

PUBLIC BANK BERHAD
(6463 - H)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004

<u>The Group</u>	30 September 2004 RM'000	31 December 2003 RM'000
ASSETS		
Cash and short-term funds	17,850,185	7,970,828
Securities purchased under resale agreements	21,117	-
Deposits and placements with banks and other financial institutions	3,306,580	819,085
Dealing securities	2,703,111	921,742
Investment securities	5,549,047	5,058,555
Loans, advances and financing	53,145,312	45,601,477
Other assets	330,038	667,216
Statutory deposits with Central Banks	1,145,259	1,511,141
Deferred tax assets	253,935	234,526
Investment in associated companies	49,577	47,438
Investment properties	27,987	28,111
Goodwill	795,199	818,304
Property and equipment	944,007	943,351
TOTAL ASSETS	86,121,354	64,621,774
LIABILITIES		
Deposits from customers	67,475,082	50,217,258
Deposits and placements of banks and other financial institutions	2,257,024	1,779,334
Obligations on securities sold under repurchase agreements	1,932,923	425,562
Bills and acceptances payable	2,046,579	1,211,088
Recourse obligations on loans sold to Cagamas	350,070	484,587
Other liabilities	994,629	1,145,549
Subordinated notes	1,330,000	-
Provision for tax expense and zakat	254,552	115,337
Deferred tax liabilities	3,080	3,080
TOTAL LIABILITIES	76,643,939	55,381,795

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

PUBLIC BANK BERHAD
(6463 - H)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004

	30 September 2004 RM'000	31 December 2003 RM'000
SHAREHOLDERS' FUNDS		
Share capital	3,321,494	3,206,600
Reserves	5,440,615	5,122,687
Proposed dividends	927,739	503,000
Treasury shares	(601,441)	(169,960)
	9,088,407	8,662,327
Minority interests	389,008	577,652
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	86,121,354	64,621,774
COMMITMENTS AND CONTINGENCIES	19,242,366	14,246,374
CAPITAL ADEQUACY		
<u>Before deducting proposed dividends</u>		
Core Capital Ratio	15.0%	17.6%
Risk-Weighted Capital Ratio	19.2%	19.4%
<u>After deducting proposed dividends</u>		
Core Capital Ratio	13.3%	16.5%
Risk-Weighted Capital Ratio	17.5%	18.3%
NET TANGIBLE ASSETS PER SHARE (RM)	2.57	2.47

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

PUBLIC BANK BERHAD
(6463 - H)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE 3rd QUARTER AND THE NINE MONTHS ENDED 30 SEPTEMBER 2004

	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Operating revenue	1,260,556	1,092,672	3,620,310	3,206,424
Interest income	985,455	841,578	2,777,100	2,496,820
Interest expense	(397,477)	(312,386)	(1,060,135)	(938,857)
Net interest income	587,978	529,192	1,716,965	1,557,963
Net income from Islamic Banking operations:				
Net financing income	94,907	74,521	279,442	206,503
Other Islamic banking income	1,387	950	4,150	3,191
	684,272	604,663	2,000,557	1,767,657
Non-interest income	168,258	159,398	527,415	465,192
Net income	852,530	764,061	2,527,972	2,232,849
Staff costs and overheads	(322,120)	(301,448)	(966,010)	(883,236)
Operating profit	530,410	462,613	1,561,962	1,349,613
Allowance for losses on loans, advances and financing	(62,363)	(88,177)	(205,157)	(306,925)
	468,047	374,436	1,356,805	1,042,688
Share of results in associated companies	926	1,628	2,701	3,086
Profit before tax expense and zakat	468,973	376,064	1,359,506	1,045,774
Tax expense and zakat	(128,480)	(94,965)	(370,232)	(276,374)
Profit after tax expense	340,493	281,099	989,274	769,400
Minority interests	(19,375)	(12,001)	(47,354)	(57,422)
Net profit for the period	321,118	269,098	941,920	711,978
Earnings per RM1.00 share:				
- basic (sen)	9.9	8.5	29.3	23.7
- diluted (sen)	9.9	8.4	29.0	23.4

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

PUBLIC BANK BERHAD
(6463 - H)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		<u>Treasury Shares</u>	<u>Total</u>
	<u>Share Capital</u>	<u>Share Premium</u>	<u>Other Reserves</u>	<u>Retained Profits</u>	<u>Proposed Dividends</u>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2004							
- as previously stated	3,206,600	928,433	2,387,630	1,819,978	503,000	(169,960)	8,675,681
- prior year adjustment (note a)	-	-	-	(13,354)	-	-	(13,354)
As restated	3,206,600	928,433	2,387,630	1,806,624	503,000	(169,960)	8,662,327
Issue of shares pursuant to:							
- exercise of share options	114,894	312,046	-	-	-	-	426,940
Currency translation differences	-	-	128	-	-	-	128
Net profit for the period	-	-	-	941,920	-	-	941,920
Transfer to statutory reserves	-	-	116,888	(116,888)	-	-	-
Buy-back of shares	-	-	-	-	-	(431,481)	(431,481)
Transfer to proposed dividends	-	-	-	(936,166)	936,166	-	-
Dividends paid	-	-	-	-	(511,427)	-	(511,427)
At 30 September 2004	3,321,494	1,240,479	2,504,646	1,695,490	927,739	(601,441)	9,088,407
At 1 January 2003							
- as previously stated	2,314,527	676,448	1,780,499	1,919,001	299,987	-	6,990,462
- prior year adjustment (note a)	-	-	-	(9,918)	-	-	(9,918)
As restated	2,314,527	676,448	1,780,499	1,909,083	299,987	-	6,980,544
Issue of shares pursuant to:							
- exercise of share options	22,453	55,850	-	-	-	-	78,303
- share exchange	202,599	733,408	-	-	-	-	936,007
- bonus issue	629,329	(629,329)	-	-	-	-	-
Cost incurred for the issuance of shares	-	(2,061)	-	-	-	-	(2,061)
Currency translation differences	-	-	15,536	-	-	-	15,536
Net profit for the period	-	-	-	711,978	-	-	711,978
Transfer to statutory reserves	-	-	278,835	(278,835)	-	-	-
Dividends paid	-	-	-	-	(299,987)	-	(299,987)
At 30 September 2003	3,168,908	834,316	2,074,870	2,342,226	-	-	8,420,320

Note a : The prior year adjustment represents the change in accounting policy on adoption of the 3-month classification for non-performing loans from the previous 6-month classification.

PUBLIC BANK BERHAD
(6463 - H)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED CONDENSED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2004

	Nine months ended	
	30 September	30 September
	2004	2003
	RM'000	RM'000
Profit before tax expense and zakat	1,359,506	1,045,774
Adjustments for non-cash items	368,514	406,842
Operating profit before changes in working capital	1,728,020	1,452,616
Changes in working capital		
Net changes in operating assets	(11,431,628)	(3,787,138)
Net changes in operating liabilities	19,819,063	257,192
Tax expense and zakat paid	(250,367)	(305,029)
Net cash generated from/(used in) operating activities	9,865,088	(2,382,359)
Net cash used in investing activities	(556,191)	(1,005,085)
Net cash generated from/(used in) financing activities	570,460	(223,747)
	14,269	(1,228,832)
Net change in cash and cash equivalents	9,879,357	(3,611,191)
Cash and cash equivalents at beginning of the period	7,970,828	9,932,135
Cash and cash equivalents at end of the period	17,850,185	6,320,944

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

PUBLIC BANK BERHAD
(6463 - H)
CONDENSED INTERIM FINANCIAL STATEMENTS

Part A - Explanatory Notes Pursuant to MASB 26

A1. Basis of Preparation

The condensed interim financial statements for the 3rd quarter and the nine months ended 30 September 2004 have been prepared in accordance with Accounting Standard MASB 26 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad. The condensed financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2003.

The accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the change in accounting policy arising from the adoption of the 3-month classification for non-performing loans from the previous 6-month classification. The effect of this change is a prior year adjustment to retained profits of RM13,354,000.

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2003 was not qualified.

A3. Comments About Seasonal or Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical factors in the 3rd quarter and the nine months ended 30 September 2004.

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 in the 3rd quarter and the nine months ended 30 September 2004.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported that have a material effect in the 3rd quarter and the nine months ended 30 September 2004.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A6. Debt and Equity Securities

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

(a) Share Consolidation

On 2 June 2004, PBB completed the consolidation and division of PBB's entire share capital into ordinary shares of par value of RM1.00 each from ordinary shares of par value of RM0.50 each.

(b) Issuance of Shares

During the nine months ended 30 September 2004, the issued and paid-up share capital of PBB was increased from 3,206,599,727 ordinary shares of RM1.00 each in PBB Shares to 3,321,494,054 PBB Shares by the issuance of 114,894,327 PBB Shares pursuant to the exercise of options granted under the Public Bank Berhad Employees' Share Option Scheme at the following option prices:

<u>Number of PBB Shares issued:</u>	<u>Option price per share:</u>
507,247	RM1.64
6,703,325	RM3.40
90,107,355	RM3.56
12,315,400	RM4.60
5,261,000	RM4.92

(c) Share Buy-back

On 20 April 2004, the shareholders of PBB renewed their approval for PBB to buy-back its own shares. During the nine months ended 30 September 2004, PBB bought back from the open market, 56,628,800 PBB Shares listed and quoted as "Local" on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM6.15 per share and 12,456,850 PBB Shares listed and quoted as "Foreign" on the Main Board of Bursa Malaysia at an average buy-back price of RM6.61 per share. The total consideration paid for the share buy-back of PBB Shares by PBB for the nine months ended 30 September 2004, including transaction costs, was RM431,480,591 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965. As at 30 September 2004, the total shares bought back, all of which are held as treasury shares, amounted to 100,177,400 PBB Shares. None of the treasury shares held were resold or cancelled during the nine months ended 30 September 2004.

A6. Debt and Equity Securities (continued)

(d) Subordinated Notes

On 22 June 2004, the Bank issued USD350 million in aggregate principal amount of Subordinated Notes (“the Notes”) due 2014 callable with step-up in 2009. The Notes bear interest at the rate of 5.625% per annum from (and including) 22 June 2004 to (but excluding) 22 September 2009 and, thereafter, at a rate per annum equal to the interest rate of five year US treasury notes plus 3.10%. The interest is payable semi-annually in arrears on 22 March and 22 September in each year commencing on 22 March 2005. The Notes were issued at a price of 99.716 percent of the principal amount of the Notes. The Notes will, subject to the prior consent of Bank Negara Malaysia, 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 on 22 September 2009 at their principal amount plus accrued interest (if applicable).

The Notes constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

A7. Dividends Paid

During the nine months ended 30 September 2004, a final dividend of 22%, less 28% tax in respect of the financial year ended 31 December 2003, amounting to RM511,427,442 was paid on 11 May 2004.

A8a. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets

	3rd Quarter ended 30 September 2004		Nine months ended 30 September 2004		
	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Operating Revenue RM'000	Profit Before Tax Expense RM'000	Total Assets RM'000
<u>By Business Segments</u>					
Retail operations	1,087,681	406,373	3,176,890	1,137,921	50,398,468
Treasury and capital market operations	236,533	52,649	617,321	144,953	26,378,771
Corporate lending	59,334	17,824	162,588	87,902	4,277,842
Investment banking	23,171	4,280	66,951	12,024	2,901,527
Share broking and fund management	44,349	17,980	163,551	72,441	462,723
Property management	727	2,241	2,653	7,496	222,864
	<u>1,451,795</u>	<u>501,347</u>	<u>4,189,954</u>	<u>1,462,737</u>	<u>84,642,195</u>
Inter-segment elimination	(191,239)	-	(569,644)	-	-
	<u>1,260,556</u>	<u>501,347</u>	<u>3,620,310</u>	<u>1,462,737</u>	<u>84,642,195</u>
Unallocated expenses	-	(21,960)	-	(72,001)	-
Amortisation of goodwill	-	(11,340)	-	(33,931)	-
Goodwill	-	-	-	-	795,199
Unallocated assets	-	-	-	-	634,383
Investment in associated companies	-	-	-	-	49,577
Share of results of associated companies	-	926	-	2,701	-
	<u>1,260,556</u>	<u>468,973</u>	<u>3,620,310</u>	<u>1,359,506</u>	<u>86,121,354</u>

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A8a. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets

(continued)

	3rd Quarter ended 30 September 2003		Nine months ended 30 September 2003		
	Operating Revenue	Profit Before Tax Expense	Operating Revenue	Profit Before Tax Expense	Total Assets
	RM'000	RM'000	RM'000	RM'000	RM'000
Retail operations	973,910	304,252	2,823,875	842,865	41,815,404
Treasury and capital market operations	166,682	41,905	499,753	138,827	13,668,269
Corporate lending	51,081	39,004	162,857	87,263	3,249,788
Investment banking	18,951	3,527	52,783	12,265	2,160,624
Share broking and fund management	47,260	19,541	120,208	50,029	391,501
Others	941	2,521	2,791	7,000	222,426
	<u>1,258,825</u>	<u>410,750</u>	<u>3,662,267</u>	<u>1,138,249</u>	<u>61,508,012</u>
Inter-segment elimination	(166,153)	-	(455,843)	-	-
	<u>1,092,672</u>	<u>410,750</u>	<u>3,206,424</u>	<u>1,138,249</u>	<u>61,508,012</u>
Unallocated expenses	-	(31,847)	-	(73,280)	-
Amortisation of goodwill	-	(4,467)	-	(22,281)	790,319
Goodwill					
Unallocated assets	-	-	-	-	462,798
Investment in associated companies	-	-	-	-	47,388
Share of results of associated companies	-	1,628	-	3,086	-
	<u>1,092,672</u>	<u>376,064</u>	<u>3,206,424</u>	<u>1,045,774</u>	<u>62,808,517</u>

Inter-segment pricing is determined on a negotiated basis.

<u>By Geographical Segment</u>	3rd Quarter ended		Nine months ended		
	Operating Revenue	Profit Before Tax Expense	Operating Revenue	Profit Before Tax Expense	Total Assets
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30 September 2004</u>					
Malaysia	1,144,240	401,729	3,284,130	1,196,313	83,743,977
Outside Malaysia	116,316	67,244	336,180	163,193	2,377,377
	<u>1,260,556</u>	<u>468,973</u>	<u>3,620,310</u>	<u>1,359,506</u>	<u>86,121,354</u>
<u>30 September 2003</u>					
Malaysia	979,160	338,055	2,865,799	944,839	60,531,001
Outside Malaysia	113,512	38,009	340,625	100,935	2,277,516
	<u>1,092,672</u>	<u>376,064</u>	<u>3,206,424</u>	<u>1,045,774</u>	<u>62,808,517</u>

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

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A8b. Segment Information on Gross Loans, Advances and Financing Analysed by Economic Purposes

	30 September 2004 RM'000	31 December 2003 RM'000	Variance %
Agriculture	589,049	590,442	0%
Mining and quarrying	37,866	30,845	23%
Manufacturing	2,804,659	2,513,805	12%
Electricity, gas and water	38,303	26,924	42%
Construction	1,976,992	1,873,237	6%
Real estate	1,428,689	1,470,732	-3%
Purchase of landed properties	19,581,670	15,089,967	30%
(of which: - residential	<u>13,290,149</u>	<u>10,480,976</u>	<u>27%</u>
- non-residential)	<u>6,291,521</u>	<u>4,608,991</u>	<u>37%</u>
General commerce	5,289,090	4,960,485	7%
Transport, storage and communication	520,663	554,192	-6%
Finance, insurance and business services	2,462,007	2,255,831	9%
Purchase of securities	551,641	604,728	-9%
Purchase of transport vehicles	13,694,432	12,228,900	12%
Consumption credit	4,331,440	3,695,261	17%
Others	1,215,724	1,032,783	18%
Total	<u>54,522,225</u>	<u>46,928,132</u>	<u>16%</u>

Movements in non-performing loans, advances and financing ("NPL") including interest/income receivable are as follows:

	30 September 2004 RM'000	31 December 2003 RM'000
Opening balance, as previously stated	1,421,705	1,661,726
Prior year adjustment (note a)	543,975	378,199
As restated	<u>1,965,680</u>	<u>2,039,925</u>
Non-performing during the period/year	1,214,625	1,200,532
Reclassified as performing	(961,706)	(322,114)
Recoveries	(230,544)	(280,535)
Amount written off	(246,092)	(667,788)
Loans converted to investment securities	(5,130)	(5,531)
Exchange differences	(563)	1,191
Closing balance	<u>1,736,270</u>	<u>1,965,680</u>
 Net NPL as a % of gross loans, advances and financing less specific allowance and interest/income-in-suspense	 <u>2.34%</u>	 <u>3.16%</u>

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A8b. Segment Information on Gross Loans, Advances and Financing Analysed by Economic Purposes (continued)

Allowance for losses on loans, advances and financing

Movements in the allowance for bad and doubtful debts (and financing) and interest-in-suspense (income-in-suspense) accounts are as follows:

	30 September 2004 RM'000	31 December 2003 RM'000
<u>General Allowance</u>		
Opening balance	826,892	695,870
Allowance made during the period/year	80,709	130,537
Exchange differences	(439)	485
Closing balance	<u>907,162</u>	<u>826,892</u>
As % of gross loans, advances and financing less specific allowance and interest/income-in-suspense	<u>1.68%</u>	<u>1.78%</u>
<u>Specific Allowance</u>		
Opening balance	315,137	459,304
Allowance made during the period/year	249,693	457,103
Amount written back in respect of recoveries	(55,199)	(118,783)
Amount written off	(205,448)	(481,357)
Amount transferred to allowance for diminution in value of investments	(440)	(1,401)
Exchange differences	(337)	271
Closing balance	<u>303,406</u>	<u>315,137</u>

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A8b. Segment Information on Gross Loans, Advances and Financing Analysed by Economic Purposes (continued)

	30 September 2004 RM'000	31 December 2003 RM'000
<u>Interest/Income-in-suspense</u>		
Opening balance, as previously stated	166,079	300,495
Prior year adjustment (note a)	18,547	13,775
As restated	184,626	314,270
Interest/Income suspended during the period/year	83,210	119,531
Amount transferred to allowance for diminution in value of investments	(847)	(2,000)
Amount written back in respect of recoveries	(58,321)	(61,103)
Amount written off	(42,188)	(186,136)
Exchange differences	(135)	64
Closing balance	166,345	184,626

Note a: The prior year adjustment represents the change in accounting policy on adoption of the 3-month classification for non-performing loans from the previous 6-month classification.

A9. Carrying Amount of Revalued Assets

The Group's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The valuations of certain land and buildings of the Group have been brought forward without amendment from the previous audited annual financial statements for the year ended 31 December 2003.

A10. Subsequent Events

There were no material events subsequent to the balance sheet date that requires disclosure or adjustment to the condensed interim financial statements.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A11. Changes in the Composition of Group

Pursuant to the Vesting Order obtained by Public Bank Berhad (“PBB”) and Public Finance Berhad (“PFB”), and the granting of a licence to PBB by Y.A.B. Minister of Finance to carry on finance company business with effect from 4 September 2004, the merger of the finance company business of PFB with the commercial banking business of PBB was completed on 4 September 2004 by way of disposal by PFB of its entire finance company business to PBB (“Disposal of PFB Business”) and the acquisition by PBB of the entire finance company business of PFB.

The consideration for the Disposal of PFB Business was based on the net tangible asset value of the entire finance company business of PFB as at 4 September 2004 and was satisfied wholly in cash.

The completion of the Disposal of PFB Business has resulted in PFB’s assets being wholly represented by cash. Practice Note 10/2001 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) states that a listed issuer whose assets on a consolidated basis consist of seventy percent (70%) or more of cash and/or short term investments would be deemed as having an inadequate level of operations pursuant to Paragraph 8.16 of the Listing Requirements of Bursa Malaysia.

On 14 October 2004, the entire issued and paid-up capital of PFB was delisted from the Official List of Bursa Malaysia pursuant to paragraph 16.09(c) (on De-listing by the Exchange) of the Listing Requirements of Bursa Malaysia.

A12. Commitments and Contingencies

In the normal course of business, the Group makes various commitments and incurs 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 assets.

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

	As at 30 September 2004		As at 31 December 2003	
	Notional Amount RM'000	Credit Equivalent Amount* RM'000	Notional Amount RM'000	Credit Equivalent Amount* RM'000
Direct credit substitutes	897,779	897,779	877,307	877,307
Certain transaction-related contingent items	361,504	180,752	330,415	165,208
Short-term self-liquidating trade-related contingencies	522,898	104,580	509,270	101,854
Forward assets purchased	103,814	103,814	59,167	59,167
Obligations under underwriting agreements	25,350	12,675	30,000	15,000
Irrevocable commitments to extend credit:				
- maturity exceeding one year	4,039,357	2,019,679	2,992,405	1,496,202
- maturity not exceeding one year	7,908,219	-	6,845,794	-
Forward placements	-	-	38,490	-
Forward exchange related contracts:				
- less than one year	3,364,236	40,300	1,144,020	17,603
- one year to less than five years	380,110	20,715	381,802	32,239
Interest rate related contracts:				
- less than one year	19,000	48	19,000	48
- one year to less than five years	661,001	20,677	190,000	4,180
- five years and above	957,600	71,326	828,704	53,671
Others	1,498	1,498	-	-
	19,242,366	3,473,843	14,246,374	2,822,479

* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A13. Off-Balance Sheet Financial Instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2004:

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

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	>5 years RM'000
Foreign exchange related contracts							
- forward	721,095	352,211	227,824	113,650	27,410	-	-
- futures	-	-	-	-	-	-	-
- swap	3,023,251	1,212,263	920,475	434,403	76,000	380,110	-
- options	-	-	-	-	-	-	-
Sub total	3,744,346	1,564,474	1,148,299	548,053	103,410	380,110	-
Interest rate related contracts							
- swap	1,637,601	805,600	832,001	-	-	-	-
Total	5,381,947	2,370,074	1,980,300	548,053	103,410	380,110	-

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

Market Risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at 30 September 2004, the amount of contracts which were not hedged in the Group and, hence, exposed to market risk was RM1,384,281,000 (31 December 2003 : RM162,071,000).

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 has a gain in a contract. As at 30 September 2004, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM4,944,000 (31 December 2003 : RM7,659,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

A13. Off-Balance Sheet Financial Instruments (continued)

Related Accounting Policies

Foreign Exchange Related Contracts

Outstanding foreign exchange related contracts at the balance sheet date are valued based on the applicable spot rates ruling at that date adjusted for the applicable premium or discount to maturity. Gains or losses are recognised in the income statement the in period/year they arise.

A14. Capital Adequacy

The profit after tax expense of the Bank for the nine months ended 30 September 2004 and the profit after tax expense of the Bank's wholly owned subsidiary company, Public Finance Berhad for the six months ended 30 June 2004 had been subjected to a limited review by our external auditors in accordance with Technical Bulletin 4 issued by the Malaysian Institute of Certified Public Accountants. The profit after tax expense of the Bank for the nine months ended 30 September 2004 and the profit after tax expense of Public Finance Berhad for the six months ended 30 June 2004 have been included in the capital base in the computation of the Group's Capital Adequacy Ratios.

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

B1. Performance Review

The Group's pre-tax profit for the nine months ended 30 September 2004 of RM1,359.5 million was RM313.7 million or 30% higher than that of the previous corresponding period of RM1,045.8 million. Profit attributable to shareholders improved by 32% to RM941.9 million. The significant improvement in earnings was primarily due to higher net interest income, including net income from Islamic Banking operations, which improved by RM232.9 million or 13%, higher non-interest income of RM62.2 million and lower allowance for losses on loans, advances and financing of RM101.8 million. The increases were offset by higher overhead expenses of RM82.8 million.

The growth in the Group's net interest income was driven by strong loans growth of RM7.6 billion to RM54.5 billion at the end of September 2004. The growth in loans came mainly from financing of small-and medium-size enterprises ("SMEs"), residential mortgages and vehicle hire purchase financing. As at 30 September 2004, the Group's net non-performing loans ratio ("NPL") stood at 2.3% as compared to 3.2% at the end of 2003.

For the nine months ended 30 September 2004, the overseas operations of the Group recorded a 62% improvement in pre-tax profit to RM163.2 million from the previous corresponding period. This was mainly due to lower allowance for losses on loans, advances and financing and higher non-interest income.

For the 3rd quarter ended 30 September 2004, the Group registered a pre-tax profit of RM469.0 million, an improvement of RM92.9 million or 25% compared to the previous corresponding quarter. This was achieved on the back of strong loans growth in financing to SMEs, vehicle hire purchase financing and residential mortgages. Earnings attributable to shareholders grew by 19% to RM321.1 million for the same period.

B2. Variation of Results Against Preceding Quarter

The Group's pre-tax profit of RM469.0 million for the 3rd quarter ended 30 September 2004 is RM8.5 million higher compared to the preceding 2nd quarter ended 30 June 2004.

B3. Current Year Prospects

Public Bank Group will continue to focus on its core areas of operations and maintain its prudent management of assets to achieve good asset quality and a strong balance sheet. Barring any unforeseen circumstances, the Group's performance is expected to be satisfactory in line with the current economic conditions.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense and Zakat

The analysis of the tax expense for the 3rd quarter and the nine months ended 30 September 2004 are as follows:

	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2004	2003	2004	2003
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	119,159	101,938	353,176	296,696
Overseas income tax	8,607	5,682	34,463	18,224
	127,766	107,620	387,639	314,920
(Over)/Under provision in prior period				
- Malaysian income tax	(11)	(115)	939	1,518
- Overseas income tax	-	-	(19)	(84)
	127,755	107,505	388,559	316,354
Share of tax expense of associated company	42	62	88	129
	127,797	107,567	388,647	316,483
Deferred tax expense				
- Origination and reversal of temporary differences	665	(12,641)	(18,471)	(40,178)
Tax expense	128,462	94,926	370,176	276,305
Zakat	18	39	56	69
	128,480	94,965	370,232	276,374

The Group's effective tax rate for the 3rd quarter and the nine months ended 30 September 2004 is lower than the statutory tax rate due to the effect of lower tax rates in other jurisdictions.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

B6. Sale of Unquoted Investments and Properties

There were no sale of unquoted investments and properties for the 3rd quarter and the nine months ended 30 September 2004 other than in the ordinary course of business.

B7. Quoted Securities

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

B8. Status of Corporate Proposals Announced but Not Completed

On 23 September 2004, HHB Holdings Berhad (“HHB”), a wholly owned subsidiary of PBB had entered into a Restructuring Agreement with PBB and Magna Segmen Sdn Bhd (“MSSB”) to undertake the following proposals:

- (i) the proposed capital reduction whereby the existing issued and paid-up share capital of HHB of RM125,377,000 comprising 125,377,000 ordinary shares of RM1.00 each will be reduced to RM1,000 comprising 1,000 ordinary shares of RM1.00 each (“HHB Sale Shares”) and the share premium account of HHB of RM77,691,000 will be cancelled in its entirety (“Proposed Capital Reduction”);
- (ii) the proposed sub-division of the share capital of HHB whereby the ordinary shares of RM1.00 each in HHB after the completion of the Proposed Capital Reduction will be sub-divided into ordinary shares of RM0.25 each (“New HHB Shares”) (“Proposed Share Sub-division”);
- (iii) the proposed acquisition of the entire issued and paid-up share capital of Sandakan Power Corporation Sdn Bhd (“SPC”) and SPC Energy Services Sdn Bhd (“SPCE”) by HHB from Bumiplus Sdn Bhd (“BSB”), Elmar (Malaysia) Sdn Bhd (“EMSB”) and MSSB for a total consideration of RM123,000,000 (“Proposed Acquisitions”);
- (iv) the proposed offer for sale by MSSB of up to 58,000,000 New HHB Shares to the Malaysian Public and/or investors to be identified (“Proposed Offer for Sale”);
- (v) the proposed public issue of 16,000,000 New HHB Shares to the Malaysian Public (“Proposed Public Issue”); and
- (vi) the proposed listing of the New HHB Shares on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) (“Proposed Listing”).

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

B8. Status of Corporate Proposals Announced but Not Completed(continued)

Upon the completion of the Proposed Capital Reduction, PBB being the sole shareholder of HHB, will dispose of its entire shareholding in HHB to MSSB (“Proposed Sale and Purchase of HHB Sale Shares”).

The Proposed Capital Reduction, Proposed Sale and Purchase of HHB Sale Shares, Proposed Share Sub-division, Proposed Acquisitions, Proposed Offer for Sale, Proposed Public Issue and Proposed Listing are collectively referred to as the “Proposals”.

Upon the completion of the Proposed Acquisitions, HHB will have a level of operations that is adequate to warrant continued trading and listing of HHB on the Main Board of Bursa Malaysia and HHB would comply with the requirements of Paragraph 8.16 (on “Level of operations”) of the Listing Requirements of Bursa Malaysia. The Proposed Offer for Sale and Proposed Public Issue are undertaken to ensure that HHB would comply with the requirements of Paragraph 8.15 (on “Compliance with shareholding spread requirement”) of the Listing Requirements of Bursa Malaysia. The completion of the Proposals would facilitate the lifting of suspension of the trading of shares in HHB on the Main Board of Bursa Malaysia and ensure that the listing status of HHB is maintained.

The Proposals are conditional upon the following being obtained:

- (i) the approval of the Securities Commission;
- (ii) the approval of the Foreign Investment Committee;
- (iii) the confirmation of the High Court of Malaya for the Proposed Capital Reduction;
- (iv) the receipt of the written approval of the Minister of Energy, Water and Communications by SPC or MSSB for MSSB, BSB and EMSB to dispose 10,000,000 ordinary shares of RM1.00 each in SPC, 10,000 ordinary shares of RM1.00 each in SPCE, and 8,023,000 Class B preference shares of RM1.00 each in SPC (collectively, “SPC Sale Shares”) to HHB (if required);
- (v) the approval of the Ministry of International Trade and Industry for the recognition of Bumiputera shareholders pursuant to National Development Policy requirements;
- (vi) the receipt of the consent from the holders of the outstanding redeemable, secured fixed serial bonds and the discount commercial paper issued by MSSB of RM70,000,000 (“MSSB Debtholders”) and from the holders of the outstanding secured serial bonds issued by SPC of RM30,000,000 (“SPC Debtholders”) for the sale of the SPC Sale Shares to HHB;

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

B8. Status of Corporate Proposals Announced but Not Completed(continued)

- (vii) the receipt of the consent of MSSB Debtholders for the bank guarantee (“BG”) facility of RM13,500,000 to be granted to MSSB and for the charge of the shares in MSSB held by MSSB’s shareholders to a financial institution for the BG;
- (viii) the approval of the shareholder of HHB for the Proposals;
- (ix) the respective approvals of the shareholders of BSB, EMSB and MSSB for the proposed disposal of SPC Sale Shares;
- (x) the approval-in-principle of Bursa Malaysia for the listing and quotation of the New HHB Shares to be issued pursuant to the Proposals and the conversion of the 50,000,000 Redeemable Convertible Preference Shares of RM0.10 each to be issued by HHB as part of the considerations for the Proposed Acquisitions on the Official List of Bursa Malaysia; and
- (xi) any other relevant authorities, if required.

As at the date of this report, none of the above approvals have been obtained.

The Proposed Capital Reduction and Proposed Sale and Purchase of HHB Sale Shares are inter-conditional. The Proposed Share Sub-division, Proposed Acquisitions, Proposed Offer for Sale, Proposed Public Issue and Proposed Listing are conditional upon the Proposed Capital Reduction and Proposed Sale and Purchase of HHB Sale Shares. The Proposed Offer for Sale, Proposed Public Issue and Proposed Listing are conditional upon the Proposed Acquisitions and Proposed Share Sub-division.

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

	30 September 2004 RM'000	31 December 2003 RM'000	Variance %
Deposits from customers			
- Fixed deposits			
One year or less	38,353,920	32,177,941	19%
More than one year	145,494	195,031	-25%
- Negotiable instrument of deposits			
One year or less	9,580,700	530,000	1708%
More than one year	-	-	
- Savings deposits	10,797,933	9,687,716	11%
- Demand deposits	8,336,772	7,357,983	13%
- Others	260,263	268,587	-3%
	67,475,082	50,217,258	34%
Deposits and placements of banks and other financial institutions			
One year or less	2,257,024	1,779,334	27%
More than one year	-	-	-
	2,257,024	1,779,334	27%
Subordinated notes			
- Unsecured and more than one year	1,330,000	-	100%

B10. Off-Balance Sheet Financial Instruments

Please refer to note A13.

B11. Change in Material Litigation

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

B12. Dividend Payable

- (a) (i) A special dividend of 40% less 28% tax has been declared by the Directors;
(ii) Amount per share : 40 sen less 28% tax;
(iii) Previous corresponding period : Nil;
(iv) Payment date : 30 December 2004
- (b) The total dividend for the nine months ended 30 September 2004 : 40 sen less 28% tax.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

B13. Earning Per Share (EPS)

Basic

The calculation of the basic earnings per share is based on the net profit for the quarter and the nine months divided by the weighted average number of ordinary shares of RM1.00 each in issue during the quarter and the nine months, excluding the weighted average treasury shares held.

	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2004	2003	2004	2003
Net profit for the period (RM'000)	321,118	269,098	941,920	711,978
Weighted average number of PBB Shares ('000)	3,227,510	3,154,053	3,210,561	2,997,868
Basic earnings per share (sen)	9.9	8.5	29.3	23.7

Diluted

The calculation of the diluted earnings per share is based on the net profit for the quarter and the nine months, divided by the adjusted weighted average number of ordinary shares of RM1.00 each in issue and issuable under the exercise of share options granted under the Public Bank Berhad Employees' Share Option Scheme.

	3rd Quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2004	2003	2004	2003
<i>Weighted average number of PBB Shares ('000)</i>				
Weighted average number of PBB Shares	3,227,510	3,154,053	3,210,561	2,997,868
Effects of share options	24,921	54,580	38,829	40,877
Adjusted weighted average number of ordinary shares in issue and issuable	3,252,431	3,208,633	3,249,390	3,038,745
Diluted earnings per share (sen)	9.9	8.4	29.0	23.4

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.

B14. Comparative Figures

- (a) The following balance sheet comparatives have been restated for the effect of adopting the 3-month classification for non-performing loans from the previous 6-month classification in the current nine months ended 30 September 2004:

	As restated	As previously
	RM'000	reported ¹
		RM'000
Balance sheet as at 31 December 2003		
Loans, advances and financing	45,601,477	45,620,024
Provision for tax expense and zakat	115,337	120,530
Retained profits	1,806,624	1,819,978

Note 1 – As previously reported in the last audited financial statements for the year ended 31 December 2003.

- (b) The following income statement comparatives have been restated for the effects of adopting MASB 25 Income Taxes, MASB 29 Employee Benefits, Bank Negara Malaysia's Circular on handling fees paid to motor vehicle dealers for hire purchase loans, which were effected in the latest audited annual financial statements and the adoption of the 3-month classification for non-performing loans from the previous 6-month classification in the current nine months ended 30 September 2004:

	As restated	As previously
	RM'000	reported ²
		RM'000
Income statement for the nine months ended 30 September 2003		
Operating revenue	3,206,424	3,210,318
Interest income	2,496,820	2,500,714
Staff costs and overheads	(883,236)	(866,685)
Profit before tax expense and zakat	1,045,774	1,066,219
Tax expense and zakat	(276,374)	(319,979)
Profit after tax expense and zakat	769,400	746,240
Net profit for the period	711,978	688,818
Income statement for the 3rd quarter ended 30 September 2003		
Operating revenue	1,092,672	1,094,713
Interest income	841,578	843,619
Staff costs and overheads	(301,448)	(296,184)
Profit before tax expense and zakat	376,064	383,369
Tax expense and zakat	(94,965)	(109,369)
Profit after tax expense and zakat	281,099	274,000
Net profit for the period	269,098	261,999

Note 2 – As previously reported in the previous corresponding condensed interim financial statements.

The condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2003.