

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

	Note	30 June 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and balances with banks		4,443,858	3,225,149
Financial assets held-for-trading	A8	508,461	1,588,380
Derivative financial assets		4,403	56,019
Financial investments available-for-sale	A9	4,959,932	4,780,808
Financial investments held-to-maturity	A10	2,923,508	2,741,792
Financing and advances	A11	34,596,334	31,736,855
Other assets	A12	95,378	82,895
Statutory deposits with Bank Negara Malaysia		1,330,700	1,423,800
Deferred tax assets		4,812	-
Collective investment		372,706	-
Investment in an associated company		20,000	20,000
Property and equipment		1,247	1,267
TOTAL ASSETS		49,261,339	45,656,965
LIABILITIES			
Deposits from customers	A13	42,005,140	39,097,445
Deposits from banks	A14	2,547,992	2,318,814
Bills and acceptances payable		845	849
Recourse obligations on financing sold to Cagamas		500,016	500,016
Derivative financial liabilities		57,140	1,636
Subordinated Sukuk Murabahah		499,245	499,117
Other liabilities	A15	220,393	212,673
Provision for zakat and taxation		63,796	40,680
Deferred tax liabilities		-	22,029
TOTAL LIABILITIES		45,894,567	42,693,259
EQUITY			
Share capital		219,217	207,217
Reserves		3,147,555	2,756,489
TOTAL EQUITY		3,366,772	2,963,706
TOTAL LIABILITIES AND EQUITY		49,261,339	45,656,965
COMMITMENTS AND CONTINGENCIES	A28	11,071,015	10,194,763
CAPITAL ADEQUACY			
Common Equity Tier I Capital Ratio	A27	11.340%	10.771%
Tier I Capital Ratio	A27	11.340%	10.771%
Total Capital Ratio	A27	13.948%	13.481%
Net assets per share attributable to ordinary equity holder of the Bank (RM)		15.36	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
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016

	Note	2nd Quarter Ended		Half Year Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of depositors' funds and others	A16	528,659	457,479	1,032,635	875,337
Income derived from investment of shareholder's funds	A17	41,720	32,136	83,599	63,863
Allowance for impairment on financing and advances	A18	(27,512)	(21,420)	(40,545)	(43,680)
Writeback of impairment / (Impairment) on other assets		20	(6)	(14)	(12)
Profit Equalisation Reserves		(33)	(5)	(71)	(23)
Total distributable income		542,854	468,184	1,075,604	895,485
Income attributable to depositors and others	A19	(334,403)	(280,715)	(651,181)	(525,915)
Total net income		208,451	187,469	424,423	369,570
Personnel expenses	A20	(4,361)	(4,090)	(8,870)	(8,130)
Other overheads and expenditures	A21	(85,987)	(73,020)	(169,811)	(137,935)
Profit before zakat and taxation		118,103	110,359	245,742	223,505
Zakat		(52)	(55)	(105)	(110)
Taxation		(27,057)	(25,542)	(57,549)	(53,671)
Profit for the period		90,994	84,762	188,088	169,724
Earnings per RM1.00 share (sen)					
- basic /diluted (sen)	A22	41.5	42.3	86.5	84.8

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 FINANCIAL HALF YEAR ENDED 30 JUNE 2016

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period	<u>90,994</u>	<u>84,762</u>	<u>188,088</u>	<u>169,724</u>
Other comprehensive income / (loss):				
<u>Items that may be reclassified to</u>				
<u>profit or loss:</u>				
Revaluation reserves:				
- Net gain / (loss) on revaluation of financial investments available-for-sale	8,126	(2,804)	4,300	18,451
Hedging reserves:				
- Net change in cash flow hedges	<u>(23,592)</u>	<u>38,853</u>	<u>(116,171)</u>	<u>4,458</u>
	<u>(15,466)</u>	<u>36,049</u>	<u>(111,871)</u>	<u>22,909</u>
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(1,950)	687	(1,032)	(4,445)
- Hedging reserves	<u>5,662</u>	<u>(9,325)</u>	<u>27,881</u>	<u>(1,070)</u>
	<u>3,712</u>	<u>(8,638)</u>	<u>26,849</u>	<u>(5,515)</u>
Other comprehensive (loss) / income for the period, net of tax	<u>(11,754)</u>	<u>27,411</u>	<u>(85,022)</u>	<u>17,394</u>
Total comprehensive income for the period	<u><u>79,240</u></u>	<u><u>112,173</u></u>	<u><u>103,066</u></u>	<u><u>187,118</u></u>

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 FINANCIAL HALF YEAR ENDED 30 JUNE 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 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	-	-	-	-	-	-	-	-	188,088	188,088
Other comprehensive income / (loss) for the period	-	-	-	3,268	-	(88,290)	-	-	-	(85,022)
Total comprehensive income / (loss) for the period	-	-	-	3,268	-	(88,290)	-	-	188,088	103,066
Transactions with owner / other equity movements:										
Transfer to Profit Equalisation Reserves of the Bank	-	-	-	-	118	-	-	-	(118)	-
Transfer to statutory reserves	-	-	12,000	-	-	-	-	-	(12,000)	-
Transfer to regulatory reserves	-	-	-	-	-	-	31,590	-	(31,590)	-
Increase in share capital	12,000	288,000	-	-	-	-	-	-	-	300,000
	<u>12,000</u>	<u>288,000</u>	<u>12,000</u>	<u>-</u>	<u>118</u>	<u>-</u>	<u>-</u>	<u>31,590</u>	<u>(43,708)</u>	<u>300,000</u>
At 30 June 2016	<u>219,217</u>	<u>2,213,500</u>	<u>239,546</u>	<u>25,147</u>	<u>205</u>	<u>(42,581)</u>	<u>4,293</u>	<u>100,329</u>	<u>607,116</u>	<u>3,366,772</u>

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 FINANCIAL HALF YEAR ENDED 30 JUNE 2016

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

The 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 FINANCIAL HALF YEAR ENDED 30 JUNE 2016

	30 June 2016 RM'000	30 June 2015 RM'000
Profit before zakat and taxation	245,742	223,505
Adjustments for non-cash items	20,913	41,309
Operating profit before working capital changes	<u>266,655</u>	<u>264,814</u>
Changes in working capital:		
Net changes in operating assets	(1,744,772)	(1,879,556)
Net changes in operating liabilities	3,144,518	5,792,576
Cash generated from operations	<u>1,666,401</u>	<u>4,177,834</u>
Zakat and tax paid	<u>(34,529)</u>	<u>(37,874)</u>
Net cash generated from operating activities	<u>1,631,872</u>	<u>4,139,960</u>
Net cash used in investing activities	(713,163)	(3,230,036)
Net cash generated from / (used in) financing activities	<u>300,000</u>	<u>(160,174)</u>
Net change in cash and cash equivalents	<u>1,218,709</u>	<u>749,750</u>
Cash and cash equivalents at beginning of the period	<u>3,225,149</u>	<u>2,652,849</u>
Cash and cash equivalents at end of the period	<u><u>4,443,858</u></u>	<u><u>3,402,599</u></u>

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 2nd quarter and financial half year ended 30 June 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 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 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
- MFRS 9 Financial Instruments (2014)

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.

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.

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A1. Basis of Preparation (continued)

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.

A3. Comments about Seasonal or Cyclical Factors

The operations of the Bank were not materially affected by any seasonal or cyclical factors in the 2nd quarter and financial half year ended 30 June 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 2nd quarter and financial half year ended 30 June 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 2nd quarter and financial half year ended 30 June 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 2nd quarter and financial half year ended 30 June 2016.

A7. Dividends Paid, Distributed and Declared

No dividend has been paid nor declared during the 2nd quarter and financial half year ended 30 June 2016.

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A8. Financial Assets Held-for-Trading

	30 June 2016 RM'000	31 December 2015 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Issues	10,278	-
Money market instruments:		
Negotiable Islamic Debt Certificates	498,183	1,588,380
	508,461	1,588,380

A9. Financial Investments Available-for-Sale

	30 June 2016 RM'000	31 December 2015 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Issues	4,847,122	4,607,572
Malaysian Government Treasury Bills	-	58,468
	4,847,122	4,666,040
Non-money market instruments:		
Unit trust funds	112,810	114,768
	4,959,932	4,780,808

A10. Financial Investments Held-to-Maturity

	30 June 2016 RM'000	31 December 2015 RM'000
At amortised cost		
Government securities and treasury bills:		
Malaysian Government Investment Issues	2,352,327	2,170,549
Non-money market instruments:		
Debt securities		
- Unquoted private debt securities	571,181	571,243
	2,923,508	2,741,792

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A11. Financing and Advances

a. By type and contract

30 June 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	1,107,776	-	-	-	-	-	1,107,776
Term financing							
- House financing	4,208,178	-	-	5,627,824	-	-	9,836,002
- Syndicated financing	1,332,887	-	-	-	-	-	1,332,887
- Hire purchase receivables	-	12,069,947	-	-	-	-	12,069,947
- Other term financing	3,002,752	-	1,968,320	5,265,928	-	-	10,237,000
Credit card receivables	-	-	-	-	-	8,147	8,147
Bills receivables	-	-	-	-	1,438	-	1,438
Trust receipts	-	-	-	-	2,337	-	2,337
Claims on customers under acceptance credits	-	-	-	-	99,578	-	99,578
Revolving credits	198,076	-	-	-	-	-	198,076
Staff financing	-	3,759	-	18,038	-	-	21,797
Gross financing and advances	9,849,669	12,073,706	1,968,320	10,911,790	103,353	8,147	34,914,985
Allowance for impaired financing and advances:							
- collective assessment allowance							(318,651)
- individual assessment allowance							-
Net financing and advances							<u>34,596,334</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 June 2016 RM'000	31 December 2015 RM'000
Retail financing *		
- House financing	9,836,002	8,402,461
- Hire purchase	12,069,947	12,048,635
- Credit cards	8,147	5,610
- Other financing ^	10,244,496	9,170,775
	<u>32,158,592</u>	<u>29,627,481</u>
Corporate financing	2,756,393	2,425,269
Gross financing and advances	<u>34,914,985</u>	<u>32,052,750</u>

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

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

c. By type of customer

	30 June 2016 RM'000	31 December 2015 RM'000
Domestic non-bank financial institutions		
- Others	230,562	230,965
Domestic business enterprises		
- Small and medium enterprises	6,228,775	5,530,622
- Others	1,029,245	678,085
Government and statutory bodies	1,315,056	1,316,438
Individuals	26,034,453	24,224,720
Other domestic entities	4,977	3,392
Foreign entities	71,917	68,528
Gross financing and advances	<u>34,914,985</u>	<u>32,052,750</u>

d. By rate of return sensitivity

	30 June 2016 RM'000	31 December 2015 RM'000
Fixed rate		
- House financing	452,919	481,805
- Hire purchase receivables	12,069,706	12,048,635
- Other fixed rate financing	3,402,959	3,468,374
Variable rate		
- Base rate / base financing rate plus	17,624,041	15,012,483
- Cost plus	1,365,360	1,041,453
Gross financing and advances	<u>34,914,985</u>	<u>32,052,750</u>

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A11. Financing and Advances (continued)

e. By residual contractual maturity

	30 June 2016 RM'000	31 December 2015 RM'000
Maturity within one year	1,631,405	1,502,816
More than one year to three years	2,874,418	2,726,624
More than three years to five years	3,505,678	3,591,140
More than five years	26,903,484	24,232,170
Gross financing and advances	34,914,985	32,052,750

f. By economic purpose

	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of transport vehicles	12,073,688	12,050,318
Purchase of landed properties (of which: - residential - non-residential)	16,872,606 10,009,964 6,862,642	14,249,481 8,497,749 5,751,732
Purchase of fixed assets (excluding landed properties)	11,906	13,213
Personal use	2,479,385	2,429,620
Credit card	8,147	5,610
Purchase of consumer durables	1,890	1,941
Construction	165,193	109,584
Working capital	3,230,457	3,124,576
Other purpose	71,713	68,407
Gross financing and advances	34,914,985	32,052,750

g. By sectors

	30 June 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	792,810	475,070
Mining and quarrying	32,165	34,962
Manufacturing	564,316	478,443
Electricity, gas and water	971	1,154
Construction	797,324	679,738
Wholesale & retail trade and restaurants & hotels	1,523,321	1,313,628
Transport, storage and communication	306,523	277,754
Finance, insurance and business services	635,540	620,903
Real estate	2,620,353	2,364,506
Community, social and personal services	1,533,004	1,509,692
Households	26,106,370	24,293,248
Others	2,288	3,652
Gross financing and advances	34,914,985	32,052,750

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A11. Financing and Advances (continued)

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

	30 June 2016 RM'000	31 December 2015 RM'000
At 1 January	211,804	232,348
Impaired during the period / year	281,968	558,945
Reclassified as non-impaired	(212,710)	(437,925)
Recoveries	(24,323)	(45,881)
Amount written off	(47,411)	(95,412)
Financing converted to foreclosed properties	(185)	(271)
Closing balance	<u>209,143</u>	<u>211,804</u>
Gross impaired financing as a percentage of gross financing and advances	<u>0.60%</u>	<u>0.66%</u>

i. Impaired financing and advances by economic purpose

	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of transport vehicles	94,606	104,061
Purchase of landed properties	80,827	71,470
(of which: - residential	73,816	64,435
- non-residential)	7,011	7,035
Purchase of fixed assets (excluding landed properties)	-	39
Personal use	31,440	35,317
Credit card	49	21
Purchase of consumer durables	64	57
Working capital	2,143	820
Other purpose	14	19
	<u>209,143</u>	<u>211,804</u>

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A11. Financing and Advances (continued)

j. Impaired financing and advances by sectors

	30 June 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	1,063	918
Mining and quarrying	106	130
Manufacturing	230	378
Construction	1,086	1,283
Wholesale & retail trade and restaurants & hotels	1,302	1,508
Transport, storage and communication	1,296	467
Finance, insurance and business services	1,809	1,270
Real estate	784	653
Community, social and personal services	229	566
Households	201,043	204,611
Others	195	20
	209,143	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 June 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	50,167	89,456
Amount written off	(47,411)	(95,412)
Closing balance	318,651	315,895
	30 June 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 June 2016 RM'000	31 December 2015 RM'000
Deferred handling fees	70,993	71,396
Income receivable	3,418	771
Other receivables, deposits and prepayments	17,705	7,384
Employee benefits	2,647	2,838
Foreclosed properties	615	506
	95,378	82,895

A13. Deposits from Customers

a. By type of deposit and contract

	30 June 2016 RM'000	31 December 2015 RM'000
At amortised cost		
Savings deposit		
- Wadiah	5,698,853	5,494,154
Demand deposit		
- Wadiah	3,641,998	3,521,768
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	-	974,136
- Commodity Murabahah	22,792,758	24,388,180
- General investment account		
- Mudharabah	97,691	113,594
- Wakalah	117,696	149,849
	215,387	263,443
- Special term deposit account		
- Wadiah	9,656,144	4,455,764
	42,005,140	39,097,445

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A13. Deposits from Customers (continued)

b. By type of customer

	30 June 2016 RM'000	31 December 2015 RM'000
Federal and state governments	8,117,547	4,386,909
Local government and statutory authorities	743,429	985,263
Business enterprises	6,829,193	7,167,337
Individuals	12,189,483	12,328,522
Foreign customers	479,662	444,119
Others	13,645,826	13,785,295
	42,005,140	39,097,445

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

	30 June 2016 RM'000	31 December 2015 RM'000
Due within six months	31,651,410	26,964,221
More than six months to one year	1,010,642	3,116,082
More than one year to three years	1,568	406
More than three years to five years	669	814
	32,664,289	30,081,523

d. By class

	30 June 2016 RM'000	31 December 2015 RM'000
Core deposits	32,348,996	33,667,545
Wholesale deposits	9,656,144	5,429,900
	42,005,140	39,097,445

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A14. Deposits from Banks

	30 June 2016 RM'000	31 December 2015 RM'000
At amortised cost		
<u>Non-Mudharabah Fund</u>		
Licensed banks	1,678,035	1,647,165
Licensed investment banks	780	264
Bank Negara Malaysia	8,080	7,997
Other financial institutions	861,097	663,388
	2,547,992	2,318,814

A15. Other Liabilities

	30 June 2016 RM'000	31 December 2015 RM'000
Income payable	202,767	191,355
Other payables and accruals	17,502	21,265
Profit Equalisation Reserves	124	53
	220,393	212,673

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of:				
(a) Term deposits	414,937	349,806	798,493	654,222
(b) Other deposits	113,722	107,673	234,142	221,115
	528,659	457,479	1,032,635	875,337
a. Income derived from investment of term deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	327,629	261,594	629,642	500,966
Financial investments available-for-sale	28,135	35,416	56,779	64,420
Financial investments held-to-maturity	18,687	17,295	36,278	27,005
Balances with banks	18,913	10,071	28,856	14,661
	393,364	324,376	751,555	607,052
Financial assets held-for-trading	3,989	12,059	8,589	26,453
Total finance income and Hibah	397,353	336,435	760,144	633,505
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	3,342	852	6,516	2,218
- Service charges and fees	2,868	2,750	6,829	5,929
- Other fee income	1,968	2,103	2,743	2,748
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	2,771	6,558	2,771	7,824
- Net gain arising from sale of financial investments available-for-sale	2,780	1,445	9,163	1,828
- Gain / (Loss) representing ineffective portions of hedging derivatives	1,302	(91)	6,475	(132)
- Others	97	(280)	144	232
Gross dividend income from collective investment	2,040	-	3,131	-
Other income	416	34	577	70
Total other operating income	17,584	13,371	38,349	20,717
	414,937	349,806	798,493	654,222
Of which:				
Financing income earned on impaired financing	2,082	2,287	4,059	4,425

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
b. Income derived from investment of other deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	89,811	80,113	184,630	169,317
Financial investments available-for-sale	7,656	10,965	16,649	21,773
Financial investments held-to-maturity	5,115	5,508	10,638	9,127
Balances with banks	5,340	3,245	8,462	4,955
	107,922	99,831	220,379	205,172
Financial assets held-for-trading	1,075	3,577	2,519	8,941
Total finance income and Hibah	108,997	103,408	222,898	214,113
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	915	240	1,911	749
- Service charges and fees	759	819	2,003	2,004
- Other fee income	559	689	803	929
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	812	2,172	812	2,644
- Net gain arising from sale of financial investments available-for-sale	683	475	2,687	618
- Gain / (Loss) representing ineffective portions of hedging derivatives	275	(30)	1,899	(45)
- Others	27	(111)	42	79
Gross dividend income from collective investment	576	-	918	-
Other income	119	11	169	24
Total other operating income	4,725	4,265	11,244	7,002
	113,722	107,673	234,142	221,115
Of which:				
Financing income earned on impaired financing	569	699	1,190	1,496

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A17. Income Derived from Investment of Shareholder's Funds

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Finance income and Hibah</u>				
Financing and advances	32,945	23,954	65,921	48,902
Financial investments available-for-sale	2,818	3,265	5,945	6,288
Financial investments held-to-maturity	1,877	1,624	3,798	2,636
Balances with banks	1,935	953	3,021	1,431
	39,575	29,796	78,685	59,257
Financial assets held-for-trading	397	1,082	899	2,582
Total finance income and Hibah	39,972	30,878	79,584	61,839
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	335	75	682	217
- Service charges and fees	282	248	715	579
- Other fee income	203	200	287	268
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	290	633	290	765
- Net gain arising from sale of financial investments available-for-sale	262	139	959	179
- Gain / (Loss) representing ineffective portions of hedging derivatives	113	(9)	678	(13)
- Others	10	(31)	15	22
Gross dividend income from collective investment	209	-	328	-
Other income	44	3	61	7
Total other operating income	1,748	1,258	4,015	2,024
	41,720	32,136	83,599	63,863
Of which:				
Financing income earned on impaired financing	209	209	425	432

A18. Allowance for Impairment on Financing and Advances

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Allowance for impaired financing:				
- Collective assessment allowance	32,059	28,295	50,167	54,648
- Individual assessment allowance	-	-	-	-
Impaired financing recovered	(4,547)	(6,875)	(9,622)	(10,968)
	27,512	21,420	40,545	43,680

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A19. Income Attributable to Depositors and Others

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	754	1,441	1,725	3,313
- Non-Mudharabah fund	300,644	239,838	584,463	445,779
Deposits from banks				
- Mudharabah fund	-	2,608	-	5,935
- Non-Mudharabah fund	22,690	26,384	44,281	50,149
Financing sold to Cagamas	4,394	4,523	8,870	8,962
Subordinated Sukuk Murabahah	5,921	5,921	11,842	11,777
	334,403	280,715	651,181	525,915

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 (30 June 2015 : RM37,000).

A20. Personnel expenses

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	3,301	3,091	6,673	6,255
Pension costs	480	497	959	1,005
Others	580	502	1,238	870
	4,361	4,090	8,870	8,130

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A21. Other Overheads and Expenditures

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Establishment costs				
- Depreciation	107	114	229	231
- Rental	309	121	541	463
- Insurance	209	211	367	391
- Water and electricity	44	37	83	86
- General repairs and maintenance	113	74	224	184
- Others	99	94	169	202
	881	651	1,613	1,557
Marketing expenses				
- Advertisement and publicity	521	579	1,079	1,459
- Others	1,405	761	2,543	1,815
	1,926	1,340	3,622	3,274
Administration and general expenses				
- Communication expenses	771	611	1,617	1,241
- Legal and professional fees	2,714	1,952	5,145	3,486
- Others	3,887	2,547	7,825	4,393
	7,372	5,110	14,587	9,120
Shared service costs paid/payable to Public Bank Berhad	79,307	69,598	157,248	131,392
Recovery of expenses	(3,499)	(3,679)	(7,259)	(7,408)
	85,987	73,020	169,811	137,935

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A22. Earnings Per Share (EPS)

The calculation of the basic earnings per share is based on the net profit attributable to the equity holder of the Bank divided by the weighted average number of ordinary shares of RM1.00 each in issue during the 2nd quarter and financial half year ended 30 June 2016.

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Net profit attributable to equity holder of the Bank (RM'000)	90,994	84,762	188,088	169,724
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)	-	-	10,220	-
Weighted average number of PIBB shares ('000)	219,217	200,217	217,437	200,217
Basic earnings per share (sen)	41.5	42.3	86.5	84.8

There were no dilutive potential ordinary shares in the 2nd quarter ended 30 June 2016 and 30 June 2015.

A23. Performance Review

The Bank reported a higher pre-tax profit of RM245.7 million for the financial half year ended 30 June 2016, which was 9.9% or RM22.2 million higher as compared to pre-tax profit of RM223.5 million for the financial half year ended 30 June 2015. The higher profit was primarily due to higher net finance income of RM27.8 million, higher other operating income of RM23.9 million and lower allowance for impairment on financing and advances of RM3.1 million partially offset by higher other operating expenses of RM32.6 million.

A24. Prospects for 2016

Growth prospects for the global economy remain weak and vulnerable to considerable downside risks in 2016. The risks include high degree of uncertainty around the future price of energy and commodities, softer-than-expected activity in advanced economies, rising private sector debt in some large emerging markets, heightened policy and geopolitical uncertainties, and impact from Britain's exit from the European Union. The prospects for major advanced economies are at different stages, with stabilising growth in the US, modest recovery in the euro area and continued stagnation in Japan. In the Asian region, growth is expected to remain modest in 2016 due to the gradual slowdown in China's economy amid the ongoing economic rebalancing.

In line with a broad slowdown across emerging economies, the Malaysian economy expanded at a slower pace of 4.2% y-o-y in the first quarter of 2016 (4Q15: 4.5%), weighed down by reduced external demand and still-low commodity prices. For 2016, the economy is expected to grow at a more moderate pace of between 4.0 and 4.5% (2015: 5.0%), driven by domestic demand. Private consumption is expected to grow at a more moderate pace as households continue to adjust to the higher cost of living and greater uncertainties. However, this will be partially offset by stable labour market conditions, continued income growth and Government measures to ease households' burden. Overall investment is projected to grow at a slower pace, supported by continued implementation of infrastructure development projects and capital spending in the manufacturing and services sectors. Headline inflation averaged higher at 3.4% in the first quarter of 2016 (4Q15: 2.6%) but is expected to trend lower for the rest of the year due to lower energy and commodity prices and subdued global inflation.

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A24. Prospects for 2016 (continued)

The Malaysian banking system remained resilient against potential risks related to spillovers from the weaker global growth prospects and continued volatility in the international financial and commodity markets. However, more challenging business conditions and rising costs will likely weigh on banks' revenue and loan performance. Backed by sound capital levels, healthy funding and liquidity profiles, the banking sector is expected to be well positioned to withstand the downside pressure in the financial market in 2016.

The Bank will continue to 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 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. The Bank will further penetrate the mid-market SMEs.

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.

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 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

	<----- Operating Segments ----->						Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office RM'000	Inter- segment Elimination RM'000	
2nd Quarter Ended 30 June 2016							
External revenue	161,165	267,327	34,312	65,937	41,638	-	570,379
Revenue from other segments	-	103,834	-	13,452	118,171	(235,457)	-
Total revenue	<u>161,165</u>	<u>371,161</u>	<u>34,312</u>	<u>79,389</u>	<u>159,809</u>	<u>(235,457)</u>	<u>570,379</u>
Net finance income	45,019	126,301	6,229	(668)	35,005	-	211,886
Other operating income	261	10,135	1,334	3,898	8,429	-	24,057
Net income	<u>45,280</u>	<u>136,436</u>	<u>7,563</u>	<u>3,230</u>	<u>43,434</u>	<u>-</u>	<u>235,943</u>
Other operating expenses	(16,656)	(57,991)	(386)	(552)	(14,763)	-	(90,348)
Allowance for impairment on financing and advances	(14,816)	(12,201)	(495)	-	-	-	(27,512)
Writeback of impairment on other assets	-	20	-	-	-	-	20
Profit before zakat and taxation	<u>13,808</u>	<u>66,264</u>	<u>6,682</u>	<u>2,678</u>	<u>28,671</u>	<u>-</u>	<u>118,103</u>

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A26. Segment Information (continued)

	<----- Operating Segments ----->						Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office RM'000	Inter- segment Elimination RM'000	
2nd Quarter Ended 30 June 2015							
External revenue	148,732	212,516	13,423	76,164	38,780	-	489,615
Revenue from other segments	-	99,986	-	2,735	104,414	(207,135)	-
Total revenue	<u>148,732</u>	<u>312,502</u>	<u>13,423</u>	<u>78,899</u>	<u>143,194</u>	<u>(207,135)</u>	<u>489,615</u>
Net finance income	44,421	121,059	2,860	5,364	16,297	-	190,001
Other operating income	(86)	6,818	1,246	1,547	9,369	-	18,894
Net income	<u>44,335</u>	<u>127,877</u>	<u>4,106</u>	<u>6,911</u>	<u>25,666</u>	<u>-</u>	<u>208,895</u>
Other operating expenses	(15,692)	(48,285)	(564)	(520)	(12,049)	-	(77,110)
Allowance for impairment on financing and advances	(14,388)	(6,985)	(47)	-	-	-	(21,420)
Impairment on other assets	-	(6)	-	-	-	-	(6)
Profit before zakat and taxation	<u>14,255</u>	<u>72,601</u>	<u>3,495</u>	<u>6,391</u>	<u>13,617</u>	<u>-</u>	<u>110,359</u>

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A26. Segment Information (continued)

Half Year Ended 30 June 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	321,665	520,344	62,922	128,589	82,714	-	1,116,234
Revenue from other segments	-	217,867	-	13,600	237,221	(468,688)	-
Total revenue	321,665	738,211	62,922	142,189	319,935	(468,688)	1,116,234
Net finance income	88,398	239,887	10,622	970	71,497	-	411,374
Other operating income	486	21,179	1,557	13,059	17,327	-	53,608
Net income	88,884	261,066	12,179	14,029	88,824	-	464,982
Other operating expenses	(33,082)	(113,992)	(528)	(1,150)	(29,929)	-	(178,681)
Allowance for impairment on financing and advances	(20,815)	(19,404)	(326)	-	-	-	(40,545)
Impairment on other assets	-	(14)	-	-	-	-	(14)
Profit before zakat and taxation	34,987	127,656	11,325	12,879	58,895	-	245,742
Cost income ratio	37.2%	43.7%	4.3%	8.2%	33.7%	-	38.4%
Gross financing and advances	12,070,192	20,088,400	2,756,393	-	-	-	34,914,985
Financing growth	0.2%	14.3%	13.7%	-	-	-	8.9%
Impaired financing and advances	94,606	114,537	-	-	-	-	209,143
Impaired financing ratio	0.8%	0.6%	-	-	-	-	0.6%
Deposits from customers	-	32,322,531	26,465	9,656,144	-	-	42,005,140
Deposit growth	-	-3.9%	-12.4%	77.8%	-	-	7.4%
Segment assets	11,965,074	33,531,946	2,753,029	11,867,996	4,416,599	(15,319,600)	49,215,044
Reconciliation of segment assets to total assets:							
Investment in an associated company							20,000
Unallocated assets							26,295
Total assets							49,261,339

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A26. Segment Information (continued)

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

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A27. Capital Adequacy

- (a) The capital adequacy ratios of the Bank below are disclosed pursuant to the requirements of Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB-Basel II) - Disclosure Requirements (Pillar 3):

	30 June 2016	31 December 2015
Common Equity Tier I ("CET I") capital ratio	11.340%	10.771%
Tier I capital ratio	11.340%	10.771%
Total capital ratio	13.948%	13.481%

	30 June 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	255,155	241,685
Retained profits	607,116	462,736
Less: Deferred tax assets, net	(4,812)	-
Less: Defined benefit pension fund assets	(2,012)	(2,157)
Less: Investment in an associated company deducted from CET I capital	(12,000)	(8,000)
Total CET I capital / Tier I capital	3,276,164	2,826,981

Tier II capital

Collective assessment allowance and regulatory reserves #	262,202	224,109
Subordinated Sukuk Murabahah	499,245	499,117
Less: Investment in an associated company deducted from Tier II capital	(8,000)	(12,000)
Total Tier II capital	753,447	711,226
Total capital	4,029,611	3,538,207

Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM156,778,000 (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 June 2016 RM'000	31 December 2015 RM'000
Credit risk	27,290,521	24,611,954
Market risk	29,636	85,600
Operational risk	1,570,349	1,549,041
	<u>28,890,506</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 June 2016 RM'000	31 December 2015 RM'000
<u>Contingent Liabilities</u>		
Direct credit substitutes	68,770	121,056
Transaction-related contingent items	26,757	22,297
Short term self-liquidating trade-related contingencies	2,920	3,652
	<u>98,447</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	5,411,162	4,581,376
- not exceeding one year	1,199,434	1,111,758
Unutilised credit card lines	31,972	24,624
	<u>6,642,568</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>11,071,015</u>	<u>10,194,763</u>

A29. Credit Exposures Arising From Credit Transactions With Connected Parties

	30 June 2016	31 December 2015
Outstanding credit exposures with connected parties (RM'000)	<u>102,493</u>	<u>73,125</u>
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	<u>0.27%</u>	<u>0.21%</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<u>0.10%</u>	<u>0.04%</u>

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

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A30. Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

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

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

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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A30. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

30 June 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	-	10,278	-	10,278
- Money market instruments	-	498,183	-	498,183
	-	508,461	-	508,461
Financial investments available-for-sale				
- Government securities and treasury bills	-	4,847,122	-	4,847,122
- Non-money market instruments	112,810	-	-	112,810
	112,810	4,847,122	-	4,959,932
Derivative financial assets	-	4,403	-	4,403
Total financial assets measured at fair value	112,810	5,359,986	-	5,472,796
Financial liabilities				
Derivative financial liabilities	-	57,140	-	57,140
Total financial liabilities measured at fair value	-	57,140	-	57,140

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A30. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

31 December 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).