

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020**

	Note	30 September 2020 RM'000	31 December 2019 RM'000
<b>ASSETS</b>			
Cash and balances with banks		637,316	3,139,455
Financial assets at fair value through profit or loss	A8	-	249,541
Derivative financial assets		489	-
Financial investments at fair value through other comprehensive income	A9	10,266,823	9,528,034
Financial investments at amortised cost	A10	4,588,296	3,743,715
Financing and advances	A11	53,079,432	49,728,576
Other assets	A12	183,259	71,437
Statutory deposits with Bank Negara Malaysia		235,900	1,800,450
Deferred tax assets		989	-
Collective investment		561,791	549,042
Investment in an associated company		45,000	45,000
Right-of-use assets		17,740	18,707
Property and equipment		3,615	4,005
<b>TOTAL ASSETS</b>		<b>69,620,650</b>	<b>68,877,962</b>
<b>LIABILITIES</b>			
Deposits from customers	A13	60,481,383	59,374,011
Deposits from banks	A14	1,539,390	2,453,316
Bills and acceptances payable		345	377
Derivative financial liabilities		209,143	90,130
Senior Sukuk Murabahah		519,928	519,862
Subordinated Sukuk Murabahah		1,000,000	1,000,000
Lease liabilities		18,829	19,385
Other liabilities	A15	394,817	396,753
Provision for zakat and taxation		86,292	19,888
Deferred tax liabilities		-	264
<b>TOTAL LIABILITIES</b>		<b>64,250,127</b>	<b>63,873,986</b>

*The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited annual financial statements of the Bank for the year ended 31 December 2019.*

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**UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020**

	Note	30 September 2020 RM'000	31 December 2019 RM'000
<b>EQUITY</b>			
Share capital		2,732,717	2,732,717
Regulatory reserves		273,877	309,431
Other reserves		60,575	16,939
Retained profits		2,303,354	1,944,889
<b>TOTAL EQUITY</b>		<b>5,370,523</b>	<b>5,003,976</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			
		<b>69,620,650</b>	<b>68,877,962</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
	A29	<b>11,869,591</b>	10,168,972
<b>CAPITAL ADEQUACY</b>			
	A28		
<b><u>Before deducting interim dividend</u> *</b>			
Common Equity Tier I Capital Ratio		11.927%	12.362%
Tier I Capital Ratio		11.927%	12.362%
Total Capital Ratio		<b>15.549%</b>	16.192%
<b><u>After deducting interim dividend</u> *</b>			
Common Equity Tier I Capital Ratio		11.927%	12.362%
Tier I Capital Ratio		11.927%	12.362%
Total Capital Ratio		<b>15.549%</b>	16.192%
<b>Net assets per share attributable to ordinary equity holder of the Bank (RM)</b>			
		<b>23.23</b>	21.64

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF PROFIT OR LOSS**  
**FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income derived from investment of depositors' funds and others	A16	<b>631,669</b>	694,766	<b>1,816,901</b>	2,030,143
Income derived from investment of shareholder's funds	A17	<b>55,562</b>	57,810	<b>157,620</b>	167,813
Allowance for impairment on financing and advances	A18	<b>(31,622)</b>	(11,757)	<b>(68,920)</b>	(35,472)
Allowance for impairment on other assets	A19	<b>(128)</b>	(69)	<b>(277)</b>	(153)
Total distributable income		<b>655,481</b>	740,750	<b>1,905,324</b>	2,162,331
Income attributable to depositors and others	A20	<b>(320,703)</b>	(448,420)	<b>(1,130,261)</b>	(1,341,268)
Total net income		<b>334,778</b>	292,330	<b>775,063</b>	821,063
Personnel expenses	A21	<b>(5,214)</b>	(4,952)	<b>(15,761)</b>	(15,416)
Other overheads and expenditures	A22	<b>(109,751)</b>	(110,063)	<b>(337,839)</b>	(327,137)
Profit before zakat and taxation		<b>219,813</b>	177,315	<b>421,463</b>	478,510
Zakat		<b>(81)</b>	(75)	<b>(243)</b>	(225)
Taxation		<b>(51,879)</b>	(40,277)	<b>(98,309)</b>	(110,726)
Profit for the period		<b>167,853</b>	136,963	<b>322,911</b>	367,559
Earnings per share - basic / diluted (sen)	A23	<b>72.6</b>	59.2	<b>139.7</b>	159.0

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 3RD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Profit for the period	<b>167,853</b>	136,963	<b>322,911</b>	367,559
Other comprehensive (loss) / income:				
<u>Items that will not be reclassified to profit or loss:</u>				
Defined benefit reserves:				
- Loss on remeasurements of defined benefit plan	(139)	-	(1,554)	-
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net change in revaluation of financial investments at fair value through other comprehensive income	33,879	26,822	177,746	88,547
Hedging reserves:				
- Net change in cash flow hedges	(8,870)	(22,634)	(118,777)	(77,625)
	<b>25,009</b>	4,188	<b>58,969</b>	10,922
Income tax relating to components of other comprehensive (loss) / income:				
- Defined benefit reserves	34	-	373	-
- Revaluation reserves	(8,131)	(6,437)	(42,659)	(21,251)
- Hedging reserves	2,129	5,432	28,507	18,630
	<b>(5,968)</b>	(1,005)	<b>(13,779)</b>	(2,621)
Other comprehensive income for the period, net of tax	<b>18,902</b>	3,183	<b>43,636</b>	8,301
Total comprehensive income for the period	<b>186,755</b>	140,146	<b>366,547</b>	375,860

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	<----- Non-distributable ----->						Distributable	Total Equity RM'000
	Share Capital RM'000	Revaluation Reserves RM'000	Profit Equalisation Reserves RM'000	Hedging Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	Retained Profits RM'000	
<b>At 1 January 2020</b>	2,732,717	82,169	172	(69,660)	4,258	309,431	1,944,889	5,003,976
Profit for the period	-	-	-	-	-	-	322,911	322,911
Other comprehensive income / (loss) for the period	-	135,087	-	(90,270)	(1,181)	-	-	43,636
Total comprehensive income / (loss) for the period	-	135,087	-	(90,270)	(1,181)	-	322,911	366,547
Transactions with owner / other equity movements:								
Transfer from regulatory reserves	-	-	-	-	-	(35,554)	35,554	-
	-	-	-	-	-	(35,554)	35,554	-
<b>At 30 September 2020</b>	<b>2,732,717</b>	<b>217,256</b>	<b>172</b>	<b>(159,930)</b>	<b>3,077</b>	<b>273,877</b>	<b>2,303,354</b>	<b>5,370,523</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	<----- Non-distributable ----->						Distributable	Total Equity RM'000
	Share Capital RM'000	Revaluation Reserves RM'000	Profit Equalisation Reserves RM'000	Hedging Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	Retained Profits RM'000	
At 1 January 2019	2,732,717	7,308	172	(15,195)	6,206	259,285	1,549,124	4,539,617
Profit for the period	-	-	-	-	-	-	367,559	367,559
Other comprehensive income / (loss) for the period	-	67,296	-	(58,995)	-	-	-	8,301
Total comprehensive income / (loss) for the period	-	67,296	-	(58,995)	-	-	367,559	375,860
Transactions with owner / other equity movements:								
Transfer to regulatory reserves	-	-	-	-	-	30,667	(30,667)	-
Dividends paid	-	-	-	-	-	-	(46,243)	(46,243)
	-	-	-	-	-	30,667	(76,910)	(46,243)
At 30 September 2019	2,732,717	74,604	172	(74,190)	6,206	289,952	1,839,773	4,869,234

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

	<b>30 September 2020 RM'000</b>	<b>30 September 2019 RM'000</b>
Profit before zakat and taxation	421,463	478,510
Adjustments for non-cash items	<b>(31,944)</b>	<b>(12,769)</b>
Operating profit before working capital changes	<b>389,519</b>	465,741
Changes in working capital:		
Net changes in operating assets	<b>(1,735,636)</b>	(3,874,368)
Net changes in operating liabilities	<b>187,356</b>	3,073,557
Cash used in operations	<b>(1,158,761)</b>	(335,070)
Zakat and tax paid	<b>(47,181)</b>	(110,583)
Net cash used in operating activities	<b>(1,205,942)</b>	(445,653)
Net cash used in investing activities	<b>(1,295,641)</b>	(853,777)
Net cash used in financing activities	<b>(556)</b>	(546,872)
Net change in cash and cash equivalents	<b>(2,502,139)</b>	(1,846,302)
Cash and cash equivalents at beginning of the year	<b>3,139,455</b>	2,127,231
Cash and cash equivalents at end of the period	<b>637,316</b>	280,929
Note:		
Cash and balances with banks	<b>637,316</b>	280,929
Less: Balances with banks with original maturity more than three months	-	-
Cash and cash equivalents at end of the period	<b>637,316</b>	280,929

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

**A1. Basis of Preparation**

The unaudited condensed interim financial statements for the 3rd quarter and nine months ended 30 September 2020 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss ("FVTPL"), financial investments at fair value through other comprehensive income ("FVOCI") 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 2019. 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 financial year ended 31 December 2019.

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 financial year ended 31 December 2019, except for the adoption of the following during the current financial period:

Effective for annual periods commencing on or after 1 January 2020

- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)

**Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)** - These amendments provide relief on existing hedge accounting requirements from potential effects of the uncertainty caused by inter-bank offer rates. Companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instruments are based is not altered as a result of the interest rate benchmark reform. In addition, companies are not required to apply the retrospective assessment under MFRS 139, but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80% - 125% range during the period of uncertainty arising from the reform. The adoption of these amendments did not have any financial impact to the Bank.

Additional Measures to Assist Customers Affected by the Covid-19 Outbreak

As indicated in Bank Negara Malaysia's ("BNM") letters dated 24 March 2020 and 24 July 2020, additional measures were introduced to assist customers experiencing temporary financial constraints due to the Covid-19 outbreak. The key measures affecting regulatory and accounting treatment and classifications are as follows:

- i) Moratorium on repayment/payment of financing
  - a) Banking institutions will grant an automatic moratorium on all financing repayments/payments, principal and profit (except for credit card balances) by individuals and small and medium enterprise ("SME") customers for a period of 6 months from 1 April 2020. The automatic moratorium is applicable to financing that are:
    - i) not in arrears exceeding 90 days as at 1 April 2020; and
    - ii) denominated in Malaysian Ringgit.
  - b) For credit card balances, banking institutions shall offer customers the option to convert their credit card balances into a term financing.
  - c) For corporate customers, banking institutions are strongly encouraged to facilitate requests for a moratorium on financing repayment/payment, additional financing to support immediate cash flows and the rescheduling and restructuring ("R&R") of existing facilities in a way that will enable viable corporations to preserve jobs and swiftly resume economic activities when conditions stabilise and improve.



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

Additional Measures to Assist Customers Affected by the Covid-19 Outbreak (continued)

ii) Definition of defaulted exposures under the policy document on Capital Adequacy Framework for Islamic Banks

In applying the definition of defaulted exposures under the above policy to financing for which repayment assistance is extended:

- a) The determination of "days past due" should be based on the new repayment terms of a financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;
- b) For financing to individuals or SMEs, a customer should not be considered to be in default based on "unlikeliness to repay" at the time the repayment assistance is granted, except where the financing is sold by the banking institution at a material loss or the customer is subjected to bankruptcy actions; and
- c) For financing to corporates, the assessment of "unlikeliness to repay" should not be based solely on the customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate customer.

Regulatory Capital Treatment

The regulatory capital treatment above shall apply to financing denominated in Malaysian Ringgit or foreign currency that meet the following criteria:

- a) The principal or profit, or both, is not in arrears exceeding 90 days as at the date of application for repayment assistance; and
- b) The application for repayment assistance by a customer is received on or before 30 June 2021.

The regulatory capital treatment would also be applicable to rescheduled and restructured financing that are facilitated by Agensi Kaunseling dan Pengurusan Kredit, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

iii) Classification in the Central Credit Reference Information System ("CCRIS")

For rescheduled and restructured individual, SME and corporate financing with arrears not exceeding 90 days as at the date of application for repayment assistance and where application for repayment assistance is received on or before 30 June 2021, including a financing that is rescheduled and restructured more than once, the following classification treatment in CCRIS shall apply:

- a) The financing need not be reported as R&R in CCRIS; and
- b) The financing need not be reported as credit-impaired in CCRIS.

iv) Drawdown of prudential buffers

Banking institutions are allowed with immediate effect to:

- a) Drawdown the capital conservation buffer of 2.5%;
- b) Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;
- c) Reduce the regulatory reserves held against expected losses to 0%; and
- d) Minimum Net Stable Funding Ratio ("NSFR") which was effective on 1 July 2020 is lowered to 80% from 100%.

However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021. BNM will review this timeline if current expectations change materially. As at the reporting date, the Bank has not drawn down any of the prudential buffers.

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

MFRS 9 Financial Instruments and financial reporting requirements

Whilst MFRS 9 requires the consideration of all reasonable and supportable information, including forward-looking information, in the measurement of expected credit losses, given the unprecedented circumstances and sudden onset of the Covid-19 pandemic, there is limited supportable information available at this juncture to forecast the full impact of the Covid-19 outbreak. Hence, in determining the expected credit losses of the Bank for this period, judgment has been exercised based on information available on-hand, which is believed to be still limited and will likely be still subject to high level of uncertainties. The following are the key factors which are still subject to high level of uncertainties and where judgment has been exercised in the determination of the Bank's expected credit losses:

i) Economic scenarios and probability-weights

In line with general consensus, the global and domestic economy are expected to experience significant shock in 2020, weighed by unprecedented measures taken, such as Movement Control Order, business closures and social distancing, to contain the Covid-19 outbreak. Nevertheless, the economic shock from the pandemic is expected to be temporary in nature mainly due to the expected positive impact of significant government measures to mitigate the effects of the expected challenges and there's a likelihood that economic activities would rebound after that. The Bank will continue to review and monitor closely if current expectations change materially.

ii) Assessment of significant increase in credit risk

The Bank takes cognisance that relief assistance available, i.e. automatic moratorium as well as rescheduling and restructuring for eligible customers, during this period are granted as part of an unprecedented government effort to support the economy amid the Covid-19 outbreak, rather than in response to the financial circumstances of individual customers. This is because eligibility criteria is broad and customers need not have exhibit any changes in ability to meet its debt obligations in order to access the relief. Hence, in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk, the relief assistance provided do not automatically result in a stage transfer. Judgment is exercised, adapted and based on information on-hand, in the estimation of a general deterioration of credit risk for financing where relief assistance is provided for the purposes of the determination of expected credit losses.

The financial impact of the moratorium to profit income of the Bank is further disclosed in Note A16 and Note A17 respectively.

The following Malaysian Financial Reporting Standard ("MFRS") 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 June 2020

- Covid-19-Related Rent Concessions (Amendment to MFRS 16 Leases)

Effective for annual periods commencing on or after 1 January 2021

- Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"
- Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)
- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)

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

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

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)

**Covid-19-Related Rent Concessions (Amendment to MFRS 16 Leases)** - The amendment allows lessees not to account for rent concessions as lease modifications if they are a direct consequence of Covid-19 and meet certain conditions. It applies to rent concessions that reduce the lease payments due on or before 30 June 2021.

**Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)** - Amendments were made on some specific requirements of those standards with respect to issues affecting financial reporting during the reform of an interest rate benchmark. The amendments provides a practical expedient whereby a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

**Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"** - The Annual Improvements cover the following amendments that are applicable to the Bank:

- i) **MFRS 9 Financial Instruments** - It clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- ii) **Illustrative Examples accompanying MFRS 16 Leases** - It deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.

**Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)** - The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

**Property, Plant and Equipment - Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)** - The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company shall recognise such sales proceeds and related cost in profit or loss.

**Onerous Contracts - Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)** - The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

**MFRS 17 Insurance Contracts** - MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts.

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

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

**Amendments to MFRS 17 Insurance Contracts** - The amendments are designed to minimise the risk of disruption to implementation already underway and do not change the fundamental principles of the standard or reduce the usefulness of information for investors. In addition, the amendments also defer the effective date of MFRS 17 by two years to annual reporting periods beginning on or after 1 January 2023.

**Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)** - The amendments extend the expiry date for the temporary exemption from applying MFRS 9 Financial Instruments by two years to annual periods beginning on or after 1 January 2023, to be aligned with the effective date of MFRS 17, which replaces MFRS 4.

**Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)** - The amendments provide clarification on the requirements for classifying liabilities as current or non-current, and specifically on the following:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

In response to Covid-19 pandemic, the effective date for MFRS 101 amendments is now deferred by one year to annual reporting periods beginning on or after 1 January 2023.

The adoption of MFRS 17 Insurance Contracts and Amendments to MFRS 17 will not have any financial impact on the financial statements of the Bank as it is not applicable to the Bank. The adoption of other amendments to MFRSs is not expected to have any financial impact on the financial statements of the Bank.

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

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2019 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 current financial period.

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

Other than as disclosed in Notes A1, A14, A16 and A17, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank in the current financial period.

**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 current financial period.

**A6. Debt and Equity Securities**

There were no issuances of shares, share buy-backs and repayment of debt and equity securities by the Bank.

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

No dividend has been proposed for the financial period ended 30 September 2020.

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**A8. Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>At fair value</b>		
<b>Money market instruments:</b>		
Negotiable Islamic Debt Certificates	-	249,541
Total financial assets at FVTPL	-	249,541

**A9. Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI")**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>At fair value</b>		
<b>Government securities and treasury bills:</b>		
Malaysian Government Investment Issues	<b>10,266,823</b>	9,528,034

The following expected credit losses ("ECL") for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	<b>Lifetime ECL</b>			<b>Total RM'000</b>
	<b>12-Month ECL (Stage 1) RM'000</b>	<b>Not Credit- Impaired (Stage 2) RM'000</b>	<b>Credit- Impaired (Stage 3) RM'000</b>	
At 1 January 2020	1,602	-	-	1,602
New financial investments purchased	1,044	-	-	1,044
Net allowance made	21	-	-	21
Amount derecognised	(969)	-	-	(969)
At 30 September 2020	1,698	-	-	1,698
At 1 January 2019	1,465	-	-	1,465
New financial investments purchased	1,715	-	-	1,715
Net allowance made	31	-	-	31
Amount derecognised	(1,608)	-	-	(1,608)
Changes in models / risk parameters	(1)	-	-	(1)
At 31 December 2019	1,602	-	-	1,602

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**A10. Financial Investments at Amortised Cost**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>At amortised cost</b>		
<b>Government securities and treasury bills:</b>		
Malaysian Government Investment Issues	3,896,080	3,006,702
<b>Non-money market instruments:</b>		
Debt securities		
- Unquoted corporate sukuk	692,997	737,650
Allowance for impairment	(781)	(637)
<b>Total financial investments at amortised cost</b>	<b>4,588,296</b>	<b>3,743,715</b>

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows:

	<b>12-Month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not Credit- Impaired (Stage 2) RM'000</b>	<b>Credit- Impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
At 1 January 2020	637	-	-	637
New financial investments purchased	241	-	-	241
Net allowance made	2	-	-	2
Amount derecognised	(99)	-	-	(99)
At 30 September 2020	<b>781</b>	<b>-</b>	<b>-</b>	<b>781</b>
At 1 January 2019	540	-	-	540
New financial investments purchased	142	-	-	142
Net allowance written back	(21)	-	-	(21)
Amount derecognised	(24)	-	-	(24)
At 31 December 2019	<b>637</b>	<b>-</b>	<b>-</b>	<b>637</b>

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**A11. Financing and Advances**

**a. By type and contract**

<b>30 September 2020</b>	<b>Bai' Bithaman Ajil RM'000</b>	<b>Ijarah ^ Thumma Al-Bai' RM'000</b>	<b>Bai' Inah RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Murabahah RM'000</b>	<b>Others RM'000</b>	<b>Total Financing and Advances RM'000</b>
<b>At amortised cost</b>							
Cash line	1,489,229	-	-	-	-	-	1,489,229
Term financing							
- House financing	5,436,110	-	-	17,189,202	-	-	22,625,312
- Syndicated financing	1,341,251	-	-	-	-	-	1,341,251
- Hire purchase receivables	-	8,515,875	-	-	-	-	8,515,875
- Other term financing	5,127,172	-	1,646,228	11,947,851	-	207,081	18,928,332
Credit card receivables	-	-	-	-	-	30,833	30,833
Bills receivables	-	-	-	-	760	-	760
Trust receipts	-	-	-	-	3,799	-	3,799
Claims on customers under acceptance credits	-	-	-	-	139,913	-	139,913
Revolving credits	247,273	-	-	-	-	-	247,273
Staff financing	-	10,066	-	92,089	-	-	102,155
Gross financing and advances	<b>13,641,035</b>	<b>8,525,941</b>	<b>1,646,228</b>	<b>29,229,142</b>	<b>144,472</b>	<b>237,914</b>	<b>53,424,732</b>
Less : Allowance for impairment on financing and advances							
- Expected credit losses							<b>(345,300)</b>
- Stage 1: 12-Month ECL							<b>(171,431)</b>
- Stage 2: Lifetime ECL not credit-impaired							<b>(124,184)</b>
- Stage 3: Lifetime ECL credit-impaired							<b>(49,685)</b>
Net financing and advances							<b>53,079,432</b>

^ The Bank is the owner of the asset throughout the tenure of the Ijarah financing. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

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

**a. By type and contract (continued)**

<b>31 December 2019</b>	<b>Bai' Bithaman Ajil RM'000</b>	<b>Ijarah ^ Thumma Al-Bai' RM'000</b>	<b>Bai' Inah RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Murabahah RM'000</b>	<b>Others RM'000</b>	<b>Total Financing and Advances RM'000</b>
<b>At amortised cost</b>							
Cash line	1,732,493	-	-	-	-	-	1,732,493
Term financing							
- House financing	5,105,404	-	-	15,488,932	-	-	20,594,336
- Syndicated financing	1,266,197	-	-	-	-	-	1,266,197
- Hire purchase receivables	-	8,310,016	-	-	-	-	8,310,016
- Other term financing	4,941,919	-	1,550,596	10,923,096	-	208,138	17,623,749
Credit card receivables	-	-	-	-	-	30,375	30,375
Bills receivables	-	-	-	-	2,110	-	2,110
Trust receipts	-	-	-	-	3,415	-	3,415
Claims on customers under acceptance credits	-	-	-	-	195,437	-	195,437
Revolving credits	181,477	-	-	-	-	-	181,477
Staff financing	-	8,870	-	85,664	-	-	94,534
Gross financing and advances	13,227,490	8,318,886	1,550,596	26,497,692	200,962	238,513	50,034,139
Less : Allowance for impairment on financing and advances							
- Expected credit losses							(305,563)
- Stage 1: 12-Month ECL							(129,065)
- Stage 2: Lifetime ECL not credit-impaired							(90,576)
- Stage 3: Lifetime ECL credit-impaired							(85,922)
Net financing and advances							<u>49,728,576</u>

All the financing and advances are located in Malaysia.

^ The Bank is the owner of the asset throughout the tenure of the Ijarah financing. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.



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

**b. By class**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Retail financing *		
- House financing	22,625,312	20,594,336
- Hire purchase	8,515,875	8,310,016
- Credit cards	30,833	30,375
- Other financing ^	<u>16,837,108</u>	<u>15,975,442</u>
	<b>48,009,128</b>	<b>44,910,169</b>
Corporate financing	<u>5,415,604</u>	<u>5,123,970</u>
Gross financing and advances	<u><b>53,424,732</b></u>	<u><b>50,034,139</b></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**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Domestic non-bank financial institutions		
- Others	1,698,145	1,587,879
Domestic business enterprises		
- Small and medium enterprises	9,386,061	9,253,552
- Others	3,169,159	2,651,101
Government and statutory bodies	1,014,238	1,005,773
Individuals	37,942,444	35,326,968
Other domestic entities	5,525	4,991
Foreign entities	<u>209,160</u>	<u>203,875</u>
Gross financing and advances	<u><b>53,424,732</b></u>	<u><b>50,034,139</b></u>

**d. By rate of return sensitivity**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Fixed rate		
- House financing	250,435	273,262
- Hire purchase receivables	8,515,236	8,309,305
- Other fixed rate financing	3,142,094	3,125,661
Variable rate		
- Base rate / base financing rate plus	37,053,316	34,120,141
- Cost plus	<u>4,463,651</u>	<u>4,205,770</u>
Gross financing and advances	<u><b>53,424,732</b></u>	<u><b>50,034,139</b></u>

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

**e. By residual contractual maturity**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Maturity within one year	2,538,775	2,883,519
More than one year to three years	3,432,545	3,000,768
More than three years to five years	5,225,223	4,444,876
More than five years	42,228,189	39,704,976
Gross financing and advances	<u>53,424,732</u>	<u>50,034,139</u>

**f. By economic purpose**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Purchase of transport vehicles	8,525,873	8,318,886
Purchase of landed properties	34,989,858	32,255,720
(of which: - residential	<u>23,214,092</u>	<u>21,138,886</u>
- non-residential)	<u>11,775,766</u>	<u>11,116,834</u>
Purchase of fixed assets (excluding landed properties)	444	-
Personal use	2,983,999	2,891,612
Credit card	30,833	30,375
Purchase of consumer durables	694	700
Construction	738,391	510,885
Working capital	6,000,431	5,882,984
Other purpose	154,209	142,977
Gross financing and advances	<u>53,424,732</u>	<u>50,034,139</u>

**g. By sectors**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Agriculture, hunting, forestry and fishing	897,062	910,538
Mining and quarrying	168,406	169,036
Manufacturing	1,486,766	1,448,787
Electricity, gas and water	5,562	4,791
Construction	2,221,527	1,972,635
Wholesale & retail trade and restaurants & hotels	2,855,322	2,678,149
Transport, storage and communication	451,211	397,533
Finance, insurance and business services	2,187,858	2,055,679
Real estate	3,746,469	3,628,663
Community, social and personal services	1,359,692	1,345,141
Households	38,044,846	35,423,187
Others	11	-
Gross financing and advances	<u>53,424,732</u>	<u>50,034,139</u>

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

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
At 1 January	275,050	277,731
Impaired during the period / year	134,458	673,499
Reclassified as non-credit impaired	(169,471)	(533,038)
Recoveries	(29,673)	(56,730)
Amount written off	(46,056)	(76,223)
Financing converted to foreclosed properties	(4,056)	(10,189)
Closing balance	<u>160,252</u>	<u>275,050</u>
Gross impaired financing as a percentage of gross financing and advances	<u>0.30%</u>	<u>0.55%</u>

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Purchase of transport vehicles	31,219	72,786
Purchase of landed properties (of which: - residential - non-residential)	<u>109,115</u> <u>84,746</u> <u>24,369</u>	<u>170,061</u> <u>146,493</u> <u>23,568</u>
Personal use	15,278	26,291
Credit card	82	262
Working capital	4,539	5,628
Other purpose	19	22
	<u>160,252</u>	<u>275,050</u>

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Agriculture, hunting, forestry and fishing	-	50
Mining and quarrying	228	2
Manufacturing	566	1,032
Construction	7,451	8,924
Wholesale & retail trade and restaurants & hotels	4,466	7,337
Transport, storage and communication	269	1,393
Finance, insurance and business services	6,857	3,107
Real estate	1,725	75
Community, social and personal services	1,444	1,578
Households	<u>137,246</u>	<u>251,552</u>
	<u>160,252</u>	<u>275,050</u>

All the impaired financing and advances are located in Malaysia.

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

k. Movements in loss allowance for financing which reflect the ECL model on impairment are as follows:

	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not Credit- Impaired (Stage 2) RM'000	Credit- Impaired (Stage 3) RM'000	
At 1 January 2020	129,065	90,576	85,922	305,563
Changes due to financing and advances recognised as at 1 January 2020:	46,161	(26,632)	(19,529)	-
- Transfer to Stage 1: 12-Month ECL	48,095	(39,416)	(8,679)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,909)	13,866	(11,957)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(25)	(1,082)	1,107	-
New financing and advances originated	9,657	1,437	-	11,094
Net remeasurement due to changes in credit risk	(38,543)	28,363	31,644	21,464
Financing and advances derecognised (other than write-off)	(3,671)	(1,584)	(3,875)	(9,130)
Modifications to contractual cash flows of financing and advances	(2,288)	6,857	1,361	5,930
Changes in models / risk parameters	31,050	25,167	218	56,435
Amount written off	-	-	(46,056)	(46,056)
At 30 September 2020	<u>171,431</u>	<u>124,184</u>	<u>49,685</u>	<u>345,300</u>
At 1 January 2019	144,142	77,514	92,112	313,768
Changes due to financing and advances recognised as at 1 January 2019:	26,312	(8,301)	(18,011)	-
- Transfer to Stage 1: 12-Month ECL	33,077	(26,128)	(6,949)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(6,494)	20,668	(14,174)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(271)	(2,841)	3,112	-
New financing and advances originated	13,573	5,450	560	19,583
Net remeasurement due to changes in credit risk	(35,741)	7,894	93,909	66,062
Financing and advances derecognised (other than write-off)	(7,155)	(2,247)	(7,935)	(17,337)
Modifications to contractual cash flows of financing and advances	(457)	(37)	753	259
Changes in models / risk parameters	(11,609)	10,303	912	(394)
Amount written off	-	-	(76,223)	(76,223)
Amount transferred to allowance for impairment loss on foreclosed properties	-	-	(155)	(155)
At 31 December 2019	<u>129,065</u>	<u>90,576</u>	<u>85,922</u>	<u>305,563</u>

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**A12. Other Assets**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Deferred handling fees	38,055	38,921
Income receivable	19	203
Other receivables, deposits and prepayments	124,964	15,206
Employee benefits	-	543
Foreclosed properties	20,221	16,564
	<u>183,259</u>	<u>71,437</u>

**A13. Deposits from Customers**

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b><u>At amortised cost</u></b>		
<b>Savings deposit</b>		
- Qard	8,305,596	6,716,978
<b>Demand deposit</b>		
- Qard	5,586,392	4,816,878
<b>Term deposit</b>		
- Negotiable Islamic Debt Certificate		
- Bai' Bithaman Ajil	-	22,959
- Term deposit		
- Commodity Murabahah	39,368,741	41,363,757
- Special term deposit account		
- Qard	4,352,270	6,453,439
- Commodity Murabahah	2,868,384	-
	<u>7,220,654</u>	<u>6,453,439</u>
	<u>60,481,383</u>	<u>59,374,011</u>

**b. By type of customer**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Federal and state governments	2,292,678	2,348,406
Local government and statutory authorities	852,686	879,729
Business enterprises	9,942,509	9,791,744
Individuals	23,596,720	23,466,357
Foreign customers	599,998	601,272
Others	23,196,792	22,286,503
	<u>60,481,383</u>	<u>59,374,011</u>

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

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Due within six months	38,658,263	41,567,949
More than six months to one year	7,928,756	6,270,511
More than one year to three years	1,413	883
More than three years to five years	963	812
	<u>46,589,395</u>	<u>47,840,155</u>

**A14. Deposits from Banks**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>At amortised cost</b>		
<u>Non-Mudharabah Fund</u>		
Licensed banks	1,454,865	2,418,115
Licensed investment banks	7,654	7,559
Bank Negara Malaysia *	69,377	17,368
Other financial institutions	7,494	10,274
	<u>1,539,390</u>	<u>2,453,316</u>

\* As part of the government support measures in response to Covid-19 pandemic, the Bank received amount under a Government financing scheme for the purpose of SME financing at a below market and concession rate with a six-year maturity to be repaid in June 2026.

**A15. Other Liabilities**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Income payable	351,560	360,567
Other payables and accruals	31,456	29,127
Employee benefits	1,631	-
Accrued restoration costs	569	569
Profit Equalisation Reserves	31	31
Allowance for impairment on financing commitments and financial guarantees	9,570	6,459
	<u>394,817</u>	<u>396,753</u>

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**A15. Other Liabilities** (continued)

Movements in allowance for impairment on financing commitments and financial guarantees are as follows:

	<b>12-Month ECL (Stage 1) RM'000</b>	<b>Lifetime ECL Not Credit- Impaired (Stage 2) RM'000</b>	<b>Credit- Impaired (Stage 3) RM'000</b>	<b>Total RM'000</b>
At 1 January 2020	5,225	906	328	6,459
Changes due to financing commitments and financial guarantees recognised as at 1 January 2020:	423	(227)	(196)	-
- Transfer to Stage 1: 12-Month ECL	471	(432)	(39)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(48)	209	(161)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	-	(4)	4	-
New financing commitments and financial guarantees originated	874	71	-	945
Net remeasurement due to changes in credit risk	127	415	(52)	490
Financing commitments and financial guarantees derecognised	(58)	(70)	(4)	(132)
Modifications to contractual cash flows of financing commitments and financial guarantees	(24)	97	(2)	71
Changes in models / risk parameters	1,367	370	-	1,737
At 30 September 2020	<u>7,934</u>	<u>1,562</u>	<u>74</u>	<u>9,570</u>
At 1 January 2019	4,480	1,171	135	5,786
Changes due to financing commitments and financial guarantees recognised as at 1 January 2019:	428	(389)	(39)	-
- Transfer to Stage 1: 12-Month ECL	473	(445)	(28)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(44)	87	(43)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(1)	(31)	32	-
New financing commitments and financial guarantees originated	910	244	36	1,190
Net remeasurement due to changes in credit risk	(847)	(168)	158	(857)
Financing commitments and financial guarantees derecognised	(519)	(76)	(5)	(600)
Modifications to contractual cash flows of financing commitments and financial guarantees	-	-	1	1
Changes in models / risk parameters	773	124	42	939
At 31 December 2019	<u>5,225</u>	<u>906</u>	<u>328</u>	<u>6,459</u>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Income derived from investment of:				
(a) Term deposits	478,280	551,885	1,397,204	1,617,068
(b) Other deposits	153,389	142,881	419,697	413,075
	<b>631,669</b>	<b>694,766</b>	<b>1,816,901</b>	<b>2,030,143</b>
<b>a. Income derived from investment of term deposits:</b>				
<u>Finance income and Hibah</u>				
Financing and advances *	355,739	423,218	1,022,929	1,270,207
Financial investments at fair value through other comprehensive income	52,203	60,986	166,444	173,316
Financial investments at amortised cost	28,376	25,851	82,911	73,482
Balances with banks	267	505	2,435	7,539
	<b>436,585</b>	<b>510,560</b>	<b>1,274,719</b>	<b>1,524,544</b>
Financial assets at fair value through profit or loss	(22)	2,578	4,050	10,027
Total finance income and Hibah	<b>436,563</b>	<b>513,138</b>	<b>1,278,769</b>	<b>1,534,571</b>
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	5,302	4,467	13,704	13,167
- Service charges and fees	2,826	3,778	7,445	10,117
- Facility fees	96	133	2,912	400
- Other fee income	1,073	1,015	2,433	2,739
Net gains and losses on financial instruments:				
- Net gain arising from sale of financial investments at fair value through other comprehensive income	29,403	24,133	77,732	37,918
- Net (loss) / gain representing ineffective portions of hedging derivatives	(1,530)	178	166	1,784
- Others	199	52	604	718
Gross distribution income from collective investment	2,681	3,461	8,808	10,250
Other income	1,667	1,530	4,631	5,404
Total other operating income	<b>41,717</b>	<b>38,747</b>	<b>118,435</b>	<b>82,497</b>
	<b>478,280</b>	<b>551,885</b>	<b>1,397,204</b>	<b>1,617,068</b>

\* Included day 1 net modification loss relating to Covid-19 relief measures of the Bank of RM174,624,000 in the current financial period.



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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
<b>b. Income derived from investment of other deposits:</b>				
<u>Finance income and Hibah</u>				
Financing and advances *	113,918	109,625	307,272	324,471
Financial investments at fair value through other comprehensive income	16,889	15,779	49,997	44,273
Financial investments at amortised cost	9,100	6,689	24,905	18,771
Balances with banks	103	142	731	1,926
	<b>140,010</b>	<b>132,235</b>	<b>382,905</b>	<b>389,441</b>
Financial assets at fair value through profit or loss	36	671	1,216	2,561
Total finance income and Hibah	<b>140,046</b>	<b>132,906</b>	<b>384,121</b>	<b>392,002</b>
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	1,681	1,157	4,116	3,364
- Service charges and fees	897	976	2,236	2,584
- Facility fees	59	34	875	102
- Other fee income	337	263	731	700
Net gains and losses on financial instruments:				
- Net gain arising from sale of financial investments at fair value through other comprehensive income	9,343	6,190	23,349	9,686
- Net (loss) / gain representing ineffective portions of hedging derivatives	(442)	48	50	456
- Others	65	14	182	183
Gross distribution income from collective investment	871	896	2,646	2,618
Other income	532	397	1,391	1,380
Total other operating income	<b>13,343</b>	<b>9,975</b>	<b>35,576</b>	<b>21,073</b>
	<b>153,389</b>	<b>142,881</b>	<b>419,697</b>	<b>413,075</b>

\* Included day 1 net modification loss relating to Covid-19 relief measures of the Bank of RM174,624,000 in the current financial period.

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
<u>Finance income and Hibah</u>				
Financing and advances *	41,298	44,347	115,398	131,817
Financial investments at fair value through other comprehensive income	6,089	6,385	18,777	17,986
Financial investments at amortised cost	3,296	2,707	9,353	7,626
Balances with banks	34	56	275	782
	<u>50,717</u>	<u>53,495</u>	<u>143,803</u>	<u>158,211</u>
Financial assets at fair value through profit or loss	5	272	457	1,041
Total finance income and Hibah	<u>50,722</u>	<u>53,767</u>	<u>144,260</u>	<u>159,252</u>
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	613	468	1,546	1,366
- Service charges and fees	327	395	840	1,050
- Facility fees	16	15	329	42
- Other fee income	123	105	274	284
Net gains and losses on financial instruments:				
- Net gain arising from sale of financial investments at fair value through other comprehensive income	3,401	2,512	8,769	3,935
- Net (loss) / gain representing ineffective portions of hedging derivatives	(170)	19	18	185
- Others	24	5	69	74
Gross distribution income from collective investment	313	363	993	1,064
Other income	193	161	522	561
Total other operating income	<u>4,840</u>	<u>4,043</u>	<u>13,360</u>	<u>8,561</u>
	<u>55,562</u>	<u>57,810</u>	<u>157,620</u>	<u>167,813</u>

\* Included day 1 net modification loss relating to Covid-19 relief measures of the Bank of RM174,624,000 in the current financial period.

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Expected credit losses	41,064	18,300	88,904	53,985
Impaired financing recovered	(9,442)	(6,543)	(19,984)	(18,513)
	<u>31,622</u>	<u>11,757</u>	<u>68,920</u>	<u>35,472</u>

**A19. Allowance for Impairment on Other Assets**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	80	33	96	85
- Financial investments at amortised cost	11	36	144	68
Allowance made on:				
- Foreclosed properties	37	-	37	-
	<u>128</u>	<u>69</u>	<u>277</u>	<u>153</u>

**A20. Income Attributable to Depositors and Others**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Deposits from customers				
- Non-Mudharabah fund	285,892	414,683	1,016,624	1,233,258
Deposits from banks				
- Non-Mudharabah fund	18,376	22,020	64,677	62,894
Sukuk Murabahah	16,222	11,496	48,314	44,525
Lease liabilities	213	221	646	591
	<u>320,703</u>	<u>448,420</u>	<u>1,130,261</u>	<u>1,341,268</u>

**A21. Personnel expenses**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Salaries, allowances and bonuses	4,031	3,691	12,186	11,358
Pension costs	709	595	2,149	1,842
Others	474	666	1,426	2,216
	<u>5,214</u>	<u>4,952</u>	<u>15,761</u>	<u>15,416</u>

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**A22. Other Overheads and Expenditures**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Establishment costs				
- Depreciation	493	435	1,419	1,311
- Insurance	219	156	708	496
- Water and electricity	39	56	125	144
- General repairs and maintenance	185	254	984	734
- Others	423	527	1,257	1,199
	<b>1,359</b>	<b>1,428</b>	<b>4,493</b>	<b>3,884</b>
Marketing expenses				
- Advertisement and publicity	575	396	1,545	1,376
- Others	115	211	491	935
	<b>690</b>	<b>607</b>	<b>2,036</b>	<b>2,311</b>
Administration and general expenses				
- Communication expenses	1,070	1,036	4,599	2,968
- Legal and professional fees	1,846	1,554	4,255	4,376
- Others	4,639	4,639	13,895	13,926
	<b>7,555</b>	<b>7,229</b>	<b>22,749</b>	<b>21,270</b>
Cost of resource sharing charged by Public Bank Berhad *	103,624	103,513	317,507	307,410
Recovery of expenses	(3,477)	(2,714)	(8,946)	(7,738)
	<b>109,751</b>	<b>110,063</b>	<b>337,839</b>	<b>327,137</b>

\* The type of resource sharing rendered by Public Bank Berhad to the Bank in Malaysia are as follows:

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Credit related	45,862	45,306	139,790	137,222
Non-credit branch support	39,237	39,459	118,487	117,245
Other administration function	18,525	18,748	59,230	52,943
	<b>103,624</b>	<b>103,513</b>	<b>317,507</b>	<b>307,410</b>

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**A23. Earnings Per Share (EPS)**

**a) Basic 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 3rd quarter and nine months ended 30 September 2020.

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2020 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>30 September 2020 RM'000</b>	<b>30 September 2019 RM'000</b>
Net profit attributable to equity holder of the Bank (RM'000)	<b>167,853</b>	136,963	<b>322,911</b>	367,559
Weighted average number of shares ('000)	<b>231,217</b>	231,217	<b>231,217</b>	231,217
Basic EPS (sen)	<b>72.6</b>	59.2	<b>139.7</b>	159.0

**b) Diluted EPS**

The Bank has no dilution in its earnings per share in the current and the preceding financial period as there are no dilutive potential ordinary shares.

**A24. Performance Review**

The Bank reported a lower pre-tax profit of RM421.5 million for the financial period ended 30 September 2020, which was -11.9% or RM57.0 million lower as compared to pre-tax profit of RM478.5 million for the financial period ended 30 September 2019. The lower profit was primarily due to lower net finance income of RM67.7 million, higher allowance for impairment on financing and advances of RM33.4 million, higher other operating expenses of RM11.0 million and higher allowance for impairment on other assets of RM0.2 million offset by higher other operating income of RM55.3 million.

**A25. Prospects for 2020**

Global economic activities are expected to record unprecedented declines in 2020, as the severe economic fallout is markedly impacted by global efforts to contain the spread of the Covid-19 outbreak. The advanced economies including the United States of America, Europe and Japan are expected to contract owing to lacklustre economic activities, particularly due to the containment measures in the first half of 2020. With the exception for China, the rest of Asia would experience a downturn as the health crisis affects various sectors regionally, owing to acute shocks and extensive disruption in global supply chains.

With the easing of containment measures across economies, the global economy is expected to improve in the second half of 2020 driven by the gradual resumption of manufacturing and trade activities as well as strong policy support globally. Central banks continue to maintain accommodative policies while Governments' responses through fiscal measures will provide some support to economic activities.

The Malaysian economy is expected to recover gradually in the second half of 2020 as the economy reopens progressively and external demand improves. The improvement in growth will also be supported by the recovery in global growth and continued policy support domestically. The outlook remains subjected to downside risks, particularly due to the ongoing concerns of the pandemic, production constraints across key economic sectors as well as uncertainties in global economic and financial conditions.

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**A25. Prospects for 2020** (continued)

The Overnight Policy Rate stood at 1.75% as at September 2020 after a cumulative year-to-date rate reduction of 125 basis points (“bps”) as of year to date 2020, owing to rate cuts of 25 bps in January, March and July 2020, respectively as well as 50 bps cut in May 2020. Meanwhile, Malaysia’s inflation is expected to be subdued in 2020, in the absence of both cost and demand pressures.

Notwithstanding the challenging macro environment, Malaysia’s banking system remains resilient, underpinned by ample liquidity and strong capital buffers. Monetary and financial conditions continue to be accommodative and supportive of economic activities.

Many businesses and individuals had been significantly impacted as the economy was almost at a standstill during the second quarter of 2020, due to the containment efforts to prevent the spread of the Covid-19 pandemic. The Government announced several economic stimulus packages worth RM305 billion as of September 2020, with focus on economic recovery efforts and growth plans ahead. Also, Bank Negara Malaysia’s financial relief measures provided assistance to customers with financial difficulties, which include the financing moratorium and financing to small and medium enterprises (“SME”) through the Special Relief Facility.

Amid uncertainties and challenges, the Bank will continue to operate efficiently, maintain prudence in its management of credit risk and asset quality, manage liquidity and capital proactively to ensure that liquidity and capital positions are maintained at healthy levels at all times, while preserving strong corporate governance and sound risk management practices.

Financing growth is expected to remain modest in 2020, mainly due to the macro challenges. However, the Bank is expected to sustain its market position in the domestic residential and commercial property financing by leveraging on its established market presence. In tandem with the Government’s initiative on home ownership, the Bank will continue to provide competitive pricing and flexible financing product packages. The Bank will also leverage on its strong franchise in the SME segment through a broad range of innovative products and services, while it actively participates in the financial relief schemes by the Government which provide funding to SMEs. The Bank will continue to expand its corporate financing business and strengthen further its relationship with customers.

The Bank will proactively manage potential stress in asset quality. The Bank will also continue to actively engage and assist customers by providing further assistance required through various repayment assistance programmes.

Amid heightened market uncertainties, the Bank’s treasury operations will remain vigilant in its business approach and continue to maintain a prudent risk profile, while further strengthening its risk management capabilities to weather market stress.

For long-term sustainability, the Bank will continue to enhance its service delivery standards and infrastructure with the advancement of technology to provide seamless banking experiences across multi-delivery channels and customers’ touch points.

**A26. Subsequent Events**

Other than the impact of the Covid-19 outbreak which remains uncertain as the outbreak continues to unfold, as disclosed in Note A1, there were no material events subsequent to the end of the reporting date that have not been reflected in the unaudited interim financial statements.

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**A27. Segment Information**

	<----- Operating Segments ----->						
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office and Funding Center RM'000	Inter- segment Elimination RM'000	Total RM'000
<b>3rd Quarter Ended 30 September 2020</b>							
External revenue	100,382	356,641	50,052	48,574	131,559	-	687,208
Revenue from other segments	23	137,677	111	31,063	25,024	(193,898)	-
	<b>100,405</b>	<b>494,318</b>	<b>50,163</b>	<b>79,637</b>	<b>156,583</b>	<b>(193,898)</b>	<b>687,208</b>
Net finance income	21,236	229,743	15,691	16,689	23,269	-	306,628
Other operating income	296	15,097	95	8,683	35,729	-	59,900
Net income	21,532	244,840	15,786	25,372	58,998	-	366,528
Other operating expenses	(12,733)	(79,685)	(263)	(1,832)	(20,452)	-	(114,965)
Writeback of allowance / (Allowance) for impairment on financing and advances	5,226	(30,542)	(6,306)	-	-	-	(31,622)
Allowance for impairment on other assets	-	(37)	-	(63)	(28)	-	(128)
Profit by segments	<b>14,025</b>	<b>134,576</b>	<b>9,217</b>	<b>23,477</b>	<b>38,518</b>	<b>-</b>	<b>219,813</b>

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**A27. 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 and Funding Center RM'000	Inter- segment Elimination RM'000	
<b>3rd Quarter Ended 30 September 2019</b>							
External revenue	112,117	429,303	48,411	69,135	93,597	-	752,563
Revenue from other segments	227	119,506	177	55,255	46,155	(221,320)	-
	<u>112,344</u>	<u>548,809</u>	<u>48,588</u>	<u>124,390</u>	<u>139,752</u>	<u>(221,320)</u>	<u>752,563</u>
Net finance income	25,922	177,939	9,126	3,166	35,238	-	251,391
Other operating income	685	14,127	3	17,871	20,079	-	52,765
Net income	<u>26,607</u>	<u>192,066</u>	<u>9,129</u>	<u>21,037</u>	<u>55,317</u>	<u>-</u>	<u>304,156</u>
Other operating expenses	(14,030)	(79,450)	(212)	(1,198)	(20,125)	-	(115,015)
Allowance for impairment on financing and advances	(1,843)	(9,756)	(158)	-	-	-	(11,757)
Writeback of allowance / (Allowance) for impairment on other assets	-	-	-	61	(130)	-	(69)
Profit by segments	<u>10,734</u>	<u>102,860</u>	<u>8,759</u>	<u>19,900</u>	<u>35,062</u>	<u>-</u>	<u>177,315</u>



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**A27. 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 and Funding Center RM'000	Inter- segment Elimination RM'000	
<b>Nine Months Ended</b>							
<b>30 September 2020</b>							
External revenue	306,125	1,160,051	162,220	177,111	168,977	-	1,974,484
Revenue from other segments	101	417,473	289	101,560	91,230	(610,653)	-
	<b>306,226</b>	<b>1,577,524</b>	<b>162,509</b>	<b>278,671</b>	<b>260,207</b>	<b>(610,653)</b>	<b>1,974,484</b>
Net finance income / (expense)	70,803	631,965	42,535	33,081	(101,495)	-	676,889
Other operating income	1,089	38,781	3,724	45,127	78,650	-	167,371
Net income / (loss)	71,892	670,746	46,259	78,208	(22,845)	-	844,260
Other operating expenses	(42,250)	(240,007)	(1,658)	(3,887)	(65,798)	-	(353,600)
Allowance for impairment on financing and advances	(12,309)	(39,856)	(16,755)	-	-	-	(68,920)
Allowance for impairment on other assets	-	(37)	-	(42)	(198)	-	(277)
Profit / (Loss) by segments	<b>17,333</b>	<b>390,846</b>	<b>27,846</b>	<b>74,279</b>	<b>(88,841)</b>	<b>-</b>	<b>421,463</b>
Cost income ratio	58.8%	35.8%	3.6%	5.0%	-288.0%	-	41.9%
Gross financing and advances	8,517,101	39,492,027	5,415,604	-	-	-	53,424,732
Financing growth	2.5%	7.9%	5.7%	-	-	-	6.8%
Impaired financing and advances	31,206	127,387	1,659	-	-	-	160,252
Impaired financing ratio	0.37%	0.32%	0.03%	-	-	-	0.30%
Deposits from customers	-	53,253,178	6,962	7,221,243	-	-	60,481,383
Deposits growth	-	0.7%	-40.6%	11.9%	-	-	1.9%
Segment assets	<b>8,446,465</b>	<b>54,127,506</b>	<b>5,381,585</b>	<b>8,653,110</b>	<b>10,230,754</b>	<b>(17,376,520)</b>	<b>69,462,900</b>
Reconciliation of segment assets to total assets:							
Investment in an associated company							45,000
Unallocated assets							112,750
Total assets							<b>69,620,650</b>

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**A27. 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 and Funding Center RM'000	Inter- segment Elimination RM'000	
<b>Nine Months Ended 30 September 2019</b>							
External revenue	350,730	1,270,233	140,489	203,946	231,902	-	2,197,300
Revenue from other segments	415	354,286	472	152,609	156,332	(664,114)	-
	<u>351,145</u>	<u>1,624,519</u>	<u>140,961</u>	<u>356,555</u>	<u>388,234</u>	<u>(664,114)</u>	<u>2,197,300</u>
Net finance income	84,076	509,189	26,990	7,573	116,729	-	744,557
Other operating income	1,917	39,373	4	35,987	34,850	-	112,131
Net income	85,993	548,562	26,994	43,560	151,579	-	856,688
Other operating expenses	(43,960)	(235,907)	(762)	(3,202)	(58,722)	-	(342,553)
Allowance for impairment on financing and advances	(8,519)	(26,289)	(664)	-	-	-	(35,472)
Writeback of allowance / (Allowance) for impairment on other assets	-	-	-	114	(267)	-	(153)
Profit by segments	<u>33,514</u>	<u>286,366</u>	<u>25,568</u>	<u>40,472</u>	<u>92,590</u>	<u>-</u>	<u>478,510</u>
Cost income ratio	51.1%	43.0%	2.8%	7.4%	38.7%	-	40.0%
Gross financing and advances	8,557,650	35,504,995	4,350,358	-	-	-	48,413,003
Financing growth	-11.4%	9.0%	17.6%	-	-	-	5.4%
Impaired financing and advances	79,917	206,837	-	-	-	-	286,754
Impaired financing ratio	0.93%	0.58%	-	-	-	-	0.59%
Deposits from customers	-	49,206,100	9,877	6,585,785	-	-	55,801,762
Deposits growth	-	6.9%	-88.1%	-12.3%	-	-	4.0%
Segment assets	<u>8,477,896</u>	<u>49,856,017</u>	<u>4,333,911</u>	<u>9,500,794</u>	<u>8,366,050</u>	<u>(15,412,847)</u>	<u>65,121,821</u>
Reconciliation of segment assets to total assets:							
Investment in an associated company							45,000
Unallocated assets							<u>3,894</u>
Total assets							<u><u>65,170,715</u></u>

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**A28. Capital Adequacy**

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
<u>Before deducting interim dividend *</u>		
Common Equity Tier I ("CET I") capital ratio	<b>11.927%</b>	12.362%
Tier I capital ratio	<b>11.927%</b>	12.362%
Total capital ratio	<b>15.549%</b>	16.192%
<u>After deducting interim dividend *</u>		
CET I capital ratio	<b>11.927%</b>	12.362%
Tier I capital ratio	<b>11.927%</b>	12.362%
Total capital ratio	<b>15.549%</b>	16.192%

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

	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Components of CET I, Tier I and Tier II capital:		
<u>CET I capital / Tier I capital</u>		
Share capital	<b>2,732,717</b>	2,732,717
Other reserves	<b>100,842</b>	41,234
Retained profits	<b>2,117,117</b>	1,944,889
Less: Deferred tax assets, net	<b>(989)</b>	-
Less: Defined benefit pension fund assets	-	(413)
Less: Investment in an associated company deducted from CET I capital	<b>(45,000)</b>	(45,000)
Total CET I capital / Tier I capital	<b>4,904,687</b>	4,673,427
<u>Tier II capital</u>		
Stage 1 and Stage 2 expected credit loss allowances	<b>307,590</b>	228,011
Qualifying regulatory reserves	<b>181,976</b>	219,862
Subordinated Sukuk Murabahah	<b>1,000,000</b>	1,000,000
Total Tier II capital	<b>1,489,566</b>	1,447,873
Total capital	<b>6,394,253</b>	6,121,300

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**A28. Capital Adequacy (continued)**

(a) The capital adequacy ratios of the Bank (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 of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB") 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 CCB of 2.5% and a CCyB above the minimum regulatory capital adequacy ratios. 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 Bank has applied CCyB on its private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Bank's CCyB, unless specified otherwise by BNM.

The Bank's CCyB which are determined based on the weighted average of prevailing CCyB rates of its private sector credit exposures outside Malaysia are insignificant due to its immaterial exposures. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 25 March 2020, the Bank is allowed to drawdown the CCB of 2.5% to manage the impact of the Covid-19 outbreak. However, BNM expects the Bank to rebuild this buffer after 31 December 2020 and to meet the minimum regulatory requirements by 30 September 2021. As at the reporting date, the Bank continued to maintain CCB of 2.5%.

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Credit risk	39,165,240	35,829,825
Market risk	140	7,951
Operational risk	1,957,792	1,966,233
	<u><u>41,123,172</u></u>	<u><u>37,804,009</u></u>

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**A29. Commitments and Contingencies**

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<u>Contingent Liabilities</u>		
Direct credit substitutes	33,702	25,473
Transaction-related contingent items	66,694	69,023
Short term self-liquidating trade-related contingencies	4,251	2,876
	<b>104,647</b>	<b>97,372</b>
<u>Commitments</u>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- exceeding one year	6,414,913	5,183,440
- not exceeding one year	2,527,916	2,098,784
Unutilised credit card lines	146,210	138,127
Forward asset purchases	75,905	21,247
	<b>9,164,944</b>	<b>7,441,598</b>
<u>Derivative Financial Instruments</u>		
Foreign exchange related contracts:		
- up to one year	-	2
Profit rate related contracts:		
- up to one year	-	130,000
- more than one year to five years	1,600,000	500,000
- more than five years	1,000,000	2,000,000
	<b>2,600,000</b>	<b>2,630,002</b>
	<b>11,869,591</b>	<b>10,168,972</b>

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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:

<b>30 September 2020</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	10,266,823	-	10,266,823
Derivative financial assets	-	489	-	489
Total financial assets measured at fair value	-	10,267,312	-	10,267,312
<b>Financial liabilities</b>				
Derivative financial liabilities	-	209,143	-	209,143
Total financial liabilities measured at fair value	-	209,143	-	209,143

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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):

<b>31 December 2019</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Money market instruments	-	249,541	-	249,541
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	9,528,034	-	9,528,034
Total financial assets measured at fair value	-	9,777,575	-	9,777,575
<b>Financial liabilities</b>				
Derivative financial liabilities	-	90,130	-	90,130
Total financial liabilities measured at fair value	-	90,130	-	90,130

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial period / year (2019 : None).