

PUBLIC BANK BERHAD
Company Registration No.: 196501000672 (6463-H)
(Incorporated in Malaysia)

A30. 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 2020	31 December 2019	30 September 2020	31 December 2019
<u>Before deducting interim dividends *</u>				
Common Equity Tier I ("CET I") capital ratio	13.598%	14.019%	12.416%	12.808%
Tier I capital ratio	13.652%	14.076%	12.459%	12.853%
Total capital ratio	<u>16.811%</u>	<u>17.317%</u>	<u>15.766%</u>	<u>16.243%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	13.598%	13.460%	12.416%	12.108%
Tier I capital ratio	13.652%	13.517%	12.459%	12.153%
Total capital ratio	<u>16.811%</u>	<u>16.758%</u>	<u>15.766%</u>	<u>15.543%</u>

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

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Share capital	9,417,653	9,417,653	9,417,653	9,417,653
Other reserves	1,507,963	1,273,513	677,509	671,090
Retained profits	30,686,095	30,245,351	25,536,084	25,267,007
Qualifying non-controlling interests	705,634	696,901	-	-
Less: Goodwill and other intangible assets	(2,469,256)	(2,443,039)	(695,393)	(695,393)
Less: Deferred tax assets, net	(113,023)	(83,484)	(36,545)	(11,307)
Less: Defined benefit pension fund assets	-	(48,430)	-	(47,736)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	(108,356)	(99,419)	(6,183,241)	(6,183,241)
Total CET I capital	<u>39,626,710</u>	<u>38,959,046</u>	<u>28,716,067</u>	<u>28,418,073</u>
Additional Tier I capital securities	99,672	99,582	99,672	99,582
Qualifying CET I and additional Tier I capital instruments held by third parties	59,004	58,619	-	-
Total Tier I capital	<u>39,785,386</u>	<u>39,117,247</u>	<u>28,815,739</u>	<u>28,517,655</u>

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A30. Capital Adequacy (continued)

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

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
<u>Tier II capital</u>				
Stage 1 and Stage 2 expected credit loss allowances	2,165,859	1,685,918	1,593,269	1,256,999
Qualifying regulatory reserves	1,156,786	1,465,493	1,055,970	1,265,234
Subordinated notes	4,999,991	4,999,986	4,999,991	4,999,986
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	743,833	716,141	-	-
Others	139,117	139,117	-	-
Total Tier II capital	<u>9,205,586</u>	<u>9,006,655</u>	<u>7,649,230</u>	<u>7,522,219</u>
Total capital	<u>48,990,972</u>	<u>48,123,902</u>	<u>36,464,969</u>	<u>36,039,874</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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A30. 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 ("CCB") 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 CCB 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.

Effective from 25 March 2020, the Group and the Bank are allowed to drawdown the CCB of 2.5% to manage the impact of the Covid-19 outbreak. However, BNM expects the Group and the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at the reporting date, the Group and the Bank continued to maintain a CCB of 2.5%.

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

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Credit risk	265,811,560	252,112,870	211,939,111	201,778,618
Market risk	4,918,540	5,040,545	5,062,510	5,473,692
Operational risk	20,044,425	20,139,900	13,664,352	14,036,638
Large exposure risk	648,031	612,893	620,635	587,405
	<u>291,422,556</u>	<u>277,906,208</u>	<u>231,286,608</u>	<u>221,876,353</u>

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A30. Capital Adequacy (continued)

c) The capital adequacy ratios of the banking subsidiary companies of the Bank 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	Public Bank Vietnam Limited⁶
30 September 2020							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	11.927%	40.166%	29.825%	19.507%	24.176%	N/A	N/A
Tier I capital ratio	11.927%	40.166%	29.825%	19.507%	24.176%	N/A	N/A
Total capital ratio	15.549%	40.508%	29.836%	20.302%	25.216%	21.885%	36.307%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	11.927%	40.166%	29.825%	19.507%	24.176%	N/A	N/A
Tier I capital ratio	11.927%	40.166%	29.825%	19.507%	24.176%	N/A	N/A
Total capital ratio	15.549%	40.508%	29.836%	20.302%	25.216%	21.885%	36.307%
31 December 2019							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	12.362%	53.270%	18.741%	18.335%	22.348%	N/A	N/A
Tier I capital ratio	12.362%	53.270%	18.741%	18.335%	22.348%	N/A	N/A
Total capital ratio	16.192%	53.794%	18.748%	19.596%	23.411%	19.122%	43.588%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	12.362%	49.503%	18.741%	18.295%	20.930%	N/A	N/A
Tier I capital ratio	12.362%	49.503%	18.741%	18.295%	20.930%	N/A	N/A
Total capital ratio	16.192%	50.027%	18.748%	19.556%	21.993%	19.122%	43.588%

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

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A30. 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 Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB 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 CCB of 2.5% and a CCyB 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 Frameworks on Capital Components and Basel II - Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB 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 CCB of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIVB has exposures to.
- ³ The risk-weighted assets of Public Bank (L) Ltd 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. 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.
- 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 Ordinance relating to Basel III capital standards and the Banking (Capital) Rules. These two subsidiaries are required to maintain a CCB of 2.5% and a CCyB of 1.0% (2019: 2.0%) as imposed by Hong Kong Monetary Authority to their private sector exposures in Hong Kong.

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A30. Capital Adequacy (continued)

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

- 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 National Bank of Cambodia 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%.
- ⁶ The amount presented here is the capital adequacy ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. Effective from 1 January 2020, this ratio is computed in accordance with the State Bank of Vietnam ("SBV") Circular No.41/2016/TT-NHNN. This ratio is derived as PBVN's capital divided by its credit risk-weighted assets and capital charge for market risk and operational risk. The minimum regulatory capital adequacy ratio requirement is 8.0%. Prior to 1 January 2020, the ratio was 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, which was derived as PBVN's capital divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory capital adequacy ratio requirement was 9.0%.