

PUBLIC ISLAMIC BANK BERHAD
(14328 - V)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Note	30 September 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and balances with banks		5,490,244	3,225,149
Financial assets held-for-trading	A8	769,112	1,588,380
Derivative financial assets		560	56,019
Financial investments available-for-sale	A9	5,555,921	4,780,808
Financial investments held-to-maturity	A10	3,035,214	2,741,792
Financing and advances	A11	35,984,740	31,736,855
Other assets	A12	86,116	82,895
Statutory deposits with Bank Negara Malaysia		1,497,900	1,423,800
Deferred tax assets		2,916	-
Collective investment		494,073	-
Investment in an associated company		20,000	20,000
Property and equipment		1,239	1,267
TOTAL ASSETS		52,938,035	45,656,965
LIABILITIES			
Deposits from customers	A13	44,915,504	39,097,445
Deposits from banks	A14	3,123,473	2,318,814
Bills and acceptances payable		1,062	849
Recourse obligations on financing sold to Cagamas		500,016	500,016
Derivative financial liabilities		68,216	1,636
Subordinated Sukuk Murabahah		499,309	499,117
Other liabilities	A15	270,605	212,673
Provision for zakat and taxation		80,247	40,680
Deferred tax liabilities		-	22,029
TOTAL LIABILITIES		49,458,432	42,693,259
EQUITY			
Share capital		219,217	207,217
Reserves		3,260,386	2,756,489
TOTAL EQUITY		3,479,603	2,963,706
TOTAL LIABILITIES AND EQUITY		52,938,035	45,656,965
COMMITMENTS AND CONTINGENCIES	A28	11,113,018	10,194,763
CAPITAL ADEQUACY			
Common Equity Tier I Capital Ratio	A27	11.017%	10.771%
Tier I Capital Ratio	A27	11.017%	10.771%
Total Capital Ratio	A27	13.606%	13.481%
Net assets per share attributable to ordinary equity holder of the Bank (RM)		15.87	14.30

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.

PUBLIC ISLAMIC BANK BERHAD
(14328 - V)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2016

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of depositors' funds and others	A16	537,326	465,099	1,569,961	1,340,436
Income derived from investment of shareholder's funds	A17	41,625	34,938	125,224	98,801
Allowance for impairment on financing and advances	A18	(21,169)	(34,103)	(61,714)	(77,783)
Writeback of impairment / (Impairment) on other assets		12	-	(2)	(12)
Profit Equalisation Reserves		(2)	-	(73)	(23)
Total distributable income		557,792	465,934	1,633,396	1,361,419
Income attributable to depositors and others	A19	(326,185)	(289,056)	(977,366)	(814,971)
Total net income		231,607	176,878	656,030	546,448
Personnel expenses	A20	(4,615)	(4,021)	(13,485)	(12,151)
Other overheads and expenditures	A21	(87,573)	(80,540)	(257,384)	(218,475)
Profit before zakat and taxation		139,419	92,317	385,161	315,822
Zakat		(53)	(55)	(158)	(165)
Taxation		(32,673)	(22,618)	(90,222)	(76,289)
Profit for the period		106,693	69,644	294,781	239,368
Earnings per RM1.00 share (sen)					
- basic /diluted (sen)	A22	48.7	34.3	135.2	119.0

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.

PUBLIC ISLAMIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2016

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Profit for the period	106,693	69,644	294,781	239,368
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net gain / (loss) on revaluation of financial investments available-for-sale	27,272	(24,959)	31,572	(6,508)
Hedging reserves:				
- Net change in cash flow hedges	(19,196)	64,883	(135,367)	69,341
	8,076	39,924	(103,795)	62,833
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(6,545)	5,992	(7,577)	1,547
- Hedging reserves	4,607	(15,572)	32,488	(16,642)
	(1,938)	(9,580)	24,911	(15,095)
Other comprehensive income / (loss) for the period, net of tax	6,138	30,344	(78,884)	47,738
Total comprehensive income for the period	112,831	99,988	215,897	287,106

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.

PUBLIC ISLAMIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2016

	<----- Non-distributable ----->								Distributable	Total
	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 2016	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	-	-	-	-	-	-	-	-	294,781	294,781
Other comprehensive income / (loss) for the period	-	-	-	23,995	-	(102,879)	-	-	-	(78,884)
Total comprehensive income / (loss) for the period	-	-	-	23,995	-	(102,879)	-	-	294,781	215,897
Transactions with owner / other equity movements:										
Transfer to Profit Equalisation Reserves of the Bank	-	-	-	-	104	-	-	-	(104)	-
Transfer to statutory reserves	-	-	12,000	-	-	-	-	-	(12,000)	-
Transfer to regulatory reserves	-	-	-	-	-	-	42,226	-	(42,226)	-
Increase in share capital	12,000	288,000	-	-	-	-	-	-	-	300,000
	12,000	288,000	12,000	-	104	-	-	42,226	(54,330)	300,000
At 30 September 2016	219,217	2,213,500	239,546	45,874	191	(57,170)	4,293	110,965	703,187	3,479,603

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 3RD QUARTER ENDED 30 SEPTEMBER 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	
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	-	-	-	-	-	-	-	-	239,368	239,368
Other comprehensive (loss) / income for the period	-	-	-	(4,961)	-	52,699	-	-	-	47,738
Total comprehensive (loss) / income for the period	-	-	-	(4,961)	-	52,699	-	-	239,368	287,106
Transactions with owner / other equity movements:										
Transfer from Profit Equalisation Reserves of the Bank	-	-	-	-	(44)	-	-	-	44	-
Transfer to regulatory reserves	-	-	-	-	-	-	-	18,742	(18,742)	-
Increase in share capital	7,000	168,000	-	-	-	-	-	-	-	175,000
Dividends paid	-	-	-	-	-	-	-	-	(220,239)	(220,239)
	7,000	168,000	-	-	(44)	-	-	18,742	(238,937)	(45,239)
At 30 September 2015	207,217	1,925,500	207,546	(3,478)	10	98,588	7,610	18,742	431,731	2,893,466

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.

PUBLIC ISLAMIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2016

	30 September 2016 RM'000	30 September 2015 RM'000
Profit before zakat and taxation	385,161	315,822
Adjustments for non-cash items	33,784	78,256
Operating profit before working capital changes	418,945	394,078
Changes in working capital:		
Net changes in operating assets	(3,581,194)	(3,016,507)
Net changes in operating liabilities	6,680,790	5,616,535
Cash generated from operations	3,518,541	2,994,106
Zakat and tax paid	(50,848)	(85,388)
Net cash generated from operating activities	3,467,693	2,908,718
Net cash used in investing activities	(1,502,598)	(1,942,637)
Net cash generated from / (used in) financing activities	300,000	(45,239)
Net change in cash and cash equivalents	2,265,095	920,842
Cash and cash equivalents at beginning of the period	3,225,149	2,652,849
Cash and cash equivalents at end of the period	5,490,244	3,573,691

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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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 3rd quarter and nine months ended 30 September 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.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: 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 judgment 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 and Amendments to MFRSs have been issued by MASB but are not yet effective to the Bank:

Effective for annual periods commencing on or after 1 January 2017

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
- Disclosure Initiative (Amendments to MFRS 107)

Effective for annual periods commencing on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- Clarifications to MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments (2014)
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments to MFRS 112 clarify the accounting treatment of deferred tax assets for unrealised losses on fixed-rate debt instruments measured at fair value. The adoption of these amendments is not expected to have any financial impact on the Bank.

Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 requires entity to provide disclosures on changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The adoption of these amendments is not expected to have any financial impact on the Bank as it only affects disclosures.

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.

Clarifications to MFRS 15 Revenue from Contracts with Customers

The amendments provide clarifications on how certain principles should be applied in identifying performance obligations, determining whether an entity is a principal or an agent and accounting for licenses of intellectual property. The amendments also added two practical expedients to reduce the effort and cost of transition to MFRS 15. As the amendments only provide clarifications and do not change the underlying principle of MFRS 15, no material impact is expected on the financial statements of the Bank upon the adoption of the amendments.

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A1. Basis of Preparation (continued)

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.

Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments provide guidance on how to account for the following situations:

- The effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payments;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- A modification to the terms and conditions of a share-based payment transaction that changes the classification of the transaction from cash-settled to equity-settled.

As the Bank currently does not have any share-based payment transactions, the adoption of these amendments is not expected to have any financial impact on the Bank.

MFRS 16 Leases

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Bank is required to account for major part of their operating leases in the balance sheet by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Bank. The financial effects arising from the adoption of this standard 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.

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A3. Comments about Seasonal or Cyclical Factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the 3rd quarter and nine months ended 30 September 2016.

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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 2016.

A7. Dividends Paid, Distributed and Declared

No dividend has been paid nor declared during the 3rd quarter and nine months ended 30 September 2016.

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A8. Financial Assets Held-for-Trading

	30 September 2016 RM'000	31 December 2015 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Issues	20,581	-
Money market instruments:		
Negotiable Islamic Debt Certificates	748,531	1,588,380
	769,112	1,588,380
	769,112	1,588,380

A9. Financial Investments Available-for-Sale

	30 September 2016 RM'000	31 December 2015 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Issues	5,555,921	4,607,572
Malaysian Government Treasury Bills	-	58,468
	5,555,921	4,666,040
Non-money market instruments:		
Unit trust funds	-	114,768
	5,555,921	4,780,808
	5,555,921	4,780,808

A10. Financial Investments Held-to-Maturity

	30 September 2016 RM'000	31 December 2015 RM'000
At amortised cost		
Government securities and treasury bills:		
Malaysian Government Investment Issues	2,465,603	2,170,549
Non-money market instruments:		
Debt securities		
- Unquoted private debt securities	569,611	571,243
	3,035,214	2,741,792
	3,035,214	2,741,792

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A11. Financing and Advances

a. By type and contract

30 September 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
At amortised cost							
Cash line	1,185,421	-	-	-	-	-	1,185,421
Term financing							
- House financing	4,142,710	-	-	6,475,229	-	-	10,617,939
- Syndicated financing	1,354,731	-	-	-	-	-	1,354,731
- Hire purchase receivables	-	11,975,771	-	-	-	-	11,975,771
- Other term financing	3,019,374	-	1,934,104	5,877,379	-	-	10,830,857
Credit card receivables	-	-	-	-	-	9,064	9,064
Bills receivables	-	-	-	-	3,193	-	3,193
Trust receipts	-	-	-	-	966	-	966
Claims on customers under acceptance credits	-	-	-	-	102,623	-	102,623
Revolving credits	198,880	-	-	-	-	-	198,880
Staff financing	-	4,275	-	25,770	-	-	30,045
Gross financing and advances	9,901,116	11,980,046	1,934,104	12,378,378	106,782	9,064	36,309,490
Allowance for impaired financing and advances:							
- collective assessment allowance							(324,750)
- individual assessment allowance							-
Net financing and advances							<u>35,984,740</u>

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A11. Financing and Advances (continued)

a. By type and contract (continued)

31 December 2015	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
At amortised cost							
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

	30 September 2016 RM'000	31 December 2015 RM'000
Retail financing *		
- House financing	10,617,939	8,402,461
- Hire purchase	11,975,771	12,048,635
- Credit cards	9,064	5,610
- Other financing ^	10,872,260	9,170,775
	33,475,034	29,627,481
Corporate financing	2,834,456	2,425,269
Gross financing and advances	36,309,490	32,052,750

* 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 September 2016 RM'000	31 December 2015 RM'000
Domestic non-bank financial institutions		
- Others	229,197	230,965
Domestic business enterprises		
- Small and medium enterprises	6,552,233	5,530,622
- Others	1,159,437	678,085
Government and statutory bodies	1,329,113	1,316,438
Individuals	26,959,429	24,224,720
Other domestic entities	4,709	3,392
Foreign entities	75,372	68,528
Gross financing and advances	36,309,490	32,052,750

d. By rate of return sensitivity

	30 September 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- House financing	442,067	481,805
- Hire purchase receivables	11,975,542	12,048,635
- Other fixed rate financing	3,387,537	3,468,374
Variable rate		
- Base rate / base financing rate plus	19,065,359	15,012,483
- Cost plus	1,438,985	1,041,453
Gross financing and advances	36,309,490	32,052,750

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A11. Financing and Advances (continued)

e. By residual contractual maturity

	30 September 2016 RM'000	31 December 2015 RM'000
Maturity within one year	1,721,029	1,502,816
More than one year to three years	2,926,845	2,726,624
More than three years to five years	3,464,438	3,591,140
More than five years	28,197,178	24,232,170
Gross financing and advances	<u>36,309,490</u>	<u>32,052,750</u>

f. By economic purpose

	30 September 2016 RM'000	31 December 2015 RM'000
Purchase of transport vehicles	11,980,029	12,050,318
Purchase of landed properties (of which: - residential - non-residential)	<u>18,118,257</u> <u>10,843,422</u> <u>7,274,835</u>	<u>14,249,481</u> <u>8,497,749</u> <u>5,751,732</u>
Purchase of fixed assets (excluding landed properties)	11,293	13,213
Personal use	2,510,060	2,429,620
Credit card	9,064	5,610
Purchase of consumer durables	1,789	1,941
Construction	207,610	109,584
Working capital	3,407,060	3,124,576
Other purpose	64,328	68,407
Gross financing and advances	<u>36,309,490</u>	<u>32,052,750</u>

g. By sectors

	30 September 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	848,659	475,070
Mining and quarrying	32,758	34,962
Manufacturing	612,071	478,443
Electricity, gas and water	1,312	1,154
Construction	917,703	679,738
Wholesale & retail trade and restaurants & hotels	1,629,726	1,313,628
Transport, storage and communication	324,540	277,754
Finance, insurance and business services	638,054	620,903
Real estate	2,718,539	2,364,506
Community, social and personal services	1,548,867	1,509,692
Households	27,034,801	24,293,248
Others	2,460	3,652
Gross financing and advances	<u>36,309,490</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:

	30 September 2016 RM'000	31 December 2015 RM'000
At 1 January	211,804	232,348
Impaired during the period / year	435,258	558,945
Reclassified as non-impaired	(324,524)	(437,925)
Recoveries	(33,804)	(45,881)
Amount written off	(67,303)	(95,412)
Financing converted to foreclosed properties	(462)	(271)
Closing balance	220,969	211,804
Gross impaired financing as a percentage of gross financing and advances	0.61%	0.66%

i. Impaired financing and advances by economic purpose

	30 September 2016 RM'000	31 December 2015 RM'000
Purchase of transport vehicles	98,587	104,061
Purchase of landed properties	89,838	71,470
(of which: - residential	83,171	64,435
- non-residential)	6,667	7,035
Purchase of fixed assets (excluding landed properties)	-	39
Personal use	30,105	35,317
Credit card	37	21
Purchase of consumer durables	-	57
Working capital	2,389	820
Other purpose	13	19
	220,969	211,804

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A11. Financing and Advances (continued)

j. Impaired financing and advances by sectors

	30 September 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	804	918
Mining and quarrying	38	130
Manufacturing	440	378
Construction	2,330	1,283
Wholesale & retail trade and restaurants & hotels	1,702	1,508
Transport, storage and communication	961	467
Finance, insurance and business services	899	1,270
Real estate	807	653
Community, social and personal services	165	566
Households	212,640	204,611
Others	183	20
	220,969	211,804

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 September 2016 RM'000	31 December 2015 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	315,895	321,851
Allowance made during the period / year	76,158	89,456
Amount written off	(67,303)	(95,412)
Closing balance	324,750	315,895

	30 September 2016 RM'000	31 December 2015 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January / Closing balance	-	-

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A12. Other Assets

	30 September 2016 RM'000	31 December 2015 RM'000
Deferred handling fees	69,679	71,396
Income receivable	1,902	771
Other receivables, deposits and prepayments	11,118	7,384
Employee benefits	2,552	2,838
Foreclosed properties	865	506
	86,116	82,895

A13. Deposits from Customers

a. By type of deposit and contract

	30 September 2016 RM'000	31 December 2015 RM'000
At amortised cost		
Savings deposit		
- Wadiah	5,777,984	5,494,154
Demand deposit		
- Wadiah	3,567,615	3,521,768
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	-	974,136
- Commodity Murabahah	26,530,916	24,388,180
- General investment account		
- Mudharabah	92,459	113,594
- Wakalah	114,771	149,849
	207,230	263,443
- Special term deposit account		
- Wadiah	8,831,759	4,455,764
	44,915,504	39,097,445

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A13. Deposits from Customers (continued)

b. By type of customer

	30 September 2016 RM'000	31 December 2015 RM'000
Federal and state governments	7,892,585	4,386,909
Local government and statutory authorities	852,727	993,260
Business enterprises	6,622,066	7,167,337
Individuals	12,336,802	12,328,522
Foreign customers	512,923	444,119
Others	16,698,401	13,777,298
	44,915,504	39,097,445

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

	30 September 2016 RM'000	31 December 2015 RM'000
Due within six months	33,833,329	26,964,221
More than six months to one year	1,705,275	3,116,082
More than one year to three years	30,577	406
More than three years to five years	724	814
	35,569,905	30,081,523

d. By class

	30 September 2016 RM'000	31 December 2015 RM'000
Core deposits	36,083,745	33,667,545
Wholesale deposits	8,831,759	5,429,900
	44,915,504	39,097,445

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A14. Deposits from Banks

	30 September 2016 RM'000	31 December 2015 RM'000
At amortised cost		
<u>Non-Mudharabah Fund</u>		
Licensed banks	2,049,454	1,647,165
Licensed Islamic banks	149,741	-
Licensed investment banks	100,282	264
Bank Negara Malaysia	12,522	7,997
Other financial institutions	811,474	663,388
	<u>3,123,473</u>	<u>2,318,814</u>

A15. Other Liabilities

	30 September 2016 RM'000	31 December 2015 RM'000
Income payable	256,235	191,355
Other payables and accruals	14,255	21,265
Profit Equalisation Reserves	115	53
	<u>270,605</u>	<u>212,673</u>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(a) Term deposits	416,945	353,745	1,215,438	1,007,967
(b) Other deposits	120,381	111,354	354,523	332,469
	537,326	465,099	1,569,961	1,340,436

a. Income derived from investment of term deposits:

Finance income and Hibah

Financing and advances	333,831	281,092	963,473	782,058
Financial investments available-for-sale	32,352	32,114	89,131	96,534
Financial investments held-to-maturity	19,770	18,713	56,048	45,718
Balances with banks	8,663	5,394	37,519	20,055
	394,616	337,313	1,146,171	944,365
Financial assets held-for-trading	3,426	6,560	12,015	33,013
Total finance income and Hibah	398,042	343,873	1,158,186	977,378

Other operating income

Fee and commission income:

- Commissions	3,988	2,919	10,504	5,137
- Service charges and fees	3,912	3,543	10,741	9,472
- Other fee income	958	1,885	3,701	4,633

Net gains and losses on financial instruments:

- Gross dividend income from financial investments available-for-sale	6	1,458	2,777	9,282
- Net gain arising from sale of financial investments available-for-sale	3,757	32	12,920	1,860
- Gain / (Loss) representing ineffective portions of hedging derivatives	3,081	46	9,556	(86)
- Others	406	(31)	550	201

Gross dividend income from collective investment

	2,666	-	5,797	-
Other income	129	20	706	90
Total other operating income	18,903	9,872	57,252	30,589

	416,945	353,745	1,215,438	1,007,967
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Of which:

Financing income earned on impaired financing

	2,184	2,184	6,243	6,609
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A16. Income Derived from Investment of Depositors' Funds and Others (continued)

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
b. Income derived from investment of other deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	96,399	88,637	281,029	257,954
Financial investments available-for-sale	9,349	10,068	25,998	31,841
Financial investments held-to-maturity	5,710	5,953	16,348	15,080
Balances with banks	2,482	1,660	10,944	6,615
	113,940	106,318	334,319	311,490
Financial assets held-for-trading	986	1,948	3,505	10,889
Total finance income and Hibah	114,926	108,266	337,824	322,379
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	1,153	945	3,064	1,694
- Service charges and fees	1,130	1,120	3,133	3,124
- Other fee income	276	600	1,079	1,529
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	(2)	417	810	3,061
- Net gain / (loss) arising from sale of financial investments available-for-sale	1,082	(4)	3,769	614
- Gain / (Loss) representing ineffective portions of hedging derivatives	888	17	2,787	(28)
- Others	118	(13)	160	66
Gross dividend income from collective investment	773	-	1,691	-
Other income	37	6	206	30
Total other operating income	5,455	3,088	16,699	10,090
	120,381	111,354	354,523	332,469
Of which:				
Financing income earned on impaired financing	631	684	1,821	2,180

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A17. Income Derived from Investment of Shareholder's Funds

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<u>Finance income and Hibah</u>				
Financing and advances	33,343	27,756	99,264	76,658
Financial investments available-for-sale	3,238	3,174	9,183	9,462
Financial investments held-to-maturity	1,976	1,845	5,774	4,481
Balances with banks	845	535	3,866	1,966
	<u>39,402</u>	<u>33,310</u>	<u>118,087</u>	<u>92,567</u>
Financial assets held-for-trading	339	654	1,238	3,236
Total finance income and Hibah	<u>39,741</u>	<u>33,964</u>	<u>119,325</u>	<u>95,803</u>
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	400	286	1,082	503
- Service charges and fees	392	349	1,107	928
- Other fee income	94	187	381	455
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	(4)	145	286	910
- Net gain arising from sale of financial investments available-for-sale	372	3	1,331	182
- Gain / (Loss) representing ineffective portions of hedging derivatives	307	4	985	(9)
- Others	42	(2)	57	20
Gross dividend income from collective investment	269	-	597	-
Other income	12	2	73	9
Total other operating income	<u>1,884</u>	<u>974</u>	<u>5,899</u>	<u>2,998</u>
	<u>41,625</u>	<u>34,938</u>	<u>125,224</u>	<u>98,801</u>
Of which:				
Financing income earned on impaired financing	218	216	643	648

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A18. Allowance for Impairment on Financing and Advances

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Allowance for impaired financing:				
- Collective assessment allowance	25,991	38,825	76,158	93,473
- Individual assessment allowance	-	-	-	-
Impaired financing recovered	(4,822)	(4,722)	(14,444)	(15,690)
	21,169	34,103	61,714	77,783

A19. Income Attributable to Depositors and Others

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Deposits from customers				
- Mudharabah fund	712	919	2,437	4,232
- Non-Mudharabah fund	284,640	252,001	869,103	697,780
Deposits from banks				
- Mudharabah fund	-	-	-	5,935
- Non-Mudharabah fund	30,321	25,612	74,602	75,761
Financing sold to Cagamas	4,525	4,538	13,395	13,500
Subordinated Sukuk Murabahah	5,987	5,986	17,829	17,763
	326,185	289,056	977,366	814,971

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 RM11,000 in the current period (30 September 2015 : RM54,000).

A20. Personnel expenses

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Salaries, allowances and bonuses	3,614	3,010	10,287	9,265
Pension costs	508	491	1,467	1,496
Others	493	520	1,731	1,390
	4,615	4,021	13,485	12,151

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A21. Other Overheads and Expenditures

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Establishment costs				
- Depreciation	106	106	335	337
- Rental	345	460	886	923
- Insurance	205	175	572	566
- Water and electricity	19	64	102	150
- General repairs and maintenance	100	77	324	261
- Others	109	106	278	308
	884	988	2,497	2,545
Marketing expenses				
- Advertisement and publicity	804	442	1,883	1,901
- Others	1,125	1,935	3,668	3,750
	1,929	2,377	5,551	5,651
Administration and general expenses				
- Communication expenses	761	742	2,378	1,983
- Legal and professional fees	2,102	2,044	7,247	5,530
- Others	3,849	3,229	11,674	7,622
	6,712	6,015	21,299	15,135
Shared service costs paid/payable to Public Bank Berhad	81,263	75,341	238,511	206,733
Recovery of expenses	(3,215)	(4,181)	(10,474)	(11,589)
	87,573	80,540	257,384	218,475

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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 3rd quarter and nine months ended 30 September 2016.

	3rd Quarter Ended		Nine Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Net profit attributable to equity holder of the Bank (RM'000)	106,693	69,644	294,781	239,368
Number of ordinary shares at beginning of the period ('000)	219,217	200,217	207,217	200,217
Effect of the issuance of shares ('000)	-	2,663	10,818	897
Weighted average number of shares ('000)	219,217	202,880	218,035	201,114
Basic earnings per share (sen)	48.7	34.3	135.2	119.0

There were no dilutive potential ordinary shares in the 3rd quarter ended 30 September 2016 and 30 September 2015.

A23. Performance Review

The Bank reported a higher pre-tax profit of RM385.2 million for the nine months ended 30 September 2016, which was 22.0% or RM69.4 million higher as compared to pre-tax profit of RM315.8 million for the nine months ended 30 September 2015. The higher profit was primarily due to higher net finance income of RM57.3 million, higher other operating income of RM36.2 million and lower allowance for impairment on financing and advances of RM16.1 million, partially offset by higher other operating expenses of RM40.2 million.

A24. Prospects for 2016

Global growth prospects remain weak in the second half of 2016 as the external environment continues to be challenging with some economies facing fragile recoveries. Risks remain on the downside, including the potential effects of Brexit, the US election cycle and China's further slowdown whilst growth remains subdued in major advanced economies.

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A24. Prospects for 2016 (continued)

For the Malaysian economy, while domestic demand is poised to continue supporting growth in the second half of 2016, the path forward remains challenging amid the uncertain external environment. In the first half of 2016, GDP grew at a slower pace of 4.1% year-on-year due to continued decline in net exports. The economy is expected to grow at between 4.0% and 4.5% in 2016, driven by domestic demand and supported by private sector spending. Private consumption is expected to expand further, underpinned by continued growth in wages and employment, and additional disposable income from Government measures. Overall, investment will continue to be supported by the implementation of infrastructure development projects and capital spending in the manufacturing and services sectors. Exports are projected to remain weak amid soft global demand. Headline inflation averaged at 2.3% in the first eight months of the year and is expected to be at the lower end of the 2% to 3% range in 2016 due to lower global energy and commodity prices and subdued global inflation.

The Malaysian banking system remains resilient despite the weaker global growth prospects and continued volatility in the international financial and commodity markets. Overall liquidity conditions remain supportive of financing needs of businesses and households. As businesses and households adjust to the more challenging business conditions and higher cost of living, this is expected to impact banks' revenue, loan performance and asset quality. Supported by strong capital and liquidity buffers, the banking sector is expected to be resilient and has the capacity to weather adverse economic and market developments. On 13 July 2016, Bank Negara Malaysia lowered the Overnight Policy Rate by 25 basis points to 3.00%, the first time in seven years amid external and domestic headwinds.

The Bank will continue to capitalise on its efficient customer service and extensive network to maintain its position in the domestic retail segment, supported by ongoing demand for 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 practices.

In the SME market segment, the Bank will continue to enhance relationships with existing customers and tap on market opportunities to acquire new customers to support business growth and financing needs of SMEs. The Bank will further strive to penetrate the mid-market SMEs.

The Bank remains focused in the consumer financing segment for property purchases and vehicle hire purchase business. The Bank will continue to leverage on Public Bank's large network of branches, hire purchase centres, comprehensive product packages, efficient financing delivery and extensive marketing staff force.

To remain competitive and achieve higher penetration into bancatakaful industry, the Bank will continue to work closely with AIA PUBLIC Takaful Bhd to further develop its bancatakaful business as well as improve its customer service experience. The Bank will also continue to maintain its fee income generating activities 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

	<----- 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	
3rd Quarter Ended 30 September 2016							
External revenue	160,933	282,252	33,278	57,485	45,003	-	578,951
Revenue from other segments	-	102,746	-	12,192	118,628	(233,566)	-
Total revenue	<u>160,933</u>	<u>384,998</u>	<u>33,278</u>	<u>69,677</u>	<u>163,631</u>	<u>(233,566)</u>	<u>578,951</u>
Net finance income	45,308	131,351	6,790	5,507	37,566	-	226,522
Other operating income	223	12,479	(269)	5,633	8,176	-	26,242
Net income	<u>45,531</u>	<u>143,830</u>	<u>6,521</u>	<u>11,140</u>	<u>45,742</u>	<u>-</u>	<u>252,764</u>
Other operating expenses	(15,954)	(58,327)	(115)	(618)	(17,174)	-	(92,188)
Allowance for impairment on financing and advances	(12,991)	(8,091)	(87)	-	-	-	(21,169)
Writeback of impairment on other assets	-	12	-	-	-	-	12
Profit before zakat and taxation	<u>16,586</u>	<u>77,424</u>	<u>6,319</u>	<u>10,522</u>	<u>28,568</u>	<u>-</u>	<u>139,419</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	
3rd Quarter Ended 30 September 2015							
External revenue	154,754	229,510	25,964	54,052	35,757	-	500,037
Revenue from other segments	-	114,660	-	3,177	112,949	(230,786)	-
Total revenue	154,754	344,170	25,964	57,229	148,706	(230,786)	500,037
Net finance income	43,618	125,672	3,484	356	23,917	-	197,047
Other operating income	203	10,671	966	10	2,084	-	13,934
Net income	43,821	136,343	4,450	366	26,001	-	210,981
Other operating expenses	(15,603)	(53,180)	(1,099)	(382)	(14,297)	-	(84,561)
Allowance for impairment on financing and advances	(18,070)	(14,216)	(1,817)	-	-	-	(34,103)
Profit before zakat and taxation	10,148	68,947	1,534	(16)	11,704	-	92,317

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A26. Segment Information (continued)

Nine Months Ended 30 September 2016	<----- 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	482,598	802,596	96,200	186,074	127,717	-	1,695,185
Revenue from other segments	-	320,613	-	25,792	355,849	(702,254)	-
Total revenue	482,598	1,123,209	96,200	211,866	483,566	(702,254)	1,695,185
Net finance income	133,706	371,238	17,412	6,477	109,063	-	637,896
Other operating income	709	33,658	1,288	18,692	25,503	-	79,850
Net income	134,415	404,896	18,700	25,169	134,566	-	717,746
Other operating expenses	(49,036)	(172,319)	(643)	(1,768)	(47,103)	-	(270,869)
Allowance for impairment on financing and advances	(33,806)	(27,495)	(413)	-	-	-	(61,714)
Impairment on other assets	-	(2)	-	-	-	-	(2)
Profit before zakat and taxation	51,573	205,080	17,644	23,401	87,463	-	385,161
Cost income ratio	36.5%	42.6%	3.4%	7.0%	35.0%	-	37.7%
Gross financing and advances	11,976,007	21,499,027	2,834,456	-	-	-	36,309,490
Financing growth	-0.6%	22.3%	16.9%	-	-	-	13.3%
Impaired financing and advances	98,587	122,382	-	-	-	-	220,969
Impaired financing ratio	0.8%	0.6%	-	-	-	-	0.6%
Deposits from customers	-	36,058,889	24,856	8,831,759	-	-	44,915,504
Deposit growth	-	7.2%	-17.7%	62.7%	-	-	14.9%
Segment assets	11,867,172	37,331,766	2,830,990	11,695,235	4,596,374	(15,412,905)	52,908,632
Reconciliation of segment assets to total assets:							
Investment in an associated company							20,000
Unallocated assets							9,403
Total assets							52,938,035

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A26. Segment Information (continued)

Nine Months Ended 30 September 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	449,842	646,822	50,691	200,726	91,156	-	1,439,237
Revenue from other segments	-	286,862	-	23,144	317,562	(627,568)	-
Total revenue	449,842	933,684	50,691	223,870	408,718	(627,568)	1,439,237
Net finance income	134,248	371,496	8,961	11,676	54,185	-	580,566
Other operating income	64	25,212	2,213	2,850	13,338	-	43,677
Net income	134,312	396,708	11,174	14,526	67,523	-	624,243
Other operating expenses	(46,735)	(143,891)	(1,941)	(1,424)	(36,635)	-	(230,626)
Allowance for impairment on financing and advances	(44,324)	(31,427)	(2,032)	-	-	-	(77,783)
Impairment on other assets	-	(12)	-	-	-	-	(12)
Profit before zakat and taxation	43,253	221,378	7,201	13,102	30,888	-	315,822
Cost income ratio	34.8%	36.3%	17.4%	9.8%	54.3%	-	36.9%
Gross financing and advances	11,897,281	16,437,164	2,325,730	-	-	-	30,660,175
Financing growth	8.3%	18.4%	163.0%	-	-	-	19.0%
Impaired financing and advances	111,946	108,197	-	-	-	-	220,143
Impaired financing ratio	0.9%	0.7%	-	-	-	-	0.7%
Deposits from customers	-	30,188,369	32,572	7,148,387	-	-	37,369,328
Deposit growth	-	36.1%	-7.9%	-16.1%	-	-	21.6%
Segment assets	11,777,460	31,380,112	2,323,497	9,377,721	4,067,513	(15,036,086)	43,890,217
Reconciliation of segment assets to total assets:							
Investment in an associated company							20,000
Unallocated assets							106,637
Total assets							44,016,854

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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 September 2016	31 December 2015
Common Equity Tier I ("CET I") capital ratio	11.017%	10.771%
Tier I capital ratio	11.017%	10.771%
Total capital ratio	13.606%	13.481%

	30 September 2016	31 December 2015
	RM'000	RM'000

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

CET I capital / Tier I capital

Paid-up share capital	219,217	207,217
Share premium	2,213,500	1,925,500
Other reserves	264,482	241,685
Retained profits	607,116	462,736
Less: Deferred tax assets, net	(2,916)	-
Less: Defined benefit pension fund assets	(1,940)	(2,157)
Less: Investment in an associated company deducted from CET I capital	(12,000)	(8,000)
Total CET I capital / Tier I capital	3,287,459	2,826,981

Tier II capital

Collective assessment allowance and regulatory reserves #	281,468	224,109
Subordinated Sukuk Murabahah	499,309	499,117
Less: Investment in an associated company deducted from Tier II capital	(8,000)	(12,000)
Total Tier II capital	772,777	711,226
Total capital	4,060,236	3,538,207

Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM143,611,000 (2015 : RM160,525,000). Includes the qualifying regulatory reserves for non-impaired financing of RM100,329,000 (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:

	30 September 2016 RM'000	31 December 2015 RM'000
Credit risk	28,221,206	24,611,954
Market risk	30,338	85,600
Operational risk	1,589,565	1,549,041
	<u>29,841,109</u>	<u>26,246,595</u>

A28. Commitments and Contingencies

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

	30 September 2016 RM'000	31 December 2015 RM'000
<u>Contingent Liabilities</u>		
Direct credit substitutes	12,246	121,056
Transaction-related contingent items	27,636	22,297
Short term self-liquidating trade-related contingencies	4,703	3,652
	<u>44,585</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	5,388,672	4,581,376
- not exceeding one year	1,312,762	1,111,758
Unutilised credit card lines	36,999	24,624
	<u>6,738,433</u>	<u>5,717,758</u>
<u>Derivative Financial Instruments</u>		
Profit rate related contracts:		
- less than one year	200,000	-
- one year to less than five years	1,630,000	1,830,000
- five years and above	2,500,000	2,500,000
	<u>4,330,000</u>	<u>4,330,000</u>
	<u>11,113,018</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 judgment 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:

30 September 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	20,581	-	20,581
- Money market instruments	-	748,531	-	748,531
	-	769,112	-	769,112
Financial investments available-for-sale				
- Government securities and treasury bills	-	5,555,921	-	5,555,921
Derivative financial assets				
	-	560	-	560
Total financial assets measured at fair value	-	6,325,593	-	6,325,593
Financial liabilities				
Derivative financial liabilities				
	-	68,216	-	68,216
Total financial liabilities measured at fair value	-	68,216	-	68,216

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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):

31 December 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	-	1,588,380	-	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>
Financial liabilities				
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).