



PUBLIC BANK BERHAD

Company Registration No. 196501000672 (6463-H)

**PUBLIC BANK 54TH ANNUAL GENERAL MEETING (AGM)
HELD ON 29 JUNE 2020**

**SUMMARY OF QUESTIONS SUBMITTED BY SHAREHOLDERS
AND ANSWERS PROVIDED**

- Requests from Shareholders for Door Gift or Shopping Voucher

The Chairman clarified that as stated in the Administrative Details sent to shareholders together with the Notice of Public Bank 54th AGM on 29 May 2020, there would be no distribution of door gift or shopping voucher to shareholders who participated in the Public Bank 54th AGM. However, this decision would be reviewed for the AGM to be held next year.

- Cost Savings from Holding Virtual AGM

The Chairman explained that the main cost savings in holding a virtual AGM is the cost for renting the physical AGM venue. In the case of Public Bank, because the turnout at physical AGMs had been in the region of 6,000 persons, a big venue is required and therefore the venue rental cost is significant. The Board will definitely review whether to hold the Public Bank 55th AGM next year as a fully virtual AGM, taking into consideration the prevailing regulatory requirements and circumstances that will affect this decision.

- Any Plan to Review and Reduce Directors' Fees for 2020/2021

The Chairman explained that the Nomination and Remuneration Committee conducts the annual review of Directors' fees to be proposed for shareholders' approval for each preceding financial year, taking into consideration the Company's performance, market conditions, and including benchmarking against the fee structure of peer banks in order to be competitive to retain skills and talent, and achieve diversity, on the Board.

- Whether Directors Get Paid for Attending the Public Bank 54th AGM

The Chairman clarified that Directors do not get any fee, allowance or any other form of payment for attending AGMs of the Company.

- Impact of COVID-19

The Managing Director/Chief Executive Officer informed that on profitability outlook, under the current challenging economic condition, the banking sector is facing an unprecedented difficult time.

Under such condition, Public Bank's earnings are expected to be lower this year, but to what extent will be very much dependent on factors such as the risk of a second wave of the pandemic, the pace of economic recovery and the effectiveness of the Government stimulus package.

Overall, Public Bank's earnings for 2020 will be mainly affected by factors such as moderating revenue, net interest margin compression arising from OPR cuts, and higher provisions, but impact will be mitigated by the loan moratorium.

On the strategy going forward, Public Bank will remain focused on organic growth strategy in retail consumer and commercial banking.

Despite the current difficult operating environment, Public Bank continue to see demand for financing, such as affordable residential property financing supported by the Government's Home Ownership Campaign.

The Government's and BNM's relief measures, such as the Special Relief Fund for SMEs, will help to spur business loan growth.

Public Bank will continue to put all efforts on enhancing its digital channels or virtual platforms to reach out to customers.

In the current challenging conditions, Public Bank will be extra cautious and operate within its risk appetite, safeguard its fundamentals and continue to adopt prudent approach in growing its business, focusing on areas i.e. managing net interest margin through proactive asset liability management, maintaining cost discipline and productivity, and most importantly, preserving asset quality.

The ultimate goal is to ensure long term earnings profitability and sustainability to enhance shareholder value.

3 | Summary of Questions Submitted by Shareholders and Answers Provided

- Impact of Loan Moratorium

The Managing Director/Chief Executive Officer explained that Public Bank is putting all efforts to provide relief to customers to ease their cash flow difficulties to cope with the challenges during this period, and had been actively doing this during these few months.

The loan moratorium of up to six months is to help individuals and businesses to survive the crisis.

As at end of May 2020, total loans under moratorium amounted to about three quarters of the Group's total domestic loans.

Arising from non-charging of interest on the deferred instalment on hire purchase loans, it will result in a Day-1 modification loss which is a one-off accounting loss as faced by the whole banking industry.

All the banks are in the process of finalising the solution which will mitigate the impact. The final impact will be reflected in the second quarter financial results.

- Dividend Payout

The Managing Director/Chief Executive Officer informed that Public Bank has always been targeting to maintain a similar dividend payout as per previous year which was around 50%. However, this will be subject to regulatory approval.

- Increasing Cost-Income Ratio

The Managing Director/Chief Executive Officer explained that the increase in cost-income-ratio in recent years was mainly due to moderating revenue growth and margin compression as faced by the banking industry, as well as the increase in compliance and IT related costs.

However, Public Bank has been able to sustain its position as the most cost efficient bank as compared to its peers. This was reflected in its lowest cost income ratio of 34.4% as compared to the industry cost income ratio of 44.7%.

Public Bank will continue to manage its costs through optimisation of productivity and efficiency.

- Declining ROE Trend

The Managing Director/Chief Executive Officer explained that the declining trend of the Group's ROE over the years, which was in line with the industry trend, was mainly due to 2 main factors i.e. net interest margin compression and further build-up of capital base.

However, the Group has continuously been achieving higher than industry ROE. In 2019, the Group net ROE of 13.6% was above the industry's average net ROE of about 9%. Going forward, the Group will continue to strive to sustain above industry ROE.

- Proposed Remuneration to Tan Sri Dato' Sri Dr. Teh Hong Piow for financial year ended 31 December 2019

The Managing Director/Chief Executive Officer informed that the 2019 remuneration proposed to be paid to Tan Sri Teh was in deep appreciation and recognition of his continuous invaluable contribution to the Public Bank Group's success.

Tan Sri Teh who founded Public Bank 53 years ago, had built a very strong foundation and franchise for the Bank today, with proven business successes over all these years. This had enabled the Public Bank Group to weather through many cycles of financial crises since its inception, and achieved 53 years of unbroken profitability record. Today, Public Bank is the 3rd largest banking group and the most efficient and profitable bank in Malaysia. As a result, shareholders had been consistently receiving superior returns year after year.

Following his re-designation as Founder, Chairman Emeritus, Director & Adviser of Public Bank with effect from 1 January 2019, Tan Sri Teh continues to play an important advisory role to the Public Bank Group. His guidance and insights had continued to effectively lead the Group to positive growth trajectory and deliver value proposition to the shareholders.

2019, in spite of being a very challenging year for the banking sector, Tan Sri Teh's invaluable and astute leadership had enabled the Group to continue to stay strong.

In addition, Tan Sri Teh had also established a strong Public Bank culture over the years which continued to inspire employees to always strive for higher achievement.

As a result, Public Bank Group still continued to outperform the banking industry in 2019 as reflected in the Group's highest return on equity, most efficient cost-to-income ratio and the lowest impaired loan ratio.

It is pertinent to note that the remuneration for Tan Sri Teh had reduced to RM20 million for 2019 as compared to RM40.8 million paid in 2018.

- Impact Upon Tan Sri Dato' Sri Dr. Teh Hong Piow's Retirement from Public Bank

The Managing Director/Chief Executive Officer stated that Tan Sri Teh had over the years built up a well-established structure, strong corporate culture and excellent business philosophy, and these important fundamentals will continue to drive the growth of Public Bank Group. This is further supported by a strong, dedicated and experienced Management team which had been managing the Bank's operations through many challenges over the years.

In addition, a structured and comprehensive succession framework which is aligned with the Group's business strategies and mission is well in place to ensure continuous smooth operations and stability of the Group.

- Plan to Review and Reduce the Remuneration of Senior Management and Staff for Year 2020/2021

The Managing Director/Chief Executive Officer informed that Public Bank has always been prudent in managing its costs. This had resulted in Public Bank being the most cost efficient bank in the industry.

Public Bank takes cognisance of the challenging times ahead and will continue to enhance cost optimization.

Public Bank will continuously review the Senior Management and staff remuneration package taking into consideration the performance of the Bank.

- Challenges Posed by Fintech and Digital Banks

The Managing Director/Chief Executive Officer informed that the financial services sector is actually undergoing digital revolution. All the banks are facing similar challenges. In the face of rising competition from Fintech companies, Public Bank do not view them as a threat, but see them as a catalyst for collaboration and innovation.

Public Bank has always been exploring opportunities for collaboration with FinTech companies to enhance digital capabilities, improve operational efficiencies and achieving cost optimisation.

On Public Bank's digitalisation plan, its digital transformation is to continue to make banking easy, fast, secure and reliable for all the customers.

In 2019, Public Bank had stepped up efforts to accelerate progress on its 3-Year Digital Roadmap, which is based on four key drivers i.e. Convenience, Efficiency, Security and Innovation.

Among the significant digital initiatives in 2019 were:

- * Revamping PB engage mobile banking application with enhanced user experience and user interface.
- * Implemented Union Pay QR to support local and overseas UnionPay customers for revenue diversification.
- * Open API which is a set of Open Data and Payment Services API with revamped FinTech microsite to encourage collaborative partnership with FinTech.
- * DuitNow QR – of which Public Bank was the first bank to launch an interoperable QR standard for consumers to adopt digital payment, and
- * PBe QR – which is Malaysia's first universal QR merchant payment acceptance riding on DuitNow QR.

Going forward, to adapt to the changing trends of customers, Public Bank will continue to invest to accelerate its banking digitalisation, by further stepping up its efforts in developing the following:

- * Big Data Analytics
- * Open API solutions
- * eKYC solutions
- * Chatbot
- * Blockchain

- Plans to Improve the Quality of Public Bank's Internet Banking Services

The Managing Director/Chief Executive Officer informed that Public Bank has always been working on enhancing customer experience on digital platforms, the PBe internet banking, PB engage mobile banking and PB enterprise.

Public Bank is also constantly enhancing the features of these online banking channels and work on simplifying customer digital experience

In fact, online application for credit card and loan is currently available at PBeBank.com website.

Furthermore, Public Bank is also embarking on online account opening for deposit products.

For information, the PBe Online Banking also offers features such as update of personal details, credit card pin reset, report for lost card and ATM card cancellation.

- Public Bank's View on Responsible Lending

The Managing Director/Chief Executive Officer informed that Public Bank has long been practising prudent and responsible lending approach.

Public Bank's lending practices are not solely focused on profitability, but also the impact on the economy, environment and social, arising from its lending activities.

While a specific sectors exclusion list is not in place, in-depth assessment of the borrower's business nature and sustainability of the business has always been part of Public Bank's prudent credit culture and risk management.

Further, Public Bank has been very supportive of businesses with positive ESG values.

Public Islamic Bank is also supportive of the Value-based Intermediation (VBI) and has taken steps to embed the VBI principles into its business strategies.

- Public Bank's Key Performance Benchmarks for FY2020

The Managing Director/Chief Executive Officer informed that with the increased revenue pressure, Public Bank is expecting profitability to be affected. However, building on its sound fundamentals and long term prudent management, ROE is projected to remain in double digit for 2020.

Loan and deposit growths are expected to be in line with the overall banking industry. Demand for financing will continue to be supported by the continued demand for affordable housing, and the various promotional campaigns implemented by various businesses and organisations.

On asset quality, with Public Bank's prudent credit policy and practice, as well as its resilient loan portfolio, gross impaired loans ratio is expected to remain low and the best in the industry.

- Decline in Public Bank's Share Price

The Managing Director/Chief Executive Officer commented that the recent decline in Public Bank's share price was very much in tandem with market sentiment, especially in the broad-based decline in banking stocks. The share price of Public Bank is always subject to occasional volatility which has always been temporary in nature based on past trend.

Currently, Public Bank is trading at 1.4 times of its book value which is the highest amongst its domestic peers, reflecting Public Bank's strong fundamental. Going forward, Public Bank will continue to focus on delivering earnings and strengthening its core business, which Public Bank believes the market will continue to recognise it for delivering long-term shareholder values.

- Contents of Annual Report - Section on "Letter to Stakeholder"

The Managing Director/Chief Executive Officer explained that Public Bank had ceased publication of the "Letter to Stakeholder". However, all the relevant information, including information on Shareholder Value that were previously published in the "Letter to Stakeholder" are available in the various sections of the Annual Report particularly the Management Discussion and Analysis and Sustainability Statement.

The information on Shareholder Value is available on Page 132 of Public Bank 2019 Annual Report, under the section of Management Discussion and Analysis.

- Public Mutual Strategy

The Managing Director/Chief Executive Officer informed that Public Mutual will continue to focus on actively managing its funds to meet the needs of its investors.

However, Public Mutual will continue to assess and evaluate any potential opportunities that bring value to the investors from time to time.

- Public Bank's Operational Readiness in Response to a Potential Second Wave of COVID-19 Pandemic

The Managing Director/Chief Executive Officer informed that Public Bank has a contingency plan well in place to support customers and to protect employees' health and safety during the pandemic. Public Bank is always prepared to respond to any other contingent event.

- Assistance to SMEs

The Managing Director/Chief Executive Officer informed that apart from the 6-month loan moratorium and restructuring & rescheduling of loans, Public Bank had been very active in providing financial assistance to the SMEs through the Special Relief Fund.

To-date, Public Bank had approved more than RM1.7 billion of loans for the SMEs, which had benefitted about 8,000 SME borrowers.

He added that Public Bank has always been very supportive of SMEs in the market. Currently more than 20% of its loan book comprises SME financing, and this represents 21% market share in the domestic SME lending.

- Plan for Merger and Acquisition

The Managing Director/Chief Executive Officer clarified that currently, the Group has no plans for any merger or acquisition of businesses either in Malaysia or overseas.

The Group will continue to pursue its organic growth strategy in both its domestic and overseas operations, expanding its businesses in the markets in which the Group is currently operating.

However, the Group is always open to any potential opportunities that bring value to the Group.

- Exposure to Oil and Gas Sector

The Managing Director/Chief Executive Officer informed that Public Bank Group's loan exposure to the oil and gas sector is very negligible and is less than 1% of the Group's total loan portfolio.

- Plan for Rights and Bonus Issues

The Managing Director/Chief Executive Officer informed that Public Bank does not have immediate plan for rights issue at the moment. For bonus issue, the Board will continue to assess the option from time to time.

- Sustainability Efforts

The Managing Director/Chief Executive Officer informed that with its business spanning more than 50 years, Public Bank is no stranger to sustainability.

In its journey of pursuing business growth, Public Bank also embraces its Corporate Philosophy which is to deliver values to its customers, shareholders, employees and the community at large that it serves.

Overall, Public Bank's sustainability efforts are focused on 5 main themes:

- * Responsible business
- * Conduct and Compliance
- * Developing Employees
- * Corporate Citizenship
- * Managing Environment Impact

Public Bank has also identified 9 United Nations Sustainability Development Goals which are the most relevant to its sustainability matters.

Public Bank has always explored and sought ways on how it can further enhance its sustainability management, focusing on the 5 themes, as well as the 9 United Nations Sustainability Development Goals. In the Public Bank 2019 Annual Report, Public Bank had included a Sustainability Statement which provides the stakeholders with more comprehensive and wholesome views on Public Bank's sustainability efforts.

- Compliments on Public Bank's Performance

The Managing Director/Chief Executive Officer thanked shareholders who had conveyed compliments. He assured that Public Bank will continue to do the best in maintaining performance and bringing value to shareholders.

- Impact of Low Interest Rates

The Managing Director/Chief Executive Officer informed that low interest rate environment does have an impact on net interest margin of the Group. However, to mitigate the negative impact, Public Bank will continue to adopt proactive management of asset and liability, cost discipline and productivity as well as its hallmark, that is the asset quality strength that Public Bank has maintained over these years.

- Extension of Loan Moratorium After Due Date in September 2020

The Managing Director/Chief Executive Officer informed that Public Bank has always taken a proactive approach and is mindful of the welfare and difficulties faced by its customers during this challenging environment to ease their cash flows.

Public Bank will ensure that any extension of moratorium period is implemented based on a targeted and needs-based approach to meet the requirements of customers who still face financial constraints. Public Bank will continue to actively engage with customers on any requests for loan restructuring to suit their needs upon expiry of the current moratorium period. Public Bank has been actively engaging with customers even before the due date in September 2020.

- Tracing of Customers who were linked to the Public Bank Staff who was Infected with COVID-19

The Managing Director/Chief Executive Officer informed that there was proper contact tracing as Public Bank had implemented proper procedures to ensure that all customers and staff who are in contact with infected staff are traceable and proper reporting and treatment are given.

Customers' details are recorded for contact tracing. Customers are also encouraged to use PB TRACK and TRACE APP.

No customer was involved as the incident happened during MCO and the branch concerned was closed. However, proper contact tracing was done for those staff who were in contact with the infected staff.

- Plan to Launch Special Fixed Deposits Rates

The Managing Director/Chief Executive Officer informed that Public Bank will launch a series of programmes to assist the various customer target segments. The first priority is retirees where Public Bank will offer higher Fixed Deposits rates with monthly interest payment. This will be followed by programmes for the children, youth and entire family.

- Any Plan on Retrenchment of Staff

The Managing Director/Chief Executive Officer informed that Public Bank will continue to reskill and upscale of staff to be digitally competent and ready for electronic innovations. At present moment, there is no plan for downsizing of staffing.

- Strategies to Sustain the Market Share in Asset Management Segment

The Managing Director/Chief Executive Officer informed that Public Bank will offer tactical campaigns and leverage on its wide agency base to provide excellent customer service to fund holders. This will also be complemented by Public Bank's good fund performance.

- Impact to Public Bank's business in Hong Kong and Cambodia

The Managing Director/Chief Executive Officer informed that the overseas operations contribute about 10% to the Group's profit, and this is expected to remain unchanged.

The Hong Kong and Cambodia operations are expected to continue with their organic growth strategies.

The social unrest and political climate in Hong Kong had resulted in a slump in business activities, with higher unemployment and bankruptcies. This is the present situation in Hong Kong and Public Bank Group will manage it.

The recessive economy in Hong Kong is expected to have an impact to the loans growth prospects in the Hong Kong operations.

Public Bank will continue its organic growth strategies focusing on retail banking and continue to manage risk prudently in light of these challenges.

- Virtual Banking Licence

The Managing Director/Chief Executive Officer informed that Public Bank is monitoring the market trend very closely and assessing the potential value.

It is pertinent to note that Public Bank's existing banking licence allows it to also undertake digital banking activities in the same capacity.

Digital banks, both challengers and incumbents, will need various essential components to succeed. For example, strong customer acquisition, agile operating model, ability to perform advanced analytics and a strong regulatory framework.

- Plans to Improve Margins in Wholesale Lending

The Managing Director/Chief Executive Officer informed that Public Bank has a strong portfolio of both consumer and commercial financing products to suit its customers' diverse needs. Public Bank's current plan is to continue to focus on its core strengths of retail banking, while at the same ensuring Public Bank's digital transformation plan continue ahead to stay relevant and up-to-date in line with the digital revolution faced by the banking industry.

Public Bank will continue to grow organically, taking care of the financing needs and welfare of both Public Bank's consumer and commercial segments.

- Promotion of Younger Members to Top Management

The Managing Director/Chief Executive Officer informed that embedded in Public Bank's succession framework is the identification and development of talents for progression to top management which will ensure the continuous smooth operations of Public Bank. The succession plan is in place, and takes into consideration developing and promoting younger talent members.

- Go-Forward Plans for Bancassurance

The Managing Director/Chief Executive Officer informed that Public Bank has a very successful long term partnership with AIA Bhd since year 2013. This has contributed to its overall fee income revenue. Going forward, Public Bank will continue to leverage on its strong network and sales force as well as AIA's strength and expertise to further drive the business with various insurance products to meet the needs of Public Bank's customers.

- Strategy on Residential Properties and Hire Purchase Portfolios

The Managing Director/Chief Executive Officer informed that Public Bank has a strong consumer financing base and is a market leader in terms of both residential properties financing and hire purchase. Notwithstanding the challenging economic environment, Public Bank will strive to grow organically in consumer financing and sustain its market position through Public Bank's strong portfolio of competitive consumer products.

- Plan to Impose Digital Token Authentication into Public Bank Application

The Managing Director/Chief Executive Officer informed that Public Bank is targeting to implement soft token on PB engage by August 2020.

- Cost to Income Ratio

The Managing Director/Chief Executive Officer informed that Public Bank has continuously train, upskilled and reskilled staff to remain competent in their jobs which enhance productivity and efficiency, leading to low cost-to-income ratio. Staff remunerations are competitive and abreast with the market. Staff's career progressions in Public Bank are also robust and attrition is relatively low.