

**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):

|  | <b>30 September<br/>2017</b> | <b>31 December<br/>2016</b> |
|--|------------------------------|-----------------------------|
| <u>Before deducting interim dividend *</u>   |                              |                             |
| Common Equity Tier I ("CET I") capital ratio | <b>11.601%</b>               | 11.138%                     |
| Tier I capital ratio                         | <b>11.601%</b>               | 11.138%                     |
| Total capital ratio                          | <b>15.709%</b>               | <u>13.746%</u>              |
| <u>After deducting interim dividend *</u>    |                              |                             |
| CET I capital ratio                          | <b>11.601%</b>               | 10.923%                     |
| Tier I capital ratio                         | <b>11.601%</b>               | 10.923%                     |
| Total capital ratio                          | <b>15.709%</b>               | <u>13.531%</u>              |

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

|   | <b>30 September<br/>2017<br/>RM'000</b> | <b>31 December<br/>2016<br/>RM'000</b> |
|---|---|--|
| Components of CET I, Tier I and Tier II capital:                        |   |  |
| <u>CET I capital / Tier I capital</u>                                   |   |  |
| Share capital   | <b>2,732,717</b>                        | 219,217                                |
| Share premium   | -                                       | 2,213,500                              |
| Other reserves  | <b>6,234</b>                            | 230,420                                |
| Retained profit   | <b>1,077,401</b>                        | 775,036                                |
| Less: Deferred tax assets, net  | <b>(8,242)</b>                          | (4,242)                                |
| Less: Defined benefit pension fund assets                               | <b>(2,060)</b>                          | (2,279)                                |
| Less: Investment in an associated company deducted from CET I capital   | <b>(24,000)</b>                         | (18,000)                               |
| Total CET I capital / Tier I capital                                    | <b>3,782,050</b>                        | <u>3,413,652</u>                       |
| <u>Tier II capital</u>  |   |  |
| Collective assessment allowance and regulatory reserves #               | <b>345,825</b>                          | 311,939                                |
| Subordinated Sukuk Murabahah  | <b>999,566</b>                          | 499,374                                |
| Less: Investment in an associated company deducted from Tier II capital | <b>(6,000)</b>                          | (12,000)                               |
| Total Tier II capital   | <b>1,339,391</b>                        | <u>799,313</u>                         |
| Total capital   | <b>5,121,441</b>                        | <u>4,212,965</u>                       |

# Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM131,218,000 (2016 : RM138,510,000). Includes the qualifying regulatory reserves of RM170,405,000 (2016 : RM148,815,000).

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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) reissued on 4 August 2017 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) reissued on 2 March 2017. 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> |
|----------------------|------------------------------------|
| 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 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:

|                  | <b>30 September<br/>2017<br/>RM'000</b> | <b>31 December<br/>2016<br/>RM'000</b> |
|------------------|---|--|
| Credit risk      | <b>30,849,021</b>                       | 29,000,132                             |
| Market risk      | <b>67,278</b>                           | 40,861                                 |
| Operational risk | <b>1,685,788</b>                        | 1,608,488                              |
|                  | <b><u>32,602,087</u></b>                | <b><u>30,649,481</u></b>               |