

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
ASSETS				
Cash and balances with banks	25,936,165	22,080,417	19,567,382	12,750,086
Reverse repurchase agreements	8,895,164	9,541,969	7,939,170	8,638,588
Financial assets held-for-trading	10,120,004	15,811,963	7,410,276	13,986,426
Derivative financial assets	344,588	365,354	333,684	350,729
Financial investments available-for-sale	18,551,624	17,618,512	13,714,525	15,124,867
Financial investments held-to-maturity	17,202,412	7,793,551	15,038,644	5,787,800
Loans, advances and financing	235,669,709	219,415,793	196,203,780	182,404,573
Other assets	2,593,568	2,539,699	2,186,272	2,409,310
Statutory deposits with Central Banks	8,102,198	6,924,832	6,453,651	5,565,946
Deferred tax assets	72,535	70,121	-	-
Investment in subsidiary companies	-	-	4,436,050	4,436,050
Investment in associated companies	146,478	158,885	121,325	121,325
Investment properties	98,955	97,391	-	-
Property and equipment	1,289,456	1,302,997	526,415	568,346
Intangible assets	2,002,386	2,003,912	695,393	695,393
TOTAL ASSETS	331,025,242	305,725,396	274,626,567	252,839,439
LIABILITIES				
Deposits from customers	268,373,562	250,873,189	218,970,191	201,871,592
Deposits from banks	16,098,135	16,175,836	14,637,677	16,923,048
Bills and acceptances payable	1,070,201	1,573,443	1,210,368	1,627,515
Recourse obligations on loans and financing sold to Cagamas	500,013	500,011	-	-
Derivative financial liabilities	352,096	334,590	390,897	429,495
Debt securities issued and other borrowed funds	11,841,392	10,369,825	10,885,992	9,906,434
Other liabilities	4,541,134	4,020,416	3,305,392	2,845,591
Provision for tax expense and zakat	604,680	585,229	385,982	362,971
Deferred tax liabilities	97,877	95,661	68,675	50,738
TOTAL LIABILITIES	303,479,090	284,528,200	249,855,174	234,017,384

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	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
EQUITY				
Share capital	3,882,138	3,531,926	3,882,138	3,531,926
Reserves	23,015,424	17,107,240	21,038,592	15,505,701
Treasury shares	(149,337)	(215,572)	(149,337)	(215,572)
Equity attributable to equity holders of the Bank	26,748,225	20,423,594	24,771,393	18,822,055
Non-controlling interests	797,927	773,602	-	-
TOTAL EQUITY	27,546,152	21,197,196	24,771,393	18,822,055
TOTAL LIABILITIES AND EQUITY	331,025,242	305,725,396	274,626,567	252,839,439
COMMITMENTS AND CONTINGENCIES	94,632,848	87,986,206	89,854,298	83,587,446
CAPITAL ADEQUACY				
<u>Before deducting interim dividends *</u>				
Common Equity Tier I Capital Ratio	10.401%	9.276%	11.779%	10.927%
Tier I Capital Ratio	11.887%	11.055%	13.530%	13.023%
Total Capital Ratio	15.792%	14.288%	15.741%	14.086%
<u>After deducting interim dividends *</u>				
Common Equity Tier I Capital Ratio	10.401%	8.750%	11.779%	10.300%
Tier I Capital Ratio	11.887%	10.529%	13.530%	12.396%
Total Capital Ratio	15.792%	13.762%	15.741%	13.459%
Net assets per share attributable to ordinary equity holders of the Bank (RM)	6.93	5.83	6.41	5.37

* Refers to interim dividends declared subsequent to the financial period / year end.

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PUBLIC BANK BERHAD
(6463 - H)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Operating revenue	4,324,008	3,869,542	12,331,486	11,345,627
Interest income	3,247,158	2,883,862	9,215,894	8,458,428
Interest expense	(1,696,183)	(1,462,572)	(4,840,188)	(4,301,452)
Net interest income	1,550,975	1,421,290	4,375,706	4,156,976
Net income from Islamic banking business	216,108	215,934	625,310	633,204
	1,767,083	1,637,224	5,001,016	4,790,180
Net fee and commission income	355,653	315,862	1,025,343	941,002
Net gains and losses on financial instruments	50,041	58,738	150,447	133,613
Other operating income	74,890	63,910	233,964	233,048
Net income	2,247,667	2,075,734	6,410,770	6,097,843
Other operating expenses	(648,527)	(611,784)	(1,970,409)	(1,873,242)
Operating profit	1,599,140	1,463,950	4,440,361	4,224,601
Allowance for impairment on loans, advances and financing	(46,619)	(103,283)	(196,131)	(260,969)
(Impairment) / Writeback of impairment on other assets	(399)	(4,223)	439	(1,064)
	1,552,122	1,356,444	4,244,669	3,962,568
Share of profit after tax of equity accounted associated companies	61	1,720	2,308	6,130
Profit before tax expense and zakat	1,552,183	1,358,164	4,246,977	3,968,698
Tax expense and zakat	(350,049)	(300,802)	(949,978)	(898,127)
Profit for the period	1,202,134	1,057,362	3,296,999	3,070,571
Profit for the period attributable to :				
- Equity holders of the Bank	1,191,521	1,047,260	3,264,849	3,039,066
- Non-controlling interests	10,613	10,102	32,150	31,505
	1,202,134	1,057,362	3,296,999	3,070,571
Earnings per RM1.00 share:				
- basic / diluted (sen)	31.9	29.9	91.2	86.8

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PUBLIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Profit for the period	<u>1,202,134</u>	<u>1,057,362</u>	<u>3,296,999</u>	<u>3,070,571</u>
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	88,976	121,788	(7,596)	274,521
- Net investment hedge	(59,253)	(86,551)	5,051	(193,364)
Revaluation reserves:				
- Net loss on revaluation of financial investments available-for-sale	(2,793)	(11,992)	(14,444)	(9,730)
- Share of gain / (loss) of equity accounted associated companies	29	(38)	13	(266)
Hedging reserves:				
- Net change in cash flow hedges	15,618	8,045	26,952	17,585
	<u>42,577</u>	<u>31,252</u>	<u>9,976</u>	<u>88,746</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	294	3,901	4,115	2,326
- Hedging reserves	(3,905)	(747)	(6,738)	(3,132)
	<u>(3,611)</u>	<u>3,154</u>	<u>(2,623)</u>	<u>(806)</u>
Other comprehensive income for the period, net of tax	<u>38,966</u>	<u>34,406</u>	<u>7,353</u>	<u>87,940</u>
Total comprehensive income for the period	<u>1,241,100</u>	<u>1,091,768</u>	<u>3,304,352</u>	<u>3,158,511</u>
Total comprehensive income for the period attributable to:				
- Equity holders of the Bank	1,215,105	1,059,701	3,273,827	3,077,885
- Non-controlling interests	25,995	32,067	30,525	80,626
	<u>1,241,100</u>	<u>1,091,768</u>	<u>3,304,352</u>	<u>3,158,511</u>

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PUBLIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Operating revenue	3,278,532	2,887,729	9,391,278	8,542,795
Interest income	2,990,661	2,624,410	8,458,784	7,709,193
Interest expense	(1,632,236)	(1,405,019)	(4,653,755)	(4,132,604)
Net interest income	1,358,425	1,219,391	3,805,029	3,576,589
Net fee and commission income	140,895	124,846	397,503	382,373
Net gains and losses on financial instruments	53,962	44,382	148,972	125,967
Other operating income	187,852	181,281	683,202	691,679
Net income	1,741,134	1,569,900	5,034,706	4,776,608
Other operating expenses	(439,698)	(415,225)	(1,352,006)	(1,295,143)
Operating profit	1,301,436	1,154,675	3,682,700	3,481,465
Allowance for impairment on loans, advances and financing	(19,309)	(34,490)	(82,474)	(69,413)
(Impairment) / Writeback of impairment on other assets	(377)	(4,222)	486	(1,039)
Profit before tax expense and zakat	1,281,750	1,115,963	3,600,712	3,411,013
Tax expense and zakat	(272,677)	(235,465)	(759,073)	(696,776)
Profit for the period	1,009,073	880,498	2,841,639	2,714,237

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PUBLIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Profit for the period	<u>1,009,073</u>	<u>880,498</u>	<u>2,841,639</u>	<u>2,714,237</u>
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net gain / (loss) on revaluation of financial investments available-for-sale	953	(12,029)	(16,944)	(8,277)
Hedging reserves:				
- Net change in cash flow hedges	<u>42,072</u>	<u>(19,685)</u>	<u>92,804</u>	<u>(37,613)</u>
	<u>43,025</u>	<u>(31,714)</u>	<u>75,860</u>	<u>(45,890)</u>
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(238)	3,007	4,236	2,069
- Hedging reserves	<u>(10,518)</u>	<u>6,186</u>	<u>(23,201)</u>	<u>10,668</u>
	<u>(10,756)</u>	<u>9,193</u>	<u>(18,965)</u>	<u>12,737</u>
Other comprehensive income / (loss) for the period, net of tax	<u>32,269</u>	<u>(22,521)</u>	<u>56,895</u>	<u>(33,153)</u>
Total comprehensive income for the period	<u>1,041,342</u>	<u>857,977</u>	<u>2,898,534</u>	<u>2,681,084</u>

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PUBLIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

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

<u>Group</u>	Non-distributable		Distributable		Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000				
At 1 January 2014	3,531,926	1,073,310	4,526,365	11,507,565	(215,572)	20,423,594	773,602	21,197,196
Profit for the period	-	-	-	3,264,849	-	3,264,849	32,150	3,296,999
Other comprehensive income / (loss) for the period	-	-	8,978	-	-	8,978	(1,625) *	7,353
Total comprehensive income for the period	-	-	8,978	3,264,849	-	3,273,827	30,525	3,304,352
Transactions with owners / other equity movements:								
Issuance of shares pursuant to rights issue exercise	350,212	4,461,628	-	-	-	4,811,840	-	4,811,840
Disposal of treasury shares	-	-	-	109,404	66,235	175,639	-	175,639
Transfer to statutory reserves	-	-	6,625	(6,625)	-	-	-	-
Transfer to regulatory reserves	-	-	1,258,672	(1,258,672)	-	-	-	-
Transfer to general reserves	-	-	329	(329)	-	-	-	-
Dividends paid	-	-	-	(1,936,675)	-	(1,936,675)	(6,200)	(1,942,875)
	350,212	4,461,628	1,265,626	(3,092,897)	66,235	3,050,804	(6,200)	3,044,604
At 30 September 2014	3,882,138	5,534,938	5,800,969	11,679,517	(149,337)	26,748,225	797,927	27,546,152

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

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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

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

<u>Group</u>	Non-distributable		Distributable		Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000				
At 1 January 2013	3,531,926	1,073,310	4,353,867	9,274,909	(215,572)	18,018,440	699,864	18,718,304
Profit for the period	-	-	-	3,039,066	-	3,039,066	31,505	3,070,571
Other comprehensive income for the period	-	-	38,819	-	-	38,819	49,121 *	87,940
Total comprehensive income for the period	-	-	38,819	3,039,066	-	3,077,885	80,626	3,158,511
Transactions with owners / other equity movements:								
Transfer from Profit Equalisation Reserve of the Islamic banking institution	-	-	(172)	172	-	-	-	-
Transfer to statutory reserves	-	-	4,480	(4,480)	-	-	-	-
Transfer to regulatory reserves	-	-	494	(494)	-	-	-	-
Transfer to general reserves	-	-	800	(800)	-	-	-	-
Dividends paid	-	-	-	(1,821,105)	-	(1,821,105)	(6,184)	(1,827,289)
	-	-	5,602	(1,826,707)	-	(1,821,105)	(6,184)	(1,827,289)
At 30 September 2013	<u>3,531,926</u>	<u>1,073,310</u>	<u>4,398,288</u>	<u>10,487,268</u>	<u>(215,572)</u>	<u>19,275,220</u>	<u>774,306</u>	<u>20,049,526</u>

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PUBLIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

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

	Non-distributable		Distributable		Treasury Shares	Total Equity
	Share Capital	Share Premium	Reserves Other Reserves	Reserves Retained Profits		
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	3,531,926	1,073,310	3,803,152	10,629,239	(215,572)	18,822,055
Profit for the period	-	-	-	2,841,639	-	2,841,639
Other comprehensive income for the period	-	-	56,895	-	-	56,895
Total comprehensive income for the period	-	-	56,895	2,841,639	-	2,898,534
Transactions with owners / other equity movements:						
Issuance of shares pursuant to rights issue exercise	350,212	4,461,628	-	-	-	4,811,840
Disposal of treasury shares	-	-	-	109,404	66,235	175,639
Transfer to regulatory reserves	-	-	1,248,513	(1,248,513)	-	-
Transfer to general reserves	-	-	329	(329)	-	-
Dividends paid	-	-	-	(1,936,675)	-	(1,936,675)
	350,212	4,461,628	1,248,842	(3,076,113)	66,235	3,050,804
At 30 September 2014	3,882,138	5,534,938	5,108,889	10,394,765	(149,337)	24,771,393

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

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

	Non-distributable			Distributable		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
At 1 January 2013	3,531,926	1,073,310	3,758,897	8,746,332	(215,572)	16,894,893
Profit for the period	-	-	-	2,714,237	-	2,714,237
Other comprehensive loss for the period	-	-	(33,153)	-	-	(33,153)
Total comprehensive (loss) / income for the period	-	-	(33,153)	2,714,237	-	2,681,084
Transactions with owners / other equity movements:						
Transfer to general reserves	-	-	800	(800)	-	-
Dividends paid	-	-	-	(1,821,105)	-	(1,821,105)
	-	-	800	(1,821,905)	-	(1,821,105)
At 30 September 2013	<u>3,531,926</u>	<u>1,073,310</u>	<u>3,726,544</u>	<u>9,638,664</u>	<u>(215,572)</u>	<u>17,754,872</u>

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PUBLIC BANK BERHAD
(6463 - H)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

	Group		Bank	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Cash Flows from Operating Activities				
Profit before tax expense and zakat	4,246,977	3,968,698	3,600,712	3,411,013
Adjustments for non-cash items:				
Share of profit after tax of equity accounted associated companies	(2,308)	(6,130)	-	-
Allowance for impaired loans and financing	388,477	409,938	182,565	152,474
Depreciation of property and equipment	115,119	122,173	89,473	98,252
Net gain on financial instruments	(17,631)	(13,223)	(18,267)	(9,317)
Dividends received	(125,277)	(114,194)	(609,986)	(645,922)
Transfer to profit equalisation reserve	286	497	-	-
Impairment (written back) / losses	(439)	1,064	(486)	1,039
Other non-cash items	38,300	54,535	30,760	54,608
Operating profit before working capital changes	<u>4,643,504</u>	<u>4,423,358</u>	<u>3,274,771</u>	<u>3,062,147</u>
Changes in working capital:				
Increase in operating assets	(15,952,213)	(17,678,104)	(11,236,234)	(13,789,682)
Increase in operating liabilities	17,511,770	23,407,005	14,923,940	17,844,221
Cash generated from operations	<u>6,203,061</u>	<u>10,152,259</u>	<u>6,962,477</u>	<u>7,116,686</u>
Tax expense and zakat paid	(933,997)	(1,068,887)	(737,091)	(873,829)
Net cash generated from operating activities	<u>5,269,064</u>	<u>9,083,372</u>	<u>6,225,386</u>	<u>6,242,857</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(102,278)	(109,049)	(48,242)	(55,432)
Proceeds from disposal of properties	21,731	29,136	21,423	28,175
Net (purchase) / sale of financial investments	(10,382,823)	(193,474)	(7,877,746)	560,948
Additional investment in a subsidiary company	-	-	-	(175,000)
Dividends received	131,378	120,541	826,348	828,355
Net cash (used in) / generated from investing activities	<u>(10,331,992)</u>	<u>(152,846)</u>	<u>(7,078,217)</u>	<u>1,187,046</u>

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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2014

	Group		Bank	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Cash Flows from Financing Activities				
Dividends paid	(1,942,875)	(1,827,289)	(1,936,675)	(1,821,105)
Net proceeds from rights issue	4,811,840	-	4,811,840	-
Net proceeds from disposal of treasury shares	175,639	-	175,639	-
Net repayment of borrowings	(6,786)	(66,781)	-	-
Net proceeds from issuance of debt securities	1,498,215	1,398,850	999,500	1,398,850
Redemption of debt securities	-	(1,400,000)	-	(1,400,000)
Net cash generated from / (used in) financing activities	<u>4,536,033</u>	<u>(1,895,220)</u>	<u>4,050,304</u>	<u>(1,822,255)</u>
Net change in cash and cash equivalents	(526,895)	7,035,306	3,197,473	5,607,648
Cash and cash equivalents at beginning of the period	20,183,223	16,835,772	11,386,416	10,238,710
Exchange differences on translation of opening balances	<u>(4,409)</u>	<u>227,092</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u>19,651,919</u>	<u>24,098,170</u>	<u>14,583,889</u>	<u>15,846,358</u>
Note:				
Cash and balances with banks	25,936,165	26,298,450	19,567,382	17,739,367
Less: Balances with banks with maturity more than one month	<u>(6,284,246)</u>	<u>(2,200,280)</u>	<u>(4,983,493)</u>	<u>(1,893,009)</u>
Cash and cash equivalents at end of the period	<u>19,651,919</u>	<u>24,098,170</u>	<u>14,583,889</u>	<u>15,846,358</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.

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Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting Issued by Bank Negara Malaysia

A1. Basis of Preparation

The unaudited interim financial statements for the 3rd quarter and nine months ended 30 September 2014 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments and investment properties.

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank for the financial year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 December 2013.

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

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2013.

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

Effective for annual periods commencing on or after 1 July 2014

Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010–2012 Cycle"

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011–2013 Cycle"

Effective for annual periods commencing on or after 1 January 2016

Agriculture: Bearer Plants (Amendments to MFRS 116 and MFRS 141)

MFRS 14 Regulatory Deferral Accounts

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)

Accounting for Acquisitions of interests in Joint Operations (Amendments to MFRS 11)

Effective for annual periods commencing on or after 1 January 2017

MFRS 15 Revenue from Contracts with Customers

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A1. Basis of Preparation (continued)

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

Effective for annual period to be announced by MASB

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

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

MFRS 9 Financial Instruments (Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139)

The amendments to MFRS 119 provide a practical expedient in accounting for contributions from employees or third parties to defined benefit plans. The adoption of the amendments to MFRS 119 will not have any financial impact to the Group and the Bank as the Group's defined benefit plan does not require employees or third parties to contribute to the plan.

The Annual Improvements to MFRSs 2010 – 2012 Cycle consist of the following amendments:

(i) MFRS 2 Share-based Payment

The amendment clarifies the definition of 'vesting conditions' by separately defining 'performance condition' and 'service condition' to ensure consistent classification of conditions attached to a share-based payment.

(ii) MFRS 3 Business Combinations

The amendment clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of profit or loss.

(iii) MFRS 8 Operating Segments

The amendment requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

(iv) MFRS 13 Fair Value Measurement

The amendment relates to the IASB's Basis for Conclusions which clarifies that when IASB issued IFRS 13, it did not remove the practical ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(v) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets

The amendment clarifies the accounting for the accumulated depreciation or amortisation when an asset is revalued.

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A1. Basis of Preparation (continued)

The Annual Improvements to MFRSs 2010 – 2012 Cycle consist of the following amendments (continued):

(vi) MFRS 124 Related Party Disclosures

The amendment extends the definition of ‘related party’ to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The adoption of the Annual Improvements to MFRSs 2010 - 2012 Cycle is not expected to have any financial impact to the Group and the Bank.

The Annual Improvements to MFRSs 2011 – 2013 Cycle consist of the following amendments:

(i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendment relates to the IASB’s Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(ii) MFRS 3 Business Combinations

The amendment clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangement.

(iii) MFRS 13 Fair Value Measurement

The amendment clarifies that the scope of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurement or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

(iv) MFRS 140 Investment Property

The amendment clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

The adoption of the Annual Improvements to MFRSs 2011-2013 Cycle is not expected to have any financial impact to the Group and the Bank.

The adoption of MFRS 14 and amendments to MFRS 116 and MFRS 141 will not have any impact to the Group and the Bank as they are not relevant to the business of the Group and the Bank. The adoption of amendments to MFRS 11 will not have any financial impact to the Group and the Bank as the Group does not have any interest in joint operations.

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A1. Basis of Preparation (continued)

The amendments to MFRS 116 and MFRS 138 clarify that the preparers should not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. The adoption of these amendments will not have any impact on the Group and the Bank as the Group and the Bank do not use revenue-based methods to calculate depreciation and amortisation of its property, plant and equipment or intangible assets.

MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Group and the Bank.

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

On 4 February 2014, Bank Negara Malaysia ("BNM") issued a letter requiring banking institutions to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, pursuant to paragraph 13 of the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing. The regulatory reserves are maintained in addition to the impairment provisions required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserves within equity as an additional credit risk absorbent. Banking institutions are required to comply with this requirement by 31 December 2015. During the financial period, the Bank has transferred RM1.25 billion from its retained profits to regulatory reserves in accordance with BNM's requirements. The adoption of this requirement did not have any impact to the profit or loss of the Group and the Bank. As regulatory reserves do not qualify as common equity Tier I ("CET I") capital and Tier I capital under BNM's Capital Adequacy Framework (Capital Components), the adoption of this requirement has resulted in a drop of 0.6% respectively in CET I and Tier I capital ratios of the Group. For the Bank, the the adoption of this requirement has resulted in a drop of 0.7% respectively in CET I and Tier I capital ratios.

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2013 was not qualified.

A3. Comments about Seasonal or Cyclical Factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 3rd quarter and nine months ended 30 September 2014.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the 3rd quarter and nine months ended 30 September 2014.

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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 3rd quarter and nine months ended 30 September 2014.

A6. Debt and Equity Securities

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

a) RM5.0 Billion Senior Medium Term Notes Programme

On 15 April 2014, the Bank issued RM600 million in nominal value of Senior Medium Term Notes under its Senior Medium Term Notes Programme. The Notes bear interest at 4.20% per annum payable semi-annually and are due on 15 April 2019.

On 5 May 2014, the Bank issued RM400 million in nominal value of Senior Medium Term Notes under its Senior Medium Term Notes Programme. The Notes bear interest at 4.20% per annum payable semi-annually and are due on 3 May 2019.

b) RM5.0 Billion Sukuk Murabahah Programme by a Wholly-owned Subsidiary Company, Public Islamic Bank Berhad ("PIBB")

The Bank's wholly-owned subsidiary company, PIBB obtained approvals from Bank Negara Malaysia and the Securities Commission on 24 March 2014 and 21 April 2014 respectively, for the establishment of an Islamic medium term note programme under the Shariah principle of Murabahah (via Tawarruq arrangement) to facilitate the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value.

The Subordinated Sukuk Murabahah to be issued from time to time under the Sukuk Murabahah Programme ("Programme") will qualify as Tier II capital for the computation of the regulatory capital of PIBB and the Group in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

On 9 June 2014, PIBB issued the first tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah under the Programme which are due on 7 June 2024 and callable on 10 June 2019. The Subordinated Sukuk Murabahah bear profit at 4.75% per annum payable semi-annually.

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A6. Debt and Equity Securities (continued)

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

c) Renounceable Rights Issue of 350,212,513 New Ordinary Shares of RM1.00 Each in Public Bank Berhad ("PBB Shares") on the Basis of One (1) Rights Share for Every Ten (10) Existing PBB Shares Held on 23 June 2014 at an Issue Price of RM13.80 Per Rights Share

On 29 April 2014, the Bank announced to undertake a renounceable rights issue of new PBB Shares ("Rights Issue") to its entitled shareholders to raise gross proceeds of up to RM5.0 billion.

Bursa Malaysia Securities Berhad ("Bursa Securities") granted its approval for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities on 9 May 2014. Bank Negara Malaysia granted its approval for the increase in the issued and paid-up share capital of the Bank pursuant to the Rights Issue on 14 May 2014. The shareholders of the Bank approved the Rights Issue at the Bank's extraordinary general meeting held on 6 June 2014.

On 9 June 2014, the Bank announced that 350,212,513 new PBB Shares on the basis of One (1) Rights Share for every Ten (10) existing PBB Shares will be issued at an issue price of RM13.80 per Rights Share. The entitlement date for the Rights Issue was on 23 June 2014.

The Rights Issue exercise was completed on 8 August 2014 and has raised a total gross proceeds of RM4.83 billion following the listing and quotation of the 350,212,513 Rights Shares on the Main Market of Bursa Securities.

d) Resale of Treasury Shares

During the financial period, the Bank disposed 9,156,400 of its issued ordinary shares held as treasury shares for a total consideration of RM176,039,332 (before deducting transaction costs) in the open market at an average price of RM19.23 per share. As at 30 September 2014, the number of treasury shares held after deducting the disposal was 20,644,304 PBB Shares.

A7. Dividends Paid and Distributed

During the nine months ended 30 September 2014 :-

- a) A second interim single tier dividend of 30% in respect of the financial year ended 31 December 2013, amounting to RM1,050,637,539 was paid on 28 February 2014.
- b) A first interim single tier dividend of 23% in respect of the financial year ending 31 December 2014, amounting to RM886,037,658 was paid on 20 August 2014.

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A8. Financial Assets Held-for-trading

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Securities	10,139	223,523	10,139	223,523
Malaysian Government Investment Certificates	171,530	1,310,771	171,530	1,106,521
Bank Negara Malaysia Monetary Notes	784,473	49,346	784,473	49,346
	<u>966,142</u>	<u>1,583,640</u>	<u>966,142</u>	<u>1,379,390</u>
Money market instruments:				
Negotiable instruments of deposit	8,757,410	13,822,929	6,431,343	12,274,547
Bankers' acceptances and Islamic accepted bills	298,751	-	-	-
	<u>9,056,161</u>	<u>13,822,929</u>	<u>6,431,343</u>	<u>12,274,547</u>
Non-money market instruments:				
Debt securities:				
- Unquoted private debt securities	97,701	405,394	12,791	332,489
Total financial assets held-for-trading	<u>10,120,004</u>	<u>15,811,963</u>	<u>7,410,276</u>	<u>13,986,426</u>

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A9. Financial Investments Available-for-sale

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	268,328	1,386,790	3,703	1,386,790
Malaysian Government Securities	4,009,128	975,356	4,009,128	975,356
Malaysian Government Investment Certificates	5,792,937	3,140,471	3,763,946	1,703,562
Bank Negara Malaysia Monetary Notes	1,720,389	4,604,017	-	4,604,017
	<u>11,790,782</u>	<u>10,106,634</u>	<u>7,776,777</u>	<u>8,669,725</u>
Money market instruments:				
Negotiable instruments of deposit	-	198,844	-	198,844
Bankers' acceptances and Islamic accepted bills	48,295	-	48,295	-
	<u>48,295</u>	<u>198,844</u>	<u>48,295</u>	<u>198,844</u>
Non-money market instruments:				
Equity securities:				
- Quoted shares and convertible loan stocks in Malaysia	-	4,785	-	4,785
- Quoted shares and convertible loan stocks outside Malaysia	7,959	11,897	-	-
- Unquoted shares #	110,208	110,249	106,247	106,285
Debt securities:				
- Unquoted private debt securities	1,363,205	2,078,879	1,016,516	1,607,095
Unit trust funds	5,231,175	5,107,224	4,766,690	4,538,133
	<u>6,712,547</u>	<u>7,313,034</u>	<u>5,889,453</u>	<u>6,256,298</u>
Total financial investments available-for-sale	<u>18,551,624</u>	<u>17,618,512</u>	<u>13,714,525</u>	<u>15,124,867</u>

Stated at cost, net of impairment loss.

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A10. Financial Investments Held-to-maturity

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	172,888	19,961	9,664	-
Malaysian Government Securities	2,319,143	1,235,500	2,288,877	1,205,514
Malaysian Government Investment Certificates	9,797,808	2,190,194	8,747,828	2,119,819
Bank Negara Malaysia Monetary Notes	435,694	-	435,694	-
Foreign Government Treasury Bills	681,113	756,069	37,130	111,725
Other foreign government securities	183,598	197,872	-	-
	<u>13,590,244</u>	<u>4,399,596</u>	<u>11,519,193</u>	<u>3,437,058</u>
Money market instruments:				
Negotiable instruments of deposit	772,975	1,890,742	1,572,055	1,528,777
Bankers' acceptances and Islamic accepted bills	-	279,895	-	89,092
	<u>772,975</u>	<u>2,170,637</u>	<u>1,572,055</u>	<u>1,617,869</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	126,518	130,287	86,242	90,436
- Unquoted private debt securities	2,712,756	1,093,138	1,861,235	642,544
	<u>2,839,274</u>	<u>1,223,425</u>	<u>1,947,477</u>	<u>732,980</u>
Accumulated impairment losses	(81)	(107)	(81)	(107)
Total financial investments held-to-maturity	<u>17,202,412</u>	<u>7,793,551</u>	<u>15,038,644</u>	<u>5,787,800</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	10,137,544	9,694,121	8,485,200	8,319,983
Term loans				
- Housing loans / financing	75,384,147	69,371,088	65,519,033	60,472,169
- Syndicated term loans / financing	1,626,843	1,782,419	924,203	1,071,646
- Hire purchase receivables	47,591,659	44,923,671	34,828,540	31,906,568
- Other term loans / financing	89,766,191	83,603,166	74,942,429	70,256,580
Credit card receivables	1,590,747	1,623,283	1,578,593	1,613,033
Bills receivables	153,003	132,233	140,698	112,310
Trust receipts	343,308	318,642	253,881	262,301
Claims on customers under acceptance credits	4,305,872	4,146,270	4,170,333	4,013,598
Revolving credits	5,130,070	4,247,740	5,190,875	4,273,079
Staff loans *	1,445,337	1,333,170	1,357,954	1,254,160
Gross loans, advances and financing	<u>237,474,721</u>	<u>221,175,803</u>	<u>197,391,739</u>	<u>183,555,427</u>
Allowance for impaired loans and financing:				
- collective assessment allowance	(1,666,755)	(1,592,085)	(1,119,366)	(1,071,089)
- individual assessment allowance	(138,257)	(167,925)	(68,593)	(79,765)
Net loans, advances and financing	<u>235,669,709</u>	<u>219,415,793</u>	<u>196,203,780</u>	<u>182,404,573</u>

* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM3,477,000 (2013: RM3,499,000) and RM3,126,000 (2013 - RM3,092,000) respectively.

A11a. By class

	Group		Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Retail loans / financing *				
- Housing loans / financing	75,384,147	69,371,088	65,519,033	60,472,169
- Hire purchase	47,591,659	44,923,671	34,828,540	31,906,568
- Credit cards	1,590,747	1,623,283	1,578,593	1,613,033
- Other loans / financing ^	81,718,748	74,634,000	70,259,810	64,745,015
	<u>206,285,301</u>	<u>190,552,042</u>	<u>172,185,976</u>	<u>158,736,785</u>
Corporate loans / financing	31,189,420	30,623,761	25,205,763	24,818,642
	<u>237,474,721</u>	<u>221,175,803</u>	<u>197,391,739</u>	<u>183,555,427</u>

* Included in retail loans / financing are loans / financing granted to individual borrowers and mid-market commercial enterprises.

^ Included in other loans / financing are term loans, trade financing, overdrafts and revolving credits.

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A11. Loans, Advances and Financing (continued)

A11b. By type of customer

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Banking institutions	104,911	219,841	32,852	32,806
Non-bank financial institutions				
- Stock-broking companies	9,222	10,415	9,222	10,415
- Others	6,554,583	5,867,394	6,478,100	5,796,575
Business enterprises				
- Small and medium enterprises	53,762,410	46,466,558	48,018,791	41,907,628
- Others	22,790,167	24,774,604	17,465,207	19,839,602
Government and statutory bodies	325,431	328,984	3,646	9,205
Individuals	151,705,234	141,050,941	123,267,434	113,628,081
Other entities	38,560	43,708	35,635	41,090
Foreign entities	2,184,203	2,413,358	2,080,852	2,290,025
	<u>237,474,721</u>	<u>221,175,803</u>	<u>197,391,739</u>	<u>183,555,427</u>

A11c. By interest / profit rate sensitivity

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Fixed rate				
- Housing loans / financing	688,492	760,224	82,512	100,506
- Hire purchase receivables	45,871,743	43,231,795	34,816,910	31,896,405
- Other fixed rate loans / financing	15,786,968	15,294,702	8,545,521	8,200,180
Variable rate				
- Base lending rate plus	144,087,700	131,488,842	133,461,261	123,273,711
- Cost plus	20,062,470	20,029,781	19,629,578	19,323,512
- Other variable rates	10,977,348	10,370,459	855,957	761,113
	<u>237,474,721</u>	<u>221,175,803</u>	<u>197,391,739</u>	<u>183,555,427</u>

A11d. By residual contractual maturity

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Maturity within one year	31,727,931	29,512,905	26,708,050	24,665,072
More than one year to three years	20,290,895	21,787,337	16,373,018	17,348,887
More than three years to five years	21,904,553	21,614,004	17,486,929	16,869,100
More than five years	163,551,342	148,261,557	136,823,742	124,672,368
	<u>237,474,721</u>	<u>221,175,803</u>	<u>197,391,739</u>	<u>183,555,427</u>

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A11. Loans, Advances and Financing (continued)

A11e. By geographical distribution

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Malaysia	222,124,182	206,634,918	196,764,446	183,018,237
Hong Kong SAR and the People's Republic of China	12,059,564	11,573,237	-	-
Cambodia	2,663,682	2,430,458	-	-
Other countries	627,293	537,190	627,293	537,190
	237,474,721	221,175,803	197,391,739	183,555,427

A11f. Gross loans, advances and financing by economic purpose

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of securities	1,677,367	4,023,503	1,457,032	3,861,298
Purchase of transport vehicles	47,835,469	45,158,466	35,073,976	32,139,612
Purchase of landed properties	137,810,254	126,004,256	121,531,051	111,871,882
(of which: - residential	77,093,404	70,928,295	67,182,436	62,005,417
- non-residential)	60,716,850	55,075,961	54,348,615	49,866,465
Purchase of fixed assets (excluding landed properties)	235,806	242,072	207,112	212,738
Personal use	9,152,399	9,090,491	4,736,651	4,527,048
Credit card	1,590,747	1,623,283	1,578,593	1,613,033
Purchase of consumer durables	3,268	16,855	251	13,619
Construction	3,739,556	2,903,437	3,079,117	2,268,033
Mergers and acquisitions	194,324	208,454	194,324	208,454
Working capital	31,760,352	28,219,556	26,273,644	23,401,960
Other purpose	3,475,179	3,685,430	3,259,988	3,437,750
	237,474,721	221,175,803	197,391,739	183,555,427

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A11. Loans, Advances and Financing (continued)

A11g. Gross loans, advances and financing by sectors

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Agriculture, hunting, forestry and fishing	3,000,994	2,847,443	2,433,176	2,471,313
Mining and quarrying	207,582	199,457	175,125	167,811
Manufacturing	9,000,180	8,891,271	8,086,383	7,885,681
Electricity, gas and water	51,121	54,698	20,128	21,429
Construction	7,199,989	6,597,972	6,094,960	5,580,719
Wholesale & retail trade and restaurants & hotels	21,099,009	19,372,207	18,992,583	17,702,488
Transport, storage and communication	3,537,308	3,395,952	2,714,793	2,577,828
Finance, insurance and business services	13,827,701	12,214,958	12,384,923	10,838,160
Real estate	24,032,821	21,064,548	20,319,025	17,867,116
Community, social and personal services	2,297,256	4,319,749	1,832,071	3,886,443
Households	151,959,312	141,214,063	124,244,392	114,444,907
Others	1,261,448	1,003,485	94,180	111,532
	<u>237,474,721</u>	<u>221,175,803</u>	<u>197,391,739</u>	<u>183,555,427</u>

A11h. Loans, advances and financing pledged as collateral are as follows:

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Bankers' acceptances rediscounted	<u>708,337</u>	<u>974,991</u>	<u>708,337</u>	<u>974,121</u>

A11i. Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
At 1 January	1,484,779	1,374,086	1,135,737	1,014,660
Impaired during the period / year	2,071,705	2,939,301	1,499,909	2,125,565
Reclassified as non-impaired	(1,402,777)	(1,976,588)	(1,082,034)	(1,576,211)
Recoveries	(251,846)	(299,343)	(190,810)	(169,777)
Amount written off	(342,411)	(555,058)	(143,783)	(247,931)
Loans converted to foreclosed properties / investments	(17,507)	(10,981)	(17,451)	(10,721)
Exchange differences	(200)	13,362	(5)	152
Closing balance	<u>1,541,743</u>	<u>1,484,779</u>	<u>1,201,563</u>	<u>1,135,737</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.65%</u>	<u>0.67%</u>	<u>0.61%</u>	<u>0.62%</u>

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A11. Loans, Advances and Financing (continued)

A11j. Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Malaysia	1,425,004	1,364,302	1,185,517	1,133,697
Hong Kong SAR and the People's Republic of China	62,278	74,329	-	-
Cambodia	38,415	44,108	-	-
Other countries	16,046	2,040	16,046	2,040
	<u>1,541,743</u>	<u>1,484,779</u>	<u>1,201,563</u>	<u>1,135,737</u>

A11k. Impaired loans, advances and financing by economic purpose

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Purchase of securities	3,441	3,466	3,441	3,462
Purchase of transport vehicles	412,808	357,474	291,254	256,600
Purchase of landed properties	722,031	676,066	639,759	608,140
(of which: - residential	536,671	526,930	471,117	468,751
- non-residential)	185,360	149,136	168,642	139,389
Purchase of fixed assets (excluding landed properties)	197	6,003	185	5,977
Personal use	140,326	169,312	53,965	48,542
Credit card	20,833	23,161	20,773	23,084
Purchase of consumer durables	143	82	-	4
Construction	5,896	11,469	3,012	8,855
Mergers and acquisitions	10,297	-	10,297	-
Working capital	209,198	223,163	162,573	166,649
Other purpose	16,573	14,583	16,304	14,424
	<u>1,541,743</u>	<u>1,484,779</u>	<u>1,201,563</u>	<u>1,135,737</u>

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A11. Loans, Advances and Financing (continued)

A11l. Impaired loans, advances and financing by sectors

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Agriculture, hunting, forestry and fishing	10,603	16,692	3,702	2,559
Mining and quarrying	1,793	1,483	669	437
Manufacturing	103,190	110,739	95,091	98,646
Electricity, gas and water	1,608	1,551	-	-
Construction	61,867	41,188	57,543	37,600
Wholesale & retail trade and restaurants & hotels	135,668	130,908	111,084	106,597
Transport, storage and communication	50,137	61,167	48,250	59,778
Finance, insurance and business services	25,962	24,219	19,233	19,331
Real estate	41,287	23,715	33,165	21,458
Community, social and personal services	15,509	20,427	15,220	20,118
Households	1,092,279	1,050,632	816,972	768,342
Others	1,840	2,058	634	871
	1,541,743	1,484,779	1,201,563	1,135,737

A11m. Movements in the allowance for impaired loans, advances and financing are as follows:

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
<u>Collective Assessment Allowance</u>				
At 1 January	1,592,085	1,529,566	1,071,089	1,059,484
Allowance made during the period / year	268,416	340,289	188,337	219,966
Amount written off	(193,715)	(280,604)	(140,050)	(208,758)
Exchange differences	(31)	2,834	(10)	397
Closing balance	1,666,755	1,592,085	1,119,366	1,071,089

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
<u>Individual Assessment Allowance</u>				
At 1 January	167,925	201,995	79,765	110,074
Allowance made during the period / year	139,733	242,911	7,219	18,342
Amount written back in respect of recoveries	(19,672)	(17,164)	(12,991)	(9,478)
Amount written off	(148,696)	(274,454)	(3,733)	(39,173)
Amount transferred to allowance for impairment loss on foreclosed properties	(1,667)	-	(1,667)	-
Exchange differences	634	14,637	-	-
Closing balance	138,257	167,925	68,593	79,765

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A12. Other Assets

	Group		Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Deferred handling fees	251,954	242,734	189,190	175,656
Interest / Income receivable	78,166	69,650	60,625	45,374
Other receivables, deposits and prepayments	1,427,801	1,410,075	1,334,664	1,338,651
Manager's stocks	67,004	87,984	-	-
Employee benefits	262,792	294,339	256,730	286,306
Amount due from trust funds	121,344	111,536	-	-
Foreclosed properties	55,400	57,280	54,375	55,982
Taxi licenses	-	1,130	-	-
Outstanding contracts on clients' accounts	329,107	264,971	-	-
Amount due from subsidiary companies	-	-	37,588	37,879
Dividend receivable from subsidiary companies	-	-	253,100	469,462
	<u>2,593,568</u>	<u>2,539,699</u>	<u>2,186,272</u>	<u>2,409,310</u>

A13. Deposits from Customers

a) By type of deposit

	Group		Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Core deposits:				
- Demand deposits	39,864,810	38,202,745	34,760,108	33,382,002
- Savings deposits	27,357,215	25,824,590	19,007,334	18,349,316
- Fixed deposits	145,175,415	137,230,286	115,740,204	107,341,341
	<u>212,397,440</u>	<u>201,257,621</u>	<u>169,507,646</u>	<u>159,072,659</u>
Wholesale deposits:				
- Negotiable instruments of deposit	4,252,667	1,620,398	2,442,403	651,420
- Money market deposits	51,668,823	47,881,370	46,969,809	42,036,700
	<u>55,921,490</u>	<u>49,501,768</u>	<u>49,412,212</u>	<u>42,688,120</u>
Other deposits	54,632	113,800	50,333	110,813
	<u>268,373,562</u>	<u>250,873,189</u>	<u>218,970,191</u>	<u>201,871,592</u>

b) By type of customer

	Group		Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Federal and state governments	3,971,977	1,451,465	551,014	234,600
Local government and statutory authorities	3,520,241	2,695,427	2,022,536	1,610,984
Business enterprises	83,183,337	77,616,935	68,357,561	62,433,119
Individuals	120,183,247	111,921,512	104,734,926	97,008,165
Foreign customers	4,937,026	6,655,412	4,317,204	5,914,089
Others	52,577,734	50,532,438	38,986,950	34,670,635
	<u>268,373,562</u>	<u>250,873,189</u>	<u>218,970,191</u>	<u>201,871,592</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 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Due within six months	181,659,531	162,340,586	148,473,553	128,981,442
More than six months to one year	19,108,824	24,080,964	16,591,594	20,876,847
More than one year to three years	325,249	306,626	84,660	167,761
More than three years to five years	3,301	3,878	2,609	3,411
	<u>201,096,905</u>	<u>186,732,054</u>	<u>165,152,416</u>	<u>150,029,461</u>

A14. Deposits from Banks

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
At amortised cost				
Licensed banks	6,607,870	4,234,141	4,483,081	2,893,468
Licensed Islamic banks	-	1,063,881	-	713,881
Licensed investment banks	548,995	3,473,912	156,571	3,494,590
Bank Negara Malaysia	2,927,855	1,980,255	2,924,682	1,977,865
Other financial institutions	6,013,415	5,423,647	7,073,343	7,843,244
	<u>16,098,135</u>	<u>16,175,836</u>	<u>14,637,677</u>	<u>16,923,048</u>

A15. Other Liabilities

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Interest / Income payable	1,597,420	1,186,739	1,342,209	1,009,164
Other payables and accruals	2,472,802	2,351,233	1,956,934	1,803,877
Amount due to trust funds	80,632	66,534	-	-
Unprocessed sales and / or redemptions	75,968	118,778	-	-
Finance lease liabilities	-	26,484	-	26,484
Outstanding contracts on clients' accounts	311,541	255,125	-	-
Dividend payable to shareholders	2,771	15,523	2,771	1,866
Amount due to subsidiary companies	-	-	3,478	4,200
	<u>4,541,134</u>	<u>4,020,416</u>	<u>3,305,392</u>	<u>2,845,591</u>

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A16. Interest Income

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loans and advances	2,712,686	2,438,449	7,761,684	7,118,207
Balances with banks	223,413	183,719	572,472	557,435
Financial investments available-for-sale	68,444	70,093	202,360	218,463
Financial investments held-to-maturity	128,899	64,054	296,886	179,761
Others	33,943	34,096	108,093	96,877
	<u>3,167,385</u>	2,790,411	<u>8,941,495</u>	8,170,743
Financial assets held-for-trading	79,773	93,451	274,399	287,685
	<u>3,247,158</u>	<u>2,883,862</u>	<u>9,215,894</u>	<u>8,458,428</u>
Of which:				
Interest income earned on impaired loans and advances	<u>15,255</u>	<u>13,686</u>	<u>42,948</u>	<u>40,059</u>
	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loans and advances	2,497,354	2,219,812	7,127,158	6,487,967
Balances with banks	210,360	172,904	537,020	523,181
Financial investments available-for-sale	66,693	68,310	193,468	213,279
Financial investments held-to-maturity	114,112	43,765	245,549	125,560
Others	33,940	34,094	107,987	96,870
	<u>2,922,459</u>	2,538,885	<u>8,211,182</u>	7,446,857
Financial assets held-for-trading	68,202	85,525	247,602	262,336
	<u>2,990,661</u>	<u>2,624,410</u>	<u>8,458,784</u>	<u>7,709,193</u>
Of which:				
Interest income earned on impaired loans and advances	<u>14,706</u>	<u>13,144</u>	<u>41,085</u>	<u>37,438</u>

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A17. Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits from banks	66,713	84,010	191,331	256,321
Deposits from customers	1,504,450	1,288,517	4,295,362	3,765,335
Loans sold to Cagamas	-	2	-	23
Debt securities issued and other borrowed funds	124,649	89,336	351,760	274,656
Others	371	707	1,735	5,117
	<u>1,696,183</u>	<u>1,462,572</u>	<u>4,840,188</u>	<u>4,301,452</u>

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits from banks	58,246	76,749	168,073	233,489
Deposits from customers	1,450,879	1,241,519	4,137,870	3,629,482
Loans sold to Cagamas	-	2	-	23
Debt securities issued and other borrowed funds	122,798	86,089	346,237	264,671
Others	313	660	1,575	4,939
	<u>1,632,236</u>	<u>1,405,019</u>	<u>4,653,755</u>	<u>4,132,604</u>

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A21. Other Operating Expenses

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Personnel costs				
- Salaries, allowances and bonuses	375,126	322,661	1,148,249	1,034,858
- Pension costs	52,476	69,935	161,423	170,327
- Others	34,726	30,586	100,196	91,837
	462,328	423,182	1,409,868	1,297,022
Establishment costs				
- Depreciation	38,880	39,080	115,119	122,173
- Rental	24,362	23,717	72,345	68,267
- Insurance	4,531	4,911	15,952	17,068
- Water and electricity	13,694	11,793	38,750	33,520
- General repairs and maintenance	18,482	18,288	63,155	52,623
- Information technology expenses	7,321	6,978	20,918	20,895
- Others	12,475	10,854	36,545	32,870
	119,745	115,621	362,784	347,416
Marketing expenses				
- Advertisement and publicity	9,381	16,327	32,804	51,142
- Others	20,420	20,580	56,516	62,285
	29,801	36,907	89,320	113,427
Administration and general expenses				
- Communication expenses	8,067	8,984	23,473	29,327
- Legal and professional fees	9,057	9,555	31,280	31,432
- Others	19,529	17,535	53,684	54,618
	36,653	36,074	108,437	115,377
Total other operating expenses	648,527	611,784	1,970,409	1,873,242

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A21. Other Operating Expenses (continued)

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Personnel costs				
- Salaries, allowances and bonuses	290,854	262,086	893,264	821,623
- Pension costs	46,537	51,706	143,586	160,317
- Others	27,992	26,955	84,632	80,726
	365,383	340,747	1,121,482	1,062,666
Establishment costs				
- Depreciation	30,049	30,917	89,473	98,252
- Rental	22,491	21,713	66,245	63,646
- Insurance	4,063	3,637	13,372	12,974
- Water and electricity	10,369	8,581	29,389	25,038
- General repairs and maintenance	15,914	15,986	55,862	46,455
- Information technology expenses	3,972	3,714	10,916	11,142
- Others	9,544	8,130	27,709	24,931
	96,402	92,678	292,966	282,438
Marketing expenses				
- Advertisement and publicity	5,389	6,104	13,727	19,194
- Others	11,786	10,605	30,392	31,708
	17,175	16,709	44,119	50,902
Administration and general expenses				
- Communication expenses	6,676	7,960	18,412	26,810
- Legal and professional fees	7,905	6,934	24,208	23,547
- Others	11,706	9,512	36,642	28,813
	26,287	24,406	79,262	79,170
Shared service cost charged to Public Islamic Bank Berhad	(65,549)	(59,315)	(185,823)	(180,033)
Total other operating expenses	439,698	415,225	1,352,006	1,295,143

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A22. Allowance for Impairment on Loans, Advances and Financing

Group	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and financing:				
Collective assessment allowance	83,792	95,217	268,416	240,527
Individual assessment allowance	34,961	56,164	120,061	169,411
Writeback of allowance for				
bad debts from stockbroking activities	(58)	-	(57)	(129)
Impaired loans and financing written off	6	266	76	624
Impaired loans and financing recovered	(72,082)	(48,364)	(192,365)	(149,464)
	46,619	103,283	196,131	260,969

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Allowance / (Writeback of allowance)				
for impaired loans:				
Collective assessment allowance	54,434	62,972	188,337	146,558
Individual assessment allowance	(2,704)	(1,297)	(5,772)	5,916
Impaired loans written off	6	226	71	529
Impaired loans recovered	(32,427)	(27,411)	(100,162)	(83,590)
	19,309	34,490	82,474	69,413

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A23. Segment Information

3rd Quarter Ended 30 September 2014	<----- Operating Segments ----->											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	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
External revenue	612,289	2,117,744	287,371	497,673	52,261	276,309	1,405	193,863	4,038,915	285,093	-	4,324,008
Revenue from other segments	-	361,879	3,774	210,957	1,767	4,332	7,496	362,244	952,449	1,708	(954,157)	-
	612,289	2,479,623	291,145	708,630	54,028	280,641	8,901	556,107	4,991,364	286,801	(954,157)	4,324,008
Net interest income and												
Islamic banking income	212,800	1,158,416	76,084	39,875	5,596	4,567	(2,052)	81,965	1,577,251	189,832	-	1,767,083
Other income	438	134,068	10,212	66,688	19,026	167,367	8,892	56,371	463,062	35,986	(18,464)	480,584
Net income	213,238	1,292,484	86,296	106,563	24,622	171,934	6,840	138,336	2,040,313	225,818	(18,464)	2,247,667
Other operating expenses	(56,671)	(343,200)	(2,645)	(6,490)	(8,645)	(44,506)	(3,782)	(97,921)	(563,860)	(103,131)	18,464	(648,527)
(Allowance) / Writeback of												
allowance for impairment on												
loans, advances and financing	(58,266)	13,616	4,406	-	(83)	-	-	-	(40,327)	(6,292)	-	(46,619)
Allowance for												
impairment on other assets	-	(399)	-	-	-	-	-	-	(399)	-	-	(399)
Profit by segments	98,301	962,501	88,057	100,073	15,894	127,428	3,058	40,415	1,435,727	116,395	-	1,552,122
Reconciliation of segment profits												
to consolidated profits:												
Share of (loss) / profit after tax												
of equity accounted associated									(2,315)	2,376		61
companies									1,433,412	118,771		1,552,183
Profit before tax expense and zakat												

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A23. Segment Information (continued)

3rd Quarter Ended 30 September 2013	<----- Operating Segments ----->											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	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
External revenue	586,715	1,862,936	267,504	464,226	52,459	263,213	1,323	89,835	3,588,211	281,331	-	3,869,542
Revenue from other segments	-	314,426	2,946	192,218	3,296	3,360	7,424	297,480	821,150	991	(822,141)	-
	<u>586,715</u>	<u>2,177,362</u>	<u>270,450</u>	<u>656,444</u>	<u>55,755</u>	<u>266,573</u>	<u>8,747</u>	<u>387,315</u>	<u>4,409,361</u>	<u>282,322</u>	<u>(822,141)</u>	<u>3,869,542</u>
Net interest income and												
Islamic banking income	223,273	1,044,806	73,542	41,424	4,593	3,595	(1,927)	56,083	1,445,389	191,835	-	1,637,224
Other income	334	127,057	6,996	65,880	14,366	150,294	8,681	45,112	418,720	36,356	(16,566)	438,510
Net income	<u>223,607</u>	<u>1,171,863</u>	<u>80,538</u>	<u>107,304</u>	<u>18,959</u>	<u>153,889</u>	<u>6,754</u>	<u>101,195</u>	<u>1,864,109</u>	<u>228,191</u>	<u>(16,566)</u>	<u>2,075,734</u>
Other operating expenses	(49,403)	(322,241)	(3,027)	(5,549)	(6,690)	(43,447)	(3,840)	(98,447)	(532,644)	(95,706)	16,566	(611,784)
(Allowance) / Writeback of												
allowance for impairment on												
loans, advances and financing	(61,289)	(4,338)	3,789	-	223	-	-	-	(61,615)	(41,668)	-	(103,283)
Allowance for												
impairment on other assets	-	(4,223)	-	-	-	-	-	-	(4,223)	-	-	(4,223)
Profit by segments	<u>112,915</u>	<u>841,061</u>	<u>81,300</u>	<u>101,755</u>	<u>12,492</u>	<u>110,442</u>	<u>2,914</u>	<u>2,748</u>	<u>1,265,627</u>	<u>90,817</u>	<u>-</u>	<u>1,356,444</u>
Reconciliation of segment profits												
to consolidated profits:												
Share of (loss) / profit after tax												
of equity accounted associated												
companies									(401)	2,121	-	1,720
Profit before tax expense and zakat									<u>1,265,226</u>	<u>92,938</u>	<u>-</u>	<u>1,358,164</u>

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A23. Segment Information

Nine Months Ended 30 September 2014	<----- Operating Segments ----->											
	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	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
External revenue	1,807,425	6,006,278	851,765	1,406,034	162,769	805,544	4,186	451,530	11,495,531	835,955	-	12,331,486
Revenue from other segments	-	998,554	10,596	643,447	4,246	11,413	22,347	1,223,670	2,914,273	4,838	(2,919,111)	-
	1,807,425	7,004,832	862,361	2,049,481	167,015	816,957	26,533	1,675,200	14,409,804	840,793	(2,919,111)	12,331,486
Net interest income and												
Islamic banking income	669,398	3,238,338	221,607	121,547	15,573	12,097	(5,873)	170,516	4,443,203	557,813	-	5,001,016
Other income	1,424	385,502	36,420	195,873	60,765	484,568	26,379	166,830	1,357,761	104,886	(52,893)	1,409,754
Net income	670,822	3,623,840	258,027	317,420	76,338	496,665	20,506	337,346	5,800,964	662,699	(52,893)	6,410,770
Other operating expenses	(171,091)	(1,057,258)	(8,340)	(18,561)	(25,877)	(132,409)	(11,095)	(300,386)	(1,725,017)	(298,285)	52,893	(1,970,409)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(151,573)	(10,698)	19,757	-	209	-	-	-	(142,305)	(53,826)	-	(196,131)
Writeback of allowance for impairment on other assets	-	439	-	-	-	-	-	-	439	-	-	439
Profit by segments	348,158	2,556,323	269,444	298,859	50,670	364,256	9,411	36,960	3,934,081	310,588	-	4,244,669
Reconciliation of segment profits to consolidated profits:												
Share of (loss) / profit after tax of equity accounted associated companies									(4,632)	6,940		2,308
Profit before tax expense and zakat									3,929,449	317,528		4,246,977
Cost income ratio	25.5%	29.2%	3.2%	5.8%	33.9%	26.7%	54.1%	89.0%	29.7%	45.0%		30.7%
Gross loans, advances and financing	45,836,903	149,978,048	25,878,526	-	369,918	58,592	2,195	-	222,124,182	15,350,539		237,474,721
Loan growth	6.2%	9.1%	1.2%	-	1.3%	8.7%	-0.7%	-	7.5%	5.6%		7.4%
Impaired loans, advances and financing	388,408	959,339	77,257	-	-	-	-	-	1,425,004	116,739		1,541,743
Impaired loan ratio	0.8%	0.6%	0.3%	-	-	-	-	-	0.6%	0.8%		0.7%
Deposits from customers	-	189,189,842	240,437	60,454,975	1,641,714	-	-	-	251,526,968	16,846,594		268,373,562
Deposit growth	-	7.3%	-21.3%	8.6%	-42.4%	-	-	-	7.0%	7.1%		7.0%
Segment assets	45,490,508	196,659,300	25,816,150	75,750,864	4,001,100	347,324	353,070	29,879,278	378,297,594	22,329,030	(72,519,029)	328,107,595
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									24,157	122,321		146,478
Unallocated assets									768,783	-		768,783
Intangible assets									769,251	1,233,135		2,002,386
Total assets									379,859,785	23,684,486		331,025,242

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A23. Segment Information (continued)

	<----- Operating Segments ----->											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	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
Nine Months Ended 30 September 2013												
External revenue	1,744,417	5,437,821	791,173	1,395,484	154,165	747,171	3,803	261,512	10,535,546	810,081	-	11,345,627
Revenue from other segments	-	888,119	8,642	576,606	11,366	9,162	22,112	928,902	2,444,909	2,901	(2,447,810)	-
	<u>1,744,417</u>	<u>6,325,940</u>	<u>799,815</u>	<u>1,972,090</u>	<u>165,531</u>	<u>756,333</u>	<u>25,915</u>	<u>1,190,414</u>	<u>12,980,455</u>	<u>812,982</u>	<u>(2,447,810)</u>	<u>11,345,627</u>
Net interest income and												
Islamic banking income	698,461	3,033,239	213,321	114,553	12,520	9,785	(5,758)	164,862	4,240,983	549,197	-	4,790,180
Other income	1,465	386,768	30,755	189,302	45,962	430,486	25,738	137,216	1,247,692	109,581	(49,610)	1,307,663
Net income	<u>699,926</u>	<u>3,420,007</u>	<u>244,076</u>	<u>303,855</u>	<u>58,482</u>	<u>440,271</u>	<u>19,980</u>	<u>302,078</u>	<u>5,488,675</u>	<u>658,778</u>	<u>(49,610)</u>	<u>6,097,843</u>
Other operating expenses	(162,012)	(987,042)	(8,056)	(16,162)	(22,494)	(127,071)	(10,802)	(309,162)	(1,642,801)	(280,051)	49,610	(1,873,242)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(152,950)	2,437	5,803	-	(196)	-	-	-	(144,906)	(116,063)	-	(260,969)
Allowance for impairment on other assets	-	(1,064)	-	-	-	-	-	-	(1,064)	-	-	(1,064)
Profit / (loss) by segments	<u>384,964</u>	<u>2,434,338</u>	<u>241,823</u>	<u>287,693</u>	<u>35,792</u>	<u>313,200</u>	<u>9,178</u>	<u>(7,084)</u>	<u>3,699,904</u>	<u>262,664</u>	<u>-</u>	<u>3,962,568</u>
Reconciliation of segment profits to consolidated profits:												
Share of (loss) / profit after tax of equity accounted associated companies									(630)	6,760		6,130
Profit before tax expense and zakat									<u>3,699,274</u>	<u>269,424</u>		<u>3,968,698</u>
Cost income ratio	23.1%	28.9%	3.3%	5.3%	38.5%	28.9%	54.1%	102.3%	29.9%	42.5%		30.7%
Gross loans, advances and financing	42,751,147	133,174,983	24,881,032	-	366,812	54,140	2,181	-	201,230,295	14,360,672		215,590,967
Loan growth	5.7%	10.6%	6.8%	-	17.0%	5.0%	11.6%	-	9.0%	8.5%		9.0%
Impaired loans, advances and financing	316,303	955,930	91,764	-	-	-	-	-	1,363,997	117,147		1,481,144
Impaired loan ratio	0.7%	0.7%	0.4%	-	-	-	-	-	0.7%	0.8%		0.7%
Deposits from customers	-	173,612,229	267,593	54,758,998	2,993,834	-	-	-	231,632,654	15,699,693		247,332,347
Deposit growth	-	13.0%	-16.7%	2.0%	-0.1%	-	-	-	9.9%	9.3%		9.9%
Segment assets	<u>42,502,170</u>	<u>181,096,518</u>	<u>24,810,293</u>	<u>70,983,522</u>	<u>4,247,049</u>	<u>407,922</u>	<u>321,153</u>	<u>20,313,136</u>	<u>344,681,763</u>	<u>21,235,327</u>	<u>(69,481,517)</u>	<u>296,435,573</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									36,380	121,973		158,353
Unallocated assets									905,310	-		905,310
Intangible assets									769,251	1,230,082		1,999,333
Total assets									<u>346,392,704</u>	<u>22,587,382</u>		<u>299,498,569</u>

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A23. Segment Information (continued)

The Group's overseas operations includes its operations in Hong Kong SAR, the People's Republic of China, Sri Lanka, the Socialist Republic of Vietnam, Cambodia and the Lao People's Democratic Republic.

A24. Subsequent Events

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

A25. Changes in the Composition of the Group

There were no material changes in the composition of the Group during the 3rd quarter and nine months ended 30 September 2014.

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A26. Commitments and Contingencies

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

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

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Contingent liabilities				
Direct credit substitutes	1,569,165	1,521,770	1,217,496	1,196,990
Transaction-related contingent items	1,237,893	1,173,514	1,084,557	1,041,919
Short term self-liquidating trade-related contingencies	417,746	467,641	191,818	295,684
	3,224,804	3,162,925	2,493,871	2,534,593
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	28,900,170	29,229,501	26,393,314	26,897,981
- not exceeding one year	21,686,800	21,886,823	19,266,725	19,688,146
Unutilised credit card lines	4,103,479	3,823,553	4,008,946	3,713,960
Forward asset purchases	202,450	4,176	202,197	-
	54,892,899	54,944,053	49,871,182	50,300,087
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	23,143,259	16,836,631	22,694,885	16,652,983
- one year to less than five years	2,293,494	2,151,746	2,293,494	2,151,746
Interest / Profit rate related contracts:				
- less than one year	1,193,555	1,953,625	964,287	1,838,821
- one year to less than five years	8,776,837	6,176,844	8,928,579	6,247,237
- five years and above	1,108,000	2,706,403	2,608,000	3,808,000
Commodity related contracts:				
- less than one year	-	1,890	-	1,890
Equity related contracts:				
- less than one year	-	52,089	-	52,089
	36,515,145	29,879,228	37,489,245	30,752,766
	94,632,848	87,986,206	89,854,298	83,587,446

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A27. Derivative Financial Instruments

Details of derivative financial instruments outstanding as at 30 September 2014 and 31 December 2013 are as follows:

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

Group	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 September 2014												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,513,006	819	-	1,513,825	9,530	18	-	9,548	7,074	-	-	7,074
- Swaps	21,577,669	-	-	21,577,669	181,593	-	-	181,593	165,466	-	-	165,466
- Options	52,584	-	-	52,584	146	-	-	146	146	-	-	146
Precious metal contracts												
- Forwards	1,256	-	-	1,256	2	-	-	2	-	-	-	-
	<u>23,144,515</u>	<u>819</u>	<u>-</u>	<u>23,145,334</u>	<u>191,271</u>	<u>18</u>	<u>-</u>	<u>191,289</u>	<u>172,686</u>	<u>-</u>	<u>-</u>	<u>172,686</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,193,555	3,804,179	3,406,258	8,403,992	129	67,504	54,363	121,996	14,844	2,383	8,435	25,662
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	1,146,337	1,146,338	2,292,675	-	-	216	216	-	102,138	51,154	153,292
Interest / Profit rate related contracts												
- Swaps	-	1,874,400	800,000	2,674,400	-	22,587	8,500	31,087	-	-	456	456
	<u>1,193,555</u>	<u>6,824,916</u>	<u>5,352,596</u>	<u>13,371,067</u>	<u>129</u>	<u>90,091</u>	<u>63,079</u>	<u>153,299</u>	<u>14,844</u>	<u>104,521</u>	<u>60,045</u>	<u>179,410</u>
Total	<u>24,338,070</u>	<u>6,825,735</u>	<u>5,352,596</u>	<u>36,516,401</u>	<u>191,400</u>	<u>90,109</u>	<u>63,079</u>	<u>344,588</u>	<u>187,530</u>	<u>104,521</u>	<u>60,045</u>	<u>352,096</u>

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 September 2014 and 31 December 2013 are as follows (continued):

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

Group As at 31 December 2013	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,025,029	19,681	-	1,044,710	10,725	-	-	10,725	7,207	699	-	7,906
- Swaps	15,803,116	-	-	15,803,116	156,182	-	-	156,182	65,266	-	-	65,266
- Options	8,486	-	-	8,486	11	-	-	11	11	-	-	11
Interest rate related contracts												
- Swaps	450,000	-	-	450,000	48	-	-	48	208	-	-	208
Equity related contracts												
- Options purchased	52,089	-	-	52,089	16,616	-	-	16,616	-	-	-	-
Precious metal contracts												
- Forwards	1,890	-	-	1,890	1	-	-	1	1	-	-	1
	<u>17,340,610</u>	<u>19,681</u>	<u>-</u>	<u>17,360,291</u>	<u>183,583</u>	<u>-</u>	<u>-</u>	<u>183,583</u>	<u>72,693</u>	<u>699</u>	<u>-</u>	<u>73,392</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,276,625	2,126,844	4,806,403	8,209,872	1,482	92,086	49,652	143,220	21,496	38,768	8,758	69,022
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	-	2,132,065	2,132,065	-	-	-	-	-	-	191,322	191,322
Interest / Profit rate related contracts												
- Swaps	227,000	-	1,950,000	2,177,000	52	-	38,499	38,551	11	-	843	854
	<u>1,503,625</u>	<u>2,126,844</u>	<u>8,888,468</u>	<u>12,518,937</u>	<u>1,534</u>	<u>92,086</u>	<u>88,151</u>	<u>181,771</u>	<u>21,507</u>	<u>38,768</u>	<u>200,923</u>	<u>261,198</u>
Total	<u>18,844,235</u>	<u>2,146,525</u>	<u>8,888,468</u>	<u>29,879,228</u>	<u>185,117</u>	<u>92,086</u>	<u>88,151</u>	<u>365,354</u>	<u>94,200</u>	<u>39,467</u>	<u>200,923</u>	<u>334,590</u>

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 September 2014 and 31 December 2013 are as follows (continued):

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

Bank	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 September 2014												
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,443,622	819	-	1,444,441	9,468	18	-	9,486	7,026	-	-	7,026
- Swaps	21,198,679	-	-	21,198,679	181,484	-	-	181,484	162,262	-	-	162,262
- Options	52,584	-	-	52,584	146	-	-	146	146	-	-	146
Precious metal contracts												
- Forwards	1,256	-	-	1,256	2	-	-	2	-	-	-	-
	<u>22,696,141</u>	<u>819</u>	<u>-</u>	<u>22,696,960</u>	<u>191,100</u>	<u>18</u>	<u>-</u>	<u>191,118</u>	<u>169,434</u>	<u>-</u>	<u>-</u>	<u>169,434</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	964,287	3,804,179	3,308,000	8,076,466	129	67,504	54,363	121,996	10,488	2,383	447	13,318
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	1,146,337	1,146,338	2,292,675	-	-	216	216	-	102,138	51,154	153,292
Interest rate related contracts												
- Swaps	-	1,674,400	2,750,000	4,424,400	-	19,756	598	20,354	-	-	54,853	54,853
	<u>964,287</u>	<u>6,624,916</u>	<u>7,204,338</u>	<u>14,793,541</u>	<u>129</u>	<u>87,260</u>	<u>55,177</u>	<u>142,566</u>	<u>10,488</u>	<u>104,521</u>	<u>106,454</u>	<u>221,463</u>
Total	<u>23,660,428</u>	<u>6,625,735</u>	<u>7,204,338</u>	<u>37,490,501</u>	<u>191,229</u>	<u>87,278</u>	<u>55,177</u>	<u>333,684</u>	<u>179,922</u>	<u>104,521</u>	<u>106,454</u>	<u>390,897</u>

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 September 2014 and 31 December 2013 are as follows (continued):

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

Bank As at 31 December 2013	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	986,040	19,681	-	1,005,721	10,687	-	-	10,687	7,174	699	-	7,873
- Swaps	15,658,457	-	-	15,658,457	155,895	-	-	155,895	65,041	-	-	65,041
- Options	8,486	-	-	8,486	11	-	-	11	11	-	-	11
Interest rate related contracts												
- Swaps	469,681	-	-	469,681	48	-	-	48	832	-	-	832
Equity related contracts												
- Options purchased	52,089	-	-	52,089	16,616	-	-	16,616	-	-	-	-
Precious metal contracts												
- Forwards	1,890	-	-	1,890	1	-	-	1	1	-	-	1
	<u>17,176,643</u>	<u>19,681</u>	<u>-</u>	<u>17,196,324</u>	<u>183,258</u>	<u>-</u>	<u>-</u>	<u>183,258</u>	<u>73,059</u>	<u>699</u>	<u>-</u>	<u>73,758</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,142,140	1,897,237	4,708,000	7,747,377	1,482	92,086	49,652	143,220	18,268	28,816	-	47,084
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	-	2,132,065	2,132,065	-	-	-	-	-	-	191,322	191,322
Interest rate related contracts												
- Swaps	227,000	-	3,450,000	3,677,000	52	-	24,199	24,251	11	-	117,320	117,331
	<u>1,369,140</u>	<u>1,897,237</u>	<u>10,290,065</u>	<u>13,556,442</u>	<u>1,534</u>	<u>92,086</u>	<u>73,851</u>	<u>167,471</u>	<u>18,279</u>	<u>28,816</u>	<u>308,642</u>	<u>355,737</u>
Total	<u>18,545,783</u>	<u>1,916,918</u>	<u>10,290,065</u>	<u>30,752,766</u>	<u>184,792</u>	<u>92,086</u>	<u>73,851</u>	<u>350,729</u>	<u>91,338</u>	<u>29,515</u>	<u>308,642</u>	<u>429,495</u>

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A27. Derivative Financial Instruments (continued)

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

Market Risk

Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amounts at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions.

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 30 September 2014, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM344,588,000 (2013: RM365,354,000) and RM333,684,000 (2013: RM350,729,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

- iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 September 2014, the Group and the Bank had posted cash collateral of RM7,828,000 (2013: RM16,182,000) on their derivative contracts.

- iv) There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2013 and Pillar 3 Disclosures section of the 2013 Annual Report.

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A28. Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

The Group and the Bank classify its financial instruments and non-financial assets which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

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

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

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

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

Group	Level 1	Level 2	Level 3	Total
30 September 2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	966,142	-	966,142
- Money market instruments	-	9,056,161	-	9,056,161
- Non-money market instruments	-	97,701	-	97,701
	-	<u>10,120,004</u>	-	<u>10,120,004</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	11,790,782	-	11,790,782
- Money market instruments	-	48,295	-	48,295
- Non-money market instruments #	3,416,761	3,185,578	-	6,602,339
	<u>3,416,761</u>	<u>15,024,655</u>	-	<u>18,441,416</u>
Derivative financial assets	-	344,588	-	344,588
Total financial assets measured at fair value	<u>3,416,761</u>	<u>25,489,247</u>	-	<u>28,906,008</u>
Non-financial assets				
Investment properties	-	-	98,955	98,955
Financial liabilities				
Derivative financial liabilities	-	352,096	-	352,096
Total financial liabilities measured at fair value	-	<u>352,096</u>	-	<u>352,096</u>

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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

Excluding the carrying amount of equity securities - unquoted shares held by the Group of RM110,208,000 (2013: RM110,249,000) which are not carried at fair value.

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Bank	Level 1	Level 2	Level 3	Total
30 September 2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	966,142	-	966,142
- Money market instruments	-	6,431,343	-	6,431,343
- Non-money market instruments	-	12,791	-	12,791
	-	<u>7,410,276</u>	-	<u>7,410,276</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	7,776,777	-	7,776,777
- Money market instruments	-	48,295	-	48,295
- Non-money market instruments #	2,944,317	2,838,889	-	5,783,206
	<u>2,944,317</u>	<u>10,663,961</u>	-	<u>13,608,278</u>
Derivative financial assets	-	333,684	-	333,684
Total financial assets measured at fair value	<u>2,944,317</u>	<u>18,407,921</u>	-	<u>21,352,238</u>
Financial liabilities				
Derivative financial liabilities	-	390,897	-	390,897
Total financial liabilities measured at fair value	-	<u>390,897</u>	-	<u>390,897</u>

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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

Excluding the carrying amount of equity securities - unquoted shares held by the Bank of RM106,247,000 (2013: RM106,285,000) which are not carried at fair value.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period.

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments:

	Group and Bank	
	30 September	31 December
	2014	2013
	RM'000	RM'000
Derivative Financial Assets		
At 1 January	16,616	12,154
Recognised in the statement of profit or loss		
- Realised gains	300	771
- Unrealised gains	-	5,027
Sales	(16,916)	(1,336)
Closing balance	-	16,616

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

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

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

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist. The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

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A29. Capital Adequacy

- a) The capital adequacy ratios of the Group and the Bank below are disclosed pursuant to the requirements of Bank Negara Malaysia ("BNM")'s Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3):

	Group		Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
<u>Before deducting interim dividends *</u>				
Common equity Tier I ("CET I") capital ratio	10.401%	9.276%	11.779%	10.927%
Tier I capital ratio	11.887%	11.055%	13.530%	13.023%
Total capital ratio	15.792%	14.288%	15.741%	14.086%
<u>After deducting interim dividends *</u>				
CET I capital ratio	10.401%	8.750%	11.779%	10.300%
Tier I capital ratio	11.887%	10.529%	13.530%	12.396%
Total capital ratio	15.792%	13.762%	15.741%	13.459%

* Refers to interim dividends declared subsequent to the financial period/year end.

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Paid-up share capital	3,882,138	3,531,926	3,882,138	3,531,926
Share premium	5,534,938	1,073,310	5,534,938	1,073,310
Other reserves	4,404,234	4,402,843	3,919,153	3,924,896
Retained profits	10,242,381	11,507,565	9,539,472	10,892,504
Treasury shares	(149,337)	(215,572)	(149,337)	(215,572)
Qualifying non-controlling interests	528,636	522,093	-	-
Less: Goodwill	(2,002,386)	(2,003,912)	(695,393)	(695,393)
Less: Deferred tax assets, net	(72,535)	(70,121)	-	-
Less: Defined benefit pension fund assets	(197,244)	(220,922)	(193,123)	(215,372)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	(28,451)	-	(852,957)	-
Total CET I capital	22,142,374	18,527,210	20,984,891	18,296,299
Innovative Tier I capital securities	1,449,280	1,630,440	1,449,280	1,630,440
Non-innovative Tier I stapled securities	1,670,400	1,879,200	1,670,400	1,879,200
Qualifying CET I and additional Tier I capital instruments held by third parties	43,502	42,031	-	-
Total Tier I capital	25,305,556	22,078,881	24,104,571	21,805,939

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A29. Capital Adequacy (continued)

a) The capital adequacy ratios of the Group and the Bank (continued):

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	2,448,742	1,123,706	1,929,568	625,010
Subordinated notes / sukuk murabahah				
- meeting all relevant criteria	2,448,050	1,949,116	1,949,255	1,949,116
- subject to gradual phase-out treatment	3,471,566	3,471,121	3,471,566	3,471,121
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	58,001	56,042	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	(113,804)	(142,255)	(3,411,830)	(4,264,787)
Total Tier II capital	8,312,555	6,457,730	3,938,559	1,780,460
Total capital	33,618,111	28,536,611	28,043,130	23,586,399

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and the Bank of RM604,725,000 (2013: RM600,816,000) and RM438,868,000 (2013: RM446,948,000) respectively.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM1,386,712,000 (2013: RM132,437,000) and RM1,248,513,000 (2013: Nil.) respectively.

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

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A29. Capital Adequacy (continued)

a) The capital adequacy ratios of the Group and the Bank (continued):

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

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

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

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

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

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A29. Capital Adequacy (continued)

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

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵
30 September 2014						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	11.109%	33.684%	N/A	13.812%	25.725%	N/A
Tier I capital ratio	11.109%	33.684%	37.772%	13.812%	25.725%	N/A
Total capital ratio	14.090%	34.173%	37.815%	14.992%	26.688%	16.792%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.109%	33.684%	N/A	13.812%	25.725%	N/A
Tier I capital ratio	11.109%	33.684%	37.772%	13.812%	25.725%	N/A
Total capital ratio	14.090%	34.173%	37.815%	14.992%	26.688%	16.792%
31 December 2013						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	12.133%	27.252%	N/A	13.916%	27.468%	N/A
Tier I capital ratio	12.133%	27.252%	25.625%	13.916%	27.468%	N/A
Total capital ratio	12.751%	27.448%	25.671%	15.089%	28.409%	19.685%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.743%	26.139%	N/A	13.916%	25.257%	N/A
Tier I capital ratio	11.743%	26.139%	25.625%	13.916%	25.257%	N/A
Total capital ratio	12.360%	26.336%	25.671%	15.089%	26.199%	19.685%

* Refers to interim dividends declared subsequent to the financial period/year end.

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A29. Capital Adequacy (continued)

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

- ¹ The risk-weighted assets of Public Islamic Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- ² The risk-weighted assets of Public Investment Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- ³ The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.
- ⁴ 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 capital adequacy ratios of these two subsidiaries are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules.
- ⁵ The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

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A29. Capital Adequacy (continued)

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

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Credit risk	195,899,362	183,113,937	164,934,452	154,360,722
Market risk	1,939,734	2,111,436	2,496,339	2,850,579
Operational risk	15,046,870	14,497,356	10,722,271	10,228,677
	<u>212,885,966</u>	<u>199,722,729</u>	<u>178,153,062</u>	<u>167,439,978</u>

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A30. Operations of Islamic Banking

A30a. Statement of Financial Position As At 30 September 2014

	Group	
	30 September	31 December
	2014	2013
	RM'000	RM'000
ASSETS		
Cash and balances with banks	3,044,944	6,744,111
Financial assets held-for-trading	1,730,098	1,752,632
Derivative financial assets	65,444	130,777
Financial investments available-for-sale	4,426,386	1,891,272
Financial investments held-to-maturity	1,519,001	-
Financing and advances	24,780,829	22,904,370
Other assets	73,752	88,537
Statutory deposits with Bank Negara Malaysia	1,102,700	939,850
Investment in an associated company	20,000	20,000
Property and equipment	1,412	1,026
Total Assets	36,764,566	34,472,575
LIABILITIES AND ISLAMIC		
BANKING FUNDS		
Deposits from customers	30,357,247	28,400,736
Deposits from banks	2,585,578	2,789,398
Bills and acceptances payable	574	3,825
Recourse obligations on financing sold to Cagamas	500,013	500,011
Derivative financial liabilities	314	-
Other liabilities	204,098	116,854
Debt securities issued and other borrowed funds	498,795	-
Provision for zakat and taxation	34,822	36,012
Deferred tax liabilities	17,799	34,293
Total Liabilities	34,199,240	31,881,129
Islamic Banking Funds	2,565,326	2,591,446
Total Liabilities and Islamic Banking Funds	36,764,566	34,472,575
COMMITMENTS AND CONTINGENCIES	6,178,635	5,650,699

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A30b. Statement of Profit or Loss for the 3rd Quarter and Nine Months Ended 30 September 2014

	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<u>Group</u>				
Income derived from investment of depositors' funds and others	401,698	364,399	1,142,039	1,056,506
Income derived from investment of Islamic Banking Funds	32,311	30,678	95,262	88,862
Allowance for impairment on financing and advances	(27,732)	(28,055)	(73,233)	(76,193)
Impairment on other assets	(22)	(1)	(47)	(25)
Profit Equalisation Reserve	(101)	(497)	(286)	(497)
Total distributable income	406,154	366,524	1,163,735	1,068,653
Income attributable to the depositors and others	(217,800)	(178,646)	(611,705)	(511,667)
Total net income	188,354	187,878	552,030	556,986
Other overheads and expenditures	(70,871)	(63,137)	(203,828)	(195,146)
Profit before zakat and taxation	117,483	124,741	348,202	361,840
Zakat	(57)	(66)	(172)	(198)
Taxation	(27,376)	(29,842)	(84,406)	(88,412)
Profit for the period	90,050	94,833	263,624	273,230

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A30c. Statement of Profit or Loss and Other Comprehensive Income for the 3rd Quarter and Nine Months Ended 30 September 2014

	3rd Quarter Ended		Nine Months Ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<u>Group</u>				
Profit for the period	90,050	94,833	263,624	273,230
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net loss on revaluation of financial investments available-for-sale	(2,402)	(3,314)	(127)	(843)
Hedging reserves:				
- Net change in cash flow hedges	(26,454)	27,730	(65,852)	55,198
	(28,856)	24,416	(65,979)	54,355
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	601	829	32	211
- Hedging reserves	6,613	(6,933)	16,463	(13,800)
	7,214	(6,104)	16,495	(13,589)
Other comprehensive (loss) / income for the period, net of tax	(21,642)	18,312	(49,484)	40,766
Total comprehensive income for the period	68,408	113,145	214,140	313,996

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A30d. Financing and Advances

	Group	
	30 September	31 December
	2014	2013
	RM'000	RM'000
Bai' Bithaman Ajil	8,312,198	8,128,836
Ijarah Thumma Al-Bai'	10,897,931	11,168,723
Bai-Al-Einah	2,303,705	2,500,022
Musharakah	3,560,679	1,386,398
Murabahah	38,162	20,879
Gross financing and advances	25,112,675	23,204,858
Allowance for impairment on financing and advances:		
- collective assessment allowance	(331,846)	(300,488)
Net financing and advances	24,780,829	22,904,370

Movements in impaired financing and advances are as follows:

	Group	
	30 September	31 December
	2014	2013
	RM'000	RM'000
At 1 January	208,074	175,167
Impaired during the period / year	422,417	523,987
Reclassified as non-impaired	(313,696)	(388,637)
Recoveries	(25,110)	(30,337)
Amount written off	(53,665)	(71,846)
Financing converted to foreclosed properties	(56)	(260)
Closing balance	237,964	208,074
Impaired financing and advances as a percentage of gross financing and advances	0.95%	0.90%

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A30e. Deposits from Customers

By type of deposit	Group	
	30 September 2014 RM'000	31 December 2013 RM'000
Savings deposit		
- Wadiah	5,014,689	4,823,093
- Mudharabah	-	63,510
	<u>5,014,689</u>	<u>4,886,603</u>
Demand deposit		
- Wadiah	2,969,531	2,958,752
- Mudharabah	-	94,753
	<u>2,969,531</u>	<u>3,053,505</u>
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai-Al-Einah	1,774,264	642,941
	<u>1,774,264</u>	<u>642,941</u>
- Commodity Murabahah	9,581,027	-
	<u>9,581,027</u>	<u>-</u>
- General investment account		
- Mudharabah	2,061,094	3,205,661
- Wakalah	5,302,265	12,945,906
	<u>7,363,359</u>	<u>16,151,567</u>
- Special investment account		
- Wakalah	3,654,377	3,666,120
	<u>3,654,377</u>	<u>3,666,120</u>
	<u>30,357,247</u>	<u>28,400,736</u>

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

B1. Performance Review

Current Year-to date vs. Previous Year-to-date

The Group's pre-tax profit for the the nine months ended 30 September 2014 of RM4,247.0 million was RM278.3 million or 7.0% higher than the previous corresponding nine months of RM3,968.7 million. Net profit attributable to equity holders improved by RM225.8 million or 7.4% to RM3,264.8 million. The improved earnings was mainly due to higher net interest income of RM218.7 million (5.3%), higher net fee and commission income of RM84.3 million (9.0%), lower loan impairment allowances of RM64.8 million (24.8%) and higher investment income of RM16.8 million (12.6%). These were partially offset by higher other operating expenses of RM97.2 million (5.2%) mainly due to the increase in personnel costs which were in tandem with the increased headcount to support business expansion.

The growth in the Group's net interest income was driven by continued healthy loans and customer deposits growth coupled with sustained strong asset quality, as well as the positive impact arising from the hike in the overnight policy rate and the recently completed rights issue. Gross loans grew by 10.2% over the last twelve months to RM237.5 billion as at 30 September 2014 as compared to RM215.6 billion as at 30 September 2013 driven by growth in property financing, financing of passenger vehicles and lending to small and medium enterprises ("SMEs"). Total deposits from customers increased by 8.5% over the same period to RM268.4 billion as at 30 September 2014 which partly contributed to the higher net interest income for the current period. The Group's impaired loan ratio remained stable at 0.7% as at 30 September 2014.

The performance of the respective operating business segments for the nine months ended 30 September 2014 as compared to the previous corresponding period is analysed as follows:-

- 1) Retail Operations – The increase in pre-tax profit of RM122.0 million (5.0%) to RM2,556.3 million was mainly due to higher net interest income on higher average loan and deposit balances as well as the hike in the overnight policy rate, partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit decreased by RM36.8 million (-9.6%) to RM348.2 million mainly due to lower net interest income as a result of declining net interest margin and higher other operating expenses.
- 3) Corporate lending – Pre-tax profit increased by RM27.6 million (11.4%) to RM269.4 million mainly due to writeback of loan impairment allowances, higher net interest income and higher fee income.
- 4) Treasury and capital market operations – The increase in pre-tax profit of RM11.2 million (3.9%) to RM298.9 million was mainly due to higher net interest income on treasury gapping, funding and liquidity management activities.
- 5) Investment banking – Pre-tax profit increased by RM14.9 million (41.6%) to RM50.7 million mainly due to higher brokerage income from stockbroking activities and higher investment income.
- 6) Fund management – Pre-tax profit increased by RM51.1 million (16.3%) to RM364.3 million mainly due to higher management fee earned on higher average net asset value of funds under management, partially offset by higher other operating expenses.
- 7) Overseas operations – Pre-tax profit increased by RM48.1 million (17.9%) to RM317.5 million mainly due to lower loan impairment allowances and higher net interest income on higher average loan and deposit balances, partially offset by higher other operating expenses.

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B1. Performance Review (continued)

b) Current Quarter vs. Previous Year Corresponding Quarter

For the 3rd quarter ended 30 September 2014, the Group registered a pre-tax profit of RM1,552.2 million, an improvement of RM194.0 million or 14.3% as compared to the previous corresponding quarter. Net profit attributable to equity holders grew by 13.8% or RM144.3 million over the same period. The improved earnings was mainly due to higher net interest income, higher net fee and commission income and lower loan impairment allowances partially offset by higher other operating expenses.

Performance of the respective operating business segments for the 3rd quarter ended 30 September 2014 as compared to the previous corresponding quarter is analysed as follows:-

- 1) Retail operations – Pre-tax profit increased by RM121.4 million (14.4%), mainly due to higher net interest income and writeback of loan impairment allowances partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit decreased by RM14.6 million (-12.9%) to RM98.3 million, mainly due to lower net interest income and higher other operating expenses partially offset by lower loan impairment allowances.
- 3) Corporate lending – Pre-tax profit increased by RM6.8 million (8.3%) to RM88.1 million, mainly due to higher net interest income and higher fee income.
- 4) Treasury and capital market operations – Pre-tax profit decreased marginally by RM1.7 million (-1.7%) to RM100.1 million, mainly due to lower net interest margin earned on treasury gapping activities.
- 5) Investment banking – Pre-tax profit increased by RM3.4 million (27.2%) to RM15.9 million, mainly due to higher brokerage income from stockbroking activities.
- 6) Fund management business – Pre-tax profit increased by RM17.0 million (15.4%) to RM127.4 million, due to higher management fee earned on higher average net asset value of funds under management.
- 7) Overseas Operations – The increase in pre-tax profit of RM25.8 million (27.8%) to RM118.8 million was mainly due to lower loan impairment allowances partially offset by higher other operating expenses.

B2. Variation of Results Against Preceding Quarter

For the 3rd quarter ended 30 September 2014, the Group registered a pre-tax profit of RM1,552.2 million, an increase of RM184.5 million or 13.5% as compared to the pre-tax profit of RM1,367.7 million for the preceding quarter ended 30 June 2014. Net profit attributable to equity holders increased by RM135.1 million or 12.8% over the same period. The increase in profit is mainly due to higher net interest income, lower loan impairment allowances and lower other operating expenses.

B3. Prospects for 2014

The global economy is expected to continue expanding at a moderate and uneven pace for the remaining 2014. While growth in the US is strengthening and Japan's economic recovery is gradually regaining traction, the euro area remains subdued amid the threat of rising deflation. In the Asian region, growth is expected to remain stable. However, downside risks still persist in the financial markets and persistent weaknesses in demand as well as constraints in supply will continue to hamper global economic growth for the rest of 2014.

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B3. Prospects for 2014 (continued)

After a stronger-than-expected growth of 6.3% in the first half of 2014 (first half of 2013: 4.4%), the Malaysian economy is expected to expand at a moderate pace in the second half of 2014 mainly driven by domestic demand. Private investment is likely to remain robust driven by the Economic Transformation Programme, while private consumption is expected to moderate due to rising costs of living and higher interest rates. Exports will also continue to support growth, but at a slower pace. Given the strong first half growth, the Government revised upward its 2014 GDP growth forecast to 5.5%-6.0% from 5.0%-5.5% (2013: 4.7%). Headline inflation averaged higher at 3.3% in the first eight months of the year (2013: 2.1%) and is expected to average between 3.0% and 4.0% in 2014 as the impact from subsidy rationalisation takes effect. Amidst risks of financial imbalances, firm growth prospects and higher inflation, BNM has raised its Overnight Policy Rate by 25 basis points to 3.25% on 10 July 2014.

Although uncertainties persist in the global market, the Malaysian banking sector remains strong and supportive of the economic growth. Backed by strong capitalisation, favourable funding and liquidity positions, and healthy profitability, the banking sector will continue to provide access to credit for households and businesses. BNM's prudential measures will also continue to support a more sustainable banking system whilst sound risk management practices amongst banks will continue to preserve the financial stability of the banking system.

The Public Bank Group is expected to maintain its strong market position in the domestic retail operations segment, backed by continued growth in home mortgages, vehicle financing and SMEs lending. The Group continues to see growth opportunities for residential properties, supported by various Government measures to increase home ownership, ensure stable house prices and control excessive speculative activities. The Group will continue to reinforce responsible financing practices and support the Government's efforts to promote home ownership by offering competitive market rates as well as flexible and innovative product packages to cater for house buyers.

In the SME segment, the Public Bank Group will continue to support SMEs by enhancing its products and services to meet their financing needs. SMEs will continue to benefit from the steady growth of the Malaysian economy and SME Masterplan 2012-2020 as well as ongoing implementation of the Government's Economic Transformation Programme.

The Public Bank Group will continue to grow its vehicle hire purchase business, supported by positive economic prospects, continuous marketing efforts by car dealers in offering competitive and promotional packages and new launches of car models.

In the corporate lending space, the Group will continue to actively tap on its existing corporate clients with good track record to sustain its momentum in the corporate lending business.

The Public Bank Group remained focused on maintaining a healthy level of liquidity by maintaining an appropriate level of investments in high quality liquefiable assets. On liability management, the Group will intensify efforts to further grow its core customer deposits to ensure a stable funding base and efficient funding cost.

The Public Bank Group will further intensify its efforts to sustain its leading position in the private unit trust industry in Malaysia, supported by its existing products and services and a wider range of financial product offerings under the Private Retirement Scheme Funds. The Group will also continue to grow its fee income from bancassurance, foreign-exchange related transactions and transactional banking services.

The Public Bank Group remains committed to further expand its regional presence through organic growth and will continue to leverage on its strong PB Brand to expand its businesses domestically as well as in countries in which the Group operates.

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 3rd quarter and nine months ended 30 September 2014 are as follows:

<u>Group</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	335,355	294,333	895,654	875,650
Overseas income tax	21,308	17,983	58,769	50,279
	356,663	312,316	954,423	925,929
(Over) / under provision in prior years				
- Malaysian income tax	(1,526)	(3,290)	(1,550)	(3,419)
- Overseas income tax	(3)	7	403	475
	355,134	309,033	953,276	922,985
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(7,778)	(11,370)	(6,178)	(28,193)
- Under provision	2,636	3,073	2,708	3,137
Tax expense	349,992	300,736	949,806	897,929
Zakat	57	66	172	198
	350,049	300,802	949,978	898,127

The Group's effective tax rates for the 3rd quarter and nine months ended 30 September 2014 and 30 September 2013 were lower than the statutory tax rate due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	275,467	244,498	754,440	715,054
Overseas income tax	2,098	2,928	7,130	7,525
	277,565	247,426	761,570	722,579
Over provision in prior years				
- Malaysian income tax	(1,384)	(4,214)	(1,384)	(4,214)
- Overseas income tax	-	-	(84)	60
	276,181	243,212	760,102	718,425
Deferred tax expense				
- Relating to origination and reversal of temporary differences	(6,140)	(10,841)	(3,737)	(24,807)
- Under provision	2,636	3,094	2,708	3,158
	272,677	235,465	759,073	696,776

The Bank's effective tax rate for the 3rd quarter and nine months ended 30 September 2014 and 30 September 2013 were lower than the statutory tax rate due to certain income not subject to tax.

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B6. Status of Corporate Proposals Announced but Not Completed

Save as disclosed below, there were no corporate proposals announced but not completed as at 30 September 2014.

Proposed Acquisition of 50% Equity Capital in VID Public Bank ("VPB") Held by Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV") resulting in VPB becoming a Wholly-owned Subsidiary of Public Bank Berhad ("Proposed Acquisition")

On 15 July 2014, the Bank entered into a conditional equity capital transfer agreement ("ECTA") with BIDV for the Bank's acquisition of the remaining 50% equity interests in VPB not held by the Bank for a total cash consideration of USD76.6 million (approximately RM245 million equivalent).

With the signing of the ECTA, the Bank has submitted an application to the State Bank of Vietnam for the approval to convert VPB, the existing joint venture bank, into a 100% foreign-owned bank in Vietnam. Upon completion of the Proposed Acquisition, VPB will become a wholly-owned subsidiary company of the Bank. The Bank had received the approval of Bank Negara Malaysia for the Proposed Acquisition.

The Proposed Acquisition is not expected to have a material effect on the earnings and net assets of the Group and the Bank for the financial year ending 31 December 2014.

B7. Status of Utilisation of Proceeds Raised from Corporate Proposals

The proceeds raised from the issuances of PBB shares pursuant to the rights issue exercise, senior medium term notes and subordinated sukuk murabahah during the period have been used for working capital, general banking and other corporate purposes, as intended.

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

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B8. Realised and Unrealised Profits

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	Group	
	30 September 2014 RM'000	31 December 2013 RM'000
Total retained profits of Public Bank Berhad and its subsidiaries:		
- Realised	12,474,911	12,306,123
- Unrealised	169,780	183,133
	<u>12,644,691</u>	<u>12,489,256</u>
Total share of retained profits from associated companies:		
- Realised	(309)	3,484
- Unrealised	-	-
	<u>12,644,382</u>	<u>12,492,740</u>
Less: Consolidation adjustments	(964,865)	(985,175)
Total Group retained profits as per consolidated accounts	<u><u>11,679,517</u></u>	<u><u>11,507,565</u></u>
	Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Total retained profits of Public Bank Berhad:		
- Realised	10,354,652	10,573,116
- Unrealised	40,113	56,123
Total Bank retained profits as per accounts	<u><u>10,394,765</u></u>	<u><u>10,629,239</u></u>

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group and the Bank as disclosed above exclude translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and the Bank, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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B9. Deposits From Customers and Banks and Debt Securities Issued and Other Borrowed Funds

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
(a) Deposits from customers				
- Fixed deposits				
One year or less	144,846,865	136,925,692	115,652,935	107,176,079
More than one year	328,550	304,594	87,269	165,262
- Negotiable instruments of deposits				
One year or less	4,252,667	1,614,488	2,442,403	645,510
More than one year	-	5,910	-	5,910
- Money market deposits				
One year or less	51,668,823	47,881,370	46,969,809	42,036,700
- Savings deposits	27,357,215	25,824,590	19,007,334	18,349,316
- Demand deposits	39,864,810	38,202,745	34,760,108	33,382,002
- Others	54,632	113,800	50,333	110,813
	<u>268,373,562</u>	<u>250,873,189</u>	<u>218,970,191</u>	<u>201,871,592</u>
(b) Deposits from banks				
- One year or less	16,098,135	16,002,695	14,637,677	16,923,048
- More than one year	-	173,141	-	-
	<u>16,098,135</u>	<u>16,175,836</u>	<u>14,637,677</u>	<u>16,923,048</u>
(c) Debt securities issued and other borrowed funds				
Borrowings denominated in HKD (unsecured)				
Term loan				
- One year or less	-	463,391	-	-
- More than one year	456,605	-	-	-
	<u>456,605</u>	<u>463,391</u>	<u>-</u>	<u>-</u>
Senior Medium Term notes denominated in RM (unsecured)				
- More than one year	1,398,813	399,007	1,398,813	399,007
	<u>1,398,813</u>	<u>399,007</u>	<u>1,398,813</u>	<u>399,007</u>
Subordinated notes / sukuk murabahah denominated in RM (unsecured)				
- More than one year	5,929,240	5,432,922	5,430,445	5,432,922
	<u>5,929,240</u>	<u>5,432,922</u>	<u>5,430,445</u>	<u>5,432,922</u>
Innovative Tier I capital securities denominated in USD (unsecured)				
- More than one year	713,035	738,117	713,035	738,117
Innovative Tier I capital securities denominated in RM (unsecured)				
- More than one year	1,213,485	1,219,727	1,213,485	1,219,727
	<u>1,213,485</u>	<u>1,219,727</u>	<u>1,213,485</u>	<u>1,219,727</u>
	<u>1,926,520</u>	<u>1,957,844</u>	<u>1,926,520</u>	<u>1,957,844</u>
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	2,130,214	2,116,661	2,130,214	2,116,661
	<u>2,130,214</u>	<u>2,116,661</u>	<u>2,130,214</u>	<u>2,116,661</u>
	<u>11,841,392</u>	<u>10,369,825</u>	<u>10,885,992</u>	<u>9,906,434</u>

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B10. Changes in Material Litigation

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

B11. Dividends

No dividend has been proposed for the 3rd quarter ended 30 September 2014.

B12. Earnings Per Share

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
Net profit attributable to equity holders (RM'000)	<u>1,191,521</u>	<u>1,047,260</u>	<u>3,264,849</u>	<u>3,039,066</u>
Weighted average number of PBB Shares ('000)	<u>3,737,258</u>	<u>3,502,125</u>	<u>3,581,364</u>	<u>3,502,125</u>
Basic earnings per share (sen)	<u>31.9</u>	<u>29.9</u>	<u>91.2</u>	<u>86.8</u>

Diluted

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