

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Note	Group		Bank	
		31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>					
Cash and balances with banks		<b>14,740,218</b>	14,006,541	<b>9,416,853</b>	6,387,571
Reverse repurchase agreements		<b>200,881</b>	651,065	-	-
Financial assets at fair value through profit or loss	A8	<b>2,380,134</b>	-	<b>2,293,636</b>	-
Financial assets held-for-trading	A9	-	1,376,541	-	699,796
Derivative financial assets	A30	<b>185,891</b>	226,319	<b>193,101</b>	240,215
Financial investments at fair value through other comprehensive income	A10	<b>42,342,483</b>	-	<b>29,070,703</b>	-
Financial investments available-for-sale	A11	-	30,325,057	-	20,210,743
Financial investments at amortised cost	A12	<b>27,018,444</b>	-	<b>20,572,364</b>	-
Financial investments held-to-maturity	A13	-	28,578,336	-	23,331,493
Loans, advances and financing	A14	<b>315,259,166</b>	303,044,127	<b>247,690,397</b>	240,576,248
Other assets	A15	<b>2,393,887</b>	2,751,745	<b>2,366,764</b>	2,536,423
Statutory deposits with Central Banks		<b>10,279,227</b>	9,525,927	<b>7,258,452</b>	6,940,438
Deferred tax assets		<b>81,374</b>	70,984	-	-
Collective investments		-	-	<b>5,517,109</b>	5,319,009
Investment in subsidiary companies		-	-	<b>5,955,494</b>	5,955,494
Investment in associated companies		<b>70,416</b>	35,068	<b>45,000</b>	30,000
Investment properties		<b>719,207</b>	688,052	-	-
Property and equipment		<b>1,567,199</b>	1,564,427	<b>711,274</b>	741,942
Intangible assets		<b>2,454,755</b>	2,432,058	<b>695,393</b>	695,393
<b>TOTAL ASSETS</b>		<b>419,693,282</b>	395,276,247	<b>331,786,540</b>	313,664,765
<b>LIABILITIES</b>					
Deposits from customers	A16	<b>339,159,892</b>	319,259,426	<b>258,877,559</b>	245,331,728
Deposits from banks	A17	<b>9,483,154</b>	11,446,057	<b>12,487,063</b>	12,966,893
Obligations on securities sold under repurchase agreements		<b>4,045,605</b>	1,237,528	<b>4,045,605</b>	1,237,528
Bills and acceptances payable		<b>214,592</b>	286,949	<b>214,388</b>	286,584
Recourse obligations on loans and financing sold to Cagamas		<b>5,500,003</b>	5,922,006	<b>5,500,003</b>	5,922,006
Derivative financial liabilities	A30	<b>297,664</b>	568,129	<b>289,995</b>	569,439
Debt securities issued and other borrowed funds	B9	<b>13,436,794</b>	12,328,073	<b>11,341,598</b>	10,759,998
Other liabilities	A18	<b>4,975,470</b>	4,915,701	<b>3,416,816</b>	3,320,082
Provision for tax expense and zakat		<b>341,697</b>	702,063	<b>249,207</b>	500,330
Deferred tax liabilities		<b>141,948</b>	164,655	<b>84,502</b>	128,997
<b>TOTAL LIABILITIES</b>		<b>377,596,819</b>	356,830,587	<b>296,506,736</b>	281,023,585

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**AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 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	1,806,123	2,376,498	1,461,892	2,034,359
Other reserves	1,431,367	996,833	849,167	577,902
Retained profits	28,317,913	24,723,059	23,551,092	20,760,603
<b>Equity attributable to equity holders of the Bank</b>	<b>40,973,056</b>	37,364,706	<b>35,279,804</b>	32,641,180
Non-controlling interests	1,123,407	1,080,954	-	-
<b>TOTAL EQUITY</b>	<b>42,096,463</b>	38,445,660	<b>35,279,804</b>	32,641,180
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>419,693,282</b>	395,276,247	<b>331,786,540</b>	313,664,765
<b>COMMITMENTS AND CONTINGENCIES</b>	A29	96,368,336	95,442,831	88,123,035
<b>CAPITAL ADEQUACY</b>	A32			
<b><u>Before deducting interim dividends</u> *</b>				
Common Equity Tier I Capital Ratio		13.628%	12.758%	12.657%
Tier I Capital Ratio		14.270%	13.538%	13.428%
Total Capital Ratio		16.840%	16.494%	15.963%
<b><u>After deducting interim dividends</u> *</b>				
Common Equity Tier I Capital Ratio		13.092%	12.248%	11.989%
Tier I Capital Ratio		13.734%	13.028%	12.760%
Total Capital Ratio		16.304%	15.984%	15.295%
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>		<b>10.55</b>	9.68	<b>9.09</b>

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018**

<b>Group</b>	<b>Note</b>	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
		<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Operating revenue		<b>5,632,018</b>	5,350,550	<b>22,041,785</b>	20,858,174
Interest income	A19	<b>4,195,525</b>	3,869,835	<b>16,261,206</b>	15,278,416
Interest expense	A20	<b>(2,287,158)</b>	(1,982,189)	<b>(8,698,239)</b>	(7,861,297)
Net interest income		<b>1,908,367</b>	1,887,646	<b>7,562,967</b>	7,417,119
Net income from Islamic banking business	A34 (b)	<b>272,433</b>	252,866	<b>1,065,885</b>	998,717
		<b>2,180,800</b>	2,140,512	<b>8,628,852</b>	8,415,836
Fee and commission income	A21 (a)	<b>642,785</b>	669,648	<b>2,626,779</b>	2,560,668
Fee and commission expense	A21 (b)	<b>(211,923)</b>	(223,901)	<b>(848,687)</b>	(824,128)
Net fee and commission income	A21	<b>430,862</b>	445,747	<b>1,778,092</b>	1,736,540
Net gains and losses on financial instruments	A22	<b>2,395</b>	11,117	<b>45,875</b>	90,431
Other operating income	A23	<b>96,577</b>	189,214	<b>390,611</b>	503,999
Net income		<b>2,710,634</b>	2,786,590	<b>10,843,430</b>	10,746,806
Other operating expenses	A24	<b>(886,162)</b>	(813,683)	<b>(3,573,486)</b>	(3,428,178)
Operating profit		<b>1,824,472</b>	1,972,907	<b>7,269,944</b>	7,318,628
Allowance for impairment on loans, advances and financing (Allowance) / Writeback of allowance for impairment on other assets	A25	<b>(34,439)</b>	(23,798)	<b>(169,269)</b>	(203,292)
		<b>(2,838)</b>	8,003	<b>(4,760)</b>	5,625
		<b>1,787,195</b>	1,957,112	<b>7,095,915</b>	7,120,961
Share of profit / (loss) after tax of equity accounted associated companies		<b>2,524</b>	125	<b>5,250</b>	(3,289)
Profit before tax expense and zakat		<b>1,789,719</b>	1,957,237	<b>7,101,165</b>	7,117,672
Tax expense and zakat	B5	<b>(364,678)</b>	(451,872)	<b>(1,436,253)</b>	(1,570,693)
Profit for the period / year		<b>1,425,041</b>	1,505,365	<b>5,664,912</b>	5,546,979
Profit for the period / year attributable to:					
- Equity holders of the Bank		<b>1,405,356</b>	1,485,468	<b>5,590,611</b>	5,470,035
- Non-controlling interests		<b>19,685</b>	19,897	<b>74,301</b>	76,944
		<b>1,425,041</b>	1,505,365	<b>5,664,912</b>	5,546,979
Earnings per share:					
- basic / diluted (sen)	B12	<b>36.2</b>	38.5	<b>144.4</b>	141.7

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018**

<b>Group</b>	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period / year	<b>1,425,041</b>	1,505,365	<b>5,664,912</b>	5,546,979
<b>Other comprehensive income / (loss):</b>				
<u>Items that will not be reclassified to profit or loss:</u>				
Gain on remeasurements of defined benefit plans	<b>63,213</b>	40,444	<b>63,213</b>	40,444
Net change in revaluation of financial investments at fair value through other comprehensive income				
- Equity instruments	<b>(15)</b>	-	<b>28,165</b>	-
	<b>63,198</b>	40,444	<b>91,378</b>	40,444
<u>Items that may be reclassified to profit or loss:</u>				
Currency translation differences in respect of:				
- Foreign operations	<b>(11,828)</b>	(304,635)	<b>114,333</b>	(761,477)
- Net investment hedge	<b>4,921</b>	176,147	<b>(105,190)</b>	466,881
Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	<b>(8,256)</b>	-	<b>(71,117)</b>	-
- available-for-sale	-	4,848	-	128,333
Net change in cash flow hedges	<b>(51,082)</b>	25,898	<b>45,692</b>	8,987
	<b>(66,245)</b>	(97,742)	<b>(16,282)</b>	(157,276)
Income tax effect	<b>(4,416)</b>	(18,249)	<b>(12,794)</b>	(38,207)
Share of changes in associated companies' reserves	<b>(78)</b>	(67)	<b>97</b>	222
Other comprehensive (loss) / income for the period / year, net of tax	<b>(7,541)</b>	(75,614)	<b>62,399</b>	(154,817)
Total comprehensive income for the period / year	<b>1,417,500</b>	1,429,751	<b>5,727,311</b>	5,392,162
Total comprehensive income / (loss) for the period / year attributable to:				
- Equity holders of the Bank	<b>1,399,433</b>	1,456,427	<b>5,637,447</b>	5,429,672
- Non-controlling interests	<b>18,067</b>	(26,676)	<b>89,864</b>	(37,510)
	<b>1,417,500</b>	1,429,751	<b>5,727,311</b>	5,392,162

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**FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018**

<u>Bank</u>	Note	4th Quarter Ended		Financial Year Ended	
		31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Operating revenue		<b>4,107,561</b>	4,063,830	<b>15,994,188</b>	15,668,540
Interest income	A19	<b>3,732,598</b>	3,441,211	<b>14,529,609</b>	13,566,413
Interest expense	A20	<b>(2,198,928)</b>	(1,913,587)	<b>(8,409,986)</b>	(7,569,308)
Net interest income		<b>1,533,670</b>	1,527,624	<b>6,119,623</b>	5,997,105
Fee and commission income	A21 (a)	<b>269,676</b>	267,003	<b>1,063,803</b>	1,041,880
Fee and commission expense	A21 (b)	<b>(97,316)</b>	(92,332)	<b>(366,217)</b>	(343,025)
Net fee and commission income	A21	<b>172,360</b>	174,671	<b>697,586</b>	698,855
Net gains and losses on financial instruments	A22	<b>2,272</b>	7,259	<b>43,772</b>	85,462
Other operating income	A23	<b>449,622</b>	715,436	<b>1,164,961</b>	1,754,382
Net income		<b>2,157,924</b>	2,424,990	<b>8,025,942</b>	8,535,804
Other operating expenses	A24	<b>(553,379)</b>	(499,550)	<b>(2,271,866)</b>	(2,170,222)
Operating profit		<b>1,604,545</b>	1,925,440	<b>5,754,076</b>	6,365,582
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	A25	<b>(35,784)</b>	7,589	<b>(106,310)</b>	(74,832)
(Allowance) / Writeback of allowance for impairment on other assets		<b>(2,411)</b>	7,965	<b>(3,274)</b>	5,492
Profit before tax expense and zakat		<b>1,566,350</b>	1,940,994	<b>5,644,492</b>	6,296,242
Tax expense and zakat	B5	<b>(287,189)</b>	(340,104)	<b>(1,093,427)</b>	(1,235,703)
Profit for the period / year		<b>1,279,161</b>	1,600,890	<b>4,551,065</b>	5,060,539

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**FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2018**

<u>Bank</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Profit for the period / year	<u>1,279,161</u>	<u>1,600,890</u>	<u>4,551,065</u>	<u>5,060,539</u>
<b>Other comprehensive income / (loss):</b>				
<u>Items that will not be reclassified to profit or loss:</u>				
Gain on remeasurements of defined benefit plans	61,542	39,842	61,542	39,842
Net change in revaluation of financial investments at fair value through other comprehensive income:				
- Equity instruments	-	-	28,166	-
	<u>61,542</u>	<u>39,842</u>	<u>89,708</u>	<u>39,842</u>
<u>Items that may be reclassified to profit or loss:</u>				
Currency translation differences in respect of foreign operations	(204)	(11,822)	3,090	(31,333)
Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	3,127	-	(61,061)	-
- available-for-sale	-	10,906	-	87,250
Net change in cash flow hedges	<u>(43,626)</u>	<u>7,745</u>	<u>45,512</u>	<u>26,530</u>
	<u>(40,703)</u>	<u>6,829</u>	<u>(12,459)</u>	<u>82,447</u>
Income tax effect	(5,050)	(14,039)	(11,038)	(36,869)
Other comprehensive income for the period / year, net of tax	<u>15,789</u>	<u>32,632</u>	<u>66,211</u>	<u>85,420</u>
Total comprehensive income for the period / year	<u>1,294,950</u>	<u>1,633,522</u>	<u>4,617,276</u>	<u>5,145,959</u>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

<u>Group</u>	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares 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 A35)	-	(717,504)	299,014	470,128	-	51,638	(13,259)	38,379
<b>At 1 January 2018, as restated</b>	<b>9,417,653</b>	<b>1,658,994</b>	<b>1,295,847</b>	<b>25,193,187</b>	<b>(149,337)</b>	<b>37,416,344</b>	<b>1,067,695</b>	<b>38,484,039</b>
Profit for the year	-	-	-	5,590,611	-	5,590,611	74,301	5,664,912
Other comprehensive income for the year	-	-	46,836	-	-	46,836	15,563 *	62,399
Total comprehensive income for the year	-	-	46,836	5,590,611	-	5,637,447	89,864	5,727,311
Transactions with owners / other equity movements:								
Disposal of treasury shares	-	-	-	325,120	149,337	474,457	-	474,457
Transfer to statutory reserves	-	-	5,964	(5,964)	-	-	-	-
Transfer to regulatory reserves	-	147,129	-	(147,129)	-	-	-	-
Transfer to general reserves	-	-	82,720	(82,720)	-	-	-	-
Dividends paid	-	-	-	(2,555,192)	-	(2,555,192)	(34,152)	(2,589,344)
	-	147,129	88,684	(2,465,885)	149,337	(2,080,735)	(34,152)	(2,114,887)
<b>At 31 December 2018</b>	<b>9,417,653</b>	<b>1,806,123</b>	<b>1,431,367</b>	<b>28,317,913</b>	<b>-</b>	<b>40,973,056</b>	<b>1,123,407</b>	<b>42,096,463</b>

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

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**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

<b>Group</b>	<u>Non-distributable Reserves</u>				<u>Distributable Reserves</u>		<b>Total Shareholders' Equity</b> RM'000	<b>Non-controlling Interests</b> RM'000	<b>Total Equity</b> RM'000
	<b>Share Capital</b> RM'000	<b>Share Premium</b> RM'000	<b>Regulatory Reserves</b> RM'000	<b>Other Reserves</b> RM'000	<b>Retained Profits</b> RM'000	<b>Treasury Shares</b> 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 year	-	-	-	-	5,470,035	-	5,470,035	76,944	5,546,979
Other comprehensive loss for the year	-	-	-	(40,363)	-	-	(40,363)	(114,454) *	(154,817)
Total comprehensive (loss) / income for the year	-	-	-	(40,363)	5,470,035	-	5,429,672	(37,510)	5,392,162
Transactions with owners / other equity movements:									
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-	-	-	-
Transfer from statutory reserves	-	-	-	(4,919,565)	4,919,565	-	-	-	-
Transfer to regulatory reserves	-	-	205,528	-	(205,528)	-	-	-	-
Transfer to general reserves	-	-	-	81,050	(81,050)	-	-	-	-
Transfer from Profit									
Equalisation Reserve of the Islamic banking institution	-	-	-	(1)	1	-	-	-	-
Dividends paid	-	-	-	-	(2,278,281)	-	(2,278,281)	(31,992)	(2,310,273)
	<u>5,535,515</u>	<u>(5,535,515)</u>	<u>205,528</u>	<u>(4,838,516)</u>	<u>2,354,707</u>	<u>-</u>	<u>(2,278,281)</u>	<u>(31,992)</u>	<u>(2,310,273)</u>
At 31 December 2017	<u>9,417,653</u>	<u>-</u>	<u>2,376,498</u>	<u>996,833</u>	<u>24,723,059</u>	<u>(149,337)</u>	<u>37,364,706</u>	<u>1,080,954</u>	<u>38,445,660</u>

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

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**AUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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)	-	(661,279)	204,762	558,600	-	102,083
<b>At 1 January 2018, as restated</b>	<b>9,417,653</b>	<b>1,373,080</b>	<b>782,664</b>	<b>21,319,203</b>	<b>(149,337)</b>	<b>32,743,263</b>
Profit for the year	-	-	-	4,551,065	-	4,551,065
Other comprehensive income for the year	-	-	66,211	-	-	66,211
Total comprehensive income for the year	-	-	66,211	4,551,065	-	4,617,276
Transactions with owners / other equity movements:						
Disposal of treasury shares	-	-	-	325,120	149,337	474,457
Transfer to statutory reserves	-	-	292	(292)	-	-
Transfer to regulatory reserves	-	88,812	-	(88,812)	-	-
Dividends paid	-	-	-	(2,555,192)	-	(2,555,192)
	-	88,812	292	(2,319,176)	149,337	(2,080,735)
<b>At 31 December 2018</b>	<b>9,417,653</b>	<b>1,461,892</b>	<b>849,167</b>	<b>23,551,092</b>	<b>-</b>	<b>35,279,804</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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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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

<b>Bank</b>	<b>Non-distributable Reserves</b>				<b>Distributable Reserves</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 year	-	-	-	-	5,060,539	-	5,060,539
Other comprehensive income for the year	-	-	-	85,420	-	-	85,420
Total comprehensive income for the year	-	-	-	85,420	5,060,539	-	5,145,959
Transactions with owners / other equity movements:							
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-	-
Transfer from statutory reserves	-	-	-	(4,536,712)	4,536,712	-	-
Transfer to regulatory reserves	-	-	152,701	-	(152,701)	-	-
Dividends paid	-	-	-	-	(2,278,281)	-	(2,278,281)
	<u>5,535,515</u>	<u>(5,535,515)</u>	<u>152,701</u>	<u>(4,536,712)</u>	<u>2,105,730</u>	<u>-</u>	<u>(2,278,281)</u>
At 31 December 2017	<u>9,417,653</u>	<u>-</u>	<u>2,034,359</u>	<u>577,902</u>	<u>20,760,603</u>	<u>(149,337)</u>	<u>32,641,180</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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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Cash Flows from Operating Activities</b>				
Profit before tax expense and zakat	7,101,165	7,117,672	5,644,492	6,296,242
Adjustments for non-cash items:				
Share of (profit) / loss after tax of equity accounted associated companies	(5,250)	3,289	-	-
Allowance for impairment on loans and financing	421,325	419,044	220,301	182,916
Depreciation of property and equipment	228,677	219,362	178,263	171,376
Net gain on financial instruments	(41,423)	(83,403)	(40,482)	(79,680)
Dividend income	(1,224)	(4,400)	(982,011)	(945,933)
Allowance / (Writeback of allowance) for impairment on other assets	4,760	(5,625)	3,274	(5,492)
Other non-cash items	(39,742)	589	4,255	3,127
Operating profit before working capital changes	<u>7,668,288</u>	<u>7,666,528</u>	<u>5,028,092</u>	<u>5,622,556</u>
Changes in working capital:				
Increase in operating assets	(14,107,295)	(9,728,339)	(9,208,604)	(5,526,720)
Increase in operating liabilities	19,997,446	11,881,348	15,277,743	6,609,767
Cash generated from operations	<u>13,558,439</u>	<u>9,819,537</u>	<u>11,097,231</u>	<u>6,705,603</u>
Tax expense and zakat paid	(1,680,812)	(1,466,500)	(1,259,523)	(1,137,963)
Net cash generated from operating activities	<u>11,877,627</u>	<u>8,353,037</u>	<u>9,837,708</u>	<u>5,567,640</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(217,833)	(311,549)	(148,236)	(269,934)
Addition to investment properties	(24,892)	-	-	-
Proceeds from disposal of properties	9,833	19,755	9,475	19,293
Net purchase of financial investments	(10,260,364)	(3,179,047)	(5,892,556)	(2,673,654)
Additional investment in a subsidiary company	-	-	-	(300,000)
Investment in collective investments	-	-	(198,100)	(178,244)
Additional investment in an associated company	(30,000)	-	(15,000)	-
Dividends received	1,224	4,400	970,646	918,160
Net cash used in investing activities	<u>(10,522,032)</u>	<u>(3,466,441)</u>	<u>(5,273,771)</u>	<u>(2,484,379)</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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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Cash Flows from Financing Activities</b>				
Dividends paid	(2,589,344)	(2,310,273)	(2,555,192)	(2,278,281)
Net proceeds from issuance of debt securities	3,418,240	2,499,970	2,898,500	1,999,970
Net (repayment) / drawdown of borrowings	(3,714)	1,622,676	-	1,620,311
Net proceeds from disposal of treasury shares	474,457	-	474,457	-
Redemption of debt securities	(2,350,000)	(3,000,000)	(2,350,000)	(3,000,000)
Net cash used in financing activities	<u>(1,050,361)</u>	<u>(1,187,627)</u>	<u>(1,532,235)</u>	<u>(1,658,000)</u>
Net change in cash and cash equivalents	<b>305,234</b>	3,698,969	<b>3,031,702</b>	1,425,261
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	<u>116,568</u>	<u>(662,994)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u><b>13,320,248</b></u>	<u>12,898,446</u>	<u><b>9,416,853</b></u>	<u>6,385,151</u>
Note:				
Cash and balances with banks	<b>14,740,218</b>	14,006,541	<b>9,416,853</b>	6,387,571
Less: Balances with banks with original maturity more than three months	<u>(1,419,970)</u>	<u>(1,108,095)</u>	<u>-</u>	<u>(2,420)</u>
Cash and cash equivalents at end of the year	<u><b>13,320,248</b></u>	<u>12,898,446</u>	<u><b>9,416,853</b></u>	<u>6,385,151</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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**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 audited condensed interim financial statements for the 4th quarter and financial year ended 31 December 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 audited 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 audited 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 audited 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 audited 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 audited 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 year:

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)

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 date. 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 A35 Changes in Accounting Policies.

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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):

- (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 principle-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.
- (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.

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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 (continued):
  - (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 A35(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 A35 Changes in Accounting Policies.

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

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

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 assessment of the financial effects arising from the adoption of MFRS 16 are currently in its final stage. Subject to further validation, the financial impact to the Group and the Bank on initial recognition as at 1 January 2019 are expected to be as follows:

	<b>Group</b> <b>RM'Mil</b>	<b>Bank</b> <b>RM'Mil</b>
Increase in right-of-use assets	946	1,203
Increase in deferred tax assets	2	-
Increase in lease liabilities	1,001	1,290
Decrease in deferred tax liabilities	(11)	(21)
Decrease in retained profits	(42)	(66)

Based on the latest Capital Adequacy Frameworks issued by Bank Negara Malaysia on 2 February 2018, the "right-of-use assets" will be accorded a risk weight of 100% which will result in a negative impact to the capital ratios of the Group and of the Bank. However, the impact is not expected to be significant.

(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 year.

**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 year.

**A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial year.

**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 had redeemed a total of RM400 million of Senior MTNs in nominal value on the maturity date during the current year.

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 year, 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 29 October 2018, the Bank issued RM1,000 million in aggregate nominal amount of Subordinated Notes due in 2028 callable in 2023. The Notes bear interest at the rate of 4.70% per annum.

The Bank had early redeemed a total of RM1,950 million Subordinated Notes together with accrued interest during the year.

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**A7. Dividends Paid and Distributed**

During the financial year ended 31 December 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	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	286,951	-	286,951	-
Malaysian Government Investment Issues	100,964	-	70,654	-
Bank Negara Malaysia Monetary Notes	<u>1,536,341</u>	-	<u>1,536,341</u>	-
	<u>1,924,256</u>	-	<u>1,893,946</u>	-
<b>Non-money market instruments:</b>				
Equity securities:				
- Unquoted shares in Malaysia	423,949	-	399,690	-
Debt securities:				
- Unquoted corporate bonds / sukuk	31,929	-	-	-
	<u>455,878</u>	-	<u>399,690</u>	-
Total financial assets at FVTPL	<u>2,380,134</u>	-	<u>2,293,636</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 A35 Changes in Accounting Policies.

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 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 A35 Changes in Accounting Policies.

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	12,265,159	-	11,895,739	-
Malaysian Government Investment Issues	21,653,696	-	12,288,291	-
Other foreign government securities	58,125	-	-	-
	<u>33,976,980</u>	<u>-</u>	<u>24,184,030</u>	<u>-</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>3,051,128</u>	<u>-</u>	<u>2,910,720</u>	<u>-</u>
<b>Non-money market instruments:</b>				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	2,204	-	-	-
- Unquoted shares	344,996	-	338,498	-
Debt securities:				
- Cagamas bonds	390,528	-	289,423	-
- Unquoted corporate bonds / sukuk	4,563,691	-	1,348,032	-
Unit trust funds	12,956	-	-	-
	<u>5,314,375</u>	<u>-</u>	<u>1,975,953</u>	<u>-</u>
Total financial investments at FVOCI	<u>42,342,483</u>	<u>-</u>	<u>29,070,703</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 A35 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:

	<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>Group</b>				
At 1 January 2018				
- as previously stated	-	-	-	-
- effects of changes in accounting policies	<u>6,375</u>	<u>-</u>	<u>-</u>	<u>6,375</u>
At 1 January 2018, as restated	6,375	-	-	6,375
New financial investments purchased	7,728	1,207	-	8,935
Net allowance written back	(314)	-	-	(314)
Amount derecognised	(6,427)	-	-	(6,427)
Exchange differences	9	18	-	27
At 31 December 2018	<u><u>7,371</u></u>	<u><u>1,225</u></u>	<u><u>-</u></u>	<u><u>8,596</u></u>
<b>Bank</b>				
At 1 January 2018				
- as previously stated	-	-	-	-
- effects of changes in accounting policies	<u>4,470</u>	<u>-</u>	<u>-</u>	<u>4,470</u>
At 1 January 2018, as restated	4,470	-	-	4,470
New financial investments purchased	6,342	-	-	6,342
Net allowance written back	(348)	-	-	(348)
Amount derecognised	(5,604)	-	-	(5,604)
At 31 December 2018	<u><u>4,860</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,860</u></u>

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 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 A35 Changes in Accounting Policies.

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**A12. Financial Investments at Amortised Cost**

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	1,125,105	-	1,125,105	-
Malaysian Government Investment Issues	6,512,720	-	4,078,918	-
Foreign Government Treasury Bills	1,019,500	-	27,080	-
Other foreign government securities	1,710,079	-	7,897	-
	<u>10,367,404</u>	<u>-</u>	<u>5,239,000</u>	<u>-</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	1,198,530	-	1,842,223	-
<b>Non-money market instruments:</b>				
Debt securities:				
- Cagamas bonds	5,611,030	-	5,611,030	-
- Unquoted corporate bonds / sukuk	9,845,596	-	7,883,611	-
	<u>15,456,626</u>	<u>-</u>	<u>13,494,641</u>	<u>-</u>
Allowance for impairment	(4,116)	-	(3,500)	-
Total financial investments at amortised cost	<u>27,018,444</u>	<u>-</u>	<u>20,572,364</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 A35 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	1,018	-	-	1,018
Net allowance written back	(309)	-	-	(309)
Amount derecognised	(323)	-	-	(323)
Amount written off	-	-	(16)	(16)
Exchange differences	7	-	-	7
At 31 December 2018	<u>4,097</u>	<u>-</u>	<u>19</u>	<u>4,116</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	665	-	-	665
Net allowance written back	(24)	-	-	(24)
Amount derecognised	(29)	-	-	(29)
Amount written off	-	-	(16)	(16)
At 31 December 2018	<u>3,481</u>	<u>-</u>	<u>19</u>	<u>3,500</u>



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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 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>
Allowance for impairment	-	(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 A35 Changes in Accounting Policies.

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**A14. Loans, Advances and Financing**

	Group		Bank	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
<b>At amortised cost</b>				
Overdrafts	11,558,286	11,335,807	8,356,059	8,353,229
Term loans / financing				
- Housing loans / financing	112,302,675	103,656,930	89,027,872	83,801,900
- Syndicated term loans / financing	3,129,190	2,846,269	595,341	728,682
- Hire purchase receivables	50,487,731	50,424,367	38,196,616	37,131,115
- Other term loans / financing	121,090,161	118,917,854	95,910,951	95,661,738
Credit card receivables	2,064,840	1,965,180	2,025,895	1,932,950
Bills receivables	155,074	146,692	133,739	125,209
Trust receipts	254,809	254,011	170,085	192,569
Claims on customers under acceptance credits	3,803,866	4,014,388	3,482,087	3,668,165
Revolving credits	10,483,874	8,992,614	9,529,290	8,189,759
Staff loans *	1,971,073	1,899,165	1,729,331	1,685,636
Gross loans, advances and financing	<u>317,301,579</u>	<u>304,453,277</u>	<u>249,157,266</u>	<u>241,470,952</u>
Allowance for impairment on loans and financing:				
- Expected credit losses	(2,042,413)	-	(1,466,869)	-
- Stage 1: 12-Month ECL	(1,086,325)	-	(775,726)	-
- Stage 2: Lifetime ECL not credit-impaired	(546,221)	-	(452,091)	-
- Stage 3: Lifetime ECL credit-impaired	(409,867)	-	(239,052)	-
- Collective assessment allowance	-	(1,317,960)	-	(862,911)
- Individual assessment allowance	-	(91,190)	-	(31,793)
Net loans, advances and financing	<u><u>315,259,166</u></u>	<u><u>303,044,127</u></u>	<u><u>247,690,397</u></u>	<u><u>240,576,248</u></u>

\* Included in staff loans of the Group and of the Bank are loans to Directors of subsidiary companies amounting to RM5,012,000 (2017: RM5,222,000) and RM4,709,000 (2017 - RM4,861,000) respectively.

a) By class

	Group		Bank	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Retail loans / financing *				
- Housing loans / financing	112,302,874	103,656,930	89,027,872	83,801,900
- Hire purchase	50,250,640	50,424,367	38,196,616	37,131,115
- Credit cards	2,064,840	1,965,180	2,025,895	1,932,950
- Other loans / financing ^	106,352,920	102,945,559	81,988,983	81,757,909
	<u>270,971,274</u>	<u>258,992,036</u>	<u>211,239,366</u>	<u>204,623,874</u>
Corporate loans / financing	46,330,305	45,461,241	37,917,900	36,847,078
	<u><u>317,301,579</u></u>	<u><u>304,453,277</u></u>	<u><u>249,157,266</u></u>	<u><u>241,470,952</u></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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Non-bank financial institutions				
- Stock-broking companies	2,973	4,740	2,973	4,740
- Others	9,734,072	8,145,673	8,680,888	7,517,104
Business enterprises				
- Small and medium enterprises	72,969,642	74,313,015	60,871,769	62,789,245
- Others	26,553,212	24,990,469	20,444,367	18,509,741
Government and statutory bodies	1,318,357	1,322,989	10,033	11,534
Individuals	204,066,098	192,734,820	156,821,569	149,915,238
Other entities	37,491	39,159	27,939	33,448
Foreign entities	2,619,734	2,902,412	2,297,728	2,689,902
	<b>317,301,579</b>	<b>304,453,277</b>	<b>249,157,266</b>	<b>241,470,952</b>

c) By interest / profit rate sensitivity

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Fixed rate				
- Housing loans / financing	1,762,168	4,877,880	711,476	3,453,143
- Hire purchase receivables	47,872,472	47,913,213	37,995,624	36,885,384
- Other fixed rate loans / financing	21,387,571	21,895,178	10,361,819	10,901,304
Variable rate				
- Base rate / base lending rate plus	197,504,090	183,107,532	167,638,242	158,705,896
- Cost plus	34,198,485	32,608,651	32,050,311	31,078,708
- Other variable rates	14,576,793	14,050,823	399,794	446,517
	<b>317,301,579</b>	<b>304,453,277</b>	<b>249,157,266</b>	<b>241,470,952</b>

d) By residual contractual maturity

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Maturity within one year	33,476,534	33,814,979	24,078,602	25,360,503
More than one year to three years	25,630,391	24,733,045	19,976,992	19,430,778
More than three years to five years	30,813,477	28,856,199	25,891,581	23,606,022
More than five years	227,381,177	217,049,054	179,210,091	173,073,649
	<b>317,301,579</b>	<b>304,453,277</b>	<b>249,157,266</b>	<b>241,470,952</b>

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

e) By geographical distribution

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Malaysia	294,073,885	282,325,991	248,304,984	240,504,514
Hong Kong SAR and the People's Republic of China	15,884,112	15,377,949	-	-
Cambodia	4,355,773	4,160,208	-	-
Other countries	2,987,809	2,589,129	852,282	966,438
	<b>317,301,579</b>	<b>304,453,277</b>	<b>249,157,266</b>	<b>241,470,952</b>

f) Gross loans, advances and financing by economic purpose

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Purchase of securities	2,764,420	2,179,614	2,389,565	1,780,714
Purchase of transport vehicles	50,720,776	50,669,140	38,438,216	37,380,260
Purchase of landed properties	196,597,670	185,979,950	159,761,279	154,240,634
(of which: - residential	<b>116,258,068</b>	<b>107,288,543</b>	<b>92,398,172</b>	<b>86,942,841</b>
- non-residential)	<b>80,339,602</b>	<b>78,691,407</b>	<b>67,363,107</b>	<b>67,297,793</b>
Purchase of fixed assets (excluding landed properties)	470,118	532,839	140,252	158,332
Personal use	13,064,948	12,359,777	6,996,922	6,628,601
Credit card	2,064,840	1,965,180	2,025,895	1,932,950
Purchase of consumer durables	924	972	104	138
Construction	7,143,581	6,592,837	5,953,919	5,494,054
Mergers and acquisitions	16,222	101,498	16,222	101,498
Working capital	39,968,394	38,947,042	28,994,446	28,688,846
Other purpose	4,489,686	5,124,428	4,440,446	5,064,925
	<b>317,301,579</b>	<b>304,453,277</b>	<b>249,157,266</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	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Agriculture, hunting, forestry and fishing	3,805,553	3,914,938	2,706,340	2,814,699
Mining and quarrying	213,243	214,858	160,547	170,596
Manufacturing	10,539,536	10,663,327	8,426,428	8,609,724
Electricity, gas and water	130,928	123,041	36,695	22,871
Construction	10,136,934	9,214,346	7,913,275	7,223,868
Wholesale & retail trade and restaurants & hotels	26,443,547	25,969,541	21,980,620	21,778,008
Transport, storage and communication	4,163,935	3,977,380	2,991,268	2,887,521
Finance, insurance and business services	18,315,474	17,433,156	15,489,976	14,772,934
Real estate	36,168,873	35,431,901	29,539,663	29,945,799
Community, social and personal services	3,230,397	3,460,289	1,687,041	1,912,066
Households	203,134,870	192,774,845	158,182,409	151,251,046
Others	1,018,289	1,275,655	43,004	81,820
	<b>317,301,579</b>	<b>304,453,277</b>	<b>249,157,266</b>	<b>241,470,952</b>

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Bankers' acceptances rediscounted	2,500	2,700	2,500	2,700

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 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 year	3,109,654	3,106,587	2,136,046	2,125,721
Reclassified as non-impaired	(2,110,795)	(2,198,835)	(1,527,447)	(1,586,551)
Recoveries	(347,887)	(351,167)	(262,641)	(256,360)
Amount written off	(482,440)	(510,583)	(244,913)	(224,629)
Loans / financing converted to foreclosed properties	(27,799)	(30,798)	(22,822)	(29,746)
Exchange differences	4,334	(28,919)	1,550	(6,005)
Closing balance	<b>1,620,733</b>	<b>1,475,666</b>	<b>1,143,782</b>	<b>1,064,009</b>
Gross impaired loans and financing as a percentage of gross loans, advances and financing	<b>0.51%</b>	<b>0.48%</b>	<b>0.46%</b>	<b>0.44%</b>

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

j) Impaired loans, advances and financing by geographical distribution

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Malaysia	1,300,431	1,188,012	1,020,145	941,478
Hong Kong SAR and the People's Republic of China	104,861	81,425	-	-
Cambodia	65,858	53,947	-	-
Other countries	149,583	152,282	123,637	122,531
	<b>1,620,733</b>	<b>1,475,666</b>	<b>1,143,782</b>	<b>1,064,009</b>

k) Impaired loans, advances and financing by economic purpose

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Purchase of securities	722	738	722	738
Purchase of transport vehicles	304,027	292,519	201,474	198,244
Purchase of landed properties	803,830	709,881	629,105	559,262
(of which: - residential	569,671	560,264	428,029	420,688
- non-residential)	234,159	149,617	201,076	138,574
Purchase of fixed assets (excluding landed properties)	7,500	12,096	364	317
Personal use	141,699	138,065	46,402	51,801
Credit card	19,572	21,078	19,141	20,725
Construction	69,316	27,039	67,218	17,410
Working capital	263,975	265,147	169,303	206,420
Other purpose	10,092	9,103	10,053	9,092
	<b>1,620,733</b>	<b>1,475,666</b>	<b>1,143,782</b>	<b>1,064,009</b>

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

l) Impaired loans, advances and financing by sectors

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Agriculture, hunting, forestry and fishing	<b>40,216</b>	34,527	<b>15,109</b>	10,623
Mining and quarrying	<b>1,689</b>	1,405	<b>636</b>	656
Manufacturing	<b>56,008</b>	39,004	<b>45,561</b>	35,079
Electricity, gas and water	<b>2,275</b>	2,148	<b>83</b>	-
Construction	<b>129,350</b>	65,162	<b>120,122</b>	51,852
Wholesale & retail trade and restaurants & hotels	<b>170,689</b>	141,280	<b>133,636</b>	109,501
Transport, storage and communication	<b>18,857</b>	15,667	<b>14,072</b>	13,373
Finance, insurance and business services	<b>60,621</b>	93,524	<b>44,404</b>	85,860
Real estate	<b>42,456</b>	27,920	<b>37,287</b>	26,449
Community, social and personal services	<b>9,569</b>	9,631	<b>7,230</b>	9,499
Households	<b>1,066,953</b>	1,045,127	<b>725,551</b>	721,001
Others	<b>22,050</b>	271	<b>91</b>	116
	<b><u>1,620,733</u></b>	<u>1,475,666</u>	<b><u>1,143,782</u></b>	<u>1,064,009</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:

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				688,212
At 1 January 2018, as restated	1,186,643	534,269	376,450	2,097,362
Changes due to loans, advances and financing recognised as at 1 January 2018:	127,009	(84,657)	(42,352)	-
- Transfer to Stage 1: 12-Month ECL	161,772	(131,135)	(30,637)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(31,210)	70,045	(38,835)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(3,553)	(23,567)	27,120	-
Loans, advances and financing derecognised (other than write-off)	(87,098)	(52,331)	(35,349)	(174,778)
New loans, advances and financing originated	165,795	82,600	55,833	304,228
Net remeasurement due to changes in credit risk	(304,918)	67,155	522,615	284,852
Modifications to contractual cash flows of loans, advances and financing	(3,040)	(1,397)	10,084	5,647
Amount written off	-	-	(482,440)	(482,440)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	(36)	(36)
Exchange differences	1,934	582	5,062	7,578
At 31 December 2018	1,086,325	546,221	409,867	2,042,413



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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				597,122
At 1 January 2018, as restated	832,699	420,320	238,807	1,491,826
Changes due to loans and advances recognised as at				
1 January 2018:	91,431	(51,548)	(39,883)	-
- Transfer to Stage 1: 12-Month ECL	116,624	(94,966)	(21,658)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(24,696)	51,261	(26,565)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(497)	(7,843)	8,340	-
Loans and advances derecognised (other than write-off)	(44,121)	(38,576)	(24,553)	(107,250)
New loans and advances originated	96,076	60,348	3,146	159,570
Net remeasurement due to changes in credit risk	(197,502)	62,910	297,262	162,670
Modifications to contractual cash flows of loans and advances	(2,739)	(1,363)	9,222	5,120
Amount written off	-	-	(244,913)	(244,913)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	(36)	(36)
Exchange differences	(118)	-	-	(118)
At 31 December 2018	775,726	452,091	239,052	1,466,869

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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>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Deferred handling fees	<b>226,549</b>	229,662	<b>178,288</b>	171,437
Interest / Income receivable	<b>53,356</b>	54,816	<b>7,889</b>	11,918
Other receivables, deposits and prepayments	<b>1,106,278</b>	1,045,474	<b>969,935</b>	935,227
Collateral pledged for derivative transactions	<b>118,620</b>	371,846	<b>118,620</b>	371,846
Employee benefits	<b>327,462</b>	304,397	<b>322,256</b>	299,862
Amount due from trust funds	<b>206,628</b>	246,029	-	-
Foreclosed properties	<b>125,622</b>	108,190	<b>117,987</b>	105,375
Outstanding contracts on clients' accounts	<b>229,372</b>	391,331	-	-
Amount due from subsidiary companies	-	-	<b>39,521</b>	39,855
Distribution receivable from collective investments	-	-	<b>31,772</b>	29,421
Dividend receivable from subsidiary companies	-	-	<b>580,496</b>	571,482
	<u><b>2,393,887</b></u>	<u>2,751,745</u>	<u><b>2,366,764</b></u>	<u>2,536,423</u>

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**A16. Deposits from Customers**

a) By type of deposit

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
Core deposits:				
- Demand deposits	50,023,160	47,611,744	39,559,440	38,752,425
- Savings deposits	37,034,511	35,507,539	24,171,008	23,162,008
- Fixed deposits	196,788,732	186,603,269	146,016,093	138,765,157
	<u>283,846,403</u>	<u>269,722,552</u>	<u>209,746,541</u>	<u>200,679,590</u>
Negotiable instruments of deposit	133,528	36,439	108,605	17,204
Money market deposits	55,129,516	49,452,587	48,985,570	44,598,778
	<u>55,263,044</u>	<u>49,489,026</u>	<u>49,094,175</u>	<u>44,615,982</u>
Other deposits	50,445	47,848	36,843	36,156
	<u>339,159,892</u>	<u>319,259,426</u>	<u>258,877,559</u>	<u>245,331,728</u>

b) By type of customer

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Federal and state governments	7,020,760	6,947,108	5,509,654	1,459,380
Local government and statutory authorities	2,983,466	2,760,408	2,533,549	2,203,477
Business enterprises	95,374,964	84,134,411	75,246,722	68,036,469
Individuals	174,215,460	165,201,059	133,345,386	131,634,989
Foreign customers	6,938,374	5,811,875	4,037,037	3,495,381
Others	52,626,868	54,404,565	38,205,211	38,502,032
	<u>339,159,892</u>	<u>319,259,426</u>	<u>258,877,559</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:

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Due within six months	189,847,360	195,111,517	148,353,579	150,463,889
More than six months to one year	61,487,317	40,343,897	46,421,532	32,831,078
More than one year to three years	713,289	631,060	331,729	80,815
More than three years to five years	3,810	5,821	3,428	5,357
	<u>252,051,776</u>	<u>236,092,295</u>	<u>195,110,268</u>	<u>183,381,139</u>

**A17. Deposits from Banks**

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
Licensed banks	4,648,523	7,078,526	3,790,646	4,983,891
Licensed investment banks	144,311	30,107	27,265	43,814
Bank Negara Malaysia	428,786	965,817	408,387	943,494
Other financial institutions	4,261,534	3,371,607	8,260,765	6,995,694
	<u>9,483,154</u>	<u>11,446,057</u>	<u>12,487,063</u>	<u>12,966,893</u>

**A18. Other Liabilities**

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Interest / Income payable	1,885,756	1,716,502	1,351,860	1,282,983
Other payables and accruals	2,377,762	2,351,378	1,781,347	1,809,122
Collateral received for derivative transactions	101,475	52,602	101,475	52,602
Amount due to trust funds	86,095	110,377	-	-
Unprocessed sales and / or redemptions	113,587	129,675	-	-
Profit Equalisation Reserve of the investment account holder	31	108	-	-
Allowance for impairment on loan / financing commitments and financial guarantees	62,483	-	42,422	-
Finance lease liabilities	95,666	147,672	95,666	147,672
Outstanding contracts on clients' accounts	224,208	381,966	-	-
Dividend payable to shareholders	28,407	25,421	2,017	1,046
Amount due to subsidiary companies	-	-	42,029	26,657
	<u>4,975,470</u>	<u>4,915,701</u>	<u>3,416,816</u>	<u>3,320,082</u>

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**A18. Other Liabilities** (continued)

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

	<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>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:	1,206	(850)	(356)	-
- Transfer to Stage 1: 12-Month ECL	2,456	(2,214)	(242)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,234)	1,445	(211)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(16)	(81)	97	-
Loan/financing commitments and financial guarantees derecognised	(4,646)	(2,297)	(79)	(7,022)
New loan / financing commitments and financial guarantees originated	8,041	4,076	38	12,155
Net remeasurement due to changes in credit risk	(4,811)	777	287	(3,747)
Modifications to contractual cash flows of loan/ financing commitments and financial guarantees	(18)	-	8	(10)
Exchange differences	293	-	-	293
At 31 December 2018	<u>53,063</u>	<u>8,273</u>	<u>1,147</u>	<u>62,483</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:	724	(487)	(237)	-
- Transfer to Stage 1: 12-Month ECL	1,888	(1,714)	(174)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,149)	1,296	(147)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(15)	(69)	84	-
Loan commitments and financial guarantees derecognised	(3,428)	(2,021)	(75)	(5,524)
New loan commitments and financial guarantees originated	4,759	3,499	38	8,296
Net remeasurement due to changes in credit risk	(3,601)	728	302	(2,571)
Modifications to contractual cash flows of loan commitments and financial guarantees	(18)	-	8	(10)
At 31 December 2018	<u>34,345</u>	<u>7,065</u>	<u>1,012</u>	<u>42,422</u>

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**A19. Interest Income**

<b>Group</b>	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</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>
Loans and advances	3,523,331	3,295,237	13,753,101	13,024,604
Balances with banks	68,018	63,264	256,133	286,894
Financial investments at fair value through other comprehensive income	324,362	-	1,214,610	-
Financial investments available-for-sale	-	224,265	-	900,429
Financial investments at amortised cost	234,473	-	865,937	-
Financial investments held-to-maturity	-	246,946	-	881,218
Others	23,387	27,951	94,790	113,389
	<b>4,173,571</b>	<b>3,857,663</b>	<b>16,184,571</b>	<b>15,206,534</b>
Financial assets at fair value through profit or loss	21,954	-	76,635	-
Financial assets held-for-trading	-	12,172	-	71,882
	<b>4,195,525</b>	<b>3,869,835</b>	<b>16,261,206</b>	<b>15,278,416</b>
	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</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>Bank</b>				
Loans and advances	3,172,020	2,969,592	12,434,795	11,711,796
Balances with banks	36,787	28,108	137,846	146,886
Financial investments at fair value through other comprehensive income	274,529	-	1,027,039	-
Financial investments available-for-sale	-	181,475	-	737,213
Financial investments at amortised cost	209,223	-	781,747	-
Financial investments held-to-maturity	-	228,992	-	811,590
Others	23,385	27,953	94,781	113,387
	<b>3,715,944</b>	<b>3,436,120</b>	<b>14,476,208</b>	<b>13,520,872</b>
Financial assets at fair value through profit or loss	16,654	-	53,401	-
Financial assets held-for-trading	-	5,091	-	45,541
	<b>3,732,598</b>	<b>3,441,211</b>	<b>14,529,609</b>	<b>13,566,413</b>

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**A20. Interest Expense**

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits from banks	109,865	92,166	389,007	439,393
Deposits from customers	1,977,359	1,712,140	7,503,703	6,739,655
Loans sold to Cagamas	59,334	50,322	241,244	151,616
Debt securities issued and other borrowed funds	137,664	125,906	553,192	527,035
Others	2,936	1,655	11,093	3,598
	<b>2,287,158</b>	<b>1,982,189</b>	<b>8,698,239</b>	<b>7,861,297</b>

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits from banks	115,411	91,796	401,848	430,300
Deposits from customers	1,888,019	1,648,379	7,220,141	6,472,743
Loans sold to Cagamas	59,334	50,322	241,244	151,616
Debt securities issued and other borrowed funds	133,228	121,435	535,660	511,051
Others	2,936	1,655	11,093	3,598
	<b>2,198,928</b>	<b>1,913,587</b>	<b>8,409,986</b>	<b>7,569,308</b>

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**A21. Net Fee and Commission Income**

	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b><u>Group</u></b>				
(a) Fee and commission income:				
Commissions	162,171	156,062	601,187	549,064
Service charges and fees	80,082	85,142	330,534	339,963
Guarantee fees	9,776	7,786	33,500	35,591
Processing fees	5,442	7,246	22,157	25,720
Commitment fees	21,788	22,351	89,194	88,825
Unit trust management fees	256,317	260,347	1,053,692	984,867
Fee on sale of trust units	68,760	95,349	340,409	377,704
Brokerage and commissions from stockbroking activities	22,416	25,835	101,947	103,209
Other fee and commission income	16,033	9,530	54,159	55,725
	<u>642,785</u>	<u>669,648</u>	<u>2,626,779</u>	<u>2,560,668</u>
(b) Fee and commission expense:				
Unit trust agency fee	(110,832)	(127,301)	(469,281)	(463,594)
Debit / credit card related fee	(91,884)	(88,260)	(344,937)	(326,055)
Loan related fee	(3,581)	(2,935)	(13,291)	(12,716)
Other fee and commission expense	(5,626)	(5,405)	(21,178)	(21,763)
	<u>(211,923)</u>	<u>(223,901)</u>	<u>(848,687)</u>	<u>(824,128)</u>
Net fee and commission income	<u>430,862</u>	<u>445,747</u>	<u>1,778,092</u>	<u>1,736,540</u>
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b><u>Bank</u></b>				
(a) Fee and commission income:				
Commissions	170,800	167,638	666,253	631,214
Service charges and fees	55,882	62,327	237,810	242,646
Guarantee fees	8,994	7,129	30,693	32,814
Processing fees	2,598	2,703	9,920	9,772
Commitment fees	20,200	20,666	82,234	82,359
Other fee and commission income	11,202	6,540	36,893	43,075
	<u>269,676</u>	<u>267,003</u>	<u>1,063,803</u>	<u>1,041,880</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(91,101)	(86,678)	(342,165)	(319,535)
Loan related fee	(2,962)	(2,220)	(10,692)	(9,963)
Other fee and commission expense	(3,253)	(3,434)	(13,360)	(13,527)
	<u>(97,316)</u>	<u>(92,332)</u>	<u>(366,217)</u>	<u>(343,025)</u>
Net fee and commission income	<u>172,360</u>	<u>174,671</u>	<u>697,586</u>	<u>698,855</u>



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

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Net gain arising on financial assets at fair value through profit or loss:				
- net gain on disposal	376	-	1,131	-
- gross dividend income	524	-	2,097	-
- unrealised revaluation gain	436	-	8,217	-
	<u>1,336</u>	<u>-</u>	<u>11,445</u>	<u>-</u>
Net (loss) / gain arising on financial assets held-for-trading:				
- net (loss) / gain on disposal	-	(554)	-	2,628
- unrealised revaluation gain	-	477	-	310
	<u>-</u>	<u>(77)</u>	<u>-</u>	<u>2,938</u>
Net gain arising on trading derivatives				
- unrealised revaluation gain	<u>88</u>	<u>2,019</u>	<u>111</u>	<u>1,337</u>
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	2,976	-	33,296	-
- gross dividend income	146	-	1,224	-
	<u>3,122</u>	<u>-</u>	<u>34,520</u>	<u>-</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	-	5,124	-	82,712
- gross dividend income	-	1,662	-	4,400
	<u>-</u>	<u>6,786</u>	<u>-</u>	<u>87,112</u>
Net (loss) / gain representing ineffective portions of hedging derivatives:				
- fair value hedge	(222)	(158)	(158)	1,445
- cash flow hedge	(1,929)	2,547	(43)	(2,401)
	<u>(2,151)</u>	<u>2,389</u>	<u>(201)</u>	<u>(956)</u>
Net gains and losses on financial instruments	<u>2,395</u>	<u>11,117</u>	<u>45,875</u>	<u>90,431</u>

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>Bank</b>				
Net gain arising on financial assets at fair value through profit or loss:				
- net gain on disposal	376	-	1,127	-
- gross dividend income	494	-	1,977	-
- unrealised revaluation gain	436	-	7,753	-
	<u>1,306</u>	<u>-</u>	<u>10,857</u>	<u>-</u>
Net (loss) / gain arising on financial assets held-for-trading:				
- net (loss) / gain on disposal	-	(556)	-	2,595
- unrealised revaluation gain	-	480	-	337
	<u>-</u>	<u>(76)</u>	<u>-</u>	<u>2,932</u>
Net gain / (loss) arising on trading derivatives				
- unrealised revaluation gain / (loss)	88	(760)	111	(108)
	<u>88</u>	<u>(760)</u>	<u>111</u>	<u>(108)</u>
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	2,888	-	32,682	-
- gross dividend income	-	-	186	-
	<u>2,888</u>	<u>-</u>	<u>32,868</u>	<u>-</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	-	4,015	-	80,364
- gross dividend income	-	1,518	-	3,187
	<u>-</u>	<u>5,533</u>	<u>-</u>	<u>83,551</u>
Net (loss) / gain representing ineffective portions of hedging derivatives:				
- fair value hedge	(81)	15	(21)	1,488
- cash flow hedge	(1,929)	2,547	(43)	(2,401)
	<u>(2,010)</u>	<u>2,562</u>	<u>(64)</u>	<u>(913)</u>
Net gains and losses on financial instruments	<u>2,272</u>	<u>7,259</u>	<u>43,772</u>	<u>85,462</u>

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**A23. Other Operating Income**

	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>Group</b>				
Other income:				
Foreign exchange profit	37,768	100,324	243,745	342,436
Rental income from:				
- investment properties	6,172	3,243	15,813	13,162
- other properties	676	3,564	10,149	13,742
Net gain / (loss) on disposal of property and equipment	47	(21)	485	521
Net gain on disposal of foreclosed properties	234	225	1,127	2,176
Net gain on revaluation of investment properties	33,416	5,452	49,035	7,965
Others	18,264	76,427	70,257	123,997
Total other operating income	<u>96,577</u>	<u>189,214</u>	<u>390,611</u>	<u>503,999</u>
	4th Quarter Ended	31 December	Financial Year Ended	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Distribution income from collective investments	51,915	47,475	200,451	180,511
Dividend income from subsidiary companies				
- quoted outside Malaysia	72,196	66,681	92,877	88,796
- unquoted in Malaysia	271,010	293,430	688,497	673,439
	<u>395,121</u>	<u>407,586</u>	<u>981,825</u>	<u>942,746</u>
Other income:				
Foreign exchange profit	36,486	232,039	114,139	687,110
Rental income from other properties	3,345	3,474	12,546	13,382
Net gain on disposal of property and equipment	43	33	408	360
Net gain on disposal of foreclosed properties	234	225	1,127	2,176
Others	14,393	72,079	54,916	108,608
Total other operating income	<u>54,501</u>	<u>307,850</u>	<u>183,136</u>	<u>811,636</u>
Total other operating income	<u>449,622</u>	<u>715,436</u>	<u>1,164,961</u>	<u>1,754,382</u>

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**A24. Other Operating Expenses**

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Personnel costs				
- Salaries, allowances and bonuses	<b>519,878</b>	463,772	<b>2,089,379</b>	1,973,170
- Pension costs	<b>66,999</b>	63,001	<b>271,264</b>	255,624
- Others	<b>43,559</b>	40,555	<b>165,881</b>	157,133
	<b>630,436</b>	567,328	<b>2,526,524</b>	2,385,927
Establishment costs				
- Depreciation	<b>60,895</b>	59,455	<b>228,677</b>	219,362
- Rental	<b>33,813</b>	32,084	<b>129,208</b>	124,964
- Insurance	<b>5,551</b>	4,899	<b>22,466</b>	22,026
- Water and electricity	<b>13,107</b>	12,933	<b>50,419</b>	51,720
- General repairs and maintenance	<b>22,546</b>	19,157	<b>97,427</b>	99,352
- Information technology expenses	<b>13,035</b>	11,353	<b>51,010</b>	50,681
- Others	<b>19,214</b>	17,123	<b>72,844</b>	68,109
	<b>168,161</b>	157,004	<b>652,051</b>	636,214
Marketing expenses				
- Advertisement and publicity	<b>11,342</b>	11,732	<b>56,521</b>	56,347
- Others	<b>20,012</b>	16,837	<b>92,089</b>	71,937
	<b>31,354</b>	28,569	<b>148,610</b>	128,284
Administration and general expenses				
- Communication expenses	<b>7,963</b>	7,092	<b>46,051</b>	57,018
- Legal and professional fees	<b>9,746</b>	12,316	<b>40,938</b>	47,019
- Others	<b>38,502</b>	41,374	<b>159,312</b>	173,716
	<b>56,211</b>	60,782	<b>246,301</b>	277,753
Total other operating expenses	<b>886,162</b>	813,683	<b>3,573,486</b>	3,428,178

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

<b><u>Bank</u></b>	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>389,935</b>	343,096	<b>1,576,108</b>	1,461,313
- Pension costs	<b>57,244</b>	53,984	<b>233,435</b>	219,930
- Others	<b>33,850</b>	33,235	<b>133,785</b>	127,047
	<b>481,029</b>	430,315	<b>1,943,328</b>	1,808,290
Establishment costs				
- Depreciation	<b>46,688</b>	44,179	<b>178,263</b>	171,376
- Rental	<b>26,307</b>	25,313	<b>101,865</b>	97,793
- Insurance	<b>4,557</b>	4,147	<b>19,082</b>	18,469
- Water and electricity	<b>8,825</b>	8,743	<b>34,551</b>	36,030
- General repairs and maintenance	<b>19,511</b>	18,349	<b>85,051</b>	87,783
- Information technology expenses	<b>5,926</b>	4,350	<b>23,845</b>	22,338
- Others	<b>12,373</b>	10,859	<b>45,442</b>	43,642
	<b>124,187</b>	115,940	<b>488,099</b>	477,431
Marketing expenses				
- Advertisement and publicity	<b>1,168</b>	1,142	<b>17,678</b>	17,186
- Others	<b>9,167</b>	9,171	<b>44,171</b>	44,525
	<b>10,335</b>	10,313	<b>61,849</b>	61,711
Administration and general expenses				
- Communication expenses	<b>5,946</b>	4,995	<b>34,761</b>	44,269
- Legal and professional fees	<b>6,256</b>	7,243	<b>28,105</b>	31,044
- Others	<b>20,913</b>	19,741	<b>91,718</b>	98,321
	<b>33,115</b>	31,979	<b>154,584</b>	173,634
Shared service cost charged to Public Islamic Bank Berhad *	<b>(95,287)</b>	(88,997)	<b>(375,994)</b>	(350,844)
<b>Total other operating expenses</b>	<b>553,379</b>	499,550	<b>2,271,866</b>	2,170,222

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

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Credit related services	<b>(51,038)</b>	(47,559)	<b>(203,480)</b>	(186,342)
Non-credit branch support services	<b>(28,080)</b>	(26,436)	<b>(107,534)</b>	(106,707)
Other administration services	<b>(16,169)</b>	(15,002)	<b>(64,980)</b>	(57,795)
	<b>(95,287)</b>	(88,997)	<b>(375,994)</b>	(350,844)

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b><u>Group</u></b>				
Allowance for impairment				
on loans, advances and financing:				
- Expected credit losses	96,253	-	421,325	-
- Collective assessment allowance, net	-	38,116	-	230,844
- Individual assessment allowance, net	-	36,522	-	188,200
Bad debts written off / (recovered)				
from stockbroking activities	6	-	6	(2)
Impaired loans and financing written off	36	17	115	125
Impaired loans and financing recovered	(61,856)	(50,857)	(252,177)	(215,875)
	<u>34,439</u>	<u>23,798</u>	<u>169,269</u>	<u>203,292</u>
	4th Quarter Ended	31 December	Financial Year Ended	31 December
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
Allowance for impairment				
on loans and advances:				
- Expected credit losses	59,615	-	220,301	-
- Collective assessment allowance, net	-	16,320	-	164,981
- Individual assessment allowance, net	-	128	-	17,935
Impaired loans written off	35	17	113	122
Impaired loans recovered	(23,866)	(24,054)	(114,104)	(108,206)
	<u>35,784</u>	<u>(7,589)</u>	<u>106,310</u>	<u>74,832</u>

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**A26. Segment Information**

	<----- 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>4th Quarter Ended</b>												
<b>31 December 2018</b>												
External revenue	635,658	2,841,279	508,854	359,083	40,742	325,308	25,866	408,607	5,145,397	486,621	-	5,632,018
Revenue from other segments	2,477	354,968	12,405	559,606	436	11,784	12,089	105,639	1,059,404	18,255	(1,077,659)	-
	<b>638,135</b>	<b>3,196,247</b>	<b>521,259</b>	<b>918,689</b>	<b>41,178</b>	<b>337,092</b>	<b>37,955</b>	<b>514,246</b>	<b>6,204,801</b>	<b>504,876</b>	<b>(1,077,659)</b>	<b>5,632,018</b>
Net interest income and												
Islamic banking income	161,654	1,208,789	134,948	93,119	6,677	4,326	(6,030)	257,513	1,860,996	319,804	-	2,180,800
Other income	632	174,512	14,269	64,992	14,348	209,230	37,301	(28,035)	487,249	64,251	(21,666)	529,834
Net income	<b>162,286</b>	<b>1,383,301</b>	<b>149,217</b>	<b>158,111</b>	<b>21,025</b>	<b>213,556</b>	<b>31,271</b>	<b>229,478</b>	<b>2,348,245</b>	<b>384,055</b>	<b>(21,666)</b>	<b>2,710,634</b>
Other operating expenses	(60,112)	(449,130)	(3,930)	(10,398)	(10,498)	(55,713)	(5,191)	(144,558)	(739,530)	(168,298)	21,666	(886,162)
(Allowance) / Writeback of												
allowance for impairment on												
loans, advances and financing	(17,656)	(17,476)	29,208	-	(426)	27	-	-	(6,323)	(28,116)	-	(34,439)
Allowance for impairment												
on other assets	-	(2,430)	-	(54)	(32)	-	-	(197)	(2,713)	(125)	-	(2,838)
Profit by segments	<b>84,518</b>	<b>914,265</b>	<b>174,495</b>	<b>147,659</b>	<b>10,069</b>	<b>157,870</b>	<b>26,080</b>	<b>84,723</b>	<b>1,599,679</b>	<b>187,516</b>	<b>-</b>	<b>1,787,195</b>
Reconciliation of segment profits												
to consolidated profits:												
Share of profit after tax												
of equity accounted associated												
companies									2,524	-		2,524
Profit before tax expense and zakat									<b>1,602,203</b>	<b>187,516</b>	<b>-</b>	<b>1,789,719</b>

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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>4th Quarter Ended</b>												
<b>31 December 2017</b>												
External revenue	645,840	2,685,245	456,738	319,970	41,497	355,869	1,788	395,968	4,902,915	447,635	-	5,350,550
Revenue from other segments	2,765	326,669	11,819	535,628	279	11,528	8,381	108,530	1,005,599	9,086	(1,014,685)	-
	<u>648,605</u>	<u>3,011,914</u>	<u>468,557</u>	<u>855,598</u>	<u>41,776</u>	<u>367,397</u>	<u>10,169</u>	<u>504,498</u>	<u>5,908,514</u>	<u>456,721</u>	<u>(1,014,685)</u>	<u>5,350,550</u>
Net interest income and												
Islamic banking income	176,293	1,202,874	134,025	102,467	6,245	4,264	(5,532)	216,506	1,837,142	303,370	-	2,140,512
Other income	1,078	240,711	7,677	82,455	14,402	220,737	9,667	28,944	605,671	58,317	(17,910)	646,078
Net income	<u>177,371</u>	<u>1,443,585</u>	<u>141,702</u>	<u>184,922</u>	<u>20,647</u>	<u>225,001</u>	<u>4,135</u>	<u>245,450</u>	<u>2,442,813</u>	<u>361,687</u>	<u>(17,910)</u>	<u>2,786,590</u>
Other operating expenses	(60,658)	(422,627)	(3,529)	(10,366)	(10,141)	(47,544)	(5,284)	(113,822)	(673,971)	(157,622)	17,910	(813,683)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(27,789)	27,154	(1,694)	-	(16)	-	-	-	(2,345)	(21,453)	-	(23,798)
Writeback of allowance for impairment on other assets	-	8,003	-	-	-	-	-	-	8,003	-	-	8,003
Profit / (Loss) by segments	<u>88,924</u>	<u>1,056,115</u>	<u>136,479</u>	<u>174,556</u>	<u>10,490</u>	<u>177,457</u>	<u>(1,149)</u>	<u>131,628</u>	<u>1,774,500</u>	<u>182,612</u>	<u>-</u>	<u>1,957,112</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									125	-		125
Profit before tax expense and zakat									<u>1,774,625</u>	<u>182,612</u>	<u>-</u>	<u>1,957,237</u>



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**A26. Segment Information (continued)**

Financial Year Ended 31 December 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	2,552,228	11,092,486	1,980,455	1,377,884	171,217	1,395,428	44,607	1,635,664	20,249,969	1,791,816	-	22,041,785
Revenue from other segments	5,931	1,313,656	41,606	2,242,744	914	48,310	43,946	442,654	4,139,761	59,742	(4,199,503)	-
	<u>2,558,159</u>	<u>12,406,142</u>	<u>2,022,061</u>	<u>3,620,628</u>	<u>172,131</u>	<u>1,443,738</u>	<u>88,553</u>	<u>2,078,318</u>	<u>24,389,730</u>	<u>1,851,558</u>	<u>(4,199,503)</u>	<u>22,041,785</u>
Net interest income and												
Islamic banking income	679,511	4,721,329	532,429	433,860	25,141	19,548	(23,526)	1,034,165	7,422,457	1,206,395	-	8,628,852
Other income	2,999	707,436	48,185	314,503	66,247	878,915	87,280	(19,490)	2,086,075	213,837	(85,334)	2,214,578
Net income	<u>682,510</u>	<u>5,428,765</u>	<u>580,614</u>	<u>748,363</u>	<u>91,388</u>	<u>898,463</u>	<u>63,754</u>	<u>1,014,675</u>	<u>9,508,532</u>	<u>1,420,232</u>	<u>(85,334)</u>	<u>10,843,430</u>
Other operating expenses (Allowance) / Writeback of	(242,477)	(1,829,409)	(15,609)	(41,425)	(41,908)	(231,748)	(24,335)	(601,445)	(3,028,356)	(630,464)	85,334	(3,573,486)
allowance for impairment on loans, advances and financing	(115,473)	50,438	(6,516)	-	(252)	394	-	-	(71,409)	(97,860)	-	(169,269)
Allowance for impairment on other assets	-	(2,223)	-	(542)	(47)	-	-	(758)	(3,570)	(1,190)	-	(4,760)
Profit by segments	<u>324,560</u>	<u>3,647,571</u>	<u>558,489</u>	<u>706,396</u>	<u>49,181</u>	<u>667,109</u>	<u>39,419</u>	<u>412,472</u>	<u>6,405,197</u>	<u>690,718</u>	<u>-</u>	<u>7,095,915</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									5,250	-		5,250
Profit before tax expense and zakat									<u>6,410,447</u>	<u>690,718</u>		<u>7,101,165</u>
Cost income ratio	35.5%	33.7%	2.7%	5.5%	45.9%	25.8%	38.2%	59.3%	31.8%	44.4%		33.0%

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**A26. Segment Information (continued)**

Financial Year Ended	<----- 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						
31 December 2018													
Gross loans, advances and financing	48,024,853	204,619,801	40,953,498	-	375,123	98,947	1,663	-	294,073,885	23,227,694			317,301,579
Loan growth	-0.2%	5.3%	4.2%	-	-4.6%	11.3%	4.4%	-	4.2%	5.0%			4.2%
Impaired loans, advances and financing	295,208	966,562	38,298	-	-	363	-	-	1,300,431	320,302			1,620,733
Impaired loan and financing ratio	0.6%	0.5%	0.1%	-	-	0.4%	-	-	0.4%	1.4%			0.5%
Deposits from customers	-	247,927,509	329,473	61,318,423	1,009,317	-	-	-	310,584,722	28,575,170			339,159,892
Deposit growth	-	5.3%	29.2%	8.7%	3.6%	-	-	-	5.9%	9.6%			6.2%
Segment assets	<u>47,767,310</u>	<u>256,175,771</u>	<u>40,530,095</u>	<u>76,841,089</u>	<u>2,074,568</u>	<u>401,684</u>	<u>856,107</u>	<u>45,575,856</u>	<u>470,222,480</u>	<u>37,582,400</u>	<u>(91,732,823)</u>		<u>416,072,057</u>
Reconciliation of segment assets to consolidated assets:													
Investment in associated companies									70,399	17			70,416
Unallocated assets									1,096,054	-			1,096,054
Intangible assets									775,493	1,679,262			2,454,755
Total assets									<u>472,164,426</u>	<u>39,261,679</u>			<u>419,693,282</u>

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**A26. Segment Information (continued)**

Financial Year Ended	<----- Operating Segments ----->											Group Total
	Hire Purchase	Retail Operations	Corporate Lending	Treasury and Capital Market Operations	Investment Banking	Fund Management	Others	Head Office	Total Domestic Operations	Total Overseas Operations	Inter-segment Elimination	
31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	2,626,465	10,271,311	1,793,653	1,366,183	179,199	1,363,814	6,334	1,452,068	19,059,027	1,799,147	-	20,858,174
Revenue from other segments	6,326	1,262,543	39,391	2,137,655	1,382	45,322	31,447	484,723	4,008,789	32,339	(4,041,128)	-
	<u>2,632,791</u>	<u>11,533,854</u>	<u>1,833,044</u>	<u>3,503,838</u>	<u>180,581</u>	<u>1,409,136</u>	<u>37,781</u>	<u>1,936,791</u>	<u>23,067,816</u>	<u>1,831,486</u>	<u>(4,041,128)</u>	<u>20,858,174</u>
Net interest income and												
Islamic banking income	738,848	4,717,353	511,955	409,551	24,524	17,482	(21,938)	803,534	7,201,309	1,214,527	-	8,415,836
Other income	3,944	762,497	49,099	331,429	64,451	836,184	37,129	100,619	2,185,352	217,945	(72,327)	2,330,970
Net income	<u>742,792</u>	<u>5,479,850</u>	<u>561,054</u>	<u>740,980</u>	<u>88,975</u>	<u>853,666</u>	<u>15,191</u>	<u>904,153</u>	<u>9,386,661</u>	<u>1,432,472</u>	<u>(72,327)</u>	<u>10,746,806</u>
Other operating expenses	(242,759)	(1,747,161)	(13,370)	(40,271)	(42,771)	(192,786)	(20,419)	(564,379)	(2,863,916)	(636,589)	72,327	(3,428,178)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(121,834)	30,596	(3,974)	-	-	-	-	-	(95,212)	(108,080)	-	(203,292)
Writeback of allowance for impairment on other assets	-	5,625	-	-	-	-	-	-	5,625	-	-	5,625
Profit / (Loss) by segments	<u>378,199</u>	<u>3,768,910</u>	<u>543,710</u>	<u>700,709</u>	<u>46,204</u>	<u>660,880</u>	<u>(5,228)</u>	<u>339,774</u>	<u>6,433,158</u>	<u>687,803</u>	<u>-</u>	<u>7,120,961</u>
Reconciliation of segment profits to consolidated profits:												
Share of loss after tax of equity accounted associated companies									(3,289)	-		(3,289)
Profit before tax expense and zakat									<u>6,429,869</u>	<u>687,803</u>		<u>7,117,672</u>
Cost income ratio	32.7%	31.9%	2.4%	5.4%	48.1%	22.6%	134.4%	62.4%	30.5%	44.4%		31.9%

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**A26. Segment Information (continued)**

Financial Year Ended	<----- 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					
31 December 2017												
Gross loans, advances and financing	48,144,824	194,394,644	39,303,005	-	393,027	88,898	1,593	-	282,325,991	22,127,286		304,453,277
Loan growth	-2.9%	6.6%	4.9%	-	2.5%	9.1%	-19.1%	-	4.6%	-8.0%		3.6%
Impaired loans, advances and financing	290,909	860,212	36,891	-	-	-	-	-	1,188,012	287,654		1,475,666
Impaired loan and financing ratio	0.6%	0.4%	0.1%	-	-	-	-	-	0.4%	1.3%		0.5%
Deposits from customers	-	235,519,162	255,046	56,429,980	973,801	-	-	-	293,177,989	26,081,437		319,259,426
Deposit growth	-	7.4%	0.8%	-8.9%	-36.2%	-	-	-	3.6%	-3.4%		3.0%
Segment assets	<u>47,911,280</u>	<u>243,870,178</u>	<u>39,248,323</u>	<u>76,742,643</u>	<u>2,392,959</u>	<u>427,567</u>	<u>852,588</u>	<u>35,487,797</u>	<u>446,933,335</u>	<u>34,975,826</u>	<u>(90,262,900)</u>	<u>391,646,261</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									35,052	16		35,068
Unallocated assets									1,162,860	-		1,162,860
Intangible assets									775,493	1,656,565		2,432,058
Total assets									<u>448,906,740</u>	<u>36,632,407</u>		<u>395,276,247</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 audited interim financial statements.

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

There were no changes in the composition of the Group during the 4th quarter and financial year ended 31 December 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>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Contingent liabilities</b>				
Direct credit substitutes	<b>974,325</b>	1,012,069	<b>937,413</b>	978,443
Transaction-related contingent items	<b>1,650,611</b>	1,697,926	<b>1,382,478</b>	1,469,720
Short term self-liquidating trade-related contingencies	<b>574,080</b>	558,181	<b>121,726</b>	139,041
	<b>3,199,016</b>	3,268,176	<b>2,441,617</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>26,224,596</b>	27,556,467	<b>21,269,141</b>	22,521,236
- not exceeding one year	<b>23,502,389</b>	24,373,275	<b>19,505,430</b>	21,142,579
Unutilised credit card lines	<b>7,098,371</b>	6,462,047	<b>6,799,934</b>	6,230,704
Forward asset purchases	<b>323,665</b>	383,815	<b>323,665</b>	383,815
	<b>57,149,021</b>	58,775,604	<b>47,898,170</b>	50,278,334
<b>Derivative financial instruments</b>				
Foreign exchange related contracts:				
- up to one year	<b>22,574,272</b>	20,822,638	<b>22,040,029</b>	20,151,324
- more than one year to five years	<b>3,253,717</b>	1,649,368	<b>3,253,717</b>	1,649,368
Interest / Profit rate related contracts:				
- up to one year	<b>5,139,280</b>	1,450,000	<b>5,315,200</b>	2,050,000
- more than one year to five years	<b>4,626,640</b>	9,180,800	<b>5,173,920</b>	9,908,175
- more than five years	<b>426,008</b>	295,833	<b>2,000,000</b>	2,000,000
Commodity related contracts:				
- up to one year	<b>382</b>	412	<b>382</b>	412
	<b>36,020,299</b>	33,399,051	<b>37,783,248</b>	35,759,279
	<b>96,368,336</b>	95,442,831	<b>88,123,035</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 31 December 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	950,033	4,136	-	954,169	4,072	2	-	4,074	3,703	-	-	3,703
- Swaps	21,392,281	-	-	21,392,281	53,759	-	-	53,759	125,955	-	-	125,955
- Options	25,158	-	-	25,158	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	382	-	-	382	-	-	-	-	1	-	-	1
	<u>22,367,854</u>	<u>4,136</u>	<u>-</u>	<u>22,371,990</u>	<u>57,831</u>	<u>2</u>	<u>-</u>	<u>57,833</u>	<u>129,659</u>	<u>-</u>	<u>-</u>	<u>129,659</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	3,212,080	82,720	646,008	3,940,808	9,634	2,300	11,729	23,663	662	-	6,402	7,064
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	206,800	413,600	1,034,000	1,654,400	-	-	56,819	56,819	43,427	28,449	-	71,876
Interest / Profit rate related contracts												
- Swaps	1,927,200	2,368,600	1,955,320	6,251,120	11,568	14,032	21,976	47,576	1,134	3,431	186	4,751
<b>Net Investment Hedge</b>												
Foreign exchange contracts												
- Forwards	-	-	1,801,981	1,801,981	-	-	-	-	-	-	84,314	84,314
	<u>5,346,080</u>	<u>2,864,920</u>	<u>5,437,309</u>	<u>13,648,309</u>	<u>21,202</u>	<u>16,332</u>	<u>90,524</u>	<u>128,058</u>	<u>45,223</u>	<u>31,880</u>	<u>90,902</u>	<u>168,005</u>
<b>Total</b>	<u>27,713,934</u>	<u>2,869,056</u>	<u>5,437,309</u>	<u>36,020,299</u>	<u>79,033</u>	<u>16,334</u>	<u>90,524</u>	<u>185,891</u>	<u>174,882</u>	<u>31,880</u>	<u>90,902</u>	<u>297,664</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 31 December 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	910,875	4,136	-	915,011	4,037	2	-	4,039	3,689	-	-	3,689
- Swaps	20,897,196	-	-	20,897,196	51,070	-	-	51,070	122,127	-	-	122,127
- Options	25,158	-	-	25,158	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	382	-	-	382	-	-	-	-	1	-	-	1
	<u>21,833,611</u>	<u>4,136</u>	<u>-</u>	<u>21,837,747</u>	<u>55,107</u>	<u>2</u>	<u>-</u>	<u>55,109</u>	<u>125,817</u>	<u>-</u>	<u>-</u>	<u>125,817</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	3,088,000	-	220,000	3,308,000	9,634	-	1,071	10,705	-	-	-	-
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	206,800	413,600	1,034,000	1,654,400	-	-	56,819	56,819	43,427	28,449	-	71,876
Interest rate related contracts												
- Swaps	2,227,200	2,498,600	4,455,320	9,181,120	11,711	14,405	44,352	70,468	1,134	3,431	3,423	7,988
<b>Net Investment Hedge</b>												
Foreign exchange contracts												
- Forwards	-	-	1,801,981	1,801,981	-	-	-	-	-	-	84,314	84,314
	<u>5,522,000</u>	<u>2,912,200</u>	<u>7,511,301</u>	<u>15,945,501</u>	<u>21,345</u>	<u>14,405</u>	<u>102,242</u>	<u>137,992</u>	<u>44,561</u>	<u>31,880</u>	<u>87,737</u>	<u>164,178</u>
<b>Total</b>	<u>27,355,611</u>	<u>2,916,336</u>	<u>7,511,301</u>	<u>37,783,248</u>	<u>76,452</u>	<u>14,407</u>	<u>102,242</u>	<u>193,101</u>	<u>170,378</u>	<u>31,880</u>	<u>87,737</u>	<u>289,995</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><u>22,201,736</u></u>	<u><u>6,589,493</u></u>	<u><u>6,968,050</u></u>	<u><u>35,759,279</u></u>	<u><u>92,373</u></u>	<u><u>45,561</u></u>	<u><u>102,281</u></u>	<u><u>240,215</u></u>	<u><u>487,746</u></u>	<u><u>49,333</u></u>	<u><u>32,360</u></u>	<u><u>569,439</u></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 RM185,891,000 (2017: RM226,319,000) and RM193,101,000 (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 RM118,620,000 (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>31 December 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	-	1,924,256	-	1,924,256
- Non-money market instruments	-	31,929	423,949 *	455,878
	-	1,956,185	423,949	2,380,134
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	33,976,980	-	33,976,980
- Money market instruments	-	3,051,128	-	3,051,128
- Non-money market instruments	2,204	4,967,175	344,996 *	5,314,375
	2,204	41,995,283	344,996	42,342,483
Derivative financial assets	-	185,891	-	185,891
Total financial assets measured at fair value	2,204	44,137,359	768,945	44,908,508
<b>Non-financial assets</b>				
Investment properties	-	-	719,207	719,207
<b>Financial liabilities</b>				
Derivative financial liabilities	-	297,664	-	297,664
Total financial liabilities measured at fair value	-	297,664	-	297,664

\* 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>31 December 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	-	1,893,946	-	1,893,946
- Non-money market instruments	-	-	399,690 *	399,690
	-	1,893,946	399,690	2,293,636
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	24,184,030	-	24,184,030
- Money market instruments	-	2,910,720	-	2,910,720
- Non-money market instruments	-	1,637,455	338,498 *	1,975,953
	-	28,732,205	338,498	29,070,703
Derivative financial assets	-	193,101	-	193,101
Total financial assets measured at fair value	-	30,819,252	738,188	31,557,440
<b>Financial liabilities</b>				
Derivative financial liabilities	-	289,995	-	289,995
Total financial liabilities measured at fair value	-	289,995	-	289,995

\* 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 year (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 and non-financial assets:

	<- Unquoted Equity Securities ->			Investment Properties RM'000	Total RM'000
	Financial Assets at Fair Value Through Profit or Loss RM'000	Financial Investments at Fair Value Through Other Comprehensive Income RM'000	Investment Properties RM'000		
<b>As at 31 December 2018</b>					
<b>Group</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	-	49,035		57,084
Recognised in other comprehensive income					
- unrealised revaluation gain	-	28,165	-		28,165
Addition	-	-	24,892		24,892
Disposal	-	(114)	-		(114)
Transfer from owner occupied property	-	-	5,573		5,573
Transfer to owner occupied property	-	-	(27,863)		(27,863)
Reversal of over-provision	-	-	(24,000)		(24,000)
Exchange differences	-	361	3,518		3,879
At 31 December 2018	423,949	344,996	719,207		1,488,152
<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	-	292	-		292
At 31 December 2018	399,690	338,498	-		738,188



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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	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
<u>Before deducting interim dividends *</u>				
Common Equity Tier I ("CET I") capital ratio	13.628%	12.758%	12.657%	12.136%
Tier I capital ratio	14.270%	13.538%	13.428%	13.072%
Total capital ratio	<u>16.840%</u>	<u>16.494%</u>	<u>15.963%</u>	<u>15.577%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	13.092%	12.248%	11.989%	11.506%
Tier I capital ratio	13.734%	13.028%	12.760%	12.442%
Total capital ratio	<u>16.304%</u>	<u>15.984%</u>	<u>15.295%</u>	<u>14.947%</u>

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

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 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	1,247,057	945,620	759,892	625,430
Retained profits	28,051,532	24,723,059	23,619,722	20,811,292
Treasury shares	-	(149,337)	-	(149,337)
Qualifying non-controlling interests	702,333	673,372	-	-
Less: Goodwill and other intangible assets	(2,454,755)	(2,432,058)	(695,393)	(695,393)
Less: Deferred tax assets, net	(81,374)	(70,984)	-	-
Less: Defined benefit pension fund assets	(249,036)	(231,496)	(245,535)	(228,475)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(92,847)</u>	<u>(41,816)</u>	<u>(5,644,441)</u>	<u>(4,503,553)</u>
Total CET I capital	<u>36,540,563</u>	32,834,013	<u>27,211,898</u>	25,277,617
Additional Tier I capital securities	99,462	-	99,462	-
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>61,325</u>	<u>57,550</u>	<u>-</u>	<u>-</u>
Total Tier I capital	<u>38,261,190</u>	<u>34,841,363</u>	<u>28,871,200</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):

	Group		Bank	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<u>Tier II capital</u>				
Stage 1 and Stage 2 expected credit loss allowances	1,706,858	-	1,277,949	-
Collective assessment allowance <sup>1</sup>	-	871,293	-	549,872
Qualifying regulatory reserves	1,340,126	2,076,283	1,171,183	1,843,663
Subordinated notes	2,999,980	3,949,837	2,999,980	3,949,837
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	724,569	718,418	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	-	(10,454)	-	(1,125,888)
Others	119,871	-	-	-
Total Tier II capital	<u>6,891,404</u>	<u>7,605,377</u>	<u>5,449,112</u>	<u>5,217,484</u>
Total capital	<u>45,152,594</u>	<u>42,446,740</u>	<u>34,320,312</u>	<u>32,444,901</u>

<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>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Credit risk	<b>243,758,710</b>	235,806,066	<b>195,930,586</b>	191,482,831
Market risk	<b>4,313,276</b>	2,925,168	<b>4,994,901</b>	4,126,123
Operational risk	<b>19,472,018</b>	18,620,545	<b>13,517,986</b>	12,678,955
Large exposure risk	<b>581,132</b>	-	<b>556,873</b>	-
	<b><u>268,125,136</u></b>	<u>257,351,779</u>	<b><u>215,000,346</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>31 December 2018</b>							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	<b>12.087%</b>	<b>51.529%</b>	<b>19.171%</b>	<b>16.342%</b>	<b>23.326%</b>	N/A	N/A
Tier I capital ratio	<b>12.087%</b>	<b>51.529%</b>	<b>19.171%</b>	<b>16.342%</b>	<b>23.326%</b>	N/A	N/A
Total capital ratio	<b>16.116%</b>	<b>52.062%</b>	<b>19.175%</b>	<b>17.510%</b>	<b>24.381%</b>	<b>19.756%</b>	<b>25.703%</b>
<u>After deducting interim dividends: *</u>							
CET I capital ratio	<b>11.955%</b>	<b>47.019%</b>	<b>19.171%</b>	<b>16.342%</b>	<b>21.248%</b>	N/A	N/A
Tier I capital ratio	<b>11.955%</b>	<b>47.019%</b>	<b>19.171%</b>	<b>16.342%</b>	<b>21.248%</b>	N/A	N/A
Total capital ratio	<b>15.984%</b>	<b>47.552%</b>	<b>19.175%</b>	<b>17.510%</b>	<b>22.303%</b>	<b>19.756%</b>	<b>25.703%</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 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% 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 National Bank of Cambodia ("NBC") Prakas B7-010-182 and B7-00-46 (amended by Prakas No. B7-04-206 dated 29 December 2004 and Prakas No. B7-07-135 dated 27 August 2007). 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%.

**A33. Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Outstanding credit exposures with connected parties (RM'000)	<b>2,528,816</b>	2,435,806	<b>3,074,594</b>	3,274,127
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures	<b>0.71%</b>	0.72%	<b>1.11%</b>	1.22%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<b>0.02%</b>	0.05%	<b>0.02%</b>	0.03%

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**A34. Operations of Islamic Banking**

**a) Statement of Financial Position As At 31 December 2018**

	Note	Group	
		31 December 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>			
Cash and balances with banks		2,127,231	3,636,868
Financial assets at fair value through profit or loss		30,310	-
Financial assets held-for-trading		-	646,834
Derivative financial assets		3,946	7,468
Financial investments at fair value through other comprehensive income		8,654,277	-
Financial investments available-for-sale		-	5,825,046
Financial investments at amortised cost		3,186,041	-
Financial investments held-to-maturity		-	3,002,331
Financing and advances	A34(d)	45,629,999	41,705,965
Other assets		69,628	76,090
Statutory deposits with Bank Negara Malaysia		1,891,250	1,674,050
Deferred tax assets		2,637	4,172
Collective investments		530,514	513,071
Investment in an associated company		45,000	30,000
Property and equipment		3,079	1,016
<b>Total Assets</b>		<b>62,173,912</b>	<b>57,122,911</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	A34(e)	53,639,575	49,504,109
Deposits from banks		1,982,936	1,993,695
Bills and acceptances payable		204	365
Derivative financial liabilities		23,601	27,351
Senior Sukuk Murabahah		519,775	-
Subordinated Sukuk Murabahah		999,887	999,631
Other liabilities		451,580	367,272
Provision for zakat and taxation		11,299	43,536
<b>Total Liabilities</b>		<b>57,628,857</b>	<b>52,935,959</b>
Islamic Banking Funds		4,545,055	4,186,952
<b>Total Liabilities and Islamic Banking Funds</b>		<b>62,173,912</b>	<b>57,122,911</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>10,404,744</b>	<b>10,784,272</b>



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**A34. Operations of Islamic Banking** (continued)

**b) Statement of Profit or Loss for the 4th Quarter and Financial Year Ended 31 December 2018**

	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b><u>Group</u></b>				
Income derived from investment of depositors' funds and others	657,194	578,310	2,566,476	2,285,636
Income derived from investment of Islamic Banking Funds	54,996	49,352	210,079	184,286
Writeback of allowance / (Allowance) for impairment on financing and advances	2,415	(11,621)	(32,256)	(68,960)
(Allowance) / Writeback of allowance for impairment on other assets	(107)	38	(461)	133
<b>Total distributable income</b>	<b>714,498</b>	616,079	<b>2,743,838</b>	2,401,095
Income attributable to depositors and others	(435,105)	(370,704)	(1,693,021)	(1,455,829)
<b>Total net income</b>	<b>279,393</b>	245,375	<b>1,050,817</b>	945,266
Other operating expenses	(108,402)	(104,215)	(432,228)	(410,365)
<b>Profit before zakat and taxation</b>	<b>170,991</b>	141,160	<b>618,589</b>	534,901
Zakat	(65)	(65)	(260)	(260)
Taxation	(40,061)	(32,688)	(144,332)	(124,163)
<b>Profit for the period / year</b>	<b>130,865</b>	108,407	<b>473,997</b>	410,478

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
Income derived from investment of depositors' funds and others	657,194	578,310	2,566,476	2,285,636
Income derived from investment of Islamic Banking Funds	54,996	49,352	210,079	184,286
Income attributable to depositors and others	(435,105)	(370,704)	(1,693,021)	(1,455,829)
Elimination of distribution income from collective investment	(4,652)	(4,092)	(17,649)	(15,376)
<b>Net income from Islamic banking business</b>	<b>272,433</b>	252,866	<b>1,065,885</b>	998,717

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**A34. Operations of Islamic Banking (continued)**

**c) Statement of Profit or Loss and Other Comprehensive Income for the 4th Quarter and Financial Year Ended 31 December 2018**

	4th Quarter Ended		Financial Year Ended	
	31 December 2018 RM'000	31 December 2017 RM'000	31 December 2018 RM'000	31 December 2017 RM'000
<b>Group</b>				
Profit for the period / year	<b>130,865</b>	108,407	<b>473,997</b>	410,478
Other comprehensive income / (loss):				
<u>Items that will not be reclassified to profit or loss:</u>				
Gain on remeasurements of defined benefit plans	<b>1,573</b>	400	<b>1,573</b>	400
<u>Items that may be reclassified to profit or loss:</u>				
Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	<b>3,322</b>	-	<b>5,316</b>	-
- available-for-sale	-	(1,154)	-	21,513
Net change in cash flow hedges	<b>(7,456)</b>	18,153	<b>180</b>	(17,543)
	<b>(4,134)</b>	16,999	<b>5,496</b>	3,970
Income tax effect	<b>616</b>	(4,176)	<b>(1,696)</b>	(1,049)
Other comprehensive (loss) / income for the period / year, net of tax	<b>(1,945)</b>	13,223	<b>5,373</b>	3,321
Total comprehensive income for the period / year	<b>128,920</b>	121,630	<b>479,370</b>	413,799

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**A34. Operations of Islamic Banking (continued)**

**d) Financing and Advances**

By type and contract

<b>31 December 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	1,639,516	-	-	-	-	-	1,639,516
Term financing							
- House financing	4,553,457	-	-	13,161,403	-	-	17,714,860
- Syndicated financing	1,441,460	-	-	-	-	-	1,441,460
- Hire purchase receivables	-	9,662,180	-	-	-	-	9,662,180
- Other term financing	3,468,827	-	1,681,610	9,724,292	-	105,517	14,980,246
Credit card receivables	-	-	-	-	-	21,776	21,776
Bills receivables	-	-	-	-	2,267	-	2,267
Trust receipts	-	-	-	-	5,200	-	5,200
Claims on customers under acceptance credits	-	-	-	-	173,522	-	173,522
Revolving credits	221,221	-	-	-	-	-	221,221
Staff financing	-	8,212	-	73,307	-	-	81,519
Gross financing and advances	<b>11,324,481</b>	<b>9,670,392</b>	<b>1,681,610</b>	<b>22,959,002</b>	<b>180,989</b>	<b>127,293</b>	<b>45,943,767</b>
Allowance for impairment on financing and advances:							
- Expected credit losses							(313,768)
- Stage 1: 12-Month ECL							(144,142)
- Stage 2: Lifetime ECL not credit-impaired							(77,514)
- Stage 3: Lifetime ECL credit-impaired							(92,112)
Net financing and advances							<b>45,629,999</b>

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**A34. 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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**A34. Operations of Islamic Banking** (continued)

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

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

	<b>Group</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
At 1 January	244,386	225,667
Impaired during the year	673,794	656,378
Reclassified as non-impaired	(506,901)	(503,479)
Recoveries	(50,578)	(43,413)
Amount written off	(77,993)	(89,715)
Financing converted to foreclosed properties	(4,977)	(1,052)
Closing balance	<u>277,731</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>31 December 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	6,479,885	-
- Wadiah	-	6,162,278
	<u>6,479,885</u>	<u>6,162,278</u>
Demand deposit		
- Qard	4,338,942	-
- Wadiah	-	4,165,878
	<u>4,338,942</u>	<u>4,165,878</u>
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Bithaman Ajil	23,149	-
- Bai' Inah	-	17,473
	<u>23,149</u>	<u>17,473</u>
- Commodity Murabahah	35,286,960	33,021,079
- Special term deposit account		
- Qard	7,510,639	-
- Wadiah	-	6,137,401
	<u>7,510,639</u>	<u>6,137,401</u>
	<u>53,639,575</u>	<u>49,504,109</u>

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**A35. 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 A35(c).

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**A35. 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 a 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 A35(c).

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**A35. 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 A35(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 Investments Held-to-maturity	6,381,628	6,381,628
- Unrealised gain on financial investments	223,310	219,408
- Recognition of expected credit losses under MFRS 9	(6,375)	(4,470)
Opening balance under MFRS 9 at 1 January 2018	36,920,115	26,804,014



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**A35. 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	(688,212)	(597,122)
Opening balance under MFRS 9 at 1 January 2018	<u>302,355,915</u>	<u>239,979,126</u>
<b>Deferred Tax Assets</b>		
Closing balance under MFRS 139 at 31 December 2017	70,984	-
- In respect of unrealised gain on Financial Investments at 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	(164,729)	(155,206)
Opening balance under MFRS 9 at 1 January 2018	<u>537,334</u>	<u>345,124</u>

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**A35. 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 Financial Investments at FVOCI	14,646	14,646
Opening balance under MFRS 9 at 1 January 2018	<u>179,301</u>	<u>143,643</u>
<b>Regulatory Reserves</b>		
Closing balance under MFRS 139 at 31 December 2017	2,376,498	2,034,359
- Transfer to Retained Profits	(735,147)	(661,279)
- Non-controlling Interests' share of Regulatory Reserves in respect of foreign operations	17,643	-
Opening balance under MFRS 9 at 1 January 2018	<u>1,658,994</u>	<u>1,373,080</u>
<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	223,310	219,408
- Deferred tax in respect of unrealised gain on Financial Investments at FVOCI	(14,910)	(14,646)
Opening balance under MFRS 9 at 1 January 2018	<u>1,295,847</u>	<u>782,664</u>
<b>Retained Profits</b>		
Closing balance under MFRS 139 at 31 December 2017	24,723,059	20,760,603
- Transfer from Regulatory Reserves	735,147	661,279
- 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	(759,427)	(646,692)
- Tax effect arising from the recognition of expected credit losses under MFRS 9	177,001	155,206
Opening balance under MFRS 9 at 1 January 2018	<u>25,193,187</u>	<u>21,319,203</u>
<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	<u>1,067,695</u>	<u>-</u>

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**A35. 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	-	6,375	6,375
Financial investments at amortised cost	35	3,704	3,739
Loans, advances and financing			2,097,362
- Collective assessment allowance	1,317,960	696,762	2,014,722
- 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>759,427</u>	<u>2,168,612</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 and advances			1,491,826
- Collective assessment allowance	862,911	597,122	1,460,033
- 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>646,692</u>	<u>1,541,431</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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**A35. 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	-	36,926,490	(6,375)	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		(688,212)	302,355,915
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>635,451</b>	<b>(686,341)</b>	<b>395,225,357</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		(164,729)	537,334
Deferred tax liabilities	164,655	14,646		179,301
<b>TOTAL LIABILITIES</b>	<b>356,830,587</b>	<b>14,646</b>	<b>(103,915)</b>	<b>356,741,318</b>
<b>EQUITY</b>				
Share capital	9,417,653			9,417,653
Treasury shares	(149,337)			(149,337)
Regulatory reserves	2,376,498	(717,504)		1,658,994
Other reserves	996,833	299,014		1,295,847
Retained profits	24,723,059	1,052,554	(582,426)	25,193,187
<b>Equity attributable to equity holders of the Bank</b>	<b>37,364,706</b>	<b>634,064</b>	<b>(582,426)</b>	<b>37,416,344</b>
Non-controlling interests	1,080,954	(13,259)		1,067,695
<b>TOTAL EQUITY</b>	<b>38,445,660</b>	<b>620,805</b>	<b>(582,426)</b>	<b>38,484,039</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>395,276,247</b>	<b>635,451</b>	<b>(686,341)</b>	<b>395,225,357</b>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>9.68</b>			<b>9.69</b>

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**A35. 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		(597,122)	239,979,126
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>(604,461)</b>	<b>313,668,519</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		(155,206)	345,124
Deferred tax liabilities	128,997	14,646		143,643
<b>TOTAL LIABILITIES</b>	<b>281,023,585</b>	<b>14,646</b>	<b>(112,975)</b>	<b>280,925,256</b>
<b>EQUITY</b>				
Share capital	9,417,653			9,417,653
Treasury shares	(149,337)			(149,337)
Regulatory reserves	2,034,359	(661,279)		1,373,080
Other reserves	577,902	204,762		782,664
Retained profits	20,760,603	1,050,086	(491,486)	21,319,203
<b>TOTAL EQUITY</b>	<b>32,641,180</b>	<b>593,569</b>	<b>(491,486)</b>	<b>32,743,263</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>313,664,765</b>	<b>608,215</b>	<b>(604,461)</b>	<b>313,668,519</b>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>8.45</b>			<b>8.48</b>

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**A35. 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	642,514	33,476,527
Tier I capital	34,841,363	642,514	35,483,877
Total capital	42,446,740	644,708	43,091,448
Risk-weighted assets	257,351,779	842,738	258,194,517
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	12.758%	0.208%	12.966%
Tier I capital ratio (%)	13.538%	0.205%	13.743%
Total capital ratio (%)	16.494%	0.196%	16.690%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	12.248%	0.209%	12.457%
Tier I capital ratio (%)	13.028%	0.207%	13.235%
Total capital ratio (%)	15.984%	0.197%	16.181%
<b>Bank</b>			
CET I capital	25,277,617	650,680	25,928,297
Tier I capital	27,227,417	650,680	27,878,097
Total capital	32,444,901	654,975	33,099,876
Risk-weighted assets	208,287,909	871,405	209,159,314
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	12.136%	0.260%	12.396%
Tier I capital ratio (%)	13.072%	0.257%	13.329%
Total capital ratio (%)	15.577%	0.248%	15.825%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	11.506%	0.263%	11.769%
Tier I capital ratio (%)	12.442%	0.259%	12.701%
Total capital ratio (%)	14.947%	0.250%	15.197%

\* 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>Variance</b>	
	<b>Financial Year Ended</b>			
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>RM'000</b>	<b>%</b>
Profit before tax expense and zakat	<b>7,101,165</b>	7,117,672	(16,507)	(0.2)
Net profit attributable to equity holders of the Bank	<b>5,590,611</b>	5,470,035	120,576	2.2
Other comprehensive gain / (loss) (net)	<b>62,399</b>	(154,817)	217,216	140.3

<b>Key Balance Sheet Items:</b>	<b>Group</b>		<b>Variance</b>	
	<b>As At</b>			
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>RM'000</b>	<b>%</b>
Gross loans, advances and financing	<b>317,301,579</b>	304,453,277	12,848,302	4.2
Gross impaired loan and financing (%)	<b>0.51%</b>	0.48%	n/a	0.03
Deposits from customers	<b>339,159,892</b>	319,259,426	19,900,466	6.2

The Group's pre-tax profit for the financial year ended 31 December 2018 was RM7,101.2 million as compared to the pre-tax profit in the previous year of RM7,117.7 million. Net profit attributable to equity holders improved by RM120.6 million or 2.2% to RM5,590.6 million. The higher earnings was mainly due to higher net interest income of RM145.8 million (2.0%), higher net fee and commission income of RM41.6 million (2.4%), higher income from Islamic banking business of RM67.2 million (6.7%) and lower allowance for loan impairment of RM34.0 million (16.7%). These were partially offset by higher operating overheads of RM145.3 million (4.2%) and certain non-recurring income recognised in the previous year.

Other comprehensive income (net) of the Group for the current period was RM62.4 million as compared to other comprehensive loss (net) of RM154.8 million in the previous corresponding period, which was mainly due to 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 RM12.8 billion or 4.2% to RM317.3 billion as at 31 December 2018 as compared to RM304.5 billion as at 31 December 2017, mainly driven by growth in property financing and corporate lending. Total deposits from customers increased by 6.2% or RM19.9 billion to RM339.2 billion as at 31 December 2018 which partly contributed to the higher net interest income for the current year. The Group's gross impaired loan ratio continued to remain stable at 0.5% as at 31 December 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 13.1%, 13.7% and 16.3% respectively. The Group's liquidity position also remained stable and healthy with gross loans to fund and equity ratio improving to 79.0% as at 31 December 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 financial year ended 31 December 2018 as compared to the previous year is analysed as follows:-

<b>Profit Before Tax by Segments:</b>	<b>Group</b>		<b>Variance</b>	
	<b>Financial Year Ended</b>			
	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>RM'000</b>	<b>%</b>
	<b>RM'000</b>	<b>RM'000</b>		
Retail operations	3,647,571	3,768,910	(121,339)	(3.2)
Hire purchase	324,560	378,199	(53,639)	(14.2)
Corporate lending	558,489	543,710	14,779	2.7
Treasury and capital market operations	706,396	700,709	5,687	0.8
Investment banking	49,181	46,204	2,977	6.4
Fund management	667,109	660,880	6,229	0.9
Head office and others	457,141	331,257	125,884	38.0
Total domestic operations	<u>6,410,447</u>	<u>6,429,869</u>	<u>(19,422)</u>	<u>(0.3)</u>
Overseas operations	690,718	687,803	2,915	0.4
	<u><u>7,101,165</u></u>	<u><u>7,117,672</u></u>	<u><u>(16,507)</u></u>	<u><u>(0.2)</u></u>

- 1) Retail Operations – Pre-tax profit decreased by RM121.3 million (-3.2%) to RM3,647.6 million mainly due to higher other operating expenses and lower fee and other income due to certain non-recurring income recognised in the previous year, partially offset by higher net writeback of loan impairment allowance and higher net interest income.
- 2) Hire purchase – Pre-tax profit decreased by RM53.6 million (-14.2%) to RM324.6 million mainly due to lower net interest income as a result of lower net interest margin.
- 3) Corporate lending – Pre-tax profit increased by RM14.8 million (2.7%) to RM558.5 million mainly due to higher net interest income on higher average loan balances, partially offset by higher loan impairment allowance and higher other operating expenses.
- 4) Treasury and capital market operations – Pre-tax profit increased by RM5.7 million (0.8%) to RM706.4 million mainly due to higher net interest income on treasury gapping, funding and liquidity management activities, partially offset by lower investment income.
- 5) Investment banking – The increase in pre-tax profit of RM3.0 million (6.4%) to RM49.2 million was mainly due to higher fee income and lower other operating expenses.
- 6) Fund management – Pre-tax profit increased by RM6.2 million (0.9%) to RM667.1 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 RM125.9 million (38.0%) to RM457.1 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 increased marginally by RM2.9 million (0.4%) to RM690.7 million due to overall unfavourable impact of foreign exchange movements. However, excluding the impact of foreign exchange movements, the total pre-tax profit from overseas operations increased by 7.3% which was mainly due to lower loan impairment allowance.



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**B1. Performance Review (continued)**

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

Key Profit or Loss Items:	Group		4th Quarter Ended	
	31 December	31 December	Variance	
	2018	2017	RM'000	%
	RM'000	RM'000	RM'000	%
Profit before tax expense and zakat	1,789,719	1,957,237	(167,518)	(8.6)
Net profit attributable to equity holders of the Bank	1,405,356	1,485,468	(80,112)	(5.4)
Other comprehensive loss (net)	(7,541)	(75,614)	68,073	90.0

For the 4th quarter ended 31 December 2018, the Group registered a pre-tax profit of RM1,789.7 million and a net profit attributable to equity holders of RM1,405.4 million, reflecting a drop of 8.6% and 5.4% respectively from the reported profits in the previous year corresponding quarter. The decrease in pre-tax profit was mainly due to higher other operating expenses and higher non-operational foreign exchange loss in the current period, as well as certain non-recurring income recognised in the previous corresponding quarter. These were partially offset by higher net interest income and higher income from Islamic banking business in the current quarter.

Other comprehensive loss (net) of the Group for the current quarter decreased by RM68.1 million to RM7.5 million, mainly due to lower foreign currency translation loss in respect of foreign operations, partially offset by loss on cash flow hedges.

Performance of the respective operating segments for the 4th quarter ended 31 December 2018 as compared to the previous year corresponding quarter is analysed as follows:-

Profit Before Tax by Segments:	4th Quarter Ended		Variance	
	31 December	31 December	RM'000	
	2018	2017	RM'000	%
	RM'000	RM'000	RM'000	%
Retail operations	914,265	1,056,115	(141,850)	(13.4)
Hire purchase	84,518	88,924	(4,406)	(5.0)
Corporate lending	174,495	136,479	38,016	27.9
Treasury and capital market operations	147,659	174,556	(26,897)	(15.4)
Investment banking	10,069	10,490	(421)	(4.0)
Fund management	157,870	177,457	(19,587)	(11.0)
Head office and others	113,327	130,604	(17,277)	(13.2)
Total domestic operations	<u>1,602,203</u>	<u>1,774,625</u>	<u>(172,422)</u>	<u>(9.7)</u>
Overseas operations	<u>187,516</u>	<u>182,612</u>	<u>4,904</u>	<u>2.7</u>
	<u><u>1,789,719</u></u>	<u><u>1,957,237</u></u>	<u><u>(167,518)</u></u>	<u><u>(8.6)</u></u>

1) Retail operations – The decrease in pre-tax profit of RM141.9 million (-13.4%) to RM914.3 million was mainly due to lower fee and other income as a result of higher non-recurring income in the previous corresponding quarter, higher loan impairment allowance and higher other operating expenses.

2) Hire purchase – Pre-tax profit decreased by RM4.4 million (-5.0%) to RM84.5 million, mainly due to lower net interest income on lower net interest margin, partially offset by lower 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 increased by RM38.0 million (27.9%) to RM174.5 million mainly due to net writeback of loan impairment allowance and higher fee income.
- 4) Treasury and capital market operations – Pre-tax profit decreased by RM26.9 million (-15.4%) to RM147.7 million, mainly due to lower investment income and lower net interest income.
- 5) Investment banking – Pre-tax profit decreased by RM0.4 million (-4.0%) to RM10.1 million.
- 6) Fund management business – Pre-tax profit decreased by RM19.6 million (-11.0%) to RM157.9 million, mainly due to higher other operating expenses, lower fee on sale of trust unit and lower management fee earned arising from the weakness in the equity market in the 4th quarter of 2018.
- 7) Head office and others – Pre-tax profit decreased by RM17.3 million (-13.2%) to RM113.3 million, mainly due to lower investment and other income and higher other operating expenses, partially offset by higher net interest income.
- 8) Overseas Operations – The increase in pre-tax profit of RM4.9 million (2.7%) to RM187.5 million was mainly due to higher net interest income and higher fee and other operating income. These were partially offset by higher other operating expenses and higher loan impairment allowance.

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

	Group Quarter Ended		Variance	
	31 December 2018	30 September 2018		
<b>Key Profit or Loss Items:</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Profit before tax expense and zakat	1,789,719	1,759,761	29,958	1.7
Net profit attributable to equity holders of the Bank	1,405,356	1,383,655	21,701	1.6
Other comprehensive (loss) / income (net)	(7,541)	181,054	(188,595)	(104.2)

For the 4th quarter ended 31 December 2018, the Group registered a pre-tax profit of RM1,789.7 million, an increase of RM30.0 million or 1.7% as compared to the pre-tax profit of RM1,759.8 million for the preceding quarter ended 30 September 2018. The increase in pre-tax profit was mainly due to higher net interest income and lower loan impairment allowance, partially offset by lower fee and investment income. Net profit attributable to equity holders increased by RM21.7 million or 1.6% to RM1,405.4 million over the same period.

Other comprehensive loss (net) of the Group for the current quarter of RM7.5 million as compared to other comprehensive income (net) of RM181.1 million in the immediate preceding quarter was mainly due to foreign currency translation loss in respect of foreign operations, loss on cash flow hedges as well as loss on revaluation of financial investments. These were partially offset by gain on remeasurement of defined benefit plans.

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**B3. Prospects for 2019**

In 2019, the global economy is expected to expand at a more moderate pace across advanced economies and emerging markets. In the advanced economies, growth prospects will be supported by stable labour market conditions. Emerging economies are expected to be supported by steady domestic demand, but softer trade activities could weigh on growth. In particular, growth in China is expected to moderate further amid structural reforms. Going forward, there remains downside risks to global growth arising from further escalation of trade tension, tighter financial conditions and heightened volatility in financial markets.

The Malaysian economy grew by 4.7% in 2018 (2017: 5.9%) as private sector activity was offset by lower public sector spending. For 2019, economic growth is expected to be driven by the private sector. Private consumption is expected to be underpinned by stable employment outlook, implementation of higher minimum wages and accommodative financing condition. Meanwhile, private investment is anticipated to be supported by capital outlays, mainly in services and manufacturing sectors.

Inflation is expected to remain contained in 2019 in the absence of strong demand pressure while cost pressure is expected to stay subdued (2018: 1.0%).

The Malaysian financial sector remains sound as financial institutions continue to operate with strong capital and liquidity buffers. Bank Negara Malaysia maintained the Overnight Policy Rate at 3.25% in January 2019 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, passenger vehicles as well as lending to the small and medium enterprises (“SMEs”). The Group will 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 is committed to enhance access to financing for all SMEs by offering innovative products and services to meet the needs of businesses. Aside from sustaining market leadership in the SME financing, the Group will continue to expand its corporate lending business by targeting existing clients with good track record and credit ratings as well as diversify its lending portfolio to other viable business sectors.

Amid challenges in the macro environment and market uncertainties, the Public Bank Group’s treasury operations will remain vigilant while exercising caution in the execution of its growth strategy.

For the unit trust business, the Public Bank Group will continue to focus on offering a wide range of investment 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 continue to proactively collaborate with AIA Bhd to remain competitive in the bancassurance segment, achieve higher penetration as well as enhance the suite of bancassurance products to meet its customers’ needs.

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.

To remain relevant and achieve long term sustainability, the Public Bank Group will continue to focus on improving its delivery standards and infrastructure, particularly its technological infrastructure. In its continuous pursuit to deliver best-in-class customer service, the Group will continue to leverage on digital technology and innovation to design experiences that will make banking simpler and more seamless across multi delivery channels and touchpoints.

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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 4th quarter and financial year ended 31 December 2018 are as follows:

<b><u>Group</u></b>	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Malaysian income tax	320,470	446,518	1,397,652	1,524,644
Overseas income tax	45,183	40,172	138,639	136,160
	<b>365,653</b>	486,690	<b>1,536,291</b>	1,660,804
Over provision in prior years				
- Malaysian income tax	(2)	(24,498)	(51,309)	(55,384)
- Overseas income tax	(260)	(9,176)	(67)	(231)
	<b>365,391</b>	453,016	<b>1,484,915</b>	1,605,189
Deferred tax (income) / expense				
- Relating to origination and reversal of temporary differences	(898)	1,972	(55,808)	(31,575)
- Under / (Over) provision	120	(3,181)	6,886	(3,181)
Tax expense	<b>364,613</b>	451,807	<b>1,435,993</b>	1,570,433
Zakat	65	65	260	260
	<b>364,678</b>	451,872	<b>1,436,253</b>	1,570,693

The Group's effective tax rate for the 4th quarter and financial year ended 31 December 2018 and 31 December 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>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Malaysian income tax	294,571	364,541	1,199,885	1,300,274
Overseas income tax	9,995	(814)	14,007	5,533
	<b>304,566</b>	363,727	<b>1,213,892</b>	1,305,807
(Over) / Under provision in prior years				
- Malaysian income tax	-	(23,921)	(50,647)	(43,659)
- Overseas income tax	-	-	361	80
	<b>304,566</b>	339,806	<b>1,163,606</b>	1,262,228
Deferred tax (income) / expense				
- Relating to origination and reversal of temporary differences	(17,377)	2,870	(76,945)	(23,953)
- (Over) / Under provision	-	(2,572)	6,766	(2,572)
	<b>287,189</b>	340,104	<b>1,093,427</b>	1,235,703

The Bank's effective tax rate for the 4th quarter and financial year ended 31 December 2018 and 31 December 2017 were lower than the statutory tax rate mainly due to certain income not subject to tax.

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

There were no corporate proposals announced but not completed as at 31 December 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 31 December 2018</b>							
Hong Kong Dollar ("HKD") term loan	575,534	-	-	-	575,534	-	575,534
United States Dollar ("USD") term loan	-	-	826,779	-	826,779	-	826,779
USD syndicated term loan	1,519,096	-	-	-	1,519,096	-	1,519,096
RM Senior Medium Term notes / sukuk murabahah	-	3,318,773	-	1,000,597	-	4,319,370	4,319,370
RM Subordinated notes / sukuk murabahah	-	3,499,980	-	499,887	-	3,999,867	3,999,867
RM Additional Tier I capital securities	-	99,462	-	-	-	99,462	99,462
RM Non-innovative Tier I stapled securities	-	-	-	2,096,686	-	2,096,686	2,096,686
	<b>2,094,630</b>	<b>6,918,215</b>	<b>826,779</b>	<b>3,597,170</b>	<b>2,921,409</b>	<b>10,515,385</b>	<b>13,436,794</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>

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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 31 December 2018</b>							
USD term loan	-	-	826,779	-	826,779	-	826,779
USD syndicated term loan	1,519,096	-	-	-	1,519,096	-	1,519,096
RM Senior Medium Term notes	-	2,798,998	-	1,000,597	-	3,799,595	3,799,595
RM Subordinated notes	-	2,999,980	-	-	-	2,999,980	2,999,980
RM Additional Tier I capital securities	-	99,462	-	-	-	99,462	99,462
RM Non-innovative Tier I stapled securities	-	-	-	2,096,686	-	2,096,686	2,096,686
	<u>1,519,096</u>	<u>5,898,440</u>	<u>826,779</u>	<u>3,097,283</u>	<u>2,345,875</u>	<u>8,995,723</u>	<u>11,341,598</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>
Exchange rates used:	HKD	USD					
As at 31 December 2018	0.52820	4.13600					
As at 31 December 2017	0.51835	4.05250					

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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**

(a) The Directors had declared a first interim dividend of 32.0 sen in respect of financial year ended 31 December 2018, which was paid on 19 September 2018.

(b) (i) A second interim dividend of 37.0 sen per share for the financial year ended 31 December 2018, amounting to RM1,436,391,188 computed based on 3,882,138,347 ordinary shares as at 31 December 2018, has been declared by the directors.

(ii) Amount per share : 37.0 sen.

(iii) Entitlement date: 7 March 2019.

(iv) Payment date: 14 March 2019.

(b) Total dividend paid for the previous financial year ended 31 December 2017:

- First interim dividend of 27.0 sen.

- Second interim dividend of 34.0 sen.

**B12. Earnings Per Share**

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net profit attributable to equity holders (RM'000)	<u><b>1,405,356</b></u>	<u>1,485,468</u>	<u><b>5,590,611</b></u>	<u>5,470,035</u>
Weighted average number of PBB Shares ('000)	<u><b>3,882,138</b></u>	<u>3,861,494</u>	<u><b>3,872,509</b></u>	<u>3,861,494</u>
Basic earnings per share (sen)	<u><b>36.2</b></u>	<u>38.5</u>	<u><b>144.4</b></u>	<u>141.7</u>

**Diluted**

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