

PUBLIC ISLAMIC BANK BERHAD
(14328 - V)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	30 June 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and balances with banks		2,989,651	651,382
Financial assets held-for-trading	A8	1,143,558	495,364
Derivative financial assets		4,940	18,153
Financial investments available-for-sale	A9	6,041,169	6,140,438
Financial investments held-to-maturity	A10	2,983,558	2,985,266
Financing and advances	A11	39,335,497	37,235,682
Other assets	A12	80,535	85,913
Statutory deposits with Bank Negara Malaysia		1,733,600	1,518,000
Deferred tax assets		9,606	4,242
Collective investment		505,043	497,836
Investment in an associated company		30,000	30,000
Property and equipment		1,186	1,250
TOTAL ASSETS		54,858,343	49,663,526
LIABILITIES			
Deposits from customers	A13	48,185,605	42,473,074
Deposits from banks	A14	1,770,641	2,322,128
Bills and acceptances payable		648	1,675
Recourse obligations on financing sold to Cagamas		-	500,016
Derivative financial liabilities		36,446	23,356
Subordinated Sukuk Murabahah		499,501	499,374
Other liabilities	A15	309,099	215,490
Provision for zakat and taxation		56,725	43,251
TOTAL LIABILITIES		50,858,665	46,078,364

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 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	30 June 2017 RM'000	31 December 2016 RM'000
EQUITY			
Share capital		2,732,717	219,217
Reserves		<u>1,266,961</u>	<u>3,365,945</u>
TOTAL EQUITY		<u>3,999,678</u>	<u>3,585,162</u>
TOTAL LIABILITIES AND EQUITY		<u>54,858,343</u>	<u>49,663,526</u>
COMMITMENTS AND CONTINGENCIES	A28	<u>11,004,501</u>	<u>11,222,116</u>
CAPITAL ADEQUACY			
<u>Before deducting interim dividend *</u>			
Common Equity Tier I Capital Ratio	A27	11.940%	11.138%
Tier I Capital Ratio	A27	11.940%	11.138%
Total Capital Ratio	A27	<u>14.555%</u>	<u>13.746%</u>
<u>After deducting interim dividend *</u>			
Common Equity Tier I Capital Ratio	A27	11.796%	10.923%
Tier I Capital Ratio	A27	11.796%	10.923%
Total Capital Ratio	A27	<u>14.411%</u>	<u>13.531%</u>
Net assets per share attributable to ordinary equity holder of the Bank (RM)		<u>17.30</u>	<u>16.35</u>

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

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 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

	Note	2nd Quarter Ended		Half Year Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of depositors' funds and others	A16	566,799	528,659	1,121,355	1,032,635
Income derived from investment of shareholder's funds	A17	44,465	41,720	87,249	83,599
Allowance for impairment on financing and advances	A18	(21,728)	(27,512)	(39,361)	(40,545)
Writeback of impairment / (Impairment) on other assets		12	20	59	(14)
Profit Equalisation Reserves		-	(33)	-	(71)
Total distributable income		589,548	542,854	1,169,302	1,075,604
Income attributable to depositors and others	A19	(360,113)	(334,403)	(706,185)	(651,181)
Total net income		229,435	208,451	463,117	424,423
Personnel expenses	A20	(4,422)	(4,105)	(8,976)	(8,319)
Other overheads and expenditures	A21	(100,775)	(86,243)	(197,329)	(170,362)
Profit before zakat and taxation		124,238	118,103	256,812	245,742
Zakat		(65)	(52)	(130)	(105)
Taxation		(29,147)	(27,057)	(60,265)	(57,549)
Profit for the period		95,026	90,994	196,417	188,088
Earnings per share - basic / diluted (sen)	A22	43.3	41.5	89.5	86.5

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 2016.

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 2017

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit for the period	95,026	90,994	196,417	188,088
Other comprehensive income / (loss) :				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	16,809	8,126	10,597	4,300
Hedging reserves:				
- Net change in cash flow hedges	(23,683)	(23,592)	(31,828)	(116,171)
	(6,874)	(15,466)	(21,231)	(111,871)
Income tax relating to components of other comprehensive income / (loss) :				
- Revaluation reserves	(4,034)	(1,950)	(2,543)	(1,032)
- Hedging reserves	5,683	5,662	7,638	27,881
	1,649	3,712	5,095	26,849
Other comprehensive loss for the period, net of tax	(5,225)	(11,754)	(16,136)	(85,022)
Total comprehensive income for the period	89,801	79,240	180,281	103,066

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 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

	<----- 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 2017	219,217	2,213,500	239,546	(13,832)	173	(1,999)	4,706	148,815	775,036	3,585,162
Profit for the period	-	-	-	-	-	-	-	-	196,417	196,417
Other comprehensive income / (loss) for the period	-	-	-	8,054	-	(24,190)	-	-	-	(16,136)
Total comprehensive income / (loss) for the period	-	-	-	8,054	-	(24,190)	-	-	196,417	180,281
Transactions with owner / other equity movements:										
Transfer pursuant to Companies Act 2016	2,213,500	(2,213,500)	-	-	-	-	-	-	-	-
Transfer from Profit Equalisation Reserves of the Bank	-	-	-	-	(1)	-	-	-	1	-
Transfer from statutory reserves	-	-	(239,546)	-	-	-	-	-	239,546	-
Transfer to regulatory reserves	-	-	-	-	-	-	21,590	-	(21,590)	-
Increase in share capital	300,000	-	-	-	-	-	-	-	-	300,000
Dividends paid	-	-	-	-	-	-	-	-	(65,765)	(65,765)
	<u>2,513,500</u>	<u>(2,213,500)</u>	<u>(239,546)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>21,590</u>	<u>152,192</u>	<u>234,235</u>
At 30 June 2017	<u>2,732,717</u>	<u>-</u>	<u>-</u>	<u>(5,778)</u>	<u>172</u>	<u>(26,189)</u>	<u>4,706</u>	<u>170,405</u>	<u>1,123,645</u>	<u>3,999,678</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 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

	<----- 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
	12,000	288,000	12,000	-	118	-	-	31,590	(43,708)	300,000
At 30 June 2016	219,217	2,213,500	239,546	25,147	205	(42,581)	4,293	100,329	607,116	3,366,772

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 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

	30 June 2017 RM'000	30 June 2016 RM'000
Profit before zakat and taxation	256,812	245,742
Adjustments for non-cash items	34,276	20,913
Operating profit before working capital changes	<u>291,088</u>	266,655
Changes in working capital:		
Net changes in operating assets	(3,047,690)	(1,744,772)
Net changes in operating liabilities	4,753,610	3,144,518
Cash generated from operations	<u>1,997,008</u>	1,666,401
Zakat and tax paid	(47,190)	(34,529)
Net cash generated from operating activities	<u>1,949,818</u>	1,631,872
Net cash generated from / (used in) investing activities	114,216	(713,163)
Net cash generated from financing activities	234,235	300,000
Net change in cash and cash equivalents	<u>2,298,269</u>	1,218,709
Cash and cash equivalents at beginning of the period	<u>651,382</u>	3,225,149
Cash and cash equivalents at end of the period	<u><u>2,949,651</u></u>	<u><u>4,443,858</u></u>
Note:		
Cash and balances with banks	2,989,651	4,443,858
Less: Balances with banks with original maturity more than three months	(40,000)	-
Cash and cash equivalents at end of the year	<u><u>2,949,651</u></u>	<u><u>4,443,858</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 2016.

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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 2017 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 2016. 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 2016.

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 2016, except for the adoption or early adoption of the following Amendments to MFRSs during the current financial period:

- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"
Effective for annual periods commencing on or after 1 January 2017
 - Amendments to MFRS 12 Disclosure of Interests in Other Entities

- Effective for annual periods commencing on or after 1 January 2018 (Early adoption)
 - Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle". The Annual Improvements consist of the following amendments:

- (i) Amendments to MFRS 12 Disclosure of Interests in Other Entities
These amendments clarify that an entity is not required to disclose summarised financial information for subsidiary, joint venture or associate when it is classified as held for sale in accordance with MFRS 5.
- (ii) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
The amendments remove certain provisions from the Standard that have served their intended purposes and are no longer required.
- (iii) Amendments to MFRS 128 Investments in Associates and Joint Ventures
The amendments clarify that when an investment in an associate or a joint venture is held by an entity which is a venture capital organisation, or a mutual fund, unit trust or similar entities, the entity may elect to measure that investment at fair value on an investment by investment basis in accordance with the Standard.

The adoption of Annual Improvements to MFRS Standards 2014 - 2016 Cycle did not have any financial impact on the financial statements of the Bank.

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A1. Basis of Preparation (continued)

Companies Act 2016

The Companies Act 2016 (“New Act”) was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Bank upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Bank will cease to have par or nominal value; and
- (c) the Bank’s share premium account will become part of the Bank’s share capital.

During the period, the Bank had transferred a total of RM2,213,500,000 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act did not have any financial impact on the Bank for the current financial year and the effect of adoption mainly will be on disclosures to the financial statements for the financial year ending 31 December 2017.

Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets)

On 2 March 2017, Bank Negara Malaysia (“BNM”) reissued the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) (“the Framework”) with the date of application to be effective immediately. The Framework sets out the requirements on the computation of the risk-weighted assets developed based on the Basel Committee on Banking Supervision (BCBS) and the Islamic Financial Services Board (IFSB) papers entitled “International Convergence of Capital Measurement and Capital Standards: A Revised Framework” and “Capital Adequacy Standard (CAS)” issued in June 2006 and December 2005 respectively. As the updates to the Framework focused mainly on the Internal Rating Based Approach whilst the Bank adopts the Standardised Approach for credit and market risk, therefore, the application of this Framework did not have any impact on the capital adequacy ratios of the Bank.

BNM's Revised Policy Document on Capital Funds for Islamic Banks

On 3 May 2017, BNM issued the revised policy document on Capital Funds for Islamic Banks whereby the previous requirement to maintain a reserve fund is no longer required given the implementation of the Capital Conservation Buffer under the Capital Adequacy Framework. Therefore, the statutory reserves which were previously maintained by the Bank are no longer required. During the period, the Bank had transferred RM239,546,000 from statutory reserves to retained profit.

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A1. Basis of Preparation (continued)

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

Effective for annual periods commencing on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments (2014)
- Transfers of Investment Property (Amendments to MFRS 140)
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

A brief description of the new MFRSs, Amendments to MFRSs and IC Interpretation above that have been issued but not yet effective to the Bank is set out below:

- (a) **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.
- (b) **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, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks.

MFRS 9 introduces significant changes in the way the Bank accounts for financial instruments. The preparation for MFRS 9 by the Bank had started in 2015 with the setting up of a MFRS 9 Project Team headed by the Chief Financial Officer of the Bank, and with assistance from consultants on the implementation of MFRS 9. Currently, the Bank had completed the gap assessment and in the process of developing MFRS 9 compliant impairment models for all impacted credit exposures.

- (c) **Transfers of Investment Property (Amendments to MFRS 140)** - The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Bank.
- (d) **IC Interpretation 22 Foreign Currency Transactions and Advance Consideration** - The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation is not expected to have any material financial impact on the financial statements of the Bank.

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A1. Basis of Preparation (continued)

A brief description of the new MFRSs, Amendments to MFRSs and IC Interpretation above that have been issued but not yet effective to the Bank is set out below (continued):

- (e) **Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)** - The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon. The expiration date of the temporary exemption from MFRS 9 coincide with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, to reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach. The adoption of these amendments is not expected to have any material financial impact on the financial statements of the Bank.

- (f) **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 2016 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 2017.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the 2nd quarter and financial half year ended 30 June 2017.

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 2017.

A6. Debt and Equity Securities

On 29 June 2017, the share capital of the Bank was increased from RM2,432,717,000 comprising 219,217,000 ordinary shares to RM2,732,717,000 comprising 231,217,000 ordinary shares by way of issuance and allotment of 12,000,000 new ordinary shares at an issue price of RM25.00 per new ordinary share to its holding company, Public Bank Berhad.

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 2017.

A7. Dividends Paid, Distributed and Declared

During the financial half year ended 30 June 2017, a first interim dividend of 30 sen per share, in respect of the financial year ended 31 December 2016, amounting to RM65,765,100 was paid on 6 February 2017.

A first interim dividend of 20 sen per share for the financial year ending 31 December 2017, amounting to RM46,243,400 computed based on 231,217,000 ordinary shares as at 30 June 2017, has been declared by the Directors.

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A8. Financial Assets Held-for-Trading

	30 June 2017 RM'000	31 December 2016 RM'000
At fair value		
Money market instruments:		
Negotiable Islamic Debt Certificates	<u>1,143,558</u>	<u>495,364</u>

A9. Financial Investments Available-for-Sale

	30 June 2017 RM'000	31 December 2016 RM'000
At fair value		
Government securities and treasury bills:		
Malaysian Government Investment Issues	<u>6,041,169</u>	<u>6,140,438</u>

A10. Financial Investments Held-to-Maturity

	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost		
Government securities and treasury bills:		
Malaysian Government Investment Issues	2,412,394	2,414,016
Non-money market instruments:		
Debt securities		
- Unquoted corporate sukuk	571,164	571,250
	<u>2,983,558</u>	<u>2,985,266</u>

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A11. Financing and Advances

a. By type and contract

30 June 2017	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	1,337,253	-	-	-	-	-	1,337,253
Term financing							
- House financing	4,008,038	-	-	9,008,278	-	-	13,016,316
- Syndicated financing	1,358,938	-	-	-	-	-	1,358,938
- Hire purchase receivables	-	11,367,868	-	-	-	-	11,367,868
- Other term financing	2,780,423	-	1,817,670	7,558,873	-	-	12,156,966
Credit card receivables	-	-	-	-	-	11,709	11,709
Bills receivables	-	-	-	-	1,602	-	1,602
Trust receipts	-	-	-	-	4,451	-	4,451
Claims on customers under acceptance credits	-	-	-	-	125,219	-	125,219
Revolving credits	206,443	-	-	-	-	-	206,443
Staff financing	-	5,837	-	48,180	-	-	54,017
Gross financing and advances	9,691,095	11,373,705	1,817,670	16,615,331	131,272	11,709	39,640,782
Allowance for impaired financing and advances:							
- collective assessment allowance							(305,285)
- individual assessment allowance							-
Net financing and advances							<u><u>39,335,497</u></u>

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A11. Financing and Advances (continued)

a. By type and contract (continued)

31 December 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	1,200,076	-	-	-	-	-	1,200,076
Term financing							
- House financing	4,074,478	-	-	7,406,025	-	-	11,480,503
- Syndicated financing	1,344,515	-	-	-	-	-	1,344,515
- Hire purchase receivables	-	11,732,886	-	-	-	-	11,732,886
- Other term financing	2,953,281	-	1,895,438	6,572,426	-	-	11,421,145
Credit card receivables	-	-	-	-	-	10,530	10,530
Bills receivables	-	-	-	-	3,270	-	3,270
Trust receipts	-	-	-	-	2,478	-	2,478
Claims on customers under acceptance credits	-	-	-	-	104,197	-	104,197
Revolving credits	197,789	-	-	-	-	-	197,789
Staff financing	-	4,746	-	35,215	-	-	39,961
Gross financing and advances	9,770,139	11,737,632	1,895,438	14,013,666	109,945	10,530	37,537,350
Allowance for impaired financing and advances:							
- collective assessment allowance							(301,634)
- individual assessment allowance							(34)
Net financing and advances							<u>37,235,682</u>

All the financing and advances are located in Malaysia.

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A11. Financing and Advances (continued)

b. By class

	30 June 2017 RM'000	31 December 2016 RM'000
Retail financing *		
- House financing	13,016,316	11,480,503
- Hire purchase	11,367,868	11,732,886
- Credit cards	11,709	10,530
- Other financing ^	12,503,876	11,492,287
	<u>36,899,769</u>	<u>34,716,206</u>
Corporate financing	2,741,013	2,821,144
Gross financing and advances	<u>39,640,782</u>	<u>37,537,350</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 2017 RM'000	31 December 2016 RM'000
Domestic non-bank financial institutions		
- Others	232,437	228,592
Domestic business enterprises		
- Small and medium enterprises	7,581,523	7,023,420
- Others	1,099,731	1,109,988
Government and statutory bodies	1,312,753	1,313,959
Individuals	29,317,265	27,772,881
Other domestic entities	5,674	4,874
Foreign entities	91,399	83,636
Gross financing and advances	<u>39,640,782</u>	<u>37,537,350</u>

d. By rate of return sensitivity

	30 June 2017 RM'000	31 December 2016 RM'000
Fixed rate		
- House financing	482,307	429,769
- Hire purchase receivables	11,367,684	11,732,681
- Other fixed rate financing	3,287,480	3,042,732
Variable rate		
- Base rate / base financing rate plus	23,140,972	20,602,923
- Cost plus	1,362,339	1,729,245
Gross financing and advances	<u>39,640,782</u>	<u>37,537,350</u>

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A11. Financing and Advances (continued)

e. By residual contractual maturity

	30 June 2017 RM'000	31 December 2016 RM'000
Maturity within one year	2,080,019	1,824,406
More than one year to three years	3,163,645	3,255,053
More than three years to five years	3,372,183	3,236,267
More than five years	31,024,935	29,221,624
Gross financing and advances	39,640,782	37,537,350

f. By economic purpose

	30 June 2017 RM'000	31 December 2016 RM'000
Purchase of transport vehicles	11,373,694	11,737,615
Purchase of landed properties (of which: - residential - non-residential)	21,765,690 13,357,891 8,407,799	19,488,709 11,745,999 7,742,710
Purchase of fixed assets (excluding landed properties)	6,572	4,660
Personal use	2,579,651	2,534,634
Credit card	11,709	10,530
Purchase of consumer durables	1,687	1,756
Construction	271,620	237,790
Working capital	3,598,139	3,454,971
Other purpose	32,020	66,685
Gross financing and advances	39,640,782	37,537,350

g. By sectors

	30 June 2017 RM'000	31 December 2016 RM'000
Agriculture, hunting, forestry and fishing	876,055	837,589
Mining and quarrying	42,135	33,442
Manufacturing	705,672	637,469
Electricity, gas and water	3,035	1,272
Construction	1,117,422	1,015,486
Wholesale & retail trade and restaurants & hotels	1,925,949	1,730,052
Transport, storage and communication	352,538	322,348
Finance, insurance and business services	664,989	641,868
Real estate	2,986,629	2,920,892
Community, social and personal services	1,555,384	1,538,381
Households	29,408,664	27,856,517
Others	2,310	2,034
Gross financing and advances	39,640,782	37,537,350

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A11. Financing and Advances (continued)

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

	30 June 2017 RM'000	31 December 2016 RM'000
At 1 January	225,667	211,804
Impaired during the period / year	318,384	593,015
Reclassified as non-impaired	(232,720)	(440,075)
Recoveries	(20,472)	(44,904)
Amount written off	(46,200)	(92,607)
Financing converted to foreclosed properties	(767)	(1,566)
Closing balance	<u>243,892</u>	<u>225,667</u>
Gross impaired financing as a percentage of gross financing and advances	<u>0.62%</u>	<u>0.60%</u>

i. Impaired financing and advances by economic purpose

	30 June 2017 RM'000	31 December 2016 RM'000
Purchase of transport vehicles	95,618	94,829
Purchase of landed properties	116,002	99,044
(of which: - residential	<u>104,379</u>	<u>87,126</u>
- non-residential)	<u>11,623</u>	<u>11,918</u>
Purchase of fixed assets (excluding landed properties)	11	-
Personal use	30,165	29,707
Credit card	129	66
Working capital	1,942	2,007
Other purpose	25	14
	<u>243,892</u>	<u>225,667</u>

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A11. Financing and Advances (continued)

j. Impaired financing and advances by sectors

	30 June 2017 RM'000	31 December 2016 RM'000
Agriculture, hunting, forestry and fishing	636	516
Mining and quarrying	615	43
Manufacturing	697	534
Construction	2,516	6,201
Wholesale & retail trade and restaurants & hotels	1,351	1,761
Transport, storage and communication	76	938
Finance, insurance and business services	1,456	763
Real estate	665	622
Community, social and personal services	477	345
Households	235,242	213,761
Others	161	183
	243,892	225,667

All the impaired financing and advances are located in Malaysia.

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

	30 June 2017 RM'000	31 December 2016 RM'000
<u>Collective Assessment Allowance</u>		
At 1 January	301,634	315,895
Allowance made during the period / year	49,851	78,346
Amount written off	(46,200)	(92,607)
Closing balance	305,285	301,634

	30 June 2017 RM'000	31 December 2016 RM'000
<u>Individual Assessment Allowance</u>		
At 1 January	34	-
Allowance made during the period / year	-	34
Amount written back in respect of recoveries	(34)	-
Closing balance	-	34

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A12. Other Assets

	30 June 2017 RM'000	31 December 2016 RM'000
Deferred handling fees	63,131	67,253
Income receivable	484	58
Other receivables, deposits and prepayments	11,597	13,810
Employee benefits	2,806	2,999
Foreclosed properties	2,517	1,793
	80,535	85,913

A13. Deposits from Customers

a. By type of deposit and contract

	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost		
Savings deposit		
- Wadiah	6,132,397	5,855,625
Demand deposit		
- Wadiah	3,963,613	3,839,873
Term deposit		
- Commodity Murabahah	34,013,725	27,684,903
- General investment account		
- Mudharabah	-	90,115
- Wakalah	-	110,184
	-	200,299
- Special term deposit account		
- Wadiah	4,075,870	4,892,374
	48,185,605	42,473,074

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A13. Deposits from Customers (continued)

b. By type of customer

	30 June 2017 RM'000	31 December 2016 RM'000
Federal and state governments	7,383,677	5,287,126
Local government and statutory authorities	822,954	883,615
Business enterprises	5,636,964	6,477,550
Individuals	18,022,357	14,731,939
Foreign customers	638,450	580,445
Others	15,681,203	14,512,399
	48,185,605	42,473,074

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

	30 June 2017 RM'000	31 December 2016 RM'000
Due within six months	32,879,783	30,055,815
More than six months to one year	5,207,981	2,719,052
More than one year to three years	1,449	2,035
More than three years to five years	382	674
	38,089,595	32,777,576

d. By class

	30 June 2017 RM'000	31 December 2016 RM'000
Core deposits	44,109,735	37,580,700
Wholesale deposits	4,075,870	4,892,374
	48,185,605	42,473,074

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A14. Deposits from Banks

	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost		
<u>Non-Mudharabah Fund</u>		
Licensed banks	1,741,810	1,709,786
Licensed investment banks	528	741
Bank Negara Malaysia	20,592	18,451
Other financial institutions	7,711	593,150
	<u>1,770,641</u>	<u>2,322,128</u>

A15. Other Liabilities

	30 June 2017 RM'000	31 December 2016 RM'000
Income payable	288,693	180,708
Other payables and accruals	20,298	34,671
Profit Equalisation Reserves	108	111
	<u>309,099</u>	<u>215,490</u>

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of:				
(a) Term deposits	448,465	414,937	882,616	798,493
(b) Other deposits	118,334	113,722	238,739	234,142
	566,799	528,659	1,121,355	1,032,635
a. Income derived from investment of term deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	362,005	327,629	711,250	629,642
Financial investments available-for-sale	38,099	28,135	75,930	56,779
Financial investments held-to-maturity	19,900	18,687	39,476	36,278
Balances with banks	3,709	18,913	6,784	28,856
	423,713	393,364	833,440	751,555
Financial assets held-for-trading	11,765	3,989	20,663	8,589
Total finance income and Hibah	435,478	397,353	854,103	760,144
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	2,820	3,342	5,958	6,516
- Service charges and fees	2,912	2,868	7,251	6,829
- Other fee income	1,307	1,968	3,213	2,743
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	-	2,771	-	2,771
- Net gain arising from sale of financial investments available-for-sale	339	2,780	1,947	9,163
- Gain representing ineffective portions of hedging derivatives	2,773	1,302	4,035	6,475
- Others	60	97	454	144
Gross dividend income from collective investment	2,734	2,040	5,314	3,131
Other income	42	416	341	577
Total other operating income	12,987	17,584	28,513	38,349
	448,465	414,937	882,616	798,493
Of which:				
Financing income earned on impaired financing	2,355	2,082	4,386	4,059

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
b. Income derived from investment of other deposits:				
<u>Finance income and Hibah</u>				
Financing and advances	95,528	89,811	192,386	184,630
Financial investments available-for-sale	10,046	7,656	20,538	16,649
Financial investments held-to-maturity	5,249	5,115	10,678	10,638
Balances with banks	982	5,340	1,835	8,462
	111,805	107,922	225,437	220,379
Financial assets held-for-trading	3,121	1,075	5,589	2,519
Total finance income and Hibah	114,926	108,997	231,026	222,898
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	742	915	1,612	1,911
- Service charges and fees	758	759	1,961	2,003
- Other fee income	340	559	869	803
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	-	812	-	812
- Net gain arising from sale of financial investments available-for-sale	81	683	527	2,687
- Gain representing ineffective portions of hedging derivatives	742	275	1,092	1,899
- Others	14	27	123	42
Gross dividend income from collective investment	722	576	1,437	918
Other income	9	119	92	169
Total other operating income	3,408	4,725	7,713	11,244
	118,334	113,722	238,739	234,142
Of which:				
Financing income earned on impaired financing	623	569	1,186	1,190

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A17. Income Derived from Investment of Shareholder's Funds

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Finance income and Hibah</u>				
Financing and advances	35,893	32,945	70,309	65,921
Financial investments available-for-sale	3,778	2,818	7,506	5,945
Financial investments held-to-maturity	1,973	1,877	3,902	3,798
Balances with banks	368	1,935	671	3,021
	42,012	39,575	82,388	78,685
Financial assets held-for-trading	1,166	397	2,043	899
Total finance income and Hibah	43,178	39,972	84,431	79,584
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	280	335	589	682
- Service charges and fees	289	282	717	715
- Other fee income	129	203	317	287
Net gains and losses on financial instruments:				
- Gross dividend income from financial investments available-for-sale	-	290	-	290
- Net gain arising from sale of financial investments available-for-sale	34	262	192	959
- Gain representing ineffective portions of hedging derivatives	275	113	399	678
- Others	5	10	45	15
Gross dividend income from collective investment	271	209	525	328
Other income	4	44	34	61
Total other operating income	1,287	1,748	2,818	4,015
	44,465	41,720	87,249	83,599
Of which:				
Financing income earned on impaired financing	234	209	434	425

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A18. Allowance for Impairment on Financing and Advances

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance / (Writeback of allowance) for impaired financing:				
- Collective assessment allowance	26,155	32,059	49,851	50,167
- Individual assessment allowance	(69)	-	(34)	-
Impaired financing written off	3	-	3	-
Impaired financing recovered	(4,361)	(4,547)	(10,459)	(9,622)
	21,728	27,512	39,361	40,545

A19. Income Attributable to Depositors and Others

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah fund	-	754	420	1,725
- Non-Mudharabah fund	331,290	300,644	648,073	584,463
Deposits from banks				
- Non-Mudharabah fund	18,724	22,690	37,298	44,281
Financing sold to Cagamas	4,178	4,394	8,617	8,870
Subordinated Sukuk Murabahah	5,921	5,921	11,777	11,842
	360,113	334,403	706,185	651,181

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 RM3,000 in the current period (30 June 2016 : nil).

A20. Personnel expenses

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	3,419	3,045	6,847	6,122
Pension costs	530	480	1,061	959
Others	473	580	1,068	1,238
	4,422	4,105	8,976	8,319

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A21. Other Overheads and Expenditures

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Establishment costs				
- Depreciation	96	107	195	229
- Rental	280	309	561	541
- Insurance	144	209	328	367
- Water and electricity	36	44	89	83
- General repairs and maintenance	114	113	246	224
- Others	201	99	390	169
	871	881	1,809	1,613
Marketing expenses				
- Advertisement and publicity	790	521	1,475	1,079
- Others	2,246	1,405	3,606	2,543
	3,036	1,926	5,081	3,622
Administration and general expenses				
- Communication expenses	807	771	1,843	1,617
- Legal and professional fees	2,090	2,714	3,929	5,145
- Others	6,242	4,143	11,619	8,376
	9,139	7,628	17,391	15,138
Shared service costs paid/payable to Public Bank Berhad	89,631	79,307	177,129	157,248
Recovery of expenses	(1,902)	(3,499)	(4,081)	(7,259)
	100,775	86,243	197,329	170,362

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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 in issue during the 2nd quarter and financial half year ended 30 June 2017.

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Net profit attributable to equity holder of the Bank (RM'000)	95,026	90,994	196,417	188,088
Number of ordinary shares at beginning of the period ('000)	219,217	219,217	219,217	207,217
Effect of the issuance of shares ('000)	264	-	133	10,220
Weighted average number of shares ('000)	219,481	219,217	219,350	217,437
Basic earnings per share (sen)	43.3	41.5	89.5	86.5

There were no dilutive potential ordinary shares in the 2nd quarter ended 30 June 2017 and 30 June 2016.

A23. Performance Review

The Bank reported a higher pre-tax profit of RM256.8 million for the financial period ended 30 June 2017, which was 4.5% or RM11.1 million higher as compared to pre-tax profit of RM245.7 million for the financial period ended 30 June 2016. The higher profit was primarily due to higher net finance income of RM52.0 million and lower allowance for impairment on financing and advances of RM1.2 million offset by higher other operating expenses of RM27.6 million and lower other operating income of RM14.5 million.

A24. Prospects for 2017

Global economic recovery is expected to sustain in 2017. Activities in the advanced economies have gained traction, driven by progress of the US economy to achieve maximum employment and price stability. Supported by accommodative monetary conditions, the ongoing recovery in the euro area will persist. Japan is also showing signs of improvement, buoyed by expansionary fiscal and monetary policies, and a rebound in exports. Amidst the firming global backdrop, emerging markets and developing countries are expected to benefit from the spillover of the recovery.

Domestically, the Malaysian economy expanded by 5.6% in the first quarter of 2017, supported by domestic demand and recovery in exports. Growth momentum is expected to be sustained for the rest of the year and GDP could potentially register an expansion of 4.3% - 4.8% in 2017 (2016: 4.2%). Private consumption will sustain due to continued growth for both wage and employment, as well as ongoing policy measures to raise disposable income. As for investment activity, Malaysia is enhancing its investment ecosystem within the manufacturing and services sectors to facilitate growth. Also, Malaysia's exports have benefited from the improvement in global growth.

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A24. Prospects for 2017 (continued)

Meanwhile, inflation has moderated since second quarter of 2017 as transport prices and cost-push pressure taper. Despite elevated prices in the first quarter and inflation rate of 5.1% in March, the projection for full-year inflation is between 3.0% - 4.0%.

With domestic demand as the anchor of growth, the Malaysian banking system remains healthy with strong capitalisation, stable funding and liquidity positions, and sustained profitability. Credit conditions in the domestic banking system remains conducive for businesses and households.

Amid headwinds, the Bank seeks to ride on its strengths to further develop its business and sustain its market position. The Bank is highly focused on sustaining its operational excellence and efficiency. The Bank remains prudent and responsible in its financing practices, as it upholds strong governance and compliance culture and sound risk management practices.

The Bank is expected to maintain its position in the domestic retail segment, driven by stable financing growth for home mortgages and the small and medium enterprises ("SME"). The Bank will sustain financing growth in the residential property segment as it focuses on the broader mass market and home mortgages for owner occupation. The Bank will continue to prudently grow its hire purchase business with enhanced asset quality, considering the downbeat outlook for the automotive industry.

To sustain its market position in SME financing, the Bank will continue to tap on market opportunities by offering products and services to meet the needs of SMEs. The SME segment will continue to benefit from the ongoing measures and implementations of key Government initiatives under the national transformation programmes, Eleventh Malaysia Plan and SME Masterplan.

The Bank will continue to work closely with AIA PUBLIC Takaful Bhd to ensure that the products of bancassurance remain consistently competitive and relevant to customers' needs. The Bank will also expand its fee-based income segment 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 2017							
External revenue	152,624	318,171	32,500	56,204	51,757	-	611,256
Revenue from other segments	-	123,389	-	-	125,574	(248,963)	-
Total revenue	152,624	441,560	32,500	56,204	177,331	(248,963)	611,256
Net finance income	45,873	134,081	6,541	5,214	41,760	-	233,469
Other operating income	115	9,475	-	377	7,715	-	17,682
Net income	45,988	143,556	6,541	5,591	49,475	-	251,151
Other operating expenses	(16,705)	(67,947)	(119)	(759)	(19,667)	-	(105,197)
(Allowance) / Writeback of allowance for impairment on financing and advances	(7,806)	(14,013)	91	-	-	-	(21,728)
Writeback of impairment on other assets	-	12	-	-	-	-	12
Profit before zakat and taxation	21,477	61,608	6,513	4,832	29,808	-	124,238

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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 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)

Half Year Ended 30 June 2017	<----- Operating Segments ----->						
	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	Total RM'000
External revenue	307,801	623,200	66,571	109,399	101,626	-	1,208,597
Revenue from other segments	-	243,377	-	-	245,775	(489,152)	-
Total revenue	307,801	866,577	66,571	109,399	347,401	(489,152)	1,208,597
Net finance income	93,417	263,908	13,190	10,350	82,510	-	463,375
Other operating income	257	21,265	1,330	3,124	13,068	-	39,044
Net income	93,674	285,173	14,520	13,474	95,578	-	502,419
Other operating expenses	(33,077)	(133,588)	(233)	(1,527)	(37,880)	-	(206,305)
(Allowance) / Writeback of allowance for impairment on financing and advances	(18,899)	(20,580)	118	-	-	-	(39,361)
Writeback of impairment on other assets	-	59	-	-	-	-	59
Profit before zakat and taxation	41,698	131,064	14,405	11,947	57,698	-	256,812
Cost income ratio	35.3%	46.8%	1.6%	11.3%	39.6%	-	41.1%
Gross financing and advances	11,368,375	25,531,394	2,741,013	-	-	-	39,640,782
Financing growth	-3.1%	11.1%	-2.8%	-	-	-	5.6%
Impaired financing and advances	95,617	148,275	-	-	-	-	243,892
Impaired financing ratio	0.8%	0.6%	-	-	-	-	0.6%
Deposits from customers	-	44,091,284	18,451	4,075,870	-	-	48,185,605
Deposit growth	-	17.4%	-12.6%	-16.7%	-	-	13.4%
Segment assets	11,278,555	44,548,233	2,737,517	8,610,163	5,256,415	(17,618,970)	54,811,913
Reconciliation of segment assets to total assets:							
Investment in an associated company							30,000
Unallocated assets							16,430
Total assets							54,858,343

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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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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 2017	31 December 2016
<u>Before deducting interim dividend *</u>		
Common Equity Tier I ("CET I") capital ratio	11.940%	11.138%
Tier I capital ratio	11.940%	11.138%
Total capital ratio	14.555%	13.746%
<u>After deducting interim dividend *</u>		
CET I capital ratio	11.796%	10.923%
Tier I capital ratio	11.796%	10.923%
Total capital ratio	14.411%	13.531%

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

	30 June 2017 RM'000	31 December 2016 RM'000
Components of CET I, Tier I and Tier II capital:		
<u>CET I capital / Tier I capital</u>		
Share capital	2,732,717	219,217
Share premium	-	2,213,500
Other reserves	(1,072)	230,420
Retained profit	1,123,645	775,036
Less: Deferred tax assets, net	(9,606)	(4,242)
Less: Defined benefit pension fund assets	(2,133)	(2,279)
Less: Investment in an associated company deducted from CET I capital	(24,000)	(18,000)
Total CET I capital / Tier I capital	3,819,551	3,413,652
<u>Tier II capital</u>		
Collective assessment allowance and regulatory reserves #	342,938	311,939
Subordinated Sukuk Murabahah	499,501	499,374
Less: Investment in an associated company deducted from Tier II capital	(6,000)	(12,000)
Total Tier II capital	836,439	799,313
Total capital	4,655,990	4,212,965

Excludes collective assessment allowance on impaired financing restricted from Tier II capital of the Bank of RM132,752,000 (2016 : RM138,510,000). Includes the qualifying regulatory reserves of RM170,405,000 (2016 : RM148,815,000).

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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) reissued on 13 October 2015 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) reissued on 2 March 2017. 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>
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 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 2017 RM'000	31 December 2016 RM'000
Credit risk	30,265,569	29,000,132
Market risk	59,303	40,861
Operational risk	1,663,604	1,608,488
	<u>31,988,476</u>	<u>30,649,481</u>

A28. Commitments and Contingencies

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

	30 June 2017 RM'000	31 December 2016 RM'000
<u>Contingent Liabilities</u>		
Direct credit substitutes	14,028	12,953
Transaction-related contingent items	35,061	27,667
Short term self-liquidating trade-related contingencies	2,791	2,881
	<u>51,880</u>	<u>43,501</u>
<u>Commitments</u>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- exceeding one year	5,264,596	5,408,727
- not exceeding one year	1,442,908	1,400,097
Unutilised credit card lines	55,287	39,791
Forward asset purchase	59,830	-
	<u>6,822,621</u>	<u>6,848,615</u>
<u>Derivative Financial Instruments</u>		
Profit rate related contracts:		
- less than one year	100,000	200,000
- one year to less than five years	1,530,000	1,630,000
- five years and above	2,500,000	2,500,000
	<u>4,130,000</u>	<u>4,330,000</u>
	<u>11,004,501</u>	<u>11,222,116</u>

A29. Credit Exposures Arising From Credit Transactions With Connected Parties

	30 June 2017	31 December 2016
Outstanding credit exposures with connected parties (RM'000)	<u>335,629</u>	<u>342,474</u>
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures	<u>0.77%</u>	<u>0.83%</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<u>0.00%</u>	<u>0.03%</u>

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

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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 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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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 2017	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	-	1,143,558	-	1,143,558
Financial investments available-for-sale				
- Government securities and treasury bills	-	6,041,169	-	6,041,169
Derivative financial assets	-	4,940	-	4,940
Total financial assets measured at fair value	-	7,189,667	-	7,189,667
Financial liabilities				
Derivative financial liabilities	-	36,446	-	36,446
Total financial liabilities measured at fair value	-	36,446	-	36,446

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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 2016	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	-	495,364	-	495,364
Financial investments available-for-sale				
- Government securities and treasury bills	-	6,140,438	-	6,140,438
Derivative financial assets	-	18,153	-	18,153
Total financial assets measured at fair value	-	6,653,955	-	6,653,955
Financial liabilities				
Derivative financial liabilities	-	23,356	-	23,356
Total financial liabilities measured at fair value	-	23,356	-	23,356

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period / year (2016 : Nil).