

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

A29. Capital Adequacy

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

	Group		Bank	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
<u>Before deducting interim dividends</u> *				
Common equity Tier I ("CET I") capital ratio	10.475%	11.328%	11.355%	12.686%
Tier I capital ratio	11.712%	12.776%	12.824%	14.397%
Total capital ratio	15.237%	16.384%	15.173%	16.324%
<u>After deducting interim dividends</u> *				
CET I capital ratio	10.475%	10.781%	11.355%	12.029%
Tier I capital ratio	11.712%	12.228%	12.824%	13.740%
Total capital ratio	15.237%	15.836%	15.173%	15.668%

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

	Group		Bank	
	31 March 2015 RM'000	31 December 2014 RM'000	31 March 2015 RM'000	31 December 2014 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Paid-up share capital	3,882,138	3,882,138	3,882,138	3,882,138
Share premium	5,535,515	5,535,515	5,535,515	5,535,515
Other reserves	5,530,172	5,453,501	5,005,782	4,945,825
Retained profits	10,625,562	11,872,792	9,421,317	10,668,300
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Qualifying non-controlling interests	604,958	566,877	-	-
Less: Goodwill and other intangible assets	(2,155,295)	(2,083,142)	(695,393)	(695,393)
Less: Deferred tax assets, net	(69,298)	(69,325)	-	-
Less: Defined benefit pension fund assets	(198,392)	(205,195)	(194,320)	(200,986)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	(56,902)	(28,451)	(1,705,915)	(852,957)
Total CET I capital	23,549,121	24,775,373	21,099,787	23,133,105
Innovative Tier I capital securities	1,268,120	1,449,280	1,268,120	1,449,280
Non-innovative Tier I stapled securities	1,461,600	1,670,400	1,461,600	1,670,400
Qualifying CET I and additional Tier I capital instruments held by third parties	50,618	46,764	-	-
Total Tier I capital	26,329,459	27,941,817	23,829,507	26,252,785

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A29. Capital Adequacy (continued)

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

	Group		Bank	
	31 March 2015 RM'000	31 December 2014 RM'000	31 March 2015 RM'000	31 December 2014 RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	2,496,650	2,495,677	1,976,244	1,978,560
Subordinated notes / sukuk murabahah				
- meeting all relevant criteria	2,448,272	2,448,162	1,949,349	1,949,302
- subject to gradual phase-out treatment	2,998,830	2,998,707	2,998,830	2,998,707
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	67,491	62,352	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	(85,353)	(113,804)	(2,558,872)	(3,411,830)
Total Tier II capital	7,925,890	7,891,094	4,365,551	3,514,739
Total capital	34,255,349	35,832,911	28,195,058	29,767,524

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and the Bank of RM640,237,000 (2014: RM632,242,000) and RM470,113,000 (2014: RM458,747,000) respectively.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM1,445,791,000 (2014: RM1,445,791,000) and RM1,293,334,000 (2014: RM1,293,334,000) respectively.

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

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A29. Capital Adequacy (continued)

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

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

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

The capital adequacy ratios of the Group and the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy ratios, as required under BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2015, are set out as follows:

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

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

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A29. Capital Adequacy (continued)

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

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵
31 March 2015						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	10.671%	31.145%	N/A	13.800%	24.960%	N/A
Tier I capital ratio	10.671%	31.145%	25.424%	13.800%	24.960%	N/A
Total capital ratio	13.467%	31.676%	25.460%	14.979%	25.940%	17.705%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	10.671%	31.145%	N/A	13.800%	24.960%	N/A
Tier I capital ratio	10.671%	31.145%	25.424%	13.800%	24.960%	N/A
Total capital ratio	13.467%	31.676%	25.460%	14.979%	25.940%	17.705%
31 December 2014						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	11.730%	44.638%	N/A	13.921%	26.449%	N/A
Tier I capital ratio	11.730%	44.638%	33.941%	13.921%	26.449%	N/A
Total capital ratio	14.580%	45.270%	33.980%	15.104%	27.425%	17.418%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.007%	37.487%	N/A	13.921%	24.029%	N/A
Tier I capital ratio	11.007%	37.487%	33.941%	13.921%	24.029%	N/A
Total capital ratio	13.857%	38.119%	33.980%	15.104%	25.004%	17.418%

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

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A29. Capital Adequacy (continued)

b) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows (continued):

- ¹ The risk-weighted assets of Public Islamic Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively for year 2015.
- ² The risk-weighted assets of Public Investment Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively for year 2015.
- 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.
- ⁵ The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

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A29. Capital Adequacy (continued)

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

	Group		Bank	
	31 March 2015 RM'000	31 December 2014 RM'000	31 March 2015 RM'000	31 December 2014 RM'000
Credit risk	206,628,230	200,875,562	171,924,272	168,570,558
Market risk	2,663,061	2,554,845	3,155,302	3,027,889
Operational risk	15,519,801	15,281,141	10,744,804	10,753,781
	224,811,092	218,711,548	185,824,378	182,352,228