

**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):

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
<u>Before deducting interim dividends *</u>				
Common Equity Tier I ("CET I") capital ratio	<b>13.120%</b>	13.628%	<b>11.813%</b>	12.657%
Tier I capital ratio	<b>13.497%</b>	14.270%	<b>12.258%</b>	13.428%
Total capital ratio	<b>16.457%</b>	16.840%	<b>15.425%</b>	15.963%
<u>After deducting interim dividends *</u>				
CET I capital ratio	<b>13.120%</b>	13.092%	<b>11.813%</b>	11.989%
Tier I capital ratio	<b>13.497%</b>	13.734%	<b>12.258%</b>	12.760%
Total capital ratio	<b>16.457%</b>	16.304%	<b>15.425%</b>	15.295%

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Share capital	<b>9,417,653</b>	9,417,653	<b>9,417,653</b>	9,417,653
Other reserves	<b>1,492,755</b>	1,247,057	<b>853,444</b>	759,892
Retained profits	<b>27,636,349</b>	28,051,532	<b>23,041,305</b>	23,619,722
Qualifying non-controlling interests	<b>707,313</b>	702,333	-	-
Less: Goodwill and other intangible assets	<b>(2,468,898)</b>	(2,454,755)	<b>(695,393)</b>	(695,393)
Less: Deferred tax assets, net	<b>(78,035)</b>	(81,374)	-	-
Less: Defined benefit pension fund assets	<b>(220,425)</b>	(249,036)	<b>(217,328)</b>	(245,535)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<b>(99,684)</b>	(92,847)	<b>(6,183,241)</b>	(5,644,441)
Total CET I capital	<b>36,387,028</b>	36,540,563	<b>26,216,440</b>	27,211,898
Additional Tier I capital securities	<b>99,552</b>	99,462	<b>99,552</b>	99,462
Non-innovative Tier I stapled securities	<b>888,000</b>	1,559,840	<b>888,000</b>	1,559,840
Qualifying CET I and additional Tier I capital instruments held by third parties	<b>59,823</b>	61,325	-	-
Total Tier I capital	<b>37,434,403</b>	38,261,190	<b>27,203,992</b>	28,871,200

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**A29. Capital Adequacy (continued)**

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

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
<u>Tier II capital</u>				
Stage 1 and Stage 2 expected credit loss allowances	1,678,059	1,706,858	1,238,023	1,277,949
Qualifying regulatory reserves	1,475,174	1,340,126	1,290,444	1,171,183
Subordinated notes	4,499,984	2,999,980	4,499,984	2,999,980
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	435,265	724,569	-	-
Others	120,573	119,871	-	-
Total Tier II capital	<u>8,209,055</u>	<u>6,891,404</u>	<u>7,028,451</u>	<u>5,449,112</u>
Total capital	<u>45,643,458</u>	<u>45,152,594</u>	<u>34,232,443</u>	<u>34,320,312</u>

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 of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk; and
- (iii) Basic Indicator Approach for Operational Risk.

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**A29. Capital Adequacy (continued)**

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

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. 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 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Group's and the Bank's CCyB, unless specified otherwise by BNM.

The Group's and the Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of their private sector credit exposures outside Malaysia are insignificant due to their immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Credit risk	<b>252,258,603</b>	243,758,710	<b>202,277,344</b>	195,930,586
Market risk	<b>4,532,719</b>	4,313,276	<b>5,444,659</b>	4,994,901
Operational risk	<b>19,943,108</b>	19,472,018	<b>13,623,721</b>	13,517,986
Large exposure risk	<b>612,894</b>	581,132	<b>587,406</b>	556,873
	<b><u>277,347,324</u></b>	<u>268,125,136</u>	<b><u>221,933,130</u></b>	<u>215,000,346</u>

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**A29. Capital Adequacy (continued)**

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

	<b>Public Islamic Bank Berhad<sup>1</sup></b>	<b>Public Investment Bank Berhad<sup>2</sup></b>	<b>Public Bank (L) Ltd.<sup>3</sup></b>	<b>Public Bank (Hong Kong) Limited<sup>4</sup></b>	<b>Public Finance Limited<sup>4</sup></b>	<b>Cambodian Public Bank Plc<sup>5</sup></b>	<b>Public Bank Vietnam Limited<sup>6</sup></b>
<b>30 September 2019</b>							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	<b>11.999%</b>	<b>52.715%</b>	<b>19.330%</b>	<b>17.883%</b>	<b>21.616%</b>	<b>N/A</b>	<b>N/A</b>
Tier I capital ratio	<b>11.999%</b>	<b>52.715%</b>	<b>19.330%</b>	<b>17.883%</b>	<b>21.616%</b>	<b>N/A</b>	<b>N/A</b>
Total capital ratio	<b>14.534%</b>	<b>53.512%</b>	<b>19.339%</b>	<b>19.141%</b>	<b>22.677%</b>	<b>19.525%</b>	<b>44.824%</b>
<u>After deducting interim dividends: *</u>							
CET I capital ratio	<b>11.999%</b>	<b>52.715%</b>	<b>19.330%</b>	<b>17.883%</b>	<b>21.616%</b>	<b>N/A</b>	<b>N/A</b>
Tier I capital ratio	<b>11.999%</b>	<b>52.715%</b>	<b>19.330%</b>	<b>17.883%</b>	<b>21.616%</b>	<b>N/A</b>	<b>N/A</b>
Total capital ratio	<b>14.534%</b>	<b>53.512%</b>	<b>19.339%</b>	<b>19.141%</b>	<b>22.677%</b>	<b>19.525%</b>	<b>44.824%</b>
<b>31 December 2018</b>							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	12.087%	51.529%	19.171%	16.342%	23.326%	N/A	N/A
Tier I capital ratio	12.087%	51.529%	19.171%	16.342%	23.326%	N/A	N/A
Total capital ratio	16.116%	52.062%	19.175%	17.510%	24.381%	19.756%	25.703%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	11.955%	47.019%	19.171%	16.342%	21.248%	N/A	N/A
Tier I capital ratio	11.955%	47.019%	19.171%	16.342%	21.248%	N/A	N/A
Total capital ratio	15.984%	47.552%	19.175%	17.510%	22.303%	19.756%	25.703%

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

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**A29. Capital Adequacy** (continued)

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

- <sup>1</sup> The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. 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 2.5% and a CCyB if this buffer is applied by regulators in countries which PIBB has exposures to.
- <sup>2</sup> The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. 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 2.5% and a CCyB if this buffer is applied by regulators in countries which PIVB has exposures to.
- <sup>3</sup> The risk-weighted assets of Public Bank (L) Ltd ("PBL") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with the Banking Capital Adequacy Framework - Guidelines on Capital Components and Risk Weighted Assets issued by the Labuan Financial Services Authority ("Labuan FSA"). The minimum regulatory capital adequacy requirements for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.
- <sup>4</sup> These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules. These two subsidiaries are required to maintain a capital conservation buffer of 2.5% and a CCyB of 2.5% (2018: 1.875%) as imposed by Hong Kong Monetary Authority to their private sector exposures in Hong Kong with effect from 1 January 2019.

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**A29. Capital Adequacy** (continued)

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

- <sup>5</sup> The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with National Bank of Cambodia ("NBC") Prakas B7-010-182 and B7-00-46 (amended by Prakas No. B7-04-206 and Prakas No. B7-07-135). This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.
- <sup>6</sup> The amount presented here is the capital adequacy ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with SBV Circular No.19/2017/TT-NHNN being amendment of and supplement to Circular No.36/2014/TT-NHNN on safety ratios, limits in operations of credit institutions issued by the State Bank of Vietnam. This ratio is derived as PBVN's capital divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory capital adequacy ratio requirement is 9.0%.