

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2006**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<b>ASSETS</b>				
Cash and short-term funds	28,821,460	18,357,737	25,579,645	17,170,338
Deposits and placements with banks and other financial institutions	2,611,343	8,712,850	2,505,992	8,736,868
Securities purchased under resale agreements	5,144,890	4,869,388	4,349,543	4,022,128
Securities held-for-trading	6,207,111	1,554,685	6,154,083	1,666,465
Securities available-for-sale	3,934,373	4,072,682	3,434,914	3,563,556
Securities held-to-maturity	3,617,128	2,235,067	1,528,645	1,736,713
Loans, advances and financing	76,780,598	66,812,784	70,131,451	64,579,905
Other assets	1,435,694	747,028	885,132	939,236
Statutory deposits with Central Banks	2,465,380	2,099,349	2,410,000	2,050,000
Deferred tax assets	363,456	347,704	309,736	289,008
Investment in subsidiary companies	-	-	2,391,574	1,316,156
Investment in associated companies	47,994	47,378	28,465	28,465
Investment properties	56,076	47,351	-	-
Property and equipment	1,099,508	937,098	563,748	570,671
Intangible assets	2,004,186	765,157	695,393	695,393
<b>TOTAL ASSETS</b>	<b>134,589,197</b>	<b>111,606,258</b>	<b>120,968,321</b>	<b>107,364,902</b>
<b>LIABILITIES</b>				
Deposits from customers	100,566,418	84,129,641	91,223,405	82,205,182
Deposits and placements of banks and other financial institutions	8,283,616	7,680,690	7,003,602	6,783,600
Obligations on securities sold under repurchase agreements	7,980,240	4,041,949	7,830,390	3,696,984
Bills and acceptances payable	2,666,279	2,129,715	2,666,279	2,127,659
Recourse obligations on loans sold to Cagamas	269,663	285,005	269,663	285,005
Other liabilities	1,801,683	1,410,919	1,033,831	1,158,858
Borrowings	953,014	-	-	-
Subordinated notes	2,588,639	2,757,622	2,588,639	2,757,622
Provision for tax expense and zakat	395,896	250,388	293,838	212,037
Deferred tax liabilities	19,808	3,080	-	-
<b>TOTAL LIABILITIES</b>	<b>125,525,256</b>	<b>102,689,009</b>	<b>112,909,647</b>	<b>99,226,947</b>

*The Condensed 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 2005.*

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	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<b>EQUITY</b>				
Share capital	3,433,356	3,417,373	3,433,356	3,417,373
Reserves	5,256,986	5,018,851	4,933,534	4,675,298
Proposed dividends	476,518	829,884	476,518	829,884
Treasury shares	(784,734)	(784,600)	(784,734)	(784,600)
<b>Total Shareholders' Equity</b>	<b>8,382,126</b>	<b>8,481,508</b>	<b>8,058,674</b>	<b>8,137,955</b>
Minority interests	681,815	435,741	-	-
<b>TOTAL EQUITY</b>	<b>9,063,941</b>	<b>8,917,249</b>	<b>8,058,674</b>	<b>8,137,955</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>134,589,197</b>	<b>111,606,258</b>	<b>120,968,321</b>	<b>107,364,902</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>37,761,052</b>	<b>28,951,601</b>	<b>31,918,584</b>	<b>28,754,773</b>
<b>CAPITAL ADEQUACY</b>				
<b><u>Before deducting proposed dividends</u></b>				
Core Capital Ratio	8.3%	11.4%	10.1%	11.1%
Risk-Weighted Capital Ratio	13.3%	17.1%	12.2%	14.9%
<b><u>After deducting proposed dividends</u></b>				
Core Capital Ratio	7.7%	10.2%	9.4%	9.8%
Risk-Weighted Capital Ratio	12.7%	15.9%	11.6%	13.6%
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	<b>2.53</b>	<b>2.58</b>	<b>2.44</b>	<b>2.47</b>

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2006**

	2nd Quarter ended		Half Year ended	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
<b>Group</b>				
Revenue	<b>1,816,056</b>	1,414,728	<b>3,518,085</b>	2,833,301
Interest income	<b>1,505,701</b>	1,126,883	<b>2,815,377</b>	2,213,129
Interest expense	<b>(779,750)</b>	(512,813)	<b>(1,417,116)</b>	(1,001,428)
Net interest income	<b>725,951</b>	614,070	<b>1,398,261</b>	1,211,701
Net income from Islamic Banking business				
Net financing income	<b>110,437</b>	98,012	<b>213,168</b>	192,619
Other Islamic banking income	<b>2,033</b>	1,637	<b>4,120</b>	3,418
	<b>838,421</b>	713,719	<b>1,615,549</b>	1,407,738
Other operating income	<b>288,772</b>	235,719	<b>518,787</b>	433,959
Net income	<b>1,127,193</b>	949,438	<b>2,134,336</b>	1,841,697
Other operating expenses	<b>(397,217)</b>	(355,546)	<b>(765,153)</b>	(679,405)
Operating profit	<b>729,976</b>	593,892	<b>1,369,183</b>	1,162,292
Allowance for losses on loans, advances and financing	<b>(121,844)</b>	(79,945)	<b>(218,898)</b>	(169,743)
Impairment (loss) / written back	<b>(143)</b>	5,904	<b>(90)</b>	5,904
	<b>607,989</b>	519,851	<b>1,150,195</b>	998,453
Share of results in associated companies	<b>1,714</b>	1,482	<b>3,109</b>	2,478
Profit before tax expense and zakat	<b>609,703</b>	521,333	<b>1,153,304</b>	1,000,931
Tax expense and zakat	<b>(137,253)</b>	(134,475)	<b>(275,460)</b>	(250,095)
Profit for the period	<b>472,450</b>	386,858	<b>877,844</b>	750,836
Attributable to :				
Equity holders of the parent	<b>452,730</b>	366,154	<b>839,288</b>	711,283
Minority interests	<b>19,720</b>	20,704	<b>38,556</b>	39,553
Profit for the period	<b>472,450</b>	386,858	<b>877,844</b>	750,836
Earnings per RM1.00 share:				
- basic (sen)	<b>13.7</b>	11.2	<b>25.4</b>	21.7
- diluted (sen)	<b>13.6</b>	11.2	<b>25.3</b>	21.7

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2006**

	2nd Quarter ended		Half Year ended	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
<b><u>Bank</u></b>				
Revenue	<b>1,345,822</b>	1,244,530	<b>2,811,304</b>	2,414,053
Interest income	<b>1,294,552</b>	1,015,082	<b>2,472,243</b>	1,974,035
Interest expense	<b>(707,441)</b>	(514,211)	<b>(1,325,050)</b>	(982,409)
Net interest income	<b>587,111</b>	500,871	<b>1,147,193</b>	991,626
Net income from Islamic Banking business				
Net financing income	<b>110,437</b>	98,012	<b>213,168</b>	192,619
Other Islamic banking income	<b>2,033</b>	1,637	<b>4,120</b>	3,418
	<b>699,581</b>	600,520	<b>1,364,481</b>	1,187,663
Other operating income	<b>107,987</b>	236,369	<b>228,737</b>	333,775
Net income	<b>807,568</b>	836,889	<b>1,593,218</b>	1,521,438
Other operating expenses	<b>(279,296)</b>	(267,127)	<b>(557,624)</b>	(527,407)
Operating profit	<b>528,272</b>	569,762	<b>1,035,594</b>	994,031
Allowance for losses on loans, advances and financing	<b>(77,046)</b>	(61,345)	<b>(150,347)</b>	(139,145)
Impairment (loss) / written back	<b>(143)</b>	5,904	<b>(90)</b>	5,904
Profit before tax expense and zakat	<b>451,083</b>	514,321	<b>885,157</b>	860,790
Tax expense and zakat	<b>(93,196)</b>	(126,042)	<b>(210,904)</b>	(226,290)
Net profit for the period	<b>357,887</b>	388,279	<b>674,253</b>	634,500

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2006**

<u>Group</u>	-----> Attributable to Equity Holders of the Parent <-----								
	Non-distributable			Distributable		Treasury Shares	Total Shareholders' Equity	Minority Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Reserves	Retained Profits				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2006, as previously stated</b>	3,417,373	1,574,180	2,943,825	500,846	829,884	(784,600)	8,481,508	435,741	8,917,249
Effects of adopting FRS 140	-	-	-	(621)	-	-	(621)	-	(621)
<b>At 1 January 2006, as restated</b>	<u>3,417,373</u>	<u>1,574,180</u>	<u>2,943,825</u>	<u>500,225</u>	<u>829,884</u>	<u>(784,600)</u>	<u>8,480,887</u>	<u>435,741</u>	<u>8,916,628</u>
Issue of shares pursuant to exercise of share options	15,983	71,318	-	-	-	-	87,301	-	87,301
Currency translation differences	-	-	(38,132)	-	-	-	(38,132)	(10,539)	(48,671)
Net profit for the period	-	-	-	839,288	-	-	839,288	38,556	877,844
Unrealised net gain on revaluation of securities available-for-sale	-	-	14,743	-	-	-	14,743	-	14,743
Dilution in share of net assets of a subsidiary upon subscription of the subsidiary's share rights issue	-	-	(28,356)	(136,111)	-	-	(164,467)	164,467	-
Transfer to statutory reserves	-	-	168,564	(168,564)	-	-	-	-	-
Buy-back of shares	-	-	-	-	-	(134)	(134)	-	(134)
Transfer to proposed dividends	-	-	-	(4,022)	4,022	-	-	-	-
Disposal of shares in a subsidiary	-	-	(3,454)	-	-	-	(3,454)	60,720	57,266
Dividends paid	-	-	-	-	(833,906)	-	(833,906)	(7,130)	(841,036)
Dividends proposed	-	-	-	(476,518)	476,518	-	-	-	-
<b>At 30 June 2006</b>	<u><u>3,433,356</u></u>	<u><u>1,645,498</u></u>	<u><u>3,057,190</u></u>	<u><u>554,298</u></u>	<u><u>476,518</u></u>	<u><u>(784,734)</u></u>	<u><u>8,382,126</u></u>	<u><u>681,815</u></u>	<u><u>9,063,941</u></u>
At 1 January 2005	3,355,767	1,347,084	2,676,794	684,490	1,172,012	(601,441)	8,634,706	368,111	9,002,817
Issue of shares pursuant to exercise of share options	41,775	151,296	-	-	-	-	193,071	-	193,071
Currency translation differences	-	-	859	-	-	-	859	92	951
Net profit for the period	-	-	-	711,283	-	-	711,283	39,553	750,836
Unrealised net loss on revaluation of securities available-for-sale	-	-	(24,368)	-	-	-	(24,368)	-	(24,368)
Transfer to statutory reserves	-	-	158,392	(158,392)	-	-	-	-	-
Buy-back of shares	-	-	-	-	-	(183,087)	(183,087)	-	(183,087)
Transfer to proposed dividends	-	-	-	(6,401)	6,401	-	-	-	-
Dividends paid	-	-	-	-	(1,178,413)	-	(1,178,413)	(41,485)	(1,219,898)
Dividends proposed	-	-	-	(471,365)	471,365	-	-	-	-
At 30 June 2005	<u><u>3,397,542</u></u>	<u><u>1,498,380</u></u>	<u><u>2,811,677</u></u>	<u><u>759,615</u></u>	<u><u>471,365</u></u>	<u><u>(784,528)</u></u>	<u><u>8,154,051</u></u>	<u><u>366,271</u></u>	<u><u>8,520,322</u></u>

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2006**

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

<b>Bank</b>	<b>Non-distributable</b>			<b>Distributable</b>		<b>Treasury</b>	<b>Total</b>
	<b>Share</b>	<b>Share</b>	<b>Other</b>	<b>Retained</b>	<b>Proposed</b>		
	<b>Capital</b>	<b>Premium</b>	<b>Reserves</b>	<b>Profits</b>	<b>Dividends</b>	<b>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>At 1 January 2006</b>	<b>3,417,373</b>	<b>1,574,180</b>	<b>2,715,473</b>	<b>385,645</b>	<b>829,884</b>	<b>(784,600)</b>	<b>8,137,955</b>
Issue of shares pursuant to exercise of share options	15,983	71,318	-	-	-	-	87,301
Net profit for the period	-	-	-	674,253	-	-	674,253
Unrealised net loss on revaluation of securities available-for-sale	-	-	(6,795)	-	-	-	(6,795)
Transfer to statutory reserves	-	-	168,564	(168,564)	-	-	-
Buy-back of shares	-	-	-	-	-	(134)	(134)
Transfer to proposed dividends	-	-	-	(4,022)	4,022	-	-
Dividends paid	-	-	-	-	(833,906)	-	(833,906)
Dividends proposed	-	-	-	(476,518)	476,518	-	-
<b>At 30 June 2006</b>	<b>3,433,356</b>	<b>1,645,498</b>	<b>2,877,242</b>	<b>410,794</b>	<b>476,518</b>	<b>(784,734)</b>	<b>8,058,674</b>
At 1 January 2005	3,355,767	1,347,084	2,406,900	734,469	1,172,012	(601,441)	8,414,791
Issue of shares pursuant to exercise of share options	41,775	151,296	-	-	-	-	193,071
Net profit for the period	-	-	-	634,500	-	-	634,500
Unrealised net loss on revaluation of securities available-for-sale	-	-	(15,882)	-	-	-	(15,882)
Transfer to statutory reserves	-	-	158,625	(158,625)	-	-	-
Buy-back of shares	-	-	-	-	-	(183,087)	(183,087)
Transfer to proposed dividends	-	-	-	(6,401)	6,401	-	-
Dividends paid	-	-	-	-	(1,178,413)	-	(1,178,413)
Dividends proposed	-	-	-	(471,365)	471,365	-	-
<b>At 30 June 2005</b>	<b>3,397,542</b>	<b>1,498,380</b>	<b>2,549,643</b>	<b>732,578</b>	<b>471,365</b>	<b>(784,528)</b>	<b>7,864,980</b>

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**UNAUDITED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2006**

	Group		Bank	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
Profit before tax expense and zakat	1,153,304	1,000,931	885,157	860,790
Adjustments for non-cash items	<u>245,639</u>	<u>245,236</u>	<u>190,082</u>	<u>84,055</u>
Operating profit before changes in working capital	1,398,943	1,246,167	1,075,239	944,845
Changes in working capital				
Net changes in operating assets	(5,614,863)	(9,863,601)	(4,799,435)	(9,034,349)
Net changes in operating liabilities	14,962,295	8,518,003	13,677,204	7,816,012
Tax expense and zakat paid	<u>(176,949)</u>	<u>(182,839)</u>	<u>(152,593)</u>	<u>(146,014)</u>
Net cash generated from/(used in) operating activities	10,569,426	(282,270)	9,800,415	(419,506)
Net cash used in investing activities	(347,149)	(840,290)	(644,369)	(2,090,719)
Net cash generated from/(used in) financing activities	252,987	1,469,694	(746,739)	1,516,806
Net change in cash and cash equivalents	<u>10,475,264</u>	<u>347,134</u>	<u>8,409,307</u>	<u>(993,419)</u>
Cash and cash equivalents at beginning of the period	18,357,737	19,670,005	17,170,338	19,893,236
Exchange differences on translation of opening balances	<u>(11,541)</u>	<u>174</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u><u>28,821,460</u></u>	<u><u>20,017,313</u></u>	<u><u>25,579,645</u></u>	<u><u>18,899,817</u></u>

Note :-

During the 2nd quarter and the financial half year ended 30 June 2006, the Group acquired Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)"). The fair value of assets acquired and liabilities assumed were as follows :-

	RM'000
Assets	7,744,806
Liabilities	<u>(6,861,194)</u>
Net assets acquired	883,612
Goodwill / Intangible assets	<u>1,226,123</u>
Total purchase price	2,109,735
Less : Cash and cash equivalents at PB(HK)	<u>(1,395,362)</u>
Cash flow on acquisition net of cash acquired	<u><u>714,373</u></u>

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

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the 2nd quarter and financial half year ended 30 June 2006 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: held-for-trading financial assets, available-for-sale financial assets, derivative financial instruments and investment properties.

The unaudited condensed 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 condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the year ended 31 December 2005. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2005.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2005 except for the adoption of the following new and revised Financial Reporting Standards ("FRS") issued by MASB that are effective for the Group's first FRS annual reporting date, 31 December 2006:

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

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

The allowance for bad and doubtful debts and financing of the Group are computed based on the requirement of BNM/GP3 which is consistent with the adoption made in the previous audited annual financial statements.

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

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



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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 2nd quarter and the financial half year ended 30 June 2006.

**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 2nd quarter and the financial half year ended 30 June 2006.

**A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 2nd quarter and the financial half year ended 30 June 2006.

**A6. Debt and Equity Securities**

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

**(a) Issuance of Shares**

During the financial half year ended 30 June 2006, the issued and paid-up share capital of the Bank was increased from 3,417,373,089 ordinary shares of RM1.00 each in the Bank ("PBB Shares") to 3,433,355,566 PBB Shares by the issuance of 15,982,477 PBB Shares pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme at the following option prices:

<u>Number of PBB Shares issued:</u>	<u>Option price per share:</u>
4,171	RM 1.64
103,000	RM 3.40
977,414	RM 3.56
1,238,400	RM 4.60
273,000	RM 4.92
12,636,102	RM 5.67
750,390	RM 6.37

**(b) Share Buy-back**

On 20 March 2006, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial half year ended 30 June 2006, the Bank bought back from the open market, 20,000 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM6.70 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial half year ended 30 June 2006, including transaction costs, was RM134,489 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 30 June 2006, the total shares bought back, all of which are held as treasury shares, amounted to 124,204,500 PBB Shares. None of the treasury shares held were resold or cancelled during the financial half year ended 30 June 2006.

**A7. Dividends Paid**

During the financial half year ended 30 June 2006, the final dividend of 20%, less 28% tax and the special dividend of 15%, less 28% tax in respect of the financial year ended 31 December 2005, amounting to RM833,906,006 was paid on 31 March 2006.

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**A8. Securities Held-for-trading**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<b>At fair value</b>				
Malaysian Government Treasury Bills	65,603	9,694	65,603	9,694
Malaysian Government Securities	52,872	10,490	52,872	-
Malaysian Government Investment Certificates	-	15,031	-	15,031
Cagamas bonds	17,007	-	17,007	-
Negotiable instruments of deposit	5,714,737	1,315,477	5,714,737	1,465,477
Bank Negara Malaysia Negotiable Notes	172,260	-	172,260	-
Bank Negara Malaysia Bills	-	24,802	-	-
Others	8,023	-	-	-
	<u>6,030,502</u>	<u>1,375,494</u>	<u>6,022,479</u>	<u>1,490,202</u>
Quoted securities:				
Shares in Malaysia	5,099	10,886	5,099	7,958
	<u>5,099</u>	<u>10,886</u>	<u>5,099</u>	<u>7,958</u>
Unquoted securities:				
Private debt securities	171,510	168,305	126,505	168,305
	<u>171,510</u>	<u>168,305</u>	<u>126,505</u>	<u>168,305</u>
Total securities held-for-trading	<u><u>6,207,111</u></u>	<u><u>1,554,685</u></u>	<u><u>6,154,083</u></u>	<u><u>1,666,465</u></u>

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**A9. Securities Available-for-sale**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<b>At fair value</b>				
Quoted securities:				
Shares and convertible loan stocks in Malaysia	27,987	17,764	27,987	17,764
Shares outside Malaysia	29,653	22,613	-	-
Bonds trust units in Malaysia	1,151,079	1,141,103	1,054,332	1,045,140
	<u>1,208,719</u>	<u>1,181,480</u>	<u>1,082,319</u>	<u>1,062,904</u>
Unquoted securities:				
Shares	17,163	13,947	13,375	13,377
Private debt securities	2,708,491	2,877,255	2,339,220	2,487,275
	<u>2,725,654</u>	<u>2,891,202</u>	<u>2,352,595</u>	<u>2,500,652</u>
Total securities available-for-sale	<u><u>3,934,373</u></u>	<u><u>4,072,682</u></u>	<u><u>3,434,914</u></u>	<u><u>3,563,556</u></u>

**A10. Securities Held-to-maturity**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<b>At amortised cost</b>				
Money market instruments:				
Malaysian Government Treasury Bills	120,889	109,559	120,889	109,559
Malaysian Government Securities	601,681	577,310	601,681	577,310
Malaysian Government Investment Certificates	29,926	4,768	29,926	4,768
Cagamas bonds	298,091	323,773	298,091	323,773
Cagamas Mudharabah bonds	51,749	127,479	51,749	127,479
Negotiable instruments of deposit	954,905	865,821	329,013	398,867
Bank Negara Malaysia Bills	-	104,308	-	104,308
Other government bonds	54,916	-	7,804	-
	<u>2,112,157</u>	<u>2,113,018</u>	<u>1,439,153</u>	<u>1,646,064</u>
Unquoted securities:				
Shares	87,502	87,502	87,057	87,057
Private debt securities	1,441,391	70,442	26,357	39,487
	<u>1,528,893</u>	<u>157,944</u>	<u>113,414</u>	<u>126,544</u>
Accumulated impairment losses	<u>(23,922)</u>	<u>(35,895)</u>	<u>(23,922)</u>	<u>(35,895)</u>
Total securities held-to-maturity	<u><u>3,617,128</u></u>	<u><u>2,235,067</u></u>	<u><u>1,528,645</u></u>	<u><u>1,736,713</u></u>

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**A11. Loans, Advances and Financing**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Overdrafts	7,687,030	6,980,718	7,159,681	6,780,784
Term loans				
- Housing loans/financing	22,213,205	18,990,594	20,944,200	18,902,511
- Syndicated term loan/financing	1,176,199	223,062	640,717	223,062
- Hire purchase receivables	24,460,309	22,661,200	23,804,264	22,372,548
- Other term loans/financing	21,549,719	17,715,911	17,912,963	15,954,181
Credit card receivables	602,573	581,341	596,644	581,341
Bills receivables	115,390	71,909	83,051	71,909
Trust receipts	439,065	311,772	300,334	290,079
Claims on customers under acceptance credits	1,902,198	1,717,953	1,869,087	1,717,953
Lease, factored and confirming receivables	2,154	33,927	-	31,665
Revolving credits	1,924,275	2,430,478	1,932,823	2,432,554
*Staff loans	647,165	646,310	621,959	619,849
	<u>82,719,282</u>	<u>72,365,175</u>	<u>75,865,723</u>	<u>69,978,436</u>
Unearned interest and income	<u>(4,484,140)</u>	<u>(4,263,185)</u>	<u>(4,483,089)</u>	<u>(4,261,955)</u>
Gross loans, advances and financing	<u>78,235,142</u>	<u>68,101,990</u>	<u>71,382,634</u>	<u>65,716,481</u>
Allowance for bad and doubtful debts and financing:				
- general	(1,178,175)	(1,056,199)	(1,069,021)	(984,830)
- specific	(276,369)	(233,007)	(182,162)	(151,746)
Net loans, advances and financing	<u><u>76,780,598</u></u>	<u><u>66,812,784</u></u>	<u><u>70,131,451</u></u>	<u><u>64,579,905</u></u>

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM2,650,968 (2005: RM2,946,287) and RM1,413,334 (2005 - RM1,639,020) respectively.

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

**A11a. By type of customer**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Domestic non-bank financial institutions				
- Stock broking companies	2,010	2,020	2,010	2,020
- Others	1,828,140	1,888,142	1,812,908	1,868,118
Domestic business enterprises				
- Small and medium enterprises	17,335,268	14,808,430	17,244,474	14,711,677
- Others	2,914,946	4,894,024	2,953,002	4,638,316
Government and statutory bodies	1,295	1,614	1,295	1,614
Individuals	47,963,583	44,317,128	47,941,237	44,255,346
Other domestic entities	81,793	96,541	81,793	96,541
Foreign entities	8,108,107	2,094,091	1,345,915	142,849
Gross loans, advances and financing	<u>78,235,142</u>	<u>68,101,990</u>	<u>71,382,634</u>	<u>65,716,481</u>

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

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Fixed rate				
- Housing loans/financing	6,430,853	7,381,411	6,414,149	7,379,003
- Hire purchase receivables	20,918,566	19,387,926	20,636,446	19,342,375
- Other fixed rate loans/financing	10,696,887	11,473,182	8,710,916	9,690,159
Variable rate				
- Base lending rate plus	32,795,692	26,125,091	32,764,767	26,096,187
- Cost plus	1,929,593	2,487,226	1,903,088	2,432,493
- Other variable rates	5,463,551	1,247,154	953,268	776,264
Gross loans, advances and financing	<u>78,235,142</u>	<u>68,101,990</u>	<u>71,382,634</u>	<u>65,716,481</u>

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

**A11c. By economic purposes**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Purchase of securities	520,282	536,562	511,956	531,651
Purchase of transport vehicles	21,366,886	19,863,234	20,727,265	19,600,345
Purchase of landed properties	33,225,725	28,777,943	32,042,798	28,856,639
(of which: - residential	21,166,013	17,905,752	19,878,540	17,874,399
- non-residential)	12,059,712	10,872,191	12,164,258	10,982,240
Purchase of fixed assets (excluding landed properties)	104,369	94,068	95,432	76,932
Personal use	5,218,415	4,765,411	3,721,370	3,282,762
Credit card	602,573	581,341	596,644	581,341
Purchase of consumer durables	15,514	13,942	15,880	13,882
Construction	995,204	234,697	48,696	3,623
Working capital	13,389,966	9,764,807	10,828,850	9,337,885
Other purpose	2,796,208	3,469,985	2,793,743	3,431,421
Gross loans, advances and financing	78,235,142	68,101,990	71,382,634	65,716,481

**A11d. Non-performing loans by economic purpose**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Purchase of securities	27,508	32,059	27,508	32,059
Purchase of transport vehicles	242,778	207,880	238,211	204,942
Purchase of landed properties	748,489	688,064	735,581	687,454
(of which: - residential	647,354	588,537	634,446	587,927
- non-residential)	101,135	99,527	101,135	99,527
Purchase of fixed assets (excluding landed properties)	2,726	2,264	1,521	429
Personal use	138,285	140,852	72,631	68,582
Credit card	12,974	12,831	12,955	12,831
Purchase of consumer durables	292	300	292	300
Construction	32,634	38,242	-	-
Working capital	238,038	233,119	207,269	232,795
Other purpose	38,503	50,868	38,477	50,816
	1,482,227	1,406,479	1,334,445	1,290,208

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

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

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
At 1 January	1,406,479	1,510,215	1,290,208	1,405,815
Non-performing during the period/year	1,177,594	2,401,800	1,130,657	2,267,240
Reclassified as performing	(953,279)	(2,015,119)	(952,691)	(2,001,713)
Recoveries	(47,481)	(72,351)	(46,762)	(66,665)
Amount written off	(134,834)	(383,364)	(72,213)	(280,029)
Loans converted to foreclosed properties/ securities	(14,691)	(34,461)	(14,691)	(34,461)
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	51,819	-	-	-
Exchange differences	(3,380)	(241)	(63)	21
Closing balance	<u>1,482,227</u>	<u>1,406,479</u>	<u>1,334,445</u>	<u>1,290,208</u>
Specific allowance	<u>(276,369)</u>	<u>(233,007)</u>	<u>(182,162)</u>	<u>(151,746)</u>
Net non-performing loans, advances and financing	<u><u>1,205,858</u></u>	<u><u>1,173,472</u></u>	<u><u>1,152,283</u></u>	<u><u>1,138,462</u></u>
Net NPL as % of gross loans, advances and financing less specific allowance	<u><u>1.55%</u></u>	<u><u>1.73%</u></u>	<u><u>1.62%</u></u>	<u><u>1.74%</u></u>

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

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<u>General Allowance</u>				
At 1 January	1,056,199	895,833	984,830	821,318
Allowance made during the period/year	112,590	170,787	84,475	163,539
Amount written back	-	(10,038)	-	-
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	11,644	-	-	-
Exchange differences	(2,258)	(383)	(284)	(27)
Closing balance	<u>1,178,175</u>	<u>1,056,199</u>	<u>1,069,021</u>	<u>984,830</u>
As % of gross loans, advances and financing less specific allowance	<u><u>1.51%</u></u>	<u><u>1.56%</u></u>	<u><u>1.50%</u></u>	<u><u>1.50%</u></u>

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

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

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<u>Specific Allowance</u>				
At 1 January	233,007	297,891	151,746	220,579
Allowance made during the period/year	184,129	359,490	128,221	248,994
Amount written back in respect of recoveries	(25,522)	(37,337)	(25,298)	(34,315)
Amount written off	(134,834)	(383,341)	(72,213)	(280,006)
Amount transferred to accumulated impairment losses in value of foreclosed properties / securities	(284)	(3,508)	(284)	(3,508)
Amount arising from acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited)	22,546	-	-	-
Exchange differences	(2,673)	(188)	(10)	2
Closing balance	<u>276,369</u>	<u>233,007</u>	<u>182,162</u>	<u>151,746</u>

**A12. Other Assets**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Interest/Income receivable	86,004	67,736	65,567	63,221
Other debtors, deposits and prepayments	981,153	425,008	366,065	420,582
Foreclosed properties	109,548	110,741	109,434	110,477
Taxi licenses	11,409	13,156	-	-
Amount due from clients	12,332	10,422	-	-
Outstanding contracts on clients' accounts	97,568	79,053	-	-
Amount due from subsidiary companies	-	-	161,747	155,171
Dividend receivable from subsidiary companies	-	-	50,921	149,720
Derivatives	137,680	40,912	131,398	40,065
	<u>1,435,694</u>	<u>747,028</u>	<u>885,132</u>	<u>939,236</u>

**A13. Deposits from Customers**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<u>By type of customer</u>				
Federal and state governments	391,383	222,874	391,383	222,874
Local government and statutory authorities	1,052,812	994,303	1,052,812	994,303
Business enterprises	25,995,404	20,621,483	24,899,211	20,545,851
Individuals	49,127,808	46,518,735	49,123,018	46,266,816
Foreign customers	10,355,932	3,066,866	2,610,902	2,313,030
Others	13,643,079	12,705,380	13,146,079	11,862,308
	<u>100,566,418</u>	<u>84,129,641</u>	<u>91,223,405</u>	<u>82,205,182</u>



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**A14. Deposits and Placements of Banks and Other Financial Institutions**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Licensed banks	1,783,896	2,268,249	544,392	1,242,196
Licensed merchant banks	84,350	65,000	2,777	4,189
Other financial institutions	6,415,370	5,347,441	6,456,433	5,537,215
	<u>8,283,616</u>	<u>7,680,690</u>	<u>7,003,602</u>	<u>6,783,600</u>

**A15. Other Liabilities**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Interest/Profit payable	536,035	508,851	500,134	499,070
Other creditors and accruals	992,239	594,419	358,263	289,566
Employees benefits	(13,381)	(6,182)	(13,049)	(5,941)
Accrued restoration cost	7,665	7,665	7,665	7,665
Profit Equalisation Reserves	8,830	21,523	8,830	21,523
Outstanding contracts on clients' accounts	89,481	72,412	-	-
Dividend payable to shareholders	11,074	54,933	4,219	3,750
Amount due to subsidiary companies	-	-	1,993	197,356
Derivatives	169,740	157,298	165,776	145,869
	<u>1,801,683</u>	<u>1,410,919</u>	<u>1,033,831</u>	<u>1,158,858</u>

**A16. Interest Income**

	2nd Quarter ended		Half Year ended	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
<b>Group</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	1,116,534	888,631	2,109,716	1,750,316
- Recoveries from NPLs	19,467	26,125	40,285	46,901
Money at call and deposit placements with financial institutions	286,779	188,959	529,570	367,811
Securities held-for-trading	41,939	19,395	62,015	55,381
Securities available-for-sale	38,614	17,399	74,236	32,825
Securities held-to-maturity	33,173	14,884	55,740	21,106
Others	6,919	3,589	16,819	9,732
	<u>1,543,425</u>	<u>1,158,982</u>	<u>2,888,381</u>	<u>2,284,072</u>
Amortisation of premium less accretion of discount	(6,268)	(2,338)	(11,801)	(8,968)
Net interest/income suspended	(31,456)	(29,761)	(61,203)	(61,975)
	<u>1,505,701</u>	<u>1,126,883</u>	<u>2,815,377</u>	<u>2,213,129</u>

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**A16. Interest Income** (continued)

	2nd Quarter ended		Half Year ended	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Loans, advances and financing				
- Interest income other than recoveries from NPLs	956,284	788,910	1,839,310	1,554,872
- Recoveries from NPLs	19,441	26,087	40,243	46,749
Money at call and deposit placements with financial institutions	258,946	192,712	491,753	353,793
Securities held-for-trading	41,185	19,154	60,824	54,388
Securities available-for-sale	33,277	9,281	64,192	13,820
Securities held-to-maturity	17,899	12,232	36,361	15,985
Others	6,662	3,497	16,443	9,498
	<u>1,333,694</u>	<u>1,051,873</u>	<u>2,549,126</u>	<u>2,049,105</u>
Amortisation of premium less accretion of discount	(7,752)	(7,546)	(15,816)	(14,026)
Net interest/income suspended	(31,390)	(29,245)	(61,067)	(61,044)
	<u>1,294,552</u>	<u>1,015,082</u>	<u>2,472,243</u>	<u>1,974,035</u>

**A17. Interest Expense**

	2nd Quarter ended		Half Year ended	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits and placements of banks and other financial institutions	124,524	16,084	214,553	49,541
Deposits from customers	603,332	474,140	1,107,394	911,645
Loans sold to Cagamas	2,607	3,159	5,264	6,597
Subordinated notes	39,930	16,741	77,116	28,994
Borrowings	5,762	-	5,762	-
Others	3,595	2,689	7,027	4,651
	<u>779,750</u>	<u>512,813</u>	<u>1,417,116</u>	<u>1,001,428</u>

	2nd Quarter ended		Half Year ended	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	117,783	26,848	210,762	61,567
Deposits from customers	546,540	467,428	1,031,235	885,181
Loans sold to Cagamas	2,607	3,159	5,264	6,597
Subordinated notes	39,930	16,741	77,116	28,994
Others	581	35	673	70
	<u>707,441</u>	<u>514,211</u>	<u>1,325,050</u>	<u>982,409</u>

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**A18. Other Operating Income**

	2nd Quarter ended		Half Year ended	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
<b>Group</b>				
(a) Fee income:				
Commissions	30,891	24,788	61,333	45,656
Service charges and fees	47,842	46,411	92,156	86,947
Guarantee fees	5,079	4,726	10,238	9,896
Processing fees	2,694	6,196	4,126	11,320
Commitment fees	8,525	7,512	16,949	15,613
Unit trust management fees	41,746	32,498	80,575	63,611
Net brokerage and commissions from stockbroking activities	9,919	4,656	16,703	9,856
Other fee income	7,581	7,192	11,136	11,225
	<u>154,277</u>	<u>133,979</u>	<u>293,216</u>	<u>254,124</u>
(b) Net gain arising from sale of securities:				
Net gain from sale of securities				
- held-for-trading	1,810	4,208	5,398	8,284
- available-for-sale	324	811	594	811
	<u>2,134</u>	<u>5,019</u>	<u>5,992</u>	<u>9,095</u>
(c) Gross dividend income from:				
Securities held-for-trading	482	125	532	198
Securities available-for-sale	12,855	13,445	24,313	22,832
Securities held-to-maturity	1,502	1,086	1,502	1,086
	<u>14,839</u>	<u>14,656</u>	<u>26,347</u>	<u>24,116</u>
(d) Unrealised gain on revaluation of securities held-for-trading and derivatives	<u>75,351</u>	11,970	<u>37,063</u>	17,554
(e) Other income:				
Foreign exchange (loss) / profit	(30,138)	16,350	40,528	23,578
Rental income	2,881	1,783	5,135	3,622
(Loss) / Gain on disposal of property and equipment (net)	(6)	105	13	2,150
(Loss) / Gain on disposal of foreclosed properties	(10)	86	167	142
Gain on sale of trust units	42,458	41,212	78,652	61,730
Lease income and factoring charges	448	517	826	1,049
Others	26,538	10,042	30,848	36,799
	<u>42,171</u>	<u>70,095</u>	<u>156,169</u>	<u>129,070</u>
Total other operating income	<u>288,772</u>	<u>235,719</u>	<u>518,787</u>	<u>433,959</u>

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

	2nd Quarter ended		Half Year ended	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
<b><u>Bank</u></b>				
(a) Fee income:				
Commissions	28,594	24,512	58,190	44,914
Service charges and fees	32,322	30,464	62,309	56,943
Guarantee fees	4,330	4,023	8,738	8,418
Processing fees	358	192	592	339
Commitment fees	8,258	7,891	16,417	15,613
Other fee income	6,101	5,138	8,431	7,904
	<u>79,963</u>	<u>72,220</u>	<u>154,677</u>	<u>134,131</u>
(b) Net gain arising from sale of securities:				
Net gain from sale of securities				
- held-for-trading	1,886	5,359	4,661	7,037
- available-for-sale	324	-	594	-
	<u>2,210</u>	<u>5,359</u>	<u>5,255</u>	<u>7,037</u>
(c) Gross dividend income from:				
Securities held-for-trading	94	108	144	164
Securities available-for-sale	11,129	11,732	21,621	20,331
Securities held-to-maturity	1,442	1,026	1,442	1,026
Associated companies	210	231	210	231
Subsidiary companies	92,813	118,106	92,813	118,106
	<u>105,688</u>	<u>131,203</u>	<u>116,230</u>	<u>139,858</u>
(d) Unrealised gain on revaluation of securities held-for-trading and derivatives	<u>75,316</u>	10,627	<u>37,071</u>	16,036
(e) Other income:				
Foreign exchange (loss) / profit	(185,598)	16,004	(119,805)	23,217
Rental income	934	534	1,612	1,117
(Loss) / Gain on disposal of property and equipment (net)	(6)	19	13	1,791
(Loss) / Gain on disposal of foreclosed properties	(10)	86	167	142
Lease income and factoring charges	-	-	-	-
Others	29,490	317	33,517	10,446
	<u>(155,190)</u>	<u>16,960</u>	<u>(84,496)</u>	<u>36,713</u>
Total other operating income	<u>107,987</u>	<u>236,369</u>	<u>228,737</u>	<u>333,775</u>

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**A19. Other Operating Expenses**

	2nd Quarter ended		Half Year ended	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
<b>Group</b>				
Personnel costs				
- Salaries, allowances and bonuses	167,163	142,672	320,309	286,696
- Pension costs	19,684	16,956	41,927	33,914
- Others	16,237	14,460	29,432	26,739
Establishment costs				
- Depreciation	25,064	22,260	48,895	44,739
- Rental	13,042	12,842	25,556	24,550
- Insurance	4,799	3,953	8,700	5,343
- Water and electricity	5,833	5,420	11,035	10,243
- General repairs	4,537	4,691	9,518	8,896
- Others	19,420	13,308	38,299	29,882
Marketing expenses				
- Sales commission	45,103	42,667	84,244	65,820
- Advertisement and publicity	11,013	11,756	21,873	22,407
- Handling fees	8,111	4,542	12,996	9,768
- Others	18,410	15,795	35,961	29,656
Administration and general expenses				
- Amortisation of intangible assets	-	11,543	-	23,085
- Communication expenses	9,631	19,832	23,252	34,017
- Others	29,170	12,849	53,156	23,650
	<u>397,217</u>	<u>355,546</u>	<u>765,153</u>	<u>679,405</u>

	2nd Quarter ended		Half Year ended	
	30 June 2006 RM'000	30 June 2005 RM'000	30 June 2006 RM'000	30 June 2005 RM'000
<b>Bank</b>				
Personnel costs				
- Salaries, allowances and bonuses	130,078	121,827	262,466	244,127
- Pension costs	17,407	15,058	37,824	30,209
- Others	14,874	13,597	27,173	25,054
Establishment costs				
- Depreciation	19,634	18,342	39,512	36,525
- Rental	16,251	16,251	32,377	32,136
- Insurance	4,490	3,698	7,953	4,751
- Water and electricity	4,496	4,380	8,803	8,314
- General repairs	3,556	3,900	7,754	7,272
- Others	15,329	10,269	31,458	24,382
Marketing expenses				
- Advertisement and publicity	990	6,104	5,031	10,714
- Handling fees	8,111	4,537	12,996	9,762
- Others	11,648	11,835	22,651	22,964
Administration and general expenses				
- Amortisation of intangible assets	-	10,741	-	21,482
- Communication expenses	8,741	14,934	18,293	28,063
- Others	23,691	11,654	43,333	21,652
	<u>279,296</u>	<u>267,127</u>	<u>557,624</u>	<u>527,407</u>

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

	2nd Quarter ended		Half Year ended	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	68,731	35,391	112,590	73,239
- specific allowance	92,287	75,955	184,129	162,891
- specific allowance written back	(12,997)	(9,358)	(25,522)	(21,056)
Net allowance / (write back of allowance) in share broking activities	(11)	483	9	(20)
Bad debts and financing written off	220	376	269	570
Bad debts and financing recovered	(26,386)	(22,902)	(52,577)	(45,881)
	<u>121,844</u>	<u>79,945</u>	<u>218,898</u>	<u>169,743</u>

	2nd Quarter ended		Half Year ended	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	41,804	35,684	84,475	79,536
- specific allowance	66,937	49,623	128,221	110,769
- specific allowance written back	(12,848)	(9,265)	(25,298)	(20,940)
Bad debts and financing written off	220	368	269	562
Bad debts and financing recovered	(19,067)	(15,065)	(37,320)	(30,782)
	<u>77,046</u>	<u>61,345</u>	<u>150,347</u>	<u>139,145</u>

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

**By Business Segments**

	2nd Quarter ended 30 June 2006		Half Year ended 30 June 2006		
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Total Assets RM'000
<b><u>Group</u></b>					
Retail operations	1,476,423	418,772	2,783,383	812,079	76,859,543
Corporate lending	68,586	11,576	129,902	22,153	4,974,008
Treasury and capital market operations	348,304	150,827	753,614	265,373	45,343,199
Investment banking	28,579	2,225	53,135	3,681	3,805,223
Share broking and fund management	94,224	29,974	176,044	54,352	797,802
Others	1,085	2,115	2,207	4,453	205,842
	<u>2,017,201</u>	<u>615,489</u>	<u>3,898,285</u>	<u>1,162,091</u>	<u>131,985,617</u>
Inter-segment elimination	(201,145)	-	(380,200)	-	-
	<u>1,816,056</u>	<u>615,489</u>	<u>3,518,085</u>	<u>1,162,091</u>	<u>131,985,617</u>
Unallocated expenses	-	(7,500)	-	(11,896)	-
Share of results in associated companies	-	1,714	-	3,109	-
Intangible assets	-	-	-	-	2,004,186
Unallocated assets	-	-	-	-	551,400
Investment in associated companies	-	-	-	-	47,994
	<u><u>1,816,056</u></u>	<u><u>609,703</u></u>	<u><u>3,518,085</u></u>	<u><u>1,153,304</u></u>	<u><u>134,589,197</u></u>

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

	<b>2nd Quarter ended 30 June 2005</b>		<b>Half Year ended 30 June 2005</b>		<b>Total Assets RM'000</b>
	<b>Operating Revenue RM'000</b>	<b>Profit Before Tax Expense RM'000</b>	<b>Operating Revenue RM'000</b>	<b>Profit Before Tax Expense RM'000</b>	
<b><u>Group</u></b>					
Retail operations	1,187,394	403,984	2,341,465	785,680	58,573,657
Corporate lending	69,767	41,618	123,139	51,551	4,397,848
Treasury and capital market operations	231,634	67,266	526,924	146,308	35,266,597
Investment banking	21,731	2,138	42,066	4,116	2,856,764
Share broking and fund management	75,504	21,549	135,714	46,247	472,912
Others	1,005	1,624	1,985	4,747	215,343
	<u>1,587,035</u>	<u>538,179</u>	<u>3,171,293</u>	<u>1,038,649</u>	<u>101,783,121</u>
Inter-segment elimination	(172,307)	-	(337,992)	-	-
	<u>1,414,728</u>	<u>538,179</u>	<u>2,833,301</u>	<u>1,038,649</u>	<u>101,783,121</u>
Unallocated expenses	-	(6,785)	-	(17,111)	-
Amortisation of intangible assets	-	(11,543)	-	(23,085)	-
Share of results in associated companies	-	1,482	-	2,478	-
Intangible assets	-	-	-	-	787,717
Unallocated assets	-	-	-	-	475,169
Investment in associated companies	-	-	-	-	48,045
	<u><u>1,414,728</u></u>	<u><u>521,333</u></u>	<u><u>2,833,301</u></u>	<u><u>1,000,931</u></u>	<u><u>103,094,052</u></u>

Inter-segment pricing is determined on a negotiated basis.

\* Certain comparative figures for the second quarter and financial half year ended 30 June 2005 have been reclassified to conform with the current year's internal transfer pricing and cost allocation methodology.



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

**By Geographical Locations**

	2nd Quarter ended		Half Year ended		Total Assets RM'000
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	
<b><u>Group</u></b>					
<b><u>30 June 2006</u></b>					
Malaysia	1,607,064	516,228	3,180,129	990,218	122,828,729
Outside Malaysia	208,992	93,475	337,956	163,086	11,760,468
	<u>1,816,056</u>	<u>609,703</u>	<u>3,518,085</u>	<u>1,153,304</u>	<u>134,589,197</u>
<b><u>30 June 2005</u></b>					
Malaysia	1,291,416	445,818	2,595,154	856,047	100,654,540
Outside Malaysia	123,312	75,515	238,147	144,884	2,439,512
	<u>1,414,728</u>	<u>521,333</u>	<u>2,833,301</u>	<u>1,000,931</u>	<u>103,094,052</u>

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

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**A22. Carrying Amount of Revalued Assets**

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

**A23. Subsequent Events**

On 15 May 2006, Public Consolidated Holdings Sdn Bhd, a wholly-owned subsidiary of the Bank, entered into an agreement to acquire 600,000 ordinary shares of RM1.00 each in Public Mutual Berhad from Cheng Poh Holdings Sdn Bhd, representing 10% of the issued and paid-up share capital of Public Mutual Berhad, for a cash consideration of RM51.0 million ("the Proposed Acquisition"). Public Mutual Berhad was a 90%-owned indirect subsidiary of the Bank whose principal activities are the sale of trust units and the management of unit trust funds.

The Proposed Acquisition was completed on 12 July 2006 and Public Mutual Berhad is now a wholly-owned indirect subsidiary of the Bank.

**A24. Changes in the Composition of the Group**

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

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

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

On 30 May 2006, PFHL, a 73.50% owned subsidiary of the Bank, completed the acquisition of 8,100,000 ordinary shares of HKD100 each representing the entire issued and paid-up share capital of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)"), an authorised institution under the Hong Kong Banking Ordinance providing a comprehensive range of banking, financial and related services, from Asia Financial Holdings Limited for a total cash consideration of HKD4,499.6 million.

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

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

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

	RM'000
Cash and short-term funds	1,395,362
Securities held-for-trading	12,044
Securities available-for-sale	3,184
Securities held-to-maturity	1,742,758
Loans, advances and financing	4,349,138
Other assets	53,633
Investment properties	10,135
Property and equipment	178,552
Total assets	7,744,806
Deposits from customers	6,300,150
Deposits and placements of banks and other financial institutions	360,889
Other liabilities	200,155
Total liabilities	6,861,194
Carrying amount of net assets acquired	883,612
Excess of acquisition cost over the carrying amount of net assets acquired	1,226,123
Total cost of acquisition (including acquisition expense of RM4.3 million)	2,109,735

The Group is currently still in the process of assessing the fair values of the assets and liabilities acquired and the identification of the intangible assets relating to the acquisition of PB(HK). Any consequential adjustments to the financial statements of the Group will be identified and recognised before the end of the current financial year.

The operating revenue and profit after taxation of PB(HK) included in the Group's consolidated financial statements during the period amounted to RM72,105,000 and RM8,960,000 respectively. Had the acquisition occurred at the beginning of the financial year and the operating revenue and profit after taxation of PB(HK) for the financial half year ended 30 June 2006 amounting to RM208,232,000 and RM25,650,000 respectively been included in the Group's consolidated financial statements, the Group's operating revenue and profit attributable to equity holders of the Parent for the half year ended 30 June 2006 would have been RM3,654,212,000 and RM855,978,000 respectively.

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**A25. Commitments and Contingencies**

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

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

<u>Group</u>	As at 30 June 2006			As at 31 December 2005		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,130,370	1,130,370	869,035	1,085,495	1,085,495	858,181
Certain transaction-related contingent items	360,849	180,425	113,836	392,547	196,274	102,554
Short-term self-liquidating trade-related contingencies	606,284	121,257	94,898	541,501	108,300	102,011
Other assets sold with recourse and commitment with certain drawdown	197,416	197,416	17,309	15,040	15,040	-
Obligations under underwriting agreements	80,000	40,000	40,000	83,750	41,875	41,875
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,688,949	2,344,475	1,949,394	4,154,284	2,077,142	1,776,275
- maturity not exceeding one year	12,084,206	-	-	9,910,227	-	-
Forward placements	26,674	-	-	-	-	-
Foreign exchange related contracts:						
- less than one year	10,684,324	211,700	46,768	7,223,068	114,044	26,213
- one year to less than five years	1,121,110	56,889	11,378	-	-	-
Interest rate related contracts:						
- less than one year	1,466,874	1,396	279	113,385	283	57
- one year to less than five years	2,551,524	74,652	14,930	2,249,965	67,083	13,417
- five years and above	2,762,472	168,540	33,708	3,182,339	211,803	42,361
	<u>37,761,052</u>	<u>4,527,120</u>	<u>3,191,535</u>	<u>28,951,601</u>	<u>3,917,339</u>	<u>2,962,944</u>

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

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**A25. Commitments and Contingencies** (continued)

<u>Bank</u>	As at 30 June 2006			As at 31 December 2005		
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,105,629	1,105,629	868,109	1,084,395	1,084,395	857,961
Certain transaction-related contingent items	347,977	173,989	113,771	381,946	190,975	127,627
Short-term self-liquidating trade-related contingencies	401,026	80,206	76,083	434,058	86,810	80,609
Other assets sold with recourse and commitment with certain drawdown	29,086	29,086	-	15,040	15,040	-
Obligations under underwriting agreements	70,000	35,000	35,000	70,000	35,000	35,000
Irrevocable commitments to extend credit:						
- maturity exceeding one year	4,599,144	2,299,572	1,904,492	4,154,028	2,077,014	1,776,211
- maturity not exceeding one year	10,369,255	-	-	9,740,724	-	-
Forward placements	102,698	-	-	124,723	-	-
Foreign exchange related contracts:						
- less than one year	8,202,211	143,734	33,175	7,223,068	114,044	26,213
- one year to less than five years	-	-	-	-	-	-
Interest rate related contracts:						
- less than one year	1,395,930	1,396	279	113,385	283	57
- one year to less than five years	2,533,156	73,917	14,783	2,249,965	67,083	13,417
- five years and above	2,762,472	168,540	33,708	3,163,441	210,858	42,172
	<u>31,918,584</u>	<u>4,111,069</u>	<u>3,079,400</u>	<u>28,754,773</u>	<u>3,881,502</u>	<u>2,959,267</u>

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

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**A26. Off-Balance Sheet Financial Instruments**

Details of financial instruments with off-balance sheet risk as at 30 June 2006:

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

**Group**

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
<b>Foreign exchange related contracts</b>							
- forward	971,006	467,629	348,295	152,752	2,330	-	-
- swaps	10,834,428	5,655,060	1,715,254	426,353	1,916,651	1,121,110	-
Sub total	11,805,434	6,122,689	2,063,549	579,105	1,918,981	1,121,110	-
<b>Interest rate related contracts</b>							
- forward	-	-	-	-	-	-	-
- swaps	6,780,870	2,319,126	2,771,933	1,689,811	-	-	-
Sub total	6,780,870	2,319,126	2,771,933	1,689,811	-	-	-
<b>Total</b>	<b>18,586,304</b>	<b>8,441,815</b>	<b>4,835,482</b>	<b>2,268,916</b>	<b>1,918,981</b>	<b>1,121,110</b>	<b>-</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 - 5 years RM'000	>5 years RM'000
<b>Foreign exchange related contracts</b>							
- forward	828,395	325,018	348,295	152,752	2,330	-	-
- swap	7,373,816	5,621,827	1,715,254	36,735	-	-	-
Sub total	8,202,211	5,946,845	2,063,549	189,487	2,330	-	-
<b>Interest rate related contracts</b>							
- forward	-	-	-	-	-	-	-
- swap	6,691,558	2,248,182	2,771,933	1,671,443	-	-	-
Sub total	6,691,558	2,248,182	2,771,933	1,671,443	-	-	-
<b>Total</b>	<b>14,893,769</b>	<b>8,195,027</b>	<b>4,835,482</b>	<b>1,860,930</b>	<b>2,330</b>	<b>-</b>	<b>-</b>

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

**Market Risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 30 June 2006, the amount of contracts which were not hedged in the Group and the Bank and, hence, exposed to market risk was RM823,837,000 (31 December 2005 : RM1,485,257,000).

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**A26. Off-Balance Sheet Financial Instruments (continued)**

**Credit Risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 30 June 2006, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM65,963,000 (31 December 2005 : RM24,737,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**Related Accounting Policies**

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

**Fair value hedge**

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

**Cash flow hedge**

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

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**A27. Interest/Profit Rate Risk**

<b>Group</b>	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000					
<b>As at 30 June 2006</b>										
<b>ASSETS</b>										
Cash and short-term funds	<b>28,201,655</b>	-	-	-	-	<b>619,805</b>	-	<b>28,821,460</b>	<b>3.79</b>	
Deposits and placements with banks and other financial institutions	<b>100</b>	<b>2,463,730</b>	<b>147,513</b>	-	-	-	-	<b>2,611,343</b>	<b>3.94</b>	
Securities purchased under resale agreements	<b>544,237</b>	<b>1,560,301</b>	-	-	-	-	<b>3,040,352</b>	<b>5,144,890</b>	<b>3.80</b>	
Securities held-for-trading	-	-	-	-	-	-	<b>6,207,111</b>	<b>6,207,111</b>	<b>3.71</b>	
Securities available-for-sale	-	-	<b>112,925</b>	<b>1,316,372</b>	<b>1,279,194</b>	<b>1,198,083</b>	<b>27,799</b>	<b>3,934,373</b>	<b>5.86</b>	
Securities held-to-maturity	<b>266,093</b>	<b>943,839</b>	<b>1,119,203</b>	<b>1,190,465</b>	<b>9,449</b>	<b>88,079</b>	-	<b>3,617,128</b>	<b>3.92</b>	
Loans, advances and financing										
- performing	<b>40,616,606</b>	<b>4,859,706</b>	<b>9,934,895</b>	<b>16,449,181</b>	<b>4,892,527</b>	-	-	<b>76,752,915</b>	<b>6.74</b>	
- non-performing *	-	-	-	-	-	<b>27,683</b>	-	<b>27,683</b>	-	
Other non-interest sensitive balances	-	-	-	-	-	<b>7,411,787</b>	<b>60,507</b>	<b>7,472,294</b>	-	
<b>TOTAL ASSETS</b>	<b>69,628,691</b>	<b>9,827,576</b>	<b>11,314,536</b>	<b>18,956,018</b>	<b>6,181,170</b>	<b>9,345,437</b>	<b>9,335,769</b>	<b>134,589,197</b>		



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**A27. Interest/Profit Rate Risk (continued)**

Group	Non trading book						Non-interest sensitive	Trading book	Total	Effective interest rate
	Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 5 years	over 5 years					
As at 30 June 2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	52,026,539	20,030,189	17,020,996	567,839	22,379	10,898,476	-	100,566,418	3.10	
Deposits and placements of banks and other financial institutions	7,648,326	456,335	84,658	-	-	94,297	-	8,283,616	4.50	
Obligations on securities sold under repurchase agreements	7,930,202	50,038	-	-	-	-	-	7,980,240	3.37	
Bills and acceptances payable	556,970	949,157	203,599	-	-	956,553	-	2,666,279	3.72	
Recourse obligations on loans sold to Cagamas	36,856	63,759	130,103	38,945	-	-	-	269,663	3.78	
Borrowings	953,014	-	-	-	-	-	-	953,014	4.82	
Subordinated notes	-	-	-	1,239,452	1,349,187	-	-	2,588,639	6.27	
Other non-interest sensitive balances	-	-	-	-	-	2,208,313	9,074	2,217,387	-	
<b>Total Liabilities</b>	<b>69,151,907</b>	<b>21,549,478</b>	<b>17,439,356</b>	<b>1,846,236</b>	<b>1,371,566</b>	<b>14,157,639</b>	<b>9,074</b>	<b>125,525,256</b>		
Shareholders' equity	-	-	-	-	-	8,382,126	-	8,382,126		
Minority interests	-	-	-	-	-	681,815	-	681,815		
<b>Total Liabilities and Equity</b>	<b>69,151,907</b>	<b>21,549,478</b>	<b>17,439,356</b>	<b>1,846,236</b>	<b>1,371,566</b>	<b>23,221,580</b>	<b>9,074</b>	<b>134,589,197</b>		
On-balance sheet interest sensitivity gap	476,784	(11,721,902)	(6,124,820)	17,109,782	4,809,604	(13,876,143)	9,326,695	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(323,268)	1,486,207	(1,359,195)	19,927	176,329	-	-	-		
<b>Total interest sensitivity gap</b>	<b>153,516</b>	<b>(10,235,695)</b>	<b>(7,484,015)</b>	<b>17,129,709</b>	<b>4,985,933</b>	<b>(13,876,143)</b>	<b>9,326,695</b>	<b>-</b>		

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

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**A27. Interest/Profit Rate Risk (continued)**

Group As at 31 December 2005	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000					
<b>ASSETS</b>										
Cash and short-term funds	17,638,823	-	-	-	-	718,914	-	18,357,737	3.09	
Deposits and placements with banks and other financial institutions	-	8,445,253	267,597	-	-	-	-	8,712,850	3.22	
Securities purchased under resale agreements	115,312	762,701	108,600	-	-	-	3,882,775	4,869,388	3.11	
Securities held-for-trading	-	-	-	-	-	-	1,554,685	1,554,685	3.21	
Securities available-for-sale	-	-	117,000	1,290,472	1,469,783	1,181,480	13,947	4,072,682	5.02	
Securities held-to-maturity	154,937	248,671	856,239	887,140	-	88,080	-	2,235,067	3.25	
Loans, advances and financing										
- performing	31,631,977	4,024,160	10,703,257	15,618,622	4,717,495	-	-	66,695,511	6.56	
- non-performing *	-	-	-	-	-	117,273	-	117,273	-	
Other non-interest sensitive balances	-	-	-	-	-	4,966,328	24,737	4,991,065	-	
<b>TOTAL ASSETS</b>	<b>49,541,049</b>	<b>13,480,785</b>	<b>12,052,693</b>	<b>17,796,234</b>	<b>6,187,278</b>	<b>7,072,075</b>	<b>5,476,144</b>	<b>111,606,258</b>		

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**A27. Interest/Profit Rate Risk (continued)**

Group As at 31 December 2005	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000					
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	42,603,448	16,793,201	15,318,846	446,734	6,627	8,960,785	-	84,129,641	2.74	
Deposits and placements of banks and other financial institutions	5,766,675	1,778,441	72,212	-	-	63,362	-	7,680,690	3.97	
Obligations on securities sold under repurchase agreements	4,001,628	30,000	-	-	-	-	10,321	4,041,949	2.89	
Bills and acceptances payable	567,488	782,241	142,750	-	-	637,236	-	2,129,715	3.04	
Recourse obligations on loans sold to Cagamas	21,190	40,300	163,785	59,730	-	-	-	285,005	3.77	
Subordinated notes	-	-	-	1,308,786	1,448,836	-	-	2,757,622	5.29	
Other non-interest sensitive balances	-	-	-	-	-	1,654,383	10,004	1,664,387	-	
<b>Total Liabilities</b>	<b>52,960,429</b>	<b>19,424,183</b>	<b>15,697,593</b>	<b>1,815,250</b>	<b>1,455,463</b>	<b>11,315,766</b>	<b>20,325</b>	<b>102,689,009</b>		
Shareholders' equity	-	-	-	-	-	8,481,508	-	8,481,508		
Minority interests	-	-	-	-	-	435,741	-	435,741		
<b>Total Liabilities and Equity</b>	<b>52,960,429</b>	<b>19,424,183</b>	<b>15,697,593</b>	<b>1,815,250</b>	<b>1,455,463</b>	<b>20,233,015</b>	<b>20,325</b>	<b>111,606,258</b>		
On-balance sheet interest sensitivity gap	(3,419,380)	(5,943,398)	(3,644,900)	15,980,984	4,731,815	(13,160,940)	5,455,819	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	971,332	190,137	(1,398,416)	395,685	(158,738)	-	-	-		
<b>Total interest sensitivity gap</b>	<b>(2,448,048)</b>	<b>(5,753,261)</b>	<b>(5,043,316)</b>	<b>16,376,669</b>	<b>4,573,077</b>	<b>(13,160,940)</b>	<b>5,455,819</b>	<b>-</b>		

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

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**A27. Interest/Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000					
<b>As at 30 June 2006</b>										
<b>ASSETS</b>										
Cash and short-term funds	<b>24,938,775</b>	-	-	-	-	<b>640,870</b>	-	<b>25,579,645</b>	<b>3.75</b>	
Deposits and placements with banks and other financial institutions	-	<b>2,313,608</b>	<b>192,384</b>	-	-	-	-	<b>2,505,992</b>	<b>3.90</b>	
Securities purchased under resale agreements	-	<b>1,309,191</b>	-	-	-	-	<b>3,040,352</b>	<b>4,349,543</b>	<b>3.81</b>	
Securities held-for-trading	-	-	-	-	-	-	<b>6,154,083</b>	<b>6,154,083</b>	<b>3.71</b>	
Securities available-for-sale	-	-	<b>56,805</b>	<b>1,037,675</b>	<b>1,244,740</b>	<b>1,082,319</b>	<b>13,375</b>	<b>3,434,914</b>	<b>5.49</b>	
Securities held-to-maturity	<b>855</b>	<b>230,606</b>	<b>623,974</b>	<b>585,577</b>	-	<b>87,633</b>	-	<b>1,528,645</b>	<b>3.44</b>	
Loans, advances and financing										
- performing	<b>36,618,102</b>	<b>3,943,892</b>	<b>8,982,854</b>	<b>15,689,778</b>	<b>4,813,563</b>	-	-	<b>70,048,189</b>	<b>6.36</b>	
- non-performing *	-	-	-	-	-	<b>83,262</b>	-	<b>83,262</b>	-	
Other non-interest sensitive balances	-	-	-	-	-	<b>7,223,541</b>	<b>60,507</b>	<b>7,284,048</b>	-	
<b>TOTAL ASSETS</b>	<b>61,557,732</b>	<b>7,797,297</b>	<b>9,856,017</b>	<b>17,313,030</b>	<b>6,058,303</b>	<b>9,117,625</b>	<b>9,268,317</b>	<b>120,968,321</b>		

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**A27. Interest/Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000					
<b>As at 30 June 2006</b>										
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	45,979,198	17,354,505	16,727,669	671,848	22,379	10,467,806	-	91,223,405	2.99	
Deposits and placements of banks and other financial institutions	6,467,188	455,681	-	-	-	80,733	-	7,003,602	4.74	
Obligations on securities sold under repurchase agreements	7,780,352	50,038	-	-	-	-	-	7,830,390	3.37	
Bills and acceptances payable	556,970	949,157	203,599	-	-	956,553	-	2,666,279	3.72	
Recourse obligations on loans sold to Cagamas	36,856	63,759	130,103	38,945	-	-	-	269,663	3.78	
Subordinated notes	-	-	-	1,239,452	1,349,187	-	-	2,588,639	6.27	
Other non-interest sensitive balances	-	-	-	-	-	1,318,595	9,074	1,327,669	-	
<b>Total Liabilities</b>	<b>60,820,564</b>	<b>18,873,140</b>	<b>17,061,371</b>	<b>1,950,245</b>	<b>1,371,566</b>	<b>12,823,687</b>	<b>9,074</b>	<b>112,909,647</b>		
Shareholders' equity	-	-	-	-	-	8,058,674	-	8,058,674		
<b>Total Liabilities and Equity</b>	<b>60,820,564</b>	<b>18,873,140</b>	<b>17,061,371</b>	<b>1,950,245</b>	<b>1,371,566</b>	<b>20,882,361</b>	<b>9,074</b>	<b>120,968,321</b>		
On-balance sheet interest sensitivity gap	737,168	(11,075,843)	(7,205,354)	15,362,785	4,686,737	(11,764,736)	9,259,243	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(433,472)	1,402,763	(1,469,399)	287,047	213,061	-	-	-		
<b>Total interest sensitivity gap</b>	<b>303,696</b>	<b>(9,673,080)</b>	<b>(8,674,753)</b>	<b>15,649,832</b>	<b>4,899,798</b>	<b>(11,764,736)</b>	<b>9,259,243</b>	<b>-</b>		

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

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**A27. Interest/Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000					
<b>As at 31 December 2005</b>										
<b>ASSETS</b>										
Cash and short-term funds	16,492,083	-	-	-	-	678,255	-	17,170,338	3.08	
Deposits and placements with banks and other financial institutions	-	8,487,289	249,579	-	-	-	-	8,736,868	3.23	
Securities purchased under resale agreements	66,529	72,824	-	-	-	-	3,882,775	4,022,128	3.14	
Securities held-for-trading	-	-	-	-	-	-	1,666,465	1,666,465	3.20	
Securities available-for-sale	-	-	58,513	1,081,485	1,347,278	1,062,903	13,377	3,563,556	4.63	
Securities held-to-maturity	52,829	126,216	740,099	729,934	-	87,635	-	1,736,713	3.31	
Loans, advances and financing										
- performing	30,968,477	3,681,474	10,105,682	15,030,891	4,639,749	-	-	64,426,273	6.11	
- non-performing *	-	-	-	-	-	153,632	-	153,632	-	
Other non-interest sensitive balances	-	-	-	-	-	5,864,192	24,737	5,888,929	-	
<b>TOTAL ASSETS</b>	<b>47,579,918</b>	<b>12,367,803</b>	<b>11,153,873</b>	<b>16,842,310</b>	<b>5,987,027</b>	<b>7,846,617</b>	<b>5,587,354</b>	<b>107,364,902</b>		

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**A27. Interest/Profit Rate Risk (continued)**

<b>Bank</b>	Non trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 5 years RM'000	over 5 years RM'000					
<b>As at 31 December 2005</b>										
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	41,062,453	16,135,909	15,241,801	856,150	6,627	8,902,242	-	82,205,182	2.73	
Deposits and placements of banks and other financial institutions	4,748,825	1,845,878	128,085	-	-	60,812	-	6,783,600	4.18	
Obligations on securities sold under repurchase agreements	3,656,663	30,000	-	-	-	-	10,321	3,696,984	2.88	
Bills and acceptances payable	567,488	782,241	142,750	-	-	635,180	-	2,127,659	3.04	
Recourse obligations on loans sold to Cagamas	21,190	40,300	163,785	59,730	-	-	-	285,005	3.77	
Subordinated notes	-	-	-	1,308,786	1,448,836	-	-	2,757,622	5.29	
Other non-interest sensitive balances	-	-	-	-	-	1,360,891	10,004	1,370,895	-	
<b>Total Liabilities</b>	<b>50,056,619</b>	<b>18,834,328</b>	<b>15,676,421</b>	<b>2,224,666</b>	<b>1,455,463</b>	<b>10,959,125</b>	<b>20,325</b>	<b>99,226,947</b>		
Shareholders' equity	-	-	-	-	-	8,137,955	-	8,137,955		
<b>Total Liabilities and Equity</b>	<b>50,056,619</b>	<b>18,834,328</b>	<b>15,676,421</b>	<b>2,224,666</b>	<b>1,455,463</b>	<b>19,097,080</b>	<b>20,325</b>	<b>107,364,902</b>		
On-balance sheet interest sensitivity gap	(2,476,701)	(6,466,525)	(4,522,548)	14,617,644	4,531,564	(11,250,463)	5,567,029	-		
Off-balance sheet interest sensitivity gap (interest rate swaps)	971,332	190,137	(1,417,313)	395,685	(139,841)	-	-	-		
<b>Total interest sensitivity gap</b>	<b>(1,505,369)</b>	<b>(6,276,388)</b>	<b>(5,939,861)</b>	<b>15,013,329</b>	<b>4,391,723</b>	<b>(11,250,463)</b>	<b>5,567,029</b>	<b>-</b>		

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

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**A28. Capital Adequacy**

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

	Group		Bank	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
<u>Before deducting proposed dividends:</u>				
Core capital ratio	8.3%	11.4%	10.1%	11.1%
Risk-weighted capital ratio	<u>13.3%</u>	<u>17.1%</u>	<u>12.2%</u>	<u>14.9%</u>
<u>After deducting proposed dividends:</u>				
Core capital ratio	7.7%	10.2%	9.4%	9.8%
Risk-weighted capital ratio	<u>12.7%</u>	<u>15.9%</u>	<u>11.6%</u>	<u>13.6%</u>

The capital adequacy ratios of the Group and the Bank as at 30 June 2006 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,433,356	3,417,373	3,433,356	3,417,373
Share premium	1,645,498	1,574,180	1,645,498	1,574,180
Other reserves	3,015,316	2,907,840	2,919,979	2,754,847
Retained profits (before deducting proposed dividend)	865,781	1,330,730	887,844	1,289,161
Treasury shares	(784,734)	(784,600)	(784,734)	(784,600)
Minority interests	643,259	435,741	-	-
Less: Intangible assets	(2,004,186)	(765,157)	(695,393)	(695,393)
Less: Deferred tax assets, net	(363,761)	(345,246)	(310,041)	(286,550)
Total Tier I capital	<u>6,450,529</u>	<u>7,770,861</u>	<u>7,096,509</u>	<u>7,269,018</u>
<u>Tier II capital</u>				
General allowance for bad and doubtful debts	1,178,175	1,056,199	1,073,381	987,830
Subordinated notes, at cost	2,739,297	2,816,795	2,739,297	2,816,795
Total Tier II capital	<u>3,917,472</u>	<u>3,872,994</u>	<u>3,812,678</u>	<u>3,804,625</u>
Total capital	<u>10,368,001</u>	<u>11,643,855</u>	<u>10,909,187</u>	<u>11,073,643</u>
Less: Investment in subsidiary companies	-	-	(2,307,882)	(1,305,365)
Capital base	<u>10,368,001</u>	<u>11,643,855</u>	<u>8,601,305</u>	<u>9,768,278</u>



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**A29. Operations of Islamic Banking**

**A29a. Balance Sheets as at 30 June 2006**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<b>ASSETS</b>				
Cash and short-term funds	1,039,732	426,261	1,039,732	426,261
Securities held-to-maturity	51,749	127,479	51,749	127,479
Financing, advances and other loans	7,937,378	7,217,018	7,937,378	7,217,018
Other assets	26,873	1,055	26,873	1,055
Statutory deposits with Bank Negara Malaysia	261,000	236,000	261,000	236,000
Deferred tax assets	36,284	38,018	36,284	38,018
Property and equipment	73	69	73	69
<b>Total Assets</b>	<b>9,353,089</b>	<b>8,045,900</b>	<b>9,353,089</b>	<b>8,045,900</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>				
Deposits from customers	7,184,464	6,093,087	7,184,464	6,093,087
Deposits and placements of banks and other financial institutions	580,046	1,474	580,046	1,474
Bills and acceptances payable	70,506	24,368	70,506	24,368
Other liabilities	18,629	547,912	18,629	547,912
Provision for tax expense and zakat	53,090	41,129	53,090	41,129
<b>Total Liabilities</b>	<b>7,906,735</b>	<b>6,707,970</b>	<b>7,906,735</b>	<b>6,707,970</b>
Islamic Banking Funds	1,446,354	1,337,930	1,446,354	1,337,930
Total Liabilities and Islamic Banking Funds	<b>9,353,089</b>	<b>8,045,900</b>	<b>9,353,089</b>	<b>8,045,900</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>99,737</b>	<b>102,954</b>	<b>99,737</b>	<b>102,954</b>

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**A29b. Income Statements for the Financial Half Year Ended 30 June 2006**

	<b>2nd Quarter ended</b>		<b>Half Year ended</b>	
	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>
<b><u>Group</u></b>				
Income derived from investment of depositors' funds and financial institutions	<b>115,169</b>	101,640	<b>222,667</b>	205,066
Allowance for losses on financing, advances and other loans	<b>(16,190)</b>	(8,073)	<b>(25,502)</b>	(20,050)
Transfer from/(to) profit equalisation reserve	<b>7,677</b>	(280)	<b>12,693</b>	(1,525)
<b>Total attributable income</b>	<b>106,656</b>	93,287	<b>209,858</b>	183,491
Income attributable to the depositors and financial institutions	<b>(33,599)</b>	(22,661)	<b>(63,468)</b>	(47,722)
<b>Income attributable to the reporting institutions</b>	<b>73,057</b>	70,626	<b>146,390</b>	135,769
Income derived from investment of Islamic Banking Funds	<b>23,223</b>	20,950	<b>45,396</b>	40,218
<b>Total net income</b>	<b>96,280</b>	91,576	<b>191,786</b>	175,987
Other operating expenses	<b>(17,254)</b>	(18,553)	<b>(39,974)</b>	(36,524)
<b>Profit before zakat and tax expense</b>	<b>79,026</b>	73,023	<b>151,812</b>	139,463
Zakat	<b>(19)</b>	(36)	<b>(38)</b>	(76)
Tax expense	<b>(27,750)</b>	(17,650)	<b>(43,348)</b>	(39,258)
<b>Profit after zakat and tax expense</b>	<b>51,257</b>	55,337	<b>108,426</b>	100,129

	<b>2nd Quarter ended</b>		<b>Half Year ended</b>	
	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>
<b><u>Bank</u></b>				
Income derived from investment of depositors' funds and financial institutions	<b>115,169</b>	101,640	<b>222,667</b>	205,066
Allowance for losses on financing, advances and other loans	<b>(16,190)</b>	(8,073)	<b>(25,502)</b>	(20,050)
Transfer from/(to) profit equalisation reserve	<b>7,677</b>	(280)	<b>12,693</b>	(1,525)
<b>Total attributable income</b>	<b>106,656</b>	93,287	<b>209,858</b>	183,491
Income attributable to the depositors and financial institutions	<b>(33,599)</b>	(22,661)	<b>(63,468)</b>	(47,722)
<b>Income attributable to the reporting institutions</b>	<b>73,057</b>	70,626	<b>146,390</b>	135,769
Income derived from investment of Islamic Banking Funds	<b>23,223</b>	20,950	<b>45,396</b>	40,218
<b>Total net income</b>	<b>96,280</b>	91,576	<b>191,786</b>	175,987
Other operating expenses	<b>(17,254)</b>	(18,553)	<b>(39,974)</b>	(36,524)
<b>Profit before zakat and tax expense</b>	<b>79,026</b>	73,023	<b>151,812</b>	139,463
Zakat	<b>(19)</b>	(36)	<b>(38)</b>	(76)
Tax expense	<b>(27,750)</b>	(17,650)	<b>(43,348)</b>	(39,258)
<b>Profit after zakat and tax expense</b>	<b>51,257</b>	55,337	<b>108,426</b>	100,129

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**A29c. Financing, Advances and Other Loans**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Qardhassan-i (overdraft)	30,255	20,840	30,255	20,840
Bai Bithaman Ajil-i (deferred payment sale)	3,420,078	3,211,860	3,420,078	3,211,860
Ijarah Thamma Al-Bai'-i (leasing)	6,532,648	6,034,328	6,532,648	6,034,328
Bai-Al-Einah-i	469,821	307,341	469,821	307,341
	<u>10,452,802</u>	<u>9,574,369</u>	<u>10,452,802</u>	<u>9,574,369</u>
Unearned income	(2,367,041)	(2,223,862)	(2,367,041)	(2,223,862)
Gross financing, advances and other loans	8,085,761	7,350,507	8,085,761	7,350,507
Allowance for bad and doubtful debts and financing:				
- general	(120,695)	(114,195)	(120,695)	(114,195)
- specific	(27,688)	(19,294)	(27,688)	(19,294)
Net financing, advances and other loans	<u>7,937,378</u>	<u>7,217,018</u>	<u>7,937,378</u>	<u>7,217,018</u>

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

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
At 1 January	156,196	150,538	156,196	150,538
Non-performing during the period/year	186,941	379,672	186,941	379,672
Reclassified as performing	(145,466)	(296,761)	(145,466)	(296,761)
Recoveries	(16,381)	(34,239)	(16,381)	(34,239)
Amount written off	(13,222)	(43,014)	(13,222)	(43,014)
Closing balance	<u>168,068</u>	<u>156,196</u>	<u>168,068</u>	<u>156,196</u>
Specific allowance	(27,688)	(19,294)	(27,688)	(19,294)
Net non-performing financing, advances and other loans	<u>140,380</u>	<u>136,902</u>	<u>140,380</u>	<u>136,902</u>
Net NPL as % of gross financing, advances and other loans less specific allowance	<u>1.74%</u>	<u>1.87%</u>	<u>1.74%</u>	<u>1.87%</u>

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**A29c. Financing, Advances and Other Loans** (continued)

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

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<u>General allowance</u>				
At 1 January	114,195	107,295	114,195	107,295
Allowance made during the period/year	6,500	6,900	6,500	6,900
Closing balance	<u>120,695</u>	<u>114,195</u>	<u>120,695</u>	<u>114,195</u>
As % of gross financing, advances and other loans less specific allowance	<u>1.50%</u>	<u>1.56%</u>	<u>1.50%</u>	<u>1.56%</u>
	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<u>Specific allowance</u>				
At 1 January	19,294	26,070	19,294	26,070
Allowance made during the period/year	25,744	40,345	25,744	40,345
Amount written back	(4,128)	(4,084)	(4,128)	(4,084)
Amount written off	(13,222)	(43,014)	(13,222)	(43,014)
Amount transferred to accumulated impairment losses in value of foreclosed properties	-	(23)	-	(23)
Closing balance	<u>27,688</u>	<u>19,294</u>	<u>27,688</u>	<u>19,294</u>

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**A29d. Deposits from Customers**

**i) By type of deposit**

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
<u>Non-Mudharabah Fund</u>				
Wadiah current deposits-i	1,191,184	1,021,990	1,191,184	1,021,990
Wadiah savings deposits-i	2,270,022	2,065,872	2,270,022	2,065,872
Negotiable debt certificate-i	1,785,140	1,752,534	1,785,140	1,752,534
Others	-	150	-	150
	<u>5,246,346</u>	<u>4,840,546</u>	<u>5,246,346</u>	<u>4,840,546</u>
<u>Mudharabah Fund</u>				
Mudharabah savings deposits-i	63,194	59,368	63,194	59,368
Mudharabah general investment deposits-i	1,874,924	1,193,173	1,874,924	1,193,173
	<u>1,938,118</u>	<u>1,252,541</u>	<u>1,938,118</u>	<u>1,252,541</u>
Deposits from customers	<u><u>7,184,464</u></u>	<u><u>6,093,087</u></u>	<u><u>7,184,464</u></u>	<u><u>6,093,087</u></u>

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**A30. Change in Accounting Policies and Prior Year Adjustments**

**(a) Change in Accounting Policies**

During the financial half year ended 30 June 2006, the Group and the Bank have adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 January 2006 which resulted in changes in accounting policies as follows:

1) FRS 101: Presentation of Financial Statements

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

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

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

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

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

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group and the Bank to eliminate the carrying accumulated amortisation as at 1 January 2006 of RM174,310,000 and RM124,761,000 respectively against the carrying amount of goodwill. The carrying amount of goodwill for the Group and the Bank as at 1 January 2006 of RM738,907,000 and RM695,393,000 respectively ceased to be amortised. This has the effect of reducing the amortisation charge of the Group and the Bank by RM22,570,000 and RM21,482,000 respectively for the financial half year ended 30 June 2006. No impairment loss on goodwill has been recognised in the financial half year ended 30 June 2006.

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

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

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually. Intangible assets with a finite useful life will continue to be amortised over the estimated useful life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Upon the adoption of FRS 138, the Group's intangible asset, which consists of the cost of the dealer license of a local stock broking company acquired by a stockbroking subsidiary, is regarded to have an indefinite useful life and is not amortised but instead, is tested for impairment annually. This change in accounting policy has been accounted for prospectively and the carrying amount of the dealer license of RM26,250,000 as at 1 January 2006 ceased to be amortised. This has the effect of reducing the amortisation charges by RM700,000 for the Group for the financial half year ended 30 June 2006.

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

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

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

3) FRS 140: Investment Property

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

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

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

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4) FRS 2: Share-based Payment

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

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

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

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Effects on retained profits:				
At 1 January, as previously stated	<b>500,846</b>	684,490	<b>385,645</b>	734,469
Effects of adopting FRS 140 - Investment Property	<b>(621)</b>	-	-	-
At 1 January, as restated	<b>500,225</b>	684,490	<b>385,645</b>	734,469



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

**B1. Performance Review**

The Group's pre-tax profit for the financial half year ended 30 June 2006 of RM1,153.3 million was RM152.4 million or 15.2% higher than that of the previous corresponding period of RM1,000.9 million. Profit attributable to equity holders of the parent improved by 18.0% to RM839.3 million. The improvement in earnings was primarily due to higher net interest income, including net income from Islamic Banking operations, which improved by RM207.8 million or 14.8% and higher other operating income by 19.5% or RM84.8 million. The increases were partially offset by higher other operating expenses of RM85.7 million and higher general allowance made on loans, advances and financing of RM39.4 million.

The growth in the Group's net interest income was driven by strong loans growth and improved assets quality. Gross loan balance has grown by 25.5% to RM78.2 billion as at 30 June 2006 as compared to RM62.3 billion as at 30 June 2005. This includes loans arising from the acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("PB(HK)") amounting to RM4.3 billion. Excluding the loans from PB(HK), the Group's total loans has grown by 18.6% during the said period mainly arising from financing of small and medium-sized enterprises ("SMEs"), residential mortgages and financing of passenger vehicles. The Group's net non-performing loans ratio ("NPL") improved to 1.6% as at 30 June 2006 as compared to 1.9% as at 30 June 2005.

The Group's commercial bank, Public Bank, recorded a pre-tax profit of RM885.2 million for the financial half year ended 30 June 2006 and was 2.8% higher than the pre-tax profit of RM860.8 million achieved in the previous corresponding period. This was mainly due to higher net interest income and income from Islamic Banking operations partially offset by lower other operating income and higher other operating expenses.

The overseas operations of the Group recorded a 12.6% improvement in pre-tax profit to RM163.1 million from the previous corresponding period. This was mainly due to loans growth achieved during the period coupled with the acquisition of PB(HK).

For the 2nd quarter ended 30 June 2006, the Group registered a pre-tax profit of RM609.7 million, an improvement of RM88.4 million or 17.0% as compared to the previous corresponding quarter. This was achieved on the back of strong loans growth in financing SMEs, vehicle hire purchase financing and residential mortgages. Earnings attributable to equity holders of the parent grew by 23.6% or RM86.6 million for the same period.

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

The Group's pre-tax profit of RM609.7 million for the 2nd quarter ended 30 June 2006 was RM66.1 million or 12.2% higher compared to the preceding quarter ended 31 March 2006. Net profit attributable to equity holders of the parent increased by RM66.2 million or 17.1% over the preceding quarter ended 31 March 2006. The increase was mainly due to increase in net interest income and other operating income by RM53.6 million and RM58.8 million respectively, partially offset by increase in overhead expenses by RM29.3 million and higher general allowance by RM24.9 million. The increase in equity interest in Public Financial Holdings Limited (formerly known as JCG Holdings Limited) had also contributed favourably to the Group's result during the quarter.

**B3. Prospects for 2006**

The Malaysian economy is expected to maintain its growth momentum in 2006 despite the increasing challenges of high oil prices, wide global imbalances and high global interest rates. The employment conditions are also projected to remain healthy. Public Bank Group will continue to pursue its strategy of high organic growth by building on the momentum of strong loan growth in recent years and its focus on consumer financing and retail commercial lending to SMEs, whilst keeping stringently to the uncompromising prudent credit standards and practices of the Group. The Group will also further leverage on its strategic domestic network of 244 branches, its online channels and strong *PB* brand to continue building on the momentum of its strong loan growth. The recent acquisition of PB(HK) has provided the Group with the opportunity for an immediate expansion of its banking business in Hong Kong, as well as an immediate entry to the banking business in Greater China. Barring any unforeseen circumstances, the Group's and the Bank's performance are expected to continue to record satisfactory performance in 2006.

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**B4. Profit Forecast or Profit Guarantee**

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

**B5. Tax Expense and Zakat**

The analysis of the tax expense for the 2nd quarter and financial half year ended 30 June 2006 are as follows:

	<b>2nd Quarter ended</b>		<b>Half Year ended</b>	
	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>
<b><u>Group</u></b>				
Malaysian income tax	135,559	130,495	270,462	234,671
Overseas income tax	14,588	13,234	26,290	25,763
	<b>150,147</b>	143,729	<b>296,752</b>	260,434
(Over)/Under provision in prior period				
- Malaysian income tax	-	(647)	-	(1,294)
- Overseas income tax	(37)	-	(37)	4
	<b>150,110</b>	143,082	<b>296,715</b>	259,144
Share of tax expense in associated companies	470	725	871	750
	<b>150,580</b>	143,807	<b>297,586</b>	259,894
Deferred tax expense				
- Origination and reversal of temporary differences	(13,346)	(9,368)	(22,164)	(9,875)
Tax expense	137,234	134,439	275,422	250,019
Zakat	19	36	38	76
	<b>137,253</b>	134,475	<b>275,460</b>	250,095

The Group's effective tax rate for the 2nd quarter and financial half year ended 30 June 2006 is lower than the statutory tax rate due to the effects of lower tax rates in other jurisdictions.

	<b>2nd Quarter ended</b>		<b>Half Year ended</b>	
	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>	<b>30 June 2006 RM'000</b>	<b>30 June 2005 RM'000</b>
<b><u>Bank</u></b>				
Malaysian income tax	106,392	137,828	233,798	237,952
Overseas income tax	316	110	558	194
	<b>106,708</b>	137,938	<b>234,356</b>	238,146
Deferred tax expense				
- Origination and reversal of temporary differences	(13,531)	(11,932)	(23,490)	(11,932)
Tax expense	93,177	126,006	210,866	226,214
Zakat	19	36	38	76
	<b>93,196</b>	126,042	<b>210,904</b>	226,290

The Bank's effective tax rate for the 2nd quarter and financial half year ended 30 June 2006 is lower than the statutory tax rate due to certain income not subject to tax.

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

There were no sale of unquoted investments and properties for the 2nd quarter and financial half year ended 30 June 2006 other than in the ordinary course of business.

**B7. Quoted Securities**

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

**B8. Status of Corporate Proposals Announced but Not Completed**

There were no corporate proposals announced but not completed for the financial half year ended 30 June 2006.

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

	Group		Bank	
	30 June 2006 RM'000	31 December 2005 RM'000	30 June 2006 RM'000	31 December 2005 RM'000
Deposits from customers				
- Fixed deposits				
One year or less	53,017,436	43,090,941	45,724,248	41,629,656
More than one year	393,417	118,499	123,300	117,881
- Negotiable instruments of deposits				
One year or less	22,034,621	18,000,115	21,702,843	17,774,210
More than one year	270,187	492,061	270,187	492,061
- Savings deposits	13,936,050	12,566,703	12,913,887	12,367,962
- Demand deposits	10,583,901	9,566,341	10,161,382	9,531,145
- Others	330,806	294,981	327,558	292,267
	<b>100,566,418</b>	<b>84,129,641</b>	<b>91,223,405</b>	<b>82,205,182</b>
Deposits and placements of banks and other financial institutions				
One year or less	<b>8,283,616</b>	7,680,690	<b>7,003,602</b>	6,783,600
Borrowings denominated in HKD (unsecured)				
- Short-term bridging loan				
One year or less	945,920	-	-	-
- Revolving credit				
One year or less	7,094	-	-	-
	<b>953,014</b>	-	-	-
Subordinated notes denominated in USD (unsecured)				
- more than one year	<b>2,588,639</b>	2,757,622	<b>2,588,639</b>	2,757,622

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**B10. Off-Balance Sheet Financial Instruments**

Please refer to note A26.

**B11. Changes in Material Litigation**

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

**B12. Proposed Dividends**

- (i) An interim dividend of 20% less 28% tax has been declared by the directors;
- (ii) Amount per share : 20 sen less 28% tax;
- (iii) Previous corresponding period : 20 sen less 28% tax;
- (iv) Payment date : To be determined and announced at a later date;
- (v) In respect of deposited securities, entitlement to the interim dividend will be determined on the basis of the Record of Depositors as at the close of business on the date to be determined and announced at a later date.

**B13. Earnings Per Share (EPS)**

**Basic**

The calculation of the basic earnings per share is based on the net profit attributable to the equity holders of the parent for the 2nd quarter and financial half year ended 30 June 2006 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 2nd quarter and financial half year ended 30 June 2006 excluding the weighted average treasury shares held by the Bank.

	<b>2nd Quarter ended</b>		<b>Half Year ended</b>	
	<b>30 June 2006</b>	<b>30 June 2005</b>	<b>30 June 2006</b>	<b>30 June 2005</b>
Net profit attributable to equity holders of the parent (RM'000)	<b>452,730</b>	366,154	<b>839,288</b>	711,283
Weighted average number of PBB Shares ('000)	<b>3,309,151</b>	3,273,368	<b>3,304,597</b>	3,272,073
Basic earnings per share (sen)	<b>13.7</b>	11.2	<b>25.4</b>	21.7

**Diluted**

The calculation of the diluted earnings per share is based on the net profit attributable to the equity holders of the parent for the 2nd quarter and financial half year ended 30 June 2006 divided by the adjusted weighted average number of PBB Shares of RM1.00 each in issue and issuable under the exercise of share options granted under the Public Bank Berhad Employees' Share Option Scheme.

	<b>2nd Quarter ended</b>		<b>Half Year ended</b>	
	<b>30 June 2006</b>	<b>30 June 2005</b>	<b>30 June 2006</b>	<b>30 June 2005</b>
Weighted average number of PBB Shares ('000)	<b>3,309,151</b>	3,273,368	<b>3,304,597</b>	3,272,073
Effects of share options ('000)	<b>7,913</b>	7,519	<b>13,879</b>	9,142
Adjusted weighted average number of PBB shares in issue or issuable ('000)	<b>3,317,064</b>	3,280,887	<b>3,318,476</b>	3,281,215
Diluted earnings per share (sen)	<b>13.6</b>	11.2	<b>25.3</b>	21.7