

PUBLIC ISLAMIC BANK BERHAD
(14328-V)
(Incorporated in Malaysia)

A27. Capital Adequacy

- (a) The capital adequacy ratios of the Bank below are disclosed pursuant to the requirements of Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II) - Disclosure Requirements (Pillar 3):

	31 March 2016	31 December 2015
CET I capital ratio	11.262%	10.771%
Tier I capital ratio	11.262%	10.771%
Total capital ratio	13.851%	13.481%

	31 March 2016	31 December 2015
	RM'000	RM'000

Components of CET I, Tier I and Tier II capital:

CET I capital / Tier I capital

Paid-up share capital	219,217	207,217
Share premium	2,213,500	1,925,500
Other reserves	240,376	241,685
Retained profits	462,736	462,736
Less: Deferred tax assets, net	(1,011)	-
Less: Defined benefit pension fund assets	(2,085)	(2,157)
Less: Investment in an associated company deducted from CET I capital	(12,000)	(8,000)
Total CET I capital / Tier I capital	3,120,733	2,826,981

Tier II capital

Collective assessment allowance and regulatory reserves #	226,165	224,109
Subordinated Sukuk Murabahah	499,181	499,117
Less: Investment in an associated company deducted from Tier II capital	(8,000)	(12,000)
Total Tier II capital	717,346	711,226
Total capital	3,838,079	3,538,207

Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM151,982,000 (2015 : RM160,525,000). Includes the qualifying regulatory reserves for non-impaired financing of RM68,739,000 (2015 : RM68,739,000).

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A27. Capital Adequacy (continued)

The total risk-weighted assets 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.

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (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:

<u>Calendar Year</u>	<u>Capital Conservation Buffer</u>
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 Bank has exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. 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.

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A27. Capital Adequacy (continued)

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

	31 March 2016 RM'000	31 December 2015 RM'000
Credit risk	26,136,463	24,611,954
Market risk	15,765	85,600
Operational risk	1,556,845	1,549,041
	<u>27,709,073</u>	<u>26,246,595</u>