

**PUBLIC ISLAMIC BANK BERHAD**  
**(14328 - V)**  
**(Incorporated in Malaysia)**  
**INTERIM FINANCIAL STATEMENTS**  
**AUDITED BALANCE SHEETS AS AT 31 DECEMBER 2008**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	3,323,580	106,513
Securities held-for-trading	382,296	-
Securities available-for-sale	400,454	-
Financing, advances and other loans	11,877,409	-
Other assets	52,591	204
Statutory deposits with Bank Negara Malaysia	341,600	-
Deferred tax assets	72,304	24,807
Property and equipment	359	-
<b>TOTAL ASSETS</b>	<b>16,450,593</b>	<b>131,524</b>
<b>LIABILITIES</b>		
Deposits from customers	13,786,574	-
Deposits and placements of banks and other financial institutions	700,576	-
Other liabilities	974,266	11
Provision for zakat and taxation	4,745	60
<b>TOTAL LIABILITIES</b>	<b>15,466,161</b>	<b>71</b>
<b>EQUITY</b>		
Share capital	159,217	127,717
Reserves	825,215	3,736
<b>TOTAL EQUITY</b>	<b>984,432</b>	<b>131,453</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,450,593</b>	<b>131,524</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>	<b>1,031,888</b>	<b>N/A</b>
<b>CAPITAL ADEQUACY</b>		
Core Capital Ratio	9.1%	N/A
Risk-Weighted Capital Ratio	11.0%	N/A
<b>Net assets per share attributable to ordinary equity holder of the Bank (RM)</b>	<b>6.18</b>	<b>1.03</b>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2007.*

**PUBLIC ISLAMIC BANK BERHAD**  
**(14328 - V)**  
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**INTERIM FINANCIAL STATEMENTS**  
**AUDITED INCOME STATEMENTS**  
**FOR THE 4TH QUARTER ENDED 31 DECEMBER 2008**

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Income derived from investment of depositors' funds and others	<b>131,637</b>	-	<b>134,465</b>	-
Income derived from investment of shareholder's funds	<b>10,268</b>	226	<b>10,268</b>	226
Allowance for losses on financing, advances and other loans	<b>(7,840)</b>	-	<b>(7,840)</b>	-
- General allowances	<b>(1,407)</b>	-	<b>(1,407)</b>	-
- Other financing loss allowances	<b>(6,433)</b>	-	<b>(6,433)</b>	-
Profit equalisation reserves	<b>(3,976)</b>	-	<b>(3,976)</b>	-
Total distributable income	<b>130,089</b>	226	<b>132,917</b>	226
Income attributable to the depositors	<b>(43,054)</b>	-	<b>(43,054)</b>	-
Total net income	<b>87,035</b>	226	<b>89,863</b>	226
Personnel expenses	<b>(2,475)</b>	-	<b>(2,475)</b>	-
Other overheads and expenditures	<b>(22,947)</b>	(11)	<b>(22,953)</b>	(11)
Profit before zakat and taxation	<b>61,613</b>	215	<b>64,435</b>	215
Zakat	<b>(30)</b>	-	<b>(30)</b>	-
Taxation	<b>(16,562)</b>	(501)	<b>(16,767)</b>	(501)
Profit/(loss) for the period/year	<b>45,021</b>	(286)	<b>47,638</b>	(286)
Earnings/(loss) per RM1.00 share (sen)	<b>31.2</b>	(0.2)	<b>36.1</b>	(0.2)

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**PUBLIC ISLAMIC BANK BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 4TH QUARTER ENDED 31 DECEMBER 2008**

	<-----Non-distributable----->				<----- Distributable----->		Total Shareholder's Equity RM'000
	Share Capital RM'000	Share Premium RM'000	<u>Reserves</u> Statutory Reserves RM'000	Revaluation Reserves RM'000	<u>Reserves</u> General Reserves RM'000	Retained Profits RM'000	
<b>At 1 January 2008</b>	<b>127,717</b>	-	-	-	<b>2,000</b>	<b>1,736</b>	<b>131,453</b>
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	<b>341</b>	-	-	<b>341</b>
Net profit for the year	-	-	-	-	-	<b>47,638</b>	<b>47,638</b>
Total recognised income for the year	-	-	-	<b>341</b>	-	<b>47,638</b>	<b>47,979</b>
Increase in share capital	<b>31,500</b>	<b>773,500</b>	-	-	-	-	<b>805,000</b>
Transfer to statutory reserves	-	-	<b>23,819</b>	-	-	<b>(23,819)</b>	-
<b>At 31 December 2008</b>	<b>159,217</b>	<b>773,500</b>	<b>23,819</b>	<b>341</b>	<b>2,000</b>	<b>25,555</b>	<b>984,432</b>
At 1 January 2007	127,717	-	-	-	2,000	13,702	143,419
Net loss for the year	-	-	-	-	-	(286)	(286)
Total recognised expense for the year	-	-	-	-	-	(286)	(286)
Dividends paid	-	-	-	-	-	(11,680)	(11,680)
At 31 December 2007	127,717	-	-	-	2,000	1,736	131,453

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**INTERIM FINANCIAL STATEMENTS**  
**AUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE 4TH QUARTER ENDED 31 DECEMBER 2008**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Profit before zakat and taxation	64,435	215
Adjustments for non-cash items	13,387	-
Operating profit before working capital changes	<u>77,822</u>	<u>215</u>
Changes in working capital:		
Net changes in operating assets	(380,142)	180,967
Net changes in operating liabilities	2,664,914	11
Zakat and tax paid	(13,627)	-
Net cash generated from operating activities	<u>2,348,967</u>	<u>181,193</u>
Net cash generated from investing activities	63,100	-
Net cash generated from/(used in) financing activities	<u>805,000</u>	<u>(74,680)</u>
Net change in cash and cash equivalents	<b>3,217,067</b>	<b>106,513</b>
Cash and cash equivalents at beginning of the year	<u>106,513</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u><b>3,323,580</b></u>	<u><b>106,513</b></u>

*The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2007.*

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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/GP8i) Issued by Bank Negara Malaysia**

**A1. Basis of Preparation**

The audited interim financial statements for the 4th quarter and financial year ended 31 December 2008 have been prepared under the historical cost convention except for the following assets which are stated at fair value: held-for-trading and available-for-sale financial assets.

The audited interim financial statements have been prepared in accordance with FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The audited interim financial statements should be read in conjunction with the audited annual financial statements of the Bank for the year ended 31 December 2007. 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 2007.

The Bank commenced its Islamic banking business on 1 November 2008 upon the vesting of the Islamic banking business from its holding company, Public Bank Berhad ("PBB"). The significant accounting policies and methods of computation applied in the audited interim financial statements of the Bank are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2007 of PBB in respect of Islamic banking business. The following Financial Reporting Standards ("FRS") and IC Interpretations have been issued by the MASB but are not yet effective:

FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

All the new FRS and IC Interpretations above are effective from 1 January 2010, with the exception of FRS 8, which is effective from 1 July 2009. The Bank have chosen to early adopt FRS 8 Operating Segments, as presented in note A26. Upon adoption of FRS 8, segmental information is prepared on the basis of the "management approach", which requires presentation of information on the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

In August 2008, the MASB announced its plan to bring Malaysia to full convergence with International Financial Reporting Standards ("IFRS") by 1 January 2012. The financial impact and effects on disclosures and measurement ensuing from such convergence are currently still being assessed pending the issuance of such revised FRSs incorporating the full convergence.

On 20 October 2008, BNM had issued a circular setting out the limited circumstances in which banking institutions are allowed to reclassify financial instruments currently held in the securities held-for-trading portfolio into the securities available-for-sale and securities held-to-maturity portfolios. This concession is only effective for the period from 1 July 2008 to 31 December 2009. As at 31 December 2008, the Bank have not adopted this concession.

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**A1. Basis of Preparation** (continued)

Financing, advances and other loans are stated at cost less any allowance for bad and doubtful financing. Allowance for bad and doubtful financing are made with regard to specific risks and relate to those financing or trade receivables that have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

The allowance for bad and doubtful financing are computed in conformity with BNM/GP3. The Bank has adopted a more stringent classification policy on non-performing financing, whereby financing are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date with a 20% specific allowance.

A general allowance based on a percentage of total outstanding financing (including accrued profit), net of specific allowance for bad and doubtful financing, is maintained by the Bank against risks which are not specifically identified.

An uncollectible financing or portion of a financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

Values assigned to collateral held for non-performing financing secured by properties is determined based on the realisable values of the properties, being the force sale value provided by independent parties/valuers, on the following basis:

- (i) Assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing financing which are in arrears for more than five (5) years but less than seven (7) years; and
- (ii) No value will be assigned to the realisable value of the properties held as collateral for non-performing financing which are in arrears for more than seven (7) years.

**A2.** The auditors' report on the audited annual financial statements for the financial year ended 31 December 2007 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 4th quarter and the financial year ended 31 December 2008.

**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 4th quarter and the financial year ended 31 December 2008.

**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 4th quarter and financial year ended 31 December 2008.

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**A6. Debt and Equity Securities**

During the financial year ended 31 December 2008, the issued and paid-up share capital of the Bank was increased from RM127,717,000 to RM159,217,000 via the issuance of 31,500,000 ordinary shares of RM1.00 each to its holding company, Public Bank Berhad, with a related share premium of RM773,500,000.

There were no share buy-backs, and repayment of debt and equity securities by the Bank in the 4th quarter and financial year ended 31 December 2008.

**A7. Dividends**

No dividend has been declared or paid during the financial year ended 31 December 2008. The directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2008.

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**A8. Securities Held-for-Trading**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Cagamas bonds	382,296	-
	<u>382,296</u>	<u>-</u>
	<u>382,296</u>	<u>-</u>

**A9. Securities Available-for-Sale**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<b>At fair value</b>		
Quoted securities:		
Trust units in Malaysia	400,454	-
	<u>400,454</u>	<u>-</u>
	<u>400,454</u>	<u>-</u>

**A10. Financing, Advances and Other Loans**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Cash line	106,699	-
Term financing		
- House financing	2,536,324	-
- Hire purchase receivables	9,345,331	-
- Other term financing	3,659,063	-
Revolving credits	2,104	-
	<u>15,649,521</u>	<u>-</u>
Less: Unearned income	(3,209,630)	-
Gross financing, advances and other loans (including Islamic house financing sold to Cagamas)	<u>12,439,891</u>	<u>-</u>
Less: Islamic house financing sold to Cagamas	(350,009)	-
Gross financing, advances and other loans (excluding Islamic house financing sold to Cagamas)	<u>12,089,882</u>	<u>-</u>
Allowance for losses on financing, advances and other loans:		
- general	(188,492)	-
- specific	(23,981)	-
	<u>11,877,409</u>	<u>-</u>
Net financing, advances and other loans	<u>11,877,409</u>	<u>-</u>

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**A10. Financing, Advances and Other Loans** (continued)

**a. By concept**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Bai' Bithaman Ajil-i (deferred payment sale)	2,762,685	-
Ijarah Thamma Al-Bai'-i (leasing)	8,057,261	-
Bai-Al-Einah-i	1,619,945	-
	12,439,891	-
Less: Islamic house financing sold to Cagamas	(350,009)	-
Gross financing, advances and other loans	12,089,882	-

**b. By type of customer**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Domestic non-bank financial institutions		
- Others	508	-
Domestic business enterprises		
- Small and medium enterprises	897,653	-
- Others	330,219	-
Government and statutory bodies	87	-
Individuals	11,174,410	-
Other domestic entities	1,413	-
Foreign entities	35,601	-
	12,439,891	-
Less: Islamic house financing sold to Cagamas	(350,009)	-
Gross financing, advances and other loans	12,089,882	-

**c. By profit rate sensitivity**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Fixed rate		
- House / financing	1,303,631	-
- Hire purchase receivables	8,057,261	-
- Other fixed rate financing	2,376,369	-
Variable rate		
- BFR plus	626,200	-
- Cost plus	76,430	-
	12,439,891	-
Less: Islamic house financing sold to Cagamas	(350,009)	-
Gross financing, advances and other loans	12,089,882	-

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**A10. Financing, Advances and Other loans** (continued)

**d. By economic purpose**

	31 December 2008 RM'000	31 December 2007 RM'000
Purchase of securities	799	-
Purchase of transport vehicles	8,060,891	-
Purchase of landed properties	2,403,744	-
(of which: - residential	1,618,124	-
- non-residential)	785,620	-
Purchase of fixed assets (excluding landed properties)	6,854	-
Personal use	1,690,914	-
Purchase of consumer durables	17,211	-
Construction	9,822	-
Working capital	134,014	-
Other purpose	115,642	-
	12,439,891	-
Less: Islamic house financing sold to Cagamas	(350,009)	-
Gross financing, advances and other loans	12,089,882	-

**e. By sectors**

	31 December 2008 RM'000	31 December 2007 RM'000
Agriculture, hunting, forestry and fishing	184,401	-
Mining and quarrying	7,298	-
Manufacturing	136,944	-
Electricity, gas and water	877	-
Construction	226,802	-
Wholesale & retail trade and restaurants & hotels	308,267	-
Transport, storage and communication	51,056	-
Finance, insurance and business services	124,100	-
Real estate	93,424	-
Community, social and personal services	59,942	-
Households	11,209,680	-
(of which: - purchase of residential properties	1,591,372	-
- purchase of transport vehicles	7,494,181	-
- others )	2,124,127	-
Others	37,100	-
	12,439,891	-
Less: Islamic house financing sold to Cagamas	(350,009)	-
Gross financing, advances and other loans	12,089,882	-

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**A10. Financing, Advances and Other Loans** (continued)

f. Non-performing financing, advances and other loans by economic purpose

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Purchase of transport vehicles	61,939	-
Purchase of landed properties	60,728	-
(of which: - residential	51,850	-
- non-residential)	8,878	-
Purchase of fixed assets (excluding landed properties)	124	-
Personal use	16,151	-
Purchase of consumer durables	175	-
Working capital	480	-
Other purpose	242	-
	139,839	-

Non-performing financing, advances and other loans by sectors

Agriculture, hunting, forestry and fishing	52	-
Manufacturing	1,546	-
Construction	1,266	-
Wholesale & retail trade and restaurants & hotels	3,358	-
Transport, storage and communication	233	-
Finance, insurance and business services	338	-
Real estate	795	-
Community, social and personal services	656	-
Households	131,374	-
(of which: - purchase of residential properties	51,671	-
- purchase of transport vehicles	57,981	-
- others	21,722	-
Others	221	-
	139,839	-

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**A10. Financing, Advances and Other Loans** (continued)

g. Movements in non-performing financing, advances and other loans ("NPF") are as follows:

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Non-performing during the year	58,476	-
Reclassified as performing	(58,370)	-
Recoveries	(4,565)	-
Amount written off	(12,287)	-
Amount vested over from Public Bank Berhad	156,585	-
At 31 December	<u>139,839</u>	-
Specific allowance	(23,981)	-
Net non-performing financing, advances and other loans	<u>115,858</u>	-
 Net NPF as % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	 <u>0.93%</u>	 -

h. Movements in the allowance for losses on financing, advances and other loans accounts are as follows:

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>General Allowance</u>		
Allowance made during the year	1,407	-
Amount vested over from Public Bank Berhad	187,085	-
At 31 December	<u>188,492</u>	-
 As % of gross financing, advances and other loans (including Islamic house financing sold to Cagamas) less specific allowance	 <u>1.52%</u>	 -
<u>Specific Allowance</u>		
Allowance made during the year	11,392	-
Amount written back in respect of recoveries	(3,438)	-
Amount written off	(12,287)	-
Reinstatement of amount written off previously due to restructuring / rescheduling now reclassified as performing financing	51	-
Amount vested over from Public Bank Berhad	28,263	-
At 31 December	<u>23,981</u>	-

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**A11. Other Assets**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Deferred handling fees	51,745	-
Income receivable	388	204
Other receivables, deposits and prepayments	458	-
	<b>52,591</b>	<b>204</b>
	<b>52,591</b>	<b>204</b>

**A12. Deposits from Customers**

**a. By type of deposit**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	1,828,887	-
Wadiah savings deposits-i	3,232,045	-
Negotiable Debt Certificate-i	4,487,970	-
Others	2,836	-
	<b>9,551,738</b>	-
<u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	74,033	-
Mudharabah general investment deposits-i	3,493,453	-
Mudharabah special investment deposits-i	667,350	-
	<b>4,234,836</b>	-
	<b>13,786,574</b>	-

**b. By type of customer**

Federal and state governments	312,476	-
Local government and statutory authorities	540,412	-
Business enterprises	1,980,917	-
Individuals	3,604,440	-
Foreign customers	79,812	-
Others	7,268,517	-
	<b>13,786,574</b>	-
	<b>13,786,574</b>	-

**A13. Deposits and Placements of Banks and Other Financial Institutions**

	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
<u>Mudharabah Fund</u>		
Licensed banks		
- Holding company	699,448	-
- Others	1,128	-
	<b>700,576</b>	-
	<b>700,576</b>	-

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**A14. Other Liabilities**

	31 December 2008 RM'000	31 December 2007 RM'000
Income payable	16,126	-
Other payables and accruals	323,554	11
Employee benefits	(1,515)	-
Profit equalisation reserves	34,784	-
Amount due to holding company	601,317	-
	<u>974,266</u>	<u>11</u>

**A15. Income Derived from Investment of Depositors' Funds and Others**

	4th Quarter Ended		Financial Year Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
Income derived from investment of:				
(a) General investment deposits	32,222	-	32,222	-
(b) Other deposits	99,415	-	102,243	-
	<u>131,637</u>	<u>-</u>	<u>134,465</u>	<u>-</u>

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

Finance income and Hibah

Financing, advances and other loans	29,348	-	29,348	-
Securities held-for-trading	121	-	121	-
Money at call and deposits with financial institutions	2,396	-	2,396	-
Others	(60)	-	(60)	-
	<u>31,805</u>	<u>-</u>	<u>31,805</u>	<u>-</u>

Amortisation of premium less accretion  
of discount

	(8)	-	(8)	-
Total finance income and Hibah	<u>31,797</u>	<u>-</u>	<u>31,797</u>	<u>-</u>

Other operating income

Fee income	414	-	414	-
Other income	11	-	11	-
	<u>425</u>	<u>-</u>	<u>425</u>	<u>-</u>
	<u>32,222</u>	<u>-</u>	<u>32,222</u>	<u>-</u>

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**A15. Income Derived from Investment of Depositors' Funds and Others (continued)**

	4th Quarter Ended		Financial Year Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
<b>b. Income derived from investment of other deposits:</b>				
<u>Finance income and Hibah</u>				
Financing, advances and other loans	93,125	-	93,125	-
Securities held-for-trading	384	-	384	-
Money at call and deposits with financial institutions	4,773	-	7,601	-
Others	(190)	-	(190)	-
	<u>98,092</u>	<u>-</u>	<u>100,920</u>	<u>-</u>
Amortisation of premium less accretion of discount	(25)	-	(25)	-
Total finance income and Hibah	<u>98,067</u>	<u>-</u>	<u>100,895</u>	<u>-</u>
<u>Other operating income</u>				
Fee income	1,312	-	1,312	-
Other income	36	-	36	-
	<u>1,348</u>	<u>-</u>	<u>1,348</u>	<u>-</u>
	<u>99,415</u>	<u>-</u>	<u>102,243</u>	<u>-</u>

**A16. Income Derived from Investment of Shareholder's Funds**

	4th Quarter Ended		Financial Year Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
<u>Finance income and Hibah</u>				
Financing, advances and other loans	9,352	-	9,352	-
Securities held-for-trading	39	-	39	-
Money at call and deposit placements with financial institutions	763	204	763	204
Others	(19)	-	(19)	-
	<u>10,135</u>	<u>204</u>	<u>10,135</u>	<u>204</u>
Amortisation of premium less accretion of discount	(3)	-	(3)	-
Total finance income and Hibah	<u>10,132</u>	<u>204</u>	<u>10,132</u>	<u>204</u>
<u>Operating income</u>				
Fee income	132	-	132	-
Other income	4	22	4	22
	<u>136</u>	<u>22</u>	<u>136</u>	<u>22</u>
	<u>10,268</u>	<u>226</u>	<u>10,268</u>	<u>226</u>

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**A17. Allowance for Losses on Financing, Advances and Other Loans**

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Allowance for bad and doubtful financing:				
- general allowance (net)	1,407	-	1,407	-
- specific allowance	11,392	-	11,392	-
- specific allowance written back	(3,438)	-	(3,438)	-
Bad financing recovered	(1,615)	-	(1,615)	-
Bad financing written off	94	-	94	-
	<u>7,840</u>	<u>-</u>	<u>7,840</u>	<u>-</u>

**A18. Income Attributable to the Depositors**

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Deposits from customers				
- Mudharabah fund	15,303	-	15,303	-
- Non-Mudharabah fund	25,383	-	25,383	-
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	2,368	-	2,368	-
	<u>43,054</u>	<u>-</u>	<u>43,054</u>	<u>-</u>

**A19. Personnel expenses**

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>	<b>31 December 2008 RM'000</b>	<b>31 December 2007 RM'000</b>
Salaries, allowances and bonuses	2,249	-	2,249	-
Pension costs	130	-	130	-
Others	96	-	96	-
	<u>2,475</u>	<u>-</u>	<u>2,475</u>	<u>-</u>

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**A20. Other Overheads and Expenditures**

	4th Quarter Ended		Financial Year Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
Establishment costs				
- Depreciation and amortisation	14	-	14	-
- Rental	40	-	40	-
- Insurance	400	-	400	-
- Water and electricity	14	-	14	-
- General repairs and maintenance	8	-	8	-
- Others	14	-	14	-
	<u>490</u>	<u>-</u>	<u>490</u>	<u>-</u>
Marketing expenses				
- Advertisement and publicity	1,023	-	1,023	-
- Others	643	-	643	-
	<u>1,666</u>	<u>-</u>	<u>1,666</u>	<u>-</u>
Administration and general expenses				
- Communication expenses	(1,244)	-	(1,244)	-
- Legal and professional fees	710	-	710	-
- Others	225	11	231	11
	<u>(309)</u>	<u>11</u>	<u>(303)</u>	<u>11</u>
Shared service costs paid/payable to Public Bank Berhad	21,100	-	21,100	-
	<u>22,947</u>	<u>11</u>	<u>22,953</u>	<u>11</u>

**A21. 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 for the 4th quarter and financial year ended 31 December 2008 divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 4th quarter and financial year ended 31 December 2008.

	4th Quarter Ended		Financial Year Ended	
	31 December 2008 RM'000	31 December 2007 RM'000	31 December 2008 RM'000	31 December 2007 RM'000
Net profit/(loss) attributable to equity holder of the Bank (RM'000)	<u>45,021</u>	<u>(286)</u>	<u>47,638</u>	<u>(286)</u>
Number of ordinary shares at beginning of the year ('000)	127,717	127,717	127,717	127,717
Effect of the issuance of shares ('000)	16,777	-	4,217	-
Weighted average number of PIBB Shares ('000)	<u>144,494</u>	<u>127,717</u>	<u>131,934</u>	<u>127,717</u>
Basic earnings/(loss) per share (sen)	<u>31.2</u>	<u>(0.2)</u>	<u>36.1</u>	<u>(0.2)</u>

There are no dilutive potential ordinary shares in the 4th quarter and financial year ended 31 December 2008.

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**A22. Performance Review**

The Bank recorded a pre-tax profit of RM64.4 million for the financial year ended 31 December 2008 as compared to RM0.2 million in the previous year. The higher pre-tax profits is attributable to the transfer of the Islamic banking business of its holding company, Public Bank Berhad to the Bank on 1 November 2008.

**A23. Prospects for 2009**

Despite the slowing economy, the banking industry in Malaysia is expected to grow positively and remain resilient due to its strong capitalisation, healthy asset quality and improved risk management practices. Amidst excess liquidity, the entry of new Islamic banks and the liberal operating environment for incumbent foreign-controlled banks, the banking industry will remain competitive, particularly in the the retail sector, and the pressure on net profit margins will remain. Banks are expected to introduce innovative and competitive products and services at a faster pace, pursue competitive pricing strategies and strengthen their customer relationship management and delivery standards to gain market share. The banking industry's financing growth is expected to moderate as households and businesses turn more cautious. Factors that will continue to support financing growth include low financing costs, promotion of BNM funds to support SMEs and the Government's fiscal stimulus to boost economic activity.

The Bank will continue to focus on its core business of home mortgages, passenger vehicle hire purchase financing, SME financing and personal financing, whilst sourcing its funds from retail and wholesale deposits. The Bank will continue to tap on its extensive branch network, wide array of innovative products and packages, multiple delivery channels, strong corporate image and the PB brand, strong sales and marketing force and superior delivery standards.

In its pursuit of business expansion, the Bank will continue to remain prudent, uphold strong corporate governance and implement sound risk management policies. Despite the current challenging operating environment, the Bank is expected to record satisfactory performance in 2009.

**A24. Subsequent Events**

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the audited interim financial statements.

**A25. Significant Events**

On 1 November 2008, the Islamic banking business of the Bank's holding company, Public Bank Berhad ("PBB"), a licensed bank incorporated in Malaysia and listed on the Main Board of Bursa Malaysia Securities Berhad, was transferred to and vested into the Bank in accordance with the terms and conditions of the business transfer agreement dated 30 May 2008 entered into between PBB and the Bank and pursuant to the vesting order of the High Court of Malaya and the High Court of Sabah and Sarawak on 15 July 2008 and 26 June 2008 respectively. The consideration for the acquisition was based on the net book value of the assets and liabilities of the Islamic banking business transferred amounting to RM1,904,940,325.

Pursuant to Section 3(4) of the Islamic Banking Act, 1983, the Minister of Finance had granted an Islamic banking licence to the Bank, for the Bank to transact Islamic banking business in Malaysia with effect from 1 November 2008.

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**A26. Segment Information on Operating Revenue, Profit Before Zakat and Tax Expense and Assets**

<b>4th Quarter Ended 31 December 2008</b>	<----- Operating Segments ----->					<b>Total RM'000</b>
	<b>Hire Purchase RM'000</b>	<b>Retail Operations RM'000</b>	<b>Corporate Lending RM'000</b>	<b>Treasury and Head Office RM'000</b>	<b>Inter- segment Elimination RM'000</b>	
External revenue	75,970	56,295	760	4,967	-	137,992
Revenue from other segments	-	21,529	-	53,153	(74,682)	-
	<u>75,970</u>	<u>77,824</u>	<u>760</u>	<u>58,120</u>	<u>(74,682)</u>	<u>137,992</u>
Net financing income	22,158	57,101	199	13,778	-	93,236
Other operating income	-	2,258	-	(619)	-	1,639
Net income	<u>22,158</u>	<u>59,359</u>	<u>199</u>	<u>13,159</u>	<u>-</u>	<u>94,875</u>
Other operating expenses	(6,094)	(15,345)	(15)	(3,968)	-	(25,422)
Allowance for losses on financing, advances and other loans excluding general allowance	<u>(3,899)</u>	<u>(2,534)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,433)</u>
Profit by segments	<u>12,165</u>	<u>41,480</u>	<u>184</u>	<u>9,191</u>	<u>-</u>	<u>63,020</u>
Reconciliation of segment profits to consolidated profits:						
General allowance						<u>(1,407)</u>
Profit before zakat and tax expense						<u><u>61,613</u></u>

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**A26. Segment Information on Operating Revenue, Profit Before Zakat and Tax Expense and Assets (continued)**

	<----- Operating Segments ----->					Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Head Office RM'000	Inter- segment Elimination RM'000	
<b>4th Quarter Ended 31 December 2007</b>						
External revenue	-	-	-	204	-	204
	-	-	-	204	-	204
Net financing income	-	-	-	204	-	204
Other operating income	-	-	-	22	-	22
Net income	-	-	-	226	-	226
Other operating expenses	-	-	-	(11)	-	(11)
Profit by segments / Profit before zakat and tax expense	-	-	-	215	-	215

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**A26. Segment Information on Operating Revenue, Profit Before Zakat and Tax Expense and Assets (continued)**

Financial Year Ended 31 December 2008	<----- Operating Segments ----->					Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Head Office RM'000	Inter- segment Elimination RM'000	
External revenue	75,970	56,295	760	7,795	-	140,820
Revenue from other segments	-	21,529	-	53,153	(74,682)	-
	<u>75,970</u>	<u>77,824</u>	<u>760</u>	<u>60,948</u>	<u>(74,682)</u>	<u>140,820</u>
Net financing income	22,158	57,101	199	16,606	-	96,064
Other operating income	-	2,258	-	(619)	-	1,639
Net income	<u>22,158</u>	<u>59,359</u>	<u>199</u>	<u>15,987</u>	<u>-</u>	<u>97,703</u>
Other operating expenses	(6,094)	(15,345)	(15)	(3,974)	-	(25,428)
Allowance for losses on financing, advances and other loans excluding general allowance	<u>(3,899)</u>	<u>(2,534)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,433)</u>
Profit by segments	<u>12,165</u>	<u>41,480</u>	<u>184</u>	<u>12,013</u>	<u>-</u>	<u>65,842</u>
Reconciliation of segment profits to consolidated profits:						
General allowance						<u>(1,407)</u>
Profit before zakat and tax expense						<u>64,435</u>
Cost income ratio	27.5%	25.9%	7.5%	24.9%	0.0%	26.0%
Gross loans	8,057,257	3,941,196	91,429	-	-	12,089,882
Net non-performing financing, advances and other loans	43,074	72,784	-	-	-	115,858
Deposits from customers	-	8,631,254	-	5,155,320	-	13,786,574
Segment assets	<u>7,917,801</u>	<u>8,690,222</u>	<u>90,242</u>	<u>5,841,359</u>	<u>(6,162,655)</u>	<u>16,376,969</u>
Recociliation of segment assets to consolidated assets:						
Unallocated assets						<u>73,624</u>
Total assets						<u>16,450,593</u>

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**A26. Segment Information on Operating Revenue, Profit Before Zakat and Tax Expense and Assets (continued)**

<b>Financial Year Ended</b> <b>31 December 2007</b>	<----- Operating Segments ----->			<b>Treasury and Head Office RM'000</b>	<b>Inter- segment Elimination RM'000</b>	<b>Total RM'000</b>
	<b>Hire Purchase RM'000</b>	<b>Retail Operations RM'000</b>	<b>Corporate Lending RM'000</b>			
External revenue	-	-	-	204	-	204
	-	-	-	204	-	204
Net financing income	-	-	-	204	-	204
Other operating income	-	-	-	22	-	22
Net income	-	-	-	226	-	226
Other operating expenses	-	-	-	(11)	-	(11)
Profit by segments / Profit before zakat and tax expense	-	-	-	215	-	215
Cost income ratio				4.9%		4.9%
Segment assets	-	-	-	131,524	-	131,524
Recociliation of segment assets to consolidated assets:						
Unallocated assets						-
Total assets						131,524

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**A27. Off-Balance Sheet Exposures**

Off-balance sheet exposures of the Bank consists of various commitments made and contingent liabilities incurred in the normal course of business with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These off-balance sheet exposures are not secured against the Bank's assets.

The risk-weighted exposures of the Bank as at the following dates are as follows:

	As at 31 December 2008			As at 31 December 2007		
	Notional Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Notional Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Assets sold with recourse	341,988	341,988	163,769	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:						
- exceeding one year	569,495	284,748	219,674	-	-	-
- not exceeding one year	120,405	24,081	19,693	-	-	-
	<u>1,031,888</u>	<u>650,817</u>	<u>403,136</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors as defined in Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks.

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**A28. Capital Adequacy**

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

	<b>31 December 2008</b>
Core capital ratio	<b>9.1%</b>
Risk-weighted capital ratio	<b>11.0%</b>
Components of Tier I and Tier II capital:	
<u>Tier I capital</u>	
Paid-up share capital	159,217
Share premium	773,500
Other reserves	25,819
Retained profits	25,555
Less: Deferred tax assets, net	(72,418)
Total Tier I capital	911,673
<u>Tier II capital</u>	
General allowance for bad and doubtful debts	188,492
Total Tier II capital	188,492
Capital base	1,100,165

The capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

There are no comparative figures as there were no capital adequacy compliance requirements in the previous financial year, prior to the Bank commencing Islamic banking business under the Islamic Banking Act, 1983 on 1 November 2008.

**A29. Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>31 December 2008</b>
Outstanding credit exposures with connected parties (RM'000)	<b>16,473</b>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<b>0.13%</b>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<b>-</b>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which are effective on 1 January 2008.

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**A30. Profit Rate Risk**

	Non trading book										Effective profit rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		Total RM'000
<b>As at 31 December 2008</b>												
<b>ASSETS</b>												
Cash and short-term funds	3,308,820	-	-	-	-	-	-	-	14,760	-	3,323,580	3.21
Securities held-for-trading	-	-	-	-	-	-	-	-	-	382,296	382,296	3.47
Securities available-for-sale	-	-	-	-	-	-	-	-	400,454	-	400,454	-
Financing, advances and other loans												
- performing	986,503	357,101	1,585,981	1,839,616	1,579,331	1,364,283	1,097,610	3,489,627	-	-	12,300,052	5.77
- non-performing *	-	-	-	-	-	-	-	-	(72,634)	-	(72,634)	-
- Islamic house financing sold to Cagamas	(200,008)	(150,001)	-	-	-	-	-	-	-	-	(350,009)	3.74
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	466,854	-	466,854	-
<b>TOTAL ASSETS</b>	<b>4,095,315</b>	<b>207,100</b>	<b>1,585,981</b>	<b>1,839,616</b>	<b>1,579,331</b>	<b>1,364,283</b>	<b>1,097,610</b>	<b>3,489,627</b>	<b>809,434</b>	<b>382,296</b>	<b>16,450,593</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	7,963,440	860,940	975,313	2,030,536	220,956	592	582	-	1,734,215	-	13,786,574	2.68
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	-	-	700,576	-	700,576	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	979,011	-	979,011	-
<b>Total Liabilities</b>	<b>7,963,440</b>	<b>860,940</b>	<b>975,313</b>	<b>2,030,536</b>	<b>220,956</b>	<b>592</b>	<b>582</b>	<b>-</b>	<b>3,413,802</b>	<b>-</b>	<b>15,466,161</b>	
Equity attributable to equity holder of the Bank	-	-	-	-	-	-	-	-	984,432	-	984,432	
<b>Total Liabilities and Equity</b>	<b>7,963,440</b>	<b>860,940</b>	<b>975,313</b>	<b>2,030,536</b>	<b>220,956</b>	<b>592</b>	<b>582</b>	<b>-</b>	<b>4,398,234</b>	<b>-</b>	<b>16,450,593</b>	
On-balance sheet profit sensitivity gap	(3,868,125)	(653,840)	610,668	(190,920)	1,358,375	1,363,691	1,097,028	3,489,627	(3,588,800)	382,296	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(3,868,125)</b>	<b>(653,840)</b>	<b>610,668</b>	<b>(190,920)</b>	<b>1,358,375</b>	<b>1,363,691</b>	<b>1,097,028</b>	<b>3,489,627</b>	<b>(3,588,800)</b>	<b>382,296</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing financing, advances and other loans.

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**A30. Profit Rate Risk (continued)**

	Non trading book									Total RM'000	Effective profit rate %	
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	over 5 years RM'000	Non-profit sensitive RM'000			Trading book RM'000
<b>As at 31 December 2007</b>												
<b>ASSETS</b>												
Cash and short-term funds	<b>106,513</b>	-	-	-	-	-	-	-	-	-	<b>106,513</b>	<b>3.50</b>
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	<b>25,011</b>	-	<b>25,011</b>	-
<b>TOTAL ASSETS</b>	<b>106,513</b>	-	-	-	-	-	-	-	<b>25,011</b>	-	<b>131,524</b>	
<b>LIABILITIES AND EQUITY</b>												
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	<b>71</b>	-	<b>71</b>	-
<b>Total Liabilities</b>	-	-	-	-	-	-	-	-	<b>71</b>	-	<b>71</b>	
Equity attributable to equity holder of the Bank	-	-	-	-	-	-	-	-	<b>131,453</b>	-	<b>131,453</b>	
<b>Total Liabilities and Equity</b>	-	-	-	-	-	-	-	-	<b>131,524</b>	-	<b>131,524</b>	
On-balance sheet profit sensitivity gap	<b>106,513</b>	-	-	-	-	-	-	-	<b>(106,513)</b>	-	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>106,513</b>	-	-	-	-	-	-	-	<b>(106,513)</b>	-	-	