

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

	Note	Group		Bank	
		30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>					
Cash and balances with banks		12,380,531	14,006,541	6,249,720	6,387,571
Reverse repurchase agreements		700,414	651,065	-	-
Financial assets at fair value through profit or loss	A8	2,454,979	-	1,541,558	-
Financial assets held-for-trading	A9	-	1,376,541	-	699,796
Derivative financial assets	A30	365,560	226,319	362,800	240,215
Financial investments at fair value through other comprehensive income	A10	41,728,222	-	29,725,926	-
Financial investments available-for-sale	A11	-	30,325,057	-	20,210,743
Financial investments at amortised cost	A12	26,498,019	-	20,031,009	-
Financial investments held-to-maturity	A13	-	28,578,336	-	23,331,493
Loans, advances and financing	A14	312,686,802	303,044,127	246,487,877	240,576,248
Other assets	A15	2,466,956	2,751,745	2,050,321	2,536,423
Statutory deposits with Central Banks		10,598,724	9,525,927	7,699,469	6,940,438
Deferred tax assets		79,192	70,984	-	-
Collective investments		-	-	5,465,943	5,319,009
Investment in subsidiary companies		-	-	5,955,494	5,955,494
Investment in associated companies		37,970	35,068	30,000	30,000
Investment properties		709,105	688,052	-	-
Property and equipment		1,552,747	1,564,427	682,670	741,942
Intangible assets		2,458,273	2,432,058	695,393	695,393
<b>TOTAL ASSETS</b>		<b>414,717,494</b>	<b>395,276,247</b>	<b>326,978,180</b>	<b>313,664,765</b>
<b>LIABILITIES</b>					
Deposits from customers	A16	334,935,435	319,259,426	255,612,256	245,331,728
Deposits from banks	A17	13,110,848	11,446,057	15,282,088	12,966,893
Obligations on securities sold under repurchase agreements		188,471	1,237,528	188,471	1,237,528
Bills and acceptances payable		255,488	286,949	255,064	286,584
Recourse obligations on loans and financing sold to Cagamas		5,500,003	5,922,006	5,500,003	5,922,006
Derivative financial liabilities	A30	351,927	568,129	357,678	569,439
Debt securities issued and other borrowed funds	B9	13,391,183	12,328,073	11,295,570	10,759,998
Other liabilities	A18	5,473,353	4,915,701	3,928,210	3,320,082
Provision for tax expense and zakat		443,617	702,063	271,195	500,330
Deferred tax liabilities		135,533	164,655	96,830	128,997
<b>TOTAL LIABILITIES</b>		<b>373,785,858</b>	<b>356,830,587</b>	<b>292,787,365</b>	<b>281,023,585</b>

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	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>EQUITY</b>				
Share capital	9,417,653	9,417,653	9,417,653	9,417,653
Treasury shares	-	(149,337)	-	(149,337)
Regulatory reserves	2,036,863	2,376,498	1,695,982	2,034,359
Other reserves	1,431,422	996,833	833,086	577,902
Retained profits	26,913,980	24,723,059	22,244,094	20,760,603
<b>Equity attributable to equity holders of the Bank</b>	<b>39,799,918</b>	<b>37,364,706</b>	<b>34,190,815</b>	<b>32,641,180</b>
Non-controlling interests	1,131,718	1,080,954	-	-
<b>TOTAL EQUITY</b>	<b>40,931,636</b>	<b>38,445,660</b>	<b>34,190,815</b>	<b>32,641,180</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>414,717,494</b>	<b>395,276,247</b>	<b>326,978,180</b>	<b>313,664,765</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A29 <b>98,318,046</b>	95,442,831	<b>90,975,963</b>	88,624,817
<b>CAPITAL ADEQUACY</b>	A32			
<b><u>Before deducting interim dividends</u> *</b>				
Common Equity Tier I Capital Ratio	12.553%	12.758%	11.622%	12.136%
Tier I Capital Ratio	13.195%	13.538%	12.393%	13.072%
Total Capital Ratio	15.750%	16.494%	14.903%	15.577%
<b><u>After deducting interim dividends</u> *</b>				
Common Equity Tier I Capital Ratio	12.553%	12.248%	11.622%	11.506%
Tier I Capital Ratio	13.195%	13.028%	12.393%	12.442%
Total Capital Ratio	15.750%	15.984%	14.903%	14.947%
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>10.25</b>	9.68	<b>8.81</b>	8.45

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

<b>Group</b>	<b>Note</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>
Operating revenue		<b>5,624,676</b>	5,312,292	<b>16,409,767</b>	15,507,624
Interest Income	A19	<b>4,147,082</b>	3,873,545	<b>12,065,681</b>	11,408,581
Interest expense	A20	<b>(2,269,605)</b>	(2,009,296)	<b>(6,411,081)</b>	(5,879,108)
Net interest income		<b>1,877,477</b>	1,864,249	<b>5,654,600</b>	5,529,473
Net income from Islamic banking business	A33 (b)	<b>265,144</b>	250,708	<b>793,452</b>	745,851
		<b>2,142,621</b>	2,114,957	<b>6,448,052</b>	6,275,324
Fee and commission income	A21 (a)	<b>659,941</b>	655,477	<b>1,983,994</b>	1,891,020
Fee and commission expense	A21 (b)	<b>(212,813)</b>	(207,909)	<b>(636,764)</b>	(600,227)
Net fee and commission income	A21	<b>447,128</b>	447,568	<b>1,347,230</b>	1,290,793
Net gains and losses on financial instruments	A22	<b>17,410</b>	53,311	<b>43,480</b>	79,314
Other operating income	A23	<b>91,617</b>	107,874	<b>294,034</b>	314,785
Net income		<b>2,698,776</b>	2,723,710	<b>8,132,796</b>	7,960,216
Other operating expenses	A24	<b>(889,731)</b>	(845,782)	<b>(2,687,324)</b>	(2,614,495)
Operating profit		<b>1,809,045</b>	1,877,928	<b>5,445,472</b>	5,345,721
Allowance for impairment on loans, advances and financing	A25	<b>(48,875)</b>	(85,885)	<b>(134,830)</b>	(179,494)
Writeback of Allowance / (Allowance) for impairment on other assets		<b>31</b>	218	<b>(1,922)</b>	(2,378)
		<b>1,760,201</b>	1,792,261	<b>5,308,720</b>	5,163,849
Share of (loss) / profit after tax of equity accounted associated companies		<b>(440)</b>	693	<b>2,726</b>	(3,414)
Profit before tax expense and zakat		<b>1,759,761</b>	1,792,954	<b>5,311,446</b>	5,160,435
Tax expense and zakat	B5	<b>(358,181)</b>	(368,684)	<b>(1,071,575)</b>	(1,118,821)
Profit for the period		<b>1,401,580</b>	1,424,270	<b>4,239,871</b>	4,041,614
Profit for the period attributable to:					
- Equity holders of the Bank		<b>1,383,655</b>	1,404,760	<b>4,185,255</b>	3,984,567
- Non-controlling interests		<b>17,925</b>	19,510	<b>54,616</b>	57,047
		<b>1,401,580</b>	1,424,270	<b>4,239,871</b>	4,041,614
Earnings per share:					
- basic / diluted (sen)	B12	<b>35.6</b>	36.4	<b>108.2</b>	103.2

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**UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018**

<b>Group</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>
Profit for the period	<b>1,401,580</b>	1,424,270	<b>4,239,871</b>	4,041,614
<b>Other comprehensive income / (loss):</b>				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	<b>179,652</b>	(115,481)	<b>126,161</b>	(456,842)
- Net investment hedge	<b>(108,082)</b>	75,226	<b>(110,111)</b>	290,734
Revaluation reserves:				
- Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	<b>127,412</b>	-	<b>(34,696)</b>	-
- available-for-sale	-	56,235	-	123,485
Hedging reserves:				
- Net change in cash flow hedges	<b>4,617</b>	2,387	<b>96,774</b>	(16,911)
	<b>203,599</b>	18,367	<b>78,128</b>	(59,534)
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	<b>(21,833)</b>	(12,533)	<b>14,848</b>	(24,017)
- Hedging reserves	<b>(1,108)</b>	(572)	<b>(23,226)</b>	4,059
	<b>(22,941)</b>	(13,105)	<b>(8,378)</b>	(19,958)
Share of profit of equity accounted associated companies				
- Revaluation reserves	<b>396</b>	10	<b>175</b>	289
Other comprehensive income / (loss) for the period, net of tax	<b>181,054</b>	5,272	<b>69,925</b>	(79,203)
Total comprehensive income for the period	<b>1,582,634</b>	1,429,542	<b>4,309,796</b>	3,962,411
Total comprehensive income / (loss) for the period attributable to:				
- Equity holders of the Bank	<b>1,538,002</b>	1,426,448	<b>4,237,999</b>	3,973,245
- Non-controlling interests	<b>44,632</b>	3,094	<b>71,797</b>	(10,834)
	<b>1,582,634</b>	1,429,542	<b>4,309,796</b>	3,962,411

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<b>Bank</b>	<b>Note</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>
Operating revenue		<b>3,994,691</b>	3,957,587	<b>11,886,627</b>	11,604,710
Interest income	A19	<b>3,702,489</b>	3,443,906	<b>10,797,011</b>	10,125,202
Interest expense	A20	<b>(2,192,195)</b>	(1,936,713)	<b>(6,211,058)</b>	(5,655,721)
Net interest income		<b>1,510,294</b>	1,507,193	<b>4,585,953</b>	4,469,481
Fee and commission income	A21 (a)	<b>268,258</b>	267,810	<b>794,127</b>	774,877
Fee and commission expense	A21 (b)	<b>(93,936)</b>	(87,722)	<b>(268,901)</b>	(250,693)
Net fee and commission income	A21	<b>174,322</b>	180,088	<b>525,226</b>	524,184
Net gains and losses on financial instruments	A22	<b>16,198</b>	57,394	<b>41,500</b>	78,203
Other operating income	A23	<b>65,053</b>	240,662	<b>715,339</b>	1,038,946
Net income		<b>1,765,867</b>	1,985,337	<b>5,868,018</b>	6,110,814
Other operating expenses	A24	<b>(567,208)</b>	(538,849)	<b>(1,718,487)</b>	(1,670,672)
Operating profit		<b>1,198,659</b>	1,446,488	<b>4,149,531</b>	4,440,142
Allowance for impairment on loans, advances and financing (Allowance) / Writeback of Allowance for impairment on other assets	A25	<b>(47,279)</b>	(45,552)	<b>(70,526)</b>	(82,421)
Profit before tax expense and zakat		<b>1,151,310</b>	1,401,118	<b>4,078,142</b>	4,355,248
Tax expense and zakat	B5	<b>(250,936)</b>	(287,677)	<b>(806,238)</b>	(895,599)
Profit for the period		<b>900,374</b>	1,113,441	<b>3,271,904</b>	3,459,649

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<b><u>Bank</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>
Profit for the period	<b>900,374</b>	1,113,441	<b>3,271,904</b>	3,459,649
<b>Other comprehensive income / (loss):</b>				
<b><u>Items that may be reclassified to profit or loss:</u></b>				
Foreign currency translation reserves:				
- Currency translation differences in respect of foreign operations	<b>6,323</b>	(4,886)	<b>3,294</b>	(19,511)
Revaluation reserves:				
- Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	<b>97,654</b>	-	<b>(36,022)</b>	-
- available-for-sale	-	39,248	-	76,344
Hedging reserves:				
- Net change in cash flow hedges	<b>9,705</b>	6,255	<b>89,138</b>	18,785
	<b>113,682</b>	40,617	<b>56,410</b>	75,618
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	<b>(16,677)</b>	(9,419)	<b>15,405</b>	(18,322)
- Hedging reserves	<b>(2,329)</b>	(1,501)	<b>(21,393)</b>	(4,508)
	<b>(19,006)</b>	(10,920)	<b>(5,988)</b>	(22,830)
Other comprehensive income for the period, net of tax	<b>94,676</b>	29,697	<b>50,422</b>	52,788
Total comprehensive income for the period	<b>995,050</b>	1,143,138	<b>3,322,326</b>	3,512,437

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

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

<u>Group</u>	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		<u>Total Shareholders' Equity</u>	<u>Non-controlling Interests</u>	<u>Total Equity</u>
	<u>Share Capital</u>	<u>Regulatory Reserves</u>	<u>Other Reserves</u>	<u>Retained Profits</u>	<u>Treasury Shares</u>			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2018</b>								
- as previously stated	9,417,653	2,376,498	996,833	24,723,059	(149,337)	37,364,706	1,080,954	38,445,660
- effects of changes in accounting policies (Note A34)	-	(423,681)	299,075	402,554	-	277,948	(13,259)	264,689
<b>At 1 January 2018, as restated</b>	<b>9,417,653</b>	<b>1,952,817</b>	<b>1,295,908</b>	<b>25,125,613</b>	<b>(149,337)</b>	<b>37,642,654</b>	<b>1,067,695</b>	<b>38,710,349</b>
Profit for the period	-	-	-	4,185,255	-	4,185,255	54,616	4,239,871
Other comprehensive income for the period	-	-	52,744	-	-	52,744	17,181 *	69,925
Total comprehensive income for the period	-	-	52,744	4,185,255	-	4,237,999	71,797	4,309,796
Transactions with owners / other equity movements:								
Disposal of treasury shares	-	-	-	325,120	149,337	474,457	-	474,457
Transfer to regulatory reserves	-	84,046	-	(84,046)	-	-	-	-
Transfer to general reserves	-	-	82,770	(82,770)	-	-	-	-
Dividends paid	-	-	-	(2,555,192)	-	(2,555,192)	(7,774)	(2,562,966)
	-	84,046	82,770	(2,396,888)	149,337	(2,080,735)	(7,774)	(2,088,509)
<b>At 30 September 2018</b>	<b>9,417,653</b>	<b>2,036,863</b>	<b>1,431,422</b>	<b>26,913,980</b>	<b>-</b>	<b>39,799,918</b>	<b>1,131,718</b>	<b>40,931,636</b>

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

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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

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

<u>Group</u>	<u>Non-distributable Reserves</u>				<u>Distributable Reserves</u>		<u>Total Shareholders' Equity</u> RM'000	<u>Non-controlling Interests</u> RM'000	<u>Total Equity</u> RM'000
	<u>Share Capital</u> RM'000	<u>Share Premium</u> RM'000	<u>Regulatory Reserves</u> RM'000	<u>Other Reserves</u> RM'000	<u>Retained Profits</u> RM'000	<u>Treasury Shares</u> RM'000			
At 1 January 2017	3,882,138	5,535,515	2,170,970	5,875,712	16,898,317	(149,337)	34,213,315	1,150,456	35,363,771
Profit for the period	-	-	-	-	3,984,567	-	3,984,567	57,047	4,041,614
Other comprehensive loss for the period	-	-	-	(11,322)	-	-	(11,322)	(67,881) *	(79,203)
Total comprehensive (loss) / income for the period	-	-	-	(11,322)	3,984,567	-	3,973,245	(10,834)	3,962,411
Transactions with owners / other equity movements:									
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-	-	-	-
Transfer from statutory reserves	-	-	-	(4,925,879)	4,925,879	-	-	-	-
Transfer to regulatory reserves	-	-	121,710	-	(121,710)	-	-	-	-
Transfer to general reserves	-	-	-	84,440	(84,440)	-	-	-	-
Transfer from Profit									
Equalisation Reserve of the Islamic banking institution	-	-	-	(1)	1	-	-	-	-
Dividends paid	-	-	-	-	(2,278,281)	-	(2,278,281)	(7,943)	(2,286,224)
	<u>5,535,515</u>	<u>(5,535,515)</u>	<u>121,710</u>	<u>(4,841,440)</u>	<u>2,441,449</u>	<u>-</u>	<u>(2,278,281)</u>	<u>(7,943)</u>	<u>(2,286,224)</u>
At 30 September 2017	<u>9,417,653</u>	<u>-</u>	<u>2,292,680</u>	<u>1,022,950</u>	<u>23,324,333</u>	<u>(149,337)</u>	<u>35,908,279</u>	<u>1,131,679</u>	<u>37,039,958</u>

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

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**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

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

	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		<b>Total Equity RM'000</b>
	<b>Share Capital RM'000</b>	<b>Regulatory Reserves RM'000</b>	<b>Other Reserves RM'000</b>	<b>Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	
<b><u>Bank</u></b>						
<b>At 1 January 2018</b>						
- as previously stated	9,417,653	2,034,359	577,902	20,760,603	(149,337)	32,641,180
- effects of changes in accounting policies (Note A34)	-	(393,840)	204,762	497,122	-	308,044
<b>At 1 January 2018, as restated</b>	<b>9,417,653</b>	<b>1,640,519</b>	<b>782,664</b>	<b>21,257,725</b>	<b>(149,337)</b>	<b>32,949,224</b>
Profit for the period	-	-	-	3,271,904	-	3,271,904
Other comprehensive income for the period	-	-	50,422	-	-	50,422
Total comprehensive income for the period	-	-	50,422	3,271,904	-	3,322,326
Transactions with owners / other equity movements:						
Disposal of treasury shares	-	-	-	325,120	149,337	474,457
Transfer to regulatory reserves	-	55,463	-	(55,463)	-	-
Dividends paid	-	-	-	(2,555,192)	-	(2,555,192)
	-	55,463	-	(2,285,535)	149,337	(2,080,735)
<b>At 30 September 2018</b>	<b>9,417,653</b>	<b>1,695,982</b>	<b>833,086</b>	<b>22,244,094</b>	<b>-</b>	<b>34,190,815</b>

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the year ended 31 December 2017.*

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**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

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

<b>Bank</b>	<b><u>Non-distributable Reserves</u></b>				<b><u>Distributable Reserves</u></b>		<b>Total Equity RM'000</b>
	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Regulatory Reserves RM'000</b>	<b>Other Reserves RM'000</b>	<b>Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	
At 1 January 2017	3,882,138	5,535,515	1,881,658	5,029,194	13,594,334	(149,337)	29,773,502
Profit for the period	-	-	-	-	3,459,649	-	3,459,649
Other comprehensive income for the period	-	-	-	52,788	-	-	52,788
Total comprehensive income for the period	-	-	-	52,788	3,459,649	-	3,512,437
Transactions with owners / other equity movements:							
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-	-
Transfer from statutory reserves	-	-	-	(4,537,536)	4,537,536	-	-
Transfer to regulatory reserves	-	-	94,493	-	(94,493)	-	-
Dividends paid	-	-	-	-	(2,278,281)	-	(2,278,281)
	<u>5,535,515</u>	<u>(5,535,515)</u>	<u>94,493</u>	<u>(4,537,536)</u>	<u>2,164,762</u>	<u>-</u>	<u>(2,278,281)</u>
At 30 September 2017	<u>9,417,653</u>	<u>-</u>	<u>1,976,151</u>	<u>544,446</u>	<u>19,218,745</u>	<u>(149,337)</u>	<u>31,007,658</u>

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the year ended 31 December 2017.*

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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows from Operating Activities</b>				
Profit before tax expense and zakat	5,311,446	5,160,435	4,078,142	4,355,248
Adjustments for non-cash items:				
Share of (profit) / loss after tax of equity accounted associated companies	(2,726)	3,414	-	-
Allowance for impairment on loans and financing	325,072	344,406	160,686	166,468
Depreciation of property and equipment	167,782	159,907	131,575	127,197
Net gain on financial instruments	(40,074)	(73,394)	(39,080)	(73,383)
Dividend income	(1,078)	(2,738)	(586,890)	(536,829)
Allowance for impairment on other assets	1,922	2,378	863	2,473
Other non-cash items	(8,918)	(564)	3,057	1,968
Operating profit before working capital changes	<u>5,753,426</u>	<u>5,593,844</u>	<u>3,748,353</u>	<u>4,043,142</u>
Changes in working capital:				
Increase in operating assets	(11,424,679)	(6,774,587)	(7,451,299)	(3,763,043)
Increase in operating liabilities	<u>15,983,116</u>	<u>11,998,177</u>	<u>11,454,137</u>	<u>6,657,881</u>
Cash generated from operations	<u>10,311,863</u>	<u>10,817,434</u>	<u>7,751,191</u>	<u>6,937,980</u>
Tax expense and zakat paid	<u>(1,284,760)</u>	<u>(1,025,851)</u>	<u>(998,010)</u>	<u>(783,658)</u>
Net cash generated from operating activities	<u>9,027,103</u>	<u>9,791,583</u>	<u>6,753,181</u>	<u>6,154,322</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(123,903)	(106,213)	(72,694)	(82,313)
Addition to investment properties	(24,683)	-	-	-
Proceeds from disposal of properties	8,403	18,197	8,068	17,879
Net purchase of financial investments	(9,133,556)	(3,852,108)	(6,012,787)	(2,654,810)
Additional investment in subsidiary company	-	-	-	(300,000)
Investment in collective investments	-	-	(146,934)	(131,363)
Dividends received	<u>1,078</u>	<u>2,738</u>	<u>917,970</u>	<u>585,832</u>
Net cash used in investing activities	<u>(9,272,661)</u>	<u>(3,937,386)</u>	<u>(5,306,377)</u>	<u>(2,564,775)</u>

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the year ended 31 December 2017.*

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**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows from Financing Activities</b>				
Dividends paid	<b>(2,562,966)</b>	(2,286,224)	<b>(2,555,192)</b>	(2,278,281)
Net proceeds from issuance of debt securities	<b>2,418,240</b>	2,499,970	<b>1,898,500</b>	1,999,970
Net (repayment) / drawdown of borrowings	<b>(4,143)</b>	1,546,412	-	1,544,831
Net proceeds from disposal of treasury shares	<b>474,457</b>	-	<b>474,457</b>	-
Redemption of debt securities	<b>(1,400,000)</b>	(3,000,000)	<b>(1,400,000)</b>	(3,000,000)
Net cash used in financing activities	<b>(1,074,412)</b>	(1,239,842)	<b>(1,582,235)</b>	(1,733,480)
Net change in cash and cash equivalents	<b>(1,319,970)</b>	4,614,355	<b>(135,431)</b>	1,856,067
Cash and cash equivalents at beginning of the year	<b>12,898,446</b>	9,862,471	<b>6,385,151</b>	4,959,890
Exchange differences on translation of opening balances	<b>127,312</b>	(415,609)	-	-
Cash and cash equivalents at end of the period	<b>11,705,788</b>	14,061,217	<b>6,249,720</b>	6,815,957
Note:				
Cash and balances with banks	<b>12,380,531</b>	15,089,489	<b>6,249,720</b>	6,915,957
Less: Balances with banks with original maturity more than three months	<b>(674,743)</b>	(1,028,272)	-	(100,000)
Cash and cash equivalents at end of the period	<b>11,705,788</b>	14,061,217	<b>6,249,720</b>	6,815,957

*The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the year ended 31 December 2017.*

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

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the 3rd quarter and nine months ended 30 September 2018 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss ("FVTPL"), financial investments at fair value through other comprehensive income ("FVOCI"), derivative financial instruments and investment properties.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the financial year ended 31 December 2017. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2017.

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

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2017, except for the adoption or early adoption of the following MFRSs, Amendments to MFRSs and IC interpretations during the current financial period:

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9 Financial Instruments (2014)
- MFRS 15 Revenue from Contracts with Customers
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)

Effective for annual periods commencing on or after 1 January 2019 (Early adoption)

- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"
  - Previously Held Interest in a Joint Operation (Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements)
  - Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes)
  - Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 Borrowing Costs)

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**A1. Basis of Preparation** (continued)

The main effects of the adoption of MFRSs, Amendments to MFRSs and IC Interpretations above are summarised below:

- (a) **MFRS 9 Financial Instruments (2014)** - MFRS 9 issued by the MASB is equivalent to IFRS 9 as issued by IASB, including the effective dates. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The details and the financial effects of the adoption of MFRS 9 are discussed in Note A34 Changes in Accounting Policies.
- (b) **MFRS 15 Revenue from Contracts with Customers** - MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and their related interpretations. MFRS 15 provides a principles based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of MFRS 15 did not have any material impact on the financial statements of the Group and of the Bank as most of the revenue of the Group and of the Bank are already recognised in accordance with the principles of MFRS 15.

- (c) **Transfers of Investment Property (Amendments to MFRS 140)** - The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category. The adoption of these amendments did not have any material financial impact on the financial statements of the Group and of the Bank.
- (d) **IC Interpretation 22 Foreign Currency Transactions and Advance Consideration** - The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation did not have any material financial impact on the financial statements of the Group and of the Bank.
- (e) **Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)** - The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon. To reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach. The adoption of these amendments did not have any material financial impact on the financial statements of the Group as the Group's insurance business is immaterial.
- (f) **IC Interpretation 23 Uncertainty over Income Tax Treatments** - The IC Interpretation provides clarification on the application of recognition and measurement requirements in MFRS 112 Income Taxes when there is uncertainty over income tax treatments.

The adoption of the IC Interpretation did not have any material financial impact on the financial statements of the Group and of the Bank.

- (g) **Prepayment Features with Negative Compensation (Amendments to MFRS 9)** - The amendments allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met. The adoption of the amendments did not have any financial impact on the financial statements of the Group and of the Bank.

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**A1. Basis of Preparation** (continued)

The main effects of the adoption of MFRSs, Amendments to MFRSs and IC Interpretations above are summarised below (continued):

- (h) **Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"** - The amendments are summarised below:
  - (i) **Previously Held Interest in a Joint Operation (Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements)** - The amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value. Whereas, when an entity obtains joint control of a business that is a joint operation, the previously held interest is not remeasured.
  - (ii) **Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes)** - The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.
  - (iii) **Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 Borrowing Costs)** - The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity shall treat any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

The adoption of Annual Improvements to MFRS Standards 2015 - 2017 Cycle did not have any material financial impact on the financial statements of the Group and of the Bank.

**Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks**

The Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks in relation to Basel II - Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ("BNM") on 2 February 2018 for application with effect from 1 January 2018.

The updates focused mainly on the following changes:

- (i) Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9 Financial Instruments;
- (ii) Definition of General Provision and its recognition in Tier II capital;
- (iii) Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
- (iv) Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9. The impact to the capital adequacy ratios of the Group and of the Bank are disclosed in Note A34(c).

**BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions**

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The financial effects of the adoption of the revised policy documents are discussed in Note A34 Changes in Accounting Policies.

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**A1. Basis of Preparation** (continued)

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

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 Insurance Contracts

A brief description of the new MFRSs and Amendments to MFRS above that have been issued but not yet effective to the Group and the Bank is set out below:

- (a) **MFRS 16 Leases** - MFRS 16 'Leases' supersedes MFRS 117 'Leases' and its related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet).

i) Lessee

At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and an asset representing the "right to use" of the underlying asset during the lease term. Subsequently, the "right-of-use" asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the profit or loss.

ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The financial effect arising from the adoption of MFRS 16 are still being assessed by the Group and the Bank.

- (b) **Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)** - The amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). As there are no proposed changes in the terms or membership of the Group's defined benefit plan which may result in plan amendment, curtailment or settlement, the adoption of the amendments is not expected to have any financial impact on the financial statements of the Group and of the Bank.

- (c) **MFRS 17 Insurance Contracts** - MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts.

The adoption of MFRS 17 is not expected to have any material financial impact on the financial statements of the Group as the Group's insurance business is immaterial.

**A2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 was not qualified.



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**A3. Comments about Seasonal or Cyclical Factors**

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the current financial period.

**A4. Unusual Items Due to Their Nature, Size or Incidence**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the current financial period.

**A5. Changes in Estimates**

Except for those as disclosed in Note A34 Changes in Accounting Policies, there were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial period.

**A6. Debt and Equity Securities**

Saved as disclosed below, there were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Group and the Bank.

a) **RM20.0 Billion Senior Medium Term Notes Programme ("Senior MTNs Programme")**

On 9 April 2018, the Bank issued RM890 million (due on 9 April 2025) and RM910 million (due on 7 April 2023) in nominal value of Senior MTNs under its Senior MTNs Programme. The Notes bear interest ranging from 4.45% to 4.60%.

The Bank redeemed a total of RM400 million of Senior MTNs in nominal value on the maturity dates during the current period.

b) **Basel III Compliant Additional Tier 1 Capital Securities ("AT1CS") Programme of Up to RM10.0 Billion in Nominal Value**

The Bank had on 7 March 2018 obtained approval from Bank Negara Malaysia for the establishment of a Basel III Compliant AT1CS Programme of up to RM10.0 billion in nominal value. Securities Commission had on 11 April 2018 acknowledged the lodgement of the AT1CS Programme.

On 26 June 2018, the Bank issued the first tranche of RM100 million in aggregate nominal amount under the said Programme. The AT1CS is perpetual, callable on 26 June 2023 and bear interest at 5.08% per annum.

c) **Resale of Treasury Shares**

During the financial period, the Bank disposed its entire remaining treasury shares of 20,644,304 Public Bank shares for a total consideration of RM474,457,000 (after deducting transaction costs) in the open market at an average price of RM23.03 per share.

d) **RM5.0 Billion Sukuk Murabahah Programme**

On 27 July 2018, the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad issued RM520 million in nominal value of Senior Sukuk Murabahah under the Sukuk Murabahah Programme, due on 27 July 2021 and bear profit at 4.30% per annum.

e) **RM10.0 Billion Basel III - Compliant Tier II Subordinated Medium Term Notes Programme**

On 25 September 2018, the Bank had early redeemed its RM1,000 million Subordinated Notes together with accrued interest.

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**A7. Dividends Paid and Distributed**

During the nine months ended 30 September 2018:

- a) A second interim dividend of 34.0 sen per share in respect of the financial year ended 31 December 2017, amounting to RM1,312,907,975 was paid on 23 March 2018.
- b) A first interim dividend of 32.0 sen per share for the financial year ending 31 December 2018, amounting to RM1,242,284,271 was paid on 19 September 2018.

**A8. Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	20,283	-	20,283	-
Malaysian Government Investment Issues	251,316	-	251,316	-
Bank Negara Malaysia Monetary Notes	870,269	-	870,269	-
	<u>1,141,868</u>	<u>-</u>	<u>1,141,868</u>	<u>-</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	859,206	-	-	-
<b>Non-money market instruments:</b>				
Equity securities:				
- Unquoted shares in Malaysia	423,949	-	399,690	-
Debt securities:				
- Unquoted corporate bonds / sukuk	29,956	-	-	-
	<u>453,905</u>	<u>-</u>	<u>399,690</u>	<u>-</u>
Total financial assets at FVTPL	<u>2,454,979</u>	<u>-</u>	<u>1,541,558</u>	<u>-</u>

The financial assets at FVTPL category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A34 Changes in Accounting Policies.

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**A9. Financial Assets Held-for-trading**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Investment				
Issues	-	100,592	-	100,592
Bank Negara Malaysia Monetary				
Notes	-	599,204	-	599,204
	<u>-</u>	<u>699,796</u>	<u>-</u>	<u>699,796</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and				
negotiable Islamic debt certificates	-	646,834	-	-
<b>Non-money market instruments:</b>				
Debt securities:				
- Unquoted corporate bonds / sukuk	-	29,911	-	-
Total financial assets held-for-trading	<u>-</u>	<u>1,376,541</u>	<u>-</u>	<u>699,796</u>

The financial assets held-for-trading category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A34 Changes in Accounting Policies.

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**A10. Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI")**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	9,995,188	-	9,623,365	-
Malaysian Government Investment Issues	20,867,248	-	12,545,277	-
Bank Negara Malaysia Monetary Notes	99,991	-	99,991	-
Other foreign government securities	38,437	-	-	-
	<u>31,000,864</u>	<u>-</u>	<u>22,268,633</u>	<u>-</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	5,363,233	-	5,223,181	-
Bankers' acceptances and Islamic accepted bills	254,156	-	254,156	-
	<u>5,617,389</u>	<u>-</u>	<u>5,477,337</u>	<u>-</u>
<b>Non-money market instruments:</b>				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	2,715	-	-	-
- Unquoted shares	345,044	-	338,525	-
Debt securities:				
- Cagamas bonds	391,137	-	288,894	-
- Unquoted corporate bonds / sukuk	4,357,721	-	1,352,537	-
Unit trust funds	13,352	-	-	-
	<u>5,109,969</u>	<u>-</u>	<u>1,979,956</u>	<u>-</u>
Total financial investments at FVOCI	<u>41,728,222</u>	<u>-</u>	<u>29,725,926</u>	<u>-</u>

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A34 Changes in Accounting Policies.

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**A10. Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI") (continued)**

The following expected credit losses ("ECL") for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit Impaired (Stage 2) RM'000	Credit Impaired (Stage 3) RM'000	
<b>Group</b>				
At 1 January 2018				
- as previously stated	-	-	-	-
- effects of changes in accounting policies	<b>6,436</b>	-	-	<b>6,436</b>
At 1 January 2018, as restated	<b>6,436</b>	-	-	<b>6,436</b>
New financial investments purchased	<b>6,920</b>	-	-	<b>6,920</b>
Net allowance written back	<b>(277)</b>	-	-	<b>(277)</b>
Amount derecognised	<b>(4,824)</b>	-	-	<b>(4,824)</b>
Exchange differences	<b>36</b>	-	-	<b>36</b>
At 30 September 2018	<b>8,291</b>	-	-	<b>8,291</b>
<b>Bank</b>				
At 1 January 2018				
- as previously stated	-	-	-	-
- effects of changes in accounting policies	<b>4,470</b>	-	-	<b>4,470</b>
At 1 January 2018, as restated	<b>4,470</b>	-	-	<b>4,470</b>
New financial investments purchased	<b>4,834</b>	-	-	<b>4,834</b>
Net allowance written back	<b>(224)</b>	-	-	<b>(224)</b>
Amount derecognised	<b>(4,109)</b>	-	-	<b>(4,109)</b>
At 30 September 2018	<b>4,971</b>	-	-	<b>4,971</b>

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**A11. Financial Investments Available-for-sale**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	-	7,725,456	-	7,187,916
Malaysian Government Investment Issues	-	12,638,717	-	6,469,401
Other foreign government securities	-	39,246	-	-
	<u>-</u>	<u>20,403,419</u>	<u>-</u>	<u>13,657,317</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	-	4,869,087	-	4,619,007
Bankers' acceptances and Islamic accepted bills	-	98,095	-	98,095
	<u>-</u>	<u>4,967,182</u>	<u>-</u>	<u>4,717,102</u>
<b>Non-money market instruments:</b>				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	-	3,441	-	-
- Unquoted shares #	-	159,701	-	155,068
Debt securities:				
- Cagamas bonds	-	441,916	-	340,962
- Unquoted corporate bonds / sukuk	-	4,336,401	-	1,340,294
Unit trust funds	-	12,997	-	-
	<u>-</u>	<u>4,954,456</u>	<u>-</u>	<u>1,836,324</u>
Total financial investments available-for-sale	<u>-</u>	<u>30,325,057</u>	<u>-</u>	<u>20,210,743</u>

# Stated at cost, net of impairment loss.

The financial investments available-for-sale category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A34 Changes in Accounting Policies.

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**A12. Financial Investments at Amortised Cost**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	1,121,297	-	1,121,297	-
Malaysian Government Investment Issues	6,861,970	-	4,059,718	-
Foreign Government Treasury Bills	954,519	-	29,370	-
Other foreign government securities	1,565,776	-	7,857	-
	<u>10,503,562</u>	<u>-</u>	<u>5,218,242</u>	<u>-</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	1,245,668	-	1,825,015	-
<b>Non-money market instruments:</b>				
Debt securities:				
- Cagamas bonds	5,845,610	-	5,845,610	-
- Unquoted corporate bonds / sukuk	8,907,240	-	7,145,550	-
	<u>14,752,850</u>	<u>-</u>	<u>12,991,160</u>	<u>-</u>
Accumulated impairment losses	(4,061)	-	(3,408)	-
Total financial investments at amortised cost	<u><u>26,498,019</u></u>	<u><u>-</u></u>	<u><u>20,031,009</u></u>	<u><u>-</u></u>

The financial investments at amortised cost category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A34 Changes in Accounting Policies.

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**A12. Financial Investments at Amortised Cost (continued)**

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit Impaired (Stage 2) RM'000	Credit Impaired (Stage 3) RM'000	
<b>Group</b>				
At 1 January 2018				
- as previously stated	-	-	35	35
- effects of changes in accounting policies	3,704	-	-	3,704
At 1 January 2018, as restated	3,704	-	35	3,739
New financial investments purchased	848	-	-	848
Net allowance written back	(273)	-	-	(273)
Amount derecognised	(245)	-	-	(245)
Amount written off	-	-	(16)	(16)
Exchange differences	8	-	-	8
At 30 September 2018	<u>4,042</u>	<u>-</u>	<u>19</u>	<u>4,061</u>
<b>Bank</b>				
At 1 January 2018				
- as previously stated	-	-	35	35
- effects of changes in accounting policies	2,869	-	-	2,869
At 1 January 2018, as restated	2,869	-	35	2,904
New financial investments purchased	527	-	-	527
Net allowance made	15	-	-	15
Amount derecognised	(22)	-	-	(22)
Amount written off	-	-	(16)	(16)
At 30 September 2018	<u>3,389</u>	<u>-</u>	<u>19</u>	<u>3,408</u>



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**A13. Financial Investments Held-to-maturity**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	-	1,591,135	-	1,591,135
Malaysian Government Investment Issues	-	11,327,147	-	8,835,621
Foreign Government Treasury Bills	-	772,076	-	18,684
Other foreign government securities	-	1,004,790	-	-
	<u>-</u>	<u>14,695,148</u>	<u>-</u>	<u>10,445,440</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	-	1,135,400	-	1,774,769
<b>Non-money market instruments:</b>				
Debt securities:				
- Cagamas bonds	-	5,847,851	-	5,847,851
- Unquoted corporate bonds / sukuk	-	6,899,972	-	5,263,468
	<u>-</u>	<u>12,747,823</u>	<u>-</u>	<u>11,111,319</u>
Accumulated impairment losses	-	(35)	-	(35)
Total financial investments held-to-maturity	<u>-</u>	<u>28,578,336</u>	<u>-</u>	<u>23,331,493</u>

The financial investments held-to-maturity category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A34 Changes in Accounting Policies.

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**A14. Loans, Advances and Financing**

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
Overdrafts	11,511,565	11,335,807	8,484,677	8,353,229
Term loans / financing				
- Housing loans / financing	109,873,289	103,656,930	87,516,551	83,801,900
- Syndicated term loans / financing	3,138,832	2,846,269	621,373	728,682
- Hire purchase receivables	50,949,804	50,424,367	38,090,839	37,131,115
- Other term loans / financing	120,520,157	118,917,854	95,996,828	95,661,738
Credit card receivables	1,957,627	1,965,180	1,923,779	1,932,950
Bills receivables	158,961	146,692	142,405	125,209
Trust receipts	269,575	254,011	183,288	192,569
Claims on customers under acceptance credits	3,799,510	4,014,388	3,519,483	3,668,165
Revolving credits	10,333,039	8,992,614	9,495,764	8,189,759
Staff loans *	1,961,597	1,899,165	1,727,018	1,685,636
Gross loans, advances and financing	<u>314,473,956</u>	<u>304,453,277</u>	<u>247,702,005</u>	<u>241,470,952</u>
Allowance for impairment on loans and financing:				
- collective assessment allowance	(1,662,262)	(1,317,960)	(1,168,872)	(862,911)
- Stage 1: 12-Month ECL	(893,755)	-	(588,271)	-
- Stage 2: Lifetime ECL not credit impaired	(498,416)	-	(394,901)	-
- Stage 3: Lifetime ECL credit impaired	(270,091)	-	(185,700)	-
- individual assessment allowance	(124,892)	(91,190)	(45,256)	(31,793)
- Stage 3: Lifetime ECL credit impaired	(124,892)	-	(45,256)	-
Net loans, advances and financing	<u>312,686,802</u>	<u>303,044,127</u>	<u>246,487,877</u>	<u>240,576,248</u>

\* Included in staff loans of the Group and of the Bank are loans to Directors of subsidiary companies amounting to RM5,215,000 (2017: RM5,222,000) and RM4,897,000 (2017 - RM4,861,000) respectively.

a) By class

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Retail loans / financing *				
- Housing loans / financing	109,873,499	103,656,930	87,516,551	83,801,900
- Hire purchase	50,707,233	50,424,367	38,090,839	37,131,115
- Credit cards	1,957,627	1,965,180	1,923,779	1,932,950
- Other loans / financing ^	105,967,198	102,945,559	82,120,400	81,757,909
	<u>268,505,557</u>	<u>258,992,036</u>	<u>209,651,569</u>	<u>204,623,874</u>
Corporate loans / financing	45,968,399	45,461,241	38,050,436	36,847,078
	<u>314,473,956</u>	<u>304,453,277</u>	<u>247,702,005</u>	<u>241,470,952</u>

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

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

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**A14. Loans, Advances and Financing** (continued)

b) By type of customer

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Non-bank financial institutions				
- Stock-broking companies	3,421	4,740	3,421	4,740
- Others	9,212,217	8,145,673	8,584,080	7,517,104
Business enterprises				
- Small and medium enterprises	74,734,636	74,313,015	62,748,098	62,789,245
- Others	25,168,275	24,990,469	19,150,943	18,509,741
Government and statutory bodies	1,333,853	1,322,989	10,032	11,534
Individuals	201,363,198	192,734,820	154,870,361	149,915,238
Other entities	39,489	39,159	29,293	33,448
Foreign entities	2,618,867	2,902,412	2,305,777	2,689,902
	<b>314,473,956</b>	<b>304,453,277</b>	<b>247,702,005</b>	<b>241,470,952</b>

c) By interest / profit rate sensitivity

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Fixed rate				
- Housing loans / financing	4,000,265	4,877,880	2,713,632	3,453,143
- Hire purchase receivables	48,293,100	47,913,213	37,876,578	36,885,384
- Other fixed rate loans / financing	21,941,289	21,895,178	10,939,050	10,901,304
Variable rate				
- Base rate / base lending rate plus	191,574,595	183,107,532	163,591,274	158,705,896
- Cost plus	33,854,326	32,608,651	32,169,609	31,078,708
- Other variable rates	14,810,381	14,050,823	411,862	446,517
	<b>314,473,956</b>	<b>304,453,277</b>	<b>247,702,005</b>	<b>241,470,952</b>

d) By residual contractual maturity

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Maturity within one year	32,015,463	33,814,979	23,577,915	25,360,503
More than one year to three years	26,956,288	24,733,045	21,524,811	19,430,778
More than three years to five years	30,703,129	28,856,199	25,450,152	23,606,022
More than five years	224,799,076	217,049,054	177,149,127	173,073,649
	<b>314,473,956</b>	<b>304,453,277</b>	<b>247,702,005</b>	<b>241,470,952</b>

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**A14. Loans, Advances and Financing** (continued)

e) By geographical distribution

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Malaysia	291,618,508	282,325,991	246,807,860	240,504,514
Hong Kong SAR and the People's Republic of China	15,780,482	15,377,949	-	-
Cambodia	4,242,317	4,160,208	-	-
Other countries	2,832,649	2,589,129	894,145	966,438
	<b>314,473,956</b>	<b>304,453,277</b>	<b>247,702,005</b>	<b>241,470,952</b>

f) Gross loans, advances and financing by economic purpose

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Purchase of securities	2,854,609	2,179,614	2,475,390	1,780,714
Purchase of transport vehicles	51,188,516	50,669,140	38,339,264	37,380,260
Purchase of landed properties	194,446,753	185,979,950	158,715,411	154,240,634
(of which: - residential	<b>113,780,733</b>	<b>107,288,543</b>	<b>90,852,740</b>	<b>86,942,841</b>
- non-residential)	<b>80,666,020</b>	<b>78,691,407</b>	<b>67,862,671</b>	<b>67,297,793</b>
Purchase of fixed assets (excluding landed properties)	476,828	532,839	141,726	158,332
Personal use	12,880,227	12,359,777	6,922,097	6,628,601
Credit card	1,957,627	1,965,180	1,923,779	1,932,950
Purchase of consumer durables	944	972	120	138
Construction	6,875,487	6,592,837	5,654,992	5,494,054
Mergers and acquisitions	46,984	101,498	46,984	101,498
Working capital	39,234,962	38,947,042	29,022,289	28,688,846
Other purpose	4,511,019	5,124,428	4,459,953	5,064,925
	<b>314,473,956</b>	<b>304,453,277</b>	<b>247,702,005</b>	<b>241,470,952</b>

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**A14. Loans, Advances and Financing** (continued)

g) Gross loans, advances and financing by sectors

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Agriculture, hunting, forestry and fishing	3,841,004	3,914,938	2,755,782	2,814,699
Mining and quarrying	204,954	214,858	157,803	170,596
Manufacturing	10,575,001	10,663,327	8,590,975	8,609,724
Electricity, gas and water	125,491	123,041	28,711	22,871
Construction	9,655,288	9,214,346	7,441,379	7,223,868
Wholesale & retail trade and restaurants & hotels	26,311,227	25,969,541	21,971,099	21,778,008
Transport, storage and communication	4,147,694	3,977,380	2,988,876	2,887,521
Finance, insurance and business services	18,046,953	17,433,156	15,620,380	14,772,934
Real estate	36,674,129	35,431,901	30,113,282	29,945,799
Community, social and personal services	3,283,488	3,460,289	1,723,570	1,912,066
Households	200,575,868	192,774,845	156,229,160	151,251,046
Others	1,032,859	1,275,655	80,988	81,820
	<u>314,473,956</u>	<u>304,453,277</u>	<u>247,702,005</u>	<u>241,470,952</u>

h) Loans, advances and financing pledged as collateral are as follows:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Bankers' acceptances rediscounted	-	2,700	-	2,700

i) Movements in credit-impaired loans, advances and financing ("impaired loans and financing") are as follows:

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
At 1 January	1,475,666	1,489,381	1,064,009	1,041,579
Impaired during the period / year	2,321,164	3,106,587	1,590,474	2,125,721
Reclassified as non-impaired	(1,560,069)	(2,198,835)	(1,123,193)	(1,586,551)
Recoveries	(257,028)	(351,167)	(190,609)	(256,360)
Amount written off	(346,691)	(510,583)	(169,731)	(224,629)
Loans / financing converted to foreclosed properties	(15,806)	(30,798)	(14,228)	(29,746)
Exchange differences	4,676	(28,919)	1,563	(6,005)
Closing balance	<u>1,621,912</u>	<u>1,475,666</u>	<u>1,158,285</u>	<u>1,064,009</u>
Gross impaired loans and financing as a percentage of gross loans, advances and financing	<u>0.52%</u>	<u>0.48%</u>	<u>0.47%</u>	<u>0.44%</u>

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**A14. Loans, Advances and Financing** (continued)

j) Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Malaysia	1,278,411	1,188,012	1,007,169	941,478
Hong Kong SAR and the People's Republic of China	100,031	81,425	-	-
Cambodia	66,150	53,947	-	-
Other countries	177,320	152,282	151,116	122,531
	<u>1,621,912</u>	<u>1,475,666</u>	<u>1,158,285</u>	<u>1,064,009</u>

k) Impaired loans, advances and financing by economic purpose

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Purchase of securities	722	738	722	738
Purchase of transport vehicles	310,208	292,519	210,223	198,244
Purchase of landed properties	770,079	709,881	607,116	559,262
(of which: - residential	540,221	560,264	405,602	420,688
- non-residential)	229,858	149,617	201,514	138,574
Purchase of fixed assets (excluding landed properties)	7,547	12,096	356	317
Personal use	144,981	138,065	49,697	51,801
Credit card	19,801	21,078	19,394	20,725
Construction	89,333	27,039	86,397	17,410
Working capital	268,987	265,147	174,165	206,420
Other purpose	10,254	9,103	10,215	9,092
	<u>1,621,912</u>	<u>1,475,666</u>	<u>1,158,285</u>	<u>1,064,009</u>

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**A14. Loans, Advances and Financing** (continued)

l) Impaired loans, advances and financing by sectors

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Agriculture, hunting, forestry and fishing	38,980	34,527	14,049	10,623
Mining and quarrying	1,439	1,405	358	656
Manufacturing	59,859	39,004	48,990	35,079
Electricity, gas and water	2,337	2,148	144	-
Construction	161,691	65,162	151,648	51,852
Wholesale & retail trade and restaurants & hotels	178,784	141,280	139,333	109,501
Transport, storage and communication	16,676	15,667	14,214	13,373
Finance, insurance and business services	51,698	93,524	42,030	85,860
Real estate	34,697	27,920	29,325	26,449
Community, social and personal services	9,540	9,631	7,546	9,499
Households	1,044,354	1,045,127	710,599	721,001
Others	21,857	271	49	116
	<u>1,621,912</u>	<u>1,475,666</u>	<u>1,158,285</u>	<u>1,064,009</u>

m) Movements in the allowance for impairment on loans, advances and financing are as follows:

Movements in loss allowance for loans/financing which reflect the ECL model on impairment are as follows:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit Impaired (Stage 2) RM'000	Credit Impaired (Stage 3) RM'000	
<b>Group</b>				
At 1 January 2018				
- as previously stated				1,409,150
- effects of changes in accounting policies				390,578
At 1 January 2018, as restated	919,595	507,531	372,602	<u>1,799,728</u>
Changes due to loans, advances and financing recognised as at				
1 January 2018:	126,234	(86,133)	(40,101)	-
- Transfer to Stage 1: 12-Month ECL	152,857	(124,429)	(28,428)	-
- Transfer to Stage 2: Lifetime ECL not credit impaired	(23,331)	62,535	(39,204)	-
- Transfer to Stage 3: Lifetime ECL credit impaired	(3,292)	(24,239)	27,531	-
New financial assets originated	128,661	56,524	36,481	221,666
Net remeasurement due to changes in credit risk	(282,989)	19,716	367,109	103,836
Amount written off	-	-	(346,691)	(346,691)
Exchange differences	2,254	778	5,583	8,615
At 30 September 2018	<u>893,755</u>	<u>498,416</u>	<u>394,983</u>	<u>1,787,154</u>

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**A14. Loans, Advances and Financing** (continued)

m) Movements in the allowance for impairment on loans, advances and financing are as follows (continued):

Movements in loss allowance for loans/financing which reflect the ECL model on impairment are as follows (continued):

	<b>12-Month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not Credit Impaired (Stage 2) RM'000</b>	<b>Credit Impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
<b>Bank</b>				
At 1 January 2018				
- as previously stated				894,704
- effects of changes in accounting policies				326,120
At 1 January 2018, as restated	589,272	396,344	235,208	1,220,824
Changes due to loans, advances and financing recognised as at				
1 January 2018:	93,920	(56,431)	(37,489)	-
- Transfer to Stage 1: 12-Month ECL	111,802	(91,558)	(20,244)	-
- Transfer to Stage 2: Lifetime ECL not credit impaired	(17,361)	44,008	(26,647)	-
- Transfer to Stage 3: Lifetime ECL credit impaired	(521)	(8,881)	9,402	-
New financial assets originated	62,227	34,764	9,114	106,105
Net remeasurement due to changes in credit risk	(157,215)	20,224	193,854	56,863
Amount written off	-	-	(169,731)	(169,731)
Exchange differences	67	-	-	67
At 30 September 2018	588,271	394,901	230,956	1,214,128



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**A14. Loans, Advances and Financing** (continued)

m) Movements in the allowance for impairment on loans, advances and financing are as follows (continued):

<b>2017</b>	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b><u>Collective Assessment Allowance</u></b>		
At 1 January 2017	1,408,104	922,954
Allowance made during the year	230,844	164,981
Amount written off	(312,992)	(223,277)
Exchange differences	(7,996)	(1,747)
At 31 December 2017	<u>1,317,960</u>	<u>862,911</u>
<b><u>Individual Assessment Allowance</u></b>		
At 1 January 2017	121,894	15,586
Allowance made during the year	222,342	29,012
Amount written back in respect of recoveries	(34,142)	(11,077)
Amount written off	(197,591)	(1,352)
Amount transferred to allowance for impairment loss on foreclosed properties	(376)	(376)
Exchange differences	(20,937)	-
At 31 December 2017	<u>91,190</u>	<u>31,793</u>

**A15. Other Assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Deferred handling fees	<b>228,895</b>	229,662	<b>175,952</b>	171,437
Interest / Income receivable	<b>52,487</b>	54,816	<b>7,991</b>	11,918
Other receivables, deposits and prepayments	<b>1,290,886</b>	1,417,320	<b>1,173,569</b>	1,307,073
Employee benefits	<b>274,288</b>	304,397	<b>270,200</b>	299,862
Amount due from trust funds	<b>214,127</b>	246,029	-	-
Foreclosed properties	<b>117,189</b>	108,190	<b>112,952</b>	105,375
Outstanding contracts on clients' accounts	<b>289,084</b>	391,331	-	-
Amount due from subsidiary companies	-	-	<b>39,834</b>	39,855
Distribution receivable from collective investments	-	-	<b>31,023</b>	29,421
Dividend receivable from subsidiary companies	-	-	<b>238,800</b>	571,482
	<u><b>2,466,956</b></u>	<u>2,751,745</u>	<u><b>2,050,321</b></u>	<u>2,536,423</u>

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**A16. Deposits from Customers**

a) By type of deposit

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At amortised cost</b>				
Core deposits:				
- Demand deposits	48,968,952	47,611,744	38,816,641	38,752,425
- Savings deposits	36,478,032	35,507,539	24,032,401	23,162,008
- Fixed deposits	194,397,427	186,603,269	142,801,219	138,765,157
	<u>279,844,411</u>	<u>269,722,552</u>	<u>205,650,261</u>	<u>200,679,590</u>
- Negotiable instruments of deposit	110,528	36,439	108,735	17,204
- Money market deposits	54,944,020	49,452,587	49,828,799	44,598,778
	<u>55,054,548</u>	<u>49,489,026</u>	<u>49,937,534</u>	<u>44,615,982</u>
Other deposits	36,476	47,848	24,461	36,156
	<u>334,935,435</u>	<u>319,259,426</u>	<u>255,612,256</u>	<u>245,331,728</u>

b) By type of customer

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Federal and state governments	9,480,234	6,947,108	2,636,360	1,459,380
Local government and statutory authorities	3,218,753	2,760,408	2,653,169	2,203,477
Business enterprises	90,140,791	84,134,411	70,513,743	68,036,469
Individuals	172,012,741	165,201,059	135,519,523	131,634,989
Foreign customers	6,727,200	5,811,875	3,996,842	3,495,381
Others	53,355,716	54,404,565	40,292,619	38,502,032
	<u>334,935,435</u>	<u>319,259,426</u>	<u>255,612,256</u>	<u>245,331,728</u>

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**A16. Deposits from Customers** (continued)

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Due within six months	186,420,654	195,111,517	142,733,839	150,463,889
More than six months to one year	62,107,917	40,343,897	49,611,732	32,831,078
More than one year to three years	919,293	631,060	389,653	80,815
More than three years to five years	4,111	5,821	3,529	5,357
	<b>249,451,975</b>	<b>236,092,295</b>	<b>192,738,753</b>	<b>183,381,139</b>

**A17. Deposits from Banks**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At amortised cost</b>				
Licensed banks	4,209,853	7,078,526	2,886,826	4,983,891
Licensed Islamic banks	100,000	-	-	-
Licensed investment banks	219,761	30,107	100,757	43,814
Bank Negara Malaysia	468,748	965,817	446,604	943,494
Other financial institutions	8,112,486	3,371,607	11,847,901	6,995,694
	<b>13,110,848</b>	<b>11,446,057</b>	<b>15,282,088</b>	<b>12,966,893</b>

**A18. Other Liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Interest / Income payable	2,017,753	1,716,502	1,435,301	1,282,983
Other payables and accruals	2,984,290	2,428,355	2,299,808	1,861,724
Amount due to trust funds	88,141	110,377	-	-
Unprocessed sales and / or redemptions	48,947	129,675	-	-
Profit Equalisation Reserve of the investment account holder	31	108	-	-
Allowance for impairment on loan / financing commitments and financial guarantees	60,707	-	39,949	-
Finance lease liabilities	108,844	147,672	108,844	147,672
Outstanding contracts on clients' accounts	150,026	381,966	-	-
Dividend payable to shareholders	14,614	1,046	14,614	1,046
Amount due to subsidiary companies	-	-	29,694	26,657
	<b>5,473,353</b>	<b>4,915,701</b>	<b>3,928,210</b>	<b>3,320,082</b>

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**A18. Other Liabilities (continued)**

Movements in the allowance for impairment on loan / financing commitments and financial guarantees are as follows:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit Impaired (Stage 2) RM'000	Credit Impaired (Stage 3) RM'000	
<b>Group</b>				
At 1 January 2018				
- as previously stated				-
- effects of changes in accounting policies				<u>60,814</u>
At 1 January 2018, as restated	52,998	6,567	1,249	60,814
Changes due to loan / financing commitments and financial guarantees recognised as at 1 January 2018:				
- Transfer to Stage 1: 12-Month ECL	1,895	(1,612)	(283)	-
- Transfer to Stage 2: Lifetime ECL not credit impaired	2,454	(2,288)	(166)	-
- Transfer to Stage 3: Lifetime ECL credit impaired	(552)	758	(206)	-
	(7)	(82)	89	-
New loan / financing commitments and financial guarantees originated	4,955	1,794	31	6,780
Net remeasurement due to changes in credit risk	(8,020)	648	162	(7,210)
Exchange differences	323	-	-	323
At 30 September 2018	<u>52,151</u>	<u>7,397</u>	<u>1,159</u>	<u>60,707</u>
<b>Bank</b>				
At 1 January 2018				
- as previously stated				-
- effects of changes in accounting policies				<u>42,231</u>
At 1 January 2018, as restated	35,909	5,346	976	42,231
Changes due to loan commitments and financial guarantees recognised as at 1 January 2018:				
- Transfer to Stage 1: 12-Month ECL	1,355	(1,126)	(229)	-
- Transfer to Stage 2: Lifetime ECL not credit impaired	1,849	(1,711)	(138)	-
- Transfer to Stage 3: Lifetime ECL credit impaired	(488)	639	(151)	-
	(6)	(54)	60	-
New loan commitments and financial guarantees originated	2,588	1,565	31	4,184
Net remeasurement due to changes in credit risk	(6,833)	317	50	(6,466)
At 30 September 2018	<u>33,019</u>	<u>6,102</u>	<u>828</u>	<u>39,949</u>

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**A19. Interest Income**

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
Loans and advances	3,486,067	3,273,466	10,229,770	9,729,367
Balances with banks	71,927	83,342	188,115	223,630
Financial investments at fair value through other comprehensive income	316,830	-	890,248	-
Financial investments available-for-sale	-	230,953	-	676,164
Financial investments at amortised cost	229,659	-	631,464	-
Financial investments held-to-maturity	-	237,573	-	634,272
Others	23,755	29,892	71,403	85,438
	<u>4,128,238</u>	<u>3,855,226</u>	<u>12,011,000</u>	<u>11,348,871</u>
Financial assets at fair value through profit or loss	18,844	-	54,681	-
Financial assets held-for-trading	-	18,319	-	59,710
	<u>4,147,082</u>	<u>3,873,545</u>	<u>12,065,681</u>	<u>11,408,581</u>
	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Loans and advances	3,145,777	2,949,308	9,262,775	8,742,204
Balances with banks	44,173	49,230	101,059	118,778
Financial investments at fair value through other comprehensive income	269,175	-	752,510	-
Financial investments available-for-sale	-	185,858	-	555,738
Financial investments at amortised cost	206,949	-	572,524	-
Financial investments held-to-maturity	-	218,538	-	582,598
Others	23,754	29,891	71,396	85,434
	<u>3,689,828</u>	<u>3,432,825</u>	<u>10,760,264</u>	<u>10,084,752</u>
Financial assets at fair value through profit or loss	12,661	-	36,747	-
Financial assets held-for-trading	-	11,081	-	40,450
	<u>3,702,489</u>	<u>3,443,906</u>	<u>10,797,011</u>	<u>10,125,202</u>

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**A20. Interest Expense**

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits from banks	93,318	107,195	279,142	347,227
Deposits from customers	1,966,221	1,718,750	5,526,344	5,027,515
Loans sold to Cagamas	59,333	46,226	181,910	101,294
Debt securities issued and other borrowed funds	147,487	136,626	415,528	401,129
Others	3,246	499	8,157	1,943
	<b>2,269,605</b>	<b>2,009,296</b>	<b>6,411,081</b>	<b>5,879,108</b>

	3rd Quarter Ended		Nine Months Ended	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits from banks	97,565	103,350	286,437	338,504
Deposits from customers	1,889,161	1,653,826	5,332,122	4,824,364
Loans sold to Cagamas	59,333	46,226	181,910	101,294
Debt securities issued and other borrowed funds	142,890	132,768	402,432	389,616
Others	3,246	543	8,157	1,943
	<b>2,192,195</b>	<b>1,936,713</b>	<b>6,211,058</b>	<b>5,655,721</b>

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**A21. Net Fee and Commission Income**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b><u>Group</u></b>				
(a) Fee and commission income:				
Commissions	159,333	140,822	439,016	393,002
Service charges and fees	82,186	81,177	250,452	254,821
Guarantee fees	8,881	8,924	23,724	27,805
Processing fees	5,859	7,218	16,715	18,474
Commitment fees	22,332	22,788	67,406	66,474
Unit trust management fees	269,053	252,746	797,375	724,520
Fee on sale of trust units	79,335	97,556	271,649	282,355
Brokerage and commissions from stockbroking activities	23,251	24,420	79,531	77,374
Other fee and commission income	9,711	19,826	38,126	46,195
	<u>659,941</u>	<u>655,477</u>	<u>1,983,994</u>	<u>1,891,020</u>
(b) Fee and commission expense:				
Unit trust agency fee	(115,461)	(116,029)	(358,449)	(336,293)
Debit / credit card related fee	(88,824)	(83,151)	(253,053)	(237,795)
Loan related fee	(3,316)	(3,275)	(9,710)	(9,781)
Other fee and commission expense	(5,212)	(5,454)	(15,552)	(16,358)
	<u>(212,813)</u>	<u>(207,909)</u>	<u>(636,764)</u>	<u>(600,227)</u>
Net fee and commission income	<u>447,128</u>	<u>447,568</u>	<u>1,347,230</u>	<u>1,290,793</u>
	3rd Quarter Ended	3rd Quarter Ended	Nine Months Ended	Nine Months Ended
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b><u>Bank</u></b>				
(a) Fee and commission income:				
Commissions	171,576	164,139	495,453	463,576
Service charges and fees	59,430	55,403	181,928	180,319
Guarantee fees	8,114	8,219	21,699	25,685
Processing fees	2,580	2,598	7,322	7,069
Commitment fees	20,546	21,126	62,034	61,693
Other fee and commission income	6,012	16,325	25,691	36,535
	<u>268,258</u>	<u>267,810</u>	<u>794,127</u>	<u>774,877</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(88,123)	(81,725)	(251,064)	(232,857)
Loan related fee	(2,688)	(2,512)	(7,730)	(7,743)
Other fee and commission expense	(3,125)	(3,485)	(10,107)	(10,093)
	<u>(93,936)</u>	<u>(87,722)</u>	<u>(268,901)</u>	<u>(250,693)</u>
Net fee and commission income	<u>174,322</u>	<u>180,088</u>	<u>525,226</u>	<u>524,184</u>

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**A22. Net Gains and Losses on Financial Instruments**

<u>Group</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Net gain arising on financial assets at fair value through profit or loss:				
- net gain on disposal	747	-	755	-
- gross dividend income	-	-	1,573	-
- unrealised revaluation gain	8,041	-	7,781	-
	<u>8,788</u>	<u>-</u>	<u>10,109</u>	<u>-</u>
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	-	18	-	3,182
- unrealised revaluation gain / (loss)	-	498	-	(167)
	<u>-</u>	<u>516</u>	<u>-</u>	<u>3,015</u>
Net (loss) / gain arising on trading derivatives				
- unrealised revaluation (loss) / gain	(88)	(5,173)	23	(682)
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	8,612	-	30,320	-
- gross dividend income	456	-	1,078	-
	<u>9,068</u>	<u>-</u>	<u>31,398</u>	<u>-</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	-	56,943	-	77,588
- gross dividend income	-	270	-	2,738
	<u>-</u>	<u>57,213</u>	<u>-</u>	<u>80,326</u>
Net (loss) / gain representing ineffective portions of hedging derivatives:				
- fair value hedge	(99)	463	64	1,603
- cash flow hedge	(259)	292	1,886	(4,948)
	<u>(358)</u>	<u>755</u>	<u>1,950</u>	<u>(3,345)</u>
Net gains and losses on financial instruments	<u>17,410</u>	<u>53,311</u>	<u>43,480</u>	<u>79,314</u>



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**A22. Net Gains and Losses on Financial Instruments** (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b><u>Bank</u></b>				
Net gain arising on financial assets at fair value through profit or loss:				
- net gain on disposal	747	-	751	-
- gross dividend income	-	-	1,483	-
- unrealised revaluation gain	7,581	-	7,317	-
	<u>8,328</u>	<u>-</u>	<u>9,551</u>	<u>-</u>
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	-	13	-	3,151
- unrealised revaluation gain / (loss)	-	499	-	(143)
	<u>-</u>	<u>512</u>	<u>-</u>	<u>3,008</u>
Net (loss) / gain arising on trading derivatives				
- unrealised revaluation (loss) / gain	(88)	639	23	652
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	8,087	-	29,794	-
- gross dividend income	186	-	186	-
	<u>8,273</u>	<u>-</u>	<u>29,980</u>	<u>-</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	-	55,657	-	76,349
- gross dividend income	-	-	-	1,669
	<u>-</u>	<u>55,657</u>	<u>-</u>	<u>78,018</u>
Net (loss) / gain representing ineffective portions of hedging derivatives:				
- fair value hedge	(56)	294	60	1,473
- cash flow hedge	(259)	292	1,886	(4,948)
	<u>(315)</u>	<u>586</u>	<u>1,946</u>	<u>(3,475)</u>
Net gains and losses on financial instruments	<u>16,198</u>	<u>57,394</u>	<u>41,500</u>	<u>78,203</u>

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**A23. Other Operating Income**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>
<b><u>Group</u></b>				
Other income:				
Foreign exchange profit	66,373	85,076	205,977	242,112
Rental income from:				
- investment properties	3,319	3,300	9,641	9,919
- other properties	2,908	3,456	9,473	10,178
Net gain on disposal of property and equipment	71	167	438	542
Net gain on disposal of foreclosed properties	333	196	893	1,951
Net gain / (loss) on revaluation of investment properties	20	(27)	15,619	2,513
Others	18,593	15,706	51,993	47,570
Total other operating income	<u>91,617</u>	<u>107,874</u>	<u>294,034</u>	<u>314,785</u>
	<b>3rd Quarter Ended</b>	<b>30 September</b>	<b>Nine Months Ended</b>	<b>30 September</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
Distribution income from collective investments	51,318	46,732	148,536	133,036
Dividend income from subsidiary companies				
- quoted outside Malaysia	-	-	20,681	22,115
- unquoted in Malaysia	46,244	46,244	417,487	380,009
	<u>97,562</u>	<u>92,976</u>	<u>586,704</u>	<u>535,160</u>
Other (loss) / income:				
Foreign exchange (loss) / profit	(48,374)	132,487	77,653	455,071
Rental income from other properties	2,816	3,365	9,201	9,908
Net gain on disposal of property and equipment	30	33	365	327
Net gain on disposal of foreclosed properties	333	196	893	1,951
Others	12,686	11,605	40,523	36,529
	<u>(32,509)</u>	<u>147,686</u>	<u>128,635</u>	<u>503,786</u>
Total other operating income	<u>65,053</u>	<u>240,662</u>	<u>715,339</u>	<u>1,038,946</u>

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**A24. Other Operating Expenses**

<u>Group</u>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>521,731</b>	484,578	<b>1,569,501</b>	1,509,398
- Pension costs	<b>67,373</b>	61,426	<b>204,265</b>	192,623
- Others	<b>39,590</b>	38,142	<b>122,322</b>	116,578
	<b>628,694</b>	584,146	<b>1,896,088</b>	1,818,599
Establishment costs				
- Depreciation	<b>57,630</b>	52,307	<b>167,782</b>	159,907
- Rental	<b>32,465</b>	31,103	<b>95,395</b>	92,880
- Insurance	<b>5,675</b>	5,333	<b>16,915</b>	17,127
- Water and electricity	<b>13,155</b>	13,134	<b>37,312</b>	38,787
- General repairs and maintenance	<b>25,589</b>	26,771	<b>74,881</b>	80,195
- Information technology expenses	<b>12,144</b>	12,721	<b>37,975</b>	39,328
- Others	<b>18,510</b>	16,302	<b>53,630</b>	50,986
	<b>165,168</b>	157,671	<b>483,890</b>	479,210
Marketing expenses				
- Advertisement and publicity	<b>14,742</b>	14,510	<b>45,179</b>	44,615
- Others	<b>23,732</b>	20,438	<b>72,077</b>	55,100
	<b>38,474</b>	34,948	<b>117,256</b>	99,715
Administration and general expenses				
- Communication expenses	<b>11,421</b>	14,006	<b>38,088</b>	49,926
- Legal and professional fees	<b>9,891</b>	12,210	<b>31,192</b>	34,703
- Others	<b>36,083</b>	42,801	<b>120,810</b>	132,342
	<b>57,395</b>	69,017	<b>190,090</b>	216,971
Total other operating expenses	<b>889,731</b>	845,782	<b>2,687,324</b>	2,614,495

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**A24. Other Operating Expenses (continued)**

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Personnel costs				
- Salaries, allowances and bonuses	394,774	358,713	1,186,173	1,118,217
- Pension costs	58,049	52,745	176,191	165,946
- Others	32,032	30,960	99,935	93,812
	<u>484,855</u>	<u>442,418</u>	<u>1,462,299</u>	<u>1,377,975</u>
Establishment costs				
- Depreciation	44,110	42,913	131,575	127,197
- Rental	25,606	24,420	75,558	72,480
- Insurance	5,031	4,458	14,525	14,322
- Water and electricity	8,927	9,115	25,726	27,287
- General repairs and maintenance	22,866	23,090	65,540	69,434
- Information technology expenses	5,270	5,181	17,919	17,988
- Others	11,967	10,434	33,069	32,783
	<u>123,777</u>	<u>119,611</u>	<u>363,912</u>	<u>361,491</u>
Marketing expenses				
- Advertisement and publicity	5,048	4,504	16,510	16,044
- Others	11,179	12,664	35,004	35,354
	<u>16,227</u>	<u>17,168</u>	<u>51,514</u>	<u>51,398</u>
Administration and general expenses				
- Communication expenses	8,646	10,875	28,815	39,274
- Legal and professional fees	6,813	7,653	21,849	23,801
- Others	21,394	25,842	70,805	78,580
	<u>36,853</u>	<u>44,370</u>	<u>121,469</u>	<u>141,655</u>
Shared service cost charged to Public Islamic Bank Berhad *	(94,504)	(84,718)	(280,707)	(261,847)
Total other operating expenses	<u>567,208</u>	<u>538,849</u>	<u>1,718,487</u>	<u>1,670,672</u>

\* The type of services rendered by the Bank to Public Islamic Bank Berhad in Malaysia are as follows:

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Credit related services	(50,872)	(43,830)	(152,442)	(138,783)
Non-credit branch support services	(26,574)	(26,223)	(79,454)	(80,271)
Other administration services	(17,058)	(14,665)	(48,811)	(42,793)
	<u>(94,504)</u>	<u>(84,718)</u>	<u>(280,707)</u>	<u>(261,847)</u>

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**A25. Allowance for Impairment on Loans, Advances and Financing**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>30 September 2017 RM'000</b>
<b><u>Group</u></b>				
Allowance for impairment				
on loans and financing:				
- Expected credit losses	<b>129,987</b>	-	<b>325,072</b>	-
- Collective assessment allowance, net	-	73,590	-	192,728
- Individual assessment allowance, net	-	61,574	-	151,678
Writeback of allowance for bad debts from stockbroking activities	-	(10)	-	(2)
Impaired loans and financing written off	<b>32</b>	50	<b>79</b>	108
Impaired loans and financing recovered	<b>(81,144)</b>	(49,319)	<b>(190,321)</b>	(165,018)
	<b><u>48,875</u></b>	<u>85,885</u>	<b><u>134,830</u></b>	<u>179,494</u>
	<b>3rd Quarter Ended</b>	<b>30 September</b>	<b>Nine Months Ended</b>	<b>30 September</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
Allowance for impairment				
on loans and financing:				
- Expected credit losses	<b>74,677</b>	-	<b>160,686</b>	-
- Collective assessment allowance, net	-	50,679	-	148,661
- Individual assessment allowance, net	-	19,981	-	17,807
Impaired loans written off	<b>32</b>	50	<b>78</b>	105
Impaired loans recovered	<b>(27,430)</b>	(25,158)	<b>(90,238)</b>	(84,152)
	<b><u>47,279</u></b>	<u>45,552</u>	<b><u>70,526</u></b>	<u>82,421</u>

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**A26. Segment Information**

3rd Quarter Ended 30 September 2018	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	640,422	2,818,863	498,219	389,603	41,708	348,766	1,692	425,044	5,164,317	460,359	-	5,624,676
Revenue from other segments	1,870	376,437	11,479	526,700	340	12,801	11,948	109,119	1,050,694	15,229	(1,065,923)	-
	<b>642,292</b>	<b>3,195,300</b>	<b>509,698</b>	<b>916,303</b>	<b>42,048</b>	<b>361,567</b>	<b>13,640</b>	<b>534,163</b>	<b>6,215,011</b>	<b>475,588</b>	<b>(1,065,923)</b>	<b>5,624,676</b>
Net interest income and												
Islamic banking income	166,027	1,179,499	135,124	88,717	6,383	5,581	(5,991)	263,599	1,838,939	303,682	-	2,142,621
Other income	985	178,264	8,714	85,850	15,510	224,159	13,190	(1,381)	525,291	52,624	(21,760)	556,155
Net income	167,012	1,357,763	143,838	174,567	21,893	229,740	7,199	262,218	2,364,230	356,306	(21,760)	2,698,776
Other operating expenses	(56,981)	(460,265)	(3,800)	(10,427)	(8,628)	(60,088)	(6,340)	(148,788)	(755,317)	(156,174)	21,760	(889,731)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(41,880)	21,984	(33,988)	-	105	(42)	-	-	(53,821)	4,946	-	(48,875)
Writeback of allowance / (Allowance) for impairment on other assets	-	262	-	(364)	(5)	-	-	261	154	(123)	-	31
Profit by segments	<b>68,151</b>	<b>919,744</b>	<b>106,050</b>	<b>163,776</b>	<b>13,365</b>	<b>169,610</b>	<b>859</b>	<b>113,691</b>	<b>1,555,246</b>	<b>204,955</b>	<b>-</b>	<b>1,760,201</b>
Reconciliation of segment profits to consolidated profits: Share of loss after tax of equity accounted associated companies									(440)	-		(440)
Profit before tax expense and zakat									<b>1,554,806</b>	<b>204,955</b>		<b>1,759,761</b>

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**A26. Segment Information (continued)**

3rd Quarter Ended 30 September 2017	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	654,103	2,585,056	455,027	358,108	45,045	350,663	1,540	410,592	4,860,134	452,158	-	5,312,292
Revenue from other segments	2,012	322,228	10,316	538,976	138	12,086	7,962	119,376	1,013,094	8,737	(1,021,831)	-
	<u>656,115</u>	<u>2,907,284</u>	<u>465,343</u>	<u>897,084</u>	<u>45,183</u>	<u>362,749</u>	<u>9,502</u>	<u>529,968</u>	<u>5,873,228</u>	<u>460,895</u>	<u>(1,021,831)</u>	<u>5,312,292</u>
Net interest income and												
Islamic banking income	179,924	1,209,812	128,560	96,489	6,620	5,080	(5,535)	191,053	1,812,003	302,954	-	2,114,957
Other income	1,079	175,021	17,695	78,852	14,950	214,502	9,442	57,975	569,516	57,017	(17,780)	608,753
Net income	<u>181,003</u>	<u>1,384,833</u>	<u>146,255</u>	<u>175,341</u>	<u>21,570</u>	<u>219,582</u>	<u>3,907</u>	<u>249,028</u>	<u>2,381,519</u>	<u>359,971</u>	<u>(17,780)</u>	<u>2,723,710</u>
Other operating expenses	(54,117)	(427,473)	(3,200)	(9,981)	(9,544)	(47,786)	(5,168)	(150,583)	(707,852)	(155,710)	17,780	(845,782)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(32,012)	(11,559)	(477)	-	52	-	-	-	(43,996)	(41,889)	-	(85,885)
Writeback of allowance for impairment on other assets	-	218	-	-	-	-	-	-	218	-	-	218
Profit / (Loss) by segments	<u>94,874</u>	<u>946,019</u>	<u>142,578</u>	<u>165,360</u>	<u>12,078</u>	<u>171,796</u>	<u>(1,261)</u>	<u>98,445</u>	<u>1,629,889</u>	<u>162,372</u>	<u>-</u>	<u>1,792,261</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									693	-		693
Profit before tax expense and zakat									<u>1,630,582</u>	<u>162,372</u>		<u>1,792,954</u>

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**A26. Segment Information (continued)**

	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
<b>Nine Months Ended 30 September 2018</b>												
External revenue	1,916,570	8,251,207	1,471,601	1,018,801	130,475	1,070,120	18,741	1,227,057	15,104,572	1,305,195	-	16,409,767
Revenue from other segments	3,454	958,688	29,201	1,683,138	478	36,526	31,857	337,015	3,080,357	41,487	(3,121,844)	-
	<u>1,920,024</u>	<u>9,209,895</u>	<u>1,500,802</u>	<u>2,701,939</u>	<u>130,953</u>	<u>1,106,646</u>	<u>50,598</u>	<u>1,564,072</u>	<u>18,184,929</u>	<u>1,346,682</u>	<u>(3,121,844)</u>	<u>16,409,767</u>
Net interest income and												
Islamic banking income	517,857	3,512,540	397,481	340,741	18,464	15,222	(17,496)	776,652	5,561,461	886,591	-	6,448,052
Other income	2,367	532,924	33,916	249,511	51,899	669,685	49,979	8,545	1,598,826	149,586	(63,668)	1,684,744
Net income	<u>520,224</u>	<u>4,045,464</u>	<u>431,397</u>	<u>590,252</u>	<u>70,363</u>	<u>684,907</u>	<u>32,483</u>	<u>785,197</u>	<u>7,160,287</u>	<u>1,036,177</u>	<u>(63,668)</u>	<u>8,132,796</u>
Other operating expenses	(182,365)	(1,380,279)	(11,679)	(31,027)	(31,410)	(176,035)	(19,144)	(456,887)	(2,288,826)	(462,166)	63,668	(2,687,324)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(97,817)	67,914	(35,724)	-	174	367	-	-	(65,086)	(69,744)	-	(134,830)
Writeback of allowance / (Allowance) for impairment on other assets	-	207	-	(488)	(15)	-	-	(561)	(857)	(1,065)	-	(1,922)
Profit by segments	<u>240,042</u>	<u>2,733,306</u>	<u>383,994</u>	<u>558,737</u>	<u>39,112</u>	<u>509,239</u>	<u>13,339</u>	<u>327,749</u>	<u>4,805,518</u>	<u>503,202</u>	<u>-</u>	<u>5,308,720</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									2,726	-		2,726
Profit before tax expense and zakat									<u>4,808,244</u>	<u>503,202</u>		<u>5,311,446</u>
Cost income ratio	35.1%	34.1%	2.7%	5.3%	44.6%	25.7%	58.9%	58.2%	32.0%	44.6%		33.0%



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**A26. Segment Information (continued)**

Nine Months Ended 30 September 2018	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
Gross loans, advances and financing Loan growth	48,500,856 0.7%	201,968,727 3.9%	40,681,277 3.5%	- -	370,476 -5.7%	95,448 7.4%	1,724 8.2%	- -	291,618,508 3.3%	22,855,448 3.3%		314,473,956 3.3%
Impaired loans, advances and financing Impaired loan and financing ratio	303,780 0.6%	935,835 0.5%	38,398 0.1%	- -	- -	398 0.4%	- -	- -	1,278,411 0.4%	343,501 1.5%		1,621,912 0.5%
Deposits from customers Deposit growth	- -	244,957,651 4.0%	396,656 55.5%	60,722,243 7.6%	910,729 -6.5%	- -	- -	- -	306,987,279 4.7%	27,948,156 7.2%		334,935,435 4.9%
Segment assets	<b>48,241,928</b>	<b>252,629,466</b>	<b>40,310,118</b>	<b>77,415,245</b>	<b>2,340,570</b>	<b>416,096</b>	<b>866,393</b>	<b>44,659,740</b>	<b>466,879,556</b>	<b>36,626,340</b>	<b>(92,138,204)</b>	<b>411,367,692</b>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									37,954	16		37,970
Unallocated assets									853,559	-		853,559
Intangible assets									775,493	1,682,780		2,458,273
Total assets									<b>468,546,562</b>	<b>38,309,136</b>		<b>414,717,494</b>

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**A26. Segment Information (continued)**

Nine Months Ended 30 September 2017	-----<----- Operating Segments ----->-----											Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
External revenue	1,980,625	7,586,066	1,336,915	1,046,213	137,702	1,007,945	4,546	1,056,100	14,156,112	1,351,512	-	15,507,624
Revenue from other segments	3,561	935,874	27,572	1,602,027	1,103	33,794	23,066	376,193	3,003,190	23,253	(3,026,443)	-
	<u>1,984,186</u>	<u>8,521,940</u>	<u>1,364,487</u>	<u>2,648,240</u>	<u>138,805</u>	<u>1,041,739</u>	<u>27,612</u>	<u>1,432,293</u>	<u>17,159,302</u>	<u>1,374,765</u>	<u>(3,026,443)</u>	<u>15,507,624</u>
Net interest income and												
Islamic banking income	562,555	3,514,479	377,930	307,084	18,279	13,218	(16,406)	587,028	5,364,167	911,157	-	6,275,324
Other income	2,866	521,786	41,422	248,974	50,049	615,447	27,462	71,675	1,579,681	159,628	(54,417)	1,684,892
Net income	<u>565,421</u>	<u>4,036,265</u>	<u>419,352</u>	<u>556,058</u>	<u>68,328</u>	<u>628,665</u>	<u>11,056</u>	<u>658,703</u>	<u>6,943,848</u>	<u>1,070,785</u>	<u>(54,417)</u>	<u>7,960,216</u>
Other operating expenses	(182,101)	(1,324,534)	(9,841)	(29,905)	(32,630)	(145,242)	(15,135)	(450,557)	(2,189,945)	(478,967)	54,417	(2,614,495)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(94,045)	3,442	(2,280)	-	16	-	-	-	(92,867)	(86,627)	-	(179,494)
Allowance for impairment on other assets	-	(2,378)	-	-	-	-	-	-	(2,378)	-	-	(2,378)
Profit / (Loss) by segments	<u>289,275</u>	<u>2,712,795</u>	<u>407,231</u>	<u>526,153</u>	<u>35,714</u>	<u>483,423</u>	<u>(4,079)</u>	<u>208,146</u>	<u>4,658,658</u>	<u>505,191</u>	<u>-</u>	<u>5,163,849</u>
Reconciliation of segment profits to consolidated profits:												
Share of loss after tax of equity accounted associated companies									(3,414)	-		(3,414)
Profit before tax expense and zakat									<u>4,655,244</u>	<u>505,191</u>		<u>5,160,435</u>
Cost income ratio	32.2%	32.8%	2.3%	5.4%	47.8%	23.1%	136.9%	68.4%	31.5%	44.7%		32.8%

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**A26. Segment Information (continued)**

Nine Months Ended 30 September 2017	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
Gross loans, advances and financing	48,506,216	191,403,559	38,872,350	-	376,568	88,232	1,836	-	279,248,761	22,084,022		301,332,783
Loan growth	-2.2%	4.9%	3.8%	-	-1.8%	8.3%	-6.7%	-	3.5%	-8.2%		2.5%
Impaired loans, advances and financing	305,213	851,813	36,502	-	-	-	-	-	1,193,528	306,068		1,499,596
Impaired loan and financing ratio	0.6%	0.4%	0.1%	-	-	-	-	-	0.4%	1.4%		0.5%
Deposits from customers	-	230,398,048	253,991	63,517,325	963,539	-	-	-	295,132,903	27,420,930		322,553,833
Deposit growth	-	5.1%	0.4%	2.5%	-36.9%	-	-	-	4.3%	1.5%		4.1%
Segment assets	<u>48,275,116</u>	<u>237,788,499</u>	<u>38,828,442</u>	<u>84,251,983</u>	<u>2,616,497</u>	<u>444,680</u>	<u>855,087</u>	<u>34,511,674</u>	<u>447,571,978</u>	<u>36,294,326</u>	<u>(93,277,929)</u>	<u>390,588,375</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									34,992	17		35,009
Unallocated assets									946,088	-		946,088
Intangible assets									775,493	1,719,333		2,494,826
Total assets									<u>449,328,551</u>	<u>38,013,676</u>		<u>394,064,298</u>

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**A26. Segment Information (continued)**

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

**A27. Subsequent Events**

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

**A28. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the 3rd quarter and nine months ended 30 September 2018.

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**A29. Commitments and Contingencies**

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Contingent liabilities</b>				
Direct credit substitutes	<b>978,919</b>	1,012,069	<b>943,304</b>	978,443
Transaction-related contingent items	<b>1,653,924</b>	1,697,926	<b>1,387,512</b>	1,469,720
Short term self-liquidating trade-related contingencies	<b>592,678</b>	558,181	<b>129,837</b>	139,041
	<b>3,225,521</b>	3,268,176	<b>2,460,653</b>	2,587,204
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	<b>26,644,267</b>	27,556,467	<b>21,603,952</b>	22,521,236
- not exceeding one year	<b>23,079,315</b>	24,373,275	<b>19,377,564</b>	21,142,579
Unutilised credit card lines	<b>6,978,395</b>	6,462,047	<b>6,733,845</b>	6,230,704
Forward asset purchases	<b>133,998</b>	383,815	<b>35,117</b>	383,815
	<b>56,835,975</b>	58,775,604	<b>47,750,478</b>	50,278,334
<b>Derivative financial instruments</b>				
Foreign exchange related contracts:				
- up to one year	<b>25,294,333</b>	20,822,638	<b>24,881,651</b>	20,151,324
- more than one year to five years	<b>2,642,269</b>	1,649,368	<b>2,642,269</b>	1,649,368
Interest / Profit rate related contracts:				
- up to one year	<b>3,951,855</b>	1,450,000	<b>4,277,700</b>	2,050,000
- more than one year to five years	<b>6,065,865</b>	9,180,800	<b>6,963,095</b>	9,908,175
- more than five years	<b>302,111</b>	295,833	<b>2,000,000</b>	2,000,000
Commodity related contracts:				
- up to one year	<b>117</b>	412	<b>117</b>	412
	<b>38,256,550</b>	33,399,051	<b>40,764,832</b>	35,759,279
	<b>98,318,046</b>	95,442,831	<b>90,975,963</b>	88,624,817

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**A30. Derivative Financial Instruments**

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows:

Group As at 30 September 2018	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,126,971	414	-	1,127,385	7,726	-	-	7,726	3,987	-	-	3,987
- Cross currency interest rate swaps	413,850	-	-	413,850	-	-	-	-	88	-	-	88
- Swaps	23,295,509	-	-	23,295,509	165,573	-	-	165,573	71,504	-	-	71,504
- Options	44,153	-	-	44,153	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	117	-	-	117	-	-	-	-	-	-	-	-
	<u>24,880,600</u>	<u>414</u>	<u>-</u>	<u>24,881,014</u>	<u>173,299</u>	<u>-</u>	<u>-</u>	<u>173,299</u>	<u>75,579</u>	<u>-</u>	<u>-</u>	<u>75,579</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	2,324,155	970,770	522,111	3,817,036	6,355	10,393	20,404	37,152	944	-	-	944
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	413,850	413,850	1,034,625	1,862,325	-	-	73,867	73,867	183,172	28,848	-	212,020
Interest / Profit rate related contracts												
- Swaps	1,627,700	2,918,850	1,956,245	6,502,795	15,014	19,779	46,449	81,242	619	3,838	-	4,457
<b>Net Investment Hedge</b>												
Foreign exchange contracts												
- Forwards	-	-	1,193,380	1,193,380	-	-	-	-	-	-	58,927	58,927
	<u>4,365,705</u>	<u>4,303,470</u>	<u>4,706,361</u>	<u>13,375,536</u>	<u>21,369</u>	<u>30,172</u>	<u>140,720</u>	<u>192,261</u>	<u>184,735</u>	<u>32,686</u>	<u>58,927</u>	<u>276,348</u>
<b>Total</b>	<u>29,246,305</u>	<u>4,303,884</u>	<u>4,706,361</u>	<u>38,256,550</u>	<u>194,668</u>	<u>30,172</u>	<u>140,720</u>	<u>365,560</u>	<u>260,314</u>	<u>32,686</u>	<u>58,927</u>	<u>351,927</u>

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**A30. Derivative Financial Instruments** (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows (continued):

Group As at 31 December 2017	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,563,602	28,368	-	1,591,970	5,571	-	-	5,571	9,974	1,818	-	11,792
- Swaps	18,424,270	-	-	18,424,270	88,544	-	-	88,544	299,570	-	-	299,570
- Options	24,266	-	-	24,266	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	450,000	-	-	450,000	-	-	-	-	113	-	-	113
Precious metal contracts												
- Forwards	412	-	-	412	1	-	-	1	-	-	-	-
	<u>20,462,550</u>	<u>28,368</u>	<u>-</u>	<u>20,490,918</u>	<u>94,116</u>	<u>-</u>	<u>-</u>	<u>94,116</u>	<u>309,657</u>	<u>1,818</u>	<u>-</u>	<u>311,475</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	-	3,209,575	596,883	3,806,458	-	29,517	10,113	39,630	-	3,125	101	3,226
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	810,500	202,625	1,418,375	2,431,500	-	-	55,952	55,952	179,122	40,162	24,965	244,249
Interest / Profit rate related contracts												
- Swaps	1,000,000	2,840,500	2,829,675	6,670,175	613	14,259	21,749	36,621	380	7,353	1,446	9,179
	<u>1,810,500</u>	<u>6,252,700</u>	<u>4,844,933</u>	<u>12,908,133</u>	<u>613</u>	<u>43,776</u>	<u>87,814</u>	<u>132,203</u>	<u>179,502</u>	<u>50,640</u>	<u>26,512</u>	<u>256,654</u>
<b>Total</b>	<u>22,273,050</u>	<u>6,281,068</u>	<u>4,844,933</u>	<u>33,399,051</u>	<u>94,729</u>	<u>43,776</u>	<u>87,814</u>	<u>226,319</u>	<u>489,159</u>	<u>52,458</u>	<u>26,512</u>	<u>568,129</u>

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**A30. Derivative Financial Instruments** (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows (continued):

Bank As at 30 September 2018	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,027,009	414	-	1,027,423	7,467	-	-	7,467	3,751	-	-	3,751
- Cross currency interest rate swaps	413,850	-	-	413,850	-	-	-	-	88	-	-	88
- Swaps	22,982,789	-	-	22,982,789	164,128	-	-	164,128	71,405	-	-	71,405
- Options	44,153	-	-	44,153	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	117	-	-	117	-	-	-	-	-	-	-	-
	<u>24,467,918</u>	<u>414</u>	<u>-</u>	<u>24,468,332</u>	<u>171,595</u>	<u>-</u>	<u>-</u>	<u>171,595</u>	<u>75,244</u>	<u>-</u>	<u>-</u>	<u>75,244</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	2,200,000	888,000	220,000	3,308,000	6,355	7,156	1,483	14,994	-	-	-	-
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	413,850	413,850	1,034,625	1,862,325	-	-	73,867	73,867	183,172	28,848	-	212,020
Interest rate related contracts												
- Swaps	2,077,700	3,398,850	4,456,245	9,932,795	14,881	20,783	66,680	102,344	619	3,838	7,030	11,487
<b>Net Investment Hedge</b>												
Foreign exchange contracts												
- Forwards	-	-	1,193,380	1,193,380	-	-	-	-	-	-	58,927	58,927
	<u>4,691,550</u>	<u>4,700,700</u>	<u>6,904,250</u>	<u>16,296,500</u>	<u>21,236</u>	<u>27,939</u>	<u>142,030</u>	<u>191,205</u>	<u>183,791</u>	<u>32,686</u>	<u>65,957</u>	<u>282,434</u>
<b>Total</b>	<u>29,159,468</u>	<u>4,701,114</u>	<u>6,904,250</u>	<u>40,764,832</u>	<u>192,831</u>	<u>27,939</u>	<u>142,030</u>	<u>362,800</u>	<u>259,035</u>	<u>32,686</u>	<u>65,957</u>	<u>357,678</u>



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**A30. Derivative Financial Instruments** (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts are as follows (continued):

Bank As at 31 December 2017	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,431,512	28,368	-	1,459,880	5,531	-	-	5,531	9,910	1,818	-	11,728
- Swaps	17,885,046	-	-	17,885,046	84,952	-	-	84,952	298,221	-	-	298,221
- Options	24,266	-	-	24,266	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	450,000	-	-	450,000	-	-	-	-	113	-	-	113
Precious metal contracts												
- Forwards	412	-	-	412	1	-	-	1	-	-	-	-
	<u>19,791,236</u>	<u>28,368</u>	<u>-</u>	<u>19,819,604</u>	<u>90,484</u>	<u>-</u>	<u>-</u>	<u>90,484</u>	<u>308,244</u>	<u>1,818</u>	<u>-</u>	<u>310,062</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	-	3,088,000	220,000	3,308,000	-	29,517	1,809	31,326	-	-	-	-
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	810,500	202,625	1,418,375	2,431,500	-	-	55,952	55,952	179,122	40,162	24,965	244,249
Interest rate related contracts												
- Swaps	1,600,000	3,270,500	5,329,675	10,200,175	1,889	16,044	44,520	62,453	380	7,353	7,395	15,128
	<u>2,410,500</u>	<u>6,561,125</u>	<u>6,968,050</u>	<u>15,939,675</u>	<u>1,889</u>	<u>45,561</u>	<u>102,281</u>	<u>149,731</u>	<u>179,502</u>	<u>47,515</u>	<u>32,360</u>	<u>259,377</u>
<b>Total</b>	<u>22,201,736</u>	<u>6,589,493</u>	<u>6,968,050</u>	<u>35,759,279</u>	<u>92,373</u>	<u>45,561</u>	<u>102,281</u>	<u>240,215</u>	<u>487,746</u>	<u>49,333</u>	<u>32,360</u>	<u>569,439</u>

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**A30. Derivative Financial Instruments (continued)**

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

**Market Risk**

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

**Credit Risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at the reporting date, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM365,560,000 (2017: RM226,319,000) and RM362,800,000 (2017: RM240,215,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

**Liquidity Risk**

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

- iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at the reporting date, the Group and the Bank had posted cash collateral of RM213,245,000 (2017: RM371,846,000) on their derivative contracts.

- iv) There have been no changes since the end of the previous financial year in respect of the following:
- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
  - b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
  - c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and of the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2017 and Pillar 3 Disclosures section of the 2017 Annual Report.

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**A31. a) Fair Value Measurements**

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	1,141,868	-	1,141,868
- Money market instruments	-	859,206	-	859,206
- Non-money market instruments	-	29,956	423,949 *	453,905
	-	2,031,030	423,949	2,454,979
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	31,000,864	-	31,000,864
- Money market instruments	-	5,617,389	-	5,617,389
- Non-money market instruments	2,715	4,762,210	345,044 *	5,109,969
	2,715	41,380,463	345,044	41,728,222
Derivative financial assets	-	365,560	-	365,560
Total financial assets measured at fair value	2,715	43,777,053	768,993	44,548,761
<b>Non-financial assets</b>				
Investment properties	-	-	709,105	709,105
<b>Financial liabilities</b>				
Derivative financial liabilities	-	351,927	-	351,927
Total financial liabilities measured at fair value	-	351,927	-	351,927

\* Fair value measurement of unquoted equity securities arising from the adoption of MFRS 9 with effect from 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9.

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**A31. a) Fair Value Measurements** (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	699,796	-	699,796
- Money market instruments	-	646,834	-	646,834
- Non-money market instruments	-	29,911	-	29,911
	-	1,376,541	-	1,376,541
Financial investments available-for-sale				
- Government securities and treasury bills	-	20,403,419	-	20,403,419
- Money market instruments	-	4,967,182	-	4,967,182
- Non-money market instruments #	3,441	4,791,314	-	4,794,755
	3,441	30,161,915	-	30,165,356
Derivative financial assets	-	226,319	-	226,319
Total financial assets measured at fair value	3,441	31,764,775	-	31,768,216
<b>Non-financial assets</b>				
Investment properties	-	-	688,052	688,052
<b>Financial liabilities</b>				
Derivative financial liabilities	-	568,129	-	568,129
Total financial liabilities measured at fair value	-	568,129	-	568,129

# Excluding the carrying amount of unquoted equity securities held by the Group of RM159,701,000 which are not carried at fair value.

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**A31. a) Fair Value Measurements** (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	1,141,868	-	1,141,868
- Non-money market instruments	-	-	399,690 *	399,690
	-	1,141,868	399,690	1,541,558
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	22,268,633	-	22,268,633
- Money market instruments	-	5,477,337	-	5,477,337
- Non-money market instruments	-	1,641,431	338,525 *	1,979,956
	-	29,387,401	338,525	29,725,926
Derivative financial assets	-	362,800	-	362,800
Total financial assets measured at fair value	-	30,892,069	738,215	31,630,284
<b>Financial liabilities</b>				
Derivative financial liabilities	-	357,678	-	357,678
Total financial liabilities measured at fair value	-	357,678	-	357,678

\* Fair value measurement of unquoted equity securities arising from the adoption of MFRS 9 with effect from 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9.

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**A31. a) Fair Value Measurements** (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	699,796	-	699,796
Financial investments available-for-sale				
- Government securities and treasury bills	-	13,657,317	-	13,657,317
- Money market instruments	-	4,717,102	-	4,717,102
- Non-money market instruments #	-	1,681,256	-	1,681,256
	-	20,055,675	-	20,055,675
Derivative financial assets	-	240,215	-	240,215
Total financial assets measured at fair value	-	20,995,686	-	20,995,686
<b>Financial liabilities</b>				
Derivative financial liabilities	-	569,439	-	569,439
Total financial liabilities measured at fair value	-	569,439	-	569,439

# Excluding the carrying amount of unquoted equity securities held by the Bank of RM155,068,000 which are not carried at fair value.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2017: None).

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**A31. a) Fair Value Measurements** (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

Reconciliation of movements in Level 3 financial instruments:

	<b>&lt;- Unquoted Equity Securities -&gt;</b>			
	<b>Financial</b>	<b>Financial</b>	<b>Investment</b>	<b>Total</b>
<b>As at 30 September 2018</b>	<b>Assets at</b>	<b>Investments at</b>	<b>Properties</b>	<b>RM'000</b>
<b>Group</b>	<b>Fair Value</b>	<b>Fair Value</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Through</b>	<b>Through</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>Profit or Loss</b>	<b>Other</b>	<b>Investment</b>	<b>Total</b>
	<b>RM'000</b>	<b>Comprehensive</b>	<b>Properties</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>Income</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018				
- as previously stated	-	-	688,052	688,052
- effects of change in accounting policies	415,900	316,584	-	732,484
At 1 January 2018, as restated	415,900	316,584	688,052	1,420,536
Recognised in profit or loss				
- unrealised revaluation gain	8,049	-	15,619	23,668
Recognised in other comprehensive income				
- unrealised revaluation gain	-	28,180	-	28,180
Addition	-	-	24,683	24,683
Disposal	-	(114)	-	(114)
Transfer from owner occupied property	-	-	5,073	5,073
Transfer to owner occupied property	-	-	(27,907)	(27,907)
Exchange differences	-	394	3,585	3,979
At 30 September 2018	423,949	345,044	709,105	1,478,098
<b>Bank</b>				
At 1 January 2018				
- as previously stated	-	-	-	-
- effects of change in accounting policies	392,102	310,154	-	702,256
At 1 January 2018, as restated	392,102	310,154	-	702,256
Recognised in profit or loss				
- unrealised revaluation gain	7,588	-	-	7,588
Recognised in other comprehensive income				
- unrealised revaluation gain	-	28,166	-	28,166
Disposal	-	(114)	-	(114)
Exchange differences	-	319	-	319
At 30 September 2018	399,690	338,525	-	738,215

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**A31. a) Fair Value Measurements** (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities, price quotations from Bond Pricing Agency Malaysia and broker quotes on Bloomberg/Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgment and estimation, due to the low complexity of the financial instruments held.

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist. The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

**b) Gains/Losses Arising from Fair Value Changes of Financial Liabilities**

Other than derivative financial instruments where the fair value changes are recognised as derivative financial assets or liabilities, as disclosed in Note A30, there were no gains or losses arising from fair value changes of other financial liabilities.



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**A32. Capital Adequacy**

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

	Group		Bank	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
<u>Before deducting interim dividends *</u>				
Common Equity Tier I ("CET I") capital ratio	12.553%	12.758%	11.622%	12.136%
Tier I capital ratio	13.195%	13.538%	12.393%	13.072%
Total capital ratio	<u>15.750%</u>	<u>16.494%</u>	<u>14.903%</u>	<u>15.577%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	12.553%	12.248%	11.622%	11.506%
Tier I capital ratio	13.195%	13.028%	12.393%	12.442%
Total capital ratio	<u>15.750%</u>	<u>15.984%</u>	<u>14.903%</u>	<u>14.947%</u>

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

	Group		Bank	
	30 September 2018 RM'000	31 December 2017 RM'000	30 September 2018 RM'000	31 December 2017 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Share capital	9,417,653	9,417,653	9,417,653	9,417,653
Other reserves	1,202,827	945,620	718,486	625,430
Retained profits	25,124,093	24,723,059	21,392,545	20,811,292
Treasury shares	-	(149,337)	-	(149,337)
Qualifying non-controlling interests	697,535	673,372	-	-
Less: Goodwill and other intangible assets	(2,458,273)	(2,432,058)	(695,393)	(695,393)
Less: Deferred tax assets, net	(79,192)	(70,984)	-	-
Less: Defined benefit pension fund assets	(208,598)	(231,496)	(205,873)	(228,475)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(59,579)</u>	<u>(41,816)</u>	<u>(5,629,441)</u>	<u>(4,503,553)</u>
Total CET I capital	<u>33,636,466</u>	32,834,013	<u>24,997,977</u>	25,277,617
Additional Tier I capital securities	99,432	-	99,432	-
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	<u>60,672</u>	<u>57,550</u>	<u>-</u>	<u>-</u>
Total Tier I capital	<u>35,356,410</u>	<u>34,841,363</u>	<u>26,657,249</u>	<u>27,227,417</u>

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**A32. Capital Adequacy (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<u>Tier II capital</u>				
Stage 1 and Stage 2 expected credit loss allowances	<b>1,464,359</b>	-	<b>1,030,967</b>	-
Collective assessment allowance <sup>1</sup>	-	871,293	-	549,872
Qualifying regulatory reserves	<b>1,582,258</b>	2,076,283	<b>1,418,405</b>	1,843,663
Subordinated notes	<b>2,949,978</b>	3,949,837	<b>2,949,978</b>	3,949,837
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	<b>743,598</b>	718,418	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	-	(10,454)	-	(1,125,888)
Others	<b>107,459</b>	-	-	-
Total Tier II capital	<b><u>6,847,652</u></b>	<b><u>7,605,377</u></b>	<b><u>5,399,350</u></b>	<b><u>5,217,484</u></b>
Total capital	<b><u>42,204,062</u></b>	<b><u>42,446,740</u></b>	<b><u>32,056,599</u></b>	<b><u>32,444,901</u></b>

<sup>1</sup> Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM446,667,000 and RM313,351,000 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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**A32. Capital Adequacy (continued)**

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

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 Frameworks on Capital Components and 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. 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 jurisdiction 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 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.

b) The breakdown of risk-weighted assets by each major risk category of the Group and of the Bank is as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Credit risk	<b>243,729,364</b>	235,806,066	<b>195,949,776</b>	191,482,831
Market risk	<b>4,354,145</b>	2,925,168	<b>5,126,251</b>	4,126,123
Operational risk	<b>19,291,453</b>	18,620,545	<b>13,465,800</b>	12,678,955
Large exposure risk	<b>581,132</b>	-	<b>556,873</b>	-
	<b><u>267,956,094</u></b>	<u>257,351,779</u>	<b><u>215,098,700</u></b>	<u>208,287,909</u>

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**A32. Capital Adequacy (continued)**

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

	<b>Public Islamic Bank Berhad<sup>1</sup></b>	<b>Public Investment Bank Berhad<sup>2</sup></b>	<b>Public Bank (L) Ltd.<sup>3</sup></b>	<b>Public Bank (Hong Kong) Limited<sup>4</sup></b>	<b>Public Finance Limited<sup>4</sup></b>	<b>Cambodian Public Bank Plc<sup>5</sup></b>	<b>Public Bank Vietnam Limited<sup>6</sup></b>
<b>30 September 2018</b>							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	<b>11.552%</b>	<b>42.641%</b>	<b>19.334%</b>	<b>16.294%</b>	<b>22.492%</b>	<b>N/A</b>	<b>N/A</b>
Tier I capital ratio	<b>11.552%</b>	<b>42.641%</b>	<b>19.334%</b>	<b>16.294%</b>	<b>22.492%</b>	<b>N/A</b>	<b>N/A</b>
Total capital ratio	<b>15.590%</b>	<b>43.154%</b>	<b>19.338%</b>	<b>17.447%</b>	<b>23.540%</b>	<b>20.219%</b>	<b>28.873%</b>
<u>After deducting interim dividends: *</u>							
CET I capital ratio	<b>11.552%</b>	<b>42.641%</b>	<b>19.334%</b>	<b>16.294%</b>	<b>22.492%</b>	<b>N/A</b>	<b>N/A</b>
Tier I capital ratio	<b>11.552%</b>	<b>42.641%</b>	<b>19.334%</b>	<b>16.294%</b>	<b>22.492%</b>	<b>N/A</b>	<b>N/A</b>
Total capital ratio	<b>15.590%</b>	<b>43.154%</b>	<b>19.338%</b>	<b>17.447%</b>	<b>23.540%</b>	<b>20.219%</b>	<b>28.873%</b>
<b>31 December 2017</b>							
<u>Before deducting interim dividends: *</u>							
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%
<u>After deducting interim dividends: *</u>							
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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**A32. Capital Adequacy (continued)**

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

- <sup>1</sup> 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 Frameworks for Islamic Banks on Capital Components and 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.
- <sup>2</sup> 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 Frameworks on Capital Components and 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.
- <sup>3</sup> Effective from 1 July 2018, the risk-weighted assets of Public Bank (L) Ltd ("PBL") 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 the Banking Capital Adequacy Framework - Guidelines on Capital Components and Risk Weighted Assets issued by the Labuan Financial Services Authority ("Labuan FSA"). The minimum regulatory capital adequacy requirements for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. Prior to 1 July 2018, the capital adequacy ratios of PBL for capital compliance on a standalone basis were computed in accordance with the Guidelines on Risk-Weighted Capital Adequacy issued by the Labuan FSA, which was based on the Basel I capital accord. The minimum regulatory capital adequacy requirements for the Tier I capital ratio and total capital ratio under Basel I were 4.0% and 8.0% respectively.
- <sup>4</sup> 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 Hong Kong Monetary Authority to their private sector exposures in Hong Kong with effect from 1 January 2018.

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**A32. Capital Adequacy** (continued)

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

- <sup>5</sup> 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%.
- <sup>6</sup> 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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**A33. Operations of Islamic Banking**

a) **Statement of Financial Position As At 30 September 2018**

	Note	Group	
		30 September 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>			
Cash and balances with banks		2,328,669	3,636,868
Financial assets at fair value through profit or loss		859,206	-
Financial assets held-for-trading		-	646,834
Derivative financial assets		7,992	7,468
Financial investments at fair value through other comprehensive income		7,682,310	-
Financial investments available-for-sale		-	5,825,046
Financial investments at amortised cost		3,524,171	-
Financial investments held-to-maturity		-	3,002,331
Financing and advances	A33(d)	44,686,760	41,705,965
Other assets		72,528	76,090
Statutory deposits with Bank Negara Malaysia		1,876,800	1,674,050
Deferred tax assets		1,730	4,172
Collective investments		525,980	513,071
Investment in an associated company		30,000	30,000
Property and equipment		975	1,016
<b>Total Assets</b>		<b>61,597,121</b>	<b>57,122,911</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	A33(e)	52,796,436	49,504,109
Deposits from banks		2,270,783	1,993,695
Bills and acceptances payable		424	365
Derivative financial liabilities		22,064	27,351
Senior Sukuk Murabahah		519,753	-
Subordinated Sukuk Murabahah		999,823	999,631
Other liabilities		500,437	367,272
Provision for zakat and taxation		51,026	43,536
<b>Total Liabilities</b>		<b>57,160,746</b>	<b>52,935,959</b>
Islamic Banking Funds		4,436,375	4,186,952
<b>Total Liabilities and Islamic Banking Funds</b>		<b>61,597,121</b>	<b>57,122,911</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>10,865,360</b>	<b>10,784,272</b>

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**A33. Operations of Islamic Banking** (continued)

**b) Statement of Profit or Loss for the 3rd Quarter and Nine Months Ended 30 September 2018**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	671,750	585,971	1,909,282	1,707,326
Income derived from investment of Islamic Banking Funds	53,749	47,685	155,083	134,934
Allowance for impairment on financing and advances	(19,845)	(17,978)	(34,671)	(57,339)
(Allowance) / Writeback of allowance for impairment on other assets	(94)	36	(354)	95
<b>Total distributable income</b>	<b>705,560</b>	<b>615,714</b>	<b>2,029,340</b>	<b>1,785,016</b>
Income attributable to depositors and others	(455,796)	(378,940)	(1,257,916)	(1,085,125)
<b>Total net income</b>	<b>249,764</b>	<b>236,774</b>	<b>771,424</b>	<b>699,891</b>
Other operating expenses	(106,682)	(99,845)	(323,826)	(306,150)
<b>Profit before zakat and taxation</b>	<b>143,082</b>	<b>136,929</b>	<b>447,598</b>	<b>393,741</b>
Zakat	(65)	(65)	(195)	(195)
Taxation	(32,799)	(31,210)	(104,271)	(91,475)
<b>Profit for the period</b>	<b>110,218</b>	<b>105,654</b>	<b>343,132</b>	<b>302,071</b>

Net income from Islamic banking business as reported in the statement of profit or loss of the Group is derived as follows:

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
Income derived from investment of depositors' funds and others	671,750	585,971	1,909,282	1,707,326
Income derived from investment of Islamic Banking Funds	53,749	47,685	155,083	134,934
Income attributable to depositors and others	(455,796)	(378,940)	(1,257,916)	(1,085,125)
Elimination of distribution income from collective investment	(4,559)	(4,008)	(12,997)	(11,284)
<b>Net income from Islamic banking business</b>	<b>265,144</b>	<b>250,708</b>	<b>793,452</b>	<b>745,851</b>



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**A33. Operations of Islamic Banking** (continued)

**c) Statement of Profit or Loss and Other Comprehensive Income for the 3rd Quarter and Nine Months Ended 30 September 2018**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2018 RM'000	30 September 2017 RM'000	30 September 2018 RM'000	30 September 2017 RM'000
<b><u>Group</u></b>				
Profit for the period	<b>110,218</b>	105,654	<b>343,132</b>	302,071
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	<b>19,556</b>	-	<b>1,994</b>	-
- available-for-sale	-	12,070	-	22,667
Hedging reserves:				
- Net change in cash flow hedges	<b>(5,088)</b>	(3,868)	<b>7,636</b>	(35,696)
	<b>14,468</b>	8,202	<b>9,630</b>	(13,029)
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	<b>(4,693)</b>	(2,897)	<b>(479)</b>	(5,440)
- Hedging reserves	<b>1,221</b>	929	<b>(1,833)</b>	8,567
	<b>(3,472)</b>	(1,968)	<b>(2,312)</b>	3,127
Other comprehensive income / (loss) for the period, net of tax	<b>10,996</b>	6,234	<b>7,318</b>	(9,902)
Total comprehensive income for the period	<b>121,214</b>	111,888	<b>350,450</b>	292,169

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**A33. Operations of Islamic Banking** (continued)

**d) Financing and Advances**

By type and contract

<b>30 September 2018</b>	<b>Bai' Bithaman Ajil RM'000</b>	<b>Ijarah Thumma Al-Bai' RM'000</b>	<b>Bai' Inah RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Murabahah RM'000</b>	<b>Others RM'000</b>	<b>Total Financing and Advances RM'000</b>
<b>At amortised cost</b>							
Cash line	1,587,626	-	-	-	-	-	1,587,626
Term financing							
- House financing	4,428,296	-	-	12,459,236	-	-	16,887,532
- Syndicated financing	1,420,492	-	-	-	-	-	1,420,492
- Hire purchase receivables	-	10,253,346	-	-	-	-	10,253,346
- Other term financing	3,103,874	-	1,705,905	9,446,026	-	108,355	14,364,160
Credit card receivables	-	-	-	-	-	18,199	18,199
Bills receivables	-	-	-	-	1,566	-	1,566
Trust receipts	-	-	-	-	4,262	-	4,262
Claims on customers under acceptance credits	-	-	-	-	166,964	-	166,964
Revolving credits	206,527	-	-	-	-	-	206,527
Staff financing	-	7,988	-	69,027	-	-	77,015
Gross financing and advances	<b>10,746,815</b>	<b>10,261,334</b>	<b>1,705,905</b>	<b>21,974,289</b>	<b>172,792</b>	<b>126,554</b>	<b>44,987,689</b>
Allowance for impairment on financing and advances:							
- collective assessment allowance							(299,992)
- Stage 1: 12-Month ECL							(130,414)
- Stage 2: Lifetime ECL not credit impaired							(85,914)
- Stage 3: Lifetime ECL credit impaired							(83,664)
- individual assessment allowance							(937)
- Stage 3: Lifetime ECL credit impaired							(937)
Net financing and advances							<b>44,686,760</b>

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**A33. Operations of Islamic Banking** (continued)

**d) Financing and Advances** (continued)

By type and contract (continued)

<b>31 December 2017</b>	<b>Bai' Bithaman Ajil RM'000</b>	<b>Ijarah Thumma Al-Bai' RM'000</b>	<b>Bai' Inah RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Murabahah RM'000</b>	<b>Others RM'000</b>	<b>Total Financing and Advances RM'000</b>
<b>At amortised cost</b>							
Cash line	1,380,952	-	-	-	-	-	1,380,952
Term financing							
- House financing	4,131,197	-	-	10,550,865	-	-	14,682,062
- Syndicated financing	1,306,278	-	-	-	-	-	1,306,278
- Hire purchase receivables	-	10,875,598	-	-	-	-	10,875,598
- Other term financing	3,183,612	-	1,777,632	8,379,688	-	-	13,340,932
Credit card receivables	-	-	-	-	-	14,158	14,158
Bill receivables	-	-	-	-	604	-	604
Trust receipts	-	-	-	-	5,000	-	5,000
Claims on customers under acceptance credits	-	-	-	-	135,388	-	135,388
Revolving credits	204,923	-	-	-	-	-	204,923
Staff financing	-	6,597	-	56,441	-	-	63,038
Gross financing and advances	10,206,962	10,882,195	1,777,632	18,986,994	140,992	14,158	42,008,933
Allowance for impairment on financing and advances:							
- collective assessment allowance							(302,968)
- individual assessment allowance							-
Net financing and advances							<u><u>41,705,965</u></u>

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**A33. Operations of Islamic Banking** (continued)

**d) Financing and Advances** (continued)

Movements in credit-impaired financing and advances are as follows:

	<b>Group</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
At 1 January	244,386	225,667
Impaired during the period / year	493,736	656,378
Reclassified as non-impaired	(373,848)	(503,479)
Recoveries	(35,189)	(43,413)
Amount written off	(58,856)	(89,715)
Financing converted to foreclosed properties	(1,578)	(1,052)
Closing balance	<u>268,651</u>	<u>244,386</u>
Gross impaired financing and advances as a percentage of gross financing and advances	<u>0.60%</u>	<u>0.58%</u>

**e) Deposits from Customers**

	<b>Group</b>	
	<b>30 September 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>By type of deposit and contract</b>		
<b>At amortised cost</b>		
Savings deposit		
- Qard	6,377,812	-
- Wadiah	-	6,162,278
	<u>6,377,812</u>	<u>6,162,278</u>
Demand deposit		
- Qard	4,105,006	-
- Wadiah	-	4,165,878
	<u>4,105,006</u>	<u>4,165,878</u>
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	-	17,473
- Commodity Murabahah	36,082,384	33,021,079
- Special term deposit account		
- Qard	6,231,234	-
- Wadiah	-	6,137,401
	<u>42,313,618</u>	<u>39,175,953</u>
	<u>52,796,436</u>	<u>49,504,109</u>

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**A34. Changes in Accounting Policies**

**(a) Adoption of MFRS 9 Financial Instruments (2014)**

The Group and the Bank have adopted the requirements of MFRS 9 on 1 January 2018. MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following significant changes in accounting policies. The Group and the Bank have also elected an accounting policy choice allowed under MFRS 9 to continue applying existing hedge accounting requirements in MFRS 139 on the adoption of MFRS 9.

The changes in accounting policies have been applied retrospectively from 1 January 2018. In accordance with the transition requirements, comparatives are not restated. The significant changes to accounting policies are discussed and summarised below:

**(i) Classification and measurement**

The Group and the Bank classify financial assets into three primary measurement categories: Amortised Cost, Fair Value Through Profit or Loss (“FVTPL”) and Fair Value Through Other Comprehensive Income (“FVOCI”). The basis of classification depends on the Group’s and the Bank’s business model and contractual cash flow characteristics of the financial asset.

Financial assets

Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and interest. All other financial assets are classified and measured at FVTPL. On initial recognition of certain equity investments that are not held for trading, the Group and the Bank have irrevocably elected to present subsequent changes in fair value in other comprehensive income. This election is made on an instrument-by-instrument basis and is irrevocable.

Financial liabilities

As MFRS 9 retains most of the MFRS 139 requirements, there is no change to the classification and measurement of the Group’s and the Bank’s financial liabilities.

Impact as a result of MFRS 9 adoption

- a) Both quoted and unquoted equity instruments which are not held for trading and were previously classified as available-for-sale are now classified and measured at either FVTPL or FVOCI.
- b) Unquoted equity instruments which were previously measured at cost are now measured at fair value.
- c) Certain debt instruments which were previously classified as held-to-maturity are redesignated and now measured at FVOCI.

The financial effects arising from the adoption of MFRS 9 are presented in Note A34 (c).

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**A34. Changes in Accounting Policies** (continued)

**(a) Adoption of MFRS 9 Financial Instruments (2014)** (continued)

**(ii) Impairment**

MFRS 9 introduces expected credit losses (“ECL”) model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred as at reporting date. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts, which include loans, advances and financing and investment securities.

MFRS 9 does not distinguish between individual assessment and collective assessment for purposes of ECL computation. For loans, advances and financing, the Group and the Bank first assess individually whether objective evidence of impairment exists for loans which are individually significant. If it is determined that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed loan, a lifetime ECL will be recognised for impairment loss which has been incurred. Collectively, the individual assessment allowance and collective assessment allowance form the total allowance for impairment on loans, advances and financing.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

i) Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

ii) Stage 2: Lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

iii) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Impact as a result of MFRS 9 adoption

The total ECL allowances computed under MFRS 9 is higher than the total allowance for impairment on loans, advances and financing under MFRS 139 as more forward looking approach is adopted as well as more financial assets (MFRS 9 includes loan commitments and financial guarantee contracts) were assessed for impairment and allowances for impairment were made for at least 12-month ECL.

The financial effects arising from the adoption of MFRS 9 are presented in Note A34(c).

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**A34. Changes in Accounting Policies** (continued)

**(b) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions**

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions ("BNM's revised Policy Documents") which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The Bank and its domestic banking subsidiary companies had previously maintained, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions.

The financial effects of the adoption of the revised policy documents are presented in Note A34(c).

**(c) Financial Effects Due to the Changes in Accounting Policies**

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank:

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Cash and Balances with Banks</b>		
Closing balance under MFRS 139 at 31 December 2017	14,006,541	6,387,571
- Recognition of expected credit losses under MFRS 9	(322)	-
Opening balance under MFRS 9 at 1 January 2018	14,006,219	6,387,571
<b>Financial Assets at FVTPL</b>		
Closing balance under MFRS 139 at 31 December 2017	-	-
- Redesignation from Financial Assets Held-for-trading	1,376,541	699,796
- Redesignation from Financial Investments Available-for-sale	3,495	3,295
- Unrealised gain on unquoted equity instruments	412,405	388,807
Opening balance under MFRS 9 at 1 January 2018	1,792,441	1,091,898
<b>Financial Assets Held-for-trading</b>		
Closing balance under MFRS 139 at 31 December 2017	1,376,541	699,796
- Redesignation to Financial Assets at FVTPL	(1,376,541)	(699,796)
Opening balance under MFRS 9 at 1 January 2018	-	-
<b>Financial Investments at FVOCI</b>		
Closing balance under MFRS 139 at 31 December 2017	-	-
- Redesignation from Financial Investments Available-for-sale	30,321,552	20,207,448
- Redesignation from Financial Investment Held-to-maturity	6,381,628	6,381,628
- Unrealised gain on financial investments	223,371	219,408
- Recognition of expected credit losses under MFRS 9	(6,436)	(4,470)
Opening balance under MFRS 9 at 1 January 2018	36,920,115	26,804,014

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**A34. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank (continued):

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Financial Investments Available-for-sale</b>		
Closing balance under MFRS 139 at 31 December 2017	30,325,057	20,210,743
- Redesignation to Financial Investments at FVOCI	(30,321,552)	(20,207,448)
- Redesignation to Financial Assets at FVTPL	(3,495)	(3,295)
- Redesignation to Financial Investments at Amortised Cost	(10)	-
Opening balance under MFRS 9 at 1 January 2018	<u>-</u>	<u>-</u>
<b>Financial Investments at Amortised Cost</b>		
Closing balance under MFRS 139 at 31 December 2017	-	-
- Redesignation from Financial Investments Held-to-maturity	22,196,708	16,949,865
- Redesignation from Financial Investments Available-for-sale	10	-
- Recognition of expected credit losses under MFRS 9	(3,704)	(2,869)
Opening balance under MFRS 9 at 1 January 2018	<u>22,193,014</u>	<u>16,946,996</u>
<b>Financial Investments Held-to-maturity</b>		
Closing balance under MFRS 139 at 31 December 2017	28,578,336	23,331,493
- Redesignation to Financial Investments at Amortised Cost	(22,196,708)	(16,949,865)
- Redesignation to Financial Investments at FVOCI	(6,381,628)	(6,381,628)
Opening balance under MFRS 9 at 1 January 2018	<u>-</u>	<u>-</u>
<b>Loans, Advances and Financing</b>		
Closing balance under MFRS 139 at 31 December 2017	303,044,127	240,576,248
- Recognition of expected credit losses under MFRS 9	(390,578)	(326,120)
Opening balance under MFRS 9 at 1 January 2018	<u>302,653,549</u>	<u>240,250,128</u>
<b>Deferred Tax Assets</b>		
Closing balance under MFRS 139 at 31 December 2017	70,984	-
- In respect of unrealised gain on FVOCI	(264)	-
- In respect of recognition of expected credit losses under MFRS 9	12,272	-
Opening balance under MFRS 9 at 1 January 2018	<u>82,992</u>	<u>-</u>
<b>Other Liabilities</b>		
Closing balance under MFRS 139 at 31 December 2017	4,915,701	3,320,082
- In respect of recognition of expected credit losses under MFRS 9	60,814	42,231
Opening balance under MFRS 9 at 1 January 2018	<u>4,976,515</u>	<u>3,362,313</u>
<b>Provision for Tax Expense and Zakat</b>		
Closing balance under MFRS 139 at 31 December 2017	702,063	500,330
- In respect of recognition of expected credit losses under MFRS 9	(93,405)	(90,165)
Opening balance under MFRS 9 at 1 January 2018	<u>608,658</u>	<u>410,165</u>



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**A34. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank (continued):

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Deferred Tax Liabilities</b>		
Closing balance under MFRS 139 at 31 December 2017	164,655	128,997
- In respect of unrealised gain on FVOCI	14,646	14,646
Opening balance under MFRS 9 at 1 January 2018	179,301	143,643
<b>Regulatory Reserves</b>		
Closing balance under MFRS 139 at 31 December 2017	2,376,498	2,034,359
- Transfer to Retained Profits	(441,324)	(393,840)
- Non-controlling Interests' share of regulatory reserves in respect of foreign operations	17,643	-
Opening balance under MFRS 9 at 1 January 2018	1,952,817	1,640,519
<b>Other Reserves</b>		
Closing balance under MFRS 139 at 31 December 2017	996,833	577,902
- Transfer from Retained Profits	90,614	-
- Unrealised gain on financial investments at FVOCI	223,371	219,408
- Deferred tax in respect of unrealised gain on FVOCI	(14,910)	(14,646)
Opening balance under MFRS 9 at 1 January 2018	1,295,908	782,664
<b>Retained Profits</b>		
Closing balance under MFRS 139 at 31 December 2017	24,723,059	20,760,603
- Transfer from Regulatory Reserves	441,324	393,840
- Transfer to Other Reserves	(90,614)	-
- Unrealised gain on Financial Assets at FVTPL	412,405	388,807
- Non-controlling Interests' share of impact arising from remeasurement under MFRS 9 in respect of foreign operations	(4,384)	-
- Recognition of expected credit losses under MFRS 9	(461,854)	(375,690)
- Tax effect arising from the recognition of expected credit losses under MFRS 9	105,677	90,165
Opening balance under MFRS 9 at 1 January 2018	25,125,613	21,257,725
<b>Non-controlling Interests</b>		
Closing balance under MFRS 139 at 31 December 2017	1,080,954	-
- Non-controlling Interests' share of impact arising from remeasurement under MFRS 9 in respect of foreign operations	4,384	-
- Non-controlling Interests' share of regulatory reserves in respect of foreign operations	(17,643)	-
Opening balance under MFRS 9 at 1 January 2018	1,067,695	-

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**A34. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

The following table is a reconciliation of the impairment allowance from the closing balance as at 31 December 2017 in accordance with MFRS 139 to the opening balance as at 1 January 2018 in accordance with MFRS 9:

	<b>31 December 2017 (MFRS 139) RM'000</b>	<b>Remeasurement RM'000</b>	<b>1 January 2018 (MFRS 9) RM'000</b>
<b>Group</b>			
Cash and balances with banks	-	322	322
Financial investments at fair value through other comprehensive income	-	6,436	6,436
Financial investments at amortised cost	35	3,704	3,739
Loans, advances and financing			
- Collective assessment allowance	1,317,960	399,128	1,717,088
- Individual assessment allowance	91,190	(8,550)	82,640
Other liabilities			
- Allowance for impairment on loan / financing commitments and financial guarantees	-	60,814	60,814
	<u>1,409,185</u>	<u>461,854</u>	<u>1,871,039</u>
<b>Bank</b>			
Financial investments at fair value through other comprehensive income	-	4,470	4,470
Financial investments at amortised cost	35	2,869	2,904
Loans, advances and financing			
- Collective assessment allowance	862,911	326,120	1,189,031
- Individual assessment allowance	31,793	-	31,793
Other liabilities			
- Allowance for impairment on loan commitments and financial guarantees	-	42,231	42,231
	<u>894,739</u>	<u>375,690</u>	<u>1,270,429</u>

The financial effects due to the changes in accounting policies have been adjusted to the statements of financial position and capital adequacy ratios of the Group and of the Bank as at 1 January 2018. There are no changes to the comparatives in the statements of profit or loss and statements of cash flows of the Group and of the Bank. A reconciliation of these changes is summarised in the following tables.

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**A34. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

<b>Group Statement of Financial Position</b>	<b>31 December 2017 RM'000</b>	<b>Reclassification and Remeasurement RM'000</b>	<b>Impairment RM'000</b>	<b>1 January 2018 RM'000</b>
<b>ASSETS</b>				
Cash and balances with banks	14,006,541		(322)	14,006,219
Reverse repurchase agreements	651,065			651,065
Financial assets at fair value through profit or loss	-	1,792,441		1,792,441
Financial assets held-for-trading	1,376,541	(1,376,541)		-
Derivative financial assets	226,319			226,319
Financial investments at fair value through other comprehensive income	-	36,926,551	(6,436)	36,920,115
Financial investments available-for-sale	30,325,057	(30,325,057)		-
Financial investments at amortised cost	-	22,196,718	(3,704)	22,193,014
Financial investments held-to-maturity	28,578,336	(28,578,336)		-
Loans, advances and financing	303,044,127		(390,578)	302,653,549
Other assets	2,751,745			2,751,745
Statutory deposits with Central Banks	9,525,927			9,525,927
Deferred tax assets	70,984	(264)	12,272	82,992
Investment in associated companies	35,068			35,068
Investment properties	688,052			688,052
Property and equipment	1,564,427			1,564,427
Intangible assets	2,432,058			2,432,058
<b>TOTAL ASSETS</b>	<b>395,276,247</b>	<b>635,512</b>	<b>(388,768)</b>	<b>395,522,991</b>
<b>LIABILITIES</b>				
Deposits from customers	319,259,426			319,259,426
Deposits from banks	11,446,057			11,446,057
Obligations on securities sold under repurchase agreements	1,237,528			1,237,528
Bills and acceptances payable	286,949			286,949
Recourse obligations on loans and financing sold to Cagamas	5,922,006			5,922,006
Derivative financial liabilities	568,129			568,129
Debt securities issued and other borrowed funds	12,328,073			12,328,073
Other liabilities	4,915,701		60,814	4,976,515
Provision for tax expense and zakat	702,063		(93,405)	608,658
Deferred tax liabilities	164,655	14,646		179,301
<b>TOTAL LIABILITIES</b>	<b>356,830,587</b>	<b>14,646</b>	<b>(32,591)</b>	<b>356,812,642</b>
<b>EQUITY</b>				
Share capital	9,417,653			9,417,653
Treasury shares	(149,337)			(149,337)
Regulatory reserves	2,376,498	(423,681)		1,952,817
Other reserves	996,833	299,075		1,295,908
Retained profits	24,723,059	758,731	(356,177)	25,125,613
<b>Equity attributable to equity holders of the Bank</b>	<b>37,364,706</b>	<b>634,125</b>	<b>(356,177)</b>	<b>37,642,654</b>
Non-controlling interests	1,080,954	(13,259)		1,067,695
<b>TOTAL EQUITY</b>	<b>38,445,660</b>	<b>620,866</b>	<b>(356,177)</b>	<b>38,710,349</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>395,276,247</b>	<b>635,512</b>	<b>(388,768)</b>	<b>395,522,991</b>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>9.68</b>			<b>9.75</b>

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**A34. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

<b>Bank Statement of Financial Position</b>	<b>31 December 2017 RM'000</b>	<b>Reclassification and Remeasurement RM'000</b>	<b>Impairment RM'000</b>	<b>1 January 2018 RM'000</b>
<b>ASSETS</b>				
Cash and balances with banks	6,387,571			6,387,571
Financial assets at fair value through profit or loss	-	1,091,898		1,091,898
Financial assets held-for-trading	699,796	(699,796)		-
Derivative financial assets	240,215			240,215
Financial investments at fair value through other comprehensive income	-	26,808,484	(4,470)	26,804,014
Financial investments available-for-sale	20,210,743	(20,210,743)		-
Financial investments at amortised cost	-	16,949,865	(2,869)	16,946,996
Financial investments held-to-maturity	23,331,493	(23,331,493)		-
Loans and advances	240,576,248		(326,120)	240,250,128
Other assets	2,536,423			2,536,423
Statutory deposits with Central Banks	6,940,438			6,940,438
Collective investments	5,319,009			5,319,009
Investment in subsidiary companies	5,955,494			5,955,494
Investment in an associated company	30,000			30,000
Property and equipment	741,942			741,942
Intangible assets	695,393			695,393
<b>TOTAL ASSETS</b>	<b>313,664,765</b>	<b>608,215</b>	<b>(333,459)</b>	<b>313,939,521</b>
<b>LIABILITIES</b>				
Deposits from customers	245,331,728			245,331,728
Deposits from banks	12,966,893			12,966,893
Obligations on securities sold under repurchase agreements	1,237,528			1,237,528
Bills and acceptances payable	286,584			286,584
Recourse obligations on loans sold to Cagamas	5,922,006			5,922,006
Derivative financial liabilities	569,439			569,439
Debt securities issued and other borrowed funds	10,759,998			10,759,998
Other liabilities	3,320,082		42,231	3,362,313
Provision for tax expense	500,330		(90,165)	410,165
Deferred tax liabilities	128,997	14,646		143,643
<b>TOTAL LIABILITIES</b>	<b>281,023,585</b>	<b>14,646</b>	<b>(47,934)</b>	<b>280,990,297</b>
<b>EQUITY</b>				
Share capital	9,417,653			9,417,653
Treasury shares	(149,337)			(149,337)
Regulatory reserves	2,034,359	(393,840)		1,640,519
Other reserves	577,902	204,762		782,664
Retained profits	20,760,603	782,647	(285,525)	21,257,725
<b>TOTAL EQUITY</b>	<b>32,641,180</b>	<b>593,569</b>	<b>(285,525)</b>	<b>32,949,224</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>313,664,765</b>	<b>608,215</b>	<b>(333,459)</b>	<b>313,939,521</b>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>8.45</b>			<b>8.53</b>

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**A34. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

<b>Capital adequacy</b>	<b>31 December 2017 RM'000</b>	<b>Impact of Adopting MFRS 9 RM'000</b>	<b>1 January 2018 RM'000</b>
<b>Group</b>			
CET I capital	32,834,013	574,967	33,408,980
Tier I capital	34,841,363	574,967	35,416,330
Total capital	42,446,740	577,849	43,024,589
Risk-weighted assets	257,351,779	823,628	258,175,407
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	12.758%	0.182%	12.940%
Tier I capital ratio (%)	13.538%	0.180%	13.718%
Total capital ratio (%)	16.494%	0.171%	16.665%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	12.248%	0.184%	12.432%
Tier I capital ratio (%)	13.028%	0.181%	13.209%
Total capital ratio (%)	15.984%	0.172%	16.156%
<b>Bank</b>			
CET I capital	25,277,617	589,168	25,866,785
Tier I capital	27,227,417	589,168	27,816,585
Total capital	32,444,901	593,508	33,038,409
Risk-weighted assets	208,287,909	875,004	209,162,913
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	12.136%	0.231%	12.367%
Tier I capital ratio (%)	13.072%	0.227%	13.299%
Total capital ratio (%)	15.577%	0.219%	15.796%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	11.506%	0.233%	11.739%
Tier I capital ratio (%)	12.442%	0.229%	12.671%
Total capital ratio (%)	14.947%	0.221%	15.168%

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

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

**B1. Performance Review**

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

<b>Key Profit or Loss Items:</b>	<b>Group</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>Variance</b>	
	<b>2018</b>	<b>2017</b>	<b>RM'000</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Profit before tax expense and zakat	5,311,446	5,160,435	151,011	2.9
Net profit attributable to equity holders of the Bank	4,185,255	3,984,567	200,688	5.0
Other comprehensive gain / (loss) (net)	69,925	(79,203)	149,128	188.3

<b>Key Balance Sheet Items:</b>	<b>Group</b>		<b>Variance</b>	
	<b>As At</b>	<b>As At</b>	<b>%</b>	
	<b>30 September</b>	<b>30 September</b>	<b>RM'000</b>	
	<b>2018</b>	<b>2017</b>	<b>RM'000</b>	
	<b>RM'000</b>	<b>RM'000</b>		
Gross loans, advances and financing	314,473,956	301,332,783	13,141,173	4.4
Gross impaired loan and financing (%)	0.52%	0.50%	n/a	0.02
Deposits from customers	334,935,435	322,553,833	12,381,602	3.8

The Group's pre-tax profit for the nine months ended 30 September 2018 of RM5,311.4 million was RM151.0 million or 2.9% higher than the previous year corresponding period of RM5,160.4 million. Net profit attributable to equity holders improved by RM200.7 million or 5.0% to RM4,185.3 million. The higher earnings was mainly due to higher net interest income of RM125.1 million (2.3%), higher net fee and commission income of RM56.4 million (4.4%), higher income from Islamic banking business of RM47.6 million (6.4%) and lower allowance for loan impairment of RM44.7 million (24.9%). These were partially offset by higher operating overheads of RM72.8 million (2.8%).

Other comprehensive income (net) of the Group for the current period was RM69.9 million as compared to other comprehensive loss (net) of RM79.2 million in the previous corresponding period, which was mainly due to gain on cash flow hedges as well as foreign currency translation gain in respect of foreign operations, offset by loss on revaluation of financial investments.

The Group's profit continued to be supported by healthy loans and customer deposits growth coupled with stable asset quality as well as growth in fee-based revenue. Gross loans grew by RM13.1 billion or 4.4% to RM314.5 billion as at 30 September 2018 as compared to RM301.3 billion as at 30 September 2017, mainly driven by growth in property financing and corporate lending. Total deposits from customers increased by 3.8% or RM12.4 billion to RM334.9 billion as at 30 September 2018 which partly contributed to the higher net interest income for the current period. The Group's gross impaired loan ratio continued to remain stable at 0.5% as at 30 September 2018. This was attributed to the Group's consistent adoption of stringent credit underwriting and proactive recovery processes.

The Group's Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio stood at a healthy level of 12.6%, 13.2% and 15.8% respectively. The Group's liquidity position also remained stable and healthy with gross loans to fund and equity ratio improving to 79.4% as at 30 September 2018 as compared to 80.7% as at 31 December 2017.

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**B1. Performance Review (continued)**

**Current Year-to date vs. Previous Year-to-date (continued)**

The performance of the respective operating segments for the nine months ended 30 September 2018 as compared to the previous year corresponding period is analysed as follows:-

<b>Profit Before Tax by Segments:</b>	<b>Group</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>Variance</b>	
	<b>2018</b>	<b>2017</b>	<b>RM'000</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>		
Retail operations	<b>2,733,306</b>	2,712,795	20,511	0.8
Hire purchase	<b>240,042</b>	289,275	(49,233)	(17.0)
Corporate lending	<b>383,994</b>	407,231	(23,237)	(5.7)
Treasury and capital market operations	<b>558,737</b>	526,153	32,584	6.2
Investment banking	<b>39,112</b>	35,714	3,398	9.5
Fund management	<b>509,239</b>	483,423	25,816	5.3
Head office and others	<b>343,814</b>	200,653	143,161	71.3
Total domestic operations	<b>4,808,244</b>	4,655,244	153,000	3.3
Overseas operations	<b>503,202</b>	505,191	(1,989)	(0.4)
	<b>5,311,446</b>	5,160,435	151,011	2.9

- 1) Retail Operations – Pre-tax profit increased by RM20.5 million (0.8%) to RM2,733.3 million mainly due to higher net writeback of loan impairment allowance and higher fee and other operating income. These were partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit decreased by RM49.2 million (-17.0%) to RM240.0 million mainly due to lower net interest income as a result of lower net interest margin and higher loan impairment allowance.
- 3) Corporate lending – Pre-tax profit decreased by RM23.2 million (-5.7%) to RM384.0 million mainly due to higher loan impairment allowance and lower fee income. These were partially offset by higher net interest income on higher average loan balances.
- 4) Treasury and capital market operations – Pre-tax profit increased by RM32.6 million (6.2%) to RM558.7 million mainly due to higher net interest income on treasury gapping, funding and liquidity management activities.
- 5) Investment banking – The increase in pre-tax profit of RM3.4 million (9.5%) to RM39.1 million was mainly due to higher fee income and lower other operating expenses.
- 6) Fund management – Pre-tax profit increased by RM25.8 million (5.3%) to RM509.2 million mainly due to higher management fee earned on higher average net asset value of funds under management, partially offset by higher other operating expenses.
- 7) Head office and others – Pre-tax profit increased by RM143.2 million (71.3%) to RM343.8 million mainly due to higher net interest income, partially offset by lower investment and other income and higher other operating expenses.
- 8) Overseas operations – Pre-tax profit decreased marginally by RM2.0 million (-0.4%) to RM503.2 million due to overall unfavourable impact of foreign exchange movements. However, excluding the impact of foreign exchange, the total pre-tax profit from overseas operations increased by 8.8%.

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**B1. Performance Review (continued)**

**Current Quarter vs. Previous Year Corresponding Quarter**

Key Profit or Loss Items:	Group		3rd Quarter Ended	
	30 September	30 September	Variance	
	2018	2017	RM'000	%
	RM'000	RM'000	RM'000	%
Profit before tax expense and zakat	1,759,761	1,792,954	(33,193)	(1.9)
Profit before tax expense and zakat (operational) *	1,759,761	1,750,084	9,677	0.6
Net profit attributable to equity holders of the Bank	1,383,655	1,404,760	(21,105)	(1.5)
Net profit attributable to equity holders of the Bank (Operational) *	1,383,655	1,361,890	21,765	1.6
Other comprehensive income (net)	181,054	5,272	175,782	3,334.3

\* Excluding a one-off capital gain on investment of RM42.9 million in the 3rd quarter ended 30 September 2017.

For the 3rd quarter ended 30 September 2018, the Group registered a pre-tax profit of RM1,759.8 million and a net profit attributable to equity holders of RM1,383.7 million, reflecting a drop of 1.9% and 1.5% respectively from the reported profits in the previous year corresponding quarter. However, included in the previous year corresponding quarter was a RM42.9 million one-off capital gain in respect of investment. If excluding this one-off capital gain on investment in the previous year corresponding quarter, the operational pre-tax profit and net profit attributable to equity holders of the Bank for the current quarter would have grown by 0.6% and 1.6% respectively. The growth in the operational pre-tax profit was mainly due to lower loan impairment allowance, higher income from Islamic banking business and higher net interest income. These were partially offset by higher other operating expenses and lower foreign exchange income.

Other comprehensive income (net) of the Group for the current quarter increased by RM175.8 million to RM181.1 million, mainly due to foreign currency translation gain in respect of foreign operations and higher gain on revaluation of financial investments in the current quarter.

Performance of the respective operating segments for the 3rd quarter ended 30 September 2018 as compared to the previous year corresponding quarter is analysed as follows:-

Profit Before Tax by Segments:	3rd Quarter Ended		Variance	
	30 September	30 September	RM'000	
	2018	2017	RM'000	%
	RM'000	RM'000	RM'000	%
Retail operations	919,744	946,019	(26,275)	(2.8)
Hire purchase	68,151	94,874	(26,723)	(28.2)
Corporate lending	106,050	142,578	(36,528)	(25.6)
Treasury and capital market operations	163,776	165,360	(1,584)	(1.0)
Investment banking	13,365	12,078	1,287	10.7
Fund management	169,610	171,796	(2,186)	(1.3)
Head office and others	114,110	97,877	16,233	16.6
Total domestic operations	1,554,806	1,630,582	(75,776)	(4.6)
Overseas operations	204,955	162,372	42,583	26.2
	<u>1,759,761</u>	<u>1,792,954</u>	<u>(33,193)</u>	<u>(1.9)</u>

1) Retail operations – The decrease in pre-tax profit of RM26.3 million (-2.8%) to RM919.7 million was mainly due to lower net interest income on lower net interest margin and higher other operating expenses. These were partially offset by the writeback of loan impairment allowance in the current quarter.

2) Hire purchase – Pre-tax profit decreased by RM26.7 million (-28.2%) to RM68.2 million, mainly due to lower net interest income and higher loan impairment allowance.



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**B1. Performance Review (continued)**

**Current Quarter vs. Previous Year Corresponding Quarter (continued)**

- 3) Corporate lending – Pre-tax profit decreased by RM36.5 million (-25.6%) to RM106.1 million mainly due to higher loan impairment allowance and lower fee income, partially offset by higher net interest income.
- 4) Treasury and capital market operations – Pre-tax profit decreased marginally by RM1.6 million (-1.0%) to RM163.8 million, mainly due to lower net interest income partially offset by higher investment income.
- 5) Investment banking – Pre-tax profit increased by RM1.3 million (10.7%) to RM13.4 million, mainly due to lower other operating expenses and higher brokerage income from stock-broking activities.
- 6) Fund management business – Pre-tax profit decreased by RM2.2 million (-1.3%) to RM169.6 million, mainly due to higher other operating expenses partially offset by higher management fee earned on higher average net asset value of funds under management.
- 7) Head office and others – Pre-tax profit increased by RM16.2 million (16.6%) to RM114.1 million, mainly due to higher net interest income partially offset by lower investment and other income.
- 8) Overseas Operations – The increase in pre-tax profit of RM42.6 million (26.2%) to RM205.0 million was mainly due to net writeback of loan impairment allowance in the current quarter as compared to the allowance made in the previous year corresponding quarter.

**B2. Variation of Results Against Preceding Quarter**

Key Profit or Loss Items:	Group Quarter Ended		Variance	
	30 September 2018	30 June 2018		
	RM'000	RM'000	RM'000	%
Profit before tax expense and zakat	1,759,761	1,757,726	2,035	0.1
Net profit attributable to equity holders of the Bank	1,383,655	1,396,220	(12,565)	(0.9)
Other comprehensive income (net)	181,054	56,293	124,761	221.6

For the 3rd quarter ended 30 September 2018, the Group registered a pre-tax profit of RM1,759.8 million, a marginal increase of RM2.0 million or 0.1% as compared to the pre-tax profit of RM1,757.7 million for the preceding quarter ended 30 June 2018. The increase in pre-tax profit was mainly due to higher foreign exchange income, higher investment income and lower other operating expenses, partially offset by higher loan impairment allowance. Net profit attributable to equity holders decreased by RM12.6 million or 0.9% to RM1,383.7 million over the same period.

Other comprehensive income (net) of the Group for the current quarter increased by RM124.8 million mainly due to gain on revaluation of financial investments in the current quarter, partially offset by lower foreign currency translation gain in respect of foreign operations and lower gain on cash flow hedges.

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**B3. Prospects for 2018**

The global economic expansion continues despite increased divergence across economies and signals of a slower momentum ahead. In the advanced economies, job growth and policy support are expected to continue to drive expansion in domestic demand. In Asia, growth is expected to moderate due to normalisation of global trade cycle. Meanwhile, downside risk to the global economy intensifies with the ongoing trade tensions as a primary concern, which pose challenges for export related businesses and global trades. Also, financial market adjustments in emerging economies are expected to continue owing to the monetary policy normalisation in the advanced economies.

The Malaysian economy expanded at a slower pace of 4.5% in the second quarter of 2018 (1Q18: 5.4%), due to supply disruptions in the mining sector and lower agriculture output. For 2018, the economy is expected to grow by 5.0% (2017: 5.9%), supported mainly by private sector spending. Private consumption is expected to be driven by continued wage and employment growth. Investment activity will be underpinned by capacity expansion, particularly in the transport and utilities sub-sectors. Public sector spending, however, is expected to weigh on growth as the Government embarks on expenditure reprioritisation.

Headline inflation remained moderate during the tax holiday period of zero-rated Goods and Services Tax between June – August 2018. The impact of changes in the consumption tax policy on inflation is expected to be transitory. For 2018, inflation is projected to be around 2%.

Despite market volatility due to domestic and external factors, the Malaysian financial sector remains sound as financial institutions continue to operate with strong capital and liquidity buffers. Banks in Malaysia will remain as an effective financial intermediary to finance the needs of businesses and households. Bank Negara Malaysia maintained the Overnight Policy Rate at 3.25% in September 2018 as the degree of monetary accommodativeness is consistent with the intended policy stance.

The Public Bank Group will continue to be supported by ongoing demand for financing in residential properties, commercial properties, passenger vehicles as well as lending to the small and medium enterprises (“SMEs”). The Group will continue to capitalise on its efficient customer service and extensive network to maintain its market position in the domestic retail segment. With focus on sustaining its operational excellence and efficiency, the Group continues to adopt prudent and responsible financing practices, while upholding strong corporate governance and compliance culture as well as sound risk management practices.

The Public Bank Group remains committed to enhance access to financing for all SMEs. Aside from sustaining market leadership in the SME financing by offering products and services to meet the needs of businesses, the Group will also continue to grow its corporate lending business by leveraging on existing clients with good track record and acquire new corporate clients in growth and resilient sectors.

Amidst intensified market uncertainties, the Public Bank Group’s treasury operations will remain vigilant and exercise caution in its execution of growth strategy.

For the unit trust business, the Public Bank Group will continue to introduce new products and enhance its services to meet the diverse needs of investors. The private retail unit trust industry is expected to grow in tandem with market conditions.

The Public Bank Group will proactively collaborate with AIA Bhd to enhance its suite of bancassurance products. Also, the Group will continue to leverage on its wide distribution network to improve customers’ satisfaction and provide relevant product solutions.

By leveraging on its strong PB brand and prudent management practices, the Public Bank Group remains committed to expand organically and strengthen its regional presence.

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**B4. Profit Forecast or Profit Guarantee**

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

**B5. Tax Expense and Zakat**

The analysis of the tax expense for the 3rd quarter and nine months ended 30 September 2018 are as follows:

<b><u>Group</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2018</b>	<b>30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	333,871	378,449	1,077,182	1,078,126
Overseas income tax	38,975	35,001	93,456	95,988
	<b>372,846</b>	413,450	<b>1,170,638</b>	1,174,114
(Over) / Under provision in prior years				
- Malaysian income tax	(10,269)	(30,892)	(51,307)	(30,886)
- Overseas income tax	(2)	(78)	193	8,945
	<b>362,575</b>	382,480	<b>1,119,524</b>	1,152,173
Deferred tax (income) / expense				
- Relating to origination and reversal of temporary differences	(11,225)	(13,861)	(54,910)	(33,547)
- Under provision	6,766	-	6,766	-
Tax expense	<b>358,116</b>	368,619	<b>1,071,380</b>	1,118,626
Zakat	65	65	195	195
	<b>358,181</b>	368,684	<b>1,071,575</b>	1,118,821

The Group's effective tax rate for the 3rd quarter and nine months ended 30 September 2018 and 30 September 2017 were lower than the statutory tax rate mainly due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

<b><u>Bank</u></b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2018</b>	<b>30 September 2017</b>	<b>30 September 2018</b>	<b>30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	264,590	318,552	905,314	935,733
Overseas income tax	1,001	1,563	4,012	6,347
	<b>265,591</b>	320,115	<b>909,326</b>	942,080
(Over) / Under provision in prior years				
- Malaysian income tax	(9,529)	(19,739)	(50,647)	(19,738)
- Overseas income tax	-	-	361	80
	<b>256,062</b>	300,376	<b>859,040</b>	922,422
Deferred tax (income) / expense				
- Relating to origination and reversal of temporary differences	(11,892)	(12,699)	(59,568)	(26,823)
- Under provision	6,766	-	6,766	-
	<b>250,936</b>	287,677	<b>806,238</b>	895,599

The Bank's effective tax rate for the 3rd quarter and nine months ended 30 September 2018 and 30 September 2017 were lower than the statutory tax rate mainly due to certain income not subject to tax.

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**B6. Status of Corporate Proposals Announced but Not Completed**

There were no corporate proposals announced but not completed as at 30 September 2018.

**B7. Status of Utilisation of Proceeds Raised from Corporate Proposals**

The proceeds raised from the issuances of all debt securities and borrowings have been used for working capital, general banking and other corporate purposes, as intended.

**B8. Financial Risk Management**

There have been no significant changes since the end of the previous financial year in respect of the following:

- i) risk management policies in place for mitigating and controlling the risks associated with foreign exchange, interest/profit rate, liquidity and funding.
- ii) the hedging policies in respect of foreign exchange and interest/profit rate exposures.

The above information are discussed in the Financial Risk Management section of the audited annual financial statements for the financial year ended 31 December 2017 and Pillar 3 Disclosures section of the 2017 Annual Report.

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**B9. Debt Securities Issued and Other Borrowed Funds**

Group	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
<b>Unsecured</b>							
<b>As At 30 September 2018</b>							
Hong Kong Dollar ("HKD") term loan	576,037	-	-	-	576,037	-	576,037
United States Dollar ("USD") term loan	-	-	827,132	-	827,132	-	827,132
USD syndicated term loan	1,519,149	-	-	-	1,519,149	-	1,519,149
RM Senior Medium Term notes	-	3,318,687	-	1,000,851	-	4,319,538	4,319,538
RM Subordinated notes / sukuk murabahah	-	2,499,978	-	1,449,823	-	3,949,801	3,949,801
RM Additional Tier I capital securities	-	99,432	-	-	-	99,432	99,432
RM Non-innovative Tier I stapled securities	-	895,157	-	1,204,937	-	2,100,094	2,100,094
	<b>2,095,186</b>	<b>6,813,254</b>	<b>827,132</b>	<b>3,655,611</b>	<b>2,922,318</b>	<b>10,468,865</b>	<b>13,391,183</b>
<b>As At 31 December 2017</b>							
HKD term loan	-	-	568,444	-	568,444	-	568,444
USD term loan	809,496	-	-	-	809,496	-	809,496
USD syndicated term loan	1,484,742	-	-	-	1,484,742	-	1,484,742
RM Senior Medium Term notes	-	2,003,072	-	399,927	-	2,402,999	2,402,999
RM Subordinated notes / sukuk murabahah	-	2,999,605	-	1,949,863	-	4,949,468	4,949,468
RM Non-innovative Tier I stapled securities	-	2,112,924	-	-	-	2,112,924	2,112,924
	<b>2,294,238</b>	<b>7,115,601</b>	<b>568,444</b>	<b>2,349,790</b>	<b>2,862,682</b>	<b>9,465,391</b>	<b>12,328,073</b>
<b>As At 30 September 2017</b>							
HKD term loan	-	-	591,905	-	591,905	-	591,905
USD term loan	843,250	-	-	-	843,250	-	843,250
USD syndicated term loan	1,546,584	-	-	-	1,546,584	-	1,546,584
RM Senior Medium Term notes	-	2,005,587	-	399,869	-	2,405,456	2,405,456
RM Subordinated notes / sukuk murabahah	-	3,949,539	-	999,816	-	4,949,355	4,949,355
RM Non-innovative Tier I stapled securities	-	2,121,054	-	-	-	2,121,054	2,121,054
	<b>2,389,834</b>	<b>8,076,180</b>	<b>591,905</b>	<b>1,399,685</b>	<b>2,981,739</b>	<b>9,475,865</b>	<b>12,457,604</b>

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**B9. Debt Securities Issued and Other Borrowed Funds (continued)**

Bank	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
<b>Unsecured</b>							
<b>As At 30 September 2018</b>							
USD term loan	-	-	827,132	-	827,132	-	827,132
USD syndicated term loan	1,519,149	-	-	-	1,519,149	-	1,519,149
RM Senior Medium Term notes	-	2,798,934	-	1,000,851	-	3,799,785	3,799,785
RM Subordinated notes	-	1,999,978	-	950,000	-	2,949,978	2,949,978
RM Additional Tier I capital securities	-	99,432	-	-	-	99,432	99,432
RM Non-innovative Tier I stapled securities	-	895,157	-	1,204,937	-	2,100,094	2,100,094
	<u>1,519,149</u>	<u>5,793,501</u>	<u>827,132</u>	<u>3,155,788</u>	<u>2,346,281</u>	<u>8,949,289</u>	<u>11,295,570</u>
<b>As At 31 December 2017</b>							
USD term loan	809,496	-	-	-	809,496	-	809,496
USD syndicated term loan	1,484,742	-	-	-	1,484,742	-	1,484,742
RM Senior Medium Term notes	-	2,003,072	-	399,927	-	2,402,999	2,402,999
RM Subordinated notes	-	1,999,974	-	1,949,863	-	3,949,837	3,949,837
RM Non-innovative Tier I stapled securities	-	2,112,924	-	-	-	2,112,924	2,112,924
	<u>2,294,238</u>	<u>6,115,970</u>	<u>-</u>	<u>2,349,790</u>	<u>2,294,238</u>	<u>8,465,760</u>	<u>10,759,998</u>
<b>As At 30 September 2017</b>							
USD term loan	843,250	-	-	-	843,250	-	843,250
USD syndicated term loan	1,546,584	-	-	-	1,546,584	-	1,546,584
RM Senior Medium Term notes	-	2,005,587	-	399,869	-	2,405,456	2,405,456
RM Subordinated notes	-	2,949,973	-	999,816	-	3,949,789	3,949,789
RM Non-innovative Tier I stapled securities	-	2,121,054	-	-	-	2,121,054	2,121,054
	<u>2,389,834</u>	<u>7,076,614</u>	<u>-</u>	<u>1,399,685</u>	<u>2,389,834</u>	<u>8,476,299</u>	<u>10,866,133</u>
Exchange rates used:	HKD	USD					
As at 30 September 2018	0.52905	4.13850					
As at 31 December 2017	0.51835	4.05250					
As at 30 September 2017	0.54055	4.22200					

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**B10. Changes in Material Litigation**

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

**B11. Dividends**

No dividend has been proposed for the 3rd quarter ended 30 September 2018.

**B12. Earnings Per Share**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net profit attributable to equity holders (RM'000)	<u><u>1,383,655</u></u>	<u><u>1,404,760</u></u>	<u><u>4,185,255</u></u>	<u><u>3,984,567</u></u>
Weighted average number of PBB Shares ('000)	<u><u>3,882,138</u></u>	<u><u>3,861,494</u></u>	<u><u>3,869,264</u></u>	<u><u>3,861,494</u></u>
Basic earnings per share (sen)	<u><u>35.6</u></u>	<u><u>36.4</u></u>	<u><u>108.2</u></u>	<u><u>103.2</u></u>

**Diluted**

The Group has no dilution in its earnings per ordinary share in the current and the preceding financial period as there are no dilutive potential ordinary shares.