

**PILLAR 3 DISCLOSURE****As at 30 June 2014****1. Overview**

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

**Minimum Regulatory Capital Requirements**

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

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
<b>Group</b>				
Credit Risk	<b>190,969,166</b>	<b>15,277,533</b>	183,113,937	14,649,115
Market Risk	<b>1,993,425</b>	<b>159,474</b>	2,111,436	168,915
Operational Risk	<b>14,806,519</b>	<b>1,184,522</b>	14,497,356	1,159,788
<b>Total</b>	<b>207,769,110</b>	<b>16,621,529</b>	199,722,729	15,977,818
<b>Bank</b>				
Credit Risk	<b>161,308,181</b>	<b>12,904,655</b>	154,360,722	12,348,858
Market Risk	<b>2,540,621</b>	<b>203,250</b>	2,850,579	228,046
Operational Risk	<b>10,462,845</b>	<b>837,028</b>	10,228,677	818,294
<b>Total</b>	<b>174,311,647</b>	<b>13,944,933</b>	167,439,978	13,395,198

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

## PUBLIC BANK BERHAD (6463-H)

### 2. Capital Management

#### Capital Adequacy Ratios and Capital Structure

##### (a) Capital Adequacy Ratios

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

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

##### (i) Capital Adequacy Ratios for the Group and the Bank

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
<b>Before deducting interim dividends*:</b>				
Common equity tier I ("CET I") capital ratio	9.332%	9.276%	10.454%	10.927%
Tier I capital ratio	10.853%	11.055%	12.244%	13.023%
Total capital ratio	14.242%	14.288%	13.781%	14.086%
<b>After deducting interim dividends*:</b>				
CET I capital ratio	8.905%	8.750%	9.946%	10.300%
Tier I capital ratio	10.427%	10.529%	11.735%	12.396%
Total capital ratio	13.816%	13.762%	13.273%	13.459%

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

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

The total risk-weighted assets of the Group and 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 the Bank are computed in accordance with the BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013. The minimum regulatory capital adequacy ratios, as required under the BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2014, are set out as follows:

Calendar Year	CET I Capital Ratio %	Tier I Capital Ratio %	Total Capital Ratio %
2014	4.0	5.5	8.0
2015 onwards *	4.5	6.0	8.0

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

**PUBLIC BANK BERHAD (6463-H)**

**2. Capital Management (Cont'd.)**

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

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

**(ii) Capital Adequacy Ratios for the Banking Subsidiary Companies of the Group**

	<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>30 June 2014</b>						
<b>Before deducting interim dividends*:</b>						
CET I capital ratio	12.138%	27.508%	N/A	14.101%	27.245%	N/A
Tier I capital ratio	12.138%	27.508%	29.650%	14.101%	27.245%	N/A
Total capital ratio	15.164%	27.689%	29.687%	15.278%	28.199%	17.625%
<b>After deducting interim dividends*:</b>						
CET I capital ratio	11.384%	27.508%	N/A	14.101%	25.015%	N/A
Tier I capital ratio	11.384%	27.508%	29.650%	14.101%	25.015%	N/A
Total capital ratio	14.410%	27.689%	29.687%	15.278%	25.968%	17.625%
<b>31 December 2013</b>						
<b>Before deducting interim dividends*:</b>						
CET I capital ratio	12.133%	27.252%	N/A	13.916%	27.468%	N/A
Tier I capital ratio	12.133%	27.252%	25.625%	13.916%	27.468%	N/A
Total capital ratio	12.751%	27.448%	25.671%	15.089%	28.409%	19.685%
<b>After deducting interim dividends*:</b>						
CET I capital ratio	11.743%	26.139%	N/A	13.916%	25.257%	N/A
Tier I capital ratio	11.743%	26.139%	25.625%	13.916%	25.257%	N/A
Total capital ratio	12.360%	26.336%	25.671%	15.089%	26.199%	19.685%

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

## **PUBLIC BANK BERHAD (6463-H)**

### **2. Capital Management (Cont'd.)**

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

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

##### **(ii) Capital Adequacy Ratios for the Banking Subsidiary Companies of the Group (Cont'd.)**

- <sup>1</sup> The risk-weighted assets of Public Islamic Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with the BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- <sup>2</sup> The risk-weighted assets of Public Investment Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with the BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.0%, 5.5% and 8.0% respectively for year 2014.
- <sup>3</sup> The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.
- <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. With effect from 1 January 2013, the capital adequacy ratios of these two subsidiaries 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.
- <sup>5</sup> The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

**PUBLIC BANK BERHAD (6463-H)**

**2. Capital Management (Cont'd.)**

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

**(b) Capital Structure**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CET I capital/Tier I capital</b>				
Paid-up share capital	3,531,926	3,531,926	3,531,926	3,531,926
Share premium	1,073,310	1,073,310	1,073,310	1,073,310
Other reserves	4,391,086	4,402,843	3,908,129	3,924,896
Retained profits	12,379,583	11,507,565	11,674,022	10,892,504
Treasury shares	(215,572)	(215,572)	(215,572)	(215,572)
Qualifying non-controlling interests	514,164	522,093	-	-
Less: Goodwill	(1,981,295)	(2,003,912)	(695,393)	(695,393)
Less: Deferred tax assets, net	(70,891)	(70,121)	-	-
Less: Defined benefit pension fund assets	(205,087)	(220,922)	(200,807)	(215,372)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	(28,451)	-	(852,957)	-
Total CET I capital	<b>19,388,773</b>	18,527,210	<b>18,222,658</b>	18,296,299
Innovative Tier I capital securities	1,449,280	1,630,440	1,449,280	1,630,440
Non-innovative Tier I stapled securities	1,670,400	1,879,200	1,670,400	1,879,200
Qualifying CET I and additional Tier I capital instruments held by third parties	41,646	42,031	-	-
Total Tier I capital	<b>22,550,099</b>	22,078,881	<b>21,342,338</b>	21,805,939
<b>Tier II capital</b>				
Collective assessment allowance and regulatory reserves <sup>#</sup>	1,180,058	1,123,706	670,829	625,010
Subordinated notes/sukuk murabahah - meeting all relevant criteria	2,447,938	1,949,116	1,949,208	1,949,116
- subject to gradual phase-out treatment	3,471,416	3,471,121	3,471,416	3,471,121
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	55,529	56,042	-	-
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from Tier II Capital	(113,804)	(142,255)	(3,411,830)	(4,264,787)
Total Tier II capital	<b>7,041,137</b>	6,457,730	<b>2,679,623</b>	1,780,460
<b>Total capital</b>	<b>29,591,236</b>	28,536,611	<b>24,021,961</b>	23,586,399

<sup>#</sup> Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and the Bank of RM590.7 million (31 December 2013: RM600.8 million) and RM433.4 million (31 December 2013: RM446.9 million) respectively.

Includes the Group's qualifying regulatory reserves for non-impaired loans which pertain to Public Bank (Hong Kong) Limited and Public Finance Limited amounting to RM132.6 million (31 December 2013: RM132.4 million).

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk**

**Minimum Regulatory Capital Requirements for Credit Risk**

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

<b>Group Exposure Class</b>	<b>Total Exposures before Credit Risk Mitigation RM'000</b>	<b>Total Exposures after Credit Risk Mitigation RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
<b>30 June 2014</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	51,135,031	39,188,987	70,396	5,632
Public Sector Entities	775,705	775,705	18,120	1,450
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	14,844,362	14,743,990	3,650,754	292,060
Insurance Companies, Securities Firms and Fund Managers	227,277	223,222	179,681	14,374
Corporates	57,561,047	54,464,111	48,899,563	3,911,965
Regulatory Retail	108,775,297	107,934,648	81,753,551	6,540,284
Residential Mortgages	66,409,732	66,320,579	28,154,898	2,252,392
Higher Risk Assets	80,746	80,669	121,004	9,680
Other Assets	4,841,605	4,841,605	2,522,790	201,823
Equity Exposures	5,285,069	5,285,069	5,285,069	422,806
Defaulted Exposures	1,742,411	1,739,482	2,520,587	201,647
	<b>311,678,282</b>	<b>295,598,067</b>	<b>173,176,413</b>	<b>13,854,113</b>
<b>Off-Balance Sheet Exposures</b>				
Credit-related Exposures	21,951,154	21,517,908	17,455,218	1,396,417
Derivative Financial Instruments	966,596	966,596	319,510	25,561
Other Treasury-related Exposures	708,534	708,534	373	30
Defaulted Exposures	12,014	12,014	17,652	1,412
	<b>23,638,298</b>	<b>23,205,052</b>	<b>17,792,753</b>	<b>1,423,420</b>
<b>Total Credit Exposures</b>	<b>335,316,580</b>	<b>318,803,119</b>	<b>190,969,166</b>	<b>15,277,533</b>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

<b>Group Exposure Class</b>	<b>Total Exposures before Credit Risk Mitigation RM'000</b>	<b>Total Exposures after Credit Risk Mitigation RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
<b>31 December 2013</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	43,868,445	34,487,789	111,726	8,938
Public Sector Entities	710,882	710,882	19,550	1,564
Banks, DFIs and MDBs	10,933,454	10,788,495	2,719,377	217,550
Insurance Companies, Securities Firms and Fund Managers	190,518	186,529	154,394	12,352
Corporates	53,871,845	50,802,520	45,906,131	3,672,490
Regulatory Retail	107,217,507	106,469,911	80,744,040	6,459,523
Residential Mortgages	59,871,984	59,809,665	24,927,740	1,994,219
Higher Risk Assets	100,871	100,795	151,193	12,095
Other Assets	5,250,041	5,250,041	2,690,719	215,258
Equity Exposures	5,206,890	5,206,890	5,206,890	416,551
Defaulted Exposures	1,696,051	1,682,995	2,428,396	194,272
	<u>288,918,488</u>	<u>275,496,512</u>	<u>165,060,156</u>	<u>13,204,812</u>
<b>Off-Balance Sheet Exposures</b>				
Credit-related Exposures	21,945,654	21,476,703	17,682,827	1,414,626
Derivative Financial Instruments	1,067,569	1,067,569	350,308	28,025
Other Treasury-related Exposures	4,176	4,176	835	67
Defaulted Exposures	13,227	13,227	19,811	1,585
	<u>23,030,626</u>	<u>22,561,675</u>	<u>18,053,781</u>	<u>1,444,303</u>
<b>Total Credit Exposures</b>	<u>311,949,114</u>	<u>298,058,187</u>	<u>183,113,937</u>	<u>14,649,115</u>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

<b>Bank Exposure Class</b>	<b>Total Exposures before Credit Risk Mitigation RM'000</b>	<b>Total Exposures after Credit Risk Mitigation RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
<b>30 June 2014</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	37,001,709	25,896,954	70,396	5,632
Public Sector Entities	392,684	392,684	1,637	131
Banks, DFIs and MDBs	12,604,586	12,504,214	2,801,870	224,150
Insurance Companies, Securities Firms and Fund Managers	9,938	9,938	9,938	795
Corporates	51,331,797	48,747,003	43,289,288	3,463,143
Regulatory Retail	87,134,643	86,359,264	65,223,979	5,217,918
Residential Mortgages	56,838,704	56,758,882	24,069,009	1,925,521
Higher Risk Assets	69,978	69,918	104,877	8,390
Other Assets	3,940,345	3,940,345	2,828,388	226,271
Equity Exposures	4,823,667	4,823,667	4,823,667	385,893
Defaulted Exposures	1,413,833	1,411,041	2,034,409	162,753
	<b>255,561,884</b>	<b>240,913,910</b>	<b>145,257,458</b>	<b>11,620,597</b>
<b>Off-Balance Sheet Exposures</b>				
Credit-related Exposures	19,767,058	19,356,008	15,688,536	1,255,083
Derivative Financial Instruments	1,115,997	1,115,997	349,390	27,951
Other Treasury-related Exposures	708,270	708,270	320	26
Defaulted Exposures	8,554	8,554	12,477	998
	<b>21,599,879</b>	<b>21,188,829</b>	<b>16,050,723</b>	<b>1,284,058</b>
<b>Total Credit Exposures</b>	<b>277,161,763</b>	<b>262,102,739</b>	<b>161,308,181</b>	<b>12,904,655</b>



**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

<b>Bank Exposure Class</b>	<b>Total Exposures before Credit Risk Mitigation RM'000</b>	<b>Total Exposures after Credit Risk Mitigation RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
<b>31 December 2013</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	31,534,426	23,057,151	111,726	8,938
Public Sector Entities	321,692	321,692	1,841	147
Banks, DFIs and MDBs	8,193,605	8,048,646	1,959,203	156,736
Insurance Companies, Securities Firms and Fund Managers	10,726	10,726	10,726	858
Corporates	48,247,454	45,673,316	40,872,907	3,269,833
Regulatory Retail	85,013,584	84,308,224	63,730,519	5,098,442
Residential Mortgages	51,340,755	51,286,131	21,392,061	1,711,365
Higher Risk Assets	91,556	91,495	137,242	10,979
Other Assets	4,256,278	4,256,278	3,091,159	247,293
Equity Exposures	4,637,365	4,637,365	4,637,365	370,989
Defaulted Exposures	1,400,776	1,387,813	1,992,386	159,391
	<u>235,048,217</u>	<u>223,078,837</u>	<u>137,937,135</u>	<u>11,034,971</u>
<b>Off-Balance Sheet Exposures</b>				
Credit-related Exposures	19,921,465	19,519,472	16,028,808	1,282,305
Derivative Financial Instruments	1,215,608	1,215,608	379,913	30,393
Defaulted Exposures	9,931	9,931	14,866	1,189
	<u>21,147,004</u>	<u>20,745,011</u>	<u>16,423,587</u>	<u>1,313,887</u>
<b>Total Credit Exposures</b>	<u>256,195,221</u>	<u>243,823,848</u>	<u>154,360,722</u>	<u>12,348,858</u>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.1 Distribution of Credit Exposures**

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

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

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

**(a) Industry Analysis**

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
<b>30 June 2014</b>									
<b>On-Balance Sheet Exposures</b>									
Cash and balances with banks	15,412,285	11,718,984	-	-	-	-	-	-	27,131,269
Reverse repurchase agreements	12,029,471	-	-	-	-	-	-	-	12,029,471
Financial assets held-for-trading	283,551	10,583,003	-	-	61,870	-	-	-	10,928,424
Derivative financial assets	-	215,288	-	-	-	-	-	-	215,288
Financial investments available-for-sale*	8,500,217	5,441,710	834,904	827,729	-	-	-	-	15,604,560
Financial investments held-to-maturity	8,147,570	4,090,172	509,643	465,500	-	-	-	-	13,212,885
Gross loans, advances and financing	26,187	6,718,884	13,315,893	34,188,018	29,841,213	76,163,747	37,867,590	34,037,158	232,158,690
Statutory deposits with Central Banks	7,738,789	-	-	-	-	-	-	-	7,738,789
	<b>52,138,070</b>	<b>38,768,041</b>	<b>14,660,440</b>	<b>35,481,247</b>	<b>29,903,083</b>	<b>76,163,747</b>	<b>37,867,590</b>	<b>34,037,158</b>	<b>319,019,376</b>
<b>Commitments and Contingencies</b>									
Contingent liabilities	1,389	82,115	880,920	1,167,073	1,025,539	-	-	27,618	3,184,654
Commitments	1,226,840	2,058,971	3,999,374	10,617,338	12,221,665	11,615,995	2,161	13,536,266	55,278,610
	<b>1,228,229</b>	<b>2,141,086</b>	<b>4,880,294</b>	<b>11,784,411</b>	<b>13,247,204</b>	<b>11,615,995</b>	<b>2,161</b>	<b>13,563,884</b>	<b>58,463,264</b>
<b>Total Credit Exposures</b>	<b>53,366,299</b>	<b>40,909,127</b>	<b>19,540,734</b>	<b>47,265,658</b>	<b>43,150,287</b>	<b>87,779,742</b>	<b>37,869,751</b>	<b>47,601,042</b>	<b>377,482,640</b>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.1 Distribution of Credit Exposures (Cont'd.)**

**(a) Industry Analysis (Cont'd.)**

<b>Group</b>	<b>Government and Central Banks RM'000</b>	<b>Financial Services RM'000</b>	<b>Transport &amp; Business Services RM'000</b>	<b>Agriculture, Manufacturing, Wholesale &amp; Retail Trade RM'000</b>	<b>Construction &amp; Real Estate RM'000</b>	<b>Residential Mortgages RM'000</b>	<b>Motor Vehicle Financing RM'000</b>	<b>Other Consumer Loans RM'000</b>	<b>Total RM'000</b>
<b>31 December 2013</b>									
<b>On-Balance Sheet Exposures</b>									
Cash and balances with banks	13,060,851	9,019,566	-	-	-	-	-	-	22,080,417
Reverse repurchase agreements	9,541,969	-	-	-	-	-	-	-	9,541,969
Financial assets held-for-trading	1,583,640	14,215,330	-	-	12,993	-	-	-	15,811,963
Derivative financial assets	-	365,354	-	-	-	-	-	-	365,354
Financial investments available-for-sale*	10,415,279	5,356,840	869,046	850,416	-	-	-	-	17,491,581
Financial investments held-to-maturity	4,400,682	2,834,914	333,885	224,070	-	-	-	-	7,793,551
Gross loans, advances and financing	28,337	6,261,522	13,574,401	32,361,272	28,149,390	72,260,069	36,513,718	32,027,094	221,175,803
Statutory deposits with Central Banks	6,924,832	-	-	-	-	-	-	-	6,924,832
	<u>45,955,590</u>	<u>38,053,526</u>	<u>14,777,332</u>	<u>33,435,758</u>	<u>28,162,383</u>	<u>72,260,069</u>	<u>36,513,718</u>	<u>32,027,094</u>	<u>301,185,470</u>
<b>Commitments and Contingencies</b>									
Contingent liabilities	1,109	79,342	854,860	1,229,922	993,321	-	-	4,371	3,162,925
Commitments	517,229	1,295,837	5,063,998	11,155,680	11,987,781	11,533,644	14,162	13,375,722	54,944,053
	<u>518,338</u>	<u>1,375,179</u>	<u>5,918,858</u>	<u>12,385,602</u>	<u>12,981,102</u>	<u>11,533,644</u>	<u>14,162</u>	<u>13,380,093</u>	<u>58,106,978</u>
<b>Total Credit Exposures</b>	<u>46,473,928</u>	<u>39,428,705</u>	<u>20,696,190</u>	<u>45,821,360</u>	<u>41,143,485</u>	<u>83,793,713</u>	<u>36,527,880</u>	<u>45,407,187</u>	<u>359,292,448</u>

\* Excluding equity securities of RM119.3 million (31 December 2013: RM126.9 million) which do not have any credit risk.

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.1 Distribution of Credit Exposures (Cont'd.)**

**(b) Geographical Analysis**

<b>Group</b>	<b>Malaysia RM'000</b>	<b>Hong Kong &amp; China RM'000</b>	<b>Cambodia RM'000</b>	<b>Other Countries RM'000</b>	<b>Total RM'000</b>
<b>30 June 2014</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	21,168,563	1,963,466	1,514,354	2,484,886	27,131,269
Reverse repurchase agreements	12,012,660	-	-	16,811	12,029,471
Financial assets held-for-trading	10,928,424	-	-	-	10,928,424
Derivative financial assets	117,362	6,199	-	91,727	215,288
Financial investments available-for-sale*	15,604,560	-	-	-	15,604,560
Financial investments held-to-maturity	11,237,807	1,326,157	-	648,921	13,212,885
Gross loans, advances and financing	217,121,592	11,533,427	2,470,350	1,033,321	232,158,690
Statutory deposits with Central Banks	7,240,450	-	467,984	30,355	7,738,789
	<b>295,431,418</b>	<b>14,829,249</b>	<b>4,452,688</b>	<b>4,306,021</b>	<b>319,019,376</b>
<b>Commitments and Contingencies</b>					
Contingent liabilities	2,720,503	107,901	327,283	28,967	3,184,654
Commitments	53,235,900	1,618,501	383,143	41,066	55,278,610
	<b>55,956,403</b>	<b>1,726,402</b>	<b>710,426</b>	<b>70,033</b>	<b>58,463,264</b>
<b>Total Credit Exposures</b>	<b>351,387,821</b>	<b>16,555,651</b>	<b>5,163,114</b>	<b>4,376,054</b>	<b>377,482,640</b>
<b>31 December 2013</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	17,998,169	2,408,098	937,413	736,737	22,080,417
Reverse repurchase agreements	9,537,953	-	-	4,016	9,541,969
Financial assets held-for-trading	15,811,963	-	-	-	15,811,963
Derivative financial assets	256,977	4,120	-	104,257	365,354
Financial investments available-for-sale*	17,491,581	-	-	-	17,491,581
Financial investments held-to-maturity	5,662,134	1,506,228	-	625,189	7,793,551
Gross loans, advances and financing	205,644,168	12,018,076	2,430,458	1,083,101	221,175,803
Statutory deposits with Central Banks	6,476,300	-	419,036	29,496	6,924,832
	<b>278,879,245</b>	<b>15,936,522</b>	<b>3,786,907</b>	<b>2,582,796</b>	<b>301,185,470</b>
<b>Commitments and Contingencies</b>					
Contingent liabilities	2,655,706	99,974	374,107	33,138	3,162,925
Commitments	52,828,722	1,677,176	399,241	38,914	54,944,053
	<b>55,484,428</b>	<b>1,777,150</b>	<b>773,348</b>	<b>72,052</b>	<b>58,106,978</b>
<b>Total Credit Exposures</b>	<b>334,363,673</b>	<b>17,713,672</b>	<b>4,560,255</b>	<b>2,654,848</b>	<b>359,292,448</b>

\* Excluding equity securities of RM119.3 million (31 December 2013: RM126.9 million) which do not have any credit risk.

## PUBLIC BANK BERHAD (6463-H)

### 3. Credit Risk (Cont'd.)

#### 3.1 Distribution of Credit Exposures (Cont'd.)

##### (c) Maturity Analysis

Group	Up to 1 Year RM'000	> 1 to 3 Years RM'000	> 3 to 5 Years RM'000	> 5 Years RM'000	Total RM'000
<b>30 June 2014</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	27,131,269	-	-	-	27,131,269
Reverse repurchase agreements	12,029,471	-	-	-	12,029,471
Financial assets held-for-trading	10,644,873	100,689	20,019	162,843	10,928,424
Derivative financial assets	53,765	85,815	38,912	36,796	215,288
Financial investments available-for-sale*	3,687,143	5,140,852	1,017,705	5,758,860	15,604,560
Financial investments held-to-maturity	5,250,577	1,807,404	3,084,941	3,069,963	13,212,885
Gross loans, advances and financing	31,953,059	19,736,460	22,185,556	158,283,615	232,158,690
Statutory deposits with Central Banks	-	-	-	7,738,789	7,738,789
<b>Total On-Balance Sheet Exposures</b>	<b>90,750,157</b>	<b>26,871,220</b>	<b>26,347,133</b>	<b>175,050,866</b>	<b>319,019,376</b>
<b>31 December 2013</b>					
<b>On-Balance Sheet Exposures</b>					
Cash and balances with banks	22,080,417	-	-	-	22,080,417
Reverse repurchase agreements	9,541,969	-	-	-	9,541,969
Financial assets held-for-trading	15,761,071	50,892	-	-	15,811,963
Derivative financial assets	185,117	92,086	31,095	57,056	365,354
Financial investments available-for-sale*	10,180,549	1,786,438	-	5,524,594	17,491,581
Financial investments held-to-maturity	4,392,628	1,206,847	740,517	1,453,559	7,793,551
Gross loans, advances and financing	29,512,905	21,787,337	21,614,004	148,261,557	221,175,803
Statutory deposits with Central Banks	-	-	-	6,924,832	6,924,832
<b>Total On-Balance Sheet Exposures</b>	<b>91,654,656</b>	<b>24,923,600</b>	<b>22,385,616</b>	<b>162,221,598</b>	<b>301,185,470</b>

\* Excluding equity securities of RM119.3 million (31 December 2013: RM126.9 million) which do not have any credit risk.

Approximately 28% (31 December 2013: 30%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 68% (31 December 2013: 67%) of the Group's gross loans, advances and financing has residual maturity of more than 5 years. The longer maturity is from the housing loans/financing and hire purchase which made up 52% (31 December 2013: 52%) of the portfolio and are traditionally longer term in nature and well secured.

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

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.2 Off-Balance Sheet Exposures and Counterparty Credit Risk**

**Composition of Off-Balance Sheet Exposures**

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

<b>Group</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>30 June 2014</b>				
<b>Contingent Liabilities</b>				
Direct credit substitutes	1,557,168		1,557,168	1,054,129
Transaction-related contingent items	1,207,393		603,697	367,430
Short-term self-liquidating trade-related contingencies	420,093		84,019	62,343
	<b>3,184,654</b>		<b>2,244,884</b>	<b>1,483,902</b>
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	29,347,567		14,673,784	11,915,625
- not exceeding one year	21,223,075		4,244,613	3,473,428
Unutilised credit card lines	3,999,434		799,887	599,915
Forward asset purchases	708,534		708,534	373
	<b>55,278,610</b>		<b>20,426,818</b>	<b>15,989,341</b>
<b>Derivative Financial Instruments</b>				
Foreign exchange related contracts:				
- less than one year	20,038,633	47,654	244,174	71,396
- one year to less than five years	2,247,700	2,094	239,708	119,854
Interest/profit rate related contracts:				
- less than one year	2,016,115	397	3,103	1,276
- one year to less than five years	7,694,765	122,633	355,047	98,481
- five years and above	1,504,330	36,796	117,413	24,927
Commodity related contracts:				
- less than one year	27	3	-	-
Equity related contracts:				
- less than one year	23,994	5,711	7,151	3,576
	<b>33,525,564</b>	<b>215,288</b>	<b>966,596</b>	<b>319,510</b>
<b>Total Off-Balance Sheet Exposures</b>	<b>91,988,828</b>	<b>215,288</b>	<b>23,638,298</b>	<b>17,792,753</b>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)**

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

<b>Group</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>31 December 2013</b>				
<b>Contingent Liabilities</b>				
Direct credit substitutes	1,521,770		1,521,770	1,033,044
Transaction-related contingent items	1,173,514		586,757	359,649
Short-term self-liquidating trade-related contingencies	467,641		93,528	70,227
	<u>3,162,925</u>		<u>2,202,055</u>	<u>1,462,920</u>
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	29,229,501		14,614,751	12,000,819
- not exceeding one year	21,886,823		4,377,364	3,665,366
Unutilised credit card lines	3,823,553		764,711	573,533
Forward asset purchases	4,176		4,176	835
	<u>54,944,053</u>		<u>19,761,002</u>	<u>16,240,553</u>
<b>Derivative Financial Instruments</b>				
Foreign exchange related contracts:				
- less than one year	16,836,631	166,918	312,662	86,666
- one year to less than five years	2,151,746	-	248,632	124,808
Interest/profit rate related contracts:				
- less than one year	1,953,625	1,582	5,527	1,708
- one year to less than five years	6,176,844	123,181	282,009	89,759
- five years and above	2,706,403	57,056	198,977	41,273
Commodity related contracts:				
- less than one year	1,890	1	20	20
Equity related contracts:				
- less than one year	52,089	16,616	19,742	6,074
	<u>29,879,228</u>	<u>365,354</u>	<u>1,067,569</u>	<u>350,308</u>
<b>Total Off-Balance Sheet Exposures</b>	<u>87,986,206</u>	<u>365,354</u>	<u>23,030,626</u>	<u>18,053,781</u>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)**

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

<b>Bank</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>30 June 2014</b>				
<b>Bank (excluding Public Bank (L) Ltd.)</b>				
<b>Contingent Liabilities</b>				
Direct credit substitutes	1,216,375		1,216,375	885,544
Transaction-related contingent items	1,079,222		539,611	315,236
Short-term self-liquidating trade-related contingencies	230,220		46,044	35,872
	<b>2,525,817</b>		<b>1,802,030</b>	<b>1,236,652</b>
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	26,712,722		13,356,361	10,830,894
- not exceeding one year	19,064,553		3,812,909	3,024,067
Unutilised credit card lines	3,895,878		779,176	584,382
Forward asset purchases	708,270		708,270	320
	<b>50,381,423</b>		<b>18,656,716</b>	<b>14,439,663</b>
<b>Derivative Financial Instruments</b>				
Foreign exchange related contracts:				
- less than one year	19,368,219	46,700	240,330	70,627
- one year to less than five years	2,247,700	2,094	239,708	119,854
Interest rate related contracts:				
- less than one year	1,678,960	397	2,542	995
- one year to less than five years	7,994,765	119,380	367,794	101,030
- five years and above	2,608,000	27,294	253,094	50,619
Commodity related contracts:				
- less than one year	27	3	-	-
Equity related contracts:				
- less than one year	23,994	5,711	7,151	3,576
	<b>33,921,665</b>	<b>201,579</b>	<b>1,110,619</b>	<b>346,701</b>
<b>Total</b>	<b>86,828,905</b>	<b>201,579</b>	<b>21,569,365</b>	<b>16,023,016</b>



**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)**

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

<b>Bank</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>30 June 2014</b>				
<b>Public Bank (L) Ltd.</b>				
<b>Contingent Liabilities</b>				
Direct credit substitutes	4,919		4,919	4,818
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of: - not exceeding one year	101,078		20,217	20,200
<b>Derivative Financial Instruments</b>				
Interest rate related contracts:				
- less than one year	337,155	-	561	281
- five years and above	96,330	-	4,817	2,408
	433,485	-	5,378	2,689
<b>Total</b>	539,482	-	30,514	27,707
<b>Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.</b>	<b>87,368,387</b>	<b>201,579</b>	<b>21,599,879</b>	<b>16,050,723</b>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)**

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

<b>Bank</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>31 December 2013</b>				
<b>Bank (excluding Public Bank (L) Ltd.)</b>				
<b>Contingent Liabilities</b>				
Direct credit substitutes	1,196,990		1,196,990	871,028
Transaction-related contingent items	1,041,919		520,959	303,860
Short-term self-liquidating trade-related contingencies	295,684		59,136	40,908
	<u>2,534,593</u>		<u>1,777,085</u>	<u>1,215,796</u>
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	26,897,981		13,448,992	11,042,240
- not exceeding one year	19,688,146		3,937,629	3,203,666
Unutilised credit card lines	3,713,960		742,792	557,094
	<u>50,300,087</u>		<u>18,129,413</u>	<u>14,803,000</u>
<b>Derivative Financial Instruments</b>				
Foreign exchange related contracts:				
- less than one year	16,652,983	166,593	311,001	86,335
- one year to less than five years	2,151,746	-	248,632	124,808
Interest rate related contracts:				
- less than one year	1,838,821	1,582	5,238	1,564
- one year to less than five years	6,247,237	119,711	290,243	90,717
- five years and above	3,808,000	46,226	333,227	66,646
Commodity related contracts:				
- less than one year	1,890	1	20	20
Equity related contracts:				
- less than one year	52,089	16,616	19,742	6,074
	<u>30,752,766</u>	<u>350,729</u>	<u>1,208,103</u>	<u>376,164</u>
<b>Total</b>	<u>83,587,446</u>	<u>350,729</u>	<u>21,114,601</u>	<u>16,394,960</u>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)**

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

<b>Bank</b>	<b>Principal Amount RM'000</b>	<b>Positive Fair Value of Derivative Contracts RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<b>31 December 2013</b>				
<b>Public Bank (L) Ltd.</b>				
<b>Contingent Liabilities</b>				
Direct credit substitutes	4,919		4,919	4,919
<b>Commitments</b>				
Other commitments such as formal standby facilities and credit lines, with an original maturity of: - not exceeding one year	99,894		19,979	19,959
<b>Derivative Financial Instruments</b>				
Interest rate related contracts:				
- less than one year	114,804	-	289	144
- one year to less than five years	229,607	-	2,296	1,146
- five years and above	98,403	-	4,920	2,459
	442,814	-	7,505	3,749
<b>Total</b>	547,627	-	32,403	28,627
<b>Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.</b>	84,135,073	350,729	21,147,004	16,423,587

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.3 Credit Risk Mitigation**

**Credit Risk Mitigation Analysis**

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

<b>Group Exposure Class</b>	<b>Total Exposures before Credit Risk Mitigation RM'000</b>	<b>Total Exposures Covered by Guarantees RM'000</b>	<b>Total Exposures Covered by Eligible Financial Collateral RM'000</b>	<b>Total Exposures Covered by Other Eligible Collateral RM'000</b>
<b>30 June 2014</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	51,135,031	-	11,946,044	-
Public Sector Entities	775,705	685,107	-	-
Banks, DFIs and MDBs	14,844,362	60,685	100,372	-
Insurance Companies, Securities Firms and Fund Managers	227,277	-	4,055	-
Corporates	57,561,047	1,724,924	3,096,936	-
Regulatory Retail	108,775,297	927	840,649	-
Residential Mortgages	66,409,732	-	89,153	-
Higher Risk Assets	80,746	-	77	-
Other Assets	4,841,605	-	-	-
Equity Exposures	5,285,069	-	-	-
Defaulted Exposures	1,742,411	-	2,929	-
	<b>311,678,282</b>	<b>2,471,643</b>	<b>16,080,215</b>	<b>-</b>
<b>Off-Balance Sheet Exposures</b>				
Credit-related Exposures	21,951,154	350,750	433,246	-
Derivative Financial Instruments	966,596	-	-	-
Other Treasury-related Exposures	708,534	-	-	-
Defaulted Exposures	12,014	-	-	-
	<b>23,638,298</b>	<b>350,750</b>	<b>433,246</b>	<b>-</b>
<b>Total Credit Exposures</b>	<b>335,316,580</b>	<b>2,822,393</b>	<b>16,513,461</b>	<b>-</b>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

**3.3 Credit Risk Mitigation (Cont'd.)**

**Credit Risk Mitigation Analysis (Cont'd.)**

<b>Group Exposure Class</b>	<b>Total Exposures before Credit Risk Mitigation RM'000</b>	<b>Total Exposures Covered by Guarantees RM'000</b>	<b>Total Exposures Covered by Eligible Financial Collateral RM'000</b>	<b>Total Exposures Covered by Other Eligible Collateral RM'000</b>
<b>31 December 2013</b>				
<b>On-Balance Sheet Exposures</b>				
Sovereigns/Central Banks	43,868,445	-	9,380,656	-
Public Sector Entities	710,882	613,134	-	-
Banks, DFIs and MDBs	10,933,454	-	144,959	-
Insurance Companies, Securities Firms and Fund Managers	190,518	-	3,989	-
Corporates	53,871,845	1,530,664	3,069,325	-
Regulatory Retail	107,217,507	1,256	747,596	-
Residential Mortgages	59,871,984	-	62,319	-
Higher Risk Assets	100,871	-	76	-
Other Assets	5,250,041	-	-	-
Equity Exposures	5,206,890	-	-	-
Defaulted Exposures	1,696,051	-	13,056	-
	<u>288,918,488</u>	<u>2,145,054</u>	<u>13,421,976</u>	<u>-</u>
<b>Off-Balance Sheet Exposures</b>				
Credit-related Exposures	21,945,654	258,522	468,951	-
Derivative Financial Instruments	1,067,569	-	-	-
Other Treasury-related Exposures	4,176	-	-	-
Defaulted Exposures	13,227	-	-	-
	<u>23,030,626</u>	<u>258,522</u>	<u>468,951</u>	<u>-</u>
<b>Total Credit Exposures</b>	<u>311,949,114</u>	<u>2,403,576</u>	<u>13,890,927</u>	<u>-</u>

## PUBLIC BANK BERHAD (6463-H)

### 3. Credit Risk (Cont'd.)

#### 3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

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

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

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

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

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

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

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

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
<b>30 June 2014</b>								
<b>On-Balance Sheet Exposures</b>								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	3,873,692	1,816,733	1,114,863	-	-	-		6,805,288
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks <sup>#</sup>								
- Sovereigns and Central Banks	1,025,390	49,024,457	-	-	1,001,968	-		51,051,815
- Public Sector Entities	-	685,106	-	-	-	-		685,106
- Banks, DFIs and MDBs	-	60,685	-	-	-	-		60,685
- Corporates	-	969,683	-	-	-	-		969,683
	1,025,390	50,739,931	-	-	1,001,968	-		52,767,289
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	3,457,190	6,528,972	2,084,725	533,857	-	-		12,604,744
- Corporates	718,083	35,158	5,295	-	-	-		758,536
- Regulatory Retail	-	927	-	-	-	-		927
	4,175,273	6,565,057	2,090,020	533,857	-	-		13,364,207
Total Rated Exposures	9,074,355	59,121,721	3,204,883	533,857	1,001,968	-		72,936,784
(b) Total Unrated Exposures							238,741,498	238,741,498
	9,074,355	59,121,721	3,204,883	533,857	1,001,968	-	238,741,498	311,678,282

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
<b>30 June 2014</b>								
<b>Off-Balance Sheet Exposures</b>								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	164,597	408,755	-	-	-	-		573,352
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks <sup>#</sup>								
- Sovereigns and Central Banks	-	706,670	-	-	-	-		706,670
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	483,919	464,779	27,816	-	-	-		976,514
- Corporates	315,951	21,378	631	-	-	-		337,960
- Regulatory Retail	1	1,066	-	-	-	-		1,067
	799,871	487,223	28,447	-	-	-		1,315,541
Total Rated Exposures	964,468	1,602,648	28,447	-	-	-		2,595,563
(b) Total Unrated Exposures							21,042,735	21,042,735
	964,468	1,602,648	28,447	-	-	-	21,042,735	23,638,298
<b>Total Credit Exposures before Credit Risk Mitigation</b>	<b>10,038,823</b>	<b>60,724,369</b>	<b>3,233,330</b>	<b>533,857</b>	<b>1,001,968</b>	<b>-</b>	<b>259,784,233</b>	<b>335,316,580</b>



**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
<b>31 December 2013</b>								
<b>On-Balance Sheet Exposures</b>								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	3,799,878	1,035,363	1,411,967	-	-	-		6,247,208
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks <sup>#</sup>								
- Sovereigns and Central Banks	1,189,381	41,644,508	-	-	894,048	-		43,727,937
- Public Sector Entities	-	613,134	-	-	-	-		613,134
- Corporates	-	572,759	-	-	-	-		572,759
	1,189,381	42,830,401	-	-	894,048	-		44,913,830
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	3,158,958	4,104,961	1,186,735	306,408	-	-		8,757,062
- Corporates	1,016,964	27,803	5,409	-	-	-		1,050,176
- Regulatory Retail	-	1,256	-	-	-	-		1,256
	4,175,922	4,134,020	1,192,144	306,408	-	-		9,808,494
Total Rated Exposures	9,165,181	47,999,784	2,604,111	306,408	894,048	-		60,969,532
(b) Total Unrated Exposures							227,948,956	227,948,956
	9,165,181	47,999,784	2,604,111	306,408	894,048	-	227,948,956	288,918,488

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

Group Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
<b>31 December 2013</b>								
<b>Off-Balance Sheet Exposures</b>								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	134,982	306,641	-	-	-	-		441,623
(ii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	441,175	590,382	41,060	-	-	-		1,072,617
- Corporates	224,117	22,076	625	-	-	-		246,818
- Regulatory Retail	-	925	-	-	-	-		925
	665,292	613,383	41,685	-	-	-		1,320,360
Total Rated Exposures	800,274	920,024	41,685	-	-	-		1,761,983
(b) Total Unrated Exposures							21,268,643	21,268,643
	800,274	920,024	41,685	-	-	-	21,268,643	23,030,626
<b>Total Credit Exposures before Credit Risk Mitigation</b>	<b>9,965,455</b>	<b>48,919,808</b>	<b>2,645,796</b>	<b>306,408</b>	<b>894,048</b>	<b>-</b>	<b>249,217,599</b>	<b>311,949,114</b>

# Under the RWCAF, exposures to and/or guaranteed by the Federal Government of Malaysia, BNM, overseas federal governments and central banks of their respective jurisdictions are accorded a preferential sovereign risk weight of 0%.

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

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

Group Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
<b>30 June 2014</b>												
0%	39,842,114	685,107	60,685	-	990,361	-	-	-	2,190,123	-	43,768,390	-
20%	103,945	94,665	14,119,826	-	5,051,638	1	-	-	160,865	-	19,530,940	3,906,188
35%	-	-	-	-	-	-	45,569,790	-	-	-	45,569,790	15,949,427
50%	-	-	933,032	87,081	2,265,436	6,672	17,983,808	-	-	-	21,276,029	10,638,015
75%	-	-	-	-	-	115,281,894	777,351	-	-	-	116,059,245	87,044,434
100%	49,607	-	685,056	157,292	54,913,819	3,881,468	3,471,040	-	2,490,617	5,285,069	70,933,968	70,933,968
150%	-	-	-	1	159,089	1,395,483	18,213	91,971	-	-	1,664,757	2,497,134
<b>Total</b>	<b>39,995,666</b>	<b>779,772</b>	<b>15,798,599</b>	<b>244,374</b>	<b>63,380,343</b>	<b>120,565,518</b>	<b>67,820,202</b>	<b>91,971</b>	<b>4,841,605</b>	<b>5,285,069</b>	<b>318,803,119</b>	<b>190,969,166</b>
Risk-Weighted Assets by Exposures	<b>70,396</b>	<b>18,933</b>	<b>3,975,537</b>	<b>200,834</b>	<b>57,295,498</b>	<b>92,439,449</b>	<b>29,022,703</b>	<b>137,957</b>	<b>2,522,790</b>	<b>5,285,069</b>	<b>190,969,166</b>	
Average Risk Weights	<b>0.2%</b>	<b>2.4%</b>	<b>25.2%</b>	<b>82.2%</b>	<b>90.4%</b>	<b>76.7%</b>	<b>42.8%</b>	<b>150.0%</b>	<b>52.1%</b>	<b>100.0%</b>	<b>59.9%</b>	
Deduction from Total Capital				-						-		-

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

Group Risk Weights	← Credit Exposures after the Effect of Credit Risk Mitigation →										Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
<b>31 December 2013</b>												
0%	34,476,072	613,134	-	-	510,878	-	-	-	2,440,286	-	38,040,370	-
20%	-	101,479	10,319,139	-	5,175,931	-	-	-	148,795	-	15,745,344	3,149,069
35%	-	-	-	-	-	-	42,601,388	-	-	-	42,601,388	14,910,486
50%	-	-	1,123,100	64,268	1,394,542	12,169	15,119,025	-	-	-	17,713,104	8,856,552
75%	-	-	-	-	-	113,687,785	594,006	-	-	-	114,281,791	85,711,343
100%	111,726	-	429,182	142,769	52,463,486	4,304,292	2,736,290	-	2,660,960	5,206,890	68,055,595	68,055,595
150%	-	-	-	1	161,885	1,329,246	14,674	114,789	-	-	1,620,595	2,430,892
<b>Total</b>	<b>34,587,798</b>	<b>714,613</b>	<b>11,871,421</b>	<b>207,038</b>	<b>59,706,722</b>	<b>119,333,492</b>	<b>61,065,383</b>	<b>114,789</b>	<b>5,250,041</b>	<b>5,206,890</b>	<b>298,058,187</b>	<b>183,113,937</b>
Risk-Weighted Assets by Exposures	111,726	20,296	3,054,560	174,904	54,438,770	91,570,084	25,673,804	172,184	2,690,719	5,206,890	183,113,937	
Average Risk Weights	0.3%	2.8%	25.7%	84.5%	91.2%	76.7%	42.0%	150.0%	51.3%	100.0%	61.4%	
Deduction from Total Capital			-							-	-	

PUBLIC BANK BERHAD (6463-H)

3. Credit Risk (Cont'd.)

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

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

Bank Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
<b>30 June 2014</b>												
0%	26,550,082	384,500	40,458	-	929,334	-	-	-	2,146,563	-	30,050,937	-
20%	103,945	12,250	12,521,230	-	4,851,128	1	-	-	-	-	17,488,554	3,497,711
35%	-	-	-	-	-	-	38,721,098	-	-	-	38,721,098	13,552,384
50%	-	-	980,406	-	2,265,435	6,672	15,841,180	-	-	-	19,093,693	9,546,846
75%	-	-	-	-	-	94,269,524	687,184	-	-	-	94,956,708	71,217,531
100%	49,607	-	199,902	31,088	48,316,438	2,422,245	2,820,319	-	1,703,816	4,823,667	60,367,082	60,367,082
150%	-	-	-	1	152,112	1,092,087	10,251	80,250	-	-	1,334,701	2,002,052
1250%	-	-	-	-	-	-	-	-	89,966	-	89,966	1,124,575
<b>Total</b>	<b>26,703,634</b>	<b>396,750</b>	<b>13,741,996</b>	<b>31,089</b>	<b>56,514,447</b>	<b>97,790,529</b>	<b>58,080,032</b>	<b>80,250</b>	<b>3,940,345</b>	<b>4,823,667</b>	<b>262,102,739</b>	<b>161,308,181</b>
Risk-Weighted Assets by Exposures	<b>70,396</b>	<b>2,450</b>	<b>3,194,351</b>	<b>31,090</b>	<b>50,647,550</b>	<b>74,765,854</b>	<b>24,824,057</b>	<b>120,375</b>	<b>2,828,391</b>	<b>4,823,667</b>	<b>161,308,181</b>	
Average Risk Weights	<b>0.3%</b>	<b>0.6%</b>	<b>23.2%</b>	<b>100.0%</b>	<b>89.6%</b>	<b>76.5%</b>	<b>42.7%</b>	<b>150.0%</b>	<b>71.8%</b>	<b>100.0%</b>	<b>61.5%</b>	
Deduction from Total Capital			-							-	-	

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

Bank Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
<b>31 December 2013</b>												
0%	23,045,435	312,487	-	-	484,973	-	-	-	2,199,726	-	26,042,621	-
20%	-	12,935	8,044,469	-	4,945,088	-	-	-	-	-	13,002,492	2,600,498
35%	-	-	-	-	-	-	36,127,910	-	-	-	36,127,910	12,644,768
50%	-	-	1,152,587	-	1,394,542	12,170	13,482,786	-	-	-	16,042,085	8,021,043
75%	-	-	-	-	-	92,306,928	539,921	-	-	-	92,846,849	69,635,137
100%	111,726	-	197,561	31,233	46,511,418	2,649,719	2,240,766	-	1,966,586	4,637,365	58,346,374	58,346,374
150%	-	-	-	1	156,320	1,054,462	11,129	103,639	-	-	1,325,551	1,988,327
1250%	-	-	-	-	-	-	-	-	89,966	-	89,966	1,124,575
<b>Total</b>	<b>23,157,161</b>	<b>325,422</b>	<b>9,394,617</b>	<b>31,234</b>	<b>53,492,341</b>	<b>96,023,279</b>	<b>52,402,512</b>	<b>103,639</b>	<b>4,256,278</b>	<b>4,637,365</b>	<b>243,823,848</b>	<b>154,360,722</b>
Risk-Weighted Assets by Exposures	111,726	2,587	2,382,748	31,234	48,432,188	73,467,692	22,048,562	155,459	3,091,161	4,637,365	154,360,722	
Average Risk Weights	0.5%	0.8%	25.4%	100.0%	90.5%	76.5%	42.1%	150.0%	72.6%	100.0%	63.3%	
Deduction from Total Capital			-							-	-	

**3. Credit Risk (Cont'd.)**

**3.5 Credit Quality of Gross Loans, Advances and Financing**

**(a) Past Due But Not Impaired**

Tables (i)-(ii) present the analysis of past due but not impaired loans, advances and financing of the Group, as follows:

- (i) Economic purpose analysis
- (ii) Geographical analysis

**(i) Economic Purpose Analysis**

<b>Group</b>	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Purchase of securities	10,852	11,781
Purchase of transport vehicles	10,509,028	10,471,570
Purchase of landed properties	10,537,963	10,337,015
(Of which: - residential	7,962,497	7,929,483
- non-residential)	2,575,466	2,407,532
Purchase of fixed assets (excluding landed properties)	4,569	9,679
Personal use	592,901	615,380
Credit card	306,185	280,990
Purchase of consumer durables	736	1,617
Construction	41,666	23,073
Working capital	794,475	1,111,686
Other purpose	191,876	249,131
	<b>22,990,251</b>	<b>23,111,922</b>

**(ii) Geographical Analysis**

<b>Group</b>	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Malaysia	22,463,210	22,619,163
Hong Kong & China	125,373	151,521
Cambodia	245,173	167,538
Other countries	156,495	173,700
	<b>22,990,251</b>	<b>23,111,922</b>

## PUBLIC BANK BERHAD (6463-H)

### 3. Credit Risk (Cont'd.)

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

##### (b) Impaired Loans, Advances and Financing

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

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

##### (i) Impaired Loans, Advances and Financing and the Related Impairment Allowances by Economic Purpose

Group	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2014 RM'000	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2014 RM'000	Collective Assessment Allowance at 30 June 2014 RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
<b>30 June 2014</b>							
Purchase of securities	3,468	2,471	244	-	2,715	6,054	8,769
Purchase of transport vehicles	388,623	8,153	2,816	(48)	10,921	574,241	585,162
Purchase of landed properties	723,396	16,924	(4,399)	(241)	12,284	814,109	826,393
(Of which: - residential	550,583	230	127	(3)	354	550,671	551,025
- non-residential)	172,813	16,694	(4,526)	(238)	11,930	263,438	275,368
Purchase of fixed assets (excluding landed properties)	4,943	467	219	-	686	1,387	2,073
Personal use	143,443	39,891	87,517	(94,772)	32,636	95,986	128,622
Credit card	17,877	-	-	-	-	21,427	21,427
Purchase of consumer durables	71	-	-	-	-	127	127
Construction	12,794	4,757	1,290	(148)	5,899	7,234	13,133
Mergers and acquisitions	-	-	-	-	-	313	313
Working capital	203,368	90,645	(2,850)	(15,820)	71,975	107,627	179,602
Other purpose	15,185	4,617	263	(248)	4,632	9,569	14,201
	<b>1,513,168</b>	<b>167,925</b>	<b>85,100</b>	<b>(111,277)</b>	<b>141,748</b>	<b>1,638,074</b>	<b>1,779,822</b>



## PUBLIC BANK BERHAD (6463-H)

### 3. Credit Risk (Cont'd.)

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

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

##### (i) Impaired Loans, Advances and Financing and the Related Impairment Allowances by Economic Purpose (Cont'd.)

Group	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January 2013 RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December 2013 RM'000	Collective Assessment Allowance at 31 December 2013 RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
<b>31 December 2013</b>							
Purchase of securities	3,466	2,471	-	-	2,471	7,413	9,884
Purchase of transport vehicles	357,474	7,850	303	-	8,153	529,960	538,113
Purchase of landed properties	676,066	25,881	(5,184)	(3,773)	16,924	817,007	833,931
(Of which: - residential	526,930	691	1,662	(2,123)	230	554,232	554,462
- non-residential)	149,136	25,190	(6,846)	(1,650)	16,694	262,775	279,469
Purchase of fixed assets (excluding landed properties)	6,003	460	387	(380)	467	1,711	2,178
Personal use	169,312	38,207	199,632	(197,948)	39,891	95,197	135,088
Credit card	23,161	-	-	-	-	18,781	18,781
Purchase of consumer durables	82	-	-	-	-	179	179
Construction	11,469	4,137	547	73	4,757	7,446	12,203
Mergers and acquisitions	-	-	-	-	-	379	379
Working capital	223,163	117,896	30,538	(57,789)	90,645	104,663	195,308
Other purpose	14,583	5,093	(476)	-	4,617	9,349	13,966
	<u>1,484,779</u>	<u>201,995</u>	<u>225,747</u>	<u>(259,817)</u>	<u>167,925</u>	<u>1,592,085</u>	<u>1,760,010</u>

**PUBLIC BANK BERHAD (6463-H)**

**3. Credit Risk (Cont'd.)**

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

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

**(ii) Impaired Loans, Advances and Financing and the Related Impairment Allowances by Geographic Location**

<b>Group</b>	<b>Impaired Loans, Advances and Financing RM'000</b>	<b>Individual Assessment Allowance at 1 January 2014 RM'000</b>	<b>Net Charge for the Period RM'000</b>	<b>Amounts Written Off/Other Movements RM'000</b>	<b>Individual Assessment Allowance at 30 June 2014 RM'000</b>	<b>Collective Assessment Allowance at 30 June 2014 RM'000</b>	<b>Total Impairment Allowances for Loans, Advances and Financing RM'000</b>
<b>30 June 2014</b>							
Malaysia	1,392,448	81,231	(4,528)	(3,722)	72,981	1,499,532	1,572,513
Hong Kong & China	64,131	50,474	85,652	(99,026)	37,100	87,054	124,154
Cambodia	39,055	34,494	4,061	(8,494)	30,061	42,650	72,711
Other countries	17,534	1,726	(85)	(35)	1,606	8,838	10,444
	<b>1,513,168</b>	<b>167,925</b>	<b>85,100</b>	<b>(111,277)</b>	<b>141,748</b>	<b>1,638,074</b>	<b>1,779,822</b>

<b>Group</b>	<b>Impaired Loans, Advances and Financing RM'000</b>	<b>Individual Assessment Allowance at 1 January 2013 RM'000</b>	<b>Net Charge for the Year RM'000</b>	<b>Amounts Written Off/Other Movements RM'000</b>	<b>Individual Assessment Allowance at 31 December 2013 RM'000</b>	<b>Collective Assessment Allowance at 31 December 2013 RM'000</b>	<b>Total Impairment Allowances for Loans, Advances and Financing RM'000</b>
<b>31 December 2013</b>							
Malaysia	1,343,237	111,918	8,393	(39,080)	81,231	1,455,468	1,536,699
Hong Kong & China	74,329	49,063	199,620	(198,209)	50,474	86,370	136,844
Cambodia	44,108	39,271	17,873	(22,650)	34,494	42,127	76,621
Other countries	23,105	1,743	(139)	122	1,726	8,120	9,846
	<b>1,484,779</b>	<b>201,995</b>	<b>225,747</b>	<b>(259,817)</b>	<b>167,925</b>	<b>1,592,085</b>	<b>1,760,010</b>

3. Credit Risk (Cont'd.)

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

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

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

Group	30 June 2014 RM'000	31 December 2013 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	1,592,085	1,529,566
Allowance made during the period/year	184,624	340,289
Amount written off	(137,747)	(280,604)
Exchange differences	(888)	2,834
Closing balance	<u>1,638,074</u>	<u>1,592,085</u>
<u>Individual Assessment Allowance</u>		
At 1 January	167,925	201,995
Allowance made during the period/year	98,110	242,911
Amount written back in respect of recoveries	(13,010)	(17,164)
Amount written off	(106,675)	(274,454)
Amount transferred to allowance for impairment loss on foreclosed properties	(1,223)	-
Exchange differences	(3,379)	14,637
Closing balance	<u>141,748</u>	<u>167,925</u>

## PUBLIC BANK BERHAD (6463-H)

### 4. Market Risk

#### Minimum Regulatory Capital Requirements for Market Risk

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

Group	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
<b>30 June 2014</b>				
Interest rate/rate of return risk	29,632,112	(19,682,686)	772,853	61,828
Foreign exchange risk	1,170,570	(441,763)	1,170,572	93,646
Options risk	50,000	-	50,000	4,000
<b>Total</b>	<b>30,852,682</b>	<b>(20,124,449)</b>	<b>1,993,425</b>	<b>159,474</b>
<b>31 December 2013</b>				
Interest rate/rate of return risk	33,918,033	(17,198,819)	1,003,284	80,263
Foreign exchange risk	1,108,152	(566,324)	1,108,152	88,652
<b>Total</b>	<b>35,026,185</b>	<b>(17,765,143)</b>	<b>2,111,436</b>	<b>168,915</b>
<b>Bank</b>				
<b>30 June 2014</b>				
Interest rate risk	28,138,758	(19,373,492)	631,649	50,532
Foreign exchange risk	1,449,270	(1,908,972)	1,908,972	152,718
<b>Total</b>	<b>29,588,028</b>	<b>(21,282,464)</b>	<b>2,540,621</b>	<b>203,250</b>
<b>31 December 2013</b>				
Interest rate risk	31,120,418	(17,136,668)	855,500	68,440
Foreign exchange risk	1,416,690	(1,995,079)	1,995,079	159,606
<b>Total</b>	<b>32,537,108</b>	<b>(19,131,747)</b>	<b>2,850,579</b>	<b>228,046</b>

## PUBLIC BANK BERHAD (6463-H)

### 4. Market Risk (Cont'd.)

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

The following tables present the projected Group's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensitivity gap as at reporting date. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

#### Interest Rate/Rate of Return Risk Sensitivity Analysis

Group	30 June 2014		31 December 2013	
	-100 bps	+100 bps	-100 bps	+100 bps
	Increase/(Decrease)			
	RM'000	RM'000	RM'000	RM'000
<b>Impact on Net Interest/ Profit Income ("NII/NPI")</b>				
Ringgit Malaysia	(221,358)	136,327	(246,230)	164,538
United States Dollars	4,885	(23,969)	5,840	(25,770)
Hong Kong Dollars	(3,954)	5,098	(1,973)	(1,532)
Other Currencies	(3,595)	1,496	(5,659)	3,573
<b>Total</b>	<b>(224,022)</b>	<b>118,952</b>	<b>(248,022)</b>	<b>140,809</b>

#### Impact on Economic Value of Equity ("EVE")

Ringgit Malaysia	1,264,412	(902,394)	929,747	(558,481)
United States Dollars	6,044	(6,695)	4,660	(4,133)
Hong Kong Dollars	123	11,011	1,299	7,781
Other Currencies	141	3,768	(2,717)	6,144
<b>Total</b>	<b>1,270,720</b>	<b>(894,310)</b>	<b>932,989</b>	<b>(548,689)</b>

The reported amounts do not take into account actions that would be taken by treasury operations or business units to mitigate the impact of this interest rate/rate of return risk. In reality, treasury operations seek to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes that the interest rate/rate of return of all maturities move by the same amount and, therefore, does not reflect the potential impact on the NII/NPI and EVE of some rates changing while others remain unchanged. The projection also assumes a constant statements of financial position and that all positions run to maturity.

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

## PUBLIC BANK BERHAD (6463-H)

### 5. Equity Exposures in the Banking Book

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

#### (a) Equity Exposures in the Banking Book

Group	30 June 2014		31 December 2013	
	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk-Weighted Assets RM'000
<u>Publicly traded</u>				
Investments in unit trust funds	5,187,679	5,187,679	5,107,225	5,107,225
Holdings of equity investments	9,623	9,623	11,897	11,897
	<b>5,197,302</b>	<b>5,197,302</b>	5,119,122	5,119,122
<u>Privately held</u>				
For socio-economic purposes	87,767	87,767	87,768	87,768
Not for socio-economic purposes	21,556	32,334	18,981	28,472
	<b>109,323</b>	<b>120,101</b>	106,749	116,240
<b>Total</b>	<b>5,306,625</b>	<b>5,317,403</b>	5,225,871	5,235,362

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

Group	30 June 2014 RM'000	31 December 2013 RM'000
Realised gains/(losses) recognised in the statement of profit or loss		
- Publicly traded equity investments	-	2,123
Unrealised gains/(losses) recognised in other comprehensive income		
- Investments in unit trust funds	15,174	15,192
- Publicly traded equity investments	8,490	10,755
	<b>23,664</b>	25,947

## **6. Operational Risk**

### **Minimum Regulatory Capital Requirements for Operational Risk**

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

	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Minimum Capital Requirement at 8% RM'000</b>
Group	<b>14,806,519</b>	<b>1,184,522</b>	14,497,356	1,159,788
Bank	<b>10,462,845</b>	<b>837,028</b>	10,228,677	818,294

## **7. Shariah Non-Compliance Risk**

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

Under the Shariah-based funds managed by Public Mutual Berhad, a non-permissible income of RM1,343,376 (2013: RM1,062,973) arising from the disposal of Shariah-compliant securities subsequently classified as Shariah non-compliant, has been channelled to charitable bodies as approved by the Shariah Adviser.