

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

A28. Capital Adequacy

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

	Group		Bank	
	30 September 2012	31 December 2011 (Restated)	30 September 2012	31 December 2011 (Restated)
Tier I capital ratio	10.2%	10.6% *	12.2%	12.8% *
Risk-weighted capital ratio	<u>13.5%</u>	<u>15.0% *</u>	<u>13.1%</u>	<u>14.9% *</u>

* After deducting second interim dividend declared subsequent to the financial year end.

	Group		Bank	
	30 September 2012	31 December 2011 (Restated)	30 September 2012	31 December 2011 (Restated)
Components of Tier I and Tier II capital:	RM'000	RM'000	RM'000	RM'000
<u>Tier I capital</u>				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,073,310	1,073,310	1,073,310
Other reserves	3,955,738	3,955,307	3,523,040	3,522,609
Retained profits	7,388,420	7,276,808	7,234,808	7,083,862
Innovative Tier I capital securities	1,811,072	1,833,303	1,811,072	1,833,303
Non-innovative Tier I stapled securities	2,082,955	2,082,388	2,082,955	2,082,388
Treasury shares	(215,572)	(215,572)	(215,572)	(215,572)
Non-controlling interests	668,192	697,484	-	-
Less: Goodwill	(1,901,262)	(1,938,994)	(695,393)	(695,393)
Less: Deferred tax assets, net	(46,237)	(46,093)	-	-
Total Tier I capital	<u>18,348,542</u>	<u>18,249,867</u>	<u>18,346,146</u>	<u>18,216,433</u>
<u>Tier II capital</u>				
Collective assessment allowance #	1,022,979	1,073,337	682,902	721,913
Subordinated notes	4,870,081	6,138,306	4,870,081	6,138,306
Total Tier II capital	<u>5,893,060</u>	<u>7,211,643</u>	<u>5,552,983</u>	<u>6,860,219</u>
Total capital	24,241,602	25,461,510	23,899,129	25,076,652
Less: Investment in subsidiary companies and associated companies	(960)	(960)	(4,162,284)	(3,987,284)
Less: Holdings of other financial institutions' capital instruments	(47,457)	(44,468)	(47,457)	(44,468)
Capital base	<u>24,193,185</u>	<u>25,416,082</u>	<u>19,689,388</u>	<u>21,044,900</u>

Excludes collective assessment allowance on impaired loans restricted from Tier II capital of the Group and the Bank of RM492,936,000 (2011: RM422,707,000) and RM370,979,000 (2011: RM325,341,000) respectively.

PUBLIC BANK BERHAD

(6463-H)

(Incorporated in Malaysia)

A28. Capital Adequacy (continued)

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

The comparative capital adequacy ratios and components of capital base have been restated for the effects of the change in accounting policy on collective assessment allowance for loans, advances and financing during the financial period. Please refer to Note A30 Changes in Accounting Policies for a summary of the changes.

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

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2011 - 8.0%) for the risk-weighted capital ratio.

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

A28. 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 September 2012						
Tier I capital ratio	11.5%	19.9%	21.0%	17.0%	27.9%	N/A
Risk-weighted capital ratio	12.2%	20.0%	21.5%	17.0%	29.0%	21.7%
31 December 2011						
Tier I capital ratio	10.9% * #	16.9% * #	19.6%	16.1%	27.0% *	N/A
Risk-weighted capital ratio	11.9% * #	17.0% * #	20.0%	16.1%	28.1% *	22.8%

* After deducting interim dividends declared subsequent to the financial year end.

Restated for the effects of change in accounting policy on collective assessment allowance for loans, advances and financing.

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

A28. Capital Adequacy (continued)

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

- ¹ The capital adequacy ratios of Public Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Public Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- ² The capital adequacy ratios of Public Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Public Investment Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- 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 risk-weighted capital ratio respectively.
- ⁴ The capital adequacy ratios of these two subsidiary companies, which are located in Hong Kong SAR, are computed in accordance with the Banking (Capital) Rules under section 98A of the Banking Ordinance issued by the Hong Kong Monetary Authority, which is based on the Basel II capital accord. These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.
- 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)

A28. Capital Adequacy (continued)

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

	Group		Bank	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Credit risk	163,958,186	148,664,399	137,579,983	123,065,342
Market risk	1,846,294	1,670,798	2,779,751	2,774,099
Operational risk	13,502,804	12,692,078	9,761,769	9,048,375
	179,307,284	163,027,275	150,121,503	134,887,816