

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<b>ASSETS</b>				
Cash and balances with banks	<b>31,088,701</b>	46,663,156	<b>19,919,084</b>	34,984,593
Reverse repurchase agreements	<b>2,951,713</b>	1,200,243	<b>2,000,348</b>	-
Financial assets held-for-trading	<b>8,921,520</b>	7,957,275	<b>8,133,230</b>	7,655,815
Derivative financial assets	<b>412,376</b>	310,311	<b>410,329</b>	302,861
Financial investments available-for-sale	<b>13,560,492</b>	12,165,777	<b>11,677,599</b>	10,458,159
Financial investments held-to-maturity	<b>9,266,297</b>	6,620,207	<b>11,497,639</b>	7,637,258
Loans, advances and financing	<b>145,242,428</b>	135,335,784	<b>116,852,041</b>	107,962,807
Other assets	<b>2,096,343</b>	1,758,578	<b>1,648,601</b>	1,453,540
Statutory deposits with Central Banks	<b>1,494,840</b>	1,022,181	<b>1,028,816</b>	588,362
Deferred tax assets	<b>499,405</b>	506,607	<b>405,124</b>	390,826
Investment in subsidiary companies	-	-	<b>3,794,681</b>	3,694,681
Investment in associated companies	<b>126,228</b>	128,318	<b>101,325</b>	101,325
Investment properties	<b>66,925</b>	69,327	-	-
Prepaid land lease payments	<b>270,723</b>	289,228	<b>12</b>	13
Property and equipment	<b>1,043,827</b>	1,051,551	<b>644,168</b>	650,968
Intangible assets	<b>1,985,874</b>	2,057,611	<b>695,393</b>	695,393
<b>TOTAL ASSETS</b>	<b>219,027,692</b>	217,136,154	<b>178,808,390</b>	176,576,601
<b>LIABILITIES</b>				
Deposits from customers	<b>174,569,299</b>	170,891,589	<b>136,557,286</b>	135,387,490
Deposits from banks	<b>18,822,598</b>	22,614,300	<b>20,170,016</b>	20,783,929
Bills and acceptances payable	<b>947,602</b>	612,730	<b>947,602</b>	612,730
Recourse obligations on loans sold to Cagamas	<b>18,567</b>	21,763	<b>18,567</b>	21,763
Derivative financial liabilities	<b>344,648</b>	270,056	<b>302,272</b>	243,396
Debt securities issued and other borrowed funds	<b>7,987,062</b>	8,032,345	<b>7,382,195</b>	7,399,461
Other liabilities	<b>2,851,482</b>	2,511,757	<b>1,548,613</b>	1,399,378
Provision for tax expense and zakat	<b>769,744</b>	464,290	<b>543,978</b>	286,242
Deferred tax liabilities	<b>5,902</b>	2,000	-	-
<b>TOTAL LIABILITIES</b>	<b>206,316,904</b>	205,420,830	<b>167,470,529</b>	166,134,389

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	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<b>EQUITY</b>				
Share capital	3,531,926	3,531,926	3,531,926	3,531,926
Reserves	8,716,773	8,072,918	8,021,116	7,491,924
Treasury shares	<u>(215,181)</u>	<u>(581,638)</u>	<u>(215,181)</u>	<u>(581,638)</u>
<b>Equity attributable to equity holders of the Bank</b>	<b>12,033,518</b>	<b>11,023,206</b>	<b>11,337,861</b>	<b>10,442,212</b>
Minority interests	<u>677,270</u>	<u>692,118</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY</b>	<b><u>12,710,788</u></b>	<b><u>11,715,324</u></b>	<b><u>11,337,861</u></b>	<b><u>10,442,212</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>219,027,692</u></b>	<b><u>217,136,154</u></b>	<b><u>178,808,390</u></b>	<b><u>176,576,601</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b><u>68,986,085</u></b>	<b><u>61,435,239</u></b>	<b><u>64,424,692</u></b>	<b><u>56,878,933</u></b>
<b>CAPITAL ADEQUACY</b>				
<b><u>Before deducting interim dividends</u></b>				
Tier 1 Capital Ratio	<b>10.5%</b>	10.5%	<b>13.0%</b>	13.0%
Risk-Weighted Capital Ratio	<u>14.4%</u>	<u>14.6%</u>	<u>14.0%</u>	<u>14.1%</u>
<b><u>After deducting interim dividends</u></b>				
Tier 1 Capital Ratio	<b>10.0%</b>	9.9%	<b>12.4%</b>	12.4%
Risk-Weighted Capital Ratio	<u>13.9%</u>	<u>14.0%</u>	<u>13.4%</u>	<u>13.5%</u>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b><u>3.44</u></b>	<b><u>3.19</u></b>	<b><u>3.24</u></b>	<b><u>3.03</u></b>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

<u>Group</u>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
Operating revenue	<b>2,679,261</b>	2,350,620	<b>5,187,020</b>	4,782,081
Interest income	<b>1,962,379</b>	1,763,486	<b>3,789,876</b>	3,675,412
Interest expense	<b>(822,958)</b>	(780,726)	<b>(1,570,988)</b>	(1,733,804)
Net interest income	<b>1,139,421</b>	982,760	<b>2,218,888</b>	1,941,608
Net income from Islamic banking business				
- Net financing income	<b>194,543</b>	161,106	<b>374,870</b>	302,364
- Other Islamic banking income	<b>3,898</b>	3,882	<b>8,765</b>	7,430
	<b>1,337,862</b>	1,147,748	<b>2,602,523</b>	2,251,402
Other operating income	<b>400,165</b>	367,110	<b>787,090</b>	661,361
Net income	<b>1,738,027</b>	1,514,858	<b>3,389,613</b>	2,912,763
Other operating expenses	<b>(583,138)</b>	(515,903)	<b>(1,173,229)</b>	(1,013,036)
Operating profit	<b>1,154,889</b>	998,955	<b>2,216,384</b>	1,899,727
Allowance for impairment on loans, advances and financing	<b>(174,697)</b>	(180,305)	<b>(314,459)</b>	(336,659)
Impairment on other assets	<b>(730)</b>	(1,157)	<b>(2,522)</b>	(2,943)
	<b>979,462</b>	817,493	<b>1,899,403</b>	1,560,125
Share of profit after tax of equity accounted associated companies	<b>2,519</b>	2,289	<b>5,153</b>	4,585
Profit before tax expense and zakat	<b>981,981</b>	819,782	<b>1,904,556</b>	1,564,710
Tax expense and zakat	<b>(234,962)</b>	(199,843)	<b>(459,883)</b>	(348,958)
Profit for the period	<b>747,019</b>	619,939	<b>1,444,673</b>	1,215,752
Profit for the period attributable to :				
- Equity holders of the Bank	<b>734,079</b>	610,741	<b>1,419,334</b>	1,200,026
- Minority interests	<b>12,940</b>	9,198	<b>25,339</b>	15,726
	<b>747,019</b>	619,939	<b>1,444,673</b>	1,215,752
Earnings per RM1.00 share:				
- basic / diluted (sen)	<b>21.0</b>	17.7	<b>40.7</b>	35.1

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

<u>Group</u>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
Profit for the period	<b>747,019</b>	619,939	<b>1,444,673</b>	1,215,752
Other comprehensive (loss) / income:				
Currency translation differences in respect of foreign operations	<b>(37,747)</b>	(131,044)	<b>(213,630)</b>	49,343
Currency translation differences in respect of net investment hedge	<b>23,705</b>	76,144	<b>157,943</b>	(25,457)
Net (loss) / gain on revaluation of financial investments available-for-sale	<b>(28,347)</b>	173,871	<b>(14,051)</b>	257,828
Net change in cash flow hedges	<b>(1,558)</b>	(1,170)	<b>(2,988)</b>	(1,072)
Income tax relating to components of other comprehensive income	<b>6,466</b>	(41,410)	<b>3,546</b>	(55,620)
Other comprehensive (loss) / income for the period, net of tax	<b>(37,481)</b>	76,391	<b>(69,180)</b>	225,022
Total comprehensive income for the period	<b>709,538</b>	696,330	<b>1,375,493</b>	1,440,774
Total comprehensive income for the period attributable to:				
- Equity holders of the Bank	<b>704,484</b>	715,282	<b>1,391,398</b>	1,416,432
- Minority interests	<b>5,054</b>	(18,952)	<b>(15,905)</b>	24,342
	<b>709,538</b>	696,330	<b>1,375,493</b>	1,440,774

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**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

<b><u>Bank</u></b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
Operating revenue	<b><u>1,942,834</u></b>	1,779,308	<b><u>3,777,221</u></b>	3,543,996
Interest income	<b>1,718,528</b>	1,525,594	<b>3,299,621</b>	3,209,788
Interest expense	<b><u>(760,335)</u></b>	<u>(730,494)</u>	<b><u>(1,443,526)</u></b>	<u>(1,642,254)</u>
Net interest income	<b>958,193</b>	795,100	<b>1,856,095</b>	1,567,534
Other operating income	<b><u>366,307</u></b>	<u>379,878</u>	<b><u>774,792</u></b>	<u>472,409</u>
Net income	<b>1,324,500</b>	1,174,978	<b>2,630,887</b>	2,039,943
Other operating expenses	<b><u>(389,023)</u></b>	<u>(353,079)</u>	<b><u>(779,819)</u></b>	<u>(693,736)</u>
Operating profit	<b>935,477</b>	821,899	<b>1,851,068</b>	1,346,207
Allowance for impairment on loans, advances and financing	<b>(98,746)</b>	(83,598)	<b>(179,545)</b>	(169,161)
Impairment on other assets	<b>(731)</b>	(1,157)	<b>(2,449)</b>	(2,943)
Profit before tax expense and zakat	<b>836,000</b>	737,144	<b>1,669,074</b>	1,174,103
Tax expense and zakat	<b><u>(175,314)</u></b>	<u>(159,672)</u>	<b><u>(342,520)</u></b>	<u>(265,972)</u>
Profit for the period	<b><u>660,686</u></b>	<u>577,472</u>	<b><u>1,326,554</u></b>	<u>908,131</u>

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**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
<b><u>Bank</u></b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period	<u>660,686</u>	<u>577,472</u>	<u>1,326,554</u>	<u>908,131</u>
Other comprehensive (loss) / income:				
Net (loss) / gain on revaluation of financial investments available-for-sale	(20,130)	145,632	(9,367)	201,185
Net change in cash flow hedges	(1,558)	(1,170)	(2,988)	(1,072)
Income tax relating to components of other comprehensive income	<u>5,780</u>	<u>(39,673)</u>	<u>3,089</u>	<u>(53,589)</u>
Other comprehensive income for the period, net of tax	<u>(15,908)</u>	<u>104,789</u>	<u>(9,266)</u>	<u>146,524</u>
Total comprehensive income for the period	<u><u>644,778</u></u>	<u><u>682,261</u></u>	<u><u>1,317,288</u></u>	<u><u>1,054,655</u></u>

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

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

<u>Group</u>	Non-distributable			Distributable		Total Shareholders' Equity	Minority Interests	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained Profits	Treasury Shares			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2010</b>								
- as previously stated	3,531,926	1,439,885	3,762,784	2,870,249	(581,638)	11,023,206	692,118	11,715,324
- effect of adopting FRS 139	-	-	24,486	241,689	-	266,175	7,169	273,344
<b>At 1 January 2010, as restated</b>	<b>3,531,926</b>	<b>1,439,885</b>	<b>3,787,270</b>	<b>3,111,938</b>	<b>(581,638)</b>	<b>11,289,381</b>	<b>699,287</b>	<b>11,988,668</b>
Profit for the period	-	-	-	1,419,334	-	1,419,334	25,339	1,444,673
Other comprehensive income	-	-	(27,936)	-	-	(27,936)	(41,244)	(69,180)
Total comprehensive income for the period	-	-	(27,936)	1,419,334	-	1,391,398	(15,905)	1,375,493
Buy-back of shares	-	-	-	-	(118)	(118)	-	(118)
Transfer to statutory reserves	-	-	56,242	(56,242)	-	-	-	-
Transfer to regulatory reserves	-	-	6,272	(6,272)	-	-	-	-
Dividends paid	-	-	-	(647,143)	-	(647,143)	(6,112)	(653,255)
Share dividends	-	(366,575)	-	-	366,575	-	-	-
<b>At 30 June 2010</b>	<b>3,531,926</b>	<b>1,073,310</b>	<b>3,821,848</b>	<b>3,821,615</b>	<b>(215,181)</b>	<b>12,033,518</b>	<b>677,270</b>	<b>12,710,788</b>

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

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

<b>Group</b>	<b>Non-distributable Reserves</b>			<b>Distributable Reserves</b>		<b>Total Shareholders' Equity</b>	<b>Minority Interests</b>	<b>Total Equity</b>
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Retained Profits</b>	<b>Treasury Shares</b>			
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2009	3,531,926	2,132,499	3,243,735	1,902,658	(1,274,112)	9,536,706	692,026	10,228,732
Profit for the period	-	-	-	1,200,026	-	1,200,026	15,726	1,215,752
Other comprehensive income	-	-	216,406	-	-	216,406	8,616	225,022
Total comprehensive income for the period	-	-	216,406	1,200,026	-	1,416,432	24,342	1,440,774
Buy-back of shares	-	-	-	-	(88)	(88)	-	(88)
Transfer to statutory reserves	-	-	76,580	(76,580)	-	-	-	-
Transfer to regulatory reserves	-	-	13,960	(13,960)	-	-	-	-
Dividends paid	-	-	-	(629,178)	-	(629,178)	(6,671)	(635,849)
Share dividends	-	(692,614)	-	-	692,614	-	-	-
At 30 June 2009	3,531,926	1,439,885	3,550,681	2,382,966	(581,586)	10,323,872	709,697	11,033,569

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

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

	Non-distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
<b>Bank</b>						
<b>At 1 January 2010</b>						
- as previously stated	3,531,926	1,439,885	3,513,672	2,538,367	(581,638)	10,442,212
- effect of adopting FRS 139	-	-	-	225,622	-	225,622
<b>At 1 January 2010, as restated</b>	<u>3,531,926</u>	<u>1,439,885</u>	<u>3,513,672</u>	<u>2,763,989</u>	<u>(581,638)</u>	<u>10,667,834</u>
Profit for the period	-	-	-	1,326,554	-	1,326,554
Other comprehensive income	-	-	(9,266)	-	-	(9,266)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>(9,266)</u>	<u>1,326,554</u>	<u>-</u>	<u>1,317,288</u>
Buy-back of shares	-	-	-	-	(118)	(118)
Dividends paid	-	-	-	(647,143)	-	(647,143)
Share dividends	-	(366,575)	-	-	366,575	-
<b>At 30 June 2010</b>	<u>3,531,926</u>	<u>1,073,310</u>	<u>3,504,406</u>	<u>3,443,400</u>	<u>(215,181)</u>	<u>11,337,861</u>

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

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

	Non-distributable			Distributable		Total RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
<b>Bank</b>						
At 1 January 2009	3,531,926	2,132,499	3,239,059	1,762,457	(1,274,112)	9,391,829
Profit for the period	-	-	-	908,131	-	908,131
Other comprehensive income	-	-	146,524	-	-	146,524
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>146,524</u>	<u>908,131</u>	<u>-</u>	<u>1,054,655</u>
Buy-back of shares	-	-	-	-	(88)	(88)
Dividends paid	-	-	-	(629,178)	-	(629,178)
Share dividends	-	(692,614)	-	-	692,614	-
At 30 June 2009	<u><u>3,531,926</u></u>	<u><u>1,439,885</u></u>	<u><u>3,385,583</u></u>	<u><u>2,041,410</u></u>	<u><u>(581,586)</u></u>	<u><u>9,817,218</u></u>

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**PUBLIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2010**

	Group		Bank	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Profit before tax expense and zakat	1,904,556	1,564,710	1,669,074	1,174,103
Adjustments for non-cash items	400,936	419,495	(142,962)	103,085
Operating profit before changes in working capital	<b>2,305,492</b>	1,984,205	<b>1,526,112</b>	1,277,188
Changes in working capital:				
Net changes in operating assets	(11,184,560)	(1,666,474)	(10,325,992)	2,363,971
Net changes in operating liabilities	822,923	5,994,395	943,213	(1,415,322)
Tax expense and zakat paid	(228,890)	(310,996)	(168,853)	(246,225)
Net cash (used in) / generated from operating activities	<b>(8,285,035)</b>	6,001,130	<b>(8,025,520)</b>	1,979,612
Net cash used in investing activities	<b>(3,961,724)</b>	(1,910,240)	<b>(4,829,314)</b>	(2,596,294)
Net cash (used in) / generated from financing activities	<b>(681,203)</b>	438,288	<b>(647,262)</b>	566,798
Net change in cash and cash equivalents	<b>(12,927,962)</b>	4,529,178	<b>(13,502,096)</b>	(49,884)
Cash and cash equivalents at beginning of the year	<b>43,480,452</b>	36,597,027	<b>31,868,626</b>	29,564,959
Exchange differences on translation of opening balances	<b>(344,660)</b>	90,352	-	-
Cash and cash equivalents at end of the period (Note)	<b>30,207,830</b>	41,216,557	<b>18,366,530</b>	29,515,075
Note:				
Cash and balances with banks	<b>31,088,701</b>	41,698,513	<b>19,919,084</b>	30,170,103
Less: Balances with banks with maturity more than one month	<b>(880,871)</b>	(481,956)	<b>(1,552,554)</b>	(655,028)
Cash and cash equivalents at end of the period	<b>30,207,830</b>	41,216,557	<b>18,366,530</b>	29,515,075

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

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

**A1. Basis of Preparation**

The unaudited interim financial statements for the 2nd quarter and financial half year ended 30 June 2010 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: held-for-trading financial assets, available-for-sale financial investments, derivative financial instruments and investment properties.

The unaudited interim financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Group and the Bank for the financial year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2009.

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

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

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

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

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

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

The following revised FRSs, new IC Interpretations and Amendments to FRSs have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2010, and have yet to be adopted by the Group and the Bank:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

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

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

**A3. Comments about Seasonal or Cyclical Factors**

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 2nd quarter and financial half year ended 30 June 2010.

**A4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the 2nd quarter and financial half year ended 30 June 2010.

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**A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 2nd quarter and financial half year ended 30 June 2010.

**A6. Debt and Equity Securities**

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

**Share Buy-back**

On 2 March 2010, the shareholders of the Bank renewed their approval for the Bank to buy-back its own shares. During the financial half year ended 30 June 2010, the Bank bought back from the open market, 10,000 PBB Shares listed and quoted as "Local" on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") at an average buy-back price of RM11.74 per share. The total consideration paid for the share buy-back of PBB Shares by the Bank during the financial half year ended 30 June 2010, including transaction costs, was RM117,817 and was financed by internally generated funds. The PBB Shares bought back are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

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

As at 30 June 2010, the number of treasury shares held after deducting the above share dividend distribution was 29,770,704 PBB Shares.

**A7. Dividends Paid and Distributed**

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

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

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Treasury Bills	34,797	66,735	34,797	66,735
Malaysian Government Securities	192,978	433,224	192,978	433,224
Malaysian Government Investment Certificates	25,378	131,661	25,378	101,356
Cagamas bonds	55,301	125,367	-	100,323
Negotiable instruments of deposit Bank Negara Malaysia Monetary Notes	7,562,515	6,243,362	7,444,655	6,193,679
Bank Negara Malaysia Bills	513,829	744,463	434,574	744,463
	448,444	124,937	-	-
	<u>8,833,242</u>	<u>7,869,749</u>	<u>8,132,382</u>	<u>7,639,780</u>
Quoted securities:				
Shares in Malaysia	848	925	848	925
Unquoted securities:				
Private debt securities in Malaysia	87,430	86,601	-	15,110
	<u>87,430</u>	<u>86,601</u>	<u>-</u>	<u>15,110</u>
Total financial assets held-for-trading	<u>8,921,520</u>	<u>7,957,275</u>	<u>8,133,230</u>	<u>7,655,815</u>

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<b>At fair value</b>				
Money market instruments:				
Malaysian Government Securities	2,377,448	2,772,548	2,316,928	2,762,225
Malaysian Government Investment Certificates	1,983,663	2,066,106	1,186,376	1,199,819
Negotiable instruments of deposit Bank Negara Malaysia Monetary notes	44,707	50,637	313,238	310,039
	1,734,212	-	1,516,263	-
	<u>6,140,030</u>	<u>4,889,291</u>	<u>5,332,805</u>	<u>4,272,083</u>
Quoted securities:				
Shares and convertible loan stocks in Malaysia	51,946	49,765	49,404	46,323
Shares outside Malaysia	7,774	6,846	-	-
Trust units in Malaysia				
- Public Institutional Bond Fund	1,577,962	1,415,767	1,475,819	1,315,851
- Others	3,025,331	2,996,838	2,613,127	2,588,541
	<u>4,663,013</u>	<u>4,469,216</u>	<u>4,138,350</u>	<u>3,950,715</u>
Unquoted securities:				
Shares in Malaysia	106,447	20,579	105,442	20,009
Shares outside Malaysia	3,026	3,067	196	61
Private debt securities in Malaysia	2,647,976	2,783,624	2,100,806	2,215,291
	<u>2,757,449</u>	<u>2,807,270</u>	<u>2,206,444</u>	<u>2,235,361</u>
Total financial investments available-for-sale	<u>13,560,492</u>	<u>12,165,777</u>	<u>11,677,599</u>	<u>10,458,159</u>

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<b>At amortised cost</b>				
Money market instruments:				
Malaysian Government Treasury Bills	13,542	9,826	13,542	9,826
Malaysian Government Securities	2,150,016	2,702,667	1,800,454	2,620,859
Malaysian Government Investment Certificates	628,891	566,529	628,891	566,529
Bankers' acceptances and Islamic accepted bills	3,098,196	1,020,955	2,585,942	129,387
Cagamas bonds	80,270	15,107	70,211	5,059
Negotiable instruments of deposit	1,522,479	513,121	6,156,186	4,028,238
Bank Negara Malaysia Monetary Notes	50,000	-	50,000	-
Bank Negara Malaysia Bills	295,581	-	-	-
Hong Kong Government Treasury Bills	207,946	220,788	-	-
Sri Lanka Government Treasury Bills	62,096	53,523	62,096	53,523
	<u>8,109,017</u>	<u>5,102,516</u>	<u>11,367,322</u>	<u>7,413,421</u>
Unquoted securities:				
Shares in Malaysia	-	88,016	-	87,573
Private debt securities in Malaysia	150,886	159,065	140,808	148,976
Private debt securities outside Malaysia	1,016,885	1,283,322	-	-
	<u>1,167,771</u>	<u>1,530,403</u>	<u>140,808</u>	<u>236,549</u>
Accumulated impairment losses	<u>(10,491)</u>	<u>(12,712)</u>	<u>(10,491)</u>	<u>(12,712)</u>
Total financial investments held-to-maturity	<u><u>9,266,297</u></u>	<u><u>6,620,207</u></u>	<u><u>11,497,639</u></u>	<u><u>7,637,258</u></u>



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**A11. Loans, Advances and Financing**

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<b>At amortised cost</b>				
Overdrafts	9,586,557	9,624,895	8,382,755	8,183,430
Term loans				
- Housing loans / financing	40,826,615	37,518,424	35,594,576	32,520,706
- Syndicated term loan / financing	2,212,881	2,263,231	1,068,583	1,101,921
- Hire purchase receivables	33,720,583	31,510,038	22,949,883	21,478,839
- Other term loans / financing	51,836,857	48,078,431	41,359,181	37,935,351
Credit card receivables	1,202,559	1,178,526	1,194,396	1,169,668
Bills receivables	87,257	114,876	83,397	83,335
Trust receipts	377,660	407,432	314,975	333,042
Claims on customers under acceptance credits	3,536,747	3,121,018	3,525,764	3,109,337
Revolving credits	3,359,039	2,961,241	3,436,555	2,997,450
Staff loans *	893,926	832,315	840,954	776,225
Gross loans, advances and financing	<u>147,640,681</u>	<u>137,610,427</u>	<u>118,751,019</u>	<u>109,689,304</u>
Allowance for impaired loans and financing:				
- collective assessment allowance	(2,174,557)	-	(1,789,625)	-
- individual assessment allowance	(223,696)	-	(109,353)	-
- general allowance	-	(2,051,659)	-	(1,645,143)
- specific allowance	-	(222,984)	-	(81,354)
Net loans, advances and financing	<u><u>145,242,428</u></u>	<u><u>135,335,784</u></u>	<u><u>116,852,041</u></u>	<u><u>107,962,807</u></u>

\* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM3,549,564 (2009: RM1,426,094) and RM2,889,020 (2009 - RM711,601) respectively.

**A11a. By type of customer**

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Domestic banking institutions	97,105	68,625	-	-
Domestic non-bank financial institutions				
- Stock-broking companies	2,010	2,010	2,010	2,010
- Others	4,573,980	3,669,909	4,441,897	3,655,532
Domestic business enterprises				
- Small and medium enterprises	26,596,118	24,840,973	23,541,190	21,520,341
- Others	22,308,422	22,424,951	17,861,201	17,072,519
Government and statutory bodies	326,178	316,353	471	534
Individuals	91,758,684	83,606,472	71,113,720	65,745,217
Other domestic entities	30,380	26,919	27,546	25,438
Foreign entities	1,947,804	2,654,215	1,762,984	1,667,713
	<u><u>147,640,681</u></u>	<u><u>137,610,427</u></u>	<u><u>118,751,019</u></u>	<u><u>109,689,304</u></u>

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

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Fixed rate				
- Housing loans / financing	2,136,661	2,399,719	1,146,172	1,375,787
- Hire purchase receivables	32,040,619	30,149,942	22,945,102	21,473,821
- Other fixed rate loans / financing	15,266,865	14,283,642	7,973,960	7,114,932
Variable rate				
- Base lending rate plus	76,887,542	69,865,606	74,679,031	68,141,186
- Cost plus	12,162,111	11,802,092	11,597,824	10,958,834
- Other variable rates	9,146,883	9,109,426	408,930	624,744
	<u>147,640,681</u>	<u>137,610,427</u>	<u>118,751,019</u>	<u>109,689,304</u>

**A11c. By residual contractual maturity**

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Maturity within one year	25,568,179	23,963,064	21,668,328	19,380,641
More than one year to three years	15,961,828	14,871,529	11,806,275	10,813,628
More than three years to five years	16,329,085	16,104,439	12,199,022	12,116,481
More than five years	89,781,589	82,671,395	73,077,394	67,378,554
	<u>147,640,681</u>	<u>137,610,427</u>	<u>118,751,019</u>	<u>109,689,304</u>

**A11d. By geographical distribution**

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Malaysia	134,222,520	123,785,497	118,057,046	108,993,916
Hong Kong SAR and the People's Republic of China	11,091,695	11,316,886	374,405	397,610
Cambodia	1,868,599	2,079,755	-	-
Other countries	457,867	428,289	319,568	297,778
	<u>147,640,681</u>	<u>137,610,427</u>	<u>118,751,019</u>	<u>109,689,304</u>

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

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Purchase of securities	2,373,680	2,383,280	2,223,061	2,233,886
Purchase of transport vehicles	33,884,848	31,628,208	23,109,772	21,601,524
Purchase of landed properties	70,914,354	64,887,271	62,348,209	56,783,539
(of which: - residential	41,228,570	37,953,145	36,012,638	32,962,816
- non-residential)	29,685,784	26,934,126	26,335,571	23,820,723
Purchase of fixed assets (excluding landed properties)	399,357	390,129	321,698	317,880
Personal use	8,758,183	8,477,853	3,944,287	3,847,006
Credit card	1,202,559	1,178,526	1,194,396	1,169,668
Purchase of consumer durables	17,043	16,495	12,968	12,644
Construction	1,633,211	1,552,576	1,011,014	947,445
Mergers & Acquisitions	15,695	99,835	15,695	99,835
Working capital	22,416,150	21,053,154	18,800,986	17,083,443
Other purpose	6,025,601	5,943,100	5,768,933	5,592,434
	147,640,681	137,610,427	118,751,019	109,689,304

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Agriculture, hunting, forestry and fishing	3,167,403	3,080,074	2,923,274	2,776,774
Mining and quarrying	116,606	102,570	107,893	93,681
Manufacturing	7,021,393	6,573,612	6,274,563	5,751,532
Electricity, gas and water	60,111	46,053	12,179	25,004
Construction	6,158,745	5,836,418	5,329,765	5,052,239
Wholesale & retail trade and restaurants & hotels	13,772,036	12,797,310	12,538,504	11,590,257
Transport, storage and communication	1,617,123	1,556,251	1,557,347	1,492,542
Finance, insurance and business services	8,745,503	7,680,286	7,784,302	6,815,720
Real estate	9,974,627	9,403,595	9,448,379	8,732,707
Community, social and personal services	1,325,826	1,260,033	938,293	887,750
Households	94,856,517	88,179,612	71,536,214	66,143,492
(of which: - purchase of residential properties	40,412,416	37,211,245	35,220,825	32,243,051
- purchase of transport vehicles	28,230,545	26,326,889	17,920,438	16,789,954
- others)	26,213,556	24,641,478	18,394,951	17,110,487
Others	824,791	1,094,613	300,306	327,606
	147,640,681	137,610,427	118,751,019	109,689,304

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

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Bankers' acceptances rediscounted	<u>176,096</u>	<u>22,444</u>	<u>175,796</u>	<u>22,444</u>

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
At 1 January				
- as previously stated	1,319,627	1,210,099	813,356	956,329
- effect of adopting FRS 139	439,129	-	433,492	-
At 1 January, as restated	<u>1,758,756</u>	1,210,099	<u>1,246,848</u>	956,329
Impaired during the period / year	1,378,140	2,483,525	1,061,697	1,652,963
Reclassified as non-impaired	(963,306)	(1,694,775)	(798,887)	(1,435,151)
Recoveries	(107,461)	(145,601)	(86,158)	(116,824)
Amount written off	(243,380)	(490,821)	(90,642)	(203,478)
Loans converted to foreclosed properties / securities	(10,659)	(41,436)	(9,529)	(40,457)
Exchange differences	(21,567)	(1,364)	(47)	(26)
Closing balance	<u>1,790,523</u>	<u>1,319,627</u>	<u>1,323,282</u>	<u>813,356</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>1.21%</u>	<u>0.96%</u>	<u>1.11%</u>	<u>0.74%</u>

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Malaysia	1,463,623	945,809	1,307,466	811,737
Hong Kong SAR and the People's Republic of China	185,479	232,902	-	-
Cambodia	96,555	139,297	-	-
Other countries	44,866	1,619	15,816	1,619
	<u>1,790,523</u>	<u>1,319,627</u>	<u>1,323,282</u>	<u>813,356</u>

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

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

	Group		Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	2,718	2,722	2,718	2,722
Purchase of transport vehicles	152,089	145,096	94,882	91,048
Purchase of landed properties	825,144	564,424	724,507	478,758
(of which: - residential	460,682	451,954	409,313	402,129
- non-residential)	364,462	112,470	315,194	76,629
Purchase of fixed assets (excluding landed properties)	13,394	7,021	13,220	6,843
Personal use	170,412	153,777	49,188	47,513
Credit card	13,820	13,998	13,750	13,955
Purchase of consumer durables	304	242	303	222
Construction	18,569	4,861	5,840	-
Working capital	546,242	410,861	371,258	155,944
Other purpose	47,831	16,625	47,616	16,351
	1,790,523	1,319,627	1,323,282	813,356

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

	Group		Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	49,820	5,823	34,739	2,188
Mining and quarrying	6,486	104	5,370	104
Manufacturing	210,325	176,694	152,699	74,987
Electricity, gas and water	1,502	394	-	394
Construction	151,755	50,741	137,801	44,881
Wholesale & retail trade and restaurants & hotels	214,719	129,710	175,186	67,159
Transport, storage and communication	13,359	4,772	13,158	4,527
Finance, insurance and business services	75,242	44,188	43,085	16,249
Real estate	156,148	25,145	145,679	14,823
Community, social and personal services	16,054	3,710	16,054	3,659
Households	849,787	820,172	593,532	582,405
(of which: - purchase of residential properties	447,154	444,561	395,907	394,870
- purchase of transport vehicles	133,108	124,827	79,625	74,438
- others)	269,525	250,784	118,000	113,097
Others	45,326	58,174	5,979	1,980
	1,790,523	1,319,627	1,323,282	813,356

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

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<u>Collective Assessment Allowance</u>				
At 1 January				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	2,019,299	-	1,648,687	-
At 1 January, as restated	2,019,299	-	1,648,687	-
Allowance made during the period / year	261,837	-	218,951	-
Amount transferred from individual assessment allowance	11,349	-	11,349	-
Amount written off	(113,532)	-	(89,157)	-
Exchange differences	(4,396)	-	(205)	-
	<u>2,174,557</u>	<u>-</u>	<u>1,789,625</u>	<u>-</u>
	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
<u>Individual Assessment Allowance</u>				
At 1 January				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	233,710	-	108,766	-
At 1 January, as restated	233,710	-	108,766	-
Allowance made during the period / year	186,668	-	29,386	-
Amount written back in respect of recoveries	(45,206)	-	(15,965)	-
Amount transferred to collective assessment allowance	(11,349)	-	(11,349)	-
Amount written off	(129,848)	-	(1,485)	-
Exchange differences	(10,279)	-	-	-
	<u>223,696</u>	<u>-</u>	<u>109,353</u>	<u>-</u>

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

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

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

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

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

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**A12. Other Assets**

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Deferred handling fees	202,205	185,114	142,671	130,372
Interest / Income receivable	46,437	54,184	30,417	38,196
Other receivables, deposits and prepayments	1,094,601	968,160	935,404	736,148
Manager's stocks	29,821	40,730	-	-
Amount due from trust funds	377,055	154,740	-	-
Foreclosed properties	126,500	131,371	124,689	130,369
Taxi licenses	6,274	6,664	-	-
Outstanding contracts on clients' accounts	213,450	217,615	-	-
Amount due from subsidiary companies	-	-	42,188	51,966
Dividend receivable from subsidiary companies	-	-	373,232	366,489
	<u>2,096,343</u>	<u>1,758,578</u>	<u>1,648,601</u>	<u>1,453,540</u>

**A13. Deposits from Customers**

a) By type of deposit

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Demand deposits	23,196,808	22,258,977	19,955,083	19,218,621
Savings deposits	19,593,405	19,576,012	13,359,516	12,842,016
Fixed deposits	92,359,974	85,787,925	72,233,240	65,550,396
Negotiable instruments of deposit	3,731,034	3,394,628	479,077	2,540,777
Money market deposits	35,168,311	38,694,799	30,011,746	34,058,387
Other deposits	519,767	1,179,248	518,624	1,177,293
	<u>174,569,299</u>	<u>170,891,589</u>	<u>136,557,286</u>	<u>135,387,490</u>

b) By type of customer

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Federal and state governments	1,287,034	1,034,892	498,326	548,678
Local government and statutory authorities	2,194,013	2,440,787	1,730,744	1,759,750
Business enterprises	55,247,969	55,506,241	41,070,953	41,257,683
Individuals	82,298,841	80,493,668	69,561,619	66,868,296
Foreign customers	4,933,549	4,203,078	4,276,102	5,345,529
Others	28,607,893	27,212,923	19,419,542	19,607,554
	<u>174,569,299</u>	<u>170,891,589</u>	<u>136,557,286</u>	<u>135,387,490</u>



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

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Due within six months	114,575,501	112,029,003	87,483,730	87,562,161
More than six months to one year	16,374,018	15,189,248	14,974,714	14,073,917
More than one year to three years	283,457	621,041	241,672	494,807
More than three years to five years	26,343	38,060	23,947	18,675
	<u>131,259,319</u>	<u>127,877,352</u>	<u>102,724,063</u>	<u>102,149,560</u>

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

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Licensed banks	15,103,782	15,331,108	12,150,676	12,524,465
Licensed Islamic banks	1,166,514	1,923,325	-	-
Licensed investment banks	443,800	2,027,848	346,085	2,594,024
Bank Negara Malaysia	639,951	3,651	637,276	-
Other financial institutions	1,468,551	3,328,368	7,035,979	5,665,440
	<u>18,822,598</u>	<u>22,614,300</u>	<u>20,170,016</u>	<u>20,783,929</u>

**A15. Other Liabilities**

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Interest / income payable	640,775	687,036	561,516	607,897
Other payables and accruals	1,637,927	1,463,226	1,008,902	794,835
Amount due to trust funds	365,225	78,827	-	-
Unprocessed sales and / or redemptions	14,375	64,761	-	-
Employee benefits	(69,896)	(66,325)	(67,281)	(63,844)
Profit Equalisation Reserves	24,085	11,876	-	-
Finance lease liabilities	28,830	42,852	28,830	42,852
Outstanding contracts on clients' accounts	201,722	208,912	-	-
Dividend payable to shareholders	8,439	20,592	2,327	3,712
Amount due to subsidiary companies	-	-	14,319	13,926
	<u>2,851,482</u>	<u>2,511,757</u>	<u>1,548,613</u>	<u>1,399,378</u>

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**A16. Interest Income**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Loans, advances and financing	<b>1,640,903</b>	1,414,497	<b>3,160,654</b>	2,849,214
Balances with banks	<b>153,020</b>	186,075	<b>279,950</b>	456,049
Financial investments available-for-sale	<b>38,725</b>	30,585	<b>76,507</b>	51,218
Financial investments held-to-maturity	<b>67,765</b>	69,395	<b>159,098</b>	150,434
Others	<b>18,675</b>	14,417	<b>37,434</b>	27,780
	<b>1,919,088</b>	1,714,969	<b>3,713,643</b>	3,534,695
Financial assets held-for-trading	<b>43,291</b>	48,517	<b>76,233</b>	140,717
	<b>1,962,379</b>	1,763,486	<b>3,789,876</b>	3,675,412

Of which:

Interest income earned on impaired loans,  
advances and financing

<b>15,409</b>	-	<b>29,107</b>	-
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	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
Loans, advances and financing	<b>1,440,140</b>	1,223,970	<b>2,756,309</b>	2,488,406
Balances with banks	<b>115,011</b>	160,020	<b>235,913</b>	385,770
Financial investments available-for-sale	<b>35,290</b>	23,403	<b>68,932</b>	44,708
Financial investments held-to-maturity	<b>73,885</b>	59,792	<b>139,617</b>	131,015
Others	<b>18,672</b>	14,443	<b>37,266</b>	27,821
	<b>1,682,998</b>	1,481,628	<b>3,238,037</b>	3,077,720
Financial assets held-for-trading	<b>35,530</b>	43,966	<b>61,584</b>	132,068
	<b>1,718,528</b>	1,525,594	<b>3,299,621</b>	3,209,788

Of which:

Interest income earned on impaired loans,  
advances and financing

<b>14,118</b>	-	<b>26,303</b>	-
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**A17. Interest Expense**

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Deposits from banks	48,059	30,527	88,309	66,207
Deposits from customers	709,869	697,641	1,357,301	1,520,620
Loans sold to Cagamas	215	2,934	436	39,987
Debt securities issued and other borrowed funds	64,026	48,406	123,418	104,393
Others	789	1,218	1,524	2,597
	<u>822,958</u>	<u>780,726</u>	<u>1,570,988</u>	<u>1,733,804</u>

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Deposits from banks	36,838	17,864	61,580	43,918
Deposits from customers	662,944	661,149	1,264,535	1,453,403
Loans sold to Cagamas	215	2,934	436	39,987
Debt securities issued and other borrowed funds	59,634	47,411	115,649	102,496
Others	704	1,136	1,326	2,450
	<u>760,335</u>	<u>730,494</u>	<u>1,443,526</u>	<u>1,642,254</u>

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**A18. Other Operating Income**

<u>Group</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
(a) Fee income:				
Commissions	43,700	34,851	81,378	68,562
Service charges and fees	54,535	51,894	106,790	101,201
Guarantee fees	8,191	7,507	15,645	15,921
Processing fees	2,470	2,929	4,507	8,521
Commitment fees	15,101	12,955	30,318	25,612
Unit trust management fees	116,629	86,316	231,371	157,185
Fee on sale of trust units	21,839	14,342	45,272	29,670
Net brokerage and commissions from stockbroking activities	24,167	27,527	48,204	37,544
Other fee income	8,174	21,977	17,100	31,173
	<u>294,806</u>	<u>260,298</u>	<u>580,585</u>	<u>475,389</u>
(b) Net gain arising on financial assets held-for-trading				
- net gain on disposal	1,988	1,487	2,899	7,693
- gross dividend income	893	7	902	14
- unrealised revaluation gain	5,657	247	7,342	3,464
	<u>8,538</u>	<u>1,741</u>	<u>11,143</u>	<u>11,171</u>
(c) Unrealised net loss on revaluation of trading derivatives	<u>(7,136)</u>	<u>(4,856)</u>	<u>(6,663)</u>	<u>(7,063)</u>
(d) Net gain arising on financial investments available-for-sale				
- net (loss) / gain on disposal	(68)	31,511	1,892	37,531
- gross dividend income	26,108	11,843	52,834	29,497
	<u>26,040</u>	<u>43,354</u>	<u>54,726</u>	<u>67,028</u>
(e) Gross dividend income from financial investments held-to-maturity	<u>-</u>	<u>102</u>	<u>-</u>	<u>124</u>
(f) Ineffectiveness arising from hedging derivatives	<u>1,017</u>	<u>(108)</u>	<u>560</u>	<u>(79)</u>
(g) Other income:				
Foreign exchange profit	65,852	47,428	126,550	87,646
Rental income from:				
- investment properties	1,342	1,394	2,749	2,812
- other properties	2,417	2,217	4,822	4,194
Net gain on disposal of property and equipment	721	1,067	736	1,085
Net loss on disposal of foreclosed properties	(461)	(1,205)	(166)	(2,105)
Net gain on revaluation of investment properties	1,390	7,081	1,390	7,081
Others	5,639	8,597	10,658	14,078
	<u>76,900</u>	<u>66,579</u>	<u>146,739</u>	<u>114,791</u>
Total other operating income	<u>400,165</u>	<u>367,110</u>	<u>787,090</u>	<u>661,361</u>

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
<b>Bank</b>				
(a) Fee income:				
Commissions	54,667	38,078	103,495	71,821
Service charges and fees	37,904	38,820	65,622	72,882
Guarantee fees	6,554	5,811	12,305	12,476
Processing fees	403	364	682	570
Commitment fees	14,283	11,974	28,630	23,587
Other fee income	5,725	19,441	5,394	26,759
	<u>119,536</u>	<u>114,488</u>	<u>216,128</u>	<u>208,095</u>
(b) Net gain arising on financial assets held-for-trading				
- net gain on disposal	2,018	1,456	2,941	6,996
- gross dividend income	896	7	902	14
- unrealised revaluation gain	5,530	193	7,264	3,678
	<u>8,444</u>	<u>1,656</u>	<u>11,107</u>	<u>10,688</u>
(c) Unrealised net (loss) / gain on revaluation of trading derivatives	<u>(1,234)</u>	<u>2,285</u>	<u>1,317</u>	<u>653</u>
(d) Net gain arising on financial investments available-for-sale				
- net gain on disposal	44	19,443	2,004	24,597
- gross dividend income	24,317	10,549	50,059	27,285
	<u>24,361</u>	<u>29,992</u>	<u>52,063</u>	<u>51,882</u>
(e) Gross dividend income from financial investments held-to-maturity	<u>-</u>	<u>60</u>	<u>-</u>	<u>82</u>
(f) Ineffectiveness arising from hedging derivatives	<u>216</u>	<u>56</u>	<u>291</u>	<u>43</u>
(g) Gross dividend income from:				
- subsidiary companies				
- quoted outside Malaysia	16,832	18,249	16,832	18,249
- unquoted in Malaysia	119,487	102,111	269,661	112,111
	<u>136,319</u>	<u>120,360</u>	<u>286,493</u>	<u>130,360</u>
(f) Other income:				
Foreign exchange profit	72,955	102,718	196,060	56,837
Rental income from other properties	1,449	1,251	2,877	2,317
Net gain on disposal of property and equipment	720	1,069	749	1,093
Net loss on disposal of foreclosed properties	(1,219)	(1,365)	(2,026)	(2,265)
Others	4,760	7,308	9,733	12,624
	<u>78,665</u>	<u>110,981</u>	<u>207,393</u>	<u>70,606</u>
Total other operating income	<u>366,307</u>	<u>379,878</u>	<u>774,792</u>	<u>472,409</u>

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**A19. Other Operating Expenses**

<b>Group</b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>297,263</b>	250,461	<b>596,350</b>	504,157
- Pension costs	<b>31,608</b>	32,458	<b>63,225</b>	65,130
- Others	<b>30,372</b>	25,864	<b>56,039</b>	48,408
	<b>359,243</b>	308,783	<b>715,614</b>	617,695
Establishment costs				
- Depreciation and amortisation	<b>34,672</b>	33,505	<b>68,683</b>	66,904
- Rental	<b>18,225</b>	18,029	<b>36,282</b>	35,092
- Insurance	<b>4,745</b>	4,312	<b>10,177</b>	8,771
- Water and electricity	<b>10,135</b>	9,427	<b>19,245</b>	17,872
- General repairs and maintenance	<b>16,009</b>	14,067	<b>32,028</b>	30,866
- Information technology expenses	<b>6,504</b>	6,341	<b>13,151</b>	12,287
- Others	<b>8,238</b>	8,007	<b>16,702</b>	15,575
	<b>98,528</b>	93,688	<b>196,268</b>	187,367
Marketing expenses				
- Sales commission	<b>26,740</b>	20,811	<b>53,502</b>	37,714
- Advertisement and publicity	<b>21,032</b>	22,695	<b>42,442</b>	41,335
- Others	<b>24,017</b>	20,522	<b>50,049</b>	35,529
	<b>71,789</b>	64,028	<b>145,993</b>	114,578
Administration and general expenses				
- Communication expenses	<b>24,403</b>	18,618	<b>46,361</b>	35,103
- Legal and professional fees	<b>12,818</b>	12,746	<b>26,249</b>	25,678
- Others	<b>16,357</b>	18,040	<b>42,744</b>	32,615
	<b>53,578</b>	49,404	<b>115,354</b>	93,396
Total other operating expenses	<b>583,138</b>	515,903	<b>1,173,229</b>	1,013,036

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
<b><u>Bank</u></b>				
Personnel costs				
- Salaries, allowances and bonuses	229,493	200,753	457,326	400,833
- Pension costs	27,499	28,415	54,809	56,715
- Others	26,688	22,245	49,846	42,038
	<u>283,680</u>	<u>251,413</u>	<u>561,981</u>	<u>499,586</u>
Establishment costs				
- Depreciation and amortisation	27,456	26,115	54,471	52,078
- Rental	18,051	18,073	35,928	35,292
- Insurance	3,668	3,907	7,597	6,947
- Water and electricity	7,555	7,050	14,342	13,505
- General repairs and maintenance	14,456	12,342	28,597	27,019
- Information technology expenses	3,825	3,414	7,736	6,828
- Others	5,428	4,927	10,949	9,933
	<u>80,439</u>	<u>75,828</u>	<u>159,620</u>	<u>151,602</u>
Marketing expenses				
- Advertisement and publicity	8,942	10,115	17,246	18,593
- Others	14,441	12,799	28,860	25,937
	<u>23,383</u>	<u>22,914</u>	<u>46,106</u>	<u>44,530</u>
Administration and general expenses				
- Communication expenses	23,639	17,731	44,751	33,058
- Legal and professional fees	10,264	11,038	20,579	20,979
- Others	9,051	6,826	28,210	11,494
	<u>42,954</u>	<u>35,595</u>	<u>93,540</u>	<u>65,531</u>
Shared service cost charged to Public Islamic Bank Berhad	(41,433)	(32,671)	(81,428)	(67,513)
Total other operating expenses	<u>389,023</u>	<u>353,079</u>	<u>779,819</u>	<u>693,736</u>

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

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
<b><u>Group</u></b>				
Allowance for impaired loans and financing:				
Collective assessment allowance	135,076	-	261,837	-
Individual assessment allowance	85,929	-	141,462	-
General allowance	-	88,683	-	156,691
Specific allowance	-	130,800	-	253,671
Bad debts recovered from stock broking activities	(46)	(93)	(46)	(102)
Impaired loans and financing written off	177	700	295	1,200
Impaired loans and financing recovered	(46,439)	(39,785)	(89,089)	(74,801)
	<b>174,697</b>	<b>180,305</b>	<b>314,459</b>	<b>336,659</b>
	<b>2nd Quarter Ended</b>	<b>30 June</b>	<b>Half Year Ended</b>	<b>30 June</b>
	<b>2010 RM'000</b>	<b>2009 RM'000</b>	<b>2010 RM'000</b>	<b>2009 RM'000</b>
<b><u>Bank</u></b>				
Allowance for impaired loans and financing:				
Collective assessment allowance	111,994	-	218,951	-
Individual assessment allowance	13,940	-	13,421	-
General allowance	-	58,041	-	118,887
Specific allowance	-	50,210	-	94,791
Impaired loans and financing written off	146	31	233	304
Impaired loans and financing recovered	(27,334)	(24,684)	(53,060)	(44,821)
	<b>98,746</b>	<b>83,598</b>	<b>179,545</b>	<b>169,161</b>



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**A21. Segment Information**

2nd Quarter Ended 30 June 2010	----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	465,704	1,168,138	164,886	306,082	48,555	138,606	1,260	129,544	2,422,775	256,486	-	2,679,261
Revenue from other segments	-	183,957	2,190	103,081	11,922	(9,388)	6,864	267,557	566,183	778	(566,961)	-
	<b>465,704</b>	<b>1,352,095</b>	<b>167,076</b>	<b>409,163</b>	<b>60,477</b>	<b>129,218</b>	<b>8,124</b>	<b>397,101</b>	<b>2,988,958</b>	<b>257,264</b>	<b>(566,961)</b>	<b>2,679,261</b>
Net interest income and												
Islamic banking income	225,428	793,017	60,462	25,012	3,025	1,398	(1,479)	57,612	1,164,475	173,387	-	1,337,862
Other operating income	762	147,326	9,534	32,533	17,519	128,807	8,097	39,134	383,712	38,749	(22,296)	400,165
Net income	226,190	940,343	69,996	57,545	20,544	130,205	6,618	96,746	1,548,187	212,136	(22,296)	1,738,027
Other operating expenses	(37,039)	(313,928)	(1,534)	(5,947)	(9,389)	(63,511)	(3,590)	(86,952)	(521,890)	(83,544)	22,296	(583,138)
Allowance for impairment on loans, advances and financing	(25,062)	(83,234)	(8,914)	-	(7)	-	-	-	(117,217)	(57,480)	-	(174,697)
Impairment on other assets	-	(731)	-	1	-	-	-	-	(730)	-	-	(730)
Profit by segments	<b>164,089</b>	<b>542,450</b>	<b>59,548</b>	<b>51,599</b>	<b>11,148</b>	<b>66,694</b>	<b>3,028</b>	<b>9,794</b>	<b>908,350</b>	<b>71,112</b>	<b>-</b>	<b>979,462</b>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									85	2,434		2,519
Profit before tax expense and zakat									<b>908,435</b>	<b>73,546</b>		<b>981,981</b>

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**A21. Segment Information (continued)**

2nd Quarter Ended 30 June 2009	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	401,157	1,046,865	133,104	313,380	48,919	100,754	1,065	24,948	2,070,192	280,428	-	2,350,620
Revenue from other segments	-	190,237	2,777	37,342	9,270	(2,702)	6,847	278,852	522,623	6,786	(529,409)	-
	<u>401,157</u>	<u>1,237,102</u>	<u>135,881</u>	<u>350,722</u>	<u>58,189</u>	<u>98,052</u>	<u>7,912</u>	<u>303,800</u>	<u>2,592,815</u>	<u>287,214</u>	<u>(529,409)</u>	<u>2,350,620</u>
Net interest income and												
Islamic banking income	225,245	637,319	51,052	26,211	4,733	428	(778)	30,896	975,106	172,642	-	1,147,748
Other operating income	794	144,817	17,309	34,950	20,950	98,067	7,873	7,895	332,655	52,631	(18,176)	367,110
Net income	<u>226,039</u>	<u>782,136</u>	<u>68,361</u>	<u>61,161</u>	<u>25,683</u>	<u>98,495</u>	<u>7,095</u>	<u>38,791</u>	<u>1,307,761</u>	<u>225,273</u>	<u>(18,176)</u>	<u>1,514,858</u>
Other operating expenses	(30,265)	(284,819)	(2,037)	(4,127)	(11,331)	(50,996)	(3,350)	(66,556)	(453,481)	(80,598)	18,176	(515,903)
Allowance for impairment on loans, advances and financing	(23,843)	(65,860)	(16,551)	-	313	-	-	-	(105,941)	(74,364)	-	(180,305)
Impairment on other assets	-	(1,157)	-	-	-	-	-	-	(1,157)	-	-	(1,157)
Profit by segments	<u>171,931</u>	<u>430,300</u>	<u>49,773</u>	<u>57,034</u>	<u>14,665</u>	<u>47,499</u>	<u>3,745</u>	<u>(27,765)</u>	<u>747,182</u>	<u>70,311</u>	<u>-</u>	<u>817,493</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									80	2,209		2,289
Profit before tax expense and zakat									<u>747,262</u>	<u>72,520</u>		<u>819,782</u>

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**A21. Segment Information** (continued)

Half Year Ended 30 June 2010	-----> Operating Segments <----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	913,527	2,273,556	318,193	588,057	100,340	276,912	2,521	204,188	4,677,294	509,726	-	5,187,020
Revenue from other segments	-	333,370	4,134	228,950	20,798	(20,235)	13,713	571,922	1,152,652	2,082	(1,154,734)	-
	<u>913,527</u>	<u>2,606,926</u>	<u>322,327</u>	<u>817,007</u>	<u>121,138</u>	<u>256,677</u>	<u>16,234</u>	<u>776,110</u>	<u>5,829,946</u>	<u>511,808</u>	<u>(1,154,734)</u>	<u>5,187,020</u>
Net interest income and Islamic banking income	458,151	1,501,892	120,106	51,943	6,244	2,677	(2,725)	115,686	2,253,974	348,549	-	2,602,523
Other operating income	1,542	288,532	23,741	66,553	36,926	255,733	16,181	72,193	761,401	70,762	(45,073)	787,090
Net income	459,693	1,790,424	143,847	118,496	43,170	258,410	13,456	187,879	3,015,375	419,311	(45,073)	3,389,613
Other operating expenses	(75,581)	(648,318)	(3,851)	(11,295)	(19,421)	(128,518)	(7,109)	(152,420)	(1,046,513)	(171,789)	45,073	(1,173,229)
Allowance for impairment on loans, advances and financing	(53,141)	(144,590)	(18,937)	-	(156)	-	-	5	(216,819)	(97,640)	-	(314,459)
Impairment on other assets	-	(2,449)	-	(73)	-	-	-	-	(2,522)	-	-	(2,522)
Profit by segments	<u>330,971</u>	<u>995,067</u>	<u>121,059</u>	<u>107,128</u>	<u>23,593</u>	<u>129,892</u>	<u>6,347</u>	<u>35,464</u>	<u>1,749,521</u>	<u>149,882</u>	<u>-</u>	<u>1,899,403</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									163	4,990		5,153
Profit before tax expense and zakat									<u>1,749,684</u>	<u>154,872</u>		<u>1,904,556</u>
Cost income ratio	16.4%	36.2%	2.7%	9.5%	45.0%	49.7%	52.8%	81.1%	34.7%	41.0%		34.6%
Gross loans	31,840,317	85,232,387	17,493,669	-	215,868	38,246	2,200	-	134,822,687	12,817,994		147,640,681
Impaired loans, advances and financing	149,237	1,214,413	129,023	-	-	-	-	-	1,492,673	297,850		1,790,523
Impaired loan ratio	0.5%	1.4%	0.7%	-	-	-	-	-	1.1%	2.3%		1.2%
Deposits from customers	-	108,896,411	247,409	47,318,998	3,982,322	-	-	-	160,445,140	14,124,159		174,569,299
Segment assets	<u>31,586,090</u>	<u>111,895,352</u>	<u>17,172,136</u>	<u>64,259,028</u>	<u>6,087,625</u>	<u>499,052</u>	<u>260,159</u>	<u>13,672,001</u>	<u>245,431,443</u>	<u>18,750,979</u>	<u>(48,457,289)</u>	<u>215,725,133</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									1,875	124,353		126,228
Unallocated assets									1,190,457	-		1,190,457
Intangible assets									769,251	1,216,623		1,985,874
Total assets									<u>247,393,026</u>	<u>20,091,955</u>		<u>219,027,692</u>

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**A21. Segment Information (continued)**

Half Year Ended 30 June 2009	-----<----- Operating Segments ----->-----							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	795,482	2,099,368	264,789	700,845	92,522	187,033	2,172	71,300	4,213,511	568,570	-	4,782,081
Revenue from other segments	-	405,457	4,715	128,039	17,544	(4,572)	13,652	409,460	974,295	18,130	(992,425)	-
	<u>795,482</u>	<u>2,504,825</u>	<u>269,504</u>	<u>828,884</u>	<u>110,066</u>	<u>182,461</u>	<u>15,824</u>	<u>480,760</u>	<u>5,187,806</u>	<u>586,700</u>	<u>(992,425)</u>	<u>4,782,081</u>
Net interest income and												
Islamic banking income	405,566	1,260,465	89,736	82,348	10,574	244	(1,677)	60,951	1,908,207	343,195	-	2,251,402
Other operating income	1,593	243,953	30,691	57,328	30,274	182,192	15,778	43,451	605,260	90,127	(34,026)	661,361
Net income	<u>407,159</u>	<u>1,504,418</u>	<u>120,427</u>	<u>139,676</u>	<u>40,848</u>	<u>182,436</u>	<u>14,101</u>	<u>104,402</u>	<u>2,513,467</u>	<u>433,322</u>	<u>(34,026)</u>	<u>2,912,763</u>
Other operating expenses	(63,489)	(571,886)	(3,245)	(8,641)	(18,773)	(84,311)	(7,173)	(125,320)	(882,838)	(164,224)	34,026	(1,013,036)
Allowance for impairment on loans, advances and financing	(47,853)	(109,405)	(44,556)	-	419	-	-	-	(201,395)	(135,264)	-	(336,659)
Impairment on other assets	-	(2,943)	-	-	-	-	-	-	(2,943)	-	-	(2,943)
Profit by segments	<u>295,817</u>	<u>820,184</u>	<u>72,626</u>	<u>131,035</u>	<u>22,494</u>	<u>98,125</u>	<u>6,928</u>	<u>(20,918)</u>	<u>1,426,291</u>	<u>133,834</u>	<u>-</u>	<u>1,560,125</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									150	4,435		4,585
Profit before tax expense and zakat									<u>1,426,441</u>	<u>138,269</u>		<u>1,564,710</u>
Cost income ratio	15.6%	38.0%	2.7%	6.2%	46.0%	46.2%	50.9%	120.0%	35.1%	37.9%		34.8%
Gross loans	28,669,077	71,690,149	15,158,848	-	228,337	29,788	2,080	-	115,778,279	13,600,049		129,378,328
Impaired loans, advances and financing	150,889	818,545	41,967	-	-	-	-	-	1,011,401	197,076		1,208,477
Impaired loan ratio	0.5%	1.1%	0.3%	-	-	-	-	-	0.9%	1.4%		0.9%
Deposits from customers	-	103,399,374	269,658	34,126,104	3,860,695	-	-	-	141,655,831	13,968,943		155,624,774
Segment assets	<u>28,386,887</u>	<u>108,157,902</u>	<u>14,918,853</u>	<u>60,231,955</u>	<u>6,099,860</u>	<u>461,130</u>	<u>185,127</u>	<u>1,228,073</u>	<u>219,669,787</u>	<u>19,381,015</u>	<u>(38,158,473)</u>	<u>200,892,329</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									1,565	132,678		134,243
Unallocated assets									920,267	-		920,267
Intangible assets									769,251	1,321,913		2,091,164
Total assets									<u>221,360,870</u>	<u>20,835,606</u>		<u>204,038,003</u>

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

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

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

**A22. Subsequent Events**

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

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

There were no significant changes in the composition of the Group during the period ended 30 June 2010.

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**A24. Commitments and Contingencies**

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

<b>Group</b> <b>As At 30 June 2010</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	1,413,999		1,413,999	855,489
Transaction-related contingent items	673,635		336,818	200,004
Short term self-liquidating trade-related contingencies	589,514		117,903	87,776
Forward asset purchases	546,025		546,025	71,241
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	15,620,822		5,669,156	3,992,144
- not exceeding one year	20,873,464		-	-
Unutilised credit card lines	3,035,331		607,066	455,300
	<b>42,827,790</b>		<b>8,728,467</b>	<b>5,699,454</b>
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
- less than one year	14,815,480	77,495	244,086	72,201
Interest rate related contracts:				
- less than one year	806,063	11,968	13,818	2,776
- one year to less than five years	5,951,095	129,106	278,836	57,515
- five years and above	4,145,943	178,075	481,850	97,098
Commodity related contracts:				
- less than one year	387	3	6	6
Equity related contracts:				
- less than one year	238,010	683	14,963	2,993
- one year to less than five years	201,317	15,046	31,152	6,230
	<b>26,158,295</b>	<b>412,376</b>	<b>1,064,711</b>	<b>238,819</b>
	<b>68,986,085</b>	<b>412,376</b>	<b>9,793,178</b>	<b>5,938,273</b>

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

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

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

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

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

<b>Bank</b>	<b>Principal</b>	<b>Positive</b>	<b>Credit</b>	<b>Risk-</b>
<b>As At 30 June 2010</b>	<b>Amount</b>	<b>Fair Value</b>	<b>Equivalent</b>	<b>Weighted</b>
	<b>RM'000</b>	<b>of Derivative</b>	<b>Amount</b>	<b>Assets</b>
	<b>RM'000</b>	<b>Contracts</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>The Bank (excl. Public Bank (L) Ltd.)</b>				
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	1,313,750		1,313,750	842,169
Transaction-related contingent items	617,689		308,845	190,997
Short term self-liquidating trade-related contingencies	398,712		79,742	73,392
Forward asset purchases	262,998		262,998	14,635
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	14,476,785		5,245,041	3,686,800
- not exceeding one year	19,161,851		-	-
Unutilised credit card lines	2,858,866		571,773	428,830
	<b>39,165,651</b>		<b>7,819,649</b>	<b>5,274,323</b>
<u>Derivative Financial Contracts</u>				
Foreign exchange related contracts:				
- less than one year	14,501,074	75,449	240,152	71,414
Interest rate related contracts:				
- less than one year	658,143	11,967	13,447	2,689
- one year to less than five years	5,611,262	129,106	265,243	54,796
- five years and above	4,048,848	178,075	473,111	95,350
Commodity related contracts:				
- less than one year	387	3	6	6
Equity related contracts:				
- less than one year	238,010	683	14,963	2,993
- one year to less than five years	201,317	15,046	31,152	6,230
	<b>25,259,041</b>	<b>410,329</b>	<b>1,038,074</b>	<b>233,478</b>
	<b>64,424,692</b>	<b>410,329</b>	<b>8,857,723</b>	<b>5,507,801</b>
<b>Public Bank (L) Ltd.</b>				
<u>Commitments and Contingent Liabilities</u>				
Direct credit substitutes	4,855		4,855	4,855
Other commitments such as formal standby facilities and credit lines, with an original maturity of :				
- not exceeding one year	12,908		-	-
	<b>17,763</b>		<b>4,855</b>	<b>4,855</b>



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

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

<b>Bank (continued)</b> <b>As At 30 June 2010</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>Public Bank (L) Ltd. (continued)</b>				
<u>Derivative Financial Contracts</u>				
Interest rate related contracts:				
- less than one year	64,730	-	162	45
- one year to less than five years	339,833	-	13,593	2,719
- five years and above	97,095	-	8,739	1,748
	<b>501,658</b>	<b>-</b>	<b>22,494</b>	<b>4,512</b>
	<b>519,421</b>	<b>-</b>	<b>27,349</b>	<b>9,367</b>
	<b>64,944,113</b>	<b>410,329</b>	<b>8,885,072</b>	<b>5,517,168</b>

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

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

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

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

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

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

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

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

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**A25. Derivative Financial Instruments**

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

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

Group	As at 30 June 2010			As at 31 December 2009		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives:</b>						
Foreign exchange contracts						
- Currency forwards	1,780,882	7,993	14,424	806,819	4,760	4,955
- Currency swaps	12,993,028	69,223	108,070	10,354,354	35,292	68,989
- Currency options purchased	41,571	279	-	47,045	1,291	-
Interest rate related contracts						
- Interest rate swaps	167,540	13	144	84,350	84	36
Equity related contracts						
- Options purchased	439,327	15,729	-	480,456	22,096	-
Precious metal contracts						
- Forwards	387	3	1	3,767	17	1
	<b>15,422,735</b>	<b>93,240</b>	<b>122,639</b>	11,776,791	63,540	73,981
<b>Hedging derivatives:</b>						
<b>Fair value hedge</b>						
Interest rate related contracts						
- Interest rate swaps	10,251,561	311,045	221,899	10,458,170	235,459	195,688
<b>Cash flow hedge</b>						
Interest rate related contracts						
- Interest rate swaps	484,000	8,091	110	534,000	11,312	387
	<b>10,735,561</b>	<b>319,136</b>	<b>222,009</b>	10,992,170	246,771	196,075
Total	<b>26,158,296</b>	<b>412,376</b>	<b>344,648</b>	22,768,961	310,311	270,056

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

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

Bank	As at 30 June 2010			As at 31 December 2009		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading derivatives:</b>						
Foreign exchange contracts						
- Currency forwards	1,634,881	7,731	14,158	761,996	4,663	4,786
- Currency swaps	12,824,622	67,439	106,063	9,717,788	30,239	68,421
- Currency options purchased	41,571	279	-	47,045	1,291	-
Interest rate related contracts						
- Interest rate swaps	540,697	7,903	27,960	567,698	6,461	34,085
Equity related contracts						
- Options purchased	439,327	15,729	-	480,456	22,096	-
Precious metal contracts						
- Forwards	387	3	1	3,767	17	1
	<b>15,481,485</b>	<b>99,084</b>	<b>148,182</b>	<b>11,578,750</b>	<b>64,767</b>	<b>107,293</b>
<b>Hedging derivatives:</b>						
<b>Fair value hedge</b>						
Interest rate related contracts						
- Interest rate swaps	9,293,556	303,154	153,980	9,443,482	226,782	135,716
<b>Cash flow hedge</b>						
Interest rate related contracts						
- Interest rate swaps	484,000	8,091	110	534,000	11,312	387
	<b>9,777,556</b>	<b>311,245</b>	<b>154,090</b>	<b>9,977,482</b>	<b>238,094</b>	<b>136,103</b>
Total	<b>25,259,041</b>	<b>410,329</b>	<b>302,272</b>	<b>21,556,232</b>	<b>302,861</b>	<b>243,396</b>

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

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

**Group**

Items	Contract / Notional Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,780,882	1,113,885	218,918	260,330	187,749	-	-
- currency swaps	12,993,027	4,575,415	6,980,626	1,436,986	-	-	-
- currency options purchased	41,571	-	41,571	-	-	-	-
	14,815,480	5,689,300	7,241,115	1,697,316	187,749	-	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,903,101	-	64,730	45,311	696,022	3,164,122	6,932,916
<b>Equity related contracts</b>							
- options purchased	439,327	-	-	-	238,010	-	201,317
<b>Precious metal contracts</b>							
- forwards	387	387	-	-	-	-	-
<b>Total</b>	<b>26,158,295</b>	<b>5,689,687</b>	<b>7,305,845</b>	<b>1,742,627</b>	<b>1,121,781</b>	<b>3,164,122</b>	<b>7,134,233</b>

**Bank**

Items	Contract / Notional Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,634,881	967,884	218,918	260,330	187,749	-	-
- currency swaps	12,824,622	4,434,611	6,953,025	1,436,986	-	-	-
- currency options purchased	41,571	-	41,571	-	-	-	-
	14,501,074	5,402,495	7,213,514	1,697,316	187,749	-	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,318,253	-	64,730	45,311	548,102	3,164,122	6,495,988
<b>Equity related contracts</b>							
- options purchased	439,327	-	-	-	238,010	-	201,317
<b>Precious metal contracts</b>							
- forwards	387	387	-	-	-	-	-
<b>Total</b>	<b>25,259,041</b>	<b>5,402,882</b>	<b>7,278,244</b>	<b>1,742,627</b>	<b>973,861</b>	<b>3,164,122</b>	<b>6,697,305</b>

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

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

**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 items on and off the statement of financial position.

**Credit Risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 30 June 2010, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM412,375,000 (31 December 2009 : RM310,312,000) and RM410,329,000 (31 December 2009 : RM302,861,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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 2009 and the Risk Management section of the 2009 Annual Report.

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**A26. Capital Adequacy**

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

	Group		Bank	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
<u>Before deducting interim dividends</u>				
Tier I capital ratio	10.5%	10.5%	13.0%	13.0%
Risk-weighted capital ratio	<u>14.4%</u>	<u>14.6%</u>	<u>14.0%</u>	<u>14.1%</u>
<u>After deducting interim dividends</u>				
Tier I capital ratio	10.0%	9.9%	12.4%	12.4%
Risk-weighted capital ratio	<u>13.9%</u>	<u>14.0%</u>	<u>13.4%</u>	<u>13.5%</u>

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
Components of Tier I and Tier II capital:				
<u>Tier I capital</u>				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,439,885	1,073,310	1,439,885
Other reserves	3,787,758	3,740,586	3,548,569	3,548,569
Retained profits	3,805,953	2,870,249	3,529,186	2,624,153
Innovative Tier I capital securities	1,845,121	1,883,186	1,845,121	1,883,186
Non-innovative Tier I stapled securities	2,081,252	2,080,878	2,081,252	2,080,878
Treasury shares	(215,181)	(581,638)	(215,181)	(581,638)
Minority interests	644,762	692,118	-	-
Less: Goodwill	(1,959,386)	(2,031,105)	(695,393)	(695,393)
Less: Deferred tax assets, net	(493,794)	(500,684)	(395,950)	(384,741)
Total Tier I capital	<u>14,101,721</u>	<u>13,125,401</u>	<u>14,302,840</u>	<u>13,446,825</u>
<u>Tier II capital</u>				
Collective assessment allowance	2,174,557	-	1,798,438	-
General allowance	-	2,051,659	-	1,653,936
Subordinated notes	3,141,946	3,217,828	3,162,349	3,238,045
Total Tier II capital	<u>5,316,503</u>	<u>5,269,487</u>	<u>4,960,787</u>	<u>4,891,981</u>
Total capital	19,418,224	18,394,888	19,263,627	18,338,806
Less: Investment in subsidiary companies and associated companies	(960)	(960)	(3,693,384)	(3,593,384)
Less: Holdings of other financial institutions' capital instruments	(177,124)	(173,381)	(177,124)	(173,381)
Capital base	<u>19,240,140</u>	<u>18,220,547</u>	<u>15,393,119</u>	<u>14,572,041</u>

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

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



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**A26. Capital Adequacy (continued)**

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

	<b>Public Islamic Bank Berhad <sup>1</sup></b>	<b>Public Investment Bank Berhad <sup>2</sup></b>	<b>Public Bank (L) Ltd <sup>3</sup></b>	<b>Public Bank (Hong Kong) Limited <sup>4</sup></b>	<b>Public Finance Limited <sup>4</sup></b>	<b>Cambodian Public Bank Plc <sup>5</sup></b>
<b>30 June 2010</b>						
<u>Before deducting interim dividends: *</u>						
Tier 1 capital ratio	<b>11.8%</b>	<b>14.2%</b>	<b>11.0%</b>	<b>15.9%</b>	<b>31.5%</b>	<b>N/A</b>
Risk-weighted capital ratio	<b>13.6%</b>	<b>14.2%</b>	<b>11.3%</b>	<b>15.9%</b>	<b>32.7%</b>	<b>22.6%</b>
<u>After deducting interim dividends: *</u>						
Tier 1 capital ratio	<b>10.6%</b>	<b>14.2%</b>	<b>11.0%</b>	<b>15.9%</b>	<b>31.5%</b>	<b>N/A</b>
Risk-weighted capital ratio	<b>12.3%</b>	<b>14.2%</b>	<b>11.3%</b>	<b>15.9%</b>	<b>32.7%</b>	<b>22.6%</b>
<b>31 December 2009</b>						
<u>Before deducting interim dividends: *</u>						
Tier 1 capital ratio	11.6%	18.7%	8.9%	15.9%	31.1%	N/A
Risk-weighted capital ratio	13.4%	18.7%	9.2%	15.9%	32.2%	24.0%
<u>After deducting interim dividends: *</u>						
Tier 1 capital ratio	10.5%	17.6%	8.9%	15.4%	28.6%	N/A
Risk-weighted capital ratio	12.3%	17.6%	9.2%	15.4%	29.8%	24.0%

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

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

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

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**A26. Capital Adequacy** (continued)

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

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**A26. Capital Adequacy (continued)**

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current period are as follows:

<b>Group As At 30 June 2010 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
On-Balance Sheet Exposures:				
Sovereigns / Central Banks	39,167,978	36,214,322	-	-
Public Sector Entities	487,602	487,602	37,391	2,991
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	11,411,609	11,411,609	2,732,207	218,577
Insurance Companies, Securities Firms and Fund Managers	421,340	415,647	391,916	31,353
Corporates	41,114,284	39,174,604	34,741,177	2,779,294
Regulatory Retail	75,087,073	74,447,943	56,728,606	4,538,288
Residential Mortgages	32,661,275	32,612,821	13,441,905	1,075,352
Higher Risk Assets	134,078	133,963	200,945	16,076
Other Assets	4,001,997	4,001,997	2,978,262	238,261
Equity Exposures	4,739,779	4,739,779	4,715,021	377,202
<b>Total On-Balance Sheet Exposures</b>	<b>209,227,015</b>	<b>203,640,287</b>	<b>115,967,430</b>	<b>9,277,394</b>
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	8,182,442	7,798,455	5,628,213	450,257
Derivative Financial Instruments	1,064,711	1,064,711	238,819	19,106
Other Treasury-related Off-Balance Sheet Exposures	546,025	546,025	71,241	5,699
<b>Total Off-Balance Sheet Exposures</b>	<b>9,793,178</b>	<b>9,409,191</b>	<b>5,938,273</b>	<b>475,062</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>219,020,193</b>	<b>213,049,478</b>	<b>121,905,703</b>	<b>9,752,456</b>
<b>(ii) Large Exposure Risk Requirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(iii) Market Risk</b>				
	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate Risk	24,867,011	(14,795,123)	585,119	46,809
Foreign Currency Risk	533,373	(437,392)	533,378	42,670
Equity Risk	848	-	1,064	85
<b>Total</b>	<b>25,401,232</b>	<b>(15,232,515)</b>	<b>1,119,561</b>	<b>89,564</b>
<b>(iv) Operational Risk</b>			<b>10,996,640</b>	<b>879,731</b>
<b>Total RWA and Capital Requirements</b>			<b>134,021,904</b>	<b>10,721,751</b>

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**A26. Capital Adequacy (continued)**

(c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current period are as follows (continued):

<b>Group As At 31 December 2009 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
On-Balance Sheet Exposures:				
Sovereigns / Central Banks	52,147,725	50,947,482	-	-
Public Sector Entities	522,950	522,950	104,590	8,367
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	7,916,638	7,916,638	2,023,283	161,863
Insurance Companies, Securities Firms and Fund Managers	171,795	165,750	135,253	10,820
Corporates	38,412,973	36,414,564	32,455,529	2,596,442
Regulatory Retail	70,159,269	69,482,194	52,928,455	4,234,276
Residential Mortgages	30,284,816	30,241,515	12,508,156	1,000,653
Higher Risk Assets	157,279	157,134	235,701	18,856
Other Assets	3,884,280	3,884,280	2,872,284	229,783
Equity Exposures	4,545,222	4,545,222	4,520,464	361,637
<b>Total On-Balance Sheet Exposures</b>	<b>208,202,947</b>	<b>204,277,729</b>	<b>107,783,715</b>	<b>8,622,697</b>
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	8,150,735	7,763,759	5,572,089	445,767
Derivative Financial Instruments	997,257	997,257	227,612	18,209
Other Treasury-related Off-Balance Sheet Exposures	91,201	91,201	15,171	1,214
<b>Total Off-Balance Sheet Exposures</b>	<b>9,239,193</b>	<b>8,852,217</b>	<b>5,814,872</b>	<b>465,190</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>217,442,140</b>	<b>213,129,946</b>	<b>113,598,587</b>	<b>9,087,887</b>
<b>(ii) Large Exposure Risk Requirement</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(iii) Market Risk</b>				
	Long Position	Short Position		
Interest Rate Risk	20,281,782	(11,104,063)	539,239	43,139
Foreign Currency Risk	520,324	(620,549)	621,165	49,693
Equity Risk	925	-	1,214	97
<b>Total</b>	<b>20,803,031</b>	<b>(11,724,612)</b>	<b>1,161,618</b>	<b>92,929</b>
<b>(iv) Operational Risk</b>			<b>10,436,307</b>	<b>834,905</b>
<b>Total RWA and Capital Requirements</b>			<b>125,196,512</b>	<b>10,015,721</b>

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**A26. Capital Adequacy (continued)**

- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current period are as follows (continued):

<b>Bank As At 30 June 2010 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns / Central Banks	26,017,470	24,015,179	-	-
Public Sector Entities	470	470	94	8
Banks, DFIs and MDBs	13,150,303	13,150,303	3,111,622	248,930
Insurance Companies, Securities Firms and Fund Managers	7,233	7,233	8,238	659
Corporates	36,752,348	35,064,921	30,584,341	2,446,747
Regulatory Retail	56,987,906	56,428,257	43,001,101	3,440,088
Residential Mortgages	27,434,406	27,399,060	11,491,603	919,328
Higher Risk Assets	120,246	120,165	180,248	14,420
Other Assets	2,964,378	2,964,378	2,065,658	165,253
Equity Exposures	4,222,526	4,222,526	4,197,768	335,821
Total On-Balance Sheet Exposures	<b>167,657,286</b>	<b>163,372,492</b>	<b>94,640,673</b>	<b>7,571,254</b>
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	7,561,506	7,304,788	5,264,542	421,163
Derivative Financial Instruments	1,060,568	1,060,568	237,991	19,039
Other Treasury-related Off-Balance Sheet Exposures	262,998	262,998	14,635	1,171
Total Off-Balance Sheet Exposures	<b>8,885,072</b>	<b>8,628,354</b>	<b>5,517,168</b>	<b>441,373</b>
Total On and Off-Balance Sheet Exposures	<b>176,542,358</b>	<b>172,000,846</b>	<b>100,157,841</b>	<b>8,012,627</b>
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) <u>Market Risk</u>				
	Long Position	Short Position		
Interest Rate Risk	23,085,152	(14,974,581)	497,190	39,776
Foreign Currency Risk	968,766	(1,465,426)	1,465,670	117,254
Equity Risk	848	-	1,064	85
Total	24,054,766	(16,440,007)	1,963,924	157,115
(iv) Operational Risk			8,101,514	648,121
Total RWA and Capital Requirements			<b>110,223,279</b>	<b>8,817,863</b>

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**A26. Capital Adequacy (continued)**

- (c) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current period are as follows (continued):

<b>Bank As At 31 December 2009 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
(i) <u>Credit Risk</u>				
On-Balance Sheet Exposures:				
Sovereigns / Central Banks	39,398,350	39,398,350	-	-
Public Sector Entities	533	533	107	9
Banks, DFIs and MDBs	7,503,293	7,503,293	2,956,129	236,490
Insurance Companies, Securities Firms and Fund Managers	2,361	2,361	3,365	269
Corporates	34,024,052	32,274,034	28,254,223	2,260,338
Regulatory Retail	53,101,775	52,530,194	40,023,498	3,201,880
Residential Mortgages	25,097,787	25,069,662	10,588,938	847,115
Higher Risk Assets	142,939	142,829	214,244	17,139
Other Assets	2,675,230	2,675,230	1,912,073	152,966
Equity Exposures	4,033,204	4,033,204	4,008,445	320,676
<b>Total On-Balance Sheet Exposures</b>	<b>165,979,524</b>	<b>163,629,690</b>	<b>87,961,022</b>	<b>7,036,882</b>
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	7,501,979	7,235,546	5,169,292	413,543
Derivative Financial Instruments	982,574	982,574	224,676	17,974
Other Treasury-related Off-Balance Sheet Exposures	15,344	15,344	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>8,499,897</b>	<b>8,233,464</b>	<b>5,393,968</b>	<b>431,517</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>174,479,421</b>	<b>171,863,154</b>	<b>93,354,990</b>	<b>7,468,399</b>
(ii) Large Exposure Risk Requirement	-	-	-	-
(iii) <u>Market Risk</u>				
	Long Position	Short Position		
Interest Rate Risk	18,659,428	(11,036,933)	508,288	40,663
Foreign Currency Risk	966,173	(1,571,235)	1,571,478	125,718
Equity Risk	925	-	1,214	97
<b>Total</b>	<b>19,626,526</b>	<b>(12,608,168)</b>	<b>2,080,980</b>	<b>166,478</b>
(iv) Operational Risk			7,815,769	625,262
<b>Total RWA and Capital Requirements</b>			<b>103,251,739</b>	<b>8,260,139</b>

The Group and the Bank do not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

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**A26. Capital Adequacy (continued)**

(d) The breakdown of credit risk exposures by risk weights for the current period are as follows:

Group As At 30 June 2010	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
0%	36,404,145	300,647	-	-	25,211	-	-	-	957,125	-	37,687,128	-
20%	-	186,985	11,356,875	-	4,504,541	5,404	-	-	83,263	30,948	16,168,016	3,233,603
35%	-	-	-	-	-	-	20,258,123	-	-	-	20,258,123	7,090,343
50%	-	-	1,413,518	49,472	2,342,730	7,146	13,307,859	-	-	-	17,120,725	8,560,363
75%	-	-	-	-	-	78,185,098	-	-	-	-	78,185,098	58,638,824
100%	-	-	45,170	365,929	33,858,930	-	185,555	-	2,961,609	4,708,831	42,126,024	42,126,024
150%	-	-	-	2,010	135,591	1,210,256	11,133	145,374	-	-	1,504,364	2,256,546
<b>Total Exposures</b>	<b>36,404,145</b>	<b>487,632</b>	<b>12,815,563</b>	<b>417,411</b>	<b>40,867,003</b>	<b>79,407,904</b>	<b>33,762,670</b>	<b>145,374</b>	<b>4,001,997</b>	<b>4,739,779</b>	<b>213,049,478</b>	<b>121,905,703</b>
Risk-Weighted Assets by Exposures	-	37,397	3,023,304	393,680	36,134,590	60,458,861	13,946,527	218,061	2,978,262	4,715,021	121,905,703	
Average Risk Weight	0.0%	7.7%	23.6%	94.3%	88.4%	76.1%	41.3%	150.0%	74.4%	99.5%	57.2%	
Deduction from Capital Base			-								-	-

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**A26. Capital Adequacy (continued)**

(d) The breakdown of credit risk exposures by risk weights for the current period are as follows (continued):

Group As At 31 December 2009	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
0%	50,962,829	-	-	-	25,203	-	-	-	924,074	-	51,912,106	-
20%	-	522,980	7,531,439	-	3,936,830	2,376	-	-	109,903	30,948	12,134,476	2,426,895
35%	-	-	-	-	-	-	18,715,667	-	-	-	18,715,667	6,550,483
50%	-	-	1,399,014	63,004	2,395,836	28,161	12,551,548	-	-	-	16,437,563	8,218,782
75%	-	-	-	-	-	73,109,604	-	-	-	-	73,109,604	54,832,203
100%	-	-	54,396	102,459	31,530,539	34,186	234,986	-	2,850,303	4,514,274	39,321,143	39,321,143
150%	-	-	-	2,010	227,965	1,102,360	783	166,269	-	-	1,499,387	2,249,081
<b>Total Exposures</b>	<b>50,962,829</b>	<b>522,980</b>	<b>8,984,849</b>	<b>167,473</b>	<b>38,116,373</b>	<b>74,276,687</b>	<b>31,502,984</b>	<b>166,269</b>	<b>3,884,280</b>	<b>4,545,222</b>	<b>213,129,946</b>	<b>113,598,587</b>
<b>Risk-Weighted Assets by Exposures</b>	<b>-</b>	<b>104,596</b>	<b>2,260,191</b>	<b>136,976</b>	<b>33,857,770</b>	<b>56,534,485</b>	<b>13,062,418</b>	<b>249,403</b>	<b>2,872,284</b>	<b>4,520,464</b>	<b>113,598,587</b>	
<b>Average Risk Weight</b>	<b>0.0%</b>	<b>20.0%</b>	<b>25.2%</b>	<b>81.8%</b>	<b>88.8%</b>	<b>76.1%</b>	<b>41.5%</b>	<b>150.0%</b>	<b>73.9%</b>	<b>99.5%</b>	<b>53.3%</b>	
<b>Deduction from Capital Base</b>												



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**A26. CAPITAL ADEQUACY** (continued)

(d) The breakdown of credit risk exposures by risk weights for the current period are as follows (continued):

Bank As At 30 June 2010	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation	Total Risk-Weighted Assets
	Sovereigns/ Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Regulatory Retail Corporates	Residential Mortgages	Higher Risk Assets	Other Assets	Equity Exposures			
Risk Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	24,205,003	-	-	-	10,112	-	-	-	898,720	-	25,113,835	-
20%	-	500	12,701,860	-	4,489,458	5,404	-	-	-	30,948	17,228,170	3,445,634
35%	-	-	-	-	-	-	15,733,106	-	-	-	15,733,106	5,506,587
50%	-	-	1,520,624	-	2,410,800	7,146	12,580,427	-	-	-	16,518,997	8,259,499
75%	-	-	-	-	-	60,062,363	-	-	-	-	60,062,363	45,046,772
100%	-	-	44,601	6,987	29,755,434	-	170,170	-	2,065,658	4,191,578	36,234,428	36,234,428
150%	-	-	-	2,010	55,028	922,479	62	130,368	-	-	1,109,947	1,664,921
<b>Total Exposures</b>	<b>24,205,003</b>	<b>500</b>	<b>14,267,085</b>	<b>8,997</b>	<b>36,720,832</b>	<b>60,997,392</b>	<b>28,483,765</b>	<b>130,368</b>	<b>2,964,378</b>	<b>4,222,526</b>	<b>172,000,846</b>	<b>100,157,841</b>
<b>Risk-Weighted Assets by Exposures</b>	<b>-</b>	<b>100</b>	<b>3,345,285</b>	<b>10,002</b>	<b>31,941,267</b>	<b>46,435,145</b>	<b>11,967,064</b>	<b>195,552</b>	<b>2,065,658</b>	<b>4,197,768</b>	<b>100,157,841</b>	
<b>Average Risk Weight</b>	<b>0.0%</b>	<b>20.0%</b>	<b>23.4%</b>	<b>111.2%</b>	<b>87.0%</b>	<b>76.1%</b>	<b>42.0%</b>	<b>150.0%</b>	<b>69.7%</b>	<b>99.4%</b>	<b>58.2%</b>	
<b>Deduction from Capital Base</b>												

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**A26. CAPITAL ADEQUACY** (continued)

(d) The breakdown of credit risk exposures by risk weights for the current period are as follows (continued):

Bank As At 31 December 2009	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
0%	39,413,697	-	-	-	10,115	-	-	-	763,157	-	40,186,969	-
20%	-	563	3,641,997	-	3,921,760	2,376	-	-	-	30,948	7,597,644	1,519,529
35%	-	-	-	-	-	-	14,168,172	-	-	-	14,168,172	4,958,860
50%	-	-	4,784,875	-	2,449,509	22,663	11,892,036	-	-	-	19,149,083	9,574,542
75%	-	-	-	-	-	56,050,351	-	-	-	-	56,050,351	42,037,763
100%	-	-	54,093	2,073	27,401,799	19,917	212,003	-	1,912,073	4,002,256	33,604,214	33,604,214
150%	-	-	-	2,010	105,797	847,883	65	150,966	-	-	1,106,721	1,660,082
<b>Total Exposures</b>	<b>39,413,697</b>	<b>563</b>	<b>8,480,965</b>	<b>4,083</b>	<b>33,888,980</b>	<b>56,943,190</b>	<b>26,272,276</b>	<b>150,966</b>	<b>2,675,230</b>	<b>4,033,204</b>	<b>171,863,154</b>	<b>93,354,990</b>
<b>Risk-Weighted Assets by Exposures</b>	<b>-</b>	<b>113</b>	<b>3,174,930</b>	<b>5,088</b>	<b>29,569,602</b>	<b>43,341,311</b>	<b>11,116,979</b>	<b>226,449</b>	<b>1,912,073</b>	<b>4,008,445</b>	<b>93,354,990</b>	
<b>Average Risk Weight</b>	<b>0.0%</b>	<b>20.0%</b>	<b>37.4%</b>	<b>124.6%</b>	<b>87.3%</b>	<b>76.1%</b>	<b>42.3%</b>	<b>150.0%</b>	<b>71.5%</b>	<b>99.4%</b>	<b>54.3%</b>	
<b>Deduction from Capital Base</b>												

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**A26. Capital Adequacy** (continued)

(e) The risk-weighted assets and capital requirements for the various categories of risk under Market Risk are as follows:

Group	As At 30 June 2010		As At 31 December 2009	
	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000
Interest rate risk				
- General interest rate risk	313,131	25,050	319,689	25,575
- Specific interest rate risk	271,988	21,759	219,550	17,564
	<b>585,119</b>	<b>46,809</b>	539,239	43,139
Equity position risk				
- General risk	850	68	925	74
- Specific risk	214	17	289	23
	<b>1,064</b>	<b>85</b>	1,214	97
Foreign exchange risk	533,378	42,670	621,165	49,693
	<b>1,119,561</b>	<b>89,564</b>	1,161,618	92,929

Bank	As At 30 June 2010		As At 31 December 2009	
	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000	Risk-weighted Assets Equivalent RM'000	Capital Required RM'000
Interest rate risk				
- General interest rate risk	264,544	21,164	309,713	24,777
- Specific interest rate risk	232,646	18,612	198,575	15,886
	<b>497,190</b>	<b>39,776</b>	508,288	40,663
Equity position risk				
- General risk	850	68	925	74
- Specific risk	214	17	289	23
	<b>1,064</b>	<b>85</b>	1,214	97
Foreign exchange risk	1,465,670	117,254	1,571,478	125,718
	<b>1,963,924</b>	<b>157,115</b>	2,080,980	166,478

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**A27. Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
Outstanding credit exposures with connected parties (RM'000)	<b>673,506</b>	713,200	<b>883,310</b>	922,351
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b>0.47%</b>	0.53%	<b>0.69%</b>	0.77%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<b>0.08%</b>	0.02%	<b>0.05%</b>	0.02%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

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**A28. Operations of Islamic Banking**

**A28a. Statement of Financial Position As At 30 June 2010**

	<b>Group</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and balances with banks	8,045,654	6,727,664
Financial assets held-for-trading	477,605	79,988
Financial investments available-for-sale	1,427,369	1,274,512
Financial investments held-to-maturity	5,022	5,022
Financing and advances	15,724,660	14,472,828
Other assets	204,821	70,551
Statutory deposits with Bank Negara Malaysia	155,900	144,000
Deferred tax assets	66,304	84,102
Property and equipment	1,224	464
<b>Total Assets</b>	<b>26,108,559</b>	<b>22,859,131</b>
<b>LIABILITIES AND ISLAMIC</b>		
<b>BANKING FUNDS</b>		
Deposits from customers	15,394,756	13,073,701
Deposits from banks	8,579,064	8,051,182
Other liabilities	241,712	48,915
Provision for zakat and taxation	79,718	50,921
<b>Total Liabilities</b>	<b>24,295,250</b>	<b>21,224,719</b>
Islamic Banking Funds	<b>1,813,309</b>	<b>1,634,412</b>
<b>Total Liabilities and Islamic</b>	<b>26,108,559</b>	<b>22,859,131</b>
<b>Banking Funds</b>	<b>26,108,559</b>	<b>22,859,131</b>
 <b>COMMITMENTS AND CONTINGENCIES</b>	 <b>1,262,926</b>	 <b>1,144,291</b>

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**A28b. Income Statements for the 2nd Quarter and Financial Half Year Ended 30 June 2010**

	2nd Quarter Ended		Half Year Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
<b><u>Group</u></b>				
Income derived from investment of depositors' funds and others	290,361	213,836	558,101	421,659
Allowance for impairment on financing and advances	(18,741)	(15,642)	(38,728)	(25,374)
Transfer (from) / to profit equalisation reserves, net	(1,925)	4,994	(12,209)	(3,426)
<b>Total attributable income</b>	<b>269,695</b>	<b>203,188</b>	<b>507,164</b>	<b>392,859</b>
Income attributable to the depositors	(109,739)	(70,546)	(201,548)	(142,491)
<b>Income attributable to the reporting institutions</b>	<b>159,956</b>	<b>132,642</b>	<b>305,616</b>	<b>250,368</b>
Income derived from investment of Islamic Banking Funds	19,744	16,704	39,291	34,052
<b>Total net income</b>	<b>179,700</b>	<b>149,346</b>	<b>344,907</b>	<b>284,420</b>
Other operating expenses	(47,732)	(36,963)	(94,577)	(76,426)
<b>Profit before zakat and taxation</b>	<b>131,968</b>	<b>112,383</b>	<b>250,330</b>	<b>207,994</b>
Zakat	(64)	(49)	(128)	(98)
Taxation	(30,558)	(26,324)	(59,558)	(50,045)
<b>Profit for the period</b>	<b>101,346</b>	<b>86,010</b>	<b>190,644</b>	<b>157,851</b>

**A28c. Statement of Comprehensive Income for the 2nd Quarter and Financial Half Year Ended 30 June 2010**

	2nd Quarter Ended		Half Year Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
<b><u>Group</u></b>				
Profit for the period	101,346	86,010	190,644	157,851
Other comprehensive (loss) / income:				
Net (loss) / gain on revaluation of financial investments available-for-sale	(22)	357	(1,206)	1,532
Income tax relating to components of other comprehensive income	5	(89)	301	(383)
Other comprehensive (loss) / income for the period, net of tax	(17)	268	(905)	1,149
Total comprehensive income for the period	<b>101,329</b>	<b>86,278</b>	<b>189,739</b>	<b>159,000</b>

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**A28d. Financing and Advances**

	Group	
	30 June 2010 RM'000	31 December 2009 RM'000
Bai Bithaman Ajil-i (deferred payment sale)	4,171,037	3,832,218
Ijarah Thamma Al-Bai'-i (leasing)	8,800,182	8,358,519
Ijarah Muntahia Bittamlik	71,544	66,105
Bai-Al-Einah-i	2,921,359	2,460,204
Gross financing and advances	<u>15,964,122</u>	<u>14,717,046</u>
Allowance for impairment on financing and advances:		
- collective assessment allowance	(239,462)	-
- general allowance	-	(223,048)
- specific allowance	-	(21,170)
Net financing and advances	<u><u>15,724,660</u></u>	<u><u>14,472,828</u></u>

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

	Group	
	30 June 2010 RM'000	31 December 2009 RM'000
At 1 January		
- as previously stated	138,064	144,359
- effect of adopting FRS 139	3,767	-
At 1 January, as restated	<u>141,831</u>	144,359
Impaired during the period / year	188,767	339,566
Reclassified as non-impaired	(133,709)	(266,451)
Recoveries	(14,479)	(28,844)
Amount written off	(26,321)	(49,587)
Loans converted to foreclosed properties / securities	(1,130)	(979)
Closing balance	<u><u>154,959</u></u>	<u><u>138,064</u></u>
Impaired financing and advances as a percentage of gross financing and advances	<u><u>0.97%</u></u>	<u><u>0.94%</u></u>

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**A28e. Deposits from Customers**  
**i) By type of deposit**

	<b>Group</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	<b>2,046,350</b>	1,999,422
Wadiah savings deposits-i	<b>3,689,778</b>	3,591,720
Negotiable instruments of deposit-i	<b>2,310,380</b>	1,326,084
	<b>8,046,508</b>	6,917,226
<u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	<b>76,017</b>	78,626
Mudharabah general investment deposits-i	<b>4,770,797</b>	3,795,302
Mudharabah special investment deposits-i	<b>2,501,434</b>	2,282,547
	<b>7,348,248</b>	6,156,475
Deposits from customers	<b>15,394,756</b>	13,073,701



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**A28. Change in Accounting Policies**

**(a) Change in Accounting Policies**

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

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

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

1) Impairment of Loans and Advances

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

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

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

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

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

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

2) Classification of Loans as Impaired

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

3) Interest Income Recognition

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

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

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

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

4) Recognition of Embedded Derivatives

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

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

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

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

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

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

(c) **Comparative Figures**

(i) FRS 101 Presentation of Financial Statements

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

(ii) FRS 7 Financial Instruments: Disclosures

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

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**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa  
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**B1. Performance Review**

The Group's pre-tax profit for the financial half year ended 30 June 2010 of RM1,904.6 million was RM339.9 million or 21.7% higher than the previous corresponding half year of RM1,564.7 million. Net profit attributable to equity holders improved by RM219.3 million or 18.3% to RM1,419.3 million. The improved earnings was mainly due to higher net interest and financing income by RM349.8 million (15.6%) and higher other operating income by RM125.7 million (19.0%), which was mainly due to higher income from the fund management business, higher foreign exchange income as well as higher brokerage and commission from stockbroking activities. In addition, loan impairment allowance also decreased by RM22.2 million (6.6%). These were partially offset by higher other operating expenses by RM160.2 million which was mainly due to the increase in personnel costs resulting from the expansion of marketing sales force and higher business volume.

The growth in the Group's net interest and financing income was driven by continued strong loans and deposits growth coupled with sustained strong asset quality. Gross loans had grown by 14.1% year-on-year to RM147.6 billion as at 30 June 2010 as compared to RM129.4 billion as at 30 June 2009 mainly arising from financing of small- and medium-sized enterprises ("SMEs"), residential mortgages and financing of passenger vehicles. Total deposits from customers had also grown by 12.2% or RM18.9 billion as compared to 30 June 2009 which partly contributed to the higher net interest income for the current financial half year.

The Group's domestic commercial bank, Public Bank, recorded a pre-tax profit of RM1,669.1 million for the current financial half year and was 42.2% higher than the pre-tax profit of RM1,174.1 million achieved in the previous corresponding half year. This was mainly due to higher net interest income, higher fee income, higher dividend income from subsidiaries and higher foreign exchange gain in respect of the hedging of the Group's overseas operations, partially offset by higher other operating expenses.

Pre-tax profit contribution from the Group's overseas operations increased by RM16.6 million or 12.0% from the previous corresponding half year to RM154.9 million, mainly due to the lower loan impairment allowance in the current half year.

For the 2nd quarter ended 30 June 2010, the Group registered a pre-tax profit of RM982.0 million, an improvement of RM162.2 million or 19.8% as compared to the previous corresponding quarter. This was achieved on the back of strong loans and deposits growth and improved asset quality. Earning attributable to equity holders grew by 20.2% or RM123.3 million over the same period.

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

The Group's pre-tax profit of RM982.0 million for the 2nd quarter ended 30 June 2010 shows an increase of RM59.4 million or 6.4% as compared to the pre-tax profit of RM922.6 million for the preceding quarter ended 31 March 2010. Net profit attributable to equity holders increased by RM48.8 million or 7.1% over the same period. The improved performance was mainly attributable to higher net interest and financing income by RM74.2 million and higher other operating income by RM13.2 million resulting mainly from higher fee income and lower other operating expenses by RM7.0 million.

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**B3. Prospects for 2010**

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

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

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

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

**B4. Profit Forecast or Profit Guarantee**

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

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**B5. Tax Expense and Zakat**

The analysis of the tax expense for the 2nd quarter and financial half year ended 30 June 2010 are as follows:

<b><u>Group</u></b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>	<b>30 June 2010 RM'000</b>	<b>30 June 2009 RM'000</b>
Malaysian income tax	<b>249,117</b>	269,189	<b>482,632</b>	417,514
Overseas income tax	<b>12,356</b>	10,104	<b>29,011</b>	20,416
	<b>261,473</b>	279,293	<b>511,643</b>	437,930
(Over) / under provision in prior years				
- Malaysian income tax	<b>(1,404)</b>	-	<b>(1,401)</b>	(58)
- Overseas income tax	<b>1,524</b>	(12)	<b>2,330</b>	1,933
	<b>261,593</b>	279,281	<b>512,572</b>	439,805
Deferred tax expense				
- Relating to origination and reversal of temporary differences	<b>(26,695)</b>	(79,487)	<b>(52,817)</b>	(90,945)
Tax expense	<b>234,898</b>	199,794	<b>459,755</b>	348,860
Zakat	<b>64</b>	49	<b>128</b>	98
	<b>234,962</b>	199,843	<b>459,883</b>	348,958

The Group's effective tax rates for the 2nd quarter and financial half year ended 30 June 2010 and 30 June 2009 were lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Malaysian income tax	200,002	225,900	384,328	339,652
Overseas income tax	745	566	1,185	975
	<u>200,747</u>	<u>226,466</u>	<u>385,513</u>	<u>340,627</u>
Under provision in prior years				
- Overseas income tax	-	-	806	719
	<u>200,747</u>	<u>226,466</u>	<u>386,319</u>	<u>341,346</u>
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(25,433)	(66,794)	(43,799)	(75,374)
	<u>175,314</u>	<u>159,672</u>	<u>342,520</u>	<u>265,972</u>

The Bank's effective tax rate for the 2nd quarter and financial half year ended 30 June 2010 and 30 June 2009 were lower than the statutory tax rate due to certain income not subject to tax.

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

There were no sales of unquoted investments and properties for the 2nd quarter and financial half year ended 30 June 2010 other than in the ordinary course of business.

**B7. Quoted Securities**

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

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

There were no corporate proposals announced but not completed as at 30 June 2010.

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

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



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**B10. Deposits From Customers and Banks and Debt Securities Issued and Other Borrowed Funds**

	Group		Bank	
	30 June 2010 RM'000	31 December 2009 RM'000	30 June 2010 RM'000	31 December 2009 RM'000
(a) <u>Deposits from customers</u>				
- Fixed deposits				
One year or less	92,153,070	85,637,200	72,067,655	65,420,208
More than one year	206,904	150,725	165,585	130,188
- Negotiable instruments of deposits				
One year or less	3,628,138	2,886,252	379,043	2,157,483
More than one year	102,896	508,376	100,034	383,294
- Money market deposits				
One year or less	35,168,311	38,694,799	30,011,746	34,058,387
- Savings deposits	19,593,405	19,576,012	13,359,516	12,842,016
- Demand deposits	23,196,808	22,258,977	19,955,083	19,218,621
- Others	519,767	1,179,248	518,624	1,177,293
	<u>174,569,299</u>	<u>170,891,589</u>	<u>136,557,286</u>	<u>135,387,490</u>
(b) <u>Deposits from banks</u>				
- One year or less	<u>18,822,598</u>	<u>22,614,300</u>	<u>20,170,016</u>	<u>20,783,929</u>
(c) <u>Debt securities issued and other borrowed funds</u>				
Borrowings denominated in HKD (unsecured)				
Term loan				
- More than one year	619,047	653,101	-	-
Revolving credit				
- One year or less	6,223	-	-	-
	<u>625,270</u>	<u>653,101</u>	<u>-</u>	<u>-</u>
Subordinated notes denominated in USD (unsecured)				
- More than one year	1,372,551	1,451,546	1,372,551	1,451,546
Subordinated notes denominated in RM (unsecured)				
- More than one year	1,884,792	1,883,776	1,905,195	1,903,993
	<u>3,257,343</u>	<u>3,335,322</u>	<u>3,277,746</u>	<u>3,355,539</u>
Innovative Tier I capital securities denominated in USD (unsecured)				
- More than one year	759,257	769,493	759,257	769,493
Innovative Tier I capital securities denominated in RM (unsecured)				
- More than one year	1,215,846	1,202,840	1,215,846	1,202,840
	<u>1,975,103</u>	<u>1,972,333</u>	<u>1,975,103</u>	<u>1,972,333</u>
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	2,129,346	2,071,589	2,129,346	2,071,589
	<u>7,987,062</u>	<u>8,032,345</u>	<u>7,382,195</u>	<u>7,399,461</u>

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**B11. Derivative Financial Instruments**

Derivative financial instruments classified by remaining period to maturity as at the latest practicable date, 12 July 2010, is as follows:

**Group**

Items	Contract / Notional Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,261,146	612,893	230,221	257,014	161,018	-	-
- currency swaps	13,419,995	5,965,201	6,325,173	1,097,627	31,994	-	-
- currency options purchased	42,058	-	42,058	-	-	-	-
	14,723,199	6,578,094	6,597,452	1,354,641	193,012	-	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,852,450	63,987	-	44,791	711,252	3,145,881	6,886,539
<b>Equity related contracts</b>							
- options purchased	436,669	-	-	-	237,722	84,750	114,197
<b>Precious metal contracts</b>							
- forwards	2,823	2,823	-	-	-	-	-
<b>Total</b>	<b>26,015,141</b>	<b>6,644,904</b>	<b>6,597,452</b>	<b>1,399,432</b>	<b>1,141,986</b>	<b>3,230,631</b>	<b>7,000,736</b>

**Bank**

Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	>3 years RM'000
<b>Foreign exchange contracts</b>							
- currency forwards	1,154,170	505,917	230,221	257,014	161,018	-	-
- currency swaps	13,276,226	5,849,834	6,296,771	1,097,627	31,994	-	-
- currency options purchased	42,058	-	42,058	-	-	-	-
	14,472,454	6,355,751	6,569,050	1,354,641	193,012	-	-
<b>Interest rate related contracts</b>							
- interest rate swaps	10,274,230	63,987	-	44,791	564,945	3,145,881	6,454,626
<b>Equity related contracts</b>							
- options purchased	436,669	-	-	-	237,722	84,750	114,197
<b>Precious metal contracts</b>							
- forwards	2,823	2,823	-	-	-	-	-
<b>Total</b>	<b>25,186,176</b>	<b>6,422,561</b>	<b>6,569,050</b>	<b>1,399,432</b>	<b>995,679</b>	<b>3,230,631</b>	<b>6,568,823</b>

**B12. 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.

**B13. Dividends**

- (i) An interim dividend of 25% less 25% tax for the financial year ending 31 December 2010, amounting to RM656,654,087, based on the outstanding issued and paid-up capital excluding treasury shares as at 30 June 2010, has been declared by the directors;
- (ii) Amount per share : 25 sen less 25% tax;
- (iii) Previous corresponding period: 30 sen less 25% tax;
- (iv) Entitlement date: 5 August 2010;
- (v) Payment date: 13 August 2010.

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**B14. Earnings Per Share (EPS)**

**Basic**

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

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
Net profit attributable to equity holders (RM'000)	<u><u>734,079</u></u>	<u><u>610,741</u></u>	<u><u>1,419,334</u></u>	<u><u>1,200,026</u></u>
Weighted average number of PBB Shares ('000)	<u><u>3,502,155</u></u>	<u><u>3,451,454</u></u>	<u><u>3,490,388</u></u>	<u><u>3,414,922</u></u>
Basic earnings per share (sen)	<u><u>21.0</u></u>	<u><u>17.7</u></u>	<u><u>40.7</u></u>	<u><u>35.1</u></u>

**Diluted**

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