

# MALAYSIAN BUSINESS

Corporate Governance Award

Winner for **Three** Consecutive Years

- 2002
- 2003
- 2004



## NACRA






(National Annual Corporate Report Awards)

Overall Excellence Award for Most Outstanding Annual Report

Winner for **Four** Consecutive Years

- 2001
- 2002
- 2003
- 2004



 Bank of the Year in Malaysia - The Banker Magazine • 
  Corporate Governance Award - Malaysian Business Magazine • 
  No.1 in Corporate Governance - MSWG & NUBS Survey 2004 • 
  Overall Excellence Award for the Most Outstanding Annual Report - NACRA • 
  Best Managed Company in Malaysia - FinanceAsia Magazine •



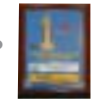


## Towards Greater Heights Of Excellence

 Malaysia's Best CEO of the Year - Asiamoney Magazine • 
  SuperBrand Gold Award - Reader's Digest • 
  Best Retail Bank in Malaysia - Asian Banker Journal • 
  Best Bank in Malaysia - FinanceAsia Magazine • 
  Best Bank in Malaysia - Euromoney Magazine • 
  Best Domestic Bank in Malaysia - The Asset Magazine • 
  Industry Excellence Award - NACRA • 
  Best Bank Bond - The Asset Magazine • 
  Overall Best Managed Company in Malaysia - Asiamoney Magazine • 
  Best Annual Report in Bahasa Malaysia - NACRA • 
  Corporate Governance Asia Recognition Award - Corporate Governance Asia Journal •



# PUBLIC BANK

2005 Annual Report

 Bank of the Year in Malaysia - The Banker Magazine • 
  Corporate Governance Award - Malaysian Business Magazine • 
  No.1 in Corporate Governance - MSWG & NUBS Survey 2004 • 
  Overall Excellence Award for the Most Outstanding Annual Report - NACRA • 
  Best Managed Company in Malaysia - FinanceAsia Magazine •

## Raising The Bar of EXCELLENCE

 Malaysia's Best CEO of the Year - Asiamoney Magazine • 
  SuperBrand Gold Award - Reader's Digest • 
  Best Retail Bank in Malaysia - Asian Banker Journal • 
  Best Bank in Malaysia - FinanceAsia Magazine • 
  Best Bank in Malaysia - Euromoney Magazine • 
  Best Domestic Bank in Malaysia - The Asset Magazine • 
  Industry Excellence Award - NACRA • 
  Best Bank Bond - The Asset Magazine • 
  Overall Best Managed Company in Malaysia - Asiamoney Magazine • 
  Best Annual Report in Bahasa Malaysia - NACRA • 
  Corporate Governance Asia Recognition Award - Corporate Governance Asia Journal •



PUBLIC BANK

2005 Annual Report

# PAST 25 YEARS

## Public Bank Annual Report



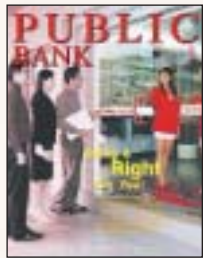
2004



2003



2002



2001



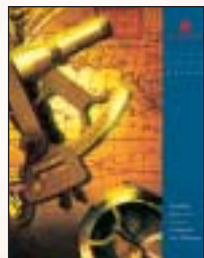
2000



1999



1998



1997



1996



1995



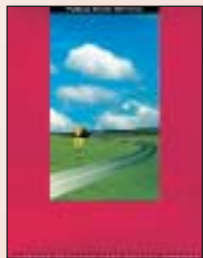
1994



1993



1992



1991



1990



1989



1988



1987



1986



1985



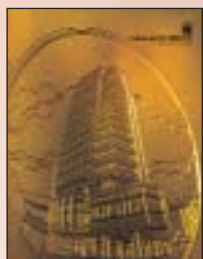
1984



1983



1982



1981



1980

## Award Winning Public Bank Annual Reports

- 1985 - MACRA COMMENDATION AWARD**
  - Graphic Presentation
  - Corporate Information
- 1986 - MACRA AWARD**
  - Best Corporate Information
- 1987 - NACRA 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
- 2004 - NACRA AWARD**
  - Most Outstanding Annual Report
  - Industry Excellence Award Finance Sector
  - Best Annual Report in Bahasa Malaysia

## MALAYSIAN BUSINESS Corporate Governance Award

For the third 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 Malaysian Business Governance Award in the year 2002.

Winning this coveted award for the third time in a row has undeniably strengthened our resolve to continue being the benchmark for outstanding corporate governance, for many years to come.



• 2002 • 2003 • 2004

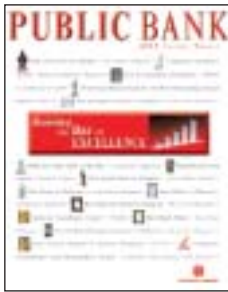
## NACRA (National Annual Corporate Report Awards) Overall Excellence Award for Most Outstanding Annual Report

For the fourth 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 • 2004



## cover rationale

The numerous accolades and awards showcased in this Annual Report is testimony to the Bank's driving commitment to continuously reinforce its reputation as a leader in the banking industry.

The Bank's achievements reflect its "values journey" to reach out to the hearts of its customers and stakeholders. To stay in the forefront, Public Bank shall continue to raise the bar of excellence to perpetuate its well recognized track record.



*Public Bank ranked No. 1 in Corporate Governance in a joint study by Minority Shareholder Watchdog Group and Nottingham University Business School*

## financial calendar

financial year 2005

**13 APRIL 2005, Wednesday**

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2005

**21 JULY 2005, Thursday**

Announcement of the unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2005

**22 JULY 2005, Friday**

Issuance of notice of entitlement and payment of interim dividend of 20% less 28% income tax

**10 AUGUST 2005, Wednesday**

Date of entitlement to the interim dividend of 20% less 28% income tax

**18 AUGUST 2005, Thursday**

Date of payment of the interim dividend of 20% less 28% income tax

**18 OCTOBER 2005, Tuesday**

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2005

## corporate mission

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



*Public Bank awarded the Best Domestic Bank in Malaysia by The Asset Magazine*

**23 JANUARY 2006, Monday**

Announcement of the audited consolidated results for the 4th quarter and year ended 31 December 2005

**8 FEBRUARY 2006, Wednesday**

Issuance of notice of entitlement and payment of final dividend of 20% less 28% income tax and special dividend of 15% less 28% income tax

**24 FEBRUARY 2006, Friday**

Issuance of notice of 40th Annual General Meeting and annual report for the financial year ended 31 December 2005

**20 MARCH 2006, Monday**

Date of 40th Annual General Meeting

**23 MARCH 2006, Thursday**

Date of entitlement to the final dividend of 20% less 28% income tax and special dividend of 15% less 28% income tax

**31 MARCH 2006, Friday**

Date of payment of the final dividend of 20% less 28% income tax and special dividend of 15% less 28% income tax

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# notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE FORTIETH ANNUAL GENERAL MEETING OF PUBLIC BANK BERHAD (“PBB” OR “COMPANY”) (6463-H) WILL BE HELD AT THE GRAND BALLROOM, SHANGRI-LA HOTEL, JALAN SULTAN ISMAIL, 50250 KUALA LUMPUR ON MONDAY, 20 MARCH 2006 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 2005 and the Reports of the Directors and Auditors thereon. Ordinary Resolution 1
  
2. To declare a final dividend of 20% less 28% income tax and a special dividend of 15% less 28% income tax in respect of the financial year ended 31 December 2005 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. Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah Ordinary Resolution 3
  - ii. Haji Abdul Aziz bin Omar Ordinary Resolution 4
  
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 5
  - 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 6
  - iii. “THAT Dato’ Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff, 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 RM870,000 for the financial year ended 31 December 2005. Ordinary Resolution 8
  
6. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2006 and to authorise the Directors to fix the Auditors’ remuneration. Ordinary Resolution 9



## NOTICE OF ANNUAL GENERAL MEETING

### AS SPECIAL BUSINESS

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

**7. Authority under Section 132D of the Companies Act, 1965, for the Directors to Issue Shares**

“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

**8. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature**

“THAT, subject to the Companies Act, 1965 (“Act”), the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), approval be and is hereby given for PBB and its subsidiary and associated companies (“PBB Group”) to enter into the types of arrangements and/or transactions as stated in Section 2.1.1 of the Circular to Shareholders dated 24 February 2006, involving the interests of Directors, major shareholders or persons connected to the Directors and/or major shareholders of the PBB Group provided that such arrangements and/or transactions are:

- i. recurrent transactions of a revenue or trading nature;
- ii. necessary for the day-to-day operations;
- iii. in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public; and
- iv. not to the detriment of the minority shareholders of PBB

(“Shareholders' Mandate”)

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

- i. the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless renewed by a resolution passed by the shareholders of the Company in a general meeting;
- ii. the expiry of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii. revoked or varied by a resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

AND THAT the aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during a financial year will be disclosed in accordance with the Listing Requirements of Bursa Securities in the annual report of the Company for the said financial year;

AND THAT the Directors be and are hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient in order to implement, finalise and give full effect to the Shareholders' Mandate.”

Ordinary Resolution 11



## NOTICE OF ANNUAL GENERAL MEETING

9. **Proposed Renewal of Authority for the Purchase by PBB of its Own Shares (“Proposed Share Buy-Back”)**

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

AND THAT an amount not exceeding PBB’s total audited retained profits and share premium account at the time of purchase be allocated by PBB for the Proposed Share Buy-Back. Based on the latest audited financial statements of PBB as at 31 December 2005, the retained profits and the share premium account of PBB amounted to approximately RM385,645,000 and RM1,574,180,000 respectively;

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

- i. the conclusion of the next Annual General Meeting (“AGM”) of the Company, at which time it will lapse, unless renewed by an ordinary resolution passed by the shareholders of the Company in a general meeting;
- ii. the expiry of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- iii. revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

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

Ordinary Resolution 12



## NOTICE OF ANNUAL GENERAL MEETING

### DATE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND AND SPECIAL DIVIDEND

NOTICE HAS BEEN GIVEN ON 8 FEBRUARY 2006 THAT subject to the approval of Members at the Annual General Meeting to be held on 20 March 2006, a final dividend of 20% less 28% income tax and a special dividend of 15% less 28% income tax for the financial year ended 31 December 2005 will be paid on 31 March 2006 to Depositors whose names appear in the Record of Depositors on 23 March 2006.

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 23 March 2006 in respect of transfers;
- b. Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 21 March 2006 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**  
MAICSA 7008270  
*Company Secretary*

Kuala Lumpur  
24 February 2006

### NOTES:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 13 March 2006 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. The right of Foreigners to vote in respect of deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Association of the Company. Where a Foreigner, based on the General Meeting Record of Depositors, holds deposited securities in a Securities Account and such securities raise the ownership of shares in the Company by Foreigners beyond the Company's foreign shareholding limit of 30%, such Foreigner or the proxy appointed by him, in respect of such securities, shall not be entitled to exercise in any manner whatsoever any voting rights in respect of the aforesaid securities at the Meeting.
3. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.
4. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
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 NOTES ON SPECIAL BUSINESS:

1. 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.
2. The proposed Ordinary Resolution 11 if passed, will empower PBB and its subsidiaries and associated companies ("PBB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the PBB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Detailed information on the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is set out in the Circular to Shareholders dated 24 February 2006 which is despatched together with this Annual Report.

3. The proposed Ordinary Resolution 12 if passed, will empower the Directors to purchase PBB shares through Bursa Malaysia Securities Berhad up to ten per centum of the issued and paid-up share capital of the Company.

Detailed information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 24 February 2006 which is despatched together with this Annual Report.

# 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 40TH ANNUAL GENERAL MEETING OF THE COMPANY

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

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

Three 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
- Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff

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 26, 27, 30 and 31 of this Annual Report. Their securities holdings in the Company are set out in the Analysis of Shareholdings which appear on pages 336 and 337 of this Annual Report.

## 2. BOARD MEETINGS HELD IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

A total of seventeen Board meetings were held in the financial year ended 31 December 2005.

The attendance of Directors at the Board meetings held in the financial year ended 31 December 2005 was as follows:

Date of Meeting	Attendance by Directors		
	Total Number	Independent	Non-Independent
11 January 2005	8	5	3
26 January 2005	9	6	3
21 February 2005	9	6	3
29 March 2005	9	6	3
6 April 2005	9	6	3
27 April 2005	9	6	3
12 May 2005	8	5	3
25 May 2005	9	6	3
29 June 2005	9	6	3
11 July 2005	8	5	3
27 July 2005	9	6	3
29 August 2005	9	6	3
28 September 2005	9	6	3
10 October 2005	9	6	3
25 October 2005	9	6	3
29 November 2005	9	6	3
28 December 2005	9	6	3



## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

The details of attendance by each Director at the Board meetings held in the financial year ended 31 December 2005 are as follows:

	Total Meetings Attended	Percentage of Attendance
Tan Sri Dato' Sri Dr. Teh Hong Piow	17/17	100%
Tan Sri Dato' Thong Yaw Hong	17/17	100%
Dato' Sri Tay Ah Lek	17/17	100%
Dato' Lee Kong Lam	17/17	100%
Dato' Yeoh Chin Kee	17/17	100%
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	14/17	82%
Haji Abdul Aziz bin Omar	17/17	100%
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	17/17	100%
Lee Chin Guan	17/17	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)

### COMPANY SECRETARY

#### CHIA LEE KEE

MAICSA 7008270  
Tel: 03-21766341  
E-mail: pbbcosec@publicbank.com.my

### AUDITORS

#### MESSRS 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@epsilonas.com



## CORPORATE INFORMATION

### Managing Director

#### DATO' SRI TAY AH LEK

PJN, SSAP, 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  
FRTP (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)

### 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: 03-21766341, 21638888  
Fax: 03-21639917

### HEAD OFFICE

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146 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel: 03-21766000, 21766666,  
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### WEBSITE

[www.publicbank.com.my](http://www.publicbank.com.my)

# CORPORATE PROFILE

## Raising the bar of Excellence Is Our Way Of Life

### COMING A LONG WAY

Founded in 1966 by Tan Sri Dato' Sri Dr. Teh Hong Piow and listed on the Main Board of Bursa Securities in 1967, Public Bank has grown to be the second largest lender in Malaysia by market capitalisation and the fifth largest listed company in Malaysia.

### REMAINS FOCUSED ON CORE BUSINESS

Public Bank remains focused on its core strengths in the retail banking market and is committed to its goal of being a one-stop financial centre in Malaysia. The Public Bank Group's primary growth strategy remains focused on increasing market share through organic growth and on enhancing shareholders' value through strong and consistent financial performance.

### STRONGER PRESENCE IN DOMESTIC MARKET

The Public Bank Group continues to strengthen its presence and market share in the domestic market, particularly in residential mortgages, passenger vehicles hire purchase financing and lending to middle market small- and medium-

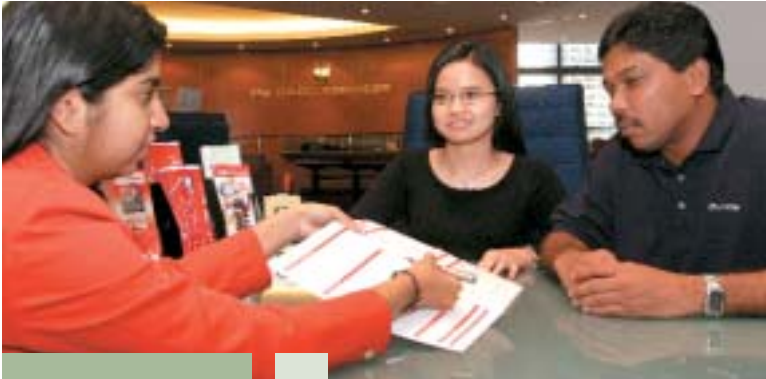
sized enterprises. Having completed the merger of the finance company business of Public Finance with the commercial banking business of Public Bank in 2004, the Group is taking steps to merge Public Merchant Bank and PB Securities to form an investment bank and also to set up an Islamic Banking subsidiary.

The Public Bank Group continues to selectively expand its regional operations in Hong Kong, Cambodia, Vietnam, Laos and Sri Lanka, with Campu Bank opening two new branches in 2005.

### CLOSING ON A HIGH NOTE

The Public Bank Group's business ended the financial year 2005 on a high note with RM111.6 billion in assets, RM68.1 billion in loans and RM84.1 billion in deposits. Public Bank commands a larger loan market share of 12.3%, up from 5.7% in 2000, with strong loan growth in excess of or close to 20% per year in the last five years. In terms of balance sheet size, the Public Bank Group is the third largest banking group in Malaysia with the lowest non-performing loan ratios.



**CORPORATE PROFILE****WIDE ARRAY OF PRODUCTS AND SERVICES**

As a one-stop financial services provider, the Public Bank Group offers a wide array of financial products and services which include commercial banking, hire purchase financing, merchant banking, credit cards, Islamic banking, stockbroking, sales of trust units and management of unit trusts funds, bancassurance and general insurance products, and other related financial services such as nominees and trustee services. New products and services are introduced regularly to meet the increasingly complex and sophisticated customer demand.

**MULTIPLE DELIVERY CHANNELS**

As a key part of its business strategy, the Public Bank Group continues to expand and widen its multiple delivery channels. Public Bank has 251 full-service bank branches throughout Malaysia, complemented by 357 automated teller machines and 140 self-service cheque deposit machines and cash deposit terminals. The Group also provides an Internet banking channel, PBeBank.com, telebanking and desktop banking services for customers to conduct their banking transactions. The Group promotes e-commerce and actively explores new delivery channels such as mobile banking for greater customer convenience. The Group also has a strong sales and marketing force, consisting of 207 sales and marketing executives and personal financial executives.

**SUPERIOR DELIVERY STANDARDS**

In line with its strong customer service culture, the Public Bank Group continues to maintain its superior delivery standards which have been benchmarked against international ISO standards. Public Bank remains the first and the only bank in Malaysia which has attained bank-wide ISO 9001:2000 certifications for customer service at the front office of its branches and bank-wide loan delivery service. When customers walk into any Public Bank branch, they can expect consistent superior delivery standards that match the best in the world.

**STRONG FINANCIAL RATING**

Based on its strong and consistent financial performance, superior asset quality, strong capitalisation and prudent management, the Public Bank Group continues to be accorded strong financial ratings for safety and soundness. In October 2005, Moody's Investor Service reaffirmed Public Bank's financial strength rating of C and long-term deposit rating of A3, and short-term deposit rating of Prime-1. Standard & Poor's Rating Agency reaffirmed Public Bank A-long-term rating and A-2 short-term counterparty credit rating with stable outlook in July 2005. Also, in July 2005, Rating Agency Malaysia reaffirmed Public Bank's long-term rating of AAA, the highest accorded by Rating Agency Malaysia, and its short-term rating of P1.



## REPEAT AWARDS OF BANKING EXCELLENCE

Public Bank continues to be accorded international and national awards of excellence in banking and corporate governance. In 2005, Public Bank received 15 awards, of which five were repeat best bank awards from FinanceAsia, Euromoney, The Banker, The Asian Banker and The Asset. In corporate governance, Public Bank was ranked number 1 amongst the top 100 listed companies on Bursa Securities in the Corporate Governance Survey Report 2004 in a study conducted by the Minority Shareholder Watchdog Group and Nottingham University Business School. Public Bank was also accorded the Malaysian Business's Corporate Governance Award for the third consecutive year. Public Bank's Annual Report continued to be accorded the NACRA Most Outstanding Annual Report Award for the fourth consecutive year and five times in total for its excellent corporate disclosure and reporting.

Public Bank was also awarded the Reader's Digest SuperBrand Gold Award. In addition, Public Bank was ranked highly in surveys of best companies in Asia in terms of management capability, investor relations, corporate governance and commitment to strong dividend policy.

## CORPORATE SOCIAL RESPONSIBILITY

As a socially responsible corporate, the Public Bank Group continues to uphold its corporate social responsibilities by giving back to the community it serves in areas such as education, environmental protection, healthcare and caring for the sick and needy. The Group believes that a company's performance should be measured not only by the economic value it creates but also its impact on society and the environment. It fully subscribes to the philosophy that in fulfilling its corporate social responsibilities, the Group is also enhancing its reputation, goodwill and brand.

## DEDICATED AND KNOWLEDGEABLE STAFF

Fronted by 12,800 dedicated and knowledgeable employees and guided by a prudent credit culture and a spirit of "one belief, one team, one focus", the Public Bank Group remains committed to continue raising the bar of excellence. As the Group believes that committed and engaged employees provide superior delivery standards that lead to high customer satisfaction and loyalty, the Group continues to expand training and development opportunities and extend employee achievement recognition and reward programmes.

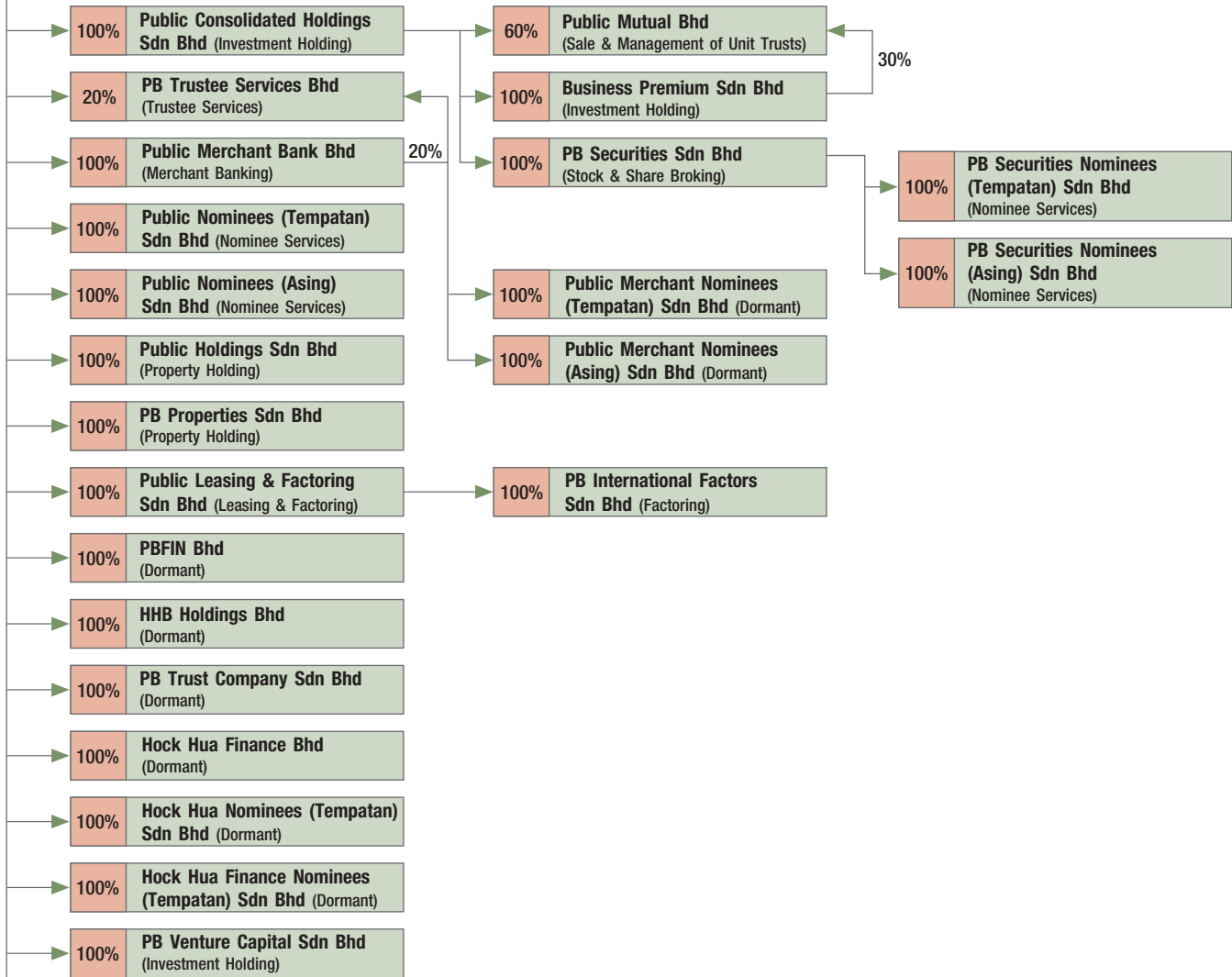


# group corporate structure

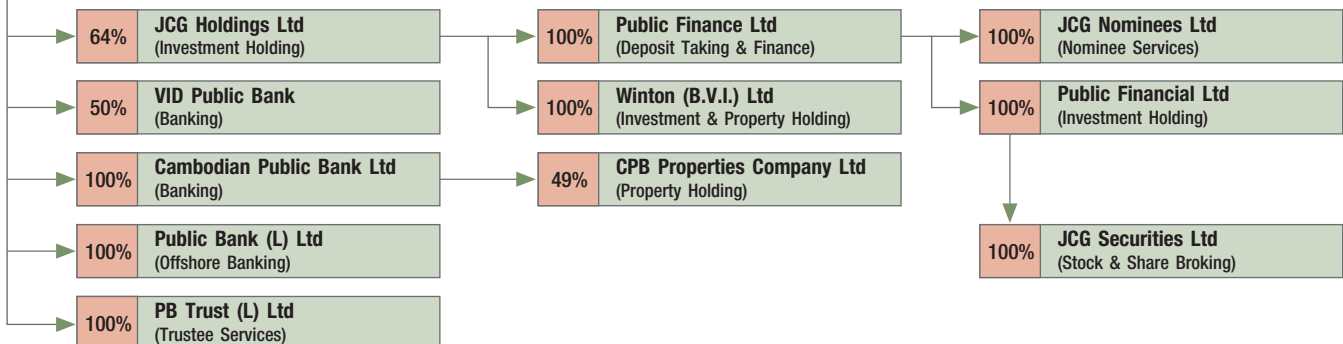
as at 20 January 2006

## PUBLIC BANK

### MALAYSIAN COMPANIES



### OVERSEAS AND OFFSHORE COMPANIES



# CUSTOMER CARE

## Focused, Dedicated and Committed

### In Raising the Bar of Excellence

IN TODAY'S INTENSELY COMPETITIVE FINANCIAL SERVICES LANDSCAPE, THE PUBLIC BANK GROUP FIRMLY BELIEVES THAT EXCELLENT SERVICE DELIVERED FOR EVERY CUSTOMER ENCOUNTER WILL GIVE IT A COMPETITIVE EDGE. MAKING A DIFFERENCE IN SERVING EVERY CUSTOMER REMAINS A CORE BUSINESS STRATEGY OF THE GROUP.

#### **A RELENTLESS COMMITMENT TO CUSTOMER SERVICE EXCELLENCE**

The Public Bank Group continues to commit significant resources in its pursuit of international standards of customer service. This is vital for the Group to stay ahead in the intensely competitive banking and financing industry. Recognising that competing on interest rates alone would not sustain long term profitability, the Group has embarked on a relentless and committed quest for superior customer service excellence benchmarked to international standards to stay ahead of its competitors.

#### **INVESTING IN CUSTOMER CARE CAMPAIGNS**

Caring for customers has long been advocated by the Public Bank Group. Since 1999, there has been a structured programme to drive excellent customer service delivery that has created a customer-centric culture that permeates every level of staff in the Group. The Customer Care Campaign was first launched in 1999 with the theme "Doing It Right For You". Since then, different phases of the Customer Care Campaign had been implemented that focused on achieving courtesy, efficiency, accuracy, empathy and integrity in customer service. Customers' feedback had been sought through various means and analysed for continuous improvement in the delivery of customer service. The latest Phase V of the Customer Care Campaign, "Your Needs Our Focus", is aimed at cultivating and enforcing the desired attitude in customer service delivery. With the latest phase of the campaign, the Group's customer service objectives has extended beyond fast and efficient delivery to more qualitative measures of service delivery based on behavioural aspects of the Group's staff in service delivery.

#### **WORLD CLASS SERVICE THROUGH QUALITY STANDARDS**

The Public Bank Group has achieved ISO 9001:2000 certification in two critical areas of its business, that of front-line services and loan service delivery at all branches. Maintaining the ISO certification of these key areas remains a priority of the Group. Quantitative customer service delivery standards, such as the Group's 2-minute Standard Waiting Time at the banking hall of branches and the Group's Standard Turnaround Time for loan processing are continuously being measured and monitored to ensure customer service delivery standards are



## CUSTOMER CARE



consistently met. Workflows and process are regularly analysed and improved to achieve improved efficiency. In 2005, the loan customer service delivery benchmarks for loan processing and loan disbursements were reviewed to further improve the Standard Turnaround Time. This translates to a shorter time for customers to access and utilise their loan facilities with the Group.

### MULTIPLE SERVICE DELIVERY CHANNELS TO MEET CUSTOMERS' NEEDS

The Public Bank Group's customer base has become increasingly knowledgeable and discerning over the years. Whilst some customers preferring face-to-face interaction, the more technologically savvy customers are increasingly turning to automated banking services. To cater to these

varied needs, the Group has not only cultivated a culture of service delivery excellence at the front line counters, it has also invested significant resources in electronic delivery channels that offers added convenience to customers. The Group's extensive ATM network, its PBeBank.com internet banking service and PB Telebanking service are developed with the capacity and capability to meet customers' needs at any time of the day from a location of the customers' choice. Alternate banking channels in branches in the form of self-service machines are also implemented. Increasing numbers of Cheque Deposit Machines and Cash Deposit Terminals are installed at more and more branches to further shorten customers' waiting time and to offer convenience of conducting banking transactions outside of banking hours.

### BUILDING AND NURTURING CUSTOMER RELATIONSHIPS

Direct interaction with customers in branches helps to nurture and cement long-term customer relationships. Customer Service Representatives are specially trained to assist customers in banking halls. Such personal service at the front office helps customer interactions to evolve into customer relationships. Personal Financial Executives who specialise in providing personal financial advisory services such as investments in unit trust funds and bancassurance services and Sales and Marketing Executives are on hand at branches to help identify the investing and financing needs of customers and provide appropriate solutions to customers in making sound investing and financing decisions.



# financial highlights

	Group		Bank	
	2005	2004	2005	2004
<b>PROFITABILITY</b> (RM'Million)				
Operating revenue	5,920	5,045	5,049	3,669
Operating profit	2,410	2,138	2,038	3,376
Profit before tax expense	2,049	1,854	1,733	2,921
Profit after tax expense and minority interests	1,450	1,271	1,281	2,242
<b>KEY BALANCE SHEET DATA</b> (RM'Million)				
Total assets	111,606	92,330	107,365	88,933
Portfolio of securities	7,862	9,235	6,967	6,943
Loans, advances and financing	66,813	55,719	64,580	53,856
Total liabilities	102,689	83,327	99,227	80,518
Deposits from customers	84,130	72,246	82,205	68,266
Shareholders' equity	8,482	8,635	8,138	8,415
Commitments and contingencies	28,952	19,781	28,755	19,535
<b>SHARE INFORMATION</b>				
Per share (sen)				
Basic earnings	44.2	39.5	39.1	69.7
Diluted earnings	43.8	38.8	38.7	68.5
Gross dividend	55.0	90.0	55.0	90.0
Net tangible assets	234.3	240.3	226.0	235.8
<b>FINANCIAL RATIOS (%)</b>				
<b>Profitability Ratios</b>				
Net interest margin on average interest bearing assets	3.6	4.1	3.3	2.9
Net return on equity <sup>1</sup>	21.4	18.2	19.5	34.1
Return on average assets	2.0	2.4	1.8	4.0
Return on average risk-weighted assets	3.3	3.6	2.9	6.9
<b>Capital Adequacy Ratios</b>				
Core capital ratio	11.4	13.8	11.1	13.8
Risk-weighted capital ratio	17.1	17.8	14.9	15.3
<b>Asset Quality Ratios</b>				
Net non-performing loans ratio (3-month classification)	1.7	2.1	1.7	2.2
Loan loss coverage	91.7	79.0	88.1	74.1
Gross loan to deposit ratio	80.9	78.8	79.9	80.4
Deposits to shareholders' funds (times)	9.9	8.4	10.1	8.1
<b>Valuation on Local Share</b>				
Gross dividend yield	8.4	12.7	—	—
Dividend payout ratio	89.9	166.5	101.7	94.4
Price to earnings multiple (times)	14.8	18.0	—	—
Price to book multiple (times)	2.5	2.7	—	—

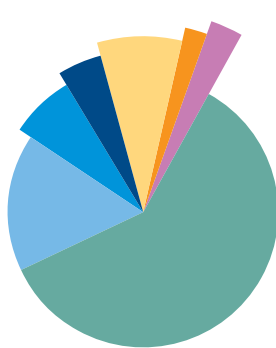
<sup>1</sup> Adjusted for proposed dividends and goodwill.



# simplified group balance sheets

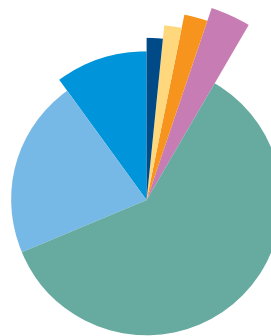


## Assets



**2005**

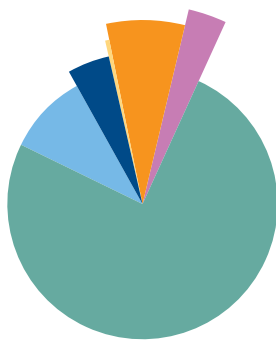
7.0%	Portfolio of Securities
4.4%	Securities purchased under resale agreements
7.8%	Deposits and placements with banks and other financial institutions
1.9%	Statutory deposits with Central Banks
2.6%	Other assets (including intangible assets)
59.9%	Loans, advances and financing
16.4%	Cash and short-term funds



**2004**

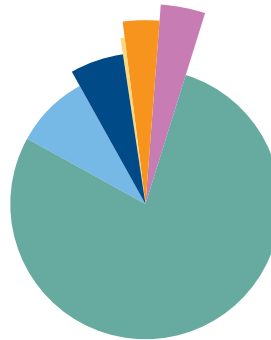
10.0%	Portfolio of Securities
1.6%	Securities purchased under resale agreements
1.6%	Deposits and placements with banks and other financial institutions
2.0%	Statutory deposits with Central Banks
3.2%	Other assets (including intangible assets)
60.3%	Loans, advances and financing
21.3%	Cash and short-term funds

## Liabilities & Shareholders' Equity



**2005**

4.5%	Reserves
0.4%	Minority interests
6.9%	Deposits and placements of banks and other financial institutions
3.1%	Share capital
75.4%	Deposits from customers
9.7%	Bills and acceptances payable and other liabilities



**2004**

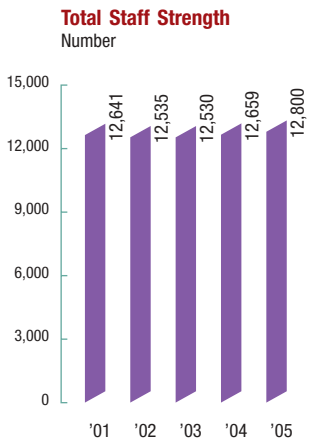
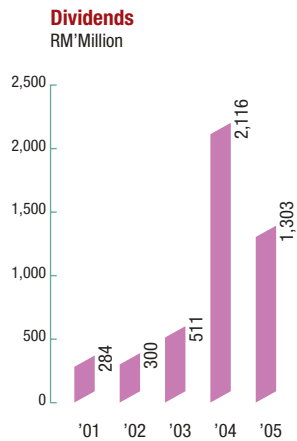
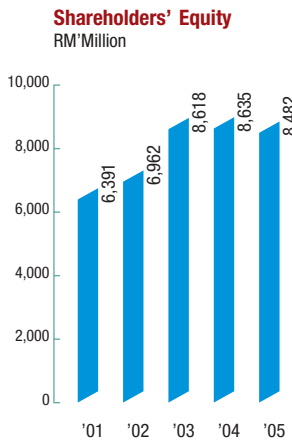
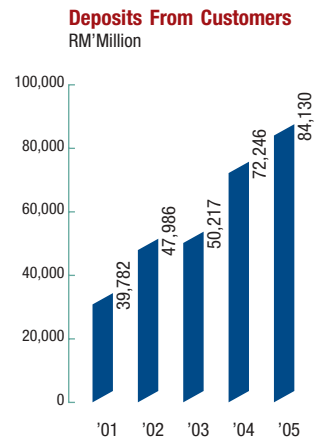
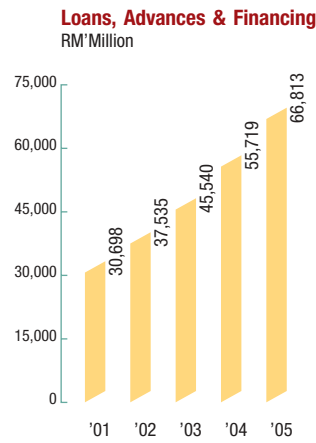
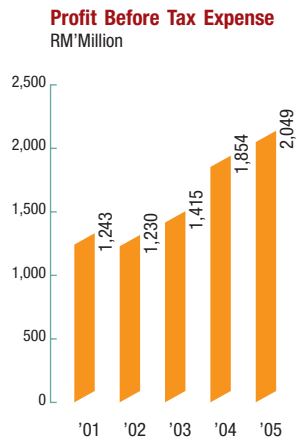
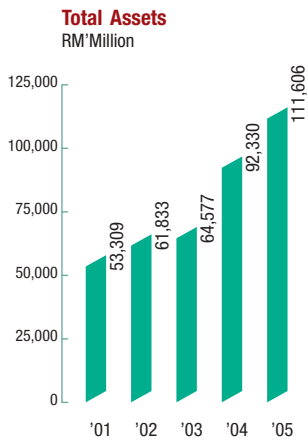
5.7%	Reserves
0.4%	Minority interests
3.2%	Deposits and placements of banks and other financial institutions
3.6%	Share capital
78.2%	Deposits from customers
8.9%	Bills and acceptances payable and other liabilities

# five-year group financial summary

Year ended 31 December	2005	2004	2003	2002	2001
<b>OPERATING RESULTS</b> (RM'Million)					
Profit before tax expense	2,049	1,854	1,415	1,230	1,243
Profit after tax expense and minority interests	1,450	1,271	974	761	720
<b>KEY BALANCE SHEET DATA</b> (RM'Million)					
Total assets	111,606	92,330	64,577	61,833	53,309
Loans, advances and financing	66,813	55,719	45,540	37,535	30,698
Total liabilities	102,689	83,327	55,382	53,538	45,528
Deposits from customers	84,130	72,246	50,217	47,986	39,782
Paid-up capital	3,417	3,356	3,207	2,315	1,834
Shareholders' equity	8,482	8,635	8,618	6,962	6,391
Commitments and contingencies	28,952	19,781	14,246	12,316	12,147
<b>SHARE INFORMATION</b>					
Per share (sen)					
Basic earnings	44.2	39.5	32.0	26.4	26.2
Diluted earnings	43.8	38.8	31.2	26.2	26.0
Gross dividend	55.0	90.0	22.0	18.0	18.0
Net tangible assets	234.3	240.3	245.6	280.1	325.8
Share price as at 31 December (RM)					
– Local	6.55	7.10	5.66	3.64	3.20
– Foreign	6.40	7.60	6.20	4.16	3.40
Market capitalisation (RM'Million)	22,230	24,329	18,669	10,966	9,356
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net interest margin on average interest bearing assets	3.6	4.1	4.1	4.2	4.3
Net return on equity <sup>1</sup>	21.4	18.2	14.4	12.8	14.5
Return on average assets	2.0	2.4	2.2	2.1	2.5
Return on average risk-weighted assets	3.3	3.6	3.3	3.4	4.2
<b>Asset Quality Ratios/Market Share</b>					
Gross loan to deposit ratio	80.9	78.8	93.5	81.3	81.0
Net non-performing loans ratio (3-month classification)	1.7	2.1	3.0	3.2	5.0
Domestic market share in:					
Loans, advances and financing	11.9	11.1	9.6	8.2	6.4
Deposits from customers	12.8	11.6	8.9	9.3	8.2
<b>Capital Adequacy Ratios</b>					
Core capital ratio	11.4	13.8	17.5	19.4	22.0
Risk-weighted capital ratio	17.1	17.8	19.3	21.2	23.8
<b>Valuation on Local Share</b>					
Gross dividend yield	8.4	12.7	3.9	4.0	3.6
Dividend payout ratio (Bank level)	101.7	94.4	49.7	49.8	71.4
Price to earnings multiple (times)	14.8	18.0	17.7	13.8	12.2

<sup>1</sup> Adjusted for proposed dividends and goodwill.

# summary of five-year group growth



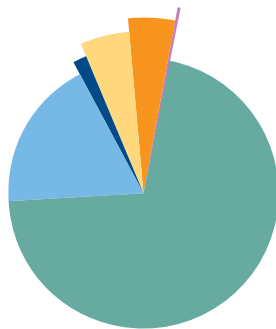


# segmental analysis

for the year ended 31 December 2005

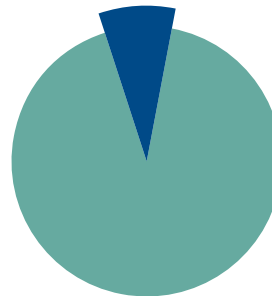
## BUSINESS SEGMENTS

### Operating Revenue



#### By Business Segments

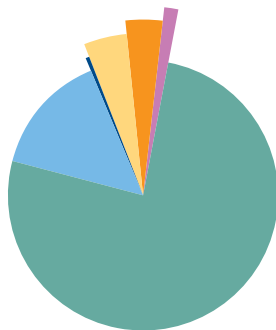
- 1.5% Investment banking
- 4.9% Share broking and fund management
- 4.3% Corporate lending
- 0.1% Others
- 71.1% Retail operations
- 18.1% Treasury and capital market operations



#### By Geographical Location

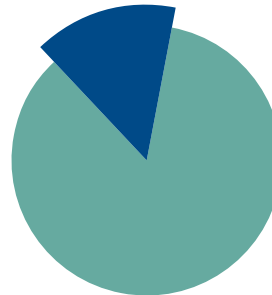
- 8% Overseas
- 92% Malaysia

### Profit Before Tax Expense



#### By Business Segments

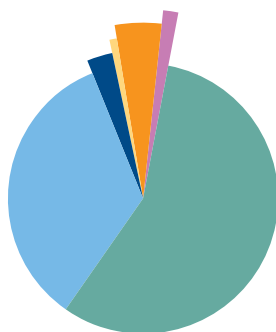
- 0.4% Investment banking
- 4.3% Share broking and fund management
- 3.4% Corporate lending
- 1.2% Others
- 76.1% Retail operations
- 14.6% Treasury and capital market operations



#### By Geographical Location

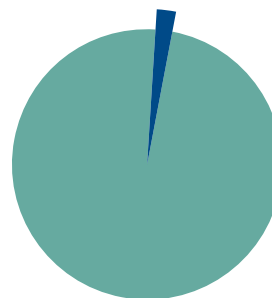
- 15% Overseas
- 85% Malaysia

### Assets Employed



#### By Business Segments

- 2.8% Investment banking
- 0.4% Share broking and fund management
- 4.3% Corporate lending
- 1.3% Others, unallocated assets and intangible assets
- 56.9% Retail operations
- 34.3% Treasury and capital market operations

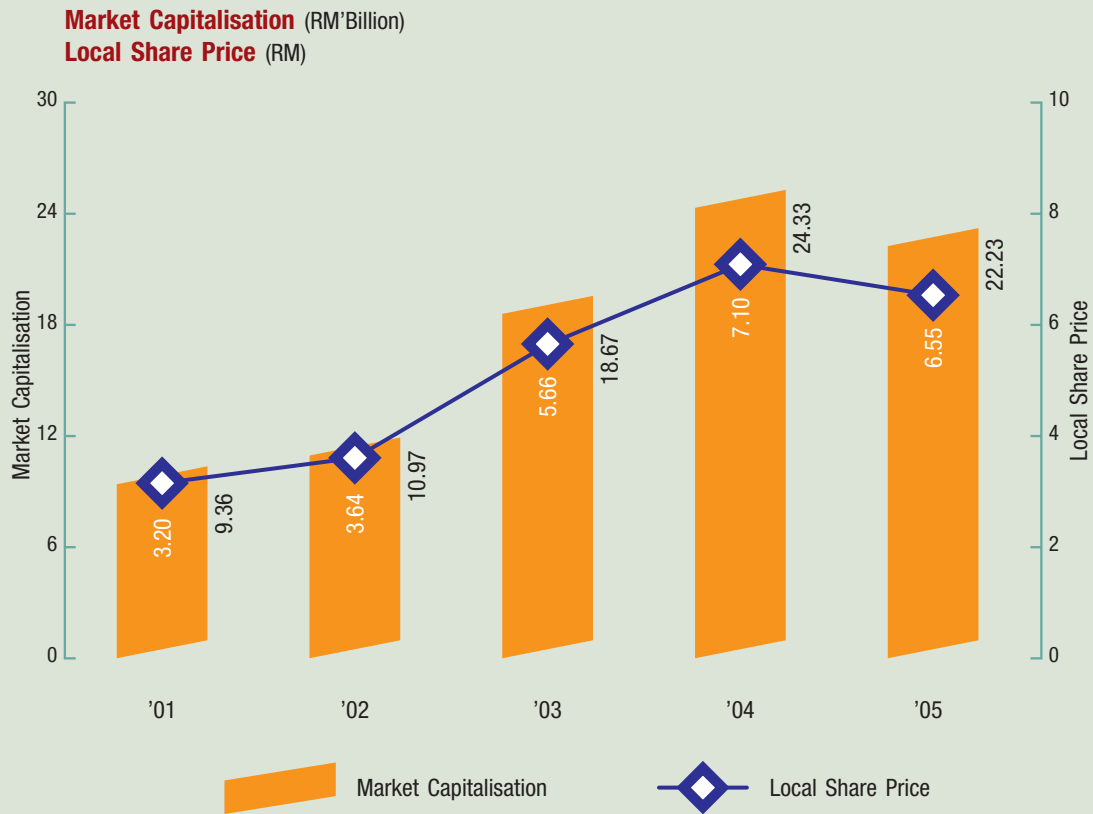


#### By Geographical Location

- 2% Overseas
- 98% Malaysia



# market capitalisation & ranking



**PUBLIC BANK'S RANKING BY MARKET CAPITALISATION ON BURSA MALAYSIA SECURITIES BERHAD**

Year	2001	2002	2003	2004	2005
Ranking	8th	8th	6th	5th	5th

# BOARD OF DIRECTORS

[www.publicbank.com.my](http://www.publicbank.com.my)



**BOARD OF DIRECTORS**



# DIRECTOR'S PROFILE

**Tan Sri Dato' Sri Dr. Teh Hong Piow**, aged 76, began his banking career in 1950 and has more than 56 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; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council. He is a Fellow of several institutes which include the Institute of Bankers Malaysia; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; the Institute of Chartered Secretaries and Administrators, Australia and the Malaysian Institute of Management.



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

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 17 Board meetings which were held in the financial year ended 31 December 2005.



**DIRECTOR'S PROFILE**

**Tan Sri Dato' Thong Yaw Hong**, aged 75, was appointed as a Director of Public Bank on 23 June 1986 and was made its Chairman in October 1986. He was re-designated as Co-Chairman of Public Bank with effect from 1 July 2002. He serves as Chairman of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He graduated with a Bachelor of Arts (Hons) degree in Economics from University of Malaya and a Master's degree in Public Administration from Harvard University. He attended the Advanced Management Program at Harvard Business School. In June 1998, he was appointed a Pro-Chancellor of 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 17 Board meetings which were held in the financial year ended 31 December 2005.



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

## DIRECTOR'S PROFILE

**Dato' Sri Tay Ah Lek**, aged 63, has 45 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 the former Public Finance Berhad. He is a member of the Board Executive Committee. He is the Chairman of the Credit 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.

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

Dato' Sri Tay Ah Lek attended all of the 17 Board meetings which were held in the financial year ended 31 December 2005.



**Dato' Sri Tay Ah Lek**  
*Managing Director*



**DIRECTOR'S PROFILE**

**Dato' Lee Kong Lam**, aged 64, has 38 years experience in the banking and finance industry. He was appointed as an Executive Director of Public Bank on 28 November 2001. He joined Public Bank in November 1996 as General Manager and was subsequently appointed Senior General Manager in 1997 and Executive Vice President in 1998. He is a member of the Board Executive Committee. He is the Chairman of the Operational Risk Management Committee and the Business Resumption and Contingency Plan Committee; and is a member of the Credit 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 17 Board meetings which were held in the financial year ended 31 December 2005.



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



## DIRECTOR'S PROFILE



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

**Dato' Yeoh Chin Kee**, aged 63, began his banking career in 1961 and has 45 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 17 Board meetings which were held in the financial year ended 31 December 2005.



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

**Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah**, aged 45, 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 14 out of the 17 Board meetings which were held in the financial year ended 31 December 2005.



**DIRECTOR'S PROFILE**

**Haji Abdul Aziz bin Omar**  
*Independent Non-Executive Director*

**Haji Abdul Aziz bin Omar**, aged 58, was appointed as a Director of Public Bank on 5 January 2000. He is the Co-Chairman of the Audit Committee, and is a member of 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 audit and accounting, taxation, 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 17 Board meetings which were held in the financial year ended 31 December 2005.

**Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff**, aged 70, 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 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 17 Board meetings which were held in the financial year ended 31 December 2005.



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

## DIRECTOR'S PROFILE



**Lee Chin Guan**  
*Independent Non-Executive Director*

**Lee Chin Guan**, aged 47, 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 Chicago-Kent College of Law.

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 17 Board meetings which were held in the financial year ended 31 December 2005.

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.



# LETTER TO STAKEHOLDERS

The challenges of the financial services industry continued to test industry players in 2005. Persistently rising competitiveness in the banking and financing industry, driven by an increasingly liberalised regulatory and operating environment, together with the pursuit of the consumer and retail commercial banking and financing market by all the major banking groups and a moderating but still healthy pace of economic expansion in Malaysia in 2005, as compared to 2004, have combined to pose stiff challenges to both domestic controlled Malaysian banking groups and foreign controlled domestic banks alike.

The Public Bank Group has once again risen to the challenge with another year of record profitability and the expansion of the Group's lending business at double the industry's rate of growth in loans, whilst implementing several strategic initiatives to position the Group as a key player in the industry for the future. With the strong growth rate of its lending business over the past several years leading to continued rising market share, the Public Bank Group is the 2nd largest lender by market capitalisation in Malaysia.

The Public Bank Group continues to play an important supportive role in the Government's efforts in developing a strong domestic orientated industry as a key driver of future economic growth and development in Malaysia. The focus of the Group's commercial lending activities in meeting the financing needs of domestic small- and medium-sized enterprises ("SMEs") is very much in line with the Government's support of SMEs, which together with healthy domestic consumption activities, form the core of a healthy domestic orientated economy. The lending business of the Group increased by 20% in 2005, with strong growth in residential mortgages and vehicle hire purchase to consumers and commercial lending to SMEs. This reflects the continued commitment of the Group to domestic investment and its support of the Government's longer term objectives to diversify the economic base of Malaysia, whilst maintaining a prudent balance between fiscal support of key sectors such as the agriculture and services sectors and meeting the budgetary discipline expectations of international investors.



The Public Bank Group continues to adhere strictly to the Group's prudent credit policies and practices in the pursuit of above industry rate of growth in its lending business over the past several years. The success of the strong rate of expansion of the Group's loan portfolio without any compromise of credit standards can be seen not only in a further reduction of the Group's net non-performing loan ("NPL") ratio from 2.1% at the end of 2004 to 1.7% at the end of 2005 but also in terms of a decline in the absolute amount of non-performing loans in 2005. The Group has consistently maintained net NPL ratios that are significantly below that of the banking industry, with the Group's net NPL ratio of 1.7% at the end of 2005 standing at less than one-third of the net NPL ratio of the banking industry of 6.0% as at November 2005. The Group's prudent credit culture remains a critical factor of the Group's healthy long-term financial performance.

The unrelenting march towards greater liberalisation of the Malaysian financial services industry by Bank Negara Malaysia in 2005 is consistent with the key objective of the Financial Sector Masterplan to enhance the efficiency and effectiveness of Malaysian financial services providers through having to compete in a liberalised environment, in preparation for competition in the global market place.

Given the Group's tried and tested business strategies and the key strategic initiatives undertaken in 2005 in respect of its investment bank subsidiary and the setting up of Public Islamic Bank Berhad, the Public Bank Group is well positioned for further progress and sustainable growth in such a liberalised market.

## TO OUR SHAREHOLDERS

### FINANCIAL PERFORMANCE

The Public Bank Group achieved another year of record profits in 2005 with pre-tax profit surpassing the RM2 billion mark for the first time. Net profit grew by 14% from RM1.27 billion in 2004 to RM1.45 billion in 2005. Earnings per share in 2005 improved to 44.2 sen from 39.5 sen in 2004 and net return on equity reached 21.4% compared to 18.2% in 2004.

Total assets of the Public Bank Group also surpassed the RM100 billion mark for the first time in the history of the Group to stand at RM111.61 billion at the end of 2005. This cements the Group's position as 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 Public Bank Group drove the 21% expansion of the balance sheet in 2005. The Group's gross loans increased by RM11.19 billion or 20% to stand at RM68.10 billion as at the end of 2005. Domestic loans amounted to RM65.98 billion, making the Group the 2nd largest domestic lender in Malaysia.

Customer deposits expanded by RM11.88 billion to stand at RM84.13 billion, with lower cost savings deposits and current accounts growing by 9% and 10% respectively in 2005.



## LETTER TO STAKEHOLDERS


### STRATEGIC BUSINESS DIRECTION

In 2005, the Public Bank Group continued to pursue its long-term business strategy of focusing on the consumer and middle market commercial enterprises, particularly the SMEs. There continued to be a distinct lack of effective demand for bank credit from large corporates, which together with strong liquidity and stable interest rates in the banking system, had resulted in an extremely competitive market place, with both domestic banking groups and a number of foreign controlled domestic banks aggressively pursuing the lending business to consumers and middle market commercial enterprises.

The Public Bank Group, with its comprehensive range of competitive lending products, was well positioned to maintain the high rate of growth of its lending business achieved in the past few years, despite the extremely competitive market place. The Group's loan growth rate of 20% was more than twice that of the domestic banking system's annual loan growth of 9.5% as at November 2005. In the key consumer lending sectors of residential mortgages and passenger vehicle hire purchase financing, growth rates of 27% and 18% respectively were achieved in 2005. The focus on these key customer sectors has resulted in 63% of new loans being directed to retail consumers and 24% to SMEs. As at the end of 2005, RM17.79 billion or 26% of gross loans outstanding were for residential mortgages, RM16.68 billion or 24% for passenger vehicle hire purchase financing and RM14.81 billion or 22% were to finance the needs of SMEs.

The Public Bank Group continued to build a long-term core deposit funding base of retail depositors with sustained higher than industry rate of growth of customer deposits. In 2005, current accounts, savings deposits and fixed deposits grew by 10%, 9% and 10% respectively compared to the annual growth rates of 8%, 5% and 6% for current accounts, savings deposits and fixed deposits seen for the banking system as at November 2005.

Of these core customer deposits, 71% were from individual depositors. With the implementation of the deposit insurance scheme in Malaysia in September 2005 by Bank Negara Malaysia, the financial strength and safety of a banking institution is of a lesser consideration, particularly for a retail depositor. As a result,



With the healthy above industry growth rates in both the lending business and the deposit-taking business, the Public Bank Group's market share for loans increased to 12%, compared to 11% at the end of the previous year whilst customer deposits market share also increased to 12% from 11%, with the Group having a very strong 17% market share of savings deposits.

Despite an intensely competitive Malaysian lending market exerting continued downward pressure on lending rates and spreads, net interest income and Islamic financing income increased by 7.0% to RM2.89 billion in 2005. Other operating income grew by 24% to RM918 million whilst operating expenses growth was constrained with other operating expenses growing by 7.1% in 2005.

The strong and solid financial performance of the Public Bank Group in 2005 was supported by the strong growth in the Group's lending and deposit-taking businesses, together with the healthy growth in other operating income whilst growth rate in other operating expenses was capped at a single digit.

The consistently healthy financial performance of the Public Bank Group is also underpinned by NPL ratios that continue to fall even as the Group achieved lending growth rates averaging over 20% per annum, a rate which is well above industry growth rates, for the past 5 years. Gross and net NPL fell from 2.7% and 2.1% at the end of 2004 to 2.1% and 1.7% respectively at the end of 2005. Not only have the NPL ratios fallen in 2005 but the amount of gross NPLs had also declined from RM1.51 billion at the end of 2004 to RM1.41 billion at the end of 2005.

## LETTER TO STAKEHOLDERS

depositors are likely to place greater emphasis on good service delivery in deciding where to deposit their savings. The Public Bank Group, with its long established ISO-standard customer service delivery infrastructure, particularly at the front-office of its branches, is well positioned to compete effectively for customer deposits in an environment where service delivery is even more important in attracting deposit customers.

The trend of increasing competitiveness in the banking and financing sector continued unabated in 2005. The commoditisation of banking and financing products and services offered to retail consumers such as residential mortgages and passenger vehicle hire purchase financing, and increasingly in lending product offerings to SMEs has impacted on pricing as a means of gaining a competitive edge. The Public Bank Group's lending product offerings are generally the most competitively priced, with the Group being constantly vigilant of what its competitors offer and responding promptly to changes and developments in the market place. As a consequence, the Group has to contend with continued thinning interest margins in its lending business.

The Public Bank Group is meeting the challenge of narrowing interest margins and the consequent impact on profitability with a combination of high volume growth and improved cost efficiency, whilst maintaining strong asset quality. The growth in lending business of 20% in 2005 is the fifth year in a row of strong annual growth of the Group close to or exceeding 20% per annum. The continued expansion of its customer base also sets the foundation for the future growth of the Group's business through the development of longer term relationships with an expanding customer base.

With top line growth under constant pressure, improving cost efficiency is a key strategy for continued bottom line growth. With the completion of the rationalisation and integration of the branch networks of Public Bank and


Public Finance in 2004, the Public Bank Group has been able to leverage on a more efficient operating infrastructure, including a more efficient branch network of 251 domestic branches, to improve employee productivity. The Group had maintained the number of staff at around 12,800 in 2005, a similar number as in the past few years, whilst achieving growth rates in both its lending and deposit-taking businesses well in excess of industry growth rates. Together with improving staff productivity, the Group continued to pursue cost efficiency improvement initiatives, including cost control measures where appropriate and the enhancement of electronic delivery channels. Initiatives to improve cost effectiveness of delivery channels include the introduction of new channels such as the use of cash deposit machines, the expansion of existing electronic delivery channels and proactive steps to increase the utilisation levels of such electronic delivery channels by customers.

Maintaining the strong asset quality of the Public Bank Group's loan portfolio is also critical in sustaining profitability growth whilst operating with narrowing margins. The Group reduced further not only both its gross and net NPL ratios to 2.1% and 1.7% respectively in 2005 but also reduced the amount of gross NPL by RM104 million in 2005.

The ongoing implementation of the Financial Sector Masterplan by Bank Negara Malaysia has seen the Public Bank Group undertake several key initiatives in 2005. After the merger of the finance company and commercial banking businesses of banking groups to improve operational efficiency, Bank Negara Malaysia, together with the Securities Commission, issued the guidelines for the formation of investment banks from the merger of the



## LETTER TO STAKEHOLDERS



businesses of the merchant bank, stock broker and discount house within a banking group, again with improved operational efficiency and competitiveness as a key objective. The Public Bank Group has initiated the process to form an investment bank from the merger of the businesses of Public Merchant Bank Berhad and PB Securities Sdn Bhd which would see the emergence of Public Investment Bank Berhad in 2006.

Pursuant to another key component of the Financial Sector Masterplan, that of the development of the Malaysian Islamic banking sector into a leading player in the global Islamic banking and financial services stage, the Public Bank Group had in October 2005 obtained the approval-in-principle of Bank Negara Malaysia for an Islamic banking subsidiary licence to undertake the Islamic banking business of the Group which is currently carried out as an Islamic banking window of Public Bank. Public Islamic Bank Berhad is anticipated to commence business in 2006. Public Islamic Bank Berhad is well positioned to compete effectively in the Islamic banking sector, supported by the strength of the Group's existing Islamic banking window operations which saw Islamic banking pre-tax profit of RM293 million in 2005.

### MANAGING CAPITAL EFFICIENCY

The Public Bank Group continued to take steps to improve the efficiency of its capital structure in 2005 as an integral part of a long-term strategy to remain competitive in an increasingly liberalised environment and to further enhance return on equity of the Group.

The Public Bank Group further geared up on its strong core capital position with a second issue of Subordinated Notes amounting to USD400 million in June 2005. A key innovation of the second issue of Subordinated Notes by the Group was the extension of the typical maturity structure of a "10 non-call 5" structure to a "12 non-call 7" structure which extends the call date of the Subordinated Notes to seven years. Public Bank is the first Asian bank to offer a "12 non-call 7" Subordinated Note issue. Similar to its first issue of Subordinated Notes, the USD400 million of "12 non-call 7" Subordinated Notes was rated BBB+ by Standard & Poor's and Baa1 by Moody's Investors Services. Despite the longer maturity structure, the high regard that international investors have for the Group with its consistently strong financial performance and high ratings by international rating agencies, ensured another successful issue with an oversubscription of nearly four times. This resulted in a level of pricing of the USD400 million Subordinated Notes which was lower than the Group's first issue of Subordinated Notes a year earlier despite the extension of the maturity structure from 5 years to 7 years. The USD400 million Subordinated Notes issue was named the Best Bank Bond for 2005 in The Asset Triple A Regional Awards for Best Deals.

The issue of further Tier 2 capital allows the Public Bank Group to further pursue the expansion of its business and balance sheet aggressively without burdening shareholders for more equity capital and allows the Group to further improve the return on equity through other capital efficiency improvement initiatives.

Public Bank bought back a further 24 million of its own shares in 2005 making a total cumulative shares bought back of 124 million Public Bank shares or 3.6% of the issued and paid-up share capital of Public Bank. All the shares bought back are held as treasury shares.



## LETTER TO STAKEHOLDERS

The implementation of the Basel II Capital Accord scheduled on 1 January 2008 by Bank Negara Malaysia will see an enhancement to the capital adequacy ratios of the Public Bank Group. The Group is fully prepared to implement the Basel II Capital Accord using the Standardised Approach. Given its business focus of lending to the retail consumer, particularly in the residential mortgage sector, the Group's focus on SMEs in its commercial lending business and having one of the lowest gross NPL ratios in the Malaysian banking system, the Standardised Approach will result in an improvement in the capital adequacy ratios of the Group. The Group has initiated a review of its preparedness to adopt the Internal Rating Based Approach to the Basel II Capital Accord, a step that is expected to further improve the capital adequacy ratios of the Group and enhance the efficiency of its capital structure.

### SHAREHOLDER VALUE

The Public Bank Group remains fully committed to the delivery of superior shareholder value. The unbroken profitability track record of the Group since it started business in 1966 underpins the value that all shareholders derive from investing in the shares of Public Bank. In recent years, in addition to delivering a consistently improving profitability performance, the Group had also undertaken proactive initiatives to further enhance shareholder value.

A key initiative to further enhance shareholder value is to make the capital structure of the Public Bank Group more efficient through a combination of the gearing up of its core capital with Tier 2 subordinated debt capital, the Public Bank's programme of share buy-backs and the pursuit of a high dividend payout policy. A measure of the improvement in the efficiency of the Group's capital structure is the consistently improving net return on equity from 12.8% in 2002 to 21.4% in 2005.

The Public Bank Group continued to pursue a high dividend payout policy. Since 2001, Public Bank had maintained an annual dividend payout ratio of over 95% of its 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. In addition, special dividend of 55 sen less 28% taxation per Public Bank share was paid in respect of 2004, in addition to the payment of an annual dividend of 35 sen less 28% taxation per Public Bank share for that year.


For the first time in its history, Public Bank paid an interim dividend of 20 sen less 28% taxation, which was paid in August 2005. Together with a proposed final dividend of 20 sen and a proposed special dividend of 15 sen, totalling 35 sen less 28% taxation, the total dividend paid and payable for 2005 would amount to RM1.30 billion. The payment of an interim dividend has enhanced the cash flow of the shareholders of Public Bank.

As part of the Public Bank Group's high dividend payout policy, Public Bank intends to pay out all of its profit after taxation and minority interest and after transfer to statutory reserves, as required by the Banking and Financial Institutions Act, 1989 as interim and final annual dividends for 2006, subject to the approval of Bank Negara Malaysia.



## LETTER TO STAKEHOLDERS

issue in 1998, would have 3,791 Public Bank (Local) shares at the end of 2005, which at RM6.55 per Public Bank (Local) share would be worth RM24,831, besides having the benefit of receiving total gross dividends of RM8,165 in this ten year period. This means that a shareholder of Public Bank had enjoyed an average rate of return on investment of over 17% per annum for the past ten years.



The consistent trend of improving net return on equity, the strong dividend yield and the enhanced cash flows to shareholders of Public Bank through a high dividend payout ratio have benefited shareholders of Public Bank directly in the premium valuation multiples of Public Bank shares. Throughout 2005, Public Bank shares have consistently traded at a premium to the price-to-book value multiples of the leading listed banking groups in Malaysia. Whilst the premium trading multiples also reflect the excellent financial performance and the strengths of the management team of the Public Bank Group, the market has rewarded the shareholders for the Group's proactive initiatives to enhance shareholders' value.

Despite the general weaker market sentiment of the Malaysian stock market at the end of 2005 and the fall in Public Bank share prices compared to the start of 2005, the medium term return to the shareholders of Public Bank remained strong. A shareholder of Public Bank who purchased 1,000 Public Bank (Local) shares at the beginning of 2003 at a price of RM4.54 per Public Bank (Local) share would have 1,563 Public Bank (Local) shares worth RM6.55 per share at the end of 2005 and would have received a total of RM2,834 of gross dividends. This translates into a remarkable annual return on investment of 48% for each of the three years that a shareholder had held shares in Public Bank.

Similarly, returns to shareholders of Public Bank over the longer term have also been striking and exceptional. A shareholder of Public Bank who purchased 1,000 Public Bank (Local) shares at the beginning of 1996 for a total investment of RM7,120, which included a rights

### TO OUR CUSTOMERS

Bank Negara Malaysia continues to foster greater customer education and awareness and increasing product and services transparency as a key objective of the Financial Sector Masterplan to develop a better-informed customer for financial services. With the implementation of the standard basic current account and basic savings account for the Malaysian banking sector, Bank Negara Malaysia has also promoted further commoditisation of banking products and services. These initiatives to promote the growing maturity and awareness of customers and continued commoditisation of products and services, together with the intensely competitive environment of the financial services sector, means that the manner in which a product or service is delivered can be the key differentiation in capturing the customer.

The Public Bank Group's firm commitment to customer service delivery excellence is clearly demonstrated by the Group's pursuit of initiatives to reinforce the customer service delivery standards of its ISO-certified service delivery infrastructure, and the continued investment in the development of products and service delivery channels. The two key areas of customer service delivery of the Public Bank Group's business, that of the "Provision of Customer Service at the Front Office" and the "Provision of Customer Service in Loan Delivery", continued to be ISO9001:2000 certified. With the maintenance of high customer service delivery standards such as the 2-minute standard waiting time and 1-minute standard processing time for core banking transactions, 2 to 3 working days turnaround time for approving consumer loans and 7 to 8 working days turnaround time for approving commercial loans, and the continuous monitoring of the achievement of these standards, customer service delivery excellence remains at the top of the agenda for action by the staff of the Group.



## LETTER TO STAKEHOLDERS

The continuous improvement of the Public Bank Group's products and service delivery channels is focused on the two key channels of the Group's branch network and its electronic delivery channels. The Group proactively assesses the location and size of its branches with a view to improving customer accessibility and comfort. In 2005, Public Bank relocated 13 branches and expanded the size of a further 17 branches. In respect of its electronic delivery channels, the Group had in 2005 extended the scale and scope of its electronic delivery channels and plans to introduce a new delivery channel in the form of cash deposit machines across its branch network in early 2006. A total of 105 cheque deposit machines was installed in 2005, bringing the total number of cheque deposit machines of the Group to 164. The Group has also piloted the use of cash deposit machines in several branches with favourable response from customers.

The Public Bank Group had also undertaken initiatives to actively promote the migration of customer transactions at branch counters to the Group's electronic delivery channels through a combination of increasing resources for customer education and improving functionalities and simplifying user procedures of its electronic delivery channels. The active development of electronic delivery channels and the promotion of the use of these channels not only improves the efficiency of branch counter services for customer transactions that are required to be carried out at branch counters but also provides customers with added flexibility and convenience to conduct their banking transactions outside of normal banking hours.

The Public Bank Group's efforts in pursuing excellence in customer service delivery have resulted in building up a strong base of individual loyal customers and achieving growth rates in its lending business that is well above industry growth rates. The Group's market share of customers' savings deposits stood at 17% compared to its overall market share of total customers' deposits of 12%.

Deposits from individuals also accounted for over 71% of core customer deposits. In the lending business, the setting of high standards of customer service delivery of the Group's electronic Loan Delivery System ("eLDS") is a key factor in sustaining strong loan growth during the past few years.

### TO OUR STAFF

Underpinning the remarkable success and consistently strong performance of the Public Bank Group is the contribution of a united team of committed, knowledgeable and dedicated employees who are focused on a common goal and 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 most valuable asset of the Group.

The Public Bank Group continues to implement specific initiatives to maximise the long-term value of its human capital. Significant management and financial resources are devoted to implementing its policy of mandatory training for all levels of staff. The Group conducted over 46,000 man-days of training courses for all levels of staff in 2005. The Group also continues to upgrade its training facilities at its dedicated Knowledge and Learning Centre in Bangi. The investment in training all staff not only equip them with the capability and skills to deliver the highest standards of performance expected, it also prepares the staff for career progression within the Group as part of their professional development and, hence, fulfills the structured succession planning objectives of the Group.



## LETTER TO STAKEHOLDERS



The Public Bank Group continues to increase the financial resources for the development of its human capital with an increase in the Group's outlay for staff training expenses of 7.6% in 2005. A sum of RM19 million was expended on staff training in 2005, representing 3.7% of total human resources related costs, a ratio that is above the requirement of Bank Negara Malaysia in respect of staff training expense allocation.

A key factor in the management and development of the Public Bank Group's human capital is its established performance-based remuneration system where rewards are closely and transparently correlated to the delivery of superior performance levels. This comprehensive and transparent performance appraisal system has enabled the Group to fairly reward its top performers with performance related bonuses of up to 15 months salary as well as promoting meritocracy in career progression of staff.

Providing staff with a direct stake in the financial well being of the company in which they are engaged is a key incentive to promote superior staff performance. The staff of the Public Bank Group are highly motivated to deliver superior performance by the generous Group Employees' Share Option Scheme ("ESOS") which is extended to all levels of staff especially right down to the most junior grades. The ESOS share price continued to be in the money with the strong performance of the Public Bank share price.

The Public Bank Group continues to inculcate and nurture in all staff a culture of commitment, trust, honesty and integrity and promote an environment of exemplary corporate conduct and meticulous regulatory compliance through the Group's extensive human resource development programmes and the strict adherence to a policy of zero tolerance for dishonesty and the lack of integrity. Such a stringent and uncompromising stance in terms of honesty and integrity is absolutely necessary to engender the trust implicit in the Group's role as a trusted financial institution and a custodian of public funds.

The Public Bank Group's commitment to its staff force, the established and transparent performance-based remuneration structure, meritocracy-based career progression path and priority accorded to internal filling of vacancies have provided the Group with a work force that is passionately performance driven and one that seeks career advancement with the Group. Productivity gains from superior and improving levels of performance have allowed the Group to grow its business at levels well above that of its competitors over the past few years with a total staff force that has remained relatively unchanged in these years. The desire of the staff force seeking career advancement within the Group remains high with over 90% of current senior management and branch management appointments being filled from within the Group. The staff of the Group do proudly and professionally have a sense of dedication and commitment to serve.

### TO THE COMMUNITY

The Public Bank Group is committed to giving back to the community that supports its business and corporate activities through the conscientious discharge of its corporate social responsibility. In the fulfilment of its commitment to the community, the Group's participation in and contribution, both financial or otherwise, to activities for the betterment of the community have been geared towards benefiting as many in the community as possible.

## LETTER TO STAKEHOLDERS

The initiatives and activities of the Public Bank Group in active support of the community range from financial support of health care and educational projects to the promotion of academic excellence by recognition of top student performers, the support of environmental conservation and events in promoting national pride and unity including sports, arts, culture and literature, besides direct charitable contributions to the welfare of the needy and less fortunate. In 2005, the total direct financial contribution for the discharge of the Group's corporate social responsibility totalled over RM2 million. With the extensive branch network of the Group throughout Malaysia, the Group has been able to reach a wide spectrum of members of the community both through the community activities of its branches and staff of the branches as well as supporting the collection of charitable donations by the National Welfare Foundation in a smart partnership arrangement of having National Welfare Foundation collection boxes and appeal posters in all 251 Public Bank branches.

The 39 years of unbroken profitability track record of the Public Bank Group has provided the platform and financial capacity for the Group to continue to play its role as a socially responsible corporate citizen and fulfil its corporate social responsibility. In addition, as a profitable corporation, Public Bank has been a significant contributor to the fiscal revenue of the country as a tax payer. With payment of taxes totalling more than RM2.31 billion since 2000, the Group has indeed contributed significantly to the development efforts of the nation.

## AWARDS AND RECOGNITIONS

The outstanding financial performance of the Public Bank Group, the commitment to the pursuit of excellence in all aspects of its business and operations and the track record of its management in consistently delivering stellar results, continued to be recognised by a total of 15 awards and recognitions conferred on the Public Bank Group in 2005.

Public Bank's strong and entrenched culture of good corporate governance, its adherence to good corporate governance practices and its excellent corporate conduct have led to Public Bank being ranked first in corporate governance amongst the top 100 listed companies on Bursa Securities in a joint study by the Minority Shareholder Watchdog Group ("MSWG") and the Nottingham University Business School ("NUBS"). The findings of this joint study is set out in the Corporate Governance Survey Report 2004 issued by the MSWG and the NUBS. The study assesses the level of compliance of the top 100 public listed companies with the corporate governance requirements as set out in the Malaysian Code on Corporate Governance and the Bursa Securities Listing Requirements as well as international best practices in corporate governance drawn from influential principles, guidelines or codes on corporate disclosure and governance including those of the OECD Principles, the IMF Principles and the CalPERS Guidelines on Corporate Governance. Besides topping the overall rankings, Public Bank was also ranked first in the international best practices section of the study.



## LETTER TO STAKEHOLDERS



The excellent corporate governance of Public Bank was also recognised with the Malaysian Business Corporate Governance Award 2004 being awarded to Public Bank by Malaysian Business for the 3rd consecutive year. This makes Public Bank the sole recipient of the award since the inauguration of the Corporate Governance Awards by Malaysian Business.

At the National Annual Corporate Report Awards (“NACRA”) 2005, Public Bank’s Annual Report 2004 won the Overall Excellence Award for Best Annual Report. This makes it the 4th consecutive year and the 6th time in total that Public Bank has won the much coveted Overall Excellence Award. Public Bank’s Annual Report 2004 also won the Industry Excellence Award for the Main Board Finance Sector for the 9th time in a row as well as the Best Annual Report in Bahasa Malaysia for the 3rd time.

NACRA’s objectives are to promote excellence in annual corporate reporting by encouraging transparency and corporate accountability through the publication of timely, informative, factual and reader friendly annual reports. Therefore, the NACRA awards are not just a recognition of the Annual Report itself but also a concrete testimony to the high degree of transparency and the adherence to a high standard of corporate governance as practised by the Public Bank Group.

Public Bank continued to be accorded best bank awards in 2005 for the strong positioning of the Public Bank Group in the Malaysian banking and financing sector, its financial strength, excellent asset quality and rising profitability performance. The best bank awards received by Public Bank in 2005, some of which were for a number of consecutive years, include:

- Bank of the Year in Malaysia by The Banker
- Best Bank in Malaysia by Euromoney
- Best Domestic Bank in Malaysia by The Asset
- Best Local Bank in Malaysia by FinanceAsia
- Best Retail Bank in Malaysia by The Banker

Public Bank was also named the overall Best Managed Company in Malaysia by FinanceAsia.

In addition to the awards and recognitions 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 Malaysia’s Best CEO 2004 by Asiamoney.

Apart from acknowledging the outstanding achievements of the Public Bank Group, these accolades and awards will, to be sure, further motivate the Group to continue its relentless pursuit of excellence with humility and commitment.

## PROSPECTS

The Year 2006 is expected to be another challenging one for the Public Bank Group. With the anticipated moderate improvement in the growth rate of the Malaysian economy and continued intensification of the competitiveness of the financial services industry in 2006, the challenges to the Group in the pursuit of its strategies of strong lending business growth and relentless improvement in profitability are expected to be daunting.



## LETTER TO STAKEHOLDERS

Looking further ahead, the Public Bank Group expects the market place to remain equally challenging. As a guide to the Group in navigating the path to further profitability growth and expansion of its business and balance sheet as well as continuing to deliver shareholder value in such an environment, the Group has in place medium term plans for the next 3 years. Amongst the myriad details of such medium term plans are medium term targets of key ratios the Group has set out to achieve. These include a return on average equity ratio of 28%, core capital and risk-weighted capital ratios of 8.0% and 12.5% respectively whilst maintaining the net non-performing loan ratio at 1.7%. The Group is also targeting to reach a total loan and advances portfolio and a total balance sheet size of RM98 billion and RM150 billion respectively in 3 years' time, barring unforeseen circumstances and the key underlying assumptions of these medium term plans being substantially realised.

2006 will also see significant changes in the accounting measures of the financial performance of companies in Malaysia with the implementation of new and revised Malaysian Financial Reporting Standards ("FRS") from 1 January 2006. The Group is fully prepared for the impending implementation of the FRS. Although the new and revised FRS generally leads to more volatility in profitability, the Group expects the new and revised FRS to have a positive impact on its bottom line.

The unabated pace of liberalisation of the Malaysian financial services industry will result in an even more competitive landscape, which in the last few years had seen a continued downward trend in lending margins and spreads. Liberalisation of the operating constraints on foreign controlled domestic banks, such as the recent announcement by Bank Negara Malaysia to allow such banks to open 4 new branches a year, will likely lead to foreign controlled domestic banks increasing the size of their branch network as well as linking up their ATMs to

a nationwide network of ATMs. The introduction of strong foreign institutional shareholders and increased activism of existing institutional shareholders of domestic banking groups, together with the introduction of new management teams, are likely to result in improved performance of domestic banking groups, thus leading to further intensification of competition in the Malaysian banking industry.

The Malaysian economy is expected to see an improvement in GDP growth rate in 2006, albeit a modest increase to 5.5%. The uncertainties of a global economy faced with high oil prices, the risk of an avian flu pandemic and its related economic fallout as well as generally rising interest rates are contributory factors to the moderate improvement in expected GDP growth for 2006. Malaysia, despite the rise in Bank Negara Malaysia's overnight policy rate from 2.7% to 3.0% in November 2005, the first increase in domestic interest rates since 2000, is expected to see only modestly rising interest rates in 2006 given the country's strong fundamentals, continuation of an accommodative monetary policy by Bank Negara Malaysia, a stable exchange rate, highly liquid banking system and the fiscal discipline of the Government. The expanding and stable domestic economy will still provide the opportunities and support for the banking industry in a challenging environment of intense and growing competitiveness.

Agile and vigilant, the Public Bank Group remains mindful of steps taken by Malaysian financial services groups to seek growth avenues by regional expansion. The Group continues to keep a close watch on such developments, as it has always done, and would explore appropriate opportunities to extend the scale or scope of its business both domestically and regionally, whilst aggressively pursuing the Group's organic growth strategies.



## LETTER TO STAKEHOLDERS

### ACKNOWLEDGEMENT

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

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

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

Despite recent developments which may lead to a possible market driven consolidation of the Malaysian banking industry, the Public Bank Group will continue to pursue its strategy of high organic growth by building on the momentum of strong loan growth in recent years and its focus on 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 of the further increase in competitiveness in the market place brought about by further liberalisation and possible consolidation of the Malaysian financial services industry. The Group's remarkable resilience and rising profitability performance track record, its strong branding, its excellent asset quality and its culture of prudent credit together with customer service delivery that is benchmarked to international standards, as well as the unwavering commitment of all levels of staff, will be the key to the Public Bank Group's success in meeting the challenges ahead and in fulfilling the rising expectations of all stakeholders.

**TAN SRI DATO' SRI DR. TEH HONG PIOW**

*Chairman*

**TAN SRI DATO' THONG YAW HONG**

*Co-Chairman*

**DATO' SRI 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*

**TUAN HAJI ABDUL AZIZ BIN OMAR**

*Director*

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

*Director*

**LEE CHIN GUAN**

*Director*





THE PERFECT DESIGN IS OUR  
**CONSTANT QUEST FOR EXCELLENCE**

We strive relentlessly in pursuit of excellence

Delivering only the best to our customers

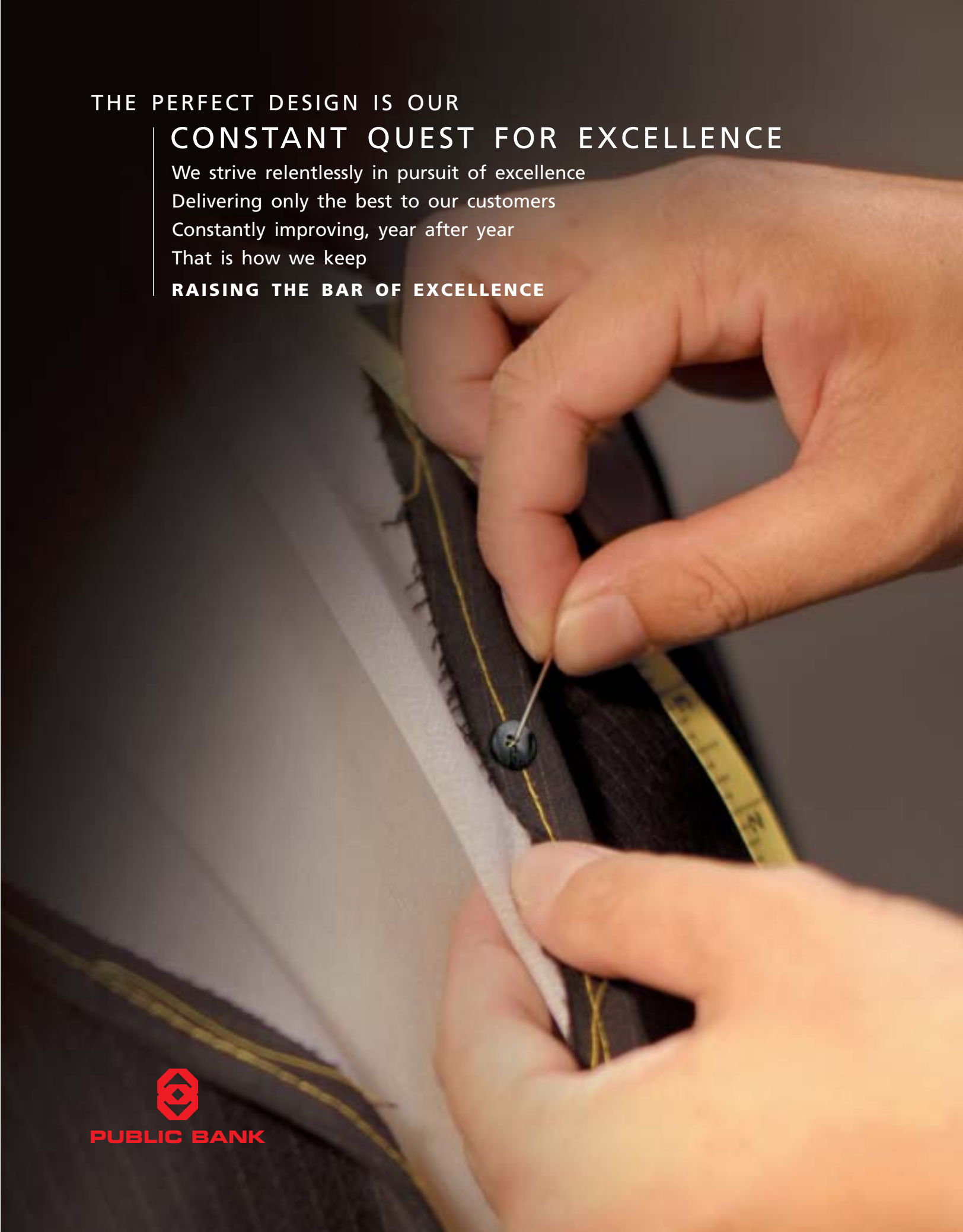
Constantly improving, year after year

That is how we keep

**RAISING THE BAR OF EXCELLENCE**



**PUBLIC BANK**



# AWARDS AND RECOGNITIONS

Guided by its corporate mission “To Sustain The Position Of Being The Most Efficient, Profitable And Respected Premier Financial Institution In Malaysia”, the Public Bank Group continues its relentless pursuit of excellence in all aspects of the Group’s business and operations. The success of the Group’s quest for banking excellence is evident in the numerous awards and accolades accorded to Public Bank in 2005, many of which are for a number of consecutive years. These awards besides enhancing the Group’s reputation and branding as a profitable, strong and reliable financial institution, also motivates the Group to continue with its commitment to excellence.

## 2005 AWARDS

<p><b>1</b> <b>MALAYSIAN BUSINESS CORPORATE GOVERNANCE AWARD</b> Malaysian Business magazine 2004, 2003, 2002</p>	<p><b>2</b> <b>NO. 1 RANKING IN CORPORATE GOVERNANCE</b> Minority Shareholder Watchdog Group &amp; The Nottingham University Business School Survey 2004 2005</p>	<p><b>3</b> <b>NACRA AWARD FOR THE MOST OUTSTANDING ANNUAL REPORT</b> National Annual Corporate Report Awards 2005, 2004, 2003, 2002, 1997, 1990</p>
<p><b>4</b> <b>THE ASIAN BANKER AWARD FOR BEST RETAIL BANK IN MALAYSIA</b> Asian Banker Journal 2004, 2003, 2001</p>	<p><b>5</b> <b>FINANCEASIA ANNUAL COUNTRY ACHIEVEMENT AWARDS FOR THE BEST BANK IN MALAYSIA</b> FinanceAsia magazine 2005, 2004, 2003, 2002, 2001, 2000, 1999</p>	<p><b>6</b> <b>THE ASSET TRIPLE A AWARDS 2005 FOR BEST DOMESTIC BANK IN MALAYSIA</b> The Asset magazine 2005, 2004, 2003, 2002</p>
<p><b>7</b> <b>EUROMONEY AWARDS FOR EXCELLENCE FOR THE BEST BANK IN MALAYSIA</b> Euromoney magazine 2005, 2004, 2003, 2002, 1999, 1998, 1993</p>	<p><b>8</b> <b>CORPORATE GOVERNANCE ASIA RECOGNITION AWARD</b> Corporate Governance Asia Journal 2004</p>	<p><b>9</b> <b>NACRA INDUSTRY EXCELLENCE AWARD FOR THE FINANCE SECTOR</b> National Annual Corporate Report Awards 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997</p>
<p><b>10</b> <b>NACRA AWARD FOR THE BEST ANNUAL REPORT IN BAHASA MALAYSIA</b> National Annual Corporate Report Awards 2005, 2004</p>	<p><b>11</b> <b>READER'S DIGEST SUPERBRAND GOLD AWARD 2005</b> Reader's Digest SuperBrand 2005 Survey 2005, 2004</p>	<p><b>12</b> <b>FINANCEASIA ASIA'S BEST COMPANIES 2005</b> FinanceAsia magazine 2005, 2004</p>
<p><b>13</b> <b>THE BANKER AWARDS FOR BANK OF THE YEAR IN MALAYSIA</b> The Banker magazine 2005, 2001</p>	<p><b>14</b> <b>THE ASSET TRIPLE A REGIONAL AWARDS FOR BEST BANK BOND</b> The Asset magazine 2005</p>	<p><b>15</b> <b>BEST CEO IN MALAYSIA 2005</b> Asiamoney magazine 2004</p>
<p><b>16</b> <b>ASIAMONEY AWARD FOR OVERALL BEST-MANAGED COMPANY IN MALAYSIA</b> Asiamoney magazine 2004</p>		



# 2005 AWARDS



## RECORD OF PAST AWARDS

**1**  
**KLSE CORPORATE EXCELLENCE AWARDS**  
 Kuala Lumpur Stock Exchange Berhad

2003, 2002, 2001, 2000

**2**  
**KLSE CORPORATE AWARD FOR BEST CORPORATE DISCLOSURE IN ANNUAL REPORT**  
 Kuala Lumpur Stock Exchange Berhad

2003

**3**  
**GLOBAL FINANCE BEST BANK AWARD FOR THE BEST BANK IN MALAYSIA**  
 Global Finance magazine

2004, 2003, 2002, 2001, 2000

**4**  
**2004 BEST INVESTOR RELATIONS BY INSTITUTIONAL INVESTOR RESEARCH GROUP**  
 Institutional Investor Research Group

2004

**5**  
**ASIAMONEY DOMESTIC BANKS AWARDS FOR THE BEST DOMESTIC COMMERCIAL BANK IN MALAYSIA**  
 Asiamoney magazine

2004, 2003, 2002

**6**  
**THE ASSET AWARD FOR A LEADER IN CORPORATE GOVERNANCE IN MALAYSIA**  
 The Asset magazine

2003

**7**  
**VOTED AND RANKED AS NO. 2 IN THE REVIEW 200: ASIA'S LEADING COMPANIES AWARD**  
 Far Eastern Economic Review magazine

2003, 2002, 2001

**8**  
**BANK-WIDE ISO 9001-2000 QUALITY MANAGEMENT SYSTEMS CERTIFICATION FOR "PROVISION OF CUSTOMER SERVICE IN LOAN DELIVERY"**  
 SIRIM

2003



## RECORD OF PAST AWARDS

9

**MERIT AWARD FOR ANNUAL REPORT  
(BAHASA MALAYSIA) ANUGERAH CITRA  
WANGSA MALAYSIA SEKTOR SWASTA**  
Dewan Bahasa & Pustaka

2003

10

**ASIAMONEY AWARD FOR THE BEST  
COMPANY OVERALL FOR INVESTOR  
RELATIONS 2001 FOR MALAYSIA**  
Asiamoney magazine

2002

11

**SPECIAL JURY'S AWARD FOR ANNUAL  
REPORT (BAHASA MALAYSIA) ANUGERAH  
CITRA WANGSA MALAYSIA SEKTOR  
SWASTA**

Dewan Bahasa & Pustaka

2002, 2001

12

**KLSE CORPORATE SECTORAL AWARD  
FOR THE FINANCE AND CLOSED-END  
FUND SECTOR**

Kuala Lumpur Stock Exchange  
Berhad

2001, 2000

13

**2001 BEST RETAIL BANK FOR MALAYSIA**  
The Asian Banker Journal

2001

14

**BANK-WIDE ISO 9001-2000 QUALITY  
MANAGEMENT SYSTEMS CERTIFICATION  
FOR "PROVISION OF CUSTOMER SERVICE  
AT THE FRONT-OFFICE"**

SIRIM

2001

15

**BANK OF THE YEAR IN MALAYSIA**  
The Banker magazine

2001

16

**THE STRONGEST BANK IN MALAYSIA  
AND FOURTH STRONGEST BANK IN ASIA**  
Asiamoney magazine

2001

17

**BEST BANK IN MALAYSIA**  
Emerging Markets Investor magazine

2001



11

12

13

15

10

14



17

16

## RECORD OF PAST AWARDS

18

**CITRA ANNUAL REPORT AWARD  
(BAHASA MALAYSIA)**

Dewan Bahasa & Pustaka

2000

19

**THE ASIAN BANKING AWARDS FOR  
THE MOST OUTSTANDING CUSTOMER  
SERVICE PROGRAMME CATEGORY**

The Asian Banking Awards

2000

20

**THE BEST BANK IN MALAYSIA AND  
THE 5TH MALAYSIA BEST MANAGED  
COMPANIES AWARDS**

Asiamoney magazine

1999

21

**FIABCI'S AWARD OF DISTINCTION  
FOR THE BEST COMMERCIAL  
DEVELOPMENT BUILDING**

FIABCI

1999

22

**NACRA COMMENDATION AWARD  
FOR ACCOUNTING INFORMATION**

National Annual Corporate  
Report Awards

1999, 2001, 2002

23

**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

1997

24

**NACRA COMMENDATION AWARD FOR  
BAHASA MALAYSIA ANNUAL REPORT**

National Annual Corporate  
Report Awards

1996, 1995, 1990

25

**MANAGEMENT AWARDS OF ASIA**

Asian Institute of Management

1996



## RECORD OF PAST AWARDS

**26**  
**WINNER OF THE 'BEAUTIFUL COMPOUND COMPETITION' FOR PRIVATE SECTOR COMPLEX/BUILDING CATEGORY**  
Dewan Bandaraya Kuala Lumpur  
1994

**27**  
**INDUSTRY EXCELLENCE AWARD UNDER THE SERVICE EXPORT EXCELLENCE FOR THE FINANCIAL CATEGORY**  
Ministry of International Trade & Industry  
1994

**28**  
**MALAYSIAN CORPORATE REPORT AWARD (MACPA) GOLD AWARD FOR THE MOST OUTSTANDING ANNUAL REPORT**  
MACPA and MIM  
1990

### CHAIRMAN'S AWARDS AND RECOGNITIONS

**29**  
**MALAYSIA'S CEO OF THE YEAR AWARD**  
Business Times and American Express  
1999

**30**  
**THE BUSINESS ACHIEVER OF THE YEAR**  
Yazhou Zhoukhan magazine  
1997

**31**  
**ASEAN BUSINESSMAN OF THE YEAR AWARD**  
ASEAN Business Forum  
1994

**32**  
**ASIA'S COMMERCIAL BANKER OF THE YEAR**  
Asiamoney and Finance magazine  
1991





# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors, Management and staff of Public Bank are delighted and honoured that Public Bank's culture of accountability, transparency, integrity, professionalism and responsible corporate conduct continues to receive top-notch ratings in 2005, inter-alia:

- Public Bank's corporate governance was ranked No. 1 in the Corporate Governance Survey Report 2004, a joint study which the Minority Shareholder Watchdog Group conducted with the Nottingham University Business School, Malaysia Campus.
- Public Bank was accorded the Overall Excellence Award (for the most outstanding annual reporting of the year) in the National Annual Corporate Report Awards ("NACRA") 2005; the 4th consecutive year that Public Bank had received this Award since 2002, and the 6th time that the Award was given to Public Bank.
- Public Bank received the NACRA 2005 Industry Excellence Award for the Finance Sector (for the most outstanding annual reporting in the finance industry), making it nine straight years that it had received this Award since 1997.
- Public Bank received the Malaysian Business Corporate Governance Award 2004, making it the third year in a row that it was accorded the Award by the Malaysian Business Magazine.



## STATEMENT ON CORPORATE GOVERNANCE

It is indeed heartening that Public Bank continues to receive resounding votes of excellence from domestic as well as international investors, fund managers and financial analysts, and awards accorded to Public Bank in 2005 included the following:

- “Best Bank in Malaysia” by Euromoney
- “Best Retail Bank in Malaysia” by Asian Banker
- “Best Local Bank in Malaysia” by FinanceAsia
- “Best Domestic Bank in Malaysia” by The Asset
- “Bank of the Year in Malaysia” by The Banker
- “Best Managed Company in Malaysia” by FinanceAsia

The Members of the Board remain resolute that Public Bank shall maintain its track record as a leading financial institution in the country, in terms of financial strength, profitability, service quality, and adherence to the principles and best practices of corporate governance established by the Malaysian Code on Corporate Governance.

The Board is fully committed in ensuring that the interests of all stakeholders are not just safeguarded, but are continually enhanced in value.

### BOARD OF DIRECTORS

#### Well Balanced and Experienced Board

The size of the Board, comprising 9 Members, is optimum given the scope, size and complexity of Public Bank’s business operations.

The composition of the Board is well balanced, with an effective mix of Executive Directors and Independent Non-Executive Directors. There are two (2) Executive Directors, and seven (7) Non-Executive Directors of whom six are independent as defined by the Bursa Malaysia Securities Berhad (“Bursa Securities”) Listing Requirements.

The majority in the number of Independent Non-Executive Directors facilitates the exercise of independent evaluation in Board deliberations and decision-making, and thus provides check and balance in the Board.

Tan Sri Dato’ Sri Dr. Teh Hong Piow, the Founder and Non-Executive Chairman who has been described as the “grandmaster of the domestic banking industry”, is illustrious in his experience and expertise in banking and finance industry. Dato’ Sri Tay Ah Lek, the Managing Director; and Dato’ Lee Kong Lam, the Executive Director, are well respected and highly regarded in the banking and finance fraternity. These three (3) Directors have been steeped in the financial services industry since the beginning of their respective careers, and they have collectively amassed 140 years of experience in banking and finance.

The Independent Non-Executive Co-Chairman, Tan Sri Dato’ Thong Yaw Hong, holds a highly distinguished record of service with both the public and private sector. The other five (5) Independent Non-Executive Directors are persons of high calibre and professionals in their own right, and are well qualified in banking and various fields relevant to the banking industry, such as accounting, law, economics, and business management.

#### Training and Development of Directors

All the Directors have completed the Mandatory Accreditation Programme and attended various training programmes under the Continuing Education Programmes (“CEP”) for Directors pursuant to the requirements of Bursa Securities (the CEP requirements have been repealed with effect from 1 January 2005).

# STATEMENT ON CORPORATE GOVERNANCE



The Directors are mindful that they should receive appropriate continuous training and they have attended seminars and briefings in order to broaden their perspectives and so that they keep abreast with developments in the market place and with new statutory and regulatory requirements.

The training programmes and seminars attended by Members of the Board in 2005 are, inter-alia, on areas relating to banking and related industries, corporate governance, risk management and financial reporting.

## **Training Programmes, Seminars and Briefings Attended by Directors in 2005**

(not including those attended by Directors to fulfil the CEP requirements)

- **On Banking and Related Industries**
  1. Bank Negara Malaysia (“BNM”) Dialogue Session with Financial Institutions on Focus of Financing Activities
  2. BNM Briefing on Deposit Insurance System in Malaysia
  3. BNM Dialogue with Insurers and Takaful Operators
  4. Seminar on 10-year Master Plan for Islamic Financial Services Industry: jointly organised by the Islamic Development Bank and the Islamic Financial Services Board
  5. BNM Briefing on the Study on Customers’ Needs and Satisfaction
- **On Corporate Governance**
  1. From Good Governance to Good Results: organised by Rating Agency Malaysia
  2. Value Creation and Corporate Governance – Growth and Bottom Line Financial Strategies in Today’s Market: organised by Rating Agency Malaysia
  3. From Good Governance to Good Branding and Corporate Social Responsibility: Public Bank In-House Training conducted by Rating Agency Malaysia
  4. Briefing and Dialogue Session with Assistant Governor of BNM on Corporate Governance for Licensed Institutions (BNM/GP1): organised by Institute of Bankers Malaysia
- **On Risk Management and Financial Reporting**
  1. Understanding & Minimising the Risk of Accounting Manipulations – A Corporate Director’s Perspective: organised by Rating Agency Malaysia
  2. Board Room Finance for Directors: organised by Chartered Institute of Management Accountants
  3. Briefing on Financial Reporting Standards: Public Bank In-House Training conducted by KPMG
- **On Other Areas**
  1. Strategic Negotiation for Senior Executives: organised by Harvard Club Malaysia/Harvard Business School
  2. Investors’ Conference on “Malaysia: An Investment Destination”: organised by the Ministry of Finance
  3. Expanding Asean-EU Economic Links – the Role of the EURO: jointly organised by BNM and the European Commission



## STATEMENT ON CORPORATE GOVERNANCE



### Directors' Code of Ethics

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

### Duties and Responsibilities of the Board

The Board formulates the Bank's business plans, and medium-term and long-term strategic plans annually, in order to set the focus of the Bank's business in accordance with the prevailing economic and market environment. The Board approves the Bank's annual budget and carries out periodic review of the progress made by the various operating divisions against their respective budgets. The Board also reviews the action plans that are implemented by the business units and their performance against targets allocated to them.

The Board prescribes the 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 assumes various functions and responsibilities that are required of them by BNM, as specified in guidelines and directives issued by BNM from time to time.

The roles and responsibilities of the Non-Executive Chairman and the Independent Non-Executive Co-Chairman are different and separate from the role of the Managing Director.

The Board has established the Board Executive Committee, comprising Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Sri Tay Ah Lek and Dato' Lee Kong Lam, to manage Public Bank in all aspects of its business.

The Independent Non-Executive 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.

The six (6) Independent Directors, and in particular Tan Sri Dato' Thong Yaw Hong, who is the Chairman of the Audit Committee, and Tuan Haji Abdul Aziz bin Omar, who is the Co-Chairman of the Audit Committee, in effect represent minority shareholders' interests in Public Bank by virtue of their respective roles and responsibilities as Independent Directors and as the Chairman/Co-Chairman of the Audit Committee.

### Board Meetings and Supply of Information to the Board

Board meetings for the following financial year are scheduled before the end of the current financial year so as to enable Directors to plan their other appointment dates in order to facilitate their attendance at the Public Bank Board meetings.

The Board meets very regularly, at least once every month. At the monthly Board meetings, the Board reviews various management reports on the business performance of the

## STATEMENT ON CORPORATE GOVERNANCE

Bank and major subsidiaries and reviews, inter-alia, the progress compared to the preceding month and year-to-date, and also the comparison of achievements against pro-rated business targets and against the industry. The Board also notes the decisions and salient issues deliberated by Board Committees and Management Committees through minutes of these committees which are tabled monthly to the Board. Members of the Board deliberate, and in the process evaluate the potential risks and viability of business propositions and corporate proposals that have significant impact on the Bank's business or on its financial position. The Board also assesses various types of credit propositions and matters that are required to be submitted to the Board for concurrence or approval, as specified by BNM.

The Chairman of the Audit Committee would report to the Directors at Board meetings, on salient issues that have been raised at Audit Committee meetings and he would highlight to Directors, the areas of emphasis as may be expressed by the Audit Committee.

Board meetings are also held upon finalisation of the results of each financial quarter to facilitate the Board to review and approve the quarterly financial results. In addition, the Board convenes meetings on an ad-hoc basis as and when necessary to consider corporate proposals or business issues that require the urgent decision of the Board.

Tan Sri Dato' Thong Yaw Hong, the Independent Non-Executive Co-Chairman, chairs all the Board meetings.

The agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors for their perusal prior to the date of the Board meeting. Board meeting papers circulated to Directors include progress reports on business operations, details of business propositions and corporate proposals, supporting documents such as professional advice from solicitors or advisers, new policies and guidelines issued by BNM, and reports for updating the Board on issues relevant to the Bank's business. The Directors can thus peruse the business reports and appraise the issues to be deliberated at the Board meeting well before the date of the meeting.

Minutes of every Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting, and Directors may require clarification or raise comments on the minutes prior to the confirmation of the minutes.

The Board has complete and unimpeded access to information relating to the Bank in the discharge of their duties. The Directors may require to be provided with further details or clarifications on Board meeting agenda items. Senior Management Officers are invited to attend the monthly Board meetings to update the Directors on their respective business portfolios and to brief the Directors on proposals submitted for the Board's consideration. Professional advisers, accountants and solicitors appointed by the Bank to advise on corporate proposals to be undertaken by the Bank, would be invited to attend Board meetings, to render their advice and opinion, and also to clarify issues that may be raised by the Directors relating to the corporate proposals tabled for the Board's consideration. The Directors have the liberty to seek external professional advice at the Bank's expense, if they so require.

The Directors are also regularly updated and advised by the Company Secretary on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities, including policies and guidelines issued by BNM concerning the 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. The Company Secretary attends all Board meetings and ensures that accurate and adequate records of the proceedings of Board meetings and decisions made are properly kept.



## STATEMENT ON CORPORATE GOVERNANCE

The commitment of the Board of Directors towards the effective discharge of their duties and responsibilities is reflected by the high number of Board meetings held during the financial year ended 31 December 2005. The Members of the Board attended all the 17 Board meetings held during the year, except for one Member who was unable to be present at three of the Board meetings due to other unavoidable official engagements.

### Appointment of Board Members and Terms of Reference of Nomination Committee

The proposed appointment of a new Member of the Board and the proposed re-appointment or re-election of existing Directors who are seeking re-appointment or re-election at the annual general meeting of Public Bank, will be reviewed and assessed by the Nomination Committee. The Nomination Committee will, upon its review and assessment, submit its recommendation on the proposed appointment, re-appointment or re-election of Directors to the Board for approval.

As a financial institution and pursuant to provisions of the Banking and Financial Institutions Act, 1989 (“BAFIA”) and guidelines issued by BNM, any proposed appointment of a new Member of the Board, and the proposed re-appointment or re-election of existing Directors at the annual general meeting of Public Bank, are required to be submitted to BNM for prior approval before the proposed appointment is made, or before the proposed re-appointment or re-election is presented to shareholders for approval.

Public Bank’s Nomination Committee is comprised entirely of Independent Non-Executive Directors; all the six (6) Independent Non-Executive Directors are Members of the Nomination Committee.

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

- To establish the minimum requirements on the skills, experience, qualifications and other core competencies of a Director and of 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.
- To assess and recommend to the Board, the re-appointment of Directors/CEO upon the expiry of their respective terms of appointment as approved by BNM.
- To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.
- To determine annually whether a Director is independent as may be defined in the guidelines issued by BNM and in the Bursa Securities Listing Requirements.
- To establish the mechanisms for the formal assessment on the effectiveness of the Board as a whole; the effectiveness of each Director; and the performance of the CEO. The annual assessment to be conducted would be based on objective performance criteria as approved by the Board.
- To assess, on an annual basis, that the Directors/CEO and key Senior Management Officers are not disqualified under Section 56 of the BAFIA and that the Directors and CEO continue to comply with the standards for “fit and proper” criteria as approved by the Board.
- To ensure that all Directors receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements.
- To recommend to the Board the removal of a Director/CEO if he is ineffective, errant or negligent in discharging his responsibilities.



# STATEMENT ON CORPORATE GOVERNANCE

- To oversee the appointment, management succession planning and performance evaluation of the key Senior Management Officers.
- To recommend to the Board the removal of key Senior Management Officers if they are ineffective, errant or negligent in discharging their responsibilities.
- To assess and recommend to the Board, the terms of reference of Board Committees and to review the adequacy of committee structure of Board Committees.
- To assess and recommend to the Board persons of acceptable reputation, character, integrity and possess necessary knowledge, expertise or experience in Islamic jurisprudence (Usul al-Fiqh) or Islamic transaction/commercial law (Fiqh al-Mu'amalat) for appointment as members of the Bank's Shariah Committee subject to the approval of BNM.
- To carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time.

The Nomination Committee has reviewed and is satisfied that the size of the Board is optimum and that there is appropriate mix of skills and core competencies in the composition of the Board. The Nomination Committee is of the view that all the Members of the Board are suitably qualified to hold their positions as Directors of Public Bank in view of their respective academic and professional qualifications, experience and qualities; furthermore, all the Directors comply with the "fit and proper" criteria as established by BNM in the Guidelines on Corporate Governance for Licensed Institutions (BNM/GP1).

The Nomination Committee has also reviewed and is satisfied that all the Directors have received appropriate training during the financial year ended 31 December 2005, which would enhance their effectiveness in the Board.

Meetings of the Nomination Committee are held as and when required, and at least once a year. A total of 12 meetings were held by the Nomination Committee in 2005.

## **Directors' Remuneration and Terms of Reference of Remuneration Committee**

The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, CEO and key Senior Management Officers whereupon recommendations are submitted to the Board for approval. The Board is mindful that the Bank's remuneration policy remains supportive of the Bank's corporate objectives and shareholder value, and that the remuneration packages of Directors, CEO and key Senior Management Officers are sufficiently attractive to draw in and to retain persons who possess the attributes and competencies necessary to manage the Bank effectively and to align their interests with those of shareholders.

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

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration.

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

The Remuneration Committee is made up entirely of Independent Non-Executive Directors; all the six (6) Independent Non-Executive Directors are Members of the Remuneration Committee.



## STATEMENT ON CORPORATE GOVERNANCE

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

- To review annually and recommend to the Board the overall remuneration policy for Directors, CEO and key Senior Management Officers to ensure that rewards commensurate with their contributions to the Bank's growth and profitability; and that the remuneration policy supports the Bank's objectives and shareholder value and is consistent with the Bank's culture and strategy.
- To review annually the performance of the Executive Director 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 Bank's objectives, culture and strategy.
- To ensure that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.
- Keeps abreast of the terms and conditions of service of the Executive Director, CEO and key Senior Management Officers including their total remuneration package for market comparability; and reviews and recommends changes to the Board whenever necessary.
- Keeps abreast of the remuneration packages for Members of Board Committees to ensure that they commensurate with the scope of responsibilities held and reviews and recommends changes to the Board whenever necessary.
- To determine the remuneration of the members of the Bank's Shariah Committee, which shall be commensurate with and reflective of the roles and functions of the Shariah Committee.

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. A total of 6 meetings were held by the Remuneration Committee in 2005.



### Re-Appointment and 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.

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

### BOARD COMMITTEES

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 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 main Management Committees in Public Bank are as follows:

#### Board Committees

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



# STATEMENT ON CORPORATE GOVERNANCE

## Management Committees

- Group Human Resource Committee
- Credit Committee
- Credit Risk Management Committee
- Operational Risk Management Committee
- Assets & Liabilities Management Committee
- Share Investment Committee
- IT Steering Committee
- Business Resumption and Contingency Plan Committee

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

## Composition of Board Committees

	Board Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Tan Sri Dato' Sri Dr. Teh Hong Piow (Non-Executive Chairman)	C	–	–	–	–
Tan Sri Dato' Thong Yaw Hong (Independent Non-Executive Co-Chairman)	–	C	C	C	C
Dato' Sri Tay Ah Lek (Managing Director)	M	–	–	–	–
Dato' Lee Kong Lam (Executive Director)	M	–	–	–	–
Dato' Yeoh Chin Kee (Independent Non-Executive Director)	–	M	M	M	M
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive Director)	–	M	M	M	M
Haji Abdul Aziz bin Omar (Independent Non-Executive Director)	–	C <sup>1</sup>	M	M	M
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive Director)	–	M	M	M	M
Lee Chin Guan (Independent Non-Executive Director)	–	M	M	M	M

C – Chairman

C<sup>1</sup> – Co-Chairman

M – Member



## STATEMENT ON CORPORATE GOVERNANCE

### Attendance at Board Committee Meetings

	Board Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Tan Sri Dato' Sri Dr. Teh Hong Piow (Non-Executive Chairman)	97/97	—	—	—	—
Tan Sri Dato' Thong Yaw Hong (Independent Non-Executive Co-Chairman)	—	16/16	12/12	6/6	12/12
Dato' Sri Tay Ah Lek (Managing Director)	*196/97	—	—	—	—
Dato' Lee Kong Lam (Executive Director)	97/97	—	—	—	—
Dato' Yeoh Chin Kee (Independent Non-Executive Director)	—	16/16	12/12	6/6	12/12
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive Director)	—	*214/16	*211/12	*24/6	12/12
Haji Abdul Aziz bin Omar (Independent Non-Executive Director)	—	16/16	12/12	6/6	12/12
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive Director)	—	16/16	*39/9	*34/4	12/12
Lee Chin Guan (Independent Non-Executive Director)	—	16/16	12/12	6/6	12/12

\*1 Did not attend 1 meeting as he was on medical leave.

\*2 Did not attend the meetings due to other unavoidable official engagements.

\*3 Attended all the meetings held since his appointment in April 2005.



# STATEMENT ON CORPORATE GOVERNANCE

The salient terms of reference and frequency of meetings of the 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 and Terms of Reference of Nomination Committee” 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 and Terms of Reference of Remuneration Committee” 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 limits.
- 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 the main 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.



## STATEMENT ON CORPORATE GOVERNANCE

### ■ Credit Committee

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

### ■ Business Resumption and Contingency Plan Committee

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



# STATEMENT ON CORPORATE GOVERNANCE

## 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 disclosure made to shareholders, investors and the regulatory authorities.

Early releases of announcements on quarterly financial results and the press releases accompanying these results announcements reflect the Board's commitment to provide timely, transparent and up-to-date disclosure 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 the financial reporting of 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 Public Bank Group is set out on page 191 of this Annual Report.

### Internal Control

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with 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 Public Bank Group's systems of internal controls are designed to provide reasonable and not absolute assurance against the



risk of material errors, frauds or losses occurring. The Risk Management Committee meets monthly to ensure that the accountability for managing the significant risks identified is clearly assigned and that identified risks confronting Public Bank and the Public Bank Group are being satisfactorily addressed on an ongoing basis.

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

The Statement on Internal Control, which provides an overview of the state of internal controls within the Public Bank Group, is set out on pages 95 to 97 of this Annual Report.



## STATEMENT ON CORPORATE GOVERNANCE



### 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 assists the Board in monitoring the effectiveness of the internal control and risk management systems of the 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 93 and 94 of this Annual Report.

### Relationship with External Auditors

It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and 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 the audit/non-audit fees paid/payable in 2005 to the external auditors are set out below:

	Bank RM'000	Group RM'000
Fees paid/payable to KPMG		
• Audit	710	830
• Half-year review	100	100
• Other services	159	209
Audit fees paid/payable to other auditors		
• Audit	—	839
• Other services	—	30
<b>Total</b>	<b>969</b>	<b>2,008</b>

# STATEMENT ON CORPORATE GOVERNANCE

## EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

The Public Bank Group recognises the paramount importance of maintaining transparency and accountability to its stakeholders. As such, the Group maintains a high level of disclosure and communication with its stakeholders through a number of readily accessible channels. The Group consistently practises the provision of clear, comprehensive and timely information to its stakeholders, particularly shareholders and investors, to facilitate informed investment decision making.

The annual report of Public Bank is a key channel of communication with shareholders and investors. The contents of the annual report of Public Bank extend well beyond the disclosures required to be made in an annual report as specified by the Bursa Securities Listing Requirements. As a financial institution regulated by BNM, Public Bank prepares its financial statements in accordance with BNM's guidelines, BNM/GP8, in respect of the contents and format of financial statements of financial institutions. BNM/GP8 was revised in 2005 to significantly increase an already higher level of disclosure of financial and risk management information compared to that of other non-financial corporations. The revision of BNM/GP8 also increased the level of information and contents of Public Bank's quarterly results announcements to Bursa Securities, thereby further enhancing the level of transparency of Public Bank's results announcements.

Public Bank also provides an executive summary of its annual report, highlighting key financial and corporate information, to facilitate shareholders' easy access to the key financial and corporate information. Also in keeping with the advancement in the use of technology, Public Bank has produced its Annual Report 2005 in CD ROM.

An important forum for communication and dialogue with shareholders is the general meeting of Public Bank, where shareholders are accorded both the opportunity and the time to raise questions on the agenda items of the general meeting and where Directors and Senior Management Officers would provide the answers and appropriate clarifications to issues raised.

At the annual general meeting of Public Bank, the Chairman would present a comprehensive review of the financial performance of the Public Bank Group and the delivery of shareholder value. This review is supported by visual presentation of salient points and key financial figures. Printed copies of the review of the Group's financial performance 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 about 2,900 shareholders attended the annual general meeting held on 30 March 2005, a significant increase compared to 2,200 shareholders who attended the annual general meeting held on 20 April 2004.

Public Bank conducts separate media and analysts briefings in conjunction with the release of its half-year and annual results announcements. The media briefings are intended to promote the dissemination of not only the announcement of the financial performance of the Public Bank Group to as wide an audience of shareholders and investors as possible, but also to keep shareholders and investors updated on the progress and development of the business of the Group as well as any strategic developments within the Group.



## STATEMENT ON CORPORATE GOVERNANCE

In order to reach as wide an audience as possible, all the corporate and financial information that is made public, such as the annual report of Public Bank, the quarterly announcements of the financial performance of the Public Bank Group, announcements and disclosures made pursuant to the disclosure requirements of Bursa Securities Listing Requirements and other corporate information are easily available on Public Bank's website, [www.publicbank.com.my](http://www.publicbank.com.my).

Prompt and timely availability of information is important for shareholders and investors to make informed investments decisions. As such, the Public Bank Group places a high priority on ensuring that information is made available and disseminated as early as possible. Public Bank strives for early issue of its annual report and is always well ahead of the deadlines specified in the Bursa Securities Listing Requirements in its disclosures of its quarterly financial results.

### Release of Annual Report

	Date of Issue	No. of Days After End of Year	Deadline Imposed by Bursa Securities
Annual Report 2004	8 March 2005	67	30 June 2005
Annual Report 2005	24 February 2006	55	30 June 2006

### Release of 2005 Quarterly Results

	Date of Issue	No. of Days After End of Quarter	Deadline Imposed by Bursa Securities
1st Quarter ended 31 March 2005	13 April 2005	13	31 May 2005
2nd Quarter ended 30 June 2005	21 July 2005	21	31 August 2005
3rd Quarter ended 30 September 2005	18 October 2005	18	30 November 2005
4th Quarter ended 31 December 2005	23 January 2006	23	28 February 2006

The Public Bank Group has been able to achieve such early issuance of its annual reports and releases of quarterly financial results despite the regulatory requirements that need to be complied with, including a significantly higher level of disclosure of financial information, and the requirement for the annual financial statements and half-year financial results to be approved by BNM prior to their public release. The prompt and timely availability of information clearly enhances the value of such information to shareholders and investors and reflects the high standard of transparency that the Group seeks to achieve.



# STATEMENT ON CORPORATE GOVERNANCE

## INVESTOR RELATIONS

Another important channel of communications with shareholders, investors and the investment community, both in Malaysia and internationally, is the Public Bank Group's investor relations activities. The Group has a strong following amongst domestic and international institutional investors, fund managers and the stockbroking industry's research analysts, and a direct channel to them exists in the investor relations function of the Group. Management personnel responsible for the Group's investor relations function are of very senior levels, thereby providing views and information on the Group that is appropriate and substantive for the consumption of investors and research analysts.

### Senior Management Personnel in Investor Relations Activities

#### Public Bank

- Dato' Sri Tay Ah Lek, *Managing Director*
- Leong Kwok Nyem, *Senior General Manager*
- Wong Jee Seng, *General Manager, Finance & Risk Management*
- Nasaruddin bin Arshad, *Group Economist, Economics & Corporate Planning Division*

#### JCG Holdings Limited

- 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 half-year and annual results announcements in 2005. Representatives of the Public Bank Group conducted presentations and meetings at 5 investor conferences and forums and held 2 teleconferences in 2005.

In addition, management personnel responsible for investor relations activities held 195 meetings with equity research analysts, fund managers and institutional shareholders and investors in 2005.

The extensive investor relations activities of the Public Bank Group have resulted in a wide coverage of the Group by stock brokerages and equity research companies. This is reflected in the high number of contributors to the Thomson Financial Institutions Brokers' Earnings System (I/B/E/S) earnings estimates.

	Public Bank	JCG Holdings
No. of contributors to I/B/E/S earnings estimates	23	8

The significant level of resources allocated to the investor relations function of the Public Bank Group is a reflection of the commitment of the Group to maintain a consistently high standard of transparency to its shareholders.



## STATEMENT ON CORPORATE GOVERNANCE

### Primary Contacts for Investor Relations Matters

Public Bank	
<p><b>Leong Kwok Nyem</b> <i>Senior General Manager</i></p> <p><i>Contact Details</i> Telephone number: 03-21766270 E-mail: leongkn@publicbank.com.my</p>	<p>Mr Leong is an accountant by profession and was attached to the accounting and auditing industry for 8 years before joining the Public Bank Group in 1988. Attached initially to the Finance Division in Head Office, he was transferred to JCG Finance in Hong Kong in 1990. He returned to Head Office in 1994 and was appointed Senior General Manager in 2001. He oversees the Bank's Treasury and Corporate Structure portfolios.</p>
<p><b>Wong Jee Seng</b> <i>General Manager, Finance &amp; Risk Management</i></p> <p><i>Contact Details</i> Telephone number: 03-21766320 E-mail: wongjs@publicbank.com.my</p>	<p>Mr Wong is an accountant by profession. He joined Public Bank in 1993 as a Manager in Finance Division. He was subsequently promoted Senior Manager in 1997 and transferred to Treasury Division in 1998. He was promoted Director of Risk Management Division in 2000. He was appointed General Manager in 2002 to oversee the Finance and Risk Management Divisions.</p>
JCG Holdings	
<p><b>Tan Yoke Kong</b> <i>Executive Director</i></p> <p><i>Contact Details</i> Telephone number: 852-25377226 E-mail: yktan@jcg.com.hk</p>	<p>Mr Tan was appointed an Executive Director of JCG Holdings Limited in 1992 and has more than 24 years of experience in the banking and finance industry, all of which were with the Public Bank Group since 1981. He is an accountant by profession and is currently the Vice-Chairman of The DTC Association of Hong Kong and a member of the Deposit-Taking Companies Advisory Committee in Hong Kong.</p>

**This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 12 January 2006.**

**TAN SRI DATO' SRI DR. TEH HONG PIOW**

*Chairman*

# RISK MANAGEMENT



## OVERVIEW

Being in the financial services industry, the Public Bank Group can be said to be in the risk business. A critical success factor for sustained profitability and continued delivery of shareholder value by the Group is the capability and the resolve to effectively manage the risk associated with all aspects of the Group's business as well as achieve optimum risk adjusted returns through proactive risk return management.

To achieve this aim, an enterprise-wide risk management framework is in place to manage risk. The major areas of risk which the activities of the Public Bank Group are exposed to are credit risk, operational risk, market risk (which includes interest rate risk, equity risk and foreign currency risk) and liquidity risk. The Group's risk management policies

are designed to identify and analyse these risks, to set appropriate risk limits and controls, and monitor the limits and controls continuously by means of reliable risk management systems. On-going risk management initiatives are undertaken to enhance the risk management policies, infrastructure and capabilities in line with changes in markets, products and best practice risk management processes.

The risk-conscious corporate culture of the Public Bank Group, engendered by the policies and procedures including a Code of Ethics, and which provides a framework for all staff to conduct themselves with the highest level of integrity in conducting the Group's business is also critical for effective risk management.



## RISK MANAGEMENT

### OVERALL RISK MANAGEMENT FRAMEWORK

The Public Bank Group’s risk management infrastructure provides clear accountability and responsibility for the risk management process. The enterprise-wide risk management framework within the Group is based on the following six fundamental principles which outline the principal risk management and control responsibilities:

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

- 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 the Group.
- 2) The Risk Management Committee (“RMC”) is responsible for total risk oversight covering credit risk, market risk, liquidity risk and operational 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.

- 3) Dedicated committees are set up to assist the RMC 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 risk management 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.

## RISK MANAGEMENT

- 4) The dedicated independent risk management and control functions, namely, Risk Management Division (“RMD”), Credit Administration & Supervision Division (“CASD”), Hire Purchase Credit Control (“HPCC”), 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 responsible for the identification, measurement and monitoring of risks.

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. HPCC monitors the hire purchase financing portfolio and implements credit control measures to prevent delinquencies, and rehabilitates and reschedules potential delinquent accounts to expedite recovery. 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 with risk management policies and procedures.

- 5) The Business Units are responsible for identifying, mitigating and managing risks within their lines of business. They 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 guidelines and regulatory requirements.

### SENIOR INTERNAL CONTROL AND RISK MANAGEMENT OFFICERS

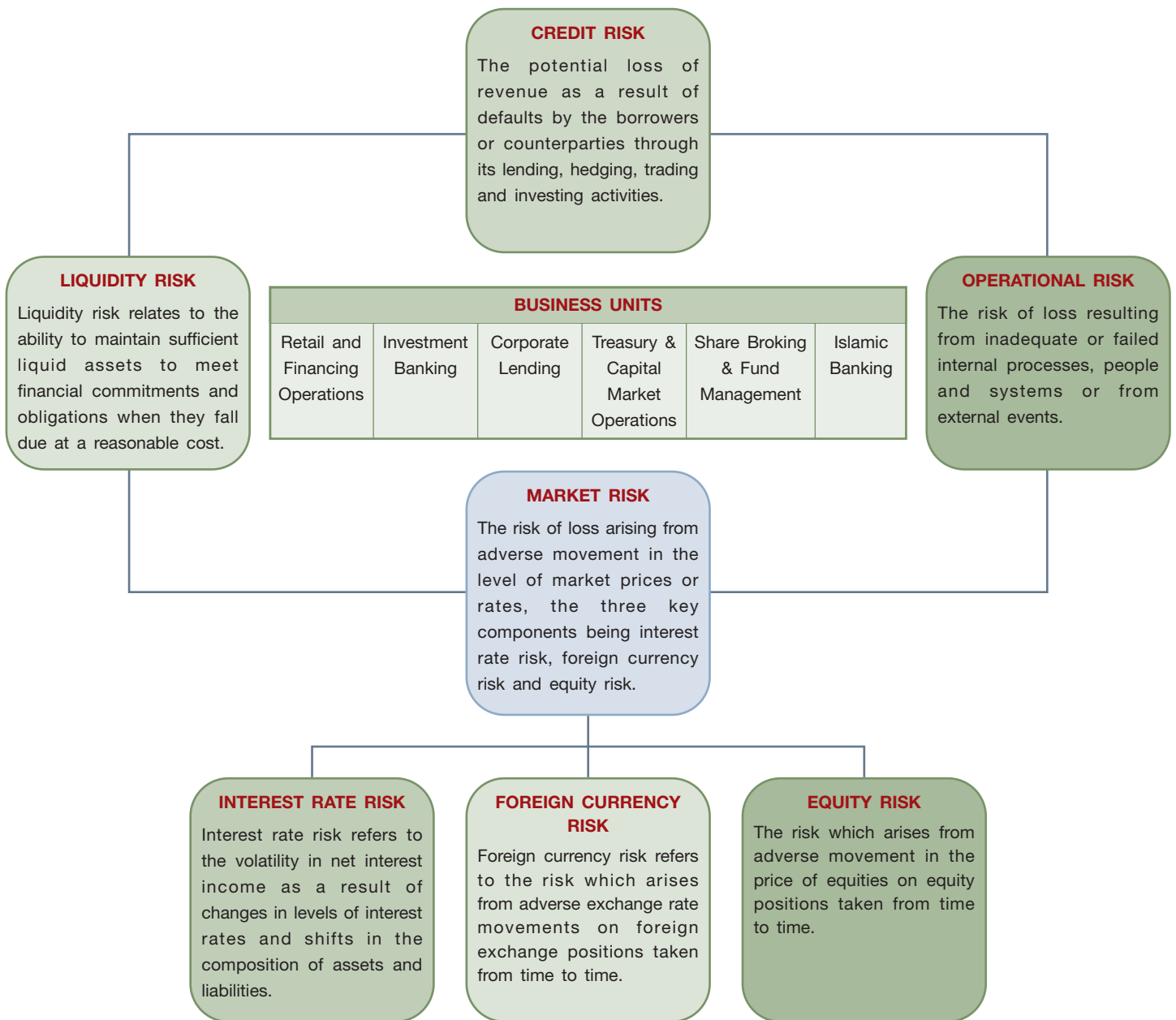
<p><b>Senior Internal Control Officer</b> Mr Soong Hoe Seng</p>	<p>Mr Soong is an accountant by profession and has a total of 31 years of audit experience. He was attached to an audit firm prior to joining Public Bank in 1991 as Head of Internal Audit Division. He is now the Group Chief Internal Auditor.</p>
<p><b>Senior Risk Management Officer</b> Mr Wong Jee Seng</p>	<p>Mr Wong is an accountant by profession and he joined Public Bank in 1993 as Manager in Finance Division and was subsequently promoted as Senior Manager in 1997. He was transferred to Treasury Division in 1998 and promoted as Director of Risk Management Division in 2000. He is now the General Manager overseeing Finance Division and Risk Management Division.</p>



## RISK MANAGEMENT

### AREAS OF RISK

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

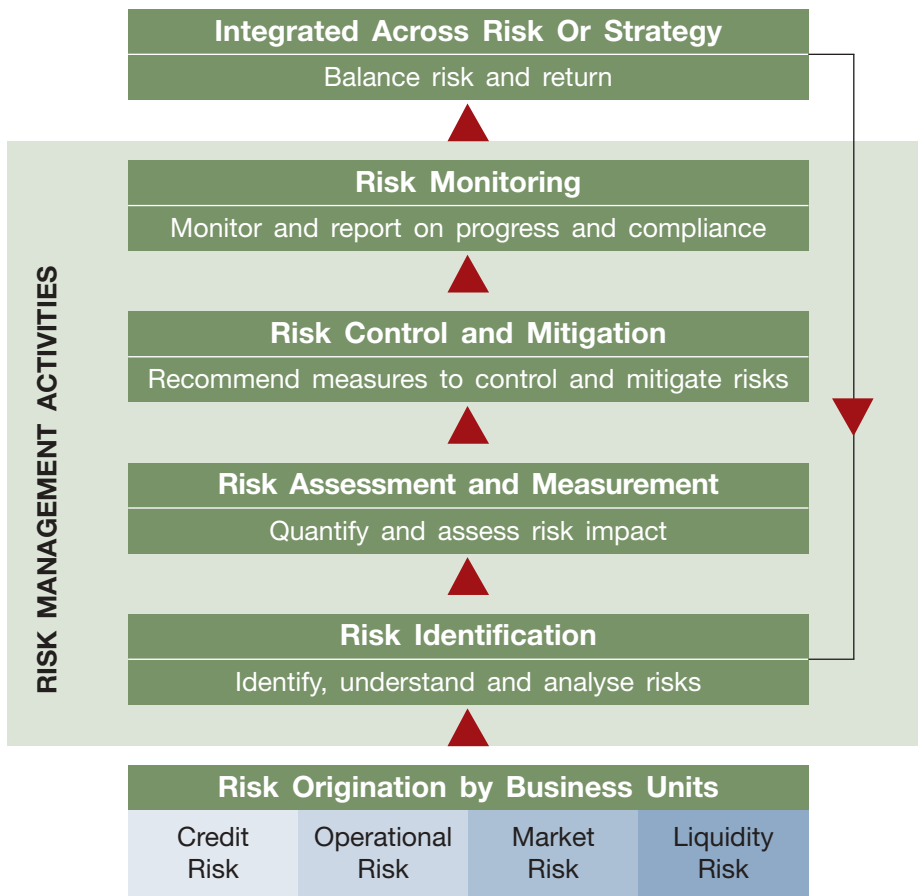


# RISK MANAGEMENT

## RISK MANAGEMENT PROCESS

The Public Bank Group has established, within its enterprise-wide risk management framework, a structured approach to risk management which balances risks and returns, as well as integrated risk management processes for credit risk, market risk, liquidity risk and operational risk.

The risk management activities encompass four broad processes, namely risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring which lead to a balanced risk return framework integrated across areas of risk.



## RISK MANAGEMENT

### CREDIT RISK MANAGEMENT

The key methods used to identify, assess, control and monitor credit risk are as follows:

<b>Risk Identification &amp; Assessment</b>	<ul style="list-style-type: none"> <li>• Use of credit risk rating system to grade the quality of borrowers as well as track shifts in credit risk profile of various portfolios.</li> <li>• Stress testing of loan portfolios under various scenarios.</li> <li>• Benchmarking of asset quality against industry peers.</li> <li>• Post-mortem review of weak credit and delinquent accounts to identify weaknesses in credit approval and review processes.</li> </ul>
<b>Risk Control &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>• Credit Policy which documents the credit risk rating, collateral policy and policies on rehabilitation and restructuring of problematic and delinquent loans.</li> <li>• Extensive analysis of loan exposure, quality of loan portfolios, movements of NPLs and adequacy of specific provisions for NPLs.</li> <li>• Review and evaluation of risk-return of products and services.</li> <li>• Qualified credit personnel for credit processing and review.</li> <li>• Independent credit reviews to monitor quality of credit appraisals and credit personnel, accuracy of risk grading and quality of credit portfolio.</li> </ul>

The Public Bank Group’s credit function is governed by its Credit Policy which sets out the lending direction, credit processes and procedures, the credit approving authorities and the management of credit risk. The Credit Policy is formulated with the aim of ensuring that the objectives in the area of lending consistent with its business plans are achieved and within the acceptable level of tolerance for credit risk. It is the Group’s policy to adopt a high level of lending prudence and to practise a stringent credit appraisal system with individual accountability and a sound system of centralised control and reinforced with a strong credit control system.

The Public Bank Group has in place an effective credit risk management information system which reports relevant information covering loans exposure, quality of loan portfolios, credit concentration, movements of non-performing loans (“NPLs”) and adequacy of specific provision for NPLs to Management, the Credit Committee, the Board Executive Committee, the Risk Management Committee and the Board regularly.

#### Credit Approval

The management of credit risk starts with experienced key personnel being appointed to the Credit Committee which is chaired by the Managing Director. All loans exceeding specified limits are approved at Head Office or by the Credit Committee while experienced senior officers at branches approve loans with lower risk exposures. The Board has the power to reject or modify terms and conditions of loans exceeding certain amounts which have been approved by the Credit Committee. The quality of the credit appraisals by the officers is monitored and reviewed regularly to ensure that high credit standards are maintained.

There is a clear segregation of duties in the lending process as the loans are approved by officers who are independent of the business units involved in loan origination.



# RISK MANAGEMENT

## Credit Evaluation Process

Credit evaluation is conducted by experienced and qualified credit processing officers. The internally developed Credit Risk Rating (“CRR”) system is used together with a thorough analysis conducted by the credit processing officers to evaluate the risk returns relationship of a borrower. The CRR is also an effective tool to manage the loan portfolios of the Group. Good customers are identified for enhancement of credit facilities and any deterioration in asset quality is identified at an early stage so that appropriate remedial action can be taken promptly.

During the year, extensive post-mortem reviews of NPLs and credit profiling were undertaken for the hire purchase and housing loan business. The results of the study were used to refine the CRR scoresheets to ensure the scoresheets remain robust and an effective tool for credit risk management.

## Credit Review and Supervision

An effective preventive measure to identify and manage emerging problem loans is the independent periodic and special reviews of performing loans. The credit review is generally conducted on an annual basis, but more frequently for higher risk borrowers. A web-based application to conduct on-line review of loans, the electronic Credit Review (“eReview”) system was implemented in 2005 to ensure the effectiveness and timeliness of credit reviews.

Securities Documentation Centres (“SDCs”) are set up to consolidate the monitoring and execution of all loan security documentation for the branches. With specialisation under the SDCs, there is reduced risk of faulty or invalid security documentation and better control and custody of security documents as well as timely disbursement of loans.

In line with the Best Practices for the Management of Credit Risk, independent post approval reviews of loans are conducted to monitor quality of credit appraisals and credit personnel, accuracy of risk grading and quality of the credit portfolio. The regular independent reviews monitor adherence to policies, procedures and guidelines and recommend improvements to ensure the effectiveness of credit risk practices.

## Credit Control and Monitoring

A credit facility will be classified as close attention when certain adverse factors occur and are monitored more closely and reported to Management on a regular basis. Close communication is maintained with the borrowers to prevent further deterioration of such accounts into non-performing status.

Credit Control Centres have been established to handle the specialised function of collection, loan recovery, loan restructuring and rehabilitation. The recovery task force officers will follow-up on delinquent accounts and assess the borrower’s financial problems, cash flows and thereafter recommend an appropriate mode of repayment to restructure and reschedule the account.



## RISK MANAGEMENT

### Stress Testing and Benchmarking of Asset Quality

Quarterly stress tests are conducted to ensure that the asset quality is still within acceptable levels even under stress scenarios and timely proactive actions are taken to arrest any signs of deterioration in the quality of the loan portfolios.

Quarterly benchmarkings of asset quality against industry measures of asset quality are also conducted to ensure that the asset quality of the Group remain well above that of industry peers. The areas covered are NPL ratio by sectors, loan loss coverage and percentage of loans in arrears.

### NPL position

Retail loans represented 93% of the Group's loan portfolio. The retail portfolio is well diversified into consumer and SME loans that have low volatility of credit risk outcomes as evidenced by the Group's low NPL ratios for these sectors. As a result of the Group's prudent lending practices and proactive credit risk management, the Group's NPL ratio was 1.73% as at the end of 2005 (2004: 2.14%). The NPL ratio has also been consistently lower than the banking industry and currently stands at only one third of the industry's NPL ratio of 5.8% as at end November 2005.

## MARKET RISK MANAGEMENT

The key methods used to identify, assess, control and monitor market risk are as follows:

<b>Risk Identification &amp; Assessment</b>	<ul style="list-style-type: none"> <li>• Review of trends and analysis of market movements.</li> <li>• Mark-to-market technique is used to revalue marketable securities, equities and foreign exchange positions.</li> </ul>
<b>Risk Control &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>• Policies and procedures on valuation and validation of trading positions are established.</li> <li>• Mark-to-market valuation of trading positions are compared against pre-determined market risk limits.</li> <li>• Market risk limits are set taking into consideration the risk appetite and the risk-return relationship.</li> <li>• Regular reviews of trading limits.</li> </ul>

### Trading Risk Management

The Public Bank Group's market risk trading activities arise from market-making, arbitrage and proprietary position-taking activities. Financial instruments held in the Group's trading portfolios include debt securities and equity. Details of such financial instruments are found in Note 5 to the Financial Statements.

The Public Bank Group's trading activities are principally conducted by Treasury Division and are subject to the guidelines set out in the Trading Book Policy Statement ("TBPS") which is approved by the Board and Bank Negara Malaysia. The TBPS serves to clearly delineate the role and responsibilities of parties involved in trading activities of the Group. The TBPS sets out the trading limits which include, inter alia, the Overall Open Position, Daily and Cumulative Cut Loss Position and Maximum Holding Periods to ensure that dealers day-to-day trading activities are within the risk parameters set, independent mark-to-market valuation and validation procedures, policy on hedged transactions and prohibition on the transfer of financial instruments from the trading book to the banking book.

# RISK MANAGEMENT

The engagement in complex derivative products requires specific approval of the Risk Management Committee and the Board and is subject to compliance with the Bank Negara Malaysia's guidelines on Minimum Standards on Risk Management Practices for Derivatives whereby an independent assessment of the risks is carried out to ensure that relevant risks are identified and understood, and can be measured, managed and reported.

The incorporation of the regulatory market risk charge on trading exposures has a 0.3% and 0.4% impact on the Group's and Public Bank's risk weighted capital ratio respectively as at 31 December 2005. With the incorporation of the regulatory market risk charge, the risk weighted capital ratio is at 17.1% for the Group and 14.9% for Public Bank.

## INTEREST RATE RISK MANAGEMENT

The key methods used to identify, assess, control and monitor interest rate risk are as follows:

<b>Risk Identification &amp; Assessment</b>	<ul style="list-style-type: none"><li>• Simulations under different interest rate environments and impact on net interest income.</li><li>• Review of inflation risk.</li><li>• Review of changes in interest rates on the economic value using duration-weighted methodology.</li><li>• Measuring of interest rate risk through the interest rate sensitivity gap analysis in RM and in foreign currency.</li><li>• Mark-to-market valuations of the trading and banking books.</li></ul>
<b>Risk Control &amp; Monitoring</b>	<ul style="list-style-type: none"><li>• Regular review of the interest rate outlook, vulnerability of net interest income to movements in interest rates and develop strategies to mitigate interest rate risk.</li><li>• Review and monitoring of changes in market value of the trading and banking books to movements in interest rates.</li><li>• Review of adverse movements in interest rate on net interest income and monitoring such movements against risk tolerance limits.</li></ul>

The Public Bank Group strives to meet customers' demand and preferences for products with different interest rate structures and maturities. Sensitivity to interest rate movements arises from mismatches in the repricing dates, cash flows and other characteristics of specific assets and liabilities. In managing interest rate risk, the primary objective is to monitor and avert significant volatility in net interest income ("NII") and the economic value of equity.

The Public Bank Group manages its interest rate risk in a variety of ways that involve the offsetting of position against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in interest rate sensitive assets and liabilities and the use of derivative instruments.



## RISK MANAGEMENT

The table set out in Note 43 to the Financial Statements represents the Public Bank Group's and Public Bank's interest rate risk sensitivity based on repricing gaps as at 31 December 2005 and 31 December 2004. The Group and Public Bank had an overall positive banking book interest rate sensitivity gap of RM13.16 billion (2004: RM13.04 billion) and RM11.25 billion (2004: RM11.06 billion) respectively, which represents the net difference in the interest rate sensitive assets and liabilities across time buckets for the entire balance sheet.

Based on the interest rate risk sensitivity repricing gaps set out in Note 43 to the Financial Statements and after adjusting for basis risk and for behavioural maturity, it is estimated that a hypothetical immediate and sustained 1% increase in interest rates on 1 January 2006 would increase the NII for the 12 months to 31 December 2006 as follows:

	The Group	The Bank
<b>For the year 2006</b>		
Increase in NII	RM78 million	RM80 million
Impact on increase in NII against NII in 2005	3%	3%

Complementing the static analysis is the simulation of favourable and adverse interest rate environments. The potential reduction in NII from an adverse interest rate movement is monitored against the risk tolerance limits set by the ALCO. The exposure of the economic value of equity to changes in interest rates is also measured using duration-weighted methodology and monitored against the risk tolerance limits set by the ALCO.

Derivative hedging instruments such as interest rate swaps are used to mitigate interest rate risk. Interest rate swaps serve as an efficient tool to mitigate the Public Bank Group's interest rate risk by changing a fixed rate financial instrument to a floating rate financial instrument. Details of the interest rate swaps entered into for this purpose are set out in Note 41 to the Financial Statements.

### FOREIGN EXCHANGE RISK MANAGEMENT

The key methods used to identify, assess, control and monitor foreign exchange risk are as follows:

<b>Risk Identification &amp; Assessment</b>	<ul style="list-style-type: none"> <li>Regular review of foreign exchange movements.</li> <li>Mark-to-market of foreign currency positions.</li> <li>Review of foreign exchange exposure for overseas operations.</li> </ul>
<b>Risk Control &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>Monitoring of Net Open Positions for foreign currencies against pre-determined limits.</li> <li>Regular review of the cost to hedge positions by comparing the interest differential of the currencies involved.</li> </ul>

## RISK MANAGEMENT

Foreign exchange exposures originate from Treasury Division's money market activities and the Public Bank Group's investments and retained earnings in subsidiaries, branches and associated companies whose functional currencies are not the Ringgit. The main functional currencies in which the Group business are transacted in are US dollars and Hong Kong dollars.

The types of instruments entered into during the course of providing services to customers and in the Public Bank Group's investment strategies which are exposed to this risk include foreign currency-denominated loans and financing, foreign currency-denominated securities and foreign exchange related contracts. Where possible, foreign-denominated loans and financing are funded by foreign currency deposits. The foreign currency-denominated securities are generally funded by borrowings in the same foreign currency, including the proceeds of the issuance of US dollar Subordinated Notes and foreign currency interbank borrowings.

The Public Bank Group hedges its foreign currency exposures arising from the Group's investments and earnings retained in its subsidiaries, branches and associated companies after assessment of the expected exchange loss as compared to the interest differential between two currencies, being the cost of the hedge. Hedges of such foreign currency positions are performed through the funding of the Group's net investment with borrowings of the same currencies as the functional currencies involved. A summary of the Group's foreign currency exposure as at 31 December 2005 is set out below:

	RM'Million
Foreign currency exposures arising from the Group's investments and retained earnings in overseas operations	1,251
Hedges by funding in functional currencies	(1,211)
Net foreign currency exposures	40



## RISK MANAGEMENT

### EQUITY RISK MANAGEMENT

The key methods used to identify, assess, control and monitor equity risk are as follows:

<b>Risk Identification &amp; Assessment</b>	<ul style="list-style-type: none"> <li>• Review of broad market and economic outlook of various economic sectors.</li> <li>• Daily mark-to-market valuations of the share investment portfolio.</li> </ul>
<b>Risk Control &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>• Mark-to-market valuations are monitored against pre-determined cut-loss limit and reported to the Share Investment Committee.</li> </ul>

The equities held by the Public Bank Group are primarily listed common stock, equity warrants, debt converted securities and convertible bonds. Equities held for trading purposes are also governed by the Trading Book Policy Statement.

The Share Investment Committee formulates policies and strategies on share investment and approves the purchase and sale of shares within established guidelines and policies. The Share Investment Committee also reviews share investment portfolios regularly and takes necessary measures to improve their values and profitability.

As at 31 December 2005, equity shares held under “Securities Held-For-Trading” had a fair value of RM11 million (2004: RM5 million). During the year, the Group recorded trading gains of RM2 million (2004:RM6 million) in its equity investment and trading activities.

### LIQUIDITY RISK MANAGEMENT

The key methods used to identify, assess, control and monitor liquidity risk are as follows:

<b>Risk Identification &amp; Assessment</b>	<ul style="list-style-type: none"> <li>• Analysis of the changes in the behavioural maturity of depositors.</li> <li>• Analysis of abnormal deposits/withdrawals.</li> <li>• Review of the concentration of large depositors.</li> <li>• Using BNM’s New Liquidity Framework as a tool to assess excesses or shortfalls in short term liquidity.</li> </ul>
<b>Risk Control &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>• Setting of internal liquidity risk management limits, trigger limits and trigger ratios.</li> <li>• Monitoring of the liquidity and concentration ratios to ensure diversification of funding structure.</li> <li>• Liquidity Contingency Funding Plan to manage liquidity crisis.</li> <li>• Monitoring of net maturity mismatches under normal circumstances and under liquidity shocks.</li> </ul>

The primary tool used for liquidity management is Bank Negara Malaysia’s New Liquidity Framework (“NLF”). The NLF assesses liquidity based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of eligible liquefiable securities.

## RISK MANAGEMENT

Public Bank and its subsidiary which are required to comply with the NLF have consistently complied with the NLF and the positions as at 31 December 2005 are as follows:

	As at 31 December 2005		As at 31 December 2004	
	The Group RM'Million	The Bank RM'Million	The Group RM'Million	The Bank RM'Million
Available cumulative mismatch to accommodate liquidity shocks	7,440	7,220	12,611	12,276
Compliance requirements by BNM	(3,202)	(3,177)	(2,803)	(2,782)
Compliance surplus	4,238	4,043	9,808	9,494
As a % of total assets	4%	4%	11%	11%

The Group and Public Bank remained highly liquid in the “up to 1 month” bucket with net cashflow surplus of RM4.24 billion and RM4.04 billion respectively.

The NLF is further supplemented with internal liquidity risk management policies to ensure that liquidity surpluses are within the limits set so as not to have excessive liquidity surpluses which may result in loss of income opportunities. The liquidity risk management activities are carried out through a combination of cash flow management, maintenance of high quality long-term and short-term marketable securities that can be readily converted to cash and diversification of the funding base.

Set out below are the concentration ratios of the Public Bank Group, Public Bank and the banking system:

	The Group	The Bank	Banking System*
Loans-to-deposit ratio	81%	80%	81%
Interbank borrowings/Total borrowings	8%	7%	10%
Number of large depositors (>1% of total deposits from customers)	4	4	Na

\* This is as at end November 2005.

The Group seeks to grow its core deposits, which are generally customer-based as these deposits are a stable, diversified, low-cost funding source and less sensitive to interest rate changes compared to wholesale deposits. The Group monitors the stability of its core deposits by analysing volatility over time and this is assisted by the application of the behavioural maturity process method used in the NLF. The Group's core deposits are demand deposits, savings deposits and fixed deposits. Details of the core deposits are as set out in Note 17 to the Financial Statements.



## RISK MANAGEMENT

### OPERATIONAL RISK MANAGEMENT

The key methods used to identify, assess, control and monitor operational risk are as follows:

<b>Risk Identification &amp; Assessment</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Benchmarking of customer service and operational efficiency against industry.</li> <li>• Incident reporting and analysis of causes and actions taken on losses from frauds and control lapses.</li> <li>• Regular review of the adequacy of premises controls and safety.</li> <li>• Regular review of ICT systems and networks availability.</li> </ul>
<b>Risk Control &amp; Monitoring</b>	<ul style="list-style-type: none"> <li>• Self Compliance Audit Programmes of business units.</li> <li>• Comprehensive system of internal controls based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes.</li> <li>• Documented and regularly tested key back-up procedures and contingency plans, including disaster recovery and business resumption plans.</li> <li>• Overall assurance on the adequacy and reliability of the operational risk management systems by Internal Audit Division.</li> </ul>

The Public Bank Group believes that effective management of operational risk requires ownership by the management responsible for the relevant business process, and operational risk is thus monitored and controlled through a system of comprehensive policies and an operational risk management framework designed to provide a sound and well-controlled operational environment.

One of the key elements of the operational risk management framework is the Self Compliance Audit Programme which has been automated and put on an on-line platform. This Self Compliance Audit System (“SCAS”) is used by the business units for risk identification and for evaluation of control effectiveness and monitoring capability. Further enhancements to the SCAS include incorporating changes which facilitate ease of conducting self-audits and the understanding and enforcement of fraud prevention measures.

As part of the process to improve operational risk management and in response to the on-going threat of external fraud, losses arising from fraud or control lapses are extensively analysed with emphasis on identifying the sources and causes of such losses. Thorough examination of the adequacy of controls is performed and the actions to be taken are monitored to ensure proper implementation to improve the capability to combat fraud, reduce control lapses and enhance the control processes and procedures.

Non-performing loans are also analysed for any operational lapses which directly contribute to the loans turning non-performing. The causes of the operational lapses are analysed and information on the identified operational lapses and findings are disseminated to all business units involved in credit processing and credit review to avoid recurrence. Appropriate punitive actions are taken against the errant staff involved.



## RISK MANAGEMENT

Key Risk Indicators (“KRIs”) are statistical information that are collected and monitored by business units on an on-going basis for early detection of changes that may be indicative of risk concerns and potential areas of operational control weaknesses. KRIs cover areas such as fraud incidence, customer service efficiency, customer complaints, system availability and credit card issuing and acquiring losses.

Included in the control framework is a disciplined product evaluation process. Each new product or service introduced as well as variations of existing products and services are subject to a rigorous risk review and sign-off process where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service.

Ethical hacking and network architecture reviews are carried out by external security specialists to assess the security level of the Public Bank Group’s internet infrastructure from both external and internal threats. These tests act as an independent assessment and provide assurance that the security of the Group’s ICT infrastructure is in line with industry best practices.

Disaster recovery and business continuity plans are in place as an integral part of the Public Bank Group’s strategy to mitigate risks and manage the impact of loss events. During the year, a formal Business Resumption Contingency Plan (“BRCP”) Committee, headed by the Executive Director, was established to manage the overall formulation, implementation and maintenance of the BRCP. Where appropriate, the Group mitigates risk of high impact loss events by appropriate insurance coverage.

The Public Bank Group will embark on initiatives on anti-money laundering which are in line with international standards including performing risk profiling of customers for the purpose of anti-money laundering and counter financing of terrorism, adopting a risk-based approach when conducting customer due diligence and developing a mechanism to determine politically exposed persons. Training on anti-money laundering is on-going to ensure that staff possess the required skills and knowledge to manage this risk.

Reputation risk is considered and assessed as the Public Bank Group seeks to conduct itself with integrity and trustworthiness to engender the trust and confidence that customers, the public and stakeholders have in the Group. Reviews are conducted on the potential areas of threat which would lead to adverse impact on the Group’s reputation and controls are put in place to mitigate reputation risk.



**RISK MANAGEMENT****REVIEW OR ASSESSMENT CONDUCTED  
ON THE GROUP'S RISK MANAGEMENT SYSTEMS**

It is the Public Bank Group's policy that all risk management policies approved by the Risk Management Committee and the Board are subject to periodic reviews. This is to ensure that the risk management policies remained applicable and effective under the changing market and regulatory environments. The review of the risk management policies are undertaken by the respective business units together with Risk Management Division and Internal Audit Division. In undertaking the review of the risk management policies, the Group's risk management objectives and the impact of the risk management policies on both the operations and the financial performance of the Group are considered. The Internal Audit Division monitors compliance with policies and procedures and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems.

The Public Bank Group is in the process of reviewing the Group's risk reporting framework. This is to enhance the Group's risk management function and to ensure that there is adequate risk reporting in respect of credit risk, operational risk, market risk and liquidity risk by the subsidiaries, associated companies and overseas branches. The reporting requirements will be subject to review by Risk Management Division periodically and appropriate changes in reporting will be made.

The Public Bank Group is also in the process of appointing an independent external party to conduct a comprehensive assessment of the Group's enterprise-wide risk management systems as well as its readiness for the more advanced approach in the Basel II Capital Accord. An independent review of the risk management systems and benchmarking against the best practices by an independent external consultant was last conducted in 2003.

# ETHICS, INTEGRITY AND TRUST

The Public Bank Group operates in an industry where trust and confidence are of paramount importance given its role as a custodian of public funds. The Group actively seeks to conduct itself with integrity and trustworthiness to engender such trust and confidence in the Group and actively takes steps to eliminate the exposure to reputational risk arising from unethical or fraudulent conduct by employees.

## Accountability

EXCELLENCE

A key determinant of the reputation of a trusted financial institution 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 adhere to a set of values and principles, and conduct themselves to behavioural standards that are consistent with that of a financial institution that is well trusted by customers and the public.

The formalisation of what constitute 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 a culture of trust and integrity in employee conduct and behaviour. Include amongst such codes and policies are a Code of Ethics, an Anti-Fraud Policy and an Anti-Money Laundering Policy.

### CODE OF ETHICS

Bank Negara Malaysia issues guidelines to financial institutions, amongst which is BNM Garis Panduan 7 (“BNM/GP7”). 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



## ETHICS, INTEGRITY AND TRUST



### ANTI-FRAUD POLICY

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

The objectives of the anti-fraud policy are 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 Public Bank Group for 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 Public Bank Group, as the 3rd largest banking group in Malaysia and with an extensive network of branches throughout the country, is at the front line of the Government's and Bank Negara Malaysia's initiatives and efforts in the prevention of the use of the banking system for illicit and laundering activities. The Anti-Money Laundering Act, 2001 provides the legal framework to counter money laundering and terrorist financing. Central to the Group's established infrastructure for the prevention and detection of illicit and 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
- The Group's 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 demanding standards set for the behaviour of the Public Bank Group's staff are reinforced by 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 frequency of such training courses and their availability on the e-learning platform of the Group ensures that the commitment of the Group to building trust and integrity in employee conduct extend across the board.

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



**CHAIRMAN**

**Independent Non-Executive Director**

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

**Independent Non-Executive Director**

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

**CO-CHAIRMAN**

**Independent Non-Executive Director**

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

**Independent Non-Executive Director**

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

**MEMBERS**

**Independent Non-Executive Director**

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

**Independent Non-Executive Director**

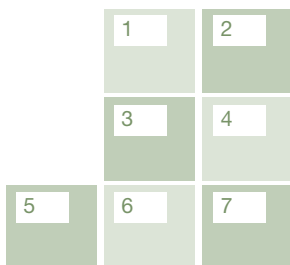
- 6 **LEE CHIN GUAN**  
BSc (Hons), BCL (Oxon), LLM (Cantab),  
JD (Chicago-Kent), Barrister-at-Law  
(Middle Temple)

**SECRETARY**

Group Chief Internal Auditor

- 7 **SOONG HOE SENG**

# AUDIT COMMITTEE REPORT



## AUDIT COMMITTEE REPORT

### 1. MEMBERSHIP AND ATTENDANCE

The Audit Committee ("Committee") members and details of attendance of each member at Committee meetings during 2005.

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

### 2. COMPOSITION AND TERMS OF REFERENCE

#### 2.1 Composition

- a. The Committee shall be appointed by the Board of Directors and shall consist of not less than three (3) members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.
- b. **Chairman/Co-Chairman**
  - The Chairman/Co-Chairman of the Committee shall be approved by the Board of Directors and shall be an independent non-executive director.
  - The Chairman or Co-Chairman shall be a member of the Malaysian Institute of Accountants.
- c. 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.

#### 2.2 Frequency of Meetings

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

#### 2.3 Quorum

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

#### 2.4 Secretary

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

# AUDIT COMMITTEE REPORT

## 2.5 Authority

The Committee shall have the authority to:

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

## 2.6 Responsibilities and Duties

The responsibilities and duties of the Committee shall be:

### a. Risk Management

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

### b. Internal Audit

- To approve the appointment, replacement and dismissal of the Chief Internal Auditor.
- To review the adequacy of the scope 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.
- To evaluate the performance and decide on the remuneration of the internal auditors.

### c. External Audit

- To review the external auditors' audit plan, scope of their audits and their audit reports.
- To assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.

- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- To approve the provision of non-audit services by the external auditors.

### d. Audit Reports

To review the:

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

### e. Financial Reporting

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

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



## AUDIT COMMITTEE REPORT

- f. **Related Party Transactions**  
To monitor and review any related party transactions that may arise within Public Bank and the Public Bank Group.
- g. **Other Matters**  
To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.

### 3. SUMMARY OF ACTIVITIES

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

#### 3.1 Financial Results

- a. Reviewed the quarterly and half-yearly unaudited financial results of Public Bank and the Public Bank Group before recommending them for approval by the Board of Directors.
- b. Reviewed the annual audited financial statements of Public Bank and the Public Bank Group with the external auditors prior to submission to the Board of Directors for their approval. The review was, 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 over 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 a total of 262 internal audit reports which were tabled during the year, the audit recommendations made and management's response to these recommendations. Where appropriate, the Committee has directed management to rectify and improve control and workflow procedures based on the internal auditors' recommendations and suggestions for improvement.
- d. Monitored the implementation of the audit recommendations to ensure that all the key risks and controls have been addressed.
- e. Reviewed 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 half-yearly audit performance reports to monitor the performance, progress and adequacy of coverage of the internal audit functions.
- g. Reviewed the staffing requirements of Internal Audit Division and the core competencies of the internal auditors to ensure that the internal audit functions can be carried out effectively and efficiently.





# AUDIT COMMITTEE REPORT

## 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 response to the findings of the external auditors.
- b. Assessed the independence and objectivity of the external auditors annually and prior to the appointment of the external auditors for non-audit services.
- c. Evaluate the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.
- d. Reviewed the inspection and examination reports issued by Bank Negara Malaysia and other regulatory authorities and the remedial actions taken in respect of the issues raised by them.

## 3.4 Related Party Transactions

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

## 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 high risk activities in each auditable area are audited annually. Audits are prioritised according to an assessment of the potential risk exposures.

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, management efficiency and level of customer services, amongst others. These audits 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.

In addition, Internal Audit Division also audits the various computer application systems and telecommunications network of the Public Bank Group.

Prior to implementation of new business products and projects, 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 Internal Audit Division are set out in the Statement on Internal Control.



# 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.

# STATEMENT ON INTERNAL CONTROL

## 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 highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the 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 of the Group. The other committees set up to manage specific areas of risk for the Group are the Assets & Liabilities Management Committee which manages market and liquidity risks; the Credit Risk Management Committee which manages credit risk and the Operational Risk Management Committee which manages operational risk.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Group's core areas of business operations. These committees include the Human Resource Committee, the Credit Committee, the Share Investment Committee and the Information Technology Steering Committee.



## STATEMENT ON INTERNAL CONTROL



- 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 or 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 bank's 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 its 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 2005 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.





## BOARD EXECUTIVE COMMITTEE

### 1 **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 54 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.

### 2 **Dato' Sri Tay Ah Lek** Managing Director

Holder of a Masters degree in Business Administration, Dato' Sri Tay has been a veteran in the financial services industry for the past 45 years. A pioneer staff of Public Bank in 1966, he held several portfolios over the years including the Executive Vice President position in Public Finance and Public Bank. Was appointed Executive Director of Public Bank in 1997 and Managing Director in 2002. He sits on the Board of Directors of several subsidiary companies in the Public Bank Group.

### 3 **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 its Examination Department. He joined Public Bank as General Manager in 1996 and was subsequently appointed Senior General Manager and Executive Vice President. He was appointed Executive Director in 2001. He is also a member on the Board of Directors of several subsidiary companies in the Public Bank Group.



# HEADS OF DIVISIONS

1

2

3

1

## **Dato' Chang Kat Kiam**

### **Senior General Manager**

Holder of a Masters in Business Administration degree, Dato' Chang has been with Public Bank since 1975. Experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. Appointed Senior General Manager in 2001. He oversees the Bank's Retail, HP and Overseas Operations.

2

## **Leong Kwok Nyem**

### **Senior General Manager**

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 was appointed Senior General Manager in 2001. He oversees the Bank's Treasury and Corporate Structure portfolios.

3

## **Soong Hoe Seng**

### **Group Chief Internal Auditor**

An accountant by profession. He has a total of 31 years of audit experience. He was attached to an audit firm prior to joining Public Bank in 1991 as Head of Internal Audit Division. Mr. Soong oversees the Group's Internal Audit portfolio.



## HEADS OF DIVISIONS



### 1 **Jenny Cheng Siew Ngoh (Ms)** General Manager, Human Resource Division

Holder of Bachelor of Economics (Public Administration) degree. A HR practitioner with more than 29 years of experience in the banking industry. She has been with Public Bank since 1976 and was appointed Head of HR Division in 1991. Ms. Cheng oversees the Group's Human Resource portfolio.

### 2 **Chia Lee Kee (Ms)** General Manager, Secretariat Division

Holder of ICOSA degree and is a Fellow of The Malaysian Association of The Institute of Chartered Secretaries and Administrators. Joined Public Bank in 1978 with exposure in banking operations for 12 years. Was transferred to the Bank's Secretariat in 1990 and appointed Head of Secretariat Division in 1997. Ms. Chia oversees the Group's Company Secretarial matters.

### 3 **Chong You Lin (Ms)** 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.



## HEADS OF DIVISIONS



4

### **Ismail bin Ibrahim**

#### **General Manager, Credit Control & Islamic Banking**

En. Ismail holds a Diploma in Business Studies and has been in the banking industry since 1973. For the last 33 years, he has gained wide experience having served in a few financial institutions. He joined Public Bank in 1992 as Director of Credit Operations. He is now the General Manager overseeing the Bank's Credit Administration & Supervision and Islamic Banking operations.

5

### **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 was appointed Director of the Bank's Economics Division in 1995 and subsequently appointed Group Economist in 1999.

6

### **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 is now the General Manager overseeing the Bank's Credit Operations Division.





## HEADS OF DIVISIONS



1

### **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 Senior Manager in 1997 and transferred to Treasury Division in 1998. Was promoted Director of Risk Management Division in 2000. He was appointed General Manager in 2002 to oversee the Finance and Risk Management Divisions.

2

### **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 29 years 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.

3

### **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 31 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 company 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.



## HEADS OF DIVISIONS



**4** **Chan Chew Fung (Ms)**  
**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.

**5** **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.

**6** **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 23 years. He joined Public Bank in 1983 and is experienced in all aspects of the Bank's IT operations. Mr. Tan was appointed Director in 2000 to head the IT Division of the Bank.

## HEADS OF DIVISIONS



1

2

3

1

### **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 has been responsible for the Bank's HP Financing portfolio since 2004.

2

### **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 Head of the Bank's Islamic Banking Division.

3

### **Nizam bin Hj Zainal Abidin**

#### **Director, Security Division**

En. Nizam was attached to the Royal Malaysian 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.



## HEADS OF DIVISIONS



4

**Sim Goay Chye**

**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 22 years. He held the position of Senior Manager of Business Development in Public Finance since 2000, before his appointment as the Head of the Bank's Property Division in 2004.

5

**Tang Kam Hoe**

**Director, Banking Operations Division**

Holder of Bachelor of Economics degree. Has been with the financial services industry for the last 24 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 was appointed the Head of Banking Operations Division of the Bank in 2004.



# CHAIRMAN'S REVIEW

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# OVERVIEW

## overall business environment

The Malaysian banking and financing industry continued to deliver improved performance in 2005 on the back of continued growth of the Malaysian economy which, although moderated compared to 2004, is expected to grow at a healthy 5 to 6%. Stable interest rates and strong liquidity of the banking system supported a healthy pace of annual loan growth of 9.5% as at November 2005, an improvement over the 8.5% growth of loans in the domestic banking system in 2004.



## CHAIRMAN'S REVIEW OVERVIEW

Domestic banking groups generally were strengthened with rising profitability. The operating environment of foreign controlled domestic banks continued to be liberalised with the implementation of the Financial Sector Masterplan. Stronger banks and a more liberalised environment have invariably led to a further intensification of the competitiveness of the Malaysian banking and financing industry in 2005.

Strong consumer confidence as evidenced by the high growth rate of private consumption and strong new car sales, and the continued support of small- and medium-sized enterprises ("SMEs") by the Government in its fiscal policy and activities resulted in every domestic banking group and foreign controlled domestic banks with retail presence pushing further into these business segments and competing intensely for the consumer credit market and the SME lending market.

The Public Bank Group, with its strategic focus on meeting the banking and financing needs of the retail consumer and middle market business enterprises, particularly SMEs, had to contend with rising competitiveness in an already intensely competitive market in 2005. The Group has risen to this challenge in its core markets on the traditional strengths of its strong branding, wide range of innovative and competitively priced products and services, the extensive reach of its branch network and the support of its dedicated and loyal staff force and delivered another year of record profitability, strong loan growth and growing market share in 2005.





## summary of group financial performance

### PROFITABILITY

The Public Bank Group turned in a record pre-tax profit of RM2.05 billion in 2005, and achieved a significant milestone in surpassing the RM2 billion profit mark for the first time in Public Bank's 39 year history. The Group's net profit attributable to shareholders increased by 14% to RM1.45 billion. The Group's strong profit performance was attributable to its sustained high level of loan growth, continued improvement in asset quality, enhanced productivity as well as proactive management of its balance sheet. The Group's cost to income ratio improved to 36.7% in 2005 from 37.9% in the previous year. The net return on equity rose to 21.4% in 2005 compared to 18.2% in 2004, and earnings per share increased by 12% to 44.2 sen per share against 39.5 sen per share in 2004.

The Public Bank Group has five main areas of operations – Retail Operations, Treasury and Capital Market Operations, Corporate Lending, Share Broking and Fund Management and Investment Banking.

### GROUP PROFIT BEFORE TAX

	2005 RM'Million	2004 RM'Million
Retail Operations	1,684	1,546
Treasury and Capital Market Operations	324	249
Corporate Lending	76	108
Share Broking and Fund Management	95	98
Investment Banking	9	17
Others	31	13
	<b>2,219</b>	2,031
Unallocated expenses and amortisation of goodwill	(170)	(177)
Profit before taxation	<b>2,049</b>	1,854

### PROFIT BEFORE TAX OF MAJOR COMPANIES IN THE GROUP

	2005 RM'Million	2004 RM'Million
Public Bank Berhad <sup>1</sup>	1,518	1,503
JCG Holdings Group	274	241
Public Mutual Berhad	73	65
PB Securities Sdn Bhd	21	32
Public Merchant Bank Berhad	9	15

<sup>1</sup> Profit before dividends from subsidiaries and associated companies (2004 profit includes profit of Public Finance Berhad for the first eight months prior to merger with Public Bank Bhd).

## CHAIRMAN'S REVIEW OVERVIEW

**Retail Operations:** The Public Bank Group's retail banking and financing operations, catering to the banking and financing needs of individuals and SMEs, continue to be its core business. Retail operations accounted for 71% of the Group's total operating revenue and 76% of the Group's profit before tax in 2005. Profit grew by 9% to RM1,684 million on the back of strong growth in retail lending of 20%, lower cost of deposit funding and higher commissions and fee income, which partly mitigated the effects of lower lending margins. Despite the intense competition in the retail market, domestic retail lending expanded by

19% in 2005 whilst loans growth of the Group's overseas operations was 21%. Islamic banking operations accounted for a significant 17% of the Group's retail operations' profitability.

The pre-tax profit of JCG Holdings Group increased by 14% to HKD562 million from HKD493 million in 2004. This was mainly due to growth in loans, lower loan loss allowance, write-back of impairment allowance for financial assets and lower operating expenses. JCG Holdings Group recorded a 12% increase in gross loans in 2005 as compared to a 3% increase in 2004.

### JCG HOLDINGS GROUP

	2005 HKD'Million	2004 HKD'Million
<b>Income Statement</b>		
Net interest income	726	699
Other operating income	174	200
	900	899
Other operating expenses	(179)	(233)
Operating profit	721	666
Allowance for losses on loans, advances and financing	(159)	(173)
Profit before tax	562	493
<b>Key Balance Sheet Items</b>		
Total Assets	4,373	4,278
Gross loans, advances and financing	3,703	3,295
Deposits from customers	1,642	1,720
Shareholders' funds	2,316	2,163
<b>Financial Ratios</b>		
Net NPL ratio	2.2%	1.8%
Risk-weighted capital ratio (Public Finance Limited)	39.3%	38.7%



## CHAIRMAN'S REVIEW OVERVIEW

### Treasury and Capital Market Operations:

Treasury and capital market operations reported a 30% increase in pre-tax profit to RM324 million in 2005, mainly on account of higher net interest income due to higher average holding of money market instruments and higher foreign exchange income. The un-pegging of the Ringgit exchange rate to the US Dollar resulted in increased foreign exchange hedging requirements by the Public Bank Group's retail and corporate customers, leading to higher foreign exchange income.

### Corporate Lending:

Pre-tax profit from the Public Bank Group's lending to large corporate customers stood at RM76 million for 2005 compared to RM108 million in the previous year. The lower profit was mainly due to higher specific allowance for bad debts, higher general allowance due to loan growth and the impact of reduced interest margins on corporate lending.

Despite the strong competition in the corporate lending business, Public Bank Group achieved loans growth of 22% due to its active marketing activities and its ability to meet the financing requirements of corporate customers.

### 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.

The operating environment for the stock broking industry in 2005 was very challenging, as after a promising start in the early part of the year, the domestic

equity market experienced thin trading volumes and lower share prices for the latter part of the year. Amidst the challenging and competitive business conditions and further liberalisation of the share broking industry, PB Securities recorded a profit before tax of RM21 million in 2005 compared to RM32 million in 2004, mainly due to lower turnover and lower recoveries.

The low interest rate environment and an increasingly well-informed investing public have led to investors looking to unit trusts for higher returns and capital growth. Public Mutual capitalised on this increasing demand and launched 7 new funds, including a foreign fund, the Public Far-East Select Fund, during 2005. The total net asset value of

unit trust funds under management of Public Mutual increased by 22% during the year to stand at RM12.08 billion as at the end of 2005. Public Mutual chalked up another record year of gross sales of trust units totalling RM3.07 billion and achieved a 12% improvement in profit before taxation to RM73 million.

### PUBLIC MUTUAL BERHAD

	2005 RM'Million	2004 RM'Million
<b>Income Statement</b>		
Revenue	270	204
Other operating income	8	8
	<b>278</b>	212
Other operating expenses	<b>(205)</b>	(147)
Profit before tax	<b>73</b>	65
<b>Key Balance Sheet Items</b>		
Total Assets	502	373
Shareholders' funds	294	244
Net asset value of unit trust funds under management	<b>12,077</b>	9,884

**CHAIRMAN'S REVIEW OVERVIEW****PB SECURITIES SDN BERHAD**

	2005 RM'Million	2004 RM'Million
<b>Income Statement</b>		
Revenue	17	23
Other operating income	16	25
	33	48
Other operating expenses	(12)	(16)
Profit before tax	21	32
<b>Key Balance Sheet Items</b>		
Total assets	346	557
Shareholders' funds	258	317

**Investment Banking:** The investment banking operations of the Public Bank Group, which is undertaken by Public Merchant Bank, cater mainly to corporate customers through the provision of corporate advisory services and funding support. Being part of the Public Bank Group, Public Merchant Bank is well positioned to offer structured financing, corporate advisory services, mergers and acquisitions and debt restructuring advisory services which are synergistic with other financial services offered by the Group. Despite the very challenging Malaysian investment banking environment in 2005, Public Merchant Bank reported a pre-tax profit of RM9 million.

**PUBLIC MERCHANT BANK BERHAD**

	2005 RM'Million	2004 RM'Million
<b>Income Statement</b>		
Net interest income	8	10
Other operating income	9	12
	17	22
Other operating expenses	(8)	(8)
Operating profit	9	14
Allowance for losses on loans, advances and financing	—	1
Profit before tax	9	15
<b>Key Balance Sheet Items</b>		
Total assets	3,176	2,921
Gross loans, advances and financing	142	139
Deposits from customers	1,307	1,000
Shareholders' funds	187	178
<b>Financial Ratios</b>		
Net NPL ratio	0%	0%
Risk-weighted capital ratio	42.3%	45.4%

# CHAIRMAN'S REVIEW OVERVIEW

## LENDING

Loans, Advances and Financing	Public Bank Group				Banking System
	Outstanding (Gross)		Growth Rate		Growth Rate <sup>1</sup>
	2005 RM'Mil	2004 RM'Mil	2005 %	2004 %	2005 %
Group	<b>68,102</b>	56,912	<b>20</b>	22	<b>9.5</b>
Public Bank	<b>65,716</b>	54,898	<b>20</b>	22	<b>9.8</b>
JCG Holdings Group	<b>1,805</b>	1,610	<b>12</b>	3	<b>NA</b>

<sup>1</sup> Annual growth rate as at November 2005.

The Public Bank Group has consistently achieved a high and above industry level of loan growth, with growth rates close to or in excess of 20% annually since 2001. In 2005, the Group's loans and advances increased by RM11.19 billion or 20% to stand at RM68.10 billion as at the end of December 2005 and was again more than twice the increase in loans posted by the domestic banking system in 2005. As a result, the Group's market share for loans and advances rose to 12% at the end of 2005 from 11% a year earlier.

The Group's lending direction continued to be focused on the retail sector, with loans for the financing of residential properties, purchase of passenger vehicles and loans to SMEs accounting for 72% of the total loan portfolio and 76% of total new loans approved of RM27 billion in 2005.

The Group's residential mortgage loans grew strongly by 27% in 2005 to RM17.79 billion at the end of 2005, resulting in a higher market share of

12% compared to 11% a year ago. During the same period, loans for the purchase of passenger vehicles increased by 18% to RM16.68 billion and loans to SMEs expanded by 13% to RM14.81 billion.

JCG Holdings Group recorded a stronger 12% loans growth in 2005 compared to the 3% growth in 2004.

## ASSET QUALITY

Group Asset Quality	2005		2004	
	Group	Public Bank	Group	Public Bank
NPL – RM'Million	<b>1,406</b>	<b>1,290</b>	1,510	1,406
Net NPL Ratio	<b>1.7%</b>	<b>1.7%</b>	2.1%	2.2%
Net NPL Ratio – Banking System <sup>1</sup>	<b>6.0%</b>	<b>5.8%</b>	7.5%	7.3%

<sup>1</sup> As at 30 November 2005.

The Public Bank Group's gross non-performing loans ("NPL") fell by RM104 million while net NPLs declined by RM39 million during 2005. Consequently, the Group's gross and net NPL ratios, based on a 3-month classification, improved to 2.1% and 1.7% respectively as at the end of 2005, from 2.7% and 2.1% a year earlier. This was significantly lower than the banking industry's gross NPL ratio of 8.6% and net NPL ratio of 6.0% at the end of November 2005.

## CHAIRMAN'S REVIEW OVERVIEW

Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality. The NPLs of the Public Bank Group has charted a consistently improving trend since 2001 both in terms of the quantum of NPLs as well as the NPL ratios. The consistently improving asset quality is a result of the Group's prudent lending policies and practices which were complemented by strong credit management and proactive recovery processes.

The Public Bank Group maintained a high level of provisioning with its ratio of general allowance to net loans of 1.6%. The Group's loan loss coverage at the end of 2005, before taking into consideration collateral, stood at 92% compared to 52% coverage for the banking system as at the end of November 2005.

NPL Trend	2005	2004	2003	2002	2001
Gross NPL – RM'Million	<b>1,406</b>	1,510	1,781	1,726	2,193
Net NPL – RM'Million	<b>1,173</b>	1,212	1,404	1,240	1,575
Gross NPL Ratio (%)	<b>2.1%</b>	2.7%	3.8%	4.5%	6.9%
Net NPL Ratio (%)	<b>1.7%</b>	2.1%	3.0%	3.2%	5.0%

### FUNDING

Group Customer Deposits	Outstanding		Growth Rate		Mix	
	2005 RM'Mil	2004 RM'Mil	2005 %	2004 %	2005 %	2004 %
Demand	<b>9,566</b>	8,683	<b>10</b>	18	<b>11</b>	12
Savings	<b>12,567</b>	11,498	<b>9</b>	19	<b>15</b>	16
Fixed	<b>43,210</b>	39,315	<b>10</b>	21	<b>51</b>	54
NIDs	<b>18,492</b>	12,482	<b>48</b>	>100	<b>22</b>	17
Others	<b>295</b>	268	<b>10</b>	–	<b>1</b>	1
	<b>84,130</b>	72,246	<b>16</b>	44	<b>100</b>	100

The Public Bank Group's total customer deposits increased by RM11.88 billion or 16% to RM84.13 billion at the end of 2005, with further improvement to the overall funding structure. Savings deposits grew by 9%, while demand deposits grew by 10%, outpacing the industry's annual growth rate of 5% and 8% respectively as at November 2005. Fixed deposits and negotiable instruments of deposit ("NIDs") recorded significant increases during the year to fund the strong expansion in the lending business of the Group.

Deposits from individuals made up 71% of the Public Bank Group's core demand, savings and fixed deposits, providing the Group with a stable deposit base. The Group's market share of deposits by individuals remained intact at 15%.

# CHAIRMAN'S REVIEW OVERVIEW

## CAPITAL

	Group		Public Bank		Banking System <sup>1</sup>
	2005	2004	2005	2004	2005
Shareholders' funds (RM'Million)	<b>8,482</b>	8,635	<b>8,138</b>	8,415	<b>na</b>
Core capital ratio (%)	<b>11.4</b>	13.8	<b>11.1</b>	13.8	<b>10.8</b>
Risk-weighted capital ratio (%)	<b>17.1</b>	17.8	<b>14.9</b>	15.3	<b>13.8</b>

<sup>1</sup> As at 30 November 2005.

The Public Bank Group's shareholders' funds stood at RM8.48 billion as at 31 December 2005 and was the third largest amongst banking groups in Malaysia. The marginal decline of the Group's shareholders' funds was due to the high dividend payout of RM1,652 million, including an interim dividend of RM473 million paid out in 2005 which offset the Group's current earnings and proceeds from new shares issued pursuant to the Public Bank Group Employees' Share Option Scheme.

The strong capitalisation of the Public Bank Group is reflected in its risk-weighted capital ratio ("RWCR") of 17.1% as at 31 December 2005, which was higher than the RWCR of 13.8% for the banking system as at November 2005 and more than twice the statutory minimum of 8%.

The core capital ratio and RWCR of Public Bank continued to be strong at 11.1% and 14.9% respectively.

## CAPITAL MANAGEMENT

Proactive measures continued to be taken in 2005 to improve the efficiency of the Public Bank Group's capital. In June 2005, Public Bank increased its Tier 2 capital by RM1.52 billion with the issue of USD400 million Subordinated Notes, thereby increasing the Group's total Tier 2 debt capital to USD750 million. The gearing up of its core capital with Tier 2 debt capital provides the Group with the capacity to pursue business and balance sheet expansion without burdening shareholders for more equity capital, thus improving the return on capital whilst maintaining a strong RWCR.

Public Bank has to date spent RM785 million to buy back a total of 124 million Public Bank shares, representing 3.6% of the issued and paid-up share capital of Public Bank. The share buy-back had resulted in an improvement of the Public Bank Group's return on equity by 2.0%.

As part of its initiatives to create shareholder value and improve the Group's capital structure, Public Bank maintained its high dividend payment ratio in 2005 with an interim dividend paid during the year of 20 sen less 28% taxation, as well as a proposed final dividend of 20 sen and a proposed special dividend of 15 sen, totalling 35 sen less 28% taxation, subject to the approval of shareholders. The total net dividends paid and payable for 2005 would amount to RM1,303 million, representing 136% of the profit after taxation and after transfer to statutory reserves of Public Bank for 2005.

The Public Bank Group is committed to delivering and maximising shareholder value over the long term through the active management of capital, with the aim to achieve improved return on equity and higher share price valuation multiples, whilst positioning the Group for strong balance sheet growth with an appropriate level of debt and 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 and maintain its traditionally strong balance sheet.

## CHAIRMAN'S REVIEW OVERVIEW

# impact of new financial reporting standards

In order to bring Malaysian accounting standards into convergence with International Financial Reporting Standards, the Malaysian Accounting Standards Board ("MASB") has approved 21 new or revised Financial Reporting Standards ("FRS"), of which 18 standards are applicable for financial years commencing on or after 1 January 2006.

Assuming that all the approved 21 FRSs were to be implemented for the financial year commencing 1 January 2006, the impact will be reflected in the Public Bank Group's financial statements for the quarter ending 31 March 2006. The new FRSs would require the application of fair value measurement techniques. This will introduce greater volatility to the Group's financial performance.

With the implementation of the FRSs, a number of the Public Bank Group's accounting policies will be changed. The key areas which would impact the Group are outlined below:

### Loan impairment

Presently, the Group's loan loss allowance is determined in accordance with BNM/GP3 Guideline issued by Bank Negara Malaysia. Under "FRS 139, Financial Instruments: Recognition and Measurement", the Group will not be allowed to recognise impairment until objective evidence is available that a loss event has occurred, for example, continuing deterioration of loan aging. Loan impairment is calculated as the difference between the carrying amount and the present value of future cash flows discounted at the loan's original effective interest rate. General allowance will be discontinued.

### Revenue recognition

Presently, interest on loans is recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an effective interest rate basis. This will mainly affect the Group's loan portfolio

with step-up interest rates, resulting in higher income recognition during the initial period of the loan tenor when the effective interest rate is higher than the contracted rate. Interest income will be lower in the latter period of the loan tenor when the effective interest rate is lower than the contracted rate.

### Investment properties

The Group's properties which are held for rental or capital appreciation are required to be reclassified to investment properties. "FRS 140: Investment Property" allows the valuation of investment properties using the cost model or the fair value model. Under the cost model, the properties will continue to be carried at cost and depreciated, and will be subject to impairment charge. If the fair value model is adopted, the properties will be measured at fair value and any changes in fair value is charged or credited to the income statement.





## CHAIRMAN'S REVIEW OVERVIEW

### Intangible assets

Amortisation of goodwill for the Group is no longer required under the new FRSs. Instead, any goodwill recognised within the Group is subject to an annual impairment test and any identified impairment must be recognised in the income statement immediately. Other intangibles will be amortised on a systematic basis that best reflects the expected pattern of consumption of the assets' benefits over their expected useful lives.

### Share-based payments

"FRS 2: Share-based Payment" will require the Group to recognise share options granted to employees as an expense in the income statement. The fair value of the share options at grant date will be expensed over their expected vesting period on a straight line basis. This rule will be applied to share options granted after 1 January 2005 and vested after 1 January 2006.

As at 31 December 2005, there are no share options that have been granted by the Group under the Public Bank Group Employees' Share Option Scheme which remained unvested.

### Capital implication

All prior period adjustments arising from the adoption of FRSs will be made to retained earnings and will result in a restatement of the Group's capital base. However, the actual impact on the Group's regulatory capital is not determined yet and will depend on the treatment to be determined by Bank Negara Malaysia.

### Transitional policy changes

As a result of these accounting policy changes, prior year adjustments will be effected to the opening retained profits. Restatement of comparative financial information will be required for those FRSs with retrospective implementation.

The summarised financial impact on the Group's income statement as a result of the implementation of the 21 new or revised FRSs are as follows:

	Expected Net Impact
Loan impairment	Positive
Revenue recognition	Positive
Investment property	Neutral
Intangible assets	Positive
Share-based payment	Neutral

The overall impact arising from the implementation of the 21 new or revised FRSs is expected to be positive and would have resulted in an enhancement of the Group's earnings in the range of 3% to 5% of the Group's 2005 earnings had the 21 new or revised FRSs been implemented in 2005.

## CHAIRMAN'S REVIEW OVERVIEW

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

## ratings

In July 2005, Rating Agency Malaysia ("RAM") reaffirmed Public Bank's long-term and short-term ratings of AAA and P1 respectively. The AAA rating is the highest rating given by RAM and is accorded only to financial institutions that are financially strong and offer the highest safety for timely payment of financial obligations.

RAM attributed Public Bank's high ratings to its strong fundamentals with superior asset quality, sturdy capitalisation and commendable profitability. The ratings further took cognizance of Public Bank's reputable franchise as one of the leading domestic commercial banks. RAM also noted that the merger of the finance company business of Public Finance with the banking business of Public Bank in

September 2004 has effectively reinforced Public Bank's position, allowing it to achieve economies of scale and optimize synergistic benefits by being a one-stop financial services provider.

Also in July 2005, Standard & Poor's Rating Services reaffirmed Public Bank's long-term credit rating of A- and short-term credit rating of A-2. Public Bank is one of the only two Malaysian banks with single A ratings by Standard & Poor's. The Standard & Poor's rating rationale cited Public Bank's standing as one of the top-tier commercial banks in Malaysia and its sound financial profile in the areas of asset quality, profitability and capitalization despite a competitive environment. Public Bank is also expected to continue enhancing its

business profile, by extracting further group synergies through streamlining its group operations and increasing cross selling of its products and services.

In October 2005, Moody's Investors Service reaffirmed Public Bank's long-term deposit rating of A3 and short-term deposit rating of Prime-1 in view of its solid financial fundamentals and conservatism. Moody's Investor Service also assigned Public Bank a Bank Financial Strength Rating ("BFSR") of C, reflecting Public Bank's strong recurring earnings, robust capital and good asset quality. Public Bank is one of the only two Malaysian banks with a BFSR of C.



## CHAIRMAN'S REVIEW

# BUSINESS OPERATIONS REVIEW

## review of group operations

### retail banking and financing operations

Underlying the Public Bank Group's core strategy of expansion through organic growth is its resolute focus on the retail banking and financing business. Over the past 5 years, total assets of the Group had expanded from RM45.28 billion at the end of 2000 to RM111.61 billion at the end of 2005. This multi-fold expansion of the balance sheet had been driven by growth of its lending business of close to or in excess of 20% per year for the last 5 years as well as strong growth in the Group's retail core customer deposits and wholesale corporate deposits business.

The extraordinary growth of the Public Bank Group's lending business over the past few years, which has positioned the Group as the second largest domestic lender in Malaysia, has been focused on lending to retail consumers and mid-market SMEs. In 2005, the Group's retail loans expanded by 20% to stand at RM63.25 billion as at the end of the year, with loans to consumers accounting for 77% of outstanding retail loans.



**CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW****CONSUMER CREDIT****Residential Property Financing**

The Public Bank Group's flagship residential mortgage loan packages, the 5HOME ("Home Ownership Made Easy") Plan and MORE ("Mortgage Refinancing") Plan continued to rank amongst the top housing loan brands in the market. In 2005, a total of RM6.23 billion of new residential mortgage loans was approved under the 5HOME Plan and MORE Plan as compared to RM5.56 billion approved in 2004. The Group's residential property financing portfolio grew by RM3.75 billion or 27% in 2005 to RM17.79 billion, outpacing the industry's annual growth rate of 12% as at November 2005. This translated to an increased market share of 12% of the residential property financing market.

To maintain the competitiveness of the Public Bank Group's residential mortgage loan packages, the pricing and product benefits of the 5HOME Plan and MORE Plan are regularly reviewed and enhanced in response to changing customer needs and market demands. The Group introduced an innovative "Zero Interest Knock-Out" rate package under its residential mortgage loan package in March 2005. Under this package, no interest is charged to the customers during the first year of the loan for properties under construction. The package was very well received with RM1.82 billion of residential mortgage loans approved under this package within the first 6 months of its introduction.

Following on from customers' feedback, another package was added to the wide suite of residential mortgage loan packages offered by the Public Bank Group. The "Single Tier Interest Rate" package priced at Base Lending Rate ("BLR") minus 0.35% was launched in July 2005, to



cater for a larger segment of house buyers. This package was further enhanced with better pricing structure and features in November 2005, offering BLR minus 0.50% for the first 15 years and BLR minus 0.70% for the subsequent years. To further differentiate the package and provide more flexibility to customers, the early settlement penalty clause was not imposed. This product feature caters well to customers who may wish to consider upgrading their homes within a short period of time whilst enjoying competitive rates at the same time. Apart from offering more choices of home loan solutions and lower interest rates to customers, the 5HOME Plan and MORE Plan also come with added benefits such as free credit cards for the entire tenure of the residential mortgage loan and free personal accident coverage for the first year.

As a major player in the residential mortgage loan market, the Public Bank Group has established strong business relationships with many established housing developers, real estate agents and solicitors with the business relationships further cemented through regular contacts and offering of competitive loan packages. Special end-financing packages are offered on an exclusive basis for selected housing projects to provide house buyers with convenient and competitive financing of their property purchases. Exclusive joint marketing activities were also carried out with established developers to promote the Group's suite of

residential mortgage loan packages. The Group also actively participates in major property roadshows and property exhibitions nationwide to promote and create awareness of its loan products as well as generate sales leads for business development. In 2005, the Group took part in 14 such roadshows and exhibitions.

The Public Bank Group fully supports the Government's initiatives to assist low income earners to own their homes. The Group has committed to provide financing for 37,125 units of residential properties costing RM180,000 and below which well exceeded Bank Negara Malaysia's priority sector target for lower cost home financing of 27,000 units with the Group's aggressive pursuit of the residential mortgage loan business and its flexible and competitive residential mortgage loan packages.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

industry annual growth rate of 10% as at November 2005. In 2005, 73% of the total motor vehicles financed by the Group were for new motor vehicles. With the robust growth of commercial vehicle sales in 2005, the Group has stepped up its commercial vehicle financing business by leveraging on its large mid-market SME customer base and the offering of competitive packages for commercial vehicle financing.

Proactive promotional and marketing activities were carried out throughout 2005 to enhance market penetration in the motor vehicle financing business. The Public Bank Group's network of car dealers expanded by 15% from 4,800 dealers in 2004 to 5,500 car dealers nationwide in 2005. The Group maintained strong business relationships with car distributors and car dealers through the participation and sponsorship of joint sales promotions, car sales carnivals, road shows as well as other joint promotional activities such as interest subsidy schemes. As part of its continuous efforts to improve services to customers, the Group will be launching the variable rate vehicle hire purchase packages in 2006. This will provide more financing options to customers seeking to finance their motor vehicles purchases.

### Motor Vehicle Financing

Motor vehicle financing continued to be one of the core areas of the consumer credit business of the Public Bank Group, with motor vehicle hire purchase financing accounting for 25% of the Group's total loans of RM68.10 billion as at end of 2005.

The sales of motor vehicles in Malaysia for 2005 remained strong. Based on a report by the Malaysian Automotive Association, the sales of new motor vehicles in Malaysia was 15% higher at 551,038 units as at the end of December 2005, as compared to 481,154 units for the same period in 2004. Sales of new commercial vehicles was particularly strong, with a growth rate of 59% in 2005.

Supported by the strong sales of motor vehicles in 2005, the Public Bank Group posted strong volume growth in its motor vehicle hire purchase financing business despite the increasingly competitive motor vehicle financing market. The Group's motor vehicle hire purchase portfolio grew by 18% or RM2.50 billion in 2005 to RM16.68 billion from RM14.18 billion as at end of 2004, outperforming the



The outlook for the automotive industry is expected to be positive with continued growth in motor vehicle sales. It is expected that more new and replacement models will be launched in 2006 with distributors embarking on aggressive marketing strategies to increase sales. In addition, the uncertainties in the automotive industry is expected to be reduced in early 2006 when the details of the National Automotive Policy are announced by the Government, which will set out the direction for the growth of the automotive industry over the next 5 to 10 years. The recent interest rate increase by Bank Negara Malaysia is not expected to dampen consumer demand for motor vehicles and car financing. With the motor vehicle hire purchase financing packages offered by the Public Bank Group remaining one of the most competitive in the market and the fast turnaround time for approval and disbursement of motor vehicle hire purchase loans of its Electronic Loan Delivery System, the Group is well positioned to expand further its motor vehicle hire purchase financing business.



## Share Financing

The performance of the Public Bank Group's share trading and margin financing business, PB Sharelink, was not spared by the sluggish performance of the Malaysian stock market in 2005 as trading volume on Bursa Securities contracted by 17% as compared to 2004. Despite the unfavourable market conditions and the keen competition in the share financing business, Public Bank continued to register growth in the number of share financing accounts and approved share loan limits by 17% and by 50% respectively whilst outstanding share trading and margin financing account balances increased by 40%. However, total gross brokerage and interest income of the Group from share trading and margin financing declined by 24%, reflecting the lacklustre performance of the stock market with relatively low volume and muted interest of retail investors.

To cater for the share trading and margin financing needs of a wider base of investors, Public Bank entered into broker tie-up arrangements with 8 stockbroking companies in 2005, where Public Bank will provide share margin financing to the clients of these stockbroking companies. Public Bank offers a highly competitive and attractive package for share margin financing which resulted in the healthy growth in the amount of loans approved. The increase in loans approved will contribute to higher interest income once trading volume on Bursa Securities picks up.

The Public Bank Group proactively reviews the competitiveness of the features of its PB Sharelink offerings and continues to improve its service delivery standards in order to meet customers' increasingly demanding needs in this highly competitive

business. Internet share trading, another service delivery channel to enable customers to conduct their share trading activities from the convenience of their home or office, will be fully implemented in early 2006.

In its effort to increase its share margin financing business, the Public Bank Group will continue to seek business opportunities through broker tie-up arrangements with stockbroking companies and offer highly attractive and competitive packages for share margin financing.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

Vehicles as grand prizes received overwhelming response. The “SMS2WIN” campaign with a Kia Sorento car as the grand prize and a multitude of Samsung lifestyle products was equally well received. The PB Manchester United MasterCard also achieved overall growth in 2005. The “Experience Old Trafford” contest which offers a “MU Dream Prize” of watching a home match at Old Trafford in England is a much sought after prize by Manchester United football fans.

In November 2005, Public Bank launched the Astro Interactive TV Coupons service in an exclusive partnership with Measat Broadcast Network System Sdn Bhd and Visa International. Visa credit card holders can download attractive bargains and special offers from participating merchant partners of Public Bank using the Astro decoder onto the EMV chip embedded on their Public Bank Visa credit cards. This revolutionary home shopping is a world's first and is available at no extra cost to Public Bank credit card holders.

In December 2005, Public Bank launched the PB Platinum MasterCard credit card to complement its existing PB Visa Platinum credit card. The product was an important addition to the portfolio of credit card products of the Public Bank Group.

### Credit Cards

The Public Bank Group recorded another year of strong growth in its credit card business in 2005. The number of applications for credit cards exceeded 200,000 and 122,000 new credit cards were approved. Credit card sales increased by 26% to RM2.00 billion whilst credit card receivables grew by 22% to RM581 million. The acquiring business volume registered a hefty increase of 53% to RM1.95 billion. As the credit card business continued to grow, non-performing credit card receivables remained low with a gross credit card non-performing loan rate of 2.2% as compared to the industry average of 5.1% as at September 2005.

In the Public Bank Group's efforts to expand its credit card base, it continues to leverage on its large customer base through concerted cross-selling efforts, particularly to residential mortgage loan and motor vehicle hire purchase financing customers. In 2005, 2 major credit card acquisition campaigns generated significant new credit card customers. The Public Bank Visa “8 Great Benefits” campaign with the “Capture Your Citra” contest, which offered 8 Naza Citra Multi-Purpose



The Public Bank Group is continuously mindful of and is alert to the potential risk of credit card fraud and unauthorise use of credit cards. Procedures and policies to combat credit card fraud are regularly reviewed and updated to minimise the risk of loss to credit card customers and the Group. In addition to being a pioneer issuer of EMV-chip credit cards, a key risk mitigation factor, Public Bank, in collaboration with both Visa International and MasterCard International, introduced the “Verified by Visa and MasterCard” Secure Code in 2005. This allows credit card holders to use their credit cards to shop online with a personal PIN and prevents the unauthorise usage of their credit card data in internet-based transactions.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

The Public Bank Group strategically expanded its merchant acquiring resources to aggressively grow the credit card merchant acquiring business. For 2005, total merchant sales grew by 53% to reach a record high of RM1.95 billion. The total merchant base also increased by 12% to 2,962 merchants with over 4,400 outlets nationwide. As a complementary business initiative to promote the Group's merchant acquiring business, the monthly PB Rewards Newsletter is used to highlight exclusive merchants offers and privileges. The "Back To School" promotion was another effort to drive cardmembers' spending at key Public Bank merchants whilst the Group's "Zero-Interest Instalment Plan" and "Flexipay Plan" enable cardmembers to make purchases at merchant outlets with interest-free instalment payment schemes.

### Personal Consumer Loans

The personal consumer financing business of Public Bank Group focuses primarily on the provision of personal consumer loans under the Bai-Al-Einah ("BAE") Islamic financing principle in Malaysia and the individual personal loans market in Hong Kong.

The Public Bank Group continued to promote BAE personal consumer loans in Malaysia which are offered to staff of government agencies, quasi government corporations and large corporations. As at the end of 2005, the Group was offering competitive BAE personal consumer financing to staff of 99 such agencies and corporations. As part of a proactive customer relationship management initiative, the Group is leveraging on its large base of residential mortgage loan customers by offering its BAE Plus personal financing packages to existing residential mortgage loan customers.

A team of dedicated Islamic Banking marketing managers and executives has been set up to promote and market BAE personal consumer financing products. Marketing and promotion activities were carried out throughout the year to increase the awareness of such products and enhance take-up rates. These activities include participation in Islamic financing road shows, events organised by regulatory bodies, setting up of booths at the premises of government agencies and conducting direct marketing calls. As a result of such marketing activities, the Group's Islamic personal financing portfolio expanded by 52% to RM240 million at the end of 2005 as compared to RM158 million as at the end of 2004. The Group will continue to leverage on its extensive branch network in Malaysia and its superior service delivery, together with the focused marketing activities of its dedicated sales force to further grow its personal consumer financing business in Malaysia.

In Hong Kong, the personal consumer financing business of the Public Bank Group is carried out by Public Finance Limited with its large network of 40 branches in Hong Kong. The Hong Kong economy continued to strengthen in line with the improved property market, growth in tourism and related industries as well as the easing of the unemployment rate, resulting in a significant improvement in consumer confidence. The individual personal loans business of Public Finance Limited benefited from the favourable economic conditions and despite stiffer competition, achieved a strong growth of 11% in its individual personal loans business in 2005.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

### SME LENDING

The Public Bank Group has been consistently supportive of the development of SMEs with its commercial lending activities strongly focused on the financing needs of this customer segment. Total new loans approved to SMEs in 2005 amounted to RM6.51 billion, an increase of RM0.54 billion or 9% compared to RM5.97 billion approved in 2004. Loans to SMEs represented 28% of total new retail loans approved for the year. In tandem with the higher volume of loans approved to SMEs, the Group's SME loans portfolio grew by 13% to RM14.81 billion from RM13.06 billion as at the end of 2004 and accounted for 22% of the Group's loan portfolio as at the end of 2005.



The Public Bank Group's flagship commercial lending product, the SWIFT ("Shophouse, Warehouse, Industrial Factory and Trade Financing") Plan continued to be the main driver in the growth in financing to the SMEs. In 2005, a total of RM7.02 billion of loans under the SWIFT Plan was approved. Regular revision of interest rates and continuous enhancements of product features are carried out to meet the evolving and diversified needs of the SMEs and keep the SWIFT Plan at the forefront of an extremely competitive market place. Apart from term loan, overdraft and trade bills, the SWIFT Plan also provides industrial hire purchase at attractive rates for SMEs that wish to obtain financing for new machinery and equipment to expand their production capacity. In addition, benefits such as free credit cards issued to business owners and directors and free electronic credit payment services for EPF and Income Tax payments are packaged into the SWIFT Plan. Under the "Free Legal Documentation" packages for the SWIFT Plan, all legal expenses incurred are absorbed by the Group when customers refinance their credit facilities from other financial institutions with credit facilities of the Group.

Access to adequate and timely financial resources is a key success factor for SMEs. Apart from the SWIFT Plan, the Public Bank Group continued to play an active role as an intermediary to provide loans under various Government loan schemes such as the Fund for Small and Medium Industries 2 ("FSMI 2") and the New Entrepreneurs Fund 2 ("NEF 2"). The FSMI 2 was introduced to assist SMEs in the manufacturing and services sectors whilst the NEF 2 was implemented to assist the growth of Bumiputera entrepreneurs. In support of the Government's initiatives to drive the growth of domestic business enterprises, a competitive "Special Loan Package for Small and Medium Industries" was introduced by the Group to complement the existing FSMI 2 scheme. The special loan package provides SME borrowers with the option of longer loan tenures at competitive rates for working capital and cashflow support. The Group also capitalised on the various credit guarantee schemes offered by the Credit Guarantee Corporation such as the New Principal Guarantee Scheme, the Flexi Guarantee Scheme and Small Entrepreneur Guarantee Scheme to structure competitive and flexible credit lines for SMEs that need credit enhancement.

## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

The Public Bank Group provides a wide range of trade bills facilities to support the financing needs of SMEs involved in import and export businesses. The Group's trade bills business grew by 15% to RM2.10 billion from RM1.83 billion in 2004. This resulted from aggressive marketing strategies and process re-engineering, such as the centralisation of trade bills processing at the Group's Trade Finance Centre. The centralised processing for trade finance activities resulted in improved operational efficiency and provided greater time and cost savings for customers. In addition to speedy service delivery, the Group also offers competitive foreign exchange rates for trade settlement. SMEs also have the option to open foreign currency accounts to retain their funds in foreign currencies in order to hedge against currency fluctuations.

The Public Bank Group is actively involved in participation and sponsorship of trade exhibitions and business events related to the promotion and development of SMEs. Promotional and business development activities such as conducting presentations on banking products and services are regularly carried out. The Group conducted training and extended advisory services on trade financing for SMEs to enhance their knowledge of

financing available and financing options for their business as well as to establish closer business relationships with trade associations and chambers of commerce. The Group actively participated in major trade exhibitions and seminars organised by various governmental bodies and trade associations such as the Malaysia External Trade Development Corporation, the SMI Association of Malaysia, the National SMI Consultative Centre, and the Federation of Malaysian Manufacturers to establish business relationships and obtain better understanding of the operations and financing requirements of SMEs.

With the Government's allocation of a further RM3.8 billion of expenditure for SME activities across the various economic sectors, the Public Bank Group, with the focus of its commercial lending activities on SMEs, is likely to continue to see strong growth in this part of its business. The Group is committed to continuing its support of the Government's efforts in making SMEs a key driver of economic growth and development.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

For the year, more than 531,000 savings accounts were opened, registering a growth rate of 21% whilst an additional 67,000 current accounts were opened. As part of the Public Bank Group's strategy to attract low cost savings and current account funds, the Group launched a 3 month promotional campaign in January 2005 for PB SaveLink and PB CurrentLink accounts. The campaign yielded a total of about 3,000 new accounts.

The Public Bank Group introduced the Basic Savings Account and the Basic Current Account in early 2005 to allow the banking public, especially the lower income groups, access to commonly used banking services to meet their banking needs at minimal cost. Close to 36,000 basic banking accounts were opened as at the end of 2005.

### CUSTOMER DEPOSITS

Increasing the Public Bank Group's share of the retail customer deposit market, particularly in lower cost current and savings accounts, remain a core business strategy of the Group. Capitalising on the superior service delivery at the front office of its branches and the extensive reach of its nationwide branch network, the Group's rate of growth of core customer deposits was higher than that of the banking industry in 2005.

In 2005, fixed deposits of the Public Bank Group expanded by 10%, savings deposits increased by 9% and demand deposits increased by 10% as compared to the banking industry's annual growth rate of 6%, 5% and 8% respectively for fixed deposits, savings deposits and demand deposits as at November 2005. The Group's strength in the retail individual deposit market was reflected in Public Bank's 17% market share in savings deposits.

The Public Bank Group continued to expand its wholesale customer deposits business in 2005. Negotiable instruments of deposit ("NID") outstanding as at the end of 2005 stood at RM18.49 billion, an increase of 48% compared to the end of 2004. The level of liquidity of Malaysian corporates remained high in 2005 and the issuance of NIDs provides the Group with the opportunity to tap the corporate deposit market to fund the strong lending growth of the Group, in addition to the strong growth in its core customer deposits.

To provide value-added services to increasingly knowledgeable and demanding customers' savings and investment needs, the Public Bank Group has developed and extended financial planning services to meet the long term savings, investment and risk management planning needs of customers. The financial planning services are provided by dedicated sales personnel known as Personal Financial Executives ("PFEs") who are continuously trained to upscale their skills and knowledge in order



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

to respond to the complexities of customers' savings and investment needs. Financial planning advisory services in the areas of unit trust funds, bancassurance, credit cards and other financial products are offered for the benefit of customers.

Financial planning services provides the Public Bank Group with an additional avenue of generating fee income. In the near term, the Group's line of financial services will be expanded to include trust services, will writing and estate planning, in line with the Group's quest of developing a comprehensive suite of financial planning products and wealth management services for customers. A financial planning software and a customer management system will be installed at branches to enable the PFEs to conduct financial planning and portfolio management and offer a full range of wealth management solutions to customers. The Group will continue to increase the number of PFEs to drive the growth of this source of fee income and to meet customers' needs and expectations.

In addition to the unit trust funds offered by the agents of Public Mutual, the branches of Public Bank offer the "PB Series of Unit Trust Funds" to customers seeking higher returns in the current low interest rate environment. Total sales of the PB Series of Unit Trust Funds in 2005 amounted to RM311 million and total asset under management of this series of funds as at the end of 2005 was RM537 million.

In support of the Public Bank Group's strategy to reduce high cost fixed deposit funding and to generate fee income, the Group launched a 5-year single premium endowment plan known as the "Guaranteed Income Plus Plan" ("GIPP") which was underwritten by Great Eastern Life Assurance (M) Berhad. The GIPP was specifically designed to provide customers aged between 19 and 65 years an alternative investment that enables customers to enhance investment returns whilst enjoying capital protection. At the same time customers also enjoy insurance protection based on the amounts invested. To further expand the range of insurance products sold by the PFEs, the Group launched the "PB Assurance-50 Care Plan" targeted at senior citizens aged 50 years and above.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

### CASH MANAGEMENT SERVICES

The Public Bank Group's Cash Management Services ("CMS") solutions offered through its branch network and electronic banking channels such as internet banking and direct debit continued to be enhanced in 2005 to provide value-added, convenient and user friendly services to corporate and individual customers. Corporations which subscribe to the Group's CMS solutions are able to leverage on the reach of the extensive branch network and multiple electronic delivery channels of the Group as well as having immediate access to funds and updated accounts receivables information promptly through the efficient and robust information reporting system which delivers account transactions data electronically to these corporate customers.

In 2005, the Public Bank Group introduced electronic tax payments via its internet banking platform which is available to all retail and corporate customers who are PBeBank.com registered users. The service, which is the first of its kind to be implemented

by a bank for the Inland Revenue Board, allows taxpayers to pay their taxes online. Tax payments can be effected online by way of funds transfer from customers' savings or current accounts and credit or debit cards and is available to all PBeBank.com customers free-of-charge. The online tax payment via PBeBank.com complements the tax collection arrangement via Public Bank branches. Employers can also make PCB payments to the Inland Revenue Board at Public Bank branches as well as online via PBeBank.com.

2005 also witnessed the Public Bank Group's participation in the Financial Process Exchange ("FPX"), an e-commerce portal promoted by Bank Negara Malaysia. The FPX provides internet-based online payments for corporations at a minimal service fee. With the introduction of the FPX, suppliers enjoy immediate funds availability and payment record reconciliation besides being able to reach out to a wide segment of customers. The payment transactions

available through FPX ranges from utility bill payments, payments to suppliers or vendors, stockbroking payments, insurance premium payments and unit trust investments. Public Bank is the only bank that has successfully implemented the full range of payment models for the FPX.

The Public Bank Group has also developed a comprehensive line of payables solutions offered as part of its CMS services which manages outsourcing of payables by corporations. With the electronic payment system, paperwork and operating costs are significantly reduced besides allowing for better management of funding and cash holding requirements. The CMS solutions also offer sophisticated reporting and delivery of timely and accurate information. In 2005, the Group posted a 10% increase in transactional income from its CMS business as compared to 2004.



## capital market operations

The Public Bank Group operates in the capital markets 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.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW



### TREASURY

The Public Bank Group's treasury business focuses on the sale and distribution of foreign exchange related services to retail and corporate customers of Public Bank, the acceptance of short-term deposits in the form of repurchase agreements from corporate and institutional customers, the issuance of negotiable instruments of deposit and the trading of Ringgit denominated securities. The Treasury Division of Public Bank also manages the short-term liquidity requirements of Public Bank's operations and runs a prudent proprietary book in the foreign exchange and interest rate markets.

The Public Bank Group had been able to generate a steadily growing stream of foreign exchange income from its strategy of concentrating resources on non-proprietary trading activities in the foreign exchange markets, thus avoiding

the risk of volatility in profitability of the Public Bank Treasury business usually associated with proprietary foreign exchange trading activities. In 2005, the Group continued to benefit from this strategy, generating a growth of 11% in foreign exchange income over that of 2004. The better performance in 2005 can be attributed to the liberalisation of foreign exchange administration rules by Bank Negara Malaysia and the un-pegging of the Ringgit to the USD in mid-2005, which resulted in more foreign exchange hedging requirements by the Group's retail and corporate customers.

Deposits from repurchase agreements and the issuance of negotiable instruments of deposit, primarily from corporate and institutional customers, supplement the core retail deposits of the Public Bank Group. As at 31 December 2005, these deposits accounted for 22% of the Group's total deposits from customers. The Group continues to commit resources to market for such deposits to further widen its deposit customer base, whilst at the same time providing a comprehensive range of services to its corporate and institutional customers.

Another major treasury business activity of the Public Bank Group is the trading of Ringgit denominated securities in the domestic bond market. As a Principal Dealer, Public Bank provides market liquidity for securities specified by Bank Negara Malaysia. In November 2005, the Malaysian financial market witnessed the first rise in domestic short-term interbank interest rates since 2000. Although this rise in short-term interest rates resulted in a rise in yields of long-term securities, the Group's strategy in recent years to invest mainly in short and medium tenured securities sheltered the Group in 2005 from losses in its securities portfolio in an environment of rising interest rates.





A significant event in the Public Bank Group's 2005 corporate calendar was the issuance of Public Bank's second offering of Subordinated Notes as Tier 2 capital. This issuance of USD400 million of 12 years Non-Call 7 years Subordinated Notes enabled the Group to further enhance its risk-weighted capital adequacy ratio to support the fast growing lending business and balance sheet of the Group. Proceeds of the Subordinated Note issued were mainly invested in bonds denominated in USD issued by Malaysian borrowers.

## **CORPORATE LENDING**

As at 31 December 2005, the Public Bank Group's corporate lending stood at RM4.85 billion as compared to RM3.98 billion a year ago. Despite the growing preference by large corporates to access the debt capital market, the Group was able to achieve strong loan growth due to its active marketing for new corporate customers and flexibility in meeting the increasingly diverse financing requirements of corporate customers.

For 2005, the majority of corporate lending was in the form of direct advances and trade financing lines to business enterprises engaged in financial services, manufacturing, construction, property development, and wholesale trade activities.

A total of RM39.3 million was recovered from corporate non-performing loans in 2005. This, coupled with stringent credit risk management policies and proactive credit control, contributed to the improvement in the gross non-performing loans ratio of corporate loans from 3.2% at the end of 2004 to 2.0% at the end of 2005.

The competition in corporate lending is expected to persist as corporate customers are likely to gravitate to the debt capital market for financing in view of expectations of higher interest rates. Public Bank's AAA rating will enhance its capacity to participate in the private debt securities market by allowing issuers of private debt securities guaranteed by Public Bank to tap lower cost funds.

## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

- Foreign equity participation limit for investment bank of 49%
- An investment bank will hold a merchant banking licence and a dealer's licence issued by BNM and the SC respectively. Where the investment bank undertakes futures activities, it will need to hold the necessary futures licences
- An investment bank will also be allowed to undertake fund management and unit trust businesses. Lending activities will be restricted to that necessary to complement fee-based activities and to offer comprehensive investment banking packages to clients as well as share margin financing facilities
- The minimum capital requirements of an investment bank that is part of banking groups will be determined by the minimum capital funds unimpaired by losses of the banking group of RM2 billion whilst the minimum capital requirement of an investment bank that is not part of a banking group is RM500 million
- An investment bank must maintain a minimum risk-weighted capital ratio of 8% under the Investment Bank Capital Adequacy Framework

### INVESTMENT BANKING

A significant development in 2005 in the domestic capital markets was the issue of the Guidelines on Investment Banks jointly by Bank Negara Malaysia ("BNM") and the Securities Commission ("SC") on 1 July 2005. This is an integral part of the Financial Sector Masterplan and the Capital Markets Masterplan to further enhance the capacity and capabilities of domestic capital market players to compete meaningfully in an increasing dynamic and globalised environment. The key areas covered by the Guidelines on Investment Banks are:

- The merchant bank, stockbroking company which has complied with the SC's Framework on Consolidation of Stockbroking Companies and discount house within the same banking group to be merged into an investment bank. Stand-alone discount houses that are not part of a banking group could also merge with another discount house to become a merchant bank and be transformed into an investment bank upon a further merger with a stockbroking company which has complied with the SC's Framework on Consolidation of Stockbroking Companies

In October 2005, BNM and the SC further announced that universal brokers are allowed to be transformed into investment banks if a universal broker merged with a discount house.

The merchant banking business and the stockbroking business of the Public Bank Group, which are carried out by Public Merchant Bank and PB Securities respectively, fulfil the requirements of the Guidelines on Investment Banks. As such the Public Bank Group will be able to transform its merchant banking business and stock broking business into an investment bank. This is expected to be completed in 2006.

Public Merchant Bank turned in pre-tax profits of RM9 million in 2005, which is RM6 million below the pre-tax profit achieved in 2004. Whilst the Malaysian merchant banking industry remains very competitive, Public Merchant Bank will continue to expand its fee-based income. In 2005, Public Merchant Bank acted as the adviser in respect of a number of initial public offerings ("IPOs") and corporate restructuring exercises. During the year, Public Merchant Bank completed 34 corporate exercise mandates, including 3 IPOs and 2 bond issues.

In the light of the Government's push for further mergers and acquisitions as outlined in its Budget 2006, Public Merchant Bank will also intensify its efforts to tap into opportunities arising from this growth area in addition to its existing focus on securing new mandates for IPOs and corporate restructuring exercises.

To further leverage on the extensive customer base of the Public Bank Group, Public Merchant Bank will focus on the Group's existing and well-established middle market business customers, which have the capacity and desire to access the capital market for either domestic equity or debt capital.



## FUND MANAGEMENT

The private unit trust industry recorded a lower asset growth rate of 17% compared to the 32% growth rate achieved in 2004 as a result of the bearish stock market performance, increasing its total assets under management to RM43.79 billion as at the end of 2005. However, the ratio of total assets under management of the private unit trust industry to the total market capitalisation of Bursa Securities rose to 6.3% at the end of 2005 from 5.2% at end of 2004 due to brisk sales of new funds and heightened investor interest in newly introduced foreign-invested funds.

Public Mutual maintained its high asset growth rate of recent years with a 22% growth in assets under management in 2005. Total assets under management of Public Mutual grew by RM2.20 billion in 2005, to reach RM12.08 billion as at the end of 2005, strengthening its position as the market leader with a further increase in market share of assets of the private unit trust industry to 28%. More significantly, in the face of bearish stock market conditions and intense competition, Public Mutual managed to expand its market share of equity assets in the industry to 32% as at the end of 2005. This has been achieved through the launch of 7 new unit trust funds, including a foreign fund in 2005 and the better performance of Public Mutual's unit trust funds compared to its competitors' funds. In addition, Public Mutual remained



the largest recipient of fund inflows from the EPF Members Investment Scheme in 2005. As a result of the strong sales performances, the total units in circulation of Public Mutual's unit trust funds increased by 40% to 23.59 billion units at the end of 2005.

### Number of Funds, Units in Circulation and Number of Fundholders

Year	2000	2001	2002	2003	2004	2005
No. of Funds	11	13	15	18	19	<b>26</b>
Net Asset Value (RM' Billion)	4.11	5.03	5.80	8.23	9.88	<b>12.08</b>
Units in Circulation (Billion)	7.02	9.10	11.32	14.77	16.91	<b>23.59</b>
No. of Account Holders	438,875	485,977	514,060	539,059	568,852	<b>730,655</b>

## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

Despite a lacklustre stock market performance in 2005, all of Public Mutual's equity funds outperformed their respective benchmarks for the year with total returns ranging between 0.1% and 6.9% for the year. In the small cap equity fund category, Public SmallCap Fund outperformed with a decline of 5.1% compared to the benchmark KL SmallCap Index's decline of 22.4%. Public Mutual's balanced funds, Public Balanced Fund and PB Balanced Fund, outperformed the benchmark Public Balanced Equity Index ("PBEIX") with returns of 6.4% and 5.0% respectively against the PBEIX's return of 0.7% over the same period. On the fixed income front, Public Mutual's bond funds for retail investors achieved competitive returns of above 5% against the 12-months fixed deposit rate of 3.7% in 2005.

In 2005, Public Mutual again received the highest number of fund performance awards amongst private unit trust management companies in Malaysia for fund performances up to 31 December 2004. Public Mutual won 9 Lipper Fund Awards and 9 Standard & Poor's Fund Awards, making it a grand total of 18 awards.




# CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

## PUBLIC MUTUAL BERHAD AWARD WINNING FUNDS IN 2004

			Total Awards
<b>Lipper Fund Awards</b>	<b>1 Year Category</b>	1) Equity Growth – PB Growth Fund 2) Equity Income – Public Industry Fund 3) Equity Small Companies – Public SmallCap Fund 4) Mixed Asset Growth – PB Balanced Fund 5) Bond Islamic/Syariah – Public Islamic Bond Fund	9
	<b>3 Year Category</b>	1) Bond General – Public Bond Fund	
	<b>5 Year Category</b>	1) Equity Islamic/Syariah – Public Ittikal Fund 2) Mixed Asset Growth – PB Balanced Fund 3) Bond General – Public Bond Fund	
<b>S &amp; P Fund Awards</b>	<b>1 Year Category</b>	1) Equity Malaysia – PB Growth Fund 2) Smaller Companies – Public SmallCap Fund 3) Islamic/Syariah – Public Islamic Equity Fund 4) Asset Allocation Malaysia Neutral – PB Balanced Fund	9
	<b>3 Year Category</b>	1) Islamic/Syariah – Public Ittikal Fund 2) Fixed Income – Public Bond Fund	
	<b>5 Year Category</b>	1) Islamic/Syariah – Public Ittikal Fund 2) Asset Allocation Malaysia Neutral – PB Balanced Fund 3) Fixed Income – Public Bond Fund	
<b>Total of Best Performing Funds Awards</b>			<b>18</b>

## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW



In response to new investment opportunities resulting from the new guidelines issued by the Securities Commission and robust demand for new unit trust fund offerings by investors, Public Mutual launched 7 new unit trust funds in 2005 with a total initial approved fund size of 8.5 billion units. These new unit trust funds included three Islamic funds and a foreign invested fund, the Public Far-East Select Fund, which was launched after the relaxation of the foreign exchange controls on 1 April 2005 by Bank Negara Malaysia which allowed unit trust companies to invest up to 30% of their total net asset value ("NAV") overseas. The Public Far-East Select Fund has a fund size of 1.5 billion units and invests up to 70% of its NAV in selected regional markets of South Korea, China, Hong Kong, Taiwan, Singapore, Philippines, Thailand and Indonesia. The successful launch of Public Mutual's first foreign invested fund will help to lay the foundation for the introduction of global fund products and innovative unit trust funds in 2006.

The new unit trust funds launched by Public Mutual during the year received very positive and strong response from the investing public, with the Public Dividend Select Fund, Public Islamic Opportunities Fund and Public Islamic Balanced Fund being fully subscribed during their respective offer periods or shortly after their launches.

In 2005, Public Mutual increased its sales agency force to over 11,000 agents, an increase of 34% from the end of 2004. The rapid expansion in the sales agency force is a result of Public Mutual's proactive agency recruitment and agency support programmes, backed by the strong Public Bank Group branding and Public Mutual's excellent fund management reputation.

Public Mutual has the largest number of Financial Planning Association of Malaysia registered Certified Financial Planners amongst unit trust fund companies and institutional unit trust agents, to meet the broadening demand for sophisticated financial planning services among the investing public and to keep Public Mutual at the forefront of a rapidly developing industry.

As part of a long standing customer relationship management programme aimed at building investor trust and loyalty, additional benefits were introduced and several investment and

financial planning-type seminars were organised for high-end Mutual Gold members, including some in regional towns.

Infrastructural improvements were made to increase operational and transactional efficiencies of Public Mutual. In addition to continued branch refurbishment and relocation activities to upgrade and extend Public Mutual's unit trust management services and financial planning facilities to unitholders and investors throughout the country, groundwork has been laid for the establishment of new branches in selected new growth areas in 2006. As part of the branch refurbishment improvements, 6 Public Mutual branches were equipped with "tm-net" hotspot wireless broadband internet access to facilitate, amongst others, the increased use of sophisticated in-house developed client service and financial planning services software by the agency force to improve their client servicing capabilities and boost agency sales productivity. In order to keep up with the continued expansion of its business and to enhance its strong branding and reputation, Public Mutual acquired a piece of land to build its new headquarters in Jalan Raja Chulan, which is strategically located in the heart of the banking and commercial district of Kuala Lumpur.

## SHARE BROKING

The performance of Bursa Securities in 2005 was lacklustre with the Kuala Lumpur Composite Index ("KLCI") closing at 899.79 points on 30 December 2005, down 7.64 points from 907.43 points on 31 December 2004, and down 54.09 points from the 2005 peak of 953.88 points reached on 8 April 2005. Total value of transactions on Bursa Securities also decreased from RM244 billion in 2004 to RM201 billion in 2005. Total market capitalisation also decreased from RM722 billion as at the end of 2004 to RM695 billion as at the end of 2005.

In line with the market liberalisation measures set out in the Securities Commission's Capital Market Masterplan, the Government announced in March 2005 that five foreign brokers and one foreign fund manager were allowed to operate in Malaysia to help accelerate the growth of the Malaysian capital markets. All five foreign brokers commenced business in 2005.

Amidst the challenges of a weaker stock market, increasingly competitive business conditions and further liberalisation, PB Securities achieved a pre-tax profit of RM21 million for 2005 compared to RM32 million in 2004. The lower profit was due to lower turnover, lower interest income and lower recoveries in 2005.

Despite the challenging environment, PB Securities was able to maintain its market share by focusing on growing the retail stock broking business, further developing its institutional business and leveraging on the Public Bank Group's large branch network and retail customer base. PB Securities has also been sensitive to changes in market conditions and focused its efforts in tailoring its products and businesses to meet the needs of its clients.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

### islamic banking



#### ISLAMIC BANKING BUSINESS

The Public Bank Group's Islamic banking and financing business continued to register another year of profitable operations. For 2005, the profit before tax and zakat of RM293 million accounted for 14% of the Group's pre-tax profit. The healthy profitability performance was driven by higher financing growth and maintaining sound asset quality.



The Public Bank Group's Islamic financing expanded from RM6.31 billion in 2004 to RM7.35 billion as at end of 2005, an increase of RM1.04 billion or 16%. Islamic financing constitutes 11% of the Group's total loans, advances and financing. The key strategy to drive Islamic financing growth was to continue expanding the core business of retail-based financing, in particular Al-Ijarah Thumma Al Bai ("AITAB") Hire Purchase-i, Al Bai Bithaman Ajil ("ABBA") Financing-i and Bai Al Einah ("BAE") Personal Financing-i.

In 2005, AITAB Hire Purchase-i recorded an increase of RM762 million from RM4.41 billion to RM5.17 billion or a 17% increase over the previous year. ABBA Financing-i which comprise of ABBA House Financing-i and ABBA Term Financing-i, recorded an increase of RM182 million from RM1.74 billion at the end of 2004 to RM1.92 billion at the end of 2005. BAE Financing-i recorded an increase of 52% from RM158 million at the end of 2004 to RM240 million at the end of 2005. These achievements were the result of the aggressive promotion and marketing approach adopted by Public Bank's branches.

The Public Bank Group's Islamic deposits continued to show strong growth by recording an increase of 75% or RM2.60 billion from RM3.49 billion at the end of 2004 to RM6.09 billion at the end of 2005. Wadiah Savings Account-i ("WSA-i") of RM2.12 billion and Wadiah Current Account-i "WCA-i" of RM1.02 billion account for approximately 52% of the Group's total Islamic deposits.

In sustaining the strong Islamic banking business performance, the Public Bank Group will continue to grow the Islamic financing business by providing innovative and competitive products and services to its customers. Continuous efforts will be made to leverage on the Group's 251 branches, its sales and marketing force and superior service delivery standards of the Group to drive higher Islamic financing and customer deposits growth.

In 2005, the Public Bank Group participated in the Islamic Banking and Takaful Road Show 2005 at four different locations, namely in Shah Alam, Alor Setar, Johor Bahru, and Putrajaya. The Islamic Banking and Takaful Road Show was organised by the Association of Islamic Banking Institutions in Malaysia and has helped to enhance and create greater awareness and knowledge of Islamic banking and takaful products and services.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW



To meet its social obligations, the Public Bank Group has paid zakat of RM128,000 for its Islamic banking operations ended 31 December 2004 as compared to RM100,000 paid in the previous year. The zakat was paid to seven state zakat collection centres, namely, Pusat Pungutan Zakat Wilayah Persekutuan, Pusat Zakat Selangor, Pusat Kutipan Zakat Pahang, Majlis Agama Islam dan Adat Melayu Terengganu, Pusat Zakat Melaka, Tabung Baitulmal Sarawak and Majlis Ugama Islam Sabah.

Effective from 1 April 2005, the Public Bank Group has adopted the Guidelines on the Governance of Shariah Committee for Islamic Financial Institutions ("BNM/GPS 1") issued by Bank Negara Malaysia and has appointed 3 Shariah scholars as the Group's new Shariah Committee members in compliance with BNM/GPS 1.

Moving forward, the Public Bank Group expects to see strong growth in Islamic banking and financing with the progressive implementation of the Financial Sector Masterplan which accords a high priority to the development of Islamic banking and financing both in Malaysia and internationally.

The Public Bank Group has obtained approval-in-principle from Bank Negara Malaysia to carry out its Islamic banking business through an Islamic subsidiary. The name of the Islamic subsidiary and the draft Memorandum and Articles of Association of the Islamic subsidiary have been submitted to Bank Negara Malaysia for approval. The Islamic subsidiary is expected to be set up in 2006. The existing Islamic banking window business carried on by Public Bank will be transferred to and be carried on by the new Islamic subsidiary. The operations of the Islamic subsidiary will be governed by the Islamic Banking Act, 1983 instead of the Banking and Financial Institutions Act, 1989. Among the advantages of the incorporation of the Islamic subsidiary are the running of interest-bearing and Islamic banking business separately whereas the operations of an Islamic banking window under one roof currently may invite ambiguity (gharar) concerning the legitimacy of profits generated from the business and the Group will be able to undertake a wider variety of products and services including investment banking and asset management.



### ROLE AND AUTHORITY OF SHARIAH COMMITTEE

The Shariah Committee was established under BNM/GPS 1 with effect from 1 April 2005, to advise Public Bank on the operations of its Islamic banking business in order to ensure that it is devoid of any element not approved by Islam. The roles of the Shariah Committee in monitoring Public Bank's Islamic banking activities include:-

- To advise the Board of Directors on Shariah matters in its business operations
- To endorse Shariah Compliance Manuals which specify the manner in which a submission or request for advice is to be made to the Shariah Committee, the conduct of meetings of the Shariah Committee and the manner of compliance with any Shariah decision
- To endorse and validate relevant Islamic banking documentation for Islamic banking products and services to comply fully with Shariah principles
- To assist parties such as legal advisors, auditors or consultants who may seek advice on Shariah matters
- To advise on matters to be referred to the Shariah Advisory Council of Bank Negara Malaysia
- To provide written Shariah opinions on Islamic banking operational matters

### ZAKAT OBLIGATIONS

This represents business zakat payable by Public Bank to comply with the principles of Shariah. Zakat is calculated using the Profit and Loss method at a zakat rate of 2.5% and based on the percentage of estimated Muslim individual shareholders.



**CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW**

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## serving the customer

### **CUSTOMER SERVICE**

The Public Bank Group has long recognised the need to provide excellent customer service that sets it apart from its competitors. In an increasingly liberalised market place where products and service offerings are progressively being commoditised, differentiating the Group in how the products and services are delivered will keep the Group ahead of the competition. The Group has continued to implement customer service improvement initiatives in 2005 to further improve on its already high level of customer service.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

The multi-phased Customer Care Campaign ("CCC") of the Public Bank Group with the theme "Doing It Right For You" was initiated in 1999. Phase I of the CCC was the introduction of the Group's special 'GUEST' treatment of all customers. Service quality was further improved with the introduction of Phase II of the CCC, "We Listen We Care", which emphasised on obtaining customers' feedback and turning it into opportunities for improvement. Phase III of the CCC, "Our Service Commitment Continues", reinforced the Group's service standards with the establishment of customer service focus groups at branches to drive customer service improvement. Phase IV of the CCC,

"First in Quality Service", focused on reducing the Standard Waiting Time for customer service at branch counters to 2 minutes and the Standard Processing Time to 1 minute for core banking transactions.

A sum of RM1.5 million was invested in Phase V of the CCC, "Your Needs Our Focus" which comprised two major initiatives. The first involved soliciting feedback via a survey questionnaire which was sent to 600,000 customers over 6 months. A Mystery Customer project was launched as the second initiative to conduct independent evaluation of front-line staff of branches in delivering the high standards of customer service set by the Public Bank Group. The response from customers throughout the duration of the survey was encouraging with a 14% response rate as compared to a normal response rate of 5% or less for direct mail surveys. About 96% of respondents expressed satisfaction with the Group's overall service delivery. The Mystery Customer project assessors graded the Group's overall service delivery as desirable in terms of staff attitude, staff knowledge, staff skill and speed of service. These anonymous assessors had unanimously agreed that the Group's strength laid in its speedy processing of transactions and short waiting time. The top 20 branches with excellent service delivery were recognised with awards which come with a cash prize of RM5,000 each.

The continued delivery of the high standards set by the Public Bank Group in the provision of customer service at the front office and in loan service delivery is reinforced by the bank-wide ISO 9001:2000 certification of these key areas of customer service. The quantitative service standards such as its 2-minute Standard Waiting Time and 1-minute Standard Processing Time for core banking transactions provide benchmarks to monitor counter service standards. In loan service delivery, the Standard Turnaround Time for credit processing of retail loans, corporate loans and credit cards, as well as loan disbursement benchmarks provide the basis of an accurate and transparent measure of achievement of customer service delivery standards.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW



The tri-annual re-certification by SIRIM QAS Sdn Bhd, the authorised ISO certification party for the Public Bank Group's bank-wide ISO 9001:2000 standards is a key component of the quality management systems and processes to sustain the level of customer service delivery excellence of the Group. The re-certification process and findings also provide the Group with feedback to further improve on its customer service delivery infrastructure and standards. In addition, in preparation for the tri-annual re-certification, proactive steps are taken to reassess procedures and processes, training requirements and further improvements to the quality management system. The successful re-certification of the Group's ISO 9001:2000 certification in 2005 of

both the provision of customer service at the front office and in loan service delivery is a reaffirmation of the high level of customer service delivery achieved by the Group and its long-term commitment to serving the customer better.

### LOAN SERVICE DELIVERY

The Public Bank Group achieved bank-wide ISO 9001:2000 certification in "Provision of Customer Service in Loan Delivery" in 2003. This customer service initiative encompasses the processing, approval and disbursement of retail loans, corporate loans, credit cards and hire purchase facilities by providing customer service in loan delivery that exceeds customers' expectations.

Central to the Public Bank Group's customer service in loan delivery is its electronic Loan Delivery System ("eLDS"). The eLDS is a system which enables loan applications to be input electronically at branches and routed to different approving authorities on a real-time basis. Relevant information submitted electronically include scanned copies of supporting documents and digital photographs of properties and business premises relevant to the loan application. Decisions in respect of loan applications are also routed electronically back to branches. The eLDS therefore obviates the need for submission of physical copies of loan applications and supporting documents. All loan applications, supporting documents, records of communication with branches and decisions are stored electronically in the server to be retrieved when needed. Apart from functioning as a loans processing and approval system, the eLDS also tracks the turnaround time for security documentation and disbursement of loans.

The eLDS allows the Public Bank Group to track benchmarks for service delivery, process a high volume of loan applications and achieve more than 90% conformance level bank-wide for standard turnaround times. With the eLDS, the Group has succeeded in achieving standard turnaround time for consumer loans of 2 to 3 working days while commercial loans are approved within 6 to 7 working days, depending on the approving level at branches or in Head Office.

Other benefits of the eLDS include enhancement of productivity through efficient interfacing with other systems, automation of the collation and submission of statutory and management reports and improvement in accuracy of reporting, reduction in administrative costs through savings in mailing and courier charges, printing and stationery costs and storage space for filing of records. Transmission of eLDS information electronically also results in improvement in response time in the communication of information and decisions between branches and Head Office as well as improvement in the efficiency and speed of retrieval of loan application files which are stored digitally for subsequent loan reviews.



In its continuous commitment to providing a consistently high level of customer service in loan delivery, the Public Bank Group further enhanced the eLDS to achieve a high level of conformance of the standard turnaround times. Such enhancements included shortening the turnaround time for all types of loan applications by one to two days, mandatory input of reasons for non-conformance of standard turnaround time and routing of online loan applications submitted via the PBeBank website to the eLDS to facilitate speedy processing and approval.

The steps taken in ensuring a high standard of customer service in loan delivery is a key factor in the very strong loan growth rates over the past 5 years.

## CHANNEL MANAGEMENT

The Public Bank Group continues to invest in a variety of self-service delivery channels as a value-added convenience to its customers, such as:

- Automatic Teller Machines
- Internet Banking
- TeleBanking via Interactive Voice Response ("IVR")
- Cheque Deposit Machines
- Cash Deposit Terminals


The Automated Teller Machines ("ATM") network remains the primary electronic delivery channel of the Group with a total of 332 in-branch ATMs and 26 off-branch ATMs throughout Malaysia.

## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

To further expand the Public Bank Group's self-service delivery channels, a number of Cheque Deposit Machines and Cash Deposit Terminals were installed at branches. As at the end of 2005, the Group had invested in a total of 164 Cheque Deposit Machines located at 110 branches and 7 Cash Deposit Terminals at 5 branches. These machines allow customers to directly credit their accounts in real-time, as well as providing greater convenience to customers to make various loan, credit card and bill payments. The use of these machines contribute to improved efficiency at branches by freeing up branch service counters and front-line staff, thereby enabling more staff resources to be allocated to providing services in other areas of the business.

The PBeBank.com Internet Banking channel has seen substantial growth in terms of users and utilisation rates in 2005. The number of registered users for PBeBank.com increased by 34% in 2005 whilst the volume of financial transactions executed through this channel increased by 64% over that of 2004 with total value of PBeBank.com transactions exceeding RM1.63 billion. The strong growth rates reflect a growing level of acceptance of the Public Bank Group's Internet Banking service by customers.

In a continuous effort to enhance the content of its non-transactional Web pages, the Public Bank Group successfully implemented online Loans and Credit Card applications via PBeBank.com. Customers can log on via Public Bank's website to apply for housing loans and credit card facilities. Approximately 11% of online applications were approved in 2005. Other features of PBeBank.com to enhance customer convenience have also been implemented in 2005. These include e-Statement, request for cheque books, linking of foreign currency account for enquiry purposes and enhancements to facilitate online customer enquiries.



While efforts to enhance the functionality of PBeBank.com is on-going, security of the channel remains of the highest priority. The Public Bank Group is constantly reviewing and implementing security mechanisms and improving the internal alert monitoring systems to detect fraud and unauthorised access. In 2005, a Multiple Alert Monitoring System with automated mechanism to flag suspicious transaction patterns was implemented.

### CUSTOMER LOYALTY PROGRAMMES

The Public Bank Group's strategy for developing and sustaining long-term customer relationships is supported by customer loyalty programmes which reward loyal customers.

Public Bank was the first commercial bank to participate in the BonusLink Reward Programme ("BonusLink"). Customers are rewarded with BonusLink points which can be accumulated and redeemed for attractive gifts. Public Bank's PB SaveLink Account and PB CurrentLink Account reward customers with BonusLink points based on deposit balances maintained in these accounts. As at the end of 2005, there were more than 118,500 PB SaveLink and PB CurrentLink accounts with total deposits amounting to RM615 million.

The Public Bank Group's PB PREMIUM Club is another loyalty programme aimed at rewarding loyal customers for their support. The PB PREMIUM Club provide customers with a sense of belonging to the Group which helps mitigate customer attrition. The PB PREMIUM Club has over 237,000 members. Membership of the PB PREMIUM Club is free. 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 participation in contests with attractive prizes.





Several initiatives were also implemented in 2005 to promote higher credit card usage by Public Bank Group's credit card holders. Loyal and frequent users of Public Bank credit cards were rewarded with either cash rebates in the form of the generous Cash MegaBonus of up to 1% or double loyalty points, MegaPoints and PremiumPoints, for PB Executive MasterCard card holders and RedPoints and MUPoints for PB Manchester United MasterCard card holders. Credit card members also had the opportunity to participate in 3 contests which offered, amongst highly attractive prizes, grand prize of cars and MPVs. Loyal credit card members are also accorded automatic credit line reviews and increases in credit limit in addition to automatic upgrade of Classic/Standard card membership to Gold card membership and from Gold to Platinum.

The Mutual Gold programme of Public Mutual is another initiative of the Public Bank Group which rewards customer loyalty. Unit trust investors who invest in or accumulate at least 100,000 Mutual Gold Qualifying Points ("MGQP") in an account or combination of accounts at any one time are accorded Mutual Gold membership. The benefits of Mutual Gold include, amongst others, preferential service and privileges, availability of repurchase cheques within one business day, free personal accident insurance coverage, regular updates through a quarterly magazine and will writing and trust services at special rates. In December 2005, Public Mutual launched the Mutual Gold Elite, an extension of the Mutual Gold programme. Mutual Gold members with 500,000 or more MGQP are accorded Mutual Gold Elite benefits in addition to the existing Mutual Gold privileges. The additional benefits offered to Mutual Gold Elite members include, amongst others, discounted health screening packages by participating hospitals and discounts for term, personal accident and critical illness insurance packages underwritten by participating insurance companies.



**CHAIRMAN'S REVIEW** BUSINESS OPERATIONS REVIEW

information and  
communication technology

Having completed the integration of the operations of Public Finance with that of Public Bank in 2004, the Information and Communication Technology ("ICT") resources of the Public Bank Group had been focused on enhancing the Group's ability to deliver operational excellence in 2005. The Group continues to build on its existing robust ICT platform through the process of infrastructure building, enhancement and addition of systems, implementation of business continuity initiatives and setting of performance benchmarks. These activities are all geared towards ensuring that the ICT platform of the Group continues to meet the exacting business requirements and high standards of operational service delivery excellence of the Group.





In 2005, the Public Bank Group's ICT investment was dominated by spending on infrastructure to meet the challenges of an enlarged customer base. The Group invested RM23 million in major computer hardware and data storage upgrades. On the IBM mainframe platform, two of the latest zSeries 890 IBM mainframes were purchased to replace the existing zSeries 800 mainframes. As a result, processing capacity was increased by 70%. With the upgrade, the sub-second transaction response time was further improved. With the additional capacity, the Group's systems are capable of taking on significantly greater business volume. Storage technologies that support new levels of accessibility, availability and scalability were also introduced. The disparate archiving storage media used for customer statements, reports and loan documents were consolidated to a

common Write-Once-Read-Many (WORM) disk storage system called Centera. A centralised SAN-enabled (Storage Area Network) tape library system called ADIC Scalar was implemented to consolidate the backup for the many separate Unix and Windows platforms. Following the consolidation and centralisation of storage requirements, more effective use of resources was achieved and a reduced cost of ownership of the ICT assets can be expected in the medium term.

In the area of systems development, the Public Bank Group continued to be driven by internal skills and resources. One key application that was completed after more than a year of relentless research and development is the integrated electronic Loan Delivery System ("eLDS"). The functionalities incorporate both front-end and back-end loan processing activities from the point of customer application to approval, securities documentation, fund disbursement, review and automatic conformance tracking to predefined ISO benchmarks. Under the current phase of development, eLDS workflow encompasses all types of conventional loans, hire purchase and Bai Al Einah Personal Financing-i loans. Plans are presently underway to include other types of loans such as share margin financing, credit cards, and the processing of loans for the Group's overseas operations.

With the implementation of Bank Negara Malaysia's Guidelines on Management of IT Environment ("BNM/GPIS 1"), the issues of IT governance, significantly enhanced risk management and greater regulatory compliance have been the subject of greater attention by the ICT function of the Public Bank Group. The heightened level of oversight on Business Resumption and Contingency Planning ("BRCP")



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

under BNM/GPIS 1 have engendered a greater sense of urgency in the Group's provision for business continuity. The Group's investment in its ICT infrastructure for BRCP as well as the need to comply with regulatory and governance requirements has been increased significantly. For instance, to meet with the Recovery Time Objective, which was reduced from six hours to three hours, for the recovery of mission-critical applications, the Group invested in a state-of-the-art real-time data mirroring technology called Symmetrix Remote Data Facility that instantaneously makes a copy of an updated record to the remote backup database 30 km away. The communications link between the two locations was also upgraded to 2 Gigabits/sec with redundant fibre optic routes using TimedotCom's most advanced Dense Wavelength Division Multiplexing networking technology. With this real-time data mirroring facility, the Group's retail banking system can be fully resumed at the backup site in less than three hours. Altogether, the cost in computer upgrades and communication network links to build greater resiliency in the provision for business continuity amounted to RM10 million over a three year period.



To cater for disruption to the Public Bank Group's Head Office work environment arising from natural disasters, alternate office premises has been set up in the IT and Training Centre of Public Bank in Bangi. The fully furnished BRCP premises is maintained for immediate occupancy and is equipped with computer equipment that have the same level of access to the applications currently available in the Group's Head Office for the resumption of critical business functions in the event of a disaster at the Group's Head Office.

To keep ahead of the latest criminal and hacking techniques as well as computer virus attacks, more stringent processes were introduced in the area of information security management. In addition to enhanced change control and crisis management, the firewall infrastructure was upgraded for high availability and capabilities such as automatic fail-over and load balancing. PCs and servers throughout the Group were also upgraded with various types of anti-virus programmes including anti-spyware.

In line with another requirement of Bank Negara Malaysia's BNM/GPIS 1, the Public Bank Group has established a comprehensive set of measurable Key Performance Indicators ("KPI") to drive improvement in operational efficiency and individual accountability of the Group's ICT function. The areas covered by the KPIs include systems availability ratios, system response times, capacity utilisation, covering CPU, memory and disk storage utilisation, system security and application development/maintenance efficiency. These KPIs are benchmarked to international industry standards and the Group has consistently met and exceeded these KPIs.



## recognising top performers

### BRANCH PERFORMANCE AWARDS

As part of its performance-based reward structure and as motivation for delivery of excellent results, the Public Bank Group accords recognition of the top performing branches in the form of the Branch Performance Awards annually. Besides rewarding outstanding performance achieved by branches, these awards also incentivise and inspire other branches to strive for target topping performances not only for the attractive monetary prizes but also recognition as top performing branches.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW

For the purposes of assessment for the Branch Performance Awards, branches are segregated into groups based on certain criteria including branch size to facilitate appropriate assessment of performance of comparable peer groups of branches. However, the winner of the Chairman and Founder's Award for the Overall Best Branch of the year can come from any group.

Branches are assessed in the key areas of business performance, loan asset quality, cost and risk management and customer service for the Branch Performance Awards. In the key area of business performance, branches are assessed on specific measures such as increases in retail loans and hire purchase financing, profitability, Islamic Banking business, demand and savings deposits and sales of credit cards and unit trusts. These measures are based on both growth rates as well as on a per staff basis. The assessment of branch performance also assigns a significant weightage for maintenance of healthy loan asset quality at the branch with zero non-performing loans as a key criteria.

The Branch Performance Awards comprise 13 Special Awards covering specific areas of business performance such as loan growth and profitability as well as customer service delivery, 6 Best Branch Awards for each branch grouping and the coveted Chairman and Founder's Award for the Overall Best Branch for the Year.

The winner of the Chairman and Founder's Award for 2004 which carried a cash prize of RM50,000 was Taman Sentosa Branch. A total of 90 individual awards were awarded to branches for their 2004 performance, with cash prizes totalling almost RM1.0 million.



## international operations

### INTERNATIONAL OPERATIONS

The Public Bank Group has overseas operations in five countries with branches in Hong Kong, Sri Lanka and Laos, subsidiaries in Hong Kong and Cambodia and a joint venture bank in Vietnam. International operations contributed RM310 million or 15% of the Group's profit before tax in 2005.

The Hong Kong economy continued to grow strongly in 2005 with buoyant re-exports and robust consumer spending. The growing consumer confidence and the much improved economic conditions had contributed to improvements in the property and the taxi business. The Public Bank Group's branch and subsidiaries in Hong Kong continue to remain competitive in the banking sector despite the intense competition for residential mortgage and taxi loans. Public Finance Limited recorded a profit before tax of HKD504 million in 2005, an increase of 18% over that of 2004. Public Finance Limited's loans and advances stood at HKD3.55 billion as at 31 December 2005, a growth of 11% while deposits stood at HKD2.38 billion, a growth of 11% as compared to 2004. The Group's business in Hong Kong will continue to focus on consumer financing and trading of taxi licences and its related financing activities.



## CHAIRMAN'S REVIEW BUSINESS OPERATIONS REVIEW



Public Bank's Hong Kong Branch registered another year of strong growth in loans of 98% in 2005 and, along with Public Finance Limited and Winton Holdings (Bermuda) Limited, are well-positioned to capitalise on the opportunities arising from Hong Kong's growing economic activities as well as synergistic effects of the strong economic growth in the People's Republic of China.

Public Bank Group's wholly-owned subsidiary in Cambodia, Cambodian Public Bank Limited ("Campu Bank") expanded the scale of its business significantly as well as introduced new services in Cambodia. Campu Bank successfully implemented the first chip-based ATM card in Cambodia in May 2005 and significantly expanded its business in Cambodia with the opening of two new branches in Sihanoukville and Battambang provinces in June 2005 and November 2005 respectively, doubling the number of branches in Cambodia to four. Campu Bank continued with its impressive track record of strong growth and profitability,

recording a profit before tax of USD9.6 million for 2005, an increase of 78% over that of 2004, while loans and deposits stood at USD83 million and USD125 million, having grown by 125% and 12% respectively in 2005.

Despite the avian flu outbreak and high global commodity prices, the general economic performance of Vietnam remained encouraging in 2005 with major contributions from the industrial and service sectors. Foreign direct investments showed an improvement in tandem with the Vietnamese government's effort to improve the business environment in Vietnam. In 2005, the State Bank of Vietnam continued its comprehensive banking reforms and modernisation programme to create a market-oriented banking industry and to prepare for gradual integration into the regional and international financial markets.

The amendment of the banking laws is expected to create a more level playing field and favourable conditions for joint venture banks operating in Vietnam. Public Bank Group's joint venture bank, VID Public Bank, which has 5 branches recorded a profit before tax of USD3 million reflecting an increase of 60% in 2005 compared to the previous year. To capitalise on the strong economic growth and business opportunities in Ho Chi Minh City, VID Public Bank will open its second branch in the city in January 2006.

Despite the difficult operating environment in Sri Lanka and Laos, Public Bank's branches in these two countries continue to operate profitably in 2005.



## CHAIRMAN'S REVIEW

# OUTLOOK FOR 2006

The Malaysian economy is expected to maintain its growth momentum in 2006, despite the increasing challenges of high oil prices, wide global imbalances and high global interest rates. GDP growth for 2006 is expected to be 5.5%, driven by private domestic demand. In particular, private consumption is expected to remain strong due to higher disposable income, stable employment and modest inflation outlook. Private investment is also expected to gather greater momentum next year in line with expected sustained domestic investment and inflows of foreign direct investment in manufacturing and services sectors. External demand is expected to improve based on the projection that growth in the global economy will be sustained at 4.3%. The recovery in the global semiconductor industry in the second half of 2005 is also expected to further strengthen in 2006.

In line with the positive growth outlook, Malaysia's economic fundamentals are expected to remain healthy. Unemployment is expected to remain low, while inflation is expected to remain modest and manageable. Malaysia's external position, based on the projected large surplus in the current account of the balance of payments, is expected to remain strong. While the Government is expected to remain on course to consolidate its financial position, Bank Negara Malaysia is expected to continue to maintain its accommodative monetary policy to support growth.



**CHAIRMAN'S REVIEW OUTLOOK FOR 2006**

Amid the positive growth outlook, the banking and financing sector is expected to continue to remain strong in 2006 with high levels of capitalisation and strong asset quality. The industry will continue to be the main source of financing for households and small- and medium-sized businesses. However, the competition in the lending business is expected to further intensify due to ample liquidity, continued disintermediation of bank lending and proactive marketing strategies by industry players. In addition, the liberalisation of the operating environment of foreign-controlled domestic banks in Malaysia, such as being allowed to open four new branches a year and access to the common ATM network is expected to add to the competitiveness of the industry. The establishment of new Islamic banks will also add to the competitive landscape.

In such an operating environment, industry players are expected to compete on competitive pricing, attractive terms, product innovation and higher service standards. To offset pressures on net interest margins, industry players are also expected to intensify their efforts to develop fee-based activity such as selling of unit trust funds, bancassurance and wealth management products.

The Public Bank Group will continue to capitalise on the growing economy to expand its core business activities, particularly consumer financing and retail commercial lending to mid-market SMEs without compromising on its strong asset quality. With a strategic network of 251 branches nationwide, a strong sales and marketing force and superior customer service delivery standards that is benchmarked against international standards, the Group is well positioned to further increase its market share, particularly in home mortgages, motor vehicle hire purchase financing and lending to SMEs. The recent announcement of a further allocation of RM3.8 billion to support the activities of SMEs by the Government will provide the Group with the opportunity to further expand its SME lending business and complement the Government's support of SMEs.

On liability management, the Public Bank Group will remain focused on growing its core customer deposits and also improve its deposit mix to reduce funding costs. The Group will continue to enhance its superior delivery standards, promote fee-based activity, promote its Internet banking channel and pursue greater cost efficiency and staff productivity by building on its successful business processes.

In its pursuit of business growth, the Public Bank Group will invariably adhere to good corporate governance practices, sound risk management policies and prudent credit policies and practices in order to support sustainable long-term growth and profitability of the Group for the benefit of all stakeholders. Given its strong performance in 2005, the Public Bank Group confidently looks forward to continue sharing its remarkable success in delivering superior shareholders' value. The Group is also committed to meeting its vital socio-economic responsibilities in line with its corporate social responsibility objectives. The Group will always be mindful of the need to meet the rising expectations of shareholders, customers, staff and regulators for long-term sustainable growth and profitable expansion in the years ahead.

**TAN SRI DATO' SRI DR. TEH HONG PIOW**

*Chairman*

*23 January 2006*



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A hand in a dark suit sleeve holds a traditional calligraphy brush with a red tassel. The brush is positioned over a dark, rectangular tablet with an intricate, embossed border featuring circular motifs and Chinese characters. The background is a dark, wood-grained surface.

A STROKE OF GENIUS

**ONLY LOOKS EASY**

The art of banking only comes naturally  
When we've spent years perfecting it  
This is how we keep

**RAISING THE BAR OF EXCELLENCE**



**PUBLIC BANK**

# 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

## CORPORATE PHILOSOPHY



## ► Caring for Our Customers

The Public Bank Group's commitment to excellence in customer service is reflected in the Group's pursuit of customer service levels which are benchmarked to internationally recognised ISO-standards and the continuous offering of new and innovative product and services.

Phase Five of Public Bank's Customer Care Campaign with the sub-theme "Your Needs, Our Focus" culminated with the highlight of the campaign which was an award presentation ceremony to lucky customers who participated in the customer survey. Public Bank believes in listening to its customers to keep abreast of their changing expectations and needs. The survey was conducted to solicit direct feedback from customers with 600,000 questionnaires sent to Public Bank's customers over a six month period. Simultaneously, an independent evaluation of staff compliance with Public Bank's service delivery standards was also carried out by mystery customers. The Bank received an overwhelming response to the survey and rewarded the lucky winners from Klang Valley and other regions with attractive cash prizes.

The Public Bank Manchester United MasterCard cardmembers who participated in the "Experience Old Trafford" Contest were rewarded with a dream trip to Manchester, England. The prize included return flight to Manchester, three nights accommodation, RM1,000 spending money and a guided tour.

In enhancing customer service and convenience, Public Bank launched a service to enable individual and corporate tax payers to make their tax payments via the Bank's internet banking channel, PBeBank.com. Public Bank is the first bank to provide this convenient online tax payment for customers.

The strength of the Public Bank brand was endorsed by the Reader's Digest SuperBrands 2005 for the second consecutive year.



### ► Caring for Our Employees

In its belief that Human Capital is one of its greatest assets, the Public Bank Group continuously undertakes activities aimed at promoting the overall well-being of its employees.

Besides the attractive staff remuneration and fringe benefits, the Bank coordinated a total of 23 Health Talks and forums with Hospitals/Health Service Providers in the Klang Valley in 2005 to increase the employees' awareness of the various health issues and health maintenance. In addition, employees of all levels also underwent a full medical check up aimed at ensuring that the employees maintain a healthy lifestyle and facilitating early detection of any serious illness. In August 2005 when the country was badly hit by the haze menace, the Public Bank Group purchased masks for distribution to its employees for their health protection.

A rest and recovery room was set up at the Bank's Head Office for employees to recuperate if they suddenly fall ill during office hours and while waiting for the doctor/medical aid to arrive.

The Bank believes in taking care of its employees not only during their tenure of service with the Bank. In unfortunate circumstances where the employees passed away, the Bank ensures that the Group Term Life/Personal Accident Insurance Policy claims are distributed to the next of kin. In 2005, the Bank distributed a total claim of RM678,000-00 to the families of demised staff.

Staff have also stepped forward to assist their colleagues in time of need through generous cash donations collected through the Public Bank Group Sports Club. In 2005, a total of RM23,500-00 was collected to assist 6 colleagues in need of urgent financial aid.

The Bank has been granting long service awards to staff in recognition of their loyal service and contribution. In 2005, the Public Bank Group presented long service gold medallions to 1,501 employees who had served 10 years and more worth a total of RM1.6 million.

## CORPORATE PHILOSOPHY



The consistently strong financial performance as reflected in the Public Bank Group's unbroken profit track record since it started business and the excellent corporate governance practiced by the Group, together with proactive management of the efficiency of the Group's capital structure are the key factors driving healthy returns to shareholders and enhancement of long term shareholders' value.

### ► Caring for Our Shareholders



The Annual General meetings ("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 platform with an extensive analysis of the Group's performance being presented by the Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow which is comprehensively illustrated by visual presentation of key figures data. In 2005, approximately 2,900 shareholders and proxy holders attended the AGM.

In 2005 Public Bank received a total of 13 awards from local and international publications amongst which were five best bank in Malaysia awards FinanceAsia, Euromoney, The Banker, The Asian Banker and The Asset.

For the first time in its history, Public Bank paid an interim dividend of 20 sen less 28% taxation in 2005. Together with the proposed final dividend of 20 sen and special dividend of 15 sen totalling 35 sen less 28% taxation, the total dividend for 2005 would amount to RM1.30 billion.



Public Bank's excellent corporate governance was accorded recognition with the award of the Malaysian Business Corporate Governance Award by the Malaysian Business magazine for the third consecutive year. The Public Bank Group remains the benchmark for corporate governance.



# CORPORATE SOCIAL RESPONSIBILITY

## ► Caring for Our Community...

Corporate Social Responsibility (“CSR”) is often viewed as business ethics, environmental sustainability or corporate philanthropy. CSR is essentially about how a business takes account of its economic, environment and social impact arising from how it operates and a company’s performance should be measured not only by the economic value it has created but also its impact on society and the environment.

There is an increasing recognition by corporates that CSR can be a key differentiation and a means of achieving real business value in a competitive landscape. Customers and the public in general are not only more aware of the wider responsibilities of corporations but are also demanding greater social accountability of corporates, both directly and through “voting” with their choice of who they buy their goods and services from.

The Public Bank Group have always been committed to operate in an economically, socially and environmentally sustainable manner. For a leading financial institution with its business deeply rooted in the domestic community and whose services reach out to the entire community and whose branch network extends to every part of the country, the Group fully subscribes to the notion of fulfilling its responsibilities to the community it operates in. The Group strongly believes that in fulfilling its corporate social responsibilities, it will enhance its reputation and branding, which are not only of particular importance in a service oriented industry but will result in reduced reputational risk and improve longer term sustainability of the Group’s business.

Public Bank, as the 5th largest listed company on Bursa Securities, have a strong following amongst international institutional investors. There is a clear global trend in the development of socially responsible investment, particularly by international institutional investors whose investment criteria have shifted from pure financial returns and performance to a wider perspective. Increasingly, when investment decisions are made, environmental and social responsibility criteria and how corporates fulfil their CSR are accorded a greater weightage or even regarded as a disqualification criteria.

In discharging its corporate social responsibilities, the Public Bank Group have in 2005 focused on the areas of healthcare, education, professional development, contribution to charity and conservation of the environment.



## CORPORATE SOCIAL RESPONSIBILITY

### HEALTHCARE

Public Bank donated RM200,000 to the Academy of Medicine Malaysia (“AMM”) and the Academy of Family Physicians of Malaysia (“AFPM”) in their effort to raise funds for the building of a five-storey Academy Building for both the Academies and other specialist societies associated with the AMM and AFPM.

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

A donation of RM10,000 was made to Hospis Malaysia, an organisation that caters to palliative care services for patients suffering from cancer and other advance illnesses and their families.

Public Bank organized its 14th blood donation campaign in 2005 to help the National Blood Bank to replenish its blood bank and allow staff to do their part in contributing to society.

### EDUCATION

The dream to be world class for the marching band of SMK (P) Methodist Kuantan was realized when Public Bank contributed RM440,000 towards their participation in the World Music Championship held in Kerkrade, in the Netherlands in July 2005.

Public Bank contributed RM10,000 to the Faculty of Communication & Media Studies, Mara University of Technology for the organisation of a workshop in Crisis Communication.

SMK Convent Bukit Nenas’s effort to restore the ‘Nazareth House’, a heritage building which houses a computer laboratory and library, received the support of Public Bank with its donation of RM5,000 towards the project.

Public Bank continued to support the promotion of “duitsaku”, a programme to promote savings among school children jointly organised by the Ministry of Education and Bank Negara Malaysia through participation in the various activities at school level.

Individual branches also contribute to schools in their vicinity for school building funds, school adoption programme, promotion of students savings programme and other activities as part of their commitment to education and the community.





### PROFESSIONAL DEVELOPMENT

Public Bank donated RM1 million to the Perdana Library project. The project, initiated by the Perdana Leadership Foundation, is to preserve and propagate the intellectual heritage of Malaysia's past prime ministers.

Public Bank continued to sponsor the 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.

In encouraging best practice and global standards, Public Bank partnered the Institute of Public Relations Malaysia to deliver the first batch of Accredited Practitioners in the Country.

Public Bank also lent support to the Malaysian Institute of Corporate Governance ("MICG") by sponsoring RM10,000 towards the organisation of the Conference on "Corporate Governance – The Way Forward" by the MICG.

A sum of RM10,000 was donated to Persatuan Karyawan Malaysia in conjunction with its 5th Anniversary Celebration. The association was established to look after the welfare of creative and performing artists in Malaysia.

Other professional organisations and NGOs which received the support of the Public Bank Group in their projects included the Association of Islamic Banking Institutions in Malaysia for organising the Islamic Banking and Takaful Expo 2004, the Malaysian Press Institute and the Polis Di Raja Malaysia.

### CHARITY

Public Bank sponsored RM20,000 for the purchase of signature publication entitled 'Kuala Lumpur – Corporate Capital Cultural Cornucopia' in conjunction with the charity launch of the book. Profits from the sale were donated to Majlis Kanser Nasional, Seri Kenangan Old Folks Home and the Malaysian Tsunami Relief Fund.

The Malay Mail Big Walk 2005 received the support from Public Bank with its donation of RM10,000 towards the event.

Public Bank distributed 'duit raya' of RM100 each to children from Rumah Anak Yatim Peyakin and the Pure Life Society in conjunction with Deepavali and Hari Raya Aidil Fitri. Goodies worth RM50,000 were also distributed to 200 police traffic personnels in Kuala Lumpur.

Public Bank Group supported the 'Yayasan Kebajikan Negara Malaysia ("YKNNM") by placing YKNNM donation collection boxes at all 251 Public Bank branches throughout the country to facilitate collection of donations from the Group's customers, employees and visitors to the Group's branches on behalf of YKNNM. The beneficiaries of YKNNM are members of the public of all races from the low income group requiring financial assistance for medical services.

Tan Sri Dato' Sri Dr. Teh Hong Piow presented the first donation of RM10,000 to YKNNM on behalf of Public Bank.

In conjunction with the 2006 Chinese New Year, Public Bank collaborated with the Lembah Pantai Service Centre by distributing ang pows and hampers to 250 senior and needy citizens from the Lembah Pantai constituency worth RM47,000 with each senior citizen receiving an ang pow of RM118 each.



## CORPORATE SOCIAL RESPONSIBILITY

### ▶ Caring for Our Environment

#### OUR CONTRIBUTION TOWARDS CONSERVATION OF THE ENVIRONMENT

The Public Bank Group continues to play its part in supporting conservation and environmental protection by participating in activities to promote conservation and care for the environment.

#### CONSERVATION OF THE HAWKSBILL TURTLES

The World Wildlife for Nature (“WWF”) Malaysia in collaboration with the Fisheries Department had established the Padang Kemunting Turtle Management Centre in Melaka, the only Hawksbill turtle hatchery and information centre in the country as part of its effort to protect the Hawksbill turtles, a critically endangered species.



Public Bank contributed RM45,000 to WWF Malaysia in support of this environmentally significant project to protect the Hawksbill turtle population and the nesting sites of the Melaka coastline and to promote conservation of these endangered species. Public Bank's contribution had assisted WWF Malaysia in financing their conservation awareness activities which include production of calendar and educational posters featuring turtles, research on the awareness of the local communities and their economic dependence on turtles.



Staff of Public Bank from Head Office, Melaka and Negeri Sembilan branches participated in a one-day programme at the Padang Kemunting Turtle Management Centre where they attended an educational talk and participated in the hatchery clean-up maintenance work and beach cleaning.



#### ANNUAL CORPORATE GIFTS PROMOTING FLOWERS OF MALAYSIA

As part of its efforts 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 promote the beauty of nature, featuring beautiful Malaysian flowers. 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 and 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. The paper was handed over to Malaysian Newsprint Industries for recycling.





# HUMAN RESOURCE DEVELOPMENT

## Creating the Human Capital Edge

*"Learn from the past. Live in the present.*

*Prepare for the future."*

An organisation is only as good as the people it has. In today's competitive environment, organisations are required to, not only manage the twin pressures of globalisation and rapid changes, but at the same time, maintain a competitive edge. Visionary organisations will make this happen by getting the best out of their people, nurturing their talents to blossom to their full potential in pursuit of the organisations' goals.

### REALISING THE POTENTIAL OF OUR STAFF

Public Bank Group has always displayed a readiness to invest in its staff right from the onset of their career with the Group, equipping them with knowledge, skills and attitudes that will enable them to make their mark in the organisation. Strong induction and orientation programmes

are among the training lined up for staff from day one to inculcate in them the right corporate values and a sense of belonging.

In the current intensely competitive environment, the extent of employee engagement is a key differentiator that will impact the business. Engaged staff who are passionate about the Public Bank Group's goals and committed towards its values are the best advocates of the Group and its products and services. The HR Division therefore continually provides the necessary support and infrastructure to facilitate a conducive work environment through constant internal communications with staff, fair and reflective reward system and provision of opportunities for growth and development. In so doing, the Group's HR policies help to drive the move towards achievement of business goals for both the immediate and long-term.



## HUMAN RESOURCE DEVELOPMENT



### THE BASIS OF COMPETITION – THE KNOWLEDGE OF OUR PEOPLE

Recognising that it is our people who will make the difference to outperform the competition, the Public Bank Group's staff competencies are constantly being reviewed and assessed for alignment with corporate objectives. The Group invests substantially in the development of the right competencies so that staff are equipped to be "intelligence workers" focused on what matters to customers to respond to their needs. Staff are encouraged to emotionally connect with customers to deliver consistent, familiar experience throughout the Group.

A "learning landscape" was built featuring various solutions and customised learning for staff, through a variety of delivery channels in order to extend the reach of training and ensure rapid and instant dissemination of knowledge across the entire

organisation, while realising the benefits of economies of scale. The e-learning platform, being the latest channel introduced, encompasses in particular training in product knowledge, regulatory and statutory framework requirements and revision modules for preparation of certification qualifications.

In 2005, classroom training programmes covering management skills, core banking issues and specialised areas such as credit and selling skills were conducted for 15,550 participants spread over 1,850 training days. Another 12,513 participants underwent e-learning through the Group's e-learning platform covering 2,889 training days.

Public Bank recognises the importance of aligning its HR solutions with business priorities as the financial symbiosis between the Group and its human capital is such that one cannot thrive without the success of the other.



# CALENDAR OF SIGNIFICANT EVENTS 2005



3 February 2005 ▲



13 February 2005 ▲

## 31 January 2005

Community

Public Bank sponsored RM20,000 for the purchase of 50 copies of a signature publication entitled 'Kuala Lumpur – Corporate Capital Cultural Cornucopia' in conjunction with a charity launch by the Prime Minister of Malaysia, Y.A.B Dato' Seri Abdullah Ahmad Badawi held at the Islamic Arts Museum.

## 3 February 2005

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow graced the inaugural National Sales Convention 2005 for 220 Sales and Marketing Executives and Personal Financial Executives nationwide at Menara Public Bank.

## 13 February 2005

Employee Relations

Tan Sri Dato' Sri Dr. Teh Hong Piow hosted a special Chinese New Year gathering and dinner at the Mandarin Oriental, Kuala Lumpur to usher in the lunar year of the rooster. The dinner was attended by members of the Board of Directors, management and staff.





22 February 2005 ▲



5 March 2005 ▲

**22 February 2005** Awards & Recognitions

Tan Sri Dato' Sri Dr. Teh Hong Piow was named Malaysia's Best CEO Of The Year 2004 by Asiamoney. The award was presented by the Editor of Asiamoney magazine, Mr. Chris Cockerill at a presentation ceremony held at the Mandarin Oriental, Kuala Lumpur.

**26 & 27 February 2005** Corporate

Public Bank, jointly with Public Mutual, took part in the Islamic Banking & Takaful Roadshow 2005 exhibition which was officially launched by Selangor Exco member, YB Dato' Ahmad Nawawi bin Dato' Mohd Zain, at the Dataran Shah Alam, Selangor.

**5 March 2005** Corporate

Public Bank held its first Management Seminar for 2005 with the theme "Continue Raising The Bar of Excellence" at the Sunway Lagoon Resort Hotel, Petaling Jaya which was presided by Tan Sri Dato' Sri Dr. Teh Hong Piow with a record attendance of 1,003 participants.

**5 March 2005** Corporate

Taman Sentosa branch won the Chairman and Founder's Award for the Overall Best Branch Challenge Trophy for the Branch Performance Awards 2004 at the Management Seminar Dinner held at the Sunway Pyramid Convention Centre, Petaling Jaya, Selangor.

**24 March 2005** Community

En. Razak Dali, the General Manager of Public Affairs Division presented collection of old newspapers and magazines to Mr. Chu Chiu Loc, the General Manager of Recycle Paper Division, Malaysian Newsprint Industries for recycling whilst proceeds were donated to charitable organisations. The Bank conducted a month long paper recycling activity as part of the Environment Awareness Campaign.

**30 March 2005** Corporate

The 39th Annual General Meeting of Public Bank was held at the Shangri-La Hotel, Kuala Lumpur. The meeting was attended by a record turnout of about 3,000 shareholders and proxy holders.



▲ 26 & 27 February 2005

## CALENDAR OF SIGNIFICANT EVENTS 2005

**31 March 2005**

Corporate

The Public Bank Group achieved a profit before taxation of RM480 million for the first quarter 2005, which was an increase of 11% compared to RM430 million achieved for the first quarter of 2004.

**31 March 2005**

Community

Public Bank reached out to the youths of the Dang Wangi Police District Cadet Corp by contributing RM5,000 towards its 11th Annual Camping Programme.

**18 April 2005**

Corporate

Public Bank was listed in the Forbes Global 2000 Leading Companies in the World with a ranking of 912th.



20 April 2005 ▲



25 April 2005 ▲



▲ 25 April 2005

**20 April 2005**

Community

Public Bank sponsored RM440,000 to enable the SMK (P) Methodist Kuantan's Brass Band represented Malaysia at the World Music Championship in the Netherlands from 30 to 31 July 2005.

**25 April 2005**

Awards & Recognitions

Public Bank was awarded the Best Domestic Bank in Malaysia 2004 by the Asset Magazine. The award was presented to Tan Sri Dato' Sri Dr. Teh Hong Piow by Y.B. Tan Sri Dato' Sri Nor Mohamed Yacop, the Finance Minister II.

**25 April 2005**

Community

Public Bank donated a brand new fully equipped ambulance costing RM100,000 to the St John Ambulans Malaysia, Wilayah Persekutuan.



28 April 2005 ▲



3 May 2005 ▲

**28 April 2005** Awards & Recognitions

Reader's Digest named Public Bank the winner of Reader's Digest SuperBrand Gold Award 2005 in the Reader's Digest SuperBrands 2005 Survey for the second consecutive year under the banking services category.

**28 April 2005** Corporate

Public Bank held a prize presentation ceremony in appreciation of its customers participation in an extensive survey of Public Bank's service delivery standards. Cash prizes were presented to the winners by Mr. Tang Kam Hoe, Director of Banking Operations Division at Menara Public Bank.

**29 April 2005** Community

Public Bank contributed RM5,000 to the SMK Convent Bukit Nanas School to help restore the school's heritage building which houses a computer laboratory, library, prefect room and sixth form council room.

**30 April 2005** Community

Public Bank donated RM200,000 to the Academy of Medicine Malaysia and the Academy of Family Physicians of Malaysia for its Academy Education and Development Fund to contribute to the building of a five-storey Academy building at Jalan Tun Razak.

**3 May 2005** Corporate

A prize presentation ceremony was held at Menara Public Bank to acknowledge the winners of the Public Bank Group's credit card "Experience Old Trafford" Contest. Two lucky winners won a trip to the Theatre of Dreams to watch two live matches at Old Trafford, Manchester, England.

**4 May 2005** Awards & Recognitions

In an award presentation ceremony held at the Mandarin Oriental, Kuala Lumpur, Dato' Sri Tay Ah Lek, Managing Director of Public Bank accepted the Asia's Best Companies 2005 award by FinanceAsia on behalf of Public Bank from Mr. Helman Sitohang, Managing Director of Credit Suisse First Boston.



▲ 4 May 2005



## CALENDAR OF SIGNIFICANT EVENTS 2005

7 May 2005

Employee Relations

Public Bank participated in the Labour Day Rally 2005 which was held at the Stadium Putra, National Sports Complex, Bukit Jalil. The event was graced by our Prime Minister, Y.A.B. Dato' Seri Abdullah Haji Ahmad Badawi. The Public Bank contingent comprised 100 staff from Head Office and branches.

9 May 2005

Community

Public Bank contributed RM5,000 towards the Tabung Sukan PDRM shooting team in support of their participation at the World Police Fire Games 2005 in Quebec City, Canada. Tuan Hj Nizam, Director of Security Division handed over Public Bank's contribution.

14 May 2005

Employee Relations

Public Bank Wilayah Persekutuan/Selangor Region III celebrated a colourful 39th Anniversary Dinner with the theme 'Island in the Sun' at the Grand Ballroom, Mandarin Oriental, Kuala Lumpur.



7 May 2005



14 May 2005



22 June 2005

30 May 2005

Professional Development

Public Bank supported the Malaysia Institute of Management in honouring our Prime Minister of Malaysia Y.A.B. Dato' Seri Abdullah Ahmad Badawi with the MIM Honorary Fellowship Award in a grand ceremony held at the Grand Ballroom of Shangri-La Hotel, Kuala Lumpur. The event was attended by Tan Sri Dato' Sri Dr. Teh Hong Piow, Tan Sri Dato' Thong Yaw Hong and senior management staff of Public Bank.

22 June 2005

Community

Public Bank donated RM20,000 to the Dang Wangi District Police Club to upgrade and expand the sports facilities for officers, staff and also civilians of the district. En. Razak Dali, General Manager of Public Affairs Division presented the cheque to representatives from the Dang Wangi District Police.



1 July 2005 ▲



2 July 2005 ▲

### 30 June 2005

Corporate

Public Bank Group posted a record pre-tax profit of RM1.0 billion for the six months ended 30 June 2005, an increase of 14% from RM881 million achieved for the first half of 2004 and declared an interim dividend of 20% less 28% taxation amounting to RM471 million.

### 1 July 2005

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Bukit Mertajam, Taman Bandar Raya, Sungai Petani, Pulau Pinang, Jalan Macalister, Jalan Datuk Keramat and Relau branches in the Northern Region and held business briefing sessions with the other 29 branches of the Northern Region at Hotel Equatorial, Penang.

### 2 July 2005

Employee Relations

Public Bank Northern Region celebrated their 39th Anniversary Dinner at the Equatorial Hotel, Penang with the theme 'Desert Mystique'.

### 12 July 2005

Corporate

Public Bank became the first Bank to provide online tax payment for customers via Public Bank's Internet Banking channel, PBeBank.com. A signing ceremony between Public Bank and the Inland Revenue Board to mark the launching of the service at Menara Public Bank was witnessed by Y.B. Dato' Dr. Ng Yen Yen, Deputy Finance Minister and Tan Sri Dato' Sri Dr. Teh Hong Piow.

### 6 August 2005

Employee Relations

Public Bank Head Office staff celebrated Public Bank's 39th Anniversary Banquet with the theme 'Magica Asia' at the Grand Pyramid, Sunway Pyramid Convention Centre, Petaling Jaya. 233 long service staff were presented with Service Recognition Awards.



▲ 6 August 2005

## CALENDAR OF SIGNIFICANT EVENTS 2005

**9 August 2005**

Community

Public Bank sponsored RM10,000 towards the Malay Mail Big Walk 2005 which was held at Dataran Merdeka, Kuala Lumpur on 25 September 2005.

**11 August 2005**

Awards & Recognitions

Public Bank was presented with the Malaysian Business Corporate Governance Award for the third consecutive year. The prestigious award was presented to Tan Sri Dato' Sri Dr. Teh Hong Piow by Y.B. Datuk Mustapa Mohamed, Minister in the Prime Minister's Department at a presentation ceremony held at Hilton Hotel, Kuala Lumpur.

**18 August 2005**

Professional Development

Public Bank, being the event partner, donated RM10,000 towards the Conference on Corporate Governance – The Way Forward which was jointly organised by the Malaysian Institute of Corporate Governance and Burstra Sdn Bhd. The conference was held at Istana Hotel, Kuala Lumpur.



9 August 2005 ▲



20 August 2005 ▲

**20 August 2005**

Awards & Recognitions

Public Bank marked another milestone in its long list of achievements when it won the Best Retail Bank in Malaysia 2004 by The Asian Banker for the third time under its Excellence in Retail Financial Services Award Programme.

**20 August 2005**

Corporate

The second Public Bank Group Management Seminar was held at the Sunway Pyramid Convention Centre, Petaling Jaya with an attendance of 1,061 management and marketing staff members.

**20 August 2005**

Employee Relations

The staff of Public Bank Wilayah Persekutuan Selangor Region 1 celebrated their 39th Anniversary Dinner at the Sunway Lagoon Resort Hotel, Petaling Jaya with the theme 'Jungle Galore'.

**2 September 2005**

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Kemunting, Taiping, Ipoh Garden, Jalan Sultan Idris Shah, Jalan Yang Kalsom and Ipoh Main branches in the Perak Region and held business briefing sessions with the other 24 branches of the Perak Region at Syuen Hotel, Ipoh.



3 September 2005 ▲



16 September 2005 ▲

### 3 September 2005

Employee Relations

The Public Bank Perak Region celebrated its 39th Anniversary Dinner at the Syuen Hotel, Ipoh with the theme 'Fashion Frenzy'.

### 16 September 2005

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Skudai, Ulu Tiram, Taman Desa Cemerlang, Taman Johor Jaya, Masai, Taman Sentosa and Johor Bahru branches in the Johor Region and held business briefing sessions with the other 21 branches of the Johor Region at Eden Garden Hotel, Johor Bahru.

### 17 September 2005

Awards & Recognitions

Public Bank received the Best Bank in Malaysia award from FinanceAsia Magazine for the seventh consecutive year since 1999. The award was presented to Tan Sri Dato' Sri Dr. Teh Hong Piow by Mr. Jonathan Hirst, Managing Director of FinanceAsia Magazine at Eden Garden Hotel, Johor Bahru.

### 17 September 2005

Employee Relations

'Samba Nite' was the theme of the Public Bank Johor Region when they celebrated their 39th Anniversary Dinner at the Eden Garden Hotel, Johor Bahru.



▲ 17 September 2005



## CALENDAR OF SIGNIFICANT EVENTS 2005

**24 September 2005**

Awards & Recognitions

Public Bank was voted Best Bank In Malaysia 2005 for the seventh time since 1993 by Euromoney. The award was presented by Mr. Chris Leahy, Asia Editor of Euromoney to Tan Sri Dato' Sri Dr. Teh Hong Piow at a ceremony held at Berjaya Times Square, Kuala Lumpur.

**24 September 2005**

Community

Public Bank donated RM10,000 to Hospis Malaysia in helping to alleviate the suffering of patients with cancer and other advanced illnesses.

**24 September 2005**

Employee Relations

The Public Bank Wilayah Persekutuan/Selangor Region II celebrated their 39th Anniversary Dinner at Berjaya Times Square, Kuala Lumpur with the theme 'Batik Fiesta'.



24 September 2005



24 September 2005



30 September 2005

**30 September 2005**

Corporate

Public Bank achieved a pre-tax profit of RM1.5 billion for the nine months ended 30 September 2005. This is a 11% improvement compared to RM1.36 billion registered in the same period in 2004.

**30 September 2005**

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Bentong, Temerloh, Mentakab, Jalan Berserah and Kuantan branches in the East Coast Region and held business briefing sessions with the other 13 branches of the East Coast Region at Vistana Hotel, Kuantan.





1 October 2005 ▲



27 October 2005 ▲

1 October 2005

Employee Relations

The staff of Public Bank East Coast Region celebrated their 39th Anniversary Dinner at the Vistana Hotel, Kuantan with the theme 'Caribbean Escapade'.

27 October 2005

Community

In celebrating Deepavali and Hari Raya, Public Bank brought cheer to 200 police traffic personnel by giving Deeparaya goodies worth RM50,000 at the Balai Polis Trafik Jalan Bandar. En. Razak Dali, General Manager of Public Affairs Division presented the goodies to ACP Tuan Haji Hamzah Taib, Ketua Polis Trafik, Kuala Lumpur.

28 October 2005

Corporate

Public Bank paid zakat of RM63,000 for its Islamic banking operations for the financial year ending 31 December 2004. The cheque was presented by En. Ismail Ibrahim, General Manager of Credit Control and Islamic Banking to En. Abdul Hakim Amir Osman, Pusat Pungutan Zakat Wilayah Persekutuan and En. Iswardin bin Derus, Pusat Zakat Selangor.



▲ 28 October 2005

11 November 2005

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Seremban, Rasah, Ayer Keroh, Jalan Munshi Abdullah, Taman Melaka Raya and Melaka branches in the Melaka and Negeri Sembilan Region and held business briefing sessions with the other 12 branches of the Melaka and Negeri Sembilan Region at Equatorial Hotel, Melaka.



▲ 11 November 2005



## CALENDAR OF SIGNIFICANT EVENTS 2005



12 November 2005 ▲

12 November 2005

Employee Relations

Public Bank Melaka and Negeri Sembilan Region celebrated their 39th Anniversary Dinner at Hotel Equatorial, Melaka with the theme 'HollyBollywood Nite'.



12 November 2005 ▲

14 November 2005

Community

A cheque of RM10,000 was presented to Persatuan Karyawan Malaysia who celebrated their 5th Anniversary at Putra World Trade Centre.

12 November 2005

Awards & Recognitions

Public Bank was voted Bank of the Year for Malaysia for 2005 for the second time by the prestigious publication, The Banker. Its subsidiary company, Cambodia Public Bank was awarded 'Bank of the Year in Cambodia' for the fifth consecutive year by The Banker.



▲ 14 November 2005

16 November 2005

Corporate

A prize presentation to the eight winners of the Public Bank Group's credit card Capture Your Citra Contest was held at Naza Automall, Petaling Jaya. The winners were presented with a Naza Citra MPV worth RM80,000 each by Ms. Chong You Lin, General Manager of Public Bank Card Services.



▲ 16 November 2005

## 30 November 2005

Awards & Recognitions

Public Bank's 2004 Annual Report won the Most Outstanding Annual Report Award for the 4th consecutive year and for the 6th time in total and the Industry Excellence Award for the Main Board companies in the finance sector for the 9th time. The Bank's 2004 Annual Report 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 Report Awards (NACRA) 2004 presentation at The Palace of the Golden Horses, Selangor.

## 2 December 2005

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Wisma Saberkas, Jalan Penrissen, Kuching City and Padungan branches in the Kuching Region and held business briefing sessions with the other 28 branches of the Sabah and Sarawak Regions at Holiday Inn Hotel, Kuching, Sarawak.



30 November 2005 



 2 December 2005

## 3 December 2005

Awards & Recognitions

Public Bank received the Best Domestic Bank in Malaysia award from the Asset Magazine for the fourth consecutive year. The award was presented to Tan Sri Dato' Sri Dr. Teh Hong Piow by Mr. Daniel Yu, Editor-in-Chief of Asset Magazine at Crowne Plaza Riverside Hotel, Kuching, Sarawak.



 3 December 2005

## CALENDAR OF SIGNIFICANT EVENTS 2005

### 3 December 2005

Employee Relations

The staff of Public Bank Sarawak Region celebrated their 39th Anniversary Dinner at the Hotel Crowne Plaza Riverside, Kuching with the theme 'Safari Nite'.

### 5 December 2005

Corporate

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Klang, Jalan Tapah, Bangsar, SS2, Seri Petaling and Taman Desa branches in the Wilayah Persekutuan and Selangor Region and held business briefing sessions with the other 84 branches of the Wilayah Persekutuan and Selangor Regions at Menara Public Bank.

### 15 December 2005

Employee Relations

A special celebration dinner was held at the Mandarin Oriental Kuala Lumpur to honour Dato' Sri Tay Ah Lek and Dato' Chang Kat Kiam who was conferred the 'Darjah Sri Sultan Ahmad Shah Pahang (SSAAP)' and the Darjah Indera Mahkota Pahang (DIMP) respectively in conjunction with the 75th birthday of His Royal Highness the Sultan of Pahang.

### 19 December 2005

Community

Tan Sri Dato' Sri Dr. Teh Hong Piow presented a donation of RM10,000 to Yayasan Kebajikan Negara Malaysia (YKNM) on behalf of Public Bank to Y.B. Dato' Seri Shahrizat Abdul Jalil, Minister of Women, Family & Community Development & Acting Minister of Federal Territory. YKNM also placed donation coin boxes at all 251 Public Bank branches nationwide.



15 December 2005



19 December 2005

### 29 December 2005

Awards & Recognitions

Public Bank was ranked No. 1 in the 2004 Corporate Governance Survey jointly conducted and released by the Minority Shareholders Watchdog Group and Nottingham University Business School, Malaysia Campus. A plaque in recognition of the No. 1 Ranking was presented by En. Abdul Wahab Jaafar Sidek, Chief Executive Officer, Minority Shareholders Watchdog Group to Tan Sri Dato' Sri Dr. Teh Hong Piow in a ceremony held at Menara Public Bank.



29 December 2005

**PUBLIC BANK BERHAD**  
**(6463-H)**

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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 RM111.61 billion as at 31 December 2005, a growth of 21% as compared to the total assets as at 31 December 2004. The increase in total assets in 2005 was mainly driven by the increase in deposit placements by customers and financial institutions as well as funds from the issuance of USD400 million Subordinated Notes, which were channelled to fund the strong growth in loans, advances and financing as well as higher placement of interbank funds, particularly with Bank Negara Malaysia and higher holdings of securities purchased under resale agreements.

#### Cash and Short-Term Funds

The Group's cash and short-term funds registered a decline of 7% to RM18.36 billion as at 31 December 2005. The decrease was mainly due to the shift of funds to longer term placements with 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 RM7.25 billion in 2005. The increase was mainly due to higher placements with Bank Negara Malaysia resulting from the excess funds available from strong growth in deposits from customers and the issuance of USD400 million Subordinated Notes.

#### Securities Purchased under Resale Agreements

Securities purchased under resale agreements increased by RM3.37 billion, primarily on account of higher Malaysian Government Securities purchased.

#### Securities Held-for-Trading

The Group's holdings of securities held-for-trading declined by RM3.71 billion mainly due to the disposal of Cagamas Bonds and negotiable instruments of deposit.

#### Securities Available-for-Sale

The Group's holdings of securities available-for-sale increased by RM0.93 billion due to increased investment in highly rated private debt securities, as part of the Group's continued efforts to invest its funds in the capital market to enhance returns.

#### Securities Held-to-Maturity

The Group's securities held-to-maturity increased by RM1.40 billion due to increased holdings of money market instruments, particularly Malaysian Government Securities, Cagamas Bonds and negotiable instruments of deposit.

#### Loans, Advances and Financing

The Group's total gross loans, advances and financing grew strongly by 20% to RM68.10 billion in 2005 which was more than twice the annual growth rate for the Malaysian banking industry of 9.5% as at 30 November 2005. Consequently, the Group's overall domestic loans market share increased to 12% from 11% a year earlier.

The Group has consistently recorded a high and above industry level of loan growth, with growth rates close to or in excess of 20% annually since 2001. This was achieved through 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.



## ANALYSIS OF THE FINANCIAL STATEMENTS

The Group's lending operations continued to be focused on the retail sector. In 2005, 93% or RM63.25 billion of the Group's gross loans, advances and financing was channelled to finance 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. Lending to SMEs expanded by 13% to RM14.81 billion representing 22% of total gross loans, advances and financing as at end of 2005. Total lending for the purchase of residential properties and transport vehicles grew strongly by 22% to RM34.47 billion and accounted for 51% of gross loans, advances and financing at the end of 2005.

The Group's Islamic financing registered commendable growth of 16% in 2005 as compared to 7% growth in 2004. Total gross Islamic financing stood at RM7.35 billion as at end 2005 and accounted for 11% of the Group's overall loans, advances and financing. The strong growth reflects the Group's continued commitment to Bank Negara Malaysia's efforts to further develop the Islamic banking sector.

Lending to the corporate sector has been relatively flat, mainly due to loan disintermediation by the capital market, which saw continued preference by large corporations to access the private debt securities market as an alternative source of funding.

Gross non-performing loans of the Group fell by RM0.10 billion in 2005 to RM1.41 billion. The gross and net non-performing loans ratio improved to 2.1% and 1.7% from 2.7% and 2.1% respectively as at end of 2004. The net non-performing loans ratio is 72% lower than the banking system's net non-performing loans ratio of 6.0% as at 30 November 2005. The Group's continued improvement in asset quality is the result of a consistently prudent credit culture, policies and practices, which is complemented by strong credit risk management and proactive recovery processes.

The Group maintained a high level of loan loss coverage for its non-performing loans and financing, with its ratio of general allowance at 1.6% and loan loss coverage of 92% in 2005, as compared to the 52% coverage for the banking industry as at 30 November 2005.

### Total Liabilities and Shareholders' Equity

The Group's total liabilities grew by RM19.36 billion in 2005, mainly from increases in deposits from customers, interbank deposit placements and funds from the issuance of USD400 million Subordinated Notes.

The Group's shareholders' funds remained strong at RM8.48 billion even after the payment of dividends of RM1.65 billion and further share buy-back totalling RM0.18 billion during the year. This was due to the strong net profit after tax registered for 2005 of RM1.45 billion and proceeds of RM0.29 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 16% in 2005 to RM84.13 billion. The Group registered healthy growth in low cost current accounts and savings accounts of 10% and 9% respectively, as compared to the annual growth in the banking industry of 8% and 5% respectively as at 30 November 2005. The growth was mainly supported by the Group's extensive branch network and its high standards of customer service delivery. In addition, the Group also expanded its issuance of negotiable instruments of deposit by RM6.01 billion to fund the growth in its loan base 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 71% of the Group's core customer deposits of demand deposits, savings deposits and fixed deposits.



## ANALYSIS OF THE FINANCIAL STATEMENTS

The Group's overall funding structure continued to improve with the strong growth in lower cost deposits. Current and savings accounts comprised 11% and 15% respectively of the customer deposit base as at the end of 2005. The ratio of fixed deposits to total deposits has declined further to 51% from 54% in 2004.

The Group's gross loans to deposits ratio has increased slightly to 81% as at 31 December 2005 from 79% a year ago.

### Deposits and Placements of Banks and Other Financial Institutions

Deposits and placements of banks and other financial institutions increased by RM4.72 billion or 160% to RM7.68 billion as part of the Group's funding of its gapping operations.

### Obligations on Securities Sold under Repurchase Agreements

Obligations on securities sold under repurchase agreements increased by RM0.78 billion due to the Group's efforts to develop the short term corporate customer deposit base.

### Bills and Acceptances Payable

The Group's Bills and Acceptances Payable increased by RM0.87 billion in 2005, as a result of higher volume of bankers' acceptances rediscounted.

### Recourse Obligations on Loans Sold to Cagamas

Recourse obligations on loans sold to Cagamas decreased by RM0.06 billion due to repayment to Cagamas.

### Subordinated Notes

The Group issued an additional USD400 million Subordinated Notes in 2005, with the objective of providing the Group with the capacity to expand its business and balance sheet without burdening shareholders for more equity capital, thus improving the return on equity.

### Commitments and Contingencies

Commitments and contingencies increased by RM9.17 billion to RM28.95 billion mainly on account of higher foreign exchange related contract and interest rate related contracts as well as the increase in irrevocable commitments to extend credit. However, in terms of credit equivalent of the commitment and contingencies, there was only an increase of RM0.53 billion.

## ANALYSIS OF THE INCOME STATEMENT

### Net Interest Income

Net interest income of the Public Bank Group grew by 7% to RM2,484 million in 2005 as compared to the 11% growth registered in 2004. The lower growth in net interest income, despite the continued strong double-digit growth in interest bearing assets, was due to further reduction in net interest margin mainly as a result of competitive pressures. The Group's average net interest margin on interest bearing assets, excluding funds from issuance of NIDs, fell by 50 basis points to 3.6% in 2005 from 4.1% in 2004. The pressure on net interest margin was more pronounced for the new passenger vehicle hire purchase financing segment which continue to record a higher margin contraction in 2005.

The Public Bank Group's continued proactive asset-liability management in 2005 resulted in higher net interest margin earned on its fund-based portfolio.

Net interest income was the main contributor of total income, accounting for 65% (2004: 67%) of the total income of the Group.





# ANALYSIS OF THE FINANCIAL STATEMENTS

## Net income from Islamic Banking Business

Net income from the Group's Islamic Banking operation increased by 7% or RM26 million to RM407 million. This was largely contributed by higher net financing income of RM16 million arising from growth in Islamic financing. Islamic Banking income accounted for 11% of the Group's total income.

## Other Operating Income

Other operating income of the Group improved by 24% to RM918 million in 2005 as compared to RM742 million in 2004. The growth was mainly attributed to higher income from the Group's fund management activities as well as higher fees and transaction income from retail banking operations. Fees from unit trust funds under management grew by 17% to RM136 million on the back of strong growth in net asset value of unit trust funds under management of 22%, while the gain on sale of trust units rose by 52% to RM133 million due to the strong interest in the Group's 7 new unit trust funds launched during the year as well as existing funds. Transactional fees, commission income and service charges grew by 6% or RM22 million, whilst foreign exchange profits rose by 11% or RM8 million in 2005. These increases were offset by lower net gain from sale of securities held-for-trading in 2005 of RM29 million.

The Group's other operating income for 2005 accounted for 24% (2004: 22%) of total income.

## Other Operating Expenses

The Group's other operating expenses rose by 7% to RM1,399 million in 2005. Personnel cost amounted to RM704 million and accounted for 50% of other operating expenses. The staff strength of the Group remained stable at 12,800 at the end of 2005 as compared to 12,659 a year ago. Salaries, allowances and bonuses increased by 5%, while pension costs fell by 17% due to the recognition of actuarial gains of RM20 million in respect of the Group's retirement benefit plan. Administration and general expenses and establishment cost, which together contributed to 31% of other operating expenses, increased by 3% and 4% respectively in 2005. Marketing expenses increased by RM63 million or 31% to RM267 million in 2005 primarily due to higher sales commission paid for increased gross sales of trust units as well as the launch of the 7 new unit trust funds by the Group's fund management business.

As the 7% increase in other operating expenses was lower than the growth in net income of 11%, the cost income ratio of the Group improved further to 36.7% for 2005 from 37.9% in 2004. This reflected the Group's higher efficiency and productivity.

## Allowance for Losses on Loans, Advances and Financing

The allowance for losses on loans, advances and financing of the Group amounted to RM382 million in 2005, an increase of RM111 million compared to the previous year. This was mainly attributed to higher general allowance by RM92 million due to the higher loans growth achieved in 2005. Specific allowance written back decreased by RM32 million and this was partially mitigated by higher bad debt financing recovered of RM19 million.

## Impairment Written back/(Losses)

Impairment written back in 2005 was RM15 million as compared to an impairment loss of RM17 million in 2004. Impairment written back during the year arose mainly from securities held-to-maturity and investment properties.

## Tax Expense and Zakat

The Group's effective tax rate of 25% in 2005 was lower than the statutory tax rate of 28% due to the effects of lower tax rates in other jurisdictions.



## 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, 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 2005, 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 2005

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 2005.

## 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 12 and 13 to the financial statements respectively.

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

## FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	2,048,670	1,733,179
Tax expense and zakat	(512,238)	(452,287)
Profit after tax expense and zakat	1,536,432	1,280,892
Minority interests	(86,151)	—
Net profit for the year	1,450,281	1,280,892

## DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2004 were as follows:

	RM'000
In respect of financial year ended 31 December 2004 as approved by the shareholders: Final dividend of 35% and special dividend of 15% on 3,273,368,160 ordinary shares of RM1.00 each, less 28% tax, paid on 12 April 2005	1,178,412
In respect of the financial year ended 31 December 2005: Interim dividend of 20% on 3,286,171,908 ordinary shares of RM1.00 each, less 28% tax, paid on 18 August 2005	473,209
	1,651,621

**DIRECTORS' REPORT**

for the financial year ended 31 December 2005

**DIVIDENDS (continued)**

The Directors recommend the payment of a final dividend of 20% and a special dividend of 15%, less 28% tax respectively, amounting to approximately RM829.9 million (representing a total of 25.2 sen net per share) in respect of the current financial year. This is computed based on the issued and paid-up capital as at 31 December 2005, excluding treasury shares held by the Bank, of 3,293,188,589 ordinary shares of RM1.00 each, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the Directors.

**ISSUE OF SHARES**

During the financial year, the issued and paid-up share capital of the Bank was increased from 3,355,767,324 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,417,373,089 PBB Shares by the issuance of 61,605,765 PBB Shares, pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme at the following option prices:

<b>Number of PBB Shares issued:</b>	<b>Option price per share</b>
64,489	RM1.64
1,123,850	RM3.40
10,627,351	RM3.56
10,331,375	RM4.60
35,817,000	RM4.92
3,641,700	RM6.37

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 30 March 2005, 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, 24,007,100 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM7.61 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 RM183,158,887 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 2005, the Bank held 124,184,500 PBB Shares as treasury shares out of its total issued and paid-up share capital of 3,417,373,089 PBB Shares. Such treasury shares are held at a carrying amount of RM784,599,937. Further information is disclosed in Note 27 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 23(b) to the financial statements. The expiry date of the PBB ESOS is on 25 February 2008.

# DIRECTORS' REPORT

for the financial year ended 31 December 2005

## PUBLIC BANK BERHAD GROUP EMPLOYEES' SHARE OPTION SCHEME (continued)

In respect of the offers of PBB ESOS on 10 January 2005 and 5 December 2005 at an exercise price of RM6.37 and RM5.67 respectively per PBB Share, 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 200,000 options. The names of option holders and the number of options granted which in aggregate are 200,000 options or more are as follows:

Name of Option Holders	Number of PBB Share Options Granted
Dato' Chang Kat Kiam	253,000
Leong Kwok Nyem	253,000
Wong Jee Seng	253,000
Cheng Siew Ngoh, Jenny	215,000
Chia Lee Kee	215,000
Soong Hoe Seng	215,000

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 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.



**DIRECTORS' REPORT**

for the financial year ended 31 December 2005

**CURRENT ASSETS (continued)**

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 52 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' REPORT

for the financial year ended 31 December 2005

### 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

Dato' Sri 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, Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah and Haji Abdul Aziz bin Omar retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

### DIRECTORS' INTERESTS

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

Shares Held in the Bank	Number of Ordinary Shares of RM1.00 Each			
	Balance at 1.1.2005	Exercise of PBB Share Options	Disposed	Balance at 31.12.2005
<b>Direct shareholdings:</b>				
Tan Sri Dato' Sri Dr. Teh Hong Piow	781,250	20,743,000	—	21,524,250
Tan Sri Dato' Thong Yaw Hong	1,368,750	1,650,000	—	3,018,750
Dato' Sri Tay Ah Lek	5,822,609	9,312,500	9,325,000	5,810,109
Dato' Lee Kong Lam	1,361,171	3,593,750	2,500,000	2,454,921
Dato' Yeoh Chin Kee	250,000	2,000,000	1,140,000	1,110,000
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,750,000	—	1,450,000	300,000
Haji Abdul Aziz bin Omar	—	1,250,000	888,000	362,000
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	1,250,000	—	800,000	450,000
Lee Chin Guan	1,250,000	—	—	1,250,000

**DIRECTORS' REPORT**

for the financial year ended 31 December 2005

**DIRECTORS' INTERESTS (continued)**

	Number of Ordinary Shares of RM1.00 Each			
	Balance at 1.1.2005	Acquired	Disposed	Balance at 31.12.2005
<b>Deemed interests:</b>				
Tan Sri Dato' Sri Dr. Teh Hong Piow	799,668,596	—	13,200,000	786,468,596
Tan Sri Dato' Thong Yaw Hong	771,875	—	—	771,875
Dato' Sri Tay Ah Lek	139,482	—	—	139,482
Dato' Lee Kong Lam	800,000	—	—	800,000
Dato' Yeoh Chin Kee	25,000	500,000	125,000	400,000

Share Options Held in the Bank – Share Options Held under the Public Bank Berhad (“PBB”) Employees' Share Option Scheme	Number of PBB Share Options				
	Option Price RM	Balance at 1.1.2005	Granted	Exercised	Balance at 31.12.2005
Tan Sri Dato' Sri Dr. Teh Hong Piow	4.92	20,743,000	—	20,743,000	—
Tan Sri Dato' Thong Yaw Hong	4.92	1,400,000	—	1,400,000	—
	6.37	—	2,250,000	250,000	2,000,000
	5.67	—	2,500,000	—	2,500,000
Dato' Sri Tay Ah Lek	3.56	2,312,500	—	2,312,500	—
	4.60	2,000,000	—	2,000,000	—
	4.92	5,000,000	—	5,000,000	—
	6.37	—	4,500,000	—	4,500,000
	5.67	—	4,000,000	—	4,000,000
Dato' Lee Kong Lam	3.56	93,750	—	93,750	—
	4.60	250,000	—	250,000	—
	4.92	3,250,000	—	3,250,000	—
	6.37	—	2,925,000	—	2,925,000
	5.67	—	2,600,000	—	2,600,000
Dato' Yeoh Chin Kee	4.92	2,000,000	—	2,000,000	—
	6.37	—	2,025,000	—	2,025,000
	5.67	—	2,250,000	—	2,250,000
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	6.37	—	1,800,000	—	1,800,000
	5.67	—	2,000,000	—	2,000,000
Haji Abdul Aziz bin Omar	4.92	1,250,000	—	1,250,000	—
	6.37	—	1,125,000	—	1,125,000
	5.67	—	1,250,000	—	1,250,000
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	6.37	—	1,125,000	—	1,125,000
	5.67	—	1,250,000	—	1,250,000
Lee Chin Guan	6.37	—	1,125,000	—	1,125,000
	5.67	—	1,250,000	—	1,250,000



## DIRECTORS' REPORT

for the financial year ended 31 December 2005

### DIRECTORS' INTERESTS (continued)

Shares Held in its Subsidiary Company, JCG Holdings Limited ("JCGH")	Number of Ordinary Shares of HKD0.10 Each			
	Balance at 1.1.2005	Exercise of JCGH Share Options	Disposed	Balance at 31.12.2005
<b>Direct shareholdings:</b>				
Tan Sri Dato' Sri Dr. Teh Hong Piow	—	700,000	700,000	—
Dato' Sri Tay Ah Lek	—	2,320,000	2,320,000	—
Lee Chin Guan	—	350,000	350,000	—

Share Options Held in its Subsidiary Company – Share Options Held under the JCG Holdings Limited Employees' Share Option Scheme	Number of JCGH Share Options				
	Option Price HKD	Balance at 1.1.2005	Granted	Exercised	Balance at 31.12.2005
Tan Sri Dato' Sri Dr. Teh Hong Piow	7.29	—	700,000	700,000	—
Dato' Sri Tay Ah Lek	7.29	—	4,000,000	2,320,000	1,680,000
Dato' Yeoh Chin Kee	7.29	—	700,000	—	700,000
Lee Chin Guan	7.29	—	700,000	350,000	350,000

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

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his direct and indirect interests of 807,992,846 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 granted pursuant to the PBB and JCGH 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 34 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 40(b) to the financial statements.



**DIRECTORS' REPORT**

for the financial year ended 31 December 2005

**BUSINESS REVIEW 2005**

Supported by the healthy economic growth and employment condition in 2005, Public Bank continued to expand its business and preserve its strong asset quality. However, the competition in the banking business further intensified as the industry players pursued competitive pricing and marketing strategies to gain market share. With the relaxation of the foreign exchange administration rule in April 2005, the operating environment for domestic and foreign-controlled banks was further liberalised.

Amidst the competitive environment, Public Bank continued to grow its consumer financing and retail commercial lending businesses, complemented by corporate banking business and treasury operations. In consumer financing, the Bank continued to promote home mortgages, car hire-purchase financing, personal financing, credit card business and share margin financing. The Bank also continued to grow its lending business to middle market small- and medium-sized enterprises (SMEs) for working capital, business expansion and purchase of shophouses and business premises. To expand its market share, the Bank provided a wide range of financing packages at competitive interest rates and terms and leveraged on its wide branch network, efficient on-line channels, superior delivery standards, strong sales and marketing force and strong brand name to efficiently deliver its products and services.

To mitigate pressure on net interest margins, the Bank further intensified its efforts to expand fee-based activities such as cash management services, credit card business, trade bills business, share trading activities, treasury and corporate banking services, sales of units trusts and sales of bancassurance and general insurance products. The Bank also continued to allocate its resources to high yielding assets and promote foreign currency accounts to its customers after the liberalisation of the foreign exchange administration rule in April 2005. On liability management, Public Bank continued to mobilise core customer deposits and interbank deposits to manage its funding costs.

In line with its long-term business strategy, the Bank continued to simultaneously drive higher cost efficiency and higher staff productivity through efficient cost management, staff training, close monitoring of key performance indicators and stable headcount. To enhance customer convenience, Public Bank expanded its self-service channels by installing more cheque deposit machines and cash deposit terminals and enhanced its Internet banking and ATM services.

**ECONOMIC OUTLOOK AND PROSPECTS FOR 2006**

The Malaysian economy is projected to remain healthy in 2006. Based on current projections, the economy is expected to grow by 5.5% in the year, while inflation will remain modest. The economy will continue to be supported by steady improvement in domestic and external demand. Domestic demand is expected to further strengthen on the back of higher disposable income and stable employment. In addition, private investment is expected to further strengthen, underpinned by sustained domestic and foreign direct investment. External demand is projected to further improve as the recovery in the global semiconductor industry is expected to strengthen further in 2006.

Malaysia's economic fundamentals are projected to remain healthy. In particular, Malaysia's external position is expected to remain strong based on the projected large surplus in the current account of the balance of payments, while the national savings will remain high. With the strengthened growth by the private sector, the Government is expected to remain on course to consolidate its financial position. Bank Negara Malaysia is also expected to maintain its accommodative monetary policy in 2006 to support economic growth as inflation is likely to remain modest. With strong capitalisation and high asset quality, the banking sector has the capacity to continuously support economic activity.



# DIRECTORS' REPORT

for the financial year ended 31 December 2005

## BUSINESS OUTLOOK FOR 2006

The banking business is expected to further expand in 2006 as the Malaysian economy and employment conditions are projected to remain healthy. Under these conditions, asset quality of the banking system is also expected to remain strong. The banking business, however, will continue to remain competitive due to excess liquidity, liberal operating environment and the emergence of new Islamic banks in the country. Banks will continue to introduce new products and services.

In lending business, growth in consumer lending is expected to remain strong as household gearing is still modest, despite the high growth in consumption credit in recent years. Similarly, growth in lending to SMEs is expected to remain healthy due to the expected recovery in private investment and high capacity utilisation. At the same time, SME activities will continue to be supported by the Government's fiscal spending and efforts to further promote SMEs as an engine of growth. Growth in corporate lending is expected to remain relatively low as large corporates are likely to continue to tap the capital market.

Public Bank will continue to increase its market share in consumer financing and retail commercial lending to SMEs by providing comprehensive packages of financial solutions at competitive interest rates and terms to its customers. Also, it will further enhance features of existing products and introduce new delivery channels such as mobile banking to efficiently deliver its products and services. The Bank will continue to leverage on its wide branch network, strong sales and marketing force, efficient on-line channels, strong customer franchise and superior delivery standards to expand its market share. The Bank will also establish its Islamic Banking subsidiary to further grow its Islamic banking business.

To manage its funding costs, the Bank will continue to further mobilise cheaper cost deposits from retail and wholesale depositors and further improve its deposit mix. It will continue to promote fee-based activities and allocate resources to further generate non-interest income.

While Public Bank continues to pursue volume growth, it will remain prudent by adhering to its risk management policy, sound credit policies and procedures and effective recovery processes to maintain a strong asset quality. The Bank will continue to develop a fully integrated risk management framework in line with BNM's requirement to meet the January 2008 deadline for the implementation of the standardised approach of the Basel II capital accord.

## 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: 23 January 2006



**STATEMENT BY DIRECTORS**

- 31 December 2005

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 203 to 325 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia as modified by Bank Negara Malaysia Guidelines 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 2005 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: 23 January 2006

**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 203 to 325, 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 23 January 2006

BEFORE ME:

Commissioner for Oaths  
Kuala Lumpur



# REPORT OF THE AUDITORS TO THE MEMBERS

- 31 December 2005

We have audited the financial statements set out on pages 203 to 325. 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.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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 as modified by Bank Negara Malaysia's Guidelines 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 2005 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 12 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: 23 January 2006



**BALANCE SHEETS**

as at 31 December 2005

	Note	Group		Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	18,357,737	19,670,005	17,170,338	19,893,236
Deposits and placements with banks and other financial institutions	4	8,712,850	1,460,309	8,736,868	1,573,127
Securities purchased under resale agreements		4,869,388	1,495,438	4,022,128	978,552
Securities held-for-trading	5	1,554,685	5,261,938	1,666,465	5,199,416
Securities available-for-sale	6	4,072,682	3,140,213	3,563,556	1,132,430
Securities held-to-maturity	7	2,235,067	832,676	1,736,713	610,839
Loans, advances and financing	8	66,812,784	55,718,729	64,579,905	53,856,112
Other assets	9	747,028	767,380	939,236	935,282
Statutory deposits with Central Banks	10	2,099,349	1,869,256	2,050,000	1,823,000
Deferred tax assets	11	347,704	280,554	289,008	220,646
Investment in subsidiary companies	12	—	—	1,316,156	1,376,156
Investment in associated companies	13	47,378	45,936	28,465	28,465
Investment properties	14	47,351	33,594	—	—
Property and equipment	15	937,098	942,192	570,671	567,101
Intangible assets	16	765,157	811,399	695,393	738,356
<b>TOTAL ASSETS</b>		<b>111,606,258</b>	<b>92,329,619</b>	<b>107,364,902</b>	<b>88,932,718</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Deposits from customers	17	84,129,641	72,246,303	82,205,182	68,265,639
Deposits and placements of banks and other financial institutions	18	7,680,690	2,958,481	6,783,600	4,765,730
Obligations on securities sold under repurchase agreements		4,041,949	3,258,431	3,696,984	3,018,317
Bills and acceptances payable	19	2,129,715	1,260,992	2,127,659	1,258,917
Recourse obligations on loans sold to Cagamas	20	285,005	346,213	285,005	346,213
Other liabilities	21	1,410,919	1,644,918	1,158,858	1,333,525
Subordinated notes	24	2,757,622	1,375,214	2,757,622	1,375,214
Provision for tax expense and zakat	25	250,388	233,170	212,037	154,372
Deferred tax liabilities	11	3,080	3,080	—	—
<b>TOTAL LIABILITIES</b>		<b>102,689,009</b>	<b>83,326,802</b>	<b>99,226,947</b>	<b>80,517,927</b>

## BALANCE SHEETS

as at 31 December 2005

	Note	Group		Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	26	3,417,373	3,355,767	3,417,373	3,355,767
Reserves		5,018,851	4,708,368	4,675,298	4,488,453
Proposed dividends		829,884	1,172,012	829,884	1,172,012
Treasury shares	27	(784,600)	(601,441)	(784,600)	(601,441)
		8,481,508	8,634,706	8,137,955	8,414,791
Minority interests		435,741	368,111	—	—
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		111,606,258	92,329,619	107,364,902	88,932,718
<b>COMMITMENTS AND CONTINGENCIES</b>					
	41	28,951,601	19,780,677	28,754,773	19,535,337

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



**INCOME STATEMENTS**

for the year ended 31 December 2005

	Note	Group		Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Operating revenue	2(s)	5,919,711	5,045,340	5,049,081	3,668,892
Interest income	30	4,615,500	3,815,892	4,120,977	2,931,504
Interest expense	31	(2,131,641)	(1,494,564)	(2,078,632)	(1,441,136)
Net interest income		2,483,859	2,321,328	2,042,345	1,490,368
Net income from Islamic Banking business	54	406,774	380,384	406,774	225,632
Other operating income	32	2,890,633 917,944	2,701,712 742,295	2,449,119 673,138	1,716,000 2,490,532
Net income		3,808,577	3,444,007	3,122,257	4,206,532
Other operating expenses	33	(1,398,995)	(1,306,193)	(1,084,260)	(830,322)
Operating profit		2,409,582	2,137,814	2,037,997	3,376,210
Allowance for losses on loans, advances and financing	35	(382,006)	(271,034)	(310,346)	(453,696)
Impairment written back/(loss)	36	15,443	(16,719)	5,528	(1,611)
Share of results of associated companies		2,043,019 5,651	1,850,061 3,813	1,733,179 —	2,920,903 —
Profit before tax expense and zakat		2,048,670	1,853,874	1,733,179	2,920,903
Tax expense and zakat	37	(512,238)	(510,199)	(452,287)	(679,115)
Profit after tax expense and zakat		1,536,432	1,343,675	1,280,892	2,241,788
Minority interests		(86,151)	(72,602)	—	—
Net profit for the year		1,450,281	1,271,073	1,280,892	2,241,788
Earnings per RM1.00 share:	38				
– basic (sen)		44.2	39.5		
– diluted (sen)		43.8	38.8		
Net dividends per RM1.00 share:	39				
– Special dividends (sen)		10.8	39.6		
– Interim dividends (sen)		14.4	n/a		
– Final dividends (sen)		14.4	25.2		

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



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2005

Group	Note	Share Capital RM'000	Non-distributable Reserves		Distributable Reserves	Proposed Dividends RM'000	Treasury Shares RM'000	Total RM'000
			Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000			
At 1 January 2005								
– as previously stated		3,355,767	1,347,084	2,614,989	682,324	1,172,012	(601,441)	8,570,735
– prior year adjustments	47(b)	–	–	61,805	2,166	–	–	63,971
At 1 January 2005, as restated		3,355,767	1,347,084	2,676,794	684,490	1,172,012	(601,441)	8,634,706
Issue of shares pursuant to exercise of share options		61,606	227,096	–	–	–	–	288,702
Currency translation differences		–	–	(31,581)	–	–	–	(31,581)
Net profit for the year		–	–	–	1,450,281	–	–	1,450,281
Unrealised net loss on revaluation of securities available-for-sale		–	–	(25,820)	–	–	–	(25,820)
Transfer to statutory reserves		–	–	324,432	(324,432)	–	–	–
Buy-back of shares		–	–	–	–	–	(183,159)	(183,159)
Transfer to proposed dividends		–	–	–	(479,609)	479,609	–	–
Dividends paid	39	–	–	–	–	(1,651,621)	–	(1,651,621)
Dividends proposed	39	–	–	–	(829,884)	829,884	–	–
At 31 December 2005		3,417,373	1,574,180	2,943,825	500,846	829,884	(784,600)	8,481,508
		Note 26		Note 28	Note 29		Note 27	

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

for the year ended 31 December 2004

Group	Note	Share Capital RM'000	Non-distributable Reserves		Distributable Reserves	Proposed Dividends RM'000	Treasury Shares RM'000	Total RM'000
			Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000			
At 1 January 2004								
– as previously stated		3,206,600	928,433	2,387,630	1,762,092	503,000	(169,960)	8,617,795
– prior year adjustments	47(b)	–	–	30,560	(1,919)	–	–	28,641
At 1 January 2004, as restated		3,206,600	928,433	2,418,190	1,760,173	503,000	(169,960)	8,646,436
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		–	–	–	1,271,073	–	–	1,271,073
Unrealised net gain on revaluation of securities available-for-sale		–	–	31,245	–	–	–	31,245
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	39	–	–	–	–	(1,449,037)	–	(1,449,037)
Dividends proposed		–	–	–	(1,172,012)	1,172,012	–	–
At 31 December 2004		3,355,767	1,347,084	2,676,794	684,490	1,172,012	(601,441)	8,634,706
		Note 26		Note 28	Note 29		Note 27	

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

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2005

Bank	Note	Share Capital RM'000	Non-distributable Reserves		Distributable Reserves	Proposed Dividends RM'000	Treasury Shares RM'000	Total RM'000
			Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000			
At 1 January 2005								
– as previously stated		3,355,767	1,347,084	2,401,569	732,497	1,172,012	(601,441)	8,407,488
– prior year adjustments	47(b)	–	–	5,331	1,972	–	–	7,303
At 1 January 2005, as restated		3,355,767	1,347,084	2,406,900	734,469	1,172,012	(601,441)	8,414,791
Issue of shares pursuant to exercise of share options		61,606	227,096	–	–	–	–	288,702
Net profit for the year		–	–	–	1,280,892	–	–	1,280,892
Unrealised net loss on revaluation of securities available-for-sale		–	–	(11,650)	–	–	–	(11,650)
Transfer to statutory reserves		–	–	320,223	(320,223)	–	–	–
Buy-back of shares		–	–	–	–	–	(183,159)	(183,159)
Transfer to proposed dividends		–	–	–	(479,609)	479,609	–	–
Dividends paid	39	–	–	–	–	(1,651,621)	–	(1,651,621)
Dividends proposed	39	–	–	–	(829,884)	829,884	–	–
At 31 December 2005		3,417,373	1,574,180	2,715,473	385,645	829,884	(784,600)	8,137,955

Note 26

Note 28

Note 29

Note 27

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

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2004

Bank	Note	Share Capital RM'000	Non-distributable Reserves		Distributable Reserves	Proposed Dividends RM'000	Treasury Shares RM'000	Total RM'000
			Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000			
At 1 January 2004								
– as previously stated		3,206,600	928,433	1,842,160	1,172,318	503,000	(169,960)	7,482,551
– prior year adjustments	47(b)	–	–	20,452	(2,179)	–	–	18,273
At 1 January 2004, as restated		3,206,600	928,433	1,862,612	1,170,139	503,000	(169,960)	7,500,824
Issue of shares pursuant to exercise of share options		149,167	418,651	–	–	–	–	567,818
Net profit for the year		–	–	–	2,241,788	–	–	2,241,788
Unrealised net loss on revaluation of securities available-for-sale		–	–	(15,121)	–	–	–	(15,121)
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	39	–	–	–	–	(1,449,037)	–	(1,449,037)
Dividends proposed		–	–	–	(1,172,012)	1,172,012	–	–
At 31 December 2004		3,355,767	1,347,084	2,406,900	734,469	1,172,012	(601,441)	8,414,791

Note 26

Note 28

Note 29

Note 27

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

## CASH FLOW STATEMENTS

for the year ended 31 December 2005

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax expense and zakat	2,048,670	1,853,874	1,733,179	2,920,903
Adjustments for:				
Share of results of associated companies	(5,651)	(3,813)	—	—
Depreciation of property and equipment	92,371	90,901	75,534	65,917
Amortisation of intangible assets	46,262	45,710	42,963	27,425
Net (gain)/loss on disposal of property and equipment	(2,322)	(118)	(1,764)	5
Net loss/(gain) on disposal of foreclosed properties	807	(99)	807	(99)
Allowance for bad and doubtful debts and financing	520,239	423,103	412,533	525,265
Write back of allowance for bad and doubtful debts and financing	(37,337)	(69,267)	(34,315)	(24,811)
Net gain on sale of securities held-for-trading	(10,149)	(38,821)	(9,763)	(35,804)
Net gain on sale of securities available-for-sale	(4,162)	(3,487)	—	(46,029)
Amortisation of premium less accretion of discount	18,867	13,460	27,245	13,662
Accretion of cost and discount relating to the issuance of the subordinated notes	2,333	781	2,333	781
Unrealised gain on securities held-for-trading and derivatives	(20,785)	(11,230)	(18,744)	(10,724)
Pension cost – defined benefit plan	(7,044)	12,681	(6,803)	9,869
Transfer (from)/to Profit Equalisation Reserves	(6,870)	1,862	(6,870)	8,862
Dividends from securities held-for-trading	(567)	(1,059)	(391)	(502)
Dividends from securities available-for-sale	(41,693)	(38,523)	(37,430)	(33,214)
Dividends from securities held-to-maturity	(3,281)	(1,088)	(3,191)	(908)
Dividends from subsidiary companies	—	—	(212,944)	(2,023,593)
Dividends from associated companies	—	—	(2,311)	(2,466)
Gain on dilution of interest in a subsidiary company	(27,837)	—	—	—
Property and equipment written off	72	3,104	68	1,757
Impairment written back on investment properties	(8,202)	(5,355)	—	—
Impairment loss on foreclosed property	2,677	—	2,677	—
Impairment loss on securities available-for-sale	1,795	452	1,795	452
Impairment (written back)/loss on securities held-to-maturity	(10,000)	12,676	(10,000)	1,129
Impairment loss on investment in a subsidiary company	—	—	—	30
Impairment (written back)/loss on property and equipment	(1,713)	8,946	—	—
Operating profit before working capital changes	2,546,480	2,294,690	1,954,608	1,397,907

**CASH FLOW STATEMENTS**

for the year ended 31 December 2005

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(Increase)/Decrease in operating assets/liabilities:				
Deposits and placements with banks and other financial institutions	(7,252,541)	(641,224)	(7,163,741)	4,779,377
Securities purchased under resale agreements	(3,373,950)	(1,495,438)	(3,043,576)	(978,552)
Loans, advances and financing	(11,549,372)	(10,532,940)	(11,074,426)	(8,918,482)
Other assets	(53,825)	(17,432)	(64,019)	(26,487)
Statutory deposits with Central Banks	(230,093)	(358,115)	(227,000)	(299,220)
Deposits from customers	11,883,338	22,029,045	13,939,543	18,245,307
Deposits and placements of banks and other financial institutions	4,722,209	1,179,147	2,017,870	(19,336,042)
Obligations on securities sold under repurchase agreements	783,518	2,832,869	678,667	2,566,325
Bills and acceptances payable	868,723	49,904	868,742	49,767
Recourse obligations on loans sold to Cagamas	(61,208)	(138,374)	(61,208)	(13,585)
Other liabilities	(258,614)	87,446	(282,868)	40,344
Cash (used in)/generated from operations	(1,975,335)	15,289,578	(2,457,408)	(2,493,341)
Income tax expense and zakat paid	(556,117)	(406,233)	(446,613)	(428,061)
Pension cost paid – defined benefit plan	(4,879)	(19,837)	(4,879)	(17,025)
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,536,331)</b>	<b>14,863,508</b>	<b>(2,908,900)</b>	<b>(2,938,427)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	(93,487)	(102,355)	(80,451)	(87,486)
Proceeds from disposal of property and equipment	3,970	240	2,873	101
Proceeds from disposal of foreclosed properties	11,439	6,192	11,439	6,192
Net disposal/(purchase) of securities	1,310,431	(3,083,662)	(13,419)	899,142
Additional investment in subsidiary companies	(20)	(22,689)	–	(11,482)
Purchase of share broking license	–	(28,000)	–	–
Dividend received from associated companies	2,413	2,618	2,247	2,466
Dividend received from securities held-for-trading	567	1,059	391	502
Dividend received from securities available-for-sale	41,693	38,523	37,430	33,214
Dividend received from securities held-to-maturity	3,281	1,088	3,191	908
Cash received from capital reduction exercise at subsidiary companies	–	–	60,000	862,928
Acquisition of finance company business, net of cash acquired	–	–	–	7,322,733
Dividends received from subsidiary companies	–	–	201,557	1,988,823
<b>Net cash generated from/(used in) investing activities</b>	<b>1,280,287</b>	<b>(3,186,986)</b>	<b>225,258</b>	<b>11,018,041</b>

## CASH FLOW STATEMENTS

for the year ended 31 December 2005

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Exercise of share options by minority shareholders	76,169	—	—	—
Proceeds from issuance of shares	288,702	567,818	288,702	567,818
Dividends paid to shareholders of the Bank	(1,651,621)	(1,143,658)	(1,651,621)	(1,143,658)
Dividends paid to minority interests	(92,140)	(291,289)	—	—
Buy-back of shares	(183,159)	(431,481)	(183,159)	(431,481)
Net proceeds from issuance of subordinated notes	1,506,822	1,322,233	1,506,822	1,322,233
<b>Net cash (used in)/generated from financing activities</b>	<b>(55,227)</b>	<b>23,623</b>	<b>(39,256)</b>	<b>314,912</b>
Net increase/(decrease) in cash and cash equivalents	(1,311,271)	11,700,145	(2,722,898)	8,394,526
Cash and cash equivalents at beginning of year	19,670,005	7,970,828	19,893,236	11,498,710
Exchange differences on translation of opening balances	(997)	(968)	—	—
<b>Cash and cash equivalents at end of year</b>	<b>18,357,737</b>	<b>19,670,005</b>	<b>17,170,338</b>	<b>19,893,236</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 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.

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

The financial statements were approved and authorised for issue by the Board of Directors on 23 January 2006.

### 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 revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia on 5 October 2004, which became effective for the current financial year. The adoption of the revised BNM GP8 has resulted in the adoption of the following accounting policies:

- (i) the recognition and measurement of the holdings of the investment and dealing securities portfolio of the Group and the Bank as securities held-for-trading, securities held-to-maturity and securities available-for-sale, which has been adopted retrospectively;
- (ii) the recognition and measurement of derivative financial instruments and the adoption of hedge accounting, which has been adopted retrospectively; and
- (iii) where a loan, advance or financing account becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as practised previously. The policy has been adopted retrospectively.

The effects of adopting the above policies retrospectively on the Group's and the Bank's retained profits are reflected as prior year adjustments in the Statements of Changes In Equity and are disclosed in Note 47 to the financial statements.

Bank Negara Malaysia has granted indulgence to the Bank from complying with the requirement on the impairment of loans and financing under the revised BNM/GP8 until 1 January 2006. Therefore, the allowance for bad and doubtful debts and financing of the Group and the Bank have been computed based on the requirement of BNM/GP3 which remains consistent with the basis adopted in the previous years.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 as modified by 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. Islamic Banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

### (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 write down is made in the event of impairment, if any.

### (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).



**NOTES TO THE FINANCIAL STATEMENTS**

- 31 December 2005

**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 remaining 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 is stated at cost less accumulated amortisation and accumulated impairment losses, if any.

**(f) Derivative Financial Instruments and Hedge Accounting**

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

Fair value hedge

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

Cash flow hedge

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

**(g) Securities**

The holdings of the securities portfolio of the Group and the Bank are recognised based on the following categories and consequently their valuation methods:

**(i) Securities held-for-trading**

Securities are classified as held-for-trading if these financial assets are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. Securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Securities (continued)

#### (ii) Securities held-to-maturity

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

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

#### (iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

### (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:

Leasehold land	Over the remaining leasehold period or 50 years, whichever is lower
Buildings	2.0%
Renovations	Over the term of the leases ranging from 2 to 50 years
Office equipment, furniture and fittings	10.0% – 33.3%
Computer equipment and software	20.0% – 33.3%
Motor vehicles	20.0%

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Impairment of Assets

The carrying amount of the Group's assets, other than financial assets (other than investment in subsidiary and associated companies, securities available-for-sale and securities held-to-maturity) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

### (q) Interest-Bearing Borrowings

Interest bearing borrowings are recognised initially at cost, less discount and 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 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 Shariah.

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

The policy on interest recognition on non-performing loans is in conformity with the revised BNM/GP8.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 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) Dividend income is recognised when the right to receive payment is established;
- (iii) Factoring commission income is recognised upon acceptance of the factored invoices. Factoring interest is recognised on an accrual basis;
- (iv) 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;
- (vii) Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the assignment; and
- (viii) Rental income is recognised on an accrual basis when it falls due.

#### (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 specific allowance for bad and doubtful debts, is maintained by the Group and the Bank against risks which are not specifically identified.

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



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Allowance for Bad and Doubtful Debts and Financing (continued)

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

- (i) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
- (ii) 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.

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

### (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.

#### (iii) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a fully funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund") for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over four years when the cumulative unrecognised actuarial gains or losses for the Fund exceed 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.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (x) Employee Benefits (continued)

##### (iv) Equity Compensation Benefits

The Bank's employees' share option scheme allows the Group employees, except the employees of JCG Holdings Limited ("JCGH") and its subsidiary companies and Cambodian Public Bank Limited, to acquire shares of the Bank. JCGH employee share option scheme allows the employees and directors of JCGH and its subsidiaries to acquire shares in JCGH. When the granted options of these schemes are exercised, equity is increased by the amount of the proceeds received.

#### (y) Foreign Currencies

##### (i) Foreign Currencies 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.

##### (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:

	<b>2005</b>	<b>2004</b>
1 USD	<b>RM3.7795</b>	RM3.8000
1 HKD	<b>RM0.4875</b>	RM0.4887

#### (z) 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.

#### (aa) 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.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (bb) 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.

### (cc) Cash and Cash Equivalents

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

## 3. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and balances with banks and other financial institutions	788,986	649,260	687,742	563,819
Money at call and deposit placements maturing within one month	17,568,751	19,020,745	16,482,596	19,329,417
	18,357,737	19,670,005	17,170,338	19,893,236



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	345,962	107,444	302,360	76,000
Licensed finance companies	47,000	65,336	25,000	—
Licensed merchant banks	10,000	36,029	—	200,000
Central Banks	8,105,070	819,500	7,910,200	675,100
Other financial institutions	204,818	432,000	499,308	622,027
	8,712,850	1,460,309	8,736,868	1,573,127

A fixed deposit of RM100,000 (2004 – 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 RM2,437,000 (2004 – RM2,444,000) have been pledged to certain banks by a foreign subsidiary company for facilities obtained.

### 5. SECURITIES HELD-FOR-TRADING

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Treasury Bills	9,694	—	9,694	—
Malaysian Government Securities	10,490	644,872	—	644,872
Malaysian Government Investment Certificates	15,031	55,798	15,031	55,798
Cagamas bonds	—	1,189,404	—	1,189,404
Negotiable instruments of deposit	1,315,477	2,982,523	1,465,477	2,982,523
Khazanah bonds	—	46,954	—	46,954
Bank Negara Malaysia Negotiable notes	—	1,335	—	1,335
Bank Negara Malaysia Bills	24,802	—	—	—
	1,375,494	4,920,886	1,490,202	4,920,886

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 5. SECURITIES HELD-FOR-TRADING (continued)

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Quoted securities:				
Shares in Malaysia	10,886	5,112	7,958	5,112
	10,886	5,112	7,958	5,112
Unquoted securities:				
Private debt securities	168,305	335,940	168,305	273,418
	168,305	335,940	168,305	273,418
	1,554,685	5,261,938	1,666,465	5,199,416

## 6. SECURITIES AVAILABLE-FOR-SALE

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>At fair value</b>				
Quoted securities:				
Shares and convertible loan stocks in Malaysia	17,764	45,736	17,764	45,736
Shares outside Malaysia	22,613	17,954	—	—
Bonds trust units in Malaysia	1,141,103	1,109,779	1,045,140	1,016,581
	1,181,480	1,173,469	1,062,904	1,062,317
Unquoted securities:				
Shares	13,947	63,005	13,377	62,408
Private debt securities	2,877,255	1,903,739	2,487,275	7,705
	2,891,202	1,966,744	2,500,652	70,113
	4,072,682	3,140,213	3,563,556	1,132,430



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 7. SECURITIES HELD-TO-MATURITY

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>At amortised cost</b>				
Money market instruments:				
Malaysian Government Treasury Bills	109,559	—	109,559	—
Malaysian Government Securities	577,310	—	577,310	—
Malaysian Government Investment Certificates	4,768	—	4,768	—
Cagamas bonds	323,773	—	323,773	—
Cagamas Mudharabah bonds	127,479	127,503	127,479	127,503
Negotiable instruments of deposit	865,821	503,032	398,867	281,405
Bank Negara Malaysia Bills	104,308	—	104,308	—
	2,113,018	630,535	1,646,064	408,908
Unquoted securities:				
Shares	87,502	37,713	87,057	37,503
Private debt securities	70,442	213,260	39,487	213,260
	157,944	250,973	126,544	250,763
Accumulated impairment losses	(35,895)	(48,832)	(35,895)	(48,832)
	2,235,067	832,676	1,736,713	610,839

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturity within one year	1,256,691	260,156	916,131	58,815
More than one year to three years	856,327	369,008	729,933	348,722
More than three years to five years	—	1,371	—	1,371
	2,113,018	630,535	1,646,064	408,908

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 7. SECURITIES HELD-TO-MATURITY (continued)

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Market value:				
<u>Money market instruments:</u>				
Malaysian Government Treasury Bills	109,178	—	109,178	—
Malaysian Government Securities	576,705	—	576,705	—
Malaysian Government Investment Certificates	4,773	—	4,773	—
Cagamas bonds	323,130	—	323,130	—
Cagamas Mudharabah bonds	127,479	127,503	127,479	127,503
Negotiable instruments of deposits	864,866	504,891	398,662	283,123
Bank Negara Malaysia Bills	104,269	—	104,269	—

## 8. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Overdrafts	6,980,718	6,351,805	6,780,784	6,251,543
Term loans/financing				
Housing loans/financing	18,990,594	15,210,093	18,902,511	14,936,248
Syndicated term loans/financing	223,062	320,270	223,062	293,149
Hire purchase receivables	22,661,200	19,659,110	22,372,548	19,570,181
Other term loans/financing	17,715,911	14,234,079	15,954,181	12,573,686
Credit card receivables	581,341	477,221	581,341	477,009
Bills receivables	71,909	71,695	71,909	70,570
Trust receipts	311,772	317,002	290,079	309,516
Claims on customers under acceptance credits	1,717,953	1,443,472	1,717,953	1,442,264
Lease, factored and confirming receivables	33,927	83,261	31,665	43,176
Revolving credits	2,430,478	2,130,482	2,432,554	2,338,269
Staff loans*	646,310	639,079	619,849	613,589
Unearned interest and income	72,365,175 (4,263,185)	60,937,569 (4,025,116)	69,978,436 (4,261,955)	58,919,200 (4,021,191)
Gross loans, advances and financing	68,101,990	56,912,453	65,716,481	54,898,009
Allowance for bad and doubtful debts and financing:				
– general	(1,056,199)	(895,833)	(984,830)	(821,318)
– specific	(233,007)	(297,891)	(151,746)	(220,579)
Net loans, advances and financing	66,812,784	55,718,729	64,579,905	53,856,112

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM2,946,287 (2004 – RM2,668,612) and RM1,639,020 (2004 – RM1,376,952), respectively.

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 8. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturity within one year	14,472,020	13,946,575	13,220,129	12,878,825
More than one year to three years	6,770,034	5,773,068	6,151,800	5,240,349
More than three years to five years	9,696,062	8,097,546	9,500,227	8,014,455
More than five years	37,163,874	29,095,264	36,844,325	28,764,380
	68,101,990	56,912,453	65,716,481	54,898,009

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Domestic non-bank financial institutions				
– Stock broking companies	2,020	88,564	2,020	88,564
– Others	1,888,142	1,884,453	1,868,118	2,092,241
Domestic business enterprises				
– Small and medium enterprises	14,808,430	13,058,537	14,711,677	12,975,529
– Others	4,894,024	4,153,732	4,638,316	3,780,161
Government and statutory bodies	1,614	3,705	1,614	3,705
Individuals	44,317,128	35,744,658	44,255,346	35,728,279
Other domestic entities	96,541	126,826	96,541	126,826
Foreign entities	2,094,091	1,851,978	142,849	102,704
	68,101,990	56,912,453	65,716,481	54,898,009

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 8. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fixed rate				
– Housing loans/financing	7,381,411	7,032,304	7,379,003	7,028,793
– Hire purchase receivables	19,387,926	16,612,976	19,342,375	16,508,488
– Other fixed rate loan/financing	11,473,182	10,027,810	9,690,159	8,586,237
Variable rate				
– Base lending rate plus	26,125,091	20,289,544	26,096,187	20,154,646
– Cost plus	2,487,226	2,328,050	2,432,493	2,331,136
– Other variable rates	1,247,154	621,769	776,264	288,709
	68,101,990	56,912,453	65,716,481	54,898,009

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Agriculture, hunting, forestry and fishing	582,883	594,712	581,984	593,749
Mining and quarrying	42,403	36,479	41,415	34,120
Manufacturing	3,173,330	2,854,301	3,112,255	2,771,624
Electricity, gas and water	40,234	34,553	33,853	27,442
Construction	2,148,247	1,963,517	2,039,666	1,867,005
Real estate	2,145,745	1,798,680	2,156,002	1,716,974
Purchase of landed properties	26,891,768	20,827,668	26,860,500	20,792,004
(of which: – residential	17,787,928	14,034,091	17,756,660	13,998,427
– non-residential)	9,103,840	6,793,577	9,103,840	6,793,577
Wholesale & retail trade and restaurants & hotels	6,120,757	5,429,135	5,902,450	5,244,164
Transport, storage and communication	480,953	541,110	472,628	516,480
Finance, insurance and business services	2,840,802	2,756,497	2,701,795	2,876,037
Purchase of securities	531,170	537,880	526,259	534,879
Purchase of transport vehicles	16,683,429	14,184,166	16,424,264	13,957,563
Consumption credit	5,383,258	4,493,521	3,900,164	3,147,898
Others	1,037,011	860,234	963,246	818,070
	68,101,990	56,912,453	65,716,481	54,898,009

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 8. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	1,510,215	1,781,055	1,405,815	1,000,762
Non-performing during the year	2,401,800	1,767,839	2,267,240	1,529,636
Reclassified as performing	(2,015,119)	(1,485,533)	(2,001,713)	(1,423,619)
Recoveries	(72,351)	(133,688)	(66,665)	(56,810)
Amount written off	(383,364)	(361,238)	(280,029)	(155,412)
Loans/financing converted to foreclosed properties/securities	(34,461)	(58,020)	(34,461)	(58,020)
Amount vested over from PBFIN Berhad (formerly known as Public Finance Berhad)	—	—	—	569,278
Exchange differences	(241)	(200)	21	—
At 31 December	1,406,479	1,510,215	1,290,208	1,405,815
Specific allowance	(233,007)	(297,891)	(151,746)	(220,579)
Net non-performing loans, advances and financing	1,173,472	1,212,324	1,138,462	1,185,236
Net NPL as % of gross loans, advances and financing less specific allowance	1.73%	2.14%	1.74%	2.17%

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>General allowance</u>				
At 1 January	895,833	826,892	821,318	445,439
Allowance made during the year	170,787	108,878	163,539	375,887
Amount written back	(10,038)	(39,781)	—	—
Exchange differences	(383)	(156)	(27)	(8)
At 31 December	1,056,199	895,833	984,830	821,318
As % of gross loans, advances and financing less specific allowance	1.56%	1.58%	1.50%	1.50%



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 8. LOANS, ADVANCES AND FINANCING (continued)

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Specific allowance</u>				
At 1 January	297,891	376,989	220,579	173,728
Allowance made during the year	359,490	354,006	248,994	149,378
Amount written back in respect of recoveries	(37,337)	(69,267)	(34,315)	(24,811)
Amount written off	(383,341)	(363,248)	(280,006)	(157,353)
Amount transferred to accumulated impairment loss in value of foreclosed properties/securities	(3,508)	(500)	(3,508)	(500)
Amount vested over from PBFIN Berhad (formerly known as Public Finance Berhad)	—	—	—	80,137
Exchange differences	(188)	(89)	2	—
At 31 December	233,007	297,891	151,746	220,579

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Agriculture, hunting, forestry and fishing	4,775	6,534	4,690	6,502
Mining and quarrying	81	572	81	572
Manufacturing	76,326	95,486	75,514	94,478
Electricity, gas and water	8,167	649	8,167	649
Construction	90,631	129,583	52,165	90,226
Real estate	33,504	32,572	33,504	32,572
Purchase of landed properties	662,288	580,711	661,678	579,964
(of which: – residential	586,959	499,232	586,349	498,485
– non-residential)	75,329	81,479	75,329	81,479
Wholesale & retail trade and restaurants & hotels	126,643	164,240	126,384	163,748
Transport, storage and communication	10,714	13,751	7,795	13,461
Finance, insurance and business services	17,483	37,872	16,760	36,667
Purchase of securities	32,059	90,054	32,059	90,054
Purchase of transport vehicles	172,100	191,242	172,069	191,229
Consumption credit	155,703	142,559	83,347	81,303
Others	16,005	24,390	15,995	24,390
	1,406,479	1,510,215	1,290,208	1,405,815

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 9. OTHER ASSETS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest/Income receivable	67,736	45,539	63,221	37,028
Other debtors, deposits and prepayments	425,008	326,931	420,582	359,285
Foreclosed properties*	110,741	98,080	110,477	97,816
Taxi licenses	13,156	14,490	—	—
# Amount due from clients @	10,422	12,386	—	—
# Outstanding contracts on clients' accounts	79,053	206,254	—	—
Amount due from subsidiary companies	—	—	155,171	227,345
Dividend receivable from subsidiary companies	—	—	149,720	150,108
Derivatives (Note 22)	40,912	63,700	40,065	63,700
	747,028	767,380	939,236	935,282
* Stated net of allowance for impairment in value	25,084	10,418	25,084	10,418
@ Stated net of allowance for bad debts	13,161	13,120	—	—

# The amount due from clients and outstanding contracts on clients' accounts are in respect of the stock broking activities of a subsidiary company.

### 10. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
* Statutory deposits with Bank Negara Malaysia	2,053,995	1,828,596	2,050,000	1,823,000
# Statutory deposits with National Bank of Cambodia	45,354	40,660	—	—
	2,099,349	1,869,256	2,050,000	1,823,000

\* 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 amounts 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 deposits from customers as required by the National Bank of Cambodia.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 11. DEFERRED TAX

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January, restated	277,474	241,690	220,646	109,348
Amount vested over from PBFIN Berhad (formerly known as Public Finance Berhad)	—	—	—	(1,616)
Exchange differences	(15)	(12)	—	—
Recognised in income statement (net) (Note 37)	62,634	30,122	63,831	107,032
Recognised in equity (net)	4,531	5,674	4,531	5,882
At 31 December	344,624	277,474	289,008	220,646

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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deferred tax assets, net	347,704	280,554	289,008	220,646
Deferred tax liabilities, net	(3,080)	(3,080)	—	—
	344,624	277,474	289,008	220,646

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 Loan Loss RM'000	Tax Losses RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2004	254,163	34,299	22,129	310,591
Exchange differences	—	—	(12)	(12)
Recognised in income statement	35,758	(103)	(4,195)	31,460
At 31 December 2004	289,921	34,196	17,922	342,039
Exchange differences	(15)	—	—	(15)
Recognised in income statement	50,044	(278)	14,590	64,356
At 31 December 2005	339,950	33,918	32,512	406,380

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 11. 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 2004			
– as previously stated	56,327	5,500	61,827
– prior year adjustments	–	7,074	7,074
As restated	56,327	12,574	68,901
Recognised in income statement	(584)	1,922	1,338
Recognised in equity	–	(5,674)	(5,674)
At 31 December 2004	55,743	8,822	64,565
Recognised in income statement	3,480	(1,758)	1,722
Recognised in equity	–	(4,531)	(4,531)
At 31 December 2005	59,223	2,533	61,756

Deferred tax assets of the Bank	Allowance for Loan Loss RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2004	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
Recognised in income statement	52,529	12,110	64,639
At 31 December 2005	315,976	26,019	341,995

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 11. 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 2004			
– as previously stated	47,878	1,337	49,215
– prior year adjustments	–	7,107	7,107
As restated	47,878	8,444	56,322
Recognised in income statement	–	4,654	4,654
Recognised in equity	–	(5,882)	(5,882)
Amount vested over from PBFIN Berhad (formerly known as Public Finance Berhad)	1,154	462	1,616
At 31 December 2004	49,032	7,678	56,710
Recognised in income statement	1,575	(767)	808
Recognised in equity	–	(4,531)	(4,531)
At 31 December 2005	50,607	2,380	52,987

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	
	2005 RM'000	2004 RM'000
Unutilised tax losses	101,372	136,277

Subject to the agreement by relevant tax authorities, the Group has tax losses carried forward of RM221,254,000 (2004 – RM259,495,000) which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses.



## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 12. INVESTMENT IN SUBSIDIARY COMPANIES

Bank	2005		2004	
	Cost RM'000	Market Value RM'000	Cost RM'000	Market Value RM'000
Quoted shares				
– in Hong Kong	466,607	1,854,376	466,607	1,551,209
– in Malaysia	–	–	203,069	*
Unquoted shares	466,607 849,979	1,854,376 –	669,676 706,910	1,551,209 –
Less: Accumulated impairment losses	1,316,586 (430)	1,854,376 –	1,376,586 (430)	1,551,209 –
	1,316,156	1,854,376	1,376,156	1,551,209

\* No market value had been disclosed for 2004 as this related to the net investment in HHB Holdings Berhad which remained under suspension pending the completion of the proposed corporate exercise. On 28 September 2005, the entire issued and paid-up capital in HHB Holdings Berhad was delisted from the official list of Bursa Malaysia Securities Berhad.

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2005 %	2004 %	2005	2004
<u>Local subsidiary companies</u>					
PBFIN Berhad (formerly known as Public Finance Berhad)	Dormant	100.0	100.0	RM2	RM60,000,000
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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2005 %	2004 %	2005	2004
<u>Local subsidiary companies (continued)</u>					
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	100.0	RM10,000,000	RM10,000,000
+Public Consolidated Holdings Sdn. Bhd.	Investment holding	100.0	100.0	RM50,000,000	RM50,000,000
+PB Securities Sdn. Bhd.	Stock and share broking	100.0	100.0	RM242,000,000	RM350,000,000
+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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2005 %	2004 %	2005	2004
<u>Local subsidiary companies (continued)</u>					
+Public Merchant Bank Berhad	Merchant banking	100.0	100.0	RM127,717,000	RM127,717,000
+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	RM10,000
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
<u>Overseas subsidiary companies</u>					
++Cambodian Public Bank Limited	Banking	100.0	100.0	USD20,000,000	USD20,000,000
+JCG Holdings Limited*	Investment holding	64.0	66.0	HKD72,926,441	HKD70,775,841
+Public Finance Limited (formerly known as JCG Finance Company, Limited)	Deposit-taking and finance	64.0	66.0	HKD258,800,000	HKD258,800,000
+Public Financial Limited (formerly known as Funds Fit Limited)	Investment holding	64.0	66.0	HKD10,100,000	HKD10,100,000
+JCG Securities Limited	Stock and share broking	64.0	66.0	HKD10,000,000	HKD10,000,000
+JCG Nominees Limited	Nominees services	64.0	66.0	HKD10,000	HKD10,000



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name	Principal Activities	Effective Interest		Issued and Paid-up Share Capital	
		2005 %	2004 %	2005	2004
<u>Overseas subsidiary companies (continued)</u>					
+Winton (B.V.I.) Limited	Investment and property holding	64.0	66.0	HKD61,773	HKD61,773
+Winton Holdings (Hong Kong) Limited (formerly known as Eternal Success Company Limited)	Property holding	64.0	66.0	HKD20	HKD20
+Winsure Company, Limited	Dormant	62.0	63.9	HKD1,600,000	HKD1,600,000
+Winton Financial Limited	Provision of financing for licensed public vehicles and provision of personal and short-term loans	64.0	66.0	HKD4,000,010	HKD4,000,010
+Winton Motors, Limited	Trading of taxi cabs and taxi licenses and leasing of taxis	64.0	66.0	HKD78,000	HKD78,000
@ <sup>1</sup> +Winton Holdings (Bermuda) Limited	Investment holding	—	66.0	—	HKD33,394,993
@ <sup>2</sup> +Winton Financial (Factoring) Limited	Dormant	—	66.0	—	HKD1,000,000
@ <sup>3</sup> +Winton Trading Company Limited	Trading of taxi cabs and taxi licenses and leasing of taxis	—	66.0	—	HKD20



**NOTES TO THE FINANCIAL STATEMENTS**

- 31 December 2005

**12. INVESTMENT IN SUBSIDIARY COMPANIES (continued)**

# The entire issued and paid-up capital of the company was delisted from the Official List of Bursa Malaysia Securities Berhad on 28 September 2005 as set out in Note 52(b).

@<sup>1</sup> The Company was dissolved via a members' voluntary liquidation on 1 August 2005.

@<sup>2</sup> The Company was de-registered from the Companies Registry of Hong Kong with effect from 17 June 2005.

@<sup>3</sup> The Company was de-registered from the Companies Registry of Hong Kong with effect from 2 December 2005.

\* 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 which is 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.

**13. INVESTMENT IN ASSOCIATED COMPANIES**

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares, at cost	28,505	28,505	28,465	28,465
Share of post acquisition results	18,873	17,431	—	—
	47,378	45,936	28,465	28,465
Represented by:				
Group's share of net assets	47,378	45,936	—	—



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 13. 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	
			2005 %	2004 %	2005 '000	2004 '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

## 14. INVESTMENT PROPERTIES

	Group	
	2005 RM'000	2004 RM'000
<u>At valuation</u>		
At 1 January	33,594	28,111
Loss on exchange taken to exchange equalisation reserves	(86)	(44)
	33,508	28,067
Reclassified from long term leasehold land	5,005	144
Reclassified from buildings	636	28
Impairment written back	8,202	5,355
At 31 December	47,351	33,594

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.



## NOTES TO THE FINANCIAL STATEMENTS

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### 15. PROPERTY AND EQUIPMENT

Group	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Reno- vations 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
<u>Cost</u>										
At 1 January 2005	116,889	48,804	77,872	530,483	203,168	354,926	533,241	20,350	2,711	1,888,444
Additions	382	–	578	4,822	16,716	16,480	45,889	8,620	–	93,487
Disposals	–	–	(517)	(250)	(1,915)	(1,772)	(7,003)	(7,631)	–	(19,088)
Transfer to investment properties	–	–	(11,850)	(1,178)	–	–	–	–	–	(13,028)
Transfers	–	–	39,038	(36,327)	(9,742)	9,393	188	–	(2,711)	(161)
Write-offs	–	–	–	–	(430)	(990)	(8,411)	(410)	–	(10,241)
Exchange differences	–	(126)	(175)	(153)	(68)	(19)	(33)	(5)	–	(579)
<b>At 31 December 2005</b>	<b>117,271</b>	<b>48,678</b>	<b>104,946</b>	<b>497,397</b>	<b>207,729</b>	<b>378,018</b>	<b>563,871</b>	<b>20,924</b>	<b>–</b>	<b>1,938,834</b>
<u>Depreciation and impairment losses</u>										
Accumulated depreciation	–	7,506	4,304	98,597	125,719	244,527	429,062	16,592	–	926,307
Accumulated impairment losses	–	–	5,964	13,981	–	–	–	–	–	19,945
At 1 January 2005	–	7,506	10,268	112,578	125,719	244,527	429,062	16,592	–	946,252
Depreciation charge for the year	–	924	574	9,818	13,706	24,676	39,657	3,016	–	92,371
Impairment loss written back	–	–	(1,713)	–	–	–	–	–	–	(1,713)
Disposals	–	–	(178)	(86)	(1,909)	(1,741)	(5,905)	(7,621)	–	(17,440)
Transfers	–	–	2,974	(2,974)	–	–	–	–	–	–
Transfer to investment properties	–	–	(1,997)	(542)	–	–	–	–	–	(2,539)
– accumulated depreciation	–	–	(1,997)	(542)	–	–	–	–	–	(2,539)
– impairment loss	–	–	(4,848)	–	–	–	–	–	–	(4,848)
Write-offs	–	–	–	–	(422)	(955)	(8,382)	(410)	–	(10,169)
Exchange differences	–	(15)	(9)	(31)	(56)	(21)	(24)	2	–	(154)
– accumulated depreciation	–	(15)	(9)	(31)	(56)	(21)	(24)	2	–	(154)
– impairment loss	–	–	(16)	(8)	–	–	–	–	–	(24)

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. PROPERTY AND EQUIPMENT (continued)

Group	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Accumulated depreciation	—	8,415	2,694	107,756	137,038	266,486	454,408	11,579	—	988,376
Accumulated impairment losses	—	—	2,361	10,999	—	—	—	—	—	13,360
At 31 December 2005	—	8,415	5,055	118,755	137,038	266,486	454,408	11,579	—	1,001,736
Net book value										
At 31 December 2005	117,271	40,263	99,891	378,642	70,691	111,532	109,463	9,345	—	937,098
At 31 December 2004	116,889	41,298	67,604	417,905	77,449	110,399	104,179	3,758	2,711	942,192
For the year ended 31 December 2004										
Depreciation charge	—	729	614	10,750	15,401	26,059	35,676	1,672	—	90,901
Impairment losses	—	—	5,964	2,982	—	—	—	—	—	8,946

Included in renovations is additional restoration cost accrued during the year of RM Nil (2004: RM900,000). No leasehold land and buildings of the Group were pledged to secure banking facilities to the Group at the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS

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### 15. PROPERTY AND EQUIPMENT (continued)

Bank	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Reno- vations 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
<u>Cost</u>										
At 1 January 2005	81,092	—	306	263,033	167,303	253,056	501,868	16,601	2,711	1,285,970
Additions	—	—	—	—	14,831	14,695	43,833	7,092	—	80,451
Disposals	—	—	—	—	(2)	(1,251)	(5,797)	(6,536)	—	(13,586)
Transfers	—	—	—	2,711	(9,742)	9,393	188	—	(2,711)	(161)
Write-offs	—	—	—	—	(372)	(880)	(8,247)	(2)	—	(9,501)
Exchange differences	—	—	—	—	—	4	4	2	—	10
At 31 December 2005	81,092	—	306	265,744	172,018	275,017	531,849	17,157	—	1,343,183
<u>Depreciation</u>										
At 1 January 2005	—	—	37	48,432	93,086	164,003	400,022	13,289	—	718,869
Depreciation charge for the year	—	—	1	5,277	11,150	18,539	37,869	2,698	—	75,534
Disposals	—	—	—	—	(2)	(1,241)	(4,700)	(6,534)	—	(12,477)
Write-offs	—	—	—	—	(364)	(849)	(8,218)	(2)	—	(9,433)
Exchange differences	—	—	—	—	2	4	11	2	—	19
At 31 December 2005	—	—	38	53,709	103,872	180,456	424,984	9,453	—	772,512
<u>Net book value</u>										
At 31 December 2005	81,092	—	268	212,035	68,146	94,561	106,865	7,704	—	570,671
At 31 December 2004	81,092	—	269	214,601	74,217	89,053	101,846	3,312	2,711	567,101
For the year ended 31 December 2004	—	—	1	5,274	10,389	16,429	32,811	1,013	—	65,917

Included in renovations is additional restoration cost accrued during the year of RM Nil (2004: RM900,000).

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. INTANGIBLE ASSETS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Goodwill</u>				
<u>Cost</u>				
At 1 January	913,197	902,392	820,154	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	20	10,805	—	—
At 31 December	913,217	913,197	820,154	820,154
<u>Accumulated amortisation</u>				
At 1 January	129,448	84,088	81,798	54,373
Amortisation for the year	44,862	45,360	42,963	27,425
At 31 December	174,310	129,448	124,761	81,798
Net book value	738,907	783,749	695,393	738,356
<u>License</u>				
<u>Cost</u>				
At 1 January	28,000	—	—	—
Purchase of share broking license	—	28,000	—	—
At 31 December	28,000	28,000	—	—
<u>Accumulated amortisation</u>				
At 1 January	350	—	—	—
Amortisation for the year	1,400	350	—	—
At 31 December	1,750	350	—	—
Net book value	26,250	27,650	—	—
Total net book value of intangible assets	765,157	811,399	695,393	738,356



**NOTES TO THE FINANCIAL STATEMENTS**

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**17. DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Demand deposits	9,566,341	8,682,720	9,531,145	8,570,697
Savings deposits	12,566,703	11,498,368	12,367,962	11,328,835
Fixed deposits	43,209,440	39,315,447	41,747,537	35,880,955
Negotiable instruments of deposits	18,492,176	12,481,507	18,266,271	12,218,267
Other deposits	294,981	268,261	292,267	266,885
	84,129,641	72,246,303	82,205,182	68,265,639

The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due within six months	52,242,681	43,631,038	50,586,121	39,689,051
More than six months to one year	8,848,375	8,012,524	8,817,745	8,263,733
More than one year to three years	433,510	141,046	432,892	134,093
More than three years to five years	177,050	12,346	177,050	12,345
	61,701,616	51,796,954	60,013,808	48,099,222

The deposits are sourced from the following types of customers:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Federal and state governments	222,874	258,528	222,874	258,528
Local government and statutory authorities	994,303	554,184	994,303	554,184
Business enterprises	20,621,483	18,356,782	20,545,851	16,072,496
Individuals	46,518,735	41,668,674	46,266,816	40,903,032
Foreign customers	3,066,866	1,199,966	2,313,030	1,050,029
Others	12,705,380	10,208,169	11,862,308	9,427,370
	84,129,641	72,246,303	82,205,182	68,265,639



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	2,268,249	1,146,857	1,242,196	769,850
Licensed finance companies	—	240,000	—	240,000
Licensed merchant banks	65,000	104,000	4,189	44,878
Other financial institutions	5,347,441	1,467,624	5,537,215	3,711,002
	7,680,690	2,958,481	6,783,600	4,765,730

## 19. BILLS AND ACCEPTANCES PAYABLE

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

## 20. 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.

## 21. OTHER LIABILITIES

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest/Profit payable	508,851	422,185	499,070	407,063
Other creditors and accruals	594,419	545,956	289,566	268,535
Employee benefits (Note 23(a))	(6,182)	5,741	(5,941)	5,741
Accrued restoration cost	7,665	8,589	7,665	7,665
Profit Equalisation Reserves	21,523	28,393	21,523	28,393
Outstanding contracts on clients' accounts	72,412	202,621	—	—
Dividend payable to shareholders	54,933	305,379	3,750	305,379
Amount due to subsidiary companies	—	—	197,356	292,988
Derivatives (Note 22)	157,298	126,054	145,869	17,761
	1,410,919	1,644,918	1,158,858	1,333,525

The outstanding contracts on clients' accounts are in respect of the stock broking activities of a subsidiary company.



**NOTES TO THE FINANCIAL STATEMENTS**

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**22. DERIVATIVE FINANCIAL INSTRUMENTS**

Group	Fair values	
	Assets RM'000	Liabilities RM'000
At 31 December 2005		
1) Derivatives held-for-trading		
Foreign exchange derivatives		
Currency forwards	4,627	1,352
Currency swaps	20,110	8,652
	24,737	10,004
2) Derivatives held-for-hedging		
Derivatives designated as fair value hedges		
Interest rate swaps	16,175	147,294
Total recognised derivative assets/liabilities	40,912	157,298
At 31 December 2004		
1) Derivatives held-for-trading		
Foreign exchange derivatives		
Currency forwards	2,794	1,848
Currency swaps	8,707	15,913
	11,501	17,761
2) Derivatives held-for-hedging		
Derivatives designated as fair value hedges		
Interest rate swaps	52,199	108,293
Total recognised derivative assets/liabilities	63,700	126,054

# NOTES TO THE FINANCIAL STATEMENTS

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## 22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Bank	Fair values	
	Assets RM'000	Liabilities RM'000
At 31 December 2005		
1) Derivatives held-for-trading		
Foreign exchange derivatives		
Currency forwards	4,627	1,352
Currency swaps	20,110	8,652
	24,737	10,004
2) Derivatives held-for-hedging		
Derivatives designated as fair value hedges		
Interest rate swaps	15,328	135,865
Total recognised derivative assets/liabilities	40,065	145,869
At 31 December 2004		
1) Derivatives held-for-trading		
Foreign exchange derivatives		
Currency forwards	2,794	1,848
Currency swaps	8,707	15,913
	11,501	17,761
2) Derivatives held-for-hedging		
Derivatives designated as fair value hedges		
Interest rate swaps	52,199	—
Total recognised derivative assets/liabilities	63,700	17,761

## 23. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

– 31 December 2005

**23. EMPLOYEE BENEFITS (continued)****(a) Defined Benefit Plan (continued)**

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Present value of funded obligations	245,841	188,072	237,900	180,888
Fair value of fund assets	(337,301)	(292,812)	(326,406)	(281,627)
	(91,460)	(104,740)	(88,506)	(100,739)
Unrecognised actuarial gains	85,278	110,481	82,565	106,480
Net (asset)/liability	(6,182)	5,741	(5,941)	5,741

Fund assets include ordinary shares issued by the Bank with a fair value of RM203,178,000 (2004 – RM309,560,000). Fund assets also include properties occupied by the Group and the Bank of RM139,886,000 (2004 – RM124,201,000) and RM134,786,000 (2004 – RM119,966,000) respectively.

The amounts recognised in the income statements are as follows:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current service cost	13,849	13,067	13,404	8,952
Interest cost	13,167	12,020	12,740	8,234
Expected return on fund assets	(13,762)	(12,406)	(13,345)	(7,317)
Actuarial gains recognised	(20,298)	–	(19,602)	–
Amount included under “personnel costs”	(7,044)	12,681	(6,803)	9,869
Expected return on fund assets	13,762	12,406	13,345	7,317
Actuarial gain on fund assets	33,048	69,881	31,980	47,876
Actual return on fund assets	46,810	82,287	45,325	55,193

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 23. EMPLOYEE BENEFITS (continued)

### (a) Defined Benefit Plan (continued)

Movements in the net (asset)/liability recognised in the balance sheets are as follows:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Net liability at 1 January	5,741	12,897	5,741	12,897
Contributions	—	(14,338)	—	(11,526)
Benefits paid	(4,879)	(5,499)	(4,879)	(5,499)
(Income)/Expense recognised in the income statement	(7,044)	12,681	(6,803)	9,869
Net (asset)/liability at 31 December	(6,182)	5,741	(5,941)	5,741

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

	Group and Bank	
	2005*	2004
Discount rate	6.25%	7.00%
Expected return on fund assets	8.00%	8.00%
Expected rate of salary increases	6.50%	6.00%

\* The principal actuarial assumptions for 2005 are based on the latest actuarial valuation performed during the year in determining the present value of funded obligations as at 31 December 2005.

### (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
30 March 2005	25 February 2006	25 February 2008

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 23. EMPLOYEE BENEFITS (continued)

#### (b) Equity Compensation Benefits (continued)

The 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;
- (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 10.04.1998	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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 23. EMPLOYEE BENEFITS (continued)

### (b) Equity Compensation Benefits (continued)

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	Number of PBB Share Options							Total '000
	RM1.64 '000	RM3.56 '000	RM3.40 '000	RM4.60 '000	RM4.92 '000	RM6.37 '000	RM5.67 '000	
At 1 January 2005	153	13,427	1,533	15,085	36,951	—	—	67,149
Granted during the year	—	—	—	—	—	57,011	54,800	111,811
Exercised during the year	(65)	(10,627)	(1,124)	(10,331)	(35,817)	(3,642)	—	(61,606)
Lapsed due to resignation	(1)	(43)	(42)	(75)	(19)	(783)	—	(963)
At 31 December 2005	87	2,757	367	4,679	1,115	52,586	54,800	116,391

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	
	2005 '000	2004 '000
RM4.92	—	50,769
RM6.37	57,011	—
RM5.67	54,800	—
	111,811	50,769

## NOTES TO THE FINANCIAL STATEMENTS

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### 23. EMPLOYEE BENEFITS (continued)

#### (b) Equity Compensation Benefits (continued)

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	RM6.37	Total	
January 2005	15,475	985,926	104,200	954,400	21,098,000	—	23,158,001	7.48 - 7.49
February 2005	32,200	6,006,810	392,825	5,424,000	6,761,500	—	18,617,335	7.54 - 7.68
August 2005	14,482	1,382,291	194,275	1,397,700	6,670,000	3,155,000	12,813,748	7.18
October 2005	1,063	442,561	96,950	424,800	1,014,500	134,200	2,114,074	6.51
November 2005	1,269	1,592,454	300,225	1,927,975	249,500	326,500	4,397,923	6.50 - 6.53
December 2005	—	217,309	35,375	202,500	23,500	26,000	504,684	6.26
	64,489	10,627,351	1,123,850	10,331,375	35,817,000	3,641,700	61,605,765	
Considerations received (RM)	105,762	37,833,370	3,821,090	47,524,325	176,219,640	23,197,629	288,701,816	

### 24. SUBORDINATED NOTES

	Group and Bank	
	2005 RM'000	2004 RM'000
USD350 million Subordinated Notes due 2014, callable with step-up in 2009 (a)	1,322,825	1,330,000
USD400 million Subordinated Notes due 2017, callable with step-up in 2012 (b)	1,511,800	—
	2,834,625	1,330,000
Less: Transaction costs	(7,790)	(3,990)
Discount on issuance	(13,154)	(3,777)
Unrealised fair value (gain)/loss	(59,173)	52,200
	2,754,508	1,374,433
Accumulated accretion of discount and amortisation of transaction costs	3,114	781
	2,757,622	1,375,214



# NOTES TO THE FINANCIAL STATEMENTS

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## 24. SUBORDINATED NOTES (continued)

- (a) On 22 June 2004, the Bank issued USD350 million in aggregate principal amount of Subordinated 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).
- (b) On 20 June 2005, the Bank issued USD400 million in aggregate principal amount of Subordinated Notes due 2017 callable with step-up in 2012. The Notes bear interest at the rate of 5% per annum from (and including) 20 June 2005 to (but excluding) 20 June 2012 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 2.827%. The interest is payable semi-annually in arrears on 20 June and 20 December in each year commencing on 20 December 2005. The Notes were issued at a price of 99.383 per cent of the principal amount of the Notes. The Notes will, subject to prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or on 20 June 2012 at their principal amount plus accrued interest (if applicable).

All the subordinated notes above constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the Notes and qualify as Tier II capital for the purpose of determining the capital adequacy ratio of the Group and the Bank.

## 25. PROVISION FOR TAX EXPENSE AND ZAKAT

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax expense	250,333	233,135	211,982	154,337
Zakat	55	35	55	35
	250,388	233,170	212,037	154,372



## NOTES TO THE FINANCIAL STATEMENTS

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### 26. SHARE CAPITAL

Group and Bank	Number of Ordinary Shares of RM1.00 Each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
Authorised:				
Ordinary shares of RM1.00 each				
At 1 January	5,000,000	5,000,000	5,000,000	5,000,000
Increase during the year	5,000,000	—	5,000,000	—
At 31 December	10,000,000	5,000,000	10,000,000	5,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	3,355,767	3,206,600	3,355,767	3,206,600
Issued pursuant to the exercise of share options	61,606	149,167	61,606	149,167
At 31 December	3,417,373	3,355,767	3,417,373	3,355,767

On 30 March 2005, the Bank obtained its shareholders' approval to increase its authorised share capital from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each to RM10,000,000,000 comprising 10,000,000,000 ordinary shares of RM1.00 each by the creation of an additional 5,000,000,000 ordinary shares of RM1.00 each.

### 27. TREASURY SHARES

The amount relates to the acquisition cost of treasury shares.

On 30 March 2005, 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, 24,007,100 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 Malaysia") at an average buy-back price of RM7.61 per share. During the previous financial year, the Bank bought back from the open market, 56,628,800 of its issued ordinary shares of RM1.00 each listed and quoted as "Local" on the Main Board of Bursa Malaysia 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 Malaysia 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 RM183,158,887 (2004 – 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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 27. TREASURY SHARES (continued)

Of the total 3,417,373,089 (2004 – 3,355,767,324) issued and paid-up PBB Shares as at 31 December 2005, 124,184,500 (2004 – 100,177,400) PBB Shares are held as treasury shares by the Bank. As at 31 December 2005, the number of outstanding PBB Shares in issue and paid-up is therefore 3,293,188,589 (2004 – 3,255,589,924) 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.

## 28. OTHER RESERVES

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Exchange Equalisation Reserves RM'000	Revaluation Reserves RM'000	Total RM'000
At 1 January 2004					
– As previously stated	2,204,384	79,943	103,303	–	2,387,630
– Prior year adjustments (Note 47(b))	–	–	–	30,560	30,560
At 1 January 2004, as restated	2,204,384	79,943	103,303	30,560	2,418,190
Currency translation differences	–	–	(1,348)	–	(1,348)
Unrealised net gain on revaluation of securities available-for-sale	–	–	–	31,245	31,245
Transfer from income statement	228,707	–	–	–	228,707
At 31 December 2004	2,433,091	79,943	101,955	61,805	2,676,794
At 1 January 2005					
– As previously stated	2,433,091	79,943	101,955	–	2,614,989
– Prior year adjustments (Note 47(b))	–	–	–	61,805	61,805
At January 2005, as restated	2,433,091	79,943	101,955	61,805	2,676,794
Currency translation differences	–	–	(31,581)	–	(31,581)
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	(25,820)	(25,820)
Transfer from income statement	324,432	–	–	–	324,432
At 31 December 2005	2,757,523	79,943	70,374	35,985	2,943,825



**NOTES TO THE FINANCIAL STATEMENTS**

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**28. OTHER RESERVES (continued)**

<b>Bank</b>	<b>Statutory Reserves RM'000</b>	<b>Revaluation Reserves RM'000</b>	<b>Total RM'000</b>
At 1 January 2004			
– As previous stated	1,842,160	–	1,842,160
– Prior year adjustments (Note 47(b))	–	20,452	20,452
At 1 January 2004, as restated	1,842,160	20,452	1,862,612
Unrealised net loss on revaluation of securities available-for-sale	–	(15,121)	(15,121)
Transfer from income statement	559,409	–	559,409
At 31 December 2004	2,401,569	5,331	2,406,900
At 1 January 2005			
– As previously stated	2,401,569	–	2,401,569
– Prior year adjustments (Note 47(b))	–	5,331	5,331
At 1 January 2005, as restated	2,401,569	5,331	2,406,900
Unrealised net loss on revaluation of securities available-for-sale	–	(11,650)	(11,650)
Transfer from income statement	320,223	–	320,223
At 31 December 2005	2,721,792	(6,319)	2,715,473

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.

The exchange equalisation reserves comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

The revaluation reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. RETAINED PROFITS

As at 31 December 2005, the Bank has tax exempt profits available for distribution of approximately RM284,000,000 (2004 – RM284,000,000), 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 2005.

## 30. INTEREST INCOME

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Loan, advances and financing				
– Interest income other than recoveries from NPLs	3,628,393	3,146,247	3,223,839	2,162,982
– Recoveries from NPLs	80,908	74,286	80,254	70,010
Money at call and deposit placements with financial institutions	759,499	459,111	722,917	593,165
Securities held-for-trading	88,309	161,377	86,152	156,176
Securities available-for-sale	90,015	51,956	62,323	31,774
Securities held-to-maturity	75,899	21,301	61,609	13,355
Others	26,495	19,052	26,104	9,636
	4,749,518	3,933,330	4,263,198	3,037,098
Amortisation of premium less accretion of discount	(18,867)	(13,460)	(27,245)	(13,662)
Net interest/income suspended	(115,151)	(103,978)	(114,976)	(91,932)
	4,615,500	3,815,892	4,120,977	2,931,504

## 31. INTEREST EXPENSE

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits and placements of banks and other financial institutions	128,310	56,789	139,619	224,933
Deposits from customers	1,884,890	1,377,649	1,831,092	1,187,577
Loans sold to Cagamas	12,070	18,288	12,070	8,455
Subordinated notes	95,696	20,101	95,696	20,101
Others	10,675	21,737	155	70
	2,131,641	1,494,564	2,078,632	1,441,136

## NOTES TO THE FINANCIAL STATEMENTS

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### 32. OTHER OPERATING INCOME

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(a) Fee income:				
Commissions	98,150	89,651	98,468	84,750
Service charges and fees	175,954	165,786	117,664	100,770
Guarantee fees	19,891	19,532	16,973	16,042
Processing fees	25,022	20,984	814	621
Commitment fees	32,632	29,273	31,884	28,999
Unit trust management fees	136,006	116,227	—	—
Net brokerage and commissions from stock broking activities	18,559	23,160	—	—
Other fee income	24,427	24,395	17,198	15,131
	530,641	489,008	283,001	246,313
(b) Net gain arising from sale of securities:				
Net gain from sale of securities held-for-trading	10,149	38,821	9,763	35,804
Net gain from sale of securities available-for-sale	4,162	3,487	—	46,029
	14,311	42,308	9,763	81,833
(c) Gross dividend income from:				
Securities held-for-trading	567	1,059	391	502
Securities available-for-sale	41,693	38,523	37,430	33,214
Securities held-to-maturity	3,281	1,088	3,191	908
Associated companies	—	—	2,311	2,466
Subsidiary companies:				
– quoted in Malaysia	—	—	—	1,165,155
– quoted outside Malaysia	—	—	170,890	496,842
– unquoted in Malaysia	—	—	42,054	361,596
	45,541	40,670	256,267	2,060,683
(d) Unrealised gain on revaluation of securities held-for-trading and derivatives	20,785	11,230	18,744	10,724
(e) Other income:				
Foreign exchange profit	81,377	73,199	82,273	72,472
Rental income	7,830	6,745	2,545	2,753
Net gain/(loss) on disposal of property and equipment	2,322	118	1,764	(5)
Net (loss)/gain on disposal of foreclosed properties	(807)	99	(807)	99
Gain on sale of trust units	132,729	87,575	—	—
Lease income and factoring charges	1,995	2,314	—	—
Others *	81,220	(10,971)	19,588	15,660
	306,666	159,079	105,363	90,979
<b>Total Other Operating Income</b>	<b>917,944</b>	<b>742,295</b>	<b>673,138</b>	<b>2,490,532</b>

\* The 2005 Group figure includes RM27.8 million 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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 33. OTHER OPERATING EXPENSES

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Personnel costs				
– Salaries, allowances and bonuses	579,924	552,549	496,311	380,806
– Pension costs	68,128	81,871	60,837	60,423
– Others	55,783	53,783	52,119	39,616
Establishment costs				
– Depreciation	92,371	90,901	75,534	65,917
– Rental	49,888	49,702	64,824	62,996
– Insurance	11,985	14,743	10,911	11,832
– Water and electricity	21,544	20,832	17,318	16,055
– General repairs	18,152	18,282	14,823	14,181
– Others	66,978	57,426	57,101	23,704
Marketing expenses				
– Sales commission	139,452	88,775	–	–
– Advertisement and publicity	47,836	41,689	22,144	14,803
– Handling fees	18,296	25,606	18,287	(5,404)
– Others	61,320	47,376	47,931	30,996
Administration and general expenses				
– Amortisation of intangible assets	46,262	45,710	42,963	27,425
– Communication expenses	55,705	52,281	46,478	46,855
– Others	65,371	64,667	56,679	40,117
	1,398,995	1,306,193	1,084,260	830,322

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Amortisation of intangible assets	46,262	45,710	42,963	27,425
Auditors' remuneration:				
– statutory audit fees	1,669	1,579	710	522
– half year review	100	100	100	70
– other services	239	345	159	204
Depreciation of property and equipment	92,371	90,901	75,534	65,917
Directors' remuneration (Note 34)	13,725	14,323	8,845	8,710
Pension costs				
– defined contribution plan	70,062	64,951	62,970	47,248
– defined benefit plan	(7,044)	12,681	(6,803)	9,869
Property and equipment written off	72	3,104	68	1,757
Rental of premises	49,888	49,702	64,824	62,996

## NOTES TO THE FINANCIAL STATEMENTS

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### 33. OTHER OPERATING EXPENSES (continued)

Included in the statutory audit fees and other services fees of the Group are fees paid to accounting firms other than the Bank's auditors amounting to RM839,000 (2004 – RM775,000) and RM30,000 (2004 – RM69,000) 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 12,800 (2004 – 12,659) and 11,546 (2004 – 11,463) respectively.

### 34. DIRECTORS' REMUNERATION

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of the Bank:				
Executive Directors:				
Fees	428	482	180	150
Salary and other remuneration, including meeting allowances	1,912	1,930	1,873	1,879
Bonuses	2,164	2,307	2,164	2,207
Benefits-in-kind				
– arising from exercise of share options	7,684	3,819	6,488	3,819
– others	74	52	74	52
	12,262	8,590	10,779	8,107
Non-Executive Directors:				
Fees	1,278	1,478	690	575
Other remuneration	4,004	4,832	3,931	3,899
Benefits-in-kind				
– arising from exercise of share options	16,076	17,904	15,431	17,904
– others	96	65	96	65
	21,454	24,279	20,148	22,443
Past Director:				
Other remuneration	7	–	7	–
Benefits-in-kind	25	15	25	15
	32	15	32	15



# NOTES TO THE FINANCIAL STATEMENTS

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## 34. DIRECTORS' REMUNERATION (continued)

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Directors of subsidiary companies:				
Executive Directors:				
Fees	206	121	—	—
Salary and other remuneration, including meeting allowances	2,291	2,086	—	—
Bonuses	1,307	977	—	—
Benefits-in-kind				
- arising from exercise of share options	2,691	1,406	—	—
- others	183	139	—	—
	6,678	4,729	—	—
Non-Executive Directors:				
Fees	128	110	—	—
Benefits-in-kind				
- arising from exercise of share options	1,421	330	—	—
	1,549	440	—	—
<b>Grand Total</b>	<b>41,975</b>	<b>38,053</b>	<b>30,959</b>	<b>30,565</b>
<b>Total (excluding benefits-in-kind)</b>	<b>13,725</b>	<b>14,323</b>	<b>8,845</b>	<b>8,710</b>

Included in the remuneration of the Executive Directors is the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounting to RM6,779,713 (2004 - RM5,184,383).



## NOTES TO THE FINANCIAL STATEMENTS

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### 34. DIRECTORS' REMUNERATION (continued)

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Executive Directors:</b>				
Dato' Sri Tay Ah Lek	8,137	5,448	6,780	5,184
Dato' Lee Kong Lam	4,125	3,142	3,999	2,923
	12,262	8,590	10,779	8,107
<b>Of which relating to benefits-in-kind from the exercise of share options:</b>				
Dato' Sri Tay Ah Lek	5,616	2,816	4,420	2,816
Dato' Lee Kong Lam	2,068	1,003	2,068	1,003
	7,684	3,819	6,488	3,819
<b>Non-Executive Directors:</b>				
Tan Sri Dato' Sri Dr. Teh Hong Piow	16,504	18,364	15,964	18,011
Tan Sri Dato' Thong Yaw Hong	1,514	1,395	1,462	1,038
Dato' Yeoh Chin Kee	1,463	556	1,355	289
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	185	1,381	152	1,188
Haji Abdul Aziz bin Omar	1,024	386	905	139
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	261	1,124	155	889
Lee Chin Guan	503	1,073	155	889
	21,454	24,279	20,148	22,443
<b>Of which relating to benefits-in-kind from the exercise of share options:</b>				
Tan Sri Dato' Sri Dr. Teh Hong Piow	12,825	14,544	12,446	14,544
Tan Sri Dato' Thong Yaw Hong	1,035	660	1,035	660
Dato' Yeoh Chin Kee	1,200	150	1,200	150
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	—	1,050	—	1,050
Haji Abdul Aziz bin Omar	750	—	750	—
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	—	750	—	750
Lee Chin Guan	266	750	—	750
	16,076	17,904	15,431	17,904
<b>Past Director:</b>				
Datuk Tan Cheng Swee	32	15	32	15

# NOTES TO THE FINANCIAL STATEMENTS

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## 35. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Allowance for bad and doubtful debts and financing:				
– general allowance (net)	160,749	69,097	163,539	375,887
– specific allowance	359,490	354,006	248,994	149,378
– specific allowance written back	(37,337)	(69,267)	(34,315)	(24,811)
Net write back of allowance in share broking activities	(302)	(688)	–	–
Bad debts and financing written off	1,590	1,131	1,582	1,105
Bad debts and financing recovered	(102,184)	(83,245)	(69,454)	(47,863)
	382,006	271,034	310,346	453,696

## 36. IMPAIRMENT (WRITTEN BACK)/LOSS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Securities available-for-sale	1,795	452	1,795	452
Securities held-to maturity	(10,000)	12,676	(10,000)	1,129
Foreclosed properties	2,677	–	2,677	–
Investment properties	(8,202)	(5,355)	–	–
Property and equipment	(1,713)	8,946	–	–
Investment in subsidiary	–	–	–	30
	(15,443)	16,719	(5,528)	1,611



**NOTES TO THE FINANCIAL STATEMENTS**

- 31 December 2005

**37. TAX EXPENSE AND ZAKAT**

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian income tax	530,005	502,696	514,169	785,191
Overseas income tax	48,495	39,835	1,801	881
	578,500	542,531	515,970	786,072
(Over)/Under provision in prior years				
– Malaysian income tax	(5,317)	(4,145)	–	–
– Overseas income tax	4	836	–	–
	573,187	539,222	515,970	786,072
Share of tax expense of associated companies	1,537	1,024	–	–
	574,724	540,246	515,970	786,072
Deferred tax expense				
Origination and reversal of temporary differences	(62,634)	(30,122)	(63,831)	(107,032)
	512,090	510,124	452,139	679,040
Tax expense				
Zakat	148	75	148	75
	512,238	510,199	452,287	679,115

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004 – 28%) on the estimated chargeable profit for the year. Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 37. 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:

<b>Group</b>	<b>%</b>	<b>2005 RM'000</b>	<b>%</b>	<b>2004 RM'000</b>
Profit before tax expense		2,048,670		1,853,874
Income tax using Malaysian tax rate of 28% (2004 – 28%)	28.0	573,628	28.0	519,085
Effects of different tax rates in foreign jurisdictions	(2.4)	(49,217)	(1.4)	(27,067)
Income not subject to tax	(1.3)	(28,132)	(0.9)	(17,251)
Effects of utilisation of unrecognised tax losses	(0.4)	(7,741)	(0.7)	(12,166)
Expenses not deductible for tax purposes	1.4	28,865	2.7	50,832
Over provision in prior years	25.3 (0.3)	517,403 (5,313)	27.7 (0.2)	513,433 (3,309)
Tax expense for the year	25.0	512,090	27.5	510,124

<b>Bank</b>	<b>%</b>	<b>2005 RM'000</b>	<b>%</b>	<b>2004 RM'000</b>
Profit before tax expense		1,733,179		2,920,903
Income tax using Malaysian tax rate of 28% (2004 – 28%)	28.0	485,290	28.0	817,853
Income not subject to tax	(3.4)	(59,406)	(5.3)	(154,329)
Expenses not deductible for tax purposes	1.5	26,255	0.5	15,516
Tax expense for the year	26.1	452,139	23.2	679,040



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 38. 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 issue during the financial year excluding the weighted average treasury shares held by the Bank. The comparatives' net profit for the year have been restated as a result of change in accounting policies as set out in Note 47.

	Group		Bank	
	2005	2004	2005	2004
Net profit for the year (RM'000)	1,450,281	1,271,073	1,280,892	2,241,788
<b>'000</b>				
Number of ordinary shares at beginning of the year	3,255,590	3,175,508	3,255,590	3,175,508
Effects of share options exercised during the year	44,231	84,173	44,231	84,173
Effects of shares bought back and held as treasury shares	(20,704)	(42,127)	(20,704)	(42,127)
Weighted average number of ordinary shares in issue	3,279,117	3,217,554	3,279,117	3,217,554
Basic earnings per share (sen)	44.2	39.5	39.1	69.7

#### (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 set out as follows:

	Group		Bank	
	2005	2004	2005	2004
<b>'000</b>				
Weighted average number of ordinary shares	3,279,117	3,217,554	3,279,117	3,217,554
Effects of share options	31,466	56,735	31,466	56,735
Adjusted weighted average number of ordinary shares in issue or issuable	3,310,583	3,274,289	3,310,583	3,274,289
Diluted earnings per share (sen)	43.8	38.8	38.7	68.5

# NOTES TO THE FINANCIAL STATEMENTS

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## 39. DIVIDENDS

	Group and Bank	
	2005 RM'000	2004 RM'000
Dividends paid:		
Interim dividend of 20% less 28% tax in respect of the financial year ended 31 December 2005	473,209	—
Final dividend of 35% less 28% tax and special dividend of 15% less 28% tax in respect of the financial year ended 31 December 2004	1,178,412	—
Special dividend of 40.0% 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
	1,651,621	1,449,037

A proposed final dividend of 20% and special dividend of 15%, less 28% tax respectively, in respect of financial year ended 31 December 2005 amounting to approximately RM829,883,524 computed based on the outstanding issued and paid-up capital, excluding treasury shares held by the Bank, of 3,293,188,589 ordinary shares of RM1.00 each, 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 2006.

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

	Gross per share		Net per share	
	2005 Sen	2004 Sen	2005 Sen	2004 Sen
Dividends per RM1.00 share:				
Proposed:				
Final dividend of 20% less 28% tax	20.0	n/a	14.4	n/a
Special dividend of 15.0%, less 28% tax	15.0	15.0	10.8	10.8
Final dividend of 35.0%, less 28% tax	n/a	35.0	n/a	25.2
Paid:				
Interim dividend of 20.0% less 28% tax	20.0	n/a	14.4	n/a
Special dividend of 40.0%, less 28% tax	n/a	40.0	n/a	28.8
Total	55.0	90.0	39.6	64.8

## NOTES TO THE FINANCIAL STATEMENTS

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### 40. RELATED PARTY TRANSACTIONS

Controlling related parties of the Bank are as follows:

- (i) Its subsidiary companies as disclosed in Note 12 to the financial statements; and
- (ii) A Director and substantial shareholder of the Bank, Tan Sri Dato' Sri Dr. Teh Hong Piow.

(a) The significant transactions and outstanding balances of the Bank with its subsidiary companies are as follows:

	Bank	
	2005 RM'000	2004 RM'000
Income:		
Interest on loans, advances and financing	46,797	354,554
Dividend income	212,944	2,023,593
Staff training recharged	32	2,987
Overhead expenses recharged	658	24,655
Commission income	8,365	4,587
Commitment fees and bank charges received	614	421
Rental income from premises	1,288	1,986
	270,698	2,412,783
Expenditure:		
Interest on deposits	54,222	185,175
Rental of premises	26,408	27,488
Brokerage commission	586	2,009
Corporate advisory fees	490	385
Commission on loans	96	2,638
Others	1,435	1,446
	83,237	219,141
Amount due from subsidiary companies:		
Interbank loans	808,963	2,997,455
Loans, advances and financing	146,678	207,787
Securities held-for-trading	150,000	—
Dividend receivable	149,720	150,108
Rental deposits	36,489	34,906
Interest receivable	3,479	3,273
Others	115,203	189,166
	1,410,532	3,582,695



# NOTES TO THE FINANCIAL STATEMENTS

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## 40. RELATED PARTY TRANSACTIONS (continued)

	Bank	
	2005 RM'000	2004 RM'000
Amount due to subsidiary companies:		
Demand deposits	186,237	80,413
Short-term deposits	549,259	352,112
Interbank borrowings	387,978	2,340,159
Interest payable	1,098	3,309
Others*	196,258	289,679
	1,320,830	3,065,672

\* 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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income:				
Rental received from a Director of the Bank	147	147	147	147
Expenditure:				
Interest paid on placements and deposits				
– to Directors of the Bank	20,477	11,610	20,477	11,396
– to companies in which certain Directors of the Bank have substantial interest	2,050	900	2,050	839
Rental paid to companies in which Directors of the Bank have substantial interest	294	294	294	294

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**40. 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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income:				
Commission income	13,885	11,669	13,852	11,579
Rental	1,998	1,556	12	12
Corporate advisory fees	34	69	—	—
Expenditure:				
Insurance premium	17,668	15,381	15,295	13,724
Interest expense	2,174	1,133	886	1,111
Dividend paid	38,280	33,905	38,280	33,905

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	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Expenditure/(Income):				
Contribution to the Fund	—	14,338	—	11,526
Rental	9,866	8,880	9,543	8,857
Dividend paid	26,269	23,611	26,238	23,565
Brokerage income	(52)	(596)	—	—

All related party transactions are conducted at arm's length basis and on normal commercial terms which are not more favourable than those generally available to the public.

# NOTES TO THE FINANCIAL STATEMENTS

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## 41. 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	2005			2004		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,085,495	1,085,495	858,181	864,582	864,582	621,841
Certain transaction-related contingent items	392,547	196,274	102,554	356,632	178,316	122,975
Short-term self-liquidating trade-related contingencies	541,501	108,300	102,011	549,886	109,977	104,049
Forward assets purchased	15,040	15,040	—	—	—	—
Obligations under underwriting agreements	83,750	41,875	41,875	45,850	22,925	22,925
Irrevocable commitments to extend credit:						
– maturity exceeding one year	4,154,284	2,077,142	1,776,275	4,086,615	2,043,308	1,640,070
– maturity not exceeding one year	9,910,227	—	—	8,342,491	—	—
Foreign exchange related contracts:						
– less than one year	7,223,068	114,044	26,213	3,445,413	50,731	14,614
– one year to less than five years	—	—	—	381,201	24,457	4,891
Interest rate related contracts:						
– less than one year	113,385	283	57	70,798	177	35
– one year to less than five years	2,249,965	67,083	13,417	638,209	19,918	3,984
– five years and above	3,182,339	211,803	42,361	999,000	73,076	14,615
	28,951,601	3,917,339	2,962,944	19,780,677	3,387,467	2,549,999

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

## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 41. COMMITMENTS AND CONTINGENCIES (continued)

Bank	2005			2004		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,084,395	1,084,395	857,961	861,544	861,544	618,801
Certain transaction-related contingent items	381,946	190,975	127,627	348,568	174,284	118,981
Short-term self-liquidating trade-related contingencies	434,058	86,810	80,609	474,999	95,000	89,415
Forward assets purchased	15,040	15,040	—	—	—	—
Obligations under underwriting agreements	70,000	35,000	35,000	30,000	15,000	15,000
Irrevocable commitments to extend credit:						
– maturity exceeding one year	4,154,028	2,077,014	1,776,211	4,085,883	2,042,942	1,639,866
– maturity not exceeding one year	9,740,724	—	—	8,218,756	—	—
Forward placement	124,723	—	—	—	—	—
Foreign exchange related contracts:						
– less than one year	7,223,068	114,044	26,213	3,445,413	50,731	14,614
– one year to less than five years	—	—	—	381,201	24,457	4,891
Interest rate related contracts:						
– less than one year	113,385	283	57	70,798	177	35
– one year to less than five years	2,249,965	67,083	13,417	638,175	19,915	3,983
– five years and above	3,163,441	210,858	42,172	980,000	71,936	14,387
	28,754,773	3,881,502	2,959,267	19,535,337	3,355,986	2,519,973

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 41. COMMITMENTS AND CONTINGENCIES (continued)

Principal amounts of the foreign exchange related contracts and interest rate related contracts are as follows:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Foreign exchange related contracts				
– Forward contracts	610,574	895,707	610,574	895,707
– Currency swaps	6,612,494	2,930,907	6,612,494	2,930,907
Interest rate related contracts				
– Swaps	5,545,689	1,708,007	5,526,791	1,688,973
	12,768,757	5,534,621	12,749,859	5,515,587

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 2005, the amount of contracts which were not hedged in the Group and in the Bank and, hence, exposed to market risk was RM1,485,257,000 (2004 – RM1,377,179,000) and RM1,485,257,000 (2004 – RM1,377,179,000) 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 2005, the amounts of credit risk in the Group and in the Bank, measured in terms of the cost to replace the profitable contracts, was RM24,737,000 (2004 – RM11,502,000) and RM24,737,000 (2004 – RM11,502,000) 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.



## NOTES TO THE FINANCIAL STATEMENTS

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### 42. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Bank's risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and the Bank's businesses whilst managing its interest rates, foreign exchange, liquidity, operational and credit risks. 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 risk of loss resulting from inadequate or failed internal processes, people and systems or from external events 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.

#### (b) Credit Risk

Credit risk is the potential loss of revenue as a result of defaults by the borrowers or counterparties 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, credit risks are well diversified and there is no significant concentration of credit risk. 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 41.

#### (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 governed by the Trading Book Policy Statement which is approved by the Board and Bank Negara Malaysia. The Trading Book Policy Statement sets out the trading limits which include, inter alia, the Overall Open Position, Daily and Cumulative Cut Loss Position and Maximum Holding Periods to ensure that dealers day-to-day trading activities are within the risk parameters set, independent mark-to-market valuation and validation procedures, policy on hedged transactions and prohibition on the transfer of financial instruments from the trading book to the banking book.



# NOTES TO THE FINANCIAL STATEMENTS

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## 42. FINANCIAL RISK MANAGEMENT POLICIES (continued)

### (c) Market Risk (continued)

#### (i) Foreign Currency Exchange Risk

Foreign currency exchange risk refers to adverse exchange rate movements on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiaries, branches and associated companies, whose functional currencies are not in Ringgit.

Foreign currency exchange open positions are monitored against predetermined position limits and cut-loss limits. Where possible, the foreign currency-denominated assets are generally funded by borrowings and deposits received in the same foreign currencies. Foreign exchange exposures arising from the Group's investments and retained earnings in its subsidiaries, branches and associated companies are hedged.

#### (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 adverse 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 securities are monitored closely and mark-to-market valuations are regularly reported to management. Hedging instruments such as interest rate swaps are used to minimise exposure to interest rate volatility.

#### (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.

### (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 primarily managed through the Bank Negara Malaysia New Liquidity Framework which takes into consideration the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, and also the realisable cash value of eligible liquefiable assets. Liquidity risk management is supplemented by internal liquidity risk management policy.

In addition, the Liquidity Contingency Funding Plan ensures 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.

## 43. 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.



## NOTES TO THE FINANCIAL STATEMENTS

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### 43. INTEREST RATE RISK (continued)

Group 2005	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>									
Cash and short-term funds	17,638,823	—	—	—	—	718,914	—	18,357,737	3.09
Deposits and placements with banks and other financial institutions	—	8,445,253	267,597	—	—	—	—	8,712,850	3.22
Securities purchased under resale agreements	115,312	762,701	108,600	—	—	—	3,882,775	4,869,388	3.11
Securities held-for-trading	—	—	—	—	—	—	1,554,685	1,554,685	3.21
Securities available-for-sale	—	—	117,000	1,290,472	1,469,783	1,181,480	13,947	4,072,682	5.02
Securities held-to-maturity	154,937	248,671	856,239	887,140	—	88,080	—	2,235,067	3.25
Loans, advances and financing									
– performing	31,631,977	4,024,160	10,703,257	15,618,622	4,717,495	—	—	66,695,511	6.56
– non-performing *	—	—	—	—	—	117,273	—	117,273	—
Other non-interest sensitive balances	—	—	—	—	—	4,966,328	24,737	4,991,065	—
<b>TOTAL ASSETS</b>	<b>49,541,049</b>	<b>13,480,785</b>	<b>12,052,693</b>	<b>17,796,234</b>	<b>6,187,278</b>	<b>7,072,075</b>	<b>5,476,144</b>	<b>111,606,258</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	42,603,448	16,793,201	15,318,846	446,734	6,627	8,960,785	—	84,129,641	2.74
Deposits and placements of banks and other financial institutions	5,766,675	1,778,441	72,212	—	—	63,362	—	7,680,690	3.97
Obligations on securities sold under repurchase agreements	4,001,628	30,000	—	—	—	—	10,321	4,041,949	2.89
Bills and acceptances payable	567,488	782,241	142,750	—	—	637,236	—	2,129,715	3.04
Recourse obligations on loans sold to Cagamas	21,190	40,300	163,785	59,730	—	—	—	285,005	3.77
Subordinated notes	—	—	—	1,308,786	1,448,836	—	—	2,757,622	5.29
Other non-interest sensitive balances	—	—	—	—	—	1,654,383	10,004	1,664,387	
<b>Total Liabilities</b>	<b>52,960,429</b>	<b>19,424,183</b>	<b>15,697,593</b>	<b>1,815,250</b>	<b>1,455,463</b>	<b>11,315,766</b>	<b>20,325</b>	<b>102,689,009</b>	
Shareholders' equity	—	—	—	—	—	8,481,508	—	8,481,508	
Minority interests	—	—	—	—	—	435,741	—	435,741	
<b>Total Liabilities and Shareholders' Equity</b>	<b>52,960,429</b>	<b>19,424,183</b>	<b>15,697,593</b>	<b>1,815,250</b>	<b>1,455,463</b>	<b>20,233,015</b>	<b>20,325</b>	<b>111,606,258</b>	



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## 43. INTEREST RATE RISK (continued)

Group 2005	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
On-balance sheet interest sensitivity gap	(3,419,380)	(5,943,398)	(3,644,900)	15,980,984	4,731,815	(13,160,940)	5,455,819	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	971,332	190,137	(1,398,416)	395,685	(158,738)	—	—	—	
<b>Total interest sensitivity gap</b>	<b>(2,448,048)</b>	<b>(5,753,261)</b>	<b>(5,043,316)</b>	<b>16,376,669</b>	<b>4,573,077</b>	<b>(13,160,940)</b>	<b>5,455,819</b>	<b>—</b>	

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

Group 2004	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>									
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	216,006	—	—	—	—	1,460,309	2.64
Securities purchased under resale agreements	347,700	1,147,738	—	—	—	—	—	1,495,438	2.79
Securities held-for-trading	—	—	—	—	—	—	5,261,938	5,261,938	3.01
Securities available-for-sale	—	—	74,513	733,106	1,123,420	1,146,169	63,005	3,140,213	3.38
Securities held-to-maturity	4,702	112,162	174,035	516,996	1,756	23,025	—	832,676	3.12
Loans, advances and financing									
– performing	24,434,545	2,761,239	8,974,495	15,339,420	3,892,539	—	—	55,402,238	6.96
– non-performing *	—	—	—	—	—	316,491	—	316,491	—
Other non-interest sensitive balances	—	—	—	—	—	4,738,810	11,501	4,750,311	—
<b>TOTAL ASSETS</b>	<b>43,908,813</b>	<b>5,264,697</b>	<b>9,439,049</b>	<b>16,589,522</b>	<b>5,017,715</b>	<b>6,773,379</b>	<b>5,336,444</b>	<b>92,329,619</b>	

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### 43. INTEREST RATE RISK (continued)

Group 2004	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	36,612,072	12,501,026	14,714,562	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	23,781	25,011	–	–	–	346,213	4.00
Subordinated notes	–	–	–	1,375,214	–	–	–	1,375,214	3.44
Other non-interest sensitive balances	–	–	–	–	–	1,863,407	17,761	1,881,168	–
<b>Total Liabilities</b>	<b>42,558,153</b>	<b>13,025,580</b>	<b>15,169,658</b>	<b>1,737,141</b>	<b>5,258</b>	<b>10,813,251</b>	<b>17,761</b>	<b>83,326,802</b>	
Shareholders' equity	–	–	–	–	–	8,634,706	–	8,634,706	
Minority interests	–	–	–	–	–	368,111	–	368,111	
<b>Total Liabilities and Shareholders' Equity</b>	<b>42,558,153</b>	<b>13,025,580</b>	<b>15,169,658</b>	<b>1,737,141</b>	<b>5,258</b>	<b>19,816,068</b>	<b>17,761</b>	<b>92,329,619</b>	
On-balance sheet interest sensitivity gap	1,350,660	(7,760,883)	(5,730,609)	14,852,381	5,012,457	(13,042,689)	5,318,683	–	
Off-balance sheet interest sensitivity gap (interest rate swaps)	577,200	(427,193)	157,202	691,791	(999,000)	–	–	–	
<b>Total interest sensitivity gap</b>	<b>1,927,860</b>	<b>(8,188,076)</b>	<b>(5,573,407)</b>	<b>15,544,172</b>	<b>4,013,457</b>	<b>(13,042,689)</b>	<b>5,318,683</b>	<b>–</b>	

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

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## 43. INTEREST RATE RISK (continued)

Bank 2005	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>									
Cash and short-term funds	16,492,083	—	—	—	—	678,255	—	17,170,338	3.08
Deposits and placements with banks and other financial institutions	—	8,487,289	249,579	—	—	—	—	8,736,868	3.23
Securities purchased under resale agreements	66,529	72,824	—	—	—	—	3,882,775	4,022,128	3.14
Securities held-for-trading	—	—	—	—	—	—	1,666,465	1,666,465	3.20
Securities available-for-sale	—	—	58,513	1,081,485	1,347,278	1,062,903	13,377	3,563,556	4.63
Securities held-to-maturity	52,829	126,216	740,099	729,934	—	87,635	—	1,736,713	3.31
Loans, advances and financing									
– performing	30,968,477	3,681,474	10,105,682	15,030,891	4,639,749	—	—	64,426,273	6.11
– non-performing *	—	—	—	—	—	153,632	—	153,632	—
Other non-interest sensitive balances	—	—	—	—	—	5,864,192	24,737	5,888,929	—
<b>TOTAL ASSETS</b>	<b>47,579,918</b>	<b>12,367,803</b>	<b>11,153,873</b>	<b>16,842,310</b>	<b>5,987,027</b>	<b>7,846,617</b>	<b>5,587,354</b>	<b>107,364,902</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	41,062,453	16,135,909	15,241,801	856,150	6,627	8,902,242	—	82,205,182	2.73
Deposits and placements of banks and other financial institutions	4,748,825	1,845,878	128,085	—	—	60,812	—	6,783,600	4.18
Obligations on securities sold under repurchase agreements	3,656,663	30,000	—	—	—	—	10,321	3,696,984	2.88
Bills and acceptances payable	567,488	782,241	142,750	—	—	635,180	—	2,127,659	3.04
Recourse obligations on loans sold to Cagamas	21,190	40,300	163,785	59,730	—	—	—	285,005	3.77
Subordinated notes	—	—	—	1,308,786	1,448,836	—	—	2,757,622	5.29
Other non-interest sensitive balances	—	—	—	—	—	1,360,891	10,004	1,370,895	—
<b>Total Liabilities</b>	<b>50,056,619</b>	<b>18,834,328</b>	<b>15,676,421</b>	<b>2,224,666</b>	<b>1,455,463</b>	<b>10,959,125</b>	<b>20,325</b>	<b>99,226,947</b>	
Shareholders' equity	—	—	—	—	—	8,137,955	—	8,137,955	
<b>Total Liabilities and Shareholders' Equity</b>	<b>50,056,619</b>	<b>18,834,328</b>	<b>15,676,421</b>	<b>2,224,666</b>	<b>1,455,463</b>	<b>19,097,080</b>	<b>20,325</b>	<b>107,364,902</b>	

## NOTES TO THE FINANCIAL STATEMENTS

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### 43. INTEREST RATE RISK (continued)

Bank 2005	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
On-balance sheet interest sensitivity gap	(2,476,701)	(6,466,525)	(4,522,548)	14,617,644	4,531,564	(11,250,463)	5,567,029	–	
Off-balance sheet interest sensitivity gap (interest rate swaps)	971,332	190,137	(1,417,313)	395,685	(139,841)	–	–	–	
<b>Total interest sensitivity gap</b>	<b>(1,505,369)</b>	<b>(6,276,388)</b>	<b>(5,939,861)</b>	<b>15,013,329</b>	<b>4,391,723</b>	<b>(11,250,463)</b>	<b>5,567,029</b>	<b>–</b>	

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

Bank 2004	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>									
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
Securities held-for-trading	–	–	–	–	–	–	5,199,416	5,199,416	3.00
Securities available-for-sale	–	–	–	–	–	1,070,022	62,408	1,132,430	–
Securities held-to-maturity	4,702	1,119	83,737	496,710	1,756	22,815	–	610,839	3.23
Loans, advances and financing									
– performing	23,918,520	2,492,233	8,381,560	14,853,258	3,846,623	–	–	53,492,194	6.47
– non-performing *	–	–	–	–	–	363,918	–	363,918	–
Other non-interest sensitive balances	–	–	–	–	–	5,677,505	11,501	5,689,006	–
<b>TOTAL ASSETS</b>	<b>43,453,883</b>	<b>4,821,638</b>	<b>8,541,297</b>	<b>15,349,968</b>	<b>3,848,379</b>	<b>7,644,228</b>	<b>5,273,325</b>	<b>88,932,718</b>	

# NOTES TO THE FINANCIAL STATEMENTS

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## 43. INTEREST RATE RISK (continued)

Bank 2004	Non trading book						Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	33,297,789	11,817,049	14,851,531	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	23,781	25,011	—	—	—	346,213	4.00
Subordinated notes	—	—	—	1,375,214	—	—	—	1,375,214	3.44
Other non-interest sensitive balances	—	—	—	—	—	1,470,136	17,761	1,487,897	—
<b>Total Liabilities</b>	<b>40,730,684</b>	<b>12,396,330</b>	<b>15,346,512</b>	<b>1,730,188</b>	<b>5,258</b>	<b>10,291,194</b>	<b>17,761</b>	<b>80,517,927</b>	
Shareholders' equity	—	—	—	—	—	8,414,791	—	8,414,791	
<b>Total Liabilities and Shareholders' Equity</b>	<b>40,730,684</b>	<b>12,396,330</b>	<b>15,346,512</b>	<b>1,730,188</b>	<b>5,258</b>	<b>18,705,985</b>	<b>17,761</b>	<b>88,932,718</b>	
On-balance sheet interest sensitivity gap	2,723,199	(7,574,692)	(6,805,215)	13,619,780	3,843,121	(11,061,757)	5,255,564	—	
Off-balance sheet interest sensitivity gap (interest rate swaps)	444,200	(479,025)	(13,798)	971,623	(923,000)	—	—	—	
<b>Total interest sensitivity gap</b>	<b>3,167,399</b>	<b>(8,053,717)</b>	<b>(6,819,013)</b>	<b>14,591,403</b>	<b>2,920,121</b>	<b>(11,061,757)</b>	<b>5,255,564</b>	<b>—</b>	

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 44. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and non-financial liabilities are excluded as they do not fall within the scope of FRS132<sub>2004</sub> Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed. These include investment in subsidiaries, investment in associated companies, property and equipment and intangible assets.

The following summarises the carrying values and the estimated fair values of those financial assets and financial liabilities which fall within the scope of FRS132<sub>2004</sub>.

#### Recognised financial instruments

Group	2005		2004	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Cash and short-term funds	18,357,737	18,357,737	19,670,005	19,670,005
Deposits and placements with banks and other financial institutions	8,712,850	8,712,850	1,460,309	1,460,309
Securities purchased under resale agreements	4,869,388	4,869,388	1,495,438	1,495,438
Securities held-for-trading	1,554,685	1,554,685	5,261,938	5,261,938
Securities available-for-sale	4,072,682	4,072,682	3,140,213	3,140,213
Securities held-to-maturity	2,235,067	2,233,622	832,676	836,394
Derivative financial instruments	40,912	40,912	63,700	63,700
* Loans, advances and financing	67,868,983	68,173,639	56,614,562	57,400,210
<b>Financial liabilities</b>				
Deposits from customers	84,129,641	84,131,414	72,246,303	72,245,886
Deposits and placements of banks and other financial institutions	7,680,690	7,680,690	2,958,481	2,958,481
Obligations on securities sold under repurchase agreements	4,041,949	4,041,949	3,258,431	3,258,431
Bills and acceptances payable	2,129,715	2,129,715	1,260,992	1,260,992
Recourse obligations on loans sold to Cagamas	285,005	288,710	346,213	346,346
Derivative financial instruments	157,298	157,298	126,054	126,054
Subordinated notes	2,757,622	2,788,840	1,375,214	1,393,175

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 44. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Bank	2005		2004	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Cash and short-term funds	17,170,338	17,170,338	19,893,236	19,893,236
Deposits and placements with banks and other financial institutions	8,736,868	8,736,868	1,573,127	1,573,127
Securities purchased under resale agreements	4,022,128	4,022,128	978,552	978,552
Securities held-for-trading	1,666,465	1,666,465	5,199,416	5,199,416
Securities available-for-sale	3,563,556	3,563,556	1,132,430	1,132,430
Securities held-to-maturity	1,736,713	1,736,217	610,839	614,416
Derivative financial instruments	40,065	40,065	63,700	63,700
* Loans, advances and financing	65,564,735	65,893,940	54,677,430	55,482,229
<b>Financial liabilities</b>				
Deposits from customers	82,205,182	82,203,682	68,265,639	68,265,125
Deposits and placements of banks and other financial institutions	6,783,600	6,783,600	4,765,730	4,765,730
Obligations on securities sold under repurchase agreements	3,696,984	3,696,984	3,018,317	3,018,317
Bills and acceptances payable	2,127,659	2,127,659	1,258,917	1,258,917
Recourse obligations on loans sold to Cagamas	285,005	288,710	346,213	346,346
Derivative financial instruments	145,869	145,869	17,761	17,761
Subordinated notes	2,757,622	2,788,840	1,375,214	1,393,175

\* The general allowance of the Group and the Bank of RM1,056,199,000 (2004 – RM895,833,000) and RM984,830,000 (2004 – RM821,318,000) respectively, are not included in the carrying amounts.

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

- Cash and Short-Term Funds* – The carrying amount approximates fair value due to the relatively short maturity of the financial instruments.
- Deposits and Placements with Financial Institutions and Securities Purchased under Resale Agreements* – The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. For those financial instruments with maturity of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates for placements of similar credit risk and similar remaining maturity as at balance sheet date.

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**44. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)**

- (c) *Securities Held-for-Trading, Securities Available-for-Sale and Securities Held-to-Maturity* – The fair values are estimated based on quoted or observable market prices as 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 prevailing market rates for similar instruments as 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 values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment and discounted at applicable prevailing rates as at balance sheet date offered to new borrowers with similar credit profiles. In respect of non-performing loans, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.
- (e) *Derivative financial instruments* – The fair values of derivative financial instruments are normally zero or negligible at inception and subsequent changes in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of derivative instruments are estimated with reference to quoted market prices. Internal models are used where no market price is available.
- (f) *Deposits from Customers* – The fair values of deposit liabilities payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of fixed deposits with remaining maturities of more than one year are estimated based on expected future cash flows discounted at applicable 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. The fair value of negotiable instruments of deposits are estimated based on quoted or observable market prices as 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.
- (g) *Deposits and Placements of Banks and Other Financial Institutions, Obligations on Securities Sold under Repurchase Agreements and Bills and Acceptances Payable* – The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.
- (h) *Recourse Obligations on Loans Sold to Cagamas* – The fair values for recourse obligations on loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at balance sheet date.
- (i) *Subordinated Notes* – The fair value of the subordinated notes is estimated based on quoted market prices of the subordinated notes.





# NOTES TO THE FINANCIAL STATEMENTS

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## 45. 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	9,633	1,074
Between one and five years	6,940	719
More than five years	201	—
	16,774	1,793

## 46. CAPITAL AND OTHER COMMITMENTS

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Capital expenditure:				
Authorised and contracted for	18,875	20,035	17,735	15,921
Authorised but not contracted for	8,641	8,262	8,444	1,176
	27,516	28,297	26,179	17,097
Uncalled share capital of associate company	60	60	30	30
	27,576	28,357	26,209	17,127

## 47. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

### (a) Changes in Accounting Policies

During the financial year ended 31 December 2005, the Group and the Bank adopted the revised BNM/GP8 which resulted in the following new accounting policies:

- 1) The holdings of the securities portfolio of the Group and the Bank are recognised based on the following categories and valuation methods:

#### (i) Securities held-for-trading

Securities are classified as held-for-trading if these financial assets are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 47. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)

#### (a) Changes in Accounting Policies (continued)

##### (ii) Securities held-to-maturity

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

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

##### (iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

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

##### Fair value hedge

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

##### Cash flow hedge

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

- 3) When a loan, advance or financing account becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest on the non-performing loan shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as practised previously.



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 47. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)

### (b) Prior Year Adjustments

The changes in accounting policies as described above were applied retrospectively and have the following impact on the retained profits, other reserves and results of the Group and Bank:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Effects on retained profits:				
At 1 January, as previously stated	682,324	1,762,092	732,497	1,172,318
Effects of adopting the fair value measurement for securities held-for-trading	1,513	(3,004)	1,319	(2,832)
Effects of reversing previously recognised loss on securities available-for-sale to equity	653	1,085	653	653
At 1 January, as restated	684,490	1,760,173	734,469	1,170,139
Effects on other reserves:				
At 1 January, as previously stated	2,614,989	2,387,630	2,401,569	1,842,160
Effects of adopting the fair value measurement for securities available-for-sale	61,805	30,560	5,331	20,452
At 1 January, as restated	2,676,794	2,418,190	2,406,900	1,862,612
Effects on net profit for the year:				
Net profit before changes in accounting policies	1,450,430	1,266,988	1,282,511	2,237,637
Effects of adopting the fair value measurement for securities held-for-trading	(149)	4,515	(1,619)	4,151
Effects of reversing previously recognised gain on securities available-for-sale to equity	—	(430)	—	—
	(149)	4,085	(1,619)	4,151
Net profit for the year	1,450,281	1,271,073	1,280,892	2,241,788

## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 47. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)

#### (c) Comparative Figures

The presentation and classifications of items in the current year's financial statements are consistent with the previous financial year except for the following comparative figures which have been restated for the effects of adopting the above change in accounting policies:

	Group		Bank	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
(i) Balance Sheet as at 31 December 2004				
Dealing securities	—	6,645,591	—	5,192,470
Investment securities	—	2,432,848	—	1,740,071
Securities held-for-trading	5,261,938	—	5,199,416	—
Securities available-for-sale	3,140,213	—	1,132,430	—
Securities held-to-maturity	832,676	—	610,839	—
Other assets	767,380	678,555	935,282	865,322
Deferred tax assets	280,554	283,542	220,646	223,486
Other liabilities	1,644,918	1,518,864	1,333,525	1,315,764
Subordinated notes	1,375,214	1,323,014	1,375,214	1,323,014
Reserves	4,708,368	4,644,397	4,488,453	4,481,150
(ii) Income statement for the year ended 31 December 2004				
Other operating income	742,295	723,494	2,490,532	2,483,155
Net income	3,444,007	3,425,206	4,206,532	4,199,155
Other operating expenses	(1,306,193)	(1,309,784)	(830,322)	(830,322)
Operating profit	2,137,814	2,115,422	3,376,210	3,368,833
Impairment loss	(16,719)	—	(1,611)	—
Profit before tax expense and zakat	1,853,874	1,848,201	2,920,903	2,915,137
Tax expense and zakat	(510,199)	(508,611)	(679,115)	(677,500)
Profit after tax expense and zakat	1,343,675	1,339,590	2,241,788	2,237,637
Net profit for the year	1,271,073	1,266,988	2,241,788	2,237,637
(iii) Risk-weighted assets				
– notional	95,547,952	95,305,027	91,160,176	91,080,011
– risk weighted	56,795,331	56,554,073	54,608,010	54,529,512

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 47. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (continued)

### (c) Comparative Figures (continued)

	Group		Bank	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
(iv) Notes to the accounts				
Other assets (Note 9)				
Other debtors, deposits and prepayments	326,931	301,806	359,285	353,025
Derivatives	63,700	—	63,700	—
Other liabilities (Note 21)				
Derivatives	126,054	—	17,761	—
Other operating income (Note 32)				
Unrealised gain on revaluation of securities held-for-trading and derivatives	11,230	—	10,724	—
Allowance for diminution in value of:				
– investment and dealing securities	—	(43,723)	—	(2,863)
– investment in subsidiary companies	—	—	—	(30)
Foreign exchange profit	73,199	79,437	72,472	78,711
Other income – others	(10,971)	18,943	15,660	15,661
Other operating expenses (Note 33)				
Impairment loss on property and equipment	—	8,946	—	—
(Surplus)/deficit on revaluation of investment properties	—	(5,355)	—	—
Impairment (written back)/loss (Note 36)				
Securities available-for-sale	452	—	452	—
Securities held-to-maturity	12,676	—	1,129	—
Investment properties	(5,355)	—	—	—
Property and equipment	8,946	—	—	—
Investment in subsidiary	—	—	30	—

## NOTES TO THE FINANCIAL STATEMENTS

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### 48. CAPITAL ADEQUACY

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

	Group		Bank	
	2005	2004	2005	2004
<u>Before deducting proposed dividends*:</u>				
Core capital ratio	11.4%	13.8%	11.1%	13.8%
Risk-weighted capital ratio	17.1%	17.8%	14.9%	15.3%
<u>After deducting proposed dividends:</u>				
Core capital ratio	10.2%	11.8%	9.8%	11.6%
Risk-weighted capital ratio	15.9%	15.7%	13.6%	13.1%

\* In arriving at the capital base used in the ratio calculations of the Group and the Bank, the proposed dividends were not deducted.

The capital adequacy ratios of the Bank and the Group as at 31 December 2005 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,417,373	3,355,767	3,417,373	3,355,767
Share premium	1,574,180	1,347,084	1,574,180	1,347,084
Other reserves	2,907,840	2,614,989	2,754,847	2,450,465
Retained profits, (before proposed dividend), as restated	1,330,730	1,856,502	1,289,161	1,926,370
As previously stated	1,330,730	1,854,336	1,289,161	1,924,398
Prior year adjustments (Note 47(b))	—	2,166	—	1,972
Treasury shares	(784,600)	(601,441)	(784,600)	(601,441)
Minority interests	435,741	368,111	—	—
Less: Intangible assets	(765,157)	(811,399)	(695,393)	(738,356)
Less: Deferred tax assets, net, as restated	(345,246)	(282,700)	(286,550)	(222,719)
As previously stated	(345,246)	(283,542)	(286,550)	(223,486)
Prior year adjustments (Note 47(b))	—	842	—	767
Total Tier I capital	7,770,861	7,846,913	7,269,018	7,517,170

# NOTES TO THE FINANCIAL STATEMENTS

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## 48. CAPITAL ADEQUACY (continued)

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,056,199	930,994	987,830	862,723
Subordinated notes	2,816,795	1,323,014	2,816,795	1,323,014
Total Tier II capital	3,872,994	2,254,008	3,804,625	2,185,737
Total capital	11,643,855	10,100,921	11,073,643	9,702,907
Less: Investment in subsidiary companies	—	—	(1,305,365)	(1,365,364)
Capital base	11,643,855	10,100,921	9,768,278	8,337,543

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

Group	2005		2004	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
0%	30,457,944	—	23,190,622	—
10%	683,103	68,310	1,574,800	157,480
20%	5,695,342	1,139,068	8,705,280	1,741,056
50%	17,406,401	8,703,201	14,360,910	7,180,455
100%	56,614,971	56,614,971	47,716,340	47,716,340
Risk-weighted assets for market risk	—	1,483,335	—	—
	110,857,761	68,008,885	95,547,952	56,795,331

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.



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 48. CAPITAL ADEQUACY (continued)

Bank	2005		2004	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
0%	28,094,706	—	20,667,524	—
10%	621,177	62,118	1,544,550	154,455
20%	3,916,447	783,289	9,165,062	1,833,012
50%	17,372,179	8,686,090	14,324,995	7,162,498
100%	54,618,169	54,618,169	45,458,045	45,458,045
Risk-weighted assets for market risk	—	1,546,405	—	—
	104,622,678	65,696,071	91,160,176	54,608,010

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.

### 49. 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 the 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 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.



# NOTES TO THE FINANCIAL STATEMENTS

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## 49. SEGMENT INFORMATION (continued)

### (a) By Business Segments: (continued)

(ii) Corporate Lending

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

(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.

2005	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	4,209,400	254,789	1,072,916	89,634	288,900	4,072	—	5,919,711
Revenue from other segments	631,669	—	58,349	—	—	—	(690,018)	—
<b>Total revenue</b>	<b>4,841,069</b>	<b>254,789</b>	<b>1,131,265</b>	<b>89,634</b>	<b>288,900</b>	<b>4,072</b>	<b>(690,018)</b>	<b>5,919,711</b>
Segment results	1,684,073	75,652	323,881	8,784	95,159	25,230	—	2,212,779
Unallocated expenses								(123,498)
Amortisation of intangible assets								(46,262)
<b>Profit from operations</b>								<b>2,043,019</b>
Share of results of associated companies								5,651
<b>Profit before tax expense</b>								<b>2,048,670</b>
Tax expense and zakat								(512,238)
Minority interests								(86,151)
<b>Net profit for the year</b>								<b>1,450,281</b>

## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 49. SEGMENT INFORMATION (continued)

#### (a) By Business Segments: (continued)

2005	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
<b>Other information:</b>								
<b>Segment assets</b>	63,481,537	4,751,326	38,268,373	3,116,162	459,145	210,069	–	110,286,612
Investment in associated companies								47,378
Unallocated assets								507,111
Intangible assets								765,157
<b>Total assets</b>								<b>111,606,258</b>
<b>Segment liabilities</b>	60,143,990	5,053,936	33,860,038	2,839,522	198,674	22,001	–	102,118,161
Unallocated liabilities								570,848
<b>Total liabilities</b>								<b>102,689,009</b>
<b>Other segment items</b>								
Capital expenditure	69,052	626	13,654	359	5,977	3,819	–	93,487
Depreciation net of impairment written back on property and equipment	58,526	1,727	630	198	4,344	25,233	–	90,658
Amortisation of intangible assets	–	–	–	–	1,400	44,862	–	46,262
Other non-cash (income)/expenses	438,715	45,054	(26,567)	–	–	25,700	–	482,902
<b>2004</b>								
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)	–
<b>Total revenue</b>	<b>4,276,314</b>	<b>230,242</b>	<b>936,344</b>	<b>90,046</b>	<b>228,472</b>	<b>3,940</b>	<b>(720,018)</b>	<b>5,045,340</b>

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 49. SEGMENT INFORMATION (continued)

### (a) By Business Segments: (continued)

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
<b>Segment results</b>	1,545,816	108,044	249,404	16,944	97,981	9,320	—	2,027,509
Unallocated expenses								(131,738)
Amortisation of intangible assets								(45,710)
<b>Profit from operations</b>								1,850,061
Share of results of associated companies								3,813
<b>Profit before tax expense</b>								1,853,874
Tax expense and zakat								(510,199)
Minority interests								(72,602)
<b>Net profit for the year</b>								1,271,073
<b>Other information:</b>								
<b>Segment assets</b>	53,764,379	4,085,986	29,295,588	2,852,410	638,859	219,062	—	90,856,284
Investment in associated companies								45,936
Unallocated assets								616,000
Intangible assets								811,399
Total assets								92,329,619
<b>Segment liabilities</b>	50,862,737	6,602,542	23,075,527	1,713,187	353,250	3,190	—	82,610,433
Unallocated liabilities								716,369
Total liabilities								83,326,802
<b>Other segment items</b>								
Capital expenditure	81,409	4,688	4,459	251	3,526	8,022	—	102,355
Depreciation and impairment loss on property and equipment	66,626	1,266	462	119	5,661	25,713	—	99,847
Amortisation of intangible assets	—	—	—	—	350	45,360	—	45,710
Other non-cash (income)/expenses	397,208	15,757	(22,724)	—	—	—	—	390,241

## NOTES TO THE FINANCIAL STATEMENTS

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### 49. SEGMENT INFORMATION (continued)

#### (b) By Geographical Locations

In presenting information 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
<b>2005</b>					
Malaysia	5,427,028	1,738,439	108,960,437	101,498,527	90,675
Overseas	492,683	310,231	2,645,821	1,190,482	2,812
<b>Total</b>	<b>5,919,711</b>	<b>2,048,670</b>	<b>111,606,258</b>	<b>102,689,009</b>	<b>93,487</b>
<b>2004</b>					
Malaysia	4,589,695	1,605,671	89,777,107	82,264,448	101,020
Overseas	455,645	248,203	2,552,512	1,062,354	1,335
<b>Total</b>	<b>5,045,340</b>	<b>1,853,874</b>	<b>92,329,619</b>	<b>83,326,802</b>	<b>102,355</b>

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

### 50. CURRENCY

All amounts are in Ringgit Malaysia unless otherwise stated.

### 51. RATING STATEMENT

As at 31 December 2005, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
Rating Agency Malaysia Berhad	18 July 2005 (Reaffirmed) 18 July 2005 (Reaffirmed)	Long-Term Rating: AAA Short-Term Rating: P1
Moody's Investors Services	16 December 2004 (Upgraded) 16 December 2004 (Upgraded) 16 December 2004 (Confirmed) 16 December 2004 (Confirmed)	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) 11 July 2005 (Assigned)	Long-Term Rating: A- Short-Term Rating: A-2 Subordinated notes: BBB+ Bank Fundamental Strength: B
Fitch IBCA Limited	27 June 2000 (Upgraded) 22 July 2003 (Revised rating)	Individual Rating: B/C Support Rating: 2



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 52. SIGNIFICANT EVENTS

- (a) On 20 June 2005, the Bank issued USD400 million in aggregate principal amount of Subordinated Notes ("the Notes") due 2017 callable with step-up in 2012. The Notes bear interest at the rate of 5% per annum from (and including) 20 June 2005 to (but excluding) 20 June 2012 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 2.827%. The interest is payable semi-annually in arrears on 20 June and 20 December in each year commencing on 20 December 2005. The Notes were issued at a price of 99.383 per cent of the principal amount of the Notes. The Notes will, subject to prior consent of Bank Negara Malaysia, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or on 20 June 2012 at their principal amount plus accrued interest (if applicable).
  
- (b) On 28 September 2005, the securities of the Bank's wholly-owned subsidiary, HHB Holdings Berhad ("HHB") was removed from the Official List of Bursa Malaysia Securities Berhad as HHB did not have an adequate level of operations to warrant continued listing.

## 53. SUBSEQUENT EVENTS

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 54. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2005 and results for the financial year ended on this date under the Islamic Banking business of the Group and the Bank are summarised as follows:

#### Balance Sheets as at 31 December 2005

	Note	Group		Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>ASSETS</b>					
Cash and short-term funds	(a)	426,261	204,385	426,261	204,385
Securities held-to-maturity	(b)	127,479	127,503	127,479	127,503
Financing, advances and other loans	(c)	7,217,018	6,179,167	7,217,018	6,179,167
Other assets	(e)	1,055	1,597	1,055	1,626
Statutory deposits with Bank Negara Malaysia		236,000	78,700	236,000	78,700
Deferred tax assets	(f)	38,018	38,273	38,018	38,273
Property and equipment		69	52	69	52
<b>Total Assets</b>		<b>8,045,900</b>	<b>6,629,677</b>	<b>8,045,900</b>	<b>6,629,706</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>					
Deposits from customers	(g)	6,093,087	3,491,355	6,093,087	3,491,355
Deposits and placements of banks and other financial institutions	(h)	1,474	1,930,613	1,474	1,930,613
Bills and acceptances payable		24,368	29,830	24,368	29,830
Other liabilities	(i)	547,912	116,846	547,912	116,846
Provision for tax expense and zakat	(j)	41,129	34,012	41,129	34,012
<b>Total Liabilities</b>		<b>6,707,970</b>	<b>5,602,656</b>	<b>6,707,970</b>	<b>5,602,656</b>
Islamic Banking Funds		1,337,930	1,027,021	1,337,930	1,027,050
<b>Total Liabilities and Islamic Banking Funds</b>		<b>8,045,900</b>	<b>6,629,677</b>	<b>8,045,900</b>	<b>6,629,706</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	(q)	102,954	145,575	102,954	145,575

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### Income Statements for the financial year ended 31 December 2005

	Note	Group		Bank	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income derived from investment of depositors' funds and financial institutions	(k)	407,369	427,573	407,369	226,786
Allowance for losses on financing, advances, and other loans	(l)	(37,948)	(36,543)	(37,948)	(94,299)
Transfer (from)/to profit equalisation reserve		6,870	(1,862)	6,870	(8,862)
<b>Total attributable income</b>		<b>376,291</b>	<b>389,168</b>	<b>376,291</b>	<b>123,625</b>
Income attributable to the depositors and financial institutions	(m)	(94,391)	(128,340)	(94,391)	(47,805)
<b>Income attributable to the reporting institutions</b>		<b>281,900</b>	<b>260,828</b>	<b>281,900</b>	<b>75,820</b>
Income derived from investment of Islamic Banking Funds	(n)	86,926	83,013	86,926	55,513
<b>Total net income</b>		<b>368,826</b>	<b>343,841</b>	<b>368,826</b>	<b>131,333</b>
Other operating expenses	(o)	(75,441)	(58,783)	(75,441)	(38,884)
<b>Profit before zakat and tax expense</b>		<b>293,385</b>	<b>285,058</b>	<b>293,385</b>	<b>92,449</b>
Zakat	(p)	(148)	(75)	(148)	(75)
Tax expense	(p)	(82,357)	(79,976)	(82,357)	(25,722)
<b>Profit after zakat and tax expense</b>		<b>210,880</b>	<b>205,007</b>	<b>210,880</b>	<b>66,652</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### Statement of Changes in Islamic Banking Funds

	Note	Group			Bank		
		Capital Funds RM'000	Retained Profits RM'000	Total RM'000	Capital Funds RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2004		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 PBFIN Berhad (formerly known as 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
Net profit for the year		—	210,880	210,880	—	210,880	210,880
Increase of Capital funds		100,000	—	100,000	100,000	—	100,000
Retained profits transferred from Head Office		—	29	29	—	—	—
At 31 December 2005		924,140	413,790	1,337,930	924,140	413,790	1,337,930

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



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### Cash Flow Statements for the year ended 31 December 2005

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax expense and zakat	293,385	285,058	293,385	92,449
Adjustments for:				
Depreciation	19	21	19	21
Amortisation of intangible assets	823	264	823	264
Allowance for bad and doubtful debts and financing	47,245	41,929	47,245	96,017
Write back of allowance for bad and doubtful debts and financing	(4,084)	(2,467)	(4,084)	(384)
Transfer (from)/to Profit Equalisation Reserves	(6,870)	1,862	(6,870)	8,862
Operating profit before working capital changes	330,518	326,667	330,518	197,229
(Increase)/Decrease in operating assets/liabilities:				
Deposits and placements with banks and other financial institutions	—	—	—	450,555
Financing, advances and other loans	(1,081,012)	(413,503)	(1,081,012)	(482,825)
Statutory deposits with Bank Negara Malaysia	(157,300)	108,386	(157,300)	123,866
Other assets	167	(1,915,155)	167	(1,171,630)
Deposits from customers	2,601,732	454,371	2,601,732	529,150
Deposits and placements of banks and other financial institutions	(1,929,139)	1,433,245	(1,929,139)	(347,535)
Bills and acceptances payable	(5,462)	2,423	(5,462)	2,423
Other liabilities	437,522	(80,901)	437,522	(75,956)
Cash generated from/(used in) operations	197,026	(84,467)	197,026	(774,723)
Tax expense and zakat paid	(75,133)	(57,136)	(75,133)	(33,044)
<b>Net cash generated from/(used in) operating activities</b>	<b>121,893</b>	<b>(141,603)</b>	<b>121,893</b>	<b>(807,767)</b>



## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### Cash Flow Statements for the year ended 31 December 2005

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(17)	(25)	(17)	(25)
Net sale of securities held-to-maturity	–	29,961	–	29,961
Acquisition of finance company business, net of cash acquired	–	–	–	(304,599)
<b>Net cash (used in)/generated from investing activities</b>	(17)	29,936	(17)	(274,663)
<b>Cash flows from financing activities</b>				
Funds allocated from Head Office	100,000	–	100,000	–
<b>Net cash generated from financing activities</b>	100,000	–	100,000	–
Net increase/(decrease) in cash and cash equivalents	221,876	(111,667)	221,876	(1,082,430)
Cash and cash equivalents at beginning of year	204,385	316,052	204,385	1,286,815
<b>Cash and cash equivalents at end of year</b>	426,261	204,385	426,261	204,385

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

Notes to the Financial Statements for the financial year ended 31 December 2005

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>(a) Cash and Short-Term Funds</b>				
Cash and balances with banks and other financial institutions	10,261	55,066	10,261	55,066
Money at call and deposit placements maturing within one month	416,000	149,319	416,000	149,319
	426,261	204,385	426,261	204,385
<b>(b) Securities Held-to-Maturity (At Amortised Cost)</b>				
Money market instruments:				
Cagamas Mudharabah bonds	127,479	127,503	127,479	127,503
Market value:				
Cagamas Mudharabah bonds	127,479	127,503	127,479	127,503

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturity within one year	75,725	—	75,725	—
More than one year to three years	51,754	126,132	51,754	126,132
More than three years to five years	—	1,371	—	1,371
	127,479	127,503	127,479	127,503

## NOTES TO THE FINANCIAL STATEMENTS

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### 54. ISLAMIC BANKING BUSINESS (continued)

#### (c) Financing, Advances and Other Loans

##### (i) By type

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash line	20,840	9,737	20,840	9,737
Term financing				
House financing	2,298,887	2,121,610	2,298,887	2,121,610
Syndicated financing	16,028	28,317	16,028	28,317
Hire purchase receivables	6,002,663	5,148,516	6,002,663	5,148,516
Lease receivables	31,665	43,172	31,665	43,172
Other term financing	1,204,286	1,009,640	1,204,286	1,009,640
Less: Unearned income	9,574,369 (2,223,862)	8,360,992 (2,048,460)	9,574,369 (2,223,862)	8,360,992 (2,048,460)
Gross financing, advances and other loans	7,350,507	6,312,532	7,350,507	6,312,532
Less: Allowance for bad and doubtful debt and financing:				
– General	(114,195)	(107,295)	(114,195)	(107,295)
– Specific	(19,294)	(26,070)	(19,294)	(26,070)
Total net financing, advances and other loans	7,217,018	6,179,167	7,217,018	6,179,167

##### (ii) By contract

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bai' Bithaman Ajil-i (deferred payment sale)	1,921,862	1,739,713	1,921,862	1,739,713
Ijarah Thamma Al-Bai'-i (leasing)	5,167,446	4,405,445	5,167,446	4,405,445
Qardhassan-i (overdraft)	20,840	9,737	20,840	9,737
Bai-Al-Einah-i	240,359	157,637	240,359	157,637
Gross financing, advances and other loans	7,350,507	6,312,532	7,350,507	6,312,532

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (c) Financing, Advances and Other Loans (continued)

(iii) By type of customer:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Domestic non-bank financial institutions				
– Others	16,138	3,443	16,138	3,443
Domestic business enterprises				
– Small and medium enterprises	769,471	723,927	769,471	723,927
– Others	86,140	71,582	86,140	71,582
Government and statutory authorities	1,107	1,491	1,107	1,491
Individuals	6,457,802	5,494,431	6,457,802	5,494,431
Other domestic entities	5,113	6,230	5,113	6,230
Foreign customers	14,736	11,428	14,736	11,428
Gross financing, advances and other loans	7,350,507	6,312,532	7,350,507	6,312,532

(iv) By profit rate sensitivity

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fixed rate				
– House financing	1,274,749	1,176,001	1,274,749	1,176,001
– Hire purchase receivables	5,167,446	4,359,985	5,167,446	4,359,985
– Other fixed rate financing	908,312	776,546	908,312	776,546
Gross financing, advances and other loans	7,350,507	6,312,532	7,350,507	6,312,532

## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (c) Financing, Advances and Other Loans (continued)

(v) By sector:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Agriculture, hunting, forestry & fishing	17,126	10,087	17,126	10,087
Mining and quarrying	854	532	854	532
Manufacturing	106,373	105,862	106,373	105,862
Electricity, gas and water	608	—	608	—
Construction	136,892	112,919	136,892	112,919
Real estate	69,761	76,443	69,761	76,443
Purchase of landed properties	1,607,235	1,467,364	1,607,235	1,467,364
(of which: – residential	1,238,039	1,134,154	1,238,039	1,134,154
– non-residential)	369,196	333,210	369,196	333,210
Wholesale & retail trade and restaurants & hotels	255,545	239,413	255,545	239,413
Transport, storage and communication	28,274	24,452	28,274	24,452
Finance, insurance and business services	87,128	73,041	87,128	73,041
Purchase of securities	402	1,775	402	1,775
Purchase of transport vehicles	4,677,745	3,923,349	4,677,745	3,923,349
Others	362,564	277,295	362,564	277,295
<b>Gross financing, advances and other loans</b>	<b>7,350,507</b>	<b>6,312,532</b>	<b>7,350,507</b>	<b>6,312,532</b>

(vi) The maturity structure

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Maturity within one year	144,361	137,163	144,361	137,163
More than one year to three years	828,212	662,638	828,212	662,638
More than three years to five years	2,109,807	1,815,774	2,109,807	1,815,774
More than five years	4,268,127	3,696,957	4,268,127	3,696,957
<b>Gross financing, advances and other loans</b>	<b>7,350,507</b>	<b>6,312,532</b>	<b>7,350,507</b>	<b>6,312,532</b>

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (d) Non-performing Financing (NPF)

- (i) Movements in non-performing financing, advances and other loans ("NPF") including income receivable are as follows:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	150,538	88,562	150,538	21,067
Non-performing during the year	379,672	260,175	379,672	224,373
Amount vested over from PBFIN Berhad (formerly known as Public Finance Berhad)	—	—	—	79,746
Reclassified as performing	(296,761)	(160,355)	(296,761)	(157,713)
Recoveries	(34,239)	(17,194)	(34,239)	(7,762)
Amount written off	(43,014)	(20,650)	(43,014)	(9,173)
At 31 December	156,196	150,538	156,196	150,538
Specific allowance	(19,294)	(26,070)	(19,294)	(26,070)
Net non-performing financing, advances and other loans	136,902	124,468	136,902	124,468
Net NPF as % of gross financing, advances and other loans less specific allowance	1.87%	1.98%	1.87%	1.98%

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>General allowance</u>				
At 1 January	107,295	99,224	107,295	26,744
Allowance made during the year	6,900	8,071	6,900	80,551
At 31 December	114,195	107,295	114,195	107,295
As % gross financing, advances and other loans less specific allowance	1.56%	1.71%	1.56%	1.71%

## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (d) Non-performing Financing (NPF) (continued)

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

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Specific allowance</u>				
At 1 January	26,070	15,337	26,070	3,164
Allowance made during the year	40,345	33,858	40,345	15,466
Amount vested over from PBFIN Berhad (formerly known as Public Finance Berhad)	—	—	—	17,006
Amount written back	(4,084)	(2,467)	(4,084)	(384)
Amount written off	(43,014)	(20,658)	(43,014)	(9,182)
Amount transferred to accumulated impairment losses on foreclosed properties	(23)	—	(23)	—
At 31 December	19,294	26,070	19,294	26,070

(iii) Non-performing financing by sector

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Agriculture, hunting, forestry & fishing	153	120	153	120
Mining and quarrying	—	124	—	124
Manufacturing	2,552	910	2,552	910
Construction	1,971	2,480	1,971	2,480
Purchase of landed properties	77,704	62,044	77,704	62,044
(of which: – residential	68,966	56,388	68,966	56,388
– non-residential)	8,738	5,656	8,738	5,656
Wholesale & retail trade and restaurants & hotels	5,303	5,441	5,303	5,441
Transport, storage and communication	400	352	400	352
Finance, insurance and business services	1,227	920	1,227	920
Purchase of securities	1	1,724	1	1,724
Purchase of transport vehicles	61,745	71,916	61,745	71,916
Others	5,140	4,507	5,140	4,507
Gross non-performing financing, advances and other loans	156,196	150,538	156,196	150,538



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (e) Other Assets

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income receivable	65	352	65	352
Other debtors, deposits and prepayments	990	1,245	990	1,274
	1,055	1,597	1,055	1,626

### (f) Deferred Tax Assets

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	38,273	35,212	38,273	12,957
Recognised in income statement (Note 54(p))	(255)	3,061	(255)	25,316
At 31 December	38,018	38,273	38,018	38,273

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

Deferred tax assets of the Group	Allowance for Loan Loss RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2004	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
Recognised in income statement	1,092	(1,347)	(255)
At 31 December 2005	29,628	8,390	38,018

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (f) 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 2004	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
Recognised in income statement	1,092	(1,347)	(255)
At 31 December 2005	29,628	8,390	38,018

#### (g) Deposits From Customers

##### (i) By type of deposit

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Non-Mudharabah Fund</u>				
Wadiah current deposits-i	1,021,990	946,052	1,021,990	946,052
Wadiah savings deposits-i	2,125,240	1,684,094	2,125,240	1,684,094
Negotiable Debt Certificate-i	1,752,534	—	1,752,534	—
Others	150	—	150	—
	4,899,914	2,630,146	4,899,914	2,630,146
<u>Mudharabah Fund</u>				
Mudharabah savings deposits-i	—	43,407	—	43,407
Mudharabah General investment deposits-i	1,193,173	817,802	1,193,173	817,802
	1,193,173	861,209	1,193,173	861,209
Deposits from customers	6,093,087	3,491,355	6,093,087	3,491,355

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (g) Deposits From Customers (continued)

(ii) By type of customer

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Federal and state governments	133,054	182,340	133,054	182,340
Local government and statutory authorities	224,606	262,733	224,606	262,733
Business enterprises	806,509	709,691	806,509	709,691
Individuals	2,380,492	1,972,028	2,380,492	1,972,028
Foreign customers	57,348	49,028	57,348	49,028
Others	2,491,078	315,535	2,491,078	315,535
	6,093,087	3,491,355	6,093,087	3,491,355

(iii) The maturity structure of Mudharabah General Investment deposits-i are as follows:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Due within six months	1,032,865	641,484	1,032,865	641,484
More than six months to one year	120,228	151,126	120,228	151,126
More than one year to three years	32,170	16,818	32,170	16,818
More than three years to five years	7,910	8,374	7,910	8,374
	1,193,173	817,802	1,193,173	817,802

### (h) Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Mudharabah Fund</u>				
Licensed banks	1,474	1,930,613	1,474	1,930,613
	1,474	1,930,613	1,474	1,930,613

**NOTES TO THE FINANCIAL STATEMENTS**

- 31 December 2005

**54. ISLAMIC BANKING BUSINESS (continued)****(i) Other Liabilities**

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income payable	6,386	11,137	6,386	11,137
Other liabilities	520,003	77,316	520,003	77,316
Profit Equalisation Reserves	21,523	28,393	21,523	28,393
	547,912	116,846	547,912	116,846

The movements in Profit Equalisation Reserves are as follows:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 January	28,393	26,531	28,393	19,531
Amount arising during the year	3,089	6,268	3,089	13,268
Amount written back	(9,959)	(4,406)	(9,959)	(4,406)
At 31 December	21,523	28,393	21,523	28,393

**(j) Provision for Tax Expense and Zakat**

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Tax expense	41,074	33,977	41,074	33,977
Zakat	55	35	55	35
	41,129	34,012	41,129	34,012

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (k) Income derived from investment of depositors' funds and financial institutions

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Income derived from investment of:				
(i) General investment deposits	58,994	192,399	58,994	51,276
(ii) Other deposits	348,375	235,174	348,375	175,510
	407,369	427,573	407,369	226,786

#### (i) Income derived from investment of general investment deposits:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Finance income and Hibah</b>				
Financing, advances and other loans	57,845	185,011	57,845	43,900
Securities held-to-maturity	525	852	525	852
Money at call and deposit with financial institutions	624	6,536	624	6,524
Total finance income and Hibah	58,994	192,399	58,994	51,276

#### (ii) Income derived from investment of other deposits:

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Finance income and Hibah</b>				
Financing, advances and other loans	341,595	209,923	341,595	150,264
Securities held-to-maturity	3,099	2,914	3,099	2,914
Money at call and deposit with financial institutions	3,681	22,337	3,681	22,332
Total finance income and Hibah	348,375	235,174	348,375	175,510

**NOTES TO THE FINANCIAL STATEMENTS**

- 31 December 2005

**54. ISLAMIC BANKING BUSINESS (continued)****(l) Allowance for Losses on Loans and Financing**

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Allowance for bad and doubtful debts and financing:				
– general allowance	6,900	8,071	6,900	80,551
– specific allowance	40,345	33,858	40,345	15,466
– specific allowance written back	(4,084)	(2,467)	(4,084)	(384)
Bad debts and financing recovered	(5,369)	(2,945)	(5,369)	(1,360)
Bad debts and financing written off	156	26	156	26
	37,948	36,543	37,948	94,299

**(m) Income attributable to depositors and financial institutions**

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits from customers				
– Mudharabah fund	22,566	27,338	22,566	19,205
– Non-Mudharabah fund	15,666	13,224	15,666	11,626
Deposits and placements of banks and other financial institutions				
– Mudharabah fund	56,159	87,778	56,159	16,974
	94,391	128,340	94,391	47,805

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (n) Income derived from investment of Islamic Banking Funds

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<b>Finance Income and Hibah</b>				
Financing, advances and other loans	78,011	69,953	78,011	42,507
Securities held-to-maturity	708	825	708	825
Money at call and deposit with financial institutions	841	6,319	841	6,317
<b>Total finance income and Hibah</b>	<b>79,560</b>	<b>77,097</b>	<b>79,560</b>	<b>49,649</b>
<b>Operating Income</b>				
Commissions	976	1,024	976	1,024
Service charges and fees	5,969	4,600	5,969	4,600
Processing fee	238	—	238	—
Other fee income	157	292	157	240
	<b>7,340</b>	<b>5,916</b>	<b>7,340</b>	<b>5,864</b>
<b>Other Income</b>				
Others	26	—	26	—
	<b>26</b>	<b>—</b>	<b>26</b>	<b>—</b>
	<b>86,926</b>	<b>83,013</b>	<b>86,926</b>	<b>55,513</b>



## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (o) Other Operating Expenses

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Personnel costs				
– Salaries, allowances and bonuses	35,760	28,161	35,760	18,221
– Pension costs	4,435	4,595	4,435	2,904
– Others	3,805	2,962	3,805	1,885
Establishment costs				
– Depreciation	19	21	19	21
– Rental	5,105	4,142	5,105	3,941
– Insurance	1,669	1,074	1,669	999
– Water and electricity	1,359	1,024	1,359	989
– General repairs	1,490	905	1,490	861
– Others	9,839	5,652	9,839	5,424
Marketing expenses				
– Advertisement and publicity	966	689	966	666
– Handling fees	3,642	5,286	3,642	(266)
– Others	2,472	2,127	2,472	1,606
Administration and general expenses				
– Amortisation of intangible assets	823	264	823	264
– Communication expenses	1,341	463	1,341	722
– Others	2,716	1,418	2,716	647
	75,441	58,783	75,441	38,884

Included in other operating expenses is the Shariah Committee's remuneration of RM55,000 (2004: RM22,000).

#### (p) Tax Expense and Zakat

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian income tax	82,102	83,037	82,102	51,038
Deferred tax expense				
– Origination and reversal of temporary differences (Note f)	255	(3,061)	255	(25,316)
Tax expense	82,357	79,976	82,357	25,722
Zakat	148	75	148	75
	82,505	80,051	82,505	25,797



# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (q) Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposures of the Group and the Bank as at the end of financial year are as follows:

Group	2005			2004		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Irrevocable commitments to extend credit:						
– maturity exceeding one year	86,442	43,221	27,314	137,922	68,961	42,529
– maturity not exceeding one year	16,512	–	–	7,653	–	–
	102,954	43,221	27,314	145,575	68,961	42,529
<b>Bank</b>						
Irrevocable commitments to extend credit:						
– maturity exceeding one year	86,442	43,221	27,314	137,922	68,961	42,529
– maturity not exceeding one year	16,512	–	–	7,653	–	–
	102,954	43,221	27,314	145,575	68,961	42,529

\* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

### (r) Capital Adequacy

The capital adequacy ratios under the Islamic Banking business as at 31 December are as follows:

	Group		Bank	
	2005	2004	2005	2004
Core capital ratio	19.1%	13.4%	19.1%	13.4%
Risk-weighted capital ratio	20.8%	14.8%	20.8%	14.8%

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (r) Capital Adequacy (continued)

	Group		Bank	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Capital funds	924,140	824,140	924,140	824,140
Retained profits	413,790	202,881	413,790	202,910
Less: Deferred tax assets	(38,018)	(38,273)	(38,018)	(38,273)
Total Tier I capital	1,299,912	988,748	1,299,912	988,777
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	114,195	107,295	114,195	107,295
Total Tier II capital	114,195	107,295	114,195	107,295
Capital base	1,414,107	1,096,043	1,414,107	1,096,072

Breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

Group	2005		2004	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
0%	624,698	—	99,376	—
10%	127,480	12,748	127,503	12,750
20%	56,193	11,239	189,565	37,913
50%	1,178,394	589,197	1,166,228	583,114
100%	6,178,116	6,178,116	6,763,907	6,763,907
	8,164,881	6,791,300	8,346,579	7,397,684

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (r) Capital Adequacy (continued)

Bank	2005		2004	
	Notional RM'000	Risk- weighted RM'000	Notional RM'000	Risk- weighted RM'000
0%	624,698	—	99,376	—
10%	127,480	12,748	127,503	12,750
20%	56,193	11,239	189,565	37,913
50%	1,178,394	589,197	1,166,228	583,114
100%	6,178,116	6,178,116	6,763,907	6,763,907
	8,164,881	6,791,300	8,346,579	7,397,684

The disclosure of the capital adequacy ratios of the Group and the Bank'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.

### (s) 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 2005	Non trading book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-yield profit sensitive RM'000			
<b>ASSETS</b>									
Cash and short-term funds	425,486	—	—	—	—	775	—	426,261	2.96
Securities held-to-maturity	—	75,725	—	51,754	—	—	—	127,479	3.45
Financing, advances and other loans									
– performing	198,850	213,986	931,944	3,687,627	2,161,904	—	—	7,194,311	6.29
– non-performing *	—	—	—	—	—	22,707	—	22,707	—
Other non-profit sensitive balances	—	—	—	—	—	275,142	—	275,142	—
<b>TOTAL ASSETS</b>	624,336	289,711	931,944	3,739,381	2,161,904	298,624	—	8,045,900	

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (s) Yield/Profit Rate Risk (continued)

Group 2005	Non trading book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-yield profit sensitive RM'000			
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,837,694	258,585	327,598	1,956,080	—	713,130	—	6,093,087	2.21
Deposits and placements of banks and other financial institutions	500	—	—	—	—	974	—	1,474	2.96
Other non-profit sensitive balances	—	—	—	—	—	613,409	—	613,409	—
<b>Total Liabilities</b>	<b>2,838,194</b>	<b>258,585</b>	<b>327,598</b>	<b>1,956,080</b>	<b>—</b>	<b>1,327,513</b>	<b>—</b>	<b>6,707,970</b>	
Islamic Banking Funds	—	—	—	—	—	1,337,930	—	1,337,930	—
<b>Total Liabilities and Islamic Banking Funds</b>	<b>2,838,194</b>	<b>258,585</b>	<b>327,598</b>	<b>1,956,080</b>	<b>—</b>	<b>2,665,443</b>	<b>—</b>	<b>8,045,900</b>	
On-balance sheet profit sensitivity gap	(2,213,858)	31,126	604,346	1,783,301	2,161,904	(2,366,819)	—	—	
Off-balance sheet profit sensitivity gap	—	—	—	—	—	—	—	—	
<b>Total profit sensitivity gap</b>	<b>(2,213,858)</b>	<b>31,126</b>	<b>604,346</b>	<b>1,783,301</b>	<b>2,161,904</b>	<b>(2,366,819)</b>	<b>—</b>	<b>—</b>	

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (s) Yield/Profit Rate Risk (continued)

Group 2004	Non trading book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-yield profit sensitive RM'000			
<b>ASSETS</b>									
Cash and short-term funds	203,170	—	—	—	—	1,215	—	204,385	2.89
Securities held-to-maturity	—	—	—	127,503	—	—	—	127,503	3.45
Financing, advances and other loans									
– performing	174,125	181,895	808,227	3,188,867	1,808,880	—	—	6,161,994	6.98
– non-performing *	—	—	—	—	—	17,173	—	17,173	—
Other non-profit sensitive balances	—	—	—	—	—	118,622	—	118,622	—
<b>TOTAL ASSETS</b>	<b>377,295</b>	<b>181,895</b>	<b>808,227</b>	<b>3,316,370</b>	<b>1,808,880</b>	<b>137,010</b>	<b>—</b>	<b>6,629,677</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,165,864	149,540	378,663	25,191	—	772,097	—	3,491,355	1.44
Deposits and placements of banks and other financial institutions	1,930,400	—	—	—	—	213	—	1,930,613	2.79
Other non-profit sensitive balances	—	—	—	—	—	180,688	—	180,688	—
<b>Total Liabilities</b>	<b>4,096,264</b>	<b>149,540</b>	<b>378,663</b>	<b>25,191</b>	<b>—</b>	<b>952,998</b>	<b>—</b>	<b>5,602,656</b>	
Islamic Banking Funds	—	—	—	—	—	1,027,021	—	1,027,021	
<b>Total Liabilities and Islamic Banking Funds</b>	<b>4,096,264</b>	<b>149,540</b>	<b>378,663</b>	<b>25,191</b>	<b>—</b>	<b>1,980,019</b>	<b>—</b>	<b>6,629,677</b>	
On-balance sheet profit sensitivity gap	(3,718,969)	32,355	429,564	3,291,179	1,808,880	(1,843,009)	—	—	
Off-balance sheet profit sensitivity gap	—	—	—	—	—	—	—	—	
<b>Total profit sensitivity gap</b>	<b>(3,718,969)</b>	<b>32,355</b>	<b>429,564</b>	<b>3,291,179</b>	<b>1,808,880</b>	<b>(1,843,009)</b>	<b>—</b>	<b>—</b>	

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

## NOTES TO THE FINANCIAL STATEMENTS

– 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (s) Yield/Profit Rate Risk (continued)

Bank 2005	Non trading book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-yield profit sensitive RM'000			
<b>ASSETS</b>									
Cash and short-term funds	425,486	–	–	–	–	775	–	426,261	2.96
Securities held-to-maturity	–	75,725	–	51,754	–	–	–	127,479	3.45
Financing, advances and other loans									
– performing	198,850	213,986	931,944	3,687,627	2,161,904	–	–	7,194,311	6.29
– non-performing *	–	–	–	–	–	22,707	–	22,707	–
Other non-profit sensitive balances	–	–	–	–	–	275,142	–	275,142	–
<b>TOTAL ASSETS</b>	<b>624,336</b>	<b>289,711</b>	<b>931,944</b>	<b>3,739,381</b>	<b>2,161,904</b>	<b>298,624</b>	<b>–</b>	<b>8,045,900</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,837,694	258,585	327,598	1,956,080	–	713,130	–	6,093,087	2.21
Deposits and placements of banks and other financial institutions	500	–	–	–	–	974	–	1,474	2.96
Other non-profit sensitive balances	–	–	–	–	–	613,409	–	613,409	–
<b>Total Liabilities</b>	<b>2,838,194</b>	<b>258,585</b>	<b>327,598</b>	<b>1,956,080</b>	<b>–</b>	<b>1,327,513</b>	<b>–</b>	<b>6,707,970</b>	
Islamic Banking Funds	–	–	–	–	–	1,337,930	–	1,337,930	–
<b>Total Liabilities and Islamic Banking Funds</b>	<b>2,838,194</b>	<b>258,585</b>	<b>327,598</b>	<b>1,956,080</b>	<b>–</b>	<b>2,665,443</b>	<b>–</b>	<b>8,045,900</b>	
On-balance sheet profit sensitivity gap	(2,213,858)	31,126	604,346	1,783,301	2,161,904	(2,366,819)	–	–	
Off-balance sheet profit sensitivity gap	–	–	–	–	–	–	–	–	
<b>Total profit sensitivity gap</b>	<b>(2,213,858)</b>	<b>31,126</b>	<b>604,346</b>	<b>1,783,301</b>	<b>2,161,904</b>	<b>(2,366,819)</b>	<b>–</b>	<b>–</b>	

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

# NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

## 54. ISLAMIC BANKING BUSINESS (continued)

### (s) Yield/Profit Rate Risk (continued)

Bank 2004	Non trading book						Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-yield profit sensitive RM'000			
<b>ASSETS</b>									
Cash and short-term funds	203,170	—	—	—	—	1,215	—	204,385	2.89
Securities held-to-maturity	—	—	—	127,503	—	—	—	127,503	3.45
Financing, advances and other loans									
– performing	174,125	181,895	808,227	3,188,867	1,808,880	—	—	6,161,994	6.98
– non-performing *	—	—	—	—	—	17,173	—	17,173	—
Other non-profit sensitive balances	—	—	—	—	—	118,651	—	118,651	—
<b>TOTAL ASSETS</b>	<b>377,295</b>	<b>181,895</b>	<b>808,227</b>	<b>3,316,370</b>	<b>1,808,880</b>	<b>137,039</b>	<b>—</b>	<b>6,629,706</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Deposits from customers	2,165,864	149,540	378,663	25,191	—	772,097	—	3,491,355	1.44
Deposits and placements of banks and other financial institutions	1,930,400	—	—	—	—	213	—	1,930,613	2.79
Other non-profit sensitive balances	—	—	—	—	—	180,688	—	180,688	—
<b>Total Liabilities</b>	<b>4,096,264</b>	<b>149,540</b>	<b>378,663</b>	<b>25,191</b>	<b>—</b>	<b>952,998</b>	<b>—</b>	<b>5,602,656</b>	
Islamic Banking Funds	—	—	—	—	—	1,027,050	—	1,027,050	
<b>Total Liabilities and Islamic Banking Funds</b>	<b>4,096,264</b>	<b>149,540</b>	<b>378,663</b>	<b>25,191</b>	<b>—</b>	<b>1,980,048</b>	<b>—</b>	<b>6,629,706</b>	
On-balance sheet profit sensitivity gap	(3,718,969)	32,355	429,564	3,291,179	1,808,880	(1,843,009)	—	—	
Off-balance sheet profit sensitivity gap	—	—	—	—	—	—	—	—	
<b>Total profit sensitivity gap</b>	<b>(3,718,969)</b>	<b>32,355</b>	<b>429,564</b>	<b>3,291,179</b>	<b>1,808,880</b>	<b>(1,843,009)</b>	<b>—</b>	<b>—</b>	

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

## NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2005

### 54. ISLAMIC BANKING BUSINESS (continued)

#### (t) Fair Values of Financial Assets and Liabilities

The following summarises the carrying amounts and the estimated fair values of the financial assets and liabilities of the Group and the Bank:

##### *Recognised financial instruments*

Group/Bank	2005		2004	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Cash and short-term funds	426,261	426,261	204,385	204,385
Securities held-to-maturity	127,479	127,479	127,503	127,503
Financing, advances and other loans*	7,331,213	7,486,637	6,286,462	6,385,294
<b>Financial liabilities</b>				
Deposits from customers	6,093,087	6,087,594	3,491,355	3,491,355
Deposits and placements of banks and other financial institutions	1,474	1,474	1,930,613	1,930,613
Bills and acceptances payable	24,368	24,368	29,830	29,830

\* The general allowance of the Group and of the Bank of RM114,195,000 (2004 – RM107,295,000) and RM114,195,000 (2004 – RM107,295,000) respectively are not included in the carrying amounts.

#### (u) Allocation of Income

The method of allocation of income to the types of deposits is based on “The Framework on Rate of Return” issued by Bank Negara Malaysia. This Framework on Rate of Return which is based on the return on assets concept, calculates the income on assets. The return on assets after deducting incidental expenses and allowances for losses on financing, advances and other loans are distributed to the depositors using the weighted average method.

#### (v) Shariah Committee

The Shariah Committee was established under Bank Negara Malaysia’s “Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions” (BNM/GPS1) to advise the Board of Directors on Shariah matters in its business operations and to provide technical assistance in ensuring the Islamic Banking products and services offered by the Group and the Bank are in compliance with Shariah principles. The Shariah Panel also provides guidance on legal matters on Islamic Banking products and services.

#### (w) Zakat Obligations

This represents business zakat payable by the Bank to comply with Shariah principles. Zakat provision is calculated based on 2.5% of the estimated Muslim individual shareholders using the profit and loss method.



## 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 20 June 2005, Public Bank issued USD400 million in aggregate principal amount of Subordinated Notes (“the Notes”) due 2017 callable with step-up in 2012. The Notes bear interest at the rate of 5% per annum from (and including) 20 June 2005 to (but excluding) 20 June 2012 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 2.827%. The 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 24,007,100 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”) on the open market. The details of the PBB Local Shares bought back during the year are as follows:

Monthly Breakdown	No of PBB Local Shares bought back & Retained As Treasury Shares	Buy back Price Per Share (RM)		Average Cost Per Share	Total Cost
		Lowest	Highest	RM	(RM)
January	5,558,200	7.45	7.55	7.51	41,826,390
February	7,936,000	7.55	7.70	7.63	60,656,438
March	10,502,900	7.55	7.70	7.66	80,603,796
August	10,000	7.20	7.20	7.20	72,263
<b>Total</b>	<b>24,007,100</b>	<b>7.20</b>	<b>7.70</b>	<b>7.61</b>	<b>183,158,887</b>

All the PBB Local Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 31 December 2005, a total of 124,184,500 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 2005 other than the granting of options under the Public Bank Berhad Employees’ Share Option Scheme as disclosed in Note 23(b) to the financial statements.

*Disclosed in accordance with Appendix 9C, Part A, item 14 of the Listing Requirements of Bursa Securities.*

## BURSA SECURITIES LISTING REQUIREMENTS COMPLIANCE INFORMATION

### (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 RM339,000 and RM259,000 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 2005 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.*



## BURSA SECURITIES LISTING REQUIREMENTS COMPLIANCE INFORMATION

### (x) Recurrent Related Party Transactions of a Revenue or Trading Nature

At an Extraordinary General Meeting on 30 March 2005, 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 2005 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 Holdings Sdn. Bhd., PB International Factors Sdn. Bhd., PB Securities Sdn. Bhd., Public Merchant Bank Berhad, Public Mutual Berhad, PB Properties Sdn. Bhd.	LPI Capital Berhad ("LPI") and Lonpac Insurance Berhad ("LIB").	Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Yeoh Chin Kee and Mr 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 LPI.  Mr Lee Chin Guan is a Director and a direct shareholder of PBB and LPI.	Premiums for insurance coverage of the Group by LIB <sup>1</sup> .	3,773

Note 1: Comprises insurance premium that do not qualify as exempted transactions as defined under Paragraph 10.08(9) of the Listing Requirements of Bursa Securities (latest amendments issued on 17 November 2005). 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: Review of 2005 and Prospects

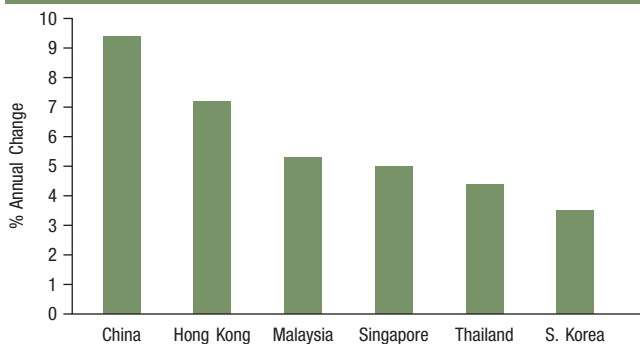
### OVERVIEW

The Malaysian economy in 2005 continued to remain sound and stable, despite greater external challenges due to moderation in global growth, higher inflationary pressures and higher interest rates. During the year, the Government's macroeconomic policies remained focused on sustaining growth momentum and improving international competitiveness in order to generate growth.

On the fiscal front, the Government continued to support the economy through a modest fiscal deficit. By the end of 2005, the deficit is expected to be around 3.8% of gross domestic product ("GDP"). Monetary policy remained accommodative, despite the rise in the overnight policy rate ("OPR") by 30 basis points in November.

Also, during the year, the Government adopted a managed float for the ringgit exchange rate, replacing the ringgit peg introduced in 1998, due to significant changes in the international and regional financial and economic environment. After the shift to a managed float, the ringgit exchange rate has remained stable.

**Graph 1**  
GDP Growth of Malaysia and Selected Regional Economies, January-September 2005



Source: Official websites of respective countries

**Table 1**  
Malaysia: GDP Growth by Economic Activity, 2004 and 2005 (at constant 1987 prices)

	% Annual Change	
	2004	2005 Jan-Sep
<b>Real Gross Domestic Product</b>	7.1	5.3
Agriculture	5.0	3.2
Mining and quarrying	3.9	1.8
Manufacturing	9.8	4.0
Construction	-1.5	-1.9
Services	6.8	6.7

Source: Department of Statistics, Malaysia. Quarterly National Product and Expenditure Account, Third Quarter 2005

### GDP GROWTH

Notwithstanding the challenges, the Malaysian economy continued to turn in respectable growth for the year. For the first three quarters of 2005, the economy expanded by 5.3% supported by a significant recovery in the third quarter of the year. The growth was achieved in an environment of modest inflation.

As shown in Graph 1, Malaysia's economy was accelerating faster than that of Singapore (5%), Thailand (4.4%) and South Korea (3.5%), but slower than China (9.4%) and Hong Kong (7.2%). Based on the recovery in industrial production and exports in the fourth quarter, the Malaysian economy is on track to achieve its growth target of 5-6% for 2005.

### SOURCES OF GROWTH

Growth in the first three quarters of 2005 was led by the services sector, followed by the manufacturing, agriculture and mining sectors (Table 1).

Accounting for 58% of GDP, the services sector grew strongly by 6.7% due to strong private spending, tourism and business activities.

# MALAYSIAN ECONOMY:

## Review of 2005 and Prospects

The manufacturing sector expanded by 4%, affected by slower export demand for the electronics industry in the first half of the year. The agriculture sector grew by 3.2%, contributed by crude palm oil and rubber production. The mining sector remained subdued with a growth of 1.8% due to disruptions in crude oil production. The construction sector further contracted by 1.9% due to lower civil engineering activities.

From the demand side, private domestic demand continued to drive growth in 2005 as public sector spending remained on course to consolidate (Table 2). Private consumption grew strongly by 9.3% for the first three quarters of the year, supported by stable income and employment, low interest rates and high commodity prices.

**Table 2**  
Malaysia: GDP by Expenditure Components, 2004 and 2005 (at constant 1987 prices)

	% Annual Change	
	2004	2005 Jan-Sep
<b>Aggregate Domestic Demand</b>	7.5	7.4
Consumption	9.5	7.9
Public sector	6.0	2.9
Private sector	10.5	9.3
Gross Fixed Capital Formation	3.1	6.2
Exports of Goods and Services	16.3	7.6
Imports of Goods and Services	20.7	7.3
<b>GDP</b>	7.1	5.3

Source: Department of Statistics, Malaysia. Quarterly National Product and Expenditure Accounts, Third Quarter 2005

Investment continued to recover. For the first three quarters of the year, investment grew by 6.2% due to firmer capital spending in the manufacturing and services sectors and in oil production. Public consumption increased by only 2.9%. Exports of goods and services moderated to 7.6% due to lower exports of electronics products. Imports of goods and services moderated to 7.3%, affected by lower imports of consumption goods.

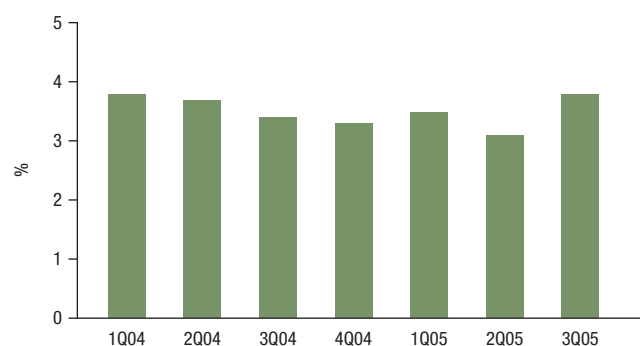
### STRONG FUNDAMENTALS

The growth has helped support Malaysia's economic fundamentals. Labour market conditions remained stable with the unemployment rate at 3.8% at the end of the third quarter of 2005 (Graph 2). Inflation remained modest at 3% in the period January-November 2005 despite higher oil prices, road toll charges and "sin taxes" (Graph 3).

Malaysia's external position remained strong. The surplus in the current account of the balance of payments has been projected to increase from 13.3% of gross national product ("GNP") in 2004 to 15.7% at the end of 2005. Total external debt is estimated to decline from 44.6% of GDP in 2004 to 40.2% of GDP in 2005.

Bank Negara Malaysia's ("BNM") international reserves remained high at RM271.4 billion as at 15 December 2005, despite the significant fund outflow in the third quarter of this year. The reserves was sufficient to cover 7.9 months of retained imports and was about 6.4 times that of short-term external debt.

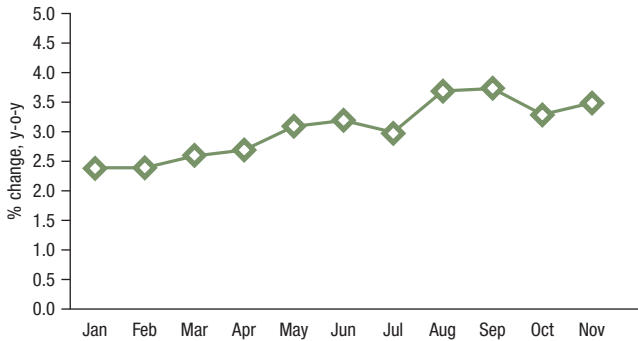
**Graph 2**  
Malaysia: Unemployment Rate, 2004 and 2005



Source: Department of Statistics, Malaysia website

## MALAYSIAN ECONOMY: Review of 2005 and Prospects

**Graph 3**  
Malaysia: Consumer Price Index, January-November 2005

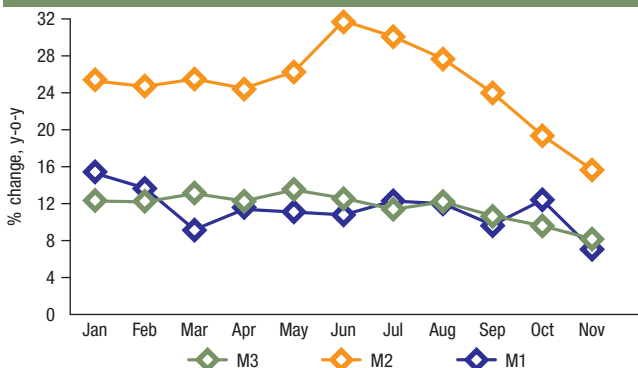


Source: Department of Statistics, Malaysia. Consumer Price Index, various issues

### MONETARY AGGREGATES

Growth in monetary aggregates was in line with the positive growth in the real economy. At the end of November, M1 grew by 7.3%, M2 by 15.9%, and M3 by 8.4% due to higher demand for loans by the private sector (Graph 4).

**Graph 4**  
Malaysia: Growth of Money Aggregates, January-November 2005



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

### STRONG BANKING SYSTEM

The banking system continued to remain strong in 2005. Despite the inclusion of market risk in the capital adequacy framework effective April 1, 2005, the risk-weighted capital ratio ("RWCR") and core capital ratio ("CCR") of the banking system remained high at 13.8% and 10.8% respectively at the end of November (Table 3).

**Table 3**  
Banking System: Risk-Weighted Capital Ratio and Core Capital Ratio, 2004 and 2005

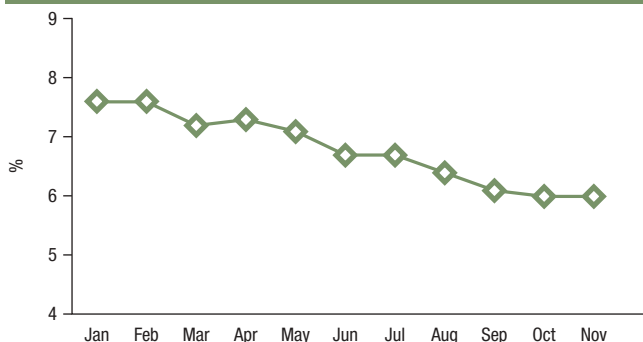
	2004	2005			
		Mar	Jun	Sep	Nov
Risk-Weighted Capital Ratio (%)	14.3	13.8	13.6	13.3	13.8
Core Capital Ratio (%)	11.3	10.9	10.8	10.6	10.8

Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

Asset quality of the banking system improved further in 2005 due to lower new non-performing loans, higher recoveries and write-offs. The ratio of net non-performing loans to total loans and advances of the banking system declined from 7.5% at the end of 2004 to 6% at the end of November 2005 (Graph 5). The loan-loss coverage of the banking system increased from 211% at the end of 2004 to 220% at the end of November 2005 (Graph 6).

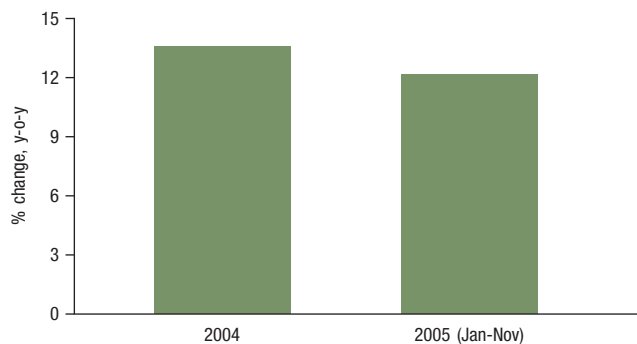
# MALAYSIAN ECONOMY: Review of 2005 and Prospects

**Graph 5**  
Banking System: Ratio of Net Non-Performing Loans to Total Loans and Advances, January-November 2005



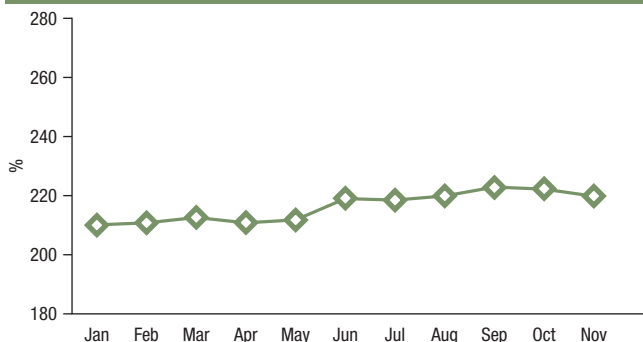
Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

**Graph 7**  
Banking System: New Loans Approved, 2004 and 2005



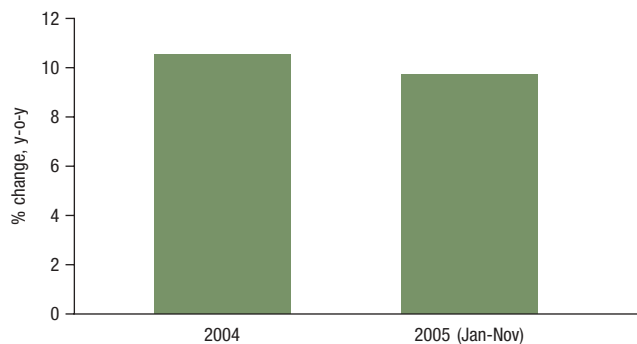
Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

**Graph 6**  
Banking System: Loan-Loss Coverage, January-November 2005



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

**Graph 8**  
Banking System: Loans Disbursed, 2004 and 2005



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

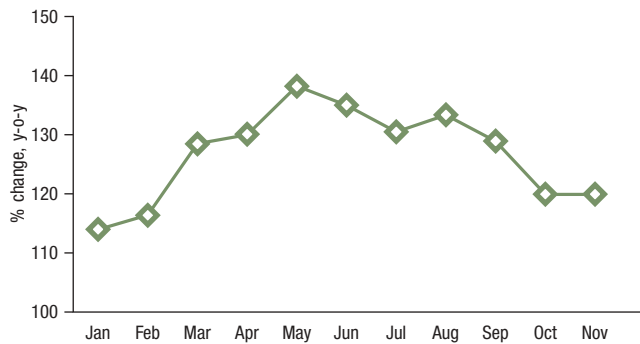
Lending activity continued to increase during the year, supported mainly by loans to consumers and small- and medium-sized enterprises (“SME”). For the period January-November 2005, total new loans approved by the banking system increased by 12.2% compared to the corresponding period last year (Graph 7), while total loans disbursed increased by 9.8% (Graph 8). Annual loan growth of the banking system rose from 8.5% in 2004 to 9% at the end of November 2005.

## AMPLE LIQUIDITY

Liquidity in the banking system (as measured by the resource gap) remained ample in 2005 (Graph 9). The gap between total deposits and total loans remained large as growth in total deposits continued to outpace growth in total loans. BNM continued to mop up the excess liquidity to maintain stable interest rates.

## MALAYSIAN ECONOMY: Review of 2005 and Prospects

**Graph 9**  
Banking System: Resource Gap, 2005



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

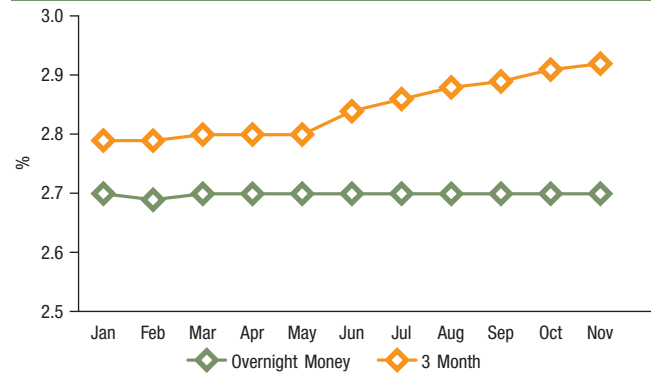
During the January-November 2005 period, the weighted average overnight interbank interest rate was around 2.7%, while the 3-month weighted average interbank rate rose marginally from 2.8% in the January-May 2005 period to 2.84-2.93% in the June-November 2005 period (Graph 10). Key interest rates increased in December after the decision by BNM to increase the OPR by 30 basis points on November 30.

### PROSPECTS FOR 2006

The Malaysian economy is expected to maintain its growth momentum in 2006, despite the increasing challenges from high oil prices, widening global imbalances, and high global interest rates. GDP is expected to increase by 5.5% in 2006. Growth will continue to be driven by private domestic demand. In particular, private consumption is expected to remain strong due to higher disposable income, stable employment conditions and modest inflation outlook.

Private investment is also expected to gather higher momentum next year in line with expected sustained direct domestic investment and inflows of foreign direct investment in manufacturing and manufacturing-related services, oil and gas and services sectors. Investment in agriculture is

**Graph 10**  
Malaysia: Weighted Average Interbank Rates, 2005



Source: Bank Negara Malaysia. Monthly Statistical Bulletin, November 2005

expected to gain momentum in line with the Government's objective to revitalise the sector. In addition, capacity utilisation in the manufacturing sector is high at 76%.

External demand is expected to improve based on the projection that the global economy will maintain a 4.3% growth with sustained growth in major OECD economies such as the US, Europe and Japan. The recovery in the global semiconductor industry in the second half of 2005 is expected to strengthen next year.

In line with the positive growth outlook, Malaysia's economic fundamentals are expected to remain healthy. Unemployment is expected to remain low, while inflation is expected to remain modest and manageable. Malaysia's external position, based on the projected large surplus in the current account of the balance of payment, is expected to remain strong.

The Government is expected to remain on course to consolidate its financial position. BNM is expected to continue to maintain its accommodative monetary policy to support growth. Amid the positive growth outlook, the banking industry will continue to remain strong in 2006 with high capitalisation and strong asset quality. Lending activity is expected to sustain its momentum in tandem with the projected GDP growth.



**PUBLIC BANK (LOCAL) & PUBLIC BANK (FOREIGN) SHARE PRICES AND KLCI IN 2005**



## STOCK MARKET PERFORMANCE IN 2005

The stock market started 2005 on a positive note. The Kuala Lumpur Composite Index (“KLCI”) rallied to a 4½ year high of 937.56 points on 18 January 2005, buoyed by the entry of foreign funds amidst speculation on the removal of the Ringgit peg against the US dollar, and investor interest in the restructuring theme of Government Linked Corporations (“GLCs”). However, concerns over high oil prices and below consensus corporate earnings in the last quarter of 2004 saw the KLCI fall below 900 points in early March 2005. A regional equity sell down sparked by surging oil prices and concerns of investment outflows upon the lifting of capital controls on 1 April 2005 by Bank Negara Malaysia exerted downward pressure on the KLCI.

These negative factors, combined with heavy selling of speculative stocks, which resulted in limit-down fall in share prices of some of these stocks led to a steady decline of the KLCI, eventually to its lowest level in 2005 at 860.73 points on 31 May 2005, with the Second Board Index falling close to the Asian financial crisis level of 80 points.

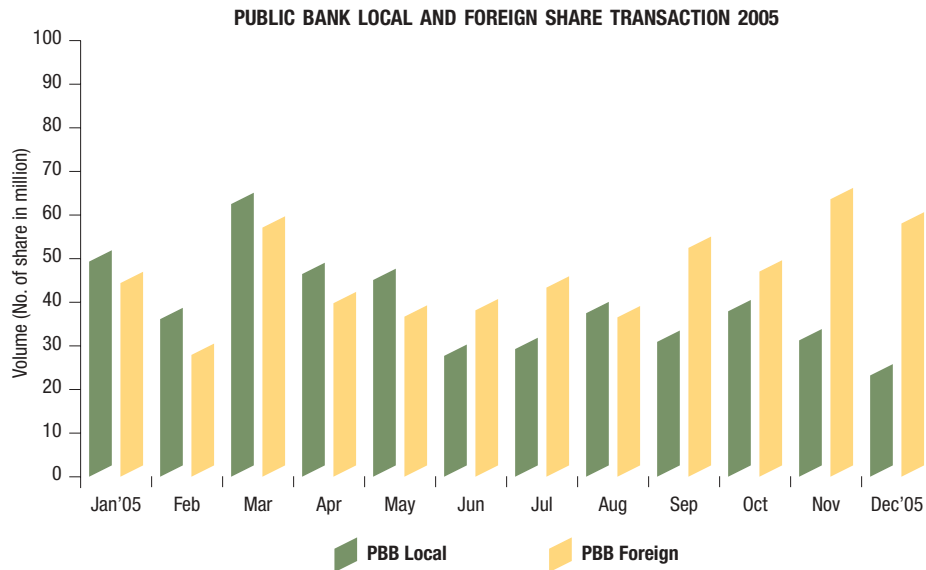
The KLCI recovered to move above 900 points in early July 2005 on selected buying by institutional investors. Investor interest in GLCs and the removal of the Ringgit peg against the US dollar spurred the KLCI to a 5½ year high of 952.59 points on 3 August 2005. However, the KLCI soon retraced lower before consolidating at above 900 points in early September 2005 as rising crude oil prices following Hurricane Katrina in the US, less than convincing corporate results and weaker than expected GDP growth expectations for the second quarter of 2005 weighed on the stock market.

Although the KLCI rebounded to above 920 points on stronger regional equity markets coupled with a fiscally prudent Government budget for 2006, the KLCI turned bearish again in October 2005 on concerns of rising inflation and interest rates, whilst the lower than expected appreciation of the Ringgit and widening interest rate differential between US and Malaysian interest rates led to heavy selling by foreign funds. On 30 November 2005, Bank Negara Malaysia raised interest rates for the first time since 2000. The benchmark overnight policy rate was raised by 30 basis point to 3.00% from 2.70%. The KLCI fell 8.33 points to 887.80 points on 1 December 2005 on fears of further interest rate increases in the near future. For the year, the KLCI lost 7.64 points or 0.84% from 907.43 points at the end of 2004 and 52.80 points or 5.54% from the 2005 peak of 952.59 points to close at 899.79 points. Volume traded on Bursa Securities for 2005 totalled 118.82 billion shares valued at RM201.09 billion, a decrease of 0.89 billion shares and RM42.77 billion as compared to 2004.

Market analysts expect the equity markets to remain cautious in 2006 given the expectations of higher interest rates and inflationary pressures from the expected reduction in petrol subsidies. Nevertheless, the stock market’s downside risk is mitigated by undemanding valuations, attractive dividend yields and excess domestic liquidity. Likewise, the regional equity markets are expected to remain resilient given the high levels of liquidity and trade surpluses among most Asian economies.

In terms of valuations, Bursa Securities’ price earnings rating remains reasonable at 16.8 times 2005 earnings and is 6.4% below the 6 years historical average of 18 times. The stock market’s gross dividend yield of 4.1% compares favourably with short-term fixed deposit rates of 3%.

## INVESTOR INFORMATION



### PUBLIC BANK SHARE PRICE PERFORMANCE IN 2005

Public Bank share prices outperformed the KLCI during the first quarter of 2005. Public Bank (Local) share and Public Bank (Foreign) share prices rose from RM7.10 and RM7.60 respectively as at the end of 2004 to RM7.50 and RM7.95 respectively when the KLCI reached its 4½ year high of 937.56 points on 18 January 2005. On the same day, Public Bank announced its financial results for 2004 and proposed a final dividend of 35% less 28% tax and a special dividend of 15% less 28% tax. The market responded favourably to the Public Bank Group's sterling financial performance as both Public Bank (Local) shares and Public Bank (Foreign) shares traded to a year high of RM7.75 and RM8.15 respectively on 14 February 2005.

The following weeks saw Public Bank share prices trending lower, in line with the general decline of the KLCI on weak market sentiment. Both Public Bank (Local) share and Public Bank (Foreign) share prices fell to a first half 2005 low of RM6.35 and RM6.40 respectively on 25 May 2005.

On 21 July 2005, Public Bank Group announced a positive second quarter 2005 results together with an interim dividend of 20% less 28% tax. The positive news amidst a more bullish stock market following the removal of the Ringgit peg led both Public Bank (Local) share and Public Bank (Foreign) share prices higher to RM7.20 and RM7.40 respectively on 1 August 2005.

Share prices of Public Bank shares eased in September and October 2005 following the decline of the KLCI and continued to consolidate despite the release of third quarter 2005 results in October 2005 that were within analysts' consensus estimates.

The increase in the overnight policy rate by 0.30% saw weaker sentiment for financial sector stocks with the Kuala Lumpur Finance Index closing lower by 104.73 points to 7,092.25 points the day following the increase in interest rates. Prices of both Public Bank (Local) shares and Public Bank (Foreign) shares fell in tandem to a year low of RM6.25 and RM6.10 respectively on 1 December 2005. Public Bank (Local) share and Public Bank (Foreign) share prices closed at RM6.55 and RM6.40 respectively on 30 December 2005.

## ANALYSIS OF SHAREHOLDINGS

as at 13 January 2006

Authorised Share Capital	:	RM10,000,000,000
Issued and Paid-up Share Capital	:	RM3,420,926,452 comprising 3,420,926,452 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	4,316	3.90	197	0.18	139,471	*1	7,264	*1
100 – 1,000	22,313	20.15	934	0.84	15,759,848	0.48	582,046	0.02
1,001 – 10,000	53,713	48.51	7,337	6.63	202,589,260	6.15	33,001,480	1.00
10,001 – 100,000	15,160	13.70	4,590	4.15	393,430,763	11.93	128,934,514	3.91
100,001 – 164,837,097 (less than 5% of issued shares*2)	1,342	1.2	822	0.74	1,336,637,011	40.54	778,971,503	23.63
164,837,098 (5% of issued shares*2) and above	2	*1	—	—	406,688,792	12.34	—	—
<b>Total</b>	<b>96,846</b>	<b>87.46</b>	<b>13,880</b>	<b>12.54</b>	<b>2,355,245,145</b>	<b>71.44*2</b>	<b>941,496,807</b>	<b>28.56*2</b>

**Notes:**

\*1 Less than 0.01%.

\*2 Excluding a total of 124,184,500 Public Bank ("PBB") shares bought-back by PBB and retained as treasury shares as at 13 January 2006.

### DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND ITS SUBSIDIARY COMPANY

The Directors' direct and indirect interests in shares in the Company and its subsidiary company 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	21,524,250	0.65	786,468,596 *1	23.86
Tan Sri Dato' Thong Yaw Hong	3,018,750	0.09	771,875 *2	0.02
Dato' Sri Tay Ah Lek	5,810,109	0.18	139,482 *1	*4
Dato' Lee Kong Lam	2,454,921	0.07	800,000 *3	0.02
Dato' Yeoh Chin Kee	1,110,000	0.03	400,000 *3	0.01
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	300,000	0.01	—	—
Haji Abdul Aziz bin Omar	362,000	0.01	—	—
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	450,000	0.01	—	—
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 124,184,500 PBB shares bought-back by PBB and retained as treasury shares as at 13 January 2006.

**ANALYSIS OF SHAREHOLDINGS**

as at 13 January 2006

**DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY AND ITS SUBSIDIARY COMPANY**

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 807,992,846 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.

**Share Options Held in the Company****– Share Options Held under the Public Bank Berhad Employees' Share Option Scheme**

	No. of Share Options Held	Option Price (RM)
Tan Sri Dato' Thong Yaw Hong	2,000,000	6.37
	2,500,000	5.67
Dato' Sri Tay Ah Lek	4,500,000	6.37
	4,000,000	5.67
Dato' Lee Kong Lam	2,925,000	6.37
	2,600,000	5.67
Dato' Yeoh Chin Kee	2,025,000	6.37
	2,250,000	5.67
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,800,000	6.37
	2,000,000	5.67
Haji Abdul Aziz bin Omar	1,125,000	6.37
	1,250,000	5.67
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	1,125,000	6.37
	1,250,000	5.67
Lee Chin Guan	1,125,000	6.37
	1,250,000	5.67

**Share Options Held in Subsidiary Company****– Share Options Held under the JCG Holdings Limited Employees' Share Option Scheme**

	No. of Share Options Held	Option Price (HKD)
Dato' Sri Tay Ah Lek	1,680,000	7.29
Dato' Yeoh Chin Kee	700,000	7.29
Lee Chin Guan	350,000	7.29

**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	21,524,250	0.65	786,468,596*1	23.86	807,992,846	24.51
Consolidated Teh Holdings Sdn Bhd	79,479,687	2.41	165,711,639*1	5.03	245,191,326	7.44
Sekuriti Pejal Sdn Bhd	201,394,686	6.11	38,720,856*1	1.17	240,115,542	7.28
Employees Provident Fund Board	240,044,698	7.28	—	—	240,044,698	7.28

**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 124,184,500 PBB shares bought-back by PBB and retained as treasury shares as at 13 January 2006.

# ANALYSIS OF SHAREHOLDINGS

as at 13 January 2006

## 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	205,294,106	6.23
2.	Sekuriti Pejal Sdn Berhad	103,724,186	3.15
3.	Sekuriti Pejal Sdn Berhad	97,670,500	2.96
4.	Valuecap Sdn Bhd	80,509,000	2.44
5.	Kepunyaan Chintamani Sdn Bhd	67,919,531	2.06
6.	Consolidated Teh Holdings Sdn Berhad	58,770,687	1.78
7.	Selected Securities Sdn Bhd	49,580,000	1.50
8.	Selected Holdings Sdn Berhad	37,684,000	1.14
9.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	36,364,153	1.10
10.	Kayakita Corporation Sdn Bhd	33,660,437	1.02
11.	Kepunyaan Perindustrian Sdn Berhad	31,751,233	0.96
12.	HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Securities Services Luxembourg for Aberdeen Global Asian Equity Fund	28,028,200	0.85
13.	Tong Meng Industries Limited	26,946,921	0.82
14.	Selected Securities Sdn Bhd	26,536,562	0.80
15.	Kayakita Corporation Sdn Bhd	26,364,500	0.80
16.	LPI Capital Bhd	25,739,578	0.78
17.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.S.A)	25,094,697	0.76
18.	HSBC Nominees (Asing) Sdn Bhd – Saudi Arabian Monetary Agency	25,000,000	0.76
19.	Selected Holdings Sdn Berhad	24,914,046	0.76
20.	Securities Holdings Sdn Berhad	22,776,156	0.69
21.	Tan Sri Dato' Sri Dr. Teh Hong Piow	21,055,500	0.64
22.	Luhur Management Sdn Bhd	19,348,015	0.59
23.	Amanah Raya Nominees (Tempatan) Sdn Bhd – Amanah Saham Wawasan 2020	18,663,200	0.57
24.	HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.K.)	16,466,096	0.50
25.	HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Securities Services Paris for Aberdeen International Fund Plc (Asia Pacific FD)	15,000,062	0.46
26.	Tasec Nominees (Tempatan) Sdn Bhd – Public Bank Group Officers' Retirement Benefits Fund	14,703,050	0.45
27.	HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Securities Services Paris for Aberdeen Far East Emerging Economies Unit Trust	14,500,250	0.44
28.	Consolidated Teh Holdings Sdn Berhad	14,171,500	0.43
29.	Lonpac Insurance Bhd	14,128,125	0.43
30.	Cimsec Nominees (Asing) Sdn Bhd – Exempt An for CIMB-GK Securities Pte Ltd (Retail Clients)	13,238,345	0.40
	<b>Total</b>	<b>1,195,602,636</b>	<b>36.27</b>

**Note:**

\* Excluding a total of 124,184,500 PBB shares bought-back by PBB and retained as treasury shares as at 13 January 2006.

## AUTHORISED AND ISSUED SHARE CAPITAL

### AUTHORISED SHARE CAPITAL

The authorised share capital as at 13 January 2006 is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each. The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Total Authorised Share Capital (RM)
30.12.1965	50,000,000	50,000,000
06.01.1982	250,000,000	300,000,000
30.09.1986	200,000,000	500,000,000
08.06.1987	500,000,000	1,000,000,000
17.06.1997	4,000,000,000	5,000,000,000
30.03.2005	5,000,000,000	10,000,000,000

### ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 13 January 2006 is RM3,420,926,452 comprising 3,420,926,452 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

## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
15.06.1990	119,485,333*	Capitalisation of share premium account and general reserve account (Bonus Issue 1:3)	477,941,333
06.08.1990	71,691,200*	Rights Issue 1:5 at RM2.20 per share	549,632,533
08.10.1990	138,500*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	549,771,033
12.04.1991	3,828,850*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,599,883
24.09.1991	334,300*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,934,183
25.03.1992	114,700*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	554,048,883
15.04.1993	1,038,701*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	555,087,584
01.10.1993	9,912,337*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	564,999,921
20.04.1994	3,434,479*	Exercise of share options under PBB ESOS at option price of RM2.76 per share	568,434,400
05.10.1994	1,113,000*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	569,547,400
27.12.1994	50,000,000*	Issue and private placement of 50,000,000 new shares as follows: – 35,000,000 PBB local shares at RM8.28 per share – 15,000,000 PBB foreign shares at RM10.62 per share	619,547,400
18.04.1996	25,500*	Exercise of share options under PBB ESOS at option price of RM7.84 per share	619,572,900
07.08.1996	206,524,300*	Capitalisation of share premium account (Bonus Issue 1:3)	826,097,200
25.10.1996	143,541*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,240,741
12.05.1997	358,850*	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,599,591
06.01.1998	165,319,918*	Capitalisation of share premium account (Bonus Issue 1:5)	991,919,509
09.03.1998	165,319,918*	Rights Issue 1:5 at RM2.00 per PBB local share and at RM2.28 per PBB foreign share	1,157,239,427
11.02.1999	8,007,750*	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,165,247,177
11.05.1999	35,500*	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,165,282,677

## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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



## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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



## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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

## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

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

## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
03.12.2004	2,392,002	Exercise of share options under PBB ESOS as follows: – 1,183,077 shares at option price of RM3.56 per share – 140,300 shares at option price of RM3.40 per share – 604,125 shares at option price of RM4.60 per share – 464,500 shares at option price of RM4.92 per share	3,355,767,324
28.01.2005	20,743,000	Exercise of share options under PBB ESOS at option price of RM4.92 per share	3,376,510,324
31.01.2005	2,415,001	Exercise of share options under PBB ESOS as follows: – 15,475 shares at option price of RM1.64 per share – 985,926 shares at option price of RM3.56 per share – 104,200 shares at option price of RM3.40 per share – 954,400 shares at option price of RM4.60 per share – 355,000 shares at option price of RM4.92 per share	3,378,925,325
07.02.2005	10,466,250	Exercise of share options under PBB ESOS as follows: – 2,406,250 shares at option price of RM3.56 per share – 2,250,000 shares at option price of RM4.60 per share – 5,810,000 shares at option price of RM4.92 per share	3,389,391,575
21.02.2005	7,511,743	Exercise of share options under PBB ESOS as follows: – 26,106 shares at option price of RM1.64 per share – 3,364,187 shares at option price of RM3.56 per share – 377,950 shares at option price of RM3.40 per share – 2,883,000 shares at option price of RM4.60 per share – 860,500 shares at option price of RM4.92 per share	3,396,903,318
25.02.2005	639,342	Exercise of share options under PBB ESOS as follows: – 6,094 shares at option price of RM1.64 per share – 236,373 shares at option price of RM3.56 per share – 14,875 shares at option price of RM3.40 per share – 291,000 shares at option price of RM4.60 per share – 91,000 shares at option price of RM4.92 per share	3,397,542,660
01.08.2005	12,813,748	Exercise of share options under PBB ESOS as follows: – 14,482 shares at option price of RM1.64 per share – 1,382,291 shares at option price of RM3.56 per share – 194,275 shares at option price of RM3.40 per share – 1,397,700 shares at option price of RM4.60 per share – 6,670,000 shares at option price of RM4.92 per share – 3,155,000 shares at option price of RM6.37 per share	3,410,356,408

## AUTHORISED AND ISSUED SHARE CAPITAL

### ISSUED AND PAID-UP SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
31.10.2005	2,114,074	Exercise of share options under PBB ESOS as follows: – 1,063 shares at option price of RM1.64 per share – 442,561 shares at option price of RM3.56 per share – 96,950 shares at option price of RM3.40 per share – 424,800 shares at option price of RM4.60 per share – 1,014,500 shares at option price of RM4.92 per share – 134,200 shares at option price of RM6.37 per share	3,412,470,482
09.11.2005	3,737,523	Exercise of share options under PBB ESOS as follows: – 1,269 shares at option price of RM1.64 per share – 1,429,354 shares at option price of RM3.56 per share – 238,525 shares at option price of RM3.40 per share – 1,537,875 shares at option price of RM4.60 per share – 204,000 shares at option price of RM4.92 per share – 326,500 shares at option price of RM6.37 per share	3,416,208,005
15.11.2005	660,400	Exercise of share options under PBB ESOS as follows: – 163,100 shares at option price of RM3.56 per share – 61,700 shares at option price of RM3.40 per share – 390,100 shares at option price of RM4.60 per share – 45,500 shares at option price of RM4.92 per share	3,416,868,405
05.12.2005	504,684	Exercise of share options under PBB ESOS as follows: – 217,309 shares at option price of RM3.56 per share – 35,375 shares at option price of RM3.40 per share – 202,500 shares at option price of RM4.60 per share – 23,500 shares at option price of RM4.92 per share – 26,000 shares at option price of RM6.37 per share	3,417,373,089
13.01.2006	3,553,363	Exercise of share options under PBB ESOS as follows: – 2,587 shares at option price of RM1.64 per share – 391,750 shares at option price of RM3.56 per share – 77,325 shares at option price of RM3.40 per share – 519,300 shares at option price of RM4.60 per share – 71,000 shares at option price of RM4.92 per share – 86,000 shares at option price of RM6.37 per share – 2,405,401 shares at option price of RM5.67 per share	3,420,926,452

\* 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 THE PUBLIC BANK GROUP

as at 31 December 2005

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)
<b>PUBLIC BANK BERHAD</b>								
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	—	11 Years	46,436	2-1-1995	284,456
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)	49 Years	1,392 )	)	54
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)	39 Years	1,308 )	31-3-2001* )	439
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)	66 Years	198 )	)	
150 Jalan Bukit Bintang 55100 Kuala Lumpur Malaysia	5-storey shop lot (L/B)	Public Bank's Bintang Walk Branch	Freehold	—	34 Years	680	31-3-2001*	
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	—	34 Years	1,339	4-1-1967	303

**LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP**

as at 31 December 2005

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)
<b>PUBLIC MUTUAL BERHAD</b> 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	—	8 Years	3,319	Block B 12-6-1995  Block C 20-6-1997	4,955
11 Jalan Bangsar Utama 3 Bangsar Utama 59000 Kuala Lumpur Malaysia	5-storey shop lot (L/B)	Public Mutual's Bangsar Branch	Leasehold 99 years	80 Years (3-12-2085)	17 Years	1,795	2-2-1990	1,306
2nd Floor TB 323 (Lot 20) Block 38 Fajar Complex Jalan Haji Karim 91000 Tawau Sabah Malaysia	2nd floor of a 4-storey shop lot (S/L)	Public Mutual's Tawau Branch	Leasehold 999 years	890 Years (31-12-2895)	35 Years	153	19-3-1992	85
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 205 768 Years (31-12-2773)  Lot 206 768 Years (5-5-2773)	25 Years	365	14-2-2003	2,067
No. 16 Lintang Burma Pulau Tikus Georgetown 10250 Penang Malaysia	5-storey office building (L/B)	Public Mutual's Penang Branch	Freehold	—	10 years	1,241	6-4-2005	2,019



## LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP

as at 31 December 2005

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)
<b>PUBLIC HOLDINGS</b>								
<b>SDN. BHD.</b>								
87 Lebuah Bishop 10200 Pulau Pinang Malaysia	3-storey shop lot (L/B)	Public Bank's Penang Branch	Freehold	—	83 Years	2,836	20-5-1994	470
60 – 68 Jalan Laksamana 75000 Melaka Malaysia	3-storey office building (L/B)	Public Bank's Melaka Branch	Leasehold 99 years	61 Years (14-7-2066)	35 Years	4,128	20-5-1994	924
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	—	28 Years	18,277	9-12-1977	21,952
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	73 Years (5-4-2078)	23 Years	1,070	10-11-1992	579
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	—	23 Years	870	10-4-1986	570
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	—	34 Years	2,410	1-8-1990	2,812

**LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP**

as at 31 December 2005

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
Public Bank Tower 19 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Malaysia	30-storey office tower (L/B)	Public Bank's Johor Bahru Branch; office space rented to third parties and a related party	Freehold	—	11 Years	36,222	12-8-1991	48,620
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	91 Years (2-9-2096)	8 Years	31,669	3-9-1997	42,185
9 & 10 Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Malaysia	Two 3½-storey shop lots (L/B)	Public Bank's Bandar Puchong Jaya Branch	Freehold	—	11 Years	2,515	25-11-2002	5,897
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	49 Years (19-12-2054)	9 Years	1,351	2-5-2003	2,241
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	—	23 Years	1,526	15-7-2003	5,968
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	—	20 Years	1,135	22-1-2003	1,960

## LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP

as at 31 December 2005

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)
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	81 years (2086)	11 years	1,609	3-10-2003	2,531
48 & 50, Jalan 6/116B Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Malaysia	Two ground and mezzanine floors of 4½-storey shop office/ apartment (ML)	Public Bank's Jalan Kuchai Lama Branch	Leasehold	76 years (2081)	15 Years	495	7-11-2003	1,187
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	—	22 Years	2,012	14-7-2003	2,299
11 & 12, Jalan Kristal 2 Taman Kristal 86400 Parit Raja Johor	Two 3-storey shop lots	Public Bank's Parit Raja Branch	Freehold	—	1 Year	374	3-3-2005	1,474
4, 6, 8 & 10 Persiaran Bercham Selatan 2 31400 Ipoh, Perak	Four 3-storey shop lots	Public Bank's Bercham Branch	Leasehold	86 years (1-11-2091)	1 Year	486	3-3-2005	2,176
<b>PB PROPERTIES SDN. BHD.</b> 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	—	25 Years	483	15-12-1986	458
37 Jalan Pantai Jerjak 13 Sungai Nibong 11900 Pulau Pinang Malaysia	2-storey shop lots (L/B)	Public Bank's Sg. Nibong Branch	Freehold	—	25 Years	242	27-2-2004	601

**LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP**

as at 31 December 2005

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)
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	—	25 Years	389	10-12-1987	228
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	54 Years (24-2-2059)	11 Years	12,737	29-8-1988	11,328
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	—	22 Years	353	23-6-1989	170
28 China Street 98000 Miri Sarawak Malaysia	4-storey shop lot (L/B)	Public Bank's China Street Branch	Leasehold 60 years	46 Years (7-7-2051)	16 Years	1,159	10-8-1989	1,421
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	79 Years (24-2-2084)	15 Years	719	2-5-1991	572
Lot 643, Batu Niah Town Extension 98200 Batu Niah Sarawak Malaysia	2-storey shop lot (L/B)	Public Bank's Batu Niah Branch	Freehold	—	10 Years	383	4-10-1996	336
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	—	66 Years	815	15-7-1991	694

## LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP

as at 31 December 2005

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 1 Block B-8 Jalan Arusap 89000 Keningau Sabah Malaysia	3-storey shop lot (L/B)	Rented to third party	Leasehold 999 years	919 Years (27-4-2924)	13 Years	558	8-1-1993	521
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	46 Years (3-9-2051)	11 Years	632	21-11-1995	565
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	910 Years (31-12-2915)	10 Years	870	26-12-1996	1,301
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	—	18 Years	10,395	27-8-2003	25,120
4223 Jalan Bagan Luar 12000 Butterworth Pulau Pinang Malaysia	3-storey shop lot (L/B)	Public Mutual's Butterworth Branch	Freehold	—	40 Years	542	6-10-1997	1,076
20-26 Jalan Hang Lekiu 50100 Kuala Lumpur Malaysia	4-storey office building (L/B)	Public Bank's Jalan Hang Lekiu Branch	Freehold	—	8 Years	1,551	27-8-1998	3,175
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	—	11 Years	866	26-9-1998	1,505

**LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP**

as at 31 December 2005

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)
<b>PUBLIC BANK (L) LTD.</b> 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	53 Years (26-4-2058)	10 Years	303	6-7-1996	172

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)
<b>JCG HOLDING LIMITED</b> 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	Public Finance Limited's Tuen Mun Branch	Leasehold 149 years	42 Years (30-6-2047)	32 Years	84	30-6-1980	1,756
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	Public Finance Limited's Aberdeen Branch	Leasehold 999 years	854 Years (26-12-2859)	16 Years	68	9-3-1990	3,619
Ground Floor Yue Yee Mansion 92 Shung Ling Street San Po Kong Kowloon Hong Kong	Ground floor of a 7-storey Chinese tenement building	Public Finance Limited's San Po Kong Branch	Leasehold 149 years	42 Years (30-6-2047)	41 Years	94	9-6-1990	2,721

## LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP

as at 31 December 2005

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)
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	894 Years (18-4-2899)	22 Years	91	3-10-1990 (R)	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	121 Years (26-8-2126)	22 Years	293	18-3-1992	8,044
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	125 Years (19-10-2130)	20 Years	253	5-3-1993	9,183
Ground Floor & Open Yard Golden Dragon Mansion 751 Nathan Road Mongkok Kowloon Hong Kong	Ground floor of a 14-storey composite building	Public Finance Limited's Prince Edward Road Branch	Leasehold 150 years	74 Years (18-8-2079)	35 Years	130	24-5-1993	13,780
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	897 Years (14-8-2902)	38 Years	1,464	11-6-1993	84,612

## LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP

as at 31 December 2005

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)
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	Public Finance Limited's Mongkok Branch; store room of JCG Group; office space leased to third parties; few floors are vacant	Leasehold 150 years	45 Years (27-5-2050)	18 Years	2,215	30-6-1994 (R)	98,687
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	894 Years (18-4-2899)	21 Years	76	1-8-1995	4,305
Ground Floor Ruby Commercial Building 480 Nathan Road Yau Ma Tei Kowloon Hong Kong	Ground floor of a 16-storey commercial building	Public Finance Limited's Nathan Road Branch	Leasehold 150 years	62 Years (22-10-2067)	23 Years	110	14-1-2000	11,050
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	Public Finance Limited's Tsimshatsui Branch	Leasehold 150 years	123 Years (10-12-2128)	23 Years	131	1-11-2000	2,530
Ground Floor Section B Lot No. 3704 DD120 Yuen Long New Territories Hong Kong	Ground floor of a 5-storey composite building	Public Finance Limited's Yuen Long Branch	Leasehold 149 years	42 Years (30-6-2047)	48 Years	102	23-4-2001	15,606



## LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP

as at 31 December 2005

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 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	897 Years (14-8-2902)	38 Years	113	15-10-2003 (R)	32,411
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	42 Years (27-6-2047)	40 Years	Workshop A, B, C 682  Flat 68	24-7-1992 (R)	14,403
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	42 Years (15-9-2047)	26 Years	962	24-7-1992	2,728
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	42 Years (27-6-2047)	34 Years	32	24-7-1992	44

**LIST OF PROPERTIES OWNED BY THE PUBLIC BANK GROUP**

as at 31 December 2005

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)
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	55 Years (18-2-2060)	23 Years	1,465	2-5-1994 (R)	68,400
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	32 Years (25-12-2037)	36 Years	55	14-6-1984	171
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	32 Years (25-12-2037)	47 Years	65	9-1-1987 (R)	900

**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 16 December 2005

\* The acquisition date for all properties vested over from HHB Holdings Berhad is 31 March 2001. JCG Group hold the land portion of all properties by means of leases, in Hong Kong SAR.

# INTERNATIONAL NETWORK



## GROUP CORPORATE DIRECTORY



## HEAD OFFICE:

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 146 Jalan Ampang  
 50450 Kuala Lumpur  
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 Fax : 03-21639917  
 Telex : MA28290/MA28291  
 Website : www.publicbank.com.my

## Federal Territory

- **Bangsar**  
 36 & 38 Jalan Maarof  
 Bangsar  
 59100 Kuala Lumpur  
 Tel : 03-22828929, 03-22828930  
 Fax : 03-22828917
- **Bintang Walk**  
 150 Jalan Bukit Bintang  
 55100 Kuala Lumpur  
 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, 03-21429144/10  
 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**  
 68 Jalan Tun Sambanthan  
 Brickfields  
 50470 Kuala Lumpur  
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- **Jinjang**  
3476 & 3477 Garden Street  
Jinjang Utara  
52000 Kuala Lumpur  
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- **Kampung Baru**  
Wisma Le Proton  
134 Jalan Raja Abdullah  
Kampung Baru  
50300 Kuala Lumpur  
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Fax : 03-26927188
- **Kepong**  
17, 19 & 21 Jalan Ambong Kiri Dua  
Kepong Baru  
52100 Kuala Lumpur  
Tel : 03-62570032, 03-62574690  
Fax : 03-62516611, 03-62519386
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Ground Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
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- **Medan Idaman**  
Medan Idaman Business Centre  
4 & 6 Jalan 2/21D  
Batu 5 Jalan Gombak  
53000 Kuala Lumpur  
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Fax : 03-40234497
- **Overseas Union Garden**  
3 & 5 Medan Hujan Rahmat  
Taman Overseas Union  
58200 Kuala Lumpur  
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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  
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Fax : 03-62527057, 03-62526620
- **Selayang**  
45, 47 & 49 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, 03-90582026
- **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**  
275 & 277, Jalan Mahkota  
Taman Maluri, Cheras  
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Tel : 03-92859994, 03-92857203  
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- **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  
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Fax : 03-77298754
- **Tiong Nam**  
Wisma Public Bank  
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50350 Kuala Lumpur  
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- **Wangsa Maju**  
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- **Labuan**  
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87007 Wilayah Persekutuan Labuan  
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Fax : 087-412388

 **Johor**

- **Bandar Baru Permas Jaya**  
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Bandar Baru Permas Jaya  
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Fax : 07-3883259
- **Batu Pahat**  
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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
- **Parit Raja**  
11 & 12, Jalan Kristal  
Taman Kristal 2  
86400 Parit Raja  
Batu Pahat, Johor  
Tel : 07-4542855, 07-4542857/59  
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, 07-8618934
- **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



## GROUP CORPORATE DIRECTORY

- **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**  
1557 Jalan Kota  
05000 Alor Setar, Kedah  
Tel : 04-7310559, 04-7311384  
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

## GROUP CORPORATE DIRECTORY

- **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 Perpatih  
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 : 06-4412511/12, 06-4415785  
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, 09-5178288  
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
-  **Perak**
- **Ayer Tawar**  
139 & 141 Jalan Besar  
32400 Ayer Tawar, Perak  
Tel : 05-6726399, 05-6726400  
Fax : 05-6726402
  - **Batu Gajah**  
5 & 7 Lebuw 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
  - **Bidor**  
62D-62E, Jalan Besar  
35500 Bidor, Perak  
Tel : 05-4341257, 05-4340964  
Fax : 05-4341241
  - **Bercham**  
4, 6, 8 & 10, Persiaran Bercham  
Selatan 2  
31400 Ipoh, Perak  
Tel : 05-5480058, 05-5480632  
Fax : 05-5480333, 05-5473888
  - **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 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**  
3 & 4, Jalan Balai  
31900 Kampar, Perak  
Tel : 05-4651044, 05-4652160  
Fax : 05-4651400

## GROUP CORPORATE DIRECTORY

- **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

- **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, 05-7160079/80  
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**

12 & 14, Jalan Piandang 1  
Taman Piandang Indah  
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  
P. O. Box 43  
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**  
456, Jalan Datuk Keramat  
10460 Pulau Pinang  
Tel : 04-2293500, 04-2292459  
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

## GROUP CORPORATE DIRECTORY

- **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 Centernary  
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 Zaidi**  
Lot 2775 & 2776 Block 10  
3rd Mile  
Jalan Tun Ahmad Zaidi Aduce  
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 City**  
Nos. 102-110  
Jalan Song Thian Cheok  
93100 Kuching, Sarawak  
Tel : 082-417922, 082-417923  
Fax : 082-424248
- **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

- **Wisma Saberka**

Lot G.01 & G.02A Wisma Saberka  
Jalan Tun Abang Hj. Openg  
93000 Kuching, Sarawak  
Tel : 082-419889, 082-428800  
Fax : 082-424662

## 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 Lebuhr 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

## GROUP CORPORATE DIRECTORY

- **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**  
1 & 3, Jalan Raja Lumu  
45000 Kuala Selangor, Selangor  
Tel : 03-32894193  
03-32894194/95  
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 Lebuhr 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/J2  
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



## GROUP CORPORATE DIRECTORY

 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  
Cable : 'PUBLICBANK'  
Telex : 65279 PBB HX  
E-mail : gmgr@publicbank.biz.com.hk  
SWIFT : PBBEKHKHH

- **Colombo Branch**

340, R A de Mel Mawatha  
Colombo 00300, Sri Lanka

Tel : 9411-2576289,  
9411-2576290,  
9411-2576291,  
9411-2576292  
Fax : 9411-2573958  
Telex : 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  
Cable : 'PBBVTE'  
Telex : 4310 PBBVTE LS  
E-mail : pbbvte@laotel.com  
SWIFT : PBBELALA

 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 : 03-21639668  
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)  
E-mail : pbsec@streamyx.com

- **Public Mutual Berhad**

Block B, Sri Damansara Business Park  
Persiaran Industri  
Bandar Sri Damansara  
52200 Kuala Lumpur  
Tel : 03-62796800  
Fax : 03-62779800  
E-mail : mktg@publicmutual.com.my  
Website : www.publicmutual.com.my  
(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.**

6th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Tel : 03-21626077  
Fax : 03-21626078

- **Public Nominees (Tempatan) Sdn. Bhd.**

6th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Tel : 03-21626077  
Fax : 03-21626078

- **PB International Factors Sdn. Bhd.**

7th 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
- **Public Finance Ltd.**  
Room 1105-07, Wing On House  
71 Des Voeux Road Central  
Hong Kong  
Tel : 852-2525-9351  
Fax : 852-2845-0681  
E-mail : jcgadm@jcg.com.hk  
Website : www.jcg.com.hk  
(40 branches in Hong Kong)
- **Winton (B.V.I.) 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  
Website : www.wintonholdings.com.hk

- **Public Financial Limited**  
Room 1105-07, Wing On House  
71 Des Voeux Road Central  
Hong Kong  
Tel : 852-2525-9351  
Fax : 852-2845-0681
- **JCG Nominees Ltd.**  
Room 1108, Wing On House  
71 Des Voeux Road Central  
Hong Kong  
Tel : 852-2877-8622  
Fax : 852-2845-5240
- **JCG Securities Ltd.**  
Room 1108, Wing On House  
71 Des Voeux Road Central  
Hong Kong  
Tel : 852-2877-8622  
Fax : 852-2845-5240
- **Cambodian Public Bank Ltd.**  
Villa No. 23, Street 114  
Sangkat  
Phsar Thmey 2  
Khan Daun Penh  
Phnom Penh  
Royal Kingdom of Cambodia  
Tel : 855-23-214111  
Fax : 855-23-217655  
Telex : (51) 940 79463  
E-mail : campuhoe@campubank.com.kh  
SWIFT : CPBLKHPP

## Associated Companies

- **PB Trustee Services Berhad**  
17th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Tel : 03-21766760/6623/24/50/51  
Fax : 03-21643285
- **VID Public Bank**  
Head Office  
7th Floor, Prime Centre Building  
53 Quang Trung Street, Hanoi  
Vietnam  
Tel : 844-9438999  
Fax : 844-9439005  
Telex : 412241VPBVT  
SWIFT : VIDPVNV5  
E-mail : vpb.han@hn.vnn.vn  
(5 branches – Hanoi Operations  
Centre, Ho Chi Minh City, Haiphong,  
Danang, Binhduong)
- **CPB Properties Company Ltd.**  
Villa No. 23, Street 114+67  
Phsar Thmey II  
Daun Penh District  
Phnom Penh  
Royal Kingdom of Cambodia  
Tel : 855-23-214111  
Fax : 855-23-217655  
Telex : (51) 940 79463  
E-mail : campuhoe@campubank.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 Fortieth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 20 March 2006 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 Fortieth Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 20 March 2006 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 2005 and the Reports of the Directors and Auditors thereon				
2.	Declaration of final and special dividends				
3.	Re-election of Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah as Director				
4.	Re-election of Haji Abdul Aziz bin Omar as Director				
5.	Re-appointment of Tan Sri Dato’ Sri Dr. Teh Hong Piow as Director				
6.	Re-appointment of Tan Sri Dato’ Thong Yaw Hong as Director				
7.	Re-appointment of Dato’ Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff 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				
11.	Proposed Renewal of Shareholders’ Mandate for Recurrent Related Party Transaction of a Revenue or Trading Nature				
12.	Proposed Share Buy-Back				

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

\_\_\_\_\_  
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 13 March 2006 (“General Meeting Record of Depositors”) shall be eligible to attend the Meeting.
- The right of Foreigners to vote in respect of deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Association of the Company. Where a Foreigner, based on the General Meeting Record of Depositors, holds deposited securities in a Securities Account and such securities raise the ownership of shares in the Company by Foreigners beyond the Company’s foreign shareholding limit of 30%, such Foreigner or the proxy appointed by him, in respect of such securities, shall not be entitled to exercise in any manner whatsoever any voting rights in respect of the aforesaid securities at the Meeting.
- A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.
- A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
- 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

**Company Secretary**  
**PUBLIC BANK BERHAD**  
27th Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

Please fold here to seal