

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<b>ASSETS</b>				
Cash and balances with banks	<b>32,492,306</b>	46,663,156	<b>23,434,610</b>	34,984,593
Reverse repurchase agreements	<b>2,415,810</b>	1,200,243	<b>1,514,684</b>	-
Financial assets held-for-trading	<b>5,680,764</b>	7,957,275	<b>5,218,382</b>	7,655,815
Derivative financial assets	<b>529,399</b>	310,311	<b>528,608</b>	302,861
Financial investments available-for-sale	<b>17,662,515</b>	12,165,777	<b>15,309,557</b>	10,458,159
Financial investments held-to-maturity	<b>5,013,405</b>	6,620,207	<b>6,238,895</b>	7,637,258
Loans, advances and financing	<b>149,255,831</b>	135,335,784	<b>120,859,727</b>	107,962,807
Other assets	<b>2,035,465</b>	1,758,578	<b>1,436,011</b>	1,453,540
Statutory deposits with Central Banks	<b>1,607,228</b>	1,022,181	<b>1,123,410</b>	588,362
Deferred tax assets	<b>500,700</b>	506,607	<b>403,918</b>	390,826
Investment in subsidiary companies	-	-	<b>3,794,681</b>	3,694,681
Investment in associated companies	<b>114,557</b>	128,318	<b>101,325</b>	101,325
Investment properties	<b>63,605</b>	69,327	-	-
Prepaid land lease payments	<b>258,505</b>	289,228	<b>12</b>	13
Property and equipment	<b>1,011,109</b>	1,051,551	<b>613,126</b>	650,968
Intangible assets	<b>1,935,506</b>	2,057,611	<b>695,393</b>	695,393
<b>TOTAL ASSETS</b>	<b>220,576,705</b>	217,136,154	<b>181,272,339</b>	176,576,601
<b>LIABILITIES</b>				
Deposits from customers	<b>174,483,040</b>	170,891,589	<b>137,164,758</b>	135,387,490
Deposits from banks	<b>18,529,002</b>	22,614,300	<b>20,257,876</b>	20,783,929
Bills and acceptances payable	<b>2,423,372</b>	612,730	<b>2,422,971</b>	612,730
Recourse obligations on loans sold to				
Cagamas	<b>18,376</b>	21,763	<b>18,376</b>	21,763
Derivative financial liabilities	<b>508,475</b>	270,056	<b>455,416</b>	243,396
Debt securities issued and other				
borrowed funds	<b>8,216,110</b>	8,032,345	<b>7,345,627</b>	7,399,461
Other liabilities	<b>2,852,128</b>	2,511,757	<b>1,614,363</b>	1,399,378
Provision for tax expense and zakat	<b>690,044</b>	464,290	<b>483,242</b>	286,242
Deferred tax liabilities	<b>5,966</b>	2,000	-	-
<b>TOTAL LIABILITIES</b>	<b>207,726,513</b>	205,420,830	<b>169,762,629</b>	166,134,389

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	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<b>EQUITY</b>				
Share capital	3,531,926	3,531,926	3,531,926	3,531,926
Reserves	8,874,246	8,072,918	8,193,087	7,491,924
Treasury shares	<u>(215,303)</u>	<u>(581,638)</u>	<u>(215,303)</u>	<u>(581,638)</u>
<b>Equity attributable to equity holders of the Bank</b>	<b>12,190,869</b>	11,023,206	<b>11,509,710</b>	10,442,212
Minority interests	<u>659,323</u>	<u>692,118</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>	<b><u>12,850,192</u></b>	<u>11,715,324</u>	<b><u>11,509,710</u></b>	<u>10,442,212</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>220,576,705</u></b>	<u>217,136,154</u>	<b><u>181,272,339</u></b>	<u>176,576,601</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b><u>68,924,911</u></b>	<u>61,435,239</u>	<b><u>64,318,712</u></b>	<u>56,878,933</u>
<b>CAPITAL ADEQUACY</b>				
Tier 1 Capital Ratio	<b>9.8%</b>	9.9% *	<b>12.1%</b>	12.4% *
Risk-Weighted Capital Ratio	<b><u>13.6%</u></b>	<u>14.0%</u> *	<b><u>13.1%</u></b>	<u>13.5%</u> *
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b><u>3.48</u></b>	<u>3.19</u>	<b><u>3.29</u></b>	<u>3.03</u>

\* After deducting second interim dividend.

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

<u>Group</u>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>
Operating revenue	<b>2,877,383</b>	2,438,035	<b>8,064,403</b>	7,220,116
Interest income	<b>2,123,113</b>	1,807,110	<b>5,912,989</b>	5,482,522
Interest expense	<b>(946,347)</b>	(787,329)	<b>(2,517,335)</b>	(2,521,133)
Net interest income	<b>1,176,766</b>	1,019,781	<b>3,395,654</b>	2,961,389
Net income from Islamic banking business				
- Net finance income	<b>190,313</b>	172,140	<b>565,183</b>	474,504
- Other Islamic banking income	<b>4,616</b>	2,951	<b>13,381</b>	10,381
	<b>1,371,695</b>	1,194,872	<b>3,974,218</b>	3,446,274
Other operating income	<b>427,584</b>	371,610	<b>1,214,674</b>	1,032,971
Net income	<b>1,799,279</b>	1,566,482	<b>5,188,892</b>	4,479,245
Other operating expenses	<b>(547,137)</b>	(535,115)	<b>(1,720,366)</b>	(1,548,151)
Operating profit	<b>1,252,142</b>	1,031,367	<b>3,468,526</b>	2,931,094
Allowance for impairment on loans, advances and financing	<b>(202,276)</b>	(176,432)	<b>(516,735)</b>	(513,091)
Impairment on other assets	<b>(1,437)</b>	(2,054)	<b>(3,959)</b>	(4,997)
	<b>1,048,429</b>	852,881	<b>2,947,832</b>	2,413,006
Share of profit after tax of equity accounted associated companies	<b>2,948</b>	3,627	<b>8,101</b>	8,212
Profit before tax expense and zakat	<b>1,051,377</b>	856,508	<b>2,955,933</b>	2,421,218
Tax expense and zakat	<b>(257,068)</b>	(209,083)	<b>(716,951)</b>	(558,041)
Profit for the period	<b>794,309</b>	647,425	<b>2,238,982</b>	1,863,177
Profit for the period attributable to :				
- Equity holders of the Bank	<b>782,702</b>	639,045	<b>2,202,036</b>	1,839,071
- Minority interests	<b>11,607</b>	8,380	<b>36,946</b>	24,106
	<b>794,309</b>	647,425	<b>2,238,982</b>	1,863,177
Earnings per RM1.00 share:				
- basic / diluted (sen)	<b>22.3</b>	18.5	<b>63.0</b>	53.7

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

<u>Group</u>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>
Profit for the period	<b>794,309</b>	647,425	<b>2,238,982</b>	1,863,177
Other comprehensive income / (loss) :				
Currency translation differences in respect of foreign operations	<b>(163,211)</b>	(49,607)	<b>(376,841)</b>	(264)
Currency translation differences in respect of net investment hedge	<b>131,103</b>	34,135	<b>289,046</b>	8,678
Net gain on revaluation of financial investments available-for-sale	<b>41,873</b>	150,342	<b>27,822</b>	408,170
Net change in cash flow hedges	<b>(1,013)</b>	(1,537)	<b>(4,001)</b>	(2,609)
Income tax relating to components of other comprehensive income	<b>(7,148)</b>	(31,726)	<b>(3,602)</b>	(87,346)
Other comprehensive income / (loss) for the period, net of tax	<b>1,604</b>	101,607	<b>(67,576)</b>	326,629
Total comprehensive income for the period	<b>795,913</b>	749,032	<b>2,171,406</b>	2,189,806
Total comprehensive income / (loss) for the period attributable to:				
- Equity holders of the Bank	<b>814,126</b>	750,600	<b>2,205,524</b>	2,167,032
- Minority interests	<b>(18,213)</b>	(1,568)	<b>(34,118)</b>	22,774
	<b>795,913</b>	749,032	<b>2,171,406</b>	2,189,806

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

<b><u>Bank</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>
Operating revenue	<b>2,170,164</b>	1,779,478	<b>5,947,385</b>	5,323,474
Interest income	<b>1,877,905</b>	1,559,086	<b>5,177,526</b>	4,768,874
Interest expense	<b>(876,611)</b>	(726,526)	<b>(2,320,137)</b>	(2,368,780)
Net interest income	<b>1,001,294</b>	832,560	<b>2,857,389</b>	2,400,094
Other operating income	<b>485,826</b>	349,213	<b>1,260,618</b>	821,622
Net income	<b>1,487,120</b>	1,181,773	<b>4,118,007</b>	3,221,716
Other operating expenses	<b>(352,269)</b>	(348,126)	<b>(1,132,088)</b>	(1,041,862)
Operating profit	<b>1,134,851</b>	833,647	<b>2,985,919</b>	2,179,854
Allowance for impairment on loans, advances and financing	<b>(119,547)</b>	(81,508)	<b>(299,092)</b>	(250,669)
Impairment on other assets	<b>(1,438)</b>	(2,054)	<b>(3,887)</b>	(4,997)
Profit before tax expense and zakat	<b>1,013,866</b>	750,085	<b>2,682,940</b>	1,924,188
Tax expense and zakat	<b>(208,102)</b>	(173,912)	<b>(550,622)</b>	(439,884)
Profit for the period	<b>805,764</b>	576,173	<b>2,132,318</b>	1,484,304

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**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

<b><u>Bank</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>
Profit for the period	<b>805,764</b>	576,173	<b>2,132,318</b>	1,484,304
Other comprehensive income / (loss):				
Net gain on revaluation of financial investments available-for-sale	<b>31,493</b>	128,638	<b>22,126</b>	329,823
Net change in cash flow hedges	<b>(1,013)</b>	(1,537)	<b>(4,001)</b>	(2,609)
Income tax relating to components of other comprehensive income	<b>(7,620)</b>	(31,776)	<b>(4,531)</b>	(85,365)
Other comprehensive income for the period, net of tax	<b>22,860</b>	95,325	<b>13,594</b>	241,849
Total comprehensive income for the period	<b>828,624</b>	671,498	<b>2,145,912</b>	1,726,153

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

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

<b>Group</b>	<b>Non-distributable Reserves</b>			<b>Distributable Reserves</b>		<b>Treasury Shares</b>	<b>Total Shareholders' Equity</b>	<b>Minority Interests</b>	<b>Total Equity</b>
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Retained Profits</b>	<b>Treasury Shares</b>				
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2010</b>									
- as previously stated	3,531,926	1,439,885	3,762,784	2,870,249	(581,638)	11,023,206	692,118	11,715,324	
- effect of adopting FRS 139	-	-	24,486	241,689	-	266,175	7,169	273,344	
<b>At 1 January 2010, as restated</b>	<b>3,531,926</b>	<b>1,439,885</b>	<b>3,787,270</b>	<b>3,111,938</b>	<b>(581,638)</b>	<b>11,289,381</b>	<b>699,287</b>	<b>11,988,668</b>	
Profit for the period	-	-	-	2,202,036	-	2,202,036	36,946	2,238,982	
Other comprehensive income / (loss)	-	-	3,488	-	-	3,488	(71,064)	(67,576)	
Total comprehensive income / (loss) for the period	-	-	3,488	2,202,036	-	2,205,524	(34,118)	2,171,406	
Buy-back of shares	-	-	-	-	(240)	(240)	-	(240)	
Transfer to statutory reserves	-	-	56,242	(56,242)	-	-	-	-	
Transfer to regulatory reserves	-	-	6,779	(6,779)	-	-	-	-	
Dividends paid	-	-	-	(1,303,796)	-	(1,303,796)	(5,846)	(1,309,642)	
Share dividends	-	(366,575)	-	-	366,575	-	-	-	
<b>At 30 September 2010</b>	<b>3,531,926</b>	<b>1,073,310</b>	<b>3,853,779</b>	<b>3,947,157</b>	<b>(215,303)</b>	<b>12,190,869</b>	<b>659,323</b>	<b>12,850,192</b>	

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

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

<u>Group</u>	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		<u>Total Shareholders' Equity</u>	<u>Minority Interests</u>	<u>Total Equity</u>
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Other Reserves</u>	<u>Retained Profits</u>	<u>Treasury Shares</u>			
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
At 1 January 2009	3,531,926	2,132,499	3,243,735	1,902,658	(1,274,112)	9,536,706	692,026	10,228,732
Profit for the period	-	-	-	1,839,071	-	1,839,071	24,106	1,863,177
Other comprehensive income	-	-	327,961	-	-	327,961	(1,332)	326,629
Total comprehensive income for the period	-	-	327,961	1,839,071	-	2,167,032	22,774	2,189,806
Buy-back of shares	-	-	-	-	(140)	(140)	-	(140)
Transfer to statutory reserves	-	-	76,580	(76,580)	-	-	-	-
Transfer to regulatory reserves	-	-	9,937	(9,937)	-	-	-	-
Dividends paid	-	-	-	(1,405,755)	-	(1,405,755)	(6,579)	(1,412,334)
Share dividends	-	(692,614)	-	-	692,614	-	-	-
At 30 September 2009	3,531,926	1,439,885	3,658,213	2,249,457	(581,638)	10,297,843	708,221	11,006,064

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**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

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

	Non-distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
<b>Bank</b>						
<b>At 1 January 2010</b>						
- as previously stated	3,531,926	1,439,885	3,513,672	2,538,367	(581,638)	10,442,212
- effect of adopting FRS 139	-	-	-	225,622	-	225,622
<b>At 1 January 2010, as restated</b>	<u>3,531,926</u>	<u>1,439,885</u>	<u>3,513,672</u>	<u>2,763,989</u>	<u>(581,638)</u>	<u>10,667,834</u>
Profit for the period	-	-	-	2,132,318	-	2,132,318
Other comprehensive income	-	-	13,594	-	-	13,594
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>13,594</u>	<u>2,132,318</u>	<u>-</u>	<u>2,145,912</u>
Buy-back of shares	-	-	-	-	(240)	(240)
Dividends paid	-	-	-	(1,303,796)	-	(1,303,796)
Share dividends	-	(366,575)	-	-	366,575	-
<b>At 30 September 2010</b>	<u>3,531,926</u>	<u>1,073,310</u>	<u>3,527,266</u>	<u>3,592,511</u>	<u>(215,303)</u>	<u>11,509,710</u>

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**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

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

	Non-distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
<b>Bank</b>						
At 1 January 2009	3,531,926	2,132,499	3,239,059	1,762,457	(1,274,112)	9,391,829
Profit for the period	-	-	-	1,484,304	-	1,484,304
Other comprehensive income	-	-	241,849	-	-	241,849
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>241,849</u>	<u>1,484,304</u>	<u>-</u>	<u>1,726,153</u>
Buy-back of shares	-	-	-	-	(140)	(140)
Dividends paid	-	-	-	(1,405,755)	-	(1,405,755)
Share dividends	-	(692,614)	-	-	692,614	-
At 30 September 2009	<u><u>3,531,926</u></u>	<u><u>1,439,885</u></u>	<u><u>3,480,908</u></u>	<u><u>1,841,006</u></u>	<u><u>(581,638)</u></u>	<u><u>9,712,087</u></u>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2010**

	Group		Bank	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Profit before tax expense and zakat	2,955,933	2,421,218	2,682,940	1,924,188
Adjustments for non-cash items	635,710	638,690	(160,596)	92,371
Operating profit before changes in working capital	<b>3,591,643</b>	3,059,908	<b>2,522,344</b>	2,016,559
Changes in working capital:				
Net changes in operating assets	(11,428,040)	(4,260,593)	(10,391,739)	250,533
Net changes in operating liabilities	2,195,443	12,519,720	3,162,198	7,391,634
Tax expense and zakat paid	(574,396)	(617,970)	(443,992)	(538,907)
Net cash (used in) / generated from operating activities	<b>(6,215,350)</b>	10,701,065	<b>(5,151,189)</b>	9,119,819
Net cash used in investing activities	<b>(3,662,988)</b>	(4,141,212)	<b>(2,781,769)</b>	(4,038,662)
Net cash used in financing activities	<b>(1,092,500)</b>	(1,631,689)	<b>(1,304,036)</b>	(1,425,677)
Net change in cash and cash equivalents	<b>(10,970,838)</b>	4,928,164	<b>(9,236,994)</b>	3,655,480
Cash and cash equivalents at beginning of the year	<b>43,480,452</b>	36,597,027	<b>31,868,626</b>	29,564,959
Exchange differences on translation of opening balances	<b>(603,002)</b>	6,816	-	-
Cash and cash equivalents at end of the period (Note)	<b>31,906,612</b>	41,532,007	<b>22,631,632</b>	33,220,439
Note:				
Cash and balances with banks	<b>32,492,306</b>	43,076,485	<b>23,434,610</b>	35,295,971
Less: Balances with banks with maturity more than one month	<b>(585,694)</b>	(1,544,478)	<b>(802,978)</b>	(2,075,532)
Cash and cash equivalents at end of the period	<b>31,906,612</b>	41,532,007	<b>22,631,632</b>	33,220,439

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2009.*

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

**A1. Basis of Preparation**

The unaudited interim financial statements for the 3rd quarter and nine months ended 30 September 2010 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 investments, derivative financial instruments and investment properties.

The unaudited interim 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 unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2009. 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 2009.

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

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs, IC Interpretations and Technical Release ("TR"):

FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions
Amendments to FRS 132	Financial Instruments: Presentation

The adoption of FRS 4 did not have any material impact on the financial results of the Group and the Bank as only an immaterial amount of revenue is generated from the insurance business. The adoption of FRS 7, FRS 101, TR i-3 and Amendments to FRS 132 also did not impact the financial results of the Group and the Bank, as the changes introduced are presentational in nature. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs and IC Interpretations are disclosed in Note A28.

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**A1. Basis of Preparation** (Continued)

The Amendments to FRS 139 above included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects is also disclosed in Note A28.

The following revised FRSs, new IC Interpretations and Amendments to FRSs have been issued by the MASB but are not yet effective, and have yet to be adopted by the Group and the Bank:

Effective for annual periods commencing on or after 1 July 2010:

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

Effective for annual periods commencing on or after 1 January 2011:

IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
TR i-4	Shariah Compliant Sale Contracts

Upon the adoption of Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions above, the following two IC Interpretations will be withdrawn:

IC Interpretation 8	Scope of FRS 2
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions

IC Interpretations 12 and 15 are not expected to have any impact on the Financial Statements of the Group and the Bank as they are not relevant to the operations of the Group and the Bank. The adoption of the other revised FRSs, amendment to FRSs, IC Interpretations and TR i-4 is not expected to have a material impact on the financial statements of the Group and the Bank.

**A2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2009 was not qualified.

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**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 3rd quarter and the nine months ended 30 September 2010.

**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 3rd quarter and the nine months ended 30 September 2010.

**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 3rd quarter and the nine months ended 30 September 2010.

**A6. Debt and Equity Securities**

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

**Share Buy-back**

On 2 March 2010, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the nine months ended 30 September 2010, the Bank bought back from the open market, 20,000 PBB Shares listed and quoted as "Local" on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM11.97 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the nine months ended 30 September 2010, including transaction costs, was RM240,250 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

A total of 50,716,464 treasury shares were distributed as share dividend on the basis of one (1) PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia Securities Berhad for every sixty-eight (68) ordinary shares of RM1.00 each held in PBB on 5 February 2010. The distribution of the share dividend was completed on 13 February 2010.

As at 30 September 2010, the number of treasury shares held after deducting the above share dividend distribution was 29,780,704 PBB Shares.

**A7. Dividends Paid and Distributed**

During the nine months ended 30 September 2010, the second interim dividend of 25%, less 25% tax in respect of the financial year ended 31 December 2009, amounting to RM647,143,359 was paid on 13 February 2010.

A share dividend distribution consisting of 50,716,464 treasury shares as mentioned in Note A6 above was also completed on 13 February 2010.

An interim dividend of 25%, less 25% tax in respect of the financial year ending 31 December 2010, amounting to RM656,652,607 was paid on 13 August 2010.

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**A8. Financial Assets Held-for-trading**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Treasury Bills	-	66,735	-	66,735
Malaysian Government Securities	<b>273,119</b>	433,224	<b>273,119</b>	433,224
Malaysian Government Investment Certificates	<b>106,787</b>	131,661	<b>106,787</b>	101,356
Cagamas bonds	<b>15,167</b>	125,367	-	100,323
Negotiable instruments of deposit Bank Negara Malaysia Monetary Notes	<b>4,585,389</b>	6,243,362	<b>4,386,519</b>	6,193,679
Bank Negara Malaysia Bills	<b>451,100</b>	744,463	<b>451,100</b>	744,463
	<b>139,529</b>	124,937	-	-
	<b>5,571,091</b>	7,869,749	<b>5,217,525</b>	7,639,780
Quoted securities:				
Shares in Malaysia	<b>857</b>	925	<b>857</b>	925
Unquoted securities:				
Private debt securities in Malaysia	<b>108,816</b>	86,601	-	15,110
Total financial assets held-for-trading	<b>5,680,764</b>	7,957,275	<b>5,218,382</b>	7,655,815

**A9. Financial Investments Available-for-sale**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Securities	<b>2,341,556</b>	2,772,548	<b>2,331,562</b>	2,762,225
Malaysian Government Investment Certificates	<b>1,988,640</b>	2,066,106	<b>1,191,172</b>	1,199,819
Negotiable instruments of deposit Bank Negara Malaysia Monetary Notes	-	50,637	<b>270,385</b>	310,039
Bank Negara Malaysia Bills	<b>5,628,062</b>	-	<b>5,328,836</b>	-
	<b>440,942</b>	-	-	-
	<b>10,399,200</b>	4,889,291	<b>9,121,955</b>	4,272,083
Quoted securities:				
Shares and convertible loan stocks				
in Malaysia	<b>37,079</b>	49,765	<b>34,548</b>	46,323
Shares outside Malaysia	<b>8,628</b>	6,846	-	-
Trust units in Malaysia				
- Public Institutional Bond Fund	<b>1,597,056</b>	1,415,767	<b>1,493,677</b>	1,315,851
- Others	<b>3,043,541</b>	2,996,838	<b>2,628,835</b>	2,588,541
	<b>4,686,304</b>	4,469,216	<b>4,157,060</b>	3,950,715
Unquoted securities:				
Shares in Malaysia	<b>105,318</b>	20,579	<b>104,313</b>	20,009
Shares outside Malaysia	<b>2,899</b>	3,067	<b>192</b>	61
Private debt securities in Malaysia	<b>2,468,794</b>	2,783,624	<b>1,926,037</b>	2,215,291
	<b>2,577,011</b>	2,807,270	<b>2,030,542</b>	2,235,361
Total financial investments available-for-sale	<b>17,662,515</b>	12,165,777	<b>15,309,557</b>	10,458,159

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**A10. Financial Investments Held-to-maturity**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<b>At amortised cost</b>				
Money market instruments:				
Malaysian Government Treasury Bills	13,614	9,826	13,614	9,826
Malaysian Government Securities	1,937,446	2,702,667	1,776,158	2,620,859
Malaysian Government Investment Certificates	628,394	566,529	628,394	566,529
Bankers' acceptances and Islamic accepted bills	517,761	1,020,955	17,997	129,387
Cagamas bonds	15,168	15,107	5,001	5,059
Negotiable instruments of deposit	629,497	513,121	3,580,024	4,028,238
Foreign Government Treasury Bills	456,405	274,311	86,529	53,523
	<u>4,198,285</u>	<u>5,102,516</u>	<u>6,107,717</u>	<u>7,413,421</u>
Unquoted securities:				
Shares in Malaysia	-	88,016	-	87,573
Private debt securities in Malaysia	151,285	159,065	141,210	148,976
Private debt securities outside Malaysia	673,867	1,283,322	-	-
	<u>825,152</u>	<u>1,530,403</u>	<u>141,210</u>	<u>236,549</u>
Accumulated impairment losses	(10,032)	(12,712)	(10,032)	(12,712)
Total financial investments held-to-maturity	<u>5,013,405</u>	<u>6,620,207</u>	<u>6,238,895</u>	<u>7,637,258</u>

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**A11. Loans, Advances and Financing**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<b>At amortised cost</b>				
Overdrafts	9,513,090	9,624,895	8,451,834	8,183,430
Term loans				
- Housing loans / financing	42,364,056	37,518,424	37,021,617	32,520,706
- Syndicated term loan / financing	2,502,074	2,263,231	1,355,042	1,101,921
- Hire purchase receivables	34,307,407	31,510,038	23,586,308	21,478,839
- Other term loans / financing	53,155,937	48,078,431	42,615,330	37,935,351
Credit card receivables	1,252,502	1,178,526	1,244,072	1,169,668
Bills receivables	110,715	114,876	95,987	83,335
Trust receipts	389,386	407,432	338,425	333,042
Claims on customers under acceptance credits	3,649,285	3,121,018	3,638,839	3,109,337
Revolving credits	3,562,837	2,961,241	3,638,762	2,997,450
Staff loans *	925,987	832,315	870,317	776,225
Gross loans, advances and financing	<u>151,733,276</u>	<u>137,610,427</u>	<u>122,856,533</u>	<u>109,689,304</u>
Allowance for impaired loans and financing:				
- collective assessment allowance	(2,238,434)	-	(1,850,656)	-
- individual assessment allowance	(239,011)	-	(146,150)	-
- general allowance	-	(2,051,659)	-	(1,645,143)
- specific allowance	-	(222,984)	-	(81,354)
Net loans, advances and financing	<u><u>149,255,831</u></u>	<u><u>135,335,784</u></u>	<u><u>120,859,727</u></u>	<u><u>107,962,807</u></u>

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM3,595,841 (2009: RM1,426,094) and RM2,963,774 (2009 - RM711,601) respectively.

**A11a. By type of customer**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Domestic banking institutions	92,583	68,625	-	-
Domestic non-bank financial institutions				
- Stock-broking companies	2,010	2,010	2,010	2,010
- Others	5,732,734	3,669,909	5,519,317	3,655,532
Domestic business enterprises				
- Small and medium enterprises	27,313,449	24,840,973	24,429,549	21,520,341
- Others	21,671,749	22,424,951	17,436,229	17,072,519
Government and statutory bodies	329,942	316,353	406	534
Individuals	94,684,731	83,606,472	73,745,777	65,745,217
Other domestic entities	29,815	26,919	26,957	25,438
Foreign entities	1,876,263	2,654,215	1,696,288	1,667,713
	<u><u>151,733,276</u></u>	<u><u>137,610,427</u></u>	<u><u>122,856,533</u></u>	<u><u>109,689,304</u></u>

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**A11. Loans, Advances and Financing** (continued)

**A11b. By interest / profit rate sensitivity**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Fixed rate				
- Housing loans / financing	2,051,913	2,399,719	1,098,259	1,375,787
- Hire purchase receivables	32,721,898	30,149,942	23,580,587	21,473,821
- Other fixed rate loans / financing	15,484,849	14,283,642	8,280,852	7,114,932
Variable rate				
- Base lending rate plus	80,088,865	69,865,606	77,670,540	68,141,186
- Cost plus	12,454,539	11,802,092	11,802,541	10,958,834
- Other variable rates	8,931,212	9,109,426	423,754	624,744
	<u>151,733,276</u>	<u>137,610,427</u>	<u>122,856,533</u>	<u>109,689,304</u>

**A11c. By residual contractual maturity**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Maturity within one year	24,828,940	23,963,064	21,220,329	19,380,641
More than one year to three years	16,249,564	14,871,529	12,070,075	10,813,628
More than three years to five years	17,198,962	16,104,439	13,151,502	12,116,481
More than five years	93,455,810	82,671,395	76,414,627	67,378,554
	<u>151,733,276</u>	<u>137,610,427</u>	<u>122,856,533</u>	<u>109,689,304</u>

**A11d. By geographical distribution**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Malaysia	139,400,190	124,362,486	122,629,374	109,439,708
Hong Kong SAR and the People's Republic of China	10,375,823	10,919,276	-	-
Cambodia	1,730,104	2,079,069	-	-
Other countries	227,159	249,596	227,159	249,596
	<u>151,733,276</u>	<u>137,610,427</u>	<u>122,856,533</u>	<u>109,689,304</u>

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**A11. Loans, Advances and Financing** (continued)

**A11e. Gross loans, advances and financing by economic purpose**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Purchase of securities	2,101,375	2,383,280	1,985,121	2,233,886
Purchase of transport vehicles	34,498,438	31,628,208	23,771,002	21,601,524
Purchase of landed properties	74,659,666	64,887,271	65,727,069	56,783,539
(of which: - residential	42,827,145	37,953,145	37,500,598	32,962,816
- non-residential)	31,832,521	26,934,126	28,226,471	23,820,723
Purchase of fixed assets (excluding landed properties)	298,169	390,129	292,303	317,880
Personal use	8,848,700	8,477,853	3,965,916	3,847,006
Credit card	1,252,502	1,178,526	1,244,072	1,169,668
Purchase of consumer durables	16,877	16,495	12,937	12,644
Construction	1,669,552	1,552,576	1,052,732	947,445
Mergers & Acquisitions	8,439	99,835	8,439	99,835
Working capital	22,247,523	21,053,154	18,913,097	17,083,443
Other purpose	6,132,035	5,943,100	5,883,845	5,592,434
	151,733,276	137,610,427	122,856,533	109,689,304

**A11f. Gross loans, advances and financing by sectors**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Agriculture, hunting, forestry and fishing	3,163,509	3,080,074	2,939,708	2,776,774
Mining and quarrying	122,084	102,570	113,269	93,681
Manufacturing	7,063,399	6,573,612	6,417,577	5,751,532
Electricity, gas and water	58,153	46,053	12,282	25,004
Construction	6,078,216	5,836,418	5,245,272	5,052,239
Wholesale & retail trade and restaurants & hotels	14,010,387	12,797,310	12,862,060	11,590,257
Transport, storage and communication	1,410,705	1,556,251	1,349,456	1,492,542
Finance, insurance and business services	10,267,837	7,680,286	9,261,360	6,815,720
Real estate	9,606,779	9,403,595	9,088,253	8,732,707
Community, social and personal services	1,475,063	1,260,033	1,082,378	887,750
Households	97,699,339	88,179,612	74,181,916	66,143,492
(of which: - purchase of residential properties	41,962,925	37,211,245	36,661,292	32,243,051
- purchase of transport vehicles	28,737,036	26,326,889	18,460,770	16,789,954
- others)	26,999,378	24,641,478	19,059,854	17,110,487
Others	777,805	1,094,613	303,002	327,606
	151,733,276	137,610,427	122,856,533	109,689,304

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**A11. Loans, Advances and Financing** (continued)

**A11g.** Loans, advances and financing pledged as collateral are as follows:

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Bankers' acceptances rediscounted	<u>1,614,715</u>	<u>22,444</u>	<u>1,614,502</u>	<u>22,444</u>

**A11h.** Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
At 1 January				
- as previously stated	1,319,627	1,210,099	813,356	956,329
- effect of adopting FRS 139	439,129	-	433,492	-
At 1 January, as restated	<u>1,758,756</u>	1,210,099	<u>1,246,848</u>	956,329
Impaired during the period / year	2,305,350	2,483,525	1,790,128	1,652,963
Reclassified as non-impaired	(1,682,124)	(1,694,775)	(1,439,125)	(1,435,151)
Recoveries	(159,684)	(145,601)	(128,847)	(116,824)
Amount written off	(392,244)	(490,821)	(137,610)	(203,478)
Loans converted to foreclosed properties / securities	(25,171)	(41,436)	(23,682)	(40,457)
Exchange differences	(38,037)	(1,364)	(748)	(26)
Closing balance	<u>1,766,846</u>	<u>1,319,627</u>	<u>1,306,964</u>	<u>813,356</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>1.16%</u>	<u>0.96%</u>	<u>1.06%</u>	<u>0.74%</u>

**A11i.** Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Malaysia	1,480,912	945,809	1,290,684	811,737
Hong Kong SAR and the People's Republic of China	172,948	232,902	-	-
Cambodia	96,706	139,297	-	-
Other countries	16,280	1,619	16,280	1,619
	<u>1,766,846</u>	<u>1,319,627</u>	<u>1,306,964</u>	<u>813,356</u>

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**A11. Loans, Advances and Financing** (continued)

**A11j. Impaired loans, advances and financing by economic purpose**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Purchase of securities	6,880	2,722	6,873	2,722
Purchase of transport vehicles	262,183	145,096	199,645	91,048
Purchase of landed properties	737,371	564,424	641,330	478,758
(of which: - residential	463,102	451,954	412,383	402,129
- non-residential)	274,269	112,470	228,947	76,629
Purchase of fixed assets (excluding landed properties)	13,780	7,021	13,611	6,843
Personal use	168,600	153,777	51,280	47,513
Credit card	16,702	13,998	16,678	13,955
Purchase of consumer durables	200	242	200	222
Construction	24,532	4,861	14,339	-
Working capital	496,795	410,861	323,430	155,944
Other purpose	39,803	16,625	39,578	16,351
	1,766,846	1,319,627	1,306,964	813,356

**A11k. Impaired loans, advances and financing by sectors**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Agriculture, hunting, forestry and fishing	37,344	5,823	22,555	2,188
Mining and quarrying	1,233	104	162	104
Manufacturing	222,669	176,694	144,845	74,987
Electricity, gas and water	1,827	394	-	394
Construction	137,158	50,741	125,664	44,881
Wholesale & retail trade and restaurants & hotels	115,163	129,710	99,106	67,159
Transport, storage and communication	156,276	4,772	151,007	4,527
Finance, insurance and business services	82,741	44,188	43,573	16,249
Real estate	73,748	25,145	73,708	14,823
Community, social and personal services	13,521	3,710	13,399	3,659
Households	875,118	820,172	621,727	582,405
(of which: - purchase of residential properties	453,882	444,561	403,286	394,870
- purchase of transport vehicles	136,954	124,827	82,940	74,438
- others)	284,282	250,784	135,501	113,097
Others	50,048	58,174	11,218	1,980
	1,766,846	1,319,627	1,306,964	813,356

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**A11. Loans, Advances and Financing** (continued)

**A11I.** Movements in the allowance for impaired loans, advances and financing are as follows:

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<u>Collective Assessment Allowance</u>				
At 1 January				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	2,019,299	-	1,648,687	-
At 1 January, as restated	2,019,299	-	1,648,687	-
Allowance made during the period / year	403,250	-	338,462	-
Amount written off	(176,391)	-	(136,125)	-
Exchange differences	(7,724)	-	(368)	-
	<u>2,238,434</u>	<u>-</u>	<u>1,850,656</u>	<u>-</u>
	Group	Bank	Group	Bank
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<u>Individual Assessment Allowance</u>				
At 1 January				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	233,710	-	108,766	-
At 1 January, as restated	233,710	-	108,766	-
Allowance made during the period / year	339,953	-	100,774	-
Amount written back in respect of recoveries	(95,824)	-	(61,905)	-
Amount written off	(215,853)	-	(1,485)	-
Exchange differences	(22,975)	-	-	-
	<u>239,011</u>	<u>-</u>	<u>146,150</u>	<u>-</u>

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**A11. Loans, Advances and Financing** (continued)

**A11I.** Movements in the allowance for impaired loans, advances and financing are as follows (continued):

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<u>General Allowance</u>				
At 1 January				
- as previously stated	2,051,659	1,759,487	1,645,143	1,419,932
- effect of adopting FRS 139	(2,051,659)	-	(1,645,143)	-
At 1 January, as restated	-	1,759,487	-	1,419,932
Allowance made during the period / year	-	293,607	-	225,120
Exchange differences	-	(1,435)	-	91
Closing balance	-	2,051,659	-	1,645,143
As % of gross loans, advances and financing less specific allowance	-	1.49%	-	1.50%

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

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
<u>Specific Allowance</u>				
At 1 January				
- as previously stated	222,984	172,802	81,354	96,509
- effect of adopting FRS 139	(222,984)	-	(81,354)	-
At 1 January, as restated	-	172,802	-	96,509
Allowance made during the period / year	-	621,338	-	244,243
Amount written back in respect of recoveries	-	(73,611)	-	(57,763)
Amount written off	-	(490,821)	-	(203,478)
Reinstatement of amount written off previously due to restructuring / rescheduling, now being classified as performing loan	-	6,286	-	5,745
Amount transferred to accumulated impairment losses in value of foreclosed properties / securities	-	(3,960)	-	(3,880)
Exchange differences	-	(9,050)	-	(22)
Closing balance	-	222,984	-	81,354

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**A12. Other Assets**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Deferred handling fees	208,651	185,114	148,512	130,372
Interest / Income receivable	43,956	54,184	30,769	38,196
Other receivables, deposits and prepayments	1,050,632	968,160	838,907	736,148
Manager's stocks	24,754	40,730	-	-
Amount due from trust funds	353,912	154,740	-	-
Foreclosed properties	131,465	131,371	129,294	130,369
Taxi licenses	6,308	6,664	-	-
Outstanding contracts on clients' accounts	215,787	217,615	-	-
Amount due from subsidiary companies	-	-	41,519	51,966
Dividend receivable from subsidiary companies	-	-	247,010	366,489
	<u>2,035,465</u>	<u>1,758,578</u>	<u>1,436,011</u>	<u>1,453,540</u>

**A13. Deposits from Customers**

a) By type of deposit

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Demand deposits	23,753,601	22,258,977	20,381,780	19,218,621
Savings deposits	20,033,581	19,576,012	13,605,535	12,842,016
Fixed deposits	95,484,698	85,787,925	74,683,157	65,550,396
Negotiable instruments of deposit	3,676,564	3,394,628	767,718	2,540,777
Money market deposits	31,060,534	38,694,799	27,254,086	34,058,387
Other deposits	474,062	1,179,248	472,482	1,177,293
	<u>174,483,040</u>	<u>170,891,589</u>	<u>137,164,758</u>	<u>135,387,490</u>

b) By type of customer

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Federal and state governments	1,746,520	1,034,892	534,951	548,678
Local government and statutory authorities	2,069,307	2,440,787	1,754,226	1,759,750
Business enterprises	54,394,979	55,506,241	40,383,290	41,257,683
Individuals	84,674,431	80,493,668	71,687,985	66,868,296
Foreign customers	4,846,592	4,203,078	4,356,380	5,345,529
Others	26,751,211	27,212,923	18,447,926	19,607,554
	<u>174,483,040</u>	<u>170,891,589</u>	<u>137,164,758</u>	<u>135,387,490</u>

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**A13. Deposits from Customers** (continued)

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

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Due within six months	112,355,276	112,029,003	86,427,891	87,562,161
More than six months to one year	17,720,110	15,189,248	16,174,266	14,073,917
More than one year to three years	123,508	621,041	82,223	494,807
More than three years to five years	22,902	38,060	20,581	18,675
	<u>130,221,796</u>	<u>127,877,352</u>	<u>102,704,961</u>	<u>102,149,560</u>

**A14. Deposits from Banks**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Licensed banks	12,234,958	15,331,108	10,289,294	12,524,465
Licensed Islamic banks	1,223,425	1,923,325	-	-
Licensed investment banks	1,013,252	2,027,848	959,098	2,594,024
Bank Negara Malaysia	1,273,012	3,651	1,270,362	-
Other financial institutions	2,784,355	3,328,368	7,739,122	5,665,440
	<u>18,529,002</u>	<u>22,614,300</u>	<u>20,257,876</u>	<u>20,783,929</u>

**A15. Other Liabilities**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Interest / income payable	729,389	687,036	647,418	607,897
Other payables and accruals	1,636,682	1,463,226	991,776	794,835
Amount due to trust funds	282,645	78,827	-	-
Unprocessed sales and / or redemptions	10,566	64,761	-	-
Employee benefits	(71,779)	(66,325)	(69,098)	(63,844)
Profit Equalisation Reserves	36,071	11,876	-	-
Finance lease liabilities	21,722	42,852	21,722	42,852
Outstanding contracts on clients' accounts	200,052	208,912	-	-
Dividend payable to shareholders	6,780	20,592	6,780	3,712
Amount due to subsidiary companies	-	-	15,765	13,926
	<u>2,852,128</u>	<u>2,511,757</u>	<u>1,614,363</u>	<u>1,399,378</u>

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**A16. Interest Income**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<b><u>Group</u></b>				
Loans, advances and financing	1,788,910	1,480,596	4,949,564	4,329,810
Balances with banks	127,888	161,828	407,838	617,877
Financial investments available-for-sale	50,671	38,875	127,178	90,093
Financial investments held-to-maturity	85,639	69,720	244,737	220,154
Others	19,251	15,742	56,685	43,522
	<u>2,072,359</u>	<u>1,766,761</u>	<u>5,786,002</u>	<u>5,301,456</u>
Financial assets held-for-trading	50,754	40,349	126,987	181,066
	<u>2,123,113</u>	<u>1,807,110</u>	<u>5,912,989</u>	<u>5,482,522</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>16,084</u>	-	<u>45,191</u>	-
	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<b><u>Bank</u></b>				
Loans, advances and financing	1,587,978	1,280,057	4,344,287	3,768,463
Balances with banks	109,954	130,371	345,867	516,141
Financial investments available-for-sale	46,935	29,833	115,867	74,541
Financial investments held-to-maturity	71,141	68,779	210,758	199,794
Others	19,246	15,755	56,512	43,576
	<u>1,835,254</u>	<u>1,524,795</u>	<u>5,073,291</u>	<u>4,602,515</u>
Financial assets held-for-trading	42,651	34,291	104,235	166,359
	<u>1,877,905</u>	<u>1,559,086</u>	<u>5,177,526</u>	<u>4,768,874</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>14,858</u>	-	<u>41,161</u>	-

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**A17. Interest Expense**

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits from banks	82,612	31,126	170,921	97,333
Deposits from customers	790,545	697,742	2,147,846	2,218,362
Loans sold to Cagamas	200	297	636	40,284
Debt securities issued and other borrowed funds	71,899	57,225	195,317	161,618
Others	1,091	939	2,615	3,536
	<u>946,347</u>	<u>787,329</u>	<u>2,517,335</u>	<u>2,521,133</u>

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits from banks	70,430	17,921	132,010	61,839
Deposits from customers	740,335	653,297	2,004,870	2,106,700
Loans sold to Cagamas	200	297	636	40,284
Debt securities issued and other borrowed funds	64,635	54,186	180,284	156,682
Others	1,011	825	2,337	3,275
	<u>876,611</u>	<u>726,526</u>	<u>2,320,137</u>	<u>2,368,780</u>

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**A18. Other Operating Income**

<u>Group</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
(a) Fee income:				
Commissions	49,032	37,123	130,410	105,685
Service charges and fees	56,344	54,878	163,134	156,079
Guarantee fees	6,897	6,808	22,542	22,729
Processing fees	4,640	3,747	9,147	12,268
Commitment fees	13,924	13,385	44,242	38,997
Unit trust management fees	122,568	104,131	353,939	261,316
Fee on sale of trust units	20,170	22,170	65,442	51,840
Net brokerage and commissions from stockbroking activities	24,478	23,154	72,682	60,698
Other fee income	8,398	10,719	25,498	41,892
	<u>306,451</u>	<u>276,115</u>	<u>887,036</u>	<u>751,504</u>
(b) Net gain / (loss) arising on financial assets held-for-trading				
- net gain on disposal	3,369	1,628	6,268	9,321
- gross dividend income	8	28	910	42
- unrealised revaluation (loss) / gain	(3,892)	7,069	3,450	10,533
	<u>(515)</u>	<u>8,725</u>	<u>10,628</u>	<u>19,896</u>
(c) Unrealised net gain / (loss) on revaluation of trading derivatives	<u>8,318</u>	<u>(4,705)</u>	<u>1,655</u>	<u>(11,768)</u>
(d) Net gain arising on financial investments available-for-sale				
- net gain on disposal	3,331	393	5,223	37,924
- gross dividend income	31,429	29,910	84,263	59,407
	<u>34,760</u>	<u>30,303</u>	<u>89,486</u>	<u>97,331</u>
(e) Gross dividend income from financial investments held-to-maturity	<u>-</u>	<u>3,868</u>	<u>-</u>	<u>3,992</u>
(f) Ineffectiveness arising from hedging derivatives	<u>(399)</u>	<u>(3)</u>	<u>161</u>	<u>(82)</u>
(g) Other income:				
Foreign exchange profit	64,467	47,432	191,017	135,078
Rental income from:				
- investment properties	1,310	1,433	4,059	4,245
- other properties	2,458	2,405	7,280	6,599
Net gain / (loss) on disposal of property and equipment	596	(88)	1,332	997
Net gain / (loss) on disposal of foreclosed properties	241	(613)	75	(2,718)
Net (loss) / gain on revaluation of investment properties	(22)	(38)	1,368	7,043
Others	9,919	6,776	20,577	20,854
	<u>78,969</u>	<u>57,307</u>	<u>225,708</u>	<u>172,098</u>
Total other operating income	<u>427,584</u>	<u>371,610</u>	<u>1,214,674</u>	<u>1,032,971</u>

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**A18. Other Operating Income** (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<b><u>Bank</u></b>				
(a) Fee income:				
Commissions	57,161	46,244	160,656	118,065
Service charges and fees	41,069	39,656	106,691	112,538
Guarantee fees	5,482	5,147	17,787	17,623
Processing fees	1,686	418	2,368	988
Commitment fees	13,076	12,494	41,706	36,081
Other fee income	6,622	8,642	12,016	35,401
	<u>125,096</u>	<u>112,601</u>	<u>341,224</u>	<u>320,696</u>
(b) Net gain / (loss) arising on financial assets held-for-trading				
- net gain on disposal	3,202	1,456	6,143	8,452
- gross dividend income	8	28	910	42
- unrealised revaluation (loss) / gain	(3,985)	7,118	3,279	10,796
	<u>(775)</u>	<u>8,602</u>	<u>10,332</u>	<u>19,290</u>
(c) Unrealised net gain / (loss) on revaluation of trading derivatives	<u>12,471</u>	<u>(4,426)</u>	<u>13,788</u>	<u>(3,773)</u>
(d) Net gain arising on financial investments available-for-sale				
- net gain on disposal	2,984	459	4,988	25,056
- gross dividend income	30,544	28,983	80,603	56,268
	<u>33,528</u>	<u>29,442</u>	<u>85,591</u>	<u>81,324</u>
(e) Gross dividend income from financial investments held-to-maturity	<u>-</u>	<u>3,800</u>	<u>-</u>	<u>3,882</u>
(f) Ineffectiveness arising from hedging derivatives	<u>(250)</u>	<u>71</u>	<u>41</u>	<u>114</u>
(g) Gross dividend income from:				
- associated companies	9,035	-	9,035	-
- subsidiary companies				
- quoted outside Malaysia	-	-	16,832	18,249
- unquoted in Malaysia	174,217	125,413	443,878	237,524
	<u>183,252</u>	<u>125,413</u>	<u>469,745</u>	<u>255,773</u>
(f) Other income:				
Foreign exchange profit	121,273	68,435	317,333	125,272
Rental income from other properties	1,468	1,419	4,345	3,736
Net gain / (loss) on disposal of property and equipment	364	(173)	1,113	920
Net gain / (loss) on disposal of foreclosed properties	232	(613)	(1,794)	(2,878)
Others	9,167	4,642	18,900	17,266
	<u>132,504</u>	<u>73,710</u>	<u>339,897</u>	<u>144,316</u>
Total other operating income	<u>485,826</u>	<u>349,213</u>	<u>1,260,618</u>	<u>821,622</u>

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**A19. Other Operating Expenses**

<b>Group</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>	<b>30 September 2010</b>	<b>30 September 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>273,514</b>	261,357	<b>869,864</b>	765,514
- Pension costs	<b>29,042</b>	32,155	<b>92,267</b>	97,285
- Others	<b>26,095</b>	25,271	<b>82,134</b>	73,679
	<b>328,651</b>	318,783	<b>1,044,265</b>	936,478
Establishment costs				
- Depreciation and amortisation	<b>37,784</b>	33,223	<b>106,467</b>	100,127
- Rental	<b>18,757</b>	17,406	<b>55,039</b>	52,498
- Insurance	<b>4,328</b>	4,352	<b>14,505</b>	13,123
- Water and electricity	<b>9,745</b>	9,926	<b>28,990</b>	27,798
- General repairs and maintenance	<b>15,374</b>	15,892	<b>47,402</b>	46,758
- Information technology expenses	<b>7,147</b>	6,109	<b>20,298</b>	18,396
- Others	<b>8,075</b>	7,960	<b>24,777</b>	23,535
	<b>101,210</b>	94,868	<b>297,478</b>	282,235
Marketing expenses				
- Sales commission	<b>27,401</b>	26,107	<b>80,903</b>	63,821
- Advertisement and publicity	<b>19,099</b>	23,713	<b>61,541</b>	65,048
- Others	<b>19,207</b>	24,286	<b>69,256</b>	59,815
	<b>65,707</b>	74,106	<b>211,700</b>	188,684
Administration and general expenses				
- Communication expenses	<b>24,402</b>	17,110	<b>70,763</b>	52,213
- Legal and professional fees	<b>10,921</b>	13,746	<b>37,170</b>	39,424
- Others	<b>16,246</b>	16,502	<b>58,990</b>	49,117
	<b>51,569</b>	47,358	<b>166,923</b>	140,754
Total other operating expenses	<b>547,137</b>	535,115	<b>1,720,366</b>	1,548,151

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**A19. Other Operating Expenses (continued)**

<b><u>Bank</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>	<b>30 September 2010 RM'000</b>	<b>30 September 2009 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>206,887</b>	198,428	<b>664,213</b>	599,261
- Pension costs	<b>24,871</b>	28,156	<b>79,680</b>	84,871
- Others	<b>23,001</b>	22,522	<b>72,847</b>	64,560
	<b>254,759</b>	249,106	<b>816,740</b>	748,692
Establishment costs				
- Depreciation and amortisation	<b>26,937</b>	26,040	<b>81,408</b>	78,118
- Rental	<b>18,399</b>	17,461	<b>54,327</b>	52,753
- Insurance	<b>3,597</b>	3,361	<b>11,194</b>	10,308
- Water and electricity	<b>7,197</b>	7,156	<b>21,539</b>	20,661
- General repairs and maintenance	<b>13,693</b>	14,375	<b>42,290</b>	41,394
- Information technology expenses	<b>3,963</b>	3,414	<b>11,699</b>	10,242
- Others	<b>5,051</b>	4,824	<b>16,000</b>	14,757
	<b>78,837</b>	76,631	<b>238,457</b>	228,233
Marketing expenses				
- Advertisement and publicity	<b>4,314</b>	9,227	<b>21,560</b>	27,820
- Others	<b>12,011</b>	13,374	<b>40,871</b>	39,311
	<b>16,325</b>	22,601	<b>62,431</b>	67,131
Administration and general expenses				
- Communication expenses	<b>23,160</b>	17,044	<b>67,911</b>	50,102
- Legal and professional fees	<b>9,015</b>	11,248	<b>29,594</b>	32,227
- Others	<b>9,178</b>	6,094	<b>37,388</b>	17,588
	<b>41,353</b>	34,386	<b>134,893</b>	99,917
Shared service cost charged to Public Islamic Bank Berhad	<b>(39,005)</b>	(34,598)	<b>(120,433)</b>	(102,111)
<b>Total other operating expenses</b>	<b>352,269</b>	348,126	<b>1,132,088</b>	1,041,862

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**A20. Allowance for Impairment on Loans, Advances and Financing**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<b><u>Group</u></b>				
Allowance for impaired loans and financing:				
Collective assessment allowance	130,064	-	403,250	-
Individual assessment allowance	114,016	-	244,129	-
General allowance	-	78,701	-	235,392
Specific allowance	-	135,530	-	389,201
Bad debts recovered from stock broking activities	-	(146)	(46)	(248)
Impaired loans and financing written off	121	942	416	2,142
Impaired loans and financing recovered	(41,925)	(38,595)	(131,014)	(113,396)
	<u>202,276</u>	<u>176,432</u>	<u>516,735</u>	<u>513,091</u>
	3rd Quarter Ended	30 September	Nine Months Ended	30 September
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Allowance for impaired loans and financing:				
Collective assessment allowance	108,162	-	338,462	-
Individual assessment allowance	36,797	-	38,869	-
General allowance	-	58,881	-	177,768
Specific allowance	-	44,546	-	139,337
Impaired loans and financing written off	76	145	309	449
Impaired loans and financing recovered	(25,488)	(22,064)	(78,548)	(66,885)
	<u>119,547</u>	<u>81,508</u>	<u>299,092</u>	<u>250,669</u>

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**A21. Segment Information**

	-----<----- Operating Segments ----->-----											
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
<b>3rd Quarter Ended 30 September 2010</b>												
External revenue	485,038	1,401,203	192,469	357,530	46,678	142,882	1,254	(7,286)	2,619,768	257,615	-	2,877,383
Revenue from other segments	-	188,356	2,643	144,202	10,340	(7,880)	6,858	339,096	683,615	977	(684,592)	-
	<b>485,038</b>	<b>1,589,559</b>	<b>195,112</b>	<b>501,732</b>	<b>57,018</b>	<b>135,002</b>	<b>8,112</b>	<b>331,810</b>	<b>3,303,383</b>	<b>258,592</b>	<b>(684,592)</b>	<b>2,877,383</b>
Net interest income and												
Islamic banking income	232,244	861,466	63,275	4,142	2,165	1,896	(1,676)	40,814	1,204,326	167,369	-	1,371,695
Other operating income	837	156,612	18,383	42,079	16,952	134,190	8,082	35,819	412,954	37,099	(22,469)	427,584
Net income	233,081	1,018,078	81,658	46,221	19,117	136,086	6,406	76,633	1,617,280	204,468	(22,469)	1,799,279
Other operating expenses	(47,267)	(303,291)	(2,129)	(6,234)	(5,905)	(66,721)	(3,651)	(46,600)	(481,798)	(87,808)	22,469	(547,137)
Allowance for impairment on loans, advances and financing	(26,849)	(93,733)	(19,515)	-	(12)	-	-	-	(140,109)	(62,167)	-	(202,276)
Impairment on other assets	-	(1,438)	-	1	-	-	-	-	(1,437)	-	-	(1,437)
Profit by segments	<b>158,965</b>	<b>619,616</b>	<b>60,014</b>	<b>39,988</b>	<b>13,200</b>	<b>69,365</b>	<b>2,755</b>	<b>30,033</b>	<b>993,936</b>	<b>54,493</b>	<b>-</b>	<b>1,048,429</b>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									74	2,874		2,948
Profit before tax expense and zakat									<b>994,010</b>	<b>57,367</b>		<b>1,051,377</b>

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**A21. Segment Information (continued)**

3rd Quarter Ended 30 September 2009	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	416,371	1,069,016	136,533	254,299	45,420	126,407	1,161	120,430	2,169,637	268,398	-	2,438,035
Revenue from other segments	-	202,027	1,833	69,545	10,758	(9,309)	6,876	224,515	506,245	1,099	(507,344)	-
	<u>416,371</u>	<u>1,271,043</u>	<u>138,366</u>	<u>323,844</u>	<u>56,178</u>	<u>117,098</u>	<u>8,037</u>	<u>344,945</u>	<u>2,675,882</u>	<u>269,497</u>	<u>(507,344)</u>	<u>2,438,035</u>
Net interest income and												
Islamic banking income	215,966	680,607	56,590	28,474	3,494	505	(791)	39,698	1,024,543	170,329	-	1,194,872
Other operating income	831	135,867	7,030	37,134	18,902	117,130	7,970	29,060	353,924	36,063	(18,377)	371,610
Net income	<u>216,797</u>	<u>816,474</u>	<u>63,620</u>	<u>65,608</u>	<u>22,396</u>	<u>117,635</u>	<u>7,179</u>	<u>68,758</u>	<u>1,378,467</u>	<u>206,392</u>	<u>(18,377)</u>	<u>1,566,482</u>
Other operating expenses	(33,408)	(288,470)	(1,730)	(4,343)	(10,212)	(62,830)	(3,643)	(63,782)	(468,418)	(85,074)	18,377	(535,115)
Allowance for impairment on loans, advances and financing	(25,690)	(66,747)	(7,619)	-	(20)	-	-	-	(100,076)	(76,356)	-	(176,432)
Impairment on other assets	-	(2,054)	-	-	-	-	-	-	(2,054)	-	-	(2,054)
Profit by segments	<u>157,699</u>	<u>459,203</u>	<u>54,271</u>	<u>61,265</u>	<u>12,164</u>	<u>54,805</u>	<u>3,536</u>	<u>4,976</u>	<u>807,919</u>	<u>44,962</u>	<u>-</u>	<u>852,881</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									65	3,562		3,627
Profit before tax expense and zakat									<u>807,984</u>	<u>48,524</u>		<u>856,508</u>

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**A21. Segment Information** (continued)

Nine Months Ended 30 September 2010	-----<----- Operating Segments ----->-----							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	1,398,565	3,674,759	510,662	945,587	147,018	419,794	3,775	196,902	7,297,062	767,341	-	8,064,403
Revenue from other segments	-	521,726	6,777	373,152	31,138	(28,115)	20,571	911,018	1,836,267	3,059	(1,839,326)	-
	<u>1,398,565</u>	<u>4,196,485</u>	<u>517,439</u>	<u>1,318,739</u>	<u>178,156</u>	<u>391,679</u>	<u>24,346</u>	<u>1,107,920</u>	<u>9,133,329</u>	<u>770,400</u>	<u>(1,839,326)</u>	<u>8,064,403</u>
Net interest income and												
Islamic banking income	690,395	2,363,358	183,381	56,085	8,409	4,573	(4,401)	156,500	3,458,300	515,918	-	3,974,218
Other operating income	2,379	445,144	42,124	108,632	53,878	389,923	24,263	108,012	1,174,355	107,861	(67,542)	1,214,674
Net income	692,774	2,808,502	225,505	164,717	62,287	394,496	19,862	264,512	4,632,655	623,779	(67,542)	5,188,892
Other operating expenses	(122,848)	(951,609)	(5,980)	(17,529)	(25,326)	(195,239)	(10,760)	(199,020)	(1,528,311)	(259,597)	67,542	(1,720,366)
Allowance for impairment on loans, advances and financing	(79,990)	(238,323)	(38,452)	-	(168)	-	-	5	(356,928)	(159,807)	-	(516,735)
Impairment on other assets	-	(3,887)	-	(72)	-	-	-	-	(3,959)	-	-	(3,959)
Profit by segments	<u>489,936</u>	<u>1,614,683</u>	<u>181,073</u>	<u>147,116</u>	<u>36,793</u>	<u>199,257</u>	<u>9,102</u>	<u>65,497</u>	<u>2,743,457</u>	<u>204,375</u>	<u>-</u>	<u>2,947,832</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									237	7,864		8,101
Profit before tax expense and zakat									<u>2,743,694</u>	<u>212,239</u>		<u>2,955,933</u>
Cost income ratio	17.7%	33.9%	2.7%	10.6%	40.7%	49.5%	54.2%	75.2%	33.0%	41.6%		33.2%
Gross loans	32,548,377	88,503,853	18,090,369	-	214,954	40,345	2,292	-	139,400,190	12,333,086		151,733,276
Impaired loans, advances and financing	152,996	1,197,616	130,300	-	-	-	-	-	1,480,912	285,934		1,766,846
Impaired loan ratio	0.5%	1.4%	0.7%	-	-	-	-	-	1.1%	2.3%		1.2%
Deposits from customers	-	114,538,957	224,071	42,066,207	3,213,955	-	-	-	160,043,190	14,439,850		174,483,040
Segment assets	<u>32,283,782</u>	<u>120,104,596</u>	<u>17,748,733</u>	<u>59,745,331</u>	<u>4,787,110</u>	<u>468,190</u>	<u>261,884</u>	<u>12,633,052</u>	<u>248,032,678</u>	<u>18,695,874</u>	<u>(49,424,521)</u>	<u>217,304,031</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									1,948	112,609		114,557
Unallocated assets									1,222,611	-		1,222,611
Intangible assets									769,251	1,166,255		1,935,506
Total assets									<u>250,026,488</u>	<u>19,974,738</u>		<u>220,576,705</u>

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**A21. Segment Information (continued)**

Nine Months Ended 30 September 2009	-----<----- Operating Segments ----->-----							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	1,211,853	3,168,384	401,322	955,144	137,942	313,440	3,333	191,730	6,383,148	836,968	-	7,220,116
Revenue from other segments	-	607,484	6,548	197,584	28,302	(13,881)	20,528	633,975	1,480,540	19,229	(1,499,769)	-
	<u>1,211,853</u>	<u>3,775,868</u>	<u>407,870</u>	<u>1,152,728</u>	<u>166,244</u>	<u>299,559</u>	<u>23,861</u>	<u>825,705</u>	<u>7,863,688</u>	<u>856,197</u>	<u>(1,499,769)</u>	<u>7,220,116</u>
Net interest income and												
Islamic banking income	621,532	1,941,072	146,326	110,822	14,068	749	(2,468)	100,649	2,932,750	513,524	-	3,446,274
Other operating income	2,424	379,820	37,721	94,462	49,176	299,322	23,748	72,511	959,184	126,190	(52,403)	1,032,971
Net income	<u>623,956</u>	<u>2,320,892</u>	<u>184,047</u>	<u>205,284</u>	<u>63,244</u>	<u>300,071</u>	<u>21,280</u>	<u>173,160</u>	<u>3,891,934</u>	<u>639,714</u>	<u>(52,403)</u>	<u>4,479,245</u>
Other operating expenses	(96,897)	(860,356)	(4,975)	(12,984)	(28,985)	(147,141)	(10,816)	(189,102)	(1,351,256)	(249,298)	52,403	(1,548,151)
Allowance for impairment on loans, advances and financing	(73,543)	(176,152)	(52,175)	-	399	-	-	-	(301,471)	(211,620)	-	(513,091)
Impairment on other assets	-	(4,997)	-	-	-	-	-	-	(4,997)	-	-	(4,997)
Profit by segments	<u>453,516</u>	<u>1,279,387</u>	<u>126,897</u>	<u>192,300</u>	<u>34,658</u>	<u>152,930</u>	<u>10,464</u>	<u>(15,942)</u>	<u>2,234,210</u>	<u>178,796</u>	<u>-</u>	<u>2,413,006</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									215	7,997		8,212
Profit before tax expense and zakat									<u>2,234,425</u>	<u>186,793</u>		<u>2,421,218</u>
Cost income ratio	15.5%	37.1%	2.7%	6.3%	45.8%	49.0%	50.8%	109.2%	34.7%	39.0%		34.6%
Gross loans	29,363,162	74,994,067	15,663,739	-	222,570	31,386	2,038	-	120,276,962	13,301,414		133,578,376
Impaired loans, advances and financing	140,057	819,147	45,876	-	-	-	-	-	1,005,080	266,299		1,271,379
Impaired loan ratio	0.5%	1.1%	0.3%	-	-	-	-	-	0.8%	2.0%		1.0%
Deposits from customers	-	104,754,961	405,076	40,768,971	3,841,274	-	-	-	149,770,282	14,949,345		164,719,627
Segment assets	<u>29,081,799</u>	<u>108,958,915</u>	<u>15,437,851</u>	<u>61,166,979</u>	<u>5,635,983</u>	<u>388,677</u>	<u>183,296</u>	<u>10,461,108</u>	<u>231,314,608</u>	<u>19,613,421</u>	<u>(44,996,365)</u>	<u>205,931,664</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									1,629	134,354		135,983
Unallocated assets									902,013	-		902,013
Intangible assets									769,251	1,304,571		2,073,822
Total assets									<u>232,987,501</u>	<u>21,052,346</u>		<u>209,043,482</u>

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

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

Certain comparative figures have been reclassified to conform with current year's presentation.

**A22. Subsequent Events**

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements.

**A23. Changes in the Composition of the Group**

On 1 September 2010, Bank Negara Malaysia had granted approval to the joint application by ING Management Holdings (Malaysia) Sdn Bhd ("ING"), Public Bank Berhad ("PBB") and Public Islamic Bank Berhad ("PIBB") (a wholly-owned subsidiary of PBB) for a Family Takaful licence.

ING, PBB and PIBB will set up a joint venture company to carry out the family takaful business with equity participation of 60% by ING, 20% by PBB and 20% by PIBB.

The joint venture company is targeted to be fully operational by the first half of 2011 and therefore, it is not expected to have any effect in the earnings and net assets of the Group for the financial year ending 31 December 2010.

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**A24. Commitments and Contingencies**

The commitments and contingencies and their related counterparty credit risk of the Group and the Bank are as follows:

<b>Group</b>	<b>Principal</b>	<b>Positive</b>	<b>Credit</b>	<b>Risk-</b>
<b>As At 30 September 2010</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>of Derivative</b>	<b>Amount</b>	<b>Assets</b>
		<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	1,407,603		1,407,603	851,210
Transaction-related contingent items	741,552		370,776	230,527
Short term self-liquidating trade-related contingencies	623,069		124,614	102,814
Forward asset purchases	380,521		380,521	45,607
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	14,507,019		5,765,898	4,047,159
- not exceeding one year	20,909,952		-	-
Unutilised credit card lines	3,054,884		610,977	458,233
	<b>41,699,600</b>		<b>8,697,889</b>	<b>5,773,050</b>
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
- less than one year	16,225,273	139,767	329,234	97,782
- one year to less than five years	10,801	-	676	676
Interest rate related contracts:				
- less than one year	754,794	11,303	13,005	2,614
- one year to less than five years	5,772,216	120,424	257,406	52,962
- five years and above	4,044,070	237,126	525,626	105,819
Commodity related contracts:				
- less than one year	258	-	3	3
Equity related contracts:				
- less than one year	229,970	23	13,821	2,764
- one year to less than five years	187,929	20,756	35,790	7,158
	<b>27,225,311</b>	<b>529,399</b>	<b>1,175,561</b>	<b>269,778</b>
	<b>68,924,911</b>	<b>529,399</b>	<b>9,873,450</b>	<b>6,042,828</b>

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**A24. Commitments and Contingencies** (continued)

The commitments and contingencies and their related counterparty credit risk of the Group and the Bank are as follows (continued):

<b>Group</b> <b>As At 31 December 2009</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	1,439,868		1,439,868	864,160
Transaction-related contingent items	627,016		313,508	181,889
Short term self-liquidating trade-related contingencies	567,838		113,568	81,594
Forward asset purchases	91,201		91,201	15,171
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	13,477,346		5,598,305	3,920,956
- not exceeding one year	19,148,076		-	-
Unutilised credit card lines	3,239,933		647,986	485,990
	<u>38,666,278</u>		<u>8,241,936</u>	<u>5,587,260</u>
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
- less than one year	11,203,156	41,303	165,755	47,586
- one year to less than five years	5,062	40	293	293
Interest rate related contracts:				
- less than one year	166,552	2,623	2,964	593
- one year to less than five years	5,962,948	151,373	318,358	64,546
- five years and above	4,947,020	92,859	449,300	91,916
Commodity related contracts:				
- less than one year	3,767	17	55	55
Equity related contracts:				
- one year to less than five years	480,456	22,096	60,532	22,623
	<u>22,768,961</u>	<u>310,311</u>	<u>997,257</u>	<u>227,612</u>
	<u>61,435,239</u>	<u>310,311</u>	<u>9,239,193</u>	<u>5,814,872</u>

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**A24. Commitments and Contingencies** (continued)

The commitments and contingencies and their related counterparty credit risk of the Group and the Bank are as follows (continued):

<b>Bank</b>	<b>Principal</b>	<b>Positive</b>	<b>Credit</b>	<b>Risk-</b>
<b>As At 30 September 2010</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>of Derivative</b>	<b>Amount</b>	<b>Assets</b>
		<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>The Bank (excl. Public Bank (L) Ltd.)</b>				
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	1,306,888		1,306,888	837,359
Transaction-related contingent items	648,486		324,243	201,905
Short term self-liquidating trade-related contingencies	410,178		82,036	74,783
Forward asset purchases	305,314		305,314	30,566
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	13,475,079		5,350,026	3,746,479
- not exceeding one year	18,981,785		-	-
Unutilised credit card lines	2,891,831		578,366	433,775
	<b>38,094,561</b>		<b>7,984,373</b>	<b>5,362,367</b>
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
- less than one year	15,782,003	138,990	326,826	97,300
- one year to less than five years	10,801	-	676	676
Interest rate related contracts:				
- less than one year	613,514	11,289	12,758	2,552
- one year to less than five years	5,448,186	120,424	245,525	50,586
- five years and above	3,951,490	237,126	518,220	104,340
Commodity related contracts:				
- less than one year	258	-	3	3
Equity related contracts:				
- less than one year	229,970	23	13,821	2,764
- one year to less than five years	187,929	20,756	35,790	7,158
	<b>26,224,151</b>	<b>528,608</b>	<b>1,153,619</b>	<b>265,379</b>
	<b>64,318,712</b>	<b>528,608</b>	<b>9,137,992</b>	<b>5,627,746</b>
<b>Public Bank (L) Ltd.</b>				
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	4,629		4,629	4,629
Other commitments such as formal standby facilities and credit lines, with an original maturity of :				
- not exceeding one year	119,663		-	-
	<b>124,292</b>		<b>4,629</b>	<b>4,629</b>

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**A24. Commitments and Contingencies** (continued)

The commitments and contingencies and their related counterparty credit risk of the Group and the Bank are as follows (continued):

<b>Bank (continued)</b>	<b>Principal</b>	<b>Positive</b>	<b>Credit</b>	<b>Risk-</b>
<b>As At 30 September 2010</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>of Derivative</b>	<b>Amount</b>	<b>Assets</b>
		<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		<b>RM'000</b>
<b>Public Bank (L) Ltd. (continued)</b>				
<u>Derivative Financial Contracts</u>				
Interest rate related contracts:				
- less than one year	61,720	-	154	42
- one year to less than five years	324,030	-	11,881	2,377
- five years and above	92,580	-	7,406	1,480
	<u>478,330</u>	<u>-</u>	<u>19,441</u>	<u>3,899</u>
	<u>602,622</u>	<u>-</u>	<u>24,070</u>	<u>8,528</u>
	<u>64,921,334</u>	<u>528,608</u>	<u>9,162,062</u>	<u>5,636,274</u>

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**A24. Commitments and Contingencies** (continued)

The commitments and contingencies and their related counterparty credit risk of the Group and the Bank are as follows (continued):

<b>Bank</b> <b>As At 31 December 2009</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>The Bank (excl. Public Bank (L) Ltd.)</b>				
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	1,321,526		1,321,526	836,660
Transaction-related contingent items	577,945		288,973	166,195
Short term self-liquidating trade-related contingencies	422,644		84,529	77,505
Forward asset purchases	15,344		15,344	-
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	12,381,050		5,137,648	3,572,009
- not exceeding one year	17,481,585		-	-
Unutilised credit card lines	3,047,607		609,521	457,141
	<u>35,322,701</u>		<u>7,495,041</u>	<u>5,147,010</u>
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
- less than one year	10,521,767	36,153	151,072	44,650
- one year to less than five years	5,062	40	293	293
Interest rate related contracts:				
- less than one year	166,552	2,623	2,964	593
- one year to less than five years	5,774,408	151,373	312,873	63,398
- five years and above	4,604,220	90,559	425,746	87,206
Commodity related contracts:				
- less than one year	3,767	17	55	55
Equity related contracts:				
- one year to less than five years	480,456	22,096	60,532	22,623
	<u>21,556,232</u>	<u>302,861</u>	<u>953,535</u>	<u>218,818</u>
	<u>56,878,933</u>	<u>302,861</u>	<u>8,448,576</u>	<u>5,365,828</u>
<b>Public Bank (L) Ltd.</b>				
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	5,142		5,142	5,142
Other commitments such as formal standby facilities and credit lines, with an original maturity of :				
- exceeding one year	34,280		17,140	17,140
- not exceeding one year	16,538		-	-
	<u>55,960</u>		<u>22,282</u>	<u>22,282</u>

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**A24. Commitments and Contingencies (continued)**

The commitments and contingencies and their related counterparty credit risk of the Group and the Bank are as follows (continued):

<b>Bank (continued)</b>	<b>Principal</b>	<b>Positive</b>	<b>Credit</b>	<b>Risk-</b>
<b>As At 31 December 2009</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>of Derivative</b>	<b>Amount</b>	<b>Assets</b>
		<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		<b>RM'000</b>
<b>Public Bank (L) Ltd. (continued)</b>				
<u>Derivative Financial Contracts</u>				
Interest rate related contracts:				
- one year to less than five years	188,540	-	5,485	1,147
- five years and above	342,800	2,300	23,554	4,711
	531,340	2,300	29,039	5,858
	587,300	2,300	51,321	28,140
	57,466,233	305,161	8,499,897	5,393,968

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

The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework ("RWCAF") and Capital Adequacy for Islamic Banks ("CAFIB") guidelines.

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**A25. Derivative Financial Instruments**

Details of derivative financial instruments outstanding as at 30 September 2010 are as follows:

- i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:

Group	As at 30 September 2010			As at 31 December 2009		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives:</b>						
Foreign exchange contracts						
- Currency forwards	1,535,922	6,947	21,257	806,819	4,760	4,955
- Currency swaps	14,700,152	132,820	238,060	10,354,354	35,292	68,989
- Currency options purchased	-	-	-	47,045	1,291	-
Interest rate related contracts						
- Interest rate swaps	159,560	37	47	84,350	84	36
Equity related contracts						
- Options purchased	417,899	20,779	-	480,456	22,096	-
Precious metal contracts						
- Forwards	258	-	4	3,767	17	1
	<b>16,813,791</b>	<b>160,583</b>	<b>259,368</b>	11,776,791	63,540	73,981
<b>Hedging derivatives:</b>						
<b>Fair value hedge</b>						
Interest rate related contracts						
- Interest rate swaps	9,927,520	361,794	249,073	10,458,170	235,459	195,688
<b>Cash flow hedge</b>						
Interest rate related contracts						
- Interest rate swaps	484,000	7,022	34	534,000	11,312	387
	<b>10,411,520</b>	<b>368,816</b>	<b>249,107</b>	10,992,170	246,771	196,075
Total	<b>27,225,311</b>	<b>529,399</b>	<b>508,475</b>	22,768,961	310,311	270,056

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**A25. Derivative Financial Instruments** (continued)

- i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued):

Bank	As at 30 September 2010			As at 31 December 2009		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives:</b>						
Foreign exchange contracts						
- Currency forwards	1,207,662	6,572	20,888	761,996	4,663	4,786
- Currency swaps	14,585,142	132,418	237,104	9,717,788	30,239	68,421
- Currency options purchased	-	-	-	47,045	1,291	-
Interest rate related contracts						
- Interest rate swaps	515,126	8,384	24,526	567,698	6,461	34,085
Equity related contracts						
- Options purchased	417,899	20,779	-	480,456	22,096	-
Precious metal contracts						
- Forwards	258	-	4	3,767	17	1
	<b>16,726,087</b>	<b>168,153</b>	<b>282,522</b>	<b>11,578,750</b>	<b>64,767</b>	<b>107,293</b>
<b>Hedging derivatives:</b>						
<b>Fair value hedge</b>						
Interest rate related contracts						
- Interest rate swaps	9,014,064	353,433	172,860	9,443,482	226,782	135,716
<b>Cash flow hedge</b>						
Interest rate related contracts						
- Interest rate swaps	484,000	7,022	34	534,000	11,312	387
	<b>9,498,064</b>	<b>360,455</b>	<b>172,894</b>	<b>9,977,482</b>	<b>238,094</b>	<b>136,103</b>
Total	<b>26,224,151</b>	<b>528,608</b>	<b>455,416</b>	<b>21,556,232</b>	<b>302,861</b>	<b>243,396</b>

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**A25. Derivative Financial Instruments** (continued)

ii) Derivative financial instruments classified by remaining period to maturity:

**Group**

Items	Contract / Notional 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 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,535,922	967,049	201,113	330,825	26,134	10,801	-
- currency swaps	14,700,152	6,488,876	4,412,217	3,791,584	7,475	-	-
	16,236,074	7,455,925	4,613,330	4,122,409	33,609	10,801	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,571,080	-	43,204	79,560	632,030	3,135,226	6,681,060
<b>Equity related contracts</b>							
- options purchased	417,899	-	-	-	229,970	81,542	106,387
<b>Precious metal contracts</b>							
- forwards	258	258	-	-	-	-	-
<b>Total</b>	<b>27,225,311</b>	<b>7,456,183</b>	<b>4,656,534</b>	<b>4,201,969</b>	<b>895,609</b>	<b>3,227,569</b>	<b>6,787,447</b>

**Bank**

Items	Contract / Notional 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 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,207,662	640,334	199,568	330,825	26,134	10,801	-
- currency swaps	14,585,142	6,376,138	4,409,945	3,791,584	7,475	-	-
	15,792,804	7,016,472	4,609,513	4,122,409	33,609	10,801	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,013,190	-	43,204	-	570,310	3,135,226	6,264,450
<b>Equity related contracts</b>							
- options purchased	417,899	-	-	-	229,970	81,542	106,387
<b>Precious metal contracts</b>							
- forwards	258	258	-	-	-	-	-
<b>Total</b>	<b>26,224,151</b>	<b>7,016,730</b>	<b>4,652,717</b>	<b>4,122,409</b>	<b>833,889</b>	<b>3,227,569</b>	<b>6,370,837</b>

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**A25. Derivative Financial Instruments** (continued)

iii) The Group and the Bank's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

**Market Risk**

Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the balance sheet date and do not represent the amounts at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions.

**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 30 September 2010, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM529,399,000 (31 December 2009 : RM310,311,000) and RM528,608,000 (31 December 2009 : RM302,861,000) 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.

**Liquidity Risk**

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

iv) **Cash Requirements of the Derivatives**

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 September 2010, there is no requirement for the Group and the Bank to post any additional cash collateral on its derivative contracts.

v) There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2009 and the Risk Management section of the 2009 Annual Report.

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**A26. Capital Adequacy**

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

	Group		Bank	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
Tier I capital ratio	9.8%	9.9% *	12.1%	12.4% *
Risk-weighted capital ratio	<u>13.6%</u>	<u>14.0% *</u>	<u>13.1%</u>	<u>13.5% *</u>

\* After deducting second interim dividend.

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,439,885	1,073,310	1,439,885
Other reserves	3,787,758	3,740,586	3,548,569	3,548,569
Retained profits	3,149,300	2,870,249	2,872,533	2,624,153
Innovative Tier I capital securities	1,815,152	1,883,186	1,815,152	1,883,186
Non-innovative Tier I stapled securities	2,081,443	2,080,878	2,081,443	2,080,878
Treasury shares	(215,303)	(581,638)	(215,303)	(581,638)
Minority interests	615,208	692,118	-	-
Less: Goodwill	(1,909,031)	(2,031,105)	(695,393)	(695,393)
Less: Deferred tax assets, net	(493,794)	(500,684)	(395,950)	(384,741)
Total Tier I capital	<u>13,435,969</u>	<u>13,125,401</u>	<u>13,616,287</u>	<u>13,446,825</u>
<u>Tier II capital</u>				
Collective assessment allowance #	2,114,007	-	1,762,465	-
General allowance	-	2,051,659	-	1,653,936
Subordinated notes	3,102,782	3,217,828	3,102,782	3,238,045
Total Tier II capital	<u>5,216,789</u>	<u>5,269,487</u>	<u>4,865,247</u>	<u>4,891,981</u>
Total capital	18,652,758	18,394,888	18,481,534	18,338,806
Less: Investment in subsidiary companies and associated companies	(960)	(960)	(3,693,384)	(3,593,384)
Less: Holdings of other financial institutions' capital instruments	(47,091)	(173,381)	(47,091)	(173,381)
Capital base	<u>18,604,707</u>	<u>18,220,547</u>	<u>14,741,059</u>	<u>14,572,041</u>

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

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2009 - 8.0%) for the risk-weighted capital ratio.

# Excludes collective assessment allowance on impaired loans restricted from Tier II capital of the Group and the Bank of RM124,427,000 and RM97,140,000 respectively.

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**A26. Capital Adequacy (continued)**

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

	<b>Public Islamic Bank Berhad <sup>1</sup></b>	<b>Public Investment Bank Berhad <sup>2</sup></b>	<b>Public Bank (L) Ltd <sup>3</sup></b>	<b>Public Bank (Hong Kong) Limited <sup>4</sup></b>	<b>Public Finance Limited <sup>4</sup></b>	<b>Cambodian Public Bank Plc <sup>5</sup></b>
<b>30 September 2010</b>						
Tier 1 capital ratio	<b>10.2%</b>	<b>17.8%</b>	<b>11.5%</b>	<b>15.7%</b>	<b>29.0%</b>	<b>N/A</b>
Risk-weighted capital ratio	<b>11.8%</b>	<b>18.1%</b>	<b>11.9%</b>	<b>15.7%</b>	<b>30.1%</b>	<b>22.7%</b>
<b>31 December 2009</b>						
Tier 1 capital ratio *	10.5%	17.6%	8.9%	15.4%	28.6%	N/A
Risk-weighted capital ratio *	12.3%	17.6%	9.2%	15.4%	29.8%	24.0%

\* After deducting interim dividends which have been declared subsequent to the financial year end.

<sup>1</sup> The capital adequacy ratios of Public Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Public Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

<sup>2</sup> The capital adequacy ratios of Public Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Public Investment Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

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**A26. Capital Adequacy (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2010 RM'000</b>	<b>31 December 2009 RM'000</b>	<b>30 September 2010 RM'000</b>	<b>31 December 2009 RM'000</b>
Credit risk	<b>124,229,583</b>	113,598,587	<b>102,052,249</b>	93,354,990
Market risk	<b>1,161,231</b>	1,161,618	<b>1,950,108</b>	2,080,980
Operational risk	<b>11,285,535</b>	10,436,307	<b>8,325,896</b>	7,815,769
	<b>136,676,349</b>	125,196,512	<b>112,328,253</b>	103,251,739

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**A27. Operations of Islamic Banking**

**A27a. Statement of Financial Position As At 30 September 2010**

	<b>Group</b>	
	<b>30 September 2010 RM'000</b>	<b>31 December 2009 RM'000</b>
<b>ASSETS</b>		
Cash and balances with banks	4,923,533	6,727,664
Financial assets held-for-trading	198,870	79,988
Financial investments available-for-sale	1,511,329	1,274,512
Financial investments held-to-maturity	5,067	5,022
Financing and advances	16,201,596	14,472,828
Other assets	206,008	70,551
Statutory deposits with Bank Negara Malaysia	163,300	144,000
Deferred tax assets	70,956	84,102
Property and equipment	1,471	464
<b>Total Assets</b>	<b>23,282,130</b>	<b>22,859,131</b>
 <b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits from customers	15,189,917	13,073,701
Deposits from banks	6,222,359	8,051,182
Bills and acceptances payable	401	-
Other liabilities	67,525	48,915
Provision for zakat and taxation	66,102	50,921
<b>Total Liabilities</b>	<b>21,546,304</b>	<b>21,224,719</b>
Islamic Banking Funds	<b>1,735,826</b>	<b>1,634,412</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>23,282,130</b>	<b>22,859,131</b>
 <b>COMMITMENTS AND CONTINGENCIES</b>	 <b>1,161,368</b>	 <b>1,144,291</b>

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**A27b. Income Statements for the 3rd Quarter and Nine Months Ended 30 September 2010**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	306,603	235,691	864,704	657,350
Allowance for impairment on financing and advances	(20,626)	(19,450)	(59,354)	(44,824)
Transfer (to) / from profit equalisation reserves, net	(11,986)	7,187	(24,195)	3,761
<b>Total attributable income</b>	<b>273,991</b>	<b>223,428</b>	<b>781,155</b>	<b>616,287</b>
Income attributable to the depositors	(121,583)	(86,670)	(323,131)	(229,161)
<b>Income attributable to the reporting institutions</b>	<b>152,408</b>	<b>136,758</b>	<b>458,024</b>	<b>387,126</b>
Income derived from investment of Islamic Banking Funds	21,895	18,883	61,186	52,935
<b>Total net income</b>	<b>174,303</b>	<b>155,641</b>	<b>519,210</b>	<b>440,061</b>
Other operating expenses	(44,492)	(38,742)	(139,069)	(115,168)
<b>Profit before zakat and taxation</b>	<b>129,811</b>	<b>116,899</b>	<b>380,141</b>	<b>324,893</b>
Zakat	(64)	(49)	(192)	(147)
Taxation	(31,496)	(30,543)	(91,054)	(80,588)
<b>Profit for the period</b>	<b>98,251</b>	<b>86,307</b>	<b>288,895</b>	<b>244,158</b>

**A27c. Statement of Comprehensive Income for the 3rd Quarter and Nine Months Ended 30 September 2010**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<b>Group</b>				
Profit for the period	98,251	86,307	288,895	244,158
Other comprehensive (loss) / income:				
Net loss on revaluation of financial investments available-for-sale	(2,024)	(1,588)	(3,229)	(56)
Income tax relating to components of other comprehensive income	507	397	807	14
Other comprehensive loss for the period, net of tax	(1,517)	(1,191)	(2,422)	(42)
Total comprehensive income for the period	<b>96,734</b>	<b>85,116</b>	<b>286,473</b>	<b>244,116</b>

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**A27d. Financing and Advances**

	<b>Group</b>	
	<b>30 September 2010</b>	<b>31 December 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai Bithaman Ajil-i (deferred payment sale)	<b>4,411,251</b>	3,832,218
Ijarah Thamma Al-Bai'-i (leasing)	<b>8,864,550</b>	8,358,519
Ijarah Muntahia Bittamlik	<b>80,765</b>	66,105
Bai-Al-Einah-i	<b>3,092,519</b>	2,460,204
Gross financing and advances	<b>16,449,085</b>	14,717,046
Allowance for impairment on financing and advances:		
- collective assessment allowance	<b>(246,725)</b>	-
- individual assessment allowance	<b>(764)</b>	-
- general allowance	-	(223,048)
- specific allowance	-	(21,170)
Net financing and advances	<b>16,201,596</b>	14,472,828

i) Movements in impaired financing and advances are as follows:

	<b>Group</b>	
	<b>30 September 2010</b>	<b>31 December 2009</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January		
- as previously stated	<b>138,064</b>	144,359
- effect of adopting FRS 139	<b>3,767</b>	-
At 1 January, as restated	<b>141,831</b>	144,359
Impaired during the period / year	<b>299,467</b>	339,566
Reclassified as non-impaired	<b>(213,842)</b>	(266,451)
Recoveries	<b>(22,569)</b>	(28,844)
Amount written off	<b>(42,212)</b>	(49,587)
Financing converted to foreclosed properties / securities	<b>(1,489)</b>	(979)
Closing balance	<b>161,186</b>	138,064
Impaired financing and advances as a percentage of gross financing and advances	<b>0.98%</b>	0.94%

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**A27e. Deposits from Customers**  
**i) By type of deposit**

	<b>Group</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	<b>1,949,188</b>	1,999,422
Wadiah savings deposits-i	<b>3,765,252</b>	3,591,720
Negotiable instruments of deposit-i	<b>2,522,238</b>	1,326,084
	<b>8,236,678</b>	6,917,226
<u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	<b>75,889</b>	78,626
Mudharabah general investment deposits-i	<b>5,573,284</b>	3,795,302
Mudharabah special investment deposits-i	<b>1,304,066</b>	2,282,547
	<b>6,953,239</b>	6,156,475
Deposits from customers	<b>15,189,917</b>	13,073,701

## **A28. Change in Accounting Policies**

### **(a) Change in Accounting Policies**

The adoption of the following new FRSs, amendments to FRSs and IC Interpretations during the financial period have resulted in changes in accounting policies:

- i) FRS 139 Financial Instruments: Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- iv) Amendments to FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS 139 have already been adopted by the Group and the Bank. Therefore, the adoption of FRS 139 on 1 January 2010 has resulted in the following material changes in accounting policies as follows:

#### 1) Impairment of Loans and Advances

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly loans and advances. The existing accounting policies relating to the assessment of impairment of other financial assets of the Group and the Bank are already largely in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired loans and advances (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. Upon the adoption of FRS 139, the Group and the Bank assesses at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated.

The Group and the Bank first assess individually whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

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**A28. Change in Accounting Policies** (continued)

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowance of the Bank and its domestic banking subsidiaries as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting the income statement as at the beginning of the current financial period being adjusted to opening retained profits. As a result of the adoption of the loans impairment basis under FRS 139 and the transitional arrangements under BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, the Group and the Bank wrote back general allowance of RM2,051,659,000 and RM1,645,143,000 respectively and specific allowance of RM222,984,000 and RM81,354,000 respectively against opening retained profits as at 1 January 2010. In addition, the Group and the Bank have also recognised opening collective assessment allowance of RM2,019,299,000 and RM1,648,687,000 respectively and opening individual assessment allowance of RM233,710,000 and RM108,766,000 respectively against opening retained profits as at 1 January 2010. Any further collective assessment allowance and individual assessment allowance charged subsequent to the initial adoption of FRS 139 is recognised as allowance for impairment on loans, advances and financing in the income statement.

2) Classification of Loans as Impaired

Prior to the adoption of FRS 139, loans were classified as non-performing when principal or interest or both are past due for three (3) months or more. Upon the adoption of FRS 139, loans are classified as impaired when principal or interest or both are past due for three (3) months or more or where loans in arrears for less than three months exhibit indications of credit weaknesses.

3) Interest Income Recognition

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. Whilst the Group and the Bank's financial investments held-to-maturity are already measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 January 2005, interest income on its loans and receivables continued to be recognised based on contractual interest rates. Upon the adoption of FRS 139 on 1 January 2010, interest income is recognised using effective interest rates ("EIR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

This change in accounting policy has been accounted for prospectively in line with the transitional arrangements under para 103AA of FRS 139, resulting in an adjustment of RM274,139,000 and RM266,880,000 respectively for the Group and the Bank to opening retained profits.

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**A28. Change in Accounting Policies** (continued)

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss. This change in accounting policy has resulted in the writeback of interest-in-suspense amounting to RM68,715,000 and RM65,049,000 by the Group and the Bank respectively to opening retained profits.

4) Recognition of Embedded Derivatives

Upon the adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

Based on the assessment by the Group and the Bank upon adoption of FRS 139 on 1 January 2010, there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

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

The changes in accounting policies as described above which resulted in adjustments to opening reserves of the Group and the Bank are as follows:

	<b>Group RM'000</b>	<b>Bank RM'000</b>
Effects on retained profits:		
At 1 January 2010, as previously stated	2,870,249	2,538,367
Effects of adoption of FRS 139	241,689	225,622
At 1 January 2010, as restated	<u>3,111,938</u>	<u>2,763,989</u>
Effects on other reserves:		
At 1 January 2010, as previously stated	3,762,784	3,513,672
Effects of adoption of FRS 139	24,486	-
At 1 January 2010, as restated	<u>3,787,270</u>	<u>3,513,672</u>
Effects on minority interest:		
At 1 January 2010, as previously stated	692,118	-
Effects of adoption of FRS 139	7,169	-
At 1 January 2010, as restated	<u>699,287</u>	<u>-</u>

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**A28. Change in Accounting Policies** (continued)

(c) **Comparative Figures**

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Group and the Bank for the comparative financial period ended 30 September 2009 have been re-presented as two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

(ii) FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period has resulted in some changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and liabilities. The disclosure of comparative figures in the statement of financial position as at 31 December 2009 and the income statement for the financial period ended 30 September 2009 have been restated to conform with the current period's presentation. Since these changes only affect the presentation of disclosure items, there is no impact on the financial results of the Group and the Bank for the comparative period.

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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 nine months ended 30 September 2010 of RM2,955.9 million was RM534.7 million or 22.1% higher than the previous corresponding period of RM2,421.2 million. Net profit attributable to equity holders improved by RM363.0 million or 19.7% to RM2,202.0 million. The improved earnings was mainly due to higher net interest and finance income by RM524.9 million (15.3%) and higher other operating income by RM181.7 million (17.6%), which was mainly due to higher income from the fund management business and higher foreign exchange income. These were partially offset by higher other operating expenses by RM172.2 million which was mainly due to the increase in personnel costs resulting from the expansion of marketing sales force and higher business volume.

The growth in the Group's net interest and finance income was driven by continued strong loans and core deposits growth coupled with sustained strong asset quality, as well as the impact of the various increases in overnight policy rate during the period. Gross loans had grown by 13.6% year-on-year to RM151.7 billion as at 30 September 2010 as compared to RM133.6 billion as at 30 September 2009 mainly arising from financing of small- and medium-sized enterprises ("SMEs"), residential mortgages and financing of passenger vehicles. Total core deposits from customers had also grown by 9.6% or RM12.2 billion as compared to 30 September 2009 which partly contributed to the higher net interest income for the current financial period.

The Group's domestic commercial bank, Public Bank, recorded a pre-tax profit of RM2,682.9 million for the nine months ended 30 September 2010 and was 39.4% higher than the pre-tax profit of RM1,924.2 million achieved in the previous corresponding period. This was mainly due to higher net interest income, higher dividend income from subsidiaries and higher foreign exchange gain in respect of the hedging of the Group's overseas operations, partially offset by higher other operating expenses and loan impairment allowances.

Pre-tax profit contribution from the Group's overseas operations increased by RM25.4 million or 13.6% from the previous corresponding period to RM212.2 million, mainly due to the lower loan impairment allowance in the current period.

For the 3rd quarter ended 30 September 2010, the Group registered a pre-tax profit of RM1,051.4 million, an improvement of RM194.9 million or 22.8% as compared to the previous corresponding quarter. This was achieved on the back of strong loans and deposits growth and stable asset quality. Earning attributable to equity holders grew by 22.5% or RM143.7 million over the same period.

**B2. Variation of Results Against Preceding Quarter**

The Group's pre-tax profit of RM1,051.4 million for the 3rd quarter ended 30 September 2010 shows an increase of RM69.4 million or 7.1% as compared to the pre-tax profit of RM982.0 million for the preceding quarter ended 30 June 2010. Net profit attributable to equity holders increased by RM48.6 million or 6.6% over the same period. The improved performance was mainly attributable to higher net interest and finance income by RM33.1 million and higher other operating income by RM27.4 million.

**B3. Prospects for 2010**

The Malaysian economy is expected to further improve in 2010, on the back of the government's fiscal stimulus, accommodative monetary policy and the expected recovery in major developed economies. The improved consumer and business sentiment in recent months support the positive outlook for the economy in 2010. The banking industry is expected to remain healthy. However, competition will continue to intensify due to strong domestic players, liberal operating environment and the potential of new entrants. Domestic banks are expected to further build capacity and capability to compete, differentiate their business strategies and focus on new products and services. Product pricing will remain competitive.

Based on the positive economic outlook, the Public Bank Group will continue to grow its market share in its core business of consumer financing (mainly in home mortgages, passenger vehicle financing and personal financing) and lending to viable SMEs across economic sectors. The Group will remain prudent and take proactive measures to ensure that its strong asset quality continues to be maintained. The Group will also continue to promote fee-based activities. To sustain its strong business growth, the Group will continue to focus on improving its superior delivery standards and infrastructure, cost efficiency, customer analytics and marketing strategy. In addition, the Group will continue to tap on its extensive branch network and strong franchise, wide array of innovative products and packages and multiple delivery channels.

The Public Bank Group will continue to grow its overseas business by expanding its retail loans and deposits. The Group will continue to strengthen its marketing force and strategies to grow its market share and transfer the Group's best banking practices in Malaysia to accelerate its overseas business growth.

The Group will continue to enhance its risk management capabilities and uphold its strong corporate governance culture and practices. Barring unforeseen circumstances, the Group is expected to continue to record satisfactory performance in 2010.

**B4. Profit Forecast or Profit Guarantee**

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

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**B5. Tax Expense and Zakat**

The analysis of the tax expense for the 3rd quarter and nine months ended 30 September 2010 are as follows:

<b><u>Group</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>	<b>30 September 2010</b>	<b>30 September 2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	<b>264,860</b>	213,665	<b>747,492</b>	631,179
Overseas income tax	<b>4,780</b>	7,696	<b>33,791</b>	28,112
	<b>269,640</b>	221,361	<b>781,283</b>	659,291
(Over) / under provision in prior years				
- Malaysian income tax	<b>(4,340)</b>	(1,595)	<b>(5,741)</b>	(1,653)
- Overseas income tax	<b>(23)</b>	(7)	<b>2,307</b>	1,926
	<b>265,277</b>	219,759	<b>777,849</b>	659,564
Deferred tax expense				
- Relating to origination and reversal of temporary differences	<b>(8,273)</b>	(10,725)	<b>(61,090)</b>	(101,670)
Tax expense	<b>257,004</b>	209,034	<b>716,759</b>	557,894
Zakat	<b>64</b>	49	<b>192</b>	147
	<b>257,068</b>	209,083	<b>716,951</b>	558,041

The Group's effective tax rates for the 3rd quarter and nine months ended 30 September 2010 and 30 September 2009 were lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

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**B5. Tax Expense and Zakat (Contd.)**

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Malaysian income tax	213,871	187,628	598,199	527,280
Overseas income tax	644	417	1,829	1,392
	<u>214,515</u>	<u>188,045</u>	<u>600,028</u>	<u>528,672</u>
Under provision in prior years				
- Overseas income tax	1	-	807	719
	<u>214,516</u>	<u>188,045</u>	<u>600,835</u>	<u>529,391</u>
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(6,414)	(14,133)	(50,213)	(89,507)
	<u>208,102</u>	<u>173,912</u>	<u>550,622</u>	<u>439,884</u>

The Bank's effective tax rate for the 3rd quarter and nine months ended 30 September 2010 and 30 September 2009 were lower than the statutory tax rate due to certain income not subject to tax.

**B6. Sale of Unquoted Investments and Properties**

There were no sales of unquoted investments and properties for the 3rd quarter and nine months ended 30 September 2010 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 30 September 2010 other than as disclosed in Note A23.

**B9. Status of Utilisation of Proceeds Raised from Corporate Proposals**

The proceeds raised from the issuances of subordinated notes, Innovative Tier I capital securities and Non-innovative Tier I stapled securities in prior years have been used for working capital, general banking and other corporate purposes, as intended.

**B10. Unrealised Retained Profits**

Included in the retained profits of the Group and the Bank are unrealised gains and losses in respect of trading derivatives as disclosed in Note A25.

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**B11. Deposits From Customers and Banks and Debt Securities Issued and Other Borrowed Funds**

	Group		Bank	
	30 September 2010 RM'000	31 December 2009 RM'000	30 September 2010 RM'000	31 December 2009 RM'000
(a) <u>Deposits from customers</u>				
- Fixed deposits				
One year or less	95,358,546	85,637,200	74,599,263	65,420,208
More than one year	126,152	150,725	83,894	130,188
- Negotiable instruments of deposits				
One year or less	3,656,306	2,886,252	748,808	2,157,483
More than one year	20,258	508,376	18,910	383,294
- Money market deposits				
One year or less	31,060,534	38,694,799	27,254,086	34,058,387
- Savings deposits	20,033,581	19,576,012	13,605,535	12,842,016
- Demand deposits	23,753,601	22,258,977	20,381,780	19,218,621
- Others	474,062	1,179,248	472,482	1,177,293
	<b>174,483,040</b>	<b>170,891,589</b>	<b>137,164,758</b>	<b>135,387,490</b>
(b) <u>Deposits from banks</u>				
- One year or less	<b>18,529,002</b>	22,614,300	<b>20,257,876</b>	20,783,929
(c) <u>Debt securities issued and other borrowed funds</u>				
Borrowings denominated in HKD (unsecured)				
Term loan				
- More than one year	858,549	653,101	-	-
Revolving credit				
- One year or less	11,934	-	-	-
	<b>870,483</b>	653,101	-	-
Subordinated notes denominated in USD (unsecured)				
- More than one year	1,306,483	1,451,546	1,306,483	1,451,546
Subordinated notes denominated in RM (unsecured)				
- More than one year	1,905,423	1,883,776	1,905,423	1,903,993
	<b>3,211,906</b>	<b>3,335,322</b>	<b>3,211,906</b>	<b>3,355,539</b>
Innovative Tier I capital securities denominated in USD (unsecured)				
- More than one year	747,643	769,493	747,643	769,493
Innovative Tier I capital securities denominated in RM (unsecured)				
- More than one year	1,226,264	1,202,840	1,226,264	1,202,840
	<b>1,973,907</b>	<b>1,972,333</b>	<b>1,973,907</b>	<b>1,972,333</b>
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	2,159,814	2,071,589	2,159,814	2,071,589
	<b>8,216,110</b>	<b>8,032,345</b>	<b>7,345,627</b>	<b>7,399,461</b>

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**B12. Derivative Financial Instruments**

Derivative financial instruments classified by remaining period to maturity as at the latest practicable date, 11 October 2010, is as follows:

**Group**

Items	Contract / Notional 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 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,653,626	1,054,130	244,064	316,196	39,236	-	-
- currency swaps	15,100,319	6,838,113	4,430,692	3,823,843	7,671	-	-
	16,753,945	7,892,243	4,674,756	4,140,039	46,907	-	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,591,758	-	43,420	405,557	308,000	3,194,787	6,639,994
<b>Equity related contracts</b>							
- options purchased	420,774	-	-	-	232,630	81,890	106,254
<b>Total</b>	<b>27,766,477</b>	<b>7,892,243</b>	<b>4,718,176</b>	<b>4,545,596</b>	<b>587,537</b>	<b>3,276,677</b>	<b>6,746,248</b>

**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 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,287,261	687,765	244,064	316,196	39,236	-	-
- currency swaps	14,748,566	6,491,010	4,426,042	3,823,843	7,671	-	-
	16,035,827	7,178,775	4,670,106	4,140,039	46,907	-	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,031,131	-	43,420	263,619	308,000	3,194,787	6,221,305
<b>Equity related contracts</b>							
- options purchased	420,774	-	-	-	232,630	81,890	106,254
<b>Total</b>	<b>26,487,732</b>	<b>7,178,775</b>	<b>4,713,526</b>	<b>4,403,658</b>	<b>587,537</b>	<b>3,276,677</b>	<b>6,327,559</b>

**B13. 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.

**B14. Dividends**

No dividend has been proposed for the 3rd quarter ended 30 September 2010.

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**B15. Earnings Per Share (EPS)**

**Basic**

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

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>	<b>30 September 2010</b>	<b>30 September 2009</b>
Net profit attributable to equity holders (RM'000)	<u><b>782,702</b></u>	<u>639,045</u>	<u><b>2,202,036</b></u>	<u>1,839,071</u>
Weighted average number of PBB Shares ('000)	<u><b>3,502,148</b></u>	<u>3,451,450</u>	<u><b>3,494,351</b></u>	<u>3,427,232</u>
Basic earnings per share (sen)	<u><b>22.3</b></u>	<u>18.5</u>	<u><b>63.0</b></u>	<u>53.7</u>

**Diluted**

The Group has no dilution in its earnings per ordinary share in the current period and preceding year corresponding period as there are no dilutive potential ordinary shares.