

PUBLIC ISLAMIC BANK BERHAD
(14328 - V)
(Incorporated in Malaysia)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	30 June 2015 RM'000	31 December 2014 RM'000
ASSETS			
Cash and balances with banks		3,402,599	2,652,849
Financial assets held-for-trading	A8	1,689,154	2,571,794
Derivative financial assets		68,742	60,835
Financial investments available-for-sale	A9	5,908,924	4,546,283
Financial investments held-to-maturity	A10	3,551,128	1,651,516
Financing and advances	A11	27,900,938	25,434,279
Other assets	A12	90,046	73,106
Statutory deposits with Bank Negara Malaysia		1,364,200	1,140,200
Investment in an associated company		20,000	20,000
Property and equipment		1,166	1,303
TOTAL ASSETS		43,996,897	38,152,165
LIABILITIES			
Deposits from customers	A13	36,219,313	30,727,614
Deposits from banks	A14	3,803,353	3,620,104
Bills and acceptances payable		428	550
Recourse obligations on financing sold to Cagamas		500,016	500,016
Derivative financial liabilities		3,728	89
Subordinated Sukuk Murabahah		498,987	498,860
Other liabilities	A15	215,814	98,041
Provision for zakat and taxation		55,378	39,847
Deferred tax liabilities		21,337	15,445
TOTAL LIABILITIES		41,318,354	35,500,566
EQUITY			
Share capital		200,217	200,217
Reserves		2,478,326	2,451,382
TOTAL EQUITY		2,678,543	2,651,599
TOTAL LIABILITIES AND EQUITY		43,996,897	38,152,165
COMMITMENTS AND CONTINGENCIES	A28	9,318,839	6,822,999
CAPITAL ADEQUACY			
<u>Before deducting interim dividend *</u>			
Common Equity Tier I Capital Ratio	A27	10.828%	11.730%
Tier I Capital Ratio	A27	10.828%	11.730%
Total Capital Ratio	A27	13.603%	14.580%
<u>After deducting interim dividend *</u>			
Common Equity Tier I Capital Ratio	A27	10.578%	11.007%
Tier I Capital Ratio	A27	10.578%	11.007%
Total Capital Ratio	A27	13.353%	13.857%
Net assets per share attributable to ordinary equity holder of the Bank (RM)		13.38	13.24

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

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2014.

PUBLIC ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	Note	2nd Quarter Ended		Half Year Ended	
		30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Income derived from investment of depositors' funds and others	A16	457,479	374,950	875,337	740,341
Income derived from investment of shareholder's funds	A17	32,136	31,741	63,863	62,951
Allowance for impairment on financing and advances	A18	(21,420)	(32,340)	(43,680)	(45,501)
Impairment on other assets		(6)	(25)	(12)	(25)
Profit Equalisation Reserves		(5)	-	(23)	(185)
Total distributable income		468,184	374,326	895,485	757,581
Income attributable to depositors and others	A19	(280,715)	(203,073)	(525,915)	(393,905)
Total net income		187,469	171,253	369,570	363,676
Personnel expenses	A20	(4,090)	(4,010)	(8,130)	(7,748)
Other overheads and expenditures	A21	(73,020)	(64,421)	(137,935)	(125,209)
Profit before zakat and taxation		110,359	102,822	223,505	230,719
Zakat		(55)	(58)	(110)	(115)
Taxation		(25,542)	(25,370)	(53,671)	(57,030)
Profit for the period		84,762	77,394	169,724	173,574
Earnings per RM1.00 share (sen)					
- basic /diluted (sen)	A22	42.3	38.7	84.8	86.7

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2014.

PUBLIC ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	2nd Quarter Ended		Half Year Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Profit for the period	<u>84,762</u>	<u>77,394</u>	<u>169,724</u>	<u>173,574</u>
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net (loss) / gain on revaluation of financial investments available-for-sale	(2,804)	1,024	18,451	2,275
Hedging reserves:				
- Net change in cash flow hedges	<u>38,853</u>	<u>(16,726)</u>	<u>4,458</u>	<u>(39,398)</u>
	<u>36,049</u>	<u>(15,702)</u>	<u>22,909</u>	<u>(37,123)</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	687	(256)	(4,445)	(569)
- Hedging reserves	<u>(9,325)</u>	<u>4,182</u>	<u>(1,070)</u>	<u>9,850</u>
	<u>(8,638)</u>	<u>3,926</u>	<u>(5,515)</u>	<u>9,281</u>
Other comprehensive income / (loss) for the period, net of tax	<u>27,411</u>	<u>(11,776)</u>	<u>17,394</u>	<u>(27,842)</u>
Total comprehensive income for the period	<u>112,173</u>	<u>65,618</u>	<u>187,118</u>	<u>145,732</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2014.

PUBLIC ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	<----- Non-distributable ----->							Distributable		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Revaluation Reserves RM'000	<u>Reserves</u> Profit Equalisation Reserves RM'000	Hedging Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	<u>Reserve</u> Retained Profit RM'000	
At 1 January 2015	200,217	1,757,500	207,546	1,483	54	45,889	7,610	-	431,300	2,651,599
Profit for the period	-	-	-	-	-	-	-	-	169,724	169,724
Other comprehensive income for the period	-	-	-	14,006	-	3,388	-	-	-	17,394
Total comprehensive income for the period	-	-	-	14,006	-	3,388	-	-	169,724	187,118
Transactions with owner / other equity movements:										
Transfer from Profit Equalisation Reserves of the Bank	-	-	-	-	(18)	-	-	-	18	-
Transfer to regulatory reserves	-	-	-	-	-	-	6,155	-	(6,155)	-
Dividends paid	-	-	-	-	-	-	-	-	(160,174)	(160,174)
	-	-	-	-	(18)	-	6,155	-	(166,311)	(160,174)
At 30 June 2015	200,217	1,757,500	207,546	15,489	36	49,277	7,610	6,155	434,713	2,678,543

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2014 .

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	<----- Non-distributable ----->					Distributable		Total
	<u>Reserves</u>					<u>Reserve</u>		
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Revaluation Reserves RM'000	Hedging Reserves RM'000	Defined Benefit Reserves RM'000	Retained Profit RM'000	Equity RM'000
At 1 January 2014	200,217	1,757,500	207,546	2,881	98,058	7,410	317,834	2,591,446
Profit for the period	-	-	-	-	-	-	173,574	173,574
Other comprehensive income / (loss) for the period	-	-	-	1,706	(29,548)	-	-	(27,842)
Total comprehensive income / (loss) for the period	-	-	-	1,706	(29,548)	-	173,574	145,732
Transactions with owner / other equity movements:								
Dividends paid	-	-	-	-	-	-	(80,087)	(80,087)
	-	-	-	-	-	-	(80,087)	(80,087)
At 30 June 2014	200,217	1,757,500	207,546	4,587	68,510	7,410	411,321	2,657,091

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2014.

PUBLIC ISLAMIC BANK BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2015

	30 June 2015 RM'000	30 June 2014 RM'000
Profit before zakat and taxation	223,505	230,719
Adjustments for non-cash items	41,309	49,490
Operating profit before working capital changes	264,814	280,209
Changes in working capital:		
Net changes in operating assets	(1,879,556)	(1,301,173)
Net changes in operating liabilities	5,792,576	1,708,925
Cash generated from operations	4,177,834	687,961
Zakat and tax paid	(37,874)	(40,608)
Net cash generated from operating activities	4,139,960	647,353
Net cash used in investing activities	(3,230,036)	(1,268,006)
Net cash (used in) / generated from financing activities	(160,174)	418,627
Net change in cash and cash equivalents	749,750	(202,026)
Cash and cash equivalents at beginning of the period	2,652,849	6,744,111
Cash and cash equivalents at end of the period	3,402,599	6,542,085

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2014.

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Part A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting for Islamic Banking Institutions Issued by Bank Negara Malaysia

A1. Basis of Preparation

The unaudited interim financial statements for the 2nd quarter and financial half year ended 30 June 2015 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited interim financial statements have been prepared in accordance with MFRS 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 of the Bank for the financial year ended 31 December 2014. The explanatory notes attached to the unaudited 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 2014.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2014.

The following MFRSs and Amendments to MFRSs have been issued by the MASB but are not yet effective to the Bank:

Effective for annual periods commencing on or after 1 January 2016

- Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012–2014 Cycle"
- Disclosure Initiative (Amendments to MFRS 101)
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15 Revenue from Contracts with Customers

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9 Financial Instruments (2014)

The amendments to MFRS 127 allow an entity to use the equity method in its separate financial statement to account for investments in subsidiary companies, joint ventures and associated companies, in addition to the existing cost method. The adoption of these amendments is not expected to have any impact on the financial statement of the Bank as the Bank will continue to use its existing cost method to account for its investment in an associated company.

The amendments to MFRS 10 and MFRS 128 address the inconsistency between the requirements of MFRS 10 and MFRS 128 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The adoption of these amendments is not expected to have any material impact on the financial statements of the Bank.

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A1. Basis of Preparation (continued)

The Annual Improvements to MFRSs 2012 – 2014 Cycle consist of the following amendments:

(a) MFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations

The amendment introduces specific guidance in MFRS 5 for cases in which an entity reclassifies an asset from held-for-sale to held-for-distribution or vice versa and cases in which held-for-distribution is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and that changing the disposal method does not change the date of classification.

(b) MFRS 7 Financial Instruments: Disclosures

MFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and an entity must assess the nature of the fee and arrangement in order to assess whether the disclosures are required.

The amendments also clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.

(c) MFRS 119 Employee Benefits

The amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. When there is no deep market for high quality corporate bonds, government bonds denominated in similar currency must be used.

(d) MFRS 134 Interim Financial Reporting

The amendment clarifies the meaning of 'elsewhere in the interim financial report' as used in MFRS 134 and states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and some other statement that is available to users of the financial statements on the same terms and at the same time.

The adoption of the Annual Improvements to MFRSs 2012 – 2014 Cycle is not expected to have any material impact on the financial statements of the Bank.

The amendments to MFRS 101 aim to improve the presentation and disclosure in the financial statements and are designed to encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. Since the amendments only affect disclosures, the adoption of these amendments is not expected to have any financial impact on the Bank.

The amendments to MFRS 10, MFRS 12 and MFRS 128 address issues that have arisen in the application of the consolidation exception for investment entities and provide relief in certain circumstances. The amendments clarify the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that support parent's investment activities, application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity, and the disclosures required. The adoption of these amendments is not expected to have any impact on the financial statements of the Bank.

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A1. Basis of Preparation (continued)

MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Bank.

MFRS 9 Financial Instruments (2014)

This final version of MFRS 9 replaces all previous versions of MFRS 9. Retrospective application is required, but comparative information is not compulsory. The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with two measurement categories – amortised cost and fair value. For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 establishes a more principle-based approach that aligns the accounting treatment with risk management activities so that entities can reflect these activities in their financial statements. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project.

MFRS 9 introduces significant changes in the way the Bank accounts for financial instruments. Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Bank.

Revised Bank Negara Malaysia's ("BNM") Policy Document on Classification and Impairment Provisions for Loans/Financing ("revised BNM Policy Document")

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing which is applicable to licensed banks, licensed Islamic banks and licensed investment banks (collectively referred to as "banking institutions") in Malaysia. The revised BNM Policy Document replaces two previous guidelines issued by BNM namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing - Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ("R&R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months.

The requirements in the revised BNM Policy Document are effective on 1 January 2015, except for the following:

- i) The requirements to classify a loan/financing described in Paragraph 9 of the revised BNM Policy Document as R&R in the CCRIS, which will be effective on or after 1 April 2015; and
- ii) The requirement for a banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of not less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, which will be effective beginning 31 December 2015.

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A1. Basis of Preparation (continued)

The Bank has early adopted the classification of a financing as impaired when the financing is classified as R&R and the requirement to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding financing, net of individual impairment provisions in the previous financial year ended 31 December 2014. The adoption of the remaining requirements of the revised BNM Policy Document has resulted in a change in the reclassification policy of R&R financing from impaired to non-impaired. Previously, where a financing is in arrears for less than three (3) months and has been R&R, the financing will be reclassified from impaired to non-impaired when repayments based on the revised and/or restructured terms have been observed continuously for a period of three (3) months. With effect from April 2015, the observation period for such financing will be extended to six (6) months in line with the requirements of the revised BNM Policy Document.

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2014 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 2nd quarter and financial half year ended 30 June 2015.

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 2nd quarter and financial half year ended 30 June 2015.

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 2nd quarter and financial half year ended 30 June 2015.

A6. Debt and Equity Securities

There were no issuance of shares, share buy-back and repayment of debt and equity securities by the Bank in the 2nd quarter and financial half year ended 30 June 2015.

A7. Dividends Paid, Distributed and Declared

During the financial half year ended 30 June 2015, the second interim single tier dividend of 80%, in respect of the financial year ended 31 December 2014, amounting to RM160,173,600 was paid on 9 February 2015.

The Directors proposed a first interim single tier dividend of 30% or RM0.30 per ordinary share, amounting to RM60,065,100 if computed based on the issued and paid-up capital as at 30 June 2015 of 200,217,000 ordinary shares of RM1.00 each.

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A8. Financial Assets Held-for-Trading

	30 June 2015 RM'000	31 December 2014 RM'000
At fair value		
Money market instruments:		
Negotiable Islamic Debt Certificates	<u>1,689,154</u>	<u>2,571,794</u>

A9. Financial Investments Available-for-Sale

	30 June 2015 RM'000	31 December 2014 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Certificates	4,543,006	2,036,423
Malaysian Government Treasury Bills	249,998	258,716
Bank Negara Malaysia Monetary Notes	647,372	1,782,922
	<u>5,440,376</u>	<u>4,078,061</u>
Non-money market instruments:		
Unit trust funds	<u>468,548</u>	<u>468,222</u>
	<u>5,908,924</u>	<u>4,546,283</u>

A10. Financial Investments Held-to-Maturity

	30 June 2015 RM'000	31 December 2014 RM'000
At amortised cost		
Government securities and treasury bills:		
Malaysian Government Investment Certificates	2,925,729	997,213
Malaysian Government Treasury Bills	54,236	128,127
	<u>2,979,965</u>	<u>1,125,340</u>
Non-money market instruments:		
Debt securities		
- Unquoted private debt securities	<u>571,163</u>	<u>526,176</u>
	<u>3,551,128</u>	<u>1,651,516</u>

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A11. Financing and Advances

a. By type and contract

30 June 2015	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Ujarah RM'000	Total Financing and Advances RM'000
At amortised cost							
Cash line	796,287	-	-	-	-	-	796,287
Term financing							
- House financing	4,496,055	-	-	2,745,643	-	-	7,241,698
- Syndicated financing	804,719	-	-	-	-	-	804,719
- Hire purchase receivables	-	11,423,026	-	-	-	-	11,423,026
- Other term financing	2,510,488	-	2,131,560	3,134,959	-	-	7,777,007
Credit card receivables	-	-	-	-	-	1,851	1,851
Bills receivables	-	-	-	-	288	-	288
Trust receipts	-	-	-	-	1,420	-	1,420
Claims on customers under acceptance credits	-	-	-	-	60,213	-	60,213
Revolving credits	126,605	-	-	-	-	-	126,605
Staff financing	-	473	-	-	-	-	473
Gross financing and advances	8,734,154	11,423,499	2,131,560	5,880,602	61,921	1,851	28,233,587
Allowance for impaired financing and advances:							
- collective assessment allowance							(332,649)
- individual assessment allowance							-
Net financing and advances							27,900,938

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A11. Financing and Advances (continued)

a. By type and contract (continued)

31 December 2014	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Total Financing and Advances RM'000
At amortised cost						
Cash line	708,440	-	-	-	-	708,440
Term financing						
- House financing	4,630,044	-	-	1,960,877	-	6,590,921
- Syndicated financing	300,688	-	-	-	-	300,688
- Hire purchase receivables	-	10,987,471	-	-	-	10,987,471
- Other term financing	2,458,312	-	2,242,559	2,293,855	-	6,994,726
Trust receipts	-	-	-	-	46	46
Claims on customers under acceptance credits	-	-	-	-	42,755	42,755
Revolving credits	131,083	-	-	-	-	131,083
Gross financing and advances	8,228,567	10,987,471	2,242,559	4,254,732	42,801	25,756,130
Allowance for impaired financing and advances:						
- collective assessment allowance						(321,851)
- individual assessment allowance						-
Net financing and advances						<u>25,434,279</u>

All the financing and advances are located in Malaysia.

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A11. Financing and Advances (continued)

b. By class

	30 June 2015 RM'000	31 December 2014 RM'000
Retail financing *		
- House financing	7,241,698	6,590,921
- Hire purchase	11,423,026	10,987,471
- Credit cards	1,851	-
- Other financing ^	8,091,952	7,293,450
	26,758,527	24,871,842
Corporate financing	1,475,060	884,288
Gross financing and advances	28,233,587	25,756,130

* Included in retail financing are financing granted to individual customers and mid-market commercial enterprises.

^ Included in other financing are term financing, trade financing, cash line and revolving credits.

c. By type of customer

	30 June 2015 RM'000	31 December 2014 RM'000
Domestic non-bank financial institutions		
- Others	180,358	119,576
Domestic business enterprises		
- Small and medium enterprises	4,451,101	3,751,411
- Others	541,740	616,101
Government and statutory bodies	816,505	317,583
Individuals	22,174,071	20,886,337
Other domestic entities	3,625	2,833
Foreign entities	66,187	62,289
Gross financing and advances	28,233,587	25,756,130

d. By profit rate sensitivity

	30 June 2015 RM'000	31 December 2014 RM'000
Fixed rate		
- House financing	499,112	526,520
- Hire purchase receivables	11,423,026	10,987,471
- Other fixed rate financing	3,060,400	2,676,984
Variable rate		
- Base rate / base financing rate plus	12,638,999	11,008,473
- Cost plus	612,050	556,682
Gross financing and advances	28,233,587	25,756,130

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A11. Financing and Advances (continued)

e. By residual contractual maturity

	30 June 2015 RM'000	31 December 2014 RM'000
Maturity within one year	1,110,297	1,133,656
More than one year to three years	2,694,348	2,002,504
More than three years to five years	3,476,414	3,541,449
More than five years	20,952,528	19,078,521
Gross financing and advances	<u>28,233,587</u>	<u>25,756,130</u>

f. By economic purpose

	30 June 2015 RM'000	31 December 2014 RM'000
Purchase of transport vehicles	11,423,361	10,987,180
Purchase of landed properties	11,987,274	10,491,682
(of which: - residential	7,241,763	6,567,043
- non-residential)	4,745,511	3,924,639
Purchase of fixed assets (excluding landed properties)	14,443	12,028
Personal use	2,461,074	2,528,675
Credit card	1,851	-
Purchase of consumer durables	2,011	2,154
Construction	77,372	66,788
Working capital	2,182,842	1,485,300
Other purpose	83,359	182,323
Gross financing and advances	<u>28,233,587</u>	<u>25,756,130</u>

g. By sectors

	30 June 2015 RM'000	31 December 2014 RM'000
Agriculture, hunting, forestry and fishing	466,089	486,036
Mining and quarrying	33,077	31,189
Manufacturing	426,668	340,700
Electricity, gas and water	1,232	1,855
Construction	557,108	519,689
Wholesale & retail trade and restaurants & hotels	1,063,051	884,077
Transport, storage and communication	183,546	178,284
Finance, insurance and business services	538,003	409,403
Real estate	1,740,720	1,487,830
Community, social and personal services	980,122	465,064
Households	22,240,258	20,948,626
Others	3,713	3,377
Gross financing and advances	<u>28,233,587</u>	<u>25,756,130</u>

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A11. Financing and Advances (continued)

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

	30 June 2015 RM'000	31 December 2014 RM'000
At 1 January	232,348	208,074
Impaired during the period / year	268,798	574,124
Reclassified as non-impaired	(213,093)	(428,963)
Recoveries	(22,582)	(36,222)
Amount written off	(43,850)	(84,483)
Financing converted to foreclosed properties	(82)	(182)
Closing balance	<u>221,539</u>	<u>232,348</u>
Gross impaired financing as a percentage of gross financing and advances	<u>0.78%</u>	<u>0.90%</u>

i. Impaired financing and advances by economic purpose

	30 June 2015 RM'000	31 December 2014 RM'000
Purchase of transport vehicles	107,682	112,140
Purchase of landed properties	71,950	71,886
(of which: - residential	63,774	61,353
- non-residential)	8,176	10,533
Personal use	41,242	47,072
Purchase of consumer durables	-	75
Working capital	628	1,117
Other purpose	37	58
	<u>221,539</u>	<u>232,348</u>

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A11. Financing and Advances (continued)

j. Impaired financing and advances by sectors

	30 June 2015 RM'000	31 December 2014 RM'000
Agriculture, hunting, forestry and fishing	1,126	1,234
Mining and quarrying	10	48
Manufacturing	875	1,402
Construction	1,139	1,122
Wholesale & retail trade and restaurants & hotels	1,924	3,261
Transport, storage and communication	369	1,444
Finance, insurance and business services	1,417	1,247
Real estate	-	205
Community, social and personal services	956	693
Households	213,483	221,440
Others	240	252
	221,539	232,348

All the impaired financing and advances are located in Malaysia.

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

	30 June 2015 RM'000	31 December 2014 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	321,851	300,488
Allowance made during the period / year	54,648	105,846
Amount written off	(43,850)	(84,483)
Closing balance	332,649	321,851
<u>Individual Assessment Allowance</u>		
At 1 January / Closing balance	-	-

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A12. Other Assets

	30 June 2015 RM'000	31 December 2014 RM'000
Deferred handling fees	66,825	63,597
Income receivable	9,304	1,436
Other receivables, deposits and prepayments	9,111	2,742
Employee benefits	4,157	4,452
Foreclosed properties	649	879
	90,046	73,106

A13. Deposits from Customers

a. By type of deposit and contract

	30 June 2015 RM'000	31 December 2014 RM'000
At amortised cost		
Savings deposit		
- Wadiah	5,374,590	5,136,085
Demand deposit		
- Wadiah	3,348,484	3,259,675
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	2,063,508	3,516,265
- Commodity Murabahah	20,294,834	12,788,111
- General investment account		
- Mudharabah	131,582	321,692
- Wakalah	196,888	705,502
	328,470	1,027,194
- Special term deposit account		
- Wadiah	4,808,427	-
- Wakalah	1,000	5,000,284
	4,809,427	5,000,284
	36,219,313	30,727,614

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A13. Deposits from Customers (continued)

b. By type of customer

	30 June 2015 RM'000	31 December 2014 RM'000
Federal and state governments	5,651,351	2,680,274
Local government and statutory authorities	853,614	1,613,058
Business enterprises	5,719,965	6,622,117
Individuals	11,674,978	6,231,966
Foreign customers	357,575	345,420
Others	11,961,830	13,234,779
	36,219,313	30,727,614

c. The maturity structure of term deposits are as follows:

	30 June 2015 RM'000	31 December 2014 RM'000
Due within six months	24,931,476	19,042,353
More than six months to one year	2,562,192	3,287,988
More than one year to three years	1,508	717
More than three years to five years	1,063	796
	27,496,239	22,331,854

d. By class

	30 June 2015 RM'000	31 December 2014 RM'000
Core deposits	29,346,378	22,211,065
Wholesale deposits	6,872,935	8,516,549
	36,219,313	30,727,614

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A14. Deposits from Banks

	30 June 2015 RM'000	31 December 2014 RM'000
At amortised cost		
<u>Non-Mudharabah Fund</u>		
Licensed banks	2,856,191	1,586,876
Licensed investment banks	275	343
Bank Negara Malaysia	3,958	3,968
Other financial institutions	942,929	1,088,917
	<u>3,803,353</u>	<u>2,680,104</u>
<u>Mudharabah Fund</u>		
Licensed Islamic banks	-	940,000
	<u>3,803,353</u>	<u>3,620,104</u>

A15. Other Liabilities

	30 June 2015 RM'000	31 December 2014 RM'000
Income payable	203,621	89,835
Other payables and accruals	12,152	8,151
Profit Equalisation Reserves	41	55
	<u>215,814</u>	<u>98,041</u>

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Income derived from investment of:				
(a) Term deposits	349,806	269,936	654,222	529,778
(b) Other deposits	107,673	105,014	221,115	210,563
	457,479	374,950	875,337	740,341
a. Income derived from investment of term deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	261,594	216,660	500,966	427,172
Financial investments available-for-sale	35,416	6,614	64,420	13,738
Financial investments held-to-maturity	17,295	2,339	27,005	2,550
Balances with banks	10,071	30,293	14,661	54,603
	324,376	255,906	607,052	498,063
Financial assets held-for-trading	12,059	9,219	26,453	20,828
Total finance income and Hibah	336,435	265,125	633,505	518,891
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	852	1,068	2,218	2,199
- Service charges and fees	2,750	2,082	5,929	4,945
- Other fee income	2,103	458	2,748	714
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	6,558	1,122	7,824	2,339
- Net gain arising from sale of financial investments available-for-sale	1,445	132	1,828	132
- Others	(371)	(148)	100	359
Other income	34	97	70	199
Total other operating income	13,371	4,811	20,717	10,887
	349,806	269,936	654,222	529,778
Of which:				
Financing income earned on impaired financing	2,287	2,147	4,425	4,043

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
b. Income derived from investment of other deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	80,113	84,271	169,317	169,782
Financial investments available-for-sale	10,965	2,566	21,773	5,460
Financial investments held-to-maturity	5,508	927	9,127	1,013
Balances with banks	3,245	11,827	4,955	21,702
	99,831	99,591	205,172	197,957
Financial assets held-for-trading	3,577	3,563	8,941	8,278
Total finance income and Hibah	103,408	103,154	214,113	206,235
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	240	414	749	874
- Service charges and fees	819	802	2,004	1,965
- Other fee income	689	181	929	285
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	2,172	436	2,644	930
- Net gain arising from sale of financial investments available-for-sale	475	52	618	52
- Others	(141)	(63)	34	143
Other income	11	38	24	79
Total other operating income	4,265	1,860	7,002	4,328
	107,673	105,014	221,115	210,563
Of which:				
Financing income earned on impaired financing	699	837	1,496	1,607

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A17. Income Derived from Investment of Shareholder's Funds

	2nd Quarter Ended		Half Year Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
<u>Finance income and Hibah</u>				
Financing and advances	23,954	25,474	48,902	50,759
Financial investments available-for-sale	3,265	776	6,288	1,632
Financial investments held-to-maturity	1,624	278	2,636	303
Balances with banks	953	3,568	1,431	6,488
	29,796	30,096	59,257	59,182
Financial assets held-for-trading	1,082	1,081	2,582	2,475
Total finance income and Hibah	30,878	31,177	61,839	61,657
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	75	125	217	261
- Service charges and fees	248	244	579	588
- Other fee income	200	54	268	85
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	633	132	765	278
- Net gain arising from sale of financial investments available-for-sale	139	16	179	16
- Others	(40)	(19)	9	42
Other income	3	12	7	24
Total other operating income	1,258	564	2,024	1,294
	32,136	31,741	63,863	62,951
Of which:				
Financing income earned on impaired financing	209	252	432	480

A18. Allowance for Impairment on Financing and Advances

	2nd Quarter Ended		Half Year Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Allowance for impaired financing:				
- Collective assessment allowance	28,295	36,671	54,648	53,307
Impaired financing written off	-	1	-	5
Impaired financing recovered	(6,875)	(4,332)	(10,968)	(7,811)
	21,420	32,340	43,680	45,501

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A19. Income Attributable to Depositors and Others

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	1,441	26,436	3,313	48,102
- Non-Mudharabah fund	239,838	145,906	445,779	286,070
Deposits from banks				
- Mudharabah fund	2,608	2,638	5,935	6,140
- Non-Mudharabah fund	26,384	22,112	50,149	43,174
Financing sold to Cagamas	4,523	4,549	8,962	8,987
Subordinated Sukuk Murabahah	5,921	1,432	11,777	1,432
	280,715	203,073	525,915	393,905

Included in the income attributable to Mudharabah fund depositors is the utilisation of Profit Equalisation Reserves for distribution of profits to investment account holders of RM37,000 in the current period (30 June 2014 : RM185,000).

A20. Personnel expenses

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	3,091	3,113	6,255	6,156
Pension costs	497	525	1,005	1,040
Others	502	372	870	552
	4,090	4,010	8,130	7,748

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A21. Other Overheads and Expenditures

	2nd Quarter Ended		Half Year Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Establishment costs				
- Depreciation	114	114	231	232
- Rental	121	288	463	577
- Insurance	211	222	391	499
- Water and electricity	37	52	86	93
- General repairs and maintenance	74	67	184	149
- Others	94	98	202	216
	651	841	1,557	1,766
Marketing expenses				
- Advertisement and publicity	579	226	1,459	487
- Others	761	854	1,815	1,778
	1,340	1,080	3,274	2,265
Administration and general expenses				
- Communication expenses	611	441	1,241	903
- Legal and professional fees	1,952	1,780	3,486	3,238
- Others	2,547	836	4,393	1,801
	5,110	3,057	9,120	5,942
Shared service costs paid/payable to Public Bank Berhad	69,598	62,270	131,392	120,274
Recovery of expenses	(3,679)	(2,827)	(7,408)	(5,038)
	73,020	64,421	137,935	125,209

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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 2nd quarter and financial half year ended 30 June 2015.

	2nd Quarter Ended		Half Year Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Net profit attributable to equity holder of the Bank (RM'000)	84,762	77,394	169,724	173,574
Weighted average number of PIBB shares ('000)	200,217	200,217	200,217	200,217
Basic earnings per share (sen)	42.3	38.7	84.8	86.7

There were no dilutive potential ordinary shares in the 2nd quarter ended 30 June 2015 and 30 June 2014.

A23. Performance Review

The Bank reported a lower pre-tax profit of RM223.5 million for the financial half year ended 30 June 2015, which was 3.1% or RM7.2 million lower as compared to pre-tax profit of RM230.7 million for the financial half year ended 30 June 2014. The lower profit was primarily due to higher other operating expenses of RM13.1 million and lower net finance income of RM9.1 million partially offset by higher other operating income of RM13.2 million and lower allowance for impairment on financing and advances of RM1.8 million.

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A24. Prospects for 2015

The global economy recorded a soft patch in the earlier part of 2015, but with divergent growth momentum across economies. While the US economy gained broader improvements, economic recovery in the euro area and Japan continued at a measured pace, and growth in Asia was sustained by continued expansion in domestic demand. Going forward, the recovery in the high-income economies is expected to gather momentum, while the developing economies are likely to register a broad-based slowdown. Global activity, however, should be supported by continued low commodity prices and still-benign financing conditions, notwithstanding the expected modest tightening in the US monetary policy.

Despite the challenging external environment, the Malaysian economy grew by 5.6% y-o-y in the first quarter of 2015 (4Q14: +5.7%), underpinned by private sector demand. For 2015, the economy is expected to grow at a steady pace of 4.5% - 5.5% supported by sustained expansion in domestic demand and sustained external sector. Private consumption is expected to grow at a more moderate pace, while continued capital spending by both the private and public sectors will provide support to overall investment activity amid lower oil prices. Meanwhile, the moderate global economic recovery will provide support to manufactured exports as growth in overall exports will continue to be weighed down by lower commodity prices.

The banking sector will continue to operate as an effective financial intermediary and remain supportive of economic activities in 2015. Backed by strong capitalisation, stable funding and liquidity positions, and sustained profitability, the sector is expected to remain strong and well positioned to withstand the uncertain environment amid cautious business and consumer sentiment, volatile ringgit and uneven global growth. The risks from high household indebtedness will remain well-contained, supported by healthy balance sheet of households and high degree of vigilance by Bank Negara Malaysia in managing financial stability.

The Bank will continue to expand its core businesses of retail-based financing including home mortgages, vehicle financing and small and medium enterprises ("SME") financing. Demand for residential properties is expected to be well supported by growing household income, stable employment prospects and rising rate of urbanisation and various Government's measures and incentives to support home ownership. The Bank will continue to take a considered approach in its financing practices to support prudent and responsible financing practices.

The Bank will continue to provide strong support to the SME segment by improving its product and service delivery. In 2015, SMEs will continue to benefit from the implementation of key Government initiatives that include Economic Transformation Programme, SME Masterplan 2012-2020 and the economic growth corridors.

While rising cost of living and the implementation of GST are expected to soften consumer spending, demand for vehicle hire purchase will remain supported by new launches of car models and attractive product packages by car dealers. The Bank will continue to expand its vehicle hire purchase business by leveraging on Public Bank's large network of hire purchase centres and branches, comprehensive product packages and efficient financing delivery.

For the Bank's capital market operations, the Bank will continue to focus on maintaining a healthy level of liquidity and intensifying efforts to further grow its core customer deposits to ensure a stable funding base as well as efficient funding cost.

The Bank will continue to work closely with its exclusive bancassurance partner, AIA PUBLIC Takaful Bhd, to develop innovative products to meet customer's protection and savings needs. The Bank will also continue to increase fee income through transactional banking services.

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

	<----- 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	
2nd Quarter Ended 30 June 2015							
External revenue	148,732	212,516	13,423	76,164	38,780	-	489,615
Revenue from other segments	-	99,986	-	2,735	104,414	(207,135)	-
Total revenue	<u>148,732</u>	<u>312,502</u>	<u>13,423</u>	<u>78,899</u>	<u>143,194</u>	<u>(207,135)</u>	<u>489,615</u>
Net finance income	44,421	121,059	2,860	5,364	16,297	-	190,001
Other operating income	(86)	6,818	1,246	1,547	9,369	-	18,894
Net income	<u>44,335</u>	<u>127,877</u>	<u>4,106</u>	<u>6,911</u>	<u>25,666</u>	<u>-</u>	<u>208,895</u>
Other operating expenses	(15,692)	(48,285)	(564)	(520)	(12,049)	-	(77,110)
Allowance for impairment on financing and advances	(14,388)	(6,985)	(47)	-	-	-	(21,420)
Impairment on other assets	-	(6)	-	-	-	-	(6)
Profit before zakat and taxation	<u>14,255</u>	<u>72,601</u>	<u>3,495</u>	<u>6,391</u>	<u>13,617</u>	<u>-</u>	<u>110,359</u>

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A26. Segment Information (continued)

	<----- 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	
2nd Quarter Ended 30 June 2014							
External revenue	145,364	178,623	9,143	68,298	5,263	-	406,691
Revenue from other segments	-	91,507	-	-	117,962	(209,469)	-
Total revenue	145,364	270,130	9,143	68,298	123,225	(209,469)	406,691
Net finance income	52,492	120,736	2,248	2,406	18,501	-	196,383
Other operating income	(170)	5,613	1	73	1,718	-	7,235
Net income	52,322	126,349	2,249	2,479	20,219	-	203,618
Other operating expenses	(15,184)	(41,032)	(75)	(428)	(11,712)	-	(68,431)
(Allowance)/ writeback of allowance for impairment on financing and advances	(17,730)	(14,711)	101	-	-	-	(32,340)
Impairment on other assets	-	(25)	-	-	-	-	(25)
Profit before zakat and taxation	19,408	70,581	2,275	2,051	8,507	-	102,822

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A26. Segment Information (continued)

Half Year Ended 30 June 2015	<----- 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	295,088	417,312	24,727	146,674	55,399	-	939,200
Revenue from other segments	-	172,202	-	19,967	204,613	(396,782)	-
Total revenue	295,088	589,514	24,727	166,641	260,012	(396,782)	939,200
Net finance income	90,630	245,824	5,477	11,320	30,268	-	383,519
Other operating income	(139)	14,541	1,247	2,840	11,254	-	29,743
Net income	90,491	260,365	6,724	14,160	41,522	-	413,262
Other operating expenses	(31,132)	(90,711)	(842)	(1,042)	(22,338)	-	(146,065)
Allowance for impairment on financing and advances	(26,254)	(17,211)	(215)	-	-	-	(43,680)
Impairment on other assets	-	(12)	-	-	-	-	(12)
Profit before zakat and taxation	33,105	152,431	5,667	13,118	19,184	-	223,505
Cost income ratio	34.4%	34.8%	12.5%	7.4%	53.8%	-	35.3%
Gross financing and advances	11,423,026	15,335,501	1,475,060	-	-	-	28,233,587
Financing growth	4.0%	10.5%	66.8%	-	-	-	9.6%
Impaired financing and advances	107,681	113,858	-	-	-	-	221,539
Impaired financing ratio	0.9%	0.7%	-	-	-	-	0.8%
Deposits from customers	-	29,329,896	16,483	6,872,934	-	-	36,219,313
Deposit growth	-	32.3%	-53.4%	-19.3%	-	-	17.9%
Segment assets	11,308,412	30,641,443	1,474,023	11,155,548	4,850,188	(15,515,354)	43,914,260
Reconciliation of segment assets to consolidated assets:							
Investment in an associated company							20,000
Unallocated assets							62,637
Total assets							43,996,897

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A26. Segment Information (continued)

Half Year Ended 30 June 2014	<----- 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	293,187	350,820	18,469	133,265	7,551	-	803,292
Revenue from other segments	-	182,436	-	-	234,885	(417,321)	-
Total revenue	293,187	533,256	18,469	133,265	242,436	(417,321)	803,292
Net finance income	108,524	241,201	4,564	4,279	34,125	-	392,693
Other operating income	(232)	12,180	1	876	3,684	-	16,509
Net income	108,292	253,381	4,565	5,155	37,809	-	409,202
Other operating expenses	(30,529)	(80,743)	(445)	(953)	(20,287)	-	(132,957)
(Allowance) / writeback of allowance for impairment on financing and advances	(24,318)	(21,392)	209	-	-	-	(45,501)
Impairment on other assets	-	(25)	-	-	-	-	(25)
Profit before zakat and taxation	53,445	151,221	4,329	4,202	17,522	-	230,719
Cost income ratio	28.2%	31.9%	9.7%	18.5%	53.7%	-	32.5%
Gross financing and advances	10,933,569	12,659,870	745,554	-	-	-	24,338,993
Financing growth	-2.1%	12.5%	-4.8%	-	-	-	4.9%
Impaired financing and advances	111,754	120,364	-	-	-	-	232,118
Impaired financing ratio	1.0%	1.0%	-	-	-	-	1.0%
Deposits from customers	-	24,677,782	16,095	4,737,193	-	-	29,431,070
Deposit growth	-	2.6%	-44.1%	9.9%	-	-	3.6%
Segment assets	10,821,443	25,996,817	744,885	10,192,042	2,930,219	(14,022,686)	36,662,720
Reconciliation of segment assets to consolidated assets:							
Investment in an associated company							20,000
Unallocated assets							70,597
Total assets							36,753,317

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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):

	30 June 2015	31 December 2014
<u>Before deducting interim dividend *</u>		
Common Equity Tier I ("CET I") capital ratio	10.828%	11.730%
Tier I capital ratio	10.828%	11.730%
Total capital ratio	13.603%	<u>14.580%</u>
<u>After deducting interim dividend *</u>		
CET I capital ratio	10.578%	11.007%
Tier I capital ratio	10.578%	11.007%
Total capital ratio	13.353%	<u>13.857%</u>

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

	30 June 2015 RM'000	31 December 2014 RM'000
Components of CET I, Tier I and Tier II capital:		
<u>CET I capital / Tier I capital</u>		
Paid-up share capital	200,217	200,217
Share premium	1,757,500	1,757,500
Other reserves	222,126	215,823
Retained profits	434,713	431,300
Less: Defined benefit pension fund assets	(3,159)	(3,384)
Less: Investment in an associated company deducted from CET I capital	(8,000)	(4,000)
Total CET I capital / Tier I capital	2,603,397	<u>2,597,456</u>
<u>Tier II capital</u>		
Collective assessment allowance and regulatory reserves #	180,114	148,356
Subordinated Sukuk Murabahah	498,987	498,860
Less: Investment in an associated company deducted from Tier II capital	(12,000)	(16,000)
Total Tier II capital	667,101	<u>631,216</u>
Total capital	3,270,498	<u>3,228,672</u>

Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM158,690,000 (2014 : RM173,495,000). Includes the qualifying regulatory reserves for non-impaired financing of RM6,155,000.

The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components), the minimum capital adequacy requirement for common equity Tier I capital ratio and Tier I capital ratio are 4.5% and 6.0% respectively for year 2015 (2014 - 4.0% and 5.5% respectively). The minimum regulatory capital adequacy requirement remains at 8.0% (2014 - 8.0%) for total capital ratio.

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A27. Capital Adequacy (continued)

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

	30 June 2015 RM'000	31 December 2014 RM'000
Credit risk	22,393,014	20,402,877
Market risk	94,844	178,375
Operational risk	1,554,671	1,562,715
	<u>24,042,529</u>	<u>22,143,967</u>

A28. Commitments and Contingencies

The notional amount of the commitments and contingencies of the Bank are as follows:

	30 June 2015 RM'000	31 December 2014 RM'000
<u>Contingent Liabilities</u>		
Direct credit substitutes	263,534	265,965
Transaction-related contingent items	15,066	12,050
Short term self-liquidating trade-related contingencies	1,676	2,736
	<u>280,276</u>	<u>280,751</u>
<u>Commitments</u>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- exceeding one year	4,234,388	2,514,464
- not exceeding one year	959,192	927,784
Unutilised credit card lines	14,983	-
	<u>5,208,563</u>	<u>3,442,248</u>
<u>Derivative Financial Instruments</u>		
Profit rate related contracts:		
- one year to less than five years	1,830,000	1,600,000
- five years and above	2,000,000	1,500,000
	<u>3,830,000</u>	<u>3,100,000</u>
	<u>9,318,839</u>	<u>6,822,999</u>

A29. Credit Exposures Arising From Credit Transactions With Connected Parties

	30 June 2015	31 December 2014
Outstanding credit exposures with connected parties (RM'000)	<u>50,376</u>	<u>44,322</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>0.16%</u>	<u>0.16%</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<u>0.04%</u>	<u>0.03%</u>

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

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A30. Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities, price quotations from Bond Pricing Agency Malaysia and broker quotes on Bloomberg/Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors as applicable. Changes in these assumptions could materially affect the fair values derived. The Bank generally uses widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments.

The Bank's control framework in respect of the measurement of Level 3 fair values enables that the fair values are determined and validated by a function independent of the business unit undertaking the risks. Finance Division establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The team within Finance Division which oversees the fair value measurements, including Level 3 fair values, reports directly to the Chief Financial Officer of Public Bank Berhad. Independent verification on financial instruments is performed by Compliance Division.

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A30. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

30 June 2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	1,689,154	-	1,689,154
Financial investments available-for-sale				
- Government securities and treasury bills	-	5,440,376	-	5,440,376
- Non-money market instruments	468,548	-	-	468,548
	468,548	5,440,376	-	5,908,924
Derivative financial assets	-	68,742	-	68,742
Total financial assets measured at fair value	468,548	7,198,272	-	7,666,820
Financial liabilities				
Derivative financial liabilities	-	3,728	-	3,728
Total financial liabilities measured at fair value	-	3,728	-	3,728

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A30. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

The following tables show the Bank's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

31 December 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	2,571,794	-	2,571,794
Financial investments available-for-sale				
- Government securities and treasury bills	-	4,078,061	-	4,078,061
- Non-money market instruments	468,222	-	-	468,222
	468,222	4,078,061	-	4,546,283
Derivative financial assets	-	60,835	-	60,835
Total financial assets measured at fair value	468,222	6,710,690	-	7,178,912
Financial liabilities				
Derivative financial liabilities	-	89	-	89
Total financial liabilities measured at fair value	-	89	-	89

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period / year.