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

A29. Capital Adequacy

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

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Before deducting interim dividends *				
Common equity Tier I ("CET I") capital ratio	**10.961%**	11.401%	**10.887%**	12.184%
Tier I capital ratio	**11.924%**	12.565%	**12.035%**	13.588%
Total capital ratio	**15.206%**	15.941%	**14.533%**	15.919%
After deducting interim dividends *				
CET I capital ratio	**10.961%**	10.886%	**10.887%**	11.549%
Tier I capital ratio	**11.924%**	12.049%	**12.035%**	12.953%
Total capital ratio	**15.206%**	15.425%	**14.533%**	15.284%

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

	Group		Bank	
	30 September 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
Components of CET I, Tier I and Tier II capital:				
CET I / Tier I capital:				
Paid-up share capital	**3,882,138**	3,882,138	**3,882,138**	3,882,138
Share premium	**5,535,515**	5,535,515	**5,535,515**	5,535,515
Other reserves	**5,866,148**	5,808,689	**5,178,557**	5,121,669
Retained profits	**14,241,324**	14,262,317	**11,819,997**	11,984,176
Treasury shares	**(149,337)**	(149,337)	**(149,337)**	(149,337)
Qualifying non-controlling interests	**691,214**	706,192	**-**	-
Less: Goodwill and other intangible assets	**(2,484,895)**	(2,375,915)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(63,288)**	(65,666)	**-**	-
Less: Defined benefit pension fund assets	**(196,002)**	(217,995)	**(193,446)**	(215,151)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	**(24,576)**	(56,902)	**(3,191,665)**	(1,775,915)
Total CET I capital	**27,298,241**	27,329,036	**22,186,366**	23,687,702
Innovative Tier I capital securities	**1,086,960**	1,268,120	**1,086,960**	1,268,120
Non-innovative Tier I stapled securities	**1,252,800**	1,461,600	**1,252,800**	1,461,600
Qualifying CET I and additional Tier I capital instruments held by third parties	**59,129**	59,175	**-**	-
Total Tier I capital	**29,697,130**	30,117,931	**24,526,126**	26,417,422

A29. Capital Adequacy (continued)

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

	Group		Bank	
	30 September 2016 RM'000	**31 December 2015 RM'000**	**30 September 2016 RM'000**	**31 December 2015 RM'000**
Tier II capital				
Collective assessment allowance and regulatory reserves #	**2,860,006**	2,761,020	**2,343,943**	2,247,354
Subordinated notes				
- meeting all relevant criteria	**1,949,629**	1,949,489	**1,949,629**	1,949,489
- subject to gradual phase-out treatment	**2,923,800**	2,999,206	**2,923,800**	2,999,206
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**456,956**	467,894	**-**	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	**(16,384)**	(85,353)	**(2,127,776)**	(2,663,872)
Total Tier II capital	**8,174,007**	8,092,256	**5,089,596**	4,532,177
Total capital	**37,871,137**	38,210,187	**29,615,722**	30,949,599

\# Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM504,705,000 (2015: RM560,411,000) and RM361,094,000 (2015: RM399,886,000) respectively.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and of the Bank of RM1,856,399,000 (2015: RM1,810,794,000) and RM1,718,422,000 (2015: RM1,645,027,000) 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.

A29. 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;
(iii) Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) reissued on 13 October 2015 which became effective from 1 January 2016. 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:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
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. With effect from 1 January 2016, the Group and the Bank have applied CCyB on its exposures in Hong Kong in line with Hong Kong Monetary Authority's requirement to maintain CCyB of 0.625% in Hong Kong. The Group's and the Bank's CCyB determined based on the weighted average of prevailing CCyB rates of its Hong Kong exposures are insignificant due to its immaterial Hong Kong exposures. The CCyB which is in a range of between 0% and 2.5% 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 the Bank is as follows:

	Group		**Bank**	
	30 September 2016 RM'000	**31 December 2015 RM'000**	**30 September 2016 RM'000**	**31 December 2015 RM'000**
Credit risk	**228,800,472**	220,881,570	**187,515,478**	179,788,298
Market risk	**3,160,905**	2,500,503	**4,690,109**	3,714,333
Operational risk	**17,087,667**	16,321,153	**11,577,018**	10,911,444
	249,049,044	239,703,226	**203,782,605**	194,414,075

A29. Capital Adequacy (continued)

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

	Public Islamic Bank Berhad [1]	Public Investment Bank Berhad [2]	Public Bank (L) Ltd. [3]	Public Bank (Hong Kong) Limited [4]	Public Finance Limited [4]	Cambodian Public Bank Plc [5]	Public Bank Vietnam Limited [6]
30 September 2016							
Before deducting interim dividends: *							
CET I capital ratio	**11.017%**	**30.455%**	**N/A**	**14.482%**	**24.240%**	**N/A**	**N/A**
Tier I capital ratio	**11.017%**	**30.455%**	**22.202%**	**14.482%**	**24.240%**	**N/A**	**N/A**
Total capital ratio	**13.606%**	**30.739%**	**22.225%**	**15.628%**	**25.242%**	**19.320%**	**51.734%**
After deducting interim dividends: *							
CET I capital ratio	**11.017%**	**30.455%**	**N/A**	**14.482%**	**24.240%**	**N/A**	**N/A**
Tier I capital ratio	**11.017%**	**30.455%**	**22.202%**	**14.482%**	**24.240%**	**N/A**	**N/A**
Total capital ratio	**13.606%**	**30.739%**	**22.225%**	**15.628%**	**25.242%**	**19.320%**	**51.734%**
31 December 2015							
Before deducting interim dividends: *							
CET I capital ratio	10.771%	32.496%	N/A	14.306%	25.476%	N/A	N/A
Tier I capital ratio	10.771%	32.496%	25.121%	14.306%	25.476%	N/A	N/A
Total capital ratio	13.481%	32.941%	25.148%	15.483%	26.473%	20.214%	N/A
After deducting interim dividends: *							
CET I capital ratio	10.771%	30.416%	N/A	14.306%	23.143%	N/A	N/A
Tier I capital ratio	10.771%	30.416%	25.121%	14.306%	23.143%	N/A	N/A
Total capital ratio	13.481%	30.861%	25.148%	15.483%	24.140%	20.214%	N/A

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

A29. Capital Adequacy (continued)

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

[1] The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) reissued on 13 October 2015. 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 of between 0% and 2.5% if this buffer is applied by regulators in countries which PIBB has exposures to.

[2] The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) reissued on 13 October 2015. 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 of between 0% and 2.5% if this buffer is applied by regulators in countries which PIVB has exposures to.

[3] The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.

[4] These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules.

[5] The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

A29. Capital Adequacy (continued)

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

[6] The amount presented here is the Capital Adequacy Ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with SBV Circular No.36/2014/TT-NHNN 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%.