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	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Before deducting interim dividends *				
Common Equity Tier I ("CET I") capital ratio	**13.750%**	14.815%	**12.569%**	13.702%
Tier I capital ratio	**13.804%**	14.869%	**12.613%**	13.745%
Total capital ratio	**16.943%**	18.011%	**15.926%**	17.053%
After deducting interim dividends *				
CET I capital ratio	**13.750%**	13.951%	**12.569%**	12.611%
Tier I capital ratio	**13.804%**	14.005%	**12.613%**	12.654%
Total capital ratio	**16.943%**	17.147%	**15.926%**	15.962%

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

	Group		Bank	
	31 March 2021 RM'000	31 December 2020 RM'000	31 March 2021 RM'000	31 December 2020 RM'000
Components of CET I, Tier I and Tier II capital:				
CET I / Tier I capital:				
Share capital	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Other reserves	**1,347,839**	1,518,824	**646,759**	793,110
Retained profits	**31,608,767**	34,290,480	**25,850,120**	28,373,510
Qualifying non-controlling interests	**697,006**	682,379	**-**	-
Less: Goodwill and other intangible assets	**(2,459,028)**	(2,417,727)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(84,554)**	(81,637)	**-**	-
Less: Defined benefit pension fund assets	**-**	(2,748)	**-**	(2,059)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	**(152,201)**	(105,998)	**(6,205,741)**	(6,183,241)
Total CET I capital	**40,375,482**	43,301,226	**29,013,398**	31,703,580
Additional Tier I capital securities	**99,732**	99,702	**99,732**	99,702
Qualifying CET I and additional Tier I capital instruments held by third parties	**58,308**	57,785	**-**	-
Total Tier I capital	**40,533,522**	43,458,713	**29,113,130**	31,803,282

A30. Capital Adequacy (continued)

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

	Group		Bank	
	31 March 2021 RM'000	**31 December 2020 RM'000**	**31 March 2021 RM'000**	**31 December 2020 RM'000**
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances	**2,859,803**	2,664,293	**2,078,499**	1,966,983
Qualifying regulatory reserves	**486,276**	670,140	**569,738**	686,899
Subordinated notes	**4,999,994**	4,999,992	**4,999,994**	4,999,992
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**740,935**	718,503	-	-
Others	**130,972**	130,972	-	-
Total Tier II capital	**9,217,980**	9,183,900	**7,648,231**	7,653,874
Total capital	**49,751,502**	52,642,613	**36,761,361**	39,457,156

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.

A30. Capital Adequacy (continued)

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

Regulatory capital requirements

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"), countercyclical capital buffer ("CCyB") and higher loss absorbency ("HLA") requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

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. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 31 January 2021, HLA requirement is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). Arising from this, the Group which is designated as a D-SIB by BNM is required to maintain an additional capital buffer of 0.5% to the regulatory capital requirements in line with the BNM's D-SIB Framework.

Prudential buffers and transitional arrangements

Prior to the COVID-19 pandemic, banking institutions are required to maintain a CCB of 2.5%. However, effective from 25 March 2020, banking institutions are allowed to drawdown the CCB of 2.5% to manage the impact of the COVID-19 pandemic but are required to rebuild this buffer after 31 December 2020 as well as 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%.

As allowed under the BNM's Capital Adequacy Frameworks on Capital Components, financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Group and the Bank have not applied the said transitional arrangements.

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

	Group		**Bank**	
	31 March 2021 RM'000	**31 December 2020 RM'000**	**31 March 2021 RM'000**	**31 December 2020 RM'000**
Credit risk	**267,686,291**	266,754,650	**211,858,947**	212,310,530
Market risk	**4,974,653**	4,719,681	**4,792,023**	4,741,815
Operational risk	**20,336,429**	20,141,735	**13,565,981**	13,689,994
Large exposure risk	**634,795**	668,423	**609,319**	641,027
	293,632,168	292,284,489	**230,826,270**	231,383,366

A30. 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]**
31 March 2021							
Before deducting interim dividends: *							
CET I capital ratio	**11.687%**	**38.517%**	**29.196%**	**20.228%**	**25.437%**	**N/A**	**N/A**
Tier I capital ratio	**11.687%**	**38.517%**	**29.196%**	**20.228%**	**25.437%**	**N/A**	**N/A**
Total capital ratio	**15.209%**	**38.929%**	**29.213%**	**20.993%**	**26.463%**	**19.914%**	**34.192%**
After deducting interim dividends: *							
CET I capital ratio	**11.687%**	**38.517%**	**29.196%**	**20.228%**	**25.437%**	**N/A**	**N/A**
Tier I capital ratio	**11.687%**	**38.517%**	**29.196%**	**20.228%**	**25.437%**	**N/A**	**N/A**
Total capital ratio	**15.209%**	**38.929%**	**29.213%**	**20.993%**	**26.463%**	**19.914%**	**34.192%**
31 December 2020							
Before deducting interim dividends: *							
CET I capital ratio	12.176%	49.642%	27.913%	19.590%	25.675%	N/A	N/A
Tier I capital ratio	12.176%	49.642%	27.913%	19.590%	25.675%	N/A	N/A
Total capital ratio	15.751%	50.101%	27.931%	20.347%	26.703%	19.808%	36.233%
After deducting interim dividends: *							
CET I capital ratio	12.176%	41.315%	27.913%	19.568%	23.684%	N/A	N/A
Tier I capital ratio	12.176%	41.315%	27.913%	19.568%	23.684%	N/A	N/A
Total capital ratio	15.751%	41.773%	27.931%	20.325%	24.712%	19.808%	36.233%

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

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% as imposed by Hong Kong Monetary Authority to their private sector exposures in Hong Kong.

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. This ratio is computed in accordance with the State Bank of Vietnam ("SBV") Circular No.41/2016/TT-NHNN and 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%.