

PILLAR 3 DISCLOSURE**As at 30 June 2018****1. Overview**

The information of Public Bank Group ("the Group") below is disclosed pursuant to the requirements of the Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework (Basel II) ("RWCAF") - Disclosure Requirements (Pillar 3). Certain information relating to Public Bank Berhad ("the Bank") is presented on a voluntary basis to provide additional information to users.

Minimum Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements to support the Group's and the Bank's risk-weighted assets.

	30 June 2018		31 December 2017	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	240,155,672	19,212,454	235,806,066	18,864,485
Market Risk	4,104,124	328,330	2,925,168	234,014
Operational Risk	19,153,744	1,532,299	18,620,545	1,489,644
Large Exposure Risk	536,626	42,930	-	-
Total	263,950,166	21,116,013	257,351,779	20,588,143
Bank				
Credit Risk	194,173,827	15,533,906	191,482,831	15,318,626
Market Risk	4,910,983	392,879	4,126,123	330,090
Operational Risk	13,138,453	1,051,076	12,678,955	1,014,316
Large Exposure Risk	527,828	42,226	-	-
Total	212,751,091	17,020,087	208,287,909	16,663,032

The Group and the Bank do not have any capital requirement for Large Exposure Risk as at 31 December 2017 as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

PUBLIC BANK BERHAD (6463-H)

2. Capital Management

Capital Adequacy Ratios and Capital Structure

(a) Capital Adequacy Ratios

Tables (i)-(ii) present the capital adequacy ratios for the following:

- (i) the Group and the Bank
- (ii) the banking subsidiary companies of the Group

(i) Capital Adequacy Ratios of the Group and of the Bank

	Group		Bank	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Before deducting interim dividends*:				
Common equity tier I ("CET I") capital ratio	13.178%	12.758%	12.304%	12.136%
Tier I capital ratio	13.828%	13.538%	13.084%	13.072%
Total capital ratio	16.778%	16.494%	16.082%	15.577%
After deducting interim dividends*:				
CET I capital ratio	12.707%	12.248%	11.720%	11.506%
Tier I capital ratio	13.357%	13.028%	12.500%	12.442%
Total capital ratio	16.308%	15.984%	15.498%	14.947%

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

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.

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

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

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) reissued on 2 February 2018. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above.

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2. Capital Management (Cont'd)

Capital Adequacy Ratios and Capital Structure (Cont'd)

(a) Capital Adequacy Ratios (Cont'd)

(i) Capital Adequacy Ratios of the Group and of the Bank (Cont'd)

Under the transition arrangements, capital conservation buffer will be phased-in as follows:

<u>Calendar Year</u>	<u>Capital Conservation Buffer</u>
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdictions outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Group's and the Bank's CCyB, unless specified otherwise by BNM.

The Group's and the Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of their private sector credit exposures outside Malaysia are insignificant due to their immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

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2. Capital Management (Cont'd.)

Capital Adequacy Ratios and Capital Structure (Cont'd.)

(a) Capital Adequacy Ratios (Cont'd.)

(ii) Capital Adequacy Ratios of the Banking Subsidiary Companies of the Bank

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵	Public Bank Vietnam Limited⁶
30 June 2018							
Before deducting interim dividends*:							
CET I capital ratio	11.782%	36.937%	N/A	16.999%	23.819%	N/A	N/A
Tier I capital ratio	11.782%	36.937%	34.455%	16.999%	23.819%	N/A	N/A
Total capital ratio	15.854%	37.393%	34.503%	18.146%	24.865%	20.439%	30.516%
After deducting interim dividends*:							
CET I capital ratio	11.648%	36.937%	N/A	16.999%	21.566%	N/A	N/A
Tier I capital ratio	11.648%	36.937%	34.455%	16.999%	21.566%	N/A	N/A
Total capital ratio	15.721%	37.393%	34.503%	18.146%	22.612%	20.439%	30.516%
31 December 2017							
Before deducting interim dividends*:							
CET I capital ratio	11.992%	40.290%	N/A	16.172%	24.022%	N/A	N/A
Tier I capital ratio	11.992%	40.290%	23.521%	16.172%	24.022%	N/A	N/A
Total capital ratio	16.114%	40.799%	23.544%	17.319%	25.061%	18.385%	30.776%
After deducting interim dividends*:							
CET I capital ratio	11.852%	37.592%	N/A	16.172%	21.769%	N/A	N/A
Tier I capital ratio	11.852%	37.592%	23.521%	16.172%	21.769%	N/A	N/A
Total capital ratio	15.975%	38.101%	23.544%	17.319%	22.808%	18.385%	30.776%

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

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2. Capital Management (Cont'd.)

Capital Adequacy Ratios and Capital Structure (Cont'd.)

(a) Capital Adequacy Ratios (Cont'd.)

(ii) Capital Adequacy Ratios of the Banking Subsidiary Companies of the Bank (Cont'd.)

- ¹ The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") 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 Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) reissued on 2 February 2018. The minimum regulatory capital adequacy requirements before including capital conservation buffer and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIBB is required to maintain a capital conservation buffer of up to 2.5% on transition arrangements and a CCyB if this buffer is applied by regulators in countries which PIBB has exposures to.
- ² The risk-weighted assets of Public Investment Bank Berhad ("PIVB") 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 Capital Adequacy Framework (Basel II - Risk-Weighted Assets) reissued on 2 February 2018. The minimum regulatory capital adequacy requirements before including capital conservation buffer and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIVB is required to maintain a capital conservation buffer of up to 2.5% on transition arrangements and a CCyB if this buffer is applied by regulators in countries which PIVB has exposures to.
- ³ The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-Weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.
- ⁴ These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies 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. These two subsidiaries are required to maintain a capital conservation buffer of up to 2.5 % on a transitional arrangement and a CCyB of 1.875% (2017: 1.25%) as imposed by HKMA to their private sector exposures in Hong Kong with effect from 1 January 2018.
- ⁵ The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182 and B7-00-46 (amended by NBC Prakas No. B7-04-206 dated 29 December 2004 and NBC Prakas No. B7-07-135 dated 27 August 2007) issued by the National Bank of Cambodia. This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.
- ⁶ The amount presented here is the capital adequacy ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with SBV Circular No.19/2017/TT-NHNN being amendment of and supplement to Circular No.36/2014/TT-NHNN on safety ratios, limits in operations of credit institutions issued by the State Bank of Vietnam. This ratio is derived as PBVN's capital divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory capital adequacy ratio requirement is 9.0%.

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2. Capital Management (Cont'd.)

Capital Adequacy Ratios and Capital Structure (Cont'd.)

(b) Capital Structure

The following tables present the capital structure of the Group and of the Bank.

	Group		Bank	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
CET I/Tier I capital				
Share capital	9,417,653	9,417,653	9,417,653	9,417,653
Other reserves	1,108,251	945,620	663,313	625,430
Retained profits	26,366,403	24,723,059	22,634,829	20,811,292
Treasury shares	-	(149,337)	-	(149,337)
Qualifying non-controlling interests	665,715	673,372	-	-
Less: Goodwill and other intangible assets	(2,418,917)	(2,432,058)	(695,393)	(695,393)
Less: Deferred tax assets, net	(82,951)	(70,984)	-	-
Less: Defined benefit pension fund assets	(216,228)	(231,496)	(213,407)	(228,475)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	(56,964)	(41,816)	(5,629,441)	(4,503,553)
Total CET I capital	34,782,962	32,834,013	26,177,554	25,277,617
Additional Tier 1 capital securities	99,501	-	99,501	-
Non-innovative Tier I stapled securities	1,559,840	1,949,800	1,559,840	1,949,800
Qualifying CET I and additional Tier I capital instruments held by third parties	56,650	57,550	-	-
Total Tier I capital	36,498,953	34,841,363	27,836,895	27,227,417
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances	1,444,494	-	1,010,062	-
Collective assessment allowance ¹	-	871,293	-	549,872
Qualifying regulatory reserves	1,557,452	2,076,283	1,417,111	1,843,663
Subordinated notes	3,949,933	3,949,837	3,949,933	3,949,837
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	727,836	718,418	-	-
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from Tier II Capital	-	(10,454)	-	(1,125,888)
Others	107,450	-	-	-
Total Tier II capital	7,787,165	7,605,377	6,377,106	5,217,484
Total capital	44,286,118	42,446,740	34,214,001	32,444,901

¹ Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM446.7 million and RM313.4 million respectively.

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

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3. Credit Risk

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank.

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
30 June 2018				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	53,458,583	52,758,161	1,481,411	118,513
Public Sector Entities	2,051,708	2,051,708	50,151	4,012
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	15,766,236	15,766,236	4,197,124	335,770
Insurance Companies, Securities Firms and Fund Managers	522,127	522,127	522,127	41,770
Corporates	90,092,734	87,682,016	68,771,347	5,501,708
Regulatory Retail	127,286,911	126,270,720	97,058,510	7,764,681
Residential Mortgages	104,812,354	104,646,708	44,755,591	3,580,447
Higher Risk Assets	57,110	57,109	85,664	6,853
Other Assets	5,920,819	5,920,819	3,526,092	282,087
Equity Exposures	709,540	709,540	709,540	56,763
Defaulted Exposures	1,252,747	1,251,936	1,643,095	131,448
	401,930,869	397,637,080	222,800,652	17,824,052
Off-Balance Sheet Exposures				
Credit-related Exposures	20,950,961	20,294,471	16,899,350	1,351,948
Derivative Financial Instruments	1,072,169	1,072,169	420,927	33,674
Other Treasury-related Exposures	573,446	573,446	25,219	2,018
Defaulted Exposures	7,942	7,942	9,524	762
	22,604,518	21,948,028	17,355,020	1,388,402
Total Credit Exposures	424,535,387	419,585,108	240,155,672	19,212,454

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3. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk (Cont'd.)

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2017				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	50,519,227	49,868,162	1,025,982	82,079
Public Sector Entities	2,064,919	2,064,919	52,504	4,200
Banks, DFIs and MDBs	17,343,406	17,343,406	4,671,050	373,684
Insurance Companies, Securities Firms and Fund Managers	540,754	540,754	395,857	31,669
Corporates	86,739,587	83,458,860	66,641,206	5,331,296
Regulatory Retail	127,270,726	126,204,297	96,981,622	7,758,530
Residential Mortgages	100,126,444	99,978,912	42,111,226	3,368,898
Higher Risk Assets	46,139	46,138	69,207	5,537
Other Assets	5,953,531	5,953,531	3,648,977	291,918
Equity Exposures	147,194	147,194	147,194	11,775
Defaulted Exposures	1,376,318	1,375,455	1,881,225	150,498
	392,128,245	386,981,628	217,626,050	17,410,084
Off-Balance Sheet Exposures				
Credit-related Exposures	21,910,923	21,260,602	17,762,844	1,421,027
Derivative Financial Instruments	881,356	881,356	336,521	26,922
Other Treasury-related Exposures	383,815	383,815	70,580	5,646
Defaulted Exposures	7,043	7,043	10,071	806
	23,183,137	22,532,816	18,180,016	1,454,401
Total Credit Exposures	415,311,382	409,514,444	235,806,066	18,864,485

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk (Cont'd.)

Bank Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
30 June 2018				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	34,644,273	34,644,273	54,813	4,385
Public Sector Entities	443,379	443,379	2,006	161
Banks, DFIs and MDBs	12,034,094	12,034,094	2,799,002	223,920
Insurance Companies, Securities Firms and Fund Managers	3,863	3,863	3,863	309
Corporates	76,666,960	75,234,617	58,159,041	4,652,723
Regulatory Retail	96,722,723	95,870,776	72,631,828	5,810,546
Residential Mortgages	84,054,222	83,913,128	35,421,616	2,833,729
Higher Risk Assets	48,349	48,349	72,523	5,802
Other Assets	4,246,386	4,246,386	3,165,698	253,256
Equity Exposures	6,086,551	6,086,551	6,086,551	486,924
Defaulted Exposures	962,525	961,850	1,307,836	104,627
	315,913,325	313,487,266	179,704,777	14,376,382
Off-Balance Sheet Exposures				
Credit-related Exposures	17,488,959	16,870,034	13,991,651	1,119,332
Derivative Financial Instruments	1,263,159	1,263,159	458,880	36,711
Other Treasury-related Exposures	512,115	512,115	12,953	1,036
Defaulted Exposures	4,203	4,203	5,566	445
	19,268,436	18,649,511	14,469,050	1,157,524
Total Credit Exposures	335,181,761	332,136,777	194,173,827	15,533,906

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk (Cont'd.)

Bank Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2017				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	31,827,286	31,827,286	38,373	3,070
Public Sector Entities	446,141	446,141	2,307	184
Banks, DFIs and MDBs	11,633,287	11,633,287	2,708,116	216,649
Insurance Companies, Securities Firms and Fund Managers	4,740	4,740	4,740	379
Corporates	74,152,328	71,832,228	56,513,841	4,521,107
Regulatory Retail	97,189,186	96,340,767	72,974,013	5,837,921
Residential Mortgages	80,884,536	80,757,205	33,584,609	2,686,769
Higher Risk Assets	39,306	39,306	58,959	4,717
Other Assets	4,201,684	4,201,684	3,320,186	265,615
Equity Exposures	5,452,771	5,452,771	5,452,771	436,222
Defaulted Exposures	1,057,564	1,056,883	1,462,532	117,003
	306,888,829	303,592,298	176,120,447	14,089,636
Off-Balance Sheet Exposures				
Credit-related Exposures	18,483,893	17,875,084	14,910,460	1,192,837
Derivative Financial Instruments	1,081,065	1,081,065	375,128	30,010
Other Treasury-related Exposures	383,815	383,815	70,580	5,646
Defaulted Exposures	4,361	4,361	6,216	497
	19,953,134	19,344,325	15,362,384	1,228,990
Total Credit Exposures	326,841,963	322,936,623	191,482,831	15,318,626

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3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures

Tables (a)-(c) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation of the Group as follows:

- (a) Industrial analysis
- (b) Geographical analysis based on the geographical location where the credit risk resides
- (c) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
30 June 2018									
On-Balance Sheet Exposures									
Cash and balances with banks	2,636,299	8,413,978	-	-	-	-	-	-	11,050,277
Reverse repurchase agreements	700,422	-	-	-	-	-	-	-	700,422
Financial assets at fair value through profit or loss*	1,840,987	1,912,873	-	-	23,944	-	-	-	3,777,804
Derivative financial assets	-	397,648	-	-	-	-	-	-	397,648
Financial investments at fair value through other comprehensive income*	30,010,914	8,182,075	227,918	602,536	248,043	-	-	-	39,271,486
Financial investments at amortised cost	10,602,456	10,071,088	1,330,552	1,669,856	1,604,598	-	-	-	25,278,550
Gross loans, advances and financing	1,319,941	8,838,143	14,851,757	42,060,307	45,790,919	113,781,960	40,845,215	43,169,513	310,657,755
Statutory deposits with Central Banks	10,401,520	-	-	-	-	-	-	-	10,401,520
	57,512,539	37,815,805	16,410,227	44,332,699	47,667,504	113,781,960	40,845,215	43,169,513	401,535,462
Commitments and Contingencies									
Contingent liabilities	2,378	125,534	503,778	1,092,452	1,178,911	-	-	421,688	3,324,741
Commitments	963,964	1,302,153	3,559,579	10,993,574	11,571,450	13,653,477	90,092	13,983,618	56,117,907
	966,342	1,427,687	4,063,357	12,086,026	12,750,361	13,653,477	90,092	14,405,306	59,442,648
Total Credit Exposures	58,478,881	39,243,492	20,473,584	56,418,725	60,417,865	127,435,437	40,935,307	57,574,819	460,978,110

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
31 December 2017									
On-Balance Sheet Exposures									
Cash and balances with banks	4,720,825	9,285,716	-	-	-	-	-	-	14,006,541
Reverse repurchase agreements	651,065	-	-	-	-	-	-	-	651,065
Financial assets held-for-trading	699,796	646,834	-	-	29,911	-	-	-	1,376,541
Derivative financial assets	-	226,319	-	-	-	-	-	-	226,319
Financial investments available-for-sale*	20,821,936	8,292,900	293,490	501,634	251,955	-	-	-	30,161,915
Financial investments held-to-maturity	15,460,410	9,747,018	1,315,196	1,449,539	606,173	-	-	-	28,578,336
Gross loans, advances and financing	1,322,989	8,447,806	15,097,449	42,160,477	45,078,343	109,181,553	41,045,646	42,119,014	304,453,277
Statutory deposits with Central Banks	9,525,927	-	-	-	-	-	-	-	9,525,927
	<u>53,202,948</u>	<u>36,646,593</u>	<u>16,706,135</u>	<u>44,111,650</u>	<u>45,966,382</u>	<u>109,181,553</u>	<u>41,045,646</u>	<u>42,119,014</u>	<u>388,979,921</u>
Commitments and Contingencies									
Contingent liabilities	2,349	128,582	574,953	1,426,920	1,125,748	-	-	9,624	3,268,176
Commitments	546,056	1,625,010	3,969,700	11,319,663	13,544,167	14,088,337	115,303	13,567,368	58,775,604
	<u>548,405</u>	<u>1,753,592</u>	<u>4,544,653</u>	<u>12,746,583</u>	<u>14,669,915</u>	<u>14,088,337</u>	<u>115,303</u>	<u>13,576,992</u>	<u>62,043,780</u>
Total Credit Exposures	<u>53,751,353</u>	<u>38,400,185</u>	<u>21,250,788</u>	<u>56,858,233</u>	<u>60,636,297</u>	<u>123,269,890</u>	<u>41,160,949</u>	<u>55,696,006</u>	<u>451,023,701</u>

* Excluding equity securities which do not have any credit risk.

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(b) Geographical Analysis

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
30 June 2018					
On-Balance Sheet Exposures					
Cash and balances with banks	3,989,572	2,804,930	2,485,013	1,770,762	11,050,277
Reverse repurchase agreements	700,422	-	-	-	700,422
Financial assets at fair value through profit or loss*	3,777,804	-	-	-	3,777,804
Derivative financial assets	371,807	1,399	-	24,442	397,648
Financial investments at fair value through other comprehensive income*	39,082,469	-	-	189,017	39,271,486
Financial investments at amortised cost	21,487,771	1,357,691	1,130,430	1,302,658	25,278,550
Gross loans, advances and financing	287,673,013	15,436,867	4,198,917	3,348,958	310,657,755
Statutory deposits with Central Banks	9,394,529	-	921,143	85,848	10,401,520
	366,477,387	19,600,887	8,735,503	6,721,685	401,535,462
Commitments and Contingencies					
Contingent liabilities	2,623,979	111,395	474,786	114,581	3,324,741
Commitments	53,371,569	1,446,565	816,093	483,680	56,117,907
	55,995,548	1,557,960	1,290,879	598,261	59,442,648
Total Credit Exposures	422,472,935	21,158,847	10,026,382	7,319,946	460,978,110
31 December 2017					
On-Balance Sheet Exposures					
Cash and balances with banks	8,011,273	3,548,566	1,169,917	1,276,785	14,006,541
Reverse repurchase agreements	651,065	-	-	-	651,065
Financial assets held-for-trading	1,376,541	-	-	-	1,376,541
Derivative financial assets	107,606	22,044	-	96,669	226,319
Financial investments available-for-sale*	30,068,037	-	-	93,878	30,161,915
Financial investments held-to-maturity	24,724,180	1,743,727	660,558	1,449,871	28,578,336
Gross loans, advances and financing	281,363,106	15,382,400	4,160,208	3,547,563	304,453,277
Statutory deposits with Central Banks	8,577,005	-	861,891	87,031	9,525,927
	354,878,813	20,696,737	6,852,574	6,551,797	388,979,921
Commitments and Contingencies					
Contingent liabilities	2,634,154	199,901	44,351	389,770	3,268,176
Commitments	56,151,983	1,564,720	698,834	360,067	58,775,604
	58,786,137	1,764,621	743,185	749,837	62,043,780
Total Credit Exposures	413,664,950	22,461,358	7,595,759	7,301,634	451,023,701

* Excluding equity securities which do not have any credit risk.

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(c) Maturity Analysis

Group	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
30 June 2018					
On-Balance Sheet Exposures					
Cash and balances with banks	11,050,277	-	-	-	11,050,277
Reverse repurchase agreements	700,422	-	-	-	700,422
Financial assets at fair value through profit or loss*	3,767,744	-	-	10,060	3,777,804
Derivative financial assets	192,803	47,151	142,243	15,451	397,648
Financial investments at fair value through other comprehensive income*	9,271,759	18,530,687	8,459,640	3,009,400	39,271,486
Financial investments at amortised cost	4,327,716	3,950,897	11,784,920	5,215,017	25,278,550
Gross loans, advances and financing	31,884,182	26,581,742	29,903,489	222,288,342	310,657,755
Statutory deposits with Central Banks	-	-	-	10,401,520	10,401,520
Total On-Balance Sheet Exposures	61,194,903	49,110,477	50,290,292	240,939,790	401,535,462
31 December 2017					
On-Balance Sheet Exposures					
Cash and balances with banks	14,006,541	-	-	-	14,006,541
Reverse repurchase agreements	651,065	-	-	-	651,065
Financial assets held-for-trading	1,356,452	-	-	20,089	1,376,541
Derivative financial assets	94,729	43,776	81,597	6,217	226,319
Financial investments available-for-sale*	7,035,362	14,012,660	6,973,510	2,140,383	30,161,915
Financial investments held-to-maturity	5,097,557	8,653,603	11,121,460	3,705,716	28,578,336
Gross loans, advances and financing	33,814,979	24,733,045	28,856,199	217,049,054	304,453,277
Statutory deposits with Central Banks	-	-	-	9,525,927	9,525,927
Total On-Balance Sheet Exposures	62,056,685	47,443,084	47,032,766	232,447,386	388,979,921

* Excluding equity securities which do not have any credit risk.

Approximately 15% (31 December 2017: 16%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 72% (31 December 2017: 71%) of the Group's gross loans, advances and financing has residual maturity of more than 5 years. The longer maturity is from the housing loans/financing and hire purchase which made up 51% (31 December 2017: 51%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Group expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts.

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 June 2018				
Contingent Liabilities				
Direct credit substitutes	998,648		998,648	606,523
Transaction-related contingent items	1,703,143		851,572	460,979
Short-term self-liquidating trade-related contingencies	622,950		124,590	118,342
	3,324,741		1,974,810	1,185,844
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	26,250,670		13,125,335	10,957,825
- not exceeding one year	22,504,682		4,500,936	3,746,839
Unutilised credit card lines	6,789,109		1,357,822	1,018,366
Forward asset purchases	573,446		573,446	25,219
	56,117,907		19,557,539	15,748,249
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	21,631,130	183,191	422,914	127,355
- one year to less than five years	2,577,522	98,696	370,884	185,543
Interest/profit rate related contracts:				
- less than one year	2,450,000	9,612	15,361	3,192
- one year to less than five years	7,469,821	90,698	229,268	87,965
- five years and above	294,719	15,451	33,738	16,868
Commodity related contracts:				
- less than one year	347	-	4	4
	34,423,539	397,648	1,072,169	420,927
Total Off-Balance Sheet Exposures	93,866,187	397,648	22,604,518	17,355,020

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 2017				
Contingent Liabilities				
Direct credit substitutes	1,012,069		1,012,069	617,668
Transaction-related contingent items	1,697,926		848,963	466,335
Short-term self-liquidating trade-related contingencies	558,181		111,636	91,816
	<u>3,268,176</u>		<u>1,972,668</u>	<u>1,175,819</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	27,556,467		13,778,234	11,518,444
- not exceeding one year	24,373,275		4,874,655	4,109,345
Unutilised credit card lines	6,462,047		1,292,409	969,307
Forward asset purchases	383,815		383,815	70,580
	<u>58,775,604</u>		<u>20,329,113</u>	<u>16,667,676</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	20,822,638	94,115	351,229	111,653
- one year to less than five years	1,649,368	55,952	245,812	123,615
Interest/profit rate related contracts:				
- less than one year	1,450,000	613	2,439	518
- one year to less than five years	9,180,800	69,420	254,338	86,964
- five years and above	295,833	6,218	27,533	13,766
Commodity related contracts:				
- less than one year	412	1	5	5
	<u>33,399,051</u>	<u>226,319</u>	<u>881,356</u>	<u>336,521</u>
Total Off-Balance Sheet Exposures	<u>95,442,831</u>	<u>226,319</u>	<u>23,183,137</u>	<u>18,180,016</u>

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 June 2018				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	959,604		959,604	576,294
Transaction-related contingent items	1,445,235		722,617	371,635
Short-term self-liquidating trade-related contingencies	149,469		29,894	26,190
	2,554,308		1,712,115	974,119
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	21,226,177		10,613,089	8,901,414
- not exceeding one year	19,231,186		3,846,237	3,126,731
Unutilised credit card lines	6,531,386		1,306,277	979,708
Forward asset purchases	512,115		512,115	12,953
	47,500,864		16,277,718	13,020,806
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	20,585,547	182,282	415,676	125,663
- one year to less than five years	2,577,522	98,696	370,884	185,543
Interest rate related contracts:				
- less than one year	2,950,000	9,809	16,058	3,331
- one year to less than five years	8,197,958	88,360	248,404	90,025
- five years and above	2,000,000	17,509	172,509	34,503
Commodity related contracts:				
- less than one year	347	-	4	4
	36,311,374	396,656	1,223,535	439,069
Total	86,366,546	396,656	19,213,368	14,433,994

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 June 2018				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	6,056		6,056	6,056
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of: - not exceeding one year	46,941		9,388	9,189
Derivative Financial Instruments				
Interest rate related contracts:				
- one year to less than five years	201,863	3,060	5,886	2,943
- five years and above	294,719	15,451	33,738	16,868
	496,582	18,511	39,624	19,811
Total	549,579	18,511	55,068	35,056
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	86,916,125	415,167	19,268,436	14,469,050

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
31 December 2017				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	978,443		978,443	592,730
Transaction-related contingent items	1,469,720		734,860	388,762
Short-term self-liquidating trade-related contingencies	139,041		27,808	25,117
	<u>2,587,204</u>		<u>1,741,111</u>	<u>1,006,609</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	22,521,236		11,260,618	9,470,694
- not exceeding one year	21,142,579		4,228,516	3,493,099
Unutilised credit card lines	6,230,704		1,246,141	934,606
Forward asset purchases	383,815		383,815	70,580
	<u>50,278,334</u>		<u>17,119,090</u>	<u>13,968,979</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
- less than one year	20,151,324	90,483	343,156	108,705
- one year to less than five years	1,649,368	55,952	245,812	123,615
Interest rate related contracts:				
- less than one year	2,050,000	1,889	5,064	1,043
- one year to less than five years	9,908,175	69,118	275,989	89,572
- five years and above	2,000,000	22,772	177,771	35,554
Commodity related contracts:				
- less than one year	412	1	5	5
	<u>35,759,279</u>	<u>240,215</u>	<u>1,047,797</u>	<u>358,494</u>
Total	<u>88,624,817</u>	<u>240,215</u>	<u>19,907,998</u>	<u>15,334,082</u>

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 2017				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	6,079		6,079	6,079
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	28,947		5,789	5,589
Derivative Financial Instruments				
Interest rate related contracts:				
- one year to less than five years	202,625	2,087	5,734	2,866
- five years and above	295,833	6,217	27,534	13,768
	498,458	8,304	33,268	16,634
Total	533,484	8,304	45,136	28,302
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	89,158,301	248,519	19,953,134	15,362,384

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.3 Credit Risk Mitigation

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
30 June 2018				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	53,458,583	-	700,422	-
Public Sector Entities	2,051,708	1,800,951	-	-
Banks, DFIs and MDBs	15,766,236	435,465	-	-
Insurance Companies, Securities Firms and Fund Managers	522,127	-	-	-
Corporates	90,092,734	6,818,600	2,410,718	-
Regulatory Retail	127,286,911	-	1,016,191	-
Residential Mortgages	104,812,354	-	165,646	-
Higher Risk Assets	57,110	-	1	-
Other Assets	5,920,819	-	-	-
Equity Exposures	709,540	-	-	-
Defaulted Exposures	1,252,747	-	811	-
	401,930,869	9,055,016	4,293,789	-
Off-Balance Sheet Exposures				
Credit-related Exposures	20,950,961	88,544	656,490	-
Derivative Financial Instruments	1,072,169	-	-	-
Other Treasury-related Exposures	573,446	-	-	-
Defaulted Exposures	7,942	-	-	-
	22,604,518	88,544	656,490	-
Total Credit Exposures	424,535,387	9,143,560	4,950,279	-

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis (Cont'd.)

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
31 December 2017				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	50,519,227	-	651,065	-
Public Sector Entities	2,064,919	1,802,401	-	-
Banks, DFIs and MDBs	17,343,406	435,548	-	-
Insurance Companies, Securities Firms and Fund Managers	540,754	-	-	-
Corporates	86,739,587	4,832,146	3,280,727	-
Regulatory Retail	127,270,726	507	1,066,429	-
Residential Mortgages	100,126,444	-	147,532	-
Higher Risk Assets	46,139	-	1	-
Other Assets	5,953,531	-	-	-
Equity Exposures	147,194	-	-	-
Defaulted Exposures	1,376,318	-	863	-
	<u>392,128,245</u>	<u>7,070,602</u>	<u>5,146,617</u>	<u>-</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	21,910,923	87,724	650,321	-
Derivative Financial Instruments	881,356	-	-	-
Other Treasury-related Exposures	383,815	-	-	-
Defaulted Exposures	7,043	-	-	-
	<u>23,183,137</u>	<u>87,724</u>	<u>650,321</u>	<u>-</u>
Total Credit Exposures	<u>415,311,382</u>	<u>7,158,326</u>	<u>5,796,938</u>	<u>-</u>

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

Rating Category	Standard & Poor's	Moody's Investors Service	Fitch Ratings	RAM Rating Services Berhad	Malaysian Rating Corporation Berhad
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

The Group uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
	Sovereigns and Central Banks	Corporates	Banking Institutions	
			For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories.

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
30 June 2018								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	15,081,637	520,422	-	-	-	-		15,602,059
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
- Sovereigns and Central Banks	848,828	49,829,307	-	260,442	2,481,406	-		53,419,983
- Public Sector Entities	155,520	1,800,951	-	-	-	-		1,956,471
- Banks, DFIs and MDBs	-	435,503	-	-	-	-		435,503
- Corporates	-	6,118,841	-	-	-	-		6,118,841
	1,004,348	58,184,602	-	260,442	2,481,406	-		61,930,798
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	7,162,640	3,385,243	3,088,371	1,782	357,524	-		13,995,560
- Corporates	548,162	56,841	-	-	-	-		605,003
- Regulatory Retail	-	-	-	-	-	-		-
	7,710,802	3,442,084	3,088,371	1,782	357,524	-		14,600,563
(iv) Exposures risk-weighted using ratings of Public Sector Entities								
- Public Sector Entities	49,906	-	-	-	-	-		49,906
Total Rated Exposures	23,846,693	62,147,108	3,088,371	262,224	2,838,930	-		92,183,326
(b) Total Unrated Exposures							309,747,543	309,747,543
	23,846,693	62,147,108	3,088,371	262,224	2,838,930	-	309,747,543	401,930,869

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Cont'd.)

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
30 June 2018								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	162,543	-	-	-	-	-		162,543
- Regulatory Retail	320	-	-	-	-	-		320
	162,863	-	-	-	-	-		162,863
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
- Sovereigns and Central Banks	-	485,986	-	-	-	-		485,986
(ii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	256,700	115,725	124,155	-	306	-		496,886
- Corporates	16,646	11,866	400	-	-	-		28,912
- Regulatory Retail	92	36	-	-	-	-		128
	273,438	127,627	124,555	-	306	-		525,926
Total Rated Exposures	436,301	613,613	124,555	-	306	-		1,174,775
(b) Total Unrated Exposures							21,429,743	21,429,743
	436,301	613,613	124,555	-	306	-	21,429,743	22,604,518
Total Credit Exposures before Credit Risk Mitigation	24,282,994	62,760,721	3,212,926	262,224	2,839,236	-	331,177,286	424,535,387

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Cont'd.)

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
31 December 2017								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	15,068,048	568,529	-	-	-	-		15,636,577
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
- Sovereigns and Central Banks	1,026,401	46,963,109	-	350,639	2,140,362	-		50,480,511
- Public Sector Entities	-	1,802,401	-	-	-	-		1,802,401
- Banks, DFIs and MDBs	-	435,586	-	-	-	-		435,586
- Corporates	-	4,037,597	-	-	-	-		4,037,597
	1,026,401	53,238,693	-	350,639	2,140,362	-		56,756,095
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	7,716,682	4,398,332	2,635,458	53,416	533,989	148,374		15,486,251
- Corporates	536,588	23,841	-	-	-	-		560,429
- Regulatory Retail	507	-	-	-	-	-		507
	8,253,777	4,422,173	2,635,458	53,416	533,989	148,374		16,047,187
(iv) Exposures risk-weighted using ratings of Public Sector Entities								
- Public Sector Entities	45,169	-	-	-	-	-		45,169
Total Rated Exposures	24,393,395	58,229,395	2,635,458	404,055	2,674,351	148,374		88,485,028
(b) Total Unrated Exposures							303,643,217	303,643,217
	24,393,395	58,229,395	2,635,458	404,055	2,674,351	148,374	303,643,217	392,128,245

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Cont'd.)

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
31 December 2017								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	175,374	5,359	-	-	-	-		180,733
- Regulatory Retail	320	-	-	-	-	-		320
	<u>175,694</u>	<u>5,359</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>181,053</u>
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
- Sovereigns and Central Banks	-	34,010	-	-	-	-		34,010
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	338,389	449,058	77,836	-	1,666	-		866,949
- Corporates	16,695	12,023	401	-	-	-		29,119
- Regulatory Retail	453	262	-	-	-	-		715
	<u>355,537</u>	<u>461,343</u>	<u>78,237</u>	<u>-</u>	<u>1,666</u>	<u>-</u>		<u>896,783</u>
Total Rated Exposures	531,231	500,712	78,237	-	1,666	-		1,111,846
(b) Total Unrated Exposures							22,071,291	22,071,291
	<u>531,231</u>	<u>500,712</u>	<u>78,237</u>	<u>-</u>	<u>1,666</u>	<u>-</u>	<u>22,071,291</u>	<u>23,183,137</u>
Total Credit Exposures before Credit Risk Mitigation	<u>24,924,626</u>	<u>58,730,107</u>	<u>2,713,695</u>	<u>404,055</u>	<u>2,676,017</u>	<u>148,374</u>	<u>325,714,508</u>	<u>415,311,382</u>

[#] Under the RWCAF, exposures to and/or guaranteed by the Federal Government of Malaysia and BNM are accorded a preferential sovereign risk weight of 0%.

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights.

Group Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
30 June 2018												
0%	51,504,123	1,800,951	440,291	-	6,118,199	-	-	-	2,361,296	-	62,224,860	-
20%	438,627	254,448	12,965,573	-	15,808,987	412	-	-	41,789	-	29,509,836	5,901,967
35%	-	-	-	-	-	-	75,039,382	-	-	-	75,039,382	26,263,784
50%	-	-	3,160,522	-	590,227	55,786	23,343,974	-	-	-	27,150,509	13,575,255
75%	-	-	-	-	-	126,197,684	617,663	-	-	-	126,815,347	95,111,510
100%	1,401,412	-	482,692	548,073	72,532,870	11,214,304	7,522,585	-	3,517,734	709,540	97,929,210	97,929,210
150%	-	-	-	-	264,150	562,240	25,193	64,381	-	-	915,964	1,373,946
Total	53,344,162	2,055,399	17,049,078	548,073	95,314,433	138,030,426	106,548,797	64,381	5,920,819	709,540	419,585,108	240,155,672
Risk-Weighted Assets by Exposures	1,489,137	50,890	4,656,068	548,073	76,386,006	106,733,902	45,959,392	96,572	3,526,092	709,540	240,155,672	
Average Risk Weights	2.8%	2.5%	27.3%	100.0%	80.1%	77.3%	43.1%	150.0%	59.6%	100.0%	57.2%	
Deduction from Total Capital			-							-	-	

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Cont'd.)

Group Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
31 December 2017												
0%	48,682,977	1,802,401	441,502	-	4,037,759	-	-	-	2,273,540	-	57,238,179	-
20%	365,760	265,934	14,094,507	-	15,796,704	1,280	-	-	38,768	-	30,562,953	6,112,591
35%	-	-	-	-	-	-	73,738,593	-	-	-	73,738,593	25,808,508
50%	-	-	3,776,597	289,795	615,329	20,253	21,026,616	-	-	-	25,728,590	12,864,295
75%	-	-	-	-	-	126,499,457	592,753	-	-	-	127,092,210	95,319,157
100%	953,449	-	391,065	275,464	70,989,169	11,038,980	6,622,182	-	3,641,223	147,194	94,058,726	94,058,726
150%	-	-	-	-	198,904	813,748	29,669	52,872	-	-	1,095,193	1,642,789
Total	50,002,186	2,068,335	18,703,671	565,259	91,637,865	138,373,718	102,009,813	52,872	5,953,531	147,194	409,514,444	235,806,066
Risk-Weighted Assets by Exposures	1,026,601	53,187	5,098,265	420,362	74,754,530	107,144,577	43,433,066	79,307	3,648,977	147,194	235,806,066	
Average Risk Weights	2.1%	2.6%	27.3%	74.4%	81.6%	77.4%	42.6%	150.0%	61.3%	100.0%	57.6%	
Deduction from Total Capital			-							-		-

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Cont'd.)

Bank Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation											Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000		
30 June 2018													
0%	35,062,771	433,348	329,163	-	5,362,174	-	-	-	2,115,640	-	43,303,096	-	
20%	131,203	13,722	11,493,362	-	14,460,153	412	-	-	-	-	26,098,852	5,219,770	
35%	-	-	-	-	-	-	61,162,365	-	-	-	61,162,365	21,406,828	
50%	-	-	1,355,869	-	589,530	3,698	18,273,578	-	-	-	20,222,675	10,111,338	
75%	-	-	-	-	-	100,866,676	443,111	-	-	-	101,309,787	75,982,340	
100%	36,299	-	352,944	29,807	60,910,799	4,375,963	5,359,702	-	2,040,750	6,086,551	79,192,815	79,192,815	
150%	-	-	-	-	257,400	436,349	9,311	54,131	-	-	757,191	1,135,786	
1250%	-	-	-	-	-	-	-	-	89,996	-	89,996	1,124,950	
Total	35,230,273	447,070	13,531,338	29,807	81,580,056	105,683,098	85,248,067	54,131	4,246,386	6,086,551	332,136,777	194,173,827	
Risk-Weighted Assets by Exposures	62,540	2,744	3,329,551	29,807	64,483,695	80,682,425	36,249,618	81,196	3,165,700	6,086,551	194,173,827		
Average Risk Weights	0.2%	0.6%	24.6%	100.0%	79.0%	76.3%	42.5%	150.0%	74.6%	100.0%	58.5%		
Deduction from Total Capital													

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Cont'd.)

Bank Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation											Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000			
31 December 2017													
0%	31,841,083	434,606	329,225	-	3,644,570	-	-	-	1,916,452	-	38,165,936	-	
20%	101,543	14,951	11,431,968	-	14,414,108	1,280	-	-	-	-	25,963,850	5,192,770	
35%	-	-	-	-	-	-	60,401,141	-	-	-	60,401,141	21,140,399	
50%	-	-	1,165,138	-	610,152	284	16,657,536	-	-	-	18,433,110	9,216,555	
75%	-	-	-	-	-	101,579,622	436,777	-	-	-	102,016,399	76,512,299	
100%	18,684	-	350,688	29,244	59,979,782	4,266,182	4,714,271	-	2,195,236	5,452,771	77,006,858	77,006,858	
150%	-	-	-	-	193,392	609,923	11,273	44,745	-	-	859,333	1,289,000	
1250%	-	-	-	-	-	-	-	-	89,996	-	89,996	1,124,950	
Total	31,961,310	449,557	13,277,019	29,244	78,842,004	106,457,291	82,220,998	44,745	4,201,684	5,452,771	322,936,623	191,482,831	
Risk-Weighted Assets by Exposures	38,993	2,990	3,219,650	29,244	63,457,768	81,366,181	34,527,930	67,118	3,320,186	5,452,771	191,482,831		
Average Risk Weights	0.1%	0.7%	24.2%	100.0%	80.5%	76.4%	42.0%	150.0%	79.0%	100.0%	59.3%		
Deduction from Total Capital			-							-		-	

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Loans, Advances and Financing

(a) Past Due But Not Impaired

Tables (i)-(ii) present the analyses of past due but not impaired loans, advances and financing of the Group by the following:

- (i) Economic purpose
- (ii) Geographical

(i) Economic Purpose

Group	30 June 2018 RM'000	31 December 2017 RM'000
Purchase of securities	5,135	15,543
Purchase of transport vehicles	10,009,967	10,790,985
Purchase of landed properties	14,268,875	14,565,611
(Of which: - residential	10,067,558	9,974,193
- non-residential)	4,201,317	4,591,418
Purchase of fixed assets (excluding landed properties)	5,263	6,115
Personal use	734,236	750,065
Credit card	288,458	307,033
Purchase of consumer durables	282	108
Construction	31,630	116,417
Working capital	1,139,525	1,131,997
Other purpose	36,694	82,814
	26,520,065	27,766,688

(ii) Geographical

Group	30 June 2018 RM'000	31 December 2017 RM'000
Malaysia	25,683,834	26,870,575
Hong Kong & China	280,391	288,142
Cambodia	256,333	291,877
Other countries	299,507	316,094
	26,520,065	27,766,688

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3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Impaired Loans, Advances and Financing

Tables (i)-(iii) present the analyses of impaired loans, advances and financing of the Group and the related impairment allowances of the Group by the following:

- (i) Economic purpose
- (ii) Geographical
- (iii) Reconciliation of allowance for impaired loans, advances and financing

(i) Economic Purpose

	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2018¹ RM'000 (Restated)	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2018 RM'000	Collective Assessment Allowance at 30 June 2018 RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
Group							
30 June 2018							
Purchase of securities	722	-	-	-	-	10,083	10,083
Purchase of transport vehicles	301,221	836	114	(171)	779	491,517	492,296
Purchase of landed properties	740,659	8,063	4,940	(1,157)	11,846	631,486	643,332
(Of which: - residential	525,899	1,967	(1,012)	(49)	906	339,803	340,709
- non-residential)	214,760	6,096	5,952	(1,108)	10,940	291,683	302,623
Purchase of fixed assets (excluding landed properties)	9,497	2,080	(305)	(32)	1,743	4,116	5,859
Personal use	137,912	29,450	63,286	(62,282)	30,454	118,913	149,367
Credit card	18,773	-	-	-	-	51,165	51,165
Purchase of consumer durables	-	-	-	-	-	2	2
Construction	88,522	6,418	(307)	(439)	5,672	40,575	46,247
Mergers and acquisitions	-	-	-	-	-	496	496
Working capital	252,822	34,024	35,123	(5,319)	63,828	245,198	309,026
Other purpose	9,477	1,769	724	(419)	2,074	118,870	120,944
	1,559,605	82,640	103,575	(69,819)	116,396	1,712,421	1,828,817

¹ Restated due to the adoption of MFRS 9 Financial Instruments. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies of the Condensed Interim Financial Statements.

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3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Impaired Loans, Advances and Financing (Cont'd.)

(i) Economic Purpose (Cont'd.)

Group	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2017 RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December 2017 RM'000	Collective Assessment Allowance at 31 December 2017 RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
31 December 2017							
Purchase of securities	738	995	(995)	-	-	3,114	3,114
Purchase of transport vehicles	292,519	3,264	(1,647)	(781)	836	473,412	474,248
Purchase of landed properties	709,881	16,287	(5,810)	(2,414)	8,063	611,506	619,569
(Of which: - residential	560,264	12,795	(9,213)	(1,615)	1,967	413,267	415,234
- non-residential)	149,617	3,492	3,403	(799)	6,096	198,239	204,335
Purchase of fixed assets (excluding landed properties)	12,096	613	2,324	(857)	2,080	2,731	4,811
Personal use	138,065	51,173	165,079	(178,252)	38,000	77,212	115,212
Credit card	21,078	-	-	-	-	19,763	19,763
Purchase of consumer durables	-	-	-	-	-	23	23
Construction	27,039	9,342	(2,266)	(658)	6,418	14,183	20,601
Mergers and acquisitions	-	-	-	-	-	152	152
Working capital	265,147	37,886	32,140	(36,002)	34,024	105,849	139,873
Other purpose	9,103	2,334	(625)	60	1,769	10,015	11,784
	<u>1,475,666</u>	<u>121,894</u>	<u>188,200</u>	<u>(218,904)</u>	<u>91,190</u>	<u>1,317,960</u>	<u>1,409,150</u>

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3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Impaired Loans, Advances and Financing (Cont'd.)

(ii) Geographical

	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2018¹ RM'000 (Restated)	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2018 RM'000	Collective Assessment Allowance at 30 June 2018 RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
Group							
30 June 2018							
Malaysia	1,234,896	13,437	10,045	(2,058)	21,424	1,501,938	1,523,362
Hong Kong & China	73,469	30,025	60,579	(62,666)	27,938	122,149	150,087
Cambodia	64,875	14,273	24,929	40	39,242	55,621	94,863
Other countries	186,365	24,905	8,022	(5,135)	27,792	32,713	60,505
	1,559,605	82,640	103,575	(69,819)	116,396	1,712,421	1,828,817
Group							
31 December 2017							
Malaysia	1,188,012	15,620	(455)	(1,728)	13,437	1,176,703	1,190,140
Hong Kong & China	81,425	70,156	156,220	(187,801)	38,575	56,113	94,688
Cambodia	53,947	29,887	10,569	(26,183)	14,273	59,147	73,420
Other countries	152,282	6,231	21,866	(3,192)	24,905	25,997	50,902
	1,475,666	121,894	188,200	(218,904)	91,190	1,317,960	1,409,150

¹ Restated due to the adoption of MFRS 9 Financial Instruments. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies of the Condensed Interim Financial Statements.

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3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Loans, Advances and Financing (Cont'd.)

(b) Impaired Loans, Advances and Financing (Cont'd.)

(iii) Reconciliation of Allowance for Impaired Loans, Advances and Financing

Group	30 June 2018 RM'000	31 December 2017 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January		
- as previously stated	1,317,960	1,408,104
- effects of changes in accounting policies ¹	459,942	-
At 1 January, as restated	1,777,902	1,408,104
Amount transfer to individual assessment allowance	(13,255)	-
Allowance made during the period/year	91,510	230,844
Amount written off	(143,034)	(312,992)
Exchange differences	(702)	(7,996)
Closing balance	1,712,421	1,317,960

Movements in collective assessment allowances which reflect the ECL model on impairment are as follows:

Group	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January 2018				
- as previously stated				1,317,960
- effects of changes in accounting policies ¹				459,942
At 1 January 2018, as restated	972,480	514,115	291,307	1,777,902
Changes due to loans, advances and financing recognised as at 1 January 2018:				
- Transfer to 12-Month ECL (Stage 1)	129,793	(93,028)	(50,020)	(13,255)
- Transfer to Lifetime ECL not credit impaired (Stage 2)	149,284	(122,590)	(25,604)	1,090
- Transfer to Lifetime ECL credit impaired (Stage 3)	(17,006)	53,485	(36,364)	115
	(2,485)	(23,923)	11,948	(14,460)
New financial assets originated	92,583	29,904	106	122,593
Net remeasurement due to changes in credit risk	(242,614)	29,603	181,928	(31,083)
Amount written off	-	-	(143,034)	(143,034)
Exchange differences	(804)	96	6	(702)
At 30 June 2018	951,438	480,690	280,293	1,712,421

Group	30 June 2018 RM'000	31 December 2017 RM'000
<u>Individual Assessment Allowance</u>		
<u>- Lifetime ECL Credit Impaired Stage 3</u>		
At 1 January		
- as previously stated	91,190	121,894
- effects of changes in accounting policies ¹	(8,550)	-
At 1 January, as restated	82,640	121,894
Net amount transfer from collective assessment allowance	13,255	-
Allowance made during the period/year	109,115	222,342
Amount written back in respect of recoveries	(5,540)	(34,142)
Amount written off	(84,437)	(197,591)
Amount transferred to allowance for impairment loss on foreclosed properties	-	(376)
Exchange differences	1,363	(20,937)
Closing balance	116,396	91,190

¹ The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies of the Condensed Interim Financial Statements.

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4. Market Risk

Minimum Regulatory Capital Requirements for Market Risk

The following tables present the minimum regulatory capital requirements for market risk of the Group and of the Bank.

Group	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
30 June 2018				
Interest rate/rate of return risk	25,159,669	(21,649,824)	1,397,774	111,822
Foreign exchange risk	2,706,350	(2,049,137)	2,706,350	216,508
Total	27,866,019	(23,698,961)	4,104,124	328,330
31 December 2017				
Interest rate/rate of return risk	22,241,877	(20,440,430)	354,836	28,387
Foreign exchange risk	2,570,332	(1,068,582)	2,570,332	205,627
Total	24,812,209	(21,509,012)	2,925,168	234,014
Bank				
30 June 2018				
Interest rate risk	22,389,946	(20,816,919)	1,313,669	105,094
Foreign exchange risk	1,745,568	(3,597,314)	3,597,314	287,785
Total	24,135,514	(24,414,233)	4,910,983	392,879
31 December 2017				
Interest rate risk	20,248,179	(19,795,421)	322,832	25,827
Foreign exchange risk	2,917,906	(3,803,291)	3,803,291	304,263
Total	23,166,085	(23,598,712)	4,126,123	330,090

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4. Market Risk (Cont'd.)

4.1 Interest Rate/Rate of Return Risk in the Banking Book

The following table presents the projected Group's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensitivity gap as at the reporting date, taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

Interest Rate/Rate of Return Risk Sensitivity Analysis

Group	30 June 2018		31 December 2017	
	-100 bps	+100 bps	-100 bps	+100 bps
	Increase/(Decrease)			
	RM'000	RM'000	RM'000	RM'000
Impact on Net Interest/ Profit Income ("NII/NPI")				
Ringgit Malaysia	(627,662)	598,490	(497,528)	468,642
United States Dollars	(42,466)	30,079	(33,409)	18,478
Hong Kong Dollars	(40,562)	32,085	(38,891)	31,593
Other Currencies	(23,719)	21,881	(21,391)	20,118
Total	(734,409)	682,535	(591,219)	538,831

Impact on Economic Value of Equity ("EVE")

Ringgit Malaysia	1,740,873	(889,354)	1,806,730	(986,402)
United States Dollars	(50,354)	101,390	(82,442)	133,290
Hong Kong Dollars	(30,440)	69,393	13,537	29,655
Other Currencies	750	7,414	1,530	7,996
Total	1,660,829	(711,157)	1,739,355	(815,461)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the Assets & Liabilities Management Committee ("ALCO") seeks to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, loans/financing prepayments are generally estimated based on past statistics and trends. The impact on the NII/NPI and EVE are measured on a monthly basis for the Bank and quarterly basis for the Group, both of which are reported to the ALCO and the Risk Management Committee.

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5. Equity Exposures in the Banking Book

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group.

(a) Equity Exposures in the Banking Book

Group	30 June 2018		31 December 2017	
	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000
<u>Publicly traded</u>				
Investments in unit trust funds	13,229	13,229	12,997	12,997
Holdings of equity investments	2,992	2,992	3,441	3,441
	16,221	16,221	16,438	16,438
<u>Privately held</u>				
For socio-economic purposes	693,318	693,318	130,756	130,756
Not for socio-economic purposes	38,467	57,701	28,945	43,418
	731,785	751,019	159,701	174,174
Total	748,006	767,240	176,139	190,612

(b) Gains and Losses on Equity Exposures in the Banking Book

Group	30 June 2018 RM'000	31 December 2017 RM'000
Realised gains recognised in the statement of profit or loss		
- Privately held equity investments	-	42,870
Unrealised (losses)/gains recognised in other comprehensive income		
- Investments in unit trust funds	-	4
- Publicly traded equity investments	(451)	274
	(451)	278

6. Operational Risk

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Group and of the Bank, computed using the Basic Indicator Approach.

	30 June 2018		31 December 2017	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	19,153,744	1,532,299	18,620,545	1,489,644
Bank	13,138,453	1,051,076	12,678,955	1,014,316

7. Shariah Non-Compliance Risk

There is no Shariah non-compliant income arising from the Islamic banking operations during the financial period under review.

Under the Shariah-based funds managed by Public Mutual Berhad, there is no non-permissible income channelled to charitable bodies at at 30 June 2018 (31 December 2017: RM4,683,866). The Compliance Division conducts onsite visit to the approved charitable bodies on a quarterly basis and tabled the onsite visit report to the Risk and Compliance Committee for noting.