

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	Note	31 December 2020 RM'000	31 December 2019 RM'000
<b>ASSETS</b>			
Cash and balances with banks		2,112,828	3,139,455
Financial assets at fair value through profit or loss	A8	-	249,541
Derivative financial assets		1,317	-
Financial investments at fair value through other comprehensive income	A9	9,717,771	9,528,034
Financial investments at amortised cost	A10	4,520,961	3,743,715
Financing and advances	A11	54,176,355	49,728,576
Other assets	A12	232,231	71,437
Statutory deposits with Bank Negara Malaysia		168,200	1,800,450
Collective investment		565,504	549,042
Investment in an associated company		45,000	45,000
Right-of-use assets		17,137	18,707
Property and equipment		3,525	4,005
<b>TOTAL ASSETS</b>		<b>71,560,829</b>	<b>68,877,962</b>
<b>LIABILITIES</b>			
Deposits from customers	A13	61,817,897	59,374,011
Deposits from banks	A14	2,067,854	2,453,316
Bills and acceptances payable		481	377
Derivative financial liabilities		196,035	90,130
Senior Sukuk Murabahah		519,950	519,862
Subordinated Sukuk Murabahah		1,000,000	1,000,000
Lease liabilities		18,227	19,385
Other liabilities	A15	412,542	396,753
Provision for zakat and taxation		318	19,888
Deferred tax liabilities		104,135	264
<b>TOTAL LIABILITIES</b>		<b>66,137,439</b>	<b>63,873,986</b>

*The Audited 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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**AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

	Note	31 December 2020 RM'000	31 December 2019 RM'000
<b>EQUITY</b>			
Share capital		2,732,717	2,732,717
Regulatory reserves		156,181	309,431
Other reserves		48,748	16,939
Retained profits		2,485,744	1,944,889
<b>TOTAL EQUITY</b>		<b>5,423,390</b>	<b>5,003,976</b>
<b>TOTAL LIABILITIES AND EQUITY</b>			
		<b>71,560,829</b>	<b>68,877,962</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
	A29	<b>11,946,719</b>	10,168,972
<b>CAPITAL ADEQUACY</b>			
	A28		
<b><u>Before deducting interim dividend</u> *</b>			
Common Equity Tier I Capital Ratio		12.552%	12.362%
Tier I Capital Ratio		12.552%	12.362%
Total Capital Ratio		16.127%	16.192%
<b><u>After deducting interim dividend</u> *</b>			
Common Equity Tier I Capital Ratio		12.552%	12.362%
Tier I Capital Ratio		12.552%	12.362%
Total Capital Ratio		16.127%	16.192%
<b>Net assets per share attributable to ordinary equity holder of the Bank (RM)</b>			
		<b>23.46</b>	21.64

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

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**PUBLIC ISLAMIC BANK BERHAD**  
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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF PROFIT OR LOSS**  
**FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	4th Quarter Ended		Financial Year Ended	
		31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Income derived from investment of depositors' funds and others	A16	<b>587,795</b>	680,564	<b>2,404,696</b>	2,710,707
Income derived from investment of shareholder's funds	A17	<b>50,566</b>	56,672	<b>208,186</b>	224,485
Allowance for impairment on financing and advances	A18	<b>(135,813)</b>	(6,284)	<b>(204,733)</b>	(41,756)
Writeback of allowance / (Allowance) for impairment on other assets	A19	<b>86</b>	(79)	<b>(191)</b>	(232)
Total distributable income		<b>502,634</b>	730,873	<b>2,407,958</b>	2,893,204
Income attributable to depositors and others	A20	<b>(299,762)</b>	(446,429)	<b>(1,430,023)</b>	(1,787,697)
Total net income		<b>202,872</b>	284,444	<b>977,935</b>	1,105,507
Personnel expenses	A21	<b>(5,869)</b>	(5,827)	<b>(21,630)</b>	(21,243)
Other overheads and expenditures	A22	<b>(112,509)</b>	(114,839)	<b>(450,348)</b>	(441,976)
Profit before zakat and taxation		<b>84,494</b>	163,778	<b>505,957</b>	642,288
Zakat		<b>(963)</b>	(75)	<b>(1,206)</b>	(300)
Taxation		<b>(18,837)</b>	(39,108)	<b>(117,146)</b>	(149,834)
Profit for the period / year		<b>64,694</b>	124,595	<b>387,605</b>	492,154
Earnings per share - basic / diluted (sen)	A23	<b>28.0</b>	53.9	<b>167.6</b>	212.9

*The Audited 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.*

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Profit for the period / year	<b>64,694</b>	124,595	<b>387,605</b>	492,154
Other comprehensive income / (loss) :				
<u>Items that will not be reclassified to profit or loss:</u>				
Defined benefit reserves:				
- Gain / (Loss) on remeasurements of defined benefit plan	<b>2,132</b>	(2,563)	<b>578</b>	(2,563)
<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	<b>(32,271)</b>	9,954	<b>145,475</b>	98,501
Hedging reserves:				
- Net change in cash flow hedges	<b>14,578</b>	5,961	<b>(104,199)</b>	(71,664)
	<b>(17,693)</b>	15,915	<b>41,276</b>	26,837
Income tax relating to components of other comprehensive income / (loss) :				
- Defined benefit reserves	<b>(512)</b>	615	<b>(139)</b>	615
- Revaluation reserves	<b>7,745</b>	(2,389)	<b>(34,914)</b>	(23,640)
- Hedging reserves	<b>(3,499)</b>	(1,431)	<b>25,008</b>	17,199
	<b>3,734</b>	(3,205)	<b>(10,045)</b>	(5,826)
Other comprehensive (loss) / income for the period / year, net of tax	<b>(11,827)</b>	10,147	<b>31,809</b>	18,448
Total comprehensive income for the period / year	<b>52,867</b>	134,742	<b>419,414</b>	510,602

*The Audited 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.*

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year	-	-	-	-	-	-	387,605	387,605
Other comprehensive income / (loss) for the year	-	110,561	-	(79,191)	439	-	-	31,809
Total comprehensive income / (loss) for the year	-	110,561	-	(79,191)	439	-	387,605	419,414
Transactions with owner / other equity movements:								
Transfer from regulatory reserves	-	-	-	-	-	(153,250)	153,250	-
	-	-	-	-	-	(153,250)	153,250	-
<b>At 31 December 2020</b>	<b>2,732,717</b>	<b>192,730</b>	<b>172</b>	<b>(148,851)</b>	<b>4,697</b>	<b>156,181</b>	<b>2,485,744</b>	<b>5,423,390</b>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year	-	-	-	-	-	-	492,154	492,154
Other comprehensive income / (loss) for the year	-	74,861	-	(54,465)	(1,948)	-	-	18,448
Total comprehensive income / (loss) for the year	-	74,861	-	(54,465)	(1,948)	-	492,154	510,602
Transactions with owner / other equity movements:								
Transfer to regulatory reserves	-	-	-	-	-	50,146	(50,146)	-
Dividends paid	-	-	-	-	-	-	(46,243)	(46,243)
	-	-	-	-	-	50,146	(96,389)	(46,243)
At 31 December 2019	2,732,717	82,169	172	(69,660)	4,258	309,431	1,944,889	5,003,976

*The Audited 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.*

**PUBLIC ISLAMIC BANK BERHAD**  
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**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Profit before zakat and taxation	505,957	642,288
Adjustments for non-cash items	67,658	(6,072)
Operating profit before working capital changes	<u>573,615</u>	<u>636,216</u>
Changes in working capital:		
Net changes in operating assets	(2,914,632)	(4,300,878)
Net changes in operating liabilities	2,070,267	6,143,110
Cash (used in) / generated from operations	<u>(270,750)</u>	<u>2,478,448</u>
Zakat and tax paid	<u>(85,383)</u>	<u>(142,752)</u>
Net cash (used in) / generated from operating activities	<u>(356,133)</u>	<u>2,335,696</u>
Net cash used in investing activities	(669,730)	(1,276,418)
Net cash used in financing activities	(764)	(47,054)
Net change in cash and cash equivalents	<u>(1,026,627)</u>	<u>1,012,224</u>
Cash and cash equivalents at beginning of the year	<u>3,139,455</u>	<u>2,127,231</u>
Cash and cash equivalents at end of the year	<u><u>2,112,828</u></u>	<u><u>3,139,455</u></u>
Note:		
Cash and balances with banks	2,112,828	3,139,455
Less: Balances with banks with original maturity more than three months	-	-
Cash and cash equivalents at end of the year	<u><u>2,112,828</u></u>	<u><u>3,139,455</u></u>

*The Audited 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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**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 audited condensed interim financial statements for the 4th quarter and financial year ended 31 December 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 audited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The audited 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 audited 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 audited 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 or early adoption of the following during the current financial year:

Effective for annual periods commencing on or after 1 January 2020

- Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)
- Definition of a Business (Amendments to MFRS 3 Business Combinations)
- Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)

Effective for annual periods commencing on or after 1 June 2020

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

**Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS 139 and MFRS 7)** - These phase 1 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.

**Definition of a Business (Amendments to MFRS 3 Business Combinations)** - The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The adoption of these amendments did not have any financial impact to the Bank.



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

**Definition of Material (Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)** - The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

The adoption of these amendments did not have any financial impact to the Bank.

**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. The adoption of this amendment did not have any financial impact to the Bank as the Bank has not received any COVID-19-related rent concession for its property leases during the current financial year.

Capital Adequacy Framework for Islamic Banks (Capital Components)

The Capital Adequacy Framework for Islamic Banks (Capital Components) ("Framework") was reissued by Bank Negara Malaysia ("BNM") on 9 December 2020 with the updates on the transitional arrangements for regulatory capital treatment of accounting provisions. The transitional arrangements were introduced as part of the BNM's additional measures to further support efforts to help affected individuals and businesses to recover from the impact of the COVID-19 pandemic while continue to preserve the safety and soundness of the banks.

Under these requirements, financial institutions that elect to apply the said transitional arrangements are allowed to add back a portion of Stage 1 and Stage 2 provisions for expected credit losses to Common Equity Tier I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021, based on the add-back factor prescribed in the Framework.

As at the reporting date, the Bank has not applied the said transitional arrangements provided in the Framework.

Additional Measures to Assist Customers Affected by the COVID-19 Pandemic

As indicated in BNM's 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 pandemic. The key measures affecting regulatory and accounting treatment and classifications are as follows:

- i) Moratorium on repayment/payment of financing
  - a) Banking institutions are to 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.

**PUBLIC ISLAMIC BANK BERHAD**  
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**A1. Basis of Preparation (continued)**

Additional Measures to Assist Customers Affected by the COVID-19 Pandemic (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)**

Additional Measures to Assist Customers Affected by the COVID-19 Pandemic (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 pandemic. While the credit model and assumptions applied in the base expected credit losses (“ECL”) calculations remain unchanged from prior years, the Bank has incorporated the following estimates and judgments specific to the impact of the COVID-19 pandemic and the associated relief measures in the measurement of ECL:

i) Forward looking macro-economic information and assumptions

The global and domestic economy have experienced significant shock in 2020, weighed by unprecedented containment measures taken, such as Movement Control Order, business closures and social distancing, to contain the COVID-19 pandemic. In particular, the domestic economic impact was mitigated by the government’s stimulus packages such as the Economic Stimulus Package, PRIHATIN package and National Economic Recovery Plan. Hence, the economic growth and economic activities are expected to improve, in tandem with expectations of global recovery ahead, although the outlook is still subjected to some downside risks.

The economic outlook from BNM and various research houses, forward looking information and assumptions relating to COVID-19 pandemic have been considered in the Bank’s forward looking model. The following are values of the key domestic macro-economic variables and forward looking macro-economic variables for year 2020 and 2021 respectively which are used in the model:

	<b>2020</b>	<b>2021</b>
	%	%
Gross domestic product	-4.5	5.0 - 6.0
Consumer price index	-0.5	1.0 - 1.5
Housing price index	199	186 - 223
Unemployment rate	5.3	2.9 - 3.5

The Bank will continue to review and monitor closely the abovementioned assumptions if current expectations change materially.

ii) Assessment of significant increase in credit risk for stage transfer purposes

The economic shock from the pandemic is expected to be temporary in nature and the positive impact of the significant government stimulus shall mitigate the effects of the COVID-19 pandemic. 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 pandemic, rather than in response to the financial circumstances of individual customers. This is because eligibility criteria is broad and customers need not have exhibited 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 migration from Stage 1 (12-month ECL) to Stage 2 (lifetime ECL).

The Bank assesses other factors such as historical repayment and delinquency trends prior to the COVID-19 pandemic in considering whether the customer has experienced a significant increase in credit risk.

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

Additional Measures to Assist Customers Affected by the COVID-19 Pandemic (continued)

Management overlay for financing under relief assistance

Due to the significant uncertainty as a consequence of the COVID-19 pandemic, management overlay is provided in anticipation of potential deterioration of credit risk for financing where relief assistance is provided. The Bank exercised judgment, adapted and estimated based on the information on-hand in the provision of management overlay.

- i) Large corporate customers  
Management overlay is provided for certain large corporate customers who are affected by the current economic environment and have applied for rescheduling and restructuring arrangements.
- ii) Retail and SME customers  
Customers who are eligible for the targeted repayment assistance were identified and assessed. Based on the data available, management overlay is provided to cater for potential deterioration in credit risk of this group of customers.

Financial impact of the moratorium on repayment/payment of financing

The financial impact of the moratorium to profit income of the Bank is further disclosed in Note A17(a).

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 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)

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)

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**(Incorporated in Malaysia)**

**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):

**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 provide 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.

**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.

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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):

**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 year.

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

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

**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 year.

**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 year ended 31 December 2020.

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

	<b>31 December 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>31 December 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	9,717,771	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>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	1,602	-	-	1,602
New financial investments purchased	1,126	-	-	1,126
Net allowance made	26	-	-	26
Amount derecognised	(1,144)	-	-	(1,144)
At 31 December 2020	1,610	-	-	1,610
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

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A10. Financial Investments at Amortised Cost**

	<b>31 December 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	3,879,493	3,006,702
<b>Non-money market instruments:</b>		
Debt securities		
- Unquoted corporate sukuk	642,237	737,650
Allowance for impairment	(769)	(637)
<b>Total financial investments at amortised cost</b>	<b>4,520,961</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 written back	(1)	-	-	(1)
Amount derecognised	(108)	-	-	(108)
At 31 December 2020	<b>769</b>	<b>-</b>	<b>-</b>	<b>769</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>



**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A11. Financing and Advances**

**a. By type and contract**

<b>31 December 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	1,515,623	-	-	-	-	-	1,515,623
Term financing							
- House financing	5,470,603	-	-	18,168,232	-	-	23,638,835
- Syndicated financing	1,341,516	-	-	-	-	-	1,341,516
- Hire purchase receivables	-	8,798,205	-	-	-	-	8,798,205
- Other term financing	4,680,794	-	1,702,074	12,205,232	-	211,199	18,799,299
Credit card receivables	-	-	-	-	-	34,699	34,699
Bills receivables	-	-	-	-	1,114	-	1,114
Trust receipts	-	-	-	-	4,155	-	4,155
Claims on customers under acceptance credits	-	-	-	-	162,079	-	162,079
Revolving credits	248,884	-	-	-	-	-	248,884
Staff financing	-	11,002	-	94,943	-	-	105,945
Gross financing and advances	<b>13,257,420</b>	<b>8,809,207</b>	<b>1,702,074</b>	<b>30,468,407</b>	<b>167,348</b>	<b>245,898</b>	<b>54,650,354</b>
Less : Allowance for impairment on financing and advances							
- Expected credit losses							(473,999)
- Stage 1: 12-Month ECL							(249,018)
- Stage 2: Lifetime ECL not credit-impaired							(175,333)
- Stage 3: Lifetime ECL credit-impaired							(49,648)
Net financing and advances							<b>54,176,355</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.

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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.

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

**b. By class**

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Retail financing *		
- House financing	23,638,835	20,594,336
- Hire purchase	8,798,205	8,310,016
- Credit cards	34,699	30,375
- Other financing ^	17,188,431	15,975,442
	<u>49,660,170</u>	<u>44,910,169</u>
Corporate financing	4,990,184	5,123,970
Gross financing and advances	<u>54,650,354</u>	<u>50,034,139</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>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Domestic non-bank financial institutions		
- Others	1,288,555	1,587,879
Domestic business enterprises		
- Small and medium enterprises	9,580,323	9,253,552
- Others	3,182,038	2,651,101
Government and statutory bodies	1,002,236	1,005,773
Individuals	39,376,764	35,326,968
Other domestic entities	5,592	4,991
Foreign entities	214,846	203,875
Gross financing and advances	<u>54,650,354</u>	<u>50,034,139</u>

**d. By rate of return sensitivity**

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Fixed rate		
- House financing	241,969	273,262
- Hire purchase receivables	8,797,731	8,309,305
- Other fixed rate financing	3,207,286	3,125,661
Variable rate		
- Base rate / base financing rate plus	38,315,464	34,120,141
- Cost plus	4,087,904	4,205,770
Gross financing and advances	<u>54,650,354</u>	<u>50,034,139</u>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

**e. By residual contractual maturity**

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Maturity within one year	2,705,318	2,883,519
More than one year to three years	2,847,751	3,000,768
More than three years to five years	5,234,002	4,444,876
More than five years	43,863,283	39,704,976
Gross financing and advances	<u>54,650,354</u>	<u>50,034,139</u>

**f. By economic purpose**

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Purchase of transport vehicles	8,809,205	8,318,886
Purchase of landed properties	36,166,126	32,255,720
(of which: - residential	<u>24,238,949</u>	<u>21,138,886</u>
- non-residential)	<u>11,927,177</u>	<u>11,116,834</u>
Purchase of fixed assets (excluding landed properties)	382	-
Personal use	3,003,698	2,891,612
Credit card	34,699	30,375
Purchase of consumer durables	695	700
Construction	777,160	510,885
Working capital	5,719,179	5,882,984
Other purpose	139,210	142,977
Gross financing and advances	<u>54,650,354</u>	<u>50,034,139</u>

**g. By sectors**

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Agriculture, hunting, forestry and fishing	889,124	910,538
Mining and quarrying	149,280	169,036
Manufacturing	1,508,088	1,448,787
Electricity, gas and water	5,174	4,791
Construction	2,408,706	1,972,635
Wholesale & retail trade and restaurants & hotels	2,960,882	2,678,149
Transport, storage and communication	473,145	397,533
Finance, insurance and business services	1,773,243	2,055,679
Real estate	3,646,447	3,628,663
Community, social and personal services	1,354,561	1,345,141
Households	39,481,702	35,423,184
Others	2	3
Gross financing and advances	<u>54,650,354</u>	<u>50,034,139</u>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

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

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
At 1 January	275,050	277,731
Impaired during the year	190,044	673,499
Reclassified as non-credit impaired	(191,093)	(533,038)
Recoveries	(39,279)	(56,730)
Amount written off	(60,617)	(76,223)
Financing converted to foreclosed properties	(4,684)	(10,189)
Closing balance	<u>169,421</u>	<u>275,050</u>
Gross impaired financing as a percentage of gross financing and advances	<u>0.31%</u>	<u>0.55%</u>

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

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Purchase of transport vehicles	38,903	72,786
Purchase of landed properties	111,636	170,061
(of which: - residential	86,075	146,493
- non-residential)	25,561	23,568
Personal use	14,229	26,291
Credit card	120	262
Working capital	4,513	5,628
Other purpose	20	22
	<u>169,421</u>	<u>275,050</u>

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

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Agriculture, hunting, forestry and fishing	55	50
Mining and quarrying	231	2
Manufacturing	606	1,032
Construction	8,377	8,924
Wholesale & retail trade and restaurants & hotels	4,505	7,337
Transport, storage and communication	134	1,393
Finance, insurance and business services	6,855	3,107
Real estate	1,670	75
Community, social and personal services	1,555	1,578
Households	145,433	251,552
	<u>169,421</u>	<u>275,050</u>

All the impaired financing and advances are located in Malaysia.

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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:	32,883	(15,175)	(17,708)	-
- Transfer to Stage 1: 12-Month ECL	37,228	(30,490)	(6,738)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(4,253)	16,831	(12,578)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	(92)	(1,516)	1,608	-
New financing and advances originated	15,026	6,880	163	22,069
Net remeasurement due to changes in credit risk	54,749	29,819	45,544	130,112
Financing and advances derecognised (other than write-off)	(6,356)	(3,361)	(4,945)	(14,662)
Modifications to contractual cash flows of financing and advances	(7,399)	40,016	1,071	33,688
Changes in models / risk parameters	31,050	26,578	218	57,846
Amount written off	-	-	(60,617)	(60,617)
At 31 December 2020	<u>249,018</u>	<u>175,333</u>	<u>49,648</u>	<u>473,999</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>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A12. Other Assets**

	31 December 2020 RM'000	31 December 2019 RM'000
Deferred handling fees	40,023	38,921
Income receivable	91	203
Other receivables, deposits and prepayments	129,963	15,206
Tax recoverable	41,287	-
Employee benefits	32	543
Foreclosed properties	20,835	16,564
	<u>232,231</u>	<u>71,437</u>

**A13. Deposits from Customers**

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

	31 December 2020 RM'000	31 December 2019 RM'000
<b><u>At amortised cost</u></b>		
<b>Savings deposit</b>		
- Qard	8,561,432	6,716,978
<b>Demand deposit</b>		
- Qard	5,815,770	4,816,878
<b>Term deposit</b>		
- Negotiable Islamic Debt Certificate		
- Bai' Bithaman Ajil	-	22,959
- Term deposit		
- Commodity Murabahah	40,003,712	41,363,757
- Special term deposit account		
- Qard	-	6,453,439
- Commodity Murabahah	7,436,983	-
	<u>7,436,983</u>	<u>6,453,439</u>
	<u>61,817,897</u>	<u>59,374,011</u>

**b. By type of customer**

	31 December 2020 RM'000	31 December 2019 RM'000
Federal and state governments	4,067,101	2,348,406
Local government and statutory authorities	676,356	879,729
Business enterprises	10,877,438	9,791,744
Individuals	23,989,087	23,466,357
Foreign customers	615,937	601,272
Others	21,591,978	22,286,503
	<u>61,817,897</u>	<u>59,374,011</u>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

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

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Due within six months	40,950,133	41,567,949
More than six months to one year	6,488,683	6,270,511
More than one year to three years	881	883
More than three years to five years	998	812
	<u>47,440,695</u>	<u>47,840,155</u>

**A14. Deposits from Banks**

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>At amortised cost</b>		
<u>Non-Mudharabah Fund</u>		
Licensed banks	1,969,892	2,418,115
Licensed investment banks	16,059	7,559
Bank Negara Malaysia *	74,366	17,368
Other financial institutions	7,537	10,274
	<u>2,067,854</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>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Income payable	352,383	360,567
Other payables and accruals ^	49,050	29,127
Accrued restoration costs	569	569
Profit Equalisation Reserves	31	31
Allowance for impairment on financing commitments and financial guarantees	10,509	6,459
	<u>412,542</u>	<u>396,753</u>

^ During the current financial year, it was identified that Bai' Bithaman Ajil ("BBA") financing for properties-under-construction of the Bank were not in accordance with Shariah-principles. As such, other payables and accruals included provision for financing income arising from these BBA financing contracts which was deferred for recognition and will be recognised upon rectification which amounted to RM26,064,000 as at 31 December 2020.



**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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:	311	(115)	(196)	-
- Transfer to Stage 1: 12-Month ECL	378	(358)	(20)	-
- Transfer to Stage 2: Lifetime ECL not credit-impaired	(67)	251	(184)	-
- Transfer to Stage 3: Lifetime ECL credit-impaired	-	(8)	8	-
New financing commitments and financial guarantees originated	1,032	381	18	1,431
Net remeasurement due to changes in credit risk	121	577	(52)	646
Financing commitments and financial guarantees derecognised	(89)	(74)	(4)	(167)
Modifications to contractual cash flows of financing commitments and financial guarantees	(14)	399	(4)	381
Changes in models / risk parameters	1,367	392	-	1,759
At 31 December 2020	<b>7,953</b>	<b>2,466</b>	<b>90</b>	<b>10,509</b>
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	<b>5,225</b>	<b>906</b>	<b>328</b>	<b>6,459</b>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Income derived from investment of:				
(a) Term deposits	434,912	528,488	1,832,116	2,145,556
(b) Other deposits	152,883	152,076	572,580	565,151
	<b>587,795</b>	<b>680,564</b>	<b>2,404,696</b>	<b>2,710,707</b>
<b>a. Income derived from investment of term deposits:</b>				
<u>Finance income and Hibah</u>				
Financing and advances (Note A17(a))	314,919	420,252	1,337,848	1,690,459
Financial investments at fair value through other comprehensive income	51,853	60,105	218,297	233,421
Financial investments at amortised cost	27,085	25,688	109,996	99,170
Balances with banks	165	3,112	2,600	10,651
	<b>394,022</b>	<b>509,157</b>	<b>1,668,741</b>	<b>2,033,701</b>
Financial assets at fair value through profit or loss	(37)	2,639	4,013	12,666
Total finance income and Hibah	<b>393,985</b>	<b>511,796</b>	<b>1,672,754</b>	<b>2,046,367</b>
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	6,307	4,225	20,011	17,392
- Service charges and fees	3,290	2,221	10,735	12,338
- Facility fees	84	1,379	2,996	1,779
- Other fee income	1,070	1,151	3,503	3,890
Net gains and losses on financial instruments:				
- Net gain arising from sale of financial investments at fair value through other comprehensive income	28,579	3,419	106,311	41,337
- Net (loss) / gain representing ineffective portions of hedging derivatives	(452)	(901)	(286)	883
- Others	20	187	624	905
Gross distribution income from collective investment	2,569	3,254	11,377	13,504
Other income	(540)	1,757	4,091	7,161
Total other operating income	<b>40,927</b>	<b>16,692</b>	<b>159,362</b>	<b>99,189</b>
	<b>434,912</b>	<b>528,488</b>	<b>1,832,116</b>	<b>2,145,556</b>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>b. Income derived from investment of other deposits:</b>				
<u>Finance income and Hibah</u>				
Financing and advances (Note A17(a))	<b>110,838</b>	120,805	<b>418,110</b>	445,276
Financial investments at fair value through other comprehensive income	<b>18,226</b>	17,211	<b>68,223</b>	61,484
Financial investments at amortised cost	<b>9,471</b>	7,351	<b>34,376</b>	26,122
Balances with banks	<b>81</b>	880	<b>812</b>	2,806
	<b>138,616</b>	146,247	<b>521,521</b>	535,688
Financial assets at fair value through profit or loss	<b>38</b>	775	<b>1,254</b>	3,336
Total finance income and Hibah	<b>138,654</b>	147,022	<b>522,775</b>	539,024
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	<b>2,138</b>	1,217	<b>6,254</b>	4,581
- Service charges and fees	<b>1,119</b>	666	<b>3,355</b>	3,250
- Facility fees	<b>61</b>	367	<b>936</b>	469
- Other fee income	<b>364</b>	324	<b>1,095</b>	1,024
Net gains and losses on financial instruments:				
- Net gain arising from sale of financial investments at fair value through other comprehensive income	<b>9,876</b>	1,203	<b>33,225</b>	10,889
- Net (loss) / gain representing ineffective portions of hedging derivatives	<b>(139)</b>	(223)	<b>(89)</b>	233
- Others	<b>13</b>	55	<b>195</b>	238
Gross distribution income from collective investment	<b>909</b>	939	<b>3,555</b>	3,557
Other income	<b>(112)</b>	506	<b>1,279</b>	1,886
Total other operating income	<b>14,229</b>	5,054	<b>49,805</b>	26,127
	<b>152,883</b>	152,076	<b>572,580</b>	565,151

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
<u>Finance income and Hibah</u>				
Financing and advances (Note (a))	36,624	45,053	152,022	176,870
Financial investments at fair value through other comprehensive income	6,029	6,436	24,806	24,422
Financial investments at amortised cost	3,146	2,750	12,499	10,376
Balances with banks	20	332	295	1,114
	<b>45,819</b>	<b>54,571</b>	<b>189,622</b>	<b>212,782</b>
Financial assets at fair value through profit or loss	<b>(1)</b>	284	<b>456</b>	1,325
Total finance income and Hibah	<b>45,818</b>	<b>54,855</b>	<b>190,078</b>	<b>214,107</b>
<u>Other operating income</u>				
Fee and commission income:				
- Commissions	728	454	2,274	1,820
- Service charges and fees	380	241	1,220	1,291
- Facility fees	11	144	340	186
- Other fee income	124	123	398	407
Net gains and losses on financial instruments:				
- Net gain arising from sale of financial investments at fair value through other comprehensive income	3,311	390	12,080	4,325
- Net (loss) / gain representing ineffective portions of hedging derivatives	(51)	(93)	(33)	92
- Others	2	21	71	95
Gross distribution income from collective investment	300	349	1,293	1,413
Other income	(57)	188	465	749
Total other operating income	<b>4,748</b>	<b>1,817</b>	<b>18,108</b>	<b>10,378</b>
	<b>50,566</b>	<b>56,672</b>	<b>208,186</b>	<b>224,485</b>

Note (a):

Included day 1 net modification loss relating to COVID-19 relief measures of the Bank of RM174,624,000 and the reversal of financing income arising from the Bai' Bithaman Ajil contracts of RM26,064,000 which was deferred for recognition in the current financial year as disclosed in Note A15.

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Expected credit losses	144,199	14,861	233,103	68,846
Impaired financing recovered	(8,386)	(8,577)	(28,370)	(27,090)
	<u>135,813</u>	<u>6,284</u>	<u>204,733</u>	<u>41,756</u>

The breakdown of expected credit losses ("ECL") charged for the year ended 31 December 2020 are as follows:

	Forward Looking ECL due to COVID-19 Pandemic			Total ECL Charged RM'000
	Base ECL RM'000	Macro- economic Variables RM'000	Management Overlay RM'000	
Expected credit losses charged	91,111	58,172	83,820	233,103

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Expected credit losses on:				
- Financial investments at fair value through other comprehensive income	(88)	52	8	137
- Financial investments at amortised cost	(12)	29	132	97
Allowance / (Writeback of allowance) for impairment on foreclosed properties	14	(2)	51	(2)
	<u>(86)</u>	<u>79</u>	<u>191</u>	<u>232</u>

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Deposits from customers				
- Non-Mudharabah fund	263,442	407,773	1,280,066	1,641,031
Deposits from banks				
- Non-Mudharabah fund	19,904	23,756	84,581	86,650
Sukuk Murabahah	16,222	14,681	64,536	59,206
Lease liabilities	194	219	840	810
	<u>299,762</u>	<u>446,429</u>	<u>1,430,023</u>	<u>1,787,697</u>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A21. Personnel expenses**

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Salaries, allowances and bonuses	4,275	4,165	16,461	15,523
Pension costs	1,009	653	3,158	2,495
Others	585	1,009	2,011	3,225
	<b>5,869</b>	<b>5,827</b>	<b>21,630</b>	<b>21,243</b>

**A22. Other Overheads and Expenditures**

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Establishment costs				
- Depreciation	458	443	1,877	1,754
- Insurance	193	358	901	854
- Water and electricity	33	46	158	190
- General repairs and maintenance	514	243	1,498	977
- Others	471	673	1,728	1,872
	<b>1,669</b>	<b>1,763</b>	<b>6,162</b>	<b>5,647</b>
Marketing expenses				
- Advertisement and publicity	(32)	318	1,513	1,694
- Others	848	285	1,339	1,220
	<b>816</b>	<b>603</b>	<b>2,852</b>	<b>2,914</b>
Administration and general expenses				
- Communication expenses	583	667	5,182	3,635
- Legal and professional fees	3,245	1,712	7,500	6,088
- Others	4,258	4,604	18,153	18,530
	<b>8,086</b>	<b>6,983</b>	<b>30,835</b>	<b>28,253</b>
Cost of resource sharing charged by Public Bank Berhad *	106,526	109,343	424,033	416,753
Recovery of expenses	(4,588)	(3,853)	(13,534)	(11,591)
	<b>112,509</b>	<b>114,839</b>	<b>450,348</b>	<b>441,976</b>

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Credit related	46,475	48,744	186,265	185,966
Non-credit branch support	40,530	40,895	159,017	158,140
Other administration function	19,521	19,704	78,751	72,647
	<b>106,526</b>	<b>109,343</b>	<b>424,033</b>	<b>416,753</b>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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 4th quarter and financial year ended 31 December 2020.

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Net profit attributable to equity holder of the Bank (RM'000)	<b>64,694</b>	124,595	<b>387,605</b>	492,154
Weighted average number of shares ('000)	<b>231,217</b>	231,217	<b>231,217</b>	231,217
Basic EPS (sen)	<b>28.0</b>	53.9	<b>167.6</b>	212.9

**b) Diluted EPS**

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

**A24. Performance Review**

The Bank reported a lower pre-tax profit of RM506.0 million for the financial year ended 31 December 2020, which was -21.2% or RM136.3 million lower as compared to pre-tax profit of RM642.3 million for the financial year ended 31 December 2019. The lower profit was primarily due to higher pre-emptive allowance for impairment on financing and advances of RM162.9 million, lower net finance income of RM56.2 million and higher other operating expenses of RM8.8 million offset by higher other operating income of RM91.6 million.

**A25. Prospects for 2021**

The containment measures to prevent the spread of the COVID-19 pandemic had significantly impacted economic sectors globally owing to acute shocks and extensive disruption in the global supply chains. These adverse effects will continue to be felt in 2021, as the world continues to adapt and adjust to the new normal macro environment. Both fiscal and monetary policies globally are expected to remain accommodative, in support of the economic recovery going forward.

Advanced economies, including the United States of America, Europe and Japan are expected to gradually recover in 2021, following massive downturns in 2020. Asia's economic growth is also expected to improve, in tandem with the expectation of global recovery ahead.

Policy accommodation will continue to provide support to the gradual economic recovery and growth trajectory of the Malaysian economy in 2021. Inflation is expected to remain subdued, in the absence of both cost and demand pressures. External demand will be supported by the recovery in global growth, while domestic economic activities are expected to gather pace partly driven by the continued policy support.

The economy will also be supported by the small and medium enterprises ("SME") who had benefited from the funding assistance through various initiatives by the Government and Bank Negara Malaysia, including PENJANA SME Financing, PENJANA Tourism Financing, Special Relief Facility and Micro Enterprises Facility.

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A25. Prospects for 2021 (continued)**

The accommodative monetary and financial conditions will continue to be supportive of economic activities. The Malaysian banking system is also underpinned by ample liquidity and strong capital buffers.

The Bank continues to operate efficiently, maintain prudence in management of credit risk and asset quality while preserving strong corporate governance and sound risk management practices.

The Bank will continue to support financing in residential properties, in tandem with the Government's initiative to promote home ownership, especially for first time home buyers. The Bank will also continue to support financing for purchase of passenger vehicles and financing to SMEs.

The Bank will continue to capitalise on its efficient customer service delivery and extensive network of physical and digital channels, while sustaining its market position in both the domestic retail and consumer segments. The Bank will remain supportive of its corporate financing business by leveraging on its strong franchise and relationship with customers.

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 potential market stresses.

Amid the unprecedented COVID-19 pandemic, the Bank will continue to ensure that the Bank remains well-capitalised and well-funded to support its business and safeguard the interests of its stakeholders. The Bank's healthy capital position and ample liquidity buffer coupled with its stable asset quality and financing loss reserves will enable the Bank to navigate through the challenges ahead.

The Bank will proactively manage any potential stress in asset quality, while it continues to provide assistance to customers with financial difficulties through various financing repayment assistance programmes and debt rehabilitation support. The Bank remains committed to actively engage and assist customers by providing an extended targeted repayment assistance for B40 individuals and microenterprises, either through deferment of instalments or reduction of instalments.

For long term sustainability, the Bank will continue to enhance its service delivery standards and infrastructure leveraging on the advancement of technology, to provide seamless delivery of banking services across its multi-delivery channels.

**A26. Subsequent Events**

Developments surrounding the COVID-19 pandemic continue to be uncertain and fluid. This has increased the estimation uncertainty in the preparation of the financial statements and may result in the application of further judgment in the measurement of assets and liabilities, as disclosed in Note A1 to the financial statements.

Other than the impact of COVID-19 pandemic, there were no material events subsequent to the reporting date that require disclosure or adjustments to the audited condensed interim financial statements.



**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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>4th Quarter Ended 31 December 2020</b>							
External revenue	102,920	336,821	47,115	65,520	85,885	-	638,261
Revenue from other segments	25	110,341	167	26,990	23,159	(160,682)	-
	<b>102,945</b>	<b>447,162</b>	<b>47,282</b>	<b>92,510</b>	<b>109,044</b>	<b>(160,682)</b>	<b>638,261</b>
Net finance income	22,137	204,058	15,753	16,381	20,366	-	278,695
Other operating (loss) / income	(5)	14,530	(10)	25,061	20,328	-	59,904
Net income	22,132	218,588	15,743	41,442	40,694	-	338,599
Other operating expenses	(12,092)	(82,561)	(257)	(1,565)	(21,903)	-	(118,378)
Allowance for impairment on financing and advances (Allowance) / Writeback of allowance	(35,008)	(72,407)	(28,398)	-	-	-	(135,813)
for impairment on other assets	-	(14)	-	62	38	-	86
(Loss) / Profit by segments	<b>(24,968)</b>	<b>63,606</b>	<b>(12,912)</b>	<b>39,939</b>	<b>18,829</b>	<b>-</b>	<b>84,494</b>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A27. Segment Information (continued)**

<b>4th Quarter Ended 31 December 2019</b>	<----- Operating Segments ----->						<b>Total RM'000</b>
	<b>Hire Purchase RM'000</b>	<b>Retail Operations RM'000</b>	<b>Corporate Banking RM'000</b>	<b>Treasury and Capital Market Operations RM'000</b>	<b>Head Office and Funding Center RM'000</b>	<b>Inter- segment Elimination RM'000</b>	
External revenue	108,168	438,832	51,582	56,109	82,528	-	737,219
Revenue from other segments	326	118,980	251	49,825	44,119	(213,501)	-
	108,494	557,812	51,833	105,934	126,647	(213,501)	737,219
Net finance income	25,723	190,879	9,874	2,412	38,356	-	267,244
Other operating income	572	12,292	1,746	3,182	5,771	-	23,563
Net income	26,295	203,171	11,620	5,594	44,127	-	290,807
Other operating expenses	(14,823)	(81,877)	(895)	(1,296)	(21,775)	-	(120,666)
Writeback of allowance / (Allowance) for impairment on financing and advances	7,173	(12,928)	(529)	-	-	-	(6,284)
Writeback of allowance / (Allowance) for impairment on other assets	-	2	-	27	(108)	-	(79)
Profit by segments	18,645	108,368	10,196	4,325	22,244	-	163,778

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A27. Segment Information (continued)**

Financial Year Ended	←----- 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>31 December 2020</b>							
External revenue	409,045	1,496,872	209,335	242,631	254,862	-	2,612,745
Revenue from other segments	126	527,814	456	128,550	114,389	(771,335)	-
	<b>409,171</b>	<b>2,024,686</b>	<b>209,791</b>	<b>371,181</b>	<b>369,251</b>	<b>(771,335)</b>	<b>2,612,745</b>
Net finance income / (expense)	92,940	836,023	58,288	49,462	(81,129)	-	955,584
Other operating income	1,084	53,311	3,714	70,188	98,978	-	227,275
Net income	94,024	889,334	62,002	119,650	17,849	-	1,182,859
Other operating expenses	(54,342)	(322,568)	(1,915)	(5,452)	(87,701)	-	(471,978)
Allowance for impairment on financing and advances (Allowance) / Writeback of allowance for impairment on other assets	(47,317)	(112,263)	(45,153)	-	-	-	(204,733)
	-	(51)	-	20	(160)	-	(191)
(Loss) / Profit by segments	<b>(7,635)</b>	<b>454,452</b>	<b>14,934</b>	<b>114,218</b>	<b>(70,012)</b>	<b>-</b>	<b>505,957</b>
Cost income ratio	57.8%	36.3%	3.1%	4.6%	491.3%	-	39.9%
Gross financing and advances	8,798,758	40,861,412	4,990,184	-	-	-	54,650,354
Financing growth	5.9%	11.6%	-2.6%	-	-	-	9.2%
Impaired financing and advances	38,890	128,923	1,608	-	-	-	169,421
Impaired financing ratio	0.44%	0.32%	0.03%	-	-	-	0.31%
Deposits from customers	-	54,372,609	7,114	7,438,174	-	-	61,817,897
Deposit growth	-	2.8%	-39.3%	15.3%	-	-	4.1%
Segment assets	<b>8,698,783</b>	<b>55,341,780</b>	<b>4,928,081</b>	<b>9,395,930</b>	<b>10,137,365</b>	<b>(16,994,621)</b>	<b>71,507,318</b>
Reconciliation of segment assets to total assets:							
Investment in an associated company							45,000
Unallocated assets							8,511
Total assets							<b>71,560,829</b>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A27. Segment Information (continued)**

Financial Year Ended 31 December 2019	←----- 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	
External revenue	458,898	1,709,065	192,071	260,055	314,430	-	2,934,519
Revenue from other segments	741	473,266	723	202,434	200,451	(877,615)	-
	<u>459,639</u>	<u>2,182,331</u>	<u>192,794</u>	<u>462,489</u>	<u>514,881</u>	<u>(877,615)</u>	<u>2,934,519</u>
Net finance income	109,799	700,068	36,864	9,985	155,085	-	1,011,801
Other operating income	2,489	51,665	1,750	39,169	40,621	-	135,694
Net income	<u>112,288</u>	<u>751,733</u>	<u>38,614</u>	<u>49,154</u>	<u>195,706</u>	<u>-</u>	<u>1,147,495</u>
Other operating expenses	(58,783)	(317,784)	(1,657)	(4,498)	(80,497)	-	(463,219)
Allowance for impairment on financing and advances	(1,346)	(39,217)	(1,193)	-	-	-	(41,756)
Writeback of allowance / (Allowance) for impairment on other assets	-	2	-	141	(375)	-	(232)
Profit by segments	<u>52,159</u>	<u>394,734</u>	<u>35,764</u>	<u>44,797</u>	<u>114,834</u>	<u>-</u>	<u>642,288</u>
Cost income ratio	52.4%	42.3%	4.3%	9.2%	41.1%	-	40.4%
Gross financing and advances	8,310,499	36,599,670	5,123,970	-	-	-	50,034,139
Financing growth	-14.0%	12.3%	38.5%	-	-	-	8.9%
Impaired financing and advances	72,773	202,277	-	-	-	-	275,050
Impaired financing ratio	0.88%	0.55%	-	-	-	-	0.55%
Deposits from customers	-	52,908,849	11,722	6,453,440	-	-	59,374,011
Deposit growth	-	14.9%	-85.9%	-14.1%	-	-	10.7%
Segment assets	<u>8,241,805</u>	<u>53,682,464</u>	<u>5,106,898</u>	<u>8,833,856</u>	<u>8,978,280</u>	<u>(16,012,879)</u>	<u>68,830,424</u>
Reconciliation of segment assets to total assets:							
Investment in an associated company							45,000
Unallocated assets							2,538
Total assets							<u>68,877,962</u>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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>31 December 2020</b>	<b>31 December 2019</b>
<u>Before deducting interim dividend *</u>		
Common Equity Tier I ("CET I") capital ratio	12.552%	12.362%
Tier I capital ratio	12.552%	12.362%
Total capital ratio	16.127%	16.192%
<u>After deducting interim dividend *</u>		
CET I capital ratio	12.552%	12.362%
Tier I capital ratio	12.552%	12.362%
Total capital ratio	16.127%	16.192%

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

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Components of CET I, Tier I and Tier II capital:		
<u>CET I capital / Tier I capital</u>		
Share capital	2,732,717	2,732,717
Other reserves	91,425	41,234
Retained profits	2,485,744	1,944,889
Less: Defined benefit pension fund assets	(24)	(413)
Less: Investment in an associated company deducted from CET I capital	(45,000)	(45,000)
Total CET I capital / Tier I capital	5,264,862	4,673,427
<u>Tier II capital</u>		
Stage 1 and Stage 2 expected credit loss allowances	437,149	228,011
Qualifying regulatory reserves	62,309	219,862
Subordinated Sukuk Murabahah	1,000,000	1,000,000
Total Tier II capital	1,499,458	1,447,873
Total capital	6,764,320	6,121,300

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**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 pandemic. 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%.

As allowed under the BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components, financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Bank has not applied the said transitional arrangements.

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

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Credit risk	39,956,669	35,829,825
Market risk	120	7,951
Operational risk	1,986,509	1,966,233
	<b><u>41,943,298</u></b>	<b><u>37,804,009</u></b>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A29. Commitments and Contingencies**

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

	<b>31 December 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<u>Contingent Liabilities</u>		
Direct credit substitutes	33,408	25,473
Transaction-related contingent items	68,691	69,023
Short term self-liquidating trade-related contingencies	4,116	2,876
	<u>106,215</u>	<u>97,372</u>
<u>Commitments</u>		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
- exceeding one year	6,408,715	5,183,440
- not exceeding one year	2,575,280	2,098,784
Unutilised credit card lines	156,502	138,127
Forward asset purchases	-	21,247
	<u>9,140,497</u>	<u>7,441,598</u>
<u>Derivative Financial Instruments</u>		
Foreign exchange related contracts:		
- up to one year	7	2
Profit rate related contracts:		
- up to one year	-	130,000
- more than one year to five years	1,700,000	500,000
- more than five years	1,000,000	2,000,000
	<u>2,700,007</u>	<u>2,630,002</u>
	<u>11,946,719</u>	<u>10,168,972</u>

**A30. Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Outstanding credit exposures with connected parties (RM'000)	<u>499,390</u>	<u>209,552</u>
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures	<u>0.84%</u>	<u>0.39%</u>
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<u>0.00%</u>	<u>0.06%</u>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A31. 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.



**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A31. Fair Value Measurements** (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

<b>31 December 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	-	9,717,771	-	9,717,771
Derivative financial assets	-	1,317	-	1,317
Total financial assets measured at fair value	-	<b>9,719,088</b>	-	<b>9,719,088</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	196,035	-	196,035
Total financial liabilities measured at fair value	-	<b>196,035</b>	-	<b>196,035</b>

**PUBLIC ISLAMIC BANK BERHAD**  
**Company Registration No.: 197301001433 (14328-V)**  
**(Incorporated in Malaysia)**

**A31. 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 year (2019 : None).