

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED FINANCIAL STATEMENTS
AUDITED BALANCE SHEETS AS AT 31 DECEMBER 2006

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
ASSETS				
Cash and short-term funds	24,380,630	18,357,737	22,890,702	17,170,338
Deposits and placements with banks and other financial institutions	4,657,417	8,712,850	3,954,803	8,736,868
Securities purchased under resale agreements	12,375,287	4,869,388	10,797,358	4,022,128
Securities held-for-trading	9,107,661	1,554,685	9,061,244	1,666,465
Securities available-for-sale	3,895,738	4,072,682	3,437,739	3,563,556
Securities held-to-maturity	3,264,818	2,235,067	997,429	1,736,713
Loans, advances and financing	82,787,652	66,812,784	75,891,397	64,579,905
Derivative financial assets	73,056	40,912	65,369	40,065
Other assets	1,256,779	820,586	1,101,257	1,013,641
Statutory deposits with Central Banks	2,318,708	2,099,349	2,254,000	2,050,000
Deferred tax assets	336,776	315,653	266,750	256,957
Investment in subsidiary companies	-	-	2,275,564	1,316,156
Investment in associated companies	45,481	47,378	28,465	28,465
Investment properties	64,175	47,351	-	-
Property and equipment	1,134,304	937,098	549,552	570,671
Intangible assets	2,091,061	765,157	695,393	695,393
TOTAL ASSETS	147,789,543	111,688,677	134,267,022	107,447,321
LIABILITIES				
Deposits from customers	111,793,149	84,129,641	102,642,918	82,205,182
Deposits and placements of banks and other financial institutions	5,637,964	7,680,690	4,305,478	6,783,600
Obligations on securities sold under repurchase agreements	10,075,829	4,041,949	9,598,557	3,696,984
Bills and acceptances payable	2,623,644	2,129,715	2,623,644	2,127,659
Recourse obligations on loans sold to Cagamas	261,284	285,005	261,284	285,005
Derivative financial liabilities	181,959	157,298	171,129	145,869
Other liabilities	2,043,363	1,253,621	957,644	1,012,989
Borrowings	679,341	-	-	-
Subordinated notes	2,561,131	2,757,622	2,561,131	2,757,622
Hybrid capital securities	1,918,925	-	1,918,925	-
Provision for tax expense and zakat	333,584	250,388	255,985	212,037
Deferred tax liabilities	17,061	3,080	-	-
TOTAL LIABILITIES	138,127,234	102,689,009	125,296,695	99,226,947

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2005.

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AUDITED BALANCE SHEETS AS AT 31 DECEMBER 2006

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
EQUITY				
Share capital	3,462,825	3,417,373	3,462,825	3,417,373
Reserves	5,381,101	5,101,270	5,317,429	4,757,717
Proposed dividends	974,874	829,884	974,874	829,884
Treasury shares	(784,801)	(784,600)	(784,801)	(784,600)
Total Shareholders' Equity	9,033,999	8,563,927	8,970,327	8,220,374
Minority interests	628,310	435,741	-	-
TOTAL EQUITY	9,662,309	8,999,668	8,970,327	8,220,374
TOTAL LIABILITIES AND EQUITY	147,789,543	111,688,677	134,267,022	107,447,321
COMMITMENTS AND CONTINGENCIES	33,359,052	28,951,601	28,386,655	28,754,773
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends</u>				
Core Capital Ratio	10.2%	11.6%	12.5%	11.2%
Risk-Weighted Capital Ratio	15.8%	17.3%	15.3%	15.0%
<u>After deducting proposed dividends</u>				
Core Capital Ratio	8.8%	10.4%	11.0%	10.0%
Risk-Weighted Capital Ratio	14.6%	16.1%	14.0%	13.8%
Net assets per share attributable to ordinary equity holders of the Bank (RM)	2.71	2.60	2.69	2.50

PUBLIC BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED INCOME STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2006

Group	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Revenue	2,233,346	1,544,800	7,843,522	5,863,392
Interest income	1,681,432	1,210,145	6,144,617	4,574,361
Interest expense	(930,107)	(586,361)	(3,274,548)	(2,131,641)
Net interest income	751,325	623,784	2,870,069	2,442,720
Net income from Islamic Banking business				
Net financing income	110,539	104,092	420,248	384,227
Other Islamic banking income	1,455	1,946	7,778	7,367
	863,319	729,822	3,298,095	2,834,314
Other operating income	313,243	246,795	1,106,667	917,944
Net income	1,176,562	976,617	4,404,762	3,752,258
Other operating expenses	(421,487)	(344,914)	(1,531,890)	(1,330,373)
Operating profit	755,075	631,703	2,872,872	2,421,885
Allowance for losses on loans, advances and financing	(111,796)	(93,206)	(466,045)	(382,006)
Impairment written back	4,706	9,560	4,646	15,443
	647,985	548,057	2,411,473	2,055,322
Share of profit after tax of equity accounted associated companies	1,263	1,176	4,888	4,114
Profit before tax expense and zakat	649,248	549,233	2,416,361	2,059,436
Tax expense and zakat	(187,924)	(129,753)	(621,200)	(514,146)
Profit for the period	461,324	419,480	1,795,161	1,545,290
Attributable to :				
Equity holders of the Bank	445,063	392,667	1,726,688	1,459,139
Minority interests	16,261	26,813	68,473	86,151
Profit for the period	461,324	419,480	1,795,161	1,545,290
Earnings per RM1.00 share:				
- basic (sen)	13.4	11.9	52.1	44.5
- diluted (sen)	13.3	11.9	51.6	44.1

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AUDITED INCOME STATEMENTS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2006

	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>Bank</u>				
Revenue	1,867,797	1,313,039	6,370,944	4,992,762
Interest income	1,429,578	1,077,585	5,303,581	4,079,838
Interest expense	(814,007)	(566,900)	(2,955,441)	(2,078,632)
Net interest income	615,571	510,685	2,348,140	2,001,206
Net income from Islamic Banking business				
Net financing income	110,539	104,092	420,248	384,227
Other Islamic banking income	1,455	1,946	7,778	7,367
	727,565	616,723	2,776,166	2,392,800
Other operating income	412,363	214,468	1,077,150	673,138
Net income	1,139,928	831,191	3,853,316	3,065,938
Other operating expenses	(279,279)	(260,525)	(1,071,093)	(1,015,638)
Operating profit	860,649	570,666	2,782,223	2,050,300
Allowance for losses on loans, advances and financing	(87,814)	(74,583)	(344,516)	(310,346)
Impairment written back / (loss)	2,490	(355)	2,430	5,528
Profit before tax expense and zakat	775,325	495,728	2,440,137	1,745,482
Tax expense and zakat	(221,853)	(114,427)	(650,702)	(455,732)
Net profit for the period	553,472	381,301	1,789,435	1,289,750

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2005.

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CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

<-----Attributable to Equity Holders of the Bank ----->

Group	Non-distributable			Distributable		Treasury Shares	Total Shareholders' Equity	Minority Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Reserves	Retained Profits				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2006, as previously stated	3,417,373	1,574,180	2,943,825	500,846	829,884	(784,600)	8,481,508	435,741	8,917,249
Effect of adopting BNM Circular on Handling Fees	-	-	-	82,419	-	-	82,419	-	82,419
	<u>3,417,373</u>	<u>1,574,180</u>	<u>2,943,825</u>	<u>583,265</u>	<u>829,884</u>	<u>(784,600)</u>	<u>8,563,927</u>	<u>435,741</u>	<u>8,999,668</u>
Effects of prospective adoption of FRS 140	-	-	-	(621)	-	-	(621)	-	(621)
At 1 January 2006, as restated	<u>3,417,373</u>	<u>1,574,180</u>	<u>2,943,825</u>	<u>582,644</u>	<u>829,884</u>	<u>(784,600)</u>	<u>8,563,306</u>	<u>435,741</u>	<u>8,999,047</u>
Currency translation differences in respect of foreign operations	-	-	(137,963)	-	-	-	(137,963)	(41,130)	(179,093)
Currency translation differences in respect of net investment hedge	-	-	56,661	-	-	-	56,661	-	56,661
Unrealised net gain on revaluation of securities available-for-sale	-	-	53,011	-	-	-	53,011	5,643	58,654
Dilution in share of net assets of a subsidiary upon subscription of the subsidiary's share rights issue	-	-	(28,356)	(136,111)	-	-	(164,467)	164,467	-
Acquisition of shares in a subsidiary	-	-	-	-	-	-	-	(32,505)	(32,505)
Disposal of shares in a subsidiary	-	-	(3,454)	-	-	-	(3,454)	60,720	57,266
Net income/(expense) recognised directly in equity	-	-	(60,101)	(136,111)	-	-	(196,212)	157,195	(39,017)
Net profit for the year	-	-	-	1,726,688	-	-	1,726,688	68,473	1,795,161
Total recognised income/(expense) for the year	<u>-</u>	<u>-</u>	<u>(60,101)</u>	<u>1,590,577</u>	<u>-</u>	<u>-</u>	<u>1,530,476</u>	<u>225,668</u>	<u>1,756,144</u>
Issue of shares pursuant to exercise of share options	45,452	207,901	-	-	-	-	253,353	-	253,353
Buy-back of shares	-	-	-	-	-	(201)	(201)	-	(201)
Transfer to statutory reserves	-	-	425,014	(425,014)	-	-	-	-	-
Transfer to proposed dividends	-	-	-	(483,051)	483,051	-	-	-	-
Dividends paid	-	-	-	-	(1,312,935)	-	(1,312,935)	(33,099)	(1,346,034)
Dividends proposed	-	-	-	(974,874)	974,874	-	-	-	-
At 31 December 2006	<u>3,462,825</u>	<u>1,782,081</u>	<u>3,308,738</u>	<u>290,282</u>	<u>974,874</u>	<u>(784,801)</u>	<u>9,033,999</u>	<u>628,310</u>	<u>9,662,309</u>

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AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

<----- Attributable to Equity Holders of the Bank ----->

Group	Non-distributable			Distributable		Treasury Shares	Total Shareholders' Equity	Minority Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Reserves	Retained Profits				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2005, as previously stated	3,355,767	1,347,084	2,676,794	684,490	1,172,012	(601,441)	8,634,706	368,111	9,002,817
Effect of adopting BNM Circular on Handling Fees	-	-	-	73,561	-	-	73,561	-	73,561
At 1 January 2005, as restated	<u>3,355,767</u>	<u>1,347,084</u>	<u>2,676,794</u>	<u>758,051</u>	<u>1,172,012</u>	<u>(601,441)</u>	<u>8,708,267</u>	<u>368,111</u>	<u>9,076,378</u>
Currency translation differences in respect of foreign operations	-	-	(33,736)	-	-	-	(33,736)	29,358	(4,378)
Currency translation differences in respect of net investment hedge	-	-	2,155	-	-	-	2,155	-	2,155
Unrealised net loss on revaluation of securities available-for-sale	-	-	(25,820)	-	-	-	(25,820)	-	(25,820)
Net expense recognised directly in equity	-	-	(57,401)	-	-	-	(57,401)	29,358	(28,043)
Net profit for the year	-	-	-	1,459,139	-	-	1,459,139	86,151	1,545,290
Total recognised income/(expense) for the year	<u>-</u>	<u>-</u>	<u>(57,401)</u>	<u>1,459,139</u>	<u>-</u>	<u>-</u>	<u>1,401,738</u>	<u>115,509</u>	<u>1,517,247</u>
Issue of shares pursuant to exercise of share options	61,606	227,096	-	-	-	-	288,702	-	288,702
Buy-back of shares	-	-	-	-	-	(183,159)	(183,159)	-	(183,159)
Transfer to statutory reserves	-	-	324,432	(324,432)	-	-	-	-	-
Transfer to proposed dividends	-	-	-	(479,609)	479,609	-	-	-	-
Minority interests' subscription of shares of a subsidiary	-	-	-	-	-	-	-	48,332	48,332
Dividends paid	-	-	-	-	(1,651,621)	-	(1,651,621)	(96,211)	(1,747,832)
Dividends proposed	-	-	-	(829,884)	829,884	-	-	-	-
At 31 December 2005	<u>3,417,373</u>	<u>1,574,180</u>	<u>2,943,825</u>	<u>583,265</u>	<u>829,884</u>	<u>(784,600)</u>	<u>8,563,927</u>	<u>435,741</u>	<u>8,999,668</u>

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CONDENSED FINANCIAL STATEMENTS
AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

<----- Attributable to Equity Holders of the Bank ----->

	Non-distributable Reserves			Distributable Reserves		Proposed Dividends RM'000	Treasury Shares RM'000	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Reserves			
Bank								
At 1 January 2006, as previously stated	3,417,373	1,574,180	2,715,473	385,645		829,884	(784,600)	8,137,955
Effect of adopting BNM Circular on Handling Fees	-	-	-	82,419		-	-	82,419
At 1 January 2006, as restated	3,417,373	1,574,180	2,715,473	468,064		829,884	(784,600)	8,220,374
Unrealised net gain on revaluation of securities available-for-sale	-	-	20,301	-		-	-	20,301
Net income recognised directly in equity	-	-	20,301	-		-	-	20,301
Net profit for the year	-	-	-	1,789,435		-	-	1,789,435
Total recognised income for the year	-	-	20,301	1,789,435		-	-	1,809,736
Issue of shares pursuant to exercise of share options	45,452	207,901	-	-		-	-	253,353
Buy-back of shares	-	-	-	-		-	(201)	(201)
Transfer to statutory reserves	-	-	447,359	(447,359)		-	-	-
Transfer to proposed dividends	-	-	-	(483,051)		483,051	-	-
Dividends paid	-	-	-	-		(1,312,935)	-	(1,312,935)
Dividends proposed	-	-	-	(974,874)		974,874	-	-
At 31 December 2006	3,462,825	1,782,081	3,183,133	352,215		974,874	(784,801)	8,970,327

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

<----- Attributable to Equity Holders of the Bank ----->

	Non-distributable			Distributable		Treasury Shares RM'000	Total RM'000
	Share Capital RM'000	Reserves Share Premium RM'000	Other Reserves RM'000	Reserves Retained Profits RM'000	Proposed Dividends RM'000		
At 1 January 2005, as previously stated	3,355,767	1,347,084	2,406,900	734,469	1,172,012	(601,441)	8,414,791
Effect of adopting BNM Circular on Handling Fees	-	-	-	73,561	-	-	73,561
At 1 January 2005, as restated	3,355,767	1,347,084	2,406,900	808,030	1,172,012	(601,441)	8,488,352
Unrealised net loss on revaluation of securities available-for-sale	-	-	(11,650)	-	-	-	(11,650)
Net expense recognised directly in equity	-	-	(11,650)	-	-	-	(11,650)
Net profit for the year	-	-	-	1,289,750	-	-	1,289,750
Total recognised income/(expense) for the year	-	-	(11,650)	1,289,750	-	-	1,278,100
Issue of shares pursuant to exercise of share options	61,606	227,096	-	-	-	-	288,702
Buy-back of shares	-	-	-	-	-	(183,159)	(183,159)
Transfer to statutory reserves	-	-	320,223	(320,223)	-	-	-
Transfer to proposed dividends	-	-	-	(479,609)	479,609	-	-
Dividends paid	-	-	-	-	(1,651,621)	-	(1,651,621)
Dividends proposed	-	-	-	(829,884)	829,884	-	-
At 31 December 2005	3,417,373	1,574,180	2,715,473	468,064	829,884	(784,600)	8,220,374

PUBLIC BANK BERHAD
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CONDENSED FINANCIAL STATEMENTS
AUDITED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Profit before tax expense and zakat	2,416,361	2,059,436	2,440,137	1,745,482
Adjustments for non-cash items	631,648	499,347	(122,259)	221,429
Operating profit before changes in working capital	3,048,009	2,558,783	2,317,878	1,966,911
Changes in working capital				
Net changes in operating assets	(16,397,136)	(22,472,084)	(13,784,700)	(21,585,065)
Net changes in operating liabilities	25,974,002	17,933,087	24,055,839	17,155,867
Tax expense and zakat paid	(593,490)	(556,117)	(503,356)	(446,613)
Net cash generated from/(used in) operating activities	12,031,385	(2,536,331)	12,085,661	(2,908,900)
Net cash (used in)/generated from investing activities	(7,476,340)	1,280,287	(7,238,976)	225,258
Net cash generated from/(used in) financing activities	1,495,323	(55,227)	873,679	(39,256)
Net change in cash and cash equivalents	6,050,368	(1,311,271)	5,720,364	(2,722,898)
Cash and cash equivalents at beginning of the year	18,357,737	19,670,005	17,170,338	19,893,236
Exchange differences on translation of opening balances	(27,475)	(997)	-	-
Cash and cash equivalents at end of the year	<u>24,380,630</u>	<u>18,357,737</u>	<u>22,890,702</u>	<u>17,170,338</u>

Note :-

During the financial year ended 31 December 2006, the Group acquired Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)"). The fair value of assets acquired and liabilities assumed were as follows :-

	RM'000
Assets	7,688,810
Liabilities	(6,888,342)
Net assets acquired	800,468
Goodwill / Intangible assets	1,348,850
Total purchase price	2,149,318
Less : Cash and cash equivalents at PB(HK)	(1,349,040)
Cash flow on acquisition net of cash acquired	<u>800,278</u>

Part A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia

A1. Basis of Preparation

The audited condensed financial statements for the 4th quarter and financial year ended 31 December 2006 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: held-for-trading financial assets, available-for-sale financial assets, derivative financial instruments and investment properties.

The audited condensed financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The audited condensed financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the year ended 31 December 2005. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2005.

The significant accounting policies and methods of computation applied in the audited condensed financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2005 except for the adoption of the followings:

- (i) New and revised Financial Reporting Standards ("FRS") issued by MASB that are effective for the Group's first FRS annual reporting date, 31 December 2006:

FRS 2 Share-based Payment
FRS 3 Business Combinations
FRS 5 Non-current Assets Held for Sale and Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110 Events after the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effects of Changes in Foreign Exchange Rates
FRS 127 Consolidated and Separate Financial Statements
FRS 128 Investments in Associates
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings Per Share
FRS 136 Impairment of Assets
FRS 138 Intangible Assets
FRS 140 Investment Property

The Group has early adopted FRS 124 Related Party Disclosures and Amendments to FRS 119₂₀₀₄ Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures which are effective for financial years beginning 1 October 2006 and 1 January 2007 respectively.

The adoption of FRS 5, 101, 108, 110, 116, 121, 124, 127, 128, 132, 133 and Amendments to FRS 119₂₀₀₄ does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs are disclosed in Note A30.

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A1. Basis of Preparation (Contd.)

- (ii) With effect from the 4th quarter ended 31 December 2006, the Group has adopted the new accounting treatment on handling fees in accordance with Bank Negara Malaysia's ("BNM") Circular dated 16 October 2006 which has resulted in the Group and the Bank capitalising handling fees paid for hire purchase loans in the Balance Sheet and amortising the amount in the Income Statement over the life of the loans with retrospective effect. Previously, such handling fees were expensed off in the Income Statement when incurred. The financial impact of this change in accounting policy is disclosed in Note A30.

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing which are computed based on the requirement of BNM/GP3. 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.

With effect from the quarter ended 30 September 2006, the Group adopted a more stringent basis for specific allowances on non-performing loans by making a 20% specific allowance on non-performing loans which are 3 to less than 6 months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears of 6 months and above. The financial impact of this change was an additional specific allowance charge of RM13,814,000 in the financial year ended 31 December 2006. The Directors are of the view that such treatment will reflect a more prudent management of the loans, advances and financing.

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.

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

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

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

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2005 was not qualified.

A3. Comments about Seasonal or Cyclical Factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 4th quarter and the financial year ended 31 December 2006.

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A4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the 4th quarter and the financial year ended 31 December 2006.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 4th quarter and the financial year ended 31 December 2006.

A6. Debt and Equity Securities

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

(a) Issuance of Shares

During the financial year ended 31 December 2006, the issued and paid-up share capital of the Bank was increased from 3,417,373,089 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,462,824,872 PBB Shares by the issuance of 45,451,783 PBB Shares pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme at the following option prices:

<u>Number of PBB Shares issued:</u>	<u>Option price per share:</u>
32,336	RM 1.64
189,968	RM 3.40
1,848,357	RM 3.56
2,879,700	RM 4.60
643,900	RM 4.92
34,597,132	RM 5.67
5,260,390	RM 6.37

(b) Share Buy-back

On 20 March 2006, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial year ended 31 December 2006, the Bank bought back from the open market, 30,000 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM6.68 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial year ended 31 December 2006, including transaction costs, was RM201,232 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 31 December 2006, the total shares bought back, all of which are held as treasury shares, amounted to 124,214,500 PBB Shares. None of the treasury shares held were resold or cancelled during the financial year ended 31 December 2006.

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A6. Debt and Equity Securities (Contd.)

(c) Hybrid Capital Securities

- i) On 22 August 2006, the Bank issued USD200 million in aggregate principal amount of Hybrid Capital Securities ("the USD Securities") due in 2036 and callable with step-up in 2016. The USD Securities bear interest at the rate of 6.84% per annum from (and including) 22 August 2006 to (but excluding) 22 August 2016 and thereafter, at a rate per annum of 2.30% above the London interbank offer rate for three-month US dollar deposits. The interest is payable semi-annually in arrears on 22 February and 22 August each year commencing on 22 February 2007 to (but excluding) 22 August 2016, and thereafter quarterly in arrears on 22 February, 22 May, 22 August and 22 November of each year. The Bank may, at its option, defer the payment of interest up to a limit of 50 per cent of the aggregate principal of the USD Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the USD Securities. The USD Securities were issued at a price of 100.0 per cent of the principal amount of the USD Securities. The USD Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the USD Securities will no longer qualify as Tier 1 capital for the purposes of BNM's capital adequacy requirements or on 22 August 2016 at their principal amount plus accrued interest (if applicable). The USD Securities constitute unsecured obligations 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 that rank senior to the USD Securities in accordance with the terms and conditions of the USD Securities.
- ii) On 22 December 2006, the Bank issued RM1,200 million in aggregate principal amount of Hybrid Capital Securities ("the RM Securities") due in 2036 and callable with step-up in 2016. The RM Securities bear interest at the rate of 5.10% per annum from (and including) 22 December 2006 to (but excluding) 22 December 2016 and thereafter, at a rate per annum of 1.82% above the three-month Kuala Lumpur interbank offer rate. The interest is payable semi-annually in arrears on 22 June and 22 December each year commencing on 22 June 2007 to (but excluding) 22 December 2016, and thereafter quarterly in arrears on 22 March, 22 June, 22 September and 22 December of each year. The Bank may, at its option, defer the payment of interest up to a limit of 50 per cent of the aggregate principal of the RM Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the RM Securities. The RM Securities were issued at a price of 100.0 percent of the principal amount of the RM Securities. The RM Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the RM Securities will no longer qualify as Tier 1 capital for the purposes of BNM's capital adequacy requirement or on 22 December 2016 at their principal amount plus accrued interest (if applicable). The RM Securities constitute unsecured obligations 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 that rank senior to the RM Securities in accordance with the terms and conditions of the RM Securities.

Both the USD Securities and RM Securities rank pari passu with each other and qualify as Tier I Capital for the purpose of determining the capital adequacy ratios of the Group and the Bank, up to a maximum of 15% of Tier I Capital, with the excess qualifying as Tier II Capital.

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A7. Dividends Paid

During the financial year ended 31 December 2006, the final dividend of 20%, less 28% tax and the special dividend of 15%, less 28% tax in respect of the financial year ended 31 December 2005, amounting to RM833,906,006 was paid on 31 March 2006.

An interim dividend of 20%, less 28% tax in respect of the year ended 31 December 2006, amounting to RM479,029,178 was paid on 16 October 2006.

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A8. Securities Held-for-trading

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
At fair value				
Malaysian Government Treasury Bills	30,649	9,694	28,979	9,694
Malaysian Government Securities	146,881	10,490	146,881	-
Malaysian Government Investment Certificates	136,707	15,031	136,707	15,031
Negotiable instruments of deposit Bank Negara Malaysia Negotiable Notes	8,302,944	1,315,477	8,302,944	1,465,477
Bank Negara Malaysia Bills	343,012	-	343,012	-
	-	24,802	-	-
	<u>8,960,193</u>	<u>1,375,494</u>	<u>8,958,523</u>	<u>1,490,202</u>
Quoted securities:				
Shares in Malaysia	5,082	10,886	5,082	7,958
Bonds trust units outside Malaysia	4,626	-	-	-
	<u>9,708</u>	<u>10,886</u>	<u>5,082</u>	<u>7,958</u>
Unquoted securities:				
Private debt securities	137,760	168,305	97,639	168,305
	<u>137,760</u>	<u>168,305</u>	<u>97,639</u>	<u>168,305</u>
Total securities held-for-trading	<u>9,107,661</u>	<u>1,554,685</u>	<u>9,061,244</u>	<u>1,666,465</u>

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A9. Securities Available-for-sale

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
At fair value				
Quoted securities:				
Shares and convertible loan stocks				
in Malaysia	31,235	17,764	31,235	17,764
Shares outside Malaysia	45,510	22,613	-	-
Bonds trust units in Malaysia	1,179,650	1,141,103	1,080,489	1,045,140
	<u>1,256,395</u>	<u>1,181,480</u>	<u>1,111,724</u>	<u>1,062,904</u>
Unquoted securities:				
Shares	17,035	13,947	13,383	13,377
Private debt securities	2,622,308	2,877,255	2,312,632	2,487,275
	<u>2,639,343</u>	<u>2,891,202</u>	<u>2,326,015</u>	<u>2,500,652</u>
Total securities available-for-sale	<u>3,895,738</u>	<u>4,072,682</u>	<u>3,437,739</u>	<u>3,563,556</u>

A10. Securities Held-to-maturity

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Treasury Bills	9,902	109,559	9,902	109,559
Malaysian Government Securities	425,406	577,310	425,406	577,310
Malaysian Government Investment Certificates	60,400	4,768	60,400	4,768
Cagamas bonds	116,390	323,773	116,390	323,773
Cagamas Mudharabah bonds	51,736	127,479	51,736	127,479
Negotiable instruments of deposit	1,063,695	865,821	238,234	398,867
Bank Negara Malaysia Bills	-	104,308	-	104,308
Hong Kong Government Treasury Bills	44,943	-	-	-
Sri Lanka Government Treasury Bills	6,872	-	6,872	-
	<u>1,779,344</u>	<u>2,113,018</u>	<u>908,940</u>	<u>1,646,064</u>
Quoted securities:				
Private debt securities	30,184	-	-	-
	<u>30,184</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unquoted securities:				
Shares	87,512	87,502	87,057	87,057
Private debt securities	1,383,090	70,442	16,744	39,487
	<u>1,470,602</u>	<u>157,944</u>	<u>103,801</u>	<u>126,544</u>
Accumulated impairment losses	(15,312)	(35,895)	(15,312)	(35,895)
Total securities held-to-maturity	<u>3,264,818</u>	<u>2,235,067</u>	<u>997,429</u>	<u>1,736,713</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Overdrafts	7,958,576	6,980,718	7,441,141	6,780,784
Term loans				
- Housing loans/financing	24,004,682	18,990,594	22,656,307	18,902,511
- Syndicated term loan/financing	1,153,748	223,062	640,055	223,062
- Hire purchase receivables	26,512,369	22,661,200	25,441,418	22,372,548
- Other term loans/financing	23,690,266	17,715,911	20,139,762	15,954,181
Credit card receivables	760,432	581,341	754,785	581,341
Bills receivables	134,359	71,909	88,898	71,909
Trust receipts	417,562	311,772	300,552	290,079
Claims on customers under acceptance credits	2,072,886	1,717,953	2,050,687	1,717,953
Lease, factored and confirming receivables	23,926	33,927	-	31,665
Revolving credits	1,807,528	2,430,478	1,908,787	2,432,554
*Staff loans	653,640	646,310	621,200	619,849
	<u>89,189,974</u>	<u>72,365,175</u>	<u>82,043,592</u>	<u>69,978,436</u>
Unearned interest and income	<u>(4,825,456)</u>	<u>(4,263,185)</u>	<u>(4,824,910)</u>	<u>(4,261,955)</u>
Gross loans, advances and financing	<u>84,364,518</u>	<u>68,101,990</u>	<u>77,218,682</u>	<u>65,716,481</u>
Allowance for bad and doubtful debts and financing:				
- general	(1,318,546)	(1,056,199)	(1,156,721)	(984,830)
- specific	(258,320)	(233,007)	(170,564)	(151,746)
Net loans, advances and financing	<u><u>82,787,652</u></u>	<u><u>66,812,784</u></u>	<u><u>75,891,397</u></u>	<u><u>64,579,905</u></u>

* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM2,488,368 (2005: RM2,946,287) and RM1,232,670 (2005 - RM1,639,020) respectively.

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A11. Loans, Advances and Financing (continued)

A11a. By type of customer

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Domestic non-bank financial institutions				
- Stock-broking companies	2,010	2,113	2,010	2,113
- Others	2,208,408	1,973,938	2,193,398	1,953,914
Domestic business enterprises				
- Small and medium enterprises	17,712,724	15,190,062	17,597,689	15,093,309
- Others	3,903,743	4,574,606	4,029,835	4,318,898
Government and statutory bodies	1,250	1,613	1,250	1,613
Individuals	51,952,188	44,170,199	51,921,475	44,108,417
Other domestic entities	66,622	95,038	66,622	95,038
Foreign entities	8,517,573	2,094,421	1,406,403	143,179
Gross loans, advances and financing	<u>84,364,518</u>	<u>68,101,990</u>	<u>77,218,682</u>	<u>65,716,481</u>

A11b. By interest/profit rate sensitivity

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Fixed rate				
- Housing loans/financing	5,718,791	7,381,411	5,699,351	7,379,003
- Hire purchase receivables	22,354,521	19,387,926	22,089,714	19,342,375
- Other fixed rate loans/financing	10,978,798	11,473,182	8,907,989	9,690,159
Variable rate				
- Base lending rate plus	37,581,971	26,125,091	37,556,120	26,096,187
- Cost plus	1,904,128	2,487,226	1,950,243	2,432,493
- Other variable rates	5,826,309	1,247,154	1,015,265	776,264
Gross loans, advances and financing	<u>84,364,518</u>	<u>68,101,990</u>	<u>77,218,682</u>	<u>65,716,481</u>

A11c. Gross loans, advances and financing by economic purpose

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Purchase of securities	494,181	536,562	480,276	531,651
Purchase of transport vehicles	23,349,045	19,863,234	22,288,045	19,600,345
Purchase of landed properties	37,265,024	28,777,943	35,181,267	28,856,639
(of which: - residential)	22,968,404	17,905,752	21,591,211	17,874,399
- non-residential)	14,296,620	10,872,191	13,590,056	10,982,240
Purchase of fixed assets (excluding landed properties)	139,377	94,068	135,517	76,932
Personal use	5,433,782	4,765,411	3,979,748	3,282,762
Credit card	760,432	581,341	754,785	581,341
Purchase of consumer durables	22,090	13,942	22,090	13,882
Construction	477,839	234,697	95,571	3,623
Working capital	13,517,832	9,764,807	11,378,447	9,337,885
Other purpose	2,904,916	3,469,985	2,902,936	3,431,421
Gross loans, advances and financing	<u>84,364,518</u>	<u>68,101,990</u>	<u>77,218,682</u>	<u>65,716,481</u>

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A11. Loans, Advances and Financing (continued)

A11c. Gross loans, advances and financing by sectors

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Agriculture, hunting, forestry and fishing	853,833	655,348	836,237	654,449
Mining and quarrying	56,161	47,593	54,970	46,605
Manufacturing	4,309,424	3,646,694	4,214,002	3,585,619
Electricity, gas and water	69,431	45,853	36,780	39,472
Construction	3,309,769	2,515,172	3,040,829	2,406,591
Wholesale & retail trade and restaurants & hotels	7,686,170	7,260,624	7,466,772	7,042,318
Transport, storage and communication	632,033	561,423	622,204	553,098
Finance, insurance and business services	4,398,634	3,145,237	3,892,897	3,006,230
Real estate	2,883,867	3,008,381	2,932,951	3,018,638
Community, social and personal services	761,166	723,482	750,339	723,482
Households	57,198,598	46,145,898	52,522,975	44,366,985
(of which: - purchase of residential properties	22,551,747	17,651,253	21,174,554	17,619,900
- purchase of transport vehicles	19,669,245	16,552,377	18,610,833	16,293,205
- others	14,977,606	11,942,268	12,737,588	10,453,880
Others	2,205,432	346,285	847,726	272,994
	84,364,518	68,101,990	77,218,682	65,716,481

A11d. Non-performing loans by economic purpose

Purchase of securities	29,138	32,059	25,784	32,059
Purchase of transport vehicles	247,552	207,880	242,943	204,942
Purchase of landed properties	822,736	688,064	814,195	687,454
(of which: - residential	706,007	588,537	697,466	587,927
- non-residential)	116,729	99,527	116,729	99,527
Purchase of fixed assets (excluding landed properties)	2,621	2,264	1,580	429
Personal use	154,066	140,852	82,230	68,582
Credit card	14,375	12,831	14,375	12,831
Purchase of consumer durables	988	300	988	300
Construction	26,928	38,242	-	-
Working capital	244,391	233,119	218,196	232,795
Other purpose	35,036	50,868	35,024	50,816
	1,577,831	1,406,479	1,435,315	1,290,208

Non-performing loans by sectors

Agriculture, hunting, forestry and fishing	3,823	4,774	3,772	4,689
Mining and quarrying	57	81	57	81
Manufacturing	96,925	79,749	96,431	78,937
Electricity, gas and water	58	8,167	51	8,167
Construction	87,448	93,181	60,382	54,715
Wholesale & retail trade and restaurants & hotels	132,254	136,439	132,121	136,180
Transport, storage and communication	8,574	11,188	5,552	8,269
Finance, insurance and business services	20,189	23,080	19,928	22,357
Real estate	18,883	51,489	18,883	51,489
Community, social and personal services	11,739	11,379	11,739	11,379
Households	1,169,002	981,080	1,083,693	908,083
(of which: - purchase of residential properties	697,122	584,654	688,581	584,044
- purchase of transport vehicles	210,495	171,417	208,917	171,386
- others	261,385	225,009	186,195	152,653
Others	28,879	5,872	2,706	5,862
	1,577,831	1,406,479	1,435,315	1,290,208

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A11. Loans, Advances and Financing (continued)

A11e. Movements in non-performing loans, advances and financing ("NPL") are as follows:

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
At 1 January	1,406,479	1,510,215	1,290,208	1,405,815
Non-performing during the year	2,539,955	2,401,800	2,425,170	2,267,240
Reclassified as performing	(1,944,453)	(2,015,119)	(1,943,441)	(2,001,713)
Recoveries	(80,622)	(72,351)	(79,634)	(66,665)
Amount written off	(361,506)	(383,364)	(233,235)	(280,029)
Loans converted to foreclosed properties/ securities	(23,560)	(34,461)	(23,560)	(34,461)
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	51,819	-	-	-
Exchange differences	(10,281)	(241)	(193)	21
Closing balance	<u>1,577,831</u>	<u>1,406,479</u>	<u>1,435,315</u>	<u>1,290,208</u>
Specific allowance	<u>(258,320)</u>	<u>(233,007)</u>	<u>(170,564)</u>	<u>(151,746)</u>
Net non-performing loans, advances and financing	<u><u>1,319,511</u></u>	<u><u>1,173,472</u></u>	<u><u>1,264,751</u></u>	<u><u>1,138,462</u></u>
Net NPL as % of gross loans, advances and financing less specific allowance	<u><u>1.57%</u></u>	<u><u>1.73%</u></u>	<u><u>1.64%</u></u>	<u><u>1.74%</u></u>

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

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>General Allowance</u>				
At 1 January	1,056,199	895,833	984,830	821,318
Allowance made during the year	206,683	170,787	172,561	163,539
Amount written back	(2,000)	(10,038)	-	-
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	64,071	-	-	-
Exchange differences	(6,407)	(383)	(670)	(27)
Closing balance	<u>1,318,546</u>	<u>1,056,199</u>	<u>1,156,721</u>	<u>984,830</u>
As % of gross loans, advances and financing less specific allowance	<u><u>1.57%</u></u>	<u><u>1.56%</u></u>	<u><u>1.50%</u></u>	<u><u>1.50%</u></u>

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A11. Loans, Advances and Financing (continued)

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

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>Specific Allowance</u>				
At 1 January	233,007	297,891	151,746	220,579
Allowance made during the year	431,438	359,490	307,392	248,994
Amount written back in respect of recoveries	(54,712)	(37,337)	(54,328)	(34,315)
Amount written off	(361,506)	(383,341)	(233,235)	(280,006)
Amount transferred to accumulated impairment losses in value of foreclosed properties / securities	(982)	(3,508)	(982)	(3,508)
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	22,546	-	-	-
Exchange differences	(11,471)	(188)	(29)	2
Closing balance	<u>258,320</u>	<u>233,007</u>	<u>170,564</u>	<u>151,746</u>

A12. Other Assets

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Interest/Income receivable	73,695	67,736	45,195	63,221
Other debtors, deposits and prepayments	829,629	539,478	416,208	535,052
Foreclosed properties	110,540	110,741	110,426	110,477
Taxi licenses	10,918	13,156	-	-
Amount due from clients	-	10,422	-	-
Outstanding contracts on clients' accounts	231,997	79,053	-	-
Amount due from subsidiary companies	-	-	128,605	155,171
Dividend receivable from subsidiary companies	-	-	400,823	149,720
	<u>1,256,779</u>	<u>820,586</u>	<u>1,101,257</u>	<u>1,013,641</u>

A13. Deposits from Customers

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>By type of customer</u>				
Federal and state governments	702,378	222,874	702,378	222,874
Local government and statutory authorities	1,094,394	994,303	1,094,394	994,303
Business enterprises	25,198,953	20,621,483	24,927,098	20,545,851
Individuals	52,214,314	46,518,735	52,209,475	46,266,816
Foreign customers	9,762,215	3,066,866	2,017,535	2,313,030
Others	22,820,895	12,705,380	21,692,038	11,862,308
	<u>111,793,149</u>	<u>84,129,641</u>	<u>102,642,918</u>	<u>82,205,182</u>

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A14. Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,101,240	2,268,249	952,132	1,242,196
Licensed merchant banks	174,500	65,000	54,500	4,189
Other financial institutions	3,362,224	5,347,441	3,298,846	5,537,215
	<u>5,637,964</u>	<u>7,680,690</u>	<u>4,305,478</u>	<u>6,783,600</u>

A15. Other Liabilities

	Group		Bank	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	RM'000	RM'000	RM'000	RM'000
Interest/Profit payable	673,743	508,851	631,709	499,070
Other creditors and accruals	1,117,010	594,419	314,243	289,566
Employees benefits	(19,439)	(6,182)	(18,477)	(5,941)
Accrued restoration cost	13,072	7,665	7,665	7,665
Profit Equalisation Reserves	4,796	21,523	4,796	21,523
Outstanding contracts on clients' accounts	223,285	72,412	-	-
Dividend payable to shareholders	30,896	54,933	4,636	3,750
Amount due to subsidiary companies	-	-	13,072	197,356
	<u>2,043,363</u>	<u>1,253,621</u>	<u>957,644</u>	<u>1,012,989</u>

A16. Interest Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	RM'000	RM'000	RM'000	RM'000
Group				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,219,912	943,342	4,495,126	3,587,254
- Recoveries from NPLs	18,005	14,792	79,896	80,908
Money at call and deposit placements with financial institutions	327,532	202,995	1,203,656	759,499
Securities held-for-trading	70,165	17,992	189,414	88,309
Securities available-for-sale	40,430	33,835	156,948	90,015
Securities held-to-maturity	35,384	19,225	136,355	75,899
Others	8,246	9,043	32,751	26,495
	<u>1,719,674</u>	<u>1,241,224</u>	<u>6,294,146</u>	<u>4,708,379</u>
Amortisation of premium less accretion of discount	(4,525)	(5,765)	(22,210)	(18,867)
Net interest/income suspended	(33,717)	(25,314)	(127,319)	(115,151)
	<u>1,681,432</u>	<u>1,210,145</u>	<u>6,144,617</u>	<u>4,574,361</u>

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A16. Interest Income (continued)

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loans, advances and financing				
- Interest income other than recoveries				
from NPLs	1,039,373	834,886	3,864,506	3,182,700
- Recoveries from NPLs	17,989	14,767	79,818	80,254
Money at call and deposit placements				
with financial institutions	290,974	191,835	1,094,028	722,917
Securities held-for-trading	69,862	17,139	187,231	86,152
Securities available-for-sale	35,557	28,085	136,410	62,323
Securities held-to-maturity	8,617	15,113	66,876	61,609
Others	8,151	8,960	32,374	26,104
	<u>1,470,523</u>	<u>1,110,785</u>	<u>5,461,243</u>	<u>4,222,059</u>
Amortisation of premium less accretion of discount	(7,076)	(7,218)	(30,382)	(27,245)
Net interest/income suspended	(33,869)	(25,982)	(127,280)	(114,976)
	<u>1,429,578</u>	<u>1,077,585</u>	<u>5,303,581</u>	<u>4,079,838</u>

A17. Interest Expense

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits and placements of banks and other financial institutions	109,871	51,694	443,666	128,310
Deposits from customers	744,468	493,406	2,592,014	1,884,890
Loans sold to Cagamas	2,559	2,707	10,375	12,070
Subordinated notes	44,003	34,433	165,913	95,696
Borrowings	9,308	-	26,358	-
Hybrid Capital Securities	13,932	-	19,466	-
Others	5,966	4,121	16,756	10,675
	<u>930,107</u>	<u>586,361</u>	<u>3,274,548</u>	<u>2,131,641</u>

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	95,112	49,673	422,193	139,619
Deposits from customers	657,535	480,037	2,335,616	1,831,092
Loans sold to Cagamas	2,559	2,707	10,375	12,070
Subordinated notes	44,003	34,433	165,913	95,696
Hybrid Capital Securities	13,932	-	19,466	-
Others	866	50	1,878	155
	<u>814,007</u>	<u>566,900</u>	<u>2,955,441</u>	<u>2,078,632</u>

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A18. Other Operating Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Group				
(a) Fee income:				
Commissions	32,481	27,320	126,946	98,150
Service charges and fees	48,182	45,054	189,290	175,954
Guarantee fees	5,886	5,013	21,604	19,891
Processing fees	3,074	6,223	9,931	25,022
Commitment fees	9,051	8,910	34,720	32,632
Unit trust management fees	49,383	37,202	174,193	136,006
Net brokerage and commissions from stockbroking activities	13,211	3,781	37,409	18,559
Other fee income	6,618	7,913	21,492	24,427
	<u>167,886</u>	<u>141,416</u>	<u>615,585</u>	<u>530,641</u>
(b) Net gain arising from sale of securities:				
Net gain from sale of securities				
- held-for-trading	1,561	732	10,422	10,149
- available-for-sale	653	3,395	4,014	4,162
	<u>2,214</u>	<u>4,127</u>	<u>14,436</u>	<u>14,311</u>
(c) Gross dividend income from:				
Securities held-for-trading	67	155	622	567
Securities available-for-sale	14,849	9,659	47,860	41,693
Securities held-to-maturity	1,200	941	3,408	3,281
	<u>16,116</u>	<u>10,755</u>	<u>51,890</u>	<u>45,541</u>
(d) Unrealised (loss) / gain on revaluation of securities held-for-trading and trading derivatives	<u>(85,187)</u>	<u>6,398</u>	<u>(58,796)</u>	<u>20,785</u>
(e) Unrealised gain on hedging derivatives	<u>2,112</u>	<u>-</u>	<u>2,112</u>	<u>-</u>
(f) Other income:				
Foreign exchange profit	123,256	20,905	223,180	81,377
Rental income	3,013	1,951	10,967	7,830
Gain / (loss) on disposal of property and equipment (net)	19	(645)	153	2,322
Loss on disposal of foreclosed properties	(1,198)	(896)	(1,077)	(807)
Gain on sale of trust units	68,835	35,808	195,819	132,729
Lease income and factoring charges	397	433	1,667	1,995
Gain on disposal of shares in a subsidiary company	-	-	22,082	-
Others	15,780	26,543	28,649	81,220
	<u>210,102</u>	<u>84,099</u>	<u>481,440</u>	<u>306,666</u>
Total other operating income	<u>313,243</u>	<u>246,795</u>	<u>1,106,667</u>	<u>917,944</u>

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A18. Other Operating Income (continued)

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) Fee income:				
Commissions	29,741	26,951	122,166	98,468
Service charges and fees	30,856	31,505	125,080	117,664
Guarantee fees	5,198	4,213	18,710	16,973
Processing fees	353	244	1,284	814
Commitment fees	8,683	8,162	33,522	31,884
Other fee income	4,812	5,527	15,960	17,198
	<u>79,643</u>	<u>76,602</u>	<u>316,722</u>	<u>283,001</u>
(b) Net gain arising from sale of securities:				
Net gain from sale of securities				
- held-for-trading	1,453	841	9,012	9,763
- available-for-sale	653	-	4,014	-
	<u>2,106</u>	<u>841</u>	<u>13,026</u>	<u>9,763</u>
(c) Gross dividend income from:				
Securities held-for-trading	67	155	386	391
Securities available-for-sale	11,866	8,842	40,985	37,430
Securities held-to-maturity	1,170	911	3,294	3,191
Associated companies	-	-	3,335	2,311
Subsidiary companies	223,821	94,838	608,134	212,944
	<u>236,924</u>	<u>104,746</u>	<u>656,134</u>	<u>256,267</u>
(d) Unrealised (loss) / gain on revaluation of securities held-for-trading and trading derivatives	<u>(85,999)</u>	<u>6,345</u>	<u>(59,646)</u>	<u>18,744</u>
(e) Unrealised gain on hedging derivatives	<u>275</u>	<u>-</u>	<u>275</u>	<u>-</u>
(f) Other income:				
Foreign exchange profit	175,924	21,337	107,433	82,273
Rental income	622	552	2,895	2,545
Gain / (loss) on disposal of property and equipment (net)	9	(640)	61	1,764
Loss on disposal of foreclosed properties	(1,198)	(896)	(1,077)	(807)
Gain on disposal of shares in a subsidiary company	-	-	25,844	-
Others	4,057	5,581	15,483	19,588
	<u>179,414</u>	<u>25,934</u>	<u>150,639</u>	<u>105,363</u>
Total other operating income	<u>412,363</u>	<u>214,468</u>	<u>1,077,150</u>	<u>673,138</u>

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A19. Other Operating Expenses

	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Group				
Personnel costs				
- Salaries, allowances and bonuses	178,263	147,705	663,517	579,924
- Pension costs	19,438	16,945	81,523	68,128
- Others	15,686	13,441	66,504	55,783
Establishment costs				
- Depreciation	25,218	24,140	99,404	92,371
- Rental	13,571	12,793	52,993	49,888
- Insurance	2,837	1,731	15,640	11,985
- Water and electricity	6,529	5,609	24,320	21,544
- General repairs	5,188	4,740	19,787	18,152
- Others	17,402	16,936	74,922	66,978
Marketing expenses				
- Sales commission	67,479	38,149	196,925	139,452
- Advertisement and publicity	14,243	13,859	51,562	47,836
- Others	16,545	2,808	50,725	10,994
Administration and general expenses				
- Amortisation of intangible assets	-	11,635	-	46,262
- Communication expenses	11,281	9,005	46,423	55,705
- Others	27,807	25,418	87,645	65,371
	<u>421,487</u>	<u>344,914</u>	<u>1,531,890</u>	<u>1,330,373</u>
Bank				
Personnel costs				
- Salaries, allowances and bonuses	139,602	126,740	539,001	496,311
- Pension costs	16,964	15,262	72,541	60,837
- Others	13,753	12,588	61,038	52,119
Establishment costs				
- Depreciation	19,566	19,632	78,652	75,534
- Rental	16,410	16,367	65,545	64,824
- Insurance	2,430	1,500	14,065	10,911
- Water and electricity	5,010	4,483	18,874	17,318
- General repairs	4,271	3,910	15,964	14,823
- Others	14,290	15,300	60,162	57,101
Marketing expenses				
- Advertisement and publicity	4,951	6,400	14,625	22,144
- Others	11,284	36	27,440	(2,404)
Administration and general expenses				
- Amortisation of intangible assets	-	10,741	-	42,963
- Communication expenses	8,724	8,511	37,149	46,478
- Others	22,024	19,055	66,037	56,679
	<u>279,279</u>	<u>260,525</u>	<u>1,071,093</u>	<u>1,015,638</u>

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A20. Allowance for Losses on Loans, Advances and Financing

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	39,530	43,595	204,683	160,749
- specific allowance	122,115	92,002	431,438	359,490
- specific allowance written back	(17,468)	(8,092)	(54,712)	(37,337)
Net write back of allowance in share broking activities	(2,288)	(119)	(2,408)	(302)
Bad debts and financing written off	365	711	934	1,590
Bad debts and financing recovered	(30,458)	(34,891)	(113,890)	(102,184)
	111,796	93,206	466,045	382,006
<u>Bank</u>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	39,449	43,433	172,561	163,539
- specific allowance	87,714	59,955	307,392	248,994
- specific allowance written back	(17,410)	(5,244)	(54,328)	(34,315)
Bad debts and financing written off	168	711	737	1,582
Bad debts and financing recovered	(22,107)	(24,272)	(81,846)	(69,454)
	87,814	74,583	344,516	310,346

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

By Business Segments

	4th Quarter ended 31 December 2006		Financial Year ended 31 December 2006		Total Assets RM'000
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	
<u>Group</u>					
Retail operations	1,613,708	565,798	5,951,480	1,892,975	83,546,287
Corporate lending	49,613	8,577	201,451	35,767	5,710,577
Treasury and capital market operations	595,307	94,106	1,898,971	477,836	51,034,368
Investment banking	53,643	17,343	172,429	40,861	4,309,617
Fund management	118,192	30,150	371,836	97,288	391,663
Others	1,089	1,841	4,383	7,972	200,783
	<u>2,431,552</u>	<u>717,815</u>	<u>8,600,550</u>	<u>2,552,699</u>	<u>145,193,295</u>
Inter-segment elimination	<u>(198,206)</u>	-	<u>(757,028)</u>	-	-
	<u>2,233,346</u>	<u>717,815</u>	<u>7,843,522</u>	<u>2,552,699</u>	<u>145,193,295</u>
Unallocated expenses	-	(69,830)	-	(141,226)	-
Share of profit after tax of equity accounted associated companies	-	-	-	0	-
	-	1,263	-	4,888	-
Intangible assets	-	-	-	-	2,091,061
Unallocated assets	-	-	-	-	459,706
Investment in associated companies	-	-	-	-	45,481
	<u>2,233,346</u>	<u>649,248</u>	<u>7,843,522</u>	<u>2,416,361</u>	<u>147,789,543</u>

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

	4th Quarter ended		Financial Year ended		
	31 December 2005		31 December 2005		
Group	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Total Assets RM'000
Retail operations	1,263,943	482,103	4,784,750	1,696,376	63,563,956
Corporate lending	54,001	(6,081)	254,789	75,652	4,751,326
Treasury and capital market operations	297,509	81,989	1,131,265	323,881	38,268,373
Investment banking	29,398	6,121	109,581	30,775	3,279,198
Fund management	73,011	20,741	268,953	73,168	296,109
Others	1,042	18,086	4,072	25,230	210,069
	<u>1,718,904</u>	<u>602,959</u>	<u>6,553,410</u>	<u>2,225,082</u>	<u>110,369,031</u>
Inter-segment elimination	(174,104)	-	(690,018)	-	-
	<u>1,544,800</u>	<u>602,959</u>	<u>5,863,392</u>	<u>2,225,082</u>	<u>110,369,031</u>
Unallocated expenses	-	(43,267)	-	(123,498)	-
Amortisation of intangible assets	-	(11,635)	-	(46,262)	-
Share of profit after tax of equity accounted associated companies	-	1,176	-	4,114	-
Intangible assets	-	-	-	-	765,157
Unallocated assets	-	-	-	-	507,111
Investment in associated companies	-	-	-	-	47,378
	<u>1,544,800</u>	<u>549,233</u>	<u>5,863,392</u>	<u>2,059,436</u>	<u>111,688,677</u>

Inter-segment pricing is determined on a negotiated basis.

* Certain comparative figures for the 4th quarter and financial year ended 31 December 2005 have been reclassified to conform with the current year's internal transfer pricing and cost allocation methodology.

** The Stock-broking business of the Group has been reclassified from the Sharebroking and Fund Management segment to the Investment Banking segment, upon the transformation of the stock-broking subsidiary company into an investment bank on 18 December 2006.

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

By Geographical Locations

<u>Group</u>	4th Quarter ended		Financial Year ended		
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Total Assets RM'000
<u>31 December 2006</u>					
Malaysia	1,985,475	557,453	7,013,009	2,085,318	136,110,279
Outside Malaysia	247,871	91,795	830,513	331,043	11,679,264
	<u>2,233,346</u>	<u>649,248</u>	<u>7,843,522</u>	<u>2,416,361</u>	<u>147,789,543</u>
<u>31 December 2005</u>					
Malaysia	1,415,116	458,722	5,370,709	1,749,205	109,042,856
Outside Malaysia	129,684	90,511	492,683	310,231	2,645,821
	<u>1,544,800</u>	<u>549,233</u>	<u>5,863,392</u>	<u>2,059,436</u>	<u>111,688,677</u>

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

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A22. Carrying Amount of Revalued Assets

The Group's and the Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements for the year ended 31 December 2005.

A23. Subsequent Events

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

A24. Changes in the Composition of the Group

a) Increase in Equity Interest in Public Financial Holdings Limited (formerly known as JCG Holdings Limited) ("PFHL")

On 11 April 2006, the Bank increased its investment in PFHL, a 64% owned subsidiary of the Bank via the subscription of its entitlement to the 1 for 2 rights issue of PFHL ("PFHL Rights Issue") of 233,384,055 new ordinary shares of HKD0.10 each in PFHL ("PFHL Shares") at HKD7.30 per PFHL Share. The Bank had also subscribed for an additional 131,021,755 PFHL Shares at HKD7.30 per PFHL Share, being the portion of the PFHL Rights Issue underwritten by the Bank. Upon the completion of the PFHL Rights Issue, the Bank's equity interest in PFHL had increased to 75.98%. In order to comply with Rule 8.08 of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited in relation to the requirement to maintain a minimum public float of not less than 25%, the Bank had disposed off 27,156,000 PFHL Shares in April and May 2006, resulting in the Bank's equity interest in PFHL decreasing to 73.50%.

b) Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)

On 30 May 2006, PFHL, a 73.50% owned subsidiary of the Bank, completed the acquisition of 8,100,000 ordinary shares of HKD100 each representing the entire issued and paid-up share capital of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)"), an authorised institution under the Hong Kong Banking Ordinance providing a comprehensive range of banking, financial and related services, from Asia Financial Holdings Limited for a total cash consideration of HKD4,585.0 million.

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A24. Changes in the Composition of the Group (continued)

b) Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) (continued)

The carrying amounts of the net assets of PB(HK) acquired are summarised below :

	Carrying Amount RM'000	Fair Value RM'000
Cash and short-term funds	1,349,040	1,349,040
Securities held-for-trading	12,044	12,044
Securities available-for-sale	3,184	3,184
Securities held-to-maturity	1,789,079	1,754,267
Loans, advances and financing	4,259,859	4,207,308
Other assets	166,168	166,168
Deferred tax assets	1,762	7,854
Investment properties	10,135	10,135
Property and equipment	178,552	178,552
Intangible assets	258	258
Total assets	7,770,081	7,688,810
Deposits from customers	6,300,150	6,300,150
Deposits and placements of banks and other financial institutions	360,889	360,889
Other liabilities	200,189	202,062
Provision for tax expense	3,042	3,042
Deferred tax liabilities	22,199	22,199
Total liabilities	6,886,469	6,888,342
Net assets acquired	883,612	800,468
Excess of acquisition cost over the fair value of net assets acquired		1,348,850
Total cost of acquisition (including acquisition expense of RM4.3 million)		2,149,318
Less : Cash and cash equivalents at PB(HK)		(1,349,040)
Cash flow on acquisition net of cash acquired		800,278

The operating revenue and profit after taxation of PB(HK) included in the Group's consolidated financial statements during the year amounted to RM294,157,000 and RM36,742,000 respectively. Had the acquisition occurred at the beginning of the financial year and the operating revenue and profit after taxation and minority interests of PB(HK) for the financial year ended 31 December 2006 amounting to RM429,143,000 and RM53,292,000 respectively been included in the Group's consolidated financial statements, the Group's operating revenue and profit attributable to equity holders of the Bank for the financial year ended 31 December 2006 would have been RM7,978,508,000 and RM1,743,238,000 respectively.

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A24. Changes in the Composition of the Group (continued)

c) Acquisition of The Remaining 10% Equity Interest in Public Mutual Berhad

On 12 July 2006, Public Consolidated Holdings Sdn Bhd, a wholly-owned subsidiary of the Bank, completed the acquisition of 600,000 ordinary shares of RM1.00 each in Public Mutual Berhad from Cheng Poh Holdings Sdn Bhd, representing 10% of the issued and paid-up share capital of Public Mutual Berhad, for a cash consideration of RM51.0 million. With the completion of the acquisition, Public Mutual Berhad became a wholly-owned indirect subsidiary of the Bank. Public Mutual Berhad's principal activities are the sale of trust units and the management of unit trust funds.

d) Completion of Setting Up of an Investment Bank Subsidiary Known As Public Investment Bank Berhad

On 18 December 2006, the set-up of the wholly-owned investment bank subsidiary of the Bank was completed, in accordance with the Guidelines on Investment Banks issued jointly by BNM and the Securities Commission (“SC”) on 1 July 2005. The investment bank subsidiary was set-up upon approvals being received from Y.A.B. Minister of Finance, BNM, the SC and the Foreign Investment Committee.

The set-up of the investment bank subsidiary, known as Public Investment Bank Berhad, involved the merger of the entire merchant banking business of Public Merchant Bank Berhad, a wholly-owned subsidiary of the Bank, with the stockbroking business of PB Securities Sdn Bhd, an indirect wholly-owned subsidiary of the Bank. The entire merchant banking business of Public Merchant Bank Berhad was vested in PB Securities Sdn Bhd pursuant to an Order of the High Court of Malaya. In the process, PB Securities Sdn Bhd has been transformed into an investment bank and changed its name to Public Investment Bank Berhad.

The consideration for the acquisition of the merchant banking business of Public Merchant Bank Berhad by PB Securities Sdn Bhd was based on the net asset value of the merchant banking business as at the date of the completion of the acquisition on 18 December 2006.

Subsequent to the vesting of its merchant banking business to PB Securities Sdn Bhd, Public Merchant Bank Berhad has become a dormant company.

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A25. Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposures of the Group and the Bank as at the following dates are as follows:

<u>Group</u>	As at 31 December 2006			As at 31 December 2005		
	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	1,285,521	1,285,521	985,048	1,085,495	1,085,495	858,181
Certain transaction-related contingent items	446,720	223,360	145,914	392,547	196,274	102,554
Short-term self-liquidating trade-related contingencies	581,445	116,289	96,993	541,501	108,300	102,011
Other assets sold with recourse and commitment with certain drawdown	10,640	10,640	2,128	15,040	15,040	-
Obligations under underwriting agreements	80,000	40,000	40,000	83,750	41,875	41,875
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,365,655	2,182,828	1,988,665	4,154,284	2,077,142	1,776,275
- maturity not exceeding one year	12,621,347	-	-	9,910,227	-	-
Foreign exchange related contracts:						
- less than one year	6,594,858	106,927	38,682	7,223,068	114,044	26,213
- one year to less than five years	227,197	12,094	6,046	-	-	-
Interest rate related contracts:						
- less than one year	103,171	258	129	113,385	283	57
- one year to less than five years	2,489,554	56,800	11,361	2,249,965	67,083	13,417
- five years and above	4,552,944	326,963	65,392	3,182,339	211,803	42,361
	<u>33,359,052</u>	<u>4,361,680</u>	<u>3,380,358</u>	<u>28,951,601</u>	<u>3,917,339</u>	<u>2,962,944</u>

* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors as per Bank Negara Malaysia's Guidelines.

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A25. Commitments and Contingencies (continued)

<u>Bank</u>	As at 31 December 2006			As at 31 December 2005		
	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	1,244,706	1,244,706	955,127	1,084,395	1,084,395	857,961
Certain transaction-related contingent items	392,580	196,290	131,815	381,946	190,975	127,627
Short-term self-liquidating trade-related contingencies	427,885	85,576	81,189	434,058	86,810	80,609
Other assets sold with recourse and commitment with certain drawdown	-	-	-	15,040	15,040	-
Obligations under underwriting agreements	70,000	35,000	35,000	70,000	35,000	35,000
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,229,216	2,114,608	1,920,445	4,154,028	2,077,014	1,776,211
- maturity not exceeding one year	10,845,042	-	-	9,740,724	-	-
Forward placements	-	-	-	124,723	-	-
Foreign exchange related contracts:						
- less than one year	4,427,631	60,456	15,446	7,223,068	114,044	26,213
Interest rate related contracts:						
- less than one year	-	-	-	113,385	283	57
- one year to less than five years	2,231,871	50,237	10,047	2,249,965	67,083	13,417
- five years and above	4,517,724	324,145	64,829	3,163,441	210,858	42,172
	28,386,655	4,111,018	3,213,898	28,754,773	3,881,502	2,959,267

* The credit equivalent amount and riskweighted amount are arrived at using the credit conversion factors as per Bank Negara Malaysia's Guidelines.

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A26. Off-Balance Sheet Financial Instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2006:

Value of contracts classified by remaining period to maturity / next repricing date (whichever is earlier).

Group

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts							
- forward	897,677	414,908	334,703	103,690	44,376	-	-
- swaps	5,924,378	2,022,273	2,441,533	316,763	916,612	227,197	-
Sub total	6,822,055	2,437,181	2,776,236	420,453	960,988	227,197	-
Interest rate related contracts							
- forwards	35,230	-	-	-	35,230	-	-
- swaps	7,110,439	905,154	4,570,054	1,567,290	67,941	-	-
Sub total	7,145,669	905,154	4,570,054	1,567,290	103,171	-	-
Total	13,967,724	3,342,335	7,346,290	1,987,743	1,064,159	227,197	-

Bank

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts							
- forward	757,152	285,223	334,703	103,334	33,892	-	-
- swaps	3,670,479	1,813,095	1,763,615	70,440	23,329	-	-
- options	-	-	-	-	-	-	-
Sub total	4,427,631	2,098,318	2,098,318	173,774	57,221	-	-
Interest rate related contracts							
- swaps	6,749,595	799,494	4,488,471	1,461,630	-	-	-
Sub total	6,749,595	799,494	4,488,471	1,461,630	-	-	-
Total	11,177,226	2,897,812	6,586,789	1,635,404	57,221	-	-

The Group and the Bank do not have any transaction in respect of equity and commodity related contracts. Foreign exchange and interest rate related contracts are subject to market and credit risk.

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 31 December 2006, the amount of contracts which were not hedged in the Group and the Bank and, hence, exposed to market risk was RM824,196,000 (31 December 2005 : RM1,485,257,000).

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A26. Off-Balance Sheet Financial Instruments (continued)

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 31 December 2006, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM42,747,000 (31 December 2005 : RM24,737,000) and RM6,137,000 (31 December 2005 : RM24,737,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related Accounting Policies

Financial derivatives are recognised at fair value at inception in the balance sheet, and are subsequently remeasured at fair value. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

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

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period.

Fair value hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the change in fair value of the derivative and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item measured at amortised cost is amortised to the income statement over the expected life of the hedged item. The Group has adopted fair value hedge accounting for its fixed rate subordinated notes and hybrid capital securities issued, as well as for certain fixed rate private debt securities investments.

Cash flow hedge

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

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A27. Interest/Profit Rate Risk

Group As at 31 December 2006	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
ASSETS												
Cash and short-term funds	23,290,272	-	-	-	-	-	-	-	1,090,358	-	24,380,630	3.63
Deposits and placements with banks and other financial institutions	100	4,618,905	38,412	-	-	-	-	-	-	-	4,657,417	3.75
Securities purchased under resale agreements	2,135,006	6,464,886	3,775,395	-	-	-	-	-	-	-	12,375,287	3.58
Securities held-for-trading	-	-	-	-	-	-	-	-	-	9,107,661	9,107,661	3.63
Securities available-for-sale	-	-	-	160,772	642,181	125,269	408,937	1,285,149	1,210,887	62,543	3,895,738	6.11
Securities held-to-maturity	493,641	1,421,176	838,452	158,625	211,380	25,927	27,032	-	88,585	-	3,264,818	3.94
Loans, advances and financing												
- performing	45,593,358	4,866,041	9,053,150	7,515,992	4,664,820	3,255,757	2,466,424	5,371,145	-	-	82,786,687	6.69
- non-performing *	-	-	-	-	-	-	-	-	965	-	965	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,308,417	11,923	7,320,340	-
TOTAL ASSETS	71,512,377	17,371,008	13,705,409	7,835,389	5,518,381	3,406,953	2,902,393	6,656,294	9,699,212	9,182,127	147,789,543	

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A27. Interest/Profit Rate Risk (continued)

Group As at 31 December 2006	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
LIABILITIES AND EQUITY												
Deposits from customers	57,260,431	22,643,389	19,542,156	336,968	22,138	17,398	171,730	24,810	11,774,129	-	111,793,149	3.22
Deposits and placements of banks and other financial institutions	5,522,698	10,375	9,928	-	-	-	-	-	94,963	-	5,637,964	4.37
Obligations on securities sold under repurchase agreements	10,057,342	18,487	-	-	-	-	-	-	-	-	10,075,829	3.48
Bills and acceptances payable	617,134	969,070	247,677	-	-	-	-	-	789,763	-	2,623,644	3.69
Recourse obligations on loans sold to Cagamas	164,649	11,542	43,285	33,813	7,995	-	-	-	-	-	261,284	3.87
Borrowings	679,341	-	-	-	-	-	-	-	-	-	679,341	4.74
Subordinated notes	-	-	-	-	1,214,729	-	-	1,346,402	-	-	2,561,131	6.24
Hybrid capital securities	-	-	-	-	-	-	-	1,918,925	-	-	1,918,925	5.39
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	2,516,055	59,912	2,575,967	-
Total Liabilities	74,301,595	23,652,863	19,843,046	370,781	1,244,862	17,398	171,730	3,290,137	15,174,910	59,912	138,127,234	
Shareholders' equity	-	-	-	-	-	-	-	-	9,033,999	-	9,033,999	-
Minority interests	-	-	-	-	-	-	-	-	628,310	-	628,310	-
Total Liabilities and Equity	74,301,595	23,652,863	19,843,046	370,781	1,244,862	17,398	171,730	3,290,137	24,837,219	59,912	147,789,543	
On-balance sheet interest sensitivity gap	(2,789,218)	(6,281,855)	(6,137,637)	7,464,608	4,273,519	3,389,555	2,730,663	3,366,157	(15,138,007)	9,122,215	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	837,213	(1,704,146)	(1,182,369)	(158,490)	623,894	(119,748)	(369,810)	2,073,456	-	-	-	
Total interest sensitivity gap	(1,952,005)	(7,986,001)	(7,320,006)	7,306,118	4,897,413	3,269,807	2,360,853	5,439,613	(15,138,007)	9,122,215	-	

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

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A27. Interest/Profit Rate Risk (continued)

Group As at 31 December 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 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
ASSETS												
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	-	172,793	981,817	135,862	1,469,783	1,181,480	13,947	4,072,682	5.02
Securities held-to-maturity	154,937	248,671	856,239	819,623	67,517	-	-	-	88,080	-	2,235,067	3.25
Loans, advances and financing												
- performing	31,631,977	4,024,160	10,703,257	5,220,412	4,993,659	3,397,211	2,007,340	4,717,495	-	-	66,695,511	6.56
- non-performing *	-	-	-	-	-	-	-	-	117,273	-	117,273	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	5,048,747	24,737	5,073,484	-
TOTAL ASSETS	49,541,049	13,480,785	12,052,693	6,040,035	5,233,969	4,379,028	2,143,202	6,187,278	7,154,494	5,476,144	111,688,677	

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A27. Interest/Profit Rate Risk (continued)

Group As at 31 December 2005	Non trading book										Total RM'000	Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000	Trading book RM'000			
LIABILITIES AND EQUITY													
Deposits from customers	42,603,448	16,793,201	15,318,846	146,304	277,679	12,942	9,809	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	44,010	15,246	474	-	-	-	-	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	-	
Total Liabilities	52,960,429	19,424,183	15,697,593	190,314	292,925	1,322,202	9,809	1,455,463	11,315,766	20,325	102,689,009		
Shareholders' equity	-	-	-	-	-	-	-	-	8,563,927	-	8,563,927		
Minority interests	-	-	-	-	-	-	-	-	435,741	-	435,741		
Total Liabilities and Equity	52,960,429	19,424,183	15,697,593	190,314	292,925	1,322,202	9,809	1,455,463	20,315,434	20,325	111,688,677		
On-balance sheet interest sensitivity gap	(3,419,380)	(5,943,398)	(3,644,900)	5,849,721	4,941,044	3,056,826	2,133,393	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)	-	(170,078)	694,266	(128,503)	(158,738)	-	-	-		
Total interest sensitivity gap	(2,448,048)	(5,753,261)	(5,043,316)	5,849,721	4,770,966	3,751,092	2,004,890	4,573,077	(13,160,940)	5,455,819	-		

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

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A27. Interest/Profit Rate Risk (continued)

Bank	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 December 2006												
ASSETS												
Cash and short-term funds	22,162,157	-	-	-	-	-	-	-	728,545	-	22,890,702	3.59
Deposits and placements with banks and other financial institutions	-	3,954,803	-	-	-	-	-	-	-	-	3,954,803	3.66
Securities purchased under resale agreements	1,826,418	5,501,020	3,469,920	-	-	-	-	-	-	-	10,797,358	3.58
Securities held-for-trading	-	-	-	-	-	-	-	-	-	9,061,244	9,061,244	3.62
Securities available-for-sale	-	-	-	160,772	445,741	125,269	331,062	1,249,788	1,111,724	13,383	3,437,739	5.73
Securities held-to-maturity	3,299	181,563	481,483	96,385	137,305	-	9,763	-	87,631	-	997,429	3.59
Loans, advances and financing												
- performing	41,147,754	4,045,862	8,191,541	7,066,618	4,428,963	3,179,108	2,429,539	5,293,982	-	-	75,783,367	6.37
- non-performing *	-	-	-	-	-	-	-	-	108,030	-	108,030	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	7,207,364	28,986	7,236,350	-
TOTAL ASSETS	65,139,628	13,683,248	12,142,944	7,323,775	5,012,009	3,304,377	2,770,364	6,543,770	9,243,294	9,103,613	134,267,022	

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A27. Interest/Profit Rate Risk (continued)

Bank	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 December 2006												
LIABILITIES AND EQUITY												
Deposits from customers	51,044,439	20,509,752	18,971,481	318,237	206,860	17,398	171,730	24,810	11,378,211	-	102,642,918	3.14
Deposits and placements of banks and other financial institutions	4,162,988	23,496	33,810	-	-	-	-	-	85,184	-	4,305,478	4.81
Obligations on securities sold under repurchase agreements	9,580,070	18,487	-	-	-	-	-	-	-	-	9,598,557	3.48
Bills and acceptances payable	617,134	969,070	247,677	-	-	-	-	-	789,763	-	2,623,644	3.69
Recourse obligations on loans sold to Cagamas	164,649	11,542	43,285	33,813	7,995	-	-	-	-	-	261,284	3.87
Subordinated notes	-	-	-	-	1,214,729	-	-	1,346,402	-	-	2,561,131	6.24
Hybrid capital securities	-	-	-	-	-	-	-	1,918,925	-	-	1,918,925	5.39
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	1,309,412	75,346	1,384,758	-
Total Liabilities	65,569,280	21,532,347	19,296,253	352,050	1,429,584	17,398	171,730	3,290,137	13,562,570	75,346	125,296,695	
Shareholders' equity	-	-	-	-	-	-	-	-	8,970,327	-	8,970,327	-
Total Liabilities and Equity	65,569,280	21,532,347	19,296,253	352,050	1,429,584	17,398	171,730	3,290,137	22,532,897	75,346	134,267,022	
On-balance sheet interest sensitivity gap	(429,652)	(7,849,099)	(7,153,309)	6,971,725	3,582,425	3,286,979	2,598,634	3,253,633	(13,289,603)	9,028,267	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	799,494	(1,785,763)	(1,355,970)	(158,490)	811,171	(119,748)	(299,370)	2,108,676	-	-	-	-
Total interest sensitivity gap	369,842	(9,634,862)	(8,509,279)	6,813,235	4,393,596	3,167,231	2,299,264	5,362,309	(13,289,603)	9,028,267	-	-

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

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A27. Interest/Profit Rate Risk (continued)

Bank As at 31 December 2005	Non trading book								Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000				
ASSETS												
Cash and short-term funds	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	-	172,793	772,830	135,862	1,347,278	1,062,903	13,377	3,563,556	4.63
Securities held-to-maturity	52,829	126,216	740,099	662,417	67,517	-	-	-	87,635	-	1,736,713	3.31
Loans, advances and financing												
- performing	30,968,477	3,681,474	10,105,682	4,832,870	4,843,104	3,360,552	1,994,365	4,639,749	-	-	64,426,273	6.11
- non-performing *	-	-	-	-	-	-	-	-	153,632	-	153,632	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	5,946,611	24,737	5,971,348	-
TOTAL ASSETS	47,579,918	12,367,803	11,153,873	5,495,287	5,083,414	4,133,382	2,130,227	5,987,027	7,929,036	5,587,354	107,447,321	

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A27. Interest/Profit Rate Risk (continued)

Bank	Non trading book									Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non- interest sensitive RM'000			
As at 31 December 2005												
LIABILITIES AND EQUITY												
Deposits from customers	41,062,453	16,135,909	15,241,801	370,686	277,713	197,942	9,809	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	44,010	15,246	474	-	-	-	-	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	-
Total Liabilities	50,056,619	18,834,328	15,676,421	414,696	292,959	1,507,202	9,809	1,455,463	10,959,125	20,325	99,226,947	
Shareholders' equity	-	-	-	-	-	-	-	-	8,220,374	-	8,220,374	
Total Liabilities and Equity	50,056,619	18,834,328	15,676,421	414,696	292,959	1,507,202	9,809	1,455,463	19,179,499	20,325	107,447,321	
On-balance sheet interest sensitivity gap	(2,476,701)	(6,466,525)	(4,522,548)	5,080,591	4,790,455	2,626,180	2,120,418	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)	-	(170,078)	694,266	(128,503)	(139,841)	-	-	-	
Total interest sensitivity gap	(1,505,369)	(6,276,388)	(5,939,861)	5,080,591	4,620,377	3,320,446	1,991,915	4,391,723	(11,250,463)	5,567,029	-	

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

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A28. Capital Adequacy

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

	Group		Bank	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
<u>Before deducting proposed dividends:</u>				
Core capital ratio	10.2%	11.6%	12.5%	11.2%
Risk-weighted capital ratio	<u>15.8%</u>	<u>17.3%</u>	<u>15.3%</u>	<u>15.0%</u>
<u>After deducting proposed dividends:</u>				
Core capital ratio	8.8%	10.4%	11.0%	10.0%
Risk-weighted capital ratio	<u>14.6%</u>	<u>16.1%</u>	<u>14.0%</u>	<u>13.8%</u>

The capital adequacy ratios of the Group and the Bank as at 31 December 2006 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	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,462,825	3,417,373	3,462,825	3,417,373
Share premium	1,782,081	1,574,180	1,782,081	1,574,180
Other reserves	3,228,596	2,907,840	3,189,473	2,754,847
Retained profits (before deducting proposed dividend), as restated	1,265,156	1,413,149	1,330,328	1,371,580
As previously stated	1,265,156	1,330,730	1,330,328	1,289,161
Prior year adjustments *	-	82,419	-	82,419
Hybrid capital securities	1,261,957	-	1,414,327	-
Treasury shares	(784,801)	(784,600)	(784,801)	(784,600)
Minority interests	628,310	435,741	-	-
Less: Intangible assets	(2,091,061)	(765,157)	(695,393)	(695,393)
Less: Deferred tax assets, net, as restated	(340,016)	(313,195)	(269,990)	(254,499)
As previously stated	(340,016)	(345,246)	(269,990)	(286,550)
Prior year adjustments *	-	32,051	-	32,051
Total Tier I capital	<u>8,413,047</u>	<u>7,885,331</u>	<u>9,428,850</u>	<u>7,383,488</u>
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,318,546	1,056,199	1,164,889	987,830
Subordinated notes	2,627,797	2,816,795	2,627,797	2,816,795
Hybrid capital securities	640,745	-	488,375	-
Total Tier II capital	<u>4,587,088</u>	<u>3,872,994</u>	<u>4,281,061</u>	<u>3,804,625</u>
Total capital	<u>13,000,135</u>	<u>11,758,325</u>	<u>13,709,911</u>	<u>11,188,113</u>
Less: Investment in subsidiary companies	-	-	(2,191,871)	(1,305,365)
Capital base	<u>13,000,135</u>	<u>11,758,325</u>	<u>11,518,040</u>	<u>9,882,748</u>

* The prior year adjustments are in respect of the adoption of Bank Negara Malaysia's Circular on Handling fees.

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A29. Operations of Islamic Banking

A29a. Balance Sheets as at 31 December 2006

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
ASSETS				
Cash and short-term funds	690,139	426,261	690,139	426,261
Securities held-to-maturity	51,736	127,479	51,736	127,479
Financing, advances and other loans	9,023,636	7,217,018	9,023,636	7,217,018
Other assets	120,664	33,747	120,664	33,747
Statutory deposits with Bank Negara Malaysia	309,000	236,000	309,000	236,000
Deferred tax assets	26,459	28,865	26,459	28,865
Property and equipment	183	69	183	69
Total Assets	10,221,817	8,069,439	10,221,817	8,069,439
LIABILITIES AND ISLAMIC BANKING FUNDS				
Deposits from customers	7,737,769	6,093,087	7,737,769	6,093,087
Deposits and placements of banks and other financial institutions	818,010	1,474	818,010	1,474
Bills and acceptances payable	29,298	24,368	29,298	24,368
Other liabilities	15,268	547,912	15,268	547,912
Provision for tax expense and zakat	47,776	41,129	47,776	41,129
Total Liabilities	8,648,121	6,707,970	8,648,121	6,707,970
Islamic Banking Funds	1,573,696	1,361,469	1,573,696	1,361,469
Total Liabilities and Islamic Banking Funds	10,221,817	8,069,439	10,221,817	8,069,439
COMMITMENTS AND CONTINGENCIES				
	155,165	102,954	155,165	102,954

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A29b. Income Statements for The Financial Year Ended 31 December 2006

	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>Group</u>				
Income derived from investment of depositors' funds and financial institutions	141,046	95,718	480,117	394,859
Allowance for losses on financing, advances and other loans	(18,598)	(9,192)	(66,053)	(37,948)
Transfer from profit equalisation reserve	3,182	6,811	16,727	6,870
Total attributable income	125,630	93,337	430,791	363,781
Income attributable to the depositors and financial institutions	(54,579)	(22,161)	(158,751)	(94,391)
Income attributable to the reporting institutions	71,051	71,176	272,040	269,390
Income derived from investment of Islamic Banking Funds	22,345	25,670	89,933	84,256
Total net income	93,396	96,846	361,973	353,646
Other operating expenses	(17,357)	(15,867)	(61,637)	(57,169)
Profit before zakat and tax expense	76,039	80,979	300,336	296,477
Zakat	(54)	(36)	(211)	(148)
Tax expense	(23,970)	(17,488)	(87,898)	(83,223)
Profit after zakat and tax expense	52,015	63,455	212,227	213,106
	4th Quarter Ended	31 December	31 December	Financial Year Ended
	2006 RM'000	2005 RM'000	2006 RM'000	31 December 2005 RM'000
<u>Bank</u>				
Income derived from investment of depositors' funds and financial institutions	141,046	95,718	480,117	394,859
Allowance for losses on financing, advances and other loans	(18,598)	(9,192)	(66,053)	(37,948)
Transfer from profit equalisation reserve	3,182	6,811	16,727	6,870
Total attributable income	125,630	93,337	430,791	363,781
Income attributable to the depositors and financial institutions	(54,579)	(22,161)	(158,751)	(94,391)
Income attributable to the reporting institutions	71,051	71,176	272,040	269,390
Income derived from investment of Islamic Banking Funds	22,345	25,670	89,933	84,256
Total net income	93,396	96,846	361,973	353,646
Other operating expenses	(17,357)	(15,867)	(61,637)	(57,169)
Profit before zakat and tax expense	76,039	80,979	300,336	296,477
Zakat	(54)	(36)	(211)	(148)
Tax expense	(23,970)	(17,488)	(87,898)	(83,223)
Profit after zakat and tax expense	52,015	63,455	212,227	213,106

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A29c. Financing, Advances and Other Loans

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Qardhassan-i (overdraft)	40,745	20,840	40,745	20,840
Bai Bithaman Ajil-i (deferred payment sale)	3,718,491	3,211,860	3,718,491	3,211,860
Ijarah Thamma Al-Bai'-i (leasing)	7,367,487	6,034,328	7,367,487	6,034,328
Bai-Al-Einah-i	673,086	307,341	673,086	307,341
	<u>11,799,809</u>	<u>9,574,369</u>	<u>11,799,809</u>	<u>9,574,369</u>
Unearned income	(2,612,664)	(2,223,862)	(2,612,664)	(2,223,862)
Gross financing, advances and other loans	9,187,145	7,350,507	9,187,145	7,350,507
Allowance for bad and doubtful debts and financing:				
- general	(137,495)	(114,195)	(137,495)	(114,195)
- specific	(26,014)	(19,294)	(26,014)	(19,294)
Net financing, advances and other loans	<u>9,023,636</u>	<u>7,217,018</u>	<u>9,023,636</u>	<u>7,217,018</u>

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

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
At 1 January	156,196	150,538	156,196	150,538
Non-performing during the year	391,438	379,672	391,438	379,672
Reclassified as performing	(299,843)	(296,761)	(299,843)	(296,761)
Recoveries	(29,687)	(34,239)	(29,687)	(34,239)
Amount written off	(41,747)	(43,014)	(41,747)	(43,014)
Closing balance	176,357	156,196	176,357	156,196
Specific allowance	(26,014)	(19,294)	(26,014)	(19,294)
Net non-performing financing, advances and other loans	<u>150,343</u>	<u>136,902</u>	<u>150,343</u>	<u>136,902</u>
Net NPL as % of gross financing, advances and other loans less specific allowance	<u>1.64%</u>	<u>1.87%</u>	<u>1.64%</u>	<u>1.87%</u>

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A29c. Financing, Advances and Other Loans (continued)

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

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>General allowance</u>				
At 1 January	114,195	107,295	114,195	107,295
Allowance made during the year	23,300	6,900	23,300	6,900
Closing balance	<u>137,495</u>	<u>114,195</u>	<u>137,495</u>	<u>114,195</u>
As % of gross financing, advances and other loans less specific allowance	<u>1.50%</u>	<u>1.56%</u>	<u>1.50%</u>	<u>1.56%</u>
	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>Specific allowance</u>				
At 1 January	19,294	26,070	19,294	26,070
Allowance made during the year	58,647	40,345	58,647	40,345
Amount written back	(10,180)	(4,084)	(10,180)	(4,084)
Amount written off	(41,747)	(43,014)	(41,747)	(43,014)
Amount transferred to accumulated impairment losses in value of foreclosed properties	-	(23)	-	(23)
Closing balance	<u>26,014</u>	<u>19,294</u>	<u>26,014</u>	<u>19,294</u>

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A29d. Deposits from Customers
i) By type of deposit

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
<u>Non-Mudharabah Fund</u>				
Wadiah current deposits-i	1,312,608	1,021,990	1,312,608	1,021,990
Wadiah savings deposits-i	2,435,543	2,065,872	2,435,543	2,065,872
Negotiable debt certificate-i	2,728,912	1,752,534	2,728,912	1,752,534
Others	-	150	-	150
	<u>6,477,063</u>	<u>4,840,546</u>	<u>6,477,063</u>	<u>4,840,546</u>
<u>Mudharabah Fund</u>				
Mudharabah savings deposits-i	64,542	59,368	64,542	59,368
Mudharabah general investment deposits-i	1,196,164	1,193,173	1,196,164	1,193,173
	<u>1,260,706</u>	<u>1,252,541</u>	<u>1,260,706</u>	<u>1,252,541</u>
Deposits from customers	<u>7,737,769</u>	<u>6,093,087</u>	<u>7,737,769</u>	<u>6,093,087</u>

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A30. Change in Accounting Policies and Prior Year Adjustments

(a) Change in Accounting Policies

During the financial year ended 31 December 2006, the Group and the Bank have adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 January 2006 which resulted in changes in accounting policies as follows:

1) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented in the consolidated statement of changes in equity.

In addition, prior to 1 January 2006, the Group's share of taxation of associated companies accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of FRS 101, the share of taxation of associated companies accounted for using the equity method is now included in the share of profit of associate companies reported in the income statement before arriving at the Group's profit before taxation.

The presentation of the comparative financial statements of the Group have been restated to conform with the current period's presentation.

2) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of FRS 3 Business Combinations and the consequential changes to FRS 136 Impairment of Assets and FRS 138 Intangible Assets, has resulted in a change in the accounting policy relating to purchased goodwill.

Goodwill acquired in a business combination is now stated at cost less any accumulated impairment losses. The adoption of these new FRSs has resulted in the Group ceasing annual amortisation of goodwill. Instead, goodwill is allocated to cash-generating units and the carrying amount is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group and the Bank to eliminate the carrying accumulated amortisation as at 1 January 2006 of RM174,310,000 and RM124,761,000 respectively against the carrying amount of goodwill. The carrying amount of goodwill for the Group and the Bank as at 1 January 2006 of RM738,907,000 and RM695,393,000 respectively ceased to be amortised. This has the effect of reducing the amortisation charge of the Group and the Bank by RM45,140,000 and RM42,964,000 respectively for the financial year ended 31 December 2006. No impairment loss on goodwill has been recognised in the financial year ended 31 December 2006.

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 January 2006, negative goodwill not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/amortisable and negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised in the income statement immediately. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 January 2006.

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A30. Change in Accounting Policies and Prior Year Adjustments (continued)

2) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets (Cont.)

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually. Intangible assets with a finite useful life will continue to be amortised over the estimated useful life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the Group's intangible asset, which consists of the cost of the dealer license of a local stock broking company acquired by a stockbroking subsidiary, is regarded to have an indefinite useful life and is not amortised but instead, is tested for impairment annually. This change in accounting policy has been accounted for prospectively and the carrying amount of the dealer license of RM26,250,000 as at 1 January 2006 ceased to be amortised. This has the effect of reducing the amortisation charges by RM1,400,000 for the Group for the financial year ended 31 December 2006.

For business combinations where the Group's equity interest in a subsidiary is increased by virtue of a subscription to a higher proportion of the subsidiary's new issue of shares as compared to its existing equity interest and where the share issue price is above the subsidiary's net asset value, the resultant dilution of its share of net assets in the subsidiary is recognised in equity. In accordance with this policy, dilution on accretion of interest amounting to RM164 million has been recognised in equity for the financial year ended 31 December 2006.

The above change in accounting policy was adopted in line with the current accounting practices. In addition, the presentation of minority interests within equity as required by FRS 101: Presentation of Financial Statements supports the recognition of such dilution in the share of net assets in subsidiaries without a change in control as an equity transaction in the consolidated financial statements.

Prior to this, any such dilution of share in net assets in subsidiary was recorded as goodwill on acquisition and such goodwill had been written off to the Income Statement. As such, there is no impact to the comparatives resulting from the change in this policy.

3) FRS 140: Investment Property

The adoption of FRS 140 has resulted in a change in the accounting policy for investment properties, as well as the reclassification of certain properties previously recognised as property and equipment to investment properties.

As a result of the adoption of FRS 140, certain properties of the Group which are held for rental to external parties have been reclassified to Investment Properties. Investment properties are stated at fair value and any gain or loss arising from a change in fair value is recognised in the income statement. Prior to 1 January 2006, changes in the value of investment properties were reflected 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 the income statement immediately and any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged.

When an item of property and equipment is reclassified to investment property upon initial adoption of FRS 140, any difference between the carrying amount of the item and its fair value arising on the date of initial adoption is recognised as an adjustment to the opening retained profits. The adoption of this FRS has resulted in a decrease in the opening retained profits as at 1 January 2006 of RM621,000.

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A30. Change in Accounting Policies and Prior Year Adjustments (continued)

4) FRS 2: Share-based Payment

The adoption of FRS 2 has resulted in a change in accounting policy for staff costs of the Group and the Bank arising from share options granted by Public Bank Berhad and its subsidiary, Public Financial Holdings Limited (formerly known as JCG Holdings Limited), to employees (including directors) of the Group.

Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted to employees of the Group. Upon the adoption of FRS 2, where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by vesting date. At balance sheet date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and which had not yet vested on 1 January 2006. The adoption of this FRS has not resulted in any financial impact to the Group as there were no new share options granted by the Group after 31 December 2004 which remain unvested on 1 January 2006.

5) BNM's Circular on Handling Fees

The adoption of BNM's Circular on Handling Fees dated 16 October 2006 resulted in the Group and the Bank capitalising handling fees paid for hire purchase loans in the Balance Sheet and amortising the amount in the Income Statement over the life of the loans with retrospective effect. Previously, such handling fees were expensed off in the Income Statement when incurred. The handling fees amount which was previously reported as operating expenses in the income statement is now reclassified and deducted from the interest income.

(b) **Adjustments due to Change in Accounting Policies**

The changes in accounting policies as described above which were adjusted to opening retained profits of the Group and Bank are as follows:

	Group		Bank	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Effects on retained profits:				
At 1 January, as previously stated	500,846	684,490	385,645	734,469
Effects of adopting FRS 140 - Investment Property	(621)	-	-	-
Effects of adopting BNM Circular on Handling Fees	82,419	73,561	82,419	73,561
At 1 January, as restated	<u>582,644</u>	<u>758,051</u>	<u>468,064</u>	<u>808,030</u>

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A30. Change in Accounting Policies and Prior Year Adjustments (continued)

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Effects on income statement:				
Profit for the quarter/year before changes in accounting policies	435,638	417,947	1,724,624	1,536,432
	25,686	1,533	70,537	8,858
Effects of adopting FRS 3 Business Combinations - goodwill amortisation no longer charged to Income Statement	11,285	-	45,140	-
Effects of adopting FRS 138 Intangible Assets - amortisation of intangible assets no longer charged to Income Statement	350	-	1,400	-
Effects of adopting FRS 140 Investment Property - revaluation gain on investment property	10,846	-	10,846	-
Effects of adopting FRS 140 Investment Property - depreciation charge on properties reclassified as investment property	7	-	26	-
Effects of adopting BNM Circular on Handling Fees	3,198	1,533	13,125	8,858
Profit for the quarter/year after changes in accounting policies	461,324	419,480	1,795,161	1,545,290
<u>Bank</u>				
Effects on income statement:				
Profit for the quarter/year before changes in accounting policies	519,533	379,768	1,733,346	1,280,892
	13,939	1,533	56,089	8,858
Effects of adopting FRS 3 Business Combinations - goodwill amortisation no longer charged to Income Statement	10,741	-	42,964	-
Effects of adopting BNM Circular on Handling Fees	3,198	1,533	13,125	8,858
Profit for the quarter/year after changes in accounting policies	533,472	381,301	1,789,435	1,289,750

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(c) Comparative Figures

The following comparative figures 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 2005				
Derivative financial assets	40,912	-	40,065	-
Other assets	820,586	747,028	1,013,641	939,236
Deferred tax assets	315,653	347,704	256,957	289,008
Derivative financial liabilities	157,298	-	145,869	-
Other liabilities	1,253,621	1,410,919	1,012,989	1,158,858
Reserves	5,101,270	5,018,851	4,757,717	4,675,298
(ii) Income statement for the 4th quarter ended 31 December 2005				
Revenue	1,544,800	1,559,363	1,313,039	1,327,602
Interest income	1,210,145	1,220,804	1,077,585	1,088,244
Net interest income	623,784	634,443	510,685	521,344
Net financing income from Islamic Banking business	104,092	107,996	104,092	107,996
Net income	976,617	991,180	831,191	845,754
Other operating expenses	(344,914)	(361,607)	(260,525)	(277,218)
Operating profit	631,703	629,573	570,666	568,536
Share of profit after tax of equity accounted associated companies	1,176	1,454	-	-
Profit before tax expense and zakat	549,233	547,381	495,728	493,598
Tax expense and zakat	(129,753)	(129,434)	(114,427)	(113,830)
Profit for the period	419,480	417,947	381,301	379,768
Profit attributable to equity holders of the Bank	392,667	391,134	381,301	379,768
(ii) Income statement for the financial year ended 31 December 2005				
Revenue	5,863,392	5,919,711	4,992,762	5,049,081
Interest income	4,574,361	4,615,500	4,079,838	4,120,977
Net interest income	2,442,720	2,483,859	2,001,206	2,042,345
Net financing income from Islamic Banking business	384,227	399,407	384,227	399,407
Net income	3,752,258	3,808,577	3,065,938	3,122,257
Other operating expenses	(1,330,373)	(1,398,995)	(1,015,638)	(1,084,260)
Operating profit	2,421,885	2,409,582	2,050,300	2,037,997
Share of profit after tax of equity accounted associated companies	4,114	5,651	-	-
Profit before tax expense and zakat	2,059,436	2,048,670	1,745,482	1,733,179
Tax expense and zakat	(514,146)	(512,238)	(455,732)	(452,287)
Profit for the year	1,545,290	1,536,432	1,289,750	1,280,892
Profit attributable to equity holders of the Bank	1,459,139	1,450,281	1,289,750	1,280,892

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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance Review

The Group's pre-tax profit for the financial year ended 31 December 2006 of RM2,416.4 million was RM357.0 million or 17.3% higher than the previous year of RM2,059.4 million. Profit attributable to equity holders of the Bank improved by 18.3% to RM1,726.7 million. The improvement in earnings was primarily due to higher net interest income, including net financing income from Islamic Banking operations, which improved by RM463.4 million or 16.4% and higher other operating income by 20.6% or RM188.7 million. The increases were partially offset by higher other operating expenses of RM201.5 million and higher allowances for loan loss of RM84.0 million. The higher loan loss and allowances is mainly due to higher general allowance made on loans, advances and financing of RM43.9 million, as well as an additional specific allowance of RM13.8 million made during the year as a result of adoption of 20% specific allowance on all non-performing loans which are less than 6 months in arrears.

The growth in the Group's net interest income was driven by strong loans and deposits growth coupled with improved assets quality. The Group achieved a total loan growth of 17.5% during the year without taking into consideration its new business acquired. With the acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)") during the year, the Group's gross loan balance has grown by 23.9% to RM84.4 billion as at 31 December 2006 as compared to RM68.1 billion as at 31 December 2005. The Group's loan growth is mainly arising from financing of small and medium-sized enterprises ("SMEs"), residential mortgages and financing of passenger vehicles. Total deposits from customers excluding deposits from PB(HK), had also grown by 25.4% or RM21.4 billion as compared to 31 December 2005 which partly contributed to the higher net interest income for the current year. The Group's net non-performing loans ratio ("NPL") improved to below 1.6% as at 31 December 2006 as compared to 1.7% as at 31 December 2005.

The Group's commercial bank, Public Bank, recorded a pre-tax profit of RM2,440.1 million for the financial year ended 31 December 2006 and was 39.8% higher than the pre-tax profit of RM1,745.5 million achieved in the previous year. This was mainly due to higher net interest income including income from Islamic Banking operations and higher dividend income from subsidiaries, partially offset by higher other operating expenses and higher loan loss allowance as a result of higher general allowance and the adoption of 20% specific allowance on all non-performing loans which are less than 6 months in arrears.

The overseas operations of the Group recorded a 6.7% improvement in pre-tax profit to RM331.0 million from the previous year. This was mainly due to loans growth achieved during the year coupled with the acquisition of PB(HK) .

For the 4th quarter ended 31 December 2006, the Group registered a pre-tax profit of RM649.2 million, an improvement of RM100.0 million or 18.2% as compared to the previous corresponding quarter. This was achieved on the back of strong loans growth in financing SMEs, vehicle hire purchase financing and residential mortgages coupled with a strong deposit growth. Earnings attributable to equity holders of the Bank grew by 13.3% or RM52.4 million for the same period.

B2. Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM649.2 million for the 4th quarter ended 31 December 2006 was RM42.9 million or 7.1% higher compared to the preceding quarter ended 30 September 2006. Net profit attributable to equity holders of the Bank increased by RM8.7 million or 2.0% over the preceding quarter ended 30 September 2006. The increase was mainly due to increase in net interest income and other operating income by RM9.0 million and RM38.6 million respectively, coupled with a decrease in loan loss allowance of RM23.6 million due to lower general allowance and specific allowance. This is partially offset by higher operating expenses. The lower growth in net profit is mainly due to the one-off charge of deferred taxation expense of RM25.7 million in respect of the change in the Malaysian corporate tax rate. The deferred tax asset of the Group mainly arising on the general allowance made by the Group was recognised previously based on 28% tax rate and is now adjusted to 26% which is the announced tax rate effective year of assessment 2008.

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B3. Prospects for 2007

The banking industry is expected to continue to remain sound but more challenging in 2007 as the Malaysian economy is projected to remain firm. However, competition in the banking industry is expected to further intensify due to the deregulated operating environment for the incumbent foreign-controlled domestic banks and high liquidity in the banking system. Public Bank will continue to focus and increase its market share in consumer financing and retail commercial lending to the mid-market SMEs as well as deposit taking by leveraging on its wide branch network, efficient multiple delivery channels, strong PB brand and superior service standards. Public Bank will also continue to intensify its efforts to grow its overseas business. In pursuit of its growth strategy, Public Bank will continue to remain prudent, maintain strong corporate governance and implement sound risk management policies. Barring any unforeseen circumstances, the Group and the Bank are expected to continue to record satisfactory performance in 2007.

B4. Profit Forecast or Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Bank.

B5. Tax Expense and Zakat

The analysis of the tax expense for the 4th quarter and financial year ended 31 December 2006 are as follows:

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Malaysian income tax	167,833	165,236	588,053	530,005
Overseas income tax	16,707	10,078	58,448	48,495
	184,540	175,314	646,501	578,500
(Over)/Under provision in prior period				
- Malaysian income tax	1,418	(4,023)	2,312	(5,317)
- Overseas income tax	(869)	-	(906)	4
	185,089	171,291	647,907	573,187
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(22,878)	(41,574)	(52,577)	(59,189)
As previously stated	-	(42,171)	-	(62,634)
Prior year adjustments*	-	597	-	3,445
- Relating to changes in tax rate	25,659	-	25,659	-
Tax expense	187,870	129,717	620,989	513,998
Zakat	54	36	211	148
	187,924	129,753	621,200	514,146

Included in the tax expense of the Group for the 4th quarter and financial year ended 31 December 2006 is deferred tax expense of RM25,659,000 relating to the changes in the Malaysian corporate tax rate from the current year's rate of 28% to 27% effective year of assessment 2007 and 26% effective year of assessment 2008.

Excluding the effect of the additional deferred tax expense resulting from the change in Malaysian corporate tax rate, the Group's effective tax rate for the 4th quarter and financial year ended 31 December 2006 are lower than the statutory tax rate due to the effects of lower tax rates in other jurisdictions.

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B5. Tax Expense and Zakat (Contd.)

<u>Bank</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Malaysian income tax	203,602	153,678	663,600	514,169
Overseas income tax	1,053	1,316	2,447	1,801
	204,655	154,994	666,047	515,970
(Over)/Under provision in prior period/years				
- Overseas income tax	(66)	-	(66)	-
	204,589	154,994	665,981	515,970
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(3,352)	(40,603)	(36,052)	(60,386)
As previously stated	-	(41,200)	-	(63,831)
Prior year adjustments*	-	597	-	3,445
- Relating to changes in tax rate	20,562	-	20,562	-
Tax expense	221,799	114,391	650,491	455,584
Zakat	54	36	211	148
	221,853	114,427	650,702	455,732

Included in the tax expense of the Bank for the 4th quarter and financial year ended 31 December 2006 is deferred tax expense of RM20,562,000 relating to the changes in the Malaysian corporate tax rate from the current year's rate of 28% to 27% effective year of assessment 2007 and 26% effective year of assessment 2008.

Excluding the effect of the additional deferred tax expense resulting from the change in Malaysian corporate tax rate, the Bank's effective tax rate for the 4th quarter and financial year ended 31 December 2006 are lower than the statutory tax rate due to certain income not subject to tax.

* The prior year adjustments are in respect of the change in accounting policy in respect of handling fees, as disclosed in Note A1 and Note A30.

B6. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the 4th quarter and financial year ended 31 December 2006 other than in the ordinary course of business.

B7. Quoted Securities

Financial institutions are exempted from the disclosure requirements relating to quoted securities.

B8. Status of Corporate Proposals Announced but Not Completed

There were no corporate proposals announced but not completed as at 31 December 2006.

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B9. Deposits and Placements of Customers and Financial Institutions and Debt Securities

	Group		Bank	
	31 December 2006 RM'000	31 December 2005 RM'000	31 December 2006 RM'000	31 December 2005 RM'000
Deposits from customers				
- Fixed deposits				
One year or less	53,235,085	43,090,941	46,304,196	41,629,656
More than one year	155,574	118,499	136,565	117,881
- Negotiable instruments of deposits				
One year or less	31,615,469	18,000,115	30,985,521	17,774,210
More than one year	318,635	492,061	273,366	492,061
- Savings deposits	14,809,282	12,566,703	13,682,121	12,367,962
- Demand deposits	11,288,760	9,566,341	10,894,214	9,531,145
- Others	370,344	294,981	366,935	292,267
	<u>111,793,149</u>	<u>84,129,641</u>	<u>102,642,918</u>	<u>82,205,182</u>
Deposits and placements of banks and other financial institutions				
- One year or less	<u>5,637,964</u>	7,680,690	<u>4,305,478</u>	6,783,600
Borrowings denominated in HKD (unsecured)				
Term loan				
- More than one year	<u>679,341</u>	-	-	-
Subordinated notes denominated in USD (unsecured)				
- More than one year	<u>2,561,131</u>	2,757,622	<u>2,561,131</u>	2,757,622
Hybrid capital securities denominated in USD (unsecured)				
- More than one year	718,925	-	718,925	-
Hybrid capital securities denominated in RM (unsecured)				
- More than one year	<u>1,200,000</u>	-	<u>1,200,000</u>	-
	<u>1,918,925</u>	-	<u>1,918,925</u>	-

B10. Off-Balance Sheet Financial Instruments

Please refer to note A26.

B11. Changes in Material Litigation

The Group and the Bank do not have any material litigation which would materially and adversely affect the financial position of the Group and the Bank.

B12. Proposed Dividends

- (a) (i) A proposed final dividend of 30% and special dividend of 10% less 27% tax for the year ended 31 December 2006 has been recommended by the directors;
- (ii) Amount per share: 40 sen less 27% tax;
- (iii) Previous corresponding period: 55 sen less 28% tax.;
- (iv) Payment date: To be determined and announced at a later date; and
- (v) In respect of deposited securities, entitlement to the proposed dividend will be determined on the basis of the Record of Depositors as at the close of business on the date to be determined and announced at a later date.
- (b) The total dividend for the current financial year: 60 sen, comprising 20 sen less 28% tax and 40 sen less 27% tax.

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B13. Earnings Per Share (EPS)

Basic

The calculation of the basic earnings per share is based on the net profit attributable to the equity holders of the Bank for the 4th quarter and financial year ended 31 December 2006 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 4th quarter and financial year ended 31 December 2006 excluding the weighted average treasury shares held by the Bank.

	4th Quarter Ended		Financial Year Ended	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Net profit attributable to equity holders of the Bank (RM'000)	<u>445,063</u>	<u>392,667</u>	<u>1,726,688</u>	<u>1,459,139</u>
Weighted average number of PBB Shares ('000)	<u>3,330,278</u>	<u>3,290,235</u>	<u>3,314,066</u>	<u>3,279,117</u>
Basic earnings per share (sen)	<u>13.4</u>	<u>11.9</u>	<u>52.1</u>	<u>44.5</u>

Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to the equity holders of the Bank for the 4th quarter and financial year ended 31 December 2006 divided by the adjusted weighted average number of PBB Shares of RM1.00 each in issue and issuable under the exercise of share options granted under the Public Bank Berhad Employees' Share Option Scheme.

	4th Quarter Ended		Financial Year Ended	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
Weighted average number of PBB Shares ('000)	<u>3,330,278</u>	<u>3,290,235</u>	<u>3,314,066</u>	<u>3,279,117</u>
Effects of share options ('000)	<u>20,707</u>	<u>13,859</u>	<u>32,059</u>	<u>31,466</u>
Adjusted weighted average number of PBB shares in issue or issuable ('000)	<u>3,350,985</u>	<u>3,304,094</u>	<u>3,346,125</u>	<u>3,310,583</u>
Diluted earnings per share (sen)	<u>13.3</u>	<u>11.9</u>	<u>51.6</u>	<u>44.1</u>