

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	Group		Bank	
		30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
ASSETS					
Cash and balances with banks		18,935,731	14,831,059	10,581,907	9,098,632
Reverse repurchase agreements		8,969,684	4,379,161	8,330,518	3,740,691
Financial assets held-for-trading	A8	1,240,537	3,102,761	643,772	1,442,617
Derivative financial assets	A27	272,542	688,086	322,307	677,630
Financial investments available-for-sale	A9	31,152,868	29,907,707	22,737,480	23,086,012
Financial investments held-to-maturity	A10	21,815,163	21,944,049	17,286,867	17,685,187
Loans, advances and financing	A11	281,851,553	271,814,471	227,441,950	219,872,074
Other assets	A12	2,973,890	3,035,964	2,671,302	3,071,000
Statutory deposits with Central Banks		8,114,666	9,514,419	6,142,622	7,455,845
Deferred tax assets		67,245	65,666	-	-
Collective investments		-	-	4,388,252	-
Investment in subsidiary companies		-	-	5,655,494	4,674,545
Investment in associated companies		18,781	190,920	20,000	121,295
Investment properties		537,118	485,175	-	-
Property and equipment		1,448,297	1,422,853	673,626	651,470
Intangible assets		2,440,958	2,375,915	695,393	695,393
TOTAL ASSETS		379,839,033	363,758,206	307,591,490	292,272,391
LIABILITIES					
Deposits from customers	A13	311,535,067	301,157,089	246,535,232	236,460,158
Deposits from banks	A14	13,077,955	9,969,521	13,438,132	10,563,090
Bills and acceptances payable		330,784	362,892	329,939	362,043
Recourse obligations on loans and financing sold to Cagamas		1,922,023	1,922,021	1,422,007	1,422,005
Derivative financial liabilities	A27	1,085,158	1,007,580	1,054,989	1,045,621
Debt securities issued and other borrowed funds	B9	12,586,455	11,666,880	11,521,679	10,565,149
Other liabilities	A15	4,755,665	4,520,303	3,466,970	3,388,373
Provision for tax expense and zakat		902,078	689,131	662,938	413,764
Deferred tax liabilities		172,483	155,050	147,078	107,001
TOTAL LIABILITIES		346,367,668	331,450,467	278,578,964	264,327,204

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

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	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
EQUITY				
Share capital	3,882,138	3,882,138	3,882,138	3,882,138
Reserves	28,710,852	27,498,297	25,279,725	24,212,386
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Equity attributable to equity holders of the Bank	32,443,653	31,231,098	29,012,526	27,945,187
Non-controlling interests	1,027,712	1,076,641	-	-
TOTAL EQUITY	33,471,365	32,307,739	29,012,526	27,945,187
TOTAL LIABILITIES AND EQUITY	379,839,033	363,758,206	307,591,490	292,272,391
COMMITMENTS AND CONTINGENCIES				
	A26 107,369,895	107,533,269	100,244,581	100,614,706
CAPITAL ADEQUACY				
Before deducting interim dividends *	A29			
Common Equity Tier I Capital Ratio	11.459%	11.401%	11.426%	12.184%
Tier I Capital Ratio	12.432%	12.565%	12.583%	13.588%
Total Capital Ratio	15.787%	15.987%	15.090%	15.919%
After deducting interim dividends *				
Common Equity Tier I Capital Ratio	11.051%	10.886%	10.930%	11.549%
Tier I Capital Ratio	12.024%	12.049%	12.087%	12.953%
Total Capital Ratio	15.379%	15.471%	14.594%	15.284%
Net assets per share attributable to ordinary equity holders of the Bank (RM)	8.40	8.09	7.51	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 FINANCIAL HALF YEAR ENDED 30 JUNE 2016

Group	Note	2nd Quarter Ended		Half Year Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Operating revenue		5,020,695	4,737,678	10,058,323	9,337,981
Interest income	A16	3,771,928	3,534,388	7,453,031	6,989,666
Interest expense	A17	(2,072,380)	(1,974,818)	(4,068,783)	(3,895,891)
Net interest income		1,699,548	1,559,570	3,384,248	3,093,775
Net income from Islamic banking business	A31b	233,118	208,895	460,605	413,262
		1,932,666	1,768,465	3,844,853	3,507,037
Fee and commission income	A18 (a)	560,103	569,573	1,131,097	1,116,488
Fee and commission expense	A18 (b)	(177,527)	(181,019)	(366,840)	(357,900)
Net fee and commission income	A18	382,576	388,554	764,257	758,588
Net gains and losses on financial instruments	A19	18,226	64,906	59,113	122,793
Other operating income	A20	91,037	91,134	260,459	189,774
Net income		2,424,505	2,313,059	4,928,682	4,578,192
Other operating expenses	A21	(802,839)	(722,176)	(1,591,316)	(1,425,024)
Operating profit		1,621,666	1,590,883	3,337,366	3,153,168
Allowance for impairment on loans, advances and financing	A22	(69,901)	(60,915)	(137,385)	(136,663)
Writeback of impairment on other assets		963	440	1,430	928
		1,552,728	1,530,408	3,201,411	3,017,433
Share of (loss) / profit after tax of equity accounted associated companies		(1,207)	739	1,668	2,392
Profit before tax expense and zakat		1,551,521	1,531,147	3,203,079	3,019,825
Tax expense and zakat	B5	(280,929)	(318,246)	(687,427)	(622,722)
Profit for the period		1,270,592	1,212,901	2,515,652	2,397,103
Profit for the period attributable to:					
- Equity holders of the Bank		1,256,153	1,196,810	2,485,943	2,368,329
- Non-controlling interests		14,439	16,091	29,709	28,774
		1,270,592	1,212,901	2,515,652	2,397,103
Earnings per RM1.00 share:					
- basic / diluted (sen)	B12	32.5	31.0	64.4	61.3

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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 FINANCIAL HALF YEAR ENDED 30 JUNE 2016

Group	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Profit for the period	1,270,592	1,212,901	2,515,652	2,397,103
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	200,767	102,698	(384,118)	378,901
- Net investment hedge	(125,261)	(68,215)	219,732	(259,718)
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	43,424	11,280	108,394	106,952
- Share of gain of equity accounted associated companies	19	25	232	195
Hedging reserves:				
- Net change in cash flow hedges	(7,590)	12,118	(37,830)	(9,265)
	111,359	57,906	(93,590)	217,065
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(10,101)	(2,451)	(24,210)	(25,237)
- Hedging reserves	1,822	(2,908)	9,079	2,224
	(8,279)	(5,359)	(15,131)	(23,013)
Other comprehensive income / (loss) for the period, net of tax	103,080	52,547	(108,721)	194,052
Total comprehensive income for the period	1,373,672	1,265,448	2,406,931	2,591,155
Total comprehensive income / (loss) for the period attributable to:				
- Equity holders of the Bank	1,331,875	1,230,807	2,448,233	2,494,486
- Non-controlling interests	41,797	34,641	(41,302)	96,669
	1,373,672	1,265,448	2,406,931	2,591,155

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016

<u>Bank</u>	Note	2nd Quarter Ended		Half Year Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Operating revenue		3,651,704	3,551,944	7,690,463	6,955,667
Interest income	A16	3,397,187	3,236,547	6,722,710	6,401,476
Interest expense	A17	(2,008,066)	(1,905,709)	(3,951,979)	(3,759,867)
Net interest income		1,389,121	1,330,838	2,770,731	2,641,609
Fee and commission income	A18 (a)	236,146	226,485	477,590	456,066
Fee and commission expense	A18 (b)	(75,906)	(71,309)	(152,512)	(148,772)
Net fee and commission income	A18	160,240	155,176	325,078	307,294
Net gains and losses on financial instruments	A19	29,273	64,075	54,950	124,824
Other operating income	A20	250,525	305,678	716,738	478,554
Net income		1,829,159	1,855,767	3,867,497	3,552,281
Other operating expenses	A21	(530,117)	(486,527)	(1,057,848)	(964,424)
Operating profit		1,299,042	1,369,240	2,809,649	2,587,857
Allowance for impairment on loans, advances and financing	A22	(13,607)	(22,669)	(37,475)	(54,004)
Writeback of impairment on other assets		943	446	1,444	940
Profit before tax expense and zakat		1,286,378	1,347,017	2,773,618	2,534,793
Tax expense and zakat	B5	(239,660)	(257,019)	(586,617)	(490,902)
Profit for the period		1,046,718	1,089,998	2,187,001	2,043,891

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Bank</u>				
Profit for the period	<u>1,046,718</u>	<u>1,089,998</u>	<u>2,187,001</u>	<u>2,043,891</u>
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of foreign operations	7,975	-	(15,979)	-
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	33,781	13,536	95,337	84,086
Hedging reserves:				
- Net change in cash flow hedges	16,002	(26,735)	78,341	(13,723)
	<u>57,758</u>	<u>(13,199)</u>	<u>157,699</u>	<u>70,363</u>
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(8,107)	(3,252)	(22,881)	(20,207)
- Hedging reserves	(3,840)	6,417	(18,802)	3,294
	<u>(11,947)</u>	<u>3,165</u>	<u>(41,683)</u>	<u>(16,913)</u>
Other comprehensive income / (loss) for the period, net of tax	<u>45,811</u>	<u>(10,034)</u>	<u>116,016</u>	<u>53,450</u>
Total comprehensive income for the period	<u><u>1,092,529</u></u>	<u><u>1,079,964</u></u>	<u><u>2,303,017</u></u>	<u><u>2,097,341</u></u>

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PUBLIC BANK BERHAD
(6463 - H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 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	-	-	-	2,485,943	-	2,485,943	29,709	2,515,652
Other comprehensive loss for the period	-	-	(37,710)	-	-	(37,710)	(71,011) *	(108,721)
Total comprehensive (loss) / income for the period	-	-	(37,710)	2,485,943	-	2,448,233	(41,302)	2,406,931
Transactions with owners / other equity movements:								
Transfer to statutory reserves	-	-	17,160	(17,160)	-	-	-	-
Transfer to regulatory reserves	-	-	139,844	(139,844)	-	-	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-	-	-
Transfer to Profit Equalisation Reserve of the Islamic banking institution	-	-	118	(118)	-	-	-	-
Dividends paid	-	-	-	(1,235,678)	-	(1,235,678)	(7,627)	(1,243,305)
	-	-	154,345	(1,390,023)	-	(1,235,678)	(7,627)	(1,243,305)
At 30 June 2016	3,882,138	5,535,515	7,817,100	15,358,237	(149,337)	32,443,653	1,027,712	33,471,365

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 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 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	-	-	-	2,368,329	-	2,368,329	28,774	2,397,103
Other comprehensive income for the period	-	-	126,157	-	-	126,157	67,895 *	194,052
Total comprehensive income for the period	-	-	126,157	2,368,329	-	2,494,486	96,669	2,591,155
Transactions with owners / other equity movements:								
Transfer to statutory reserves	-	-	5,543	(5,543)	-	-	-	-
Transfer to regulatory reserves	-	-	131,002	(131,002)	-	-	-	-
Transfer to general reserves	-	-	75,435	(75,435)	-	-	-	-
Transfer from Profit Equalisation Reserve of the Islamic banking institution	-	-	(18)	18	-	-	-	-
Dividends paid	-	-	-	(1,197,063)	-	(1,197,063)	(7,148)	(1,204,211)
	-	-	211,962	(1,409,025)	-	(1,197,063)	(7,148)	(1,204,211)
At 30 June 2015	3,882,138	5,535,515	7,221,679	12,832,096	(149,337)	29,322,091	939,634	30,261,725

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016

	<----- Attributable to Equity Holders of the Bank ----->					
	Non-distributable		Distributable			
	Share	Share	Reserves	Reserves	Treasury	Total
	Capital	Premium	Other	Retained	Shares	Equity
<u>Bank</u>	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	-	-	-	2,187,001	-	2,187,001
Other comprehensive income for the period	-	-	116,016	-	-	116,016
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>116,016</u>	<u>2,187,001</u>	<u>-</u>	<u>2,303,017</u>
Transactions with owners / other equity movements:						
Transfer to regulatory reserves	-	-	114,290	(114,290)	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-
Dividends paid	-	-	-	(1,235,678)	-	(1,235,678)
	<u>-</u>	<u>-</u>	<u>111,513</u>	<u>(1,347,191)</u>	<u>-</u>	<u>(1,235,678)</u>
At 30 June 2016	<u>3,882,138</u>	<u>5,535,515</u>	<u>6,864,071</u>	<u>12,880,139</u>	<u>(149,337)</u>	<u>29,012,526</u>

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016

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

	Non-distributable		Distributable		Treasury Shares 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		
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	-	-	-	2,043,891	-	2,043,891
Other comprehensive income for the period	-	-	53,450	-	-	53,450
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>53,450</u>	<u>2,043,891</u>	<u>-</u>	<u>2,097,341</u>
Transactions with owners / other equity movements:						
Transfer to regulatory reserves	-	-	119,233	(119,233)	-	-
Dividends paid	-	-	-	(1,197,063)	-	(1,197,063)
	<u>-</u>	<u>-</u>	<u>119,233</u>	<u>(1,316,296)</u>	<u>-</u>	<u>(1,197,063)</u>
At 30 June 2015	<u>3,882,138</u>	<u>5,535,515</u>	<u>6,316,692</u>	<u>11,258,431</u>	<u>(149,337)</u>	<u>26,843,439</u>

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PUBLIC BANK BERHAD
(6463 - H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016

	Group		Bank	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Cash Flows from Operating Activities				
Profit before tax expense and zakat	3,203,079	3,019,825	2,773,618	2,534,793
Adjustments for non-cash items:				
Share of profit after tax of equity accounted associated companies	(1,668)	(2,392)	-	-
Allowance for impaired loans and financing	240,782	251,452	85,988	118,793
Depreciation of property and equipment	98,147	86,817	77,813	69,123
Net gain on financial instruments	(27,963)	(20,581)	(24,480)	(23,171)
Dividend income	(19,160)	(93,230)	(363,742)	(586,726)
Transfer to profit equalisation reserves	71	23	-	-
Impairment written back	(1,430)	(928)	(1,444)	(940)
Other non-cash items	614	(7,118)	300	(684)
Operating profit before working capital changes	<u>3,492,472</u>	<u>3,233,868</u>	<u>2,548,053</u>	<u>2,111,188</u>
Changes in working capital:				
Increase in operating assets	(11,298,126)	(14,968,524)	(10,224,425)	(12,593,154)
Increase in operating liabilities	<u>12,421,830</u>	<u>16,231,977</u>	<u>13,369,199</u>	<u>8,457,888</u>
Cash generated from / (used in) operations	4,616,176	4,497,321	5,692,827	(2,024,078)
Tax expense and zakat paid	<u>(474,880)</u>	<u>(479,165)</u>	<u>(339,049)</u>	<u>(355,396)</u>
Net cash generated from / (used in) operating activities	<u>4,141,296</u>	<u>4,018,156</u>	<u>5,353,778</u>	<u>(2,379,474)</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(147,622)	(179,650)	(100,632)	(68,005)
Addition to investment properties	(65,498)	-	-	-
Proceeds from disposal of properties	5,760	8,659	5,709	8,326
Net (purchase) / sale of financial investments	(795,754)	1,850,328	(1,051,555)	6,169,941
Investment in collective investments	-	-	(2,460,637)	-
Additional investment in a subsidiary company	-	-	(879,654)	-
Acquisition of Public Bank Vietnam Limited, net of cash acquired	531,529	-	-	-
Dividends received	<u>18,192</u>	<u>93,230</u>	<u>354,907</u>	<u>577,057</u>
Net cash (used in) / generated from investing activities	<u>(453,393)</u>	<u>1,772,567</u>	<u>(4,131,862)</u>	<u>6,687,319</u>

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2016

	Group		Bank	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Cash Flows from Financing Activities				
Dividends paid	(1,243,305)	(1,204,211)	(1,235,678)	(1,197,063)
Net drawdown of borrowings	1,193	39,378	-	-
Net proceeds from issuance of debt securities	999,500	-	999,500	-
Net cash used in financing activities	<u>(242,612)</u>	<u>(1,164,833)</u>	<u>(236,178)</u>	<u>(1,197,063)</u>
Net change in cash and cash equivalents	3,445,291	4,625,890	985,738	3,110,782
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>(234,746)</u>	219,493	-	-
Cash and cash equivalents at end of the period	<u><u>16,854,137</u></u>	<u><u>18,722,758</u></u>	<u><u>9,612,490</u></u>	<u><u>12,084,931</u></u>
Note:				
Cash and balances with banks	18,935,731	21,518,474	10,581,907	13,761,864
Less: Balances with banks with maturity more than one month	<u>(2,081,594)</u>	<u>(2,795,716)</u>	<u>(969,417)</u>	<u>(1,676,933)</u>
Cash and cash equivalents at end of the period	<u><u>16,854,137</u></u>	<u><u>18,722,758</u></u>	<u><u>9,612,490</u></u>	<u><u>12,084,931</u></u>

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

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

A1. Basis of Preparation

The unaudited condensed interim financial statements for the 2nd quarter and financial half year ended 30 June 2016 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, 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 and Amendments to 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 2017

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
- Disclosure Initiative (Amendments to MFRS 107)

Effective for annual periods commencing on or after 1 January 2018

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

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The amendments to MFRS 112 clarify the accounting treatment of deferred tax assets for unrealised losses on fixed-rate debt instruments measured at fair value. The adoption of these amendments is not expected to have any financial impact on the Group and the Bank.

Disclosure Initiative (Amendments to MFRS 107)

The amendments to MFRS 107 requires entity to provide disclosures on changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The adoption of these amendments is not expected to have any financial impact on the Group and the Bank as it only affects disclosures.

MFRS 15 Revenue from Contracts with Customers

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

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A1. Basis of Preparation (continued)

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.

MFRS 16 Leases

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Bank are required to account for major part of their operating leases in the balance sheet by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group and of the Bank. The financial effects arising from the adoption of this standard 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 of the Bank were not materially affected by any seasonal or cyclical factors in the 2nd quarter and financial half year ended 30 June 2016.

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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 of the Bank in the 2nd quarter and financial half year ended 30 June 2016.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 2nd quarter and financial half year ended 30 June 2016.

A6. Debt and Equity Securities

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 financial half year ended 30 June 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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	149,069	-	149,069	-
Malaysian Government Securities	142,548	10,251	142,548	10,251
Malaysian Government Investment Issues	352,675	10,051	331,931	10,051
	<u>644,292</u>	<u>20,302</u>	<u>623,548</u>	<u>20,302</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>498,183</u>	1,739,611	-	<u>151,231</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	-	231,822	-	231,822
- Unquoted private debt securities	98,062	1,111,026	20,224	1,039,262
	<u>98,062</u>	<u>1,342,848</u>	<u>20,224</u>	<u>1,271,084</u>
Total financial assets held-for-trading	<u>1,240,537</u>	<u>3,102,761</u>	<u>643,772</u>	<u>1,442,617</u>

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A9. Financial Investments Available-for-sale

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 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	4,608,352	4,536,150	4,458,741	4,457,423
Malaysian Government Investment Issues	10,681,109	10,914,900	5,567,962	6,125,360
Other foreign government securities	13,790	-	-	-
	<u>15,303,251</u>	<u>15,509,518</u>	<u>10,026,703</u>	<u>10,582,783</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	10,497,202	9,105,939	9,714,931	7,820,028
Bankers' acceptances and Islamic accepted bills	251,406	-	251,406	-
	<u>10,748,608</u>	<u>9,105,939</u>	<u>9,966,337</u>	<u>7,820,028</u>
Non-money market instruments:				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	3,589	3,730	-	-
- Unquoted shares #	116,656	118,935	112,018	114,052
Debt securities:				
- Cagamas bonds	353,127	100,482	342,895	100,482
- Unquoted private debt securities	3,838,071	1,997,922	1,625,151	1,522,939
Unit trust funds	789,566	3,071,181	664,376	2,945,728
	<u>5,101,009</u>	<u>5,292,250</u>	<u>2,744,440</u>	<u>4,683,201</u>
Total financial investments available-for-sale	<u>31,152,868</u>	<u>29,907,707</u>	<u>22,737,480</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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Securities	2,050,872	2,051,435	2,020,772	2,021,357
Malaysian Government Investment Issues	12,178,081	12,334,574	9,765,388	10,103,680
Foreign Government Treasury Bills	840,922	909,721	44,635	65,029
Other foreign government securities	374,571	135,131	54	-
	<u>15,444,446</u>	<u>15,430,861</u>	<u>11,830,849</u>	<u>12,190,066</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>1,207,578</u>	<u>1,561,205</u>	<u>1,678,035</u>	<u>1,647,165</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	1,363,691	1,403,795	1,363,691	1,363,718
- Unquoted private debt securities	3,799,490	3,548,234	2,414,334	2,484,284
	<u>5,163,181</u>	<u>4,952,029</u>	<u>3,778,025</u>	<u>3,848,002</u>
Accumulated impairment losses	(42)	(46)	(42)	(46)
Total financial investments held-to-maturity	<u>21,815,163</u>	<u>21,944,049</u>	<u>17,286,867</u>	<u>17,685,187</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Overdrafts	11,612,849	11,362,905	8,908,922	8,722,898
Term loans				
- Housing loans / financing	90,960,119	87,035,603	75,766,903	73,102,157
- Syndicated term loans / financing	3,144,545	2,724,983	1,207,306	1,229,554
- Hire purchase receivables	52,301,860	52,156,547	37,964,708	37,937,879
- Other term loans / financing	110,015,841	106,600,011	90,355,523	86,838,382
Credit card receivables	1,775,821	1,781,170	1,751,774	1,759,828
Bills receivables	167,893	182,187	150,646	143,843
Trust receipts	266,956	292,013	217,988	239,365
Claims on customers under acceptance credits	4,063,030	3,840,427	3,834,856	3,668,244
Revolving credits	7,399,267	5,806,945	6,695,802	5,724,545
Staff loans *	1,752,064	1,664,264	1,596,650	1,542,055
Gross loans, advances and financing	<u>283,460,245</u>	<u>273,447,055</u>	<u>228,451,078</u>	<u>220,908,750</u>
Allowance for impaired loans and financing:				
- collective assessment allowance	(1,492,846)	(1,510,637)	(978,103)	(1,001,839)
- individual assessment allowance	(115,846)	(121,947)	(31,025)	(34,837)
Net loans, advances and financing	<u>281,851,553</u>	<u>271,814,471</u>	<u>227,441,950</u>	<u>219,872,074</u>

* Included in staff loans of the Group and of the Bank are loans to Directors of subsidiary companies amounting to RM6,000,000 (2015: RM3,323,000) and RM5,553,000 (2015 - RM3,050,000) respectively.

A11a. By class

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Retail loans / financing *				
- Housing loans / financing	90,960,119	87,035,603	75,766,903	73,102,157
- Hire purchase	52,301,860	52,156,547	37,964,708	37,937,879
- Credit cards	1,775,821	1,781,170	1,751,774	1,759,828
- Other loans / financing ^	97,410,392	93,544,319	79,916,183	77,651,094
	<u>242,448,192</u>	<u>234,517,639</u>	<u>195,399,568</u>	<u>190,450,958</u>
Corporate loans / financing	41,012,053	38,929,416	33,051,510	30,457,792
	<u>283,460,245</u>	<u>273,447,055</u>	<u>228,451,078</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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Banking institutions	507	-	507	-
Non-bank financial institutions				
- Stock-broking companies	7,371	7,123	7,371	7,123
- Others	7,388,824	6,541,865	7,158,262	6,310,900
Business enterprises				
- Small and medium enterprises	68,201,411	63,968,815	58,421,920	55,447,812
- Others	25,153,222	25,486,515	19,219,046	19,146,647
Government and statutory bodies	1,333,624	1,331,532	18,568	15,094
Individuals	178,402,026	173,258,223	140,795,459	137,114,817
Other entities	43,273	42,614	38,296	39,222
Foreign entities	2,929,987	2,810,368	2,791,649	2,827,135
	283,460,245	273,447,055	228,451,078	220,908,750

A11c. By interest / profit rate sensitivity

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Fixed rate				
- Housing loans / financing	589,628	633,185	41,174	55,899
- Hire purchase receivables	49,920,833	50,178,152	37,658,250	37,921,383
- Other fixed rate loans / financing	18,424,118	18,006,696	8,412,069	8,164,456
Variable rate				
- Base rate / base lending rate plus	172,213,672	164,560,568	154,394,008	149,341,274
- Cost plus	27,613,107	24,842,983	26,459,756	23,978,637
- Other variable rates	14,698,887	15,225,471	1,485,821	1,447,101
	283,460,245	273,447,055	228,451,078	220,908,750

A11d. By residual contractual maturity

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Maturity within one year	30,188,064	30,141,088	23,375,681	23,225,806
More than one year to three years	26,045,318	23,815,757	21,207,178	19,020,655
More than three years to five years	27,157,176	26,592,749	21,693,346	21,139,374
More than five years	200,069,687	192,897,461	162,174,873	157,522,915
	283,460,245	273,447,055	228,451,078	220,908,750

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A11. Loans, Advances and Financing (continued)

A11e. By geographical distribution

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Malaysia	262,195,258	251,801,712	227,402,519	219,842,909
Hong Kong SAR and the People's Republic of China	15,119,859	16,466,441	-	-
Cambodia	3,913,304	4,113,061	-	-
Other countries	2,231,824	1,065,841	1,048,559	1,065,841
	<u>283,460,245</u>	<u>273,447,055</u>	<u>228,451,078</u>	<u>220,908,750</u>

A11f. Gross loans, advances and financing by economic purpose

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of securities	1,941,219	2,492,916	1,591,461	1,992,194
Purchase of transport vehicles	52,565,223	52,423,648	38,230,714	38,209,237
Purchase of landed properties	167,460,532	159,650,206	142,120,319	136,502,609
(of which: - residential	93,784,020	89,521,816	78,340,805	75,419,517
- non-residential)	73,676,512	70,128,390	63,779,514	61,083,092
Purchase of fixed assets (excluding landed properties)	560,697	209,714	228,637	170,570
Personal use	11,005,139	10,576,971	5,859,280	5,428,772
Credit card	1,775,821	1,781,170	1,751,774	1,759,828
Purchase of consumer durables	2,002	2,079	112	138
Construction	6,121,066	5,345,580	5,305,291	4,541,667
Mergers and acquisitions	145,125	154,871	145,125	154,871
Working capital	36,755,749	36,786,331	28,185,723	28,215,858
Other purpose	5,127,672	4,023,569	5,032,642	3,933,006
	<u>283,460,245</u>	<u>273,447,055</u>	<u>228,451,078</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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	3,909,700	3,343,665	2,970,023	2,742,319
Mining and quarrying	234,580	234,265	200,565	197,928
Manufacturing	10,299,280	9,823,981	8,679,594	8,452,012
Electricity, gas and water	65,707	65,785	17,868	14,579
Construction	8,272,566	7,957,050	6,835,438	6,604,430
Wholesale & retail trade and restaurants & hotels	25,211,385	24,289,039	21,602,029	21,135,248
Transport, storage and communication	3,860,844	3,683,227	2,829,371	2,784,138
Finance, insurance and business services	15,730,539	15,307,058	13,984,079	13,499,709
Real estate	32,562,034	30,372,942	27,289,957	25,164,142
Community, social and personal services	3,459,048	3,411,590	1,925,963	1,901,892
Households	178,482,267	173,217,520	142,041,534	138,324,271
Others	1,372,295	1,740,933	74,657	88,082
	<u>283,460,245</u>	<u>273,447,055</u>	<u>228,451,078</u>	<u>220,908,750</u>

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

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Bankers' acceptances rediscounted	<u>3,000</u>	<u>26,412</u>	<u>3,000</u>	<u>26,412</u>

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

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 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	1,406,090	2,811,865	959,764	1,968,543
Reclassified as non-impaired	(914,793)	(1,958,288)	(680,215)	(1,511,772)
Recoveries	(203,618)	(378,690)	(141,854)	(306,295)
Amount written off	(264,243)	(608,655)	(111,871)	(275,487)
Amount arising from acquisition of Public Bank Vietnam Limited (formerly known as VID Public Bank)	26,855	-	-	-
Loans converted to foreclosed properties / investments	(10,052)	(28,356)	(9,867)	(28,085)
Exchange differences	(9,104)	25,241	(1,267)	1,787
Closing balance	<u>1,382,951</u>	<u>1,351,816</u>	<u>1,017,210</u>	<u>1,002,520</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.49%</u>	<u>0.49%</u>	<u>0.45%</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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Malaysia	1,153,785	1,190,592	942,592	976,657
Hong Kong SAR and the People's Republic of China	96,396	104,900	-	-
Cambodia	27,952	30,461	-	-
Other countries	104,818	25,863	74,618	25,863
	<u>1,382,951</u>	<u>1,351,816</u>	<u>1,017,210</u>	<u>1,002,520</u>

A11k. Impaired loans, advances and financing by economic purpose

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Purchase of securities	3,826	4,029	3,826	3,802
Purchase of transport vehicles	320,082	358,329	223,574	252,158
Purchase of landed properties	611,284	599,821	491,674	495,514
(of which: - residential	458,407	445,406	355,814	361,760
- non-residential)	152,877	154,415	135,860	133,754
Purchase of fixed assets (excluding landed properties)	7,807	523	147	143
Personal use	129,884	138,792	44,397	44,645
Credit card	23,304	23,694	23,220	23,596
Purchase of consumer durables	65	57	1	-
Construction	20,876	13,418	10,517	10,145
Working capital	237,360	198,036	191,405	157,419
Other purpose	28,463	15,117	28,449	15,098
	<u>1,382,951</u>	<u>1,351,816</u>	<u>1,017,210</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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Agriculture, hunting, forestry and fishing	26,249	23,253	16,901	14,162
Mining and quarrying	712	2,373	606	868
Manufacturing	70,428	66,978	59,657	57,944
Electricity, gas and water	2,155	2,243	-	-
Construction	63,742	56,912	52,297	52,356
Wholesale & retail trade and restaurants & hotels	117,056	116,720	95,532	107,264
Transport, storage and communication	30,681	42,425	27,417	39,410
Finance, insurance and business services	70,790	23,000	62,080	16,252
Real estate	45,478	41,053	35,951	32,514
Community, social and personal services	7,095	4,542	6,866	3,976
Households	945,781	966,807	659,763	677,449
Others	2,784	5,510	140	325
	1,382,951	1,351,816	1,017,210	1,002,520

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

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 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	132,249	169,085	83,770	112,486
Amount written off	(153,891)	(351,911)	(106,480)	(256,499)
Amount arising from acquisition of Public Bank Vietnam Limited (formerly known as VID Public Bank)	7,742	-	-	-
Exchange differences	(3,891)	11,335	(1,026)	2,327
Closing balance	1,492,846	1,510,637	978,103	1,001,839

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A11. Loans, Advances and Financing (continued)

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

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 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	121,023	228,695	13,031	14,528
Amount written back in respect of recoveries	(12,490)	(27,093)	(10,813)	(21,558)
Amount written off	(110,352)	(256,744)	(5,391)	(18,988)
Amount transferred to allowance for impairment loss on foreclosed properties	(639)	(1,612)	(639)	(1,612)
Amount arising from acquisition of Public Bank Vietnam Limited (formerly known as VID Public Bank)	3,372	-	-	-
Exchange differences	(7,015)	38,615	-	-
Closing balance	<u>115,846</u>	<u>121,947</u>	<u>31,025</u>	<u>34,837</u>

A12. Other Assets

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Deferred handling fees	263,175	268,842	192,182	197,446
Interest / Income receivable	50,617	30,415	32,081	18,955
Other receivables, deposits and prepayments	1,714,979	2,030,648	1,539,839	1,942,399
Employee benefits	267,362	286,646	263,384	282,375
Amount due from trust funds	328,262	151,408	-	-
Foreclosed properties	75,104	68,467	74,489	67,961
Outstanding contracts on clients' accounts	274,391	199,538	-	-
Amount due from subsidiary companies	-	-	38,229	38,632
Dividend receivable from collective investments	-	-	24,932	-
Dividend receivable from subsidiary companies	-	-	506,166	523,232
	<u>2,973,890</u>	<u>3,035,964</u>	<u>2,671,302</u>	<u>3,071,000</u>

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A13. Deposits from Customers

a) By type of deposit

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Core deposits:				
- Demand deposits	43,168,166	43,015,925	36,316,497	36,411,051
- Savings deposits	30,504,241	29,940,233	20,887,642	20,212,244
- Fixed deposits	176,926,029	172,215,278	137,316,862	130,256,890
	<u>250,598,436</u>	<u>245,171,436</u>	<u>194,521,001</u>	<u>186,880,185</u>
Wholesale deposits:				
- Negotiable instruments of deposit	-	974,136	-	-
- Money market deposits	60,829,468	54,936,458	51,919,074	49,510,402
	<u>60,829,468</u>	<u>55,910,594</u>	<u>51,919,074</u>	<u>49,510,402</u>
Other deposits	107,163	75,059	95,157	69,571
	<u>311,535,067</u>	<u>301,157,089</u>	<u>246,535,232</u>	<u>236,460,158</u>

b) By type of customer

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Federal and state governments	9,406,215	5,357,331	1,283,719	970,422
Local government and statutory authorities	2,852,210	2,242,987	2,108,781	1,257,724
Business enterprises	87,620,995	90,188,769	71,169,406	72,367,534
Individuals	152,127,629	145,521,045	126,160,012	119,562,656
Foreign customers	5,478,610	4,736,774	3,767,872	3,863,101
Others	54,049,408	53,110,183	42,045,442	38,438,721
	<u>311,535,067</u>	<u>301,157,089</u>	<u>246,535,232</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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Due within six months	219,267,537	203,507,697	172,749,539	159,442,404
More than six months to one year	18,202,823	24,465,822	16,297,681	20,184,202
More than one year to three years	280,735	149,236	185,109	138,383
More than three years to five years	4,402	3,117	3,607	2,303
	<u>237,755,497</u>	<u>228,125,872</u>	<u>189,235,936</u>	<u>179,767,292</u>

A14. Deposits from Banks

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
At amortised cost				
Licensed banks	7,355,235	5,502,133	6,031,948	4,095,605
Licensed investment banks	236,876	234,244	265,879	301,233
Bank Negara Malaysia	909,615	460,948	901,535	452,951
Other financial institutions	4,576,229	3,772,196	6,238,770	5,713,301
	<u>13,077,955</u>	<u>9,969,521</u>	<u>13,438,132</u>	<u>10,563,090</u>

A15. Other Liabilities

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Interest / Income payable	1,906,627	1,745,060	1,626,834	1,475,213
Other payables and accruals	2,250,000	2,333,802	1,769,330	1,820,562
Amount due to trust funds	194,975	43,652	-	-
Unprocessed sales and / or redemptions	78,162	102,538	-	-
Profit Equalisation Reserve of the investment account holder	124	53	-	-
Finance lease liabilities	63,936	88,643	63,936	88,643
Outstanding contracts on clients' accounts	252,964	184,442	-	-
Dividend payable to shareholders	8,877	22,113	1,250	937
Amount due to subsidiary companies	-	-	5,620	3,018
	<u>4,755,665</u>	<u>4,520,303</u>	<u>3,466,970</u>	<u>3,388,373</u>

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A16. Interest Income

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Loans and advances	3,194,355	2,946,298	6,328,265	5,812,192
Balances with banks	128,286	149,131	209,690	254,887
Financial investments available-for-sale	219,653	87,193	448,944	199,686
Financial investments held-to-maturity	179,890	182,319	359,542	363,358
Others	35,531	34,171	70,277	69,000
	<u>3,757,715</u>	<u>3,399,112</u>	<u>7,416,718</u>	<u>6,699,123</u>
Financial assets held-for-trading	14,213	135,276	36,313	290,543
	<u>3,771,928</u>	<u>3,534,388</u>	<u>7,453,031</u>	<u>6,989,666</u>

Of which:

Interest income earned on impaired loans
and advances

	<u>13,773</u>	<u>14,140</u>	<u>26,966</u>	<u>28,420</u>
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	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Loans and advances	2,891,112	2,694,043	5,731,519	5,315,469
Balances with banks	106,679	138,500	175,349	232,191
Financial investments available-for-sale	187,468	78,027	382,549	184,699
Financial investments held-to-maturity	168,069	171,831	338,372	342,296
Others	35,441	34,169	70,185	68,996
	<u>3,388,769</u>	<u>3,116,570</u>	<u>6,697,974</u>	<u>6,143,651</u>
Financial assets held-for-trading	8,418	119,977	24,736	257,825
	<u>3,397,187</u>	<u>3,236,547</u>	<u>6,722,710</u>	<u>6,401,476</u>

Of which:

Interest income earned on impaired loans
and advances

	<u>12,680</u>	<u>13,379</u>	<u>25,115</u>	<u>27,067</u>
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A17. Interest Expense

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits from banks	104,255	117,302	220,981	215,856
Deposits from customers	1,817,659	1,717,953	3,552,006	3,399,928
Loans sold to Cagamas	14,374	14,359	28,694	28,561
Debt securities issued and other borrowed funds	134,626	123,164	263,606	245,819
Others	1,466	2,040	3,496	5,727
	2,072,380	1,974,818	4,068,783	3,895,891

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits from banks	98,130	106,537	207,891	195,416
Deposits from customers	1,762,914	1,662,687	3,455,192	3,290,317
Loans sold to Cagamas	14,374	14,359	28,694	28,561
Debt securities issued and other borrowed funds	131,413	120,270	257,023	240,097
Others	1,235	1,856	3,179	5,476
	2,008,066	1,905,709	3,951,979	3,759,867

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A18. Net Fee and Commission Income

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Group</u>				
(a) Fee and commission income:				
Commissions	121,201	106,174	240,300	218,197
Service charges and fees	81,956	79,661	162,883	158,543
Guarantee fees	10,678	10,822	19,969	19,651
Processing fees	5,171	5,313	9,881	13,078
Commitment fees	21,954	19,387	44,134	41,741
Unit trust management fees	213,396	213,575	423,198	419,869
Fee on sale of trust units	71,468	83,667	158,907	159,504
Brokerage and commissions from stockbroking activities	20,375	28,239	40,843	47,918
Other fee and commission income	13,904	22,735	30,982	37,987
	<u>560,103</u>	<u>569,573</u>	<u>1,131,097</u>	<u>1,116,488</u>
(b) Fee and commission expense:				
Unit trust agency fee	(96,355)	(104,947)	(204,139)	(199,262)
Debit / credit card related fee	(70,406)	(67,036)	(143,034)	(139,194)
Loan related fee	(4,605)	(4,177)	(8,226)	(9,085)
Other fee and commission expense	(6,161)	(4,859)	(11,441)	(10,359)
	<u>(177,527)</u>	<u>(181,019)</u>	<u>(366,840)</u>	<u>(357,900)</u>
Net fee and commission income	<u>382,576</u>	<u>388,554</u>	<u>764,257</u>	<u>758,588</u>
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Bank</u>				
(a) Fee and commission income:				
Commissions	134,265	118,259	270,027	243,268
Service charges and fees	58,712	58,114	119,175	117,148
Guarantee fees	9,855	10,324	18,625	18,485
Processing fees	2,172	2,032	3,693	5,967
Commitment fees	20,571	18,034	41,390	39,220
Other fee and commission income	10,571	19,722	24,680	31,978
	<u>236,146</u>	<u>226,485</u>	<u>477,590</u>	<u>456,066</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(68,200)	(65,283)	(138,231)	(135,710)
Loan related fee	(3,116)	(2,929)	(5,611)	(6,657)
Other fee and commission expense	(4,590)	(3,097)	(8,670)	(6,405)
	<u>(75,906)</u>	<u>(71,309)</u>	<u>(152,512)</u>	<u>(148,772)</u>
Net fee and commission income	<u>160,240</u>	<u>155,176</u>	<u>325,078</u>	<u>307,294</u>

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A19. Net Gains and Losses on Financial Instruments

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Group</u>				
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	2,758	3,107	11,990	8,982
- unrealised revaluation gain / (loss)	1,095	(1,794)	1,636	457
	<u>3,853</u>	<u>1,313</u>	<u>13,626</u>	<u>9,439</u>
Net (loss) / gain arising on trading derivatives				
- unrealised revaluation (loss) / gain	<u>(12,630)</u>	815	<u>983</u>	<u>(2,749)</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	15,567	10,568	30,342	20,362
- gross dividend income	10,997	50,959	19,160	93,230
	<u>26,564</u>	<u>61,527</u>	<u>49,502</u>	<u>113,592</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	1,806	822	3,589	1,775
- cash flow hedge	(1,367)	429	(8,587)	736
	<u>439</u>	<u>1,251</u>	<u>(4,998)</u>	<u>2,511</u>
Net gains and losses on financial instruments	<u><u>18,226</u></u>	<u><u>64,906</u></u>	<u><u>59,113</u></u>	<u><u>122,793</u></u>

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

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	2,758	3,101	11,983	8,972
- unrealised revaluation gain / (loss)	995	(1,861)	1,541	352
	<u>3,753</u>	<u>1,240</u>	<u>13,524</u>	<u>9,324</u>
Net gain / (loss) arising on trading derivatives				
- unrealised revaluation gain / (loss)	3	(6)	3	(1)
	<u>3</u>	<u>(6)</u>	<u>3</u>	<u>(1)</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	14,768	10,194	27,746	19,263
- gross dividend income	10,420	50,415	18,487	92,681
	<u>25,188</u>	<u>60,609</u>	<u>46,233</u>	<u>111,944</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	1,696	1,803	3,777	2,821
- cash flow hedge	(1,367)	429	(8,587)	736
	<u>329</u>	<u>2,232</u>	<u>(4,810)</u>	<u>3,557</u>
Net gains and losses on financial instruments	<u><u>29,273</u></u>	<u><u>64,075</u></u>	<u><u>54,950</u></u>	<u><u>124,824</u></u>

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A20. Other Operating Income

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Other income:				
Foreign exchange profit	46,507	68,263	192,903	150,713
Rental income from:				
- investment properties	3,173	1,946	6,340	3,818
- other properties	3,437	4,107	6,780	8,444
Net gain on disposal of property and equipment	121	28	147	685
Net gain on disposal of foreclosed properties	382	776	803	1,066
Net (loss) / gain on revaluation of investment properties	(231)	6,568	(231)	6,568
Others	37,648	9,446	53,717	18,480
Total other operating income	<u>91,037</u>	<u>91,134</u>	<u>260,459</u>	<u>189,774</u>
	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Gross dividend income from:				
- collective investments	37,614	-	66,389	-
- subsidiary companies				
- quoted outside Malaysia	20,866	19,556	20,866	19,556
- unquoted in Malaysia	236,000	257,315	258,000	474,489
	<u>294,480</u>	<u>276,871</u>	<u>345,255</u>	<u>494,045</u>
Other income:				
Foreign exchange (loss) / profit	(59,287)	18,951	340,531	(36,240)
Rental income from other properties	3,348	3,119	6,546	6,324
Net gain on disposal of property and equipment	71	35	102	692
Net gain on disposal of foreclosed properties	382	776	803	1,066
Others	11,531	5,926	23,501	12,667
	<u>(43,955)</u>	<u>28,807</u>	<u>371,483</u>	<u>(15,491)</u>
Total other operating income	<u>250,525</u>	<u>305,678</u>	<u>716,738</u>	<u>478,554</u>

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A21. Other Operating Expenses

<u>Group</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Personnel costs				
- Salaries, allowances and bonuses	457,729	425,685	918,115	847,714
- Pension costs	61,121	56,370	122,413	112,875
- Others	40,368	33,315	79,003	66,990
	<u>559,218</u>	<u>515,370</u>	<u>1,119,531</u>	<u>1,027,579</u>
Establishment costs				
- Depreciation	50,454	43,756	98,147	86,817
- Rental	29,335	25,265	57,397	52,000
- Insurance	5,257	5,216	10,383	10,397
- Water and electricity	14,157	12,861	26,506	24,990
- General repairs and maintenance	23,353	22,125	45,659	36,915
- Information technology expenses	10,935	9,360	21,751	19,028
- Others	16,073	10,835	29,509	25,121
	<u>149,564</u>	<u>129,418</u>	<u>289,352</u>	<u>255,268</u>
Marketing expenses				
- Advertisement and publicity	15,057	14,490	28,834	25,423
- Others	14,863	13,841	30,227	29,040
	<u>29,920</u>	<u>28,331</u>	<u>59,061</u>	<u>54,463</u>
Administration and general expenses				
- Communication expenses	15,577	10,307	26,200	14,386
- Legal and professional fees	13,742	12,658	26,244	22,153
- Others	34,818	26,092	70,928	51,175
	<u>64,137</u>	<u>49,057</u>	<u>123,372</u>	<u>87,714</u>
Total other operating expenses	<u>802,839</u>	<u>722,176</u>	<u>1,591,316</u>	<u>1,425,024</u>

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A21. Other Operating Expenses (continued)

<u>Bank</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Personnel costs				
- Salaries, allowances and bonuses	344,218	323,970	694,527	645,514
- Pension costs	53,587	49,776	107,199	99,378
- Others	33,385	27,924	65,756	56,732
	<u>431,190</u>	<u>401,670</u>	<u>867,482</u>	<u>801,624</u>
Establishment costs				
- Depreciation	39,631	34,844	77,813	69,123
- Rental	23,696	22,148	47,037	45,628
- Insurance	4,531	4,577	8,926	9,097
- Water and electricity	10,190	9,638	19,625	18,923
- General repairs and maintenance	21,196	19,782	41,954	32,477
- Information technology expenses	5,555	5,082	11,105	10,894
- Others	10,957	7,472	20,201	18,401
	<u>115,756</u>	<u>103,543</u>	<u>226,661</u>	<u>204,543</u>
Marketing expenses				
- Advertisement and publicity	7,650	6,505	14,200	8,999
- Others	10,313	9,955	21,607	20,760
	<u>17,963</u>	<u>16,460</u>	<u>35,807</u>	<u>29,759</u>
Administration and general expenses				
- Communication expenses	13,820	9,469	23,145	12,706
- Legal and professional fees	9,909	9,410	19,412	16,485
- Others	20,786	15,573	42,589	30,699
	<u>44,515</u>	<u>34,452</u>	<u>85,146</u>	<u>59,890</u>
Shared service cost charged to Public Islamic Bank Berhad	(79,307)	(69,598)	(157,248)	(131,392)
Total other operating expenses	<u>530,117</u>	<u>486,527</u>	<u>1,057,848</u>	<u>964,424</u>

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A22. Allowance for Impairment on Loans, Advances and Financing

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<u>Group</u>				
Allowance for impaired loans:				
Collective assessment allowance	63,784	76,570	132,249	168,053
Individual assessment allowance	59,702	42,010	108,533	83,399
Allowance / (Writeback of allowance) for				
bad debts from stockbroking activities	-	1	-	(9)
Impaired loans and financing written off	27	49	77	79
Impaired loans and financing recovered	(53,612)	(57,715)	(103,474)	(114,859)
	69,901	60,915	137,385	136,663
	2nd Quarter Ended	30 June	Half Year Ended	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance / (Writeback of allowance)				
for impaired loans:				
Collective assessment allowance	31,062	58,161	83,770	126,412
Individual assessment allowance	6,645	(5,023)	2,218	(7,619)
Impaired loans written off	27	52	77	79
Impaired loans recovered	(24,127)	(30,521)	(48,590)	(64,868)
	13,607	22,669	37,475	54,004

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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					
2nd Quarter Ended 30 June 2016												
External revenue	674,497	2,456,939	414,324	427,710	45,748	285,155	1,564	313,207	4,619,144	401,551	-	5,020,695
Revenue from other segments	-	359,891	1,813	448,104	87	3,374	7,550	545,652	1,366,471	2,894	(1,369,365)	-
	<u>674,497</u>	<u>2,816,830</u>	<u>416,137</u>	<u>875,814</u>	<u>45,835</u>	<u>288,529</u>	<u>9,114</u>	<u>858,859</u>	<u>5,985,615</u>	<u>404,445</u>	<u>(1,369,365)</u>	<u>5,020,695</u>
Net interest income and												
Islamic banking income	194,042	1,116,132	112,855	52,082	6,015	(2,262)	(2,044)	179,067	1,655,887	276,779	-	1,932,666
Other income	1,481	158,853	12,573	77,359	17,066	177,401	9,016	11,700	465,449	43,821	(17,431)	491,839
Net income	<u>195,523</u>	<u>1,274,985</u>	<u>125,428</u>	<u>129,441</u>	<u>23,081</u>	<u>175,139</u>	<u>6,972</u>	<u>190,767</u>	<u>2,121,336</u>	<u>320,600</u>	<u>(17,431)</u>	<u>2,424,505</u>
Other operating expenses	(62,590)	(423,549)	(3,029)	(7,810)	(10,261)	(42,923)	(3,436)	(131,080)	(684,678)	(135,592)	17,431	(802,839)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(29,797)	678	(849)	-	(31)	-	-	-	(29,999)	(39,902)	-	(69,901)
Writeback of allowance for impairment on other assets	-	963	-	-	-	-	-	-	963	-	-	963
Profit by segments	<u>103,136</u>	<u>853,077</u>	<u>121,550</u>	<u>121,631</u>	<u>12,789</u>	<u>132,216</u>	<u>3,536</u>	<u>59,687</u>	<u>1,407,622</u>	<u>145,106</u>	<u>-</u>	<u>1,552,728</u>
Reconciliation of segment profits to consolidated profits:												
Share of loss after tax of equity accounted associated companies									(1,207)	-		(1,207)
Profit before tax expense and zakat									<u>1,406,415</u>	<u>145,106</u>	<u>-</u>	<u>1,551,521</u>

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A23. Segment Information (continued)

Half Year Ended 30 June 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					
External revenue	1,345,817	4,860,607	818,264	861,914	90,275	582,699	3,116	711,186	9,273,878	784,445	-	10,058,323
Revenue from other segments	-	727,645	6,014	984,399	644	13,779	15,082	1,169,944	2,917,507	5,435	(2,922,942)	-
	<u>1,345,817</u>	<u>5,588,252</u>	<u>824,278</u>	<u>1,846,313</u>	<u>90,919</u>	<u>596,478</u>	<u>18,198</u>	<u>1,881,130</u>	<u>12,191,385</u>	<u>789,880</u>	<u>(2,922,942)</u>	<u>10,058,323</u>
Net interest income and												
Islamic banking income	381,085	2,208,579	217,032	129,182	12,451	3,947	(4,133)	348,659	3,296,802	548,051	-	3,844,853
Other income	2,235	320,763	27,164	188,638	32,979	351,214	18,018	91,805	1,032,816	87,208	(36,195)	1,083,829
Net income	<u>383,320</u>	<u>2,529,342</u>	<u>244,196</u>	<u>317,820</u>	<u>45,430</u>	<u>355,161</u>	<u>13,885</u>	<u>440,464</u>	<u>4,329,618</u>	<u>635,259</u>	<u>(36,195)</u>	<u>4,928,682</u>
Other operating expenses	(125,568)	(836,457)	(6,213)	(16,081)	(19,724)	(87,016)	(7,062)	(265,647)	(1,363,768)	(263,743)	36,195	(1,591,316)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(62,123)	(7,196)	2,831	-	1,672	-	-	-	(64,816)	(72,569)	-	(137,385)
Writeback of allowance for impairment on other assets	-	1,430	-	-	-	-	-	-	1,430	-	-	1,430
Profit by segments	<u>195,629</u>	<u>1,687,119</u>	<u>240,814</u>	<u>301,739</u>	<u>27,378</u>	<u>268,145</u>	<u>6,823</u>	<u>174,817</u>	<u>2,902,464</u>	<u>298,947</u>	<u>-</u>	<u>3,201,411</u>
Reconciliation of segment profits to consolidated profits:												
Share of (loss) / profit after tax of equity accounted associated companies									(785)	2,453		1,668
Profit before tax expense and zakat									<u>2,901,679</u>	<u>301,400</u>		<u>3,203,079</u>
Cost income ratio	32.8%	33.1%	2.5%	5.1%	43.4%	24.5%	50.9%	60.3%	31.5%	41.5%		32.3%

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A23. **Segment Information** (continued)

Half Year Ended 30 June 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	50,151,799	176,365,826	35,195,129	-	406,826	73,662	2,016	-	262,195,258	21,264,987	-	283,460,245
Loan growth	0.1%	4.4%	8.9%	-	3.9%	8.3%	-9.0%	-	4.1%	-1.8%	-	3.7%
Impaired loans, advances and financing	312,143	792,798	48,844	-	-	-	-	-	1,153,785	229,166	-	1,382,951
Impaired loan ratio	0.6%	0.4%	0.1%	-	-	-	-	-	0.4%	1.1%	-	0.5%
Deposits from customers	-	216,709,224	256,369	69,629,968	1,689,517	-	-	-	288,285,078	23,249,989	-	311,535,067
Deposit growth	-	6.6%	4.4%	-4.6%	15.8%	-	-	-	3.7%	0.2%	-	3.4%
Segment assets	<u>49,858,270</u>	<u>223,621,483</u>	<u>35,140,185</u>	<u>85,515,362</u>	<u>2,920,915</u>	<u>506,096</u>	<u>651,326</u>	<u>33,570,850</u>	<u>431,784,487</u>	<u>31,328,668</u>	<u>(86,773,373)</u>	<u>376,339,782</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									18,765	16		18,781
Unallocated assets									1,039,512	-		1,039,512
Intangible assets									775,493	1,665,465		2,440,958
Total assets									<u>433,618,257</u>	<u>32,994,149</u>		<u>379,839,033</u>

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A23. Segment Information (continued)

Half Year Ended 30 June 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	1,267,270	4,446,723	709,480	965,980	106,751	579,871	3,153	581,314	8,660,542	677,439	-	9,337,981
Revenue from other segments	-	661,356	5,981	753,241	3,981	8,564	14,988	886,569	2,334,680	4,110	(2,338,790)	-
	<u>1,267,270</u>	<u>5,108,079</u>	<u>715,461</u>	<u>1,719,221</u>	<u>110,732</u>	<u>588,435</u>	<u>18,141</u>	<u>1,467,883</u>	<u>10,995,222</u>	<u>681,549</u>	<u>(2,338,790)</u>	<u>9,337,981</u>
Net interest income and												
Islamic banking income	401,009	2,144,586	179,474	117,372	13,906	9,062	(4,194)	192,768	3,053,983	453,054	-	3,507,037
Other income	1,474	285,966	29,356	139,126	35,088	350,081	17,988	144,865	1,003,944	102,990	(35,779)	1,071,155
Net income	<u>402,483</u>	<u>2,430,552</u>	<u>208,830</u>	<u>256,498</u>	<u>48,994</u>	<u>359,143</u>	<u>13,794</u>	<u>337,633</u>	<u>4,057,927</u>	<u>556,044</u>	<u>(35,779)</u>	<u>4,578,192</u>
Other operating expenses	(121,386)	(776,588)	(6,521)	(13,351)	(19,168)	(83,177)	(7,848)	(204,226)	(1,232,265)	(228,538)	35,779	(1,425,024)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(94,831)	9,560	4,357	-	(189)	-	-	-	(81,103)	(55,560)	-	(136,663)
Writeback of allowance for impairment on other assets	-	928	-	-	-	-	-	-	928	-	-	928
Profit by segments	<u>186,266</u>	<u>1,664,452</u>	<u>206,666</u>	<u>243,147</u>	<u>29,637</u>	<u>275,966</u>	<u>5,946</u>	<u>133,407</u>	<u>2,745,487</u>	<u>271,946</u>	<u>-</u>	<u>3,017,433</u>
Reconciliation of segment profits to consolidated profits:												
Share of (loss) / profit after tax of equity accounted associated companies									(1,468)	3,860		2,392
Profit before tax expense and zakat									<u>2,744,019</u>	<u>275,806</u>		<u>3,019,825</u>
Cost income ratio	30.2%	32.0%	3.1%	5.2%	39.1%	23.2%	56.9%	60.5%	30.4%	41.1%		31.1%

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A23. Segment Information (continued)

Half Year Ended 30 June 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	48,272,869	161,533,537	29,989,373	-	440,300	65,600	2,188	-	240,303,867	18,502,718		258,806,585
Loan growth	4.0%	5.4%	6.2%	-	4.9%	9.1%	-3.9%	-	5.2%	10.8%		5.6%
Impaired loans, advances and financing	364,025	852,988	52,081	-	-	-	-	-	1,269,094	124,288		1,393,382
Impaired loan ratio	0.8%	0.5%	0.2%	-	-	-	-	-	0.5%	0.7%		0.5%
Deposits from customers	-	204,239,969	271,620	67,352,723	2,029,336	-	-	-	273,893,648	21,405,664		295,299,312
Deposit growth	-	5.6%	9.6%	7.3%	1.8%	-	-	-	6.0%	18.5%		6.8%
Segment assets	<u>47,947,015</u>	<u>210,959,646</u>	<u>29,934,208</u>	<u>85,719,471</u>	<u>3,733,465</u>	<u>429,334</u>	<u>446,272</u>	<u>34,397,143</u>	<u>413,566,554</u>	<u>27,490,711</u>	<u>(80,960,212)</u>	<u>360,097,053</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									23,763	146,905		170,668
Unallocated assets									1,182,680	-		1,182,680
Intangible assets									769,251	1,412,269		2,181,520
Total assets									<u>415,542,248</u>	<u>29,049,885</u>		<u>363,631,921</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 that require disclosure or adjustments to the unaudited interim financial statements.

A25. Changes in the Composition of the Group

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

On 15 July 2014, the Bank entered into a conditional equity capital transfer agreement 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. 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, the acquisition was completed on 1 April 2016 and VPB became a wholly-owned subsidiary company of the Bank, and was renamed as Public Bank Vietnam Limited ("PBVN").

The fair values of the identifiable net assets of PBVN and the goodwill and intangible assets arising from the acquisition as at the date of acquisition are as follows:

	RM'000 *
Net assets of PBVN	316,091
Less: 50% equity interests held prior to the acquisition	(158,045)
Net assets acquired	158,046
Add: Fair valuation of core deposits intangible	23,193
Fair value of net assets acquired	181,239
Goodwill on acquisition	117,503
Total cash and short-term funds paid on acquisition	298,742
Less: Cash and short-term funds of subsidiary company acquired	(830,271)
Net cash inflow on acquisition	(531,529)

Goodwill and Intangible Assets Recognised

Core deposits intangible	
- Arising from acquisition	23,193
- Arising from fair valuation of previously held 50% equity interests	23,192
	46,385
Goodwill on acquisition	117,503
Total goodwill and intangible assets recognised	163,888

* Fair values converted based on the exchange rate of 3.90 as at date of acquisition.

The revenue and profit contribution by PBVN to the Group since the acquisition date which are included in the consolidated statement of profit or loss are immaterial. Had PBVN been consolidated from the beginning of the year, the increase in revenue and profit to the Group would also be immaterial.

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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 of the Bank are as follows:

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Contingent liabilities				
Direct credit substitutes	1,348,211	1,421,426	1,248,972	1,215,305
Transaction-related contingent items	1,618,925	1,550,912	1,381,828	1,350,813
Short term self-liquidating trade-related contingencies	411,360	398,504	141,266	153,589
	3,378,496	3,370,842	2,772,066	2,719,707
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	27,626,096	29,423,236	22,134,575	24,777,773
- not exceeding one year	23,200,985	24,131,630	20,329,232	20,985,806
Unutilised credit card lines	5,838,064	5,182,818	5,649,882	5,054,881
Forward asset purchases	1,342,719	875,923	1,096,877	875,084
	58,007,864	59,613,607	49,210,566	51,693,544
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	29,725,375	27,931,563	29,169,264	26,632,334
- one year to less than five years	1,813,987	3,017,152	1,813,987	3,017,152
Interest / Profit rate related contracts:				
- less than one year	2,460,050	1,559,400	2,260,050	1,559,400
- one year to less than five years	11,467,238	11,571,310	12,295,825	12,272,400
- five years and above	514,062	469,226	2,720,000	2,720,000
Commodity related contracts:				
- less than one year	2,823	169	2,823	169
	45,983,535	44,548,820	48,261,949	46,201,455
	107,369,895	107,533,269	100,244,581	100,614,706

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A27. Derivative Financial Instruments

Details of derivative financial instruments outstanding as at 30 June 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 30 June 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	1,645,748	1,274	-	1,647,022	8,919	28	-	8,947	27,211	1	-	27,212
- Swaps	26,527,187	-	-	26,527,187	174,781	-	-	174,781	311,967	-	-	311,967
- Options	142,553	-	-	142,553	210	-	-	210	210	-	-	210
Precious metal contracts												
- Forwards	2,823	-	-	2,823	4	-	-	4	-	-	-	-
	28,318,311	1,274	-	28,319,585	183,914	28	-	183,942	339,388	1	-	339,389
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,505,650	4,600,000	1,603,475	7,709,125	6,739	46,634	25,744	79,117	-	-	29,265	29,265
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	1,409,887	1,409,888	402,825	3,222,600	-	-	-	-	352,366	315,860	16,649	684,875
Interest / Profit rate related contracts												
- Swaps	954,400	2,970,000	2,807,825	6,732,225	2,707	4,373	2,403	9,483	-	6,457	25,172	31,629
	3,869,937	8,979,888	4,814,125	17,663,950	9,446	51,007	28,147	88,600	352,366	322,317	71,086	745,769
Total	32,188,248	8,981,162	4,814,125	45,983,535	193,360	51,035	28,147	272,542	691,754	322,318	71,086	1,085,158

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 June 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 30 June 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 30 June 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	1,564,017	1,274	-	1,565,291	8,730	28	-	8,758	27,016	1	-	27,017
- Swaps	26,052,807	-	-	26,052,807	170,471	-	-	170,471	309,731	-	-	309,731
- Options	142,553	-	-	142,553	210	-	-	210	210	-	-	210
Precious metal contracts												
- Forwards	2,823	-	-	2,823	4	-	-	4	-	-	-	-
	<u>27,762,200</u>	<u>1,274</u>	<u>-</u>	<u>27,763,474</u>	<u>179,415</u>	<u>28</u>	<u>-</u>	<u>179,443</u>	<u>336,957</u>	<u>1</u>	<u>-</u>	<u>336,958</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	1,505,650	4,600,000	1,108,000	7,213,650	6,739	46,634	25,744	79,117	-	-	-	-
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	1,409,887	1,409,888	402,825	3,222,600	-	-	-	-	352,366	315,860	16,649	684,875
Interest rate related contracts												
- Swaps	754,400	3,570,000	5,737,825	10,062,225	2,032	8,392	53,323	63,747	-	6,457	26,699	33,156
	<u>3,669,937</u>	<u>9,579,888</u>	<u>7,248,650</u>	<u>20,498,475</u>	<u>8,771</u>	<u>55,026</u>	<u>79,067</u>	<u>142,864</u>	<u>352,366</u>	<u>322,317</u>	<u>43,348</u>	<u>718,031</u>
Total	<u>31,432,137</u>	<u>9,581,162</u>	<u>7,248,650</u>	<u>48,261,949</u>	<u>188,186</u>	<u>55,054</u>	<u>79,067</u>	<u>322,307</u>	<u>689,323</u>	<u>322,318</u>	<u>43,348</u>	<u>1,054,989</u>

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A27. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding as at 30 June 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 30 June 2016, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM272,542,000 (2015: RM688,086,000) and RM322,307,000 (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 30 June 2016, the Group and the Bank had posted cash collateral of RM762,057,000 (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 of 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
30 June 2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	644,292	-	644,292
- Money market instruments	-	498,183	-	498,183
- Non-money market instruments	-	98,062	-	98,062
	-	<u>1,240,537</u>	-	<u>1,240,537</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	15,303,251	-	15,303,251
- Money market instruments	-	10,748,608	-	10,748,608
- Non-money market instruments #	793,155	4,191,198	-	4,984,353
	<u>793,155</u>	<u>30,243,057</u>	-	<u>31,036,212</u>
Derivative financial assets	-	272,542	-	272,542
Total financial assets measured at fair value	<u>793,155</u>	<u>31,756,136</u>	-	<u>32,549,291</u>
Non-financial assets				
Investment properties	-	-	537,118	537,118
Financial liabilities				
Derivative financial liabilities	-	1,085,158	-	1,085,158
Total financial liabilities measured at fair value	-	<u>1,085,158</u>	-	<u>1,085,158</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 RM116,656,000 (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
30 June 2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	623,548	-	623,548
- Non-money market instruments	-	20,224	-	20,224
	-	643,772	-	643,772
Financial investments available-for-sale				
- Government securities and treasury bills	-	10,026,703	-	10,026,703
- Money market instruments	-	9,966,337	-	9,966,337
- Non-money market instruments #	664,376	1,968,046	-	2,632,422
	664,376	21,961,086	-	22,625,462
Derivative financial assets	-	322,307	-	322,307
Total financial assets measured at fair value	664,376	22,927,165	-	23,591,541
Financial liabilities				
Derivative financial liabilities	-	1,054,989	-	1,054,989
Total financial liabilities measured at fair value	-	1,054,989	-	1,054,989

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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
	-	<u>1,442,617</u>	-	<u>1,442,617</u>
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
	<u>1,036,630</u>	<u>21,935,330</u>	-	<u>22,971,960</u>
Derivative financial assets	-	677,630	-	677,630
Total financial assets measured at fair value	<u>1,036,630</u>	<u>24,055,577</u>	-	<u>25,092,207</u>
Financial liabilities				
Derivative financial liabilities	-	1,045,621	-	1,045,621
Total financial liabilities measured at fair value	-	<u>1,045,621</u>	-	<u>1,045,621</u>

Excluding the carrying amount of equity securities - unquoted shares held by the Bank of RM112,018,000 (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 period (2015: 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	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
<u>Before deducting interim dividends *</u>				
Common equity Tier I ("CET I") capital ratio	11.459%	11.401%	11.426%	12.184%
Tier I capital ratio	12.432%	12.565%	12.583%	13.588%
Total capital ratio	<u>15.787%</u>	<u>15.987%</u>	<u>15.090%</u>	<u>15.919%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	11.051%	10.886%	10.930%	11.549%
Tier I capital ratio	12.024%	12.049%	12.087%	12.953%
Total capital ratio	<u>15.379%</u>	<u>15.471%</u>	<u>14.594%</u>	<u>15.284%</u>

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

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 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	5,767,685	5,808,689	5,114,539	5,121,669
Retained profits	15,245,715	14,262,317	12,823,986	11,984,176
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Qualifying non-controlling interests	670,184	706,192	-	-
Less: Goodwill and other intangible assets	(2,440,958)	(2,375,915)	(695,393)	(695,393)
Less: Deferred tax assets, net	(67,245)	(65,666)	-	-
Less: Defined benefit pension fund assets	(203,329)	(217,995)	(200,680)	(215,151)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(24,576)</u>	<u>(56,902)</u>	<u>(3,191,665)</u>	<u>(1,775,915)</u>
Total CET I capital	28,215,792	27,329,036	23,119,103	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	57,324	59,175	-	-
Total Tier I capital	<u>30,612,876</u>	<u>30,117,931</u>	<u>25,458,863</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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	2,828,464	2,761,020	2,327,588	2,247,354
Subordinated notes / sukuk murabahah				
- meeting all relevant criteria	2,448,827	2,448,606	1,949,582	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	76,432	78,900	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	(16,384)	(85,353)	(2,127,776)	(2,663,872)
Total Tier II capital	8,261,139	8,202,379	5,073,194	4,532,177
Total capital	38,874,015	38,320,310	30,532,057	30,949,599

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM518,284,000 (2015: RM560,411,000) and RM361,506,000 (2015: RM399,886,000) respectively.

Includes the qualifying regulatory reserves for non-impaired loans of the Group and of the Bank of RM1,853,902,000 (2015: RM1,810,794,000) and RM1,710,657,000 (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:

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

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the 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	Public Bank Vietnam Limited⁶
30 June 2016							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	11.340%	29.943%	N/A	14.184%	25.369%	N/A	N/A
Tier I capital ratio	11.340%	29.943%	22.406%	14.184%	25.369%	N/A	N/A
Total capital ratio	13.948%	30.225%	22.429%	15.328%	26.369%	19.547%	50.178%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	11.340%	29.943%	N/A	14.184%	23.240%	N/A	N/A
Tier I capital ratio	11.340%	29.943%	22.406%	14.184%	23.240%	N/A	N/A
Total capital ratio	13.948%	30.225%	22.429%	15.328%	24.241%	19.547%	50.178%
31 December 2015							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	10.771%	32.496%	N/A	14.306%	25.476%	N/A	N/A
Tier I capital ratio	10.771%	32.496%	25.121%	14.306%	25.476%	N/A	N/A
Total capital ratio	13.481%	32.941%	25.148%	15.483%	26.473%	20.214%	N/A
<u>After deducting interim dividends: *</u>							
CET I capital ratio	10.771%	30.416%	N/A	14.306%	23.143%	N/A	N/A
Tier I capital ratio	10.771%	30.416%	25.121%	14.306%	23.143%	N/A	N/A
Total capital ratio	13.481%	30.861%	25.148%	15.483%	24.140%	20.214%	N/A

* 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 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 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 ("Campu Bank"), 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 Campu Bank'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)

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

⁶ The amount presented here is the Capital Adequacy Ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with SBV Circular No.36/2014/TT-NHNN issued by the State Bank of Vietnam. This ratio is derived as PBVN's capital divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory capital adequacy ratio requirement is 9.0%.

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

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Credit risk	226,277,146	220,881,570	186,207,040	179,788,298
Market risk	3,109,184	2,500,503	4,658,327	3,714,333
Operational risk	16,852,369	16,321,153	11,464,960	10,911,444
	246,238,699	239,703,226	202,330,327	194,414,075

A30. Credit Exposures Arising From Credit Transactions With Connected Parties

	Group		Bank	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Outstanding credit exposures with connected parties (RM'000)	1,867,755	1,723,740	2,761,330	2,652,325
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.60%	0.62%	1.10%	1.08%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.03%	0.01%	0.02%	0.01%

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

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A31. Operations of Islamic Banking

A31a. Statement of Financial Position As At 30 June 2016

	Note	Group	
		30 June 2016 RM'000	31 December 2015 RM'000
ASSETS			
Cash and balances with banks		4,443,858	3,225,149
Financial assets held-for-trading		508,461	1,588,380
Derivative financial assets		4,403	56,019
Financial investments available-for-sale		4,959,932	4,780,808
Financial investments held-to-maturity		2,923,508	2,741,792
Financing and advances	A31d	34,596,334	31,736,855
Other assets		95,378	82,895
Statutory deposits with Bank Negara Malaysia		1,330,700	1,423,800
Deferred tax assets		4,812	-
Collective investments		372,706	-
Investment in an associated company		20,000	20,000
Property and equipment		1,247	1,267
Total Assets		49,261,339	45,656,965
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	A31e	42,005,140	39,097,445
Deposits from banks		2,547,992	2,318,814
Bills and acceptances payable		845	849
Recourse obligations on financing sold to Cagamas		500,016	500,016
Derivative financial liabilities		57,140	1,636
Subordinated Sukuk Murabahah		499,245	499,117
Other liabilities		220,393	212,673
Provision for zakat and taxation		63,796	40,680
Deferred tax liabilities		-	22,029
Total Liabilities		45,894,567	42,693,259
Islamic Banking Funds		3,366,772	2,963,706
Total Liabilities and Islamic Banking Funds		49,261,339	45,656,965
COMMITMENTS AND CONTINGENCIES		11,071,015	10,194,763

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A31b. Statement of Profit or Loss for the 2nd Quarter and Financial Half Year Ended 30 June 2016

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Group				
Income derived from investment of depositors' funds and others	528,659	457,479	1,032,635	875,337
Income derived from investment of Islamic Banking Funds	41,720	32,136	83,599	63,863
Allowance for impairment on financing and advances	(27,512)	(21,420)	(40,545)	(43,680)
Writeback of impairment / (Impairment) on other assets	20	(6)	(14)	(12)
Profit Equalisation Reserve	(33)	(5)	(71)	(23)
Total distributable income	542,854	468,184	1,075,604	895,485
Income attributable to depositors and others	(334,403)	(280,715)	(651,181)	(525,915)
Total net income	208,451	187,469	424,423	369,570
Other overheads and expenditures	(90,348)	(77,110)	(178,681)	(146,065)
Profit before zakat and taxation	118,103	110,359	245,742	223,505
Zakat	(52)	(55)	(105)	(110)
Taxation	(27,057)	(25,542)	(57,549)	(53,671)
Profit for the period	90,994	84,762	188,088	169,724

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

	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of depositors' funds and others	528,659	457,479	1,032,635	875,337
Income derived from investment of Islamic Banking Funds	41,720	32,136	83,599	63,863
Income attributable to depositors and others	(334,403)	(280,715)	(651,181)	(525,915)
Profit Equalisation Reserve	(33)	(5)	(71)	(23)
Elimination of dividends from collective investment	(2,825)	-	(4,377)	-
Net income from Islamic banking business	233,118	208,895	460,605	413,262

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A31c. Statement of Profit or Loss and Other Comprehensive Income for the 2nd Quarter and Financial Half Year Ended 30 June 2016

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

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A31d. Financing and Advances

	Group	
	30 June	31 December
	2016	2015
	RM'000	RM'000
At amortised cost		
Bai' Bithaman Ajil	9,849,669	9,650,943
Ijarah Thumma Al-Bai'	12,073,706	12,050,347
Bai' Inah	1,968,320	2,037,228
Musharakah Mutanaqisah	10,911,790	8,231,267
Murabahah	103,353	77,355
Ujrah	8,147	5,610
Gross financing and advances	34,914,985	32,052,750
Allowance for impairment on financing and advances:		
- collective assessment allowance	(318,651)	(315,895)
Net financing and advances	34,596,334	31,736,855

Movements in impaired financing and advances are as follows:

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

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A31e. Deposits from Customers

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

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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 financial half year ended 30 June 2016 of RM3,203.1 million was RM183.3 million or 6.1% higher than the previous corresponding half year of RM3,019.8 million. Net profit attributable to equity holders improved by RM117.6 million or 5.0% to RM2,485.9 million. The improved earnings was mainly due to higher net interest income of RM290.5 million (9.4%) and higher income from Islamic banking business of RM47.3 million (11.5%). These were partially offset by higher other operating expenses of RM166.3 million (11.7%) 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 growth coupled with sustained strong asset quality. Gross loans grew by RM24.7 billion or 9.5% over the last 12 months to RM283.5 billion as at 30 June 2016 as compared to RM258.8 billion as at 30 June 2015, mainly driven by growth in property financing and lending to small and medium enterprises ("SMEs") as well as corporate lending. Despite the current challenging operating environment, the Group's impaired loan ratio remained stable at 0.5% as at 30 June 2016, and the Group's credit cost was well sustained at a low and stable level of 0.1% of average gross loans outstanding. This was attributed to the Group's continued prudent credit practices and proactive recovery processes.

The performance of the respective operating business segments for the financial half year ended 30 June 2016 as compared to the previous corresponding half year is analysed as follows:-

- 1) Retail Operations – Pre-tax profit increased by RM22.7 million (1.4%) to RM1,687.1 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 increased by RM9.4 million (5.0%) to RM195.6 million mainly due to lower loan impairment allowances partially offset by lower net interest income as a result of declining net interest margin.
- 3) Corporate lending – Pre-tax profit increased by RM34.1 million (16.5%) to RM240.8 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 RM58.6 million (24.1%) to RM301.7 million was mainly due to higher net interest income on treasury gapping, funding and liquidity management activities and higher income from foreign exchange business.
- 5) Investment banking – Pre-tax profit decreased by RM2.3 million (-7.6%) to RM27.4 million mainly due to lower net interest income and lower brokerage income from stock-broking activities partially offset by writeback of loan impairment allowances in the current period.
- 6) Fund management – Pre-tax profit decreased by RM7.8 million (-2.8%) to RM268.1 million mainly due to lower fee income from sale of trust units and lower interest income, partially offset by higher management fee earned on higher average net asset value of funds under management.
- 7) Overseas operations – Pre-tax profit increased by RM25.6 million (9.3%) to RM301.4 million mainly due to favourable foreign exchange differences, higher pre-tax profit from Cambodian Public Bank Plc as well as contribution from the newly acquired Public Bank Vietnam Limited.

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B1. Performance Review (continued)

b) Current Quarter vs. Previous Year Corresponding Quarter

For the 2nd quarter ended 30 June 2016, the Group registered a pre-tax profit of RM1,551.5 million, a marginal improvement of RM20.4 million or 1.3% as compared to the previous corresponding quarter. Net profit attributable to equity holders grew by 5.0% or RM59.3 million over the same period to RM1,256.2 million. The improved earnings was mainly due to higher net interest income and income from Islamic banking business which were partially offset by higher other operating expenses and lower other operating income.

Performance of the respective operating business segments for the 2nd quarter ended 30 June 2016 as compared to the previous corresponding quarter is analysed as follows:-

- 1) Retail operations – Pre-tax profit increased marginally by RM6.4 million (0.8%) to RM853.1 million mainly due to higher net interest income and higher fee income, partially offset by higher other operating expenses and lower writeback of loan impairment allowances.
- 2) Hire purchase – Pre-tax profit increased by RM11.7 million (12.9%) to RM103.1 million, mainly due to lower loan impairment allowances.
- 3) Corporate lending – Pre-tax profit increased by RM16.6 million (15.8%) to RM121.6 million, mainly due to higher net interest income on higher average loan balances.
- 4) Treasury and capital market operations – Pre-tax profit increased by RM8.5 million (7.5%) to RM121.6 million, mainly due to higher income from foreign exchange business partially offset by lower interest margin earned on treasury gapping activities.
- 5) Investment banking – Pre-tax profit decreased by RM3.4 million (-21.0%) to RM12.8 million mainly due to lower brokerage income from stock-broking activities.
- 6) Fund management business – Pre-tax profit decreased by RM8.1 million (-5.8%) to RM132.2 million, due to lower fee income from sale of trust units and lower interest income, partially offset by higher management fee earned on higher average net asset value of funds under management.
- 8) Overseas Operations – Pre-tax profit increased marginally by RM0.8 million (0.5%) to RM145.1 million.

B2. Variation of Results Against Preceding Quarter

For the 2nd quarter ended 30 June 2016, the Group registered a pre-tax profit of RM1,551.5 million, a decrease of RM100.0 million or 6.1% as compared to the pre-tax profit of RM1,651.6 million for the preceding quarter ended 31 March 2016. The decrease in pre-tax profit was mainly due to lower investment and foreign exchange income and higher other operating expenses, partially offset by higher net interest income. Net profit attributable to equity holders has however increased by RM26.4 million or 2.1% over the same period.

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B3. Prospects for 2016

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

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

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

The Public Bank Group will continue to 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.

The Public Bank Group remains committed to sustain its leading market position in the consumer lending segment for property purchases and vehicle hire purchase business. The Group will 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.

In view of the 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 while complying 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.

To remain competitive and achieve higher penetration into the bancassurance industry, the Public Bank 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.

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B3. Prospects for 2016 (continued)

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 2nd quarter and financial half year ended 30 June 2016 are as follows:

	2nd Quarter Ended		Half Year Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	243,930	297,181	629,290	575,394
Overseas income tax	27,260	23,436	56,258	47,185
	271,190	320,617	685,548	622,579
(Over) / Under provision in prior years				
- Malaysian income tax	-	(107)	(6)	(386)
- Overseas income tax	728	-	1,020	53
	271,918	320,510	686,562	622,246
Deferred tax expense				
- Relating to changes in tax rate	-	813	661	1,229
- Relating to origination and reversal of temporary differences	8,959	(3,132)	99	(861)
- Over provision	-	-	-	(2)
Tax expense	280,877	318,191	687,322	622,612
Zakat	52	55	105	110
	280,929	318,246	687,427	622,722

The Group's effective tax rates for the 2nd quarter and financial half year ended 30 June 2016 and 30 June 2015 were 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>	2nd Quarter Ended		Half Year Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Malaysian income tax	230,523	258,360	582,039	485,191
Overseas income tax	1,989	1,838	5,892	6,338
	232,512	260,198	587,931	491,529
Under provision in prior years				
- Malaysian income tax	-	(107)	-	(107)
- Overseas income tax	-	-	292	53
	232,512	260,091	588,223	491,475
Deferred tax expense				
- Relating to changes in tax rate	-	139	643	329
- Relating to origination and reversal of temporary differences	7,148	(3,211)	(2,249)	(900)
- Over provision	-	-	-	(2)
	239,660	257,019	586,617	490,902

The Bank's effective tax rate for the 2nd quarter and financial half year ended 30 June 2016 and 30 June 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

There were no corporate proposals announced but not completed as at 30 June 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	
	30 June 2016 RM'000	31 December 2015 RM'000
Total retained profits of Public Bank Berhad and its subsidiaries:		
- Realised	15,507,360	14,201,466
- Unrealised	242,976	242,624
	15,750,336	14,444,090
Total share of retained (losses) / profits from associated companies:		
- Realised	(12,947)	8,061
- Unrealised	-	-
	15,737,389	14,452,151
Less: Consolidation adjustments	(379,152)	(189,834)
Total Group retained profits as per consolidated accounts	15,358,237	14,262,317
	Bank	
	30 June 2016 RM'000	31 December 2015 RM'000
Total retained profits of Public Bank Berhad:		
- Realised	12,851,372	12,009,415
- Unrealised	28,767	30,914
Total Bank retained profits as per accounts	12,880,139	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	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
(a) <u>Deposits from customers</u>				
- Fixed deposits				
One year or less	176,640,892	172,062,925	137,128,146	130,116,204
More than one year	285,137	152,353	188,716	140,686
- Negotiable instruments of deposits				
One year or less	-	974,136	-	-
- Money market deposits				
One year or less	60,829,468	54,936,458	51,919,074	49,510,402
- Savings deposits	30,504,241	29,940,233	20,887,642	20,212,244
- Demand deposits	43,168,166	43,015,925	36,316,497	36,411,051
- Others	107,163	75,059	95,157	69,571
	<u>311,535,067</u>	<u>301,157,089</u>	<u>246,535,232</u>	<u>236,460,158</u>
(b) <u>Deposits from banks</u>				
- One year or less	<u>13,077,955</u>	<u>9,969,521</u>	<u>13,438,132</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>565,531</u>	<u>602,614</u>	<u>-</u>	<u>-</u>
Senior Medium Term notes denominated in RM (unsecured)				
- More than one year	<u>2,408,250</u>	<u>1,399,432</u>	<u>2,408,250</u>	<u>1,399,432</u>
Subordinated notes / sukuk murabahah denominated in RM (unsecured)				
- More than one year	<u>5,458,818</u>	<u>5,451,922</u>	<u>4,959,573</u>	<u>4,952,805</u>
Innovative Tier I capital securities denominated in USD (unsecured)				
- More than one year	<u>811,005</u>	<u>884,379</u>	<u>811,005</u>	<u>884,379</u>
Innovative Tier I capital securities denominated in RM (unsecured)				
- More than one year	<u>1,202,985</u>	<u>1,205,586</u>	<u>1,202,985</u>	<u>1,205,586</u>
	<u>2,013,990</u>	<u>2,089,965</u>	<u>2,013,990</u>	<u>2,089,965</u>
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	<u>2,139,866</u>	<u>2,122,947</u>	<u>2,139,866</u>	<u>2,122,947</u>
	<u>12,586,455</u>	<u>11,666,880</u>	<u>11,521,679</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

(a) (i) A first interim dividend of 26% for the financial year ending 31 December 2016, amounting to RM1,003,988,451 computed based on the outstanding issued and paid-up share capital excluding treasury shares as at 30 June 2016, has been declared by the directors.

(ii) Amount per share: 26.0 sen

(iii) Entitlement date: 12 August 2016

(iv) Payment date: 22 August 2016

(b) Total dividend paid for the previous financial half year ended 30 June 2015:
- First interim dividend of 24.0 sen.

B12. Earnings Per Share

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
Net profit attributable to equity holders (RM'000)	<u>1,256,153</u>	<u>1,196,810</u>	<u>2,485,943</u>	<u>2,368,329</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>32.5</u>	<u>31.0</u>	<u>64.4</u>	<u>61.3</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.