

PILLAR 3 DISCLOSURE

As at 30 June 2016

1. Overview

The information of Public Islamic Bank Berhad ("the Bank") below is disclosed pursuant to the requirements of the Bank Negara Malaysia's ("BNM") Capital Adequacy Framework for Islamic Banks ("CAFIB") - Disclosure Requirements (Pillar 3). Certain information is presented on a voluntary basis to provide additional information to users.

Minimum Regulatory Capital Requirement

The following tables present the minimum regulatory capital requirements to support the Bank's risk-weighted assets.

	30 June 2016		31 December 2015	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk	27,290,521	2,183,242	24,611,954	1,968,956
Market Risk	29,636	2,371	85,600	6,848
Operational Risk	1,570,349	125,628	1,549,041	123,923
Total	28,890,506	2,311,241	26,246,595	2,099,727

The Bank does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's CAFIB.

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2. Capital Management

Capital Adequacy Ratios and Capital Structure

The following tables present the capital adequacy ratios and the capital structure.

(a) Capital Adequacy Ratios

	30 June 2016	31 December 2015
Common equity tier I ("CET I") capital ratio	11.340%	10.771%
Tier I capital ratio	11.340%	10.771%
Total capital ratio	<u>13.948%</u>	<u>13.481%</u>

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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2. Capital Management (Cont'd.)

Capital Adequacy Ratios and Capital Structure (Cont'd.)

(b) Capital Structure

	30 June 2016	31 December 2015
	RM'000	RM'000
CET I/Tier I capital		
Paid-up share capital	219,217	207,217
Share premium	2,213,500	1,925,500
Other reserves	255,155	241,685
Retained profits	607,116	462,736
Less: Deferred tax assets, net	(4,812)	-
Less: Defined benefit pension fund assets	(2,012)	(2,157)
Less: Investment in an associated company deducted from CET I capital	(12,000)	(8,000)
Total CET I/Tier I capital	<u>3,276,164</u>	<u>2,826,981</u>
Tier II capital		
Collective assessment allowance and regulatory reserves [#]	262,202	224,109
Subordinated sukuk murabahah	499,245	499,117
Less: Investment in an associated company deducted from Tier II capital	(8,000)	(12,000)
Total Tier II capital	<u>753,447</u>	<u>711,226</u>
Total capital	<u>4,029,611</u>	<u>3,538,207</u>

[#]Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM156.8 million (31 December 2015: RM160.5 million).

Includes the qualifying regulatory reserves for non-impaired financing of RM100.3 million (31 December 2015: RM68.7 million).

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3. Credit Risk

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
30 June 2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	12,837,890	12,837,890	-	-
Public Sector Entities	1,370,845	1,370,845	2,667	213
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	240,611	240,611	26,862	2,149
Corporates	4,664,277	4,617,192	4,236,495	338,920
Regulatory Retail	20,100,026	20,024,838	15,385,815	1,230,865
Residential Mortgages	9,032,314	9,023,322	4,247,196	339,776
Higher Risk Assets	1,924	1,920	2,881	230
Other Assets	95,785	95,785	90,559	7,245
Equity Exposures	485,516	485,516	485,516	38,841
Defaulted Exposures	210,479	210,315	302,711	24,217
	49,039,667	48,908,234	24,780,702	1,982,456
Off-Balance Sheet Exposures				
Credit-related Exposures	3,032,424	3,026,819	2,452,220	196,178
Derivative Financial Instruments	271,803	271,803	54,360	4,349
Defaulted Exposures	2,171	2,171	3,239	259
	3,306,398	3,300,793	2,509,819	200,786
Total Credit Exposures	52,346,065	52,209,027	27,290,521	2,183,242

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3. Credit Risk (Cont'd.)

Minimum Regulatory Capital Requirements for Credit Risk (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
31 December 2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	10,919,170	10,919,170	-	-
Public Sector Entities	1,372,240	1,372,240	2,911	233
Banks, DFIs and MDBs	670,215	670,215	112,780	9,022
Corporates	4,050,891	4,009,132	3,628,403	290,272
Regulatory Retail	19,169,039	19,104,335	14,671,210	1,173,697
Residential Mortgages	7,701,905	7,694,715	3,508,832	280,707
Higher Risk Assets	2,161	2,156	3,234	259
Other Assets	83,792	83,792	80,553	6,444
Equity Exposures	114,769	114,769	114,769	9,181
Defaulted Exposures	221,440	221,000	321,077	25,686
	44,305,622	44,191,524	22,443,769	1,795,501
Off-Balance Sheet Exposures				
Credit-related Exposures	2,649,170	2,644,168	2,100,164	168,013
Derivative Financial Instruments	327,219	327,219	65,443	5,236
Defaulted Exposures	1,730	1,730	2,578	206
	2,978,119	2,973,117	2,168,185	173,455
Total Credit Exposures	47,283,741	47,164,641	24,611,954	1,968,956

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures

Tables (a)-(b) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation as follows:

- (a) Industrial analysis
 (b) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposures to credit risk is the full amount that the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

	Government and Central Banks	Financial Services	Transport & Business Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction & Real Estate	Residential Mortgages	Motor Vehicle Financing	Other Consumer Financing	Total
30 June 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	4,304,322	139,536	-	-	-	-	-	-	4,443,858
Financial assets held-for-trading	10,278	498,183	-	-	-	-	-	-	508,461
Derivative financial assets	-	4,403	-	-	-	-	-	-	4,403
Financial investments available-for-sale	4,847,122	112,810	-	-	-	-	-	-	4,959,932
Financial investments held-to-maturity	2,408,115	278,029	141,974	95,390	-	-	-	-	2,923,508
Gross financing and advances	1,315,056	230,562	928,971	2,915,787	3,417,005	10,060,849	11,616,840	4,429,915	34,914,985
Statutory deposits with Bank Negara Malaysia	1,330,700	-	-	-	-	-	-	-	1,330,700
	14,215,593	1,263,523	1,070,945	3,011,177	3,417,005	10,060,849	11,616,840	4,429,915	49,085,847
Commitments and Contingencies									
Contingent liabilities	-	80	6,415	18,957	72,995	-	-	-	98,447
Commitments	-	13	242,768	1,126,466	1,463,336	2,656,824	178	1,152,983	6,642,568
	-	93	249,183	1,145,423	1,536,331	2,656,824	178	1,152,983	6,741,015
Total Credit Exposures	14,215,593	1,263,616	1,320,128	4,156,600	4,953,336	12,717,673	11,617,018	5,582,898	55,826,862

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(a) Industry Analysis (Cont'd.)

	Government and Central Banks	Financial Services	Transport & Business Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction & Real Estate	Residential Mortgages	Motor Vehicle Financing	Other Consumer Financing	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	2,658,023	567,126	-	-	-	-	-	-	3,225,149
Financial assets held-for-trading	-	1,588,380	-	-	-	-	-	-	1,588,380
Derivative financial assets	-	56,019	-	-	-	-	-	-	56,019
Financial investments available-for-sale	4,666,040	114,768	-	-	-	-	-	-	4,780,808
Financial investments held-to-maturity	2,226,351	278,061	141,985	95,395	-	-	-	-	2,741,792
Gross financing and advances	1,316,438	230,965	860,410	2,306,820	3,043,553	8,534,720	11,581,167	4,178,677	32,052,750
Statutory deposits with Bank Negara Malaysia	1,423,800	-	-	-	-	-	-	-	1,423,800
	12,290,652	2,835,319	1,002,395	2,402,215	3,043,553	8,534,720	11,581,167	4,178,677	45,868,698
Commitments and Contingencies									
Contingent liabilities	-	51,080	5,717	14,876	75,282	-	-	50	147,005
Commitments	-	694	196,374	873,465	1,439,467	2,401,931	1,221	804,606	5,717,758
	-	51,774	202,091	888,341	1,514,749	2,401,931	1,221	804,656	5,864,763
Total Credit Exposures	12,290,652	2,887,093	1,204,486	3,290,556	4,558,302	10,936,651	11,582,388	4,983,333	51,733,461

3. Credit Risk (Cont'd.)

3.1 Distribution of Credit Exposures (Cont'd.)

(b) Maturity Analysis

	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
30 June 2016					
On-Balance Sheet Exposures					
Cash and balances with banks	4,443,858	-	-	-	4,443,858
Financial assets held-for-trading	508,461	-	-	-	508,461
Derivative financial assets	675	-	2,201	1,527	4,403
Financial investments available-for-sale	1,176,221	2,534,014	973,767	275,930	4,959,932
Financial investments held-to-maturity	40,263	1,783,255	826,741	273,249	2,923,508
Gross financing and advances	1,631,405	2,874,418	3,505,678	26,903,484	34,914,985
Statutory deposits with Bank Negara Malaysia	-	-	-	1,330,700	1,330,700
Total On-Balance Sheet Exposures	7,800,883	7,191,687	5,308,387	28,784,890	49,085,847
31 December 2015					
On-Balance Sheet Exposures					
Cash and balances with banks	3,225,149	-	-	-	3,225,149
Financial assets held-for-trading	1,588,380	-	-	-	1,588,380
Derivative financial assets	-	1,840	6,397	47,782	56,019
Financial investments available-for-sale	1,538,905	2,833,963	293,172	114,768	4,780,808
Financial investments held-to-maturity	40,363	1,724,264	663,532	313,633	2,741,792
Gross financing and advances	1,502,816	2,726,624	3,591,140	24,232,170	32,052,750
Statutory deposits with Bank Negara Malaysia	-	-	-	1,423,800	1,423,800
Total On-Balance Sheet Exposures	7,895,613	7,286,691	4,554,241	26,132,153	45,868,698

Approximately 16% (31 December 2015: 17%) of the Bank's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 77% (31 December 2015: 76%) of the Bank's gross financing and advances has residual maturity of more than 5 years. The longer maturity is from the hire purchase and house financing which made up 63% (31 December 2015: 64%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Bank expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

- (c) All the financial assets are located in Malaysia and therefore no analysis of credit exposures of financial assets by geographical distribution is disclosed.

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3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures. All derivative financial instruments are at their notional amounts.

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
30 June 2016				
Contingent Liabilities				
Direct credit substitutes	68,770		68,770	47,359
Transaction-related contingent items	26,757		13,379	8,312
Short-term self-liquidating trade-related contingencies	2,920		584	561
	98,447		82,733	56,232

Commitments

Other commitments, such as formal standby facilities and credit lines, with an original maturity of:

- exceeding one year	5,411,162		2,705,581	2,197,006
- not exceeding one year	1,199,434		239,887	197,425
Unutilised credit card lines	31,972		6,394	4,796
	6,642,568		2,951,862	2,399,227

Derivative Financial Instruments

Profit rate related contracts:

- less than one year	200,000	675	1,175	235
- one year to less than five years	1,630,000	2,201	44,101	8,820
- five years and above	2,500,000	1,527	226,527	45,305
	4,330,000	4,403	271,803	54,360

Total Off-Balance Sheet Exposures	11,071,015	4,403	3,306,398	2,509,819
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3. Credit Risk (Cont'd.)

3.2 Off-Balance Sheet Exposures (Cont'd.)

Composition of Off-Balance Sheet Exposures (Cont'd.)

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
31 December 2015				
Contingent Liabilities				
Direct credit substitutes	121,056		121,056	59,287
Transaction-related contingent items	22,297		11,149	6,896
Short-term self-liquidating trade-related contingencies	3,652		730	588
	<u>147,005</u>		<u>132,935</u>	<u>66,771</u>
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	4,581,376		2,290,688	1,848,183
- not exceeding one year	1,111,758		222,352	184,094
Unutilised credit card lines	24,624		4,925	3,694
	<u>5,717,758</u>		<u>2,517,965</u>	<u>2,035,971</u>
Derivative Financial Instruments				
Profit rate related contracts:				
- one year to less than five years	1,830,000	8,237	54,437	10,887
- five years and above	2,500,000	47,782	272,782	54,556
	<u>4,330,000</u>	<u>56,019</u>	<u>327,219</u>	<u>65,443</u>
Total Off-Balance Sheet Exposures	<u>10,194,763</u>	<u>56,019</u>	<u>2,978,119</u>	<u>2,168,185</u>

3. Credit Risk (Cont'd.)

3.3 Credit Risk Mitigation

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Bank i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Bank does not have any credit exposure which is reduced through the application of other eligible collateral.

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
30 June 2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	12,837,890	-	-	-
Public Sector Entities	1,370,845	1,357,508	-	-
Banks, DFIs and MDBs	240,611	106,302	-	-
Corporates	4,664,277	267,117	47,085	-
Regulatory Retail	20,100,026	-	75,188	-
Residential Mortgages	9,032,314	-	8,992	-
Higher Risk Assets	1,924	-	4	-
Other Assets	95,785	-	-	-
Equity Exposures	485,516	-	-	-
Defaulted Exposures	210,479	-	164	-
	49,039,667	1,730,927	131,433	-
Off-Balance Sheet Exposures				
Credit-related Exposures	3,032,424	23,064	5,605	-
Derivative Financial Instruments	271,803	-	-	-
Defaulted Exposures	2,171	-	-	-
	3,306,398	23,064	5,605	-
Total Credit Exposures	52,346,065	1,753,991	137,038	-

3. Credit Risk (Cont'd.)

3.3 Credit Risk Mitigation (Cont'd.)

Credit Risk Mitigation Analysis (Cont'd.)

Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
31 December 2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	10,919,170	-	-	-
Public Sector Entities	1,372,240	1,357,684	-	-
Banks, DFIs and MDBs	670,215	106,316	-	-
Corporates	4,050,891	267,141	41,759	-
Regulatory Retail	19,169,039	-	64,704	-
Residential Mortgages	7,701,905	-	7,190	-
Higher Risk Assets	2,161	-	5	-
Other Assets	83,792	-	-	-
Equity Exposures	114,769	-	-	-
Defaulted Exposures	221,440	-	440	-
	<u>44,305,622</u>	<u>1,731,141</u>	<u>114,098</u>	<u>-</u>
Off-Balance Sheet Exposures				
Credit-related Exposures	2,649,170	74,064	5,002	-
Derivative Financial Instruments	327,219	-	-	-
Defaulted Exposures	1,730	-	-	-
	<u>2,978,119</u>	<u>74,064</u>	<u>5,002</u>	<u>-</u>
Total Credit Exposures	<u><u>47,283,741</u></u>	<u><u>1,805,205</u></u>	<u><u>119,100</u></u>	<u><u>-</u></u>

3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Bank makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

Rating Category	Standard & Poor's	Moody's Investors Service	Fitch Ratings	RAM Rating Services Berhad	Malaysian Rating Corporation Berhad
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

The Bank uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
	Sovereigns and Central Banks	Corporates	Banking Institutions	
			For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures before the effect of credit risk mitigation by credit quality rating categories.

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
30 June 2016								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	141,974	-	-	-	-	-		141,974
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks #								
- Sovereigns and Central Banks	-	12,837,889	-	-	-	-		12,837,889
- Public Sector Entities	-	1,357,508	-	-	-	-		1,357,508
- Banks, DFIs and MDBs	-	106,302	-	-	-	-		106,302
- Corporates	-	267,117	-	-	-	-		267,117
	-	14,568,816	-	-	-	-		14,568,816
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	83,745	-	-	-	-		83,745
Total Rated Exposures	141,974	14,652,561	-	-	-	-		14,794,535
(b) Total Unrated Exposures							34,245,132	34,245,132
	141,974	14,652,561	-	-	-	-	34,245,132	49,039,667
Off-Balance Sheet Exposures								
(a) Rated Exposures								
Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	271,803	-	-	-	-	-		271,803
- Corporates	23,064	-	-	-	-	-		23,064
	294,867	-	-	-	-	-		294,867
Total Rated Exposures	294,867	-	-	-	-	-		294,867
(b) Total Unrated Exposures							3,011,531	3,011,531
	294,867	-	-	-	-	-	3,011,531	3,306,398
Total Credit Exposures before Credit Risk Mitigation	436,841	14,652,561	-	-	-	-	37,256,663	52,346,065

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Cont'd.)

Exposure Class	Rating Categories						Unrated RM'000	Total RM'000
	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000		
31 December 2015								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
- Corporates	141,985	-	-	-	-	-		141,985
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks [#]								
- Sovereigns and Central Banks	-	10,919,170	-	-	-	-		10,919,170
- Public Sector Entities	-	1,357,684	-	-	-	-		1,357,684
- Banks, DFIs and MDBs	-	106,316	-	-	-	-		106,316
- Corporates	-	267,141	-	-	-	-		267,141
	-	12,650,311	-	-	-	-		12,650,311
(iii) Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	-	487,457	-	-	-	-		487,457
Total Rated Exposures	141,985	13,137,768	-	-	-	-		13,279,753
(b) Total Unrated Exposures							31,025,869	31,025,869
	141,985	13,137,768	-	-	-	-	31,025,869	44,305,622
Off-Balance Sheet Exposures								
(a) Rated Exposures								
Exposures risk-weighted using ratings of Banking Institutions								
- Banks, DFIs and MDBs	327,219	-	-	-	-	-		327,219
- Corporates	74,064	-	-	-	-	-		74,064
	401,283	-	-	-	-	-		401,283
Total Rated Exposures	401,283	-	-	-	-	-		401,283
(b) Total Unrated Exposures							2,576,836	2,576,836
	401,283	-	-	-	-	-	2,576,836	2,978,119
Total Credit Exposures before Credit Risk Mitigation	543,268	13,137,768	-	-	-	-	33,602,705	47,283,741

[#] Under the CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia, BNM, overseas federal governments and central banks of their respective jurisdictions are accorded a preferential sovereign risk weight of 0%.

3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures after the effect of credit risk mitigation by risk weights.

Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation											Total Exposures after Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000			
30 June 2016													
0%	12,837,890	1,357,508	106,302	-	267,117	-	-	-	5,226	-	14,574,043	-	
20%	-	13,337	406,112	-	165,038	-	-	-	-	-	584,487	116,897	
35%	-	-	-	-	-	-	5,258,748	-	-	-	5,258,748	1,840,562	
50%	-	-	-	-	-	-	3,042,624	-	-	-	3,042,624	1,521,312	
75%	-	-	-	-	-	20,035,042	92,779	-	-	-	20,127,821	15,095,866	
100%	-	-	-	-	5,014,955	1,718,824	1,122,289	-	90,559	485,516	8,432,143	8,432,143	
150%	-	-	-	-	371	185,242	1,244	2,304	-	-	189,161	283,741	
Total	12,837,890	1,370,845	512,414	-	5,447,481	21,939,108	9,517,684	2,304	95,785	485,516	52,209,027	27,290,521	
Risk-Weighted Assets by Exposures	-	2,667	81,222	-	5,048,519	17,022,969	4,555,613	3,456	90,559	485,516	27,290,521		
Average Risk Weights	0.0%	0.2%	15.9%	-	92.7%	77.6%	47.9%	150.0%	94.5%	100.0%	52.3%		
Deduction from Total Capital			-								-	-	

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3. Credit Risk (Cont'd.)

3.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Cont'd.)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Cont'd.)

Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
31 December 2015												
0%	10,919,170	1,357,684	106,316	-	267,141	-	-	-	3,239	-	12,653,550	-
20%	-	14,556	891,118	-	216,049	-	-	-	-	-	1,121,723	224,345
35%	-	-	-	-	-	-	4,690,524	-	-	-	4,690,524	1,641,683
50%	-	-	-	-	-	-	2,503,601	-	-	-	2,503,601	1,251,800
75%	-	-	-	-	-	19,151,494	61,706	-	-	-	19,213,200	14,409,900
100%	-	-	-	-	4,259,594	1,531,813	790,949	-	80,553	114,769	6,777,678	6,777,678
150%	-	-	-	-	414	198,633	2,376	2,942	-	-	204,365	306,548
Total	10,919,170	1,372,240	997,434	-	4,743,198	20,881,940	8,049,156	2,942	83,792	114,769	47,164,641	24,611,954
Risk-Weighted Assets by Exposures	-	2,911	178,224	-	4,303,425	16,193,383	3,734,276	4,413	80,553	114,769	24,611,954	
Average Risk Weights	-	0.2%	17.9%	-	90.7%	77.5%	46.4%	150.0%	96.1%	100.0%	52.2%	
Deduction from Total Capital			-							-	-	

3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Financing and Advances

(a) Past Due But Not Impaired

The following table presents an analysis of the past due but not impaired financing and advances by economic purpose.

Economic Purpose Analysis

	30 June 2016	31 December 2015
	RM'000	RM'000
Purchase of transport vehicles	3,252,598	3,347,865
Purchase of landed properties	1,887,751	1,765,321
(Of which: - residential	1,511,079	1,446,886
- non-residential)	376,672	318,435
Purchase of fixed assets (excluding landed properties)	57	-
Personal use	132,626	120,969
Credit Card	1,092	647
Purchase of consumer durables	452	82
Working capital	25,027	29,364
Other purpose	3,352	2,109
	5,302,955	5,266,357

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3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(b) Impaired Financing and Advances

Tables (i)-(ii) present the impaired financing and advances and the related impairment allowances, analysed by the following:

- (i) Economic purpose
- (ii) Reconciliation of allowance for impaired financing and advances

(i) Impaired Financing and Advances and the Related Impairment Allowances by Economic Purpose

30 June 2016	Impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January 2016 RM'000	Net Charge for the Period RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 30 June 2016 RM'000	Collective Assessment Allowance at 30 June 2016 RM'000	Total Impairment Allowances for Financing and Advances RM'000
Purchase of transport vehicles	94,606	-	-	-	-	176,212	176,212
Purchase of landed properties	80,827	-	-	-	-	78,275	78,275
(Of which: - residential	73,816	-	-	-	-	63,718	63,718
- non-residential)	7,011	-	-	-	-	14,557	14,557
Purchase of fixed assets (excluding landed properties)	-	-	-	-	-	19	19
Personal use	31,440	-	-	-	-	57,634	57,634
Credit card	49	-	-	-	-	50	50
Purchase of consumer durables	64	-	-	-	-	91	91
Construction	-	-	-	-	-	212	212
Working capital	2,143	-	-	-	-	6,033	6,033
Other purpose	14	-	-	-	-	125	125
	209,143	-	-	-	-	318,651	318,651

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3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(b) Impaired Financing and Advances (Cont'd.)

(i) Impaired Financing and Advances and the Related Impairment Allowances by Economic Purpose (Cont'd.)

	Impaired Financing and Advances RM'000	Individual Assessment Allowance at 1 January 2015 RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December 2015 RM'000	Collective Assessment Allowance at 31 December 2015 RM'000	Total Impairment Allowances for Financing and Advances RM'000
31 December 2015							
Purchase of transport vehicles	104,061	-	-	-	-	180,588	180,588
Purchase of landed properties	71,470	-	-	-	-	72,247	72,247
(Of which: - residential	64,435	-	-	-	-	59,401	59,401
- non-residential)	7,035	-	-	-	-	12,846	12,846
Purchase of fixed assets (excluding landed properties)	39	-	-	-	-	23	23
Personal use	35,317	-	-	-	-	56,992	56,992
Credit card	21	-	-	-	-	31	31
Purchase of consumer durables	57	-	-	-	-	83	83
Construction	-	-	-	-	-	148	148
Working capital	820	-	-	-	-	5,659	5,659
Other purpose	19	-	-	-	-	124	124
	211,804	-	-	-	-	315,895	315,895

3. Credit Risk (Cont'd.)

3.5 Credit Quality of Gross Financing and Advances (Cont'd.)

(b) Impaired Financing and Advances (Cont'd.)

(ii) Reconciliation of Allowance for Impaired Financing and Advances

	30 June 2016	31 December 2015
	RM'000	RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	315,895	321,851
Allowance made during the period/year	50,167	89,456
Amount written off	(47,411)	(95,412)
Closing balance	318,651	315,895
<u>Individual Assessment Allowance</u>		
At 1 January/ Closing balance	-	-

4. Market Risk

Minimum Regulatory Capital Requirements for Market Risk

The following table presents the minimum regulatory capital requirements for market risk.

	Long Position RM'000	Short Position RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
30 June 2016				
Rate of return risk	508,461	-	29,636	2,371
31 December 2015				
Rate of return risk	1,588,380	-	85,600	6,848

4.1 Rate of Return Risk in the Banking Book

The following table presents the projected Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Bank's rate of return sensitivity gap as at reporting date taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing rate of return.

Rate of Return Risk Sensitivity Analysis

	30 June 2016		31 December 2015	
	-100 bps	+100 bps	-100 bps	+100 bps
	RM'000	Increase/(Decrease) RM'000	RM'000	RM'000
Impact on Net Profit Income ("NPI")	14,196	(26,023)	18,801	(29,921)
Impact on Economic Value of Equity ("EVE")	307,871	(271,201)	282,273	(246,935)

4. Market Risk (Cont'd.)

4.1 Rate of Return Risk in the Banking Book (Cont'd.)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the Assets & Liabilities Management Committee ("ALCO") seeks to proactively change the rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statement of financial position and that all positions run to maturity.

The repricing profile of financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, financing prepayments are generally estimated based on past statistics and trends. The impact on the NPI and EVE are measured on a monthly basis, both of which are reported to the ALCO and the Risk Management Committee.

5. Equity Exposures in the Banking Book

The following table presents the equity exposures in the banking book.

	30 June 2016		31 December 2015	
	Gross Credit Exposure RM'000	Risk- Weighted Assets RM'000	Gross Credit Exposure RM'000	Risk- Weighted Assets RM'000
<u>Publicly traded</u>				
Investments in unit trust funds	485,516	485,516	114,769	114,769

The publicly traded investment in unit trust funds comprises money market funds which are held for yield purposes.

During the financial period/year, there were no realised gains or losses on disposal of equity exposures in the banking book (31 December 2015: realised gains of RM2.1 million). As at 30 June 2016, the Bank recorded an unrealised losses of RM0.2 million (31 December 2015: unrealised gains of RM1.8 million) arising from the mark-to-market of equity exposures in banking book. The unrealised losses were recognised in the other comprehensive income.

6. Operational Risk

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Bank, computed using the Basic Indicator Approach.

	30 June 2016		31 December 2015	
	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Operational Risk	1,570,349	125,628	1,549,041	123,923

7. Shariah Non-Compliance Risk

There is no Shariah non-compliant income nor events during the period under review.