

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

**14. INVESTMENT IN ASSOCIATED COMPANIES (continued)**

The summarised financial information of associated companies is as follows:

	Group	
	31 December 2013 RM'000	31 December 2012 RM'000
Total assets	1,550,785	1,304,324
Total liabilities	1,207,214	980,328
Operating revenue	186,594	192,817
Profit after tax	8,721	6,127
Total comprehensive income	<u>7,629</u>	<u>6,524</u>

Details of the associated companies, all of which are unquoted, are as follows:

Name	Principal Activities	Place of Incorporation	Effective Interest	
			31 December 2013 %	31 December 2012 %
PB Trustee Services Berhad	Trustee services	Malaysia	40.0	40.0
AIA PUBLIC Takaful Berhad (formerly known as ING PUBLIC Takaful Ehsan Berhad)	Family takaful	Malaysia	40.0	40.0
VID Public Bank	Banking	Socialist Republic of Vietnam	50.0	50.0
CPB Properties Co., Ltd.	Property holding	Cambodia	49.0	49.0

There are no significant restrictions on the ability of the associated companies to transfer funds to the Group in the form of cash dividends.

The Group's associated companies are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.



---

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


---

**15. INVESTMENT PROPERTIES**

		Group	
		31 December 2013	31 December 2012
	Note	RM'000	RM'000
<u>At valuation</u>			
At 1 January		87,886	70,754
Transfer to owner-occupied property			
- Property and equipment	16	-	(3,781)
Fair value adjustment arising from revaluation	34	2,547	23,877
Exchange differences		6,958	(2,964)
At 31 December		97,391	87,886

Included in the above are:

		Group	
		31 December 2013	31 December 2012
		RM'000	RM'000
Short-term leasehold land and building		95,391	85,936
Long-term leasehold land and building		2,000	1,950
		97,391	87,886

The Group's investment properties are stated at fair value and are situated in Malaysia and Hong Kong SAR. The investment properties in Malaysia amounting to RM2,000,000 (31 December 2012 - RM1,950,000) have been determined with reference to quotations of market value provided by an independent professional valuer. The investment properties in Hong Kong SAR amounting to RM95,391,000 (31 December 2012 - RM85,936,000) have been revalued by CS Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The Group has assessed that the highest and best use of its properties do not differ from their existing use. The increase in the fair values of RM2,547,000 (2012 - RM23,877,000) has been recognised in the statement of profit or loss during the financial year.

The investment properties held by the Group are let under operating leases to third parties, from which the Group earned rental income of RM6,068,000 (2012 - RM5,490,000) (Note 34) during the year.

No investment properties were pledged as security for banking facilities at the reporting date.



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

## 16. PROPERTY AND EQUIPMENT

Group	Note	Short term leasehold land		Long term leasehold land		Buildings	Renovations	Office equipment, furniture & fittings	Computer equipment & software	Motor vehicles	Work-in-progress	Total
		RM'000	RM'000	RM'000	RM'000							
<u>Cost</u>												
At 1 January 2013		176,444	116,035	171,940	575,110	311,090	534,309	933,885	22,154	82,691	2,923,658	
Additions		-	-	123	28,661	(276)	16,145	60,572	680	22,731	128,912	
Disposals		-	-	-	-	(11,637)	(2,781)	(16,058)	(113)	-	(19,228)	
Reclassification		-	-	-	-	(796)	11,637	-	-	-	-	
Write-offs	35	-	-	-	-	(796)	(2,985)	(8,223)	(2)	-	(12,006)	
Exchange differences		-	8,221	11,385	7,473	3,341	1,400	4,783	391	-	36,994	
At 31 December 2013		176,444	124,256	183,325	582,706	330,383	557,725	974,959	23,110	105,422	3,058,330	
<u>Accumulated depreciation</u>												
At 1 January 2013		-	24,327	8,134	175,556	226,889	408,347	746,510	13,263	-	1,603,026	
Depreciation charge for the year	35	-	2,671	515	13,702	16,458	30,091	94,720	3,031	-	161,188	
Disposals		-	-	-	-	(210)	(2,735)	(16,042)	(110)	-	(19,097)	
Reclassification		-	-	-	-	-	(1)	-	1	-	-	
Write-offs	35	-	-	-	-	(722)	(2,957)	(7,794)	(6)	-	(11,479)	
Exchange differences		-	1,822	381	1,468	2,211	856	3,585	273	-	10,596	
At 31 December 2013		-	28,820	9,030	190,726	244,626	433,601	820,979	16,452	-	1,744,234	
<u>Accumulated impairment loss</u>												
At 1 January / 31 December 2013		1,064	-	33	10,002	-	-	-	-	-	-	11,099

Carrying amounts

At 31 December 2013		175,380	95,436	174,262	381,978	85,757	124,124	153,980	6,658	105,422	1,302,997
---------------------	--	---------	--------	---------	---------	--------	---------	---------	-------	---------	-----------



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

## 16. PROPERTY AND EQUIPMENT (continued)

Group 2012	Note	Freehold land		Short term leasehold land		Long term leasehold land		Buildings		Renovations		Office equipment, furniture & fittings		Computer equipment & software		Motor vehicles		Work-in-progress		Total RM'000	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<u>Cost</u>																					
At 1 January 2012		176,444	120,182	173,952	576,979	292,238	514,426	900,402	23,179	44,529	2,822,331										
Additions		-	-	1,771	30,659	14,937	59,647	2,512	38,162	147,688											
Disposals		-	-	-	(878)	(2,093)	(13,295)	(1,104)	-	(17,370)											
Transfer from investment properties	15	-	-	3,603	178	-	-	-	-	-	3,781										
Reclassification		-	-	-	-	(9,359)	9,357	2	-	-	-										
Write-offs	35	-	-	-	-	(3)	(1,617)	(9,958)	(2,201)	-	(13,779)										
Exchange differences		-	(4,147)	(5,615)	(3,818)	(1,567)	(701)	(2,913)	(232)	-	(18,993)										
At 31 December 2012		176,444	116,035	171,940	575,110	311,090	534,309	933,885	22,154	82,691	2,923,658										
<u>Accumulated depreciation</u>																					
At 1 January 2012		-	22,518	7,803	162,494	213,699	383,638	665,293	13,847	-	1,469,292										
Depreciation charge for the year	35	-	2,609	505	13,606	15,166	28,544	103,986	2,837	-	167,253										
Disposals		-	-	-	-	(878)	(2,034)	(11,810)	(1,094)	-	(15,816)										
Reclassification		-	-	-	-	(152)	150	2	-	-	-										
Write-offs	35	-	-	-	-	(1)	(1,574)	(8,921)	(2,201)	-	(12,697)										
Exchange differences		-	(800)	(174)	(544)	(945)	(377)	(2,040)	(126)	-	(5,006)										
At 31 December 2012		-	24,327	8,134	175,556	226,889	408,347	746,510	13,263	-	1,603,026										
<u>Accumulated impairment loss</u>																					
At 1 January / 31 December 2012		1,064	-	33	10,002	-	-	-	-	-	11,099										
<u>Carrying amounts</u>																					
At 31 December 2012		175,380	91,708	163,773	389,552	84,201	125,962	187,375	8,891	82,691	1,309,533										

No land and buildings of the Group were pledged as security for banking facilities at the reporting date.



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

## 16. PROPERTY AND EQUIPMENT (continued)

Bank 2013	Note	Freehold land		Long term leasehold land		Buildings		Renovations		Office equipment, furniture & fittings		Computer equipment & software		Motor vehicles		Total RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<u>Cost</u>																
At 1 January 2013		81,092	58	262,042	241,828	414,097	850,217	15,216	1,864,550							
Additions		-	-	-	23,869	13,467	50,358	456	88,150							
Disposals		-	-	-	(1)	(2,103)	(11,689)	(113)	(13,906)							
Reclassification		-	-	-	(11,637)	11,637	-	-	-							
Write-offs	35	-	-	-	(796)	(2,985)	(8,178)	(2)	(11,961)							
Exchange differences		-	-	-	411	102	466	50	1,029							
At 31 December 2013		81,092	58	262,042	253,674	434,215	881,174	15,607	1,927,862							
<u>Accumulated depreciation</u>																
At 1 January 2013		-	51	89,549	173,325	299,766	685,096	8,829	1,256,616							
Depreciation charge for the year	35	-	2	5,232	9,383	25,800	85,069	2,208	127,694							
Disposals		-	-	-	(1)	(2,089)	(11,674)	(110)	(13,874)							
Reclassification		-	-	-	-	(1)	-	1	-							
Write-offs	35	-	-	-	(722)	(2,957)	(7,786)	(6)	(11,471)							
Exchange differences		-	-	-	75	60	382	34	551							
At 31 December 2013		-	53	94,781	182,060	320,579	751,087	10,956	1,359,516							
<u>Carrying amounts</u>																
At 31 December 2013		81,092	5	167,261	71,614	113,636	130,087	4,651	568,346							



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

## 16. PROPERTY AND EQUIPMENT (continued)

Bank 2012	Note	Freehold land		Long term leasehold land		Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
		RM'000	RM'000	RM'000	RM'000						
Cost											
At 1 January 2012		81,092	58	262,042	226,865	395,973	817,954	16,193	1,800,177		
Additions		-	-	-	24,172	12,159	50,559	2,387	89,277		
Disposals		-	-	-	-	(1,422)	(7,801)	(1,103)	(10,326)		
Reclassification		-	-	-	(9,002)	9,002	-	-	-		
Write-offs	35	-	-	-	(3)	(1,516)	(9,731)	(2,201)	(13,451)		
Exchange differences		-	-	-	(204)	(99)	(764)	(60)	(1,127)		
At 31 December 2012		81,092	58	262,042	241,828	414,097	850,217	15,216	1,864,550		
Accumulated depreciation											
At 1 January 2012		-	49	84,317	163,848	278,148	606,480	10,211	1,143,053		
Depreciation charge for the year	35	-	2	5,232	9,529	24,590	94,223	1,939	135,515		
Disposals		-	-	-	-	(1,415)	(6,319)	(1,093)	(8,827)		
Write-offs	35	-	-	-	(1)	(1,485)	(8,700)	(2,201)	(12,387)		
Exchange differences		-	-	-	(51)	(72)	(588)	(27)	(738)		
At 31 December 2012		-	51	89,549	173,325	299,766	685,096	8,829	1,256,616		
Carrying amounts											
At 31 December 2012		81,092	7	172,493	68,503	114,331	165,121	6,387	607,934		

No land and buildings of the Bank were pledged as security for banking facilities at the reporting date.



---

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


---

**16. PROPERTY AND EQUIPMENT (continued)**

Included in property and equipment of the Group and the Bank are computer equipment and software under finance lease which will expire in one year with a carrying amount of RM24,255,000 (31 December 2012 - RM66,075,000).

Details of the terms and conditions of the finance lease arrangement are disclosed in Note 23.

**17. INTANGIBLE ASSETS**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Goodwill</u>				
At 1 January	1,899,875	1,938,994	695,393	695,393
Exchange differences	77,545	(39,119)	-	-
At 31 December	<u>1,977,420</u>	<u>1,899,875</u>	<u>695,393</u>	<u>695,393</u>
<u>Intangible Assets</u>				
At 1 January	26,472	26,482	-	-
Exchange differences	20	(10)	-	-
At 31 December	<u>26,492</u>	<u>26,472</u>	<u>-</u>	<u>-</u>
Total carrying amounts of goodwill and intangible assets	<u>2,003,912</u>	<u>1,926,347</u>	<u>695,393</u>	<u>695,393</u>



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**17. INTANGIBLE ASSETS (continued)**
Impairment Assessment on Goodwill and Intangible Assets

For purposes of impairment assessment, goodwill and intangible assets have been allocated to the Group's cash-generating units ("CGU"), which are either operating segments or at a level not larger than an operating segment, as follows:

	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
<b>As at 31 December 2013</b>				
<u>Cash-generating unit:</u>				
Hire purchase financing	395,953	395,953	9.8	5.6
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	8.8	5.6
Hong Kong operations	1,234,661	-	7.0	4.8
Fund management	19,555	-	8.8	5.6
Investment banking	54,303	-	9.8	5.6
	<u>2,003,912</u>	<u>695,393</u>		
<b>As at 31 December 2012</b>				
<u>Cash-generating unit:</u>				
Hire purchase financing	395,953	395,953	10.5	5.7
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	9.5	5.7
Hong Kong operations	1,157,096	-	7.1	5.4
Fund management	19,555	-	9.5	5.7
Investment banking	54,303	-	10.5	5.7
	<u>1,926,347</u>	<u>695,393</u>		





---

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

---

**17. INTANGIBLE ASSETS (continued)**Impairment Assessment on Goodwill and Intangible Assets (continued)

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. For annual impairment assessment purposes, the recoverable amount of the CGUs are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the date of assessment of the respective CGU. Cash flow projections are based on five (5) years financial budgets approved by management. Cash flows beyond the fifth (5) year are extrapolated to fifty (50) years using a nominal long-term growth rate which does not exceed the average of the last twenty (20) years' inflation-adjusted Gross Domestic Product growth rates of the respective countries where the CGUs operate. The forecast period is based on the Group's long-term perspective with respect to the operation of these units. Impairment is recognised in the statement of profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

The intangible assets consist mainly of a share-broking licence and stock exchange trading rights which are deemed to have indefinite useful lives as there are no expiry dates. The recoverable amount of the intangible assets have been assessed using the value-in-use method, by discounting the estimated cash flows from their CGUs. Impairment is recognised in the statement of profit or loss when the carrying amount of the CGUs exceeds their recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill and intangible assets to exceed the recoverable amount of the CGU. Based on this review, there is no evidence of impairment on the Group's and the Bank's goodwill and intangible assets.



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

**18. DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
<b>At amortised cost</b>				
Core deposits:				
- Demand deposits	38,202,745	32,632,541	33,382,002	28,643,745
- Savings deposits	25,824,590	23,726,493	18,349,316	16,843,952
- Fixed deposits	137,230,286	120,675,603	107,341,341	93,931,585
	<u>201,257,621</u>	<u>177,034,637</u>	<u>159,072,659</u>	<u>139,419,282</u>
Wholesale deposits:				
- Negotiable instruments of deposit	1,620,398	1,223,620	651,420	90,112
- Money market deposits	47,881,370	46,593,137	42,036,700	41,991,233
	<u>49,501,768</u>	<u>47,816,757</u>	<u>42,688,120</u>	<u>42,081,345</u>
Other deposits	113,800	190,931	110,813	187,817
	<u>250,873,189</u>	<u>225,042,325</u>	<u>201,871,592</u>	<u>181,688,444</u>

Deposits from customers of the Bank and its wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad are insured by Perbadanan Insurans Deposit Malaysia ("PIDM"), up to a maximum limit of RM250,000 per depositor per PIDM member bank. The deposit insurance covers all Ringgit Malaysia and foreign currency deposits held under current accounts, savings accounts and fixed deposits, inclusive of Islamic deposits. This guarantee excludes money market deposits and negotiable instruments of deposits.

Included in deposits from customers of the Group and the Bank are deposits of RM2,387,530,000 (31 December 2012 - RM2,158,106,000) and RM1,639,713,000 (31 December 2012 - RM1,535,859,000) respectively held as collateral for loans, advances and financing.

The maturity structure of fixed deposits, negotiable instruments of deposit and money market deposits 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
Due within six months	162,340,586	151,771,362	128,981,442	121,861,534
More than six months to one year	24,080,964	16,345,923	20,876,847	14,023,613
More than one year to three years	306,626	367,778	167,761	122,377
More than three years to five years	3,878	7,297	3,411	5,406
	<u>186,732,054</u>	<u>168,492,360</u>	<u>150,029,461</u>	<u>136,012,930</u>



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

**18. DEPOSITS FROM CUSTOMERS (continued)**

The deposits are sourced from the following types of customers:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Federal and state governments	1,451,465	1,617,446	234,600	162,506
Local government and statutory authorities	2,695,427	3,154,490	1,610,984	2,041,839
Business enterprises	77,616,935	64,959,217	62,433,119	52,239,124
Individuals	111,921,512	102,008,645	97,008,165	88,167,268
Foreign customers	6,655,412	4,444,181	5,914,089	3,840,822
Others	50,532,438	48,858,346	34,670,635	35,236,885
	<u>250,873,189</u>	<u>225,042,325</u>	<u>201,871,592</u>	<u>181,688,444</u>

**19. DEPOSITS FROM BANKS**

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
<b>At amortised cost</b>				
Licensed banks	4,234,141	3,080,562	2,893,468	2,168,377
Licensed Islamic banks	1,063,881	1,428,121	713,881	808,850
Licensed investment banks	3,473,912	3,573,682	3,494,590	3,435,195
Bank Negara Malaysia	1,980,255	2,602,861	1,977,865	2,602,861
Other financial institutions	5,423,647	2,164,087	7,843,244	5,393,495
	<u>16,175,836</u>	<u>12,849,313</u>	<u>16,923,048</u>	<u>14,408,778</u>

**20. BILLS AND ACCEPTANCES PAYABLE**

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

**21. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS**

This represents the proceeds received from housing loans (including Islamic financing) sold directly to Cagamas Berhad with recourse to the Bank and its wholly-owned subsidiary company, Public Islamic Bank Berhad. Under this agreement, the Bank and its subsidiary company undertake to administer the loans on behalf of Cagamas Berhad and to buy-back any loans which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.



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

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS**

	Note	Group		Bank	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
<b>At amortised cost</b>					
Borrowings	(a)	463,391	864,911	-	-
<b>At amortised cost, modified for change in value as a result of fair value hedges</b>					
Senior Medium Term Notes	(b)	399,007	-	399,007	-
Subordinated notes	(c)	5,432,922	4,937,918	5,432,922	4,937,918
Innovative Tier I capital securities	(d)	1,957,844	1,955,765	1,957,844	1,955,765
Non-Innovative Tier I stapled securities	(e)	2,116,661	2,188,259	2,116,661	2,188,259
		<u>9,906,434</u>	<u>9,081,942</u>	<u>9,906,434</u>	<u>9,081,942</u>
		<u>10,369,825</u>	<u>9,946,853</u>	<u>9,906,434</u>	<u>9,081,942</u>

**(a) Borrowings**

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Unsecured:				
Term loans	463,391	864,911	-	-

The unsecured term loans are denominated in Hong Kong Dollars. The loans are repayable within one year and bear interest at HIBOR plus 0.65% to 1.50% (31 December 2012 - HIBOR plus 0.65% to 1.20%).



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(b) Senior Medium Term Notes ("Senior MTNs")**

	Group and Bank	
	31 December 2013	31 December 2012
	RM'000	RM'000
Issued under the RM5.0 billion Senior MTNs Programme:		
RM400 million Senior MTNs due in 2018	399,007	-

On 5 April 2013, the Bank obtained the approval from the Securities Commission for the establishment of a Senior Medium Term Notes Programme ("Senior MTNs Programme") to issue Senior MTNs of up to RM5.0 billion in nominal value. The tenor of the Senior MTNs Programme will be up to twenty (20) years from the date of first issuance. The Senior MTNs may be issued in series and each issuance shall have a tenure of more than one (1) year as may be determined by the Bank, provided that the Senior MTNs shall mature on or prior to the expiry of the Senior MTNs Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Senior MTNs constitute direct unsecured liabilities of the Bank, and rank at least pari passu with all other present and future unsecured liabilities of the Banks, except for those liabilities preferred by law.

During the year, the Bank has issued a total of RM400 million in nominal value of Senior MTNs with a tenor of 5 years with interest ranging from 3.65% to 3.67% per annum.



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

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)**

**(c) Subordinated Notes**

	Note	Group and Bank	
		31 December 2013 RM'000	31 December 2012 RM'000
Issued under the RM5.0 billion Subordinated Medium Term Note Programme:			
First tranche:			
RM1,400 million 4.73% Subordinated Notes due in 2018, callable with step-up in 2013	(i)(a)	-	1,399,824
Second tranche:			
RM200 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(i)(b)	199,966	199,926
Third tranche:			
RM223 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(i)(c)	222,958	222,913
Fourth tranche:			
RM50 million 4.60% Subordinated Notes due in 2019, callable with step-up in 2014	(i)(d)	49,990	49,980
Fifth tranche:			
RM3,000 million 4.28% Subordinated Notes due in 2022, callable in 2017	(i)(e)	2,998,207	2,997,708
Issued under the RM10.0 billion Basel III - Compliant Tier II Subordinated Medium Term Notes Programme:			
First tranche:			
RM1,000 million 4.80% Subordinated Notes due in 2023, callable in 2018	(ii)(a)	999,116	-
Second tranche:			
RM450 million 4.77% Subordinated Notes due in 2023, callable in 2018	(ii)(b)	450,000	-
Third tranche:			
RM500 million 4.73% Subordinated Notes due in 2023, callable in 2018	(ii)(c)	500,000	-
		5,420,237	4,870,351
Realised / unrealised fair value loss arising from fair value hedge		12,685	67,567
		5,432,922	4,937,918



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(c) Subordinated Notes (continued)**

- (i) On 13 March 2008, the Bank obtained approval from Bank Negara Malaysia ("BNM") for a Subordinated Medium Term Note Programme ("the MTN Programme") for the issuance of up to RM5.0 billion in aggregate principal value of Subordinated Notes. The tenor of the MTN Programme will be up to fifteen (15) years, with the maturity for each issuance to range between ten (10) to fifteen (15) years, and callable from five (5) years prior to the relevant maturity date of each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Subordinated Notes to be issued under the MTN Programme shall be issued at par. The Notes will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable).

The Bank has issued the following tranches of Subordinated Notes under the MTN Programme:

- (a) On 16 May 2008, the Bank issued the first tranche of RM1,400 million in aggregate principal amount of Subordinated Notes due in 2018 callable with step-up in 2013. The Notes bear interest at the rate of 4.73% per annum from (and including) 16 May 2008 to (but excluding) 16 May 2013 and thereafter, at the rate of 5.73% per annum from (and including) 16 May 2013 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest is payable semi-annually in arrears on 16 May and 16 November each year commencing 16 November 2008. These Notes were fully redeemed on 16 May 2013 together with accrued interest.
- (b) On 6 November 2009, the Bank issued the second tranche of RM200 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 6 November 2009 to (but excluding) 6 November 2014 and thereafter, at the rate of 5.60% per annum from (and including) 6 November 2014 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest is payable semi-annually in arrears on 6 May and 6 November each year commencing 6 May 2010.
- (c) On 10 December 2009, the Bank issued the third tranche of RM223 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 10 December 2009 to (but excluding) 10 December 2014 and thereafter, at the rate of 5.60% per annum from (and including) 10 December 2014 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest is payable semi-annually in arrears on 10 June and 10 December each year commencing 10 June 2010.



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(c) Subordinated Notes (continued)**

- (d) On 31 December 2009, the Bank issued the fourth tranche of RM50 million in aggregate principal amount of Subordinated Notes due in 2019 callable with step-up in 2014. The Notes bear interest at the rate of 4.60% per annum from (and including) 31 December 2009 to (but excluding) 31 December 2014 and thereafter, at the rate of 5.60% per annum from (and including) 31 December 2014 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest is payable semi-annually in arrears on 30 June and 31 December each year commencing 30 June 2010.
- (e) On 3 August 2011, the Bank issued the fifth tranche of RM3,000 million in aggregate principal amount of Subordinated Notes due in 2022 callable in 2017. The Notes bear interest at the rate of 4.28% per annum from (and including) 3 August 2011 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 3 February and 3 August each year commencing 3 February 2012.
- (ii) The Bank obtained approval from BNM and the Securities Commission vide their letters dated 14 June 2013 and 10 July 2013 respectively, to establish a Basel III - Compliant Tier II Subordinated Medium Term Notes Programme ("the Basel III - Compliant MTNs Programme") of up to RM10.0 billion in Nominal value. The tenor of the Basel III - Compliant MTNs Programme will be up to thirty (30) years, with the tenure for each issuance not less than five (5) years from the issue date, and callable not earlier than five (5) years prior to the relevant maturity date of each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Notes will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer fully qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their nominal amount.

Non Viability Loss Absorption

In the event of an occurrence of a Non-Viability Event as determined by BNM and the Perbadanan Insurans Deposit Malaysia ("PIDM"), the Bank may be required, irrevocably (without the need for the consent of the holders of such Notes) to effect either a write-off in whole or in part of the outstanding principal and accrued and unpaid interest in respect of such Notes. The Trigger Event would be the earlier of:

- (a) The notification by BNM and PIDM to the Bank in writing that they are of the view that the principal or partial write off of the Notes, together with the conversion or write off of any other Tier II capital instruments and Tier I capital instruments which, pursuant to their terms or by operation of law, are capable of being converted into equity or written off at that time, is an essential requirement to prevent the Bank from becoming non-viable; and





---

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

---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(c) Subordinated Notes (continued)**

- (b) The public announcement by BNM and PIDM that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Bank, without which the Bank would cease to be viable.

To the extent relevant in the event that such Notes are written-off, any written-off amount shall be irrevocably lost and holders of such Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write-off.

Upon the occurrence of a Non-Viability Event above, the Bank shall first convert or write off the relevant Tier I instruments, to be followed by the write off or conversion of the relevant Tier II instruments on a pari passu basis. Such write off shall not constitute an event of default or enforcement event, nor would it trigger any cross-default under the Notes. A Non-Viability Event shall be deemed to have occurred on the day on which the Bank received the notification from BNM.

The Bank has issued the following tranches of Subordinated Notes under the Basel III - Compliant MTNs Programme:

- (a) On 25 September 2013, the Bank issued the first tranche of RM1,000 million in aggregate nominal amount of Subordinated Notes due in 2023 callable in 2018. The Notes bear interest at the rate of 4.80% per annum from (and including) 25 September 2013 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 25 March and 25 September each year commencing 25 March 2014.
- (b) On 28 October 2013, the Bank issued the second tranche of RM450 million in aggregate nominal amount of Subordinated Notes due in 2023 callable in 2018. The Notes bear interest at the rate of 4.77% per annum from (and including) 28 October 2013 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 28 April and 28 October each year commencing 28 April 2014.
- (c) On 15 November 2013, the Bank issued the third tranche of RM500 million in aggregate nominal amount of Subordinated Notes due in 2023 callable in 2018. The Notes bear interest at the rate of 4.73% per annum from (and including) 15 November 2013 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 15 May and 15 November each year commencing 15 May 2014.



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(c) Subordinated Notes (continued)**

The above Subordinated Notes constitute unsecured liabilities of the Bank, and are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank, other than the Innovative Tier I Capital Securities and the Non-Innovative Tier I Stapled Securities, which are subordinated to the Subordinated Notes, in accordance with the terms and conditions of the Subordinated Notes.

In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components) dated 28 November 2012 for the purpose of determining the capital adequacy ratios of the Group and the Bank, Subordinated Notes issued prior to 31 December 2012 will qualify as Tier II Capital but are subject to a gradual phase-out treatment with effective from 1 January 2013. The Subordinated Notes issued after 31 December 2012 which are Basel III - Compliant are fully qualified as Tier II Capital.

The Bank has entered into interest rate swap contracts as fair value hedges of its Subordinated Notes in order to minimise its exposure to interest rate volatility, resulting in a change in the value of the Subordinated Notes. The Bank does not restate the value of its Subordinated Notes as a result of changes in its own credit risk.

**(d) Innovative Tier I Capital Securities**

	Note	Group and Bank	
		31 December 2013 RM'000	31 December 2012 RM'000
USD200 million 6.84% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(i)	655,587	611,044
RM1,200 million 5.10% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(ii)	1,199,456	1,199,273
		<u>1,855,043</u>	<u>1,810,317</u>
Realised / unrealised fair value loss arising from fair value hedge		102,801	145,448
		<u>1,957,844</u>	<u>1,955,765</u>

- (i) On 22 August 2006, the Bank issued USD200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the USD IT-I Securities") due in 2036 and callable with step-up in 2016. The USD IT-I Securities bear interest at the rate of 6.84% per annum from (and including) 22 August 2006 to (but excluding) 22 August 2016 and thereafter, at the interest rate per annum of 2.30% above the London Interbank Offered Rate for three-month US Dollar deposits. The interest is payable semi-annually in arrears on 22 February and 22 August each year commencing on 22 February 2007 to 22 August 2016, and thereafter quarterly in arrears on 22 February, 22 May, 22 August and 22 November of each year.



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(d) Innovative Tier I Capital Securities (continued)**

The Bank may, at its option, defer the payment of interest up to a limit of 50 per cent of the aggregate principal of the USD IT-I Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the USD IT-I Securities. The USD IT-I Securities were issued at a price of 100.0 percent of the principal amount of the USD IT-I Securities. The USD IT-I Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the USD IT-I Securities will no longer qualify as Tier I Capital for the purposes of BNM's capital adequacy requirement or on 22 August 2016 or on any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable).

- (ii) On 22 December 2006, the Bank issued RM1,200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the RM IT-I Securities") due in 2036 and callable with step-up in 2016. The RM IT-I Securities bear interest at the rate of 5.10% per annum from (and including) 22 December 2006 to (but excluding) 22 December 2016 and thereafter, at the interest rate per annum of 1.82% above the three-month Kuala Lumpur Interbank Offered Rate. The interest is payable semi-annually in arrears on 22 June and 22 December each year commencing on 22 June 2007 to 22 December 2016, and thereafter quarterly in arrears on 22 March, 22 June, 22 September and 22 December of each year.

The Bank may, at its option, defer the payment of interest up to a limit of 50 per cent of the aggregate principal of the RM IT-I Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the RM IT-I Securities. The RM IT-I Securities were issued at a price of 100.0 percent of the principal amount of the RM IT-I Securities. The RM IT-I Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the RM IT-I Securities will no longer qualify as Tier I Capital for the purposes of BNM's capital adequacy requirement or on 22 December 2016 or on any interest payment date thereafter at their principal amount plus accrued interest (if applicable).

The Innovative Tier I Capital Securities above are unsecured liabilities of the Bank and rank *pari passu* among themselves and equally with the Non-Innovative Tier I Stapled Securities, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities including the Subordinated Notes of the Bank in accordance with the terms and conditions of the Innovative Tier I Capital Securities.

In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components) for the purpose of determining the capital adequacy ratios of the Group and the Bank, the Innovative Tier I Capital Securities issued prior to 31 December 2012 will qualify as Tier I Capital but are subject to a gradual phase-out treatment with effective from 1 January 2013.



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(d) Innovative Tier I Capital Securities (continued)**

The Bank has entered into interest rate swap contracts as fair value hedges of its Innovative Tier I Capital Securities in order to minimise its exposure to interest rate volatility, resulting in a change in the value of the capital securities. The Bank does not restate the value of its Innovative Tier I Capital Securities as a result of changes in its own credit risk.

**(e) Non-Innovative Tier I Stapled Securities**

		Group and Bank	
		31 December 2013	31 December 2012
	Note	RM'000	RM'000
Issued under the RM5.0 billion Non-Innovative Tier I Stapled Securities Programme:			
First tranche:			
RM1,200 million 7.50% Stapled Securities callable in 2019	(i)	1,195,901	1,195,146
Second tranche:			
RM888 million 7.20% Stapled Securities callable in 2019	(ii)	888,000	888,000
		2,083,901	2,083,146
Unrealised fair value loss arising from fair value hedge		32,760	105,113
		2,116,661	2,188,259

On 16 March 2009, the Bank and PBFIN Berhad ("PBFIN"), a wholly-owned subsidiary company of the Bank, obtained approval from BNM for a Non-Innovative Tier I Stapled Securities ("Stapled Securities") Programme ("the NIT-I Programme") for the issuance of up to RM5.0 billion in nominal value of Stapled Securities, comprising the following securities:

- (a) Non-Cumulative Perpetual Capital Securities ("NCPCS") issued by the Bank; and
- (b) Subordinated Notes ("Sub-Notes") issued by PBFIN.

The NCPCS are stapled to an equivalent amount in nominal value of the Sub-Notes.

Under the NIT-I Programme, the tenor of the NCPCS will be perpetual, with the first optional redemption date to be on a date falling no earlier than the fifth (5th) anniversary of the first issue date, whilst the Sub-Notes have a maturity of fifty (50) years. The NCPCS will not be subject to the payment of any distribution until the occurrence of an assignment event, upon which distribution will be accrued at a fixed interest rate to be determined prior to each issuance of NCPCS. The Sub-Notes will bear interest at a rate which is the same rate as the distribution of the NCPCS together with which the Sub-Notes are stapled, payable semi-annually in arrears. Therefore, the Stapled Securities are effectively issued by the Bank and PBFIN at a pre-determined fixed interest rate.



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(e) Non-Innovative Tier I Stapled Securities (continued)**

The Bank and PBFIN have issued the following tranches of Stapled Securities under the NIT-I Programme:

- (i) On 5 June 2009, the Bank and PBFIN issued the first tranche of RM1,200 million in nominal value of Stapled Securities. The first optional redemption date of the NCPCS will be on 5 June 2019, whilst the Sub-Notes are due on 5 June 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.50% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.50% per annum.
- (ii) On 13 November 2009, the Bank and PBFIN issued the second tranche of RM888 million in nominal value of Stapled Securities. The first optional redemption date of the NCPCS will be on 13 November 2019, whilst the Sub-Notes are due on 13 November 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.20% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.20% per annum.

The other salient features of the NIT-I Programme are as follows:

The Bank may, at its option, redeem the NCPCS in whole but not in part, on a date falling no earlier than the fifth (5th) anniversary of the first issue date or on any distribution payment date thereafter, subject to fulfilling the following redemption conditions:

- (i) the Bank is solvent at the time of redemption and immediately thereafter;
- (ii) the Bank is not in breach of BNM's minimum capital adequacy ratio requirements; and
- (iii) the Bank has obtained written approval from BNM prior to the redemption.

The NCPCS will cease to be stapled to the Sub-Notes only upon the occurrence of an assignment event. Once unstapled, ownership of the Sub-Notes will be assigned to the Bank pursuant to a note assignment agreement entered into between the Bank and investors of the Stapled Securities on the date of the issue of the Stapled Securities. These investors will then hold only the NCPCS. An assignment event means the occurrence of any of the following events:

- (i) the Bank elects that an assignment event occurs; or
- (ii) BNM determines that an assignment event should occur; or
- (iii) the redemption of the NCPCS pursuant to:
  - (a) a tax redemption, whereby there is a more than an insubstantial risk that, as a result of changes in the applicable tax regulations, the Bank and/or PBFIN would become obliged to pay additional amounts or will no longer be able to obtain tax deductions for interest payments on the Sub-Notes or the inter-company loan between the Bank and PBFIN; or
  - (b) a regulatory redemption, whereby the NCPCS no longer qualify as Non-Innovative Tier I Capital of the Bank for the purposes of BNM's capital adequacy ratio requirements; or
  - (c) redemption of the NCPCS on the optional redemption date.



---

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


---

**22. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (continued)****(e) Non-Innovative Tier I Stapled Securities (continued)**

- (iv) the deferral of any interest on the Sub-Notes; or
- (v) the Bank is in breach of BNM's minimum capital adequacy ratio requirements; or
- (vi) the commencement of winding up proceeding in respect of the Bank or PBFIN; or
- (vii) the appointment of an administrator in connection with the restructuring of the Bank or PBFIN;  
or
- (viii) the occurrence of the optional redemption date; or
- (ix) PBFIN ceases to be, directly or indirectly, a wholly-owned subsidiary company of the Bank.

The Bank will not be able to pay any dividends to its shareholders or make any interest payments on any securities ranking pari passu with or junior to the NCPCS or acquire any of its ordinary shares or redeem any securities ranking pari passu with or junior to the NCPCS (collectively referred to as the "Dividend and Capital Stopper") if, following the occurrence of an assignment event, the Bank does not pay a distribution on the NCPCS on its due date for payment. The Dividend and Capital Stopper will only cease to be effective upon the resumption of payments of distribution on the NCPCS for a continuous period of one (1) year.

The NCPCS are direct and unsecured obligations of the Bank. The NCPCS rank pari passu and without preference among themselves, with the existing RM1,200 million and USD200 million Innovative Tier I Capital Securities and with the most junior class of preference shares (if any), but in priority to the rights and claims of holders of ordinary shares of the Bank. The NCPCS are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank including the Subordinated Notes of the Bank.

The Sub-Notes constitute direct and unsecured obligations of PBFIN. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of preference shares (if any) of PBFIN, but in priority to the rights and claims of holders of ordinary shares of PBFIN. The Sub-Notes will be subordinated in right of payment upon the occurrence of any winding up proceeding of PBFIN to the prior payment in full of all liabilities of PBFIN except to those liabilities which rank equal with or junior to the Sub-Notes.

The NCPCS qualify as Non-Innovative Tier I Capital Instruments. In line with the transitional arrangements of the BNM's Capital Adequacy Framework (Capital Components) for the purpose of determining the capital adequacy ratios of the Group and the Bank, the NCPCS issued prior to 31 December 2012 will qualify as Tier I capital but are subject to a gradual phase-out treatment with effective from 1 January 2013.

The Group has entered into interest rate swap contracts as fair value hedges of its Stapled Securities in order to minimise its exposure to interest rate volatility, resulting in a change in the value of the capital securities. The Bank does not restate the value of its Non-Innovative Tier I Capital Securities as a result of changes in its own credit risk.



---

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


---

**23. OTHER LIABILITIES**

	Group		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Interest / Income payable	1,186,739	1,102,170	866,442
Other payables and accruals	2,351,233	2,120,839	2,218,605
Amount due to trust funds *	66,534	46,656	65,013
Unprocessed sales and / or redemptions #	118,778	127,505	50,798
Profit Equalisation Reserve of the investment account holder	-	265	-
Finance lease liabilities **	26,484	60,723	93,779
Outstanding contracts on clients' accounts ^	255,125	199,195	249,464
Dividend payable to shareholders	15,523	12,896	16,143
	4,020,416	3,670,249	3,560,244

  

	Bank		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Interest / Income payable	1,009,164	935,099	748,209
Other payables and accruals	1,803,877	1,565,466	1,595,561
Finance lease liabilities **	26,484	60,723	93,779
Dividend payable to shareholders	1,866	2,461	2,933
Amount due to subsidiary companies @	4,200	15,139	17,373
	2,845,591	2,578,888	2,457,855

\* This balance refers to amount due to trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units.

# The unprocessed sales and/or redemptions are in respect of the fund management activities of a subsidiary company.



---

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


---

**23. OTHER LIABILITIES (continued)**

\*\* Finance lease liabilities of the Group and the Bank are payable as follows:

	31 December 2013		
	Future Minimum Lease Payments RM'000	Future Finance Charges RM'000	Present Value of Finance Lease Liabilities RM'000
Less than one year	26,953	469	26,484
	31 December 2012		
	Future Minimum Lease Payments RM'000	Future Finance Charges RM'000	Present Value of Finance Lease Liabilities RM'000
Less than one year	35,932	1,693	34,239
Between one and three years	26,953	469	26,484
	62,885	2,162	60,723

The Bank leases computer equipment and software under finance lease (Note 16). At the end of the lease term, the Bank has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

^ These balances relate to contracts entered by the stock-broking business of the investment banking subsidiary company on behalf of clients where settlements are yet to be made and amount due to Bursa Malaysia Securities Clearing Sdn. Bhd. The trade settlement is three (3) market days according to Bursa Malaysia Securities Berhad's trading rules.

@ These balances are unsecured, non-interest bearing and have no fixed terms of repayment.





---

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

---

**24. EMPLOYEE BENEFITS****(a) Defined Benefit Plan**

The Bank and certain subsidiary companies contribute to a defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Under the Fund, eligible employees are entitled to one month of the final or last drawn salary for each completed year of service with the Group upon attainment of retirement age. Effective from 1 July 2013, the normal retirement age was raised from 55 years to 60 years in accordance with Malaysia's Minimum Retirement Age Act 2012, and an optional retirement age, from 55 years to anytime prior to 60 years was introduced. For employees who leave before the attainment of the normal retirement age or the optional retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund. The deed of variation to effect these changes is pending the approval of the Inland Revenue Board.

The defined benefit plan is a tax exempt fund, fully funded by the Bank and certain subsidiary companies which are participating companies of the plan. Employees are not required to contribute to the plan. The funding requirements are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions as set out below. The latest actuarial valuation for funding purposes was made as at 31 December 2012 by Actuarial Partners Consulting Sdn. Bhd.

As at 31 December 2013, the plan is in surplus of RM294,339,000 and no contributions are required to be made to the plan in the forthcoming financial year by the Group and the Bank. However, should there be a significant fall in value of the asset portfolio of the plan, an actuarial valuation will be conducted to re-assess the funding requirement.

The assets of the Fund are held separately from the assets of the Group and the Bank and are administered by a board of trustees. There are three (3) trustees currently, one (1) of whom is a member of the Board of Directors of the Bank and the remaining two (2) trustees are members of senior management of the Bank.

The defined benefit plan exposes the Group and the Bank to actuarial risks such as market (investment) risk, interest rate risk and salary risk. Market risk arises from investments delivering an inadequate return; changes in interest rate would affect the cost of borrowings as well as valuation of plan obligations; salary risk arises from higher than expected salary increase leading to higher plan obligations.

The investments of the plan comply with the requirement of the income tax ruling for tax exempt funds that 80% of the plan assets (gross) are invested in specified assets with at least 20% of plan assets (gross) in government issued securities. The strategic investment policy of the defined benefit plan can be summarised as plan asset mix based on 20% to 30% of investment properties, 20% to 25% of government securities and 45% to 60% in a combination of equities, unit trusts and cash.

Compliance with investment policies are reported quarterly to the Board of Trustees.



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

24. **EMPLOYEE BENEFITS (continued)**

(a) **Defined Benefit Plan (continued)**

A reconciliation of the opening balance of net assets is as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January				
- as previously stated	99,723	92,709	96,303	89,527
- effects of adoption of MFRS 119	99,356	120,672	95,948	116,534
At 1 January, as restated	<u>199,079</u>	<u>213,381</u>	<u>192,251</u>	<u>206,061</u>

The amounts recognised in the statements of financial position are determined as follows:

	Group		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Present value of funded obligations	(722,167)	(626,318)	(490,348)
Fair value of plan assets	1,016,506	825,397	703,729
Net assets (Note 10)	<u>294,339</u>	<u>199,079</u>	<u>213,381</u>

  

	Bank		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Present value of funded obligations	(702,379)	(604,835)	(473,529)
Fair value of plan assets	988,685	797,086	679,590
Net assets (Note 10)	<u>286,306</u>	<u>192,251</u>	<u>206,061</u>



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

## 24. EMPLOYEE BENEFITS (continued)

## (a) Defined Benefit Plan (continued)

Movements in the present value of funded obligations are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Obligation at 1 January				
- as previously stated	522,794	490,348	504,862	473,529
- effects of adoption of MFRS 119	103,524	-	99,973	-
Obligation at 1 January, as restated	626,318	490,348	604,835	473,529
Recognised in the statement of profit or loss				
- current service cost	46,340	32,770	45,070	31,646
- interest cost	32,336	29,708	31,450	28,689
- past service cost	41,086	30,125	39,960	29,091
- allocation adjustment	-	-	4,322	-
Benefits paid - the Fund	(23,913)	(33,841)	(23,258)	(32,680)
Remeasurements recognised in other comprehensive income				
- effects of changes in demographic assumptions	-	33,612	-	32,459
- effects of changes in financial assumptions	-	43,596	-	42,101
Obligation at 31 December	722,167	626,318	702,379	604,835

Movements in the fair value of plan assets are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Fair value at 1 January	825,397	703,729	797,086	679,590
Recognised in the statement of profit or loss				
- interest income	42,788	42,925	41,615	41,453
- allocation adjustment	-	-	5,695	-
Benefits paid - the Fund	(23,913)	(33,841)	(23,258)	(32,680)
Remeasurements recognised in other comprehensive income				
- return on plan assets (excluding amounts included in interest income)	172,234	112,584	167,547	108,723
Fair value at 31 December	1,016,506	825,397	988,685	797,086



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**24. EMPLOYEE BENEFITS (continued)**
**(a) Defined Benefit Plan (continued)**

The fair value of plan assets constitutes the following:

	Note	Group		Bank	
		31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Deposit placements and cash		100,007	11	97,267	11
Government Securities		428,949	522,603	417,236	504,678
Quoted equity securities	(i)	788,081	643,431	766,488	621,361
Unit trust funds	(ii)	342,900	317,794	333,496	306,894
Properties	(iii)	485,073	426,160	471,781	411,543
Plan assets (gross)		2,145,010	1,909,999	2,086,268	1,844,487
Other assets / (liabilities) (net)		(6,191)	(3,376)	(6,021)	(3,260)
Borrowings		(1,122,313)	(1,081,226)	(1,091,562)	(1,044,141)
		1,016,506	825,397	988,685	797,086

(i) Quoted equity securities 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
Financial institutions *	512,568	429,722	498,524	414,982
Insurance companies	181,817	151,584	176,835	146,385
Property companies	92,942	61,486	90,396	59,377
Commercial / trading companies	630	515	612	497
Others	124	124	121	120
	788,081	643,431	766,488	621,361

\* Included in the fair value of equity securities of the Fund are ordinary shares of the Bank with a fair value of RM510,245,000 (31 December 2012 - RM427,628,000).



---

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


---

## 24. EMPLOYEE BENEFITS (continued)

## (a) Defined Benefit Plan (continued)

(ii) Unit trust funds analysed by type of funds 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
Equity funds	110,162	95,159	107,144	91,895
Bond funds	162,456	157,754	158,005	152,343
Balanced funds	54,870	49,946	53,357	48,233
Dividend funds	15,412	14,935	14,990	14,423
	<u>342,900</u>	<u>317,794</u>	<u>333,496</u>	<u>306,894</u>

(iii) Properties analysed by type of properties 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
Terraced shop offices	438,953	380,375	426,925	367,328
Stratified office lots	28,400	28,400	27,622	27,426
Commercial buildings	16,750	16,450	16,291	15,886
Residential buildings	970	935	943	903
	<u>485,073</u>	<u>426,160</u>	<u>471,781</u>	<u>411,543</u>

\* All the properties held as plan assets of the Group and the Bank are occupied by the Bank and certain subsidiary companies of the Group. Certain floors in the commercial buildings and terraced shop offices are tenanted by external parties of which they contributed about 2.5% of the total rental income from properties.



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**24. EMPLOYEE BENEFITS (continued)**
**(a) Defined Benefit Plan (continued)**

The amounts recognised under other operating expenses in the statement of profit or loss are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Current service cost	46,340	32,770	45,070	31,646
Interest cost	32,336	29,708	31,450	28,689
Interest income	(42,788)	(42,925)	(41,615)	(41,453)
Past service cost	41,086	30,125	39,960	29,091
Allocation adjustment	-	-	(1,373)	-
Amount included under "personnel costs" (Note 35(a))	<u>76,974</u>	<u>49,678</u>	<u>73,492</u>	<u>47,973</u>

Actual return on plan assets are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income on plan assets	42,788	42,925	41,615	41,453
Remeasurements on plan assets	172,234	112,584	167,547	108,723
Actual return on plan assets	<u>215,022</u>	<u>155,509</u>	<u>209,162</u>	<u>150,176</u>

**(i) Actuarial Assumptions**

Principal actuarial assumptions used at the reporting date (expressed as weighted averages):

	Group and Bank		
	31 December 2013	31 December 2012	1 January 2012
Discount rate	5.25%	5.25%	6.25%
Expected rate of salary increases	<u>7.00%</u>	<u>7.00%</u>	<u>7.00%</u>

The discount rate used in the actuarial assumptions is based on a blend of yields of long term high quality corporate bonds. The expected rate of salary increases takes into account the increases in salaries from factors such as inflation, productivity and promotions.

The principal actuarial assumptions are based on the latest actuarial valuation performed as of 31 December 2012.

As at 31 December 2012, the weighted average duration of the defined benefit obligation was 9.0 years.



---

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


---

24. **EMPLOYEE BENEFITS (continued)**(a) **Defined Benefit Plan (continued)**(ii) **Sensitivity Analysis**

The effect of changes in the principal actuarial assumptions on the present value of funded obligations as at 31 December 2013 are as follows:

	31 December 2013	
	Sensitivity	
	+1%	-1%
	RM'000	RM'000
(Decrease) / increase of present value of funded obligations:		
- Discount rate	(69,368)	86,310
- Expected salary	92,960	(76,765)

The sensitivity analysis presented above may not be representative of the actual change in the present value of funded obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

(b) **Equity Compensation Benefits****Public Financial Holdings Limited Group Employees' Share Option Scheme**

On 18 May 2005, an offer of options under the Public Financial Holdings Limited Group Employees' Share Option Scheme ("PFHL ESOS") was made to eligible participants to subscribe for 66,526,000 ordinary shares of Public Financial Holdings Limited ("PFHL"). The expiry date of granting of share options under the PFHL ESOS was 27 February 2012 with the exercise period of ten (10) years from the grant date.

The salient features of the PFHL ESOS are as follows:

- (i) Eligible participants of the PFHL ESOS include directors and employees working under "continuous contracts" for the purposes of the Hong Kong Employment Ordinance;
- (ii) The total number of shares to be issued under the PFHL ESOS shall not exceed in aggregate thirty percent (30%) of the issued and paid-up share capital of PFHL at any point of time during the tenure of the PFHL ESOS.

In addition, any individual director or employee's maximum entitlement shall not exceed one percent (1%) of the ordinary shares of PFHL in issue in the 12 months period up to (and including) the date of the grant. Any substantial shareholder or independent non-executive director's maximum entitlement shall not exceed one tenth percent (0.1%) of the ordinary shares of PFHL in issue and have an aggregate value based on the closing price of the ordinary shares of PFHL at the date of each grant, in excess of HKD5 million in the 12 months period up to (and including) the date of grant;



---

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


---

24. **EMPLOYEE BENEFITS (continued)****(b) Equity Compensation Benefits (continued)**

The salient features of the PFHL ESOS are as follows (continued):

(iii) The option exercise price for each ordinary share of HKD0.10 each of PFHL shall be determined by the directors at their discretion based on the higher of the closing price of the ordinary shares of PFHL on the Hong Kong Stock Exchange ("HKSE") at the offer date and the average closing price of the ordinary shares of PFHL on the HKSE for five (5) business days immediately preceding the offer date and the nominal value of an ordinary share of PFHL; and

(iv) The Group is not legally bound or obliged to repurchase or settle the options in cash.

A summary of the movements in the number of PFHL ESOS and the weighted average exercise prices are as follows:

	2013		2012	
	Number of	Weighted	Number of	Weighted
	share options	average	share options	average
	'000	exercise price	'000	exercise price
		HKD		HKD
At 1 January	25,375	6.35	26,413	6.35
Lapsed	(1,010)	6.35	(1,038)	6.35
At 31 December	<u>24,365</u>	6.35	<u>25,375</u>	6.35
Options exercisable at end of financial year	<u>24,365</u>	6.35	<u>25,375</u>	6.35
Weighted average share price during the financial year		<u>3.83</u>		<u>3.28</u>

Details of PFHL ESOS outstanding as at the end of the financial year are as follows:

<u>Grant Date</u>	<u>Exercise Period</u>	<u>Exercise Price</u>	<u>Number of share options outstanding</u>
			'000
18 May 2005	10 June 2005 to 9 June 2015	HKD6.35	24,365

The weighted average remaining contractual maturity of the PFHL ESOS outstanding as at the end of the financial year was 1.44 years (31 December 2012 - 2.44 years).

There were no new PFHL ESOS granted during the financial year (2012 - Nil). All share options issued have been vested prior to 1 January 2006 and, as allowed by the transitional provisions in MFRS 2 Share-based Payments, the recognition and measurement principles in MFRS 2 have not been applied.





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

**25. PROVISION FOR TAX EXPENSE AND ZAKAT**

	Group		Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Tax expense	584,901	739,954	362,971	522,088
Zakat	328	329	-	-
	<u>585,229</u>	<u>740,283</u>	<u>362,971</u>	<u>522,088</u>

**26. SHARE CAPITAL**

Group and Bank	Number of Ordinary Shares of RM1.00 Each		Amount	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM1.00 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:				
Ordinary shares of RM1.00 each	<u>3,531,926</u>	<u>3,531,926</u>	<u>3,531,926</u>	<u>3,531,926</u>

**27. TREASURY SHARES**

The amount relates to the acquisition cost of treasury shares.

There were no shares bought back by the Bank during the year (31 December 2012 - Nil). The PBB Shares bought back in the previous years are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

None of the treasury shares held were resold or cancelled during the financial year.

Of the total 3,531,925,834 (31 December 2012 - 3,531,925,834) issued and paid-up PBB Shares as at 31 December 2013, 29,800,704 (31 December 2012 - 29,800,704) PBB Shares are held as treasury shares by the Bank. Treasury shares have no rights to voting, dividends and participation in other distribution. As at 31 December 2013, the number of outstanding PBB Shares in issue after the set-off is therefore 3,502,125,130 (31 December 2012 - 3,502,125,130) ordinary shares of RM1.00 each.



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

## 28. OTHER RESERVES

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency		Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	General Reserves RM'000	Profit Equalisation Reserves RM'000	Total RM'000
			Translation Reserves RM'000	Reserves RM'000							
At 1 January 2013	3,860,847	60,442	(84,632)	(6,484)	14,197	-	127,075	128,664	503	4,100,612	
- as previously stated	-	-	-	-	-	-	-	-	-	253,255	
- effects of adoption of MFRS 119 (Note 53)	-	-	-	-	-	-	-	-	-	-	
At 1 January 2013, as restated	3,860,847	60,442	(84,632)	(6,484)	14,197	253,255	127,075	128,664	503	4,353,867	
Net currency translation differences:											
- Currency translation differences in respect of											
- foreign operations	-	-	243,549	-	-	-	-	-	-	243,549	
- net investment hedge	-	-	(209,365)	-	-	-	-	-	-	(209,365)	
	-	-	34,184	-	-	-	-	-	-	34,184	
Net change in revaluation of financial investments available-for-sale:											
- Net unrealised gain	-	-	-	-	22,489	-	-	-	-	22,489	
- Net gain on disposal reclassified to the statement of profit or loss (Note 33)	-	-	-	-	(12,002)	-	-	-	-	(12,002)	
	-	-	-	-	10,487	-	-	-	-	10,487	
Net change in cash flow hedges:											
- Net unrealised loss	-	-	-	(11,173)	-	-	-	-	-	(11,173)	
- Net realised gain reclassified to the statement of profit or loss	-	-	-	(1,083)	-	-	-	-	-	(1,083)	
	-	-	-	(12,256)	-	-	-	-	-	(12,256)	
Gain on remeasurements of defined benefit plans (Note 24 (a))	-	-	-	-	-	172,234	-	-	-	172,234	
Deferred tax (Note 12)	-	-	-	3,063	(3,078)	(43,058)	-	-	-	(43,073)	
Other comprehensive income / (loss)	-	-	34,184	(9,193)	7,409	129,176	-	-	-	161,576	
Transferred from / (to) retained profits	10,081	-	-	-	-	-	241	1,103	(503)	10,922	
At 31 December 2013	3,870,928	60,442	(50,448)	(15,677)	21,606	382,431	127,316	129,767	-	4,526,365	

131

- 186 -



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

Group	Statutory Reserves		Foreign Currency Translation Reserves		Hedging Reserves		Revaluation Reserves		Defined Benefit Reserves		Regulatory Reserves		General Reserves		Profit Equalisation Reserves		Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2012	3,851,106	60,442	(83,987)	2,339	(28,455)	-	126,823	127,746	-	4,056,014	-	-	-	-	-	-	-	-	
- as previously stated	-	-	-	-	-	-	-	-	226,723	-	-	-	-	-	-	-	-	-	
- effects of adoption of MFRS 119 (Note 53)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
At 1 January 2012, as restated	3,851,106	60,442	(83,987)	2,339	(28,455)	-	126,823	127,746	226,723	-	-	-	-	-	-	-	-	4,282,737	
Net currency translation differences:																			
- Currency translation differences in respect of																			
- foreign operations	-	-	(110,246)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(110,246)
- net investment hedge	-	-	109,601	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109,601
	-	-	(645)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(645)
Net change in revaluation of financial investments available-for-sale:																			
- Net unrealised gain	-	-	-	-	55,154	-	-	-	-	-	-	-	-	-	-	-	-	-	55,154
- Net gain on disposal reclassified to the statement of profit or loss (Note 33)	-	-	-	-	(7,629)	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,629)
- Impairment loss recognised in the statement of profit or loss (Note 38)	-	-	-	-	3,533	-	-	-	-	-	-	-	-	-	-	-	-	-	3,533
	-	-	-	-	51,058	-	-	-	-	-	-	-	-	-	-	-	-	-	51,058
Net change in cash flow hedges:																			
- Net unrealised loss	-	-	-	(11,748)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,748)
- Net realised gain reclassified to the statement of profit or loss	-	-	-	(16)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(16)
	-	-	-	(11,764)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,764)
Gain on remeasurements of defined benefit plans (Note 24 (a))	-	-	-	-	-	-	-	-	35,376	-	-	-	-	-	-	-	-	-	35,376
Deferred tax (Note 12)	-	-	-	2,941	(8,406)	-	-	-	(8,844)	-	-	-	-	-	-	-	-	-	(14,309)
Other comprehensive (loss) / income	-	-	(645)	(8,823)	42,652	26,532	-	-	-	-	-	-	-	-	-	-	-	-	59,716
Transferred from retained profits	9,741	-	-	-	-	-	252	918	503	-	-	-	-	-	-	-	-	-	11,414
At 31 December 2012	3,860,847	60,442	(84,632)	(6,484)	14,197	253,255	127,075	128,664	503	-	-	-	-	-	-	-	-	-	4,353,867

132

- 187 -



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

## 28. OTHER RESERVES (continued)

Bank	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined		Total RM'000
				Benefit Reserves RM'000	General Reserves RM'000	
At 1 January 2013						
- as previously stated	3,531,926	(22,807)	3,535	-	1,674	3,514,328
- effects of adoption of MFRS 119 (Note 53)	-	-	-	244,569	-	244,569
At 1 January 2013, as restated	3,531,926	(22,807)	3,535	244,569	1,674	3,758,897
Net change in revaluation of financial investment available-for-sale:						
- Net unrealised gain	-	-	23,228	-	-	23,228
- Net gain on disposal reclassified to the statement of profit or loss (Note 33)	-	-	(12,002)	-	-	(12,002)
	-	-	11,226	-	-	11,226
Net change in cash flow hedges:						
- Net unrealised loss	-	(120,154)	-	-	-	(120,154)
- Net realised gain reclassified to the statement of profit or loss	-	(1,083)	-	-	-	(1,083)
	-	(121,237)	-	-	-	(121,237)
Gain on remeasurements of defined benefit plans (Note 24 (a))	-	-	-	167,547	-	167,547
Deferred tax (Note 12)	-	30,309	(2,806)	(41,887)	-	(14,384)
Other comprehensive (loss) / income	-	(90,928)	8,420	125,660	-	43,152
Transferred from retained profits	-	-	-	-	1,103	1,103
At 31 December 2013	3,531,926	(113,735)	11,955	370,229	2,777	3,803,152

133

- 188 -



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

## 28. OTHER RESERVES (continued)

Bank	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined		Total RM'000
				Benefit Reserves RM'000	General Reserves RM'000	
At 1 January 2012						
- as previously stated	3,531,926	2,339	(19,715)	-	756	3,515,306
- effects of adoption of MFRS 119 (Note 53)	-	-	-	218,947	-	218,947
At 1 January 2012, as restated	3,531,926	2,339	(19,715)	218,947	756	3,734,253
Net change in revaluation of financial investment available-for-sale:						
- Net unrealised gain	-	-	35,096	-	-	35,096
- Net gain on disposal reclassified to the statement of profit or loss (Note 33)	-	-	(7,629)	-	-	(7,629)
- Impairment loss recognised in the statement of profit or loss (Note 38)	-	-	3,533	-	-	3,533
	-	-	31,000	-	-	31,000
Net change in cash flow hedges:						
- Net unrealised loss	-	(33,512)	-	-	-	(33,512)
- Net realised gain reclassified to the statement of profit or loss	-	(16)	-	-	-	(16)
	-	(33,528)	-	-	-	(33,528)
Gain on remeasurements of defined benefit plans (Note 24 (a))	-	-	-	34,163	-	34,163
Deferred tax (Note 12)	-	8,382	(7,750)	(8,541)	-	(7,909)
Other comprehensive (loss) / income	-	(25,146)	23,250	25,622	-	23,726
Transferred from retained profits	-	-	-	-	918	918
At 31 December 2012	3,531,926	(22,807)	3,535	244,569	1,674	3,758,897

134



---

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


---

**28. OTHER RESERVES (continued)**

The statutory reserves of the Group and the Bank are maintained in compliance with Section 47(2)(f) of the Financial Services Act 2013 and Section 57(2)(f) of the Islamic Financial Services Act 2013 and are not distributable as cash dividends.

The capital reserves of the Group arose mainly from the capitalisation of retained profits that resulted from bonus issues by subsidiary companies and the restructuring exercise involving certain subsidiary companies undertaken by the Group in previous years.

The foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiary companies and the subsidiary companies incorporated in the Federal Territory of Labuan, after offsetting the impact of the effective portion of net investment hedges.

The hedging reserves are in respect of the effective portion of unrealised fair value gains and losses on cash flow hedging instruments.

The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale, after offsetting the impact of related fair value hedges.

The defined benefit reserves are in respect of remeasurements of the net defined benefit assets/liabilities.

The regulatory reserves maintained by the Group's banking subsidiary companies in Hong Kong SAR are in line with the requirements of the Hong Kong Monetary Authority. The reserve is held as a buffer to absorb potential credit losses in excess of the requirements of accounting standards.

The general reserves of the Group and the Bank represent non-distributable profit reserves maintained in compliance with the requirements of the guidelines of the Central Bank of Sri Lanka and Prakas B7-010-182 and Circular No. B7-011-001 issued by the National Bank of Cambodia respectively.

The Profit Equalisation Reserves ("PER") of the Group are maintained in compliance with the requirements of the revised PER Guidelines issued by Bank Negara Malaysia.

**29. RETAINED PROFITS**

Prior to the year of assessment 2008, company income tax was based on the full imputation system where tax on dividend was imposed at both the company's and shareholders' level. The tax at shareholders' level took into account the tax imputed at the company's level through tax credits.

Pursuant to the Finance Act, 2007, the single tier system was introduced and took effect from the year of assessment 2008. Under the single tier system, tax on a company's profit is a final tax and dividend distributed to shareholders will be exempted from tax. With the implementation of the single tier system, companies with a credit balance in the Section 108 account are allowed either to elect for an irrevocable option to switch over to the single tier system or to continue using the available credit balance as at 31 December 2007 after adjusting for any tax deductions for the purpose of dividend distribution, until 31 December 2013.

The Bank had elected for the irrevocable option to disregard the remaining available Section 108 balance of RM63,899,000 on 23 February 2011. With such election, the Bank has switched over to the Single Tier System and is therefore allowed to distribute only Single Tier dividend henceforth.



---

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


---

**30. INTEREST INCOME**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loans and advances	9,596,439	8,856,696	8,757,158	8,061,363
Balances with banks	704,391	426,060	660,613	401,149
Financial investments available-for-sale	291,585	334,649	284,662	322,696
Financial investments held-to-maturity	249,862	262,287	174,990	187,645
Others	138,024	112,680	138,008	112,660
	<u>10,980,301</u>	<u>9,992,372</u>	<u>10,015,431</u>	<u>9,085,513</u>
Financial assets held-for-trading	385,791	411,869	352,989	380,085
	<u>11,366,092</u>	<u>10,404,241</u>	<u>10,368,420</u>	<u>9,465,598</u>

Included in interest income on loans and advances for the current year is interest accrued on impaired loans of the Group and the Bank of RM53,248,000 (2012 - RM52,143,000) and RM49,829,000 (2012 - RM49,523,000) respectively.

**31. INTEREST EXPENSE**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits from banks	340,789	238,319	312,498	211,251
Deposits from customers	5,067,506	4,508,322	4,881,538	4,316,230
Loans sold to Cagamas	23	360	23	360
Debt securities issued and other borrowed funds	381,161	392,429	368,931	379,336
Others	6,075	10,166	5,836	9,901
	<u>5,795,554</u>	<u>5,149,596</u>	<u>5,568,826</u>	<u>4,917,078</u>



---

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


---

**32. NET FEE AND COMMISSION INCOME AND EXPENSE**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fee and commission income:				
Commissions	389,199	352,019	451,183	391,719
Service charges and fees	271,588	270,639	205,653	203,307
Guarantee fees	33,517	32,599	30,507	29,574
Processing fees	15,400	14,868	4,451	3,325
Commitment fees	61,445	60,443	58,384	57,700
Unit trust management fees	704,511	609,936	-	-
Fee on sale of trust units	313,801	260,302	-	-
Net brokerage and commissions from stock-broking activities	80,053	75,509	-	-
Other fee and commission income	38,896	49,342	30,253	39,743
	<u>1,908,410</u>	<u>1,725,657</u>	<u>780,431</u>	<u>725,368</u>
Fee and commission expense:				
Loan-related fees	(253,359)	(227,974)	(249,255)	(224,074)
Unit trust agency fees	(362,290)	(313,112)	-	-
Other fee and commission expense	(17,416)	(19,258)	(10,933)	(11,269)
	<u>(633,065)</u>	<u>(560,344)</u>	<u>(260,188)</u>	<u>(235,343)</u>
Net fee and commission income	<u>1,275,345</u>	<u>1,165,313</u>	<u>520,243</u>	<u>490,025</u>





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

**33. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	9,839	12,562	10,235	12,148
- gross dividend income	12	38	12	38
- unrealised revaluation loss	(9,238)	(3,330)	(9,243)	(3,312)
	<u>613</u>	<u>9,270</u>	<u>1,004</u>	<u>8,874</u>
Net (loss) / gain arising on trading derivatives:				
- net (loss) / gain on disposal	(5,864)	772	(5,864)	772
- unrealised revaluation gain	11,569	3,222	12,239	5,733
	<u>5,705</u>	<u>3,994</u>	<u>6,375</u>	<u>6,505</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal (Note 28)	12,002	7,629	12,002	7,629
- gross dividend income	145,960	151,033	140,802	146,287
	<u>157,962</u>	<u>158,662</u>	<u>152,804</u>	<u>153,916</u>
Gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge (Note 6)	2,131	(1,726)	2,106	(1,129)
- cash flow hedge (Note 6)	572	44	572	44
	<u>2,703</u>	<u>(1,682)</u>	<u>2,678</u>	<u>(1,085)</u>
	<u>166,983</u>	<u>170,244</u>	<u>162,861</u>	<u>168,210</u>



---

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


---

**34. OTHER OPERATING INCOME**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Gross dividend income from:				
Associated companies	-	-	6,460	4,783
Subsidiary companies:				
- quoted outside Malaysia	-	-	53,881	45,043
- unquoted in Malaysia	-	-	699,705	808,037
	-	-	760,046	857,863
Other income:				
Foreign exchange profit	232,844	225,445	163,852	252,661
Rental income from:				
- investment properties (Note 15)	6,068	5,490	-	-
- other properties	14,981	14,392	11,559	11,307
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 revaluation of investment properties (Note 15)	2,547	23,877	-	-
Others	48,718	36,045	36,365	25,765
	308,315	312,741	215,012	297,246
	308,315	312,741	975,058	1,155,109



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

**35. OTHER OPERATING EXPENSES**

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Personnel costs				
- Salaries, allowances and bonuses	1,388,845	1,347,450	1,088,897	1,052,631
- Pension costs	232,668	201,843	208,398	180,811
- Others	123,095	118,761	107,639	103,969
	<u>1,744,608</u>	<u>1,668,054</u>	<u>1,404,934</u>	<u>1,337,411</u>
Establishment costs				
- Depreciation	161,188	167,253	127,694	135,515
- Rental	93,803	84,962	87,416	81,657
- Insurance	21,806	20,293	16,641	15,833
- Water and electricity	44,530	43,674	33,359	32,166
- General repairs and maintenance	72,558	74,044	63,842	66,073
- Information technology expenses	27,896	26,475	14,905	14,521
- Others	44,875	37,233	33,486	27,143
	<u>466,656</u>	<u>453,934</u>	<u>377,343</u>	<u>372,908</u>
Marketing expenses				
- Advertisement and publicity	63,289	74,352	24,550	25,153
- Others	84,109	77,645	39,893	43,148
	<u>147,398</u>	<u>151,997</u>	<u>64,443</u>	<u>68,301</u>
Administration and general expenses				
- Communication expenses	38,899	38,724	34,129	30,328
- Legal and professional fees	43,399	43,654	32,336	33,936
- Others	62,676	61,227	38,673	30,074
	<u>144,974</u>	<u>143,605</u>	<u>105,138</u>	<u>94,338</u>
Shared service cost charged to Public Islamic Bank Berhad	-	-	(241,174)	(221,688)
Total other operating expenses	<u>2,503,636</u>	<u>2,417,590</u>	<u>1,710,684</u>	<u>1,651,270</u>



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**35. OTHER OPERATING EXPENSES (continued)**

(a) Included in other operating expenses are the following statutory disclosures:

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Auditors' remuneration *:				
- statutory audit fees	3,267	3,129	1,232	1,193
- audit related services	752	548	327	282
- other services	167	480	74	408
Depreciation of property and equipment (Note 16)	161,188	167,253	127,694	135,515
Direct operating expenses of investment properties that:				
- generated rental income	41	41	-	-
Directors' remuneration (Note 36)	51,683	44,661	40,244	34,130
Pension costs				
- defined contribution plan	155,694	152,165	134,906	132,838
- defined benefit plan (Note 24(a))	76,974	49,678	73,492	47,973
Property and equipment written off (Note 16)	527	1,082	490	1,064
Rental of premises	93,803	84,962	87,416	81,657

\* Included in the auditors' remuneration of the Group are fees paid to accounting firms other than the Bank's auditors for statutory audit fees, audit related services and other services amounting to RM1,665,000 (2012 - RM1,553,000), RM345,000 (2012 - RM211,000) and RM51,000 (2012 - RM39,000) respectively.

Included in the auditors' remuneration of the Bank are fees paid in relation to the Bank's overseas branches for statutory audit fees, audit related services and other services of RM202,000 (2012 - RM163,000), RM14,000 (2012 - RM14,000) and RM13,000 (2012 - RM11,000) respectively.

Audit related services included half year limited review, validation review based on agreed-upon procedures and review of statement of internal control.

(b) Employees

The number of persons employed by the Group and the Bank (excluding Directors) as at the end of the financial year was 17,924 (2012 - 17,625) and 14,580 (2012 - 14,430) respectively.



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

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Directors of the Bank:</b>				
Executive Directors:				
Fees	1,326	1,271	452	430
Salary and other remuneration, including meeting allowances	7,649	6,943	7,525	6,783
Bonuses	11,000	9,707	11,000	9,707
Benefits-in-kind	72	75	72	75
	<u>20,047</u>	<u>17,996</u>	<u>19,049</u>	<u>16,995</u>
Non-Executive Directors:				
Fees	4,293	3,860	2,017	1,744
Other remuneration	20,114	16,306	19,250	15,457
Benefits-in-kind	32	33	32	33
	<u>24,439</u>	<u>20,199</u>	<u>21,299</u>	<u>17,234</u>
Past Director:				
Other remuneration	-	9	-	9
<b>Directors of subsidiary companies:</b>				
Executive Directors:				
Fees	350	317	-	-
Salary and other remuneration, including meeting allowances	3,402	3,207	-	-
Bonuses	2,847	2,381	-	-
Benefits-in-kind	438	402	-	-
	<u>7,037</u>	<u>6,307</u>	<u>-</u>	<u>-</u>
Non-Executive Directors:				
Fees	523	488	-	-
Other remuneration	179	172	-	-
	<u>702</u>	<u>660</u>	<u>-</u>	<u>-</u>
Grand total	<u>52,225</u>	<u>45,171</u>	<u>40,348</u>	<u>34,238</u>
Total (excluding benefits-in-kind) (Note 35)	<u>51,683</u>	<u>44,661</u>	<u>40,244</u>	<u>34,130</u>

Included in the remuneration of the Executive Directors is the remuneration attributable to the Chief Executive Officer of the Bank, including benefits-in-kind, during the financial year amounting to RM11,142,000 (2012 - RM9,552,000).



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

## 36. DIRECTORS' REMUNERATION (continued)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

2013	Remuneration Received from the Bank				Remuneration Received from Subsidiary Companies		Group Total RM'000		
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000		Other Emoluments RM'000	
<b>Executive Directors:</b>									
Tan Sri Dato' Sri Tay Ah Lek	2,340	236	6,575	1,954	37	11,142	512	79	11,733
Dato' Sri Lee Kong Lam #	1,788	216	4,425	1,443	35	7,907	362	45	8,314
	4,128	452	11,000	3,397	72	19,049	874	124	20,047
<b>Non-Executive Directors:</b>									
Tan Sri Dato' Sri Dr. Teh Hong Piow	-	320	-	17,891	32	18,243	645	48	18,936
Tan Sri Dato' Seri Utama Thong Yaw Hong	-	320	-	464	-	784	563	195	1,542
Dato' Sri Lee Kong Lam ^	-	20	-	13	-	33	33	37	103
Dato' Yeoh Chin Kee	-	236	-	148	-	384	126	123	633
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	-	236	-	200	-	436	336	189	961
Quah Poh Keat *	-	177	-	124	-	301	437	135	873
Tang Wing Chew	-	236	-	146	-	382	116	123	621
Lai Wan	-	236	-	133	-	369	15	8	392
Lai Wai Keen	-	236	-	131	-	367	6	5	378
	-	2,017	-	19,250	32	21,299	2,277	863	24,439
<b>Total Directors' remuneration</b>	<b>4,128</b>	<b>2,469</b>	<b>11,000</b>	<b>22,647</b>	<b>104</b>	<b>40,348</b>	<b>3,151</b>	<b>987</b>	<b>44,486</b>

# This represents the remuneration paid to this Director from 1 January 2013 as an Executive Director until his redesignation as Non-Independent Non-Executive Director on 28 November 2013.

^ This represents the remuneration paid to this Director subsequent to his redesignation as Non-Independent Non-Executive Director.

\* This represents the remuneration paid to this Director until his resignation on 1 October 2013.



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

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (continued):

	Remuneration received from the Bank				Remuneration received from Subsidiary Companies			Group Total	
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000		Other Emoluments RM'000
<b>2012</b>									
<b>Executive Directors:</b>									
Tan Sri Dato' Sri Tay Ah Lek	2,028	215	5,572	1,696	41	9,552	477	79	10,108
Dato' Sri Lee Kong Lam	1,704	215	4,135	1,355	34	7,443	364	81	7,888
	<b>3,732</b>	<b>430</b>	<b>9,707</b>	<b>3,051</b>	<b>75</b>	<b>16,995</b>	<b>841</b>	<b>160</b>	<b>17,996</b>
<b>Non-Executive Directors:</b>									
Tan Sri Dato' Sri Dr. Teh Hong Piow	-	290	-	14,191	33	14,514	598	50	15,162
Tan Sri Datuk Seri Utama Thong Yaw Hong	-	290	-	473	-	763	525	195	1,483
Dato' Yeoh Chin Kee	-	215	-	134	-	349	126	123	598
Dato' Haji Abdul Aziz bin Dato' Dr. Omar	-	215	-	214	-	429	319	189	937
Quah Poh Keat	-	215	-	169	-	384	433	169	986
Tang Wing Chew	-	215	-	131	-	346	115	123	584
Lai Wan	-	161	-	77	-	238	-	-	238
Lai Wai Keen	-	143	-	68	-	211	-	-	211
	-	<b>1,744</b>	-	<b>15,457</b>	<b>33</b>	<b>17,234</b>	<b>2,116</b>	<b>849</b>	<b>20,199</b>
<b>Total Directors' remuneration</b>	<b>3,732</b>	<b>2,174</b>	<b>9,707</b>	<b>18,508</b>	<b>108</b>	<b>34,229</b>	<b>2,957</b>	<b>1,009</b>	<b>38,195</b>

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

**37. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Allowance for impaired loans and financing:				
Collective assessment allowance (Note 9)	340,289	279,199	219,966	187,119
- Retail loans / financing				
- housing loans / financing	16,495	29,258	5,547	21,826
- hire purchase	240,540	160,147	171,804	115,362
- credit cards	40,286	37,193	40,279	37,166
- other loans / financing	41,603	54,998	1,002	13,020
- Corporate loans / financing	1,365	(2,397)	1,334	(255)
Individual assessment allowance (Note 9)	225,747	194,865	8,864	(2,870)
- Retail loans / financing				
- housing loans / financing	95	548	-	486
- hire purchase	261	1,002	-	-
- other loans / financing	225,146	205,979	8,357	11,830
- Corporate loans / financing	245	(12,664)	507	(15,186)
Bad debts recovered from stock-broking activities	(2)	(39)	-	-
Impaired loans and financing written off	644	871	554	692
Impaired loans and financing recovered	(215,426)	(195,652)	(128,779)	(107,934)
	<u>351,252</u>	<u>279,244</u>	<u>100,605</u>	<u>77,007</u>

**38. (WRITEBACK OF IMPAIRMENT) / IMPAIRMENT ON OTHER ASSETS**

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Financial investments available-for-sale				
- Non-money market instruments				
- equity securities (Note 7 and 28)	-	3,533	-	3,533
Foreclosed properties	(149)	3,093	(165)	3,068
	<u>(149)</u>	<u>6,626</u>	<u>(165)</u>	<u>6,601</u>





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

**39. TAX EXPENSE AND ZAKAT**

	Group		Bank	
	2013 RM'000	2012 RM'000 (Restated)	2013 RM'000	2012 RM'000 (Restated)
Malaysian income tax	1,168,309	1,151,748	956,324	939,774
Overseas income tax	65,424	59,853	8,983	7,794
	<u>1,233,733</u>	<u>1,211,601</u>	<u>965,307</u>	<u>947,568</u>
(Over) / Under provision in prior years				
- Malaysian income tax	(3,337)	7,173	(4,214)	6,090
- Overseas income tax	420	3,332	60	(1,411)
	<u>1,230,816</u>	<u>1,222,106</u>	<u>961,153</u>	<u>952,247</u>
Deferred tax expense / (income) (Note 12)				
- Relating to origination and reversal of temporary differences arising from:				
- allowance for losses on loans / financing	2,441	(978)	-	-
- tax losses	48	68	-	-
- excess / (shortfall) of capital allowance over depreciation	1,121	(3,819)	1,437	(5,638)
- defined benefit plan	(19,251)	(12,459)	(18,381)	(12,010)
- other temporary differences	(14,391)	(17,266)	(5,849)	(14,120)
	<u>(30,032)</u>	<u>(34,454)</u>	<u>(22,793)</u>	<u>(31,768)</u>
- under / (over) provision	3,294	(9,990)	3,157	(992)
	<u>(26,738)</u>	<u>(44,444)</u>	<u>(19,636)</u>	<u>(32,760)</u>
Tax expense	<u>1,204,078</u>	<u>1,177,662</u>	<u>941,517</u>	<u>919,487</u>
Zakat	264	330	-	-
	<u>1,204,342</u>	<u>1,177,992</u>	<u>941,517</u>	<u>919,487</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% on the estimated chargeable profit for the year. The computation of deferred tax assets and deferred tax liabilities is also based on the statutory tax rate of 25%.

Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Tax savings arising from tax losses				
Tax savings arising from utilisation of tax losses	2	2	-	-



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**39. TAX EXPENSE AND ZAKAT (continued)**

A reconciliation of income tax expense applicable to profit before tax expense at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

Group	%	2013	%	2012
		RM'000		RM'000 (Restated)
Profit before tax expense		<u>5,309,984</u>		<u>5,047,234</u>
Income tax using Malaysian tax rate of 25%	25.0	1,327,496	25.0	1,261,809
Effects of different tax rates in foreign jurisdictions	(0.5)	(24,272)	(0.9)	(42,715)
Income not subject to tax	(1.9)	(102,539)	(1.9)	(95,605)
Effects of utilisation of unrecognised benefit of tax losses	-	(2)	-	(2)
Expenses not deductible for tax purposes	0.6	30,114	0.8	38,684
(Loss) / gain subject to tax at Bank but eliminated at Group	(0.5)	(27,096)	0.3	14,976
	22.7	<u>1,203,701</u>	23.3	<u>1,177,147</u>
Under provision in prior years	-	377	-	515
Tax expense for the year	22.7	<u>1,204,078</u>	23.3	<u>1,177,662</u>
Bank	%	2013 RM'000	%	2012 RM'000 (Restated)
Profit before tax expense		<u>4,646,632</u>		<u>4,626,986</u>
Income tax using Malaysian tax rate of 25%	25.0	1,161,658	25.0	1,156,747
Income not subject to tax	(5.1)	(238,407)	(5.7)	(263,743)
Expenses not deductible for tax purposes	0.4	19,263	0.5	22,796
	20.3	<u>942,514</u>	19.8	<u>915,800</u>
(Over) / under provision in prior years	-	(997)	0.1	3,687
Tax expense for the year	20.3	<u>941,517</u>	19.9	<u>919,487</u>



---

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


---

**40. EARNINGS PER SHARE****(a) Basic Earnings Per Share**

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

	Group		Bank	
	2013	2012 (Restated)	2013	2012 (Restated)
Net profit attributable to equity holders of the Bank (RM'000)	4,064,683	3,826,754	3,705,115	3,707,499
'000				
Number of ordinary shares at beginning / end of the year	3,502,125	3,502,125	3,502,125	3,502,125
Basic earnings per share (sen)	116.1	109.3	105.8	105.9

**(b) Diluted Earnings Per Share**

The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

**41. DIVIDENDS**

	Group and Bank	
	2013 RM'000	2012 RM'000
Dividends recognised as distribution to ordinary equity holders of the Bank:		
First interim single tier dividend of 22.0% (2012 - 20.0% ) in respect of the financial year ended 31 December 2013	770,467	700,425
Second interim single tier dividend of 30.0% (2011 - 28.0%) in respect of the financial year ended 31 December 2012	1,050,638	980,595
	<u>1,821,105</u>	<u>1,681,020</u>



---

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


---

**41. 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 computed based on the outstanding issued and paid-up capital, excluding treasury shares held by the Bank, of 3,502,125,130 ordinary shares of RM1.00 each, in respect of the financial year ended 31 December 2013. The financial statements for the current financial year do not reflect these dividends. Upon declaration, the 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 in respect of the financial year ended 31 December 2013.

Accordingly, based on the above, the dividend declared per share for each financial year are as follows:

	Group and Bank Dividend per share	
	2013 Sen	2012 Sen
Dividends per RM1.00 ordinary share:		
Paid:		
First interim single tier dividend of 22.0% (2012 - 20.0%)	22.00	20.00
Declared subsequent to the financial year end:		
Second interim single tier dividend of 30.0% (2012 - 30.0%)	30.00	30.00
	52.00	50.00
	52.00	50.00



---

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

---

**42. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Group and the Bank are:

**(i) Subsidiary Companies**

Details of the subsidiary companies are shown in Note 13.

**(ii) Associated Companies**

Associated companies are those entities in which the Group has significant influence but not control, as disclosed in Note 14.

**(iii) Key Management Personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank includes Executive Directors and Non-Executive Directors of the Bank and certain members of senior management of the Bank and chief executive officers of major subsidiary companies of the Group.

**(iv) Public Bank Group Officers' Retirement Benefits Fund**

Details of the retirement benefits fund are shown in Note 24(a).

**(v) Companies in Which Certain Directors Have Substantial Financial Interest**

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Bank.

All related party transactions are conducted on normal commercial terms which are not more favourable than those generally available to the public.



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

## 42. RELATED PARTY TRANSACTIONS (continued)

(a) The significant transactions of the Group and the Bank with its related parties are as follows:

Group	Key Management Personnel *		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Income earned:</b>						
Interest on loans, advances and financing	9	1	-	-	36,650	49,229
Commission income	-	-	36,782	33,427	-	-
Rental income	147	147	2,696	2,481	-	-
Brokerage income	4	9	-	-	1	-
Others	-	-	-	-	-	-
	160	157	39,478	35,908	36,651	49,229
<b>Expenditure incurred:</b>						
Interest on deposits	143,204	100,592	6,069	5,914	-	-
Interest on debt securities issued	36	-	3,167	3,047	-	-
Rental of premises	-	-	600	590	25,092	21,104
Insurance premiums	-	-	29,048	26,121	-	-
	143,240	100,592	38,884	35,672	25,092	21,104

\* Included transactions with close members of the key management personnel.



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

**42. RELATED PARTY TRANSACTIONS (continued)**

(a) The significant transactions of the Group and the Bank with its related parties are as follows (continued):

	Subsidiary Companies		Associated Companies		Key Management Personnel *		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income earned:										
Interest on interbank lending and money market instruments held	69,458	86,954	1,136	2,488	-	-	-	-	-	-
Interest on loans, advances and financing	7,934	7,933	-	-	9	1	-	-	36,650	49,229
Dividend income (Note 34)	753,586	853,080	6,460	4,783	-	-	-	-	-	-
Shared service costs charged (Note 35)	241,174	221,688	-	-	-	-	-	-	-	-
Commission income	80,103	56,237	-	-	-	-	36,515	33,114	-	-
Rental income	1,726	1,725	-	-	147	147	11	11	-	-
Others	2,510	2,520	-	-	-	-	-	-	-	-
	<b>1,156,491</b>	<b>1,230,137</b>	<b>7,596</b>	<b>7,271</b>	<b>156</b>	<b>148</b>	<b>36,526</b>	<b>33,125</b>	<b>36,650</b>	<b>49,229</b>
<b>Expenditure incurred:</b>										
Interest on deposits	91,845	97,832	902	115	143,121	100,577	5,953	5,445	-	-
Interest on debt securities issued	-	-	-	-	36	-	3,167	3,047	-	-
Rental of premises	26,114	25,725	-	-	-	-	600	590	24,283	20,517
Insurance premiums	-	-	-	-	-	-	22,542	21,109	-	-
Brokerage commission	82	13	-	-	-	-	-	-	-	-
Professional fees	1,964	155	-	-	-	-	-	-	-	-
	<b>120,005</b>	<b>123,725</b>	<b>902</b>	<b>115</b>	<b>143,157</b>	<b>100,577</b>	<b>32,262</b>	<b>30,191</b>	<b>24,283</b>	<b>20,517</b>

\* Included transactions with close members of the key management personnel.

Included in the significant transactions of the Group are interest on deposits paid to Directors of the Bank (including close members of their families) amounting to RM143,129,000 (2012 - RM100,542,000) and rental received from a Director of the Bank amounting to RM147,000 (2012 - RM147,000).

Included in the significant transactions of the Bank are interest on deposits paid to Directors of the Bank (including close members of their families) amounting to RM143,073,000 (2012 - RM100,542,000) and rental received from a Director of the Bank amounting to RM147,000 (2012 - RM147,000).

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

## 42. RELATED PARTY TRANSACTIONS (continued)

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows:

Group	Associated Companies RM'000	Key Management Personnel * RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
31 December 2013				
<b>Amount due from related parties</b>				
Interbank lending	147,811	-	-	-
Loans, advances and financing	-	2,749	-	1,122,852
Rental deposits	-	-	-	6,337
	147,811	2,749	-	1,129,189
<b>Amount due to related parties</b>				
Demand deposits	8,589	10,201	5,394	5
Term deposits	1,292	3,935,264	115,410	-
Debt securities issued	-	500	65,000	-
Interbank borrowing	295,190	-	-	-
Others	-	433	-	33
	305,071	3,946,398	185,804	38
<b>Commitments and contingencies</b>				
Commitments	-	-	-	882,149
	-	-	-	882,149





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

## 42. RELATED PARTY TRANSACTIONS (continued)

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows (continued):

Group 31 December 2012	Associated Companies RM'000	Key Management Personnel * RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties				
Interbank lending	129,914	-	-	-
Loans, advances and financing	-	25	-	1,078,887
Rental deposits	-	-	-	5,457
	129,914	25	-	1,084,344
Amount due to related parties				
Demand deposits	12,068	7,965	6,696	9
Term deposits	4,426	3,261,124	105,944	-
Debt securities issued	-	-	55,000	-
Interbank borrowing	189,868	-	-	-
Others	-	385	-	78
	206,362	3,269,474	167,640	87
Commitments and contingencies				
Commitments	-	-	-	926,114
	-	-	-	926,114



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

## 42. RELATED PARTY TRANSACTIONS (continued)

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows (continued):

Bank	Subsidiary Companies	Associated Companies	Key Management Personnel *	Companies in which Certain Directors have Substantial Interest	Public Bank Group Officers' Retirement Benefits Fund
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from related parties					
Interbank lending	1,411,914	147,811	-	-	-
Loans, advances and financing	296,416	-	2,749	-	1,122,852
Money market instruments held	1,528,777	-	-	-	-
Dividend receivable (Note 10)	469,462	-	-	-	-
Rental deposits	34,753	-	-	-	6,147
Interest receivable	299	-	-	-	-
Others	1,059	-	-	-	-
	3,742,680	147,811	2,749	-	1,128,999
Amount due to related parties					
Demand deposits	92,431	686	9,818	5,394	5
Term deposits	2,608,020	1,292	3,926,192	115,410	-
Debt securities issued	-	-	500	65,000	-
Interbank borrowing	1,144,986	295,190	-	-	-
Interest payable	1,843	-	-	-	-
Others	590	-	54	-	33
	3,847,870	297,168	3,936,564	185,804	38
Commitments and contingencies					
Guarantees	116,577	-	-	-	-
Commitments	1,280,444	-	-	-	882,149
	1,397,021	-	-	-	882,149



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

## 42. RELATED PARTY TRANSACTIONS (continued)

(b) The significant outstanding balances of the Group and the Bank with its related parties are as follows (continued):

Bank	Subsidiary Companies	Associated Companies	Key Management Personnel *	Companies in which Certain Directors have Substantial Interest	Public Bank Group Officers' Retirement Benefits Fund
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due from related parties</b>					
Interbank lending	1,281,760	129,914	-	-	-
Loans, advances and financing	276,659	-	25	-	1,078,887
Money market instruments held	1,472,807	-	-	-	-
Dividend receivable (Note 10)	429,647	-	-	-	-
Rental deposits	34,839	-	-	-	5,297
Interest receivable	375	-	-	-	-
Others	5,782	-	-	-	-
	3,501,869	129,914	25	-	1,084,184
<b>Amount due to related parties</b>					
Demand deposits	84,622	12,068	7,903	6,696	9
Term deposits	2,585,313	4,426	3,260,263	86,344	-
Debt securities issued	-	-	-	55,000	-
Interbank borrowing	1,482,454	189,868	-	-	-
Interest payable	1,244	-	-	-	-
Others	13,894	-	-	-	78
	4,167,527	206,362	3,268,166	148,040	87
<b>Commitments and contingencies</b>					
Guarantees	136,395	-	-	-	-
Commitments	816,889	-	-	-	926,114
	953,284	-	-	-	926,114

Included transactions with close members of the key management personnel.

Included in the significant outstanding balances of the Group and the Bank are demand deposits and term deposits payable to Directors of the Bank (including close members of their families) amounting to RM3,938,534,000 (31 December 2012 - RM3,266,268,000) and RM3,931,479,000 (31 December 2012 - RM3,266,169,000) respectively.

156

- 211 -



---

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


---

**42. RELATED PARTY TRANSACTIONS (continued)**

- (c) There were no loans granted to the Directors of the Bank. Loans made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group.

None of the loans granted to key management personnel (2012 - Nil) are impaired.

- (d) Key Management Personnel Compensation

The remuneration of Directors and other members of key management during the year are as follows:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term employee benefits				
Fees	5,619	5,131	2,469	2,174
Salary and other remuneration, including meeting allowances	45,549	38,185	39,327	32,324
Benefits-in-kind	600	590	138	134
Post-employment benefits	4,146	4,060	3,550	3,508
	<u>55,914</u>	<u>47,966</u>	<u>45,484</u>	<u>38,140</u>

Included in the total key management personnel compensation are:

	Group		Bank	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Directors' remuneration including benefits-in-kind - Directors of the Bank	<u>44,486</u>	<u>38,195</u>	<u>40,348</u>	<u>34,229</u>

The movement in share options of key management personnel is as follows:

	PFHL ESOS	
	2013 '000	2012 '000
At 1 January / 31 December	<u>3,928</u>	<u>3,928</u>

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 24(b)).



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

**43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Outstanding credit exposures with connected parties	1,756,651	2,031,542	2,552,959	2,692,235
of which:				
Total credit exposure which is impaired or in default	104	466	72	341
Total credit exposures	230,273,829	205,379,208	206,155,123	183,958,523
Percentage of outstanding credit exposures to connected parties				
- as a proportion of total credit exposures	0.76%	0.99%	1.24%	1.46%
- as a proportion of total capital	6.16%	7.73%	10.82%	12.39%
- which is impaired or in default	0.01%	0.02%	0.00%	0.01%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to any of the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.



---

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

---

**44. FINANCIAL RISK MANAGEMENT****Overview**

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, market risk and liquidity and funding risk.

The Group's financial risk management is underpinned by the Group's risk appetite and is subject to the Board of Directors' oversight, through the Risk Management Committee ("RMC"), a Board Committee, which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk oversight committees which are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC"), the Operational Risk Management Committee ("ORMC") and the Internal Capital Adequacy Assessment Process ("ICAAP") Working Group.

**Credit Risk**

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk.

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk framework and policies, credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk is well managed and within the Group's risk appetite.

Risk Management Approach

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. All credit approving authorities are guided by credit policies, guidelines and procedures which are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division, the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing group-wide credit risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the credit risk policies are implemented and complied with.



---

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


---

44. **FINANCIAL RISK MANAGEMENT** (continued)**Credit Risk** (continued)Risk Management Approach (continued)

The management of credit risk starts with experienced key personnel being appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. All loan applications of significant amounts are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve loans with lower risk exposure. The Board of Directors of the respective entities has the authority to reject or modify the terms and conditions of loans which have been approved by the Credit Committee. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

## (a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer through the use of an internal credit risk rating scoresheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the customer's loan application.

## (b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated through the use of an internal credit risk rating scoresheet. Credit officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

## (c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, investment in debt securities are subject to the minimum investment grade, minimum acceptable return and the maximum tenure. The investment parameters are also subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board of Directors. As at the reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.



---

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

---

**44. FINANCIAL RISK MANAGEMENT (continued)****Credit Risk (continued)**Risk Management Approach (continued)**(d) Counterparty Credit Risk on Derivative Financial Instruments**

Counterparty credit risk ("CCR") on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to maturity date of the contract and the Group, at the relevant time, has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes. The Group may also take conservative trading derivative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted notional principal value of the derivatives, but equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract. The Group will only suffer losses if the contract carries a positive economic value at time of default.

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Where possible, over-the-counter ("OTC") derivative financial instruments, especially interest rate swaps and options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any excess over the threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any excess in threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.





---

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


---

**44. FINANCIAL RISK MANAGEMENT (continued)****Credit Risk (continued)**Risk Management Approach (continued)

Independent credit reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Internal risk management reports are presented to the Credit Committee, CRMC and RMC, containing information on asset quality trends across major credit portfolios, results of independent credit review, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, Credit Committee, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

There have been no changes to the process for managing credit risk and the methods used to measure credit risk.

**(i) Credit Risk Exposures and Credit Risk Concentration**

The following table presents the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By Industry Analysis

The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

## Risk Management Approach (continued)

## (i) Credit Risk Exposures and Credit Risk Concentration (continued)

## By Industry Analysis (continued)

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
31 December 2013									
<b>On-Balance Sheet Exposures</b>									
Cash and balances with banks	13,060,851	9,019,566	-	-	-	-	-	-	22,080,417
Reverse repurchase agreements	9,541,969	-	-	-	-	-	-	-	9,541,969
Financial assets held-for-trading									
- Government securities and treasury bills	1,583,640	-	-	-	-	-	-	-	1,583,640
- Money market instruments	-	13,822,929	-	-	-	-	-	-	13,822,929
- Non-money market instruments	-	392,401	-	-	12,993	-	-	-	405,394
Derivative financial assets	-	363,354	-	-	-	-	-	-	363,354
Financial investments available-for-sale									
- Government securities and treasury bills	10,106,634	-	-	-	-	-	-	-	10,106,634
- Money market instruments	-	198,844	-	-	-	-	-	-	198,844
- Non-money market instruments *	308,645	5,157,996	869,046	850,416	-	-	-	-	7,186,103
Financial investments held-to-maturity									
- Government securities and treasury bills	4,399,596	-	-	-	-	-	-	-	4,399,596
- Money market instruments	-	2,170,637	-	-	-	-	-	-	2,170,637
- Non-money market instruments	1,086	664,277	333,885	224,070	-	-	-	-	1,223,318
Gross loans, advances and financing									
- Retail loans / financing									
- housing loans / financing	186	3,644	3,283,530	3,740,195	1,596,987	69,371,088	36,297,050	-	69,371,088
- hire purchase	-	-	-	-	-	-	-	39	44,923,671
- credit cards	-	-	-	-	-	-	-	1,623,283	1,623,283
- other loans / financing	28,151	29,509	5,265,977	22,726,516	13,109,399	2,881,710	216,628	30,376,110	74,634,000
- Corporate loans / financing	-	6,228,369	5,022,894	5,894,561	13,443,004	7,271	-	27,662	30,623,761
Statutory deposits with Central Banks	6,924,832	-	-	-	-	-	-	-	6,924,832
	45,955,590	38,053,526	14,777,332	33,435,758	28,162,383	72,260,069	36,513,718	32,027,094	301,185,470
<b>Commitments and Contingencies</b>									
Contingent liabilities	1,109	79,342	834,860	1,229,922	993,321	-	-	4,371	3,162,925
Commitments	517,229	1,295,837	5,063,998	11,155,680	11,987,781	11,533,644	14,162	13,375,722	54,944,053
	518,338	1,375,179	5,918,858	12,385,602	12,981,102	11,533,644	14,162	13,380,093	58,106,978
<b>Total Credit Exposures</b>	46,473,928	39,428,705	20,696,190	45,821,360	41,143,485	83,793,713	36,527,880	45,407,187	359,292,448



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

## Risk Management Approach (continued)

## (i) Credit Risk Exposures and Credit Risk Concentration (continued)

## By Industry Analysis (continued)

Group	Government and Central Banks	Financial Services	Transport and Business Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction & Real Estate	Residential Mortgages	Motor Vehicle Financing	Other Consumer Loans	Total
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	10,797,964	7,837,987	-	-	-	-	-	-	18,635,951
Reverse repurchase agreements	8,158,506	-	-	-	-	-	-	-	8,158,506
Financial assets held-for-trading									
- Government securities and treasury bills	3,977,079	-	-	-	-	-	-	-	3,977,079
- Money market instruments	-	11,836,221	-	-	-	-	-	-	11,836,221
- Non-money market instruments *	-	164,633	118,877	-	519,446	-	-	-	802,956
Derivative financial assets	-	370,465	-	-	-	-	-	-	370,465
Financial investments available-for-sale									
- Government securities and treasury bills	10,068,003	-	-	-	-	-	-	-	10,068,003
- Non-money market instruments *	310,299	5,009,709	835,166	822,366	-	-	-	-	6,977,540
Financial investments held-to-maturity									
- Government securities and treasury bills	3,606,318	-	-	-	-	-	-	-	3,606,318
- Money market instruments	-	2,016,598	-	-	-	-	-	-	2,016,598
- Non-money market instruments	1,086	477,895	120,832	-	35,042	-	-	-	634,855
Gross loans, advances and financing									
- Retail loans / financing	-	-	-	-	-	59,867,383	-	-	59,867,383
- housing loans / financing	8	3,803	2,856,319	3,573,964	1,428,664	-	34,158,613	90	42,021,461
- hire purchase	-	-	-	-	-	-	-	1,604,211	1,604,211
- credit cards	-	-	-	-	-	-	-	-	-
- other loans / financing	40,316	90,305	4,489,142	20,525,995	10,962,388	2,734,142	215,052	27,364,207	66,421,547
- Corporate loans / financing	-	6,234,173	4,731,804	4,985,352	11,910,886	-	-	6,347	27,868,562
Statutory deposits with Central Banks	5,787,206	-	-	-	-	-	-	-	5,787,206
	42,746,785	34,041,789	13,152,140	29,907,677	24,856,426	62,601,525	34,373,665	28,974,855	270,654,862
Commitments and Contingencies									
Contingent liabilities	1,058	56,940	933,474	1,219,444	874,247	-	-	20,913	3,106,076
Commitments	507,277	1,658,776	3,403,666	10,603,259	8,669,993	11,328,311	27,826	12,639,110	48,838,218
	508,335	1,715,716	4,337,140	11,822,703	9,544,240	11,328,311	27,826	12,660,023	51,944,294
Total Credit Exposures	43,255,120	35,757,505	17,489,280	41,730,380	34,400,666	73,929,836	34,401,491	41,634,878	322,599,156

164



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

## Risk Management Approach (continued)

## (i) Credit Risk Exposures and Credit Risk Concentration (continued)

## By Industry Analysis (continued)

Bank	Government and Central Banks	Financial Services	Transport and Business Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction & Real Estate	Residential Mortgages	Motor Vehicle Financing	Other Consumer Loans	Total
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	5,351,128	7,398,958	-	-	-	-	-	-	12,750,086
Reverse repurchase agreements	8,638,588	-	-	-	-	-	-	-	8,638,588
Financial assets held-for-trading									
- Government securities and treasury bills	1,379,390	-	-	-	-	-	-	-	1,379,390
- Money market instruments	-	12,274,547	-	-	-	-	-	-	12,274,547
- Non-money market instruments	-	319,496	-	-	12,993	-	-	-	332,489
Derivative financial assets	-	350,729	-	-	-	-	-	-	350,729
Financial investments available-for-sale									
- Government securities and treasury bills	8,669,725	-	-	-	-	-	-	-	8,669,725
- Money market instruments	-	198,844	-	-	-	-	-	-	198,844
- Non-money market instruments *	308,635	4,588,905	748,122	499,566	-	-	-	-	6,145,228
Financial investments held-to-maturity									
- Government securities and treasury bills	3,437,058	-	-	-	-	-	-	-	3,437,058
- Money market instruments	-	1,617,869	-	-	-	-	-	-	1,617,869
- Non-money market instruments	1,086	180,991	326,726	224,070	-	-	-	-	732,873
Gross loans and advances									
- Retail loans	-	-	-	-	-	60,472,169	-	-	60,472,169
- housing loans	-	-	-	-	-	-	-	-	-
- hire purchase	186	3,088	2,504,231	3,485,893	1,461,625	-	24,451,545	-	31,906,568
- credit cards	-	-	-	-	-	-	-	1,613,033	1,613,033
- other loans	9,019	19,369	4,350,857	20,680,191	11,796,724	2,761,624	209,032	24,918,199	64,745,015
- Corporate loans	-	5,813,059	4,598,147	4,189,158	10,183,345	7,271	-	27,662	24,818,642
Statutory deposits with Central Banks	5,565,946	-	-	-	-	-	-	-	5,565,946
	33,360,761	32,765,855	12,528,083	29,078,878	23,454,687	63,241,064	24,660,577	26,558,894	245,648,799
Commitments and Contingencies									
Contingent liabilities	1,109	144,919	742,295	871,944	772,136	-	-	2,190	2,534,593
Commitments	517,229	1,741,676	3,105,118	10,255,685	11,282,240	10,514,541	13,036	12,870,562	50,300,087
	518,338	1,886,595	3,847,413	11,127,629	12,054,376	10,514,541	13,036	12,872,752	52,834,680
Total Credit Exposures	33,879,099	34,652,450	16,375,496	40,206,507	35,509,063	73,755,605	24,673,613	39,431,646	298,483,479



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

## Risk Management Approach (continued)

## (i) Credit Risk Exposures and Credit Risk Concentration (continued)

## By Industry Analysis (continued)

Bank	Government and Central Banks	Financial Services	Transport and Business Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction & Real Estate	Residential Mortgages	Motor Vehicle Financing	Other Consumer Loans	Total
31 December 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	5,250,114	6,429,729	-	-	-	-	-	-	11,679,843
Reverse purchase agreements	7,309,153	-	-	-	-	-	-	-	7,309,153
Financial assets held-for-trading									
- Government securities and treasury bills	2,309,237	-	-	-	-	-	-	-	2,309,237
- Money market instruments	-	10,715,460	-	-	-	-	-	-	10,715,460
- Non-money market instruments *	-	-	118,877	-	454,591	-	-	-	573,468
Derivative financial assets	-	364,344	-	-	-	-	-	-	364,344
Financial investments available-for-sale									
- Government securities and treasury bills	9,514,672	-	-	-	-	-	-	-	9,514,672
- Non-money market instruments *	310,289	4,456,679	718,564	479,216	-	-	-	-	5,964,748
Financial investments held-to-maturity									
- Government securities and treasury bills	2,886,670	-	-	-	-	-	-	-	2,886,670
- Money market instruments	-	1,472,807	-	-	-	-	-	-	1,472,807
- Non-money market instruments	1,086	5,059	113,660	-	30,032	-	-	-	149,837
Gross loans and advances									
- Retail loans									
- housing loans	-	-	-	-	-	52,536,395	-	-	52,536,395
- hire purchase	8	3,192	2,116,776	3,277,041	1,288,360	-	23,453,129	-	30,138,506
- credit cards	-	-	-	-	-	-	-	1,594,106	1,594,106
- other loans	19,045	38,653	3,693,677	18,982,261	10,029,275	2,630,110	207,330	21,707,319	57,307,670
- Corporate loans	-	5,797,682	4,379,282	3,602,476	8,775,702	-	-	6,347	22,561,489
Statutory deposits with Central Banks	4,738,213	-	-	-	-	-	-	-	4,738,213
	32,338,487	29,283,605	11,140,836	26,340,994	20,577,960	55,166,505	23,660,459	23,307,772	221,816,618
Commitments and Contingencies									
Contingent liabilities	1,058	142,334	723,295	861,933	693,790	-	-	2,804	2,425,214
Commitments	507,277	2,066,901	2,027,757	10,054,185	8,269,229	10,144,166	21,997	12,130,083	45,221,595
	508,335	2,209,235	2,751,052	10,916,118	8,963,019	10,144,166	21,997	12,132,887	47,646,809
Total Credit Exposures	32,846,822	31,492,840	13,891,888	37,257,112	29,540,979	65,310,671	23,682,456	35,440,659	269,463,427

\* Excluding equity securities of the Group and the Bank of RM126,931,000 (31 December 2012 - RM156,456,000) and RM111,070,000 (31 December 2012 - RM141,703,000) respectively which do not have any credit risk.



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**44. FINANCIAL RISK MANAGEMENT (continued)**
**Credit Risk (continued)**
Risk Management Approach (continued)
**(i) Credit Risk Exposures and Credit Risk Concentration (continued)**
By Geographical Analysis

The analysis of credit concentration risk of financial assets of the Group and the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows:

Group	Malaysia	Hong Kong	Cambodia	Other	Total
31 December 2013	RM'000	& China RM'000	RM'000	Countries RM'000	RM'000
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	17,998,169	2,408,098	937,413	736,737	22,080,417
Reverse repurchase agreements	9,537,953	-	-	4,016	9,541,969
Financial assets held-for-trading					
- Government securities and treasury bills	1,583,640	-	-	-	1,583,640
- Money market instruments	13,822,929	-	-	-	13,822,929
- Non-money market instruments	405,394	-	-	-	405,394
Derivative financial assets	256,977	4,120	-	104,257	365,354
Financial investments available-for-sale					
- Government securities and treasury bills	10,106,634	-	-	-	10,106,634
- Money market instruments	198,844	-	-	-	198,844
- Non-money market instruments *	7,186,103	-	-	-	7,186,103
Financial investments held-to-maturity					
- Government securities and treasury bills	3,445,657	722,974	-	230,965	4,399,596
- Money market instruments	1,370,106	666,286	-	134,245	2,170,637
- Non-money market instruments	846,371	116,968	-	259,979	1,223,318
Gross loans, advances and financing					
- Retail loans / financing					
- housing loans / financing	66,010,600	3,305,380	41,907	13,201	69,371,088
- hire purchase	43,065,127	1,843,916	4,464	10,164	44,923,671
- credit cards	1,613,033	5,743	4,507	-	1,623,283
- other loans / financing	70,008,952	1,709,106	2,379,580	536,362	74,634,000
- Corporate loans / financing	24,946,456	5,153,931	-	523,374	30,623,761
Statutory deposits with Central Banks	6,476,300	-	419,036	29,496	6,924,832
	<b>278,879,245</b>	<b>15,936,522</b>	<b>3,786,907</b>	<b>2,582,796</b>	<b>301,185,470</b>
<b>Commitments and Contingencies</b>					
Contingent liabilities	2,655,706	99,974	374,107	33,138	3,162,925
Commitments	52,828,722	1,677,176	399,241	38,914	54,944,053
	<b>55,484,428</b>	<b>1,777,150</b>	<b>773,348</b>	<b>72,052</b>	<b>58,106,978</b>
<b>Total Credit Exposures</b>	<b>334,363,673</b>	<b>17,713,672</b>	<b>4,560,255</b>	<b>2,654,848</b>	<b>359,292,448</b>



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Geographical Analysis (continued)

Group 31 December 2012	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	14,520,266	2,172,043	680,870	1,262,772	18,635,951
Reverse repurchase agreements	8,158,410	-	-	96	8,158,506
Financial assets held-for-trading					
- Government securities and treasury bills	3,977,079	-	-	-	3,977,079
- Money market instruments	11,836,221	-	-	-	11,836,221
- Non-money market instruments *	802,956	-	-	-	802,956
Derivative financial assets	241,176	316	-	128,973	370,465
Financial investments available-for-sale					
- Government securities and treasury bills	10,068,003	-	-	-	10,068,003
- Non-money market instruments *	6,977,492	-	-	48	6,977,540
Financial investments held-to-maturity					
- Government securities and treasury bills	2,879,011	669,022	-	58,285	3,606,318
- Money market instruments	1,350,766	428,854	-	236,978	2,016,598
- Non-money market instruments	172,283	48,973	-	413,599	634,855
Gross loans, advances and financing					
- Retail loans / financing					
- housing loans / financing	56,760,190	3,057,726	37,708	11,759	59,867,383
- hire purchase	40,317,950	1,686,720	7,220	9,571	42,021,461
- credit cards	1,594,106	5,732	4,373	-	1,604,211
- other loans / financing	62,247,593	1,756,188	2,027,796	389,970	66,421,547
- Corporate loans / financing	22,333,532	4,804,727	-	730,303	27,868,562
Statutory deposits with Central Banks	5,381,471	-	376,902	28,833	5,787,206
	249,618,505	14,630,301	3,134,869	3,271,187	270,654,862
<b>Commitments and Contingencies</b>					
Contingent liabilities	2,569,308	122,950	382,767	31,051	3,106,076
Commitments	47,188,288	1,319,093	296,281	34,556	48,838,218
	49,757,596	1,442,043	679,048	65,607	51,944,294
<b>Total Credit Exposures</b>	299,376,101	16,072,344	3,813,917	3,336,794	322,599,156



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**44. FINANCIAL RISK MANAGEMENT (continued)**
**Credit Risk (continued)**
**Risk Management Approach (continued)**
**(i) Credit Risk Exposures and Credit Risk Concentration (continued)**
**By Geographical Analysis (continued)**

Bank 31 December 2013	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	11,272,192	744,996	-	732,898	12,750,086
Reverse repurchase agreements	8,634,572	-	-	4,016	8,638,588
Financial assets held-for-trading					
- Government securities and treasury bills	1,379,390	-	-	-	1,379,390
- Money market instruments	12,274,547	-	-	-	12,274,547
- Non-money market instruments	332,489	-	-	-	332,489
Derivative financial assets	242,677	3,795	-	104,257	350,729
Financial investments available-for-sale					
- Government securities and treasury bills	8,669,725	-	-	-	8,669,725
- Money market instruments	198,844	-	-	-	198,844
- Non-money market instruments *	6,145,228	-	-	-	6,145,228
Financial investments held-to-maturity					
- Government securities and treasury bills	3,325,333	-	-	111,725	3,437,058
- Money market instruments	1,617,869	-	-	-	1,617,869
- Non-money market instruments	732,873	-	-	-	732,873
Gross loans and advances					
- Retail loans					
- housing loans	60,458,968	-	-	13,201	60,472,169
- hire purchase	31,896,404	-	-	10,164	31,906,568
- credit cards	1,613,033	-	-	-	1,613,033
- other loans	64,231,190	-	-	513,825	64,745,015
- Corporate loans	23,885,540	444,839	-	488,263	24,818,642
Statutory deposits with Central Banks	5,536,450	-	-	29,496	5,565,946
	<u>242,447,324</u>	<u>1,193,630</u>	<u>-</u>	<u>2,007,845</u>	<u>245,648,799</u>
<b>Commitments and Contingencies</b>					
Contingent liabilities	2,389,799	12,674	103,902	28,218	2,534,593
Commitments	49,774,232	492,015	-	33,840	50,300,087
	<u>52,164,031</u>	<u>504,689</u>	<u>103,902</u>	<u>62,058</u>	<u>52,834,680</u>
<b>Total Credit Exposures</b>	<u>294,611,355</u>	<u>1,698,319</u>	<u>103,902</u>	<u>2,069,903</u>	<u>298,483,479</u>





**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**44. FINANCIAL RISK MANAGEMENT (continued)**
**Credit Risk (continued)**
Risk Management Approach (continued)
**(i) Credit Risk Exposures and Credit Risk Concentration (continued)**
By Geographical Analysis (continued)

Bank 31 December 2012	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	9,603,831	816,420	-	1,259,592	11,679,843
Reverse repurchase agreements	7,309,057	-	-	96	7,309,153
Financial assets held-for-trading					
- Government securities and treasury bills	2,309,237	-	-	-	2,309,237
- Money market instruments	10,715,460	-	-	-	10,715,460
- Non-money market instruments *	573,468	-	-	-	573,468
Derivative financial assets	235,181	190	-	128,973	364,344
Financial investments available-for-sale					
- Government securities and treasury bills	9,514,672	-	-	-	9,514,672
- Non-money market instruments *	5,964,699	-	-	49	5,964,748
Financial investments held-to-maturity					
- Government securities and treasury bills	2,828,385	-	-	58,285	2,886,670
- Money market instruments	1,472,807	-	-	-	1,472,807
- Non-money market instruments	149,837	-	-	-	149,837
Gross loans and advances					
- Retail loans					
- housing loans	52,524,636	-	-	11,759	52,536,395
- hire purchase	30,128,935	-	-	9,571	30,138,506
- credit cards	1,594,106	-	-	-	1,594,106
- other loans	56,942,971	-	-	364,699	57,307,670
- Corporate loans	21,335,676	532,830	-	692,983	22,561,489
Statutory deposits with Central Banks	4,709,380	-	-	28,833	4,738,213
	<u>217,912,338</u>	<u>1,349,440</u>	<u>-</u>	<u>2,554,840</u>	<u>221,816,618</u>
<b>Commitments and Contingencies</b>					
Contingent liabilities	2,262,356	11,835	124,559	26,464	2,425,214
Commitments	44,732,611	458,700	-	30,284	45,221,595
	<u>46,994,967</u>	<u>470,535</u>	<u>124,559</u>	<u>56,748</u>	<u>47,646,809</u>
<b>Total Credit Exposures</b>	<u>264,907,305</u>	<u>1,819,975</u>	<u>124,559</u>	<u>2,611,588</u>	<u>269,463,427</u>

\* Excluding equity securities of the Group and the Bank of RM126,931,000 (31 December 2012 RM156,456,000) and RM111,070,000 (31 December 2012 - RM141,703,000) respectively which do not have any credit risk.



---

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


---

**44. FINANCIAL RISK MANAGEMENT (continued)****Credit Risk (continued)**Risk Management Approach (continued)

## (ii) Credit Quality of Gross Loans, Advances and Financing

Gross loans, advances and financing are analysed as follows:

	Group		Bank	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Neither past due nor impaired	196,579,102	174,605,825	164,288,935	145,889,967
Past due but not impaired	23,111,922	21,803,253	18,130,755	17,233,539
Impaired	1,484,779	1,374,086	1,135,737	1,014,660
	<u>221,175,803</u>	<u>197,783,164</u>	<u>183,555,427</u>	<u>164,138,166</u>

## (a) Neither Past Due Nor Impaired

Gross loans, advances and financing which are neither past due nor impaired are identified into the following internally classified grades:

- "Good Grade" refers to loans, advances and financing which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory Grade" refers to loans, advances and financing which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

Risk Management Approach (continued)

## (ii) Credit Quality of Gross Loans, Advances and Financing (continued)

## (a) Neither Past Due Nor Impaired (continued)

The credit quality of gross loans, advances and financing which is neither past due nor impaired is analysed as follows:

Group	31 December 2013			31 December 2012		
	Good RM'000	Satisfactory RM'000	Total RM'000	Good RM'000	Satisfactory RM'000	Total RM'000
<b>Retail loans / financing</b>						
- housing loans / financing	55,375,262	5,412,776	60,788,038	47,052,239	4,729,975	51,782,214
- hire purchase	29,544,427	4,578,774	34,123,201	27,379,390	4,336,792	31,716,182
- credit cards	992,690	326,443	1,319,133	949,108	402,059	1,351,167
- other loans / financing	65,929,090	4,552,008	70,481,098	58,261,500	3,989,530	62,251,030
Corporate loans / financing	28,628,473	1,239,159	29,867,632	25,021,110	2,484,122	27,505,232
	<u>180,469,942</u>	<u>16,109,160</u>	<u>196,579,102</u>	<u>158,663,347</u>	<u>15,942,478</u>	<u>174,605,825</u>
<b>Bank</b>						
<b>Retail loans</b>						
- housing loans	48,418,623	4,720,317	53,138,940	41,228,087	4,193,844	45,421,931
- hire purchase	21,149,356	3,245,126	24,394,482	19,711,318	3,149,387	22,860,705
- credit cards	983,785	325,599	1,309,384	940,096	401,516	1,341,612
- other loans	57,778,204	3,537,920	61,316,124	50,641,456	3,290,826	53,932,282
Corporate loans	22,958,193	1,171,812	24,130,005	20,045,437	2,288,000	22,333,437
	<u>151,288,161</u>	<u>13,000,774</u>	<u>164,288,935</u>	<u>132,566,394</u>	<u>13,323,573</u>	<u>145,889,967</u>



---

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


---

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

## Risk Management Approach (continued)

## (ii) Credit Quality of Gross Loans, Advances and Financing (continued)

## (b) Past Due But Not Impaired

Past due but not impaired loans, advances and financing are loans/financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes loans/financing which are due one or more days after the contractual due date but less than three (3) months.

An aging analysis of loans, advances and financing which are past due but not impaired is as follows:

Group	1 day to < 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	Total RM'000
<b>31 December 2013</b>				
Retail loans / financing				
- housing loans / financing	4,506,130	2,421,841	1,123,745	8,051,716
- hire purchase	6,114,322	3,377,606	976,362	10,468,290
- credit cards	186,068	68,768	26,153	280,989
- other loans / financing	2,305,300	992,441	364,507	3,662,248
Corporate loans / financing	642,793	4,636	1,250	648,679
	<u>13,754,613</u>	<u>6,865,292</u>	<u>2,492,017</u>	<u>23,111,922</u>
<b>31 December 2012</b>				
Retail loans / financing				
- housing loans / financing	4,349,386	2,455,635	857,761	7,662,782
- hire purchase	5,966,493	3,324,963	770,753	10,062,209
- credit cards	134,768	68,478	26,377	229,623
- other loans / financing	2,276,387	1,113,493	248,862	3,638,742
Corporate loans / financing	172,138	3,214	34,545	209,897
	<u>12,899,172</u>	<u>6,965,783</u>	<u>1,938,298</u>	<u>21,803,253</u>



---

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


---

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

Risk Management Approach (continued)

## (ii) Credit Quality of Gross Loans, Advances and Financing (continued)

## (b) Past Due But Not Impaired (continued)

An aging analysis of loans, advances and financing which are past due but not impaired is as follows (continued):

Bank	1 day to < 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	Total RM'000
<b>31 December 2013</b>				
Retail loans				
- housing loans	3,808,819	2,079,534	974,995	6,863,348
- hire purchase	4,312,830	2,319,158	648,720	7,280,708
- credit cards	185,909	68,746	25,910	280,565
- other loans	1,963,046	858,786	284,512	3,106,344
Corporate loans	598,478	1,312	-	599,790
	<u>10,869,082</u>	<u>5,327,536</u>	<u>1,934,137</u>	<u>18,130,755</u>
<b>31 December 2012</b>				
Retail loans				
- housing loans	3,791,196	2,187,485	767,274	6,745,955
- hire purchase	4,282,226	2,308,408	518,242	7,108,876
- credit cards	134,568	68,451	26,166	229,185
- other loans	1,898,138	935,215	198,097	3,031,450
Corporate loans	115,748	2,325	-	118,073
	<u>10,221,876</u>	<u>5,501,884</u>	<u>1,509,779</u>	<u>17,233,539</u>



---

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

---

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

Risk Management Approach (continued)

## (ii) Credit Quality of Gross Loans, Advances and Financing (continued)

## (c) Impaired Loans, Advances and Financing

Loans, advances and financing are classified as impaired when they fulfill any of the following criteria:

- (i) principal or interest/profit or both are past due for three (3) months or more;
- (ii) where a loan/financing is in arrears for less than three (3) months, the loan/financing exhibits indications of significant credit weaknesses; or
- (iii) where an impaired loan/financing has been rescheduled or restructured, the loan/financing 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.

In addition, loans/financing that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan/financing is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

- (i) any significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest/profit or principal payments;
- (iii) high probability of bankruptcy or other financial reorganisation of the borrower;
- (iv) the viability of the customer's business operations and its capability to trade successfully out of financial difficulties and to generate sufficient cash flow to service its debt obligations; and
- (v) any adverse news or developments affecting the local economic conditions or business environment of the borrower which will adversely affect the repayment capacity of the borrower.



---

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


---

44. **FINANCIAL RISK MANAGEMENT** (continued)**Credit Risk** (continued)Risk Management Approach (continued)

## (ii) Credit Quality of Gross Loans, Advances and Financing (continued)

## (c) Impaired Loans, Advances and Financing (continued)

The breakdown of the gross amount of loans, advances and financing individually assessed as impaired, by class, along with the fair value of related collateral held by the Group and the Bank as security are as follows:

Group	Total Gross Impaired Loans, Advances and Financing RM'000	of which Individually Assessed as Impaired		
		Gross Individually Assessed Impaired Loans / Financing RM'000	Individual Assessment Allowance RM'000	Fair Value of Collateral RM'000
<b>31 December 2013</b>				
Retail loans / financing				
- housing loans / financing	531,334	6,097	167	6,097
- hire purchase	332,180	1,758	1,482	1,489
- credit cards	23,161	77	-	-
- other loans / financing	490,654	255,367	110,700	179,838
Corporate loans / financing	107,450	107,450	55,576	67,470
	<u>1,484,779</u>	<u>370,749</u>	<u>167,925</u>	<u>254,894</u>
<b>31 December 2012</b>				
Retail loans / financing				
- housing loans / financing	422,387	4,127	64	4,014
- hire purchase	243,070	1,933	1,219	1,595
- credit cards	23,421	-	-	-
- other loans / financing	531,775	271,712	125,608	187,070
Corporate loans / financing	153,433	153,433	75,104	90,852
	<u>1,374,086</u>	<u>431,205</u>	<u>201,995</u>	<u>283,531</u>



---

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


---

**44. FINANCIAL RISK MANAGEMENT (continued)****Credit Risk (continued)**Risk Management Approach (continued)

## (ii) Credit Quality of Gross Loans, Advances and Financing (continued)

## (c) Impaired Loans, Advances and Financing (continued)

The breakdown of the gross amount of loans, advances and financing individually assessed as impaired, by class, along with the fair value of related collateral held by the Group and the Bank as security are as follows (continued):

Bank	Total Gross Impaired Loans and Advances RM'000	of which Individually Assessed as Impaired		
		Gross Individually Assessed Impaired Loans RM'000	Individual Assessment Allowance RM'000	Fair Value of Collateral RM'000
<b>31 December 2013</b>				
Retail loans				
- housing loans	469,881	2,753	-	2,753
- hire purchase	231,378	-	-	-
- credit cards	23,084	-	-	-
- other loans	322,547	134,617	37,948	115,429
Corporate loans	88,847	88,847	41,817	63,502
	<u>1,135,737</u>	<u>226,217</u>	<u>79,765</u>	<u>181,684</u>
<b>31 December 2012</b>				
Retail loans				
- housing loans	368,509	3,240	-	3,240
- hire purchase	168,925	-	-	-
- credit cards	23,309	-	-	-
- other loans	343,938	123,872	48,952	95,515
Corporate loans	109,979	109,979	61,122	62,862
	<u>1,014,660</u>	<u>237,091</u>	<u>110,074</u>	<u>161,617</u>





---

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


---

**44. FINANCIAL RISK MANAGEMENT (continued)****Credit Risk (continued)**Risk Management Approach (continued)

## (iii) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- for residential mortgages - charges over residential properties
- for commercial property loans/financing - charges over the properties being financed
- for motor vehicle financing - ownership claims over the vehicles financed
- for share margin financing - pledges over securities from listed exchange
- for other loans/financing - charges over business assets such as premises, inventories, trade receivables or deposits

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans, advances and financing for the Group and the Bank as at 31 December 2013 are at 89.9% (31 December 2012 - 90.0%) and 91.6% (31 December 2012 - 92.0%) respectively. The financial effect of collateral held for other remaining on-balance sheet financial assets is not significant.

Repossessed Collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing, and held as at the end of the financial year are as follows:

	Group		Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Residential properties	30,776	52,306	29,552	50,676
Non-residential properties	26,504	30,366	26,430	29,845
	<u>57,280</u>	<u>82,672</u>	<u>55,982</u>	<u>80,521</u>

Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statements of financial position. The Group and the Bank do not occupy repossessed properties for its business use.



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

Risk Management Approach (continued)

## (iv) Credit Quality of Financial Investments

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies:

## Financial Assets Held-for-trading

Group	31 December 2013				31 December 2012				
	Money Market Instruments		Non-money Market Instruments - Debt Securities		Money Market Instruments		Non-money Market Instruments - Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	International Ratings RM'000	Domestic Ratings RM'000	International Ratings RM'000	Domestic Ratings RM'000	International Ratings RM'000	Domestic Ratings RM'000	
AAA to AA-	-	9,311,372	-	-	-	7,564,363	-	-	-
A+ to A-	-	4,311,256	-	-	-	4,221,811	-	-	-
P-1 to P-2	-	-	-	405,394	-	-	-	802,956	802,956
Unrated	-	200,301	-	-	-	50,047	-	-	-
	-	13,822,929	-	405,394	-	11,836,221	-	802,956	802,956
Bank									
AAA to AA-	-	7,862,343	-	-	-	6,817,649	-	-	-
A+ to A-	-	4,211,903	-	-	-	3,847,764	-	-	-
P-1 to P-2	-	-	-	332,489	-	-	-	573,468	573,468
Unrated	-	200,301	-	-	-	50,047	-	-	-
	-	12,274,547	-	332,489	-	10,715,460	-	573,468	573,468



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Credit Risk (continued)

## Risk Management Approach (continued)

## (iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

## Financial Investments Available-for-sale

Group	31 December 2013						31 December 2012					
	Money Market Instruments			Non-money Market Instruments - Debt Securities			Money Market Instruments			Non-money Market Instruments - Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
AAA to AA-	-	97,458	97,458	-	7,961	7,961	-	-	-	-	7,986	7,986
A+ to A-	-	101,386	101,386	265,428	-	265,428	-	-	-	260,944	-	260,944
BBB+ to BBB-	-	-	-	1,446,073	-	1,446,073	-	-	-	1,388,603	-	1,388,603
Lower than BBB-	-	-	-	50,772	-	50,772	-	-	-	46,834	-	46,834
Unrated	-	-	-	-	308,645	308,645	-	-	-	-	310,298	310,298
	-	198,844	198,844	1,762,273	316,606	2,078,879	-	-	-	1,696,381	318,284	2,014,665
Bank	-	97,458	97,458	-	7,961	7,961	-	-	-	-	7,986	7,986
AAA to AA-	-	101,386	101,386	156,706	-	156,706	-	-	-	150,070	-	150,070
A+ to A-	-	-	-	1,083,020	-	1,083,020	-	-	-	1,039,725	-	1,039,725
BBB+ to BBB-	-	-	-	50,772	-	50,772	-	-	-	46,834	-	46,834
Lower than BBB-	-	-	-	-	308,636	308,636	-	-	-	-	310,288	310,288
Unrated	-	198,844	198,844	1,290,498	316,597	1,607,095	-	-	-	1,236,629	318,274	1,554,903



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

44. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

Financial Investments Held-to-maturity

Group	31 December 2013						31 December 2012					
	Money Market Instruments			Non-money Market Instruments - Debt Securities			Money Market Instruments			Non-money Market Instruments - Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
AAA to AA-	165,311	1,370,105	1,535,416	-	334,407	334,407	92,312	1,129,660	1,221,972	982	156,025	157,007
A+ to A-	441,047	-	441,047	278,453	-	278,453	287,511	180,611	468,122	160,178	-	160,178
P-1 to P-2	194,174	-	194,174	98,494	-	98,494	286,009	-	286,009	301,413	-	301,413
Unrated	-	-	-	-	511,964	511,964	-	40,495	40,495	-	16,257	16,257
	800,532	1,370,105	2,170,637	376,947	846,371	1,223,318	665,832	1,350,766	2,016,598	462,573	172,282	634,855
Bank												
AAA to AA-	-	1,617,869	1,617,869	-	246,814	246,814	-	1,472,807	1,472,807	-	138,637	138,637
Unrated	-	-	-	-	486,059	486,059	-	-	-	-	11,200	11,200
	-	1,617,869	1,617,869	-	732,873	732,873	-	1,472,807	1,472,807	-	149,837	149,837



---

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


---

44. **FINANCIAL RISK MANAGEMENT** (continued)**Credit Risk** (continued)Risk Management Approach (continued)

## (iv) Credit Quality of Financial Investments (continued)

The ratings shown for money market instruments (e.g. negotiable instruments of deposit and bankers' acceptances) are based on the ratings assigned to the respective financial institution issuing the financial instruments. The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance.

As at the reporting date, none of the financial investments above are past due.

**Market Risk**

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In addition, the market risk of Islamic banking activities of the Group includes rate of return risk and displaced commercial risk ("DCR").

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk framework and policies, aligns market risk management with business strategies and planning, and recommends actions to ensure that the market risk remains within established risk tolerance level. The market risk of the Group is identified into traded market risk and non-traded market risk.

Types of Market Risk

## (i) Traded Market Risk

Traded market risk, primarily the interest rate/rate of return risk and credit spread risk, exists in the Group's trading book positions held for the purpose of benefiting from short-term price movements. These trading book positions are mainly originated by the treasury operations.



---

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

---

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

Types of Market Risk (continued)

## (i) Traded Market Risk (continued)

Risk Management Approach

The Group's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's traded market risk for its fixed income instruments is measured by the present value of 1 basis point change ("PV01") and controlled by daily and cumulative cut-loss limits. The compliance officers are deployed to conduct daily compliance checking on the treasury operations. Any instances of non-compliance with the operational processes, procedures and limits will be documented with remedial action plans and reported to the RMC. In addition, the compliance officers conduct independent verification on the daily mark-to-market valuation of fixed income instruments.

The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Division. Changes to market risk limits must be approved by the Board of Directors. The trading book positions and limits are regularly reported to the ALCO. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

During the financial year, the Group's and the Bank's traded market risk exposures on fixed income instruments as measured by PV01, averaged at RM276,000 (2012 - RM354,000) and RM226,000 (2012 - RM310,000) respectively. The composition of the Group's and the Bank's trading portfolio is set out in Note 5 to the financial statements.



---

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


---

44. **FINANCIAL RISK MANAGEMENT (continued)****Market Risk (continued)**Types of Market Risk (continued)

## (ii) Non-Traded Market Risk

The Group's core non-traded market risks are interest rate/rate of return risk in the banking book, DCR in the Group's Islamic banking business, foreign exchange risk and equity risk.

## (a) Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB")

IRR/RoRBB is the risk to the Group's earnings and economic value of equity ("EVE") arising from adverse movements in the interest rate/rate of return. The sources of IRR/RoRBB are repricing risk, yield curve risk, basis risk and optionality risk.

Risk Management Approach

The primary objective in managing the IRR/RoRBB is to manage the volatility in the Group's net interest/profit income ("NII/NPI") and EVE, whilst balancing the cost of such hedging activities on the current revenue streams. This is achieved in a variety of ways such as the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in the interest rate/rate of return sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge the interest rate/rate of return risk is set out in Note 6 to the financial statements.

The Group uses various tools including repricing gap reports, sensitivity analysis and income scenario simulations to measure its IRR/RoRBB. The impact on NII/NPI and EVE is considered at all times in measuring the IRR/RoRBB. Limits and policies approved by the RMC are established and are regularly reviewed to ensure its relevance.



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (i) Non-Traded Market Risk (continued)

## (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(1) The following tables indicate the effective interest rate/rate of return at the reporting date and the Group's and the Bank's sensitivity to the interest rate/rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans, advances and financing or early withdrawal of deposits.

Group	31 December 2013	----- Non-trading book -----										Effective interest rate / rate of return %				
		Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest / profit sensitive RM'000	Trading book RM'000		Total RM'000			
<b>ASSETS</b>																
Cash and balances with banks	17,872,840	1,473,957	419,076	-	-	-	-	-	-	-	-	-	2,314,544	-	22,080,417	2.80
Reverse repurchase agreements	2,389,737	6,248,851	-	-	-	-	-	-	-	-	-	-	-	903,381	9,541,969	3.04
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	-	-	-	15,811,963	15,811,963	3.37
Financial investments available-for-sale	1,535,283	2,576,570	6,068,696	1,091,482	694,956	-	-	417,357	5,234,168	-	-	-	-	17,618,512	17,618,512	2.80
Financial investments held-to-maturity	797,494	1,294,503	2,300,630	397,592	809,256	426,366	314,150	1,452,474	1,086	-	-	-	-	7,793,551	7,793,551	2.97
Loans, advances and financing - non-impaired	159,916,633	8,259,722	10,427,567	10,289,434	8,203,788	6,834,488	4,689,694	11,069,698	-	-	-	-	-	-	219,691,024	5.30
- impaired *	-	-	-	-	-	-	-	-	(275,231)	-	-	-	-	-	(275,231)	-
Other non-interest / profit sensitive balances	-	-	-	-	-	-	-	-	13,279,608	183,583	-	-	-	-	13,463,191	-
<b>TOTAL ASSETS</b>	<b>182,511,987</b>	<b>19,853,603</b>	<b>19,215,969</b>	<b>11,778,508</b>	<b>9,708,000</b>	<b>7,260,854</b>	<b>5,003,844</b>	<b>12,939,529</b>	<b>20,554,175</b>	<b>16,898,927</b>	<b>305,725,396</b>					





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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Group 31 December 2013	Non-trading book										Effective interest rate / rate of return %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest / profit sensitive RM'000	Trading book RM'000		Total RM'000
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	137,682,546	35,746,181	44,028,567	298,213	7,876	1,619	2,259	-	33,105,928	-	250,873,189	2.76
Deposits from banks	11,107,177	4,159,519	307,490	67,536	54,641	72,611	49,192	-	357,650	-	16,175,836	1.72
Bills and acceptances payable	471,737	422,749	21,738	-	-	-	-	-	657,219	-	1,573,443	3.24
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	-	500,011	-	-	-	-	500,011	3.60
Debt securities issued and other borrowed funds	463,391	-	473,000	-	1,856,020	3,000,000	2,350,000	2,088,000	139,414	-	10,369,825	4.29
Other non-interest / profit sensitive balances	-	-	-	-	-	-	-	-	4,962,504	73,392	5,035,896	-
<b>Total Liabilities</b>	<b>149,724,851</b>	<b>40,328,449</b>	<b>44,830,795</b>	<b>365,769</b>	<b>1,918,537</b>	<b>3,574,241</b>	<b>2,401,451</b>	<b>2,088,000</b>	<b>39,222,715</b>	<b>73,392</b>	<b>284,528,200</b>	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	20,423,594	-	20,423,594	-
Non-controlling interests	-	-	-	-	-	-	-	-	773,602	-	773,602	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>149,724,851</b>	<b>40,328,449</b>	<b>44,830,795</b>	<b>365,769</b>	<b>1,918,537</b>	<b>3,574,241</b>	<b>2,401,451</b>	<b>2,088,000</b>	<b>60,419,911</b>	<b>73,392</b>	<b>305,725,396</b>	
On-balance sheet interest / profit sensitivity gap	32,787,136	(20,474,846)	(25,614,826)	11,412,739	7,789,463	3,686,613	2,602,393	10,851,529	(39,865,736)	16,825,535	-	-
Off-balance sheet interest / profit sensitivity gap (interest / profit rate swaps)	1,247,212	(3,898,700)	(653,306)	(770,823)	1,356,020	1,000,000	250,000	1,469,597	-	-	-	-
<b>TOTAL INTEREST / PROFIT</b>												



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Group	31 December 2012 (Restated)	Non-trading book										Trading book	Total	Effective interest rate / rate of return %		
		Up to 1 month	> 1 - 3 months	> 3 - 12 months	> 1 - 2 years	> 2 - 3 years	> 3 - 4 years	> 4 - 5 years	Over 5 years	Non-interest / profit sensitive	Over 5 years					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>																
Cash and balances with banks	14,623,476	1,637,145	158,722	-	-	-	-	-	-	-	-	-	-	-	18,635,951	2.62
Reverse repurchase agreements	2,309,299	1,500,229	3,499,625	-	-	-	-	-	-	-	-	-	849,353	-	8,158,506	3.04
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	-	-	16,617,135	-	16,617,135	3.17
Financial investments available-for-sale	1,940,785	3,590,877	3,098,219	2,112,313	821,437	7,985	-	421,162	5,208,342	-	-	-	-	17,201,120	2.86	
Financial investments held-to-maturity	852,441	1,533,791	1,609,454	1,075,587	314,055	326,622	274,675	270,060	1,086	-	-	-	-	6,257,771	2.93	
Loans, advances and financing - non-impaired	137,666,627	8,882,816	10,189,734	9,554,502	7,963,005	6,124,798	4,888,438	11,139,158	-	-	-	-	-	196,409,078	5.46	
- impaired *	-	-	-	-	-	-	-	-	(357,475)	-	-	-	-	(357,475)	-	
Other non-interest / profit sensitive balances	-	-	-	-	-	-	-	-	11,874,182	-	-	-	27,690	11,901,872	-	
<b>TOTAL ASSETS</b>	<b>157,392,628</b>	<b>17,144,858</b>	<b>18,555,754</b>	<b>12,742,402</b>	<b>9,098,497</b>	<b>6,459,405</b>	<b>5,163,113</b>	<b>11,830,380</b>	<b>18,942,743</b>	<b>17,494,178</b>	<b>274,823,958</b>					



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (i) Non-Traded Market Risk (continued)

## (a) Interest Rate/Risk of Return Risk in the Banking Book (continued)

Group 31 December 2012 (Restated)	Non-trading book										Trading book RM'000	Total RM'000	Effective interest rate / rate of return %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest / profit sensitive RM'000				
<b>LIABILITIES AND EQUITY</b>													
Deposits from customers	122,276,502	40,895,877	33,387,912	264,942	18,932	5,382	1,714	-	28,190,864	-	225,042,325	2.66	
Deposits from banks	7,223,118	3,320,518	1,332,603	116,302	78,820	62,199	72,757	-	642,996	-	12,849,313	1.88	
Bills and acceptances payable	809,825	1,380,768	30,824	-	-	-	-	-	827,404	-	3,048,821	3.23	
Recourse obligations on loans and financing sold to Cagamas	468	581	444	-	-	-	500,003	-	-	-	501,496	3.60	
Debt securities issued and other borrowed funds	864,911	-	1,400,000	473,000	-	1,811,600	3,000,000	2,088,000	309,342	-	9,946,853	3.97	
Other non-interest / profit sensitive balances	-	-	-	-	-	-	-	-	4,653,056	63,790	4,716,846	-	
Total Liabilities	131,174,824	45,597,744	36,151,783	854,244	97,752	1,879,381	3,574,474	2,088,000	34,623,662	63,790	256,105,654	-	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	18,018,440	-	18,018,440	-	
Non-controlling interests	-	-	-	-	-	-	-	-	699,864	-	699,864	-	
<b>TOTAL LIABILITIES AND EQUITY</b>	131,174,824	45,597,744	36,151,783	854,244	97,752	1,879,381	3,574,474	2,088,000	53,341,966	63,790	274,823,958	-	
On-balance sheet interest / profit sensitivity gap	26,217,804	(28,452,886)	(17,596,029)	11,888,158	9,000,745	4,580,024	1,588,639	9,742,380	(34,399,223)	17,430,388	-	-	
Off-balance sheet interest / profit sensitivity gap (interest / profit rate swaps)	1,149,670	(4,911,690)	1,552,000	(909,210)	(718,630)	1,311,600	1,000,000	1,526,260	-	-	-	-	
<b>TOTAL INTEREST / PROFIT SENSITIVITY GAP</b>	27,367,474	(33,364,576)	(16,044,029)	10,978,948	8,282,115	5,891,624	2,588,639	11,268,640	(34,399,223)	17,430,388	-	-	



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Bank 31 December 2013	----- Non-trading book ----->										Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000		Total RM'000
ASSETS												
Cash and balances with banks	9,850,587	1,210,474	153,196	-	-	-	-	-	1,535,829	-	12,750,086	2.78
Reverse repurchase agreements	2,389,737	6,248,851	-	-	-	-	-	-	-	-	8,638,588	3.04
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	13,986,426	13,986,426	3.38
Financial investments available-for-sale	1,535,283	2,067,719	5,019,714	849,355	694,956	-	-	308,636	4,649,204	-	15,124,867	2.82
Financial investments held-to-maturity	49,899	266,377	985,257	297,481	649,967	326,332	292,507	2,918,894	1,086	-	5,787,800	3.73
Loans and advances	141,859,058	6,420,122	7,193,988	7,286,262	5,688,770	4,834,693	3,088,073	6,048,724	-	-	182,419,690	5.20
- non-impaired	-	-	-	-	-	-	-	-	(15,117)	-	(15,117)	-
- impaired *	-	-	-	-	-	-	-	-	-	-	-	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	13,963,841	183,258	14,147,099	-
<b>TOTAL ASSETS</b>	<b>155,684,564</b>	<b>16,213,543</b>	<b>13,352,155</b>	<b>8,433,098</b>	<b>7,033,693</b>	<b>5,161,025</b>	<b>3,380,580</b>	<b>9,276,254</b>	<b>20,134,843</b>	<b>14,169,684</b>	<b>252,839,439</b>	



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Bank 31 December 2013	----- Non-trading book ----->											Effective interest rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	109,295,687	27,111,925	36,265,556	162,187	5,037	1,592	1,819	-	29,027,789	-	201,871,592	2.91
Deposits from banks	12,364,230	3,709,579	119,880	67,556	54,641	72,611	46,802	-	487,749	-	16,923,048	1.76
Bills and acceptances payable	471,737	480,646	21,738	-	-	-	-	-	653,394	-	1,627,515	3.24
Debt securities issued and other borrowed funds	-	-	473,000	-	1,856,020	3,000,000	2,350,000	2,088,000	139,414	-	9,906,434	4.43
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	3,615,037	73,758	3,688,795	-
<b>Total Liabilities</b>	<b>122,131,654</b>	<b>31,302,150</b>	<b>36,880,174</b>	<b>229,743</b>	<b>1,915,698</b>	<b>3,074,203</b>	<b>2,398,621</b>	<b>2,088,000</b>	<b>33,923,383</b>	<b>73,758</b>	<b>234,017,384</b>	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	18,822,055	-	18,822,055	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>122,131,654</b>	<b>31,302,150</b>	<b>36,880,174</b>	<b>229,743</b>	<b>1,915,698</b>	<b>3,074,203</b>	<b>2,398,621</b>	<b>2,088,000</b>	<b>52,745,438</b>	<b>73,758</b>	<b>252,839,439</b>	
On-balance sheet interest sensitivity gap	33,552,910	(15,088,607)	(23,528,019)	8,203,355	5,117,995	2,086,822	981,959	7,188,254	(32,610,595)	14,095,926	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	332,409	(5,946,391)	(518,822)	(541,216)	1,356,020	1,200,000	750,000	3,368,000	-	-	-	-
<b>TOTAL INTEREST SENSITIVITY GAP</b>	<b>33,885,319</b>	<b>(21,034,998)</b>	<b>(24,046,841)</b>	<b>7,662,139</b>	<b>6,474,015</b>	<b>3,286,822</b>	<b>1,731,959</b>	<b>10,556,254</b>	<b>(32,610,595)</b>	<b>14,095,926</b>	<b>-</b>	<b>-</b>



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Bank 31 December 2012 (Restated)	Non-trading book										Trading book RM'000	Total RM'000	Effective interest rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Non-interest sensitive RM'000				
ASSETS														
Cash and balances with banks	8,667,310	1,441,133	-	-	-	-	-	-	1,571,400	-	-	11,679,843	2.67	
Reverse repurchase agreements	2,309,299	1,500,229	3,499,625	-	-	-	-	-	-	-	-	7,309,153	3.04	
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	13,599,044	13,599,044	3.18	
Financial investments available-for-sale	1,940,785	3,590,877	3,098,219	1,442,380	589,160	7,985	-	310,289	4,640,549	-	15,620,244	2.89		
Financial investments held-to-maturity	9,050	401,792	398,258	1,059,656	297,424	326,622	274,675	1,740,751	1,086	-	4,509,314	3.66		
Loans and advances	123,112,909	7,006,764	7,114,457	6,741,558	5,611,151	4,227,326	3,447,028	5,862,313	-	-	163,123,506	5.33		
- non-impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	
- impaired *	-	-	-	-	-	-	-	-	(154,898)	-	(154,898)	-	-	
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	12,862,198	27,564	12,889,762	-	-	
<b>TOTAL ASSETS</b>	<b>136,039,353</b>	<b>13,940,795</b>	<b>14,110,559</b>	<b>9,243,594</b>	<b>6,497,735</b>	<b>4,561,933</b>	<b>3,721,703</b>	<b>7,913,353</b>	<b>18,920,335</b>	<b>13,626,608</b>	<b>228,575,968</b>	<b>-</b>	<b>-</b>	



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Bank 31 December 2012 (Restated)	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %	
				> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000				Non-interest sensitive RM'000
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	97,206,812	32,483,509	27,210,946	100,888	16,435	3,716	1,689	-	24,664,449	-	181,688,404	2.81
Deposits from banks	8,954,433	3,423,897	1,268,939	116,302	78,820	62,199	72,757	-	431,431	-	14,408,778	1.81
Bills and acceptances payable	867,069	1,380,768	58,076	-	-	-	-	-	826,779	-	3,132,692	3.23
Recourse obligations on loans sold to Cagamas	468	581	444	-	-	-	-	-	-	-	1,493	4.45
Debt securities issued and other borrowed funds	-	-	1,400,000	473,000	-	1,811,600	3,000,000	2,088,000	309,342	-	9,081,942	4.21
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	3,302,629	65,097	3,367,726	-
<b>Total Liabilities</b>	107,028,782	37,288,755	29,938,405	690,190	95,255	1,877,515	3,074,446	2,088,000	29,534,630	65,097	211,681,075	-
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	16,894,893	-	16,894,893	-
<b>TOTAL LIABILITIES AND EQUITY</b>	107,028,782	37,288,755	29,938,405	690,190	95,255	1,877,515	3,074,446	2,088,000	46,429,523	65,097	228,575,968	-
On-balance sheet interest sensitivity gap	29,010,571	(23,347,960)	(15,827,846)	8,553,404	6,402,480	2,684,418	647,257	5,825,353	(27,509,188)	13,561,511	-	-
Off-balance sheet interest sensitivity gap (interest rate swaps)	242,640	(6,417,490)	1,552,000	(802,180)	(504,570)	1,311,600	1,200,000	3,418,000	-	-	-	-
<b>TOTAL INTEREST SENSITIVITY GAP</b>	29,253,211	(29,765,450)	(14,275,846)	7,751,224	5,897,910	3,996,018	1,847,257	9,243,353	(27,509,188)	13,561,511	-	-

\* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans, advances and financing.

192



---

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


---

**44. FINANCIAL RISK MANAGEMENT (continued)****Market Risk (continued)**Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

## (ii) Interest Rate/Rate of Return Risk Sensitivity Analysis

The following tables present the projected Group's and Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's and Bank's interest rate/rate of return sensitivity gap as at the reporting date. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

	2013		2012	
	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000
	<----- (Decrease) / Increase ----->			
<b>Group</b>				
Impact on NII / NPI	(248,022)	140,809	(163,807)	65,846
Impact on EVE	932,989	(548,689)	914,718	(561,732)
<b>Bank</b>				
Impact on NII / NPI	(222,636)	161,948	(152,923)	95,750
Impact on EVE	760,032	(447,000)	718,105	(460,639)

The reported amounts do not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate/rate of return risk. In reality, treasury operations seek to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes that the interest rate/rate of return of all maturities move by the same amount and, therefore, does not reflect the potential impact on the NII/NPI and EVE of some rates changing while others remain unchanged. The projection also assumes constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, loans/financing prepayments are generally estimated based on past statistics and trends. The impact on the NII/NPI is measured on a monthly basis and the impact on the EVE is on a quarterly basis, both of which are reported to the ALCO and the RMC.





---

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


---

**44. FINANCIAL RISK MANAGEMENT (continued)****Market Risk (continued)**Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(iii) Stress testing is conducted semi-annually to determine the adequacy of capital in meeting the impact of extreme interest rate/rate of return movements on the Group's and the Bank's statements of financial position. Stress testing is performed to provide early warnings of potential losses to facilitate the proactive management of the interest rate/rate of return risk.

## (b) Displaced Commercial Risk ("DCR")

DCR refers to the risk of Public Islamic Bank Berhad ("PIBB") bearing the credit and market risk losses as a result of paying a return that exceeds the actual return that was supposedly to be earned by the Investment Account Holders ("IAH") based on the contractual profit sharing ratio. PIBB does not have Profit Sharing Investment Accounts ("PSIA") which are eligible for risk absorbent treatment.

Risk Management Approach

PIBB uses the Profit Equalisation Reserve ("PER") to manage its DCR and is governed by the Profit Equalisation Reserve Framework. PER is created by setting aside an amount out of the total gross income before distribution to the IAH and to PIBB. The amount of PER set aside is shared by both the IAH and PIBB. PER may be released to smoothen the rate of return. In the event that there is no PER balance to be released, PIBB may employ the following techniques to ensure that the IAH receive market rate of return:

- (i) to forgo part or all of PIBB's share of profit as mudharib to the IAH by way of varying the percentage of profit taken as the mudharib share in order to increase the share attributed to the IAH in any particular year; and/or
- (ii) to transfer PIBB's current year profits or retained earnings to the IAH on the basis of hibah.



---

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

---

**44. FINANCIAL RISK MANAGEMENT (continued)****Market Risk (continued)**Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (c) Foreign Exchange Risk

Foreign exchange risk refers to the adverse impact arising from movements in exchange rates on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiary companies, overseas branches and associated companies, whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Group's businesses are transacted in are United States Dollars and Hong Kong Dollars.

Risk Management Approach

The Group manages such risk through funding in the same functional currencies, where possible. In addition, Net Open Position ("NOP") limit is set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on its potential economic benefit and is periodically assessed by the ALCO.

- (i) The following tables summarise the assets, liabilities and NOP by currencies as at the reporting date, which are mainly in Ringgit Malaysia, Hong Kong Dollars and United States Dollars. Other currencies mainly include exposure to Euro, Australian Dollars, Chinese Renminbi, New Zealand Dollars, Sri Lanka Rupees, Great Britain Pounds and Japanese Yen.



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

## Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (c) Foreign Exchange Risk (continued)

Group 31 December 2013	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
<b>ASSETS</b>					
Cash and balances with banks	16,685,553	1,389,675	2,179,193	1,825,996	22,080,417
Reverse repurchase agreements	9,537,953	-	-	4,016	9,541,969
Financial assets held-for-trading	15,811,963	-	-	-	15,811,963
Derivative financial assets	282,499	325	82,530	-	365,354
Financial investments available-for-sale	15,816,691	2,874	1,786,999	11,948	17,618,512
Financial investments held-to-maturity	5,662,131	1,450,399	163,452	517,569	7,793,551
Loans, advances and financing	202,928,035	11,142,554	4,530,852	814,352	219,415,793
Other assets	1,513,878	925	30,555	994,341	2,539,699
Statutory deposits with Central Banks	6,476,300	-	446,725	1,807	6,924,832
Deferred tax assets	57,175	12,946	-	-	70,121
Investment in associated companies	37,155	-	121,730	-	158,885
Investment properties	2,000	95,391	-	-	97,391
Property and equipment	903,447	312,502	85,197	1,851	1,302,997
Intangible assets	769,251	1,234,661	-	-	2,003,912
<b>TOTAL ASSETS</b>	<b>276,484,031</b>	<b>15,642,252</b>	<b>9,427,233</b>	<b>4,171,880</b>	<b>305,725,396</b>
<b>LIABILITIES</b>					
Deposits from customers	225,861,580	9,857,046	11,167,845	3,986,718	250,873,189
Deposits from banks	8,117,595	1,576,585	5,391,702	1,089,954	16,175,836
Bills and acceptances payable	1,572,742	-	13	688	1,573,443
Recourse obligations on loans and financing sold to Cagamas	500,011	-	-	-	500,011
Derivative financial liabilities	265,310	258	69,022	-	334,590
Debt securities issued and other borrowed funds	9,168,317	463,391	738,117	-	10,369,825
Other liabilities	2,811,399	132,494	61,896	1,014,627	4,020,416
Provision for tax expense and zakat	548,454	6,380	23,843	6,552	585,229
Deferred tax liabilities	85,529	10,132	-	-	95,661
<b>TOTAL LIABILITIES</b>	<b>248,930,937</b>	<b>12,046,286</b>	<b>17,452,438</b>	<b>6,098,539</b>	<b>284,528,200</b>
Non-controlling interests	-	758,522	15,080	-	773,602
On-Balance Sheet Open Position	27,553,094	2,837,444	(8,040,285)	(1,926,659)	20,423,594
Off-Balance Sheet Open Position	(7,661,879)	(1,367,597)	6,608,384	2,421,092	-
<b>NET OPEN POSITION</b>	<b>19,891,215</b>	<b>1,469,847</b>	<b>(1,431,901)</b>	<b>494,433</b>	<b>20,423,594</b>



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

44. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Types of Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

Group 31 December 2012 (Restated)	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
<b>ASSETS</b>					
Cash and balances with banks	13,376,770	1,513,184	1,811,102	1,934,895	18,635,951
Reverse repurchase agreements	8,158,410	-	-	96	8,158,506
Financial assets held-for-trading	16,617,135	-	-	-	16,617,135
Derivative financial assets	261,565	125	108,775	-	370,465
Financial investments available-for-sale	15,467,969	2,684	1,719,434	11,033	17,201,120
Financial investments held-to-maturity	4,402,056	1,025,062	370,602	460,051	6,257,771
Loans, advances and financing	180,981,769	10,339,737	4,165,223	564,874	196,051,603
Other assets	1,349,057	52,469	11,530	792,942	2,205,998
Statutory deposits with Central Banks	5,381,471	-	404,050	1,685	5,787,206
Deferred tax assets	48,784	14,443	-	-	63,227
Investment in associated companies	37,314	-	113,896	-	151,210
Investment properties	1,950	85,936	-	-	87,886
Property and equipment	925,120	295,931	86,304	2,178	1,309,533
Intangible assets	769,251	1,157,096	-	-	1,926,347
<b>TOTAL ASSETS</b>	<b>247,778,621</b>	<b>14,486,667</b>	<b>8,790,916</b>	<b>3,767,754</b>	<b>274,823,958</b>
<b>LIABILITIES</b>					
Deposits from customers	201,651,865	9,110,993	10,559,889	3,719,578	225,042,325
Deposits from banks	7,576,775	837,234	4,435,304	-	12,849,313
Bills and acceptances payable	3,048,199	-	425	197	3,048,821
Recourse obligations on loans and financing sold to Cagamas	501,496	-	-	-	501,496
Derivative financial liabilities	100,337	53	133,174	-	233,564
Debt securities issued and other borrowed funds	8,362,123	864,911	719,819	-	9,946,853
Other liabilities	2,648,280	99,830	111,660	810,479	3,670,249
Provision for tax expense and zakat	704,358	7,330	25,460	3,135	740,283
Deferred tax liabilities	63,063	9,687	-	-	72,750
<b>TOTAL LIABILITIES</b>	<b>224,656,496</b>	<b>10,930,038</b>	<b>15,985,731</b>	<b>4,533,389</b>	<b>256,105,654</b>
Non-controlling interests	-	686,608	13,256	-	699,864
<b>On-Balance Sheet Open Position</b>	<b>23,122,125</b>	<b>2,870,021</b>	<b>(7,208,071)</b>	<b>(765,635)</b>	<b>18,018,440</b>
<b>Off-Balance Sheet Open Position</b>	<b>(5,291,370)</b>	<b>(1,753,265)</b>	<b>5,835,877</b>	<b>1,208,758</b>	<b>-</b>
<b>NET OPEN POSITION</b>	<b>17,830,755</b>	<b>1,116,756</b>	<b>(1,372,194)</b>	<b>443,123</b>	<b>18,018,440</b>



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

44. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Types of Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

Bank 31 December 2013	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
<b>ASSETS</b>					
Cash and balances with banks	10,097,973	754,500	1,046,082	851,531	12,750,086
Reverse repurchase agreements	8,634,572	-	-	4,016	8,638,588
Financial assets held-for-trading	13,986,426	-	-	-	13,986,426
Derivative financial assets	268,199	-	82,530	-	350,729
Financial investments available-for-sale	13,809,676	-	1,315,140	51	15,124,867
Financial investments held-to-maturity	5,676,074	-	52,443	59,283	5,787,800
Loans and advances	180,035,266	444,083	1,352,052	573,172	182,404,573
Other assets	1,409,018	-	20,747	979,545	2,409,310
Statutory deposits with Central Banks	5,536,450	-	29,496	-	5,565,946
Investment in subsidiary companies	2,289,095	1,672,194	474,761	-	4,436,050
Investment in associated companies	20,030	-	101,295	-	121,325
Property and equipment	561,040	-	5,455	1,851	568,346
Intangible assets	695,393	-	-	-	695,393
<b>TOTAL ASSETS</b>	<b>243,019,212</b>	<b>2,870,777</b>	<b>4,480,001</b>	<b>2,469,449</b>	<b>252,839,439</b>
<b>LIABILITIES</b>					
Deposits from customers	195,129,046	6,270	4,308,017	2,428,259	201,871,592
Deposits from banks	9,263,727	380,015	6,147,419	1,131,887	16,923,048
Bills and acceptances payable	1,626,814	-	13	688	1,627,515
Derivative financial liabilities	381,787	-	47,708	-	429,495
Debt securities issued and other borrowed funds	9,168,317	-	738,117	-	9,906,434
Other liabilities	1,760,859	31,499	65,315	987,918	2,845,591
Provision for tax expense	359,771	-	1,808	1,392	362,971
Deferred tax liabilities	50,738	-	-	-	50,738
<b>TOTAL LIABILITIES</b>	<b>217,741,059</b>	<b>417,784</b>	<b>11,308,397</b>	<b>4,550,144</b>	<b>234,017,384</b>
<b>On-Balance Sheet Open Position</b>	<b>25,278,153</b>	<b>2,452,993</b>	<b>(6,828,396)</b>	<b>(2,080,695)</b>	<b>18,822,055</b>
<b>Off-Balance Sheet Open Position</b>	<b>(7,661,879)</b>	<b>(1,363,524)</b>	<b>6,616,605</b>	<b>2,408,798</b>	<b>-</b>
<b>NET OPEN POSITION</b>	<b>17,616,274</b>	<b>1,089,469</b>	<b>(211,791)</b>	<b>328,103</b>	<b>18,822,055</b>



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

44. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

Types of Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

Bank 31 December 2012 (Restated)	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
<b>ASSETS</b>					
Cash and balances with banks	8,551,469	847,398	994,666	1,286,310	11,679,843
Reverse repurchase agreements	7,309,057	-	-	96	7,309,153
Financial assets held-for-trading	13,599,044	-	-	-	13,599,044
Derivative financial assets	255,569	-	108,775	-	364,344
Financial investments available-for-sale	14,360,593	-	1,259,602	49	15,620,244
Financial investments held-to-maturity	4,451,028	-	38,442	19,844	4,509,314
Loans and advances	160,856,914	531,901	1,303,549	276,244	162,968,608
Other assets	1,306,352	-	5,620	787,000	2,098,972
Statutory deposits with Central Banks	4,709,380	-	28,833	-	4,738,213
Investment in subsidiary companies	2,116,626	1,672,194	474,761	-	4,263,581
Investment in associated companies	20,030	-	101,295	-	121,325
Property and equipment	600,382	-	5,374	2,178	607,934
Intangible assets	695,393	-	-	-	695,393
<b>TOTAL ASSETS</b>	<b>218,831,837</b>	<b>3,051,493</b>	<b>4,320,917</b>	<b>2,371,721</b>	<b>228,575,968</b>
<b>LIABILITIES</b>					
Deposits from customers	175,416,378	4,448	3,760,756	2,506,862	181,688,444
Deposits from banks	8,536,710	186,125	5,685,943	-	14,408,778
Bills and acceptances payable	3,132,070	-	425	197	3,132,692
Recourse obligations on loans sold to Cagamas	1,493	-	-	-	1,493
Derivative financial liabilities	116,181	-	94,579	-	210,760
Debt securities issued and other borrowed funds	8,362,123	-	719,819	-	9,081,942
Other liabilities	1,531,952	144,991	101,507	800,438	2,578,888
Provision for tax expense	515,448	-	5,491	1,149	522,088
Deferred tax liabilities	55,990	-	-	-	55,990
<b>TOTAL LIABILITIES</b>	<b>197,668,345</b>	<b>335,564</b>	<b>10,368,520</b>	<b>3,308,646</b>	<b>211,681,075</b>
<b>On-Balance Sheet Open Position</b>	<b>21,163,492</b>	<b>2,715,929</b>	<b>(6,047,603)</b>	<b>(936,925)</b>	<b>16,894,893</b>
<b>Off-Balance Sheet Open Position</b>	<b>(5,291,370)</b>	<b>(1,749,462)</b>	<b>5,843,554</b>	<b>1,197,278</b>	<b>-</b>
<b>NET OPEN POSITION</b>	<b>15,872,122</b>	<b>966,467</b>	<b>(204,049)</b>	<b>260,353</b>	<b>16,894,893</b>



---

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


---

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Market Risk (continued)

Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (c) Foreign Exchange Risk (continued)

- (ii) Structural foreign exchange risk represents the Group's currency exposure in its net investments in overseas operations and capital funds/retained earnings of overseas branches. Where possible, the Group manages such risk through funding investments in the same functional currencies. In addition, as part of its risk management strategy, the Group has designated certain funding in United States Dollars to hedge part of its Hong Kong Dollars structural currency exposure due to the pegging of Hong Kong Dollars to United States Dollars. The structural currency exposures of the Group as at the reporting date are as follows:

Group	Hedged RM'000	Unhedged RM'000	Total RM'000
<b>2013</b>			
United States Dollars	1,751,573	(565,167)	1,186,406
Hong Kong Dollars	1,905,738	583,270	2,489,008
Other currencies	-	514,909	514,909
	<u>3,657,311</u>	<u>533,012</u>	<u>4,190,323</u>
<b>2012</b>			
United States Dollars	1,632,972	(679,219)	953,753
Hong Kong Dollars	1,776,698	440,852	2,217,550
Other currencies	-	434,228	434,228
	<u>3,409,670</u>	<u>195,861</u>	<u>3,605,531</u>

## (iii) Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its non-trading unhedged positions as at each reporting date is summarised below:

Group	Change in Currency Rates %	Revaluation Sensitivity	
		2013 RM'000	2012 RM'000
United States Dollars	+/- 5	-/+ 28,258	-/+ 33,961
Hong Kong Dollars	+/- 5	+/- 29,163	+/- 22,043
Other currencies	+/- 5	+/- 25,745	+/- 21,711



---

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


---

**44. FINANCIAL RISK MANAGEMENT (continued)****Market Risk (continued)**Types of Market Risk (continued)

## (ii) Non-Traded Market Risk (continued)

## (d) Equity Risk

Equity risk refers to the adverse impact arising from movements in equity prices on equity positions held by the Group and the Bank for yield purposes.

Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee.

Considering that other risk variables remain constant, the table below summarises the impact on the carrying amount of equity positions as at each reporting date should there be a change in equity market prices:

	Change in Equity Market Prices %	Sensitivity of Equity of Equity RM'000
<b>Group</b>		
2013	+/- 20	+/- 3,336
2012	+/- 20	+/- 9,615
<b>Bank</b>		
2013	+/- 20	+/- 957
2012	+/- 20	+/- 7,418

**Liquidity and Funding Risk**

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk Governance

The ALCO is the primary committee responsible for liquidity and funding risk management based on guidelines approved by the RMC. Liquidity policies and frameworks are reviewed by the ALCO and approved by the RMC prior to implementation.





---

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


---

44. **FINANCIAL RISK MANAGEMENT (continued)****Liquidity and Funding Risk (continued)**Risk Management Approach

The liquidity and funding risk management of the Group is aligned to the New Liquidity Framework issued by BNM, and is measured and managed based on projected cash flows. In addition to ensuring compliance with the New Liquidity Framework, the Group maintains a liquidity compliance buffer to meet any unexpected cash outflows.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flows and the replenishment of funds as they matured or are borrowed by/financed to the customers. As at 31 December 2013, the Group holds a sizeable balance of government securities amounting to RM16,089.9 million (31 December 2012 - RM17,651.4 million) or 39% (31 December 2012 - 44%) of its portfolio of securities.

The Group's liquidity and funding positions are supported by the Group's significant retail deposit base, accompanied by funding from wholesale markets. The Group's retail deposit base comprises current and savings deposits which, although payable on demand, have traditionally in aggregate provided stable sources of funding. The Group's reputation, earnings generation capacity, strong credit rating, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Group accesses the wholesale markets through the issuance of debt instruments, certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

The primary tools for monitoring liquidity and funding positions are the maturity mismatch analysis, assessment on the concentration of fundings, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity and funding positions are reported to the ALCO on a monthly basis in Ringgit Malaysia and United States Dollars.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed by the various entities under the Group to determine the cash flows mismatches under the "Specific Institution Liquidity Problem" and "Systemic Wide Liquidity Problem" scenarios and the possible sources of funding to meet the shortfalls during a liquidity crisis.

Overseas subsidiary companies and overseas branches are required to comply with their respective local regulatory liquidity requirements and internal liquidity and funding limits. Similar risk management processes as practiced by Head Office are adopted by its overseas subsidiary companies and overseas branches. It is the Group's policy that the overseas subsidiary companies and overseas branches strive to attain a self-funding position in funding their respective operations.



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Liquidity and Funding Risk (continued)

## Risk Management Approach (continued)

## (a) Maturity analysis of assets and liabilities based on remaining contractual maturity

The following tables show the maturity analysis of the carrying amounts of the Group's and the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have significant amounts of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but which are historically a stable source of long-term funding for the Group and the Bank.

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and commitments as set out in Note 49 to the financial statements. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these commitments (such as direct credit substitutes) to expire or be unconditionally cancelled without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

Group	Up to 7 Days	> 7 Days - 1 Month	> 1 - 3 Months	> 3 - 6 Months	> 6 - 12 Months	> 1 Year	Total
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
Cash and balances with banks	13,416,152	6,771,232	1,473,957	418,796	280	-	22,080,417
Reverse repurchase agreements	100,737	2,641,080	6,800,152	-	-	-	9,541,969
Financial investments	730,960	5,070,697	11,990,602	4,747,872	7,794,116	10,889,779	41,224,026
Derivative financial assets	23,984	89,639	37,761	25,620	8,113	180,237	365,354
Loans, advances and financing	11,140,353	4,751,816	9,271,077	11,606,651	16,895,642	165,750,254	219,415,793
Other asset balances	42,320	21,359	4,649	1,321	1	13,028,187	13,097,837
<b>TOTAL ASSETS</b>	<b>25,454,506</b>	<b>19,345,823</b>	<b>29,578,198</b>	<b>16,800,260</b>	<b>24,698,152</b>	<b>189,848,457</b>	<b>305,725,396</b>
<b>LIABILITIES</b>							
Deposits from customers	98,910,457	71,764,702	35,746,181	19,950,941	24,077,626	423,282	250,873,189
Deposits from banks	4,773,671	6,691,156	4,159,519	277,010	30,480	244,000	16,175,836
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	-	500,011	500,011
Derivative financial liabilities	14,638	18,686	33,855	1,399	25,622	240,390	334,590
Debt securities issued and other borrowed funds	-	-	-	-	936,391	9,433,434	10,369,825
Other liability balances	867,640	831,165	709,793	158,043	191,065	3,517,043	6,274,749
<b>TOTAL LIABILITIES</b>	<b>104,566,406</b>	<b>79,305,709</b>	<b>40,649,348</b>	<b>20,387,393</b>	<b>25,261,184</b>	<b>14,358,160</b>	<b>284,528,200</b>
<b>EQUITY</b>							
Equity attributable to equity holders of the Bank	-	-	-	-	-	20,423,594	20,423,594
Non-controlling interests	-	-	-	-	-	773,602	773,602
<b>TOTAL EQUITY</b>	-	-	-	-	-	<b>21,197,196</b>	<b>21,197,196</b>
<b>NET MATURITY MISMATCH</b>	<b>(79,111,900)</b>	<b>(59,959,886)</b>	<b>(11,071,150)</b>	<b>(3,587,133)</b>	<b>(563,032)</b>	<b>154,293,101</b>	<b>203</b>

203



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

44. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Group	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 Year RM'000	Total RM'000
<b>ASSETS</b>							
Cash and balances with banks	11,651,167	5,188,917	1,637,145	87,923	70,799	-	18,635,951
Reverse repurchase agreements	619,958	1,787,867	1,750,686	3,999,995	-	-	8,158,506
Financial investments	978,363	8,667,624	13,159,543	4,561,151	1,830,252	10,879,093	40,076,026
Derivative financial assets	1,508	6,159	6,084	5,958	1,883	348,873	370,465
Loans, advances and financing	11,256,979	4,028,117	7,249,178	9,910,060	16,118,043	147,489,226	196,051,603
Other asset balances	20,595	9,172	2,894	155	125	11,498,466	11,531,407
<b>TOTAL ASSETS</b>	<b>24,528,570</b>	<b>19,687,856</b>	<b>23,805,530</b>	<b>18,565,242</b>	<b>18,021,102</b>	<b>170,215,658</b>	<b>274,823,958</b>
<b>LIABILITIES</b>							
Deposits from customers	85,776,272	64,500,675	40,895,878	17,050,659	16,337,253	481,588	225,042,325
Deposits from banks	3,771,933	3,451,165	3,320,518	1,219,851	112,752	973,074	12,849,313
Recourse obligations on loans and financing sold to Cagamas	117	351	581	333	111	500,003	501,496
Derivative financial liabilities	5,367	32,395	18,968	6,664	396	169,774	233,564
Debt securities issued and other borrowed funds	-	-	-	1,400,000	523,363	8,023,490	9,946,853
Other liability balances	268,170	1,042,965	1,721,996	153,070	134,984	4,210,918	7,532,103
<b>TOTAL LIABILITIES</b>	<b>89,821,879</b>	<b>69,027,551</b>	<b>45,957,941</b>	<b>19,830,577</b>	<b>17,108,859</b>	<b>14,358,847</b>	<b>256,105,654</b>
<b>EQUITY</b>							
Equity attributable to equity holders of the Bank	-	-	-	-	-	18,018,440	18,018,440
Non-controlling interests	-	-	-	-	-	699,864	699,864
<b>TOTAL EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,718,304</b>	<b>18,718,304</b>
<b>NET MATURITY MISMATCH</b>	<b>(65,293,309)</b>	<b>(49,339,695)</b>	<b>(22,152,411)</b>	<b>(1,265,335)</b>	<b>912,243</b>	<b>137,138,507</b>	<b>-</b>



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Liquidity and Funding Risk (continued)

## Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Bank	Up to	> 7 Days -	> 1 - 3	> 3 - 6	> 6 - 12	> 1	Total
31 December 2013	7 Days	1 Month	Months	Months	Months	Year	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
Cash and balances with banks	5,506,570	5,879,846	1,210,475	153,195	-	-	12,750,086
Reverse repurchase agreements	-	2,389,737	6,248,851	-	-	-	8,638,588
Financial investments	384,117	4,497,049	9,698,160	3,594,673	5,685,784	11,039,310	34,899,093
Derivative financial assets	23,911	89,392	37,756	25,620	8,113	165,937	350,729
Loans and advances	10,052,610	3,856,319	7,638,411	9,716,816	13,543,338	137,597,079	182,404,573
Other asset balances	19,725	21,063	4,336	549	-	13,750,697	13,796,370
<b>TOTAL ASSETS</b>	<b>15,986,933</b>	<b>16,733,406</b>	<b>24,837,989</b>	<b>13,490,853</b>	<b>19,237,235</b>	<b>162,553,023</b>	<b>252,839,439</b>
<b>LIABILITIES</b>							
Deposits from customers	81,033,847	56,177,148	27,007,685	14,976,806	20,775,528	1,900,578	201,871,592
Deposits from banks	4,855,636	7,996,342	3,709,579	83,376	36,504	241,611	16,923,048
Derivative financial liabilities	14,505	18,562	33,854	1,399	23,018	338,157	429,495
Debt securities issued and other borrowed funds	-	-	-	-	473,000	9,433,434	9,906,434
Other liability balances	841,025	764,593	730,363	129,462	171,548	2,249,824	4,886,815
<b>TOTAL LIABILITIES</b>	<b>86,745,013</b>	<b>64,956,645</b>	<b>31,481,481</b>	<b>15,191,043</b>	<b>21,479,598</b>	<b>14,163,604</b>	<b>234,017,384</b>
<b>EQUITY</b>							
Equity attributable to equity holders of the Bank	-	-	-	-	-	18,822,055	18,822,055
<b>TOTAL EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,822,055</b>	<b>18,822,055</b>
<b>NET MATURITY MISMATCH</b>	<b>(70,758,080)</b>	<b>(48,223,239)</b>	<b>(6,643,492)</b>	<b>(1,700,190)</b>	<b>(2,242,363)</b>	<b>129,567,364</b>	<b>-</b>

205

- 260 -



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

44. FINANCIAL RISK MANAGEMENT (continued)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Bank	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 Year RM'000	Total RM'000
<b>31 December 2012 (Restated)</b>							
<b>ASSETS</b>							
Cash and balances with banks	5,868,797	4,369,913	1,441,133	-	-	-	11,679,843
Reverse repurchase agreements	619,958	1,689,341	1,500,229	3,499,625	-	-	7,309,153
Financial investments	752,698	7,226,395	10,764,473	3,061,518	1,187,161	10,736,357	33,728,602
Derivative financial assets	1,508	6,079	6,079	5,958	1,842	342,878	364,344
Loans and advances	10,256,080	3,690,192	5,918,335	8,095,950	12,597,552	122,410,499	162,968,608
Other asset balances	10,519	7,833	2,583	-	-	12,504,483	12,525,418
<b>TOTAL ASSETS</b>	<b>17,509,560</b>	<b>16,989,753</b>	<b>19,632,832</b>	<b>14,663,051</b>	<b>13,786,555</b>	<b>145,994,217</b>	<b>228,575,968</b>
<b>LIABILITIES</b>							
Deposits from customers	66,814,970	54,868,586	32,483,510	13,193,033	14,017,913	310,432	181,688,444
Deposits from banks	3,990,443	5,395,421	3,423,897	1,164,667	104,272	330,078	14,408,778
Recourse obligations on loans sold to Cagamas	117	351	581	333	111	-	1,493
Derivative financial liabilities	5,367	32,342	18,968	6,664	396	147,023	210,760
Debt securities issued and other borrowed funds	-	-	-	1,400,000	-	7,681,942	9,081,942
Other liability balances	234,230	1,037,893	1,667,086	156,619	125,027	3,048,803	6,289,658
<b>TOTAL LIABILITIES</b>	<b>71,065,127</b>	<b>61,334,593</b>	<b>37,594,042</b>	<b>15,921,316</b>	<b>14,247,719</b>	<b>11,518,278</b>	<b>211,681,075</b>
<b>EQUITY</b>							
Equity attributable to equity holders of the Bank	-	-	-	-	-	16,894,893	16,894,893
<b>TOTAL EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,894,893</b>	<b>16,894,893</b>
<b>NET MATURITY MISMATCH</b>	<b>(53,555,567)</b>	<b>(44,344,840)</b>	<b>(17,961,210)</b>	<b>(1,258,265)</b>	<b>(461,164)</b>	<b>117,581,046</b>	<b>-</b>



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

## (b) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

Group	Up to		> 7 Days -		> 1 - 3		> 3 - 6		> 6 - 12		> 1	
	7 Days	1 Month	1 Month	Months	Months	Months	Months	Months	Months	Year	Year	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2013</b>												
By contractual maturity	98,910,457	71,764,702	35,746,181	19,950,941	24,077,626	423,282	250,873,189					
By behavioural maturity *	22,635,138	8,681,156	13,900,280	16,759,316	9,420,951	179,476,348	250,873,189					
Difference	76,275,319	63,083,546	21,845,901	3,191,625	14,656,675	(179,053,066)	-					
<b>31 December 2012</b>												
By contractual maturity	85,776,272	64,500,675	40,895,878	17,050,659	16,337,253	481,588	225,042,325					
By behavioural maturity *	25,375,650	8,894,049	13,533,089	13,316,328	9,945,008	153,978,201	225,042,325					
Difference	60,400,622	55,606,626	27,362,789	3,734,331	6,392,245	(153,496,613)	-					



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

## (b) Behavioural maturity of deposits from customers (continued)

Bank	Up to		> 1 - 3		> 3 - 6		> 6 - 12		> 1		Total
	7 Days	1 Month	Months	Months	Months	Months	Months	Year	Year		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2013</b>											
By contractual maturity	81,033,847	56,177,148	27,007,685	14,976,806	20,775,528	1,900,578	201,871,592				
By behavioural maturity *	10,848,145	2,701,456	6,390,389	13,592,119	7,086,379	161,253,104	201,871,592				
Difference	70,185,702	53,475,692	20,617,296	1,384,687	13,689,149	(159,352,526)	-				
<b>31 December 2012</b>											
By contractual maturity	66,814,970	54,868,586	32,483,510	13,193,033	14,017,913	310,432	181,688,444				
By behavioural maturity *	13,177,075	3,276,869	6,147,818	10,538,316	6,487,486	142,060,880	181,688,444				
Difference	53,637,895	51,591,717	26,335,692	2,654,717	7,530,427	(141,750,448)	-				

\* The behavioural maturity is derived based on BNM New Liquidity Framework's prescribed treatment of behavioural maturity.



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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Liquidity and Funding Risk (continued)

## Risk Management Approach (continued)

## (c) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Within the "More than 1 year" maturity time band are financial liabilities with principal amount of RM9,294.0 million (31 December 2012 - RM7,372.6 million), all of which relate to Non-Innovative Tier I stapled securities, Innovative Tier I capital securities, Subordinated notes whereby the interest payments are computed up to the first optional redemption date.

Group	Up to					Total
	7 Days	> 7 Days - 1 Month	> 1 - 3 Months	> 3 - 6 Months	> 6 - 12 Months	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2013</b>						
Deposits from customers	98,921,400	71,857,789	35,931,782	20,177,993	24,616,137	437,623
Deposits from banks	4,774,456	6,695,952	4,171,443	278,797	30,873	613,920
Debt securities issued and other borrowed funds	490	463,392	106,024	109,872	696,053	10,934,815
Other liability balances	896,761	852,731	766,104	163,642	228,610	4,541,947
<b>Total Liabilities</b>	<b>104,593,107</b>	<b>79,869,864</b>	<b>40,975,353</b>	<b>20,730,304</b>	<b>25,571,673</b>	<b>16,528,305</b>
						<b>288,268,606</b>
<b>31 December 2012</b>						
Deposits from customers	85,784,956	64,582,048	41,099,955	17,239,812	16,693,866	495,311
Deposits from banks	3,772,687	3,454,084	3,331,752	1,229,137	114,469	991,680
Debt securities issued and other borrowed funds	342,046	523,365	18,223	1,488,845	159,965	8,805,760
Other liability balances	283,506	1,073,640	1,760,104	160,671	175,150	4,800,119
<b>Total Liabilities</b>	<b>90,183,195</b>	<b>69,633,137</b>	<b>46,210,034</b>	<b>20,118,465</b>	<b>17,143,450</b>	<b>15,092,870</b>
						<b>258,381,151</b>

209

- 264 -





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

## 44. FINANCIAL RISK MANAGEMENT (continued)

## Liquidity and Funding Risk (continued)

## Risk Management Approach (continued)

(c) Maturity analysis of financial liabilities on an undiscounted basis (continued)

Bank	Up to 7 Days RM'000	> 7 Days - 1 Month RM'000	> 1 - 3 Months RM'000	> 3 - 6 Months RM'000	> 6 - 12 Months RM'000	> 1 Year RM'000	Total RM'000
<b>31 December 2013</b>							
Deposits from customers	81,043,224	56,250,592	27,154,392	15,159,787	21,283,823	1,909,330	202,801,148
Deposits from banks	4,856,549	8,002,873	3,722,945	83,722	36,888	252,150	16,955,127
Debt securities issued and other borrowed funds	490	-	16,084	109,919	696,053	10,934,815	11,757,361
Other liability balances	862,312	778,643	775,905	122,455	187,641	2,907,426	5,634,382
<b>Total Liabilities</b>	<b>86,762,575</b>	<b>65,032,108</b>	<b>31,669,326</b>	<b>15,475,883</b>	<b>22,204,405</b>	<b>16,003,721</b>	<b>237,148,018</b>
<b>31 December 2012</b>							
Deposits from customers	66,821,268	54,938,310	32,659,385	13,352,398	14,352,221	316,578	182,440,160
Deposits from banks	3,991,275	5,400,308	3,432,981	1,171,123	105,424	343,827	14,444,938
Debt securities issued and other borrowed funds	500	-	18,223	1,488,845	159,965	8,805,760	10,473,293
Other liability balances	266,716	1,067,708	1,699,530	152,384	144,869	3,091,490	6,422,697
<b>Total Liabilities</b>	<b>71,079,759</b>	<b>61,406,326</b>	<b>37,810,119</b>	<b>16,164,750</b>	<b>14,762,479</b>	<b>12,557,655</b>	<b>213,781,088</b>



---

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

---

**44. FINANCIAL RISK MANAGEMENT (continued)****Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. To manage and mitigate operational risk, the Group places great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and the Board of Directors, and independent assessment of the adequacy and reliability of the risk management processes by the Internal Audit Division.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

**45. FAIR VALUE MEASUREMENTS****(a) Determination of fair value and the fair value hierarchy**

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.



---

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

---

**45. FAIR VALUE MEASUREMENTS (continued)****(a) Determination of fair value and the fair value hierarchy (continued)**

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

The Group's control framework in respect of the measurement of Level 3 fair values enables that the fair values are determined and validated by a function independent of the business unit undertaking the risks. Finance Division establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The team within Finance Division which oversees the fair value measurements including Level 3 fair values, reports directly to the Chief Financial Officer. Independent verification on financial instruments is performed by Compliance Division. For investment properties, the valuation is determined with reference to quotations of market value provided by independent professional valuers.



---

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


---

**45. FAIR VALUE MEASUREMENTS (continued)****(b) Financial instruments and non-financial assets carried at fair value**

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

Group 31 December 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	1,583,640	-	1,583,640
- Money market instruments	-	13,822,929	-	13,822,929
- Non-money market instruments	-	405,394	-	405,394
	<u>-</u>	<u>15,811,963</u>	<u>-</u>	<u>15,811,963</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	10,106,634	-	10,106,634
- Money market instruments	-	198,844	-	198,844
- Non-money market instruments #	3,351,529	3,851,256	-	7,202,785
	<u>3,351,529</u>	<u>14,156,734</u>	<u>-</u>	<u>17,508,263</u>
Derivative financial assets	-	348,738	16,616	365,354
Total financial assets measured at fair value	<u>3,351,529</u>	<u>30,317,435</u>	<u>16,616</u>	<u>33,685,580</u>
<b>Non-financial assets</b>				
Investment properties	-	-	97,391	97,391
<b>Financial liabilities</b>				
Derivative financial liabilities	-	334,590	-	334,590
Total financial liabilities measured at fair value	<u>-</u>	<u>334,590</u>	<u>-</u>	<u>334,590</u>



---

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


---

**45. FAIR VALUE MEASUREMENTS (continued)****(b) Financial instruments and non-financial assets carried at fair value (continued)**

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	3,977,079	-	3,977,079
- Money market instruments	-	11,836,221	-	11,836,221
- Non-money market instruments	879	802,956	-	803,835
	<u>879</u>	<u>16,616,256</u>	<u>-</u>	<u>16,617,135</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	10,068,003	-	10,068,003
- Non-money market instruments #	3,288,512	3,736,222	-	7,024,734
	<u>3,288,512</u>	<u>13,804,225</u>	<u>-</u>	<u>17,092,737</u>
Derivative financial assets	-	358,311	12,154	370,465
Total financial assets measured at fair value	<u>3,289,391</u>	<u>30,778,792</u>	<u>12,154</u>	<u>34,080,337</u>
<b>Non-financial assets</b>				
Investment properties	-	-	87,886	87,886
<b>Financial liabilities</b>				
Derivative financial liabilities	-	233,564	-	233,564
Total financial liabilities measured at fair value	<u>-</u>	<u>233,564</u>	<u>-</u>	<u>233,564</u>

# Excluding the carrying amount of equity securities - unquoted shares of the Group of RM110,249,000 (31 December 2012 - RM108,383,000) which are not carried at fair value.



---

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


---

## 45. FAIR VALUE MEASUREMENTS (continued)

## (b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Bank 31 December 2013	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	1,379,390	-	1,379,390
- Money market instruments	-	12,274,547	-	12,274,547
- Non-money market instruments	-	332,489	-	332,489
	<u>-</u>	<u>13,986,426</u>	<u>-</u>	<u>13,986,426</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	8,669,725	-	8,669,725
- Money market instruments	-	198,844	-	198,844
- Non-money market instruments #	2,885,269	3,264,744	-	6,150,013
	<u>2,885,269</u>	<u>12,133,313</u>	<u>-</u>	<u>15,018,582</u>
Derivative financial assets	-	334,113	16,616	350,729
Total financial assets measured at fair value	<u>2,885,269</u>	<u>26,453,852</u>	<u>16,616</u>	<u>29,355,737</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	429,495	-	429,495
Total financial liabilities measured at fair value	<u>-</u>	<u>429,495</u>	<u>-</u>	<u>429,495</u>



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

45. FAIR VALUE MEASUREMENTS (continued)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Bank 31 December 2012	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	2,309,237	-	2,309,237
- Money market instruments	-	10,715,460	-	10,715,460
- Non-money market instruments	879	573,468	-	574,347
	879	13,598,165	-	13,599,044
Financial investments available-for-sale				
- Government securities and treasury bills	-	9,514,672	-	9,514,672
- Non-money market instruments #	2,835,936	3,165,022	-	6,000,958
	2,835,936	12,679,694	-	15,515,630
Derivative financial assets	-	352,190	12,154	364,344
Total financial assets measured at fair value	2,836,815	26,630,049	12,154	29,479,018
<b>Financial liabilities</b>				
Derivative financial liabilities	-	210,760	-	210,760
Total financial liabilities measured at fair value	-	210,760	-	210,760

# Excluding the carrying amount of equity securities - unquoted shares of the Bank of RM106,285,000 (31 December 2012 - RM104,614,000) which are not carried at fair value.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (31 December 2012 - Nil).



---

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


---

## 45. FAIR VALUE MEASUREMENTS (continued)

## (b) Financial instruments and non-financial assets carried at fair value (continued)

## Reconciliation of movements in Level 3 financial instruments:

	Group and Bank	
	2013	2012
	RM'000	RM'000
<b>Derivative Financial Assets</b>		
At 1 January	12,154	11,244
Gains recognised in the statement of profit or loss		
- realised	771	1,015
- unrealised	5,027	2,628
Sales	(1,336)	(2,733)
At 31 December	<u>16,616</u>	<u>12,154</u>
Total unrealised gains recognised in the statement of profit or loss reported under 'net gains and losses on financial instruments' relating to those assets or liabilities held at the end of the financial year	<u>5,027</u>	<u>2,628</u>

The Group's exposure to financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

All investment properties of the Group carried at fair values were classified under Level 3. A reconciliation of movements in Level 3 is disclosed in Note 15 Investment Properties.

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist. The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. The price per square meter of the properties adopted, which were significant inputs, ranged from RM10,000 to RM187,000 (Weighted average: RM62,000). A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.





---

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


---

## 45. FAIR VALUE MEASUREMENTS (continued)

## (c) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

Group	31 December 2013		31 December 2012	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Financial investments available-for-sale				
- Non-money market instruments	110,249	110,249	108,383	108,383
Financial investments held-to-maturity				
- Government securities and treasury bills	4,399,596	4,378,052	3,606,318	3,619,044
- Money market instruments	2,170,637	2,165,159	2,016,598	2,019,924
- Non-money market instruments *	1,223,318	1,213,791	634,855	637,260
Loans, advances and financing				
- Retail loans / financing				
- housing loans / financing	68,875,029	68,923,314	59,351,523	59,394,551
- hire purchase	44,392,696	44,411,074	41,595,117	41,664,638
- credit cards	1,604,502	1,604,502	1,587,433	1,587,433
- other loans / financing	74,033,925	74,000,993	65,780,784	65,763,119
- Corporate loans / financing	30,509,641	30,510,082	27,736,746	27,748,615
<b>Financial liabilities</b>				
Recourse obligations on loans and financing sold to Cagamas	500,011	491,463	501,496	502,832
Debt securities issued and other borrowed funds	10,369,825	10,735,825	9,946,853	10,384,037



**AUDITED FINANCIAL STATEMENTS FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH  
THE AUDITORS' REPORT THEREON (Cont'd)**
**45. FAIR VALUE MEASUREMENTS (continued)**
**(c) Fair values of financial instruments not carried at fair value (continued)**

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

Bank	31 December 2013		31 December 2012	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Financial investments available-for-sale				
- Non-money market instruments	106,285	106,285	104,614	104,614
Financial investments held-to-maturity				
- Government securities and treasury bills	3,437,058	3,417,088	2,886,670	2,899,660
- Money market instruments	1,617,869	1,601,868	1,472,807	1,474,027
- Non-money market instruments *	732,873	723,416	149,837	152,447
Loans and advances				
- Retail loans				
- housing loans	60,037,041	60,037,197	52,073,784	52,074,136
- hire purchase	31,542,293	31,554,265	29,847,430	29,901,390
- credit cards	1,594,325	1,594,325	1,577,390	1,577,390
- other loans	64,497,311	64,497,311	57,011,525	57,011,525
- Corporate loans	24,733,603	24,730,331	22,458,479	22,454,809
<b>Financial liabilities</b>				
Recourse obligations on loans sold to Cagamas	-	-	1,493	1,493
Debt securities issued and other borrowed funds	9,906,434	10,272,434	9,081,942	9,519,126

\* The accumulated impairment losses of the Group and the Bank of RM107,000 (31 December 2012 - RM155,000) were netted off against the carrying amounts.



---

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


---

## 45. FAIR VALUE MEASUREMENTS (continued)

## (c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

Group	<----- Fair Value ----->			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2013</b>				
<b>Financial assets</b>				
Financial investments available-for-sale				
- Non-money market instruments #	-	-	-	-
Financial investments held-to-maturity				
- Government securities and treasury bills	-	4,378,052	-	4,378,052
- Money market instruments	-	2,165,159	-	2,165,159
- Non-money market instruments	-	1,213,791	-	1,213,791
Loans, advances and financing				
- Retail loans / financing				
- housing loans / financing	-	-	68,923,314	68,923,314
- hire purchase	-	-	44,411,074	44,411,074
- credit cards	-	-	1,604,502	1,604,502
- other loans / financing	-	-	74,000,993	74,000,993
- Corporate loans / financing	-	-	30,510,082	30,510,082
<b>Financial liabilities</b>				
Recourse obligations on loans and financing sold to Cagamas				
	-	-	491,463	491,463
Debt securities issued and other borrowed funds				
	-	10,735,825	-	10,735,825



---

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


---

**45. FAIR VALUE MEASUREMENTS (continued)****(c) Fair values of financial instruments not carried at fair value (continued)**

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

Group	<----- Fair Value ----->			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2012</b>				
<b>Financial assets</b>				
Financial investments available-for-sale				
- Non-money market instruments #	-	-	-	-
Financial investments held-to-maturity				
- Government securities and treasury bills	-	3,619,044	-	3,619,044
- Money market instruments	-	2,019,924	-	2,019,924
- Non-money market instruments	-	637,260	-	637,260
Loans, advances and financing				
- Retail loans / financing				
- housing loans / financing	-	-	59,394,551	59,394,551
- hire purchase	-	-	41,664,638	41,664,638
- credit cards	-	-	1,587,433	1,587,433
- other loans / financing	-	-	65,763,119	65,763,119
- Corporate loans / financing	-	-	27,748,615	27,748,615
<b>Financial liabilities</b>				
Recourse obligations on loans and financing sold to Cagamas	-	-	502,832	502,832
Debt securities issued and other borrowed funds	-	10,384,037	-	10,384,037

# Excluding the carrying amount of equity securities - unquoted shares of the Group of RM110,249,000 (31 December 2012 - RM108,383,000) which are measured at cost less impairment.



---

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


---

**45. FAIR VALUE MEASUREMENTS (continued)****(c) Fair values of financial instruments not carried at fair value (continued)**

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

Bank	<----- Fair Value ----->			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2013</b>				
<b>Financial assets</b>				
Financial investments available-for-sale				
- Non-money market instruments #	-	-	-	-
Financial investments held-to-maturity				
- Government securities and treasury bills	-	3,417,088	-	3,417,088
- Money market instruments	-	1,601,868	-	1,601,868
- Non-money market instruments	-	723,416	-	723,416
Loans and advances				
- Retail loans				
- housing loans	-	-	60,037,197	60,037,197
- hire purchase	-	-	31,554,265	31,554,265
- credit cards	-	-	1,594,325	1,594,325
- other loans	-	-	64,497,311	64,497,311
- Corporate loans	-	-	24,730,331	24,730,331
<b>Financial liabilities</b>				
Debt securities issued and other borrowed funds				
	-	10,272,434	-	10,272,434



---

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


---

**45. FAIR VALUE MEASUREMENTS (continued)****(c) Fair values of financial instruments not carried at fair value (continued)**

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

<b>Bank</b>	<----- Fair Value ----->			
	<b>Level 1</b> RM'000	<b>Level 2</b> RM'000	<b>Level 3</b> RM'000	<b>Total</b> RM'000
<b>31 December 2012</b>				
<b>Financial assets</b>				
Financial investments available-for-sale				
- Non-money market instruments #	-	-	-	-
Financial investments held-to-maturity				
- Government securities and treasury bills	-	2,899,660	-	2,899,660
- Money market instruments	-	1,474,027	-	1,474,027
- Non-money market instruments	-	152,447	-	152,447
Loans and advances				
- Retail loans				
- housing loans	-	-	52,074,136	52,074,136
- hire purchase	-	-	29,901,390	29,901,390
- credit cards	-	-	1,577,390	1,577,390
- other loans	-	-	57,011,525	57,011,525
- Corporate loans	-	-	22,454,809	22,454,809
<b>Financial liabilities</b>				
Recourse obligations on loans				
sold to Cagamas	-	-	1,493	1,493
Debt securities issued and other				
borrowed funds	-	9,519,126	-	9,519,126

# Excluding the carrying amount of equity securities - unquoted shares of the Bank of RM106,285,000 (31 December 2012 - RM104,614,000) which are measured at cost less impairment.



---

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

---

**45. FAIR VALUE MEASUREMENTS (continued)****(c) Fair values of financial instruments not carried at fair value (continued)**

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

- (a) *Financial investments available-for-sale and financial investments held-to-maturity* – The fair values of financial investments held-to-maturity are estimated based on broker/dealer price quotations. Financial investments available-for-sale as disclosed above consist of only equity securities-unquoted shares which are measured at cost less impairment. The carrying amounts of these financial instruments are deemed to approximate the fair values as their fair values cannot be reliably measured.
- (b) *Loans, advances and financing* – The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity.

The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

- (c) *Recourse obligations on loans and financing sold to Cagamas* – The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of less than one (1) year are estimated to approximate their carrying amounts. The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.
- (d) *Debt securities issued and other borrowed funds* – The fair values of borrowings approximate their carrying amounts as these are variable rate borrowings. The fair values of debt securities issued are estimated based on quoted or observable market prices.



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

## 46. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group	Gross Amount Recognised as Financial Assets / Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
				Values of the Financial Instruments * RM'000	Cash Collateral Received / Pledged RM'000	
<b>31 December 2013</b>						
<b>Financial assets</b>						
<b>Derivative financial assets</b>						
- Foreign exchange contracts	166,918	-	166,918	(62,316)	(81,338)	23,264
- Interest rate related contracts	181,819	-	181,819	(92,061)	(40,865)	48,893
- Equity related contracts	16,616	-	16,616	(8,187)	(3,018)	5,411
- Precious metal contracts	1	-	1	-	-	1
	365,354	-	365,354	(162,564)	(125,221)	77,569
<b>Reverse repurchase agreements</b>						
	9,541,969	-	9,541,969	(9,666,173)	-	(124,204)
	9,907,323	-	9,907,323	(9,828,737)	(125,221)	(46,635)
<b>Financial liabilities</b>						
<b>Derivative financial liabilities</b>						
- Foreign exchange contracts	264,505	-	264,505	(141,255)	(16,182)	107,068
- Interest rate related contracts	70,084	-	70,084	(21,309)	-	48,775
- Precious metal contracts	1	-	1	-	-	1
	334,590	-	334,590	(162,564)	(16,182)	155,844

225

- 280 -





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

## 46. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Group	Gross Amount Recognised as Financial Assets / Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Values of the Financial Instruments * RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
					Cash	Collateral Received / Pledged RM'000	
<b>31 December 2012</b>							
<b>Financial assets</b>							
Derivative financial assets							
- Foreign exchange contracts	15,535	-	15,535	(6,863)	(264)	8,408	
- Interest rate related contracts	342,775	-	342,775	(86,913)	(187,762)	68,100	
- Equity related contracts	12,154	-	12,154	(5,866)	(7,381)	(1,093)	
- Precious metal contracts	1	-	1	-	-	1	
	370,465	-	370,465	(99,642)	(195,407)	75,416	
Reverse repurchase agreements							
	8,158,506	-	8,158,506	(8,371,213)	-	(212,707)	
	8,528,971	-	8,528,971	(8,470,855)	(195,407)	(137,291)	
<b>Financial liabilities</b>							
Derivative financial liabilities							
- Foreign exchange contracts	99,459	-	99,459	(53,799)	(21,376)	24,284	
- Interest rate related contracts	134,105	-	134,105	(45,843)	-	88,262	
	233,564	-	233,564	(99,642)	(21,376)	112,546	

226

- 281 -



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

## 46. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

	Gross Amount Recognised as Financial Assets / Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position Cash Collateral Received / Pledged RM'000	Net Amount RM'000
Bank					
31 December 2013					
<b>Financial assets</b>					
Derivative financial assets					
- Foreign exchange contracts	166,593	-	166,593	(62,316)	22,939
- Interest rate related contracts	167,519	-	167,519	(40,865)	34,593
- Equity related contracts	16,616	-	16,616	(8,187)	5,411
- Precious metal contracts	1	-	1	-	1
	350,729	-	350,729	(162,564)	62,944
Reverse repurchase agreements					
	8,638,588	-	8,638,588	(8,756,873)	(118,285)
	8,989,317	-	8,989,317	(8,919,437)	(55,341)
<b>Financial liabilities</b>					
Derivative financial liabilities					
- Foreign exchange contracts	264,247	-	264,247	(141,255)	106,810
- Interest rate related contracts	165,247	-	165,247	(21,309)	143,938
- Precious metal contracts	1	-	1	-	1
	429,495	-	429,495	(162,564)	250,749

227

- 282 -



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

**46. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Bank	Gross Amount Recognised as Financial Assets / Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position			Net Amount RM'000
				Values of the Financial Instruments * RM'000	Cash Collateral Received / Pledged RM'000		
31 December 2012							
<b>Financial assets</b>							
Derivative financial assets							
- Foreign exchange contracts	15,409	-	15,409	(6,863)	(264)		8,282
- Interest rate related contracts	336,780	-	336,780	(86,913)	(187,762)		62,105
- Equity related contracts	12,154	-	12,154	(5,866)	(7,381)		(1,093)
- Precious metal contracts	1	-	1	-	-		1
	364,344	-	364,344	(99,642)	(195,407)		69,295
Reverse repurchase agreements							
	7,309,153	-	7,309,153	(7,502,535)	-		(193,382)
	7,673,497	-	7,673,497	(7,602,177)	(195,407)		(124,087)
<b>Financial liabilities</b>							
Derivative financial liabilities							
- Foreign exchange contracts	99,406	-	99,406	(53,799)	(21,376)		24,231
- Interest rate related contracts	111,354	-	111,354	(45,843)	-		65,511
	210,760	-	210,760	(99,642)	(21,376)		89,742

\* Include securities accepted as collateral.



---

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


---

**46. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

Financial assets and financial liabilities are offset and the net amount is 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 realise the asset and settle the liability simultaneously.

Derivatives and reverse repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and
- (ii) cash and securities are received or cash pledged in respect of the transaction described above.

**47. OPERATING LEASES****The Group and the Bank as a Lessee**

The Group and the Bank lease a number of premises under operating leases. The leases typically run for an initial period of three years, with an option to renew. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases 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
Within one year	29,774	24,767	439	518
Between one and five years	25,308	18,432	85	524
More than five years	4,576	34,370	-	-
	59,658	77,569	524	1,042



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

**47. OPERATING LEASES (continued)**

**The Group as a Lessor**

The Group leases out its investment properties under operating leases with the term of the leases ranging from one to five years. None of the leases includes contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Within one year	4,287	2,741
Between one and five years	3,034	1,731
More than five years	-	3,679
	7,321	8,151

**48. CAPITAL AND OTHER COMMITMENTS**

	Group		Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
Authorised and contracted for:				
- Land and buildings	403,340	30,204	-	-
- Renovations	2,837	1,262	-	-
- Office equipment, furniture and fittings	3,428	2,150	2,430	1,632
- Computer equipment and software	14,285	14,438	10,039	10,181
- Motor vehicles	98	98	-	-
	423,988	48,152	12,469	11,813
Authorised but not contracted for:				
- Renovations	6,273	5,964	-	-
- Office equipment, furniture and fittings	962	65	-	-
- Computer equipment and software	10,392	6,612	-	-
- Motor vehicles	754	-	-	-
- Additional investment in an associated company	155,928	146,822	155,928	146,822
	174,309	159,463	155,928	146,822
	598,297	207,615	168,397	158,635
	230			



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

**49. COMMITMENTS AND CONTINGENCIES**

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

The notional amounts of the commitments and contingencies of the Group and the Bank are as follows:

	Group		Bank	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM'000	RM'000	RM'000	RM'000
<b>Contingent liabilities</b>				
Direct credit substitutes	1,521,770	1,549,134	1,196,990	1,175,058
Transaction-related contingent items	1,173,514	1,031,792	1,041,919	908,204
Short term self-liquidating trade-related contingencies	467,641	525,150	295,684	341,952
	<u>3,162,925</u>	<u>3,106,076</u>	<u>2,534,593</u>	<u>2,425,214</u>
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	29,229,501	24,158,799	26,897,981	22,211,606
- not exceeding one year	21,886,823	20,955,923	19,688,146	19,422,068
Unutilised credit card lines	3,823,553	3,693,110	3,713,960	3,587,921
Forward asset purchases	4,176	30,386	-	-
	<u>54,944,053</u>	<u>48,838,218</u>	<u>50,300,087</u>	<u>45,221,595</u>
<b>Derivative financial instruments</b>				
Foreign exchange related contracts:				
- less than one year	16,836,631	11,879,221	16,652,983	11,822,972
- one year to less than five years	2,151,746	1,376,100	2,151,746	1,376,100
Interest rate related contracts:				
- less than one year	1,953,625	1,552,000	1,838,821	1,552,000
- one year to less than five years	6,176,844	9,929,440	6,247,237	9,408,350
- five years and above	2,706,403	2,649,740	3,808,000	3,758,000
Commodity related contracts:				
- less than one year	1,890	206	1,890	206
Equity related contracts:				
- less than one year	52,089	73,589	52,089	73,589
- one year to less than five years	-	53,005	-	53,005
	<u>29,879,228</u>	<u>27,513,301</u>	<u>30,752,766</u>	<u>28,044,222</u>
	<u>87,986,206</u>	<u>79,457,595</u>	<u>83,587,446</u>	<u>75,691,031</u>

Disclosure of the credit equivalent amount and risk-weighted asset amount of the commitments and contingencies above, as required by BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3), is presented in the Pillar 3 disclosures section of the Annual Report.



---

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


---

**50. CAPITAL ADEQUACY**

(a) The capital adequacy ratios of the Group and the Bank as at 31 December are as follows:

	31 December 2013	Group 31 December 2012 (Restated)	1 January 2012 (Restated)
<u>Before deducting second interim dividends *</u>			
Common equity Tier I ("CET I") capital ratio	9.276%	N/A	N/A
Tier I capital ratio	11.055%	11.413%	11.235%
Total capital ratio	14.288%	14.674%	15.625%
<u>After deducting second interim dividends *</u>			
CET I capital ratio	8.750%	N/A	N/A
Tier I capital ratio	10.529%	10.828%	10.634%
Total capital ratio	13.762%	14.089%	15.024%
		Bank 31 December 2012 (Restated)	1 January 2012 (Restated)
<u>Before deducting second interim dividends *</u>			
CET I capital ratio	10.927%	N/A	N/A
Tier I capital ratio	13.023%	13.632%	13.549%
Total capital ratio	14.086%	14.534%	15.643%
<u>After deducting second interim dividends *</u>			
CET I capital ratio	10.300%	N/A	N/A
Tier I capital ratio	12.396%	12.931%	12.823%
Total capital ratio	13.459%	13.833%	14.917%

\* Refers to second interim dividends declared subsequent to the financial year end.



---

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


---

**50. CAPITAL ADEQUACY (continued)**

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

The total risk-weighted assets of the Group and the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk;
- (iii) Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013. The minimum regulatory capital adequacy ratios, as required under BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2013 and 2014, are set out as follows:

Calendar Year	CET I Capital Ratio %	Tier I Capital Ratio %	Total Capital Ratio %
2013	3.5	4.5	8.0
2014	4.0	5.5	8.0
2015 onwards *	4.5	6.0	8.0

\* Before including capital conservation buffer of 2.5%, counter-cyclical buffer and any other buffers to be introduced by BNM.

The comparative capital adequacy ratios and total capital have been computed with the then prevailing BNM's revised Risk Weighted Capital Adequacy Framework (Basel II) and have been restated for effects of the adoption of MFRS 119 Employee Benefits. Please refer to Note 53 Changes in Accounting Policies for a summary of the changes.





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

## 50. CAPITAL ADEQUACY (continued)

(a) The capital adequacy ratios of the Group and the Bank as at 31 December are as follows (continued):

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

	Public Islamic Bank Berhad <sup>1</sup>	Public Investment Bank Berhad <sup>2</sup>	Public Bank (L) Ltd <sup>3</sup>	Public Bank (Hong Kong) Limited <sup>4</sup>	Public Finance Limited <sup>4</sup>	Cambodian Public Bank Plc <sup>5</sup>
<b>31 December 2013</b>						
<u>Before deducting interim dividends*:</u>						
CET I capital ratio	12.133%	27.252%	N/A	13.916%	27.468%	N/A
Tier I capital ratio	12.133%	27.252%	25.625%	13.916%	27.468%	N/A
Total capital ratio	12.751%	27.448%	25.671%	15.089%	28.409%	19.685%
<u>After deducting interim dividends*:</u>						
CET I capital ratio	11.743%	26.139%	N/A	13.916%	25.257%	N/A
Tier I capital ratio	11.743%	26.139%	25.625%	13.916%	25.257%	N/A
Total capital ratio	12.360%	26.336%	25.671%	15.089%	26.199%	19.685%
<b>31 December 2012 (Restated)</b>						
<u>Before deducting interim dividends*:</u>						
CET I capital ratio	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital ratio	12.296% #	27.454% #	21.791%	16.423%	28.962%	N/A
Total capital ratio	13.013% #	27.622% #	21.842%	16.423%	30.119%	21.566%
<u>After deducting interim dividends*:</u>						
CET I capital ratio	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital ratio	11.354% #	26.426% #	21.791%	16.423%	26.509%	N/A
Total capital ratio	12.071% #	26.595% #	21.842%	16.423%	27.666%	21.566%

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

## 50. CAPITAL ADEQUACY (continued)

(a) The capital adequacy ratios of the Group and the Bank as at 31 December are as follows (continued):

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

	Public Islamic Bank Berhad <sup>1</sup>	Public Investment Bank Berhad <sup>2</sup>	Public Bank (L) Ltd <sup>3</sup>	Public Bank (Hong Kong) Limited <sup>4</sup>	Public Finance Limited <sup>4</sup>	Cambodian Public Bank Plc <sup>5</sup>
1 January 2012 (Restated)	N/A	N/A	N/A	N/A	N/A	N/A
Before deducting interim dividends *:						
CET I capital ratio	12.288% #	18.196% #	19.584%	16.135%	29.610%	N/A
Tier I capital ratio	13.275% #	18.286% #	19.988%	16.135%	30.765%	22.831%
Total capital ratio						
After deducting interim dividends *:						
CET I capital ratio	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital ratio	10.896% #	16.899% #	19.584%	16.135%	26.946%	N/A
Total capital ratio	11.884% #	16.989% #	19.988%	16.135%	28.101%	22.831%

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

# Restated for the effects of the adoption of MFRS 119.



---

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


---

**50. CAPITAL ADEQUACY (continued)**

(a) The capital adequacy ratios of the Group and the Bank as at 31 December are as follows (continued):

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

- <sup>1</sup> The risk-weighted assets of Public Islamic Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 3.5%, 4.5% and 8.0% respectively for year 2013. The comparative capital adequacy ratios of Public Islamic Bank Berhad are computed in accordance with the then prevailing BNM's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord.
- <sup>2</sup> The risk-weighted assets of Public Investment Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012, which is effective on 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 3.5%, 4.5% and 8.0% respectively for year 2013. The comparative capital adequacy ratios of Public Investment Bank Berhad are computed in accordance with the then prevailing BNM's revised Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord.
- <sup>3</sup> The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.
- <sup>4</sup> These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios of these two subsidiaries are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules. The comparative capital adequacy ratios of these two subsidiary companies are based on the Basel II capital accord.
- <sup>5</sup> The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.



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

50. CAPITAL ADEQUACY (continued)

(b) The components of CET I, Tier I and Tier II capital of the Group and of the Bank are as follows:

	Group		
	31 December 2013	31 December 2012	1 January 2012
Components of CET I, Tier I and Tier II Capital:	RM'000	RM'000 (Restated)	RM'000 (Restated)
<u>CET I / Tier I Capital:</u>			
Paid-up share capital	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,073,310	1,073,310
Other reserves	4,402,843	4,218,576	4,182,030
Retained profits	11,507,565	9,274,909	7,140,589
Treasury shares	(215,572)	(215,572)	(215,572)
Qualifying non-controlling interests	522,093	699,864	697,484
Less: Goodwill	(2,003,912)	(1,899,875)	(1,938,994)
Less: Deferred tax assets, net	(70,121)	(64,900)	(46,093)
Less: Defined benefit pension fund assets	(220,922)	-	-
Total CET I Capital	18,527,210	16,618,238	14,424,680
Innovative Tier I capital securities	1,630,440	1,810,317	1,833,303
Non-Innovative Tier I stapled securities	1,879,200	2,083,146	2,082,388
Qualifying CET I and additional Tier I capital instruments held by third parties	42,031	-	-
Total Tier I Capital	22,078,881	20,511,701	18,340,371
<u>Tier II Capital</u>			
Collective assessment allowance #	1,123,706	1,038,369	1,073,337
Subordinated notes			
- meeting all relevant criteria	1,949,116	-	-
- subject to gradual phase-out treatment	3,471,121	4,870,351	6,138,306
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	56,042	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies	(142,255)	(960)	(960)
Less: Holdings of other financial institutions' capital instruments	-	(46,834)	(44,468)
Total Tier II Capital	6,457,730	5,860,926	7,166,215
Total Capital	28,536,611	26,372,627	25,506,586



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

50. CAPITAL ADEQUACY (continued)

(b) The components of CET I, Tier I and Tier II capital of the Group and of the Bank are as follows (continued):

	Bank		
	31 December 2013 RM'000	31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Components of CET I, Tier I and Tier II Capital:			
<u>CET I / Tier I Capital:</u>			
Paid-up share capital	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,073,310	1,073,310
Other reserves	3,924,896	3,750,880	3,741,556
Retained profits	10,892,504	9,104,376	6,952,315
Treasury shares	(215,572)	(215,572)	(215,572)
Less: Goodwill	(695,393)	(695,393)	(695,393)
Less: Defined benefit pension fund assets	(215,372)	-	-
Total CET I Capital	<u>18,296,299</u>	<u>16,549,527</u>	<u>14,388,142</u>
Innovative Tier I capital securities	1,630,440	1,810,317	1,833,303
Non-Innovative Tier I stapled securities	1,879,200	2,083,146	2,082,388
Total Tier I Capital	<u>21,805,939</u>	<u>20,442,990</u>	<u>18,303,833</u>
<u>Tier II Capital</u>			
Collective assessment allowance #	625,010	691,258	721,913
Subordinated notes			
- meeting all relevant criteria	1,949,116	-	-
- subject to gradual phase-out treatment	3,471,121	4,870,351	6,138,306
Less: Investment in banking / insurance subsidiary companies and associated companies	(4,264,787)	(4,162,284)	(3,987,284)
Less: Holdings of other financial institutions' capital instruments	-	(46,834)	(44,468)
Total Tier II Capital	<u>1,780,460</u>	<u>1,352,491</u>	<u>2,828,467</u>
Total Capital	<u>23,586,399</u>	<u>21,795,481</u>	<u>21,132,300</u>

In arriving at the capital base of the Group and the Bank above, the second interim dividends were not deducted.

# Excludes collective assessment allowance on impaired loans restricted from Tier II capital of the Group and the Bank of RM600,816,000 (31 December 2012 - RM491,197,000; 1 January 2012 - RM422,707,000) and RM446,948,000 (31 December 2012 - RM369,214,000; 1 January 2012 - RM325,341,000) respectively.

Includes the Group's qualifying regulatory reserves for non-impaired loans which pertain to Public Bank (Hong Kong) Limited and Public Finance Limited amounting to RM132,437,000 (31 December 2012 - N/A; 1 January 2012 - N/A).



---

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


---

## 50. CAPITAL ADEQUACY (continued)

(c) The breakdown of risk-weighted assets by each major risk category is as follows:

	<b>Group</b>		
	<b>31 December 2013 RM'000</b>	<b>31 December 2012 RM'000 (Restated)</b>	<b>1 January 2012 RM'000 (Restated)</b>
Credit risk	183,113,937	164,279,544	148,877,780
Market risk	2,111,436	1,713,076	1,670,798
Operational risk	14,497,356	13,733,324	12,692,078
	<u>199,722,729</u>	<u>179,725,944</u>	<u>163,240,656</u>

  

	<b>Bank</b>		
	<b>31 December 2013 RM'000</b>	<b>31 December 2012 RM'000 (Restated)</b>	<b>1 January 2012 RM'000 (Restated)</b>
Credit risk	154,360,722	137,471,265	123,271,403
Market risk	2,850,579	2,579,721	2,774,099
Operational risk	10,228,677	9,915,430	9,048,375
	<u>167,439,978</u>	<u>149,966,416</u>	<u>135,093,877</u>

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures section of the Annual Report.



---

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


---

**51. CAPITAL MANAGEMENT**

The Group actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders' value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

The Group's capital is managed in line with the objectives of the Group Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital, maintaining strong external credit ratings and allocation of capital across business units and subsidiary companies. In order to meet these objectives, the Group actively manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics inherent in its business operations. These initiatives include issuances of capital securities, adjustments to the amount of dividends distributed to shareholders and focus on growth in non-interest income and other less capital-intensive business activities. The Group's Internal Capital Adequacy Assessment Process ("ICAAP") assesses the Group's internal capital requirements beyond the minimum regulatory requirements to ensure its capital commensurates with the Group's risk profile, the complexity of the business activities undertaken and its risk appetite.

The Group's and Bank's regulatory capital are determined under BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) and their capital ratios have complied with the minimum requirements set under this guideline. Information on the Group's and Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of capital base are disclosed in Note 50 (a) and (b).

**52. SEGMENT INFORMATION**

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group's operating and reportable segments are business units engaged in providing different products or services and business units operating in different geographical locations. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic, competitive, geographical and regulatory environment in which it operates. For each operating segment, the Management Committee (the chief operating decision-maker) reviews the internal management reports monthly in order to assess their performance.



---

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

---

**52. SEGMENT INFORMATION (continued)**

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments:

**(i) Hire Purchase**

The hire purchase operations focus on the provision of passenger vehicle financing to all levels of customers.

**(ii) Retail Operations**

Retail operations focus on providing products and services to individual customers and small and medium enterprises. The products and services offered to customers include credit facilities (mortgages, trade and personal loans), credit cards, remittance services, deposit collection and investment products.

**(iii) Corporate Lending**

The corporate lending operations cater to the funding needs of large corporate customers which are primarily public listed companies and their related corporations.

**(iv) Treasury and Capital Market Operations**

The treasury and capital market operations are involved in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading.

**(v) Investment Banking**

The investment banking operations cater to the business needs of large corporate customers through the provision of financial solutions and direct lending. The services offered include structured financing, corporate advisory services, merger and acquisition, stock-broking and debt restructuring advisory services.

**(vi) Fund Management**

The fund management operations consist of sale of trust units and the management of unit trust funds as conducted by the Bank's wholly-owned subsidiary company, Public Mutual Berhad.

**(vii) Others**

Others refer mainly to non-core operations such as property holding.





---

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


---

**52. SEGMENT INFORMATION (continued)**

The Group's overseas business operations are organised according to the following geographical locations:

**(i) Hong Kong SAR**

This includes all business operations conducted by the Group's subsidiary companies in Hong Kong SAR and the People's Republic of China, including retail and commercial banking and lending, wealth management services, stock-broking and other related financial services.

**(ii) Cambodia**

This comprises all business operations conducted by the Group's subsidiary companies in Cambodia, which includes mainly financing, deposit-taking, general insurance businesses and stock-broking.

**(iii) Other Countries**

This refers to the Group's banking business operations in the Socialist Republic of Vietnam, Lao People's Democratic Republic and Sri Lanka.

There are no changes in the operating segments during the year.

**Measurement and Evaluation of Segment Performance**

The Management Committee evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loans and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes internal service providers (head office), which operate on a non-profit basis, and inter-segment eliminations.

**Major Customers**

There is no single customer which contributes revenue amount greater than 10% of the Group's revenues for the current financial year (2012 - none).



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

## 52. SEGMENT INFORMATION (continued)

By Business Segments

	Domestic Operating Segments										Overseas Operating Segments				
	Hire Purchase	Retail Operations	Corporate Lending	Market Operations	Investment Banking	Fund Management	Others	Head Office	Total Domestic Operations	Hong Kong SAR	Cambodia	Other Countries	Total Overseas Operations	Inter-segment Elimination	Group Total
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,333,254	7,366,038	1,063,171	1,820,583	205,780	1,019,141	5,156	371,384	14,184,507	761,830	247,950	70,013	1,079,793	-	15,264,300
Revenue from other segments	-	1,191,443	14,756	815,875	13,492	12,322	29,500	1,313,690	3,391,078	-	3,850	-	3,850	(3,394,928)	-
Total revenue	2,333,254	8,557,481	1,077,927	2,636,458	219,272	1,031,463	34,656	1,685,074	17,575,585	761,830	251,800	70,013	1,083,643	(3,394,928)	15,264,300
Net interest income and Islamic banking income	913,258	4,100,595	286,077	150,590	16,619	13,151	(7,741)	201,174	5,673,723	535,872	148,369	48,710	733,951	-	6,407,674
Other income	1,913	523,016	42,718	245,599	64,025	585,594	34,513	180,694	1,678,072	84,349	44,278	10,226	138,853	(66,282)	1,750,643
Net income	915,171	4,623,611	328,795	396,189	80,644	598,745	26,772	381,868	7,351,795	621,221	192,647	58,936	872,804	(66,282)	8,138,317
Other operating expenses of which	(214,785)	(1,320,109)	(10,803)	(21,877)	(31,731)	(172,517)	(14,212)	(408,162)	(2,194,196)	(304,817)	(57,716)	(13,189)	(375,722)	66,282	(2,503,636)
Depreciation (Allowances) / writeback of allowance for impairment on loans, advances and financing	(2,037)	(61,333)	(184)	(1,034)	(780)	(4,901)	(4,304)	(61,733)	(136,306)	(12,510)	(10,606)	(1,566)	(24,682)	-	(161,188)
Writeback of impairment on other assets	(205,015)	(16,972)	21,331	(309)	(309)	-	-	-	(200,965)	(132,433)	(15,761)	(2,093)	(150,287)	-	(351,252)
Profit by segments	495,371	3,286,679	339,323	374,312	48,604	426,228	12,360	(26,294)	4,956,783	183,971	119,170	43,654	346,795	-	5,303,578
Reconciliation of segment profits to consolidated profits:															
Share of profit after tax of equity accounted associated companies									258				6,148		6,406
Profit before tax expense and zakat									4,957,041				352,943		5,309,984
Cost-to-income ratio	23.5%	28.6%	3.3%	5.5%	39.3%	28.8%	53.1%	106.9%	29.8%	49.1%	30.0%	22.4%	43.0%		30.7%
Gross loans, advances and financing	43,178,908	137,467,748	25,566,913	-	365,248	53,890	2,211	-	206,634,918	11,573,237	2,430,458	537,190	14,540,883	-	221,175,803
Loan growth	6.8%	14.1%	9.7%	-	16.5%	4.3%	13.2%	-	12.0%	7.4%	17.0%	39.2%	9.8%	-	11.8%
Impaired loans and financing	330,288	943,701	90,313	-	-	-	-	-	1,364,302	74,329	44,108	2,040	120,477	-	1,484,779
Impaired loan ratio	0.8%	0.7%	0.4%	-	-	-	-	-	0.7%	0.6%	0.8%	0.4%	0.8%	-	0.7%
Deposits from customers	-	176,321,803	305,470	55,663,669	2,850,770	-	-	-	235,141,712	12,316,214	3,019,168	396,095	15,731,477	-	250,873,189
Deposit growth	-	14.7%	-4.9%	3.7%	-4.9%	-	-	-	11.6%	9.0%	11.3%	13.7%	9.5%	-	11.5%
Addition to non-current assets	1,324	56,130	23	2,290	559	4,525	22,881	27,610	115,342	8,739	3,955	876	13,570	-	128,912
Segment assets	42,899,484	184,423,380	25,495,712	73,670,860	4,259,476	344,470	319,936	21,079,419	352,492,737	16,200,403	4,064,847	807,083	21,072,333	(71,040,117)	302,524,953
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									37,158				121,727		158,885
Unallocated assets									1,037,646				-		1,037,646
Intangible assets									769,251				-		2,003,912
Total assets									354,336,792				22,428,721		305,725,396

243

- 298 -



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

## 52. SEGMENT INFORMATION (continued)

By Business Segments (continued)

	← Domestic Operating Segments →										← Overseas Operating Segments →									
	Hire Purchase	Retail Operations	Corporate Lending	Market Operations	Investment Banking	Fund Management	Others	Head Office	Total Domestic Operations	Hong Kong SAR	Cambodia	Other Countries	Total Overseas Operations	Inter-segment Elimination	Group Total					
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000					
2012 (Restated)																				
External revenue	2,257,989	6,747,976	965,969	1,671,370	184,373	870,984	4,818	346,443	13,049,922	740,680	219,518	47,977	1,008,175	-	14,058,097					
Revenue from other segments	-	1,007,641	12,595	732,202	24,566	11,786	29,318	1,456,958	3,275,066	-	3,423	63	3,486	(3,278,552)	-					
Total revenue	2,257,989	7,755,617	978,564	2,403,572	208,939	882,770	34,136	1,803,401	16,324,988	740,680	222,941	48,040	1,011,661	(3,278,552)	14,058,097					
Net interest income and Islamic banking income	1,001,343	3,886,380	269,420	145,129	14,096	12,532	(7,703)	122,792	5,443,989	492,679	125,626	36,117	654,422	-	6,098,411					
Other income	6,339	484,802	44,965	226,963	60,030	509,526	33,906	199,032	1,565,583	105,828	41,437	1,764	149,029	(66,314)	1,648,298					
Net income	1,007,682	4,371,182	314,385	372,092	74,146	522,058	26,203	321,824	7,009,572	598,507	167,063	37,881	803,451	(66,314)	7,746,709					
Other operating expenses of which:	(211,028)	(1,342,137)	(9,811)	(19,445)	(29,608)	(149,897)	(14,479)	(353,397)	(2,129,802)	(291,285)	(51,375)	(11,442)	(354,102)	66,314	(2,417,590)					
Depreciation (Allowance) / writeback of allowance for impairment on loans, advances and financing	(2,248)	(64,640)	(160)	(850)	(772)	(4,356)	(4,390)	(66,445)	(143,881)	(12,435)	(9,372)	(1,565)	(23,372)	-	(167,253)					
Impairment on other assets	(128,319)	(36,195)	17,726	-	(415)	-	-	(147,203)	(125,823)	(5,190)	(1,028)	(1,028)	(132,041)	-	(279,244)					
Profit by segments	668,335	2,985,224	322,300	352,647	44,123	372,161	11,724	(31,573)	4,725,941	181,399	110,498	25,411	317,308	-	5,043,249					
Reconciliation of segment profits to consolidated profits:																				
Share of (loss) / profit after tax of equity accounted associated companies	-	-	-	-	-	-	-	-	(3,687)	-	-	-	7,672	-	3,985					
Profit before tax expense and zakat	20.9%	30.7%	3.1%	5.2%	39.9%	28.7%	55.3%	109.8%	30.4%	48.7%	30.8%	30.2%	44.1%	-	31.2%					
Cost-to-income ratio																				
Gross loans, advances and financing	40,434,621	120,440,631	23,299,342	-	313,440	51,567	1,954	-	184,541,775	10,778,263	2,077,097	386,029	13,241,389	-	197,783,164					
Loan growth	9.0%	14.8%	7.2%	-	22.5%	6.7%	-7.6%	-	12.5%	-5.0%	7.0%	19.0%	-2.7%	-	11.3%					
Impaired loans and financing	241,137	860,301	111,184	-	-	-	-	-	1,212,622	96,054	63,105	2,305	161,464	-	1,374,086					
Impaired loan ratio	0.6%	0.7%	0.5%	-	-	-	-	-	0.7%	-0.9%	3.0%	0.6%	1.2%	-	0.7%					
Deposits from customers	-	153,661,620	321,327	53,699,558	2,997,848	-	-	-	210,680,353	11,300,040	2,713,518	348,414	14,361,972	-	225,042,325					
Deposit growth	-	14.8%	2.1%	10.0%	-12.2%	-	-	-	13.0%	0.7%	13.8%	9.8%	3.1%	-	12.3%					
Addition to non-current assets	1,310	65,465	664	522	960	4,796	38,519	18,130	130,366	9,625	4,384	3,313	17,322	-	147,688					
Segment assets	40,253,867	162,341,853	23,210,411	68,221,866	4,238,004	309,428	305,059	18,205,449	317,085,937	14,887,216	3,585,872	660,193	19,133,281	(64,647,889)	271,571,329					
Reconciliation of segment assets to consolidated assets																				
Investment in associated companies	-	-	-	-	-	-	-	-	37,319	-	-	-	113,891	-	151,210					
Unallocated assets	-	-	-	-	-	-	-	-	1,175,072	-	-	-	1,157,096	-	1,175,072					
Intangible assets	-	-	-	-	-	-	-	-	789,251	-	-	-	1,157,096	-	1,926,347					
Total assets	-	-	-	-	-	-	-	-	319,067,579	-	-	-	20,404,268	-	274,823,958					



---

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


---

**53. CHANGES IN ACCOUNTING POLICIES****Effects of adopting MFRS 119 Employee Benefits (as amended by IASB in June 2011)**

The adoption of the revised MFRS 119 affected the accounting treatment of certain items such as the timing of the recognition of certain gains and losses arising from defined benefit plans and the presentation of changes in defined benefit liability or asset. The key changes to the accounting policy and financial impact to the Group and the Bank are as follows:

- Actuarial gains and losses (renamed as 'remeasurements') are recognised immediately in other comprehensive income, and are not subsequently recycled to the 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. Pension costs for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. This will replace the interest cost and expected return on plan assets.

The revised MFRS 119 has resulted in changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. This change in accounting policy has been accounted for retrospectively and a summary of financial impact to the Group and the Bank on initial adoption are as follows:

**(i) Statements of Financial Position**

	Group		Bank	
	31 December 2012 RM'000	1 January 2012 RM'000	31 December 2012 RM'000	1 January 2012 RM'000
<u>Other Assets</u>				
As previously stated	2,006,919	2,008,254	1,906,721	1,913,726
- Reclassification	99,723	92,709	96,303	89,527
- Effects of adoption of MFRS 119	99,356	120,672	95,948	116,534
As restated	<u>2,205,998</u>	<u>2,221,635</u>	<u>2,098,972</u>	<u>2,119,787</u>
<u>Other Assets</u>				
- <u>Employee Benefits (Note 10)</u>				
As previously stated	-	-	-	-
- Reclassification	99,723	92,709	96,303	89,527
- Effects of adoption of MFRS 119	99,356	120,672	95,948	116,534
As restated	<u>199,079</u>	<u>213,381</u>	<u>192,251</u>	<u>206,061</u>
<u>Other Liabilities</u>				
As previously stated	3,570,526	3,467,535	2,482,585	2,368,328
- Reclassification	99,723	92,709	96,303	89,527
As restated	<u>3,670,249</u>	<u>3,560,244</u>	<u>2,578,888</u>	<u>2,457,855</u>



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

53. **CHANGES IN ACCOUNTING POLICIES (continued)**

Effects of adopting MFRS 119 Employee Benefits (as amended by IASB in June 2011) (continued)

(i) Statements of Financial Position (continued)

	Group		Bank	
	31 December 2012 RM'000	1 January 2012 RM'000	31 December 2012 RM'000	1 January 2012 RM'000
<u>Other Liabilities</u>				
<u>- Employee Benefits (Note 23)</u>				
As previously stated	(99,723)	(92,709)	(96,303)	(89,527)
- Reclassification	99,723	92,709	96,303	89,527
As restated	-	-	-	-
<u>Deferred Tax Liabilities</u>				
As previously stated	47,911	55,625	32,003	51,708
- Effects of adoption of MFRS 119	24,839	30,168	23,987	29,133
As restated	72,750	85,793	55,990	80,841
<u>Retained Profits</u>				
As previously stated	9,453,647	7,276,808	8,918,940	6,852,318
- Effects of adoption of MFRS 119	(178,738)	(136,219)	(172,608)	(131,547)
As restated	9,274,909	7,140,589	8,746,332	6,720,771
<u>Other Reserves</u>				
<u>- Defined Benefit Reserves</u>				
<u>(Note 28)</u>				
As previously stated	-	-	-	-
- Effects of adoption of MFRS 119	253,255	226,723	244,569	218,947
As restated	253,255	226,723	244,569	218,947



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

53. CHANGES IN ACCOUNTING POLICIES (continued)

Effects of adopting MFRS 119 Employee Benefits (as amended by IASB in June 2011) (continued)

(ii) Statements of Profit or Loss

	2012	
	Group RM'000	Bank RM'000
<u>Other Operating Expenses</u>		
As previously stated	2,360,898	1,596,522
- Effects of adoption of MFRS 119	56,692	54,748
As restated	<u>2,417,590</u>	<u>1,651,270</u>
<u>Other Operating Expenses - Personnel Costs</u>		
- Pension Costs (Note 35)		
As previously stated	145,151	126,063
- Effects of adoption of MFRS 119	56,692	54,748
As restated	<u>201,843</u>	<u>180,811</u>
<u>Profit Before Tax Expense and Zakat</u>		
As previously stated	5,103,926	4,681,734
- Effects of adoption of MFRS 119	(56,692)	(54,748)
As restated	<u>5,047,234</u>	<u>4,626,986</u>
<u>Tax Expense and Zakat</u>		
As previously stated	1,192,165	933,174
- Effects of adoption of MFRS 119	(14,173)	(13,687)
As restated	<u>1,177,992</u>	<u>919,487</u>
<u>Profit for the Year</u>		
As previously stated	3,911,761	3,748,560
- Effects of adoption of MFRS 119	(42,519)	(41,061)
As restated	<u>3,869,242</u>	<u>3,707,499</u>
<u>Profit Attributable to Equity Holders of the Bank</u>		
As previously stated	3,869,273	3,748,560
- Effects of adoption of MFRS 119	(42,519)	(41,061)
As restated	<u>3,826,754</u>	<u>3,707,499</u>



---

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


---

**53. CHANGES IN ACCOUNTING POLICIES (continued)****Effects of adopting MFRS 119 Employee Benefits (as amended by IASB in June 2011) (continued)****(iii) Capital Adequacy**

The adjustments to the financial statements of the Group and the Bank as a result of the adoption of MFRS 119, as discussed above, also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	As at 31 December 2012		As at 1 January 2012	
	As previously stated	As restated	As previously stated	As restated
<b>Group</b>				
Tier I capital (RM'000)	20,437,184	20,511,701	18,249,867	18,340,371
Total capital (RM'000)	26,298,110	26,372,627	25,416,082	25,506,586
Risk-weighted assets (RM'000)	179,526,865	179,725,944	163,027,275	163,240,656
<u>Before deducting second interim dividends *</u>				
Tier I capital ratio (%)	11.384	11.413	11.194	11.235
Total capital ratio (%)	14.649	14.674	15.590	15.625
<u>After deducting second interim dividends *</u>				
Tier I capital ratio (%)	10.799	10.828	10.593	10.634
Total capital ratio (%)	14.063	14.089	14.989	15.024
<b>Bank</b>				
Tier I capital (RM'000)	20,371,029	20,442,990	18,216,433	18,303,833
Total capital (RM'000)	21,723,520	21,795,481	21,044,900	21,132,300
Risk-weighted assets (RM'000)	149,774,165	149,966,416	134,887,816	135,093,877
<u>Before deducting second interim dividends *</u>				
Tier I capital ratio (%)	13.601	13.632	13.505	13.549
Total capital ratio (%)	14.504	14.534	15.602	15.643
<u>After deducting second interim dividends *</u>				
Tier I capital ratio (%)	12.900	12.931	12.778	12.823
Total capital ratio (%)	13.803	13.833	14.875	14.917

\* Refers to second interim dividends declared subsequent to the financial year end.



---

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


---

**54. RATING STATEMENT**

As at 31 December 2013, the Bank was accorded the following ratings:

<u>Agencies</u>	<u>Date accorded /</u> <u>Reaffirmed</u>	<u>Ratings</u>
Rating Agency	3 September 2013 (Reaffirmed)	Long-Term Rating: AAA
Malaysia Berhad	3 September 2013 (Reaffirmed)	Short-Term Rating: P1
	3 September 2013 (Reaffirmed)	Outlook: Stable
	3 September 2013 (Reaffirmed)	RM5 Billion Subordinated Medium-Term Notes Programme: AA1 / Stable
	3 September 2013 (Reaffirmed)	Innovative Tier I Capital Securities: AA2 / Stable
	3 September 2013 (Reaffirmed)	Non-Cumulative Perpetual Capital Securities Programme: AA2 / Stable
	3 September 2013 (Reaffirmed)	Senior Medium-Term Notes Programme: AAA / Stable
	3 September 2013 (Assigned)	RM10 Billion Subordinated Medium-Term Notes Programme: AA1 / Stable
Moody's Investors Services	20 November 2013 (Reaffirmed)	Foreign Currency: Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-2
	20 November 2013 (Reaffirmed)	Local Currency: Long-Term Deposits Rating: A1 Short-Term Deposits Rating: P-1
	20 November 2013 (Reaffirmed)	Financial Strength: C
	20 November 2013	Foreign Currency Outlook: Positive
	20 November 2013 (Reaffirmed)	Local Currency Outlook: Stable
	20 November 2013 (Reaffirmed)	Innovative Tier I Capital Securities: Baa2
Standard & Poor's	29 November 2013 (Reaffirmed)	Foreign Currency: Long-Term Rating: A- Short-Term Rating: A-2
	29 November 2013 (Reaffirmed)	Local Currency: Long-Term Deposits Rating: A Short-Term Deposits Rating: A-1
	29 November 2013 (Reaffirmed)	Asean Regional Scale Rating: Long-Term Rating: axAA Short-Term Rating: axA-1
	29 November 2013 (Reaffirmed)	Foreign Currency Outlook: Stable
	29 November 2013 (Reaffirmed)	Local Currency Outlook: Stable
	29 November 2013 (Reaffirmed)	Innovative Tier I Capital Securities: BBB-





---

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

---

**55. SIGNIFICANT EVENTS**

The significant events relating to changes in the composition of the Group are disclosed in Notes 13 and those relating to debt issuance and debt redemption are disclosed in Note 22.

**56. SUBSEQUENT EVENTS**

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



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

**57. ISLAMIC BANKING BUSINESS**

The financial position as at 31 December 2013 and results for the financial year ended on this date under the Islamic banking business of the Group, which is conducted by its wholly-owned subsidiary company, Public Islamic Bank Berhad, are summarised as follows:

**Statement of Financial Position as at 31 December 2013**

		Group		
		31 December 2013	31 December 2012	1 January 2012
	Note	RM'000	RM'000 (Restated)	RM'000 (Restated)
<b>ASSETS</b>				
Cash and balances with banks		6,744,111	4,709,388	6,257,092
Financial assets held-for-trading		1,752,632	2,638,867	1,249,014
Derivative financial assets		130,777	21,839	-
Financial investments available-for-sale		1,891,272	994,923	1,830,720
Financial investments held-to-maturity		-	-	5,022
Financing and advances	(a)	22,904,370	20,168,110	19,224,468
Other assets		88,537	77,402	85,645
Statutory deposits with Bank Negara Malaysia		939,850	671,450	775,700
Investment in an associated company		20,000	20,000	20,000
Property and equipment		1,026	1,327	1,619
<b>Total Assets</b>		<b>34,472,575</b>	<b>29,303,306</b>	<b>29,449,280</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>				
Deposits from customers	(b)	28,400,736	23,703,338	20,029,935
Deposits from banks		2,789,398	2,644,831	7,179,533
Bills and acceptances payable		3,825	625	334
Recourse obligations on financing sold to Cagamas		500,011	500,003	-
Other liabilities		116,854	108,897	73,120
Provision for zakat and taxation		36,012	50,188	46,512
Deferred tax liabilities		34,293	6,588	1,029
<b>Total Liabilities</b>		<b>31,881,129</b>	<b>27,014,470</b>	<b>27,330,463</b>
Islamic Banking Funds		2,591,446	2,288,836	2,118,817
<b>Total Liabilities and Islamic Banking Funds</b>		<b>34,472,575</b>	<b>29,303,306</b>	<b>29,449,280</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>5,650,699</b>	<b>4,642,159</b>	<b>1,910,159</b>

The accompanying notes form an integral part of the financial statements



---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## Statement of Profit or Loss for the financial year ended 31 December 2013

	Group	
	2013 RM'000	2012 RM'000 (Restated)
Income derived from investment of depositors' funds and others	1,423,221	1,386,046
Income derived from investment of Islamic Banking Funds	119,799	111,916
Allowance for impairment on financing and advances	(100,756)	(49,706)
Impairment on other assets	(16)	(25)
Profit Equalisation Reserve	(497)	(2,180)
<b>Total distributable income</b>	<u>1,441,751</u>	<u>1,446,051</u>
Income attributable to the depositors and others	(705,387)	(652,016)
<b>Total net income</b>	<u>736,364</u>	<u>794,035</u>
Personnel expenses	(15,502)	(17,850)
Other overheads and expenditures	(247,623)	(232,621)
<b>Profit before zakat and taxation</b>	<u>473,239</u>	<u>543,564</u>
Zakat	(264)	(330)
Taxation	(115,935)	(133,156)
<b>Profit for the year</b>	<u><u>357,040</u></u>	<u><u>410,078</u></u>

Net income from Islamic banking business as reported in the statement of profit or loss of the Group is derived as follows:

	Group	
	2013 RM'000	2012 RM'000
Income derived from investment of depositors' funds and others	1,423,221	1,386,046
Income derived from investment of Islamic Banking Funds	119,799	111,916
Income attributable to the depositors and others	(705,387)	(652,016)
Profit Equalisation Reserve	(497)	(2,180)
Net income from Islamic banking business reported in the statement of profit or loss of the Group	<u><u>837,136</u></u>	<u><u>843,766</u></u>

The accompanying notes form an integral part of the financial statements



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

57. ISLAMIC BANKING BUSINESS (continued)

Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2013

	Group	
	2013 RM'000	2012 RM'000 (Restated)
Profit for the year	357,040	410,078
<b><u>Other comprehensive income:</u></b>		
<u>Items that will not be reclassified to profit or loss:</u>		
Defined benefit reserves:		
- Gain on remeasurements of defined benefit plans	2,823	739
<u>Items that may be reclassified to profit or loss:</u>		
Revaluation reserves:		
- Net change in revaluation of financial investments available-for-sale	1,020	1,441
Hedging reserves:		
- Net change in cash flow hedges	108,981	21,764
	110,001	23,205
Income tax relating to components of other comprehensive income:		
- Defined benefit reserves	(706)	(185)
- Revaluation reserves	(255)	(360)
- Hedging reserves	(27,246)	(5,441)
	(28,207)	(5,986)
Other comprehensive income for the year, net of tax	84,617	17,958
Total comprehensive income for the year	441,657	428,036

The accompanying notes form an integral part of the financial statements



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

57. ISLAMIC BANKING BUSINESS (continued)

Statement of Changes in Islamic Banking Funds for the financial year ended 31 December 2013

Group	Capital Funds RM'000	Share Premium RM'000	Statutory Reserves RM'000	Non-distributable Reserves			Distributable Reserves		Total Profits RM'000
				Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Profit Equalisation Reserves RM'000	Retained Profits RM'000	
At 1 January 2013	193,217	1,589,500	207,546	16,323	2,116	-	503	278,074	2,287,279
- as previously stated	-	-	-	-	-	5,293	-	(3,736)	1,557
- effects of adoption of MFRS 119	193,217	1,589,500	207,546	16,323	2,116	5,293	503	274,338	2,288,836
At 1 January 2013, as restated	-	-	-	-	-	-	-	357,040	357,040
Profit for the year	-	-	-	81,735	765	2,117	-	-	84,617
Other comprehensive income for the year	-	-	-	81,735	765	2,117	-	357,040	441,657
Total comprehensive income for the year	-	-	-	81,735	765	2,117	-	357,040	441,657
Transactions with owners / other equity movements:									
Transfer from Profit Equalisation Reserves of Islamic banking institution	-	-	-	-	-	-	(503)	503	-
Issue of shares	7,000	168,000	-	-	-	-	-	-	175,000
Dividends paid	-	-	-	-	-	-	-	(314,047)	(314,047)
	7,000	168,000	-	-	-	-	(503)	(313,544)	(139,047)
At 31 December 2013	200,217	1,757,500	207,546	98,058	2,881	7,410	-	317,834	2,591,446

The accompanying notes form an integral part of the financial statements



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

## 57. ISLAMIC BANKING BUSINESS (continued)

Statement of Changes in Islamic Banking Funds for the financial year ended 31 December 2013 (continued)

	Non-distributable Reserves				Distributable Reserves		Total
	Capital Funds	Share Premium	Statutory Reserves	Hedging Revaluation Reserves	Defined Benefit Reserves	Profit Equalisation Reserves	
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	186,217	1,421,500	207,546	-	1,035	-	300,628
- as previously stated	-	-	-	-	-	-	2,116,926
- effects of adoptions of MFRS 119	-	-	-	-	4,739	-	(2,848)
At 1 January 2012, as restated	186,217	1,421,500	207,546	-	1,035	4,739	297,780
Profit for the year (restated)	-	-	-	-	-	-	410,078
Other comprehensive income for the year	-	-	-	16,323	1,081	554	-
Total comprehensive income for the year	-	-	-	16,323	1,081	554	410,078
Transactions with owners / other equity movements:							
Transfer to Profit Equalisation Reserves of Islamic banking institution	-	-	-	-	-	503	(503)
Issue of shares	7,000	168,000	-	-	-	-	175,000
Dividends paid	-	-	-	-	-	-	(433,017)
	7,000	168,000	-	-	-	503	(433,520)
At 31 December 2012	193,217	1,589,500	207,546	16,323	2,116	5,293	274,338
							2,288,836

The accompanying notes form an integral part of the financial statements

255

- 310 -



---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## (a) Financing and Advances

(i) Net financing and advances analysed by type are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
<b>At amortised cost</b>		
Cash line	515,028	330,235
Term financing		
- House financing	5,551,632	4,235,554
- Syndicated financing	300,647	412,933
- Hire purchase receivables	11,168,723	10,189,015
- Other term financing	5,557,720	5,184,288
Trust receipts	654	-
Claims on customers under acceptance credits	20,225	2,762
Revolving credit	90,229	68,223
Gross financing and advances	<u>23,204,858</u>	<u>20,423,010</u>
Less: Allowance for impaired financing and advances		
- collective assessment allowance	(300,488)	(254,261)
- individual assessment allowance	-	(639)
Net financing and advances	<u><u>22,904,370</u></u>	<u><u>20,168,110</u></u>

All the Group's Islamic banking financing and advances are located in Malaysia.



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

57. ISLAMIC BANKING BUSINESS (continued)

(a) Financing and Advances (continued)

(ii) The maturity structure of gross financing and advances are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Maturity within one year	891,135	709,405
More than one year to three years	1,879,176	1,687,887
More than three years to five years	3,311,487	3,014,720
More than five years	17,123,060	15,010,998
Gross financing and advances	<u>23,204,858</u>	<u>20,423,010</u>

(iii) Gross financing and advances presented by class of financial instrument are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Retail financing		
- House financing	5,551,632	4,235,554
- Hire purchase	11,168,723	10,189,015
- Other financing *	5,701,115	5,232,178
	<u>22,421,470</u>	<u>19,656,747</u>
Corporate financing	783,388	766,263
	<u>23,204,858</u>	<u>20,423,010</u>

\* Included in other financing are other term financing, cash line and revolving credit.





---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## (a) Financing and Advances (continued)

(iv) Gross financing and advances analysed by contract are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Bai' Bithaman Ajil-i (deferred payment sale)	8,128,835	7,011,275
Ijarah Thamma Al-Bai'-i (leasing)	11,168,723	10,189,015
Ijarah Muntahia Bittamlik	-	112,326
Bai-Al-Einah-i	2,500,022	3,062,356
Musharakah Mutanaqisah	1,386,398	45,276
Murabahah Purchase Order	20,880	2,762
	<u>23,204,858</u>	<u>20,423,010</u>

(v) Gross financing and advances analysed by type of customer are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Other domestic non-bank financial institutions	70,819	242,250
Domestic business enterprises		
- Small and medium enterprises	2,295,841	1,562,812
- Others	628,914	508,927
Government and statutory authorities	319,779	321,878
Individuals	19,829,076	17,739,162
Other domestic entities	2,618	2,878
Foreign customers	57,811	45,103
	<u>23,204,858</u>	<u>20,423,010</u>



---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## (a) Financing and Advances (continued)

(vi) Gross financing and advances analysed by rate of return sensitivity are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Fixed rate		
- House financing	595,595	679,755
- Hire purchase receivables	11,168,723	10,189,015
- Other fixed rate financing	2,972,305	3,599,339
Variable rate		
- BFR plus	8,056,503	5,554,563
- Cost plus	411,732	400,338
	<u>23,204,858</u>	<u>20,423,010</u>

(vii) Gross financing and advances analysed by economic purpose are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Purchase of securities	4	4
Purchase of transport vehicles	11,168,115	10,187,456
Purchase of landed properties	8,020,809	5,941,722
(of which: - residential	5,504,881	4,185,965
- non-residential)	2,515,928	1,755,757
Purchase of fixed assets (excluding landed properties)	13,968	26,149
Personal use	2,724,165	3,234,529
Purchase of consumer durables	3,236	3,643
Construction	40,453	39,659
Working capital	1,015,039	755,405
Other purpose	219,069	234,443
	<u>23,204,858</u>	<u>20,423,010</u>



---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## (a) Financing and Advances (continued)

(viii) Gross financing and advances analysed by sector are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	291,915	208,156
Mining and quarrying	30,016	19,182
Manufacturing	213,926	126,675
Electricity, gas and water	1,216	1,161
Construction	451,152	348,382
Wholesale & retail trade and restaurants & hotels	598,855	423,316
Transport, storage and communication	121,013	112,119
Finance, insurance and business services	331,364	442,921
Real estate	843,349	545,893
Community, social and personal services	433,301	405,029
Households	19,886,887	17,784,265
Others	1,864	5,911
	<u>23,204,858</u>	<u>20,423,010</u>

(ix) Movements in impaired financing and advances are as follows:

	Group	
	2013	2012
	RM'000	RM'000
At 1 January	175,167	173,277
Impaired during the year	523,987	442,749
Reclassified as non-impaired during the year	(388,637)	(332,199)
Recoveries	(30,337)	(29,725)
Amount written off	(71,846)	(78,678)
Financing converted to foreclosed properties	(260)	(257)
At 31 December	<u>208,074</u>	<u>175,167</u>
Gross impaired financing as % of gross financing and advances	<u>0.90%</u>	<u>0.86%</u>



---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## (a) Financing and Advances (continued)

(x) Impaired financing and advances analysed by economic purpose are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Purchase of securities	4	4
Purchase of transport vehicles	99,044	72,212
Purchase of landed properties	63,156	61,700
(of which: - residential	54,835	48,359
- non-residential)	8,321	13,341
Purchase of fixed assets (excluding landed properties)	-	61
Personal use	44,497	40,597
Purchase of consumer durables	78	68
Working capital	1,136	480
Other purpose	159	45
	208,074	175,167

(xi) Impaired financing and advances analysed by sector are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	544	2
Mining and quarrying	-	35
Manufacturing	701	667
Construction	974	783
Wholesale & retail trade and restaurants & hotels	1,831	952
Transport, storage and communication	1,290	6,867
Finance, insurance and business services	705	649
Real estate	831	-
Community, social and personal services	309	111
Households	200,864	164,911
Others	25	190
	208,074	175,167

All the Group's Islamic banking impaired financing and advances are located in Malaysia



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

## 57. ISLAMIC BANKING BUSINESS (continued)

## (a) Financing and Advances (continued)

(xii) A reconciliation of the allowance for impaired financing and advances are as follows:

	<----- Retail Financing ----->				Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Other Financing RM'000	Corporate Financing RM'000	
<b>2013</b>					
<u>Collective Assessment Allowance</u>					
At 1 January 2013	52,476	133,903	66,530	1,352	254,261
Allowance made / (written back) during the year	11,194	68,836	38,046	(3)	118,073
Amount written off	(3,411)	(37,574)	(30,861)	-	(71,846)
At 31 December 2013	60,259	165,165	73,715	1,349	300,488
<b>2012</b>					
<u>Collective Assessment Allowance</u>					
At 1 January 2012	47,317	131,428	87,489	1,355	267,589
Allowance made / (written back) during the year	7,354	44,973	12,770	(3)	65,094
Amount written off	(2,195)	(42,498)	(33,729)	-	(78,422)
At 31 December 2012	52,476	133,903	66,530	1,352	254,261

262

- 317 -



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

## 57. ISLAMIC BANKING BUSINESS (continued)

## (a) Financing and Advances (continued)

(xii) A reconciliation of the allowance for impaired financing and advances are as follows (continued):

	<----- Retail Financing----->				Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Other Financing RM'000	Corporate Financing RM'000	
<b>2013</b>					
<u>Individual Assessment Allowance</u>					
At 1 January 2013	-	-	639	-	639
Amount written back in respect of recoveries	-	-	(639)	-	(639)
At 31 December 2013	-	-	-	-	-
<b>2012</b>					
<u>Individual Assessment Allowance</u>					
At 1 January 2012	-	-	1,346	-	1,346
Net allowance made during the year	-	-	(451)	-	(451)
Allowance made during the year	-	-	256	-	256
Amount written back in respect of recoveries	-	-	(707)	-	(707)
Amount written off	-	-	(256)	-	(256)
At 31 December 2012	-	-	639	-	639

263

- 318 -



---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## (b) Deposits From Customers

## (i) By type of deposit:

By type of deposit	Group	
	31 December 2013 RM'000	31 December 2012 RM'000
Savings deposit		
- Wadiah	4,823,093	4,568,625
- Mudharabah	63,510	66,681
	<u>4,886,603</u>	<u>4,635,306</u>
Demand deposit		
- Wadiah	2,958,752	2,462,377
- Mudharabah	94,753	57,198
	<u>3,053,505</u>	<u>2,519,575</u>
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai-Al-Einah	642,941	522,400
- General investment account		
- Mudharabah	3,205,661	3,075,664
- Wakalah	12,945,906	10,326,345
	<u>16,151,567</u>	<u>13,402,009</u>
- Special investment account		
- Wakalah	3,666,120	2,624,048
	<u>3,666,120</u>	<u>2,624,048</u>
	<u>28,400,736</u>	<u>23,703,338</u>

Included in Deposits from Customers are deposits of RM78,225,000 (31 December 2012 - RM41,551,000) held as collateral for financing and advances.

## (ii) By class of financial instrument:

	Group	
	31 December 2013 RM'000	31 December 2012 RM'000
Core deposits	24,091,675	20,556,890
Wholesale deposits	4,309,061	3,146,448
	<u>28,400,736</u>	<u>23,703,338</u>



---

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


---

## 57. ISLAMIC BANKING BUSINESS (continued)

## (b) Deposits From Customers (continued)

## (iii) By type of customers:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Federal and state governments	1,216,865	1,454,940
Local government and statutory authorities	1,084,443	1,112,651
Business enterprises	6,545,270	4,494,823
Individuals	5,498,911	5,113,732
Foreign customers	395,545	315,736
Others	13,659,702	11,211,456
	<u>28,400,736</u>	<u>23,703,338</u>

## (iv) The maturity structure of Islamic debt certificate and general and special investment account are as follows:

	Group	
	31 December 2013	31 December 2012
	RM'000	RM'000
Due within six months	18,006,968	15,319,778
More than six months to one year	2,450,561	1,224,742
More than one year to three years	2,757	3,231
More than three years to five years	342	706
	<u>20,460,628</u>	<u>16,548,457</u>





---

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


---

**58. REALISED AND UNREALISED PROFITS**

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	31 December 2013 RM'000	Group 31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Total retained profits of Public Bank Berhad and its subsidiaries:			
- Realised	12,306,123	10,300,634	8,049,470
- Unrealised			
- in respect of deferred tax recognised in the statement of profit or loss	101,676	74,804	30,997
- in respect of other items of income and expense	81,457	75,611	52,059
	<u>12,489,256</u>	<u>10,451,049</u>	<u>8,132,526</u>
Total share of retained profits from associated companies:			
- Realised	3,484	4,495	6,433
- Unrealised	-	-	-
	<u>12,492,740</u>	<u>10,455,544</u>	<u>8,138,959</u>
Less: Consolidation adjustments	(985,175)	(1,180,635)	(998,370)
Total Group retained profits as per consolidated accounts	<u>11,507,565</u>	<u>9,274,909</u>	<u>7,140,589</u>



---

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


---

58. **REALISED AND UNREALISED PROFITS (continued)**

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows (continued):

	31 December 2013 RM'000	Bank 31 December 2012 RM'000 (Restated)	1 January 2012 RM'000 (Restated)
Total retained profits of Public Bank Berhad:			
- Realised	10,573,116	8,713,794	6,723,874
- Unrealised			
- in respect of deferred tax recognised in the statement of profit or loss	38,745	19,109	(13,651)
- in respect of other items of income and expense	17,378	13,429	10,548
Total Bank retained profits as per accounts	10,629,239	8,746,332	6,720,771

The determination of realised and unrealised profits is based on 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 on 20 December 2010.

Accordingly, the unrealised retained profits of the Group and the Bank as disclosed above exclude translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these gains and losses are incurred in the ordinary course of business of the Group and the Bank, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.



---

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON**


---



**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

The Board of Directors  
Public Bank Berhad  
27<sup>th</sup> Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur

13 June 2013

Dear Sirs

**Public Bank Berhad**  
**Report on the compilation of the pro forma consolidated statements of financial position as at 31 December 2013**

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position as at 31 December 2013 of Public Bank Berhad (“PBB” or the “Bank”) and its subsidiaries (collectively defined as “the Group”) by the Board of Directors of PBB. The pro forma consolidated statements of financial position as at 31 December 2013, together with the accompanying notes, is set out in Appendix I, for which we have stamped for the purposes of identification. The applicable criteria on the basis of which the Board of Directors of PBB has compiled the pro forma consolidated statements of financial position are specified in the Securities Commission Malaysia’s *Prospectus Guidelines* (“Guidelines”) and as described in Note 1 of Appendix I.

The pro forma consolidated statements of financial position have been compiled by the Board of Directors of PBB to illustrate the financial impact of the renounceable rights issue (the “Rights Issue”) of up to 350,212,513 new PBB ordinary shares of RM1.00 each to be issued at the price of RM13.80 (“Rights Shares”) on the Group’s financial position as at 31 December 2013, as if the issuance had taken place at 31 December 2013.

As part of this process, information about the PBB’s financial position has been extracted by the Board of Directors of PBB from the financial statements of the Group for the year ended 31 December 2013, on which an audit report has been published.

**Directors’ Responsibility for the pro forma consolidated statements of financial position**

The Board of Directors of PBB is responsible for compiling the pro forma consolidated statements of financial position on the basis described in Note 1 of Appendix I.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion as required by the Guidelines, about whether the pro forma consolidated statements of financial position have been compiled, in all material respects, by the Board of Directors of PBB on the basis described in Note 1 of Appendix I.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity

---

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

---



*Public Bank Berhad*  
*Report on the compilation of the pro forma consolidated statements of*  
*financial position as at 31 December 2013*

**Reporting Accountants' Responsibilities (continued)**

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of PBB has properly compiled, in all material respects, the pro forma consolidated statements of financial position on the basis described in Note I of Appendix I.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position.

The purpose of the pro forma consolidated statements of financial position included in the Abridged Prospectus to be dated 23 June 2014 is solely to illustrate the financial impact of a significant event or transaction on unadjusted financial information of PBB as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors of PBB in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the pro forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**



*Public Bank Berhad*  
*Report on the compilation of the pro forma consolidated statements of*  
*financial position as at 31 December 2013*

*Opinion*

In our opinion,

- (a) the pro forma consolidated statements of financial position have been properly compiled, in all material respects, in accordance with the basis as stated in Note 1 of Appendix I using financial statements prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of the Group; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purposes of preparing the pro forma consolidated statements of financial position.

**Other Matters**

This letter has been prepared at your request for inclusion in the Abridged Prospectus in connection with the Rights Issue. It is not intended to be used for any other purposes. We do not assume responsibility to any other person for the content of this letter.

Yours faithfully

**KPMG**

**KPMG**  
Firm Number: AF 0758  
Chartered Accountants

**Khaw Hock Hoe**  
Approval Number: 2229/04/16(J)  
Chartered Accountant

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

Appendix I

**PUBLIC BANK BERHAD ("PBB" or "the Bank")  
AND ITS SUBSIDIARIES ("the Group")**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

The pro forma consolidated statements of financial position of the Group as at 31 December 2013 as set out below have been prepared solely for illustrative purposes only and to show the effects of the transactions referred to in the notes:

	Note	Audited as at 31 December 2013 RM'000	Pro forma after the Rights Issue RM'000
<b>ASSETS</b>			
Cash and balances with banks	3	22,080,417	26,888,350
Reverse repurchase agreements		9,541,969	9,541,969
Financial assets held-for-trading		15,811,963	15,811,963
Derivative financial assets		365,354	365,354
Financial investments available-for-sale		17,618,512	17,618,512
Financial investments held-to-maturity		7,793,551	7,793,551
Loans, advances and financing		219,415,793	219,415,793
Other assets		2,539,699	2,539,699
Statutory deposits with Central Banks		6,924,832	6,924,832
Deferred tax assets		70,121	70,121
Investment in associated companies		158,885	158,885
Investment properties		97,391	97,391
Property and equipment		1,302,997	1,302,997
Intangible assets		2,003,912	2,003,912
<b>TOTAL ASSETS</b>		<b>305,725,396</b>	<b>310,533,329</b>
<b>LIABILITIES</b>			
Deposits from customers		250,873,189	250,873,189
Deposits from banks		16,175,836	16,175,836
Bills and acceptances payable		1,573,443	1,573,443
Recourse obligations on loans and financing sold to			
Cagamas		500,011	500,011
Derivative financial liabilities		334,590	334,590
Debt securities issued and other borrowed funds		10,369,825	10,369,825
Other liabilities		4,020,416	4,020,416
Provision for tax expense and zakat		585,229	585,229
Deferred tax liabilities		95,661	95,661
<b>TOTAL LIABILITIES</b>		<b>284,528,200</b>	<b>284,528,200</b>



**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

*Appendix I*

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013 (Continued)**

	Note	Audited as at 31 December 2013 RM'000	Pro forma after the Rights Issue RM'000
<b>EQUITY</b>			
Share capital	4	3,531,926	3,882,139
Reserves	5	17,107,240	21,564,960
Treasury shares		(215,572)	(215,572)
<b>Equity attributable to equity holders of the Bank</b>		<b>20,423,594</b>	<b>25,231,527</b>
Non-controlling interests		773,602	773,602
<b>TOTAL EQUITY</b>		<b>21,197,196</b>	<b>26,005,129</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>305,725,396</b>	<b>310,533,329</b>
<b>Number of PBB shares in issue ('000) <sup>(a)</sup></b>		<b>3,502,125</b>	<b>3,852,338</b>
<b>Net Asset per PBB share (RM) <sup>(b)</sup></b>		<b>5.83</b>	<b>6.55</b>

(a) Excluding the Treasury Shares.

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



---

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

---

*Appendix I***PUBLIC BANK BERHAD (“PBB” or “the Bank”)  
AND ITS SUBSIDIARIES (“the Group”)****PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013****1. Basis of preparation**

The pro forma consolidated statements of financial position of the Group as at 31 December 2013 are compiled based on the audited financial statements of the Group for the year ended 31 December 2013, which were prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia. The accounting policies, basis and assumptions used in the preparation of the pro forma consolidated statements of financial position are consistent with those adopted by the Group in the preparation of their audited financial statements for the year ended 31 December 2013.

The pro forma consolidated statements of financial position are presented based on the assumption that none of the PBB treasury shares held by the Company are sold in the open market and all of the rights shares are exercised.

**2. Pro forma consolidated statements of financial position as at 31 December 2013**

The pro forma consolidated statements of financial position are compiled for illustrative purposes only and to incorporate the following transactions as though they were effective on 31 December 2013:

**Pro forma after the Rights Issue incorporates:**

The renounceable rights issue (the “Rights Issue”) by the Bank of up to 350,212,513 new ordinary shares of RM1.00 each at an issue price of RM13.80 each (“Rights Share”).

The total gross proceed of RM4,832,932,679 is assumed to be utilised as follows:

- (a) RM4,807,932,679 for working capital and general banking purposes; and
- (b) RM25,000,000 on the defrayment of the estimated expenses in relation to the Rights Issue

The estimated expenses in relation to the Rights Issue will be debited against the “Share Premium” account.





**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 TOGETHER WITH REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)**

*Appendix I*

**3. Movement in cash and balances with banks**

	<b>RM'000</b>
<b>Audited balance at 31 December 2013</b>	22,080,417
Proceeds from issuance of new PBB shares via the Rights Issue	4,832,933
Payment of estimated expenses relating to the Rights Issue	<u>(25,000)</u>
<b>Pro forma after the Rights Issue</b>	<u>26,888,350</u>

**4. Movement in share capital**

	<b>RM'000</b>
<b>Audited balance at 31 December 2013</b>	3,531,926
Effect of issuance of new PBB shares via the Rights Issue	<u>350,213</u>
<b>Pro forma after the Rights Issue</b>	<u>3,882,139</u>

**5. Movement in reserves**

	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	Total reserves RM'000
<b>Audited balance at 31 December 2013</b>	1,073,310	4,526,365	11,507,565	17,107,240
Premium arising from the issuance of new PBB rights shares	4,482,720	-	-	4,482,720
Payment of estimated expenses relating to the Rights Issue	<u>(25,000)</u>	-	-	<u>(25,000)</u>
<b>Pro forma after the Rights Issue</b>	<u>5,531,030</u>	<u>4,526,365</u>	<u>11,507,565</u>	<u>21,564,960</u>



---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**


---

**PUBLIC BANK BERHAD**

(6463 - H)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>ASSETS</b>				
Cash and balances with banks	25,455,971	22,080,417	17,913,615	12,750,086
Reverse repurchase agreements	10,391,380	9,541,969	9,388,543	8,638,588
Financial assets held-for-trading	13,521,792	15,811,963	10,921,014	13,986,426
Derivative financial assets	246,878	365,354	233,912	350,729
Financial investments available-for-sale	15,577,425	17,618,512	13,103,249	15,124,867
Financial investments held-to-maturity	8,765,219	7,793,551	6,677,990	5,787,800
Loans, advances and financing	224,836,251	219,415,793	187,393,426	182,404,573
Other assets	2,611,038	2,539,699	2,108,733	2,409,310
Statutory deposits with Central Banks	7,514,522	6,924,832	6,149,476	5,565,946
Deferred tax assets	70,245	70,121	-	-
Investment in subsidiary companies	-	-	4,436,050	4,436,050
Investment in associated companies	153,200	158,885	121,325	121,325
Investment properties	96,938	97,391	-	-
Property and equipment	1,289,222	1,302,997	544,244	568,346
Intangible assets	1,998,917	2,003,912	695,393	695,393
<b>TOTAL ASSETS</b>	<b>312,528,998</b>	<b>305,725,396</b>	<b>259,686,970</b>	<b>252,839,439</b>
<b>LIABILITIES</b>				
Deposits from customers	258,913,596	250,873,189	210,542,255	201,871,592
Deposits from banks	14,037,771	16,175,836	14,602,620	16,923,048
Bills and acceptances payable	2,186,087	1,573,443	2,233,765	1,627,515
Recourse obligations on loans and financing sold to Cagamas	500,011	500,011	-	-
Derivative financial liabilities	280,384	334,590	357,288	429,495
Debt securities issued and other borrowed funds	10,359,269	10,369,825	9,897,300	9,906,434
Other liabilities	4,364,893	4,020,416	2,965,576	2,845,591
Provision for tax expense and zakat	626,797	585,229	414,604	362,971
Deferred tax liabilities	92,758	95,661	52,967	50,738
<b>TOTAL LIABILITIES</b>	<b>291,361,566</b>	<b>284,528,200</b>	<b>241,066,375</b>	<b>234,017,384</b>

CERTIFIED TRUE COPY

*(Signature)*  
 Ek Sook Ling (MS)  
 Chief Finance Officer

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013*

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

**PUBLIC BANK BERHAD**  
(6463 - H)  
(Incorporated in Malaysia)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>EQUITY</b>				
Share capital	3,531,926	3,531,926	3,531,926	3,531,926
Reserves	17,072,591	17,107,240	15,304,241	15,505,701
Treasury shares	(215,572)	(215,572)	(215,572)	(215,572)
<b>Equity attributable to equity holders of the Bank</b>	<b>20,388,945</b>	<b>20,423,594</b>	<b>18,620,595</b>	<b>18,822,055</b>
Non-controlling interests	778,487	773,602	-	-
<b>TOTAL EQUITY</b>	<b>21,167,432</b>	<b>21,197,196</b>	<b>18,620,595</b>	<b>18,822,055</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>312,528,998</b>	<b>305,725,396</b>	<b>259,686,970</b>	<b>252,839,439</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>86,838,763</b>	<b>87,986,206</b>	<b>82,101,418</b>	<b>83,587,446</b>
<b>CAPITAL ADEQUACY</b>				
<b>Before deducting interim dividends *</b>				
Common Equity Tier I Capital Ratio	8.528%	9.276%	9.565%	10.927%
Tier I Capital Ratio	10.073%	11.055%	11.385%	13.023%
Total Capital Ratio	13.257%	14.288%	12.939%	14.086%
<b>After deducting interim dividends *</b>				
Common Equity Tier I Capital Ratio	8.528%	8.750%	9.565%	10.300%
Tier I Capital Ratio	10.073%	10.529%	11.385%	12.396%
Total Capital Ratio	13.257%	13.762%	12.939%	13.459%
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>5.82</b>	<b>5.83</b>	<b>5.32</b>	<b>5.37</b>

\* Refers to interim dividends declared subsequent to the financial period / year end.

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

**PUBLIC BANK BERHAD**  
(6463 - H)  
(Incorporated in Malaysia)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2014**

<b>Group</b>	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2014 RM'000</b>	<b>31 March 2013 RM'000</b>	<b>31 March 2014 RM'000</b>	<b>31 March 2013 RM'000</b>
Operating revenue	<u>3,948,377</u>	<u>3,673,214</u>	<u>3,948,377</u>	<u>3,673,214</u>
Interest income	2,937,508	2,742,171	2,937,508	2,742,171
Interest expense	<u>(1,534,526)</u>	<u>(1,392,433)</u>	<u>(1,534,526)</u>	<u>(1,392,433)</u>
Net interest income	<u>1,402,982</u>	<u>1,349,738</u>	<u>1,402,982</u>	<u>1,349,738</u>
Net income from Islamic banking business	<u>205,584</u>	<u>207,269</u>	<u>205,584</u>	<u>207,269</u>
	<u>1,608,566</u>	<u>1,557,007</u>	<u>1,608,566</u>	<u>1,557,007</u>
Net fee and commission income	322,667	303,223	322,667	303,223
Net gains and losses on financial instruments	53,850	43,084	53,850	43,084
Other operating income	<u>78,434</u>	<u>76,895</u>	<u>78,434</u>	<u>76,895</u>
Net income	<u>2,063,517</u>	<u>1,980,209</u>	<u>2,063,517</u>	<u>1,980,209</u>
Other operating expenses	<u>(655,918)</u>	<u>(631,754)</u>	<u>(655,918)</u>	<u>(631,754)</u>
Operating profit	<u>1,407,599</u>	<u>1,348,455</u>	<u>1,407,599</u>	<u>1,348,455</u>
Allowance for impairment on loans, advances and financing	<u>(84,818)</u>	<u>(81,390)</u>	<u>(84,818)</u>	<u>(81,390)</u>
Writeback of impairment on other assets	<u>984</u>	<u>1,330</u>	<u>984</u>	<u>1,330</u>
	<u>1,323,765</u>	<u>1,268,395</u>	<u>1,323,765</u>	<u>1,268,395</u>
Share of profit after tax of equity accounted associated companies	<u>3,335</u>	<u>1,581</u>	<u>3,335</u>	<u>1,581</u>
Profit before tax expense and zakat	<u>1,327,100</u>	<u>1,269,976</u>	<u>1,327,100</u>	<u>1,269,976</u>
Tax expense and zakat	<u>(300,067)</u>	<u>(291,052)</u>	<u>(300,067)</u>	<u>(291,052)</u>
Profit for the period	<u>1,027,033</u>	<u>978,924</u>	<u>1,027,033</u>	<u>978,924</u>
Profit for the period attributable to :				
- Equity holders of the Bank	<u>1,016,932</u>	<u>968,301</u>	<u>1,016,932</u>	<u>968,301</u>
- Non-controlling interests	<u>10,101</u>	<u>10,623</u>	<u>10,101</u>	<u>10,623</u>
	<u>1,027,033</u>	<u>978,924</u>	<u>1,027,033</u>	<u>978,924</u>
Earnings per RM1.00 share:				
- basic / diluted (sen)	<u>29.0</u>	<u>27.6</u>	<u>29.0</u>	<u>27.6</u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014  
(Cont'd)

<u>Group</u>	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Profit for the period	1,027,033	978,924	1,027,033	978,924
<b>Other comprehensive (loss) / income:</b>				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	(26,936)	38,048	(26,936)	38,048
- Net investment hedge	14,773	(28,019)	14,773	(28,019)
Revaluation reserves:				
- Net (loss) / gain on revaluation of financial investments available-for-sale	(4,076)	6,016	(4,076)	6,016
- Share of gain of equity accounted associated companies	31	4	31	4
Hedging reserves:				
- Net change in cash flow hedges	10,768	(14,048)	10,768	(14,048)
	(5,440)	2,001	(5,440)	2,001
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	1,973	(1,447)	1,973	(1,447)
- Hedging reserves	(2,692)	3,512	(2,692)	3,512
	(719)	2,065	(719)	2,065
Other comprehensive (loss) / income for the period, net of tax	(6,159)	4,066	(6,159)	4,066
Total comprehensive income for the period	1,020,874	982,990	1,020,874	982,990
Total comprehensive income for the period attributable to:				
- Equity holders of the Bank	1,015,989	965,865	1,015,989	965,865
- Non-controlling interests	4,885	17,125	4,885	17,125
	1,020,874	982,990	1,020,874	982,990

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

**PUBLIC BANK BERHAD**  
(6463 - H)  
(Incorporated in Malaysia)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2014**

<b>Bank</b>	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2014 RM'000</b>	<b>31 March 2013 RM'000</b>	<b>31 March 2014 RM'000</b>	<b>31 March 2013 RM'000</b>
Operating revenue	<u>3,004,387</u>	<u>2,787,995</u>	<u>3,004,387</u>	<u>2,787,995</u>
Interest income	2,689,755	2,502,168	2,689,755	2,502,168
Interest expense	<u>(1,478,172)</u>	<u>(1,337,844)</u>	<u>(1,478,172)</u>	<u>(1,337,844)</u>
Net interest income	1,211,583	1,164,324	1,211,583	1,164,324
Net fee and commission income	122,183	126,406	122,183	126,406
Net gains and losses on financial instruments	53,287	41,614	53,287	41,614
Other operating income	<u>164,737</u>	<u>249,059</u>	<u>164,737</u>	<u>249,059</u>
Net income	1,551,790	1,581,403	1,551,790	1,581,403
Other operating expenses	<u>(446,989)</u>	<u>(445,331)</u>	<u>(446,989)</u>	<u>(445,331)</u>
Operating profit	1,104,801	1,136,072	1,104,801	1,136,072
Allowance for impairment on loans, advances and financing	(38,310)	(16,108)	(38,310)	(16,108)
Writeback of impairment on other assets	984	1,330	984	1,330
Profit before tax expense and zakat	1,067,475	1,121,294	1,067,475	1,121,294
Tax expense and zakat	<u>(236,349)</u>	<u>(228,577)</u>	<u>(236,349)</u>	<u>(228,577)</u>
Profit for the period	<u>831,126</u>	<u>892,717</u>	<u>831,126</u>	<u>892,717</u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Bank</b>				
Profit for the period	<u>831,126</u>	<u>892,717</u>	<u>831,126</u>	<u>892,717</u>
<b>Other comprehensive (loss) / income:</b>				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net (loss) / gain on revaluation of financial investments available-for-sale	(9,370)	4,581	(9,370)	4,581
Hedging reserves:				
- Net change in cash flow hedges	<u>33,440</u>	<u>(5,491)</u>	<u>33,440</u>	<u>(5,491)</u>
	<u>24,070</u>	<u>(910)</u>	<u>24,070</u>	<u>(910)</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	2,342	(1,145)	2,342	(1,145)
- Hedging reserves	<u>(8,360)</u>	<u>1,373</u>	<u>(8,360)</u>	<u>1,373</u>
	<u>(6,018)</u>	<u>228</u>	<u>(6,018)</u>	<u>228</u>
Other comprehensive income / (loss) for the period, net of tax	<u>18,052</u>	<u>(682)</u>	<u>18,052</u>	<u>(682)</u>
Total comprehensive income for the period	<u>849,178</u>	<u>892,035</u>	<u>849,178</u>	<u>892,035</u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013*

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)**

PUBLIC BANK BERHAD  
(6463 - H)  
(Incorporated in Malaysia)  
INTERIM FINANCIAL STATEMENTS  
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE 1ST QUARTER ENDED 31 MARCH 2014

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

	Share Capital RM'000	Share Premium RM'000	Reserves		Treasury Shares RM'000	Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
			Other Reserves RM'000	Retained Profits RM'000				
At 1 January 2014	3,531,926	1,073,310	4,526,365	11,507,565	(215,572)	20,423,594	773,602	21,197,196
Profit for the period	-	-	-	1,016,932	-	1,016,932	10,101	1,027,033
Other comprehensive loss for the period	-	-	(943)	-	-	(943)	(5,216) *	(6,159)
Total comprehensive (loss) / income for the period	-	-	(943)	1,016,932	-	1,015,989	4,885	1,020,874
Transactions with owners / other equity movements:								
Transfer to Profit Equalisation Reserve of the Islamic banking institution	-	-	107	(107)	-	-	-	-
Transfer from regulatory reserves	-	-	(17)	17	-	-	-	-
Transfer to general reserves	-	-	280	(280)	-	-	-	-
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)	-	(1,050,638)
At 31 March 2014	3,531,926	1,073,310	4,525,792	11,473,489	(215,572)	20,388,945	778,487	21,167,432

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

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.



**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)**

**PUBLIC BANK BERHAD**  
(6463 - H)  
(Incorporated in Malaysia)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2014**

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

	Share Capital		Share Premium	Reserves		Treasury Shares	Reserves Distributable		Shareholders' Equity	Non-controlling Interests	Total Equity
	RM'000	RM'000		Other Reserves	Retained Profits		RM'000	RM'000			
At 1 January 2013	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 period	-	-	-	968,301	-	968,301	10,623	978,924			
Other comprehensive (loss) / income for the period	-	-	(2,436)	-	-	(2,436)	6,502 *	4,066			
Total comprehensive (loss) / income for the period	-	-	(2,436)	968,301	-	965,865	17,125	982,990			
Transactions with owners / other equity movements:											
Transfer from Profit Equalisation Reserve of the Islamic banking institution	-	-	(327)	327	-	-	-	-			
Transfer from regulatory reserves	-	-	(580)	580	-	-	-	-			
Transfer to general reserves	-	-	253	(253)	-	-	-	-			
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)	-	(1,050,638)			
	-	-	(654)	(1,049,984)	-	(1,050,638)	-	(1,050,638)			
At 31 March 2013	3,531,926	1,073,310	4,350,777	9,193,226	(215,572)	17,933,667	716,989	18,650,656			

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

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

PUBLIC BANK BERHAD  
(6463 - H)  
(Incorporated in Malaysia)  
INTERIM FINANCIAL STATEMENTS  
UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE 1ST QUARTER ENDED 31 MARCH 2014

	Attributable to Equity Holders of the Bank ----->						
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Equity RM'000	
<u>Bank</u>	Non-distributable		Reserves		Distributable		
At 1 January 2014	3,531,926	1,073,310	3,803,152	10,629,239	(215,572)	18,822,055	
Profit for the period	-	-	-	831,126	-	831,126	
Other comprehensive income for the period	-	-	18,052	-	-	18,052	
Total comprehensive income for the period	-	-	18,052	831,126	-	849,178	
Transactions with owners / other equity movements:							
Transfer to general reserves	-	-	280	(280)	-	-	
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)	
	-	-	280	(1,050,918)	-	(1,050,638)	
At 31 March 2014	<u>3,531,926</u>	<u>1,073,310</u>	<u>3,821,484</u>	<u>10,409,447</u>	<u>(215,572)</u>	<u>18,620,595</u>	

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

PUBLIC BANK BERHAD  
(6463 - H)

(Incorporated in Malaysia)

## INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENT OF CHANGES IN EQUITY  
FOR THE 1ST QUARTER ENDED 31 MARCH 2014

&lt;----- Attributable to Equity Holders of the Bank -----&gt;

	Share Capital RM'000	Share Premium RM'000	Reserves		Retained Profits RM'000	Treasury Shares RM'000	Total Equity RM'000
			Non-distributable	Distributable			
At 1 January 2013	3,531,926	1,073,310	3,758,897	8,746,332	(215,572)	16,894,893	
Profit for the period	-	-	-	892,717	-	892,717	
Other comprehensive loss for the period	-	-	(682)	-	-	(682)	
Total comprehensive (loss) / income for the period	-	-	(682)	892,717	-	892,035	
Transactions with owners / other equity movements:							
Transfer to general reserves	-	-	253	(253)	-	-	
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)	
	-	-	253	(1,050,891)	-	(1,050,638)	
At 31 March 2013	3,531,926	1,073,310	3,758,468	8,588,158	(215,572)	16,736,290	

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

**PUBLIC BANK BERHAD**  
(6463 - H)  
(Incorporated in Malaysia)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2014**

	Group		Bank	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Cash Flows from Operating Activities</b>				
Profit before tax expense and zakat	1,327,100	1,269,976	1,067,475	1,121,294
Adjustments for non-cash items:				
Share of profit after tax of equity accounted associated companies	(3,335)	(1,581)	-	-
Allowance for impaired loans and financing	143,117	127,669	73,877	41,767
Depreciation of property and equipment	37,938	41,509	29,660	33,744
Net gain on financial instruments	(10,080)	(3,570)	(10,757)	(3,711)
Dividends received	(42,528)	(36,246)	(134,376)	(220,530)
Transfer to profit equalisation reserve	185	-	-	-
Impairment loss written back	(984)	(1,330)	(984)	(1,330)
Other non-cash items	19,128	5,478	10,459	14,828
Operating profit before working capital changes	<u>1,470,541</u>	<u>1,401,905</u>	<u>1,035,354</u>	<u>986,062</u>
Changes in working capital:				
Increase in operating assets	(7,565,326)	(7,188,219)	(5,647,775)	(5,337,100)
Increase in operating liabilities	<u>6,936,991</u>	<u>12,206,637</u>	<u>7,145,920</u>	<u>9,711,030</u>
Cash generated from operations	842,206	6,420,323	2,533,499	5,359,992
Tax expense and zakat paid	(262,197)	(300,530)	(188,505)	(231,028)
Net cash generated from operating activities	<u>580,009</u>	<u>6,119,793</u>	<u>2,344,994</u>	<u>5,128,964</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(24,627)	(18,771)	(6,022)	(6,284)
Proceeds from disposal of properties	7,920	13,448	7,826	13,055
Net sale of financial investments	1,057,636	344,221	1,118,090	622,924
Dividends received	42,528	36,246	356,738	409,077
Net cash generated from investing activities	<u>1,083,457</u>	<u>375,144</u>	<u>1,476,632</u>	<u>1,038,772</u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
**(Cont'd)**

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2014**

	Group		Bank	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Cash Flows from Financing Activities</b>				
Dividends paid	(1,050,638)	(1,050,638)	(1,050,638)	(1,050,638)
Net (repayment) / drawdown of borrowings	(1,422)	8,388	-	-
Net cash used in financing activities	<u>(1,052,060)</u>	<u>(1,042,250)</u>	<u>(1,050,638)</u>	<u>(1,050,638)</u>
Net change in cash and cash equivalents	611,406	5,452,687	2,770,988	5,117,098
Cash and cash equivalents at beginning of the period	20,183,223	16,835,772	11,386,416	10,238,710
Exchange differences on translation of opening balances	(14,308)	32,169	-	-
Cash and cash equivalents at end of the period	<u>20,780,321</u>	<u>22,320,628</u>	<u>14,157,404</u>	<u>15,355,808</u>
Note:				
Cash and balances with banks	25,455,971	24,066,268	17,913,615	16,269,628
Less: Balances with banks with maturity more than one month	(4,675,650)	(1,745,640)	(3,756,211)	(913,820)
Cash and cash equivalents at end of the period	<u>20,780,321</u>	<u>22,320,628</u>	<u>14,157,404</u>	<u>15,355,808</u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013*

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Issued by Bank Negara Malaysia**

**A1. Basis of Preparation**

The unaudited interim financial statements for the 1st quarter ended 31 March 2014 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments and investment properties.

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2013.

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

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2013.

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 July 2014

Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010–2012 Cycle"

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011–2013 Cycle"

Effective for annual period to be announced by MASB

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)

MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*

---

**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)****A1. Basis of Preparation (continued)**

The amendments to MFRS 119 provide a practical expedient in accounting for contributions from employees or third parties to defined benefit plans. The adoption of the amendments to MFRS 119 will not have any financial impact to the Group and the Bank as the Group's defined benefit plan does not require employees or third parties to contribute to the plan.

The Annual Improvements to MFRSs 2010 – 2012 Cycle consist of the following amendments:

(i) MFRS 2 Share-based Payment

The amendment clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

(ii) MFRS 3 Business Combinations

The amendment clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of profit or loss.

(iii) MFRS 8 Operating Segments

The amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

(iv) MFRS 13 Fair Value Measurement

The amendment relates to the IASB's Basis for Conclusions which clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(v) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendment clarifies the accounting for the accumulated depreciation or amortisation when an asset is revalued.

(vi) MFRS 124 Related Party Disclosures

The amendment extends the definition of 'related party' to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The adoption of the Annual Improvements to MFRSs 2010 - 2012 Cycle is not expected to have any financial impact to the Group and the Bank.

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*

---

**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)****A1. Basis of Preparation** (continued)

The Annual Improvements to MFRSs 2011 – 2013 Cycle consist of the following amendments:

(i) **MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards**

The amendment relates to the IASB's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(ii) **MFRS 3 Business Combinations**

The amendment clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangement.

(iii) **MFRS 13 Fair Value Measurement**

The amendment clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

(iv) **MFRS 140 Investment Property**

The amendment clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

The adoption of the Annual Improvements to MFRSs 2011-2013 Cycle is not expected to have any financial impact to the Group and the Bank.

MFRS 9 introduces significant changes in the way the Group and the Bank 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 and the Bank.

On 4 February 2014, Bank Negara Malaysia ("BNM") issued a letter requiring banking institutions to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, pursuant to paragraph 13 of the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing. The regulatory reserves is maintained in addition to the impairment provisions required under MFRSs, and it will be set aside from the retained profits to a separate reserves within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015. The adoption of this new requirement is not expected to have any impact to the profit or loss of the Group and the Bank. As regulatory reserves does not qualify as common equity Tier I ("CET I") capital and Tier I capital under BNM's Capital Adequacy Framework (Capital Components), the adoption of this requirement is expected to result in a drop in CET I and Tier I capital ratios of the Group by 0.6% respectively. For the Bank, the adoption of this requirement is expected to result in a drop in CET I and Tier I capital ratios by 0.7% respectively.



---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*

---

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

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

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 was not qualified.

**A3. Comments about Seasonal or Cyclical Factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 1st quarter ended 31 March 2014.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the 1st quarter ended 31 March 2014.

**A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 1st quarter ended 31 March 2014.

**A6. Debt and Equity Securities**

There were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Bank.

**A7. Dividends Paid and Distributed**

During the financial quarter ended 31 March 2014, a second interim single tier dividend of 30% in respect of the financial year ended 31 December 2013, amounting to RM1,050,637,539 was paid on 28 February 2014.

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

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

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	250,265	223,523	250,265	223,523
Malaysian Government Investment Certificates	643,132	1,310,771	330,253	1,106,521
Bank Negara Malaysia Monetary Notes	528,725	49,346	528,725	49,346
	<u>1,422,122</u>	<u>1,583,640</u>	<u>1,109,243</u>	<u>1,379,390</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit	<u>11,517,029</u>	<u>13,822,929</u>	<u>9,274,054</u>	<u>12,274,547</u>
<b>Non-money market instruments:</b>				
Debt securities:				
- Unquoted private debt securities	<u>582,641</u>	<u>405,394</u>	<u>537,717</u>	<u>332,489</u>
<b>Total financial assets held-for-trading</b>	<u><u>13,521,792</u></u>	<u><u>15,811,963</u></u>	<u><u>10,921,014</u></u>	<u><u>13,986,426</u></u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

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

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Treasury Bills	1,159,430	1,386,790	1,159,430	1,386,790
Malaysian Government Securities	2,085,268	975,356	2,085,268	975,356
Malaysian Government Investment Certificates	4,158,288	3,140,471	2,739,648	1,703,562
Bank Negara Malaysia Monetary Notes	658,822	4,604,017	658,822	4,604,017
	<u>8,061,808</u>	<u>10,106,634</u>	<u>6,643,168</u>	<u>8,669,725</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit	50,947	198,844	50,947	198,844
<b>Non-money market instruments:</b>				
Equity securities:				
- Quoted shares and convertible loan stocks in Malaysia	-	4,785	-	4,785
- Quoted shares and convertible loan stocks outside Malaysia	11,152	11,897	-	-
- Unquoted shares #	110,118	110,249	106,166	106,285
Debt securities:				
- Unquoted private debt securities	2,197,070	2,078,879	1,729,966	1,607,095
Unit trust funds	5,146,330	5,107,224	4,573,002	4,538,133
	<u>7,464,670</u>	<u>7,313,034</u>	<u>6,409,134</u>	<u>6,256,298</u>
Total financial investments available-for-sale	<u>15,577,425</u>	<u>17,618,512</u>	<u>13,103,249</u>	<u>15,124,867</u>

# Stated at cost, net of impairment loss.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

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

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>At amortised cost</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Treasury Bills	-	19,961	-	-
Malaysian Government Securities	1,305,061	1,235,500	1,204,193	1,205,514
Malaysian Government Investment Certificates	3,077,797	2,190,194	2,687,861	2,119,819
Foreign Government Treasury Bills	726,231	756,069	85,048	111,725
Other foreign government securities	198,527	197,872	-	-
	<u>5,307,616</u>	<u>4,399,596</u>	<u>3,977,102</u>	<u>3,437,058</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit	1,729,667	1,890,742	1,542,965	1,528,777
Bankers' acceptances and Islamic accepted bills	151,734	279,895	21,759	89,092
	<u>1,881,401</u>	<u>2,170,637</u>	<u>1,564,724</u>	<u>1,617,869</u>
<b>Non-money market instruments:</b>				
Debt securities:				
- Cagamas bonds	126,439	130,287	86,225	90,436
- Unquoted private debt securities	1,449,851	1,093,138	1,050,027	642,544
	<u>1,576,290</u>	<u>1,223,425</u>	<u>1,136,252</u>	<u>732,980</u>
Accumulated impairment losses	(88)	(107)	(88)	(107)
<b>Total financial investments held-to-maturity</b>	<u><u>8,765,219</u></u>	<u><u>7,793,551</u></u>	<u><u>6,677,990</u></u>	<u><u>5,787,800</u></u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A11. Loans, Advances and Financing**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>At amortised cost</b>				
Overdrafts	9,893,456	9,694,121	8,409,453	8,319,983
Term loans				
- Housing loans / financing	71,227,269	69,371,088	62,068,289	60,472,169
- Syndicated term loans / financing	1,770,892	1,782,419	993,906	1,071,646
- Hire purchase receivables	45,817,764	44,923,671	33,007,679	31,906,568
- Other term loans / financing	86,096,571	83,603,166	72,481,346	70,256,580
Credit card receivables	1,546,630	1,623,283	1,537,218	1,613,033
Bills receivables	146,654	132,233	123,442	112,310
Trust receipts	298,336	318,642	252,487	262,301
Claims on customers under acceptance credits	4,121,448	4,146,270	4,015,679	4,013,598
Revolving credits	4,325,202	4,247,740	4,382,247	4,273,079
Staff loans *	1,367,462	1,333,170	1,287,568	1,254,160
Gross loans, advances and financing	226,611,684	221,175,803	188,559,314	183,555,427
Allowance for impaired loans and financing:				
- collective assessment allowance	(1,607,268)	(1,592,085)	(1,088,926)	(1,071,089)
- individual assessment allowance	(168,165)	(167,925)	(76,962)	(79,765)
Net loans, advances and financing	224,836,251	219,415,793	187,393,426	182,404,573

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM3,502,000 (2013: RM3,499,000) and RM3,114,000 (2013 - RM3,092,000) respectively.

**A11a. By class**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>Retail loans / financing *</b>				
- Housing loans / financing	71,227,269	69,371,088	62,068,289	60,472,169
- Hire purchase	45,817,764	44,923,671	33,007,679	31,906,568
- Credit cards	1,546,630	1,623,283	1,537,218	1,613,033
- Other loans / financing ^	77,050,203	74,634,000	66,717,201	64,745,015
	195,641,866	190,552,042	163,330,387	158,736,785
Corporate loans / financing	30,969,818	30,623,761	25,228,927	24,818,642
	226,611,684	221,175,803	188,559,314	183,555,427

\* 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.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

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

**A11b. By type of customer**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Banking institutions	218,792	219,841	32,650	32,806
Non-bank financial institutions				
- Stock-broking companies	10,054	10,415	10,054	10,415
- Others	5,711,213	5,867,394	5,640,783	5,796,575
Business enterprises				
- Small and medium enterprises	49,389,547	46,466,558	44,511,580	41,907,628
- Others	24,623,203	24,774,604	19,639,592	19,839,602
Government and statutory bodies	332,050	328,984	9,188	9,205
Individuals	144,259,612	141,050,941	116,773,844	113,628,081
Other entities	46,880	43,708	44,275	41,090
Foreign entities	2,020,333	2,413,358	1,897,348	2,290,025
	<u>226,611,684</u>	<u>221,175,803</u>	<u>188,559,314</u>	<u>183,555,427</u>

**A11c. By interest / profit rate sensitivity**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Fixed rate				
- Housing loans / financing	730,968	760,224	91,991	100,506
- Hire purchase receivables	44,174,979	43,231,795	32,998,464	31,896,405
- Other fixed rate loans / financing	15,168,850	15,294,702	8,215,071	8,200,180
Variable rate				
- Base lending rate plus	135,184,644	131,488,842	126,165,459	123,273,711
- Cost plus	20,986,301	20,029,781	20,317,195	19,323,512
- Other variable rates	10,365,942	10,370,459	771,134	761,113
	<u>226,611,684</u>	<u>221,175,803</u>	<u>188,559,314</u>	<u>183,555,427</u>

**A11d. By residual contractual maturity**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Maturity within one year	30,053,241	29,512,905	25,278,657	24,665,072
More than one year to three years	21,995,618	21,787,337	17,482,873	17,348,887
More than three years to five years	22,192,185	21,614,004	17,458,903	16,869,100
More than five years	152,370,640	148,261,557	128,338,881	124,672,368
	<u>226,611,684</u>	<u>221,175,803</u>	<u>188,559,314</u>	<u>183,555,427</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

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

**A11e. By geographical distribution**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Malaysia	212,179,203	206,634,918	188,008,676	183,018,237
Hong Kong SAR and the People's Republic of China	11,482,843	11,573,237	-	-
Cambodia	2,399,000	2,430,458	-	-
Other countries	550,638	537,190	550,638	537,190
	<u>226,611,684</u>	<u>221,175,803</u>	<u>188,559,314</u>	<u>183,555,427</u>

**A11f. Gross loans, advances and financing by economic purpose**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Purchase of securities	3,892,701	4,023,503	3,765,478	3,861,298
Purchase of transport vehicles	46,053,841	45,158,466	33,241,415	32,139,612
Purchase of landed properties	129,321,556	126,004,256	114,523,349	111,871,882
(of which: - residential	72,792,950	70,928,295	63,635,987	62,005,417
- non-residential)	56,528,606	55,075,961	50,887,362	49,866,465
Purchase of fixed assets (excluding landed properties)	253,542	242,072	225,029	212,738
Personal use	9,059,576	9,090,491	4,590,750	4,527,048
Credit card	1,546,630	1,623,283	1,537,218	1,613,033
Purchase of consumer durables	15,955	16,855	12,844	13,619
Construction	2,927,109	2,903,437	2,335,524	2,268,033
Mergers and acquisitions	205,332	208,454	205,332	208,454
Working capital	29,154,542	28,219,556	24,186,400	23,401,960
Other purpose	4,180,900	3,685,430	3,935,975	3,437,750
	<u>226,611,684</u>	<u>221,175,803</u>	<u>188,559,314</u>	<u>183,555,427</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*
**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)**
**A11. Loans, Advances and Financing (continued)****A11g. Gross loans, advances and financing by sectors**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Agriculture, hunting, forestry and fishing	2,907,227	2,847,443	2,460,178	2,471,313
Mining and quarrying	203,531	199,457	172,979	167,811
Manufacturing	8,784,444	8,891,271	7,960,745	7,885,681
Electricity, gas and water	55,057	54,698	21,874	21,429
Construction	6,847,819	6,597,972	5,799,741	5,580,719
Wholesale & retail trade and restaurants & hotels	20,066,153	19,372,207	18,234,883	17,702,488
Transport, storage and communication	3,433,785	3,395,952	2,622,317	2,577,828
Finance, insurance and business services	12,341,128	12,214,958	10,898,317	10,838,160
Real estate	22,164,304	21,064,548	18,745,782	17,867,116
Community, social and personal services	4,335,251	4,319,749	3,896,714	3,886,443
Households	144,498,379	141,214,063	117,643,211	114,444,907
Others	974,606	1,003,485	102,573	111,532
	<u>226,611,684</u>	<u>221,175,803</u>	<u>188,559,314</u>	<u>183,555,427</u>

**A11h. Loans, advances and financing pledged as collateral are as follows:**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Bankers' acceptances rediscounted	<u>1,709,799</u>	<u>974,991</u>	<u>1,709,799</u>	<u>974,121</u>

**A11i. Movements in impaired loans, advances and financing ("impaired loans") are as follows:**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
At 1 January	1,484,779	1,374,086	1,135,737	1,014,660
Impaired during the period / year	662,363	2,939,301	474,320	2,125,565
Reclassified as non-impaired	(464,346)	(1,976,588)	(359,685)	(1,576,211)
Recoveries	(55,904)	(299,343)	(44,112)	(169,777)
Amount written off	(125,208)	(555,058)	(57,580)	(247,931)
Loans converted to foreclosed properties / investments	(10,684)	(10,981)	(10,648)	(10,721)
Exchange differences	(647)	13,362	(12)	152
Closing balance	<u>1,490,353</u>	<u>1,484,779</u>	<u>1,138,020</u>	<u>1,135,737</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.66%</u>	<u>0.67%</u>	<u>0.60%</u>	<u>0.62%</u>



**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

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

**A11j. Impaired loans, advances and financing by geographical distribution**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Malaysia	1,362,343	1,364,302	1,135,053	1,133,697
Hong Kong SAR and the People's Republic of China	76,941	74,329	-	-
Cambodia	48,102	44,108	-	-
Other countries	2,967	2,040	2,967	2,040
	<u>1,490,353</u>	<u>1,484,779</u>	<u>1,138,020</u>	<u>1,135,737</u>

**A11k. Impaired loans, advances and financing by economic purpose**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Purchase of securities	3,459	3,466	3,455	3,462
Purchase of transport vehicles	359,670	357,474	255,936	256,600
Purchase of landed properties	691,656	676,066	622,256	608,140
(of which: - residential	526,669	526,930	468,007	468,751
- non-residential)	164,987	149,136	154,249	139,389
Purchase of fixed assets (excluding landed properties)	5,231	6,003	5,056	5,977
Personal use	161,347	169,312	45,516	48,542
Credit card	20,401	23,161	20,331	23,084
Purchase of consumer durables	70	82	3	4
Construction	11,437	11,469	8,832	8,855
Working capital	219,617	223,163	159,423	166,649
Other purpose	17,465	14,583	17,212	14,424
	<u>1,490,353</u>	<u>1,484,779</u>	<u>1,138,020</u>	<u>1,135,737</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

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

**A11i. Impaired loans, advances and financing by sectors**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Agriculture, hunting, forestry and fishing	23,117	16,692	8,886	2,559
Mining and quarrying	1,505	1,483	411	437
Manufacturing	100,847	110,739	90,825	98,646
Electricity, gas and water	1,564	1,551	-	-
Construction	44,340	41,188	40,607	37,600
Wholesale & retail trade and restaurants & hotels	136,182	130,908	111,744	106,597
Transport, storage and communication	62,760	61,167	61,199	59,778
Finance, insurance and business services	29,335	24,219	21,764	19,331
Real estate	24,701	23,715	21,311	21,458
Community, social and personal services	16,534	20,427	16,306	20,118
Households	1,044,038	1,050,632	764,293	768,342
Others	5,430	2,058	674	871
	<b>1,490,353</b>	<b>1,484,779</b>	<b>1,138,020</b>	<b>1,135,737</b>

**A11m.** Movements in the allowance for impaired loans, advances and financing are as follows:

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<u>Collective Assessment Allowance</u>				
At 1 January	1,592,085	1,529,566	1,071,089	1,059,484
Allowance made during the period / year	89,418	340,289	73,228	219,966
Amount written off	(74,036)	(280,604)	(55,351)	(208,758)
Exchange differences	(199)	2,834	(40)	397
Closing balance	<b>1,607,268</b>	<b>1,592,085</b>	<b>1,088,926</b>	<b>1,071,089</b>

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<u>Individual Assessment Allowance</u>				
At 1 January	167,925	201,995	79,765	110,074
Allowance made during the period / year	53,989	242,911	649	18,342
Amount written back in respect of recoveries	(290)	(17,164)	-	(9,478)
Amount written off	(51,172)	(274,454)	(2,229)	(39,173)
Amount transferred to allowance for impairment loss on foreclosed properties	(1,223)	-	(1,223)	-
Exchange differences	(1,064)	14,637	-	-
Closing balance	<b>168,165</b>	<b>167,925</b>	<b>76,962</b>	<b>79,765</b>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A12. Other Assets**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Deferred handling fees	245,574	242,734	180,700	175,656
Interest / Income receivable	63,352	69,650	40,796	45,374
Other receivables, deposits and prepayments	1,346,348	1,410,075	1,264,744	1,338,651
Manager's stocks	151,390	87,984	-	-
Employee benefits	283,410	294,339	275,812	286,306
Amount due from trust funds	144,305	111,536	-	-
Foreclosed properties	61,575	57,280	60,321	55,982
Taxi licenses	-	1,130	-	-
Outstanding contracts on clients' accounts	315,084	264,971	-	-
Amount due from subsidiary companies	-	-	39,260	37,879
Dividend receivable from subsidiary companies	-	-	247,100	469,462
	<u>2,611,038</u>	<u>2,539,699</u>	<u>2,108,733</u>	<u>2,409,310</u>

**A13. Deposits from Customers**

a) By type of deposit

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>At amortised cost</b>				
Core deposits:				
- Demand deposits	38,972,370	38,202,745	33,818,893	33,382,002
- Savings deposits	27,050,852	25,824,590	19,137,035	18,349,316
- Fixed deposits	142,990,763	137,230,286	113,794,136	107,341,341
	<u>209,013,985</u>	<u>201,257,621</u>	<u>166,750,064</u>	<u>159,072,659</u>
Wholesale deposits:				
- Negotiable instruments of deposit	1,262,379	1,620,398	639,158	651,420
- Money market deposits	48,560,320	47,881,370	43,077,210	42,036,700
	<u>49,822,699</u>	<u>49,501,768</u>	<u>43,716,368</u>	<u>42,688,120</u>
Other deposits	76,912	113,800	75,823	110,813
	<u>258,913,596</u>	<u>250,873,189</u>	<u>210,542,255</u>	<u>201,871,592</u>

b) By type of customer

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Federal and state governments	3,525,970	1,451,465	417,918	234,600
Local government and statutory authorities	3,106,460	2,695,427	1,906,425	1,610,984
Business enterprises	76,603,098	77,616,935	62,457,548	62,433,119
Individuals	115,398,336	111,921,512	100,861,052	97,008,165
Foreign customers	5,174,423	6,655,412	4,424,893	5,914,089
Others	55,105,309	50,532,438	40,474,419	34,670,635
	<u>258,913,596</u>	<u>250,873,189</u>	<u>210,542,255</u>	<u>201,871,592</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*
**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)**
**A13. Deposits from Customers (continued)**

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

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Due within six months	158,746,761	162,340,586	128,166,743	128,981,442
More than six months to one year	33,723,445	24,080,964	29,197,423	20,876,847
More than one year to three years	339,329	306,626	143,077	167,761
More than three years to five years	3,927	3,878	3,261	3,411
	<u>192,813,462</u>	<u>186,732,054</u>	<u>157,510,504</u>	<u>150,029,461</u>

**A14. Deposits from Banks**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>At amortised cost</b>				
Licensed banks	4,913,145	4,234,141	3,329,130	2,893,468
Licensed Islamic banks	737,464	1,063,881	737,464	713,881
Licensed investment banks	3,165,355	3,473,912	2,887,578	3,494,590
Bank Negara Malaysia	1,605,233	1,980,255	1,602,850	1,977,865
Other financial institutions	3,616,574	5,423,647	6,045,598	7,843,244
	<u>14,037,771</u>	<u>16,175,836</u>	<u>14,602,620</u>	<u>16,923,048</u>

**A15. Other Liabilities**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Interest / Income payable	1,265,790	1,186,739	1,074,012	1,009,164
Other payables and accruals	2,600,564	2,351,233	1,864,164	1,803,877
Amount due to trust funds	102,309	66,534	-	-
Unprocessed sales and / or redemptions	72,861	118,778	-	-
Profit Equalisation Reserve of the investment account holder	185	-	-	-
Finance lease liabilities	17,735	26,484	17,735	26,484
Outstanding contracts on clients' accounts	298,978	255,125	-	-
Dividend payable to shareholders	6,471	15,523	6,471	1,866
Amount due to subsidiary companies	-	-	3,194	4,200
	<u>4,364,893</u>	<u>4,020,416</u>	<u>2,965,576</u>	<u>2,845,591</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

## A16. Interest Income

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Group</b>				
Loans and advances	2,491,017	2,308,415	2,491,017	2,308,415
Balances with banks	155,349	170,701	155,349	170,701
Financial investments available-for-sale	67,629	75,179	67,629	75,179
Financial investments held-to-maturity	77,821	56,689	77,821	56,689
Others	37,333	30,057	37,333	30,057
	<u>2,829,149</u>	<u>2,641,041</u>	<u>2,829,149</u>	<u>2,641,041</u>
Financial assets held-for-trading	108,359	101,130	108,359	101,130
	<u>2,937,508</u>	<u>2,742,171</u>	<u>2,937,508</u>	<u>2,742,171</u>
Of which:				
Interest income earned on impaired loans and advances	<u>13,542</u>	<u>12,570</u>	<u>13,542</u>	<u>12,570</u>
	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Bank</b>				
Loans and advances	2,281,383	2,104,448	2,281,383	2,104,448
Balances with banks	145,790	160,867	145,790	160,867
Financial investments available-for-sale	65,898	73,474	65,898	73,474
Financial investments held-to-maturity	58,104	40,932	58,104	40,932
Others	37,263	30,053	37,263	30,053
	<u>2,588,438</u>	<u>2,409,774</u>	<u>2,588,438</u>	<u>2,409,774</u>
Financial assets held-for-trading	101,317	92,394	101,317	92,394
	<u>2,689,755</u>	<u>2,502,168</u>	<u>2,689,755</u>	<u>2,502,168</u>
Of which:				
Interest income earned on impaired loans and advances	<u>12,885</u>	<u>11,507</u>	<u>12,885</u>	<u>11,507</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*
**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)**

## A17. Interest Expense

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Deposits from banks	68,413	90,558	68,413	90,558
Deposits from customers	1,356,316	1,205,840	1,356,316	1,205,840
Loans sold to Cagamas	-	13	-	13
Debt securities issued and other borrowed funds	108,963	94,316	108,963	94,316
Others	834	1,706	834	1,706
	<u>1,534,526</u>	<u>1,392,433</u>	<u>1,534,526</u>	<u>1,392,433</u>

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Deposits from banks	62,301	84,215	62,301	84,215
Deposits from customers	1,307,966	1,161,013	1,307,966	1,161,013
Loans sold to Cagamas	-	13	-	13
Debt securities issued and other borrowed funds	107,125	90,943	107,125	90,943
Others	780	1,660	780	1,660
	<u>1,478,172</u>	<u>1,337,844</u>	<u>1,478,172</u>	<u>1,337,844</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*
**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)**
**A18. Net Fee and Commission Income**

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Group</b>				
Fee and commission income:				
Commissions	92,725	89,555	92,725	89,555
Service charges and fees	71,404	67,800	71,404	67,800
Guarantee fees	6,888	6,736	6,888	6,736
Processing fees	6,605	3,510	6,605	3,510
Commitment fees	15,571	16,275	15,571	16,275
Unit trust management fees	189,933	161,948	189,933	161,948
Fee on sale of trust units	71,664	71,846	71,664	71,846
Net brokerage and commissions from stockbroking activities	18,569	17,615	18,569	17,615
Other fee and commission income	8,709	10,687	8,709	10,687
	<u>482,068</u>	<u>445,972</u>	<u>482,068</u>	<u>445,972</u>
Fee and commission expense:				
Loan related fee	(65,387)	(60,290)	(65,387)	(60,290)
Unit trust agency fee	(89,088)	(78,015)	(89,088)	(78,015)
Other fee and commission expense	(4,926)	(4,444)	(4,926)	(4,444)
	<u>(159,401)</u>	<u>(142,749)</u>	<u>(159,401)</u>	<u>(142,749)</u>
Net fee and commission income	<u>322,667</u>	<u>303,223</u>	<u>322,667</u>	<u>303,223</u>
	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Bank</b>				
Fee and commission income:				
Commissions	108,405	106,870	108,405	106,870
Service charges and fees	50,720	50,926	50,720	50,926
Guarantee fees	6,157	5,996	6,157	5,996
Processing fees	3,674	987	3,674	987
Commitment fees	14,544	15,566	14,544	15,566
Other fee and commission income	5,907	8,357	5,907	8,357
	<u>189,407</u>	<u>188,702</u>	<u>189,407</u>	<u>188,702</u>
Fee and commission expense:				
Loan related fee	(64,333)	(59,384)	(64,333)	(59,384)
Other fee and commission expense	(2,891)	(2,912)	(2,891)	(2,912)
	<u>(67,224)</u>	<u>(62,296)</u>	<u>(67,224)</u>	<u>(62,296)</u>
Net fee and commission income	<u>122,183</u>	<u>126,406</u>	<u>122,183</u>	<u>126,406</u>





**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A20. Other Operating Income**

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Group</b>				
Other income:				
Foreign exchange profit	60,705	58,118	60,705	58,118
Rental income from:				
- investment properties	1,646	1,404	1,646	1,404
- other properties	3,707	3,423	3,707	3,423
Net (loss) / gain on disposal of property and equipment	(194)	300	(194)	300
Net gain on disposal of foreclosed properties	398	4,047	398	4,047
Others	12,172	9,603	12,172	9,603
Total other operating income	<u>78,434</u>	<u>76,895</u>	<u>78,434</u>	<u>76,895</u>

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Bank</b>				
Gross dividend income from:				
- subsidiary companies				
- unquoted in Malaysia	93,087	185,895	93,087	185,895
	<u>93,087</u>	<u>185,895</u>	<u>93,087</u>	<u>185,895</u>
Other income:				
Foreign exchange profit	61,363	49,758	61,363	49,758
Rental income from other properties	2,780	2,624	2,780	2,624
Net (loss) / gain on disposal of property and equipment	(193)	297	(193)	297
Net gain on disposal of foreclosed properties	398	4,047	398	4,047
Others	7,302	6,438	7,302	6,438
	<u>71,650</u>	<u>63,164</u>	<u>71,650</u>	<u>63,164</u>
Total other operating income	<u>164,737</u>	<u>249,059</u>	<u>164,737</u>	<u>249,059</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
**(Cont'd)**

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

**A21. Other Operating Expenses**

<b>Group</b>	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2014 RM'000</b>	<b>31 March 2013 RM'000</b>	<b>31 March 2014 RM'000</b>	<b>31 March 2013 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	378,792	362,839	378,792	362,839
- Pension costs	53,467	51,164	53,467	51,164
- Others	32,026	29,987	32,026	29,987
	<u>464,285</u>	<u>443,990</u>	<u>464,285</u>	<u>443,990</u>
Establishment costs				
- Depreciation	37,938	41,509	37,938	41,509
- Rental	23,784	22,115	23,784	22,115
- Insurance	5,944	6,125	5,944	6,125
- Water and electricity	11,484	10,249	11,484	10,249
- General repairs and maintenance	21,956	15,508	21,956	15,508
- Information technology expenses	7,314	7,030	7,314	7,030
- Others	12,436	10,432	12,436	10,432
	<u>120,856</u>	<u>112,968</u>	<u>120,856</u>	<u>112,968</u>
Marketing expenses				
- Advertisement and publicity	10,674	16,278	10,674	16,278
- Others	19,449	21,046	19,449	21,046
	<u>30,123</u>	<u>37,324</u>	<u>30,123</u>	<u>37,324</u>
Administration and general expenses				
- Communication expenses	9,726	10,318	9,726	10,318
- Legal and professional fees	9,401	8,871	9,401	8,871
- Others	21,527	18,283	21,527	18,283
	<u>40,654</u>	<u>37,472</u>	<u>40,654</u>	<u>37,472</u>
Total other operating expenses	<u>655,918</u>	<u>631,754</u>	<u>655,918</u>	<u>631,754</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

A21. Other Operating Expenses (continued)

<u>Bank</u>	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Personnel costs				
- Salaries, allowances and bonuses	293,995	286,934	293,995	286,934
- Pension costs	47,390	55,098	47,390	55,098
- Others	27,824	26,017	27,824	26,017
	<u>369,209</u>	<u>368,049</u>	<u>369,209</u>	<u>368,049</u>
Establishment costs				
- Depreciation	29,660	33,744	29,660	33,744
- Rental	21,613	20,825	21,613	20,825
- Insurance	4,248	4,513	4,248	4,513
- Water and electricity	8,827	7,890	8,827	7,890
- General repairs and maintenance	19,510	13,255	19,510	13,255
- Information technology expenses	3,972	3,714	3,972	3,714
- Others	9,567	7,904	9,567	7,904
	<u>97,397</u>	<u>91,845</u>	<u>97,397</u>	<u>91,845</u>
Marketing expenses				
- Advertisement and publicity	2,793	6,078	2,793	6,078
- Others	8,518	10,218	8,518	10,218
	<u>11,311</u>	<u>16,296</u>	<u>11,311</u>	<u>16,296</u>
Administration and general expenses				
- Communication expenses	7,530	8,302	7,530	8,302
- Legal and professional fees	6,491	6,584	6,491	6,584
- Others	13,055	10,021	13,055	10,021
	<u>27,076</u>	<u>24,907</u>	<u>27,076</u>	<u>24,907</u>
Shared service cost charged to Public Islamic Bank Berhad	(58,004)	(55,766)	(58,004)	(55,766)
Total other operating expenses	<u>446,989</u>	<u>445,331</u>	<u>446,989</u>	<u>445,331</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A22. Allowance for Impairment on Loans, Advances and Financing**

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Group</b>				
Allowance for impaired loans and financing:				
Collective assessment allowance	89,418	69,769	89,418	69,769
Individual assessment allowance	53,699	57,900	53,699	57,900
Allowance / (Writeback of allowance) for bad debts from stockbroking activities	1	(9)	1	(9)
Impaired loans and financing written off	29	189	29	189
Impaired loans and financing recovered	(58,329)	(46,459)	(58,329)	(46,459)
	<b>84,818</b>	<b>81,390</b>	<b>84,818</b>	<b>81,390</b>
<b>Bank</b>				
Allowance for impaired loans:				
Collective assessment allowance	73,228	35,917	73,228	35,917
Individual assessment allowance	649	5,850	649	5,850
Impaired loans written off	25	156	25	156
Impaired loans recovered	(35,592)	(25,815)	(35,592)	(25,815)
	<b>38,310</b>	<b>16,108</b>	<b>38,310</b>	<b>16,108</b>

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

A23. Segment Information	PUBLIC BANK BERHAD (6463-II) (Incorporated in Malaysia)											
	Operating Segments Treasury and											
1st Quarter Ended 31 March 2014	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
External revenue	593,693	1,922,171	277,133	449,003	47,960	261,813	1,366	118,421	3,671,560	276,817	-	3,948,377
Revenue from other segments	-	301,292	3,360	221,430	1,586	3,791	7,423	404,892	943,774	1,031	(944,805)	-
	593,693	2,223,463	280,493	670,433	49,546	265,604	8,789	523,313	4,615,334	277,848	(944,805)	3,948,377
Net interest income and Islamic banking income	232,496	1,030,659	71,195	41,021	4,490	4,007	(1,921)	42,169	1,424,116	184,450	-	1,608,566
Other income	495	125,626	13,041	64,229	15,786	154,578	8,736	54,435	436,926	34,702	(16,677)	454,951
Net income	232,991	1,156,285	84,236	105,250	20,276	158,585	6,815	96,604	1,861,042	219,152	(16,677)	2,063,517
Other operating expenses (Allowance) / writedown of allowance for impairment on loans, advances and financing Writeback of allowance for impairment on other assets	(55,870)	(352,065)	(2,701)	(5,961)	(8,374)	(45,810)	(3,639)	(101,668)	(576,088)	(96,507)	16,677	(655,918)
Profit / (loss) by segments	(39,770)	(25,613)	14,084	-	268	-	-	-	(51,031)	(33,787)	-	(84,818)
Reconciliation of segment profits to consolidated profits	137,351	779,591	95,619	99,289	12,170	112,775	3,176	(5,064)	1,234,907	88,858	-	1,323,765
Share of profit after tax of equity accounted associated companies	-	984	-	-	-	-	-	-	984	-	-	984
Profit before tax expense and zakat	24.0%	30.4%	3.2%	5.7%	41.3%	28.9%	53.4%	105.2%	31.0%	44.0%	-	31.8%
Cost income ratio	24.0%	30.4%	3.2%	5.7%	41.3%	28.9%	53.4%	105.2%	31.0%	44.0%	-	31.8%
Gross loans, advances and financing	44,136,729	141,656,167	25,976,840	-	352,047	55,243	2,177	-	212,179,203	14,432,481	-	226,611,684
Loan growth	2.2%	3.0%	1.6%	-	-3.6%	2.5%	-1.5%	-	2.7%	-0.7%	-	2.5%
Impaired loans, advances and financing	332,209	948,592	81,542	-	-	-	-	-	1,362,343	128,010	-	1,490,353
Impaired loan ratio	0.8%	0.7%	0.3%	-	-	-	-	-	0.6%	0.9%	-	0.7%
Deposit from customers	-	183,184,444	238,099	57,986,137	2,099,657	-	-	-	243,508,337	15,403,259	-	258,913,596
Segment growth	-	3.9%	-22.1%	4.2%	-26.3%	-	-	-	3.6%	-2.1%	-	3.2%
Segment assets	43,848,292	189,640,018	25,907,259	71,861,661	4,404,080	447,354	332,251	24,604,228	361,045,143	21,195,056	(72,678,626)	309,561,573
Reconciliation of segment assets to consolidated assets	-	-	-	-	-	-	-	-	-	-	-	-
Investment in associated companies	-	-	-	-	-	-	-	-	38,063	115,137	-	153,200
Unallocated assets	-	-	-	-	-	-	-	-	815,308	-	-	815,308
Intangible assets	-	-	-	-	-	-	-	-	769,251	1,229,666	-	1,998,917
Total assets	-	-	-	-	-	-	-	-	362,667,765	22,539,859	-	312,528,998

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

A23. Segment Information (continued)

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

	Operating Segments											Inter-segment Elimination	Group Total				
	Treasury and Capital Market Operations		Corporate Lending		Retail Operations		Investment Banking		Fund Management		Head Office			Total Domestic Operations		Total Overseas Operations	
1st Quarter Ended	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31. March 2013																	
External revenue	578,804	1,752,216	257,258	452,954	44,757	233,989	1,231	89,063	3,410,252	262,962	-	-	3,673,214				
Revenue from other segments	-	257,696	2,864	210,913	2,269	3,091	7,273	338,217	822,323	1,019	(823,342)	-	-				
	578,804	2,009,912	260,122	663,847	47,026	237,080	8,304	427,280	4,232,575	263,981	(823,342)	-	3,673,214				
Net interest income and Islamic banking income	241,410	976,315	68,669	34,595	3,831	3,286	(1,905)	56,391	1,382,592	174,415	-	-	1,557,007				
Other income	732	128,189	13,478	55,022	11,362	136,199	8,452	49,098	402,532	37,121	(16,451)	-	423,202				
Net income	242,142	1,104,504	82,147	89,617	15,193	139,485	6,547	105,489	1,785,124	211,536	(16,451)	-	1,980,209				
Other operating expenses (Allowance) / writeback of allowance for impairment on loans, advances and financing on other assets	(56,756)	(333,547)	(2,546)	(5,371)	(7,651)	(43,184)	(3,502)	(104,948)	(557,505)	(90,700)	16,451	-	(631,754)				
Writeback of impairment on other assets	(50,728)	7,374	1,175	-	(60)	-	-	-	(42,239)	(39,151)	-	-	(81,390)				
Profit by segments	134,658	779,661	80,776	84,246	7,482	96,301	3,045	541	1,186,710	81,685	-	-	1,268,395				
Reconciliation of segment profits to consolidated profits:																	
Share of (loss) / profit after tax of equity accounted associated companies									(400)	1,981			1,581				
Profit before tax expense and zakat									1,186,310	83,666			1,269,976				
Cost income ratio	23.4%	30.2%	3.1%	6.0%	50.4%	31.0%	53.5%	99.5%	31.2%	42.9%			31.9%				
Gross loans, advances and financing	41,214,833	124,361,646	24,374,746	-	326,329	51,978	2,077	-	190,331,609	13,293,868	-	-	203,625,477				
Loan growth	1.9%	3.3%	4.6%	-	4.1%	0.8%	6.3%	-	3.1%	0.4%			3.0%				
Impaired loans, advances and financing	249,209	852,699	91,410	-	-	-	-	-	1,193,318	183,829			1,377,147				
Impaired loan ratio	0.6%	0.7%	0.4%	-	-	-	-	-	0.6%	1.4%			0.7%				
Deposits from customers	-	161,183,130	210,730	52,960,430	3,340,169	-	-	-	217,694,459	14,591,599	-	-	232,286,058				
Deposit growth	-	4.9%	-34.4%	-1.4%	11.4%	-	-	-	3.3%	1.6%			3.2%				
Segment assets	41,011,787	167,989,341	24,303,678	72,995,393	4,186,212	351,131	311,699	21,349,863	332,499,104	19,692,940	(68,445,139)	-	283,746,905				
Reconciliation of segment assets to consolidated assets:																	
Investment in associated companies									36,921	116,990			153,911				
Unallocated assets									1,174,046	-			1,174,046				
Intangible assets									769,251	1,166,809			1,936,060				
Total assets									334,479,322	20,976,759			287,010,922				

---

UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014  
(Cont'd)

---

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

A23. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets (continued)

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

A24. Subsequent Events

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

A25. Changes in the Composition of the Group

There were no material changes in the composition of the Group during the 1st quarter ended 31 March 2014.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A26. Commitments and Contingencies**

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

The notional amounts of the commitments and contingencies of the Group and the Bank are as follows:

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>Contingent liabilities</b>				
Direct credit substitutes	1,550,286	1,521,770	1,208,705	1,196,990
Transaction-related contingent items	1,178,100	1,173,514	1,048,615	1,041,919
Short term self-liquidating trade-related contingencies	460,369	467,641	309,943	295,684
	<b>3,188,755</b>	<b>3,162,925</b>	<b>2,567,263</b>	<b>2,534,593</b>
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	29,119,859	29,229,501	26,572,912	26,897,981
- not exceeding one year	21,884,919	21,886,823	19,717,419	19,688,146
Unutilised credit card lines	3,920,068	3,823,553	3,812,458	3,713,960
Forward asset purchases	1,236,177	4,176	1,234,818	-
	<b>56,161,023</b>	<b>54,944,053</b>	<b>51,337,607</b>	<b>50,300,087</b>
<b>Derivative financial instruments</b>				
Foreign exchange related contracts:				
- less than one year	14,786,905	16,836,631	14,435,176	16,652,983
- one year to less than five years	2,127,053	2,151,746	2,127,053	2,151,746
Interest rate related contracts:				
- less than one year	2,109,478	1,953,625	1,864,640	1,838,821
- one year to less than five years	5,734,783	6,176,844	5,936,848	6,247,237
- five years and above	2,705,935	2,706,403	3,808,000	3,808,000
Commodity related contracts:				
- less than one year	373	1,890	373	1,890
Equity related contracts:				
- less than one year	24,458	52,089	24,458	52,089
	<b>27,488,985</b>	<b>29,879,228</b>	<b>28,196,548</b>	<b>30,752,766</b>
	<b>86,838,763</b>	<b>87,986,206</b>	<b>82,101,418</b>	<b>83,587,446</b>



## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

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

## A27. Derivative Financial Instruments

Details of derivative financial instruments outstanding as at 31 March 2014 and 31 December 2013 are as follows:

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

Group As at 31 March 2014	Contract / Notional Amount			Positive Fair Value			Negative Fair Value		
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000
<b>Trading derivatives:</b>									
Foreign exchange contracts									
- Forwards	1,465,617	5,128	1,470,745	3,527	37	3,564	7,299	22	7,321
- Swaps	13,277,804	-	13,277,804	67,416	-	67,416	53,048	-	53,048
- Options	43,484	-	43,484	71	-	71	71	-	71
Interest rate related contracts									
- Swaps	290,000	-	290,000	1	-	1	90	-	90
Equity related contracts									
- Options purchased	24,458	-	24,458	5,560	-	5,560	-	-	-
Precious metal contracts									
- Forwards	373	-	373	-	-	-	-	-	-
	15,101,736	5,128	15,106,864	76,575	37	76,612	60,508	22	60,530
<b>Hedging Derivatives:</b>									
<b>Fair Value Hedge</b>									
Interest rate related contracts									
- Swaps	1,762,478	1,630,383	8,198,796	1,152	82,145	52,225	30,906	13,439	8,554
<b>Cash Flow Hedge</b>									
Foreign exchange contracts									
- Cross currency interest rate swaps	-	1,142,575	979,350	-	-	-	-	110,286	56,172
Interest rate related contracts									
- Swaps	57,000	54,400	1,950,000	16	120	34,608	3	-	494
	1,819,478	2,827,358	7,735,285	1,168	82,265	86,833	30,909	123,725	65,220
	16,921,214	2,832,486	7,735,285	77,743	82,302	86,833	91,417	123,747	65,220
<b>Total</b>			<b>27,488,985</b>			<b>246,878</b>			<b>280,384</b>

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

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

## A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 31 March 2014 and 31 December 2013 are as follows (continued):

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

Group As at 31 December 2013	Contract / Notional Amount			Positive Fair Value			Negative Fair Value		
	Up To 1 Year	> 1 - 3 Years	Total	Up To 1 Year	> 1 - 3 Years	Total	Up To 1 Year	> 1 - 3 Years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>									
Foreign exchange contracts									
- Forwards	1,025,029	19,681	1,044,710	10,725	-	10,725	7,207	699	7,906
- Swaps	15,803,116	-	15,803,116	156,182	-	156,182	65,266	-	65,266
- Options	8,486	-	8,486	11	-	11	11	-	11
Interest rate related contracts									
- Swaps	450,000	-	450,000	48	-	48	208	-	208
Equity related contracts									
- Options purchased	52,089	-	52,089	16,616	-	16,616	-	-	-
Precious metal contracts									
- Forwards	1,890	-	1,890	1	-	1	1	-	1
	17,340,610	19,681	17,360,291	183,583	-	183,583	72,693	699	73,392
<b>Hedging Derivatives:</b>									
<b>Fair Value Hedge</b>									
Interest rate related contracts									
- Swaps	1,276,625	2,126,844	4,806,403	1,482	92,086	49,652	21,496	38,768	69,022
<b>Cash Flow Hedge</b>									
Foreign exchange contracts									
- Cross currency interest rate swaps	-	-	2,132,065	-	-	-	-	-	191,322
Interest rate related contracts									
- Swaps	227,000	-	1,950,000	52	-	38,499	11	-	854
	1,503,625	2,126,844	8,888,468	1,534	92,086	88,151	21,507	38,768	261,198
<b>Total</b>	18,844,235	2,146,525	8,888,468	29,879,228	185,117	92,086	94,200	39,467	334,590

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

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

## A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 31 March 2014 and 31 December 2013 are as follows (continued):

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

Bank As at 31 March 2014	Contract / Notional Amount			Positive Fair Value			Negative Fair Value		
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000
<b>Trading derivatives:</b>									
Foreign exchange contracts									
- Forwards	1,231,956	5,128	1,237,084	3,304	37	3,341	7,057	22	7,079
- Swaps	13,159,736	-	13,159,736	67,404	-	67,404	52,682	-	52,682
- Options	43,484	-	43,484	71	-	71	71	-	71
Interest rate related contracts									
- Swaps	309,587	-	309,587	1	-	1	515	-	515
Equity related contracts									
- Options purchased	24,458	-	24,458	5,560	-	5,560	-	-	-
Precious metal contracts									
- Forwards	373	-	373	-	-	-	-	-	-
	14,769,594	5,128	14,774,722	76,340	37	76,377	60,325	22	60,347
<b>Hedging Derivatives:</b>									
<b>Fair Value Hedge</b>									
Interest rate related contracts									
- Swaps	1,498,053	1,532,448	7,738,501	1,152	82,145	135,522	24,811	9,708	34,519
<b>Cash Flow Hedge</b>									
Foreign exchange contracts									
- Cross currency interest rate swaps	-	1,142,575	2,121,925	-	-	-	-	110,286	56,172
Interest rate related contracts									
- Swaps	57,000	54,400	3,561,400	16	120	21,877	3	-	95,961
	1,555,053	2,729,423	13,421,826	1,168	82,265	157,535	24,814	119,994	296,941
<b>Total</b>	16,324,647	2,734,551	28,196,548	77,508	82,302	233,912	85,139	120,016	357,288

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

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

## A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 31 March 2014 and 31 December 2013 are as follows (continued):

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

Bank	Contract / Notional Amount			Positive Fair Value			Negative Fair Value		
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	Total RM'000
<b>As at 31 December 2013</b>									
<b>Trading derivatives:</b>									
Foreign exchange contracts									
- Forwards	986,040	19,681	1,005,721	10,687	-	10,687	7,174	699	7,873
- Swaps	15,658,457	-	15,658,457	155,895	-	155,895	65,041	-	65,041
- Options	8,486	-	8,486	11	-	11	11	-	11
Interest rate related contracts									
- Swaps	469,681	-	469,681	48	-	48	832	-	832
Equity related contracts									
- Options purchased	52,089	-	52,089	16,616	-	16,616	-	-	-
Precious metal contracts									
- Forwards	1,890	-	1,890	1	-	1	1	-	1
	17,176,643	19,681	17,196,324	183,258	-	183,258	73,059	699	73,758
<b>Hedging Derivatives:</b>									
<b>Fair Value Hedge</b>									
Interest rate related contracts									
- Swaps	1,142,140	1,897,237	7,747,377	1,482	92,086	49,632	18,268	28,816	47,084
<b>Cash Flow Hedge</b>									
Foreign exchange contracts									
- Cross currency interest rate swaps	-	-	2,132,065	-	-	-	-	-	191,322
Interest rate related contracts									
- Swaps	227,000	-	3,677,000	52	24,199	24,251	11	-	117,320
	1,369,140	1,897,237	13,556,442	1,534	92,086	167,471	18,279	28,816	355,737
<b>Total</b>	18,545,783	1,916,918	30,752,766	184,792	92,086	350,729	91,338	29,515	308,642

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*

---

**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)****A27. Derivative Financial Instruments (continued)**

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

**Market Risk**

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

**Credit Risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 31 March 2014, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM246,878,000 (2013: RM365,354,000) and RM233,912,000 (2013: RM350,729,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**Liquidity Risk**

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

- iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 31 March 2014, the Group and the Bank had posted cash collateral of RM26,966,000 (2013: RM16,182,000) on their derivative contracts.

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

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

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2013 and Pillar 3 Disclosures section of the 2013 Annual Report.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A28. Fair Value Measurements**

Determination of Fair Value and Fair Value Hierarchy

The Group and the Bank classify its financial instruments and non-financial assets which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	1,422,122	-	1,422,122
- Money market instruments	-	11,517,029	-	11,517,029
- Non-money market instruments	-	582,641	-	582,641
	-	13,521,792	-	13,521,792
Financial investments available-for-sale				
- Government securities and treasury bills	-	8,061,808	-	8,061,808
- Money market instruments	-	50,947	-	50,947
- Non-money market instruments #	3,369,710	3,984,842	-	7,354,552
	3,369,710	12,097,597	-	15,467,307
Derivative financial assets	-	241,318	5,560	246,878
Total financial assets measured at fair value	3,369,710	25,860,707	5,560	29,235,977
<b>Non-financial assets</b>				
Investment properties	-	-	96,938	96,938
<b>Financial liabilities</b>				
Derivative financial liabilities	-	280,384	-	280,384
Total financial liabilities measured at fair value	-	280,384	-	280,384

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A28. Fair Value Measurements (continued)**

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	1,583,640	-	1,583,640
- Money market instruments	-	13,822,929	-	13,822,929
- Non-money market instruments	-	405,394	-	405,394
	-	15,811,963	-	15,811,963
Financial investments available-for-sale				
- Government securities and treasury bills	-	10,106,634	-	10,106,634
- Money market instruments	-	198,844	-	198,844
- Non-money market instruments #	3,351,529	3,851,256	-	7,202,785
	3,351,529	14,156,734	-	17,508,263
Derivative financial assets	-	348,738	16,616	365,354
Total financial assets measured at fair value	3,351,529	30,317,435	16,616	33,685,580
<b>Non-financial assets</b>				
Investment properties	-	-	97,391	97,391
<b>Financial liabilities</b>				
Derivative financial liabilities	-	334,590	-	334,590
Total financial liabilities measured at fair value	-	334,590	-	334,590

# Excluding the carrying amount of equity securities - unquoted shares of the Group of RM110,118,000 (2013: RM110,249,000) which are not carried at fair value.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A28. Fair Value Measurements (continued)**

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 March 2014</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	1,109,243	-	1,109,243
- Money market instruments	-	9,274,054	-	9,274,054
- Non-money market instruments	-	537,717	-	537,717
	-	10,921,014	-	10,921,014
Financial investments available-for-sale				
- Government securities and treasury bills	-	6,643,168	-	6,643,168
- Money market instruments	-	50,947	-	50,947
- Non-money market instruments #	2,900,955	3,402,013	-	6,302,968
	2,900,955	10,096,128	-	12,997,083
Derivative financial assets	-	228,352	5,560	233,912
Total financial assets measured at fair value	2,900,955	21,245,494	5,560	24,152,009
<b>Financial liabilities</b>				
Derivative financial liabilities	-	357,288	-	357,288
Total financial liabilities measured at fair value	-	357,288	-	357,288



**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A28. Fair Value Measurements (continued)**

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	1,379,390	-	1,379,390
- Money market instruments	-	12,274,547	-	12,274,547
- Non-money market instruments	-	332,489	-	332,489
	-	13,986,426	-	13,986,426
Financial investments available-for-sale				
- Government securities and treasury bills	-	8,669,725	-	8,669,725
- Money market instruments	-	198,844	-	198,844
- Non-money market instruments #	2,885,269	3,264,744	-	6,150,013
	2,885,269	12,133,313	-	15,018,582
Derivative financial assets	-	334,113	16,616	350,729
Total financial assets measured at fair value	2,885,269	26,453,852	16,616	29,355,737
<b>Financial liabilities</b>				
Derivative financial liabilities	-	429,495	-	429,495
Total financial liabilities measured at fair value	-	429,495	-	429,495

# Excluding the carrying amount of equity securities - unquoted shares of the Bank of RM106,166,000 (2013: RM106,285,000) which are not carried at fair value.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A28. Fair Value Measurements (continued)**

Determination of Fair Value and Fair Value Hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments:

	<b>Group and Bank</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Derivative Financial Assets</b>		
At 1 January	16,616	12,154
Recognised in the statement of profit or loss		
- Realised gains	8,144	771
- Unrealised (losses) / gains	(8,018)	5,027
Sales	(11,182)	(1,336)
Closing balance	<u>5,560</u>	<u>16,616</u>

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

The Group's exposure to financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist. The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A29. Capital Adequacy**

- a) The capital adequacy ratios of the Group and the Bank below are disclosed pursuant to the requirements of Bank Negara Malaysia ("BNM")'s Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3):

	Group		Bank	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
<u>Before deducting interim dividends *</u>				
Common equity Tier I ("CET I") capital ratio	8.528%	9.276%	9.565%	10.927%
Tier I capital ratio	10.073%	11.055%	11.385%	13.023%
Total capital ratio	<u>13.257%</u>	<u>14.288%</u>	<u>12.939%</u>	<u>14.086%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	8.528%	8.750%	9.565%	10.300%
Tier I capital ratio	10.073%	10.529%	11.385%	12.396%
Total capital ratio	<u>13.257%</u>	<u>13.762%</u>	<u>12.939%</u>	<u>13.459%</u>

\* Refers to interim dividends declared subsequent to the financial period/year end.

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,073,310	1,073,310	1,073,310
Other reserves	4,395,243	4,402,843	3,921,198	3,924,896
Retained profits	10,456,699	11,507,565	9,841,866	10,892,504
Treasury shares	(215,572)	(215,572)	(215,572)	(215,572)
Qualifying non-controlling interests	518,764	522,093	-	-
Less: Goodwill	(1,998,917)	(2,003,912)	(695,393)	(695,393)
Less: Deferred tax assets, net	(70,245)	(70,121)	-	-
Less: Defined benefit pension fund assets	(212,720)	(220,922)	(207,479)	(215,372)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(28,451)</u>	<u>-</u>	<u>(852,957)</u>	<u>-</u>
Total CET I capital	<u>17,450,037</u>	<u>18,527,210</u>	<u>16,396,899</u>	<u>18,296,299</u>
Innovative Tier I capital securities	1,449,280	1,630,440	1,449,280	1,630,440
Non-innovative Tier I stapled securities	1,670,400	1,879,200	1,670,400	1,879,200
Qualifying CET I and additional Tier I capital instruments held by third parties	<u>41,627</u>	<u>42,031</u>	<u>-</u>	<u>-</u>
Total Tier I capital	<u>20,611,344</u>	<u>22,078,881</u>	<u>19,516,579</u>	<u>21,805,939</u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A29. Capital Adequacy (continued)**

a) The capital adequacy ratios of the Group and the Bank (continued):

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	1,152,017	1,123,706	654,740	625,010
Subordinated notes				
- meeting all relevant criteria	1,949,162	1,949,116	1,949,162	1,949,116
- subject to gradual phase-out treatment	3,471,268	3,471,121	3,471,268	3,471,121
Qualifying CET 1 and additional Tier I and Tier II capital instruments held by third parties	55,503	56,042	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	(113,804)	(142,255)	(3,411,830)	(4,264,787)
Total Tier II capital	<u>6,514,146</u>	<u>6,457,730</u>	<u>2,663,340</u>	<u>1,780,460</u>
Total capital	<u>27,125,490</u>	<u>28,536,611</u>	<u>22,179,919</u>	<u>23,586,399</u>

# Excludes collective assessment allowance on impaired loans restricted from Tier II capital of the Group and the Bank of RM586,597,000 (2013: RM600,816,000) and RM434,986,000 (2013: RM446,948,000) respectively.

Includes the Group's qualifying regulatory reserves for non-impaired loans which pertain to Public Bank (Hong Kong) Limited and Public Finance Limited amounting to RM131,346,000 (2013: RM132,437,000).

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

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**A29. Capital Adequacy (continued)**

- a) The capital adequacy ratios of the Group and the Bank (continued):

The total risk-weighted assets of the Group and the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk;
- (iii) Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013. The minimum regulatory capital adequacy ratios, as required under BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2014, are set out as follows:

Calendar Year	CET I Capital Ratio %	Tier I Capital Ratio %	Total Capital Ratio %
2014	4.0	5.5	8.0
2015 onwards *	4.5	6.0	8.0

\* Before including capital conservation buffer of 2.5%, counter-cyclical buffer and any other buffers to be introduced by BNM.

## UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014 (Cont'd)

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

## A29. Capital Adequacy (continued)

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

	Public Islamic Bank Berhad <sup>1</sup>	Public Investment Bank Berhad <sup>2</sup>	Public Bank (L) Ltd. <sup>3</sup>	Public Bank (Hong Kong) Limited <sup>4</sup>	Public Finance Limited <sup>4</sup>	Cambodian Public Bank Plc <sup>5</sup>
<b>31 March 2014</b>						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	11.425%	26.255%	N/A	14.205%	26.541%	N/A
Tier I capital ratio	11.425%	26.255%	25.178%	14.205%	26.541%	N/A
Total capital ratio	12.046%	26.429%	25.220%	15.379%	27.482%	18.911%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.425%	26.255%	N/A	14.205%	26.541%	N/A
Tier I capital ratio	11.425%	26.255%	25.178%	14.205%	26.541%	N/A
Total capital ratio	12.046%	26.429%	25.220%	15.379%	27.482%	18.911%
<b>31 December 2013</b>						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	12.133%	27.252%	N/A	13.916%	27.468%	N/A
Tier I capital ratio	12.133%	27.252%	25.625%	13.916%	27.468%	N/A
Total capital ratio	12.751%	27.448%	25.671%	15.089%	28.409%	19.685%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.743%	26.139%	N/A	13.916%	25.257%	N/A
Tier I capital ratio	11.743%	26.139%	25.625%	13.916%	25.257%	N/A
Total capital ratio	12.360%	26.336%	25.671%	15.089%	26.199%	19.685%

\* Refers to interim dividends declared subsequent to the financial period/year end.

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*

---

**PUBLIC BANK BERHAD**  
**(6463-H)**  
**(Incorporated in Malaysia)****A29. Capital Adequacy (continued)**

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

- <sup>1</sup> The risk-weighted assets of Public Islamic Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- <sup>2</sup> The risk-weighted assets of Public Investment Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012, which is effective on 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- <sup>3</sup> The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.
- <sup>4</sup> These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios of these two subsidiaries are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules.
- <sup>5</sup> The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**A29. Capital Adequacy (continued)**

c) The breakdown of risk-weighted assets by each major risk category is as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2014 RM'000</b>	<b>31 December 2013 RM'000</b>	<b>31 March 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Credit risk	<b>187,914,308</b>	183,113,937	<b>158,345,431</b>	154,360,722
Market risk	<b>2,039,764</b>	2,111,436	<b>2,742,458</b>	2,850,579
Operational risk	<b>14,666,068</b>	14,497,356	<b>10,333,814</b>	10,228,677
	<b>204,620,140</b>	199,722,729	<b>171,421,703</b>	167,439,978



---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**A30. Operations of Islamic Banking****A30a. Statement of Financial Position As At 31 March 2014**

	<b>Group</b>	
	<b>31 March</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and balances with banks	5,283,192	6,744,111
Financial assets held-for-trading	2,555,854	1,752,632
Derivative financial assets	108,198	130,777
Financial investments available-for-sale	1,876,243	1,891,272
Financial investments held-to-maturity	59,887	-
Financing and advances	23,485,729	22,904,370
Other assets	84,437	88,537
Statutory deposits with Bank Negara Malaysia	917,000	939,850
Investment in an associated company	20,000	20,000
Property and equipment	1,543	1,026
<b>Total Assets</b>	<b>34,392,083</b>	<b>34,472,575</b>
<b>LIABILITIES AND ISLAMIC</b>		
<b>BANKING FUNDS</b>		
Deposits from customers	28,598,101	28,400,736
Deposits from banks	2,489,210	2,789,398
Bills and acceptances payable	622	3,825
Recourse obligations on financing sold to Cagamas	500,011	500,011
Other liabilities	137,530	116,854
Provision for zakat and taxation	46,030	36,012
Deferred tax liabilities	29,106	34,293
<b>Total Liabilities</b>	<b>31,800,610</b>	<b>31,881,129</b>
Islamic Banking Funds	2,591,473	2,591,446
<b>Total Liabilities and Islamic</b>	<b>Banking Funds</b>	<b>Banking Funds</b>
	<b>34,392,083</b>	<b>34,472,575</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>5,845,217</b>	<b>5,650,699</b>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A30b. Statement of Profit or Loss for the 1st Quarter Ended 31 March 2014**

	1st Quarter Ended		Three Months Ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	365,391	345,076	365,391	345,076
Income derived from investment of Islamic Banking Funds	31,210	28,496	31,210	28,496
Allowance for impairment on financing and advances	(13,161)	(26,183)	(13,161)	(26,183)
Profit Equalisation Reserve	(185)	-	(185)	-
<b>Total distributable income</b>	<b>383,255</b>	<b>347,389</b>	<b>383,255</b>	<b>347,389</b>
Income attributable to the depositors and others	(190,832)	(166,303)	(190,832)	(166,303)
<b>Total net income</b>	<b>192,423</b>	<b>181,086</b>	<b>192,423</b>	<b>181,086</b>
Other overheads and expenditures	(64,526)	(62,813)	(64,526)	(62,813)
<b>Profit before zakat and taxation</b>	<b>127,897</b>	<b>118,273</b>	<b>127,897</b>	<b>118,273</b>
Zakat	(57)	(66)	(57)	(66)
Taxation	(31,660)	(29,210)	(31,660)	(29,210)
<b>Profit for the period</b>	<b>96,180</b>	<b>88,997</b>	<b>96,180</b>	<b>88,997</b>

UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014  
(Cont'd)

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

A30c. Statement of Profit or Loss and Other Comprehensive Income for the 1st Quarter Ended 31 March 2014

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Profit for the period	<u>96,180</u>	<u>88,997</u>	<u>96,180</u>	<u>88,997</u>
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	1,251	1,173	1,251	1,173
Hedging reserves:				
- Net change in cash flow hedges	<u>(22,672)</u>	<u>(8,557)</u>	<u>(22,672)</u>	<u>(8,557)</u>
	<u>(21,421)</u>	<u>(7,384)</u>	<u>(21,421)</u>	<u>(7,384)</u>
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(313)	(293)	(313)	(293)
- Hedging reserves	<u>5,668</u>	<u>2,139</u>	<u>5,668</u>	<u>2,139</u>
	<u>5,355</u>	<u>1,846</u>	<u>5,355</u>	<u>1,846</u>
Other comprehensive loss for the period, net of tax	<u>(16,066)</u>	<u>(5,538)</u>	<u>(16,066)</u>	<u>(5,538)</u>
Total comprehensive income for the period	<u><u>80,114</u></u>	<u><u>83,459</u></u>	<u><u>80,114</u></u>	<u><u>83,459</u></u>

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**A30d. Financing and Advances**

	Group	
	31 March 2014 RM'000	31 December 2013 RM'000
Bai' Bithaman Ajil	8,275,075	8,128,836
Ijarah Thumma Al-Bai'	11,014,855	11,168,723
Bai-Al-Einah	2,435,452	2,500,022
Musharakah	2,035,622	1,386,398
Murabahah	23,164	20,879
Gross financing and advances	<u>23,784,168</u>	<u>23,204,858</u>
Allowance for impairment on financing and advances:		
- collective assessment allowance	(298,439)	(300,488)
Net financing and advances	<u>23,485,729</u>	<u>22,904,370</u>

Movements in impaired financing and advances are as follows:

	Group	
	31 March 2014 RM'000	31 December 2013 RM'000
At 1 January	208,074	175,167
Impaired during the period / year	125,246	523,987
Reclassified as non-impaired	(102,737)	(388,637)
Recoveries	(7,453)	(30,337)
Amount written off	(18,685)	(71,846)
Financing converted to foreclosed properties	(36)	(260)
Closing balance	<u>204,409</u>	<u>208,074</u>
Impaired financing and advances as a percentage of gross financing and advances	<u>0.86%</u>	<u>0.90%</u>

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**A30e. Deposits from Customers**

	Group	
	31 March 2014 RM'000	31 December 2013 RM'000
<b>By type of deposit</b>		
Savings deposit		
- Wadiah	5,003,719	4,823,093
- Mudharabah	<u>60,582</u>	<u>63,510</u>
	<u>5,064,301</u>	<u>4,886,603</u>
Demand deposit		
- Wadiah	2,997,115	2,958,752
- Mudharabah	<u>99,302</u>	<u>94,753</u>
	<u>3,096,417</u>	<u>3,053,505</u>
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai-Al-Einah	<u>517,221</u>	<u>642,941</u>
- General investment account		
- Mudharabah	2,457,826	3,205,661
- Wakalah	<u>13,636,758</u>	<u>12,945,906</u>
	<u>16,094,584</u>	<u>16,151,567</u>
- Special investment account		
- Wakalah	<u>3,825,578</u>	<u>3,666,120</u>
	<u>28,598,101</u>	<u>28,400,736</u>

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

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

**B1. Performance Review**

**Current Year-to date vs. Previous Year-to-date**

The Group's pre-tax profit for the 1st quarter ended 31 March 2014 of RM1,327.1 million was RM57.1 million or 4.5% higher than the previous corresponding quarter of RM1,270.0 million. Net profit attributable to equity holders improved by RM48.6 million or 5.0% to RM1,016.9 million. The improved earnings was mainly due to higher net interest income by RM53.2 million (3.9%), higher net fee and commission income by RM19.4 million (6.4%) and higher investment income by RM10.8 million (25.0%). These were partially offset by higher other operating expenses by RM24.2 million (3.8%) mainly due to increase of personnel costs to support higher business volume.

The growth in the Group's net interest income was driven by continued healthy loans and customer deposits growth coupled with sustained strong asset quality. Gross loans grew by 11.3% over the last twelve months to RM226.6 billion as at 31 March 2014 as compared to RM203.6 billion as at 31 March 2013 driven by growth in property financing, financing of passenger vehicles and lending to small and medium enterprises ("SMEs"). Total deposits from customers increased by 11.5% over the same period to RM258.9 billion as at 31 March 2014 with core customer deposit growing at a stronger pace of 14.0%, which partly contributed to the higher net interest income for the current period. The Group's impaired loan ratio remained stable at 0.7% as at 31 March 2014.

The performance of the respective operating business segments for the 1st quarter ended 31 March 2014 as compared to the previous corresponding quarter is analysed as follows:-

- 1) Retail Operations – Pre-tax profit maintained at RM779.6 million.
- 2) Hire purchase – Pre-tax profit increased marginally by RM2.7 million (2.0%) to RM137.4 million mainly due to lower loan impairment allowance partially offset by lower net interest income due to declining net interest margin.
- 3) Corporate lending – Pre-tax profit increased by RM14.8 million (18.4%) to RM95.6 million mainly due to higher writeback of loan impairment allowance.
- 4) Treasury and capital market operations – The increase in pre-tax profit by RM15.0 million (17.9%) to RM99.3 million was mainly due to higher net interest income on treasury gapping, funding and liquidity management activities and higher foreign exchange income.
- 5) Investment banking – Pre-tax profit increased by RM4.7 million (62.7%) to RM12.2 million mainly due to higher brokerage income from stockbroking activities and higher net interest income from treasury gapping activities, partially offset by higher other operating expenses.
- 6) Fund management – Pre-tax profit increased by RM16.5 million (17.1%) to RM112.8 million mainly due to higher management fee earned on higher average net asset value of funds under management, partially offset by higher other operating expenses.
- 7) Overseas operations – Pre-tax profit increased by RM7.6 million (9.1%) to RM91.3 million mainly due to higher net interest income on higher average loan and deposit balances and lower loan impairment allowances, partially offset by higher other operating expenses.

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

For the 1st quarter ended 31 March 2014, the Group registered a pre-tax profit of RM1,327.1 million, a marginal drop of RM14.2 million or 1.1% as compared to the pre-tax profit of RM1,341.3 million for the preceding quarter ended 31 December 2013. Net profit attributable to equity holders decreased by RM8.7 million or 0.8% over the same period. The marginal decline in profit was mainly due to higher other operating expenses coupled with the shorter period in the 1st quarter as compared to the preceding quarter resulting in marginally lower revenue for the current quarter.

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**B3. Prospects for 2014**

The global economic growth is expected to improve in 2014, supported by broader recovery in advanced economies and sustained growth in emerging economies. While the pace of recovery in the advanced economies remains moderate due to structural constraints such as weak labour market conditions and high public debts, growth momentum in the Asian region continues to sustain amid gradual improvement in external demand. However, there remain downside risks to growth such as structural issues and fiscal uncertainties in advanced economies, financial imbalances in both advanced and emerging economies, and risks from global monetary transitions.

Malaysia's economy is expected to maintain a steady growth path in 2014 with Bank Negara Malaysia ("BNM") forecasts real GDP growth of between 4.5%-5.5% (2013: 4.7%). The growth will be supported by domestic demand which remains as a growth driver, but at a more moderate pace, as well as the improvement in the external sector. Headline inflation is expected to average higher at 3%-4% in 2014 (2013: 2.1%) due to price adjustments arising from subsidy rationalisation and the spillover effects of these adjustments on prices of other goods and services. However, the higher inflation is likely to be contained by subdued external price pressures, continued expansion in domestic capacity and moderation in domestic demand.

The Malaysian banking sector is expected to remain resilient and supportive of domestic economic activity in 2014. With strong capitalisation, favourable funding and liquidity positions, and healthy profitability, the banking sector will continue to sustain an effective role in financial intermediation to provide steady access to credit for households and businesses. Effects from the macroprudential measures implemented by the Government and BNM to address household indebtedness and unhealthy practices in property market will continue to gain traction in 2014. Furthermore, the risks to financial stability from these developments are expected to be well-contained as banking institutions continue to strengthen their risk management practices.

The Public Bank Group is expected to sustain its strong market position in the domestic retail operations segment, supported by continuing growth in home mortgages, vehicle financing and SMEs lending. The Group continues to see growth opportunities for residential properties arising from continuing household formation, amidst various Government measures to increase home ownership, ensure stable house prices and control excessive speculative activities. The Group will continue to reinforce responsible financing practices and support the Government's efforts to create a sustainable property market by offering competitive market rates as well as flexible and innovative product packages to cater for house buyers.

In the SME segment, the Group will continue to support SMEs and enhance its products and services to sustain its market share in SME financing. In 2014, SMEs will continue to benefit from the continued expansion of the Malaysian economy and ongoing implementation of Economic Transformation Programme. This will be further supported by the Government's SME Masterplan 2012-2020 which sets the path for further growth and development of the SME sector.

The Public Bank Group will continue to grow its vehicle hire purchase business backed by positive economic prospects and continuous marketing efforts by car dealers in offering competitive packages and new launches of car models.

As part of its efforts to expand the corporate lending business, the Public Bank Group will actively tap on its existing corporate clients with good track record and extend its geographical reach so as to gain a bigger share of the corporate lending business.

Given the prospects of continuing market volatility in 2014, the Public Bank Group will continue to focus on maintaining a healthy level of liquidity by increasing its investments in high grade liquid assets. On liability management, the Group will intensify efforts to further grow its core customer deposits to ensure a stable funding base and efficient funding cost.

The Public Bank Group's fund management business will continue to grow in 2014. Although the private unit trust industry is anticipated to be challenging, the Group will continue to intensify efforts to sustain its leading position in the private unit trust industry in Malaysia. This is reinforced by the Group's commitment in maintaining excellence in its products and services, new fund launches and a wider range of financial products offerings under the Private Retirement Scheme Funds.

The Public Bank Group will also make further progress in targeting fee income from bancassurance, foreign-exchange related transactions and transactional banking services. The Group's strategic partnership with AIA Bhd will further strengthen its fee-based activity and continue to contribute positively to its long-term fee-based revenue.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*
**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**
**B3. Prospects for 2014** (continued)

The Public Bank Group remains committed to expanding further its regional presence through organic growth. The Group will continue to leverage on its strong PB Brand as a reputable, safe and efficient commercial bank to expand its businesses domestically as well as in the countries in which it already has business presence. The Group will also further exploit growth opportunities in the region to expedite business growth in its overseas operations.

**B4. Profit Forecast or Profit Guarantee**

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

**B5. Tax Expense and Zakat**

The analysis of the tax expense for the 1st quarter ended 31 March 2014 are as follows:

<u>Group</u>	<u>1st Quarter Ended</u>		<u>Three Months Ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysian income tax	286,137	281,225	286,137	281,225
Overseas income tax	17,681	15,899	17,681	15,899
	<u>303,818</u>	<u>297,124</u>	<u>303,818</u>	<u>297,124</u>
(Over) / under provision in prior years				
- Malaysian income tax	(26)	(129)	(26)	(129)
- Overseas income tax	(84)	60	(84)	60
	<u>303,708</u>	<u>297,055</u>	<u>303,708</u>	<u>297,055</u>
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(3,698)	(6,069)	(3,698)	(6,069)
Tax expense	<u>300,010</u>	<u>290,986</u>	<u>300,010</u>	<u>290,986</u>
Zakat	57	66	57	66
	<u>300,067</u>	<u>291,052</u>	<u>300,067</u>	<u>291,052</u>

The Group's effective tax rates for the 1st quarter ended 31 March 2014 and 31 March 2013 were lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

<u>Bank</u>	<u>1st Quarter Ended</u>		<u>Three Months Ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysian income tax	237,728	231,376	237,728	231,376
Overseas income tax	2,494	2,367	2,494	2,367
	<u>240,222</u>	<u>233,743</u>	<u>240,222</u>	<u>233,743</u>
(Over) / under provision in prior years				
- Malaysian income tax	-	60	-	60
- Overseas income tax	(84)	-	(84)	-
	<u>240,138</u>	<u>233,803</u>	<u>240,138</u>	<u>233,803</u>
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(3,789)	(5,226)	(3,789)	(5,226)
	<u>236,349</u>	<u>228,577</u>	<u>236,349</u>	<u>228,577</u>

The Bank's effective tax rate for the 1st quarter ended 31 March 2014 and 31 March 2013 were lower than the statutory tax rate due to certain income not subject to tax.



---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**B6. Status of Corporate Proposals Announced but Not Completed**

There were no corporate proposals announced but not completed as at 31 March 2014.

**B7. Status of Utilisation of Proceeds Raised from Corporate Proposals**

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

**B8. Realised and Unrealised Profits**

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	Group	
	31 March 2014 RM'000	31 December 2013 RM'000
Total retained profits of Public Bank Berhad and its subsidiaries:		
- Realised	12,288,291	12,306,123
- Unrealised	176,464	183,133
	12,464,755	12,489,256
Total share of retained profits from associated companies:		
- Realised	6,819	3,484
- Unrealised	-	-
	12,471,574	12,492,740
Less: Consolidation adjustments	(998,085)	(985,175)
Total Group retained profits as per consolidated accounts	11,473,489	11,507,565
	Bank	
	31 March 2014 RM'000	31 December 2013 RM'000
Total retained profits of Public Bank Berhad:		
- Realised	10,359,691	10,573,116
- Unrealised	49,756	56,123
Total Bank retained profits as per accounts	10,409,447	10,629,239

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group and the Bank as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and the Bank, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
(Cont'd)

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

**B9. Deposits From Customers and Banks and Debt Securities Issued and Other Borrowed Funds**

	Group		Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
(a) <u>Deposits from customers</u>				
- Fixed deposits				
One year or less	142,653,133	136,925,692	113,653,424	107,176,079
More than one year	337,630	304,594	140,712	165,262
- Negotiable instruments of deposits				
One year or less	1,256,753	1,614,488	633,532	645,510
More than one year	5,626	5,910	5,626	5,910
- Money market deposits				
One year or less	48,560,320	47,881,370	43,077,210	42,036,700
- Savings deposits	27,050,852	25,824,590	19,137,035	18,349,316
- Demand deposits	38,972,370	38,202,745	33,818,893	33,382,002
- Others	76,912	113,800	75,823	110,813
	<u>258,913,596</u>	<u>250,873,189</u>	<u>210,542,255</u>	<u>201,871,592</u>
(b) <u>Deposits from banks</u>				
- One year or less	14,037,771	16,002,695	14,602,620	16,923,048
- More than one year	-	173,141	-	-
	<u>14,037,771</u>	<u>16,175,836</u>	<u>14,602,620</u>	<u>16,923,048</u>
(c) <u>Debt securities issued and other borrowed funds</u>				
Borrowings denominated in HKD (unsecured)				
Term loan				
- One year or less	461,969	463,391	-	-
Senior Medium Term notes denominated in RM (unsecured)				
- More than one year	399,064	399,007	399,064	399,007
Subordinated notes denominated in RM (unsecured)				
- More than one year	5,433,833	5,432,922	5,433,833	5,432,922
Innovative Tier I capital securities denominated in USD (unsecured)				
- More than one year	726,572	738,117	726,572	738,117
Innovative Tier I capital securities denominated in RM (unsecured)				
- More than one year	1,217,411	1,219,727	1,217,411	1,219,727
	<u>1,943,983</u>	<u>1,957,844</u>	<u>1,943,983</u>	<u>1,957,844</u>
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	2,120,420	2,116,661	2,120,420	2,116,661
	<u>10,359,269</u>	<u>10,369,825</u>	<u>9,897,300</u>	<u>9,906,434</u>

---

**UNAUDITED FINANCIAL STATEMENTS FOR THE THREE (3) MONTHS FPE 31 MARCH 2014**  
*(Cont'd)*


---

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

**B10. Changes in Material Litigation**

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

**B11. Dividends**

No dividend has been proposed for the 1st quarter ended 31 March 2014.

**B12. Earnings Per Share**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2014</b>	<b>31 March 2013</b>	<b>31 March 2014</b>	<b>31 March 2013</b>
Net profit attributable to equity holders (RM'000)	<u>1,016,932</u>	<u>968,301</u>	<u>1,016,932</u>	<u>968,301</u>
Weighted average number of PBB Shares ('000)	<u>3,502,125</u>	<u>3,502,125</u>	<u>3,502,125</u>	<u>3,502,125</u>
Basic earnings per share (sen)	<u>29.0</u>	<u>27.6</u>	<u>29.0</u>	<u>27.6</u>

**Diluted**

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

## DIRECTORS' REPORT



**PUBLIC BANK**  
大众银行

**Registered Office:**

27<sup>th</sup> Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur

13 June 2014

To: **The Shareholders of Public Bank Berhad ("PBB")**

Dear Sirs/Madams,

On behalf of the Board of Directors of PBB ("Board"), I wish to report that after making due enquiry, that during the period from 31 December 2013 (being the date to which the last audited financial statements of PBB and its subsidiaries ("Group") which have been made) up to the date hereof (being a date not earlier than fourteen (14) days before the issuance of this Abridged Prospectus):

- (a) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Group, which have adversely affected the trading or the value of the assets of the Group;
- (c) the current assets of the Group appear in the books at values, which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Abridged Prospectus, there are no other contingent liabilities which have arisen by reason of any guarantees or indemnities given by the Group;
- (e) since the last audited consolidated financial statements of the Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings of the Group; and
- (f) save as disclosed in this Abridged Prospectus, since the last audited financial statements of the Group, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Group.

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

A handwritten signature in black ink, appearing to read 'Tay Ah Lek'.

**Tan Sri Dato' Sri Tay Ah Lek**  
Managing Director/Chief Executive Officer

**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

---

**FURTHER INFORMATION**

---

**1. SHARE CAPITAL**

- (i) Save for the Rights Shares, no other securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is only one (1) class of shares in PBB, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (iii) Save for the Rights Shares, no other securities have been issued or are proposed or intended to be issued as fully or partly in cash or otherwise than in cash within the two (2) years preceding the date of this Abridged Prospectus.
- (iv) Save for the Rights Issue, no person has been or is entitled to be granted an option to subscribe for any securities of PBB as at the date of this Abridged Prospectus.

**2. DIRECTORS' REMUNERATION**

The following provisions are extracted from PBB's Articles of Association. Terms defined in the Articles of Association shall have the same meanings when used herein unless they are otherwise defined herein or the context otherwise requires.

***Article 92 – Directors' remuneration***

- (1) *The fees payable to the Directors shall be such fixed sum as may be determined by the Company in general meeting.*
- (2) *Fees payable to Non-Executive Directors shall be by a fixed sum and not by a commission on, or a percentage of, profits or turnover.*
- (3) *The fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.*
- (4) *Salaries payable to Executive Directors shall not include a commission on or percentage of turnover.*
- (5) *The Directors shall be paid by the Company such reasonable travelling, hotel and other expenses as they may incur in attending meetings of the Company or of Directors or of committees of Directors or which they may otherwise incur in connection with the Company's business.*

***Article 93 – Special remuneration of Directors***

*Any Director who by request performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, allowances or otherwise as the Board of Directors may determine PROVIDED THAT such extra remuneration shall not be by way of a commission on, or a percentage of, profits or turnover.*

***Article 105***

*A Director holding executive office shall, subject to the terms of any contract entered into in any particular case, receive such remuneration (but not by way of a commission on, or percentage of turnover) as the Directors may determine.*

---

**FURTHER INFORMATION (Cont'd)**

---

**3. MATERIAL CONTRACTS**

Save for the Management and Underwriting Agreement, PBB has not entered into any material contracts (being the contracts not entered into in the ordinary course of business) within two (2) years preceding the date of this Abridged Prospectus.

**4. MATERIAL LITIGATION**

As at the date of this Abridged Prospectus, neither PBB nor any of its subsidiaries are engaged in any litigation, either as plaintiff or defendant in any legal action, proceeding, arbitration or prosecution for any criminal offence which has a material effect on the financial position of the Group. The Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings, which may materially and adversely affect the position or the business of the Group.

**5. GENERAL**

Save as disclosed in this Abridged Prospectus and to the best knowledge of the Board, the financial conditions and operations of the Group are not affected by any of the following:

- (i) material information which is unlikely to be known or anticipated by the general public and which could materially affect the profits of the Group;
- (ii) known trends, demands, commitments, events or uncertainties that will result in or are likely to materially increase or decrease the Group's liquidity;
- (iii) material commitments for capital expenditure;
- (iv) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from the Group's operations; and
- (v) known trends or uncertainties that have had, or that the Group reasonably expects to have, a material favourable or unfavourable impact on the Group's operating revenue or operating profit.

**6. CONSENTS**

- (i) The written consents of the Principal Adviser, Lead Arranger, Joint Global Coordinators, Joint Lead Underwriters, Joint Underwriters, Solicitors, International Solicitors and Share Registrar for the Rights Issue, for the inclusion of their names in the form and context in which they appear in this Abridged Prospectus, have been given and have not been subsequently withdrawn.
- (ii) The written consent from Messrs. KPMG, being the Auditors and Reporting Accountants for the Rights Issue for the inclusion of its Reporting Accountants' Letter and references to its name in the form and context in which they appear in this Abridged Prospectus, have been given and have not been subsequently withdrawn.

---

**FURTHER INFORMATION (Cont'd)**

---

**7. CONFLICT OF INTEREST****7.1 PIVB**

PIVB is a wholly-owned subsidiary of PBB and all the Directors of PBB are also the Directors of PIVB, save for Mr. Lai Wan and Ms. Cheah Kim Ling. Other than the aforementioned, PIVB has confirmed that it is not aware of any circumstances that would give rise to a conflict of interest situation in their capacity as the Principal Adviser, Lead Arranger and Joint Global Coordinator in relation to the Rights Issue.

Notwithstanding the above, PIVB is of the view that the relationship as mentioned above would not give rise to a situation of conflict of interest in PIVB's role as the Principal Adviser, Lead Arranger and Joint Global Coordinator to PBB in relation to the Rights Issue based on the following:

- (i) PIVB is a licensed investment bank and its appointment as the Principal Adviser, Lead Arranger and Joint Global Coordinator is in its ordinary course of business;
- (ii) the role of PIVB will be governed by agreement, which shall clearly set out the rights, duties and responsibilities of PIVB in its capacity as the Principal Adviser, Lead Arranger and Joint Global Coordinator in relation to the Rights Issue;
- (iii) save for the professional fees to be charged in relation to its role as the Principal Adviser, Lead Arranger and Joint Global Coordinator for the Rights Issue, PIVB will not be deriving any other monetary benefit from the Rights Issue; and
- (iv) there is no direct interest to be derived from PIVB's appointment as the Principal Adviser, Lead Arranger and Joint Global Coordinator to PBB for the Rights Issue and neither is PIVB interested nor affected by the outcome of the Rights Issue.

**7.2 Other Joint Global Coordinators, Joint Lead Underwriters, Joint Underwriters, Solicitors, International Solicitors, Reporting Accountants and Share Registrar**

The other Joint Global Coordinators, Joint Lead Underwriters, Joint Underwriters, Solicitors, International Solicitors, Reporting Accountants and Share Registrar have confirmed that they are not aware of any circumstances that would give rise to a conflict of interest situation in their capacities as the Joint Global Coordinators, Joint Lead Underwriters, Joint Underwriters, Solicitors, International Solicitors, Auditors and Reporting Accountants and Share Registrar for the Rights Issue.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

**FURTHER INFORMATION (Cont'd)****8. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be made available for inspection at the Registered Office from Mondays to Fridays (excluding public holidays) during business hours for a period of twelve (12) months from the date of this Abridged Prospectus:

- (i) the Memorandum and Articles of Association of PBB;
- (ii) the audited financial statements for the FYE 31 December 2012 and FYE 31 December 2013;
- (iii) the unaudited financial statements for the three (3) months FPE 31 March 2014;
- (iv) the proforma consolidated statements of financial position of PBB as at 31 December 2013 together with the Reporting Accountants' letter thereon as set out in Appendix V of this Abridged Prospectus;
- (v) the Undertakings referred to in Section 4.1 of this Abridged Prospectus;
- (vi) the Directors' Report as set out in Appendix VI of this Abridged Prospectus;
- (vii) the Management and Underwriting Agreement;
- (viii) the existing service contract entered into between PBB and Tan Sri Dato' Sri Tay Ah Lek, being the Managing Director/Chief Executive Officer of PBB; and
- (ix) the letters of consent and confirmation as referred to in Sections 6 and 7 of this Appendix.

**9. RESPONSIBILITY STATEMENTS**

- (i) The Directors have seen and approved the Documents and they collectively and individually accept full responsibility for the accuracy of the information given therein 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 the omission of which would make any statement therein false or misleading; and
- (ii) PIVB, being the Principal Adviser, 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.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK