Unless otherwise stated, all abbreviations contained in this Abridged Prospectus are defined in the Definitions section of this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your PBB Shares, you should at once hand this Abridged Prospectus together with the NPA and RSF (the Abridged Prospectus, NPA and RSF are collectively referred to as the "**Documents**") to the agent/broker through whom you effected the sale/transfer for onward transmission to the purchaser/transferee. All enquiries concerning the Rights Issue, should be addressed to our Share Registrar, Tricor Investor Services Sdn Bhd at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The Documents are only despatched to the Entitled Shareholders whose names appear in the Record of Depositors as at 5.00 p.m. on 23 June 2014 at their registered addresses in Malaysia or who have provided the Share Registrar with an address in Malaysia for despatch of Documents no later than 5.00 p.m. on 23 June 2014. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue is not intended to be (and will not be) made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. No action has been or will be taken to ensure that the Rights Issue complies with laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to the persons receiving the Documents within Malaysia. Accordingly, the Documents will not be despatched to the Entitled Shareholders who do not have a registered address in Malaysia as stated in the Record of Depositors as at 5.00 p.m. on 23 June 2014 or who have not provided the Share Registrar with an address in Malaysia for despatch of Documents by 5.00 p.m. on 23 June 2014. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue distribute or send the Documents outside of Malaysia. It shall be the sole responsibility of the Entitled Shareholders who are or may be subject to the laws of country or jurisdiction other than Malaysia to consult their legal advisers and/or other professional advisers as to whether the acceptance/renunciation in any manner whatsoever of the Rights Issue would result in the contravention of any law of such country or jurisdiction. Neither PBB, the Directors, PIVB or the Joint Global Coordinators nor any other advisers to the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale/transfer of the provisional allotment of the Rights Shares made by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of the Documents has also been lodged with the Registrar of Companies who takes no responsibility for the contents of the Documents.

Approval for the Rights Issue has been obtained from the PBB Shareholders at the EGM held on 6 June 2014. Approval has been obtained from Bursa Securities vide its letter dated 9 May 2014 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue. Admission to the Official List of Bursa Securities for the listing of and quotation for the Rights Shares is in no way reflective of the merits of the Rights Issue. The listing of and quotation for the Rights Shares will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have been duly credited with the Rights Shares allotted to them and notices of allotment have been despatched to them.

All the documentation relating to the Rights Issue have been seen and approved by the Board and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statements in the Documents false or misleading.

PIVB, being the Principal Adviser for the Rights Issue, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 7 OF THIS ABRIDGED PROSPECTUS.

PUBLIC BANK BERHAD

(Company No. 6463-H)

(Incorporated in Malaysia under the Companies Ordinances, 1940 – 1946)

RENOUNCEABLE RIGHTS ISSUE OF 350,212,513 NEW ORDINARY SHARES OF RM1.00 EACH IN PUBLIC BANK BERHAD ("PBB SHARES") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TEN (10) EXISTING PBB SHARES HELD AS AT 5.00 P.M. ON 23 JUNE 2014, AT AN ISSUE PRICE OF RM13.80 PER RIGHTS SHARE

Principal Adviser, Lead Arranger and Joint Global Coordinator

PUBLIC INVESTMENT BANK BERHAD (20027-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(Wholly-Owned Subsidiary of Public Bank Berhad)

Joint Lead Underwriters and Joint Global Coordinators

RHB Investment Bank Berhad *(19663-P)*
UBS Securities Malaysia Sdn Bhd *(253825-X)*

Joint Underwriters

Affin Investment Bank Berhad *(9999-V)*
CIMB Investment Bank Berhad *(18417-M)*
Kenanga Investment Bank Berhad *(15678-H)*
AmInvestment Bank Berhad *(23742-V)*
Hong Leong Investment Bank Berhad *(10209-W)*
Maybank Investment Bank Berhad *(15938-H)*

IMPORTANT RELEVANT DATES AND TIME

Entitlement date for the Rights Issue	:	Monday, 23 June 2014 at 5.00 p.m.
Last date and time for:		
Sale of provisional allotment of Rights Shares	:	Thursday, 3 July 2014 at 5.00 p.m.
Transfer of provisional allotment of Rights Shares	:	Tuesday, 8 July 2014 at 4.00 p.m.
Acceptance and payment	:	Friday, 18 July 2014 at 5.00 p.m.*
Excess application and payment	:	Friday, 18 July 2014 at 5.00 p.m.*

* *or such later date and time as the Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time.*

This Abridged Prospectus is dated 23 June 2014

Company No. 6463-H

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF PBB AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

SHAREHOLDERS/INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

THE DISTRIBUTION OF THE DOCUMENTS (BEING THE ABRIDGED PROSPECTUS, NPA AND RSF, COLLECTIVELY) ARE SUBJECT TO MALAYSIAN LAWS. PBB, THE DIRECTORS, PIVB, THE JOINT GLOBAL COORDINATORS AND/OR ANY OTHER ADVISERS TO THE RIGHTS ISSUE ("ADVISERS") ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. PBB AND THE ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERRING OF PBB SHARES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THIS DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY PBB SHARES IN ANY JURISDICTION OTHER THAN MALAYSIA. PBB AND THE ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS ABRIDGED PROSPECTUS IS NOT AN OFFER FOR SALE OF THE SECURITIES IN THE UNITED STATES. THE RIGHTS SHARES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED ("U.S. SECURITIES ACT") AND THE SECURITIES LAWS OF ANY STATES OF THE UNITED STATES. NEITHER PBB NOR ANY SELLER OF SECURITIES INTENDS TO REGISTER ANY PORTION OF ANY OFFERING IN THE UNITED STATES OR TO CONDUCT A PUBLIC OFFERING OR SECURITIES IN THE UNITED STATES. NEITHER THIS ABRIDGED PROSPECTUS NOR ANY COPY THEREOF MAY BE TAKEN, TRANSMITTED OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, INTO THE UNITED STATES OR OUTSIDE OF MALAYSIA. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF THE U.S. SECURITIES LAWS. EACH SUBSCRIBER ACKNOWLEDGES THAT THE RIGHTS SHARES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. BY ACCEPTING THIS ABRIDGED PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATION.

SHAREHOLDERS/INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, INCLUDING, *INTER-ALIA*, DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

DEFINITIONS

For the purpose of this Abridged Prospectus and the accompanying appendices, unless otherwise stated, the following words and abbreviations shall apply throughout this Abridged Prospectus and shall have the following meanings:

Abridged Prospectus	:	This abridged prospectus dated 23 June 2014 issued by PBB in relation to the Rights Issue
Act	:	Companies Act, 1965
ATM(s)	:	Automated teller machine(s)
Affin Investment	:	Affin Investment Bank Berhad *(9999-V)*
AmInvestment	:	AmInvestment Bank Berhad *(23742-V)*
Authorised Nominee	:	A person who is authorised to act as a nominee as defined under the Rules of Bursa Depository
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of PBB
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd *(165570-W)*
Bursa Securities	:	Bursa Malaysia Securities Berhad *(635998-W)*
CDS Account(s)	:	Securities account(s) established by Bursa Depository for a depositor for the recording of deposits and dealings in such securities by the depositor
CIMB Investment	:	CIMB Investment Bank Berhad *(18417-M)*
CMSA	:	Capital Markets and Services Act, 2007
Code	:	Malaysian Code on Take-Overs and Mergers, 2010
Confirmation Screen	:	The screen which appears or is displayed on the internet financial services website, which confirms that the Internet Application has been completed and states the details of the Internet Application, including the number of Rights Shares and/or Excess Rights Shares applied for, which can be printed out for record
Director(s)	:	Shall have the same meaning given in Section 2(1) of the CMSA
Documents	:	Abridged Prospectus, NPA and RSF, collectively
EGM	:	Extraordinary General Meeting of PBB
Electronic Application(s)	:	Application(s) for the Rights Shares and/or Excess Rights Shares through the ATMs of PBB and the Internet Application(s), collectively
Entitled Shareholder(s)	:	Shareholder(s) of PBB whose name(s) appear in PBB's Record of Depositors on the Entitlement Date and are entitled to the Rights Issue
Entitlement Date	:	23 June 2014 at 5.00 p.m., being the date and time on which the names of PBB's shareholders must appear in PBB's Record of Depositors in order to be entitled to the Rights Issue
EPS	:	Earnings per PBB Share

Excess Application	:	Application for additional Rights Shares in excess of the Entitled Shareholder's entitlement under the Rights Issue as set out in Section 11.5 of this Abridged Prospectus
Excess Rights Shares	:	Rights Shares which are not taken up or not validly taken up by the Entitled Shareholders and/or their renouncee(s) and/or transferee(s), if applicable
FPE	:	Financial period ended
FSA	:	Financial Services Act, 2013
FYE	:	Financial year ended
Group	:	PBB and its subsidiaries, collectively
HKD	:	Hong Kong Dollar
HLIB	:	Hong Leong Investment Bank Berhad *(10209-W)*
Internet Application(s)	:	Application(s) for the Rights Shares and/or Excess Rights Shares through internet financial services with PBB at www.pbebank.com
Joint Global Coordinators	:	PIVB, RHB Investment and UBS, collectively
Joint Lead Underwriters	:	RHB Investment and UBS, collectively
Joint Underwriters	:	Affin Investment, AmInvestment, CIMB Investment, HLIB, KIBB and Maybank Investment, collectively
KIBB	:	Kenanga Investment Bank Berhad *(15678-H)*
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	:	30 May 2014, being the latest practicable date prior to the printing of this Abridged Prospectus
Management and Underwriting Agreement	:	Management and underwriting agreement dated 9 June 2014, entered between PBB, the Lead Arranger, Joint Lead Underwriters and the Joint Underwriters in relation to the Rights Issue
Market Day	:	A day on which Bursa Securities is open for trading of securities
Maybank Investment	:	Maybank Investment Bank Berhad *(15938-H)*
NA	:	Net assets
NPA	:	Notice of provisional allotment issued pursuant to the Rights Issue
NRS	:	Nominee Rights Subscription service offered by Bursa Depository, at the request of PBB, to Authorised Nominees for electronic subscription of Rights Shares through Bursa Depository's existing network facility with the Authorised Nominees
PAT	:	Profit after taxation

DEFINITIONS ***(Cont'd)***

PBB or Company	:	Public Bank Berhad *(6463-H)*
PBB Share(s)	:	Ordinary share(s) of RM1.00 each in PBB
PIVB or Principal Adviser or Lead Arranger or Joint Global Coordinator	:	Public Investment Bank Berhad *(20027-W)*, a wholly-owned subsidiary of PBB
Provisional Rights Shares	:	Rights Shares provisionally allotted to the Entitled Shareholders
Price-Fixing Date	:	6 June 2014, being the date on which the issue price of the Rights Shares was determined and announced by PBB
Record of Depositors	:	A record of depositors provided by Bursa Depository to PBB under Chapter 24.0 of the Rules of Bursa Depository
RHB Investment	:	RHB Investment Bank Berhad *(19663-P)*
Rights Issue	:	Renounceable rights issue of 350,212,513 Rights Shares on the basis of one (1) Rights Share for every ten (10) existing PBB Shares held on the Entitlement Date, at an issue price of RM13.80 per Rights Share
Rights Issue Entitlement File	:	An electronic file forwarded by Bursa Depository to an Authorised Nominee who has subscribed for NRS, containing information of such Authorised Nominee's entitlements under the Rights Issue as at the Entitlement Date
Rights Share(s)	:	350,212,513 new PBB Share(s) to be issued under the Rights Issue
Rights Shares Subscription File	:	An electronic file forwarded by an Authorised Nominee who has subscribed for NRS to Bursa Depository, containing information of such Authorised Nominee's subscription of the Rights Shares and/or Exeess Rights Shares
RM and sen	:	Ringgit Malaysia and sen, respectively
RSF	:	Rights subscription form issued pursuant to the Rights Issue
Rules of Bursa Depository	:	Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991
SC	:	Securities Commission Malaysia
Share Registrar	:	Tricor Investor Services Sdn Bhd *(118401-V)*
Substantial Shareholders	:	Shall have the meaning given in Section 69D of the Act
TERP	:	Theoretical ex-rights price
UBS	:	UBS Securities Malaysia Sdn Bhd *(253825-X)*
Undertakings	:	Irrevocable written undertakings dated 6 June 2014 by Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies to subscribe for their respective entitlements for the Rights Shares in full under the Rights Issue
USD	:	United States Dollar
VWAP	:	Volume weighted average market price

DEFINITIONS *(Cont'd)*

All references to "you" in this Abridged Prospectus are references to the Entitled Shareholders. Words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Abridged Prospectus to any legislation is a reference to that legislation as for the time being amended or re-enacted. Any reference to a time of a day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that PBB's plans and objectives will be aehieved.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

CONTENTS

		PAGE
CORPORATE DIRECTORY		vii
LETTER TO OUR ENTITLED SHAREHOLDERS CONTAINING:		
1.	INTRODUCTION	1
2.	DETAILS OF THE RIGHTS ISSUE	2
	2.1 Introduction	2
	2.2 Basis of determining the issue price of the Rights Shares	3
	2.3 Ranking of the Rights Shares	3
3.	OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING IMPLEMENTATION	3
4.	SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT	4
	4.1 Shareholders' undertaking	4
	4.2 Underwriting arrangement	5
5.	RATIONALE FOR THE RIGHTS ISSUE	6
6.	UTILISATION OF PROCEEDS	6
7.	RISK FACTORS	7
	7.1 Risks relating to the Group	7
	7.2 Risks relating to the financial sector in Malaysia	11
	7.3 Risks relating to the Rights Issue	12
8.	FINANCIAL EFFECTS OF THE RIGHTS ISSUE	14
	8.1 Issued and paid-up share capital	14
	8.2 NA, NA per PBB Share and gearing	14
	8.3 Earnings and EPS	15
9.	INDUSTRY OVERVIEW AND PROSPECTS OF THE GROUP	15
	9.1 Overview and prospects of the Malaysian economy	15
	9.2 Overview and prospects of the financial sector in Malaysia	16
	9.3 Prospects of the Group	16

CONTENTS *(Cont'd)*

10.	WORKING CAPITAL, BORROWINGS, MATERIAL CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES		17
	10.1	Working capital	17
	10.2	Borrowings	17
	10.3	Material capital commitments and contingent liabilities	17
11.	INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION		19
	11.1	Methods of application	19
	11.2	Procedures for acceptance and payment	19
	11.3	Procedures for part acceptance	33
	11.4	Procedures for sale/transfer of the Provisional Rights Shares	34
	11.5	Procedures for Excess Rights Shares	34
	11.6	Procedures to be followed by renouncee(s)/transferee(s)	38
	11.7	Form of issuance	38
	11.8	Laws of foreign jurisdictions	38
12.	TERMS AND CONDITIONS		41
13.	ADDITIONAL INFORMATION		41

APPENDICES

I.	CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT THE EGM ON 6 JUNE 2014	42
II.	INFORMATION ON PBB	44
III.	AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON	54
IV.	PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON	323
V.	UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014	330
VI.	DIRECTORS' REPORT	396
VII.	FURTHER INFORMATION	397

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Designation	Profession	Nationality
Tan Sri Dato' Sri Dr. Teh Hong Piow	No. 132, Jalan Ara Bangsar Baru 59100 Kuala Lumpur	Non-Independent Non-Executive Chairman	Banker	Malaysian
Tan Sri Datuk Seri Utama Thong Yaw Hong	90, Lorong Setiabistari Satu Bukit Damansara 50490 Kuala Lumpur	Non-Independent Non-Executive Co-Chairman	Company Director	Malaysian
Tan Sri Dato' Sri Tay Ah Lek	169-2, Sri Wangsaria Jalan Ara, Bangsar Baru 59100 Kuala Lumpur	Managing Director/Chief Executive Officer	Banker	Malaysian
Dato' Sri Lee Kong Lam	155, Jalan 5/42 Taman Bukit Gasing 46000 Petaling Jaya Selangor Darul Ehsan	Non-Independent Non-Executive Director	Company Director	Malaysian
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	8, Lorong Jelutong Bukit Damansara 50490 Kuala Lumpur	Non-Independent Non-Executive Director	Company Director	Malaysian
Mr. Tang Wing Chew	14 Jalan Taban Lucky Garden, Bangsar 59100 Kuala Lumpur	Independent Non-Executive Director	Company Director	Malaysian
Mr. Lai Wan	20, Lengkongan Jenjarom Taman Seputeh Jalan Klang Lama 58000 Kuala Lumpur	Independent Non-Executive Director	Company Director	Malaysian
Ms. Lai Wai Keen	51, Jalan SS 22/27A Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Independent Non-Executive Director	Company Director	Malaysian
Ms. Cheah Kim Ling	46 Jalan SS23/1, Taman Sea 47301 Petaling Jaya Selangor Darul Ehsan	Independent Non-Executive Director	Company Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Mr. Tang Wing Chew	Chairman	Independent Non-Executive Director
Tan Sri Datuk Seri Utama Thong Yaw Hong	Member	Non-Independent Non-Executive Director
Dato' Sri Lee Kong Lam	Member	Non-Independent Non-Executive Director
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	Member	Non-Independent Non-Executive Director
Mr. Lai Wan	Member	Independent Non-Executive Director
Ms. Lai Wai Keen	Member	Independent Non-Executive Director
Ms. Cheah Kim Ling	Member	Independent Non-Executive Director

CORPORATE DIRECTORY *(Cont'd)*

COMPANY SECRETARY	: Dato' Chia Lee Kee (MAICSA 7008270) 27th Floor, Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Tel: 603-2176 6341 Fax: 603-2163 9917 Email: pbbcosec@publicbank.com.my
REGISTERED OFFICE	: 27th Floor, Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Tel: 603-2176 6341 Fax: 603-2163 9917
HEAD OFFICE	: Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Tel: 603-2176 6000 Fax: 603-2163 9917 Email: ir@publicbank.com.my Website: www.publicbank.com.my
AUDITORS FOR PBB/ REPORTING ACCOUNTANTS FOR THE RIGHTS ISSUE	: Messrs KPMG (AF 0758) Chartered Accountants Level 10, KPMG Tower 8, First Avenue, Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel: 603-7721 3388 Fax: 603-7721 3399
SOLICITORS FOR THE RIGHTS ISSUE	: Messrs Adnan Sundra & Low Level 11, Menara Olympia No. 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel: 603-2070 0466 Fax: 603-2078 3382
INTERNATIONAL SOLICITORS FOR THE RIGHTS ISSUE	: Clifford Chance Pte Ltd Marina Bay Financial Centre 25th Floor, Tower 3 12 Marina Boulevard Singapore 018982 Tel: +65-6410 2200 Fax: +65-6410 2288
SHARE REGISTRAR	: Tricor Investor Services Sdn Bhd (118401-V) Level 17, The Gardens North Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Wilayah Persekutuan Tel: 603-2264 3883 Fax: 603-2282 1886

CORPORATE DIRECTORY *(Cont'd)*

PRINCIPAL ADVISER, LEAD ARRANGER AND JOINT GLOBAL COORDINATOR FOR THE RIGHTS ISSUE	:	Public Investment Bank Berhad (20027-W) 25th Floor, Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Tel: 603-2166 9382 Fax: 603-2166 9386
JOINT LEAD UNDERWRITERS FOR THE RIGHTS ISSUE	:	RHB Investment Bank Berhad (19663-P) Level 10, Tower One, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel: 603-9287 3888 Fax: 603-9280 2446 UBS Securities Malaysia Sdn Bhd (253825-X) Level 7, Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur Tel: 603-2781 1100 Fax: 603-2781 1190
JOINT UNDERWRITERS FOR THE RIGHTS ISSUE	:	Affin Investment Bank Berhad (9999-V) 27th Floor, Menara Boustead No. 69, Jalan Raja Chulan 50200 Kuala Lumpur Tel: 603-2142 3700 Fax: 603-2142 3799 AmInvestment Bank Berhad (23742-V) 22nd Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel: 603-2036 2633 Fax: 603-2070 8596 CIMB Investment Bank Berhad (18417-M) 17th Floor, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel: 603-2261 8888 Fax: 603-2261 8889 Hong Leong Investment Bank Berhad (10209-W) Level 23, Menara HLA No. 3 Jalan Kia Peng 50450 Kuala Lumpur Tel: 603-2168 1168 Fax: 603-2164 8880 Kenanga Investment Bank Berhad (15678-H) 8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel: 603-2164 9080 Fax: 603-2161 4990

CORPORATE DIRECTORY *(Cont'd)*

		Maybank Investment Bank Berhad (15938-H) Level 8, Tower C, Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel: 603-2297 8888 Fax: 603-2282 5136
JOINT GLOBAL COORDINATORS FOR THE RIGHTS ISSUE	:	Public Investment Bank Berhad (20027-W) 25th Floor, Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Tel: 603-2166 9382 Fax: 603-2166 9386
		RHB Investment Bank Berhad (19663-P) Level 10, Tower One, RHB Centre Jalan Tun Razak 50400 Kuala Lumpur Tel: 603-9287 3888 Fax: 603-9280 2446
		UBS Securities Malaysia Sdn Bhd (253825-X) Level 7, Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur Tel: 603-2781 1100 Fax: 603-2781 1190
STOCK EXCHANGE AND LISTING	:	Main Market of Bursa Securities

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

PUBLIC BANK BERHAD

(Company No. 6463-H)
(Incorporated in Malaysia under the Companies Ordinances, 1940 – 1946)

Registered Office:

27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur

23 June 2014

Board of Directors:

Tan Sri Dato' Sri Dr. Teh Hong Piow *(Non-Independent Non-Executive Chairman)*
Tan Sri Datuk Seri Utama Thong Yaw Hong *(Non-Independent Non-Executive Co-Chairman)*
Tan Sri Dato' Sri Tay Ah Lek *(Managing Director/Chief Executive Officer)*
Dato' Sri Lee Kong Lam *(Non-Independent Non-Executive Director)*
Dato' Haji Abdul Aziz bin Dato' Dr. Omar *(Non-Independent Non-Executive Director)*
Mr. Tang Wing Chew *(Independent Non-Executive Director)*
Mr. Lai Wan *(Independent Non-Executive Director)*
Ms. Lai Wai Keen *(Independent Non-Executive Director)*
Ms. Cheah Kim Ling *(Independent Non-Executive Director)*

To: The Entitled Shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 350,212,513 RIGHTS SHARES ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TEN (10) EXISTING PBB SHARES HELD AS AT 5.00 P.M. ON 23 JUNE 2014, AT AN ISSUE PRICE OF RM13.80 PER RIGHTS SHARE

1. INTRODUCTION

On 29 April 2014, PIVB on behalf of the Board, had announced that PBB proposed to undertake the Rights Issue.

On 12 May 2014, PIVB, on behalf of PBB, had announced that Bursa Securities had vide its letter dated 9 May 2014, granted its approval for the listing of and quotation for up to 350,212,513 Rights Shares on the Main Market of Bursa Securities. The approval granted by Bursa Securities is subject to amongst others, the following conditions:

Conditions		Status of compliance
(i)	PBB and PIVB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue	Noted
(ii)	PBB and PIVB to inform Bursa Securities upon the completion of the Rights Issue	To be complied with
(iii)	PBB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue is completed; and	To be complied with
(iv)	To furnish a copy of BNM's approval for the increase in the issued and paid-up share capital of PBB pursuant to the Rights Issue.	Complied

On 14 May 2014, PIVB on behalf of PBB, had announced that BNM, via its letter dated 14 May 2014, granted its approval for the increase in the issued and paid-up share capital of PBB pursuant to the Rights Issue.

Subsequently, the shareholders of PBB, had at the EGM held on 6 June 2014, approved the renounceable rights issue of new PBB Shares to the Entitled Shareholders to raise gross proceeds of up to RM5.00 billion. A certified true extract of the ordinary resolution approving the Rights Issue at the said EGM is attached as Appendix I of this Abridged Prospectus.

On 6 June 2014, PIVB on behalf of the Board, had announced that the issue price of the Rights Shares has been fixed at RM13.80 per Rights Share at an entitlement basis of one (1) Rights Share for every ten (10) existing PBB Shares held by the Entitled Shareholders.

On 9 June 2014, PIVB on behalf of the Board, had announced the following:

(i) PBB has entered into the Management and Underwriting Agreement with the Joint Lead Underwriters and Joint Underwriters; and

(ii) the Entitlement Date for the Rights Issue has been fixed at 5.00 p.m. on 23 June 2014.

The official listing of and quotation for the Rights Shares to be issued pursuant to the Rights Issue will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) have been duly credited with the Rights Shares allotted to them and notices of allotment have been despatched to them.

No person is authorised to give any information or to make any representation not contained in the Documents and if given or made, such information or representation must not be relied upon as having been authorised by PBB or PIVB in connection with the Rights Issue.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE

2.1 Introduction

In accordance with the terms of the Rights Issue as approved by the relevant authorities, the shareholders of PBB and subject to the terms of the Documents, the Rights Issue entails a provisional allotment of 350,212,513 Rights Shares on the basis of one (1) Rights Share for every ten (10) existing PBB Shares held by the Entitled Shareholders at an issue price of RM13.80 per Rights Share.

The Rights Issue will raise proceeds of approximately RM4,832,932,679.

Shareholders whose names appear in the Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue. However, only the Entitled Shareholders who have an address in Malaysia as stated in the Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive the Documents.

The Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements for the Rights Shares in full or in part. The Rights Shares which are not taken up or validly taken up by the Entitled Shareholders shall be made available for excess applications by the other Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable). It is the intention of the Board to allocate the excess Rights Shares, if any, in a fair and equitable manner as set out in Section 11.5 of this Abridged Prospectus.

Any fractional Rights Shares entitlement arising from the Rights Issue (if any) shall be disregarded and will be dealt with in a fair and equitable manner as the Board in its absolute discretion deems fit and in the best interest of PBB and its shareholders.

Any dealing in the Rights Shares, which are prescribed securities under the CDS, will be subject to the provision of the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**") and the Rules of Bursa Depository. Accordingly, upon allotment and issuance by PBB, the Rights Shares will be credited directly into the respective CDS Accounts of the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) who have successfully subscribed for such Rights Shares. No physical certificates will be issued to the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable).

As an Entitled Shareholder, you will find enclosed with this Abridged Prospectus, a NPA setting out the number of Rights Shares for which you are entitled to subscribe for and RSF which is to be used for the acceptance of the Provisional Rights Shares and for the Excess Application, should you wish to do so.

2.2 Basis of determining the issue price of the Rights Shares

The issue price of the Rights Shares of RM13.80 per Rights Share as announced on 6 June 2014 was determined by the Board after taking into consideration, amongst others, the following:

(i) the funding requirements of the Group;

(ii) the prevailing market price of PBB Shares; and

(iii) the five (5)-day VWAP of RM21.32 per PBB Share up to and including 5 June 2014, being the last trading date prior to the Price-Fixing Date of the Rights Issue.

The issue price of the Rights Shares of RM13.80 per Rights Share represents a discount of approximately 33% to the TERP of PBB Shares of RM20.64, based on the five (5)-day VWAP of RM21.32 per PBB Share up to and including 5 June 2014, being the last trading date prior to the Price-Fixing Date of the Rights Issue.

The Board deemed the discount of approximately 33% is reasonably attractive and is within the range of market discount rates for rights issue exercises in Malaysia completed since 2013 up to 5 June 2014, being the last trading date prior to the Price-Fixing Date of the Rights Issue of approximately 5.00% to 40.00%.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing PBB Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid in respect of which the entitlement date is before the allotment date of the Rights Shares.

3. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING IMPLEMENTATION

Save for the Rights Issue, there is no other outstanding corporate exercise which has been announced by PBB but pending completion as at the LPD.

4. SHAREHOLDERS' UNDERTAKING AND UNDERWRITING ARRANGEMENT

4.1 Shareholders' undertaking

The Rights Issue is to be undertaken on a full subscription basis.

The Company had, on 6 June 2014, procured irrevocable undertaking letters from Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies to subscribe in full for their respective entitlements for the Rights Shares, at an issue price of RM13.80 per Rights Share. Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies have confirmed via their Undertakings that they have sufficient financial resources to pay for the Rights Shares and will make full payment for the Rights Shares upon subscription. PIVB has verified the sufficiency of financial resources of Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies to subscribe for their respective entitlements to the Rights Shares.

The shareholdings of Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies as at the LPD and the number of their respective full entitlements for the Rights Shares under the Rights Issue, representing approximately 24.08% of the Rights Shares are illustrated below:

	Shareholdings as at the LPD		Rights Shares to be subscribed pursuant to the Undertakings	
	No. of PBB Shares held	%#	No. of Rights Shares	%*
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	0.64	2,246,480	0.64
Consolidated Teh Holdings Sdn Berhad	82,952,747	2.37	8,295,275	2.37
Fairbanks Holdings (Pte) Ltd.^	2,120,009	0.06	212,001	0.06
Kayakita Corporation Sdn Bhd^	73,247,666	2.09	7,324,767	2.09
Kepunyaan Chintamani Sdn Bhd^	88,173,681	2.52	8,817,368	2.52
Kepnnyaan Moden Sdn Berhad^	7,840,858	0.22	784,086	0.22
Kepunyaan Pejal Sdn Berhad^	6,070,648	0.17	607,065	0.17
Kepnuyaan Perindustrian Sdn Berhad^	37,176,745	1.06	3,717,675	1.06
Lonpac Insnrance Bhd	192,887	0.01	19,289	0.01
LPI Capital Bhd	56,882,292	1.63	5,688,229	1.63
Luhur Management Sdn Bhd^	25,493,369	0.73	2,549,337	0.73
Monivest Sdn Berhad^	7,065,096	0.20	706,509	0.20
Securities Holdings Sdn Berhad^	34,371,729	0.98	3,437,173	0.98
Sekuriti Pejal Sdn Berhad^	210,195,124	6.00	21,019,512	6.00
Selected Holdings Sdn Berhad^	65,333,421	1.87	6,533,342	1.87
Selected Securities Sdn Bhd^	79,442,662	2.27	7,944,266	2.27
Syarikat Kepunyaan Khas Sdn Berhad^	3,236,111	0.09	323,611	0.09
Tong Meng Company (Malaya) Sdn Berhad^	5,002,164	0.14	500,216	0.14
Tong Meng Industries Limited^	36,038,052	1.03	3,603,805	1.03
Total	***843,300,063***	***24.08***	***84,330,006***	***24.08***

Notes:

\# *Computed based on the number of PBB Shares in issue (excluding 29,800,704 PBB Shares bought-back by PBB and retained as treasury shares ("**Treasury Shares**")).*

* *Computed based on the total of 350,212,513 Rights Shares to be issued pursuant to the Rights Issue.*

^ *In members' voluntary liquidation.*

It should be noted that the Undertakings will not give rise to any consequence of mandatory general offer obligation pursuant to the Code as the Rights Issue is to be undertaken on a full subscription basis and the remaining balance of the Rights Shares has been fully underwritten by the Joint Lead Underwriters and Joint Underwriters.

4.2 Underwriting arrangement

On 9 June 2014, PBB had entered into a Management and Underwriting Agreement with the Joint Lead Underwriters and Joint Underwriters to underwrite the remaining portion of 265,882,507 Rights Shares ("**Underwritten Shares**") representing approximately 75.92% of the Rights Shares at an underwriting commission of 0.50% ("**Underwriting Commission**") of the total value of the Underwritten Shares, subject to the terms and conditions of the Management and Underwriting Agreement.

	No. of Underwritten Shares	Amount (RM)
Joint Lead Underwriters		
RHB Investment	79,764,752	1,100,753,577.60
UBS	39,882,376	550,376,788.80
Joint Underwriters		
Affin Investment	33,235,313	458,647,319.40
AmInvestment	33,235,314	458,647,333.20
CIMB Investment	33,235,314	458,647,333.20
Maybank Investment	33,235,314	458,647,333.20
HLIB	6,647,062	91,729,455.60
KIBB	6,647,062	91,729,455.60
Total	***265,882,507***	***3,669,178,596.60***

The Underwriting Commission and all relevant costs in relation to the underwriting arrangement will be borne by the Company.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

5. RATIONALE FOR THE RIGHTS ISSUE

The Rights Issue is undertaken as part of the Company's capital management strategy to further strengthen its capital position to support the continuous business growth of the Group.

The Rights Issue will also facilitate the building up of an adequate level of capital buffer in preparation for the forthcoming regulatory capital requirements under BNM and the Basel III framework. For further details, kindly refer to Section 7.1.8 of this Abridged Prospectus.

Further, the Rights Issue will provide the Entitled Shareholders with an opportunity to increase their equity participation in the Company.

Based on the above and after taking into consideration other options available such as a private placement exercise, the Board is of the view that the Rights Issue is in the best interest of the Company and its shareholders as it will enable the Company to meet the abovementioned objectives without diluting the equity interest of its existing shareholders, assuming all the existing shareholders fully subscribe for their respective entitlements under the Rights Issue.

6. UTILISATION OF PROCEEDS

The gross proceeds to be raised by PBB under the Rights Issue are proposed to be utilised in the following manner:

Details	RM billion	Expected timeframe for utilisation of proceeds from the date of listing of the Rights Shares
Working capital and general banking purposes	4.80	Within twelve (12) months
Defrayment of estimated expenses in relation to the Rights Issue	*0.03	Within three (3) months
Total	**4.83**	

Note:

* *Represents approximately RM25.00 million.*

The details of the utilisation of proceeds are as follows:

(i) **Working capital and general banking purposes**

The Company intends to use approximately RM4.80 billion raised from the Rights Issue for the purposes of financing and investing activities such as investing in Government securities, treasury bills, money market and non-money market instruments, which are in the ordinary course of the banking operations as well as for purposes of defraying operating expenses to be incurred in the course of its day-to-day business operations. The breakdown of proceeds to be utilised for each component of working capital has not been determined at this juncture. Further, the actual amount to be utilised by each component of working capital may differ subject to the operating requirements of the Group at the time of utilisation.

(ii) **Estimated expenses in relation to the Rights Issue**

The estimated expenses relating to the Rights Issue comprised of fees paid to the relevant regulatory authorities, professional fees, Underwriting Commission, printing expenses, and other miscellaneous expenses.

Any differences between the estimated and actual expenses incurred for the Rights Issue will be adjusted to/from the amount allocated for the working capital and general banking purposes of PBB.

7. RISK FACTORS

In addition to the other information contained herein, you should carefully consider the following risk factors (which may not be exhaustive) before making your decision on whether to subscribe for your entitlements under the Rights Issue:

7.1 Risks relating to the Group

7.1.1 Political and economic factors

Political and economic conditions and developments in Malaysia as well as abroad could have an impact on the financial performance of the Group. Adverse political and economic conditions or developments, such as an unstable political environment, severe fluctuation in interest and currency exehange rates, create uncertainties and could discourage the free flow of investment capital and affect international trade, ultimately resulting in adverse developments in national economic activity. This, in turn, may have a material adverse impact on the financial performance of the Group as a financial services provider. As a result of globalisation, economic or market instability in a single country or region are increasingly affecting other markets generally. A continuation of these situations could adversely affect global economic conditions and world markets, and in turn, could cause a "chain reaction" effect and thus adversely affect the Group's business and financial performance.

7.1.2 Credit risks

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties are inherent in the Group's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties of the Group, from a general deterioration in local or global economic conditions or from systemic risks within the financial systems, all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of its assets and other credit exposures.

7.1.3 Impaired loans, allowances and write-offs

Loans, advances and financing ("**loan(s)**") of the Group are classified as impaired ("**Impaired Loan(s)**") when they fulfill any of the following criteria:

- principal or interest/profit or both are past due for three (3) months or more;
- where a loan is in arrears for less than three (3) months, the loan exhibits indications of significant credit weaknesses; or
- where an Impaired Loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

The Group first assesses individually whether objective evidence of impairment exists individually for loans which are individually significant, or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment, where applicable. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of loss is recognised in the statement of profit or loss. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment of loans is performed via grouping of loans on the basis of similar credit risk characteristics. Future cash flows of each of these groups of loans are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment impairment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

In addition, in February 2014, BNM issued a letter requiring banking institutions to maintain, in aggregate collective impairment provisions and regulatory reserves of no less than 1.20% of total outstanding loans/financing (excluding loans/financing with an explicit guarantee from the Government of Malaysia), net of individual impairment provisions. The new requirement shall be complied with by 31 December 2015.

There is no assurance that the number and value of the Impaired Loans of the Group will not increase in the future. There is no assurance that the level of allowances for the Impaired Loans made by the Group will prove to be adequate, that the Group will not have to make additional allowances for possible loan losses in the future, or that the Group would be able to realise adequate procceds from collateral disposals to cover the amount of the Impaired Loans net of loan loss allowance.

7.1.4 Operational risks

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, failure of internal systems, equipment and external systems (e.g., those of the Group's counterparties or vendors) and occurrence of natural disasters. Although the Group has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procednres, it is not possible to entirely eliminate any of the operational risks.

In addition, the Group seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Group's increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in, and transmitted through, these computer systems and network infrastructure. The Group employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches.

There can be no assurance that these security measures will be adequate or successful. A significant fraud, systcm failure, calamity or failure in security measures could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group's reputation could be adversely affected by significant frauds committed by employees, customers or other third parties.

7.1.5 Liquidity and short-term funding sources

The Group's exposure to liquidity and funding risk arises from its inability to meet its anticipated and unanticipated funding and regulatory obligations when they fall due and at reasonable cost. This is due to the inherent funding structure of Malaysian banks which are primarily met by short-term funding sources, namely deposits from customers and from other financial institutions. Although the Group considers, based on the behavioural characteristics of its depositors, that a substantial portion of its core customers' deposits, comprising demand, savings and fixed deposits, will continue to be deposited with the Group, therefore providing a stable source of funding for the Group, no assurance can be given that this will continue in the future.

If a substantial number of depositors, or a certain number of large depositors, fail to roll over deposited funds upon maturity, the Group's liquidity position could be adversely affected and the Group may be required to seek alternative sources of short-term, or long-term funding, which may be more expensive than customers' deposits, to finance its operations. There can be no guarantee that the Group will be able to obtain such funds.

7.1.6 Interest rate/rate of return risk

The Group's exposure to interest rate/rate of return risk arises from its balance sheet positions where yields are referenced to interest/profit rates such as loans, securities, interbank placements and deposits. When market interest/profit rates decline, the Group's net interest/profit margin generally decreases due to the immediate repricing of its base lending/financing rate based loans as compared with repricing of its customers' deposits which is on maturity of the deposits. On the other hand, part of the Group's loan comprises fixed rate loans (including hire purchase loans), are protected in a declining interest/profit rate environment.

Measures to manage the interest rate/rate of return risk of the Group have been put in place. However notwithstanding that, there is no assurance that such approaches will remain effective or adequate in the future. The actual effect on net interest/profit income due to changes in interest/profit rates will depend on the degree and timing of changes in interest/profit rates, the behavioural characteristics of its deposits and contractual repricing dates of the Group's assets and liabilities as well as the ability of the Group to respond to changes in BNM's overnight policy rates.

7.1.7 Dependency on its directors and key senior management

The Group relies on its directors and key senior management for its business direction and business strategy. The loss and/or eventual retirement of directors or members of the key senior management team could adversely affect its ability to operate its business or to compete effectively, and in turn, affect its financial performance and prospects. Appropriate succession plans, training and development programmes have been put in place to ensure continuity of key senior management members within the Group. However, there can be no assurance that such measures will be sufficient to prevent any impact from the loss of directors, or members of the key senior management team.

7.1.8 Capital and liquidity requirements due to Basel III

The Group is subject to the capital adequacy guidelines issued by BNM and failure to maintain its capital ratios may result in administrative actions or sanctions against it which may impact the Group's ability to fulfil its obligations to its stakeholders.

On 28 November 2012, BNM issued the Capital Adequacy Framework (Capital Components) ("**CA Framework**") under which banking institutions are to, at all time in the periods specified under CA Framework, maintain at entity and consolidated levels the following minimum capital adequacy ratio ("**CAR**") requirements:

(a) A Common Equity Tier 1 ("**CET1**") capital ratio of at least 3.50% in 2013, 4.00% in 2014 and 4.50% from 1 January 2015 onwards;

(b) A Tier 1 capital ratio of at least 4.50 % in 2013, 5.50% in 2014 and 6.00% from 1 January 2015 onwards; and

(c) A total capital ratio of at least 8.00% from 1 January 2013 onwards.

In addition to complying with the minimum CAR requirements, banking institutions are to, at all times in the periods specified under the CA Framework, maintain at both the entity and consolidated levels, a capital conservation buffer above the minimum CAR requirements. The capital conservation buffer will begin at 0.625% in 2016, increasing by an additional 0.625% in each subsequent year, to reach 2.50% in 2019.

The below table summarises the above requirements:

1 January (all in %)	2013	2014	2015	2016	2017	2018	2019
Minimum CET 1 ratio	3.50	4.00	4.50	4.50	4.50	4.50	4.50
Capital conservation buffer	-	-	-	0.625	1.25	1.875	2.50
Minimum CET 1 plus conservation buffer	3.50	4.00	4.50	5.125	5.75	6.375	7.00
Minimum Tier 1 capital	4.50	5.50	6.00	6.00	6.00	6.00	6.00
Minimum Tier 1 capital plus conservation buffer	4.50	5.50	6.00	6.625	7.25	7.875	8.50
Minimum total capital	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Minimum total capital plus conservation buffer	8.00	8.00	8.00	8.625	9.25	9.875	10.50

BNM may specify an additional buffer requirement for a banking institution, having regard to the specific risk profile of the banking institution.

In addition to complying with the minimum CAR and the capital conservation buffer, banking institutions are to, at all times in the periods specified under the CA Framework, maintain, at both entity and consolidated levels, a countercyclical buffer ranging from 0% and 2.50% above the minimum CET 1 capital ratio, minimum Tier 1 capital ratio and minimum total capital ratio. As at the date of this Abridged Prospectus, BNM has not specified the level of countercyclical buffer required.

The CA Framework also provides for the gradual phasing out of the regulatory capital recognition of outstanding non-CET 1 and Tier 2 capital instruments that no longer meet, in full, the requirements set out in the CA Framework. Fixing the base at the nominal amount of such instruments outstanding (such base being the outstanding amount as at 1 January 2013) that is eligible to be included in the relevant tiers of capital under the previous iterations of CA Framework, their recognition is capped at 90% with effect from 1 January 2013, with this cap being reduced by 10 percentage points in each subsequent year, eventually resulting in such instruments fully derecognised by 1 January 2022.

While BNM has, through the CA Framework, provided clarity on the capital adequacy requirements in Malaysia, BNM has yet to publish any guidance on the Basel III liquidity standards. However, it is expected that the Malaysian banking institutions will follow the requirements of the Basel III liquidity standards.

If the regulatory capital and/or liquidity requirements applied to the Group continue to increase in the future, the Group's return on equity and profitability could be adversely affected. Any failure by the Group to satisfy such increased regulatory capital and/or liquidity requirements within the applicable timeline could result in administrative actions or sanctions, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations.

7.2 Risks relating to the financial sector in Malaysia

7.2.1 Regulatory environment

The Group is a financial institution licensed under the FSA and regulated by BNM. It is also subject to relevant securities and other laws in Malaysia. BNM is given extensive powers to regulate the Malaysian banking industry under the FSA. This includes the authority to limit the interest/profit rates charged by banks on certain types of loans and advances, establish limits on financing to certain sectors of the economy and establish priority sector financing guidelines in furtherance of certain social and economic objectives and establish measures requiring maintenance of certain level of reserves and minimum capital adequacy requirements. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could in future restrict business activities or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions generally, including the Group.

7.2.2 Goods and services tax

As at the date of this Abridged Prospectus, the goods and services tax (“**GST**”), a broad-based consumption tax, is scheduled to be implemented by the Government of Malaysia by April 2015 and will replace the sales tax and service tax. The potential increase in operating costs from the GST will affect all the financial institutions in Malaysia.

7.2.3 Deposits in Malaysia

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided assistance to individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system (“**Deposit Insurance System**”) which is administered by Perbadanan Insurans Deposit Malaysia (“**PIDM**”), an independent statutory body. All licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the PIDM.

Under the Deposit Insurance System, eligible deposits are insured up to a prescribed limit of RM250,000 (inclusive of principal and interest/profit payable) per depositor, per member institution. There is also separate coverage of up to RM250,000 per depositor, per member institution for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership, trust accounts and accounts in the name of sole proprietorships and partnerships.

Notwithstanding the aforesaid, the fact that deposits exceeding the prescribed limit are not insured could lead to or exacerbate liquidity problem, which, if severe, could have an adverse effect on the Group's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

7.2.4 Competition

The domestic banking industry's transformation through a deregulation process as part of BNM's implementation of its first Financial Sector Master Plan has resulted in the liberalisation of the banking industry to allow greater presence of foreign and Islamic banks as well as providing greater opportunities for banks to widen their scope of business beyond traditional commercial banking.

This liberalisation has also brought about greater competition among banking institutions due to aggressive pricing, price offerings and products promotions and increasing customer demand for more sophisticated products and improved service standards.

As a result, banking institutions are forced to become more efficient in order to serve the customers better and to explore greater usage of technology for further efficiency, and to explore cost effective solutions.

The Competition Act 2010 ("**Competition Act**"), which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anti-competition practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market. The scope of the Competition Act includes prohibitions of anti-competition agreements and the abuse of dominant position.

There can be no assurance that the Group will be able to maintain or increase its present market share in the future or that increased competition will not materially and adversely affect the Group's business, financial condition and results of operations or prospects.

7.3 Risks relating to the Rights Issue

7.3.1 Market risks

The price of PBB Shares as traded on Bursa Securities may fluctuate, like all other listed securities. A variety of factors could cause the price of PBB Shares to fluctuate including trades of substantial amounts of PBB Shares in the open market, announcements of developments relating to the Group's business, fluctuations in the Group's operating results, general industry or economic conditions, and announcements of services or products or service enhancements by the Group or competitors of the Group.

In addition to the fundamentals of the Group, the future price performance of PBB Shares will also depend upon various external factors such as general economic, political and industry conditions, the performance of regional and world bourses as well sentiments and liquidity in the local stock market.

There is no assurance that PBB Shares will be traded at or above the issue price of the Rights Shares of RM13.80 and the TERP of RM20.64 based on the five (5)-day VWAP of RM21.32 per PBB Share up to and including 5 June 2014, after the listing of the Rights Shares on the Main Market of Bursa Securities.

7.3.2 Delay in or abortion of the Rights Issue

The Rights Issue is exposed to risk that it may be aborted or delayed due to *inter-alia*, the following events:

(i) *force majeure* events which include amongst others, flood, storm and epidemic, which are beyond the control of the Company, arising prior to the implementation of the Rights Issue; or

(ii) the Joint Lead Underwriters and Joint Underwriters exercise their rights under the Management and Underwriting Agreement to terminate their commitments and discharge themselves from their obligations for any reason whatsoever.

In the event of failure in the implementation of the Rights Issue, all monies received in respect of all applications for any Rights Shares will be returned in full without interest. Pursuant to Section 243 of the CMSA, if any such money received from the Entitled Shareholders are not repaid within fourteen (14) days after the Company becomes liable to pay, the Company will repay such money with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

Whilst the Company will exercise its best endeavour to ensure the successful implementation of the Rights Issue, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue.

7.3.3 Potential dilution

Entitled Shareholders who do not or are not able to accept the Provisional Rights Shares, will have their proportionate ownership and voting interests in PBB reduced, and the percentage of their shareholdings in PBB will also be reduced accordingly.

7.3.4 Forward-looking statements

Certain statements in this Abridged Prospectus are forward-looking in nature, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimations and assumptions made by the Board and although the Board believes that these statements and assumptions are reasonable, they are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

In light of these uncertainties, the inclusion of forward-looking statements in this Abridged Prospectus should not be regarded as representation or warranty by the Company and/or the Principal Adviser that the plans and objectives of the Group will be achieved.

8. FINANCIAL EFFECTS OF THE RIGHTS ISSUE

8.1 Issued and paid-up share capital

The proforma effects of the Rights Issue on the issued and paid-up share capital of PBB are as follows:

	Par value	No. of PBB Shares (million)	RM million
Authorised share capital	1.00	10,000.00	10,000.00
Issued and paid-up share capital:			
As at the LPD	1.00	*3,531.93	*3,531.93
To be issued pursuant to the Rights Issue	1.00	350.21	350.21
Total enlarged issued and paid-up share capital	1.00	3,882.14	3,882.14

Note:

* *Including the Treasury Shares.*

8.2 NA, NA per PBB Share and gearing

For illustration purposes, based on the latest audited consolidated statement of financial position of PBB as at 31 December 2013 and the assumption that the Rights Issue has been completed on 31 December 2013, the pro forma effects of the Rights Issue on the consolidated NA and NA per PBB Share are as follows:

	Audited as at 31 December 2013 RM million	After the Rights Issue RM million
Share capital	3,531.93	3,882.14
Share premium	1,073.31	(a)5,531.03
Other reserves	4,526.37	4,526.37
Retained profits	11,507.57	11,507.57
Treasury Shares	(215.57)	(215.57)
Equity attributable to equity holders of PBB	20,423.61	25,231.54
Non-controlling interests	773.60	773.60
Total equity	21,197.21	26,005.14
Number of PBB Shares in issue (million)(b)	3,502.13	3,852.34
NA per PBB Share (RM)(c)	5.83	6.55
Gearing ratio (times)(d)	0.51	0.41
CET1 capital ratio (%)(e)	8.75	10.59
Tier 1 capital ratio (%)(e)	10.53	12.37
Total capital ratio (%)(e)	13.76	16.17

Notes:

(a) *After deducting the estimated expenses in relation to the Rights Issue of approximately RM25.00 million.*

(b) *Excluding the Treasury Shares.*

(c) *Computed based on the equity attributable to equity holders of PBB divided by the number of PBB Shares in issue.*

(d) *Computed based on the borrowings, which comprised of debt securities issued and other borrowed funds (excluding, deposits from customers as well as the deposits and placements of banks and other financial institutions) divided by the equity attributable to equity holders of PBB.*

(e) *Computed based on the gross proceeds raised, less the estimated expenses in relation to the Rights Issue and after incorporating the effect of setting aside the regulatory reserves for potential credit losses pursuant to BNM's policy document on Classification and Impairment Provisions for Loans/Financing.*

8.3 Earnings and EPS

The effects of the Rights Issue on the consolidated earnings and EPS of PBB will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the utilisation of proceeds raised from the Rights Issue.

However, assuming that the consolidated net earnings of PBB remain unchanged, the EPS of PBB will be proportionately reduced as a result of the increase in the number of PBB Shares upon issuance and allotment of the Rights Shares. For illustration purposes, based on the latest audited consolidated statement of financial position of PBB as at 31 December 2013 and the assumption that the Rights Issue has been completed on 31 December 2013, the pro forma effects of the Rights Issue on EPS are as follows:

	Audited as at 31 December 2013 RM million	**After the Rights Issue RM million**
PAT attributable to equity holders of PBB	4,064.68	4,064.68
Number of PBB Shares in issue (million)[(a)]	3,502.13	3,852.34
EPS (sen)[(b)]	116.06	105.51

Notes:

(a) *Excluding the Treasury Shares.*

(b) *Computed based on the PAT attributable to equity holders of PBB divided by the number of PBB Shares in issue.*

9. INDUSTRY OVERVIEW AND PROSPECTS OF THE GROUP

9.1 Overview and prospects of the Malaysian economy

The Malaysian economy is expected to remain on a steady growth path in 2014, expanding by 4.5%-5.5% (2013: 4.7%). The growth momentum will be supported by better performance in the external sector amid some moderation in domestic demand.

Domestic demand will remain the key driver of growth, albeit at a more moderate pace, reflecting the continued public sector consolidation. Private investment is forecast to register robust growth for the fifth consecutive year, driven by the ongoing implementation of multi-year projects and the improvement in external demand. Private consumption will be underpinned by healthy labour market conditions and sustained income growth. Nonetheless, household spending is expected to moderate towards its long-term trend growth, reflecting in part the impact of the higher inflation. Public consumption is anticipated to record lower growth, following the ongoing consolidation of the Government's fiscal position, while public investment is projected to register a higher growth, supported by both Government and public enterprise capital spending.

In line with the improvement in external demand, Malaysia's export performance across most product categories is expected to pick up in 2014. Gross export performance is expected to be further supported by a small positive growth in commodity exports following two consecutive years of contraction.

Headline inflation is expected to average 3%-4% in 2014 (2013: 2.1%) due mainly to domestic cost factors. These include the recent price adjustments arising from subsidy rationalisation and the spillover effects of these adjustments on the prices of other goods and services. The higher cost pressures, however, will be partly contained by subdued external price pressures, given the expectations of lower global food and energy prices. Continued expansion in domestic capacity and a moderation in domestic demand would also contribute towards attenuating the cost pressures.

Notwithstanding the moderation in domestic demand, the underlying fundamentals of the Malaysian economy remain strong. Growth will be driven by the private sector across a diversified range of economic activities. Of importance, employment remains strong and incomes are rising. The financial system is resilient, with financial intermediation expected to provide continued support to investment and consumption activity. In addition, the strength of Malaysia's external position remains intact, with international reserves at healthy levels and external debt within prudent limits.

While the central outlook for the Malaysian economy assumes a gradual improvement in external demand, downside risks to global growth remain. These downside risks could affect the performance of the Malaysian economy in 2014.

(Source: BNM Annual Report 2013)

9.2 Overview and prospects of the financial sector in Malaysia

The Malaysian financial system continued to demonstrate resilience throughout the first quarter despite volatility in the global and domestic financial markets. Financial intermediation continued to be supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

The banking system remained well-capitalised with the CET1 capital ratio, tier 1 capital ratio and total capital ratio well above the minimum regulatory levels, at 12%, 12.8% and 14.4%, respectively. The total capital buffer of the banking system stood at more than RM80 billion. Similarly, the capital adequacy ratio of the insurance sector remained strong at 249.7% (4th quarter of 2013: 246.1%), with an excess capital buffer of RM25 billion.

(Source: BNM Quarterly Bulletin for the 1st quarter of 2014)

The growth in 2014 in the finance segment will be supported by continued demand for financing, particularly from businesses. Further, the financial system is resilient with financial intermediation expected to provide continued support to investment and consumption.

(Source: BNM Annual Report 2013)

9.3 Prospects of the Group

The outlook of the Malaysian economy, in which the Group largely operates, is expected to maintain a steady growth of 4.5% to 5.5% in 2014, supported by domestic demand which remains as a growth driver, but at a moderate pace, as well as improvement in the external sector. The Malaysian banking sector is expected to remain resilient and supportive of domestic economic activity in 2014 and continue to sustain its effective role to provide steady access to credit for households and businesses.

The Group continues to maintain its organic growth strategy in the retail banking business. The Group is expected to sustain its strong market position in the domestic retail operations, supported by continuing growth in the key business segment in home mortgages, vehicle financing, financing to the small and medium enterprises, core customer deposits and unit trust business, whilst continue to pursue its targets to sustain its achievements in asset quality, cost to income ratio and net return on equity.

(Source: Management of PBB)

10. WORKING CAPITAL, BORROWINGS, MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

10.1 Working capital

The Board is of the opinion that after taking into account the funds to be generated from the Group's operations and the proceeds to be raised from the Rights Issue, the Group will have sufficient working capital for a period of twelve (12) months from the date of this Abridged Prospectus to meet its present working capital requirements.

10.2 Borrowings

As at the LPD, the Group's total borrowings, all of which are interest-bearing and any interest accruing thereof (excluding deposits from customers as well as the deposits and placements of banks and other financial institutions) are as follows:

	Total RM million
Short-term borrowings:	
Term loans	455
Long-term borrowings:	
Senior medium term notes	1,397
Subordinated notes	5,429
Innovative Tier 1 capital seeurities	1,928
Non-innovative Tier 1 stapled securities	2,127
	10,881
Total	**11,336**

There has not been any default on payments of either interest and/or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period up to the LPD.

10.3 Material capital commitments and contingent liabilities

As at the LPD, the material capital commitments and contingent liabilities, which upon becoming enforceable may have substantial impact on the financial position and the business of PBB:

Capital commitments	**Total RM million**
Authorised and eontracted for:	
- Property and equipment	411
Authorised but not contraeted for:	
- Property and equipment	18
- Additional investment in an assoeiated company	153
	171
Total	**582**

Contingent liabilities	Total RM million
Contingent liabilities:	
- Direct credit substitutes	1,553
- Transaction-related contingent items	1,197
- Short term self-liquidating trade-related contingencies	512
	3,262
Commitments:	
- Credit facilities	50,819
- Unutilised credit card lines	3,986
- Forward asset purchases	471
	55,276
Derivative financial instruments:	
- Foreign exchange related contracts	19,246
- Interest rate related contracts	11,239
- Equity related eontracts	24
- Commodity related contracts	3
	30,512
Total	**89,050**

The material commitments and contingent liabilities as disclosed above are expected to be funded through internally-generated fnnds.

Save as those disclosed above, the Board is not aware of any other material capital commitments and contingent liabilities, which upon becoming enforceable may have substantial impact on the financial position and the business of PBB.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

11. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE/TRANSFER AND EXCESS APPLICATION

As you are an Entitled Shareholder on the Entitlement Date for the Rights Issue, your CDS Account(s) will be duly credited with the number of Provisional Rights Shares which you are entitled to accept/subscribe for under the terms and conditions of the Rights Issue. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such number of Provisional Rights Shares into your CDS Account(s) and the RSF to enable you to accept/subscribe for such Rights Shares that you have been provisionally allotted, as well as apply for the Excess Rights Shares if you wish to do so.

The Provisional Rights Shares are renounceable in full or in part and as such, you may fully or partially renounce your rights entitlements to the Rights Shares.

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR PART OF YOUR PROVISIONAL RIGHTS SHARES ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS ABRIDGED PROSPECTUS, THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY. THE RSF MUST NOT BE CIRCULATED UNLESS ACCOMPANIED WITH THIS ABRIDGED PROSPECTUS.

The Provisional Rights Shares are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Shares will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renouncee(s)/transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making applications.

11.1 Methods of acceptance and application

You may accept the Provisional Rights Shares as well as apply for Excess Rights Shares, if you so choose, using either of the following methods:

Methods of acceptance and application	Category of Entitled Shareholders
RSF[(a)]	All Entitled Shareholders
Electronic Application[(b)]	All Entitled Shareholders
NRS	Authorised Nominee who has subscribed for NRS

Notes:

(a) A copy of the RSF will be enclosed together with this Abridged Prospectus. The RSF is also available on the website of Bursa Securities (http://www.bursamalaysia.com).

(b) No service fee(s) will be charged by PBB for the acceptance of Provisional Rights Shares and/or the application for Excess Rights Shares through the ATMs of PBB or the Internet Application(s).

11.2 Procedures for acceptance and payment

11.2.1 By way of RSF

Acceptance of and payment for the Provisional Rights Shares must be made on the RSF issued with this Abridged Prospectus and completed in accordance with the notes and instructions printed in the RSF. At the absolute discretion of the Board, PBB may not accept the subscription of the Provisional Rights Shares which do not strictly conform to the terms of this Abridged Prospectus or the RSF or the notes and instructions printed in these documents.

If you wish to accept all or part of the Provisional Rights Shares, please complete Part I (A) and Part II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST or DELIVERED BY HAND (at your own risk) to the Share Registrar at the following address:

Tricor Investor Services Sdn Bhd (118401-V)
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 603 – 2264 3883
Fax:603 – 2282 1886

and should reach the Share Registrar not later than 5.00 p.m. on Friday, 18 July 2014, being the last date and time for acceptance and payment for the Rights Issue, or such later date and time as the Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

If you lose, misplace or for any reason require another copy of the RSF, you and/or your renouncee(s)/transferee(s) (if applicable) may obtain additional copies from your stockbrokers, the Share Registrar, the Registered Office of PBB or Bursa Securities' website (http://www.bursamalaysia.com).

You must use one (1) RSF for the subscription of the Provisional Rights Shares standing to the credit of one (1) CDS Account. Separate RSF must be used for the subscription of the Provisional Rights Shares standing to the credit of different CDS Accounts. The Provisional Rights Shares that you have subscribed for, will be credited into the respective CDS Accounts where the Provisional Rights Shares are standing to the credit.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by the Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Any fractional Rights Shares entitlement arising from the Rights Issue (if any) shall be disregarded and will be dealt with in a fair and equitable manner as the Board in its absolute discretion deems fit and in the best interest of PBB and its shareholders.

Each completed RSF must be accompanied by remittance in RM for the full amount payable in the form of banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia and should be made payable to "**PBB RIGHTS SHARES ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side(s) with your name and your CDS Account number. The payment must be made in the exact amount. Any subscription of the Provisional Rights Shares accompanied by excess or insufficient payment or payment in the manner other than stated in this Abridged Prospectus may be rejected at the absolute discretion of the Board. Cheques or any other modes of payment will be rejected. Details of remittance must be filled in the appropriate boxes provided in the RSF.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR SUBSCRIPTION MONIES IN RESPECT OF THE RIGHTS ISSUE. NOTICES OF ALLOTMENT WILL BE DESPATCHED TO YOU AT YOUR OWN RISK, BY ORDINARY POST TO YOUR REGISTERED ADDRESS IN MALAYSIA AS STATED IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS, WITHIN TEN (10) MARKET DAYS AFTER THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES. PROOF OF TIME OF POSTAGE SHALL NOT CONSTITUTE PROOF OF TIME OF RECEIPT BY THE SHARE REGISTRAR OR PBB.

YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH THE SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.

SUBSCRIPTION OF PROVISIONAL RIGHTS SHARES SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT NOT TO ACCEPT THE SUBSCRIPTION OF PROVISIONAL RIGHTS SHARES OR TO ACCEPT IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.

WHERE THE SUBSCRIPTION OF PROVISIONAL RIGHTS SHARES IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE SUBSCRIPTION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED TO YOU WITHOUT INTEREST VIA CHEQUE AND SHALL BE DESPATCHED TO YOU AT YOUR OWN RISK, BY ORDINARY POST TO YOUR REGISTERED ADDRESS IN MALAYSIA AS STATED IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS, WITHIN TEN (10) MARKET DAYS AFTER THE LAST DATE FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES.

If the acceptance and payment for the Provisional Rights Shares are not received by the Share Registrar by 5.00 p.m. on Friday, 18 July 2014 or such later date and time as may be determined and announced by the Board, your and/or your renouncee(s)'/transferee(s)' (if applicable) provisional entitlement under the Rights Issue will be deemed to have been declined and will be cancelled.

Such Provisional Rights Shares not taken up will be allotted to applicants for the Excess Rights Shares in the manner as set out in Section 11.5 of this Abridged Prospectus.

11.2.2 By way of Electronic Application

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for Electronic Application before making an Electronic Application.

11.2.2.1 Steps for Electronic Application at the ATMs of PBB

The procedures for Electronic Application at the ATMs of PBB are set out on the ATM screens of PBB ("**Steps**"). For illustration purposes, the procedures for Electronic Application at ATMs of PBB are set out below. The Steps set out the actions that you must take at PBB's ATM to complete an Electronic Application.

(a) You must have an account with PBB and an ATM card issued by PBB to access the account;

(b) You are advised to read and understand this Abridged Prospectus **BEFORE** making the application; and

(c) You shall subscribe for the Provisional Rights Shares via the ATM of PBB by choosing the Electronic Application option. The details required in the subscription are as set out in "**Terms and conditions for Electronic Application at the ATMs of PBB**" (please refer to Section 11.2.2.2 below). You shall key-in the following information at the ATM of PBB when the instructions on the ATM screen require you to do so:

- Personal Identification Number ("**PIN**");
- PBB's stock code, i.e. "1295";
- PBB's stock type, i.e. "01";
- CDS Account number;
- Number of the Provisional Rights Shares subscribed for;
- Current contact number (for e.g. your mobile phone number); and
- Confirmation of subscription details.

Upon the completion of your Electronic Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Application or any data relating to such an Electronic Application by PBB or the Share Registrar.

YOU ARE NOT REQUIRED TO SUBMIT THE RSF AND TRANSACTION RECORD TO THE SHARE REGISTRAR FOR ELECTRONIC APPLICATION AT THE ATMS OF PBB. AS SUCH, THE STAMP DUTY OF RM10.00 REQUIRED FOR THE RSF IS WAIVED.

11.2.2.2 Terms and conditions of Electronic Application at the ATMs of PBB

The Electronic Application shall be made on, and subject to, the terms of this Abridged Prospectus, as well as tbe terms and conditions of PBB and those appearing herein:

(a) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given is true and correct:

(i) yon have attained eighteen (18) years of age as at the last day for subscription and payment for the Provisional Rights Shares;

(ii) you have read the relevant Abridged Prospectus and understood and agreed with the terms and conditions of the subscription for the Provisional Rights Shares; and

(iii) you hereby give consent to PBB, Bursa Depository, the Share Registrar, their respective agents and any third party involved in facilitating the subscription and refund of payment for the Provisional Rights Shares, to disclose information pertaining to yourself and your account with PBB and Bursa Depository to the relevant authorities and any person as may be necessary or expedient to facilitate the making of the subscription and refund of payment for the Provisional Rights Shares.

The subscription for the Provisional Rights Shares will not be successfully completed and cannot be recorded as a completed transaction at the ATM of PBB unless you complete all the steps required by PBB. By doing so, you shall have confirmed each of the above statements as well as have given consent in accordance with the relevant laws of Malaysia including Section 134 of the FSA and Section 45(1)(a) of the SICDA, to the disclosures as described above.

(b) You must have sufficient funds in your account with PBB at the time you make your Electronic Application, failing which your Electronic Application will not be completed. Any Electronic Application which does not strictly conform to the instructions set ont on the screen of PBB's ATM through which the Electronic Application is being made, will be rejected.

(c) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Rights Shares as stated on the Transaction Record in respect of your Electronic Application. Your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM of PBB) of the number of Provisional Rights Shares subscribed shall signify, and shall be treated as, your acceptance of the number of Provisional Rights Shares.

Should you encounter any problems in your Electronic Application, please refer to Self-Service Terminal Centre at 603-2179 5000.

(d) By making and completing your Electronic Application, you, if successful, requests and authorises PBB to credit the Rights Shares allotted to you into your CDS Account.

(e) You acknowledge that your Electronic Application is subject to the risks of electrical, electronic, technical, transmission, communication and compnter-related faults and breakdowns, fires and other events beyond the control of PBB, the Share Registrar or Bursa Depository and irrevocably agree that if:

(i) PBB, the Share Registrar or Bursa Depository does not receive your Electronic Application; or

(ii) data relating to your Electronic Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to PBB, the Share Registrar or Bursa Depository, you shall be deemed not to have made an Electronic Application and you shall not make any claim whatsoever against PBB, the Share Registrar or Bursa Depository for the subscription for the Provisional Rights Shares or for any compensation, loss or damage relating to the subscription of the Provisional Rights Shares.

(f) All of your particulars, including your nationality and place of residence, in the records of PBB at the time you make your Electronic Application shall be true and correct, and PBB, the Share Registrar and Bursa Depository shall be entitled to rely on the accuracy thereof.

(g) You shall ensure that your personal particulars as recorded by both Bursa Depository and PBB are correct. Otherwise, your Electronic Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notice of allotment issued in respect of the successful subscription for the Provisional Rights Shares will be sent to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

(h) By making and completing an Electronic Application, you agree that:

   (i) in consideration of PBB agreeing to allow and accept your subscription of the Provisional Rights Shares via the Electronic Application facility established by PBB at their respective ATMs, your Electronic Application is irrevocable and cannot be subsequently withdrawn;

   (ii) PBB, Bursa Depository and the Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

   (iii) notwithstanding the receipt of any payment by or on behalf of PBB, the notice of allotment issued in respect of the subscription for the Provisional Rights Shares for which your Electronic Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares; and

   (iv) in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Electronic Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submits to the jurisdiction of the Courts of Malaysia.

(i) The Share Registrar, on the authority of PBB, reserves the right to reject your subscription for the Provisional Rights Shares which do not conform to these instructions.

(j) Notification on the outcome of your subscription for the Provisional Rights Shares will be despatched to you at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents, within the timelines as follows:

(i) successful subscription – a notice of allotment will be despatched within ten (10) Market Days after the last day for acceptance and payment for the Provisional Rights Shares; or

(ii) unsuccessful/partially successful subscription – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within ten (10) Market Days after the last day for acceptance and payment for the Provisional Rights Shares.

The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Section 11.2.2.2 of this Abridged Prospectus and the required consent in making your Electronic Application.

If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you at your own risk to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

11.2.2.3 Steps for Electronic Application through the Internet Application

All Entitled Shareholders may subscribe for the Rights Shares by way of Internet Application. However, the subscription must be made within Malaysia.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for Internet Application as set out at the internet financial services website of PBB at **www.pbebank.com** ("**PBe**") before making an Internet Application.

(i) **Step 1: Set up of account**

Before you subscribe for the Provisional Rights Shares by way of Internet Application, you **must have all** of the following:

(a) an existing account with access to PBe. Accordingly, you will need to have your user identification and PIN/password for the internet financial services facility; and

(b) a CDS Account held in your name.

(ii) **Step 2: Read the Abridged Prospectus**

You are advised to read and understand this Abridged Prospectus **BEFORE** you subscribe for the Provisional Rights Shares.

(iii) **Step 3: Apply through the Internet**

While PBB will attempt to provide you with assistance in your subscription for the Provisional Rights Shares through Internet Application, please note that the actual steps for Internet Application through PBe may differ from the steps outlined below. The possible steps set out below are purely for illustration purposes only.

(a) Connect to PBe at www.pbebank.com with which you have a bank account;

(b) Log in by entering your user identification and PIN/password;

(c) Navigate to the section of the website on subscription in respect of the Rights Shares;

(d) Select the stock name in respect of the Rights Shares to launch the terms and conditions of the Internet Application;

(e) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;

(f) At the next screen, complete the online application form;

(g) Check that the information contained in your online subscription form, such as your NRIC number, your current contact number (for e.g. your mobile phone number), your CDS Account number, number of Rights Shares subscribed for and your bank account number to debit are correct. Then select the designated hyperlink on the screen to confirm and submit the online subscription form.

(h) As soon as the transaction is completed, a message from PBB pertaining to the payment status will appear on the screen of the website through which the online payment for the Rights Shares is being made. Subsequently, PBB shall confirm that the Internet Application has been completed, via the Confirmation Screen on its website; and

(i) You are advised to print out the Confirmation Screen for your reference and record.

YOU ARE NOT REQUIRED TO SUBMIT THE RSF AND CONFIRMATION SCREEN PRINTOUT TO THE SHARE REGISTRAR FOR ELECTRONIC APPLICATION THROUGH INTERNET APPLICATION. AS SUCH, THE STAMP DUTY OF RM10.00 REQUIRED FOR THE RSF IS WAIVED.

11.2.2.4 Terms and conditions of Electronic Application through the Internet Applications

The Internet Application shall be made on, and subject to, the terms of this Abridged Prospectus, as well as the terms and conditions of PBe appearing herein:

(a) After selecting the designated hyperlink on the screen, you are required to confirm and undertake that the following information given is true and correct:

(i) you have attained 18 years of age as at the last day for acceptance and payment for the Provisional Rights Shares;

(ii) you have read the relevant Abridged Prospectus and understood and agreed with the terms and conditions of the subscription for the Provisional Rights Shares;

(iii) you agree to all the terms and conditions of the Internet Application as set out in this Abridged Prospectus and have carefully considered the risk factors set out in this Abridged Prospectus, in addition to all other information contained in this Abridged Prospectus, before making the Internet Application;

(iv) you authorise PBB with which you have a bank account to deduct the full amount payable for the Rights Shares; and

(v) you hereby give consent in accordance with the relevant laws of Malaysia (including Section 134 of the FSA and Section 45(1)(a) of the SICDA) for the disclosure by PBB, Bursa Depository, the Share Registrar, their respective agents and any third party involved in facilitating the subscription and refund of payment for the Provisional Rights Shares, of information pertaining to yourself, the Internet Application made by you, your account with PBB and/or Bursa Depository.

(b) You confirm that you are not subscribing for the Provisional Rights Shares as a nominee of any other person and that the Internet Application is made in your own name, as beneficial owner and subject to the risks referred to in this Abridged Prospectus.

(c) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Rights Shares as stated on the Confirmation Screen in respect of your Internet Application. Your confirmation of the number of Provisional Rights Shares subscribed for shall signify, and shall be treated as, your acceptance of the number of the Provisional Rights Shares.

Should you encounter any problems in your Internet Application, please refer to PBe Services/Customer Support at 603-2179 5000.

(d) By making and completing your Internet Application, you, if successful, requests and authorises PBB to credit the Rights Shares allotted to you into your CDS Account.

(e) You acknowledge that your Internet Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of PBB, the Share Registrar or Bursa Depository and irrevocably agree that if:

  (i) PBB, the Share Registrar or Bursa Depository does not receive your Internet Application; or

  (ii) data relating to your Internet Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to PBB, the Share Registrar or Bursa Depository,

  you shall be deemed not to have made an Internet Application and you shall not make any claim whatsoever against PBB, the Share Registrar or Bursa Depository for the Provisional Rights Shares subscribed for or for any compensation, loss or damage relating to the subscription for the Provisional Rights Shares.

(f) All of your particulars, including your nationality and place of residence, in the records of PBB at the time you make your Internet Application shall be true and correct, and PBB, the Share Registrar and Bursa Depository shall be entitled to rely on the accuracy thereof.

(g) You shall ensure that your personal particulars as recorded by both Bursa Depository and PBB are correct. Otherwise, your Internet Application will be rejected. You must inform Bursa Depository promptly of any change in address failing which the notice of allotment issued in respect of the successful subscription for the Provisional Rights Shares will be sent to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

(h) By making and completing an Internet Application, you agree that:

  (i) in consideration of PBB agreeing to allow and accept your subscription for the Provisional Rights Shares via the Internet Application, your Internet Application is irrevocable and cannot be subsequently withdrawn;

  (ii) PBB, Bursa Depository and the Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Internet Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

  (iii) notwithstanding the receipt of any payment by or on behalf of PBB, the notice of allotment issued in respect of the subscription for the Provisional Rights Shares for which your Internet Application has been successfully completed is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares; and

(iv) you agree that in relation to any legal action, proceedings or dispute arising out of or in relation with the contract between the parties and/or the Internet Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(i) The Share Registrar, on the authority of PBB, reserves the right to reject your subscription for the Provisional Rights Shares which do not conform to these instructions.

(j) Notification on the outcome of your subscription for the Provisional Rights Shares will be despatched to you at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents, within the timelines as follows:

(i) successful subscription – a notice of allotment will be despatched within ten (10) Market Days after the last day for acceptance and payment for the Provisional Rights Shares; or

(ii) unsuccessful/partially successful subscription – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within ten (10) Market Days after the last day for acceptance and payment for the Provisional Rights Shares.

The refund will be credited directly into your bank account from which your Internet Application was made. Kindly take note of the terms and conditions as stated in Section 11.2.2.4 of this Abridged Prospectus and the required consent in making your Internet Application.

If the crediting of the refund into your bank account from which your Internet Application was made is unsuccessful, the refund will then be made via cheque which will be despatched to you at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

(k) You authorise PBB to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, Bursa Securities or other relevant parties in connection with the Rights Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of PBB, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with the Rights Issue. Further, PBB will take reasonable precautions to preserve the confidentiality of information furnished by you to PBB in connection with the use of the Internet Application services.

11.2.3 By way of NRS

PBB has appointed Bursa Depository to provide NRS to PBB's shareholders who are Authorised Nominees. Only the Entitled Shareholders who are Authorised Nominees and who have subscribed for NRS with Bursa Depository may subscribe for the Provisional Rights Shares via NRS.

Please read carefully and follow the terms of this Abridged Prospectus, the procedures, terms and conditions for subscription via NRS and Bursa Depository's terms and conditions for NRS and user guide for NRS (which are made available to all Authorised Nominees who have subscribed for NRS with Bursa Depository) before making the subscription.

11.2.3.1 Steps for the subscription of the Provisional Rights Shares via NRS

(a) If you are an Entitled Shareholder, and who is an Authorised Nominee who has subscribed for NRS with Bursa Depository, a Rights Issue Entitlement File will be transmitted electronically to you by Bursa Depository through Bursa Depository's existing network facility with the Authorised Nominee in the manner as set out in Bursa Depository's user guide for NRS, on the next Market Day after the Entitlement Date.

(b) A notification of the delivery of the Rights Issue Entitlement File will be sent to you via email using the details you have provided to Bursa Depository when you subscribed for NRS with Bursa Depository.

(c) You are advised to read carefully, understand and follow the terms of this Abridged Prospectus, **BEFORE** subscribing for the Provisional Rights Shares.

(d) You may accept, on behalf of your client, partially or fully, their respective allocation under the Rights Issue.

(e) To subscribe for the Provisional Rights Shares, you will be required to submit your subscription information via a Rights Shares Subscription File which is to be prepared based on the format as set out in Bursa Depository's user guide for NRS.

(f) Once completed, you will need to submit the Rights Share Subscription File to Bursa Depository at any time daily before 5.00 p.m., but in any event no later than the last day and time for acceptance and payment.

(g) Together with the Rights Shares Subscription File, you will also need to submit a confirmation to Bursa Depository of the following information:

    (i) confirmation that you have, prior to subscribing the Provisional Rights Shares via NRS, received and/or had access to this Abridged Prospectus, the contents of which you have read, understood and agreed; and

    (ii) consent to the disclosure of your information to facilitate electronic refunds where applicable.

(h) With regards to payment for the Provisional Rights Shares which you have accepted, you must transfer the amount payable directly to PBB's bank account, the details of which are as follows:

Bank	:	**PUBLIC BANK BERHAD**
Account Name	:	**PBB RIGHTS SHARES ACCOUNT**
Bank Account No.	:	**3686868316**

prior to submitting the Rights Shares Subscription File to Bursa Depository.

(i) Upon completion of the transfer/payment, you may receive the transaction slip confirming the details of your transfer/payment. The transaction slip is only a record of the completed transaction and not a record of the receipt of the subscription for the Provisional Rights Shares via NRS or any data relating to such a subscription by PBB or Bursa Depository. The transaction slip is for your record and is not required to be submitted with your subscription for the Provisional Rights Shares via NRS.

(j) You will be notified on the outcome of your subscription for the Provisional Rights Shares electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.

(i) successful application – an electronic notification will be sent to you within ten (10) Market Days after the last day for acceptance and payment for the Provisional Rights Shares; or

(ii) unsuccessful/partially successful application – the full amount or the surplus subscription monies, as the case may be, will be refunded without interest within ten (10) Market Days after the last day for acceptance and payment for the Provisional Rights Shares.

The refund will be credited directly into your bank account(s) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 11.2.3.2 of this Abridged Prospectus and the required consent in subscribing for the Provisional Rights Shares via NRS.

If the crediting of the refund into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

(k) Upon crediting of the Rights Shares allotted to you into your CDS Account(s), you will also receive an electronic confirmation of the crediting from Bursa Depository.

(l) You should note that all subscription made for the Provisional Rights Shares submitted under NRS will be irrevocable upon submission of the Rights Shares Subscription File to Bursa Depository and cannot be subsequently withdrawn.

11.2.3.2 Terms and conditions for the subscription for the Provisional Rights Shares via NRS

The subscription for the Provisional Rights Shares via NRS shall be made on, and subject to, the terms of this Abridged Prospectus, Bursa Depository's terms and conditions for NRS and Bursa Depository's user guide for NRS as well as the terms and conditions appearing herein:

(a) For purposes of making the electronic refund, you hereby give consent in accordance with the relevant laws of Malaysia, including Section 134 of the FSA and Section 45(1)(a) of the SICDA, to the disclosure by PBB, Bursa Depository, the Share Registrar, the relevant financial institution, their respective agents and any third party involved in facilitating the payment of refunds to you as the case may be, of information pertaining to yourself and your account with the relevant financial institution and Bursa Depository, to the relevant authorities and any person as may be necessary or expedient to facilitate the making of refunds or for any other purpose in connection with such payments. You will be required to provide confirmation of your consent in the manner prescribed in Bursa Depository's terms and conditions for NRS.

(b) You agree and undertake to subscribe for or purchase and to accept the number of Provisional Rights Shares as stated on your Rights Shares Subscription File in respect of your subscription for the Provisional Rights Shares via NRS. Your subscription shall signify, and shall be treated as, your acceptance of the number of the Provisional Rights Shares.

(c) You acknowledge that by completing and submitting the Rights Shares Subscription File to Bursa Depository, you, if successful, requests and authorises PBB to credit the Rights Shares allotted to you into the respective CDS Account(s) as indicated in the Rights Shares Subscription File.

(d) You acknowledge that your subscription for the Provisional Rights Shares via NRS is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond the control of PBB, the Share Registrar, the relevant financial institution or Bursa Depository, and irrevocably agree that if:

    (i) PBB, the Share Registrar or Bursa Depository does not receive your subscription for the Provisional Rights Shares via NRS; or

    (ii) the data relating to your subscription for the Provisional Rights Shares via NRS is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to PBB, the Share Registrar or Bursa Depository,

    you shall be deemed not to have made your subscription for the Provisional Rights Shares and you shall not make any claim whatsoever against PBB, Bursa Depository, the Share Registrar for the subscription for the Provisional Rights Shares for any compensation, loss or damage relating to the subscription for the Provisional Rights Shares.

(e) By completing and submitting the Rights Shares Subscription File to Bursa Depository, you agree that:

(i) in consideration of PBB agreeing to allow and accept your subscription for the Provisional Rights Shares via the NRS facility established by Bursa Depository, your subscription via NRS is irrevocable and cannot be subsequently withdrawn;

(ii) PBB, Bursa Depository and the Share Registrar shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your subscription for the Provisional Rights Shares via NRS due to a breakdown or failure of transmission or communication facilities or to any cause beyond our control;

(iii) notwithstanding the receipt of any payment by or on behalf of PBB, the electronic notification of allotment in respect of the Rights Shares issued is the only confirmation for the acceptance of this offer to subscribe for and purchase the said Rights Shares; and

(iv) you agree that in relation to any legal action, proceedings or dispute arising out of or in relation to with the contract between the parties and/or the subscription for the Provisional Rights Shares via NRS and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(f) The Share Registrar and Bursa Depository, on the authority of PBB, reserve the right to reject your subscription for the Provisional Rights Shares which do not conform to these instructions.

11.3 Procedures for part acceptance

You can accept part of your entitlement for the Rights Issue.

11.3.1 By way of RSF

You must complete both Part I (A) of the RSF by specifying the number of the Rights Shares which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to the Share Registrar in the manner set out in Section 11.2.1 of this Abridged Prospectus.

YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS ABRIDGED PROSPECTUS AND THE RSF.

11.3.2 By way of Electronic Application

If you are an individual who is an Entitled Shareholder and wish to accept part of your Provisional Rights Shares via Electronic Application, you may do so by following the same steps as set out in Sections 11.2.2.1 and 11.2.2.3 of this Abridged Prospectus.

11.3.3 By way of NRS

If you are an Entitled Shareholder, who is an Authorised Nominee and who has subscribed for NRS with Bursa Depository and wish to accept part of your Provisional Rights Shares via NRS, you may do so by following the same steps as set out in Sectious 11.2.3 of this Abridged Prospectus.

The portion of the Provisional Rights Shares that have not been accepted shall be allotted to the successful applicants who have applied for the Excess Rights Shares.

11.4 Procedures for sale/transfer of Provisional Rights Shares

The Provisional Rights Shares are renounceable. If you wish to sell or transfer all or part of your Provisional Rights Shares to one (1) or more persons, you may do so through your stockbroker without first having to request for a split of the Provisional Rights Shares standing to the credit of your CDS Account(s). To sell or transfer all or part of your entitlement to the Provisional Rights Shares, you may sell such entitlement in the open market or transfer such provisional allotments to such person(s) as may be allowed pursuant to the Rules of Bursa Depository.

In selling or transferring all or part of your Provisional Rights Shares, you need not deliver the RSF or any document to the stockbroker. **You are however advised to read and adhere to the RSF and the uotes and instructions contained in the RSF as well as ensure that there is sufficient Provisional Rights Shares standing to the credit of your CDS Account(s) before selling or transferring**.

Renouncee(s)/transferee(s) (if applicable) of the Provisional Rights Shares may obtaiu a copy of this AP and the RSF from their stockbrokers, the Share Registrar, the Registered Office of PBB or Bursa Securities' website (http://www.bursamalaysia.com).

If you have sold or transferred only part of the Provisional Rights Shares, you may still accept the balance of the Provisional Rights Shares by using the procedures described in Section 11.2 of this Abridged Prospectus.

11.5 Procedures for Excess Rights Shares

If you are an Entitled Shareholder, you and/or your renouncee(s)/transferee(s) (if applicable) may apply for Excess Rights Shares in addition to your Provisional Rights Shares.

It is the inteution of the Board to allot the Excess Rights Shares, if any, in a fair and equitable manner to the Entitled Shareholders and/or their renounce(s)/transferee(s) (if applicable) who have applied for the Excess Rights Shares in the following priority:

(i) firstly, to minimise the incideuce of odd lots;

(ii) secondly, after the occurrence of (i) above, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lot, computed based on their respective shareholdings as at the Entitlement Date;

(iii) thirdly, after the occurrence of (i) and (ii) above, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares on a pro-rata basis and in board lot, computed based on the quantum of their respective Excess Rights Shares application; and

(iv) lastly, after the occurrence of (i), (ii) and (iii) above, for allocation to the renouncee(s)/transferee(s) (if applicable) who have applied for the Excess Rights Shares on a pro-rata basis and in board lot, computed based on the quantum of their respective Excess Rights Shares application.

In the event of an under subscription by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable), even after all Excess Rights Shares applications have been taken into consideration, the remaining unsubscribed Rights Shares will be subscribed by the Joint Lead Underwriters and Joint Underwriters as set out in Section 4 of this Abridged Prospectus.

Nevertheless, the Board reserves the right to allot any Excess Rights Shares applied for in such manner as it deems fit and expedient in the best interest of PBB subject always to such allocation being made on a fair and equitable basis.

11.5.1 By way of RSF

If you wish to apply for Excess Rights Shares in excess of your entitlement, you should complete Part I (B) – application for Excess Rights Shares of the RSF (in addition to Part I (A) and Part II) and forward it together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares applied for, to the Share Registrar not later than 5.00 p.m. on Friday, 18 July 2014, being the last date and time for acceptance and payment or such later date and time as the Board may decide and announce not less than two (2) Market Days before the stipulated date and time.

Payment for the Excess Rights Shares should be made in the same manner as described in Section 11.2.1 of this Abridged Prospectus, with remittance in the form of banker's draft(s) or cashier's order(s) or money order(s) or postal order(s) drawn on a bank or post office in Malaysia and crossed "**ACCOUNT PAYEE ONLY**" and made payable to "**PBB EXCESS RIGHTS SHARES ACCOUNT**" for the Excess Rights Shares and endorsed on the reverse side(s) with your name and your CDS Account number.

The Board reserves the right to allot the Excess Rights Shares, if any, applied for under Part I (B) of the RSF on a fair and equitable basis as they deem fit and expedient in the best interest of PBB. The Board reserves the right to accept any Excess Rights Shares application in part only, without assigning any reason thereto.

NO ACKNOWLEDGEMENT WILL BE ISSUED FOR RECEIPT OF THE RSF OR SUBSCRIPTION MONIES IN RESPECT OF THE EXCESS RIGHTS SHARES. NOTICES OF ALLOTMENT WILL BE DESPATCHED TO THE SUCCESSFUL APPLICANTS AT YOUR OWN RISK, BY ORDINARY POST TO YOUR REGISTERED ADDRESS IN MALAYSIA AS STATED IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS, WITHIN TEN (10) MARKET DAYS AFTER THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES, OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS MONIES (AS THE CASE MAY BE) WILL BE REFUNDED WITHOUT INTEREST WITHIN TEN (10) MARKET DAYS AFTER THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES. THE REFUND WILL BE MADE VIA CHEQUE AND DESPATCHED TO YOU AT YOUR OWN RISK, BY ORDINARY POST TO YOUR REGISTERED ADDRESS IN MALAYSIA AS STATED IN THE RECORD OF DEPOSITORS OF BURSA DEPOSITORY OR TO THE ADDRESS IN MALAYSIA WHICH WAS PROVIDED BY YOU TO THE SHARE REGISTRAR FOR THE RECEIPT OF THE DOCUMENTS.

11.5.2 By way of Electronic Application

If you are a Malaysian individual who is an Entitled Shareholder and/or a renouncee and/or a transferee (if applicable) and/or if you have purchased any Provisional Rights Shares, and wish to apply for additional Rights Shares via Electronic Application in excess of your entitlement, you may do so by following the same steps as set out in Sections 11.2.2.1 and 11.2.2.3 of this Abridged Prospectus save and except that you shall proceed with the option for Excess Rights Shares application.

The Electronic Application for Excess Rights Shares shall be made on, and subject to, the same terms and conditions appearing in Sections 11.2.2.2 and 11.2.2.4 of this Abridged Prospectus, as well as the terms and conditions as stated below:

(i) You agree and undertake to subscribe for or purchase and to apply the number of Excess Rights Shares as stated on the Transaction Record via ATM application or Confirmation Screen via Internet Application that may be allotted to you in respect of your Electronic Application. In the event that PBB decides to allot all or any lesser number of such Excess Rights Shares or not to allot any Excess Rights Shares to you, you agree to accept any such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the pre-designated keys (or buttons) on the ATM or by clicking the designated hyperlink on the relevant screen of PBe) of the number of Excess Rights Shares applied for shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may have applied.

(ii) The Share Registrar, on the authority of PBB, reserves the right to reject your application for the Excess Rights Shares which do not conform to these instructions.

(iii) Notification on the outcome of your application for the Excess Rights Shares will be despatched to you at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents within the timelines as follows:

    (a) successful application – a notice of allotment will be despatched within ten (10) Market Days after the last day for application and payment for the Excess Rights Shares; or

    (b) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within ten (10) Market Days after the last day for application and payment for the Excess Rights Shares.

    The refund will be credited directly into your bank account from which your Electronic Application was made. Kindly take note of the terms and conditions as stated in Sections 11.2.2.2 and 11.2.2.4 of this Abridged Prospectus and the required consent in making your Electronic Application.

    If the crediting of the refund into your bank account from which your Electronic Application was made is unsuccessful, the refund will then be made via cheque which will be despatched at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

11.5.3 By way of NRS

If you are an Authorised Nominee who has subscribed for NRS with Bursa Depository who is an Entitled Shareholder and/or a renouncee and/or a transferee (if applicable) and/or if you have purchased any Provisional Rights Shares, and wish to apply for additional Rights Shares via NRS in excess of your entitlement, you may do so by following the same steps as set out in Section 11.2.3 of this Abridged Prospectus save and except for the amount payable to be directed to:

Bank	:	**PUBLIC BANK BERHAD**
Account Name	:	**PBB EXCESS RIGHTS SHARES ACCOUNT**
Bank Account No.	:	**3818283822**

You should complete the details for excess rights application at the designated fields for the Excess Applications in the Rights Shares Subscription File.

The application for Excess Rights Shares via NRS shall be made on, and subject to, the same terms and conditions appearing in Section 11.2.3.2 of this Abridged Prospectus, Bursa Depository's terms and conditions for NRS and user guide for NRS (which are made available to all Authorised Nominees who wish to register for NRS), as well as the terms and conditions as stated below:

(i) You agree and undertake to subscribe for or purchase and to apply the number of Excess Rights Shares as stated on the Rights Shares Subscription File. In the event that PBB decides to allot any lesser number of such Excess Rights Shares or not to allot all or any Excess Rights Shares to you, you agree to accept any such decision as final. If your application via NRS is successful, your submission of the Rights Shares Subscription File to Bursa Depository shall signify, and shall be treated as, your acceptance of the number of Excess Rights Shares that may have applied.

(ii) The Share Registrar, on the authority of PBB, reserves the right to reject your application for the Excess Rights Shares which do not conform to these instructions.

(iii) You will be notified on the outcome of your application for the Excess Rights Shares electronically within the timelines as stated below. No physical notice of allotment will be mailed to you.

 (a) successful application – an electronic notification will be sent to you within ten (10) Market Days after the last day for application and payment for the Excess Rights Shares; or

 (b) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within ten (10) Market Days after the last day for application and payment for the Excess Rights Shares.

 The refund will be credited directly into your bank account(s) (as provided by you in the Rights Shares Subscription File) from which payment of your subscription monies were made. Kindly take note of the terms and conditions as stated in Section 11.2.3.2 of this Abridged Prospectus and the required consent in making the application via NRS.

 If the crediting of the refund into your bank account(s) from which payment of your subscription monies were made is unsuccessful, the refund will then be made via cheque(s) which will be despatched to you at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents.

11.6 Procedures to be followed by renouncee(s)/transferee(s)

A renouncee/transferee (if applicable) who wishes to accept for the Provisional Rights Shares or to apply the Excess Rights Shares may obtain a copy of this Abridged Prospectus and the RSF, Electronic Applications and NRS from their stockbrokers, the Share Registrar, the Registered Office or Bursa Securities' website (http://www.bursamalaysia.com).

The procedures and payment for the acceptance of the Provisional Rights Shares and the Excess Rights Shares by the renouncee(s)/transferee(s) (if applicable) are the same as those applicable to you as described in Sections 11.2 and 11.5, respectively, of this Abridged Prospectus.

RENOUNCEES/TRANSFEREES (IF APPLICABLE) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.

11.7 Form of issuance

Bursa Securities has already prescribed the securities of PBB listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, all dealings in respect of the Rights Shares are subject to the SICDA and the Rules of Bursa Depository. You must have a CDS Account in order to subscribe for the Rights Shares.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected.

No physical share certificate will be issued. The Rights Shares will be credited directly into your CDS Account(s) and the notice of allotment will be despatched to you at your own risk by ordinary post to your registered address in Malaysia as stated in the Record of Depositors of Bursa Depository or the address in Malaysia which was provided by you to the Share Registrar for the receipt of the Documents within ten (10) Market Days after the last date for acceptance and payment for the Rights Shares.

11.8 Laws of foreign jurisdictions

This Documents (comprising the Abridged Prospectus, together with the NPA and RSF) have not been and will not be registered under or be made to comply with any applicable securities legislation or equivalent legislation (or with or by any regulatory authority or other relevant body) or any country and/or jurisdiction other than Malaysia.

This Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue to which the Documents relate is only available to the persons receiving the Documents within Malaysia.

Accordingly, the Documents will not be despatched to the Entitled Shareholders who do not have a registered address in Malaysia as stated in the Record of Depositors as at 5.00 p.m. on 23 June 2014 or who have not provided the Share Registrar with au address in Malaysia for despatch of Documents by 5.00 p.m. on 23 June 2014. Persons receiving the Documents (including without limitation, custodians, nominees and trustees), must not, in connection with the Rights Issue distribute or send the Documents outside of Malaysia. However, the Entitled Shareholders may collect the Documents from the Share Registrar, in which event the Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

The Rights Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act ("**Regulation S**") unless the Rights Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. The Rights Shares are being offered and sold only outside the United States in reliance on Regulation S.

PBB will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address in Malaysia other than as stated in the Record of Depositors as at 5.00 p.m. on 23 June 2014 or who have provided the Share Registrar with an address in Malaysia for despatch of Documents as at 5.00 p.m. on 23 June 2014 and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. PBB will assume that the Rights Issue and the acceptance by the Entitled Shareholders thereof would not be in breach of the laws of any jurisdiction. PBB will further assume that the Entitled Shareholders have accepted the Rights Issue in Malaysia and will at all applicable times be subject to the laws of Malaysia.

The Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) shall not have any right or claim against PBB, the Directors, PIVB and the Joint Global Coordinators ("**Parties**") in respect of their rights or entitlements under the Rights Issue or to any proceeds thereof. The Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) may only accept or renounce/transfer (as the case may be) all or part of your entitlement and exercise any other rights in respect of the Rights Issue only to the extent that it would be lawful to do so, and the Parties would not be in breach of the laws of any foreign jurisdiction and/or country to which the Entitled Shareholders or their renouncee(s)/transferee(s) (if applicable) is or may be subject.

It shall be the sole responsibility of the Entitled Shareholders who are or may be subject to the laws of country or jurisdiction other than Malaysia ("**Foreign Shareholder(s)**") to consult their legal advisers and/or other professional advisers as to whether the acceptance in any manner whatsoever of the Rights Issue would result in the contravention of any law of such country or jurisdiction. Neither PBB, the Directors, PIVB or the Joint Global Coordinators nor any other advisers to the Rights Issue shall accept any responsibility or liability in the event that any acceptance or sale/transfer of the provisional allotment of the Rights Shares made by the Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable) shall become illegal, unenforceable, voidable or void in any such country or jurisdiction.

Any envelope containing a RSF and post-marked from the United States or from a U.S. person (as defined in Regulation S) will not be accepted. Similarly, any RSF in which the accepting holder, renouncee/transferee (if applicable) or subscribing principal applicant requests Rights Shares to be issued in registered form or credited to a securities account and which gives an address in the United States or is a U.S. person (as defined in Regulation S) will not be accepted. Any payment made in respect of any RSF that does not meet the foregoing criteria will be returned without interest.

If you are a Foreign Shareholder, remittances by you and/or your renouncee(s)/transferee(s) (if applicable) who wish to accept the provisional allotment of Rights Shares subject to the above conditions must be made in the manner prescribed in Sections 11.2 and 11.3 of this Abridged Prospectus.

If you are a Foreign Shareholder, by signing the RSF, you and/or your renouncee(s)/transferee(s) (if applicable) are deemed to have represented, acknowledged and declared in favour of (and which representation, acknowledgement and declaration will be relied upon by) the Parties that:

(i) PBB would not, by acting on the acceptance or renunciation in connection with the Rights Issue, be in breach of the laws of any jurisdiction which you and/or your renouncee(s)/transferee(s) (if applicable) are or may be subject to;

(ii) you and/or your renouncee(s)/transferee(s) (if applicable) have complied with the laws which you and/or your renouncee(s)/transferee(s) (if applicable) are or may be subject to in connection with the acceptance or renunciation;

(iii) you and/or your renouncee(s)/transferee(s) (if applicable) are not a nominee or agent of a person in respect of whom PBB would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject;

(iv) you and/or your renouncee(s)/transferee(s) (if applicable) are aware that the provisional allotment of Rights Shares can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any way in accordance with all applicable laws in Malaysia;

(v) you and/or your renouncee(s)/transferee(s) (if applicable) have respectively received a copy of this Abridged Prospectus and have read and understood the contents of this Abridged Prospectus;

(vi) you and/or your renouncee(s)/transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights Shares, and are and will be able, and are prepared to bear the economic and financial risks of investing in and holding the Rights Shares;

(vii) the Rights Shares have not been and will not be registered under the U.S. Securities Act and/or with any securities regulatory authority of any state of the United States or any other jurisdiction (other than Malaysia) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except to persons in offshore transactions in reliance on Regulation S; and

(viii) you are, or at the time the Rights Shares are purchased will be, the beneficial owner of the Rights Shares and you are (i) located outside the United States (within the meaning of Regulation S) and (ii) not an affiliate of the Company or any person acting on our behalf or on behalf of any of the Company's affiliates.

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the Rights Issue, offer, distribute or sent any of them into any jurisdiction where doing so would or might contravene local securities, exchange control or other relevant laws or regulations. If the Documents are received by any person in such jurisdictions, or by the agent or nominee of any such person, he/she/it/they must not seek to accept the offer unless he/she/it/they has/have complied with and observed the laws of all relevant jurisdictions.

Any person who does forward the Documents to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section, and PBB reserves the right to reject a purported acceptance of the Rights Shares from any application by Foreign Shareholders and/or their renouncee(s)/transferee(s) (if applicable) in any jurisdiction other than Malaysia.

PBB reserves the right, at its absolute discretion, to treat any acceptance as invalid if PBB believes that such acceptance may violate applicable legal or regulatory requirements. The Provisional Rights Shares relating to any acceptance that is treated as invalid will be included in the pool of excess Rights Shares available for Excess Application by Entitled Shareholders and/or their renouncee(s)/transferee(s) (if applicable).

12. TERMS AND CONDITIONS

The issuance of the Rights Shares pursuant to the Rights Issue is governed by the terms and conditions as set out in the Documents.

13. ADDITIONAL INFORMATION

Please refer to the attached appendices for further information.

Yours faithfully
for and on behalf of the Board of Directors of
PUBLIC BANK BERHAD

Tan Sri Datuk Seri Utama Thong Yaw Hong
Non-Independent Non-Executive Co-Chairman

PUBLIC BANK
大众银行

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT THE EXTRAORDINARY GENERAL MEETING HELD ON 6 JUNE 2014

ORDINARY RESOLUTION

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH ("RIGHTS SHARE(S)") IN PUBLIC BANK BERHAD TO RAISE GROSS PROCEEDS OF UP TO RM5.00 BILLION ("PROPOSED RIGHTS ISSUE")

IT WAS RESOLVED THAT subject to the approvals of all relevant regulatory authorities being obtained, approval be and is hereby given to the Board of Directors of PBB ("Board") to provisionally issue and allot by way of a renounceable rights issue, such number of Rights Shares to be determined later, to raise gross proceeds of up to RM5.00 billion, to the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined by the Board, or their renouncee(s), to be credited as fully paid-up upon full payment, on the entitlement basis and at the issue price to be determined later by the Board;

AND THAT the Board be and is hereby empowered and authorised to deal with any fractional entitlements that may arise from the Proposed Rights Issue in such manner as the Board shall in its absolute discretion deem fit and expedient, and in the best interest of the Company;

AND THAT any Rights Share which is not taken up or validly taken up by the entitled shareholders shall be made available for excess applications by the other entitled shareholders and/or their renouncee(s) in a fair and equitable manner on a basis to be determined later by the Board;

AND THAT, the Rights Shares shall, upon allotment and issuance, rank *pari passu* in all aspects with the then existing ordinary shares in the issued and paid up share capital of the Company, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid in respect of which the entitlement date is before the allotment date of the Rights Shares;

PUBLIC BANK BERHAD (6463-H)
Head Office : Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur. Peti Surat 12542, 50947 Kuala Lumpur
Telephone : 03 - 21766000, 21766666, 21638888, 21638899 Facsimile: 03 - 21639917
Swift : PBBEMYKL Cable : "PBBKLCITY" Kuala Lumpur Telex : MA031664, MA032321 Website : www.publicbank.com.my

Registered Office : 27th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur
Telephone No. : 03-21638888, 03-21638899 Fax No. : 03-21639917

CERTIFIED TRUE EXTRACT OF THE RESOLUTION PERTAINING TO THE RIGHTS ISSUE PASSED AT THE EGM ON 6 JUNE 2014 ***(Cont'd)***

AND THAT, the proceeds from the Proposed Rights Issue will be utilised for such purposes as set out in Section 2.7 of the circular to shareholders dated 20 May 2014 and the Board be authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary or expedient, subject to (where applicable) the approval of the relevant authorities;

AND THAT in order to implement, complete and give full effect to the Proposed Rights Issue, approval be and is hereby given to the Directors of PBB to do or procure to be done all such acts, deeds and things and to execute, sign and deliver on behalf of the Company, all such documents and enter into any arrangements, agreements and/or undertaking with any parties, as they may deem fit, necessary, expedient and/or appropriate to implement, finalise and/or give full effect to the Proposed Rights Issue, with full powers to assent to any term, condition, modification, variation and/or amendment as may be required by any relevant regulatory authority or as a consequence of any such requirements or as the Directors shall in their absolute discretion deem fit, necessary, expedient and/or appropriate in connection with the completion of the Proposed Rights Issue and in the best interest of the Company.

CERTIFIED TRUE COPY

....

Dato' Chia Lee Kee
MAICSA 7008270
Company Secretary

6 June 2014

INFORMATION ON PBB

1. HISTORY AND BUSINESS

PBB was incorporated as Public Bank Limited in Malaysia under the Companies Ordinances, 1940 - 1946 on 30 December 1965 and had assumed its current name since 15 April 1966. PBB commenced operations on 6 August 1966 and has been listed on the Main Board of the Kuala Lumpur Stock Exchange *(now known as the Main Market of Bursa Securities)* since 6 April 1967.

2. PRINCIPAL ACTIVITIES

PBB is principally engaged in all aspects of commercial banking and the provision of related financial services. PBB, together with its subsidiary companies and associated companies are involved in banking, Islamic banking, investment banking, financing, credit card business, share broking, sale of trust units and management of unit trust funds, bancassurance and general insurance and other related financial services such as trustee and nominee services. The principal activities of the subsidiary companies and associated companies of PBB are set out in Section 6 of this Appendix.

3. SHARE CAPITAL

The authorised and issued and paid-up share capital of PBB as at the LPD are as follows:

Type	No. of PBB Shares	Par value RM	Amount RM
Authorised	10,000,000,000	1.00	10,000,000,000
Issued and paid-up	3,531,925,834	1.00	3,531,925,834

There is no change to the issued and paid-up share capital of PBB for the past three (3) years up to the LPD.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

4. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

For illustration purposes, the pro forma effects of the Rights Issue on the Substantial Shareholders' shareholdings of PBB based on a full subscription basis are as follows:

	As at the LPD#				Assuming that all the substantial shareholders subscribe in full for their entitlements				Assuming that only Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies subscribe in full for their entitlements pnrsuant to the Undertakings			
					After the Rights Issue				After the Rights Issue			
	Direct interests		Indirect interests		Direct interests		Indirect interests		Direct interests		Indirect interests	
Substantial Shareholders	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	0.64	^820,835,261	23.44	24,711,282	0.64	^902,918,787	23.44	24,711,282	0.64	^902,918,787	23.44
Employees Provident Fund Board	496,109,181	14.17	-	-	545,720,099	14.17	-	-	496,109,181	(a)12.88	-	-
Consolidated Teh Holdings Sdn Bhd	82,952,747	2.37	^172,952,816	4.94	91,248,021	2.37	^190,248,097	4.94	91,248,021	2.37	^190,248,097	4.94
Sekuriti Pejal Sdn Bhd@	210,195,124	6.00	^40,412,856	1.15	231,214,636	6.00	^44,454,141	1.15	231,214,636	6.00	^44,454,141	1.15

Notes:

\# *Based on the Register of Substantial Shareholders.*

* *Computed based on the number of PBB Shares in issue (excluding the Treasury Shares).*

(a) *Assumption made that no undertaking is to be received from Employees Provident Fund Board to subscribe for its entitlement for the Rights Shares in full under the Proposed Rights Issue and its portion will be fully underwritten.*

^ *Deemed to have interests in PBB Shares held by other corporations by virtue of Section 6A(4) of the Act.*

@ *This company is currently in members' voluntary liquidation.*

5. PARTICULARS OF DIRECTORS

5.1 Details of Directors

The particulars of the Directors as at the LPD are as follows:

Name *(Designation)*	Age	Address	Profession	Nationality
Tan Sri Dato' Sri Dr. Teh Hong Piow *(Non-Independent Non-Executive Chairman)*	84	No. 132, Jalan Ara Bangsar Baru 59100 Kuala Lumpur	Banker	Malaysian
Tan Sri Datuk Seri Utama Thong Yaw Hong *(Non-Independent Non-Executive Co-Chairman)*	83	90, Lorong Setiabistari Satu Bukit Damansara 50490 Kuala Lumpur	Company Director	Malaysian
Tan Sri Dato' Sri Tay Ah Lek *(Managing Director/ Chief Executive Officer)*	71	169-2, Sri Wangsaria Jalan Ara, Bangsar Baru 59100 Kuala Lumpur	Banker	Malaysian
Dato' Sri Lee Kong Lam *(Non-Independent Non-Executive Director)*	72	155, Jalan 5/42 Taman Bukit Gasing 46000 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Dato' Haji Abdul Aziz bin Dato' Dr. Omar *(Non-Independent Non-Executive Director)*	66	8, Lorong Jelutong Bukit Damansara 50490 Kuala Lumpur	Company Director	Malaysian
Mr. Tang Wing Chew *(Independent Non-Executive Director)*	69	14 Jalan Taban Lucky Garden, Bangsar 59100 Kuala Lumpur	Company Director	Malaysian
Mr. Lai Wan *(Independent Non-Executive Director)*	71	20, Lengkongan Jenjarom Taman Seputch Jalan Klang Lama 58000 Kuala Lumpur	Company Director	Malaysian
Ms. Lai Wai Keen *(Independent Non-Executive Director)*	59	51, Jalan SS 22/27A Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Ms. Cheah Kim Ling *(Independent Non-Executive Director)*	57	46 Jalan SS23/1, Taman Sea 47301 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian

5.2 Details of Directors' shareholdings

For illustration purposes, the pro forma effects of the Rights Issue on the Directors' shareholdings based on a full subscription basis are as follows:

					Assuming that all the Directors subscribe in full for their entitlements			
	As at the LPD[#]				After the Rights Issue			
	Direct interests		Indirect interests		Direct interests		Indirect interests	
Directors	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	0.64	(a)820,835,261	23.44	24,711,282	0.64	(a)902,918,787	23.44
Tan Sri Datuk Seri Utama Thong Yaw Hong	7,633,342	0.22	(b)857,785	0.02	8,396,676	0.22	(b)943,563	0.02
Tan Sri Dato' Sri Tay Ah Lek	5,898,951	0.17	(b)354,315	0.01	6,488,846	0.17	(b)389,746	0.01
Dato' Sri Lee Kong Lam	380,866	0.01	(c)434,957	0.01	418,952	0.01	(c)478,452	0.01
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	82,037	^	-	-	90,240	^	-	-
Mr. Tang Wing Chew	-	-	-	-	-	-	-	-
Mr. Lai Wan	-	-	(c)16,959	^	-	-	(c)18,654	^
Ms. Lai Wai Keen	-	-	-	-	-	-	-	-
Ms. Cheah Kim Ling	-	-	(c)11,266	^	-	-	(c)12,392	^

Notes:

\# *Based on the Register of Directors' Shareholdings.*

* *Computed based on the number of PBB Shares in issue (excluding the Treasury Shares).*

(a) *Deemed to have interests in PBB Shares held by other corporations by virtue of Section 6A(4) of the Act.*

(b) *Deemed to have interests in PBB Shares held by person(s) connected as defined per Section 122A of the Act and held by other corporation by virtue of Section 6A(4) of the Act.*

(c) *Deemed to have interests in PBB Shares held by person connected as defined per Section 122A of the Act.*

^ *Less than 0.01%.*

6. SUBSIDIARY COMPANIES AND ASSOCIATED COMPANIES

The details of PBB's local subsidiary companies as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Public Islamic Bank Berhad	05.07.1973 Malaysia	RM200,217,000	100.00	Islamic banking
Public Investment Bank Berhad	28.08.1974 Malaysia	RM170,000,000	100.00	Investment banking
Public Invest Nominees (Tempatan) Sdn. Bhd.	26.02.1988 Malaysia	RM10,000	100.00	Nominee services
Public Invest Nominees (Asing) Sdn. Bhd.	24.04.1993 Malaysia	RM10,000	100.00	Nominee services
Public Consolidated Holdings Sdn. Bhd.	04.03.1987 Malaysia	RM12,000,000	100.00	Investment holding
Public Mutual Berhad	21.07.1975 Malaysia	RM6,000,000	100.00	Sale of trust units and management of unit trusts
Public Holdings Sdn. Bhd.	26.03.1973 Malaysia	RM2,500,000	100.00	Property holding
Public Nominees (Tempatan) Sdn. Bhd.	30.12.1965 Malaysia	RM10,000	100.00	Nominee services
Public Nominees (Asing) Sdn. Bhd.	21.05.1993 Malaysia	RM10,000	100.00	Nominee services
Public Bank (L) Ltd.	13.10.1990 Malaysia	USD65,000,000	100.00	Offshore banking
PB Trust (L) Ltd.	07.11.2003 Malaysia	USD40,000	100.00	Offshore trust company
PB Venture Capital Sdn. Bhd.	10.09.1991 Malaysia	RM1,010,000	100.00	Investment holding
Public Leasing & Factoring Sdn. Bhd.	10.01.1984 Malaysia	RM10,000,000	100.00	Leasing and provision of related financing services
PB International Factors Sdn. Bhd.	07.06.1990 Malaysia	RM10,000,000	100.00	Dormant
PB Properties Sdn. Bhd.	06.08.1984 Malaysia	RM5,200,000	100.00	In members' voluntary liquidation
PBFIN Berhad	30.12.1965 Malaysia	RM2	100.00	Special purpose vehicle to issue subordinated notes under its holding company's stapled securities programme
HHB Holdings Bhd	08.11.1951 Malaysia	RM2	100.00	In members' voluntary liquidation
Hock Hua Nominees (Tempatan) Sdn Bhd	06.12.1985 Malaysia	RM3	100.00	In members' voluntary liquidation

INFORMATION ON PBB *(Cont'd)*

The details of PBB's overseas subsidiary companies as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Cambodian Public Bank Plc	20.02.1992 Cambodia	USD90,000,000	100.00	Banking
Campu Securities Plc	12.02.2010 Cambodia	USD12,000,000	100.00	Securities dealing and underwriting
Campu Lonpac Insurance Plc	27.07.2007 Cambodia	USD7,000,000	55.00	General insurance
Public Financial Holdings Limited	16.08.1991 Bermuda	HKD109,791,762	73.20	Investment and property holding
Public Bank (Hong Kong) Limited	31.12.1934 Hong Kong SAR	HKD1,481,600,000	73.20	Banking
Public Finance Limited	20.10.1977 Hong Kong SAR	HKD258,800,000	73.20	Deposit-taking and finance
Public Financial Limited	17.01.1991 Hong Kong SAR	HKD10,100,000	73.20	Investment holding
Public Securities Limited	16.01.1990 Hong Kong SAR	HKD10,000,000	73.20	Stock and share broking
Public Securities (Nominees) Limited	26.11.1991 Hong Kong SAR	HKD10,000	73.20	Nominee services
Public Financial Securities Limited	24.10.1986 Hong Kong SAR	HKD48,000,000	73.20	Stock and share broking
Public Bank (Nominees) Limited	14.01.1975 Hong Kong SAR	HKD100,000	73.20	Nominee services
Public Futures Limited	10.09.1992 Hong Kong SAR	HKD2	73.20	Dormant
Public Credit Limited	10.05.1994 Hong Kong SAR	HKD5,000,000	73.20	Dormant
Public Pacific Securities Limited	01.06.1995 Hong Kong SAR	HKD12,000,000	73.20	Dormant
Public Investments Limited	28.01.1983 Hong Kong SAR	HKD200	73.20	Dormant
Public Realty Limited	28.01.1983 Hong Kong SAR	HKD100,000	73.20	Dormant
Winton (B.V.I.) Limited	11.06.1992 British Virgin Islands	HKD61,773	73.20	Investment holding
Winton Financial Limited	19.10.1971 Hong Kong SAR	HKD4,000,010	73.20	Provision of financing
Winton Motors, Limited	23.01.1970 Hong Kong SAR	HKD78,000	73.20	Trading of taxi cabs and taxi licences, and leasing of taxis
Winton Holdings (Hong Kong) Limited	21.06.1988 Hong Kong SAR	HKD20	73.20	Dormant

INFORMATION ON PBB *(Cont'd)*

The details of PBB's associated companies as at the LPD are as follows:

Company	Date and place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
PB Trustee Services Berhad	24.08.1968 Malaysia	RM525,000	40.00	Trustee services
AIA PUBLIC Takaful Bhd *(formerly known as ING PUBLIC Takaful Ehsan Berhad)*	11.03.2011 Malaysia	RM133,333,333	30.00	Family takaful
VID Public Bank	25.03.1992 Socialist Republic of Vietnam	USD62,500,000	50.00	Banking
CPB Properties Co., Ltd.	15.11.1996 Cambodia	USD8,000	49.00	Property holding

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

7. PROFIT AND DIVIDEND RECORD

The following table summarises the audited results of the Group for the FYE 31 December 2011, FYE 31 December 2012 and FYE 31 December 2013 as well as the unaudited results of the Group for the three (3) months FPE 31 March 2014:

	Audited			Unaudited
	FYE 31 December			FPE 31 March
	2011 RM'000 (Restated)	2012 RM'000 (Restated)	2013 RM'000	2014 RM'000
Operating revenue	12,756,360	14,058,097	15,264,300	3,948,377
Interest income	9,413,030	10,404,241	11,366,092	2,937,508
Interest expense	(4,438,099)	(5,149,596)	(5,795,554)	(1,534,526)
Net interest income	4,974,931	5,254,645	5,570,538	1,402,982
Net income from Islamic banking business	868,342	843,766	837,136	205,584
	5,843,273	6,098,411	6,407,674	1,608,566
Net fee and commission income	1,118,909	1,165,313	1,275,345	322,667
Net gains and losses on financial instruments	166,154	170,244	166,983	53,850
Other operating income	280,234	312,741	308,315	78,434
Net income	7,408,570	7,746,709	8,158,317	2,063,517
Other operating expenses	(2,208,684)	(2,417,590)	(2,503,636)	(655,918)
Operating profit	5,199,886	5,329,119	5,654,681	1,407,599
Allowance for impairment on loans, advances and financing	(326,755)	(279,244)	(351,252)	(84,818)
Writeback of impairment/(Impairment) on other assets	1,598	(6,626)	149	984
	4,874,729	5,043,249	5,303,578	1,323,765
Share of PAT of equity accounted associated companies	3,210	3,985	6,406	3,335
Profit before tax expense and zakat	4,877,939	5,047,234	5,309,984	1,327,100
Tax expense and zakat	(1,153,436)	(1,177,992)	(1,204,342)	(300,067)
PAT	**3,724,503**	**3,869,242**	**4,105,642**	**1,027,033**
Attributable to:				
Equity holders of PBB	3,684,289	3,826,754	4,064,683	1,016,932
Non-controlling interests	40,214	42,488	40,959	10,101
PAT	**3,724,503**	**3,869,242**	**4,105,642**	**1,027,033**
Number of PBB Shares in issue ('000)	3,502,125	3,502,125	3,502,125	3,502,125
Basic/Diluted EPS attributable to equity holders of PBB (sen)	105.20	109.27	116.06	29.04
Operating profit margin (%)	40.76	37.91	37.05	35.65
PAT margin (%)	29.20	27.52	26.90	26.01
Net dividend (sen)	48.00	50.00	52.00	-
Net interest margin (%)	2.66	2.51	2.36	2.28

Commentaries on past performance:

FYE 31 December 2011

The Group's retail operations is the key income driver and contributed approximately 57.03% to the Group's pre-tax profit, followed by the hire purchase operations and fund management operations, which accounted for approximately 13.22% and 6.60% respectively of the Group's pre-tax profit in 2011. The Group's pre-tax profit aud net profit attributable to equity holders for 2011 were restated to RM4.88 billion and RM3.68 billion respectively from the previously reported RM4.61 billion and RM3.48 billion respectively. The upward restatements of the pre-tax profit and net profit attributable to equity holders for 2011 were the consequence of the retrospective application of the Malaysian Financial Reporting Standards 139 ("**MFRS 139**"). Excluding the effects of these restatements, the Group's pre-tax profit and net profit attributable to equity holders for 2011 increased by 12.83% and 14.29% respectively as compared to 2010. EPS also further increased to 105.20 sen in 2011. The Group's improved earnings was mainly due to higher net interest income and net income from Islamic banking business, higher net fee and commission income as well as lower loan impairment allowance. During the year, net interest margin remained under pressure as cost of funds continued to rise whilst intense market competition drove down loan pricing. However, the continued strong growth of the Group's loans and deposits of 13.51% and 13.29% respectively contributed to the overall higher net interest income of the Group in 2011.

FYE 31 December 2012

In 2012, retail operations continued to be the Group's key income driver, contributing approximately 59.21% to the Gronp's pre-tax profit, followed by the hire purchase operations and fund management operations, which accounted for approximately 13.25% and 7.38% respectively of the Group's pre-tax profit. The Group's pre-tax profit increased by 3.47% to RM5.05 billion from RM4.88 billion in 2011 whilst net profit attributable to equity holders rose by 3.87% to RM3.83 billion in 2012. This translated to an improved EPS of 109.27 sen in 2012 from 105.20 sen in 2011. The improved earnings was mainly due to higher net interest income, higher net fee and commission income and higher other operating income. Net interest margin fell fourteen (14) basis points to 2.51% mainly due to narrowing loan and deposits spread as a result of keen market competition. Despite the compression of net interest margin, the Group's net interest income grew by 5.62% to RM5.25 billion primarily driven by continued healthy loans and customer deposits growth of 11.31% and 12.31% respectively in 2012 coupled with sustained strong asset quality. In addition to the growth of income from various sources, impairment allowance on loans dropped 14.54% mainly due to improved credit conditions in the Group's Hong Kong and Cambodian operations. These were partially offset by higher other operating expenses which was mainly due to increase in personnel and establishment costs to support higher business volume.

FYE 31 December 2013

Retail operations remained the Group's core business and contributed approximately 61.97% to the Group's pre-tax profit in 2013 whilst hire purchase operations and fund management operations accounted for approximately 9.34% and 8.04% respectively of the Group's pre-tax profit in 2013. The Group recorded a pre-tax profit of RM5.31 billion in 2013, representing a growth of 5.21% as compared to 2012. Net profit attributable to equity holders in 2013 increased by 6.22% to RM4.06 billion as compared to RM3.83 billion in 2012. EPS also rose from 109.27 sen in 2012 to 116.06 sen in 2013. The improved earnings was mainly due to higher net interest income and higher net fee and commission income. The Group's net interest income increased by 6.01% to RM5.57 billion despite net interest margin declining by 15 basis points to 2.36% as a result of intense market competition. These were partially offset by higher loan impairment allowance mainly due to higher collective assessment allowance as well as higher other operating expenses as a result of higher business volumes.

FPE 31 March 2014

Retail operations accounted for approximately 58.89% of the Group's pre-tax profit for the FPE 31 March 2014, followed by hire purchase operations and fund management operations, which contributed approximately 10.38% and 8.52% respectively to the Group's pre-tax profit. The Group achieved pre-tax profit of RM1.33 billion and net profit attributable to equity holders of RM1.02 billion for the 1st quarter ended 31 March 2014. Against the profits for the corresponding quarter in the previous year, the Group's pre-tax profit and net profit attributable to equity holders for the first quarter of 2014 grew by 4.50% and 5.02% respectively. This translated to an improved EPS of 29.04 sen as compared to 27.65 sen in the corresponding quarter. The improved performance was mainly due to higher net interest income, higher net fee and commission income and higher investment income, partially offset by higher other operating expenses. The growth in the Group's net interest income was driven by continued healthy loans and customer deposits growth coupled with stable asset quality.

8. SHARE PRICES

The monthly highest and lowest prices of PBB Shares traded on Bursa Securities for the past twelve (12) months up to May 2014 (being the last full trading month preceding the date of this Abridged Prospectus), are as follows:

	PBB Shares	
	Low	**High**
	RM	**RM**
<u>2013</u>		
June	16.56	17.20
July	16.90	17.38
August	16.60	17.46
September	16.92	18.28
October	17.58	18.66
November	18.04	18.50
December	18.18	19.90
<u>2014</u>		
January	18.70	19.42
February	18.96	19.26
March	18.82	19.30
April	19.14	21.28
May	19.72	21.60
Last transacted market price as at 28 April 2014, being the last trading date prior to the date of the announcement of the Rights Issue		20.16
Last transacted market price as at the LPD		21.60
Last transacted market price on 18 June 2014, being the last trading date prior to the ex-date for the Rights Issue		20.92

(Source: Bloomberg)

PUBLIC BANK BERHAD

(Company No: 6463-H)
(Incorporated in Malaysia)

FINANCIAL STATEMENTS - 31 DECEMBER 2013

CERTIFIED TRUE COPY

KPMG

KPMG

Registered Office
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

CONTENTS **PAGE**

DIRECTORS' REPORT	1 - 11
STATEMENT BY DIRECTORS	12
STATUTORY DECLARATION	13
INDEPENDENT AUDITORS' REPORT	14 - 16
STATEMENTS OF FINANCIAL POSITION	17 - 18
STATEMENTS OF PROFIT OR LOSS	19
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	20
STATEMENTS OF CHANGES IN EQUITY	21 - 24
STATEMENTS OF CASH FLOWS	25 - 27
NOTES TO THE FINANCIAL STATEMENTS	28 - 267

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463-H)
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The Directors have pleasure in presenting to the members their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

The principal activities of the subsidiary and associated companies are as disclosed in Notes 13 and 14 to the financial statements respectively.

There have been no significant changes to these principal activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	5,309,984	4,646,632
Tax expense and zakat	(1,204,342)	(941,517)
Profit for the year	4,105,642	3,705,115
Attributable to :		
Equity holders of the Bank	4,064,683	3,705,115
Non-controlling interests	40,959	-
Profit for the year	4,105,642	3,705,115

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2012 were as follows:

	RM'000
In respect of financial year ended 31 December 2012:	
Second interim single tier dividend of 30.0% on 3,502,125,130 ordinary shares of RM1.00 each, paid on 5 March 2013	1,050,638
In respect of financial year ended 31 December 2013:	
First interim single tier dividend of 22.0% on 3,502,125,130 ordinary shares of RM1.00 each, paid on 20 August 2013	770,467
	1,821,105

KPMG Stamped For Identification Purposes Only PETALING JAYA

DIVIDENDS (continued)

Subsequent to the financial year end, on 5 February 2014, the Directors declared a second interim single tier dividend of 30.0%, with the total amounting to approximately RM1,050,637,539 in respect of the current financial year. This is computed based on the issued and paid-up capital as at 31 December 2013, excluding treasury shares held by the Bank, of 3,502,125,130 ordinary shares of RM1.00 each, to be paid and distributed to shareholders whose names appear in the Record of Depositors at the close of business on 20 February 2014. The financial statements for the current financial year do not reflect these dividends. Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2014.

The Directors do not propose any final dividend for the financial year ended 31 December 2013.

ISSUE OF SHARES

There were no changes to the authorised, issued and paid-up capital of the Bank during the financial year.

SHARE BUY-BACK

The Bank did not make any purchase of its own shares and none of the treasury shares held were resold or cancelled during the financial year.

As at 31 December 2013, the Bank held 29,800,704 Public Bank Berhad ("PBB") Shares as treasury shares out of its total issued and paid-up share capital of 3,531,925,834 PBB Shares. Such treasury shares are held at a carrying amount of RM215,571,989. Further information is disclosed in Note 27 to the financial statements.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those disclosed in Note 9, Note 10 and Note 28 to the financial statements.

KPMG Stamped For Identification Purposes Only PETALING JAYA

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group or the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group or the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as disclosed in Note 55 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

KPMG Stamped For Identification Purposes Only PETALING JAYA

DIRECTORS OF THE BANK

The Directors who served since the date of the last report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow
Tan Sri Datuk Seri Utama Thong Yaw Hong
Tan Sri Dato' Sri Tay Ah Lek
Dato' Sri Lee Kong Lam
Dato' Yeoh Chin Kee
Dato' Haji Abdul Aziz bin Dato' Dr. Omar
Tang Wing Chew
Lai Wan
Lai Wai Keen
Quah Poh Keat (resigned on 1 October 2013)

In accordance with Article 111 of the Bank's Articles of Association, Tang Wing Chew retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Tan Sri Datuk Seri Utama Thong Yaw Hong, Tan Sri Dato' Sri Tay Ah Lek, Dato' Sri Lee Kong Lam and Lai Wan retire pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 129 of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting of the Bank.

Dato' Yeoh Chin Kee who retires pursuant to Section 129 of the Companies Act, 1965, will not be seeking re-appointment at the forthcoming Annual General Meeting and therefore shall retire at the conclusion of the said Annual General Meeting.

KPMG Stamped For Identification Purposes Only PETALING JAYA

DIRECTORS' INTERESTS

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

Shares Held in the Bank

	Number of Ordinary Shares of RM1.00 Each			
Direct interests:	**Balance at 1.1.2013**	**Acquired**	**Disposed**	**Balance at 31.12.2013**
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	-	-	22,464,802
Tan Sri Datuk Seri Utama Thong Yaw Hong	7,633,342	-	-	7,633,342
Tan Sri Dato' Sri Tay Ah Lek	5,898,951	-	-	5,898,951
Dato' Sri Lee Kong Lam	380,866	-	-	380,866
Dato' Yeoh Chin Kee	100,000	-	-	100,000
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	482,037	-	(400,000)	82,037

	Number of Ordinary Shares of RM1.00 Each			
Indirect interests:	**Balance at 1.1.2013**	**Acquired**	**Disposed**	**Balance at 31.12.2013**
Tan Sri Dato' Sri Dr. Teh Hong Piow	820,835,261	-	-	820,835,261
Tan Sri Datuk Seri Utama Thong Yaw Hong	857,785	-	-	857,785
Tan Sri Dato' Sri Tay Ah Lek	354,315	-	-	354,315
Dato' Sri Lee Kong Lam	434,957	-	-	434,957
Lai Wan	16,959	-	-	16,959
Lai Wai Keen	3,007	-	(3,007)	-

Shares Held in a Subsidiary Company
- Shares Held in Public Financial Holdings Limited ("PFHL")

	Number of Ordinary Shares of HKD0.10 Each			
Direct interests:	**Balance at 1.1.2013**	**Acquired**	**Disposed**	**Balance at 31.12.2013**
Tan Sri Dato' Sri Tay Ah Lek	350,000	-	-	350,000

KPMG Stamped For Identification Purposes Only PETALING JAYA

DIRECTORS' INTERESTS (continued)

Share Options Held in a Subsidiary Company
- Share Options Held under the PFHL Employees' Share Option Scheme ("PFHL Share Options")

	Option Price HKD	Balance at 1.1.2013	Number of PFHL Share Options Granted	Exercised	Lapsed	Balance at 31.12.2013
Tan Sri Dato' Sri Tay Ah Lek	6.35	1,230,000	-	-	-	1,230,000

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 843,300,063 shares in the Bank, and pursuant to Section 6A(4)(c) of the Companies Act, 1965, is deemed interested in the shares in all of the Bank's subsidiary and associated companies to the extent that the Bank has interests.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary companies is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than the PFHL Share Options.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 36 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 42(a) to the financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, Chief Executive Officer, Deputy Chief Executive Officer and key Senior Management Officers whereupon recommendations are made to the Board of Directors for approval.

The members of the Remuneration Committee comprising of Non-Executive Directors of the Bank are:

Tan Sri Datuk Seri Utama Thong Yaw Hong (Independent)
Dato' Sri Lee Kong Lam (Non-Independent) (appointed on 9 December 2013)
Dato' Yeoh Chin Kee (Non-Independent)
Dato' Haji Abdul Aziz bin Dato' Dr. Omar (Non-Independent)
Tang Wing Chew (Independent)
Lai Wan (Independent) (appointed on 5 January 2014)
Lai Wai Keen (Independent) (appointed on 5 January 2014)
Quah Poh Keat (Independent) (resigned on 1 October 2013)

KPMG Stamped For Identification Purposes Only PETALING JAYA

BUSINESS REVIEW 2013

Despite the challenging global economic conditions, the Malaysian economy remained resilient in 2013, driven mainly by domestic demand. The operating environment remained supportive of the banking business. During the year, the Malaysian banking sector continued to be sound and stable, underpinned by strong capitalisation, high asset quality and ample liquidity.

In 2013, the Public Bank Group continued to achieve strong performance in its lending and deposit-taking business. Lending to the retail sector remained the main focus of the Group with extension of credit mainly to residential mortgages, purchase of passenger vehicle and lending to small and mid-market commercial enterprises. During the year, the Group's total loans outstanding increased by 11.8%, with home mortgages increasing by 16.0%, passenger vehicle hire purchase financing increasing by 6.9% and loans to small and medium enterprises ("SMEs") increasing by 19.2%.

The Public Bank Group continued to sustain its strong asset quality, backed by its prudent credit policy, strong credit culture and strong risk management practices. As at the end of 2013, the gross impaired loans ratio remained low at 0.7%, which was significantly lower than the banking industry's ratio of 1.9%.

To grow its deposit-taking business, the Public Bank Group accelerated its efforts to attract deposits through its strong deposit franchise coupled with attractive deposit rates and deposit campaigns, namely PB Golden Fortune, PB FD Fortune, PB Super FD Rates and PB Golden Fortune 2. During the year, the Group achieved strong deposit growth of 11.5%, mainly attributed to steady inflow of fixed deposits, low-cost savings and current accounts, which grew by 13.7%, 8.8% and 17.1% respectively. As at the end of 2013, the Group's loan-to-deposit ratio remained healthy at 87.5%. The Group continued to lead the Malaysian banking industry in terms of cost efficiency with its lower cost-to-income ratio of 30.7%.

During the year, the Public Bank Group continued to intensify its effort to grow fee-based income from unit trust, bancassurance products, card business, trade finance and remittance business. In its fund management business, Public Mutual, Public Bank's wholly-owned subsidiary, retained its market leadership in the private unit trust industry, with overall market share of 41.2% as at the end of 2013, underpinned by its superior fund performance, strong distribution capabilities and strong branding. Public Mutual successfully launched four unit trust funds in 2013 with total of funds under its management reaching 104 as at the end of 2013. Net asset value of funds under its management increased by 14.5% during the year to RM62.5 billion.

The Public Bank Group's bancassurance business continued to expand during the year. Under the strategic partnership with AIA Group, Public Bank unveiled two regular premium investment-linked bancassurance products known as empower Plan and empower Edu Plan. These two products offer a combination of protection and investment elements to suit the different lifestyle needs of its customers. In addition, a new insurance product, the PB Care PA Plan was introduced through the telemarketing channel.

As at the end of 2013, the Public Bank Group further expanded its domestic branch network to 258 branches, to better serve its large customer base of individuals and business enterprises. The Group also continued to invest in multiple delivery channels and its strong sales and marketing force to drive business growth. In line with Bank Negara Malaysia's objective to migrate from paper-based payments to electronic payments, the Group has implemented various initiatives to improve its e-banking platform to enhance customers' banking experience.

BUSINESS REVIEW 2013 (Continued)

The Public Bank Group remains committed to expand its overseas business. Today, the Group's overseas operations comprise 124 branches, with 83 branches in Hong Kong, 3 branches in China, 25 branches in Cambodia, 7 branches in Vietnam, 4 branches in Laos, 2 branches in Sri Lanka and 3 representative offices in Shanghai, Shenyang and Taipei.

In 2013, the Group continued to undertake Corporate Social Responsibility programmes in nation building, enhancement of the market place, promotion of the work place, education, community and health care support and environmental conservation.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2014

The global economy is expected to strengthen moderately in 2014. Growth in major advanced economies is likely to gain traction, while growth in most Asian economies will remain at a healthy pace. However, there remains downside risks to global growth, including fiscal uncertainty in the US and unresolved balance sheet problem in the euro area. Furthermore, persistent high unemployment and public debt remain a concern to the economic outlook.

The Malaysian economic growth is expected to sustain in 2014, underpinned by sustained domestic demand led by private sector activities and a recovery in the external sector. Favourable labour market and wage increases will continue to support consumption. Private investments are expected to remain resilient as the implementation of Economic Transformation Programme continues. Capital spending in export oriented-industries is also expected to increase as the global economy improves. On the supply side, growth is likely to be broad-based, with strong performance in the services, manufacturing and construction sectors. The expected reduction of subsidies by the Government is likely to contribute to a rise in inflation, but it is expected to remain manageable.

On monetary policy, Bank Negara Malaysia is expected to keep interest rates accommodative to support growth, while ensuring price stability. On fiscal policy, the Government has taken important steps to strengthen fiscal management, including the introduction of Goods and Services Tax in April 2015 and subsidy rationalisation. The Government targets to reduce the fiscal deficit to 3.5% of GDP in 2014 from 4.0% in 2013. While the eventual tapering of asset purchase programme by the US is likely to raise the risk of capital outflows, Malaysia's strong external position and sound financial system will help the country to navigate the volatility.

BUSINESS OUTLOOK FOR 2014

Outlook for the Malaysian economy is expected to remain stable in 2014, with private sector-led domestic demand being the anchor of growth. Amidst the positive economic outlook, the Malaysian banking industry is expected to remain resilient due to its strong capitalisation and asset quality, sustained profitability, and healthy liquidity profile. Net interest margin is likely to remain compressed due to intense competition in the banking sector.

In 2013, the Government introduced a set of measures to further promote healthy and sustainable household and property sectors. These measures include setting the maximum tenure for personal financing and loan for purchase of properties, prohibiting features of Developer Interest Bearing Scheme and raising the Real Property Gains Tax. These prudential measures address the risk from excessive household indebtedness among the lower-income segments, and will help to ensure a healthy and sustainable credit market, hence preserve stability in the financial system.

The Public Bank Group will continue to focus on organic growth strategies to grow its retail loans and customer deposits. The lending business will continue to be supported by growth in home mortgages, vehicle financing and lending to SMEs. Based on the healthy pace of economic growth, accommodative monetary environment and higher income growth, the Group continues to see growth opportunities in the lending business. The Group will further drive new product innovation, enhance service delivery and loan turnaround time, as well as promote cross-selling activities to further expand its market share.

The Public Bank Group will continue to implement its prudent credit appraisal and approval process as well as stringent underwriting standards. For its funding side, the Group will continue to promote core customer deposits to maintain efficient funding cost as well as to retain a stable and healthy liquidity position.

The Public Bank Group will continue to expand the scale and scope of its fee-based activities, targeting fee income from unit trust, bancassurance, foreign-exchange related transactions and transactional banking services. The Group will further tap on the continuing expansion of the economy and increasing affluence of customers to grow its fee-based income. To meet customer's various investment appetites, the Group will offer a wider range of financial product offerings. The Group will also continue to make further progress to grow its overseas business and tap on growth opportunities in the region.

The Public Bank Group will continue to enhance its multi-channel banking, including its extensive branch network, large sales and marketing staff force, as well as multiple electronic and self-service channels, such as internet banking and self-service machines to further expand its business. In addition, the Group will place more emphasis on delivering high standard of customer service. Human capital and talent development will continue to be a major focus of the Group.

To sustain long-term business growth, the Public Bank Group will continue to adhere to strong corporate governance practices, sound risk management and prudent credit policies. The Group will also continue to assess and enhance its capability to manage new regulatory changes while maintaining the viability of its business.

AUDITORS

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

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Director

TAN SRI DATUK SERI UTAMA THONG YAW HONG
Director

Kuala Lumpur

Date: 5 February 2014

KPMG
Stamped For Identification Purposes Only
PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, TAN SRI DATO' SRI DR. TEH HONG PIOW and TAN SRI DATUK SERI UTAMA THONG YAW HONG, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 17 to 265 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2013 and of their financial performance and cash flows for the year then ended.

The information set out in Note 58 to the financial statements on pages 266 to 267 have been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants.

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Director

TAN SRI DATUK SERI UTAMA THONG YAW HONG
Director

Kuala Lumpur

Date: 5 February 2014

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATUTORY DECLARATION

I, YIK SOOK LING, being the officer primarily responsible for the financial management of PUBLIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 17 to 267, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed YIK SOOK LING at KUALA LUMPUR
in WILAYAH PERSEKUTUAN this 5 February 2014

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

KPMG
Stamped For Identification Purposes Only
PETALING JAYA

KPMG

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PUBLIC BANK BERHAD

(Company No. 6463-H)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Public Bank Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Bank for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 17 to 265.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 13 to the financial statements.

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

d) The audit reports on the accounts of the subsidiary companies did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

KPMG

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 58 on page 266 to 267 the financial statements has been compiled by the Group and the Bank as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses* in the *Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

KHAW HOCK HOE
Approval Number: 2229/04/14(J)
Chartered Accountant

Petaling Jaya,

Date: 5 February 2014

KPMG Stamped For Identification Purposes Only PETALING JAYA

AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON *(Cont'd)*

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		Group			Bank		
	Note	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
ASSETS							
Cash and balances with banks	3	22,080,417	18,635,951	18,633,783	12,750,086	11,679,843	10,508,349
Reverse repurchase agreements	4	9,541,969	8,158,506	9,287,255	8,638,588	7,309,153	8,435,611
Financial assets held-for-trading	5	15,811,963	16,617,135	10,656,825	13,986,426	13,599,044	10,406,551
Derivative financial assets	6	365,354	370,465	493,852	350,729	364,344	492,536
Financial investments available-for-sale	7	17,618,512	17,201,120	16,719,433	15,124,867	15,620,244	14,287,941
Financial investments held-to-maturity	8	7,793,551	6,257,771	7,629,233	5,787,800	4,509,314	7,073,857
Loans, advances and financing	9	219,415,793	196,051,603	175,952,777	182,404,573	162,968,608	143,385,498
Other assets	10	2,539,699	2,205,998	2,221,635	2,409,310	2,098,972	2,119,787
Statutory deposits with Central Banks	11	6,924,832	5,787,206	5,597,801	5,565,946	4,738,213	4,496,365
Deferred tax assets	12	70,121	63,227	46,093	-	-	-
Investment in subsidiary companies	13	-	-	-	4,436,050	4,263,581	4,088,581
Investment in associated companies	14	158,885	151,210	155,997	121,325	121,325	121,325
Investment properties	15	97,391	87,886	70,754	-	-	-
Property and equipment	16	1,302,997	1,309,533	1,341,940	568,346	607,934	657,124
Intangible assets	17	2,003,912	1,926,347	1,965,476	695,393	695,393	695,393
TOTAL ASSETS		305,725,396	274,823,958	250,772,854	252,839,439	228,575,968	206,768,918
LIABILITIES							
Deposits from customers	18	250,873,189	225,042,325	200,370,525	201,871,592	181,688,444	159,384,439
Deposits from banks	19	16,175,836	12,849,313	15,806,732	16,923,048	14,408,778	16,717,349
Bills and acceptances payable	20	1,573,443	3,048,821	2,095,335	1,627,515	3,132,692	2,095,076
Recourse obligations on loans and financing sold to Cagamas	21	500,011	501,496	11,789	-	1,493	11,789
Derivative financial liabilities	6	334,590	233,564	236,724	429,495	210,760	190,325
Debt securities issued and other borrowed funds	22	10,369,825	9,946,853	11,317,833	9,906,434	9,081,942	10,422,749
Other liabilities	23	4,020,416	3,670,249	3,560,244	2,845,591	2,578,888	2,457,855
Provision for tax expense and zakat	25	585,229	740,283	777,405	362,971	522,088	563,807
Deferred tax liabilities	12	95,661	72,750	85,793	50,738	55,990	80,841
TOTAL LIABILITIES		284,528,200	256,105,654	234,262,380	234,017,384	211,681,075	191,924,230

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	Group 31 December 2013 RM'000	Group 31 December 2012 RM'000 (Restated)	Group 1 January 2012 RM'000 (Restated)	Bank 31 December 2013 RM'000	Bank 31 December 2012 RM'000 (Restated)	Bank 1 January 2012 RM'000 (Restated)
EQUITY							
Share capital	26	3,531,926	3,531,926	3,531,926	3,531,926	3,531,926	3,531,926
Reserves		17,107,240	14,702,086	12,496,636	15,505,701	13,578,539	11,528,334
Treasury shares	27	(215,572)	(215,572)	(215,572)	(215,572)	(215,572)	(215,572)
Equity attributable to equity holders of the Bank		20,423,594	18,018,440	15,812,990	18,822,055	16,894,893	14,844,688
Non-controlling interests		773,602	699,864	697,484	-	-	-
TOTAL EQUITY		21,197,196	18,718,304	16,510,474	18,822,055	16,894,893	14,844,688
TOTAL LIABILITIES AND EQUITY		305,725,396	274,823,958	250,772,854	252,839,439	228,575,968	206,768,918
COMMITMENTS AND CONTINGENCIES	49	87,986,206	79,457,595	70,847,182	83,587,446	75,691,031	66,266,801
Net assets per share attributable to ordinary equity holders of the Bank (RM)		5.83	5.15	4.52	5.37	4.82	4.24

The accompanying notes form an integral part of the financial statements

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Bank	
	Note	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Operating revenue	2(v)(x)	15,264,300	14,058,097	11,503,573	10,630,272
Interest income	30	11,366,092	10,404,241	10,368,420	9,465,598
Interest expense	31	(5,795,554)	(5,149,596)	(5,568,826)	(4,917,078)
Net interest income		5,570,538	5,254,645	4,799,594	4,548,520
Net income from Islamic banking business	57	837,136	843,766	-	-
		6,407,674	6,098,411	4,799,594	4,548,520
Net fee and commission income	32	1,275,345	1,165,313	520,243	490,025
Net gains and losses on financial instruments	33	166,983	170,244	162,861	168,210
Other operating income	34	308,315	312,741	975,058	1,155,109
Net income		8,158,317	7,746,709	6,457,756	6,361,864
Other operating expenses	35	(2,503,636)	(2,417,590)	(1,710,684)	(1,651,270)
Operating profit		5,654,681	5,329,119	4,747,072	4,710,594
Allowance for impairment on loans, advances and financing	37	(351,252)	(279,244)	(100,605)	(77,007)
Writeback of impairment / (Impairment) on other assets	38	149	(6,626)	165	(6,601)
		5,303,578	5,043,249	4,646,632	4,626,986
Share of profit after tax of equity accounted associated companies		6,406	3,985	-	-
Profit before tax expense and zakat		5,309,984	5,047,234	4,646,632	4,626,986
Tax expense and zakat	39	(1,204,342)	(1,177,992)	(941,517)	(919,487)
Profit for the year		4,105,642	3,869,242	3,705,115	3,707,499
Attributable to :					
Equity holders of the Bank		4,064,683	3,826,754	3,705,115	3,707,499
Non-controlling interests		40,959	42,488	-	-
Profit for the year		4,105,642	3,869,242	3,705,115	3,707,499
Earnings per RM1.00 share:					
- basic / diluted (sen)	40	116.1	109.3		

The accompanying notes form an integral part of the financial statements

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

		Group		Bank	
	Note	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Profit for the year		4,105,642	3,869,242	3,705,115	3,707,499
Other comprehensive income / (loss):					
Items that will not be reclassified to profit or loss:					
Defined benefit reserves:					
- Gain on remeasurements of defined benefit plans	28	172,234	35,376	167,547	34,163
Items that may be reclassified to profit or loss:					
Foreign currency translation reserves:					
- Currency translation differences in respect of					
- Foreign operations		296,193	(134,122)	-	-
- Net investment hedge	28	(209,365)	109,601	-	-
Revaluation reserves:					
- Net change in revaluation of financial investments available-for-sale	28	10,936	50,899	11,226	31,000
- Share of (loss) / gain of equity accounted associated companies	28	(449)	159	-	-
Hedging reserves:					
- Net change in cash flow hedges	28	(12,256)	(11,764)	(121,237)	(33,528)
		85,059	14,773	(110,011)	(2,528)
Income tax relating to components of other comprehensive income / (loss):					
- Defined benefit reserves	28	(43,058)	(8,844)	(41,887)	(8,541)
- Revaluation reserves	28	(3,078)	(8,406)	(2,806)	(7,750)
- Hedging reserves	28	3,063	2,941	30,309	8,382
		(43,073)	(14,309)	(14,384)	(7,909)
Other comprehensive income for the year, net of tax		214,220	35,840	43,152	23,726
Total comprehensive income for the year		4,319,862	3,905,082	3,748,267	3,731,225
Total comprehensive income for the year attributable to:					
- Equity holders of the Bank		4,226,259	3,886,470	3,748,267	3,731,225
- Non-controlling interests		93,603	18,612	-	-
		4,319,862	3,905,082	3,748,267	3,731,225

KPMG Stamped For Identification Purposes Only PETALING JAYA

The accompanying notes form an integral part of the financial statements

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

2013 Group	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		<---- Attributable to Equity Holders of the Bank		Non-distributable Reserves	Distributable Reserves		---->		
At 1 January 2013									
- as previously stated		3,531,926	1,073,310	4,100,612	9,453,647	(215,572)	17,943,923	699,864	18,643,787
- effects of adoption of MFRS 119	53	-	-	253,255	(178,738)	-	74,517	-	74,517
At 1 January 2013, as restated		3,531,926	1,073,310	4,353,867	9,274,909	(215,572)	18,018,440	699,864	18,718,304
Profit for the year		-	-	-	4,064,683	-	4,064,683	40,959	4,105,642
Other comprehensive income for the year		-	-	161,576	-	-	161,576	52,644 *	214,220
Total comprehensive income for the year		-	-	161,576	4,064,683	-	4,226,259	93,603	4,319,862
Transactions with owners / other equity movements:									
Transfer to statutory reserves		-	-	10,081	(10,081)	-	-	-	-
Transfer to regulatory reserves		-	-	241	(241)	-	-	-	-
Transfer to general reserves		-	-	1,103	(1,103)	-	-	-	-
Transfer from Profit Equalisation Reserve of Islamic banking institution		-	-	(503)	503	-	-	-	-
Dividends paid		-	-	-	(1,821,105)	-	(1,821,105)	(19,865)	(1,840,970)
		-	-	10,922	(1,832,027)	-	(1,821,105)	(19,865)	(1,840,970)
At 31 December 2013		3,531,926	1,073,310	4,526,365	11,507,565	(215,572)	20,423,594	773,602	21,197,196
		Note 26		Note 28	Note 29	Note 27			

* Represent non-controlling interests' share of currency translation differenees in respect of foreign operations.

The accompanying notes form an integral part of the financial statements

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

		<---- Attributable to Equity Holders of the Bank					---->		
				Non-distributable Reserves	Distributable Reserves				
2012 Group	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 January 2012									
- as previously stated		3,531,926	1,073,310	4,056,014	7,276,808	(215,572)	15,722,486	697,484	16,419,970
- effects of adoption of MFRS 119	53	-	-	226,723	(136,219)	-	90,504	-	90,504
At 1 January 2012, as restated		3,531,926	1,073,310	4,282,737	7,140,589	(215,572)	15,812,990	697,484	16,510,474
Profit for the year (restated)		-	-	-	3,826,754	-	3,826,754	42,488	3,869,242
Other comprehensive income / (loss) for the year		-	-	59,716	-	-	59,716	(23,876) *	35,840
Total comprehensive income for the year		-	-	59,716	3,826,754	-	3,886,470	18,612	3,905,082
Transactions with owners / other equity movements:									
Transfer to statutory reserves		-	-	9,741	(9,741)	-	-	-	-
Transfer to regulatory reserves		-	-	252	(252)	-	-	-	-
Transfer to general reserves		-	-	918	(918)	-	-	-	-
Transfer to Profit Equalisation Reserve of Islamic banking institution		-	-	503	(503)	-	-	-	-
Dividends paid		-	-	-	(1,681,020)	-	(1,681,020)	(16,232)	(1,697,252)
		-	-	11,414	(1,692,434)	-	(1,681,020)	(16,232)	(1,697,252)
At 31 December 2012		3,531,926	1,073,310	4,353,867	9,274,909	(215,572)	18,018,440	699,864	18,718,304
		Note 26		Note 28	Note 29	Note 27			

* Represent non-controlling interests' share of currency translation differences in respect of foreign operations.

The accompanying notes form an integral part of the financial statements

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

		<---- Attributable to Equity Holders of the Bank ---->					
				Non-distributable Reserves	Distributable Reserves		
2013		Share	Share	Other	Retained	Treasury	Total
Bank		Capital	Premium	Reserves	Profits	Shares	Equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013							
- as previously stated		3,531,926	1,073,310	3,514,328	8,918,940	(215,572)	16,822,932
- effects of adoption of MFRS 119	53	-	-	244,569	(172,608)	-	71,961
At 1 January 2013, as restated		3,531,926	1,073,310	3,758,897	8,746,332	(215,572)	16,894,893
Profit for the year		-	-	-	3,705,115	-	3,705,115
Other comprehensive income for the year		-	-	43,152	-	-	43,152
Total comprehensive income for the year		-	-	43,152	3,705,115	-	3,748,267
Transactions with owners / other equity movements:							
Transfer to general reserves		-	-	1,103	(1,103)	-	-
Dividends paid	41	-	-	-	(1,821,105)	-	(1,821,105)
		-	-	1,103	(1,822,208)	-	(1,821,105)
At 31 December 2013		3,531,926	1,073,310	3,803,152	10,629,239	(215,572)	18,822,055
		Note 26		Note 28	Note 29	Note 27	

The accompanying notes form an integral part of the financial statements

KPMG
Stamped For Identification Purposes Only
PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

		<----- Attributable to Equity Holders of the Bank ----->					
				Non-distributable Reserves	Distributable Reserves		
2012		Share	Share	Other	Retained	Treasury	Total
Bank	**Note**	Capital RM'000	Premium RM'000	Reserves RM'000	Profits RM'000	Shares RM'000	Equity RM'000
At 1 January 2012							
- as previously stated		3,531,926	1,073,310	3,515,306	6,852,318	(215,572)	14,757,288
- effects of adoption of MFRS 119	53	-	-	218,947	(131,547)	-	87,400
At 1 January 2012, as restated		3,531,926	1,073,310	3,734,253	6,720,771	(215,572)	14,844,688
Profit for the year (restated)		-	-	-	3,707,499	-	3,707,499
Other comprehensive income for the year		-	-	23,726	-	-	23,726
Total comprehensive income for the year		-	-	23,726	3,707,499	-	3,731,225
Transactions with owners / other equity movements:							
Transfer to general reserves		-	-	918	(918)	-	-
Dividends paid	41	-	-	-	(1,681,020)	-	(1,681,020)
		-	-	918	(1,681,938)	-	(1,681,020)
At 31 December 2012		3,531,926	1,073,310	3,758,897	8,746,332	(215,572)	16,894,893
		Note 26		Note 28	Note 29	Note 27	

The accompanying notes form an integral part of the financial statements

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Cash flows from operating activities				
Profit before tax expense and zakat	5,309,984	5,047,234	4,646,632	4,626,986
Adjustments for:				
Share of profit after tax of equity accounted associated companies	(6,406)	(3,985)	-	-
Depreciation of property and equipment	161,188	167,253	127,694	135,515
Net (gain) / loss on disposal of property and equipment	(500)	446	(579)	425
Net gain on disposal of foreclosed properties	(2,657)	(7,938)	(2,657)	(7,938)
Gain on liquidation of a subsidiary company	-	-	(114)	-
Allowance for impaired loans and financing	566,036	474,064	228,830	184,249
Net gain arising from disposal of financial investments available-for-sale	(12,002)	(7,629)	(12,002)	(7,629)
Net loss / (gain) arising from disposal of trading derivatives	5,864	(772)	5,864	(772)
Amortisation of cost and accretion of discount relating to debt securities issued	2,074	3,020	2,074	3,020
Unrealised loss on revaluation of financial assets held-for-trading	9,238	3,330	9,243	3,312
Unrealised gain on revaluation of trading derivatives	(11,569)	(3,222)	(12,239)	(5,733)
(Gain) / loss representing ineffective portions of hedging derivatives	(2,703)	1,682	(2,678)	1,085
Pension costs - defined benefit plan	76,974	49,678	73,492	47,973
Transfer to Profit Equalisation Reserve	497	265	-	-
Dividends from financial investments available-for-sale	(145,960)	(151,033)	(140,802)	(146,287)
Dividends from subsidiary companies	-	-	(753,586)	(853,080)
Dividends from associated companies	-	-	(6,460)	(4,783)
Property and equipment written off	527	1,082	490	1,064
Gain on revaluation of investment properties	(2,547)	(23,877)	-	-
Impairment loss on financial investments available-for-sale	-	3,533	-	3,533
Impairment (writeback) / loss on foreclosed properties	(149)	3,093	(165)	3,068
Operating profit before working capital changes	5,947,889	5,556,224	4,163,037	3,984,008

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Cash flows from operating activities (continued)				
(Increase) / Decrease in operating assets:				
Placements with banks maturing after one month	(97,015)	262,925	77,463	955,474
Reverse repurchase agreements	(1,383,463)	1,128,749	(1,329,435)	1,126,458
Financial assets held-for-trading	795,934	(5,963,640)	(396,625)	(3,195,805)
Loans, advances and financing	(23,940,776)	(20,587,445)	(19,675,113)	(19,781,662)
Derivative financial assets	28,792	-	28,792	-
Other assets	(263,994)	(25,893)	(198,360)	13,046
Statutory deposits with Central Banks	(1,137,626)	(189,405)	(827,733)	(241,848)
Increase / (Decrease) in operating liabilities:				
Deposits from customers	25,830,864	24,672,572	20,183,148	22,304,777
Deposits from banks	3,326,523	(2,957,419)	2,514,270	(2,308,571)
Bills and acceptances payable	(1,475,378)	953,486	(1,505,177)	1,037,616
Recourse obligations on loans and financing sold to Cagamas	(1,485)	489,707	(1,493)	(10,296)
Other liabilities	97,140	362,650	289,850	204,522
Cash generated from operations	7,727,405	3,702,511	3,322,624	4,087,719
Income tax expense and zakat paid	(1,386,021)	(1,259,558)	(1,120,157)	(993,966)
Net cash generated from operating activities	6,341,384	2,442,953	2,202,467	3,093,753
Cash flows from investing activities				
Purchase of property and equipment	(128,912)	(147,688)	(88,150)	(89,277)
Proceeds from disposal of property and equipment	631	1,108	611	1,074
Proceeds from disposal of foreclosed properties	38,881	46,239	37,680	45,304
Net (purchase) / sale of financial investments	(2,006,250)	896,641	(817,631)	1,223,794
Additional investment in a subsidiary company	-	-	(175,000)	(175,000)

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Cash flows from investing activities (continued)				
Dividends received from associated companies	6,460	4,783	6,460	4,783
Dividends received from subsidiary companies	-	-	713,770	820,670
Dividends received from financial investments available-for-sale	145,847	151,033	140,689	146,287
Net cash (used in) / generated from investing activities	(1,943,343)	952,116	(181,571)	1,977,635
Cash flows from financing activities				
Net repayment of borrowings	(401,520)	(30,173)	-	-
Dividends paid to equity holders of the Bank	(1,821,105)	(1,681,020)	(1,821,105)	(1,681,020)
Dividends paid to non-controlling interests	(19,865)	(16,232)	-	-
Net proceeds from issuance of debt securities	2,347,915	-	2,347,915	-
Redemption of debt securities	(1,400,000)	(1,263,400)	(1,400,000)	(1,263,400)
Net cash used in financing activities	(1,294,575)	(2,990,825)	(873,190)	(2,944,420)
Net increase in cash and cash equivalents	3,103,466	404,244	1,147,706	2,126,968
Cash and cash equivalents at beginning of year	16,835,772	16,570,679	10,238,710	8,111,742
Exchange differences on translation of opening balances	243,985	(139,151)	-	-
Cash and cash equivalents at end of year	20,183,223	16,835,772	11,386,416	10,238,710

Note:

Cash and balances with banks (Note 3)	22,080,417	18,635,951	12,750,086	11,679,843
Less: Balances with banks with maturity more than one month	(1,897,194)	(1,800,179)	(1,363,670)	(1,441,133)
Cash and cash equivalents at end of year	20,183,223	16,835,772	11,386,416	10,238,710

The accompanying notes form an integral part of the financial statements

KPMG Stamped For Identification Purposes Only PETALING JAYA

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Group is principally engaged in all aspects of commercial banking, investment banking, financing and Islamic banking business, stock-broking, provision of related financial services, management of unit trust funds and sale of trust units, underwriting of general insurance, and investment holding.

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

There have been no significant changes to these principal activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 5 February 2014.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs and IC Interpretations:

(i) MFRSs, Amendments to MFRSs and IC Interpretation Adopted by the Group and the Bank

The following MFRSs, Amendments to MFRSs and IC Interpretation have been adopted by the Group and the Bank during the current year:

- MFRS 10	Consolidated Financial Statements
- MFRS 11	Joint Arrangements
- MFRS 12	Disclosure of Interests in Other Entities
- MFRS 13	Fair Value Measurement
- MFRS 119	Employee Benefits (as amended by IASB in June 2011)
- MFRS 127	Separate Financial Statements (as amended by IASB in May 2011)
- MFRS 128	Investments in Associates and Joint Ventures (as amended by IASB in May 2011)
- MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(i) MFRSs, Amendments to MFRSs and IC Interpretation Adopted by the Group and the Bank (continued)

- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Government Loans (Amendments to MFRS 1)
- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

The adoption of IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine does not have any impact on the Group and the Bank as it is not relevant to the business of the Group and the Bank. The adoption of Government Loans (Amendments to MFRS 1) has no impact to the Group and the Bank as the Group and the Bank do not hold any government grants or receive any government assistance.

The effects of the adoption of other applicable MFRSs and amendments to MFRSs above are summarised below:

a) ***MFRS 119 Employee Benefits (as amended by IASB in June 2011)*** - The adoption of the revised MFRS 119 has affected the accounting treatment of certain items such as the timing of the recognition of actuarial gains and losses arising from defined benefit plans and the presentation of changes in defined benefit liability or asset. The key changes include:

- Actuarial gains and losses (renamed as 'remeasurements') are recognised immediately in other comprehensive income, and are not subsequently recycled to statement of profit or loss. The corridor approach for accounting for unrecognised actuarial gains in prior years is discontinued.

- Past service costs, whether unvested or already vested, are recognised immediately in the statement of profit or loss as incurred and the annual defined benefit costs in the statement of profit or loss will include net interest expense/income on the defined benefit asset/liability.

The adoption of this revised MFRS 119 has resulted in changes to the recognition and measurement of the Group's and the Bank's defined benefit pension expense and termination benefits, as well as enhanced disclosures of the risks and characteristics of the Group's defined benefit plans. The financial effects of the adoption of MFRS 119 is disclosed in Note 53 Changes in Accounting Policies.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(i) MFRSs, Amendments to MFRSs and IC Interpretation Adopted by the Group and the Bank (continued)

The effects of the adoption of other applicable MFRSs and amendments to MFRSs above are summarised below (continued):

(b) ***MFRS 10 Consolidated Financial Statements*** - MFRS 10 supersedes MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation - Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 sets out the requirements on how to apply the control principle in the preparation of consolidated financial statements which requires analysis of all facts and circumstances as well as the application of judgement when making the control assessment. The three elements to the definition of control in MFRS 10 are:

(i) Power by investor over an investee;
(ii) Exposure, or rights, to variable returns from investor's involvement with the investee; and
(iii) Investor's ability to affect those returns through its power over investee.

The adoption of this standard did not result in any change to the consolidation of its subsidiary companies as at the end of the reporting period, hence did not have any financial impact on the financial statements of the Group and the Bank.

(c) ***MFRS 11 Joint Arrangements*** - MFRS 11 supersedes MFRS 131 Interests in Joint Ventures. Under MFRS 11, an entity accounts for its interest in a jointly controlled entity based on two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligation to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The adoption of this standard did not have any financial impact on the financial statements of the Group and the Bank as the Group does not have any interest in joint operations or joint ventures.

(d) ***MFRS 12 Disclosure of Interests in Other Entities*** - MFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiary companies, joint arrangements, associated companies and unconsolidated structured entities. The adoption of this standard did not have any financial impact on the Group and the Bank as the requirements affect presentation only.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(i) MFRSs, Amendments to MFRSs and IC Interpretation Adopted by the Group and the Bank (continued)

The effects of the adoption of other applicable MFRSs and amendments to MFRSs above are summarised below (continued):

(e) ***MFRS 127 Separate Financial Statements (as amended by IASB in May 2011)*** - As a consequence of the issuance of MFRS 10 and MFRS 12, MFRS 127 was reissued to cover only the requirements relating to the accounting for investments in subsidiary companies, associated companies and joint ventures in the separate financial statements of an entity. Under MFRS 127, such investments should be accounted for either at cost, or in accordance with MFRS 9. The Bank prepares separate financial statements but the adoption of this standard did not have any impact on the financial statements of the Bank as it already applies the principles under this MFRS.

(f) ***MFRS 128 Investments in Associates and Joint Ventures (as amended by IASB in May 2011)*** - MFRS 128 incorporates the requirements for accounting for joint ventures into the same accounting standard as that for accounting for investments in associated companies. However, MFRS 128 exempts the investor from applying equity accounting in certain circumstances, i.e. where the investment in the associated company or joint venture is held indirectly via venture capital organisations or mutual funds and similar entities. In such cases, the entity shall measure the investment at fair value through profit or loss, in accordance with MFRS 9. The adoption of this standard did not have any impact on the financial statements of the Group and the Bank.

(g) ***MFRS 13 Fair Value Measurement*** - This standard establishes a single source of guidance under MFRSs for measuring fair value, and the disclosure requirements about fair value. MFRS 13 does not change when an entity is required to use fair value, but rather provide guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price and emphasises the principle that fair value is a market-based measurement, not an entity-specific measurement. The adoption of this standard resulted in additional disclosures in the financial statements, in particular, on fair values of financial instruments but did not have any financial impact on the Group and the Bank.

(h) ***MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)*** - These are the earlier versions of MFRS 3 and MFRS 127 for which an entity can apply if it concludes that, upon applying MFRS 10, it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of MFRS 3 and MFRS 127 issued by MASB in November 2011. The adoption of these amendments did not have any impact to the Group and the Bank as there were no investee that was previously not consolidated upon the application of MFRS 10.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(i) MFRSs, Amendments to MFRSs and IC Interpretation Adopted by the Group and the Bank (continued)

The effects of the adoption of other applicable MFRSs and amendments to MFRSs above are summarised below (continued):

(i) ***Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)*** - The amendments require more quantitative information to be disclosed about rights to set-off and related arrangements so as to provide users with information to evaluate the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set-off in accordance with MFRS 132. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective whether they are set off in accordance with MFRS 132. Since these amendments only affect disclosures, the adoption of these amendments did not have any financial impact on the Group and the Bank.

(j) ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)*** - These amendments provide further clarification on the date of initial application of MFRS 10. Consequently, an entity is not required to adjust its previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same when applying MFRS 10 or the entity had disposed of its interests in investees during a comparative period.

A similar relief is also provided in MFRS 11 and MFRS 12. Additionally, entities would no longer be required to provide disclosures for unconsolidated structured entities in periods prior to the first annual period that MFRS 12 is applied. The adoption of these amendments did not have any financial impact to the Group and the Bank.

(ii) Amendments to MFRSs and IC Interpretation that were Early Adopted by the Group and the Bank

The Group and the Bank have chosen to early adopt the following in the current financial year:

- Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
- Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)
- IC Interpretation 21 Levies

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(ii) Amendments to MFRSs and IC Interpretation that were Early Adopted by the Group and the Bank (continued)

The main effects of the early adoption of Amendments to MFRSs and IC Interpretation above are summarised below:

(a) ***Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)*** - The amendments clarify the meaning of "currently has a legally enforceable right of set-off" that a right of set-off must not be contingent on a future event and must be legally enforceable for all counterparties in the normal course of business. The amendments further clarify that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

The adoption of these amendments did not have any impact on the financial results of the Group and the Bank as the current accounting practice for the Group's offsetting arrangements fulfil the principles under the Amendments to MFRS 132.

(b) ***Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)*** - These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10. The exception to consolidation requires all investment entity to measure its investments in subsidiary companies at fair value through profit or loss.

The adoption of these amendments did not have any impact on the financial results of the Group and the Bank as none of the entities in the Group qualify as an investment entity under MFRS 10.

(c) ***Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)*** - When MFRS 13 was issued, MFRS 136 was amended which resulted in the unintended requirement to disclose the recoverable amount for each cash-generating unit ("CGU") for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. These amendments were consequently issued to remove the unintended consequences of MFRS 13 on the disclosures required under MFRS 136. The disclosure requirements were aligned with the original intention to require the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. In addition, these amendments also require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.

The adoption of these amendments did not affect the Group as the recoverable amounts of the Group's CGUs are based on value in use under MFRS 136.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(ii) Amendments to MFRSs and IC Interpretation that were Early Adopted by the Group and the Bank (continued)

(d) *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)* - These amendments provide an exception for the discontinuation of hedge accounting when novation of a derivative designated as hedging instrument meets certain criteria.

The adoption of these amendments did not have any impact on the financial results of the Group and the Bank as the Group and the Bank have not novated its derivatives.

(e) *IC Interpretation 21 Levies* - IC Interpretation 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The adoption of this interpretation did not have any impact on the financial statements of the Group and the Bank as it is not relevant to the business of the Group and the Bank.

(iii) Bank Negara Malaysia ("BNM") Guidelines

With effect from 1 January 2013, the Group and the Bank adopted the BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("the Framework") issued on 28 November 2012. This Framework outlines the general requirements on regulatory capital adequacy ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate. The Framework has been developed based on internationally agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision. Under the Framework, the minimum capital adequacy ratios are progressively increased from 1 January 2013 to 1 January 2019, and includes a phased introduction of a new capital conservation buffer of 2.5%. Additional capital requirements, including a new counter-cyclical buffer ranging from 0% to 2.5% will be established at a later stage.

On 28 June 2013, BNM issued policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions ("Policy Documents") to replace the Guidelines on Financial Reporting for Banking Institutions and Guidelines on Financial Reporting for Islamic Banking Institutions (BNM/GP8-i) respectively. These Policy Documents set minimum expectations for the application of MFRSs and aim to ensure adequate disclosures in the financial statements of banking institutions. The Bank and the domestic banking subsidiary companies of the Group have adopted the Policy Documents with effect from 30 June 2013. Since the adoption of the Policy Documents only affect certain disclosures in the financial statements, there is no impact on the financial results of the Group and the Bank.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iv). MFRSs and Amendments to MFRSs that have been Issued but Not Yet Effective to the Group and the Bank

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2015

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)

A brief description of the significant new MFRSs and Amendments to MFRSs that have been issued is set out below:

(a) (i) ***MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)*** - The IASB intends to replace IAS 39 with IFRS 9. MFRS 9 is the IFRS 9 equivalent standard in Malaysia. This issuance of MFRS 9 contains the accounting policy changes under the first phase of the IAS 39 replacement project, and specifies how an entity should classify and measure financial assets. This standard requires all financial assets to be classified based on an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, these will be measured at either fair value or amortised cost.

(ii) ***MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)*** - This issuance of MFRS 9 represents the second part of the first phase of IASB's IAS 39 replacement project. This section of the standard specifies the requirements for the classification and measurement of financial liabilities, which are generally similar to the requirements of the original IAS 39. However, this standard requires that for financial liabilities designated at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the statement of profit or loss.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(iv) MFRSs and Amendments to MFRSs that have been Issued but Not Yet Effective to the Group and the Bank (continued)

(b) ***Mandatory Effective Date of MFRS 9 and Transition Disclosures (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)*** - These amendments require entities to apply MFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying MFRS 9 which was originally only available to companies that choose to apply MFRS 9 prior to 2012. The amendments to MFRS 7 require additional disclosures on transition from MFRS 139 Financial Instruments: Recognition and Measurement to MFRS 9.

MFRS 9 introduces significant changes in the way the Group accounts for financial instruments. Due to the complexity of this standard and its proposed changes, the financial effects of its adoption are still being assessed by the Group.

Future Developments

The IASB plans to release the second and third phase of IFRS 9 in the near future which will address the impairment of financial assets measured at amortised cost and hedge accounting. The key changes proposed relate to:

(i) Impairment - a prescribed amount of expected losses will be reflected in impairment allowances for financial assets measured at amortised cost.
(ii) Hedge accounting - hedge accounting will be more principle-based and more aligned to financial risk management.

The proposed changes are expected to change the way the Group accounts for financial instruments particularly on the Group's accounting policy on allowance for loans, advances and financing.

In addition to the above, the IASB plans to issue new standards on Leases, Insurance Contracts and Revenue Recognition. The Group will assess the effect of the adoption of these standards, when issued, to determine the financial effects upon adoption of these standards.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and the Bank have been prepared on the historical cost basis (except for the following assets and liabilities which are stated at fair value: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments, recognised financial assets and liabilities designated as hedged items in qualifying fair value hedge relationships which are adjusted for changes in fair value attributable to the risk being hedged and investment properties, as disclosed in the notes to the financial statements) and are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

In the preparation of the financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) *Fair value estimation of financial instruments* - For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and prepayment and default rates.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(a) **Basis of Accounting** (continued)

(ii) *Impairment losses on loans, advances and financing (Note 9)* - For impaired loans, advances and financing ("loan(s)") which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ from these, hence resulting in changes to impairment losses recognised.

For loans of the Bank and its banking subsidiary companies which are collectively assessed, judgements are made based on loan portfolio data (e.g. credit quality, default rates, recovery rates, etc.), credit concentration and economic data (e.g. unemployment rates, GDP growth rates, etc.) in order to arrive at impairment levels appropriate to the portfolio.

(iii) *Impairment of goodwill and intangible assets (Note 17)* - The Group and the Bank perform an annual assessment of the carrying value of its goodwill and intangible assets against the recoverable amount of the cash-generating units ("CGUs") to which the goodwill and intangible assets have been allocated. The measurement of the recoverable amount of CGUs are determined based on the value-in-use method, incorporating the present value of estimated future cash flows expected to arise from the respective CGU's ongoing operations. Management judgement is used in the determination of the assumptions made, particularly the cash flow projections, discount rates and the growth rates used. The estimation of pre-tax cash flows is sensitive to the periods for which the forecasts are available and to assumptions regarding the long-term sustainable cash flows, and reflect management's view of future performance.

(iv) *Impairment of financial investments available-for-sale (Note 7)* - For equity investments classified as available-for-sale, impairment is recognised when there has been a significant or prolonged decline in the fair value below the investment's cost. Management judgement is required to evaluate the duration and extent by which the fair value of these equity investments is below their cost. In making this judgement, management considers the historical price movements of the individual equity investment, as well as that of the benchmark indicators of the market in which the equity is listed.

(v) *Impairment of other assets* - The assessment of impairment of properties held under property and equipment (Note 16) requires management judgement in the assessment of whether negative fluctuations in values of similar properties in the same location represent an indication of impairment in the value of the individual properties.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(a) **Basis of Accounting** (continued)

(vi) *Valuation of investment properties (Note 15)* - The measurement of the fair values for investment properties performed by management are determined with reference to quotations of market value provided by independent professional valuers.

(vii) *Income taxes (Note 39)* - The Group and the Bank are subject to income taxes in many jurisdictions. Significant management judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

(viii) *Deferred tax assets (Note 12)* - Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ix) *Defined Benefit Plan (Note 24)* - The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainty due to other assumptions made regarding fund membership levels and future salary increases.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation

(i) Subsidiary Companies

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies made up to the end of the financial year. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from the involvement with the investee; and
- has the ability to affect those returns through its power over investee.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

When the Group has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Group considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

In the previous financial years, control exists when the Group directly and indirectly holds the majority of the voting rights and has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In addition, previously, potential voting rights are considered in the assessment of control when such rights are presently exercisable whilst such rights are considered now only when they are substantive. The Group also did not consider de facto power in its previous assessment of control.

Subsidiary companies are consolidated from the date on which the Group controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Group loses control.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for the acquisition of a subsidiary company is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition-related costs are expensed off in the statement of profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

Goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest in the subsidiary company over the fair value of the Group's share of the identifiable net assets acquired. The accounting policy on goodwill is set out in Note 2(v)(l)(i). In the event that the fair value of the Group's share of identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest (ie. a bargain purchase), the entire resulting gain is recognised in the statement of profit or loss of the Group. Non-controlling interests represent the portion of profit or loss and net assets of subsidiary companies not attributable, directly or indirectly, to the Group. Non-controlling interests are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from equity holders of the Bank. For each business combination, the Group will elect to measure the amount of non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary company's identifiable net assets.

In a business combination achieved in stages, the previously held equity interest is remeasured at the acquisition-date fair value with the resulting gain or loss recognised in the statement of profit or loss. Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity.

In preparing the consolidated financial statements, intragroup transactions and balances and intragroup gains on transactions between group companies are eliminated in full. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the relevant asset. Consistent accounting policies are applied by the subsidiary companies for transactions and events in similar circumstances. The non-controlling interest's portion of total comprehensive income is attributed to non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statement of profit or loss.

In the Bank's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses, if any. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investment is recognised as gain or loss on disposal in the Bank's statement of profit or loss.

(ii) Associated Companies

Associated companies are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control or joint control of those policies.

Investments in associated companies are accounted for in the Group's consolidated financial statements using the equity method. The Group's investment in associated companies is initially recognised in the consolidated statement of financial position at cost. This initial carrying amount is increased or decreased to recognise the Group's share of post-acquisition net results and other changes to comprehensive income of the associated company less impairment loss, if any, determined on an individual basis. The Group's share of results of the associated company is recognised in the statement of profit or loss from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. Consistent accounting policies are applied for transactions and events in similar circumstances.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(b) **Basis of Consolidation** (continued)

(ii) **Associated Companies** (continued)

Goodwill, if any, relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.

The gain or loss on disposal of an associated company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the associated company being disposed. All gains or losses on disposal of associated companies are recognised in the statement of profit or loss.

In the Bank's separate financial statements, the investment in associated companies is stated at cost less impairment losses, if any, determined on an individual basis. On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the statement of profit or loss.

(c) **Foreign Currency**

(i) **Functional and Presentation Currency**

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, ie. the functional currency. The financial statements of the Group and the Bank are presented in Ringgit Malaysia (RM), which is the Bank's functional currency.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(c) **Foreign Currency** (continued)

(ii) **Foreign Currency Transactions and Balances**

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency, ie. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate ruling at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognised in the statement of profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in other comprehensive income if the gain or loss on the fair value of the non-monetary item is recognised directly in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised directly in the statement of profit or loss if the gain or loss on the fair value of the non-monetary item is recognised in the statement of profit or loss.

(iii) **Net Investment in Foreign Operations**

Exchange differences arising from monetary items that form part of the Bank's net investment in foreign operations and that are denominated in the functional currency of the Bank or the foreign operations are recognised in the statement of profit or loss of the Bank. In the Group financial statements, such exchange differences are recognised initially in other comprehensive income and will be reclassified to the statement of profit or loss only upon disposal of the net investment.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(c) **Foreign Currency** (continued)

(iv) **Consolidation of Financial Statements of Foreign Operations**

The results and financial position of the Group's foreign operations and its subsidiary companies incorporated in the Federal Territory of Labuan, whose functional currencies are not the presentation currency or the currency of a hyperinflationary economy, are translated into the presentation currency at average exchange rates for the year and at the closing exchange rate as at reporting date respectively. All resulting exchange differences are recognised in equity through other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to statement of profit or loss upon disposal of the foreign operation. Exchange differences arising from foreign currency borrowings designated as hedges of a net investment in a foreign operation are recognised in the foreign currency translation reserve in equity through other comprehensive income until the disposal of the net investment, at which time the accumulated translation differences are taken to the statement of profit or loss.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2013	2012
1 USD	**RM3.2801**	**RM3.0580**
1 HKD	**RM0.4225**	**RM0.3945**

(d) **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one (1) month.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities

(i) Initial Recognition and Subsequent Measurement

Financial instruments are classified in the following categories - financial instruments at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. Management determines the classification of financial instruments at initial recognition.

(1) Financial Instruments at Fair Value through Profit or Loss

Financial assets classified in this category consist of financial assets held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing it in the near term. Derivative financial instruments not designated in an effective hedge transaction are also classified in this category.

Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the statement of profit or loss. Gains and losses from changes in fair value and dividend income are included directly in "Net gains and losses on financial instruments" in the statement of profit or loss. Interest income is recognised as "Interest income" in the statement of profit or loss. Regular way purchases and sales of financial assets held-for-trading are recognised at settlement date.

(2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks, reverse repurchase agreements and loans, advances and financing. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest income on loans and receivables is recognised in "Interest income" in the statement of profit or loss. Impairment losses on loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on loans, advances and financing". Regular way recognition of loans, advances and financing is recorded on settlement date, when all the conditions under the loan contract have been fulfilled.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(e) **Financial Assets and Liabilities** (continued)

(i) **Initial Recognition and Subsequent Measurement** (continued)

(3) Financial Investments Held-to-Maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments that management has the intention and ability to hold to maturity. These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest on investments held-to-maturity is included in "Interest income" in the statement of profit or loss. Impairment losses, if any, are recognised in the statement of profit or loss as "Impairment on other assets". Regular way purchases and sales of financial investments held-to-maturity are recognised at settlement date.

If the Group or the Bank were to sell or reclassify more than an insignificant amount of financial investments held-to-maturity before maturity, the entire category would be tainted and be reclassified to available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial assets as held-to-maturity for the following two years.

(4) Financial Investments Available-for-Sale

Financial investments available-for-sale are non-derivative financial assets that are designated as available-for-sale and are not categorised into any of the other categories above. Financial investments available-for-sale include financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in market conditions.

These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the other comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in the statement of profit or loss. If an investment available-for-sale is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of profit or loss. Likewise, upon disposal of investments available-for-sale, the cumulative fair value gain or loss recognised in other comprehensive income is also transferred to the statement of profit or loss. Interest income on financial investments available-for-sale is included in "Interest income" and dividend income is recognised in "Net gains and losses on financial instruments" in the statement of profit or loss. Regular way purchases and sales of financial investments available-for-sale are recognised at settlement date.

KPMG
Stamped For Identification Purposes Only
PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(i) Initial Recognition and Subsequent Measurement (continued)

(4) Financial Investments Available-for-Sale (continued)

Investments in unquoted equity instruments which are classified as available-for-sale and whose fair value cannot be reliably measured are measured at cost. These investments are assessed for impairment at each reporting date.

(5) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds. Certain debt securities issued by the Group and the Bank have been designated in effective hedges of interest rate risk, and the carrying value of these financial liabilities have been adjusted for changes in fair value related to the hedged exposure.

(ii) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or when the rights to receive further cash flows from the assets have been transferred to a third party and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they are redeemed or extinguished.

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain substantially all the risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

(iii) Reclassification of Financial Assets

The Group and the Bank may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(iii) Reclassification of Financial Assets (continued)

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in the statement of profit or loss is not reversed.

During the reporting period, the Group and the Bank have not made any such reclassifications of financial assets.

(iv) Determination of Fair Value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 45.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

(v) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case for financial instruments with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

(f) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are classified as financial assets when their fair values are positive and financial liabilities when their fair values are negative.

Derivatives which are not designated in an effective hedge transaction are classified as held-for-trading, with changes in fair value recognised in "Net gains and losses on financial instruments" in the statement of profit or loss. For derivative transactions which meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(f) **Derivative Financial Instruments and Hedge Accounting** (continued)

At inception of the hedge relationship, the Group and the Bank formally documents the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship. Hedges are expected to be highly effective in offsetting the designated risk in the hedged item, and are assessed at inception of the hedge relationship and on an ongoing basis to ensure that they remain highly effective throughout the hedge period. A hedge is deemed as highly effective if the cumulative changes in the fair value or cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the period for which the hedge is designated.

The Group and the Bank will discontinue hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(i) **Fair Value Hedge**

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment that is attributable to a particular risk, and could affect profit or loss. For designated and qualifying fair value hedges, changes in the fair value of the hedging instrument are recognised in the statement of profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The net result is reported as hedge ineffectiveness under "Net gains and losses on financial instruments" in the statement of profit or loss.

If the hedging instrument is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to the statement of profit or loss over the remaining period to maturity using the effective interest rate.

(ii) **Cash Flow Hedge**

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in equity via other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(f) **Derivative Financial Instruments and Hedge Accounting** (continued)

(ii) **Cash Flow Hedge** (continued)

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged forecast cash flows affect the statement of profit or loss. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gain or loss previously recognised in other comprehensive income is adjusted to the initial cost of the asset or liability.

When a hedging instrument expires or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of profit or loss as hedge ineffectiveness.

(iii) **Net Investment Hedge**

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations and are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in equity is transferred to the statement of profit or loss.

(g) **Embedded Derivatives**

Some hybrid financial instruments contain both an embedded derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and separately accounted for at fair value, with changes in fair value recognised in the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(h) Impairment of Financial Assets

(i) Loans, Advances and Financing

Loans, advances and financing ("loan(s)") of the Group and the Bank are classified as impaired when they fulfill any of the following criteria:

(1) principal or interest or both are past due for three (3) months or more;
(2) where a loan is in arrears for less than three (3) months, the loan exhibits indications of significant credit weaknesses; or
(3) where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

For the determination of impairment on loans, the Group and the Bank assess at each reporting date whether there is any objective evidence that a loan or a group of loans is impaired. A loan or a group of loans is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (ie. an "incurred loss event") and that loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment include:

(1) any significant financial difficulty of the obligor;
(2) a breach of contract, such as a default or delinquency in interest or principal payments;
(3) a high probability of bankruptcy or other financial reorganisation of the obligor;
(4) concerns over the viability of the obligor's business operations and its capacity to trade successfully out of financial difficulties and to generate sufficient cash flows to service its debt obligations; and
(5) any adverse news or developments affecting the local economic conditions or business environment which will adversely affect the repayment capacity of the borrower.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(h) **Impairment of Financial Assets** (continued)

(i) **Loans, Advances and Financing** (continued)

The Group and the Bank first assess individually whether objective evidence of impairment exists for loans which are individually significant, or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment, where applicable. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of loss is recognised in the statement of profit or loss. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment of loans is performed via grouping of loans on the basis of similar credit risk characteristics. Future cash flows of each of these groups of loans are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment impairment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the statement of profit or loss.

Where a loan shows evidence of significant credit weaknesses, the Group and the Bank may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated loan to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period. Where an impaired loan is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six (6) months before the loan is classified as non-impaired. These loans continue to be subjected to individual or collective impairment assessment.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(h) **Impairment of Financial Assets** (continued)

(ii) **Financial Investments Available-for-Sale**

The Group and the Bank assess at each reporting date whether there is objective evidence that a financial investment classified as available-for-sale is impaired.

In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in the statement of profit or loss. For unquoted equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

For debt instruments, impairment is assessed based on the same criteria as other financial investments available-for-sale. Where impairment losses have been previously recognised in the statement of profit or loss, if there is a subsequent increase in the fair value of the debt instrument that can be objectively related to a credit event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss.

(iii) **Financial Iuvestments Held-to-Maturity**

The Group and the Bank assess at each reporting date whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognised. If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(i) **Investment Properties**

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Properties that are occupied by companies in the Group for conduct of business operations are accounted for as owner-occupied rather than as investment properties upon consolidation.

In accordance with MFRS 140, investment properties can be measured using either the cost or fair value method. The Group has adopted the fair value method in measuring investment properties. Investment properties are measured initially at its cost, including transaction cost. Subsequent to initial recognition, all properties are measured at fair value, with any changes recognised in the statement of profit or loss. When an item of property and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation reserve. If a fair value gain reverses a previously recognised impairment loss, the gain is recognised in the statement of profit or loss. Upon disposal of the investment property, any surplus previously recorded in revaluation reserve is transferred to retained earnings.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Fair values of investment properties are determined with reference to quotations of market value provided by independent professional valuers.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the statement of profit or loss.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(j) **Assets Acquired Under Lease**

Leases in which the Group is a lessee and assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases in which the Group is a lessee are classified as operating leases.

(i) **Finance Lease**

Upon initial recognition, the leased asset and the corresponding lease obligations are measured at an amount equal to the lower of the fair value of the leased asset at the beginning of the lease term and the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to property and equipment. Depreciation is provided at rates which write off the cost or valuation of the asset over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to the statement of profit or loss over the period of the lease so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) **Operating Lease**

All assets under operating leases are not recognised on the statement of financial position. All lease rentals payable are accounted for on a straight-line basis over the lease term and are charged to the statement of profit or loss. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in the statement of profit or loss in the period the termination takes place.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(k) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts are derecognised. All other repairs and maintenance are charged to the statement of profit or loss when they are incurred.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent to initial recognition, property and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(v)(n).

Freehold land with an indefinite useful life and work-in-progress which are not yet available for use are not depreciated. Depreciation of other property and equipment is provided on a straight line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives at the following principal annual rates:

Leasehold land	Over the remaining leasehold period
Buildings	2.0%
Renovations	Over the term of the leases ranging from 2 - 7 years
Office equipment, furniture and fittings	10.0% - 33.3%
Computer equipment and software	20.0% - 33.3%
Motor vehicles	20.0%

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the statement of profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(l) **Goodwill and Intangible Assets**

(i) **Goodwill**

Goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing the recoverable amount from the CGU against the carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group's share of identifiable net assets acquired exceed the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in the statement of profit or loss.

(ii) **Intangible Assets**

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Intangible assets are recognised only when the identifiability and economic benefit probability criterion are met. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with an indefinite useful life are not amortised but are reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite useful life assumption continues to be supportable.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(l) **Goodwill and Intangible Assets** (continued)

(ii) **Intangible Assets** (continued)

Intangible assets with a finite useful life will be amortised on a straight line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(m) **Foreclosed Properties**

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(n) **Impairment of Non-Financial Assets**

Non-financial assets other than goodwill, such as property and equipment, investments in subsidiary and associated companies and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in the statement of profit or loss, and is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment of goodwill is discussed under the accounting policy on goodwill in Note 2(v)(l)(i).

(o) **Repurchase and Reverse Repurchase Agreements**

Securities purchased under resale agreements (ie. reverse repurchase agreements) at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recognised in 'reverse repurchase agreements' in the statement of financial position, reflecting the transaction's economic substance as a collateralised loan by the Group and the Bank. The difference between the purchase and resale prices is recognised in 'interest income' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(o) Repurchase and Reverse Repurchase Agreements (continued)

Securities sold under repurchase agreements (ie. repurchase agreements) at a specified future date are not derecognised from the statement of financial position as the Group and the Bank retain substantially all the risks and rewards of ownership. The consideration received is recognised as an asset with the corresponding obligation, including accrued interest as a liability, reflecting the transaction's economic substance as a collateralised loan given to the Group and the Bank. The difference between the sale and the repurchase prices is recognised in 'interest expense' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

(p) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

(q) General Insurance

General insurance underwriting results are determined after taking into account reinsurances, unearned premium reserves, net commissions and net claims incurred.

Unearned premium reserves ("UPR") represent the unexpired risks at the end of the financial year. A fixed percentage method or time apportionment method is used in determining the UPR at reporting date.

Provision is made for outstanding claims based on the estimated costs of all claims together with related expenses less reinsurance recoveries in respect of claims notified but not settled at reporting date. Provision is also made for the cost of claims together with related expenses incurred but not reported at reporting date using a mathematical method of estimation determined by the management on a case by case basis.

(r) Profit Equalisation Reserve ("PER")

PER is the amount appropriated out of the total Islamic banking gross income in order to maintain a certain level of return to Investment Account Holders ("IAH") which is as stipulated by Bank Negara Malaysia's Guidelines on Profit Equalisation Reserve. The amount appropriated is shared by the IAH and the Group. The PER of the IAH is classified as a liability and is recognised at cost, with subsequent apportionments being recognised in the statement of profit or loss. The eventual distribution of PER as profit distributable to the IAH is treated as an outflow of funds due to the settlement of the obligation to the IAH. The PER of the Group is classified as a separate reserve in equity and subsequent apportionments to and distributions from retained profits are treated as a transfer between reserves.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(s) Provisions

A provision is recognised when there is a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation and the amount can be reliably estimated.

Provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where the effect of the value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

(t) Debt Securities Issued

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's debt securities issued consist mainly of subordinated notes, Innovative Tier I capital securities and borrowings. These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the debt securities and that the Group is contractually obliged to settle the financial instrument in cash or another financial instrument.

The Group has also issued Non-Innovative Tier I stapled securities which are potentially perpetual debt instruments, subject to the occurrence of certain events. This debt security is classified as a liability in the statement of financial position as there is a contractual obligation to deliver cash or other financial instruments to its holders in the form of regular interest payments, potentially extending into the indefinite future.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost. Generally, it is the Group's policy to hedge the fixed interest rate risk on these debt securities, and apply fair value hedge accounting. When hedge accounting is applied to fixed-rate debt instruments, the carrying values of the debt securities are adjusted for changes in fair value related to the hedged exposure, instead of being carried at amortised cost.

(u) Share Capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(v) Treasury Shares

When the Bank re-acquires its own equity shares, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Shares re-acquired are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the statement of profit or loss on the sale, re-issuance or cancellation of the treasury shares. Should such treasury shares be reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount are shown as a movement in equity, as appropriate. Where treasury shares are distributed as share dividends, the cost of the treasury shares are applied in the reduction of the share premium reserve or distributable retained profits or both.

(w) Contingent Liabilities and Contingent Assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(x) Operating Revenue

Operating revenue of the Group comprises all types of revenue derived from commercial banking, investment banking, financing and other Islamic banking activities, stock-broking, general insurance, management of unit trust funds and sale of trust units but excluding all related companies transactions.

Operating revenue of the Bank comprises gross interest income, commissions earned and other income derived from commercial banking operations.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(y) Interest and Financing Income and Expense

For all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as held-for-trading and available-for-sale, interest and financing income and expense are recognised under "Interest income", "Interest expense" and "Net income from Islamic banking business" respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest/financing income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts are also considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(z) Fee and Commission Iucome

The Group and the Bank earn fee and commission income from a diverse range of services provided to its customers. Such income are generally recognised on an accrual basis when the services have been provided.

Fees earned for the provision of services over a period of time, such as asset management and loan arrangement and management, are accrued over the period. Fee income from the provision of transaction services, such as funds remittances and stock-broking, are recognised upon completion of the underlying transaction. Fees that are linked to the performance of a certain activity or service, such as corporate advisory services, are recognised upon completion of the performance criteria.

(aa) Dividend Income

Dividend income is recognised when the right to receive payment is established.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(ab) Employee Benefits

(i) Short-Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Overseas subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the statement of profit or loss as incurred.

(iii) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a fully funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund") for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised immediately in defined benefit reserve via other comprehensive income and are not subsequently recycled to the statement of profit or loss. Past service costs, whether unvested or already vested, are recognised immediately in the statement of profit or loss as incurred. Net interest cost is calculated by applying the discount rate to the net defined benefit asset or liability. The Group recognises the changes in the net defined benefit obligation which includes current service costs, past service costs and net interest expense or income under "Personnel costs" in the statement of profit or loss.

The amount recognised in the statement of financial position represents the actual deficit or surplus in the Fund. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from or reductions in future contributions to the Fund.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(ab) **Employee Benefits** (continued)

(iv) **Share-based Compensation Benefits**

The Group operates a share-based compensation scheme which allows the eligible directors and employees of Public Financial Holdings Limited ("PFHL") and its subsidiary companies to acquire shares in PFHL.

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 statement of profit or loss 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 the vesting date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. At the reporting 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 statement of profit or loss and a corresponding adjustment to equity over the remaining vesting period.

(ac) **Tax Expense**

Tax expense comprises current and deferred tax. Tax expense is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense in the statement of profit or loss except to the extent that it relates to items that are charged or credited in other comprehensive income or directly to equity. In such cases, tax expense is charged or credited to other comprehensive income or to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

2. **BASIS OF PREPARATION AND ACCOUNTING POLICIES** (continued)

(v) **Summary of Significant Accounting Policies** (continued)

(ac) **Tax Expense** (continued)

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax relating to fair value remeasurement of financial investments available-for-sale and cash flow hedges, which are recognised in other comprehensive income, is also charged or credited directly to other comprehensive income, and is subsequently recognised in the statement of profit or loss when the deferred fair value gain or loss is recognised in the statement of profit or loss.

For investment properties which are carried at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off under the same taxable entity and taxation authority. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

(ad) **Dividends**

Dividends declared on ordinary shares are accounted for as an appropriation of retained profits in the period in which they are approved.

KPMG Stamped For Identification Purposes Only PETALING JAYA

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(v) Summary of Significant Accounting Policies (continued)

(ae) Earnings Per Share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(af) Segment Reporting

Segment reporting in the financial statements are presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

All transactions between operating segments are conducted based on mutually agreed allocation bases, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

KPMG Stamped For Identification Purposes Only PETALING JAYA

3. CASH AND BALANCES WITH BANKS

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Cash and bank balances	2,569,628	2,338,784	1,535,828	1,571,400
Money market deposit placements:				
- maturing within one month	17,613,595	14,496,988	9,850,588	8,667,310
- maturing after one month	1,897,194	1,800,179	1,363,670	1,441,133
	19,510,789	16,297,167	11,214,258	10,108,443
	22,080,417	18,635,951	12,750,086	11,679,843

4. REVERSE REPURCHASE AGREEMENTS

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Malaysian Government Securities	9,537,953	8,158,410	8,634,572	7,309,057
Foreign government treasury bills	4,016	96	4,016	96
	9,541,969	8,158,506	8,638,588	7,309,153

The fair value of securities accepted as collateral under reverse repurchase agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by their owners was RM9,666,173,000 (31 December 2012 - RM8,371,213,000) and RM8,756,873,000 (31 December 2012 - RM7,502,535,000) respectively, of which none (31 December 2012 - none) have been resold.

5. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	-	68,286	-	68,286
Malaysian Government Securities	223,523	141,362	223,523	141,362
Malaysian Government Investment Certificates	1,310,771	193,352	1,106,521	193,352
Bank Negara Malaysia Monetary Notes	49,346	3,424,343	49,346	1,906,237
Bank Negara Malaysia Bills	-	149,736	-	-
	1,583,640	3,977,079	1,379,390	2,309,237

KPMG Stamped For Identification Purposes Only PETALING JAYA

5. FINANCIAL ASSETS HELD-FOR-TRADING (continued)

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Money market instruments:				
Negotiable instruments of deposit	13,822,929	11,836,221	12,274,547	10,715,460
Non-money market instruments:				
Equity securities				
- Quoted shares in Malaysia	-	879	-	879
Debt securities				
- Unquoted private debt securities	405,394	802,956	332,489	573,468
	405,394	803,835	332,489	574,347
	15,811,963	16,617,135	13,986,426	13,599,044

6. DERIVATIVE FINANCIAL ASSETS / LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments further allow the Group and the Bank to transfer, modify or reduce its foreign exchange and interest rate risks via designated hedge relationships. Derivative financial instruments that are entered into for hedging purposes but which do not meet the hedge effectiveness criteria or which relate to customers' transactions are classified as trading derivatives. The Group and the Bank may also take conservative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates via its trading derivatives.

The table below shows the Group's and the Bank's derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the financial year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 44 to the financial statements.

DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

	31 December 2013			31 December 2012		
	Contract / Notional Amount	Fair Value Assets	Fair Value Liabilities	Contract / Notional Amount	Fair Value Assets	Fair Value Liabilities
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards	1,044,710	10,725	7,906	1,033,464	3,876	6,225
- Currency swaps	15,803,116	156,182	65,266	10,845,757	11,659	57,565
- Currency options	8,486	11	11	-	-	-
Interest rate related contracts						
- Interest rate swaps	450,000	48	208	-	-	-
Equity related contracts						
- Options purchased	52,089	16,616	-	126,594	12,154	-
Precious metal contracts						
- Forwards	1,890	1	1	206	1	-
	17,360,291	183,583	73,392	12,006,021	27,690	63,790
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
- Interest rate swaps	8,209,872	143,220	69,022	10,952,180	321,694	133,993
Cash flow hedge						
Foreign exchange contracts						
- Cross currency interest rate swaps	2,132,065	-	191,322	1,376,100	-	35,669
Interest rate related contracts						
- Interest rate swaps	2,177,000	38,551	854	3,179,000	21,081	112
	12,518,937	181,771	261,198	15,507,280	342,775	169,774
Total	29,879,228	365,354	334,590	27,513,301	370,465	233,564

KPMG Stamped For Identification Purposes Only PETALING JAYA

6. DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

	31 December 2013			31 December 2012		
	Contract / Notional Amount	Fair Value		Contract / Notional Amount	Fair Valne	
		Assets	Liabilities		Assets	Liabilities
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards	1,005,721	10,687	7,873	990,285	3,814	6,175
- Currency swaps	15,658,457	155,895	65,041	10,832,687	11,595	57,562
- Currency options	8,486	11	11	-	-	-
Interest rate related contracts						
- Interest rate swaps	469,681	48	832	18,348	-	1,360
Equity related contracts						
- Options purchased	52,089	16,616	-	126,594	12,154	-
Precious metal contracts						
- Forwards	1,890	1	1	206	1	-
	17,196,324	183,258	73,758	11,968,120	27,564	65,097
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
- Interest rate swaps	7,747,377	143,220	47,084	10,521,002	321,694	94,038
Cash flow hedge						
Foreign exchange contracts						
- Cross currency interest rate swaps	2,132,065	-	191,322	1,376,100	-	35,669
Interest rate related contracts						
- Interest rate swaps	3,677,000	24,251	117,331	4,179,000	15,086	15,956
	13,556,442	167,471	355,737	16,076,102	336,780	145,663
Total	30,752,766	350,729	429,495	28,044,222	364,344	210,760

KPMG Stamped For Identification Purposes Only PETALING JAYA

6. DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

With the exception of options contracts, the fair values of derivative financial instruments are normally zero or negligible at inception. The subsequent change in fair value is either favourable or unfavourable as a result of fluctuations in the underlying market interest rates and/or foreign exchange rates relative to the terms of the respective contracts.

The fair value at inception of options contracts purchased represents the consideration paid for these contracts, with subsequent changes in the fair value dependent on the movements in the value of the underlying asset and/or index.

As at 31 December 2013, the Group and the Bank have positions in the following types of derivative financial instruments:

Forwards
Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps
Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates.

Options
Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a predetermined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

Over-the-counter derivatives may expose the Group and the Bank to the risks associated with the absence of an exchange to close out an open position. This credit risk represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation. To control the level of credit risk, the Group and the Bank continually monitor and assess the credit standing of these counterparties.

Where derivatives of the Group and the Bank have been designated for the purpose of hedging and meet the hedge effectiveness criteria, the accounting treatment of these derivatives will depend on the nature of the instrument hedged and the type of hedge transaction, as described in Note 2(v)(f). These hedge transactions include:

Fair Value Hedges
The Group and the Bank use fair value hedges to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk include the Bank's debt securities issued and financial investments available-for-sale. The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

6. DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

Fair Value Hedges (continued)

The net gains and losses arising from fair value hedges during the year are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
(Loss) / gain on hedging instruments	(110,501)	1,341	(128,519)	(8,209)
Gain / (loss) on the hedged items attributable to the hedged risk	112,665	(3,096)	130,625	7,080
Exchange differences	(33)	29	-	-
Ineffectiveness charged to the statement of profit or loss (Note 33)	2,131	(1,726)	2,106	(1,129)

The gains and losses on the ineffective portions of the Group's and the Bank's fair value hedges are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments".

Cash Flow Hedges

The Group and the Bank principally use interest/profit rate swaps to protect against exposures to variability in future cash flows on non-trading financial assets and liabilities which bear interest/profit at variable rates.

Set out below is a schedule indicating as at the financial year end, the periods when the hedged cash flows are expected to occur and when they are expected to impact the statement of profit or loss:

	Group			
	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
2013				
Cash inflows / (outflows) on assets	1,198	519	(2,523)	-
Cash inflows / (outflows) on liabilities	25,202	66,825	(109,582)	2,514
Net cash inflows / (outflows)	26,400	67,344	(112,105)	2,514
2012				
Cash inflows on assets	1,185	60	-	-
Cash inflows / (outflows) on liabilities	9,560	35,540	(64,781)	3,616
Net cash inflows / (outflows)	10,745	35,600	(64,781)	3,616

6. DERIVATIVE FINANCIAL ASSETS / LIABILITIES (continued)

Cash Flow Hedges (continued)

	Bank			
	Within 1 year RM'000	**1 - 3 years RM'000**	**3 - 5 years RM'000**	**Over 5 years RM'000**
2013				
Cash inflows / (outflows) on assets	9,642	3,544	(23,872)	(106,576)
Cash inflows / (outflows) on liabilities	24,962	62,187	(116,479)	-
Net cash inflows / (outflows)	34,604	65,731	(140,351)	(106,576)
2012				
Cash inflows / (outflows) on assets	9,572	16,089	3,453	(43,663)
Cash inflows / (outflows) on liabilities	9,836	35,838	(67,708)	-
Net cash inflows / (outflows)	19,408	51,927	(64,255)	(43,663)

There were no cash flow hedges that were discontinued as a result of the hedged cash flows no longer expected to occur.

The net gain on cash flow hedges reclassified from equity to the statement of profit or loss is recognised in "Net gains and losses on financial instruments". During the financial year, a net gain of RM1,083,000 (2012 - net gain of RM16,000) was recognised by the Group and the Bank in the statement of profit or loss.

The gains and losses on the ineffective portions of such derivatives are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments". During the financial year, a gain of RM572,000 (2012 - gain of RM44,000) (Note 33) was recognised by the Group and the Bank.

Hedge of Net Investment in Foreign Operations

The Group's statement of financial position is affected by gains and losses as a result of the translation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of certain long-term borrowings and short-term interbank borrowing funding pools.

The financial instruments designated as net investment hedges are as follows:

	Group	
	31 December 2013 RM'000	**31 December 2012 RM'000**
Long-term borrowings	193,526	180,422
Short-term interbank borrowings	2,912,729	2,715,504
	3,106,255	2,895,926

The gains and losses on the ineffective portions that was recognised in the statement of profit or loss under "Other operating income" during the financial year arising from hedges of net investment in foreign operations was a loss of RM964,000 (2012 - gain of RM962,000).

KPMG Stamped For Identification Purposes Only PETALING JAYA

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	1,386,790	845,916	1,386,790	845,916
Malaysian Government Securities	975,356	491,355	975,356	491,355
Malaysian Government Investment Certificates	3,140,471	1,389,493	1,703,562	836,162
Bank Negara Malaysia Monetary Notes	4,604,017	7,341,239	4,604,017	7,341,239
	10,106,634	10,068,003	8,669,725	9,514,672
Money market instruments:				
Negotiable instruments of deposit	198,844	-	198,844	-
Non-money market instruments:				
Equity securities #				
- Quoted shares and convertible loan stocks in Malaysia	4,785	36,210	4,785	36,210
- Quoted shares and convertible loan stocks outside Malaysia	11,897	10,984	-	-
- Unquoted shares	110,249	108,383	106,285	104,614
Debt securities				
- Unquoted private debt securities	2,078,879	2,014,665	1,607,095	1,554,903
Unit trust funds	5,107,224	4,962,875	4,538,133	4,409,845
	7,313,034	7,133,117	6,256,298	6,105,572
	17,618,512	17,201,120	15,124,867	15,620,244
# Stated at cost, net of impairment loss amounting to	6,265	26,135	6,265	26,135

KPMG Stamped For Identification Purposes Only PETALING JAYA

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (continued)

A reconciliation of accumulated impairment loss by class of financial instrument is as follows:

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Non-money market instruments:				
Equity securities				
At 1 January	26,135	35,477	26,135	29,115
Impairment made during the year (Note 38)	-	3,533	-	3,533
Amount written off	(19,870)	(12,875)	(19,870)	(6,513)
At 31 December	6,265	26,135	6,265	26,135

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	19,961	-	-	-
Malaysian Government Securities	1,235,500	1,139,827	1,205,514	1,089,201
Malaysian Government Investment Certificates	2,190,194	1,739,184	2,119,819	1,739,184
Foreign government treasury bills	756,069	727,307	111,725	58,285
Other foreign government securities	197,872	-	-	-
	4,399,596	3,606,318	3,437,058	2,886,670
Money market instruments:				
Negotiable instruments of deposit	1,890,742	1,717,161	1,528,777	1,472,807
Bankers' acceptances and Islamic accepted bills	279,895	299,437	89,092	-
	2,170,637	2,016,598	1,617,869	1,472,807
Non-money market instruments:				
Debt securities				
- Cagamas bonds	130,287	5,059	90,436	5,059
- Unquoted private debt securities	1,093,138	629,951	642,544	144,933
	1,223,425	635,010	732,980	149,992
Accumulated impairment losses	(107)	(155)	(107)	(155)
	7,793,551	6,257,771	5,787,800	4,509,314

KPMG Stamped For Identification Purposes Only PETALING JAYA

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY (continued)

The maturity structure of government securities and treasury bills and money market instruments held is as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Maturity within one year	3,906,731	3,489,815	1,233,085	775,953
More than one year to three years	1,001,784	1,338,234	813,279	1,315,849
More than three years to five years	634,420	526,924	512,742	526,924
More than five years	1,027,298	267,943	2,495,821	1,740,751
	6,570,233	5,622,916	5,054,927	4,359,477

The indicative market value of government securities and treasury bills and money market instruments is as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Malaysian Government Treasury Bills	19,923	-	-	-
Malaysian Government Securities	1,234,386	1,147,849	1,204,636	1,097,185
Malaysian Government Investment Certificates	2,170,604	1,744,179	2,101,077	1,744,179
Foreign government treasury bills	755,198	727,016	111,375	58,296
Other foreign government securities	197,941	-	-	-
Negotiable instruments of deposit	1,885,280	1,720,492	1,512,786	1,474,027
Bankers' acceptances and Islamic accepted bills	279,879	299,432	89,082	-

A reconciliation of accumulated impairment loss by class of financial instrument is as follows:

	Group and Bank	
	2013 RM'000	2012 RM'000
Non-money Market Instruments:		
Debt Securities		
At 1 January	155	1,102
Amount written off	(48)	(947)
At 31 December	107	155

KPMG Stamped For Identification Purposes Only PETALING JAYA

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
At amortised cost				
Overdrafts	9,694,121	9,528,841	8,319,983	8,291,756
Term loans / financing				
- Housing loans / financing	69,371,088	59,867,383	60,472,169	52,536,395
- Syndicated term loans / financing	1,782,419	1,974,334	1,071,646	881,720
- Hire purchase receivables	44,923,671	42,021,461	31,906,568	30,138,506
- Other term loans / financing	83,603,166	73,633,407	70,256,580	61,665,524
Credit card receivables	1,623,283	1,604,211	1,613,033	1,594,106
Bills receivables	132,233	130,609	112,310	97,980
Trust receipts	318,642	324,142	262,301	278,177
Claims on customers under acceptance credits #	4,146,270	4,020,397	4,013,598	4,007,132
Revolving credits	4,247,740	3,464,140	4,273,079	3,505,412
Staff loans *	1,333,170	1,214,239	1,254,160	1,141,458
Gross loans, advances and financing	221,175,803	197,783,164	183,555,427	164,138,166
Less : Allowance for impaired loans and financing				
- collective assessment allowance	(1,592,085)	(1,529,566)	(1,071,089)	(1,059,484)
- individual assessment allowance	(167,925)	(201,995)	(79,765)	(110,074)
Net loans, advances and financing	219,415,793	196,051,603	182,404,573	162,968,608

Included in claims on customers under acceptance credits of the Group and the Bank are bankers' acceptance rediscounted of RM974,991,000 (31 December 2012 - RM2,306,869,000) and RM974,121,000 (31 December 2012 - RM2,305,913,000) respectively.

* Included in staff loans of the Group and the Bank are loans to directors of subsidiary companies amounting to RM3,499,000 (31 December 2012 - RM3,785,000) and RM3,092,000 (31 December 2012 - RM3,313,000) respectively.

KPMG Stamped For Identification Purposes Only PETALING JAYA

9. LOANS, ADVANCES AND FINANCING (continued)

Gross loans, advances and financing presented by class of financial instruments are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Retail loans / financing *				
- Housing loans / financing	69,371,088	59,867,383	60,472,169	52,536,395
- Hire purchase	44,923,671	42,021,461	31,906,568	30,138,506
- Credit cards	1,623,283	1,604,211	1,613,033	1,594,106
- Other loans / financing ^	74,634,000	66,421,547	64,745,015	57,307,670
	190,552,042	169,914,602	158,736,785	141,576,677
Corporate loans / financing	30,623,761	27,868,562	24,818,642	22,561,489
	221,175,803	197,783,164	183,555,427	164,138,166

* Included in retail loans / financing are loans / financing granted to individual borrowers and mid-market commercial enterprises.

^ Included in other loans / financing are term loans, trade financing, overdrafts and revolving credits.

The maturity structure of gross loans, advances and financing by residual contractual maturity is as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Maturity within one year	29,512,905	26,478,852	24,665,072	22,175,219
More than one year to three years	21,787,337	22,671,399	17,348,887	18,602,463
More than three years to five years	21,614,004	18,899,528	16,869,100	14,547,090
More than five years	148,261,557	129,733,385	124,672,368	108,813,394
	221,175,803	197,783,164	183,555,427	164,138,166

LOANS, ADVANCES AND FINANCING (continued)

Gross loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Banking institutions	219,841	572,034	32,806	397,658
Non-bank financial institutions				
- Stock-broking companies	10,415	14,202	10,415	14,202
- Others	5,867,394	5,676,475	5,796,575	5,434,225
Business enterprises				
- Small and medium enterprises	46,466,558	38,966,081	41,907,628	35,195,448
- Others	24,774,604	24,147,664	19,839,602	19,727,188
Government and statutory bodies	328,984	341,178	9,205	19,300
Individuals	141,050,941	126,071,304	113,628,081	101,473,775
Other entities	43,708	42,618	41,090	39,740
Foreign entities	2,413,358	1,951,608	2,290,025	1,836,630
	221,175,803	197,783,164	183,555,427	164,138,166

Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Malaysia	206,634,918	184,541,775	183,018,237	163,752,137
Hong Kong SAR and the People's Republic of China	11,573,237	10,778,263	-	-
Cambodia	2,430,458	2,077,097	-	-
Other countries	537,190	386,029	537,190	386,029
	221,175,803	197,783,164	183,555,427	164,138,166

9. LOANS, ADVANCES AND FINANCING (continued)

Gross loans, advances and financing analysed by interest rate / rate of return sensitivity are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Fixed rate				
- Housing loans / financing	760,224	1,200,815	100,506	461,400
- Hire purchase receivables	43,231,795	40,487,636	31,896,405	30,128,935
- Other fixed rate loans / financing	15,294,702	15,447,863	8,200,180	8,170,545
Variable rate				
- Base lending rate plus	131,488,842	113,302,637	123,273,711	107,615,616
- Cost plus	20,029,781	17,881,772	19,323,512	17,123,260
- Other variable rates	10,370,459	9,462,441	761,113	638,410
	221,175,803	197,783,164	183,555,427	164,138,166

Gross loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Purchase of securities	4,023,503	4,126,999	3,861,298	4,050,091
Purchase of transport vehicles	45,158,466	42,238,571	32,139,612	30,344,330
Purchase of landed properties	126,004,256	108,286,165	111,871,882	96,520,395
(of which: - residential	70,928,295	61,130,701	62,005,417	53,826,198
- non-residential)	55,075,961	47,155,464	49,866,465	42,694,197
Purchase of fixed assets (excluding landed properties)	242,072	298,551	212,738	258,721
Personal use	9,090,491	9,318,142	4,527,048	4,270,035
Credit card	1,623,283	1,604,211	1,613,033	1,594,106
Purchase of consumer durables	16,855	16,746	13,619	13,103
Construction	2,903,437	2,493,576	2,268,033	1,911,728
Mergers and acquisitions	208,454	220,006	208,454	220,006
Working capital	28,219,556	25,325,719	23,401,960	21,365,295
Other purpose	3,685,430	3,854,478	3,437,750	3,590,356
	221,175,803	197,783,164	183,555,427	164,138,166

KPMG Stamped For Identification Purposes Only PETALING JAYA

9. LOANS, ADVANCES AND FINANCING (continued)

Gross loans, advances and financing analysed by sectors are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Agriculture, hunting, forestry and fishing	2,847,443	2,690,193	2,471,313	2,422,271
Mining and quarrying	199,457	158,556	167,811	138,374
Manufacturing	8,891,271	8,149,499	7,885,681	7,316,331
Electricity, gas and water	54,698	38,083	21,429	14,898
Construction	6,597,972	6,039,106	5,580,719	5,174,150
Wholesale & retail trade and restaurants & hotels	19,372,207	17,304,919	17,702,488	15,819,202
Transport, storage and communication	3,395,952	3,182,098	2,577,828	2,434,007
Finance, insurance and business services	12,214,958	11,325,402	10,838,160	10,077,315
Real estate	21,064,548	17,850,585	17,867,116	14,926,521
Community, social and personal services	4,319,749	3,947,054	3,886,443	3,542,013
Households	141,214,063	126,342,848	114,444,907	102,115,314
Others	1,003,485	754,821	111,532	157,770
	221,175,803	197,783,164	183,555,427	164,138,166

Movements in impaired loans, advances and financing ("impaired loans/financing") are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	1,374,086	1,529,657	1,014,660	1,150,234
Impaired during the year	2,939,301	2,575,901	2,125,565	1,881,155
Reclassified as non-impaired	(1,976,588)	(1,924,842)	(1,576,211)	(1,571,125)
Recoveries	(299,343)	(299,087)	(169,777)	(234,953)
Amount written off	(555,058)	(475,296)	(247,931)	(185,974)
Loans / financing converted to foreclosed properties / investments	(10,981)	(24,759)	(10,721)	(24,502)
Exchange differences	13,362	(7,488)	152	(175)
At 31 December	1,484,779	1,374,086	1,135,737	1,014,660
Gross impaired loans as % of gross loans, advances and financing	0.67%	0.69%	0.62%	0.62%

KPMG Stamped For Identification Purposes Only PETALING JAYA

LOANS, ADVANCES AND FINANCING (continued)

Impaired loans/financing analysed by geographical distribution are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Malaysia	1,364,302	1,212,622	1,133,697	1,012,355
Hong Kong SAR and the People's Republic of China	74,329	96,054	-	-
Cambodia	44,108	63,105	-	-
Other countries	2,040	2,305	2,040	2,305
	1,484,779	1,374,086	1,135,737	1,014,660

Impaired loans/financing analysed by economic purpose are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Purchase of securities	3,466	5,852	3,462	5,848
Purchase of transport vehicles	357,474	263,313	256,600	189,226
Purchase of landed properties	676,066	591,758	608,140	497,871
(of which: - residential	526,930	420,286	468,751	371,040
- non-residential)	149,136	171,472	139,389	126,831
Purchase of fixed assets (excluding landed properties)	6,003	6,168	5,977	6,049
Personal use	169,312	165,205	48,542	47,086
Credit card	23,161	23,421	23,084	23,309
Purchase of consumer durables	82	377	4	309
Construction	11,469	14,109	8,855	13,369
Working capital	223,163	283,886	166,649	211,641
Other purpose	14,583	19,997	14,424	19,952
	1,484,779	1,374,086	1,135,737	1,014,660

KPMG Stamped For Identification Purposes Only PETALING JAYA

LOANS, ADVANCES AND FINANCING (continued)

Impaired loans/financing analysed by sectors are as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Agriculture, hunting, forestry and fishing	16,692	11,772	2,559	4,422
Mining and quarrying	1,483	132	437	97
Manufacturing	110,739	130,029	98,646	117,907
Electricity, gas and water	1,551	1,205	-	-
Construction	41,188	68,336	37,600	66,813
Wholesale & retail trade and restaurants & hotels	130,908	117,113	106,597	86,462
Transport, storage and communication	61,167	54,959	59,778	47,954
Finance, insurance and business services	24,219	44,217	19,331	21,186
Real estate	23,715	61,688	21,458	30,388
Community, social and personal services	20,427	16,091	20,118	15,980
Households	1,050,632	867,416	768,342	622,571
Others	2,058	1,128	871	880
	1,484,779	1,374,086	1,135,737	1,014,660

KPMG Stamped For Identification Purposes Only PETALING JAYA

9. LOANS, ADVANCES AND FINANCING (continued)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows:

Group	<------ Retail Loans / Financing			------>	Corporate	
	Housing Loans / Financing	Hire Purchase	Credit Cards	Other Loans / Financing	Loans / Financing	Total
Collective Assessment Allowance	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
At 1 January 2013	515,796	425,125	16,778	515,155	56,712	1,529,566
Allowance made during the year (Note 37)	16,495	240,540	40,286	41,603	1,365	340,289
Amount written off	(36,441)	(136,179)	(38,287)	(69,697)	-	(280,604)
Exchange differences	42	7	4	2,314	467	2,834
At 31 December 2013	495,892	529,493	18,781	489,375	58,544	1,592,085
2012						
At 1 January 2012	510,453	396,811	15,064	514,128	59,588	1,496,044
Allowance made / (written back) during the year (Note 37)	29,258	160,147	37,193	54,998	(2,397)	279,199
Amount written off	(23,890)	(131,823)	(35,478)	(52,805)	-	(243,996)
Exchange differences	(25)	(10)	(1)	(1,166)	(479)	(1,681)
At 31 December 2012	515,796	425,125	16,778	515,155	56,712	1,529,566

KPMG Stamped For Identification Purposes Only PETALING JAYA

9. LOANS, ADVANCES AND FINANCING (continued)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows (continued):

Bank	<---- Retail Loans			---->		
Collective Assessment Allowance	Housing Loans RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans RM'000	Corporate Loans RM'000	Total RM'000
2013						
At 1 January 2013	462,611	291,076	16,716	247,193	41,888	1,059,484
Allowance made during the year (Note 37)	5,547	171,804	40,279	1,002	1,334	219,966
Amount written off	(33,030)	(98,605)	(38,287)	(38,836)	-	(208,758)
Exchange differences	-	-	-	397	-	397
At 31 December 2013	435,128	364,275	18,708	209,756	43,222	1,071,089
2012						
At 1 January 2012	462,480	265,039	15,028	253,522	42,143	1,038,212
Allowance made / (written back) during the year (Note 37)	21,826	115,362	37,166	13,020	(255)	187,119
Amount written off	(21,695)	(89,325)	(35,478)	(19,076)	-	(165,574)
Exchange differences	-	-	-	(273)	-	(273)
At 31 December 2012	462,611	291,076	16,716	247,193	41,888	1,059,484

9. LOANS, ADVANCES AND FINANCING (continued)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows (continued):

Group	<------------------ Retail Loans / Financing			------------------>	Corporate	
	Housing Loans / Financing	Hire Purchase	Credit Cards	Other Loans / Financing	Loans / Financing	Total
Individual Assessment Allowance	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
At 1 January 2013	64	1,219	-	125,608	75,104	201,995
Net allowance made during the year (Note 37)	95	261	-	225,146	245	225,747
Allowance made during the year	95	327	-	238,775	3,714	242,911
Amount written back in respect of recoveries	-	(66)	-	(13,629)	(3,469)	(17,164)
Amount written off	-	(96)	-	(253,452)	(20,906)	(274,454)
Exchange differences	8	98	-	13,398	1,133	14,637
At 31 December 2013	167	1,482	-	110,700	55,576	167,925
2012						
At 1 January 2012	1,083	1,344	-	132,986	109,783	245,196
Net allowance made during the year (Note 37)	548	1,002	-	205,979	(12,664)	194,865
Allowance made during the year	548	1,079	-	240,026	5,266	246,919
Amount written back in respect of recoveries	-	(77)	-	(34,047)	(17,930)	(52,054)
Amount written off	(1,566)	(1,068)	-	(207,547)	(21,119)	(231,300)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	-	(1,404)	-	(1,404)
Exchange differences	(1)	(59)	-	(4,406)	(896)	(5,362)
At 31 December 2012	64	1,219	-	125,608	75,104	201,995

9. LOANS, ADVANCES AND FINANCING (continued)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows (continued):

Bank	<---- Retail Loans			---->		
Individual Assessment Allowance	Housing Loans RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans RM'000	Corporate Loans RM'000	Total RM'000
2013						
At 1 January 2013	-	-	-	48,952	61,122	110,074
Net allowance made during the year (Note 37)	-	-	-	8,357	507	8,864
Allowance made during the year	-	-	-	14,366	3,976	18,342
Amount written back in respect of recoveries	-	-	-	(6,009)	(3,469)	(9,478)
Amount written off	-	-	-	(19,361)	(19,812)	(39,173)
At 31 December 2013	-	-	-	37,948	41,817	79,765
2012						
At 1 January 2012	1,080	-	-	56,107	77,561	134,748
Net allowance made during the year (Note 37)	486	-	-	11,830	(15,186)	(2,870)
Allowance made during the year	486	-	-	23,943	2,744	27,173
Amount written back in respect of recoveries	-	-	-	(12,113)	(17,930)	(30,043)
Amount written off	(1,566)	-	-	(17,581)	(1,253)	(20,400)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	-	(1,404)	-	(1,404)
At 31 December 2012	-	-	-	48,952	61,122	110,074

KPMG Stamped For Identification Purposes Only PETALING JAYA

10. OTHER ASSETS

	Group 31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Deferred handling fees *	242,734	236,571	230,402
Interest / Income receivable	69,650	32,942	52,824
Other receivables, deposits and prepayments	1,410,075	1,283,277	1,231,339
Manager's stocks **	87,984	67,652	22,696
Amount due from trust funds ^	111,536	97,891	99,987
Employee benefits (Note 24(a))	294,339	199,079	213,381
Foreclosed properties #	57,280	82,673	109,529
Taxi licenses	1,130	1,056	1,093
Outstanding contracts on clients' accounts @ ##	264,971	204,857	260,384
	2,539,699	2,205,998	2,221,635
# Stated net of accumulated allowance for impairment loss amounting to	34,293	43,615	45,717
@ Stated net of accumulated allowance for bad and doubtful debts amounting to	1,152	2,089	2,083

	Bank 31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Deferred handling fees *	175,656	173,995	162,827
Interest / Income receivable	45,374	20,560	39,141
Other receivables, deposits and prepayments	1,338,651	1,156,749	1,165,635
Employee benefits (Note 24(a))	286,306	192,251	206,061
Foreclosed properties #	55,982	80,522	106,652
Amount due from subsidiary companies ^^	37,879	45,248	42,234
Dividend receivable from subsidiary companies (Note 42(b))	469,462	429,647	397,237
	2,409,310	2,098,972	2,119,787
# Stated net of accumulated allowance for impairment loss amounting to	33,829	42,712	44,494

* This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase loans/financing.

** Manager's stocks represent trust units held by the fund management subsidiary company.

KPMG Stamped For Identification Purposes Only PETALING JAYA

10. OTHER ASSETS (continued)

^ This balance refers to amount due from trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units. It also includes management fee receivable from trust funds.

^^ These balances are unsecured, non-interest bearing and are repayable on demand.

This balance represents outstanding purchase contracts in respect of the stock-broking business of the investment banking subsidiary company entered into on behalf of clients where settlements have yet to be made by clients. The trade settlement is 3 market days according to the Bursa Malaysia Securities Berhad's trading rules.

11. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Statutory deposits with Bank Negara Malaysia *	6,476,300	5,381,471	5,536,450	4,709,380
Statutory deposits with the National Bank of Cambodia #	419,036	376,902	-	-
Other statutory deposits	29,496	28,833	29,496	28,833
	6,924,832	5,787,206	5,565,946	4,738,213

* The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount of the Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

These statutory deposits are maintained with the National Bank of Cambodia ("NBC") in respect of:

i) Cambodian Public Bank Plc and are maintained in compliance with Article 5 of NBC Prakas No. B7-01-136 and Prakas No. B7-012-140, the amounts of which are determined as set percentages of Cambodian Public Bank Plc's issued share capital and deposits from customers;

ii) Campu Lonpac Insurance Plc and are maintained in compliance with Article 53 of the Royale Government's Sub-Decree on Insurance dated 22 October 2001 and Article 1 of the Ministry of Economy and Finance's Circular No. 009 SHV dated 9 December 2009, the amounts are determined as a set percentage of the issued share capital of Campu Lonpac Insurance Plc; and

iii) Campu Securities Plc and this represents the non-interest bearing deposit specifically earmarked for Campu Securities Plc in compliance with the Law on the Issuance and Trading of Non-Government Securities and is determined in Article 17 of the Prakas No. 009 SECC/09 dated 18 November 2009 on Licensing of Securities Firms and Securities Representatives issued by the Securities and Exchange Commission of Cambodia.

12. DEFERRED TAX

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
At 1 January				
- as previously stated	15,316	(9,532)	(32,003)	(51,708)
- effects of adoption of MFRS 119	(24,839)	(30,168)	(23,987)	(29,133)
At 1 January, as restated	(9,523)	(39,700)	(55,990)	(80,841)
Recognised in the statement of profit or loss (net) (Note 39)				
- relating to origination and reversal of temporary differences	30,032	34,454	22,793	31,768
- (under) / over provision of net deferred tax liabilities	(3,294)	9,990	(3,157)	992
Recognised in equity (net) (Note 28)	(43,073)	(14,309)	(14,384)	(7,909)
Exchange differences	318	42	-	-
At 31 December	(25,540)	(9,523)	(50,738)	(55,990)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statement of financial position after appropriate offsetting are as follows:

	Group		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Deferred tax assets, net	70,121	63,227	46,093
Deferred tax liabilities, net	(95,661)	(72,750)	(85,793)
	(25,540)	(9,523)	(39,700)

	Bank		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Deferred tax liabilities, net	(50,738)	(55,990)	(80,841)

KPMG Stamped For Identification Purposes Only PETALING JAYA

12. **DEFERRED TAX** (continued)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Deferred tax assets	143,899	106,249	88,442
Deferred tax liabilities	(169,439)	(115,772)	(128,142)
	(25,540)	(9,523)	(39,700)

	Bank		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Deferred tax assets	73,242	42,461	32,690
Deferred tax liabilities	(123,980)	(98,451)	(113,531)
	(50,738)	(55,990)	(80,841)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group	**Allowance for Impaired Loans RM'000**	**Tax Losses RM'000**	**Other Temporary Differences RM'000**	**Total RM'000**
At 1 January 2012				
- as previously stated	8,550	118	57,451	66,119
- effects of adoption of MFRS 119	-	-	22,323	22,323
At 1 January 2012, as restated	8,550	118	79,774	88,442
Recognised in the statement of profit or loss (Note 39)				
- relating to origination and reversal of temporary differences	978	(68)	17,229	18,139
- under / (over) provision	5,146	-	(5,073)	73
Recognised in equity	-	-	(48)	(48)
Exchange differences	(349)	(3)	(5)	(357)
At 31 December 2012	14,325	47	91,877	106,249
Recognised in the statement of profit or loss (Note 39)				
- relating to origination and reversal of temporary differences	(2,441)	(48)	14,455	11,966
- over provision	-	-	(2,570)	(2,570)
Recognised in equity	-	-	27,259	27,259
Exchange differences	926	1	68	995
At 31 December 2013	12,810	-	131,089	143,899

12. DEFERRED TAX (continued)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities of the Group	**Defined Benefit Assets RM'000**	**Excess of Capital Allowances Over Depreciation RM'000**	**Other Temporary Differences RM'000**	**Total RM'000**
At 1 January 2012				
- as previously stated	484	75,245	(78)	75,651
- effects of adoption of MFRS 119	52,491	-	-	52,491
At 1 January 2012, as restated	52,975	75,245	(78)	128,142
Recognised in the statement of profit or loss (Note 39)				
- relating to origination and reversal of temporary differences	(12,459)	(3,819)	(37)	(16,315)
- (over) / under provision	-	(9,951)	34	(9,917)
Recognised in equity	8,844	-	5,417	14,261
Exchange differences	-	(399)	-	(399)
At 31 December 2012	49,360	61,076	5,336	115,772
Recognised in the statement of profit or loss (Note 39)				
- relating to origination and reversal of temporary differences	(19,251)	1,121	64	(18,066)
- under provision	199	474	51	724
Recognised in equity	43,058	-	27,274	70,332
Exchange differences	-	677	-	677
At 31 December 2013	73,366	63,348	32,725	169,439

Deferred tax assets of the Bank	**Other Temporary Differences RM'000**	**Total RM'000**
At 1 January 2012		
- as previously stated	10,367	10,367
- effects of adoption of MFRS 119	22,323	22,323
At 1 January 2012, as restated	32,690	32,690
Recognised in the statement of profit or loss (Note 39)		
- relating to origination and reversal of temporary differences	14,120	14,120
- over provision	(4,981)	(4,981)
Recognised in equity	632	632
At 31 December 2012	42,461	42,461
Recognised in the statement of profit or loss (Note 39)		
- relating to origination and reversal of temporary differences	5,849	5,849
- over provision	(2,571)	(2,571)
Recognised in equity	27,503	27,503
At 31 December 2013	73,242	73,242

KPMG Stamped For Identification Purposes Only PETALING JAYA

12. DEFERRED TAX (continued)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities of the Bank	**Defined Benefit Assets RM'000**	**Excess of Capital Allowances Over Depreciation RM'000**	**Other Temporary Differences RM'000**	**Total RM'000**
At 1 January 2012				
- as previously stated	-	62,475	(400)	62,075
- effects of adoption of MFRS 119	51,456	-	-	51,456
At 1 January 2012, as restated	51,456	62,475	(400)	113,531
Recognised in the statement of profit or loss (Note 39)				
- relating to origination and reversal of temporary differences	(12,010)	(5,638)	-	(17,648)
- (over) / under provision	-	(5,976)	3	(5,973)
Recognised in equity	8,541	-	-	8,541
At 31 December 2012	47,987	50,861	(397)	98,451
Recognised in the statement of profit or loss (Note 39)				
- relating to origination and reversal of temporary differences	(18,381)	1,437	-	(16,944)
- under provision	-	523	63	586
Recognised in equity	41,887	-	-	41,887
At 31 December 2013	71,493	52,821	(334)	123,980

Deferred tax assets have not been recognised in respect of the following items as it is not probable that the respective subsidiary companies will generate sufficient future taxable profits available against which these can be utilised:

	Group		
	31 December 2013 RM'000	**31 December 2012 RM'000**	**1 January 2012 RM'000**
Unutilised tax losses	15,123	14,137	14,911
Unutilised capital allowances	23,093	23,093	24,674

Subject to the agreement by the relevant tax authorities, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM15,123,000 (31 December 2012 - RM14,421,000; 1 January 2012 - RM15,627,000) and RM23,093,000 (31 December 2012 - RM23,093,000; 1 January 2012 - RM24,674,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.

KPMG Stamped For Identification Purposes Only PETALING JAYA

13. INVESTMENT IN SUBSIDIARY COMPANIES

Bank	31 December 2013 Cost RM'000	31 December 2013 Market Value RM'000	31 December 2012 Cost RM'000	31 December 2012 Market Value RM'000
At cost:				
Quoted shares outside Malaysia				
- Quoted shares in Hong Kong SAR	1,672,195	1,358,629	1,672,195	1,160,897
Unquoted shares				
- In Malaysia	2,492,116		2,325,747	
- Outside Malaysia	272,169		272,169	
	4,436,480		4,270,111	
Less: Accumulated impairment losses	(430)		(6,530)	
	4,436,050		4,263,581	

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest 31 December 2013 %	Effective Interest 31 December 2012 %
Local subsidiary companies			
Public Islamic Bank Berhad	Islamic banking	100.0	100.0
Public Investment Bank Berhad +	Investment banking	100.0	100.0
Public Invest Nominees (Tempatan) Sdn. Bhd. +	Nominee services	100.0	100.0
Public Invest Nominees (Asing) Sdn. Bhd. +	Nominee services	100.0	100.0
Public Consolidated Holdings Sdn. Bhd. +	Investment holding	100.0	100.0
Public Mutual Berhad +	Sale of trust units and management of unit trusts	100.0	100.0
Public Holdings Sdn. Bhd.	Property holding	100.0	100.0
Public Nominees (Tempatan) Sdn. Bhd.	Nominee services	100.0	100.0
Public Nominees (Asing) Sdn. Bhd.	Nominee services	100.0	100.0
Public Bank (L) Ltd.	Offshore banking	100.0	100.0
PB Trust (L) Ltd.	Offshore trust company	100.0	100.0
PB Venture Capital Sdn. Bhd.	Investment holding	100.0	100.0
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	100.0	100.0
PB International Factors Sdn. Bhd.	Dormant	100.0	100.0
PB Properties Sdn. Bhd.	Dormant	-	100.0
PBFIN Berhad	Dormant	100.0	100.0

KPMG Stamped For Identification Purposes Only PETALING JAYA

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Details of the subsidiary companies are as follows (continued):

Name	Principal Activities	Effective Interest 31 December 2013 %	Effective Interest 31 December 2012 %
Overseas subsidiary companies			
Cambodian Public Bank Plc ++	Banking	100.0	100.0
Campu Securities Plc ++	Securities dealing and underwriting	100.0	100.0
Campu Lonpac Insurance Plc ++	General insurance	55.0	55.0
Public Financial Holdings Limited + *	Investment and property holding	73.2	73.2
Public Bank (Hong Kong) Limited +	Banking	73.2	73.2
Public Finance Limited +	Deposit-taking and finance	73.2	73.2
Public Financial Limited +	Investment holding	73.2	73.2
Public Securities Limited +	Stock and share broking	73.2	73.2
Public Securities (Nominees) Limited +	Nominee services	73.2	73.2
Public Financial Securities Limited +	Stock and share broking	73.2	73.2
Public Bank (Nominees) Limited +	Nominee services	73.2	73.2
Public Futures Limited +	Dormant	73.2	73.2
Public Credit Limited +	Dormant	73.2	73.2
Public Pacific Securities Limited +	Dormant	73.2	73.2
Public Investments Limited +	Dormant	73.2	73.2
Public Realty Limited +	Dormant	73.2	73.2
Winton (B.V.I.) Limited +	Investment holding	73.2	73.2
Winton Financial Limited +	Provision of financing	73.2	73.2
Winton Motors, Limited +	Trading of taxi cabs and taxi licences, and leasing of taxis	73.2	73.2
Winton Holdings (Hong Kong) Limited +	Dormant	73.2	73.2

* Shares quoted on The Stock Exchange of Hong Kong Limited.
\+ Subsidiary companies not audited by KPMG.
++ Subsidiary company audited by KPMG Cambodia.

All the local subsidiary companies are incorporated in Malaysia. All the overseas subsidiary companies are incorporated in Hong Kong SAR except for Public Financial Holdings Limited which is incorporated in Bermuda, Cambodian Public Bank Plc, Campu Securities Plc and Campu Lonpac Insurance Plc which are incorporated in Cambodia, and Winton (B.V.I.) Limited which is incorporated in the British Virgin Islands.

13. INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Significant events affecting the Group's subsidiary companies during the year are as follows:

(a) **Increase in Paid-up Share Capital of Public Islamic Bank Berhad**

During the financial year, the Bank subscribed to 7,000,000 ordinary shares of RM1.00 each issued by Public Islamic Bank Berhad at an issue price of RM25.00 per ordinary share for a total consideration of RM175,000,000.

(b) **Member's Voluntary Winding-up of PB Properties Sdn. Bhd.**

On 16 December 2013, PB Properties Sdn. Bhd., a dormant wholly-owned subsidiary of the Bank, commenced Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. The winding-up proceedings have no material effect on the earnings and net assets of the Group for the financial year ended 31 December 2013.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Bank, non-controlling shareholders hold protective rights restricting the Bank's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

The Group's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

14. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Unquoted shares, at cost	141,365	141,365	121,325	121,325
Share of post-acquisition reserves	17,520	9,845	-	-
	158,885	151,210	121,325	121,325
Represented by:				
Group's share of net assets	158,885	151,210		

KPMG Stamped For Identification Purposes Only PETALING JAYA