348,015	0.59
22. HSBC Nominees (Asing) Sdn Bhd – TINTC for Government of Singapore Investment Corporation Pte Ltd	18,794,580	0.58
23. HSBC Nominees (Asing) Sdn Bhd – Saudi Arabian Monetary Agency	18,548,000	0.57
24. HSBC Nominees (Asing) Sdn Bhd – HSBC BK PLC for Prudential Assurance Company Ltd	16,609,362	0.51
25. Cartaban Nominees (Asing) Sdn Bhd – State Street Luxembourg Fund QMII for Aberdeen Global Asian Equity Fund	14,750,000	0.45
26. Consolidated Teh Holdings Sdn Berhad	14,171,500	0.44
27. Lonpac Insurance Bhd	14,128,125	0.43
28. HSBC Nominees (Asing) Sdn Bhd – Abu Dhabi Investment Authority	13,697,814	0.42
29. HSBC Nominees (Asing) Sdn Bhd – Pictet and Cie for VKF Investment Ltd	13,132,096	0.40
30. Cartaban Nominees (Asing) Sdn Bhd – State Street London Fund 28G2 for BP Pension Trustees Limited	12,500,000	0.38
Total	1,114,227,975	34.23

Note:

* Excluding a total of 100,177,400 PBB shares bought-back by PBB and retained as treasury shares as at 25 January 2005.

Authorised and Issued Share Capital

AUTHORISED SHARE CAPITAL

The authorised share capital as at 25 January 2005 is RM5,000,000,000 divided into 5,000,000,000 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

ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 25 January 2005 is RM3,355,767,324 comprising 3,355,767,324 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
Up to 30.08.1966	16,000,000	Cash	16,000,000
15.11.1978	4,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	20,000,000
22.07.1981	5,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	25,000,000
07.01.1982	10,000,000	Capitalisation of capital reserve account and general reserve account (Bonus Issue 2:5)	35,000,000
11.02.1982	35,000,000	Rights Issue 1:1 at RM2.00 per share	70,000,000
22.06.1983	42,000,000	Capitalisation of share premium account and general reserve account (Bonus Issue 3:5)	112,000,000
22.08.1983	56,000,000*	Rights Issue 1:2 at RM2.00 per share	168,000,000
05.07.1984	42,000,000*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:4)	210,000,000
05.02.1988	42,000,000*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:5)	252,000,000
03.08.1988	105,000,000*	Rights Issue 1:2 at RM1.60 per share	357,000,000
11.10.1989	218,500*	Exercise of share options under Public Bank Berhad Employees' Share Option Scheme ("PBB ESOS") at option price of RM3.80 per share	357,218,500
02.05.1990	1,237,500*	Exercise of share options under PBB ESOS at option price of RM3.80 per share	358,456,000
15.06.1990	119,485,333*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:3)	477,941,333
06.08.1990	71,691,200*	Rights Issue 1:5 at RM2.20 per share	549,632,533
08.10.1990	138,500*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	549,771,033
12.04.1991	3,828,850*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,599,883
24.09.1991	334,300*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,934,183

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
25.03.1992	114,700*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	554,048,883
15.04.1993	1,038,701*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	555,087,584
01.10.1993	9,912,337*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	564,999,921
20.04.1994	3,434,479*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	568,434,400
05.10.1994	1,113,000*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	569,547,400
27.12.1994	50,000,000*	Issue and private placement of 50,000,000 new shares as follows: – 35,000,000 PBB local shares at RM8.28 per share – 15,000,000 PBB foreign shares at RM10.62 per share	619,547,400
18.04.1996	25,500*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	619,572,900
07.08.1996	206,524,300*	Capitalisation of share premium account (Bonus Issue 1:3)	826,097,200
25.10.1996	143,541*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,240,741
12.05.1997	358,850*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,599,591
06.01.1998	165,319,918*	Capitalisation of share premium account (Bonus Issue 1:5)	991,919,509
09.03.1998	165,319,918*	Rights Issue 1:5 at RM2.00 per PBB local share and at RM2.28 per PBB foreign share	1,157,239,427
11.02.1999	8,007,750*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,165,247,177
11.05.1999	35,500*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,165,282,677
19.05.1999	4,736,865*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,170,019,542
07.06.1999	1,077,950*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,171,097,492
02.07.1999	12,063,250*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,183,160,742
08.12.2000	11,899,125*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,195,059,867
15.02.2001	1,662,500*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,196,722,367
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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	1,025,363*	Exercise of share options under PBB ESOS at option price of RM2.54 per share	1,834,843,986
12.07.2002	458,710,996*	Capitalisation of share premium account (Bonus Issue 1:4)	2,293,554,982
13.09.2002	13,570,954*	Exercise of share options under PBB ESOS as follows: – 1,488,329 shares at option price of RM2.04 per share – 12,082,625 shares at option price of RM4.44 per share	2,307,125,936
08.10.2002	7,153,442*	Exercise of share options under PBB ESOS as follows: – 412,567 shares at option price of RM2.04 per share – 6,740,875 shares at option price of RM4.44 per share	2,314,279,378
12.12.2002	247,675*	Exercise of share options under PBB ESOS as follows: – 130,050 shares at option price of RM2.04 per share – 117,625 shares at option price of RM4.44 per share	2,314,527,053
14.03.2003	153,158*	Exercise of share options under PBB ESOS as follows: – 112,408 shares at option price of RM2.04 per share – 40,750 shares at option price of RM4.44 per share	2,314,680,211
09.04.2003	37,907*	Exercise of share options under PBB ESOS at option price of RM2.04 per share	2,314,718,118
13.06.2003	202,598,923*	New PBB local shares issued in exchange for 135,065,949 ordinary shares of RM1.00 each in Public Finance Bhd (“PFB”) pursuant to terms of privatisation of PFB	2,517,317,041
16.07.2003	629,329,261*	Capitalisation of share premium account (Bonus Issue 1:4)	3,146,646,302
14.08.2003	8,337,798*	Exercise of share options under PBB ESOS as follows: – 250,423 shares at option price of RM1.64 per share – 8,087,375 shares at option price of RM3.56 per share	3,154,984,100
05.09.2003	2,804,031*	Exercise of share options under PBB ESOS as follows: – 75,156 shares at option price of RM1.64 per share – 2,728,875 shares at option price of RM3.56 per share	3,157,788,131
08.09.2003	2,902,623*	Exercise of share options under PBB ESOS as follows: – 67,856 shares at option price of RM1.64 per share – 1,595,142 shares at option price of RM3.56 per share – 1,239,625 shares at option price of RM3.40 per share	3,160,690,754
12.09.2003	7,001,644*	Exercise of share options under PBB ESOS as follows: – 54,489 shares at option price of RM1.64 per share – 4,948,530 shares at option price of RM3.56 per share – 1,998,625 shares at option price of RM3.40 per share	3,167,692,398
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
27.10.2003	2,054,251*	Exercise of share options under PBB ESOS as follows: – 3,313 shares at option price of RM1.64 per share – 1,457,938 shares at option price of RM3.56 per share – 593,000 shares at option price of RM3.40 per share	3,174,481,530
29.10.2003	6,748,111*	Exercise of share options under PBB ESOS as follows: – 32,993 shares at option price of RM1.64 per share – 3,781,268 shares at option price of RM3.56 per share – 2,933,850 shares at option price of RM3.40 per share	3,181,229,641
06.11.2003	4,913,239*	Exercise of share options under PBB ESOS as follows: – 39,115 shares at option price of RM1.64 per share – 3,806,374 shares at option price of RM3.56 per share – 1,067,750 shares at option price of RM3.40 per share	3,186,142,880
13.11.2003	1,202,135*	Exercise of share options under PBB ESOS as follows: – 5,040 shares at option price of RM1.64 per share – 961,220 shares at option price of RM3.56 per share – 235,875 shares at option price of RM3.40 per share	3,187,345,015
18.11.2003	455,750*	Exercise of share options under PBB ESOS as follows: – 406,250 shares at option price of RM3.56 per share – 49,500 shares at option price of RM3.40 per share	3,187,800,765
21.11.2003	5,801,710*	Exercise of share options under PBB ESOS as follows: – 33,297 shares at option price of RM1.64 per share – 2,989,788 shares at option price of RM3.56 per share – 2,778,625 shares at option price of RM3.40 per share	3,193,602,475
01.12.2003	1,417,894*	Exercise of share options under PBB ESOS as follows: – 16,324 shares at option price of RM1.64 per share – 1,062,070 shares at option price of RM3.56 per share – 339,500 shares at option price of RM3.40 per share	3,195,020,369
04.12.2003	68,000*	Exercise of share options under PBB ESOS at option price of RM3.56 per share	3,195,088,369
22.12.2003	2,297,250*	Exercise of share options under PBB ESOS as follows: – 13,484 shares at option price of RM1.64 per share – 1,889,391 shares at option price of RM3.56 per share – 394,375 shares at option price of RM3.40 per share	3,197,385,619
26.12.2003	9,214,108*	Exercise of share options under PBB ESOS as follows: – 20,525 shares at option price of RM1.64 per share – 6,642,458 shares at option price of RM3.56 per share – 2,551,125 shares at option price of RM3.40 per share	3,206,599,727
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
03.03.2004	13,717,282*	Exercise of share options under PBB ESOS as follows: – 38,231 shares at option price of RM1.64 per share – 10,718,176 shares at option price of RM3.56 per share – 1,647,375 shares at option price of RM3.40 per share – 1,313,500 shares at option price of RM4.60 per share	3,223,708,155
05.03.2004	28,660,157*	Exercise of share options under PBB ESOS as follows: – 253,907 shares at option price of RM1.64 per share – 28,406,250 shares at option price of RM3.56 per share	3,252,368,312
11.03.2004	13,177,700*	Exercise of share options under PBB ESOS as follows: – 36,366 shares at option price of RM1.64 per share – 10,361,459 shares at option price of RM3.56 per share – 940,875 shares at option price of RM3.40 per share – 1,839,000 shares at option price of RM4.60 per share	3,265,546,012
17.03.2004	12,271,286*	Exercise of share options under PBB ESOS as follows: – 46,892 shares at option price of RM1.64 per share – 10,183,769 shares at option price of RM3.56 per share – 597,125 shares at option price of RM3.40 per share – 1,443,500 shares at option price of RM4.60 per share	3,277,817,298
23.03.2004	8,575,825*	Exercise of share options under PBB ESOS as follows: – 38,252 shares at option price of RM1.64 per share – 6,166,723 shares at option price of RM3.56 per share – 867,350 shares at option price of RM3.40 per share – 1,503,500 shares at option price of RM4.60 per share	3,286,393,123
06.04.2004	1,919,157*	Exercise of share options under PBB ESOS as follows: – 1,703,532 shares at option price of RM3.56 per share – 69,625 shares at option price of RM3.40 per share – 146,000 shares at option price of RM4.60 per share	3,288,312,280
13.04.2004	4,016,890*	Exercise of share options under PBB ESOS as follows: – 3,078,890 shares at option price of RM3.56 per share – 405,000 shares at option price of RM3.40 per share – 533,000 shares at option price of RM4.60 per share	3,292,329,170
16.04.2004	1,233,902*	Exercise of share options under PBB ESOS as follows: – 10,500 shares at option price of RM1.64 per share – 1,017,652 shares at option price of RM3.56 per share – 85,750 shares at option price of RM3.40 per share – 120,000 shares at option price of RM4.60 per share	3,293,563,072
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

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
09.09.2004	1,649,681	Exercise of share options under PBB ESOS as follows: – 908,831 shares at option price of RM3.56 per share – 67,350 shares at option price of RM3.40 per share – 260,500 shares at option price of RM4.60 per share – 413,000 shares at option price of RM4.92 per share	3,319,132,323
27.09.2004	623,819	Exercise of share options under PBB ESOS as follows: – 8,125 shares at option price of RM1.64 per share – 344,819 shares at option price of RM3.56 per share – 63,375 shares at option price of RM3.40 per share – 136,000 shares at option price of RM4.60 per share – 71,500 shares at option price of RM4.92 per share	3,319,756,142
28.09.2004	1,737,912	Exercise of share options under PBB ESOS as follows: – 795,637 shares at option price of RM3.56 per share – 120,875 shares at option price of RM3.40 per share – 347,900 shares at option price of RM4.60 per share – 473,500 shares at option price of RM4.92 per share	3,321,494,054
04.10.2004	4,621,593	Exercise of share options under PBB ESOS as follows: – 33,767 shares at option price of RM1.64 per share – 2,569,876 shares at option price of RM3.56 per share – 267,650 shares at option price of RM3.40 per share – 1,187,300 shares at option price of RM4.60 per share – 563,000 shares at option price of RM4.92 per share	3,326,115,647
26.10.2004	1,755,048	Exercise of share options under PBB ESOS as follows: – 665,498 shares at option price of RM3.56 per share – 71,650 shares at option price of RM3.40 per share – 527,400 shares at option price of RM4.60 per share – 490,500 shares at option price of RM4.92 per share	3,327,870,695
19.11.2004	4,569,277	Exercise of share options under PBB ESOS as follows: – 187,546 shares at option price of RM1.64 per share – 2,491,856 shares at option price of RM3.56 per share – 289,375 shares at option price of RM3.40 per share – 1,212,000 shares at option price of RM4.60 per share – 388,500 shares at option price of RM4.92 per share	3,332,439,972
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

* 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.

List of Properties Owned by Public Bank Group as at 31 December 2004

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 Berhad								
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	—	10 Years	46,436	2-1-1995	294,899
3 Jalan Central 96000 Sibu Sarawak Malaysia	5-storey shop lot (L/B)	Public Bank's Jalan Central Branch	Leasehold 60 years	12 Years (8-11-2016)	48 Years	1,392))	77
28 – 29 Jalan Tun Haji Openg 93000 Kuching Sarawak Malaysia	Two 5-storey shop lots (L/B)	Public Bank's Jalan Tun Haji Openg Branch	Leasehold 847 years	780 Years (4-8-2784)	38 Years	1,308)	31-3-2001*))
30 Jalan Tun Haji Openg 93000 Kuching Sarawak Malaysia	2-storey shop lot (L/B)	Public Bank's Jalan Tun Haji Openg Branch	Leasehold 844 years	777 Years (2-8-2781)	65 Years	198))	464
150 Jalan Bukit Bintang 55100 Kuala Lumpur Malaysia	5-storey shop lot (L/B)	Public Bank's Bintang Walk Branch	Freehold	—	33 Years	680	31-3-2001*	213
Parcels 2.18, 3.18 & 4.18 Merdeka Plaza 93000 Kuching Sarawak Malaysia	3 units of office space (ML)	Vacant	Leasehold 60 years	51 Years (27-8-2055)	—	1,197	31-3-2001*	2,711
7 & 9 Jalan Dato' Maharajalela 30000 Ipoh Perak Darul Ridzuan Malaysia	4½-storey office building (L/B)	Public Bank's Ipoh Main Office	Freehold	—	33 Years	1,339	4-1-1967#	309

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 Mutual Berhad								
Lot No: B045/B and Lot No: B045/C/1-3 to C/6-1 Sri Damansara Business Park Persiaran Industri Bandar Sri Damansara 52200 Kuala Lumpur Malaysia	5-storey commercial building (ML)	Public Mutual's Head Office	Freehold	—	7 Years	3,319	Block B 12-6-1995 Block C 20-6-1997	5,078
11 Jalan Bangsar Utama 3 Bangsar Utama 59000 Kuala Lumpur Malaysia	4-storey shop lot (L/B)	Public Mutual's Bangsar Branch	Leasehold 99 years	81 Years (3-12-2085)	16 Years	1,795	2-2-1990	1,336
2nd Floor TB 323 (Lot 20) Block 38 Fajar Complex Jalan Haji Karim 91000 Tawau Sabah Malaysia	2nd floor of a 3-storey shop lot (S/L)	Public Mutual's Tawau Branch	Leasehold 999 years	891 Years (31-12-2895)	34 Years	153	19-3-1992	88
Lot 205 & 206 Section 49 Jalan Tunku Rahman 93100 Kuching Sarawak Malaysia	2 lots of 4-storey office building (L/B)	Public Mutual's Kuching Branch	Leasehold 999 years	Lot 205 769 Years (31-12-2773) Lot 206 769 Years (5-5-2773)	24 Years	365	14-2-2003	2,111
Public Holdings Sdn. Bhd.								
87 Lebuhraya Bishop 10200 Pulau Pinang Malaysia	2-storey shop lot (L/B)	Public Bank's Penang Branch	Freehold	—	82 Years	2,836	20-5-1994	476
60 – 68 Jalan Laksamana 75000 Melaka Malaysia	3-storey office building (L/B)	Public Bank's Melaka Branch	Leasehold 99 years	62 Years (14-7-2066)	34 Years	4,128	20-5-1994	947

List of Properties
Owned by Public Bank Group

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age Of Property	Built-up Area (sq m)	Date Of Last Revaluation/ Acquisition	Net Book Value (RM'000)
Bangunan Public Bank 6 Jalan Sultan Sulaiman 50000 Kuala Lumpur Malaysia	30-storey office tower (L/B)	Public Bank's Jalan Sultan Sulaiman Branch and Head Office Division; PB Securities Sdn. Bhd.'s business premises; office space rented to a related party	Freehold	—	27 Years	18,277	9-12-1977	22,607
40 & 42 Jalan Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Seri Petaling Branch	Leasehold 99 years	74 Years (5-4-2078)	22 Years	1,070	10-11-1992	597
3619 & 3620 Jalan Che' Ahmad 14300 Nibong Tebal Seberang Prai Selatan Pulau Pinang Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Nibong Tebal Branch	Freehold	—	22 Years	870	10-4-1986	579
11 & 13 Jalan Dato' Maharajalela 30000 Ipoh Perak Darul Ridzuan Malaysia	7½-storey office building (L/B)	Public Bank's Ipoh Main Office; office space rented to third parties	Freehold	—	33 Years	2,410	1-8-1990	2,875
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	—	10 Years	36,222	12-8-1991	49,652
1 Jalan Air Hitam Kawasan Institusi Bandar Baru Bangi 43000 Kajang Selangor Darul Ehsan Malaysia	Purpose built 5 multi-storey blocks building (L/B)	Public Bank's IT & Training Centre	Leasehold 99 years	92 Years (2-9-2096)	7 Years	31,669	3-9-1997	43,153

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)
9 & 10 Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Malaysia	Two 3 ¹ / ₂ -storey shop lots (L/B)	Public Bank's Bandar Puchong Jaya Branch	Freehold	—	10 Years	2,515	25-11-2002	5,994
1 & 3 Jalan MJ/2 Taman Majlis Jaya Jalan Sungai Chua 43000 Kajang Selangor Darul Ehsan Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Sungai Chua Branch	Leasehold 60 years	50 Years (19-12-2054)	8 Years	1,351	2-5-2003	2,278
66, 68 & 70 Jalan Burhanuddin Helmi Taman Tun Dr Ismail 60000 Kuala Lumpur Malaysia	Three 3-storey shop lots (L/B)	Public Bank's Taman Tun Dr Ismail Branch	Freehold	—	22 Years	1,526	15-7-2003	6,061
31, 33 & 35 Jalan Persiaran Perling Taman Perling 81200 Johor Bahru Johor Darul Takzim Malaysia	Three 3-storey shop lots (L/B)	Public Bank's Taman Perling Branch	Freehold	—	19 Years	1,135	22-1-2003	1,989
45, 47 & 49 Jalan 2/3A Off KM12 Pusat Bandar Utara Selayang 68100 Batu Caves Kuala Lumpur Malaysia	Three 4-storey shop lots (L/B)	Public Bank's Selayang Branch	Leasehold	82 years (2086)	10 years	1,609	3-10-2003	2,579
48 & 50 Jalan 6/116B Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Malaysia	Two ground and mezzanine floors of 4 ¹ / ₂ -storey shop office/ apartment (ML)	Public Bank's Jalan Kuchai Lama Branch	Leasehold	77 years (2081)	14 Years	495	7-11-2003	1,196

List of Properties
Owned by Public Bank Group

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age Of Property	Built-up Area (sq m)	Date Of Last Revaluation/ Acquisition	Net Book Value (RM'000)
85, 87 & 89 Jalan Selat Taman Selat 12000 Butterworth Pulau Pinang Malaysia	Three 4-storey shop lots (L/B)	Public Bank's Butterworth Branch	Freehold	—	21 Years	2,012	14-7-2003	2,329
PB Properties Sdn. Bhd.								
33 & 35 Jalan Pantai Jerjak 13 Sungai Nibong 11900 Pulau Pinang Malaysia	Two 2-storey shop lots (L/B)	Public Bank's Sg. Nibong Branch	Freehold	—	24 Years	483	15-12-1986	462
2 Jalan Nakhoda 12 Taman Ungku Tun Aminah 81300 Skudai Johor Darul Takzim Malaysia	2-storey shop lot (L/B)	Public Bank's Skudai Branch	Freehold	—	24 Years	389	10-12-1987	231
Wisma Public Bank 15 Jalan Pulau 96000 Sibu Sarawak Malaysia	13-storey office building (L/B)	Public Bank's Jalan Pulau Branch	Leasehold 60 years	55 Years (24-2-2059)	10 Years	12,737	29-8-1988	11,604
Lot 336 Jalan Chong Ah Peng 35900 Tanjung Malim Perak Darul Ridzuan Malaysia	2-storey shop lot (L/B)	Public Bank's Tanjung Malim Branch	Freehold	—	21 Years	353	23-6-1989	172
28 China Street 98000 Miri Sarawak Malaysia	4-storey shop lot (L/B)	Public Bank's China Street Branch	Leasehold 60 years	47 Years (7-7-2051)	15 Years	1,159	10-8-1989	1,457
160 & 162 Kompleks Munshi Abdullah Jalan Munshi Abdullah 75100 Melaka Malaysia	2½ floors of two 4½-storey shop lots (ML)	Public Bank's Jalan Munshi Abdullah Branch	Leasehold 99 years	80 Years (24-2-2084)	14 Years	719	2-5-1991	588

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)
Lot 643 Batu Niah Town Extension 98200 Batu Niah Sarawak Malaysia	2-storey shop lot (L/B)	Public Bank's Batu Niah Branch	Freehold	—	9 Years	383	4-10-1996	339
76 Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Malaysia	2-storey shop lot (L/B)	Public Bank's Jalan Sultan Idris Shah Branch	Freehold	—	65 Years	815	15-7-1991	698
36 Jalan Kampong Nyabor 96000 Sibul Sarawak Malaysia	5-storey shop lot (L/B)	Store room of Public Bank's Jalan Central Branch	Leasehold 60 years	24 Years (31-12-2028)	36 Years	797	20-4-1992	503
Lot 1 Block B-8 Jalan Arusap 89000 Keningau Sabah Malaysia	3-storey shop lot (L/B)	Rented to third party	Leasehold 999 years	920 Years (27-4-2924)	12 Years	558	8-1-1993	525
Sublots 110 & 111 Mukah New Township 96400 Mukah Sarawak Malaysia	Two 3-storey shop lots (L/B)	Public Bank's Mukah Branch	Leasehold 58 years	47 Years (3-9-2051)	10 Years	632	21-11-1995	578
Lot 3 & 4 Block A Hiong Tiong Industrial Centre KM11.2 Jalan Tuaran 88450 Inanam Kota Kinabalu Sabah Malaysia	Two 4-storey shop lots (L/B)	Rented to third party	Leasehold 999 years	911 Years (31-12-2915)	9 Years	870	26-12-1996	1,312
Wisma Public Bank 300 Jalan Raja Laut 50350 Kuala Lumpur Malaysia	14-storey office building (L/B)	Public Bank's Tiong Nam Branch and partially rented to third parties	Freehold	—	17 Years	10,395	27-8-2003	25,560

List of Properties
Owned by Public Bank Group

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age Of Property	Built-up Area (sq m)	Date Of Last Revaluation/ Acquisition	Net Book Value (RM'000)
4223 Jalan Bagan Luar 12000 Butterworth Pulau Pinang Malaysia	3-storey shop lot (L/B)	Public Mutual's Butterworth Branch	Freehold	—	39 Years	542	6-10-1997	1,082
20-26 Jalan Hang Lekiu 50100 Kuala Lumpur Malaysia	4-storey office building (L/B)	Public Bank's Jalan Hang Lekiu Branch	Freehold	—	7 Years	1,551	27-8-1998	3,208
9D & 9E Jalan Kampung Baru 08000 Sg. Petani Kedah Darul Aman Malaysia	Two 4-storey shop lots (L/B)	Public Bank's Jalan Kampung Baru Branch	Freehold	—	10 Years	866	26-9-1998	1,513
37 Jalan Pantai Jerjak 13 Sungai Nibong 11900 Pulau Pinang Malaysia	2-storey (L/B)	Public Bank's Sungai Nibong Branch	Freehold	—	24 Years	242	27-2-2004	609

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 (USD'000)
Public Bank (L) Ltd. Block D (02-3, 03-1, 03-3) & Block C (04-01) Kerupang II Apartments Jalan Batu Arang 87000 Federal Territory of Labuan Malaysia	4 apartment units (ML)	Apartments rented to staff of Public Bank (L) Ltd. and third parties	Leasehold 99 years	54 Years (26-4-2058)	9 Years	303	6-7-1996	176

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 (HKD'000)
JCG Finance Co., Ltd./Winton Holdings (Bermuda) Ltd. Group								
Shop 7 Ground Floor Mei Hang Building 15/17, 21/25, 29/33, 37/41 & 45 Kai Man Path Tuen Mun New Territories Hong Kong	A shop unit on the ground floor of a 5-storey composite building	JCG Finance Co., Ltd.'s Tuen Mun Branch	Leasehold 149 years	43 Years (30-6-2047)	31 Years	84	30-6-1980	1,794
Shop A Ground Floor Kong Kai Building 184 Aberdeen Main Road Aberdeen Hong Kong	A shop unit on the ground floor of a 22-storey residential building built on a 2-storey commercial podium	JCG Finance Co., Ltd.'s Aberdeen Branch	Leasehold 999 years	855 Years (26-12-2859)	15 Years	68	9-3-1990	3,629
Ground Floor Yue Yee Mansion 92 Shung Ling Street San Po Kong Kowloon Hong Kong	Ground floor of a 7-storey Chinese tenement building	JCG Finance Co., Ltd.'s San Po Kong Branch	Leasehold 149 years	43 Years (30-6-2047)	40 Years	94	9-6-1990	2,783
Flat F 29th Floor Pine Mansion Harbour View Gardens 26 Taikoo Wan Road Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 30-storey residential building	Leased to Public Bank Berhad	Leasehold 999 years	895 Years (18-4-2899)	21 Years	91	3-10-1990	5,104
Units 1003-1005 10th Floor Fortress Tower 250 King's Road North Point Hong Kong	3 office units on the 10th floor of a 20-storey office building built on a 4-storey commercial podium	JCG Group IT Centre	Leasehold 150 years	122 Years (26-8-2126)	21 Years	293	18-3-1992	8,127

List of Properties
Owned by Public Bank Group

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age Of Property	Built-up Area (sq m)	Date Of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
Apartment A 14th Floor Tower II Regent on The Park 9A Kennedy Road Wanchai Hong Kong	A residential unit on the 14th floor of a 34-storey residential building	Residential quarters for staff of JCG Group	Leasehold 150 years	126 Years (19-10-2130)	19 Years	253	5-3-1993	9,274
Ground Floor & Open Yard Golden Dragon Mansion 751 Nathan Road Mongkok Kowloon Hong Kong	Ground floor of a 14-storey composite building	JCG Finance Co., Ltd.'s Prince Edward Road Branch	Leasehold 150 years	75 Years (18-8-2079)	34 Years	130	24-5-1993	13,973
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 JCG Group. A portion is leased to Public Bank Berhad, Hong Kong branch as office	Leasehold 999 years	898 Years (14-8-2902)	37 Years	1,464	11-6-1993	84,811
Shop B Ground Floor and Office B 1st to 17th Floor JCG Building 16 Mongkok Road Mongkok Kowloon Hong Kong	A shop unit on ground floor and all B units for 1st to 17th floors of an 18-storey commercial building with shops and offices	JCG Finance Co., Ltd.'s Mongkok Branch; storeroom of JCG Group; office space leased to third parties; few floors are vacant	Leasehold 150 years	46 Years (27-5-2050)	17 Years	2,215	30-6-1994 (R)	96,797
Flat F 24th Floor Ngan Sing Mansion Sing Fai Terrace 1 Tai Fung Avenue Taikoo Shing Quarry Bay Hong Kong	A residential unit of a 26-storey residential building built on a podium	Leased to a member of JCG Group as staff quarters	Leasehold 999 years	895 Years (18-4-2899)	20 Years	76	1-8-1995	4,313

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 (HKD'000)
Ground Floor Ruby Commercial Building 480 Nathan Road Yau Ma Tei Kowloon Hong Kong	Ground floor of a 16-storey commercial building	JCG Finance Co., Ltd.'s Nathan Road Branch	Leasehold 150 years	63 Years (22-10-2067)	22 Years	110	14-1-2000	11,234
Shop Nos. 51 to 53 1st Floor Harbour Crystal Centre 100 Granville Road Tsimshatsui Kowloon Hong Kong	3 commercial units on the 1st floor of a 16-storey commercial building	JCG Finance Co., Ltd.'s Tsimshatsui Branch	Leasehold 150 years	124 Years (10-12-2128)	22 Years	131	1-11-2000	2,561
Ground Floor Section B Lot No. 3704 DD120 Yuen Long New Territories Hong Kong	Ground floor of a 5-storey composite building	JCG Finance Co., Ltd.'s Yuen Long Branch	Leasehold 149 years	43 Years (30-6-2047)	47 Years	102	23-4-2001	15,982
Ground Floor Wing On House 71 Des Voeux Road Central Central Hong Kong	Ground floor of a 31-storey office building built on a 2-storey podium	Leased to Public Bank Berhad, Hong Kong branch for business	Leasehold 999 years	898 Years (14-8-2902)	37 Years	113	15-10-2003	32,412
Workshops A, B and C Ground Floor and Flat E 9th Floor Hung Cheong Factory Building 742 – 748 Cheung Sha Wan Road 3 Kwong Cheung Street Cheung Sha Wan Kowloon Hong Kong	3 workshop units on the ground floor and a unit on the 9th floor of a 12-storey industrial building with 9th to 11th floor designated for workers' quarters	Portion of workshops on ground floor and whole flat E at 9th floor are leased to third parties. Other portion is occupied by JCG Group as office	Leasehold 149 years	43 Years (27-6-2047)	39 Years	Workshop A, B, C 682 Flat 68	24-7-1992 (R)	11,764

List of Properties
Owned by Public Bank Group

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age Of Property	Built-up Area (sq m)	Date Of Last Revaluation/ Acquisition	Net Book Value (HKD'000)
Workshops E1 and F1 10th Floor Hang Fung Industrial Building Phase 1 2G Hok Yuen Street Hung Hom Kowloon Hong Kong	2 workshops on the 10th floor of a 13-storey industrial building	Leased to a member of JCG Group as store room	Leasehold 150 years	43 Years (15-9-2047)	25 Years	962	24-7-1992	2,834
Unit 3 3rd Floor Block F-2 Pearl Island Bungalow 9 Tsing Lung Road Tuen Mun New Territories Hong Kong	A residential unit on the 3rd floor of a 4-storey residential building	Holiday apartment for executives of JCG Group	Leasehold 149 years	43 Years (27-6-2047)	33 Years	32	24-7-1992	46
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	JCG Group office; office space leased to third parties	Leasehold 150 years	56 Years (18-2-2060)	22 Years	1,465	2-5-1994 (R)	54,800
4th Floor 581 Nathan Road Mongkok Kowloon Hong Kong	4th floor of a 7-storey composite building with shops and domestic flat	Used by JCG Group as store room	Leasehold 150 years	33 Years (25-12-2037)	35 Years	55	14-6-1984	177
2nd Floor 575 A Nathan Road Mongkok Kowloon Hong Kong	2nd floor of an 8-storey composite building with shops and domestic flat	Leased to third parties	Leasehold 150 years	33 Years (25-12-2037)	46 Years	65	9-1-1987 (R)	840

Notes:

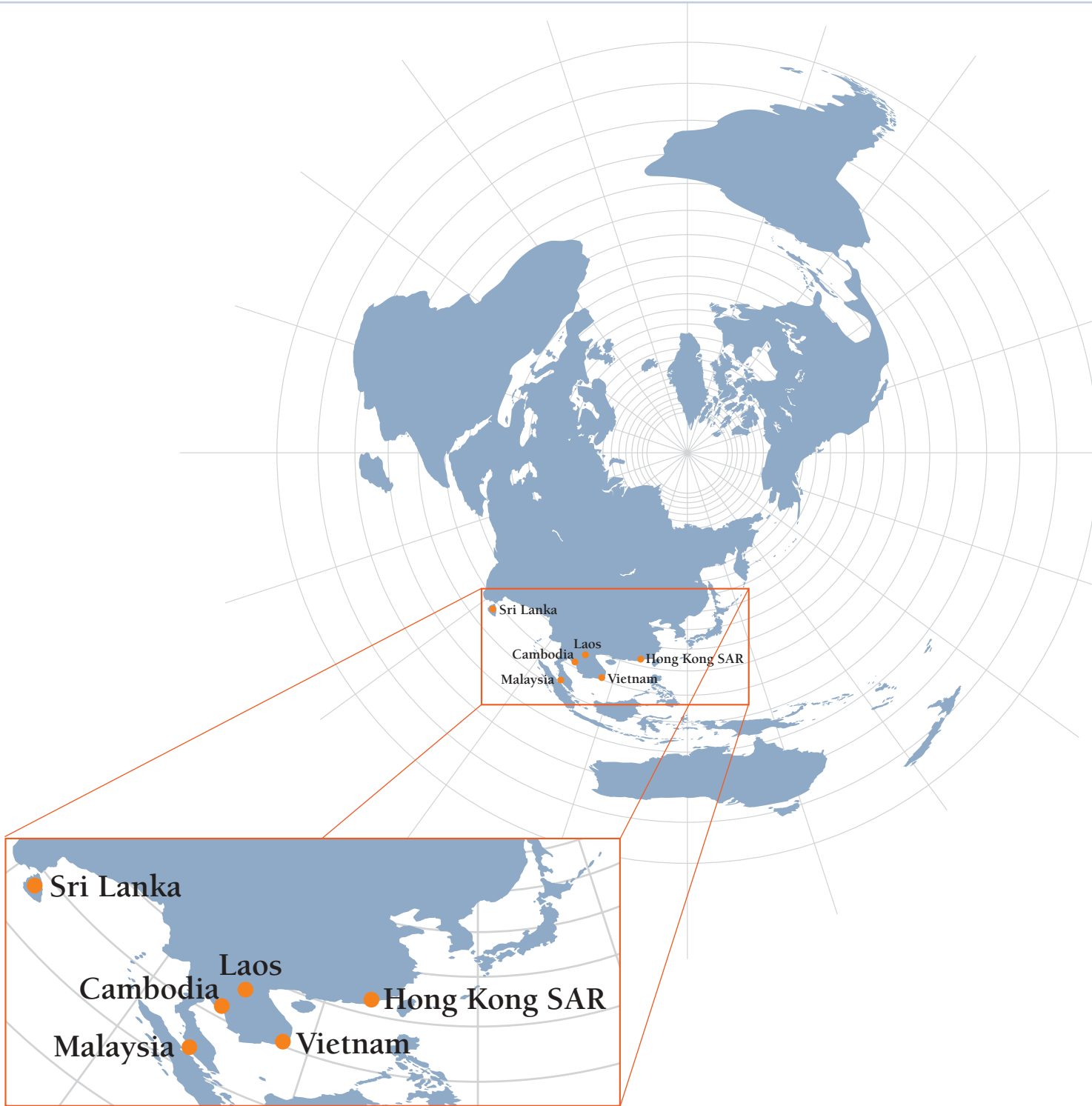
- (L/B) – Land and building
- (ML) – Building with land held under master title, pending issuance of strata land title
- (SL) – Building with strata land title
- (R) – Revaluation was performed as at 15 December 2004

* The acquisition date for all properties vested over from HHB Holdings Berhad is 31 March 2001.

The acquisition date for a property vested over from Public Finance Berhad is 4 September 2004.

JCG Finance Co., Ltd./Winton Holdings (Bermuda) Ltd. Group hold the land portion of all properties by means of leases, in Hong Kong SAR.

International Network



- Cambodia
- Hong Kong SAR

- Laos
- Malaysia

- Sri Lanka
- Vietnam

Group Corporate Directory



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Tel : 03-21427969
Fax : 03-21421241

• Bukit Damansara

36-40 Medan Setia 2
Plaza Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-20954278, 03-20954922
Fax : 03-20949403, 03-20943844,
03-20956417 (RCB)

• Changkat Thambi Dollah

85 & 87 Changkat Thambi Dollah
Off Jalan Pudu
55100 Kuala Lumpur
Tel : 03-21454492, 03-21454498
Fax : 03-21454462, 03-21415266

• Chow Kit

Wisma Mepro
29 & 31 Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-40438546, 03-40438544
Fax : 03-40438542

• Jalan Bukit Bintang

Sun Complex
Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 03-21445755, 03-21445759
Fax : 03-21445751

• Jalan Hang Lekiu

20-26 Jalan Hang Lekiu
50100 Kuala Lumpur
Tel : 03-20787077, 03-20781115
Fax : 03-20726155

• Jalan Ipoh

Wisma Yap Ka
480 Batu 3 Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-40427487, 03-40427488
Fax : 03-40420032

• Jalan Kelang Lama

3045-3051 Batu 4½
Jalan Kelang Lama
58000 Kuala Lumpur
Tel : 03-79811211, 03-79811212
Fax : 03-79816939

• Jalan Kuchai Lama

52 & 54 Jalan 6/116B
Kuchai Entrepreneurs' Park
58200 Kuala Lumpur
Tel : 03-79804377, 03-79804575
Fax : 03-79843411

• Jalan Pasar

44 & 46 Jalan Pasar
55100 Kuala Lumpur
Tel : 03-21429160, 03-21429144
Fax : 03-21429916

• Jalan Raja Chulan

Wisma Lim Foo Yong
86 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-21418255, 03-21418366
Fax : 03-21487721

• Jalan Raja Laut

Lot G3 & 1A.2 Bangunan KWSP
5 Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-26930722
Fax : 03-26914624

• Jalan Sultan Sulaiman

Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-20702711
Fax : 03-22745909

- **Jalan Sungei Besi**
 12 Jalan Sungei Besi
 57100 Kuala Lumpur
 Tel : 03-92214771, 03-92215655
 Fax : 03-92212968
- **Jalan Tun H.S. Lee**
 Lot G.01 Plaza First Nationwide
 161 Jalan Tun H.S. Lee
 50000 Kuala Lumpur
 Tel : 03-20702121, 03-20702234
 Fax : 03-20702250
- **Jalan Tun Sambanthan**
 122 Jalan Tun Sambanthan
 50470 Kuala Lumpur
 Tel : 03-22736494, 03-22736495
 Fax : 03-22736513
- **Jinjang**
 3476 & 3477 Garden Street
 Jinjang Utara
 52000 Kuala Lumpur
 Tel : 03-62523355, 03-62523356
 Fax : 03-62522422
- **Kampung Baru**
 Wisma Le Proton
 134 Jalan Raja Abdullah
 Kampung Baru
 50300 Kuala Lumpur
 Tel : 03-26928749, 03-26927269
 Fax : 03-26927188
- **Kepong**
 17, 19 & 21 Jalan Ambong Kiri Dua
 Kepong Baru
 52100 Kuala Lumpur
 Tel : 03-62570032, 03-62570040
 Fax : 03-62516611
- **KL City Main Office**
 Ground Floor, Menara Public Bank
 146 Jalan Ampang
 50450 Kuala Lumpur
 Tel : 03-21767888, 03-21638866
 Fax : 03-21639901
- **Medan Idaman**
 Medan Idaman Business Centre
 4 & 6 Jalan 2/21D
 Batu 5 Jalan Gombak
 53000 Kuala Lumpur
 Tel : 03-40234467, 03-40234478
 Fax : 03-40234497
- **Overseas Union Garden**
 3 & 5 Medan Hujan Rahmat
 Taman Overseas Union
 58200 Kuala Lumpur
 Tel : 03-77856409, 03-77856410
 Fax : 03-77856412
- **Salak South**
 31 & 33 Jalan 3/108C
 Taman Sungai Besi, Salak South
 57100 Kuala Lumpur
 Tel : 03-79805190, 03-79802921
 Fax : 03-79805230
- **Segambut**
 75 & 77 Jalan Segambut Pusat
 51200 Kuala Lumpur
 Tel : 03-62527052, 03-62527054
 Fax : 03-62527057, 03-62526620
- **Selayang**
 36 & 38 Jalan 2/3A
 Pusat Bandar Utara
 Selayang, Batu Caves
 68100 Kuala Lumpur
 Tel : 03-61368644, 03-61368645
 Fax : 03-61368651
- **Sentul**
 36, 38 & 40 Jalan 14/48A
 Sentul Raya, Off Jalan Sentul
 51000 Kuala Lumpur
 Tel : 03-40421509, 03-40421811
 Fax : 03-40421822
- **Seri Petaling**
 40-42 Jalan Radin Tengah
 Bandar Baru Seri Petaling
 57000 Kuala Lumpur
 Tel : 03-90585711, 03-90585712
 Fax : 03-90570415
- **Setapak**
 263, 265, 267 & 269
 Jalan Genting Kelang, Setapak
 53300 Kuala Lumpur
 Tel : 03-40219343, 03-40219341
 Fax : 03-40219351
- **Taman Cheras**
 1, 3 & 5 Jalan 4/96A
 Taman Cheras Makmur
 56100 Kuala Lumpur
 Tel : 03-91313581, 03-91313466
 Fax : 03-91304586
- **Taman Connaught**
 80 & 82 Jalan Cerdas
 Taman Connaught Cheras
 56000 Kuala Lumpur
 Tel : 03-91017152, 03-91023649
 Fax : 03-91023645
- **Taman Desa**
 Lot 1A-3A, Business Centre
 Taman Desa
 Off Jalan Kelang Lama
 58100 Kuala Lumpur
 Tel : 03-79837811, 03-79837812
 Fax : 03-79818069
- **Taman Maluri**
 59 & 59-1 Jalan Jejaka Lima
 Taman Maluri
 55100 Kuala Lumpur
 Tel : 03-92859994, 03-92859995
 Fax : 03-92856811

- **Taman Midah**
2 Jalan Midah 3
Taman Midah
56000 Kuala Lumpur
Tel : 03-91300533, 03-91300234
Fax : 03-91309226
- **Taman Tun Dr. Ismail**
66, 68 & 70
Jalan Burhanuddin Helmi
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 03-77294672, 03-77299440
Fax : 03-77298754
- **Tiong Nam**
Wisma Public Bank
300 Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-26939555, 03-26939528
Fax : 03-26914673
- **Wangsa Maju**
24–26 Jalan 1A/27A
Section 1, Wangsa Maju
53300 Kuala Lumpur
Tel : 03-41428577, 03-41428579
Fax : 03-41429281
- **Labuan**
Lucas Kong Building
5 Jalan Merdeka
87007 Wilayah Persekutuan Labuan
Tel : 087-414201, 087-414278
Fax : 087-412388
- **Bandar Baru Permas Jaya**
11 & 15 Jalan Permas 10/1
Bandar Baru Permas Jaya
81750 Masai, Johor
Tel : 07-3883253, 07-3883254
Fax : 07-3883259
- **Batu Pahat**
116, 117 & 118 Jalan Chengal
Taman Makmur
83000 Batu Pahat, Johor
Tel : 07-4344941, 07-4344942
Fax : 07-4319120
- **Bukit Pasir**
31 Taman Bahagia
Jalan Panchor, Bukit Pasir
84300 Muar, Johor
Tel : 06-9856878, 06-9857261
Fax : 06-9856811
- **Chaah**
3 & 5 Jalan Yong Peng
85400 Chaah, Johor
Tel : 07-9262001, 07-9262002
Fax : 07-9262008
- **Endau**
811 & 812 Jalan Aman
Taman Bahagia
86900 Endau, Johor
Tel : 07-7944051, 07-7944155
Fax : 07-7944086
- **Jalan Abdullah**
74 & 76 Jalan Abdullah
84000 Muar, Johor
Tel : 06-9518753, 06-9518760
Fax : 06-9519550
- **Johor Bahru**
Level 1, 2 & 12
Public Bank Tower
19 Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel : 07-2241733
Fax : 07-2223813 (Level 1),
07-2241527 (Level 2),
07-2221988 (Level 12)
- **Kahang**
12 Jalan Parang 1
Taman Sri Kahang
86700 Kahang, Johor
Tel : 07-7882294, 07-7882295
Fax : 07-7882297
- **Kluang**
8D & 8E Jalan Dato' Haji Hassan
86000 Kluang, Johor
Tel : 07-7735112, 07-7735113
Fax : 07-7735117
- **Kota Tinggi**
8L & 8M Jalan Tun Habab
81900 Kota Tinggi, Johor
Tel : 07-8834835, 07-8834687
Fax : 07-8834852
- **Kulai**
42-1, 42-2 & 42-3
Jalan Raya, Kulai Besar
81000 Kulai, Johor
Tel : 07-6634166, 07-6634167
Fax : 07-6635761
- **Masai**
1 & 3 Jalan Suria 3
Bandar Seri Alam
81750 Masai, Johor
Tel : 07-2522498, 07-2522500
Fax : 07-2511795
- **Mersing**
21 & 22 Jalan Sulaiman
86800 Mersing, Johor
Tel : 07-7992695, 07-7992697
Fax : 07-7992530, 07-7993912
- **Muar**
47, 48, 49 & 50 Jalan Sayang
84000 Muar, Johor
Tel : 06-9517505, 06-9517520
Fax : 06-9523033

Johor

• **Parit Raja**

1 Jalan Raja Satu
86400 Parit Raja
Batu Pahat, Johor
Tel : 07-4542855, 07-4542857
Fax : 07-4542844

• **Pekan Nenas**

SH9 & SH10 Main Road
81500 Pekan Nenas, Johor
Tel : 07-6995352, 07-6995594
Fax : 07-6995351

• **Pontian Kecil**

761 & 762 Jalan Taib
82000 Pontian, Johor
Tel : 07-6879601, 07-6879602
Fax : 07-6876144, 07-6877844,
07-6878424

• **Segamat**

62H & 62I Jalan Genuang
85000 Segamat, Johor
Tel : 07-9313930, 07-9313900
Fax : 07-9310854

• **Simpang Renggam**

29 Jalan Kijang
Taman Mohd Yassin
86200 Simpang Renggam, Johor
Tel : 07-7550511, 07-7550512
Fax : 07-7550513

• **Skudai**

2 & 4 Jalan Nakhoda 12
Taman Ungku Tun Aminah
81300 Skudai, Johor
Tel : 07-5570007, 07-5570008
Fax : 07-5560303

• **Tangkak**

125 Jalan Muar
84900 Tangkak, Johor
Tel : 06-9782123, 06-9782124
Fax : 06-9783733

• **Taman Desa Cemerlang**

2, 4 & 6 Jalan Johar 2
Taman Desa Cemerlang
81800 Ulu Tiram, Johor
Tel : 07-8616450
Fax : 07-8616884

• **Taman Johor Jaya**

29, 31, 33 & 35 Jalan Rosmerah 2/10
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : 07-3513128, 07-3523128
Fax : 07-3547113

• **Taman Munsyi Ibrahim**

48 & 50 Jalan Dian 8
Taman Munsyi Ibrahim
81200 Johor Bahru, Johor
Tel : 07-2346820, 07-2346821
Fax : 07-2346790

• **Taman Perling**

31, 33 & 35 Jalan Persisiran Perling
Taman Perling
81200 Johor Bahru, Johor
Tel : 07-2344919, 07-2344608
Fax : 07-2345850

• **Taman Sentosa**

G1 & G2 Wisma Daiman
64 Jalan Sulam, Taman Sentosa
80150 Johor Bahru, Johor
Tel : 07-3316521, 07-3312266
Fax : 07-3312666

• **Tampoi**

14 & 16 Jalan Sri Bahagia 10
Taman Sri Bahagia
Off Jalan Tampoi
81200 Johor Bahru, Johor
Tel : 07-2377184, 07-2377519
Fax : 07-2378042

• **Ulu Tiram**

8 & 9 Jalan Raya
Taman Tiram Baru
81800 Ulu Tiram, Johor
Tel : 07-8613291, 07-8613292
Fax : 07-8612666

Kedah

• **Alor Setar**

1070 & 1071 Jalan Telok Wanjah
05200 Alor Setar, Kedah
Tel : 04-7315411, 04-7315412
Fax : 04-7315778

• **Changlun**

73 Jalan Sintok, Pekan Baru
06010 Changlun, Kedah
Tel : 04-9241457, 04-9241085
Fax : 04-9241870

• **Gurun**

39-41 Jalan Raya
08300 Gurun, Kedah
Tel : 04-4686143, 04-4686325
Fax : 04-4687024

• **Jalan Kg. Baru**

9D & 9E Jalan Kampung Baru
08000 Sungai Petani, Kedah
Tel : 04-4236452, 04-4236453
Fax : 04-4210475

• **Jalan Kota**

1559 Jalan Kota
05000 Alor Setar, Kedah
Tel : 04-7317661
Fax : 04-7317716

• **Jitra**

9 & 10 Kompleks Jitra
06000 Jitra, Kedah
Tel : 04-9174926, 04-9174927
Fax : 04-9174931

• **Kuala Ketil**

45 & 46 Jalan Putra
Taman Tanjung Peteri
09300 Kuala Ketil, Kedah
Tel : 04-4163278, 04-4163318
Fax : 04-4163103

• **Kulim**

173 & 174 Jalan Tunku Putra
09000 Kulim, Kedah
Tel : 04-4901090, 04-4901096
Fax : 04-4907502

• **Pokok Sena**

8 Taman Sena, Jalan Raya
06400 Pokok Sena, Kedah
Tel : 04-7822000, 04-7822008
Fax : 04-7821019

• **Pulau Langkawi**

23, 25 & 27 Jalan Pandak Mayah 4
Pusat Bandar Kuah
07000 Pulau Langkawi, Kedah
Tel : 04-9667372, 04-9667373
Fax : 04-9667435

• **Sik**

441 Jalan Tunku Ibrahim
08200 Sik, Kedah
Tel : 04-4695764, 04-4695691
Fax : 04-4695664

• **Sungai Petani**

83A-D & 84A-D
Jalan Pengkalan, Susur Kiri
Taman Pekan Baru
08000 Sungai Petani, Kedah
Tel : 04-4217622, 04-4217623
Fax : 04-4211979

Kelantan

• **Gua Musang**

42 Jalan Besar
18300 Gua Musang, Kelantan
Tel : 09-9122600, 09-9122602
Fax : 09-9122603

• **Kota Bharu**

PT 197-199 Jalan Pintu Pong
15000 Kota Bharu, Kelantan
Tel : 09-7442269, 09-7446944
Fax : 09-7482110

• **Kuala Krai**

91 & 92 Jalan Chin Hua
18000 Kuala Krai, Kelantan
Tel : 09-9664027, 09-9664028
Fax : 09-9664042

• **Tanah Merah**

443 & 444
Jalan Dato' Nik Mustapha
17500 Tanah Merah, Kelantan
Tel : 09-9556244, 09-9556139
Fax : 09-9556944

Melaka

• **Air Keroh**

26 & 27 Lorong Setia Satu
Air Keroh Heights
75450 Melaka
Tel : 06-2327208, 06-2327209
Fax : 06-2327205

• **Batu Berendam**

46 & 48 Jalan Mutiara Melaka 2
Mutiara Melaka, Batu Berendam
75350 Melaka
Tel : 06-3176204, 06-3176205
Fax : 06-3176203

• **Jalan Munshi Abdullah**

Kompleks Munshi Abdullah
160-162 Jalan Munshi Abdullah
75100 Melaka
Tel : 06-2840941, 06-2840952
Fax : 06-2839591

• **Masjid Tanah**

Lot 367 & 368
Kompleks Perniagaan
78300 Masjid Tanah, Melaka
Tel : 06-3847712, 06-3847713
Fax : 06-3847717

• **Melaka**

60-68 Jalan Laksamana
75000 Melaka
Tel : 06-2830233
Fax : 06-2844552

• **Taman Malim Jaya**

6 & 8 Jalan Suria 2
Taman Malim Jaya
75250 Melaka
Tel : 06-3346397, 06-3346404
Fax : 06-3346412

• **Taman Melaka Raya**

566, 567 & 568 Jalan Merdeka
Taman Melaka Raya
75000 Melaka
Tel : 06-2817527, 06-2817528
Fax : 06-2818806

• **Tengkera**

300, 300A, 300B & 300-1
Jalan Ong Kim Wee
75300 Melaka
Tel : 06-2832052, 06-2832054
Fax : 06-2832159

Negeri Sembilan

- **Bahau**
120 & 121 Jalan Gurney
72100 Bahau, Negeri Sembilan
Tel : 06-4544102, 06-4544103
Fax : 06-4545270
- **Gemas**
12 Jalan Mahkamah
73400 Gemas, Negeri Sembilan
Tel : 07-9481770, 07-9481780
Fax : 07-9481110
- **Kuala Pilah**
564 Jalan Perpatah
72000 Kuala Pilah
Negeri Sembilan
Tel : 06-4812277, 06-4812299
Fax : 06-4815544
- **Kuala Kelawang**
128A & 128B Jalan Syed Ali
71600 Kuala Kelawang, Jelebu
Negeri Sembilan
Tel : 06-6136925, 06-6136926
Fax : 06-6137110
- **Nilai**
168-170 Jalan Besar
71800 Nilai, Negeri Sembilan
Tel : 06-7991066, 06-7991067
Fax : 06-7991337
- **Port Dickson**
866 & 867 Jalan Pantai
71000 Port Dickson
Negeri Sembilan
Tel : 06-6472942, 06-6472943
Fax : 06-6474831, 06-6474708
- **Rasah**
1281, 1282 & 1283 Jalan Rasah
70300 Seremban, Negeri Sembilan
Tel : 06-7620623
Fax : 06-7637622

- **Seremban**
44-46 Jalan Dato' Lee Fong Yee
70000 Seremban, Negeri Sembilan
Tel : 06-7630661, 06-7630662
Fax : 06-7634500
- **Taman Rasah Jaya**
687 & 688 Jalan RJ 1/6
Taman Rasah Jaya
70300 Seremban, Negeri Sembilan
Tel : 06-6315443, 06-6314754
Fax : 06-6315249
- **Tampin**
4707 & 4708 Jalan Besar
73000 Tampin, Negeri Sembilan
Tel : 06-4412511, 06-4412512
Fax : 06-4414814

Pahang

- **Benta**
21 & 22 Rumahkedai LKNP
27300 Benta, Pahang
Tel : 09-3238622, 09-3238621
Fax : 09-3238614
- **Bentong**
25-27 Jalan Chui Yin
28700 Bentong, Pahang
Tel : 09-2225653, 09-2225659
Fax : 09-2225663
- **Bureau De Change**
Resorts Hotel, Genting Highlands
7th Floor, Resorts Hotel
Genting Highlands Resort
69000 Genting Highlands, Pahang
Tel : 03-61011237
Fax : 03-61011257
- **Brinchang**
MDCH 41-43
Bandar Baru Brinchang
39100 Brinchang
Cameron Highlands, Pahang
Tel : 05-4911590, 05-4912682
Fax : 05-4911508
- **Genting Highlands**
Lot F/L 1.2 First World Hotel
Genting Highlands Resort
69000 Genting Highlands, Pahang
Tel : 03-64360088, 03-64360145
Fax : 03-64360099
- **Jalan Beserah**
B-350 Jalan Beserah
25300 Kuantan, Pahang
Tel : 09-5678461, 09-5688088
Fax : 09-5686366
- **Jerantut**
K-20 & K-21 Jalan Tahan
Bandar Baru
27000 Jerantut, Pahang
Tel : 09-2661917, 09-2662351
Fax : 09-2661875
- **Kemayan**
15-A Jalan Besar
28350 Kemayan, Pahang
Tel : 09-2409824, 09-2409866
Fax : 09-2409825
- **Kuala Lipis**
5G & 5H Jalan Pekeliling
27200 Kuala Lipis, Pahang
Tel : 09-3122077
Fax : 09-3123588
- **Kuantan**
79-85 Jalan Haji Abdul Aziz
25000 Kuantan, Pahang
Tel : 09-5179822, 019-5178288
Fax : 09-5161519

- **Mentakab**
16–18 Jalan Bunga Matahari
28400 Mentakab, Pahang
Tel : 09-2775800, 09-2775801
Fax : 09-2773011
- **Raub**
18 & 19 Bandar Raub Perdana
Jalan Lipis
27600 Raub, Pahang
Tel : 09-3553471, 09-3553502
Fax : 09-3554918
- **Temerloh**
74 & 75 Jalan Ahmad Shah 1
Lurah Temerloh
28000 Temerloh, Pahang
Tel : 09-2965652, 09-2965662
Fax : 09-2965643
- **Triang**
38 & 39 Jalan Temerloh
28300 Triang, Pahang
Tel : 09-2553480, 09-2553481
Fax : 09-2553486
- **Bidor**
3 Jalan Bidor Raya
35500 Bidor, Perak
Tel : 05-4341257
Fax : 05-4341241
- **Bercham New Village**
3 & 5 Persiaran Bercham Timur 1
Taman Bercham Baru
31400 Ipoh, Perak
Tel : 05-5360058, 05-5360632
Fax : 05-5361555
- **Chemor**
12–16 Laluan Chemor Sinaran
Desa Chemor Sinaran
31200 Chemor, Perak
Tel : 05-2011124, 05-2011125
Fax : 05-2011573
- **Gunung Rapat**
296 & 298
Jalan Raya Dr. Nazrin Shah
Gunung Rapat
31350 Ipoh, Perak
Tel : 05-3131646, 05-3131649
Fax : 05-3132023
- **Ipoh Garden**
133, 133A–D
Jalan Dato' Lau Pak Khuan
Ipoh Garden
31400 Ipoh, Perak
Tel : 05-5480951, 05-5480952
Fax : 05-5480958
- **Ipoh Main Office**
7–13 Jalan Dato' Maharajalela
30000 Ipoh, Perak
Tel : 05-2530115, 05-2531034
Fax : 05-2535505
- **Jalan Bercham**
225–229 Jalan Bercham
Bercham
31400 Ipoh, Perak
Tel : 05-5483888, 05-5468444
Fax : 05-5473888
- **Jalan Pasir Putih**
137 & 139 Jalan Pengkalan Barat
Off Jalan Pasir Putih
31650 Ipoh, Perak
Tel : 05-3222453, 05-3219892
Fax : 05-3225714
- **Jalan Sultan Idris Shah**
76 Jalan Sultan Idris Shah
30000 Ipoh, Perak
Tel : 05-2551068, 05-2551069
Fax : 05-2556555
- **Jalan Yang Kalsom**
46–54 Jalan Yang Kalsom
30250 Ipoh, Perak
Tel : 05-2531998, 05-2531514
Fax : 05-2535528, 05-2558430
- **Jelapang**
291, 293 & 295 Jalan Silibin
30100 Ipoh, Perak
Tel : 05-5264014, 05-5264015
Fax : 05-5264485
- **Kampar**
29 Jalan Idris
31900 Kampar, Perak
Tel : 05-4651044, 05-4652160
Fax : 05-4651400
- **Kamunting**
27–29 Regat Kamunting
Off Jalan Kamunting
34600 Kamunting, Perak
Tel : 05-8081110, 05-8081112
Fax : 05-8079363
- **Kuala Kangsar**
12 Jalan Daeng Selili
33000 Kuala Kangsar, Perak
Tel : 05-7769895, 05-7769896
Fax : 05-7769892

Perak

- **Ayer Tawar**
139 & 141 Jalan Besar
32400 Ayer Tawar, Perak
Tel : 05-6726399, 05-6726400
Fax : 05-6726402
- **Batu Gajah**
5 & 7 Lebu Dewangsa
31000 Batu Gajah, Perak
Tel : 05-3661664
Fax : 05-3665664
- **Bagan Serai**
244 & 244A Jalan Besar
34300 Bagan Serai, Perak
Tel : 05-7212842, 05-7212843
Fax : 05-7212845

• **Menglembu**

67–73 Jalan Besar
 31450 Menglembu, Perak
 Tel : 05-2811014, 05-2814978
 Fax : 05-2815015, 05-2815580

• **Pantai Remis**

66–70 Jalan Damar Laut
 34900 Pantai Remis, Perak
 Tel : 05-6771251, 05-6771252
 Fax : 05-6771495

• **Parit Buntar**

135 & 137 Jalan Taiping
 34200 Parit Buntar, Perak
 Tel : 05-7160078, 05-7160079
 Fax : 05-7160077

• **Pusing**

293 Jalan Besar
 31550 Pusing, Perak
 Tel : 05-2884077, 05-2884078
 Fax : 05-2883975

• **Seri Manjung**

Lot No. 2274–2277
 Taman Samudera
 32040 Seri Manjung, Perak
 Tel : 05-6882927, 05-6882987
 Fax : 05-6884952

• **Simpang Pulai**

39 & 41 Persiaran Sengat Baru 2
 Taman Bersatu
 31300 Simpang Pulai
 Ipoh, Perak
 Tel : 05-3575360, 05-3575361
 Fax : 05-3575358

• **Sitiawan**

Lot 166–168 Jalan Raja Omar
 32000 Sitiawan, Perak
 Tel : 05-6913526, 05-6913527
 Fax : 05-6917198

• **Sungai Siput**

161 & 162 Jalan Besar
 31100 Sungai Siput, Perak
 Tel : 05-5986116, 05-5984114
 Fax : 05-5986081

• **Taiping**

178 & 180 Jalan Kota
 34000 Taiping, Perak
 Tel : 05-8085070, 05-8085071
 Fax : 05-8077362

• **Tanjong Malim**

Lot 336 & 337 Jalan Chong Ah Peng
 35900 Tanjong Malim, Perak
 Tel : 05-4597602, 05-4597603
 Fax : 05-4597605

• **Tanjong Piandang**

43 & 45 Jalan Atas
 34250 Tanjong Piandang, Perak
 Tel : 05-7257941, 05-7257942
 Fax : 05-7257943

• **Teluk Intan**

Wisma Boltex, Jalan Pasar
 36000 Teluk Intan, Perak
 Tel : 05-6223282, 05-6212325
 Fax : 05-6215518

Perlis

• **Kangar**

9 Jalan Raja Syed Alwi
 01000 Kangar, Perlis
 Tel : 04-9763311, 04-9763432
 Fax : 04-9760503

Pulau Pinang

• **Bandar Baru Air Itam**

56 & 58 Lintang Angsana
 Bandar Baru Air Itam
 11500 Pulau Pinang
 Tel : 04-8284088, 04-8286088
 Fax : 04-8280678

• **Bagan Ajam**

6862–6864 Jalan Bagan Jermal
 Bagan Ajam
 13000 Butterworth, Pulau Pinang
 Tel : 04-3317822, 04-3317823
 Fax : 04-3312248

• **Bandar Bayan Baru**

5, 7, 9 & 11
 Lorong Kampung Jawa
 Bandar Bayan Baru
 11900 Bayan Lepas, Pulau Pinang
 Tel : 04-6438200, 04-6438390
 Fax : 04-6441877

• **Bandar Seberang Jaya**

11 Jalan Todak 2
 Pusat Bandar Seberang Jaya
 13700 Seberang Jaya, Pulau Pinang
 Tel : 04-3971096, 04-3971105
 Fax : 04-3971107

• **Bukit Mertajam**

2644–2648 Jalan Che Bee Noor
 14000 Bukit Mertajam
 Pulau Pinang
 Tel : 04-5392205, 04-5392207
 Fax : 04-5392164

• **Butterworth**

85, 87 & 89 Jalan Selat
 Taman Selat
 12000 Butterworth, Pulau Pinang
 Tel : 04-3329837, 04-3329839
 Fax : 04-3329836, 04-3321498

• **Jalan Air Itam**

27A-G-1, 27B-G-1 & 27C-G-1
 Jalan Air Itam
 11500 Air Itam, Pulau Pinang
 Tel : 04-8288591, 04-8288595
 Fax : 04-8288537

• **Jalan Datuk Keramat**

554 & 556 Jalan Datuk Keramat
 10460 Pulau Pinang
 Tel : 04-2274010
 Fax : 04-2291978

- **Jalan Macalister**
104, 104A & 104B
Jalan Macalister
10400 Pulau Pinang
Tel : 04-2276842, 04-2276843
Fax : 04-2276850
- **Jalan Raja Uda**
5031-5033 Jalan Raja Uda
12300 Butterworth, Pulau Pinang
Tel : 04-3245297, 04-3245298
Fax : 04-3245301
- **Jalan Tanjung Tokong**
98-G-13A Prima Tanjung
Jalan Fettes
Bandar Tanjung Tokong
11200 Pulau Pinang
Tel : 04-8993715, 04-8993716
Fax : 04-8993717
- **Jelutong**
407-A Jalan Jelutong
11600 Jelutong, Pulau Pinang
Tel : 04-2813227, 04-2825230
Fax : 04-2825232
- **Kepala Batas**
21 & 23 Jalan Bertam
13200 Kepala Batas
Seberang Perai Utara, Pulau Pinang
Tel : 04-5759085, 04-5759086
Fax : 04-5759088
- **Lebuh Macallum**
Harbour Trade Centre
2-1-20 & 2-1-30
2 Gat Lebuh Macallum
10300 Pulau Pinang
Tel : 04-2628442, 04-2627732
Fax : 04-2630057
- **Nibong Tebal**
3619 & 3620 Jalan Che Ahmad
14300 Nibong Tebal
Seberang Perai Selatan
Pulau Pinang
Tel : 04-5932216, 04-5931433
Fax : 04-5931590
- **Prai**
2684 & 2685 Jalan Chain Ferry
Taman Inderawasih
13600 Prai, Pulau Pinang
Tel : 04-3901241, 04-3901246
Fax : 04-3902394
- **Pulau Pinang**
87 Lebuh Bishop
10200 Pulau Pinang
Tel : 04-2613415, 04-2616755
Fax : 04-2617417
- **Pulau Tikus**
58 Jalan Cantonment
Pulau Tikus, 10250 Pulau Pinang
Tel : 04-2286017, 04-2286018
Fax : 04-2287075
- **Relau**
1 & 3 Jalan Relau
11900 Pulau Pinang
Tel : 04-6443112, 04-6443102
Fax : 04-6443128
- **Simpang Ampat**
19, 21 & 23 Jalan Keruing
Kawasan Perniagaan Simpang Ampat
14100 Seberang Perai Selatan
Pulau Pinang
Tel : 04-5887000, 04-5887248
Fax : 04-5888080
- **Sungai Bakap**
10 & 12 Jalan Besar
Taman Gamelan
14200 Sungai Bakap
Seberang Perai Selatan, Pulau Pinang
Tel : 04-5822434, 04-5822432
Fax : 04-5822435
- **Sungai Nibong**
33, 35 & 37 Jalan Pantai Jerjak 13
Sungai Nibong
11900 Pulau Pinang
Tel : 04-6586000
Fax : 04-6576212
- **Taman Bandar Raya**
15 & 16 Lorong Sepakat 1
Taman Bandar Raya
14000 Bukit Mertajam
Pulau Pinang
Tel : 04-5300288, 04-5306327
Fax : 04-5377288

Sabah

- **Beaufort**
Lot 6 & 7 Lo Chung Park
89808 Beaufort, Sabah
Tel : 087-214869, 087-214844
Fax : 087-214839
- **City Parade**
Lot No. 1-0-M48-M51
1 Jalan Centre Point
City Parade, Centre Point Sabah
88000 Kota Kinabalu, Sabah
Tel : 088-251812, 088-251813
Fax : 088-251816
- **Donggongan**
Lot A-5 & A-6
Donggongan New Township
Jalan Tapikong
89500 Penampang, Sabah
Tel : 088-722780, 088-723780
Fax : 088-727780
- **Inanam**
36 & 38 Block F, Lorong Inanam
Inanam New Township Phase 2
88450 Kota Kinabalu, Sabah
Tel : 088-429112, 088-429113
Fax : 088-429987

• **Keningau**

Lots 2 & 3 Juta Commercial Centre
 Block A3, Jalan Sodomon
 89000 Keningau, Sabah
 Tel : 087-335841, 087-335846
 Fax : 087-335842

• **Kota Belud**

Lot B6 & B7 Kompleks Centenary
 Jalan Sabar
 89150 Kota Belud, Sabah
 Tel : 088-977807, 088-977784
 Fax : 088-977798

• **Kota Kinabalu**

Lot G.1 & Lot 1.1 Menara MAA
 6 Lorong Api-Api 1
 Api-Api Centre
 88000 Kota Kinabalu, Sabah
 Tel : 088-239611, 088-239612
 Fax : 088-236630

• **Lahad Datu**

MDLD 0088 Jalan Teratai
 91100 Lahad Datu, Sabah
 Tel : 089-884020, 089-884021
 Fax : 089-884087, 089-882971

• **Lido**

Lot 8, 9 & 10 Block P
 Taman Che Mei
 KM 5 Jalan Penampang, Lido
 88300 Kota Kinabalu, Sabah
 Tel : 088-217125, 088-245687
 Fax : 088-245496

• **Papar**

Lot 8023, 162 Jalan Besar
 Pekan Papar
 89600 Papar, Sabah
 Tel : 088-912522, 088-912523
 Fax : 088-912211

• **Sandakan**

Wisma Sandaraya, Third Avenue
 90000 Sandakan, Sabah
 Tel : 089-214257, 089-214258
 Fax : 089-272815

• **Tawau**

TB 304A & 304B, Block 34
 Fajar Complex
 91000 Tawau, Sabah
 Tel : 089-761311, 089-761322
 Fax : 089-761355, 089-761270

Sarawak

• **Batu Niah**

Lot 643 Batu Niah Town Extension
 98200 Batu Niah, Sarawak
 Tel : 085-737111
 Fax : 085-737110

• **Bintangor**

19 Teo Kui Ngo Road
 96500 Bintangor, Sarawak
 Tel : 084-693622
 Fax : 084-693255

• **Bintulu**

29-32 Jalan Sommerville
 97000 Bintulu, Sarawak
 Tel : 086-331433
 Fax : 086-336028

• **China Street**

28 China Street
 98000 Miri, Sarawak
 Tel : 085-417227, 085-417228
 Fax : 085-419855

• **Jalan Central**

3 Jalan Central
 96000 Sibu, Sarawak
 Tel : 084-335677
 Fax : 084-320052

• **Jalan Penrissen**

143A-145A Kota Sentosa
 Batu 7 Jalan Penrissen
 93250 Kuching, Sarawak
 Tel : 082-613377
 Fax : 082-615961

• **Jalan Pulau**

Wisma Public Bank
 15 Jalan Pulau
 96000 Sibu, Sarawak
 Tel : 084-320088
 Fax : 084-314088

• **Jalan Tun Hj. Openg**

28-30 Jalan Tun Hj. Openg
 93000 Kuching, Sarawak
 Tel : 082-417922, 082-417923
 Fax : 082-424248

• **Jalan Tun Zaidi**

Lot 2775 & 2776 Block 10
 3rd Mile
 Jalan Tun Ahmad Zaidi Adruce
 93250 Kuching, Sarawak
 Tel : 082-245271
 Fax : 082-245542

• **Kapit**

63 & 64 Jalan Wharf
 96800 Kapit, Sarawak
 Tel : 084-797677, 084-797652
 Fax : 084-797628

• **Kuching**

Lot G.01 & G.02A Wisma Saberka
 Jalan Green
 Off Jalan Tun Abang Hj. Openg
 93000 Kuching, Sarawak
 Tel : 082-419889, 082-428800
 Fax : 082-424662

• **Limbang**

Lot 1082 & 1083 Jalan Buangsiol
 98700 Limbang, Sarawak
 Tel : 085-212511, 085-212443
 Fax : 085-212676

• **Marudi**

59 & 60
Jalan Kapitan Lim Ching Kiat
Marudi
98050 Baram, Sarawak
Tel : 085-755000, 085-755009
Fax : 085-755018

• **Miri**

Moh Heng Building
14 Jalan Bendahara
98000 Miri, Sarawak
Tel : 085-412944, 085-412955
Fax : 085-417273

• **Mukah**

41 & 42 Block 68
Mukah New Township
96400 Mukah, Sarawak
Tel : 084-871900
Fax : 084-871319

• **Padungan**

7, 8 & 9 Jalan Chan Bee Kiew
Off Jalan Padungan
93100 Kuching, Sarawak
Tel : 082-489904, 082-489905
Fax : 082-330488

• **Pelita**

Lots 580 & 581
Pelita Commercial Centre
Miri-Pujut Road
98000 Miri, Sarawak
Tel : 085-410800, 085-420173
Fax : 085-419862

• **Sarikei**

51 & 52 Jalan Masjid
96100 Sarikei, Sarawak
Tel : 084-652490
Fax : 084-653137

• **Sibu**

2, 4 & 6 Lorong 2
Jalan Tuanku Osman
96000 Sibu, Sarawak
Tel : 084-316511
Fax : 084-335739

Selangor

• **Ampang**

Wisma Saudagar
420 Batu 5 Jalan Ampang
68000 Ampang, Selangor
Tel : 03-42562333, 03-42562636
Fax : 03-42578964

• **Bandar Puchong Jaya**

9 & 10 Jalan Kenari 1
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : 03-58821888, 03-58821889
Fax : 03-58821299, 03-58822340

• **Bandar Sri Damansara**

6 Jalan Tembaga SD 5/2A
Bandar Sri Damansara
52200 Kuala Lumpur
Tel : 03-62725742, 03-62725694
Fax : 03-62725767

• **Bandar Sunway**

48 & 50 Jalan PJS 11/28A
Bandar Sunway
46150 Petaling Jaya, Selangor
Tel : 03-56364138, 03-56362256
Fax : 03-56363556

• **Banting**

251 Jalan Besar
42700 Banting, Selangor
Tel : 03-31878387, 03-31878587
Fax : 03-31872708

• **Batang Kali**

4 & 5 Jalan CKC 1
Bandar Baru Batang Kali
44300 Ulu Selangor, Selangor
Tel : 03-60572401, 03-60572402
Fax : 03-60572405

• **Bukit Beruntung**

23 & 25 Jalan Melati 2B
Section BB11
Bandar Bukit Beruntung
48300 Rawang, Selangor
Tel : 03-60282168, 03-60282170
Fax : 03-60282173

• **Damansara Jaya**

1, 3 & 5 Jalan SS22/23
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : 03-77298588
Fax : 03-77288125

• **Damansara Utama**

49, 51 & 53 Jalan SS 21/60
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : 03-77289376, 03-77289406
Fax : 03-77278064

• **Jalan Tapah**

64 & 66 Jalan Tapah
Off Jalan Goh Hock Huat
41400 Kelang, Selangor
Tel : 03-33411372, 03-33414420
Fax : 03-33411353

• **Jalan SK 10/4**

Bangunan MCA Seri Kembangan
1260 Jalan SK 10/4
43300 Seri Kembangan, Selangor
Tel : 03-89488700, 03-89483557
Fax : 03-89485700, 03-89481412

• **Kajang**

10 & 11 Jalan Raja Haroun
43000 Kajang, Selangor
Tel : 03-87368891, 03-87368894
Fax : 03-87365369, 03-87367278

- **Kampung Baru Subang**
 34–36 Jalan Lebuh Besar
 Kampung Baru Subang
 40150 Shah Alam, Selangor
 Tel : 03-78468986, 03-78468012
 Fax : 03-78463351
- **Kampung Baru Sungai Buloh**
 41G & 43G Jalan Kati EU19/E
 Seksyen U19, Taman Medan Mas
 Kampung Baru Sungai Buloh
 40160 Shah Alam, Selangor
 Tel : 03-61568178, 03-61568179
 Fax : 03-61568176
- **Kapar**
 65 & 67 Lintang Dato' Tahir 1
 42200 Kapar, Selangor
 Tel : 03-32502799
 Fax : 03-32500915
- **Kelana Jaya**
 19 Jalan SS 6/12, Kelana Jaya
 47301 Petaling Jaya, Selangor
 Tel : 03-78031267, 03-78034928
 Fax : 03-78032478
- **Klang**
 28–32 Persiaran Sultan Ibrahim
 41300 Klang, Selangor
 Tel : 03-33423567, 03-33423569
 Fax : 03-33423566
- **Kuala Selangor**
 54 Jalan Station
 45000 Kuala Selangor, Selangor
 Tel : 03-32894193, 03-32894194
 Fax : 03-32894133
- **Pandamaran**
 306 Jalan Besar, Pandamaran
 42000 Port Klang, Selangor
 Tel : 03-31672830, 03-31672831
 Fax : 03-31675440
- **Pandan Indah**
 1, 3 & 5 Jalan Pandan Indah 1/23
 Pandan Indah
 55100 Kuala Lumpur
 Tel : 03-92742495, 03-92747494
 Fax : 03-92746497
- **Pandan Jaya**
 44 Jalan Pandan 2/2
 Pandan Jaya
 55100 Kuala Lumpur
 Tel : 03-92812199, 03-92863149
 Fax : 03-92812206
- **Petaling Jaya New Town**
 1, 3 & 5 Jalan 52/2
 46200 Petaling Jaya, Selangor
 Tel : 03-79570007, 03-79570211
 Fax : 03-79579601
- **Petaling Jaya Old Town**
 N19 & O19 Jalan Pasar
 Off Jalan Othman
 46000 Petaling Jaya, Selangor
 Tel : 03-77836566, 03-77835785
 Fax : 03-77836562
- **Port Klang**
 82 Lebuh Beringin
 Off Jalan Berangan
 42000 Port Klang, Selangor
 Tel : 03-31674668, 03-31674550
 Fax : 03-31685510
- **Rawang**
 20 Jalan Bersatu 10
 Taman Bersatu
 48000 Rawang, Selangor
 Tel : 03-60924936, 03-60924937
 Fax : 03-60924935
- **Sabak Bernam**
 Lot 2180 & 2181 Jalan Menteri
 45200 Sabak Bernam, Selangor
 Tel : 03-32162805, 03-32162500
 Fax : 03-32162809
- **Sea Park**
 8 & 10 Jalan 21/12, Sea Park
 46300 Petaling Jaya, Selangor
 Tel : 03-78738931, 03-78738932
 Fax : 03-78744798 (Ground Floor),
 03-78772086 (1st Floor)
- **Section 14**
 12, 14 & 16 Jalan 14/14
 46100 Petaling Jaya, Selangor
 Tel : 03-79582585, 03-79582586
 Fax : 03-79582593
- **Sekinchan**
 102 Jalan Sabak Bernam
 45400 Sekinchan, Selangor
 Tel : 03-32411263, 03-32411264
 Fax : 03-32411644
- **Semenyih**
 22B & 23 Jalan Besar
 43500 Semenyih, Selangor
 Tel : 03-87238811, 03-87238812
 Fax : 03-87237455
- **Seri Gombak**
 19, 21 & 23 Jalan SG1/6
 Taman Seri Gombak
 68100 Batu Caves, Selangor
 Tel : 03-61886712, 03-61889611
 Fax : 03-61886236, 03-61852979
- **Seri Kembangan**
 Lot 255 Jalan Kolej
 43300 Seri Kembangan, Selangor
 Tel : 03-89421096, 03-89422671
 Fax : 03-89422537
- **Seri Setia**
 B01 & G01 Plaza Seri Setia
 1 Jalan SS 9A/2
 47300 Petaling Jaya, Selangor
 Tel : 03-78741944, 03-78741966
 Fax : 03-78769411

- **Shah Alam**
Lot 31–35 Jalan Utas B
Section 15/B
40000 Shah Alam, Selangor
Tel : 03-55100567, 03-55101313
Fax : 03-55101288
- **SS2**
61-7, 61-8 & 61-9 Jalan SS 2/75
47300 Petaling Jaya, Selangor
Tel : 03-78741911
Fax : 03-78741491
- **Subang Jaya**
B1–B4 Jalan SS 15/4D
Subang Jaya
47500 Petaling Jaya, Selangor
Tel : 03-56332420, 03-56332421
Fax : 03-56347713
- **Sungai Buloh**
Lot 403 & 404 Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : 03-61562083, 03-61562056
Fax : 03-61562138
- **Sungai Chua**
1 & 3 Jalan M/J1
Taman Majlis Jaya
Jalan Sungai Chua
43000 Kajang, Selangor
Tel : 03-87370228
Fax : 03-87345570
- **Sungai Jarom**
S11-12 Jalan Rajawali
42600 Sungai Jarom, Selangor
Tel : 03-31912031, 03-31912032
Fax : 03-31912080
- **Sungai Pelek**
24-C Jalan Besar
43950 Sungai Pelek, Selangor
Tel : 03-31411236, 03-31411237
Fax : 03-31411233
- **Taman Chi Liung**
22, 24, 26 & 28 Lintang Menalu
Taman Chi Liung
41200 Klang, Selangor
Tel : 03-33718899, 03-33718482
Fax : 03-33720319
- **Taman Eng Ann**
14 & 16 Jalan Kasawari 5
Taman Eng Ann
41150 Klang, Selangor
Tel : 03-33430506, 03-33430507
Fax : 03-33430480
- **Taman Indah**
23 Jalan Kasturi 1
Plaza Kasturi
Off Jalan Balakong, Batu 11
43200 Cheras, Selangor
Tel : 03-90755202, 03-90755211
Fax : 03-90755769
- **Taman Mayang**
21 & 23 Jalan SS 25/23
Taman Plaza
47301 Petaling Jaya, Selangor
Tel : 03-78030124, 03-78039247
Fax : 03-78039447
- **Taman Muda**
36 Jalan Bunga Tanjung 8A
Taman Muda
68000 Ampang, Selangor
Tel : 03-42979335, 03-42969506
Fax : 03-42961810
- **Taman Melawati**
262–265 Jalan Bandar 12
Taman Melawati
53100 Kuala Lumpur
Tel : 03-41052003, 03-41052004
Fax : 03-41052009
- **Taman Selayang Jaya**
11 & 11A Jalan SJ1
Taman Selayang Jaya
68100 Batu Caves, Selangor
Tel : 03-61205099, 03-61382713
Fax : 03-61383723
- **Taman Sentosa, Klang**
2 Jalan Dato' Yusof Shahbudin 30
Taman Sentosa
41200 Klang, Selangor
Tel : 03-51613369
Fax : 03-51613524
- **Taman Sri Muda**
2 Jalan Sepadu B 25/B
Taman Perindustrian Axis
Section 25
40400 Shah Alam, Selangor
Tel : 03-51216394, 03-51216395
Fax : 03-51216372
- **Taman Taming Jaya**
1 & 1-1 Medan Taming Satu
Taman Taming Jaya
43300 Balakong, Selangor
Tel : 03-89614980, 03-89614984
Fax : 03-89614985
- **Ulu Yam Baru**
6 & 7 Jalan Besar Seksyen 1
Ulu Yam Baru
44300 Batang Kali, Selangor
Tel : 03-60752436
Fax : 03-60752693
- **USJ**
3, 5 & 7 Jalan USJ 10/1F
47620 UEP Subang Jaya, Selangor
Tel : 03-56350617, 03-56310776
Fax : 03-56329196

Terengganu

• Chukai

KCP1 Kemaman Centre Point
24000 Kemaman, Terengganu
Tel : 09-8595962, 09-8594069
Fax : 09-8594943

• Kuala Dungun

K-156 & K-157 Jalan Paka Batu 48
23000 Kuala Dungun, Terengganu
Tel : 09-8482511
Fax : 09-8484549

• Kuala Terengganu

1, 1A & 1B Jalan Batas Baru
20300 Kuala Terengganu
Terengganu
Tel : 09-6226998
Fax : 09-6233409

Overseas Branches/Offices

• Hong Kong Branch

Ground Floor & Room 1101-1103
Wing On House
71 Des Voeux Road
Central Hong Kong
Tel : 852-2525-9351
Fax : 852-2868-9803
Telex : 65279 PBB HX
E-mail : gmgr@publicbank.biz.com.hk
SWIFT: PBBEHKHH

• Colombo Branch

324 Galle Road
Colombo 03, Sri Lanka
Tel : 9411-2576289,
9411-2576290,
9411-2576291,
9411-2576292
Fax : 9411-2573958
Telex : 23171 PUBLIC CE
23507 PBBTRY CE
E-mail : pbbslk@publicbank.slt.lk
SWIFT: PBBELKLX

• Vientiane Branch

100/1-4 Talat Sao Road
P.O. Box 6614
Vientiane, Lao PDR
Tel : 856-21-216614,
856-21-223394,
856-21-223395
Fax : 856-21-222743
Telex : 4310 PBBVTE LS
E-mail : pbbvte@laotel.com

Subsidiaries

• Public Merchant Bank Bhd.

25th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21669382
Fax : 03-21669362
E-mail : merchantbank@publicbank.com.my

• Public Consolidated Holdings Sdn. Bhd.

Registered Office
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21638888
Fax : 03-21639917

• PB Securities Sdn. Bhd.

27th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-20313011 (General)
03-20313733 (Dealing)
Fax : 03-20312533 (General)
03-20312530 (Dealing)

• Public Mutual Berhad

Block B, Sri Damansara Business Park
Persiaran Industri
Bandar Sri Damansara
52200 Kuala Lumpur
Tel : 03-62796800
Fax : 03-62779800
(24 branches and 6 agency offices nationwide)

• PB Securities Nominees (Asing) Sdn. Bhd.

27th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-20313011
Fax : 03-20312533

• PB Securities Nominees (Tempatan) Sdn. Bhd.

27th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : 03-20313011
Fax : 03-20312533

• Public Nominees (Asing) Sdn. Bhd.

17th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21626077
Fax : 03-21626078

• Public Nominees (Tempatan) Sdn. Bhd.

17th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21626077
Fax : 03-21626078

• PB International Factors Sdn. Bhd.

18th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21622955
Fax : 03-21622962
(2 branches – Johor Bahru, Pulau Pinang)

- **PB Trust (L) Ltd.**
Level 8(B), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Federal Territory Labuan
Tel : 6087-412336, 6087-411898
Fax : 6087-451193
E-mail : pbtrust@tm.net.my
- **Public Holdings Sdn. Bhd.**
8th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21766000, 03-21766666
Fax : 03-21639903
- **PB Properties Sdn. Bhd.**
8th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21766000, 03-21766666
Fax : 03-21639903
- **PB Venture Capital Sdn. Bhd.**
Registered Office
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21638899
Fax : 03-21639917
- **Public Bank (L) Ltd.**
Level 8(A) & (B), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Federal Territory Labuan
Tel : 6087-411898
Fax : 6087-413220
Telex : MA 87012
- **JCG Holdings Ltd.**
Room 1105-07, Wing On House
71 Des Voeux Road
Central Hong Kong
Tel : 852-2525-9351
Fax : 852-2845-0681
Telex : 65279 PBB HX
Cable : JCGFIN
- **JCG Finance Company, Ltd.**
Room 1105-07, Wing On House
71 Des Voeux Road
Central Hong Kong
Tel : 852-2525-9351
Fax : 852-2845-0681
Telex : 65279 PBB HX
Cable : JCGFIN
(40 branches in Hong Kong)
- **Winton Holdings (Bermuda) Ltd.**
Room 1101-1110, 11th Floor
Phase 1, Argyle Centre
688 Nathan Road
Mongkok, Kowloon, Hong Kong
Tel : 852-2391-9388
Fax : 852-2391-5366
(1 branch in Kowloon)
- **Funds Fit Ltd.**
Room 1105-07, Wing On House
71 Des Voeux Road
Central Hong Kong
Tel : 852-2525-9351
Fax : 852-2845-0681
Telex : 65279 PBB HX
Cable : JCGFIN
- **JCG Nominees Ltd.**
Room 1108, Wing On House
71 Des Voeux Road
Central Hong Kong
Tel : 852-2877-8622
Fax : 852-2845-5240
Telex : 65279 PBB HX
Cable : JCGFIN
- **JCG Securities Ltd.**
Room 1108, Wing On House
71 Des Voeux Road
Central Hong Kong
Tel : 852-2877-8622
Fax : 852-2845-5240
Telex : 65279 PBB HX
- **Cambodian Public Bank Ltd.**
Villa No. 23 RV Kramounsar
Phsar Thmey II
Daun Penh District
Phnom Penh, Cambodia
Tel : 855-23-214111
Fax : 855-23-217655
E-mail : campu@online.com.kh
SWIFT: CPBLKHPP

Associated Companies

- **PB Trustee Services Berhad**
17th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel : 03-21766651
Fax : 03-21643285
- **VID Public Bank**
Hanoi Head Office
7th Floor, Prime Centre Building
53 Quang Trung, Hanoi
Vietnam
Tel : 844-9438999 (General Line)
Fax : 844-9439005
Telex : 412241VPBVT
SWIFT: VIDPVNV5
(5 branches – Hanoi Operations
Centre, Ho Chi Minh City,
Haiphong, Danang, Binhduong)
- **CPB Properties Company Ltd.**
Villa No. 23, RV Kramounsar
Phsar Thmey II
Daun Penh District
Phnom Penh, Cambodia
Tel : 855-23-214111
Fax : 855-23-217655
E-mail : campu@online.com.kh
SWIFT: CPBLKHPP



PUBLIC BANK BERHAD
(6463-H)

Form of Proxy

Number of shares held	CDS Account No.

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

of _____
(FULL ADDRESS)

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

_____ NRIC No.: _____

of _____
(FULL ADDRESS)

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

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our *first proxy to attend and vote for me/us on my/our behalf at the Thirty-Ninth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 30 March 2005 at 11.00 a.m., or any adjournment thereof.

"B" Where it is desired to appoint a second proxy, this section must also be completed, otherwise it should be deleted.

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

of _____
(FULL ADDRESS)

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

_____ NRIC No.: _____

of _____
(FULL ADDRESS)

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

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our second proxy to attend and vote for me/us on my/our behalf at the Thirty-Ninth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Wednesday, 30 March 2005 at 11.00 a.m., or any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy "A"	%
Second Proxy "B"	%
	<u>100%</u>

In case of a vote taken by a show of hands, *First Proxy "A"/*Second Proxy "B" shall vote on my/our behalf.

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the space provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote, or abstain from voting on the resolutions as he/they may think fit.)

NO.	ORDINARY RESOLUTIONS	FIRST PROXY "A"		SECOND PROXY "B"	
		FOR	AGAINST	FOR	AGAINST
1.	Receive the Audited Financial Statements for the financial year ended 31 December 2004 and the Reports of the Directors and Auditors thereon.				
2.	Declaration of final dividend and special dividend.				
3.	Re-election of Dato' Lee Kong Lam as Director.				
4.	Re-election of Dato' Yeoh Chin Kee as Director.				
5.	Re-election of Lee Chin Guan as Director.				
6.	Re-appointment of Tan Sri Dato' Sri Dr. Teh Hong Piow as Director.				
7.	Re-appointment of Tan Sri Dato' Thong Yaw Hong as Director.				
8.	Approval of payment of Directors' fees.				
9.	Re-appointment of Messrs KPMG as Auditors and to authorise the Directors to fix the Auditors' remuneration.				
10.	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares.				

Signed this _____ day of _____ 2005

Signature of Member/Common Seal

* Delete if inapplicable.

Notes:

- In respect of deposited securities, only Members whose names appear in the Record of Depositors on 23 March 2005 ("General Meeting Record of Depositors") shall be eligible to attend the above Meeting.
- The right of Foreigners to vote in respect of deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Association of the Company. Where a Foreigner, based on the General Meeting Record of Depositors, holds deposited securities in a Securities Account and such securities raise the ownership of shares in the Company by Foreigners beyond the Company's foreign shareholding limit of 30%, such Foreigner or the proxy appointed by him, in respect of such securities, shall not be entitled to exercise in any manner whatsoever any voting rights in respect of the aforesaid securities at the above Meeting.
- A Member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.
- A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the above 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 in the credit of the said Securities Account.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company, at 27th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the Meeting.

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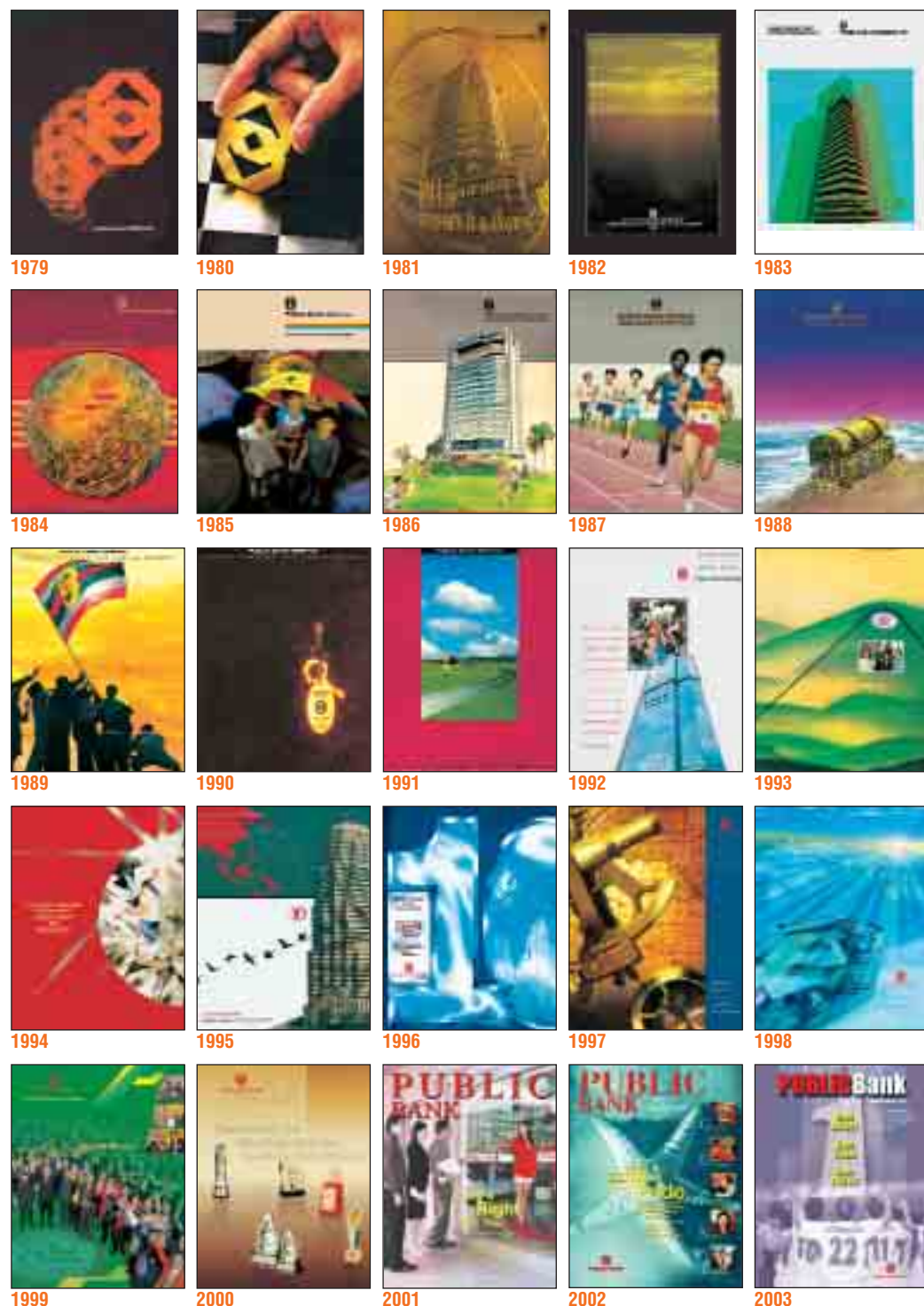
STAMP

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

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past 25 years

Public Bank Annual Report



Award Winning Public Bank Annual Reports

- 1985 - MACRA COMMENDATION AWARD
 - Graphic Presentation
 - Corporate Information
- 1986 - MACRA AWARD
 - Best Corporate Information
- 1987 - MACRA AWARD
 - Best Corporate Information
- NARA AWARD
 - Best Annual Report Finance Sector
- 1988 - MACRA AWARD
 - Best Overall Annual Report
 - Best Corporate Information
- NARA AWARD
 - Best Annual Report Finance Sector
- 1989 - NACRA AWARD
 - Most Outstanding Annual Report
 - Best Annual Report Finance Sector
- NACRA COMMENDATION AWARD
 - Corporate Information
 - Accounting Information
 - Annual Report in Bahasa Malaysia
- 1990 - NACRA AWARD
 - Best Accounting Information
- 1991 - NACRA AWARD
 - Best Accounting Information
- NACRA COMMENDATION AWARD
 - Corporate Information
- 1994 - NACRA COMMENDATION AWARD
 - Accounting Information
 - Corporate Information
 - Annual Report in Bahasa Malaysia
- 1995 - NACRA COMMENDATION AWARD
 - Accounting Information
 - Annual Report in Bahasa Malaysia
- 1996 - NACRA AWARD
 - Most Outstanding Annual Report
 - Industry Excellence Award Finance Sector
- 1997 - NACRA AWARD
 - Best Annual Report in Bahasa Malaysia
 - Industry Excellence Award Finance Sector
- 1998 - NACRA AWARD
 - Industry Excellence Award Finance Sector
- 1999 - NACRA AWARD
 - Industry Excellence Award Finance Sector
- CITRA AWARD 2000
 - Main Award
- 2000 - NACRA AWARD
 - Industry Excellence Award Finance Sector
- CITRA AWARD 2001
 - Special Jury Award
- 2001 - NACRA AWARD
 - Most Outstanding Annual Report
 - Industry Excellence Award Finance Sector
- CITRA AWARD 2002
 - Special Jury Award
- 2002 - NACRA AWARD
 - Most Outstanding Annual Report
 - Industry Excellence Award Finance Sector
- CITRA AWARD 2003
 - Merit Award
- 2003 - NACRA AWARD
 - Most Outstanding Annual Report
 - Industry Excellence Award Finance Sector
 - Best Annual Report in Bahasa Malaysia

KLSE (Kuala Lumpur Stock Exchange) Corporate Excellence Awards

For the fourth consecutive year, Public Bank sets the milestone in corporate excellence. Having always upheld the highest standards of corporate governance and transparency, it is no surprise then that Public Bank has chalked up one triumphant win after another since the inception of the KLSE Corporate Excellence Awards in the year 2000.

Winning this coveted award for the fourth time in a row has undeniably strengthened our resolve to continue being the benchmark for outstanding corporate governance, for many years to come.



• 2000 • 2001 • 2002 • 2003

NACRA (National Annual Corporate Report Awards) Overall Excellence Award for Most Outstanding Annual Report

For the third consecutive year, we have upheld the highest standards of corporate governance and transparency to win the prestigious NACRA Overall Excellence Award for the Most Outstanding Annual Report.

This acknowledgement of exemplary corporate conduct and practices have energised us to a whole new level of confidence and commitment to continue our winning streak, for many more years to come.



• 2001 • 2002 • 2003

Your needs
Our **focus**



Executive Summary

2004 Annual Report



PUBLIC BANK

Income Statements for the financial year ended 31 December 2004

	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
Operating revenue	5,045,340	4,318,113	3,668,892	2,556,186
Interest income	3,815,892	3,349,840	2,931,504	2,097,575
Interest expense	(1,494,564)	(1,257,926)	(1,441,136)	(1,026,480)
Net interest income	2,321,328	2,091,914	1,490,368	1,071,095
Net income from Islamic Banking business	380,384	296,411	225,632	97,946
Non-interest income	2,701,712	2,388,325	1,716,000	1,169,041
	723,494	633,102	2,483,155	1,021,691
Net income	3,425,206	3,021,427	4,199,155	2,190,732
Staff costs and overheads	(1,309,784)	(1,171,492)	(830,322)	(692,658)
Operating profit	2,115,422	1,849,935	3,368,833	1,498,074
Allowance for losses on loans, advances and financing	(271,034)	(439,155)	(453,696)	(119,343)
Share of results of associated companies	1,844,388	1,410,780	2,915,137	1,378,731
	3,813	4,083	—	—
Profit before tax expense and zakat	1,848,201	1,414,863	2,915,137	1,378,731
Tax expense and zakat	(508,611)	(356,129)	(677,500)	(350,679)
Profit after tax expense and zakat	1,339,590	1,058,734	2,237,637	1,028,052
Minority interests	(72,602)	(84,548)	—	—
Net profit for the year	1,266,988	974,186	2,237,637	1,028,052
Earnings per RM1.00 share:				
– basic (sen)	39.4	32.0		
– diluted (sen)	38.7	31.2		
Net dividends per RM1.00 share:				
– Special dividends (sen)	39.6	—		
– Final dividend (sen)	25.2	15.8		

Balance Sheets as at 31 December 2004

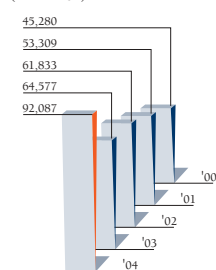
	Group		Bank	
	2004 RM'000	2003 RM'000	2004 RM'000	2003 RM'000
ASSETS				
Cash and short-term funds	19,670,005	7,970,828	19,893,236	11,498,710
Deposits and placements with banks and other financial institutions	1,460,309	819,085	1,573,127	6,332,508
Securities purchased under resale agreements	1,495,438	—	978,552	—
Dealing securities	6,645,591	921,742	5,192,470	2,864,682
Investment securities	2,432,848	5,058,555	1,740,071	4,486,733
Loans, advances and financing	55,718,729	45,539,625	53,856,112	27,266,113
Other assets	678,555	667,216	865,322	651,138
Statutory deposits with Central Banks	1,869,256	1,511,141	1,823,000	870,680
Deferred tax assets	283,542	251,844	223,486	116,455
Investment in subsidiary companies	—	—	1,376,156	2,973,873
Investment in associated companies	45,936	47,438	28,465	28,465
Investment properties	33,594	28,111	—	—
Goodwill/Intangible asset	811,399	818,304	738,356	338,756
Property and equipment	942,192	943,351	567,101	534,158
TOTAL ASSETS	92,087,394	64,577,240	88,855,454	57,962,271
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits from customers	72,246,303	50,217,258	68,265,639	41,120,729
Deposits and placements of banks and other financial institutions	2,958,481	1,779,334	4,765,730	6,628,582
Obligations on securities sold under repurchase agreements	3,258,431	425,562	3,018,317	451,992
Bills and acceptances payable	1,260,992	1,211,088	1,258,917	1,209,150
Recourse obligations on loans sold to Cagamas	346,213	484,587	346,213	141,484
Other liabilities	1,518,864	1,145,549	1,315,764	833,321
Subordinated notes	1,323,014	—	1,323,014	—
Provision for tax expense and zakat	233,170	115,335	154,372	94,462
Deferred tax liabilities	3,080	3,080	—	—
TOTAL LIABILITIES	83,148,548	55,381,793	80,447,966	50,479,720
SHAREHOLDERS' EQUITY				
Share capital	3,355,767	3,206,600	3,355,767	3,206,600
Reserves	4,644,397	5,078,155	4,481,150	3,942,911
Proposed dividends	1,172,012	503,000	1,172,012	503,000
Treasury shares	(601,441)	(169,960)	(601,441)	(169,960)
	8,570,735	8,617,795	8,407,488	7,482,551
Minority interests	368,111	577,652	—	—
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	92,087,394	64,577,240	88,855,454	57,962,271
COMMITMENTS AND CONTINGENCIES	19,780,677	14,246,374	19,535,337	13,248,734

Five-Year Group Financial Summary

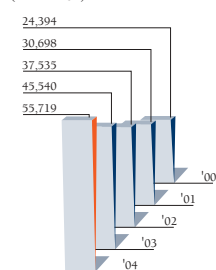
Year ended 31 December	2004	2003	2002	2001	2000
OPERATING RESULTS (RM'Million)					
Profit before tax expense	1,848	1,415	1,230	1,243	1,249
Profit after tax expense and minority interests	1,267	974	761	720	724
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	92,087	64,577	61,833	53,309	45,280
Loans, advances and financing	55,719	45,540	37,535	30,698	24,394
Total liabilities	83,149	55,382	53,538	45,528	39,534
Deposits from customers	72,246	50,217	47,986	39,782	33,877
Paid-up capital	3,356	3,207	2,315	1,834	1,195
Shareholders' equity	8,571	8,618	6,962	6,391	4,509
Commitments and contingencies	19,781	14,246	12,316	12,147	9,762
SHARE INFORMATION					
Per share (sen)					
Basic earnings	39.4	32.0	26.4	26.2	30.2
Diluted earnings	38.7	31.2	26.2	26.0	29.8
Gross dividend	90.0	22.0	18.0	18.0	15.0
Net tangible assets	238.3	245.6	280.1	325.8	371.8
Share price as at 31 December (RM)					
– Local	7.10	5.66	3.64	3.20	2.90
– Foreign	7.60	6.20	4.16	3.40	2.92
Market capitalisation (RM'Million)	24,329	18,669	10,966	9,356	7,041
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net return on equity ¹	18.3	14.4	12.8	14.5	17.9
Return on average assets	2.4	2.2	2.1	2.5	2.8
Net non-performing loans ratio	2.1	3.0	3.2	5.0	4.3
Domestic market share in:					
Loans, advances and financing	11.1	9.6	8.2	6.4	5.2
Deposits from customers	11.6	8.9	9.3	8.2	7.0
Capital Adequacy Ratios					
Core capital ratio	13.9	17.5	19.4	22.0	21.6
Risk-weighted capital ratio	17.9	19.3	21.2	23.8	23.5
Valuation on Local Share					
Gross dividend yield	12.7	3.9	4.0	3.6	2.6
Dividend payout ratio (Bank level)	94.3	49.7	49.8	71.4	38.8

¹ Adjusted for proposed dividends and goodwill

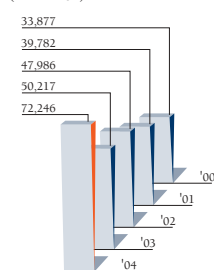
Total Assets
(RM'Million)



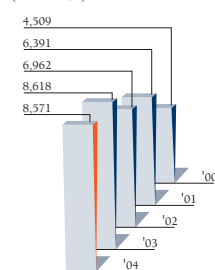
Loans, Advances and Financing
(RM'Million)



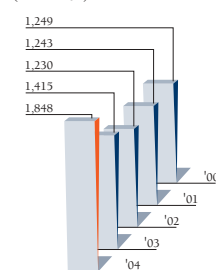
Deposits From Customers
(RM'Million)



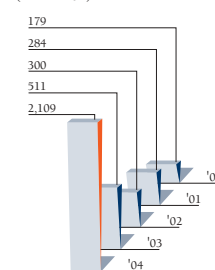
Shareholders' Equity
(RM'Million)



Profit Before Tax Expense
(RM'Million)



Dividends
(RM'Million)



Summary of Group Financial Performance

Profitability

The Public Bank Group charted yet another year of improved performance, turning in a record pre-tax profit of RM1.85 billion in 2004, up from RM1.42 billion in the previous financial year. The Group's net profit attributable to shareholders improved by 30% to RM1.27 billion, driven by better operating profits of Public Bank and all the major subsidiaries of the Group. As a result, the Group's return on equity improved to 18.3% against 14.4% in 2003, and earnings per share increased by 23% to 39.4 sen per share compared to 32.0 sen per share previously.

The Public Bank Group's operations comprised five core areas – Retail Operations, Corporate Lending, Treasury and Capital Market Operations, Investment Banking and Share Broking and Fund Management.

Retail Operations

The retail banking and financing operations of the Public Bank Group provide a wide range of financial products and services catering to the banking and financing needs of individuals and SMEs. This is the core business of the Group, accounting for 75% of the Group's total operating revenue and 76% of the Group's profit before tax in 2004. The improvement in profit performance of the Group's retail operations by 36% was the result of strong growth in the domestic retail lending business, lower cost of deposit funding as well as higher commission and fee income which partially mitigated the effects of lower lending margins in 2004. Domestic retail lending expanded by 22% in 2004 whilst the Group's overseas operations recorded a 6% increase in retail loans. Islamic banking operations charted steady growth in 2004 and accounted for 18% of retail operations profitability.

Pre-tax profit of the JCG Holdings Group nearly doubled to HKD493 million in 2004 from HKD260 million in 2003. This was achieved on the back of lower charges for specific allowance net of recoveries due to the declining number of delinquent accounts and bankruptcies, higher write-back of general allowance and higher fee income.

Corporate Lending

Corporate lending of the Public Bank Group comprised mainly the provision of short- and medium-term financing to large corporate customers. Pre-tax profit for corporate lending operations increased by 9% from RM99 million in 2003 to RM108 million in 2004 due to a growing corporate loan portfolio and recoveries arising from the completion of debt restructuring of a few corporate accounts. Corporate lending grew by 38% in 2004 and accounted for 8% of the Group's total loans at the end of 2004.

Treasury and Capital Market Operations

Treasury and capital market operations reported a pre-tax profit of RM244 million in 2004 as compared to RM185 million for 2003 on account of higher gains derived from sale of investment and dealing securities of RM42 million, higher dividend income of RM41 million and higher foreign exchange income of RM79 million. Net interest income from this business also improved due to higher average holding of money market instruments.

Investment Banking

The investment banking operations of the Public Bank Group cater mainly to the business and capital markets needs of corporate customers through the provision of financial solutions and funding support. The investment banking operations of the Group is undertaken by Public Merchant Bank which offers structured financing, corporate advisory services, mergers and acquisitions and debt restructuring advisory services. Public Merchant Bank's pre-tax profit in 2004 was RM15 million.

Share Broking and Fund Management

The Public Bank Group's share broking and fund management operations are undertaken by PB Securities and Public Mutual respectively.

Despite the competitive operating conditions in the share broking industry as a result of further liberalisation of the industry, PB Securities managed to achieve a 23% increase in pre-tax profit to RM32 million for 2004 as a result of higher brokerage and commission income arising from more active trading and higher volumes on Bursa Malaysia Securities Berhad.

With its market leadership position in the private sector fund management industry, Public Mutual chalked up another record year of gross sales of trust units in 2004. The total net asset value of unit trust funds under management increased by 20% in the year to stand at RM9.88 billion as at the end of 2004. As a result of its strong sales of trust units and growing net asset value under management, Public Mutual achieved a 18% improvement in profit before tax to RM65 million. The improved revenue was partially offset by increased overheads due to higher sales commissions paid to agents arising from increased sales of trust units.

Lending

The Public Bank Group achieved strong loan growth of 22% with gross loans of the Group increasing by RM10.11 billion in 2004. This is the fourth consecutive year of annual loan growth in excess of 20% achieved by the Group. The growth rate of Public Bank's domestic lending was also at 22% and was more than two times the 8.5% increase in loans of the domestic banking system in 2004. Consequently the Group's market share for loans rose to 11.1% in December 2004 from 9.6% a year ago.

Lending activities of the Group remained focused on retail financing such as residential mortgage loans and financing of passenger vehicles as well as lending to SMEs. Loans to these key segments accounted for 72% of the Group's total loans outstanding and 73% of new loans approved of RM24.92 billion in 2004.

JCG Holdings Group also recorded a positive 3% growth in loans compared to a 10% contraction in 2003.

Asset Quality

Notwithstanding the strong loan growth in the past five years, the Public Bank Group's asset quality continued to improve in 2004 reflecting the Group's prudent credit culture, policies and practices. In keeping with international best practice, the Group adopted the 3-month classification policy for its non-performing loans ("NPL") in 2004. The Group's total gross NPLs decreased by RM334 million or 17% to RM1,632 million as at 31 December 2004 while the net NPL ratio stood at 2.1%

compared to 3.0% at the end of 2003. The net NPL ratio of 2.1% of the Group was about one quarter of the banking system's average net NPL ratio of 7.6% in December 2004. Apart from the healthy net NPL ratio, the Group also maintained a comfortable level of provisioning with its ratio of general allowance to net NPLs standing at 74% and its loan loss coverage ratio at 81%.

Funding

The Public Bank Group's total customer deposits of RM72.25 billion as at end of 2004 represented a 44% increase from RM50.22 billion recorded at the end of 2003.

The Public Bank Group has taken proactive steps to reduce its cost of deposit funding in order to mitigate the impact of the squeeze in interest margins arising from declining lending spreads due to competitive pressures. The Group's savings deposits increased by 19% to RM11.50 billion, while non-interest bearing demand deposits expanded by 18% to RM8.68 billion, outpacing the industry's growth rate of 10% and 12% respectively in 2004.

Fixed deposits and negotiable instruments of deposit ("NIDs") recorded significant increases during 2004 to fund the strong lending activities of the Group.

Deposits from individuals continued to be the Public Bank Group's main source of deposit funding, accounting for more than 70% of the Group's core demand, savings and fixed deposits, and represented a 15% market share of deposits by individuals. This has provided the Group with a stable deposit base and has enhanced its low-cost deposit funding structure.

Capital

The Public Bank Group's shareholders funds amounting to RM8.57 billion at the end of 2004 remained the second largest amongst banking groups in Malaysia. The marginal decline of the Group's shareholders funds of RM47 million was due to the higher dividend payout ratio in 2004 and further buy-back of its own shares by Public Bank amounting to RM431 million, which offset the Group's current year's earnings and fresh equity funds from the exercise of options under the Public Bank Employees' Share Option Scheme during the year. At Public Bank level, shareholders' funds increased by RM924 million due to dividends received from subsidiary companies.

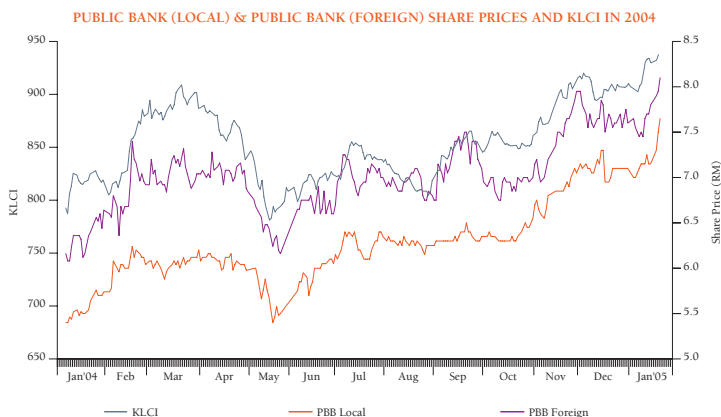
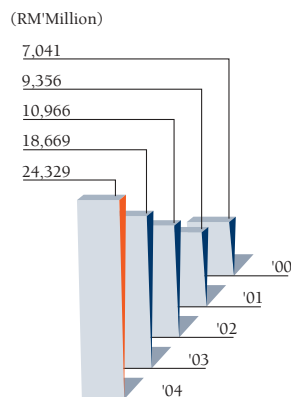
As at 31 December 2004, the Group's risk-weighted capital ratio of 17.9% was more than twice the minimum requirement of 8% and well above the banking system's risk-weighted capital ratio of 13.7% at the end of 2004.

The core capital ratio and risk-weighted capital ratio of the Bank continued to be strong at 13.8% and 15.3% respectively.

Capital Management

In line with its policy of creating shareholders' value and to reward shareholders, Public Bank maintained its high dividend pay out ratio in 2004 with the special dividend paid during 2004 of 40 sen less 28% taxation and the proposal to pay a special and a final dividend of 15 sen less 28% taxation and 35 sen less 28% taxation respectively, totalling 50 sen less 28% taxation per Public Bank share. The total net dividend paid and payable of RM2.11 billion amounted to 126% of the profits after taxation and after transfer to statutory reserves of Public Bank for 2004.

Market Capitalisation & Share Price



Shareholder Value

The commitment of the Public Bank Group to delivering superior shareholder value is clearly demonstrated by consistently improving profitability performance, by proactive initiatives in making its capital structure more efficient as well as the pursuit of a high dividend payout policy.

Since 2001, Public Bank had maintained a dividend payout ratio of over 95% of the Bank's net profit of each year after the transfer of profits after tax to the statutory reserve as required by the Banking and Financial Institutions Act. The special dividend declared in October 2004 of 40 sen less 28% taxation per Public Bank share, together with a second special dividend of 15 sen less 28% taxation and the final dividend of 35 sen less 28% taxation proposed by the Board of Directors, will mean that Public Bank shareholders will receive gross dividends totaling 90 sen per Public Bank share for 2004.

Public Bank (Local) share and Public Bank (Foreign) share prices closed at RM7.10 and RM7.60 respectively in 2004, compared to the closing prices at the end of 2003 of RM5.66 and RM6.20 respectively. The appreciation of the market value of the Public Bank (Local) share and Public Bank (Foreign) share prices of 25.4% and 22.6% respectively in 2004, compared to a rise of 14.2% in the Kuala Lumpur Composite Index ("KLCI") in 2004 showed that Public Bank shares have outperformed the KLCI for a second straight year.

The market capitalisation of Public Bank has risen by RM5.66 billion or 30% from RM18.67 billion at the end of 2003 to RM24.33 billion at the end of 2004.

Thus the Public Bank Group has clearly delivered value to shareholders as reflected in the increase in the share prices of Public Bank shares in the past one year which significantly outperformed the general stock market. In addition, the Public Bank Group has also delivered long-term shareholder value consistently over a period of years with high return on invested capital.

In a study by Stern Stewart & Co., an international management consultancy, of Malaysia's wealth creators covering 162 Malaysian listed companies over a 5-year period from 1999 to 2004, Public Bank topped the Malaysian wealth creator league table with wealth added exceeding RM6 billion, with the second ranking company coming in at RM3.8 billion. The measure of wealth added used by Stern Stewart & Co. in the study not only measures changes in market capitalisation, but also takes into account the value of future prospects and the effects of increases in share capital from new issuance of shares. The measure of wealth added also imputes a minimum required return of an investor before counting wealth added as a measure of wealth created.

A shareholder of Public Bank who invested in Public Bank (Local) shares at the beginning of 1995 at an average price of RM3.86 per Public Bank (Local) share would have seen the value of the Public Bank (Local) share appreciate to RM13.46 at the end of 2004. This more than 3 fold increase, together with a total of RM6.24 of gross dividends paid in the period, would mean that a shareholder of Public Bank enjoyed an average rate of return of 16% per annum for the past 10 years.

Looking back even further, a shareholder of Public Bank who had bought 1,000 shares in Public Bank when it was listed in 1967, and assuming the shareholder had subscribed for all the rights issues to date and not sold any shares, he would now have 129,720 Public Bank shares worth RM921,012, based on the share price of Public Bank (Local) shares of RM7.10 at the end of 2004. This can be compared to a capital outlay of RM48,750, including subscription for all rights issues, whilst having received a total gross dividend of RM236,742 from the originally invested 1,000 shares in Public Bank in 1967. The appreciation in value and the dividends received work out to an average rate of return of 20.3% each year for the 37 years since the listing of Public Bank.

Ratings

Public Bank	Long Term	Short Term
RAM	AAA	P1
Moody's	A3	Prime-1
Standard & Poor's	A-	A-2

Public Bank enjoys the highest bank financial strength ratings in Malaysia.

The AAA rating by RAM is the highest credit rating accorded by RAM and is given only to financial institutions which are financially strong and offer the highest safety for timely payment of financial obligations. In December 2004, Moody's Investors Service upgraded Public Bank's long-term deposit rating from Baa1 to A3 and also assigned Public Bank with a Bank Financial Strength Rating ("BFSR") of C, making Public Bank one of only two Malaysian banks with a BFSR of C. Public Bank is the only bank in Malaysia to be accorded a single 'A' rating by Standard & Poor's.