

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and balances with banks	27,131,269	22,080,417	17,616,015	12,750,086
Reverse repurchase agreements	12,029,471	9,541,969	11,188,182	8,638,588
Financial assets held-for-trading	10,928,424	15,811,963	8,763,385	13,986,426
Derivative financial assets	215,288	365,354	201,579	350,729
Financial investments available-for-sale	15,723,854	17,618,512	13,166,243	15,124,867
Financial investments held-to-maturity	13,212,885	7,793,551	10,299,536	5,787,800
Loans, advances and financing	230,378,868	219,415,793	192,392,750	182,404,573
Other assets	2,706,946	2,539,699	2,489,335	2,409,310
Statutory deposits with Central Banks	7,738,789	6,924,832	6,308,555	5,565,946
Deferred tax assets	70,891	70,121	-	-
Investment in subsidiary companies	-	-	4,436,050	4,436,050
Investment in associated companies	144,020	158,885	121,325	121,325
Investment properties	97,010	97,391	-	-
Property and equipment	1,297,657	1,302,997	551,387	568,346
Intangible assets	1,981,295	2,003,912	695,393	695,393
TOTAL ASSETS	323,656,667	305,725,396	268,229,735	252,839,439
LIABILITIES				
Deposits from customers	264,536,713	250,873,189	216,573,420	201,871,592
Deposits from banks	17,983,992	16,175,836	15,940,880	16,923,048
Bills and acceptances payable	1,005,822	1,573,443	1,004,828	1,627,515
Recourse obligations on loans and financing sold to Cagamas	500,013	500,011	-	-
Derivative financial liabilities	276,146	334,590	339,335	429,495
Debt securities issued and other borrowed funds	11,827,850	10,369,825	10,873,699	9,906,434
Other liabilities	4,503,573	4,020,416	3,304,053	2,845,591
Provision for tax expense and zakat	721,046	585,229	503,488	362,971
Deferred tax liabilities	97,790	95,661	61,423	50,738
TOTAL LIABILITIES	301,452,945	284,528,200	248,601,126	234,017,384

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	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	3,531,926	3,531,926	3,531,926	3,531,926
Reserves	18,115,324	17,107,240	16,312,255	15,505,701
Treasury shares	(215,572)	(215,572)	(215,572)	(215,572)
Equity attributable to equity holders of the Bank	21,431,678	20,423,594	19,628,609	18,822,055
Non-controlling interests	772,044	773,602	-	-
TOTAL EQUITY	22,203,722	21,197,196	19,628,609	18,822,055
TOTAL LIABILITIES AND EQUITY	323,656,667	305,725,396	268,229,735	252,839,439
COMMITMENTS AND CONTINGENCIES	91,988,828	87,986,206	86,828,905	83,587,446
CAPITAL ADEQUACY				
<u>Before deducting interim dividends *</u>				
Common Equity Tier I Capital Ratio	9.332%	9.276%	10.454%	10.927%
Tier I Capital Ratio	10.853%	11.055%	12.244%	13.023%
Total Capital Ratio	14.242%	14.288%	13.781%	14.086%
<u>After deducting interim dividends *</u>				
Common Equity Tier I Capital Ratio	8.905%	8.750%	9.946%	10.300%
Tier I Capital Ratio	10.427%	10.529%	11.735%	12.396%
Total Capital Ratio	13.816%	13.762%	13.273%	13.459%
Net assets per share attributable to ordinary equity holders of the Bank (RM)	6.12	5.83	5.60	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 FINANCIAL HALF YEAR ENDED 30 JUNE 2014

Group	2nd Quarter Ended		Half Year Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Operating revenue	4,059,101	3,802,871	8,007,478	7,476,085
Interest income	3,031,228	2,832,395	5,968,736	5,574,566
Interest expense	(1,609,479)	(1,446,447)	(3,144,005)	(2,838,880)
Net interest income	1,421,749	1,385,948	2,824,731	2,735,686
Net income from Islamic banking business	203,618	210,001	409,202	417,270
	1,625,367	1,595,949	3,233,933	3,152,956
Net fee and commission income	347,023	321,917	669,690	625,140
Net gains and losses on financial instruments	46,556	31,791	100,406	74,875
Other operating income	80,640	92,243	159,074	169,138
Net income	2,099,586	2,041,900	4,163,103	4,022,109
Other operating expenses	(665,964)	(629,704)	(1,321,882)	(1,261,458)
Operating profit	1,433,622	1,412,196	2,841,221	2,760,651
Allowance for impairment on loans, advances and financing	(64,694)	(76,296)	(149,512)	(157,686)
(Impairment) / Writeback of impairment on other assets	(146)	1,829	838	3,159
	1,368,782	1,337,729	2,692,547	2,606,124
Share of (loss) / profit after tax of equity accounted associated companies	(1,088)	2,829	2,247	4,410
Profit before tax expense and zakat	1,367,694	1,340,558	2,694,794	2,610,534
Tax expense and zakat	(299,862)	(306,273)	(599,929)	(597,325)
Profit for the period	1,067,832	1,034,285	2,094,865	2,013,209
Profit for the period attributable to :				
- Equity holders of the Bank	1,056,396	1,023,505	2,073,328	1,991,806
- Non-controlling interests	11,436	10,780	21,537	21,403
	1,067,832	1,034,285	2,094,865	2,013,209
Earnings per RM1.00 share:				
- basic / diluted (sen)	30.2	29.2	59.2	56.9

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PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

Group	2nd Quarter Ended		Half Year Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Profit for the period	<u>1,067,832</u>	<u>1,034,285</u>	<u>2,094,865</u>	<u>2,013,209</u>
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	(69,636)	114,685	(96,572)	152,733
- Net investment hedge	49,531	(78,794)	64,304	(106,813)
Revaluation reserves:				
- Net (loss) / gain on revaluation of financial investments available-for-sale	(7,575)	(3,754)	(11,651)	2,262
- Share of loss of equity accounted associated companies	(47)	(232)	(16)	(228)
Hedging reserves:				
- Net change in cash flow hedges	566	23,588	11,334	9,540
	<u>(27,161)</u>	<u>55,493</u>	<u>(32,601)</u>	<u>57,494</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	1,848	(128)	3,821	(1,575)
- Hedging reserves	(141)	(5,897)	(2,833)	(2,385)
	<u>1,707</u>	<u>(6,025)</u>	<u>988</u>	<u>(3,960)</u>
Other comprehensive (loss) / income for the period, net of tax	<u>(25,454)</u>	<u>49,468</u>	<u>(31,613)</u>	<u>53,534</u>
Total comprehensive income for the period	<u>1,042,378</u>	<u>1,083,753</u>	<u>2,063,252</u>	<u>2,066,743</u>
Total comprehensive income for the period attributable to:				
- Equity holders of the Bank	1,042,733	1,052,319	2,058,722	2,018,184
- Non-controlling interests	(355)	31,434	4,530	48,559
	<u>1,042,378</u>	<u>1,083,753</u>	<u>2,063,252</u>	<u>2,066,743</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.

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

<u>Bank</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Operating revenue	3,108,359	2,867,071	6,112,746	5,655,066
Interest income	2,778,368	2,582,615	5,468,123	5,084,783
Interest expense	(1,543,347)	(1,389,741)	(3,021,519)	(2,727,585)
Net interest income	1,235,021	1,192,874	2,446,604	2,357,198
Net fee and commission income	134,425	131,121	256,608	257,527
Net gains and losses on financial instruments	41,723	39,971	95,010	81,585
Other operating income	330,613	261,339	495,350	510,398
Net income	1,741,782	1,625,305	3,293,572	3,206,708
Other operating expenses	(465,319)	(434,587)	(912,308)	(879,918)
Operating profit	1,276,463	1,190,718	2,381,264	2,326,790
Allowance for impairment on loans, advances and financing	(24,855)	(18,815)	(63,165)	(34,923)
(Impairment) / Writeback of impairment on other assets	(121)	1,853	863	3,183
Profit before tax expense and zakat	1,251,487	1,173,756	2,318,962	2,295,050
Tax expense and zakat	(250,047)	(232,734)	(486,396)	(461,311)
Profit for the period	1,001,440	941,022	1,832,566	1,833,739

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PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

<u>Bank</u>	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>1,001,440</u>	<u>941,022</u>	<u>1,832,566</u>	<u>1,833,739</u>
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to</u>				
<u>profit or loss:</u>				
Revaluation reserves:				
- Net (loss) / gain on revaluation of financial investments available-for-sale	(8,527)	(829)	(17,897)	3,752
Hedging reserves:				
- Net change in cash flow hedges	17,292	(12,437)	50,732	(17,928)
	<u>8,765</u>	<u>(13,266)</u>	<u>32,835</u>	<u>(14,176)</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	2,132	207	4,474	(938)
- Hedging reserves	(4,323)	3,109	(12,683)	4,482
	<u>(2,191)</u>	<u>3,316</u>	<u>(8,209)</u>	<u>3,544</u>
Other comprehensive income / (loss) for the period, net of tax	<u>6,574</u>	<u>(9,950)</u>	<u>24,626</u>	<u>(10,632)</u>
Total comprehensive income for the period	<u>1,008,014</u>	<u>931,072</u>	<u>1,857,192</u>	<u>1,823,107</u>

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PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 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	<u>Reserves</u> Other Reserves RM'000	<u>Reserves</u> 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	-	-	-	2,073,328	-	2,073,328	21,537	2,094,865
Other comprehensive loss for the period	-	-	(14,606)	-	-	(14,606)	(17,007) *	(31,613)
Total comprehensive (loss) / income for the period	-	-	(14,606)	2,073,328	-	2,058,722	4,530	2,063,252
Transactions with owners / other equity movements:								
Transfer to statutory reserves	-	-	6,625	(6,625)	-	-	-	-
Transfer to regulatory reserves	-	-	4,092	(4,092)	-	-	-	-
Transfer to general reserves	-	-	410	(410)	-	-	-	-
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)	(6,088)	(1,056,726)
	-	-	11,127	(1,061,765)	-	(1,050,638)	(6,088)	(1,056,726)
At 30 June 2014	3,531,926	1,073,310	4,522,886	12,519,128	(215,572)	21,431,678	772,044	22,203,722

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

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PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 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	<u>Reserves</u> Other Reserves RM'000	<u>Reserves</u> 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	-	-	-	1,991,806	-	1,991,806	21,403	2,013,209
Other comprehensive income for the period	-	-	26,378	-	-	26,378	27,156 *	53,534
Total comprehensive income for the period	-	-	26,378	1,991,806	-	2,018,184	48,559	2,066,743
Transactions with owners / other equity movements:								
Transfer from Profit Equalisation Reserve of the Islamic banking institution	-	-	(503)	503	-	-	-	-
Transfer to statutory reserves	-	-	4,480	(4,480)	-	-	-	-
Transfer from regulatory reserves	-	-	(1,565)	1,565	-	-	-	-
Transfer to general reserves	-	-	517	(517)	-	-	-	-
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)	(6,009)	(1,056,647)
	-	-	2,929	(1,053,567)	-	(1,050,638)	(6,009)	(1,056,647)
At 30 June 2013	3,531,926	1,073,310	4,383,174	10,213,148	(215,572)	18,985,986	742,414	19,728,400

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(6463 - H)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	<----- Attributable to Equity Holders of the Bank ----->					
	Non-distributable			Distributable		
			<u>Reserves</u>	<u>Reserves</u>		
	Share	Share	Other	Retained	Treasury	Total
	Capital	Premium	Reserves	Profits	Shares	Equity
<u>Bank</u>	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	-	-	-	1,832,566	-	1,832,566
Other comprehensive income for the period	-	-	24,626	-	-	24,626
Total comprehensive income for the period	-	-	24,626	1,832,566	-	1,857,192
Transactions with owners / other equity movements:						
Transfer to general reserves	-	-	410	(410)	-	-
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)
	-	-	410	(1,051,048)	-	(1,050,638)
At 30 June 2014	3,531,926	1,073,310	3,828,188	11,410,757	(215,572)	19,628,609

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(6463 - H)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

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

	Non-distributable		Distributable			
			<u>Reserves</u>	<u>Reserves</u>		
Bank	Share	Share	Other	Retained	Treasury	Total
	Capital	Premium	Reserves	Profits	Shares	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	1,833,739	-	1,833,739
Other comprehensive loss for the period	-	-	(10,632)	-	-	(10,632)
Total comprehensive (loss) / income for the period	-	-	(10,632)	1,833,739	-	1,823,107
Transactions with owners / other equity movements:						
Transfer to general reserves	-	-	517	(517)	-	-
Dividends paid	-	-	-	(1,050,638)	-	(1,050,638)
	-	-	517	(1,051,155)	-	(1,050,638)
At 30 June 2013	<u>3,531,926</u>	<u>1,073,310</u>	<u>3,748,782</u>	<u>9,528,916</u>	<u>(215,572)</u>	<u>17,667,362</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 FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	Group		Bank	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Profit before tax expense and zakat	2,694,794	2,610,534	2,318,962	2,295,050
Adjustments for non-cash items:				
Share of profit after tax of equity accounted associated companies	(2,247)	(4,410)	-	-
Allowance for impaired loans and financing	269,724	258,557	130,835	90,799
Depreciation of property and equipment	76,239	83,093	59,424	67,335
Net (gain) / loss on financial instruments	(16,056)	5,699	(12,736)	(4,111)
Dividends received	(81,660)	(75,154)	(406,204)	(467,764)
Transfer to profit equalisation reserve	185	-	-	-
Impairment loss written back	(838)	(3,159)	(863)	(3,183)
Other non-cash items	26,843	34,783	19,615	35,484
Operating profit before working capital changes	<u>2,966,984</u>	<u>2,909,943</u>	<u>2,109,033</u>	<u>2,013,610</u>
Changes in working capital:				
Increase in operating assets	(10,880,611)	(9,962,256)	(8,946,280)	(7,472,238)
Increase in operating liabilities	<u>15,537,373</u>	<u>17,530,916</u>	<u>13,646,575</u>	<u>14,790,028</u>
Cash generated from operations	<u>7,623,746</u>	<u>10,478,603</u>	<u>6,809,328</u>	<u>9,331,400</u>
Tax expense and zakat paid	<u>(462,440)</u>	<u>(487,665)</u>	<u>(343,404)</u>	<u>(377,521)</u>
Net cash generated from operating activities	<u>7,161,306</u>	<u>9,990,938</u>	<u>6,465,924</u>	<u>8,953,879</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(71,713)	(80,578)	(43,279)	(49,101)
Proceeds from disposal of properties	14,087	21,606	13,880	21,265
Net (purchase) / sale of financial investments	(3,553,966)	1,295,044	(2,585,799)	1,628,661
Additional investment in a subsidiary company	-	-	-	(175,000)
Dividends received	<u>87,761</u>	<u>81,598</u>	<u>410,911</u>	<u>468,776</u>
Net cash (used in) / generated from investing activities	<u>(3,523,831)</u>	<u>1,317,670</u>	<u>(2,204,287)</u>	<u>1,894,601</u>

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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2014

	Group		Bank	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Financing Activities				
Dividends paid	(1,056,726)	(1,056,647)	(1,050,638)	(1,050,638)
Net (repayment) / drawdown of borrowings	(7,970)	32,916	-	-
Net proceeds from issuance of debt securities	1,498,214	400,000	999,500	400,000
Redemption of debt securities	-	(1,400,000)	-	(1,400,000)
Net cash generated from / (used in) financing activities	<u>433,518</u>	<u>(2,023,731)</u>	<u>(51,138)</u>	<u>(2,050,638)</u>
Net change in cash and cash equivalents	4,070,993	9,284,877	4,210,499	8,797,842
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>(64,082)</u>	<u>125,175</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u>24,190,134</u>	<u>26,245,824</u>	<u>15,596,915</u>	<u>19,036,552</u>
Note:				
Cash and balances with banks	27,131,269	28,159,382	17,616,015	20,237,239
Less: Balances with banks with maturity more than one month	<u>(2,941,135)</u>	<u>(1,913,558)</u>	<u>(2,019,100)</u>	<u>(1,200,687)</u>
Cash and cash equivalents at end of the period	<u>24,190,134</u>	<u>26,245,824</u>	<u>15,596,915</u>	<u>19,036,552</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.

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

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

A1. Basis of Preparation

The unaudited interim financial statements for the 2nd quarter and financial half year ended 30 June 2014 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments and investment properties.

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

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

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

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

Effective for annual periods commencing on or after 1 July 2014

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

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

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

Effective for annual period to be announced by MASB

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

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

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

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

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

A1. Basis of Preparation (continued)

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

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

(i) MFRS 2 Share-based Payment

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

(ii) MFRS 3 Business Combinations

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

(iii) MFRS 8 Operating Segments

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

(iv) MFRS 13 Fair Value Measurement

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

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

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

(vi) MFRS 124 Related Party Disclosures

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

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

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

A1. Basis of Preparation (continued)

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

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

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

(ii) MFRS 3 Business Combinations

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

(iii) MFRS 13 Fair Value Measurement

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

(iv) MFRS 140 Investment Property

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

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

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

On 4 February 2014, Bank Negara Malaysia ("BNM") issued a letter requiring banking institutions to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, pursuant to paragraph 13 of the BNM's Policy Document on Classification and Impairment Provisions for Loans/Financing. The regulatory reserves 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. The adoption of this new requirement is not expected to have any impact to the profit or loss of the Group and the Bank. As regulatory reserves 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 is expected to result in a drop in CET I and Tier I capital ratios of the Group by 0.6% respectively. For the Bank, the adoption of this requirement is expected to result in a drop in CET I and Tier I capital ratios by 0.7% respectively.

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

A2. Auditors' Report on Preceding Annual Financial Statements

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

A3. Comments about Seasonal or Cyclical Factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 2nd quarter and financial half year ended 30 June 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 2nd quarter and financial half year ended 30 June 2014.

A5. Changes in Estimates

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

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

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):

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

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

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 PPB 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 will raise a total gross proceeds of approximately RM4.83 billion and is expected to be completed in the third quarter of 2014.

A7. Dividends Paid and Distributed

During the financial half year ended 30 June 2014, a second interim single tier dividend of 30% in respect of the financial year ended 31 December 2013, amounting to RM1,050,637,539 was paid on 28 February 2014.

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

A8. Financial Assets Held-for-trading

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Securities	131,255	223,523	131,255	223,523
Malaysian Government Investment Certificates	152,296	1,310,771	152,296	1,106,521
Bank Negara Malaysia Monetary Notes	-	49,346	-	49,346
	<u>283,551</u>	<u>1,583,640</u>	<u>283,551</u>	<u>1,379,390</u>
Money market instruments:				
Negotiable instruments of deposit	9,975,565	13,822,929	8,063,372	12,274,547
Bankers' acceptances and Islamic accepted bills	197,935	-	-	-
	<u>10,173,500</u>	<u>13,822,929</u>	<u>8,063,372</u>	<u>12,274,547</u>
Non-money market instruments:				
Debt securities:				
- Unquoted private debt securities	471,373	405,394	416,462	332,489
	<u>471,373</u>	<u>405,394</u>	<u>416,462</u>	<u>332,489</u>
Total financial assets held-for-trading	<u>10,928,424</u>	<u>15,811,963</u>	<u>8,763,385</u>	<u>13,986,426</u>

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

A9. Financial Investments Available-for-sale

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	635,672	1,386,790	584,078	1,386,790
Malaysian Government Securities	3,076,650	975,356	3,076,650	975,356
Malaysian Government Investment Certificates	4,165,473	3,140,471	2,594,347	1,703,562
Bank Negara Malaysia Monetary Notes	313,995	4,604,017	313,995	4,604,017
	<u>8,191,790</u>	<u>10,106,634</u>	<u>6,569,070</u>	<u>8,669,725</u>
Money market instruments:				
Negotiable instruments of deposit	<u>51,376</u>	<u>198,844</u>	<u>51,376</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	9,623	11,897	-	-
- Unquoted shares #	109,671	110,249	105,764	106,285
Debt securities:				
- Unquoted private debt securities	2,173,715	2,078,879	1,713,321	1,607,095
Unit trust funds	5,187,679	5,107,224	4,726,712	4,538,133
	<u>7,480,688</u>	<u>7,313,034</u>	<u>6,545,797</u>	<u>6,256,298</u>
Total financial investments available-for-sale	<u>15,723,854</u>	<u>17,618,512</u>	<u>13,166,243</u>	<u>15,124,867</u>

Stated at cost, net of impairment loss.

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

A10. Financial Investments Held-to-maturity

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	73,513	19,961	-	-
Malaysian Government Securities	1,398,339	1,235,500	1,368,333	1,205,514
Malaysian Government Investment Certificates	5,741,365	2,190,194	4,672,516	2,119,819
Foreign Government Treasury Bills	673,990	756,069	49,607	111,725
Other foreign government securities	183,194	197,872	-	-
	<u>8,070,401</u>	<u>4,399,596</u>	<u>6,090,456</u>	<u>3,437,058</u>
Money market instruments:				
Negotiable instruments of deposit	1,973,109	1,890,742	1,557,409	1,528,777
Bankers' acceptances and Islamic accepted bills	1,193,392	279,895	1,193,392	89,092
	<u>3,166,501</u>	<u>2,170,637</u>	<u>2,750,801</u>	<u>1,617,869</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	125,281	130,287	85,375	90,436
- Unquoted private debt securities	1,850,790	1,093,138	1,372,992	642,544
	<u>1,976,071</u>	<u>1,223,425</u>	<u>1,458,367</u>	<u>732,980</u>
Accumulated impairment losses	(88)	(107)	(88)	(107)
Total financial investments held-to-maturity	<u>13,212,885</u>	<u>7,793,551</u>	<u>10,299,536</u>	<u>5,787,800</u>

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

A11. Loans, Advances and Financing

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	10,024,220	9,694,121	8,458,084	8,319,983
Term loans				
- Housing loans / financing	73,155,153	69,371,088	63,721,034	60,472,169
- Syndicated term loans / financing	1,581,137	1,782,419	886,651	1,071,646
- Hire purchase receivables	46,708,374	44,923,671	33,956,580	31,906,568
- Other term loans / financing	88,525,353	83,603,166	74,657,275	70,256,580
Credit card receivables	1,580,383	1,623,283	1,568,608	1,613,033
Bills receivables	159,373	132,233	135,979	112,310
Trust receipts	330,125	318,642	262,548	262,301
Claims on customers under acceptance credits	4,380,252	4,146,270	4,244,615	4,013,598
Revolving credits	4,308,573	4,247,740	4,355,300	4,273,079
Staff loans *	1,405,747	1,333,170	1,322,730	1,254,160
Gross loans, advances and financing	232,158,690	221,175,803	193,569,404	183,555,427
Allowance for impaired loans and financing:				
- collective assessment allowance	(1,638,074)	(1,592,085)	(1,103,673)	(1,071,089)
- individual assessment allowance	(141,748)	(167,925)	(72,981)	(79,765)
Net loans, advances and financing	230,378,868	219,415,793	192,392,750	182,404,573

* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM3,429,000 (2013: RM3,499,000) and RM3,060,000 (2013 - RM3,092,000) respectively.

A11a. By class

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Retail loans / financing *				
- Housing loans / financing	73,155,153	69,371,088	63,721,034	60,472,169
- Hire purchase	46,708,374	44,923,671	33,956,580	31,906,568
- Credit cards	1,580,383	1,623,283	1,568,608	1,613,033
- Other loans / financing ^	79,461,107	74,634,000	68,670,794	64,745,015
	200,905,017	190,552,042	167,917,016	158,736,785
Corporate loans / financing	31,253,673	30,623,761	25,652,388	24,818,642
	232,158,690	221,175,803	193,569,404	183,555,427

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

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

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

A11. Loans, Advances and Financing (continued)

A11b. By type of customer

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Banking institutions	102,859	219,841	32,207	32,806
Non-bank financial institutions				
- Stock-broking companies	9,651	10,415	9,651	10,415
- Others	5,813,940	5,867,394	5,743,464	5,796,575
Business enterprises				
- Small and medium enterprises	51,712,197	46,466,558	46,469,754	41,907,628
- Others	24,441,018	24,774,604	19,406,401	19,839,602
Government and statutory bodies	326,793	328,984	8,172	9,205
Individuals	147,723,558	141,050,941	119,986,167	113,628,081
Other entities	42,371	43,708	39,626	41,090
Foreign entities	1,986,303	2,413,358	1,873,962	2,290,025
	232,158,690	221,175,803	193,569,404	183,555,427

A11c. By interest / profit rate sensitivity

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans / financing	711,995	760,224	88,712	100,506
- Hire purchase receivables	45,035,940	43,231,795	33,946,198	31,896,405
- Other fixed rate loans / financing	15,507,685	15,294,702	8,508,523	8,200,180
Variable rate				
- Base lending rate plus	139,667,396	131,488,842	129,872,824	123,273,711
- Cost plus	20,805,404	20,029,781	20,349,382	19,323,512
- Other variable rates	10,430,270	10,370,459	803,765	761,113
	232,158,690	221,175,803	193,569,404	183,555,427

A11d. By residual contractual maturity

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Maturity within one year	31,953,059	29,512,905	27,356,404	24,665,072
More than one year to three years	19,736,460	21,787,337	15,838,124	17,348,887
More than three years to five years	22,185,556	21,614,004	17,735,373	16,869,100
More than five years	158,283,615	148,261,557	132,639,503	124,672,368
	232,158,690	221,175,803	193,569,404	183,555,427

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

A11. Loans, Advances and Financing (continued)

A11e. By geographical distribution

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysia	217,569,568	206,634,918	192,984,059	183,018,237
Hong Kong SAR and the People's Republic of China	11,533,427	11,573,237	-	-
Cambodia	2,470,350	2,430,458	-	-
Other countries	585,345	537,190	585,345	537,190
	232,158,690	221,175,803	193,569,404	183,555,427

A11f. Gross loans, advances and financing by economic purpose

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	3,855,511	4,023,503	3,681,800	3,861,298
Purchase of transport vehicles	46,942,476	45,158,466	34,189,667	32,139,612
Purchase of landed properties	133,074,718	126,004,256	117,748,844	111,871,882
(of which: - residential	74,809,563	70,928,295	65,333,051	62,005,417
- non-residential)	58,265,155	55,075,961	52,415,793	49,866,465
Purchase of fixed assets (excluding landed properties)	255,556	242,072	228,136	212,738
Personal use	9,081,261	9,090,491	4,671,222	4,527,048
Credit card	1,580,383	1,623,283	1,568,608	1,613,033
Purchase of consumer durables	7,440	16,855	4,374	13,619
Construction	3,374,793	2,903,437	2,831,311	2,268,033
Mergers and acquisitions	197,473	208,454	197,473	208,454
Working capital	30,018,838	28,219,556	24,890,735	23,401,960
Other purpose	3,770,241	3,685,430	3,557,234	3,437,750
	232,158,690	221,175,803	193,569,404	183,555,427

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

A11. Loans, Advances and Financing (continued)

A11g. Gross loans, advances and financing by sectors

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	2,995,503	2,847,443	2,448,800	2,471,313
Mining and quarrying	197,051	199,457	166,625	167,811
Manufacturing	9,078,286	8,891,271	8,188,542	7,885,681
Electricity, gas and water	54,036	54,698	23,014	21,429
Construction	6,939,988	6,597,972	5,952,398	5,580,719
Wholesale & retail trade and restaurants & hotels	20,746,733	19,372,207	18,814,961	17,702,488
Transport, storage and communication	3,485,415	3,395,952	2,658,094	2,577,828
Finance, insurance and business services	12,286,401	12,214,958	10,969,326	10,838,160
Real estate	22,908,150	21,064,548	19,496,084	17,867,116
Community, social and personal services	4,294,362	4,319,749	3,850,600	3,886,443
Households	148,049,822	141,214,063	120,901,538	114,444,907
Others	1,122,943	1,003,485	99,422	111,532
	232,158,690	221,175,803	193,569,404	183,555,427

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances rediscounted	493,287	974,991	493,287	974,121

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,484,779	1,374,086	1,135,737	1,014,660
Impaired during the period / year	1,361,404	2,939,301	978,647	2,125,565
Reclassified as non-impaired	(908,611)	(1,976,588)	(706,003)	(1,576,211)
Recoveries	(165,794)	(299,343)	(127,586)	(169,777)
Amount written off	(244,422)	(555,058)	(103,646)	(247,931)
Loans converted to foreclosed properties / investments	(11,244)	(10,981)	(11,188)	(10,721)
Exchange differences	(2,944)	13,362	(106)	152
Closing balance	1,513,168	1,484,779	1,165,855	1,135,737
Gross impaired loans as a percentage of gross loans, advances and financing	0.65%	0.67%	0.60%	0.62%

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

A11. Loans, Advances and Financing (continued)

A11j. Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysia	1,402,983	1,364,302	1,158,856	1,133,697
Hong Kong SAR and the People's Republic of China	64,131	74,329	-	-
Cambodia	39,055	44,108	-	-
Other countries	6,999	2,040	6,999	2,040
	<u>1,513,168</u>	<u>1,484,779</u>	<u>1,165,855</u>	<u>1,135,737</u>

A11k. Impaired loans, advances and financing by economic purpose

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	3,468	3,466	3,468	3,462
Purchase of transport vehicles	388,623	357,474	275,157	256,600
Purchase of landed properties	723,396	676,066	635,368	608,140
(of which: - residential	550,583	526,930	476,065	468,751
- non-residential)	172,813	149,136	159,303	139,389
Purchase of fixed assets (excluding landed properties)	4,943	6,003	4,903	5,977
Personal use	143,443	169,312	46,967	48,542
Credit card	17,877	23,161	17,815	23,084
Purchase of consumer durables	71	82	3	4
Construction	12,794	11,469	9,972	8,855
Working capital	203,368	223,163	157,260	166,649
Other purpose	15,185	14,583	14,942	14,424
	<u>1,513,168</u>	<u>1,484,779</u>	<u>1,165,855</u>	<u>1,135,737</u>

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

A11. Loans, Advances and Financing (continued)

A11l. Impaired loans, advances and financing by sectors

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	9,325	16,692	3,470	2,559
Mining and quarrying	1,578	1,483	403	437
Manufacturing	94,206	110,739	86,421	98,646
Electricity, gas and water	1,557	1,551	-	-
Construction	52,706	41,188	48,843	37,600
Wholesale & retail trade and restaurants & hotels	134,916	130,908	109,548	106,597
Transport, storage and communication	54,118	61,167	52,687	59,778
Finance, insurance and business services	30,586	24,219	24,048	19,331
Real estate	30,782	23,715	26,788	21,458
Community, social and personal services	16,851	20,427	16,410	20,118
Households	1,084,795	1,050,632	796,523	768,342
Others	1,748	2,058	714	871
	1,513,168	1,484,779	1,165,855	1,135,737

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	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	184,624	340,289	133,903	219,966
Amount written off	(137,747)	(280,604)	(101,153)	(208,758)
Exchange differences	(888)	2,834	(166)	397
Closing balance	1,638,074	1,592,085	1,103,673	1,071,089

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Individual Assessment Allowance</u>				
At 1 January	167,925	201,995	79,765	110,074
Allowance made during the period / year	98,110	242,911	4,882	18,342
Amount written back in respect of recoveries	(13,010)	(17,164)	(7,950)	(9,478)
Amount written off	(106,675)	(274,454)	(2,493)	(39,173)
Amount transferred to allowance for impairment loss on foreclosed properties	(1,223)	-	(1,223)	-
Exchange differences	(3,379)	14,637	-	-
Closing balance	141,748	167,925	72,981	79,765

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

A12. Other Assets

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred handling fees	248,482	242,734	184,979	175,656
Interest / Income receivable	100,246	69,650	73,703	45,374
Other receivables, deposits and prepayments	1,484,664	1,410,075	1,404,010	1,338,651
Manager's stocks	55,935	87,984	-	-
Employee benefits	273,241	294,339	266,943	286,306
Amount due from trust funds	126,204	111,536	-	-
Foreclosed properties	57,548	57,280	56,427	55,982
Taxi licenses	-	1,130	-	-
Outstanding contracts on clients' accounts	360,626	264,971	-	-
Amount due from subsidiary companies	-	-	38,518	37,879
Dividend receivable from subsidiary companies	-	-	464,755	469,462
	2,706,946	2,539,699	2,489,335	2,409,310

A13. Deposits from Customers

a) By type of deposit

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Core deposits:				
- Demand deposits	39,552,851	38,202,745	34,443,961	33,382,002
- Savings deposits	27,110,063	25,824,590	19,199,484	18,349,316
- Fixed deposits	146,025,796	137,230,286	117,314,661	107,341,341
	212,688,710	201,257,621	170,958,106	159,072,659
Wholesale deposits:				
- Negotiable instruments of deposit	1,440,667	1,620,398	1,036,515	651,420
- Money market deposits	50,324,067	47,881,370	44,498,911	42,036,700
	51,764,734	49,501,768	45,535,426	42,688,120
Other deposits	83,269	113,800	79,888	110,813
	264,536,713	250,873,189	216,573,420	201,871,592

b) By type of customer

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Federal and state governments	3,435,683	1,451,465	459,902	234,600
Local government and statutory authorities	3,275,895	2,695,427	2,064,151	1,610,984
Business enterprises	78,752,817	77,616,935	65,057,274	62,433,119
Individuals	119,220,041	111,921,512	104,729,519	97,008,165
Foreign customers	5,187,537	6,655,412	4,507,104	5,914,089
Others	54,664,740	50,532,438	39,755,470	34,670,635
	264,536,713	250,873,189	216,573,420	201,871,592

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

A13. Deposits from Customers (continued)

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Due within six months	178,627,272	162,340,586	145,187,711	128,981,442
More than six months to one year	18,806,365	24,080,964	17,553,300	20,876,847
More than one year to three years	353,040	306,626	105,912	167,761
More than three years to five years	3,853	3,878	3,164	3,411
	197,790,530	186,732,054	162,850,087	150,029,461

A14. Deposits from Banks

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Licensed banks	7,338,151	4,234,141	5,488,987	2,893,468
Licensed Islamic banks	860,000	1,063,881	-	713,881
Licensed investment banks	414,110	3,473,912	237,377	3,494,590
Bank Negara Malaysia	3,428,491	1,980,255	3,425,313	1,977,865
Other financial institutions	5,943,240	5,423,647	6,789,203	7,843,244
	17,983,992	16,175,836	15,940,880	16,923,048

A15. Other Liabilities

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Interest / Income payable	1,465,711	1,186,739	1,252,640	1,009,164
Other payables and accruals	2,533,711	2,351,233	2,038,225	1,803,877
Amount due to trust funds	67,536	66,534	-	-
Unprocessed sales and / or redemptions	73,114	118,778	-	-
Finance lease liabilities	8,908	26,484	8,908	26,484
Outstanding contracts on clients' accounts	347,460	255,125	-	-
Dividend payable to shareholders	7,133	15,523	1,045	1,866
Amount due to subsidiary companies	-	-	3,235	4,200
	4,503,573	4,020,416	3,304,053	2,845,591

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

A16. Interest Income

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loans and advances	2,557,981	2,371,343	5,048,998	4,679,758
Balances with banks	193,710	203,015	349,059	373,716
Financial investments available-for-sale	66,287	73,191	133,916	148,370
Financial investments held-to-maturity	90,166	59,018	167,987	115,707
Others	36,817	32,724	74,150	62,781
	<u>2,944,961</u>	<u>2,739,291</u>	<u>5,774,110</u>	<u>5,380,332</u>
Financial assets held-for-trading	86,267	93,104	194,626	194,234
	<u>3,031,228</u>	<u>2,832,395</u>	<u>5,968,736</u>	<u>5,574,566</u>

Of which:

Interest income earned on impaired loans
and advances

	<u>14,151</u>	<u>13,803</u>	<u>27,693</u>	<u>26,373</u>
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	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loans and advances	2,348,421	2,163,707	4,629,804	4,268,155
Balances with banks	180,870	189,410	326,660	350,277
Financial investments available-for-sale	60,877	71,495	126,775	144,969
Financial investments held-to-maturity	73,333	40,863	131,437	81,795
Others	36,784	32,723	74,047	62,776
	<u>2,700,285</u>	<u>2,498,198</u>	<u>5,288,723</u>	<u>4,907,972</u>
Financial assets held-for-trading	78,083	84,417	179,400	176,811
	<u>2,778,368</u>	<u>2,582,615</u>	<u>5,468,123</u>	<u>5,084,783</u>

Of which:

Interest income earned on impaired loans
and advances

	<u>13,494</u>	<u>12,787</u>	<u>26,379</u>	<u>24,294</u>
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PUBLIC BANK BERHAD
(6463-H)
(Incorporated in Malaysia)

A17. Interest Expense

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Deposits from banks	56,205	81,753	124,618	172,311
Deposits from customers	1,434,596	1,270,978	2,790,912	2,476,818
Loans sold to Cagamas	-	8	-	21
Debt securities issued and other borrowed funds	118,148	91,004	227,111	185,320
Others	530	2,704	1,364	4,410
	1,609,479	1,446,447	3,144,005	2,838,880

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Deposits from banks	47,526	72,525	109,827	156,740
Deposits from customers	1,379,025	1,226,950	2,686,991	2,387,963
Loans sold to Cagamas	-	8	-	21
Debt securities issued and other borrowed funds	116,314	87,639	223,439	178,582
Others	482	2,619	1,262	4,279
	1,543,347	1,389,741	3,021,519	2,727,585

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

A18. Net Fee and Commission Income

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Fee and commission income:				
Commissions	92,528	94,767	185,253	184,322
Service charges and fees	71,884	66,718	143,288	134,518
Guarantee fees	10,429	10,385	17,317	17,121
Processing fees	5,098	4,170	11,703	7,680
Commitment fees	15,924	15,020	31,495	31,295
Unit trust management fees	198,177	171,395	388,110	333,343
Fee on sale of trust units	69,012	78,381	140,676	150,227
Net brokerage and commissions from stockbroking activities	24,185	24,113	42,754	41,728
Other fee and commission income	16,120	10,035	24,829	20,722
	<u>503,357</u>	<u>474,984</u>	<u>985,425</u>	<u>920,956</u>
Fee and commission expense:				
Loan related fee	(61,026)	(62,421)	(126,413)	(122,711)
Unit trust agency fee	(89,884)	(87,093)	(178,972)	(165,108)
Other fee and commission expense	(5,424)	(3,553)	(10,350)	(7,997)
	<u>(156,334)</u>	<u>(153,067)</u>	<u>(315,735)</u>	<u>(295,816)</u>
Net fee and commission income	<u>347,023</u>	<u>321,917</u>	<u>669,690</u>	<u>625,140</u>
	2nd Quarter Ended	2nd Quarter Ended	Half Year Ended	Half Year Ended
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Fee and commission income:				
Commissions	105,876	111,512	214,281	218,382
Service charges and fees	53,393	50,619	104,113	101,545
Guarantee fees	9,749	9,625	15,906	15,621
Processing fees	2,011	1,145	5,685	2,132
Commitment fees	14,971	14,307	29,515	29,873
Other fee and commission income	11,345	7,867	17,252	16,224
	<u>197,345</u>	<u>195,075</u>	<u>386,752</u>	<u>383,777</u>
Fee and commission expense:				
Loan related fee	(60,014)	(61,251)	(124,347)	(120,635)
Other fee and commission expense	(2,906)	(2,703)	(5,797)	(5,615)
	<u>(62,920)</u>	<u>(63,954)</u>	<u>(130,144)</u>	<u>(126,250)</u>
Net fee and commission income	<u>134,425</u>	<u>131,121</u>	<u>256,608</u>	<u>257,527</u>

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

A19. Net Gains and Losses on Financial Instruments

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	1,448	2,144	2,690	5,412
- gross dividend income	-	8	-	8
- unrealised revaluation (loss) / gain	(774)	782	1,746	(2,472)
	<u>674</u>	<u>2,934</u>	<u>4,436</u>	<u>2,948</u>
Net gain / (loss) arising on trading derivatives				
- net gain on disposal	6	153	8,150	281
- unrealised revaluation gain / (loss)	1,251	(9,609)	(7,073)	(6,756)
	<u>1,257</u>	<u>(9,456)</u>	<u>1,077</u>	<u>(6,475)</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	3,975	1,039	9,409	5,232
- gross dividend income	39,132	38,908	81,660	75,154
	<u>43,107</u>	<u>39,947</u>	<u>91,069</u>	<u>80,386</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	1,163	(1,665)	3,057	(2,018)
- cash flow hedge	355	31	767	34
	<u>1,518</u>	<u>(1,634)</u>	<u>3,824</u>	<u>(1,984)</u>
Net gains and losses on financial instruments	<u>46,556</u>	<u>31,791</u>	<u>100,406</u>	<u>74,875</u>
	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	1,343	2,166	2,584	5,434
- gross dividend income	-	8	-	8
- unrealised revaluation (loss) / gain	(773)	770	1,747	(2,453)
	<u>570</u>	<u>2,944</u>	<u>4,331</u>	<u>2,989</u>
Net gain / (loss) arising on trading derivatives				
- net gain on disposal	6	153	8,150	281
- unrealised revaluation gain / (loss)	454	(792)	(7,295)	2,085
	<u>460</u>	<u>(639)</u>	<u>855</u>	<u>2,366</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	701	1,039	6,135	5,232
- gross dividend income	38,401	37,397	79,690	72,032
	<u>39,102</u>	<u>38,436</u>	<u>85,825</u>	<u>77,264</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	1,236	(801)	3,232	(1,068)
- cash flow hedge	355	31	767	34
	<u>1,591</u>	<u>(770)</u>	<u>3,999</u>	<u>(1,034)</u>
Net gains and losses on financial instruments	<u>41,723</u>	<u>39,971</u>	<u>95,010</u>	<u>81,585</u>

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

A20. Other Operating Income

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Other income:				
Foreign exchange profit	64,208	68,928	124,913	127,046
Rental income from:				
- investment properties	1,604	1,455	3,250	2,859
- other properties	4,201	3,663	7,908	7,086
Net gain / (loss) on disposal of property and equipment	1,007	(14)	813	286
Net gain / (loss) on disposal of foreclosed properties	590	(1,566)	988	2,481
Net gain on revaluation of investment properties	1,698	2,100	1,698	2,100
Others	7,332	17,677	19,504	27,280
Total other operating income	80,640	92,243	159,074	169,138
	2nd Quarter Ended	2nd Quarter Ended	Half Year Ended	Half Year Ended
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Gross dividend income from:				
- associated companies	6,101	6,460	6,101	6,460
- subsidiary companies				
- quoted outside Malaysia	16,655	16,519	16,655	16,519
- unquoted in Malaysia	210,671	186,858	303,758	372,753
	233,427	209,837	326,514	395,732
Other income:				
Foreign exchange profit	86,826	35,486	148,189	85,244
Rental income from other properties	3,233	2,851	6,013	5,475
Net gain on disposal of property and equipment	1,035	63	842	360
Net gain / (loss) on disposal of foreclosed properties	590	(1,566)	988	2,481
Others	5,502	14,668	12,804	21,106
	97,186	51,502	168,836	114,666
Total other operating income	330,613	261,339	495,350	510,398

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

A21. Other Operating Expenses

<u>Group</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Personnel costs				
- Salaries, allowances and bonuses	394,331	349,358	773,123	712,197
- Pension costs	55,480	49,228	108,947	100,392
- Others	33,444	31,264	65,470	61,251
	<u>483,255</u>	<u>429,850</u>	<u>947,540</u>	<u>873,840</u>
Establishment costs				
- Depreciation	38,301	41,584	76,239	83,093
- Rental	24,199	22,435	47,983	44,550
- Insurance	5,477	6,032	11,421	12,157
- Water and electricity	13,572	11,478	25,056	21,727
- General repairs and maintenance	22,717	18,827	44,673	34,335
- Information technology expenses	6,283	6,887	13,597	13,917
- Others	11,634	11,584	24,070	22,016
	<u>122,183</u>	<u>118,827</u>	<u>243,039</u>	<u>231,795</u>
Marketing expenses				
- Advertisement and publicity	12,749	18,537	23,423	34,815
- Others	16,647	20,659	36,096	41,705
	<u>29,396</u>	<u>39,196</u>	<u>59,519</u>	<u>76,520</u>
Administration and general expenses				
- Communication expenses	5,680	10,025	15,406	20,343
- Legal and professional fees	12,822	13,006	22,223	21,877
- Others	12,628	18,800	34,155	37,083
	<u>31,130</u>	<u>41,831</u>	<u>71,784</u>	<u>79,303</u>
Total other operating expenses	<u>665,964</u>	<u>629,704</u>	<u>1,321,882</u>	<u>1,261,458</u>

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

A21. Other Operating Expenses (continued)

<u>Bank</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Personnel costs				
- Salaries, allowances and bonuses	308,415	272,603	602,410	559,537
- Pension costs	49,659	53,513	97,049	108,611
- Others	28,816	27,754	56,640	53,771
	386,890	353,870	756,099	721,919
Establishment costs				
- Depreciation	29,764	33,591	59,424	67,335
- Rental	22,141	21,108	43,754	41,933
- Insurance	5,061	4,824	9,309	9,337
- Water and electricity	10,193	8,567	19,020	16,457
- General repairs and maintenance	20,438	17,214	39,948	30,469
- Information technology expenses	2,972	3,714	6,944	7,428
- Others	8,598	8,897	18,165	16,801
	99,167	97,915	196,564	189,760
Marketing expenses				
- Advertisement and publicity	5,545	7,012	8,338	13,090
- Others	10,088	10,885	18,606	21,103
	15,633	17,897	26,944	34,193
Administration and general expenses				
- Communication expenses	4,206	10,548	11,736	18,850
- Legal and professional fees	9,812	10,029	16,303	16,613
- Others	11,881	9,280	24,936	19,301
	25,899	29,857	52,975	54,764
Shared service cost charged to Public Islamic Bank Berhad	(62,270)	(64,952)	(120,274)	(120,718)
Total other operating expenses	465,319	434,587	912,308	879,918

A22. Allowance for Impairment on Loans, Advances and Financing

36

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

A23. Segment Information

2nd Quarter Ended 30 June 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	601,443	1,966,363	287,261	459,358	62,548	267,422	1,415	139,246	3,785,056	274,045	-	4,059,101
Revenue from other segments	-	335,383	3,462	211,060	893	3,290	7,428	456,534	1,018,050	2,099	(1,020,149)	-
	601,443	2,301,746	290,723	670,418	63,441	270,712	8,843	595,780	4,803,106	276,144	(1,020,149)	4,059,101
Net interest income and Islamic banking income	224,102	1,049,263	74,328	40,651	5,487	3,523	(1,900)	46,382	1,441,836	183,531	-	1,625,367
Other income	491	125,808	13,167	64,956	25,953	162,623	8,751	56,024	457,773	34,198	(17,752)	474,219
Net income	224,593	1,175,071	87,495	105,607	31,440	166,146	6,851	102,406	1,899,609	217,729	(17,752)	2,099,586
Other operating expenses	(58,550)	(361,993)	(2,994)	(6,110)	(8,858)	(42,093)	(3,674)	(100,797)	(585,069)	(98,647)	17,752	(665,964)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(53,537)	1,299	1,267	-	24	-	-	-	(50,947)	(13,747)	-	(64,694)
Allowance for impairment on other assets	-	(146)	-	-	-	-	-	-	(146)	-	-	(146)
Profit by segments	112,506	814,231	85,768	99,497	22,606	124,053	3,177	1,609	1,263,447	105,335	-	1,368,782
Reconciliation of segment profits to consolidated profits:												
Share of (loss) / profit after tax of equity accounted associated companies									(3,252)	2,164		(1,088)
Profit before tax expense and zakat									1,260,195	107,499		1,367,694

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

A23. Segment Information (continued)

2nd Quarter Ended 30 June 2013	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	578,898	1,822,669	266,411	478,324	56,949	249,969	1,249	82,614	3,537,083	265,788	-	3,802,871
Revenue from other segments	-	315,997	2,832	173,475	5,801	2,711	7,415	293,205	801,436	891	(802,327)	-
	578,898	2,138,666	269,243	651,799	62,750	252,680	8,664	375,819	4,338,519	266,679	(802,327)	3,802,871
Net interest income and Islamic banking income	233,778	1,012,118	71,110	38,534	4,096	2,904	(1,926)	52,388	1,413,002	182,947	-	1,595,949
Other income	399	131,522	10,281	68,400	20,234	143,993	8,605	43,006	426,440	36,104	(16,593)	445,951
Net income	234,177	1,143,640	81,391	106,934	24,330	146,897	6,679	95,394	1,839,442	219,051	(16,593)	2,041,900
Other operating expenses (Allowance) / Writeback of	(55,853)	(331,254)	(2,483)	(5,242)	(8,153)	(40,440)	(3,460)	(105,767)	(552,652)	(93,645)	16,593	(629,704)
allowance for impairment on loans, advances and financing	(40,933)	(599)	839	-	(359)	-	-	-	(41,052)	(35,244)	-	(76,296)
Writeback of allowance for impairment on other assets	-	1,829	-	-	-	-	-	-	1,829	-	-	1,829
Profit / (loss) by segments	137,391	813,616	79,747	101,692	15,818	106,457	3,219	(10,373)	1,247,567	90,162	-	1,337,729
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									171	2,658		2,829
Profit before tax expense and zakat									1,247,738	92,820		1,340,558

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

A23. Segment Information

Half Year Ended 30 June 2014	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	1,195,136	3,888,534	564,394	908,361	110,508	529,235	2,781	257,667	7,456,616	550,862	-	8,007,478
Revenue from other segments	-	636,675	6,822	432,490	2,479	7,081	14,851	861,426	1,961,824	3,130	(1,964,954)	-
	1,195,136	4,525,209	571,216	1,340,851	112,987	536,316	17,632	1,119,093	9,418,440	553,992	(1,964,954)	8,007,478
Net interest income and Islamic banking income	456,598	2,079,922	145,523	81,672	9,977	7,530	(3,821)	88,551	2,865,952	367,981	-	3,233,933
Other income	986	251,434	26,208	129,185	41,739	317,201	17,487	110,459	894,699	68,900	(34,429)	929,170
Net income	457,584	2,331,356	171,731	210,857	51,716	324,731	13,666	199,010	3,760,651	436,881	(34,429)	4,163,103
Other operating expenses (Allowance) / Writeback of allowance for impairment on loans, advances and financing	(114,420)	(714,058)	(5,695)	(12,071)	(17,232)	(87,903)	(7,313)	(202,465)	(1,161,157)	(195,154)	34,429	(1,321,882)
Writeback of allowance for impairment on other assets	-	838	-	-	-	-	-	-	838	-	-	838
Profit / (loss) by segments	249,857	1,593,822	181,387	198,786	34,776	236,828	6,353	(3,455)	2,498,354	194,193	-	2,692,547
Reconciliation of segment profits to consolidated profits: Share of (loss) / profit after tax of equity accounted associated companies									(2,317)	4,564		2,247
Profit before tax expense and zakat									2,496,037	198,757		2,694,794
Cost income ratio	25.0%	30.6%	3.3%	5.7%	33.3%	27.1%	53.5%	101.7%	30.9%	44.7%		31.8%
Gross loans, advances and financing	45,004,627	145,934,226	26,224,317	-	347,598	56,562	2,238	-	217,569,568	14,589,122		232,158,690
Loan growth	4.2%	6.2%	2.6%	-	-4.8%	5.0%	1.2%	-	5.3%	0.3%		5.0%
Impaired loans, advances and financing	364,498	959,049	79,436	-	-	-	-	-	1,402,983	110,185		1,513,168
Impaired loan ratio	0.8%	0.7%	0.3%	-	-	-	-	-	0.6%	0.8%		0.7%
Deposits from customers	-	190,452,490	237,660	55,821,089	2,001,653	-	-	-	248,512,892	16,023,821		264,536,713
Deposit growth	-	8.0%	-22.2%	0.3%	-29.8%	-	-	-	5.7%	1.9%		5.4%
Segment assets	44,686,681	196,828,101	26,156,860	73,982,859	4,588,849	345,158	341,512	25,718,936	372,648,956	21,225,517	(73,350,920)	320,523,553
Reconciliation of segment assets to consolidated assets: Investment in associated companies									26,443	117,577		144,020
Unallocated assets									1,007,799	-		1,007,799
Intangible assets									769,251	1,212,044		1,981,295
Total assets									374,452,449	22,555,138		323,656,667

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

A23. Segment Information (continued)

Half Year Ended 30 June 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	1,157,702	3,574,885	523,669	931,258	101,706	483,958	2,480	171,677	6,947,335	528,750	-	7,476,085
Revenue from other segments	-	573,693	5,696	384,388	8,070	5,802	14,688	631,422	1,623,759	1,910	(1,625,669)	-
	<u>1,157,702</u>	<u>4,148,578</u>	<u>529,365</u>	<u>1,315,646</u>	<u>109,776</u>	<u>489,760</u>	<u>17,168</u>	<u>803,099</u>	<u>8,571,094</u>	<u>530,660</u>	<u>(1,625,669)</u>	<u>7,476,085</u>
Net interest income and Islamic banking income	475,188	1,988,433	139,779	73,129	7,927	6,190	(3,831)	108,779	2,795,594	357,362	-	3,152,956
Other income	1,131	259,711	23,759	123,422	31,596	280,192	17,057	92,104	828,972	73,225	(33,044)	869,153
Net income	<u>476,319</u>	<u>2,248,144</u>	<u>163,538</u>	<u>196,551</u>	<u>39,523</u>	<u>286,382</u>	<u>13,226</u>	<u>200,883</u>	<u>3,624,566</u>	<u>430,587</u>	<u>(33,044)</u>	<u>4,022,109</u>
Other operating expenses (Allowance) / Writeback of allowance for impairment on loans, advances and financing	(112,609)	(664,801)	(5,029)	(10,613)	(15,804)	(83,624)	(6,962)	(210,715)	(1,110,157)	(184,345)	33,044	(1,261,458)
Writeback of allowance for impairment on other assets	(91,661)	6,775	2,014	-	(419)	-	-	-	(83,291)	(74,395)	-	(157,686)
Profit / (loss) by segments	-	3,159	-	-	-	-	-	-	3,159	-	-	3,159
	<u>272,049</u>	<u>1,593,277</u>	<u>160,523</u>	<u>185,938</u>	<u>23,300</u>	<u>202,758</u>	<u>6,264</u>	<u>(9,832)</u>	<u>2,434,277</u>	<u>171,847</u>	<u>-</u>	<u>2,606,124</u>
Reconciliation of segment profits to consolidated profits: Share of (loss) / profit after tax of equity accounted associated companies									(229)	4,639		4,410
Profit before tax expense and zakat									<u>2,434,048</u>	<u>176,486</u>		<u>2,610,534</u>
Cost income ratio	23.6%	29.6%	3.1%	5.4%	40.0%	29.2%	52.6%	104.9%	30.6%	42.8%		31.4%
Gross loans, advances and financing	41,669,394	128,747,724	24,864,973	-	399,879	53,862	2,161	-	195,737,993	13,702,216		209,440,209
Loan growth	3.1%	6.9%	6.7%	-	27.6%	4.5%	10.6%	-	6.1%	3.5%		5.9%
Impaired loans, advances and financing	295,923	902,716	91,264	-	-	-	-	-	1,289,903	113,122		1,403,025
Impaired loan ratio	0.7%	0.7%	0.4%	-	-	-	-	-	0.7%	0.8%		0.7%
Deposits from customers	-	169,751,400	230,771	52,097,088	3,548,867	-	-	-	225,628,126	14,741,041		240,369,167
Deposit growth	-	10.5%	-28.2%	-3.0%	18.4%	-	-	-	7.1%	2.6%		6.8%
Segment assets	<u>41,439,639</u>	<u>176,798,888</u>	<u>24,791,712</u>	<u>68,635,832</u>	<u>4,775,387</u>	<u>440,526</u>	<u>314,961</u>	<u>19,865,308</u>	<u>337,062,253</u>	<u>19,816,975</u>	<u>(67,877,202)</u>	<u>289,002,026</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									36,820	116,363		153,183
Unallocated assets									1,520,131	-		1,520,131
Intangible assets									769,251	1,197,057		1,966,308
Total assets									<u>339,388,455</u>	<u>21,130,395</u>		<u>292,641,648</u>

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

A23. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets (continued)

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

A24. Subsequent Events

Save as disclosed below, there were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

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 will submit 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.

A25. Changes in the Composition of the Group

There were no material changes in the composition of the Group during the 2nd quarter and financial half year ended 30 June 2014.

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

A26. Commitments and Contingencies

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

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Contingent liabilities				
Direct credit substitutes	1,557,168	1,521,770	1,216,375	1,196,990
Transaction-related contingent items	1,207,393	1,173,514	1,079,222	1,041,919
Short term self-liquidating trade-related contingencies	420,093	467,641	230,220	295,684
	3,184,654	3,162,925	2,525,817	2,534,593
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	29,347,567	29,229,501	26,712,722	26,897,981
- not exceeding one year	21,223,075	21,886,823	19,064,553	19,688,146
Unutilised credit card lines	3,999,434	3,823,553	3,895,878	3,713,960
Forward asset purchases	708,534	4,176	708,270	-
	55,278,610	54,944,053	50,381,423	50,300,087
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	20,038,633	16,836,631	19,368,219	16,652,983
- one year to less than five years	2,247,700	2,151,746	2,247,700	2,151,746
Interest / Profit rate related contracts:				
- less than one year	2,016,115	1,953,625	1,678,960	1,838,821
- one year to less than five years	7,694,765	6,176,844	7,994,765	6,247,237
- five years and above	1,504,330	2,706,403	2,608,000	3,808,000
Commodity related contracts:				
- less than one year	27	1,890	27	1,890
Equity related contracts:				
- less than one year	23,994	52,089	23,994	52,089
	33,525,564	29,879,228	33,921,665	30,752,766
	91,988,828	87,986,206	86,828,905	83,587,446

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

A27. Derivative Financial Instruments

Details of derivative financial instruments outstanding as at 30 June 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	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total
As at 30 June 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,446,617	-	-	1,446,617	6,416	-	-	6,416	5,580	-	-	5,580
- Swaps	18,541,169	-	-	18,541,169	41,206	-	-	41,206	100,471	-	-	100,471
- Options	50,847	-	-	50,847	32	-	-	32	32	-	-	32
Interest rate related contracts												
- Swaps	50,000	-	-	50,000	-	-	-	-	13	-	-	13
Equity related contracts												
- Options purchased	23,994	-	-	23,994	5,711	-	-	5,711	-	-	-	-
Precious metal contracts												
- Forwards	27	-	-	27	3	-	-	3	2	-	-	2
	20,112,654	-	-	20,112,654	53,368	-	-	53,368	106,098	-	-	106,098
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,966,115	1,390,365	5,804,330	9,160,810	397	72,743	51,727	124,867	25,171	2,915	11,362	39,448
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	1,123,850	1,123,850	2,247,700	-	-	2,094	2,094	-	89,132	40,698	129,830
Interest / Profit rate related contracts												
- Swaps	-	854,400	1,150,000	2,004,400	-	13,072	21,887	34,959	-	-	770	770
	1,966,115	3,368,615	8,078,180	13,412,910	397	85,815	75,708	161,920	25,171	92,047	52,830	170,048
Total	22,078,769	3,368,615	8,078,180	33,525,564	53,765	85,815	75,708	215,288	131,269	92,047	52,830	276,146

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

A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 June 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
	17,340,610	19,681	-	17,360,291	183,583	-	-	183,583	72,693	699	-	73,392
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
	1,503,625	2,126,844	8,888,468	12,518,937	1,534	92,086	88,151	181,771	21,507	38,768	200,923	261,198
Total	18,844,235	2,146,525	8,888,468	29,879,228	185,117	92,086	88,151	365,354	94,200	39,467	200,923	334,590

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

A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 June 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	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total
As at 30 June 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,143,243	-	-	1,143,243	6,112	-	-	6,112	5,299	-	-	5,299
- Swaps	18,174,129	-	-	18,174,129	40,556	-	-	40,556	100,426	-	-	100,426
- Options	50,847	-	-	50,847	32	-	-	32	32	-	-	32
Interest rate related contracts												
- Swaps	69,266	-	-	69,266	-	-	-	-	222	-	-	222
Equity related contracts												
- Options purchased	23,994	-	-	23,994	5,711	-	-	5,711	-	-	-	-
Precious metal contracts												
- Forwards	27	-	-	27	3	-	-	3	2	-	-	2
	19,461,506	-	-	19,461,506	52,414	-	-	52,414	105,981	-	-	105,981
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,609,694	1,390,365	5,708,000	8,708,059	397	72,743	51,727	124,867	18,733	2,915	2,371	24,019
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	1,123,850	1,123,850	2,247,700	-	-	2,094	2,094	-	89,132	40,698	129,830
Interest rate related contracts												
- Swaps	-	654,400	2,850,000	3,504,400	-	9,819	12,385	22,204	-	-	79,505	79,505
	1,609,694	3,168,615	9,681,850	14,460,159	397	82,562	66,206	149,165	18,733	92,047	122,574	233,354
Total	21,071,200	3,168,615	9,681,850	33,921,665	52,811	82,562	66,206	201,579	124,714	92,047	122,574	339,335

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

A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 June 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
	17,176,643	19,681	-	17,196,324	183,258	-	-	183,258	73,059	699	-	73,758
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
	1,369,140	1,897,237	10,290,065	13,556,442	1,534	92,086	73,851	167,471	18,279	28,816	308,642	355,737
Total	18,545,783	1,916,918	10,290,065	30,752,766	184,792	92,086	73,851	350,729	91,338	29,515	308,642	429,495

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

A27. Derivative Financial Instruments (continued)

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

Market Risk

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

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 30 June 2014, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM215,288,000 (2013: RM365,354,000) and RM201,579,000 (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 June 2014, the Group and the Bank had posted cash collateral of RM46,198,000 (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.

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

A28. Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

Group	Level 1	Level 2	Level 3	Total
30 June 2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	283,551	-	283,551
- Money market instruments	-	10,173,500	-	10,173,500
- Non-money market instruments	-	471,373	-	471,373
	-	10,928,424	-	10,928,424
Financial investments available-for-sale				
- Government securities and treasury bills	-	8,191,790	-	8,191,790
- Money market instruments	-	51,376	-	51,376
- Non-money market instruments #	3,392,770	3,978,247	-	7,371,017
	3,392,770	12,221,413	-	15,614,183
Derivative financial assets	-	209,577	5,711	215,288
Total financial assets measured at fair value	3,392,770	23,359,414	5,711	26,757,895
Non-financial assets				
Investment properties	-	-	97,010	97,010
Financial liabilities				
Derivative financial liabilities	-	276,146	-	276,146
Total financial liabilities measured at fair value	-	276,146	-	276,146

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

A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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 RM109,671,000 (2013: RM110,249,000) which are not carried at fair value.

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

A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Bank	Level 1	Level 2	Level 3	Total
30 June 2014	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	283,551	-	283,551
- Money market instruments	-	8,063,372	-	8,063,372
- Non-money market instruments	-	416,462	-	416,462
	-	8,763,385	-	8,763,385
Financial investments available-for-sale				
- Government securities and treasury bills	-	6,569,070	-	6,569,070
- Money market instruments	-	51,376	-	51,376
- Non-money market instruments #	2,922,180	3,517,853	-	6,440,033
	2,922,180	10,138,299	-	13,060,479
Derivative financial assets	-	195,868	5,711	201,579
Total financial assets measured at fair value	2,922,180	19,097,552	5,711	22,025,443
Financial liabilities				
Derivative financial liabilities	-	339,335	-	339,335
Total financial liabilities measured at fair value	-	339,335	-	339,335

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

A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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
	-	13,986,426	-	13,986,426
Financial investments available-for-sale				
- Government securities and treasury bills	-	8,669,725	-	8,669,725
- Money market instruments	-	198,844	-	198,844
- Non-money market instruments #	2,885,269	3,264,744	-	6,150,013
	2,885,269	12,133,313	-	15,018,582
Derivative financial assets	-	334,113	16,616	350,729
Total financial assets measured at fair value	2,885,269	26,453,852	16,616	29,355,737
Financial liabilities				
Derivative financial liabilities	-	429,495	-	429,495
Total financial liabilities measured at fair value	-	429,495	-	429,495

Excluding the carrying amount of equity securities - unquoted shares held by the Bank of RM105,764,000 (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.

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

A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments:

	Group and Bank	
	30 June	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	8,150	771
- Unrealised (losses) / gains	(7,858)	5,027
Sales	(11,197)	(1,336)
Closing balance	5,711	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.

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

A29. Capital Adequacy

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
<u>Before deducting interim dividends *</u>				
Common equity Tier I ("CET I") capital ratio	9.332%	9.276%	10.454%	10.927%
Tier I capital ratio	10.853%	11.055%	12.244%	13.023%
Total capital ratio	14.242%	14.288%	13.781%	14.086%
<u>After deducting interim dividends *</u>				
CET I capital ratio	8.905%	8.750%	9.946%	10.300%
Tier I capital ratio	10.427%	10.529%	11.735%	12.396%
Total capital ratio	13.816%	13.762%	13.273%	13.459%

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,073,310	1,073,310	1,073,310
Other reserves	4,391,086	4,402,843	3,908,129	3,924,896
Retained profits	12,379,583	11,507,565	11,674,022	10,892,504
Treasury shares	(215,572)	(215,572)	(215,572)	(215,572)
Qualifying non-controlling interests	514,164	522,093	-	-
Less: Goodwill	(1,981,295)	(2,003,912)	(695,393)	(695,393)
Less: Deferred tax assets, net	(70,891)	(70,121)	-	-
Less: Defined benefit pension fund assets	(205,087)	(220,922)	(200,807)	(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	19,388,773	18,527,210	18,222,658	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	41,646	42,031	-	-
Total Tier I capital	22,550,099	22,078,881	21,342,338	21,805,939

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

A29. Capital Adequacy (continued)

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	1,180,058	1,123,706	670,829	625,010
Subordinated notes / sukuk murabahah				
- meeting all relevant criteria	2,447,938	1,949,116	1,949,208	1,949,116
- subject to gradual phase-out treatment	3,471,416	3,471,121	3,471,416	3,471,121
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	55,529	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	7,041,137	6,457,730	2,679,623	1,780,460
Total capital	29,591,236	28,536,611	24,021,961	23,586,399

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and the Bank of RM590,662,000 (2013: RM600,816,000) and RM433,444,000 (2013: RM446,948,000) respectively.

Includes the Group's qualifying regulatory reserves for non-impaired loans which pertain to Public Bank (Hong Kong) Limited and Public Finance Limited amounting to RM132,646,000 (2013: RM132,437,000).

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

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

A29. Capital Adequacy (continued)

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

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

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

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

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

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

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

A29. Capital Adequacy (continued)

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

	Public Islamic Bank Berhad ¹	Public Investment Bank Berhad ²	Public Bank (L) Ltd. ³	Public Bank (Hong Kong) Limited ⁴	Public Finance Limited ⁴	Cambodian Public Bank Plc ⁵
30 June 2014						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	12.138%	27.508%	N/A	14.101%	27.245%	N/A
Tier I capital ratio	12.138%	27.508%	29.650%	14.101%	27.245%	N/A
Total capital ratio	15.164%	27.689%	29.687%	15.278%	28.199%	17.625%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.384%	27.508%	N/A	14.101%	25.015%	N/A
Tier I capital ratio	11.384%	27.508%	29.650%	14.101%	25.015%	N/A
Total capital ratio	14.410%	27.689%	29.687%	15.278%	25.968%	17.625%
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.

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

A29. Capital Adequacy (continued)

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

- 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, which is effective from 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- 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, which is effective on 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- 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. With effect from 1 January 2013, the capital adequacy ratios of these two subsidiaries are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules.
- 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%.

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

A29. Capital Adequacy (continued)

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

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	190,969,166	183,113,937	161,308,181	154,360,722
Market risk	1,993,425	2,111,436	2,540,621	2,850,579
Operational risk	14,806,519	14,497,356	10,462,845	10,228,677
	207,769,110	199,722,729	174,311,647	167,439,978

A30. Credit Exposures Arising From Credit Transactions With Connected Parties

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Outstanding credit exposures with connected parties (RM'000)	1,794,350	1,756,651	2,594,217	2,522,959
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.74%	0.76%	1.20%	1.24%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.01%	0.01%	0.01%	0.00%

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

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

A31. Operations of Islamic Banking

A31a. Statement of Financial Position As At 30 June 2014

	Group	
	30 June	31 December
	2014	2013
	RM'000	RM'000
ASSETS		
Cash and balances with banks	6,542,085	6,744,111
Financial assets held-for-trading	1,861,878	1,752,632
Derivative financial assets	91,490	130,777
Financial investments available-for-sale	2,032,093	1,891,272
Financial investments held-to-maturity	1,132,562	-
Financing and advances	24,021,792	22,904,370
Other assets	87,729	88,537
Statutory deposits with Bank Negara Malaysia	962,250	939,850
Investment in an associated company	20,000	20,000
Property and equipment	1,438	1,026
Total Assets	36,753,317	34,472,575
LIABILITIES AND ISLAMIC		
BANKING FUNDS		
Deposits from customers	29,431,070	28,400,736
Deposits from banks	3,433,397	2,789,398
Bills and acceptances payable	994	3,825
Recourse obligations on financing sold to Cagamas	500,013	500,011
Other liabilities	154,460	116,854
Debt securities issued and other borrowed funds	498,730	-
Provision for zakat and taxation	52,419	36,012
Deferred tax liabilities	25,143	34,293
Total Liabilities	34,096,226	31,881,129
Islamic Banking Funds	2,657,091	2,591,446
Total Liabilities and Islamic		
Banking Funds	36,753,317	34,472,575
COMMITMENTS AND CONTINGENCIES	5,923,256	5,650,699

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

A31b. Statement of Profit or Loss for the 2nd Quarter and Financial Half Year Ended 30 June 2014

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Income derived from investment of depositors' funds and others	374,950	347,031	740,341	692,107
Income derived from investment of Islamic Banking Funds	31,741	29,688	62,951	58,184
Allowance for impairment on financing and advances	(32,340)	(21,955)	(45,501)	(48,138)
Impairment on other assets	(25)	(24)	(25)	(24)
Profit Equalisation Reserve	-	-	(185)	-
Total distributable income	374,326	354,740	757,581	702,129
Income attributable to the depositors and others	(203,073)	(166,718)	(393,905)	(333,021)
Total net income	171,253	188,022	363,676	369,108
Other overheads and expenditures	(68,431)	(69,196)	(132,957)	(132,009)
Profit before zakat and taxation	102,822	118,826	230,719	237,099
Zakat	(58)	(66)	(115)	(132)
Taxation	(25,370)	(29,360)	(57,030)	(58,570)
Profit for the period	77,394	89,400	173,574	178,397

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

A31c. Statement of Profit or Loss and Other Comprehensive Income for the 2nd Quarter and Financial Half Year Ended 30 June 2014

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Profit for the period	<u>77,394</u>	<u>89,400</u>	<u>173,574</u>	<u>178,397</u>
Other comprehensive income / (loss):				
<u>Items that may be reclassified to</u>				
<u>profit or loss:</u>				
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	1,024	1,298	2,275	2,471
Hedging reserves:				
- Net change in cash flow hedges	<u>(16,726)</u>	<u>36,025</u>	<u>(39,398)</u>	<u>27,468</u>
	<u>(15,702)</u>	<u>37,323</u>	<u>(37,123)</u>	<u>29,939</u>
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(256)	(325)	(569)	(618)
- Hedging reserves	<u>4,182</u>	<u>(9,006)</u>	<u>9,850</u>	<u>(6,867)</u>
	<u>3,926</u>	<u>(9,331)</u>	<u>9,281</u>	<u>(7,485)</u>
Other comprehensive (loss) / income for the period, net of tax	<u>(11,776)</u>	<u>27,992</u>	<u>(27,842)</u>	<u>22,454</u>
Total comprehensive income for the period	<u><u>65,618</u></u>	<u><u>117,392</u></u>	<u><u>145,732</u></u>	<u><u>200,851</u></u>

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

A31d. Financing and Advances

	Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Bai' Bithaman Ajil	8,231,298	8,128,836
Ijarah Thumma Al-Bai'	10,933,569	11,168,723
Bai-Al-Einah	2,367,431	2,500,022
Musharakah	2,778,623	1,386,398
Murabahah	28,072	20,879
Gross financing and advances	<u>24,338,993</u>	<u>23,204,858</u>
Allowance for impairment on financing and advances:		
- collective assessment allowance	<u>(317,201)</u>	<u>(300,488)</u>
Net financing and advances	<u><u>24,021,792</u></u>	<u><u>22,904,370</u></u>

Movements in impaired financing and advances are as follows:

	Group	
	30 June 2014 RM'000	31 December 2013 RM'000
At 1 January	208,074	175,167
Impaired during the period / year	274,126	523,987
Reclassified as non-impaired	(197,921)	(388,637)
Recoveries	(15,511)	(30,337)
Amount written off	(36,594)	(71,846)
Financing converted to foreclosed properties	(56)	(260)
Closing balance	<u><u>232,118</u></u>	<u><u>208,074</u></u>
Impaired financing and advances as a percentage of gross financing and advances	<u><u>0.95%</u></u>	<u><u>0.90%</u></u>

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

A31e. Deposits from Customers

	Group	
	30 June	31 December
	2014	2013
By type of deposit	RM'000	RM'000
Savings deposit		
- Wadiah	4,972,747	4,823,093
- Mudharabah	59,515	63,510
	<u>5,032,262</u>	<u>4,886,603</u>
Demand deposit		
- Wadiah	3,012,363	2,958,752
- Mudharabah	145,815	94,753
	<u>3,158,178</u>	<u>3,053,505</u>
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai-Al-Einah	377,152	642,941
- General investment account		
- Mudharabah	3,943,179	3,205,661
- Wakalah	12,560,258	12,945,906
	<u>16,503,437</u>	<u>16,151,567</u>
- Special investment account		
- Wakalah	4,360,041	3,666,120
	<u>4,360,041</u>	<u>3,666,120</u>
	<u><u>29,431,070</u></u>	<u><u>28,400,736</u></u>

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

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

B1. Performance Review

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

The Group's pre-tax profit for the financial half year ended 30 June 2014 of RM2,694.8 million was RM84.3 million or 3.2% higher than the previous corresponding half year of RM2,610.5 million. Net profit attributable to equity holders improved by RM81.5 million or 4.1% to RM2,073.3 million. The improved earnings was mainly due to higher net interest income of RM89.0 million (3.3%), higher net fee and commission income of RM44.6 million (7.1%) and higher investment income of RM25.5 million (34.1%). These were partially offset by higher other operating expenses of RM60.4 million (4.8%) mainly due to increase of personnel costs to support higher business volume.

The growth in the Group's net interest income was driven by continued healthy loans and customer deposits growth coupled with sustained strong asset quality. Gross loans grew by 10.8% over the last twelve months to RM232.2 billion as at 30 June 2014 as compared to RM209.4 billion as at 30 June 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 10.1% over the same period to RM264.5 billion as at 30 June 2014 with core customer deposit growing at a stronger pace of 10.9%. The Group's impaired loan ratio remained stable at 0.7% as at 30 June 2014.

The performance of the respective operating business segments for the financial half year ended 30 June 2014 as compared to the previous corresponding half year is analysed as follows:-

- 1) Retail Operations – Pre-tax profit maintained at RM1,593.8 million.
- 2) Hire purchase – Pre-tax profit decreased by RM22.2 million (-8.2%) to RM249.9 million mainly due to lower net interest income as a result of declining net interest margin, higher other operating expenses and higher loan impairment allowances.
- 3) Corporate lending – Pre-tax profit increased by RM20.9 million (13.0%) to RM181.4 million mainly due to higher writeback of loan impairment allowance and higher net interest income.
- 4) Treasury and capital market operations – The increase in pre-tax profit by RM12.8 million (6.9%) to RM198.8 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 RM11.5 million (49.3%) to RM34.8 million mainly due to higher brokerage income from stockbroking activities, higher investment income and higher net interest income from treasury gapping activities, partially offset by higher other operating expenses.
- 6) Fund management – Pre-tax profit increased by RM34.1 million (16.8%) to RM236.8 million mainly due to higher management fee earned on higher average net asset value of funds under management, partially offset by higher other operating expenses.
- 7) Overseas operations – Pre-tax profit increased by RM22.3 million (12.6%) to RM198.8 million mainly due to higher net interest income on higher average loan and deposit balances and lower loan impairment allowances, partially offset by higher other operating expenses.

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

B1. Performance Review (continued)

b) Current Quarter vs. Previous Year Corresponding Quarter

For the 2nd quarter ended 30 June 2014, the Group registered a pre-tax profit of RM1,367.7 million, an improvement of RM27.1 million or 2.0% as compared to the previous corresponding quarter. Net profit attributable to equity holders grew by 3.2% or RM32.9 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 2nd quarter ended 30 June 2014 as compared to the previous corresponding quarter is analysed as follows:-

- 1) Retail operations – Pre-tax profit increased marginally to RM814.2 million.
- 2) Hire purchase – Pre-tax profit decreased by RM24.9 million (-18.1%) to RM112.5 million, mainly due to lower net interest income and higher loan impairment allowance.
- 3) Corporate lending – Pre-tax profit increased by RM6.0 million (7.6%) to RM85.8 million, mainly due to higher net interest income and higher fee income.
- 4) Treasury and capital market operations – Pre-tax profit decreased by RM2.2 million (-2.2%) to RM99.5 million, mainly due to lower foreign exchange income partially offset by higher interest margin earned on treasury gapping activities.
- 5) Investment banking – Pre-tax profit increased by RM6.8 million (42.9%) to RM22.6 million, mainly due to higher investment income.
- 6) Fund management business – Pre-tax profit increased by RM17.6 million (16.5%) to RM124.1 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 by RM14.7 million (15.8%) was mainly due to lower loan impairment allowances partially offset by higher other operating expenses.

B2. Variation of Results Against Preceding Quarter

For the 2nd quarter ended 30 June 2014, the Group registered a pre-tax profit of RM1,367.7 million, an increase of RM40.6 million or 3.1% as compared to the pre-tax profit of RM1,327.1 million for the preceding quarter ended 31 March 2014. Net profit attributable to equity holders increased by RM39.5 million or 3.9% over the same period. The increase in profit is mainly due to lower loan impairment allowances, higher net interest income and higher net fee and commission income partially offset by higher other operating expenses.

B3. Prospects for 2014

The global economic growth is expected to pick up speed after a bumpy start in the first quarter of 2014 following weak production in the US due to the poor weather conditions and financial market turbulence. Meanwhile, growth in the developing economies will likely pick up at a slower pace as the stronger demand from high-income growth is offset by capacity constraints and an eventual tightening of financial conditions. However, there remain downside risks to global growth such as structural issues and fiscal uncertainties in advanced economies, financial imbalances in both advanced and emerging economies, and risks from global monetary transitions.

Despite the uncertain global economy, Malaysia recorded a strong growth of 6.2% in 1Q14 (4Q13: 5.1%) driven by stronger expansion in domestic demand and recovery in the trade sector. Going forward, the economy is expected to remain on a steady growth path, amid some moderation in domestic demand due to Government's commitment towards fiscal consolidation and possibly tighter monetary policy. However, the moderation will likely pick up by further improvement in the external sector. For 2014, Bank Negara Malaysia ("BNM") forecasts real GDP growth of between 4.5%-5.5% (2013: 4.7%). During the year, headline inflation continues to trend upward as the impact from subsidy rationalisation takes effect. BNM expects inflation to average higher at 3%-4% in 2014 (2013: 2.1%), but will likely be contained by subdued external price pressures, continued expansion in domestic capacity and moderation in domestic demand.

The Malaysian banking sector is expected to remain resilient and supportive of domestic economic activity in 2014. With strong capitalisation, favourable funding and liquidity positions, and healthy profitability, the banking sector will continue to sustain an effective role in financial intermediation to provide steady access to credit for households and businesses. Effects from the macroprudential measures implemented by the Government and BNM to address household indebtedness and unhealthy practices in property market will continue to gain traction in 2014. Furthermore, the risks to financial stability from these developments are expected to be well-contained as banking institutions continue to strengthen their risk management practices.

The Public Bank Group is expected to sustain its strong market position in the domestic retail operations segment, supported by continuing growth in home mortgages, vehicle financing and SMEs lending. The Group continues to see growth opportunities for residential properties arising from continuing household formation, 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 create a sustainable property market by offering competitive market rates as well as flexible and innovative product packages to cater for house buyers.

In the SME segment, the Group will continue to support SMEs and enhance its products and services to sustain its market share in SME financing. In 2014, SMEs will continue to benefit from the steady expansion of the Malaysian economy and ongoing implementation of Economic Transformation Programme. This will be further supported by the Government's SME Masterplan 2012-2020 which sets the path for further growth and development of the SME sector.

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

As part of its efforts to expand the corporate lending business, the Public Bank Group will actively tap on its existing corporate clients with good track record and sustain its momentum in the corporate lending business.

The Public Bank Group will continue to focus on maintaining a healthy level of liquidity by increasing its 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's fund management business will continue to grow in 2014. Despite a challenging year ahead, the Group will continue to intensify efforts to sustain its leading position in the private unit trust industry in Malaysia. This is reinforced by the Group's commitment in maintaining excellence in its products and services, new fund launches and a wider range of financial products offerings under the Private Retirement Scheme Funds.

The Public Bank Group will also make further progress in targeting fee income from bancassurance, foreign-exchange related transactions and transactional banking services. The Group's strategic partnership with AIA Bhd will further strengthen its fee-based activity and continue to contribute positively to its long-term fee-based revenue.

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

B3. Prospects for 2014 (continued)

The Public Bank Group remains committed to expanding further its regional presence through organic growth. The Group will continue to leverage on its strong PB Brand as a reputable, safe and efficient commercial bank to expand its businesses domestically as well as in the countries in which it already has business presence. The Group will also further exploit growth opportunities in its overseas operations to further enhance business growth.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense and Zakat

The analysis of the tax expense for the 2nd quarter and financial half year ended 30 June 2014 are as follows:

<u>Group</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	274,162	300,092	560,299	581,317
Overseas income tax	19,780	16,397	37,461	32,296
	293,942	316,489	597,760	613,613
Under / (over) provision in prior years				
- Malaysian income tax	2	-	(24)	(129)
- Overseas income tax	490	408	406	468
	294,434	316,897	598,142	613,952
Deferred tax expense				
- Relating to origination and reversal of temporary differences	5,298	(10,754)	1,600	(16,823)
- Under provision	72	64	72	64
Tax expense	299,804	306,207	599,814	597,193
Zakat	58	66	115	132
	299,862	306,273	599,929	597,325

The Group's effective tax rates for the 2nd quarter and financial half year ended 30 June 2014 and 30 June 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>	2nd Quarter Ended		Half Year Ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	241,245	239,180	478,973	470,556
Overseas income tax	2,538	2,230	5,032	4,597
	243,783	241,410	484,005	475,153
(Over) / under provision in prior years				
- Malaysian income tax	-	-	-	60
- Overseas income tax	-	-	(84)	-
	243,783	241,410	483,921	475,213
Deferred tax expense				
- Relating to origination and reversal of temporary differences	6,192	(8,740)	2,403	(13,966)
- Under provision	72	64	72	64
	250,047	232,734	486,396	461,311

The Bank's effective tax rate for the 2nd quarter and financial half year ended 30 June 2014 and 30 June 2013 were lower than the statutory tax rate due to certain income not subject to tax.

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

B6. Status of Corporate Proposals Announced but Not Completed

Other than the renounceable rights issue and the Proposed Acquisition as disclosed in Note A6 and Note A24 respectively, there were no corporate proposals announced but not completed as at 30 June 2014.

B7. Status of Utilisation of Proceeds Raised from Corporate Proposals

The proceeds raised from the issuances of 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.

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 June 2014 RM'000	31 December 2013 RM'000
Total retained profits of Public Bank Berhad and its subsidiaries:		
- Realised	13,367,747	12,306,123
- Unrealised	171,978	183,133
	13,539,725	12,489,256
Total share of retained profits from associated companies:		
- Realised	(370)	3,484
- Unrealised	-	-
	13,539,355	12,492,740
Less: Consolidation adjustments	(1,020,227)	(985,175)
Total Group retained profits as per consolidated accounts	12,519,128	11,507,565
	Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
Total retained profits of Public Bank Berhad:		
- Realised	11,367,025	10,573,116
- Unrealised	43,732	56,123
Total Bank retained profits as per accounts	11,410,757	10,629,239

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

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

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

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

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

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
(a) <u>Deposits from customers</u>				
- Fixed deposits				
One year or less	145,671,465	136,925,692	117,208,147	107,176,079
More than one year	354,331	304,594	106,514	165,262
- Negotiable instruments of deposits				
One year or less	1,438,105	1,614,488	1,033,953	645,510
More than one year	2,562	5,910	2,562	5,910
- Money market deposits				
One year or less	50,324,067	47,881,370	44,498,911	42,036,700
- Savings deposits	27,110,063	25,824,590	19,199,484	18,349,316
- Demand deposits	39,552,851	38,202,745	34,443,961	33,382,002
- Others	83,269	113,800	79,888	110,813
	<u>264,536,713</u>	<u>250,873,189</u>	<u>216,573,420</u>	<u>201,871,592</u>
(b) <u>Deposits from banks</u>				
- One year or less	17,983,992	16,002,695	15,940,880	16,923,048
- More than one year	-	173,141	-	-
	<u>17,983,992</u>	<u>16,175,836</u>	<u>15,940,880</u>	<u>16,923,048</u>
(c) <u>Debt securities issued and other borrowed funds</u>				
Borrowings denominated in HKD (unsecured)				
Term loan				
- One year or less	<u>455,421</u>	<u>463,391</u>	<u>-</u>	<u>-</u>
Senior Medium Term notes denominated in RM (unsecured)				
- More than one year	<u>1,396,268</u>	<u>399,007</u>	<u>1,396,268</u>	<u>399,007</u>
Subordinated notes / sukuk murabahah denominated in RM (unsecured)				
- More than one year	<u>5,926,768</u>	<u>5,432,922</u>	<u>5,428,038</u>	<u>5,432,922</u>
Innovative Tier I capital securities denominated in USD (unsecured)				
- More than one year	708,689	738,117	708,689	738,117
Innovative Tier I capital securities denominated in RM (unsecured)				
- More than one year	<u>1,214,386</u>	<u>1,219,727</u>	<u>1,214,386</u>	<u>1,219,727</u>
	<u>1,923,075</u>	<u>1,957,844</u>	<u>1,923,075</u>	<u>1,957,844</u>
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	<u>2,126,318</u>	<u>2,116,661</u>	<u>2,126,318</u>	<u>2,116,661</u>
	<u>11,827,850</u>	<u>10,369,825</u>	<u>10,873,699</u>	<u>9,906,434</u>

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

B10. Changes in Material Litigation

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

B11. Dividends

(a) (i) A first interim single tier dividend of 23% for the financial year ending 31 December 2014, amounting to RM886,037,658 computed based on the enlarged share capital*, excluding treasury shares, has been declared by the directors;

(ii) Amount per share : Single tier dividend of 23.0 sen;

(iii) Entitlement date: 12 August 2014;

(iv) Payment date: 20 August 2014.

(b) Total dividend paid for the previous financial half year ended 30 June 2013:
- First interim single tier dividend of 22.0 sen.

** Including 350,212,513 new shares to be issued under the renounceable rights issue exercise currently being undertaken by the Bank.*

B12. Earnings Per Share

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
Net profit attributable to equity holders (RM'000)	<u>1,056,396</u>	<u>1,023,505</u>	<u>2,073,328</u>	<u>1,991,806</u>
Weighted average number of PBB Shares ('000)	<u>3,502,125</u>	<u>3,502,125</u>	<u>3,502,125</u>	<u>3,502,125</u>
Basic earnings per share (sen)	<u>30.2</u>	<u>29.2</u>	<u>59.2</u>	<u>56.9</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.