

**PUBLIC ISLAMIC BANK BERHAD**  
**(14328 - V)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	Note	31 March 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>			
Cash and balances with banks		3,786,335	3,225,149
Financial assets held-for-trading	A8	369,072	1,588,380
Derivative financial assets		9,442	56,019
Financial investments available-for-sale	A9	4,534,768	4,780,808
Financial investments held-to-maturity	A10	2,751,452	2,741,792
Financing and advances	A11	33,330,999	31,736,855
Other assets	A12	85,225	82,895
Statutory deposits with Bank Negara Malaysia		1,307,050	1,423,800
Deferred tax assets		1,011	-
Collective investments		369,925	-
Investment in an associated company		20,000	20,000
Property and equipment		1,309	1,267
<b>TOTAL ASSETS</b>		<b>46,566,588</b>	<b>45,656,965</b>
<b>LIABILITIES</b>			
Deposits from customers	A13	39,771,897	39,097,445
Deposits from banks	A14	2,176,692	2,318,814
Bills and acceptances payable		752	849
Recourse obligations on financing sold to Cagamas		500,016	500,016
Derivative financial liabilities		40,276	1,636
Subordinated Sukuk Murabahah		499,181	499,117
Other liabilities	A15	237,327	212,673
Provision for zakat and taxation		52,915	40,680
Deferred tax liabilities		-	22,029
<b>TOTAL LIABILITIES</b>		<b>43,279,056</b>	<b>42,693,259</b>
<b>EQUITY</b>			
Share capital		219,217	207,217
Reserves		3,068,315	2,756,489
<b>TOTAL EQUITY</b>		<b>3,287,532</b>	<b>2,963,706</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>46,566,588</b>	<b>45,656,965</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A28	<b>10,555,633</b>	10,194,763
<b>CAPITAL ADEQUACY</b>			
Common Equity Tier I Capital Ratio	A27	11.262%	10.771%
Tier I Capital Ratio	A27	11.262%	10.771%
Total Capital Ratio	A27	13.851%	13.481%
<b>Net assets per share attributable to ordinary equity holder of the Bank (RM)</b>		<b>15.00</b>	14.30

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF PROFIT OR LOSS**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2016**

	Note	1st Quarter Ended		Three Months Ended	
		31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Income derived from investment of depositors' funds and others	A16	<b>503,976</b>	417,858	<b>503,976</b>	417,858
Income derived from investment of shareholder's funds	A17	<b>41,879</b>	31,727	<b>41,879</b>	31,727
Allowance for impairment on financing and advances	A18	<b>(13,033)</b>	(22,260)	<b>(13,033)</b>	(22,260)
Impairment on other assets		<b>(34)</b>	(6)	<b>(34)</b>	(6)
Profit Equalisation Reserves		<b>(38)</b>	(18)	<b>(38)</b>	(18)
Total distributable income		<b>532,750</b>	427,301	<b>532,750</b>	427,301
Income attributable to depositors and others	A19	<b>(316,778)</b>	(245,200)	<b>(316,778)</b>	(245,200)
Total net income		<b>215,972</b>	182,101	<b>215,972</b>	182,101
Personnel expenses	A20	<b>(4,509)</b>	(4,040)	<b>(4,509)</b>	(4,040)
Other overheads and expenditures	A21	<b>(83,824)</b>	(64,915)	<b>(83,824)</b>	(64,915)
Profit before zakat and taxation		<b>127,639</b>	113,146	<b>127,639</b>	113,146
Zakat		<b>(53)</b>	(55)	<b>(53)</b>	(55)
Taxation		<b>(30,492)</b>	(28,129)	<b>(30,492)</b>	(28,129)
Profit for the period		<b>97,094</b>	84,962	<b>97,094</b>	84,962
Earnings per RM1.00 share (sen)					
- basic /diluted (sen)	A22	<b>45.0</b>	42.4	<b>45.0</b>	42.4

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2016**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Profit for the period	<u>97,094</u>	<u>84,962</u>	<u>97,094</u>	<u>84,962</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	(3,826)	21,255	(3,826)	21,255
Hedging reserves:				
- Net change in cash flow hedges	(92,579)	(34,395)	(92,579)	(34,395)
	<u>(96,405)</u>	<u>(13,140)</u>	<u>(96,405)</u>	<u>(13,140)</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	918	(5,132)	918	(5,132)
- Hedging reserves	22,219	8,255	22,219	8,255
	<u>23,137</u>	<u>3,123</u>	<u>23,137</u>	<u>3,123</u>
Other comprehensive loss for the period, net of tax	<u>(73,268)</u>	<u>(10,017)</u>	<u>(73,268)</u>	<u>(10,017)</u>
Total comprehensive income for the period	<u>23,826</u>	<u>74,945</u>	<u>23,826</u>	<u>74,945</u>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2016**

	<----- 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	
<b>At 1 January 2016</b>	207,217	1,925,500	227,546	21,879	87	45,709	4,293	68,739	462,736	2,963,706
Profit for the period	-	-	-	-	-	-	-	-	97,094	97,094
Other comprehensive loss for the period	-	-	-	(2,908)	-	(70,360)	-	-	-	(73,268)
Total comprehensive (loss) / income for the period	-	-	-	(2,908)	-	(70,360)	-	-	97,094	23,826
Transactions with owner / other equity movements:										
Transfer to Profit Equalisation Reserves of the Bank	-	-	-	-	63	-	-	-	(63)	-
Transfer to regulatory reserves	-	-	-	-	-	-	-	25,539	(25,539)	-
Increase in share capital	12,000	288,000	-	-	-	-	-	-	-	300,000
	12,000	288,000	-	-	63	-	-	25,539	(25,602)	300,000
<b>At 31 March 2016</b>	219,217	2,213,500	227,546	18,971	150	(24,651)	4,293	94,278	534,228	3,287,532

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2015.

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2016**

	<----- 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	Profit Equalisation Reserves RM'000	Hedging Reserves RM'000	Defined Benefit Reserves RM'000	Retained Profit RM'000	Equity 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	-	-	-	-	-	-	-	84,962	84,962
Other comprehensive income / (loss) for the period	-	-	-	16,123	-	(26,140)	-	-	(10,017)
Total comprehensive income / (loss) for the period	-	-	-	16,123	-	(26,140)	-	84,962	74,945
Transactions with owner / other equity movements:									
Transfer to Profit Equalisation Reserves of the Bank	-	-	-	-	6	-	-	(6)	-
Dividends paid	-	-	-	-	-	-	-	(160,174)	(160,174)
	-	-	-	-	6	-	-	(160,180)	(160,174)
At 31 March 2015	200,217	1,757,500	207,546	17,606	60	19,749	7,610	356,082	2,566,370

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE 1ST QUARTER ENDED 31 MARCH 2016**

	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Profit before zakat and taxation	<b>127,639</b>	113,146
Adjustments for non-cash items	<b>903</b>	23,580
Operating profit before working capital changes	<b>128,542</b>	136,726
Changes in working capital:		
Net changes in operating assets	<b>(278,243)</b>	(857,062)
Net changes in operating liabilities	<b>556,849</b>	375,132
Cash generated from / (used in) operations	<b>407,148</b>	(345,204)
Zakat and tax paid	<b>(18,213)</b>	(20,080)
Net cash generated from / (used in) operating activities	<b>388,935</b>	(365,284)
Net cash used in investing activities	<b>(127,749)</b>	(1,943,715)
Net cash generated from / (used in) financing activities	<b>300,000</b>	(160,174)
Net change in cash and cash equivalents	<b>561,186</b>	(2,469,173)
Cash and cash equivalents at beginning of the period	<b>3,225,149</b>	2,652,849
Cash and cash equivalents at end of the period	<b>3,786,335</b>	183,676

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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 condensed interim financial statements for the 1st quarter ended 31 March 2016 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.

Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2015. The explanatory notes attached to the unaudited condensed 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 2015.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2015, except for the adoption of the following Amendments to MFRS during the current financial period:

Effective for annual periods commencing on or after 1 January 2016

- Disclosure Initiative (Amendments to MFRS 101)

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 did not have any financial impact on the Bank.

Amended Bank Negara Malaysia ("BNM")'s Policy Document on Financial Reporting for Islamic Banking Institutions

On 5 February 2016, BNM amended the Policy Document on Financial Reporting for Islamic Banking Institutions ("Amended Policy Document") to include requirements on the presentation and disclosure of investment account other than those which are reported as Islamic deposits, with immediate effect.

The Bank is not affected by the requirements of the Amended Policy Document as the Bank's investment accounts are classified as Islamic deposits in line with the transitional requirements under the BNM's Policy Document on Transition policy under Islamic Financial Services Act 2013. The adoption of this requirement did not have any financial impact on the financial statements of the Bank.

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

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

Effective for annual periods commencing on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments (2014)

MFRS 15 Revenue from Contracts with Customers

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.

**A2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2015 was not qualified.

**A3. Comments about Seasonal or Cyclical Factors**

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the 1st quarter ended 31 March 2016.



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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the 1st quarter ended 31 March 2016.

**A5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 1st quarter ended 31 March 2016.

**A6. Debt and Equity Securities**

On 28 January 2016, the issued and paid up share capital of the Bank was increased from RM207,217,000 to RM219,217,000 via the issuance of 12,000,000 ordinary shares of RM1.00 each to its holding company, Public Bank Berhad, with a related share premium of RM288,000,000.

There were no share buy-back and repayment of debt and equity securities by the Bank in the 1st quarter ended 31 March 2016.

**A7. Dividends Paid, Distributed and Declared**

No dividend has been paid nor declared during the 1st quarter ended 31 March 2016.

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**A8. Financial Assets Held-for-Trading**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At fair value</b>		
<b>Money market instruments:</b>		
Negotiable Islamic Debt Certificates	<u>369,072</u>	<u>1,588,380</u>

**A9. Financial Investments Available-for-Sale**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At fair value</b>		
<b>Government securities and treasury bills:</b>		
Malaysian Government Investment Issues	4,419,037	4,607,572
Malaysian Government Treasury Bills	-	58,468
	<u>4,419,037</u>	<u>4,666,040</u>
<b>Non-money market instruments:</b>		
Unit trust funds	115,731	114,768
	<u>4,534,768</u>	<u>4,780,808</u>

**A10. Financial Investments Held-to-Maturity**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities and treasury bills:</b>		
Malaysian Government Investment Issues	2,181,870	2,170,549
<b>Non-money market instruments:</b>		
Debt securities		
- Unquoted private debt securities	569,582	571,243
	<u>2,751,452</u>	<u>2,741,792</u>

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**A11. Financing and Advances**

**a. By type and contract**

31 March 2016	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Ujrah RM'000	Total Financing and Advances RM'000
<b>At amortised cost</b>							
Cash line	1,057,056	-	-	-	-	-	1,057,056
Term financing							
- House financing	4,281,791	-	-	4,774,156	-	-	9,055,947
- Syndicated financing	1,340,730	-	-	-	-	-	1,340,730
- Hire purchase receivables	-	12,094,880	-	-	-	-	12,094,880
- Other term financing	3,051,871	-	1,997,328	4,747,705	-	-	9,796,904
Credit card receivables	-	-	-	-	-	6,693	6,693
Bills receivables	-	-	-	-	100	-	100
Trust receipts	-	-	-	-	1,780	-	1,780
Claims on customers under acceptance credits	-	-	-	-	83,957	-	83,957
Revolving credits	187,986	-	-	-	-	-	187,986
Staff financing	-	2,962	-	11,412	-	-	14,374
Gross financing and advances	9,919,434	12,097,842	1,997,328	9,533,273	85,837	6,693	33,640,407
Allowance for impaired financing and advances:							
- collective assessment allowance							(309,408)
- individual assessment allowance							-
Net financing and advances							<u>33,330,999</u>

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**A11. Financing and Advances** (continued)

a. By type and contract (continued)

<b>31 December 2015</b>	<b>Bai' Bithaman Ajil RM'000</b>	<b>Ijarah Thumma Al-Bai' RM'000</b>	<b>Bai' Inah RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Murabahah RM'000</b>	<b>Ujrah RM'000</b>	<b>Total Financing and Advances RM'000</b>
<b>At amortised cost</b>							
Cash line	1,001,462	-	-	-	-	-	1,001,462
Term financing							
- House financing	4,357,798	-	-	4,044,663	-	-	8,402,461
- Syndicated financing	1,320,788	-	-	-	-	-	1,320,788
- Hire purchase receivables	-	12,048,635	-	-	-	-	12,048,635
- Other term financing	2,788,901	-	2,037,228	4,179,315	-	-	9,005,444
Credit card receivables	-	-	-	-	-	5,610	5,610
Bill receivables	-	-	-	-	511	-	511
Trust receipts	-	-	-	-	1,005	-	1,005
Claims on customers under acceptance credits	-	-	-	-	75,839	-	75,839
Revolving credits	181,994	-	-	-	-	-	181,994
Staff financing	-	1,712	-	7,289	-	-	9,001
Gross financing and advances	9,650,943	12,050,347	2,037,228	8,231,267	77,355	5,610	32,052,750
Allowance for impaired financing and advances:							
- collective assessment allowance							(315,895)
- individual assessment allowance							-
Net financing and advances							<u>31,736,855</u>

All the financing and advances are located in Malaysia.

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**A11. Financing and Advances (continued)**

**b. By class**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Retail financing *		
- House financing	9,055,947	8,402,461
- Hire purchase	12,094,880	12,048,635
- Credit cards	6,693	5,610
- Other financing ^	9,732,463	9,170,775
	<b>30,889,983</b>	<b>29,627,481</b>
Corporate financing	<b>2,750,424</b>	<b>2,425,269</b>
Gross financing and advances	<b>33,640,407</b>	<b>32,052,750</b>

\* 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**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Domestic non-bank financial institutions		
- Others	231,047	230,965
Domestic business enterprises		
- Small and medium enterprises	5,910,708	5,530,622
- Others	1,012,317	678,085
Government and statutory bodies	1,330,355	1,316,438
Individuals	25,079,538	24,224,720
Other domestic entities	4,969	3,392
Foreign entities	71,473	68,528
Gross financing and advances	<b>33,640,407</b>	<b>32,052,750</b>

**d. By rate of return sensitivity**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Fixed rate		
- House financing	470,489	481,805
- Hire purchase receivables	12,094,598	12,048,635
- Other fixed rate financing	3,449,367	3,468,374
Variable rate		
- Base rate / base financing rate plus	16,276,548	15,012,483
- Cost plus	1,349,405	1,041,453
Gross financing and advances	<b>33,640,407</b>	<b>32,052,750</b>

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**A11. Financing and Advances** (continued)

**e. By residual contractual maturity**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Maturity within one year	1,557,691	1,502,816
More than one year to three years	3,151,827	2,726,624
More than three years to five years	3,573,646	3,591,140
More than five years	25,357,243	24,232,170
Gross financing and advances	<u>33,640,407</u>	<u>32,052,750</u>

**f. By economic purpose**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of transport vehicles	12,097,818	12,050,318
Purchase of landed properties (of which: - residential - non-residential)	15,645,697	14,249,481
	9,196,179	8,497,749
	6,449,518	5,751,732
Purchase of fixed assets (excluding landed properties)	12,601	13,213
Personal use	2,436,311	2,429,620
Credit card	6,693	5,610
Purchase of consumer durables	1,913	1,941
Construction	136,883	109,584
Working capital	3,231,960	3,124,576
Other purpose	70,531	68,407
Gross financing and advances	<u>33,640,407</u>	<u>32,052,750</u>

**g. By sectors**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Agriculture, hunting, forestry and fishing	783,095	475,070
Mining and quarrying	32,348	34,962
Manufacturing	528,691	478,443
Electricity, gas and water	1,075	1,154
Construction	741,352	679,738
Wholesale & retail trade and restaurants & hotels	1,443,850	1,313,628
Transport, storage and communication	290,610	277,754
Finance, insurance and business services	634,515	620,903
Real estate	2,482,434	2,364,506
Community, social and personal services	1,547,824	1,509,692
Households	25,151,011	24,293,248
Others	3,602	3,652
Gross financing and advances	<u>33,640,407</u>	<u>32,052,750</u>

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**A11. Financing and Advances** (continued)

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
At 1 January	211,804	232,348
Impaired during the period / year	137,443	558,945
Reclassified as non-impaired	(107,708)	(437,925)
Recoveries	(12,210)	(45,881)
Amount written off	(24,595)	(95,412)
Financing converted to foreclosed properties	(185)	(271)
Closing balance	<u>204,549</u>	<u>211,804</u>
Gross impaired financing as a percentage of gross financing and advances	<u>0.61%</u>	<u>0.66%</u>

**i. Impaired financing and advances by economic purpose**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of transport vehicles	98,737	104,061
Purchase of landed properties	72,838	71,470
(of which: - residential	64,857	64,435
- non-residential)	7,981	7,035
Purchase of fixed assets (excluding landed properties)	-	39
Personal use	32,053	35,317
Credit card	44	21
Purchase of consumer durables	59	57
Working capital	800	820
Other purpose	18	19
	<u>204,549</u>	<u>211,804</u>

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**A11. Financing and Advances** (continued)

**j. Impaired financing and advances by sectors**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Agriculture, hunting, forestry and fishing	957	918
Mining and quarrying	38	130
Manufacturing	293	378
Construction	1,113	1,283
Wholesale & retail trade and restaurants & hotels	1,296	1,508
Transport, storage and communication	1,204	467
Finance, insurance and business services	1,240	1,270
Real estate	630	653
Community, social and personal services	403	566
Households	197,145	204,611
Others	230	20
	<b>204,549</b>	<b>211,804</b>

All the impaired financing and advances are located in Malaysia.

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>Collective Assessment Allowance</u>		
At 1 January	315,895	321,851
Allowance made during the period / year	18,108	89,456
Amount written off	(24,595)	(95,412)
Closing balance	<b>309,408</b>	<b>315,895</b>
	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>Individual Assessment Allowance</u>		
At 1 January / Closing balance	-	-



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**A12. Other Assets**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Deferred handling fees	71,721	71,396
Income receivable	1,750	771
Other receivables, deposits and prepayments	8,366	7,384
Employee benefits	2,743	2,838
Foreclosed properties	645	506
	<b>85,225</b>	<b>82,895</b>

**A13. Deposits from Customers**

**a. By type of deposit and contract**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At amortised cost</b>		
Savings deposit		
- Wadiah	5,607,351	5,494,154
Demand deposit		
- Wadiah	3,481,123	3,521,768
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	-	974,136
- Commodity Murabahah	22,576,636	24,388,180
- General investment account		
- Mudharabah	104,296	113,594
- Wakalah	130,544	149,849
	<b>234,840</b>	<b>263,443</b>
- Special term deposit account		
- Wadiah	7,871,947	4,455,764
	<b>39,771,897</b>	<b>39,097,445</b>

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**A13. Deposits from Customers** (continued)

**b. By type of customer**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Federal and state governments	<b>5,424,096</b>	4,386,909
Local government and statutory authorities	<b>794,700</b>	985,263
Business enterprises	<b>5,194,980</b>	7,167,337
Individuals	<b>12,614,827</b>	12,328,522
Foreign customers	<b>342,693</b>	444,119
Others	<b>15,400,601</b>	13,785,295
	<b><u>39,771,897</u></b>	<u>39,097,445</u>

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Due within six months	<b>28,396,391</b>	26,964,221
More than six months to one year	<b>2,284,767</b>	3,116,082
More than one year to three years	<b>1,596</b>	406
More than three years to five years	<b>669</b>	814
	<b><u>30,683,423</u></b>	<u>30,081,523</u>

**d. By class**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Core deposits	<b>31,899,950</b>	33,667,545
Wholesale deposits	<b>7,871,947</b>	5,429,900
	<b><u>39,771,897</u></b>	<u>39,097,445</u>

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**A14. Deposits from Banks**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At amortised cost</b>		
<u>Non-Mudharabah Fund</u>		
Licensed banks	1,662,538	1,647,165
Licensed investment banks	509	264
Bank Negara Malaysia	8,236	7,997
Other financial institutions	505,409	663,388
	<u>2,176,692</u>	<u>2,318,814</u>

**A15. Other Liabilities**

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Income payable	216,931	191,355
Other payables and accruals	20,305	21,265
Profit Equalisation Reserves	91	53
	<u>237,327</u>	<u>212,673</u>

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

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Income derived from investment of:				
(a) Term deposits	383,556	304,416	383,556	304,416
(b) Other deposits	120,420	113,442	120,420	113,442
	<b>503,976</b>	<b>417,858</b>	<b>503,976</b>	<b>417,858</b>

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

Finance income and Hibah

Financing and advances	302,013	239,372	302,013	239,372
Financial investments available-for-sale	28,644	29,004	28,644	29,004
Financial investments held-to-maturity	17,591	9,710	17,591	9,710
Balances with banks	9,943	4,590	9,943	4,590
	<b>358,191</b>	<b>282,676</b>	<b>358,191</b>	<b>282,676</b>
Financial assets held-for-trading	4,600	14,394	4,600	14,394
Total finance income and Hibah	<b>362,791</b>	<b>297,070</b>	<b>362,791</b>	<b>297,070</b>

Other operating income

Fee and commission income:

- Commissions	3,174	1,366	3,174	1,366
- Service charges and fees	3,961	3,179	3,961	3,179
- Other fee income	775	645	775	645

Net gains and losses on financial instruments:

- Gross dividend income from financial investments available-for-sale	-	1,266	-	1,266
- Net gain arising from sale of financial investments available-for-sale	6,383	383	6,383	383
- Gain / (Loss) representing ineffective portions of hedging derivatives	5,173	(41)	5,173	(41)
- Others	47	512	47	512

Gross dividend income from Collective investments

	1,091	-	1,091	-
Other income	161	36	161	36
Total other operating income	<b>20,765</b>	<b>7,346</b>	<b>20,765</b>	<b>7,346</b>
	<b>383,556</b>	<b>304,416</b>	<b>383,556</b>	<b>304,416</b>

Of which:

Financing income earned on impaired financing

	<b>1,977</b>	<b>2,138</b>	<b>1,977</b>	<b>2,138</b>
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**A16. Income Derived from Investment of Depositors' Funds and Others (continued)**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>b. Income derived from investment of other deposits:</b>				
<u>Finance income and Hibah</u>				
Financing and advances	<b>94,819</b>	89,204	<b>94,819</b>	89,204
Financial investments available-for-sale	<b>8,993</b>	10,808	<b>8,993</b>	10,808
Financial investments held-to-maturity	<b>5,523</b>	3,619	<b>5,523</b>	3,619
Balances with banks	<b>3,122</b>	1,710	<b>3,122</b>	1,710
	<b>112,457</b>	105,341	<b>112,457</b>	105,341
Financial assets held-for-trading	<b>1,444</b>	5,364	<b>1,444</b>	5,364
Total finance income and Hibah	<b>113,901</b>	110,705	<b>113,901</b>	110,705
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	<b>996</b>	509	<b>996</b>	509
- Service charges and fees	<b>1,244</b>	1,185	<b>1,244</b>	1,185
- Other fee income	<b>244</b>	240	<b>244</b>	240
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	-	472	-	472
- Net gain arising from sale of financial investments available-for-sale	<b>2,004</b>	143	<b>2,004</b>	143
- Gain / (Loss) representing ineffective portions of hedging derivatives	<b>1,624</b>	(15)	<b>1,624</b>	(15)
- Others	<b>15</b>	190	<b>15</b>	190
Gross dividend income from Collective investments	<b>342</b>	-	<b>342</b>	-
Other income	<b>50</b>	13	<b>50</b>	13
Total other operating income	<b>6,519</b>	2,737	<b>6,519</b>	2,737
	<b>120,420</b>	113,442	<b>120,420</b>	113,442
Of which:				
Financing income earned on impaired financing	<b>621</b>	797	<b>621</b>	797

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**A17. Income Derived from Investment of Shareholder's Funds**

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Finance income and Hibah</u>				
Financing and advances	32,976	24,948	32,976	24,948
Financial investments available-for-sale	3,127	3,023	3,127	3,023
Financial investments held-to-maturity	1,921	1,012	1,921	1,012
Balances with banks	1,086	478	1,086	478
	<u>39,110</u>	<u>29,461</u>	<u>39,110</u>	<u>29,461</u>
Financial assets held-for-trading	502	1,500	502	1,500
Total finance income and Hibah	<u>39,612</u>	<u>30,961</u>	<u>39,612</u>	<u>30,961</u>
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	347	142	347	142
- Service charges and fees	433	331	433	331
- Other fee income	84	68	84	68
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	-	132	-	132
- Net gain arising from sale of financial investments available-for-sale	697	40	697	40
- Gain / (Loss) representing ineffective portions of hedging derivatives	565	(4)	565	(4)
- Others	5	53	5	53
Gross dividend income from Collective investments	119	-	119	-
Other income	17	4	17	4
Total other operating income	<u>2,267</u>	<u>766</u>	<u>2,267</u>	<u>766</u>
	<u>41,879</u>	<u>31,727</u>	<u>41,879</u>	<u>31,727</u>
Of which:				
Financing income earned on impaired financing	<u>216</u>	<u>223</u>	<u>216</u>	<u>223</u>

**A18. Allowance for Impairment on Financing and Advances**

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Allowance for impaired financing:				
- Collective assessment allowance	18,108	26,353	18,108	26,353
- Individual assessment allowance	-	-	-	-
Impaired financing recovered	(5,075)	(4,093)	(5,075)	(4,093)
	<u>13,033</u>	<u>22,260</u>	<u>13,033</u>	<u>22,260</u>

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**A19. Income Attributable to Depositors and Others**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Deposits from customers				
- Mudharabah fund	971	1,872	971	1,872
- Non-Mudharabah fund	283,819	205,941	283,819	205,941
Deposits from banks				
- Mudharabah fund	-	3,327	-	3,327
- Non-Mudharabah fund	21,591	23,765	21,591	23,765
Financing sold to Cagamas	4,476	4,439	4,476	4,439
Subordinated Sukuk Murabahah	5,921	5,856	5,921	5,856
	<b>316,778</b>	<b>245,200</b>	<b>316,778</b>	<b>245,200</b>

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 which is nil in the current period (31 March 2015 : RM16,000).

**A20. Personnel expenses**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Salaries, allowances and bonuses	3,372	3,164	3,372	3,164
Pension costs	479	508	479	508
Others	658	368	658	368
	<b>4,509</b>	<b>4,040</b>	<b>4,509</b>	<b>4,040</b>

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**A21. Other Overheads and Expenditures**

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Establishment costs				
- Depreciation	122	117	122	117
- Rental	232	342	232	342
- Insurance	158	180	158	180
- Water and electricity	39	49	39	49
- General repairs and maintenance	111	110	111	110
- Others	70	108	70	108
	<u>732</u>	<u>906</u>	<u>732</u>	<u>906</u>
Marketing expenses				
- Advertisement and publicity	558	880	558	880
- Others	1,138	1,054	1,138	1,054
	<u>1,696</u>	<u>1,934</u>	<u>1,696</u>	<u>1,934</u>
Administration and general expenses				
- Communication expenses	846	630	846	630
- Legal and professional fees	2,431	1,534	2,431	1,534
- Others	3,938	1,846	3,938	1,846
	<u>7,215</u>	<u>4,010</u>	<u>7,215</u>	<u>4,010</u>
Shared service costs paid/payable to Public Bank Berhad	77,941	61,794	77,941	61,794
Recovery of expenses	(3,760)	(3,729)	(3,760)	(3,729)
	<u>83,824</u>	<u>64,915</u>	<u>83,824</u>	<u>64,915</u>



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**A22. Earnings Per Share (EPS)**

The calculation of the basic earnings per share is based on the net profit attributable to the equity holder of the Bank divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 1st quarter and financial period ended 31 March 2016.

	<b>1st Quarter Ended</b>		<b>Three Months Ended</b>	
	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>	<b>31 March 2016 RM'000</b>	<b>31 March 2015 RM'000</b>
Net profit attributable to equity holder of the Bank (RM'000)	<b>97,094</b>	84,962	<b>97,094</b>	84,962
Number of ordinary shares at beginning of the period ('000)	<b>207,217</b>	200,217	<b>207,217</b>	200,217
Effect of the issuance of shares ('000)	<b>8,440</b>	-	<b>8,440</b>	-
Weighted average number of PIBB shares ('000)	<b>215,657</b>	200,217	<b>215,657</b>	200,217
Basic earnings per share (sen)	<b>45.0</b>	42.4	<b>45.0</b>	42.4

There were no dilutive potential ordinary shares in the 1st quarter ended 31 March 2016 and 31 March 2015.

**A23. Performance Review**

The Bank reported a higher pre-tax profit of RM127.6 million for the financial period ended 31 March 2016, which was 12.8% or RM14.5 million higher as compared to pre-tax profit of RM113.1 million for the financial period ended 31 March 2015. The higher profit was primarily due to higher other operating income of RM18.7 million, lower allowance for impairment on financing and advances of RM9.2 million and higher net finance income of RM6.0 million partially offset by higher other operating expenses of RM19.4 million.

**A24. Prospects for 2016**

The global economy is expected to expand at a modest pace in 2016, but the growth outlook remains vulnerable to considerable downside risks due to policy developments in major economies, uncertainty in global commodity prices and abrupt financial market adjustments. The advanced economies will likely grow at a gradual and uneven pace on the back of steady growth in the US, slow recovery in the euro area and a modest growth pace in Japan. In Asia, growth is expected to remain moderate in 2016, weighed down by the slowdown in China's economy due to its economic rebalancing.

Amidst the challenging global economic and financial landscape, the Malaysian economy is expected to grow at a more moderate pace of 4.0-4.5% in 2016 (2015: 5.0%), driven by domestic demand. Private consumption is expected to slow down as households continue to adjust to an environment of higher prices and greater uncertainties. However, this will be partially offset by stable labour market conditions, continued income growth and Government measures to ease households' burden. Growth in investment activity will continue to be driven by continued implementation of ongoing and new investment projects, particularly in the manufacturing and services sectors. The export sector is expected to remain positive in 2016, in line with modest improvement in external demand. Headline inflation is projected to be higher at 2.5-3.5% (2015: 2.1%) due to higher prices of several price-administered items and weak ringgit exchange rate, but inflationary pressure is likely to be mitigated by low global energy and commodity prices, subdued global inflation and more moderate domestic demand.

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**A24. Prospects for 2016** (continued)

Given the challenging operating conditions, the banking sector's loans growth is expected to moderate due to weak consumer and business sentiments as well as continued impact from stringent lending rules. As competition in deposit-taking business intensified, banks will continue to embark on initiatives to maintain an efficient funding position. During the year, banks are expected to focus on enhancing operational efficiency to drive financial performance and will continue to compete on competitive pricing, attractive terms and product innovation. Backed by high capitalisation, ample liquidity and high asset quality, the banking sector is expected to be well positioned to withstand the financial markets vulnerability in 2016.

In view of the increasingly competitive banking landscape, the Bank will leverage on its strong internal strength as well as capitalise on its efficient customer service and service delivery to maintain its core business of retail-based financing, supported by ongoing demand in home mortgages, vehicle financing and small and medium enterprises ("SME") financing. The Bank will continue to adopt prudent and responsible financing practices, while upholding its strong corporate governance and risk management policies.

In the SME market segment, the Bank will continue to enhance relationships with existing customers and tap on market opportunities to acquire new customers. The Bank will further penetrate the mid-market SMEs and micro enterprises in encouraged sectors.

Despite another challenging year for the motor vehicle industry in 2016, the Bank remains committed to sustain its market position in the vehicle hire purchase business. The Bank will continue to leverage on Public Bank's large network of hire purchase centres, branches, comprehensive product packages, efficient financing delivery and extensive marketing staff force.

The Bank expects to achieve higher penetration into bancatakaful industry, supported by a growing range of products and wide distribution coverage. To remain competitive in the market, the Bank will continue to work closely with AIA PUBLIC Takaful Bhd to further develop its bancatakaful products as well as improve its customer service experience. The Bank will also continue to accelerate its fee income generating activity 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 condensed interim financial statements.

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**A26. Segment Information**

<b>Three Months Ended 31 March 2016</b>	<----- Operating Segments ----->						
	<b>Hire Purchase RM'000</b>	<b>Retail Operations RM'000</b>	<b>Corporate Banking RM'000</b>	<b>Treasury and Capital Market Operations RM'000</b>	<b>Head Office RM'000</b>	<b>Inter- segment Elimination RM'000</b>	<b>Total RM'000</b>
External revenue	160,500	253,017	28,610	62,652	41,076	-	545,855
Revenue from other segments	-	114,033	-	148	119,050	(233,231)	-
<b>Total revenue</b>	<b>160,500</b>	<b>367,050</b>	<b>28,610</b>	<b>62,800</b>	<b>160,126</b>	<b>(233,231)</b>	<b>545,855</b>
Net finance income	43,379	113,586	4,393	1,638	36,492	-	199,488
Other operating income	225	11,044	223	9,161	8,898	-	29,551
<b>Net income</b>	<b>43,604</b>	<b>124,630</b>	<b>4,616</b>	<b>10,799</b>	<b>45,390</b>	<b>-</b>	<b>229,039</b>
Other operating expenses	(16,426)	(56,001)	(142)	(598)	(15,166)	-	(88,333)
(Allowance) / Writeback of allowance for impairment on financing and advances	(5,999)	(7,203)	169	-	-	-	(13,033)
Impairment on other assets	-	(34)	-	-	-	-	(34)
<b>Profit before zakat and taxation</b>	<b>21,179</b>	<b>61,392</b>	<b>4,643</b>	<b>10,201</b>	<b>30,224</b>	<b>-</b>	<b>127,639</b>
Cost income ratio	37.7%	44.9%	3.1%	5.5%	33.4%	-	38.6%
Gross financing and advances	12,095,097	18,794,886	2,750,424	-	-	-	33,640,407
Financing growth	0.4%	6.9%	13.4%	-	-	-	5.0%
Impaired financing and advances	98,738	105,811	-	-	-	-	204,549
Impaired financing ratio	0.8%	0.6%	-	-	-	-	0.6%
Deposits from customers	-	31,860,597	39,353	7,871,947	-	-	39,771,897
Deposit growth	-	-5.3%	30.2%	45.0%	-	-	1.7%
<b>Segment assets</b>	<b>11,992,065</b>	<b>32,559,154</b>	<b>2,747,991</b>	<b>10,161,450</b>	<b>4,049,227</b>	<b>(14,981,857)</b>	<b>46,528,030</b>
Reconciliation of segment assets to total assets:							
Investment in an associated company							20,000
Unallocated assets							18,558
<b>Total assets</b>							<b>46,566,588</b>

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**A26. Segment Information (continued)**

<b>Three Months Ended 31 March 2015</b>	<----- Operating Segments ----->						<b>Total RM'000</b>
	<b>Hire Purchase RM'000</b>	<b>Retail Operations RM'000</b>	<b>Corporate Banking RM'000</b>	<b>Treasury and Capital Market Operations RM'000</b>	<b>Head Office RM'000</b>	<b>Inter- segment Elimination RM'000</b>	
External revenue	146,356	204,796	11,304	70,510	16,619	-	449,585
Revenue from other segments	-	72,216	-	17,232	100,199	(189,647)	-
<b>Total revenue</b>	<b>146,356</b>	<b>277,012</b>	<b>11,304</b>	<b>87,742</b>	<b>116,818</b>	<b>(189,647)</b>	<b>449,585</b>
Net finance income	46,209	124,765	2,617	5,956	13,971	-	193,518
Other operating income	(53)	7,723	1	1,293	1,885	-	10,849
<b>Net income</b>	<b>46,156</b>	<b>132,488</b>	<b>2,618</b>	<b>7,249</b>	<b>15,856</b>	<b>-</b>	<b>204,367</b>
Other operating expenses	(15,440)	(42,426)	(278)	(522)	(10,289)	-	(68,955)
Allowance for impairment on financing and advances	(11,866)	(10,226)	(168)	-	-	-	(22,260)
Impairment on other assets	-	(6)	-	-	-	-	(6)
<b>Profit before zakat and taxation</b>	<b>18,850</b>	<b>79,830</b>	<b>2,172</b>	<b>6,727</b>	<b>5,567</b>	<b>-</b>	<b>113,146</b>
Cost income ratio	33.5%	32.0%	10.6%	7.2%	64.9%	-	33.7%
Gross financing and advances	11,189,486	14,559,826	979,692	-	-	-	26,729,004
Financing growth	1.8%	4.9%	10.8%	-	-	-	3.8%
Impaired financing and advances	100,254	116,257	-	-	-	-	216,511
Impaired financing ratio	0.9%	0.8%	-	-	-	-	0.8%
Deposits from customers	-	24,165,404	13,918	7,820,365	-	-	31,999,687
Deposit growth	-	9.0%	-60.7%	-8.2%	-	-	4.1%
<b>Segment assets</b>	<b>11,081,893</b>	<b>25,383,559</b>	<b>978,638</b>	<b>10,018,552</b>	<b>2,970,100</b>	<b>(12,025,463)</b>	<b>38,407,279</b>
Reconciliation of segment assets to total assets:							
Investment in an associated company							20,000
Unallocated assets							27,950
<b>Total assets</b>							<b>38,455,229</b>

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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):

	<b>31 March 2016</b>	<b>31 December 2015</b>
CET I capital ratio	<b>11.262%</b>	10.771%
Tier I capital ratio	<b>11.262%</b>	10.771%
Total capital ratio	<b>13.851%</b>	13.481%

	<b>31 March 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>

Components of CET I, Tier I and Tier II capital:

CET I capital / Tier I capital

Paid-up share capital	<b>219,217</b>	207,217
Share premium	<b>2,213,500</b>	1,925,500
Other reserves	<b>240,376</b>	241,685
Retained profits	<b>462,736</b>	462,736
Less: Deferred tax assets, net	<b>(1,011)</b>	-
Less: Defined benefit pension fund assets	<b>(2,085)</b>	(2,157)
Less: Investment in an associated company deducted from CET I capital	<b>(12,000)</b>	(8,000)
Total CET I capital / Tier I capital	<b>3,120,733</b>	2,826,981

Tier II capital

Collective assessment allowance and regulatory reserves #	<b>226,165</b>	224,109
Subordinated Sukuk Murabahah	<b>499,181</b>	499,117
Less: Investment in an associated company deducted from Tier II capital	<b>(8,000)</b>	(12,000)
Total Tier II capital	<b>717,346</b>	711,226
Total capital	<b>3,838,079</b>	3,538,207

# Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM151,982,000 (2015 : RM160,525,000). Includes the qualifying regulatory reserves for non-impaired financing of RM68,739,000 (2015 : RM68,739,000).

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**A27. Capital Adequacy** (continued)

The total risk-weighted assets of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk; and
- (iii) Basic Indicator Approach for Operational Risk.

The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) reissued on 13 October 2015 which became effective from 1 January 2016. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

<u>Calendar Year</u>	<u>Capital Conservation Buffer</u>
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank has exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

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**A27. Capital Adequacy (continued)**

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Credit risk	26,136,463	24,611,954
Market risk	15,765	85,600
Operational risk	1,556,845	1,549,041
	<u>27,709,073</u>	<u>26,246,595</u>

**A28. Commitments and Contingencies**

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

	<b>31 March 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<u>Contingent Liabilities</u>		
Direct credit substitutes	122,014	121,056
Transaction-related contingent items	24,762	22,297
Short term self-liquidating trade-related contingencies	3,697	3,652
	<u>150,473</u>	<u>147,005</u>
<u>Commitments</u>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- exceeding one year	4,792,724	4,581,376
- not exceeding one year	1,153,440	1,111,758
Unutilised credit card lines	27,266	24,624
Forward asset purchase	101,730	-
	<u>6,075,160</u>	<u>5,717,758</u>
<u>Derivative Financial Instruments</u>		
Profit rate related contracts:		
- one year to less than five years	1,830,000	1,830,000
- five years and above	2,500,000	2,500,000
	<u>4,330,000</u>	<u>4,330,000</u>
	<u>10,555,633</u>	<u>10,194,763</u>

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**A29. 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.

The Bank classifies its financial instruments which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

- 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.



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**A29. 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:

<b>31 March 2016</b>	<b>Level 1</b> <b>RM'000</b>	<b>Level 2</b> <b>RM'000</b>	<b>Level 3</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Money market instruments	-	369,072	-	369,072
Financial investments available-for-sale				
- Government securities and treasury bills	-	4,419,037	-	4,419,037
- Non-money market instruments	115,731	-	-	115,731
	<u>115,731</u>	<u>4,419,037</u>	<u>-</u>	<u>4,534,768</u>
Derivative financial assets	-	9,442	-	9,442
Total financial assets measured at fair value	<u>115,731</u>	<u>4,797,551</u>	<u>-</u>	<u>4,913,282</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	40,276	-	40,276
Total financial liabilities measured at fair value	<u>-</u>	<u>40,276</u>	<u>-</u>	<u>40,276</u>

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**A29. 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):

<b>31 December 2015</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Money market instruments	-	1,588,380	-	1,588,380
Financial investments available-for-sale				
- Government securities and treasury bills	-	4,666,040	-	4,666,040
- Non-money market instruments	114,768	-	-	114,768
	<u>114,768</u>	<u>4,666,040</u>	<u>-</u>	<u>4,780,808</u>
Derivative financial assets	-	56,019	-	56,019
Total financial assets measured at fair value	<u>114,768</u>	<u>6,310,439</u>	<u>-</u>	<u>6,425,207</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	1,636	-	1,636
Total financial liabilities measured at fair value	<u>-</u>	<u>1,636</u>	<u>-</u>	<u>1,636</u>

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period (2015 : Nil).