

PUBLIC ISLAMIC BANK BERHAD
(14328 - V)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2010

	31 March 2010 RM'000	31 December 2009 RM'000
ASSETS		
Cash and balances with banks	9,069,429	6,727,664
Financial assets held-for-trading	449,027	79,988
Financial investments available-for-sale	1,214,876	1,274,512
Financial investments held-to-maturity	5,066	5,022
Financing and advances	15,153,716	14,348,330
Other assets	68,633	66,524
Statutory deposits with Bank Negara Malaysia	148,450	144,000
Deferred tax assets	88,430	84,102
Property and equipment	451	464
TOTAL ASSETS	26,198,078	22,730,606
LIABILITIES		
Deposits from customers	13,425,702	13,073,701
Deposits from banks	11,180,480	8,051,182
Other liabilities	47,893	48,915
Provision for zakat and taxation	62,404	50,921
TOTAL LIABILITIES	24,716,479	21,224,719
EQUITY		
Share capital	170,217	170,217
Reserves	1,311,382	1,335,670
TOTAL EQUITY	1,481,599	1,505,887
TOTAL LIABILITIES AND EQUITY	26,198,078	22,730,606
COMMITMENTS AND CONTINGENCIES	1,093,990	1,133,275
CAPITAL ADEQUACY		
Tier 1 Capital Ratio	10.0%	10.5% *
Risk-Weighted Capital Ratio	11.8%	12.3% *
Net assets per share attributable to ordinary equity holder of the Bank (RM)	8.70	8.85

* After deducting second interim dividends

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2009.

PUBLIC ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Income derived from investment of depositors' funds and others	267,740	207,824	267,740	207,824
Income derived from investment of shareholder's funds	17,658	14,786	17,658	14,786
Allowance for impairment on financing and advances	(19,947)	(9,695)	(19,947)	(9,695)
Profit equalisation reserve	(10,284)	(8,420)	(10,284)	(8,420)
Total distributable income	255,167	204,495	255,167	204,495
Income attributable to the depositors	(91,809)	(71,945)	(91,809)	(71,945)
Total net income	163,358	132,550	163,358	132,550
Personnel expenses	(4,228)	(3,458)	(4,228)	(3,458)
Other overheads and expenditures	(42,624)	(36,008)	(42,624)	(36,008)
Profit before zakat and taxation	116,506	93,084	116,506	93,084
Zakat	(64)	(49)	(64)	(49)
Taxation	(29,000)	(23,721)	(29,000)	(23,721)
Profit for the period	87,442	69,314	87,442	69,314
Earnings per RM1.00 share (sen)	51.4	43.5	51.4	43.5

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2009.

PUBLIC ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Profit for the period	87,442	69,314	87,442	69,314
Other comprehensive income				
Net (loss) / gain on revaluation of investment available-for-sale	(1,184)	1,175	(1,184)	1,175
Income tax relating to components of other comprehensive income	296	(294)	296	(294)
Other comprehensive income for the period, net of tax	(888)	881	(888)	881
Total comprehensive income for the period	86,554	70,195	86,554	70,195

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2009.

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	<----- Non-distributable ----->				<----- Distributable ----->		Total Shareholder's Equity RM'000
	Share Capital RM'000	Share Premium RM'000	<u>Reserves</u> Statutory Reserve RM'000	Revaluation Reserve RM'000	<u>Reserves</u> General Reserve RM'000	Retained Profit RM'000	
At 1 January 2010							
- as previously stated	170,217	1,037,500	140,374	486	-	157,310	1,505,887
- effect of adopting FRS 139	-	-	-	-	-	25,332	25,332
At 1 January 2010, as restated	<u>170,217</u>	<u>1,037,500</u>	<u>140,374</u>	<u>486</u>	-	<u>182,642</u>	<u>1,531,219</u>
Profit for the period	-	-	-	-	-	87,442	87,442
Other comprehensive income	-	-	-	(888)	-	-	(888)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(888)</u>	<u>-</u>	<u>87,442</u>	<u>86,554</u>
Dividends paid	-	-	-	-	-	(136,174)	(136,174)
At 31 March 2010	<u><u>170,217</u></u>	<u><u>1,037,500</u></u>	<u><u>140,374</u></u>	<u><u>(402)</u></u>	<u><u>-</u></u>	<u><u>133,910</u></u>	<u><u>1,481,599</u></u>
At 1 January 2009	159,217	773,500	23,819	341	2,000	25,555	984,432
Profit for the period	-	-	-	-	-	69,314	69,314
Other comprehensive income	-	-	-	881	-	-	881
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>881</u>	<u>-</u>	<u>69,314</u>	<u>70,195</u>
At 31 March 2009	<u><u>159,217</u></u>	<u><u>773,500</u></u>	<u><u>23,819</u></u>	<u><u>1,222</u></u>	<u><u>2,000</u></u>	<u><u>94,869</u></u>	<u><u>1,054,627</u></u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2009.

PUBLIC ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2010

	31 March 2010 RM'000	31 March 2009 RM'000
Profit before zakat and taxation	116,506	93,084
Adjustments for non-cash items	34,907	20,523
Operating profit before working capital changes	151,413	113,607
Changes in working capital:		
Net changes in operating assets	(1,169,529)	36,199
Net changes in operating liabilities	3,470,030	(121,383)
Zakat and tax paid	(30,058)	(7,102)
Net cash generated from operating activities	2,421,856	21,321
Net cash generated from / (used in) investing activities	56,083	(1,134)
Net cash used in financing activities	(136,174)	-
Net change in cash and cash equivalents	2,341,765	20,187
Cash and cash equivalents at beginning of the period	6,727,664	3,323,580
Cash and cash equivalents at end of the period	9,069,429	3,343,767

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2009.

PUBLIC ISLAMIC BANK BERHAD
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Part A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Guidelines on Financial Reporting for Licensed Islamic Banks (BNM/GP8-i) Issued by Bank Negara Malaysia

A1. Basis of Preparation

The unaudited interim financial statements for the 1st quarter ended 31 March 2010 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: held-for-trading financial assets and available-for-sale financial investments.

The unaudited interim financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements for the Bank for the financial year ended 31 December 2009. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the year ended 31 December 2009.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs, IC Interpretations and Technical Release ("TR"):

FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions
Amendments to FRS 132	Financial Instruments: Presentation

The adoption of FRS 4 did not have any impact on the financial results of the Bank as the Bank does not engage in such transactions. The adoption of FRS 7, FRS 101, TR i-3 and Amendments to FRS 132 also did not impact the financial results of the Bank, as the changes introduced are presentational in nature. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs and IC Interpretations are disclosed in Note A28.

The Amendments to FRS 139 above included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects is also disclosed in Note A28.

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A1. Basis of Preparation (Continued)

The following revised FRSs, new IC Interpretations and Amendments to FRSs have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2010, and have yet to be adopted by the Bank:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2009 was not qualified.

A3. Comments about Seasonal or Cyclical Factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the 1st quarter ended 31 March 2010.

A4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the 1st quarter ended 31 March 2010.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 1st quarter ended 31 March 2010.

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A6. Debt and Equity Securities

There were no issuance of shares, share buy backs and repayment of debt and equity securities by the Bank in the 1st quarter ended 31 March 2010.

A7. Dividends Paid, Distributed and Declared

During the financial quarter ended 31 March 2010, the second interim single tier dividend of 80%, in respect of the financial year ended 31 December 2009, amounting to RM136,173,600 was paid on 22 January 2010. No dividend has been proposed for the 1st quarter ended 31 March 2010.

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A8. Financial Assets Held-for-Trading

	31 March 2010 RM'000	31 December 2009 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issue	-	30,305
Negotiable instruments of deposit	<u>449,027</u>	<u>49,683</u>
	<u>449,027</u>	<u>79,988</u>

A9. Financial Investments Available-for-Sale

	31 March 2010 RM'000	31 December 2009 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issue	805,158	866,287
Quoted securities:		
- Trust units in Malaysia	409,718	408,225
	<u>1,214,876</u>	<u>1,274,512</u>

A10. Financial Investments Held-to-Maturity

	31 March 2010 RM'000	31 December 2009 RM'000
At amortised cost		
Unquoted securities:		
Private debt securities in Malaysia	5,066	5,022
	<u>5,066</u>	<u>5,022</u>

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A11. Financing and Advances

	31 March 2010 RM'000	31 December 2009 RM'000
At amortised cost		
Cash line	157,142	140,651
Term financing		
- House financing	2,861,539	2,661,636
- Syndicated financing	370,102	366,469
- Hire purchase receivables	10,086,606	9,753,338
- Other term financing	5,666,418	5,245,001
Revolving credits	15,008	5,607
	19,156,815	18,172,702
Less: Unearned income	(3,772,330)	(3,582,504)
Gross financing and advances	15,384,485	14,590,198
Allowance for impaired financing and advances:		
- collective assessment allowance	(230,769)	-
- general allowance	-	(220,794)
- specific allowance	-	(21,074)
Net financing and advances	15,153,716	14,348,330

a. By contract

	31 March 2010 RM'000	31 December 2009 RM'000
Bai' Bithaman Ajil-i (deferred payment sale)	4,019,355	3,705,370
Ijarah Thamma Al-Bai'-i (leasing)	8,632,641	8,358,519
Ijarah Muntahia Bittamlik	66,099	66,105
Bai-Al-Einah-i	2,666,390	2,460,204
Gross financing and advances	15,384,485	14,590,198

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A11. Financing and Advances (continued)

b. By type of customer

	31 March 2010 RM'000	31 December 2009 RM'000
Domestic non-bank financial institutions		
- Others	11,383	9,241
Domestic business enterprises		
- Small and medium enterprises	999,114	981,848
- Others	532,897	511,278
Government and statutory bodies	329,068	315,819
Individuals	13,464,064	12,727,929
Other domestic entities	2,875	1,481
Foreign entities	45,084	42,602
Gross financing and advances	15,384,485	14,590,198

c. By profit rate sensitivity

	31 March 2010 RM'000	31 December 2009 RM'000
Fixed rate		
- House financing	991,330	978,799
- Hire purchase receivables	8,632,641	8,358,519
- Other fixed rate financing	3,369,011	3,137,463
Variable rate		
- BFR plus	1,916,911	1,656,297
- Cost plus	474,592	459,120
Gross financing and advances	15,384,485	14,590,198

d. By residual contractual maturity

	31 March 2010 RM'000	31 December 2009 RM'000
Maturity within one year	346,319	326,421
More than one year to three years	1,430,121	1,427,992
More than three years to five years	2,684,412	2,644,281
More than five years	10,923,633	10,191,504
Gross financing and advances	15,384,485	14,590,198

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A11. Financing and Advances (continued)

e. By economic purpose

	31 March 2010 RM'000	31 December 2009 RM'000
Purchase of securities	12	12
Purchase of transport vehicles	8,635,242	8,361,467
Purchase of landed properties	3,063,445	2,787,276
(of which: - residential	2,087,307	1,894,877
- non-residential)	976,138	892,399
Purchase of fixed assets (excluding landed properties)	72,798	72,249
Personal use	2,748,401	2,530,763
Purchase of consumer durables	4,159	3,851
Construction	28,906	19,452
Working capital	494,698	465,250
Other purpose	336,824	349,878
Gross financing and advances	15,384,485	14,590,198

f. By sectors

	31 March 2010 RM'000	31 December 2009 RM'000
Agriculture, hunting, forestry and fishing	214,370	218,135
Mining and quarrying	7,391	7,305
Manufacturing	111,940	113,938
Electricity, gas and water	1,189	898
Construction	260,202	228,921
Wholesale & retail trade and restaurants & hotels	284,690	278,203
Transport, storage and communication	60,133	60,758
Finance, insurance and business services	133,804	124,123
Real estate	387,456	375,410
Community, social and personal services	388,397	372,283
Households	13,509,146	12,770,301
(of which: - purchase of residential properties	2,062,635	1,872,742
- purchase of transport vehicles	8,157,625	7,872,414
- others)	3,288,886	3,025,145
Others	25,767	39,923
Gross financing and advances	15,384,485	14,590,198

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A11. Financing and Advances (continued)

g. Movements in impaired financing and advances ("impaired financing") are as follows:

	31 March 2010 RM'000	31 December 2009 RM'000
At 1 January		
- as previously stated	134,072	139,839
- effect of adopting FRS 139	3,666	-
At 1 January 2010, as restated	<u>137,738</u>	<u>139,839</u>
Impaired during the period	83,337	332,877
Reclassified as non-impaired	(64,076)	(259,624)
Recoveries	(7,965)	(28,773)
Amount written off	(10,535)	(49,268)
Financing converted to foreclosed properties	(584)	(979)
Closing balance	<u><u>137,915</u></u>	<u><u>134,072</u></u>
Gross impaired financing as a percentage of gross financing and advances	<u><u>0.90%</u></u>	<u><u>0.92%</u></u>

h. Impaired financing and advances by economic purpose

	31 March 2010 RM'000	31 December 2009 RM'000
Purchase of transport vehicles	49,734	49,677
Purchase of landed properties	62,996	57,035
(of which: - residential	<u>53,084</u>	<u>48,505</u>
- non-residential)	<u>9,912</u>	<u>8,530</u>
Purchase of fixed assets (excluding landed properties)	179	178
Personal use	22,926	25,198
Purchase of consumer durables	21	20
Working capital	1,873	1,690
Other purpose	186	274
	<u><u>137,915</u></u>	<u><u>134,072</u></u>

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A11. Financing and Advances (continued)

i. Impaired financing and advances by sectors

	31 March 2010 RM'000	31 December 2009 RM'000
Agriculture, hunting, forestry and fishing	122	118
Mining and quarrying	128	-
Manufacturing	5,229	5,675
Construction	1,318	999
Wholesale & retail trade and restaurants & hotels	3,332	2,101
Transport, storage and communication	201	245
Finance, insurance and business services	1,128	1,214
Real estate	42	-
Community, social and personal services	-	51
Households	126,402	123,656
(of which: - purchase of residential properties	52,828	48,371
- purchase of transport vehicles	46,144	46,018
- others	27,430	29,267
Others	13	13
	137,915	134,072

j. Movements in the allowance for impaired financing and advances accounts are as follows:

	31 March 2010 RM'000	31 December 2009 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January		
- as previously stated	-	-
- effect of adopting FRS 139	219,017	-
At 1 January, as restated	219,017	-
Allowance made during the period	22,287	-
Amount written off	(10,535)	-
Closing balance	230,769	-
As a percentage of total gross financing and advances less individual assessment allowance	1.50%	-

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A11. Financing and Advances (continued)

j. Movements in the allowance for impaired financing and advances accounts are as follows(cont.):

	31 March 2010 RM'000	31 December 2009 RM'000
<u>General Allowance</u>		
At 1 January		
- as previously stated	220,794	188,492
- effect of adopting FRS 139	(220,794)	-
At 1 January, as restated	-	188,492
Allowance made during the period	-	32,302
Closing balance	-	220,794
As % of gross financing and advances	-	1.52%
<u>Specific Allowance</u>		
At 1 January		
- as previously stated	21,074	23,981
- effect of adopting FRS 139	(21,074)	-
At 1 January, as restated	-	23,981
Allowance made during the period	-	61,740
Amount written back in respect of recoveries	-	(15,840)
Amount written off	-	(49,268)
Reinstatement of amount written off previously due to restructuring / rescheduling now reclassified as performing financing	-	541
Amount transferred to accumulated impairment losses in value of foreclosed properties	-	(80)
Closing balance	-	21,074

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A12. Other Assets

	31 March 2010 RM'000	31 December 2009 RM'000
Deferred handling fees	57,410	54,742
Income receivable	8,595	7,773
Other receivables, deposits and prepayments	1,206	3,110
Foreclosed properties	1,422	899
	68,633	66,524

A13. Deposits from Customers

a. By type of deposit

	31 March 2010 RM'000	31 December 2009 RM'000
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	1,910,147	1,999,422
Wadiah savings deposits-i	3,706,731	3,591,720
Negotiable instruments of deposit-i	1,693,976	1,326,084
	7,310,854	6,917,226
<u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	77,238	78,626
Mudharabah general investment deposits-i	3,867,380	3,795,302
Mudharabah special investment deposits-i	2,170,230	2,282,547
	6,114,848	6,156,475
	13,425,702	13,073,701

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A13. Deposits from Customers (continued)

b. By type of customer

	31 March 2010 RM'000	31 December 2009 RM'000
Federal and state governments	788,843	486,214
Local government and statutory authorities	337,819	677,386
Business enterprises	3,390,116	3,413,567
Individuals	4,088,945	3,998,549
Foreign customers	90,411	89,632
Others	4,729,568	4,408,353
	13,425,702	13,073,701

The maturity structure of negotiable instruments of deposit-i and Mudharabah general and special investment deposits-i are as follows:

	31 March 2010 RM'000	31 December 2009 RM'000
Due within six months	7,081,631	6,673,520
More than six months to one year	623,962	609,714
More than one year to three years	23,656	118,568
More than three years to five years	2,337	2,131
	7,731,586	7,403,933

A14. Deposits from banks

	31 March 2010 RM'000	31 December 2009 RM'000
<u>Non-Mudharabah Fund</u>		
Licensed banks	3,904,559	3,924,019
Licensed Islamic banks	1,587,201	1,923,325
Licensed investment banks	909,425	508,496
Other financial institutions	427,608	306,713
	6,828,793	6,662,553
<u>Mudharabah Fund</u>		
Licensed banks	3,492,184	-
Licensed Islamic banks	470,000	-
Licensed investment banks	104,479	20
Bank Negara Malaysia	2,693	3,651
Other financial institutions	282,331	1,384,958
	4,351,687	1,388,629
	11,180,480	8,051,182

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A15. Other Liabilities

	31 March 2010 RM'000	31 December 2009 RM'000
Income payable	21,634	15,690
Other payables and accruals	5,443	22,656
Employee benefits	(1,344)	(1,307)
Profit equalisation reserve	22,160	11,876
	47,893	48,915

A16. Income Derived from Investment of Depositors' Funds and Others

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Income derived from investment of:				
(a) General investment deposits	62,523	58,911	62,523	58,911
(b) Other deposits	205,217	148,913	205,217	148,913
	267,740	207,824	267,740	207,824

**a. Income derived from investment of
general investment deposits:**

Finance income and Hibah

Financing and advances	52,821	52,232	52,821	52,232
Financial investments available-for-sale	1,056	-	1,056	-
Financial investments held-to-maturity	10	-	10	-
Balances with banks	7,189	4,479	7,189	4,479
	61,076	56,711	61,076	56,711
Financial assets held-for-trading	100	914	100	914
Total finance income and Hibah	61,176	57,625	61,176	57,625

Other operating income

Fee income				
- Commissions	66	205	66	205
- Service charges and fees	898	616	898	616
- Other fee income	172	172	172	172
Net gain arising on financial investments available-for-sale	213	243	213	243
Others	(2)	50	(2)	50
Total other operating income	1,347	1,286	1,347	1,286
	62,523	58,911	62,523	58,911

Of which:

Financing income earned on impaired
financing

418	-	418	-
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A16. Income Derived from Investment of Depositors' Funds and Others (continued)

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
b. Income derived from investment of other deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	173,375	132,030	173,375	132,030
Financial investments available-for-sale	3,466	-	3,466	-
Financial investments held-to-maturity	31	-	31	-
Balances with banks	23,596	11,323	23,596	11,323
	200,468	143,353	200,468	143,353
Financial assets held-for-trading	328	2,311	328	2,311
Total finance income and Hibah	200,796	145,664	200,796	145,664
<u>Other operating income</u>				
Fee income				
- Commissions	217	517	217	517
- Service charges and fees	2,947	1,556	2,947	1,556
- Other fee income	564	436	564	436
Net gain arising on financial investments available-for-sale	699	615	699	615
Others	(6)	125	(6)	125
Total other operating income	4,421	3,249	4,421	3,249
	205,217	148,913	205,217	148,913
Of which:				
Financing income earned on impaired financing	1,372	-	1,372	-

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A17. Income Derived from Investment of Shareholder's Funds

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
<u>Finance income and Hibah</u>				
Financing and advances	14,918	13,110	14,918	13,110
Financial investments available-for-sale	298	-	298	-
Financial investments held-to-maturity	3	-	3	-
Balances with banks	2,030	1,124	2,030	1,124
	17,249	14,234	17,249	14,234
Financial assets held-for-trading	28	230	28	230
Total finance income and Hibah	17,277	14,464	17,277	14,464
<u>Operating income</u>				
Fee income				
- Commissions	19	51	19	51
- Service charges and fees	254	155	254	155
- Other fee income	48	43	48	43
Net gain arising on financial investments available-for-sale	60	61	60	61
Others	-	12	-	12
Total other operating income	381	322	381	322
	17,658	14,786	17,658	14,786
Of which:				
Financing income earned on impaired financing	118	-	118	-

A18. Allowance for Impairment on Financing and Advances

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Allowance for impaired financing:				
- Collective assessment allowance	22,287	-	22,287	-
- Individual assessment allowance	-	-	-	-
- General allowance	-	1,012	-	1,012
- Specific allowance	-	11,063	-	11,063
Impaired financing recovered	(2,371)	(2,405)	(2,371)	(2,405)
Impaired financing written off	31	25	31	25
	19,947	9,695	19,947	9,695

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	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Deposits from customers				
- Mudharabah fund	23,600	24,621	23,600	24,621
- Non-Mudharabah fund	21,599	16,001	21,599	16,001
Deposits from banks				
- Mudharabah fund	13,556	5,481	13,556	5,481
- Non-Mudharabah fund	33,054	25,842	33,054	25,842
	91,809	71,945	91,809	71,945

A20. Personnel expenses

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Salaries, allowances and bonuses	3,561	2,754	3,561	2,754
Pension costs	366	387	366	387
Others	301	317	301	317
	4,228	3,458	4,228	3,458

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A21. Other Overheads and Expenditures

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Establishment costs				
- Depreciation	33	28	33	28
- Rental	148	66	148	66
- Insurance	(4)	(12)	(4)	(12)
- Water and electricity	21	21	21	21
- General repairs and maintenance	56	45	56	45
- Others	16	15	16	15
	<u>270</u>	<u>163</u>	<u>270</u>	<u>163</u>
Marketing expenses				
- Advertisement and publicity	299	340	299	340
- Others	2,515	1,321	2,515	1,321
	<u>2,814</u>	<u>1,661</u>	<u>2,814</u>	<u>1,661</u>
Administration and general expenses				
- Communication expenses	526	464	526	464
- Legal and professional fees	927	904	927	904
- Others	1,294	251	1,294	251
	<u>2,747</u>	<u>1,619</u>	<u>2,747</u>	<u>1,619</u>
Shared service costs paid/payable to Public Bank Berhad	39,995	34,842	39,995	34,842
Recovery of expenses	(3,202)	(2,277)	(3,202)	(2,277)
	<u>42,624</u>	<u>36,008</u>	<u>42,624</u>	<u>36,008</u>

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A22. Earnings Per Share (EPS)

The calculation of the basic earnings per share is based on the net profit attributable to the equity holder of the Bank divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 1st quarter and financial period ended 31 March 2010.

	1st Quarter Ended		Three Months Ended	
	31 March 2010 RM'000	31 March 2009 RM'000	31 March 2010 RM'000	31 March 2009 RM'000
Net profit attributable to equity holder of the Bank (RM'000)	87,442	69,314	87,442	69,314
Weighted average number of PIBB Shares ('000)	170,217	159,217	170,217	159,217
Basic earnings per share (sen)	51.4	43.5	51.4	43.5

There are no dilutive potential ordinary shares in the 1st quarter ended 31 March 2010 and 31 March 2009.

A23. Performance Review

The Bank achieved a pre-tax profit of RM116.5 million for the 1st quarter ended 31 March 2010. This profit represented an increase of 25.2% from the previous corresponding quarter. The profit improvement was primarily due to higher net financing income by RM39.8 million or 28.9%. These were partially offset by higher other operating expenses by RM7.4 million and higher allowance for impairment on financing and advances by RM10.3 million resulting from higher business volumes.

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A24. Prospects for 2010

The Malaysian economy is expected to further improve in 2010, on the back of the government's fiscal stimulus, accommodative monetary policy and the expected recovery in major developed economies. The improved consumer and business sentiment in recent months support the positive outlook for the economy in 2010. The banking industry is expected to remain healthy. However, competition will continue to intensify due to strong domestic players, liberal operating environment and the potential of new entrants. Domestic banks are expected to further build capacity and capability to compete, differentiate their business strategies and focus on new products and services. Product pricing will remain competitive.

Based on the positive economic outlook, the Bank will continue to grow its market share in its core business of consumer financing (mainly in home mortgages, passenger vehicle financing and personal financing) and financing to viable SMEs across economic sectors. The Bank will remain prudent and take proactive measures to ensure that its strong asset quality continues to be maintained. To sustain its strong business growth, the Bank will continue to focus on improving its superior delivery standards and infrastructure, cost efficiency, customer analytics and marketing strategy. In addition, the Bank will continue to tap on its extensive branch network and strong franchise, wide array of innovative products and packages and multiple delivery channels.

In its pursuit of business expansion, the Bank will continue to uphold strong corporate governance and implement sound risk management policies. Barring unforeseen circumstances, the Bank is expected to continue to record satisfactory performance in 2010.

A25. Subsequent Events

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements.

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A26. Segment Information

Three Months Ended 31 March 2010	<----- Operating Segments ----->						Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office RM'000	Inter- segment Elimination RM'000	
External revenue	124,872	116,738	6,059	36,748	797	-	285,214
Revenue from other segments	-	23,688	-	-	64,054	(87,742)	-
Total Revenue	124,872	140,426	6,059	36,748	64,851	(87,742)	285,214
Net financing income	65,001	98,412	3,097	186	10,460	-	177,156
Other operating income	(100)	5,180	-	315	754	-	6,149
Net income	64,901	103,592	3,097	501	11,214	-	183,305
Other operating expenses	(10,866)	(27,118)	-	(417)	(8,451)	-	(46,852)
Allowance for impairment on financing and advances	(8,969)	(10,628)	(355)	-	5	-	(19,947)
Profit by segments / Profit before zakat and taxation	45,066	65,846	2,742	84	2,768	-	116,506
Cost income ratio	16.7%	26.2%	0.0%	83.2%	75.4%	0.0%	25.6%
Gross financing and advances	8,632,641	6,186,870	564,974	-	-	-	15,384,485
Impaired financing and advances	49,791	88,124	-	-	-	-	137,915
Impaired financing (%)	0.6%	1.4%	0.0%	0.0%	0.0%	0.0%	0.9%
Deposits from customers	-	9,530,056	31,440	3,864,206	-	-	13,425,702
Segment assets/ Total assets	8,560,697	9,714,913	556,689	14,957,587	1,336,002	(9,019,023)	26,106,865
Recociliation of segment assets to consolidated assets:							
Unallocated assets							91,213
Total assets							26,198,078

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A26. **Segment Information** (continued)

Three Months Ended 31 March 2009	<----- Operating Segments ----->						Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office RM'000	Inter- segment Elimination RM'000	
External revenue	111,916	92,024	979	17,744	(184)	-	222,479
Revenue from other segments	-	30,306	-	1,096	60,925	(92,327)	-
	111,916	122,330	979	18,840	60,741	(92,327)	222,479
Net financing income	50,617	81,803	301	(104)	4,771	-	137,388
Other operating income	(36)	3,781	-	254	858	-	4,857
Net income	50,581	85,584	301	150	5,629	-	142,245
Other operating expenses	(9,827)	(22,976)	-	(377)	(6,286)	-	(39,466)
Allowance for impairment on financing and advances	(3,676)	(6,023)	4	-	-	-	(9,695)
Profit by segments / Profit before zakat and taxation	37,078	56,585	305	(227)	(657)	-	93,084
Cost income ratio	19.4%	26.8%	0.0%	251.3%	111.7%	-	27.7%
Gross financing and advances	7,904,272	4,311,039	91,171	-	-	-	12,306,482
Impaired financing and advances	59,428	72,048	-	-	-	-	131,476
Impaired financing (%)	0.8%	1.7%	0.0%	0.0%	0.0%	0.0%	1.1%
Deposits from customers	-	9,536,184	20,710	697,943	-	-	10,254,837
Segment assets/ Total assets	7,818,874	9,737,792	89,961	5,606,563	927,732	(7,831,478)	16,349,444
Recociliation of segment assets to consolidated assets:							
Unallocated assets							77,883
Total assets							16,427,327

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A27. Capital Adequacy

The capital adequacy ratios of the Bank as at the following date:

	31 March 2010	31 December 2009
Tier 1 capital ratio	10.0%	10.5% *
Risk-weighted capital ratio	11.8%	12.3% *

* After deducting second interim dividend.

	31 March 2010 RM'000	31 December 2009 RM'000
(a) Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	170,217	170,217
Share premium	1,037,500	1,037,500
Other reserves	140,374	140,374
Retained profits	21,136	157,310
Less: Deferred tax assets, net	(84,264)	(84,264)
Total Tier I capital	1,284,963	1,421,137
<u>Tier II capital</u>		
Collective assessment allowance	230,769	-
General allowance	-	220,794
Total Tier II capital	230,769	220,794
Capital base	1,515,732	1,641,931

The capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB-Basel II). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2008 - 8.0%) for the risk-weighted capital ratio.

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

	31 March 2010 RM'000	31 December 2009 RM'000
Credit risk	11,959,914	11,561,542
Market risk	24,366	12,228
Operational risk	894,871	714,569
	12,879,151	12,288,339

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A27. Commitments and Contingencies

(e) The commitments and contingencies and their related counterparty credit risk of the Bank are as follows:

As At 31 March 2010	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Commitments and Contingent Liabilities</u>			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- exceeding one year	912,202	396,823	286,058
- not exceeding one year	181,788	-	-
	1,093,990	396,823	286,058
As At 31 December 2009	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Commitments and Contingent Liabilities</u>			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- exceeding one year	959,786	443,518	331,807
- not exceeding one year	173,489	-	-
	1,133,275	443,518	331,807

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A28. Change in Accounting Policies and Prior Year Adjustments

(a) Change in Accounting Policies

The adoption of new FRSs, amendments to FRSs, IC Interpretations and TR during the financial period have resulted in the following changes in accounting policies:

- i) FRS 139 Financial Instruments: Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- iv) Amendments to FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's BNM/GP8-i - Guidelines on Financial Reporting for Licensed Islamic Banks, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS 139 have already been adopted by the Bank. Therefore, the full adoption of FRS 139 on 1 January 2010 has resulted in the following material changes in accounting policies as follows:

1) Impairment of Financing and Advances

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly financing and advances. The existing accounting policies relating to the assessment of impairment of other financial assets of the Bank are already largely in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired financing and advances (previously referred to as non-performing financing) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. Upon the adoption of FRS 139, the Bank assesses at the end of each reporting period whether there is any objective evidence that a financing or group of financing is impaired. The financing or group of financing is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financing (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the financing or group of financing that can be reliably estimated.

The Bank first assesses individually whether objective evidence of impairment exists individually for financing which are individually significant, and collectively for financing which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financing with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

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A28. Change in Accounting Policies and Prior Year Adjustments (continued)

(a) **Change in Accounting Policies** ("continued")

1) Impairment of Financing and Advances ("continued")

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowance of the Bank as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting the income statement as at the beginning of the current financial period being adjusted to opening retained profits. As a result of the adoption of the financing impairment basis under FRS 139 and the transitional arrangements under BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, the Bank wrote back general allowance of RM220,794,000 and specific allowance of RM21,074,000 against opening retained profits as at 1 January 2010. In addition, the Bank has also recognised opening collective assessment allowance of RM219,017,000 against opening retained profits as at 1 January 2010. Any further collective assessment allowance and individual assessment allowance charged subsequent to the initial adoption of FRS 139 is recognised as allowance for impairment on financing and advances in the income statement.

2) Financing Income Recognition

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. Whilst the Bank's securities held-to-maturity are already measured on this basis under the requirements of BNM's BNM/GP8-i effective from 1 January 2005, financing income on its financing continued to be recognised based on contractual profit rates. Upon the full adoption of FRS 139 on 1 January 2010, financing income is recognised using effective profit rates ("EPR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financing or, when appropriate, a shorter period to the net carrying amount of the financing.

This change in accounting policy has been accounted for prospectively in line with the transitional arrangements under para 103AA of FRS 139, resulting in an adjustment of RM7,259,000 for the Bank to opening retained earnings.

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A28. Change in Accounting Policies and Prior Year Adjustments (continued)

(a) **Change in Accounting Policies ("continued")**

2) Financing Income Recognition ("continued")

Prior to the adoption of FRS 139, profit accrued and recognised as income prior to the date that a financing is classified as non-performing is reversed out of income and set-off against the profit receivable account in the statement of financial position. Thereafter, profit on the non-performing financing is recognised as income on a cash basis. Upon adoption of FRS 139, once a financing has been written down as a result of an impairment loss, financing income is thereafter recognised using the rate of profit used to discount the future cash flows for the purpose of measuring impairment loss. This change in accounting policy has resulted in the writeback of profit-in-suspense amounting to RM3,666,000 by the Bank to opening retained earnings.

3) Recognition of Embedded Derivatives

Upon the adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

Based on the assessment by the Bank upon adoption of FRS 139 on 1 January 2010, there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

(b) **Adjustments due to Change in Accounting Policies**

The changes in accounting policies as described above which resulted in adjustments to opening retained profits of the Bank are as follows:

	RM'000
Effects on retained profits:	
At 1 January 2010, as previously stated	157,310
Effects of adoption of FRS 139	25,332
At 1 January 2010, as restated	<u>182,642</u>

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A28. Change in Accounting Policies and Prior Year Adjustments (continued)

(c) Comparative Figures

(i) FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statements of the Bank for the comparative financial period ended 31 March 2009 have been re-presented as two separate statements, ie. an income statement displaying components of profit or loss and a statement of comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

(ii) FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period has resulted in some changes to the disclosure of financial instruments, whereby the disclosures are now made by categories of financial assets and liabilities. The disclosure of comparative figures in the statement of financial position as at 31 December 2009 and the income statement for the financial period ended 31 March 2009 have been restated to conform with the current period's presentation. Since these changes only affect the presentation of disclosure items, there is no impact on the financial results of the Bank for the comparative period.