

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	Group		Bank	
		31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
ASSETS					
Cash and balances with banks		21,882,069	14,831,059	14,599,650	9,098,632
Reverse repurchase agreements		5,558,145	4,379,161	4,984,796	3,740,691
Financial assets held-for-trading	A8	1,255,303	3,102,761	785,417	1,442,617
Derivative financial assets	A27	438,956	688,086	461,528	677,630
Financial investments available-for-sale	A9	29,721,693	29,907,707	21,798,057	23,086,012
Financial investments held-to-maturity	A10	21,386,927	21,944,049	17,386,073	17,685,187
Loans, advances and financing	A11	275,582,769	271,814,471	223,934,496	219,872,074
Other assets	A12	3,431,518	3,035,964	3,103,440	3,071,000
Statutory deposits with Central Banks		8,412,330	9,514,419	6,517,417	7,455,845
Deferred tax assets		64,659	65,666	-	-
Collective investments		-	-	4,246,156	-
Investment in subsidiary companies		-	-	4,974,545	4,674,545
Investment in associated companies		178,014	190,920	121,295	121,295
Investment properties		494,920	485,175	-	-
Property and equipment		1,405,995	1,422,853	668,525	651,470
Intangible assets		2,234,801	2,375,915	695,393	695,393
TOTAL ASSETS		372,048,099	363,758,206	304,276,788	292,272,391
LIABILITIES					
Deposits from customers	A13	306,646,770	301,157,089	245,747,848	236,460,158
Deposits from banks	A14	11,439,398	9,969,521	11,802,184	10,563,090
Bills and acceptances payable		373,926	362,892	373,174	362,043
Recourse obligations on loans and financing sold to Cagamas		1,922,021	1,922,021	1,422,005	1,422,005
Derivative financial liabilities	A27	1,595,210	1,007,580	1,579,818	1,045,621
Debt securities issued and other borrowed funds	B9	12,554,255	11,666,880	11,507,028	10,565,149
Other liabilities	A15	4,433,255	4,520,303	3,207,884	3,388,373
Provision for tax expense and zakat		825,304	689,131	588,868	413,764
Deferred tax liabilities		152,640	155,050	127,982	107,001
TOTAL LIABILITIES		339,942,779	331,450,467	276,356,791	264,327,204

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2015.

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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

Note	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
EQUITY				
Share capital	3,882,138	3,882,138	3,882,138	3,882,138
Reserves	27,378,977	27,498,297	24,187,196	24,212,386
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Equity attributable to equity holders of the Bank	31,111,778	31,231,098	27,919,997	27,945,187
Non-controlling interests	993,542	1,076,641	-	-
TOTAL EQUITY	32,105,320	32,307,739	27,919,997	27,945,187
TOTAL LIABILITIES AND EQUITY				
	372,048,099	363,758,206	304,276,788	292,272,391
COMMITMENTS AND CONTINGENCIES				
A26	104,326,396	107,533,269	97,347,211	100,614,706
CAPITAL ADEQUACY				
A29	Before deducting interim dividends *			
Common Equity Tier I Capital Ratio	10.803%	11.401%	10.697%	12.184%
Tier I Capital Ratio	11.796%	12.565%	11.869%	13.588%
Total Capital Ratio	15.183%	15.987%	14.495%	15.919%
After deducting interim dividends *				
Common Equity Tier I Capital Ratio	10.803%	10.886%	10.697%	11.549%
Tier I Capital Ratio	11.796%	12.049%	11.869%	12.953%
Total Capital Ratio	15.183%	15.471%	14.495%	15.284%
Net assets per share attributable to ordinary equity holders of the Bank (RM)				
	8.06	8.09	7.23	7.24

* Refers to interim dividends declared subsequent to the financial period/year end.

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

Group	Note	1st Quarter Ended		Three Months Ended	
		31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Operating revenue		5,037,628	4,600,303	5,037,628	4,600,303
Interest income	A16	3,681,103	3,455,278	3,681,103	3,455,278
Interest expense	A17	(1,996,403)	(1,921,073)	(1,996,403)	(1,921,073)
Net interest income		1,684,700	1,534,205	1,684,700	1,534,205
Net income from Islamic banking business	A30b	227,487	204,367	227,487	204,367
		1,912,187	1,738,572	1,912,187	1,738,572
Fee and commission income	A18 (a)	570,994	546,915	570,994	546,915
Fee and commission expense	A18 (b)	(189,313)	(176,881)	(189,313)	(176,881)
Net fee and commission income	A18	381,681	370,034	381,681	370,034
Net gains and losses on financial instruments	A19	40,887	57,887	40,887	57,887
Other operating income	A20	169,422	98,640	169,422	98,640
Net income		2,504,177	2,265,133	2,504,177	2,265,133
Other operating expenses	A21	(788,477)	(702,848)	(788,477)	(702,848)
Operating profit		1,715,700	1,562,285	1,715,700	1,562,285
Allowance for impairment on loans, advances and financing	A22	(67,484)	(75,748)	(67,484)	(75,748)
Writeback of impairment on other assets		467	488	467	488
		1,648,683	1,487,025	1,648,683	1,487,025
Share of profit after tax of equity accounted associated companies		2,875	1,653	2,875	1,653
Profit before tax expense and zakat		1,651,558	1,488,678	1,651,558	1,488,678
Tax expense and zakat	B5	(406,498)	(304,476)	(406,498)	(304,476)
Profit for the period		1,245,060	1,184,202	1,245,060	1,184,202
Profit for the period attributable to :					
- Equity holders of the Bank		1,229,790	1,171,519	1,229,790	1,171,519
- Non-controlling interests		15,270	12,683	15,270	12,683
		1,245,060	1,184,202	1,245,060	1,184,202
Earnings per RM1.00 share:					
- basic / diluted (sen)	B12	31.8	30.3	31.8	30.3

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

Group	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Profit for the period	1,245,060	1,184,202	1,245,060	1,184,202
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	(584,885)	276,203	(584,885)	276,203
- Net investment hedge	344,993	(191,503)	344,993	(191,503)
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	64,970	95,672	64,970	95,672
- Share of gain of equity accounted associated companies	213	170	213	170
Hedging reserves:				
- Net change in cash flow hedges	(30,240)	(21,383)	(30,240)	(21,383)
Income tax relating to components of other comprehensive income / (loss):	(204,949)	159,159	(204,949)	159,159
- Revaluation reserves	(14,109)	(22,786)	(14,109)	(22,786)
- Hedging reserves	7,257	5,132	7,257	5,132
	(6,852)	(17,654)	(6,852)	(17,654)
Other comprehensive (loss) / income for the period, net of tax	(211,801)	141,505	(211,801)	141,505
Total comprehensive income for the period	1,033,259	1,325,707	1,033,259	1,325,707
Total comprehensive income / (loss) for the period attributable to:				
- Equity holders of the Bank	1,116,358	1,263,679	1,116,358	1,263,679
- Non-controlling interests	(83,099)	62,028	(83,099)	62,028
	1,033,259	1,325,707	1,033,259	1,325,707

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

<u>Bank</u>	Note	1st Quarter Ended		Three Months Ended	
		31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Operating revenue		4,038,759	3,403,723	4,038,759	3,403,723
Interest income	A16	3,325,523	3,164,929	3,325,523	3,164,929
Interest expense	A17	(1,943,913)	(1,854,158)	(1,943,913)	(1,854,158)
Net interest income		1,381,610	1,310,771	1,381,610	1,310,771
Fee and commission income	A18 (a)	241,444	229,581	241,444	229,581
Fee and commission expense	A18 (b)	(76,606)	(77,463)	(76,606)	(77,463)
Net fee and commission income	A18	164,838	152,118	164,838	152,118
Net gains and losses on financial instruments	A19	25,677	60,749	25,677	60,749
Other operating income	A20	466,213	172,876	466,213	172,876
Net income		2,038,338	1,696,514	2,038,338	1,696,514
Other operating expenses	A21	(527,731)	(477,897)	(527,731)	(477,897)
Operating profit		1,510,607	1,218,617	1,510,607	1,218,617
Allowance for impairment on loans, advances and financing	A22	(23,868)	(31,335)	(23,868)	(31,335)
Writeback of impairment on other assets		501	494	501	494
Profit before tax expense and zakat		1,487,240	1,187,776	1,487,240	1,187,776
Tax expense and zakat	B5	(346,957)	(233,883)	(346,957)	(233,883)
Profit for the period		1,140,283	953,893	1,140,283	953,893

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UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Bank</u>				
Profit for the period	1,140,283	953,893	1,140,283	953,893
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of foreign operations	(23,954)	-	(23,954)	-
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	61,556	70,550	61,556	70,550
Hedging reserves:				
- Net change in cash flow hedges	62,339	13,012	62,339	13,012
	99,941	83,562	99,941	83,562
Income tax relating to components of other comprehensive income:				
- Revaluation reserves	(14,774)	(16,955)	(14,774)	(16,955)
- Hedging reserves	(14,962)	(3,123)	(14,962)	(3,123)
	(29,736)	(20,078)	(29,736)	(20,078)
Other comprehensive income for the period, net of tax	70,205	63,484	70,205	63,484
Total comprehensive income for the period	1,210,488	1,017,377	1,210,488	1,017,377

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

<----- Attributable to Equity Holders of the Bank ----->

Group	Non-distributable		Distributable		Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000				
At 1 January 2016	3,882,138	5,535,515	7,700,465	14,262,317	(149,337)	31,231,098	1,076,641	32,307,739
Profit for the period	-	-	-	1,229,790	-	1,229,790	15,270	1,245,060
Other comprehensive loss for the period	-	-	(113,432)	-	-	(113,432)	(98,369) *	(211,801)
Total comprehensive (loss) / income for the period	-	-	(113,432)	1,229,790	-	1,116,358	(83,099)	1,033,259
Transactions with owners / other equity movements:								
Transfer to regulatory reserves	-	-	71,685	(71,685)	-	-	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-	-	-
Transfer to Profit Equalisation Reserve of the Islamic banking institution	-	-	63	(63)	-	-	-	-
Dividends paid	-	-	-	(1,235,678)	-	(1,235,678)	-	(1,235,678)
	-	-	68,971	(1,304,649)	-	(1,235,678)	-	(1,235,678)
At 31 March 2016	3,882,138	5,535,515	7,656,004	14,187,458	(149,337)	31,111,778	993,542	32,105,320

* This represents non-controlling interests' share of currency translation differences in respect of foreign operations.

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

<u>Group</u>	<----- Attributable to Equity Holders of the Bank ----->								
	Non-distributable			Distributable		Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	<u>Reserves</u> Other Reserves RM'000	<u>Reserves</u> Retained Profits RM'000					
At 1 January 2015	3,882,138	5,535,515	6,883,560	11,872,792	(149,337)	28,024,668	850,113	28,874,781	
Profit for the period	-	-	-	1,171,519	-	1,171,519	12,683	1,184,202	
Other comprehensive income for the period	-	-	92,160	-	-	92,160	49,345 *	141,505	
Total comprehensive income for the period	-	-	92,160	1,171,519	-	1,263,679	62,028	1,325,707	
Transactions with owners / other equity movements:									
Transfer to Profit Equalisation Reserve of the Islamic banking institution	-	-	6	(6)	-	-	-	-	
Transfer to regulatory reserves	-	-	65,958	(65,958)	-	-	-	-	
Dividends paid	-	-	-	(1,197,063)	-	(1,197,063)	-	(1,197,063)	
	-	-	65,964	(1,263,027)	-	(1,197,063)	-	(1,197,063)	
At 31 March 2015	<u>3,882,138</u>	<u>5,535,515</u>	<u>7,041,684</u>	<u>11,781,284</u>	<u>(149,337)</u>	<u>28,091,284</u>	<u>912,141</u>	<u>29,003,425</u>	

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

	<----- Attributable to Equity Holders of the Bank ----->					
	Non-distributable		Distributable			
	Share	Share	<u>Reserves</u>	<u>Reserves</u>	Treasury	Total
<u>Bank</u>	Capital	Premium	Other	Retained	Shares	Equity
	RM'000	RM'000	Reserves	Profits	RM'000	RM'000
At 1 January 2016	3,882,138	5,535,515	6,636,542	12,040,329	(149,337)	27,945,187
Profit for the period	-	-	-	1,140,283	-	1,140,283
Other comprehensive income for the period	-	-	70,205	-	-	70,205
Total comprehensive income for the period	-	-	70,205	1,140,283	-	1,210,488
Transactions with owners / other equity movements:						
Transfer to regulatory reserves	-	-	49,157	(49,157)	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-
Dividends paid	-	-	-	(1,235,678)	-	(1,235,678)
	-	-	46,380	(1,282,058)	-	(1,235,678)
At 31 March 2016	3,882,138	5,535,515	6,753,127	11,898,554	(149,337)	27,919,997

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

<----- Attributable to Equity Holders of the Bank ----->

	Non-distributable			Distributable		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
Bank						
At 1 January 2015	3,882,138	5,535,515	6,144,009	10,530,836	(149,337)	25,943,161
Profit for the period	-	-	-	953,893	-	953,893
Other comprehensive income for the period	-	-	63,484	-	-	63,484
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>63,484</u>	<u>953,893</u>	<u>-</u>	<u>1,017,377</u>
Transactions with owners / other equity movements:						
Transfer to regulatory reserves	-	-	63,472	(63,472)	-	-
Dividends paid	-	-	-	(1,197,063)	-	(1,197,063)
	<u>-</u>	<u>-</u>	<u>63,472</u>	<u>(1,260,535)</u>	<u>-</u>	<u>(1,197,063)</u>
At 31 March 2015	<u>3,882,138</u>	<u>5,535,515</u>	<u>6,270,965</u>	<u>10,224,194</u>	<u>(149,337)</u>	<u>25,763,475</u>

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

	Group		Bank	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Cash Flows from Operating Activities				
Profit before tax expense and zakat	1,651,558	1,488,678	1,487,240	1,187,776
Adjustments for non-cash items:				
Share of profit after tax of equity accounted associated companies	(2,875)	(1,653)	-	-
Allowance for impaired loans and financing	117,296	132,872	48,281	65,655
Depreciation of property and equipment	47,693	43,061	38,182	34,279
Net gain on financial instruments	(23,492)	(9,741)	(8,385)	(12,612)
Dividend income	(8,163)	(42,271)	(58,842)	(259,440)
Transfer to profit equalisation reserves	38	18	-	-
Impairment written back	(467)	(488)	(501)	(494)
Other non-cash items	170	(348)	101	(411)
Operating profit before working capital changes	<u>1,781,758</u>	<u>1,610,128</u>	<u>1,506,076</u>	<u>1,014,753</u>
Changes in working capital:				
Increase in operating assets	(3,201,841)	(15,096,357)	(4,723,736)	(13,362,440)
Increase in operating liabilities	<u>7,894,496</u>	<u>7,512,389</u>	<u>11,078,408</u>	<u>5,860,182</u>
Cash generated from / (used in) operations	<u>6,474,413</u>	<u>(5,973,840)</u>	<u>7,860,748</u>	<u>(6,487,505)</u>
Tax expense and zakat paid	<u>(278,524)</u>	<u>(270,989)</u>	<u>(180,607)</u>	<u>(188,167)</u>
Net cash generated from / (used in) operating activities	<u>6,195,889</u>	<u>(6,244,829)</u>	<u>7,680,141</u>	<u>(6,675,672)</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(77,464)	(96,090)	(56,094)	(27,857)
Addition to investment properties	(23,342)	-	-	-
Proceeds from disposal of properties	2,902	4,019	2,897	3,912
Net sale / (purchase) of financial investments	832,752	3,366,484	(260,771)	6,240,465
Investment in collective investments	-	-	(2,318,541)	-
Additional investment in a subsidiary company	-	-	(300,000)	-
Dividends received	8,163	42,271	302,360	515,327
Net cash generated from / (used in) investing activities	<u>743,011</u>	<u>3,316,684</u>	<u>(2,630,149)</u>	<u>6,731,847</u>

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE 1ST QUARTER ENDED 31 MARCH 2016

	Group		Bank	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Cash Flows from Financing Activities				
Dividends paid	(1,235,678)	(1,197,063)	(1,235,678)	(1,197,063)
Net drawdown of borrowings	726	28,568	-	-
Net proceeds from issuance of debt securities	999,500	-	999,500	-
Net cash used in financing activities	<u>(235,452)</u>	<u>(1,168,495)</u>	<u>(236,178)</u>	<u>(1,197,063)</u>
Net change in cash and cash equivalents	6,703,448	(4,096,640)	4,813,814	(1,140,888)
Cash and cash equivalents at beginning of the year	13,643,592	13,877,375	8,626,752	8,974,149
Exchange differences on translation of opening balances	<u>(342,261)</u>	<u>161,565</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u><u>20,004,779</u></u>	<u><u>9,942,300</u></u>	<u><u>13,440,566</u></u>	<u><u>7,833,261</u></u>
Note:				
Cash and balances with banks	21,882,069	13,386,736	14,599,650	10,318,053
Less: Balances with banks with maturity more than one month	<u>(1,877,290)</u>	<u>(3,444,436)</u>	<u>(1,159,084)</u>	<u>(2,484,792)</u>
Cash and cash equivalents at end of the period	<u><u>20,004,779</u></u>	<u><u>9,942,300</u></u>	<u><u>13,440,566</u></u>	<u><u>7,833,261</u></u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2015.

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

A1. Basis of Preparation

The unaudited condensed interim financial statements for the 1st quarter ended 31 March 2016 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments and investment properties.

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") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the financial year ended 31 December 2015. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2015.

The unaudited condensed interim financial statements incorporated those activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2015, except for the adoption of the following Amendments to MFRS during the current financial period:

Effective for annual periods commencing on or after 1 January 2016

- Disclosure Initiative (Amendments to MFRS 101)

The amendments to MFRS 101 aim to improve the presentation and disclosure in the financial statements and are designed to encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. Since the amendments only affect disclosures, the adoption of these amendments did not have any financial impact on the Group and the Bank.

Amended Bank Negara Malaysia ("BNM")'s Policy Document on Financial Reporting for Islamic Banking Institutions

On 5 February 2016, BNM amended the Policy Document on Financial Reporting for Islamic Banking Institutions ("Amended Policy Document") to include requirements on the presentation and disclosure of investment account other than those which are reported as Islamic deposits, with immediate effect.

The Group is not affected by the requirements of the Amended Policy Document as the Group's investment accounts are classified as Islamic deposits in line with the transitional requirements under the BNM Policy Document on Transition policy under Islamic Financial Services Act 2013. The adoption of this requirement did not have any financial impact on the financial statements of the Group.

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A1. Basis of Preparation (continued)

The following MFRSs have been issued by MASB but are not yet effective to the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2018

- MFRS 15 Revenue from Contracts with Customers
- MFRS 9 Financial Instruments (2014)

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services. The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Group and of the Bank.

MFRS 9 Financial Instruments (2014)

This final version of MFRS 9 replaces all previous versions of MFRS 9. Retrospective application is required, but comparative information is not compulsory. The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with two measurement categories – amortised cost and fair value. For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, MFRS 9 establishes a more principle-based approach that aligns the accounting treatment with risk management activities so that entities can reflect these activities in their financial statements. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project.

MFRS 9 introduces significant changes in the way the Group accounts for financial instruments. Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group.

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2015 was not qualified.

A3. Comments about Seasonal or Cyclical Factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors in the 1st quarter ended 31 March 2016.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank in the 1st quarter ended 31 March 2016.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 1st quarter ended 31 March 2016.

A6. Debt and Equity Securities

Save as disclosed below, there were no other issuances of shares, share buy-backs and repayment of debt and equity securities by the Group and the Bank:

RM5.0 Billion Senior Medium Term Notes Programme

On 26 February 2016, the Bank issued RM1,000 million in nominal value of Senior Medium Term Notes under its Senior Medium Term Notes Programme. The Notes bear interest at 4.22% per annum payable semi-annually and are due on 26 February 2021.

A7. Dividends Paid and Distributed

During the 1st quarter ended 31 March 2016, a second interim dividend of 32% in respect of the financial year ended 31 December 2015, amounting to RM1,235,678,094 was paid on 1 March 2016.

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A8. Financial Assets Held-for-trading

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Securities	173,079	10,251	173,079	10,251
Malaysian Government Investment Issues	141,293	10,051	141,293	10,051
	<u>314,372</u>	<u>20,302</u>	<u>314,372</u>	<u>20,302</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>369,072</u>	1,739,611	-	<u>151,231</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	-	231,822	-	231,822
- Unquoted private debt securities	571,859	1,111,026	471,045	1,039,262
	<u>571,859</u>	<u>1,342,848</u>	<u>471,045</u>	<u>1,271,084</u>
Total financial assets held-for-trading	<u>1,255,303</u>	<u>3,102,761</u>	<u>785,417</u>	<u>1,442,617</u>

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A9. Financial Investments Available-for-sale

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	-	58,468	-	-
Malaysian Government Securities	4,333,672	4,536,150	4,226,209	4,457,423
Malaysian Government Investment Issues	9,851,487	10,914,900	5,178,683	6,125,360
	<u>14,185,159</u>	<u>15,509,518</u>	<u>9,404,892</u>	<u>10,582,783</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	9,735,814	9,105,939	8,953,420	7,820,028
Bankers' acceptances and Islamic accepted bills	596,635	-	596,635	-
	<u>10,332,449</u>	<u>9,105,939</u>	<u>9,550,055</u>	<u>7,820,028</u>
Non-money market instruments:				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	3,705	3,730	-	-
- Unquoted shares #	115,575	118,935	111,047	114,052
Debt securities:				
- Cagamas bonds	350,265	100,482	340,120	100,482
- Unquoted private debt securities	3,843,825	1,997,922	1,627,737	1,522,939
Unit trust funds	890,715	3,071,181	764,206	2,945,728
	<u>5,204,085</u>	<u>5,292,250</u>	<u>2,843,110</u>	<u>4,683,201</u>
Total financial investments available-for-sale	<u>29,721,693</u>	<u>29,907,707</u>	<u>21,798,057</u>	<u>23,086,012</u>

Stated at cost, net of impairment loss.

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A10. Financial Investments Held-to-maturity

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Securities	2,054,288	2,051,435	2,023,949	2,021,357
Malaysian Government Investment Issues	12,035,756	12,334,574	9,793,560	10,103,680
Foreign Government Treasury Bills	823,323	909,721	57,131	65,029
Other foreign government securities	125,620	135,131	92	-
	<u>15,038,987</u>	<u>15,430,861</u>	<u>11,874,732</u>	<u>12,190,066</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>1,259,985</u>	1,561,205	<u>1,662,539</u>	1,647,165
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	1,417,650	1,403,795	1,377,205	1,363,718
- Unquoted private debt securities	3,670,351	3,548,234	2,471,643	2,484,284
	<u>5,088,001</u>	<u>4,952,029</u>	<u>3,848,848</u>	<u>3,848,002</u>
Accumulated impairment losses	(46)	(46)	(46)	(46)
Total financial investments held-to-maturity	<u>21,386,927</u>	<u>21,944,049</u>	<u>17,386,073</u>	<u>17,685,187</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Overdrafts	11,304,273	11,362,905	8,773,289	8,722,898
Term loans				
- Housing loans / financing	88,530,990	87,035,603	74,408,297	73,102,157
- Syndicated term loans / financing	2,899,752	2,724,983	1,387,689	1,229,554
- Hire purchase receivables	52,063,842	52,156,547	37,934,737	37,937,879
- Other term loans / financing	108,097,380	106,600,011	88,705,807	86,838,382
Credit card receivables	1,735,342	1,781,170	1,714,610	1,759,828
Bills receivables	158,715	182,187	130,826	143,843
Trust receipts	286,379	292,013	245,197	239,365
Claims on customers under acceptance credits	3,950,101	3,840,427	3,741,100	3,668,244
Revolving credits	6,458,370	5,806,945	6,348,601	5,724,545
Staff loans *	1,701,301	1,664,264	1,573,115	1,542,055
Gross loans, advances and financing	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>
Allowance for impaired loans and financing:				
- collective assessment allowance	(1,496,838)	(1,510,637)	(1,001,427)	(1,001,839)
- individual assessment allowance	(106,838)	(121,947)	(27,345)	(34,837)
Net loans, advances and financing	<u>275,582,769</u>	<u>271,814,471</u>	<u>223,934,496</u>	<u>219,872,074</u>

* Included in staff loans of the Group and the Bank are loans to Directors of subsidiary companies amounting to RM4,676,000 (2015: RM3,323,000) and RM4,215,000 (2015 - RM3,050,000) respectively.

A11a. By class

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Retail loans / financing *				
- Housing loans / financing	88,530,990	87,035,603	74,408,297	73,102,157
- Hire purchase	52,063,842	52,156,547	37,934,737	37,937,879
- Credit cards	1,735,342	1,781,170	1,714,610	1,759,828
- Other loans / financing ^	94,421,041	93,544,319	78,698,969	77,651,094
	<u>236,751,215</u>	<u>234,517,639</u>	<u>192,756,613</u>	<u>190,450,958</u>
Corporate loans / financing	40,435,230	38,929,416	32,206,655	30,457,792
	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>

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

^ Included in other loans/financing are term loans, trade financing, overdrafts and revolving credits.

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A11. Loans, Advances and Financing (continued)

A11b. By type of customer

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Non-bank financial institutions				
- Stock-broking companies	7,811	7,123	7,811	7,123
- Others	7,757,374	6,541,865	7,526,327	6,310,900
Business enterprises				
- Small and medium enterprises	65,415,218	63,968,815	56,937,803	55,447,812
- Others	25,053,200	25,486,515	18,847,580	19,146,647
Government and statutory bodies	1,348,936	1,331,532	18,581	15,094
Individuals	174,856,355	173,258,223	138,879,069	137,114,817
Other entities	44,548	42,614	39,579	39,222
Foreign entities	2,703,003	2,810,368	2,706,518	2,827,135
	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>

A11c. By interest / profit rate sensitivity

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Fixed rate				
- Housing loans / financing	611,859	633,185	49,293	55,899
- Hire purchase receivables	49,915,281	50,178,152	37,629,464	37,921,383
- Other fixed rate loans / financing	17,485,976	18,006,696	8,238,311	8,164,456
Variable rate				
- Base rate / base lending rate plus	168,622,455	164,560,568	152,143,672	149,341,274
- Cost plus	26,633,803	24,842,983	25,509,863	23,978,637
- Other variable rates	13,917,071	15,225,471	1,392,665	1,447,101
	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>

A11d. By residual contractual maturity

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Maturity within one year	30,563,026	30,141,088	24,312,229	23,225,806
More than one year to three years	24,592,558	23,815,757	19,650,273	19,020,655
More than three years to five years	25,845,268	26,592,749	20,558,373	21,139,374
More than five years	196,185,593	192,897,461	160,442,393	157,522,915
	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>

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A11. Loans, Advances and Financing (continued)

A11e. By geographical distribution

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Malaysia	257,478,401	251,801,712	223,963,685	219,842,909
Hong Kong SAR and the People's Republic of China	14,960,752	16,466,441	-	-
Cambodia	3,747,709	4,113,061	-	-
Other countries	999,583	1,065,841	999,583	1,065,841
	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>

A11f. Gross loans, advances and financing by economic purpose

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Purchase of securities	2,401,165	2,492,916	1,966,720	1,992,194
Purchase of transport vehicles	52,326,993	52,423,648	38,199,665	38,209,237
Purchase of landed properties	163,158,928	159,650,206	139,417,900	136,502,609
(of which: - residential	91,187,178	89,521,816	76,845,266	75,419,517
- non-residential)	71,971,750	70,128,390	62,572,634	61,083,092
Purchase of fixed assets (excluding landed properties)	201,617	209,714	166,194	170,570
Personal use	10,465,391	10,576,971	5,613,525	5,428,772
Credit card	1,735,342	1,781,170	1,714,610	1,759,828
Purchase of consumer durables	2,185	2,079	272	138
Construction	5,922,969	5,345,580	5,132,476	4,541,667
Mergers and acquisitions	154,717	154,871	154,717	154,871
Working capital	36,765,652	36,786,331	28,638,551	28,215,858
Other purpose	4,051,486	4,023,569	3,958,638	3,933,006
	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>

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A11. Loans, Advances and Financing (continued)

A11g. Gross loans, advances and financing by sectors

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	3,898,379	3,343,665	3,000,769	2,742,319
Mining and quarrying	232,962	234,265	199,366	197,928
Manufacturing	9,888,134	9,823,981	8,535,767	8,452,012
Electricity, gas and water	63,191	65,785	15,166	14,579
Construction	8,099,493	7,957,050	6,723,992	6,604,430
Wholesale & retail trade and restaurants & hotels	24,520,519	24,289,039	21,360,898	21,135,248
Transport, storage and communication	3,698,454	3,683,227	2,807,185	2,784,138
Finance, insurance and business services	15,815,547	15,307,058	14,141,905	13,499,709
Real estate	31,125,223	30,372,942	26,097,853	25,164,142
Community, social and personal services	3,444,827	3,411,590	1,896,955	1,901,892
Households	174,873,614	173,217,520	140,106,877	138,324,271
Others	1,526,102	1,740,933	76,535	88,082
	<u>277,186,445</u>	<u>273,447,055</u>	<u>224,963,268</u>	<u>220,908,750</u>

A11h. Loans, advances and financing pledged as collateral are as follows:

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Bankers' acceptances rediscounted	<u>65,861</u>	<u>26,412</u>	<u>65,861</u>	<u>26,412</u>

A11i. Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
At 1 January	1,351,816	1,488,699	1,002,520	1,153,829
Impaired during the period / year	677,321	2,811,865	463,037	1,968,543
Reclassified as non-impaired	(453,851)	(1,958,288)	(337,752)	(1,511,772)
Recoveries	(90,615)	(378,690)	(74,342)	(306,295)
Amount written off	(128,706)	(608,655)	(54,097)	(275,487)
Loans converted to foreclosed properties / investments	(5,888)	(28,356)	(5,703)	(28,085)
Exchange differences	(14,993)	25,241	(2,359)	1,787
Closing balance	<u>1,335,084</u>	<u>1,351,816</u>	<u>991,304</u>	<u>1,002,520</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.48%</u>	<u>0.49%</u>	<u>0.44%</u>	<u>0.45%</u>

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A11. Loans, Advances and Financing (continued)

A11j. Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Malaysia	1,164,355	1,190,592	957,848	976,657
Hong Kong SAR and the People's Republic of China	106,475	104,900	-	-
Cambodia	30,798	30,461	-	-
Other countries	33,456	25,863	33,456	25,863
	<u>1,335,084</u>	<u>1,351,816</u>	<u>991,304</u>	<u>1,002,520</u>

A11k. Impaired loans, advances and financing by economic purpose

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Purchase of securities	21,147	4,029	3,813	3,802
Purchase of transport vehicles	332,835	358,329	232,175	252,158
Purchase of landed properties	599,825	599,821	498,384	495,514
(of which: - residential	437,721	445,406	356,655	361,760
- non-residential)	162,104	154,415	141,729	133,754
Purchase of fixed assets (excluding landed properties)	41	523	41	143
Personal use	128,571	138,792	46,470	44,645
Credit card	24,885	23,694	24,835	23,596
Purchase of consumer durables	59	57	-	-
Construction	12,788	13,418	10,124	10,145
Working capital	199,000	198,036	159,547	157,419
Other purpose	15,933	15,117	15,915	15,098
	<u>1,335,084</u>	<u>1,351,816</u>	<u>991,304</u>	<u>1,002,520</u>

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A11. Loans, Advances and Financing (continued)

A11i. Impaired loans, advances and financing by sectors

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	27,437	23,253	18,859	14,162
Mining and quarrying	2,175	2,373	889	868
Manufacturing	63,908	66,978	56,065	57,944
Electricity, gas and water	2,059	2,243	-	-
Construction	53,899	56,912	50,122	52,356
Wholesale & retail trade and restaurants & hotels	125,831	116,720	115,526	107,264
Transport, storage and communication	30,463	42,425	27,721	39,410
Finance, insurance and business services	22,790	23,000	15,428	16,252
Real estate	40,532	41,053	32,468	32,514
Community, social and personal services	6,421	4,542	6,018	3,976
Households	954,400	966,807	668,079	677,449
Others	5,169	5,510	129	325
	1,335,084	1,351,816	991,304	1,002,520

A11m. Movements in the allowance for impaired loans, advances and financing are as follows:

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
<u>Collective Assessment Allowance</u>				
At 1 January	1,510,637	1,682,128	1,001,839	1,143,525
Allowance made during the period / year	68,465	169,085	52,708	112,486
Amount written off	(76,203)	(351,911)	(51,608)	(256,499)
Exchange differences	(6,061)	11,335	(1,512)	2,327
Closing balance	1,496,838	1,510,637	1,001,427	1,001,839

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
<u>Individual Assessment Allowance</u>				
At 1 January	121,947	140,086	34,837	62,467
Allowance made during the period / year	57,088	228,695	3,309	14,528
Amount written back in respect of recoveries	(8,257)	(27,093)	(7,736)	(21,558)
Amount written off	(52,503)	(256,744)	(2,489)	(18,988)
Amount transferred to allowance for impairment loss on foreclosed properties	(576)	(1,612)	(576)	(1,612)
Exchange differences	(10,861)	38,615	-	-
Closing balance	106,838	121,947	27,345	34,837

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A12. Other Assets

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Deferred handling fees	266,856	268,842	195,135	197,446
Interest / Income receivable	29,699	30,415	16,921	18,955
Other receivables, deposits and prepayments	2,361,809	2,030,648	2,227,804	1,942,399
Employee benefits	276,999	286,646	272,880	282,375
Amount due from trust funds	166,691	151,408	-	-
Foreclosed properties	72,369	68,467	71,724	67,961
Outstanding contracts on clients' accounts	257,095	199,538	-	-
Amount due from subsidiary companies	-	-	39,262	38,632
Dividend receivable from subsidiary companies	-	-	279,714	523,232
	<u>3,431,518</u>	<u>3,035,964</u>	<u>3,103,440</u>	<u>3,071,000</u>

A13. Deposits from Customers

a) By type of deposit

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Core deposits:				
- Demand deposits	41,881,610	43,015,925	35,735,650	36,411,051
- Savings deposits	29,841,549	29,940,233	20,549,613	20,212,244
- Fixed deposits	170,093,737	172,215,278	131,673,048	130,256,890
	<u>241,816,896</u>	<u>245,171,436</u>	<u>187,958,311</u>	<u>186,880,185</u>
Wholesale deposits:				
- Negotiable instruments of deposit	-	974,136	-	-
- Money market deposits	64,726,228	54,936,458	57,690,057	49,510,402
	<u>64,726,228</u>	<u>55,910,594</u>	<u>57,690,057</u>	<u>49,510,402</u>
Other deposits	103,646	75,059	99,480	69,571
	<u>306,646,770</u>	<u>301,157,089</u>	<u>245,747,848</u>	<u>236,460,158</u>

b) By type of customer

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Federal and state governments	6,672,022	5,357,331	1,247,926	970,422
Local government and statutory authorities	2,546,644	2,242,987	1,751,944	1,257,724
Business enterprises	86,221,592	90,188,769	71,810,792	72,367,534
Individuals	147,366,471	145,521,045	121,694,481	119,562,656
Foreign customers	5,151,261	4,736,774	4,476,397	3,863,101
Others	58,688,780	53,110,183	44,766,308	38,438,721
	<u>306,646,770</u>	<u>301,157,089</u>	<u>245,747,848</u>	<u>236,460,158</u>

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A13. Deposits from Customers (continued)

- c) The maturity structure of fixed deposits, negotiable instruments of deposit and money market deposits are as follows:

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Due within six months	208,175,380	203,507,697	165,994,228	159,442,404
More than six months to one year	26,492,524	24,465,822	23,225,638	20,184,202
More than one year to three years	147,857	149,236	139,704	138,383
More than three years to five years	4,204	3,117	3,535	2,303
	<u>234,819,965</u>	<u>228,125,872</u>	<u>189,363,105</u>	<u>179,767,292</u>

A14. Deposits from Banks

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Licensed banks	5,301,808	5,502,133	3,619,834	4,095,605
Licensed investment banks	216,200	234,244	243,360	301,233
Bank Negara Malaysia	486,084	460,948	477,848	452,951
Other financial institutions	5,435,306	3,772,196	7,461,142	5,713,301
	<u>11,439,398</u>	<u>9,969,521</u>	<u>11,802,184</u>	<u>10,563,090</u>

A15. Other Liabilities

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Interest / Income payable	1,775,848	1,745,060	1,484,378	1,475,213
Other payables and accruals	2,212,964	2,333,802	1,638,469	1,820,562
Amount due to trust funds	72,516	43,652	-	-
Unprocessed sales and / or redemptions	48,457	102,538	-	-
Profit Equalisation Reserve of the investment account holder	91	53	-	-
Finance lease liabilities	76,350	88,643	76,350	88,643
Outstanding contracts on clients' accounts	241,864	184,442	-	-
Dividend payable to shareholders	5,165	22,113	5,165	937
Amount due to subsidiary companies	-	-	3,522	3,018
	<u>4,433,255</u>	<u>4,520,303</u>	<u>3,207,884</u>	<u>3,388,373</u>

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A16. Interest Income

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group</u>				
Loans and advances	3,133,910	2,865,894	3,133,910	2,865,894
Balances with banks	81,404	105,756	81,404	105,756
Financial investments available-for-sale	229,291	112,493	229,291	112,493
Financial investments held-to-maturity	179,652	181,039	179,652	181,039
Others	34,746	34,829	34,746	34,829
	<u>3,659,003</u>	<u>3,300,011</u>	<u>3,659,003</u>	<u>3,300,011</u>
Financial assets held-for-trading	22,100	155,267	22,100	155,267
	<u><u>3,681,103</u></u>	<u><u>3,455,278</u></u>	<u><u>3,681,103</u></u>	<u><u>3,455,278</u></u>
Of which:				
Interest income earned on impaired loans and advances	<u>13,193</u>	<u>14,280</u>	<u>13,193</u>	<u>14,280</u>
	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Bank</u>				
Loans and advances	2,840,407	2,621,426	2,840,407	2,621,426
Balances with banks	68,670	93,691	68,670	93,691
Financial investments available-for-sale	195,081	106,672	195,081	106,672
Financial investments held-to-maturity	170,303	170,465	170,303	170,465
Others	34,744	34,827	34,744	34,827
	<u>3,309,205</u>	<u>3,027,081</u>	<u>3,309,205</u>	<u>3,027,081</u>
Financial assets held-for-trading	16,318	137,848	16,318	137,848
	<u><u>3,325,523</u></u>	<u><u>3,164,929</u></u>	<u><u>3,325,523</u></u>	<u><u>3,164,929</u></u>
Of which:				
Interest income earned on impaired loans and advances	<u>12,435</u>	<u>13,688</u>	<u>12,435</u>	<u>13,688</u>

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A17. Interest Expense

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits from banks	116,726	98,554	116,726	98,554
Deposits from customers	1,734,347	1,681,975	1,734,347	1,681,975
Loans sold to Cagamas	14,320	14,202	14,320	14,202
Debt securities issued and other borrowed funds	128,980	122,655	128,980	122,655
Others	2,030	3,687	2,030	3,687
	1,996,403	1,921,073	1,996,403	1,921,073

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits from banks	109,761	88,879	109,761	88,879
Deposits from customers	1,692,278	1,627,630	1,692,278	1,627,630
Loans sold to Cagamas	14,320	14,202	14,320	14,202
Debt securities issued and other borrowed funds	125,610	119,827	125,610	119,827
Others	1,944	3,620	1,944	3,620
	1,943,913	1,854,158	1,943,913	1,854,158

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A18. Net Fee and Commission Income

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group</u>				
(a) Fee and commission income:				
Commissions	119,099	112,023	119,099	112,023
Service charges and fees	80,927	78,882	80,927	78,882
Guarantee fees	9,291	8,829	9,291	8,829
Processing fees	4,710	7,765	4,710	7,765
Commitment fees	22,180	22,354	22,180	22,354
Unit trust management fees	209,802	206,294	209,802	206,294
Fee on sale of trust units	87,439	75,837	87,439	75,837
Brokerage and commissions from stockbroking activities	20,468	19,679	20,468	19,679
Other fee and commission income	17,078	15,252	17,078	15,252
	<u>570,994</u>	<u>546,915</u>	<u>570,994</u>	<u>546,915</u>
(b) Fee and commission expense:				
Unit trust agency fee	(107,784)	(94,315)	(107,784)	(94,315)
Debit / credit card related fee	(72,628)	(72,158)	(72,628)	(72,158)
Loan related fee	(3,621)	(4,908)	(3,621)	(4,908)
Other fee and commission expense	(5,280)	(5,500)	(5,280)	(5,500)
	<u>(189,313)</u>	<u>(176,881)</u>	<u>(189,313)</u>	<u>(176,881)</u>
Net fee and commission income	<u>381,681</u>	<u>370,034</u>	<u>381,681</u>	<u>370,034</u>
	1st Quarter Ended	31 March	Three Months Ended	31 March
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
(a) Fee and commission income:				
Commissions	135,762	125,009	135,762	125,009
Service charges and fees	60,463	59,034	60,463	59,034
Guarantee fees	8,770	8,161	8,770	8,161
Processing fees	1,521	3,935	1,521	3,935
Commitment fees	20,819	21,186	20,819	21,186
Other fee and commission income	14,109	12,256	14,109	12,256
	<u>241,444</u>	<u>229,581</u>	<u>241,444</u>	<u>229,581</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(70,031)	(70,427)	(70,031)	(70,427)
Loan related fee	(2,495)	(3,728)	(2,495)	(3,728)
Other fee and commission expense	(4,080)	(3,308)	(4,080)	(3,308)
	<u>(76,606)</u>	<u>(77,463)</u>	<u>(76,606)</u>	<u>(77,463)</u>
Net fee and commission income	<u>164,838</u>	<u>152,118</u>	<u>164,838</u>	<u>152,118</u>

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A19. Net Gains and Losses on Financial Instruments

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group</u>				
Net gain arising on financial assets held-for-trading:				
- net gain on disposal	9,232	5,875	9,232	5,875
- unrealised revaluation gain	541	2,251	541	2,251
	<u>9,773</u>	<u>8,126</u>	<u>9,773</u>	<u>8,126</u>
Net gain / (loss) arising on trading derivatives				
- unrealised revaluation gain / (loss)	<u>13,613</u>	<u>(3,564)</u>	<u>13,613</u>	<u>(3,564)</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	14,775	9,794	14,775	9,794
- gross dividend income	8,163	42,271	8,163	42,271
	<u>22,938</u>	<u>52,065</u>	<u>22,938</u>	<u>52,065</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	1,783	953	1,783	953
- cash flow hedge	(7,220)	307	(7,220)	307
	<u>(5,437)</u>	<u>1,260</u>	<u>(5,437)</u>	<u>1,260</u>
Net gains and losses on financial instruments	<u><u>40,887</u></u>	<u><u>57,887</u></u>	<u><u>40,887</u></u>	<u><u>57,887</u></u>

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A19. Net Gains and Losses on Financial Instruments (continued)

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Bank</u>				
Net gain arising on financial assets held-for-trading:				
- net gain on disposal	9,225	5,871	9,225	5,871
- unrealised revaluation gain	546	2,213	546	2,213
	<u>9,771</u>	<u>8,084</u>	<u>9,771</u>	<u>8,084</u>
Net gain arising on trading derivatives				
- unrealised revaluation gain	-	5	-	5
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	12,978	9,069	12,978	9,069
- gross dividend income	8,067	42,266	8,067	42,266
	<u>21,045</u>	<u>51,335</u>	<u>21,045</u>	<u>51,335</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	2,081	1,018	2,081	1,018
- cash flow hedge	(7,220)	307	(7,220)	307
	<u>(5,139)</u>	<u>1,325</u>	<u>(5,139)</u>	<u>1,325</u>
Net gains and losses on financial instruments	<u>25,677</u>	<u>60,749</u>	<u>25,677</u>	<u>60,749</u>

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A20. Other Operating Income

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Group				
Other income:				
Foreign exchange profit	146,396	82,450	146,396	82,450
Rental income from:				
- investment properties	3,167	1,872	3,167	1,872
- other properties	3,343	4,337	3,343	4,337
Net gain on disposal of property and equipment	26	657	26	657
Net gain on disposal of foreclosed properties	421	290	421	290
Others	16,069	9,034	16,069	9,034
Total other operating income	<u>169,422</u>	<u>98,640</u>	<u>169,422</u>	<u>98,640</u>
	1st Quarter Ended	31 March	Three Months Ended	31 March
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Bank				
Gross dividend income from:				
- collective investments	28,775	-	28,775	-
- subsidiary companies				
- unquoted in Malaysia	22,000	217,174	22,000	217,174
	<u>50,775</u>	<u>217,174</u>	<u>50,775</u>	<u>217,174</u>
Other income:				
Foreign exchange profit / (loss)	399,818	(55,191)	399,818	(55,191)
Rental income from other properties	3,198	3,205	3,198	3,205
Net gain on disposal of property and equipment	31	657	31	657
Net gain on disposal of foreclosed properties	421	290	421	290
Others	11,970	6,741	11,970	6,741
	<u>415,438</u>	<u>(44,298)</u>	<u>415,438</u>	<u>(44,298)</u>
Total other operating income	<u>466,213</u>	<u>172,876</u>	<u>466,213</u>	<u>172,876</u>

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A21. Other Operating Expenses

<u>Group</u>	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Personnel costs				
- Salaries, allowances and bonuses	460,386	422,029	460,386	422,029
- Pension costs	61,292	56,505	61,292	56,505
- Others	38,635	33,675	38,635	33,675
	560,313	512,209	560,313	512,209
Establishment costs				
- Depreciation	47,693	43,061	47,693	43,061
- Rental	28,062	26,735	28,062	26,735
- Insurance	5,126	5,181	5,126	5,181
- Water and electricity	12,349	12,129	12,349	12,129
- General repairs and maintenance	22,306	14,790	22,306	14,790
- Information technology expenses	10,816	9,668	10,816	9,668
- Others	13,436	14,286	13,436	14,286
	139,788	125,850	139,788	125,850
Marketing expenses				
- Advertisement and publicity	13,777	10,933	13,777	10,933
- Others	15,364	15,199	15,364	15,199
	29,141	26,132	29,141	26,132
Administration and general expenses				
- Communication expenses	10,623	4,079	10,623	4,079
- Legal and professional fees	12,502	9,495	12,502	9,495
- Others	36,110	25,083	36,110	25,083
	59,235	38,657	59,235	38,657
Total other operating expenses	788,477	702,848	788,477	702,848

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A21. Other Operating Expenses (continued)

<u>Bank</u>	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Personnel costs				
- Salaries, allowances and bonuses	350,309	321,544	350,309	321,544
- Pension costs	53,612	49,602	53,612	49,602
- Others	32,371	28,808	32,371	28,808
	<u>436,292</u>	<u>399,954</u>	<u>436,292</u>	<u>399,954</u>
Establishment costs				
- Depreciation	38,182	34,279	38,182	34,279
- Rental	23,341	23,480	23,341	23,480
- Insurance	4,395	4,520	4,395	4,520
- Water and electricity	9,435	9,285	9,435	9,285
- General repairs and maintenance	20,758	12,695	20,758	12,695
- Information technology expenses	5,550	5,812	5,550	5,812
- Others	9,244	10,929	9,244	10,929
	<u>110,905</u>	<u>101,000</u>	<u>110,905</u>	<u>101,000</u>
Marketing expenses				
- Advertisement and publicity	6,550	2,494	6,550	2,494
- Others	11,294	10,805	11,294	10,805
	<u>17,844</u>	<u>13,299</u>	<u>17,844</u>	<u>13,299</u>
Administration and general expenses				
- Communication expenses	9,325	3,237	9,325	3,237
- Legal and professional fees	9,503	7,075	9,503	7,075
- Others	21,803	15,126	21,803	15,126
	<u>40,631</u>	<u>25,438</u>	<u>40,631</u>	<u>25,438</u>
Shared service cost charged to Public Islamic Bank Berhad	(77,941)	(61,794)	(77,941)	(61,794)
Total other operating expenses	<u>527,731</u>	<u>477,897</u>	<u>527,731</u>	<u>477,897</u>

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A22. Allowance for Impairment on Loans, Advances and Financing

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group</u>				
Allowance for impaired loans:				
Collective assessment allowance	68,465	91,483	68,465	91,483
Individual assessment allowance	48,831	41,389	48,831	41,389
Writeback of allowance for				
bad debts from stockbroking activities	-	(10)	-	(10)
Impaired loans and financing written off	50	30	50	30
Impaired loans and financing recovered	(49,862)	(57,144)	(49,862)	(57,144)
	67,484	75,748	67,484	75,748
	1st Quarter Ended	31 March	Three Months Ended	31 March
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Bank</u>				
Allowance / (Writeback of allowance) for impaired loans:				
Collective assessment allowance	52,708	68,251	52,708	68,251
Individual assessment allowance	(4,427)	(2,596)	(4,427)	(2,596)
Impaired loans written off	50	27	50	27
Impaired loans recovered	(24,463)	(34,347)	(24,463)	(34,347)
	23,868	31,335	23,868	31,335

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A23. Segment Information

	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
1st Quarter Ended 31 March 2016												
External revenue	671,320	2,403,668	403,940	434,204	44,527	297,544	1,552	397,979	4,654,734	382,894	-	5,037,628
Revenue from other segments	-	367,754	4,201	536,295	557	10,405	7,532	624,292	1,551,036	2,541	(1,553,577)	-
	<u>671,320</u>	<u>2,771,422</u>	<u>408,141</u>	<u>970,499</u>	<u>45,084</u>	<u>307,949</u>	<u>9,084</u>	<u>1,022,271</u>	<u>6,205,770</u>	<u>385,435</u>	<u>(1,553,577)</u>	<u>5,037,628</u>
Net interest income and Islamic banking income	187,043	1,092,447	104,177	77,100	6,436	6,209	(2,089)	169,592	1,640,915	271,272	-	1,912,187
Other income	754	161,910	14,591	111,279	15,913	173,813	9,002	80,105	567,367	43,387	(18,764)	591,990
Net income	<u>187,797</u>	<u>1,254,357</u>	<u>118,768</u>	<u>188,379</u>	<u>22,349</u>	<u>180,022</u>	<u>6,913</u>	<u>249,697</u>	<u>2,208,282</u>	<u>314,659</u>	<u>(18,764)</u>	<u>2,504,177</u>
Other operating expenses (Allowance) / Writeback of allowance for impairment on loans, advances and financing	(62,978)	(412,908)	(3,184)	(8,271)	(9,463)	(44,093)	(3,626)	(134,567)	(679,090)	(128,151)	18,764	(788,477)
Writeback of allowance for impairment on other assets	(32,326)	(7,874)	3,680	-	1,703	-	-	-	(34,817)	(32,667)	-	(67,484)
Profit by segments	-	467	-	-	-	-	-	-	467	-	-	467
	<u>92,493</u>	<u>834,042</u>	<u>119,264</u>	<u>180,108</u>	<u>14,589</u>	<u>135,929</u>	<u>3,287</u>	<u>115,130</u>	<u>1,494,842</u>	<u>153,841</u>	<u>-</u>	<u>1,648,683</u>
Reconciliation of segment profits to consolidated profits: Share of profit after tax of equity accounted associated companies									422	2,453		2,875
Profit before tax expense and zakat									<u>1,495,264</u>	<u>156,294</u>		<u>1,651,558</u>
Cost income ratio	33.5%	32.9%	2.7%	4.4%	42.3%	24.5%	52.5%	53.9%	30.8%	40.7%		31.5%

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A23. **Segment Information** (continued)

1st Quarter Ended 31 March 2016	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
Gross loans, advances and financing	50,135,010	172,517,908	34,366,243	-	385,783	71,290	2,167	-	257,478,401	19,708,044	-	277,186,445
Loan growth	0.1%	2.1%	6.3%	-	-1.5%	4.8%	-2.2%	-	2.3%	-9.0%	-	1.4%
Impaired loans, advances and financing	325,449	789,875	49,031	-	-	-	-	-	1,164,355	170,729	-	1,335,084
Impaired loan ratio	0.6%	0.5%	0.1%	-	-	-	-	-	0.5%	0.9%	-	0.5%
Deposits from customers	-	205,232,803	262,024	78,374,080	1,636,469	-	-	-	285,505,376	21,141,394	-	306,646,770
Deposit growth	-	1.0%	6.7%	7.3%	12.1%	-	-	-	2.7%	-8.9%	-	1.8%
Segment assets	49,828,310	210,321,058	34,316,007	93,208,947	3,185,088	333,468	623,062	34,248,080	426,064,020	27,865,086	(85,041,863)	368,887,243
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									19,953	158,061		178,014
Unallocated assets									748,041	-		748,041
Intangible assets									775,493	1,459,308		2,234,801
Total assets									427,607,507	29,482,455		372,048,099

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A23. Segment Information (continued)

1st Quarter Ended 31 March 2015	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	628,463	2,194,074	349,559	490,307	51,461	282,371	1,571	268,557	4,266,363	333,940	-	4,600,303
Revenue from other segments	-	318,186	2,984	371,103	971	4,856	7,495	434,989	1,140,584	2,784	(1,143,368)	-
	<u>628,463</u>	<u>2,512,260</u>	<u>352,543</u>	<u>861,410</u>	<u>52,432</u>	<u>287,227</u>	<u>9,066</u>	<u>703,546</u>	<u>5,406,947</u>	<u>336,724</u>	<u>(1,143,368)</u>	<u>4,600,303</u>
Net interest income and												
Islamic banking income	204,338	1,063,326	86,945	60,787	7,134	5,096	(2,091)	90,741	1,516,276	222,296	-	1,738,572
Other income	609	143,961	13,994	75,799	15,524	171,883	8,987	65,773	496,530	48,501	(18,470)	526,561
Net income	<u>204,947</u>	<u>1,207,287</u>	<u>100,939</u>	<u>136,586</u>	<u>22,658</u>	<u>176,979</u>	<u>6,896</u>	<u>156,514</u>	<u>2,012,806</u>	<u>270,797</u>	<u>(18,470)</u>	<u>2,265,133</u>
Other operating expenses	(60,803)	(387,147)	(2,919)	(6,595)	(9,125)	(41,321)	(4,060)	(95,781)	(607,751)	(113,567)	18,470	(702,848)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(49,269)	(2,842)	3,709	-	(76)	-	-	-	(48,478)	(27,270)	-	(75,748)
Writeback of allowance for impairment on other assets	-	488	-	-	-	-	-	-	488	-	-	488
Profit by segments	<u>94,875</u>	<u>817,786</u>	<u>101,729</u>	<u>129,991</u>	<u>13,457</u>	<u>135,658</u>	<u>2,836</u>	<u>60,733</u>	<u>1,357,065</u>	<u>129,960</u>	<u>-</u>	<u>1,487,025</u>
Reconciliation of segment profits to consolidated profits: Share of profit after tax of equity accounted associated companies									128	1,525		1,653
Profit before tax expense and zakat									<u>1,357,193</u>	<u>131,485</u>		<u>1,488,678</u>
Cost income ratio	29.7%	32.1%	2.9%	4.8%	40.3%	23.3%	58.9%	61.2%	30.2%	41.9%		31.0%

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A23. Segment Information (continued)

1st Quarter Ended 31 March 2015	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
Gross loans, advances and financing	47,581,277	157,714,500	29,455,126	-	419,868	62,426	2,231	-	235,235,428	17,816,403		253,051,831
Loan growth	2.5%	2.9%	4.3%	-	0.1%	3.8%	-2.0%	-	3.0%	6.6%		3.3%
Impaired loans, advances and financing	365,184	874,231	51,882	-	-	-	-	-	1,291,297	128,365		1,419,662
Impaired loan ratio	0.8%	0.6%	0.2%	-	-	-	-	-	0.5%	0.7%		0.6%
Deposits from customers	-	197,711,444	257,163	66,440,415	1,898,568	-	-	-	266,307,590	19,107,158		285,414,748
Deposit growth	-	2.2%	3.7%	5.8%	-4.8%	-	-	-	3.0%	5.7%		3.2%
Segment assets	<u>47,258,471</u>	<u>203,347,044</u>	<u>29,399,874</u>	<u>84,029,409</u>	<u>3,677,481</u>	<u>407,651</u>	<u>417,946</u>	<u>33,008,034</u>	<u>401,545,910</u>	<u>25,800,662</u>	<u>(77,118,156)</u>	<u>350,228,416</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									25,334	141,712		167,046
Unallocated assets									891,316	-		891,316
Intangible assets									769,251	1,386,044		2,155,295
Total assets									<u>403,231,811</u>	<u>27,328,418</u>		<u>353,442,073</u>

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A23. Segment Information (continued)

The Group's overseas operations includes its operations in Hong Kong SAR, the People's Republic of China, Sri Lanka, the Socialist Republic of Vietnam, Cambodia and the Lao People's Democratic Republic.

A24. Subsequent Events

There were no material events subsequent to the end of the reporting date other than as disclosed in Note B6.

A25. Changes in the Composition of the Group

There were no changes in the composition of the Group during the 1st quarter ended 31 March 2016.

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A26. Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

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

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Contingent liabilities				
Direct credit substitutes	1,390,069	1,421,426	1,236,310	1,215,305
Transaction-related contingent items	1,533,348	1,550,912	1,372,575	1,350,813
Short term self-liquidating trade-related contingencies	409,368	398,504	141,175	153,589
	3,332,785	3,370,842	2,750,060	2,719,707
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	27,084,848	29,423,236	22,235,892	24,777,773
- not exceeding one year	23,835,872	24,131,630	20,897,229	20,985,806
Unutilised credit card lines	5,451,784	5,182,818	5,332,874	5,054,881
Forward asset purchases	1,261,896	875,923	1,042,932	875,084
	57,634,400	59,613,607	49,508,927	51,693,544
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	28,300,225	27,931,563	27,120,438	26,632,334
- one year to less than five years	1,370,060	3,017,152	1,370,060	3,017,152
Interest / Profit rate related contracts:				
- less than one year	1,634,400	1,559,400	1,634,400	1,559,400
- one year to less than five years	11,608,000	11,571,310	12,243,000	12,272,400
- five years and above	446,200	469,226	2,720,000	2,720,000
Commodity related contracts:				
- less than one year	326	169	326	169
	43,359,211	44,548,820	45,088,224	46,201,455
	104,326,396	107,533,269	97,347,211	100,614,706

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A27. Derivative Financial Instruments

Details of derivative financial instruments outstanding as at 31 March 2016 and 31 December 2015 are as follows:

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:

Group As at 31 March 2016	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	2,042,727	5,060	-	2,047,787	28,110	20	-	28,130	43,383	28	-	43,411
- Swaps	24,735,732	-	-	24,735,732	308,662	-	-	308,662	923,354	-	-	923,354
- Options	156,766	-	-	156,766	718	-	-	718	718	-	-	718
Precious metal contracts												
- Forwards	326	-	-	326	1	-	-	1	-	-	-	-
	<u>26,935,551</u>	<u>5,060</u>	<u>-</u>	<u>26,940,611</u>	<u>337,491</u>	<u>20</u>	<u>-</u>	<u>337,511</u>	<u>967,455</u>	<u>28</u>	<u>-</u>	<u>967,483</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,480,000	2,400,000	3,729,200	7,609,200	15,848	7,440	66,575	89,863	-	-	19,991	19,991
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	1,365,000	1,170,000	195,000	2,730,000	-	-	-	-	310,836	241,251	32,439	584,526
Interest / Profit rate related contracts												
- Swaps	154,400	3,770,000	2,155,000	6,079,400	7	8,923	2,652	11,582	31	5,574	17,605	23,210
	<u>2,999,400</u>	<u>7,340,000</u>	<u>6,079,200</u>	<u>16,418,600</u>	<u>15,855</u>	<u>16,363</u>	<u>69,227</u>	<u>101,445</u>	<u>310,867</u>	<u>246,825</u>	<u>70,035</u>	<u>627,727</u>
Total	<u>29,934,951</u>	<u>7,345,060</u>	<u>6,079,200</u>	<u>43,359,211</u>	<u>353,346</u>	<u>16,383</u>	<u>69,227</u>	<u>438,956</u>	<u>1,278,322</u>	<u>246,853</u>	<u>70,035</u>	<u>1,595,210</u>

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 31 March 2016 and 31 December 2015 are as follows (continued):

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued):

Group As at 31 December 2015	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,079,546	9,252	-	1,088,798	27,845	68	-	27,913	4,090	-	-	4,090
- Swaps	26,787,898	-	-	26,787,898	559,117	-	-	559,117	122,581	-	-	122,581
- Options	64,119	-	-	64,119	133	-	-	133	133	-	-	133
Precious metal contracts												
- Forwards	169	-	-	169	1	-	-	1	-	-	-	-
	<u>27,931,732</u>	<u>9,252</u>	<u>-</u>	<u>27,940,984</u>	<u>587,096</u>	<u>68</u>	<u>-</u>	<u>587,164</u>	<u>126,804</u>	<u>-</u>	<u>-</u>	<u>126,804</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,559,400	2,400,000	3,686,136	7,645,536	27,369	666	46,527	74,562	-	-	10,461	10,461
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	2,793,050	214,850	3,007,900	-	-	-	-	-	816,786	52,998	869,784
Interest / Profit rate related contracts												
- Swaps	-	3,924,400	2,030,000	5,954,400	-	17,210	9,150	26,360	-	129	402	531
	<u>1,559,400</u>	<u>9,117,450</u>	<u>5,930,986</u>	<u>16,607,836</u>	<u>27,369</u>	<u>17,876</u>	<u>55,677</u>	<u>100,922</u>	<u>-</u>	<u>816,915</u>	<u>63,861</u>	<u>880,776</u>
Total	<u>29,491,132</u>	<u>9,126,702</u>	<u>5,930,986</u>	<u>44,548,820</u>	<u>614,465</u>	<u>17,944</u>	<u>55,677</u>	<u>688,086</u>	<u>126,804</u>	<u>816,915</u>	<u>63,861</u>	<u>1,007,580</u>

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 31 March 2016 and 31 December 2015 are as follows (continued):

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued):

Bank As at 31 March 2016	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,605,687	5,060	-	1,610,747	27,366	20	-	27,386	42,612	28	-	42,640
- Swaps	23,992,985	-	-	23,992,985	295,205	-	-	295,205	922,785	-	-	922,785
- Options	156,766	-	-	156,766	718	-	-	718	718	-	-	718
Precious metal contracts												
- Forwards	326	-	-	326	1	-	-	1	-	-	-	-
	<u>25,755,764</u>	<u>5,060</u>	<u>-</u>	<u>25,760,824</u>	<u>323,290</u>	<u>20</u>	<u>-</u>	<u>323,310</u>	<u>966,115</u>	<u>28</u>	<u>-</u>	<u>966,143</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,480,000	2,400,000	3,308,000	7,188,000	15,848	7,440	66,575	89,863	-	-	-	-
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	1,365,000	1,170,000	195,000	2,730,000	-	-	-	-	310,836	241,251	32,439	584,526
Interest rate related contracts												
- Swaps	154,400	4,170,000	5,085,000	9,409,400	7	12,135	36,213	48,355	31	5,574	23,544	29,149
	<u>2,999,400</u>	<u>7,740,000</u>	<u>8,588,000</u>	<u>19,327,400</u>	<u>15,855</u>	<u>19,575</u>	<u>102,788</u>	<u>138,218</u>	<u>310,867</u>	<u>246,825</u>	<u>55,983</u>	<u>613,675</u>
Total	<u>28,755,164</u>	<u>7,745,060</u>	<u>8,588,000</u>	<u>45,088,224</u>	<u>339,145</u>	<u>19,595</u>	<u>102,788</u>	<u>461,528</u>	<u>1,276,982</u>	<u>246,853</u>	<u>55,983</u>	<u>1,579,818</u>

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 31 March 2016 and 31 December 2015 are as follows (continued):

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts (continued):

Bank As at 31 December 2015	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,002,917	9,252	-	1,012,169	27,723	68	-	27,791	3,973	-	-	3,973
- Swaps	25,565,298	-	-	25,565,298	557,098	-	-	557,098	122,372	-	-	122,372
- Options	64,119	-	-	64,119	133	-	-	133	133	-	-	133
Precious metal contracts												
- Forwards	169	-	-	169	1	-	-	1	-	-	-	-
	<u>26,632,503</u>	<u>9,252</u>	<u>-</u>	<u>26,641,755</u>	<u>584,955</u>	<u>68</u>	<u>-</u>	<u>585,023</u>	<u>126,478</u>	<u>-</u>	<u>-</u>	<u>126,478</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,559,400	2,400,000	3,308,000	7,267,400	27,369	666	44,061	72,096	-	-	294	294
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	-	2,793,050	214,850	3,007,900	-	-	-	-	-	816,786	52,998	869,784
Interest rate related contracts												
- Swaps	-	4,324,400	4,960,000	9,284,400	-	15,721	4,790	20,511	-	368	48,697	49,065
	<u>1,559,400</u>	<u>9,517,450</u>	<u>8,482,850</u>	<u>19,559,700</u>	<u>27,369</u>	<u>16,387</u>	<u>48,851</u>	<u>92,607</u>	<u>-</u>	<u>817,154</u>	<u>101,989</u>	<u>919,143</u>
Total	<u>28,191,903</u>	<u>9,526,702</u>	<u>8,482,850</u>	<u>46,201,455</u>	<u>612,324</u>	<u>16,455</u>	<u>48,851</u>	<u>677,630</u>	<u>126,478</u>	<u>817,154</u>	<u>101,989</u>	<u>1,045,621</u>

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A27. Derivative Financial Instruments (continued)

- ii) The Group's and the Bank's derivative financial instruments are subject to market, credit and liquidity risk, as follows:

Market Risk

Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amounts at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions.

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 31 March 2016, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM438,956,000 (2015: RM688,086,000) and RM461,528,000 (2015: RM677,630,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

- iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 31 March 2016, the Group and the Bank had posted cash collateral of RM1,057,912,000 (2015: RM699,761,000) on their derivative contracts.

- iv) There have been no changes since the end of the previous financial year in respect of the following:
- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
 - b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
 - c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2015 and Pillar 3 Disclosures section of the 2015 Annual Report.

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A28. Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

The Group and the Bank classify its financial instruments and non-financial assets 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 and non-financial assets.

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

Group	Level 1	Level 2	Level 3	Total
31 March 2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	314,372	-	314,372
- Money market instruments	-	369,072	-	369,072
- Non-money market instruments	-	571,859	-	571,859
	-	<u>1,255,303</u>	-	<u>1,255,303</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	14,185,159	-	14,185,159
- Money market instruments	-	10,332,449	-	10,332,449
- Non-money market instruments #	894,420	4,194,090	-	5,088,510
	<u>894,420</u>	<u>28,711,698</u>	-	<u>29,606,118</u>
Derivative financial assets	-	438,956	-	438,956
Total financial assets measured at fair value	<u>894,420</u>	<u>30,405,957</u>	-	<u>31,300,377</u>
Non-financial assets				
Investment properties	-	-	494,920	494,920
Financial liabilities				
Derivative financial liabilities	-	1,595,210	-	1,595,210
Total financial liabilities measured at fair value	-	<u>1,595,210</u>	-	<u>1,595,210</u>

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Group	Level 1	Level 2	Level 3	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	20,302	-	20,302
- Money market instruments	-	1,739,611	-	1,739,611
- Non-money market instruments	-	1,342,848	-	1,342,848
	-	3,102,761	-	3,102,761
Financial investments available-for-sale				
- Government securities and treasury bills	-	15,509,518	-	15,509,518
- Money market instruments	-	9,105,939	-	9,105,939
- Non-money market instruments #	1,165,813	4,007,502	-	5,173,315
	1,165,813	28,622,959	-	29,788,772
Derivative financial assets	-	688,086	-	688,086
Total financial assets measured at fair value	1,165,813	32,413,806	-	33,579,619
Non-financial assets				
Investment properties	-	-	485,175	485,175
Financial liabilities				
Derivative financial liabilities	-	1,007,580	-	1,007,580
Total financial liabilities measured at fair value	-	1,007,580	-	1,007,580

Excluding the carrying amount of equity securities - unquoted shares held by the Group of RM115,575,000 (2015: RM118,935,000) which are not carried at fair value.

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Bank	Level 1	Level 2	Level 3	Total
31 March 2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	314,372	-	314,372
- Non-money market instruments	-	471,045	-	471,045
	-	785,417	-	785,417
Financial investments available-for-sale				
- Government securities and treasury bills	-	9,404,892	-	9,404,892
- Money market instruments	-	9,550,055	-	9,550,055
- Non-money market instruments #	764,206	1,967,857	-	2,732,063
	764,206	20,922,804	-	21,687,010
Derivative financial assets	-	461,528	-	461,528
Total financial assets measured at fair value	764,206	22,169,749	-	22,933,955
Financial liabilities				
Derivative financial liabilities	-	1,579,818	-	1,579,818
Total financial liabilities measured at fair value	-	1,579,818	-	1,579,818

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Bank	Level 1	Level 2	Level 3	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	20,302	-	20,302
- Money market instruments	-	151,231	-	151,231
- Non-money market instruments	-	1,271,084	-	1,271,084
	-	1,442,617	-	1,442,617
Financial investments available-for-sale				
- Government securities and treasury bills	-	10,582,783	-	10,582,783
- Money market instruments	-	7,820,028	-	7,820,028
- Non-money market instruments #	1,036,630	3,532,519	-	4,569,149
	1,036,630	21,935,330	-	22,971,960
Derivative financial assets	-	677,630	-	677,630
Total financial assets measured at fair value	1,036,630	24,055,577	-	25,092,207
Financial liabilities				
Derivative financial liabilities	-	1,045,621	-	1,045,621
Total financial liabilities measured at fair value	-	1,045,621	-	1,045,621

Excluding the carrying amount of equity securities - unquoted shares held by the Bank of RM111,047,000 (2015: RM114,052,000) which are not carried at fair value.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2014: Nil).

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist. The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

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A29. Capital Adequacy

- a) The capital adequacy ratios of the Group and of the Bank below are disclosed pursuant to the requirements of Bank Negara Malaysia ("BNM")'s Risk Weighted Capital Adequacy Framework (Basel II) -Disclosure Requirements (Pillar 3):

	Group		Bank	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
<u>Before deducting interim dividends *</u>				
Common equity Tier I ("CET I") capital ratio	10.803%	11.401%	10.697%	12.184%
Tier I capital ratio	11.796%	12.565%	11.869%	13.588%
Total capital ratio	<u>15.183%</u>	<u>15.987%</u>	<u>14.495%</u>	<u>15.919%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	10.803%	10.886%	10.697%	11.549%
Tier I capital ratio	11.796%	12.049%	11.869%	12.953%
Total capital ratio	<u>15.183%</u>	<u>15.471%</u>	<u>14.495%</u>	<u>15.284%</u>

* Refers to interim dividends declared subsequent to the financial period/year end.

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Paid-up share capital	3,882,138	3,882,138	3,882,138	3,882,138
Share premium	5,535,515	5,535,515	5,535,515	5,535,515
Other reserves	5,687,373	5,808,689	5,079,926	5,121,669
Retained profits	13,026,590	14,262,317	10,748,498	11,984,176
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Qualifying non-controlling interests	641,856	706,192	-	-
Less: Goodwill and other intangible assets	(2,234,801)	(2,375,915)	(695,393)	(695,393)
Less: Deferred tax assets, net	(64,659)	(65,666)	-	-
Less: Defined benefit pension fund assets	(210,657)	(217,995)	(207,916)	(215,151)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(85,353)</u>	<u>(56,902)</u>	<u>(2,843,872)</u>	<u>(1,775,915)</u>
Total CET I capital	26,028,665	27,329,036	21,349,559	23,687,702
Innovative Tier I capital securities	1,086,960	1,268,120	1,086,960	1,268,120
Non-innovative Tier I stapled securities	1,252,800	1,461,600	1,252,800	1,461,600
Qualifying CET I and additional Tier I capital instruments held by third parties	53,843	59,175	-	-
Total Tier I capital	<u>28,422,268</u>	<u>30,117,931</u>	<u>23,689,319</u>	<u>26,417,422</u>

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A29. Capital Adequacy (continued)

a) The capital adequacy ratios of the Group and of the Bank (continued):

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	2,771,617	2,761,020	2,264,616	2,247,354
Subordinated notes / sukuk murabahah				
- meeting all relevant criteria	2,448,717	2,448,606	1,949,536	1,949,489
- subject to gradual phase-out treatment	2,923,800	2,999,206	2,923,800	2,999,206
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	71,791	78,900	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	(56,902)	(85,353)	(1,895,915)	(2,663,872)
Total Tier II capital	8,159,023	8,202,379	5,242,037	4,532,177
Total capital	36,581,291	38,320,310	28,931,356	30,949,599

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM537,757,000 (2015: RM560,411,000) and RM385,775,000 (2015: RM399,886,000) respectively.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and of the Bank of RM1,812,536,000 (2015: RM1,810,794,000) and RM1,648,648,000 (2015: RM1,645,027,000) respectively.

The capital adequacy ratios of the Group consist of total capital and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of total capital and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd.

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A29. Capital Adequacy (continued)

a) The capital adequacy ratios of the Group and of the Bank (continued):

The total risk-weighted assets of the Group and of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit Risk;
- (ii) Standardised Approach for Market Risk;
- (iii) Basic Indicator Approach for Operational Risk.

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) reissued on 13 October 2015 which became effective from 1 January 2016. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	<u>Capital Conservation Buffer</u>
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. With effect from 1 January 2016, the Group and the Bank have applied CCyB on its exposures in Hong Kong in line with Hong Kong Monetary Authority's requirement to maintain CCyB of 0.625% in Hong Kong. The Group and the Bank's CCyB determined based on the weighted average of prevailing CCyB rates of its Hong Kong exposures are insignificant due to its immaterial Hong Kong exposures. The CCyB which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

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A29. Capital Adequacy (continued)

b) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵
31 March 2016						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	11.262%	31.546%	N/A	14.615%	24.503%	N/A
Tier I capital ratio	11.262%	31.546%	21.550%	14.615%	24.503%	N/A
Total capital ratio	13.851%	31.840%	21.572%	15.790%	25.499%	19.855%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	11.262%	31.546%	N/A	14.615%	24.503%	N/A
Tier I capital ratio	11.262%	31.546%	21.550%	14.615%	24.503%	N/A
Total capital ratio	13.851%	31.840%	21.572%	15.790%	25.499%	19.855%
31 December 2015						
<u>Before deducting interim dividends: *</u>						
CET I capital ratio	10.771%	32.496%	N/A	14.283%	25.476%	N/A
Tier I capital ratio	10.771%	32.496%	25.121%	14.283%	25.476%	N/A
Total capital ratio	13.481%	32.941%	25.148%	15.460%	26.473%	20.214%
<u>After deducting interim dividends: *</u>						
CET I capital ratio	10.771%	30.416%	N/A	14.283%	23.143%	N/A
Tier I capital ratio	10.771%	30.416%	25.121%	14.283%	23.143%	N/A
Total capital ratio	13.481%	30.861%	25.148%	15.460%	24.140%	20.214%

* Refers to interim dividends declared subsequent to the financial period/year end.

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A29. Capital Adequacy (continued)

b) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows (continued):

- ¹ The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) reissued on 13 October 2015. The minimum regulatory capital adequacy requirement before including capital conservation buffer and countercyclical capital buffer ("CCyB") for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIBB is required to maintain a capital conservation buffer of up to 2.5% on transition arrangements and a CCyB of between 0% and 2.5% if this buffer is applied by regulators in countries which PIBB has exposures to.
- ² The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) reissued on 13 October 2015. The minimum regulatory capital adequacy requirement before including capital conservation buffer and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIVB is required to maintain a capital conservation buffer of up to 2.5% on transition arrangements and a CCyB of between 0% and 2.5% if this buffer is applied by regulators in countries which PIVB has exposures to.
- ³ The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.
- ⁴ These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules.
- ⁵ The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

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A29. Capital Adequacy (continued)

c) The breakdown of risk-weighted assets by each major risk category is as follows:

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
Credit risk	221,729,372	220,881,570	184,417,507	179,788,298
Market risk	2,571,170	2,500,503	3,803,523	3,714,333
Operational risk	16,638,908	16,321,153	11,368,941	10,911,444
	240,939,450	239,703,226	199,589,971	194,414,075

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A30. Operations of Islamic Banking

A30a. Statement of Financial Position As At 31 March 2016

	Note	Group	
		31 March 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and balances with banks		3,786,335	3,225,149
Financial assets held-for-trading		369,072	1,588,380
Derivative financial assets		9,442	56,019
Financial investments available-for-sale		4,534,768	4,780,808
Financial investments held-to-maturity		2,751,452	2,741,792
Financing and advances	A30d	33,330,999	31,736,855
Other assets		85,225	82,895
Statutory deposits with Bank Negara Malaysia		1,307,050	1,423,800
Deferred tax assets		1,011	-
Collective investments		369,925	-
Investment in an associated company		20,000	20,000
Property and equipment		1,309	1,267
Total Assets		46,566,588	45,656,965
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	A30e	39,771,897	39,097,445
Deposits from banks		2,176,692	2,318,814
Bills and acceptances payable		752	849
Recourse obligations on financing sold to Cagamas		500,016	500,016
Derivative financial liabilities		40,276	1,636
Subordinated Sukuk Murabahah		499,181	499,117
Other liabilities		237,327	212,673
Provision for zakat and taxation		52,915	40,680
Deferred tax liabilities		-	22,029
Total Liabilities		43,279,056	42,693,259
Islamic Banking Funds		3,287,532	2,963,706
Total Liabilities and Islamic Banking Funds		46,566,588	45,656,965
COMMITMENTS AND CONTINGENCIES		10,555,633	10,194,763

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A30b. Statement of Profit or Loss for the 1st Quarter Ended 31 March 2016

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Group				
Income derived from investment of depositors' funds and others	503,976	417,858	503,976	417,858
Income derived from investment of Islamic Banking Funds	41,879	31,727	41,879	31,727
Allowance for impairment on financing and advances	(13,033)	(22,260)	(13,033)	(22,260)
Impairment on other assets	(34)	(6)	(34)	(6)
Profit Equalisation Reserve	(38)	(18)	(38)	(18)
Total distributable income	<u>532,750</u>	<u>427,301</u>	<u>532,750</u>	<u>427,301</u>
Income attributable to depositors and others	<u>(316,778)</u>	<u>(245,200)</u>	<u>(316,778)</u>	<u>(245,200)</u>
Total net income	<u>215,972</u>	<u>182,101</u>	<u>215,972</u>	<u>182,101</u>
Other overheads and expenditures	<u>(88,333)</u>	<u>(68,955)</u>	<u>(88,333)</u>	<u>(68,955)</u>
Profit before zakat and taxation	<u>127,639</u>	<u>113,146</u>	<u>127,639</u>	<u>113,146</u>
Zakat	(53)	(55)	(53)	(55)
Taxation	<u>(30,492)</u>	<u>(28,129)</u>	<u>(30,492)</u>	<u>(28,129)</u>
Profit for the period	<u><u>97,094</u></u>	<u><u>84,962</u></u>	<u><u>97,094</u></u>	<u><u>84,962</u></u>

Net income from Islamic banking business as reported in the statement of profit or loss of the Group is derived as follows:

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Income derived from investment of depositors' funds and others	503,976	417,858	503,976	417,858
Income derived from investment of Islamic Banking Funds	41,879	31,727	41,879	31,727
Income attributable to depositors and others	(316,778)	(245,200)	(316,778)	(245,200)
Profit Equalisation Reserve	(38)	(18)	(38)	(18)
Elimination of dividends from collective investment	<u>(1,552)</u>	<u>-</u>	<u>(1,552)</u>	<u>-</u>
Net income from Islamic banking business	<u><u>227,487</u></u>	<u><u>204,367</u></u>	<u><u>227,487</u></u>	<u><u>204,367</u></u>

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A30c. Statement of Profit or Loss and Other Comprehensive Income for the 1st Quarter Ended 31 March 2016

	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
<u>Group</u>				
Profit for the period	97,094	84,962	97,094	84,962
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net (loss) / gain on revaluation of financial investments available-for-sale	(3,826)	21,255	(3,826)	21,255
Hedging reserves:				
- Net change in cash flow hedges	(92,579)	(34,395)	(92,579)	(34,395)
	(96,405)	(13,140)	(96,405)	(13,140)
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	918	(5,132)	918	(5,132)
- Hedging reserves	22,219	8,255	22,219	8,255
	23,137	3,123	23,137	3,123
Other comprehensive loss for the period, net of tax	(73,268)	(10,017)	(73,268)	(10,017)
Total comprehensive income for the period	23,826	74,945	23,826	74,945

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A30d. Financing and Advances

	Group	
	31 March	31 December
	2016	2015
	RM'000	RM'000
At amortised cost		
Bai' Bithaman Ajil	9,919,434	9,650,943
Ijarah Thumma Al-Bai'	12,097,842	12,050,347
Bai' Inah	1,997,328	2,037,228
Musharakah Mutanaqisah	9,533,273	8,231,267
Murabahah	85,837	77,355
Ujrah	6,693	5,610
Gross financing and advances	<u>33,640,407</u>	<u>32,052,750</u>
Allowance for impairment on financing and advances:		
- collective assessment allowance	<u>(309,408)</u>	<u>(315,895)</u>
Net financing and advances	<u><u>33,330,999</u></u>	<u><u>31,736,855</u></u>

Movements in impaired financing and advances are as follows:

	Group	
	31 March	31 December
	2016	2015
	RM'000	RM'000
At 1 January	211,804	232,348
Impaired during the period / year	137,443	558,945
Reclassified as non-impaired	(107,708)	(437,925)
Recoveries	(12,210)	(45,881)
Amount written off	(24,595)	(95,412)
Financing converted to foreclosed properties	(185)	(271)
Closing balance	<u><u>204,549</u></u>	<u><u>211,804</u></u>
Impaired financing and advances as a percentage of gross financing and advances	<u><u>0.61%</u></u>	<u><u>0.66%</u></u>

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A30e. Deposits from Customers

	Group	
	31 March 2016 RM'000	31 December 2015 RM'000
By type of deposit and contract		
At amortised cost		
Savings deposit		
- Wadiah	5,607,351	5,494,154
Demand deposit		
- Wadiah	3,481,123	3,521,768
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	-	974,136
- Commodity Murabahah	22,576,636	24,388,180
- General investment account		
- Mudharabah	104,296	113,594
- Wakalah	130,544	149,849
	234,840	263,443
- Special term deposit account		
- Wadiah	7,871,947	4,455,764
	39,771,897	39,097,445

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Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Performance Review

Current Year-to date vs. Previous Year-to-date

The Group's pre-tax profit for the 1st quarter ended 31 March 2016 of RM1,651.6 million was RM162.9 million or 10.9% higher than the previous corresponding quarter of RM1,488.7 million. Net profit attributable to equity holders improved by RM58.3 million or 5.0% to RM1,299.8 million. The improved earnings was mainly due to higher net interest income of RM150.5 million (9.8%), higher income from Islamic banking business of RM23.1 million and higher non-interest income of RM65.4 million (12.4%). These were partially offset by higher other operating expenses of RM85.6 million (12.2%) mainly due to higher personnel costs which were in tandem with business growth.

The growth in the Group's profit was driven by continued healthy loans and customer deposits growth coupled with sustained strong asset quality. Gross loans grew by RM24.1 billion or 9.5% to RM277.2 billion as at 31 March 2016 as compared to RM253.1 billion as at 31 March 2015, driven by growth in property financing, financing of passenger vehicles and lending to small and medium enterprises ("SMEs"). Total deposits from customers increased by RM21.2 billion or 7.4% to RM306.6 billion as at 31 March 2016 which partly contributed to the higher net interest income for the current period. The Group's impaired loan ratio remained stable at 0.5% as at 31 March 2016.

The performance of the respective operating business segments for the 1st quarter ended 31 March 2016 as compared to the previous corresponding quarter is analysed as follows:-

- 1) Retail Operations – Pre-tax profit increased by RM16.3 million (2.0%) to RM834.0 million mainly due to higher net interest income on higher average loan and deposit balances and higher fee income partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit decreased by RM2.4 million (-2.5%) to RM92.5 million mainly due to lower net interest income as a result of declining net interest margin partially offset by lower loan impairment allowances.
- 3) Corporate lending – Pre-tax profit increased by RM17.5 million (17.2%) to RM119.3 million mainly due to higher net interest income on higher average loan balances.
- 4) Treasury and capital market operations – The increase in pre-tax profit of RM50.1 million (38.6%) to RM180.1 million was mainly due to higher net interest income on treasury gapping, funding and liquidity management activities and higher foreign exchange income.
- 5) Investment banking – Pre-tax profit increased by RM1.1 million (8.4%) to RM14.6 million mainly due to writeback of loan impairment allowances in the current quarter.
- 6) Fund management – Pre-tax profit increased marginally by RM0.3 million (0.2%) to RM135.9 million.
- 7) Overseas operations – Pre-tax profit increased by RM24.8 million (18.9%) to RM156.3 million mainly due to favourable foreign exchange differences and higher net interest income on higher average loan and deposit balances partially offset by higher loan impairment allowances and lower other operating income.

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B1. Performance Review (continued)

B2. Variation of Results Against Preceding Quarter

For the 1st quarter ended 31 March 2016, the Group registered a pre-tax profit of RM1,651.6 million, a decrease of RM206.2 million or 11.1% as compared to the pre-tax profit of RM1,857.8 million for the preceding quarter ended 31 December 2015. Net profit attributable to equity holders decreased by RM262.6 million or 17.6% over the same period. The decrease in profit is mainly due to loan impairment allowances of RM67.5 million in the current quarter as compared to the net writeback of loan impairment allowances of RM104.3 million in the preceding quarter.

B3. Prospects for 2016

The global economy is expected to expand at a modest pace in 2016, but the growth outlook remains vulnerable to considerable downside risks due to policy developments in major economies, uncertainty in global commodity prices and abrupt financial market adjustments. The advanced economies will likely grow at a gradual and uneven pace on the back of steady growth in the US, slow recovery in the euro area and a modest growth pace in Japan. In Asia, growth is expected to remain moderate in 2016, weighed down by the slowdown in China's economy due to its economic rebalancing.

Amidst the challenging global economic and financial landscape, the Malaysian economy is expected to grow at a more moderate pace of between 4.0 and 4.5% in 2016 (2015: 5.0%), driven by domestic demand. Private consumption is expected to slow down as households continue to adjust to an environment of higher prices and greater uncertainties. However, this will be partially offset by stable labour market conditions, continued income growth and Government measures to ease households' burden. Growth in investment activity will continue to be driven by continued implementation of ongoing and new investment projects, particularly in the manufacturing and services sectors. The export sector is expected to remain positive in 2016, in line with modest improvement in external demand. Headline inflation is projected to be higher at 2.5-3.5% (2015: 2.1%) due to higher prices of several price-administered items and weak ringgit exchange rate, but inflationary pressure is likely to be mitigated by low global energy and commodity prices, subdued global inflation and more moderate domestic demand.

Given the challenging operating conditions, the banking sector's loans growth is expected to moderate due to weak consumer and business sentiments as well as continued impact from stringent lending rules. As competition in deposit-taking business intensified, banks will continue to embark on initiatives to maintain an efficient funding position. During the year, banks are expected to focus on enhancing operational efficiency to drive financial performance and will continue to compete on competitive pricing, attractive terms and product innovation. Backed by high capitalisation, ample liquidity and high asset quality, the banking sector is expected to be well positioned to withstand the financial markets vulnerability in 2016.

In view of the increasingly competitive banking landscape, the Public Bank Group will leverage on its strong internal strength as well as capitalise on its efficient customer service and service delivery to maintain its leading market share in the domestic retail segment, supported by ongoing demand in home mortgages, vehicle financing and small and medium enterprises ("SME") lending. The Group will continue to adopt prudent and responsible financing practices, while upholding its strong corporate governance and risk management practices.

In the SME market segment, the Public Bank Group will continue to enhance relationships with existing customers and tap on market opportunities to acquire new customers to sustain its market leadership position in SME financing. The Group will further penetrate the mid-market SMEs and micro enterprises in encouraged sectors.

Despite another challenging year for the motor vehicle industry in 2016, the Public Bank Group remains committed to sustain its leading market position in the vehicle hire purchase business. The Group will also continue to leverage on its large network of hire purchase centres, branches, comprehensive product packages, efficient loan delivery and extensive marketing staff force.

The Public Bank Group will continue to grow its corporate lending business by tapping on its existing clientele with good track record and clients in sectors which are less vulnerable to economic slowdown.

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B3. Prospects for 2016 (continued)

Against the backdrop of heightened market uncertainties, the Public Bank Group's treasury and capital market operations will continue to strengthen its liquidity risk management capabilities to weather any potential market stress. The Group will actively assess its funds deployment and asset allocation to meet profitability goals and cope with increasing regulatory requirements.

The Public Bank Group will continue to maintain its strong brand and leading market position in the private unit trust industry in Malaysia. The Group will continue to offer superior customer service to its clients as well as expand and diversify its product range to meet investors' demand.

The Public Bank Group expects to achieve higher penetration into bancassurance industry, supported by a growing range of products and wide distribution coverage. To remain competitive in the market, the Group will continue to work closely with AIA Bhd to further develop its bancassurance products as well as improve its customer service experience. The Group will also continue to accelerate its fee income generating activities through foreign-exchange related transactions and transactional banking services.

The Public Bank Group remains committed to expand its existing presence in the region through organic growth and accelerate its business growth by leveraging on its strong PB brand and prudent management practices. The Group will also focus on customer segments and scalable business opportunities which would create value to the Group.

B4. Profit Forecast or Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Bank.

B5. Tax Expense and Zakat

The analysis of the tax expense for the 1st quarter ended 31 March 2016 are as follows:

<u>Group</u>	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Malaysian income tax	385,360	278,213	385,360	278,213
Overseas income tax	28,998	23,749	28,998	23,749
	414,358	301,962	414,358	301,962
(Over) / Under provision in prior years				
- Malaysian income tax	(6)	(279)	(6)	(279)
- Overseas income tax	292	53	292	53
	414,644	301,736	414,644	301,736
Deferred tax expense				
- Relating to changes in tax rate	661	416	661	416
- Relating to origination and reversal of temporary differences	(8,860)	2,271	(8,860)	2,271
- Over provision	-	(2)	-	(2)
Tax expense	406,445	304,421	406,445	304,421
Zakat	53	55	53	55
	406,498	304,476	406,498	304,476

The Group's effective tax rate for the 1st quarter ended 31 March 2016 was higher than the statutory tax rate mainly due to certain expenses not deductible for tax purpose, whereas the effective tax rate in respect of the previous corresponding quarter was lower than the statutory tax rate mainly due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

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B5. Tax Expense and Zakat (continued)

<u>Bank</u>	1st Quarter Ended		Three Months Ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Malaysian income tax	351,516	226,831	351,516	226,831
Overseas income tax	3,903	4,500	3,903	4,500
	<u>355,419</u>	<u>231,331</u>	<u>355,419</u>	<u>231,331</u>
Under provision in prior years				
- Overseas income tax	292	53	292	53
	<u>355,711</u>	<u>231,384</u>	<u>355,711</u>	<u>231,384</u>
Deferred tax expense				
- Relating to changes in tax rate	643	190	643	190
- Relating to origination and reversal of temporary differences	(9,397)	2,311	(9,397)	2,311
- Over provision	-	(2)	-	(2)
	<u>346,957</u>	<u>233,883</u>	<u>346,957</u>	<u>233,883</u>

The Bank's effective tax rate for the 1st quarter ended 31 March 2016 and 31 March 2015 were lower than the statutory tax rate mainly due to certain income not subject to tax.

B6. Status of Corporate Proposals Announced but Not Completed

Save as disclosed below, there were no corporate proposals announced but not completed as at 31 March 2016.

Proposed Acquisition of 50% Equity Capital in VID Public Bank ("VPB") Held by Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV") resulting in VPB becoming a Wholly-owned Subsidiary of Public Bank Berhad ("Proposed Acquisition")

On 15 July 2014, the Bank entered into a conditional equity capital transfer agreement ("ECTA") with BIDV for the Bank's acquisition of the remaining 50% equity interests in VPB not held by the Bank for a total cash consideration of USD76.6 million.

With the signing of the ECTA, the Bank submitted an application to the State Bank of Vietnam ("SBV") for the approval to convert VPB, the existing joint venture bank, into a 100% foreign-owned bank in Vietnam. The Bank had received the approval of Bank Negara Malaysia for the Proposed Acquisition.

On 23 March 2015, SBV granted approval in principle to the Bank for the Proposed Acquisition and to implement procedures to transform VPB into a 100% foreign-owned bank.

On 24 March 2016, the Bank received the licence from the State Bank of Vietnam for the establishment and operation of VPB as a 100% foreign-owned bank in Vietnam with effect from 1 April 2016. With that, VPB has become a wholly-owned subsidiary company of the Bank and has renamed as Public Bank Vietnam Limited, with effect from 1 April 2016.

The said Acquisition is expected to contribute favourably to the earnings and net assets of the Group for the financial year ending 31 December 2016.

B7. Status of Utilisation of Proceeds Raised from Corporate Proposals

The proceeds raised from the issuances of all debt securities in the current period as well as prior years have been used for working capital, general banking and other corporate purposes, as intended.

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B8. Realised and Unrealised Profits

The breakdown of retained profits of the Group and of the Bank as at the reporting date, into realised and unrealised profits, is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

	Group	
	31 March 2016 RM'000	31 December 2015 RM'000
Total retained profits of Public Bank Berhad and its subsidiaries:		
- Realised	14,460,750	14,201,466
- Unrealised	250,901	242,624
	14,711,651	14,444,090
Total share of retained profits from associated companies:		
- Realised	10,936	8,061
- Unrealised	-	-
	14,722,587	14,452,151
Less: Consolidation adjustments	(535,129)	(189,834)
Total Group retained profits as per consolidated accounts	14,187,458	14,262,317
	Bank	
	31 March 2016 RM'000	31 December 2015 RM'000
Total retained profits of Public Bank Berhad:		
- Realised	11,863,634	12,009,415
- Unrealised	34,920	30,914
Total Bank retained profits as per accounts	11,898,554	12,040,329

The unrealised retained profits of the Group and of the Bank as disclosed above exclude translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and of the Bank, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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B9. Deposits From Customers and Banks and Debt Securities Issued and Other Borrowed Funds

	Group		Bank	
	31 March 2016 RM'000	31 December 2015 RM'000	31 March 2016 RM'000	31 December 2015 RM'000
(a) <u>Deposits from customers</u>				
- Fixed deposits				
One year or less	169,941,676	172,062,925	131,529,809	130,116,204
More than one year	152,061	152,353	143,239	140,686
- Negotiable instruments of deposits				
One year or less	-	974,136	-	-
- Money market deposits				
One year or less	64,726,228	54,936,458	57,690,057	49,510,402
- Savings deposits	29,841,549	29,940,233	20,549,613	20,212,244
- Demand deposits	41,881,610	43,015,925	35,735,650	36,411,051
- Others	103,646	75,059	99,480	69,571
	<u>306,646,770</u>	<u>301,157,089</u>	<u>245,747,848</u>	<u>236,460,158</u>
(b) <u>Deposits from banks</u>				
- One year or less	<u>11,439,398</u>	<u>9,969,521</u>	<u>11,802,184</u>	<u>10,563,090</u>
(c) <u>Debt securities issued and other borrowed funds</u>				
Borrowings denominated in HKD (unsecured)				
Term loan				
- More than one year	<u>548,046</u>	<u>602,614</u>	<u>-</u>	<u>-</u>
Senior Medium Term notes denominated in RM (unsecured)				
- More than one year	<u>2,408,128</u>	<u>1,399,432</u>	<u>2,408,128</u>	<u>1,399,432</u>
Subordinated notes / sukuk murabahah denominated in RM (unsecured)				
- More than one year	<u>5,458,390</u>	<u>5,451,922</u>	<u>4,959,209</u>	<u>4,952,805</u>
Innovative Tier I capital securities denominated in USD (unsecured)				
- More than one year	<u>794,024</u>	<u>884,379</u>	<u>794,024</u>	<u>884,379</u>
Innovative Tier I capital securities denominated in RM (unsecured)				
- More than one year	<u>1,204,230</u>	<u>1,205,586</u>	<u>1,204,230</u>	<u>1,205,586</u>
	<u>1,998,254</u>	<u>2,089,965</u>	<u>1,998,254</u>	<u>2,089,965</u>
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	<u>2,141,437</u>	<u>2,122,947</u>	<u>2,141,437</u>	<u>2,122,947</u>
	<u>12,554,255</u>	<u>11,666,880</u>	<u>11,507,028</u>	<u>10,565,149</u>

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B10. Changes in Material Litigation

The Group and the Bank do not have any material litigation which would materially and adversely affect the financial position of the Group and of the Bank.

B11. Dividends

No dividend has been proposed for the 1st quarter ended 31 March 2016.

B12. Earnings Per Share

	1st Quarter Ended		Three Months Ended	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
Net profit attributable to equity holders (RM'000)	<u>1,229,790</u>	<u>1,171,519</u>	<u>1,229,790</u>	<u>1,171,519</u>
Weighted average number of PBB Shares ('000)	<u>3,861,494</u>	<u>3,861,494</u>	<u>3,861,494</u>	<u>3,861,494</u>
Basic earnings per share (sen)	<u>31.8</u>	<u>30.3</u>	<u>31.8</u>	<u>30.3</u>

Diluted

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