

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

A29. Capital Adequacy

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

	Group		Bank	
	30 September 2013	31 December 2012 (Restated)	30 September 2013	31 December 2012 (Restated)
<u>Before deducting interim dividends *</u>				
Common equity Tier I ("CET I") capital ratio	8.245%	N/A	10.013%	N/A
Tier I capital ratio	10.054%	11.413%	12.156%	13.632%
Total capital ratio	12.846%	14.674%	12.652%	14.534%
<u>After deducting interim dividends *</u>				
CET I capital ratio	8.245%	N/A	10.013%	N/A
Tier I capital ratio	10.054%	10.828%	12.156%	12.931%
Total capital ratio	12.846%	14.089%	12.652%	13.833%

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

	Group		Bank	
	30 September 2013 RM'000	31 December 2012 RM'000 (Restated)	30 September 2013 RM'000	31 December 2012 RM'000 (Restated)
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
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	4,258,829	4,218,576	3,787,614	3,750,880
Retained profits	9,192,093	9,274,909	9,018,070	9,104,376
Treasury shares	(215,572)	(215,572)	(215,572)	(215,572)
Qualifying non-controlling interests	523,676	699,864	-	-
Less: Goodwill	(1,999,333)	(1,899,875)	(695,393)	(695,393)
Less: Deferred tax assets, net	(66,423)	(64,900)	-	-
Less: Defined benefit pension fund assets	(105,735)	-	(102,410)	-
Total CET I capital	16,192,771	16,618,238	16,397,545	16,549,527
Innovative Tier I capital securities	1,630,440	1,810,317	1,630,440	1,810,317
Non-innovative Tier I stapled securities	1,879,200	2,083,146	1,879,200	2,083,146
Qualifying CET I and additional Tier I capital instruments held by third parties	42,621	-	-	-
Total Tier I capital	19,745,032	20,511,701	19,907,185	20,442,990

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A29. Capital Adequacy (continued)

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

	Group		Bank	
	30 September 2013 RM'000	31 December 2012 RM'000 (Restated)	30 September 2013 RM'000	31 December 2012 RM'000 (Restated)
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	1,098,492	1,038,369	605,288	691,258
Subordinated notes				
- meeting all relevant criteria	1,000,000	-	1,000,000	-
- subject to gradual phase-out treatment	3,470,972	4,870,351	3,470,972	4,870,351
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	56,829	-	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies	(142,255)	(960)	(4,264,787)	(4,162,284)
Less: Holdings of other financial institutions' capital instruments	-	(46,834)	-	(46,834)
Total Tier II capital	<u>5,484,038</u>	<u>5,860,926</u>	<u>811,473</u>	<u>1,352,491</u>
Total capital	<u>25,229,070</u>	<u>26,372,627</u>	<u>20,718,658</u>	<u>21,795,481</u>

Excludes collective assessment allowance on impaired loans restricted from Tier II capital of the Group and the Bank of RM601,275,000 (2012: RM491,197,000) and RM450,082,000 (2012: RM369,214,000) 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 RM131,640,000 (2012: N/A).

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 Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for CET I capital ratio and Tier I capital ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (2012 - 8.0%) for total capital ratio.

The comparative capital adequacy ratios and total capital have been restated for effects of the adoption of MFRS 119 Employee Benefits and are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (Basel II). Please refer to Note A31 Changes in Accounting Policies as disclosed in the unaudited interim financial statements for a summary of the changes.

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A29. Capital Adequacy (continued)

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

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵
30 September 2013						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	11.259%	21.381%	N/A	13.503%	26.112%	N/A
Tier I capital ratio	11.259%	21.381%	24.006%	13.503%	26.112%	N/A
Total capital ratio	11.843%	21.556%	24.052%	14.674%	27.054%	19.893%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.259%	21.381%	N/A	13.503%	26.112%	N/A
Tier I capital ratio	11.259%	21.381%	24.006%	13.503%	26.112%	N/A
Total capital ratio	11.843%	21.556%	24.052%	14.674%	27.054%	19.893%
31 December 2012 (Restated)						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital ratio	12.296% #	27.454% #	21.791%	16.423%	28.962%	N/A
Total capital ratio	13.013% #	27.622% #	21.842%	16.423%	30.119%	21.566%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	N/A	N/A	N/A	N/A	N/A	N/A
Tier I capital ratio	11.354% #	26.426% #	21.791%	16.423%	26.509%	N/A
Total capital ratio	12.071% #	26.595% #	21.842%	16.423%	27.666%	21.566%

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

Restated for effects of the adoption of MFRS 119.

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A29. Capital Adequacy (continued)

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

- ¹ Public Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) dated 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 3.5%, 4.5% and 8.0% respectively for year 2013. The comparative capital adequacy ratios of Public Islamic Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord.
- ² Public Investment Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 3.5%, 4.5% and 8.0% respectively for year 2013. The comparative capital adequacy ratios of Public Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord.
- 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. 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. The comparative capital adequacy ratios of these two subsidiary companies are based on the Basel II capital accord.
- ⁵ The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

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A29. Capital Adequacy (continued)

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

	Group		Bank	
	30 September 2013 RM'000	31 December 2012 RM'000 (Restated)	30 September 2013 RM'000	31 December 2012 RM'000 (Restated)
Credit risk	180,092,576	164,279,544	150,937,292	137,471,265
Market risk	1,929,636	1,713,076	2,679,657	2,579,721
Operational risk	14,368,356	13,733,324	10,141,663	9,915,430
	<u>196,390,568</u>	<u>179,725,944</u>	<u>163,758,612</u>	<u>149,966,416</u>